

uponor



Financial statements
2011

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Silent period

Uponor applies the principle of a silent period in its IR communications. During a silent period, Uponor does not comment on market prospects or factors affecting business and performance, nor does the company engage in discussion on events or trends related to the current or unreported fiscal period. Uponor will not pay visits to, or receive them from, investors or representatives of media in which these matters are discussed.

A silent period starts at the end of each reporting period, and not later than three weeks prior to the disclosure of annual accounts or interim reports, and lasts until the release of the annual accounts or an interim report.

Change of address

Shareholders are requested to notify their bank, their brokerage firm, or any other financial institution responsible for maintaining their book-entry securities account of any changes in their mailing address.

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Insider register

The public register of Uponor Corporation's insiders may be viewed at the Uponor Legal Department at the address above, tel. +358 (0)20 129 2837. E-mail address to the Legal Department is legal@uponor.com. The share and stock option holdings of company's permanent insiders are also available on the website at www.uponor.com > Investors > Shareholders.

Publications

The Financial statements will be published in Finnish and English and will also be available on the company website at www.uponor.com > Investors > News & downloads > Annual reports. It will only be sent out to shareholders who have ordered it from the company.

The interim reports and corporate releases will be published in Finnish and English on the company website.

Ordering of publications

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

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Contents

■ Uponor's IR contacts	2
■ Uponor in brief	4
■ Letter to investors	5
■ Information for shareholders	6
■ Group structure	9
■ Board of Directors and Executive Committee	10
Review by the Board of Directors	11
Proposal of the Board of Directors	17
Definitions of key ratios	18
Group key financial figures	19
Share-specific key figures	20
Shares and shareholders	21
Corporate governance	23
Consolidated statement of comprehensive income	30
Consolidated balance sheet	31
Consolidated cash flow statement	32
Statement of changes in shareholders' equity	33
Notes to the consolidated financial statements	34

1. Accounting principles	34	17. Inventories	50
2. Segment information	40	18. Interest-bearing current assets	50
3. Discontinued operations	42	19. Accounts receivable and other receivables	50
4. Business combinations	42	20. Shareholders' equity	51
5. Other operating income and expenses	43	21. Deferred taxes	51
6. Employee benefits	43	22. Employee benefit obligations	51
7. Depreciation, amortisation and impairment	43	23. Provisions	53
8. Financial income and expenses and currency exchange differences	44	24. Interest-bearing liabilities	53
9. Income taxes	44	25. Accounts payable and other liabilities	54
10. Earnings per share	45	26. Contingent liabilities	54
11. Intangible assets	45	27. Operating lease commitments	54
12. Property, plant and equipment	47	28. Financial risk management	54
13. Financial assets and liabilities by measurement category	49	29. Derivative contracts and hedge accounting	57
14. Investment in associated companies	50	30. Capital management	58
15. Other shares and holdings	50	31. Management incentive scheme and share based payments	58
16. Non-current receivables	50	32. Related party transactions	58
		33. Events after the balance sheet date	59

Parent company financial statement (FAS)	60
Notes to the parent company financial statement	63
Auditor's report	68
Uponor analysts	71

Uponor in brief

Uponor is a leading provider of plumbing and indoor climate solutions for the international building markets. Our safe, high-quality solutions provide invisible comfort in homes, offices, public facilities and neighbourhoods. In addition to being technologically advanced, Uponor's solutions are sustainable and energy efficient.

The company is present in key European and North American markets, while its products are sold in a hundred countries. In northern Europe, Uponor is also a prominent supplier of infrastructure pipe systems.

Uponor's solutions

Indoor Climate Solutions

We offer a broad variety of radiant heating, cooling and ventilation solutions, providing residents with a high level of comfort in a healthy environment, combined with high energy efficiency and a perfect fit with environmentally sound renewable energies.

Plumbing Solutions

We offer plumbing systems that are hygienic, durable and corrosion resistant. They provide construction industry professionals with fast and efficient installation techniques, improved tightness and resistance to various water qualities.

Infrastructure Solutions

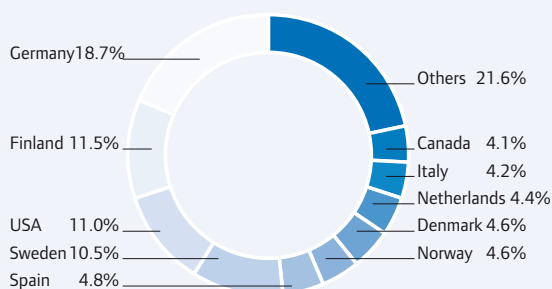
Our infrastructure solutions enable the environmentally friendly handling of fresh and used water in urban and non-urban surroundings. Over their extended life cycle, our reliable and secure systems for transportation and storage of clean water, rain water and sewage help to reduce costs during installation and while in use.

Uponor and its customers

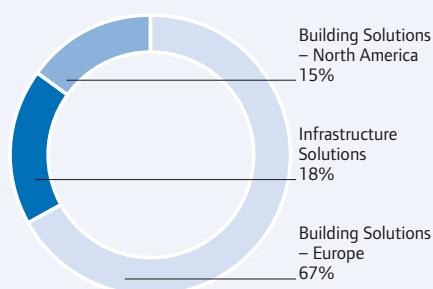
Uponor offers its customers technically advanced solutions that are ecologically sound, safe and reliable to own and operate. Our clients value trustworthiness, expert advice and future ability to live up to promises, as some of our key assets. Reliable products form only part of Uponor's knowhow – genuine added value is created through a thorough understanding of customer needs and the ability to provide solutions and the services that match them.

Our customers include HPVAC installers and heating and plumbing contractors who obtain their Uponor products from wholesalers near them. In our project business, we seek deeper co-operation with large construction companies and real estate developers. Municipalities and public utility companies providing infrastructure services, construction and design form a core customer base for our infrastructure solutions.

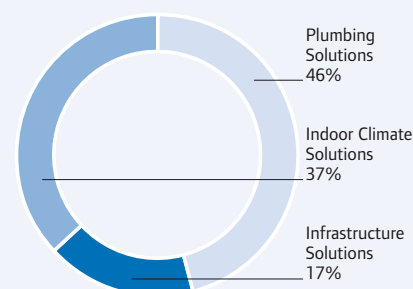
Net sales by country



Net sales by segment



Net sales by business group



Letter to investors

A volatile year is behind us. We have seen this in the equity markets and our business, both in the development of input costs and in market demand. While these changes have left their mark on our operations, there were also strong, positive turns on the way.

To be frank, the mechanisms in our end markets, for transferring rapidly increasing input costs into sales prices, are too slow. Even so, what happened in 2011 was unique: plastic resin prices moved upwards at a time when demand for them was decreasing in our geographies. This abnormal situation was caused by the Asian economies drawing commodities from West European markets, rendering the local supply/demand balance irrelevant to price formation. This had a detrimental impact on our gross profit, despite improvements in our production cost efficiency. In 2011, our gross profit margin fell by 0.9 percentage points, as a consequence of the lag in sales price increases. The positive news is that, by the last quarter, we emerged from the trough and our price increases began to have an impact.

Overall, market conditions and the competitive environment remained challenging in our key markets. Despite this, we recorded reasonable growth in all quarters, except the third. Organic growth was just under 5%, no mean achievement considering that some 25% of our net sales come from countries in which the building markets are at historic lows.

In many markets, we managed to improve our market share. Much of this share growth came as a result of living our brand and the customer intimacy strategy that forms a core part of that, as well as from new products launched with the aspiration of meeting customer needs. Our customers also value the fact that we stand behind our commitment to the market, even in tough times. This is proven by examples such as the penetration achieved in the declining Iberian market, or our North American Building

Solutions business capturing market share and growing in a flat demand environment.

Volume growth in all our business groups was strongly supported by our new and sometimes unique products and systems. Our indoor climate business is particularly benefiting from the sustainability trend in construction, driven by the paradigm changes in society to which we are all bearing witness as consumers.

We continued to maintain a sharp eye on costs, fixed cost increases mainly coming from variable sales commissions and the cost base transferred due to the acquisition of Zent-Frenger, consolidated as of 1 April 2011. Costs were also generated in sales and marketing efforts aimed at penetrating new markets, and in support launches of new products. Measures were initiated early in the third quarter to curtail cost growth, but the impact was relatively small as most major trade show events and launches had already taken place in the first half. We reduced our inventory in the fourth quarter, boosting our cash flow considerably, but with the flipside of burdened gross profit due to increased production costs in relative terms.

While our operational results developed consistently with the external environment, the final quarter saw some non-recurring items that severely impacted on our profits. At the end of 2011, we received tax reassessments in Finland as a consequence of a tax audit in 2008. This reassessment relates to the transfer pricing of our ERP development and running costs. While we appealed against this decision, we also recorded the related interest and penalty taxes in our income statement.

Our 2011 financials included an impairment booking of €10.5m from the announced divestment of Hewing GmbH. We expect to close the deal in spring 2012. Hewing has been an OEM pipe supplier to other system suppliers outside Uponor and its role as a non-Uponor branded business, burdening our consolidat-

ed performance, has weakened in the last few years. Despite the impairment loss recorded in 2011, the deal will contribute to our operating profit and key figures, such as gearing, for 2012 and beyond.

A third non-recurring item was the €6m impairment of the vendor note granted in connection with the divestment of our infrastructure business in the UK and Ireland in 2008.

Despite the global economy's weak outlook, our assumptions about our long-term strategy remain intact. We see the continuing penetration of plastic solutions as irreversible, a trend which chiefly lends support to our plumbing and infrastructure businesses. Sustainability and the energy efficiency of buildings have become a daily concern of planners and developers. We regard Uponor's product and systems offering in the indoor climate range as being well positioned to offer our business partners solutions that help them to achieve today's or tomorrow's energy efficiency targets. Sustainability also supports demand for our plumbing and infrastructure solutions. Life-cycle analyses conducted by our European industry association demonstrate the minimal environmental impact of plastic pipe solutions versus any competition. We are committed to driving sustainability further, and continue to support our professional partners in building better and more sustainable human environments.

Our guidance for 2012 – increasing our net sales organically and achieving a minimum of €50 million in operating profit – hopefully shows our confidence in the future. We believe that the markets will develop steadily in 2012. Our products and systems are appreciated by our customers and partners, and we will hold a share of the markets thanks to our committed employees throughout Uponor.

Jyri Luomakoski
President and CEO

Information for shareholders

The Annual General Meeting

Uponor Corporation's Annual General Meeting is to be held on Thursday, 15 March 2012 at 5 p.m. at the Helsinki Exhibition and Convention Centre, Messuaukio 1, Helsinki, Finland.

Important dates in the year 2012

Financial accounts bulletin for 2011	10 February	-
Financial Statements for 2011	10 February	-
Annual General Meeting	15 March	5 p.m. EET
Record date for dividend payment	20 March*	-
Date for dividend payment	27 March*	-
Interim report: January-March	27 April	8 a.m. EET
Interim report: January-June	10 August	8 a.m. EET
Interim report: January-September	26 October	8 a.m. EET

* Proposal of the Board of Directors

Share-specific key figures

	2011	2010	2009	2008	2007
Market value of share capital at year-end, M€	502.2	1,013.2	1,098.1	563.7	1,260.6
Earnings per share (fully diluted), €	0.03	0.34	0.16	0.99	1.39
Dividend, total, M€	¹⁾ 25.6	40.2	36.5	62.1	102.5
Dividend per share, €	¹⁾ 0.35	0.55	0.5	0.85	1.40
Effective share yield, %	¹⁾ 5.1	4.0	3.3	11.0	8.1
Issue-adjusted share prices					
- highest, €	14.25	15.66	15.10	18.91	31.45
- lowest, €	6.03	10.58	6.80	6.10	15.31
Number of shareholders	19,828	22,087	20,214	18,629	12,564

1) proposal of the Board of Directors

The definitions of key ratios are presented in the financial statements.

Key IR announcements in the year 2011

10 Feb 2011

Uponor financial statements bulletin Jan-Dec 2010: Uponor boosts performance in Europe

4 Mar 2011

Uponor strengthens position in heating and cooling project business by the acquisition of a majority stake in the German company Zent-Frenger; deal was closed on 11 April

15 Mar 2011

Resolutions by the Annual General Meeting: Dividend at €0.55 per share; the Board re-elected and Ms Eva Nygren elected as the sixth member; the AGM approved all proposals, including the authorisations to repurchase own shares and to decide on a share issue

28 Apr 2011

Q1/2011 interim report: Uponor's year gets off to a steady start

14 Jun 2011

Uponor issues two bonds totalling €100 million, targeted mainly to domestic Finnish institutional investors

10 Aug 2011

Q2/2011 interim report: Uponor's strong organic growth continues

You can find Uponor's investor website at www.uponor.com > Investors.

27 Sep 2011

Uncertainties in the market-place increase and Uponor warns that full-year results will fall short of earlier guidance

26 Oct 2011

Q3/2011 interim report: Uponor's growth accelerates in North America but Europe slows down

26 Oct 2011

Uponor's Board establishes a remuneration committee to overlook the company's incentive schemes and management remuneration

16 Dec 2011

Uponor announces the exit of Head of Building Solutions – North America, Anders Tollsten at year end

23 and 30 Dec 2011

Uponor receives decisions from the Finnish Tax Authority obliging the company to pay €14.6 million in back taxes and penalties
Uponor records €5.1 million in interest and surtaxes in the 2011 financial statements, and will appeal against decisions

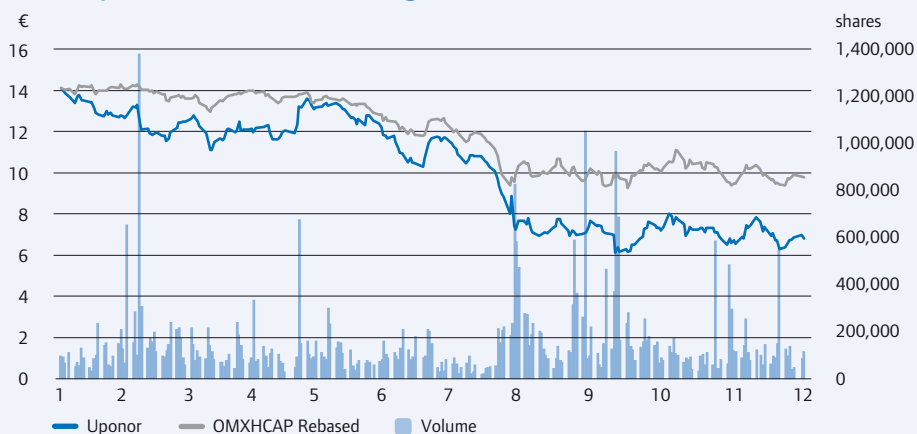
Long-term financial targets

Target	Scale	2011	2010	2009	2008	2007
Annual organic net sales growth (over the cycle)	> 6%	4.9	2.0	-22.7	-9.4	6.2
Operating profit margin	~15%	4.4	7.0	5.6	5.4	12.4
Return on investment (ROI)	> 30%	11.0	14.4	8.1	22.2	39.2
Gearing (average across quarters)	30–70	55.8	45.5	45.2	46.4	43.9
A growing ordinary dividend payout	> 50% of earnings	1,018.5	162.5	316.3	85.7	100.7

Shareholder value development 1997–2011



Share performance and trading 2011



Sustainability indicators

Measure	Unit	2011	2010	2009
Environmental indicators				
Total energy consumption	1,000 MWh	154.7	163.1	170.4
- Electricity used	1,000 MWh	105.7	107.8	104.2
- Fossil fuels used	1,000 litres	49.0	53.0	66.2
Raw materials used	1,000 tonnes	82.7	95.3	90.9
- of which, % recycled materials	%	7.1	6.0	5.3
Water consumption	1,000 m ³	129.3	139.3	151.2
Total GHG emissions (Scope 1 + Scope 2)				
Total GHG emissions (Scope 1 + Scope 2)	1,000 tonnes	47.1	45.6	52.7
GHG (Scope 3)	1,000 tonnes	204.0	204.6	208.0
Waste water discharged	1,000 m ³	42.8	36.6	39.0
Hazardous waste	1,000 tonnes	0.3	0.2	0.3
Total waste	1,000 tonnes	11.5	11.4	10.6
Waste recycled	1,000 tonnes	8.7	9.2	9.0
Total number of manufacturing sites				
Total number of manufacturing sites		10	10	10
ISO 14001 certified sites		8	8	8
% sites certified	%	80	80	80
Social indicators				
Number of employees (FTE)		3,228	3,197	3,316
Employee turnover	%	5.37	4.75	5.64
Workforce accidents		67	78	64
Lost time from accidents	hours	6,731	10,733	9,230
Lost time incident rate	%	0.12	0.19	0.16

Sustainability activities in 2011

- Uponor's sustainability team continued work to coordinate and develop group-wide activities on sustainability. A "Wanted 2020" goal was defined around a strongly developing sustainability culture in which sustainability is transparently linked to our values, widely demonstrated by actions throughout our organisation and contributing to the profitable growth of our business.
- Our association with the European Network of Construction Companies for Research & Development (ENCORD) was further strengthened during 2011. We supported and contributed to the work of the Sustainability working group – allowing us to align our sustainability principles with those of the major European Construction companies. Uponor signed the ENCORD Sustainable Development Charter along with other member companies, setting out the key elements of a sustainable construction industry.
- Uponor continued to develop the measurement of key environmental indicators in the production and logistics operations, now covering all relevant units. Results were reported through the Carbon Disclosure Project (CDP) Nordic Report for 2011, which provides a framework for us to assess the environmental impact of our internal operations, in addition to giving greater transparency for large global investors.
- We have decided to adopt the Global Reporting Initiative (GRI) as our primary framework to pull together all aspects of sustainability relevant to Uponor and to be used as our core reporting model for external audiences. An added advantage is that the European construction industry through ENCORD have elected to utilise this approach.

Group structure

Uponor Group
15 Feb 2012

President and CEO

Jyri Luomakoski

Building Solutions – Europe

Sales and Marketing

- Central and Eastern Europe, Asia
International Sales
Heiko Folgmann
- North, South and West Europe
Fernando Roses

Offering and Business Groups

- Indoor Climate
Heiko Folgmann
- Plumbing
Fernando Roses
- Product & Systems Development
Robin Carlsson

Supply Chain

Sebastian Bondestam

Building Solutions – North America

- United States
- Canada
Bill Gray

Infrastructure Solutions

- Sweden
- Norway
- Denmark
- Finland
- Baltic countries
- Russia
Robin Carlsson

Group functions

Brand management • HR • Internal communications • Legal Services | President and CEO *Jyri Luomakoski*
Supply Chain Management | EVP – Supply Chain *Sebastian Bondestam*
Technology | EVP – Infrastructure Solutions *Robin Carlsson*
External communications • Finance and Administration • IR • IT • Risk management | CFO *Riitta Palomäki*

Board of Directors and Executive Committee

Board of Directors 1 Jan 2012

Jari Paasikivi

b. 1954, Finnish citizen, M.Sc. (Econ.)

President and CEO, Oras Invest Oy

- Chairman of the Board, Uponor Corporation, 13 March 2008–
- Member of the Board, Uponor Corporation, 15 March 2007–
- Member of the Audit committee
- Expert member of the Nomination board

Aimo Rajahalme

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

- Deputy Chairman of the Board, Uponor Corporation, 15 March 2005–
- Member of the Board, Uponor Corporation, 17 March 2003–
- Chairman of the Audit committee

Jorma Eloranta

b. 1951, Finnish citizen, M.Sc. (Tech)

- Member of the Board, Uponor Corporation, 15 March 2005–
- Member of the Audit committee

Eva Nygren

b. 1955, Swedish citizen, Architect CEO, Sweco Sverige AB and Sweco International AB

- Member of the Board, Uponor Corporation, 15 March 2011–

Anne-Christine Silfverstolpe Nordin

b. 1950, Swedish citizen, M.A. (Soc.)

Partner and Senior Consultant, Neuhauser & Falck AB

- Member of the Board, Uponor Corporation, 17 March 2003–

Rainer S. Simon

b. 1950, German citizen, Dr.Sc. (Econ.)

President and CEO, BirchCourt GmbH

- Member of the Board, Uponor Corporation, 17 March 2004–

Executive Committee 15 Feb 2012

Jyri Luomakoski

b. 1967, Finnish citizen, MBA

- President and CEO
- Employed by Uponor Corporation since 1996
- Member of the Executive Committee since 1 October 1999

Sebastian Bondestam

b. 1962, Finnish citizen, M.Sc. (Eng.)

- Executive Vice President, Supply Chain
- Employed by Uponor since 2007
- Member of the Executive Committee since 1 April 2007

Robin Carlsson

b. 1966, Swedish citizen, M.Sc.

(Mechanical Engineering)

- Executive Vice President, Infrastructure solutions
- Employed by Uponor since 2006
- Member of the Executive Committee since 1 September 2010

Heiko Folgmann

b. 1967, German citizen, M.Sc. (Bus.)

(Diplom-Kaufmann)

- Executive Vice President, Central and Eastern Europe
- Employed by Uponor since 1999
- Member of the Executive Committee since 26 October 2007

Bill Gray

b. 1965, Canadian and British citizen,

B. Com and B.A.

- President, Uponor North America
- Employed by Uponor since 2008
- Member of the Executive Committee since 15 February 2012

Riitta Palomäki

b. 1957, Finnish citizen, M. Sc. (Econ)

- CFO
- Employed by Uponor since 2009
- Member of the Executive Committee since 1 June 2009

Fernando Roses

b. 1970, Spanish citizen, M.Sc. (Marketing),

eMBA (Ingeniero Técnico en Química Industrial)

- Executive Vice President, Europe North, South & West
- Employed by Uponor since 1994
- Member of the Executive Committee since 26 October 2007

More details continuously updated at www.uponor.com > Investors.

Review by the Board of Directors

2011

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.

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 internation-

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%

Review by the Board of Directors

al 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 impair-

ment 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.

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.

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%

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

Review by the Board of Directors

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 politi-

cal 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)

Review by the Board of Directors

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' preemptive 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

Proposal of the Board of Directors

The distributable funds of the parent company Uponor Corporation are €133,446,081.62 of which profit for the period is €58,951,536.38.

The Board of Directors proposes to the Annual General Meeting that

– a dividend of €0.35 per share will be paid, at maximum	€25,566,430.40
– the remainder be retained in the shareholders' equity	<u>€107,879,651.22</u>
	€133,446,081.62

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

Vantaa, 10 February 2012

Jari Paasikivi
Chairman

Aimo Rajahalme

Jorma Eloranta

Anne-Christine Silfverstolpe Nordin

Rainer S. Simon

Jyri Luomakoski
Managing
Director

Definitions of key ratios

Return on Equity (ROE), %	=	$\frac{\text{Profit before taxes} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest, average}} \times 100$
Return on Investment (ROI), %	=	$\frac{\text{Profit before taxes} + \text{interest and other financing costs}}{\text{Balance sheet total} - \text{non-interest-bearing liabilities, average}} \times 100$
Solvency, %	=	$\frac{\text{Shareholders' equity} \pm \text{minority interest}}{\text{Balance sheet total} - \text{advance payments received}} \times 100$
Gearing, %	=	$\frac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$
Net interest-bearing liabilities	=	Interest-bearing liabilities – cash, bank receivables and financial assets
Earnings per share (EPS)	=	$\frac{\text{Profit for the period}}{\text{Number of shares adjusted for share issue in financial period excluding treasury shares}}$
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	=	$\frac{\text{Dividend per share}}{\text{Profit per share}} \times 100$
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	=	$\frac{\text{Total value of shares traded (EUR)}}{\text{Total number of shares traded}}$

Group key financial figures

	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS	2007 IFRS
Consolidated income statement (continuing operations), M€					
Net sales	806.4	749.2	734.1	949.2	1,047.4
Operating expenses	743.0	669.9	665.1	868.0	888.1
Depreciation and impairments	29.4	29.1	32.0	31.4	29.5
Other operating income	1.4	2.2	4.2	1.4	5.9
Operating profit	35.4	52.4	41.2	51.2	135.7
Financial income and expenses	-17.7	-10.7	-12.7	-10.2	-2.6
Profit before taxes	17.7	41.7	28.5	41.0	133.1
Result from continuing operations	1.9	27.0	17.2	30.1	91.4
Profit for the period	1.6	24.7	11.5	72.5	101.9
Consolidated balance sheet, M€					
Non-current assets	200.0	218.3	223.1	239.1	270.3
Goodwill	74.9	72.2	73.0	70.0	70.2
Inventories	81.8	84.4	74.3	104.5	150.6
Cash and cash equivalents	29.1	11.9	13.2	53.2	6.3
Accounts receivable and other receivables	129.4	110.4	115.0	128.1	166.9
Equity attributable to the owners of the parent company	209.2	252.1	258.0	305.6	333.0
Non-controlling interest	2.9	-	-	-	-
Provisions	22.0	12.0	18.4	30.0	16.2
Non-current interest bearing liabilities	110.4	43.5	60.2	77.0	14.7
Current interest-bearing liabilities	2.8	35.2	17.6	36.8	76.1
Non-interest-bearing liabilities	167.9	154.4	144.4	145.5	224.3
Balance sheet total	515.2	497.2	498.6	594.9	664.3
Other key figures					
Operating profit (continuing operations), %	4.4	7.0	5.6	5.4	13.0
Profit before taxes (continuing operations), %	2.2	5.6	3.9	4.3	12.7
Return on Equity (ROE), %	0.7	9.7	4.1	22.7	30.1
Return on Investment (ROI), %	11.0	14.4	8.1	22.2	39.2
Solvency, %	41.2	50.8	51.8	51.4	50.2
Gearing, %	39.3	26.5	25.0	19.8	25.4
Net interest-bearing liabilities, M€	84.1	66.8	64.6	60.6	84.5
- % of net sales	10.4	8.9	8.8	6.4	8.1
Change in net sales, %	7.6	2.1	-22.7	-9.4	4.4
Exports from Finland, M€	34.7	30.4	23.0	34.1	42.3
Net sales of foreign subsidiaries, M€	709.8	658.9	644.7	836.5	931.3
Total net sales of foreign operations, M€	714.1	659.6	645.3	837.5	932.2
Share of foreign operations, %	88.6	88.0	87.9	88.2	89.0
Personnel at 31 December	3,228	3,197	3,316	3,678	4,581
Average no. of personnel	3,288	3,219	3,426	4,211	4,497
Investments (continuing operations), M€	24.0	19.0	24.0	39.0	52.0
- % of net sales	3.0	2.5	3.5	4.1	5.0

Share-specific key figures

	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS	2007 IFRS
Share capital, M€	146.4	146.4	146.4	146.4	146.4
Number of shares at 31 December, in thousands	73,207	73,207	73,207	73,207	73,207
Number of shares outstanding, in thousands					
- at end of year	73,067	73,067	73,067	73,047	73,207
- average	73,067	73,067	73,049	73,187	73,201
Shareholders' equity, M€	209.2	252.1	258.0	305.6	333.0
Share trading, M€	366.2	481.5	455.8	1,195.1	2,362.0
Share trading, in thousands	38,155	37,389	45,815	99,227	99,423
- of average number of shares, %	52.2	51.2	62.7	135.6	135.8
Market value of share capital, M€	502.2	1,013.2	1,098.1	563.7	1,260.6
Adjusted earnings per share (fully diluted), €	0.03	0.34	0.16	0.99	1.39
Equity per share, €	2.86	3.45	3.53	4.18	4.55
Dividend, M€	¹⁾ 25.6	40.2	36.5	62.1	102.5
Dividend per share, €	¹⁾ 0.35	0.55	0.50	0.85	1.40
Effective share yield, %	¹⁾ 5.1	4.0	3.3	11.0	8.1
Dividend per earnings, %	¹⁾ 1,018.5	162.5	316.3	85.9	100.7
P/E ratio	199.7	40.9	94.9	7.8	12.4
Issue-adjusted share prices, €					
- highest	14.25	15.66	15.10	18.91	31.45
- lowest	6.03	10.58	6.80	6.10	15.31
- average	9.57	12.88	9.95	12.04	23.76

The definitions of key ratios are shown on page 18.

Notes to the table:

1) Proposal of the Board of Directors

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

Shares and shareholders

The volume of Uponor shares traded on the NASDAQ OMX Helsinki Exchange in 2011 totalled 38,155,009, valued at €366.2 million. The share closed at €6.86 and the market capitalisation came to €502.2 million. The yearend number of shareholders totalled 19,828 of which foreign shareholders accounted for 24.5 per cent (19.1 per cent).

Major shareholders on 31 December 2011

Shareholder	Shares	% of shares	% of votes
Oras Invest Ltd	16,571,780	22.6	22.7
Varma Mutual Pension Insurance Company	5,162,072	7.1	7.1
Ilmarinen Mutual Pension Insurance Company	2,032,142	2.8	2.8
Tapiola Mutual Pension Insurance Company	1,356,500	1.9	1.9
State Pension Fund	805,000	1.1	1.1
Sigrid Juselius Foundation	773,200	1.1	1.1
Investment fund Nordea Nordic Small Cap	743,927	1.0	1.0
Svenska Litteratursällskapet i Finland	740,000	1.0	1.0
Investment fund Alfred Berg Finland	581,067	0.8	0.8
Paasikivi Jari	543,417	0.7	0.7
Paasikivi Jukka	538,173	0.7	0.7
Finnish Cultural Foundation	500,853	0.7	0.7
Others	42,698,813	58.3	58.4
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 2011

Skandinaviska Enskilda Banken AB	8,572,350	11.7	11.7
Nordea Bank Finland Plc	8,297,139	11.3	11.4
Svenska Handelsbanken AB (publ.)	764,959	1.1	1.0
Others	96,211	0.1	0.1
Total	17,730,659	24.2	24.3

The maximum number of votes which may be cast at the Annual General Meeting is 73,046,944 (status on 31 December 2011).

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.

Shares and shareholders

Shareholders by category on 31 December 2011

Category	No. of shares	% of shares
Private non-financial corporations	19,882,848	27.2
Public non-financial corporations	166,625	0.2
Financial and insurance corporations	4,021,355	5.5
General government	10,320,817	14.1
Non-profit institutions	4,607,713	6.3
Households	16,249,929	22.2
Foreign (including nominee registrations)	17,956,803	24.5
Other (joint account)	854	0.0
Total	73,206,944	100.0

Shareholders by size of holding on 31 December 2011

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1-100	315,521	0.4	4,597	23.2
101-1,000	5,076,067	6.9	11,863	59.8
1,001-10,000	8,358,051	11.4	3,088	15.6
10,001-100,000	6,344,821	8.7	240	1.2
100,001-1,000,000	11,120,501	15.2	34	0.2
1,000,001-	41,991,983	57.4	6	0.0
Total	73,206,944	100.0	19,828	100.0

Share capital development 2007-2011

	Date	Reason	Change, €	Share capital, €	Number of shares
2011	31 Dec			146,446,888	73,206,944
2010	31 Dec			146,446,888	73,206,944
2009	31 Dec			146,446,888	73,206,944
2008	31 Dec			146,446,888	73,206,944
2007	31 Dec			146,446,888	73,206,944
	7 May	Reduction (cancellation of own shares)	-	146,446,888	73,206,944

Corporate governance

Pursuant to the Finnish Companies Act and the Articles of Association of Uponor Corporation (hereinafter 'the Company'), the control and management of the Company is divided among the shareholders, the Board of Directors ('the Board') and the Chief Executive Officer ('CEO'). The Company's shares are quoted on the NASDAQ OMX Helsinki Ltd, and the Company observes its rules and regulations for listed companies. Furthermore, the Company complies with the Finnish Corporate Governance Code 2010 issued by the Securities Market Association. Said Code is available on the website www.cgfinland.fi.

General meeting of shareholders

Shareholders exercise their rights in general meetings of shareholders, which constitute the Company's highest decision-making body. Under the Finnish Companies Act, decisions made by general meetings of shareholders include:

- Amendments to the Articles of Association;
- Adoption of the annual accounts;
- Dividend distribution;
- Share issues;
- Buyback and disposal of the Company's shares;
- Share and stock option plans;
- Election of members of the Board and decision on their emoluments; and
- Election of the Company's auditor and decision on audit fees.

Under the Finnish Companies Act, a shareholder has the right to require that an issue to be addressed by the general meeting of shareholders be included on the agenda of the general meeting of shareholders, if (s)he submits his/her demand in writing to the Board well in advance so that the matter can be included in the notice of meeting.

Shareholders who alone or jointly with others hold a minimum of 10 per cent of the Company's shares have the right to demand in writing that an extraordinary general meeting of shareholders be convened for the purpose of dealing with a specific matter.

Shareholders are entitled to exercise their rights at the general meeting of shareholders via an authorised representative, and the shareholder or the representative authorised by the shareholder may use an assistant at the meeting.

Shareholders wishing to participate in and exercise their voting rights at the general meeting of shareholders must notify the Company of their intention to attend the meeting by the date mentioned in the notice of meeting.

Board of Directors

Composition

Pursuant to the Articles of Association, the Board comprises a minimum of five and a maximum of seven members, elected for a one-year term starting at closing of the Annual General Meeting (AGM) at which they were elected and expiring at closing of the following AGM. Board members may be elected or removed only by a resolution adopted by the shareholders in a general meeting. The number of terms a Board member may serve is not limited, nor is there any defined retirement age. The Board elects a Chairman and a Deputy Chairman for one year at a time from amongst its members.

In March 2011, the AGM elected the following six members to the Board:

- Mr Jorma Eloranta, born 1951, M. Sc. (Tech.), member of the Board since 2005
- Ms Eva Nygren, born 1955, Architect, CEO, Sweco Sverige AB and Sweco International AB
- Mr Jari Paasikivi, born 1954, M.Sc. (Econ.), President and CEO, Oras Invest Oy, member of the Board since 2007
- Mr Aimo Rajahalme, born 1949, M.Sc. (Econ.), member of the Board since 2003
- Ms Anne-Christine Silfverstolpe Nordin, born 1950, M.A. (Soc.) (Socionomexamen),

Partner and Senior Consultant, Neuhauser & Falck AB, member of the Board since 2003

- Mr Rainer S. Simon, born 1950, Dr. Sc. (Econ.) (Dr. oec. HSG), Managing Director, BirchCourt GmbH, member of the Board since 2004.

For more detailed information on Uponor's Board members, please refer to page 10 or visit www.uponor.com.

The Company complies with the recommendations on issues related to Board members, their independence and non-executive position, issued by the Securities Market Association. All of the current Board members are independent of the Company and, with the exception of Mr Jari Paasikivi, they are also independent of major shareholders. According to Finnish legislation, all Board members are required to act in the best interest of the Company and its subsidiaries ("Group") as well as shareholders, and to disclose any potential conflicts of interest.

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

The AGM determines Board remuneration and fees. Based on the 2011 AGM's decision, the annual Board remuneration is as follows: Chairman €71,000, Deputy Chairman €49,000 and ordinary Board members €44,000. The AGM further decided that approximately 40 per cent of the annual remuneration be paid in company shares acquired on behalf and in the name of the Board members, and approximately 60 per cent in cash.

Corporate governance

The AGM further decided that a separate remuneration per meeting shall be paid to Board members for all meetings, amounting to €600 for meetings held in the home country of the member, €1,200 for meetings held elsewhere in Europe, and €2,400 for meetings held outside of Europe. The remuneration for telephone meetings shall be the same as for meetings held in the home country of the member. Travel expenses are compensated for in accordance with the Company travel policy.

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

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

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

Duties

In accordance with the Finnish Companies Act, the Board of Directors is responsible for the management of the Company and the proper organisation of its activities. The Board's main duty is to direct the Group's operations in such a way that, in the long run, the yield to shareholders is secured, while simultaneously taking the expectations of various stakeholders into account. In addition to its statutory duties, the Board takes decisions on all other significant issues.

According to the charter of the Board of the Directors, the Board shall, among other things:

- annually review and determine the rules of procedure of the Board and the Executive Committee ('ExCom');
- approve the Group's values and monitor their implementation;
- approve the Group's basic strategy and monitor its implementation and updating;
- determine the dividend policy;
- present a proposal to the general meeting of shareholders on the payment of the dividend, including the amount and time of payment;
- approve the annual operational plan and budget based on the strategy, as well as monitor their implementation;
- annually approve the total amount of investments as well as any investments

The attached table shows the total annual remuneration paid to the current Board members for 2011:

Board member	Remuneration in cash €	Remuneration in shares Value, €	Additional remuneration for meeting attendance for Board members	
			Number of shares	total €
Paasikivi, Jari, Chairman	42,602	28,398	2,149	7,800
Rajahalme, Aimo, Deputy Chairman	29,403	19,597	1,483	7,800
Eloranta, Jorma	26,412	17,588	1,331	7,200
Nygren, Eva	26,412	17,588	1,331	7,200
Silfverstolpe Nordin, Anne-Christine	26,412	17,588	1,331	7,200
Simon, Rainer S.	26,412	17,588	1,331	8,400
In total	177,653	118,347	8,956	45,600

- that exceed the approved total annual investment limit;
- approve investments and leasing arrangements whose net present value exceeds the limit specified in the Signing and Authorisation Policy;
- approve acquisitions, joint ventures, partnerships, licensing arrangements and asset divestments that exceed the limits specified in the Signing and Authorisation Policy;
- approve the Group's general organisational structure;
- appoint and dismiss the CEO and determine the terms of his/her service contract;
- prepare and approve the CEO's annual compensation;
- approve the appointment and dismissal of members of ExCom;
- approve annual compensation for the members of ExCom;
- prepare and approve a succession plan for the CEO;
- approve succession plans for members of ExCom;
- approve the interim reports, the annual report and the annual financial statements;
- meet the external auditor at least once a year in a closed session without the management;
- prepare the proposals for general meetings of shareholders;
- annually evaluate the performance of the CEO and members of the Board as well as that of the Chairman;
- approve key Group operational policies, such as compensation policy;
- deal with other issues raised by the Chairman or the CEO.

Meetings and decision-making

The Board meets on average 10 times a year. Some meetings may be held as teleconferences. Two of the meetings should take place at different business units. The Board may also meet at any time without the presence of the management and make decisions without holding a meeting. Minutes of a meeting are taken in English for each meeting.

During 2011, the Board held 11 meetings, one of which at a business unit and one teleconference meeting. Four non-attendances were recorded. The Board additionally made five decisions without having a meeting.

The CEO shall prepare the Board meeting agenda for the review by the Chairman. Any

Board member may recommend the inclusion of a specific agenda item, such recommendations being accommodated to the extent practicable. Material for Board meetings shall be distributed to the members well in advance of each meeting.

The CEO and the Secretary to the Board shall attend Board meetings on a regular basis, while other members of the corporate management shall attend at the Chairman's invitation.

Board members shall have complete access to members of the ExCom and vice versa. Any non-routine communications shall be reported to the CEO.

The Board constitutes a quorum when more than half of the members are present. Decisions shall be made on a simple majority basis, with the Chairman casting the deciding vote should the votes be even.

Board Committees

Audit Committee

The Audit Committee was established in December 2008. On 15 March 2011, the Board decided to re-establish the Audit Committee with the same charter and members as earlier, thus nominating Mr Jari Paasikivi, Mr Aimo Rajahalme and Mr Jorma Eloranta as its members who in turn elected Mr Aimo Rajahalme as the chairman of the committee. The charter of the Audit Committee has been amended by a decision of the Board on 28 April 2010.

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

- to monitor and supervise the reporting process of financial statements and assuring that the reporting process generates correct information, to deal with any exceptional and material items and their handling and to approve important accounting principles;
- to review and oversee the quality and integrity of the annual report and the annual financial statements as well as the interim reports;
- to monitor the financial position of the company and the sufficiency of financing and prepare matters and proposals to the Board on a need-to-know basis;

- to monitor the efficiency, plans and processes of the Group's internal control, internal audit and risk management systems;
- to review the Company's corporate governance statement including the description of the main features of the internal control and risk management systems pertaining to the financial reporting process;
- to approve the annual plan and budget, to issue instructions on and to review and monitor the operations, plans and reports of the internal audit function, to receive status reports of the internal audit function in every meeting and to meet with the internal auditor at least twice a year;
- to review the external audit plan and to monitor the statutory audit of the financial statements and consolidated financial statements, to approve the budget of the external audit as well as new assignment above the limit set by the Audit Committee;
- to meet with the external auditor quarterly and to review all material reports from the auditor;
- to evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited;
- to prepare the proposal for a resolution on the election of the auditor; and
- to meet with the management of the company, particularly the CEO and the CFO, but also others responsible for internal control and risk management.

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

During 2011, the Committee held 4 meetings. One non-attendance was recorded.

Remuneration Committee

The Board of Directors decided on 26 October 2011 to establish a remuneration committee. The duties of the committee shall be (charter):

- to prepare matters pertaining to the remuneration and other financial benefits of the managing director and other executives ;
- to prepare matters pertaining to the remuneration schemes of the company;
- to evaluate the remuneration of the managing director and the other executives as well as to see that the remuneration schemes are appropriate;
- to review the remuneration statement;
- to answer questions related to the remuneration statement at the general meeting.

Members of the committee are Jorma Eloranta (chairman), Anne-Christine Silfverstolpe Nordin and Jari Paasikivi.

The Remuneration Committee held two meetings during 2011. No non-attendances were recorded.

Nomination Board

In March 2011, the AGM established the Nomination Board, comprising shareholders or representatives of shareholders, for the preparation of proposals for the election and remuneration of members of the Board of Directors. Its members are Pekka Paasikivi, chairman (Oras Invest), Risto Murto (Varma), Timo Ritakallio (Ilmarinen) and Jari Paasikivi (expert member).

The duties of the Nomination Board shall be:

- to prepare the proposal for the appointment of members of the Board of Directors, for presentation to the general meeting;
- to prepare the proposal to the general meeting on matters pertaining to the remuneration of members of the Board of Directors;
- to seek prospective successors to members of the Board of Directors;
- to present the proposal on members of the Board of Directors and members' remuneration to the general meeting.

The Nomination Board shall comprise the three largest shareholders or shareholders' representatives. In addition, the chairman of the Board of

Corporate governance

Directors shall act as an expert member. The right to appoint members representing shareholders lies with the three shareholders who, on 31 August 2011, are registered in the shareholders' register of the corporation, held by Euroclear Finland Ltd, and who, according to the shareholders' register, hold the greatest share of votes appertaining to all shares. Upon the submission of a written request to the Board of Directors on 30 August 2011 at the latest, by a shareholder who, according to the Securities Market Act, is obliged to disclose specific ownership changes (ownership under disclosure rules), said shareholders ownership in all funds or registers of the corporation will be included in the calculation of voting rights. In the event that a shareholder does not wish to exercise the right to appoint a member, said right shall pass to the next biggest shareholder in the shareholders' register who would not otherwise have the right to appoint a member. The Nomination Board is deemed a quorate when the majority of members are present.

The Nomination Board is convened by the chairman of the Board of Directors. Members of the Nomination Board elect a chairman from amongst themselves.

The Nomination Board must provide its proposal to the Board of Directors of the corporation by 1 February preceding the general meeting.

The Board of Directors of Uponor Corporation is of the view that it would be in the interests of the corporation and its shareholders for the biggest shareholders of the corporation to participate in the preparations for the election and remuneration of members of the Board of Directors.

The Nomination Board held one meeting during 2011. No non-attendances were recorded.

Chief Executive Officer

Mr Jyri Luomakoski, MBA, born 1967, acted as President and CEO of the Company during 2011.

Assisted by the ExCom, the CEO is in charge of the Group's day-to-day management in accordance with the orders and instructions issued by the Board. It is the CEO's duty to ensure that the Group's accounting procedures comply with the applicable legislation and that the financial management is conducted in a reliable manner.

The CEO is also the Chairman of the ExCom.

In 2011, the base salary paid to the CEO, Mr Jyri Luomakoski, totalled €401,799.96, other benefits €30,736.15 and the bonuses €103,933.46, i.e. a total remuneration of €536,469.57.

Under the terms of the written service contract with the CEO, the contract may be terminated by either the CEO or the Company at six months' notice. If the Company terminates the contract, it shall pay the CEO, in addition to the statutory compensation for the notice period, an amount equivalent to the remuneration paid to the CEO for 12 months preceding the termination. The Company may also terminate the agreement with immediate effect by paying an indemnification equivalent to his 18-month remuneration. The CEO retires at the age of 63, with a pension accrued in accordance with the Employees' Pensions Act (TyEL). Furthermore, the Company has taken a defined contribution pension insurance for the CEO, to which the Company annually pays €40,000.00.

Executive Vice President, Supply Chain, and member of the Executive Committee, Mr Sebastian Bondestam has acted as the deputy to the managing director of the parent company in 2011.

Executive Committee

Duties

The Executive Committee is mainly responsible for formulating and implementing the Group's strategy. It also discusses and decides on significant operational issues, while each of its members is responsible for the Group's day-to-day management with respect to his/her field of responsibility.

The ExCom shall, among other things, attend to the following:

- a) the Group's strategy and its implementation throughout the Group;
- b) budgets, business plans and their implementation;
- c) significant organisational changes and any changes in employment conditions affecting large numbers of employees such as:
 - the composition of area/regional management teams,
 - major structural changes within the organisation,
 - all major redundancy programmes,

- d) the appointment or removal of Senior Officers and Unit Managers belonging to the reporting chain of any ExCom member;
- e) annual salary and incentive structures of the management (excluding those of ExCom members);
- f) investments and leasing arrangements with net present value of leases being in the limits specified in the Signing and Authorisation Policy;
- g) acquisitions, joint ventures, partnerships and licensing arrangements and, should these exceed the limit specified in the Signing and Authorisation Policy, the ExCom shall submit a proposal to the Board;
- h) incorporation or dissolution of legal entities;
- i) asset divestments – including real estate, legal units and shares in the limits specified in the Signing and Authorisation Policy;
- j) performance by region/unit including analysis of market trends and the competitive environment, as well as significant corrective actions (to be discussed in each meeting);
- k) R&D and new business development priorities and resources;
- l) items related to the Group's brand architecture;
- m) legal disputes and claims of a significant nature including matters at regional/unit level;
- n) other matters, upon the Board's request.

ExCom prepares proposals to the Board on matters which require a resolution of the Board.

Membership

The ExCom comprises of the CEO and the number of executives determined by the Board, with the CEO acting as the Chairman. For more information on ExCom members and their responsibilities, please refer to pages 9–10 or visit our website at www.uponor.com.

Meetings and decision-making

The ExCom meets 8–12 times a year, with informal records being kept of its meetings. In 2011, the ExCom held 9 meetings.

The target is to achieve a unanimous view among the members of the ExCom on the issues under discussion. The decisions shall be confirmed by the Chairman.

Board and CEO evaluation

The Board conducts an annual evaluation of the CEO's performance with respect to, for example, strategic planning, management skills and financial performance, based on a special evaluation form. In addition, the Board conducts a separate evaluation of its performance and that of the Chairman, while each director also assesses his/her personal performance.

Compensation

The Group's compensation system consists of the basic salary, fringe benefits and a profit and performance-based bonus, which is subject to an individual employee's position. The superior of an employee's immediate supervisor is responsible for approving an individual employee's compensation.

The Company does not have any long-term incentive programmes in place for the moment.

The members of the ExCom had a long-term incentive programme that came to an end at the end of 2011. To be eligible to participate in the scheme, an ExCom member had to acquire Uponor shares of a specific total value, as defined under the scheme, by the end of August 2008. Depending on the cumulative operating profit of Uponor during 2007–2011, and the number of shares acquired within the scheme, each member is eligible for being awarded Uponor shares in the spring of 2012.

In October 2008, the Company's Board decided to extend the incentive scheme to part of the Company's international management. To be eligible to participate in the scheme, a person had to acquire Uponor shares of a specific total value, as defined under the scheme, by the end of August 2009. Depending on the achievement of the Company's financial targets for 2009–2011, and the number of shares acquired within the scheme, these persons are eligible for being awarded Uponor shares in the spring of 2012.

The Company has taken a defined contribution pension plan for the deputy managing director Mr Sebastian Bondestam according to which he shall be entitled to a contribution

of 9.61% of the annual base salary including fringe benefits for the year 2011. The Board shall decide on the percentage of the defined contribution separately for each year.

A Group employee is not entitled to a separate fee for a board membership within a Group company.

The Board determines the CEO's employment terms and conditions and annual compensation, and approves ExCom members' annual compensation, based on the CEO's proposal.

Internal control, risk management and internal audit

Internal control

The Board is responsible for the principles of internal control in Uponor. Uponor's internal control is defined as a process influenced by the Board, the management and all the individual employees of the Group. The objective of internal control is to ensure that the management has a reasonable assurance that:

- operations are effective, efficient and aligned with the strategy;
- financial reporting and management information is reliable, comprehensive and timely; and
- the Group is in compliance with applicable laws and regulations.

Uponor's internal control framework strives to balance the business needs and the control perspective. The aim of the internal control framework is thus to:

- focus on the most business-relevant risks and issues from the strategic alignment and operational effectiveness point of view;
- promote ethical values, good corporate governance and risk management practices;
- ensure compliance with laws, regulations and Uponor's internal policies; and
- assure production of reliable financial reporting to support internal decision-making and to serve the needs of external stakeholders.

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

Uponor's aim is to embed control in the daily operations. Effective internal control requires that duties are properly segregated to different employees and potential conflicts of interests are identified and eliminated. Examples of existing control mechanisms include group policies, accounting and reporting instructions and management meetings. Additionally, as an example, responsibilities for communication with external parties, such as customers, suppliers, regulators and shareholders are clearly set.

Ongoing monitoring occurs locally in each organisational unit, during the course of daily operations. Groupwide, the responsibility lies within the Finance and Administration function.

Whether separate evaluations are needed, and their scope and frequency, will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies shall be reported upstream, with serious matters to be reported to the top management and the Board. Any separate evaluations are performed by the internal audit function and may be initiated by the Board.

Risk management

Risk management is a systematic way of protecting business assets and income against losses in order to achieve the Company's targets without unnecessary interruption. In addition, management of risk also includes risk-taking i.e. utilisation of opportunities taking risk vs. return into account.

The objective of risk management is to enable the Company to implement its strategy, to ensure it achieves its financial targets and to protect it from operative incidents, which might prevent it from achieving its targets. A further objective is to ensure the continuity of the operations even in an exceptional business environment.

The main risk areas of the Company have been identified, with each ExCom member being allocated his/her own area of responsibility with regard to identified risks. These responsibilities include the management and proper organisation of such areas throughout the Group.

Group Risk Management Team, comprising the CFO, EVP Supply Chain, EVP Devel-

Corporate governance

opment and Technology, General Counsel and Vice President Treasury and Risk Management, is responsible for the monitoring of Group-level risks and mitigation actions, and for informing the ExCom and the Board.

Vice President Treasury and Risk Management is responsible for providing support to the members of the ExCom in developing risk policies and guidelines, as well as for establishing assessment, monitoring and reporting procedures. He/she provides support to the Regions/Sub-regions, units and functions by providing assistance and training. He/she is also responsible for establishing and maintaining the company's global insurance programmes.

A summary of risks associated with business are described in the Financial Statements report, please refer to pages 14–15 or visit our website at www.uponor.com.

Financial Risk Management related notes can be found in the Financial Statements, please refer to pages 54–57 or visit our website at www.uponor.com.

Internal audit

Internal Audit is an integrated part of Uponor's internal control framework. It supports the Board and the management in following up the effectiveness of internal control and corporate governance. Internal Audit shall focus on the key risk areas of business. To achieve its objectives, it carries out independent audits of business units and subsidiaries, process reviews, and targeted audits on specific areas, to give the ExCom and the Board assurance that effective controls are in place. Moreover, Internal Audit performs reviews to ensure compliance with internal company policies, guidelines and laws and regulations.

Internal auditing is an independent, objective assurance and consulting activity designed to add value to and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The purpose, authority, and responsibilities of Internal Audit are defined in the Internal Audit Charter approved by the Board, to which Internal Audit is subordinated. The annual audit plan is approved by the Board. Internal Audit reports four times a year to the Audit Committee, presenting a summary of the most significant findings, while it also has the obligation and authority to report on any significant audit findings both to the ExCom and to the Board. Internal Audit has unrestricted access to the Board, and to all Uponor's records, personnel, and physical properties relevant to the performance of its engagement.

In 2011, the focus areas of internal audit included audits of Uponor's foreign subsidiaries, corporate functions and group-level processes. The audits of foreign subsidiaries concentrated on compliance with group policies, changes in business operations as well as review of business processes, risks and controls.

Administratively, Internal Audit reports to the Chief Financial Officer ('CFO'). Uponor has outsourced its internal auditing to PricewaterhouseCoopers Oy.

External audit

Assisted by the Audit Committee, the Board prepares a proposal on the external auditor and presents it to the AGM for election. The external auditor must be a corporation of authorised public accountants accredited by the Central Chamber of Commerce of Finland. In co-operation with the auditor, the corporate management organises the audit of the Group's subsidiary companies, as required by applicable local legislation. Auditors of these subsidiary companies report directly to the legal unit they have audited, submitting a copy of each report to the Group's financial administration for inclusion in the Company's audit log.

The 2011 AGM appointed Deloitte and Touche Oy, a corporation of authorised public accountants accredited by the Central Chamber of Commerce in Finland, as the Company's auditor for the financial year 2011, with Mikael Paul, Authorised Public Accountant, acting as the principal auditor. Fees paid to the external

auditor for the statutory audit services totalled €573,000, for tax services €20,000, and for audit related and other services €161,000, in total €754,000 for the year 2011.

Insider guidelines

Uponor Corporation complies with the guidelines for insiders issued by the NASDAQ OMX Helsinki Ltd, the standards issued by the Financial Supervisory Authority of Finland as well as other authorities. The Company also has its own insider regulations.

Uponor's public insiders comprise of Board members, the CEO, ExCom members and the auditor. The Company maintains its public insider register in Euroclear Finland Ltd's SIRE system.

Uponor also maintains a company-specific, non-public register of its permanent insiders including, among others, employees within the Group's administration. A project-specific insider register is established whenever the Company runs a project falling within the scope of insider regulations, and those involved in the special project on the basis of their employment contract or another contract gain insider information on the Company. Typically, such a project is a thematic entity or arrangement not forming part of the Company's normal business activities due to its nature or size. The Group's internal insider rules are published on the Group intranet, and information on them has been distributed, for instance, in the Group's internal web magazine. Group employees are required to act in accordance with these rules.

Trading in the Company's shares and other securities is subject to prior approval by the Company's General Counsel. The Company applies an absolute trading prohibition that starts at the end of the reporting period, however, no later than three weeks prior to the disclosure of annual accounts or interim reports, and lasts until the disclosure of the annual accounts or an interim report.

The attached table shows the shares owned by the public insiders (including any holdings of corporations controlled by them as well as any holdings of their immediate circle).

Shares held by public insiders in 2011

The Board of Directors and the Auditor

Name	Position	Date	Shares
Eloranta, Jorma	Board member	1 Jan	31,159
		31 Dec	32,490
Nygren, Eva	Board member as of 15 Mar 2011	15 Mar	-
		31 Dec	1,331
Paasikivi, Jari	Chairman of the Board	1 Jan	541,268
		31 Dec	543,417
Rajahalme, Aimo	Deputy Chairman of the Board	1 Jan	26,962
		31 Dec	28,445
Silfverstolpe Nordin, Anne-Christine	Board member	1 Jan	33,688
		31 Dec	35,019
Simon, Rainer S.	Board member	1 Jan	31,064
		31 Dec	32,395
Paul, Mikael	Auditor	1 Jan	-
		31 Dec	-

The Executive Committee

Name	Position	Date	Shares
Bondestam, Sebastian	ExCom member	1 Jan	4,172
		31 Dec	4,172
Carlsson, Robin	ExCom member	1 Jan	680
		31 Dec	680
Folgmann, Heiko	ExCom member	1 Jan	2,735
		31 Dec	2,735
Luomakoski, Jyri	President and CEO	1 Jan	17,000
		31 Dec	40,000
Palomäki, Riitta	ExCom member	1 Jan	3,000
		31 Dec	3,000
Roses, Fernando	ExCom member	1 Jan	2,735
		31 Dec	2,735

Insider statuses terminated during 2011

Name	Position	Date	Shares
Tollsten, Anders	ExCom member until 31 Dec 2011	1 Jan	10,874
		31 Dec	10,874

Consolidated statement of comprehensive income

M€	Note	2011	2010
Continuing operations			
Net sales	2	806.4	749.2
Cost of goods sold		513.5	461.1
Gross profit		292.9	288.1
Other operating income	5	1.4	2.2
Dispatching and warehousing expenses		31.1	30.1
Sales and marketing expenses		157.9	145.1
Administration expenses		43.0	45.0
Other operating expenses	5	26.9	17.7
Expenses		258.9	237.9
Operating profit	2	35.4	52.4
Financial income	8	18.2	16.5
Financial expenses	8	35.9	27.2
Profit before taxes		17.7	41.7
Income taxes	9	15.8	14.7
Result from continuing operations		1.9	27.0
Discontinued operations			
Result from discontinued operations		-0.3	-2.3
Profit for the period		1.6	24.7
Other comprehensive income			
Translation differences		2.0	12.6
Cash flow hedges		-2.8	1.6
Net investment hedges		-4.6	-8.4
Other comprehensive income for the period		-5.4	5.8
Total comprehensive income for the period		-3.8	30.5
Profit for the period attributable to			
- Equity holders of parent company		2.5	24.7
- Non-controlling interest		-0.9	-
Total comprehensive income for the period attributable to			
- Equity holders of parent company		-2.9	30.5
- Non-controlling interest		-0.9	-
Earnings per share, €	10	0.03	0.34
- Continuing operations		0.03	0.37
- Discontinued operations		0.00	-0.03
Diluted earnings per share, €		0.03	0.34
- Continuing operations		0.03	0.37
- Discontinued operations		0.00	-0.03

Consolidated balance sheet

M€	Note	31 Dec 2011	31 Dec 2010
ASSETS			
Non-current assets			
Intangible assets			
Intangible rights		22.3	24.4
Goodwill		74.9	72.2
Other intangible assets		0.1	0.1
Investment in progress		0.0	0.2
Total intangible assets	11	97.3	96.9
Tangible assets			
Land and water areas		11.9	10.3
Buildings and structures		48.0	51.5
Machinery and equipment		75.6	90.9
Other tangible assets		11.6	8.6
Construction work in progress		14.5	10.0
Total tangible assets	12	161.6	171.3
Securities and long-term investments			
Investments in associated companies	14	0.0	0.0
Other shares and holdings	15	0.2	0.2
Non-current receivables	16	2.6	8.2
Total securities and long-term investments		2.8	8.4
Deferred tax assets	21	13.2	13.9
Total non-current assets		274.9	290.5
Current assets			
Inventories ^{*)}	17	81.8	82.9
Current receivables			
Interest-bearing current assets		-	0.0
Accounts receivables		106.6	93.1
Current income tax receivables		2.4	1.1
Accruals		5.5	9.2
Other receivables ^{*)}		14.9	8.5
Total current receivables	18, 19	129.4	111.9
Cash and cash equivalents		29.1	11.9
Total current assets		240.3	206.7
Total assets		515.2	497.2

M€	Note	31 Dec 2011	31 Dec 2010
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent company			
	20		
Share capital		146.4	146.4
Share premium		50.2	50.2
Other reserves		0.2	2.9
Translation differences		-12.5	-9.8
Retained earnings		22.4	37.7
Profit for the period		2.5	24.7
Total equity attributable to the owners of the parent company		209.2	252.1
Non-controlling interest		2.9	-
Total equity		212.1	252.1
Liabilities			
Non-current liabilities			
Interest bearing liabilities	24	110.4	43.5
Employee benefit obligations	22	21.1	21.1
Provisions	23	5.2	5.6
Deferred tax liabilities	21	12.2	9.5
Other non-current liabilities		0.2	0.5
Total non-current liabilities		149.1	80.2
Current liabilities			
Interest bearing liabilities	24	2.8	35.2
Accounts payable		45.7	51.0
Current income tax liability		6.1	6.7
Provisions	23	16.8	6.4
Other current liabilities	25	82.6	65.6
Total current liabilities		154.0	164.9
Total liabilities		303.1	245.1
Total shareholders' equity and liabilities		515.2	497.2

^{*)} Change in presentation: pre-payments transferred from Inventories to Other receivables

Consolidated cash flow statement

M€	Note	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Cash flow from operations			
Net cash from operations			
Profit for the period		1.6	24.7
Adjustments for:			
Depreciation		29.4	29.2
Impairments		16.8	1.4
Income taxes		15.8	14.7
Interest income		-1.8	-2.4
Interest expense		6.9	5.7
Sales gains/losses from the sale of businesses and fixed assets		-0.3	-0.7
Share of profit in associated companies		-0.2	-0.1
Other cash flow adjustments		-1.4	2.4
Net cash from operations		66.8	74.9
Change in net working capital			
Receivables		-12.3	6.3
Inventories		2.7	-6.6
Non-interest-bearing liabilities		22.0	-22.3
Change in net working capital		12.4	-22.6
Income taxes paid		-16.5	1.1
Interests paid		-6.3	-4.7
Interests received		2.0	0.5
Cash flow from operations		58.4	49.2

M€	Note	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Cash flow from investments			
Share acquisitions	4	-6.4	-
Proceeds from share divestments		0.1	0.2
Purchase of fixed assets		-24.0	-19.0
Proceeds from sale of fixed assets		1.1	5.0
Dividends received		0.0	0.1
Loan repayments		0.1	0.1
Cash flow from investments		-29.1	-13.6
Cash flow before financing		29.3	35.6
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 31 December		29.1	11.9
Changes according to balance sheet		17.2	-1.3

Statement of changes in shareholders' equity

	Number of shares out- standing (1,000)	Share capital	Share premium	Other reserves	Unrestrict- ed equity	Hedge reserve	Treasury shares	Transla- tion dif- ferences	Retained earnings	Equity attribut- able to the owners of the parent company	Non- Con- trolling interest	Total
Balance at 1 January 2011	73,207	146.4	50.2	1.6	0.1	1.2	-1.2	-9.8	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									-40.2	-40.2		-40.2
Transfers between reserves				0.0					0.0	-		0.0
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	73,207	146.4	50.2	1.7	0.1	-1.6	-1.2	-12.5	26.1	209.2	2.9	212.1
Balance at 1 January 2010	73,207	146.4	50.2	1.6	0.1	-0.4	-1.2	-14.0	75.3	258.0	-	258.0
Total comprehensive income for the period						1.6		4.2	24.7	30.5		30.5
Dividend paid									-36.5	-36.5		-36.5
Transfers between reserves				0.0					0.0	-		0.0
Share based incentive plan									0.1	0.1		0.1
Balance at 31 December 2010	73,207	146.4	50.2	1.6	0.1	1.2	-1.2	-9.8	63.6	252.1	-	252.1

Change in presentation: net investment hedging related foreign exchange gains/losses have been reclassified from hedge reserve to translation differences.
For further information see note 20.

Notes to the consolidated financial statements

1. Accounting principles

Company profile

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

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

Uponor Corporation

P.O. Box 37 (street address: Robert Huberin tie 3 B)

FI-01511 Vantaa, Finland

Tel. +358 (0)20 129 211, Fax +358 (0)20 129 2841

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

At its meeting of 10 February 2012, Uponor Corporation's Board of Directors approved the publication of these financial statements. According to the Finnish Limited Liability Companies Act, the shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting held after their publication. Furthermore, the Annual General Meeting can decide on the modification of the financial statements.

Basis of preparation

Uponor Group's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and their SIC and IFRIC interpretations valid on 31 December 2011. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refer to the standards and their interpretations adopted in accordance with the procedures as set in regulation (EC) No 1606/2002 of the European Parliament and of the European Council. The consolidated financial statements also include additional information required by the Finnish Accounting Act and the Limited Liability Companies Act. The consolidated financial statements are presented in millions of euros (M€) and are based on the historical cost convention, unless otherwise specified in the accounting principles section below.

Use of estimates

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

Consolidation principles

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

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

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

Foreign currency translations and exchange rate differences

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

In the consolidated financial statements, the income statements of the Group's foreign subsidiaries are converted into euros using the average exchange rates quoted for the reporting period. All balance sheet items are converted into euros using the exchange rates quoted on the reporting date. The resulting conversion difference and other conversion differences resulting from the conversion of subsidiaries' equity are shown as a separate item under equity. In addition, in the consolidated financial statements, exchange rate differences in the loans granted by the parent company to foreign subsidiaries in replacement of their equity are treat-

ed as translation differences. Realised translation differences in relation to the divestment of subsidiaries and the redemption of material shares in subsidiaries are recognised as income or expenses in the consolidated statement of comprehensive income.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and assets related to discontinued operations are formed once the company, according to a single co-ordinated plan, decides to dispose of a separate significant business unit, whose net assets, liabilities and financial results can be separated operationally and for financial reporting purposes (cash generating unit). Non-current assets held for sale are shown separately in the consolidated balance sheet. Profit or loss from a discontinued operation and gains or losses on its disposal are shown separately in the consolidated statement of comprehensive income. Assets related to non-current assets held for sale and discontinued operations are assessed at book value or, if it is the lower of the two, at fair value. Depreciation from these assets has been discontinued upon the date of classifying assets as non-current assets held for sale and discontinued operations. The Group has no assets classified as non-current assets held for sale at the end of the financial or a comparable period. The disposal of business operation in Ireland has been classified as discontinued operation.

Revenue recognition

Sales of products are recognised as income once the risks and benefits related to ownership of the sold products have been transferred to the buyer, according to the agreed delivery terms, and the Group no longer has possession of, or control over, the products. Sales of services are recognised as income once the service has been rendered. Net sales comprise the invoiced value of the sale of goods and services net of indirect taxes, sales rebates and exchange rate differences. Uponor uses percentage of completion method to recognise work-in-progress for long-term contracts in project business companies.

Research and development

Research costs are expensed as incurred and are included in the consolidated statement of comprehensive income in other operating expenses. Development costs are expensed as incurred, unless the criteria for capitalising these costs as assets are met. Product development costs are capitalised as intangible assets and are depreciated during the useful life of the asset, if future economic benefits are expected to flow to the entity and certain other criteria, such as the product's technical feasibility and commercial usability, are confirmed. The Group does not have any capitalised development costs in the balance sheet.

Employee benefits

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

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

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

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

Operating profit

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

Borrowing costs

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

Income taxes

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

Notes to the consolidated financial statements

Intangible assets

Goodwill

Goodwill represents future economic benefits arising from assets that are not capable of being individually identified and separately recognised by the Group. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired company on the date of acquisition. Goodwill is allocated to the business segments. Goodwill is not amortised, but is tested for impairment annually. Gains and losses on the disposal of a Group entity include any goodwill relating to the entity sold.

Other intangible assets

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

Property, plant and equipment

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

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

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

Depreciations

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

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

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

Government grants

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

Impairment

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

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

Goodwill is assessed for impairment at least annually or if any indication of impairment exists, more regularly.

Leases

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

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

The assets leased by the Group, where the lessee bears the risks and rewards inherent in holding such leases, are treated as finance leases and

recognised as receivables on the balance sheet at their present value. The Group has no finance lease receivables.

Inventories

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

Provisions

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

Cash and cash equivalents

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

Financial assets

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

Financial assets at fair value through profit and loss include financial assets held for trading and measured at fair value. Financial assets at fair value through profit and loss have been acquired principally for the purpose of generating a profit from short-term fluctuations in market prices. Derivative instruments, for which hedge accounting is not applied, are included in financial assets at fair value through profit and loss. Interest and currency derivatives, for which no hedge accounting is applied, are recognised in the balance sheet at historical cost and valued at fair value on each balance sheet date. Fair value is determined using market prices on the balance sheet date, or the present value of estimated future cash flows. Changes in the fair value of financial assets at fair value through profit and loss, and unrealised and realised gains and losses, are included in financial income and expenses in the period in which they occur. Financial assets at fair value through profit and loss are presented under the other current assets in the balance sheet.

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

interest rate method. The Group did not have any held-to-maturity investments during the financial period.

Loans and receivables are non-derivative assets with fixed or determinable payment dates that are not quoted in the active markets or held for trading purposes. Loans and receivables are measured at amortised cost. Accounts receivable are carried at expected fair value, which is the original invoice amount less the provision made for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, the probable bankruptcy of the debtor or default in payments are considered as probable indicators of the impairment of accounts receivable.

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

Financial liabilities

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

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

Derivative contracts and hedge accounting

Financial derivatives are used for hedging purposes and are initially recognised in the balance sheet at fair value and are subsequently re-measured at fair value on each balance sheet date. At the contract date derivatives are classified as either cash flow hedges, hedges of net investments in foreign entities or hedges that hedge accounting is not applied to. For derivatives, that hedge accounting is not applied to, the changes in fair value are recognised under financial items in the consolidated statement of comprehensive income. The fair values of derivatives are determined on the basis of publicly quoted market prices.

Hedge accounting

Cash flow hedging is applied to electricity derivatives and interest rate derivatives. Net investment hedging is applied to certain currency derivatives that hedge foreign currency risk in internal loans classified as net invest-

Notes to the consolidated financial statements

ments in foreign entities. Hedge programmes are documented according to the requirements of IAS 39, and the efficiency of hedge accounted derivatives is tested both at the inception of, and during, the hedge.

Fair value changes of derivatives, which are designated as cash flow hedges, are recognised in other comprehensive income in the hedge reserve to the extent that the hedge is effective. The spot price part of the fair value changes of currency derivatives designated as hedges of net investment in foreign entities, are recognised in other comprehensive income in the translation differences whereas the interest rate differential part of the fair value changes is recognised under financial items. Accumulated fair value changes in other comprehensive income are released into the consolidated statement of comprehensive income in the period during which the hedged cash flow affects the result, while electricity derivatives are recognised under cost of goods sold and interest rate derivatives under financial items.

The ineffective portion of the fair value change of cash flow hedges is recognised under cost of goods sold for electricity derivatives and under financial items for interest rate derivatives.

Share-based payments – Management incentive scheme

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 and the 2007 scheme will yield 19,622 shares, to be awarded during the first half of 2012. The 2008 scheme did not yield any shares.

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

Treasury shares

The parent company held treasury shares during the financial year and the comparative period. Treasury shares are presented in the financial statements as a reduction in shareholders' equity. Treasury shares are taken into account in calculating key figures and ratios according to IAS 33.

Dividends

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

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

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

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

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

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

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

New and amended IFRSs adopted in 2011

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions and events.

- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (effective for reporting periods beginning on or after 1 February 2010). The amendment addresses the accounting for rights, options or warrants issues that are denominated in a currency other than the functional currency of the issuer (reclassification adjustments). The amendment has not had effect on the consolidated financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for reporting periods beginning on or after 1 July 2010). The interpretation clarifies the accounting requirements for an entity renegotiating the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The amendment has not had effect on the consolidated financial statements.

- Amendment to Interpretation IFRIC 14 – *Prepayments of a Minimum Funding Requirement* (effective for reporting periods beginning on or after 1 January 2011). The amendment eliminates the unintended consequences of interpretations IFRIC 14 IAS 19 ‘The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction’. The amendment allows entities to recognise certain prepayments (instead of treating them as expense) when minimum funding requirements apply. The amendment has not had significant effect on the consolidated financial statements.
- Amendment to IFRS 1 *First-time Adoption of IFRS – Limited exemption from comparative IFRS 7 disclosures for first-time adopters* (effective for reporting periods beginning on or after 1 July 2010). The amendment has not had effect on the consolidated financial statements.
- Amended IAS 24 *Related Party Disclosures* (effective for reporting periods beginning on or after 1 January 2011). The revised standard specifies the definition of a related party and introduces a partial exemption from the disclosure requirements for government-related entities. The amended standard has not had effect on the consolidated financial statements.
- *Improvements to IFRS* (Amendments to Improvements to IFRS, May 2010, principally effective for reporting periods beginning on or after 1 July 2010). In the annual improvement process minor and non-urgent amendments are compiled and issued once a year. The impact of the amendments depends on the particular standard, but the amended standards have not had effect on the consolidated financial statements.

Application of new and revised IFRSs in issue but not yet effective

IASB has published the following new or revised standards and interpretations which the Group has not yet adopted. The Group will adopt each standard and interpretation as from the effective date, or if the effective date is other than the first day of the reporting period, from the beginning of the next reporting period after the effective date. The effects of these new and amended standards are under investigation.

- Amendment to IFRS 7 *Financial instruments – Disclosures* (effective for reporting periods beginning on or after 1 July 2011). The amendment provides greater transparency around the disclosure requirements for transactions involving transfers of the financial instruments and increases the understanding of risks associated with financial instruments and the risks effect on financial position, particularly those involving securitisation of financial assets. The amendment has not yet been endorsed by EU.
- Amendment to IFRS 1 *First time adoption* (effective for reporting periods beginning on or after 1 July 2011). The amendment includes two changes. The first change relates to replacing a fixed date of 1.1.2004 for “the date of transition to IFRSs” which removes the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second change includes guidance on how to resume disclosures required by IFRS standards after entity has not been able to comply IFRS requirements due to its functional currency was subject to severe hyperinflation. The amendment has not yet been endorsed by EU.
- Amendment to IAS 12 *Income Taxes* (effective for reporting periods beginning on or after 1 January 2012). IAS 12 earlier required an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use (i.e. rental income) or sale. According to the amendment certain fair valued assets are expected to recover the carrying amount of the asset through sale. The expectation may be applied to deferred taxes arising from investment properties, tangible and intangible assets measured using fair value model or revaluation model. The amendment has not yet been endorsed by EU.
- Amendment to IAS 1 *Presentation of Financial Statements* (effective for reporting periods beginning on or after 1 July 2012). The main change is the requirement for grouping items in ‘other comprehensive income’ based on whether they are potentially reclassifiable to profit or loss as certain conditions are fulfilled. The amendment has not yet been endorsed by EU.
- Amendment to IAS 19 *Employee Benefits* (effective for reporting periods beginning on or after 1 January 2013). The amendments state that all actuarial gains and losses are immediately recognised through other comprehensive income, in other words, the corridor approach is eliminated and financial cost is determined on net funding basis. The amendment has not yet been endorsed by EU.
- IFRS 9 *Financial Instruments* (effective for reporting periods beginning on or after 1 January 2015). IFRS 9 project is the first phase of a wider project which aims to replace IAS 39 with a new standard. The different measurement methods are retained but simplified. Financial assets are categorised into two main categories: amortised cost and fair value financial assets. The categorisation is based on an entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance on impairment of financial assets and hedge accounting included in IAS 39 remains in force. The standard has not yet been endorsed by EU.
- IFRS 10 *Consolidated Financial Statements* (effective for reporting periods beginning on or after 1 January 2013). The standard establishes control as the base for consolidation. Additionally, the standard provides further guidance on how to apply principles of control when it is challenging to assess. The standard has not yet been endorsed by EU.
- IFRS 11 *Joint Arrangements* (effective for reporting periods beginning on or after 1 January 2013). The standard emphasises the rights and obligations of the arrangement rather than its legal form in the accounting. The arrangements are divided into two: joint operations and joint ventures. The standard requires joint ventures to be accounted for using equity method of accounting. Proportional consolidation of joint ventures is no longer allowed. The standard has not yet been endorsed by EU.

Notes to the consolidated financial statements

- IFRS 12 *Disclosure of Interests in Other Entities* (effective for reporting periods beginning on or after 1 January 2013). The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard has not yet been endorsed by EU.
- IFRS 13 *Fair Value Measurement* (effective for reporting periods beginning on or after 1 January 2013). The standard aims to increase uniformity and decrease complexity by providing specific definition for fair value. It also provides both requirements for determining fair value and the required disclosures under the same standard. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The standard has not yet been endorsed by EU.
- IAS 27 (revised 2011) *Separate Financial Statements* (effective for reporting periods beginning on or after 1 January 2013). The revised standard includes the requirements for separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The standard has not yet been endorsed by EU.
- IAS 28 (revised 2011) *Investments in Associates and Joint Ventures* (effective for reporting periods beginning on or after 1 January 2013). The revised standard includes requirements for both joint operations and associates to be accounted by using equity method of accounting after IFRS 11 was issued. The standard has not yet been endorsed by EU.
- Amendment to IAS 32 *Financial instruments: Presentation* (effective for reporting periods beginning on or after 1 January 2013) and amendment to IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2014). These amendments are intended to clarify existing offsetting rules and to require additional disclosure information about rights of offset in certain specific circumstances. The amendments have not yet been endorsed by EU.

2. Segment information

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

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

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

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

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

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

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

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

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

			2011
M€			
Net sales by segment, continuing operations	External	Internal	Total
Building Solutions – Europe	543.2	0.7	543.9
Building Solutions – North America	121.5	-	121.5
Infrastructure Solutions	141.7	8.0	149.7
Eliminations	-	-8.7	-8.7
Uponor Group	806.4	-	806.4

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

M€	2011	2010
Operating result by segment, continuing operations		
Building Solutions – Europe	41.7	55.7
Building Solutions – North America	10.1	3.1
Infrastructure Solutions	-2.4	0.4
Others	-14.0	-6.8
Eliminations	0.0	0.0
Uponor Group	35.4	52.4

M€	2011	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 (2011 incl. Hewing GmbH impairment 10.5 M€)	14.7	4.3
Eliminations	0.5	-0.5
Uponor Group	39.9	30.6

M€	2011	2010
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
Uponor Group	24.0	19.0

M€	2011	2010
Segment assets		
Building Solutions – Europe	433.9	414.9
Building Solutions – North America	130.0	126.8
Infrastructure Solutions	83.0	88.8
Others	583.4	534.2
Eliminations	-715.1	-667.5
Uponor Group	515.2	497.2

M€	2011	2010
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
Uponor Group	303.1	245.1

M€	2011	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
Uponor Group	3,288	3,219

Reconciliations

M€	2011	2010
Net sales by segment, continuing operations		
Total net sales for reportable segments	815.1	757.3
Eliminations	-8.7	-8.1
Uponor Group	806.4	749.2

M€	2011	2010
Operating result by segment, continuing operations		
Total result for reportable segments	49.4	59.2
Others	-14.0	-6.8
Eliminations	0.0	0.0
Uponor Group	35.4	52.4
Unallocated amounts	-17.7	-10.7
Profit before taxes	17.7	41.7

M€	2011	2010
Segment assets		
Total assets for reportable segments	646.9	630.5
Others	583.4	534.2
Eliminations	-715.1	-667.5
Uponor Group	515.2	497.2

M€	2011	2010
Segment liabilities		
Total liabilities for reportable segments	446.5	440.1
Others	599.0	496.0
Eliminations	-742.4	-691.0
Segment liabilities	303.1	245.1
Unallocated amounts	212.1	252.1
Uponor Group	515.2	497.2

Notes to the consolidated financial statements

Entity-wide information

Information about product and services

M€	2011	2010
External net sales, continuing operations		
Building Solutions	663.7	617.0
Infrastructure Solutions	142.7	132.2
Uponor Group	806.4	749.2

Information about geographical areas

M€	2011	2010
External net sales, continuing operations		
Finland	92.5	89.5
Germany	150.8	122.7
USA	88.5	84.5
Sweden	84.6	79.6
Spain	38.6	39.6
Norway	36.9	37.1
Italy	33.6	36.4
Denmark	36.9	35.0
Others	244.0	224.8
Uponor Group	806.4	749.2

M€	2011	2010
Assets		
Finland	97.8	91.9
Germany	141.7	132.6
Sweden	76.0	81.7
USA	79.7	72.2
Denmark	29.3	26.3
Spain	19.5	20.5
Others	71.2	72.0
Uponor Group	515.2	497.2

3. Discontinued operations

The disposal of the Irish infrastructure business in June 2008 has been classified as discontinued operations according to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

In 2011 the discontinued operations include 0.4 (2.3) million euros in costs with regard to the sold Irish infrastructure business. These costs incurred mainly from administrative and operative costs. In previous year main costs related to soil cleaning operations, which were finalised in 2010.

M€	2011	2010
Expenses	0.3	2.3
Result before taxes	-0.3	-2.3
Income taxes	-	-
Result after taxes	-0.3	-2.3
Result for the period from discontinued operations	-0.3	-2.3
Cash flow from discontinued operations		
Cash flow from operations	-0.3	-1.6

4. Business combinations

The Group acquired a 50.3 percent majority stake of Zent-Frenger Gesellschaft für Gebäudetechnik mbH in April 2011. The company is located in Heppenheim, Germany and it operates in building project business. The total consideration in cash was 6.4 million euros, of which 2.6 million euros as goodwill. The purchase agreement includes an option right to acquire the remaining 49.7 percent share of the company in early 2012 and it is probable that the Group will exercise it.

The Underfloor Heating Company Limited's conditional earn-out consideration period for years 2009–2011 has ended. The total purchase consideration of the company was 2.6 million euros. The entire amount has been allocated as goodwill on segment Building Solutions – Europe.

M€	Carrying value	Book value
Initial purchase price consideration		
Non-current assets	3.8	3.8
Inventories	1.6	1.6
Accounts receivable and other receivables	5.9	5.9
Cash and cash equivalents	0.0	0.0
Total assets	11.3	11.3
Liabilities		
Accounts payable	5.1	5.1
Total liabilities	5.1	5.1
Net assets		
Net assets	6.2	
Other items		
Acquisition cost	6.4	
Non-controlling interest	3.8	
Goodwill	2.6	

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

5. Other operating income and expenses

M€	2011	2010
Other operating income		
Gains from sales of fixed assets	0.4	0.9
Royalties	0.1	0.2
Earnings share from associated companies	0.2	0.1
Other items	0.7	1.0
Total	1.4	2.2
Other operating expenses		
Losses from sales of fixed assets	0.1	0.2
Research and development expenses	16.3	16.1
Impairments	10.5	1.4
Total	26.9	17.7

The main part of other operating income in 2011 and 2010 results from the sales of fixed assets. Other operating expenses occur mostly from research and development activities. In 2011, they include 10.5 million euro impairment of Hewing GmbH subsidiary shares relating to the sales which is expected to come into force in spring 2012. Other operating expenses in 2010 included impairment charge of 1.4 million euro to the US machinery and equipment disposals.

6. Employee benefits

M€	2011	2010
Short-term employee benefits:		
- Salaries and bonuses	149.9	137.1
- Other social costs	25.4	23.3
Post-employment benefits:		
- Pension expenses – defined contribution plans	6.7	7.4
- Pension expenses – defined benefit plans	0.8	0.6
Other long-term employee benefits	-0.1	0.5
Termination benefit expenses	1.2	0.4
Share based payments		
- Equity settled share-based payment transactions	0.0	0.1
Total	183.9	169.4

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

7. Depreciation, amortisation and impairment

M€	2011	2010
Depreciation and amortisation by asset category		
Intangible rights	4.5	4.4
Other intangible assets	0.1	0.0
Land and water areas	0.1	0.1
Buildings and structures	4.0	4.3
Machinery and equipment	17.8	18.0
Other tangible assets	2.9	2.3
Total	29.4	29.1
Depreciation and amortisation by function		
Cost of goods sold	20.1	19.1
Dispatching and warehousing	1.2	1.3
Sales and marketing	1.9	2.3
Administration	5.7	5.7
Other	0.5	0.7
Total	29.4	29.1

On top of the depreciations according to plan, the Group booked a goodwill impairment amounting to 10.5 million euro relating to the sale of the German Hewing GmbH shares in spring 2012. This is reported as other operating expense. Previous year's amounts include Building Solutions – North America's impairment of production machinery and equipment worth 1.4 million euro.

Notes to the consolidated financial statements

8. Financial income and expenses and currency exchange differences

M€	2011	2010
Financial income		
Dividend income on available-for-sale financial assets	0.0	0.0
Interest income from loans and other receivables	1.8	2.4
Profit from financial assets and liabilities designated at fair value through profit and loss - foreign currency derivatives, not under hedge accounting	12.0	9.6
Exchange differences	4.2	4.5
Other financial income	0.2	0.0
Total	18.2	16.5
Financial expenses		
Interest expense for financial liabilities measured at amortised cost	6.9	5.7
Penalty interest	3.2	-
Loss from financial assets and liabilities designated at fair value through profit and loss - foreign currency derivatives, not under hedge accounting	13.2	12.7
Exchange differences	4.2	5.9
Impairment of investments	6.3	-
Other financial costs	2.1	2.9
Total	35.9	27.2

Exchange rate gains and losses are included in operating income and expenses totalling 0.9 million gain (gain of 0.6 million) euros. Interest expenses include the interest part of finance lease payments of 1.0 million (1.1 million) euros.

At the end of 2011, Uponor received taxation assessment from the Finnish tax authorities related to years 2005–2009 totalling 14.6 million euros, including taxes, interests and penalties. Uponor will pay these during Q1 2012. Uponor intends to appeal against the decisions, which relate to a dispute on market-based transfer pricing of the company's internal service charges. Interest expenses include surtaxes and interest on delayed payments totalling €3.2 million relating to this dispute.

Impairment of investments includes an impairment related to the vendor note issued in 2008 to the buyer of the municipal infrastructure business that Uponor divested in the UK and Ireland.

9. Income taxes

M€	2011	2010
Current year and previous years taxes		
For the financial period	13.2	14.7
For previous financial periods	1.8	-0.1
Change in deferred taxes	0.8	0.1
Total	15.8	14.7
Tax reconciliation		
Profit before taxes	17.8	41.7
Computed tax at Finnish statutory rate	4.6	10.8
Difference between Finnish and foreign rates	0.3	2.5
Non-deductible expenses	9.0	1.3
Tax exempt income	-0.9	-0.2
Utilisation of previously unrecognised tax losses	0.0	-0.1
Change in tax legislation	0.1	0.0
Taxes from previous years	1.8	-0.1
Other items	1.0	0.5
Total	15.8	14.7
Effective tax rate, %	88.8	35.2

During the year 2011, there were no significant national tax legislation changes which would have affected the Group results. The effective tax rate in 2011 has increased to 88.8 percent from the previous year's 35.2 percent. This resulted mainly from previous years' taxes and tax penalties in certain Finnish Group companies.

There were three material non-recurring items booked in 2011, 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, which all are non-deductible expenses thus increasing the tax rate.

The Finnish tax authorities notified Uponor Corporation and its subsidiary, Uponor Business Solutions Oy, of taxation decision concerning the year 2005 and of taxation adjustment decisions made for the years 2006–2009. These decisions oblige the companies to pay totalling €14.6 million in taxes and penalties. Maintaining its earlier view, Uponor intends to appeal against the decision and submit a request for rectification to the Board of Adjustment. The additional taxation and taxation adjustment decisions are based on a tax audit for the years 2004–2007, performed on some Uponor companies in Finland in the summer of 2008. The dispute mainly pertains to market-based transfer pricing of the company's internal service charges. Income taxes 2011 include €1.9 million surtaxes related to these tax decisions.

10. Earnings per share

M€	2011	2010
Result from continuing operations	1.9	27.0
Result from discontinued operations	-0.3	-2.3
Profit for the period	1.6	24.7
Shares, in thousands		
Weighted average number of shares *)	73,067	73,067
Diluted weighted average number of shares	73,067	73,067
Basic earnings per share, €		
- Continuing operations	0.03	0.34
- Discontinued operations	0.03	0.37
- Discontinued operations	0.00	-0.03
Diluted earnings per share, €		
- Continuing operations	0.03	0.34
- Discontinued operations	0.03	0.37
- Discontinued operations	0.00	-0.03

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

11. Intangible assets

2011 M€	Intangible rights	Goodwill	Other intangible assets	Investment in progress	Intangible assets
Acquisition costs 1 Jan	59.4	72.9	0.3	0.2	132.8
Structural changes	0.4	-	-	-	0.4
Translation difference	0.0	0.9	-	-	0.9
Increases	1.9	2.6	0.1	-	4.6
Decreases	-1.2	-0.8	-	-	-2.0
Transfers between items	0.4	-	-	-0.2	0.2
Acquisition costs 31 Dec	60.9	75.6	0.4	0.0	136.9
Accumulated depreciations and impairments 1 Jan					
	35.0	0.7	0.2	-	35.9
Structural changes	0.3	-	-	-	0.3
Translation difference	0.0	-	-	-	0.0
Acc. depreciation on disposals and transfers	-1.2	-	-	-	-1.2
Depreciation for the financial period	4.5	-	0.1	-	4.6
Accumulated depreciations and impairments 31 Dec	38.6	0.7	0.3	-	39.6
Book value 31 December	22.3	74.9	0.1	0.0	97.3

Notes to the consolidated financial statements

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

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

In 2011 and 2010, investments in intangible assets related almost entirely to the ERP system and to the goodwill arising from the purchase of a 50.32 per cent share in the German company Zent-Frenger. The goodwill is allocated in full to Building Solutions – Europe.

A majority of the Group's goodwill (€23.4 million) relates to the Uponor minority share acquired by Asko Oyj, which due to Oy Uponor Ab's merger with Asko Oy has been allocated to the current Uponor Corporation, and the acquired Unicor businesses (€43.2 million). This goodwill has been allocated between the segments as follows: Building Solutions – Europe €65.3 (€62.9) million and Infrastructure Solutions €9.5 (€9.5) million.

Impairment tests are carried out for each separate cash-generating unit. Cash flow forecasts related to goodwill cover a period of 5 years. Terminal value is calculated from the fifth year's cash flow. A cash-generating unit's useful life has been assumed to be indefinite, since these units have been estimated to impact on the accrual of cash flows for an undetermined period. The discount rate used is based on the interest rate level reflecting the average yield requirement for the cash generating unit in question. Discount rates varied between 10.9 and 11.3 per cent. The 2011 goodwill impairment tests indicated that there was not any need to make impairments.

A sensitivity analysis verified that a five (5) per cent sales reduction compared to the forecasted long-term levels would not expose the Group to any material impairment risk. A discount rate increase by three (3) percentage points would not lead to any impairment either, provided that other business factors remained unchanged.

The Group does not have any capitalised development costs.

12. Property, plant and equipment

2011 M€	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	Tangible assets
Acquisition costs 1 Jan	12.2	117.2	305.7	35.9	10.0	481.0
Structural changes	1.4	3.7	1.2	1.2	-	7.5
Translation difference	0.2	0.7	1.8	0.5	0.1	3.3
Increases	0.2	0.8	11.3	3.3	6.4	22.0
Decreases	-	-3.2	-4.4	-2.5	-	-10.1
Transfers between items	-0.1	0.2	-6.4	8.1	-2.0	-0.2
Acquisition costs 31 Dec	13.9	119.4	309.2	46.5	14.5	503.5
Accumulated depreciations and impairments 1 Jan	1.9	65.7	214.8	27.3	-	309.7
Structural changes	-	1.9	1.0	1.0	-	3.9
Translation difference	-	0.2	1.8	0.3	-	2.3
Acc. depreciation on disposals and transfers	-	-2.6	-4.2	-2.4	-	-9.2
Depreciation for the financial period	0.1	4.0	17.8	2.9	-	24.8
Transfers between items	-	-	-5.8	5.8	-	0.0
Impairments	-	2.2	8.2	-	-	10.4
Accumulated depreciations and impairments 31 Dec	2.0	71.4	233.6	34.9	-	341.9
Book value 31 December	11.9	48.0	75.6	11.6	14.5	161.6
Book value for production plant, machinery and equipment			68.0			

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

Notes to the consolidated financial statements

During 2011 a majority of property, plant and equipment increases related to machinery and equipment, and the most of them were replacement investments. The majority of the unfinished investments projects started in 2010 were finalised during 2011. Construction work in progress has increased during 2011 by 4.5 million euros to 14.5 million euros at closing date due to increased investment activities.

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

2011 M€	Land and water areas	Buildings and structures	Others	Finance lease arrangements total
Acquisition costs 1 Jan	0.9	16.0	0.2	17.1
Translation difference	-	0.0	0.0	0.0
Decreases	-	-0.3	-	-0.3
Acquisition costs 31 Dec	0.9	15.7	0.2	16.8
Accumulated depreciations and impairments 1 Jan	-	8.6	0.1	8.7
Translation difference	-	0.0	0.0	0.0
Depreciation for the financial period	-	0.5	0.0	0.5
Accumulated depreciations and impairments 31 Dec	-	9.1	0.1	9.2
Book value 31 December	0.9	6.6	0.1	7.6

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

13. Financial assets and liabilities by measurement category

2011 M€	Derivative contracts, under hedge accounting	Financial assets/ liabilities at fair value through profit or loss	Loans and receivables	Available- for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	IFRS 7 Fair value hierarchy level	Note
Non-current financial assets								
Other shares and holdings				0.2		0.2		15
Non-current receivables			2.6			2.6		16
Current financial assets								
Accounts receivable and other receivables			120.1			120.1		19
Derivative contracts	0.1	1.3				1.4	2	19
Cash and cash equivalent			29.1			29.1		
Carrying amount by category	0.1	1.3	151.8	0.2		153.4		
Non-current financial liabilities								
Interest-bearing liabilities					110.4	110.4		24
Current financial liabilities								
Interest-bearing liabilities					2.7	2.7		24
Derivative contracts	5.1	0.8				5.9	2	25
Accounts payable and other liabilities					59.2	59.2		25
Carrying amount by category	5.1	0.8			172.3	178.2		
2010								
M€	Derivative contracts, under hedge accounting	Financial assets/ liabilities at fair value through profit or loss	Loans and receivables	Available- for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	IFRS 7 Fair value hierarchy level	Note
Non-current financial assets								
Other shares and holdings				0.2		0.2		15
Non-current receivables			7.7			7.7		16
Derivative contracts	0.5					0.5	2	16
Current financial assets								
Interest-bearing receivable			0.0			0.0		18
Accounts receivable and other receivables			97.2			97.2		19
Derivative contracts	2.0	0.9				2.9	2	19
Cash and cash equivalent *)			11.9			11.9		
Carrying amount by category	2.5	0.9	116.8	0.2		120.4		
Non-current financial liabilities								
Interest-bearing liabilities					43.5	43.5		24
Current financial liabilities								
Interest-bearing liabilities					35.2	35.2		24
Derivative contracts	4.7	1.4				6.1	2	25
Accounts payable and other liabilities					52.8	52.8		25
Carrying amount by category	4.7	1.4			131.5	137.6		

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

The carrying value of financial assets and liabilities is considered to correspond to their fair value. All of the Group's financial instruments at fair value are classified as being level two in the IFRS 7 fair value hierarchy.

Notes to the consolidated financial statements

14. Investment in associated companies

M€	2011	2010
Acquisition costs 1 Jan	0.0	0.0
Increases	0.0	-
Book value 31 Dec	0.0	0.0

The associated company shares of the two small Punitec companies do not have any book value. The Group established a joint venture Uponor Middle East in Lebanon during summer 2011. Its book value is immaterial.

15. Other shares and holdings

M€	2011	2010
Other non-current investments	0.2	0.2
Book value 31 Dec	0.2	0.2

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

16. Non-current receivables

M€	2011	2010
Other loan receivables	0.2	5.7
Derivative contracts	-	0.5
Other receivables	2.4	2.0
Book value 31 Dec	2.6	8.2

In 2010 non-current receivables included a 4.0 million sterling pound vendor loan note, which relates to the sale of the Infrastructure businesses in the UK and Ireland in 2008. It was impaired at the end of year 2011. This 6.0 million euro transaction, including the capital and capitalised interests, is reported under financial costs.

17. Inventories

M€	2011	2010
Raw materials and consumables	9.9	12.6
Finished products / goods	57.4	59.6
Semifinished products	14.5	10.7
Book value 31 Dec	81.8	82.9

Based on the FIFO principle, inventories are valued at the lower of cost or net realisable value. During the year, inventories were scrapped or written down below cost by 5.7 (7.3 million) euros.

18. Interest-bearing current assets

M€	2011	2010
Other loan receivables	-	0.0
Book value 31 Dec	-	0.0

19. Accounts receivable and other receivables

M€	2011	2010
Accounts receivable	109.3	94.5
Doubtful accounts receivables	-2.7	-1.4
Current income tax receivables	2.4	1.1
Prepayments and accrued income	5.5	9.2
Derivative contracts	1.4	2.9
Other receivable	13.5	5.6
Book value 31 Dec	129.4	111.9

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

The Group recorded 2.7 (1.4) million euros of doubtful accounts receivables as expenses during the financial period. The Group is unaware of any factors which would cause possible additional write-downs.

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

M€	2011	2010
Accrued income		
Taxes	2.8	3.4
Discounts received	0.0	0.0
Interest	0.0	0.3
Other	2.7	5.5
Book value 31 Dec	5.5	9.2

20. Shareholders' equity

During 2011, Uponor Corporation's share capital remained unchanged at 146,446,888 euros and the number of shares totalled 73,206,944. Each share entitles its holder to one vote at the shareholders' meeting. The share does not have any nominal value. Additionally, it does not have any minimum or maximum share capital. All shares issued have been paid in full.

The company had 160,000 treasury shares in 2011, which the company bought during the period 17.11–5.12.2008 at a cost of 1.2 million euros. The justification for the buy-back was the use of shares as consideration in connection with the company's share-based incentive schemes. Treasury shares are presented as a reduction in retained earnings and do not have any asset value in the financial statements.

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

At present, other reserves include statutory legal reserves.

21. Deferred taxes

M€	2011	2010
Deferred tax assets		
Internal profit in inventory	0.6	0.6
Provisions	4.5	1.9
Carry-forward losses	1.5	1.1
Tangible assets	0.2	0.2
Employee benefits	0.9	1.0
Fair valuation of available-for-sale investments and financial instruments	0.3	2.8
Other temporary differences	5.2	6.3
Total	13.2	13.9

M€	2011	2010
Deferred tax liabilities		
Accumulated depreciation difference and untaxed reserve	5.6	5.7
Tangible assets	1.2	1.0
Fair valuation of available-for-sale investments and financial instruments	0.2	0.4
Other temporary differences	5.2	2.4
Total	12.2	9.5

The Group has recognised a deferred tax asset for its net operating loss carry-forwards, which can probably be utilised against future profits in the relevant tax jurisdictions. On 31 December 2011, the Group carried forward losses of 7.2 (4.4) million euros, for which the Group has a recognised deferred tax receivable. With respect to carry-forward losses, 3.9 (5.3) million euros do not have an expiry date or maturity is longer than 5 years. Losses of 2.9 million euros will expire in 2012. In 2011, there is a 2.2 (0.9) million euros of loss carry-forwards for which deferred tax asset recognition has not been made due to uncertainty about the utilisation of these loss carry-forwards.

The Group does not provide for deferred taxes on the undistributed earnings of non-Finnish subsidiaries, to the extent that such earnings are intended to be permanently reinvested in those operations and repatriation would cause tax expenses.

22. Employee benefit obligations

The Group has a number of pension plans covering its operations, complying with each country's local rules and regulations. Moreover, the Group applies defined contribution and defined benefit pension plans. Pensions are based on actuarial calculations or actual payments to insurance companies. Independent authorised actuaries have prepared the actuarial calculations. The discount rate for actuarial calculations is determined by the reference to market yields of high-quality corporate bonds or government bonds. Pension benefits are normally based on the number of working years and salary. Most defined benefit plans are located in Germany and Sweden, constituting around 94% (90%) of the defined benefit pension liability in the Group's balance sheet. In Finland, pensions are handled in accordance with the TyEL system, a defined contribution pension plan.

M€	2011	2010
Post-employment benefit obligations:		
- Pensions – defined benefit plans	17.0	20.2
Other long-term employee benefit liability	4.1	0.9
Total	21.1	21.1

Notes to the consolidated financial statements

Pension obligations

M€	2011	2010
Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of funded obligations	0.7	1.0
Present value of unfunded obligations	18.8	21.3
Fair value of plan assets	-0.4	-0.5
Unrecognised actuarial gains (+) and losses (-)	-2.1	-1.6
Net liability in the balance sheet	17.0	20.2
Expenses recognised in the income statement		
Current service costs	0.2	0.0
Interest costs	0.8	0.9
Expected return on plan assets	0.0	0.0
Actuarial gains (-) and losses (+)	0.0	0.0
Past service costs	0.0	0.0
Effect of any curtailments and settlements	-0.1	-0.2
Total	0.9	0.7
Actual return on plan assets	0.0	-0.1
Expenses recognised in the income statement by function		
Cost of goods sold	-0.1	-0.3
Dispatching and warehousing	0.0	0.0
Sales and marketing	0.3	0.3
Administration	0.6	0.6
Other	0.1	0.1
Total	0.9	0.7
Movements in obligation		
Obligation at 1 Jan	22.4	20.8
Sale of businesses	-	-0.2
Current service cost	0.2	0.3
Interest cost	0.8	0.9
Actuarial gains (-) and losses (+)	-1.8	1.0
Gains (-) and losses (+) on curtailments	-0.3	0.0
Member contributions	0.0	0.0
Benefit payments	-0.9	-1.1
Settlements	-0.3	-0.3
Conversion difference	-0.6	1.0
Obligation at 31 Dec	19.6	22.4

M€	2011	2010
Movements in fair value of plan assets		
Fair value of plan assets at 1 Jan	0.5	0.6
Sale of businesses	-	0.1
Expected return on plan assets	0.0	0.0
Actuarial gains (+) and losses (-)	0.1	-0.1
Contributions by employer	1.0	0.6
Member contributions	0.0	0.0
Settlements	-0.2	-0.2
Conversion difference	0.0	0.0
Benefit payments	-0.9	-0.5
Fair value of plan assets at 31 Dec	0.4	0.5
Major categories of plan assets as % of total plan		
Other	100.0	100.0
Total	100.0	100.0

Principal actuarial assumptions

	Nordic countries		Germany		Other	
	2011	2010	2011	2010	2011	2010
Discount rate (%)	3.50– 4.75	3.25– 4.50	4.50– 4.75	4.50	4.50– 4.75	4.50
Expected rate of return on plan assets (%)	4.50	4.50	n/a	n/a	n/a	n/a
Expected rate of salary increase (%)	3.00– 3.50	3.00– 3.50	2.00	3.00	n/a	n/a
Expected rate of pension increase (%)	0.50– 2.00	0.50– 2.00	2.00	2.00	2.00	2.25

The expected rate of return on plan assets is 4.50 (5.50) percent. When determining the expected long-term rate of return on plan assets, the Group took consideration of historical returns and future expectations for each asset class. Transaction expenses and any applicable yield taxes were deducted from the return on plan assets.

M€	2011	2010
Amounts for the current and previous period		
Present value of obligation	19.6	22.4
Fair value of plan assets	-0.4	-0.5
Surplus (+)/Deficit (-)	19.2	21.9
Experience adjustments on plan assets	-0.1	-0.1
Experience adjustments on plan liabilities	-0.4	0.0

The Group expects to contribute 1.0 (0.8) million euros to its defined benefit pension plans in 2012.

23. Provisions

M€	Guarantee and warranty obligations	Environmental obligations	Restructuring	Other provisions	Total
Provisions at Jan 1, 2011	6.2	4.7	0.0	1.1	12.0
Structural changes	0.6	-	-	-	0.6
Conversion difference	0.1	-	-	0.0	0.1
Additional provisions	2.4	0.4	0.1	10.9	13.8
Utilised provisions	-3.2	-0.9	-	-0.3	-4.4
Unused amounts reversed	-	-	-	-0.1	-0.1
Provisions at 31 Dec 2011	6.1	4.2	0.1	11.6	22.0
Current provisions	5.0	0.9	0.1	10.8	16.8
Non-current provisions	1.1	3.3	-	0.8	5.2

Warranty provisions amounted to 6.1 (6.2) million euros at the end of the period. Warranty provisions are based on the previous years' experience of defective goods. The aim is to be prepared for future warranty expenses. Warranty periods vary from country to country, depending on local legislation and commercial practices. In 2011, 9.7 million euro of the additional other provisions relate to certain claim issues which date back to and were disclosed in 2008 concerning a discontinued system brand. The Group has reached a settlement with its insurance companies regarding the claims in question. The proceeds from the insurance fully covered the additional provisions booked in 2011.

At period end, the environmental provision relating mainly to the divested Finnish real estate business in 2004 was 4.2 (4.7) million euros. Roughly 0.9 (1.4) million euros of these provisions are expected to be realised during 2012.

24. Interest-bearing liabilities

M€	2011	2010
Non-current interest bearing liabilities		
Bonds	100.0	-
Loans from financial institutions	-	32.0
Finance lease liabilities	10.4	11.5
Total	110.4	43.5
Current interest-bearing liabilities		
Commercial papers	1.0	18.0
Loans from financial institutions	0.9	16.5
Finance lease liabilities	0.8	0.7
Total	2.7	35.2

M€	2013	2014	2015	2016	2017–
Maturity of non-current interest bearing liabilities					
Bonds	-	-	-	20.0	80.0
Finance lease agreements	2.6	0.6	0.6	0.6	6.0
Total	2.6	0.6	0.6	20.6	86.0

	2011	2010
The interest rate ranges of interest-bearing liabilities, % pa		
Commercial papers	2.141	0.994–0.995
Loans from financial institutions	-	3.45
Bonds *)	3.418–4.446	-

*) The Group has entered into an interest rate swap to fix half of the bond interest until June 2015.

The Group's funding structure was reformed when two bonds totalling €100 million were issued in June 2011. The amount of the five-year floating-rate loan totals €20 million and the amount of the seven-year floating-rate loan totals €80 million. The purpose of the reform was to extend the financing base and to prolong maturity. Investors comprised of domestic institutions.

In June 2011, Uponor repaid the remaining amount of 40 million euros of the reborrowing loan from a Finnish pension insurance company.

Notes to the consolidated financial statements

M€	2011	2010
Finance lease liabilities		
Minimum lease payments		
In less than one year	1.6	1.6
1–5 years	6.9	7.6
Over 5 years	8.5	9.8
Total	17.0	19.0
Future finance charges		
Finance lease liabilities – the present value of minimum lease payments	11.2	12.3
The present value of minimum lease payments		
In less than one year	0.8	0.8
1–5 years	4.4	4.9
Over 5 years	6.0	6.6
Yhteensä	11.2	12.3

The Group's finance lease agreements are mainly related to office, factory and warehouse premises. On 31 December 2011, the total amount of capitalised costs for finance lease agreements in the Group was 7.6 (8.4) million euros, which was included in the balance sheet under property, plant and equipment. The corresponding depreciations in 2011 were 0.6 (0.6) million euros. The total amount of finance lease payments in 2011 was 2.0 (2.1) million euros, which included 1.0 (1.1) million euros of interest expenses.

The most significant leasing liability is the finance lease agreement signed in connection with the purchase of the German Unicor business in 1999. In 2011, the Group did not enter into any significant new finance lease agreements.

25. Accounts payable and other liabilities

M€	2011	2010
Accounts payable	45.7	51.0
Current income tax liability	6.1	6.7
Accrued liabilities	63.2	56.8
Advances received	0.0	0.9
Derivative contracts	5.9	6.1
Other current liabilities	13.5	1.8
Total	134.4	123.3
Accrued liabilities		
Personnel expenses	12.9	19.5
Bonuses	14.6	9.5
Taxes	2.0	2.7
Interest	3.4	0.2
Others	30.3	24.9
Total	63.2	56.8

26. Contingent liabilities

M€	2011	2010
- on own behalf		
Pledges at book value	0.0	0.0
Mortgages issued	0.1	-
Guarantees issued	-	0.1
- on behalf of others		
Guarantees issued	5.9	7.0
Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures.		
Pledges at book value	0.0	0.0
Mortgages issued	0.1	-
Guarantees issued	5.9	7.1
Total	6.0	7.1

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

27. Operating lease commitments

M€	2011	2010
Future minimum lease payments		
In less than one year	12.3	9.5
1–5 years	19.1	14.1
Over 5 years	4.2	5.6
Total	35.6	29.3

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

28. Financial risk management

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

Treasury Committee is chaired by the Group's President and CEO, and its other members are the Group CFO and Vice President Treasury and Risk Management. The Treasury Committee is responsible for steering and supervising practical financial risk management. For the purposes of risk management, Uponor enters only into such financial instruments whose market value and risk profile can be monitored 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.

The management of financial risk is centralised into parent company Group Treasury function that also operates as the Group's internal bank. Its financial risk management duties include identifying, assessing and covering the Group's financial risks. The internal bank is also responsible for external market transactions related to asset and risk management, and providing Group companies with consultation and services within financing.

Currency risk

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

As a rule, the production units invoice the sales units in the sales unit's local currency. This enables the concentration of the currency risk to the production units, which have better resources for managing the currency risk together with Group Treasury. Thus, currency risk in internal trade arises mainly from the sales in currencies other than their home currency of the production units in Germany, Sweden, the United States and Finland.

Subsidiaries forecast monthly their foreign currency cash flows for the following 12 month periods. In accordance with the Group hedging policy, they are responsible for hedging at least 80% of the monthly net cash flow in foreign currency of the next 1–3 month period, at least 50% of the next 4–6 month period, and at least 30% of the next 7–9 month period. This mitigates against the effect of currency fluctuations on the margin and allows time for adjustments. In addition to the euro, other main invoicing currencies are the US dollar (USD), the Swedish krona (SEK) and the Danish krona (DKK). On 31 December 2011, these currencies accounted for approximately 36 per cent of the Group's external accounts receivable. Costs arising from the Group's own production in the United States and Sweden balance the open risk positions denominated in the mentioned currencies.

Group's currency risk position at 31 Dec 2011

Currency, M€	SEK	USD	NOK	CAD	GBP	Total
Exposure	-97.9	-22.6	-6.8	-11.9	-10.6	-149.9

Group's currency risk position at 31 Dec 2010

Currency, M€	SEK	USD	NOK	CAD	GBP	Total
Exposure	-88.5	-27.0	-5.9	-8.0	-2.6	-132.0

The exposure presented includes only financial instruments as defined by IFRS 7. Exposure is a net of all the financial assets and liabilities nominated in foreign currencies outstanding on the balance sheet date. The exposure does not include any internal loans designated as net investments in foreign operations or any forecasted sales and purchases that are not yet on the balance sheet.

If euro would strengthen 10 per cent against all the other currencies on the balance sheet date, the impact excluding taxes on income statement and equity (translation differences) would be 1.4 M€ and 13.6 M€ respectively. The above 2010 figures include change in presentation.

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

Interest rate risk

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

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

In June 2011 two floating rate bonds totalling 100 million euros were issued and an interest rate swap was concluded to transform 50 million euros into a fixed-rate for four years. Cash flow hedging, i.e. hedge accounting, is applied to the interest rate swap.

Notes to the consolidated financial statements

Financial instruments' sensitivity to fluctuations in market interest rates, as stated in the standard IFRS 7, is presented in the following sensitivity analysis. The impact of an interest rate increase or decrease of one per cent is +/- 0.5 million euros (-/+ 0.0 million euros) to the income statement and +/- 1.4 million euros to shareholders' equity (+/- 0.0 million euros). The impact is calculated before taxes. The interest position impacting to income statement consists of floating rate interest-bearing financial liabilities and assets. The impact to shareholders' equity results from the fair value change of the interest rate swap under cash flow hedge accounting.

Liquidity and refinancing risk

Liquidity and refinancing risk arises when a company is not able to arrange funding at terms and conditions corresponding to its credit worthiness. The Group's liquidity is managed through efficient cash management and by investing solely in low-risk objects that can be liquidated rapidly and at a clear market price. Uponor seeks to ensure the availability and flexibility of financing through a balanced distribution of loan maturities as well as adequate credit limit reserves and by acquiring financing of various types of funding from several sources.

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 has established local working capital credit lines in the name of a subsidiary, guaranteed by the parent company.

The Group's funding structure was reformed when two bonds totalling €100 million were issued in June 2011. The amount of the five-year floating-rate loan totals €20 million and the amount of the seven-year floating-rate loan totals €80 million. The purpose of the reform was to extend the financing base and to prolong maturity. Investors comprised of domestic institutions.

In June 2011, Uponor repaid the remaining amount of 40 million euros of the reborrowing loan from a Finnish pension insurance company. Available committed bilateral revolving credit facilities amounted to €190 million, none of which was in use at the end of the reporting period.

The most significant existing funding programmes on 31 December 2011 included:

- Bond €80 million maturing in 2018
- Bond €20 million maturing in 2016
- Several committed bilateral revolving credit facilities totalling 190 million euros and maturing in 2015.

In addition, the Group has a Finnish commercial paper programme totalling 150 million euros. At the end of the reporting period the Group had 29.1 million euros in total as cash and cash equivalents.

Contractual maturity of financial liabilities at 31 Dec 2011

M€	2012	2013	2014	2015	2016–
Bonds	3.7	3.7	3.7	3.7	107.9
Commercial papers	1.0				
Finance lease liabilities	1.6	3.4	1.3	1.2	9.6
Bank overdrafts in use	0.9				
Accounts payable	45.7				

Derivative contracts

Foreign currency derivatives					
- cash outflow	229.7				
- cash inflow	227.2				
Interest derivatives	0.4	0.6	0.5	0.2	
Electricity derivatives	0.3	0.1	0.1	0.0	
Guarantees issued on behalf of others	3.1	1.5	0.6	0.7	

Contractual maturity of financial liabilities at 31 Dec 2010

M€	2011	2012	2013	2014	2015–
Commercial papers	18.0				
Loans from financial institutions	17.5	17.0	16.4	-	-
Finance lease liabilities	1.6	1.4	3.8	1.3	10.8
Bank overdrafts in use	0.3				
Accounts payable	32.7				

Derivative contracts

Foreign currency derivatives					
- cash outflow	254.2				
- cash inflow	250.1				
Electricity derivatives	1.1	0.4	0.1	0.0	
Guarantees issued on behalf of others	0.1	6.9	0.0	0.0	

Counterparty and credit risk

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

In order to minimise counterparty risks, the Group invests its cash reserves and makes derivative contracts only with parties who meet the Group's criteria for creditworthiness. The Group did not suffer any significant credit losses in its normal business operations during the financial year. The maximum counterparty risk is the book value of financial assets on 31 December 2011.

Potential concentrations of credit risk with respect to trade and other receivables are limited due to the large number and geographic dispersion of companies that comprise the Group's customer base. Customer credit

limits are established and monitored, and the evaluation of customers' financial conditions is performed on an ongoing basis. Trade receivables are credit insured when applicable. The Group recorded 1.3 million euros (1.4 million euros) of doubtful accounts receivables as expenses.

M€	2011	2010
The aging of accounts receivable		
Undue	78.6	73.2
Due 1–30 days	20.6	14.5
Due 31–60 days	1.9	3.4
Due 61–90 days	1.5	0.5
Due over 90 days	4.0	1.5
Total	106.6	93.1

In December Uponor decided to impair a non-current vendor loan note receivable amounting to 6.0 million euros which relates to the sale of the Infrastructure businesses in the UK and Ireland in 2008. The amount includes both the capital and accrued capitalised interests of a vendor note, which was issued by Uponor to the Buyer to cover the part of the purchase price that remained unpaid.

Price risk

In its business operations, the Group is exposed to raw material price risks including materials like plastics, aluminium, copper, zinc as well as electricity price risks. Such price risks are managed through long-term fixed-price supply contracts, whenever financially feasible. Group Treasury is responsible for managing electricity price risks at the Nordic level within the framework defined in the Group hedging policy. The hedging level based on this policy provides a 70–100 per cent cover for the coming 12 months and 25–80 per cent for the following 12 months. Hedging targets are achieved mainly by using financial electricity derivative contracts. The Group applies hedge accounting to the electricity derivatives.

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

M€	2011	2010
Change in the income statement	-	+/- 0.1
Change in shareholders' equity	+/- 0.5	+/- 0.7

29. Derivative contracts and hedge accounting

M€	2011	2010
Nominal value		
Interest derivatives:		
Interest rate swaps	50.0	-
Foreign currency derivatives:		
Forward agreements		
- not under hedge accounting	80.0	44.8
- under hedge accounting	132.8	130.3
Currency options, bought	14.2	21.6
Currency options, sold	14.2	21.6
Commodity derivatives:		
Forward agreements		
- under hedge accounting	5.8	6.0

M€	2011			2010		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Fair value						
Interest derivatives:						
Interest rate swaps	0.0	-1.8	-1.8	0.0	0.0	0.0
Foreign currency derivatives:						
Forward agreements						
- not under hedge accounting	1.3	-0.8	0.5	0.9	-1.1	-0.2
- under hedge accounting	0.0	-3.0	-3.0	0.9	-4.7	-3.8
Currency options, bought	0.0	-	0.0	0.0	0.0	0.0
Currency options, sold	-	0.0	0.0	0.0	-0.3	-0.3
Electricity derivatives						
- under hedge accounting	0.0	-0.5	-0.5	1.6	0.0	1.6

Changes in the fair values of electricity and interest rate derivatives designated as cash flow hedges, are recognised in hedge reserve in equity to the extent that the hedge is effective.

Fair value movement loss of 1.8 million euros (gain of 1.8 million euro) was entered into hedge reserve 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 (a gain of 0.1 million euros). A gain of 0.3 million euros in electricity derivatives (a loss of 0.2 million euros) was removed from

Notes to the consolidated financial statements

hedge reserve and recorded in the consolidated statement of comprehensive income during the financial period, in costs of goods sold.

From interest rate derivatives a fair value movement loss of 1.3 million euros was entered into hedge reserve during the financial period. The tax impact has been taken into account in the amount. No ineffectiveness has been booked.

30. Capital management

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

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

The Group's capital structure developments are monitored by means of gearing. Gearing is calculated by dividing net interest-bearing liabilities by shareholders' equity. Net interest-bearing liabilities include interest bearing liabilities less cash and cash equivalents. The Group's target is to keep its gearing between 30 and 70 percent across quarters. In 2011, gearing average was 55.8 per cent.

M€	2011	2010
Interest-bearing liabilities	113.2	78.7
Cash and cash equivalent	29.1	11.9
Net interest-bearing liabilities	84.1	66.8
Shareholders' equity	209.2	252.1
Gearing, %	39.3	26.5
Gearing across quarters, %	55.8	45.5

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

31. Management incentive scheme and share based payments

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 and the 2007 scheme will yield 19,622 shares, to be awarded during the first half of 2012. The 2008 scheme did not yield any shares.

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

The management incentive scheme impact on the Group's operating profit is 0.0 (0.2) million euros, on equity it is 0.1 (0.1) million euros and

the liability reserved for paying any related income taxes for scheme participants is 0.1 (0.1) million euros.

32. Related party transactions

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

M€	2011	2010
Transactions with associated companies		
Continuing operations		
Purchases	1.7	1.4
Balances at the end of period		
Accounts and other receivables	0.0	-
Accounts payable and other liabilities	0.2	0.0

T€	2011	2010
Executive Committee remuneration		
Remuneration	2,281.2	2,590.1
Termination expenses	-	320.1
Post-employment benefit expenses	59.7	59.7
Total	2,340.9	2,969.9

Executive Committee remuneration: Managing director and his Deputy

Luomakoski Jyri, Managing director	536.5	540.8
Bondestam Sebastian, Deputy from 18 March 2010	266.3	257.5

The Managing director and his deputy are entitled to retire at the age of 63.

Board remuneration

Paasikivi Jari, Chairman	78.8	74.0
Rajahalme Aimo, Deputy Chairman	56.8	52.0
Eloranta Jorma	51.2	47.0
Eva Nygren	51.2	-
Nygren Eva	51.2	44.0
Simon Rainer S.	52.4	44.0
Total	341.6	261.0

Loans to management

The Group had not issued any loans to the management and Board members by 31 December 2011 or 31 December 2010.

The shareholdings of the management and Board members are presented under the Corporate Governance section of the Financial Statements.

Shares and holdings

Subsidiaries

Name	Country and domicile
Uponor Beteiligungs GmbH	Germany, Hassfurt
Uponor (Deutschland) GmbH	Germany, Hassfurt
Hewing GmbH	Germany, Ochtrup
Uponor GmbH	Germany, Hassfurt
Uponor S.A.R.L.	France, Saint-Quentin-Fallavier
Uponor Middle East S.A.L. (Off Shore) (50.0%)	Lebanon, Beirut
Uponor Holding GmbH	Germany, Hassfurt
Zent-Frenger Gesellschaft für Gebäudetechnik mbH (50.3%)	Germany, Heppenheim
Uponor Hispania, S.A.	Spain, Móstoles
Uponor A/S	Denmark, Randers
Uponor Eesti Oü	Estonia, Tallinn
Jita Oy	Finland, Virrat
Nereus Oy	Finland, Uusikaupunki
Uponor Business Solutions Oy	Finland, Vantaa
Uponor Suomi Oy	Finland, Nastola
Uponor Texnikes Lyseis gia Ktiria AE	Greece, Athens
Uponor Kft.	Hungary, Budapest
Cork Pipe Plant Limited	Ireland, Bishopstown
Uponor (Cork) Limited	Ireland, Bishopstown
Uponor (Ireland) Ltd	Ireland, Bishopstown
Uponor S.r.l.	Italy, Badia Polesine
SIA Uponor Latvia	Latvia, Riga
UAB Uponor	Lithuania, Vilnius
Uponor s.r.o.	Czech, Prague
Uponor AS	Norway, Vestby
Uponor Sp. z o.o.	Poland, Plonie
Uponor Portugal – Sistemas para Fluidos, Lda.	Portugal, V.N. Gaia
Uponor Construção e Ambiente – Sistemas de Tubagens, S.A.	Portugal, V.N. Gaia
Uponor AG	Switzerland, Pfungen
AO Asko-Upo (Spb)	Russia, St.Petersburg
ZAO Uponor Rus	Russia, Moscow
Uponor Innovation AB	Sweden, Borås
Uponor AB	Sweden, Virsbo
Uponor Vertriebs GmbH	Austria, Guntramsdorf
Uponor Limited	England, Lutterworth
The Underfloor Heating Co Ltd	England, Skelmanthorpe

Name	Country and domicile
Uponor NA Holding, Inc.	USA, Delaware
Uponor NA Asset Leasing, Inc.	USA, Delaware
Uponor North America, Inc.	USA, Delaware
Hot Water Systems North America, Inc.	USA, Delaware
Uponor, Inc.	USA, Illinois
Uponor Ltd	Canada, Saskatchewan
Radiant Technology, Inc.	USA, Delaware
Tulsa Pipe Plant, Inc.	USA, Delaware
Uponor Trading (Beijing) Co., Ltd.	China, Beijing
Uponor Romania S.R.L.	Romania, Bucharest

Associated companies

Name	Shareholding, %	Country and domicile
Punitec GmbH & Co. KG	36	Germany, Gochsheim
Punitec Verwaltungs GmbH	36	Germany, Gochsheim

33. Events after the balance sheet date

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.

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.

Parent company financial statement (FAS)

Parent company income statement

M€	Note	2011	2010
Net sales	2	19.8	18.7
Other operating income	3	0.0	0.3
Personnel expenses	4	4.6	5.5
Depreciation and impairments	5	0.4	0.5
Other operating expenses	3	20.5	21.1
Operating loss		-5.7	-8.1
Financial income and expenses	6	57.5	19.0
Profit before extraordinary items		51.8	10.9
Extraordinary items	7	6.0	3.9
Profit before appropriations and taxes		57.8	14.8
Appropriations		0.0	0.0
Income taxes	8	-1.2	-0.2
Profit for the period		59.0	15.0

Parent company balance sheet

M€	Note	31 Dec 2011	31 Dec 2010
Assets			
Non-current assets			
Intangible assets			
Intangible rights		1.0	1.1
Investment in progress		-	0.1
Intangible assets	9	1.0	1.2
Tangible assets			
Machinery and equipment		0.1	0.1
Investment in progress		-	0.0
Tangible assets	9	0.1	0.1
Securities and long-term investments			
Shares in subsidiaries		244.9	211.4
Other shares and holdings		0.1	0.1
Loan receivables		167.8	176.8
Securities and long-term investments	10	412.8	388.3
Total non-current assets		413.9	389.6
Current assets			
Current receivables			
Accounts receivables		5.0	5.8
Loan receivables		103.9	108.8
Accruals		1.6	1.6
Deferred tax assets		0.9	0.8
Other receivables		39.1	19.5
Current receivables	11	150.5	136.5
Cash and cash equivalents			
Cash and cash equivalents		24.5	7.9
Cash and cash equivalents		24.5	7.9
Total current assets		175.0	144.4
Total assets		588.9	534.0

M€	Note	31 Dec 2011	31 Dec 2010
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital		146.4	146.4
Share premium		50.2	50.2
Unrestricted equity		0.1	0.1
Retained earnings		74.4	99.6
Profit for the period		59.0	15.0
Total shareholders' equity	12	330.1	311.3
Accumulated appropriations			
Depreciation difference	13	0.1	0.1
Provisions	14	3.6	3.2
Accumulated appropriations total		3.7	3.3
Liabilities			
Non-current liabilities			
Bonds		100.0	-
Loans from financial institutions		-	32.0
Non-current liabilities	15	100.0	32.0
Current liabilities			
Loans from financial institutions		-	16.0
Accounts payable		2.3	2.0
Accruals		2.2	3.3
Other current liabilities		150.6	166.1
Current liabilities	16	155.1	187.4
Total liabilities		255.1	219.4
Total liabilities and shareholders' equity		588.9	534.0

Parent company financial statement (FAS)

Parent company cash flow statement

M€	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Cash flow from operations		
Operating profit	-5.7	-8.1
Depreciation	0.4	0.5
Sales gains/losses from the sale of fixed assets	-0.1	-0.1
Other non-cash items	0.4	2.1
Net cash from operations	-5.0	-5.6
Change in working capital		
Receivables	-25.4	-18.9
Non-interest-bearing liabilities	3.0	26.2
Change in working capital	-22.4	7.3
Dividends received	95.8	17.1
Group contributions	3.9	6.1
Cash flow from operations	72.3	24.9
Cash flow from investments		
Purchase of fixed assets	-0.2	-0.2
Granted loans	-8.0	-11.1
Loan repayments	18.9	18.1
Share acquisitions	-67.9	-4.3
Share divestments and result of subsidiary liquidations	0.1	0.0
Interests received	9.7	7.7
Dividends received	0.0	0.0
Cash flow from investments	-47.4	10.2
Cash flow before financing	24.9	35.1
Cash flow from financing		
Borrowings of debt	162.1	67.6
Repayments of debt	-109.5	-84.0
Change in other short term debt	-17.6	17.9
Interests paid	-2.9	-2.1
Dividends paid	-40.2	-36.5
Income taxes paid	-0.2	-1.1
Cash flow from financing	-8.3	-38.2
Change in cash and cash equivalents	16.6	-3.1
Cash and cash equivalents at 1 January	7.9	11.0
Cash and cash equivalents at 31 December	24.5	7.9
Changes according to balance sheet	16.6	-3.1

Notes to the parent company financial statement

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 are principally the accounting policies in which the practice differs from the Group's accounting policies. In other respects, the Group's accounting policies are applied.

Net Sales

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

Pension arrangements

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

Extraordinary income and expenses

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

Financial assets, financial liabilities and derivative contracts

Currency derivatives are measured at their fair value, which are based on market prices on closing date. Changes in the value of financial assets and liabilities, including derivatives, are recorded as gain or loss through profit and loss as financial income and expenses. Parent company does not apply hedge accounting. Otherwise the methods of measuring derivative contracts are explained in the section on the Group's accounting principles.

Leases

All leasing payments have been treated as rental expenses.

2. Net sales

M€	2011	2010
Income from services		
- From group companies	19.8	18.7
- External	0.0	0.0
Total	19.8	18.7

3. Other operating income and expenses

M€	2011	2010
Other operating income		
Gains from sales of fixed assets	0.1	-
Share divestments and result of subsidiary liquidations	-	0.2
Remuneration	-	0.1
Other	-	0.0
Total	0.1	0.3

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

M€	2011	2010
Other operating expenses		
Environmental expenses	0.3	0.3
Travel expenses	1.3	1.5
Purchased services	8.4	7.7
Environmental provision change	0.4	2.1
Other	10.1	9.5
Total	20.5	21.1

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

M€	2011	2010
Auditor's fees		
- Audit fees	0.1	0.1
- Other services	0.1	0.0

4. Personnel expenses

M€	2011	2010
Salaries and bonuses	3.5	4.3
Pension expenses	0.5	0.4
Other personnel expenses	0.6	0.8
Total	4.6	5.5

During financial period company employed:

Employees, average	40	41
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Salaries and emoluments paid to the President & CEO and Board Members, T€ *)

President & CEO and his deputy	802.8	798.3
Board of Directors	341.6	261.0
Total	1,144.4	1,059.3

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

Loans to company directors

At 31 December 2011, the company's managing director and members of the Board of directors had no loans outstanding from the company or its subsidiaries.

The retirement age for the parent company managing director and his deputy has been agreed as 63 years.

Notes to the parent company financial statement

5. Depreciations

M€	2011	2010
Intangible assets	0.4	0.4
Tangible assets	0.0	0.1
Total	0.4	0.5

6. Financial income and expenses

M€	2011	2010
Interest income	1.0	0.5
Intercompany interest income	11.4	9.5
Dividend income	0.0	0.0
Dividend income from subsidiaries	95.8	17.2
Total	108.2	27.2
Interest expenses	7.3	5.3
Intercompany interest expenses	1.4	2.2
Other financial expenses	0.1	0.1
Impairments on non-current investments	40.8	-
Exchange differences		
Derivatives realised	4.6	10.6
Derivatives unrealised	2.6	4.2
Others realised	0.7	5.0
Others unrealised	-6.8	-19.2
Total	50.7	8.2
Financial income and expenses	57.5	19.0

7. Extraordinary income

M€	2011	2010
Group contributions	6.0	3.9
Total	6.0	3.9

8. Taxes

M€	2011	2010
For the financial period	-0.8	-
For previous financial periods	-0.3	0.3
Change in deferred taxes	-0.1	-0.5
Total	-1.2	-0.2

9. Intangible and tangible assets

2011 M€	Intangible rights	Intangible investment in progress	Machinery and equipment	Investment in progress	Intangible and tangible assets
Acquisition costs 1 Jan	2.1	0.1	0.6	0.0	2.8
Increases	0.1	-	0.1	-	0.2
Transfers between items	0.1	-0.1	0.0	0.0	0.0
Acquisition costs 31 Dec	2.3	-	0.7	-	3.0
Accumulated depreciations 1 Jan	1.0	-	0.5	-	1.5
Depreciation for the financial period	0.3	-	0.1	-	0.4
Accumulated depreciations 31 Dec	1.3	-	0.6	-	1.9
Book value 31 December	1.0	-	0.1	-	1.1

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

10. Non-current investments

M€	2011	2010
Shares in subsidiaries acquisition cost 1 Jan	211.4	207.1
Increases	67.9	4.3
Decreases	34.4	0.0
Shares in subsidiaries book value 31 Dec	244.9	211.4
Other shares and holdings 1 Jan	0.1	0.1
Decreases	0.0	-
Other shares and holdings 31 Dec	0.1	0.1
Loans receivables		
- From group companies	162.8	166.4
- Subordinated loan	5.0	5.0
- Others	-	5.4
Loan receivables total	167.8	176.8
Total	412.8	388.3

Impairment 30 million euro is related to Uponor Beteiligungs GmbH shares. Impairments are done as consequence of received dividends.

11. Current receivables

M€	2011	2010
From group companies		
- accounts receivable	5.0	5.8
- loan receivable	103.9	108.8
- accruals	-	0.7
- other receivables	37.0	17.5
Total	145.9	132.8
From external parties		
- accruals	1.6	0.9
- deferred tax assets	0.9	0.8
- other receivables	2.1	2.0
Total	4.6	3.7
Total current receivables	150.5	136.5

Deferred tax assets are recorded for obligatory provisions in the balance sheet. Deferred tax assets include long term tax assets total 0.7 million euros.

M€	2011	2010
Accruals		
Interest income	0.0	0.4
Taxes	1.4	0.4
Others	0.2	0.8
Total	1.6	1.6

12. Changes in equity

M€	2011	2010
Restricted equity		
Share capital on 1 Jan	146.4	146.4
Share capital on 31 Dec	146.4	146.4
Share premium on 1 Jan	50.2	50.2
Share premium on 31 Dec	50.2	50.2
Total restricted equity	196.6	196.6
Unrestricted equity		
Unrestricted equity 1 Jan	0.1	0.1
Unrestricted equity 31 Dec	0.1	0.1
Retained earnings 1 Jan	114.6	136.1
Dividend payments	-40.2	-36.5
Refund of unredeemed dividends	-	0.0
Profit for financial period	59.0	15.0
Retained earnings 31 Dec	133.4	114.6
Total unrestricted equity	133.5	114.7
Shareholders' equity 31 Dec	330.1	311.3
Distributable funds		
Unrestricted equity	0.1	0.1
Retained earnings	75.6	100.8
Profit for the period	59.0	15.0
Treasury shares	-1.2	-1.2
Distributable funds, 31 Dec	133.5	114.7

Notes to the parent company financial statement

13. Depreciation differences

M€	2011	2010
- Other capitalised long-term expenditure	0.1	0.1
- Plant and machinery	0.0	0.0
Total	0.1	0.1

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

14. Provisions

M€	2011	2010
Pension obligation	0.1	0.1
Environmental provision	3.5	3.1
Total	3.6	3.2

15. Non-current liabilities

M€	2011	2010
Bonds	100.0	-
Loans from financial institutions	-	32.0

Maturity of non-current interest bearing liabilities

M€	2013	2014	2015	2016	2017–
Bonds	-	-	-	20.0	80.0

16. Current liabilities

M€	2011	2010
From group companies		
- accounts payable	1.1	1.1
- accruals	0.2	0.0
- other current liabilities	143.5	141.9
Total	144.8	143.0
From external parties		
- annual loan instalments	-	16.0
- accounts payable	1.1	0.9
- accruals	2.1	3.3
- other current liabilities	7.1	24.2
Total	10.3	44.4
Total current liabilities	155.1	187.4

Accrued liabilities

Personnel expenses	0.6	0.7
Bonuses	0.3	0.9
Taxes	0.3	0.5
Interest	0.1	0.2
Others	0.9	1.0
Total	2.2	3.3

17. Contingent liabilities

M€	2011	2010
- on behalf group companies		
Guarantees issued	19.7	11.2
- on behalf of others		
Guarantees issued	-	6.9
Guarantees issued	19.7	18.1
Operating lease commitments (including rental lease obligations)		
Operating lease commitments for next 12 months	0.7	0.6
Operating lease commitments over next 12 months	0.3	0.4
Lease commitments	1.0	1.0
Total	20.7	19.1

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

18. Derivative contracts

M€	2011	2010
	Nominal value	
Interest derivatives:		
Interest rate swaps	50.0	-
	Fair value	
Interest derivatives:		
Interest rate swaps	-1.8	-
	Nominal value	
Foreign currency derivatives:		
Forward agreements	212.8	175.1
Intragroup forward agreements	57.6	34.2
Currency options, bought	14.2	21.6
Currency options, sold	14.2	21.6
Commodity derivatives:		
Forward agreements	5.8	6.0
	Fair value	
Foreign currency derivatives:		
Forward agreements	-2.5	-4.0
Intragroup forward agreements	-0.1	0.1
Currency options, bought	0.0	-
Currency options, sold	0.0	-0.3
Commodity derivatives:		
Forward agreements	-0.5	1.6
	Fair value changes recognised in the income statement	
Foreign currency derivatives:		
Forward agreements	-2.5	-4.0
Intragroup forward agreements	-0.1	0.1
Currency options, sold	0.0	-0.3



Auditor's report

To the Annual General Meeting of Uponor Corporation

We have audited the accounting records, the financial statements, the Review by the Board of Directors and the administration of Uponor Corporation for the financial period 1.1.–31.12.2011. The financial statements comprise of the consolidated statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and President and CEO

The Board of Directors and President and CEO are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the Review by the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the Review by the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances and President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the Review by the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the Review by the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the Review by the Board of Directors

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

Other opinions

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

Vantaa, 10 February 2012
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Mikael Paul
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