FINANCIAL STATEMENTS
1 Jan-31 Dec 2008
Uponor Corporation

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REVIEW BY THE BOARD OF DIRECTORS

Overview

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

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

In the latter half of 2008, we implemented an extensive adjustment programme aimed at safeguarding the Company's operational prerequisites in the difficult market situation. Combined with the strategic development programmes initiated during the last few years, this has made Uponor an integrated and strong company which has a good starting point for succeeding in the near future's challenging market situation and capitalising on the opportunities that exist in the markets.

Net sales

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

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

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

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

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

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

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

The largest geographical markets and their share of consolidated net sales were as follows:
Germany 15.0% (13.4), Finland 11.8% (11.0), USA 11.1% (13.6), Sweden 9.1% (8.8), Spain 8.3% (11.3), Denmark 6.1% (6.5) and Italy 5.5% (5.3).

Results

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

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

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

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

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

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

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

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

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

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

As a consequence of the cash flow enhancing measures implemented in the second half of the year, both cash flow from operations and especially cash flow before financing improved from the previous year,

even when excluding the proceeds from the disposal of the UK/Irish infrastructure business which amounted to 76.4 million euros. Cash flow from operations was EUR 95.4m (EUR 93.8m) while cash flow before financing came to EUR 133.6m (EUR 41.1m).

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

Investments, research and development, and financing

The investment and development programme planned for 2008 was fundamentally revised due to the dramatic weakening of the business environment. In particular, investments in fixed assets were restricted. Most of the investments realised were targeted at such process development and efficiency improvement projects with a rapid payback. For example, a new distribution centre was built in Minnesota, United States, enabling the vacation of facilities elsewhere and the realisation of efficiency improvements throughout the supply chain.

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

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

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

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

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

Key events

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

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

In June, Uponor finalised a deal to divest its municipal infrastructure business for gas and water pipe systems in the UK and Ireland. Net sales of this business for 2007 amounted to EUR 169.1m, with a total of 473 people transferring to another company. The enterprise value of the deal amounted to GBP 100 m, giving Uponor a sales gain of EUR 43.5m.

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

In November, Uponor announced its decision to concentrate its European metal fittings manufacturing in Hassfurt, Germany, and to gradually phase out its production facility in Kungsör, Sweden, by the spring of 2009. Concentrating the metal fittings manufacture is estimated to bring Uponor savings in production

and logistics while simplifying the total supply process to customers, the majority of whom are located in Central and Southern Europe.

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

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

Personnel

The Group had a staff of 3,823 (4,743) at the end of the year. As full-time equivalents, the number of employees stood at 3,678 (4,581) at year-end, down by 903 from 2007. This decrease includes 491 persons who left the company as a result of the divestment of Uponor's infrastructure business in the British Isles. With respect to continuing operations, the decrease of staff was 412 persons, or 10.1 per cent. The annual average number of persons employed groupwide was 4,211 (4,497).

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

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

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

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

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

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

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

Through its new European structure, Uponor is seeking to unify its operations beyond national borders while enhancing the customer focus of its businesses, maximising capitalisation on business opportunities and increasing its operational efficiency and transparency. As a result of this reform, Uponor's former

three regional organisations in Europe will be merged as one, which covers both the housing and infrastructure businesses.

Risks associated with business

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

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

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

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

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

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

With respect to component and raw material suppliers, Uponor aims to use supplies and raw materials available at several suppliers. Any sole supplier used must have at least two production plants manufacturing goods used by Uponor. Uponor develops and harmonises its sourcing activities in order to further improve its productivity and efficiency.

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

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

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

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

Hazard risks
Uponor runs 11 production plants in 6 countries, and products manufactured in these plants generate a major proportion of the company's net sales. Uponor co-ordinates indemnity and business interruption

insurance at Group-level on a centralised basis, in order to achieve extensive insurance coverage neutralising financial damage caused by any risks associated with machine breakdowns, fire etc. Another major hazard risk is associated with product liability related to products manufactured and sold by Uponor. Product liability is also insured at Group level.

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

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

Administration and audit

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

Share capital and shares

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

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

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

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

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

Share-based incentive programme
On 25 September 2007, Uponor Corporation’s Board of Directors launched a long-term incentive scheme for members of the company’s Executive Committee (ExCom). To be eligible to participate in the scheme, an ExCom member must acquire a specific number of Uponor shares, as defined under the scheme, by the end of August 2008. In November 2008, the Board targeted a new, three-year share-based incentive scheme to selected persons holding international manager positions at Uponor. To be eligible to participate in the scheme, a person must acquire a specific number of Uponor shares, as defined under the scheme, by the end of August 2009. Shares based on both schemes will be awarded in the spring of

2012. Further information on these schemes is available in the Corporate Governance section of this Annual Report.

Events after the financial year

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

Outlook for 2009

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

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

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

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

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

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

Uponor Corporation
Board of Directors

GROUP KEY FINANCIAL FIGURES

	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS
Consolidated income statement (continuing operations), MEUR					
Net sales	949.2	1,047.4	1,003.7	905.6	909.0
Operating expenses	868.0	888.1	845.8	772.6	791.4
Depreciation and impairments	31.4	29.5	28.5	23.7	33.9
Other operating income	1.4	5.9	3.5	6.0	3.5
Operating profit	51.2	135.7	132.9	115.3	87.2
Financial income and expenses	-10.2	-2.6	-2.0	-2.4	-5.9
Profit before taxes	41.0	133.1	130.9	112.9	81.3
Profit from continuing operations	30.1	91.4	88.8	76.7	58.0
Profit for the period	72.5	101.9	96.5	82.7	88.4
Consolidated balance sheet, MEUR					
Fixed assets	239.1	270.3	263.7	267.5	282.9
Goodwill	70.0	70.2	70.2	70.2	70.2
Inventories	104.5	150.6	128.1	111.4	136.5
Cash and cash equivalent	53.2	6.3	12.4	48.9	29.5
Accounts receivable and other receivables	128.1	166.9	169.5	165.3	170.7
Shareholders' equity	305.6	333.0	344.4	418.4	397.0
Provisions	30.0	16.2	15.5	14.8	20.4
Non-current interest bearing liabilities	77.0	14.7	17.2	19.4	22.4
Current interest-bearing liabilities	36.8	76.1	16.9	2.6	40.7
Non-interest-bearing liabilities	145.5	224.3	249.9	208.1	209.3
Balance sheet total	594.9	664.3	643.9	663.3	689.8
Other key figures					
Operating profit (continuing operations), %	5.4	13.0	13.2	12.7	9.6
Profit before taxes (continuing operations), %	4.3	12.7	13.0	12.5	8.9
Return on Equity (ROE), %	22.7	30.1	25.3	20.3	21.7
Return on Investment (ROI), %	22.2	39.2	35.8	28.1	27.0
Solvency, %	51.4	50.2	53.6	63.2	57.7
Gearing, %	19.8	25.4	6.3	-6.4	8.5
Net interest-bearing liabilities, MEUR	60.6	84.5	21.7	-26.9	33.6
- % of net sales	6.4	8.1	2.2	-3.0	3.7
Change in net sales, %	-9.4	4.4	10.8	-0.4	n/a
Exports from Finland, MEUR	34.1	42.3	36.7	30.0	22.7
Net sales of foreign subsidiaries, MEUR	836.5	931.3	897.8	803.2	812.3
Total net sales of foreign operations, MEUR	837.5	932.2	898.9	805.2	814.0
Share of foreign operations, %	88.2	89.0	89.6	88.9	89.5
Personnel at 31 December	3,678	4,581	4,325	4,126	4,475
Average no. of personnel	4,211	4,497	4,260	4,169	4,684
Investments (continuing operations), MEUR	39.0	52.0	50.2	44.6	34.1
- % of net sales	4.1	5.0	5.0	4.9	3.8

SHARE-SPECIFIC KEY FIGURES

	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS
Share capital, MEUR	146.4	146.4	146.4	148.8	149.6
Number of shares at 31 December, in thousands	73,207	73,207	73,223	74,383	74,820
Number of shares adjusted for share issue, in thousands					
- at end of year	73,047	73,207	73,135	73,135	74,295
- average	73,187	73,201	73,135	73,941	74,243
Shareholders' equity, MEUR	305.6	333.0	344.4	418.4	397.0
Share trading, MEUR	1,195.1	2,362.0	964.0	477.7	676.6
Share trading, in thousands	99,227	99,423	42,417	29,090	49,724
- of average number of shares, %	135.6	135.8	58.0	39.3	67.0
Market value of share capital, MEUR	563.7	1,260.6	2,076.6	1,338.9	1,029.5
Adjusted earnings per share (fully diluted), EUR	0.99	1.39	1.32	1.12	1.19
Equity per share, EUR	4.18	4.55	4.71	5.72	5.34
Dividend, MEUR	[1] 62,1	102.5	102.5	166.0	52.0
Ordinary dividend per share, EUR	[1] 0,85	1.40	1.15	0.90	0.70
Extra dividend per share, EUR	-	-	0.25	1.37	-
Dividend per share, total, EUR	[1] 0,85	1.40	1.40	2.27	0.70
Effective share yield, %	11.0	8.1	4.9	12.6	5.1
Dividend per earnings, %	85.9	100.7	106.1	202.7	58.8
P/E ratio	7.8	12.4	21.5	16.1	11.6
Issue-adjusted share prices, EUR					
- highest	18.91	31.45	29.35	19.78	15.00
- lowest	6.10	15.31	18.00	13.72	12.10
- average	12.04	23.76	22.73	16.39	13.61

The definitions of key ratios are shown on page 12.

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

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

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

DEFINITIONS OF KEY RATIOS

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

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

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

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED BALANCE SHEET

	Note	31 Dec 2008	31 Dec 2007
Assets			
Fixed assets			
Intangible assets			
Intangible rights		30.4	31.4
Goodwill		70.0	70.2
Other intangible assets		0.2	0.1
Investment in progress		0.7	-
Total intangible assets	10	**101.3**	**101.7**
Tangible assets			
Land and water areas		10.2	11.7
Buildings and structures		57.8	60.8
Machinery and equipment		92.4	112.9
Other tangible assets		7.0	7.5
Construction work in progress		17.1	26.0
Total tangible assets	11	**184.5**	**218.9**
Securities and long-term investments			
Shares in associated companies	13	-	0.0
Other shares and holdings	14	0.2	0.2
Other investments	15	6.1	3.4
Total securities and long-term investments		**6.3**	**3.6**
Deferred tax assets	20	**17.0**	**16.3**
Total fixed assets		**309.1**	**340.5**
Current assets			
Inventories	16	**104.5**	**150.6**
Current receivables			
Accounts receivable		91.4	144.6
Loan receivable		0.0	0.1
Current income tax receivable		11.2	0.9
Accruals		15.3	13.0
Other receivable		10.2	8.3
Total current receivables	17, 18	**128.1**	**166.9**
Cash and cash equivalent		**53.2**	**6.3**
Total current assets		**285.8**	**323.8**
Total Assets		**594.9**	**664.3**

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

CONSOLIDATED CASH FLOW STATEMENT

	Note	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Cash flow from operations			
Net cash from operations			
Profit for the period		72.5	101.9
Adjustments for:			
Depreciation		31.8	37.2
Income taxes		10.9	46.6
Interest income		-1.7	-2.6
Interest expense		8.0	7.0
Sales gains/losses from the sale of businesses and fixed assets		-41.0	-2.7
Share of profit in associated companies		-0.2	-0.5
Other cash flow adjustments		4.7	-0.9
Net cash from operations		**85.0**	**186.0**
Change in net working capital			
Receivables		59.5	1.7
Inventories		59.1	-26.4
Non-interest-bearing liabilities		-62.9	-20.4
Change in net working capital		**55.7**	**-45.1**
Income taxes paid		-39.8	-42.7
Interest paid		-6.8	-7.1
Interest received		1.3	2.7
Cash flow from operations		**95.4**	**93.8**
Cash flow from investments			
Proceeds from disposal of subsidiaries and businesses	3	76.4	-
Purchase of fixed assets		-39.0	-58.1
Proceeds from sale of fixed assets		0.4	5.0
Dividends received		0.2	0.2
Loan repayments		0.2	0.2
Cash flow from investments		**38.2**	**-52.7**
Cash flow before financing		**133.6**	**41.1**
Cash flow from financing			
Borrowings of debt		19.1	57.2
Dividends paid		-102.5	-102.5
Purchase of own shares		-1.2	-
Payment of finance lease liabilities		-2.0	-1.9
Cash flow from financing		**-86.6**	**-47.2**
Conversion differences for cash and cash equivalents		**-0.1**	**0.0**
Change in cash and cash equivalents		**46.9**	**-6.1**
Cash and cash equivalents at 1 January		6.3	12.4
Cash and cash equivalents at 31 December		53.2	6.3
Changes according to balance sheet		**46.9**	**-6.1**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

For further information see note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting principles

Company profile

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

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

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

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

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

Basis of preparation

Uponor Group's consolidated financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and their SIC and IFRIC interpretations valid on 31 December 2008. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refer to the standards and to their interpretations adopted in accordance with the procedures laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The consolidated financial statements include also additional information required by the Finnish Accounting Act and the Limited Liability Companies Act. The consolidated financial statements are presented in millions of euros (MEUR), and they are based on the historical cost convention unless otherwise specified in the accounting principles section below.

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

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

Use of estimates

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

Consolidation principles

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

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

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

Foreign currency translations

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

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

Non-current assets held for sale and discontinued operations

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

Revenue recognition

Sales of products are recognised as income once the risks and benefits related to ownership of the sold products have been transferred to the buyer, according to the agreed delivery terms, and the Group no longer has possession of, or control over, the products. Sales of services are recognised as income once

the service has been rendered. Net sales comprise the invoiced value for the sale of goods and services net of indirect taxes, sales rebates and exchange rate differences.

Research and development

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

Employee benefits

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

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

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

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

Operating profit

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

Borrowing costs

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

Income taxes

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

Intangible assets

Goodwill
Goodwill represents future economic benefits arising from assets that are not capable of being individually identified and separately recognised by the Group on an acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired company at the

date of acquisition. Goodwill is allocated to the cash generating units according to business segments' geographical locations. Goodwill is not amortised, but it is tested for impairment annually. Gains and losses on the disposal of a Group entity include any goodwill relating to the entity sold.

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

Property, plant and equipment

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

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

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

Depreciations

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

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

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

Government grants

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

Impairment

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

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

Goodwill is assessed for impairment on a yearly basis.

Leases

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

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

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

Inventories

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

Provisions

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

Cash and cash equivalents

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

Financial assets

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

Financial assets at fair value through profit and loss include financial assets held for trading and measured at fair value. Financial assets at fair value through profit and loss have been acquired principally for the purpose of generating a profit from short-term fluctuations in market prices. Derivative instruments, for which hedge accounting is not applied, are included in financial assets at fair value through profit and loss. Interest and currency derivatives, for which no hedge accounting is applied, are recognised in the balance sheet at historical cost and valued at fair value at each balance sheet date. Fair value is determined using market prices at the balance sheet date or the present value of estimated future cash flows. Changes in the fair value of financial assets at fair value through profit and loss, and unrealised and realised gains and losses are included in financial income and expenses in the period in which they occur**.** Financial assets at fair value through profit and loss are presented under the other current assets in the balance sheet.
Held-to-maturity investments are assets with fixed maturity, which the enterprise has the positive intent and ability to hold to maturity. Held-to-maturity assets are measured at amortised cost using the effective interest rate method. The Group did not have any held-to-maturity investments during the financial period.
Loans and receivables are non-derivative assets with fixed or determinable payment dates that are not quoted in the active markets nor held for trading purposes. Loan and receivables are measured at amortised cost. Accounts receivable are carried at expected fair value, which is the original invoice

amount less the provision made for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probable bankruptcy of the debtor or default in payments are considered as probable indicators for the impairment of accounts receivable.

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

Financial liabilities

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

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

Derivative contracts and hedge accounting

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

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

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

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

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

Management incentive scheme

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

In November 2008, the Board of Directors approved a 3-year incentive scheme for a group of managers with international business responsibility. To be eligible to participate in the scheme, a manager must acquire a specific number of Uponor shares, as defined under the scheme, by the end of August 2009. Depending on the achievement of the company's financial targets during the years 2009-2011, and the number of shares acquired within the scheme, each manager is eligible to be awarded Uponor shares in

the spring 2012. By the end of January 2009, managers had not acquired any Uponor shares under this scheme, and therefore not participated in the programme yet.

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

Treasury shares

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

Dividends

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

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

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

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

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

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

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

Application of new IFRS standards

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

-
- IFRS 2 Share based payments – Vesting Conditions and Cancellations, effective for annual periods on or after January 1, 2009. The change in the standard is not expected to have any effect on reported figures.
- IFRS 8 Operating Segments, effective for annual periods beginning on or after January 1, 2009. IFRS 8 adoptation will have an impact on the segment reporting. The Group will change its segment reporting on 1 January 2009 according to the new organisation structure published on 1 September 2008.
- IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after January 1, 2009. The adoptation of the standard will have impact on the presentation.

- IAS 23 Borrowing costs, effective for annual periods beginning on or after January 1, 2009. Standard is not assumed to have any significant impact on reported figures.
- Improvements to IFRS (Annual Improvements 2007), effective mainly for annual periods beginning on or after 1 January 2009. The Group foresees that improvement impacts will vary by standard, but they should not have significant impacts on reported figures. The EU has not approved these revised standards yet.
- IFRIC 13 Customer Loyalty Programs, effective for annual periods beginning on or after 1 July 2008.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective for annual periods beginning on or after 1 October 2008. The Group estimates that this interpretation will not have a material impact on its reported figures. The interpretation has not yet been approved by EU.
- IFRIC 17 Distributions of non-cash assets to owners, effective for annual periods beginning on or after 1 January 2009. This interpretation is not expected to have any effect on Uponor's reported figures. The interpretation has not yet been approved by EU.

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

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

2. Segment information

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

Geographical segments:

Central Europe
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. The infrastructure business in Germany was sold in April, and the UK and Irish divestments were finalised in June.

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

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

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

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

Segment result, continuing operations	2008	2007
Central Europe	38.2	41.1
Nordic	23.6	49.7
Europe - West, East, South	15.3	42.2
North America	-16.0	16.6
Others	-10.2	-13.2
Eliminations	0.3	-0.7
Uponor Group	**51.2**	**135.7**
Segment depreciation and impairments, continuing operations		
Central Europe	8.3	7.7
Nordic	10.1	10.1
Europe - West, East, South	2.9	2.2
North America	5.6	5.6
Others	4.1	3.3
Eliminations	0.4	0.6
Uponor Group	**31.4**	**29.5**
Segment investments, continuing operations		
Central Europe	8.5	11.0
Nordic	11.1	15.5
Europe - West, East, South	1.1	4.0
North America	14.4	13.4
Others	3.9	8.1
Uponor Group	**39.0**	**52.0**

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

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

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

Business segments:

Housing solutions
Infrastructure and environment
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.

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

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

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

3. Discontinued operations

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

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

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

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

4. Other operating income and expenses

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

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

5. Employee benefits

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

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

6. Depreciation, amortization and impairment

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

7. Financial income and expenses

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

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

8. Income taxes

	2008	2007
Current year and previous years taxes		
For the financial period	15.2	39.6
For previous financial periods	0.9	-0.7
Change in deferred taxation	-5.2	2.8
Total	**10.9**	**41.7**
Tax reconciliation		
Profit before taxes	41.0	133.1
Computed tax at Finnish statutory rate	10.7	34.6
Difference between Finnish and foreign rates	-1.3	7.8
Non-deductible expenses	1.3	2.9
Tax exempt income	-0.5	-0.4
Use of previously unrecognised tax losses	-0.2	-1.1
Change in tax legislation	-0.2	0.8
Previous years taxes	0.9	-0.7
Other items	0.2	-2.2
Total	**10.9**	**41.7**
Effective tax rate, %	26.6	31.3

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

9. Earnings per share

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

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

10. Intangible assets

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

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	0.0	**8.2**
Decreases	0.4	-	0.0	-	**0.4**
Acquisition costs 31 Dec	54.2	70.2	0.8	-	**125.2**
Accumulated depreciations and impairments 1 Jan	19.6	-	0.7	-	**20.3**
Conversion difference	-0.2	-	-0.1	-	**-0.3**
Acc. depreciation on disposals and transfers	-0.3	-	0.0	-	**-0.3**
Depreciation for the financial period	3.7	-	0.1	-	**3.8**
Accumulated depreciations and impairments 31 Dec	22.8	-	0.7	-	**23.5**
Book value 31 December	**31.4**	**70.2**	**0.1**	**-**	**101.7**

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

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

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

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

The Group does not have any capitalized development costs.

11. Property, plant and equipment

2008	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Con-struction work in progress	**Tangible assets**
Acquisition costs 1 Jan	14.3	137.4	406.1	27.4	26.0	**611.2**
Structural changes	-2.6	-17.4	-92.8	-2.8	-3.0	**-118.6**
Conversion difference	0.0	-2.3	-8.7	0.3	-0.7	**-11.4**
Increases	1.2	8.7	22.7	2.3	-0.2	**34.7**
Decreases	0.0	1.1	27.1	0.4	0.1	**28.7**
Transfers between items	-0.2	2.3	2.1	0.4	-4.9	**-0.3**
Acquisition costs 31 Dec	12.7	127.6	302.3	27.2	17.1	**486.9**
Accumulated depreciations and impairments 1 Jan	2.6	76.6	293.2	19.9	-	**392.3**
Structural changes	-0.1	-8.4	-73.7	-2.8	-	**-85.0**
Conversion difference	-0.1	-1.8	-6.8	0.3	-	**-8.4**
Acc. depreciation on disposals and transfers	-	-0.8	-22.2	-0.5	-	**-23.5**
Depreciation for the financial period	0.1	4.2	19.7	3.1	-	**27.1**
Transfers between items	-	-	-0.3	0.2	-	**-0.1**
Accumulated depreciations and impairments 31 Dec	2.5	69.8	209.9	20.2	-	**302.4**
Book value 31 December	**10.2**	**57.8**	**92.4**	**7.0**	**17.1**	**184.5**
Balance sheet value of production plant and machinery			83.2			

2007	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Con-struction 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			

The North American production plant expansion investment was finalised in 2008. The main production asset divestments related to the sold infrastructure businesses in the UK, Ireland and Germany. In 2007 the building investments included the new training centre in Germany. During the same year, the Group sold its real estate located in Portugal.

The production-related investments consisted mainly of machinery replacements. The reductions in the Group's machinery relate mainly to the sold infrastructure businesses in the UK, Ireland and Germany. Furthermore, the factory closures in Canada and Sweden increased the disposals. During the previous year, the largest investments in machinery and equipment were made in Germany, North America and Sweden.

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

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

2008	Land and water areas	Buildings and structures	Others	**Finance lease arrangements total**
Acquisition costs 1 Jan	1.1	16.8	0.2	**18.1**
Conversion difference	-	-0.2	0.0	**-0.2**
Increases	-	-	0.0	**0.0**
Transfers between items	-0.2	-0.7	-	**-0.9**
Acquisition costs 31 Dec	0.9	15.9	0.2	**17.0**
Accumulated depreciations and impairments 1 Jan	-	7.2	0.0	**7.2**
Conversion difference	-	-0.2	0.0	**-0.2**
Depreciation for the financial period	-	0.6	0.1	**0.7**
Transfers between items	-	-0.2	-	**-0.2**
Accumulated depreciations and impairments 31 Dec	-	7.4	0.1	**7.5**
Book value 31 December	**0.9**	**8.5**	**0.1**	**9.5**

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

12. Financial assets and liabilities by measurement categories

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

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

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

13. Investment in associated companies

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

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

14. Other shares and holdings

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
Other loan receivables	4.7	0.8
Derivatives contracts	0.0	0.3
Other receivable	1.4	1.3
Book value 31 December	**6.1**	**3.4**

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

16. Inventories

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

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

17. Interest-bearing current assets

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

18. Accounts receivable and other receivables

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

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

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

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

Accrued income

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

19. Shareholders' equity

At the beginning of 2008, Uponor Corporation's share capital came to EUR 146,446,888 and the number of shares totalled 73,206,944, while the year-end share capital was EUR 146,446,888 with the number of shares 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 2008 the company did not hold any treasury shares. The Board of Directors decided on 6 November 2008 to buy back own shares based on the authorisation granted by the Annual General Meeting on 13 March 2008. The company bought during the period 17.11-5.12.2008 a total of 160,000 own shares. Their total cost amounted to 1.2 million euros. The justification of the buy-back was the use of the shares as consideration in connection with the company's share based incentive programmes. At

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

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

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

20. Deferred taxes

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

The Group has recognised a deferred tax asset for its net operating loss carry-forwards, which probably can be utilised against future profits in the relevant tax jurisdictions. On 31 December 2008 the Group had losses carried forward of 5.6 million euros (7.2 million euros), of which the Group has recognized deferred tax receivable. With respect to confirmed losses, 3.9 million euros (0.1 million euros) had no expiry date while 1.7 million euros will expire in 2009. In 2008 there were not any loss carry-forwards for which no deferred tax asset is recognized due the uncertainty of the utilization of these loss carry-forwards. In 2007 such losses totalled 0.8 million euros.

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

21. Employee benefit obligations

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

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

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

Pension obligations

	2008	2007
Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of funded obligations	3.1	68.0
Present value of unfunded obligations	18.6	19.9
Fair value of plan assets	-2.1	-57.6
Unrecognised actuarial gains (+) and losses (-)	-0.1	-3.1
Net liability in the balance sheet	**19.5**	**27.2**
Expenses recognised in the income statement		
Current service costs	1.0	3.4
Interest costs	1.4	4.1
Expected return on plan assets	-0.6	-3.2
Actuarial gains (-) and losses (+)	-0.2	-0.1
Effect of any curtailments and settlements	-0.9	0.0
Total	**0.7**	**4.2**
Actual return on plan assets	-0.4	2.8
Expenses recognised in the income statement by function		
Cost of goods sold	0.1	1.3
Dispatching and warehousing	0.1	0.1
Sales and marketing	0.6	1.0
Administration	-0.2	1.2
Other	0.1	0.6
Total	**0.7**	**4.2**
Movements in obligation		
Obligation at 1 January	87.9	90.2
Sale of businesses	-43.2	-
Current service cost	0.9	3.4
Interest cost	1.4	4.1
Actuarial gains (-) and losses (+)	-1.5	-2.7
Gains (-) and losses (+) on curtailments	-0.3	-0.1
Member contributions	0.0	0.5
Benefit payments	-4.6	-2.2
Settlements	-4.5	-0.1
Conversion difference	-14.4	-5.2
Obligation at 31 December	**21.7**	**87.9**
Movements in fair value of plan assets		
Fair value of plan assets at 1 January	57.6	56.0
Sale of businesses	-36.4	-
Expected return on plan assets	0.6	3.2
Actuarial gains (+) and losses (-)	-1.0	-0.4
Contributions by employer	1.4	4.4
Member contributions	0.0	0.5
Settlements	-5.3	-0.1
Conversion difference	-10.3	-3.9
Benefit payments	-4.5	-2.1
Fair value of plan assets at 31 December	**2.1**	**57.6**
Major categories of plan assets as % of total plan		
Equities	4.1	46.3
Bonds	40.7	50.5
Other	55.2	3.2
Total	100.0	100.0

Principal actuarial assumptions

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

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

Amounts for the current and previous period	**2008**	**2007**
Present value of obligation	21.7	87.9
Fair value of plan assets	-2.1	-57.6
Surplus (+)/Deficit (-)	19.6	30.3
Experience adjustments on plan assets	0.6	0.5
Experience adjustments on plan liabilities	-1.3	-2.6

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

22. Provisions

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

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

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

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

23. Interest bearing liabilities

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

Maturity of non-current interest bearing liabilities

	2010	2011	2012	2013	2014 -
Loans from financial institutions	16.0	16.0	16.0	16.0	-
Finance lease agreements	0.6	1.0	0.8	0.8	9.8
Total	**16.6**	**17.0**	**16.8**	**16.8**	**9.8**

The interest rate ranges of interest-bearing liabilities, % pa	**2008**	**2007**
Loans from financial institutions	3.45	3.5-5.95

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

Finance lease liability

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

The Group's finance lease agreements are mainly related to office, factory and warehouse premises. On 31 December 2008, the total amount of activated costs for finance lease agreements in the Group was 9.5 million euros (10.9 million euros), which was included in property, plant and equipment in the balance sheet. The corresponding depreciations in 2008 were 0.6. million euros (0.6 million euros). The total amount of finance lease payments in 2008 was 1.8 million euros (1.8 million euros), which included 1.1 million euros (1.2 million euros) of interest expenses.

The most significant leasing liability is the finance lease agreement signed in connection with the purchase of the Unicor business in 1999. In 2008, no significant new leasing agreements were made.

24. Accounts payable and other liabilities

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

25. Contingent liabilities

- on own behalf		
Mortgages issued	0.0	0.0
- on behalf of others		
Guarantees issued	7.8	11.5

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

Mortgages issued	0.0	0.0
Guarantees issued	7.8	11.5
Total	**7.8**	**11.5**

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

26. Operative leasing commitments

Future minimum lease payments		
In less than one year	9.2	8.5
1-5 years	14.7	12.9
Over 5 years	8.0	3.0
Total	**31.9**	**24.4**

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

27. Financial risk management

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

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

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

Currency risk

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

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

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

Group's currency transaction risk position at 31 Dec 2008

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

Group's currency transaction risk position at 31 Dec 2007

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

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

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

Interest rate risk

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

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

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

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

Liquidity and refinancing risk

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

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

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

The most significant existing funding programs on 31 December 2008 included:
Pension insurance company's reborrowing loan of 80 million euros, maturing in 2009-2013
Revolving credit facility of 30 million euros, maturing in 2011
Revolving Credit Facility of 120 million euros, maturing in 2010

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

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

Contractual maturity of financial liabilities at 31 Dec 2008

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

Contractual maturity of financial liabilities at 31 Dec 2007

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

Counterparty and credit risk

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

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

Potential concentrations of credit risk with respect to trade and other receivables are limited due to the large number and geographic dispersion of companies that comprise the Group's customer base. The single largest customer generates less than 10 per cent of the Group's revenue. Customer credit limits are established and monitored, and evaluation of customers' financial conditions is performed on-going continuously. Trade receivables are credit insured when it is applicable. The Group recorded 1.5 million of doubtful accounts receivables as expenses.

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

Price risk

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

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

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

28. Derivative contracts and hedge accounting

Nominal value

	2008	**2007**
Foreign currency derivatives:		
Forward agreements	128.9	85.9
Commodity derivatives:		
Forward agreements		
- not under hedge accounting	0.7	0.4
- under hedge accounting	6.7	3.2

Fair value	2008 Positive fair value	2008 Negative fair value	2008 Net fair value	2007 Positive fair value	2007 Negative fair value	2007 Net fair value
Foreign currency derivatives:						
Forward agreements	8.3	-0.6	7.7	1.9	-0.2	1.7
Commodity derivatives						
- not under hedge accounting	0.0	-0.1	-0.1	0.1	0.0	0.1
- under hedge accounting	0.0	-1.4	-1.4	0.7	0.0	0.7

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

Changes in the fair values of electricity derivatives which are designated as inbound cash flow hedges are recognised in shareholders' equity to the extent that the hedge is effective. Losses of 1.7 million euros (gain of 0.5 million euros) were entered directly in equity during the financial period. The impact of the ineffective portion on the profit for the financial period was a loss of 0.1 million euros (in 2007 it was insignificant). With respect to the hedging fund, a gain of 0.3 million euros (loss of 0.0 million euros) was recorded in the income statement during the financial period, under costs of goods sold.

29. Capital management

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

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

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

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

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

30. Management incentive scheme and share based payments

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

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

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

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

31. Related party transactions

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

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

Executive Committee remuneration: CEO and his Deputy, TEUR		
Luomakoski Jyri, Deputy CEO and CFO until 27 October 2008/ CEO from 27 October 2008	255.8	913.9
Lång Jan, CEO until 27 October 2008	411.4	1,659.2

CEO is entitled to retire at the age of 63.

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

Loans to management

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

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

Subsidiaries, shares and other investments

Subsidiaries

Name	Domicile and country	
Uponor Beteiligungs GmbH	Germany, Hassfurt	DE
Uponor Hispania, S.A.	Spain, Móstoles	ES
Uponor (Deutschland) GmbH	Germany, Hassfurt	DE
Hewing GmbH	Germany, Ochtrup	DE
Uponor GmbH	Germany, Hassfurt	DE
Uponor S.A.R.L.	France, St. Etienne de St. Geoirs	FR
Karhu Deutschland GmbH i.L.	Germany	DE
Trak GmbH i.L.	Germany, Kiefersfelden	DE
Uponor A/S	Denmark, Hadsund	DK
Uponor Eesti Oü	Estonia, Tallinn	EE
Jita Oy	Finland, Virrat	FI
Nereus Oy	Finland, Uusikaupunki	FI
Uponor Business Solutions Oy	Finland, Vantaa	FI
Uponor Suomi Oy	Finland, Nastola	FI
Uponor Texnikes Lyseis gia Ktiria AE	Greece, Athens	GR
Uponor Kft.	Hungary, Budapest	HU
Uponor imited	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 (Spb)	Russia, St.Petersburg	RU
ZAO Uponor Rus	Russia, St.Petersburg	RU
Uponor Innovation AB	Sweden, Borås	SE
Uponor AB	Sweden, Wirsbo	SE
Uponor Vertriebs GmbH	Austria, Guntramsdorf	AT
Uponor Housing Solutions Limited	UK, England and Wales	UK
Uponor North America, Inc.	USA, Delaware	US
Hot Water Systems North America, Inc.	USA, Delaware	US
Uponor, Inc.	USA, Illinois	US
Uponor Ltd	Canada, Saskatchewan	CA
Radiant Technology, Inc.	USA, Delaware	US
Tulsa Pipe Plant, Inc. (former Uponor Aldyl Company, Inc.)	USA, Delaware	US

Associated companies

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

32. Events after the balance sheet date

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

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

SHARES AND SHAREHOLDERS

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

Major shareholders on 31 December 2008

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

Nominee registered shares on 31 December 2008

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

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

Share capital development 2004 - 2008

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

Shareholders by category on 31 December 2008

Category	No. of shares	% of shares
Private non-financial corporations	21 125 518	28,9
Public non-financial corporations	18 820	0,0
Financial and insurance corporations	5 569 914	7,6
General government	9 572 492	13,1
Non-profit institutions	4 663 160	6,4
Households	15 728 948	21,5
Foreign (including nominee registrations)	16 527 238	22,6
Other (joint account)	854	0,0
Total	73 206 944	100,0

Shareholders by size of holding on 31 December 2008

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1 - 100	297 208	0,4	4 262	22,9
101 - 1,000	4 714 751	6,4	11 072	59,4
1,001 - 10,000	8 004 402	10,9	2 966	15,9
10,001 - 100,000	8 144 300	11,1	288	1,5
100,001 - 1,000,000	10 004 776	13,7	34	0,2
1,000,001 -	42 041 507	57,4	7	0,0
Total	73 206 944	100,0	18 629	100,0

PARENT COMPANY INCOME STATEMENT (FAS)

	Note	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
		Euro	
Net sales		12,614,289.97	7,928,666.83
Other operating income	3	64,035,881.26	164,546.35
Personnel expenses	4	4,630,422.23	3,729,385.52
Depreciation and impairments	5	221,920.15	154,293.32
Other operating expenses	3	13,659,780.27	12,250,775.06
Operating profit		**58,138,048.58**	**-8,041,240.72**
Financial income and expenses	6	86,951,862.82	35,102,506.29
Profit before extraordinary items		**145,089,911.40**	**27,061,265.57**
Extraordinary items	7	3,700,000.00	9,610,000.00
Profit before appropriations and taxes		**148,789,911.40**	**36,671,265.57**
Appropriations		61,884.06	-16,205.37
Income taxes	8	1,108,247.22	2,358,852.82
Profit for the period		**147,743,548.24**	**34,296,207.38**

PARENT COMPANY BALANCE SHEET (FAS)

		31 Dec 2008	31 Dec 2007
		Euro	
Assets			
Fixed assets			
Intangible assets			
Other capitalised long-term expenditure		332,230.66	377,195.32
Investment in progress		730,563.35	173,997.83
Intangible assets	9	**1,062,794.01**	**551,193.15**
Tangible assets			
Machinery and equipment		193,148.15	146,889.07
Tangible assets	9	**193,148.15**	**146,889.07**
Securities and long-term investments			
Shares in subsidiaries		183,675,025.00	158,172,198.79
Other shares and holdings		90,805.86	90,805.86
Loan receivable		160,412,421.45	266,520,638.44
Securities and long-term investments	10	**344,178,252.31**	**424,783,643.09**
Total fixed assets		**345,434,194.47**	**425,481,725.31**
Current assets			
Current receivables			
Accounts receivable		5,018,037.83	2,193,631.02
Loan receivable		111,399,344.62	11,570,677.78
Accruals		1,792,391.97	2,993,489.52
Deferred tax assets		321,265.26	403,591.35
Other receivable		39,326,922.33	44,106,377.68
Current receivables	11	**157,857,962.01**	**61,267,767.35**
Cash and cash equivalent			
Cash and cash equivalent		49,756,565.03	1,749,433.13
Cash and cash equivalent		**49,756,565.03**	**1,749,433.13**
Total current assets		**207,614,527.04**	**63,017,200.48**
Total assets		**553,048,721.51**	**488,498,925.79**

PARENT COMPANY BALANCE SHEET (FAS)

	Note	31 Dec 2008	31 Dec 2007
		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	66,613.56
Retained earnings		17,800,964.94	87,158,541.96
Profit for the period		147,743,548.24	34,296,207.38
Total shareholders' equity	12	**362,242,387.14**	**318,152,623.30**
Accumulated appropriations			
Accumulated depreciation difference	13	77,904.73	139,788.79
Obligatory provisions	14	**1,238,002.28**	**1,554,641.00**
Liabilities			
Non-current liabilities			
Loans from financial institutions		64,000,000.00	-
Non-current liabilities	15	**64,000,000.00**	**-**
Current liabilities			
Loans from financial institutions		16,000,000.00	-
Accounts payable		1,280,220.21	1,380,852.50
Accruals		3,805,384.32	1,264,029.16
Other current liabilities		104,404,822.83	166,006,991.04
Current liabilities	16	**125,490,427.36**	**168,651,872.70**
Total liabilities		**189,490,427.36**	**168,651,872.70**
Total liabilities and shareholders' equity		**553,048,721.51**	**488,498,925.79**

PARENT COMPANY CASH FLOW STATEMENT

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

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENT (FAS)

1. Accounting Principles

The Parent Company's Financial Statement has been prepared according to Generally Accepted Accounting 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 has been possible. Presented below is principally the accounting policies in which the practice differs from the Group's accounting policies. In other respects, the Group's accounting policies are applied.

Pension arrangements

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

Extraordinary income and expenses

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

Income taxes

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

Financial assets, financial liabilities and derivative contracts

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

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

Leases

All leasing payments have been treated as rental expenses.

2. Parent Company's business

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

3. Other operating income and expenses

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

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

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

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

4. Personnel expenses

Salaries and bonuses	3.6	3.0
Pension expenses	0.5	0.2
Other personnel expenses	0.6	0.5
Total	**4.6**	**3.7**

During financial period company employed:		
Employees, average	40	35

Salaries and emoluments paid to the President & CEO, his deputy and Board Members TEUR *)

President & CEO and his deputy	667.2	2,573.1
Board of Directors	252.0	270.0
Total	**919.2**	**2,843.1**

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

Loans to company directors
At 31 December 2008, the company's President & CEO and members of the Board of Directors had no loans outstanding from the company or its subsidiaries.

The retirement age for the parent company's President & CEO has been agreed as 63 years.

5. Depreciation and impairment

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

	2008	2007
Interest income	0.6	2.2
Intercompany interest income	18.4	15.8
Dividend income from subsidiaries	81.5	28.9
Total	**100.5**	**46.9**
Interest expenses	6.5	6.5
Intercompany interest expenses	3.6	3.1
Other financial expenses	0.3	0.2
Exchange differences		
- Realised	-2.9	-0.9
- Unrealised	6.1	2.9
Total	**13.5**	**11.8**
Financial income and expenses	**87.0**	**35.1**

7. Extraordinary income

Group contributions	3.7	9.6

8. Taxes

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

9. Intangible and tangible assets

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

2007	Intangible rights	Other capitalised long-term expenditure	Intangible investment in progress	Machinery and equipment	**Intangible 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**

10. Non-current investments

	2008	**2007**
Shares in subsidiaries 1.1.	158.2	158.9
Increases	35.9	-
Decreases	10.4	0.7
Shares in subsidiaries 31.12.	**183.7**	**158.2**
Other shares and holdings 1.1.	0.1	0.1
Other shares and holdings 31.12.	**0.1**	**0.1**
Loans receivables		
- Subsidiaries	156.2	266.5
- Others	4.2	-
Total	**344.2**	**424.8**

11. Current receivables

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

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

Interest income	0.4	0.2
Other financial income	-	1.7
Taxes	1.2	0.5
Others	0.2	0.6
Total	**1.8**	**3.0**

12. Changes in equity

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

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

13. Accumulated depreciation differences

Other capitalised long-term expenditure	0.1	0.1
Total	**0.1**	**0.1**

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

14. Obligatory provisions

Pension obligation	0.1	0.1
Environmental provision	1.1	1.4
Total	**1.2**	**1.5**

15. Non-current liabilities

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

Maturity of non-current interest bearing liabilities

	2010	2011	2012	2013	2014 -
Loans from financial institutions					
- Other loans	16.0	16.0	16.0	16.0	-
Total	**16.0**	**16.0**	**16.0**	**16.0**	**-**

16. Current liabilities

	2008	2007
Loans from financial institutions	16.0	-
Accounts payable		
- from subsidiaries	0.3	0.4
- from others	1.0	1.0
Accruals		
- from subsidiaries	0.1	0.2
- from others	3.7	1.1
Other current liabilities		
- from subsidiaries	85.2	6.8
- from others	19.2	159.2
Total	**125.5**	**168.7**
Accrued liabilities		
Personnel expenses	0.6	0.7
Taxes	0.2	-
Bonuses	0.2	
Interest	1.1	0.2
Others	1.7	0.4
Total	**3.8**	**1.3**

17. Contingent liabilities

- on behalf of a subsidiary		
Guarantees issued	9.0	10.5
- on behalf of others		
Guarantees issued	7.0	9.3
Operating lease commitments		
Operating lease commitments for next 12 months	0.5	0.5
Operating lease commitments over next 12 months	0.9	1.3
Guarantees issued	16.1	19.8
Lease commitments	1.5	1.8
Total	**17.5**	**21.6**

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

18. Exchange and interest rate risk management

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

	Fair value	
Foreign currency derivatives:	**2008**	**2007**

Forward agreements	7.7	1.7
Intercompany forward agreements	1.0	-0.2

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

19. Used ledgers

Electronic format
General ledger
Journal
Accounts ledgers
Bank vouchers
Account sales
Purchase account
Payroll accounting

Paper document
Memo vouchers

Separately bound
Balance book of financial period
Balance sheet specifications

PROPOSAL OF THE BOARD OF DIRECTORS

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

The Board of Directors proposes to the Annual General Meeting that

-a dividend of EUR 0.85 per share will be paid, totaling	EUR 62,089,902.40
-the reminder be retained in the shareholders' equity	EUR 103,521,224.34
	EUR 165,611,126.74

Vantaa, 10 February 2009

Jari Paasikivi
Chairman

Aimo Rajahalme

Jorma Eloranta

Anne-Christine Silfverstolpe Nordin

Rainer S. Simon

Jyri Luomakoski
President & CEO

THE AUDITORS NOTE

Our auditors' report has been issued today.

Vantaa, 10 February 2009

KPMG Oy Ab
Authorised Public Accountants

Sixten Nyman
Authorised Public Accountant