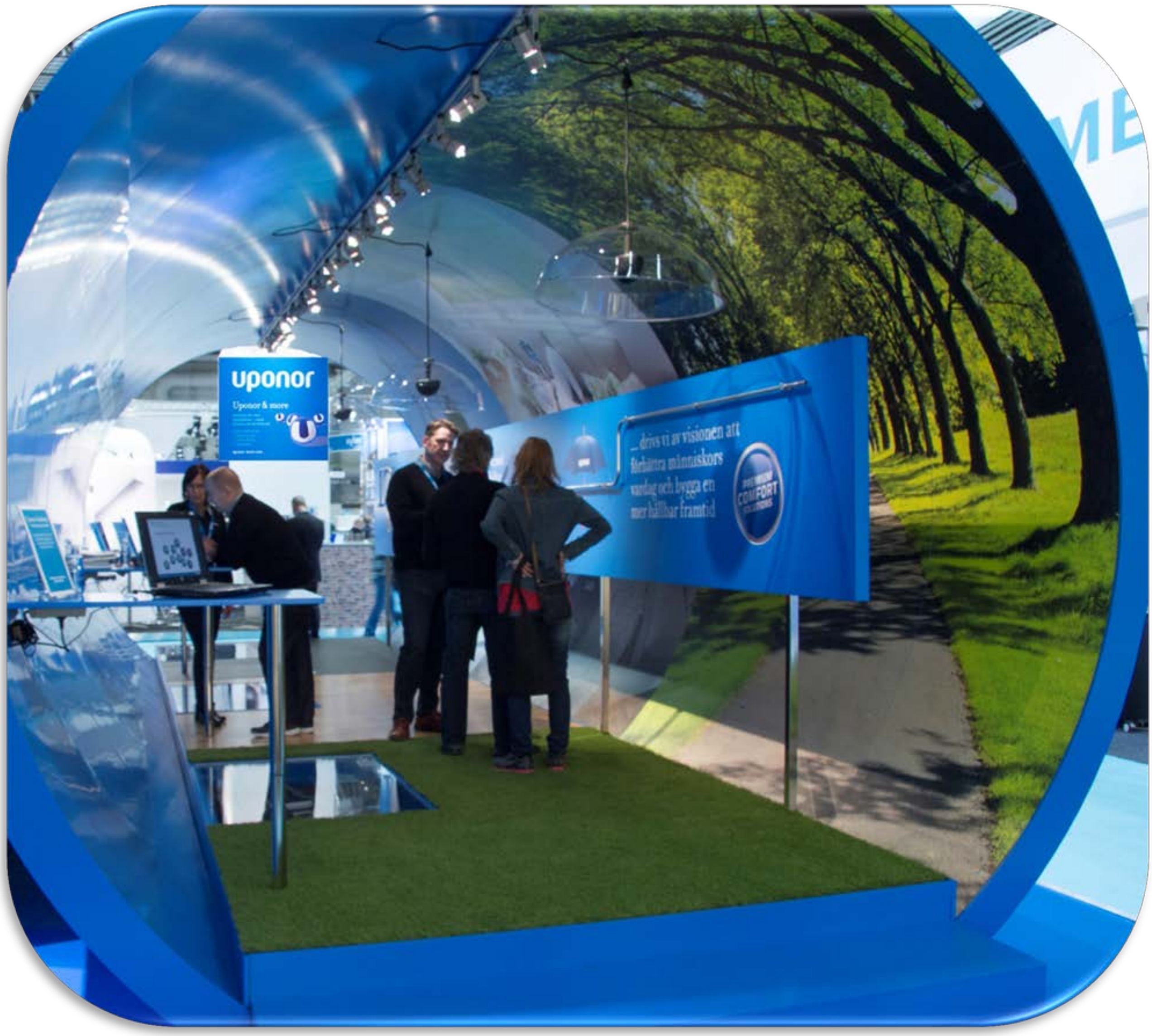
uponor



Nordbygg exhibition, Stockholm, Sweden, 1-4 April 2014

INTERIM REPORT 2014

28 April 2014

Q1

INTERIM REPORT JANUARY – MARCH 2014

Uponor reports brisk growth supported by good weather and stable markets

- Businesses across the European continent benefited from the exceptionally mild winter compared to the harsh weather in Q1 2013, while North America suffered from a severe winter
- Net sales in January – March totalled €230.9 (177.7) million; up by 30.0% or 6.5% adjusting for the combined historic figures for Uponor Infra
- Operating profit came to €4.8 (6.1) million, a change of -20.8%; excluding a non-recurring cost of €3.8 million, operating profit improved by 40.8%
- Earnings per share were €0.04 (0.05)
- Return on investment was 3.5% (7.0%), and gearing 56.9% (77.6%)
- Cash flow from business operations came to €-18.4 (-15.5) million
- Uponor repeats its full-year guidance announced on 14 Feb 2014

(This interim report has been compiled in accordance with the IAS 34 reporting standards and is unaudited. Figures in the report are for continuing operations, unless otherwise stated.)

President and CEO Jyri Luomakoski comments as follows on developments during the reporting period:

- We believe that the mild and construction-friendly winter weather had a positive impact on net sales development in Europe in the first quarter. In North America, however, unusually severe winter weather had an adverse impact on construction. Despite this, we are happy to report double-digit growth there, measured in the local currency.
- In Building Solutions – Europe, we are continuing our efforts to improve customer service, while reducing our environmental impact and improving cost efficiency. The reported Q1 operating profit is burdened by €3.8m in non-recurring expenses related to our initiative, effective as of Q1 2015, to consolidate our central European distribution and warehousing operations, bringing them closer to our customers and existing production facilities.
- Uponor Infra's integration is proceeding as planned and we are on track to generate the expected savings, partly during the current year and fully in 2015. Largely thanks to the favourable weather, net sales grew modestly from the combined historic figures for 2013, but were still affected by the lack of infrastructure projects, especially in Finland.

Information on the January – March 2014 interim report bulletin

The figures in brackets are the reference figures for the equivalent period in the previous year. Figures refer to continuing operations, unless otherwise stated. Any change percentages were calculated from the exact figures and not the rounded figures published here.

Webcast of the results briefing and the presentation

A webcast in English will be broadcast on 28 April at 10:00 a.m. EET. Connection details are available at www.uponor.com > Investors. Questions can be sent to ir@uponor.com. The recorded webcast can be viewed at www.uponor.com > Investors shortly after publication. The presentation document will be available at www.uponor.com > Investors > News & downloads.

Next interim results

Uponor Corporation will publish its Q2 interim results on 25 July 2014. During the silent period from 1 to 25 July, Uponor will not comment on market prospects or factors affecting business and performance.

Markets

While the general economic environment in Uponor's key markets in January – March remained more or less similar to the latter half of 2013, business conditions were influenced by extreme weather: exceptionally mild throughout the European continent – Central and Northern Europe, in particular – and rather harsh winter conditions in most of North America. In the comparison period in 2013, the European markets suffered from a severe and long winter.

This year's mild weather conditions were apt to boost building and civil engineering projects in Europe; it is likely that some projects planned for execution in the spring were initiated earlier due to favourable working conditions. In North America, on the other hand, heavy snowfall and low temperatures postponed and delayed building projects. Notwithstanding the weather, demand in the residential segments was more satisfactory than in the non-residential and civil engineering segments in several geographies.

In Europe, after the softer final quarter of 2013, building market activity improved and was relatively favourable in much of Central Europe. Contrary to expectations, there was an improvement in the Netherlands, whose market had been subdued for a lengthy period of time. In Southern Europe, the national markets remained sluggish and even worsened in France and Italy, while in the UK the emerging signs of recovery witnessed last year were again visible. In the Nordic countries, Sweden continued to show an improving demand trend in the residential segment while demand in Finland declined; no major trend changes were witnessed in Norway and Denmark. The Russian market, whose importance to Uponor has steadily grown over several years, continued to boom.

In North America, the U.S. building markets continued to develop in a healthy manner, although they were a little softer than in some previous quarters. The Canadian market, which declined in 2013, showed signs of stabilising.

Demand for infrastructure solutions slowed after the previous quarter, due to normal seasonality. Year-on-year, modest improvements were noted in the Scandinavian markets, driven by the mild winter weather.

Net sales

Uponor's net sales grew considerably in the interim period January – March 2014, mainly driven by the establishment of the new Uponor Infra company on 1 July 2013. The Group's consolidated net sales reached €230.9 (177.7) million, up 30.0%. Adjusted for the addition of the former KWH Pipe's infrastructure businesses and the consequent establishment of Uponor Infra, this represents a change of 6.5% compared to the combined historic figures for 2013.

The translation impact of currencies on net sales, mainly from the CAD, USD and RUB, was considerable. The negative translation impact of all currencies reduced consolidated net sales by €7.5m, or 3.1%, compared to the first quarter of 2013.

Net sales growth in Building Solutions – Europe, year-over-year, was supported by recovering demand in several key markets – such as Central Europe, Sweden and Russia – which benefited from the mild winter. In euro terms, however, Russian net sales growth was reduced by the weakening rouble. Overall, Uponor performed well in keeping up sales of its differentiated, value-adding offering, while taking market share in selected volume segments.

Although Building Solutions – North America's net sales growth slowed slightly from the level of the previous quarters, it reached double-digit percentage growth in the local currency, despite the inclement weather. In the U.S., good progress was made in the Southeast and Western regions. The strongest growth was recorded in plumbing revenues, particularly large-diameter plumbing.

Uponor Infra reported modest growth in net sales compared to the combined historic figures for 2013. Apart from in Canada, the above-mentioned weather conditions supported Uponor Infra's business, which was facing flat demand due to financing constraints which are limiting investments in public infrastructures.

Customer buying trends are estimated to have enhanced net sales in the first quarter, with a varying impact depending on the geographical market and business segment in question. This is the result of distributors filling their inventory after the year-end closing in some markets and a pre-buying impact in advance of sales price increases announced by Uponor in various geographies, due to currency value changes, for example. Some price increases took effect in the reporting quarter, while further increases are scheduled for implementation in the spring season.

Breakdown of net sales by segment (January – March):

M€	1–3/ 2014	1–3/ 2013	Change
Building Solutions – Europe	120.9	113.9	6.2%
Building Solutions – North America	40.5	37.2	8.7%
(Building Solutions – North America (M$)	55.5	49.0	13.2%)
Uponor Infra	70.8	27.6	156.8%
Eliminations	-1.3	-1.0	
Total	230.9	177.7	30.0%

Results and profitability

Uponor's consolidated operating profit for continuing operations in the first quarter of 2014 came to €4.8 (6.1) million, representing a change of -20.8% year-on-year. Profitability, as measured by operating profit margin, came to 2.1% from the 3.4% reported a year ago. The operating profit is burdened by a €3.8 million provision for a non-recurring cost related to the plan to relocate the German distribution centre to new premises by the first quarter of 2015 at the latest. Excluding the non-recurring cost, operating profit was €8.6 million and operating profit margin 3.7%, representing a growth of 40.8% year-over-year.

The favourable performance trend, excluding the non-recurring cost, in Building Solutions – Europe in the first quarter was supported by operational leverage due to higher net sales, especially in comparison to the lacklustre development in the comparison period.

In North America, due to rising demand, plastic resin prices began to trend upwards. This affected Building Solutions – North America's operating profit, which was further burdened by the weakening Canadian currency.

In Europe, plastic resin prices remained fairly stable in the first quarter as the impact of the rising price of USD-based feed stock on resin prices was offset by the stronger euro.

Uponor Infra's operating profit improved from the prior year's combined historic numbers supported by higher net sales in several markets. Further, Uponor Infra's integration programme has been executed according to plan and the benefits from consolidation measures are beginning to show. The operating profit improvement was somewhat offset by delayed customer projects in Central Europe and in Canada where business also suffered from severe weather and higher input costs.

Expenses, totalling €73.5 (63.2) million, increased by €10.3 million. This was a result of multiple factors, such as the consolidation of the new Uponor Infra businesses, the €3.1 million in closing expenses related to the upcoming distribution centre relocation in Germany, as well as an impact of changes in currencies.

Profit before taxes for January – March totalled €2.7 (5.0) million. The effect of taxes on profits was €0.9 million, compared to €1.7 million in the first quarter of 2013. Profit for the first quarter of 2014 amounted to €1.8 (3.3) million.

Breakdown of operating profit by segment (January – March):

M€	1–3/ 2014	1–3/ 2013	Change
Building Solutions – Europe	5.7	6.7	-15.7%
Building Solutions – North America	4.4	4.6	-3.8%
(Building Solutions – North America (M$)	6.1	6.1	0.2%)
Uponor Infra	-4.2	-3.7	-13.1%
Others	-0.8	-1.2	
Eliminations	-0.3	-0.3	
Total	4.8	6.1	-20.8%

Investment and financing

Apart from increased investment in new product development and the related manufacturing capacity in Building Solutions – Europe, Uponor's capital investments during the reporting period were mainly targeted at maintenance and development. Gross investments in the first quarter came to €4.4 (4.6) million, clearly below depreciation, which amounted to €9.1 (7.1) million. Cash flow from business operations came to €-18.4 (-15.5) million. Cash flow from financing and thus cash flow for the period was further affected by the dividend payment on 31 March, which remained at €27.8 (27.8) million.

Uponor continues to have a special focus on maintaining a high level of liquidity, as well as following up accounts receivable, among other issues, in order to reduce credit risk.

The main existing funding programmes on 31 March 2014 included an €80 million bond maturing in 2018 and a €20 million bond maturing in 2016. Committed bilateral revolving credit facilities, maturing in 2015-2019, totalled €150 million; none of these back-up facilities were in use during the period under review. At the period end, €24.0 million of commercial papers were issued under the €150 million domestic commercial paper programme.

The Group's solvency, at 37.9% (34.4%), has remained at a good level. Net interest-bearing liabilities were €147.8 (142.1) million. The period-end cash balance totalled €30.2 (8.1) million. Gearing came to 56.9 (77.6) %.

Key events

Uponor continued to consolidate the European Building Solutions organisation after the announcement of the new structure in April 2013. In product management, the organisation has been simplified and layers have been removed to expedite operations. In sales and marketing, the integration of the different sales areas continues, with the aim of achieving savings and performance benefits from more aligned structures and enhanced sharing of best practises.

During the quarter, Uponor completed the roll-out of a new product naming concept for its European building solutions business and introduced new packaging designs, thus driving stronger brand harmonisation. Uponor Infra's transition to the Uponor brand design was finalised in all new units in all geographies.

The first and second quarters of the year are traditionally the high season for building and civil engineering exhibitions. Uponor participated in several key fairs and builder shows, promoting its new products such as the seamless aluminium composite pipe, Uponor Uni Pipe Plus, and its adaption to surface installations, Uponor Metallic Pipe Plus. The new technology offers a combination of new features, such as lower installed cost, shorter installation time, safer installations and a better visual appearance when installed, making the product an attractive choice for the contractor, the installer and the home-owner alike.

In addition, Uponor Infra actively promoted the combined strengths of Uponor's and the former KWH Pipe's infrastructure solutions businesses, which now comprise Uponor Infra.

The first quarter underway saw the closing of two Uponor Infra factories in Finland as well as one prefabrication site, as announced in autumn 2013. The production lines from these factories have been moved and installed in the Vaasa and Nastola factories in Finland.

Annual General Meeting

Uponor's Annual General Meeting held in Helsinki, Finland, on 19 March 2014 adopted Uponor's parent-company and consolidated financial statements for 2013 and released the Board members and the managing director from liability. The AGM approved the proposed dividend of €0.38 per share for 2013.

Existing Board members Jorma Eloranta, Timo Ihamuotila, Eva Nygren, Jari Rosendal and Rainer S. Simon were re-elected. Ms Annika Paasikivi was elected as a new member. She is employed as Chief Operating Officer at Oras Invest.

In its meeting subsequent to the AGM, the Board of Directors elected Jorma Eloranta as Chair and Annika Paasikivi as Deputy Chair of the Board. The Board decided to establish an Audit Committee and a Personnel and Remuneration Committee, the latter with an extended charter. The members of the Audit Committee are Timo Ihamuotila (Chair), Annika Paasikivi and Jari Rosendal. The members of the Personnel and Remuneration Committee are Jorma Eloranta (Chair) and Annika Paasikivi.

Deloitte & Touche Oy, authorised public accountants, was re-elected as the auditor of the corporation, and subsequently Teppo Rantanen, Authorised Public Accountant, was named the principal auditor.

The Board's annual remuneration remained unchanged, except for one change: the Chair of the Audit Committee will have the same remuneration as the Deputy Chair of the Board. Approximately 40% of such remuneration will be paid in Uponor Corporation shares, obtained through public trading, and the rest in cash. Additionally, a separate fee will be paid to Board members for Board and committee meetings.

The Board of Directors was authorised to buy back a maximum of 3.5 million of the company's own shares, equalling 4.8% of the total number of shares of the company. These shares may be bought back using distributable earnings from unrestricted equity. The authorisation is valid until the end of the next annual general meeting and for no longer than 18 months.

While Uponor complies with the Finnish Corporate Governance Code 2010, issued by the Securities Market Association, the company deviates from the code with respect to recommendation 22. Uponor's Personnel and Remuneration Committee established subsequent to the AGM held in March 2014 has two members instead of the three stated in the recommendation. Uponor considers sufficient expertise for the Personnel and Remuneration Committee to have been secured with two members, and the Committee can also seek the views of non-Committee members. The Committee acts as a preparatory body assisting the Board of Directors and all essential matters relating to remuneration are handled by the Board of Directors.

Human resources and administration

The number of Group full time-equivalent employees in continuing operations averaged 4,161 (3,024) in January – March 2014, a marked increase mainly from the establishment of Uponor Infra, which added approximately 1,085 persons to the Group's payroll. At the end of the period, the Group had 4,166 (3,030) employees.

On 14 February 2014, the Board of Directors decided to continue implementing the long-term share-based incentive plan established in 2012. The new plan covers the years 2014-2016 and complements the existing plans for the years 2012-2014 and 2013-2015. This latest plan will cover a maximum of ten members of the Group's key management. The purpose of the plan is to retain key management, as well as to motivate and reward the management for good performances that support the company's profitability and the implementation of the company's strategy. The plan also encourages key management to acquire and own Uponor's shares, which contributes to aligning the interests of the management, the company and shareholders.

Share capital and shares

Uponor Corporation's share capital amounts to €146,446,888 and the number of shares totals 73,206,944. There were no changes in the share capital and shares during the reporting period.

In January, Uponor received a notification referred to in Chapter 9, Section 5 of the Securities Market Act from The Capital Group Companies, Inc., stating that its total holding and voting power had fallen to 3,616,201 shares, representing an ownership holding of 4.9396%.

The number of Uponor shares traded on the NASDAQ OMX Exchange in Helsinki in the reporting period was 7.2 (4.1) million shares, totalling €92.6 (42.9) million. The market value of share capital at the end of the period was €1.0 (0.8) billion and the number of shareholders 16,387 (17,487).

Events after the period under review

In an effort to introduce further measures to strengthen the company's competitive position in Europe's flattish building markets, on 7 April Uponor announced a decision to close the Central European distribution centre and the manufacture of local heat distribution pipe systems in northwestern Germany, and to relocate these operations to a custom-fitted building in Hassfurt, close to the company's manufacturing operations in southern Germany. It is estimated that this relocation, which is to be completed by early 2015 at the latest, will generate savings of €2 million on an annual basis from the second quarter of 2015 onwards. The January – March 2014 interim report includes a €3.8 million provision for a non-recurring cost related to the plan.

A further €50 million revolving credit facility was signed in April. Following this, the Group's total amount of committed revolving credit facilities came to €200 million, €50 million of which will mature in 2015 and €150 million in 2019.

Short-term outlook

Macro-economic trends in Uponor's key markets, Europe and North America, are expected to continue following their current course in the near future. In addition, it is anticipated that demand in the building and civil engineering markets will follow much the same pattern witnessed during the first quarter of 2014. Reflecting the stabilisation of the economy and gradually recovering consumer and business confidence in Europe, demand for building solutions is also expected to develop steadily and even show modest growth in some key markets. In North America, the market is expected to continue growing both in the U.S. and in Canada, although the pace may slow. Demand for infrastructure solutions is likely to remain weak, largely driven by tight public spending on utility infrastructure.

Uponor is cautiously optimistic and well prepared for a lengthy low-growth environment in which market conditions remain stable. The company has undergone an evolution through structural enhancements, focussed streamlining and a major strategic transaction to strengthen the platform of its infrastructure solutions business. Its offering portfolio has been developed further to meet topical customer needs such as those related to sustainability, the utilisation of renewable resources and energy-efficiency. The company's financial standing is solid.

Despite this positive view, the related scenario involves economic and political risks, for which reason the management continues to keep a sharp eye on cost efficiency and cash flow, while pursuing growth in key markets and utilising the company's competitive product and services offering.

Uponor repeats its guidance for the year 2014, announced on 14 February 2014:
The Group's net sales and operating profit (excluding any non-recurring items) are expected to improve from 2013.

Uponor's financial performance may be affected by a range of strategic, operational, financial and hazard risks. A more detailed risk analysis is provided in the section 'Key risks associated with business' in the Financial Statements 2013.

Uponor Corporation
Board of Directors

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

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

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

Uponor is a leading international provider of plumbing and indoor climate solutions for residential and commercial building markets across Europe and North America. In northern Europe, Uponor is also a prominent supplier of infrastructure pipe systems. The Group employs approx. 4,100 persons, in 30 countries. In 2013, Uponor's net sales exceeded €900 million. Uponor Corporation is listed on NASDAQ OMX Helsinki in Finland. http://www.uponor.com.

INTERIM REPORT JANUARY – MARCH 2014
Table part

This interim report has been compiled in accordance with the IAS 34 reporting standard and it is unaudited. The figures in brackets are the reference figures for the equivalent period in 2013. The change percentages reported have been calculated from the exact figures and not from the rounded figures published in the interim report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

M€	1-3/ 2014	1-3/ 2013	1-12/ 2013
Continuing operations			
Net sales	230.9	177.7	906.0
Cost of goods sold	152.8	108.5	585.9
Gross profit	78.1	69.2	320.1
Other operating income	0.2	0.1	0.8
Dispatching and warehousing expenses	11.8	8.2	34.2
Sales and marketing expenses	44.4	40.0	167.7
Administration expenses	13.3	11.1	50.0
Other operating expenses	4.0	3.9	18.8
Operating profit	4.8	6.1	50.2
Financial expenses, net	2.1	1.1	7.1
Share of results in associated companies	0.0	0.0	0.1
Profit before taxes	2.7	5.0	43.2
Income taxes	0.9	1.7	16.1
Profit for the period from continuing operations	1.8	3.3	27.1
Discontinued operations			
Profit for the period from discontinued operations	0.0	0.0	-0.3
Profit for the period	1.8	3.3	26.8
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Re-measurements on defined benefit pensions, net of taxes	0.0	-	0.4
Items that may be reclassified subsequently to profit or loss			
Translation differences	-1.5	3.0	-5.1
Cash flow hedges, net of taxes	-0.7	0.2	0.5
Net investment hedges	0.4	-2.8	2.4
Other comprehensive income for the period, net of taxes	-1.8	0.4	-1.8
Total comprehensive income for the period	0.0	3.7	25.0
Profit/loss for the period attributable to			
- Equity holders of parent company	3.3	3.3	27.8
- Non-controlling interest	-1.5	-	-1.0
Comprehensive income for the period attributable to			
- Equity holders of parent company	1.7	3.7	26.5
- Non-controlling interest	-1.7	-	-1.5
Earnings per share, €	0.04	0.05	0.38
- Continuing operations	0.04	0.05	0.38
- Discontinued operations	0.00	0.00	0.00

Diluted earnings per share, €	0.04	0.05	0.38
- Continuing operations	0.04	0.05	0.38
- Discontinued operations	0.00	0.00	0.00

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

M€	31.3.2014	31.3.2013	31.12.2013
Assets			
Non-current assets			
Property, plant and equipment	197.4	153.2	201.8
Intangible assets	101.5	92.5	102.8
Securities and non-current receivables	10.8	0.8	10.8
Deferred tax assets	15.7	14.9	15.9
Total non-current assets	325.4	261.4	331.3
Current assets			
Inventories	130.6	93.6	115.4
Accounts receivable	175.2	136.7	126.7
Other receivables	29.1	33.0	33.9
Cash and cash equivalents	30.2	8.1	53.7
Total current assets	365.1	271.4	329.7
Total assets	690.5	532.8	661.0
Equity and liabilities			
Equity			
Equity attributable to the owners of the parent company	194.1	183.2	219.7
Non-controlling interest	65.9	-	68.0
Total equity	260.0	183.2	287.7
Non-current liabilities			
Interest-bearing liabilities	136.4	107.6	136.4
Deferred tax liability	15.5	15.0	15.7
Provisions	4.6	5.0	4.5
Employee benefits and other liabilities	25.5	22.8	25.8
Total non-current liabilities	182.0	150.4	182.4
Current liabilities			
Interest-bearing liabilities	41.7	42.6	14.2
Provisions	19.1	14.7	17.6
Accounts payable	74.3	52.6	61.1
Other liabilities	113.4	89.3	98.0
Total current liabilities	248.5	199.2	190.9
Total equity and liabilities	690.5	532.8	661.0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

M€	1-3/2014	1-3/2013	1-12/2013
Cash flow from operations			
Net cash from operations	13.5	11.2	87.9
Change in net working capital	-28.6	-22.6	22.3
Income taxes paid	-2.9	-3.4	-14.8
Interest paid	-0.4	-0.8	-3.6
Interest received	0.0	0.1	0.3
Cash flow from operations	-18.4	-15.5	92.1
Cash flow from investments			
Acquisition of businesses*	-	-	8.2
Proceeds from disposal of shares	0.0	-	0.0
Purchase of fixed assets	-4.4	-4.6	-33.9
Proceeds from sale of fixed assets	0.4	0.0	0.8
Dividends received	-	-	0.0
Loan repayments	-0.1	-	0.0
Cash flow from investments	-4.1	-4.6	-24.9
Cash flow from financing			
Borrowings of debt	28.2	34.9	76.3
Repayment of debt	-6.9	-	-41.1
Change in other short-term loan	6.3	3.7	-35.8
Dividends paid	-27.8	-27.8	-27.8
Payment of finance lease liabilities	-0.3	-0.4	-1.6
Cash flow from financing	-0.5	10.4	-30.0
Conversion differences for cash and cash equivalents	-0.5	0.1	-1.2
Change in cash and cash equivalents	-23.5	-9.6	36.0
Cash and cash equivalents at 1 January	53.7	17.7	17.7
Cash and cash equivalents at end of period	30.2	8.1	53.7
Changes according to balance sheet	-23.5	-9.6	36.0

*) Acquisition of businesses consists of €3.8 million paid for the acquisition of the PEX pipe business and €12.0 million received in cash and cash equivalents from the acquisition of KWH Pipe Ltd.

STATEMENT OF CHANGES IN EQUITY

M€	A	B	C	D*	E	F	G	H	I
Balance at 1 Jan 2014	146.4	50.2	0.0	-17.6	-1.0	41.7	219.7	68.0	287.7
Total comprehensive income for the period			-0.7	-0.9		3.3	1.7	-1.7	0.0
Dividend paid (€0.38 per share)						-27.8	-27.8		-27.8
Share-based incentive plan						0.1	0.1		0.1
Other adjustments						0.4	0.4	-0.4	0.0
Balance at 31 March 2014	146.4	50.2	-0.7	-18.5	-1.0	17.7	194.1	65.9	260.0
Balance at 1 Jan 2013	146.4	50.2	-0.5	-15.4	-1.0	27.6	207.3	-	207.3
Total comprehensive income for the period			0.2	0.2		3.3	3.7		3.7
Dividend paid (€0.38 per share)						-27.8	-27.8		-27.8
Share-based incentive plan						0.0	0.0		0.0
Other adjustments			0.0			0.0	-		-
Balance at 31 March 2013	146.4	50.2	-0.3	-15.2	-1.0	3.1	183.2	-	183.2

*) Includes a -€13.7 (-19.3) million effective part of net investment hedging at the end of period.

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The interim report has been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU and IAS 34 Interim Financial Reporting. In its interim reports, Uponor Group follows the same principles as in the annual financial statements for 2013.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

M€	31.3.2014	31.3.2013	31.12.2013
Gross investment	4.4	4.6	33.9
- % of net sales	1.9	2.6	3.7
Depreciation	9.1	7.1	33.0
Book value of disposed fixed assets	0.3	0.0	3.5

PERSONNEL

Converted to full time employees	1-3/2014	1-3/2013	1-12/2013
Average	4,161	3,024	3,649
At the end of the period	4,166	3,030	4,141

OWN SHARES	31.3.2014	31.3.2013	31.12.2013
Own shares held by the company, pcs	140,378	140,378	140,378
- of share capital, %	0.2	0.2	0.2
- of voting rights, %	0.2	0.2	0.2
Accounted par value of own shares held by the company, M€	0.3	0.3	0.3

SEGMENT INFORMATION

	1-3/2014			1-3/2013		
M€	External	Internal	Total	External	Internal	Total
Net sales by segment, continuing operations						
Building Solutions – Europe	120.7	0.2	120.9	113.8	0.1	113.9
Building Solutions - North America	40.5	0.0	40.5	37.2	-	37.2
Uponor Infra	69.7	1.1	70.8	26.7	0.9	27.6
Eliminations	0.0	-1.3	-1.3	-	-1.0	-1.0
Total	230.9	-	230.9	177.7	-	177.7

	1-12/2013		
M€	External	Internal	Total
Net sales by segment, continuing operations			
Building Solutions – Europe	478.9	0.6	479.5
Building Solutions - North America	171.5	-	171.5
Uponor Infra	255.6	5.8	261.4
Eliminations	-	-6.4	-6.4
Total	906.0	-	906.0

M€	1-3/2014	1-3/2013	1-12/2013
Operating result by segment, continuing operations			
Building Solutions - Europe	5.7	6.7	32.7
Building Solutions - North America	4.4	4.6	24.7
Uponor Infra	-4.2	-3.7	-2.3
Others	-0.8	-1.2	-3.4
Eliminations	-0.3	-0.3	-1.5
Total	4.8	6.1	50.2

M€	1-3/2014	1-3/2013	1-12/2013
Segment depreciation and impairments, continuing operations			
Building Solutions - Europe	2.7	2.7	11.3
Building Solutions - North America	1.9	1.6	6.8
Uponor Infra	3.3	1.5	9.9
Others	1.2	1.1	4.5
Eliminations	0.1	0.2	0.5
Total	9.1	7.1	33.0
Segment investments, continuing operations			
Building Solutions – Europe	1.4	1.2	8.0
Building Solutions - North America	1.5	2.5	15.7
Uponor Infra	1.5	0.8	9.4
Others	0.0	0.1	0.8
Total	4.4	4.6	33.9

M€	31.3.2014	31.3.2013	31.12.2013
Segment assets			
Building Solutions - Europe	345.1	337.0	340.8
Building Solutions - North America	130.7	123.2	131.9
Uponor Infra	272.8	101.5	259.5
Others	163.9	224.0	260.2
Eliminations	-222.1	-252.9	-331.4
Total	690.5	532.8	661.0
Segment liabilities			
Building Solutions - Europe	237.6	265.0	238.8
Building Solutions - North America	65.6	68.4	69.2
Uponor Infra	136.1	79.1	117.8
Others	239.1	215.3	302.2
Eliminations	-247.9	-278.2	-354.6
Total	430.5	349.6	373.4

	1-3/2014	1-3/2013	1-12/2013
Segment personnel, continuing operations, average			
Building Solutions – Europe	2,072	2,040	2,084
Building Solutions - North America	525	473	504
Uponor Infra	1,506	451	1,002
Others	58	60	59
Total	4,161	3,024	3,649

Reconciliation

M€	1-3/2014	1-3/2013	1-12/2013
Operating result by segment, continuing operations			
Total result for reportable segments	6.0	7.6	55.1
Others	-0.8	-1.3	-3.4
Eliminations	-0.2	-0.2	-1.5
Operating profit	4.9	6.1	50.2
Financial expenses, net	2.2	1.1	7.1
Share of results in associated companies	0.0	0.0	0.1
Profit before taxes	2.7	5.0	43.2

CONTINGENT LIABILITIES AND ASSETS

M€	31.3.2014	31.3.2013	31.12.2013
Commitments of purchase PPE (Property, plant, equipment)	5.1	3.4	3.3
Other commitments	1.4	-	1.5
- on own behalf			
Pledges at book value	0.4	-	0.4
Mortgages issued	9.5	0.1	9.4
Guarantees issued	5.9	-	6.1
- on behalf of a subsidiary			
Pledges at book value	-	-	0.0
Guarantees issued	22.4	16.8	19.4
- on behalf of others			
Guarantees issued	0.0	7.4	0.0
Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures			
Pledges at book value	0.4	-	0.4
Mortgages issued	9.5	0.1	9.4
Guarantees issued	28.3	24.2	25.6
Total	38.2	24.3	35.4

Uponor Corporation's subsidiary in Spain, Uponor Hispania, SA, had a tax audit in December 2011 – May 2012, covering financial years 2006 and 2007. As a result of the audit, the tax authority claims €3.9 million in taxes, delay interest and penalties from Uponor Hispania. The claim mainly relates to the tax deductibility of certain costs such as services rendered by Uponor Group and advertising. Uponor Hispania disagrees with the assessment of the tax authority and has appealed the case. While the appeal is being handled, Uponor Hispania, SA has provided a bank guarantee of €2.9 million covering the tax amount and delay interests due to the Spanish tax authority. The bank guarantee given is included in Guarantees issued on behalf of a subsidiary above.

In the beginning of 2012, Uponor Corporation and its subsidiary Uponor Business Solutions Oy paid €15.0 million in taxes, surtaxes and penalties based on the taxation adjustment decisions made by the Finnish tax authority for the years 2005-2009. Uponor appealed against the decisions and filed a request for rectification to the Board of Adjustment. The Board of Adjustment rejected Uponor Business Solutions Oy's appeal in April 2013 and, for the most part, also Uponor Corporation's appeal in June 2013. On July 2013, Uponor placed the issue before the administrative court and applied for rectification of the Board of Adjustment's ruling. Uponor will also start a process to avoid possible double taxation. The surtaxes (€1.9 million) and the interest on delayed payments (€3.3 million) were recorded as expenses in 2011. The paid taxes (€9.8 million) relating to an increase in taxable income were booked as receivables from the tax authority in 2012. Tax authority returned €0.3 million to Uponor Corporation in June 2013; thus the tax receivable decreased to €9.6 million. The tax receivable is reported in non-current receivables, as the process can last years. If Uponor, against expectations, should fail to get the appeal approved, the surtaxes and interests would remain as the company's loss. If the appeal would be approved, the surtaxes and interests would be returned to the company.

M€	31.3.2014	31.3.2013	31.12.2013
OPERATING LEASE COMMITMENTS	34.3	39.5	35.3

DERIVATIVE CONTRACTS

M€	Nominal value 31.3.2014	Fair value 31.3.2014	Nominal value 31.3.2013	Fair value 31.3.2013	Nominal value 31.12.2013	Fair value 31.12.2013
Currency derivatives						
- Forward agreements	235.0	0.2	214.2	-0.3	250.7	2.2
- Currency options, bought	9.4	-	10.6	0.1	9.9	0.4
- Currency options, sold	9.4	-0.2	10.6	0.0	9.9	0.0
Interest derivatives						
- Interest rate swaps	170.0	-2.1	50.0	-2.5	170.0	-1.5
Commodity derivatives						
- Forward agreements	6.4	-1.7	6.7	-0.6	7.2	-1.4

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

31.3.2014 M€	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit and loss	Loans and receivables	Available for sales financial assets	Financial liabilities measured at amortised cost	Carrying amount by balance sheet item	IFRS 7 Fair value hierarchy level
Non-current financial assets							
Other shares and holdings				0.7		0.7	
Non-current receivables			10.1			10.1	
Current financial assets							
Accounts receivable and other receivables			189.3			189.3	
Other derivative contracts	1.8	1.4				3.2	2, 3
Cash and cash equivalents			30.2			30.2	
Carrying amount	1.8	1.4	229.6	0.7		233.5	
Non-current financial liabilities							
Interest bearing liabilities					136.4	136.4	
Electricity derivatives	0.9					0.9	1
Current financial liabilities							
Interest bearing liabilities					41.7	41.7	
Electricity derivatives	0.8					0.8	1
Other derivative contracts	3.9	1.4				5.3	2, 3
Accounts payable and other liabilities					122.0	122.0	
Carrying amount	5.6	1.4			300.1	307.1	

31.3.2013 M€	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit and loss	Loans and receivables	Available for sales financial assets	Financial liabilities measured at amortised cost	Carrying amount by balance sheet item	IFRS 7 Fair value hierarchy level
Non-current financial assets							
Other shares and holdings				0.2		0.2	
Electricity derivatives	0.0					0.0	1
Non-current receivables			0.6			0.6	
Current financial assets							
Accounts receivable and other receivables			151.4			151.4	
Electricity derivatives	0.0					0.0	1
Other derivative contracts	0.8	0.9				1.7	2, 3
Cash and cash equivalents			8.1			8.1	
Carrying amount	0.8	0.9	160.1	0.2		162.0	
Non-current financial liabilities							
Interest bearing liabilities					107.6	107.6	
Electricity derivatives	0.5					0.5	1
Current financial liabilities							
Interest bearing liabilities					42.6	42.6	
Electricity derivatives	0.2					0.2	1
Other derivative contracts	3.9	0.5				4.4	2, 3
Accounts payable and other liabilities					99.0	99.0	
Carrying amount	4.6	0.5			249.2	254.3	

31.12.2013 M€	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit and loss	Loans and receivables	Available for sales financial assets	Financial liabilities measured at amortised cost	Carrying amount by balance sheet item	IFRS 7 Fair value hierarchy level
Non-current financial assets							
Other shares and holdings				0.7		0.7	
Non-current receivables			10.1			10.1	
Current financial assets							
Accounts receivable and other receivables			143.9			143.9	
Electricity derivatives	0.0					0.0	1
Other derivative contracts	2.6	3.1				5.7	2, 3
Cash and cash equivalents			53.7			53.7	
Carrying amount	2.6	3.1	207.7	0.7		214.1	
Non-current financial liabilities							
Interest bearing liabilities					136.4	136.4	
Electricity derivatives	0.7					0.7	1
Current financial liabilities							
Interest bearing liabilities					14.2	14.2	
Electricity derivatives	0.7					0.7	1
Other derivative contracts	3.2	1.3				4.5	2, 3
Accounts payable and other liabilities					79.2	79.2	
Carrying amount	4.6	1.3			229.8	235.7	

The carrying value of financial assets and liabilities is considered to correspond to their fair value. The Group's financial instruments are classified according to IFRS 7 fair value hierarchies. Uponor applies the hierarchy as follows:

- The fair value of electricity derivatives is measured based on stock exchange prices. (Hierarchy 1)
- The fair value of currency forward agreements is measured based on price information from common markets and commonly used valuation methods. (Hierarchy 2)
- The fair value of currency options is measured according to fair value calculations made by financial institutions (Hierarchy 3). The fair value of currency options at the valuation day is immaterial.

DISCONTINUED OPERATIONS

In 2014 and 2013, the discontinued operations include costs related to the administration and maintenance of the real estate vacated by the Irish infrastructure business sold in 2008.

M€	1-3/2014	1-3/2013	1-12/2013
Expenses	0.0	0.0	0.3
Profit before taxes	0.0	0.0	-0.3
Income taxes	-	-	-
Profit after taxes	0.0	0.0	-0.3
Profit for the period from discontinued operations	0.0	0.0	-0.3
Cash flow from discontinued operations			
Cash flow from operations	-0.1	-0.1	-0.4

RELATED-PARTY TRANSACTIONS

M€	1-3/2014	1-3/2013	1-12/2013
Continuing operations			
Purchases from associated companies	0.4	0.4	1.5
Balances at the end of the period			
Loan receivable from associated companies	0.1	-	-
Accounts receivable and other receivables	0.0	0.0	0.0
Accounts payables and other liabilities	0.1	0.1	0.1

KEY FIGURES

	1-3/2014	1-3/2013	1-12/2013
Earnings per share, €	0.04	0.05	0.38
- continuing operations	0.04	0.05	0.38
- discontinued operations	0.00	0.00	0.00
Operating profit (continuing operations), %	2.1	3.4	5.5
Return on equity, % (p.a.)	2.6	6.8	10.8
Return on investment, % (p.a.)	3.5	7.0	12.5
Solvency ratio, %	37.9	34.4	43.9
Gearing, %	56.9	77.6	33.7
Net interest-bearing liabilities	147.8	142.1	96.9
Equity per share, €	2.66	2.51	3.00
- diluted	2.65	2.51	3.00
Trading price of shares			
- low, €	11.71	9.65	9.65
- high, €	14.94	11.27	15.85
- average, €	12.96	10.54	12.31
Shares traded			
- 1,000 pcs	7 193	4,071	14 563
- M€	93	43	179

QUARTERLY DATA

	1-3/ 2014	10-12/ 2013	7-9/ 2013	4-6/ 2013	1-3/ 2013
Continuing operations					
Net sales, M€	230.9	237.6	279.3	211.4	177.7
- Building Solutions – Europe	120.9	112.0	129.3	124.3	113.9
- Building Solutions – North America	40.5	43.6	46.9	43.8	37.2
- Building Solutions – North America, $	55.5	59.6	62.4	57.2	49.0
- Uponor Infra	70.8	83.7	105.1	45.0	27.6
Gross profit, M€	78.1	72.0	96.3	82.6	69.2
- Gross profit, %	33.8	30.3	34.5	39.1	39.0
Operating profit, M€	4.8	-3.8	28.2	19.7	6.1
- Building Solutions – Europe	5.7	0.3	14.6	11.1	6.7
- Building Solutions – North America	4.4	5.8	7.7	6.6	4.6
- Building Solutions – North America, $	6.1	8.0	10.2	8.6	6.1
- Uponor Infra	-4.2	-9.0	6.1	4.3	-3.7
- Others	-0.8	-0.5	0.2	-1.9	-1.2
Operating profit, % of net sales	2.1	-1.6	10.1	9.3	3.4
- Building Solutions – Europe	4.7	0.3	11.3	8.9	5.9
- Building Solutions – North America	11.0	13.3	16.5	15.0	12.4
- Uponor Infra	-6.0	-10.8	5.8	9.6	-13.6
Profit for the period, M€	1.8	-6.0	17.7	11.8	3.3
Balance sheet total, M€	690.5	661.0	716.4	552.7	532.8
Earnings per share, €	0.04	-0.03	0.20	0.16	0.05
Equity per share, €	2.66	3.00	3.06	2.68	2.51
Market value of share capital, M€	968.5	1,041.0	1,020.5	841.9	776.0
Return on investment, % (p.a)	3.5	12.5	17.9	14.7	7.0
Interest-bearing net debt at the end of the period, M€	147.8	96.9	135.2	146.2	142.1
Gearing, %	56.9	33.7	45.8	74.5	77.6
Gearing, % rolling 4 quarters	52.7	57.9	60.9	63.9	64.0
Gross investment, M€	4.4	14.8	8.7	5.8	4.6
- % of net sales	1.9	6.2	3.1	2.7	2.6

DEFINITIONS OF KEY RATIOS

Return on Equity (ROE), %

$$= \frac{\text{Profit before taxes – taxes}}{\text{Shareholder's equity + non-controlling interest, average}} \times 100$$

Return on Investment (ROI), %

$$= \frac{\text{Profit before taxes + interest and other financing costs}}{\text{Balance sheet total – non-interest-bearing liabilities. average}} \times 100$$

Solvency, %

$$= \frac{\text{Shareholder's equity + non-controlling interest}}{\text{Balance sheet total – advance payments received}} \times 100$$

Gearing, %

$$= \frac{\text{Net interest-bearing liabilities}}{\text{Shareholder's equity + non-controlling interest}} \times 100$$

Net interest-bearing liabilities

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

Earnings per share (EPS)

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

Equity per share ratio

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

Average share price

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