Financial statements bulletin 1-12/2015

12 Feb 2016

Uponor's improved performance supported by North America and pick-up in Europe in the fourth quarter 2015

- Building Solutions – North America continues to perform well in a healthy market, European segments post weaker figures for the full year 2015
- Net sales 1-12: €1,050.8m (2014: 1,023.9m), up 2.6%; organic growth at 5.2%
- Operating profit 1-12: €71.4m (63.4m), up 12.6%
- Operating profit excluding non-recurring items at €75.8m (67.7m), up 11.9%
- Earnings per share at €0.51 (0.50)
- Guidance for the year 2016: the Group's net sales and operating profit (excluding any non-recurring items) are expected to improve from 2015
- The Board's dividend proposal is €0.44 (0.42) per share

President and CEO Jyri Luomakoski comments on the reporting period:

- Volatility remained high throughout 2015, influencing both demand of our solutions and prices of our raw materials. Even shortages in resin supply were encountered. These changes in demand stretched our planning capacity, while significant plastic resin price movements, increasingly decoupled from the development of oil prices, have made pricing more challenging.
- Over the past few years, our Building Solutions – Europe segment has faced major performance challenges, which require a clear step change. In the autumn of 2015, we began a major transformation of the business, involving a new organisation, a more agile way of working as well as a new setup with lower costs, in order to serve the heterogeneous European market. The first steps were taken in the fourth quarter and we are proceeding according to plan.
- After a very successful 2015, Building Solutions – North America continues to benefit from favourable underlying market conditions, and further penetration into the commercial building segment is ongoing. Hence, in contrast to Europe, it faces very different challenges, as it endeavours to meet customer needs in step with business growth. Our largest investment in 2015, a new annex building in Apple Valley, Minnesota, adding floor space required for manufacturing, was completed on time, providing Uponor with the fundamentals for further capacity expansion.
- Uponor Infra's year was characterised by a strategic alignment of operations coupled with a broad-based rationalisation and streamlining programme. This affected Finland, in particular, where the markets have remained subdued for a lengthy period of time. The programme has been executed diligently, measures are already in hand, and, promisingly, our performance (excluding non-recurring items) is again in the black.

The Board's dividend proposal

The Board proposes to the Annual General Meeting a dividend of €0.44 (0.42) per share. When making the proposal, the Board considered the solvency of the company, the company's dividend policy and the business outlook, recognising the good availability of external funding for the growth plans, which include the announced temporary increase of capital expenditure and German acquisitions closed in January 2016.

Key financial figures

Consolidated income statement (continuing operations), M€	2015	2014	2013	2012	2011
Net sales	1,050.8	1,023.9	906.0	811.5	806.4
Operating expenses	942.7	926.4	823.6	726.5	743.0
Depreciation and impairments	39.1	36.5	33.0	28.2	29.4
Other operating income	2.4	2.4	0.8	0.9	1.4
Operating profit	71.4	63.4	50.2	57.7	35.4
Financial income and expenses	-8.9	-7.4	-7.1	-8.6	-17.7
Profit before taxes	62.8	56.3	43.2	49.4	17.7
Result from continuing operations	37.1	36.3	27.1	32.9	1.9
Profit for the period	36.9	36.0	26.8	32.8	1.6
Earnings per share	0.51	0.50	0.38	0.45	0.03

Information on the financial statements bulletin
This document is a condensed version of Uponor's 2015 financial statements bulletin, which is attached to this release. It is also available on the company website. The figures in brackets are the reference figures for the equivalent period 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 15:00pm 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 29 April 2016. During the silent period from 1 April to 29 April, Uponor will not comment on market prospects or factors affecting business and performance.

Interim results October – December 2015

Markets

After a slower than normal start to the autumn season, towards the latter part of the quarter, building solutions demand in Europe developed positively in key markets, such as the Nordic countries and in Germany, in particular. This was supported by the mild weather that kept building activity lively in a normally slowing season.

In addition, infrastructure solutions demand in Europe recovered slightly as civil engineering related construction activity remained moderate in mild weather, although no change was witnessed in overall demand. In North America, competitive pressures in some market segments increased due to ebbing investment in the oil and gas exploration segment, where Uponor Infra has little presence.

The North American building solutions markets continued to develop in a stable manner, following the trends witnessed in previous quarters.

Net sales

Uponor's consolidated net sales came to €262.0 (251.5) million, showing an increase of 4.2% from the final quarter of 2014. With the impact of currency changes at €7.1 million, growth in constant currency came to 1.3%. In comparable terms, i.e. excluding Uponor Infra's divestments in the first quarter 2015, consolidated growth came to 8.0%.

In terms of building solutions, Uponor was able to clearly increase its net sales from last year in five of its largest markets, when measured in local currency.

Most of the net sales growth came from continued robust development in Building Solutions – North America. A good tailwind continued in the strengthening U.S. economy, and growth was reported in all U.S. regions, particularly in the South and the West. Early in the quarter, customers reacted to announced supply constraints regarding engineered plastic fittings, due to a lack of a key plastic resin, which had a short-term, positive impact on net sales. Offsetting the negative impact of the Canadian currency, sales in Canada developed favourably in contrast to the preceding rather flat quarters.

In Europe, Building Solutions – Europe's net sales improved modestly from the corresponding period, supported by favourable weather conditions. Sales may also have been influenced by some customer prestocking ahead of announced price increases, due to volatility in plastic resin price.

Uponor Infra's net sales declined despite a modest increase in activity in the North European markets, with the exception of Norway. The segment's downward net sales trend was most evident in Poland and in North America, particularly in more commodity-oriented application areas. Sales of the strategically important designed solutions, however, increased from the comparison period.

Breakdown of net sales, October – December:

M€	10-12 2015	10-12 2014	Reported change
Building Solutions – Europe	114.3	112.7	1.5%
Building Solutions – North-America	74.0	56.1	31.9%
(Building Solutions – North-America, M$	80.2	70.0	14.5%)
Uponor Infra	75.0	84.9	-11.7%
Eliminations	-1.3	-2.2	

Total	262.0	251.5	4.2%

Profits and profitability

Uponor's consolidated gross profit in the final quarter of 2015 totalled €91.4 (83.2) million or 34.9% (33.1%). Consolidated operating profit for the fourth quarter came to €14.0 (11.8) million. The operating profit margin came to 5.3% (4.7%).

Non-recurring items for the quarter totalled €3.0 (0.9) million, of which Uponor Infra accounted for €1.2 (0.3) million and Building Solutions – Europe €1.8 (0.6) million. Excluding any non-recurring items, consolidated operating profit came to 17.0 (12.7) million in the quarter under review.

Operating profit improved in Building Solutions – North America, up 12.7% in local currency despite strong comparison figures. This favourable performance trend, which offset the adverse effect of weakening Canadian currency, constitutes a mix of stable resin prices and the effective implementation of price increases earlier in the year. Conversion costs and overheads were also well managed despite the growth in volumes.

In the case of Building Solutions – Europe, operating profit suffered from flat net sales and costs related to the streamlining and transformation programmes.

Despite the positive impact from the divestment of the Omega-Liner® business, Uponor Infra's reported operating profit for the current quarter weakened year-on-year, due to non-cash non-recurring items related to the segment's rationalisation initiatives. The positive contribution to operating profit came mainly from the Nordic countries, as a result of higher sales and fixed production overhead savings from the streamlining measures implemented.

Breakdown of operating profit, October – December:

M€	10-12 2015	10-12 2014	Reported change
Building Solutions – Europe	3.3	4.7	-29.8%
Building Solutions – North-America	12.2	9.3	30.8%
(Building Solutions – North-America, M$	13.1	11.7	12.7%)
Uponor Infra	-1.2	-0.9	-22.9%
Others	-0.9	-1.6	
Eliminations	0.6	0.3	
Total	14.0	11.8	18.0%

Events during the period

On 25 November, Uponor announced that the Administrative Court of Helsinki had rejected the appeals of Uponor Corporation and its subsidiary Uponor Business Solutions Ltd, submitted in July 2013. The case concerns taxation adjustment decisions made by the Large Taxpayers' Office in 2011, which Uponor viewed as being ungrounded. Uponor has sought leave to appeal to the Supreme Administrative Court.

On 26 November, Uponor announced plans to start a transformation programme in Europe to accelerate profitable growth and reduce costs. The programme involves Building Solutions – Europe and Uponor Infra. In addition to growing net sales, the transformation programme aims to achieve a minimum of €25 million in operational savings by the end of 2017. Of these savings, Building Solutions – Europe is seeking at least €20 million and Uponor Infra €5 million. The measures are expected to incur €32 million in non-recurring items in total, of which €13 million will be non-cash, to be booked in the 2016 accounts for the most part.

For Building Solutions – Europe, a key ambition is to generate profitable growth through a range of measures. The evolution of a more consolidated and specialised manufacturing, warehousing and distribution network is another key item. With respect to Uponor Infra, the measures to be taken are related to the consolidation of manufacturing operations in Finland. Uponor began employee consultations with respect to its Finnish operations in late November.

In an effort to support its growth plans in Asia, in November Uponor announced that it plans to begin its own manufacture of building solutions in China in late 2016. On another note, Uponor announced that its German subsidiary company, Uponor Holding GmbH, had signed a contract to acquire all of the shares in two German companies, Delta Systemtechnik GmbH and the KaMo Group, effective 4 January 2016. The acquisition was aimed at broadening Uponor's portfolio and competencies in the increasingly important hygienic drinking water delivery sector. In 2014, the 119 employees of the acquired companies generated a total turnover of €32.8 million. Furthermore, in December Uponor Corporation acquired the entire shareholding in a Finnish start-up company, NWater Oy, specialising in online water quality monitoring.

In December, the Board of Directors of Uponor Corporation resolved to continue the key management Performance Share Plan mechanism approved by the Board in 2014. Approximately 25-30 Group key managers, including the members of the Executive Committee, belong to the target group of the new plan. The new plan covers the calendar years 2016-2018.

Also in December, following the strategic adjustment of Uponor Infra´s product portfolio, Uponor announced its plan to sell its Omega-Liner® pipeline renovation business to the Danish company Per Aarsleff A/S. The business had an annual turnover of close to €1.5 million.

In the USA, Uponor, Inc.'s class action settlements, originally announced on 10 June 2015, were resolved after court approvals on 17 December 2015. Uponor's U.S. operative subsidiary company, Uponor, Inc., together with its insurers and some of its key trade partners, was involved in settlement negotiations in two class action suits due to alleged failure risks affecting Uponor yellow brass fittings sold in the USA. To all intents and purposes, the settlements were approved by the court in the form originally proposed by the parties, making them final and binding on all parties. According to the terms of the settlements, Uponor, Inc. will provide building owners with an enhanced warranty to cover potential fitting failures.

Uponor completed two manufacturing expansion projects during the quarter. In North America, the building project related to the manufacturing expansion of the Apple Valley premises in Minnesota was finalised successfully, while in Russia Uponor's new greenfield factory for the production of local heat distribution systems was officially inaugurated on 1 October 2015.

Financial statements January – December 2015

Markets

In general, construction activity in Uponor's markets remained subdued during 2015, with no significant growth from the previous year. Although construction accelerated markedly in a few key markets, such as the USA, the Netherlands and Sweden, most markets showed few signs of noteworthy recovery from their already constrained levels of economic activity.

Within the Nordic countries, developments varied significantly by country. New residential building continued to expand at a robust rate in Sweden and showed some progress in Denmark and Norway, but continued to contract in Finland. Meanwhile, new non-residential building was subdued across the area, with all countries except Denmark shrinking from 2014. The downturn has not affected renovation, which is steadily growing in both the residential and non-residential segments. Civil engineering spending was flat with the exception of Norway, where investments in roads and water works compensated for declines in energy-related projects.

Developments within the markets of Central Europe were also mixed. Germany achieved some minor year-on-year growth in the new residential segment, but this was largely muted by flat development in the much larger residential renovation segment. Stagnation in non-residential building offset small residential gains, leaving the overall construction market flat. On a more positive note, the Netherlands continued its recovery by posting noteworthy growth across most construction segments.

In Southwest Europe, growth in the UK's new residential segment slowed considerably from 2014, remained weak in France and Italy, and made minor gains in Iberia. Residential renovation was largely flat across the area. In non-residential building, the renovation segment was able to offset the flat new build development to some extent.

In Eastern Europe, continued economic and political instability in Russia took a toll on the residential and non-residential building segments, with consumers and businesses becoming increasingly cautious. Construction spending in the Baltic countries also fell overall in both the building and civil engineering segments. In contrast, some of the larger East-Central European countries, such as Poland and the Czech Republic, were able to post year-on-year growth.

The general slowdown in global growth, especially in developing countries, was reflected in Uponor's export markets, where investments in residential and non-residential projects were negatively impacted.

In North America, growth continued in the USA across nearly all construction segments. Following three years of robust improvement, new residential construction remained strong, but the growth rate began to slow slightly. Meanwhile, sustained improvements in business and consumer confidence led to substantial investments in the non-residential segment. Despite expectations to the contrary, the residential segment in Canada continued to develop well during the year. However, falling energy prices negatively impacted on activity in some areas of the non-residential and civil engineering segments.

Net sales

Uponor's 2015 consolidated net sales from continuing operations amounted to €1,050.8 (2014: €1,023.9) million, up 2.6% year-on-year. In organic terms, i.e. adjusting for the divestment of Uponor Infra's Thai and Extron business units in the 2014 figures, Uponor's consolidated net sales grew by 5.2%. Based on a constant currency comparison, there was a €+35.0 million difference in full-year net sales. This was mainly due to the positive impact from the USD, but also CAD and GBP, while the main negative influence came from RUB.

Building Solutions – Europe's net sales declined by -2.5%, reflecting the weak performance in the first three quarters of the year. Notwithstanding the short-term pick-up in demand in the last two months of the year, European markets have generally remained flat, with Sweden and the Netherlands standing out as the few brighter spots. The strength of the fourth quarter 2015 was supported by mild weather especially in northern Europe, some pre-stocking among customers, as well as the timing of commercial projects in Germany.

Through a series of manufacturing expansions over recent few years, Building Solutions – North America has been able to sustain sturdy net sales growth over a lengthy period of time, and 2015 was no exception. Due to currency changes, reported net sales in euro were particularly strong. Net sales developed healthily in the U.S., driven by the plumbing business in particular. Thanks to a strong final quarter, the Canadian business also posted growth, mainly driven by significant new product innovations in the indoor climate segment of the market.

Uponor Infra's net sales for 2015 saw a clear decline, a bit over half of which originated in the divested Thai and Extron business units, which had combined net sales in 2014 of €28.6 million. The segment's continuing net sales decline was mainly driven by weak development in Poland and Canada.

Within the business groups, the share of Plumbing Solutions represented 45% (39%), Indoor Climate Solutions 25% (27%), while Infrastructure Solutions represented 30% (34%) of Group net sales.

Net sales by segment for 1 January – 31 December 2015:

M€	1–12 2015	1–12 2014	Reported change
Building Solutions – Europe	467.1	479.1	-2.5%
Building Solutions – North America	275.8	200.8	37.4%
(Building Solutions – North America (M$)	304.6	265.2	14.8%)
Uponor Infra	312.0	351.3	-11.2%
Eliminations	-4.1	-7.3	
Total	1,050.8	1,023.9	2.6%

Measured in terms of reported net sales, and their respective share of Group net sales, the 10 largest countries were as follows (2014 figures in brackets): the USA 23.9% (17.6%), Germany 13.0% (13.9%), Finland 11.8% (13.2%), Sweden 8.9% (9.2%), Canada 7.9% (8.2%), Denmark 4.5% (4.7%), the Netherlands 3.5% (3.1%), the United Kingdom 3.4% (3.5%), Norway 2.9% (3.6%), and Spain 2.8% (2.8%).

Results

The consolidated full-year gross profit ended at €370.2 (340.1) million, a change of €30.1 million or 8.9%. The gross profit margin came to 35.2% (33.2%). The main influencer of this trend was the larger relative share of the North American building solutions business and, in terms of Uponor Infra, the sales growth of the strategically important designed solutions and successful pricing in a volatile resin price environment.

Consolidated operating profit came to €71.4 (63.4) million, up 12.6% from the previous year. The operating profit margin improved slightly, coming to 6.8% (6.2%) of net sales. Currency exchange rates had a €7.5 million positive translation impact on the improvement in full-year operating profit.

Overhead cost development was mainly influenced by two factors, the first being growth in Building Solutions - North America, exaggerated by currency translation, and the other being non-recurring items relating to the implementation of the transformation programmes in the European segments. In addition, results of past and ongoing cost saving initiatives are visible in the underlying numbers.

Operating profit was burdened by €6.2 (5.9) million in non-recurring costs and included non-recurring gains for the amount of €1.9 (1.7) million, bringing the net amount to €4.3 (4.3) million. Of these, €3.6 (3.7) million was reported in Building Solutions – Europe and €0.7 (0.6) million in Uponor Infra. The non-recurring items in 2015 were mainly related to provisions and impairments in connection with the ongoing transformation programmes in both segments, while Uponor Infra benefited from gains from the divested businesses. In Building Solutions – Europe, the initiatives related to the streamlining programme announced on 21 July 2015 have mostly been completed, with the exception of those relating to the German business operations, where consultations with the works council are ongoing. Any streamlining initiatives to be implemented in Germany will be reported as part of the transformation programme, announced on 26 November 2015.

Excluding any non-recurring items, consolidated operating profit was €75.8 (67.7) million, an increase of 11.9%. Similarly, excluding any non-recurring items, Building Solutions – Europe's operating profit came to €27.6 (38.7) million, while Uponor Infra reported a slightly positive €0.9 (0.0) million.

The volatility of input costs, especially those of plastic resins, has continued to be high and average prices remain high according to a longer term comparison. Regardless of the dramatic drop witnessed in global oil prices, plastic resin prices in Europe, in particular, have remained high due to resin manufacturers' capacity constraints and the resulting bottle-necks in deliveries.

Operating profit by segment for 1 January – 31 December 2015:

M€	1-12/ 2015	1-12/ 2014	Reported change
Building Solutions – Europe	24.0	35.0	-31.4%
Building Solutions – North-America	51.0	31.5	61.9%
(Building Solutions – North-America (M$)	56.3	41.6	35.4%)
Uponor Infra	0.2	-0.5	142.0%
Others	-3.8	-2.6	
Eliminations	0.0	0.0	
Total	71.4	63.4	12.6%

Uponor's net financial expenses came to €8.9 (€7.4) million. Net currency exchange differences in 2015 totalled €-3.4 (-1.2) million.

Profit before taxes was €62.8 (56.3) million. At a tax rate of 40.9% (35.5%), income taxes totalled €25.7 (20.0) million. The 2015 income taxes include €1.6 million in taxes paid in Estonia due to dividends distributed as well as an additional €0.5 million deferred tax liability related to remaining retained earnings in the Estonian subsidiaries, corresponding to a one-time effective tax rate increase of 3.3 percentage points. In addition, the share of North American business with a relatively higher income tax rate has increased.

Profit for the period totalled €36.9 (36.0) million, of which continuing operations accounted for €37.1 (36.3) million.

Return on equity declined to 12.1% (12.3%). Return on investment reached 15.5% (14.2%).

Earnings per share were €0.51 (0.50), and €0.51 (0.50) for continuing operations. Equity per share was €3.39 (3.16). For other share-specific information, please see the Tables section.

Consolidated cash flow from operations was €58.2 (75.7) million, while cash flow before financing came to €16.5 (45.1) million. The change was mainly driven by increased net sales in the last two months of the year resulting in higher accounts receivable, as well as an increase of €13 million in paid taxes. In line with the profit improvement, net cash from operations improved from €99.0 million in 2014 to €105.6 million in 2015.

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

Investment, research and development, and financing

Uponor's largest investment in fixed assets in 2015 was its sixth expansion of manufacturing capacity in the Apple Valley facility in Minnesota, which is part of Building Solutions – North America. This building project was completed during the fourth quarter of 2015.

In terms of capital expenditure, Uponor aims to maintain a balance between targeting resources at the most viable opportunities, while keeping overall investment levels tight. A high proportion of the funds spent are being directed towards selected productivity improvements and maintenance.

In 2015, gross investment in fixed assets totalled €50.1 (35.7) million, an increase of €14.4 million year on year. Of this, €18.6 million comes from the manufacturing expansion ongoing in North America. In addition to the increase from the strengthening U.S. dollar, also other currency changes influenced investment numbers reported in euro. Net investments totalled €49.2 (32.1) million.

Research and development costs amounted to €18.5 (16.3) million, or 1.8% (1.6%) of net sales.

The main existing funding programmes on 31 December 2015 included an €80 million bond maturing in 2018 and a €20 million bond maturing in 2016. With existing bond issues, Uponor has balanced 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, €11 million of which was outstanding at the end of 2015.

Committed bilateral revolving credit facilities, which will mature in 2019-2020, 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 €49.2 (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 €0.6 (0.7) million.

Consolidated net interest-bearing liabilities went up to €91.3 (82.0) million. The solvency ratio was 44.3% (43.9%) and gearing came to 29.3% (27.6%). Average quarterly gearing was 40.4 (45.8), in line with the range of 30-70 set in the company's financial targets.

Events during the period

On 25 February 2015, Uponor announced Uponor Infra's divestment of its majority shareholding in Wiik & Hoeglund PLC of Thailand. Furthermore, on 30 March it was announced that Uponor Infra Oy has divested its fully owned Finnish subsidiary, Extron Engineering Oy, a specialist in machinery for the plastic products industry. Despite the divestment, Uponor Infra will continue to license and sell certain technologies relevant to the infrastructure business. Both divestments were based on a strategy of focusing on markets where Uponor Infra can command a strong market position and achieve operational synergies. Later, in December, following the strategic adjustment of its product portfolio, Uponor Infra divested its Omega-Liner® pipeline renovation business to the Danish company Per Aarsleff A/S.

On 25 March, Uponor established a captive insurance company, Uponor Insurance Ltd, a fully-owned subsidiary, for the purpose of improving management of its global liability programmes and gaining access to comprehensive insurance coverage under more favourable terms.

On 21 July, Uponor announced a streamlining programme in its Building Solutions – Europe segment, for the purpose of adjusting operations to the weak demand in Europe. The target was to achieve annual savings of around €3 million, for instance, by adjusting sales network and by centralising and outsourcing support functions. It was estimated that such initiatives will incur a total of €4–€5 million in non-recurring costs in 2015. The measures were expected to account for around 100 man years of work in Building Solutions - Europe. Further, on 26 November, Uponor announced plans to start a transformation programme in Europe to accelerate profitable growth and reduce cost. The programme involves Building Solutions – Europe and Uponor Infra. The transformation programme is expected to contribute a minimum of €25 million in savings by the end of 2017, of which Building Solutions – Europe accounts for at least €20 million and Uponor Infra €5 million. These measures are expected to incur €32 million in non-recurring items, of which €13 million non-cash, to be booked in the 2016 accounts for the most part. As already referred to above, the initiatives related to the streamlining programme in Building Solutions – Europe, announced on 21 July 2015, have mostly been completed, with the exception of the German operations. Any streamlining initiatives to be implemented in Germany, with the remaining €2.5 million in non-recurring items, will in future be reported as part of the transformation programme, announced on 26 November 2015.

On 25 November, Uponor announced that the Administrative Court of Helsinki had rejected the appeals of Uponor Corporation and Uponor Business Solutions Ltd, submitted in July 2013. The case concerns taxation adjustment decisions made by the Large Taxpayers' Office in 2011, which Uponor viewed as being ungrounded. Uponor has sought leave to appeal to the Supreme Administrative Court.

Uponor also announced that, effective from 4 January 2016, Uponor Holding GmbH, Germany had acquired the shares in two German companies, Delta Systemtechnik GmbH and the KaMo Group. This acquisition aims at broadening Uponor's portfolio and competencies in the increasingly important hygienic drinking water delivery sector. In 2014, the 119 employees of both companies combined generated a total turnover of €32.8 million.

In 2015, Uponor, Inc. completed a manufacturing expansion project in its Apple Valley facilities in Minnesota. This building work was finalised in December. The investment will add an additional 8,175m^2 of manufacturing and office space and secure further capacity needs in the near-term. In Russia, Uponor's new greenfield factory for the production of local heat distribution systems was officially inaugurated on 1 October 2015. A new distribution centre in Hassfurt, southern Germany, close to the main German manufacturing operations was opened for business in March. In November, Uponor further announced that the company is planning to begin its own manufacture of building solutions in China in 2016 in order to satisfy growing demand in this large market.

In the USA, Uponor, Inc.'s class action settlements, originally announced on 10 June 2015, became final after court approvals on 17 December 2015. Uponor's U.S. operative subsidiary company, Uponor, Inc., together with its insurers and some of its key trade partners was involved in settlement negotiations in two class action suits due to the alleged failure risks of Uponor yellow brass fittings sold in the USA. Court approvals of the final settlement terms were granted in the form of two separate Class Action Settlements. To all intents and purposes, the settlements were approved by the court in the form originally proposed by the parties, making them final and binding on all parties. According to the terms of the settlements, Uponor, Inc. will provide building owners with an enhanced warranty to cover potential fitting failures.

In December, the Board of Directors of Uponor Corporation resolved to continue the key management Performance Share Plan mechanism resolved by the Board in 2014. Approximately 25—30 Group key managers, including the members of the Executive Committee, belong to the target group of the new plan. The purpose of the plan 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 in the longer term. The new plan covers the calendar years 2016-2018.

Personnel and organisation

At the end of the year, the Uponor Group had 3,735 (3,982) employees, in full-time-equivalent (FTE) terms. This is 247 less than at the end of 2014. The average number of employees (FTE) for the year was 3,842 (4,127). The workforce was reduced as a result of the divestments carried out in Uponor Infra and streamlining measures in the European operations.

The geographical breakdown of the Group's personnel (FTE) was as follows: Germany 22.2% (20.8), Finland 17.1% (17.2), the USA 15.7% (12.8), Sweden 13.3% (12.5), Poland 5.4% (5.1), Canada 4.9% (4.9), Spain 4.6% (4.5), Denmark 3.0% (2.9), the UK 2.8% (3.3), Russia 2.5% (2.4) and other countries 8.5% (13.6).

Further, in North America, Uponor utilises manufacturers' representatives to sell its products. Such representatives are not direct employees of Uponor, but instead are independent businesses that operate in defined geographical areas and are paid commission by Uponor. Uponor utilises 36 such representative organisations throughout North America, the size of an individual representative firm varying from several persons to organisations that have fairly significant staffing levels.

In September 2015, Uponor introduced a new organisational structure involving the Building Solutions –Europe segment and the Group Technology function. The dual functional manager principle that had been practised in the segment was discarded as the Board of Directors appointed Jan Peter Tewes (46), M.Sc. (Econ.), MBA, as Executive Vice President Building Solutions – Europe and a member of the Group's Executive Committee. Reporting to Jyri Luomakoski, President and CEO of Uponor Corporation, Tewes also assumed responsibility for Group brand management. Fernando Roses, then EVP, Offering and Supply Chain for Building Solutions – Europe, and member of the Group's Executive Committee, continued as Executive Committee member assuming the new role of EVP, Technology and Corporate Development at Uponor Group. This appointment highlighted the growing strategic importance of research, technology and sustainability for Uponor globally. The changes were effective from 1 September 2015.

Heiko Folgmann, EVP, Sales and Marketing for Building Solutions – Europe resigned from Uponor in the same connection.

A total of €230.3 (€227.1) million was recorded in salaries, other remunerations and employee benefits during the financial period.

Key risks associated with business

Uponor's financial performance could be affected by a range of market, operational, financing and hazard risks.

Market risks

Uponor's principal areas of business are Europe and North America, where its exposure to political risks is generally considered to be relatively low. However, the situation changed somewhat in 2015 when Uponor opened a production facility in the St. Petersburg area in Russia, and announced a similar plan concerning the Shanghai area in China. On the other hand, Uponor Infra divested its Thailand operations in February 2015, a move that to some extent decreases the Group's emerging market exposure.

The Ukraine crisis and its repercussions have kept the political risks associated with Russia on the agenda. Sanctions imposed by the U.S. and EU against Russia, and Russia's counter sanctions, are still affecting business conditions in Russia and elsewhere in Europe, particularly in Finland, and no solution is in sight in the foreseeable future. These tense relations have had a negative impact on the European markets and on fragile economic growth on the continent. Russia's share of Uponor's net sales was around 2.0% in 2015.

The European economy and Europe's economic climate show some signs of recovery, but the upturn is slow and fragile. The Ukrainian situation referred to above is still a negative factor. Unrest and military conflict in the Middle East are not a new phenomenon, but have recently escalated in a rapid and uncontrolled manner. The situation has led to unpredictable levels of volatility and huge challenges facing Europe in the form of terrorism and the hundreds of thousands of refugees who entered Europe in 2015, a migration that will continue in 2016. Uponor is continually monitoring the situation and performing internal assessments of the potential risks facing Europe and the euro area, and their possible repercussions for Uponor'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, whose sales is distributed between over 20 countries, generate roughly one third of Uponor's net sales.

Demand for Uponor's products depends on business cycles in the construction sector. Uponor's main end market has traditionally comprised single-family housing. However, the company's products are increasingly being supplied for multi-family residential and non-residential building construction. Demand often fluctuates differently within each of these two sectors. To a certain degree, such fluctuations are being offset by demand for renovation projects, which is not always as discretionary as that for new housing projects.

Close to one third of Uponor's annual net sales come from the infrastructure solutions business. This entails a corresponding increase in the associated risks for 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 approval for a large proportion of the products it sells. It also closely monitors any laws and regulations under preparation, in order to anticipate their impact on Uponor and its customers.

Operational risks
The prices of raw materials used in the manufacture of plastic pipe systems are susceptible to change, driven by several factors including petrochemical and metal product price fluctuations, supply capacity, market demand etc. In recent years, Uponor has been able to pass most of 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 continuously and systematically uses financial instruments to manage price risks associated with electricity prices at Nordic level.

With respect to component and raw material sourcing, 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 leadership skills in a multicultural matrix organisation. Uponor’s internal employee surveys provide important information on our employees’ engagement, by measuring various aspects of engagement, alignment, the working environment and motivation. Action plans are agreed and followed up based on the survey results, resulting in better performance and employee engagement.

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 being placed on IT systems security issues. In 2015, Uponor reviewed its cyber security approach with its internal audit partner and initiated further development based on those recommendations. In addition, Uponor has been acquiring insurance coverage for this issue over a period of several years.

Uponor applies an ISO 9001 quality management system and an ISO 14001 environmental management system, which enhance production safety and productivity while reducing the environmental impact and risks of Uponor's operations. In Germany, Uponor has begun to implement an Energy Management System based on ISO 50001 in two factories, both of which have been certified.

In its Project Business operations, Uponor seeks to manage risks related to issues such as project-specific timing and costs. Such risks are covered in project and supplier agreements in so far as possible. In addition, 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 expenses, as well as in the fair value of fixed-rate financial items. The 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 various 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 currency translation risk, which manifests itself in the translation of non-euro-area subsidiaries' equity into euro. 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. The products manufactured in these plants generate most 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 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 centralised insurance programmes at Group level.

Uponor launched a Group-wide Business Continuity Management and Business Interruption Analysis project again in 2015 and the project's first phase should be finished during the first half of 2016. Various and numerous measures are already being taken in order 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. Cyber risks and threats are subject to constant monitoring by default.

Risk management in 2015
Because the business environment in many of Uponor's major geographical markets remained challenging, the management and monitoring of market risks continued to play a key role in the field of risk management.

In March 2015, Uponor established a captive insurance company, Uponor Insurance Ltd, a fully-owned subsidiary of Uponor Corporation. With the new company, Uponor aims to improve its management of Uponor Group's global liability programmes.

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. Due to promptly performed corrective measures any concerns have been alleviated and the magnitude and effects of the issue have turned out to be relatively small.

Price developments in 2015 were challenging with regard to several of Uponor's key raw materials, and suppliers also faced capacity constraints. The volatility of both the price of plastic resin and the price of oil and oil products, and their increasingly diverging trends, posed extra challenges for the sourcing function. This had no material impact on Uponor's business. In sum, continuous risk management is an important and clearly acknowledged component of sourcing.

Uponor conducted risk assessment exercises in the spring and autumn of 2015 in relation to the primary risks identified, and updated its risk management plans accordingly.

In 2015, in cooperation with insurance companies, Uponor assessed the functionality and preparedness of its risk management in five production units. The results showed the level of risk management to be sound in all units.

With volatility still dominating the global economic arena, concern about the availability of bank and market-based funding on favourable terms remained on the agenda. To secure longer-term funding, Uponor has diversified its financing risks through 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 the summer of 2015, Uponor renewed the remaining part of its committed bilateral credit limits, representing a value of €50 million, for a five-year period. The size of Uponor’s total committed revolving credit facility programmes is €200 million, with maturities ranging between 2019 and 2020.

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 within Uponor. The company has proactively endeavoured to focus on good tax governance and has assigned a more explicit role to tax risk assessment within its risk assessment process.

Uponor is involved in several judicial proceedings in various countries. The year 2015 saw no materialisation of risks, pending litigation or other legal proceedings, or measures taken by the authorities that, based on current information, might have been of material significance to the Group. Uponor Corporation's U.S. operative subsidiary company, Uponor, Inc., its insurers and some of its key trade partners (home builders, plumbers and distributors) came together to resolve the alleged failure risks of Uponor yellow brass fittings sold in the U.S., in connection with two proposed class action settlements. Court approvals of the final settlement terms were granted in December 2015. To all intents and purposes, the settlements were approved by the court in the form originally proposed by the parties, making them final and binding on all parties.

Administration and audit

The Annual General Meeting (AGM) of 17 March 2015 re-elected the following Board members for a term of one year: Jorma Eloranta, Timo Ihamuotila, Eva Nygren, Annika Paasikivi and Jari Rosendal. In addition, Markus Lengauer, an Austrian citizen, was elected as the sixth member. Jorma Eloranta was elected Chair of the Board and Annika Paasikivi Deputy Chair. Deloitte & Touche Oy, Authorised Public Accountants, was elected 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 are made 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 is of the view that sufficient expertise for the Personnel and Remuneration Committee has been secured based on 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 2015, Uponor's share turnover on NASDAQ Helsinki was 27.6 (18.8) million shares, totalling €384.1 (€229.3) million. The share quotation at the end of 2015 was €13.60 (€11.49), and market capitalisation of the outstanding shares was €995.6 (€841.1) million. At the end of the year, there were a total of 14,539 (15,846) shareholders. Foreign shareholding in Uponor accounted for 31.5% (28.3%) of all shareholding in the company at the end of the reporting period. More detailed information is available in the financial statements.

In 2015, 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.

There were no notifications of a change in ownership in 2015. Further information on shares and holdings is given in the financial statements.

Board authorisations
In the AGM held on 17 March 2015, the Board of Directors was authorised to buy back a maximum of 3.5 million of the company's own shares, which equals 4.8 per cent of the total number of shares of the company. The 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 was valid for three years, i.e. till 15 March 2015. Thus, on 12 February 2015, the Board decided on a directed share issue to the company's management, as part of the long-term share-based incentive plan 2012-2014, transferring, without payment, 42,818 of the company's own shares to 10 key employees, as specified in the rules of the plan. Combined, the transfers amount to 62,440 shares. Prior to this, this authority was exercised once, on 15 March 2012.

Treasury shares
At the end of the year, Uponor held 97,560 treasury shares, representing approximately 0.1% of the company's shares and voting rights.

Management shareholding
At the end of the year 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 137,272 Uponor shares (141,568 shares). These shares accounted for 0.19% of all shares and votes in the company.

Share-based incentive programme
The Board of Directors has resolved on several long-term incentive programmes for key management in the past few years. The incentive plan for 2012-2014 was closed on 12 February 2015, as mentioned above. The plan for 2013-2015 came to an end at the end of the year 2015. Still in place are the programmes for the years 2014-2016 and 2015-2017.

In December 2015, the Board of Directors further resolved to continue the Performance Share Plan from the year 2014. Approximately 25—30 Group key managers, including members of the Executive Committee, belong to the target group of the new plan that covers the years 2016—2018. The plan offers its participants an opportunity to earn Uponor shares as a reward for achieving performance targets set by the Board.

The purpose of the 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 plans offer 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

On 4 January, Uponor concluded the acquisitions of two German companies, KaMo and Delta. On 19 January, the Finnish companies Uponor Infra Oy and Uponor Suomi Oy brought to end their employee consultation process concerning the companies' domestic operations. There were no other events to report after the period.

Short-term outlook

No major changes in outlook are in prospect in Uponor's key geographic areas. Economic trends are likely to continue in a similar manner to the last two years, i.e. North America continuing to experience lively economic growth, while Europe struggles with stagnant economies and lack of growth drivers. Overall, the Asian markets, which remain of marginal importance to Uponor, are expected to perform at their current levels, but economic trends there may change unexpectedly, posing a risk to global market developments.

Although the economic drivers behind building and construction related investments seem very similar to 2015, Uponor has launched an extensive restructuring that is expected to improve Uponor's market presence, and thus positively contribute to both net sales development and performance improvement. In North America, manufacturing capacity enhancements will support the growth of net sales.

On 21 July 2015, Uponor announced a streamlining programme in the Building Solutions – Europe segment, for the purpose of adjusting operations to the weak demand in Europe. Later, on 26 November 2015, Uponor announced a plan to carry out a major transformation in its Building Solutions - Europe and Uponor Infra segments. The implementation of these programmes will continue in 2016.

Uponor has traditionally channelled a considerable amount or resources on new offering development, such as the recently announced unique seamless aluminium composite pipe. In addition, standard productivity improvement related activities and maintenance will be carried out as usual in 2016. With respect to the fact that Uponor announced extensive transformation initiatives in 2015, including manufacturing footprint optimisation and a plan to establish a greenfield factory in China, all these will temporarily increase the Group's capital expenditure from that experienced in the last few years. Uponor estimates that capital expenditure, excluding any investment in shares, in total will amount to circa €58 million in 2016, against €50 million in 2015.

Due to favourable weather and extemporary customer behaviour, such as prestocking, the last quarter of 2015 was particularly lively, which together with harsh weather is likely to affect demand in the first quarter 2016. Assuming that economic development in Uponor's key geographies otherwise continues undisturbed, Uponor issues the following guidance for 2016: the Group's net sales and operating profit (excluding any non-recurring items) are expected to improve from 2015.

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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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 2014. 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/ 2015	1-12/ 2014	10-12/ 2015	10-12/ 2014
Continuing operations				
Net sales	1,050.8	1,023.9	262.0	251.5
Cost of goods sold	680.6	683.8	170.6	168.3
Gross profit	370.2	340.1	91.4	83.2
Other operating income	2.4	2.4	1.5	0.3
Dispatching and warehousing expenses	35.3	37.1	8.6	8.7
Sales and marketing expenses	187.4	173.1	46.9	43.3
Administration expenses	56.8	51.1	15.1	13.6
Other operating expenses	21.7	17.8	8.3	6.0
Operating profit	71.4	63.4	14.0	11.8
Financial expenses, net	8.9	7.4	3.2	0.2
Share of results in associated companies	0.3	0.3	0.1	0.2
Profit before taxes	62.8	56.3	10.9	11.8
Income taxes	25.7	20.0	6.5	3.5
Profit for period from continuing operations	37.1	36.3	4.4	8.3
Discontinued operations				
Profit for the period from discontinued operations	-0.2	-0.3	0.1	-0.3
Profit for the period	36.9	36.0	4.5	8.0
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Re-measurements on defined benefit pensions, net of taxes	1.4	-5.0	1.4	-5.0
Items that may be reclassified subsequently to profit or loss				
Translation differences	11.3	7.3	4.0	-0.1
Cash flow hedges, net of taxes	0.0	-0.9	0.3	-0.2
Net investment hedges	-2.0	0.6	-1.0	0.5
Other comprehensive income for the period, net of taxes	10.7	2.0	4.7	-4.8
Total comprehensive income for the period	47.6	38.0	9.2	3.2
Profit/loss for the period attributable to				
- Equity holders of parent company	37.5	36.5	5.5	8.6
- Non-controlling interest	-0.6	-0.5	-1.0	-0.6
Comprehensive income for the period attributable to				
- Equity holders of parent company	47.3	39.1	9.9	5.1
- Non-controlling interest	0.3	-1.1	-0.7	-1.9
Earnings per share, €	0.51	0.50	0.07	0.12
- Continuing operations	0.51	0.50	0.07	0.12
- Discontinued operations	0.00	0.00	0.00	0.00
Diluted earnings per share, €	0.51	0.50	0.07	0.12
- Continuing operations	0.51	0.50	0.07	0.12
- Discontinued operations	0.00	0.00	0.00	0.00

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

M€	31.12.2015	31.12.2014
Assets		
Non-current assets		
Property, plant and equipment	221.4	207.8
Intangible assets	94.7	98.4
Securities and non-current receivables	21.0	11.2
Deferred tax assets	21.0	19.4
Total non-current assets	358.1	336.8
Current assets		
Inventories	112.4	117.4
Accounts receivable	154.5	137.3
Other receivables	33.6	30.1
Cash and cash equivalents *)	49.2	60.2
Total current assets	349.7	345.0
Total assets	707.8	681.8
Equity and liabilities		
Equity		
Equity attributable to the owners of the parent company	248.0	231.1
Non-controlling interest	63.7	66.8
Total equity	311.7	297.9
Non-current liabilities		
Interest-bearing liabilities	91.2	126.3
Deferred tax liability	20.2	19.3
Provisions	10.6	4.6
Employee benefits and other liabilities	28.1	30.9
Total non-current liabilities	150.1	181.1
Current liabilities		
Interest-bearing liabilities	48.3	15.9
Provisions	14.4	11.6
Accounts payable	63.9	67.6
Other liabilities	119.4	107.7
Total current liabilities	246.0	202.8
Total equity and liabilities	707.8	681.8

***)** In 2015, cash and cash equivalents include €1.0 million restricted cash.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

M€	1-12/2015	1-12/2014
Cash flow from operations		
Net cash from operations	105.6	99.0
Change in net working capital	-15.0	-3.5
Income taxes paid	-29.5	-16.0
Interest paid	-3.2	-4.3
Interest received	0.3	0.5
Cash flow from operations	58.2	75.7
Cash flow from investments		
Acquisition of subsidiaries and businesses	-0.1	-
Proceeds from disposal of subsidiaries and businesses	7.6	-
Purchase of fixed assets	-50.1	-35.7
Proceeds from sale of fixed assets	0.7	4.8
Dividends received	0.2	0.6
Loan repayments	0.0	-0.3
Cash flow from investments	-41.7	-30.6
Cash flow from financing		
Borrowings of debt	17.4	21.0
Repayment of debt	-33.3	-31.0
Change in other short-term loan	19.1	1.9
Dividends paid	-30.7	-27.8
Payment of finance lease liabilities	-0.9	-1.8
Cash flow from financing	-28.4	-37.7
Conversion differences for cash and cash equivalents	-0.1	-0.9
Change in cash and cash equivalents	-12.0	6.5
Cash and cash equivalents at 1 January	60.2	53.7
Cash and cash equivalents at end of period	48.2	60.2
Changes according to balance sheet	-12.0	6.5

STATEMENT OF CHANGES IN EQUITY

M€	A	B	C	D*	E	F	G	H	I
Balance at 1 Jan 2015	146.4	50.2	-1.0	-10.3	-1.0	46.8	231.1	66.8	297.9
Total comprehensive income for the period			0.0	8.5		38.8	47.3	0.3	47.6
Dividend paid (€0.42 per share)						-30.7	-30.7		-30.7
Share-based incentive plan					0.3	0.0	0.3		0.3
Disposal of subsidiaries and businesses								-3.3	-3.3
Other adjustments			0.0			0.0	0.0	-0.1	-0.1
Balance at 31 December 2015	146.4	50.2	-1.0	-1.8	-0.7	54.9	248.0	63.7	311.7
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
Transfer 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

*) Includes a -€15.5 (-13.5) 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 2015.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

M€	31.12.2015	31.12.2014
Gross investment	50.1	35.7
- % of net sales	4.8	3.5
Depreciation and impairments	39.1	36.5
Book value of disposed fixed assets	0.9	3.6

PERSONNEL

Converted to full time employees	1-12/2015	1-12/2014
Average	3,842	4,127
At the end of the period	3,735	3,982

OWN SHARES	31.12.2015	31.12.2014
Own shares held by the company, pcs	97,560	140,378
- of share capital, %	0.1	0.2
- of voting rights, %	0.1	0.2
Accounted par value of own shares held by the company, M€	0.2	0.3

SEGMENT INFORMATION

		1-12/2015			1-12/2014	
M€	External	Internal	Total	External	Internal	Total
Net sales by segment, continuing operations						
Building Solutions – Europe	466.4	0.7	467.1	477.7	1.4	479.1
Building Solutions - North America	275.8	-	275.8	200.8	-	200.8
Uponor Infra	308.6	3.4	312.0	345.4	5.9	351.3
Eliminations	0.0	-4.1	-4.1	-	-7.3	-7.3
Total	1,050.8	-	1,050.8	1,023.9	-	1,023.9

		10-12/2015			10-12/2014	
M€	External	Internal	Total	External	Internal	Total
Net sales by segment, continuing operations						
Building Solutions – Europe	114.2	0.1	114.3	112.7	0.0	112.7
Building Solutions - North America	74.0	-	74.0	56.1	-	56.1
Uponor Infra	73.8	1.2	75.0	82.8	2.1	84.9
Eliminations	0.0	-1.3	-1.3	-	-2.2	-2.2
Total	262.0	-	262.0	251.5	-	251.5

M€	1-12/2015	1-12/2014	10-12/2015	10-12/2014
Operating result by segment, continuing operations				
Building Solutions - Europe	24.0	35.0	3.3	4.7
Building Solutions - North America	51.0	31.5	12.2	9.3
Uponor Infra	0.2	-0.5	-1.2	-0.9
Others	-3.8	-2.6	-0.9	-1.6
Eliminations	0.0	0.0	0.6	0.3
Total	71.4	63.4	14.0	11.8

M€	1-12/2015	1-12/2014
Segment depreciation and impairments, continuing operations		
Building Solutions - Europe	10.2	10.4
Building Solutions - North America	9.8	8.0
Uponor Infra	14.5	13.1
Others	4.5	4.5
Eliminations	0.1	0.5
Total	39.1	36.5
Segment investments, continuing operations		
Building Solutions – Europe	15.4	13.6
Building Solutions - North America	22.6	11.4
Uponor Infra	11.3	10.3
Others	0.8	0.4
Total	50.1	35.7

M€	31.12.2015	31.12.2014
Segment assets		
Building Solutions - Europe	325.5	338.8
Building Solutions - North America	216.0	161.2
Uponor Infra	212.9	242.3
Others	227.7	190.5
Eliminations	-274.3	-251.0
Total	707.8	681.8
Segment liabilities		
Building Solutions - Europe	211.3	227.4
Building Solutions - North America	160.2	85.7
Uponor Infra	80.0	105.7
Others	245.7	240.3
Eliminations	-301.0	-275.1
Total	396.2	384.0

	1-12/2015	1-12/2014
Segment personnel, continuing operations, average		
Building Solutions – Europe	2,014	2,052
Building Solutions - North America	592	537
Uponor Infra	1,173	1,481
Others	63	57
Total	3,842	4,127

Reconciliation

M€	1-12/2015	1-12/2014
Operating result by segment, continuing operations		
Total result for reportable segments	75.2	65.9
Others	-3.8	-2.5

Eliminations	0.0	0.0
Operating profit	71.4	63.4
Financial expenses, net	8.9	7.4
Share of results in associated companies	0.3	0.3
Profit before taxes	62.8	56.3

CONTINGENT LIABILITIES AND ASSETS

M€	31.12.2015	31.12.2014
Commitments of purchase PPE (Property, plant, equipment)	5.7	1.9
Other commitments	1.5	1.1
- on own behalf		
Pledges at book value	0.1	0.5
Mortgages issued	-	14.3
Guarantees issued	4.8	5.1
- on behalf of a subsidiary		
Pledges at book value	-	0.0
Guarantees issued	19.6	18.8
Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures		
Pledges at book value	0.1	0.5
Mortgages issued	-	14.3
Guarantees issued	24.4	24.0
Total	24.5	38.8

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. In May 2015, the Spanish tax authority accepted Uponor Hispania SA's appeal for the most part, however rejecting the tax deductibility of costs related to Group services. Related to this, Uponor Hispania SA has started a process to avoid double taxation. While the case is being handled, Uponor Hispania, SA has provided a bank guarantee of €2.7 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 has also started a process to avoid possible double taxation. In November 2015, the administrative court rejected the appeals. This decision by the administrative court will not lead to any new payments or payment returns at this stage, and will therefore not affect Uponor's consolidated cash flow. Uponor does not agree with the dismissal of the case by the administrative court and has sought leave to appeal to the supreme administrative court. 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€	31.12.2015	31.12.2014
OPERATING LEASE COMMITMENTS	45.9	44.6

DERIVATIVE CONTRACTS

M€	Nominal value 31.12.2015	Fair value 31.12.2015	Nominal value 31.12.2014	Fair value 31.12.2014
Currency derivatives				
- Forward agreements	230.0	0.7	228.4	0.2
- Currency options, bought			9.4	0.6
- Currency options, sold			9.4	-
Interest derivatives				
- Interest rate swaps	61.0	-2.4	170.0	-3.1
Commodity derivatives				
- Forward agreements	5.0	-1.8	7.1	-0.9

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

31.12.2015 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	
Non-current receivables			20.6			20.6	
Current financial assets							
Accounts receivable and other receivables			178.1			178.1	
Other derivative contracts	0.0	1.4				1.4	2
Cash and cash equivalents			49.2			49.2	
Carrying amount	0.0	1.4	247.9	0.2		249.5	
Non-current financial liabilities							
Interest bearing liabilities					91.2	91.2	
Electricity derivatives	0.9					0.9	1
Current financial liabilities							
Interest bearing liabilities					48.3	48.3	
Electricity derivatives	0.9					0.9	1
Other derivative contracts	2.7	0.5				3.2	2
Accounts payable and other liabilities					92.7	92.7	
Carrying amount	4.5	0.5			232.2	237.2	

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
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
Accounts payable and other liabilities					90.1	90.1	
Carrying amount	4.5	2.3			232.3	239.1	

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)

BUSINESS COMBINATIONS

On 4 January 2016, Uponor Holding GmbH closed the acquisition of the shares in two German companies, Delta Systemtechnik GmbH and the KaMo Group, as announced on 30 November, 2015. KaMo Group consists of the three companies: KaMo Frischwarmwassersystem GmbH, KaMo Verteilersysteme GmbH and Morlok Betriebsgesellschaft mbH. Delta Systemtechnik GmbH produces fresh water units for central domestic hot water systems as well as heating transfer stations and components for hot water and heating systems. KaMo develops and distributes systems for local and central heating and domestic hot water preparation. This acquisition aims at broadening Uponor's portfolio and competencies in the increasingly important hygienic drinking water delivery sector. The new companies will be included in the Building Solutions - Europe segment. The new companies will be consolidated in the January-March 2016 interim report for the first time and IFRS 3 related notes will be disclosed in the same interim report, as the required information is not yet available.

In December 2015, Uponor Corporation acquired the entire shareholding in a Finnish start-up company UWater Oy (NWater Oy until 11 January 2016) specialising in online water quality monitoring. Consideration paid, net assets acquired and liabilities assumed were immaterial.

DISPOSAL OF SUBSIDIARIES AND BUSINESSES

On 25 February, Uponor announced that its majority-held subsidiary Uponor Infra Oy sold its majority shareholding of 65.99% of the shares in Wiik & Hoeglund PLC, a company listed on the stock exchange of Thailand. Uponor Infra Oy made a decision to withdraw from the business in accordance with its strategy to focus on markets where it can command a strong market position and achieve operational synergies.

Further, on 30 March it was announced that Uponor Infra Oy divested, for the same reasons, its fully owned Finnish subsidiary, Extron Engineering Oy, a specialist in the business of designing and manufacturing machinery for the plastic products industry.

Later, in December 2015, following the strategic adjustment of Uponor Infra's product portfolio, Uponor Infra Oy sold its Omega-Liner® pipeline renovation business.

The sales price received from these transactions totalled to €9.8 million. The net impact on the result was €1.9 million.

M€	2015
Book value of disposed assets	
Property, plant and equipment	8.0
Other non-current assets	1.5
Inventory	5.1
Accounts receivable and other receivables	5.9
Cash and cash equivalents	2.2
Total assets	22.7
Interest-bearing non-current liabilities	0.4
Other non-current liabilities	0.4
Interest-bearing current liabilities	6.0
Accounts payable and other current liabilities	4.7
Total liabilities	11.5
Net assets	11.2
- attributable to parent company	7.9
Cash received from sales	9.8
Cash and cash equivalents disposed of	2.2
Cash flow effect	7.6

DISCONTINUED OPERATIONS

In 2015 and 2014, 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€	1-12/2015	1-12/2014
Expenses	0.2	0.3
Profit before taxes	-0.2	-0.3
Income taxes	-	-
Profit after taxes	-0.2	-0.3
Profit for the period from discontinued operations	-0.2	-0.3
Cash flow from discontinued operations		
Cash flow from operations	-0.6	-0.5

RELATED-PARTY TRANSACTIONS

M€	1-12/2015	1-12/2014
Continuing operations		
Purchases from associated companies	1.9	1.6
Balances at the end of the period		
Loan receivable from associated companies	0.3	0.3
Accounts payables and other liabilities	0.1	0.1

KEY FIGURES

	1-12/2015	1-12/2014
Earnings per share, €	0.51	0.50
- continuing operations	0.51	0.50
- discontinued operations	0.00	0.00
Operating profit (continuing operations), %	6.8	6.2
Return on equity, % (p.a.)	12.1	12.3
Return on investment, % (p.a.)	15.5	14.2
Solvency ratio, %	44.3	43.9
Gearing, %	29.3	27.6
Net interest-bearing liabilities	91.3	82.0
Equity per share, €	3.39	3.16
- diluted	3.39	3.16
Dividend per share, €	0.44 *)	0.42
Dividend per earnings, %	86.3	84.0
Effective share yield, %	3.2	3.7
P/E ratio	26.7	23.0
Market value of share capital	995.6	841.1
Trading price of shares		
- low, €	10.42	9.11
- high, €	17.30	14.94
- average, €	13.92	12.17
Shares traded		
- 1,000 pcs	27,590	18 842
- M€	384	229

*) Proposal of the Board of Directors

QUARTERLY DATA

	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015	10-12/ 2014	7-9/ 2014	4-6/ 2014	1-3/ 2014
Continuing operations								
Net sales, M€	262.0	274.1	277.6	237.1	251.5	277.0	264.5	230.9
- Building Solutions – Europe	114.3	121.2	119.0	112.6	112.7	123.5	122.0	120.9
- Building Solutions – North America	74.0	75.1	69.8	56.9	56.1	54.7	49.5	40.5
- Building Solutions – North America, $	80.2	83.6	77.6	63.2	70.0	71.8	67.9	55.5
- Uponor Infra	75.0	79.0	89.7	68.3	84.9	100.3	95.3	70.8
Gross profit, M€	91.4	95.0	98.6	85.2	83.2	92.2	86.7	78.1
- Gross profit, %	34.9	34.7	35.5	35.9	33.1	33.3	32.8	33.8
Operating profit, M€	14.0	23.6	22.5	11.3	11.8	29.2	17.6	4.8
- Building Solutions – Europe	3.3	8.4	6.2	6.1	4.7	15.0	9.6	5.7
- Building Solutions – North America	12.2	15.7	15.0	8.1	9.3	9.2	8.6	4.4
- Building Solutions – North America, $	13.1	17.5	16.8	8.9	11.7	12.1	11.7	6.1
- Uponor Infra	-1.2	-0.3	3.0	-1.3	-0.9	4.2	0.4	-4.2
- Others	-0.9	-0.2	-1.4	-1.3	-1.6	0.5	-0.7	-0.8
Operating profit, % of net sales	5.3	8.6	8.1	4.8	4.7	10.5	6.6	2.1
- Building Solutions – Europe	2.9	6.9	5.2	5.4	4.2	12.1	7.9	4.7
- Building Solutions – North America	16.4	20.9	21.5	14.1	16.6	16.8	17.2	11.0
- Uponor Infra	-1.5	-0.4	3.0	-0.2	-0.1	4.2	0.4	-6.0
Profit for the period, M€	4.4	15.4	13.3	4.0	8.3	16.8	9.4	1.8
Balance sheet total, M€	707.8	740.0	716.8	692.5	681.8	701.7	697.9	690.5
Earnings per share, €	0.07	0.21	0.17	0.06	0.12	0.21	0.13	0.04
Equity per share, €	3.39	3.26	3.08	2.96	3.16	3.10	2.80	2.66
Market value of share capital, M€	995.6	851.4	989.0	1,153.0	841.1	780.4	984.6	968.5
Return on investment, % (p.a.)	15.5	17.3	14.0	7.2	14.2	14.8	8.8	3.5
Net interest-bearing liabilities at the end of the period, M€	91.3	114.8	138.8	130.9	82.0	122.9	154.3	147.8
Gearing, %	29.3	37.9	47.8	46.7	27.6	41.7	56.9	56.9
Gearing, % rolling 4 quarters	40.4	40.0	41.0	43.2	45.8	47.3	48.3	52.7
Gross investment, M€	19.7	11.9	10.4	8.1	14.3	9.0	8.0	4.4
- % of net sales	7.5	4.3	3.7	3.4	5.7	3.2	3.0	1.9

DEFINITIONS OF KEY RATIOS

Return on Equity (ROE), %

$$= \frac{\text{Profit before taxes – taxes}}{\text{Total equity, average}} \times 100$$

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, %

$$= \frac{\text{Total equity}}{\text{Balance sheet total – advance payments received}} \times 100$$

Gearing, %

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

Net interest-bearing liabilities

= Interest-bearing liabilities – cash and cash equivalents excluding restricted cash

Earnings per share (EPS)

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

Equity per share ratio

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

Average share price

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