FINANCIAL STATEMENTS
1 Jan-31 Dec 2016
Uponor Corporation

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Review by the Board of Directors

Markets

On the whole, construction activity in European markets strengthened during the year, albeit from a modest base. In North America, construction activity remained healthy in general, but the substantial year-over-year gains witnessed during previous years exhibited signs of waning.

In Central Europe, Germany continued to benefit from consumer-driven expansion in the economy. A strong labour market and low mortgage rates translated into increased demand for residential buildings, leading to a significant increase in residential building projects and several, all-time-high builder confidence readings. However, the much larger residential renovation segment remained flat. The non-residential segment was healthy but, in some cases, external political and economic uncertainties made businesses hesitant to initiate new projects. In the Netherlands, construction activity continued to grow, but at a reduced rate.

In Southwest Europe, construction market demand in Spain and France picked up modestly from rather low levels, while the Italian market continued to be soft. In the UK, the fallout from the “Brexit” referendum was muted, with both the residential and non-residential segments remaining steady.

Within the Nordic countries, construction activity trended upwards. Sweden’s residential boom endured, with housing starts clearly up from the previous year and reaching their highest level since the early 1990s. In Finland, after several years of slowdown, both residential and non-residential construction spending rose from 2015. Non-residential spending in Norway remained at the previous year’s level, while residential spending picked up slightly. Denmark remained flat.

In Eastern Europe, continued uncertainty took a toll on the residential and non-residential building segments. In East-Central European countries such as the Czech Republic, Hungary and Poland, residential investments rose, but non-residential investments fell from 2015. Construction spending in the Baltic countries was flat overall.

In North America, residential and non-residential construction remained largely healthy, but no signs could be seen of the substantial year-over-year gains witnessed since the recovery began. While home builder sentiment is near an all-time-high and consumer confidence remains strong, activity has probably been tempered by increased mortgage rates and labour shortages in some areas. Major volatility in leading construction indicators was witnessed during the latter half of 2016, which may have influenced purchasing behaviour patterns in the distribution chain. In Canada, the residential market experienced some softness in comparison to the previous year.

With regard to Uponor’s infrastructure solutions, demand in the Nordic markets was stable on the whole, with Sweden and Norway improving somewhat. The markets in Poland and other central-eastern Europe countries remained subdued, while spending fell significantly in the Baltic countries. Depressed energy prices continued to restrain oil-related investments in Canada, negatively influencing the infrastructure business in other market segments as well.

Net sales

Uponor's 2016 consolidated net sales amounted to €1,099.4 (2015: €1,050.8) million, up 4.6% year-on-year. In comparable terms, i.e. excluding the 2015 divestments by Uponor Infra and the 2016 acquisitions in Germany by Building Solutions – Europe, Uponor's consolidated net sales grew by 2.0%. The currency impact totalled €-10.3 million, bringing 2016’s full-year comparable growth in constant currency to 3.0%. The negative currency effect was mainly due to the GBP, CAD, SEK, and RUB, and was therefore mostly affected Building Solutions – Europe and Uponor Infra.

Building Solutions – Europe’s net sales grew by 9.4%, or 2.6% organically. This positive trend is a reflection of sales picking up in several European markets, mainly south-west Europe and the Nordic countries, as well as acquisitions in Germany in January 2016. In Europe, sales in local currency grew in nine out of the ten largest countries. The biggest advances were made in Sweden, Spain, the UK and Austria. In Germany, growth came entirely from acquisitions. Offset by growth in the commercial project business, local systems sales in Germany declined as a result of competitive sales price pressure.

With a net sales growth of 10.7% in local currency, the year 2016 was twofold for Building Solutions – North America. In the USA, the first half of the year continued to see robust growth in sales, while during the second half, growth of sales stabilised, reflecting the general trends in the building and construction market. Additionally, challenges were posed by a shortage in the plastic fittings resin supply, which forced Uponor to offer a complementary brass fitting line for an interim period. This led to sales volatility and supply chain issues and impacted on pipe and fittings system sales growth throughout most of the year 2016. Despite this, Uponor's PEX plumbing offering sales grew well in 2016 in the U.S. and also in Canada.

Uponor Infra's net sales for 2016 declined by 7.7%. The decline was mainly driven by continued weak development in Poland and North America, offsetting the budding increase in demand in northern Europe.

Within the business groups, the share of Plumbing Solutions represented 49% (45%), Indoor Climate Solutions 25% (25%), while Infrastructure Solutions represented 26% (30%) of Group net sales.

Net sales by segment for 1 January – 31 December 2016:

M€	1–12 2016	1–12 2015	Reported change
Building Solutions – Europe	511.0	467.1	9.4%
Building Solutions – North America	305.6	275.8	10.8%
(Building Solutions – North America (M$)	337.2	304.6	10.7%)
Uponor Infra	287.9	312.0	-7.7%
Eliminations	-5.1	-4.1	
Total	1,099.4	1,050.8	4.6%

Measured in terms of reported net sales, and their respective share of Group net sales, the 10 largest countries were as follows (2015 figures in brackets): the USA 25.1% (23.9%), Germany 14.7% (13.0%), Finland 11.2% (11.8%), Sweden 9.1% (8.9%), Canada 7.3% (7.9%), Denmark 4.4% (4.5%), the Netherlands 3.6% (3.5%), Spain 3.2% (2.8%), the United Kingdom 2.9% (3.4%), and Norway 2.7% (2.9%).

Results

The consolidated full-year gross profit ended at €376.0 (370.2) million, a change of €5.8 million. The gross profit margin came to 34.2% (35.2%). Comparable gross profit came to 383.9 (371.0) million, or 34.9% (35.3%). The gross profit was burdened by price competition and product mix issues in Building Solutions – Europe as well as plastic fittings challenges in Building Solutions – North America, offset to a large extent by operational efficiency improvements in all segments.

Consolidated operating profit came to €71.0 (71.4) million, which is close to the level of the previous year. The operating profit margin ended at 6.5% (6.8%) of net sales. Currency exchange rates did not have a material impact on the full-year operating profit.

Comparable operating profit, i.e. excluding any items affecting comparability, reached €90.7 (75.8) million, an increase of 19.7%. Comparable operating profit in Building Solutions – Europe came to €38.0 (27.6) million and €6.4 (0.9) million in Uponor Infra. The net total amount for items affecting comparability was €19.7 (4.3) million, of which €12.4 (3.6) million was reported in Building Solutions – Europe and €7.2 (0.7) million in Uponor Infra, all of the above being related to the transformation programmes in the respective segment.

Overall, market conditions in Europe improved slightly in 2016, contributing to the positive trend in operating profit in Building Solutions - Europe, in particular. Another factor, mainly influencing Uponor Infra, was the more stable cost environment and availability of plastic resins, in stark contrast to the comparison period.

Building Solutions – Europe reported an improvement in full-year operating profit, albeit at a low level in a longer-term comparison. This growth was a result of higher net sales and lower expenditure enabled by the savings due to the transformation programme. The initiatives carried out included the closure of a total of 10 offices, including one relocation, as well as the reduction of office space in three locations during 2016. The net reduction in personnel totalled 164 persons in 2016, in line with the original plan. Profitability was burdened by increasing competition in both indoor climate and plumbing solutions, mainly from private label and other competing offerings using lower price technologies, as well as tighter competition within the distribution channel.

Building Solutions – North America reported continued strong profits, although the profit margin weakened against the strong comparison period in 2015. Operating profit fell in the third quarter in particular, due to extra costs associated with managing the shortage of a key resin for plastic fittings. Uponor substituted brass fittings, which had a higher unit cost, for the fittings that were unavailable due to the shortage. By the end of the fourth quarter, Uponor was able to offer a full range of plastic fittings made of a new, more expensive material. In addition, the volatility involved in managing this transition markedly increased the costs of ensuring the supply for customers.

Burdened by IAC costs related to the transformation programme in Europe and the cost reduction programme started in Canada in the fourth quarter 2016, Uponor Infra reported a decline in operating profit. Comparable operating profit without IAC improved and came to €6.4 (€0.9) million. The improvement mainly resulted from reduced cost level thanks to earlier streamlining programmes and improving performance in most of the Nordic countries, despite the negative profit trend in North America and Eastern Europe. In addition, performance was affected by temporary challenges encountered in Denmark. In stark contrast to 2015, the resin price development in 2016 was rather stable, contributing to a more stable input cost environment and gross profit.

Other operating income includes funds received in royalties and compensation for patent infringement as part of a settlement in Canada in 2016.

Reported operating profit by segment for 1 January – 31 December 2016:

M€	1-12/ 2016	1-12/ 2015	Reported change
Building Solutions – Europe	25.6	24.0	6.4%
Building Solutions – North-America	50.0	51.0	-1.8%
(Building Solutions – North-America (M$)	55.2	56.3	-1.9%)
Uponor Infra	-0.8	0.2	-484.2%
Others	-2.2	-3.8	
Eliminations	-1.6	0.0	
Total	71.0	71.4	-0.7%

Comparable operating profit by segment for 1 January – 31 December 2016:

M€	1-12 2016	1-12 2015	Comparable change
Building Solutions – Europe	38.0	27.6	37.6%
Building Solutions – North-America	50.0	51.0	-1.8%
(Building Solutions – North-America, M$	55.2	56.3	-1.9%)
Uponor Infra	6.4	0.9	573.0%
Others	-2.1	-3.8	
Eliminations	-1.6	0.0	
Total	90.7	75.8	19.7%

Uponor's net financial expenses came to €10.0 (€8.9) million. Net currency exchange differences in 2016 totalled €-3.9 (-3.4) million.

Share of result in associated companies, €-0.6 (0.3) million, includes the product development and other start-up costs related to the establishment of Phyn, the joint venture company with Belkin International, Inc.

Profit before taxes was €60.4 (62.8) million. The effective tax rate came to 31.3% (40.9%), which is below the anticipated longer-term level but does include one-time R&D tax credits in the USA, granted to Uponor retrospectively. Income taxes, including the tax credits, totalled €18.9 (25.7) million. The 2015 income taxes included €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.

Profit for the period totalled €41.9 (36.9) million.

Return on equity reached 13.1% (12.1%). Return on investment declined to 14.1% (15.5%). Return on investment, adjusted for items affecting comparability, came to 18.3% (16.5%).

Earnings per share were €0.58 (0.51). Equity per share was €3.60 (3.39). For other share-specific information, please see the Tables section.

Consolidated cash flow from operations amounted to €59.9 (58.2) million, while cash flow before financing came to €-31.9 (16.5) million due to the German acquisitions in January 2016 and the $15 million investment in the joint venture company Phyn in July 2016.

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

Investment, research and development, and financing

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.

In 2016, such funds were allocated to new production technology in Building Solutions – Europe, capacity expansion in Building Solutions – North America, as well as production enhancement projects in Uponor Infra. In China, the new factory in Taicang (Shanghai) was equipped with production lines and production commenced in December 2016. A high proportion of the funds spent are being directed towards selected productivity improvements and maintenance.

In 2016, gross investment in fixed assets totalled €50.7 (50.1) million, clearly below the anticipated level due to delays in projects. Net investments totalled €48.4 (49.2) million.

Further investments in shares were made in January 2016, when Uponor Holding GmbH acquired the companies KaMo Group and Delta Systemtechnik GmbH, in Germany, and in July, when Uponor Corporation signed the joint venture agreement on the establishment of a new business, Phyn, with Belkin International, Inc.

Research and development costs grew to €21.4 (18.5) million, or 1.9% (1.8%) of net sales. The main reasons for the increase were setting up the new Group Technology function with added personnel, increased investment in digitalisation initiatives, and direct project costs related to new product and application development, as well as materials development.

The main existing funding programme on 31 December 2016 was an €80 million bond maturing in June 2018. In addition to the outstanding bond, Uponor took out 5-year loans of €50 million in January 2016 and €20 million in July 2016, in order to fund M&A and joint venture activities.

Four committed bilateral revolving credit facilities, which will mature in 2019–2021, totalled €200 million; none of these back-up facilities were used during the year.

For short-term funding needs, Uponor's main source of funding 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 €16.3 (49.2) million in cash and cash equivalents.

Accounts receivable and credit risks received special attention throughout the year. Accounts receivable increased due to changes in the management of key accounts in North America.

Consolidated net interest-bearing liabilities rose to €159.5 (91.3) million, driven mainly by the German acquisitions and the establishment of the joint venture Phyn. Also accounts receivable grew in North America and inventories were increased to serve as buffers in connection with production transfers in both Building Solutions –

Europe and in Uponor Infra. The solvency ratio was 42.8% (44.3%) and gearing came to 48.8% (29.3%). Average quarterly gearing was 56.7 (40.4), in line with the range of 30–70 set in the company's financial targets.

Events during the period

On 4 January, Uponor Holding GmbH completed the acquisition of all of the shares in the German companies KaMo Group and Delta Systemtechnik GmbH. In 2014, KaMo and Delta combined generated a total turnover of €32.8 million and employed 119 employees. On 7 January, Uponor Corporation announced the acquisition of the entire shareholding in a Finnish start-up company specialising in online water quality monitoring. The company, renamed to UWater Oy, has developed a unique and revolutionary technology for the online measurement of water quality. The above acquisitions strengthened Uponor's competencies in assuring water quality and hygiene, both of which are of growing importance in modern-day water services, whether such services involve municipal, industrial or residential water supply applications.

In January, Uponor's Finnish subsidiaries Uponor Infra Oy and Uponor Suomi Oy concluded co-determination negotiations in Finland, resulting in the termination of 126 jobs. The negotiations were related to the European transformation programmes announced in the autumn of 2015. Uponor Infra also decided to relocate pressure pipe and standard chamber manufacturing operations from Vaasa to Nastola, Finland.

On 13 July, Uponor Corporation and Belkin International, Inc. formed a joint venture company in the United States and Europe for the development and commercialisation of intelligent water technology. The new joint venture, named Phyn, develops water sensing and conservation technology for both consumers and the building industry. As a minority-owned business, the joint venture company was consolidated into Uponor's financial accounts using the equity method. Uponor initially invested $15 million in exchange for a 37.5% shareholding in the companies. The parties 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.

On 10 October, 2016 employees moved into Uponor's new office in Taicang, China, the latest addition to Uponor's family of manufacturing units and the first in Asia. Production and deliveries began according to plan in steps by December. Additional lines will be introduced in 2017. The factory's overall floor space is 10,000m².

On 23 November, Uponor announced a plan to close PEX pipe production in Mostoles, Spain and concentrate it to Virsbo, Sweden. The final decision was made in December. As a result, a maximum of 50 job positions will be terminated most of them by the end of February 2017. Uponor will continue to have its logistics centre and the sales & marketing organisation in Spain. The initiative was part of Uponor's European transformation programme, launched in autumn 2015, targeting the rationalisation of manufacturing and reduction of costs in the supply chain and production operations.

Other initiatives related to Building Solutions – Europe's transformation programme included closing a total of 10 offices across Europe, as well as the relocation of the UK office to a location close to London. The net reduction in personnel, relating to the transformation programme, was 164 persons in 2016.

Uponor Infra continued to streamline manufacturing by centralising production in fewer locations in Finland and Denmark. A total of 75 job positions were terminated in Uponor Infra as part of the transformation programme during 2016.

On 12 December, Uponor's Board of Directors resolved to continue the key management Performance Share Plan mechanism decided on by the Board in 2014. Targeting roughly 30 managers, the new plan covers the years 2017—2019 and offers participants the opportunity to earn Uponor shares as a reward for achieving targets. The potential reward will be paid in 2020. 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 participants over the longer term.

During 2016, Uponor introduced a range of new products on the market. These included, for instance, the new Uponor Smatrix Aqua that helps improve drinking water safety and hygiene. In North America, alongside Milwaukee, Uponor co-developed a unique new-generation tool, Milwaukee Force Logic, which makes fitting large-diameter PEX pipes easier and much more competitive than with traditional tools. In Europe, Uponor 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, for use in tap water riser installations and local heat distribution (LHD) installations. Uponor Infra launched Uponor 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. Another Uponor Infra novelty was Uponor Barrier PLUS, the first 100% plastic potable water pipe for use in water transport in areas with contaminated soil. The new Uponor Barrier PLUS is based on a non-permeable polymer in place of the aluminium layer, resulting in a durable but fully-recyclable pipe system.

Personnel and organisation

At the end of the year, the Uponor Group had 3,868 (3,735) employees, in full-time-equivalent (FTE) terms. This is 133 more than at the end of 2015. The average number of employees (FTE) for the year was 3,869 (3,842). The number of employees mainly increased in China, where a new factory began operating, and in the USA, where a manufacturing expansion became operational. Excluding an addition of 141 employees from the German acquisitions, workforce was reduced in Building Solutions – Europe and Uponor Infra as a result of the transformation programme.

On 21 November, it was announced that Uponor Corporation's CFO, Ms. Riitta Palomäki, will retire at the end of May 2017. The Board of Directors has appointed M.Sc. (Econ) Maija Strandberg (47) Executive Vice President, Finance and member of the Executive Committee. Strandberg will join Uponor on 6 March 2017 and takes over as CFO on 21 March 2017, after the Annual General Meeting.

The geographical breakdown of the Group's personnel (FTE) was as follows: Germany 23% (22%), USA 18% (16%), Finland 16% (17%), Sweden 13% (13%), Poland 6% (5%), Canada 4% (5%), Spain 4% (5%), Denmark 3% (3%), Russia 2% (3%), China 2% (n/a), and other countries 9% (9%).

Further, in North America, Uponor sells products through manufacturers' representatives. Such representatives are not direct employees of Uponor, but are independent businesses that operate in defined geographical areas and are paid a commission by Uponor.

A total of €240.8 (€230.3) 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, financial and hazard risks.

Market risks
Uponor's principal areas of business are Europe and North America, where its exposure to political risks is considered to be relatively low in general. However, the situation changed somewhat during the years 2015–16, when Uponor opened production facilities in the St. Petersburg area in Russia and in Taicang, near Shanghai in China.

The Ukraine crisis and its repercussions have kept the political risks associated with Russia on the agenda and Russia's growing involvement in Syria has not reduced them. 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 2016.

The European economy and Europe's economic climate show signs of recovery, but the upturn remains slow and fragile. The new administration in the U.S., following the presidential election, and the UK's decision to move on with 'Brexit' are weighing on risk sentiment. In addition, the upcoming French and German elections, and uncertainties related to them, are casting a shadow on the risk landscape in 2017.

Unrest and military conflicts in the Middle East have led to unpredictable levels of volatility and huge challenges facing Europe. 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 are 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, where Uponor plans to increase its sales further. 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.

Roughly one quarter of Uponor's annual net sales come from the infrastructure solutions business. 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 onto 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. Wherever 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. The Group 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 the security aspects of IT systems. Uponor IT systems are regularly evaluated by external parties, including in 2016. These reviews are used as input for further security improvements. In addition, Uponor has been acquiring insurance that covers certain risks within IT applications 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, environmental law compliance and productivity while reducing the environmental impact and risks of Uponor's operations. In Germany, Uponor has implemented a certified Energy Management System based on ISO 50001 for all factories. A further rollout to all Uponor production sites is planned by 2020.

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.

Financial risks
Major disruptions can occur in the international 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 relation to the availability of financing in the future. Uponor aims to ensure the availability, flexibility and affordability of financing by maintaining sufficient committed 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 values 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. Only reputable and well-rated banks are used as currency hedging counterparties.

Hazard risks
At year-end 2016, Uponor operated 15 factories in ten countries as well as several sites assembling prefabricated products. 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 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.

A Group-wide Business Continuity Management and Business Interruption Analysis project launched in 2015 was completed in 2016. No significant new risks regarding business continuity were discovered. 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. The integrity of the supply chain has been and is one of the main focuses of risk management.

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. When needed, suppliers’ production facilities may also be audited.

Cyber risks and threats are subject to constant monitoring by default.

Risk management in 2016

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. Uponor conducted risk assessment exercises in the spring and autumn of 2016 in relation to the core risks identified, and updated its risk management plans accordingly. In 2016, in cooperation with insurance companies, Uponor assessed the functionality and preparedness of its risk management in four production units. The results showed the level of risk management to be sound in all units.

After a challenging 2015, the commodity markets relevant to Uponor normalised in 2016. The availability of raw materials was good overall and price formation occurred in accordance with normal market mechanisms. In order to minimise risks, Uponor continued to add new, approved raw material sources to the supplier portfolios of its business units. Since late 2015, a number of challenges were encountered in the steady supply of resins for plastic plumbing fittings in the USA. Uponor found a solution to the issue during 2016 and updated its supply chain procedures for the future accordingly.

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 being raised from money or capital markets, special attention is paid to the quality of counterparties. Only solid, well-rated banks or financial institutions are used. The size of Uponor's total committed revolving credit facility programmes is €200 million, with maturities ranging between 2019 and 2021.

As in previous years, special attention was paid to the monitoring of accounts receivable 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 2016 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.

Administration and audit

Uponor's Annual General Meeting, held in Helsinki, Finland, on 10 March 2016, re-elected the existing Board members for a new one year term: Jorma Eloranta (chair), Timo Ihamuotila, Markus Lengauer, Eva Nygren, Annika Paasikivi (deputy chair) and Jari Rosendal. Audit firm Deloitte & Touche Oy were re-elected as the auditor of the corporation for the 7th consecutive year. In this connection, Jukka Vattulainen, Authorised Public Accountant, was elected the new principal auditor from outside the previous team.

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.

Uponor complies with the Finnish Corporate Governance Code 2015, issued by the Securities Market Association, with the exception of recommendation 15 in relation to the Personnel and Remuneration Committee, which has two members instead of the three stated in the recommendation. Uponor considers sufficient expertise to have been secured for the Personnel and Remuneration Committee on the basis of two members, and the Committee may also obtain views from outside of the Committee. The Committee acts as a preparatory and assisting body for the Board of Directors, and all essential matters relating to remuneration shall be dealt with by the Board of Directors.

Share capital and shares

In 2016, Uponor's share turnover on Nasdaq Helsinki was 20.3 (27.6) million shares, totalling €297.7 (€384.1) million. The share quotation at the end of 2016 was €16.51 (€13.60), and the market capitalisation of the shares was €1, 208.6 (€995.6) million. At the end of the year, there were a total of 16,113 (14,539) shareholders. Foreign shareholding in Uponor accounted for 26.1% (31.5%) of all shareholding in the company at the end of the reporting period. More detailed information is available in the financial statements.

In 2016, 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.

On 13 September 2016, the holdings of Franklin Resources, Inc., a U.S. nominee registered shareholder, went down to 9.55%. The number of shares and voting rights held by the company then amounted to 6,989,652 shares.

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. Any unaccepted shares issued on the basis of the above bonus issues must be accepted by 20 May 2017, or 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 of the sale shall revert to the company.

Board authorisations
Based on the authorisation granted by the Annual General Meeting of 17 March 2015, on 12 February 2016 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. As announced on 12 February 2016, 28,601 of the company's own shares were transferred to 9 key employees.

On 10 March 2016, the Annual General Meeting (AGM) authorised the Board of Directors to buy back a maximum of 3.5 million of the company's own shares. The authorisation is valid until the end of the next AGM, 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. This authorisation is valid until the end of the next AGM. Neither of these authorisations were exercised in 2016. Further details regarding the AGM are available at http://investors.uponor.com/governance/general-meeting/agm-2016.

Treasury shares
At the end of the year, Uponor held 68,959 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 and the President & CEO, along with corporations known to the company and in which they exercise control, held a total of 139,173 Uponor shares (124,916 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 last few years. Details of the plans are presented on the company's IR website.

In December 2016, the Board of Directors of Uponor Corporation resolved to continue the key management Performance Share Plan mechanism, originally decided on by the Board in 2014. Approximately 30 Group key managers, including the members of the Executive Committee, belong to the target group covered by the new plan. The new plan covers the calendar years 2017—2019. The potential reward based on the new plan will be paid in 2020.

The purpose of the incentive programmes is to align 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 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 provide the opportunity to earn and accumulate Uponor shares.

Events after the period

There were no significant events after the reporting period.

Short-term outlook

Overall, the market outlook for Uponor’s core businesses and core geographical markets remains rather stable and positive although, based on negative scenarios, there are certain risks that may materialise and influence the development of the business going forward.

Until very recently, many European construction markets had not begun a meaningful recovery from the global financial crisis that shocked economies almost a decade ago. Following the emerging signals of a pick-up that materialised in Europe in the second half of 2016, the gradual recovery of European building and construction markets is anticipated to continue throughout 2017. This trend is supported by the fact that housing permit development is reasonably strong in most European countries and market trends are positive in some countries, such as Germany, the Netherlands, France, as well as some Nordic countries. The recovery thus seems broad-based and is supported by improving confidence, attractive credit terms, immigration and, naturally, pent up demand over the longer term. Another factor adding to the credibility of the recovery is the fact that governments in several countries are beginning to emphasise infrastructure projects as part of their near-term investment plans.

The North American economy is expected to remain on a growth path, although the pace of growth may begin to decelerate. This trend was already in evidence in late 2016, when housing start growth in the U.S. temporarily slowed although several key fundamentals, such as mortgage rates, unsold inventory of homes, and job growth in the construction industry, remained fairly favourable. Furthermore, the new presidential administration in the U.S. has discussed providing support to boost infrastructure and manufacturing investments, which, once they materialise, should act as an economic stimulus, particularly in the longer-term.

The above market scenarios are not without risk, even if such risks are unlikely to materialise. The year 2017 will see elections in several large European economies and surprises may occur. Some major issues may re-emerge: the progress and impact of the UK’s EU referendum; the debt crisis within the EU; political issues within the EU, in Eastern Europe, and now perhaps in the global arena. Any or all of these could derail economic development from its expected heading in Europe, North America and in other markets in which Uponor does business.

Uponor has invested a considerable amount of human and monetary resources into making the company stronger. In the autumn of 2015, Uponor announced extensive transformation programmes in its European businesses, involving both Building Solutions – Europe and Uponor Infra. Both of these programmes have been carried out diligently, with most of the planned initiatives completed on plan by the end of 2016, and more or less with expected results. The organisations are leaner, the decision-making is more agile, and performance is improving. Both segments now have an up-to-date production network from the production technology perspective, as well as regional spread.

Assuming that economic development in Uponor's key geographies otherwise continues undisturbed, Uponor issues the following, full-year guidance: the Group’s net sales and comparable operating profit are expected to improve from 2016.

The Group's capital expenditure, excluding any investment in shares, is expected to be in the range of €50-60 million. Funds will be directed towards new product and offering development, such as strategically significant hygiene solutions, and the expansion of business in Asia, among other activities.

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 Annual Report 2016.

Uponor Corporation
Board of Directors

GROUP KEY FINANCIAL FIGURES

	2016 IFRS	2015 IFRS	2014 IFRS	2013 IFRS	2012 IFRS
Consolidated income statement (continuing operations), M€					
Net sales	1,099.4	1,050.8	1,023.9	906.0	811.5
Operating expenses	991.0	942.7	926.4	828.6	726.5
Depreciation and impairments	41.6	39.1	36.5	33.0	28.2
Other operating income	4.2	2.4	2.4	0.8	0.9
Operating profit	71.0	71.4	63.4	50.2	57.7
Comparable operating profit	90.7	75.8	67.7	55.2	57.7
Financial income and expenses	-10.0	-8.9	-7.4	-7.1	-8.6
Profit before taxes	60.4	62.8	56.3	43.2	49.4
Result from continuing operations	41.5	37.1	36.3	27.1	32.9
Profit for the period	41.9	36.9	36.0	26.8	32.8
Consolidated balance sheet, M€					
Non-current assets	312.5	274.8	253.7	249.0	186.5
Goodwill	93.7	83.3	83.1	82.3	74.9
Inventories	139.3	112.4	117.4	115.4	78.7
Cash and cash equivalents	16.3	49.2	60.2	53.7	17.7
Accounts receivable and other receivables	205.7	188.1	167.4	160.6	141.6
Equity attributable to the owners of the parent company	263.3	248.0	231.1	219.7	207.3
Non-controlling interest	63.6	63.7	66.7	68.0	-
Provisions	28.8	25.0	16.2	22.1	20.6
Non-current interest-bearing liabilities	158.2	91.2	126.3	136.4	107.6
Current interest-bearing liabilities	17.6	48.3	15.9	14.2	4.2
Non-interest-bearing liabilities	236.0	231.6	225.5	200.6	159.7
Balance sheet total	767.5	707.8	681.8	661.0	499.4
Other key figures					
Operating profit (continuing operations), %	6.5	6.8	6.2	5.5	7.1
Comparable operating profit (continuing operations), %	8.2	7.2	6.6	6.1	7.1
Profit before taxes (continuing operations), %	5.5	6.0	5.5	4.8	6.1
Return on Equity (ROE), %	13.1	12.1	12.3	10.8	15.7
Return on Investment (ROI), %	14.1	15.5	14.2	12.5	16.5
Solvency, %	42.8	44.3	43.9	43.9	41.5
Gearing, %	48.8	29.3	27.6	33.7	45.4
Net interest-bearing liabilities, M€	159.5	91.3	82.0	96.9	94.1
- % of net sales	14.5	8.7	8.0	10.7	11.6
Change in net sales, %	4.6	2.6	13.0	11.6	0.6
Exports from Finland, M€	47.6	55.5	55.5	43.3	32.8
Net sales of foreign subsidiaries, M€	976.3	910.7	870.1	770.4	717.6
Total net sales of foreign operations, M€	990.1	927.3	888.8	781.4	718.1
Share of foreign operations, %	90.1	88.2	86.8	86.2	88.5
Personnel at 31 December	3,868	3,735	3,982	4,141	3,052
Average no. of personnel	3,869	3,842	4,127	3,649	3,098
Investments (continuing operations), M€	50.7	50.1	35.7	33.9	19.2
- % of net sales	4.6	4.8	3.5	3.7	2.4

SHARE-SPECIFIC KEY FIGURES

	2016 IFRS	2015 IFRS	2014 IFRS	2013 IFRS	2012 IFRS
Share capital, M€	146.4	146.4	146.4	146.4	146.4
Number of shares at 31 December, in thousands	73,207	73,207	73,207	73,207	73,207
Number of shares outstanding, in thousands					
- at end of year	73,138	73,109	73,067	73,067	73,067
- average	73,133	73,106	73,067	73,067	73,062
Total equity attributable to the owners of the parent company, M€	263.3	248.1	231.1	219.7	207.3
Share trading, M€	297.7	384.1	229.3	179.3	186.1
Share trading, in thousands	20,339	27,590	18,843	14,563	21,963
- of average number of shares, %	27.8	37.7	25.8	19.9	30.1
Market value of share capital, M€	1,208.6	995.6	841.1	1,041.0	702.8
Earnings per share (diluted), €	0.58	0.51	0.50	0.38	0.45
Equity per share, €	3.60	3.39	3.16	3.00	2.84
Dividend, M€	33.6[1)]	32.2	30.7	27.8	27.8
Dividend per share, €	0.46[1)]	0.44	0.42	0.38	0.38
Effective share yield, %	2.8	3.2	3.7	2.7	4.0
Dividend per earnings, %	79.3	86.3	84.0	100.0	84.4
P/E ratio	28.5	26.7	23.0	37.4	21.3
Issue-adjusted share prices, €					
- highest	17.35	17.30	14.94	15.85	10.00
- lowest	11.13	10.42	9.11	9.65	6.77
- average	14.64	13.92	12.17	12.31	8.47

The definitions of key ratios are shown on page 16.

Notes to the table:
1) Proposal of the Board of Directors

The average number of shares is adjusted with treasury shares.

DEFINITIONS OF KEY RATIOS

$$\text{Return on Equity (ROE), \%} = \frac{\text{Profit before taxes – taxes}}{\text{Total equity, average}} \times 100$$

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2016	2015
Continuing operations			
Net sales	2	1,099.4	1,050.8
Cost of goods sold		723.4	680.6
Gross profit		**376.0**	**370.2**
Other operating income	5	**4.2**	**2.4**
Dispatching and warehousing expenses		34.6	35.3
Sales and marketing expenses		190.1	187.4
Administration expenses		58.9	56.8
Other operating expenses	5	25.6	21.7
Expenses		**309.2**	**301.2**
Operating profit	2	**71.0**	**71.4**
Financial income	8	10.4	11.3
Financial expenses	8	20.4	20.2
Share of result in associated companies		-0.6	0.3
Profit before taxes		**60.4**	**62.8**
Income taxes	9	18.9	25.7
Result from continuing operations		**41.5**	**37.1**
Discontinued operations			
Result from discontinued operations		0.4	-0.2
Profit for the period		**41.9**	**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		1.4	1.4
Items that may be reclassified subsequently to profit or loss:			
Translation differences		2.1	11.3
Cash flow hedges, net of taxes		1.4	0.0
Net investment hedges		0.2	-2.0
Other comprehensive income for the period, net of taxes		**5.1**	**10.7**
Total comprehensive income for the period		**47.0**	**47.6**
Profit for the period attributable to			
Equity holders of parent company		42.2	37.5
Non-controlling interest		-0.3	-0.6
Total compernsive income for the period attributable to			
Equity holders of parent company		47.1	47.3
Non-controlling interest		-0.1	0.3
Earnings per share, €	10	0.58	0.51
- Continuing operations		0.57	0.51
- Discontinued operations		0.01	0.00
Diluted earnings per share, €		0.58	0.51
- Continuing operations		0.57	0.51
- Discontinued operations		0.01	0.00

CONSOLIDATED BALANCE SHEET

	Note	31 Dec 2016	31 Dec 2015
Assets			
Non-current assets			
Intangible assets			
Intangible rights		15.8	9.0
Goodwill		93.7	83.3
Customer relationship value		8.3	1.2
Technology		0.8	1.0
Other intangible assets		0.3	0.2
Investment in progress		0.1	0.0
Total intangible assets	11	**119.0**	**94.7**
Tangible assets			
Land and water areas		15.4	15.4
Buildings and structures		71.8	69.7
Machinery and equipment		100.9	98.8
Other tangible assets		14.5	15.7
Construction work in progress		38.3	21.8
Total tangible assets	12	**240.9**	**221.4**
Securities and long-term investments			
Investments in associated companies and joint ventures	14	13.3	0.2
Other shares and holdings	15	0.3	0.2
Non-current receivables	16	21.1	20.6
Total securities and long-term investments		**34.7**	**21.0**
Deferred tax assets	21	**11.6**	**21.0**
Total non-current assets		**406.2**	**358.1**
Current assets			
Inventories	17	**139.3**	**112.4**
Current receivables			
Interest-bearing current assets		0.0	0.3
Accounts receivables		165.8	154.5
Current income tax receivables		6.0	2.9
Accruals		4.4	5.3
Other receivables		29.5	25.1
Total current receivables	18	**205.7**	**188.1**
Cash and cash equivalents	19	**16.3**	**49.2**
Total current assets		**361.3**	**349.7**
Total assets		**767.5**	**707.8**

CONSOLIDATED BALANCE SHEET

	Note	31 Dec 2016	31 Dec 2015
Shareholders' equity and liabilities			
Equity attributable to the owners of the parent company	20		
Share capital		146.4	146.4
Share premium		50.2	50.2
Other reserves		0.5	-1.0
Translation reserve		0.9	-1.8
Retained earnings		23.1	16.7
Profit for the period		42.2	37.5
Total equity attributable to the owners of the parent company		**263.3**	**248.0**
Non-controlling interest		63.6	63.7
Total equity		**326.9**	**311.7**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	24	158.2	91.2
Employee benefit obligations	22	24.8	26.8
Provisions	23	8.9	10.6
Deferred tax liabilities	21	11.8	20.2
Other non-current liabilities		0.4	1.3
Total non-current liabilities		**204.1**	**150.1**
Current liabilities			
Interest bearing liabilities	24	17.6	48.3
Accounts payable		76.2	63.9
Current income tax liability		5.8	3.3
Provisions	23	19.9	14.4
Other current liabilities	25	117.0	116.1
Total current liabilities		**236.5**	**246.0**
Total liabilities		**440.6**	**396.1**
Total shareholders' equity and liabilities		**767.5**	**707.8**

CONSOLIDATED CASH FLOW STATEMENT

	Note	1 Jan – 31 Dec 2016	1 Jan – 31 Dec 2015
Cash flow from operations			
Net cash from operations			
Profit for the period		41.9	36.9
Adjustments for:			
Depreciation		41.6	39.1
Dividend income		0.0	0.0
Income taxes		18.9	25.7
Interest income		-0.2	-1.0
Interest expense		4.8	5.3
Sales gains/losses from the sale of businesses and fixed assets		-1.0	-2.0
Share of profit in associated companies		0.6	-0.3
Other cash flow adjustments		-1.3	1.9
Net cash from operations		**105.3**	**105.6**
Change in net working capital			
Receivables		-7.5	-33.0
Inventories		-19.9	2.4
Non-interest-bearing liabilities		10.8	15.6
Change in net working capital		**-16.6**	**-15.0**
Income taxes paid		-24.9	-29.5
Interests paid		-4.1	-3.2
Interests received		0.2	0.3
Cash flow from operations		**59.9**	**58.2**
Cash flow from investments			
Acquisition of subsidiaries and businesses	3	-31.4	-0.1
Proceeds from disposal of subsidiaries and businesses	4	0.0	7.6
Acquisition of joint ventures		-13.5	-
Purchase of fixed assets		-50.7	-50.1
Proceeds from sale of fixed assets		3.4	0.7
Dividends received		0.4	0.2
Loan granted and repayments		0.0	0.0
Cash flow from investments		**-91.8**	**-41.7**
Cash flow before financing		**-31.9**	**16.5**
Cash flow from financing			
Borrowings of debt		97.3	17.4
Repayments of debt		-58.8	-33.3
Change in other short term debt		-5.4	19.1
Dividends paid		-32.2	-30.7
Payment of finance lease liabilities		-1.1	-0.9
Cash flow from financing		**-0.2**	**-28.4**
Conversion differences for cash and cash equivalents		0.2	-0.1
Change in cash and cash equivalents		**-31.9**	**-12.0**
Cash and cash equivalents at 1 January		48.2	60.2
Cash and cash equivalents at 31 December		16.3	48.2
Changes according to balance sheet	19	**-31.9**	**-12.0**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of shares outstanding (1,000)	Share capital	Share premium	Other reserves	Unrestricted equity	Hedge reserve	Treasury shares	Translation reserve	Retained earnings	Equity attributable to the owners of the parent company	Non-controlling interest	Total equity
Balance at 1 January 2016	**73,109**	**146.4**	**50.2**	**1.6**	**0.1**	**-2.7**	**-0.7**	**-1.8**	**54.9**	**248.0**	**63.7**	**311.7**
Total comprehensive income for the period						1.4		2.7	43.0	47.1	-0.1	**47.0**
Dividend paid									-32.2	-32.2		**-32.2**
Transfers between reserves				0.1					-0.1	-		**-**
Share based incentive plan	29						0.2		0.2	0.4		**0.4**
Other adjustments										0.0		**0.0**
Balance at 31 December 2016	**73,138**	**146.4**	**50.2**	**1.7**	**0.1**	**-1.3**	**-0.5**	**0.9**	**65.8**	**263.3**	**63.6**	**326.9**
Balance at 1 January 2015	**73,067**	**146.4**	**50.2**	**1.6**	**0.1**	**-2.7**	**-1.0**	**-10.3**	**46.8**	**231.1**	**66.8**	**297.9**
Total comprehensive income for the period								8.5	38.8	47.3	0.3	**47.6**
Dividend paid									-30.7	-30.7		**-30.7**
Transfers between reserves				0.0					0.0	0.0		-
Share based incentive plan	42						0.3		0.0	0.3		**0.3**
Disposal of subsidiaries and businesses										0.0	-3.3	**-3.3**
Other adjustments					0.0					0.0	-0.1	**-0.1**
Balance at 31 December 2015	**73,109**	**146.4**	**50.2**	**1.6**	**0.1**	**-2.7**	**-0.7**	**-1.8**	**54.9**	**248.0**	**63.7**	**311.7**

For further information see note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting principles

Company profile

Uponor is an international industrial Group providing building and municipal infrastructure solutions. The Group's segment structure consists of the following three reporting segments: Building Solutions – Europe, Building Solutions – North America and Uponor Infra. Its segment business risks and profitability factors differ from each other with respect to the market and business environment as well as offering, services and customers. Group management, control and reporting structures are organised according to the business segments.

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

Uponor Corporation
P.O. Box 37 (street address: Äyritie 20)
FI-01511 Vantaa
Finland
Tel. +358 (0)20 129 211, Fax +358 (0)20 129 2841

The Financial Statements will also be available on the company website at http://investors.uponor.com and can be ordered from Uponor Corporation at the above-mentioned address.

At its meeting of 13 February 2017, Uponor Corporation's Board of Directors approved the publication of these financial statements. According to the Finnish Limited Liability Companies Act, the shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting to be held after their publication. Furthermore, the Annual General Meeting can decide on the modification of the financial statements.

Basis of preparation

Uponor Group's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and their SIC and IFRIC interpretations valid on 31 December 2016. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refer to the standards and their interpretations adopted in accordance with the procedures as set in regulation (EC) No 1606/2002 of the European Parliament and of the European Council. The consolidated financial statements also include additional information required by the Finnish Accounting Act and the Limited Liability Companies Act. The consolidated financial statements are presented in millions of euros (M€) and are based on the historical cost convention, unless otherwise specified in the accounting principles section below.

Use of estimates

The preparation of consolidated financial statements under IFRS requires the use of estimates and assumptions affecting the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements, as well as the reported amounts of income and expenses during the report period. Although these estimates are based on the management's best view of current events and actions, the actual results may ultimately differ from these estimates. In addition, judgement is required in the application of accounting policies.

Consolidation principles

The consolidated financial statements include the parent company, Uponor Corporation, and all companies in which the parent company holds more than half of the voting rights, either directly or through its subsidiaries. Subsidiaries include those companies in which Uponor Corporation has direct or indirect control of over 50 per cent of the voting rights or otherwise has power to govern the financial and operating policies, with the purpose of gaining financial benefit from their operations. Subsidiaries acquired or established during the year are included from the date the Group obtained control. Divested companies have been included up to their date of sale.

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

Associated companies are entities over which the Group has 20–50 per cent of the voting rights, or over which the Group otherwise exercises a major influence. Joint ventures are arrangements in which the Group has a joint control with another entity. Holdings in associated companies and joint ventures over which the Group does not have over 50 per cent ownership of the voting rights or over which the Group does not excise a major influence are included in the consolidated financial statements using the equity method. Accordingly, the share of post-acquisition profits and losses are recognised in the income statement to the extent of the Group's holding in the associated companies and joint ventures. When the Group's share of losses exceeds the carrying amount it is reduced to nil and any recognition of further losses ceases unless the Group has an obligation to fulfil the associated company's or joint ventures' obligations. Joint ventures over which the Group has over 50 per cent ownership of the voting rights or over which the Group otherwise exercises a major influence are included in the consolidated financial statements using the acquisition cost method.

Foreign currency translations and exchange rate differences

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

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

Key exchange rates for the euro

	At end of period		Average	
	2016	**2015**	**2016**	**2015**
USD	1.0541	1.0887	1.1032	1.1046
SEK	9.5525	9.1895	9.4713	9.3371
CAD	1.4188	1.5116	1.4589	1.4251
DKK	7.4344	7.4626	7.4451	7.4607
GBP	0.8562	0.7340	0.8227	0.7242
NOK	9.0863	9.6030	9.2626	8.9910

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and assets related to discontinued operations are formed once the company, according to a single co-ordinated plan, decides to dispose of a separate significant business unit, whose net assets, liabilities and financial results can be separated operationally and for financial reporting purposes (cash generating unit). Non-current assets held for sale are shown separately in the consolidated balance sheet. Profit or loss from a discontinued operation and gains or losses on its disposal are shown separately in the consolidated statement of comprehensive income. Assets related to non-current assets held for sale and discontinued operations are assessed at book value or, if it is the lower of the two, at fair value. Depreciation from these assets has been discontinued upon the date of classifying assets as non-current assets held for sale and discontinued operations. The Group has no assets classified as non-current assets held for sale at the end of the financial or a comparable period. The Group had discontinued operations related to the Irish infrastructure business sold in 2008; the Irish subsidiary was liquidated in 2016.

Revenue recognition

Sales of products are recognised as income once the risks and benefits related to ownership of the sold products have been transferred to the buyer, according to the agreed delivery terms, and the Group no longer has possession of, or control over, the products. Sales of services are recognised as income once the service has been rendered. Net sales comprise the invoiced value of the sale of goods and services net of indirect taxes, sales rebates and exchange rate differences. The Group uses percentage of completion method to recognise work-in-progress for long-term contracts in project business companies, when the outcome of the project can be estimated reliably. The percentage of completion is defined as the proportion of the individual project cost incurred to date from the total estimated project costs.

Research and development

Research costs are expensed as incurred and are included in the consolidated statement of comprehensive income in other operating expenses. Development costs are expensed as incurred, unless the criteria for capitalising these costs as assets are met. Product development costs are capitalised as intangible assets and are depreciated during the useful life of the asset, if future economic benefits are expected to flow to the entity and certain other criteria, such as the product's technical feasibility and commercial usability, are confirmed. The Group does not have any capitalised development costs.

Employee benefits

The Group's pension schemes comply with each country's local rules and regulations. Pensions are based on actuarial calculations or actual payments to insurance companies. The Group applies defined contribution and defined benefit pension plans. Within the defined contribution plan, pension contributions are paid directly to insurance companies and, once the contributions have been paid, the Group has no further payment obligations. These contributions are recognised in the income statement for the accounting period during which such contributions are made.

For defined benefit pension plans, the liability is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets. The pension obligation is defined using the projected unit credit method. The discount rate applied to calculating the present value of post-employment benefit obligations is determined by the market yields of long-term corporate bonds or government bonds. Costs resulting from the defined benefit pension plans are recognised as expenses for the remaining average period of employment.

Current service cost (benefit expense) and net interest cost on defined benefit obligation (net liability) are recognised in the income statement and presented under employee benefit costs. Re-measurement items on defined benefit plan obligations and plan assets, including actuarial gains and losses and return on plan assets (excluding interest income), are immediately recognised through other comprehensive income and such balances are permanently excluded from the consolidated income statement.

Operating profit

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

Borrowing costs

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

Income taxes

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

Intangible assets

Goodwill
Goodwill represents future economic benefits arising from assets that are not capable of being individually identified and separately recognised by the Group. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired company on the date of acquisition. Goodwill is allocated to the business segments. Goodwill is not amortised, but is tested for impairment annually. Gains and losses on the disposal of a Group entity include any goodwill relating to the entity sold.

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

Property, plant and equipment

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

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

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

Depreciations

Group companies' intangible assets and property, plant and equipment are stated at historical cost less accumulated straight-line depreciation, according to their expected useful life and any impairment losses. Land is not depreciated, as it is deemed to have an indefinite life, but depreciation is otherwise based on estimated useful lives as follows:

	Years
Buildings	20 – 40
Production machinery and equipment	8 – 12
Other machinery and equipment	3 – 15
Office and outlet furniture and fittings	5 – 10
Transport equipment	5 – 7
Intangible assets	3 – 10

The residual value and useful life of assets are reviewed on each balance sheet date and, if necessary, adjusted to reflect any changes in expectations of financial value.

Government grants

Any grants received for the acquisition of intangible or tangible assets are deducted from the asset's acquisition cost and recorded on the income statement to reduce the asset's depreciation. Other grants are recognised as income for the periods during which the related expenses are incurred. Such grants are shown as deductions from expenses related to the target of the grant.

Impairment

The balance sheet values of assets are assessed for impairment on a regular basis. Should any indication of an impaired asset exist, the asset's recoverable amount will be assessed. The asset's recoverable amount is its net selling price less any selling expenses, or its value in use, whichever is higher. The value in use is determined by reference to the discounted future net cash flow expected from the asset. Discount rates correspond to the cash generating unit's average return on investment before taxes. Impairment is measured at the level of cash generating units, which is the lowest level that is primarily independent of other units and whose cash flows can be distinguished from other cash flows.

Whenever the asset's carrying amount exceeds its recoverable amount, it is impaired and the resulting impairment loss is recognised in the income statement. An impairment of property, plant and equipment and other intangible assets, excluding goodwill, will be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Impairment is not reversed over the balance sheet value that existed before the recognition of impairment losses in the previous financial periods. Any impairment loss on goodwill is not reversed.

Goodwill is assessed for impairment at least annually, or if any indication of impairment exists, more often.

Leases

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

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

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

Inventories

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation or if the settlement of an obligation will cause a legal loss and a reliable estimate of the amount of obligation can be made. Provisions can include inter alia environmental provisions, warranty provisions, restructuring costs and onerous contracts. Changes in provisions are included in relevant expenses on the consolidated statement of comprehensive income. The amount of provisions is reviewed on every balance sheet date and the amounts are revised to correspond to the best estimate at that moment.

Contingent assets and liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the entity. Such present obligation that probably does not require a settlement of a payment obligation or the amount of which cannot be reliably measured is also considered to be a contingent liability. Contingent liabilities are disclosed in the notes to the financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at bank and other short-term, highly liquid investments, whose maturity does not exceed three months. Cash and cash equivalents are carried in the balance sheet at cost. The bank account credit limit in use is recognised under current interest-bearing liabilities.

Financial assets

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

Financial assets at fair value through profit and loss include financial assets held for trading and measured at fair value. Financial assets at fair value through profit and loss have been acquired principally for the purpose of generating a profit from short-term fluctuations in market prices. Derivative instruments, for which hedge accounting is not applied, are included in financial assets at fair value through profit and loss. Interest and currency derivatives, for which no hedge accounting is applied, are recognised in the balance sheet at historical cost and valued at fair value on each balance sheet date. Fair value is determined using market prices on the balance sheet date, or the present value of estimated future cash flows. Changes in the fair value of financial assets at fair value through profit and loss, and unrealised and realised gains and losses, are included in financial income and expenses in the period in which they occur**.** Financial assets at fair value through profit and loss are presented under the other current assets in the balance sheet.

Held-to-maturity investments are assets with a fixed maturity, which the enterprise has the positive intent and ability to hold to maturity. Held-to-maturity assets are measured at amortised cost using the effective interest rate method. The Group did not have any held-to-maturity investments during the financial period.

Loans and receivables are non-derivative assets with fixed or determinable payment dates that are not quoted in the active markets or held for trading purposes. Loan and receivables are measured at amortised cost. Accounts receivable are carried at expected fair value, which is the original invoice amount less the provision made for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, the probable bankruptcy of the debtor or default in payments are considered as probable indicators of the impairment of accounts receivable. Impairment of a loan receivable is assessed with the same criteria as an impairment of accounts receivable.

Available-for-sale financial assets consist of holdings in listed and non-listed companies and investments. Available-for-sale assets are measured at fair value based on market prices on the balance sheet date, or using the net present value method of cash flows, or another revaluation model. If the fair value of a holding or investment cannot be measured reliably, it will be measured at cost. Changes in the fair value of available-for-sale assets are recognised in the fair value reserve under shareholders’ equity, taking tax consequences into account. Changes in the fair value will be re-entered from shareholders’ equity into the consolidated statement of comprehensive income when the asset is disposed of or has lost its value to the extent that an impairment loss must be recognised.

Financial liabilities

Financial liabilities at fair value through profit and loss are measured at their fair value. This group includes those derivatives for which hedge accounting is not applied and whose fair value is negative.

Other financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Transaction costs are included in the original book value of financial liabilities. Other financial liabilities include non-current and current interest-bearing liabilities and accounts payable.

Derivative contracts and hedge accounting

Financial derivatives are used for hedging purposes and are initially recognised in the balance sheet at fair value and are subsequently re-measured at fair value on each reporting period’s balance sheet date. At the contract date derivatives are classified as either cash flow hedges, hedges of net investments in foreign entities or hedges that hedge accounting is not applied to. For derivatives that hedge accounting is not applied to the changes in fair value are recognised under financial items in the consolidated statement of comprehensive income. The fair values of derivatives are determined on the basis of publicly quoted market prices.

Cash flow hedging is applied to electricity derivatives and interest rate derivatives. Net investment hedging is applied to certain currency derivatives that hedge foreign currency risk in internal loans classified as net investments in foreign entities. Hedge programmes are documented according to the requirements of IAS 39, and the efficiency of hedge accounted derivatives is tested both at the inception of, and during, the hedge.

Fair value changes of derivatives, which are designated as cash flow hedges, are recognised in other comprehensive income in the hedge reserve to the extent that the hedge is effective. The spot price part of the fair value changes of currency derivatives designated as hedges of net investment in foreign entities, are recognised in other comprehensive income in the translation differences whereas the interest rate differential part of the fair value changes is recognised under financial items. Accumulated fair value changes in other comprehensive income are released into the consolidated statement of comprehensive income in the period during which the hedged cash flow affects the result, while electricity derivatives are recognised under cost of goods sold and interest rate derivatives under financial items.

The ineffective portion of the fair value change of cash flow hedges is recognised under cost of goods sold for electricity derivatives and under financial items for interest rate derivatives.

Share-based payments – Management incentive scheme

The costs relating to share-based payments are recorded in the income statement and the corresponding liability for share-based payments settled in cash is deferred. The recognised liability is measured at fair value on every balance sheet date. For equity-settled share-based payment transactions, an increase corresponding to the expensed amount is recorded in equity.

Treasury shares

Treasury shares are presented in the financial statements as a reduction in shareholders’ equity. Treasury shares are taken into account in calculating key figures and ratios according to IAS 33.

Dividends

Dividends proposed by the Board of Directors are not recognised in the financial statements until their proposal is approved by the shareholders in the Annual General Meeting.

Accounting policies requiring consideration by management and essential uncertainty factors associated with estimates

Estimates and assumptions regarding the future must be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting principles requires consideration.

Group management needs to make decisions regarding the selection and application of accounting principles. These judgements are in particular required in those cases in which the IFRS in force provide the opportunity to choose between various accounting, valuation or presentation methods.

The estimates made in connection with preparing the financial statements reflect the management’s best view at the time of the closing of the accounts. These estimates are affected by historical experience and assumptions regarding future developments, which are regarded as well-founded at the time of closing the accounts. On a regular basis, the Group monitors the realisation of these estimates and assumptions through internal and external information sources. Any changes in estimates and assumptions are recognised in the financial statements for the period during which such corrections are made, and all subsequent financial periods.

Estimates have been used in determining the size of items reported in the financial statements, including, among other things, the realisability of certain asset items, such as deferred tax assets and other receivables, the economic useful life of property, plant and equipment, provisions, pension liabilities and impairment on goodwill.

From the Group’s perspective, the most significant uncertainty factors are related to impairment testing on goodwill and the defined benefit-based pension obligations. The application of the related accounting policies requires the use of estimates and assumptions that also have a large impact. Uncertainty factors in connection with impairment testing on goodwill relate to the assumptions made on future cash flows and determining the discount rate. The Group’s weighted average capital cost rate (WACC), determined by reporting segment, is used as the discount rate in impairment tests. The book value of the defined benefit-based pension obligation is based on actuarial calculations, which in turn are based on the assumptions and estimates of a discount rate used for assessing plan assets and obligations at their current value, the expected rate of return on plan assets and developments in inflation, salary and wage levels.

Items affecting comparability

Items affecting comparability are exceptional transactions that are not related to normal business operations. The most common items affecting comparability are capital gains and losses, inefficiencies in production related to plant closures, additional write-downs, or reversals of write-downs, expenses due to accidents and disasters, provisions for planned restructurings, environmental matters, penalties, and changes in legislation and legal proceedings. The Group's management exercises its discretion when taking decisions regarding the classification of items affecting comparability.

New and amended IFRSs and Interpretations adopted in 2016

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions and events.

- *Amendments to* IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception.* The amendments clarify that the exemption from preparing consolidated financial statements is available to parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10 *Consolidated Financial Statements*. Consequential amendments have also been made to IAS 28 *Investments in Associates and Joint* Ventures to clarify that the exemption from applying equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

- *Amendments to* IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*. The amendments provide guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations.* Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

- *Amendments to* IAS 1 *Disclosure Initiative.* The amendments clarify that an entity need not to provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the basis of aggregating information for disclosure purposes.

- *Amendments to* IAS 16 and IAS 38 *Clarification of Acceptable methods of Depreciation and Amortisation*. The amendments prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment or intangible assets. This presumption can only be rebutted when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

- *Amendments to IAS 27 Equity method in Separate Financial Statements. The amendments focus on separate* financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements at cost or in accordance with IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted IFRS 9) or using the equity method as described in IAS 28 *Investments in Associates and Joint Ventures.*

- *Annual Improvements to IFRSs 2012-2014 Cycle.* In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. The nature of the improvements depends on the standards, but they do not have material impact on the consolidated financial statements. Cycle include number of amendments to various IFRSs, which are summarised below.

  - The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

  - The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

  - The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

- *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*. The amendments clarify how an entity should account for contributions made by employees or third parties that are linked to services should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, be recognised as a reduction in the service cost in the period in which the related service is rendered.

Application of new and revised IFRSs in issue but not yet effective

IASB has published the following new or revised standards which the Group has not yet adopted. The Group will adopt each standard as from the effective date, or if the effective date is other than the first day of the reporting period, from the beginning of the next reporting period after the effective date. The effects of these new and amended standards are under investigation, unless otherwise stated below.

- **IFRS 9 *Financial Instruments* (effective in the EU for annual periods beginning on or after 1 January 2018).** IFRS 9 will supersede current IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS introduced new requirements for the classification and measurement of financial assets and introduces a new impairment model for financial assets, which is based on expected credit losses. Recognition and measurement of financial liabilities will mainly continue to be on the same bases as currently adopted under IAS 39. The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. The impact on Group's consolidated financial statements by the new requirements for the classification and measurement of financial assets is not expected to be significant.

- **IFRS 15 *Revenue from Contracts with Customers* (effective in the EU for annual periods beginning on or after 1 January 2018).** IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the good or service underlying the particular performance obligation is transferred to the customer. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group has not yet decided whether a full retrospective application will be applied. During 2016, the Group has performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

  The Group's revenue streams and preliminary changes
  Revenue streams were analysed based on the Group's reporting segments presented in the note 2 Segment information. The Group's most significant revenue stream is sale of goods and products representing approximately 95% of the total revenue. Based on the preliminary assessment, the Group does not expect to have any significant changes from adoption of the new standard. In connection with the contract analysis the Group identified certain customers and contracts that may be affected. However, the impact is not expected to be significant. In preparing to IFRS 15, the Group is considering the following:

  - **Sale of goods**
    Contracts with customers in which the sale of goods is the only performance obligation, are not expected to be effected by implementation of IFRS 15. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

  - **Rendering of services including project business**
    Identifying performance obligations: IFRS 15 requires that at contract inception, an entity shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. Based on the preliminary assessment in most of the cases the performance obligations will remain unchanged. There are however certain occasions where performance obligations currently treated separately will need further analysis in order to ensure if performance obligations need to be combined. Examples of such deliverables include design work and licenses in the project business. This may affect the timing of the revenue recognition.

    Variable consideration: IFRS 15 requires the variable consideration to be estimated at contract inception and constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group expects that application of the constraint may result in more revenue being deferred than under current IFRS.

    Timing of revenue recognition: The Group has preliminarily assessed that the rendered services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group or Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. For the project business the Group continues to assess whether it has a right to payment for performance completed to date in all of the projects delivered. The Group is still analysing contracts with customers that have above mentioned elements and will need to perform further assessments during 2017 to quantify the financial impact to its financial statements.

In addition, extensive disclosures are required by the new revenue recognition standard. During 2017 The Group will develop necessary processes to collect and disclose the required information.

- **Clarifications to IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods on or after 1 January 2018).** The clarifications issued on 12 April 2016 provides guidance on (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing application. The clarifications have been endorsed by the EU.

- **IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019).** IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the current guidance including IAS 17 *Leases* and the related interpretations when it becomes effective. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosure are required by IFRS 16. The impact on Group's consolidated financial statements by the new requirement to recognise a right-of-use asset and a related lease liability will be analysed in 2017. The standard has not yet been endorsed by the EU.

- ***Amendments to* IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (effective for annual periods beginning on or after 1 January 2018).** The amendments issued on 20 June 2016 clarifies the following: (a) in estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments; (b) where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (i.e., net settlement feature), such an arrangement should be classified as equity-settled in its entirety provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature; and (c) clarifications on how to account for a modification that changes the transaction from cash-settled to equity-settled. Application of the amendments will not have a significant impact on the Group's consolidated financial statements. The amendments have not yet been endorsed by the EU.

- ***Amendments to* IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after 1 January 2017).** The amendments issued on 19 January 2016 clarifies the recognition of deferred tax assets when decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value of which the tax base remains at cost give rise to a deductible temporary difference. Application of the amendments will not have a significant impact on the Group's consolidated financial statements. The amendments have not yet been endorsed by the EU.

- ***Amendments to* IAS 7 *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017).** The amendments issued on 29 January 2016 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows (e.g. borrowings and repayments) and non-cash changes (e.g. acquisitions, disposals, accumulated interests, unrealised foreign currency translation differences). The amendments have not yet been endorsed by the EU.

- ***Annual Improvements* to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after as indicated below).** In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. The nature of the improvements depends on the standards, but they do not have material impact on the consolidated financial statements. Cycle include number of amendments to various IFRSs, which are summarised below. The amendments have not yet been endorsed by the EU.
  - The amendments to IFRS 1 *First-time Adoption of IFRSs* deleted the short-term exemptions relating to (a) disclosures about financial instruments; (b) employee benefits; and (c) investment entities because they are redundant. Effective for annual periods beginning on or after 1 January 2018.
  - The amendments to IFRS 12 *Disclosure of Interests in Other Entities* clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Effective for annual periods beginning on or after 1 January 2017.
  - The amendments to IAS 28 *Investments in Associates and Joint Ventures* clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or a

joint venture on an investment-by-investment basis, upon initial recognition. Effective for annual periods beginning on or after 1 January 2018.

- ***Amendments to* IAS 40 *Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018).** The amendments issued on 8 December 2016 addresses clarifications to the requirement of transfer to, or from, investment property when, and only when, there is a change in use of property supported by evidence. Accordingly, IAS 40 is amended to reflect the principle that a change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The amendments have not yet been endorsed by the EU.

- **IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018).** The interpretation issued on 8 December 2016 provides guidance on “the date of the transaction” when an entity pays or received consideration in advance in a foreign currency. IAS 21 *The Effects of Changes in Foreign Exchange Rates* requires an entity to record a transaction in a foreign currency transaction, initially, at the spot rate at “the date of the transaction”. IAS 21 defines the date of the transaction as “the date on which the transaction first qualifies for recognition in accordance with IFRSs”. The interpretation clarifies that “the date of the transaction” is the date of the advance consideration. The amendments have not yet been endorsed by the EU.

2. Segment information

Uponor’s segment structure is based on business and geographical segments in accordance with the organisational structure. The reporting segments are Building Solutions – Europe, Buildings Solutions – North America and Uponor Infra. The business risks and profitability factors differ from each other with respect to the market and business environments, product offering, services and customers. The Group’s management, control and reporting structures are organised by business segment. The reported segments are specified as operating segments, which have not been combined.

Building Solutions – Europe is in charge of the European markets, Asia and sales to such non-European countries in which Uponor does not have its own operations. Buildings Solutions – North America is responsible for business operations in the USA and Canada. Buildings Solutions in Uponor mainly refers to indoor climate and plumbing solutions for residential and non-residential buildings. A major part of the Building Solutions customers are heating, ventilation and air conditioning (HVAC) professionals, such as installers and building companies.

Uponor Infra specialises in municipal infrastructure pipe systems business in Northern Europe and it has also business in Central Europe and North America. Its products and services, such as sewer and storm water systems and waste water treatment systems and project services are sold to municipalities, utilities and pipeline construction and renovation customers.

The ‘Others’ segment includes Group functions and non-operative companies.

Financial target setting and monitoring mainly focus on figures for segment sales, operating profit, operative costs and net working capital. Group resources are managed, for instance, by allocating investments to attractive businesses and balancing human resources and competencies to match the requirements of business processes.

Segment reporting is based on the Group accounting principles. All transactions between segments are market-based and internal sales and margins are eliminated from consolidated figures.

The segment revenue equals to the net sales and the segment result equals to the operating profit presented in the condensed consolidated income statement. The income statement consists of continuing operations by segment, while balance sheet items match the Group structure on the closing dates. Continuing operations do not include the infrastructure business in Ireland, which was sold in June 2008.

Segment assets include items directly attributable to a segment and items which can be allocated on a reasonable basis. These are mainly non-interest bearing items such as intangible assets, property, plant and equipment, inventories, accruals, accounts receivables and other receivables.

2016 M€	Building Solutions - Europe	Building Solutions - North America	Uponor Infra	Others	Eliminations	Uponor Group
Net sales, external	510.2	305.6	283.6	-	-	1,099.4
Net sales, internal	0.8	-	4.3	-	-5.1	-
Net sales, total	**511.0**	**305.6**	**287.9**	**-**	**-5.1**	**1,099.4**
Operating result	**25.6**	**50.0**	**-0.8**	**-2.2**	**-1.6**	**71.0**
Operating result, %	5.0	16.4	-0.3			6.5
Finance income						10.4
Finance expenses						20.4
Share of result in associated companies						-0.6
Income taxes						18.9
Result from discontinued operations						0.4
Profit for the period						41.9
Assets	393.0	245.1	196.8	260.2	-327.6	767.5
Liabilities						
Total liabilities for reportable segments	261.9	174.5	65.1	297.6	-358.5	440.6
Unallocated amounts						326.9
Total shareholders' equity and liabilities						767.5
Investments	14.4	20.8	14.3	1.2	-	50.7
Depreciation and impairment	14.2	10.7	13.1	3.6	-	41.6
Personnel, average	2,037	682	1,081	69	-	3,869

2015 M€	Building Solutions - Europe	Building Solutions - North America	Uponor Infra	Others	Eliminations	Uponor Group
Net sales, external	466.4	275.8	308.6	-	-	1,050.8
Net sales, internal	0.7	0.0	3.4	-	-4.1	-
Net sales, total	**467.1**	**275.8**	**312.0**	**-**	**-4.1**	**1,050.8**
Operating result	**24.0**	**51.0**	**0.2**	**-3.8**	**0.0**	**71.4**
Operating result, %	5.1	18.5	0.1			6.8
Finance income						11.3
Finance expenses						20.2
Share of result in associated companies						0.3
Income taxes						25.7
Result from discontinued operations						-0.2
Profit for the period						36.9
Assets	325.5	216.0	212.9	227.7	-274.3	707.8
Liabilities						
Total liabilities for reportable segments	211.3	160.2	80.0	245.7	-301.0	396.2
Unallocated amounts						311.6
Total shareholders' equity and liabilities						707.8
Investments	15.4	22.6	11.3	0.8	-	50.1
Depreciation and impairment	10.2	9.8	14.5	4.5	0.1	39.1
Personnel, average	2,014	592	1,173	64	-	3,842

Entity-wide information

Information about product and services

External net sales, continuing operations	2016	2015
Building Solutions	815.3	742.2
Infrastructure Solutions	284.1	308.6
Uponor Group	**1,099.4**	**1,050.8**

Information about geographical areas

External net sales, continuing operations	2016	2015
United States	276.0	250.9
Germany	161.1	136.7
Finland	123.1	123.7
Sweden	99.6	93.1
Canada	80.7	82.9
Denmark	48.9	47.8
Netherlands	39.5	37.0
Spain	34.7	29.6
United Kingdom	31.5	35.2
Norway	29.7	30.4
Others	174.5	183.5
Uponor Group	**1,099.4**	**1,050.8**

Non-current assets	2016	2015
Unites States	112.0	87.5
Finland	49.5	53.1
Sweden	36.4	36.1
Germany	35.3	33.5
Canada	11.8	11.2
Others	55.9	32.4
Uponor Group	**300.9**	**253.8**

External net sales are presented in accordance with the geographical location of the customers. Non-current assets are presented in accordance with the geographical location of the assets. Non-current assets do not include goodwill and deferred tax asset.

3. Business combinations

On 4 January 2016, Uponor Holding GmbH closed the acquisition of all of the shares in the German companies, Delta Systemtechnik GmbH and the KaMo Group, as announced on 30 November, 2015. Kamo Group consists of the companies: KaMo Frischwarmwassersysteme GmbH, KaMo Verteilersysteme GmbH and Morlok Betriebsgesellschaft mbH. Delta Systemtechnik 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 segment Building Solutions - Europe.

Recognised amounts of identifiable net assets acquired and liabilities assumed	2016	2015
Property, plant and equipment	3.7	-
Intangible assets	19.8	-
Inventories	5.5	-
Accounts receivable and other receivables	5.7	-
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	-
Consideration	32.5	-
Acquired net assets	-21.4	-
Goodwill	11.1	-

Cash flow effect	**2016**	**2015**
Acquisition	32.5	-
Received in cash and cash equivalents	-1.1	-
Cash flow effect	31.4	-

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 31 December 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 €31.6 million in net sales and €1.3 million in profit for the period.

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.

4. Disposal of subsidiaries and businesses

There were no disposal of subsidiaries and businesses in 2016.

On 25 February 2015, 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. As a result of the sale, non-controlling interest related to Wiik & Hoeglund Plc ceased to exist.

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.

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.

	2016	2015
Book value of disposed assets		
Tangible assets	-	8.0
Intangible assets	-	0.0
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
Employee benefits and other 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 equivalent disposed of	-	2.2
Cash flow effect	-	7.6

5. Other operating income and expenses

	2016	2015
Other operating income		
Gains from sales of fixed assets	0.7	0.3
Profit from disposal of subsidiaries and businesses	-	1.9
Other items	3.5	0.2
Total	**4.2**	**2.4**
Other operating expenses		
Research and development expenses	21.4	18.5
Losses from sales of fixed assets	0.3	0.1
Impairments	3.3	3.0
Other items	0.6	0.1
Total	**25.6**	**21.7**
Auditor fees		
Audit firm Deloitte & Touche		
Statutory audit services	0.9	0.8
Other services	0.1	0.3
Total	**1.0**	**1.1**

Other items in other operating income include funds received in royalties and compensation for patent infringement as part of a settlement in Canada in 2016.

6. Employee benefits

	2016	2015
Short-term employee benefits:		
- Salaries and bonuses	193.8	187.3
- Other social costs	29.7	27.8
Post-employment benefits:		
- Pension expenses - defined contribution plans	11.4	11.6
- Pension expenses - defined benefit plans	1.3	1.3
Other long-term employee benefits	0.0	0.1
Termination benefit expenses	3.8	1.2
Share based payments		
- Equity settled share-based payment transactions	0.8	1.0
Total	**240.8**	**230.3**
Personnel at 31 December	3,868	3,735
Personnel, average	3,869	3,842

Information on the management's employee benefits is presented in note 33 Related party transactions.

7. Depreciation and impairment

	2016	2015
Depreciation and impairment by asset category		
Intangible rights	5.3	4.9
Other intangible assets	2.6	0.7
Land and water areas	0.9	0.3
Buildings and structures	5.8	5.7
Machinery and equipment	21.3	21.2
Other tangible assets	5.7	6.3
Total	**41.6**	**39.1**
Depreciation and impairment by function		
Cost of goods sold	25.5	24.2
Dispatching and warehousing	1.2	1.4
Sales and marketing	4.2	2.1
Administration	6.4	7.4
Other	4.3	4.0
Total	**41.6**	**39.1**

In 2016, an impairment of €3.3 (3.0) million was made relating to tangible assets. By function, this is included in the line Other.

8. Financial income and expenses and currency exchange differences

	2016	2015
Financial income		
Dividend income on available-for-sale financial assets	0.0	0.0
Interest income from loans and other receivables	0.2	0.3
Interest income from interest rate swaps	-	0.7
Exchange differences	10.1	10.3
Other financial income	0.1	-
Total	**10.4**	**11.3**
Financial expenses		
Interest expense for financial liabilities measured at amortised cost	3.8	3.6
Interest expense from interest rate swaps	1.0	1.7
Loss from financial assets and liabilities designated at fair value through profit and loss		
- net foreign currency derivatives, not under hedge accounting	6.0	0.4
Exchange differences	8.0	13.3
Other financial costs	1.6	1.2
Total	**20.4**	**20.2**

In 2016, exchange rate gains and losses included in operating income and expenses total a €0.9 million loss (€0.3 million gain in 2015). Interest expenses include the interest part of finance lease payments of €0.4 (0.5) million.

9. Income taxes

	2016	**2015**
Current year and previous years taxes		
For the financial period	23.4	27.1
For previous financial periods	0.3	0.3
Change in deferred taxes	-4.8	-1.7
Total	**18.9**	**25.7**

Tax reconciliation

	2016	2015
Profit before taxes	60.4	62.8
Computed tax at Finnish statutory rate (20%)	12.2	12.6
Difference between Finnish and foreign rates	7.8	8.3
Non-deductible expenses	1.2	1.5
Tax exempt income	-1.9	-1.4
Utilisation of previously unrecognised tax losses	-1.7	-0.1
Unrecognised deferred tax assets on losses	0.8	2.2
Change in tax legislation	0.0	0.0
Taxes from previous years	0.3	0.3
Other items	0.2	2.3
Total	**18.9**	**25.7**
Effective tax rate, %	31.3	40.9

During 2016 and 2015, there were no significant changes in national tax legislation influencing Group companies. The effective tax rate in 2016 decreased to 31.3 per cent from the previous year's 40.9 per cent. Utilisation of previously unrecognised tax losses, a lower amount of unrecognised deferred tax assets on losses, and one-time R&D tax credits granted to Uponor in the USA retrospectively decreased the Group's effective tax rate.

In 2015, income taxes include €1.6 million in taxes paid in Estonia related to dividends distributed. In 2015, an additional €0.5 million deferred tax liability, related to remaining undistributed earnings in Estonian subsidiaries, was recognised.

Taxes relating to other comprehensive income

2016	Before taxes	Tax effect	Net of taxes
Cash flow hedges	1.6	0.2	1.4
Net investment hedging	0.2	-	0.2
Re-measurements on defined benefit pensions	1.8	0.4	1.4
Translation differences	2.1	0.0	2.1
Total	5.7	0.6	5.1

2015	Before taxes	Tax effect	Net of taxes
Cash flow hedges	0.0	0.0	0.0
Net investment hedging	-2.0	-	-2.0
Re-measurements on defined benefit pensions	1.7	0.3	1.4
Translation differences	11.0	-0.3	11.3
Total	10.7	0.0	10.7

10. Earnings per share

	2016	2015
Result from continuing operations	41.5	37.1
Result from discontinued operations	0.4	-0.2
Profit for the period	41.9	36.9
Profit for the period attributable to equity holders of parent company	42.2	37.5
Shares, in thousands		
Weighted average number of shares *)	73,133	73,106
Diluted weighted average number of shares	73,133	73,128
Basic earnings per share, €	0.58	0.51
- Continuing operations	0.57	0.51
- Discontinued operations	0.01	0.00
Diluted earnings per share, €	0.58	0.51
- Continuing operations	0.57	0.51
- Discontinued operations	0.01	0.00

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

11. Intangible assets

2016	Intangible rights	Customer relationship value	Technology	Goodwill	Other intangible assets	Investment in progress	**Intangible assets**
Acquisition costs 1 Jan	63.3	2.4	1.5	84.0	0.9	0.0	**152.1**
Structural changes	10.4	9.5	-	11.1	-	-	**31.0**
Translation difference	-0.4	-	-	-0.7	0.1	-	**-1.0**
Increases	1.9	-	-	-	0.2	0.1	**2.2**
Decreases	-1.1	-	-	0.0	-0.1	-	**-1.2**
Transfers between items	-	-	-	-	0.0	-	**0.0**
Acquisition costs 31 Dec	74.1	11.9	1.5	94.4	1.1	0.1	**183.1**
Accumulated depreciations and impairments 1 Jan	54.3	1.2	0.5	0.7	0.7	-	**57.4**
Structural changes	0.1	-	-	-	-	-	**0.1**
Translation difference	-0.3	-	-	-	0.1	-	**-0.2**
Acc. depreciation on disposals and transfers	-1.1	-	-	-	-0.1	-	**-1.2**
Depreciation for the financial period	5.3	2.4	0.2	-	0.1	-	**8.0**
Accumulated depreciations and impairments 31 Dec	58.3	3.6	0.7	0.7	0.8	-	**64.1**
Book value 31 December	**15.8**	**8.3**	**0.8**	**93.7**	**0.3**	**0.1**	**119.0**

2015	Intangible rights	Customer relationship value	Technology	Goodwill	Other intangible assets	Investment in progress	**Intangible assets**
Acquisition costs 1 Jan	61.9	2.4	1.5	83.8	0.9	0.1	**150.6**
Structural changes	0.1	-	-	-	-0.1	-	**0.0**
Translation difference	0.3	-	-	0.2	0.0	-	**0.5**
Increases	1.2	-	-	-	0.1	-	**1.3**
Decreases	-0.4	-	-	-	-	-	**-0.4**
Transfers between items	0.2	-	-	- -		-0.1	**0.1**
Acquisition costs 31 Dec	63.3	2.4	1.5	84.0	0.9	-	**152.1**
Accumulated depreciations and impairments 1 Jan	49.8	0.7	0.3	0.7	0.7	-	**52.2**
Structural changes	-0.3	-	-	-	-	-	**-0.3**
Translation difference	0.3	-	-	-	-0.1	-	**0.2**
Acc. depreciation on disposals and transfers	-0.3	-	-	-	-	-	**-0.3**
Depreciation for the financial period	4.8	0.5	0.2	-	0.1	-	**5.6**
Accumulated depreciations and impairments 31 Dec	54.3	1.2	0.5	0.7	0.7	-	**57.4**
Book value 31 December	**9.0**	**1.2**	**1.0**	**83.3**	**0.2**	**-**	**94.7**

In 2016, increases in intangible rights include investments in the ERP system and software. In 2015, increases in intangible rights include investments in the ERP system and software as well as patents and trademarks.

Structural changes relate to sale of subsidiaries or business combinations. In 2016, structural changes include the acquisitions of Delta Systemtechnik GmbH and the KaMo Group in Germany.

According to the IFRS 3 standard, goodwill is not depreciated, but it is tested at least annually for any impairment. The recoverable amount of cash generating units are determined based on value in use calculation which uses cash flow projections. If a unit's recoverable amount does not exceed the carrying amount, impairment is booked. Goodwill has been allocated between the segments as follows: Building Solutions – Europe €76.8 (66.4) million and Uponor Infra €17.1 (17.1) million.

Impairment tests are carried out for each separate cash-generating unit. Cash flow forecasts related to goodwill cover a period of 5 years. Terminal value is calculated from the fifth year's cash flow. Cash flow forecasts are based on the strategic plans approved by the management. Key assumptions of the plans relate to growth and profitability development of the markets and the product and service offerings. A cash-generating unit's useful life has been assumed to be indefinite, since these units have been estimated to impact on the accrual of cash flows for an undetermined period. The discount rate used is based on the interest rate level reflecting the average yield requirement for the cash generating unit in question. The discount rate used was 7.4 (7.9) per cent for Building Solutions – Europe and 7.5 (7.8) per cent for Uponor Infra. The 2016 goodwill impairment tests indicated that there was no need to make impairments.

A sensitivity analysis is performed for the following variables: sales, gross profit margin and discount rate. A 7.3 per cent sales reduction compared to the forecasted long-term levels would not expose the Group to any material impairment risk. A decrease of 3.0 percentage points in gross profit margin would not cause any impairment, provided that other business factors remained unchanged. A discount rate increase of 4.8 percentage points would not lead to any impairment, either. Presented sensitivities relate to the segment Uponor Infra, as its goodwill is more sensitive to the risk of impairment. It is the opinion of management that the changes in the basic assumptions in the theoretical scenarios mentioned above should not be interpreted as evidence that they are likely to occur.

The Group does not have any capitalised development costs.

12. Tangible assets

2016	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	**Tangible assets**
Acquisition costs 1 Jan	17.5	159.2	386.3	62.0	21.8	**646.8**
Structural changes	0.4	3.2	-1.1	0.1	0.9	**3.5**
Translation difference	0.2	1.6	2.1	0.4	0.4	**4.7**
Increases	0.6	3.0	19.9	3.9	21.1	**48.5**
Decreases	-0.5	-2.5	-9.5	-2.7	-0.6	**-15.8**
Transfers between items	0.3	1.2	3.3	0.5	-5.3	**0.0**
Acquisition costs 31 Dec	18.5	165.7	401.0	64.2	38.3	**687.7**
Accumulated depreciations and impairments 1 Jan	2.1	89.5	287.5	46.3	-	**425.4**
Structural changes	0.1	0.4	-0.9	0.2	-	**-0.2**
Translation difference	-0.1	0.1	1.1	0.3	-	**1.4**
Acc. depreciation on disposals and transfers	0.0	-1.9	-8.9	-2.6	-	**-13.4**
Depreciation for the financial period	0.1	5.0	20.0	5.2	-	**30.3**
Transfers between items	-	-	-	0.0	-	**0.0**
Impairments	0.9	0.8	1.3	0.3	-	**3.3**
Accumulated depreciations and impairments 31 Dec	3.1	93.9	300.1	49.7	-	**446.8**
Book value 31 December	**15.4**	**71.8**	**100.9**	**14.5**	**38.3**	**240.9**
Book value for production plant, machinery and equipment			90.8			

2015	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	**Tangible assets**
Acquisition costs 1 Jan	19.0	146.0	375.3	59.3	21.0	**620.6**
Structural changes	-2.8	-4.2	-11.7	-1.7	-0.4	**-20.8**
Translation difference	0.7	3.1	9.0	1.4	0.9	**15.1**
Increases	0.6	18.5	18.8	5.8	5.1	**48.8**
Decreases	0.0	-4.2	-9.6	-2.8	0.0	**-16.6**
Transfers between items	-	0.0	4.5	-	-4.8	**-0.3**
Acquisition costs 31 Dec	17.5	159.2	386.3	62.0	21.8	**646.8**
Accumulated depreciations and impairments 1 Jan	1.8	88.5	279.2	43.3	-	**412.8**
Structural changes	0.1	-1.3	-10.0	-1.6	-	**-12.8**
Translation difference	0.0	0.9	6.2	0.8	-	**7.9**
Acc. depreciation on disposals and transfers	-	-4.3	-9.0	-2.5	-	**-15.8**
Depreciation for the financial period	0.0	4.2	20.9	5.4	-	**30.5**
Transfers between items	-	-	-0.2	-	-	**-0.2**
Impairments	0.2	1.5	0.4	0.9	-	**3.0**
Accumulated depreciations and impairments 31 Dec	2.1	89.5	287.5	46.3	-	**425.4**
Book value 31 December	**15.4**	**69.7**	**98.8**	**15.7**	**21.8**	**221.4**
Book value for production plant, machinery and equipment			88.9			

The 2016 increases include investments in new production technology and the new factory in Taicang (China) being equipped with production lines in Building Solutions – Europe, capacity expansion in Building Solutions – North America, as well as production enhancement projects in Uponor Infra.

The 2015 increases include investment in the expansion of manufacturing capacity in the Apple Valley facility in Minnesota, USA, and the new greenfield factory for the production of local heat distribution systems in Russia.

Construction work in progress increased by €16.5 million to €38.3 million at closing date in 2016 mainly relating to capacity expansion in Building Solutions – North America.

Structural changes relate to sale of subsidiaries or business combinations. In 2016, structural changes include the acquisitions of Delta Systemtechnik GmbH and the KaMo Group in Germany. In 2015, structural changes include the sale of Wiik & Hoeglund Plc in Thailand and Extron Engineering Oy in Finland.

Tangible assets include property acquired under finance lease arrangements, as follows:

2016	Land and water areas	Buildings and structures	Others	**Finance lease arrangements total**
Acquisition costs 1 Jan	0.7	11.3	0.7	**12.7**
Translation difference	-	-0.1	0.0	**-0.1**
Increases	-	-	0.0	**0.0**
Decreases	0.0	0.0	-	**0.0**
Acquisition costs 31 Dec	0.7	11.2	0.7	**12.6**
Accumulated depreciations and impairments 1 Jan	0.0	8.2	0.3	**8.5**
Translation difference	-	-0.1	0.0	**-0.1**
Acc. depreciation on disposals and transfers	-	-	0.0	**0.0**
Depreciation for the financial period	-	0.3	0.1	**0.4**
Accumulated depreciations and impairments 31 Dec	-	8.4	0.4	**8.8**
Book value 31 December	**0.7**	**2.8**	**0.3**	**3.8**

2015	Land and water areas	Buildings and structures	Others	**Finance lease arrangements total**
Acquisition costs 1 Jan	0.7	11.3	0.6	**12.6**
Translation difference	-	0.0	0.0	**0.0**
Increases	-	-	0.1	**0.1**
Decreases	0.0	-	-	**0.0**
Acquisition costs 31 Dec	0.7	11.3	0.7	**12.7**
Accumulated depreciations and impairments 1 Jan	-	7.9	0.2	**8.1**
Translation difference	-	0.0	0.0	**0.0**
Acc. depreciation on disposals and transfers	-	-	0.0	**0.0**
Depreciation for the financial period	-	0.3	0.1	**0.4**
Accumulated depreciations and impairments 31 Dec	-	8.2	0.3	**8.5**
Book value 31 December	**0.7**	**3.1**	**0.4**	**4.2**

13. Financial assets and liabilities by measurement category

2016	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	IFRS 7 Fair value hierarchy level	Note
Non-current financial assets								
Other shares and holdings				0.3		0.3		15
Non-current receivables			20.9			20.9		16
Electricity derivatives	0.1					0.1	1	16
Other derivative contracts		0.1				0.1	2	16
Current financial assets								
Accounts receivable and other receivables			193.6			193.6		18
Electricity derivatives	0.1					0.1	1	29
Other derivative contracts		1.6				1.6	2	29
Cash and cash equivalent			16.3			16.3		19
Carrying amount by category	**0.2**	**1.7**	**230.8**	**0.3**		**233.0**		
Non-current financial liabilities								
Interest-bearing liabilities					158.2	158.2		24
Electricity derivatives	0.2					0.2	1	29
Current financial liabilities								
Interest-bearing liabilities					17.6	17.6		24
Electricity derivatives	0.3					0.3	1	29
Other derivative contracts	1.6	2.1				3.7	2	29
Accounts payable and other liabilities					102.6	102.6		25
Carrying amount by category	**2.1**	**2.1**			**278.4**	**282.6**		

2015	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	IFRS 7 Fair value hierarchy level	Note
Non-current financial assets								
Other shares and holdings				0.2		0.2		15
Non-current receivables			20.6			20.6		16
Current financial assets								
Accounts receivable and other receivables			178.1			178.1		18
Other derivative contracts	0.0	1.4				1.4	2	29
Cash and cash equivalent			49.2			49.2		19
Carrying amount by category	**0.0**	**1.4**	**247.9**	**0.2**		**249.5**		
Non-current financial liabilities								
Interest-bearing liabilities					91.2	91.2		24
Electricity derivatives	0.9					0.9	1	29
Current financial liabilities								
Interest-bearing liabilities					48.3	48.3		24
Electricity derivatives	0.9					0.9	1	29
Other derivative contracts	2.7	0.5				3.2	2	29
Accounts payable and other liabilities					92.7	92.7		25
Carrying amount by category	**4.5**	**0.5**			**232.2**	**237.2**		

The carrying value of financial assets and liabilities is considered to correspond to their fair value. Group's financial instruments are classified according to IFRS 7 fair value hierarchies.

Uponor applies hierarchy as follows:
The fair value of electricity derivatives are measured based on stock exchange prices. (Hierarchy 1)

The fair value of foreign exchange derivatives and interest rate derivatives are measured based on price information from common markets and commonly used valuation methods. (Hierarchy 2)

14. Investment in joint ventures and associated companies

	2016	2015
Acquisition costs 1 Jan	0.2	0.1
Share of result in associated companies	-0.6	0.3
Increases	13.5	-
Decreases	-0.4	-0.2
Translation difference	0.6	-
Book value 31 Dec	**13.3**	**0.2**

The Group has two German associated companies: Punitec GmbH and Punitec Verwaltungs GmbH, whose book value is €0.1 (0.2) million. From its 2016 result, Punitec GmbH paid a dividend of €0.4 (0.2) million to Uponor.

On 13 July 2016, Uponor Corporation and Belkin International, Inc. completed a partnership agreement and formed a joint venture company in the United States and in Europe for the development and commercialisation of intelligent water technology. The new joint venture, named Phyn, develops water sensing and conservation technology both for consumers and to the building industry.

Uponor invested €13.5 million in exchange of a 37.5% shareholding in the companies. The joint venture company is consolidated into Uponor's financial accounts using the equity method.

Summarised financial information in respect of the joint ventures

	Phyn
	2016
Income statement	
Profit for the period	-2.3
Total comprehensive income for the period	-2.3
Balance sheet	
Non-current assets	23.7
Current assets	13.0
Current liabilities	1.4
The above amounts of assets and liabilities include	
Cash and cash equivalents	12.7
Carrying amount of interest in joint venture	
Net assets in joint ventures	35.3
Group's ownership	37.5%
Carrying amount of interest in joint venture	13.2

15. Other shares and holdings

	2016	2015
Other non-current investments	0.3	0.2
Total	**0.3**	**0.2**

Other non-current investments include other unlisted shares accounted for at cost, since it was not possible to determine their fair value reliably.

16. Non-current receivables

	2016	2015
Other loan receivables	0.3	0.2
Derivative contracts	0.2	-
Other receivables	20.6	20.4
Total	**21.1**	**20.6**

Other non-current receivables include €10.6 (10.2) million in funds recorded as receivables related to the court approved class action settlements in the USA in 2015, and the tax receivables of €9.6 (9.6) million related to the unresolved Finnish tax dispute. Further information related to Finnish tax dispute is disclosed in note 26 Commitments, contingent assets and contingent liabilities.

17. Inventories

	2016	2015
Raw materials and consumables	21.2	15.9
Semifinished products	16.9	15.3
Finished products / goods	101.2	81.2
Total	**139.3**	**112.4**

Based on the FIFO principle, inventories are valued at the lower of cost or net realisable value. During the year, inventories were scrapped or written down by €1.2 (3.2) million.

18. Current receivables

	2016	2015
Accounts receivable	165.8	154.5
Current income tax receivables	6.0	2.9
Prepayments and accrued income	4.4	5.3
Derivative contracts	1.7	1.5
Interest-bearing current assets	0.0	0.3
Other receivable	27.8	23.6
Total	**205.7**	**188.1**

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

The Group booked a €1.5 (0.6) million impairment in accounts receivable as expenses during the financial period. The Group is unaware of any factors which would cause possible additional impairments.

Aging of accounts receivable is as presented in note 28 Financial risk management.

Accrued income	2016	2015
Discounts received	0.1	-
Other accrued income	4.3	5.3
Total	**4.4**	**5.3**

19. Cash and cash equivalents

	2016	2015
Cash and bank deposits	16.0	25.3
Restricted cash	0.0	1.0
Other short-term investments (1-3 months)	0.3	22.9
Total	**16.3**	**49.2**

20. Shareholders' equity

During 2016, Uponor Corporation's share capital remained unchanged at 146,446,888 euros and the number of shares totalled 73,206,944. Each share entitles its holder to one vote at the shareholders' meeting. The share does not have any nominal value. Additionally, it does not have any minimum or maximum share capital. All shares issued have been paid in full.

At the beginning of 2016 the company held 97,560 treasury shares with a value of €0.7 million. During the period 28,601 of the company's own shares were transferred to the management as part of the long-term incentive programme for the years 2013-2015. At the end of 2016 company held a total of 68,959 treasury shares with a value of €0.5 million. The treasury shares were reacquired during the period 17 Nov. – 5 Dec. 2008. The justification for the buy-back was the use of shares as consideration in connection with the company's share-based incentive schemes. Treasury shares are presented as a reduction in retained earnings and do not have any asset value in the financial statements.

Reserve for invested unrestricted equity includes investments complying with the Limited Liability Companies Act. Hedge reserve is used for recording the changes in fair value of derivative contracts under hedge accounting.

At present, other reserves include statutory legal reserves.

21. Deferred taxes

	2016	2015
Deferred tax assets		
Internal profit in inventory	0.4	0.6
Provisions	1.2	8.7
Unused tax losses	4.1	3.3
Tangible assets	0.3	0.3
Employee benefits	2.8	2.3
Fair valuation of available-for-sale investments and financial instruments	0.4	0.4
Other temporary differences	2.4	5.4
Total	**11.6**	**21.0**
Deferred tax liabilities		
Accumulated depreciation difference and untaxed reserve	5.4	6.5
Tangible assets	0.1	0.1
Fair valuation of available-for-sale investments and financial instruments	0.2	0.3
Other temporary differences	6.1	13.3
Total	**11.8**	**20.2**

Deferred tax assets	**2016**	**2015**
1 Jan	**21.0**	**19.4**
Recognised on income statement	-9.3	2.1
Recognised in comprehensive income	-0.3	-0.3
Recorded in equity	0.3	-0.2
Translation difference	-0.1	0.7
Bought / sold business operations	-	-0.7
31 Dec	**11.6**	**21.0**
Deferred tax liabilities		
1 Jan	**20.2**	**19.3**
Recognised on income statement	-14.1	0.3
Recognised in comprehensive income	0.3	-0.3
Recorded in equity	-0.2	-0.2
Translation difference	-0.1	1.1
Bought / sold business operations	5.7	0.0
31 Dec	**11.8**	**20.2**

The Group has recognised a deferred tax asset for its net operating loss carry-forwards, which can probably be utilised against future profits in the relevant tax jurisdictions. On 31 December 2016, the Group carried forward losses of €18.1 (16.2) million, for which the Group has a recognised deferred tax asset. In 2016, there is a €29.9 (32.6) million of loss carry-forwards for which no deferred tax asset has been recognised due to the uncertainty of the utilisation of these loss carry-forwards. Losses of €0.5 million will expire in 2017.

The Group does not provide for deferred taxes on the undistributed earnings of non-Finnish subsidiaries, to the extent that such earnings are intended to be permanently reinvested in those operations and repatriation would cause tax expenses.

22. Employee benefit obligations

The Group has a number of pension plans covering its operations, complying with each country's local rules and regulations. Moreover, the Group applies defined contribution and defined benefit pension plans. Pensions are based on actuarial calculations or actual payments to insurance companies. Independent authorised actuaries have prepared the actuarial calculations. The discount rate for actuarial calculations is determined by the reference to market yields of high-quality corporate bonds or government bonds. Used discount rates are country specific. Pension benefits are normally based on the number of working years and salary. Most defined benefit plans are located in Germany, Sweden and Canada, constituting around 98 (97) % of the defined benefit pension liability in the Group's balance sheet. Defined benefit plans in Germany and Sweden are unfunded and relate to pensions. These plans are closed for new entrants. Nowadays, pensions are accrued according to defined contribution plans. In Canada, defined benefit plans relate to pensions and post-employment medical and life insurance benefits. Defined benefit pension plan is funded.

	2016	2015
Post-employment benefit obligations:		
- Defined benefit plans	23.2	25.2
Other long-term employee benefit liability	1.6	1.6
Total	**24.8**	**26.8**

Defined benefit obligations

	2016	2015
Reconciliation of assets and liabilities recognised in the balance sheet		
Defined benefit obligation	33.1	33.9
Fair value of plan assets	-9.9	-8.7
Net liability in the balance sheet	**23.2**	**25.2**

Expenses recognised in the income statement		
Service costs	0.5	0.6
Net interest costs	0.8	0.7
Total	**1.3**	**1.3**

Expenses recognised in the income statement by function		
Cost of goods sold	0.4	0.3
Dispatching and warehousing	0.1	0.2
Sales and marketing	0.4	0.4
Administration	0.4	0.4
Other	0.0	0.0
Total	**1.3**	**1.3**

Movements in obligation	2016	2015
Obligation at 1 Jan	34.0	37.6
Sale of businesses	0.0	-0.4
Service cost	0.5	0.6
Interest expense	1.1	1.0
Remeasurements	-1.5	-2.0
Member contributions	0.1	0.1
Conversion difference	0.7	-1.0
Benefit payments	-1.8	-2.0
Obligation at 31 Dec	**33.1**	**33.9**

Movements in fair value of plan assets		
Fair value of plan assets at 1 Jan	8.7	9.6
Interest income	0.3	0.3
Remeasurements	0.3	-0.3
Contributions by employer	1.6	1.7
Member contributions	0.1	0.1
Conversion difference	0.7	-0.7
Benefit payments	-1.8	-2.0
Fair value of plan assets at 31 Dec	**9.9**	**8.7**

Major categories of plan assets, fair values and % of total plan assets

	2016		2015	
	Fair value	%	Fair value	%
Equity instruments	5.8	58.5%	5.1	58.6%
Debt instruments	3.8	39.0%	3.4	39.1%
Assets held by insurance company	0.2	2.5%	0.2	2.4%
Total	9.9	100.0%	8.7	100.0%

Major categories of plan assets by countries

	Germany		Sweden		Canada		Other countries	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Defined benefit obligation	11.2	11.4	6.9	7.4	14.2	14.5	0.7	1.0
Fair value of plan assets	-	-	-	-	9.6	8.5	0.2	0.2
Net liability (asset)	**11.2**	**11.4**	**6.9**	**7.4**	**4.6**	**6.0**	**0.5**	**0.8**

Principal actuarial assumptions

	Germany		Sweden		Canada		Other countries	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Discount rate (%)	1.5	2.2	2.8	3.0	4.0	4.0-4.25	1.5-2.6	2.2-2.5
Expected rate of salary increase (%)	3.0	3.0	n/a	n/a	3.0	3.0	n/a -2.25	n/a-2.25
Expected rate of pension increase (%)	1.5	1.5	1.5	1.5	n/a	n/a	0.1-1.5	0.1-2.0

Sensitivity analysis of discount rate	Effect on amount of liability
Increase of 0.5%	Decrease of 7% on average
Decrease of 0.5%	Increase of 8% on average

The Group expects to contribute €1.6 (1.6) million to its defined benefit pension plans in 2017.

The following table shows maturity of expected benefit payments:

Maturity of benefit payments	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 ->**
Expected benefit payments	1.3	1.4	1.5	1.6	1.6	8.8

23. Provisions

	Guarantee and warranty obligations	Environmental obligations	Restructuring	Other provisions	Total
Provisions at 1 Jan 2016	7.3	3.2	2.2	12.3	25.0
Structural changes	0.7	-	-	0.0	0.7
Conversion difference	0.3	-	0.0	0.2	0.5
Additional provisions	6.8	-	6.5	3.0	16.3
Utilised provisions	-5.6	-0.8	-4.5	-2.8	-13.7
Unused amounts reversed	0.0	-	0.0	0.0	0.0
Provisions at 31 Dec 2016	**9.5**	**2.4**	**4.2**	**12.7**	**28.8**
Current provisions	8.1	0.5	4.2	7.1	19.9
Non-current provisions	1.4	1.9	-	5.6	8.9
Total	**9.5**	**2.4**	**4.2**	**12.7**	**28.8**

Warranty provisions amounted to €9.5 (7.3) million at the end of the period. Warranty provisions are based on the previous years' experience of defective goods. The aim is to be prepared for future warranty expenses. Warranty periods vary from country to country, depending on local legislation and commercial practices. Other provisions include provision for enhanced warranty to cover potential fitting failures related to Uponor yellow brass fittings sold in the USA. This enhanced warranty relates to the court approved terms of the class action suits settled on 17 December 2015.

Changes in restructuring provisions relate mainly to transformation programmes in Building Solutions - Europe.

At period end, the environmental provision relating mainly to the divested Finnish real estate business in 2004 was €2.4 (3.2) million.

24. Interest-bearing liabilities

	2016	**2015**
Non-current interest bearing liabilities		
Bonds	80.0	80.0
Loans from financial institutions	72.7	5.0
Finance lease liabilities	5.3	5.9
Other non-current interest bearing liabilities	0.2	0.3
Total	**158.2**	**91.2**
Current interest-bearing liabilities		
Loans from financial institutions	16.8	27.7
Current portion of bonds	0.0	19.9
Finance lease liabilities	0.7	0.7
Other current interest bearing liabilities	0.1	-
Total	**17.6**	**48.3**

Maturity of non-current interest bearing liabilities

	2018	**2019**	**2020**	**2021**	**2022-**
Bonds	80.0	-	-	-	-
Loans from financial institutions	0.4	0.9	50.0	20.0	1.4
Finance lease agreements	0.8	0.9	0.9	2.7	0.0
Other non-current interest bearing liabilities	0.1	0.1			
Total	**81.3**	**1.9**	**50.9**	**22.7**	**1.4**

The weighted average interest rates of interest-bearing liabilities, %pa	**2016**	**2015**
Loans from financial institutions	1.04	1.50
Bonds *)	1.83	1.95
Other non-current interest bearing liabilities	0.97	1.02

*) The Group has entered into an interest rate swap to €50 million of the bond interest until June 2018.

Uponor raised a long term five-year bilateral loan of €35 million in 2013. The loan was related to Uponor Infra Oy, jointly owned together with KWH Group. This loan was repaid in full in 2016. Uponor has one outstanding bond totalling €80 million, issued in 2011. It has bullet repayment structure maturing in 2018. A shorter 5-year bond of €20 million issued simultaneously was fully repaid at its maturity in 2016. €50 million of the outstanding bonds' nominal value is hedged with fixed rate interest rate swaps. The transaction costs of the bonds have been netted to the bond. In 2016 Uponor took out 5-year loans of €50 million and €20 million, in order to fund M&A and joint venture activities.

At the end of the year, the Group did not have any outstanding commercial papers.

Finance lease liabilities	**2016**	**2015**
Minimum lease payments		
In less than one year	1.1	1.0
1-5 years	5.9	4.2
Over 5 years	0.0	2.8
Total	**7.0**	**8.0**
Future finance charges	1.0	1.4
Finance lease liabilities - the present value of minimum lease payments	**6.0**	**6.6**
The present value of minimum lease payments		
In less than one year	0.7	0.7
1-5 years	5.3	3.2
Over 5 years	0.0	2.7
Total	**6.0**	**6.6**

The Group's finance lease agreements are mainly related to office, factory and warehouse premises. On 31 December 2016, the total amount of capitalised costs for finance lease agreements in the Group was €3.8 (4.2) million, which was included in the balance sheet under property, plant and equipment. The corresponding depreciation in 2016 was €0.4 (0.4) million. The total amount of finance lease payments in 2016 was €1.1 (0.9) million, which included €0.4 (0.5) million in interest expenses.

The most significant leasing liability is the finance lease agreement relating to office buildings and production facilities in Germany, signed in 1999. In 2016, the Group did not enter into any significant new finance lease agreements.

25. Other current liabilities

	2016	**2015**
Accounts payable	76.2	63.8
Current income tax liability	5.8	3.3
Accrued liabilities	83.7	82.8
Advances received	0.5	0.2
Advances received from construction contracts	2.4	3.9
Derivative contracts	4.0	4.2
Other current liabilities	26.4	25.0
Total	**199.0**	**183.2**
Accrued liabilities		
Personnel expenses	39.2	40.7
Bonuses	19.4	18.4
Taxes	1.2	0.9
Interest	0.6	0.3
Others	23.3	22.5
Total	**83.7**	**82.8**

26. Commitments, contingent assets and contingent liabilities

	2016	2015
Commitments of purchase PPE (Property, plant, equipment)	9.7	5.7
Other commitments	0.6	1.5
- on own behalf		
Pledges at book value	0.1	0.1
Mortgages issued	2.5	-
Guarantees issued	5.0	4.8
- on behalf of a subsidiary		
Guarantees issued	34.1	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
Mortgages issued	2.5	-
Guarantees issued	39.2	24.4
Total	**41.8**	**24.5**

Contingent liabilities are presented in accordance with the best estimate of the amount of liability.

Uponor Corporation’s subsidiary in Spain, Uponor Hispania, S.A.U, had a tax audit in 2011-2012 covering financial years 2006 and 2007. As a result of the audit, the tax authority rejected the tax deductibility of costs related to Group services. As a result of this, Uponor Hispania has paid €0.7 million in taxes and in interest on delayed payments and started a process to avoid double taxation.

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 has sought leave to appeal to the supreme administrative court. Uponor has also started a process to avoid possible double taxation. The surtaxes and the interest on delayed payments has been recorded as expenses in 2011. The paid taxes at €9.6 million have been booked as receivables. 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.

Uponor is involved several judicial proceedings, in various countries. The Group believes at the moment that the outcome of these disputes will not have a material effect on the Group’s result or financial position.

27. Operating lease commitments

	2016	2015
Future minimum lease payments		
In less than one year	10.7	11.1
1-5 years	27.8	24.7
Over 5 years	9.2	10.1
Total	**47.7**	**45.9**

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

28. Financial risk management

Financial risk management aims to ensure Uponor Group’s sufficient liquidity in a cost-efficient manner and to minimise any adverse effects on the Group’s financial performance caused by uncertainties in the financial markets. The general operating principles of financial risk management are defined in the Group Treasury Finance Policy, approved by the Board.

At practical level Group’s Treasury activities are governed by Treasury Committee. Treasury Committee is chaired by the Group’s President and CEO, and its other members are the Group CFO and Director, Treasury and Risk Management. The Treasury Committee is responsible for steering and supervising practical financial risk management. For the purposes of risk management, Uponor uses only such financial instruments whose market value and risk profile can be monitored reliably and continuously. Hedging transactions related to, for instance foreign currency, interest rate, liquidity and counterparty risks, are carried out in accordance with the Group Hedging Policy.

The management of financial risk is centralised into parent company and Group Treasury which also operates as the Group's internal bank. Group Treasury's financial risk management duties include identifying, assessing and covering the Group's financial risks. The Treasury is also responsible for external market transactions related to financial assets and risk management. Providing Group companies with consultation and services within financing belongs to the scope of Group Treasury as well.

Currency risk

Due to its international operations, the Group is exposed to currency risks arising from, for instance, currency-denominated accounts receivable and payable, intra-Group transactions, currency-denominated financing, deposits and bank account balances. According to the Group hedging policy, subsidiaries hedge all relevant transaction risks with the Group Treasury, using internal forward transactions. Group Treasury is responsible for assessing net positions and hedging them in external currency markets. Currency forward agreements and options are main instruments used in external hedging. The maximum duration of used foreign exchange contracts is one year.

A rule in intra-Group trade is that the production units invoice the sales units in the sales units' local currency. This enables the concentration of the currency risks into the production units, which have better resources for managing currency risks together with the Group Treasury. Currency risks in internal trade arise mainly from the sales from the production units in Germany, Sweden, the United States and Finland, in currencies other than seller units' home currency.

Subsidiaries forecast their foreign currency cash flows monthly for the following 12 month period. In accordance with the Group hedging policy, they hedge the relevant portion of their net foreign currency cash flows. In addition to the euro, other main invoicing currencies are US dollar (USD), Swedish krona (SEK), Canadian dollar (CAD) and Danish krona (DKK). On 31 December 2016, these currencies accounted for approximately 58.4 (51.9) percent of the Group's external accounts receivable. Costs arising from the Group's own production in the United States and Sweden are used as natural hedges against sales in the mentioned currencies.

Group's currency risk position at 31 Dec 2016

M€	**EURUSD**	**EURSEK**	**USDCAD**	**EURGBP**	**EURDKK**	**Total**
Gross exposure	62.0	0.9	-2.0	-3.7	4.6	61.8
Hedged	-79.3	-15.5	14.6	-3.8	3.9	-80.1
Net exposure	-17.3	-14.6	12.6	-7.5	8.5	-18.3

Sensitivity analysis (+/- 10%)	**EURUSD**	**EURSEK**	**USDCAD**	**EURGBP**	**EURDKK**	**Total**
Income statement	0.3	1.5	1.3	0.7	0.8	4.6
Equity (translation differences)	1.4					1.4

Group's currency risk position at 31 Dec 2015

M€	**EURUSD**	**EURSEK**	**USDCAD**	**EURCAD**	**EURDKK**	**Total**
Gross exposure	30.6	9.7	0.5	7.8	5.1	53.7
Hedged	-45.6	-45.4	12.9	-16.0	3.7	-90.4
Net exposure	-15.0	-35.7	13.4	-8.2	8.8	-36.7

Sensitivity analysis (+/- 10%)	**EURUSD**	**EURSEK**	**USDCAD**	**EURCAD**	**EURDKK**	**Total**
Income statement	0.1	1.2	1.3	0.8	0.9	4.3
Equity (translation differences)	1.4	2.4				3.8

The exposure presented includes only financial instruments as defined by IFRS 7. An exposure is a net of all the financial assets and liabilities nominated in foreign currencies outstanding on the balance sheet date. The exposure does not include any internal loans designated as net investments in foreign operations or any forecasted sales and purchases that are not yet on the balance sheet. The presented foreign exchange risk sensitivity analysis illustrates the impact of a 10 percent change in exchange rates on the income statement and on the balance sheet in euro.

Translational risks arise when the currency denominated assets and liabilities of subsidiaries located outside the euro area are exposed to currency fluctuations and these assets and liabilities are translated into the parent company's reporting currency, the euro. The most important balance sheet items in foreign currency are in the US dollar (USD). Translation risk affects the reported profit and key ratios through changes in the balance sheet, but not the cash flow. A 10 percent change in the euro against the US dollar would have resulted in a translation difference of €1.4 million before taxes in equity. According to the Group hedging policy, such non-euro denominated balance sheet items are not hedged, with the exception of non-euro denominated internal loans which are hedged in full. In addition, hedge accounting is applied to certain hedges on internal loans defined as net investments by the Group's Treasury Committee. Thereby, the fair value changes in these loans and loan hedges will not have an effect on the profit, but will be recognised in the equity to the extent that the hedge is effective.

Interest rate risk

Interest rate risk arises when changes in market interest rates influence financing costs, returns on financial investments and valuation of interest-bearing balance sheet items. Group Treasury is responsible for managing interest rate risks within the framework specified by Group Treasury policy, with the aim of balancing the interest rate position and optimising interest rate risks.

In order to manage interest rate risks, Uponor Group's funding is executed by using both fixed and floating interest rate loans and financial instruments. Currently all the external loans are based on floating interest rates. The duration of the interest rate position is managed by choosing loans with different interest rate periods. Different derivative instruments, such as interest rate swaps, forward rate agreements and interest rate options can also be used. Group Treasury is also responsible for matching external financial items and the duration of balance sheet items funded by such items. Short-term money market investments expose the Group to cash flow interest rate risks, but the overall impact of such investments is insignificant.

Financial instruments' sensitivity to fluctuations in market interest rates, as stated in the standard IFRS 7, is as follows: the impact of an interest rate increase or decrease of one percent is -/+ €0.9 (-/+ 0.5) million to the income statement and +/- €0.5 (+/- 1.3) million to shareholders' equity. The impact is calculated before taxes. The interest position impacting income statement consists of floating rate interest-bearing financial liabilities and assets, interest rate options and interest rate swaps where hedge accounting is not applied. The impact to shareholders' equity results from the fair value change of the interest rate swap under cash flow hedge accounting.

Liquidity and refinancing risk

Liquidity and refinancing risk arises when a company is not able to arrange funding at reasonable terms and conditions, or at all. Uponor seeks to ensure availability and flexibility of financing through a balanced distribution of loan maturities, utilisation of various types of funding, multiple sources and by maintaining adequate credit limit reserves. The Group's liquidity is managed through efficient cash management and by investing solely in low-risk instruments, that can be liquidated rapidly and at a clear market price.

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

The most significant existing funding programmes on 31 December 2016 included:

- Bond €80 million maturing in 2018
- Bilateral term loan of €50 million maturing in 2020
- Bilateral term loan of €20 million maturing in 2021
- Several committed bilateral revolving credit facilities totalling €200 million of which €100 million maturing in 2019 and €100 million maturing in 2021

None of the committed bilateral revolving credit facilities were used during the reporting period.

In addition, the Group has a domestic commercial paper programme totalling €150 million, none of which was used at the end of the reporting period.

At the end of the reporting period, the Group had a total of €16.3 (49.2) million in cash and cash equivalents.

Contractual maturity of financial liabilities at 31 Dec 2016

	2017	2018	2019	2020	2021-
Bonds	1.5	80.8			
Loans from financial institutions	0.9	0.9	0.9	51.0	22.6
Finance lease liabilities	1.1	1.1	1.0	1.0	2.8
Other non-current interest bearing liabilities	0.1	0.1	0.2		
Bank overdrafts in use	16.8				
Accounts payable	76.2				
Derivative contracts					
Foreign currency derivatives					
- cash outflow	177.4				
- cash inflow	176.7				
Interest derivatives	1.0	0.5			
Electricity derivatives	0.3	0.1	0.1		

Contractual maturity of financial liabilities at 31 Dec 2015

	2016	2017	2018	2019	2020-
Bonds	21.8	1.7	80.9		
Loans from financial institutions	6.1	5.1			
Finance lease liabilities	1.0	1.1	1.1	1.0	3.8
Other non-current interest bearing liabilities		0.1	0.1	0.1	
Bank overdrafts in use	21.7				
Accounts payable	63.8				
Derivative contracts					
Foreign currency derivatives					
- cash outflow	196.1				
- cash inflow	196.8				
Interest derivatives	1.0	1.0	0.4		
Electricity derivatives	1.0	0.6	0.2	0.1	

Counterparty and credit risk

The counterparty risk related to financial instruments has been defined as the risk of the counterparty being unable or unwilling to fulfil its contractual obligations.

In order to minimise counterparty risks, the Group invests its cash reserves and makes derivative contracts using only counterparties who meet the Group's criteria for creditworthiness. The Group did not suffer any significant credit losses in its normal business operations during the financial year. The maximum counterparty risk is the book value of financial assets on 31 December 2016.

Potential concentrations of credit risk with respect to trade and other receivables are limited due to the large number and geographic dispersion of companies that comprise the Group's customer base. Customer credit limits are established and constantly monitored, and the evaluation of customers' financial conditions is performed on an ongoing basis. Trade receivables are credit insured when applicable. The Group recorded a €1.5 (0.6) million impairment in accounts receivable in 2016.

The aging of accounts receivable	**2016**	**2015**
Undue	134.2	128.9
Due 1-30 days	24.0	16.0
Due 31-60 days	2.3	2.6
Due 61-90 days	0.9	1.0
Due over 90 days	4.4	6.1
Total	**165.8**	**154.6**

Price risk

In its business operations, the Group is exposed to raw material price risks including materials like plastics, aluminium, copper, zinc as well as electricity price risks. Such price risks are managed through long-term fixed-price supply contracts, whenever financially feasible. As far as the metals' price risk is concerned, LME-based (London Metal Exchange) financial instruments can be used to supplement fixed-price contracts. Hedge accounting is not applied to metals hedging via financial instruments.

Group Treasury is responsible for managing electricity price risks at the Nordic level within the framework defined in the Group hedging policy. Hedging targets are achieved mainly by using financial electricity derivative contracts. The Group applies hedge accounting to the electricity derivatives.

The table below presents the sensitivity of open electricity derivatives to fluctuations in electricity prices should the market price of electricity increase or decrease by 10 percent, while other factors are expected to remain unchanged. These figures are calculated before taxes. Electricity derivatives recorded at fair value affect the profit and loss statement. Any changes in the value of electricity derivatives that meet the criteria for hedge accounting as set forth in IAS 39 have an impact on shareholders' equity.

	2016	2015
Change in shareholders' equity	+/- 0.5	+/- 0.3

29. Derivative contracts and hedge accounting

Nominal value	2016	2015
Interest derivatives:		
Interest rate swaps	50.0	61.0
Interest rate options	20.0	-
Foreign currency derivatives:		
Forward agreements		
- not under hedge accounting	173.6	192.6
- under hedge accounting	14.1	37.4
Commodity derivatives:		
Forward agreements		
- under hedge accounting	5.8	5.0
Energy 210 250MWh (149 100)		

Fair value	2016 Positive fair value	2016 Negative fair value	2016 Net fair value	2015 Positive fair value	2015 Negative fair value	2015 Net fair value
Interest derivatives:						
Interest rate swaps	-	-1.5	-1.5	0.0	-2.4	-2.4
Interest rate options	0.1	-	0.1	-	-	-
Foreign currency derivatives:						
Forward agreements						
- not under hedge accounting	1.6	-2.1	-0.5	1.4	-0.5	1.0
- under hedge accounting	-	-0.1	-0.1	-	-0.3	-0.3
Commodity derivatives:						
Electricity derivatives						
- under hedge accounting	0.2	-0.4	-0.2	-	-1.8	-1.8

Changes in the fair values of electricity and interest rate derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective.

From electricity derivatives a gain of €0.8 (a loss of 0.3) million was booked to other comprehensive income during the financial period.

From interest rate derivatives a gain of €0.6 (gain of 0.3) million was entered into other comprehensive income during the financial period. The tax impact has been taken into account in the amount. No ineffectiveness has been booked.

30. Capital management

The purpose of the Group's capital management is to create an efficient capital structure in order to ensure normal operational preconditions and growth opportunities and, thereby, to increase long-term shareholder return.

In addition to investment decisions, dividend distribution is a key factor affecting the capital structure. The Group's long-term goal is to pay a basic dividend which represents at least 50 percent of annual earnings per share.

The Group's capital structure developments are monitored by means of gearing. Gearing is calculated by dividing net interest-bearing liabilities by total equity. Net interest-bearing liabilities include interest bearing liabilities less cash and cash equivalents. The Group's target is to keep its gearing between 30 and 70 percent across quarters. In 2016, gearing average across quarters was 56.7 (40.4) per cent.

	2016	2015
Interest-bearing liabilities	175.8	139.5
Cash and cash equivalent	16.3	49.2
Restricted cash	0.0	1.0
Net interest-bearing liabilities	159.5	91.3
Total equity	326.9	311.7
Gearing, %	48.8	29.3
Gearing across quarters, %	56.7	40.4

Group's financial agreements include typical covenant clauses regarding the gearing and interest cover ratio. The realised ratio levels have clearly fulfilled the covenant clauses.

31. Management incentive programmes and share based payments

Uponor has long-term share based incentive plans for its key management. The existing plans are described below.

The plan 2016-2018, announced in December 2015, covers approximately 25—30 Group key managers, including the members of the Executive Committee. The plan is based on achieving the company's performance targets over a three year period, the earned reward will correspond to a maximum total of 350,000 Uponor Corporation shares, including the proportion to be paid in cash.

The plan 2015-2017 covers a maximum of 25 key managers of the Group including Executive Committee members. The plan is based on achieving the company's performance targets over a three year period, the earned reward will correspond to a maximum total of 350,000 Uponor Corporation shares, including the proportion to be paid in cash.

The plan 2014-2016 covers a maximum of ten members of the Group's key management. The maximum number of the shares awarded based on the share investment corresponds with approximately 8,500 shares and the maximum number of performance shares to be delivered corresponds with approximately 170,000 shares.

The terms for the plan for the years 2014-2016 are the following:
Each participant in the incentive plan invests in Uponor shares within the pre-determined minimum and maximum limits of the plan. The reward in the plan consists of the following parts:

1) The matching share incentive based on the investment with a three year vesting period.
2) A performance share plan that depends on the company's earnings performance over a three-year performance period.

Both the matching shares and performance shares will be restricted by a one year restriction period after the share delivery, during which the delivered shares may not be transferred.

The management incentive scheme impact on the Group's operating profit is €-0.8 (-1.0) million, on equity it is €0.4 (0.3) million and the liability reserved for paying any related income taxes for scheme participants is €0.7 (0.9) million.

In addition, on 12 December 2016 the Board resolved to continue the key management performance share plan mechanism resolved by the Board in 2014. Approximately 30 Group key managers, including the members of the Executive Committee, belong to the target group of the new plan. The plan covers the calendar years 2017-2019 and is based on achieving the company's performance targets over a three year period, the earned reward will correspond to a maximum total of 300,000 Uponor Corporation shares, including the proportion to be paid in cash. This did not have any impact on the consolidated financial statements 2016.

32. Interests in subsidiaries and non-controlling interests

Subsidiaries are listed in the note 33 Related party transactions.

Uponor Corporation's subsidiary Uponor Infra Oy has material non-controlling interest as a result of its ownership structure. Uponor Corporation has control in Uponor Infra Oy through the 55.3 per cent direct ownership and the voting ownership by holding the Chair position in the board of directors of Uponor Infra Oy. KWH Group Ltd has 44.7 per cent ownership in Uponor Infra Oy. Uponor Infra Oy is a parent company of a subgroup and its consolidated financials are presented below. The structure of this subgroup is presented in the list of subsidiaries.

		Non-controlling interest, proportion of ownership		Profit for the period attributable to non-controlling interest		Equity attributable to non-controlling interest	
	Location	2016	2015	2016	2015	2016	2015
Uponor Infra Oy	Finland, Helsinki	44.7%	44.7%	-0.3	-0.6	63.6	63.7

Financial information on Uponor Infra Oy's consolidated financial statements:

	2016	2015
Net sales	287.9	312.0
Profit for the period	-0.7	-1.2
Total comprehensive income for the period	-0.3	0.4
Profit for the period attributable to		
- Equity holders of parent company	-0.7	-1.2
- Non-controlling interest	-	0.0
Total comprehensive income for the period		
- Equity holders of parent company	-0.3	0.0
- Non-controlling interest	-	0.4
Non-current assets	83.6	81.4
Current assets	113.4	130.6
Non-current liabilities	9.6	16.7
Current liabilities	54.7	62.2
Cash flow from operations	12.8	14.6
Cash flow from investments	-14.0	-1.8
Cash flow from financing	-1.6	-12.9

Uponor Infra Oy's consolidated profit for 2015 includes non-controlling interest related to Wiik & Hoeglund Plc. Uponor Infra Oy sold Wiik & Hoeglund Plc in February 2015.

Uponor Infra Oy did not pay any dividends in 2016 or in the comparison period to its owners.

33. Related party transactions

Uponor Group's related parties include subsidiaries and associates as well as Board members, the President and CEO, and Executive Committee members.

The related party transactions disclosed consist of transactions carried out with related parties that are not eliminated in the consolidated financial statements.

Executive Committee and Board remuneration

Executive Committee remuneration, T€	2016	2015
Remuneration	2,862.2	2,543.6
Post-employment benefits		
- defined contribution plans	320.0	288.1
Share based benefits	659.1	675.5
Total	**3,841.3**	**3,507.2**

Executive Committee remuneration includes salaries, fringe benefits and short term incentives.

Post-employment benefits include expenses accrued in accordance with local legal pension arrangements for the members of the Executive Committee and expenses related to defined contribution pension insurances taken in addition to the President and CEO. The Group does not have any other commitments related to post-employment benefits.

Share based benefits include accrued expenses relating to management long term incentive schemes (further details in the note 31).

Remuneration of the President and CEO is also included in the table presented above.

	2016	2015
Executive Committee remuneration: the President and CEO, T€		
Luomakoski Jyri, President and CEO	820.9	842.3

The retirement age of the President and CEO will be determined in accordance with the Employees' Pensions Act (TyEL), however the Group and the President and CEO may jointly agree for the President and CEO to retire at the age of 63 years. The President and CEO's pension accrues in accordance with the Employee's Pensions Act (TyEL). The Group has also taken a defined contribution pension insurance for the President and CEO, to which the company paid €40,000 in 2016.The Group has further concluded a pension arrangement based on a capitalisation agreement for the benefit of the President and CEO, to which the Group paid €40,000 in 2016. On 12 December 2016, the Board decided to increase the payment based on the capitalisation agreement by €10,000, in such a manner that the Group's payment in 2017 will be €50,000.

	2016	2015
Board remuneration, T€		
Eloranta Jorma, Chair	97.6	98.8
Paasikivi Annika, Deputy Chair	60.4	62.2
Ihamuotila Timo, Chair of the Audit Committee	57.4	58.0
Nygren Eva	54.2	50.0
Rosendal Jari	52.4	53.0
Lengauer Markus, from 17 March 2015	56.6	54.2
Simon Rainer S., until 17 March 2015	-	2.4
Total	**378.6**	**378.6**

The Company has taken a voluntary pension insurance for Board members. Upon retirement, this entitles them to a pension according to TyEL, the Finnish Employees' Pensions Act.

Other related party disclosures

The Group had not issued any loans to the persons classified as related party on 31 December 2016 or 31 December 2015.

Persons classified as related party to the company have carried out minor transactions with companies belonging to the Group.

The shareholdings of the management and Board members are presented under the Corporate Governance section of the Financial Statements.

Transactions with associated companies, M€	**2016**	**2015**
Continuing operations		
Purchases	1.9	1.9
Balances at the end of period		
Loan receivables	-	0.3
Accounts payable and other liabilities	0.1	0.1

Shares and holdings

Subsidiaries

Name	Country and domicile
Uponor Beteiligungs GmbH	Germany, Hassfurt
Uponor GmbH	Germany, Hassfurt
Uponor S.A.R.L.	France, Saint Quentin Fallavier
Uponor S.r.l.	Italy, Badia Polesine
Uponor Holding GmbH	Germany, Hassfurt
Zent-Frenger GmbH	Germany, Heppenheim
KaMo Verteilersysteme GmbH	Germany, Ehingen
Morlok Betriebsgesellschaft mbH	Germany, Ehingen
KaMo Frischwarmwassersysteme Gmbh	Germany, Ehingen
Delta Systemtechnik GmbH (95% Uponor Holding GmbH, 5% KaMo Frischwarmwassersysteme GmbH)	Germany, Celle
Uponor Hispania, S.A.U.	Spain, Móstoles
Uponor A/S	Denmark, Brøndby
Uponor Eesti Oü	Estonia, Tallinn
Uponor Suomi Oy	Finland, Lahti
Uponor Business Solutions Oy	Finland, Vantaa
Uwater Oy	Finland, Tampere
Uponor Asia Oy	Finland, Helsinki
Uponor Korea Co., Ltd.	Korea, Kyungki-do
Uponor (China) Plumbing Systems Co., Ltd.	China, Taicang
Uponor Hong Kong Ltd	Hong Kong
Uponor Kft. (Uponor Épuletgépészeti Korlátolt Felelösségu Társaság)	Hungary, Budapest
SIA Uponor Latvia	Latvia, Riga
UAB Uponor	Lithuania, Vilnius
Uponor, s.r.o.	Czech Rep., Prague
Uponor AS	Norway, Vestby
Uponor Sp. z o.o.	Poland, Plonie
Uponor Portugal - Sistemas para Fluidos, Lda.	Portugal, V.N. Gaia
Uponor AG	Switzerland, Pfungen
JSC "Uponor Rus"	Russia, Moscow
Uponor Innovation AB	Sweden, Borås
Uponor AB	Sweden, Virsbo
Uponor Vertriebs GmbH	Austria, Guntramsdorf
Uponor Limited	England, Lutterworth
Uponor Building Energy Limited	England, Skelmanthorpe
UPONOR, s.r.o.	Slovakia, Bratislava
Uponor NA Holding, Inc.	USA, Delaware
Uponor NA Asset Leasing, Inc.	USA, Delaware
Uponor NA Investment LLC	USA, Delaware
Uponor North America, Inc.	USA, Delaware
Tulsa Pipe Plant, Inc. (*)	USA, Delaware
Hot Water Systems North America, Inc.	USA, Delaware
Uponor Ltd.	Canada, Saskatchewan
Radiant Technology, Inc.	USA, Delaware
Uponor, Inc.	USA, Illinois
Uponor Innovations, LLC	USA, Delaware
Uponor Trading (Beijing) Co., Ltd.	China, Beijing
Uponor Romania S.R.L.	Romania, Bucharest
Uponor Insurance Limited	Guernsey
Uponor Pty Ltd	Australia, Sydney

Name	Country and domicile
Uponor Infra Oy (55.3% Uponor Corporation, 44.7% KWH Group Ltd)	Finland, Helsinki
Jita Oy	Finland, Virrat
Uponor Infra AB	Sweden, Virsbo
Uponor Infra A/S	Denmark, Holbæk
Uponor Infra AS	Norway, Vestby
Uponor Infra Ltd.	Canada, Mississauga
Uponor Infra Holding Corp.	USA, Delaware
Uponor Infra Corp.	USA, California
Uponor Infra Tech GmbH	Germany, Fulda
Uponor Infra Limited	England, Milton Keynes
Uponor Infra Sp. z o.o.	Poland, Warsaw
Uponor Infra Oü	Estonia, Tartu
Koy Tuusulan Pakkasraitti 12	Finland, Tuusula
KWH Pipe (Malaysia) Sdn. Bhd. (*)	Malaysia, Kuala Lumpur
KWH Pipe Holdings (L) Ltd.	Malaysia, Labuan
KWH PIPE (INDIA) LIMITED (76% KWH Pipe Holdings (L) Ltd., 24% Uponor Infra Oy) (*)	India, Mumbai
Uponor Infra Fintherm a.s.	Czech Rep., Prague
KWH Pipe Espana SA (*)	Madrid, Spain
KWH Pipe (Portugal) Tubos Lda. (*)	Portugal, Palmela

Associated companies and joint ventures

Name	Country and domicile
Punitec GmbH & Co. KG (36%)	Germany, Gochsheim
Punitec Verwaltungs GmbH (36%)	Germany, Gochsheim
Uponor Middle East S.A.L. (Off Shore) (50%) (*)	Lebanon, Beirut
Phyn Oy (37.5%)	Finland, Helsinki
Phyn LLC (37.5%)	USA, Delaware

(*) Dormant company

34. Events after the balance sheet date

After the balance sheet date, no significant events have taken place within the Group.

SHARES AND SHAREHOLDERS

The volume of Uponor shares traded on the NASDAQ OMX Helsinki Exchange in 2016 totalled 20,339,244, valued at € 297.7 million. The share closed at € 16.51 and the market capitalisation came to € 1,208.6 million. The year-end number of shareholders totalled 16,113 of which foreign shareholders accounted for 26.1 (31.5) per cent.

Major shareholders on 31 December 2016

Shareholder	Shares	% of shares	% of votes
Oras Invest Ltd	16,571,780	22.6	22.7
Varma Mutual Pension Insurance Company	3,862,072	5.3	5.3
Investment Fund Nordea Nordic Small Cap	2,812,006	3.8	3.8
Ilmarinen Mutual Pension Insurance Company	1,996,527	2.7	2.7
Mandatum Life Insurance Company Limited	1,055,794	1.4	1.4
KEVA	940,833	1.3	1.3
Nordea Nordic Fund	696,082	1.0	1.0
State Pension Fund	655,000	0.9	0.9
OP-Finland Small Firms Fund	633,000	0.9	0.9
OP-Delta Mutual Fund	575,000	0.8	0.8
Paasikivi Pekka	560,406	0.8	0.8
Paasikivi Jari	548,888	0.7	0.8
Others	42,230,597	57.7	57.6
Total	73,137,985	99.9	100.0
Own shares held by the company	68,959	0.1	-
Grand total	73,206,944	100.0	100.0

Nominee registered shares on 31 December 2016

Nordea Bank AB (publ), Finnish Branch	11,745,496	16.0	16.1
Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	6,151,926	8.4	8.4
Svenska Handelsbanken AB (publ), Branch Operation in Finland	681,244	0.9	0.9
Others	316,150	0.4	0.4
Total	18,894,816	25.7	25.8

The maximum number of votes which may be cast at the Annual General Meeting is 73,137,985 (status on 31 December 2016).

At the end of the financial period the company held a total of 68,959 own shares corresponding to the same number of votes. These shares do not entitle to vote in the Annual General Meeting.

The Paasikivi family has shareholdings directly and through Oras Invest Ltd totalling 25.3 (25.3) per cent.

Shareholders by category on 31 December 2016

Category	No. of shares	% of shares
Private non-financial corporations	19,309,399	26.4
Public non-financial corporations	7,400	0.0
Financial and insurance corporations	11,120,511	15.2
General government	8,540,634	11.7
Non-profit institutions	2,613,405	3.6
Households	12,485,344	17.0
Foreign (including nominee registrations)	19,129,397	26.1
Other (joint account)	854	0.0
Total	73,206,944	100.0

Shareholders by size of holding on 31 December 2016

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1 - 100	272,651	0.4	4,338	26.9
101 - 1,000	3,843,508	5.2	9,321	57.8
1,001 - 10,000	6,052,308	8.3	2,235	13.9
10,001 - 100,000	5,012,343	6.8	170	1.1
100,001 - 1,000,000	13,830,533	18.9	42	0.3
1,000,001 -	44,195,601	60.4	7	0.0
Total	73,206,944	100.0	16,113	100.0

Share capital development 2012 - 2016

	Date	Reason	Change, euro	Share capital, euro	Number of shares
2016	31 Dec			146,446,888	73,206,944
2015	31 Dec			146,446,888	73,206,944
2014	31 Dec			146,446,888	73,206,944
2013	31 Dec			146,446,888	73,206,944
2012	31 Dec			146,446,888	73,206,944

PARENT COMPANY INCOME STATEMENT (FAS)

	Note	2016 Euro	2015 Euro
Net sales	2	12,250,856.85	26,544,109.02
Personnel expenses	4	6,726,106.90	6,415,989.60
Depreciation and impairments	5	170,251.65	204,566.57
Other operating expenses	3	11,455,580.97	27,528,914.33
Operating loss		**-6,101,082.67**	**-7,605,361.48**
Financial income and expenses	6	32,530,019.67	68,709,913.44
Profit before appropriations and taxes		**26,428,937.00**	**61,104,551.96**
Appropriations	7	14,102,501.35	7,552,089.75
Income taxes	8	-1,651,515.75	24.48
Profit for the period		**38,879,922.60**	**68,656,666.19**

PARENT COMPANY BALANCE SHEET (FAS)		31 Dec 2016 Euro	31 Dec 2015 Euro
Assets			
Non-current assets			
Intangible assets			
Intangible rights		282,405.22	296,267.46
Total intangible assets	9	**282,405.22**	**296,267.46**
Tangible assets			
Machinery and equipment		84,027.10	121,737.47
Total tangible assets	9	**84,027.10**	**121,737.47**
Non-current investments			
Shares in subsidiaries		305,458,271.76	285,025,854.48
Shares in associated companies		1,626,291.53	0.00
Other shares and holdings		44,548.83	48,585.35
Loan receivables		225,918,423.11	94,602,957.04
Total non-current investments	10	**533,047,535.23**	**379,677,396.87**
Total non-current assets		**533,413,967.55**	**380,095,401.80**
Current assets			
Non-current receivables			
Deferred tax assets		350,000.00	506,169.54
Total non-current receivables	11	**350,000.00**	**506,169.54**
Current receivables			
Accounts receivable		3,249,912.93	3,827,297.64
Loan receivables		7,341,905.86	99,092,568.77
Accruals		1,006,515.58	906,713.23
Other receivables		59,968,401.66	34,328,909.86
Total current receivables	12	**71,566,736.03**	**138,155,489.50**
Cash and cash equivalents		**3,591,319.13**	**32,573,615.19**
Total current assets		**75,508,055.16**	**171,235,274.23**
Total assets		**608,922,022.71**	**551,330,676.03**

PARENT COMPANY BALANCE SHEET (FAS)		31 Dec 2016 Euro	31 Dec 2015 Euro
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital		146,446,888.00	146,446,888.00
Share premium		50,184,372.40	50,184,372.40
Unrestricted equity		66,613.56	66,613.56
Retained earnings		103,641,241.47	66,954,257.53
Profit for the period		38,879,922.60	68,656,666.19
Total shareholders' equity	13	**339,219,038.03**	**332,308,797.68**
Accumulated appropriations			
Depreciation difference		161,217.72	163,719.07
Total accumulated appropriations		**161,217.72**	**163,719.07**
Provisions	14	**1,750,000.00**	**2,530,847.68**
Liabilities			
Non-current liabilities			
Bonds		80,000,000.00	80,000,000.00
Loans from financial institutions		70,000,000.00	0.00
Total non-current liabilities	15	**150,000,000.00**	**80,000,000.00**
Current liabilities			
Bonds		0.00	20,000,000.00
Accounts payable		1,379,257.39	3,227,864.23
Accruals		4,201,096.75	3,088,293.14
Other current liabilities		112,211,412.82	110,011,154.23
Total current liabilities	16	**117,791,766.96**	**136,327,311.60**
Total liabilities		**267,791,766.96**	**216,327,311.60**
Total liabilities and shareholders' equity		**608,922,022.71**	**551,330,676.03**

PARENT COMPANY CASH FLOW STATEMENT	2016 Euro	2015 Euro
Cash flow from operations		
Operating profit / loss	-6,101,082.67	-7,605,361.48
Depreciation	170,251.65	204,566.57
Other non-cash items	-780,847.68	122.40
Income taxes paid	-16,038.80	0.00
Net cash from operations	**-6,727,717.50**	**-7,400,672.51**
Change in working capital		
Receivables	-18,140,437.40	-9,737,360.13
Non-interest-bearing liabilities	3,118,581.10	-33,074,322.31
Change in working capital	**-15,021,856.30**	**-42,811,682.44**
Dividends received	29,934,856.37	82,347,416.85
Group contributions	7,575,000.00	9,053,000.00
Cash flow from operations	**15,760,282.57**	**41,188,061.89**
Cash flow from investments		
Purchase of fixed assets	-118,679.04	-57,627.51
Purchase of investments	-1,626,291.53	0.00
Income from sales of other investments	1,000.00	0.00
Granted loans	-64,984,937.41	-51,477,195.92
Loan repayments	10,616,091.95	8,053,386.90
Changes in investments in subsidiaries	-4,648,528.99	-2,207,326.54
Share divestments and result of subsidiary liquidations	119,349.12	0.00
Interests received	5,937,672.37	3,428,727.71
Dividends received	1,470.00	1,260.00
Cash flow from investments	**-54,702,853.53**	**-42,258,775.36**
Cash flow before financing	**-38,942,570.96**	**-1,070,713.47**
Cash flow from financing		
Borrowings of debt	95,000,000.00	26,000,000.00
Repayments of debt	-45,000,000.00	-26,000,000.00
Change in other short term debt	-5,713,893.61	19,783,028.98
Interests paid	-2,146,908.18	-2,125,849.99
Dividends paid	-32,178,923.32	-30,705,941.28
Cash flow from financing	**9,960,274.89**	**-13,048,762.29**
Change in cash and cash equivalents	**-28,982,296.07**	**-14,119,475.76**
Cash and cash equivalents at 1 January	32,573,615.19	46,693,090.94
Cash and cash equivalents at 31 December	3,591,319.13	32,573,615.19
Changes according to balance sheet	**-28,982,296.06**	**-14,119,475.75**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Accounting Principles

The Parent Company's Financial Statements have been prepared according to Generally Accepted Accounting Principles in Finland. Uponor Group´s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the parent company observes the Group's accounting policies whenever this has been possible. Presented below are principally the accounting policies in which the practice differs from the Group's accounting policies. In other respects, the Group's accounting policies are applied.

Net Sales
Parent Company's business consists of Group functions and turnover of the service charges to the Group companies.

Loan arrangement fee
Loan arrangement fee has been accrued linearly to current assets.

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

Financial assets, financial liabilities and derivative contracts
Derivatives are measured at their fair value, which are based on market prices on the closing day. Changes in the value of financial assets and liabilities, including derivatives, are recorded as gain or loss through profit and loss as financial income and expenses. Changes in the fair value of different derivative groups are shown in the Note 6. Parent company does not apply hedge accounting. Otherwise the methods of measuring derivative contracts are explained in the section on the Group's accounting standards. The fair values of different derivative groups are shown in the note 18. The use of derivatives is described in the note 28 in Group notes to the consolidated financial statements.

Leases
All leasing payments have been treated as rental expenses.

	2016 Euro	2015 Euro
2. Net sales		
Income from services		
- From group companies	12,250,856.85	26,544,109.02
Total	**12,250,856.85**	**26,544,109.02**
3. Other operating expenses		
Travel expenses	525,400.88	1,286,683.87
Purchased services	2,908,944.68	12,219,742.86
Other	8,021,235.41	14,022,487.60
Total	**11,455,580.97**	**27,528,914.33**

	2016	2015
Auditor's fees		
- Audit fees	74,000.00	75,000.00
- Tax advice	1,760.00	2,420.00
- Other services	0.00	17,108.89

4. Personnel expenses	**2016**	**2015**
Salaries and bonuses	5,725,486.79	5,520,980.26
Pension expenses	721,193.52	637,397.58
Other personnel expenses	279,426.59	257,611.76
Total	**6,726,106.90**	**6,415,989.60**

During financial period company employed:		
Employees, average	47	44

Salaries and emoluments paid to the President and CEO and the board of directors *)		
President and CEO	820,941.41	842,252.88
Board of Directors	378,600.00	378,600.00
Total	**1,199,541.41**	**1,220,852.88**

*) specification per persons has been reported in the notes of the consolidated financial statements

Loans to company directors
At 31 December 2016, neither the President and CEO of the company nor the members of the Board of directors had loans outstanding from the company or its subsidiaries.

President and CEO's pension obligations
The retirement age of the President and CEO will be determined in accordance with the Employees' Pensions Act (TyEL), however both the Company and the President and CEO may jointly agree on the President and CEO to retire at the age of 63 years.

The President and CEO's pension accrues in accordance with the Employee's Pensions Act (TyEL). The company has also taken out a defined contribution pension insurance for the President and CEO, to which the company paid €40,000 in 2016. The Company has further concluded a pension arrangement based on a capitalisation agreement for the benefit of the President and CEO, to which the company paid €40,000 in 2016. On 12 December 2016, the Board decided to increase the payment based on the capitalisation agreement by €10,000, in such a manner that the company payment in 2017 will be €50,000.

5. Depreciations	**2016**	**2015**
Intangible assets	113,761.00	142,465.15
Tangible assets	56,490.65	62,101.42
Total	**170,251.65**	**204,566.57**

6. Financial income and expenses	2016	2015
Interest income	63,493.16	764,640.80
Intercompany interest income	7,061,068.46	3,908,404.40
Interest income from associated companies	0.00	9,776.87
Dividend income	1,470.00	1,260.00
Dividend income from subsidiaries	29,934,856.37	82,347,416.85
Interest expenses	-4,080,850.25	-8,229,691.58
Intercompany interest expenses	-48,831.42	-61,330.70
Other financial expenses	-71,562.08	-64,782.73
Other financial income	119,349.12	1,000.00
Impairments on non-current investments	0.00	-8,279,865.90
Income from shares in Group companies	0.00	1,000.00
Gains and losses from derivatives		
Realised	-4,304,243.34	-134,705.76
Unrealised	700,348.67	-150,825.46
Exchange differences		
Realised	-1,393,628.01	-1,173,153.47
Unrealised	4,548,548.99	-229,229.88
Financial income and expenses total	**32,530,019.67**	**68,709,913.44**

7. Appropriations	2016	2015
Change in depreciation difference	2,501.35	-22,910.25
Group contributions	14,100,000.00	7,575,000.00
Total	**14,102,501.35**	**7,552,089.75**

8. Income taxes		
For the financial period	-1,495,346.21	0.00
Change in deferred taxes	-156,169.54	24.48
Total	**-1,651,515.75**	**24.48**

9. Intangible and tangible assets

2016	Intangible rights	Machinery and equipment	**Intangible and tangible assets**
Acquisition costs 1 Jan	2,802,470.16	524,601.15	**3,327,071.31**
Increases	99,898.76	18,780.28	**118,679.04**
Acquisition costs 31 Dec	2,902,368.92	543,381.43	**3,445,750.35**
Accumulated depreciations 1 Jan	2,506,202.70	402,863.68	**2,909,066.38**
Depreciation for the financial period	113,761.00	56,490.65	**170,251.65**
Accumulated depreciations 31 Dec	2,619,963.70	459,354.33	**3,079,318.03**
Book value 31 December	**282,405.22**	**84,027.10**	**366,432.32**

2015	Intangible rights	Machinery and equipment	**Intangible and tangible assets**
Acquisition costs 1 Jan	2,752,062.65	517,381.15	**3,269,443.80**
Increases	50,407.51	7,220.00	**57,627.51**
Acquisition costs 31 Dec	2,802,470.16	524,601.15	**3,327,071.31**
Accumulated depreciations 1 Jan	2,363,737.55	340,762.26	**2,704,499.81**
Depreciation for the financial period	142,465.15	62,101.42	**204,566.57**
Accumulated depreciations 31 Dec	2,506,202.70	402,863.68	**2,909,066.38**
Book value 31 December	**296,267.46**	**121,737.47**	**418,004.93**

10. Non-current investments

	2016	2015
Shares in subsidiaries book value 1 Jan	285,025,854.48	283,029,963.05
Increases	20,432,417.28	10,275,757.33
Decreases	0.00	887,728.47
Shares in subsidiaries acquisition cost 31 Dec	305,458,271.76	292,417,991.91
Impairments	0.00	7,392,137.43
Shares in subsidiaries book value 31 Dec	**305,458,271.76**	**285,025,854.48**
Associated companies 1 Jan	0.00	0.00
Increases	1,626,291.53	0.00
Associated companies 31 Dec	**1,626,291.53**	**0.00**
Other shares and holdings 1 Jan	48,585.35	48,585.35
Decreases	4,036.52	0.00
Other shares and holdings 31 Dec	**44,548.83**	**48,585.35**
Loans receivables		
- From group companies	220,645,456.57	89,279,066.76
- Subordinated loan	5,000,000.00	5,000,000.00
- Others	272,966.54	323,890.28
Loan receivables total	**225,918,423.11**	**94,602,957.04**
Total	**533,047,535.23**	**379,677,396.87**

Impairments in subsidiary shares in 2015 were related to Uponor Ltd and Uponor Cork Pipe Plant Ltd shares.

11. Non-current receivables

	2016	2015
Deferred tax assets	350,000.00	506,169.54
Total	**350,000.00**	**506,169.54**

Deferred tax asset is recorded for obligatory provisions in the balance sheet.
Deferred tax asset includes short-term tax assets totalling €90,000.

12. Current receivables

From group companies		
- accounts receivable	3,247,591.19	3,826,550.18
- loan receivable	7,341,905.86	98,771,084.43
- accruals	585,323.19	88,851.15
- other receivables	57,568,815.29	30,950,223.78
Total	**68,743,635.53**	**133,636,709.54**

	2016	2015
From associated companies		
- loan receivable	**0.00**	**321,484.34**
From external parties		
- accounts receivable	2,321.74	747.46
- accruals	421,192.39	817,862.08
- other receivables	2,399,586.37	3,378,686.08
Total	**2,823,100.50**	**4,197,295.62**
Total current receivables	**71,566,736.02**	**138,155,489.50**

Accruals		
Interest income	585,323.40	101,463.58
Taxes	138,520.69	138,520.69
Others	282,671.49	666,728.96
Total	**1,006,515.58**	**906,713.23**

13. Changes in equity	**2016**	**2015**
Restricted equity		
Share capital on 1 January	146,446,888.00	146,446,888.00
Share capital on 31 December	**146,446,888.00**	**146,446,888.00**
Share premium on 1 January	50,184,372.40	50,184,372.40
Share premium on 31 December	**50,184,372.40**	**50,184,372.40**
Total restricted equity	**196,631,260.40**	**196,631,260.40**
Unrestricted equity		
Unrestricted equity 1.1.	66,613.56	66,613.56
Unrestricted equity 31.12.	**66,613.56**	**66,613.56**
Retained earnings 1 January	135,610,923.72	97,357,754.51
Dividend payments	-32,180,713.40	-30,705,941.28
Treasury shares	211,031.15	302,444.30
Retained earnings 31 December	**103,641,241.47**	**66,954,257.53**
Profit for financial period	38,879,922.60	68,656,666.19
Total unrestricted equity	**142,587,777.63**	**135,677,537.28**

	2016	2015
Shareholders' equity 31 December	**339,219,038.03**	**332,308,797.68**
Distributable funds		
Unrestricted equity	66,613.56	66,613.56
Retained earnings	104,152,636.03	67,676,683.24
Profit for the period	38,879,922.60	68,656,666.19
Treasury shares	-511,394.56	-722,425.71
Distributable funds 31 December	**142,587,777.63**	**135,677,537.28**

14. Provisions	**2016**	**2015**
Pension obligation	0.00	30,847.68
Environmental provision	1,750,000.00	2,500,000.00
Total	**1,750,000.00**	**2,530,847.68**

15. Non-current liabilities

Bonds	80,000,000.00	80,000,000.00
Loans from financial institutions	70,000,000.00	0.00
Total	**150,000,000.00**	**80,000,000.00**

Maturity of non-current interest bearing liabilities

	2018	2020	2021
Bonds	80,000,000.00		
Loans from financial institutions		50,000,000.00	20,000,000.00
Total	**80,000,000.00**	**50,000,000.00**	**20,000,000.00**

	2016	2015
16. Current liabilities		
From group companies		
- accounts payable	70,844.40	2,271,170.24
- accruals	0.00	4,796.68
- other current liabilities	107,778,916.56	104,856,648.50
Total	**107,849,760.96**	**107,132,615.42**
From external parties		
- bonds	0.00	20,000,000.00
- accounts payable	1,308,412.99	956,693.99
- accruals	4,201,096.75	3,083,496.46
- other current liabilities	4,432,496.26	5,154,505.73
Total	**9,942,006.00**	**29,194,696.18**
Total current liabilities	**117,791,766.96**	**136,327,311.60**

	2016	2015
Accrued liabilities		
Personnel expenses	1,126,099.97	831,414.72
Bonuses	812,678.21	828,152.71
Taxes	1,597,550.55	118,243.14
Interest	331,925.93	167,862.51
Others	332,842.09	1,142,620.06
Total	**4,201,096.75**	**3,088,293.14**

17. Contingent liabilities

- on behalf group companies		
Guarantees issued	53,486,997.70	29,893,705.90
Guarantees issued	**53,486,997.70**	**29,893,705.90**
Operating lease commitments		
Due within next 12 months	166,649.11	211,465.81
Due later	94,033.32	193,963.30
Total lease commitments	**260,682.43**	**405,429.11**

The parent company has a 10 years fixed-term rental agreement on its premises. Rental period started on 1 March 2013.

Rental lease obligations		
Due within next 12 months	602,886.24	600,375.36
Due later	3,114,912.24	3,702,314.72
Total rental lease obligations	**3,717,798.48**	**4,302,690.08**
Total	**57,465,478.61**	**34,601,825.09**

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

18. Derivative contracts

	Nominal value 2016	2015
Interest derivatives:		
Interest rate swaps	50,000,000.00	61,000,000.00
Interest rate options	20,000,000.00	0.00

	Fair value 2016	2015
Interest derivatives:		
Interest rate swaps	-1,520,161.08	-2,386,741.85
Interest rate options	55,461.19	0.00

	Nominal value 2016	2015
Foreign currency derivatives:		
Forward agreements	187,693,688.04	230,045,271.42
Intragroup forward agreements	101,965,753.67	89,362,044.85
Commodity derivatives:		
Electricity derivatives	5,768,706.00	4,965,863.00
Energy	210 250 MWh	149 100 MWh

	Fair value 2016	2015
Foreign currency derivatives:		
Forward agreements	-585,688.34	637,478.67
Intragroup forward agreements	888,483.52	-1,111,760.05
Commodity derivatives:		
Electricity derivatives	-225,614.00	-1,845,756.00

Ledgers, vouchers and storaging

In electronic format:
General ledger
Journal
Accounts ledgers
Payroll accounting
Bank vouchers
Sales invoices

As paper documents:
Purchase invoices
Memo vouchers

Separately bound:
Balance book of financial period
Balance sheet specifications

PROPOSAL OF THE BOARD OF DIRECTORS

The distributable funds of the parent company, Uponor Corporation are €142,587,777.63, of which profit for the period is €38,879,922.60.

The Board of Directors proposes to the Annual General Meeting that

-a dividend of €0.46 per share will be paid, at maximum	€ 33,643,473.10
-the remainder be retained in the shareholders' equity	€ 108,944,304.53
	€ 142,587,777.63

The company's financial situation has not changed materially after the closing day. The company's liquidity is good. The Board of Directors' view is that the proposed profit distribution does not risk company's liquidity.

SIGNATURES ON THE REVIEW BY THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

Vantaa, 13 February 2017

Jorma Eloranta
Chair

Annika Paasikivi

Jari Rosendal

Timo Ihamuotila

Markus Lengauer

Eva Nygren

Jyri Luomakoski
President and CEO

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Vantaa, 13 February 2016

Deloitte & Touche Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant