Posco Green Building in Yeonsu, Republic of South Korea, features Uponor heating and cooling system with ceiling comfort panels

FINANCIAL STATEMENTS BULLETIN 2014

12 February 2015

1–12

Uponor's performance continues on track, supported by strong U.S. growth

- All segments improve in October-December year-over-year, the strongest performance was reported in Building Solutions – North America
- Net sales 1-12: €1,023.9m (2013: 906.0m), up 13.0%; growth at 2.0% from combined historic figures
- Operating profit 1-12: €63.4m (€50.2m), up 26.3%
- Operating profit excluding non-recurring items at €67.7m (€55.2m), up 22.6%
- Earnings per share at €0.50 (€0.38); earnings per share excluding non-recurring items at €0.54 (€0.43)
- Guidance for the year 2015: the Group's net sales and operating profit (excluding any non-recurring items) are expected to improve from 2014
- The Board's dividend proposal is €0.42 (€0.38) per share

President and CEO Jyri Luomakoski comments on the reporting period:

- Our largest segment, Building Solutions – Europe was affected by volatile markets but we achieved a solid performance thanks to our follow-through of internal measures.
- The good tailwind lingered in Building Solutions – North America and our traditional core market, residential new construction, continued to be buoyant. We also pursued efforts to further penetrate the commercial segment, in both plumbing and indoor climate, with good results. Strong sales growth was enabled by diligently executed manufacturing capacity increases that were timed to meet growing demand.
- Uponor Infra faced adverse developments in several markets, but measures executed during the first wave of integration and thereafter are already showing benefits in our cost base and helping to improve performance in the last quarter.
- For 2015, we are issuing similar guidance to last year. Volatility in the external environment is not helping us in forecasting, but the significant technology investments, new product launches and the organisational streamlining carried through all drive our confidence in continued steady progress. There are, however, especially many risks that may materialise and affect actual results.

The Board's dividend proposal

The Board proposes to the Annual General Meeting a dividend of €0.42 (€0.38) per share. When making the proposal, the Board considered the solvency of the company, the company's dividend policy, and the business outlook.

Key financial figures

Consolidated income statement (continuing operations), M€	2014	2013	2012	2011	2010
Net sales	1,023.9	906.0	811.5	806.4	749.2
Operating expenses	926.9	823.6	726.5	743.0	669.9
Depreciation	36.0	33.0	28.2	29.4	29.1
Other operating income	2.4	0.8	0.9	1.4	2.2
Operating profit	63.4	50.2	57.7	35.4	52.4
Financial income and expenses	-7.4	-7.1	-8.6	-17.7	-10.7
Profit before taxes	56.3	43.2	49.4	17.7	41.7
Result from continuing operations	36.3	27.1	32.9	1.9	27.0
Profit for the period	36.0	26.8	32.8	1.6	24.7
Earnings per share	0.50	0.38	0.45	0.03	0.34

Information on the financial statements bulletin

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

Webcast and presentation

A webcast of the results briefing in English will be broadcast on 12 February at 12:30pm EET. Connection details are available at http://investors.uponor.com. Questions can be sent in advance to ir@uponor.com. The recorded webcast can be viewed at http://investors.uponor.com shortly after its publication. The presentation document will be available at http://investors.uponor.com > News & downloads.

Next interim results

Uponor Corporation will publish its Q1 interim results on 28 April 2015. During the silent period from 1 April to 27 April, Uponor will not comment on market prospects or factors affecting business and performance.

Interim results October – December 2014

Markets

In the building and construction market in Europe, demand in the fourth quarter remained subdued, continuing the trend of the two preceding quarters. The European markets continued to be characterised by volatility, probably due to the prolonged recovery of the European business environment. The situation was further worsened by geopolitical issues related to the Ukraine crisis.

In Building Solutions – Europe, demand in Germany, the segment's single largest market, was weak, as anticipated, while most other markets continued to be flat. In the Nordic countries, demand for renovation partly offset the soft new build markets. The market in Russia experienced a temporary boost, as customers pre-stocked in anticipation of price increases due to changes in exchange rates.

In the U.S., the building markets continued to grow, both in terms of residential and commercial demand. Canada also remained resilient.

In terms of infrastructure solutions, demand picked up from the previous quarters, the main improvement occurring in North America, Asia and Poland.

Net sales

Uponor's consolidated net sales came to €251.5m (€237.6m), showing an increase of 5.9% from the final quarter of 2013, driven mainly by the strong growth reported in North America. All segments reported growth. In local currency, consolidated net sales grew by 5.7%.

Building Solutions – Europe's net sales improved from the corresponding period, partly due to the temporary product approval cancellation that curbed sales in France in 2013. Uponor Infra suffered from declining net sales in Finland, but successfully offset this through positive net sales trend in North America, technology sales and increased project business in Asia.

Breakdown of net sales, October – December:

M€	10-12 2014	10-12 2013	Reported change
Building Solutions – Europe	112.7	112.0	0.6%
Building Solutions – North-America	56.1	43.6	28.4%
(Building Solutions – North-America, M$	70.0	59.6	17.4%)
Uponor Infra	84.9	83.7	1.5%
Eliminations	-2.2	-1.7	
Total	251.5	237.6	5.9%

Profits and profitability

Uponor's consolidated gross profit in the final quarter of 2014 totalled €83.2 (€72.0) million or 33.1% (30.3%). In 2013, the temporary cancellation of a product approval in France negatively affected gross profit.

Consolidated operating profit for the fourth quarter came to €11.8 (€-3.8) million. The operating profit margin came to 4.7% (-1.6%). Without non-recurring items, the operating profit was 12.7 (0.1) million.

All segments improved in terms of profitability, against the comparison period. In 2013, Building Solutions – Europe's operating profit was burdened by a cost of ca €5 million related to the temporary cancellation of a product approval in France. Uponor Infra's operating profit for the current quarter was supported by the cost savings measures implemented. In the case of Building Solutions – North America, Uponor was able to benefit from the successful measures implemented to capture growth in the market's improving residential and commercial segments.

Uponor Infra's performance improved due to operational leverage, as a result of increased sales in international markets, projects and the technology business. The segment continued to be burdened by restructuring costs from the programme launched in Finland in 2014, amounting to €0.3 (€3.9) million in the fourth quarter. These integration and efficiency programmes are proceeding according to plan.

Breakdown of operating profit, October – December:

M€	10-12 2014	10-12 2013	Reported change
Building Solutions – Europe	4.7	0.3	n/m
Building Solutions – North-America	9.3	5.8	59.9%
(Building Solutions – North-America, M$	11.7	8.0	46.3%)
Uponor Infra	-0.9	-9.0	n/m
Others	-1.6	-0.5	
Eliminations	0.3	-0.4	
Total	11.8	-3.8	n/m

Events during the period

In Central Europe, the relocation of distribution operations to the new distribution centre presently being built in Hassfurt, Germany, proceeded ahead of schedule, with the relocation of some operations already being finalised. The centre, which will include a central warehouse and the small-scale production of local heat distribution systems, will function as the main Central European distribution hub. It will be taken into full commercial use early in the second quarter of 2015.

In Finland, Uponor continued its determined efforts to develop its offering and find new niche routes into the market. Together with leading professional partners, Uponor established a business alliance to develop a pre-fabricated wall solution for the renovation of existing buildings. The 'Uponor technic wall' concept includes the design, project management and installation of new bathrooms and kitchens. This concept is specifically designed for renovating the large number of buildings erected in Finland during the 1970s and 80s, and the first pilot projects have been agreed on.

Markets

In 2014, the construction markets in Europe and North America developed as mirror images of one another. An exceptionally cold winter in North America slowed activity in the early months of the year but, as the snow melted, activity gained strength. Meanwhile, in Europe, the mild winter provided a jump-start for the industry, but this early momentum was largely lost by mid-summer.

The Nordic countries saw new residential construction rise from 2013 levels in Sweden and Denmark, but fall in Norway and Finland, while new non-residential construction stabilised in the area following a number of years of contraction. Meanwhile, renovation activity in the residential and non-residential markets expanded in all countries. Civil engineering was flat in Sweden, contracted in Finland and Denmark and, thanks to investments in transport and energy, grew in Norway.

In Central Europe, an especially mild winter coupled with strong demand spurred the area's largest country, Germany, to begin the year with accelerated construction output levels across the residential and non-residential markets, in both new builds and renovation. At the same time, the Netherlands began to show the first signs of recovery after an extended period of contraction in most building segments. The slowdown that began in the summer within the euro area dampened sentiment in the region's construction industry. The year ended with relatively high levels of building activity, but growth had clearly decelerated.

The Southwest European markets were characterised by marked variation in developments. In the UK, the non-residential segment returned to growth, and the new residential segment exhibited a second year of improved activity. The first signs of recovery were witnessed in Spain, where construction activity and industry sentiment improved throughout the year, albeit from extremely low levels. In France and Italy, on the other hand, slight growth in the renovation segments fell well short of offsetting the significant reduction in new non-residential and residential building.

In terms of Eastern Europe, the Russian market started the year well and, despite an increasingly challenging business environment, residential construction activity remained largely on a par with the previous year. Meanwhile, businesses in Russia began scaling back investments in the non-residential segment. Events related to the Ukraine crisis had a clearly negative impact on the entire region, consumers and businesses became cautious and a slowdown in activity was apparent. In the Baltics, residential and non-residential construction grew during the year, but civil engineering contracted slightly.

In general, the export markets outside Europe, in which Uponor does a significant amount of business, continued to exhibit year-over-year growth in the residential and non-residential new build segments.

Many parts of the U.S. and Canada were seriously affected by adverse weather in the first months of the year, dampening both construction activity and builder sentiment. As the summer approached, a slow but broad-based recovery took shape in the U.S., leading to growth across nearly all residential and non-residential segments. In Canada, both housing construction and non-residential building activity slowed. The civil engineering segment development in the U.S. and Canada was the same as for the other building segments: steady growth in the U.S., but contraction in Canada.

Net sales

Uponor's 2014 net sales from continuing operations amounted to €1,023.9 (2013: €906.0) million, up 13.0% year on year. In comparable terms, i.e. adjusting for historic 2013 figures of the new Uponor Infra businesses, consolidated as of 1 July 2013, net sales grew by 2.0%. In local currency, this growth amounted to 3.9%.

Building Solutions – Europe's net sales declined by -0.1% but showed modest growth of 1.7% in local currency. A key reason for this flattish development was the weaker-than-anticipated market conditions in Germany in the latter part of the year, which slowed growth.

Building Solutions – North America reported continued strong growth, both in the local currency and in euro. Uponor was successful in growing net sales in both the residential and commercial markets, and in expanding its geographical presence in the U.S.

For the first time, Uponor Infra's net sales for 2014 included a full 12 months of figures for the businesses that have been combined since the establishment of the joint-venture with KWH Pipe on 1 July 2013. Reported growth from 2013 was therefore considerable, rising by 34.4%. Compared to the historic 2013 net sales levels achieved by the combined businesses, there was a decline of 2.2%, mainly driven by the impact of currency changes, but also due to plummeting demand in some key markets, such as Finland and Denmark, and a negative development in market share in Finland in particular.

In terms of business groups, as a result of the full-year consolidation of Uponor Infra, the share of Infrastructure Solutions in 2014 grew to 34% (28%) while Plumbing Solutions represented 39% (42%) and Indoor Climate Solutions 27% (30%) of Group net sales.

Net sales by segment for 1 January – 31 December 2014:

M€	1–12 2014	1–12 2013	Reported change
Building Solutions – Europe	479.1	479.5	-0.1%
Building Solutions – North America	200.8	171.5	17.1%
(Building Solutions – North America (M$)	265.2	228.2	16.2%)
Uponor Infra	351.3	261.4	34.4%
Eliminations	-7.3	-6.4	
Total	1,023.9	906.0	13.0%

Measured by reported net sales, and their respective share of Group net sales, the 10 largest countries were as follows (2013 figures in brackets): the USA 17.6% (15.8%), Germany 13.9% (15.9%), Finland 13.2% (13.8%), Sweden 9.2% (9.5%), Canada 8.2 % (6.1%), Denmark 4.7% (4.9%), Norway 3.6% (3.9%), the United Kingdom 3.5% (3.3%), the Netherlands 3.1% (3.2%), and Russia 3.0% (3.1%).

Results

The consolidated full-year gross profit ended at €340.1 (€320.1) million, a change of €20.0 million or 6.2%. The gross profit margin came to 33.2% (35.3%). The main influencer for this trend was an increased share of infrastructure solutions business after the establishment of Uponor Infra.

Consolidated operating profit came to €63.4 (50.2) million, up 26.3% from the previous year. The operating profit margin improved to 6.2% (5.5%) of net sales. Operating profit included €4.3 (5.0) million in non-recurring items, of which €3.7m was reported in Building Solutions – Europe and €0.6m (net) in Uponor Infra. The non-recurring items in 2013 were related to the integration programme in Uponor Infra, while the items in 2014 comprised the relocation of Building Solutions – Europe's Central European distribution centre, relocation and assembly of fixed assets in Uponor Infra related to the integration programme, including the sale of former manufacturing facilities, as well as costs incurred by Uponor Infra's streamlining in Finland in 2014.

Operating profit improved in all segments, although it remained slightly negative in Uponor Infra. The biggest contributor was Building Solutions – North America, with a 27.4% improvement in euro terms from last year.

Building Solutions – Europe's operating profit improved, especially in the spring season, against the rather soft 2013 performance. In the fourth quarter of 2013, the operating profit was burdened by a cost of €5 million related to the temporary cancellation of a product approval in France, while in 2014 there was a non-recurring cost of €3.7 million related to the relocation of the distribution centre in Germany.

Building Solutions – North America's performance continued strong, in a favourable market environment, and Uponor was able to capture more volume as a result of capacity expansions.

Uponor Infra's performance improved, largely due to the synergic savings generated by the merger between the Uponor and KWH Pipe infrastructure businesses on 1 July 2013, the results of the streamlining actions implemented in the Finnish market, as well as higher profitability in the foreign businesses. Profitability was burdened by the declining volume development in the Finnish market and the action begun to adjust operations to low demand. In 2014, Uponor Infra's operating profit was burdened by a non-recurring cost of €0.6 million (net) due to merger-related integration initiatives, as well as the streamlining of the Finnish operations in 2014.

Operating profit by segment for 1 January – 31 December 2014:

M€	1–12 2014	1–12 2013	Reported change
Building Solutions – Europe	35.0	32.7	7.0%
Building Solutions – North-America	31.5	24.7	27.4%
(Building Solutions – North-America (M$)	41.6	32.9	26.4%)
Uponor Infra	-0.5	-2.3	77.9%
Others	-2.6	-3.4	
Eliminations	0.0	-1.5	
Total	63.4	50.2	26.3%

Uponor's financial expenses came to €7.4 (€7.1) million. Net currency exchange differences in 2014 totalled €-1.2 (-0.6) million.

Profit before taxes was €56.3 (43.2) million. At a tax rate of 35.5% (37.3%), income taxes totalled €20.0 (16.1) million.

Profit for the period totalled €36.0 (26.8) million, of which continuing operations accounted for €36.3 (27.1) million.

Return on equity grew to 12.3% (10.8%). Return on investment reached 14.2% (12.5%).

Earnings per share were €0.50 (0.38), and €0.50 (0.38) for continuing operations. Equity per share was €3.16 (3.00). For other share-specific information, please see the Tables section.

Consolidated cash flow from operations was €75.7 (92.1) million, while cash flow before financing came to €45.1 (67.2) million. Comparison with the 2013 cash flow is impacted by significant positive one-time effects from the first time consolidation of the former KWH Pipe business in the middle of 2013, i.e. at the peak of the seasonal net working capital cycle. In line with the profit improvement, net cash from operations in 2014 improved from €87.9 million to €99.0 million.

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

Investment, research and development, and financing

In terms of capital expenditure, Uponor aims to achieve a balance between targeting resources at the most viable opportunities, while keeping investment tight, depending on the respective market situation. Funds are being addressed, on an ongoing basis, at maintenance and selected productivity improvements.

In 2014, capital was allocated to new pipe technologies, such as the new seamless composite pipe and PEX pipe extrusion, which was mainly targeted at boosting production capacity and efficiency. In North America, the fifth expansion of the manufacturing facility in Minnesota was completed in the fourth quarter of 2014. As a result, new raw material handling capacity was introduced and manufacturing space grew by more than 1,600 square metres. Further, the idle production lines relocated from Europe to the U.S. in 2013, were taken into use.

Gross investments into fixed assets totalled €35.7 (33.9) million, an increase of €1.8 million year on year. Net investments totalled €32.1 (30.4) million. In 2014, proceeds from the sale of fixed assets include the sale of the real estates of the two closed Uponor Infra manufacturing facilities.

Research and development costs amounted to €16.3 (17.7) million, or 1.6% (2.0%) of net sales. The decline is related to the relative growth of the lower R&D intensive infrastructure solutions business within the Group. Further, the trend also reflects the fact that major building solutions' product development projects have advanced to a launch phase, thus requiring less R&D expenditure.

The main existing funding programmes on 31 December 2014 included an €80 million bond maturing in 2018 and a €20 million bond maturing in 2016. With existing bond issues, Uponor has extended the maturity structure and diversified its sources of funding. In addition to these, Uponor Infra Oy took out a loan of €35 million on 1 July 2013 in order to finance its operations, €26 million of which was outstanding at the end of 2014.

Committed bilateral revolving credit facilities, which will mature in 2015-2019, totalled €200 million; none of these back-up facilities were used during the year.

For short-term funding needs, Uponor's main source is its domestic commercial paper programme, totalling €150 million, none of which was outstanding on the balance sheet date. At the end of the year, Uponor had €60.2 million in cash and cash equivalents.

Accounts receivable and credit risks received special attention throughout the year. The amount of bad debt remained low at €0.7 (1.3) million.

Consolidated net interest-bearing liabilities reduced to €82.0 (96.9) million. The solvency ratio was 43.9% (43.9%) and gearing came to 27.6% (33.7%). Average quarterly gearing was 45.8 (57.9), in line with the range of 30-70 set in the company's financial targets.

Events during the period

In April, Uponor announced a plan to streamline its Central European distribution operations and close its distribution centre in Wettringen, north-western Germany. The ground-breaking of a new logistics centre, with a floor area of 15,500 m^2, on leased premises in Hassfurt, Germany, occurred at the end of September. The centre will be fully operational early in the second quarter of 2015. In the same connection, the manufacture of local heat distribution pipe systems in Ochtrup, the town neighbouring Wettringen, was transferred to Hassfurt. These relocations incurred a non-recurring cost of €3.7 million. They are expected to generate operational savings in the range of €2 million on an annual basis, effective from the second quarter of 2015 onwards, while reducing operational emissions. After the relocation, Uponor continues to have sales, offering and other service functions in the Wettringen-Ochtrup area.

In the autumn, Uponor announced the closing of two chamber-prefabrication units at Uponor Infra in Finland, as an outcome of the collaborative negotiations within Uponor's Finnish subsidiaries, Uponor Infra Oy and Uponor Suomi Oy. The negotiations were initiated in order to adjust operations in response to weak Finnish market development. As a result, the companies jointly reduced their personnel by nearly 100 employees. The restructuring is expected to be completed by the end of the first quarter of 2015. It involves a total of €0.8 million in non-recurring costs recognised in 2014, down from the previously announced €1.5 million, while generating annual savings of €5 million from the second quarter of 2015.

In terms of the development of its offering, Uponor continued to roll out a range of new and upgraded products in several key markets. The most important novelties included the seamless aluminium composite pipe for plumbing applications, introduced in some European markets, and its further development – a composite pipe with a metallic look for surface installations.

Personnel and organisation

At the end of the year, the Uponor Group had 3,982 (4,141) employees, in full-time-equivalent (FTE) terms. This is 159 less than at the end of 2013. The average number of employees (FTE) for the year was 4,127 (3,649). The workforce was reduced as a result of the redundancies in Uponor Infra in Finland, affecting ca 100 jobs, while there was an increase in personnel in the U.S. to satisfy business growth.

The geographical breakdown of the Group's personnel (FTE) was as follows: Germany 20.8 (20.9%), Finland 17.2 (19.6%), the USA 12.8 (11.4%), Sweden 12.5 (12.1%), Thailand 5.3 (4.9%), Poland 5.1 (4.9%), Canada 4.9 (4.6%), Spain 4.5 (4.5%), the UK 3.3 (3.6%), Denmark 2.9 (3.1%) and other countries 10.7 (10.5%).

A total of €227.1 (€211.9) million was recorded in salaries, other remunerations and employee benefits during the financial period.

Key risks associated with business

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

Market risks
Uponor's principal areas of business are Europe and North America, where exposure to political risks is considered relatively low.

In spring 2014, the political tensions in Ukraine escalated into a conflict, impacting on the geopolitical situation in Eastern Europe and Russia in particular. The Ukraine crisis and its repercussions have thereby increased the political risks associated with Russia. Sanctions imposed by the U.S. and the EU against Russia, and Russia's counter sanctions, have affected business conditions in Russia and elsewhere in Europe, particularly Finland. These tense relations may have a far-reaching impact on the European markets and fragile economic growth on the continent. Russia's share of Uponor's net sales has grown in recent years, but it is still rather modest at 3.0% in 2014.

As a result of the establishment of Uponor Infra Oy on 1 July 2013, Uponor has business operations in Thailand. Thailand presently accounts for around two per cent of Uponor's consolidated annual net sales, thereby affecting the political risk involved in the Group's operations.

Since Uponor's net sales are divided among a large number of customers, most of which are distributors (wholesalers), end-market demand for the company's products is distributed across a wide customer base. The five largest customer groups generate roughly one third of Uponor's net sales, which are distributed between 23 countries.

The European economy and Europe's economic climate remain fragile, partly due to the Ukrainian situation referred to above. In particular, the economic and political situation in Greece is also under focus, while the news from Spain has been somewhat more positive. Uponor is continually monitoring the situation and performs internal assessments of potential risks facing the euro area, and their possible repercussions on Uponor's operations.

Demand for Uponor's products depends on business cycles in the construction sector. Traditionally, Uponor's main end market has comprised single-family housing. However, the company's products are increasingly being supplied for non-residential building construction. Fluctuations in demand often differ between these sectors. Such fluctuations are being offset to a certain degree by demand for renovation projects, which is not always as discretionary as new housing projects.

Around one third of Uponor's annual net sales come from the infrastructure solutions business via Uponor Infra Oy, which was founded in July 2013. This entails a corresponding increase in the associated risks to the company. In addition to construction sector cycles, demand for infrastructure products depends on civil engineering and publicly funded investments in municipal development. To safeguard against risks associated with economic cycles and fluctuations in demand, the company has developed its sales forecasting processes and enhanced the flexibility of its organisation and supply chain.

In many countries, Uponor's operations are regulated by local legislation. For example, Uponor seeks national product approvals for a large proportion of the products it sells. Uponor closely monitors laws and regulations under preparation, in order to anticipate their impact on Uponor and its customers.

Operational risks
Prices of raw materials used in the manufacture of plastic pipe systems are susceptible to other petrochemical and metal product price fluctuations. In recent years, Uponor has been able to pass the effects of such fluctuations on to its selling prices with a reasonable delay, in such a way that this has not resulted in any material losses in income. Whenever feasible, Uponor manages the risk of fluctuations in the price of metals and plastics raw materials through supply agreements with fixed prices, and by means of financial products. Uponor uses financial instruments to manage price risks associated with electricity prices at Nordic level.

With respect to component and raw material purchases, Uponor aims to use supplies and raw materials available from several suppliers. Where only one raw material supplier is used, Uponor seeks to ensure that the supplier has at least two production plants manufacturing the goods used by Uponor. Uponor implements systems for material and raw material quality control and supplier accreditation.

Uponor manages its organisational and management risks, such as employee turnover and distortion of the age distribution, by continuously analysing its human resources and ensuring that its organisational structure supports efficient operations. Personnel development programmes focus on enhancing management skills in a multicultural matrix organisation. Uponor’s internal employee surveys provide important information on our employees’ engagement, by measuring various aspects of competence, the working environment and motivation. Action plans are agreed and followed up based on the survey results, resulting in improved job satisfaction.

Uponor’s business processes are managed using several IT applications, the most important of which are the ERP systems for the company’s European and North American operations. A system criticality review and contingency planning are included in the implementation and lifecycle management of major IT systems. Contingency plans can include activities such as failover planning, backup and restore management and testing. Disaster recovery tests are held every two years for key systems. IT-related risks are evaluated as part of Uponor’s risk management process, with an increasing emphasis on IT systems security issues. External third-party audits are also performed.

Uponor applies an ISO 9001 quality management system and an ISO 14001 environmental management system, or comparable systems, which enhance production safety and productivity while reducing the environmental impact and risks of Uponor's operations.

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

Financing risks
Recent years have shown that major disruptions can occur in financial markets with very little warning. For this reason, although the situation now seems rather stable from Uponor's perspective, significant risks may arise in the future in relation to the availability of financing. Uponor aims to ensure the availability, flexibility and affordability of financing by maintaining sufficient credit limit reserves and a well-balanced maturity distribution of loans, as well as by using several reputable and well-rated counterparties and various forms of financing.

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

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

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

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

Hazard risks
Uponor operates 14 production plants in nine countries. Products manufactured at these plants generate the majority of the company's net sales. Uponor co-ordinates property damage and business interruption insurance at Group level on a centralised basis, in order to achieve extensive insurance cover neutralising the possible financial damage caused by any risks associated with machine breakdowns, fire, etc. Another major hazard risk is associated with product liability related to products manufactured and sold by Uponor. Product liability is also addressed through insurance programmes at Group level.

Various measures are taken to manage the risks associated with property damage and business interruption. These include safety training for personnel, adherence to maintenance schedules, and actions taken to maintain the availability of major spare parts. Audits and training conducted at Uponor's production sites by, and in cooperation with, insurance companies also form an essential part of Group risk management.

Risk management in 2014
As market conditions remained challenging in many of Uponor's major geographical markets, management and monitoring of market risk continued to play a key role in the field of risk management.

In 2014, a public discussion arose in Finland related to taste and odour issues observed in PEX tap water pipes representing different brands. Abnormalities were found in a few production batches of Uponor products; these abnormalities were not compliant with the type approval requirements applied in Finland. As a result, Uponor implemented corrective measures in post-production processes to ensure consistent product quality.

With regard to several of Uponor's critical raw materials, price developments in 2014 were smooth and stable. The price of plastic resin is to some extent dependant on the price of oil, which plummeted sharply from the summer of 2014 onwards. This had no material impact on Uponor's business. In sum, continuous risk management is an important and well acknowledged component of sourcing.

Uponor conducted risk assessment exercises in the spring and autumn of 2014 in relation to the primary risks identified, and updated its risk management plans accordingly.

In 2014, in cooperation with insurance companies Uponor assessed the functionality and preparedness of its risk management in five production units. The results showed that the level of risk management was sound in all units.

With volatility still dominating the global economic arena, concern about the availability of bank finance on favourable terms remained on the agenda. To secure long term funding, Uponor has diversified its financing risks by using various funding instruments, maturities, multiple counterparties and markets. When funding is not raised from money or capital markets, special attention is paid to the quality of the counterparties. Only solid, well rated banks or financial institutions are used. In spring 2014, Uponor renewed part of its committed bilateral credit limits, representing a total value of €150 million, for a five-year period.

As in previous years, special attention was paid to the monitoring of account receivables and the handling of credit risk.

Together with changing tax policies, global economic volatility has increased companies' tax risk exposure, giving tax risk management continued prominence, including within Uponor. The company has proactively endeavoured to focus on good tax governance and has assigned a more explicit role to tax risk assessment in its risk assessment process.

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

Administration and audit

The Annual General Meeting (AGM) of 19 March 2014 re-elected the following Board members for a term of one year: Eva Nygren, Jorma Eloranta, Timo Ihamuotila, Jari Rosendal and Rainer S. Simon. In addition, Annika Paasikivi, a Finnish citizen, was elected as the sixth member. Jorma Eloranta was elected Chair of the Board and Annika Paasikivi Deputy Chair.

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

Uponor prepares a separate corporate governance statement and a remuneration statement, which will both be available online after the annual accounts have been published, on Uponor's IR website at http://investors.uponor.com > Governance > Corporate governance.

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, which was 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 decided by the Board of Directors.

Share capital and shares

In 2014, Uponor's share turnover on NASDAQ Helsinki was 18.8 (14.6) million shares, totalling €229.3 (€179.3) million. The share quotation at the end of 2014 was €11.49 (€14.22), and market capitalisation of the outstanding shares was €841.1 (€1,041.0) million. At the end of the year, there were a total of 15,846 (15,480) shareholders. Foreign shareholding in Uponor accounted for 28.3% (33.9%) of all shareholding in the company at the end of the reporting period. More detailed information is available in the financial statements.

In 2014, Uponor Corporation's share capital totalled €146,446,888, and the number of shares stood at 73,206,944; there were no changes during the year.

Uponor received the following foreign notification of a change in ownership: the ownership of the U.S. company, The Capital Group Companies, Inc., fell below 5 per cent, as a result of share transactions on 2 January 2014. This brought its total holding to 3,616,201 shares. Further information on shares and holdings is given in the financial statements.

Board authorisations
In the AGM held on 19 March 2014, the Board of Directors was authorised to repurchase a maximum of 3.5 million of the company's own shares, amounting to 4.8% of the full number of shares in the company. This authorisation will remain valid until the end of the next annual general meeting and for no longer than 18 months. The AGM proposals and resolutions can be viewed in detail at http://investors.uponor.com.

The AGM of 15 March 2012 authorised the Board to resolve on issuing a maximum of 7.2 million new shares or transferring the company's own shares, representing 9.8 per cent of the total number of the company's shares. The authorisation is valid for three years, i.e. until 15 March 2015. The Board of Directors was authorised to decide on the conditions of share issuance. On 15 March 2012, the Board further resolved on a directed share issue without payment and decided to transfer 19,622 of the company's own shares, held by the company, to current and former Executive Committee members, as specified in the rules of the Long-Term Incentive plan. This authority has not been used since then.

Treasury shares
By the end of the year, Uponor held 140,378 treasury shares, representing approximately 0.2% of the company's shares and voting rights.

Management shareholding
The members of the Board of Directors, the CEO and his deputy, along with corporations known to the company and in which they exercise control, held a total of 141,568 Uponor shares on 31 December 2014 (646,821 shares on 31 December 2013). These shares accounted for 0.19% of all shares and votes in the company.

Share-based incentive programme
On 14 February 2014, the Board of Directors decided to continue implementing the long-term share-based incentive plan established in 2012, by approving a new plan that covers the years 2014-2016. This plan complements the plans already in place for the years 2012-2014 and 2013-2015. The plan will cover a maximum of ten members of the Group's key management.

In addition, on 11 December 2014 the Board approved a new performance share plan to be offered to approximately 20-25 key managers of the Group, including the members of the Executive Committee. The plan has one performance period covering the calendar years 2015-2017.

The purpose of the share-based incentive plans is to continue aligning the objectives of the management and Uponor shareholders in order to increase the value of the company, boost profitable growth and retain the services of the participants over the longer term. The plan offers key managers a competitive reward plan based on achieving the company's strategic profitability and growth targets, and earning and accumulating Uponor shares.

Details of the plans are presented on the company's IR website.

Events after the period

There were no events to report.

Short-term outlook

The economic outlook in Uponor's key markets is likely to remain twofold in 2015: demand in North America, representing one fourth of Group net sales, is expected to remain lively and offer room for continued construction industry growth. The European markets, on the other hand, are expected to remain flat, although supported by growing confidence in a gradual revival of the European economy. However, this scenario is subject to certain risks, some of which are geopolitical.

Uponor has focussed considerable effort in recent years on strengthening its foothold in key markets. This has been achieved through measures such as intensifying partnerships in the value chain and enhancing the product and services offering in order to fulfil the diversified needs of customers and partners on the road towards a more sustainable building industry. Internally, the company has consistently executed a programme involving the further development and harmonisation of operations, such as the supply and distribution of products, the streamlining of operations, and reducing the environmental footprint, while better serving the company's customers.

A key target for the future is continued investment in Uponor's platforms for growth. This will mean securing supply and customer service capacity in growing markets, such as North America, and ensuring the optimal allocation of resources in areas that enable short and long term growth. At the same time, the management continues to keep a sharp eye on the company's focus, cost-efficiency and cash flow, in order to secure a solid financial position for future growth initiatives.

Assuming that none of the major risks described materialise, Uponor issues the following guidance for 2015: the Group's net sales and operating profit (excluding any non-recurring items) are expected to improve from 2014.

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

Uponor Corporation
Board of Directors

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Financial statements bulletin January –December 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€	1-12/ 2014	1-12/ 2013	10-12/ 2014	10-12/ 2013
Continuing operations				
Net sales	1 023.9	906.0	251.5	237.6
Cost of goods sold	683.8	585.9	168.3	165.6
Gross profit	340.1	320.1	83.2	72.0
Other operating income	2.4	0.8	0.3	0.5
Dispatching and warehousing expenses	37.1	34.2	8.7	9.2
Sales and marketing expenses	173.1	167.7	43.3	45.8
Administration expenses	51.1	50.0	13.6	15.4
Other operating expenses	17.8	18.8	6.0	5.9
Operating profit	63.4	50.2	11.8	-3.8
Financial expenses, net	7.4	7.1	0.2	2.1
Share of results in associated companies	0.3	0.1	0.2	0.1
Profit before taxes	56.3	43.2	11.8	-5.8
Income taxes	20.0	16.1	3.5	-0.1
Profit for the period from continuing operations	36.3	27.1	8.3	-5.7
Discontinued operations				
Profit for the period from discontinued operations	-0.3	-0.3	-0.3	-0.3
Profit for the period	36.0	26.8	8.0	-6.0
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Re-measurements on defined benefit pensions, net of taxes	-5.0	0.4	-5.0	0.4
Items that may be reclassified subsequently to profit or loss				
Translation differences	7.3	-5.1	-0.1	-2.0
Cash flow hedges, net of taxes	-0.9	0.5	-0.2	0.0
Net investment hedges	0.6	2.4	0.5	1.4
Other comprehensive income for the period, net of taxes	2.0	-1.8	-4.8	-0.2
Total comprehensive income for the period	38.0	25.0	3.2	-6.2
Profit/loss for the period attributable to				
- Equity holders of parent company	36.5	27.8	8.6	-3.0
- Non-controlling interest	-0.5	-1.0	-0.6	-3.0
Comprehensive income for the period attributable to				
- Equity holders of parent company	39.1	26.5	5.1	-3.0
- Non-controlling interest	-1.1	-1.5	-1.9	-3.2
Earnings per share, €	0.50	0.38	0.12	-0.03
- Continuing operations	0.50	0.38	0.12	-0.03
- Discontinued operations	0.00	0.00	0.00	0.00
Diluted earnings per share, €	0.50	0.38	0.12	-0.03
- Continuing operations	0.50	0.38	0.12	-0.03
- Discontinued operations	0.00	0.00	0.00	0.00

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

M€	31.12.2014	31.12.2013
Assets		
Non-current assets		
Property, plant and equipment	207.8	201.8
Intangible assets	98.4	102.8
Securities and non-current receivables	11.2	10.8
Deferred tax assets	19.4	15.9
Total non-current assets	336.8	331.3
Current assets		
Inventories	117.4	115.4
Accounts receivable	137.3	126.7
Other receivables	30.1	33.9
Cash and cash equivalents	60.2	53.7
Total current assets	345.0	329.7
Total assets	681.8	661.0
Equity and liabilities		
Equity		
Equity attributable to the owners of the parent company	231.1	219.7
Non-controlling interest	66.8	68.0
Total equity	297.9	287.7
Non-current liabilities		
Interest-bearing liabilities	126.3	136.4
Deferred tax liability	19.3	15.7
Provisions	4.6	4.5
Employee benefits and other liabilities	30.9	25.8
Total non-current liabilities	181.1	182.4
Current liabilities		
Interest-bearing liabilities	15.9	14.2
Provisions	11.6	17.6
Accounts payable	67.6	61.1
Other liabilities	107.7	98.0
Total current liabilities	202.8	190.9
Total equity and liabilities	681.8	661.0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

M€	1-12/2014	1-12/2013
Cash flow from operations		
Net cash from operations	99.0	87.9
Change in net working capital	-3.5	22.3
Income taxes paid	-16.0	-14.8
Interest paid	-4.3	-3.6
Interest received	0.5	0.3
Cash flow from operations	75.7	92.1
Cash flow from investments		
Acquisition of businesses*	-	8.2
Purchase of fixed assets	-35.7	-33.9
Proceeds from sale of fixed assets	4.8	0.8
Dividends received	0.6	0.0
Loan repayments	-0.3	0.0
Cash flow from investments	-30.6	-24.9
Cash flow from financing		
Borrowings of debt	21.0	76.3
Repayment of debt	-31.0	-41.1
Change in other short-term loan	1.9	-35.8
Dividends paid	-27.8	-27.8
Payment of finance lease liabilities	-1.8	-1.6
Cash flow from financing	-37.7	-30.0
Conversion differences for cash and cash equivalents	-0.9	-1.2
Change in cash and cash equivalents	6.5	36.0
Cash and cash equivalents at 1 January	53.7	17.7
Cash and cash equivalents at end of period	60.2	53.7
Changes according to balance sheet	6.5	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 in connection with the acquisition of KWH Pipe Ltd in the period 1-12/2013.

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			-0.9	7.3		32.7	39.1	-1.1	38.0
Dividend paid (€0.38 per share)						-27.8	-27.8		-27.8
Transfers between reserves			-0.1			0.1	-		-
Share based incentive plan						-0.1	-0.1		-0.1
Other adjustments						0.2	0.2	-0.1	0.1
Balance at 31 December 2014	146.4	50.2	-1.0	-10.3	-1.0	46.8	231.1	66.8	297.9
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			0.5	-2.2		28.2	26.5	-1.5	25.0
Dividend paid (€0.38 per share)						-27.8	-27.8		-27.8
Share-based incentive plan						0.3	0.3		0.3
Non-controlling interest from acquisition							0.0	38.5	38.5
Transfer of non-controlling interest						13.4	13.4	30.8	44.2
Other adjustments						0.0	0.0	0.2	0.2
Balance at 31 December 2013	146.4	50.2	0.0	-17.6	-1.0	41.7	219.7	68.0	287.7

*) Includes a -€13.5 (-14.1) 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 2014.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

M€	31.12.2014	31.12.2013
Gross investment	35.7	33.9
- % of net sales	3.5	3.7
Depreciation and impairments	36.5	33.0
Book value of disposed fixed assets	3.6	3.5

PERSONNEL

Converted to full time employees	1-12/2014	1-12/2013
Average	4,127	3,649
At the end of the period	3,982	4,141

OWN SHARES

	31.12.2014	31.12.2013
Own shares held by the company, pcs	140,378	140,378
- of share capital, %	0.2	0.2
- of voting rights, %	0.2	0.2
Accounted par value of own shares held by the company, M€	0.3	0.3

SEGMENT INFORMATION

	1-12/2014			1-12/2013		
M€	External	Internal	Total	External	Internal	Total
Net sales by segment, continuing operations						
Building Solutions – Europe	477.7	1.4	479.1	478.9	0.6	479.5
Building Solutions - North America	200.8	0.0	200.8	171.5	-	171.5
Uponor Infra	345.4	5.9	351.3	255.6	5.8	261.4
Eliminations	-	-7.3	-7.3	-	-6.4	-6.4
Total	1,023.9	-	1,023.9	906.0	-	906.0

	10-12/2014			10-12/2013		
M€	External	Internal	Total	External	Internal	Total
Net sales by segment, continuing operations						
Building Solutions – Europe	112.7	0.0	112.7	111.8	0.2	112.0
Building Solutions - North America	56.1	-	56.1	43.6	-	43.6
Uponor Infra	82.8	2.1	84.9	82.2	1.5	83.7
Eliminations	-	-2.2	-2.2	-	-1.7	-1.7
Total	251.5	-	251.5	237.6	-	237.6

M€	1-12/2014	1-12/2013	10-12/2014	10-12/2013
Operating result by segment, continuing operations				
Building Solutions - Europe	35.0	32.7	4.7	0.3
Building Solutions - North America	31.5	24.7	9.3	5.8
Uponor Infra	-0.5	-2.3	-0.9	-9.0
Others	-2.6	-3.4	-1.6	-0.5
Eliminations	0.0	-1.5	0.3	-0.4
Total	63.4	50.2	11.8	-3.8

M€	1-12/2014	1-12/2013
Segment depreciation and impairments, continuing operations		
Building Solutions - Europe	10.4	11.3
Building Solutions - North America	8.0	6.8
Uponor Infra	13.1	9.9
Others	4.5	4.5
Eliminations	0.5	0.5
Total	36.5	33.0
Segment investments, continuing operations		
Building Solutions – Europe	13.6	8.0
Building Solutions - North America	11.4	15.7
Uponor Infra	10.3	9.4
Others	0.4	0.8
Total	35.7	33.9

M€	31.12.2014	31.12.2013
Segment assets		
Building Solutions - Europe	338.8	340.8
Building Solutions - North America	161.2	131.9
Uponor Infra	242.3	259.5
Others	190.5	260.2
Eliminations	-251.0	-331.4
Total	681.8	661.0
Segment liabilities		
Building Solutions - Europe	227.4	238.8
Building Solutions - North America	85.7	69.2
Uponor Infra	105.7	117.8
Others	240.3	302.2
Eliminations	-275.1	-354.7
Total	384.0	373.4

	1-12/2014	1-12/2013
Segment personnel, continuing operations, average		
Building Solutions – Europe	2,052	2,084
Building Solutions - North America	537	504
Uponor Infra	1,481	1,002
Others	57	59
Total	4,127	3,649

Reconciliation

M€	1-12/2014	1-12/2013
Operating result by segment, continuing operations		
Total result for reportable segments	65.9	55.1
Others	-2.5	-3.4
Eliminations	0.0	-1.5
Operating profit	63.4	50.2
Financial expenses, net	7.4	7.1
Share of results in associated companies	0.3	0.1
Profit before taxes	56.3	43.2

COMMITMENTS, CONTINGENT LIABILITIES AND ASSETS

M€	31.12.2014	31.12.2013
Commitments of purchase PPE (Property, plant, equipment)	1.9	3.3
Other commitments	1.1	1.5
- on own behalf		
Pledges at book value	0.5	0.4
Mortgages issued	14.3	9.4
Guarantees issued	5.1	6.1
- on behalf of a subsidiary		
Pledges at book value	0.0	0.0
Guarantees issued	18.8	19.4
Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures.		
Pledges at book value	0.5	0.4
Mortgages issued	14.3	9.4
Guarantees issued	24.0	25.6
Total	38.8	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 in 2012. 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 has also started 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€	31.12.2014	31.12.2013
OPERATING LEASE COMMITMENTS	44.6	35.3

DERIVATIVE CONTRACTS

M€	Nominal value 31.12.2014	Fair value 31.12.2014	Nominal value 31.12.2013	Fair value 31.12.2013
Currency derivatives				
- Forward agreements	228.4	0.2	250.7	2.2
- Currency options, bought	9.4	0.6	9.9	0.4
- Currency options, sold	9.4	-	9.9	0.0
Interest derivatives				
- Interest rate swaps	170.0	-3.1	170.0	-1.5
Commodity derivatives				
- Forward agreements	7.1	-0.9	7.2	-1.4

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

31.12.2014 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 amortized cost	Carrying amount by balance sheet item	IFRS 7 Fair value hierarchy level
Non-current financial assets							
Other shares and holdings				0.8		0.8	
Non-current receivables			10.3			10.3	
Current financial assets							
Accounts receivable and other receivables			152.4			152.4	
Other derivative contracts	0.4	2.5				2.9	1, 2, 3
Cash and cash equivalents			60.2			60.2	
Carrying amount	0.4	2.5	222.9	0.8		226.6	
Non-current financial liabilities							
Interest bearing liabilities					126.3	126.3	
Electricity derivatives	0.6					0.6	1
Current financial liabilities							
Interest bearing liabilities					15.9	15.9	
Electricity derivatives	0.4					0.4	1
Other derivative contracts	3.5	2.3				5.8	1, 2, 3
Accounts payable and other liabilities					90.1	90.1	
Carrying amount	4.5	2.3			232.3	239.1	

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 amortized 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	
Other derivative contracts	2.6	3.1				5.7	1, 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	1, 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€	1-12/2014	1-12/2013
Expenses	0.3	0.3
Profit before taxes	-0.3	-0.3
Income taxes	-	-
Profit after taxes	-0.3	-0.3
Profit for the period from discontinued operations	-0.3	-0.3
Cash flow from discontinued operations		
Cash flow from operations	-0.5	-0.4

RELATED-PARTY TRANSACTIONS

M€	1-12/2014	1-12/2013
Continuing operations		
Purchases from associated companies	1.6	1.5
Balances at the end of the period		
Loan receivable from associated companies	0.3	-
Accounts receivable and other receivables	-	0.0
Accounts payables and other liabilities	0.1	0.1

KEY FIGURES

	1-12/2014	1-12/2013
Earnings per share, €	0.50	0.38
- continuing operations	0.50	0.38
- discontinued operations	0.00	0.00
Operating profit (continuing operations), %	6.2	5.5
Return on equity, % (p.a.)	12.3	10.8
Return on investment, % (p.a.)	14.2	12.5
Solvency ratio, %	43.9	43.9
Gearing, %	27.6	33.7
Net interest-bearing liabilities	82.0	96.9
Equity per share, €	3.16	3.00
- diluted	3.16	3.00
Dividend per share, €	0.42*)	0.38
Dividend per earnings, %	84.0	100.0
Effective share yield, %	3.7	2.7
P/E ratio	23.0	37.4
Market value of share capital	841.1	1,041.0
Trading price of shares		
- low, €	9.11	9.65
- high, €	14.94	15.85
- average, €	12.17	12.31
Shares traded		
- 1,000 pcs	18 842	14 563
- M€	229	179

*) Proposal of the Board of Directors

QUARTERLY DATA

	10-12/ 2014	7-9/ 2014	4-6/ 2014	1-3/ 2014	10-12/ 2013	7-9/ 2013	4-6/ 2013	1-3/ 2013
Continuing operations								
Net sales, M€	251.5	277.0	264.5	230.9	237.6	279.3	211.4	177.7
- Building Solutions – Europe	112.7	123.5	122.0	120.9	112.0	129.3	124.3	113.9
- Building Solutions – North America	56.1	54.7	49.5	40.5	43.6	46.9	43.8	37.2
- Building Solutions – North America, $	70.0	71.8	67.9	55.5	59.6	62.4	57.2	49.0
- Uponor Infra	84.9	100.3	95.3	70.8	83.7	105.1	45.0	27.6
Gross profit, M€	83.2	92.2	86.7	78.1	72.0	96.3	82.6	69.2
- Gross profit, %	33.1	33.3	32.8	33.8	30.3	34.5	39.1	39.0
Operating profit, M€	11.8	29.2	17.6	4.8	-3.8	28.2	19.7	6.1
- Building Solutions – Europe	4.7	15.0	9.6	5.7	0.3	14.6	11.1	6.7
- Building Solutions – North America	9.3	9.2	8.6	4.4	5.8	7.7	6.6	4.6
- Building Solutions – North America, $	11.7	12.1	11.7	6.1	8.0	10.2	8.6	6.1
- Uponor Infra	-0.9	4.2	0.4	-4.2	-9.0	6.1	4.3	-3.7
- Others	-1.6	0.5	-0.7	-0.8	-0.5	0.2	-1.9	-1.2
Operating profit, % of net sales	4.7	10.5	6.6	2.1	-1.6	10.1	9.3	3.4
- Building Solutions – Europe	4.2	12.1	7.9	4.7	0.3	11.3	8.9	5.9
- Building Solutions – North America	16.6	16.8	17.2	11.0	13.3	16.5	15.0	12.4
- Uponor Infra	-0.1	4.2	0.4	-6.0	-10.8	5.8	9.6	-13.6
Profit for the period, M€	8.3	16.8	9.4	1.8	-6.0	17.7	11.8	3.3
Balance sheet total, M€*	681.8	701.7	697.9	690.5	661.0	716.4	552.7	532.8
Earnings per share, €	0.12	0.21	0.13	0.04	-0.03	0.20	0.16	0.05
Equity per share, €*	3.16	3.10	2.80	2.66	3.00	3.06	2.68	2.51
Market value of share capital, M€	841.1	780.4	984.6	968.5	1,041.0	1,020.5	841.9	776.0
Return on investment, % (p.a)*	14.2	14.8	8.8	3.5	12.5	17.9	14.7	7.0
Interest-bearing net debt at the end of the period, M€	82.0	122.9	154.3	147.8	96.9	135.2	146.2	142.1
Gearing, %*	27.6	41.7	56.9	56.9	33.7	45.8	74.5	77.6
Gearing, % rolling 4 quarters*	45.8	47.3	48.3	52.7	57.9	60.9	63.9	64.0
Gross investment, M€	14.3	9.0	8.0	4.4	14.8	8.7	5.8	4.6
- % of net sales	5.7	3.2	3.0	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

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

Dividend per earnings ratio

$$= \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Price – Earnings ratio (P/E)

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

Average share price

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