FINANCIAL STATEMENTS
1 Jan-31 Dec 2007
Uponor Corporation

CONTENTS

REVIEW BY THE BOARD OF DIRECTORS

Overview

Uponor experienced robust development in 2007. Its strategic development programmes proceeded according to plan, and the company reinforced its structures, operations and strategies. Furthermore, in 2007 Uponor achieved its best result yet, with its operating profit increasing to EUR 151 million.

The 2007 market developments proved historical for two reasons. First, never before has the company experienced such a drop from a boom phase of the economic cycle as between the spring and autumn of 2007. The second surprise was the speed at which trouble spread from the North American housing and financial markets across Europe, weakening the prospects of housing solutions in many of Uponor's key markets, such as Germany, Spain, the UK and Italy.

Housing solutions markets remained largely buoyant in the Nordic countries, Eastern Europe and Central Europe outside Germany. Public and commercial construction made encouraging progress in all of Uponor's geographic markets, as did the infrastructure segment in the Nordic countries and in the UK and Ireland, where Uponor has infrastructure operations.

Net sales

Uponor's net sales increased to EUR 1,219.3m (2006: EUR 1,157.0m) in 2007, a rise of 5.4 per cent year on year. When these figures are adjusted for the structural changes in 2006, organic growth stands at 6.2 per cent. In addition to that, the effect of exchange rates is 1.4 percentage points.

Reported operating profit grew most solidly in Europe – West, East, South, where the company could capitalise on market growth and the opportunities offered by new operations. Stimulated by infrastructure sales, net sales grew in the Nordic region, while the housing solutions targets were not reached, due to year-end delivery problems. Because of the difficult market situation, North American net sales lagged behind the year-on-year figures measured in euros, but slight growth was achieved when measured in the local currency.

Net sales by region for 1 Jan.–31 Dec. 2007:

EUR million	2007 1-12	2006 1-12	Reported change, %
Central Europe	351.3	345.1	+1.8
Nordic	397.7	377.8	+5.2
Europe – West, East, South	445.4	387.9	+14.8
North America	169.2	183.0	-7.5
(North America, USD	233.1	230.9	+1.0)
Eliminations	-144.3	-136.8	
Total	1,219.3	1,157.0	+5.4

Uponor's net sales by secondary segment increased to EUR 839.9m (EUR 804.4m) in housing solutions, representing 68.9 (69.5) per cent of total net sales, with growth at 4.4 (15.3) per cent. Net sales for infrastructure solutions amounted to EUR 379.4m (EUR 352.6m), with adjusted organic growth at 10.2 (11.3) per cent.

The largest geographical markets and their share of consolidated net sales were as follows: Great Britain 12.8% (11.2), USA 11.7% (14.0), Germany 11.7% (13.9), Spain 9.8% (8.1), Finland 9.5% (9.1), Sweden 7.6% (7.4) and Denmark 5.6% (6.3).

Results

Uponor's consolidated operating profit came to EUR 151.0m (EUR 143.7m), accounting for 12.4 per cent (12.4) of net sales. Like-for-like organic growth in operating profit improved by 6.2 (14.6) per cent year on year. This growth was mainly due to leverage from increased sales in Europe – West, East, South, increases in sales prices, although they failed to fully absorb rises in raw material prices, and the streamlining efforts carried out, particularly in North America. Operating profit was affected by expenditure on the development of the company's operations, such as the modernisation of the ERP system, which exceeded the target expenditure level during the second half of the year. In addition, North America was burdened by non-recurring expenses due to product liability compensation.

Operating profit by region for 1 Jan. – 31 Dec. 2007:

EUR million	2007 1-12	2006 1-12	Reported change, %
Central Europe	41.1	49.3	-16.7
Nordic	49.7	56.6	-12.1
Europe – West, East, South	57.5	38.2	+50.3
North America	16.6	14.5	+14.7
(North America, USD	22.9	18.3	+25.1)
Others, EUR	-13.2	-12.0	
Eliminations	-0.7	-2.9	
Total	151.0	143.7	+5.1

Consolidated profit before taxes increased by 5.0 per cent, to EUR 148.5m (EUR 141.5m). At a tax rate of 31.4 (31.8) per cent, income tax totalled EUR 46.6m (EUR 45.0m). Profit for the financial year totalled EUR 101.9m (EUR 96.5m).

Consolidated net financial expenses remained at the same level at EUR 2.5m (EUR 2.2m), despite higher interest rates.

Return on equity increased to 30.1 (25.3) per cent and return on investment to 39.2 (35.8) per cent.

Earnings per share stood at EUR 1.39 (1.32), and equity per share at EUR 4.55 (EUR 4.71).

Cash flow from operations was EUR 93.8m (EUR 147.3m), EUR 53.5m below the 2006 level. This was mainly due to larger inventories, created to secure deliveries but failing to achieve the planned turnover following a decline in demand. Further, accounts payable were reduced as a result of curtailed production in response to falling demand towards the end of the year.

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

Investments, research and development, and financing

Significant investments were made to increase production capacity in Apple Valley, US, and to expand the composite pipe production in Germany. Consistent with the high-rise growth strategy, a new Uponor Academy training centre was erected in Germany to provide training opportunities for this market segment. Further, investments were made to continue the European ERP programme according to planned.

Gross investments totalled EUR 58.1m (EUR 54.2m), up by EUR 3.9m year on year. Net investments totalled EUR 53.1m (EUR 47.4m).

R&D expenditure, allocated in line with the Group strategy, showed a slight increase, totalling EUR 19.7m (EUR 16.5m), accounting for 1.6 (1.4) per cent of net sales.

Net interest-bearing liabilities increased to EUR 84.5m (EUR 21.7m). The solvency ratio was 50.2 (53.6) per cent and gearing came to 25.4 (6.3) per cent. The average quarterly gearing was 43.9, compared to the range of 30–70 set in the company's financial targets.

Uponor increased its domestic commercial paper programme, signed in 2000, from EUR 100m to EUR 150m.

Key events

Uponor launched a number of new or modernised products in 2007. Its development of underfloor heating systems continued briskly and, in Central Europe, Uponor launched a self-adhesive underfloor heating system, making installation simpler and faster. A wireless control system for underfloor heating was launched in Central Europe at the end of 2006 and in the Nordic region during 2007. In Spain, Uponor signed a partnership agreement with a local company involved in solar energy development in order to promote its sales in underfloor heating and cooling systems.

In the UK, Uponor won a major contract to deliver composite plumbing systems for 8,000 households to be overhauled in the near future. In all regional organisations, Uponor signed several high-rise and cooling project contracts, which support its strategic focus areas.

In line with Uponor's growth strategy, operations were expanded and new sites opened in Russia, the Baltic and elsewhere in eastern Europe. Uponor continued to place a heavy emphasis on training, completing the construction of the company's 18th training centre, located in north-western Germany, at the end of 2007. Representing a new generation of control technology and thinking, the centre offers training to the engineers and architects of the high-rise segment in particular. Other training centres were also opened.

The launch of the ERP system continued into the Nordic region when the housing solutions sites in Sweden, Denmark and Norway transferred to the new system by the end of 2007.

In the infrastructure segment, Uponor renewed the three-year contract with Wales and West Utilities, UK. Sales of a sewer pipe that withstands high cleaning pressure were initiated in the UK. Uponor's commitment to environmentally-friendly solutions was recognised, when the recycling system initiated by Uponor in the UK received two environmental awards. In Denmark, Uponor renewed its contract to deliver telecommunications pipe systems to TDC. Valued at around EUR 10m, the contract will continue until the end of 2009. In December, Uponor announced a plan to concentrate all of its Irish infrastructure production in the company's production plant in Northern Ireland. Streamlining the production network forms part of Uponor's programme to enhance the efficiency of its operations and its supply chain. Uponor signed a contract to sell its Cork plant to an Irish company in the final quarter of 2008. When completed, this sale will generate a profit of around EUR 18m before taxes.

Uponor was one of the main partners of the Clima 2007 scientific conference, held in June in Helsinki. The conference programme focused on building and housing technology, offering Uponor a chance to network with the leading international experts and scientists in the field.

Personnel

The Group had a staff of 4,743 (2006: 4,390, 2005: 4,302) at the end of the year. As full-time equivalents, the number of employees stood at 4,581 (2006: 4,325, 2005: 4,126) at year-end, the annual average number being 4,497 (2006: 4,260, 2005: 4,169). The number of employees grew, particularly in Europe – West, East, South, where operations expanded both in volume and geographically, and in North America, where new skills and competencies were recruited.

The geographical breakdown of personnel was as follows: Germany 1,247 (27.2%), Sweden 673 (14.7%), Finland 527 (11.5%), Great Britain 525 (11.5%), USA 449 (9.8%), Spain 322 (7.0%) and other countries 838 (18.3%).

A total of EUR 183.2m (2006: 181.3m, 2005: 164.4) was paid in wages and other remunerations during the financial period.

In October, Uponor's Board of Directors appointed two new members to the company's Executive Committee: Heiko Folgmann, 39, Head of East European and International Business Operations, and Fernando Roses, 36, Head of Operations in Southern and Western Europe.

Risks associated with business

Strategic risks
Uponor's business is concentrated in Europe and North America, where exposure to political risks is low. Since Uponor's net sales are divided among a large number of customers, the majority of which are distributors (wholesalers), the end market demand for the company's products is distributed across a wide customer base. The largest single customer generates less than 10 per cent of Uponor's net sales.

With respect to component and raw material suppliers, Uponor aims to use supplies and raw materials available at several suppliers. Any sole supplier used must have at least two production plants manufacturing goods used by Uponor.

Operational risks
The prices of raw materials used in the manufacture of plastic pipe systems are susceptible to other petrochemical product price fluctuations. In recent years, Uponor has been capable of passing the effects of such fluctuations onto its selling prices with a reasonable delay, in such a way that this has not resulted in any major income losses.

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

Financial risks
Since Uponor has strengthened its balance sheet in the last few years, financial risks play a considerably smaller role in the company’s risk management. Consequently, the translation risk is the most significant currency risk, reflected in translating non-euro area results into the euro.

In addition to the euro, the main invoicing currencies are the US dollar, the pound sterling and the Swedish krona. Last year, one third of Uponor's net sales was generated in these currencies. Costs arising from the Group's own production in the US, the UK and Sweden balance the open risk positions denominated in the said currencies.

Hazard risks
Uponor runs 17 production plants in 9 countries, and products manufactured in these plants generate a major proportion of the company’s net sales. Uponor co-ordinates indemnity and business interruption insurance at Group-level on a centralised basis, in order to achieve extensive insurance coverage neutralising financial damage caused by any risks associated with machine breakdowns, fire etc. Another major hazard risk is associated with product liability related to products manufactured and sold by Uponor. Product liability is also insured at Group level.

In Q3 2007, Uponor recognised a non-recurring expense of approximately EUR 3m in North America as the company decided to replace defective pipe fittings delivered by its subcontractor in around 700 apartments. Uponor is claiming damages from involved parties. The year 2007 saw no other materialised risks, pending litigation or other legal proceedings or measures by the authorities that could have had a material significance for the Group.

Administration and audit

The 2007 Annual General Meeting (AGM) of 15 March re-elected the following Board members for a term of one year: Anne-Christine Silfverstolpe Nordin, Jorma Eloranta, Pekka Paasikivi, Aimo Rajahalme and Rainer S. Simon, and elected Jari Paasikivi as a new member. Pekka Paasikivi was elected as Chairman and Aimo Rajahalme as Deputy Chairman of the Board. The AGM elected KPMG Oy Ab, Authorised Public Accountants, as the company’s auditor, with Sixten Nyman, Authorised Public Accountant, acting as the principal auditor.

Each member of the Board has invested EUR 200,000–300,000 in Uponor's shares in accordance with the announcement at the end of March. The purpose of the measure is to further strengthen the Board's identification with the shareholders' long-term objectives.

Share capital and shares

At the beginning of 2007, Uponor Corporation's share capital totalled EUR 146,446,888 and the number of shares stood at 73,223,444. The share capital did not change during the year, but the number of shares fell to 73,206,944, when a decision was made on 26 April 2007 to cancel 16,500 treasury shares held by the company.

On 24 May 2007, Uponor received a notification on a change in the holdings of Sampo Life Insurance Company, part of the Sampo Group. As a result of a share transaction concluded on 23 May 2007, the holdings of Sampo Life Insurance Company Ltd represent less than 5 per cent of the voting rights and share capital in Uponor Corporation, standing at 4.71 per cent.

On 13 September, Capital Research and Management Company and Capital Group International, Inc. issued notifications, according to which the holdings of Capital Research and Management Company represent over 5 per cent of the share capital and voting rights in Uponor Corporation, whereas the aggregate holdings of Capital Group Companies, Inc. and Capital Group International, Inc. and its subsidiaries have fallen below 5 per cent of the share capital and voting rights.

Further information on shares and shareholdings are reported in the financial statements.

Board authorisations
The AGM authorised the Board to decide on the buyback of the company's own shares, using distributable earnings from unrestricted equity. The number of shares to be bought back will be no more than 3,500,000 shares, representing approximately 4.8 per cent of the company's shares. The authorisation is valid for one year from the date of the AGM, and it has not been exercised until now.

Treasury shares
On 8 February, the Board agreed to transfer 71,500 treasury shares to seven members of the Executive Committee as authorised by the Extraordinary General Meeting of 27 October 2006. This transfer formed part of the share-based incentive plan announced on 6 May 2004. After the cancellation of the treasury shares in April, the company has no treasury shares left.

Management shareholding
The members of the Board of Directors, the CEO and his deputy, as well as corporations known to the company, in which they exercise control, held a total of 1,094,182 (458,515) Uponor shares on 31 December 2007. These shares accounted for 1.5 per cent of all company shares and total votes.

Share-based incentive programme
On 25 September 2007, Uponor Corporation's Board of Directors launched a long-term incentive scheme for members of the company's Executive Committee, following the closure of the previous scheme in 2006. To be eligible to participate in the scheme, an Executive Committee member must acquire a specific number of Uponor shares, as defined under the scheme, by the end of August 2008. Depending on the cumulative operating profit of Uponor during 2007–2011, and the number of shares acquired within the scheme, each Executive Committee member is eligible for being awarded Uponor shares in the spring of 2012. Until now, the members of the Executive Committee have not purchased any shares within the incentive programme.

Events after the financial year

Uponor's European ERP system was launched successfully in Spain and Portugal at the beginning of January.

Outlook for 2008

The short-term outlook for national economies and changes in construction and consumer demand is unclear, which makes forecasting business development difficult. Unstable financial markets, and especially market interest rate developments, will have an impact on construction activity levels during 2008, affecting e.g. the investment decisions of property developers and house builders.

According to public estimates published in November 2007, the European residential and commercial construction markets are expected to grow this year, although at a lower rate than in 2007. In the US, the housing market is generally expected to decline further. Assumptions for the infrastructure market, on the other hand, are to maintain a satisfactory performance in the Nordic region and the UK.

Supported by the company's geographic growth initiatives and the penetration of plastic pipe systems in existing and new applications as well as in new market segments, Uponor expects to grow its net sales organically in 2008. Uponor also expects to at least reach its 2007 operating profit level. Since the first half of 2007 proved exceptionally robust, Uponor expects its net sales and operating profit in the first half of 2008 to fall behind from the year-on-year results.

GROUP KEY FINANCIAL FIGURES

	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2003 FAS
Consolidated income statement (continuing operations), MEUR					
Net sales	1,219.3	1,157.0	1,031.4	1,026.9	1,021.0
Operating expenses	1,037.3	981.4	883.6	894.3	910.0
Depreciation and impairments	37.2	35.6	31.0	40.9	87.1
Other operating income	6.2	3.7	6.2	3.5	6.8
Operating profit	151.0	143.7	123.0	95.2	30.7
Financial income and expenses	-2.5	-2.2	-2.5	-5.9	-9.9
Profit before taxes	148.5	141.5	120.5	89.3	20.8
Profit for the period	101.9	96.5	82.7	63.8	1.6
Consolidated balance sheet, MEUR					
Fixed assets	270.3	263.7	267.5	282.9	373.1
Goodwill	70.2	70.2	70.2	70.2	75.9
Inventories	150.6	128.1	111.4	136.5	135.5
Cash and cash equivalent	6.3	12.4	48.9	29.5	16.9
Accounts receivable and other receivables	166.9	169.5	165.3	170.7	187.8
Shareholders' equity	333.0	344.4	418.4	397.0	470.0
Minority interest	-	-	-	-	0.9
Provisions	16.2	15.5	14.8	20.4	31.4
Non-current interest bearing liabilities	14.7	17.2	19.4	22.4	59.5
Current interest-bearing liabilities	76.1	16.9	2.6	40.7	41.5
Non-interest-bearing liabilities	224.3	249.9	208.1	209.3	185.9
Balance sheet total	664.3	643.9	663.3	689.8	789.2
Other key figures					
Operating profit (continuing operations), %	12.4	12.4	11.9	9.3	3.0
Profit before taxes (continuing operations), %	12.2	12.2	11.7	8.7	2.0
Return on Equity (ROE), %	30.1	25.3	20.3	21.7	0.3
Return on Investment (ROI), %	39.2	35.8	28.1	27.0	4.9
Solvency, %	50.2	53.6	63.2	57.7	59.8
Gearing, %	25.4	6.3	-6.4	8.5	17.8
Net interest-bearing liabilities, MEUR	84.5	21.7	-26.9	33.6	84.0
- % of net sales	6.9	1.9	-2.6	3.3	8.2
Change in net sales, %	5.4	12.2	0.4	0.6	-10.2
Exports from Finland, MEUR	42.3	36.7	30.0	22.7	20.4
Net sales of foreign subsidiaries, MEUR	1,103.1	1,051.1	929.0	959.1	900.9
Total net sales of foreign operations, MEUR	1,104.0	1,052.2	931.0	960.8	903.4
Share of foreign operations, %	90.5	90.9	90.3	89.6	88.5
Personnel at 31 December	4,581	4,325	4,126	4,475	4,803
Average no. of personnel	4,497	4,260	4,169	4,684	4,962
Investments, MEUR	58.1	54.2	49.0	37.8	36.7
- % of net sales	4.8	4.7	4.8	3.7	3.6

Years 2004 to 2007 are reported according to IFRS, while year 2003 is reported according to FAS.

SHARE-SPECIFIC KEY FIGURES

	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2003 FAS
Share capital, MEUR	146.4	146.4	148.8	149.6	75.4
Number of shares at 31 December, in thousands	73,207	73,223	74,383	74,820	74,834
Number of shares adjusted for share issue, in thousands					
- at end of year	73,207	73,135	73,135	74,295	74,086
- average	73,201	73,135	73,941	74,243	73,807
Shareholders' equity, MEUR	333.0	344.4	418.4	397.0	470.9
Share trading, MEUR	2,362.0	964.0	477.7	676.6	280.8
Share trading, in thousands	99,423	42,417	29,090	49,724	27,912
- of average number of shares, %	135.8	58.0	39.3	67.0	37.8
Market value of share capital, MEUR	1,260.6	2,076.6	1,338.9	1,029.5	935.4
Adjusted earnings per share (fully diluted), EUR	1.39	1.32	1.12	1.19	0.02
Equity per share, EUR	4.55	4.71	5.72	5.34	6.34
Dividend, MEUR	1) 102.5	102.5	166.0	52.0	106.9
Ordinary dividend per share, EUR	1) 1.40	1.15	0.90	0.70	1.00
Extra dividend per share, EUR		0.25	1.37		0.44
Dividend per share, total, EUR	1.40	1.40	2.27	0.70	1.44
Effective share yield, %	8.1	4.9	12.6	5.1	11.5
Dividend per earnings, %	100.7	106.1	202.7	58.8	7,200.0
P/E ratio	12.4	21.5	16.1	11.6	625.0
Issue-adjusted share prices, EUR					
- highest	31.45	29.35	19.78	15.00	13.01
- lowest	15.31	18.00	13.72	12.10	8.40
- average	23.76	22.73	16.39	13.61	10.06

The definitions of key ratios are shown on page 10.

Notes to the table:
1) Proposal of the Board of Directors

Figures reported for 2003 have been converted based on the bonus issue 2004.
The bonus issue was executed by issuing one bonus share for each existing share without consideration.
The average number of shares allows for the effect of treasury shares.

Share issues	2007	2006	2005	2004	2003
Directed issues, MEUR	-	-	-	1.1	-
- issue premium	-	-	-	8.0	-
Subscription price, EUR	-	-	-	8.3	-

Years 2004 to 2007 are reported according to IFRS, while year 2003 is reported according to FAS.

DEFINITIONS OF KEY RATIOS

Return on Equity (ROE), %	=	$\dfrac{\text{Profit before taxes}^{1)} - \text{taxes}}{\text{Shareholders' equity + minority interest, average}}$	x 100
Return on Investment (ROI), %	=	$\dfrac{\text{Profit before taxes}^{1)} + \text{interest and other financing costs}}{\text{Balance sheet total – non-interest-bearing liabilities, average}}$	x 100
Solvency, %	=	$\dfrac{\text{Shareholders' equity} \pm \text{minority interest}}{\text{Balance sheet total – advance payments received}}$	x 100
Gearing, %	=	$\dfrac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity + minority interest}}$	x 100
Net interest-bearing liabilities	=	Interest-bearing liabilities – cash, bank receivables and financial assets	
Earnings per share (EPS)	=	$\dfrac{\text{Profit for the period}^{2)}}{\text{Number of shares adjusted for share issue in financial period excluding treasury shares}}$	
Equity per share ratio	=	$\dfrac{\text{Shareholders' equity}}{\text{Average number of shares adjusted for share issue at end of year}}$	
Dividend per share ratio	=	$\dfrac{\text{Dividend per share}}{\text{Profit per share}}$	
Effective dividend yield	=	$\dfrac{\text{Dividend per share}}{\text{Share price at end of financial period}}$	x 100
Price-Earnings ratio (P/E)	=	$\dfrac{\text{Share price at end of financial period}}{\text{Earnings per share}}$	
Share trading progress	=	Number of shares traded during the financial year in relation to average value of the said number of shares	
Market value of shares	=	Number of shares at end of financial period x last trading price	
Average share price	=	$\dfrac{\text{Total value of shares traded (EUR)}}{\text{Total number of shares traded}}$	

1) 2003: Earnings before extraordinary items and taxes
2) 2003: Earnings before extraordinary items – taxes ± minority interest of profit

CONSOLIDATED INCOME STATEMENT

	Note	2007	2006
Net sales	2	1,219.3	1,157.0
Cost of goods sold		781.5	743.8
Gross profit		**437.8**	**413.2**
Other operating income	4	**6.2**	**3.7**
Dispatching and warehousing expenses		29.5	25.7
Sales and marketing expenses		185.5	176.6
Administration expenses		57.3	51.0
Other operating expenses	4	20.7	19.9
Expenses		**293.0**	**273.2**
Operating profit	2	**151.0**	**143.7**
Financial income	7	11.3	9.0
Financial expenses	7	13.8	11.2
Profit before taxes		**148.5**	**141.5**
Income taxes	8	46.6	45.0
Profit for the period		**101.9**	**96.5**
Earnings per share, EUR	9	1.39	1.32
Diluted earnings per share, EUR		1.39	1.32

CONSOLIDATED BALANCE SHEET

	Note	31 Dec 2007	31 Dec 2006
Assets			
Fixed assets			
Intangible assets			
Intangible rights		31.4	27.3
Goodwill		70.2	70.2
Other intangible assets		0.1	0.1
Total intangible assets	10	**101.7**	**97.6**
Tangible assets			
Land and water areas		11.7	11.9
Buildings and structures		60.8	65.3
Machinery and equipment		112.9	113.1
Other tangible assets		7.5	7.6
Construction work in progress		26.0	13.9
Total tangible assets	11	**218.9**	**211.8**
Securities and long-term investments			
Shares in associated companies	13	0.0	0.0
Other shares and holdings	14	0.2	0.2
Other investments	15	3.4	3.4
Total securities and long-term investments		**3.6**	**3.6**
Deferred tax assets	20	**16.3**	**20.9**
Total fixed assets		**340.5**	**333.9**
Current assets			
Inventories	16	**150.6**	**128.1**
Current receivables			
Accounts receivable		144.6	150.6
Loan receivable		0.1	0.0
Current income tax receivable		0.9	0.7
Accruals		13.0	13.4
Other receivable		8.3	4.8
Total current receivables	17, 18	**166.9**	**169.5**
Cash and cash equivalent		**6.3**	**12.4**
Total current assets		**323.8**	**310.0**
Total Assets		**664.3**	**643.9**

	Note	31 Dec 2007	31 Dec 2006
Shareholders' equity and liabilities			
Shareholders' equity	19		
Share capital		146.4	146.4
Share premium		35.6	42.5
Other reserves		14.2	6.7
Translation differences		-21.6	-10.2
Retained earnings		158.4	159.0
Total shareholders' equity		**333.0**	**344.4**
Liabilities			
Non-current liabilities			
Interest bearing liabilities	23	14.7	17.2
Employee benefit obligations	21	28.0	29.1
Provisions	22	8.8	10.8
Deferred tax liabilities	20	15.0	16.9
Other non-current liabilities		0.1	0.1
Total non-current liabilities		**66.6**	**74.1**
Current liabilities			
Interest bearing liabilities	23	76.1	16.9
Accounts payable		75.2	90.0
Current income tax liability		13.2	13.5
Provisions	22	7.4	4.7
Other current liabilities	24	92.8	100.3
Total current liabilities		**264.7**	**225.4**
Total liabilities		**331.3**	**299.5**
Total shareholders' equity and liabilities		**664.3**	**643.9**

CONSOLIDATED CASH FLOW STATEMENT

	Note	1 Jan - 31 Dec 2007	1 Jan - 31 Dec 2006
Cash flow from operations			
Net cash from operations			
Profit for the period		101.9	96.5
Adjustments for:			
Depreciation		37.2	35.6
Income taxes		46.6	45
Interest income		-2.6	-3.3
Interest expense		7.0	4.2
Sales gains/losses from the sale of fixed assets		-2.7	1.7
Share of profit in associated companies		-0.5	-
Other cash flow adjustments		-0.9	1.0
Net cash from operations		**186.0**	**180.7**
Change in net working capital			
Receivables		1.7	-14.1
Inventories		-26.4	-18.3
Non-interest-bearing liabilities		-20.4	37.6
Change in net working capital		**-45.1**	**5.2**
Income taxes paid		-42.7	-37.9
Interest paid		-7.1	-3.9
Interest received		2.7	3.2
Cash flow from operations		**93.8**	**147.3**
Cash flow from investments			
Proceeds from disposal of subsidiaries	3	-	0.3
Purchase of fixed assets		-58.1	-54.2
Proceeds from sale of fixed assets		5.0	6.5
Dividends received		0.2	0.0
Loan repayments		0.2	18.6
Cash flow from investments		**-52.7**	**-28.8**
Cash flow before financing		**41.1**	**118.5**
Cash flow from financing			
Borrowings of debt		58.9	14.7
Repayments of debt		-1.7	-1.7
Dividends paid		-102.5	-166.0
Payment of finance lease liabilities		-1.9	-2.0
Cash flow from financing		**-47.2**	**-155.0**
Conversion differences for cash and cash equivalents		**0.0**	**0.0**
Change in cash and cash equivalents		**-6.1**	**-36.5**
Cash and cash equivalents at 1 January		12.4	48.9
Cash and cash equivalents at 31 December		6.3	12.4
Changes according to balance sheet		**-6.1**	**-36.5**

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 2006	**73,135**	**148.8**	**40.1**	**3.3**	**-**	**-**	**-21.2**	**-5.4**	**252.8**	**418.4**
Translation differences								-4.8		-4.8
Net profit for the period									96.5	96.5
Total recognised income and expense for the period								**-4.8**	**96.5**	**91.7**
Cancelling of shares		-2.3	2.3				19.6		-19.6	-
Dividend paid									-166.0	-166.0
Transfers between reserves and other adjustments		-0.1	0.1	3.4					-3.4	-
Share based incentive plan									0.3	0.3
Balance at 31 December 2006	**73,135**	**146.4**	**42.5**	**6.7**	**-**	**-**	**-1.6**	**-10.2**	**160.6**	**344.4**
Balance at 1 January 2007	**73,135**	**146.4**	**42.5**	**6.7**	**-**	**-**	**-1.6**	**-10.2**	**160.6**	**344.4**
Translation differences								-11.4		-11.4
Cash flow hedges										
- recorded in equity, net of taxes						0.5				0.5
Net profit for the period									101.9	101.9
Total recognised income and expense for the period						**0.5**		**-11.4**	**101.9**	**91.0**
Cancelling of shares							0.3		-0.3	-
Dividend paid									-102.5	-102.5
Transfers between reserves and other adjustments			-6.9	7.0	0.1				-0.1	0.1
Share based incentive plan	72						1.3		-1.3	-
Balance at 31 December 2007	**73,207**	**146.4**	**35.6**	**13.7**	**0.1**	**0.5**	**-**	**-21.6**	**158.3**	**333.0**

For further information see note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting principles

Company profile

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

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

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

A copy of the Annual Report is also available on the company website at www.uponor.com or it can be ordered from Uponor Corporation, using the address above.

Uponor Corporation's Board of Directors has approved the publication of these financial statements in its meeting of 7 February 2008. According to the Finnish 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.

Accounting basis

Uponor Group's consolidated financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and their SIC and IFRIC interpretations valid on 31 December 2007. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refer to the standards and to their interpretations adopted in accordance with the procedures laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The consolidated financial statements also include additional information required by the Finnish Accounting Act and the Finnish Companies Act. The consolidated financial statements are presented in millions of euros (MEUR), and they are based on the historical cost convention unless otherwise specified in the accounting principles section below.

The Group has adopted the following new or amended standards and interpretations as of 1 January 2007; comparative figures have been amended as required:

- IFRS 7 Financial Instruments: Disclosures.
- Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures.
- IFRIC 10 Interim Financial Reporting and Impairment

New standard IFRS 7 and amendment to IAS 1 have increased disclosure information presented in the notes. IFRIC 10 interpretation has not had any impact on reported figures.

Use of estimates

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

Group accounting

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 time when the Group has obtained control. Divested companies are included in the income statement until control ceases.

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

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

Foreign currency translations

Each company translates their foreign currency transactions into their own functional currency using the exchange rate 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 financing are entered as exchange rate differences in financial income and expenses.

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

Non-current assets held for sale and discontinued operations

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

Income recognition

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

Research and development

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

Pensions

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

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

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

The portion of actuarial gains and losses for each defined benefit plan entered in the profit and loss account is the excess that falls outside the higher of the following: 10% of the present value of the pension obligation or fair value of pension plan assets divided by the expected average remaining working lives of the employees participating in the plan. On the transition date (1 January 2004) the Group used the possibility to enter all the cumulative actuarial gains and losses in shareholders' equity according to the IFRS 1 standard.

Operating profit

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

Borrowing costs

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

Income taxes

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

Intangible assets

Goodwill
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 no longer depreciated. Goodwill is allocated to the cash generating units according to business segments' geographical locations and is tested annually for any impairment.

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

Property, plant and equipment

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

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

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

Depreciations

Group companies' intangible assets and property, plant and equipment are stated at historical cost less accumulated straight-line depreciation according to the expected useful life and any impairment losses. Depreciation is not booked on land areas. Estimated useful lives are the following:

	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 is reviewed on each balance sheet date and, if necessary, adjusted to reflect any changes in expectations of economic value.

Government grants

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

Impairment of property, plant and equipment and intangible assets

The balance sheet values of assets are assessed for impairment on a regular basis. Should any indication of an impaired asset exist, the asset's recoverable amount shall be assessed. The asset's recoverable amount is the asset's net selling price less any selling expenses or its value in use whichever is higher. The value in use is determined by reference to discounted future net cash flow expected to be generated by the asset.

Discount rates correspond to the cash generating unit's average return on investment. Impairment is measured at the level of cash generating units, which is the lowest level that is primarily independent of other units and whose cash flows can be distinguished from other cash flows.

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

Goodwill is assessed for impairment on a yearly basis.

Leases

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

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

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

Inventories

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

Provisions

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

Cash and cash equivalents

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

Financial assets

Financial assets are classified as follows: financial assets at fair value through profit and loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Sales and purchase of financial assets are recognised on 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 no hedge accounting is 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**.**

Held-to-maturity investments are assets with fixed maturity, which the enterprise has the positive intent and ability to hold to maturity. Held-to-maturity assets are measured at amortised cost using the effective interest rate method.

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

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

Financial liabilities

Financial liabilities at fair value through profit and loss are measured at their fair value. This group includes those derivatives for which no hedge accounting is 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.

Derivative contracts and hedge accounting

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

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

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

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

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

Management incentive scheme

In May 2004, Uponor Corporation's Board of Directors approved a new incentive scheme, whereby the Executive Committee could receive a share-based reward in 2007. The reward was based on the fulfilment of a set cumulative operating profit target for 2004–2006. The maximum net value of the reward amounted to the value of 80,000 Uponor shares. The Board of Directors had the possibility to raise or reduce the number of shares by 10 per cent; depending on whether the company's other long-term targets were achieved. According to IFRS 2, the portion given as shares was measured at the share price quoted on the day of granting. Fair value was recognised as a cost on an accrual basis for the expected revenue period similar to an amount paid out in cash. The part which was paid out in cash was recognised as liability. Any changes in the value after the date of granting were expensed over the years 2004–2006 using the closing price of each calendar month in accordance with IFRS 2. In February 2007 the members of the Executive Committee received 71,500 shares in compliance with the share-based incentive scheme.

In September 2007, Uponor Corporation's Board of Directors decided to launch a new long-term incentive scheme for the members of the company's Executive Committee. To be eligible to participate in the scheme, an Executive Committee member must acquire a specific number of Uponor shares, as defined under the scheme, by the end of August 2008. Depending on the cumulative operating profit of Uponor during 2007-2011, and the number of shares acquired within the scheme, each Executive Committee member is eligible for being awarded Uponor shares in the spring 2012. Until now, the Executive Committee members have not acquired any Uponor shares under the scheme, and therefore have not participated in the programme yet. In accordance with IFRS 2, the incentive plan did not have any impact on the income statement or the balance sheet for 2007.

Treasury shares

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

Dividends

Dividends paid by the Group are recognised for the period during which their payment is approved by the Group's shareholders.

Accounting policies requiring judgement by management, and key sources of estimation uncertainty

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

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. During the reporting period, the Group began to apply hedge accounting for electricity derivatives.

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

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

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

Application of new IFRS standards

As of 2008, the Group will apply following amended and new standards and interpretations:

- IFRIC 14 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions, effective for annual periods beginning on or after 1 January, 2008, not accepted by EU. Adoption of interpretation is not assumed to have any impact on reported figures.

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

- IFRS 8 Operating Segments, effective for annual periods beginning on or after 1 January, 2009
- IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 January, 2009 (not accepted by EU)
- IAS 23 Borrowing costs, effective for annual periods beginning on or after 1 January, 2009 (not accepted by EU).

The Group is analysing the impact of the adoption of IFRS 8 and the amended IAS 1 and IAS 23.

2. Segment information

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

Geographical segments:

Central Europe
Nordic
Europe – West, East, South
North America
Others

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

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

Europe – West, East, South segment covers western, eastern and southern Europe, including Russia and the Baltic countries as well as exports to those countries that do not fall within the scope of the other geographical segments.

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

Others segment includes Group functions.

Segment revenue corresponds to net sales and segment result equals to operating profit. Segment assets/liabilities are based on the geographical location of assets. Share of profit in associated companies is allocated as follows: Central Europe 0.2 million euros and Europe – West, East, South 0.3 million euros.

		2007	
Segment revenue	**External**	**Internal**	**Total**
Central Europe	283.7	67.6	351.3
Nordic	325.4	72.3	397.7
Europe - West, East, South	443.0	2.4	445.4
North America	167.2	2.0	169.2
Eliminations	-	-144.3	-144.3
Uponor Group	**1,219.3**	**-**	**1,219.3**

		2006	
Segment revenue	**External**	**Internal**	**Total**
Central Europe	283.5	61.6	345.1
Nordic	305.2	72.6	377.8
Europe – West, East, South	385.3	2.6	387.9
North America	183.0	-	183.0
Eliminations	-	-136.8	-136.8
Uponor Group	**1,157.0**	**-**	**1,157.0**

	2007	**2006**
Segment result		
Central Europe	41.1	49.3
Nordic	49.7	56.6
Europe - West, East, South	57.5	38.2
North America	16.6	14.5
Others	-13.2	-12.0
Eliminations	-0.7	-2.9
Uponor Group	**151.0**	**143.7**
Segment depreciation and impairments		
Central Europe	7.7	7.8
Nordic	10.1	10.7
Europe - West, East, South	9.9	9.4
North America	5.6	5.7
Others	3.3	1.6
Eliminations	0.6	0.4
Uponor Group	**37.2**	**35.6**
Segment investments		
Central Europe	11.0	7.5
Nordic	15.5	14.7
Europe - West, East, South	10.1	8.6
North America	13.4	8.8
Others	8.1	14.6
Uponor Group	**58.1**	**54.2**

	2007	2006
Segment assets		
Central Europe	181.4	197.6
Nordic	185.3	203.5
Europe - West, East, South	240.1	223.3
North America	123.7	109.5
Others	577.9	612.5
Eliminations	-644.1	-702.5
Uponor Group	**664.3**	**643.9**
Segment liabilities		
Central Europe	119.0	132.2
Nordic	233.5	270.3
Europe - West, East, South	101.9	115.8
North America	55.0	46.8
Others	477.8	454.8
Eliminations	-655.9	-720.4
Uponor Group	**331.3**	**299.5**
Segment personnel, average		
Central Europe	1,261	1,167
Nordic	1,380	1,309
Europe - West, East, South	1,224	1,132
North America	573	603
Others	59	49
Uponor Group	**4,497**	**4,260**

Business segments:

Housing solutions
Infrastructure solutions
Others

Others segment includes Group functions.

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

	2007	2006
Segment external revenue		
Housing solutions	839.9	804.4
Infrastructure solutions	379.4	352.6
Uponor Group	**1,219.3**	**1,157.0**
Segment investments		
Housing solutions	39.4	29.0
Infrastructure solutions	10.5	10.6
Others	8.2	14.6
Uponor Group	**58.1**	**54.2**

Segment assets	2007	2006
Housing solutions	437.8	416.1
Infrastructure solutions	173.0	174.1
Others	43.7	37.9
Unallocated assets	9.8	15.8
Uponor Group	**664.3**	**643.9**

3. Disposals of subsidiaries

The Group did not sell any subsidiaries in 2007.
In May 2006, the sales company Uponor Czech s.r.o in Czech Republic belonging to Europe - West, East, South, was sold. The disposal was aligned with the Group strategy in infrastructure business to concentrate on markets where a leading market position can be reached in the medium term.

Book value of disposed assets	**2007**	**2006**
Intangible assets	-	0.0
Tangible assets	-	0.1
Long-term investments	-	-0.1
Deferred tax assets	-	0.0
Inventories	-	0.7
Accounts receivable and other receivables	-	2.9
Cash and cash equivalent	-	0.2
Total Assets	**-**	**3.8**
Accounts payable and other liabilities	-	1.7
Total liabilities	**-**	**1.7**
Net assets	**-**	**2.1**
Cash received from sale	-	0.5
Cash and cash equivalents disposed of	-	-0.2
Cash flow effect	**-**	**0.3**

4. Other operating income and expenses

Other operating income		
Gains from sales of fixed assets	3.7	1.7
Royalties	1.9	1.7
Earnings share from associated companies	0.5	0.2
Other items	0.1	0.1
Total	**6.2**	**3.7**
Other operating expenses		
Losses from sales of fixed assets	1.0	3.4
Research and development expenses	19.7	16.5
Reversal of impairments	-	0.0
Total	**20.7**	**19.9**

5. Employee benefits

	2007	2006
Short-term employee benefits:		
- Salaries and bonuses	183.2	181.3
- Other social costs	32.5	28.2
Post-employment benefits:		
- Pension expenses - defined contribution plans	7.3	7.3
- Pension expenses - defined benefit plans	4.2	3.8
Other long-term employee benefits	0.0	0.0
Termination benefit expenses	1.2	1.1
Share based payments		
- Equity settled share-based payment transactions	-	0.3
- Cash settled share-based payment transactions	-	0.8
Total	**228.4**	**222.8**

Share-based payments are accrued for the expected revenue period according to IFRS 2 standard. Information of the management's employee benefits are presented in the related party transactions (note 31).

6. Depreciation, amortisation and impairment

Depreciation and amortisation by asset category		
Intangible rights	3.7	2.0
Other intangible assets	0.1	0.1
Land and water areas	0.2	0.2
Buildings and structures	4.9	5.1
Machinery and equipment	25.2	25.9
Other tangible assets	3.1	2.3
Total	**37.2**	**35.6**

Depreciation and amortisation by function		
Cost of goods sold	26.7	26.3
Dispatching and warehousing	1.5	1.3
Sales and marketing	3.0	3.5
Administration	5.1	3.7
Other	0.9	0.8
Total	**37.2**	**35.6**

7. Financial income and expenses

Financial income		
Dividend income on available-for-sale financial assets	0.0	0.0
Interest income from loans and other receivables	2.6	3.3
Change in fair value of financial assets designated at fair value through profit and loss		
- foreign currency derivatives, not under hedge accounting	2.8	0.6
Exchange differences	5.8	4.9
Other financial income	0.1	0.2
Total	**11.3**	**9.0**

Financial expenses		
Interest expense for financial liabilities measured at amortised cost	8.2	4.4
Change in fair value of financial liabilities designated at fair value through profit and loss		
- foreign currency derivatives, not under hedge accounting	1.3	0.8
Exchange differences	3.7	5.2
Other financial costs	0.6	0.8
Total	**13.8**	**11.2**

In addition to financial income and expenses, exchange rate gains are included in sales corrections totaling 0.3 million euros (exchange rate losses 0.3 million euros) and correspondingly exchange rate gains are included in operating expenses totaling 0.5 million (0.8 million euros). Interest expenses include also the interest part of finance lease payments 1.2 million euros (0.3 million euros).

8. Income taxes

	2007	2006
Current year and previous years' taxes		
For the financial period	44.7	48.7
For previous financial periods	-0.7	0.0
Change in deferred taxation	2.6	-3.7
Total	**46.6**	**45.0**
Tax reconciliation		
Profit before taxes	148.5	141.5
Computed tax at Finnish statutory rate	38.6	36.8
Difference between Finnish and foreign rates	8.7	7.8
Non-deductible expenses	3.0	3.9
Tax exempt income	-0.4	-0.4
Use of previously unrecognised tax losses	-1.1	-1.1
Change in tax legislation	0.8	0.0
Previous years taxes	-0.7	0.0
Other items	-2.3	-2.0
Total	**46.6**	**45.0**
Effective tax rate, %	31.4	31.8

The most important change in tax legislation is the decrease in the German effective tax rate from 38 per cent to 29 per cent in 2008. The valuation of deferred tax assets and liabilities on 31 December 2007 in accordance with the new tax rate increased the tax expense for the period. Correspondingly, the amount of non-deductible expenses decreased in the German taxation from the 2006 level, so the change in the German taxation did not have a major impact on the Group tax rate. In 2007, the change in the effective tax rate resulted mainly from adjustments to previous years' taxes.

9. Earnings per share

Profit for the period	101.9	96.5
Shares, in thousands		
Weighted average number of shares *)	73,201	73,135
Share based incentive scheme	-	72
Diluted weighted average number of shares	73,201	73,207
Basic earnings per share, EUR	1.39	1.32
Diluted earnings per share, EUR	1.39	1.32

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

10. Intangible assets

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

2006	Intangible rights	Goodwill	Other intangible assets	Investment in progress	**Intangible assets**
Acquisition costs 1 Jan	30.9	70.2	0.8	11.4	**113.3**
Structural changes	0.0	-	-	-	**0.0**
Conversion difference	0.4	-	-	-	**0.4**
Increases	26.0	-	0.0	-11.4	**14.6**
Decreases	10.4	-	0.0	-	**10.4**
Acquisition costs 31 Dec	46.9	70.2	0.8	-	**117.9**
Accumulated depreciations and impairments 1 Jan	27.6	-	0.6	-	**28.2**
Conversion difference	0.4	-	-	-	**0.4**
Acc. depreciation on disposals and transfers	-10.4	-	0.0	-	**-10.4**
Depreciation for the financial period	2.0	-	0.1	-	**2.1**
Accumulated depreciations and impairments 31 Dec	19.6	-	0.7	-	**20.3**
Book value 31 December	**27.3**	**70.2**	**0.1**	**-**	**97.6**

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

In 2006 and 2007, the investments in intangible assets have been mainly related to the acquisition of an ERP system.

The largest part of the Group goodwill (23.4 million euros) is generated by the Oy Uponor Ab minority share acquired by Asko Oyj, which due to Oy Uponor Ab's merger into Asko Oyj has been moved to present Uponor Oyj, and acquired Unicor businesses (43.2 million euros). The goodwill has been allocated to cash-generating units. Goodwill has been allocated to the primary segments as follows: Central Europe 53.3 million euros, Nordic 14.9 million euros and Europe - West, East, South 2.0 million euros.

Impairment tests are carried out on each separate cash-generating unit. The cash flow forecasts related to goodwill cover a period of ten years, including cash flow forecasts for the next five years and a residual value that corresponds to the sum total of five years' cash flow forecasts. The useful lives of cash generating units including goodwill have been assumed to be indefinite since these units have been estimated to impact the accrual of cash flows for an undetermined period. The discount rate used is based on the interest rate level that reflects the average yield requirement before taxes for the cash generating unit in question. Discount rates varied between 11.1 % and 14.6 %. The Group has not recorded any impairment losses for tangible assets during 2006-2007. Group management estimates that it is highly unlikely that any factor would change to the extent that the recoverable amount would be higher than the book value for any cash-generating unit. It has been verified with sensitivity analysis that there would not be any need to book an impairment loss if for instance net sales and operating profit stayed on the 2008 budgeted level during coming years. Also, no impairment loss would result if the discount rate used were to rise by 5 percentage points at the same time.

The Group does not have any capitalised development costs.

11. Property, plant and equipment

2007	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	**Tangible assets**
Acquisition costs 1 Jan	14.4	139.3	400.4	26.3	13.9	**594.3**
Conversion difference	-0.4	-3.6	-13.6	-1.1	-0.5	**-19.2**
Increases	0.6	2.5	27.4	3.2	15.2	**48.9**
Decreases	0.1	1.3	10.4	1.0	0.0	**12.8**
Transfers between items	-0.2	0.5	2.3	-	-2.6	**-**
Acquisition costs 31 Dec	14.3	137.4	406.1	27.4	26.0	**611.2**
Accumulated depreciations and impairments 1 Jan	2.5	74.0	287.3	18.7	-	**382.5**
Conversion difference	-0.1	-1.6	-10.2	-0.9	-	**-12.8**
Acc. depreciation on disposals and transfers	0.0	-0.7	-9.1	-1.0	-	**-10.8**
Depreciation for the financial period	0.2	4.9	25.2	3.1	-	**33.4**
Accumulated depreciations and impairments 31 Dec	2.6	76.6	293.2	19.9	-	**392.3**
Book value 31 December	**11.7**	**60.8**	**112.9**	**7.5**	**26.0**	**218.9**
Balance sheet value of production plant and machinery			101.6			

2006	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	**Tangible assets**
Acquisition costs 1 Jan	16.0	139.5	403.4	25.2	10.8	**594.9**
Structural changes	0.0	0.0	0.0	-0.2	0.0	**-0.2**
Conversion difference	-0.2	-0.6	0.2	-1.0	0.0	**-1.6**
Increases	0.1	5.4	26.4	4.3	3.1	**39.3**
Decreases	1.5	5.0	29.6	2.0	0.0	**38.1**
Transfers between items	0.0	0.0	0.0	-	-	**0.0**
Acquisition costs 31 Dec	14.4	139.3	400.4	26.3	13.9	**594.3**
Accumulated depreciations and impairments 1 Jan	2.4	72.5	286.3	18.8	-	**380.0**
Structural changes	0.0	-	-	-0.1	-	**-0.1**
Conversion difference	-0.1	-0.2	1.3	-0.7	-	**0.3**
Acc. depreciation on disposals and transfers	-	-3.8	-25.8	-1.6	-	**-31.2**
Depreciation for the financial period	0.2	5.1	25.9	2.3	-	**33.5**
Transfers between items	-	0.4	-0.4	-	-	**0.0**
Reversal of impairments	-	0.0	-	-	-	**0.0**
Accumulated depreciations and impairments 31 Dec	2.5	74.0	287.3	18.7	-	**382.5**
Book value 31 December	**11.9**	**65.3**	**113.1**	**7.6**	**13.9**	**211.8**
Balance sheet value of production plant and machinery			101.8			

The building investments of 2007 include a new training centre in Germany. In 2006, increases in buildings were mainly related to the North American regional office and the expansion of the adjacent production plant. In addition, 2006 investments in buildings include the expansion of the main warehouse and the construction of new training facilities in Italy. In 2007 decreases in buildings include the sale of building in Portugal.

Uponor continued to expand its production capacity in 2007. In 2006 and 2007, the largest investments in machinery and equipment were made in Germany, North America and Sweden. The decrease in property, plant and equipment in 2006 is mainly due to the divestment of the business operations of Uponor Anger GmbH that concentrated on the sewer and rainwater pipe business.

In 2007, the majority of construction work-in-progress was related to the expansion of production facilities in North America and Sweden.

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

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

2006	Land and water areas	Buildings and structures	Others	**Finance lease arrangements total**
Acquisition costs 1 Jan	0.9	16.3	1.1	**18.3**
Increases	-	-	0.1	**0.1**
Decreases	0.2	0.1	0.3	**0.6**
Acquisition costs 31 Dec	0.7	16.2	0.9	**17.8**
Accumulated depreciations and impairments 1 Jan	-	5.9	0.9	**6.8**
Acc. depreciation on disposals and transfers	-	-0.1	-0.3	**-0.4**
Depreciation for the financial period	-	0.3	0.1	**0.4**
Transfers between items	-	0.4	-	**0.4**
Accumulated depreciations and impairments 31 Dec	0.0	6.5	0.7	**7.2**
Book value 31 December	**0.7**	**9.7**	**0.2**	**10.6**

12. Financial assets and liabilities by categories

2007	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit or loss	Loans and receivables	Available -for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Note
Non-current financial assets							
Other shares and holdings				0.2		0.2	14
Non-current receivables			3.1			3.1	15
Derivative contracts	0.3					0.3	15
Current financial assets							
Interest-bearing receivable			0.1			0.1	17
Accounts receivable and other receivables			150.8			150.8	18
Derivative contracts	0.4	1.7				2.1	18
Cash and cash equivalent			6.3			6.3	
Carrying amount by category	**0.7**	**1.7**	**160.3**	**0.2**	**0.0**	**162.9**	
Non-current financial liabilities							
Interest-bearing liabilities					14.7	14.7	23
Other liabilities					0.1	0.1	23
Current financial liabilities							
Interest-bearing liabilities					76.1	76.1	
Derivative contracts	0.0	0.0				0.0	23
Accounts payable and other liabilities					78.4	78.4	24
Carrying amount by category	**0.0**	**0.0**			**169.3**	**169.3**	

2006	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit or loss	Loans and receivables	Available -for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Note
Non-current financial assets							
Other shares and holdings				0.2		0.2	14
Non-current receivables			3.4			3.4	15
Current financial assets							
Interest-bearing receivable			0.0			0.0	17
Accounts receivable and other receivables			155.4			155.4	18
Derivative contracts	0.0					0.0	18
Cash and cash equivalent			12.4			12.4	
Carrying amount by category	**0.0**	**0.0**	**171.2**	**0.2**		**171.4**	
Non-current financial liabilities							
Interest-bearing liabilities					17.2	17.2	23
Other liabilities					0.1	0.1	
Current financial liabilities							
Interest-bearing liabilities					16.9	16.9	23
Derivative contracts		0.4				0.4	24
Accounts payable and other liabilities					95.7	95.7	24
Carrying amount by category	**0.0**				**129.9**	**130.3**	

Carrying amounts of financial assets and liabilities are considered to approximate their fair values.

13. Investment in associated companies

	2007	2006
Acquisition costs Jan 1	0.0	0.0
Book value 31 December	**0.0**	**0.0**

14. Other shares and holdings

Other non-current investments	0.2	0.2
Book value 31 December	**0.2**	**0.2**

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

15. Non-current receivables

Loans to associated companies	1.0	1.1
Other loan receivables	0.8	1.0
Derivatives contracts	0.3	-
Other receivable	1.3	1.3
Book value 31 December	**3.4**	**3.4**

The loan receivable from associated companies is a variable rate loan in pound sterling (GBP) with an effective interest rate of 6.76% (5.85%).

16. Inventories

Raw materials and consumables	20.2	21.0
Finished products / goods	127.3	105.9
Advance payments	3.1	1.2
Book value 31 December	**150.6**	**128.1**

Inventories are stated at the lower of cost or likely net realisable value, based on the FIFO principle. In the financial period 0.7 million euros (0.3 million euros) were expensed to reduce the book value of inventories to correspond the net realisable value of inventories. During the financial period no reversal of write-downs has been done. In the comparable period, the reversal of write-downs was 0.1 million euros.

17. Interest-bearing current assets

Other loan receivable	0.1	0.0
Book value 31 December	**0.1**	**0.0**

18. Accounts receivable and other receivables

Accounts receivable	145.1	152.4
Doubtful accounts receivables	-0.5	-1.8
Current income tax receivable	0.9	0.7
Prepayments and accrued income	13.0	13.4
Derivative contracts	2.2	0.0
Other receivable	6.2	4.8
Book value 31 December	**166.9**	**169.5**

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

The Group recorded 0.5 million (1.8 million euros) of doubtful accounts receivables as expenses during the financial period. The Group is not aware of any factors which would cause possible additional write-downs.

The aging of accounts receivables is presented as part of risk management (note 27).

Accrued income

	2007	2006
Taxes	5.6	5.5
Discounts received	0.4	1.2
Interest	0.2	0.3
Other	6.8	6.4
Book value 31 December	**13.0**	**13.4**

19. Shareholders' equity

At the beginning of 2007, Uponor Corporation's share capital came to EUR 146,446,888 and the number of shares totalled 73,223,444, while the year-end share capital was EUR 146,446,888 with the number of shares totalling 73,206,944. Each share entitles its holder to one vote at the shareholders' meeting. The Annual General Meeting of 15 March 2007 decided to remove references to nominal value of a share as well as minimum and maximum share capital. All issued shares are fully paid.

At the beginning of 2007, the company held a total of 88,000 of its own shares bought back based on past authorisations. On 15 February 2007, a total of 71,500 own shares were handed over to members of the Executive Committee in accordance with the share-based incentive plan published on 6 May 2004. On 26 April 2007, the Board of Directors decided to invalidate 16,500 treasury shares. This had no effect on the company's share capital. The company did not buy back any of its own shares in 2007 and did not hold any treasury shares at the end of 2007. Treasury shares are presented as reduction in retained earnings. Treasury shares carry no balance sheet value in the financial statements.

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

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

20. Deferred income taxes

Deferred tax assets		
Profit in Inventory	1.4	1.5
Provisions	2.6	3.1
Unrecognised tax losses	1.7	2.1
Tangible assets	0.5	0.9
Employee benefits	3.8	4.3
Other temporary differences	6.3	9.0
Total	**16.3**	**20.9**
Deferred tax liabilities		
Accumulated depreciation difference and untaxed reserve	5.4	5.4
Tangible assets	7.3	9.1
Fair valuation of available-for-sale investments and financial instruments	0.2	0.0
Other temporary differences	2.1	2.4
Total	**15.0**	**16.9**

The Group has recognised a deferred tax asset for its net operating loss carry-forwards, which probably can be utilised against future profits in the relevant tax jurisdictions. On 31 December 2007 the Group had losses carried forward of 7.2 million euros (9.6 million euros), of which the Group has recognised a deferred tax receivable. With respect to confirmed losses, 0.1 million euros (0.3 million euros) had no expiry date while 7.1 million euros expire during 2008-2011. In 2007, there were 0.8 million euros of such operating loss carry-forwards for which no deferred tax assets are recognised due the uncertainty of the utilisation of these loss carry-forwards. In 2006, there were no such losses.

No deferred tax liability has been recognised for the undistributed earnings of Finnish subsidiaries as such earnings may be transferred to the Parent Company without any tax consequences. The Group does not provide deferred taxes on undistributed earnings of non-Finnish subsidiaries to the extent that such earnings are intended to be permanently reinvested in those operations and their repatriation would cause tax expenses.

21. Employee benefit obligations

The Group has a number of pension plans for its operations. The Group's pension schemes comply with each country's local rules and regulations. The Group applies defined contribution and defined benefit pension plans. Pensions are based on actuarial calculations or actual payments to insurance companies. Independent authorised actuaries prepared the actuarial calculations. The discount rate for actuarial calculations is determined by the reference to market yields of high quality corporate bonds or government bonds. Pension benefits are normally based on the number of working years and the salary. Most of the defined benefit plans are in Germany and in the UK, constituting 60% of the defined benefit pension liability in the Group's balance sheet. In Finland, pensions are handled according to the TyEL system, which is a defined contribution pension plan.

	2007	**2006**
Post-employment benefit obligations:		
- Pensions - defined benefit plans	27.2	28.4
Other long-term employee benefit liability	0.8	0.7
Total	**28.0**	**29.1**

Pension obligations

Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of funded obligations	68.0	69.9
Present value of unfunded obligations	19.9	20.3
Fair value of plan assets	-57.6	-56.0
Unrecognised actuarial gains (+) and losses (-)	-3.1	-5.8
Net liability in the balance sheet	**27.2**	**28.4**
Expenses recognised in the income statement		
Current service costs	3.4	3.3
Interest costs	4.1	3.8
Expected return on plan assets	-3.2	-2.8
Actuarial gains (-) and losses (+)	-0.1	0.1
Effect of any curtailments and settlements	0.0	-0.6
Total	**4.2**	**3.8**
Actual return on plan assets	2.8	3.8
Expenses recognised in the income statement by function		
Cost of goods sold	1.3	1.3
Dispatching and warehousing	0.1	0.2
Sales and marketing	1.0	0.8
Administration	1.2	1.2
Other	0.6	0.3
Total	**4.2**	**3.8**

	2007	2006
Movements in obligation		
Obligation at 1 January	90.2	84.1
Current service cost	3.4	3.3
Interest cost	4.1	3.8
Actuarial gains (-) and losses (+)	-2.7	0.2
Gains (-) and losses (+) on curtailments	-0.1	-0.3
Member contributions	0.5	0.6
Benefit payments	-2.2	-2.1
Settlements	-0.1	-0.5
Conversion difference	-5.2	1.1
Obligation at 31 December	**87.9**	**90.2**
Movements in fair value of plan assets		
Fair value of plan assets at 1 January	56.0	48.0
Expected return on plan assets	3.2	2.8
Actuarial gains (+) and losses (-)	-0.4	1.0
Contributions by employer	4.4	4.6
Member contributions	0.5	0.6
Settlements	-0.1	-0.2
Conversion difference	-3.9	0.8
Benefit payments	-2.1	-1.6
Fair value of plan assets at 31 December	**57.6**	**56.0**
Major categories of plan assets as % of total plan		
Equities	46.3	63.3
Bonds	50.5	25.5
Other	3.2	11.2
Total	100.0	100.0

Principal actuarial assumptions

	Nordic countries		Germany		UK and Ireland		Other countries	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Discount rate (%)	4.50-5.25	4.00-4.50	5.25	4.50	5.25-5.50	4.50-5.00	5.25	4.50
Expected rate of return on plan assets(%)	6.00	5.30	n/a	n/a	5.50-6.25	5.00-5.80	n/a	n/a
Expected rate of salary increase (%)	3.00-4.25	3.00-4.25	2.50	2.50	3.75-4.25	3.50-4.00	3.25	3.25
Expected rate of pension increase (%)	2.00	2.00	2.00	2.00	2.25-3.25	2.00-3.00	2.00	2.00

The expected rate of return on plan assets is 5.50-6.25 per cent. When determining the expected long-term rate of return on plan assets, the Group has considered historical returns and future expectations for each asset class. Transaction expenses and any applicable yield taxes have been deducted from the return on plan assets.

Amounts for the current and previous period	**2007**	**2006**
Present value of obligation	87.9	90.2
Fair value of plan assets	-57.6	-56.0
Surplus (+)/Deficit (-)	30.3	34.2
Experience adjustments on plan assets	0.5	-1.3
Experience adjustments on plan liabilities	-2.6	0.6

Group expects to contribute 4.6 million euros to its defined benefit pension plans in 2008.

22. Provisions

	Guarantee and warranty obligations	Environmental obligations	Restructuring	Other provisions	Total
Provisions at January 1. 2007	5.4	6.1	1.3	2.7	15.5
Conversion difference	-0.4	-	0.1	0.0	-0.3
Additional provisions	3.9	0.4	-	0.8	5.1
Utilised provisions	-1.7	-0.4	-0.8	-0.3	-3.2
Unused amounts reversed	-0.8	-	-	-0.1	-0.9
Provisions at December 31, 2007	**6.4**	**6.1**	**0.6**	**3.1**	**16.2**
Current provisions	3.9	1.9	0.5	1.1	7.4
Non-current provisions	2.5	4.2	0.1	2.0	8.8

Warranty provisions were 6.4 million euros (5.4 million euros) at the end of the period. Warranty provisions are based on previous years' experience of defective goods. The aim is to be prepared for future warranty expenses. Warranty periods vary from country to country, depending on the local legislation and commercial practice.

At period end, the environmental provision related to a divested domestic real estate business was 6.1 million euros (6.1 million euros). A total of 1.9 million euros of the provision is expected to realise during 2007.

23. Interest bearing liabilities

	2007	2006
Non-current interest bearing liabilities		
Loans from financial institutions	1.1	3.1
Finance lease liability	13.6	14.1
Total	**14.7**	**17.2**
Current interest-bearing liabilities		
Loans from financial institutions	75.5	16.3
Finance lease liability	0.6	0.6
Total	**76.1**	**16.9**

Maturity of non-current interest bearing liabilities

	2009	2010	2011	2012	2013 -
Loans from financial institutions	1.1	0.0	0.0	-	-
Finance lease agreements	0.6	0.6	0.6	0.8	10.9
Total	**1.7**	**0.6**	**0.6**	**0.8**	**10.9**

The interest rate ranges of interest-bearing liabilities, % pa	2007	2006
Loans from financial institutions	3.5-5.95	3.5-5.95

The carrying value of the remaining interest bearing liabilities of the Group is considered to approximate their fair value.

Finance lease liability

The Group's finance lease agreements are mainly related to office, factory and warehouse premises. On 31 December 2007, the total amount of activated costs for finance lease agreements in the Group was 10.9 million euros (10.6 million euros), which was included in property, plant and equipment in the balance sheet.

The corresponding depreciation in 2007 was 0.6 million euros (0.4 million euros). The total amount of finance lease payments in 2007 was 1.8 million euros (1.2 million euros), which included 1.2 million euros (0.3 million euros) of interest expenses.

The most significant leasing liability is the finance lease agreement signed in connection with the purchase of the Unicor business in 1999. In 2007, no significant new leasing agreements were made.

Finance lease liability	**2007**	**2006**
Minimum lease payments		
In less than one year	1.8	1.8
1-5 years	6.8	7.1
Over 5 years	15.4	17.1
Total	**24.0**	**26.0**
Future finance charges	9.8	11.3
Finance lease liabilities - the present value of minimum lease payments	**14.2**	**14.7**
The present value of minimum lease payments		
In less than one year	0.6	0.6
1-5 years	2.7	2.5
Over 5 years	10.9	11.6
Total	**14.2**	**14.7**

24. Accounts payable and other liabilities

Accounts payable	75.2	90.0
Current income tax liability	13.2	13.5
Accrued liabilities	88.5	92.5
Advances received	1.1	1.5
Derivative contracts	0.0	0.4
Other current liabilities	3.2	5.7
Total	**181.2**	**203.6**
Accrued liabilities		
Personnel expenses	19.4	22.6
Bonuses	11.2	8.8
Taxes	10.9	14.5
Interest	0.1	0.2
Others	46.9	46.4
Total	**88.5**	**92.5**

25. Contingent liabilities

- on own behalf		
Mortgages issued	0.0	-
- on behalf of others		
Guarantees issued	11.5	12.6

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

Mortgages issued	0.0	-
Guarantees issued	11.5	12.6
Total	**11.5**	**12.6**

Contingent liabilities are recorded in accordance with the best estimate of the amount of liability. The Group has entered into agreements with third parties (former Group or associated companies) to provide them with financial or performance assurance services. The Group has no collateral or other recourse provisions related to these guarantees. The maximum amounts of future payments on behalf of others under these guarantees are disclosed under "Guarantees issued - on behalf of others".

26. Operating leases commitments

	2007	**2006**
Future minimum lease payments		
In less than one year	8,5	7,4
1-5 years	12,9	13,5
Over 5 years	3,0	3,5
Total	**24,4**	**24,4**

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

27. Financial risk management

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

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

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

Currency risk

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

Subsidiaries estimate their foreign currency cash flows for the following 12 month periods and according to Group's hedging policy they are responsible to hedge 50-100% of the monthly net flow up to 6 months. In addition to the Euro, the main invoicing currencies are the US dollar (USD), the pound sterling (GBP) and the Swedish krona (SEK). On 31 December 2007, these currencies accounted for approximately 36 per cent of the Group's external accounts receivable. Costs arising from the Group's own production in the United States, the United Kingdom and Sweden balance the open risk positions denominated in the said currencies.

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

Group's currency transaction risk position at 31 Dec 2007

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

During 2007, the Group has included to its position also internal loans. Due to the change in the hedging policy comparable information from 2006 is not available.

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

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

Interest rate risk

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

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

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

Financial instruments' sensitivity to fluctuations in market interest rates, as stated in IFRS 7 –standard, is presented in the following sensitivity analysis. The impact of interest rate increase or decrease by one per cent on the income statement after taxes is +/- 0.5 million euros (+/- 0.1) million euros and on the equity after taxes +/- 0.5 million euros (+/- 0.1) million euros. Interest position consists of interest-bearing financial liabilities and assets.

Liquidity and refinancing risk

The Group's liquidity is managed through efficient cash management and by investing solely in low-risk objects that can be liquidated rapidly and at a clear market price.

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

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

The most significant existing funding programs on 31 December 2007 included:
− Revolving Credit Facility of 120 million euros, maturing in 2010
− Finnish commercial paper program totalling 150 million euros

Contractual maturity of financial liabilities at 31 Dec 2007

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

Contractual maturity of financial liabilities at 31 Dec 2006

	2007	2008	2009	2010	2011-
Commercial papers	16.0				
Loans from financial institutions	1.9	1.1	0.2		
Finance lease liability	1.8	1.8	1.7	1.7	19.0
Bank overdrafts in use	0.4				
Accounts payable	90.0				
Derivative contracts					
Foreign currency derivatives					
- cash outflow	0.0				
- cash inflow	0.2				
Commodity derivatives	0.4				

Counterparty and credit risk

The counterparty risk related to financial instruments has been defined as a risk that the counterparty is unable to fulfill its contractual obligations. In order to minimise counterparty risks, the Group invests its cash reserves and makes derivative contracts only with parties who meet the Group's criteria for creditworthiness. The Group did not suffer any credit losses in its operations during the financial year. The maximum counterparty risk is the book value of financial assets on 31 December 2007.

Potential concentrations of credit risk with respect to trade and other receivables are limited due to the large number and geographic dispersion of companies that comprise the Group's customer base. The largest single customer generates less than 10 per cent of Uponor's net sales. Customer credit limits are established and monitored and on-going evaluation of customers' financial conditions are performed. Trade receivables are credit insured when it is applicable. In 2007, the Group recorded 0.5 million of doubtful accounts receivables as expenses.

The aging of accounts receivable *)	2007	2006
Undue	111.5	115.0
Due 1-30 days	23.3	26.9
Due 31-60 days	4.9	3.9
Due 61-90 days	2.2	2.0
Due over 90 days	2.7	2.8
Total	**144.6**	**150.6**

*) Comparable data is partly based on estimate.

Price risk

The Group is exposed to electricity price risk in its business operations. Group Treasury is responsible for taking action to manage the electricity price fluctuations on Nordic level within the frame defined in the Electricity Hedging Policy of Uponor Group. The hedge level according to the policy is for the coming 12 months 70-100 per cent and the following 12 months 25-80 per cent.

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

	2007	2006
Change in the income statement	+/- 0.0	+/- 0.3
Change in shareholders' equity	+/- 0.3	+/- 0.3

28. Derivative contracts and hedge accounting

Nominal value	2007	2006
Foreign currency derivatives:		
Forward agreements	85.9	13.0
Commodity derivatives:		
Forward agreements		
- not under hedge accounting	0.4	5.6
- under hedge accounting	3.2	-

Fair value	2007 Positive fair value	2007 Negative fair value	2007 Net fair value	2006 Positive fair value	2006 Negative fair value	2006 Net fair value
Foreign currency derivatives:						
Forward agreements	1.9	-0.2	1.7	0.2	-	0.2
Commodity derivatives						
- not under hedge accounting	0.1	0.0	0.1	-	0.4	-0.4
- under hedge accounting	0.7	0.0	0.7	-	-	-

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

Changes in the fair values of electricity derivatives which are designated as cash flow hedges are recognised in shareholders' equity to the extent that the hedge is effective and ineffective portion is recognised immediately in the income statement. 0.5 million euros were entered directly in equity during the financial period. The impact of ineffective portion on the profit for the financial period was insignificant. With respect to the hedging fund, a loss of 0.0 million euros was recorded in the income statement during the financial period, under cost of goods sold.

29. Capital management

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

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

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

	2007	**2006**
Interest-bearing liabilities	90.8	34.1
Cash and cash equivalent	6.3	12.4
Net interest-bearing liabilities	84.5	21.7
Shareholders' equity	333.0	344.4
Gearing, %	25.4	6.3

30. Management incentive scheme and share based payments

In May 2004, Uponor Corporation's Board of Directors approved a new incentive scheme, whereby the Executive Committee can receive a share-based reward in 2007. The reward was based on the fulfillment of a set cumulative operating profit target for 2004-2006. The maximum net value of the reward amounted to the value of 80,000 Uponor shares. The Board of Directors had the possibility to raise or reduce the number of shares by 10 per cent; depending on whether the company's other long-term objectives are achieved. According to IFRS 2, the portion given as shares was measured at the share price quoted on the day of granting. Fair value was recognised as a cost on an accrual basis for the expected revenue period similar to an amount paid in cash. The part which was paid out in cash was recognised as liability. Any changes in the value after the date of granting were recognised as income using the closing price of each calendar month. In February 2007, a total of 71,500 shares were handed over to members of the Executive Committee in accordance with the share-based incentive plan.

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

2011, and the number of shares acquired within the scheme, each Executive Committee member is eligible for being awarded Uponor shares in the spring 2012. Until now, the Executive Committee members have not acquired any Uponor shares under the scheme, and therefore have not participated in the programme yet. In accordance with IFRS 2, the incentive plan did not have any impact on the income statement or balance sheet in 2007.

31. Related party transactions

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

Transactions with associated companies	**2007**	**2006**
Net sales	5.2	3.1
Purchases	2.1	2.9
Balances at the end of period		
Loan receivable	1.0	1.1
Accounts receivable and other receivables	1.1	0.4
Accounts payable and other liabilities	0.2	0.2

Executive Committee remuneration, TEUR		
Remuneration	2,137.5	2,678.3
Termination expenses	-	162.6
Post-employment benefit expenses	57.0	44.4
Total	**2,194.5**	**2,885.3**

Executive Committee remuneration: CEO and his Deputy, TEUR		
Lång Jan, CEO	1,659.2	525.7
Luomakoski Jyri, Deputy CEO	913.9	273.5

CEO and Deputy CEO are entitled to retire at the age of 63.

Board remuneration, TEUR		
Paasikivi Pekka, Chairman	65.0	65.0
Rajahalme Aimo, Deputy Chairman	45.0	45.0
Eloranta Jorma	40.0	40.0
Paasikivi Jari (elected 15 March 2007)	40.0	-
Silfverstolpe Nordin Anne-Christine	40.0	40.0
Simon Rainer S.	40.0	40.0
Total	**270.0**	**230.0**

Loans to management
No loans have been issued to management and Board members on 31 December 2007 or 2006.

The shareholding of the management and Board members has been presented in Corporate Governance.

Subsidiaries

Name	Domicile and country	
130167 Canada Inc.	Canada, Montreal	CA
Uponor Beteiligungs GmbH	Germany, Hassfurt	DE
Uponor Hispania, S.A.	Spain, Móstoles	ES
Uponor (Deutschland) GmbH	Germany, Hassfurt	DE
Uponor Klärtechnik GmbH	Germany, Marl	DE
Hewing GmbH	Germany, Ochtrup	DE
Uponor GmbH	Germany, Hassfurt	DE
Uponor S.A.R.L.	France, St. Etienne de St. Geoirs	FR
Karhu Deutschland GmbH i.L.	Germany	DE
Trak GmbH i.L.	Germany, Kiefersfelden	DE
Uponor A/S	Denmark, Hadsund	DK
Uponor Eesti Oü	Estonia, Tallinn	EE
Jita Oy	Finland, Virrat	FI
Nereus Oy	Finland, Uusikaupunki	FI
Uponor Business Solutions Oy	Finland, Vantaa	FI
Uponor Suomi Oy	Finland, Nastola	FI
Uponor Texnikes Lyseis gia Ktiria AE	Greece, Athens	GR
Uponor Kft.	Hungary, Budapest	HU
Uponor Limited	Ireland, Bishopstown	IE
Uponor (Cork) Limited	Ireland, Bishopstown	IE
Uponor S.r.l.	Italy, Badia Polesine	IT
SIA Uponor Latvia	Latvia, Riga	LV
UAB Uponor	Lithuania, Vilnius	LT
Uponor B.V.	The Netherlands, Amsterdam	NL
Uponor s.r.o.	Czech, Prague	CS
Uponor AS	Norway, Vestby	NO
Uponor Sp. z o.o.	Poland, Plonie	PL
Uponor Portugal - Sistemas para Fluidos, Lda.	Portugal, V.N. Gaia	PT
Uponor Construcão e Ambiente - Sistemas de Tubagens, S.A.	Portugal, V.N. Gaia	PT
AO Asko-Upo (RUS)	Russia, Moscow	RU
AO Asko-Upo (Spb)	Russia, St.Petersburg	RU
ZAO Uponor Rus	Russia, St.Petersburg	RU
Uponor Innovation AB	Sweden, Borås	SE
Uponor AB	Sweden, Wirsbo	SE
Uponor Vertriebs GmbH	Austria, Guntramsdorf	AT
Uponor Limited	UK, England	UK
Uponor UK Export Ltd	UK, England	UK
Uponor Aldyl Limited	UK, England	UK
Uponor Housing Solutions Limited	UK, England and Wales	UK
Radius Plastics Limited	UK, Northern Ireland	UK
Uponor North America, Inc.	USA, Delaware	US
Hot Water Systems North America, Inc.	USA, Delaware	US
Uponor, Inc.	USA, Illinois	US
Uponor Ltd	Canada, Saskatchewan	CA
Radiant Technology, Inc.	USA, Delaware	US
Tulsa Pipe Plant, Inc. (former Uponor Aldyl Company, Inc.)	USA, Delaware	US

Associated companies

Name	Shareholding, %	Domicile and country	
Punitec GmbH & Co. KG	36 %	Gochsheim	DE
Punitec Verwaltungs GmbH	36 %	Gochsheim	DE
nrg2 Limited	49 %	UK, England	UK

32. Events after the balance sheet date

Uponor's European ERP system was launched successfully in Spain and Portugal at the beginning of January.

SHARES AND SHAREHOLDERS

The volume of Uponor shares traded on the Helsinki OMX Nordic Exchange in 2007 totalled 99,422,652, valued at EUR 2,362.0 million. The share closed at EUR 17.22 and the market capitalisation came to EUR 1,260.6 million. The yearend number of shareholders totalled 12,564, of which foreign shareholders accounted for 33.1 per cent (34.6 per cent).

Major shareholders on 31 December 2007

Shareholder	Shares	% of shares	% of votes
Oras Invest Ltd	17,471,780	23.9	23.9
Varma Mutual Pension Insurance Company *)	4,898,672	6.7	6.7
Sampo Life Insurance Company	3,449,117	4.7	4.7
Ilmarinen Mutual Pension Insurance Company	1,783,710	2.4	2.4
Tapiola Mutual Pension Insurance Company	1,356,500	1.9	1.9
Tapiola General Mutual Insurance Company	117,372	0.2	0.2
Tapiola Mutual Life Assurance Company	71,813	0.1	0.1
Tapiola Corporate Life Insurance Company Ltd	33,650	0.0	0.0
Fennia Life Insurance Company Ltd	380,000	0.5	0.5
Fennia Mutual Pension Insurance Company	300,000	0.4	0.4
State Pension Fund	680,000	0.9	0.9
Paasikivi Jukka	525,463	0.7	0.7
Paasikivi Jari	518,159	0.7	0.7
Finnish Cultural Foundation	500,670	0.7	0.7
Juselius Sigrid Foundation	500,000	0.7	0.7
Others	40,620,038	55.5	55.5
Total	73,206,944	100.0	100.0

*) According to the notification that Uponor received, Varma Mutual Pension Insurance Company's balance sheet includes a total of 4,898,672 Uponor shares, representing 6.7 per cent of the shares and voting power. According to the register maintained by the Finnish Central Securities Depository, Varma's holding is 1,523,159 shares or 2.1 per cent of the shares and voting power. The difference is caused by share lending.

Nominee registered shares on 31 December 2007

Skandinaviska Enskilda Banken AB	9,423,848	12.9	12.9
Nordea Bank Finland Plc	9,380,099	12.8	12.8
Svenska Handelsbanken AB (publ.)	3,774,753	5.2	5.2
Others	741,163	1.0	1.0
Total	23,319,863	31.9	31.9

Currently valid foreign notifications

13 September 2007 Uponor Corporation was informed that the shareholdings of Capital Research and Management Company had exceeded 5 per cent of the share capital and voting rights in Uponor Corporation.

The maximum number of votes which may be cast at the Annual General Meeting is 73 206 944 (status on 31 December 2007).
At the end of the financial period the company held no own shares.

Share capital development 1999 - 2007

Year	Date	Reason	Change, euro	Share capital, euro	Number of shares
2007	31 Dec.			146,446,888	73,206,944
	7 May.	Reduction (cancellation of own shares)	-	146,446,888	73,206,944
2006	31 Dec.			146,446,888	73,223,444
	16 Mar.	Reduction (cancellation of own shares)	2,320,000	146,446,888	73,223,444
2005	31 Dec.			148,766,888	74,383,444
	23 Mar.	Reduction (cancellation of own shares)	874,000	148,766,888	74,383,444
2004	31 Dec.			149,640,888	74,820,444
	19 Nov.	Increase (bonus issue 1:1)	74,820,444	149,640,888	74,820,444
	23 Sept.	Increase (stock option rights)	348,000	74,820,444	37,410,222
	28 Apr.	Increase (stock option rights)	216,000	74,472,444	37,236,222
	22 Mar.	Reduction (invalidation of own shares)	1,120,000	74,256,444	37,128,222
	19 Jan.	Increase (stock option rights)	542,000	75,376,444	37,688,222
2003	31 Dec.			74,834,444	37,417,222
	21 Mar.	Reduction (cancellation of own shares)	1,000,000	74,834,444	37,417,222
2002	31 Dec.			75,834,444	37,917,222
	18 Mar.	Reduction (cancellation of own shares)	600,000	75,834,444	37,917,222
2001	31 Dec.			76,434,444	38,217,222
	15 Mar.	Reduction (cancellation of own shares)	1,000,000	76,434,444	38,217,222
2000	31 Dec.			77,434,444	38,717,222
1999	31 Dec.			77,434,444	38,717,222
	25 Aug.	Increase (bond with warrants)	33,000	77,434,444	38,717,222
	7 Jul.	Increase (bond with warrants)	154,000	77,401,444	38,700,722
	9 Jun.	Increase (bond with warrants)	426,250	77,247,444	38,623,722
	7 Apr.	Increase (bond with warrants)	27,500	76,821,194	38,410,597
	20 Mar.	Increase (conversion of nominal value)	12,214,833	76,793,694	38,396,847
			Change, FIM	Share capital, FIM	Number of shares
	19 Mar.	Reduction (cancellation of own shares)	5,000,000	383,968,470	38,396,847
	8 Jan.	Increase (bond with warrants)	371,250	388,968,470	38,896,847
1998	31 Dec.			388,597,220	38,859,722

Shareholders by category on 31 December 2007

Category	No. of shares	% of shares
Private non-financial corporations	20,390,422	27.9
Public non-financial corporations	111,000	0.2
Financial and insurance corporations	6,864,618	9.4
General government	7,176,380	9.8
Non-profit institutions	3,174,944	4.3
Households	11,286,961	15.4
Foreign (including nominee registrations)	24,201,761	33.1
Other (joint account)	858	0.0
Total	73,206,944	100.0

Shareholders by size of holding on 31 December 2007

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1 - 100	207,067	0.3	2,941	23.4
101 - 1,000	3,166,731	4.3	7,351	58.5
1,001 - 10,000	5,703,650	7.8	2,007	16.0
10,001 - 100,000	6,254,584	8.5	222	1.8
100,001 - 1,000,000	9,711,946	13.3	35	0.3
1,000,001 -	48,162,966	65.8	8	0.1
Total	73,206,944	100.0	12,564	100.0

PARENT COMPANY INCOME STATEMENT (FAS)

		1 Jan - 31 Dec 2007	1 Jan - 31 Dec 2006
		Euro	
Net sales		7,928,666.83	6,842,392.37
Other operating income	3	164,546.35	562,084.12
Personnel expenses	4	3,729,385.52	4,474,350.24
Depreciation and impairments	5	154,293.32	181,025.58
Other operating expenses	3	12,250,775.06	8,515,283.03
Operating profit		**-8,041,240.72**	**-5,766,182.36**
Financial income and expenses	6	35,102,506.29	25,112,044.40
Profit before extraordinary items		**27,061,265.57**	**19,345,862.04**
Extraordinary items	7	9,610,000.00	11,196,000.00
Profit before appropriations and taxes		**36,671,265.57**	**30,541,862.04**
Increase (-) or decrease (+) in accumulated depreciation difference		-16,205.37	70,003.30
Income taxes	8	2,358,852.82	5,436,356.56
Profit for the period		**34,296,207.38**	**25,175,508.78**

PARENT COMPANY BALANCE SHEET (FAS)

	Note	31 Dec 2007	31 Dec 2006
		Euro	
Assets			
Fixed assets			
Intangible assets			
Other capitalised long-term expenditure		377,195.32	344,158.67
Investment in progress		173,997.83	-
Intangible assets	9	**551,193.15**	**344,158.67**
Tangible assets			
Machinery and equipment		146,889.07	51,527.21
Tangible assets	9	**146,889.07**	**51,527.21**
Securities and long-term investments			
Shares in subsidiaries		158,172,198.79	158,877,542.23
Other shares and holdings		90,805.86	90,805.86
Loan receivable		266,520,638.44	291,096,601.16
Securities and long-term investments	10	**424,783,643.09**	**450,064,949.25**
Total fixed assets		**425,481,725.31**	**450,460,635.13**
Current assets			
Current receivables			
Accounts receivable		2,193,631.02	1,963,769.39
Loan receivable		11,570,677.78	18,450,367.07
Accruals		2,993,489.52	532,029.13
Deferred tax assets		403,591.35	313,693.03
Other receivable		44,106,377.68	31,653,981.84
Current receivables	11	**61,267,767.35**	**52,913,840.46**
Cash and cash equivalent		**1,749,433.13**	**6,453,182.81**
Total current assets		**63,017,200.48**	**59,367,023.27**
Total assets		**488,498,925.79**	**509,827,658.40**

PARENT COMPANY BALANCE SHEET (FAS)

	Note	31 Dec 2007	31 Dec 2006
		Euro	
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital		146,446,888.00	146,446,888.00
Share premium		50,184,372.40	50,184,372.40
Unrestricted equity		66,613.56	-
Retained earnings		87,158,541.96	164,472,754.78
Profit for the period		34,296,207.38	25,175,508.78
Total shareholders' equity	12	**318,152,623.30**	**386,279,523.96**
Accumulated appropriations			
Accumulated depreciation difference	13	139,788.79	123,583.42
Obligatory provisions	14	**1,554,641.00**	**1,206,807.80**
Liabilities			
Current liabilities			
Accounts payable		1,380,852.50	962,347.82
Accruals		1,264,029.16	7,209,765.18
Other current liabilities		166,006,991.04	114,045,630.22
Current liabilities	15	**168,651,872.70**	**122,217,743.22**
Total liabilities		**168,651,872.70**	**122,217,743.22**
Total liabilities and shareholders' equity		**488,498,925.79**	**509,827,658.40**

PARENT COMPANY CASH FLOW STATEMENT

	1 Jan - 31 Dec 2007	1 Jan - 31 Dec 2006
	MEUR	
Cash flow from operations		
Net cash from operations		
Profit before appropriations and taxes	36.7	30.6
Depreciation	0.2	0.2
Sales gains/losses from the sale of fixed assets	-0.2	-0.6
Other cash flow adjustments	0.4	0.0
Income taxes	-2.4	-5.4
Group contributions	-9.6	-11.2
Net cash from operations	**25.1**	**13.6**
Change in net working capital		
Receivables	-10.0	2.0
Non-interest-bearing liabilities	-5.6	1.7
Change in net working capital	**-15.6**	**3.7**
Cash flow from operations	**9.5**	**17.3**
Cash flow from investments		
Share acquisitions	-	-10.8
Share divestments and result of subsidiary liquidations	0.9	2.9
Purchase of fixed assets	-0.4	-0.1
Granted loans	-8.8	-17.0
Loan repayments	33.4	145.6
Cash flow from investments	**25.1**	**120.6**
Cash flow before financing	**34.6**	**137.9**
Cash flow from financing		
Borrowings of debt	51.9	-
Repayments of debt	-	-21.6
Dividends paid	-102.5	-166.0
Group contributions	11.2	12.2
Cash flow from financing	**-39.4**	**-175.4**
Change in cash and cash equivalents	**-4.8**	**-37.5**
Cash and cash equivalents at 1 January	6.5	44.0
Cash and cash equivalents at 31 December	1.7	6.5
Changes according to balance sheet	**-4.8**	**-37.5**

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 Principals 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 is 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.

Pension arrangements

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

Extraordinary income and expenses

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

Income taxes

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

Financial assets, financial liabilities and derivative contracts

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

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

Leases

All leasing payments have been treated as rental expenses.

Management incentive scheme

The costs of management incentive scheme were recognised as a cost on accrual basis for the years 2004-2006 according to Generally Accepted Accounting Principals in Finland.

2. Parent Company's business

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

3. Other operating income and expenses

	2007	2006
Other operating income		
Gains from sales of fixed assets	0.2	0.6
Total	**0.2**	**0.6**

Other operating income includes mainly capital gains from reorganising Group's legal structure.

	2007	2006
Other operating expenses		
Environmental expenses	0.9	0.7
Other	11.3	7.8
Total	**12.2**	**8.5**

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

4. Personnel expenses

Salaries and bonuses	3.0	3.9
Pension expenses	0.2	0.5
Other personnel expenses	0.5	0.1
Total	**3.7**	**4.5**

Salaries and emoluments paid to the Managing Directors and Board Members, TEUR (*		
Managing Director and his deputy	2,573.1	799.2
Board of Directors	270.0	230.0
Total	**2,843.1**	**1,029.2**

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

Loans to company directors
At 31 December 2007, 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 for the parent company CEO has been agreed as 63 years.

5. Depreciation and impairment

Other capitalised long-term expenditure	0.1	0.1
Machinery and equipment	0.1	0.1
Total	**0.2**	**0.2**

6. Financial income and expenses

Interest income	2.2	2.7
Intercompany interest income	15.8	16.1
Dividend income from subsidiaries	28.9	9.3
Total	**46.9**	**28.1**
Interest expenses	6.5	2.1
Intercompany interest expenses	3.1	3.8
Other financial expenses	0.2	0.2
Exchange differences		
- Realised	-0.9	0.9
- Unrealised	2.9	-4.0
Total	**11.8**	**3.0**
Financial income and expenses	**35.1**	**25.1**

7. Extraordinary income

	2007	2006
Group contributions	9.6	11.2
Total	**9.6**	**11.2**

8. Taxes

For the financial period	2.5	5.4
Change in deferred taxation	-0.1	-
Total	**2.4**	**5.4**

9. Intangible and tangible assets

2007	In-tangible rights	Other capitalised long-term expendi-ture	Intangible invest-ment in progress	Machi-nery and equip-ment	**In-tangible and tangible assets**
Acquisition costs 1 Jan	0.2	4.5	-	1.0	**5.7**
Increases	-	0.1	0.2	0.1	**0.4**
Decreases	0.2	3.3	-	0.7	**4.2**
Acquisition costs 31 Dec	-	1.3	0.2	0.4	**1.9**
Accumulated depreciations and impairments 1 Jan	0.2	4.1	-	1.0	**5.3**
Acc. depreciation on disposals and transfers	-0.2	-3.3	-	-0.7	**-4.2**
Depreciation for the financial period	-	0.1	-	-	**0.1**
Accumulated depreciations and impairments 31 Dec	-	0.9	-	0.3	**1.2**
Book value 31 December	**-**	**0.4**	**0.2**	**0.1**	**0.7**

2006	In-tangible rights	Other capitalised long-term expendi-ture	Intangible invest-ment in progress	Machinery and equipment	**Intangible and tangible assets**
Acquisition costs 1 Jan	0.2	4.4	-	1.0	**5.6**
Increases	-	0.1	-	-	**0.1**
Acquisition costs 31 Dec	0.2	4.5	-	1.0	**5.7**
Accumulated depreciations and impairments 1 Jan	0.2	4.0	-	0.9	**5.1**
Depreciation for the financial period	-	0.1	-	0.1	**0.2**
Accumulated depreciations and impairments 31 Dec	0.2	4.1	-	1.0	**5.3**
Book value 31 December	**-**	**0.3**	**-**	**0.1**	**0.4**

10. Non-current investments

Shares in subsidiaries 1 January	158.9	150.4
Increases	-	10.8
Decreases	0.7	2.3
Shares in subsidiaries 31 December	**158.2**	**158.9**
Other shares and holdings 1 January	0.1	0.1
Other shares and holdings 31 December	**0.1**	**0.1**
Loans receivables		
- Subsidiaries	266.5	291.1
Total	**424.8**	**450.1**

11. Current receivables

	2007	2006
Accounts receivable		
- from subsidiaries	2.2	2.0
Loan receivable		
- from subsidiaries	11.6	18.5
Accruals		
- from subsidiaries	0.1	-
- from others	2.9	0.5
Deferred tax assets	0.4	0.3
Other receivable		
- from subsidiaries	44.1	31.6
Total	**61.3**	**52.9**

Deferred tax assets are recognized according to obligatory provisions in the balance sheet.

Accruals		
Interest income	0.2	0.1
Other financial income	1.7	0.1
Taxes	0.5	0.2
Others	0.6	0.1
Total	**3.0**	**0.5**

12. Changes in equity

Restricted equity		
Share capital on 1 January	146.4	148.8
Cancelling of shares	-	-2.4
Share capital on 31 December	**146.4**	**146.4**
Capital reserve on 1 January	50.2	47.8
Cancelling of shares	-	2.4
Premium on shares issued, 31 December	**50.2**	**50.2**
Total restricted equity	**196.6**	**196.6**
Unrestricted equity		
Unrestricted equity 1 January	-	-
Increases	0.1	-
Unrestricted equity 31 December	**0.1**	**0.0**
Retained earnings 1 January	189.7	330.5
Dividend payments	-102.5	-166.0
Profit for financial period	34.3	25.2
Retained earnings 31 December	**121.5**	**189.7**
Total unrestricted equity	**121.6**	**189.7**
Shareholders' equity 31 December	**318.2**	**386.3**

Distributable funds, 31 December 2007, EUR	
Unrestricted equity	66,613.56
Retained earnings	87,158,541.96
Profit for the period	34,296,207.38
Distributable funds, 31 December 2007, EUR	121,521,362.90

13. Accumulated depreciation differences

	2007	2006
- Other capitalised long-term expenditure	0.1	-
- Plant and machinery	-	0.1
Total	**0.1**	**0.1**

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

14. Obligatory provisions

Pension obligation	0.1	0.3
Environmental provision	1.4	0.9
Total	**1.5**	**1.2**

15. Current liabilities

Accounts payable		
- from subsidiaries	0.4	0.5
- from others	1.0	0.5
Accruals		
- from subsidiaries	0.2	-
- from others	1.1	7.2
Other current liabilities		
- from subsidiaries	6.8	4.6
- from others	159.2	109.4
Total	**168.7**	**122.2**

Accrued liabilities

Personnel expenses	0.7	0.5
Taxes	-	3.3
Interest	0.2	0.2
Others	0.4	3.2
Total	**1.3**	**7.2**

16. Contingent liabilities

	2007	2006
- on behalf of a subsidiary		
Guarantees issued	10.5	11.4
- on behalf of others		
Guarantees issued	9.3	9.7
Operating lease commitments		
Operating lease commitments for next 12 months	0.5	0.4
Operating lease commitments over next 12 months	1.3	1.5
Guarantees issued	19.8	21.1
Lease commitments	1.8	1.9
Total	**21.6**	**23.0**

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

17. Exchange and interest rate risk management

	Nominal value	
Foreign currency derivatives:	**2007**	**2006**
Forward agreements	85.8	13.0
Inter-company forward agreements	56.1	13.2

	Fair value	
Foreign currency derivatives:	**2007**	**2006**
Forward agreements	1.7	0.2
Inter-company forward agreements	-0.2	-0.1

PROPOSAL OF THE BOARD OF DIRECTORS

The distributable funds of the parent company Uponor Corporation are EUR 121,521,362.90 of which profit for the period is EUR 34,296,207.38.

The Board of Directors proposes to the Annual General Meeting that

-a dividend of EUR 1.40 per share will be paid, totaling	EUR 102,489,721.60
-the reminder be retained in the shareholders' equity	EUR 19,031,641.30
	EUR 121,521,362.90

Vantaa, 7 February 2008

Pekka Paasikivi
Chairman

Aimo Rajahalme

Jari Paasikivi

Anne-Christine Silfverstolpe Nordin

Jorma Eloranta

Rainer S. Simon

Jan Lång
Managing director

AUDITOR'S CERTIFICATE

The above financial statements and the review by the Board of Directors have been prepared in accordance with generally accepted accounting principles in Finland. Our auditors' report has been issued today.

Vantaa, 7 February 2008

KPMG Oy Ab
Authorised Public Accountants

Sixten Nyman
Authorised Public Accountant