FINANCIAL STATEMENTS BULLETIN 2011

10 February 2012

1–12

Financial statements bulletin January - December 2011

Uponor’s net sales grew, profit impacted also by non-recurring items

- Net sales growth continued in October-December, but the weakening profitability was further burdened by non-recurring items
- Net sales 1-12: €806.4 million (2010: €749.2m), change +7.6%; organic growth at 4.9%
- Operating profit 1-12: €35.4 million (€52.4m), change –32.4%; operating profit without non-recurring items at €45.9 million, change –12.5%
- Earnings per share at €0.03 (€0.34), earnings per share excluding non-recurring items at €0.32 (€0.34)
- Guidance: Net sales are expected to grow organically from 2011 and operating profit is expected to exceed €50 million
- The Board’s dividend proposal is €0.35 (€0.55) per share

President and CEO Jyri Luomakoski comments on the reporting period:

- Despite the decrease in economic activity, plastic resin prices moved rapidly up in 2011, impacting negatively our gross profit. Price increases, implemented throughout the year, lagged behind and had a full impact only towards the end of the year. Still, this price inflation had a negative impact of 0.9 percentage points to our 2011 gross profit margin.
- In January 2012, we signed a deal to divest our non-core German OEM manufacturer Hewing GmbH. We had a long and successful history together, but more recently, the changes in the industrial landscape had weakened its strategic role for us, putting pressure on our consolidated performance. Long-term, I believe both parties will fare better after the agreement reached.
- I am very disappointed at the large non-recurring items that are included in our Q4 figures, such as the Finnish tax authority decisions and the impairment of the vendor note relating to our 2008 divestment of the UK/Irish municipal infrastructure business.
- Our cash flow for 2011 remained strong despite weaker profitability. The decision to reduce inventories in the uncertain environment burdened our gross profit in the last quarter through poor capacity utilisation in our operations while the absolute year-on-year reduction in inventories was a good achievement.
- For 2012, we see a rather stable but geographically inconsistent demand outlook. We expect the raw material price environment to be less volatile than in 2011. Our enhanced cost efficiency in operations and actions initiated to offset inflatory overhead cost pressures give us a good basis to improve our operating profit in 2012.

Non-recurring items in financial statements 2011:

In the fourth quarter of 2011, Uponor’s profit for continuing operations was impacted by the following items which the company considers to be non-recurring items:

- €10.5 million impairment write-down related to the divestment of Hewing GmbH, booked in other operating expenses

- €6.0 million impairment of UK vendor note, booked in financial expenses
- €3.2 million interest on delayed payments related to the Finnish tax decisions, booked in financial expenses
- €1.9 million surtaxes related to the Finnish tax decisions, booked in income taxes

During the first three quarters of 2011, no non-recurring items were recorded.

Income statement excluding non-recurring items

MEUR	10–12/2011	1–12/2011
Net sales	197.0	806.4
Gross profit	70.0	292.9
- % of net sales	35.5%	36.3%
Operating profit	7.4	45.9
- % of net sales	3.8%	5.7%
Financial expenses, net	4.1	8.5
Profit before taxes	3.3	37.4
Taxes	2.7	13.9
Profit from the continuing operations	0.6	23.5
Earnings per share, €		0.32

(All figures above are excluding non-recurring items.)

The Board's dividend proposal

The Board's dividend proposal at €0.35 per share is based on the company's dividend policy, the cash flow before financing at €0.40 per share, the earnings per share excluding non-recurring items at €0.32, as well as the company's financial situation and the outlook for 2012.

Information on the financial statements bulletin
This document is a condensed version of Uponor's 2011 financial statements bulletin, which is attached to this release. It is also available on the company website. The figures in brackets are the reference figures for the equivalent period in the previous year. Figures refer to continuing operations, unless otherwise stated. Any change percentages were calculated from the exact figures and not from the rounded figures published here.

Webcast and the presentation
A webcast in English from the results briefing will be broadcast on 10 February at 10:00 am EET. Connection details are available at www.uponor.com > Investors. Questions can be sent in advance to ir@uponor.com. The recorded webcast can be viewed at www.uponor.com > Investors shortly after publishing. The presentation document will be available at www.uponor.com > Investors > News & downloads.

Next interim results
Uponor Corporation will publish its Q1 interim results on 27 April 2012. During the silent period from 1 April to 26 April, Uponor will not comment on market prospects or factors affecting business and performance.

Interim results October – December 2011

Compared to the previous quarter, no great changes occurred in the market situation or trends in the fourth quarter of 2011. In all geographic areas, demand for Uponor's solutions and services more or less held firm, at a level similar to the third quarter. In the Nordic countries, the mild autumn and the late onset of winter extended the season for infrastructure-related building in particular, but this was offset by concerns about the European and international economies, which began to impact on consumer confidence and export industries.

Net sales

Net sales development in Building Solutions – Europe reached a satisfactory level, while North America continued to post strong figures as in the previous quarter. In Infrastructure Solutions, growth in net sales weakened, despite the mild autumn, mainly due to weakening demand and growing customer uncertainty, reflecting mounting concerns about international economic developments.

Breakdown of net sales, October – December:

MEUR	10-12/2011	10-12/2010	Change
Building Solutions – Europe	133.0	123.6	7.6%
Building Solutions – North-America	32.0	26.7	20.0%
(Building Solutions – North-America, M$	43.2	35.8	20.7%)
Infrastructure Solutions	34.3	33.4	2.7%
Eliminations	-2.3	-2.0	
Total	197.0	181.7	8.4%

Profits and profitability

Uponor's quarterly gross profit margin at 35.5% (37.4%) weakened due to an active reduction of inventories and the resulting unfavourable capacity utilisation in manufacturing. Price increases implemented throughout the year had a full effect in the last quarter, considerably offsetting the decline in gross profit margin due to higher raw material prices.

Operating profit ended up negative at €–3.0 (8.6) million as a result of the €10.5 million impairment related to the divestment of Hewing GmbH, announced in January 2012.

Breakdown of operating profit, October – December:

MEUR	10-12/2011	10-12/2010	Change
Building Solutions – Europe	7.8	8.8	-15.4%
Building Solutions – North-America	1.8	1.0	+75.1%
(Building Solutions – North-America, $	2.4	1.4	+72.9%)
Infrastructure Solutions	-1.5	-0.9	+58.5%
Others	-11.1	-0.5	
Eliminations	0.0	0.2	
Total	-3.0	8.6	-139.9%

Markets

Overall macro-economic development in Uponor's key market areas in 2011 began with reasonable optimism. However, towards the mid-year trends took a more negative direction. Market demand also clearly varied depending on geographical area. In terms of residential and non-residential building markets, the Central European market, driven by lively demand in Germany in particular, maintained its resilience throughout the year. South West European markets, already at very low levels, continued to deteriorate, driven by weakening building activity in Italy, Portugal and Spain, in particular. Somewhere in between these markets were the Nordic countries, in which demand was relatively stable, while declining slightly from the previous year, and North America where builder confidence was at its highest since 2007, although in a flat market. Infrastructure market demand in the Nordic countries and nearby markets continued at a somewhat similar level to the previous year.

The overall market trend of weaker new build activity and a higher share of renovation particularly favoured demand for Business Group Plumbing products, which are ideally suited to such projects. Demand for heating and cooling solutions, i.e. Business Group Indoor Climate, mainly followed new build market trends, with some support from increasing interest in radiant heating and cooling solutions, due to their low energy footprint.

Net sales

Uponor's 2011 net sales from continuing operations amounted to €806.4 (2010: €749.2) million, up 7.6% year on year. All segments managed to increase their sales organically, with Building Solutions – North America posting the strongest relative growth, in local currency.

An organic growth of net sales, i.e. excluding the impact of the Zent-Frenger acquisition, was 4.9 per cent, with equal contributions from sales price increases and volume growth. Fluctuations in foreign currencies decreased 2011 net sales by €1.2 million.

Net sales by segment for 1 January – 31 December 2011:

M€	1–12 2011	1–12 2010	Reported change, %
Building Solutions – Europe	543.9	504.4	7.8%
Building Solutions - North America	121.5	114.6	6.0%
(Building Solutions - North America (M$)	170.1	151.1	12.6%)
Infrastructure Solutions	149.7	138.3	8.1%
Eliminations	-8.7	-8.1	
Group (continuing operations)	806.4	749.2	7.6%

The largest 10 countries, in terms of net sales, and their respective share of consolidated net sales, were as follows (figures for 2010 in brackets): Germany 18.7% (16.4%), Finland 11.5% (11.9%), USA 11.0% (11.3%), Sweden 10.5% (10.6%), Spain 4.8%

(5.3%), Norway 4.6% (5.0%), Denmark 4.6% (4.7%), the Netherlands 4.4% (4.4%), Italy 4.2% (4.9%) and Canada 4.1% (4.0%).

Net sales for Building Solutions – Europe grew moderately, mainly supported by the healthy German economy which fostered a robust construction market. Development was also positive in some of Germany's neighbouring countries. The Nordic market situation continued to be relatively stable, driven by the strongly performing Nordic economies. However, these were somewhat affected by concerns about international economic development and its impact on export industries. Despite the tough market in South West Europe, Uponor was able to maintain net sales close to the previous year's level, improving its market share in Iberia and increasing net sales in other markets, such as France and the UK. In North America, Building Solutions net sales growth mainly originated in the intense focus on commercial opportunities, such as driving installer and builder conversion from competing materials towards Uponor systems. Another positive factor was the successful development of geographical markets, previously marked by low market share. In international markets, Uponor strengthened its position in East Europe, especially Russia, and established a stronger presence in International Sales markets, for instance in the Middle East.

In Infrastructure Solutions, the business has been rather stable overall, but Uponor was able to grow slightly while gaining market share, thanks to recent new product launches, more intensified segmentation of customers, as well as fine-tuning of the supply chain structure.

Within Building Solutions, the Indoor Climate business group developed favourably, driven by increasing customer demand for sustainable, highly energy-efficient systems able to use a variety of energy sources for heating and cooling. Uponor's efforts were directed at creating a complete system offering and increasing competitiveness, for instance, through new installation and control product launches.

The Plumbing Solutions business group saw particularly strong growth in North America, driven by the unique innovations launched in 2011. These included the new Quick&Easy (ProPEX in North America) expansion tool, which played a key role in converting new customers to using Uponor PEX solutions.

Both of the Building Solutions business groups were able to benefit from the unified marketing campaigns developed for key launches, as well as from continued product harmonisation efforts that are leading to more sales generated by fewer items.

Results

Uponor's consolidated gross profit from continuing operations came to €292.9 (288.1) million, up €4.8 million year on year. The gross profit margin 36.3% decreased by 2.1 percentage points mainly due to changes in product mix. Also the price inflation diluted the gross margin.

Continuing operations generated an operating profit of €35.4 (52.4) million, down 32.4% from the previous year. Also profitability declined, with the profit margin ending up at 4.4% (7.0%) of net sales.

Operating profit was burdened by the January 2012 decision to divest the German company Hewing GmbH, which led to an impairment write-down of €10.5 million impacting on operating profit for continuing operations. Operating profit without this impairment would have stood at €45.9 million and the corresponding operating margin at 5.7%.

Other reasons for the profit decline were the impact of high raw material input costs and overall cost inflation from energy, transportation and similar costs, as well as weakening demand in the second half of the year. Sales and marketing costs increased from the previous year, as a result of the active launch programmes sustained for new products throughout the year. Additionally, sales-related variable marketing costs increased as net sales increased.

In the autumn of 2011, Uponor initiated various cost saving measures to balance weakening market and volume development. The biggest initiatives were related to the closing of the Turkey office, downsizing the operations in Croatia and the dismantling of the Business development unit. Savings were also achieved in organisational streamlining, the added focus on inventory management, including the reduction of product items, and utilisation of communications technology in order to reduce travel for internal meetings.

Despite the challenging market situation, Building Solutions - North America recorded a major improvement in operating profit, mainly due to lively plumbing systems sales, chiefly driven by contractor and installer conversion. In Building Solutions - Europe, operating profit dropped despite higher net sales. In addition to those mentioned earlier, the main reasons for this were high marketing expenses in the early part of the year, followed by weakening market environment in some key markets, such as Southwest Europe also in the latter half of the year. Despite higher net sales, the operating profit of Infrastructure Solutions weakened further, due to raw material price developments, intense price competition, as well as expenses related to new product launches.

The impairment write-down of €10.5 million, related to the divestment of the entire share capital of Hewing GmbH burdens the segment Other's operating profit.

Operating profit by segment for 1 January – 31 December 2011:

M€	1–12 2011	1–12 2010	Reported change, %
Building Solutions – Europe	41.7	55.7	-25.0%
Building Solutions – North-America	10.1	3.1	+223.6%
(Building Solutions – North-America (M$)	14.2	4.1	+243.8%)
Infrastructure Solutions	-2.4	0.4	-692.2%
Other	-14.0	-6.8	
Eliminations	0.0	0.0	
Group (continuing operations)	35.4	52.4	-32.4%

There was a marked increase in financial expenses that came to €17.7 (10.7) million, resulting from interest on delayed payments, totalling €3.2 million, as a result of decisions made by the Finnish tax authority at the end of December 2011, as well as an impairment of €6.0 million related to a UK vendor note, as published in February 2012. Net currency exchange differences were €-1.3 million.

Profit before taxes decreased by 57.8%, to €17.7 (41.7) million. At a tax rate of 88.8% (35.3%), income taxes totalled €15.8 (14.7) million. All three non-recurring items mentioned earlier, i.e. the impairments related to the divestment of Hewing GmbH and to the UK vendor note and the surtaxes and interest related to the Finnish tax decisions are non-deductible expenses for taxation purposes.

Profit for the financial year totalled €1.6 (24.7) million, of which continuing operations accounted for €1.9 (27.0) million.

Return on equity decreased to 0.7% (9.7%) and return on investment to 11.0% (14.4%).

Earnings per share were €0.03 (0.34), and €0.03 (0.37) for continuing operations. Equity per share was €2.86 (3.45). For other share-specific information, please see the tables section.

Consolidated cash flow from operations was €58.4 (49.2) million while cash flow before financing came to €29.3 (35.6) million. Cash flow from operations remained strong despite weaker profitability as a result of successful net working capital management.

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

Investment, research and development, and financing

Uponor continued to develop its operations, keeping investments rather low and focusing any investments on productivity improvements, maintenance or new products. The single largest investment was the acquisition of a 50.3 per cent holding in the German company Zent-Frenger Gesellschaft für Gebäudetechnik mbH. Other major investments related to tools and machinery for new products and automation such as packaging.

Gross investments into fixed assets totalled €24.0 (19.0) million, an increase of €5.0 million year on year. Net investments totalled €23.1 (13.6) million.

Research and development costs totalled €16.3 (16.1) million, or 2.0% (2.1%) of net sales.

As the global economic crisis continued, amid concerns about the availability of bank finance on favourable terms, Uponor issued two bonds in June, in order to secure longer-term funding. During the second half of the year, after market conditions had weakened, accounts receivable and credit risks received special attention.

Bonds issued in June totalled €100 million. The five-year floating-rate bond totals €20 million and the amount of the seven-year floating-rate bond totals €80 million. With the bond issue, Uponor extended the maturity structure and diversified its sources of funding.

The main existing funding programmes on 31 December 2011 included an €80 million bond maturing in 2018 and a €20 million bond maturing in 2016. Committed bilateral revolving credit facilities, maturing in 2015, totalled €190 million; none of these were in use on the balance sheet date.

In addition, the Group has a Finnish commercial paper programme totalling €150 million. On the balance sheet date, €1.0 million was issued. At the end of the year, Uponor had €29.1 million in cash and cash equivalents.

Consolidated net interest-bearing liabilities increased to €84.1 (66.8) million. The solvency ratio was 41.2% (50.8%) and gearing came to 39.3% (26.5%). Average quarterly gearing was 55.8 (45.5), in line with the range of 30-70 set in the company's financial targets.

Events during the period

Uponor enjoyed several successful trade exhibitions where new product offerings were introduced to installers, builders and end users, both as regards building and infrastructure solutions.

To support its growth strategy, the company launched a number of unique product innovations. These included, for example, the RTM press fitting with the tool-inside concept, the PEX-a pipe expansion tool, both used in plumbing and heating installations, as well as the self-attaching underfloor heating system.

In Indoor Climate, to complement Uponor's range of energy-saving solutions, the company introduced a new solution for ground energy collection that is able to extract more energy than traditional heat collectors. Further launches included new controls for indoor climate temperature regulation and a harmonised European pump group portfolio. Promotion of balanced ventilation of single-family homes was begun in a wider market to meet the growing need for better indoor air and energy savings. In North America, a pre-assembled technical unit, facilitating faster installation of underfloor heating systems, was introduced. In Plumbing, several enhancements were introduced in the riser pipe offering. A new ISO range of products was introduced in the Nordic countries, and a new brass tap connection was developed to complement the total offering. In Infrastructure Solutions, the IQ range of storm water pipes was expanded and new chamber solutions were offered for storm water and sewer management, to meet the needs of communities faced with heavy rainfall. These new products have attracted wide customer interest and strengthened Uponor's position as an industry leader.

The acquisition of a majority stake (50.3%) in the German company Zent-Frenger Gesellschaft für Gebäudetechnik mbH was a concrete step taken to speed up Uponor's entry into the project business and to acquire new cooling technology and know-how. The purchase agreement includes an option right to acquire the remaining 49.7 percent share of the company in early 2012. It is probable that the Group will exercise it.

Uponor started up a joint venture company in Beirut, Lebanon, and opened two new sales offices in Dubai and Saudi Arabia, in order to serve the Middle East region and benefit from the business of growing economies. Uponor is also taking measures to expand its business in Asia. Last year saw the registration of a representative office in India.

A strong focus on customers continued, for instance through the Uponor Academy training courses which saw a record level of new trainees last year.

In the autumn, Uponor decided to build a new Nordic distribution centre in Västerås, Sweden, to manage the logistics of both Building Solutions and Infrastructure Solutions in the Nordic countries. The new distribution centre will be taken into use towards the end of 2012.

Events after the period

On 24 January 2012 Uponor announced the divestment of the entire share capital of Hewing GmbH, the non-core OEM unit based in Ochtrup, Germany. This deal, valued at €11.9 million, led to an impairment write-down of €10.5 million for the financial year 2011, impacting on the operating profit of continuing operations. The deal is effective from 1 January 2012, pending certain closing conditions, such as the approval of the competition authorities. Closure of the deal is expected to take place in March-April 2012.

On 7 February 2012 Uponor announced its decision to impair a vendor note issued in 2008 to the buyer of the municipal infrastructure business that Uponor divested in the UK and Ireland. The vendor note was issued to cover a part of the purchase price. Its total sum including capitalised interests amounted to €6.0 million. Uponor announced on 9 May 2008 that it had divested its UK and Irish municipal infrastructure business to the private equity company 3i and funds managed by 3i. Net sales of the divested business came to €169.1 million in 2007. The enterprise value of the deal amounted to £100 million, giving Uponor a sales gain of nearly €45 million which was included in discontinued businesses.

Personnel and organisation

At the end of the year, the Group had 3,228 (3,197) employees. In full-time-equivalent terms, this is 31 more than at the end of 2010. The average number of employees for the year was 3,288 (3,219). The 2011 figures include 96 persons employed by Zent-Frenger, which joined the Group 1 April 2011.

The geographical breakdown of the Group's personnel was as follows: Germany 1,134 (35.1%), Sweden 508 (15.7%), Finland 472 (14.6%), the USA 406 (12.6%), Spain 202 (6.3%), the UK 135 (4.2%), Italy 60 (1.9%), Denmark 54 (1.7%), other countries 257 (8.0%).

A total of €183.9 (€169.4) million was paid in wages and other remunerations during the financial period.

A member of Uponor Corporation’s Executive Committee, Anders Tollsten, Executive Vice President – North America, left the company at the end of December 2011. Anders Tollsten joined Uponor in 2004 to lead Uponor Nordic, and he was in charge of the North American businesses since 2006.

Uponor’s new trainee programme launched in 2011 aims to develop young talents with international competencies.

Key risks associated with business

Uponor’s financial performance may be affected by several market, operational, financial, and hazard risks.

Market risks
Uponor’s principal areas of business are Europe and North America, where exposure to political risks is low. Since Uponor’s net sales are divided among a large number of customers, the majority of which are distributors (wholesalers), end-market demand for

the company’s products is distributed across a wide customer base. The five largest customer groups generate approximately one third of Uponor’s net sales, which are distributed between 26 countries.

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

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

Operational risks

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

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

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

Uponor’s business processes are managed using several IT systems, the most important being the ERP systems for the company’s European and the North American operations. System criticality review and contingency planning are included in the introduction of major IT systems and cover, for example, failover capability design, backup and restore planning and testing. Disaster recovery tests are held on a biannual basis for key systems. In addition, external audits are performed.

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

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

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

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

Interest rate movements expose the Group to changes in interest expense and fair value of fixed rate financial items. Interest rate risk is managed by spreading the Group funding across fixed and floating rate instruments.

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

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

Hazard risks
Uponor operates 10 production plants in five countries. Products manufactured at these plants generate the majority of the company's net sales. Uponor co-ordinates indemnity and business interruption insurance at Group level on a central basis, in order to achieve extensive insurance cover neutralising the financial damage caused by any risks associated with machine breakdowns, fire, etc. Another major hazard risk is associated with product liability related to products manufactured and sold by Uponor. Product liability is also addressed through insurance at Group level.

Various measures are taken to manage risks of indemnity and interruptions to business. These include safety training for personnel, adherence to maintenance schedules, and actions to maintain the availability of major spare parts.

Risk management in 2011
With burgeoning growth at the beginning of the year giving way to a recession and declining markets after the summer, the risk management focus returned to market risks.

The steep increase in raw material prices during 2011 emphasised the importance of risk management actions in sourcing.

In the first half of the year, risks were comprehensively mapped and risk management plans updated accordingly. The risk identification and assessment process was further developed. During the autumn of 2011, the impact of business interruptions was analysed in all production units, and their business continuity management plans were updated.

In 2011, Uponor assessed the functionality of risk management in six production units. The results showed that risk management was sound in all units.

New groupwide crisis management guidelines were published in 2011.

As the economic crisis continued, amid growing concern about the availability of back finance on favourable terms, Uponor issued two bonds to secure long term funding. With this bond issue, Uponor extended the maturity structure and diversified its sources of funding. During the second half of the year, after the weakening of market conditions, accounts receivable and credit risks received special attention.

The year saw two significant materialisations of risks. Uponor decided to impair a vendor note issued in 2008 to the buyer of the municipal infrastructure business that Uponor divested in the UK and Ireland. The vendor note was issued to cover a part of the purchase price. Its total sum including capitalised interests amounted to €6.0 million. Additionally, at the end of 2011, Uponor received taxation adjustment decisions from the Finnish tax authorities related to years 2005-2008 totalling €14.6 million, including taxes, interests and penalties. Uponor intends to appeal against the decisions, which relate to a dispute on market-based transfer pricing of the company's internal service charges. Uponor booked €5.1 million surtaxes and interests on delayed payments related to the dispute in its 2011 financial statements.

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

Administration and audit

The Annual General Meeting (AGM) of 15 March re-elected the following Board members for a term of one year: Anne-Christine Silfverstolpe Nordin, Jorma Eloranta, Jari Paasikivi, Aimo Rajahalme, and Rainer S. Simon. In addition, Ms Eva Nygren, a Swedish citizen, was elected as the sixth member of the Board. Jari Paasikivi was elected Chairman of the Board and Aimo Rajahalme Deputy Chairman.

The AGM elected Deloitte & Touche Oy, Authorised Public Accountants, as the company's auditor, with Mikael Paul, Authorised Public Accountant, acting as the principal auditor.

The AGM approved all Board proposals, including the establishment of a Nomination Board comprising shareholders or representatives of shareholders, for the preparation of the proposals for election of members of the Board of Directors and the remuneration of members of the Board of Directors. The duties of the Nomination Board are described on the company website.

In October, the Board of Directors established a remuneration committee. Its tasks include preparation of matters relating to management remuneration and to the company's incentive schemes.

The company prepares a separate corporate governance statement, which will be available online after the financial statement has been published, on Uponor's website at www.uponor.com > Investors > Governance > Corporate governance.

Share capital and shares

In 2011, Uponor's share turnover on the NASDAQ OMX Helsinki stock exchange was 38.2 (37.4) million shares, totalling €366.2 (€481.5) million. The share quotation at the end of 2011 was €6.86 (€13.84), and market capitalisation of the outstanding shares was €502.2 (€1,013.2) million. At the end of the year, there were a total of 19,828 (22,087) shareholders. Foreign shareholding in Uponor accounted for 24.5% (19.1%) of all shareholding in the company at the end of the reporting period.

In 2011, Uponor Corporation's share capital totalled €146,446,888 and the number of shares stood at 73,206,944. No changes were made in the share capital during the year.

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

Board authorisations

The AGM of 15 March 2011 authorised the Board to decide on buyback of a maximum of 3.5 million of the company's own shares, representing approximately 4.8% of the company's shares, using unrestricted equity. The authorisation is valid until the end of the next annual general meeting, but no longer than 18 months from the general meeting.

The AGM further authorised the Board to resolve, on one or more occasions, on issuing a maximum of 7.2 million new shares, amounting to 9.8 per cent of the total number of the shares. The Board is authorised to determine all conditions of the issuance of shares. The issuance of shares may be carried out in deviation from the shareholders' pre-emptive rights. The authorisation includes the possibility to issue own shares to the corporation for free. This authorisation is valid until the end of the next annual general meeting.

Treasury shares

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

Management shareholding

The members of the Board of Directors, the CEO and his deputy, along with corporations known to the company, in which they exercise control, held a total of 717,269 Uponor shares on 31 December 2011 (686,183 on 31 December 2010). These shares accounted for 0.98% of all shares and votes in the company.

Share-based incentive programme

In the course of 2007 and 2008, the Uponor Corporation Board of Directors launched long-term incentive schemes for members of the company's Executive Committee and persons holding international management positions. Both schemes ended at year-end 2011. The 2007 scheme will yield 19,622 shares, to be awarded during the first half of 2012. The 2008 scheme will not yield any shares. More information on these schemes is available in the Corporate Governance section of the annual report and on the company's website.

Near-term outlook

Optimism in the market-place has clearly deteriorated compared to a year ago. While global financial concerns may have alleviated, those related to developments in Europe are still making the headlines on an almost daily basis, and there is no clear direction in the development of the geographic markets. However, Uponor does not expect a major financial crisis to develop in Europe in 2012.

The last few years have been difficult for the building and construction segments of the market. For overall demand, the outlook is steady and Uponor, like many other companies, is prepared for a lengthy period of low activity.

Looking at developments by key geographical area, sentiment in Central Europe has deteriorated since last summer but remains strong relative to previous years and to other European markets. The lively activity levels in Germany and some of its neighbouring countries are expected to cool somewhat in 2012. In the Nordic countries, construction of buildings has remained at a healthy level across the region, while infrastructure investments have been scaled back. In Southern Europe, where governments are continuing to scale back public building projects and unemployment remains high, construction activity continues to be weak. In North America, however, builder sentiment has reached a four-year high, but until now this has failed to translate into a significant increase in building activity.

Uponor’s financial performance may be affected by several strategic, operational, financial, and hazard risks. A detailed risk analysis is provided in the section ‘Key risks associated with business’ above and in the Financial Statements in more detail.

The management is actively continuing its actions to sharpen the company’s focus, cost efficiency and cash flow, while speeding up organic growth in existing and new markets by utilising advantages such as its strong range of new product and system innovations in customer conversion.

With these assumptions, Uponor’s guidance for the year 2012 is as follows:

Uponor's net sales are expected to grow organically from 2011 and operating profit is expected to exceed €50 million. The Group's net investment into fixed-assets is not expected to exceed depreciation.

Uponor Corporation
Board of Directors

For further information, please contact:
Jyri Luomakoski, President and CEO, tel. +358 20 129 2824
Riitta Palomäki, CFO, tel. +358 20 129 2822

Tarmo Anttila
Vice President, Communications
Tel. +358 20 129 2852

DISTRIBUTION:
NASDAQ OMX - Helsinki
Media
www.uponor.com

Financial statements bulletin January –December 2011
Table part

This interim report has been compiled in accordance with the IAS 34 reporting standards and it is unaudited. The figures in brackets are the reference figures for the equivalent period in 2010. The change percentages reported have been calculated from the exact figures and not from the rounded figures published in the interim report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

M€	1-12/2011	1-12/2010	10-12/2011	10-12/2010
Continuing operations				
Net sales	806.4	749.2	197.0	181.7
Cost of goods sold	513.5	461.1	127.0	113.6
Gross profit	292.9	288.1	70.0	68.1
Other operating income	1.4	2.2	1.0	0.4
Dispatching and warehousing expenses	31.1	30.1	7.8	7.4
Sales and marketing expenses	157.9	145.1	40.0	35.9
Administration expenses	43.0	45.0	11.0	10.5
Other operating expenses, net	26.9	17.7	15.3	6.1
Operating profit	35.4	52.4	-3.1	8.6
Financial expenses, net	17.7	10.7	13.3	1.8
Profit/loss before taxes	17.7	41.7	-16.4	6.8
Income taxes	15.8	14.7	4.6	4.2
Profit/loss for the period from continuing operations	1.9	27.0	-21.0	2.6
Discontinued operations				
Profit/loss for the period from discontinued operations	-0.3	-2.3	-0.3	-1.0
Profit/loss for the period	1.6	24.7	-21.3	1.6
Other comprehensive income				
Translation differences	2.0	12.6	5.5	2.8
Cash flow hedges	-2.8	1.6	-0.7	1.1
Net investment hedges	-4.6	-8.4	-7.3	-1.9
Other comprehensive income for the period	-5.4	5.8	-2.5	2.0
Total comprehensive income for the period	-3.8	30.5	-23.7	3.6
Profit/loss for the period attributable to				
- Equity holders of parent company	2.5	24.7	-21.0	-2.2
- Non-controlling interest	-0.9	-	-0.4	-
Comprehensive income for the period attributable to				
- Equity holders of parent company	-2.9	30.5	-23.3	3.6
- Non-controlling interest	-0.9	-	-0.4	-
Earnings per share, €	0.03	0.34	-0.29	0.02
- Continuing operations	0.03	0.37	-0.29	0.03
- Discontinued operations	0.00	-0.03	0.00	-0.01

Diluted earnings per share, €	0.03	0.34	-0.29	0.02
- Continuing operations	0.03	0.37	-0.29	0.03
- Discontinued operations	0.00	-0.03	0.00	-0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

M€	31.12.2011	31.12.2010
Assets		
Non-current assets		
Property, plant and equipment	161.6	171.3
Intangible assets	97.3	96.9
Securities and long-term investments	2.8	8.4
Deferred tax assets	13.2	13.9
Total non-current assets	274.9	290.5
Current assets		
Inventories	81.8	82.9
Accounts receivable	106.6	93.1
Other receivables	22.8	18.8
Cash and cash equivalents	29.1	11.9
Total current assets	240.3	206.7
Total assets	515.2	497.2
Equity and liabilities		
Equity		
Equity attributable to owners of the parent company	209.2	252.1
Non-controlling interest	2.9	-
Total equity	212.1	252.1
Non-current liabilities		
Interest-bearing liabilities	110.4	43.5
Deferred tax liability	12.2	9.5
Provisions	5.2	5.6
Employee benefits and other liabilities	21.3	21.6
Total non-current liabilities	149.1	80.2
Current liabilities		
Interest-bearing liabilities	2.8	35.2
Provisions	16.8	6.4
Accounts payable	45.7	51.0
Other liabilities	88.7	72.3
Total current liabilities	154.0	164.9
Total equity and liabilities	515.2	497.2

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

M€	1-12/2011	1-12/2010
Cash flow from operations		
Cash before net working capital	66.8	74.9
Change in net working capital	12.4	-22.6
Income taxes paid	-16.5	1.1
Interest paid	-6.3	-4.7
Interest received	2.0	0.5
Cash flow from operations	58.4	49.2
Cash flow from investments		
Acquisition of subsidiary shares	-6.4	-
Proceeds from disposal of shares	0.1	0.2
Purchase of fixed assets	-24.0	-19.0
Proceeds from sales of fixed assets	1.1	5.0
Received dividends	0.0	0.1
Loan repayments	0.1	0.1
Cash flow from investments	-29.1	-13.6
Cash flow from financing		
Borrowings of debt	162.1	67.6
Repayments of debt	-113.7	-84.0
Change in other short term debt	-18.3	18.0
Dividends paid	-40.2	-36.5
Payment of finance lease liabilities	-2.0	-2.1
Cash flow from financing	-12.1	-37.0
Conversion differences for cash and cash equivalents	0.0	0.1
Change in cash and cash equivalents	17.2	-1.3
Cash and cash equivalents at 1 January	11.9	13.2
Cash and cash equivalents at end of period	29.1	11.9
Changes according to balance sheet	17.2	-1.3

STATEMENT OF CHANGES IN EQUITY

M€	A	B	C	D*	E	F	G	H	I
Balance at 1 Jan 2011	146.4	50.2	2.9	-9.8	-1.2	63.6	252.1	-	252.1
Total comprehensive income for the period			-2.8	-2.6		2.5	-2.9	-0.9	-3.8
Dividend paid (€0.55 per share)						-40.2	-40.2		-40.2
Share based incentive plan						0.1	0.1		0.1
Other adjustments**			0.1	-0.1		0.1	0.1	3.8	3.9
Balance at 31 December 2011	146.4	50.2	-0.2	-12.5	-1.2	26.1	209.2	2.9	212.1
Balance at 1 Jan 2010	146.4	50.2	1.3	-14.0	-1.2	75.3	258.0	-	258.0
Total comprehensive income for the period			1.6	4.2		24.7	30.5		30.5
Dividend paid (€0.50 per share)						-36.5	-36.5		-36.5
Share-based incentive plan						0.1	0.1		0.1
Other adjustments			0.0			0.0	-		0.0
Balance at 31 December 2010	146.4	50.2	2.9	-9.8	-1.2	63.6	252.1	-	252.1

*) Includes -13.0(-8.4) M€ effective portion of the net investment hedge. Change in presentation: net investment hedging related foreign exchange gains/losses have been reclassified from hedge reserve to translation differences.
**) Includes acquisition of subsidiary shares

A – Share capital
B – Share premium
C – Other reserves
D* – Translation reserve
E – Treasury shares
F – Retained earnings
G – Equity attributable to owners of the parent company
H – Non-controlling interest
I – Total equity

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The interim report has been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU and IAS 34 Interim Financial Reporting. In its interim reports Uponor Group follows the same principles as in the annual financial statements for 2010 with the exception of the changes listed below. Percentage of completion: The Group recognises work-in-progress for long-term contracts in Zent-Frenger according to the percentage of completion principle.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

M€	1-12/2011	1-12/2010
Gross investment	24.0	19.0
- % of net sales	3.0	2.5
Depreciation	29.4	29.1
Write downs	10.5	1.4
Book value of disposed fixed assets	1.8	5.4

PERSONNEL

Converted to full time employees	1-12/2011	1-12/2010
Average	3,288	3,219
At the end of the period	3,228	3,197

OWN SHARES

	31.12.2011	31.12.2010
Own shares held by the company, pcs	160,000	160,000
- of share capital, %	0.2 %	0.2 %
- of voting rights, %	0.2 %	0.2 %
Accounted par value of own shares held by the company, M€	0.3	0.3

SEGMENT INFORMATION

	1-12/2011			1-12/2010		
M€	External	Internal	Total	External	Internal	Total
Segment revenue, continuing operations						
Building Solutions - Europe	543.2	0.7	543.9	503.6	0.8	504.4
Building Solutions - North America	121.5	-	121.5	114.6	-	114.6
Infrastructure Solutions	141.7	8.0	149.7	131.0	7.3	138.3
Eliminations	-	-8.7	-8.7	-	-8.1	-8.1
Total	806.4	-	806.4	749.2	-	749.2

	10-12/2011			10-12/2010		
M€	External	Internal	Total	External	Internal	Total
Segment revenue, continuing operations						
Building Solutions - Europe	132.7	0.2	132.9	123.5	0.1	123.6
Building Solutions - North America	32.1	-	32.1	26.7	-	26.7
Infrastructure Solutions	32.2	2.1	34.3	31.5	1.9	33.4
Eliminations	-	-2.3	-2.3	-	-2.0	-2.0
Total	197.0	-	197.0	181.7	-	181.7

M€	1-12/2011	1-12/2010	10-12/2011	10-12/2010
Segment result, continuing operations				
Building Solutions - Europe	41.7	55.7	7.8	8.8
Building Solutions - North America	10.1	3.1	1.8	1.0
Infrastructure Solutions	-2.4	0.4	-1.5	-0.9
Others	-14.0	-6.8	-11.1	-0.5
Eliminations	0.0	0.0	-0.0	0.2
Total	35.4	52.4	-3.0	8.6

M€	1-12/2011	1-12/2010
Segment depreciation and impairments, continuing operations		
Building Solutions – Europe	13.0	13.2
Building Solutions - North America	5.5	8.0
Infrastructure Solutions	6.2	5.6
Others	14.7	4.3
Eliminations	0.5	-0.5
Total	39.9	30.6
Segment investments, continuing operations		
Building Solutions – Europe	13.6	8.0
Building Solutions - North America	3.6	4.3
Infrastructure Solutions	5.4	6.2
Others	1.4	0.5
Total	24.0	19.0

M€	31.12.2011	31.12.2010
Segment assets		
Building Solutions - Europe	433.9	414.9
Building Solutions - North America	130.0	126.8
Infrastructure Solutions	83.0	88.9
Others	583.4	534.2
Eliminations	-715.1	-667.6
Total	515.2	497.2
Segment liabilities		
Building Solutions - Europe	296.7	303.1
Building Solutions - North America	89.6	72.8
Infrastructure Solutions	60.2	64.2
Others	599.0	496.0
Eliminations	-742.4	-691.0
Total	303.1	245.1

	1-12/2011	1-12/2010
Segment personnel, continuing operations, average		
Building Solutions - Europe	2 305	2 222
Building Solutions - North America	409	427

Infrastructure Solutions	516	509
Others	58	61
Total	3 288	3 219

Reconciliation

M€	1-12/2011	1-12/2010
Segment result, continuing operations		
Segment results total	35.4	52.4
Financial expenses, net	17.7	10.7
Group's profit before taxes	17.7	41.7

CONTINGENT LIABILITIES

M€	31.12.2011	31.12.2010
Group:		
Commitments of purchase PPE	0.6	-
Pledges		
- on own behalf	0.0	0.0
Mortgages		
- on own behalf	0.1	-
Guarantees		
- on own behalf	-	0.1
- on behalf of others	5.9	7.0
Parent company:		
Guarantees		
- on behalf of a subsidiary	19.8	11.2
- on behalf of others	-	6.9
OPERATING LEASE COMMITMENTS	35.6	29.3

BONDS

In June, Uponor Corporation issued two bonds with an aggregate principal amount of €100 million, targeted mainly to Finnish domestic institutional investors. The floating rate 5-year bond totals €20 million and the floating rate 7-year bond €80 million. The issue date was 21 June 2011. The 5-year bond pays a coupon of 6 month Euribor +1.75 per cent and the 7-year bond 6 month Euribor +2.05 per cent. These bonds are hedged with interest rate swaps with a nominal value of €50 million.

DERIVATIVE CONTRACTS

M€	Nominal value 31.12.2011	Fair value 31.12.2011	Nominal value 31.12.2010	Fair value 31.12.2010
Currency derivatives				
- Forward agreements	212.8	-2.5	175.1	-4.0
- Currency options, bought	14.2	0.0	21.6	0.0
- Currency options, sold	14.2	0.0	21.6	-0.3
Interest derivates				
- Interest rate swaps	50.0	-1.8		
Commodity derivatives				
- Forward agreements	5.8	-0.5	6.0	1.6

BUSINESS COMBINATIONS

The preliminary acquisition calculation of Zent-Frenger is presented below. The total net assets are mainly inventories. This calculation, dated 1 April 2011, is a preliminary one and it can be adjusted later.

Total consideration in cash	6.4
Acquisition-related costs (recognised as expenses)	0.9

Recognised amounts of identifiable net assets acquired and liabilities assumed. preliminary	
Cash and cash equivalents	0.0
Non-current assets	3.8
Inventories	1.6
Accounts receivable and other receivables	5.9
Accounts payable and other liabilities	-5.1
Total identifiable net assets	**6.2**
Non-controlling interest	3.8
Goodwill	2.6
Total entity value	12.6

DISCONTINUED OPERATIONS

In 2011 and 2010, the discontinued operations include costs related to the Irish infrastructure business sold in 2008. The costs arise from administration and operative costs.

M€	1-12/2011	1-12/2010
Expenses	0.3	2.3
Profit before taxes	-0.3	-2.3
Income taxes	-	0.0
Profit after taxes	-0.3	-2.3
Profit for the period from discontinued operations	-0.3	-2.3
Cash flow from discontinued operations		
Cash flow from operations	-0.3	-1.6

RELATED-PARTY TRANSACTIONS

M€	1-12/2011	1-12/2010
Continuing operations		
Purchases from associated companies	1.7	1.4
Balances at the end of the period		
Accounts and other receivables	0.0	-
Accounts payables and other liabilities	0.2	0.0

KEY FIGURES

	1-12/2011	1-12/2010
Earnings per share, €	0.03	0.34
- continuing operations	0.03	0.37
- discontinued operations	0.00	-0.03
Operating profit (continuing operations), %	4.4	7.0
Return on equity, % (p.a.)	0.7	9.7
Return on investment, % (p.a.)	11.0	14.4
Solvency ratio, %	41.2	50.8
Gearing, %	39.3	26.5
Net interest-bearing liabilities	84.1	66.8
Equity per share, €	2.86	3.45
- diluted	2.86	3.45
Dividend per share, €	0.35*)	0.55
Dividend per earnings, %	1,018.5*)	162.5
Effective share yield, %	5.1*)	4.0
P/E ratio	199.7	40.9
Market value of share capital	502.2	1013.2

*) proposal of the Board of Directors

Trading price of shares		
- low, €	6.03	10.58
- high, €	14.25	15.66
- average, €	9.57	12.88
Shares traded		
- 1,000 pcs	38,155	37,389
- M€	366.2	481.5

DEFINITIONS OF KEY RATIOS

Return on Equity (ROE), %

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

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, %

$$= \frac{\text{Net interest-bearing liabilities}}{\text{Total equity} \pm \text{minority interest}} \times 100$$

Net interest-bearing liabilities

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

Earnings per share (EPS)

$$= \frac{\text{Profit for the period attributable to equity holders of the parent company}}{\text{Number of shares adjusted for share issue in financial period excluding treasury shares}}$$

Equity per share ratio

$$= \frac{\text{Equity attributable to the owners of the parent company}}{\text{Average number of shares adjusted for share issue at end of year}}$$

Dividend per share ratio

$$= \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

Price - Earnings ratio (P/E)

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

Average share price

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