# Half year financial report

26 July 2016

# Pick up in European demand and savings from transformation programmes strengthened Uponor

- The U.S. building solutions market remained healthy and in Europe, while heterogeneous, an upturn in demand was reported in several markets; the infrastructure solutions markets remained challenging, although with signs of levelling out in Europe
- Net sales for April – June totalled €299.5 (277.6) million, up 7.9% or 9.6% in constant currency
- Operating profit for April – June came to €26.5 (22.5) million, up 18.0%, driven by Building Solutions – Europe and Uponor Infra; comparable operating profit, i.e. excluding items affecting comparability, came to €30.7 (23.3) million, a growth of 31.8%
- Net sales in January – June totalled €546.4 (514.7) million, up 6.2% or 7.6% in constant currency
- Operating profit for January – June came to €38.4 (33.8) million, a change of 13.6%; comparable operating profit came to €45.6 (34.6) million, a growth of 31.7%
- January – June earnings per share amounted to €0.28 (0.23)
- January – June return on investment was 15.3% (14.0%), and gearing was 58.5% (47.8%)
- January – June cash flow from business operations totalled -€3.4 (-19.8) million
- Uponor repeats its guidance for the year 2016, announced on 12 February 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 comparable operating profit are expected to improve from 2015.

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

- Building Solutions – Europe's transformation is progressing well and the initial results, with modest top line growth and some cost reductions already implemented, give us confidence that our transformation programme will deliver the desired results. Simultaneously, we are making major strides in leveraging acquired technology across national borders and building up our competencies in smart, hygienic water installations, generating short-term and long-term sales opportunities.
- Building Solutions - North America maintained strong sales growth in a healthy market. Operating profit remained close to the previous year's level, its lack of growth mainly caused by costs related to the recent temporary EP fittings replacement by metal fittings, the Canadian currency impact and costs related to the joint venture transaction with Belkin.
- Uponor Infra's demand environment has somewhat stabilised but challenges remain, especially in Canada and Poland. Thanks to our determined cost drive, less headwind in the markets, and a stable input cost environment, we made promising headway in terms of profitability.
- Uponor took an important step towards the emerging Internet of Things (IoT) market by establishing a joint venture with Belkin, a global front runner in IoT. Strategically, this is a major new step in digitalisation for Uponor and supports our technology emphasis on water hygiene and conservation in our global markets.

## Key financial figures

| Consolidated income statement (continuing operations), M€ | 1-6 2016 | 1-6 2015 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| Net sales | 546.4 | 514.7 | 1,050.8 | 1,023.9 | 906.0 | 811.5 |
| Operating expenses | 490.5 | 463.3 | 942.7 | 926.4 | 823.6 | 726.5 |
| Depreciation and impairments | 19.5 | 18.3 | 39.1 | 36.5 | 33.0 | 28.2 |
| Other operating income | 2.0 | 0.7 | 2.4 | 2.4 | 0.8 | 0.9 |
| Operating profit | 38.4 | 33.8 | 71.4 | 63.4 | 50.2 | 57.7 |
| Comparable operating profit | 45.6 | 34.6 | 75.8 | 67.7 | 55.2 | 57.7 |
| Financial income and expenses | -5.5 | -6.4 | -8.9 | -7.4 | -7.1 | -8.6 |
| Profit before taxes | 33.0 | 27.5 | 62.8 | 56.3 | 43.2 | 49.4 |
| Result from continuing operations | 20.8 | 17.3 | 37.1 | 36.3 | 27.1 | 32.9 |
| Profit for the period | 21.2 | 17.0 | 36.9 | 36.0 | 26.8 | 32.8 |
| Earnings per share | 0.28 | 0.23 | 0.51 | 0.50 | 0.38 | 0.45 |

**Information on the January–June 2016 half year financial report**
This half year financial report has been compiled in accordance with the IAS 34 reporting standard and is unaudited. Figures given in the report are for continuing operations, unless otherwise stated. Any change percentages have been calculated from the exact figures and not from the rounded figures published here.

From this report onwards, Uponor will follow the new recommendation from the European Securities and Markets Authority (ESMA) concerning Alternative Performance Measures. Thus, the term “non-recurring items” (NRI) will be changed to “items affecting comparability” (IAC). See the table section for more details.

**Webcast and presentation**
A webcast, in English, of the results briefing will be broadcast on 26 July at 10:00 a.m. EET. Connection details are available at www.uponor.com > Investors. Questions can be sent in advance to ir@uponor.com. The recorded webcast can be viewed at www.uponor.com > Investors shortly after publication. The presentation document will be available at www.uponor.com > Investors > News & downloads.

**The next results report**
Uponor Corporation will publish its Q3 interim report on Friday 28 October 2016. During the silent period from 28 September to 28 October, Uponor will not comment on market prospects or factors affecting business and performance, nor will the company engage in any discussion of events or trends related to the reporting period or the current fiscal period.

## Markets

The building and construction markets in North America continued to be healthy and positive developments in demand were reported across several European markets, as well. This aligns well with publicly available key indicators which show, for instance, that permit activity, based on data covering the period up to February 2016, has continued to trend slowly upwards in both the residential and non-residential segments, while builder confidence in Europe has strengthened in most markets compared to last year.

In Central Europe, Uponor's largest European market, Germany, continued to see improvements in its construction market in the second quarter of 2016. The economy has so far managed to brush off external uncertainties, with households driving economic growth, and builder confidence has also improved lately, reaching another post-reunification high. Order book development in the German building industry has also remained generally positive in both the residential and non-residential segments, although building activity continues to be limited by a lack of professional installers. In contrast, activity has moderated considerably in the Netherlands, but even there it remains expansionary.

In Southern Europe, recovery continued in Spain, demand in Italy remained stagnant and major uncertainty surrounded the UK, even prior to the 'Brexit' referendum.

Within the Nordic countries, demand in Sweden continued to be robust, clearly continuing to outpace its neighbours, especially in the new residential segment. Within the Swedish construction industry, the residential new-build segment continues to grow significantly, reaching a 25-year high. However, builder confidence has moderated in recent months and non-residential and civil engineering activity remains more constrained. The other Nordic markets were generally stable, with some individual signs of a fragile recovery witnessed in Finland, from a low base. However, as in Sweden, the positive trend seen in builder confidence in Finland may have ground to a halt during recent months.

In North America, construction activity growth has slowed since the second quarter 2015, mainly due to Canada, where a depressed energy market continues to take a toll on construction. In the U.S., demand in the construction market remained resilient or improved across various building segments, but overall growth has slowed from the previous year. Although construction spending in the U.S. has risen across nearly all residential and non-residential building segments compared to the same period in 2015, residential builder confidence softened somewhat during the quarter under review.

In terms of infrastructure solutions, in the Nordic markets - especially Finland - market demand stabilised during the first half of 2016 after a decline of several years. The other Nordic markets also showed stable or slightly positive development from the previous year. In Poland, the delayed implementation of EU-funded projects resulted in the postponement of many projects and the market has contracted significantly. Furthermore, the poor volume trend in the North American polyethylene pipe market has continued since the summer of 2015.

## Net sales

Uponor's continuing operations reported net sales of €299.5 (277.6) million for the second quarter, representing growth of 7.9% or 9.6% in constant currency. Much of this net sales growth is based on improved demand in the markets. Acquisitions made in Germany in January 2016 contributed by €8.6 million. In constant currency terms, i.e. using Q2/2015 exchange rates, net sales would have been €4.8 million higher than reported net sales, mainly due to CAD, RUB, NOK and GBP.

Building Solutions – Europe reported 13.3% growth, partly driven by acquisitions and partly by the market recovery in parts of Europe, which paired with successful marketing initiatives and benefits from combining Uponor's native offering with those of recent acquisitions. Of the largest markets, Germany, Sweden, Spain, the UK and Russia reported good progress in the local currency. While ongoing changes in the value chain pose challenges to standard business, advances were made in areas such as the pre-fab business, where Uponor is a pioneer, thus confirming the lack of installers as a bottle neck in business growth. In addition, the market for commercial solutions has slowly begun to pick up, following the longer-term trend of increased urban living and the need for high-rise residential and office buildings.

Building Solutions – North America, reported continued solid growth of net sales against the prior year, including in local currency. Such growth was driven by strong sales throughout U.S. geographic regions, in contrast to Canada where sales clearly contracted from the second quarter of 2015. Most of U.S. growth continues to come from the plumbing business, in particular within the commercial segment that was trending up in a favourable manner in the second quarter. In Canada, net sales development was strongest in indoor climate, supported in part by significant new product introductions made recently.

Uponor Infra reported a drop in net sales despite the emerging stability in the European infrastructure markets. The main reasons for this were continued softness in Canada, driven by the challenges in oil exploration as reported earlier, as well as a significant drop in Polish demand due to delayed implementation of EU-funded projects. In addition, net sales development in the district energy business in Finland and the Czech Republic was behind last year. Supported by stabilising demand across much of Europe, Uponor Infra was able to grow sales through its wholesale distribution chain.

**Breakdown of net sales by segment (April–June):**

| M€ | 4-6/2016 | 4-6/2015 | Change |
|---|---|---|---|
| Building Solutions – Europe | 134.8 | 119.0 | 13.3% |
| Building Solutions – North America | 80.2 | 69.8 | 15.0% |
| (Building Solutions – North America (M$) | 90.0 | 77.6 | 15.9%) |
| Uponor Infra | 85.8 | 89.7 | -4.4% |
| Eliminations | -1.3 | -0.9 | |
| Total | 299.5 | 277.6 | 7.9% |

Uponor's January–June net sales reached €546.4 (514.7) million, recording growth of 6.2%, or 7.6% in constant currency. This was driven by brisk growth in the building solutions business in both North America and Europe, as well as acquisitions in Germany. In constant currency terms, net sales would have been €7.5 million higher than reported net sales. The main influence, mainly impacting on European segments, was caused by fluctuations in CAD, RUB, NOK and GBP.

**Breakdown of net sales by segment (January–June):**

| M€ | 1-6/2016 | 1-6/2015 | Change |
|---|---|---|---|
| Building Solutions – Europe | 257.8 | 231.6 | 11.3% |
| Building Solutions – North America | 150.9 | 126.7 | 19.1% |
| (Building Solutions – North America (M$) | 168.2 | 140.8 | 19.5%) |
| Uponor Infra | 139.9 | 158.0 | -11.5% |
| Eliminations | -2.2 | -1.6 | |
| Total | 546.4 | 514.7 | 6.2% |

## Results and profitability

Gross profit for continuing operations in the second quarter amounted to €105.5 million (35.2%) from 98.6 million (35.5%) in 2015. Comparable gross profit margin came to 35.5% (35.6%).
Operating profit for continuing operations in the second quarter came to €26.5 (22.5) million, representing a year-on-year increase of 18.0%. Profitability measured in terms of operating profit margin reached 8.8%

(8.1%). Comparable operating profit, i.e. excluding any items affecting comparability, came to €30.7 (23.3) million in the quarter under review, with a comparable operating profit margin of 10.2% (8.4%). Items affecting comparability totalled €4.2 (0.8) million, of which €3.3 (0.8) million related to Building Solutions – Europe's transformation programme and €0.6 (0.0) million to that of Uponor Infra. The main contributors to the favourable performance improvement were Uponor Infra and Building Solutions – Europe.

Building Solutions – Europe's operating profit improved as a result of the savings already achieved from the transformation and streamlining measures implemented, supported by operational leverage from higher sales volumes in several markets.

Building Solutions – North America's performance developed rather steadily, although the operating profit declined by 2.0% in local currency and 2.7% in euro terms. Despite being down versus the comparison period - mainly as a result of managing the temporary transition of a range of plastic fittings to metal fittings and back, and the costs related to the Phyn joint venture transaction with Belkin - overall profitability remained resilient, thanks to continued net sales growth and careful expenditure management.

Regardless of lower net sales, Uponor Infra's operating profit exceeded that of the comparison period. The main reason for this was a change in the mix of products sold and the channels employed. A key role was also played by reduced operational cost levels in Finland, following the restructuring and transformation initiatives executed in 2013 - 2015 and those that are still ongoing.

**Breakdown of operating profit by segment (April-June):**

| M€ | 4-6/2016 | 4-6/2015 | Change |
|---|---|---|---|
| Building Solutions – Europe | 8.3 | 6.2 | 33.2% |
| Building Solutions – North America | 14.6 | 15.0 | -2.7% |
| (Building Solutions – North America (M$) | 16.3 | 16.8 | -2.0%) |
| Uponor Infra | 5.1 | 3.0 | 69.3% |
| Others | -1.0 | -1.4 | |
| Eliminations | -0.5 | -0.3 | |
| Total | 26.5 | 22.5 | 18.0% |

Profit before taxes for April – June totalled €24.4 (21.2) million. Taxes had a €9.0 million effect on profits, while the amount of taxes in the comparison period was €7.9 million. Profit for the second quarter came to €15.4 (13.3) million.

The January – June gross profit came to €193.3 million (35.4%) against 183.8 million (35.7%) in 2015. Comparable gross profit margin at 35.6% (35.8%) was mainly burdened by competitive price pressure especially in the European building solutions business.

The January – June operating profit came to €38.4 (33.8) million, or €45.6 (34.6) million without items affecting comparability, up 13.6 or 31.7 per cent respectively from the comparison period. Key contributors to this development were Building Solutions – North America with its solid performance in both the first and the second quarter, as well as Building Solutions – Europe and Uponor Infra with their strong second quarter performance in particular.

Items affecting comparability in January–June 2016 totalled €7.2 (0.8) million, of which €5.9 (0.8) million came from the transformation programme in Building Solutions – Europe and €1.0 (0.0) million from Uponor Infra's programme.

Profitability, or the operating profit margin, for the first half-year was 7.0%, against 6.6% in the first half of 2015. The comparable operating profit margin came to 8.3% (6.7%).

**Breakdown of operating profit by segment (January–June):**

| M€ | 1-6/2016 | 1-6/2015 | Change |
|---|---|---|---|
| Building Solutions – Europe | 13.2 | 12.3 | 7.2% |
| Building Solutions – North America | 25.7 | 23.1 | 11.1% |
| (Building Solutions – North America (M$) | 28.6 | 25.7 | 11.4%) |
| Uponor Infra | 1.5 | 1.7 | -10.5% |
| Others | -1.7 | -2.7 | |
| Eliminations | -0.3 | -0.6 | |
| Total | 38.4 | 33.8 | 13.6% |

Earnings per share, both basic and diluted, for January – June totalled €0.28 (0.23). Equity per share, both basic and diluted, was €3.22 (3.08).

## Investments and financing

With Uponor, Inc.'s U.S. factory extension having been completed in 2015, equipping the annex building was continued during the first half of 2016. The opening of production in China in the fourth quarter of 2016 is essentially proceeding as planned and the building is currently being fitted with the required machinery and tools. In Uponor Infra, funds have been channelled into production automation in particular, in order to improve the cost efficiency of production. Any further investments during the period were primarily targeted at maintenance and development.

Uponor's gross investments in January-June came to €15.7 (18.5) million, clearly remaining below depreciation. Depreciation, which was influenced by the German acquisitions in the first quarter 2016, grew modestly to €19.5 (18.3) million. Cash flow from business operations came to -€3.4 (-19.8) million. Cash flow from financing and thus cash flow for the period were influenced by the above-mentioned acquisitions, as well as a dividend payment of €32.2 (30.7) million of 22 March 2016.

Uponor maintains its cautious policy with regard to credit risk and makes every effort to maintain a high level of liquidity, thus actively following up on accounts receivable, among other issues. Recent volatility in the commodity markets has increased the risk of disruption in the continuous availability of Uponor's critical raw materials. Uponor has therefore increased its focus on group-wide business continuity management and enhancing risk management within the supply chain, in particular.

The main existing funding programmes on 30 June 2016 included an €80 million bond maturing in 2018. Committed bilateral revolving credit facilities totalled €200 million, with €100 million maturing in 2019, €50 million in 2020 and €50 million in 2021; none of these back-up facilities were in use during the period under review. In addition to the outstanding bonds and the available committed back-up facilities, Uponor signed a €50 million bilateral loan in January 2016, which was partly used for the financing of the German acquisitions announced on 4 January 2016. This loan was fully drawn down by the end of March. In June 2016, Uponor signed a committed €20 million 5-year bilateral loan facility, none of which was used at the end of June 2016. The purpose of this loan is to finance the establishment of the joint venture company Phyn during the third quarter 2016. At the period end, €35.0 (23.0) million of commercial papers were issued under the €150 million domestic commercial paper programme.

The Group's solvency ratio decreased to 37.9% (40.8%). Net interest-bearing liabilities increased to €175.1 (138.8) million. The period-end cash balance totalled €24.8 (16.5) million.

Gearing came to 58.5% (47.8%).

## Events during the period

On 25 May 2016, Uponor Corporation and the U.S. company Belkin International, Inc. announced their intention to form a partnership to pioneer the development of water sensing and conservation technology for buildings. The purpose of the new joint venture – named Phyn - is to develop products for the emerging intelligent water market, both for consumers and professional customers.

As part of the plan, two joint venture companies were established: one in the U.S. and another in Europe. Uponor initially invested $15 million in exchange for a 37.5% shareholding in the companies. The investment will impact on Uponor's cash flow in the third quarter 2016, but will have no impact on Uponor's profit guidance for 2016. As a minority-owned business, the joint venture company will be consolidated with Uponor's financial accounts using the equity method. The parties have also agreed on a time frame within which Uponor has an option to invest an additional $10 million and increase its shareholding in Phyn to 50%. Uponor regards the partnership as an important step in its growth strategy, particularly in the emerging Internet of Things (IoT) market and a major development in digitalisation, which is perfectly aligned with the company's commitment to creating safe and sustainable buildings and infrastructures.

In April, Building Solutions – Europe launched 75mm Q&E fittings and a new Milwaukee expansion tool extending the offering range from 63 mm/6 bar pipes all the way up to 75 mm and 10 bar pipes. These products are used in tap water riser installations and local heat distribution (LHD) installations. At the end of April, Uponor Infra launched Decibel, a modern silent soil & waste pipe system that combines an aesthetic visual appearance with the product's inner mineral layer, which helps to eliminate noise.

On 16 May, Uponor, Inc.'s factory expansion in Apple Valley, Minnesota was inaugurated in the presence of state and local dignitaries.

In early June, Uponor arranged a Capital Markets Day in Hassfurt, Germany, where the management presented the company's near-term strategic focus areas to investors.

On 20 June, Uponor, Inc. began reintroducing the remaining engineered polymer (EP) fittings, which were suspended in 2015 owing to a temporary resin shortfall. This will enable Uponor to gradually build up towards offering its North American customers a full range of EP fittings to.

In its first quarter report, Uponor further referred to the following events:

On 4 January, Uponor Holding GmbH completed the acquisition of all shares in two German companies, Delta Systemtechnik GmbH and the KaMo Group, as announced on 30 November 2015. This acquisition broadened Uponor's portfolio and competencies in the increasingly important hygienic drinking-water delivery sector. On 7 January, Uponor Corporation announced the acquisition of the entire shareholding in a Finnish start-up company specialising in online water quality monitoring. These are all included in the Building Solutions – Europe segment.

On 19 January, Uponor announced that its Finnish subsidiaries Uponor Infra Oy and Uponor Suomi Oy had concluded co-determination negotiations in Finland. As a result, a total of 126 employment contracts will be terminated by September 2016. As a consequence of this, Uponor Infra will relocate all of its pressure pipe and standard chamber manufacturing operations from Vaasa to Nastola, Finland, by the end of 2016. The transfer is proceeding according to plan.

## Human resources and administration

The number of Group employees (full-time equivalent) in continuing operations averaged 3,857 (3,881) during the period under review, showing a decrease of 24 employees from the equivalent period in 2015.

Personnel numbers were increased in the U.S. while the workforce in Europe was reduced as a result of the ongoing transformation programmes.

At the end of the current period, the Group had 3,964 (3,906) employees, up by 58 from the end of the comparison period. This growth is mainly a result of the acquisitions in Germany, which added 116 jobs, as well as business growth in North America, while the headcount declined in other businesses.

## Share capital and shares

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

The number of Uponor shares traded on Nasdaq Helsinki in the reporting period was 9.3 (15.1) million shares, totalling €123.5 (221.8) million. The market value of share capital at the end of the period was €1.0 (1.0) billion and the number of shareholders 14,451 (14,731).

On 12 February 2016, based on the authorisation granted by the Annual General Meeting on 17 March 2015, the Board of Directors decided on a directed share issue to the company's management, as part of the long-term share-based incentive plan for 2013-2015, whereby 28,601 of the company's own shares were transferred to 9 key employees. Further details are available in the stock exchange release announced on 12 February 2016. No new shares were issued in connection with the plan and the plan therefore had no diluting effect. Prior to this directed issue, Uponor held a total of 97,560 of its own shares, of which 68,959 remain.

On 10 March 2016, the Annual General Meeting authorised the Board of Directors 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. These shares will be bought back using distributable earnings from unrestricted equity. The authorisation is valid until the end of the next Annual General Meeting, and for no longer than 18 months. The Board was also authorised to resolve on issuing a maximum of 7.2 million new shares or transferring the company's own shares, amounting to approximately 9.8 per cent of the total number of shares. The Board of Directors is authorised to decide on all conditions relating to the issuance of shares. This authorisation is valid until the end of the next Annual General Meeting. Further details regarding the Annual General Meeting are available at http://investors.uponor.com/governance/general-meeting/agm-2016.

On 20 May 2016, Uponor issued a public request to its shareholders to accept the remaining shares issued as part of the share bonus issues of 1998 and 2004. The request was based on the Board of Directors' decision that any unaccepted shares issued on the basis of the above bonus issue resolutions must be accepted by 20 May 2017, or they will be declared forfeit. Any unclaimed shares will be sold in public trading for the benefit of the parties entitled to the shares. Funds not withdrawn within four years from the sale shall revert to the company.

## Events after the reporting period

On 13 July 2016, Uponor announced the closing of the partnership agreement with Belkin International, Inc. with regulatory approvals and other customary closing conditions completed. The companies have established two joint venture businesses: Phyn LLC, based in Los Angeles, California, and Phyn Oy, which is domiciled in Helsinki, Finland, and aims to be a pioneer in the development of water sensing and conservation technology for buildings. Uponor has a 37.5% ownership in both of these companies.

## Short-term outlook

Notwithstanding the UK's EU referendum, no other sudden, noteworthy changes have occurred which might influence the near-term economic outlook in Uponor's core geographical markets as portrayed in the outlook issued on 12 February 2016, in connection with the full-year 2015 financial results announcement. Naturally, the UK vote can have shorter and longer-term impact on the development of GDP in the UK and the EU. In general, lower GDP growth would have an adverse impact on the industry. A direct impact of 'Brexit' on Uponor's business would likely be limited due to Uponor's low exposure to the UK market.

Apart from this, the economic and political environment in Europe has continued its slow progress towards stabilisation. This was evidenced in the second quarter, when building activity in a number of countries across Europe picked up. In addition, demand for infrastructure solutions was on a firmer footing than in the previous few quarters. The political situation in Ukraine and the refugee situation have both entered a calmer period, causing less concern for investors.

In North America, the U.S. economy is expected to continue to enjoy a strong tailwind, perhaps with a moderate slowdown. The building and construction markets are, nevertheless, expected to remain buoyant, driven by pent-up demand from over the last several years or so, as well as increasing interest in building sustainable homes and commercial premises. In Canada, the economy has already slowed down, somewhat affecting building market demand.

In the autumn of 2015, Uponor announced extensive transformation programmes in its European businesses, involving both Building Solutions – Europe and Uponor Infra, with the purpose of improving market presence, boosting net sales and improving performance through structural changes and cost savings. The implementation of these programmes has mainly progressed well and, despite the fact that many initiatives are still in the pipeline, tangible benefits have already been secured. Manufacturing capacity enhancements were successfully executed in North America, supporting continued profitable growth.

Uponor continues to focus on investing in research and development in order to maintain its lead in the building industry's transition towards a more sustainable economy. One such example is the formation of Phyn, a joint venture with Belkin International, Inc. which will support Uponor in developing and offering smarter control and monitoring solutions for the plumbing profession.

In connection with the results briefing on 12 February 2016, Uponor stated that the Group's capital expenditure will increase from that experienced in the last few years. Uponor estimated that capital expenditure, excluding any investment in shares, will amount to circa €58 million in 2016, against €50 million in 2015. Reasons for the increase included the continued high emphasis on new offering development, extensive European transformation initiatives including manufacturing footprint optimisation, as well as a plan to establish a greenfield factory in China.

Assuming that economic development in Uponor's key geographies continues undisturbed, Uponor reiterates its full-year guidance, announced on 12 Feb 2016: the Group's net sales and comparable operating profit 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 section 'Key risks associated with business' in the Financial Statements 2015.

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## Table part

This half year 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 2015. The change percentages reported have been calculated from the exact figures and not from the rounded figures published in the report.
Uponor provides comparable operating profit and comparable gross profit in order to provide useful and comparable information of its operative business performance. Comparable operating or gross profit excludes items affecting comparability (IAC). Items affecting comparability are exceptional transactions that are unrelated to normal business operations. Such items often include issues such as capital gains and losses, additional costs arising from site closures and other restructuring, additional write-downs, or reversals of write-downs, expenses due to accidents and disasters, environmental matters, legal proceedings and changes in regulation.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| M€ | 1-6/2016 | 1-6/2015 | 4-6/2016 | 4-6/2015 | 1-12/2015 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Net sales | 546.4 | 514.7 | 299.5 | 277.6 | 1,050.8 |
| Cost of goods sold | 353.1 | 330.9 | 194.0 | 179.0 | 680.6 |
| Gross profit | 193.3 | 183.8 | 105.5 | 98.6 | 370.2 |
| Other operating income | 2.0 | 0.7 | 1.4 | 0.0 | 2.4 |
| Dispatching and warehousing expenses | 17.9 | 18.1 | 9.1 | 9.2 | 35.3 |
| Sales and marketing expenses | 99.2 | 95.3 | 50.5 | 47.7 | 187.4 |
| Administration expenses | 29.4 | 28.2 | 15.3 | 14.5 | 56.8 |
| Other operating expenses | 10.4 | 9.1 | 5.5 | 4.7 | 21.7 |
| Operating profit | 38.4 | 33.8 | 26.5 | 22.5 | 71.4 |
| Financial expenses, net | 5.5 | 6.4 | 2.1 | 1.3 | 8.9 |
| Share of results in associated companies | 0.1 | 0.1 | 0.0 | 0.0 | 0.3 |
| Profit before taxes | 33.0 | 27.5 | 24.4 | 21.2 | 62.8 |
| Income taxes | 12.2 | 10.2 | 9.0 | 7.9 | 25.7 |
| Profit for period from continuing operations | 20.8 | 17.3 | 15.4 | 13.3 | 37.1 |
| **Discontinued operations** | | | | | |
| Profit for the period from discontinued operations | 0.4 | -0.3 | -0.1 | -0.3 | -0.2 |
| **Profit for the period** | 21.2 | 17.0 | 15.3 | 13.0 | 36.9 |
| | | | | | |
| **Other comprehensive income** | | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Re-measurements on defined benefit pensions, net of taxes | - | 0.0 | - | 0.0 | 1.4 |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Translation differences | -2.9 | 11.0 | 0.3 | -3.5 | 11.3 |
| Cash flow hedges, net of taxes | 0.3 | 0.0 | 0.5 | 0.2 | 0.0 |
| Net investment hedges | 0.7 | -1.6 | 0.0 | 0.3 | -2.0 |
| Other comprehensive income for the period, net of taxes | -1.9 | 9.4 | 0.8 | -3.0 | 10.7 |
| | | | | | |
| Total comprehensive income for the period | 19.3 | 26.4 | 16.1 | 10.0 | 47.6 |
| | | | | | |
| Profit/loss for the period attributable to | | | | | |
| - Equity holders of parent company | 20.7 | 16.4 | 13.5 | 11.7 | 37.5 |
| - Non-controlling interest | 0.5 | 0.6 | 1.8 | 1.3 | -0.6 |
| Comprehensive income for the period attributable to | | | | | |
| - Equity holders of parent company | 19.2 | 24.7 | 14.7 | 8.7 | 47.3 |
| - Non-controlling interest | 0.1 | 1.7 | 1.4 | 1.3 | 0.3 |
| | | | | | |
| Earnings per share, € | 0.28 | 0.23 | 0.18 | 0.17 | 0.51 |
| - Continuing operations | 0.28 | 0.23 | 0.19 | 0.17 | 0.51 |
| - Discontinued operations | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | |
| Diluted earnings per share, € | 0.28 | 0.23 | 0.18 | 0.17 | 0.51 |
| - Continuing operations | 0.28 | 0.23 | 0.19 | 0.17 | 0.51 |
| - Discontinued operations | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| M€ | 30.6.2016 | 30.6.2015 | 31.12.2015 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 221.7 | 209.5 | 221.4 |
| Intangible assets | 121.4 | 96.3 | 94.7 |
| Securities and non-current receivables | 21.6 | 10.8 | 21.0 |
| Deferred tax assets | 20.7 | 20.4 | 21.0 |
| Total non-current assets | 385.4 | 337.0 | 358.1 |
| | | | |
| **Current assets** | | | |
| Inventories | 133.6 | 131.2 | 112.4 |
| Accounts receivable | 218.2 | 202.9 | 154.5 |
| Other receivables | 30.5 | 29.2 | 33.6 |
| Cash and cash equivalents *) | 24.8 | 16.5 | 49.2 |
| Total current assets | 407.1 | 379.8 | 349.7 |
| | | | |
| **Total assets** | 792.5 | 716.8 | 707.8 |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Equity attributable to the owners of the parent company | 235.4 | 225.4 | 248.0 |
| Non-controlling interest | 63.8 | 65.2 | 63.7 |
| Total equity | 299.2 | 290.6 | 311.7 |
| | | | |
| Interest-bearing liabilities | 139.1 | 100.4 | 91.2 |
| Deferred tax liability | 25.1 | 19.8 | 20.2 |
| Provisions | 10.9 | 4.7 | 10.6 |
| Employee benefits and other liabilities | 28.0 | 30.8 | 28.1 |
| Total non-current liabilities | 203.1 | 155.7 | 150.1 |
| | | | |
| **Current liabilities** | | | |
| Interest-bearing liabilities | 60.8 | 54.9 | 48.3 |
| Provisions | 15.6 | 12.7 | 14.4 |
| Accounts payable | 76.5 | 82.0 | 63.9 |
| Other liabilities | 137.3 | 120.9 | 119.4 |
| Total current liabilities | 290.2 | 270.5 | 246.0 |
| | | | |
| **Total equity and liabilities** | 792.5 | 716.8 | 707.8 |

*) On 31 December 2015, cash and cash equivalents include €1.0 million in restricted cash.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

| M€ | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|
| Cash flow from operations | | | |
| Net cash from operations | 55.1 | 47.1 | 105.6 |
| Change in net working capital | -41.9 | -50.2 | -15.0 |
| Income taxes paid | -14.6 | -15.0 | -29.5 |
| Interest paid | -2.1 | -1.8 | -3.2 |
| Interest received | 0.1 | 0.1 | 0.3 |
| **Cash flow from operations** | -3.4 | -19.8 | 58.2 |
| | | | |
| Cash flow from investments | | | |
| Acquisition of subsidiaries and businesses* | -31.3 | - | -0.1 |
| Proceeds from disposal of subsidiaries and businesses | 0.0 | 5.9 | 7.6 |
| Purchase of fixed assets | -15.7 | -18.5 | -50.1 |
| Proceeds from sale of fixed assets | 2.6 | 0.1 | 0.7 |
| Dividends received | - | - | 0.2 |
| Loan repayments | 0.0 | 0.0 | 0.0 |
| **Cash flow from investments** | -44.4 | -12.5 | -41.7 |
| | | | |
| Cash flow from financing | | | |
| Borrowings of debt | 75.3 | 26.4 | 17.4 |
| Repayment of debt | -41.6 | -15.3 | -33.3 |
| Change in other short-term loan | 23.3 | 7.8 | 19.1 |
| Dividends paid | -32.2 | -30.7 | -30.7 |
| Payment of finance lease liabilities | -0.5 | -0.4 | -0.9 |
| **Cash flow from financing** | 24.3 | -12.2 | -28.4 |
| | | | |
| Conversion differences for cash and cash equivalents | 0.1 | 0.8 | -0.1 |
| | | | |
| **Change in cash and cash equivalents** | -23.4 | -43.7 | -12.0 |
| | | | |
| Cash and cash equivalents at 1 January | 48.2 | 60.2 | 60.2 |
| Cash and cash equivalents at end of period | 24.8 | 16.5 | 48.2 |
| **Changes according to balance sheet** | -23.4 | -43.7 | -12.0 |

*) Acquisition of subsidiaries and businesses consists of €32.5 million paid for the acquisition of the KaMo/Delta business and €1.1 million received in cash and cash equivalents from the acquisition.

## STATEMENT OF CHANGES IN EQUITY

| M€ | A | B | C | D* | E | F | G | H | I |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 Jan 2016 | 146.4 | 50.2 | -1.0 | -1.8 | -0.7 | 54.9 | 248.0 | 63.7 | 311.7 |
| Total comprehensive income for the period | | | 0.3 | -1.8 | | 20.7 | 19.2 | 0.1 | 19.3 |
| Dividend paid (€0.44 per share) | | | | | | -32.2 | -32.2 | | -32.2 |
| Share-based incentive plan | | | | | 0.2 | 0.1 | 0.3 | | 0.3 |
| Other adjustments | | | | | | 0.1 | 0.1 | | 0.1 |
| Balance at 30 June 2016 | 146.4 | 50.2 | -0.7 | -3.6 | -0.5 | 43.6 | 235.4 | 63.8 | 299.2 |
| | | | | | | | | | |
| 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 | 8.3 | | 16.4 | 24.7 | 1.7 | 26.4 |
| Dividend paid (€0.42 per share) | | | | | | -30.7 | -30.7 | | -30.7 |
| Share-based incentive plan | | | | | 0.3 | | 0.3 | | 0.3 |
| Disposal of subsidiaries | | | | | | | | -3.3 | -3.3 |
| Other adjustments | | | | | | 0.0 | 0.0 | | 0.0 |
| Balance at 30 June 2015 | 146.4 | 50.2 | -1.0 | -2.0 | -0.7 | 32.5 | 225.4 | 65.2 | 290.6 |

*) Includes a €-14.8 (-15.1) 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 HALF YEAR FINANCIAL STATEMENTS

### ACCOUNTING PRINCIPLES

The half year 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€ | 30.6.2016 | 30.6.2015 | 31.12.2015 |
|---|---|---|---|
| Gross investment | 15.7 | 18.5 | 50.1 |
| - % of net sales | 2.9 | 3.6 | 4.8 |
| Depreciation and impairments | 19.5 | 18.3 | 39.1 |
| Book value of disposed fixed assets | 1.6 | 0.1 | 0.9 |

### PERSONNEL

| Converted to full time employees | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|
| Average | 3,857 | 3,881 | 3,842 |
| At the end of the period | 3,964 | 3,906 | 3,735 |

### OWN SHARES

| | 30.6.2016 | 30.6.2015 | 31.12.2015 |
|---|---|---|---|
| Own shares held by the company, pcs | 68,959 | 97,560 | 97,560 |
| - of share capital, % | 0.1 | 0.1 | 0.1 |
| - of voting rights, % | 0.1 | 0.1 | 0.1 |
| Accounted par value of own shares held by the company, M€ | 0.1 | 0.2 | 0.2 |

### SEGMENT INFORMATION

| | | 1-6/2016 | | | 1-6/2015 | |
|---|---|---|---|---|---|---|
| M€ | External | Internal | Total | External | Internal | Total |
| **Net sales by segment, continuing operations** | | | | | | |
| Building Solutions – Europe | 257.6 | 0.2 | 257.8 | 231.3 | 0.3 | 231.6 |
| Building Solutions - North America | 150.9 | 0.0 | 150.9 | 126.7 | 0.0 | 126.7 |
| Uponor Infra | 137.9 | 2.0 | 139.9 | 156.7 | 1.3 | 158.0 |
| Eliminations | 0.0 | -2.2 | -2.2 | 0.0 | -1.6 | -1.6 |
| Total | 546.4 | - | 546.4 | 514.7 | - | 514.7 |

| | | 4-6/2016 | | | 4-6/2015 | |
|---|---|---|---|---|---|---|
| M€ | External | Internal | Total | External | Internal | Total |
| **Net sales by segment, continuing operations** | | | | | | |
| Building Solutions – Europe | 134.8 | 0.1 | 134.8 | 118.9 | 0.1 | 119.0 |
| Building Solutions - North America | 80.2 | 0.0 | 80.2 | 69.8 | 0.0 | 69.8 |
| Uponor Infra | 84.5 | 1.2 | 85.8 | 88.9 | 0.8 | 89.7 |
| Eliminations | 0.0 | -1.3 | -1.3 | - | -0.9 | -0.9 |
| Total | 299.5 | - | 299.5 | 277.6 | - | 277.6 |

| | | 1-12/2015 | |
|---|---|---|---|
| M€ | External | Internal | Total |
| **Net sales by segment, continuing operations** | | | |
| Building Solutions – Europe | 466.4 | 0.7 | 467.1 |
| Building Solutions - North America | 275.8 | - | 275.8 |
| Uponor Infra | 308.6 | 3.4 | 312.0 |
| Eliminations | 0.0 | -4.1 | -4.1 |
| Total | 1,050.8 | - | 1,050.8 |

| M€ | 1-6/2016 | 1-6/2015 | 4-6/2016 | 4-6/2015 | 1-12/2015 |
|---|---|---|---|---|---|
| **Operating result by segment, continuing operations** | | | | | |
| Building Solutions - Europe | 13.2 | 12.3 | 8.3 | 6.2 | 24.0 |
| Building Solutions - North America | 25.7 | 23.1 | 14.6 | 15.0 | 51.0 |
| Uponor Infra | 1.5 | 1.7 | 5.1 | 3.0 | 0.2 |
| Others | -1.7 | -2.7 | -1.0 | -1.4 | -3.8 |
| Eliminations | -0.3 | -0.6 | -0.5 | -0.3 | 0.0 |
| Total | 38.4 | 33.8 | 26.5 | 22.5 | 71.4 |

| M€ | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|
| **Segment depreciation and impairments, continuing operations** | | | |
| Building Solutions - Europe | 6.8 | 5.2 | 10.2 |
| Building Solutions - North America | 5.1 | 4.9 | 9.8 |
| Uponor Infra | 5.3 | 5.9 | 14.5 |
| Others | 2.3 | 2.2 | 4.5 |
| Eliminations | 0.0 | 0.1 | 0.1 |
| Total | 19.5 | 18.3 | 39.1 |
| | | | |
| **Segment investments, continuing operations** | | | |
| Building Solutions – Europe | 4.9 | 7.2 | 15.4 |
| Building Solutions - North America | 4.8 | 7.5 | 22.6 |
| Uponor Infra | 5.6 | 3.6 | 11.3 |
| Others | 0.4 | 0.2 | 0.8 |
| Total | 15.7 | 18.5 | 50.1 |

| M€ | 30.6.2016 | 30.6.2015 | 31.12.2015 |
|---|---|---|---|
| **Segment assets** | | | |
| Building Solutions - Europe | 398.6 | 352.4 | 325.5 |
| Building Solutions - North America | 226.7 | 182.8 | 216.0 |
| Uponor Infra | 218.0 | 243.2 | 212.9 |
| Others | 233.5 | 153.0 | 227.7 |
| Eliminations | -284.3 | -214.6 | -274.3 |
| Total | 792.5 | 716.8 | 707.8 |
| | | | |
| **Segment liabilities** | | | |
| Building Solutions - Europe | 272.2 | 236.8 | 211.3 |
| Building Solutions - North America | 155.5 | 86.9 | 160.2 |
| Uponor Infra | 85.4 | 106.7 | 80.0 |
| Others | 291.8 | 235.9 | 245.7 |
| Eliminations | -311.6 | -240.1 | -301.0 |
| Total | 493.3 | 426.2 | 396.2 |

| | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|
| **Segment personnel, continuing operations, average** | | | |
| Building Solutions – Europe | 2,049 | 2,025 | 2,014 |
| Building Solutions - North America | 656 | 570 | 592 |
| Uponor Infra | 1,087 | 1,224 | 1,173 |
| Others | 67 | 61 | 63 |
| Total | 3,857 | 3,881 | 3,842 |

**Reconciliation**

| M€ | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|
| **Operating result by segment, continuing operations** | | | |
| Total result for reportable segments | 40.4 | 37.1 | 75.2 |
| Others | -1.7 | -2.7 | -3.8 |
| Eliminations | -0.3 | -0.6 | 0.0 |
| Operating profit | 38.4 | 33.8 | 71.4 |
| Financial expenses, net | 5.5 | 6.4 | 8.9 |
| Share of results in associated companies | 0.1 | 0.1 | 0.3 |
| Profit before taxes | 33.0 | 27.5 | 62.8 |

**CONTINGENT LIABILITIES AND ASSETS**

| M€ | 30.6.2016 | 30.6.2015 | 31.12.2015 |
|---|---|---|---|
| Commitments of purchase PPE (Property, plant, equipment) | 14.9 | 13.0 | 5.7 |
| Other commitments | 0.8 | 0.8 | 1.5 |
| | | | |
| - on own behalf | | | |
| Pledges at book value | 0.1 | 0.1 | 0.1 |
| Mortgages issued | 3.8 | - | - |
| Guarantees issued | 4.7 | 4.9 | 4.8 |
| | | | |
| - on behalf of a subsidiary | | | |
| Pledges at book value | - | - | - |
| Guarantees issued | 39.4 | 20.7 | 19.6 |
| | | | |
| Letter of Comfort commitments undertaken on behalf of subsidiaries | | | |
| are not included in the above figures | | | |
| | | | |
| Pledges at book value | 0.1 | 0.1 | 0.1 |
| Mortgages issued | 3.8 | - | - |
| Guarantees issued | 44.1 | 25.6 | 24.4 |
| Total | 48.0 | 25.7 | 24.5 |

Uponor Corporation's subsidiary in Spain, Uponor Hispania, S.A.U, 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's appeal for the most part, however rejecting the tax deductibility of costs related to Group services. As a result of this, Uponor Hispania has started a process to avoid double taxation. While the case is still in progress, Uponor Hispania 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€ | 30.6.2016 | 30.6.2015 | 31.12.2015 |
|---|---|---|---|
| **OPERATING LEASE COMMITMENTS** | 44.4 | 44.3 | 45.9 |

## DERIVATIVE CONTRACTS

| M€ | Nominal value 30.6.2016 | Fair value 30.6.2016 | Nominal value 30.6.2015 | Fair value 30.6.2015 | Nominal value 31.12.2015 | Fair value 31.12.2015 |
|---|---|---|---|---|---|---|
| Currency derivatives | | | | | | |
| - Forward agreements | 202.3 | -0.7 | 190.6 | -0.9 | 230.0 | 0.7 |
| | | | | | | |
| Interest derivatives | | | | | | |
| - Interest rate swaps | 55.0 | -2.1 | 70.0 | -2.7 | 61.0 | -2.4 |
| - Interest rate options | 20.0 | 0.1 | | | | |
| | | | | | | |
| Commodity derivatives | | | | | | |
| - Forward agreements | 4.7 | -1.3 | 5.8 | -1.4 | 5.0 | -1.8 |

## FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

| 30.6.2016 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 | | | | 0.3 | | 0.3 | |
| Non-current receivables | | | 21.1 | | | 21.1 | |
| **Current financial assets** | | | | | | | |
| Accounts receivable and other receivables | | | 238.7 | | | 238.7 | |
| Other derivative contracts | 0.1 | 1.4 | | | | 1.5 | 2 |
| Cash and cash equivalents | | | 24.8 | | | 24.8 | |
| **Carrying amount** | 0.1 | 1.4 | 284.6 | 0.3 | | 286.4 | |
| | | | | | | | |
| **Non-current financial liabilities** | | | | | | | |
| Interest bearing liabilities | | | | | 139.1 | 139.1 | |
| Electricity derivatives | 0.6 | | | | | 0.6 | 1 |
| **Current financial liabilities** | | | | | | | |
| Interest bearing liabilities | | | | | 60.8 | 60.8 | |
| Electricity derivatives | 0.7 | | | | | 0.7 | 1 |
| Other derivative contracts | 2.3 | 1.9 | | | | 4.2 | 2 |
| Accounts payable and other liabilities | | | | | 127.7 | 127.7 | |
| **Carrying amount** | 3.6 | 1.9 | | | 327.6 | 333.1 | |

**FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY**

| 30.6.2015<br>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 | | | | 0.4 | | 0.4 | |
| Non-current receivables | | | 10.4 | | | 10.4 | |
| **Current financial assets** | | | | | | | |
| Accounts receivable and other receivables | | | 218.2 | | | 218.2 | |
| Other derivative contracts | | 1.4 | | | | 1.4 | 1, 2 |
| Cash and cash equivalents | | | 16.5 | | | 16.5 | |
| **Carrying amount** | 0.0 | 1.4 | 245.1 | 0.4 | | 246.9 | |
| | | | | | | | |
| **Non-current financial liabilities** | | | | | | | |
| Interest bearing liabilities | | | | | 100.4 | 100.4 | |
| Electricity derivatives | 0.6 | | | | | 0.6 | 1 |
| **Current financial liabilities** | | | | | | | |
| Interest bearing liabilities | | | | | 54.9 | 54.9 | |
| Electricity derivatives | 0.8 | | | | | 0.8 | 1 |
| Other derivative contracts | 2.9 | 2.1 | | | | 5.0 | 2 |
| Accounts payable and other liabilities | | | | | 112.2 | 112.2 | |
| **Carrying amount** | 4.3 | 2.1 | | | 267.5 | 273.9 | |

### FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

| 31.12.2015<br>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 | |

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 completed the acquisition of all of the shares in two German companies, Delta Systemtechnik GmbH and the KaMo Group, as announced on 30 November 2015. KaMo Group consists of three companies: KaMo Frischwarmwassersysteme 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 are included in the Building Solutions - Europe segment.

| M€ | 2016 |
|---|---|
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment | 4.3 |
| Intangible assets | 19.8 |
| Inventories | 5.5 |
| Accounts receivable and other receivables | 5.1 |
| Cash and cash equivalents | 1.1 |
| Total assets | 35.8 |
| | |
| Non-current interest-bearing liabilities | 3.3 |
| Deferred tax liability | 5.7 |
| Provisions | 0.7 |
| Current interest-bearing liabilities | 0.4 |
| Accounts payable and other current liabilities | 4.3 |
| Total liabilities | 14.4 |
| | |
| Net assets | 21.4 |

| M€ | |
|---|---|
| Consideration | 32.5 |
| Acquired net assets | -21.4 |
| Goodwill | 11.1 |

The consideration of €32.5 million represents the entire determined fair value of Delta Systemtechnik GmbH and the KaMo Group. The estimate was done by applying an income approach and a market approach. The fair value measurement is based on significant inputs that are not observable in the market, which IFRS 13 Fair Value Measurement refers to as Level 3 inputs.

The goodwill of €11.1 million arising from the acquisition consists largely of attainable synergies, such as those involving international growth, project business, product portfolio, and cross selling. The acquisition calculation is preliminary; the fair value of acquired net assets is provisional pending on the receipt of final valuations for identifiable intangible assets and property, plant and equipment.

Acquisition related costs amounted to €0.9 million. They were included in administration expenses in the consolidated statement of comprehensive income as follows: €0.6 million for the year ended 31 December 2015 and €0.3 million for the reporting period ended 30 June 2016.

Delta Systemtechnik GmbH and the KaMo Group, included in the consolidated statement of comprehensive income as of 4 January 2016, contributed a total of €16.5 million in net sales and €0.2 million in profit for the period.

In December 2015, Uponor Corporation acquired the entire shareholding in a Finnish start-up company NWater Oy (UWater Oy from 12 January 2016) specialising in online water quality monitoring. The consideration paid in connection with the transaction as well as the net assets acquired and liabilities assumed were immaterial.

**DISPOSAL OF SUBSIDIARIES AND BUSINESSES**

There are no disposal of subsidiaries and businesses in 2016.

On 25 February 2015, Uponor Corporation announced that its majority-held subsidiary Uponor Infra Oy had divested 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 2015, 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.

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

The sales price received from the above listed three transactions totalled to €9.8 million, with a net impact on the result at €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 2016 and 2015, discontinued operations include costs related to the administration and maintenance of the real estate vacated by the Irish infrastructure solutions business sold in 2008. In 2016, there was a gain of €0.6 million from the sale of the property.

| M€ | 1-6/2016 | 1-5/2015 | 1-12/2015 |
|---|---|---|---|
| Expenses | -0.4 | 0.3 | 0.2 |
| Profit before taxes | 0.4 | -0.3 | -0.2 |
| Income taxes | - | - | - |
| Profit after taxes | 0.4 | -0.3 | -0.2 |
| | | | |
| Profit for the period from discontinued operations | 0.4 | -0.3 | -0.2 |
| | | | |
| Cash flow from discontinued operations | | | |
| Cash flow from operations | -0.3 | -0.5 | -0.6 |

**RELATED-PARTY TRANSACTIONS**

| M€ | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|
| Continuing operations | | | |
| Purchases from associated companies | 0.9 | 1.0 | 1.9 |
| | | | |
| Balances at the end of the period | | | |
| Loan receivable from associated companies | - | 0.0 | 0.3 |
| Accounts receivable and other receivables | - | - | - |
| Accounts payables and other liabilities | 0.1 | 0.1 | 0.1 |

# KEY FIGURES

| | 1-6/2016 | 1-6/2015 | 1-12/2015 |
|---|---|---|---|
| Earnings per share, € | 0.28 | 0.23 | 0.51 |
| - continuing operations | 0.28 | 0.23 | 0.51 |
| - discontinued operations | 0.01 | 0.00 | 0.00 |
| Operating profit (continuing operations), % | 7.0 | 6.6 | 6.8 |
| Return on equity, % (p.a.) | 13.9 | 11.6 | 12.1 |
| Return on investment, % (p.a.) | 15.3 | 14.0 | 15.5 |
| Solvency ratio, % | 37.9 | 40.8 | 44.3 |
| Gearing, % | 58.5 | 47.8 | 29.3 |
| Net interest-bearing liabilities | 175.1 | 138.8 | 91.3 |
| Equity per share, € | 3.22 | 3.08 | 3.39 |
| - diluted | 3.22 | 3.08 | 3.39 |
| Trading price of shares | | | |
| - low, € | 11.13 | 11.25 | 10.42 |
| - high, € | 15.80 | 17.30 | 17.30 |
| - average, € | 13.27 | 14.73 | 13.92 |
| Shares traded | | | |
| - 1,000 pcs | 9,309 | 15,060 | 27,590 |
| - M€ | 123 | 222 | 384 |

## QUARTERLY DATA

| | 4-6/ 2016 | 1-3/ 2016 | 10-12/ 2015 | 7-9/ 2015 | 4-6/ 2015 | 1-3/ 2015 |
|---|---|---|---|---|---|---|
| Continuing operations | | | | | | |
| Net sales, M€ | 299.5 | 246.9 | 262.0 | 274.1 | 277.6 | 237.1 |
| - Building Solutions – Europe | 134.8 | 123.0 | 114.3 | 121.2 | 119.0 | 112.6 |
| - Building Solutions – North America | 80.2 | 70.7 | 74.0 | 75.1 | 69.8 | 56.9 |
| - Building Solutions – North America, $ | 90.0 | 78.2 | 80.2 | 83.6 | 77.6 | 63.2 |
| - Uponor Infra | 85.8 | 54.1 | 75.0 | 79.0 | 89.7 | 68.3 |
| | | | | | | |
| Gross profit, M€ | 105.5 | 87.8 | 91.4 | 95.0 | 98.6 | 85.2 |
| - Gross profit, % | 35.2 | 35.5 | 34.9 | 34.7 | 35.5 | 35.9 |
| | | | | | | |
| Operating profit, M€ | 26.5 | 11.9 | 14.0 | 23.6 | 22.5 | 11.3 |
| - Building Solutions – Europe | 8.3 | 4.9 | 3.3 | 8.4 | 6.2 | 6.1 |
| - Building Solutions – North America | 14.6 | 11.1 | 12.2 | 15.7 | 15.0 | 8.1 |
| - Building Solutions – North America, $ | 16.3 | 12.3 | 13.1 | 17.5 | 16.8 | 8.9 |
| - Uponor Infra | 5.1 | -3.6 | -1.2 | -0.3 | 3.0 | -1.3 |
| - Others | -1.0 | -0.7 | -0.9 | -0.2 | -1.4 | -1.3 |
| | | | | | | |
| Operating profit, % of net sales | 8.8 | 4.8 | 5.3 | 8.6 | 8.1 | 4.8 |
| - Building Solutions – Europe | 6.1 | 4.0 | 2.9 | 6.9 | 5.2 | 5.4 |
| - Building Solutions – North America | 18.2 | 15.7 | 16.4 | 20.9 | 21.5 | 14.1 |
| - Uponor Infra | 6.0 | -6.7 | -1.5 | -0.4 | 3.0 | -0.2 |
| | | | | | | |
| Profit for the period, M€ | 15.4 | 5.9 | 4.4 | 15.4 | 13.3 | 4.0 |
| | | | | | | |
| Balance sheet total, M€ | 792.5 | 748.7 | 707.8 | 740.0 | 716.8 | 692.5 |
| | | | | | | |
| Earnings per share, € | 0.19 | 0.09 | 0.07 | 0.21 | 0.17 | 0.06 |
| Equity per share, € | 3.22 | 3.01 | 3.39 | 3.26 | 3.08 | 2.96 |
| Market value of share capital, M€ | 1,038.1 | 934.1 | 995.6 | 851.4 | 989.0 | 1,153.0 |
| | | | | | | |
| Return on investment, % (p.a.) | 15.3 | 8.9 | 15.5 | 17.3 | 14.0 | 7.2 |
| Net interest-bearing liabilities at the end of the period, M€ | 175.1 | 176.5 | 91.3 | 114.8 | 138.8 | 130.9 |
| Gearing, % | 58.5 | 62.4 | 29.3 | 37.9 | 47.8 | 46.7 |
| Gearing, % rolling 4 quarters | 47.1 | 44.3 | 40.4 | 40.0 | 41.0 | 43.2 |
| | | | | | | |
| Gross investment, M€ | 10.4 | 5.3 | 19.7 | 11.9 | 10.4 | 8.1 |
| - % of net sales | 3.5 | 2.1 | 7.5 | 4.3 | 3.7 | 3.4 |

## ITEMS AFFECTING COMPARABILITY AND RECONCILIATIONS TO IFRS

| | 4-6/ 2016 | 1-3/ 2016 | 10-12/ 2015 | 7-9/ 2015 | 4-6/ 2015 | 1-3/ 2015 |
|---|---|---|---|---|---|---|
| **Items affecting comparability** | | | | | | |
| Restructuring charges | -4.2 | -3.0 | -4.4 | -1.0 | -0.8 | - |
| Capital gains and losses on sale of non-current assets | - | - | 1.9 | - | - | - |
| Total items affecting comparability in operating profit | -4.2 | -3.0 | -2.5 | -1.0 | -0.8 | - |
| **Items affecting comparability, total** | **-4.2** | **-3.0** | **-2.5** | **-1.0** | **-0.8** | **-** |
| | | | | | | |
| **Comparable gross profit** | | | | | | |
| Gross profit | 105.5 | 87.8 | 91.4 | 95.0 | 98.6 | 85.2 |
| Less: Items affecting comparability in gross profit | -0.8 | -0.7 | -0.3 | -0.1 | -0.4 | - |
| **Comparable gross profit** | **106.3** | **88.5** | **91.7** | **95.1** | **99.0** | **85.2** |
| % of sales | 35.5 | 35.8 | 35.0 | 34.7 | 35.6 | 36.0 |
| | | | | | | |
| **Comparable operating profit** | | | | | | |
| Operating profit | 26.5 | 11.9 | 14.0 | 23.6 | 22.5 | 11.3 |
| Less: Items affecting comparability in operating profit | -4.2 | -3.0 | -2.5 | -1.0 | -0.8 | - |
| **Comparable operating profit** | **30.7** | **14.9** | **16.5** | **24.6** | **23.3** | **11.3** |
| % of sales | 10.2 | 6.0 | 6.4 | 8.9 | 8.4 | 4.8 |
| | | | | | | |
| **Comparable operating profit by segment** | | | | | | |
| | | | | | | |
| **Building Solutions - Europe** | | | | | | |
| Operating profit | 8.3 | 4.9 | 3.3 | 8.4 | 6.2 | 6.1 |
| Less: Items affecting comparability in operating profit | -3.3 | -2.6 | -1.8 | -1.0 | -0.8 | - |
| Comparable operating profit | 11.6 | 7.5 | 5.1 | 9.4 | 7.0 | 6.1 |
| % of sales | 8.5 | 6.2 | 4.5 | 7.7 | 5.9 | 5.4 |
| | | | | | | |
| **Building Solutions - North America** | | | | | | |
| Operating profit | 14.6 | 11.1 | 12.2 | 15.7 | 15.0 | 8.1 |
| Comparable operating profit | 14.6 | 11.1 | 12.2 | 15.7 | 15.0 | 8.1 |
| % of sales | 18.2 | 15.7 | 16.4 | 20.9 | 21.5 | 14.1 |
| | | | | | | |
| **Uponor Infra** | | | | | | |
| Operating profit | 5.1 | -3.6 | -1.2 | -0.3 | 3.0 | -1.3 |
| Less: Items affecting comparability in operating profit | -0.6 | -0.4 | -0.7 | - | - | - |
| Comparable operating profit | 5.7 | -3.2 | -0.5 | -0.3 | 3.0 | -1.3 |
| % of sales | 6.7 | -6.0 | -0.6 | -0.4 | 3.4 | -2.0 |
| | | | | | | |
| **Others** | | | | | | |
| Operating profit | -1.0 | -0.7 | -0.9 | -0.2 | -1.4 | -1.3 |
| Less: Items affecting comparability in operating profit | -0.3 | - | - | - | - | - |
| Comparable operating profit | -0.7 | -0.7 | -0.9 | -0.2 | -1.4 | -1.3 |
| % of sales | na | na | na | na | na | na |

# 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

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

Gross profit margin

$$= \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

Operating profit margin

$$= \frac{\text{Operating profit}}{\text{Net sales}} \times 100$$

Comparable gross profit margin

$$= \frac{\text{Gross profit – items affecting comparability}}{\text{Net sales}} \times 100$$

Comparable operating profit margin

$$= \frac{\text{Operating profit – items affecting comparability}}{\text{Net sales}} \times 100$$