uponor

ANNUAL REVIEW 2006

We partner with
professionals to make
complex issues simple

Information for shareholders

The Annual General Meeting

Uponor Corporation's Annual General Meeting is to be held on Thursday, 15 March 2007 at 5.00 p.m. at the Finlandia Hall, Mannerheimintie 13 e, 00100 Helsinki, Finland.

Important dates in the year 2007

• Financial accounts bulletin for 2006	8 February
• Financial statements for 2006	8 February
• Annual General Meeting	15 March at 5 p.m.
• Record date for dividend payment	20 March*
• Date for dividend payment	27 March*
• Interim report: January-March	26 April at 11 a.m.
• Interim report: January-June	7 August at 11 a.m.
• Interim report: January-September	26 October at 11 a.m.

* Proposal of the Board of Directors

Publications

The annual report will be published in Finnish and English and will also be available on the company website at www.uponor.com. The interim reports and corporate releases will be published in Finnish and English on the company website.

To order publications, please contact:

Uponor Corporation, Communications
P.O. Box 37, Robert Huberin tie 3 B, FI-01511 Vantaa, Finland
Tel. +358 (0)20 129 2854, fax +358 (0)20 129 2841
communications@uponor.com
www.uponor.com

Insider register

The public register of Uponor Corporation's insiders may be viewed at the customer service point of Finnish Securities Central Depository Ltd (APK), Urho Kekkosen katu 5 C, Helsinki or 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.

Uponor's annual report 2006 consists of two publications, the annual review and financial report.

The annual review gives a broad picture of the business operations and the company. The financial report, on the other hand, contains the financial statements including notes, share and shareholder information, and other relevant information on Uponor as an investment.

The entire annual report has been mailed to registered shareholders.

Uponor's IR contacts

Silent period

Uponor applies the principle of a silent period in its IR communications. During a silent period, Uponor does not comment on market prospects or factors affecting business and performance, nor does the company engage in discussion on events or trends related to the reporting period or the current 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.

Questions and enquiries

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Meeting requests

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Anita Riikonen, Communications Coordinator
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Changes 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. By keeping your contact details updated, you ensure correct delivery of any shareholder information from Uponor.

Other shareholder enquiries

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Marjo Kuukka, Legal Assistant
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Important stock exchange and press releases in 2006

19 Dec	Sebastian Bondestam new EVP, Supply Chain at Uponor Corporation
9 Nov	Uponor's Capital Markets Day focuses on growth
9 Nov	Uponor's long-term financial targets for 2007–2009
27 Oct	Uponor's EGM approved the extra dividend of EUR 1.37
26 Oct	January–September 2006: Uponor reports strong third quarter
26 Sep	Uponor's Board proposes an extra dividend of EUR 1.37 per share
7 Aug	Uponor renews group management through extensive rotation
3 Aug	January–June 2006: Uponor reports continued strong development
13 Jul	Jim Bjork, Executive Vice President – Uponor North America resigns
2 Jun	Executive Vice President Lauri Rintanen, Supply Chain, to leave Uponor
1 Jun	Uponor retains major long-term UK gas contract with National Grid
31 May	Uponor sells its sewer pipe business in Germany and the Czech Republic
25 Apr	Q1/2006: Uponor posts a strong 1st quarter, full-year profit outlook has improved
23 Mar	HSE: Uponor Oyj: Invalidation of shares
9 Feb	Unified Uponor reports strong performance
2 Feb	Uponor seeks growth in the high-rise sector
2 Jan	Uponor's residential fire-safety system wins Finnish recognition

The complete releases are available on the Internet at www.uponor.com/news

Uponor in brief

Uponor is a leading international supplier of plumbing and heating systems for the residential and commercial building markets. In Europe, Uponor is also a prominent regional supplier of municipal infrastructure pipe systems. The Group's key applications, such as radiant floor heating and tap water systems, are sold in over hundred countries.

Housing solutions

Underfloor heating and cooling systems

- For residential, industrial, and commercial construction
- For new buildings and renovations

Customers

- Installation companies
- Wholesalers
- Construction companies

Plumbing systems

- Tap water and other indoor plumbing
- Solutions to bring clean water from the source to the tap

Customers

- Installation companies
- Wholesalers
- Construction companies

Infrastructure

Pipe systems and services

- Wastewater and rainwater management
- Water and gas distribution
- Solutions for cable protection
- Renovation systems

Customers

- Municipalities
- Utility companies (water and gas)

Year 2006

2006 was one of the most successful years in Uponor's history. The restructuring programme carried out in the previous years and the focus on core businesses in which Uponor has a strong market position have provided solid foundations for future efforts. Thanks to the successful implementation of its chosen strategy, the company achieved all of its financial goals.

Strategic goals and achievements

Uponor's strategy rests on three main pillars: growth, corporate brand, and operational excellence.

In early 2006, Uponor abandoned all of its system brands and adopted the Uponor corporate brand on a global basis. The purpose of this change was to clarify Uponor's image among customers and improve its operational efficiency by, for instance, eliminating overlaps.

The European-wide enterprise resource planning (ERP) system project, aimed at increasing Uponor's operational excellence, proceeded according to plan. Implementation of the system began in Germany in 2006 and will expand to other European countries in 2007–2008.

Uponor published several projects targeted at accelerating its organic growth. These include the expansion of operations from the present single-family house based clientele to the high-rise segment, in which Uponor's market position is currently smaller, as well as to the development of a new cooling business.

Both of these projects are building strongly on the company's existing product know-how and extensive customer and professional network.

Uponor continued to focus on accelerating its organic growth and launched a number of measures aimed at further strengthening its market position in Europe.

A major contract

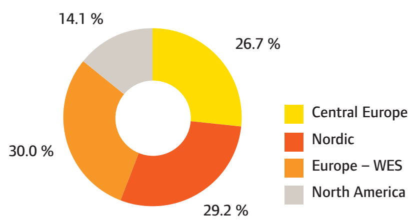
Uponor renewed its contract with the UK National Grid company to supply gas pipes and fittings. National Grid is one of the world's largest providers of infrastructure services. This new seven-year contract has a potential one-year extension, and it is worth an estimated EUR 25 million a year.

Key figures

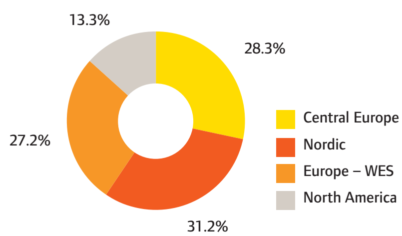
	2006	2005	2004	2003	2002
Net sales, MEUR	1,157.0	1,031.4	1,026.9	1,021.0	1,137.2
Operating profit, MEUR	143.7	123.0	95.2	30.7	114.2
Profit after financial items, MEUR	141.5	120.5	89.3	20.8	100.7
Earnings per share (fully diluted), EUR	1.32	1.12	1.19	0.02	0.86
Dividend per share, EUR	1.40[1]	2.27[2]	0.70	1.44[2]	0.75
Equity per share, EUR	4.71	5.72	5.34	6.34	7.29
Market capitalisation, end of period, MEUR	2,076.6	1,338.9	1,029.5	935.4	720.9
P/E ratio	21.5	16.1	11.6	625.0	11.3
Solvency, %	53.6	63.2	57.7	59.8	58.9
Gearing, %	6.3	–6.4	8.5	17.8	30.0
Number of shareholders	7,799	6,766	5,225	3,998	3,209

1) Proposal of the Board of Directors
2) Includes an extra dividend.

Net sales by Region 2006



Personnel by Region 2006



Uponor’s mission is to partner with professionals to create better human environments. An understanding of the needs and goals of engineers, wholesalers, retailers and installers forms the key to our mutual success.

By working together with other professionals, we are able to provide our customers with extensive expertise, better service and more efficient operations. Our customers choose Uponor because they can rely on our commitment to provide the right kinds of solutions, even in the most demanding projects.

We partner with professionals to make complex issues simple.

Contents

I believe we have an exciting agenda
for developing Uponor further.

Review by the CEO

2006 was a good year for Uponor. In fact, it was the best year in the history of Uponor in terms of its financial performance, and we also made good progress in implementing our strategic agenda.

We operated in a market environment that was more ambivalent than expected. In Germany, demand increased significantly in the latter half of the year whereas, in the United States, market demand declined faster than expected, the last quarter being particularly weak. In addition, the market price environment for raw materials was volatile. All in all, however, we can say that the market environment was rather good.

Our net sales grew by 12.2 per cent, which was mainly achieved through particularly positive developments in Germany, Spain and the Nordic countries. In countries where our market presence is not yet that prominent, we saw some promising growth figures supporting the strengthening of our market position. In North America, sales clearly suffered, but even in a challenging market situation with strongly declining housing start figures, we managed to obtain marginal growth.

Our long-term financial targets, set in the autumn of 2003, were all achieved during the year. The operating profit of 143.7 million euros and 12.4 per cent of net sales was generated not only through sales growth but also by capitalising on the restructuring efforts that took place in 2004–2005. Consequently, in its meeting in November the Board of Directors decided to upgrade our long-term financial targets. This raised our aspirations to a totally new level considering the historical performance of Uponor. I firmly believe that we have now created the basis of success in achieving these challenging targets.

Strategic transformation – building one platform

We are now adding the final touches to the first phase of our strategic transformation that began in 2003. Under the concept of One Unified Uponor, we have focused on restructuring our business portfolio and streamlining our operations, building a single brand and redesigning our key business processes. Our values have been firmly established, and actions have been taken to develop and further enhance a supportive leadership culture. The implementation of a new enterprise resource planning system began in Germany. This represents a major effort, and yet at the same time we have succeeded in improving the performance of the company. Clearly, we are now better equipped to continue building an even stronger Uponor.

Next phase of transformation

Growth, brand, and operational excellence are the three strategic pillars that give our activities their direction. These pillars remain unchanged in 2007, but the emphasis will somewhat change. I believe we have an exciting agenda for developing Uponor further.

In the past, our focus was predominantly on the single-family home segment and infrastructure business. This is now changing as we shift towards expanding our marketing efforts and offerings to all building types and a geographically focused infrastructure business. The high-rise segment represents a significant long-term opportunity for us in plumbing, heating and cooling. To build on our position, we have begun a series of measures to strengthen our organisation, competencies and system offering. Cooling, one of our new focus areas, is not a new concept, but it has not been commercialised to its full potential. In today's world, where there is a clear need for reduced energy consumption, radiant cooling represents a more environmentally friendly and cost-effective system than traditional air conditioning technologies.

An enhanced earnings performance and strengthened balance sheet mean that Uponor has been able to provide a favourable dividend distribution during the last five years. At the same time, the value of the company has trebled. Ultimately, this demonstrates that Uponor is a company worth investing in.

I am grateful to our professional partners who have supported us year after year while developing their own, successful businesses. I would also like to thank all Uponor employees who have worked extremely hard during 2006 to make all this happen. And finally, I thank our shareholders for their continued support.

Vantaa, February 2007

Jan Lång
President and CEO

Uponor's strategy and other principles guiding its operations

Vision

Uponor seeks to be a leading corporate brand generating profitable growth by providing solutions for housing and the environmental infrastructure.

Uponor will achieve this by building superior relationships with its customers and other business associates and through continuous innovation programmes. Uponor's geographical focus areas are Europe and North America.

Strategy

Uponor's strategy builds on three main pillars: strengthening of the Uponor brand, operational excellence, and growth.

As of the beginning of 2006, the company adopted the unified Uponor corporate brand. This single-brand focus represents a major strategic step through which the company is seeking to improve its efficiency. A unified brand will further improve Uponor's recognition and support its opportunities for business growth on a global basis. Another strategic focus area is the improvement of the company's operational excellence and harmonisation of its processes, enabling this previously decentralised company to become a unified, international group of companies. A key tool in these reforms is the new enterprise resource planning (ERP) system, which was successfully implemented in the first company offices in Germany in 2006. Preparations for expanded implementation in other countries continued.

In 2006, Uponor presented its new strategic framework. Operational excellence and the unified brand will support and contribute to organic growth which the company is seeking in the high-rise segment and the cooling business, in addition to its present main market segments, i.e. single-family houses and infrastructure solutions. The high-rise building segment offers growth opportunities for both plumbing systems and radiant floor heating and cooling operations.

Financial goals

In November, Uponor announced its following long-term financial goals for 2007–2009, aimed at further strengthening the company's profitable growth and, thus, increasing its shareholder value:

- Annual organic net sales growth of above six per cent (average over the cycle)
- Operating profit margin reaching the level of 15 per cent during fiscal year 2009
- Return on investment (ROI) of over 30 per cent
- Gearing between 30 and 70 (average across quarters)
- A growing ordinary dividend payment: at least 50 per cent of the company's earnings annually

Mission

Uponor's mission is to partner with professionals to create better human environments.

Uponor values

Uponor's values – Knowledge, Enabling, Most rewarding, Improving effectiveness, Committed – reflect what we stand for and define how we should behave towards our partners and each other.

Overview of Uponor's operations and financial status in 2006

Changing market trends

The area in which Uponor products are used the most is plumbing system solutions. This product range accounts for approximately 47 per cent of Uponor's net sales, and its main rivals are metal pipes, mainly those made of copper. In 2006, the market share of plastic plumbing systems was estimated to have surpassed that of copper pipes for the first time in Europe. Correspondingly, modern plastic materials (PEX) surpassed copper in popularity in North America. The benefits of plastic plumbing systems – including efficient installation, long predicted life cycle, and cleanliness – have supported this development. In the past two years, also the disproportionate rise in the prices of rival materials has increased the use of plastic materials.

There are also some cyclical fluctuations in the market areas where Uponor products are used, and this may have an impact on the demand for Uponor products. However, in new housing and renovation projects these fluctuations are partially levelled out by the fact that piping systems made of plastics and composite materials are gradually replacing older systems using metals.

Uponor's market position has developed favourably, and it has been estimated that its share of the total markets has risen slightly on account of the greater popularity of plastic piping systems. This penetration development helps to compensate for the fluctuations related to infrastructure business and, in addition to the launch of solutions for new market segments, it is the most important external factor supporting Uponor's growth. Uponor expects the fall in world market prices of metals toward the end of 2006 not to change the favourable penetration development of plastic materials.

The majority of Uponor products are distributed through wholesalers. Despite consolidation within the wholesale business, even the biggest of Uponor's customers or distributors does not account for more than 10 per cent of the Group's net sales. This is partially due to the fact that Uponor operates in many different countries, distributing its products to a wide range of customers.

Assessment of strategy implementation

Uponor's business strategy, published in 2004, has three main pillars: organic growth, strengthening of the Uponor brand, and operational excellence. In 2004–2005, the focus was on preparation of the brand restructuring and increasing of operational excellence. The new unified brand strategy was launched at the beginning of 2006. It was well received by the markets and clarified Uponor's operations as one, unified company.

As far as operational excellence is concerned, the most important advances were made when the first part of the enterprise resource planning (ERP) system was implemented in Germany in July and December. In connection with this, all core business processes of the company were specified jointly during 2006. The information system supporting the core processes covers the manufacturing, sales, and financial operations. In 2007, implementation of the enterprise resource planning system will continue in the Nordic region and Spain.

In addition, in 2006 the company concentrated on generating profitable growth. In February 2006, Uponor presented a new growth area. The company will start offering housing solutions for the high-rise sector. Uponor has delivered systems for this market segment before, but now it is

The 2006 financial year saw Uponor achieve all long-term financial targets set by the Board of Directors in December 2003.

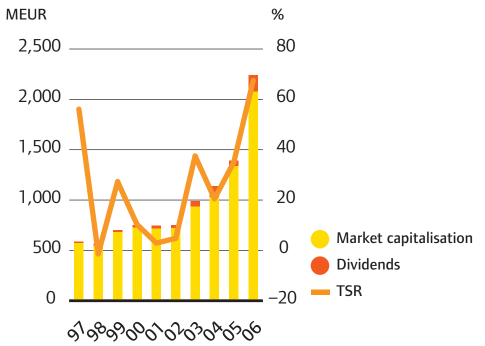
increasing its targeting of competence and resources to this area. So far, the focus of Uponor's housing solutions business has been on installer-friendly solutions for single family houses.

Financial targets

The 2006 financial year saw Uponor achieve all long-term financial targets set by the Board of Directors in December 2003:

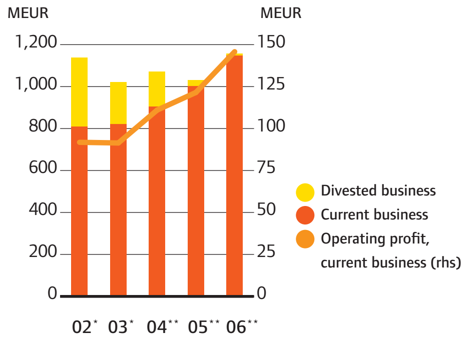
- Annual organic growth in net sales of a minimum of 5 per cent – in 2006, organic growth was more than 14.6 per cent
- Profit margin of a minimum of 12 per cent – the profit margin for 2006 was 12.4 per cent
- Solvency ratio of a minimum of 50 per cent or gearing ratio of a maximum of 70 – on 31 December 2006, the company's solvency ratio was 53.6 and gearing ratio 6.3
- Return on investments (ROI) of a minimum of 20 per cent – for the 2006 financial year, Uponor's ROI came to 35.8 per cent

Shareholder value development 1997–2006

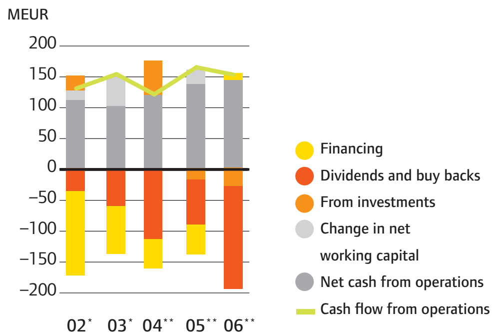


1997–2003 FAS
2004–2006 IFRS

Net sales and operating profit



Cash flow



* FAS
** IFRS

- Dividend at least 50 per cent of the financial year's profit – the dividend of 0.90 euros per share accepted by the Annual General Meeting in March was slightly over 80 per cent of the per-share profit for 2005

In November 2006, the Uponor Board of Directors decided on new long-term financial goals for the period 2007–2009. These are based on the preliminary estimates concerning achievement of the 2003 goals and take into account the strategic corporate goals set during 2006. The goals set for 2007–2009 concern the same subjects as the goals published in 2003, but the target level has been set higher and specified further in certain respects:

- Annual organic net sales growth of above six per cent (average over the cycle)
- Operating profit margin reaching the level of 15 per cent during fiscal year 2009
- Return on investment (ROI) of over 30 per cent
- Gearing between 30 and 70 (average across quarters)
- A growing ordinary dividend payment: at least 50 per cent of the company's earnings annually

Evaluation of business operations and main events

In accordance with its corporate strategy, Uponor focused on generating organic growth in 2006. The reported growth of 12.2 per cent in net sales comprised both increased business volume and price increases offsetting higher material costs. In addition, the financial year saw Uponor divest its German and Czech infrastructure operations. After elimination of the net sales from divested business operations, the organic growth in net sales for 2006 comes to 14.6 per cent.

The price increases offsetting higher material costs were sufficient to compensate for the growth in costs in euros, but the impact on the relative gross profit margin was negative as the denominator used in the division became higher. However, in comparison to the year before, the gross profit margin rose slightly, to 35.7 per cent. The growth was supported by restructuring measures related to streamlining of operations carried out in previous years, as well as economies of scale – i.e., lower costs per unit, resulting from the growth in business volume.

In 2006, Uponor made major investments in brand reform as well as the implementation of the common enterprise resource planning system. Despite all this, the economies of scale resulting from the growth in business volume supported the improvement of relative cost-efficiency in relation to net sales.

In September, Uponor renewed the division of tasks in the management group as part of a more extensive rotation of responsibilities. This is a measure aiming at further unification of the company.

Return on investment rose in accordance with the new target level, to 35.8 per cent.

Cash flow and profitability

Cash flow before financing continued strong, supported by improved profitability, increased business volume, and release of net working capital. The turnover of inventories improved clearly as measured by monthly averages, even though the balance sheet value at the end of the year exceeded the previous year's level. Another factor contributing to this development is the increase in material prices, mentioned above, which has raised the value of the inventory.

The turnover of fixed assets improved from the year before. The value of fixed assets increased only by 3.1 per cent, while the net sales increased by more than 12 per cent in the same period of time. Investments in fixed assets included mainly machinery and equipment (26.4 million euros) and investments made in the enterprise resource planning system (13.8 million euros).

> With all dividends paid out during the year taken into account, the total shareholder return (TSR) came to 67.5 per cent.

Return on investment rose in accordance with the new target level, to 35.8 per cent, which was mainly due to improved use of capital tied up in all inventory categories, as well as the increased profit margin.

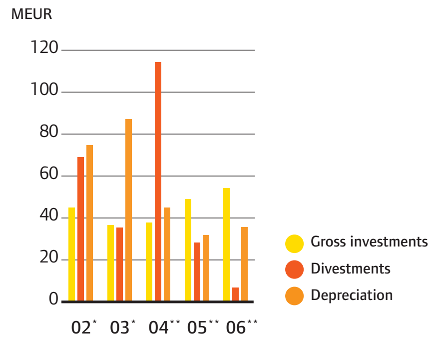
Due to the strong cash flow resulting from business operations, Uponor's balance sheet remained strong even though, during the year, the normal dividends paid to shareholders amounted to 65.8 million euros and extra dividends paid in November to 100.2 million euros. Net interest-bearing liabilities amounted to only 21.7 million euros at the end of the financial year.

Total shareholder return

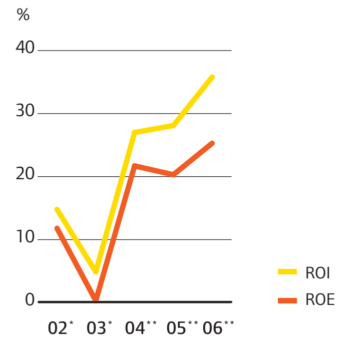
2006 was a good year for Uponor shares. At 28.36 euros, the closing price of a share in the company at the end of the year was 57.6 per cent higher than last year's closing price of 18 euros. With all dividends paid out during the year taken into account, the total shareholder return (TSR) came to 67.5 per cent. The market value of Uponor exceeded two billion euros for the first time in December 2006. At the same time, the OMXH25 index rose by 26.5 per cent, while the average TSR for companies quoted on the main list of the Helsinki Stock Exchange was 29.9 per cent.

The attractiveness of the company's shares increased among investors from the year before. This is demonstrated by an increase in the number of shareholders by 1,033, to a total of 7,799, as well as the increased trading volume of company shares. When measured in number of shares, in 2006, on average, the number of Uponor shares traded daily through the Nordic

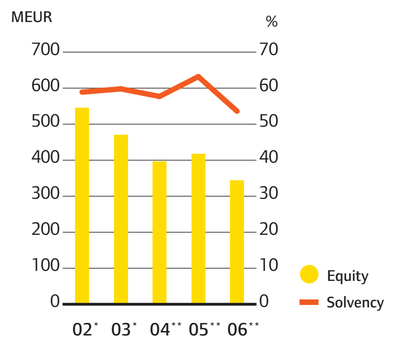
Investments



Return on investment and on equity

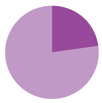
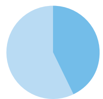
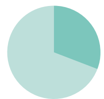


Equity and solvency



* FAS
** IFRS

Uponor's market position in 2006

	Housing Solutions		Infrastructure
	Heating and cooling solutions	Plumbing solutions [2]	Infrastructure solutions
Proportion of net sales			
Nordic	In top 1 or 2 [1]	In top 1 or 2	In top 1 or 2
Central Europe	In top 1 or 2 [1]	In top 3 to 5	
Europe – West, East, South	In top 1 or 2 [1]	Market presence – In top 1 or 2 [3]	In top 1 or 2
North America	In top 1 or 2 [1]	In top 3 to 5	

In top 1 or 2 · In top 3 to 5 · Market presence

[1] only hydronic floor heating systems [2] all materials considered [3] varies by national market

Exchange increased by 47 per cent, amounting to almost 169,000 shares; when counted in euros, on account of the rise in the share price, the value rose by slightly over 100 per cent, to approximately 3.84 million euros. The number of share transactions rose by 131 per cent, to about 77,000. The volume of shares traded corresponded to about 58 per cent of the total number of the company's shares.

Sensitivity analysis

On the basis of accounting criteria applied, almost 75 per cent of Uponor's procurement, manufacturing, and operating expenses are counted as variable costs, even though, over a certain period of time, the personnel costs included in the variable production costs are fixed commitments. As concerns personnel expenses, other expenses classified under fixed costs change with a delay, and many of the expenses for sales and marketing, such as marketing campaigns and various development projects, are discretionary.

Other external factors affecting the sensitivity of the result include the prices of material, component, and energy purchases. However, in recent years Uponor has been able to offset these changes in costs by raising its sales prices. In order to ensure access to materials, procurement of key raw materials is coordinated centrally. On the other hand, there is no greater central coordination of deliveries, since 20 of the biggest suppliers represent about 70 per cent of all raw materials needed by Uponor, including components. In order to keep the raw material inventory at an optimal level, raw materials are delivered according to a plan drawn up between Uponor and its suppliers.

Risk management

The ultimate goal of Uponor's risk management policy is to ensure the Group's planned profit performance, guarantee continuous business operations in changing conditions, and maintain the Group's liquidity, with the aim of identifying and recognising business-related risks on a systematic basis and managing these risks appropriately. Risk management forms an integral part of the Group's corporate governance system. Uponor coordinates management of both damage and financial risks at Group level on a centralised basis.

The aim of damage risk management is to protect the Group from insurable damage risks so that it can continue to operate in exceptional situations. Such protection is based on regular risk analyses, performed in cooperation with risk management experts, for determining, surveying, and managing any non-commercial risk factors in order to prevent damage to the Group. Also, development plans aimed at lowering the cost of risk management are created on the basis of these risk analyses. Risks that cannot be controlled through the Group's own measures or that, if realised, could have an adverse effect on the company's operations are transferred by way of insurance contracts to external insurance companies. The main Group-level insurance programmes include:

- Property and business interruption insurance
- General and product liability insurance
- Directors' and officers' liability insurance
- Cargo insurance
- Crime insurance

In recent years, with Uponor's strengthened balance sheet and low net interest-bearing liabilities, the focus of financing risk management has shifted from management of interest rate risks mainly to management of liquidity risks and currency risks. The management of the company's currency and other financing risks is explained in more detail in the notes to the consolidated accounts.

Key figures

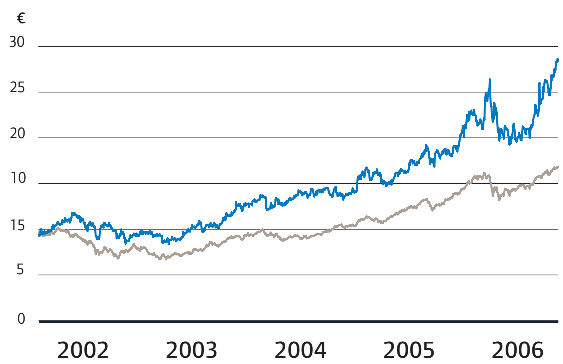
Key financial figures	2006 IFRS	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS
Net sales (continuing operations), MEUR	1,157.0	1,031.4	1,026.9	1,021.0	1,137.2
Change in net sales, %	12.2	0.4	0.6	–10.2	–4.6
Operating profit (continuing operations), MEUR	143.7	123.0	95.2	30.7	114.2
Operating profit (continuing operations), %	12.4	11.9	9.3	3.0	10.0
Profit before taxes (continuing operations), MEUR	141.5	120.5	89.3	20.8	100.7
Profit for the period (continuing operations), MEUR	96.5	82.7	63.8	1.6	64.2
Return on Equity (ROE), %	25.3	20.3	21.7	0.3	11.8
Return on Investment (ROI), %	35.8	28.1	27.0	4.9	14.8
Solvency, %	53.6	63.2	57.7	59.8	58.9
Gearing, %	6.3	–6.4	8.5	17.8	30.0
Net interest-bearing liabilities, MEUR	21.7	–26.9	33.6	84.0	163.9
Personnel at 31 December	4,325	4,126	4,475	4,803	5,302
Investments, MEUR	54.2	49.0	37.8	36.7	45.0

Share-specific key figures	2006	2005	2004	2003	2002
Market value of share capital, MEUR	2,076.6	1,338.9	1,029.5	935.4	720.9
Dividend, MEUR	3) 102.5	2) 166.0	52.0	106.9	55.5
Dividend per share, €	3) 1.40	2) 2.27	0.70	1) 1.44	0.75
Effective share yield, %	4.9	12.6	5.1	11.5	7.7
Issue-adjusted share prices					
– highest, €	29.35	19.8	15.0	13.0	12.4
– lowest, €	18.00	13.7	12.1	8.4	8.3

The definitions of key ratios are presented in the Financial Report.

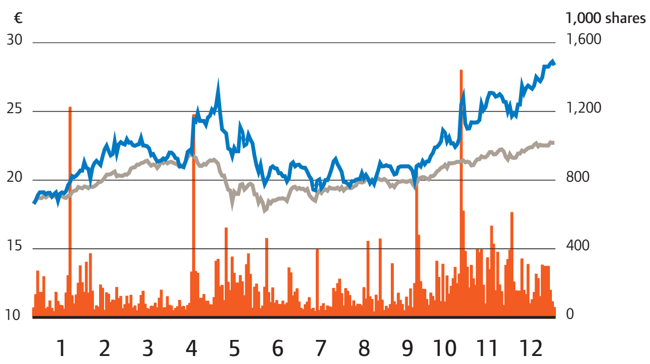
Years 2004–2006 are reported according to IFRS, while years 2002 to 2003 are reported according to FAS.
Notes to the share-specific key figures:
1) includes an extra dividend payment 0.44 euros per share
2) includes an extra dividend payment 1.37 euros per share
3) proposal of the Board of Directors
Figures reported for 2002–2003 have been converted based on the bonus issue 2004. The bonus issue was executed by issuing one bonus share for each existing share without consideration. The average number of shares allows for the effect of treasury shares.

Share price 2002–2006



Uponor
OMX Helsinki CAP, relative to Uponor

Share price and trading 2006



Uponor
OMX Helsinki CAP, relative to Uponor
Trading volume

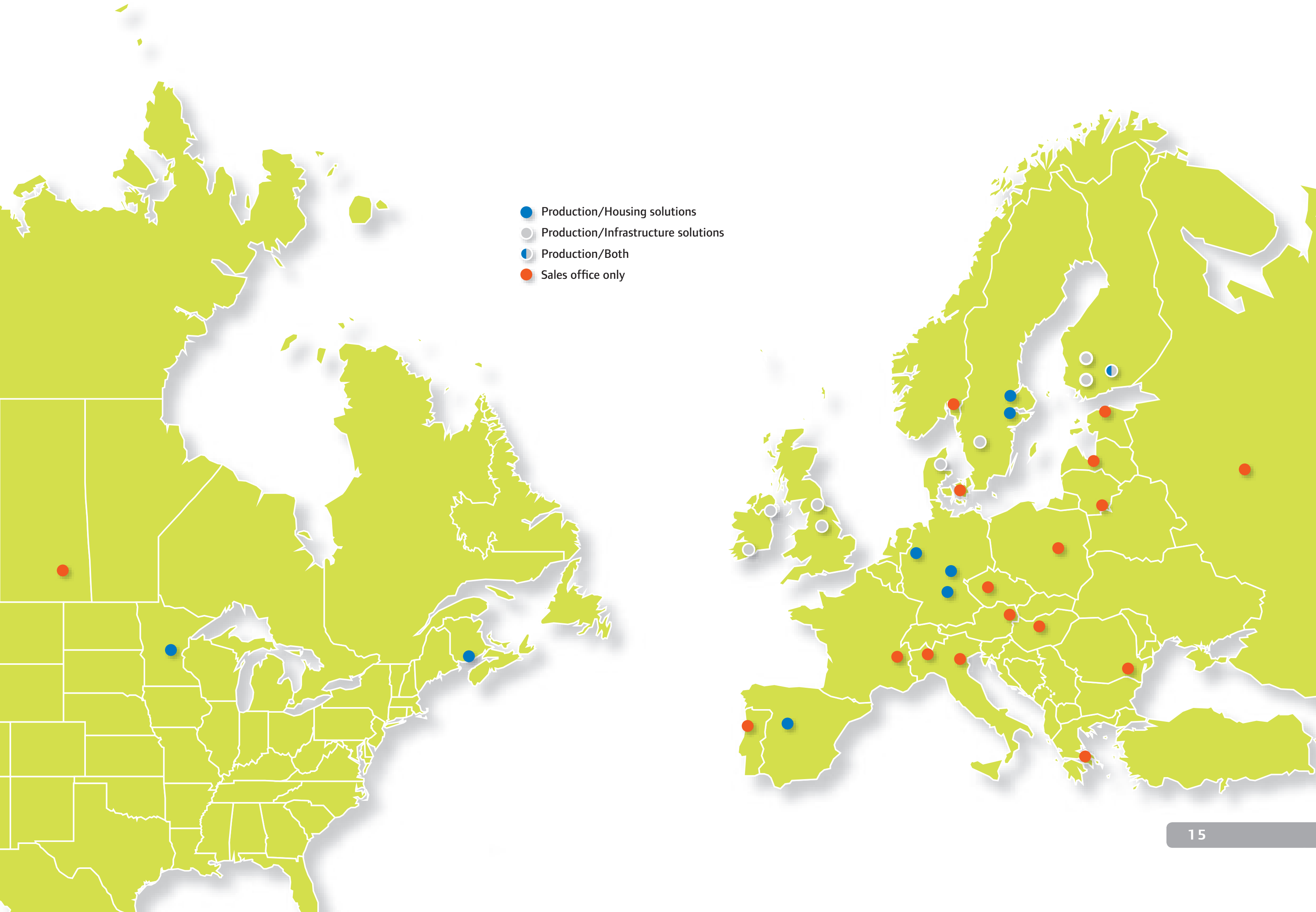
Overview of businesses 2006

The Central Europe region consists of Germany, Austria, the Benelux countries, Switzerland, the Czech Republic, Poland, Ukraine, and Belarus. Its three production units are located in Germany. The region employs approximately 1,200 people.

The Nordic region offers solutions in plumbing and heating as well as environmental infrastructure in the Nordic countries, with factories in Sweden, Finland and Denmark. There are over 1,300 employees in the region.

Uponor Europe – West, East, South is a versatile region responsible for Uponor businesses in Western, Southern and Eastern Europe, including Russia and the Baltic countries as well as for international business and exports to countries not covered by the other regions. The region is split into three main areas: Europe South, West which covers Uponor's housing solutions business in Spain, Portugal, Italy, France, the UK and Ireland; Europe East and International which covers Russia, the Baltic countries, Hungary, Romania, Greece and international business; and the municipal infrastructure business in the UK and Ireland. The region employs about 1,160 persons.

Uponor North America sells underfloor heating, plumbing and fire sprinkler systems in the USA and Canada. Production is located in Minnesota (USA) and New Brunswick (Canada). The region employs approximately 570 people.



Record production volumes and improved operational efficiency in Uponor Central Europe

Market situation

In general, there was positive development in all countries in the Central Europe region in 2006. After a prolonged slack period, the German market began to show signs of recovery. Construction activities with respect to one and two-family houses increased and commercial construction showed positive development.

The market for plastic pipes in plumbing applications showed positive growth rates in 2006. This was stimulated by the further improved cost competitiveness of plastic pipe systems due to the higher prices of copper pipes. Faster than anticipated plastic pipe penetration led to a situation in which plastic pipe suppliers were unable to meet all of the related demand on time.

Price competition in the fragmented underfloor heating business intensified when several smaller suppliers did not pass higher material costs onto their sales prices. Outdoor products benefited from the increasing use of renewable energy sources such as biogas power generation.

Business review

Overall, Uponor in Central Europe achieved above-market growth. In particular, the plumbing and house connections businesses developed well. In underfloor heating, high-end products sustained their strong position in the market throughout the year, while sales of volume products picked up during the second half of the year.

Sales growth based on both external customers and other Uponor units in Europe was strong, and utilisation rates in production units were high. Some minor delays in deliveries occurred due to unexpected peaks in demand.

During the first half of 2006, four separate sales organisations were merged. The resulting single Uponor sales organisation is one of the strongest in the industry. In addition, various legal units were merged into a single entity, handling all Uponor-branded business in Germany.

In 2006, a strong focus was placed on improving operational efficiency. A new ERP system was introduced in Germany, duplicate functions were eliminated and efficiency improvement initiatives were launched in manufacturing.

Uponor has been a key participant in the construction of BMW Welt in Munich, Germany. The firm delivered some 7,800 square metres of industrial floor heating and cooling systems to the building in the autumn of 2006. The building will be opened in the summer of 2007.

Profit performance

Both net sales and operating profit grew significantly. Net sales in 2006 totalled 345.1 million euros (291.1 in 2005), a growth of 18.6 per cent. Operating profit margin increased to 14.3 per cent of net sales (11.8 per cent in 2005). This growth was mainly due to the increased activity on the German construction market, where plumbing was the fastest growing application.

Despite higher raw material costs, we were able to increase our profit through unit cost decreases due to higher volumes, better utilisation rates in manufacturing, and tighter cost control.

At the end of 2006, there were 1,212 employees (1,126 in 2005) in the Central Europe region.

Central Europe

Cooling with a groundwater stream

An office building overlooking the river Rhine in Cologne is equipped with Uponor's concrete core activation system, which uses a groundwater stream for maintaining pleasant ambient temperatures in a very energy-efficient way. This system, which can also be used for heating, makes optimal use of the building's proximity to the Rhine and the available source of natural energy. The office building comprises five floors with a total floor area of 7,000 m².

Uponor Nordic registers steady growth in a stable market situation

Market situation

The market situation in the Nordic region remained stable in 2006 in both the plumbing and heating businesses. The building market has been active and housing starts increased by almost 7 per cent. Consequently, lead times have become longer in all segments of the industry. Competition in the underfloor heating market increased during the year.

In the infrastructure side, demand for decentralised wastewater treatment systems has begun to develop somewhat sluggishly, which has been a disappointment. Raw material prices have been volatile, and it is forecast that this fluctuation will continue.

Business review

The implementation of Uponor Academy continued in all countries, its underlying concept being to provide theoretical and hands-on training for Uponor's professional partners at Uponor facilities and on the customer's site. In addition to the unified Uponor brand, the so-called total offering concept was introduced in Finland during the latter half of 2006.

Since the high-rise segment has been defined as one of Uponor's focus areas of the future, the region has started to prepare for the forthcoming activities by building up resources and competencies. Cooperation with other players in the high-rise segment was also initiated.

Uponor was chosen as the supplier for two major water supply projects in Finland. Both projects aim at securing the uninterrupted distribution of pure water.

Uponor has also signed a contract to supply tap water, radiator connections and sprinkler systems, to be installed in 1,500 prefabricated flats. The installation will take place in Sweden, and the flats will be shipped to their final destination in Norway. Deliveries will start in the early spring of 2007.

Preparations were initiated for the introduction of a common ERP system in 2007. High demand for housing solutions products from other Uponor regions created capacity challenges within our production units. In 2006, some capacity expansions were made in Finland and Sweden to meet the needs of increased capacity requirements and secure future growth.

Profit performance

Net sales in the Nordic region exceeded expectations and increased by 13.6 per cent compared to last year, to 377.8 million euros (332.6 million euros in 2005). Internal sales to other regions increased by 31.5 per cent from the previous year. Moreover, external sales developed well and increased by 10 per cent for the region. This growth figure consists of a 7 per cent increase in the infrastructure side, and one of 15 per cent in housing solutions. All countries developed well in 2006, especially in applications such as tap water and radiator connections, house connections, cable and telecommunications, and house drainage.

Operating profit increased to 15 per cent (13.7) in 2006. During the year, some price increases were made in order to compensate for increased materials prices.

There were 1,332 employees at the end of 2006, (1,239). More resources have been devoted to manufacturing, especially fittings production in Finland, in response to increased demand. To support our new strategy and high-rise initiatives, we also strengthened our sales force.

Kiinteistö KYS Oy

Nordic

High quality high-rise living

In a set of rental high-rises commissioned by Kuopio University Hospital, the goal was to emphasise the quality of living and energy efficiency. Situated in the City of Kuopio, Eastern Finland, the location includes five high-rises with 337 flats equipped with Uponor's radiant underfloor heating system, a ventilation system with a heat recovery function, and an incoming air filtration system. These high-quality housing solutions and new, energy-saving construction methods have created significant savings in heating expenses. The radiant underfloor heating system increases the comfort of living since it provides an even and pleasant room temperature and enables the use of large windows and tiled floors.

Uponor maintains strong market position in Europe – West, East, South

Market situation

In 2006, developments varied between different countries in the region. Demand for housing solutions remained healthy in Spain, France and the UK. In Italy, building activities stagnated. Portugal's decrease in building activity continued. In general, plastic's penetration in plumbing increased due to its demonstrated better performance and competitive installed cost in comparison with metals. End-users' increasing comfort requirements and promotional activities among professionals have increased the penetration of underfloor heating and cooling solutions.

The Eastern European markets as well as the international business cover some of the fastest growing markets in the world. Although many of these economies are very attractive in terms of potential volume, the market environment and business conditions are often very challenging. The construction industry is booming in Russia, in new EU members like Romania and Bulgaria, and in well-developed markets such as Hungary and the Baltic countries.

In the infrastructure business in the UK and Ireland, raw material and energy costs forced prices up in 2006 across the market. Pipe competition has relented somewhat while demand has grown due to the regulatory regimes imposed by utility regulators. Capacity became an issue both in raw material supply and peak season production capability. Competition in fitting became more intense.

Business review

In heating and plumbing systems, Uponor occupies a strong market position in Spain, Portugal and the Baltic countries. In the UK, Italy and France, Uponor aims to strengthen its position. In municipal infrastructure the emphasis is on the UK and Ireland.

There has been a positive development in Uponor's market share in Europe South, West, compared to both metals and other plastic competitors. Uponor has improved its brand recognition due to extensive and focused marketing activities that aim at increasing customer loyalty among distributors and users, and increasing the customer base. Efforts to increase efficiency, and the reorganisation that took place in 2005, began to bear fruit. In 2006, we put a great deal of effort into training. More than 10,000 professionals received training on Uponor plumbing, heating and cooling systems, both in Uponor training academies and on-site training.

In the Eastern European markets, the brand change and the expansion of the customer base were in focus. Effort was devoted to building a sustainable platform for the future, especially in establishing the required people and resources. The new Uponor brand was communicated at a variety of customer events. A new sales unit was opened in Greece.

In the UK, Uponor renewed its contract to supply the majority of National Grid's gas pipes and fittings in the UK. This seven-year contract is worth an estimated EUR 25 million per year, and has a potential one-year extension. The contract will further strengthen Uponor's position as the leading provider of gas distribution systems in the UK.

Profit performance

In 2006, the region's net sales totalled approximately 387.9 million euros (325.9 in 2005) , representing annual growth of 19 percent. The housing solutions business reported good growth figures in all countries, the highest growth rates being witnessed in Spain, France and the Baltic countries. In addition, the infrastructure business in the UK and Ireland met its growth targets.

Operating profit increased by 27.3 per cent to 38.2 million euros (30.0).

The region employed 1,163 (1,110) people at the end of 2006. New employees were recruited, particularly in the Europe East and International area in response to demand created by continuous growth.

Infrastructure, UK & Ireland

Optioneering with a three way partnership

The Northern Gas Network in the United Kingdom wanted to do business in a different way, through an alliance partnership with a leading pipe materials company and installation contractor. They were looking for partners for a project that covered the renewal of 500 km of ageing iron mains per annum. Uponor was chosen as a partner after a successful pilot project, which proved it could deliver the benefits The Northern Gas Network sought – knowledge and the ability to adapt, whether it is the business or the behaviour or the products that is in question. In the pilot project, the team identified techniques to ensure deliveries at the target cost, whilst minimising the environmental impact and ensuring high safety standards for the workforce and the affected community.

Europe – HS South, West

The high life in Benidorm

Torre Lûgano – a 42-storey residential building - rises majestically to 220 meters by the Mediterranean Sea in Spain. Benidorm's highest building, consisting of 204 apartments, offers high quality high-rise living. When opting for a plumbing system, the installation company appreciated the advantages of Uponor's solution: safety and easy installation. Based on previous cooperation, the company was already familiar with Uponor as a reliable partner, and the guarantee offered by Uponor made the related decision easy.

Europe – HS East and International

Creating a pleasant working environment with Uponor expertise

Pannon Building, one of the largest building contractors in Hungary, chose Uponor heating and cooling systems for the company's new head office in Budapest. They sought a professional, environment-friendly, cutting-edge solution for their heating and cooling needs. Uponor's system was installed in their three-storey office building. The customer was delighted with the technical expertise and support provided by Uponor throughout the project, from the planning phase to installation.

Challenging market environment cut profitability in North America

Market situation

The US market was affected by a notable slowdown in the residential new construction market, especially during the second half of the year. Housing starts decreased by 13 per cent compared to previous year. Conversion from copper to modern plastic plumbing systems, which was mainly driven by recognition of the high performance of plastic systems and their competitiveness in terms of total installed cost, and further accelerated by the sustained high price of copper, somewhat offset the effect of the decline in housing starts. The share of modern plastic systems in the US's residential new construction plumbing market now slightly exceeds that of copper.

Overall market growth for hydronic heating was minimal in 2006. In the new residential market, underfloor heating continues to have very low penetration.

Business review

Uponor maintained its position on the market and continues to have the largest market share in both heating and plumbing. Overall, Uponor sells about one third of all modern plastic plumbing systems sold in North America.

Uponor established a relationship with one of the largest commercial design and build firms in North America, Uponor becoming its preferred supplier if modern plastic plumbing (PEX) or underfloor heating systems are utilised in commercial buildings erected by the firm.

In 2006, Uponor signed several agreements with top homebuilders in the US. Four builders selected Uponor as a preferred supplier of modern plastic plumbing systems. In addition, Uponor will be considered as a supplier of heating and fire sprinkler systems when specified.

A commercial business development program was launched with the objective of achieving success in plumbing for high-rise buildings as well as generating considerable interest in radiant cooling for a variety of commercial structures.

The Uponor brand was launched in North America with great success and customers have begun to embrace this change.

In an annual survey for installers conducted by Contractor magazine, Uponor maintained its position as the most valued and recognised brand.

Profit performance

In spite of deteriorating market conditions, UNA achieved net revenue growth of 3.9 per cent in 2006 with sales of 230.9 million US dollars (183.0 million euros). While net sales grew, operating profit fell by 35 per cent to USD 18.3 million (14.5 million euros). This was impacted by higher distribution costs, delays in compensating for the higher material costs of metal components in particular, slightly higher production costs, and the cost of branding initiatives.

Personnel decreased by 11 percent compared to the previous year, mainly as a result of decreases in personnel in manufacturing and warehousing positions. The region employed 568 (639) persons at the end of the year 2006.

North America

Dream home features healthy and energy-efficient interior

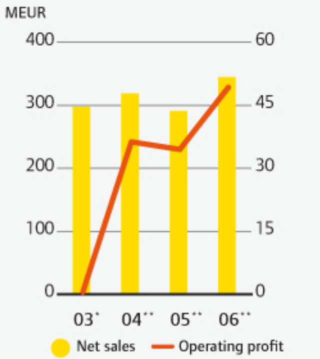
When planning their 687 square metre dream home in Idaho, USA, a typical American family made energy efficiency and a clean environment their top priorities. They wanted a home that minimised allergens and pollutants as much as possible. Uponor's underfloor heating and cooling systems, which were installed in the two-storey, 23-room house, do not use noisy blowers to circulate warmth or cooling through ambient air. In short, they satisfied the residents' demand for a clean environment. The family is extremely pleased with the low operating costs and even and consistent temperature provided by Uponor's underfloor heating.

Central Europe

Region's key figures

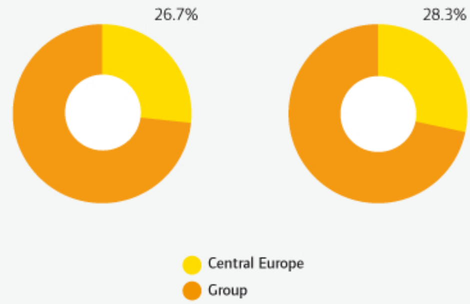
MEUR	2006	2005
Net sales	345.1	291.1
Operating profit (EBITA)	49.3	34.5
EBITA ratio	14.3	11.8
Assets	197.6	189.6
Investments	7.5	7.7
Personnel, 31 December	1,212	1,126

Net sales and operating profit



Net sales

Personnel

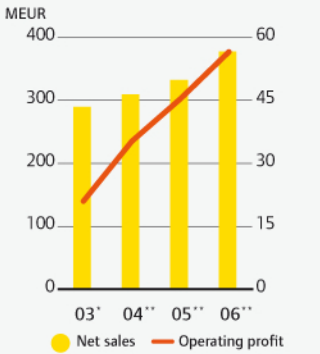


Nordic

Region's key figures

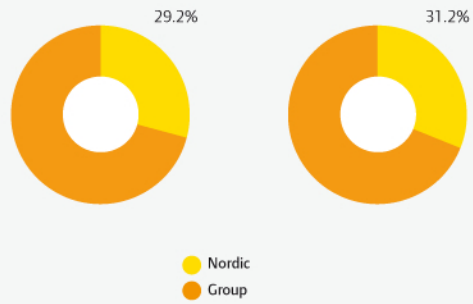
MEUR	2006	2005
Net sales	377.8	332.6
Operating profit (EBITA)	56.6	45.4
EBITA ratio	15.0	13.7
Assets	203.5	226.3
Investments	14.7	11.8
Personnel, 31 December	1,332	1,239

Net sales and operating profit



Net sales

Personnel

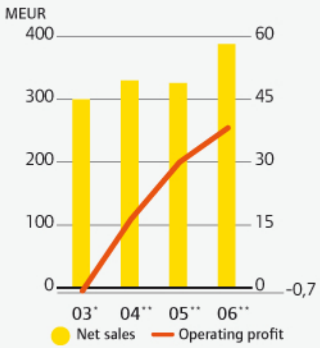


Europe – West, East, South

Region's key figures

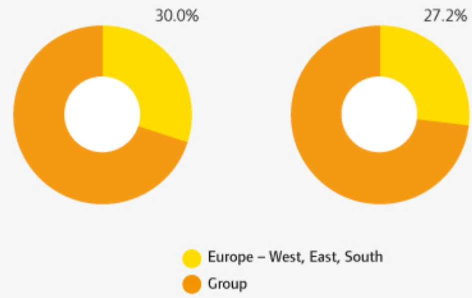
MEUR	2006	2005
Net sales	387.9	325.9
Operating profit (EBITA)	38.2	30.0
EBITA ratio	9.9	9.2
Assets	223.3	199.3
Investments	8.6	9.7
Personnel, 31 December	1,163	1,110

Net sales and operating profit



Net sales

Personnel

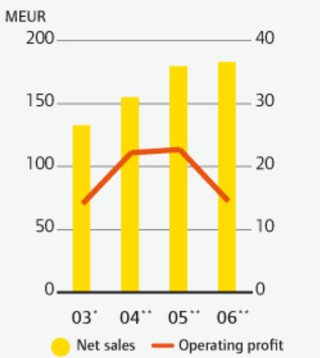


North America

Region's key figures

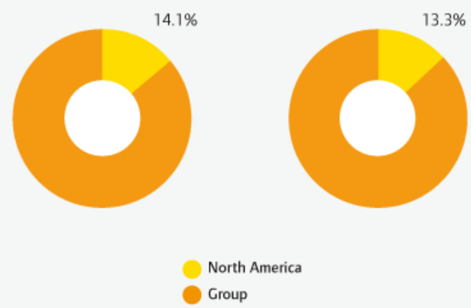
MEUR	2006	2005
Net sales	183.0	179.8
Operating profit (EBITA)	14.5	22.7
EBITA ratio	7.9	12.6
Assets	109.5	120.8
Investments	8.8	9.7
Personnel, 31 December	568	639

Net sales and operating profit



Net sales

Personnel



* FAS ** IFRS

Unified Uponor focuses on growth and efficiency

In 2006, Uponor continued to implement its strategic transformation in order to improve the company's profitability and create a solid basis for profitable growth. Uponor's strategic focus areas – growth, the corporate brand and operational excellence – remained unchanged, and the company continued its determined efforts to develop these areas further.

A uniform brand unifies operations

At the beginning of 2006, Uponor abandoned its individual system brands and began to use the Uponor corporate brand on a global basis. The purpose of the brand change was not only to change Uponor's visual image but also to develop the company's operations in order to strengthen its customer relationships and unify its operations in all of its markets.

The transfer to a single brand has proven to be the right decision, as evidenced by customer feedback, which has been positive. Customers find it very easy to cooperate with a unified Uponor, and the benefits provided by such an international partner are gradually beginning to show.

New ERP system boosts cooperation

By developing its operational excellence, Uponor is seeking to improve the basis for carrying out uniform operations. In 2006, the company continued a development project to implement a new enterprise resource planning (ERP) system – the first project of its kind in Uponor's history – which has demonstrated the power of cross-functional and cross-border cooperation.

The project reached an important milestone in July when the new ERP system was taken into use in the first company office in Germany. This proceeded without any difficulties, and the system was expanded with equal success to two additional locations at the end of the year. Preparations for the extended implementation of the system in Europe continued.

A solid basis for future profitable growth has been created

Through determined strategic development efforts, Uponor has been able to create a solid basis for future profitable growth. In 2006, the company published its intention to strengthen its position in the high-rise building segment and the cooling business, in addition to its present main segment, plumbing and heating solutions for single-family homes.

In the high-rise segment, Uponor's business has developed according to plan. By building on our expertise in the single-family home segment, we have been able to make progress in the high-rise segment, which offers growth opportunities for both plumbing systems and radiant underfloor heating and cooling operations. Although the proportion of plastic pipe systems in plumbing installations remains rather small, their popularity has grown steadily compared to metal systems. Since the business model applied in the high-rise segment differs from that of the single-family home segment, Uponor has taken measures to develop the required capabilities and ensure that it has the right kind of professional profile.

The cooling system developed by Uponor is based on the radiation effect of a cool surface – in the same manner as in underfloor heating. The goal is to develop the cooling business so that it forms one of the key pillars of Uponor's operations in the future. The company expects demand for radiant cooling to increase in tandem with growing requirements for energy efficiency and environmental friendliness as well as the demands involved in both housing and non-residential construction.

Corporate social responsibility visible in all operations

Uponor works to maintain corporate social responsibility on the basis of the following principles:

- Considering environmental factors in the development and manufacture of products
- Well-being, rewarding jobs and skills development for personnel
- Appreciating partners, consumers and society

Uponor's responsible way of conducting its operations is based on its values, reflecting what we stand for and defining how we should behave in relation to our customers and each other. The social responsibility is further defined by the code of conduct approved by the Board of Directors and Management, published in the autumn of 2006. These describe Uponor's operating principles in questions related to bribery, corruption, the handling of confidential information, the environment, the company's political commitments, as well as employees, customers and suppliers. The company complies with the applicable rules and regulations in all its operations.

Financial responsibility

Financial responsibility means rewarding and mutual cooperation with stakeholders. The starting point of responsible business operations is stable growth that helps to ensure the company's profitability and competitiveness. These objectives are reached through financial targets. In November 2006, new financial targets were set for 2007–2009 due to Uponor's improved profitability and strong financial situation.

Financial impact on stakeholders

Human resources

Uponor seeks to be a reliable and attractive employer that provides rewarding jobs and opportunities for professional growth.

Customers and partners

The cornerstones of responsible business operations are long-term co-operation and reliable partnership. Uponor works in close cooperation with its customers to ensure that its products and services meet customers' needs and enhance their business opportunities.

Uponor's main partners:

- Product installers such as HVAC and plumbing companies
- Building and pipework designers, including HVAC and electricity engineers
- Engineering and architects' offices
- Land use, water supply and sewerage engineers
- Building firms and both public and private infrastructure suppliers
- Wholesale and retail businesses
- Raw material and component suppliers, and research and educational institutes

Investors

Uponor has proved itself to be an attractive investment that has added to shareholder value through stable returns. Uponor aims at distributing at least 50 per cent of its profit as dividends on an annual basis. Due to strong cash flow and sales revenues, in the autumn of 2006 Uponor paid extra dividends to its investors in addition to regular dividends.

Society

Uponor is a significant employer and taxpayer everywhere it operates. We aim at open cooperation with governmental authorities and the media in order to communicate the company's needs successfully. Uponor cooperates with educational institutions providing both student traineeships and full-time jobs for qualified graduates. The company promotes the interest in the industry among students, by telling them about its operations and industry.

Environmental responsibility – commitment and innovation

Most of Uponor's units have set explicit environmental goals. All Group's production units' environmental, quality, and health and safety indicators form part of financial reporting. The goal is to provide more reliable information on the effects of the Group's operations.

Better human environments with Uponor products

Uponor has long traditions in designing technologically advanced and pro-environmental products. Uponor aims to surpass the environmental standards set by the authorities and become one of the industry's forerunners in this field too.

Uponor's products enable energy-efficient solutions, a constantly suitable temperature, pure water, and fresh air in any facilities where people live and work. When taking into account the environmental impact of the product's whole life cycle, Uponor's products are stronger than any rival products. In addition to their pro-environmental characteristics, the service life of plastic pipes is also exceptionally long, often 50–100 years, after which the product can be recycled.

Environmental impact of manufacturing kept to a minimum

Most significant environmental impacts stem from the use of raw materials, energy consumption and transportation. The plastics processing industry creates no major burden on the environment since such manufacturing does not involve major emissions, and raw materials are used efficiently. Raw material waste is crushed and either reused in production or sold for recycling or energy use. Water is purified and recycled in a closed system. The environmental effects of transportation are minimised through efficient delivery planning. Furthermore, the need for long-range transportation is reduced on account of Uponor carrying out local production close to its customers.

Economic impact on stakeholders

MEUR	2006	2005
Value added to customers (net sales)	1,157.0	1,031.4
Suppliers and service providers (purchases)	812.8	727.3
Personnel (salaries and remunerations)	181.3	164.4
Investors (dividends paid)	166.0	52.0
Society (taxes paid)	45.0	37.8

Values known to everyone

During the year, the new corporate values were introduced locally in almost all Uponor units. The related training events, lasting about half a day, were devoted to discussing the meaning of corporate values and what each value means from the employee's point of view. During the day, concrete rules were also jointly established in each of the training events, on the basis of the corporate values. The results of all the discussions will be compiled and utilised at corporate level in leadership development. The realisation of values in daily work is measured in personnel survey.

Skilled personnel is the prerequisite of success

Uponor's human resources management is based on the One Unified Uponor corporate strategy, which served as a basis for the revision of the corporate values in 2005. The company used the corporate strategy and the new values as a means of specifying what Uponor's internal culture should be like and its way of doing business. In the company's internal culture, the corporate values are the starting point for all operations, guiding the practices for managing the company. Through the company brand, they should also be made visible to the outside world, the customers. These values have now been analysed internally and transformed into customer promises.

The new corporate values were presented in most company units during 2006, and the goal is to have the process completed in the other sites by mid-2007. When introducing new values, it is important that each employee personally accepts and understands the values since individuals play a key role in establishing a corporate culture. Employees have been enthusiastic and active participants in discussions about our values. The goal is to turn these values into living, everyday values that become visible throughout our operations. Whenever necessary, these values will be brought up for discussion again, for example during the course of performance reviews and training.

Regular monitoring of compliance with the corporate values will be carried out in connection with the personnel survey, and they will be made part of employer-employee discussions. Development needs identified by personnel surveys will be taken into account, for example, when drawing up training plans.

Strategy work advancing as planned

Strategy work is a continuous process that requires employee commitment. Common practices are further confirmed by the harmonisation of processes and operating methods in accordance with the corporate values. Uponor continuously develops the skills and areas of competence that are vital for ensuring a skilled workforce in the future. In addition, the company supports personnel growth and development, for instance by providing opportunities for job rotation and educating personnel in accordance with the training plan. In order to ensure the development of business operations in accordance with the corporate strategy and values, different subareas of HR management are also measured and analysed on a regular basis.

Personnel and corporate culture are an important part of business success

The aim of Uponor's HR management is to harmonise its management culture and practices as well as internal communications. The principles of good leadership specified by Uponor are: get results, communicate, cooperate, build trust, learn, and change. These principles have been derived from the corporate values, and are visible in the background of all leadership activities. Regular management tools include budgeting and strategic planning, performance reviews and rewarding. In addition, the company annually examines any competence development needs that could be fulfilled through job rotation, recruitment or personnel training.

Strategy work advancing

Revised values put into practice throughout the whole Group	Leadership training programme supporting change completed	In May 2006, management meeting under the theme ”The vision and management of key customer relationships”	Restructuring of Uponor Europe – West, East and South aiming at increased business and enhanced operations in the area on 1 September 2006. At the same time, Group management was renewed in accordance with the corporate strategy by means of job rotation.	Compliance with corporate values monitored

The implementation of HR management goals is being monitored by means of indicators that are linked, for instance, with the company's financial success, customer satisfaction and brand awareness, its share of new products, or an index calculated on the basis of the personnel survey.

Visibility of corporate values outside the company studied for the first time

At the end of 2006, the first commensurable customer survey under the new Uponor brand was carried out in the firm's main market areas. The aim was to study how customers experience co-operation with Uponor. Another goal was to understand how visible the company's value-based corporate culture is from the customer's point of view. The results of the survey will be examined together with the personnel and will be utilised in drawing up performance and development plans.

In addition to the customer survey, a personnel survey was carried out among all company employees for the third time. This survey is one of the most vital HR management indicators and it is employed, for example, in the development of different subareas of management. As in previous years, the results will be examined within teams and the development and action plans will be drawn up on the basis of these discussions during the spring.

Training for everyone

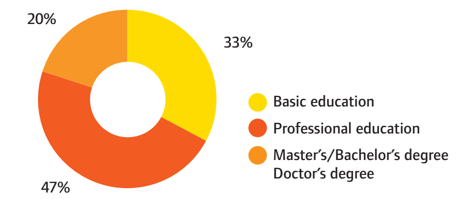
A training programme set up as a means of supporting change was completed during 2006. In two years, around a hundred key employees attended the programme. The purpose of the four three-day training periods was to support the implementation of the corporate strategy, develop areas of competence vital for ensuring business success now and in the future, and identify internal leadership potential. The final survey of the participants showed that key personnel found the training very useful.

Other training opportunities were also organised during last year in order to support strategically important competence areas such as training related to supply chain management and project management, as well as courses in the English language and economics. All personnel had equal opportunities to attend the training. For example, in 2006 the members of the Executive Committee participated in personal coaching in order to improve their leadership skills.

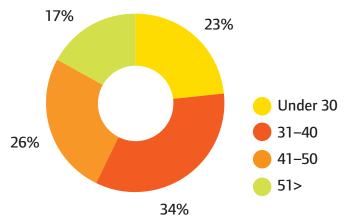
Prevention of accidents of vital importance to employee well-being

Generally speaking, occupational health and safety are at a high level in Uponor. Each facility has its own safety instructions and accidents are reported mainly at local level. At corporate level, occupational health and well-being are being advanced by ensuring the availability of the necessary tools, offering rewarding jobs and facilitating in-house job rotation through, for example, the announcement of vacancies on the corporate intranet before job advertisements are available to the public. The level of employee well-being is also measured with help of the personnel surveys and efforts for improvements are made accordingly.

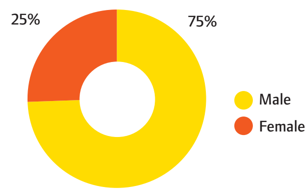
Personnel by education



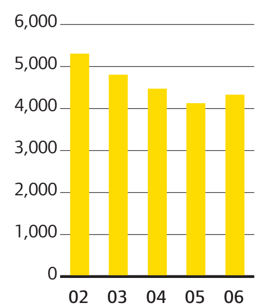
Employee age distribution



Gender breakdown



Personnel at year-end



Broad interest in corporate social responsibility matters

Every year, Uponor receives several inquiries from various ethical funds, covering all aspects of corporate social responsibility. Below are a few examples of frequently asked questions.

q: Does Uponor cooperate with companies operating in ethically controversial sectors (such as tobacco, alcohol or arms industries)?
a: No, Uponor does not cooperate with companies operating in ethically controversial sectors.

q: Does Uponor have a Code of Conduct approved by the corporate management?
a: Yes, Uponor's Board of Directors approved a Code of Conduct for the company in November 2006, which provides guidelines for the prevention of bribery and corruption, among other things.

q: Does Uponor have a management-approved policy for preventing discrimination at work?
a: Yes, employee discrimination is included in Uponor's Code of Conduct. We also aim at ensuring equal opportunity among employees by promoting open communications and the respect and support of individuals. Moreover, our vacancies are published on the intranet for anyone to apply.

q: Which human resources development tools does Uponor apply?
a: Our human resources management tools include an annual personnel survey and development discussions. We also support human resources development through, for instance, internal training and job rotation.

q: Has Uponor set quantitative goals for reducing its environmental effects (including energy, water, materials, waste, transports etc.), or does the company have a related policy?
a: Each Uponor site is responsible for the management of its environmental work and for setting detailed environmental responsibility goals. Most of our production plants have an ISO 14001 certified environmental management system which focuses on the continuous improvement of environmental performance.

Group structure 1 January, 2007

President & CEO
Jan Lång

Finance & Administration
Jyri Luomakoski

Human Resources
Paula Aarnio

Supply Chain
N.N. *)

Offering, Technology & Development
Jukka Kallioinen

Uponor Central Europe
Bernhard Brinkmann

HS Central Europe
- Germany
- Austria
- Switzerland

HS Poland
- the Czech Republic
- Ukraine
- Belarus

Uponor Nordic
Georg von Graevenitz

HS Nordic
- Sweden
- Finland
- Denmark
- Norway

IE Nordic
- Sweden, Norway
- Finland
- Denmark

Uponor Europe - West, East, South

HS South, West
Fernando Roses
- Spain, Portugal
- Italy
- France
- HS UK & Ireland

HS East & International
Heiko Folgmann
- Baltic, Russia
- International sales

IE UK & Ireland
Stuart Godfrey

Uponor North America
Anders Tollsten

HS North America
- USA
- Canada

*) Sebastian Bondestam as from April 2007
HS = Housing Solutions
IE = Infrastructure Solutions

Uponor Corporation Board of Directors, 1 January 2007

Pictured from the left, Aimo Rajahalme, Rainer S. Simon, Pekka Paasikivi, Anne-Christine Silfverstolpe Nordin and Jorma Eloranta.

Pekka Paasikivi
b. 1944, Finnish citizen, B.Sc. (Eng.), Chair of the Board of Oras Invest Ltd

- Chair of the Board, Uponor Corporation from 30 September 1999, member from 23 September 1999
- Uponor shareholdings: 429,774 shares

Board memberships:
- Chair of the Board, Erkki Paasikivi Foundation
- Chair of the Supervisory Board, Varma Mutual Pension Insurance Company
- Member of the Council of Representatives, Confederation of Finnish Industries (EK)
- Member of the Board, Okmetic Oyj
- Member of the Board, Raute Oyj
- Member of the Board, Foundation of Economic Education

Career history:
- Various positions at Oras companies, e.g. Managing Director, President and CEO

Aimo Rajahalme
b. 1949, Finnish citizen, M.Sc. (Econ.), Executive Vice President, Finance, KONE Corporation

- Deputy Chair of the Board, Uponor Corporation from 15 March 2005, member from 17 March 2003
- Uponor shareholdings: 5,928 shares

Career history:
- Member of the Executive Board, KONE Corporation, since 1991
- CFO, KONE Corporation, since 1991
- Employed by KONE since 1973

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

- Member of the Board, Uponor Corporation from 15 March 2005
- Uponor shareholdings: 2,713 shares

Board memberships:
- Member of the Supervisory Board, Ilmarinen Mutual Pension Insurance Company
- Member of the Council of Representatives, Confederation of Finnish Industries (EK)
- Member of the Executive Board and Member of the Board, Technology Industries of Finland
- Chairman of the Advisory Board, Laatukeskus Excellence Finland
- Member of the Board, Research Foundation of Helsinki University of Technology
- Chairman and Member of the Board, Oy Center-Inn Ab

Career history:
- President and CEO, Kvaerner Masa-Yards Inc., 2001–2004
- President and CEO, Patria Industries Group, 1997–2001
- Deputy CEO, Finvest Group and Jaakko Pöyry Group, 1996–1997
- President, Finvest Oyj, 1985–1995

Anne-Christine Silfverstolpe Nordin
b. 1950, Swedish citizen, M.A. (Soc.), Partner and Senior Consultant of Neuhauser & Falck AB

- Member of the Board, Uponor Corporation from 17 March 2003
- Uponor shareholdings: 5,341 shares

Board memberships:
- Member of the Board, Neuhauser & Falck AB
- Member of the Board and owner, Chorda Management AB

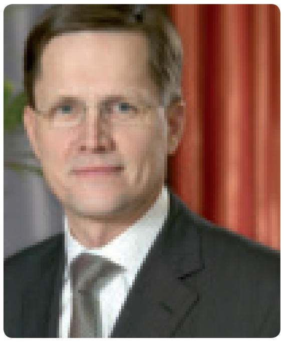
Career history:
- Senior Vice President, Swedish Post (Posten AB), 1997–2002
- Various positions in Human Resources in different companies 1984–1997

Rainer S. Simon
b. 1950, German citizen, Dr.Sc.(Econ.), Managing Director, Birch Court GmbH

- Member of the Board, Uponor Corporation from 17 March 2004
- Uponor shareholdings: 2,459 shares

Career history:
- President and CEO, Sanitec Corporation, 2002–2005
- Member of the Executive Board, Friedrich Grohe AG, 1995–2002
- Senior Vice President, Europe, Continental AG, 1993–1995
- Managing Director, Keiper-Recaro, 1991–1993
- Various national and international marketing and general management positions, Continental AG, 1979–1990

Executive Committee, 1 January 2007



Jan Lång
President and CEO
M.Sc. (Econ.)
b. 1957, Finnish citizen

- Employed by Uponor since June 2003
- Uponor shareholdings: 10,400 shares

Career history
- President and CEO, Uponor Corporation, 1 August 2003–
- Various positions at Huhtamäki Group during 1982–2003:
  Division President, Food Service, Europe, 2003
  Group Vice President, South & West Europe, 2001–2002
  Group Vice President, Global Sourcing, 2000–2001
  Steering Group Member, Senior Executive, Huhtamäki/Van Leer merger, 1999–2000
  Group Vice President, North & West Europe, Leaf Group, 1997–1999
  Various director and manager positions in Germany, Holland, UK and Finland, 1982–1997

Jyri Luomakoski
Deputy CEO, CFO
MBA
b. 1967, Finnish citizen

- Employed by Uponor since 1996
- Uponor shareholdings: 1,900 shares

Career history
- Uponor:
  Deputy CEO, Uponor Corporation, 2002–
  CFO, member of Executive Committee, Uponor Corporation (Asko Oyj), 1999–
  Corporate controller, Uponor, 1997–1999
  Controller, Uponor, 1996–1997
- Deputy Managing Director and CFO, Oy Lars Krogius Ab, 1991–1996
- Director and Manager positions in Germany and Finland, Datatrans, 1987–1991

Paula Aarnio
Executive Vice President, Human Resources
M.Sc. (Eng.)
b. 1958, Finnish citizen

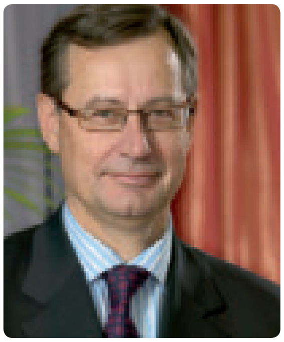
- Employed by Uponor since February 2004
- No Uponor shareholdings

Career history
- Human Resources Director, Oy Karl Fazer Ab, 2001–2004
- Vice President, Human Resources, Neste Oy/Fortum Oyj,1998–2001
- General Manager, Human Resources, Neste Oy, Chemicals Division, 1997–1998
- Technical Marketing Manager, Neste Resins Oy, 1992–1995
- Product Development Manager, Neste Resins Oy, 1987–1991

Bernhard Brinkmann
Executive Vice President, Uponor Central Europe
M.Sc. (Mech.Eng.)
b. 1953, German citizen

- Employed by Uponor since May 2004
- Uponor shareholdings: 1,500 shares

Career history
- CEO, Zarges-Tubesca Holding GmbH, 1996–2004
- Division Head of Small Domestic Appliances, Bosch-Siemens Hausgeräte GmbH, 1992–1996
- CEO, Esselte Meto GmbH, 1988–1991
- Director of Strategic Planning, Osram GmbH, 1985–1988
- Management Consultant, Roland Berger & Partner GmbH, 1980–1985



Georg von Graevenitz
Executive Vice President, Uponor Nordic
M.Sc.(Eng.)
b. 1947, Finnish citizen

- Employed by Uponor since March 2004
- No Uponor shareholdings

Career history
- Uponor:
  Executive Vice President, Marketing and Development, November 2004 – August 2006
  Executive Vice President, Marketing, March–October 2004
- Vice President, Marketing, Sulzer Pumps, 2000–2004
- Vice President, Marketing, Ahlstrom Pumps Oy, 1997–2000
- Regional Vice President, Foster Wheeler Energy, 1995–1997
- Managing Director, Ahlstrom CNIM, Paris, France, 1994–1995
- Director Business Development, Ahlstrom Pyropower, 1993–1994
- Various director positions at Nokia in cables and capacitor business in Finland and abroad, 1988–1993
- Various marketing and general management positions at Tampella, Ahlström and Brown Boveri in Finland,Sweden and Switzerland,1974–1988

Jukka Kallioinen
Executive Vice President, Offering and Development
M.Sc. (Eng.), eMBA
b. 1958, Finnish citizen

- Employed by Uponor since 1984
- Uponor shareholdings: 440 shares

Career history:
- Uponor:
  Executive Vice President, Uponor Europe – West, East, South, 2004 – August 2006
  President, Infrastructure and Environment Europe, 2002–2003
  Director, Building and Construction Division, 1999–2001
  Director, Municipal Engineering, 1998–1999
  Managing Director, Uponor Anger GmbH, Germany, 1995–1998
  Business Area Manager, Ecoflex, 1988–1995

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

- Employed by Uponor since February 2004
- No Uponor shareholdings

Career history:
- Executive Vice President, Uponor Nordic, 2004 – August 2006
- CEO, ABB Building Systems AB, 2002–2003
- CEO, NorthNode AB, 2001–2002
- Head of LV Motor Division, ABB Motors AB, 1996–2001
- Sub–division Manager, ABB Installation AB, 1994–1996

Vocabulary

Term (in Uponor context)	Explanation
Application	A technical entity in which Uponor products are used, such as radiant underfloor heating, a plumbing system, or a water supply and wastewater network.
Business group	A set of applications that are logically interconnected in terms of use, such as unpressurised sewers for municipal infrastructure, water supply networks, and pressurised sewers.
Commercial construction	Construction for commercial purposes, such as shops or offices.
Composite pipe	A combination of plastic and metal designed to provide the best characteristics of both materials. Due to its stiffness, it is an excellent product for surface installations in, for example, renovation and modernisation projects.
ERP, Enterprise Resouce Planning	An enterprise resource planning (ERP) system enables the management of all information related to, for example, production, sales, and distribution.
High-rise building	A multi-storey residential, commercial, office, or public building.
Housing solutions	At Uponor, this business group covers the following applications: underfloor heating and cooling, pre-insulated house connections for heating and tap water, and plumbing and radiator pipes.
HPAC	Heating, ventilation, and air conditioning systems in buildings.
Hydronic cooling	A cooling method based on the same principle as hydronic heating.
Hydronic heating (also: radiant heating)	A heating method in which heat generation and distribution are separated from each other. Any source of energy can be used to produce the heat, which is then distributed to the building through, for example, underfloor pipes circulating heated water.
Infrastructure solutions	At Uponor, this business group covers the following applications: water, sewer, and gas networks; cable protection; on-site wastewater treatment; and soil and waste systems and ventilation for buildings.
Multilayer pipe	A pipe consisting of multiple layers, each of them having a specific function, such as to protect against wear and tear or prevent oxygen from passing through the pipe wall. While the layers are typically made of plastic, a composite pipe contains a layer of aluminium.
Municipal infrastructure (also: municipal engineering or utility infrastructure)	Water, sewerage, electricity, district heating, and other such services that are centrally produced for buildings situated in population centres.
On-site waste water treatment	A wastewater disposal method intended for buildings that are not connected to the municipal sewerage network, aimed at burdening the environment as little as possible.
PEX pipe	PEX is an extremely strong plastic that withstands high temperatures. It is made of polyethylene through cross-linkage that forms transverse bonds between longitudinal bonds, for a net-like structure.
Plastic pipe	A general term referring to various types of pipes made of plastic. Compared to other pipe types, plastic pipes offer many benefits, including easy installation, durability, and low lifetime cost.
Polyethylene pipe	Polyethylene pipes are used in municipal infrastructure and also as cold-water plumbing pipes in buildings. Their benefits include versatility and weldability.
Polypropylene pipe	Polypropylene pipes are used both for infrastructural uses and for buildings. Adavantages include, for example, weldability and, especially for building use, their low cost.
PVC pipe / Vinyl pipe	PVC or vinyl pipes are used mainly in municipal infrastructure, for use in the ground.
Region	Uponor is divided into four geographical region organisations.
Renovation	Repair, renovation, or replacement of existing buildings, pipework, etc.
Segment	Uponor's two business segments are housing solutions and infrastructure solutions.
Single-family building	In the Uponor context, this includes single- and two-family houses, semidetached houses, and row houses (US) / terraced houses (UK).
Sprinkler system	An additional feature attached to Uponor's plumbing system to protect a dwelling against fire. A sprinkler system sprays water into the area of fire.
Surface installation	An installation method used in, for example, renovation and modernisation that involves installing new pipes on the wall rather than in the wall as is typically the case in new building. Surface installation makes the work quicker and often saves money.
Underfloor heating	A heating method in which the floor's thermal storage mass is utilised for heating the space. This can be carried out as a hydronic system (cf. hydronic heating) or by use of electric cables.

Contacts

Uponor Group Head Office

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Region management
Uponor Central Europe
P.O. Box 1641 (Industriestrasse 56)
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Tel. +49 9521 6900
Fax +49 9521 690 150

Uponor Nordic
Region management
Uponor Nordic
P.O. Box 37 (Robert Huberin tie 3 B)
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Fax +358 20 129 2841

Uponor Europe – West, East, South

Area management
Uponor Housing Solutions South, West
Calle C, nº 24, Polígono Industrial nº1
E-28938 Móstoles (Madrid), Spain
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Fax +34 91 647 3245

Area management
Uponor East & International
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D-97433 Hassfurt, Germany
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Fax +49 9521 690 150

Area management
Uponor Infrastructure Solutions UK & Ireland
Hilcote Plant, P.O. Box 1, Blackwell
Near Alfreton, Derbyshire DE55 5JD, UK
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Fax +44 1773 812 343

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FINANCIAL REPORT 2006

Uponor's annual report 2006 consists of two publications, the annual review and financial report. The annual review gives a broad picture of the business operations and the company. The financial report, on the other hand, contains the financial statements including notes, share and shareholder information, and other relevant information on Uponor as an investment.

The entire annual report has been mailed to registered shareholders.

Contents

Information for shareholders

The Annual General Meeting
Uponor Corporation's Annual General Meeting is to be held on Thursday, 15 March 2006 at 5.00 p.m. at the Finlandia Hall, Mannerheimintie 13 e, 00100 Helsinki, Finland.

Important dates in the year 2007
- Financial accounts bulletin for 2006, 8 February
- Financial statements for 2006, 8 February
- Annual General Meeting,15 March at 5 p.m.
- Record date for dividend payment, 20 March*
- Date for dividend payment, 27 March *
- Interim report: January-March on Thursday, 26 April at 11 a.m .
- Interim report: January-June on Tuesday, 7 August at 11 a.m .
- Interim report: January-September on Friday, 26 October at 11 a.m.

*Proposal of the Board of Directors

Publications
The annual report will be published in Finnish and English and will also be available on the company website at www.uponor.com. The interim reports and corporate releases will be published in Finnish and English on the company website.

To order publications, please contact:
Uponor Corporation, Communications
P.O.Box 37, Robert Huberin tie 3 B, FI-01511 Vantaa, Finland
Tel. +358 (0)20 129 2854, fax +358 (0)20 129 2841
communications@uponor.com
www.uponor.com

Insider register
The public register of Uponor Corporation's insiders may be viewed at the customer service point of Finnish Securities Central Depository Ltd (APK), Urho Kekkosen katu 5 C, Helsinki, or at the 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.

Uponor's IR contacts

Silent period
Uponor applies the principle of a silent period in its IR communications. During a silent period, Uponor does not comment on market prospects or factors affecting business and performance, nor does the company engage in discussion on events or trends related to the reporting period or the current 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.

Questions and enquiries
ir@uponor.com

Meeting requests
Johanna Suhonen, Executive Assistant
Tel. +358 (0)20 129 2823
johanna.suhonen@uponor.com

Other IR contacts
Jyri Luomakoski, CFO and deputy CEO
Tel. +358 (0)20 129 211
jyri.luomakoski@uponor.com
Tarmo Anttila, Vice President, Communications
Tel. +358 (0)20 129 2852
tarmo.anttila@uponor.com
Anita Riikonen, Communications Coordinator
Tel. +358 (0)20 129 2854
anita.riikonen@uponor.com

Changes 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. By keeping your contact details updated, you ensure correct delivery of any shareholder information from Uponor.

Other shareholder enquiries
legal@uponor.com
Pekka Holopainen, General Counsel
Tel. +358 (0)20 129 2835
pekka.holopainen@uponor.com
Marjo Kuukka, Legal Assistant
Tel. +358 (0)20 129 2837
marjo.kuukka@uponor.com

Review by the Board of Directors

Overview

For Uponor, 2006 was one of the most successful years in the company's history. Uponor carried out restructuring measures according to plan, allowing the company to concentrate on its strategic priorities: growth, brand development and enhancing operational efficiency. Work on these priorities progressed as planned.

Overall, there was a positive sentiment in Uponor's principal markets. The company's largest market, the United States, showed a markedly weaker demand towards the end of the financial year. The German market was flat in the first half until it picked up clearly during the second half. Spain showed favourable sales development while market demand elsewhere in Europe varied from satisfactory to brisk.

Net sales

In 2006, Uponor posted consolidated net sales of EUR 1,157.0 million (2005: EUR 1,031.4), up 12.2 per cent year on year.

Uponor Central Europe (18.6 per cent) and Uponor Europe – WES (19.0 per cent) reported the strongest growth in net sales, while Uponor Nordic's 13.6 per cent growth markedly exceeded the Group's growth targets. Uponor North America's net sales growth (1.8 per cent) remained modest due to a considerably weakening demand in housing construction during the second half, as a result of a contraction of 12.9 per cent in housing starts.

Demand in the largest Central European market, Germany, recovered during 2006 after several sluggish years, Uponor's housing solutions in Germany recording a net sales increase of 17.0 per cent. Demand for housing solutions in other Central European markets also showed favourable development. Moreover, growth in the plastic system's market share contributed to Uponor's growth, since price increases of competing raw materials, mainly copper, boosted the competitiveness of plastic pipe systems.

Demand for housing solutions in Uponor Nordic remained strong, reflected in net sales growth of 23.5 per cent, which was also partly supported by brisk demand in other Uponor regions. In Uponor Nordic, infrastructure solutions posted 4.9 per cent growth in net sales, a significant proportion of this growth being due to product price increases offsetting higher material costs.

The Uponor Europe – WES housing solutions business expanded rapidly, with annual organic growth at slightly over 32 per cent. In certain, large markets, such as Spain, Uponor's strong market position paved the way for growth, involving targeted measures to enhance customer loyalty. In geographical terms, Uponor expanded and strengthened its presence in a few markets, such as the U.K., France, Russia and the Baltic countries. In the U.K. in particular, the infrastructure business showed favourable development amidst difficult market conditions characterised by occasional challenges presented by higher raw material costs and the availability of raw materials. Extensive supply contracts concluded in late 2005 and during 2006 guaranteed high capacity utilisation rates and net sales growth of 25 per cent.

Secondary segment net sales for housing solutions rose to EUR 804.4 million (697.5), with organic growth at 15.3 per cent. Infrastructure solutions posted net sales of EUR 352.6 million (332.7), representing organic growth of 12.3 per cent, excluding divestments. This net sales growth by housing solutions stemmed from a combination of higher volumes and prices, while the growth in infrastructure solutions' net sales came mostly from higher sales prices resulting from higher raw material costs.

Net sales by segment for 1 Jan. –31 Dec. 2006:

	2006 1-12	**2005** 1-12	**Reported change, %**
Central Europe	345.1	291.1	+18.6
Nordic	377.8	332.6	+13.6
Europe – West, East, South	387.9	325.9	+19.0
North America, EUR	183.0	179.8	+1.8
(North America, USD	230.9	222.2	+3.9)
Others, EUR	-	3.9	
Eliminations	-136.8	-101.9	
Total	1,157.0	1,031.4	12.2

The largest geographical markets and their share of consolidated net sales in 2006 were as follows: USA 14.0% (15.4), Germany 13.9% (14.7), U.K. 11.2% (9.8), Finland 9.1% (9.7), Spain 8.1% (6.4), Sweden 7.4% (7.2) and Denmark 6.3% (6.2).

Results

Consolidated operating profit came to EUR 143.7 million (123.0), accounting for 12.4 per cent (11.9) of net sales. Like-for-like operating profit improved by 16.8 per cent on a year earlier. This improvement was mainly due to the leverage effect of increased sales, higher sales prices compensating for higher raw material costs and the improved production cost structure resulting from the restructuring programme. Operating profit was affected by major expenditure on the further development of the company's operations, such as the development of a common enterprise resource planning (ERP) system and the brand strategy.

Operating profit by segment for 1 Jan. –31 Dec. 2006:

	2006 1-12	2005 1-12	Reported change, %
Central Europe	49.3	34.5	43.0
Nordic	56.6	45.4	24.5
Europe – West, East, South	38.2	30.0	27.3
North America, EUR	14.5	22.7	-36.2
(North America, USD	18.3	28.1	-34.8)
Others, EUR	-12.0	-8.3	
Eliminations	-2.9	-1.3	
Total	143.7	123.0	16.8

All of the European regional organisations posted improved results and profitability. Uponor Central Europe showed the greatest improvement in profitability, with EUR 4.5 million of restructuring expenses recorded in 2005 affecting year-on-year comparability. The leverage effect resulting from growth and streamlining measures also contributed to improved profitability in Uponor Central Europe and Uponor Nordic.

Although Uponor Europe – WES recorded the fastest net sales growth, it did not enjoy the same kind of leverage effect on profitability as Uponor Central Europe and Uponor Nordic, due to its business structure. A significant share of the region's growth came from sales units, which purchase their products from other regional organisations. Operating profit reported by Uponor Europe – WES was also affected by EUR 3.0 million in capital losses on the divestment of the German and Czech infrastructure operations in the spring of 2006.

Uponor North America's results and profitability fell significantly due to declining construction, resulting in the distribution channel lowering inventories. At the same time, price competition toughened in the housing solutions market. North America's results at the beginning of the year were also eroded by disproportionate increases in distribution costs.

Consolidated operating profit reported for 2006 was in line with the forecasts announced at the beginning of the financial year and updated in subsequent interim reports, according to which operating profit for 2006 would exceed that recorded for 2005 and profit margin would meet the long-term target of a minimum of 12 per cent of net sales.

Consolidated profit before taxes from continuing operations rose by 17.4 per cent, to EUR 141.5 (120.5) million. At a tax rate of 31.8 (31.4) per cent, income taxes totalled EUR 45.0 (37.8) million. Profit for the financial year totalled EUR 96.5 million (82.7).

Thanks to the stronger balance sheet, net financial expenses decreased to EUR 2.2 million (2.5), despite higher interest rates.

Return on equity stood at 25.3 (20.3) per cent and return on investment rose to 35.8 (28.1) per cent.

Earnings per share (diluted and undiluted) were EUR 1.32 (1.12). Equity per share (undiluted) was EUR 4.71 (5.72) and diluted EUR 4.70 (5.72).

Cash flow from operations was EUR 147.3 million, which is EUR 11.3 million below the 2005 level due mainly to taxes paid in 2006 that were EUR 21.1 million higher than the year before.

Investments, research and development, and financing

Investments in 2006 were mainly allocated to the development of an enterprise resource planning (ERP) system and common processes, as well as the enhancement of the production network. The largest single investment, EUR 13.8 million, was the pan-European ERP system. Gross investments totalled EUR 54.2 million (49.0), up EUR 5.2 million, while net investments came to EUR 47.4 million (20.7).

R&D expenditure showed a slight decrease, totalling EUR 16.5 million (17.4), accounting for 1.4 per cent (1.7) of net sales.

Uponor Group already achieved a very strong financial position in 2005 due to finalised divestments of non-core assets and strong cash flow from business operations. In 2006, cash flow from operations remained strong. Dividends paid out during the financial year, a total of EUR 166.0 million (ordinary dividends of EUR 65.8 million and extra dividends of EUR 100.2 million), returned the balance sheet to a net debt position. Net interest-bearing liabilities increased to EUR 21.7 (-26.9). The solvency ratio stood at 53.6 per cent (63.2) and gearing was 6.3 per cent (-6.4).

Key events

Uponor underwent a major change in its history in early 2006 when all of its various system brands assumed the Uponor brand and the company adopted a new visual identity. These measures also enabled the combination of four German sales organisations to form one of the market's strongest, unified Uponor organisation.

In February, Uponor announced that it would place a stronger focus on the high-rise segment, which, in addition to the single-family home segment, provides a firmer basis for organic growth in Uponor's housing solutions products. The financial year saw the launch of targeted measures for the new market segment.

Uponor's pan-European enterprise resource planning (ERP) system project is progressing as planned. In July, a sales office in Germany was the first to adopt the related limited functionality. In early December, the rest of the German system sales and production operations adopted the new ERP system successfully.

In the U.K., Uponor won several multi-year contracts for the supply of municipal pipe systems with local utilities. At a total value of around EUR 25 million per year, the largest single contract has a duration of seven years with a one-year extension option.

The summer saw the completion in North America of the extension of the office and production facilities, initiated in the preceding year, making it again possible to combine the functions previously housed in several buildings in the area under the same roof.

In early September, Uponor confirmed a new organisation aimed at further unifying Uponor by rotating and redistributing top management duties. At the same time, Europe – WES underwent changes in its management system, supporting the further development of this most vigorously growing regional organisation.

In early November, Uponor's Board of Directors set new long-term Group targets for 2007–09. For example, the profit margin target increased from the previous minimum of 12 per cent to the current minimum of 15 per cent. On the Capital Markets Day held at the same time, Uponor presented its cooling application, which is expected to become a product line of long-term significance similar to the radiant floor heating business.

Personnel

The Group had a staff of 4,325 (4,126) at the end of the year, while the reported number of employees in 2006 averaged 4,260 (2005: 4,169 and 2004: 4,684). The increase in staff numbers largely reflects organic growth in business. Wages and salaries for the financial year totalled EUR 181.3 million (2005: 164.4 and 2004: 182.5).

The geographical breakdown of personnel was as follows: Germany 1,207 (27.9%), Sweden 681 (15.7%), U.K. 502 (11.6%), Finland 478 (11.1%), USA 392 (9.1%), Spain 281 (6.5%) and other countries 784 (18.1%).

Risks associated with business

Strategic risks

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

With respect to suppliers, Uponor aims to use supplies and raw materials provided by a large number of suppliers. In the event of a sole supplier, it must have at least two production plants manufacturing goods used by Uponor.

Operational risks

The prices of raw materials used in the manufacture of plastic pipe systems are susceptible to other petrochemical product price fluctuations. In recent years, Uponor has been capable of passing the effects of such fluctuations onto its selling prices with a reasonable delay in such a way that this has not resulted in any major income losses. Demand for Uponor's end products depends on business cycles in the construction sector. These business cycles are somewhat offset by demand for renovation projects, which is not always based on discretion to the same extent as new housing projects.

Financial risks

Since Uponor has strengthened its balance sheet in the last few years, financial risks plays a considerably smaller role in the company's risk management. A substantial share of Uponor's net sales are created in currencies other than the euro, but for the most part expenses allocated to these net sales are also denominated in the local currencies in question. Consequently, the translation risk is the most significant currency risk, reflected in translating non-euro area results into the euro.

Hazard risks

Uponor runs 17 production plants in 11 countries and products manufactured in these plants generate a major proportion of the company's net sales. Uponor co-ordinates indemnity and business interruption insurance at Group-level on a centralised basis, in order to achieve an extensive insurance coverage neutralising financial damage caused by any risks associated with machine breakdowns, fire etc. Another major hazard risk is associated with product liability related to products manufactured and sold by Uponor. Product liability is also insured at Group level.

The year 2006 saw no materialised risks, pending litigations or other legal proceedings or measures by the authorities that could have had a material significance to the Group.

Administration and audit

The Annual General Meeting (AGM) of 16 March 2006 re-elected the following Board members for a term of one year: Anne-Christine Silfverstolpe Nordin, Jorma Eloranta, Pekka Paasikivi, Aimo Rajahalme and Rainer S. Simon. The Board re-elected Pekka Paasikivi Chairman of the Board and Aimo Rajahalme Deputy Chairman. The AGM elected KPMG Oy Ab, Authorised Public Accountants, the company's auditor, with Sixten Nyman, Authorised Public Accountant, acting as the principal auditor.

Share capital and shares

At the beginning of 2006, Uponor Corporation's share capital totalled EUR 148,766,888 and the number of shares 74,383,444, while the year-end share capital was worth EUR 146,446,888 with the number of shares totalling 73,223,444. This decrease resulted from the invalidation of 1,160,000 shares as decided by the Annual General Meeting of 16 March. At a nominal value of EUR 2, each share entitles its holder to one vote at the shareholders' meeting.

Board authorisations

The AGM of 16 March 2006 authorised the Board of Directors to decide, by 16 March 2007, on the buyback of the company's own shares using distributable earnings from unrestricted equity. The combined par value of the shares to be bought back, together with the par value of own shares already held by the corporation, may not exceed five per cent of the company' share capital and voting rights held at the time of the buyback.

The Extraordinary General Meeting of 27 October 2006 authorised the Board of Directors to decide on transferring, without payment, a maximum of 88,000 of treasury shares at a per-share par value of two (2) euros to the company's Executive Committee members, under the terms of the 2004 share-based incentive scheme, and on other issues related to the transfer.

Treasury shares

During the financial year, Uponor Oyj's Board of Directors did not exercise the AGM's authorisation to buy back own shares.

Management shareholding

The members of the Board of Directors, CEO and his deputy, as well as corporations known to the company, in which they exercise control, held a total of 458,515 Uponor shares on 31 December 2006. These shares accounted for 0.6 per cent of all company shares and total votes.

Share-based incentive programme

In April 2004, Uponor Corporation's Board of Directors decided to launch a new incentive programme aimed at Executive Committee members, who would have the opportunity to receive a share-based reward in 2007, based on the attainment of a pre-determined cumulative EBITA target set for the period of three years from 2004 to 2006, corresponding to a maximum net value of 80,000 Uponor shares. The CEO and CFO are not entitled to dispose of the shares earned under this programme during their term of employment, without the consent of the Board of Directors. For other Executive Committee members, half of the shares earned are subject to the same restriction. The Board of Directors has the possibility to raise or reduce the number of shares by ten per cent, depending on whether the company's other long-term objectives are achieved.

Events after the financial year

At its meeting on 8 February 2007, the Board of Directors decided on granting bonuses based on the 2004–2006 incentive programme. Cumulative EBITA for the financial year achieved the maximum target under the programme and the Board of Directors decided to transfer 71,500 shares to seven Executive Committee members. In addition, the company will pay a cash bonus equalling taxes and similar charges resulting from the share transfer.

Outlook for 2007

Construction in Europe is expected to remain active although the growth rate is anticipated to slow down from the previous year's level. In Germany, construction is expected to continue to recover. In Eastern Europe, construction is projected to grow, but this market does not yet account for a substantial share of Uponor's net sales.

In North America, especially the U.S.A, general market expectations look unfavourable. However, there are wide variations between these expectations, which is why anticipating demand proves challenging. On average, housing starts are expected to decline by around 15 per cent.

The expected increase in the market share of plastic plumbing systems and investments in the high-rise segment will support Uponor's growth. In addition, growth will be supported by those European market areas where Uponor has not yet achieved a satisfactory position. For these reasons, organic growth in net sales is expected to reach the long-term target of minimum 6 per cent.

Supported by organic growth and as a result of recent years' development efforts, the profit margin is expected to improve from the 2006 level. Operating profit in euro is also projected to exceed the level recorded in 2006.

Group key financial figures

	2006	2005	2004	2003	2002
	IFRS	IFRS	IFRS	FAS	FAS
Consolidated income statement (continuing operations), MEUR					
Net sales	**1,157.0**	1,031.4	1,026.9	1,021.0	1,137.2
Operating expenses	**981.4**	883.6	894.3	910.0	984.0
Depreciation and impairments	**35.6**	31.0	40.9	87.1	74.7
Other operating income	**3.7**	6.2	3.5	6.8	35.7
Operating profit	**143.7**	123.0	95.2	30.7	114.2
Financial income and expenses	**-2.2**	-2.5	-5.9	-9.9	-13.5
Profit before taxes	**141.5**	120.5	89.3	20.8	100.7
Profit for the period	**96.5**	82.7	63.8	1.6	64.2
Consolidated balance sheet, MEUR					
Fixed assets	**263.7**	267.5	282.9	373.1	455.8
Goodwill	**70.2**	70.2	70.2	75.9	91.2
Inventories	**128.1**	111.4	136.5	135.5	166.5
Cash and cash equivalents	**12.4**	48.9	29.5	16.9	6.3
Other current assets	**169.5**	165.3	170.7	187.8	207.0
Shareholders' equity	**344.4**	418.4	397.0	470.0	540.1
Minority interest	**-**	-	-	0.9	5.4
Provisions	**15.5**	14.8	20.4	31.4	11.4
Non-current interest bearing liabilities	**17.2**	19.4	22.4	59.5	100.2
Current interest-bearing liabilities	**16.9**	2.6	40.7	41.5	70.0
Non-interest-bearing liabilities	**249.9**	208.1	209.3	185.9	199.7
Balance sheet total	**643.9**	663.3	689.8	789.2	926.8
Other key figures					
Operating profit (continuing operations), %	**12.4**	11.9	9.3	3.0	10.0
Profit before taxes (continuing operations), %	**12.2**	11.7	8.7	2.0	8.9
Return on Equity (ROE), %	**25.3**	20.3	21.7	0.3	11.8
Return on Investment (ROI), %	**35.8**	28.1	27.0	4.9	14.8
Solvency, %	**53.6**	63.2	57.7	59.8	58.9
Gearing, %	**6.3**	-6.4	8.5	17.8	30.0
Net interest-bearing liabilities, MEUR	**21.7**	-26.9	33.6	84.0	163.9
- % of net sales	**1.9**	-2.6	3.3	8.2	14.4
Change in net sales, %	**12.2**	0.4	0.6	-10.2	-4.6
Exports from Finland, MEUR	**36.7**	30.0	22.7	20.4	20.6
Net sales of foreign subsidiaries, MEUR	**1,051.1**	929.0	959.1	900.9	1,043.4
Total net sales of foreign operations, MEUR	**1,052.2**	931.0	960.8	903.4	1,047.6
Share of foreign operations, %	**90.9**	90.3	89.6	88.5	92.1
Personnel at 31 December	**4,325**	4,126	4,475	4,803	5,302
Average no. of personnel	**4,260**	4,169	4,684	4,962	5,393
Investments, MEUR	**54.2**	49.0	37.8	36.7	45.0
- % of net sales	**4.7**	4.8	3.7	3.6	4.0

Years 2004 to 2006 are reported according to IFRS, while years 2002 and 2003 are reported according to FAS.

Share-specific key figures

	2006	2005	2004	2003	2002
	IFRS	IFRS	IFRS	FAS	FAS
Share capital, MEUR	**146.4**	148.8	149.6	75.4	75.8
Number of shares at 31 December, in thousands	**73,223**	74,383	74,820	74,834	75,834
Number of shares adjusted for share issue, in thousands					
- at end of year	**73,135**	73,135	74,295	74,086	74,012
- average	**73,135**	73,941	74,243	73,807	74,538
Nominal value of shares, EUR	**2.00**	2.00	2.00	2.00	2.00
Adjusted equity, MEUR	**344.4**	418.4	397.0	470.9	545.5
Share trading, MEUR	**964.0**	477.7	676.6	280.8	270.0
Share trading, in thousands	**42,417**	29,090	49,724	27,912	27,022
- of average number of shares, %	**58.0**	39.3	67.0	37.8	36.3
Market value of share capital, MEUR	**2,076.6**	1,338.9	1,029.5	935.4	720.9
Adjusted earnings per share (fully diluted), EUR	**1.32**	1.12	1.19	0.02	0.86
Equity per share, EUR	**4.71**	5.72	5.34	6.34	7.29
Dividend, MEUR	[1] **102.5**	166.0	52.0	106.9	55.5
Dividend per share, EUR	[1] **1.40**	[2] 2.27	0.70	[3] 1.44	0.75
Effective share yield, %	**4.9**	12.6	5.1	11.5	7.7
Dividend per earnings, %	**106.1**	202.7	58.8	7,200.0	87.2
P/E ratio	**21.5**	16.1	11.6	625.0	11.3
Issue-adjusted share prices, EUR					
- highest	**29.35**	19.78	15.00	13.01	12.43
- lowest	**18.00**	13.72	12.10	8.40	8.26
- average	**22.73**	16.39	13.61	10.06	9.99

The definitions of key ratios are shown on page 12.

Notes to the table:

[1] Proposal of the Board of Directors

[2] includes an extra dividend payment 1.37 euros per share

[3] includes an extra dividend payment 0.44 euros per share

Figures reported for 2002–2003 have been converted based on the bonus issue 2004.

The bonus issue was executed by issuing one bonus share for each existing share without consideration.

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

Share issues	**2006**	2005	2004	2003	2002
Directed issues, MEUR	**-**	-	1.1	-	-
- issue premium	**-**	-	8.0	-	-
Subscription price, EUR	**-**	-	8.3	-	-

Years 2004 to 2006 are reported according to IFRS, while years 2002 and 2003 are reported according to FAS.

Definitions of key ratios

$$\text{Return on Equity (ROE), \%} = \frac{\text{Profit before taxes}^{1)} - \text{taxes}}{\text{Shareholders' equity + minority interest, average}} \times 100$$

$$\text{Return on Investment (ROI), \%} = \frac{\text{Profit before taxes}^{1)} + \text{interest and other financing costs}}{\text{Balance sheet total} - \text{non-interest-bearing liabilities, average}} \times 100$$

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

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

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

$$\text{Earnings per share (EPS)} = \frac{\text{Profit for the period}^{2)}}{\text{Number of shares adjusted for share issue in financial period excluding treasury shares}}$$

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

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

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

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

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

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

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

1) 2002–2003: Earnings before extraordinary items and taxes

2) 2002–2003: Earnings before extraordinary items – taxes + minority interest of profit

Consolidated income statement

MEUR	Note	2006	2005
Net sales		**1,157.0**	1,031.4
Cost of goods sold		**743.8**	667.6
Gross profit		**413.2**	363.8
Other operating income	4	**3.7**	6.2
Dispatching and warehousing expenses		**25.7**	23.6
Sales and marketing expenses		**176.6**	158.2
Administration expenses		**51.0**	47.7
Other operating expenses	4	**19.9**	17.5
Expenses		**273.2**	247.0
Operating profit		**143.7**	123.0
Financial income	7	**9.0**	8.3
Financial expenses	7	**11.2**	10.8
Profit before taxes		**141.5**	120.5
Income taxes	8	**45.0**	37.8
Profit for the period		**96.5**	82.7
Earnings per share	9	**1.32**	1.12
Diluted earnings per share		**1.32**	1.12

Consolidated balance sheet

MEUR	Note	31 Dec 2006	31 Dec 2005
Assets			
Fixed assets			
Intangible assets			
Intangible rights		**27.3**	3.3
Goodwill		**70.2**	70.2
Other intangible assets		**0.1**	0.2
Investment in progress		**-**	11.4
Total intangible assets	10	**97.6**	85.1
Tangible assets			
Land and water areas		**11.9**	13.6
Buildings and structures		**65.3**	67.0
Machinery and equipment		**113.1**	117.1
Other tangible assets		**7.6**	6.4
Construction work in progress		**13.9**	10.8
Total tangible assets	11	**211.8**	214.9
Securities and long-term investments			
Shares in associated companies	13	**0.0**	0.0
Other shares and holdings	14	**0.2**	0.2
Other investments	15	**3.4**	19.2
Total securities and long-term investments		**3.6**	19.4
Deferred tax assets	20	**20.9**	18.3
Total fixed assets		**333.9**	337.7
Current assets			
Inventories	16	**128.1**	111.4
Current receivables			
Accounts receivable		**150.6**	140.7
Loan receivable		**0.0**	1.1
Current income tax receivable		**0.7**	0.0
Accruals		**13.4**	15.9
Other receivable		**4.8**	7.6
Total current receivables	17, 18	**169.5**	165.3
Cash and cash equivalent		**12.4**	48.9
Total current assets		**310.0**	325.6
Total assets		**643.9**	663.3

MEUR	Note	31 Dec 2006	31 Dec 2005
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		**146.4**	148.8
Share premium		**42.5**	40.1
Other reserves		**6.7**	3.3
Accumulated conversion differences		**-10.2**	-5.4
Retained earnings		**159.0**	231.6
Total shareholders' equity		**344.4**	418.4
Liabilities			
Non-current liabilities			
Interest bearing liabilities	23	**17.2**	19.4
Employee benefit obligations	21	**29.1**	30.3
Provisions	22	**10.8**	7.8
Deferred tax liabilities	20	**16.9**	17.9
Other non-current liabilities		**0.1**	0.1
Total non-current liabilities		**74.1**	75.5
Current liabilities			
Interest bearing liabilities	23	**16.9**	2.6
Accounts payable		**90.0**	72.7
Current income tax liability		**13.5**	11.8
Provisions	22	**4.7**	7.0
Other current liabilities	24	**100.3**	75.3
Total current liabilities		**225.4**	169.4
Total liabilities		**299.5**	244.9
Total shareholders' equity and liabilities		**643.9**	663.3

Consolidated cash flow statement

MEUR	Note	1 Jan - 31 Dec 2006	1 Jan - 31 Dec 2005
Cash flow from operations			
Net cash from operations			
Profit for the period		96.5	82.7
Adjustments for:			
Depreciation		35.6	31.8
Income taxes		45.0	37.8
Interest income		-3.3	-3.2
Interest expense		4.2	5.2
Sales gains/losses from the sale of fixed assets		1.7	-4.7
Cash flow adjustment items		1.0	3.9
Net cash from operations		180.7	153.5
Change in net working capital			
Receivables		-14.1	1.6
Inventories		-18.3	20.3
Non-interest-bearing liabilities		37.6	0.9
Change in net working capital		5.2	22.8
Paid income taxes		-37.9	-16.8
Paid interest		-3.9	-4.2
Received interest		3.2	3.3
Cash flow from operations		147.3	158.6
Cash flow from investments			
Proceeds from share divestments		0.0	0.5
Proceeds from disposal of subsidiaries	3	0.3	19.4
Purchase of fixed assets		-54.2	-49.0
Proceeds from sale of fixed assets		6.5	8.4
Dividends received		0.0	0.0
Loan repayments		18.6	1.9
Cash flow from investments		-28.8	-18.8
Cash flow before financing		118.5	139.8
Cash flow from financing			
Borrowings of debt		14.7	-
Repayments of debt		-1.7	-46.1
Dividends paid		-166.0	-52.0
Purchase of own shares		-	-20.0
Payment of finance lease liabilities		-2.0	-2.2
Cash flow from financing		-155.0	-120.3
Conversion differences for cash and cash equivalents		0.0	-0.1
Change in cash and cash equivalents		-36.5	19.4
Cash and cash equivalents at 1 January		48.9	29.5
Cash and cash equivalents at 31 December		12.4	48.9
Changes according to balance sheet		-36.5	19.4

Statement of changes in shareholders' equity

MEUR	Number of shares outstanding (1,000)	Share capital	Share premium	Other reserves	Treasury shares	Accumulated conversion differences	Retained earnings	**Total**
Balance at 1 January 2005	74,295	149.6	33.0	7.7	-6.7	-15.5	228.9	**397.0**
Translation adjustments						10.1		**10.1**
Net profit for the period							82.7	**82.7**
Total recognised income and expense for the period						**10.1**	**82.7**	**92.8**
Cancelling of shares		-0.8	0.8		5.5		-5.5	**-**
Purchase of own shares	-1,160				-20.0			**-20.0**
Dividend paid							-52.0	**-52.0**
Other adjustments			6.3	-4.4			-1.8	**0.1**
Share based incentive plan							0.5	**0.5**
Balance at 31 December 2005	**73,135**	**148.8**	**40.1**	**3.3**	**-21.2**	**-5.4**	**252.8**	**418.4**
Balance at 1 January 2006	73,135	148.8	40.1	3.3	-21.2	-5.4	252.8	**418.4**
Translation adjustments						-4.8		**-4.8**
Net profit for the period							96.5	**96.5**
Total recognised income and expense for the period						**-4.8**	**96.5**	**91.7**
Cancelling of shares		-2.3	2.3		19.6		-19.6	**-**
Dividend paid							-166.0	**-166.0**
Other adjustments		-0.1	0.1	3.4			-3.4	**-**
Share based incentive plan							0.3	**0.3**
Balance at 31 December 2006	**73,135**	**146.4**	**42.5**	**6.7**	**-1.6**	**-10.2**	**160.6**	**344.4**

For further information see note 19.

Notes to the consolidated financial statements

1. Accounting principles

Company profile

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

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

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

Accounting principles

Uponor Group's consolidated financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and their SIC and IFRIC interpretations valid on 31 December 2006. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refer to the standards and to their interpretations adopted in accordance with the procedures laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The consolidated financial statements include also additional information required by the Finnish Accounting Act and Company's Act. The consolidated financial statements are presented in millions of euros (MEUR), and they are based on the historical cost convention unless otherwise specified in the accounting principles section below.

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

- Amendment to IAS 19 Employee Benefits – Actuarial Gains and Losses, Group plans and Disclosures. Adoption of amendment has effected on the information presented in the notes.
- IFRIC 4: Determining whether an arrangement contains a lease. Adoption of the interpretation has not had any impact on reported figures.

Accounting principles; necessity of management judgement

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

Accounting estimates are employed in the financial statements to determine reported amounts, including the realisability of certain assets, such as deferred tax assets and other receivables, the useful lives of tangible and intangible assets, provisions, pension obligations and impairment of goodwill.

Group accounting

The consolidated financial statements include the parent company, Uponor Corporation, and those companies in which Uponor Corporation has direct or indirect control of over 50 per cent of the voting rights or otherwise has power to govern the financial and operating policies. Subsidiaries acquired or established during the year are included from the time when the Group has obtained control. Divested companies are included in the income statement up to the time of sale or until control ceases.

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

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

Foreign currency translations

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

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

Non-current assets held for sale and discontinued operations

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

Income recognition

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

Research and development

Research costs are expensed as incurred and they are included in the consolidated income statement under other operating expenses. Development costs are expensed as incurred, unless cannot be assured that future economic benefits flow to the entity, in which case development costs are capitalised as intangible assets and are depreciated during the useful life of the asset. For the present the Group has no capitalised development costs in the balance sheet.

Pensions

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

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

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

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

Operating profit

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

Financing costs

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

Income taxes

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

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired company on the date of acquisition. Goodwill is no longer depreciated. Goodwill is allocated to the cash generating units according to business segments' geographical locations and is tested annually for any impairment.

Other intangible assets

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

Property, plant and equipment

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

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

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

Investment property

Investment property is defined as property the Group holds for long-term rental yields or capital appreciation. Investment property is measured at cost, such as other tangible assets, less accumulated depreciation and any impairment losses. The balance sheet values of investment property are continuously reviewed for any impairment. Investment property's fair value is presented in the notes to the balance sheet. Group has no investment property at the balance sheet date.

Depreciations

Intangible and tangible assets are valued at acquisition cost less accumulated depreciation during the useful life of the assets and possible impairment losses. Depreciation is calculated on a straight-line basis on the acquisition cost over the asset's expected useful life as follows:

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

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.

Impairment

The balance sheet values of assets are assessed for impairment on a regular basis. Should any indication of an impaired asset exist, the asset's recoverable amount shall be assessed. The asset's recoverable amount is the asset's net selling price less any selling expenses or it's value in use whichever is higher. The value in use is determined by reference to discounted future net cash flow expected to be generated by the asset. Interest rates correspond to the cash generating unit's average return on investment. 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 reversal of property, plant and equipment and other intangible assets, excluding goodwill, will be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Impairment is not reversed over the balance sheet value that existed before the recognition of impairment losses in the previous financial periods. Any impairment loss on goodwill is not reversed.

Goodwill is assessed for impairment on a yearly basis.

Leases

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

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

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

Inventories

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

Provisions

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

Financial assets and liabilities

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

Financial assets at fair value through profit and loss are 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. Financial derivatives are included in financial assets and liabilities at fair value through profit and loss. Changes in the fair value of financial assets and liabilities at fair value through profit and loss, and unrealised and realised gains and losses are included in the income statement in the period in which they occur.

Available-for-sale 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 an asset's fair value cannot be measured reliably, it will be measured at the lower of cost or net realisable value, if its value has been permanently impaired. Changes in the fair value of available-for-sale assets are recognised in the fair value reserve under shareholders' equity, taking tax consequences into account. Changes in the fair value will be re-entered from shareholders' equity to the income statement, when the asset is disposed of or it has lost its value to the extent that an impairment loss must be recognised for the asset.

Held-to-maturity investments are assets with fixed maturity, which the enterprise has the positive intent and ability to hold to maturity. Held-to-maturity assets are measured, on an accrual basis, at cost using the effective interest rate method. Other non-current assets are measured at cost.

Financial liabilities at fair value through profit and loss are measured at their fair value and other financial liabilities 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.

Liquid assets comprise cash and cash equivalents and other short-term investments, whose maturity does not exceed three months. Cheque account overdrafts are included in the short-term interest-bearing liabilities on the balance sheet.

Derivative contracts

The Group does not apply hedging accounting. The Group companies use derivative contracts to decrease interest rate, currency or raw-material price risks. Derivative contracts are initially recognised in the balance sheet at cost and are subsequently re-measured at fair value on each balance sheet date. The fair value of forward rate agreements, interest-rate options, interest-rate swaps and forward exchange contracts is based on their market value on the balance sheet date or the present value of estimated future cash flows. The unrealised and realised gains and losses attributable to the changes in fair value are recognised in the income statement for the period in which they occur.

Management incentive scheme

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

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

Earnings per share
Earnings per share is calculated by dividing the profit for the period by the average number of shares for each period. The average number of bought-back shares is deducted from the average number of outstanding shares. The weighted average number of shares used to calculate the diluted earnings per share takes into account the diluting effect of outstanding stock options and management incentive scheme during the period.

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

Application of new IFRS standards
As of 2007, the Group will apply following amended and new standards and interpretations published in 2005:

- IFRS 7 Financial Instruments: Disclosures, effective date January 1, 2007
- Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures, effective date January 1, 2007
- IFRIC 10 Interim Financial Reporting and Impairment, effective for annual periods beginning on or after November 1, 2006, not accepted by EU

According to the Group assessment, new standard IFRS 7 and amendment to IAS 1 have impact on the Group's financial statement notes. Adoption of interpretation of IFRIC 10 is not assumed to have any impact on reported figures. As of 2009, the Group will apply new standard IFRS 8 Operating Segments, which is effective from January 1, 2009 (not accepted by EU). The Group investigates impact of IFRS 8 -standard on reported figures.

2. Segment information

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

Geographical segments

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

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

Europe – West, East, South segment covers western, eastern and southern Europe, including Russia and Baltic countries.

North America segment includes businesses in US and Canada.

Others segment includes Group functions. The real estate business was sold in 2004 except for two pieces of real estate classified as investment property, which were sold in 2005 and are therefore included in comparable figures. Furthermore, comparable figures also include Group's municipal infrastructure business in America, Uponor Aldyl S.A. (Argentina), whose business operations were closed down in March 2005 and which was sold in December 2005.

Segment assets/liabilities are based on geographical location of assets.

The comparative figures presented for the primary comparison segment have been modified due to the structural changes in the region organisations, Central Europe, Nordic and Others. Due to the structural changes, comparative period's segment result 3.6 million euro, segment assets of 13.5 million euro and segment liabilities of 7.4 million euro were transferred from Central Europe segment to segment Nordic. The impact of these modifications on the figures for 2004–2005 was published in a Stock Exchange Release document on 20 April 2006.

Primary segments

Segment revenue		**2006**			**2005**	
MEUR	External	Internal	Total	External	Internal	**Total**
Central Europe	283.5	61.6	**345.1**	248.0	43.1	**291.1**
Nordic	305.2	72.6	**377.8**	277.4	55.2	**332.6**
Europe - West, East, South	385.3	2.6	**387.9**	322.3	3.6	**325.9**
North America	183.0	-	**183.0**	179.8	-	**179.8**
Others	-	-	-	3.9	-	**3.9**
Eliminations	-	-136.8	**-136.8**	-	-101.9	**-101.9**
Uponor Group	1,157.0	-	**1,157.0**	1,031.4	-	**1,031.4**

MEUR	2006	2005
Segment result		
Central Europe	49.3	34.5
Nordic	56.6	45.4
Europe - West, East, South	38.2	30.0
North America	14.5	22.7
Others	-12.0	-8.3
Eliminations	-2.9	-1.3
Uponor Group	143.7	123.0
Segment depreciation and impairments		
Central Europe *)	7.8	6.7
Nordic	10.7	10.3
Europe - West, East, South	9.4	9.2
North America	5.7	5.0
Others	1.6	0.9
Eliminations	0.4	-1.1
Uponor Group	35.6	31.0
Segment investments		
Central Europe	7.5	7.7
Nordic	14.7	11.8
Europe - West, East, South	8.6	9.7
North America	8.8	9.7
Others	14.6	10.1
Uponor Group	54.2	49.0
Segment assets		
Central Europe	197.6	189.6
Nordic	203.5	226.3
Europe - West, East, South	223.3	199.3
North America	109.5	120.8
Others	612.5	747.9
Eliminations	-702.5	-820.6
Uponor Group	643.9	663.3
Segment liabilities		
Central Europe	132.2	129.0
Nordic	270.3	318.9
Europe - West, East, South	115.8	113.0
North America	46.8	59.8
Others	454.8	465.6
Eliminations	-720.4	-841.4
Uponor Group	299.5	244.9

MEUR	2006	2005
Segment personnel, average		
Central Europe	1,167	1,180
Nordic	1,309	1,277
Europe - West, East, South	1,132	1,076
North America	603	581
Others	49	55
Uponor Group	4,260	4,169

*) Includes reversal of impairment of 0.8 MEUR in 2005.

Secondary segments

Business segments

Housing solutions

Infrastructure solutions

Others

Others segment includes Group functions. The real estate business was sold in 2004 except for two pieces of real estate classified as investment property, which were sold in 2005 and are therefore included in comparable figures.

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

Segment external revenue		
Housing solutions	804.4	697.5
Infrastructure solutions	352.6	332.7
Others	-	1.2
Uponor Group	1,157.0	1,031.4
Segment investments		
Housing solutions	29.0	26.2
Infrastructure solutions	10.6	12.2
Others	14.6	10.6
Uponor Group	54.2	49.0
Segment assets		
Housing solutions	416.1	365.3
Infrastructure solutions	174.1	192.2
Others	37.9	36.7
Unallocated assets	15.8	69.1
Uponor Group	643.9	663.3

MEUR	2006	2005

3. Disposals of subsidiaries

In May 2006 the sales company Uponor Czech s.r.o in Czech Republic belonging to Europe - West, East, South was sold. The disposal is aligned with the Group strategy in infrastructure business to concentrate on markets where a leading market position can be reached in the medium term.

Unicor GmbH Rahn Plastmaschinen, a machine-building unit, was divested in 2005. The contract entered into force retroactively from the beginning of year 2005. The infrastructure business in France was divested by selling the company Uponor France S.A. to the local management. The real estate business was sold in 2004 except for two pieces of real estate classified as investment property, which were sold in 2005.

Book value of disposed assets		
Intangible assets	0.0	0.2
Tangible assets	0.1	25.1
Long-term investments	-0.1	3.8
Deferred tax assets	0.0	0.2
Inventories	0.7	7.9
Accounts receivable and other receivables	2.9	13.4
Cash and cash equivalent	0.2	1.1
Total assets	3.8	51.7
Deferred tax liabilities	-	0.9
Interest-bearing liabilities	-	25.7
Accounts payable and other liabilities	1.7	12.9
Total liabilities	1.7	39.5
Net assets	2.1	12.2
Cash received from sale	0.5	19.4
Cash and cash equivalents disposed of	-0.2	0.0
Cash flow effect	0.3	19.4

4. Other operating income and expenses

Other operating income		
Gains from sales of fixed assets	1.7	5.7
Royalties	1.7	0.2
Other items	0.3	0.3
Total	3.7	6.2
Other operating expenses		
Losses from sales of fixed assets	3.4	0.9
Research and development expenses	16.5	17.4
Reversal of impairments	0.0	-0.8
Total	19.9	17.5

MEUR	2006	2005

5. Employee benefits

Short-term employee benefits:		
- Salaries and bonuses	181.3	164.4
- Other social costs	28.2	25.0
Post-employment benefits:		
- Pension expenses - defined contribution plans	7.3	8.9
- Pension expenses - defined benefit plans	3.8	4.2
Other long-term employee benefits	0.0	0.2
Termination benefit expenses	1.1	0.3
Share based payments		
- Equity settled share-based payment transactions	0.3	0.5
- Cash settled share-based payment transactions	0.8	0.9
Total	222.8	204.4

Share based payments have been accrued for the expected revenue period according to IFRS 2 standard.

6. Depreciation, amortisation and impairment

Depreciation and amortisation by asset category		
Intangible rights	2.0	1.1
Other intangible assets	0.1	0.1
Land and water areas	0.2	0.2
Buildings and structures	5.1	5.3
Machinery and equipment	25.9	21.4
Other tangible assets	2.3	2.9
Total	35.6	31.0
Depreciation and amortisation by function		
Cost of goods sold	26.3	22.6
Dispatching and warehousing	1.3	1.0
Sales and marketing	3.5	4.3
Administration	3.7	2.7
Other	0.8	0.4
Total	35.6	31.0

In 2005 reversal of impairment 0.8 MEUR was recognised.

7. Financial income and expenses

Financial income		
Dividend income	0.0	0.0
Interest income	3.3	3.2
Exchange differences	5.5	4.9
Other financial income	0.2	0.2
Total	9.0	8.3

MEUR	2006	2005
Financial expenses		
Interest and financial expenses	4.4	5.2
Exchange differences	6.0	4.7
Other financial expenses	0.8	0.9
Total	11.2	10.8

In addition to financial income and expenses, exchange rate losses are included in sales corrections totaling 0.3 million euros (0.5 million euros) and correspondingly exchange rate gains are included in operating expenses totaling 0.8 million (0.1 million euros). Interest expenses include also the interest part of finance lease payments 0.3 million euros (1.3 million euros).

Derivative contracts are initially recognized in the balance sheet at cost and are subsequently re-measured at fair value on each balance sheet date. Other financial income and expenses include 0.2 million euros profits (0.8 million euros) and 0.0 million euros losses (0.6 million euros) from recognition at fair value of financial derivatives or other changes in fair value. Profits or losses from recognition of fair value of commodity contracts are reported as part of cost of goods sold.

8. Income taxes

MEUR	2006	2005
Current year and previous years taxes		
For the financial period	48.7	40.6
For previous financial periods	0.0	0.2
Change in deferred taxation	-3.7	-3.0
Total	45.0	37.8

Tax reconciliation

MEUR	2006	2005
Profit before taxes	141.5	120.5
Computed tax at Finnish statutory rate	36.8	31.3
Difference between Finnish and foreign rates	7.8	8.4
Non-deductible expenses	3.9	0.9
Tax exempt income	-0.4	-0.9
Utilisation of previously unrecognised tax losses	-1.1	-0.2
Change in tax legislation	0.0	0.1
Previous years taxes	0.0	0.2
Other items	-2.0	-2.0
Total	45.0	37.8
Effective tax rate, %	31.8	31.4

There were not any major changes in tax legislation impacting Group effective tax rate during years 2005 and 2006. The change of the effective tax rate is impacted by the change of the proportional taxable profit between Group companies acting in different countries.

9. Earnings per share

MEUR	2006	2005
Profit for the period	96.5	82.7
Shares, in thousands		
Weighted average number of shares *)	73,135	73,941
Share based incentive scheme	72	80
Diluted weighted average number of shares	73,207	74,021
Basic earnings per share	1.32	1.12
Diluted earnings per share	1.32	1.12

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

10. Intangible assets

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

2005 MEUR	Intangible rights	Goodwill	Other intangible assets	Investment in progress	**Intangible assets**
Acquisition costs 1 Jan	32.4	70.2	3.7	0.8	**107.1**
Structural changes	-0.5	-	-	-	**-0.5**
Conversion difference	-0.3	-	-	-	**-0.3**
Increases	0.7	-	0.0	10.6	**11.3**
Decreases	1.4	-	2.9	-	**4.3**
Acquisition costs 31 Dec	30.9	70.2	0.8	11.4	**113.3**
Accumulated depreciations and impairments 1 Jan	28.7	-	3.4	-	**32.1**
Structural changes	-0.5	-	0.0	-	**-0.5**
Conversion difference	-0.3	-	-	-	**-0.3**
Acc. depreciation on disposals and transfers	-1.4	-	-2.9	-	**-4.3**
Depreciation for the financial period	1.2	-	0.1	-	**1.3**
Impairments	-	-	0.0	-	**-**
Reversal of impairments	-0.1	-	0.0	-	**-0.1**
Accumulated depreciations and impairments 31 Dec	27.6	-	0.6	-	**28.2**
Book value 31 December	**3.3**	**70.2**	**0.2**	**11.4**	**85.1**

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

In 2005 and 2006 the investments in intangible assets have been mainly related to implementing the ERP system.

The largest part of the Group goodwill (23.4 million euros) is generated by Uponor minority acquired by Asko Oyj, which due to Oy Uponor Ab's merger into Asko Oy has been moved to present Uponor Oyj, and acquired Unicor businesses (43.2 million euros). The goodwill has been allocated to cash-generating units. Goodwill has been allocated to the primary segments as follows: Central Europe 53.3 million euros, Nordic 14.9 million euros and Europe - West, East, South 2.0 million euros. Impairment tests are carried out on each separate cash-generating unit and are based on the discounted cash flow valuation method. The impairment test calculation's enterprise value has been counted through 10 years cash flows; 5 years future net cash flow plus residual value comprising of 5 years. The estimated future cash flows are discounted at their present value, based on such interest rates corresponding to the cash generating unit's average return on investment.

Discount rates varied between 11.9 % and 14.7 %. The Group has not recorded any impairment losses for intangible assets during 2005–2006. Group management estimates that it is highly unlikely that any factor would change to the extent that the recoverable amount would be higher than the book value for any cash-generating unit. It has been verified with sensitivity analysis that there would not be any need to book impairment loss if for instance net sales and operating profit stayed during coming years on 2007 budgeted level. Also, no impairment loss would result if the discount rate used were to rise by 5 percentage points at the same time.

Group does not have any capitalized development costs.

11. Tangible assets

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

2005 MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	**Tangible assets**
Acquisition costs 1 Jan	15.0	145.1	441.2	26.5	13.2	**641.0**
Structural changes	-0.7	-5.1	-22.5	-3.9	-0.5	**-32.7**
Conversion difference	0.3	2.1	6.3	0.9	0.6	**10.2**
Increases	1.6	4.4	26.5	5.2	0.5	**38.2**
Decreases	0.3	6.5	51.5	3.6	0.1	**62.0**
Transfers between items	0.1	-0.5	3.4	0.1	-2.9	**0.2**
Acquisition costs 31 Dec	16.0	139.5	403.4	25.2	10.8	**594.9**
Accumulated depreciations and impairments 1 Jan	2.1	74.0	335.0	22.0	-	**433.1**
Structural changes	0.0	-4.1	-25.2	-3.5	-	**-32.8**
Conversion difference	0.1	0.7	3.2	0.9	-	**4.9**
Acc. depreciation on disposals and transfers	-	-3.3	-48.1	-3.5	-	**-54.9**
Depreciation for the financial period	0.2	5.9	21.4	2.9	-	**30.4**
Transfers between items	-	0.0	0.0	-	-	**0.0**
Reversal of impairments	-	-0.7	-	-	-	**-0.7**
Accumulated depreciations and impairments 31 Dec	2.4	72.5	286.3	18.8	0.0	**380.0**
Book value 31 December	**13.6**	**67.0**	**117.1**	**6.4**	**10.8**	**214.9**
Balance sheet value of production plant and machinery			105.4			

In 2006 increases in buildings are mainly related to North America area office and the expansion of their production plant. In addition, investments in buildings include expansion of the warehouse and new training facilities in Italy.

Investments in additional production capacity were needed due to increased demand. The biggest investments in machinery and equipment were made in Germany, North America and Sweden. The decreases in tangible assets in 2006 are mainly due to the sale of the gravity sewer business of Uponor Anger GmbH.

In 2005 increases in buildings are mainly related to North America area office and the expansion of their production plant.

In 2005 decreases in tangible assets are mainly due to sales or closing of businesses. Uponor decided to discontinue its municipal infrastructure business by closing a plant in Portugal and sales offices in Spain. In France the Group sold its municipal business Uponor Holding S.A. shares. In Poland Uponor divested its polypropylene product line by selling its BorPlus business and manufacturing plant and in Germany Uponor sold Unicor GmbH Rahn Plastmaschinen, a subsidiary engaged in machine building for the pipe production. Uponor Aldyl S.A.´s (Argentina) business operations were closed down in March 2005 and was sold in December 2005.

Tangible asset includes property that is acquired under finance lease arrangements.

Finance lease arrangements

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

2005 MEUR	Land and water areas	Buildings and structures	Others	**Finance lease arrangements total**
Acquisition costs 1 Jan	0.9	16.4	1.1	**18.4**
Increases	-	-	0.1	**0.1**
Decreases	-	0.1	0.1	**0.2**
Acquisition costs 31 Dec	0.9	16.3	1.1	**18.3**
Accumulated depreciations and impairments 1 Jan	-	5.8	0.7	**6.5**
Acc. depreciation on disposals and transfers	-	-0.1	-	**-0.1**
Depreciation for the financial period	-	0.9	0.2	**1.1**
Reversal of impairments	-	-0.7	-	**-0.7**
Accumulated depreciations and impairments 31 Dec	0.0	5.9	0.9	**6.8**
Book value 31 December	**0.9**	**10.4**	**0.2**	**11.5**

12. Investment property

In year 2006 the Group did not own any real estate classified as investment property.

2005 MEUR	Land and water areas	Buildings and structures	Others	**Total investment property**
Acquisition costs 1 Jan	5.9	42.8	2.0	**50.7**
Structural changes	-5.8	-39.9	-2.0	**-47.7**
Conversion difference	-0.1	-1.4	-	**-1.5**
Decreases	-	1.5	-	**1.5**
Acquisition costs 31 Dec	-	-	-	**-**
Accumulated depreciations and impairments 1 Jan	-	22.0	2.0	**24.0**
Structural changes	-	-20.9	-2.0	**-22.9**
Conversion difference	-	-0.7	-	**-0.7**
Acc. depreciation on disposals and transfers	-	-0.5	-	**-0.5**
Depreciation for the financial period	-	0.1	-	**0.1**
Accumulated depreciations and impairments 31 Dec	-	-	-	**-**
Book value 31 December	**-**	**-**	**-**	**-**
Fair value 31 December	**-**	**-**	**-**	**-**

The real estate business was sold in 2004 except for two pieces of real estate classified as investment property, which were sold in 2005. Investment property was booked as other tangible assets according to value based on the historical cost convention less depreciations and impairment losses, which corresponded to fair value of investment property on balance sheet date.

In 2005 the rental income of 1.2 million euros was included in the Group's net sales while the corresponding service and maintenance expenses of 0.6 million euros were included in operating expenses in the income statement.

MEUR	2006	2005

13. Investment in associated companies

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

14. Other non-current investments

Other non-current investments	**0.2**	0.2

Other non-current investments include other shares, which are booked on purchase value since it was not possible to determine the fair value reliably.

15. Non-current receivables

Loans to associated companies	**1.1**	-
Other loan receivables	**1.0**	19.2
Other receivable	**1.3**	-
Book value 31 December	**3.4**	19.2

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

In 2005 Group's long-term receivables were related to its exit of the domestic real estate business on 30 November 2004 and to the sale of US-based municipal business on 2 September 2004. The debt-free sale price of real estate business amounted to around 90 million euros, the majority of which was paid at the closing of the deal while the remaining 18 million euros was paid during 2006.

In 2005 the fair value of non-current receivables is based on market prices, the effective interest rate of which varies in the range of 3.08 % - 3.26 %. By discounting the future cash flows of these receivables the fair value is 22.3 million euros.

MEUR	2006	2005

16. Inventories

Raw materials and consumables	**21.0**	19.4
Finished products / goods	**105.9**	90.9
Advance payments	**1.2**	1.1
Book value 31 December	**128.1**	111.4
Inventory includes following obsolete items		
Write down	**-0.3**	-0.8
Reversal of write down	**0.1**	0.0
Book value 31 December	**-0.2**	-0.8

Inventories are stated at the lower of cost or net likely realisable value, based on the FIFO principle. In 2006 the inventories were reduced with an obsolescence reduction, which was 0.3 million euros (0.8 million euros).

17. Interest-bearing current assets

Other loan receivable	**0.0**	0.0

18. Non-interest-bearing current receivables

Accounts receivable	**154.3**	143.6
Doubtful accounts receivables	**-3.7**	-2.9
Loan receivable	**-**	1.1
Current income tax receivable	**0.7**	0.0
Prepayments and accrued income	**13.4**	15.9
Derivatives contracts	**0.0**	0.5
Other receivable	**4.8**	7.1
Book value 31 December	**169.5**	165.3

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

The group has recorded 3.7 million (2.9 million euros) doubtful accounts receivable. The Group is not aware of any factors, which would cause possible additional write-downs.

Accrued income		
Taxes	**5.5**	3.9
Discounts received	**1.2**	3.9
Interest	**0.3**	1.0
Other	**6.4**	7.1
Book value 31 December	**13.4**	15.9

19. Shareholders' equity

At the beginning of 2006, Uponor Corporation's share capital came to EUR 148,766,888 and the number of shares totalled 74,383,444, while the yearend share capital was worth EUR 146,446,888 with the number of shares totalling 73,223,444. With a nominal value of EUR 2, each share entitles its holder to one vote at the shareholders' meeting. All issued shares are fully paid. According to corporation's Articles of Association the company's minimum share capital is EUR 75,000,000 and maximum share capital EUR 300,000,000 within which limits company may increase or reduce its share capital without amending its Articles of Association.

At the beginning of 2006, company held a total of 1,248,000 own shares bought back based on previous authorisations. At the Annual General Meeting on 16 March 2006, it was decided that the share capital should be reduced through the invalidation of 1,160,000 own shares. During the year company has not bought back any own shares. At the end of 2006 it held 88,000 treasury shares. Treasury shares are presented as reduction in retained earnings. Treasury shares carry no balance sheet value in the financial statements.

Other reserves include at the moment legal reserves required by statutes.

20. Deferred income taxes

Deferred tax assets		
Profit in Inventory	**1.5**	1.3
Provisions	**3.1**	3.3
Unrecognised tax losses	**2.1**	0.4
Tangible assets	**0.9**	1.5
Employee benefits	**4.3**	4.7
Other temporary differences	**9.0**	7.1
Total	**20.9**	18.3
Deferred tax liabilities		
Accumulated depreciation difference and untaxed reserve	**5.4**	5.4
Tangible assets	**9.1**	10.8
Fair valuation of available-for-sale investments and financial instruments	**0.0**	0.1
Other temporary differences	**2.4**	1.6
Total	**16.9**	17.9

MEUR	2006	2005

The Group has recognised a deferred tax asset for its net operating loss carry-forwards, which probably can be utilised against future profits in the relevant tax jurisdictions. On 31 December 2006 the Group had losses carried forward of 9.6 million euros (8.9 million euros), of which the Group has recognised deferred tax receivable. With respect to confirmed losses, 0.3 million euros (0.5 million euros) had no expiry date while 9.3 million euros expire during 2007–2011. In 2006 there were no such operating loss carry-forwards for which no deferred tax asset is recognised due the uncertainty of the utilisation of these loss carry-forwards. In 2005 these loss carry-forwards amounted to 3.9 million euros.

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

21. Pension benefit obligations

The Group has a number of pension plans for its operations. The Group's pension schemes comply with each country's local rules and regulations. The Group applies defined contribution and defined benefit pension plans. Pensions are based on actuarial calculations or actual payments to insurance companies. Independent authorised actuaries prepared the actuarial calculations. The discount rate for actuarial calculations is determined by the reference to market yields of high quality corporate bonds or government bonds. Pension benefits are based on the number of working years and the salary. Most of the defined benefit plans are in Germany and in the UK, constituting 60 % of the defined benefit pension liability in the Group's balance sheet. In Finland pensions are handled according to TEL system, which is a defined contribution pension plan. The Group defined earlier the pension plans in Alecta, Sweden as a defined benefit pension plan. Since Alecta has not been able to provide reliable information on which the actuarial calculations could be based on, the Group has in year 2005 changed the definition of Alecta's pension plan to be a defined contribution plan.

Post-employment benefit obligations:		
Pensions - defined benefit plans	**28.4**	29.5
Other long-term employee benefit liability	**0.7**	0.8
Total	**29.1**	30.3

MEUR	2006	2005
Pension obligations		
Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of funded obligations	69.9	61.9
Present value of unfunded obligations	20.3	22.2
Fair value of plan assets	-56.0	-48.0
Unrecognised actuarial gains (+) and losses (-)	-5.8	-6.6
Net liability in the balance sheet	28.4	29.5
Expenses recognised in the income statement		
Current service costs	3.3	3.1
Interest costs	3.8	3.7
Expected return on plan assets	-2.8	-2.5
Actuarial gains (-) and losses (+)	0.1	-0.1
Effect of any curtailments and settlements	-0.6	-
Total	3.8	4.2
Actual return on plan assets	3.8	6.3
Expenses recognised in the income statement by function *)		
Cost of goods sold	1.3	1.4
Dispatching and warehousing	0.2	0.2
Sales and marketing	0.8	0.9
Administration	1.2	1.4
Other	0.3	0.3
Total	3.8	4.2

*) Comparable data is an estimate.

MEUR	2006	2005
Movements in obligation		
Obligation at 1 January	84.1	72.1
Current service cost	3.3	3.1
Interest cost	3.8	3.7
Actuarial gains (-) and losses (+)	0.2	8.8
Gains (-) and losses (+) on curtailments	-0.3	-0.4
Member contributions	0.6	0.7
Benefit payments	-2.1	-3.4
Settlements	-0.5	-
Conversion difference	1.1	-0.5
Obligation at 31 December	90.2	84.1
Movements in fair value of plan assets		
Fair value of plan assets at 1 January	48.0	41.6
Expected return on plan assets	2.8	2.5
Actuarial gains (+) and losses (-)	1.0	3.8
Contributions by employer	4.6	3.1
Member contributions	0.6	0.7
Settlements	-0.2	-
Conversion difference	0.8	-0.3
Benefit payments	-1.6	-3.4
Fair value of plan assets at 31 December	56.0	48.0
Major categories of plan assets as % of total plan		
Equities	63.3	67.4
Bonds	25.5	21.2
Other	11.2	11.4
Total	100.0	100.0

The expected rate of return on plan assets is 5.00–5.80 per cent. When determining the expected long-term rate of return on plan assets, the Group has considered historical returns and future expectations for each asset class. Transaction expenses and any applicable yield taxes have been deducted from return on plan assets.

Amounts for the current and previous period	2006	2005
Present value of obligation	90.2	84.1
Fair value of plan assets	-56.0	-48.0
Surplus (+)/Deficit (-)	34.2	36.1
Experience adjustments on plan assets	-1.3	-
Experience adjustments on plan liabilities	0.6	-

Group expects to contribute 4.7 million euros to its defined benefit pension plans in 2007.

Principal actuarial assumptions

	Nordic countries		Germany		UK and Ireland		Other countries	
	2006	2005	2006	2005	2006	2005	2006	2005
Discount rate (%)	4.00-4.50	3.75-4.25	4.50	4.00	4.50-5.00	4.00-5.50	4.50	4.00
Expected rate of return on plan assets (%)	5.30	4.75	n/a	n/a	5.00-5.80	5.00-5.70	n/a	n/a
Expected rate of salary increase (%)	3.00-4.25	3.00	2.50	2.50	3.50-4.00	3.50-4.00	3.25	3.25
Expected rate of pension increase (%)	2.00	1.75	2.00	1.75	2.00-3.00	1.75-2.80	2.00	1.75

22. Provisions

MEUR	Guarantee and warranty obligations	Environmental obligations	Restructuring	Other provisions	**Total**
Provisions at January 1, 2006	4.7	6.6	1.3	2.2	**14.8**
Conversion difference	-0.1	-	-0.1	-	**-0.2**
Additional provisions	1.3	0.2	1.0	1.1	**3.6**
Utilised provisions	-0.2	-0.7	-0.9	-0.5	**-2.3**
Unused amounts reversed	-0.3	-	-	-0.1	**-0.4**
Provisions at December 31, 2006	**5.4**	**6.1**	**1.3**	**2.7**	**15.5**
Current provisions	1.9	1.0	0.6	1.2	**4.7**
Non-current provisions	3.5	5.1	0.7	1.5	**10.8**

Warranty provisions were 5.4 million euros (4.7 million euros) at the end of the period. Warranty provisions are based on previous years' experience of defective goods. The aim is to be prepared for future warranty expenses. Warranty periods vary between countries depending on legislation and commercial practice.

The environmental provision that related to the divested domestic real estate business was 6.1 million euros (6.6 million euros) at the end of the period. Around 1 million euro of the provision is expected to realise during 2007.

23. Interest-bearing liabilities

MEUR	**2006**	2005
Non-current interest-bearing liabilities		
Loans from financial institutions	**3.1**	4.1
Loans from pension funds	**-**	0.3
Finance lease liability	**14.1**	15.0
Total	**17.2**	19.4
Current interest-bearing liabilities		
Loans from financial institutions	**16.3**	2.0
Finance lease liability	**0.6**	0.6
Total	**16.9**	2.6

Maturity of non-current interest-bearing liabilities

MEUR	2008	2009	2010	2011	2012 -
Loans from financial institutions	2.6	0.3	0.0	-	0.2
Finance lease agreements	0.6	0.5	0.5	0.9	11.6
Total	3.2	0.8	0.5	0.9	11.8

% pa	**2006**	2005
The interest rate ranges of interest-bearing liabilities		
Loans from financial institutions	**3.5-5.95**	3.5-5.95
Pension loans	**-**	3.7

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

Finance lease liability

The Group's finance lease agreements are mainly focused on office, factory and warehouse premises. On 31 December 2006 the total amount of activated costs for finance lease agreements in the Group was 10.6 million euros (11.5 million euros), which was included in tangible assets in the balance sheet. The corresponding depreciations in 2006 were 0.4 million euros (1.1 million euros). The total amount of finance lease payments in 2006 was 1.2 million euros (1.9 million euros), which included 0.3 million euros (1.3 million euros) interest expenses.

The most significant leasing liability is the finance lease agreement, which was made in 1999 in connection with the purchase of Unicor business. In 2006 no significant new leasing agreements were made.

MEUR	2006	2005
Finance lease liability		
Minimum lease payments		
In less than one year	1.8	1.9
1-5 years	7.1	6.9
Over 5 years	17.1	19.4
Total	26.0	28.2
Future finance charges	11.3	12.6
Finance lease liabilities		
- the present value of minimum lease payments	14.7	15.6
The present value of minimum lease payments		
In less than one year	0.6	0.6
1-5 years	2.5	2.2
Over 5 years	11.6	12.8
Total	14.7	15.6

24. Accounts payable and other liabilities

Accounts payable	90.0	72.7
Current income tax liability	13.5	11.8
Accrued liabilities	92.5	69.6
Advances received	1.5	1.1
Derivatives contracts	0.4	-
Other current liabilities	5.7	4.4
Total	203.6	159.6
Accrued liabilities		
Personnel expenses	22.6	22.7
Bonuses	8.8	8.0
Taxes	14.5	6.1
Interest	0.2	0.2
Others	46.4	32.6
Total	92.5	69.6

MEUR	2006	2005

25. Contingent liabilities

- on own behalf		
Mortgages issued	0.0	2.6
- on behalf of others		
Guarantees issued	12.6	13.0

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

Mortgages issued	0.0	2.6
Guarantees issued	12.6	13.0
Total	12.6	15.6

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

26. Operative leasing commitments

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

Operating lease commitments	24.4	22.2
In less than one year	7.4	6.8
1-5 years	13.5	11.7
Over 5 years	3.5	3.7
Total	24.4	22.2

27. Financial risk management

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

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

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

Currency risk

Due to its international operations, the Group is exposed to currency risks arising from, for instance, currency-denominated accounts receivable and payable, intra-Group transactions and the financing of foreign subsidiaries. Furthermore, the currency-denominated shareholder's equity of subsidiaries located outside the euro area is exposed to currency fluctuations when the equity is translated into the parent company's reporting currency. Group Treasury is responsible for hedging Group-level net currency flows in external currency markets.

Since a significant proportion of the Group's production and sales functions is situated outside the euro area, currency risks are managed with respect to various local currencies. In addition to the euro, the main invoicing currencies are the US dollar (USD), the pound sterling (GBP) and the Swedish krona (SEK). Costs arising from the Group's own production in the United States, the United Kingdom and Sweden balance the open risk positions denominated in the said currencies.

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

Group subsidiaries are responsible for hedging their own net currency flows, primarily with the Group's internal bank. Subsidiaries are financed mainly in local currencies, enabling the Group to avoid major translation risks. The currency risk related to non-euro subsidiaries' shareholders' equity is not hedged. The changes in shareholders' equity arising from currency fluctuations are shown as translation differences in consolidated financial statements.

Interest rate risk

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

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

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

Liquidity and refinancing risk

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

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

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

The most significant existing funding programs on 31 December 2006 included:

– Revolving Credit Facility of 120 million euros, maturing in 2010
– Finnish commercial paper program totaling 100 million euros

Counterparty risk

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

In order to minimise counterparty risks, the Group invests its cash reserves and makes derivative contracts only with parties who meet the Group's criteria for creditworthiness. The Group did not suffer any credit losses in its operations during the financial year. The maximum counterparty risk is the book value of financial assets on 31 December 2006.

Credit risk

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 on-going evaluation of customers' financial conditions are performed. Trade receivables are credit insured when it is applicable. In 2006 Group has recorded 3.7 million (2.9 million) doubtful accounts receivables as expenses.

Electricity derivatives

The Group is exposed to electricity price risk in its business operations. Group Treasury is responsible for taking the actions to manage the electricity price fluctuations on Nordic level within the frame defined in the Electricity Hedging Policy of Uponor Group.

28. Financial instruments

Derivative contracts are initially recognised in the balance sheet at cost and are subsequently re-measured at fair value on each balance sheet date. The fair value of forward rate agreements, interest-rate options, interest-rate swaps and forward exchange contracts is based on their market value on the balance sheet date or the present value of estimated future cash flows. Fair values for commodity derivatives (electricity contracts) have been measured by using publicly rated market prices. Fair value has been defined to match with the price the Group would get or would have to pay if the derivative contract was terminated. The Group did not have any embedded derivatives on 31 December 2006.

The Group does not have available-for-sale assets for which the changes in fair value could be included in fair value reserve in equity. The Group does not apply hedging accounting. The unrealised and realised gains and losses attributable to the changes in fair value are recognised in the income statement for the period in which they occur.

MEUR	2006	2005
Nominal value		
Foreign currency derivatives:		
Forward agreements	6.4	26.9
Currency swaps	6.6	-
Commodity derivatives:		
Forward agreements	5.6	3.2

Fair value	2006 Positive fair value	2006 Negative fair value	**2006 Net fair value**
Forward agreements	0.1	-	0.1
Currency swaps	0.1	-	0.1
Commodity derivatives	-	0.4	-0.4

Fair value	2005 Positive fair value	2005 Negative fair value	**2005 Net fair value**
Forward agreements	0.1	0.2	-0.1
Currency swaps	-	-	-
Commodity derivatives	0.5	-	0.5

29. Management incentive scheme and share based payments

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

In IFRS reporting assumption is that incentives will be settled as shares, in which case counter item is own equity. Board has been authorised by the Annual General Meeting to transfer own shares according to the share-based reward from 2004.

TEUR	2006	2005

30. Related party transactions

Uponor Group has related party relationships with Board members, the CEO, deputy CEO and Executive Committee members.

Executive Committee remuneration

Remuneration	2,678.3	2,253.5
Termination expenses	162.6	-
Post-employment benefit expenses	44.4	30.2
Total	2,885.3	2,283.7

Executive Committee remuneration: CEO and his Deputy

Lång Jan, CEO	525.7	454.3
Luomakoski Jyri, Deputy CEO	273.5	244.7

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

TEUR	2006	2005
Board remuneration		
Paasikivi Pekka, Chairman	65.0	66.2
Rajahalme Aimo, Deputy Chairman	45.0	46.2
Eloranta Jorma (elected 15 March 2005)	40.0	40.0
Silfverstolpe Nordin Anne-Christine	40.0	41.2
Simon Rainer S.	40.0	41.2
Niemi Matti, Deputy Chairman (period ended 15 March 2005)	-	1.2
Total	230.0	236.0

Loans to management

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

Shareholding of management and Board members has been presented in

Shares and holdings

Subsidiaries

Name	Domicile and country	
130167 Canada Inc.	Canada, Montreal	CA
Uponor Beteiligungs GmbH	Germany, Hassfurt	DE
Uponor Hispania, S.A.	Spain, Móstoles	ES
Uponor (Deutschland) GmbH	Germany, Hassfurt	DE
Uponor Klärtechnik GmbH	Germany, Marl	DE
Hewing GmbH	Germany, Ochtrup	DE
Uponor GmbH	Germany, Hassfurt	DE
Uponor S.A.R.L.	France, St. Etienne de St. Geoirs	FR
Karhu Deutschland GmbH i.L.	Germany	DE
Trak GmbH i.L.	Germany, Kiefersfelden	DE
Uponor A/S	Denmark, Hadsund	DK
Uponor Eesti Oü	Estonia, Tallinn	EE
Jita Oy	Finland, Virrat	FI
Nereus Oy	Finland, Uusikaupunki	FI
Uponor Business Solutions Oy	Finland, Vantaa	FI
Uponor Suomi Oy	Finland, Nastola	FI
Uponor Texnikes Lyseis gia Ktiria AE	Greece, Athens	GR
Uponor Kft.	Hungary, Budapest	HU
Uponor Limited	Ireland, Bishopstown	IE
Uponor (Cork) Limited	Ireland, Bishopstown	IE
Uponor S.r.l.	Italy, Badia Polesine	IT
SIA Uponor Latvia	Latvia, Riga	LV
UAB Uponor	Lithuania, Vilnius	LT
Uponor B.V.	The Netherlands, Amsterdam	NL

Nimi	Kotipaikka ja valtio	
Uponor s.r.o.	Czech, Prague	CS
Uponor AS	Norway, Vestby	NO
Uponor Bor Sp. z o.o.	Poland, Sochaczew	PL
Uponor Portugal - Sistemas para Fluidos, Lda.	Portugal, V.N. Gaia	PT
Uponor Construcão e Ambiente - Sistemas de Tubagens, S.A.	Portugal, V.N. Gaia	PT
AO Asko-Upo (RUS)	Russia, Moscow	RU
AO Asko-Upo (Spb)	Russia, St.Petersburg	RU
ZAO Uponor Rus	Russia, St.Petersburg	RU
Uponor Innovation AB	Sweden, Borås	SE
Uponor AB	Sweden, Wirsbo	SE
WA Vertriebs GmbH	Austria, Guntramsdorf	AT
Uponor Limited	UK, England	UK
Uponor UK Export Ltd	UK, England	UK
Uponor Aldyl Limited	UK, England	UK
Uponor Housing Solutions Limited	UK, England and Wales	UK
Radius Plastics Limited	UK, Northern Ireland	UK
Uponor North America, Inc.	USA, Delaware	US
Hot Water Systems North America, Inc.	USA, Delaware	US
Uponor, Inc.	USA, Illinois	US
Uponor Ltd	Canada, Saskatchewan	CA
Radiant Technology, Inc.	USA, Delaware	US
Tulsa Pipe Plant, Inc. (former Uponor Aldyl Company, Inc.)	USA, Delaware	US

Associated companies

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

Shares and shareholders

The volume of Uponor shares traded on the Helsinki OMX Nordic Exchange in 2006 totalled 42,417,399, valued at EUR 964.0 million. The share closed at EUR 28.36 and the market capitalisation came to EUR 2,076.6 million. The yearend number of shareholders totalled 7,799, of which foreign shareholders accounted for 34.6 per cent (31.5 per cent).

Major shareholders on 31 December 2006

Shareholder	Shares	% of shares	% of votes
Oras Invest Ltd	17,471,780	23.9	23.9
Sampo Life Insurance Company	4,609,970	6.3	6.3
Varma Mutual Pension Insurance Company	3,856,104	5.3	5.3
Ilmarinen Mutual Pension Insurance Company	2,096,550	2.9	2.9
Tapiola Mutual Pension Insurance Company	1,436,800	2.0	2.0
Tapiola General Mutual Insurance Company	350,850	0.5	0.5
Tapiola Mutual Life Assurance Company	203,600	0.3	0.3
Tapiola Corporate Life Insurance Company Ltd	83,650	0.1	0.1
Odin Norden	696,150	1.0	1.0
Odin Forvaltning AS	181,900	0.2	0.2
Odin Norden II	38,150	0.1	0.1
State Pension Fund	680,000	0.9	0.9
OP-Delta Equity Fund	613,900	0.8	0.8
Fennia Life Insurance Company Ltd	380,000	0.5	0.5
Fennia Mutual Pension Insurance Company	164,206	0.2	0.2
Paasikivi Jukka	513,960	0.7	0.7
Paasikivi Jari	509,960	0.7	0.7
Finnish Cultural Foundation	500,670	0.7	0.7
Others	38,747,244	52.8	53.0
Total	73,135,444	99.9	100.0
Own shares held by the company	88,000	0.1	-
Grand total	**73,223,444**	**100.0**	**100.0**
Nominee registered shares on 31 December 2006			
OMXBS/Skandinaviska Enskilda Banken AB	10,662,546	14.6	14.6
Svenska Handelsbanken AB (publ.)	6,600,337	9.0	9.0
Nordea Bank Finland Plc	6,272,681	8.6	8.6
Others	362,905	0.5	0.5
Total	**23,898,469**	**32.6**	**32.6**

Currently valid foreign notifications

5 Feb 2002 The Capital Group Companies, Inc., administered funds holding exceeded 5 %.

The maximum number of votes which may be cast at the Annual General Meeting is 73,135,444 (status on 31 December 2006). At the end of the financial period the company held a total of 88,000 own shares corresponding to the same number of votes. These shares do not entitle to vote in the Annual General Meeting.

Share capital development 1999 - 2006

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

			Change, FIM	Share capital, FIM	Number of shares
	19 Mar.	Reduction (cancellation of own shares)	5,000,000	383,968,470	38,396,847
	8 Jan.	Increase (bond with warrants)	371,250	388,968,470	38,896,847
1998	31 Dec.			388,597,220	38,859,722

Shareholders by category on 31 December 2006

Category	No. of shares	% of shares
Private non-financial corporations	19,230,188	26.4
Public non-financial corporations	90,000	0.0
Financial and insurance corporations	31,930,290	43.6
General government	9,725,742	13.3
Non-profit institutions	2,767,795	3.8
Households	8,013,439	10.9
Foreign (including nominee registrations)	1,465,116	2.0
Other (joint account)	874	0.0
Total	73,223,444	100.0

Shareholders by size of holding on 31 December 2006

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1 - 100	118,193	0.2	1,513	19.4
101 - 1,000	2,042,777	2.8	4,696	60.2
1,001 - 10,000	3,946,019	5.4	1,379	17.7
10,001 - 100,000	4,658,392	6.3	169	2.2
100,001 - 1,000,000	9,451,295	12.9	34	0.4
1,000,001 -	53,006,768	72.4	8	0.1
Total	73,223,444	100.0	7,799	100.0

Parent company's financial statements (FAS)

Income statement

MEUR		2006	2005
Net sales		**6.8**	7.0
Other operating income	3	**0.6**	143.4
Personnel expenses	4	**4.5**	5.6
Depreciation and impairments	5	**0.2**	0.2
Other operating expenses	3	**8.5**	30.1
Operating profit		**-5.8**	114.4
Financial income and expenses	6	**25.1**	33.7
Profit before extraordinary items		**19.3**	148.1
Extraordinary items	7	**11.2**	12.2
Profit before appropriations and taxes		**30.5**	160.3
Increase (-) or decrease (+) in accumulated depreciation difference		**0.1**	0.1
Income taxes	8	**5.4**	4.1
Profit for the period		**25.2**	156.3

Balance sheet

MEUR		31 Dec 2006	31 Dec 2005
Assets			
Fixed assets			
Intangible assets			
Other capitalised long-term expenditure	9	**0.3**	0.3
Tangible assets			
Machinery and equipment	9	**0.1**	0.1
Securities and long-term investments			
Shares in subsidiaries		**158.9**	150.4
Other shares and holdings		**0.1**	0.1
Loan receivable	10	**291.1**	419.7
Securities and long-term investments		**450.1**	570.2
Total fixed assets		**450.5**	570.7
Current assets			
Current receivables			
Accounts receivable		**2.0**	2.1
Loan receivable		**18.5**	14.9
Accruals		**0.5**	1.4
Deferred tax assets		**0.3**	0.3
Other receivable		**31.6**	37.1
Current receivables	11	**52.9**	55.8
Liquid assets			
Cash and cash equivalent		**6.5**	44.0
Total current assets		**59.4**	99.8
Total assets		**509.8**	670.5

Balance sheet

MEUR		**31 Dec 2006**	31 Dec 2005
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital		**146.4**	148.8
Share premium		**50.2**	47.8
Retained earnings		**164.5**	174.2
Profit for the period		**25.2**	156.3
Total shareholders' equity	12	**386.3**	527.1
Accumulated appropriations	13	**0.1**	0.2
Obligatory provisions	14	**1.2**	1.1
Liabilities			
Current liabilities			
Accounts payable		**1.0**	1.4
Accruals		**7.2**	5.1
Other current liabilities		**114.0**	135.7
Current liabilities	15	**122.2**	142.1
Total liabilities		**122.2**	142.1
Total liabilities and shareholders' equity		**509.8**	670.5

Cash flow statement

MEUR	**1 Jan - 31 Dec 1 2006**	Jan - 31 Dec 2005
Cash flow from operations		
Net cash from operations		
Profit for the period	**25.2**	156.3
Depreciation	**0.2**	0.2
Sales gains/losses from the sale of fixed assets	**-0.6**	-123.4
Cash flow adjustment items	**0.0**	-0.5
Group contributions	**-11.2**	-12.2
Net cash from operations	**13.6**	20.4
Change in net working capital		
Receivables	**2.0**	41.4
Non-interest-bearing liabilities	**1.7**	1.3
Change in net working capital	**3.7**	42.7
Cash flow from operations	**17.3**	63.1
Cash flow from investments		
Share acquisitions	**-10.8**	-14.3
Share divestments and result of subsidiary liquidations	**2.9**	194.6
Purchase of fixed assets	**-0.1**	-
Granted loans	**-17.0**	-288.9
Loan repayments	**145.6**	60.5
Cash flow from investments	**120.6**	-48.1
Cash flow before financing	**137.9**	15.0
Cash flow from financing		
Borrowings of debt	**-**	92.4
Repayments of debt	**-21.6**	-22.0
Dividends paid	**-166.0**	-52.0
Purchase of own shares	**-**	-20.0
Group contributions	**12.2**	13.5
Cash flow from financing	**-175.4**	11.9
Change in cash and cash equivalents	**-37.5**	26.9
Cash and cash equivalents at 1 January	**44.0**	17.1
Cash and cash equivalents at 31 December	**6.5**	44.0
Changes according to balance sheet	**-37.5**	26.9

Notes to the parent company's financial statements (FAS)

MEUR	2006	2005

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.

Pension arrangements

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

Extraordinary income and expenses

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

Income taxes

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

Financial assets, financial liabilities and derivative contracts

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

Leases

All leasing payments have been treated as rental expenses.

Management incentive scheme

The costs of management incentive scheme has been recognized as a cost on accrual basis for the years 2004–2006 according to Generally Accepted Accounting Principals in Finland.

2. Parent company's business

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

MEUR	2006	2005

3. Other operating income and expenses

Other operating income		
Gains from sales of fixed assets	0.6	143.4
Total	0.6	143.4

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

Other operating expenses		
Losses from sales of fixed assets	-	20.1
Environmental expenses	0.7	2.1
Other income	7.8	8.0
Total	8.5	30.2

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

4. Personnel expenses

Salaries and bonuses	3.9	4.8
Pension expenses	0.5	0.5
Other personnel expenses	0.1	0.3
Total	4.5	5.6

Salaries and emoluments paid to the Managing Directors and Board Members (*, TEUR		
Managing Director and his deputy	799.2	699.0
Board of Directors	230.0	236.0
Total	1,029.2	935.0

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

Loans to company directors

At 31 December 2006, the company´s Managing Director and members of the Board of directors had no loans outstanding from the company or its subsidiaries.

The retirement age for the parent company CEO has been agreed as 63 years.

5. Depreciation and impairment

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

MEUR	2006	2005

6. Financial income and expenses

Interest income	2.7	1.5
Intercompany interest income	16.1	10.9
Dividend income from subsidiaries	9.3	22.7
Other financial income	-	0.1
Total	28.1	35.2
Impairments on non-current investments	-	1.1
Interest expenses	2.1	1.8
Intercompany interest expenses	3.8	1.9
Other financial expenses	0.2	0.7
Exchange differences		
- Realised	0.9	-2.1
- Unrealised	-4.0	-1.9
Total	3.0	0.4
Financial income and expenses	25.1	33.7

MEUR	2006	2005

7. Extraordinary income

Group contributions	11.2	12.2

8. Taxes

For the financial period	5.4	4.0
Change in deferred taxation	-	0.1
Total	5.4	4.1

9. Intangible and tangible assets

2006	Intangible rights	Other capitalised long-term expenditure	Buildings and structures	Machinery and equipment	Other tangible assets	Intangible and tangible assets
Acquisition costs 1 Jan	0.2	4.4	18.3	1.0	2.0	25.9
Increases	-	0.1	-	-	-	0.1
Acquisition costs 31 Dec	0.2	4.5	18.3	1.0	2.0	26.0
Accumulated depreciations and impairments 1 Jan	0.2	4.0	18.3	0.9	2.0	25.4
Depreciation for the financial period	-	0.1	-	0.1	-	0.2
Accumulated depreciations and impairments 31 Dec	0.2	4.1	18.3	1.0	2.0	25.6
Book value 31 December	-	0.3	-	0.1	-	0.4

2005	Intangible rights	Other capitalised long-term expenditure	Buildings and structures	Machinery and equipment	Other tangible assets	Intangible and tangible assets
Acquisition costs 1 Jan	0.2	4.4	18.3	8.1	2.0	33.0
Increases	-	-	-	0.0	-	0.0
Decreases	-	-	-	7.1	-	7.1
Acquisition costs 31 Dec	0.2	4.4	18.3	1.0	2.0	25.9
Accumulated depreciations and impairments 1 Jan	0.2	3.9	18.3	7.9	2.0	32.3
Acc. depreciation on disposals and transfers	-	-	-	-7.1	-	-7.1
Depreciation for the financial period	-	0.1	-	0.1	-	0.2
Accumulated depreciations and impairments 31 Dec	0.2	4.0	18.3	0.9	2.0	25.4
Book value 31 December	-	0.4	-	0.1	-	0.5

MEUR	2006	2005

10. Non-current investments

Loans receivables		
- Subsidiaries	291.1	401.2
- Others	-	18.5
Total	291.1	419.7

11. Current receivables

Accounts receivable		
- from subsidiaries	2.0	2.2
Loan receivable		
- from subsidiaries	18.5	14.9
Accruals		
- from subsidiaries	-	1.0
- from others	0.5	0.4
Deferred tax assets	0.3	0.3
Other receivable		
- from subsidiaries	31.6	37.1
Total	52.9	55.9

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

Accruals		
Interest income	0.1	1.0
Other financial income	0.1	-
Taxes	0.2	0.3
Others	0.1	0.1
Total	0.5	1.4

12. Changes in equity

Share capital on 1 January	148.8	149.6
Cancelling of shares	-2.4	-0.8
Share capital on 31 December	146.4	148.8
Capital reserve on 1 January	47.8	46.9
Cancelling of shares	2.4	0.8
Premium on shares issued, 31 December	50.2	47.8
Retained earnings 1 January	330.5	246.2
Dividend payments	-166.0	-52.0
Treasury shares	-	-20.0
Profit for financial period	25.2	156.3
Retained earnings 31 December	189.7	330.5
Shareholders' equity 31 December	386.3	527.1

MEUR	2006	2005

13. Accumulated depreciation differences

- Intangible assets	-	0.1
- Plant and machinery	0.1	0.1
Total	0.1	0.2

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

14. Obligatory provisions

Pension obligation	0.3	0.3
Environmental provision	0.9	0.8
Total	1.2	1.1

15. Current liabilities

Accounts payable		
- from subsidiaries	0.5	0.4
- from others	0.5	1.0
Accruals		
- from others	7.2	5.1
Other current liabilities		
- from subsidiaries	4.6	134.2
- from others	109.4	1.4
Total	122.2	142.1

Accrued liabilities		
Personnel expenses	0.5	0.6
Taxes	3.3	1.5
Interest	0.2	0.2
Others	3.2	2.8
Total	7.2	5.1

MEUR	2006	2005

16. Contingent liabilities

- on behalf of a subsidiary		
Guarantees issued	**11.4**	10.1
- on behalf of others		
Guarantees issued	**9.7**	10.2
Operating lease commitments		
Operating lease commitments for next 12 months	**-**	0.5
Operating lease commitments over next 12 months	**-**	2.1
Guarantees issued	**21.1**	20.3
Lease commitments	**1.9**	2.6
Total	**23.0**	22.9

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

MEUR	2006	2005

17. Exchange and interest rate risk management

Foreign currency derivatives:	Nominal value	
Forward agreements	**6.4**	26.9
Currency swaps	**6.6**	-

Foreign currency derivatives:	Fair value	
Forward agreements	**6.5**	26.8
Currency swaps	**6.7**	-

Distributable funds, 31 December 2006, EUR	
Retained earnings	164,472,754.78
Profit for the period	25,175,508.78
Distributable funds, 31 December 2006, EUR	189,648,263.56

Proposal of the Board of Directors

The distributable funds of the parent company Uponor Corporation are EUR 189,648,263.56 of which profit for the period is EUR 25,175,508.78.

The Board of Directors proposes to the Annual General Meeting that

• a dividend of EUR 1.40 per share will be paid, totaling	EUR 102,489,722
• the reminder be retained in the shareholders' equity	EUR 87,158,542
	EUR 189,648,264

Vantaa, 8 February 2007

Pekka Paasikivi
Chairman

Aimo Rajahalme

Jorma Eloranta

Anne-Christine Silfverstolpe Nordin

Rainer S. Simon

Jan Lång
Managing director

Auditors' report

To the shareholders of Uponor Corporation

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Uponor Corporation for the period 1 January - 31 December 2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki, 8 February 2007

KPMG OY AB
Sixten Nyman, Authorized Public Accountant

Corporate governance

Pursuant to the Finnish Companies Act and the Articles of Association of Uponor Corporation (hereinafter 'the Corporation'), the control and management of the Corporation is divided among the shareholders, the Board of Directors and the Chief Executive Officer (CEO). Uponor Corporation follows the recommendation on corporate governance for listed companies issued by the HEX Plc, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

General meetings of shareholders

Shareholders exercise their rights in general meetings of shareholders, which constitute the Corporation's highest decision-making body. Under the 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 Corporation's shares
- Share and stock-option plans
- Election of members of the Board of Directors and decision on their emoluments
- Election of the Corporation's auditor and decision on audit fees

Under the Finnish Companies Act, a shareholder has the right to require that, in accordance with the Finnish Companies Act, 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 of Directors 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 corporation's shares, have the right to demand in writing that an extraordinary general meeting (EGM) 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 Corporation of their intention to attend the meeting by the date mentioned in the notice of meeting.

Board of Directors

Duties

In accordance with the Finnish Companies Act, the Board of Directors is responsible for the management of the Corporation and the proper organisation of its activities. The Board's main duty is to direct the Corporation'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, such as Uponor Group's ("Group") strategy, dividend policy, budget, major investments including company acquisitions and divestments, as well as major restructuring programmes. The Board also approves succession plans for the CEO and the Executive Committee members.

Election and membership

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 Board members may serve is not limited, nor is there any defined retirement age applying to them.

The AGM held in March 2006 elected the following five members to the Board: Mr Jorma Eloranta, Mr Pekka Paasikivi, Mr Aimo Rajahalme, Ms Anne-Christine Silfverstolpe Nordin, and Mr Rainer S. Simon. (For more detailed information on Uponor's Board members, please see page 29 in the annual review or visit www.uponor.com.)

It is the Corporation's policy to comply with the recommendations on issues related to Board members, their independence and non-executive position, issued by the HEX Plc., the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers. All Board members are required to act in the best interests of the Corporation, its subsidiaries and all shareholders, and to disclose any potential conflicts of interest.

All of the current Board members are independent of the Corporation and all of the Board members, except for Mr Paasikivi, are independent of major shareholders.

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

The AGM determines Board emoluments and fees. Based on the 2006 AGM's decision, the annual Board emoluments are as follows: Chairman EUR 65,000, Deputy Chairman EUR 45,000, and ordinary Board members EUR 40,000.

Additionally, the AGM decided that approximately 40 per cent of the annual emoluments be paid in company shares acquired on behalf and in the name of the Board members, and approximately 60 per cent in cash.

The table below shows annual emoluments and fees paid to the current Board members during 2006:

Board member	**Annual emoluments, EUR**
Paasikivi Pekka, Chairman	65,000
Rajahalme Aimo, Deputy Chairman	45,000
Eloranta, Jorma	40,000
Silfverstolpe Nordin, Anne-Christine	40,000
Simon Rainer S.	40,000
Total	230,000

The Board members were not involved in the Corporation's share-based incentive scheme that terminated at the end of 2006.
The Board elects from among its members a Chairman and Deputy Chairman, for one year at a time.

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 a business unit, a different one at each time. The Board of Directors may also meet at any time without the presence of the corporate management and make decisions without holding a meeting.

During 2006, the Board held 12 meetings, two of these at a business unit, and made one decision without a meeting. One non-attendance was recorded.

The Board does not have a separate charter, because given that the company has sufficiently detailed corporate governance guidelines, such a charter is considered unnecessary.

Board Committees

The Board of Directors has decided that the Corporation shall not have a separate Audit Committee but the Board shall perform the duties vested with such a committee. The Board meets with the external auditor at least twice a year, once without the presence of the corporate management, and with the internal auditor, at least once a year. In addition to monitoring internal and external audits, the Board's duties as Audit Committee include examining the contents of the Corporation's annual accounts and interim reports, and monitoring its internal control and risk management systems. Whenever necessary, the Board sets up ad hoc committees to deal with various issues, such as compensation and nominations. Two such committees were set up in 2006: one for outlining possible future incentive programmes to be implemented in the Corporation, and the other for preparing proposals on Board members for the Annual General Meeting of 2007.

Chief Executive Officer

Assisted by the Executive Committee, the Chief Executive Officer 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 Corporation'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 Executive Committee.

The annual remuneration paid to the CEO, Mr. Jan Lång, totalled EUR 362,912.14 in 2006, including fringe benefits. He is also entitled to a bonus of a maximum of 50 per cent of his annual remuneration. In 2006, he received EUR 162,766 in bonuses.

Under the terms of the written service contract with the CEO, the contract may be terminated by either the CEO or the Corporation at six months´ notice. If the Corporation 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 Corporation may also terminate the agreement with immediate effect by paying an indemnification equivalent to his 18-month remuneration. The CEO is entitled to retire at the age of 63, with a full pension calculated in accordance with the Employees' Pensions Act (TEL). The CEO must retire at the age of 65, at the latest.

Executive Committee

Duties

The Executive Committee (ExCom) 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.

In addition, the ExCom deals with budgets, business plans and their implementation, major organisational changes and any changes in employment terms and conditions affecting a large number of employees.

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 30-31 in the annual review.)

Meetings and decision-making

The ExCom meets 10–12 times a year, with informal records being kept of its meetings. In 2006, the ExCom held 12 meetings.

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 own 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, subject to an individual employee's position, a profit and performance-based bonus. The superior of an employee's immediate supervisor is responsible for approving an individual employee's compensation. Until the end of 2006, the compensation of the Executive Committee members consisted of an additional long-term share based incentive programme. A new long-term incentive programme is being prepared.

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 his annual compensation, and approves the ExCom members' annual compensation, based on the CEO's proposal.

Internal control, risk management and internal audit

The Board and the CEO determine the policies used to steer the Group's operations. As part of internal control, the management is responsible for monitoring compliance with the said policies within the Group.

The Group's main risk areas have been identified, with each ExCom member being allocated his/her own area of responsibility with regard to the identified risks. These responsibilities include the management and proper organisation of such areas throughout the Group. The officer in charge of risk management co-ordinates overall risk management within the Group and is also responsible for ensuring appropriate insurance coverage and organising risk-management reporting on a Group-wide basis.

Internal audit is independent of daily business operations in order to provide a solid basis for an unbiased business evaluation. The Board approves the annual internal audit plan.

The Corporation has outsourced its internal audit to PricewaterhouseCoopers Oy.

External audit

The AGM elects the external auditor on the basis of the Board's proposal. 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 Corporation's audit log.

The 2006 AGM appointed KPMG Oy Ab, a corporation of authorised public accountants, as the Corporation's auditor for the financial year 2006, with Mr Sixten Nyman, Authorised Public Accountant, acting as the principal auditor. Audit fees paid in 2006 to the external auditor for statutory audit services totalled EUR 654,000, for audit related services EUR 12,000 and for non-audit services EUR 196,000.

Insider guidelines

The Corporation complies with the guidelines for insiders issued by the Helsinki Stock Exchange, the standards issued by the Financial Supervision Authority of Finland as well as other authorities.

The Corporation's public insiders comprise of Board members, the CEO, ExCom members and the auditor. The Corporation maintains its public insider register in Finnish Central Securities Depository Ltd's SIRE system.

The Corporation 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 Corporation 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 Corporation. Typically, such a project is a thematic entity or arrangement not forming part of the Corporation'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 Corporation's shares and other securities is subject to prior approval by the Corporation's General Counsel. The Corporation applies an absolute trading prohibition that starts at end of the reporting period, however, not 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 table below shows the shares owned by the public insiders in 2006 (including any holdings of corporations controlled by them and any holdings of their immediate circle).

Shares held by public insiders in 2006

Name	Position	Date	Shares
Aarnio Paula	Executive Committee member	1 Jan.	-
		31 Dec.	-
Bjork Jim	Executive Committee member	1 Jan.	-
		31 Aug.	-
Brinkmann Bernhard	Executive Committee member	1 Jan.	-
		31 Dec.	1,500
Eloranta Jorma	Board member	1 Jan.	2,052
		31 Dec.	2 713
Graevenitz von Georg	Executive Committee member	1 Jan.	-
		31 Dec.	-
Kallioinen Jukka	Executive Committee member	1 Jan.	440
		31 Dec.	440
Luomakoski Jyri	Deputy CEO and CFO	1 Jan.	1,800
		31 Dec.	1,900
Lång Jan	President and CEO	1 Jan.	10,400
		31 Dec.	10,400
Nyman Sixten	Auditor	1 Jan.	-
		31 Dec.	-
Paasikivi Pekka	Chairman of the Board	1 Jan.	428,700
		31 Dec.	429,774
Rajahalme Aimo	Board member	1 Jan.	5,184
		31 Dec.	5,928
Rintanen Lauri	Executive Committee member	1 Jan.	400
		31 Dec.	400
Silfverstolpe Nordin Anne-Christine	Board member	1 Jan.	4,680
		31 Dec.	5,341
Simon Rainer S.	Board member	1 Jan.	1,798
		31 Dec.	2,459
Tollsten Anders	Executive Committee member	-	
		31 Dec.	-

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