uponor

Financial statements 2012

Important dates in 2013

Annual General Meeting
Uponor Corporation's Annual General Meeting is to be held on Monday, 18 March 2013 at 5 p.m. at the Helsinki Exhibition and Convention Centre, Messuaukio 1, Helsinki, Finland.

Financial accounts bulletin for 2012	12 February	8 a.m. EET
Financial statements for 2012	12 February	-
Annual General Meeting	18 March	5 p.m. EET
Record date for dividend payment	21 March*	-
Date for dividend payment	28 March*	-
Interim report: January–March	29 April	8 a.m. EET
Interim report: January–June	26 July	12 a.m. EET
Interim report: January–September	25 October	8 a.m. EET

* Proposal of the Board of Directors

Uponor's IR contacts

Questions and enquiries
E-mail: ir@uponor.com

Meeting requests
Päivi Dahlqvist, Executive Assistant
Tel. +358 (0)20 129 2823
paivi.dahlqvist@uponor.com

Other IR contacts
Riitta Palomäki, CFO
Tel. +358 (0)20 129 2822
riitta.palomaki@uponor.com

Tarmo Anttila, Vice President, Communications
Tel. +358 (0)20 129 2852
tarmo.anttila@uponor.com

Other shareholder enquiries
E-mail: legal@uponor.com

Reetta Härkki, General Counsel
Tel. +358 (0)20 129 2835
reetta.harkki@uponor.com

Carita Etelämäki, Legal Assistant
Tel. +358 (0)20 129 2837
carita.etelamaki@uponor.com

Change of address
Shareholders are requested to notify their custodian bank, their brokerage firm, or any other financial institution responsible for maintaining their book-entry securities account of any changes in their mailing address.

Silent period
Uponor applies the principle of a silent period in its IR communications. During a silent period, Uponor does not comment on market prospects or factors affecting business and performance, nor does the company engage in discussion on events or trends related to the current or unreported fiscal period. Uponor will not pay visits to, or receive them from, investors or representatives of media in which these matters are discussed.

A silent period starts at the end of each reporting period, and not later than three weeks prior to the disclosure of annual accounts or interim reports, and lasts until the release of the annual accounts or an interim report.

Publications
The company's financial statements will be published in Finnish and English and will also be available on the company website at www.uponor.com > Investors > News & downloads > Annual reports. The financial statements will be sent out to shareholders who have ordered it from the company.

The interim reports and corporate releases will be published in Finnish and English on the company website.

You can order Uponor's investor publications conveniently via the company website, at www.uponor.com > Investors > News & downloads > Subscription services, where you can also modify your contact information or cancel your subscription.

You can also order publications by contacting: Uponor Corporation, Communications
P.O. Box 37, Äyritie 20,
FI-01511 Vantaa, Finland
Tel. +358 (0)20 129 2854
Fax +358 (0)20 129 2841
E-mail: communications@uponor.com

Insider register
The public register of Uponor Corporation's insiders may be viewed at the Uponor Legal Department at Äyritie 20, Vantaa, Finland,
tel. +358 (0)20 129 2837.
E-mail address to the Legal Department is legal@uponor.com. The share and stock option holdings of the company's permanent insiders are also available on the website at www.uponor.com > Investors > Shareholders.

Contents

Uponor in brief

Uponor is a leading provider of plumbing and indoor climate solutions for the international building markets. The company is present in key European and North American markets, while its products are sold in a hundred countries.

Our safe, high-quality solutions provide invisible comfort in homes, offices, public facilities and neighbourhoods. In addition to being technologically advanced, Uponor's solutions are sustainable and energy efficient.

In northern Europe, Uponor is also a prominent supplier of infrastructure pipe systems.

Uponor's solutions

Indoor Climate Solutions

We offer a broad variety of radiant heating, cooling and ventilation solutions, providing residents with a high level of comfort in healthy indoor environments, combined with high energy efficiency and a perfect fit with environmentally sound renewable energies.

Plumbing Solutions

We offer plumbing systems that are hygienic, durable and sustainable. They provide construction industry professionals with fast and efficient installation techniques, improved tightness and resistance to various water qualities.

Infrastructure Solutions

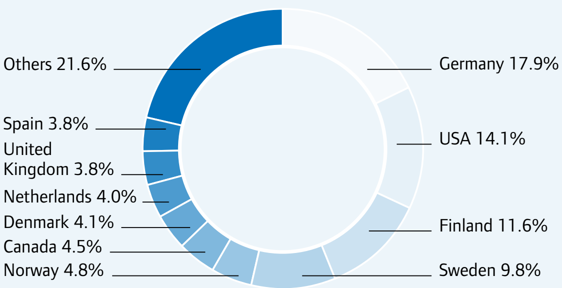
Our infrastructure solutions enable the environmentally friendly handling of fresh and used water in urban and non-urban surroundings. Over their extended life cycle, our reliable and secure systems for transportation and storage of clean water, rain water and sewage help to reduce costs during installation and while in use.

Uponor's customers

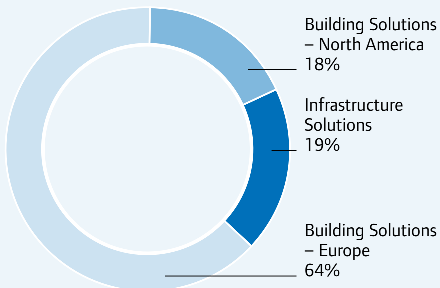
Uponor offers its customers technically advanced solutions that are ecologically sound, safe and reliable to own and operate. Our clients value trustworthiness, expert advice and future ability to live up to promises, as some of our key assets. Reliable products form only part of Uponor's knowhow – genuine added value is created through a thorough understanding of customer needs and the ability to provide solutions and the services that match them.

Our customers include HPVAC installers and heating and plumbing contractors who obtain their Uponor products from wholesalers near them. In our project business, we seek deeper co-operation with large construction companies and real estate developers. Municipalities and public utility companies providing infrastructure services, construction and design form a core customer base for our infrastructure solutions.

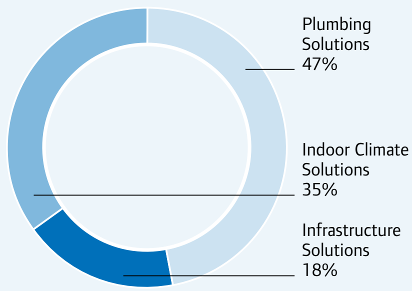
Net sales by country



Net sales by segment



Net sales by business group



Letter to investors

During the year under review, the building and construction markets in the economies in which Uponor operates were fairly heterogeneous. While it is difficult to find a single characteristic that would describe them all, when examining different markets individually, the word challenging comes to mind.

Despite subdued markets, Uponor performed reasonably well in 2012. In an environment where international GDP development, relative to our biggest markets, was less than one per cent, we achieved modest organic growth – albeit supported by the weak euro. We were also successful in increasing our sales, thus compensating for the divestment of the German OEM business completed in spring 2012. Strategically, this divestment was an important milestone, as it helped us improve our focus and channel our attention and physical resources into further developing our core businesses. It also helped us in terms of profitability – an area where we recorded a major improvement from the previous years, for a number of reasons.

At first glance, the lively pick-up in demand in North America offers an easy explanation for our profit hike. Representing an improvement of almost €8 million for the full year, this did play a central role. But we also advanced on other fronts. In contrast to 2011, input costs were less volatile in 2012, providing us with greater success in price management, which is evident from our 2012 figures. Throughout all four quarters, we improved our gross margin from the comparison period. We were also able to keep our expenses under control, despite the headwinds generated by the currency impact and higher M&A costs than in the year before.

Last year, in this same letter, we gave guidance indicating our firm belief and confidence in the future. This is still valid today. Several long-term drivers are working in our favour. Although the new-build market is weak – and will most probably remain so for many years to come – there is growing interest in building better and more sustainably than used to be the case. If the current economic situation does not allow for a new-build project, modernising or upgrading an existing object can be an attractive alternative. While improved energy efficiency provides real estate developers and investors with sound payback, it can also present us with a business opportunity. Depending on the country, renovation typically represents some 40% to 60% of the total value of building construction.

In many ways, I see Uponor as being well-positioned to address such topical trends. We have the products and systems necessary to building better and more sustainably. These are based on our proven technology that has been tried and tested in the world's key markets for many decades. Our engineers and other experts can develop this technology further, introducing new features that meet the needs of our customers today and in the future.

We also have a strong position in our key markets serving the residential single-family segment. Strengthened by our recent acquisitions in the UK and Germany, we can develop that position and expand in the multi-family and non-residential or commercial segments. We have already obtained some good results in this respect, for instance in Switzerland, a market we entered a couple of years back. Such progress demonstrates that we are successfully leveraging.

One of our weaknesses has been a lack of the right route into the renovation market. However, together with our partner network, we have been able to develop new business concepts that are attractive to our customers – I am confident that we can develop these ideas further and introduce them in new geographies.

Last autumn we announced a plan, together with KWH Group, to combine our infrastructure businesses into a new jointly-owned company. As I write this letter, this decision still lies in the hands of the competition authorities.

The infrastructure business is an important business for Uponor. It is where our roots lie and, in the last few years, we have focussed considerable attention on renewing our products and systems portfolio – with successful results, I would say, since more than 25% of last years' sales were derived from recently innovated products. We want to play an active role in making sure that we have a sustainable local business in Northern Europe in the future.

There is still everything to play for in 2013. Despite the grim outlook in many European markets, visibility seems to be gradually improving. In North America, builders are returning to their projects and most indicators indicate a stable upward path. Our view, too, is more optimistic than a year ago.

Uponor's Board of Directors issued new long-term targets in February 2013. These are based on similar criteria to the past, but their levels have been adjusted to the 'new normal' level of activity. I am confident that, based on the measures taken and initiated, we are on course towards either achieving or exceeding those targets as the years go by.

Jyri Luomakoski
President and CEO

The year 2012 in brief

Business overview

Building Solutions – Europe

Plumbing Solutions

Alongside our strategic targets, we strengthened our plumbing value proposition and brand promise by focusing on three drivers: construction efficiency, hygiene and sustainability. Following up on them, we continued delivering and developing next generation products, in order to increase our competitiveness and to enter new segments of the market.

We are involved in a number of partnerships in support of our strategic objectives. With our partner Milwaukee, we introduced more than 10,000 Quick&Easy expansion tools in Europe, increasing the convenience and profitability of our Q&E system for installers. We also continued developing the system, introducing a new Q&E ring in the Nordic markets that improved the system's performance at low temperatures.

Indoor Climate Solutions

In developing the residential underfloor heating business, our main focus was on streamlining Uponor's system offering and creating cost-competitive alternatives. This included the launch of updated controls products, further development of the self-attaching underfloor heating installation line, and the start of a large programme aimed at improved branding of the system portfolio. The first steps were taken towards providing an integrated energy-efficient residential indoor climate solution, through the launch of a free ground-coupled cooling solution for single-family homes.

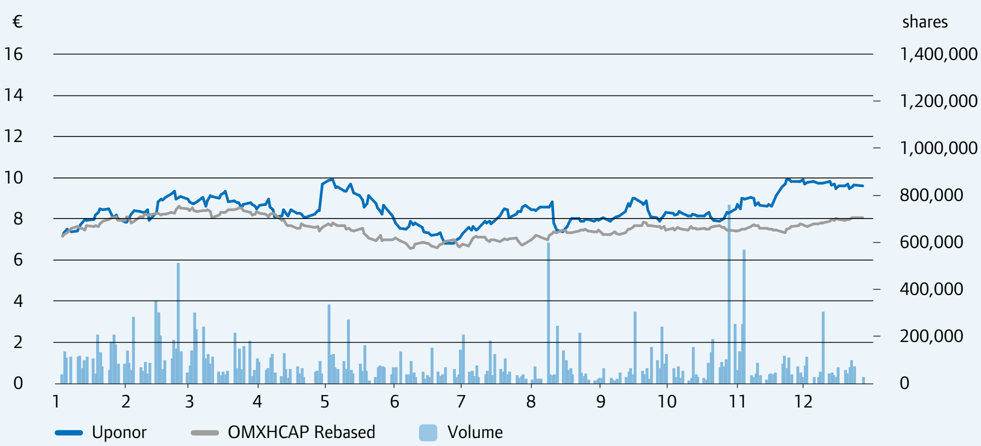
In the non-residential indoor climate field, specific attention was paid to rolling out the Thermally Active Building Systems (TABS) business in new market areas in Europe. The TABS business roll-out was supported by an extensive study on its life cycle cost and energy efficiency benefits, aligned with customer demand for more sustainable systems.

Central Europe

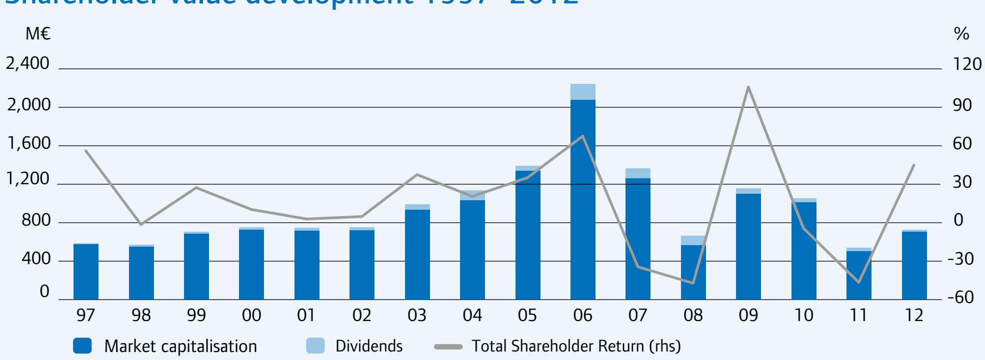
In Germany, a lack of safe investment opportunities supported investment in construction - often referred to as 'concrete gold.' Renovation formed a significant part of such investments.

We were able to strengthen our capabilities and presence in the project business, one of our key focus areas. Combining Uponor solutions with the product and service portfolio of Zent-

Share performance and trading 2012



Shareholder value development 1997–2012



You can find Uponor's investor website at www.uponor.com > Investors.

Frenger, a strategic acquisition from 2011, supported such initiatives on a large scale. This is enabling more comprehensive energy solutions, while fulfilling customers' needs to reduce energy consumption and increase comfort.

Supported by the green trend, new products such as ground energy piles and energy baskets were introduced, and our controls portfolio was broadened – in line with the aim of offering integrated, perfectly matching products that form a unique solution.

Northern Europe

Our strategic targets for 2012 were to enter certain new application areas such as ventilation, sprinkler and cooling while maintaining our strong positions within underfloor heating and tap water/radiator connections.

Due to the weak economic environment, the introduction of new applications was challenging. Within the multilayer pipe business, however, we saw promising growth and expect even greater volumes in the years to come, due to the continued trend of switching from metal solutions to plastic solutions.

In addition, demand for more environmentally friendly and sustainable solutions represents a growing trend in the Nordics. We are investing resources in developing and launching solutions to meet the huge potential represented by such demand.

Southwest Europe

A key ambition in 2012 was to increase the penetration of Uponor's radiant heating and cooling solutions, still underrepresented in the marketplace compared to traditional systems, such as radiators or air-based installations. Despite the weak building market, our underfloor heating and cooling systems are winning market share, especially in new building and larger renovations.

On the plumbing side, our target was to increase the penetration of our unique offering, by leveraging and increasing collaboration with distribution and larger installers. Uponor's plumbing offering has clearly captured the market from traditional metal materials and other plastic solutions. To tap new market segments, Uponor is adding new features and value propositions to its offering.

East Europe

In Russia, Uponor's business experienced brisk growth as a result of an improved presence and greater product availability. Systematic development of key accounts led to increasing use of our systems in several landmark projects. To cover various market segments, the first steps were taken in entering the retail market.

Our brand, long-term presence and trusted solutions also enabled us to gain

Share-specific key figures

	2012	2011	2010	2009	2008
Market value of share capital at year-end, M€	**702.8**	502.2	1,013.2	1,098.1	563.7
Earnings per share (fully diluted), €	**0.45**	0.03	0.34	0.16	0.99
Dividend, total, M€	[1] **27.8**	25.6	40.2	36.5	62.1
Dividend per share, €	[1] **0.38**	0.35	0.55	0.5	0.85
Effective share yield, %	**4.0**	5.1	4.0	3.3	11.0
Issue-adjusted share prices					
- highest, €	**10.00**	14.25	15.66	15.10	18.91
- lowest, €	**6.77**	6.03	10.58	6.80	6.10
Number of shareholders	**17,788**	19,828	22,087	20,214	18,629

[1] proposal of the Board of Directors
The definitions of key ratios are presented in the financial statements.

Long-term financial targets

Target	Scale	2012	2011	2010	2009	2008
Organic net sales growth	GDP[*] + 3 ppts	**3.2%**	4.9%	2.0%	-22.7%	-9.4%
EBIT margin	>10%	**7.1%**	4.4%	7.0%	5.6%	5.4%
Return on investment (ROI)	>20%	**16.7%**	11.0%	14.4%	8.1%	22.2%
Gearing (annual average of the quarters)	30–70	**64.0**	55.8	45.5	45.2	46.4
Dividend payout (considering the gearing target)	> 50% of earnings	**84.4%**	1018.5%	162.5%	316.3%	85.7%

[*] GDP growth based on a weighted average growth in top 10 countries

market share in the Baltics and elsewhere in Eastern Europe.

Asia and International Sales

Our main focus in China was on extending the Uponor sales and distribution network, developing brand awareness among potential customers and introducing plumbing products. A number of dealers in different parts of the country now stock our products, improving their availability for projects.

We were proud to be part of a noteworthy project, the first zero-emission building in Qingdao, as part of the Bayer Eco Commercial Building Programme. Demand for energy-efficient cooling solutions is also continuously growing elsewhere in Asia.

We streamlined our set-up for the International Sales organisation, focusing on business opportunities with our existing strategic partners.

Supply Chain

The continuous improvement programme in Building Solutions – Europe's Supply Chain, World Class Operations (WCO), has been developing well since 2009. This work, involving all production employees, has clearly reduced losses in terms of quality, time, costs and material.

During 2012, we established the Central European distribution centre in Germany with a very good delivery performance. In December, the new distribution centre for the Nordic market in Sweden opened ahead of schedule and on budget.

Our sourcing efforts have continued to deliver savings on purchases and secure delivery accuracy. During the year, we put extra effort into indirect purchases and will keep them high on the agenda for 2013.

Building Solutions – North America

We refined our strategic approach, enabling us to tap into opportunities in our different market segments. We now have a considerable focus and reassignment of resources to commercial plumbing. We believe the hospitality and multifamily segments are the key commercial markets and anticipate a significant growth rate. Among North America PEX companies Uponor is the most active and successful in developing this sector; efforts which have garnered relatively high share.

While our main focus has been commercial, we will still continue to take advantage of our thriving residential plumbing business especially now that the housing market is beginning to recover. We have been leveraging our Milwaukee Tool partnership, strong builder relationships, the unique advantages of the ProPEX connection system,

Key IR announcements in the year 2012

24 Jan 2012

Uponor increases focus on core business and divests its German non-core OEM unit

7 Feb 2012

Uponor impairs a vendor note related to the divestment of its UK and Irish municipal infrastructure business in 2008

10 Feb 2012

Uponor financial statements bulletin Jan-Dec 2011: Uponor's net sales grew, profit impacted by non-recurring items

15 Feb 2012

Uponor appoints Bill Gray new President for North America

2 Mar 2012

Uponor establishes a new share-based incentive plan with the objective of retaining key management, and motivating and rewarding the management for good performance

13 Mar 2012

Uponor acquires the remaining shares in the German company Zent-Frenger and now holds 100% of the stock

15 Mar 2012

Resolutions by the Annual General Meeting: Dividend at €0.35 per share; The Board members were re-elected, with the exception of Mr Aimo Rajahalme, who was not available for re-election and was replaced by Mr Jari Rosendal as a new member; The AGM approved all proposals, including the authorisations to repurchase own shares and to decide on a share issue, and the establishment of a Nomination Board and the replacement of metal fittings with Uponor's innovative engineered polymer (EP) solutions.

Commercial Indoor Climate (radiant heating/cooling) continues to represent a large opportunity as energy conservation and indoor air quality play a greater role in building design. In residential Indoor Climate, Uponor continues to claim a large share of the radiant heating market among PEX companies in North America. However, the market growth has stalled where we have historically experienced the most success (i.e. mid to high-luxury homes), thus requiring us to create a new business model to expand the market.

Although copper, forced air and other plastic offerings continue to compete with our products, we are still winning customers and market share by educating key stakeholders and converting them to the more cost-effective and reliable Uponor systems.

Infrastructure Solutions

During 2012, Uponor Infrastructure focused on achieving full leverage from efforts made to strengthen its position in the Nordic market. With a high rate of innovation, not only within product development but also within processes and technologies, we strengthened our brand position and gained market share. About 25% of our sales are now based on new product developments from the last four years.

Bearing the customer in mind during product development does not exclude efficiency and harmonisation. With new technologies, we have been able to improve both our systems and production processes. By launching new product systems, such as Uponor IQ for storm water and Uponor Ultra for sewers, we have also been able to reduce the number of items in stock.

15 Mar 2012
Uponor Board decides on a directed share issue related to the management incentive programme for 2007–2011

27 Apr 2012
Q1/2012 interim report: Uponor grasped opportunities in the low season

10 Aug 2012
Q2/2012 interim report: Uponor grows in North America, faces weakening markets in Europe

21 Sep 2012
Uponor and KWH Group announce a plan to merge their infrastructure businesses; the aim is to create efficiencies and strengthen profitability. The transaction is subject to approval of competition authorities, expected in Q1/2013

26 Oct 2012
Q3/2012 interim report: Growth in North America supported Uponor's profit development

Pillars of sustainability established

Based on our "Wanted 2020" goal, established in 2011, we have now defined Uponor's principles of sustainability, reflected in four pillars which broadly state our sustainability objectives. In future, all Uponor sustainability activities will be driven by these pillars:

- Strongly integrating sustainability into our corporate mindset
- Driving down our environmental impact
- Enriching life through our innovative solutions
- Engaging external stakeholders in our sustainability journey.

By building a corporate culture which embodies sustainability at its core, we will strive to take responsibility for the environment through our own operations and the solutions we offer, while engaging in strong cooperation with our external stakeholders to create sustainable living environments for future generations.

Steps have been taken to integrate sustainability more strongly throughout the organisation. In particular, this has been done through the creation of a network of sustainability champions, which will act in support of activities through all functions of our organisation and drive sustainability communication further. We are also aligning clear responsibilities with our pillars of sustainability, by building a more focused structure, including the new, dedicated role of Business Sustainability Manager, to drive our commitment forward.

Alignment with the European construction industry

Following our signature, in 2011 alongside other member companies of the ENCORD Sustainable Development Charter, we actively participated in and contributed to the development of the new Construction CO_2e Measurement Protocol. The CO_2e protocol provides guidance on how an organisation within the construction sector can measure and report its greenhouse gas (GHG) emissions. It also sets out minimum requirements for measuring and reporting emissions in order to cohere with best practices. To demonstrate our alignment with this protocol, we have assessed our CO_2e measurement and presented our report to ENCORD member companies.

We are now supporting work to develop a new waste protocol for the European construction industry, which will be published during 2013. This waste protocol will provide guidance on how to measure, and report, waste arising from construction, demolition and excavation activities on construction projects, as well as the related reuse/recycling/recovery. The quantitative data produced can also be used to calculate scope 3 CO_2e emissions from waste, as laid out in the ENCORD CO_2e Measurement Protocol.

Improved Carbon Disclosure Project score

Our internal environmental management has further strengthened certain initiatives, such as introducing new energy-efficient production equipment with heat recovery and renewing the lighting in the Nastola factory, to lower the environmental impact of our own operations. This work has been recognised and reflected in the CDP Nordic report for 2012, where a significant improvement on 2011 can be seen in our disclosure scores. CDP Nordic Report provides a framework enabling us to assess the environmental impact of our internal operations, in addition to giving our large global investors greater transparency.

Additionally, we have embarked on a pilot project in Central Europe for the evaluation of scope 3 emissions relating to downstream transportation and distribution. Purchased goods and services, as well upstream transportation and distribution, are already covered and reported under scope 3 emissions.

GRI pilot completed

Following our decision in 2011 to adopt the Global Reporting Initiative (GRI) as our core sustainability reporting model for external readers, we finalised the pilot implementation of a software tool for gathering and reporting all relevant information. During the next phase, this software will be implemented across Uponor, in order to collect preliminary information for external reporting purposes. Adopting a GRI reporting model will provide the reader with an overview of Uponor's progress on its sustainability journey. This overview will be comparable to those of other organisations and provide more detailed insights into the key dimensions, the Economic, Environmental and Social dimensions – each broken down into detailed criteria.

Commitment to a sustainable built environment

The Nordic building sector has joined forces to establish a set of principles for the delivery of sustainable solutions. These principles are listed in the Nordic Built Charter, signed by leading companies in the industry. Nordic Built is a Nordic initiative aiming to accelerate the development of sustainable building concepts. The Nordic Built programme will be carried out through the execution of three main modules, over the period of 2012–2014. This programme was launched in connection with the new industrial and innovation policy cooperation programme, focusing on green growth.

By contributing to and signing the Nordic Built Charter during 2012, Uponor has committed to taking the necessary actions to deliver competitive solutions for a sustainable built environment.

Life Cycle Analysis reveals major environmental benefits

Through our work in the European Plastic Pipes & Fittings Association (TEPPFA), and in association with the independent Flemish Institute for Technological Research (VITO), further development of Life Cycle Analyses (LCAs) for plastic pipe systems was achieved in 2012, enabling the provision of actual environmental performance data. In particular, we have analysed the environmental impacts of typical plumbing installations over the entire life cycle, from the extraction of raw materials to end-of-life treatment, consistent with the ISO 14040 and 14044 series of standards. In the case of a cross-linked polyethylene (PEX) and multi-layer composite pipe (MLCP) plumbing system for a typical single-family apartment in Europe, the impact was very low. In fact, compared to copper systems, the impact was lower in all environmental categories, at 25% of the average values for copper.

In infrastructure applications, analysis of a twin wall polypropylene (PP) pipe in a typical sewer installation gave an average result of 79% of the impact of a comparable concrete system. In the case of water distribution, a polyethylene (PE) pipe system averaged below 20% of the impact of a ductile iron installation.

Updated Code of Conduct

The first Uponor Code of Conduct was approved by the Board of Directors back in 2006. During 2012, the Code of Conduct was updated to incorporate key elements of sustainability, relating to human rights and environmental stewardship in particular. Uponor's Code of Conduct provides clear rules applicable to all Uponor personnel. In addition, Uponor requires full commitment to these rules from all of its suppliers.

Sustainability indicators

Measure	Unit	**2012****)	2011*)	2010	2009
Environmental indicators					
Total energy consumption	1,000 MWh	**137.0**	154.7	163.1	170.4
- Electricity used	1,000 MWh	**97.5**	105.7	107.8	104.2
- Fossil fuels used	1,000 MWh	**39.5**	49.0	53.0	66.2
Raw materials used	1,000 tonnes	**70.9**	82.7	95.3	90.9
- of which, % recycled materials	%	**7.4**	7.1	6.0	5.3
Water consumption	1,000 m^3	**115.5**	129.3	139.3	151.2
Total GHG emissions (Scope 1 + Scope 2)	1,000 tonnes	**33.3**	47.1	45.6	52.7
GHG (Scope 3)	1,000 tonnes	**179.0**	204.0	204.6	208.0
Waste water discharged	1,000 m^3	**28.6**	42.8	36.6	39.0
Hazardous waste	1,000 tonnes	**0.3**	0.3	0.2	0.3
Total waste	1,000 tonnes	**11.1**	11.5	11.4	10.6
Waste recycled	1,000 tonnes	**8.3**	8.7	9.2	9.0
Total number of manufacturing sites		**9**	10	10	10
ISO 14001 certified sites		**7**	8	8	8
% sites certified	%	**78**	80	80	80
Social indicators					
Number of employees (FTE)		**3,052**	3,228	3,197	3,316
Employee turnover %	%	**6.67**	5.37	4.75	5.64
Workforce accidents		**75**	67	78	64
Lost time from accidents	hours	**5,773**	6,731	10,733	9,230
Lost time incident rate	%	**0.11**	0.12	0.19	0.16

*) In 2011, all data was not available by the reporting date and estimates were given for electricity and fuel consumption.

**) Excluding the acquired Zent-Frenger GmbH and the divested Hewing GmbH.

GHG – Green House Gases

Scope 1 Total global direct emissions from sources owned or controlled by the reporting organisation

Scope 2 Indirect GHG emissions caused by the company through its consumption of energy in the form of electricity, heat, cooling or steam

Scope 3 Indirect emissions that arise as a consequence of an organisation's activities, from sources owned or controlled by others

Group structure

Uponor Group
1 Jan 2013

President and CEO
Jyri Luomakoski

Building Solutions – Europe

Sales and marketing
- Central and Eastern Europe Asia, International Sales *Heiko Folgmann*
- North, South and West Europe *Fernando Roses*

Offering and business groups
- Indoor climate *Heiko Folgmann*
- Plumbing *Fernando Roses*

Supply chain
Sebastian Bondestam

Building Solutions – North America
- United States
- Canada

Bill Gray

Infrastructure Solutions
- Sweden
- Norway
- Denmark
- Finland
- Russia
- Baltic countries

Robin Carlsson

Group functions
Brand management • HR • Internal communications • Legal Services | President and CEO *Jyri Luomakoski*
Supply Chain Management | EVP – Supply Chain *Sebastian Bondestam*
Research & Technology • Sustainability | EVP – Infrastructure Solutions *Robin Carlsson*
External communications • Finance and Administration • IR • IT • Risk management | CFO *Riitta Palomäki*

Board of Directors and Executive Committee

Board of Directors

Jari Paasikivi
b. 1954, Finnish citizen, M.Sc. (Econ.), President and CEO, Oras Invest Oy
- Chairman of the Board, Uponor Corporation, 13 March 2008–
- Member of the Board, Uponor Corporation, 15 March 2007–
- Chairman of the Remuneration committee
- Expert member of the Nomination board
- Uponor shareholdings: 546,830

Jorma Eloranta
b. 1951, Finnish citizen, M.Sc. (Tech)
- Deputy Chairman of the Board, Uponor Corporation, 15 March 2012–
- Member of the Board, Uponor Corporation, 15 March 2005–
- Chairman of the Audit committee
- Member of the Remuneration committee
- Uponor shareholdings: 34,845

Eva Nygren
b. 1955, Swedish citizen, Architect, President and CEO, Rejlerkoncernen AB and Rejler Group
- Member of the Board, Uponor Corporation, 15 March 2011–
- Member of the Audit committee
- Uponor shareholdings: 3,446

Jari Rosendal
b. 1965, Finnish citizen, M. Sc. (Eng.), President, Non-ferrous Solutions business area and a member of the Executive Board, Outotec Oyj
- Member of the Board, Uponor Corporation, 15 March 2012–
- Member of the Audit committee
- Uponor shareholdings: 2,115

Anne-Christine Silfverstolpe Nordin
b. 1950, Swedish citizen, M.A. (Soc.), Partner and Senior Consultant, Neuhauser & Falck AB
- Member of the Board, Uponor Corporation, 17 March 2003–
- Member of the Remuneration committee
- Uponor shareholdings: 37,134

Rainer S. Simon
b. 1950, German citizen, Dr.Sc. (Econ.), President and CEO, BirchCourt GmbH
- Member of the Board, Uponor Corporation, 17 March 2004–
- Uponor shareholdings: 34,510

Executive Committee

Jyri Luomakoski
b. 1967, Finnish citizen, MBA, President and CEO
- Employed by Uponor Corporation since 1996
- Member of the Executive Committee since 1 October 1999
- President and CEO, Uponor Corporation, 27 October 2008
- Uponor shareholdings: 43,760

Sebastian Bondestam
b. 1962, Finnish citizen, M.Sc. (Eng.), Executive Vice President, Supply Chain
- Employed by Uponor since 2007
- Member of the Executive Committee since 1 April 2007
- Uponor shareholdings: 6,907

Robin Carlsson
b. 1966, Swedish citizen, M.Sc., (Mechanical Engineering), Executive Vice President, Infrastructure solutions
- Employed by Uponor since 2006
- Member of the Executive Committee since 1 September 2010
- Uponor shareholdings: 1,900

Heiko Folgmann
b. 1967, German citizen, M.Sc. (Bus.) (Diplom-Kaufmann), Executive Vice President, Central and Eastern Europe
- Employed by Uponor since 1999
- Member of the Executive Committee since 26 October 2007
- Uponor shareholdings: 5,470

Bill Gray
b. 1965, Canadian and British citizen, B. Com. (Finance and marketing) & B.A., President, Uponor North America
- Employed by Uponor since 2008
- Member of the Executive Committee since 15 February 2012
- Uponor shareholdings: 3,500

Riitta Palomäki
b. 1957, Finnish citizen, M. Sc. (Econ), CFO
- Employed by Uponor since 2009
- Member of the Executive Committee since 1 June 2009
- Uponor shareholdings: 3,000

Fernando Roses
b. 1970, Spanish citizen, M.Sc. (Marketing), eMBA, (Ingeniero Técnico en Químida Industrial), Executive Vice President, Europe North, South & West
- Employed by Uponor since 1994
- Member of the Executive Committee since 26 October 2007
- Uponor shareholdings: 5,470

More details continuously updated at www.uponor.com > Investors.

Review by the Board of Directors

2012

Markets

After a lengthy period of global uncertainty, both financial and political, the year 2012 began in a rather optimistic manner but, as the year progressed, became more static, and ended resembling 2011. Lack of visibility and a general caution among investors, whether they represented public, private consumer or business target groups, remained, hindering growth in building and construction markets. As the year drew to a close, general sentiments seemed to begin levelling out, in anticipation of a more stable future.

Apart from the brisk pick-up in residential building in North America and the resilient German residential market, building and construction markets elsewhere in Europe echoed the general economic trends and remained subdued. Overall, new-build investments were at a low level, while increasing renovation activity only partially compensated for lost volumes. The Nordic markets maintained a nearly satisfactory level of demand, while the large southwest European markets continued to decline further.

As far as the municipal infrastructure markets are concerned, overall demand remained more or less flat, with the Baltic countries showing some growth and most of the Nordic countries facing a trend characterised by flat demand.

Despite the low-growth market environment, some trends had a favourable impact on Uponor's business. Increasing concern about sustainability, and the drive towards conserving energy and utilising renewable energy, benefited Uponor's radiant heating and cooling systems, thus offsetting the slowdown in new build activity. Within plumbing, increased renovation activity and the trend away from traditional metallic pipes and components continued, favouring Uponor's PEX and composite pipe offering.

In all product and geographical markets, the tight competitive situation continued to put pressure on margins.

Net sales

Uponor's 2012 net sales from continuing operations amounted to €811.5 (2011: €806.4) million, up 0.6% year on year. In comparable terms, i.e. excluding the effects of the divested business of Hewing GmbH and the acquired Zent-Frenger business for the first quarter of 2012, Uponor's organic net sales growth reached 3.2%, or 0.8% if adjusted for the currency impact.

Building Solutions – Europe, whose growth in comparable terms, i.e. adjusting for the divestment and acquisition, was –1.2%, and Infrastructure Solutions both reported a modest drop in net sales for the full year, mainly due to weakening market demand in key markets. In Building Solutions – Europe, the emerging project business partly offset the decline in the Benelux markets, while the development of Central Europe's largest market, Germany, was flat in organic terms. In Southwest Europe, the Iberian and Italian markets contracted further from the already very low levels they reached during several years of decline, affecting net sales, while promising development was recorded in France and, to a lesser extent, the UK. The Nordic countries – with the exception of Norway – witnessed an overall decline in net sales, with Sweden and Denmark seeing the worst decline. Further to the above, sales rapidly picked up in Russia and the Baltic markets.

Strong positive progress was recorded in Building Solutions – North America, where steady relative growth has been reported for six consecutive quarters, reflecting improving market conditions in the USA in particular.

In terms of business groups, Plumbing Solutions' development was supported by reasonably healthy demand in the renovation and refurbishment segments of the market. The introduction of new products and technologies in 2011 and 2012, such as the unique RTM press fitting, the new generation of expansion

Net sales by segment for 1 January – 31 December 2012:

M€	1–12/2012	1–12/2011	Reported change, %
Building Solutions – Europe	**517.7**	543.9	-4.8%
Building Solutions – North America	**151.1**	121.5	24.4%
(Building Solutions – North America (M$)	**195.4**	170.1	14.9%)
Infrastructure Solutions	**149.0**	149.7	-0.5%
Eliminations	**-6.3**	-8.7	
Total	**811.5**	806.4	0.6%

tools for the Quick&Easy range of fittings, the new Q&E ring as well as modifications in the multilayer composite pipe range, pushed sales up. Uponor significantly increased its plumbing sales in several focus countries, thus offsetting the effects of the weak overall economy. In Indoor Climate Solutions, good progress was made in starting up commercial projects in some countries, thus supporting the ambition of rolling out the TABS heating and cooling technology, which utilises the energy stored in the building mass, in new European markets. However, growth in net sales was somewhat repressed by the low number of housing starts and the intense price competition that followed. Infrastructure Solutions strengthened its market position throughout the Nordic region, greatly aided by the introduction of new products and technologies in 2012.

In 2012, the share of Plumbing Solutions of Group net sales grew to 47% (46%), Indoor Climate Solutions was at 35% (37%) and Infrastructure Solutions at 18% (17%).

The largest 10 countries, in terms of reported net sales, and their respective share of consolidated net sales, were as follows (2011 figures in brackets): Germany 17.9% (18.7%), USA 14.1% (11.0%), Finland 11.6% (11.5%), Sweden 9.8% (10.5%), Norway 4.8% (4.6%), Canada 4.5% (4.1%), Denmark 4.1% (4.6%), the Netherlands 4.0% (4.4%), the United Kingdom 3.8% (3.5%) and Spain 3.8% (4.8%).

Results

Uponor's quarterly gross profit in 2012 consistently outperformed the equivalent figures for 2011. The consolidated full-year gross profit ended up at €310.8 (€292.9) million, an improvement of €17.9 million or 2.0 percentage points. This favourable development in gross profit was mainly driven by healthy volume development in North America and efficient price management throughout the Group, with the divestment of Hewing GmbH also contributing to the gross profit margin.

The other operating expenses reported in 2011 included an impairment of €10.5 million as a non-recurring item, related to the divestment of Hewing GmbH. In 2012, expenses remained slightly below the previous year's figure, excluding the above-mentioned non-recurring item, despite increased expenses related to mergers and acquisitions activity and a considerable growth from currency impact.

Consolidated operating profit was €57.7 (35.4) million, up 63.0% from the previous year. Operating profit margin came to 7.1% (4.4%) of net sales. The 2011 operating profit was burdened by the January 2012 decision to divest the German subsidiary Hewing GmbH, reported in the segment Other. Consolidated operating profit improvement, excluding the 2011 non-recurring items, was +25.8%.

All segments recorded favourable development in operating profit, and with the exception of Infrastructure Solutions, they all contributed positively to consolidated operating profit.

Uponor's financial expenses at €8.6 million came back to more normal levels from the exceptionally high 2011 figure of €17.7 million. In 2011, the financial expenses included interest on delayed payments, totalling €3.2 million due to decisions made by the Finnish tax authority at the end of December 2011, as well as an impairment of €6.0 million due to a vendor note published in February 2012, related to the divestment of a municipal business in the UK and Ireland. In comparable terms, the 2011 financial expenses were €8.5 million. Net currency exchange differences in 2012 were €-1.9 (-1.3) million.

Profit before taxes increased by 177.9%, to €49.4 (17.7) million. At a tax rate of 33.4% (88.8%), income tax-

Operating profit by segment for 1 January – 31 December 2012:

M€	**1–12/2012**	1–12/2011	Reported change, %
Building Solutions – Europe	**47.2**	41.7	13.0%
Building Solutions – North-America	**17.8**	10.1	75.5%
(Building Solutions – North-America (M$)	**23.0**	14.2	62.1%)
Infrastructure Solutions	**0.0**	-2.4	98.6%
Other	**-6.1**	-14.0	
Eliminations	**-1.2**	0.0	
Total	**57.7**	35.4	63.0%

es totalled €16.5 (15.8) million. All three non-recurring items in 2011, described in the next paragraph, were non-deductible expenses for taxation purposes.

Profit for the period totalled €32.8 (1.6) million, of which continuing operations accounted for €32.9 (1.9) million. In 2011, profit for the period included impairments related to the divestment of Hewing GmbH and the above mentioned vendor note as well as the surtaxes and interest related to the Finnish tax decisions, booked as non-recurring items.

Return on equity increased to 15.5% (0.7%). Return on investment reached 16.7% (11.0%).

Earnings per share were €0.45 (0.03), and €0.45 (0.03) for continuing operations. Equity per share was €2.87 (2.86). For other share-specific information, please see the Tables section.

Consolidated cash flow from operations was €32.7 (58.4) million, while cash flow before financing came to €22.5 (29.3) million. Cash flow from operations remained satisfactory, thanks to improved profitability and despite the surtaxes paid in the first quarter 2012. Cash flow from investments decreased as a result of a low investment level and net cash received from the Hewing divestment.

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

Investment, research and development, and financing

Overall, the key target of keeping investments low and focussing on maintenance and productivity improvements was continued. However, funds were addressed towards the expansion of manufacturing capacity in the Apple Valley factory in the U.S., mainly by taking spare machines, from a former Canadian factory, into use.

Gross investments into fixed assets totalled €19.2 (24.0) million, a decrease of €4.8 million year on year. Net investments totalled €18.1 (23.1) million.

Research and development costs amounted to €15.9 (16.3) million, or 2.0% (2.0%) of net sales.

Uncertainties in the global economy continued in 2012. However, as Uponor monitored the situation very closely, there was no need to react in terms of long-term funding. The two long term bonds, issued in 2011, provided a solid backbone for securing liquidity and the funding of operations.

The main existing funding programmes on 31 December 2012 included an €80 million bond maturing in 2018 and a €20 million bond maturing in 2016. Committed bilateral revolving credit facilities, maturing in 2015, totalled €190 million; none of these back-up facilities were in use during the year.

With the bond issues, Uponor has extended the maturity structure and diversified its sources of funding. For short-term funding needs Uponor's main tool is its domestic commercial paper programme, totalling €150 million. On the balance sheet date, none of it was outstanding. At the end of the year, Uponor had €17.7 million in cash and cash equivalents.

Accounts receivable and credit risks received special attention throughout the year. The amount of bad debt remained low at €0.5 (0.5) million.

Consolidated net interest-bearing liabilities increased to €94.1 (83.9) million. The solvency ratio was 42.1% (41.2%) and gearing came to 44.8% (39.3%). Average quarterly gearing was 64.0 (55.8), in line with the range of 30–70 set in the company's financial targets.

Events during the period

On 17 February, with reference to the December 2011 taxation adjustment decisions by the Finnish tax authorities, Uponor filed an appeal against the decisions and a request for rectification to the Board of Adjustment. This case is still in progress. Uponor made the payment of €15.0 million in taxes, surtaxes and interest in the first quarter of 2012. A total of €9.8 million in taxes relating to the increase in taxable income was booked as receivables and they are included in income tax receivables in the 2012 consolidated balance sheet.

On 13 March, Uponor reported that it had acquired the remaining 49.7% of shares in the German company Zent-Frenger Gesellschaft für Gebäudetechnik mbH, and now holds 100% of its share capital.

At the end of the first quarter, Uponor completed the divestment of its German OEM component manufacturing unit, Hewing GmbH, as first announced in January 2012.

On 21 September, Uponor Corporation and KWH Group Ltd, also a Finnish company, announced a plan which involves the merger of both companies' infrastructure pipe businesses into a new company. The new company would be jointly owned by Uponor (55.3%) and KWH Group (44.7%) and would focus on providing infrastructure pipe systems in northern Europe and elsewhere. The case is currently pending approval by the Finnish Competition Authorities, with a decision expected during the first quarter of 2013.

Considerable effort was put into developing the structure and performance of the supply chain in 2012, with a focus on warehousing and distribution. Since spring, the logistics centre in Wettringen, north-western Germany began to serve all central European countries and is being developed into a logistics hub for the entire region, delivering the complete Uponor building solutions product range. A new distribution centre for Uponor's building solutions business in the Nordic countries was completed in

Sweden and subsequently taken into use in December 2012.

Uponor continued the active marketing of its indoor climate systems to project customers, achieving good progress in some European countries, such as Switzerland. Among several other projects in new markets, it also agreed its first major cooling project in India and a new partnership in Korea.

Events after the period

There were no major events after the period.

Personnel and organisation

At the end of the year, the Group had 3,052 (3,228) employees. In full-time-equivalent terms, this is 176 less than at the end of 2011. The average number of employees for the year was 3,098 (3,288). In 2012, Uponor divested the German non-core subsidiary Hewing GmbH, whereby the number of personnel fell by 211. North America saw an increase of 66 persons, while the number of employees in Infrastructure Solutions was reduced by 31, both reflecting the changes in the market environment.

The geographical breakdown of the Group's personnel was as follows: Germany 860 (28.2%), Sweden 493 (16.2%), Finland 450 (14.7%), the USA 429 (14.1%), Spain 192 (6.3%), the UK 149 (4.9%), Italy 55 (1.8%), Denmark 49 (1.6%), other countries 375 (12.2%).

A total of €184.7 (€183.9) million was recorded in salaries, other remunerations and employee benefits during the financial period.

Effective on 15 February 2012, William (Bill) Gray, 46, a Canadian and British citizen, was appointed President, Uponor North America and a member of the Executive Committee at Uponor Group.

Key risks associated with business

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

Market risks

Uponor's principal areas of business are Europe and North America, where exposure to political risks is considered relatively low. Due to the protracted delicate economic conditions in Europe, particularly in the euro-zone, Uponor has, however, executed internal assessments of potential risks facing the euro area and their possible repercussions on Uponor's operations.

Demand for Uponor's products depends on business cycles in the construction sector. Traditionally, Uponor's main end market has comprised single-family housing. However, the company's products are increasingly being supplied for commercial and public building. Fluctuations in demand often differ between these sectors. Fluctuations are also being offset to a certain degree by demand for renovation projects, which is not always as discretionary as new housing projects. Nearly a fifth of the company's net sales are generated by 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.

Since Uponor's net sales are divided among a large number of customers, the majority of which are distributors (wholesalers), end-market demand for the company's products is distributed across a wide customer base. The five largest customer groups generate roughly one third of Uponor's net sales, which are distributed between 26 countries.

In many countries, Uponor's operations are regulated by local legislation. Uponor closely monitors laws and regulations under preparation, to anticipate their impact on Uponor and its customers.

Operational risks

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

With respect to component and raw material purchases, Uponor aims to use supplies and raw materials available from several suppliers. Any sole raw material supplier used should have at least two production plants manufacturing goods used by Uponor. Uponor implements systems for material and raw material quality control and supplier accreditation.

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

Uponor's business processes are managed using several IT applications, the most important being the ERP systems for the company's European and North American operations. System criticality review and contingency planning are included in the implementation and lifecycle management of major IT systems. Risks are also evaluated as part of Uponor's risk management process. Contingency plans can include, for example, failover planning, backup and restore management and testing. Disaster recovery tests are held on a biennial basis for key systems. External third-party audits are also performed.

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

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

Financial risks

Continuous uncertainty in the financial markets is posing considerable potential risks to the availability of financing. Uponor aims to ensure the availability, flexibility and affordability of financing by maintaining sufficient credit limit reserves and a well-balanced maturity distribution of loans, as well as by using several counterparties and various forms of financing.

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

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

The international nature of its operations exposes the Group to currency risks associated with different currencies. A significant part of Uponor's net sales are created in currencies other than the euro. Subsequently, a major part of expenses associated with these net sales are also denominated in the same local currencies, decreasing the 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 euros. According to the company's hedging policy, non-euro-area balance sheet items are not hedged, with the exception of internal loans, which are classified as net investments and included in hedge accounting.

Hazard risks

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

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

Risk management in 2012

No major risks materialised in 2012. As market conditions deteriorated after the strong start of the year, management and monitoring of market risk, once again, played a key role in the field of risk management.

With regard to Uponor's critical commodities, the price development in 2012 was smoother and calmer than during the previous year. Despite that, continuous risk management is an important and well acknowledged component in sourcing.

In the first half of the year, risks were again comprehensively mapped and risk management plans updated accordingly. The analysis of the impacts of possible business interruptions, begun during the autumn of 2011, was continued. The aim is to develop a Group-wide tool for analysing the impacts of possible business interruptions.

In 2012, in cooperation with insurance companies, Uponor assessed the functionality and preparedness of risk management in four production units. The results showed that the level of risk management was sound in all units.

With volatility still dominating the global economic arena, concern about the availability of bank finance on favourable terms remained on the agenda. To secure long term funding, Uponor has diversified its financing risks by using various sources of funding and multiple counterparties and markets. When funding is not raised from money or capital markets, special attention is paid to the quality of the counterparties. Only solid, well rated banks or financial institutions are used.

As in 2011, special attention was paid to the monitoring of account receivables and the handling of credit risk.

Together with changing tax policies, global economic volatility has increased companies' tax risk exposure, giving tax risk management more prominence during 2012, including within Uponor. The company has proactively endeavoured to focus on good tax governance and has assigned tax risk assessment a more explicit role in its risk assessment process.

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

Administration and audit

The Annual General Meeting (AGM) of 15 March 2012 re-elected the following Board members for a term of one year: Anne-Christine Silfverstolpe Nordin, Eva Nygren, Jorma Eloranta, Jari Paasikivi and Rainer S. Simon. In addition, Mr Jari Rosendal, a Finnish citizen, was elected as the sixth member. Jari Paasikivi was elected Chairman of the Board and Jorma Eloranta Deputy Chairman.

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

The general meeting resolved to establish a permanent Nomination Board comprising shareholders or representatives of shareholders, to annually prepare the proposals for the election of the members of the Board of Directors and the remuneration of members of the Board of Directors. The resolution was based on the Board of Directors' proposal. Their view was that it is in the interests of the company and its shareholders that the biggest shareholders in the company participate in preparations for the election and remuneration of Board members.

Uponor prepares a separate corporate governance statement and a remuneration statement, which will both be available online after the financial statement has been published, on Uponor's website at www.uponor.com > Investors > Governance > Corporate governance.

Share capital and shares

In 2012, Uponor's share turnover on the NASDAQ OMX Helsinki stock exchange was 22.0 (38.2) million shares, totalling €186.1 (€366.2) million. The share quotation at the end of 2012 was €9.60 (€6.86), and market capitalisation of the outstanding shares was €702.8 (€502.2) million. At the end of the year, there were a total of 17,788 (19,828) shareholders. Foreign shareholding in Uponor accounted for 30.2% (24.5%) of all shareholding in the company at the end of the reporting period. More detailed information is available in the financial statements.

In 2012, Uponor Corporation's share capital totalled €146,446,888 and the number of shares stood at 73,206,944. No changes were made in share capital during the year.

Uponor received the following notifications of changes in ownership in 2012: on 2 March, the holdings of Franklin Resources, Inc., a U.S. company, had reached 5.05%; on 4 September, as a result of corporate re-organisation, the total holdings of The Capital Group Companies Inc., also a U.S. company, amounted to 8.85%. No other notifications of changes in holdings were made during the year. Further information on shares and holdings is reported in the financial statements.

Board authorisations

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

Further, the AGM authorised the Board of Directors to resolve on issuing a maximum of 7.2 million new shares or transferring the company's own shares. The authorisation is valid for three years from the date of resolution. The maximum amount of issued shares is 9.8 per cent of the total number of the shares of the company. The Board of Directors is authorised to resolve on all the conditions of the issuance of shares. The issuance of shares may be carried out in deviation from the shareholders' preemptive rights (directed issue).

Treasury shares

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

Management shareholding

The members of the Board of Directors, the CEO and his deputy, along with corporations known to the company, in which they exercise control, held a total of 709,547 Uponor shares on 31 December 2012 (717,269 on 31 December 2011). These shares accounted for 0.97% of all shares and votes in the company.

Share-based incentive programme

In March 2012, the Board of Directors approved the establishment of a new long-term share-based incentive plan to be offered to the key management of the company. The plan will cover a maximum of twelve members of the Group's key management. Details of the plan, which covers the years 2012–2014, are presented on the company's website.

The purpose of the plan is to retain key management, as well as motivating and rewarding the management for a good performance that supports the company's profitability and the implementation of the company's strategy. The plan also encourages the key management to further acquire and own Uponor's shares, which will contribute to aligning the interests of the management, the company and shareholders.

Short-term outlook

The global economic environment continues to be fragile and uncertain, but in the shorter term the previous volatility seems to have subsided to some extent. In Europe, much work has been done to lay the foundations for stable development of the euro-zone, in particular. So far, the economies involved have been able to sustain a fixed course. In North America, the economic environment has begun to improve slowly from a low level, a development which is likely to continue in 2013. In Asia too, the macroeconomic environment has remained rather solid, but at a lower level of activity than in recent years.

As far as Uponor's key building and construction markets are concerned, general development in 2013 is expected to mirror the year 2012. Europe is expected to face continued weak market development in the southwest parts of the continent, while central and northern Europe should continue at a more stable pace or, at worst, decline modestly. In North America, it is anticipated that the markets will grow further.

Even in subdued markets, there are factors supporting business growth, such as the need for renovation and refurbishment, sustainability and low-energy building as growing trends, and preparation for extreme weather conditions. All of these may support demand for Uponor's indoor climate, plumbing and infrastructure solutions.

In recent years, Uponor has done much to fine-tune the company's operative structure, organisational setup and offering. Uponor is thus well positioned to take advantage of growth opportunities, or to scale up its operations should the need arise.

The management is keeping a sharp eye on the company's focus, cost-efficiency, and cash flow, in order to secure a solid financial position in the longer term, while simultaneously being alert for new business opportunities. If the outlook remains weak, further action to cut overheads and other costs may become necessary in selected markets.

Uponor issues the following guidance for 2013:
Uponor expects its net sales and operating profit to show modest organic growth from 2012. This guidance is based on the current business portfolio and organisational setup and on the company's anticipation that the external environment faces no major, unexpected changes.

Uponor's financial performance may be affected by a range of strategic, operational, financial and hazard risks. A more detailed risk analysis is provided in the 'Key risks associated with business' section of the Financial Statements 2012.

Uponor Corporation
Board of Directors

Proposal of the Board of Directors

The distributable funds of the parent company Uponor Corporation are € 109,417,538.73 of which profit for the period is € 1,385,383.82.

The Board of Directors proposes to the Annual General Meeting that

– a dividend of € 0.38 per share will be paid, at maximum	€ 27,765,295.08
– the remainder be retained in the shareholders' equity	€ 81,652,243.65
	€ 109,417,538.73

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

Vantaa, 12 February 2013

Jari Paasikivi Chairman	Jorma Eloranta	Jari Rosendal	Anne-Christine Silfverstolpe Nordin	Rainer S. Simon	Eva Nygren	Jyri Luomakoski Managing Director

Definitions of key ratios

$$\text{Return on Equity (ROE), \%} = \frac{\text{Profit before taxes – taxes}}{\text{Shareholder's equity + non-controlling interest, average}} \times 100$$

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

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

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

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

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

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

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

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

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

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

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

Group key financial figures

	2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS
Consolidated income statement (continuing operations), M€					
Net sales	**811.5**	806.4	749.2	734.1	949.2
Operating expenses	**726.5**	743.0	669.9	665.1	868.0
Depreciation	**28.2**	29.4	29.1	32.0	31.4
Other operating income	**0.9**	1.4	2.2	4.2	1.4
Operating profit	**57.7**	35.4	52.4	41.2	51.2
Financial income and expenses	**-8.6**	-17.7	-10.7	-12.7	-10.2
Profit before taxes	**49.4**	17.7	41.7	28.5	41.0
Result from continuing operations	**32.9**	1.9	27.0	17.2	30.1
Profit for the period	**32.8**	1.6	24.7	11.5	72.5
Consolidated balance sheet, M€					
Non-current assets	**185.6**	199.8	218.3	223.1	239.1
Goodwill	**74.9**	74.9	72.2	73.0	70.0
Inventories	**78.7**	81.8	84.4	74.3	104.5
Cash and cash equivalents	**17.7**	29.1	11.9	13.2	53.2
Accounts receivable and other receivables	**141.6**	129.4	110.4	115.0	128.1
Equity attributable to the owners of the parent company	**209.9**	209.2	252.1	258.0	305.6
Non-controlling interest	**-**	2.9	-	-	-
Provisions	**20.6**	22.0	12.0	18.4	30.0
Non-current interest-bearing liabilities	**107.6**	110.2	43.5	60.2	77.0
Current interest-bearing liabilities	**4.2**	2.8	35.2	17.6	36.8
Non-interest-bearing liabilities	**156.2**	167.9	154.4	144.4	145.5
Balance sheet total	**498.5**	515.0	497.2	498.6	594.9
Other key figures					
Operating profit (continuing operations), %	**7.1**	4.4	7.0	5.6	5.4
Profit before taxes (continuing operations), %	**6.1**	2.2	5.6	3.9	4.3
Return on Equity (ROE), %	**15.5**	0.7	9.7	4.1	22.7
Return on Investment (ROI), %	**16.7**	11.0	14.4	8.1	22.2
Solvency, %	**42.1**	41.2	50.8	51.8	51.4
Gearing, %	**44.8**	39.3	26.5	25.0	19.8
Net interest-bearing liabilities, M€	**94.1**	83.9	66.8	64.6	60.6
- % of net sales	**11.6**	10.4	8.9	8.8	6.4
Change in net sales, %	**0.6**	7.6	2.1	-22.7	-9.4
Exports from Finland, M€	**32.8**	34.7	30.4	23.0	34.1
Net sales of foreign subsidiaries, M€	**717.6**	709.8	658.9	644.7	836.5
Total net sales of foreign operations, M€	**718.1**	714.1	659.6	645.3	837.5
Share of foreign operations, %	**88.5**	88.6	88.0	87.9	88.2
Personnel at 31 December	**3,052**	3,228	3,197	3,316	3,678
Average number of personnel	**3,098**	3,288	3,219	3,426	4,211
Investments (continuing operations), M€	**19.2**	24.0	19.0	24.0	39.0
- % of net sales	**2.4**	3.0	2.5	3.5	4.1

Share-specific key figures

	2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS	2008 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	**73,067**	73,067	73,067	73,067	73,047
- average	**73,062**	73,067	73,067	73,049	73,187
Shareholders' equity, M€	**209.9**	209.2	252.1	258.0	305.6
Share trading, M€	**186.1**	366.2	481.5	455.8	1,195.1
Share trading, in thousands	**21,963**	38,155	37,389	45,815	99,227
- of average number of shares, %	**30.1**	52.2	51.2	62.7	135.6
Market value of share capital, M€	**702.8**	502.2	1,013.2	1,098.1	563.7
Adjusted earnings per share (fully diluted), €	**0.45**	0.03	0.34	0.16	0.99
Equity per share, €	**2.87**	2.86	3.45	3.53	4.18
Dividend, M€	[1] **27.8**	25.6	40.2	36.5	62.1
Dividend per share, €	[1] **0.38**	0.35	0.55	0.50	0.85
Effective share yield, %	**4.0**	5.1	4.0	3.3	11.0
Dividend per earnings, %	**84.4**	1,018.5	162.5	316.3	85.9
P/E ratio	**21.3**	199.7	40.9	94.9	7.8
Issue-adjusted share prices, €					
- highest	**10.00**	14.25	15.66	15.10	18.91
- lowest	**6.77**	6.03	10.58	6.80	6.10
- average	**8.47**	9.57	12.88	9.95	12.04

The definitions of key ratios are shown on page 22.

Notes to the table:
[1] Proposal of the Board of Directors
The average number of shares is adjusted with treasury shares.

Shares and shareholders

The volume of Uponor shares traded on the NASDAQ OMX Helsinki Exchange in 2012 totalled 21,963,026, valued at € 186.1 million. The share closed at € 9.60 and the market capitalisation came to € 702.8 million. The yearend number of shareholders totalled 17,788 of which foreign shareholders accounted for 30.2 per cent (24.5 per cent).

Major shareholders on 31 December 2012

Shareholder	Shares	% of shares	% of votes
Oras Invest Ltd	16,571,780	22.6	22.7
Varma Mutual Pension Insurance Company	5,162,072	7.1	7.1
Ilmarinen Mutual Pension Insurance Company	1,402,052	1.9	1.9
Investment fund Nordea Nordic Small Cap	962,095	1.3	1.3
Nordea Nordenfonden	900,286	1.2	1.2
Investment fund Alfred Berg Finland	853,129	1.2	1.2
State Pension Fund	805,000	1.1	1.1
Sigrid Juselius Foundation	773,200	1.1	1.1
Aktia Capital Investment fund	650,000	0.9	0.9
Paasikivi Pekka	560,406	0.8	0.8
Paasikivi Jari	546,830	0.7	0.7
Paasikivi Jukka	538,173	0.7	0.7
Others	43,341,543	59.2	59.3
Total	73,066,566	99.8	100.0
Own shares held by the company	140,378	0.2	-
Grand total	73,206,944	100.0	100.0
Nominee registered shares on 31 December 2012			
Nordea Bank Finland Plc	10,895,617	14.9	14.9
Nasdaq OMXBS/Skandinaviska Enskilda Banken AB	8,237,211	11.3	11.3
Svenska Handelsbanken AB (publ.)	1,850,811	2.5	2.5
Others	78,216	0.1	0.1
Total	21,061,855	28.8	28.8

The maximum number of votes which may be cast at the Annual General Meeting is 73,066,566 (status on 31 December 2012).

At the end of the financial period the company held a total of 140,378 own shares corresponding to the same number of votes. These shares do not entitle to vote in the Annual General Meeting.

Share-specific key figures

Shareholders by category on 31 December 2012

Category	No. of shares	% of shares
Private non-financial corporations	19,590,301	26.8
Public non-financial corporations	165,375	0.2
Financial and insurance corporations	4,867,774	6.7
General government	8,269,583	11.3
Non-profit institutions	3,449,646	4.7
Households	14,720,564	20.1
Foreign (including nominee registrations)	22,142,847	30.2
Other (joint account)	854	0.0
Total	73,206,944	100.0

Shareholders by size of holding on 31 December 2012

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1–100	288,751	0.4	4,247	23.9
101–1,000	4,489,159	6.1	10,576	59.4
1,001–10,000	7,302,333	10.0	2,714	15.3
10,001–100,000	5,586,836	7.6	211	1.2
100,001–1,000,000	11,420,322	15.6	34	0.2
1,000,001–	44,119,543	60.3	6	0.0
Total	73,206,944	100.0	17,788	100.0

Share capital development 2007–2012

	Date	Reason	Change, euro	Share capital, euro	Number of shares
2012	31 Dec			146,446,888	73,206,944
2011	31 Dec			146,446,888	73,206,944
2010	31 Dec			146,446,888	73,206,944
2009	31 Dec			146,446,888	73,206,944
2008	31 Dec			146,446,888	73,206,944
2007	31 Dec			146,446,888	73,206,944

Corporate governance

Pursuant to the Finnish Companies Act and the Articles of Association of Uponor Corporation (hereinafter 'the Company'), the control and management of the Company is divided among the shareholders, the Board of Directors ('the Board') and the Chief Executive Officer ('CEO'). The Company's shares are quoted on the NASDAQ OMX Helsinki Ltd, and the Company observes its rules and regulations for listed companies. Furthermore, the Company complies with the Finnish Corporate Governance Code 2010 issued by the Securities Market Association. Said Code is available on the website www.cgfinland.fi.

General meeting of shareholders

Shareholders exercise their rights in general meetings of shareholders, which constitute the Company's highest decision-making body. Under the Finnish Companies Act, decisions made by general meetings of shareholders include:

- Amendments to the Articles of Association;
- Adoption of the annual accounts;
- Dividend distribution;
- Share issues;
- Buyback and disposal of the Company's shares;
- Share and stock option plans;
- Election of members of the Board and decision on their emoluments; and
- Election of the Company's auditor and decision on audit fees.

Under the Finnish Companies Act, a shareholder has the right to require that an issue to be addressed by the general meeting of shareholders be included on the agenda of the general meeting of shareholders, if (s)he submits his/her demand in writing to the Board well in advance so that the matter can be included in the notice of meeting.

Shareholders who alone or jointly with others hold a minimum of 10 per cent of the Company's shares have the right to demand in writing that an extraordinary general meeting of shareholders be convened for the purpose of dealing with a specific matter.

Shareholders are entitled to exercise their rights at the general meeting of shareholders via an authorised representative, and the shareholder or the representative authorised by the shareholder may use an assistant at the meeting.

Shareholders wishing to participate in and exercise their voting rights at the general meeting of shareholders must notify the Company of their intention to attend the meeting by the date mentioned in the notice of meeting.

Board of Directors

Composition

Pursuant to the Articles of Association, the Board comprises a minimum of five and a maximum of seven members, elected for a one-year term starting at closing of the Annual General Meeting (AGM) at which they were elected and expiring at closing of the following AGM. Board members may be elected or removed only by a resolution adopted by the shareholders in a general meeting. The number of terms a Board member may serve is not limited, nor is there any defined retirement age. The Board elects a Chairman and a Deputy Chairman for one year at a time from amongst its members.

In March 2012, the AGM elected the following six members to the Board:

- Mr Jorma Eloranta, born 1951, M. Sc. (Tech.), member of the Uponor Board since 2005
- Ms Eva Nygren, born 1955, Architect, CEO, President and CEO, Rejlerkoncernen, member of the Uponor Board since 2011
- Mr Jari Paasikivi, born 1954, M.Sc. (Econ.), President and CEO, Oras Invest Oy, member of the Uponor Board since 2007
- Mr Jari Rosendal, born 1965, M. Sc. (Tech.), President, Non-ferrous Solutions business area and a member of the Executive Board, Outotec Oyj, member of the Uponor Board since 2012
- Ms Anne-Christine Silfverstolpe Nordin, born 1950, M.A. (Soc.) (Socionomexamen), Partner and Senior Consultant, Neuhauser & Falck AB, member of the Uponor Board since 2003
- Mr Rainer S. Simon, born 1950, Dr. Sc. (Econ.) (Dr. oec. HSG), Managing Director, BirchCourt GmbH, member of the Uponor Board since 2004.

For more detailed information on Uponor's Board members, please refer to page 13 or visit www.uponor.com.

The Company complies with the recommendations on issues related to Board members, their independence and non-executive position, issued by the Securities Market Association. All of the current Board members are independent of the Company and, with the exception of Mr Jari Paasikivi, they are also independent of major shareholders. According to Finnish legislation, all Board members are required to act in the best interest of the Company and its subsidiaries ("Group") as well as shareholders, and to disclose any potential conflicts of interest. It is in the interests of the Company and its stakeholders that the Board members represent expertise in various fields, such as the Group's industry, relevant technologies, financing, human resources management, risk management and international sales and marketing.

The AGM determines Board remuneration and fees. Based on the 2012 AGM's decision, the annual Board remuneration is as follows: Chairman €71,000, Deputy Chairman €49,000 and ordinary Board members €44,000. The AGM further decided that approximately 40 per cent of the annual remuneration be paid in company shares acquired on behalf and in the name of the Board members, and approximately 60 per cent in cash.

The AGM further decided that a separate remuneration per meeting shall be paid to Board members for all meetings, amounting to €600 for meetings held in the home country of the member, €1,200 for meetings held elsewhere in Europe, and €2,400 for meetings held outside of Europe. The remuneration for telephone meetings shall be the same as for meetings held in the home country of the member. Travel expenses are compensated for in accordance with the Company travel policy.

According to Uponor's policy, remuneration and fees are paid only to non-executive Board members.

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

The Board members are not involved in the Company's share-based incentive scheme.

The attached table shows the total annual remuneration paid to Board members for 2012.

Board member	**Remuneration in cash**	**Remuneration in shares**		**Additional remuneration for meeting attendance for Board members**
	€	Value, €	Number of shares	total €
Paasikivi, Jari, Chairman	42,606	28,394	3,413	10,200
Rajahalme, Aimo, Deputy Chairman until 15 March 2012				2,400
Eloranta, Jorma, Deputy Chairman as of 15 March 2012	29,408	19,592	2,355	12,000
Nygren, Eva	26,405	17,595	2,115	13,800
Rosendal, Jari	26,405	17,595	2,115	7,200
Silfverstolpe Nordin, Anne-Christine	26,405	17,595	2,115	17,400
Simon, Rainer S.	26,405	17,595	2,115	12,000
In total	177,634	118,366	14,228	75,000

Duties

In accordance with the Finnish Companies Act, the Board of Directors is responsible for the management of the Company and the proper organisation of its activities. The Board's main duty is to direct the Group's operations in such a way that, in the long run, the yield to shareholders is secured, while simultaneously taking the expectations of various stakeholders into account. In addition to its statutory duties, the Board takes decisions on all other significant issues.

According to the charter of the Board of the Directors, the Board shall, among other things:

a) annually review and determine the rules of procedure of the Board and the Executive Committee ('ExCom');
b) approve the Group's values and monitor their implementation;
c) approve the Group's basic strategy and monitor its implementation and updating,
d) determine the dividend policy;
e) present a proposal to the general meeting of shareholders on the payment of the dividend, including the amount and time of payment;
f) approve the annual operational plan and budget based on the strategy, as well as monitor their implementation;
g) annually approve the total amount of investments as well as any investments that exceed the approved total annual investment limit;
h) approve investments and leasing arrangements whose net present value exceeds the limit specified in the Signing and Authorisation Policy;
i) approve acquisitions, joint ventures, partnerships, licensing arrangements and asset divestments that exceed the limits specified in the Signing and Authorisation Policy;
j) approve the Group's general organisational structure;
k) appoint and dismiss the CEO and determine the terms of his/her service contract;
l) prepare and approve the CEO's annual compensation;
m) approve the appointment and dismissal of members of ExCom;
n) approve annual compensation for the members of ExCom;
o) prepare and approve a succession plan for the CEO;
p) approve succession plans for members of ExCom;
q) approve the interim reports, the annual report and the annual financial statements;
r) meet the external auditor at least once a year in a closed session without the management;
s) prepare the proposals for general meetings of shareholders;
t) annually evaluate the performance of the CEO and members of the Board as well as that of the Chairman;
u) approve key Group operational policies, such as compensation policy;
v) deal with other issues raised by the Chairman or the CEO.

Meetings and decision-making

The Board meets on average 10 times a year. Some meetings may be held as teleconferences. Two of the meetings should take place at different business units. The Board may also meet at any time without the presence of the management and make decisions without holding a meeting. Minutes of a meeting are taken in English for each meeting.

During 2012, the Board held 11 meetings, two at a business unit and one teleconference meeting. Three non-attendances were recorded (two of which were partial). The Board additionally made six decisions without having a meeting.

The CEO shall prepare the Board meeting agenda for the review by the Chairman. Any Board member may recommend the inclusion of a specific agenda item, such recommendations being accommodated to the extent practicable. Material for Board meetings shall be distributed to the members well in advance of each meeting.

The CEO and the Secretary to the Board shall attend Board meetings on a regular basis, while other members of the corporate management shall attend at the Chairman's invitation.

Board members shall have complete access to members of the ExCom and vice versa. Any non-routine communications shall be reported to the CEO.

The Board constitutes a quorum when more than half of the members are present. Decisions shall be made on a simple majority basis, with the Chairman casting the deciding vote should the votes be even.

Board committees

Audit Committee

The Board decided to re-establish the Audit Committee on 15 March 2012, with the same charter as earlier. The Board resolved to nominate Jorma Eloranta, Eva Nygren and Jari Rosendal as the members of the Audit Committee and that Jorma Eloranta shall act as the chairman of the Committee.

According to the charter of the Audit Committee, the Committee shall have the following duties:

- to monitor and supervise the reporting process of financial statements and assuring that the reporting process generates correct information, to deal with any exceptional and material items and their handling and to approve important accounting principles;
- to review and oversee the quality and integrity of the annual report and the annual financial statements as well as the interim reports;
- to monitor the financial position of the company and the sufficiency of financing and prepare matters and proposals to the Board on a need-to-know basis;
- to monitor the efficiency, plans and processes of the Group's internal control, internal audit and risk management systems;
- to review the Company's corporate governance statement including the description of the main features of the internal control and risk management systems pertaining to the financial reporting process;
- to approve the annual plan and budget, to issue instructions on and to review and monitor the operations, plans and reports of the internal audit function, to receive status reports of the internal audit function in every meeting and to meet with the internal auditor at least twice a year;
- to review the external audit plan and to monitor the statutory audit of the financial statements and consolidated financial statements, to approve the budget of the external audit as well as new assignment above the limit set by the Audit Committee;
- to meet with the external auditor quarterly and to review all material reports from the auditor;
- to evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited;
- to prepare the proposal for a resolution on the election of the auditor; and
- to meet with the management of the company, particularly the CEO and the CFO, but also others responsible for internal control and risk management.

The invitation and materials of the audit committee meetings shall be sent to the board members, who all have the right to attend the meetings.

During 2012, the Committee held four meetings. One non-attendance was recorded.

Remuneration Committee

The Board decided to re-establish the Remuneration Committee on 15 March 2012, with the same charter as earlier. The Board resolved to nominate Jorma Eloranta, Jari Paasikivi and Anne-Christine Silfverstolpe Nordin as the members of the committee and elected Jari Paasikivi as the chairman of the committee.

The duties of the committee shall be (charter):

- to prepare matters pertaining to the remuneration and other financial benefits of the managing director and other executives ;
- to prepare matters pertaining to the remuneration schemes of the company;
- to evaluate the remuneration of the managing director and the other executives as well as to see that the remuneration schemes are appropriate;
- to review the remuneration statement;
- to answer questions related to the remuneration statement at the general meeting.

The Remuneration Committee held two meetings during 2012. No non-attendances were recorded. The Committee additionally made one decision without having a meeting.

Nomination Board

In March 2012, the AGM resolved to establish a permanent Nomination Board comprising of shareholders or representatives of shareholders to annually prepare the proposals for the election of the members of the Board of Directors and the remuneration of the members of the Board of Directors.

The duties of the Nomination Board shall be to:

- prepare the proposal for the appointment of the members of the Board of Directors to be presented to the general meeting
- prepare the proposal to the general meeting on matters pertaining to the remuneration of the members of the Board of Directors
- look for prospective successors for the members of the Board of Directors
- present the proposals on the members of the Board of Directors and the members' remuneration to the general meeting.

The Nomination Board shall be comprised of the three largest shareholders or representatives of such shareholders, in addition to which the chairman of the Board of Directors shall act as an expert member. The three largest shareholders who on 31 August preceding the general meeting are registered in the shareholders' register of the company, held by Euroclear Finland Ltd. and have the largest share of all the voting rights, shall have the right to appoint the members representing the shareholders. The holdings of a shareholder, held in several funds or registers, who according to the Securities Market Act has an obligation to disclose changes in ownership (notified shareholdings), will be calculated together when counting the voting rights, if the shareholder so requests in writing to the Board of Directors, at the latest on 30 August preceding the general meeting. If a shareholder does not wish to use the right to appoint a member, the right shall pass on to the next biggest shareholder in to the shareholders' register, who otherwise would not have a right to appoint a member. The Nomination Board shall constitute a quorum when a majority of the members are present.

The Nomination Board is convened by the chairman of the Board of Directors and it shall elect a chairman amongst its members. The Nomination Board shall, as a rule, present its proposal to the Board of Directors of the company by the end of January and, in the minimum, four weeks prior to the general meeting in the same year as the general meeting is being held.

The Board of Directors of Uponor Corporation argues that it is in the interest of the company and its shareholders that the biggest shareholders of the company participate in the preparation of the election and remuneration of the members of the Board of Directors.

In September 2012, the following persons were nominated to the Nomination Board: Pekka Paasikivi, chairman (Oras Invest), Risto Murto (Varma), Timo Ritakallio (Ilmarinen) and Jari Paasikivi (expert member).

The Nomination Board held two meetings during 2012. No non-attendances were recorded. The Nomination Board additionally made one decision without having a meeting.

Chief Executive Officer

Mr Jyri Luomakoski, MBA, born 1967, acted as President and CEO of the Company during 2012.

Assisted by the ExCom, the CEO is in charge of the Group's day-to-day management in accordance with the orders and instructions issued by the Board. It is the CEO's duty to ensure that the Group's accounting procedures comply with the applicable legislation and that the financial management is conducted in a reliable manner. The CEO is also the Chairman of the ExCom.

In 2012, the base salary paid to the CEO Mr Jyri Luomakoski totalled €403,934.96 in cash and €32,352.13 as fringe benefits. In addition to that, he received a total of 3,760 Uponor shares as part of the long-term incentive programme that expired at the end of 2011. The value of those shares was €31,401.72, and to compensate for the income tax, he also received €32,683.42 in cash. The CEO's total remuneration thus amounted to €500, 372.23. The Company did not pay the CEO any bonuses for the year 2011. Bonuses to the CEO for the year 2012 amounted to €140,000, based on the Board's decision on 12 Feb 2013.

Under the terms of the CEO's written service contract, the contract may be terminated at a six months' notice, either by the CEO or the Company. If the Company terminates the contract, it must pay the CEO, in addition to statutory compensation for the notice period, an amount equivalent to the fixed total salary paid for the 12 months preceding the termination. The Company may also terminate the agreement with immediate effect, by paying an indemnification equivalent to the CEO's fixed total salary for 18 months.

The CEO retires at the age of 63, with a pension accrued in accordance with the Employees' Pensions Act (TyEL). Furthermore, the company has taken a defined contribution pension insurance for the CEO, to which the company annually pays €40,000.00.

Executive Vice President, Supply Chain, and member of the Executive Committee, Mr Sebastian Bondestam has acted as the deputy to the managing director of the parent company in 2012.

Executive Committee

Duties

The Executive Committee is mainly responsible for formulating and implementing the Group's strategy. It also discusses and decides on significant operational issues, while each of its members is responsible for the Group's day-to-day management with respect to his/her field of responsibility.

The ExCom shall, among other things, attend to the following:

a) the Group's strategy and its implementation throughout the Group;
b) budgets, business plans and their implementation;
c) significant organisational changes and any changes in employment conditions affecting large numbers of employees such as:
   - the composition of area/regional management teams,
   - major structural changes within the organisation,
   - all major redundancy programmes,
d) the appointment or removal of Senior Officers and Unit Managers belonging to the reporting chain of any ExCom member;
e) annual salary and incentive structures of the management (excluding those of ExCom members);
f) investments and leasing arrangements with net present value of leases being in the limits specified in the Signing and Authorisation Policy;
g) acquisitions, joint ventures, partnerships and licensing arrangements and, should these exceed the limit specified in the Signing and Authorisation Policy, the ExCom shall submit a proposal to the Board;
h) incorporation or dissolution of legal entities;
i) asset divestments – including real estate, legal units and shares in the limits specified in the Signing and Authorisation Policy;
j) performance by region/unit including analysis of market trends and the competitive environment, as well as significant corrective actions (to be discussed in each meeting);
k) R&D and new business development priorities and resources;
l) items related to the Group's brand architecture;
m) legal disputes and claims of a significant nature including matters at regional/unit level;
n) other matters, upon the Board's request.

ExCom prepares proposals to the Board on matters which require a resolution of the Board.

Membership

The ExCom comprises of the CEO and the number of executives determined by the Board, with the CEO acting as the Chairman. For more information on ExCom members and their responsibilities, please refer to pages 12–13 or visit our website at www.uponor.com.

Meetings and decision-making

The ExCom meets 8–12 times a year, with informal records being kept of its meetings. In 2012, the ExCom held 10 meetings.

The target is to achieve a unanimous view among the members of the ExCom on the issues under discussion. The decisions shall be confirmed by the Chairman.

Board and CEO evaluation

The Board conducts an annual evaluation of the CEO's performance with respect to, for example, strategic planning, management skills and financial performance, based on a special evaluation form. In addition, the Board conducts a separate evaluation of its performance and that of the Chairman, while each director also assesses his/her personal performance.

Compensation

The Group's compensation system consists of the basic salary, fringe benefits and a profit and performance-based bonus, which is subject to an individual employee's position. The superior of an employee's immediate supervisor is responsible for approving an individual employee's compensation.

On 2 March 2012 the Board of Directors approved the establishment of a new long-term share-based incentive plan to be offered to the key management of the company. The plan will cover a maximum of twelve members of the Group's key management. The plan covers the years 2012–2014. The purpose of the plan is to retain key management, as well as to motivate and reward the management for good performance that supports the company's profitability and the implementation of the company's strategy. The plan also encourages the key management to further acquire and own Uponor's shares, which will contribute to aligning the interests of the management, the company and the shareholders.

The company has taken a defined contribution pension plan for the deputy managing director Mr Sebastian Bondestam according to which he shall be entitled to a contribution of 9.37% of the annual base salary including fringe benefits for the year 2012. The Board shall decide on the percentage of the defined contribution separately for each year.

A Group employee is not entitled to a separate fee for a board membership within a Group company.

The Board determines the CEO's employment terms and conditions and annual compensation, and approves ExCom members' annual compensation, based on the CEO's proposal.

Internal control, risk management and internal audit

Internal control

The Board is responsible for the principles of internal control in Uponor. Uponor's internal control is defined as a process influenced by the Board, the management and all the individual employees of the Group. The objective of internal control is to ensure that the management has a reasonable assurance that:

- operations are effective, efficient and aligned with the strategy;
- financial reporting and management information is reliable, comprehensive and timely; and
- the Group is in compliance with applicable laws and regulations.

Uponor's internal control framework strives to balance the business needs and the control perspective. The aim of the internal control framework is thus to:

- focus on the most business-relevant risks and issues from the strategic alignment and operational effectiveness point of view;
- promote ethical values, good corporate governance and risk management practices;
- ensure compliance with laws, regulations and Uponor's internal policies; and
- assure production of reliable financial reporting to support internal decision-making and to serve the needs of external stakeholders.

The base for the internal control environment and integrity of the employees is set in Uponor's Code of Conduct and values.

Uponor's aim is to embed control in the daily operations. Effective internal control requires that duties are properly segregated to different employees and potential conflicts of interests are identified and eliminated. Examples of existing control mechanisms include group policies, accounting and reporting instructions and management meetings. Additionally, as an example, responsibilities for communication with external parties, such as customers, suppliers, regulators and shareholders are clearly set.

Ongoing monitoring occurs locally in each organisational unit, during the course of daily operations. Groupwide, the responsibility lies within the Finance and Administration function.

Whether separate evaluations are needed, and their scope and frequency, will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies shall be reported upstream, with serious matters to be reported to the top management and the Audit Committee. Any separate evaluations are performed by the internal audit function and may be initiated by the Audit Committee.

Risk management

Risk management is a systematic way of protecting business assets and income against losses in order to achieve the Company's targets without unnecessary interruption. Risk management also includes risk-taking. That means utilisation of opportunities, taking into account the risk-reward ratio in each case.

The objective of risk management is to enable the Company to implement its strategy, to ensure it achieves its financial targets and to protect it from operative incidents, which might prevent it from achieving its targets. A further objective is to ensure the continuity of the operations even in an exceptional business environment.

The main risk areas of the Company have been identified, with each ExCom member being allocated his/her own area of responsibility with regard to identified risks. These responsibilities include the management and proper organisation of such areas throughout the Group.

Group Risk Management Team, comprising the CFO, EVP Supply Chain, General Counsel and Vice President Treasury and Risk Management, is responsible for the monitoring of Group-level risks and mitigation actions, and for informing the ExCom and the Board.

Vice President Treasury and Risk Management is responsible for providing support to the members of the ExCom in developing risk policies and guidelines, as well as for establishing assessment, monitoring and reporting procedures. He/she provides support to the Regions/areas, units and functions by providing assistance and training. He/she is also responsible for establishing and maintaining the company's global insurance programmes.

A summary of risks associated with business are described in the Financial Statements report, please refer to pages 17–19 or visit our website at www.uponor.com.

Financial Risk Management related notes can be found in the Financial Statements, please refer to pages 61-63 or visit our website at www.uponor.com.

Internal audit

Internal audit is an integrated part of Uponor's internal control framework. It supports the Board and the management in following up the effectiveness of internal control and corporate governance. Internal Audit shall focus on the key risk areas of business. To achieve its objectives, it carries out independent audits of business units and subsidiaries, process reviews, and targeted audits on specific areas, to give the ExCom and the Board assurance that effective controls are in place. Moreover, Internal Audit performs reviews to ensure compliance with internal company policies, guidelines and laws and regulations.

Internal auditing is an independent, objective assurance and consulting activity designed to add value to and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The purpose, authority, and responsibilities of Internal Audit are defined in the Internal Audit Charter approved by the Audit Committee, to which Internal Audit is subordinated. The annual audit plan is approved by the Audit Committee. Internal Audit reports four times a year to the Audit Committee, presenting a summary of the most significant findings, while it also has the obligation and authority to report on any significant audit findings both to the ExCom and to the Audit Committee. Internal Audit has unrestricted access to the Board, and to all Uponor's records, personnel, and physical properties relevant to the performance of its engagement.

In 2012, the focus areas of internal audit included audits of Uponor's foreign subsidiaries, corporate functions and group-level processes. The audits of foreign subsidiaries concentrated on compliance with group policies, changes in business operations as well as review of business processes, risks and controls.

Administratively, Internal Audit reports to the Chief Financial Officer ('CFO'). Uponor has outsourced its internal auditing to PricewaterhouseCoopers Oy.

External audit

Assisted by the Audit Committee, the Board prepares a proposal on the external auditor and presents it to the AGM for election. The external auditor must be a corporation of authorised public accountants accredited by the Central Chamber of Commerce of Finland. In co-operation with the auditor, the corporate management organises the audit of the Group's subsidiary companies, as required by applicable local legislation. Auditors of these subsidiary companies report directly to the legal unit they have audited, submitting a copy of each report to the Group's financial administration for inclusion in the Company's audit log.

The 2012 AGM appointed Deloitte and Touche Oy, a corporation of authorised public accountants accredited by the Central Chamber of Commerce in Finland, as the Company's auditor for the financial year 2012, with Mikael Paul, Authorised Public Accountant, acting as the principal auditor.

Fees paid to the external auditor for the statutory audit services totalled €583,000 and for audit related and other services €303,000, in total €886,000 for the year 2012.

Insider guidelines

Uponor Corporation complies with the guidelines for insiders issued by the NASDAQ OMX Helsinki Ltd, the standards issued by the Financial Supervisory Authority of Finland as well as other authorities. The Company also has its own insider regulations.

Uponor's public insiders comprise of Board members, the CEO, ExCom members and the auditor. The Company maintains its public insider register in Euroclear Finland Ltd's SIRE system.

Uponor also maintains a company-specific, non-public register of its permanent insiders including, among others, employees within the Group's administration. A project-specific insider register is established whenever the Company runs a project falling within the scope of insider regulations, and those involved in the special project on the basis of their employment contract or another contract gain insider information on the Company. Typically, such a project is a thematic entity or arrangement not forming part of the Company's normal business activities due to its nature or size. The Group's internal insider rules are published on the Group intranet, and information on them has been distributed, for instance, in the Group's internal web magazine. Group employees are required to act in accordance with these rules.

Trading in the Company's shares and other securities is subject to prior approval by the Company's General Counsel. The Company applies an absolute trading prohibition that starts at the end of the reporting period, however, no later than three weeks prior to the disclosure of annual accounts or interim reports, and lasts until the disclosure of the annual accounts or an interim report.

The public insider register contains information of holdings of the public insiders and of corporations controlled by them and of their immediate circle as well as their most important positions of trust.

The attached table shows the shares owned by the public insiders (including any holdings of corporations controlled by them as well as any holdings of their immediate circle).

Shares held by public insiders in 2012

The Board of Directors and the Auditor

Name	Position	Date	Shares
		1 Jan	32,490
Eloranta, Jorma	Deputy Chairman of the Board as of 15 Mar 2012	31 Dec	34,845
		1 Jan	1,331
Nygren, Eva	Board member	31 Dec	3,446
		1 Jan	543,417
Paasikivi, Jari	Chairman of the Board	31 Dec	546,830
		15 Mar	-
Rosendal, Jari	Board member as of 15 Mar 2012	31 Dec	2,115
		1 Jan	35,019
Silfverstolpe Nordin, Anne-Christine	Board member	31 Dec	37,134
		1 Jan	32,395
Simon, Rainer S.	Board member	31 Dec	34,510
		1 Jan	-
Paul, Mikael	Auditor	31 Dec	-

The Executive Committee

Name	Position	Date	Shares
		1 Jan	4,172
Bondestam, Sebastian	ExCom member	31 Dec	6,907
		1 Jan	680
Carlsson, Robin	ExCom member	31 Dec	1,900
		1 Jan	2,735
Folgmann, Heiko	ExCom member	31 Dec	5,470
		15 Feb	-
Gray, William	ExCom member as of 15 Feb 2012	31 Dec	3,500
		1 Jan	40,000
Luomakoski, Jyri	President and CEO	31 Dec	43,760
		1 Jan	3,000
Palomäki, Riitta	ExCom member	31 Dec	3,000
		1 Jan	2,735
Roses, Fernando	ExCom member	31 Dec	5,470

Insider statuses terminated during 2012

Name	Position	Date	Shares
		1 Jan	28,445
Rajahalme, Aimo	Deputy Chairman of the Board until 15 Mar 2012	15 Mar	28,445

Consolidated statement of comprehensive income

M€	Note	**2012**	2011
Continuing operations			
Net sales	2	**811.5**	806.4
Cost of goods sold		**500.7**	513.5
Gross profit		**310.8**	292.9
Other operating income	7	**0.9**	1.4
Dispatching and warehousing expenses		**31.8**	31.1
Sales and marketing expenses		**161.3**	157.9
Administration expenses		**44.6**	43.0
Other operating expenses	7	**16.3**	26.9
Expenses		**254.0**	258.9
Operating profit	2	**57.7**	35.4
Financial income	10	**27.0**	18.2
Financial expenses	10	**35.6**	35.9
Share of result in associated companies		**0.3**	-
Profit before taxes		**49.4**	17.7
Income taxes	11	**16.5**	15.8
Result from continuing operations		**32.9**	1.9
Discontinued operations			
Result from discontinued operations		**-0.1**	-0.3
Profit for the period		**32.8**	1.6
Other comprehensive income			
Translation differences		**0.6**	2.0
Cash flow hedges, net of taxes		**-0.7**	-2.8
Net investment hedges		**-3.5**	-4.6
Other comprehensive income for the period, net of taxes		**-3.6**	-5.4
Total comprehensive income for the period		**29.2**	-3.8
Profit for the period attributable to			
Equity holders of parent company		**32.8**	2.5
Non-controlling interest		**-**	-0.9
Total compernsive income for the period attributable to			
Equity holders of parent company		**29.2**	-2.9
Non-controlling interest		**-**	-0.9
Earnings per share, €	12	**0.45**	0.03
- Continuing operations		**0.45**	0.03
- Discontinued operations		**0.00**	0.00
Diluted earnings per share, €		**0.45**	0.03
- Continuing operations		**0.45**	0.03
- Discontinued operations		**0.00**	0.00

Consolidated balance sheet

M€	Note	31 Dec 2012	31 Dec 2011
ASSETS			
Non-current assets			
Intangible assets			
Intangible rights		**18.6**	22.3
Goodwill		**74.9**	74.9
Other intangible assets		**0.2**	0.1
Investment in progress		**-**	0.0
Total intangible assets	13	**93.7**	97.3
Tangible assets			
Land and water areas		**10.8**	11.9
Buildings and structures		**42.6**	48.0
Machinery and equipment		**78.0**	75.6
Other tangible assets		**12.3**	11.6
Construction work in progress		**8.7**	14.5
Total tangible assets	14	**152.4**	161.6
Securities and long-term investments			
Investments in associated companies	16	**0.1**	0.0
Other shares and holdings	17	**0.2**	0.2
Non-current receivables	18	**0.5**	2.4
Total securities and long-term investments		**0.8**	2.6
Deferred tax assets	23	**13.6**	13.2
Total non-current assets		**260.5**	274.7
Current assets			
Inventories	19	**78.7**	81.8
Current receivables			
Accounts receivables		**107.3**	106.6
Current income tax receivables		**15.1**	2.4
Accruals		**4.6**	5.5
Other receivables		**14.6**	14.9
Total current receivables	20	**141.6**	129.4
Cash and cash equivalents	21	**17.7**	29.1
Total current assets		**238.0**	240.3
Total assets		**498.5**	515.0

M€	Note	31 Dec 2012	31 Dec 2011
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent company	22		
Share capital		**146.4**	146.4
Share premium		**50.2**	50.2
Other reserves		**-0.5**	0.2
Translation reserve		**-15.4**	-12.5
Retained earnings		**-3.6**	22.4
Profit for the period		**32.8**	2.5
Total equity attributable to the owners of the parent company		**209.9**	209.2
Non-controlling interest		**-**	2.9
Total equity		**209.9**	212.1
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	26	**107.6**	110.2
Employee benefit obligations	24	**18.8**	21.1
Provisions	25	**5.1**	5.2
Deferred tax liabilities	23	**14.8**	12.2
Other non-current liabilities		**0.4**	0.2
Total non-current liabilities		**146.7**	148.9
Current liabilities			
Interest bearing liabilities	26	**4.2**	2.8
Accounts payable		**43.3**	45.7
Current income tax liability		**2.9**	6.1
Provisions	25	**15.5**	16.8
Other current liabilities	27	**76.0**	82.6
Total current liabilities		**141.9**	154.0
Total liabilities		**288.6**	302.9
Total shareholders' equity and liabilities		**498.5**	515.0

Consolidated cash flow statement

M€	Note	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Cash flow from operations			
Net cash from operations			
Profit for the period		**32.8**	1.6
Adjustments for:			
Depreciation		**28.2**	29.4
Impairments		**-**	16.8
Income taxes		**16.5**	15.8
Interest income		**-0.5**	-1.8
Interest expense		**5.6**	6.9
Sales gains/losses from the sale of businesses and fixed assets		**0.4**	-0.3
Share of profit in associated companies		**-0.3**	-0.2
Other cash flow adjustments		**-5.3**	-1.4
Net cash from operations		**77.4**	66.8
Change in net working capital			
Receivables		**-3.5**	-12.3
Inventories		**-2.0**	2.7
Non-interest-bearing liabilities		**-2.1**	22.0
Change in net working capital		**-7.6**	12.4
Income taxes paid		**-30.2**	-16.5
Interests paid		**-7.4**	-6.3
Interests received		**0.5**	2.0
Cash flow from operations		**32.7**	58.4

M€	Note	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Cash flow from investments			
Proceeds from disposal of subsidiaries and businesses *)	6	**7.6**	-
Share acquisitions	4	**-**	-6.4
Proceeds from share divestments		**0.0**	0.1
Purchase of fixed assets		**-19.2**	-24.0
Proceeds from sale of fixed assets		**1.2**	1.1
Dividends received		**0.2**	0.0
Loan repayments		**0.0**	0.1
Cash flow from investments		**-10.2**	-29.1
Cash flow before financing		**22.5**	29.3
Cash flow from financing			
Borrowings of debt		**46.3**	162.1
Repayments of debt		**-47.3**	-113.7
Change in other short term debt		**0.5**	-18.3
Dividends paid		**-25.6**	-40.2
Acquisition of non-controlling interest	5	**-6.2**	-
Payment of finance lease liabilities		**-1.5**	-2.0
Cash flow from financing		**-33.8**	-12.1
Conversion differences for cash and cash equivalents		**-0.1**	0.0
Change in cash and cash equivalents		**-11.4**	17.2
Cash and cash equivalents at 1 January		**29.1**	11.9
Cash and cash equivalents at 31 December		**17.7**	29.1
Changes according to balance sheet	21	**-11.4**	17.2

*) The above presented proceeds from disposal of subsidiaries and businesses equals to cash received from sale and the cash and cash equivalents disposed of.

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 differences	Retained earnings	Equity attributable to the owners of the parent company	Non-Controlling interest	**Total**
Balance at 1 January 2012	73,047	146.4	50.2	1.7	0.1	-1.6	-1.2	-12.5	26.1	209.2	2.9	**212.1**
Total comprehensive income for the period						-0.7		-2.9	32.8	29.2		**29.2**
Dividend paid									-25.6	-25.6		**-25.6**
Transfers between reserves				0.0					0.0	-		**-**
Share based incentive plan	20						0.2		0.2	0.4		**0.4**
Acquisition of non-controlling interest									-3.3	-3.3	-2.9	**-6.2**
Other adjustments									0.0	0.0		**0.0**
Balance at 31 December 2012	73,067	146.4	50.2	1.7	0.1	-2.3	-1.0	-15.4	30.2	209.9	-	**209.9**
Balance at 1 January 2011	73,047	146.4	50.2	1.6	0.1	1.2	-1.2	-9.8	63.6	252.1	-	**252.1**
Total comprehensive income for the period						-2.8		-2.6	2.5	-2.9	-0.9	**-3.8**
Dividend paid									-40.2	-40.2		**-40.2**
Transfers between reserves				0.0					0.0	-		**-**
Share based incentive plan									0.1	0.1		**0.1**
Other adjustments				0.1				-0.1	0.1	0.1	3.8	**3.9**
Balance at 31 December 2011	73,047	146.4	50.2	1.7	0.1	-1.6	-1.2	-12.5	26.1	209.2	2.9	**212.1**

For further information see note 22.

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 Infrastructure Solutions. Its segment business risks and profitability factors differ from each other in respect of the market and business environment and Uponor's 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 www.uponor.com and can be ordered from Uponor Corporation, using the above-mentioned address.

At its meeting of 12 February 2013, 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 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 2012. 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. In addition, judgement is required in the application of accounting policies. Although these estimates are based on the management's best judgement of current events and actions, the actual results may ultimately differ from these estimates.

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 percent 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 percent of the voting rights, or over which the Group otherwise exercises a major influence. Holdings in associated companies are included in the consolidated financial statements, using the equity method. Accordingly, the share of post-acquisition profits and losses of associated companies is recognised in the income statement, to the extent of the Group's holding in the associated companies. When the Group's share of losses of an associated company 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 obligations.

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.

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.

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. Uponor 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 such capitalised development costs in the balance sheet that would fullfill the criteria for capitalisation.

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 plans, the liability in respect of defined benefit pension plans is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. 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.

The portion of actuarial gains and losses for each defined benefit plan entered in the profit and loss account is the excess beyond the higher of the following: 10% of the present value of the pension obligation or fair value of pension plan assets divided by the expected average remaining working lives of the employees participating in the plan.

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.

Notes to the consolidated financial statements

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, capitalised development costs and software licences. 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. 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 regularly.

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 short-term 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 at 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. This applies in particular to 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 best judgement of the management 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.

New and amended IFRSs adopted in 2012

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 impact on the amounts reported for the current and prior years but may affect the accounting for future transactions and events.

- Amendment to IAS 12 *Income Taxes* (effective for reporting periods beginning on or after 1 January 2012). IAS 12 earlier required an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use (i.e. rental income) or sale. According to the amendment the investment properties measured at fair value are expected to recover their carrying amount through sale.

- Amendment to IFRS 7 *Financial instruments – Disclosures* (effective for reporting periods beginning on or after 1 July 2011). The amendment provides greater transparency around the disclosure requirements for transactions involving transfers of the financial instruments and increases the understanding of risks associated with financial instruments and the risks' effect on financial position of the entity, particularly those involving securitisation of financial assets.

Application of new and revised IFRSs effective from 2013

- Amendment to IAS 1 *Presentation of Financial Statements* (effective for reporting periods beginning on or after 1 July 2012). The main change is the requirement for grouping items in 'other comprehensive income' based on whether they are potentially reclassifiable to profit or loss as certain conditions are fulfilled. Uponor will group items in other comprehensive income as required.
- Amendment to IAS 19 *Employee Benefits* (effective for reporting periods beginning on or after 1 January 2013). The amendments state that all actuarial gains and losses are immediately recognised through other comprehensive income, in other words, the corridor approach is eliminated and financial cost is determined on net funding basis. The change will increase the Group's employee benefit liability. Net interest cost will replace existing interest expense and expected return on plan assets. The presentation of expenses relating to defined benefit obligations will be changed; service cost will be presented in operating expenses while net interest will be presented in financial expenses. Currently all expenses relating to employee benefits are reported as operating expenses. This change does not have material impact on the reported financial statements.

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

IASB has published the following new or revised standards and interpretations which the Group has not yet adopted. The Group will adopt each standard and interpretation 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.

- IFRS 9 *Financial Instruments* (effective for reporting periods beginning on or after 1 January 2015). IFRS 9 project is the first phase of a wider project which aims to replace IAS 39 with a new standard. According to IFRS 9, financial assets are classified and measured based on entity's business model and the contractual cash flow characteristics of the financial asset. Classification and measurement of financial liabilities is mainly based on the current IAS 39 principles. Impairment of financial assets and hedge accounting are the most significant uncompleted parts of IFRS 9. The standard has not yet been endorsed by EU.
- IFRS 10 *Consolidated Financial Statements* (effective for reporting periods beginning on or after 1 January 2013). The standard establishes control as the base for consolidation. Additionally, the standard provides further guidance on how to apply principles of control when it is challenging to assess. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.
- IFRS 11 *Joint Arrangements* (effective for reporting periods beginning on or after 1 January 2013). The standard emphases the rights and obligations of the joint arrangement rather than its legal form in the accounting. The arrangements are divided into two: joint operations and joint ventures. The standard requires joint ventures to be accounted for using equity method of accounting. Proportional consolidation of joint ventures is no longer allowed. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.
- IFRS 12 *Disclosure of Interests in Other Entities* (effective for reporting periods beginning on or after 1 January 2013). The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.
- IFRS 13 *Fair Value Measurement* (effective for reporting periods beginning on or after 1 January 2013). The standard aims to increase uniformity by providing specific definition for fair value. It also provides both requirements for determining fair value and the required disclosures under the same standard. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards.
- IAS 27 (revised 2011) *Separate Financial Statements* (effective for reporting periods beginning on or after 1 January 2013). The revised standard includes the requirements for separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.
- IAS 28 (revised 2011) *Investments in Associates and Joint Ventures* (effective for reporting periods beginning on or after 1 January 2013). The revised standard includes requirements for both joint operations and associates to be accounted by using equity method of accounting after IFRS 11 was issued. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.
- Amendment to IAS 32 *Financial instruments: Presentation* (effective for reporting periods beginning on or after 1 January 2014) and amendment to IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2013). These amendments are intended to clarify existing offsetting rules and to require additional disclosure information about rights of offset in certain specific circumstances.

Notes to the consolidated financial statements

- Amendment to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* (effective for reporting periods beginning on or after 1 January 2013). The amendment provides additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The standard has not yet been endorsed by EU.
- Amendment to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* (effective for reporting periods beginning on or after 1 January 2014). The amendment provides 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39. The standard has not yet been endorsed by EU.
- Annual Improvements to IFRS 2009–2011, May 2012 (effective for reporting periods beginning on or after 1 January 2013). In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. The improvements concern five standards. The nature of the improvements depends on the standards, but they do not have material impact on the consolidated financial statements. The standard has not yet been endorsed by 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 Infrastructure Solutions. The business risks and profitability factors differ from each other in respect of the market and business environments, product offering, services and customers. Group 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 European markets and sales to 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.

Infrastructure Solutions' business is located in the Nordic and Baltic countries. Its products and services, such as infrastructure high-pressure pipes and sewage and waste water treatment systems, are sold to municipalities, utilities and other 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.

Revenue, result, assets and liabilities of Hewing GmbH, which was sold during 2012, were included in the Building Solutions – Europe segment. In 2011, an impairment of €10.5 million was recorded relating to Hewing GmbH and it is reported under the segment Others, as the holding company who owned Hewing GmbH belongs to this segment.

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.

M€			**2012**
Net sales by segment, continuing operations	External	Internal	**Total**
Building Solutions – Europe	517.3	0.4	**517.7**
Building Solutions – North America	151.1	-	**151.1**
Infrastructure Solutions	143.1	5.9	**149.0**
Eliminations	-	-6.3	**-6.3**
Uponor Group	811.5	-	**811.5**

M€			2011
Net sales by segment, continuing operations	External	Internal	Total
Building Solutions – Europe	543.2	0.7	543.9
Building Solutions – North America	121.5	-	121.5
Infrastructure Solutions	141.7	8.0	149.7
Eliminations	-	-8.7	-8.7
Uponor Group	806.4	-	806.4

M€	2012	2011
Operating result by segment, continuing operations		
Building Solutions – Europe	**47.2**	41.7
Building Solutions – North America	**17.8**	10.1
Infrastructure Solutions	**0.0**	-2.4
Others	**-6.1**	-14.0
Eliminations	**-1.2**	0.0
Uponor Group	**57.7**	35.4

M€	2012	2011
Segment depreciation and impairments, continuing operations		
Building Solutions – Europe	**11.4**	13.0
Building Solutions – North America	**6.0**	5.5
Infrastructure Solutions	**5.9**	6.2
Others *)	**4.4**	14.7
Eliminations	**0.5**	0.5
Uponor Group	**28.2**	39.9

*) 2011 includes impairment of €10.5 million relating to Hewing GmbH.

M€	2012	2011
Segment investments, continuing operations		
Building Solutions – Europe	**7.8**	13.6
Building Solutions – North America	**5.9**	3.6
Infrastructure Solutions	**4.2**	5.4
Others	**1.3**	1.4
Uponor Group	**19.2**	24.0

M€	2012	2011
Segment assets		
Building Solutions – Europe	**364.0**	433.9
Building Solutions – North America	**119.6**	130.0
Infrastructure Solutions	**84.4**	83.0
Others	**249.8**	283.5
Eliminations	**-319.3**	-415.4
Uponor Group	**498.5**	515.0

M€	2012	2011
Segment liabilities		
Building Solutions – Europe	**286.9**	296.7
Building Solutions – North America	**69.2**	89.6
Infrastructure Solutions	**66.5**	60.2
Others	**210.2**	285.6
Eliminations	**-344.2**	-429.2
Uponor Group	**288.6**	302.9

M€	2012	2011
Segment personnel, continuing operations, average		
Building Solutions – Europe	**2,132**	2,305
Building Solutions – North America	**427**	409
Infrastructure Solutions	**480**	516
Others	**59**	58
Uponor Group	**3,098**	3,288

Reconciliations

M€	2012	2011
Net sales by segment, continuing operations		
Total net sales for reportable segments	**817.8**	815.1
Eliminations	**-6.3**	-8.7
Uponor Group	**811.5**	806.4

M€	2012	2011
Operating result by segment, continuing operations		
Total result for reportable segments	**65.0**	49.4
Others	**-6.1**	-14.0
Eliminations	**-1.2**	0.0
Operating profit	**57.7**	35.4
Unallocated amounts	**-8.3**	-17.7
Profit before taxes	**49.4**	17.7

M€	2012	2011
Segment assets		
Total assets for reportable segments	**568.0**	646.9
Others	**249.8**	283.5
Eliminations	**-319.3**	-415.4
Uponor Group	**498.5**	515.0

M€	2012	2011
Segment liabilities		
Total liabilities for reportable segments	**422.6**	446.5
Others	**210.2**	285.6
Eliminations	**-344.2**	-429.2
Segment liabilities	**288.6**	302.9
Unallocated amounts	**209.9**	212.1
Uponor Group	**498.5**	515.0

Entity-wide information

Information about product and services

M€	2012	2011
External net sales, continuing operations		
Building Solutions	**667.4**	663.7
Infrastructure Solutions	**144.1**	142.7
Uponor Group	**811.5**	806.4

Information about geographical areas

M€	2012	2011
External net sales, continuing operations		
Finland	**93.8**	92.5
Germany	**145.3**	150.8
USA	**114.8**	88.5
Sweden	**79.9**	84.6
Norway	**39.2**	36.9
Canada	**36.6**	33.0
Denmark	**33.4**	36.9
Netherlands	**32.1**	35.4
UK	**30.9**	28.4
Spain	**30.7**	38.6
Others	**174.8**	180.8
Uponor Group	**811.5**	806.4

M€	2012	2011
Non-current assets		
Finland	**42.3**	46.9
Germany	**33.5**	40.2
Sweden	**40.2**	41.0
USA	**40.6**	41.6
Spain	**8.0**	9.2
Others	**7.4**	7.7
Uponor Group	**172.0**	186.6

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. The presentation of the assets has been changed from previous year to non-current assets and the comparison period has been changed accordingly.

3. Discontinued operations

In 2012 and 2011, the discontinued operations include €0.1 (0.3) million costs related to the Irish infrastructure business sold in 2008. These costs incurred mainly from administrative and operative costs.

M€	2012	2011
Expenses	**0.1**	0.3
Result before taxes	**-0.1**	-0.3
Income taxes	**-**	-
Result after taxes	**-0.1**	-0.3
Result for the period from discontinued operations	**-0.1**	-0.3
Cash flow from discontinued operations		
Cash flow from operations	**-0.5**	-0.3

4. Business combinations

In September 2012 Uponor and KWH Group Ltd announced a plan, which involves a merger of both companies' infrastructure pipe businesses into a new company. The new company would be jointly owned by Uponor (55.3%) and KWH Group (44.7%). The case is currently pending approval by the Finnish Competition Authorities. The Group did not have any realised acquisitions in the reporting period.

The final acquisition calculation of the acquisition of the 50.3% majority stake in Zent-Frenger Gesellschaft für Gebäudetechnik mbH is presented below. The acquisition took place in April 2011.

M€	2012	2011
Recognised amounts of identifiable net assets acquired and liabilities assumed		
Non-current assets	-	3.8
Inventories	-	1.0
Accounts receivable and other receivables	-	5.9
Cash and cash equivalents	-	6.4
Total assets	-	17.1
Non-current interest-bearing liabilities	-	4.2
Deferred tax liability	-	0.1
Accounts payable and other liabilities	-	5.1
Total liabilities	-	9.4
Net assets	-	7.7
Acquisition cost	-	6.4
Non-controlling interest	-	3.8
Acquired net assets	-	-7.7
Goodwill	-	2.6

5. Acquisition of non-controlling interest

Uponor acquired on 12 March 2012 the remaining 49.7% of the shares in Zent-Frenger Gesellschaft für Gebäudetechnik mbH. The cash consideration paid was €6.2 million. The acquisition of non-controlling interest has been recorded directly to equity according to IAS 27 and its effect in the retained earnings was -€3.3 million. The acquired net assets were €2.9 million.

6. Disposal of subsidiaries

Uponor closed the divestment of Hewing GmbH at the end of the first quarter 2012. The sales price of €11.9 million was received on 2 April 2012. This was later adjusted on the basis of the closing statement, ending up at €11.5 million. The net impact on the year 2012 result was immaterial. In 2011, an impairment of €10.5 million related to Hewing GmbH was recorded.

M€	2012	2011
Book value of disposed assets		
Tangible assets	**3.4**	-
Intangible assets	**0.1**	-
Other non-current assets	**0.3**	-
Inventory	**5.6**	-
Accounts receivable and other receivables	**6.9**	-
Cash and cash equivalents	**3.9**	-
Total assets	**20.2**	-
Employee benefits and other liabilities	**2.3**	-
Provisions	**0.5**	-
Accounts payable and other current liabilities	**5.9**	-
Total liabilities	**8.7**	-
Net assets	**11.5**	-
Cash received from sales	**11.5**	-
Cash and cash equivalent disposed of	**3.9**	-
Cash flow effect	**7.6**	-

7. Other operating income and expenses

M€	2012	2011
Other operating income		
Gains from sales of fixed assets	**0.2**	0.4
Royalties	**0.2**	0.1
Dividends from associated companies	**-**	0.2
Other items	**0.5**	0.7
Total	**0.9**	1.4
Other operating expenses		
Losses from sales of fixed assets	**0.1**	0.1
Research and development expenses	**15.9**	16.3
Impairments	**-**	10.5
Other items	**0.3**	-
Total	**16.3**	26.9

Other operating expenses occur mostly from research and development activities. In 2011, they include €10.5 million impairment of Hewing GmbH subsidiary shares.

8. Employee benefits

M€	2012	2011
Short-term employee benefits:		
- Salaries and bonuses	**150.4**	149.9
- Other social costs	**24.9**	25.4
Post-employment benefits:		
- Pension expenses- defined contribution plans	**7.3**	6.7
- Pension expenses- defined benefit plans	**1.2**	0.8
Other long-term employee benefits	**0.0**	-0.1
Termination benefit expenses	**0.5**	1.2
Share based payments		
- Cash settled share-based payment transactions	**0.2**	-
- Equity settled share-based payment transactions	**0.2**	0.0
Total	**184.7**	183.9

Information on the management's employee benefits is presented in note 34, Related party transactions.

9. Depreciation and impairment

M€	2012	2011
Depreciation by asset category		
Intangible rights	**4.8**	4.5
Other intangible assets	**0.0**	0.1
Land and water areas	**0.1**	0.1
Buildings and structures	**3.8**	4.0
Machinery and equipment	**16.4**	17.8
Other tangible assets	**3.1**	2.9
Total	**28.2**	29.4
Depreciation by function		
Cost of goods sold	**18.4**	20.1
Dispatching and warehousing	**1.2**	1.2
Sales and marketing	**1.7**	1.9
Administration	**6.1**	5.7
Other	**0.8**	0.5
Total	**28.2**	29.4

In 2011 the Group booked an impairment of €10.5 million relating to the sale of the German Hewing GmbH shares. This was reported as other operating expense.

10. Financial income and expenses and currency exchange differences

M€	2012	2011
Financial income		
Dividend income on available-for-sale financial assets	**0.0**	0.0
Interest income from loans and other receivables	**0.5**	1.3
Interest income from interest rate swaps	**0.6**	0.5
Profit from financial assets and liabilities designated at fair value through profit and loss - foreign currency derivatives, not under hedge accounting	**21.7**	12.0
Exchange differences	**4.0**	4.2
Other financial income	**0.2**	0.2
Total	**27.0**	18.2
Financial expenses		
Interest expense for financial liabilities measured at amortised cost	**5.6**	6.2
Interest expense from interest rate swaps	**1.2**	0.7
Penalty interest	**-**	3.2
Loss from financial assets and liabilities designated at fair value through profit and loss - foreign currency derivatives, not under hedge accounting	**25.0**	13.2
Exchange differences	**2.6**	4.2
Impairment of investments	**-**	6.3
Other financial costs	**1.2**	2.1
Total	**35.6**	35.9

In 2012 exchange rate gains and losses included in operating income and expenses total €1.2 million gain (€0.4 million gain). Interest expenses include the interest part of finance lease payments of €0.9 million (€1.0 million).

Year 2011 interest expenses include interest on delayed payments totalling of €3.2 million relating to the tax assessment from the Finnish tax authorities concerning years 2005–2009. The impairment of investments includes an impairment related to the vendor note issued in 2008 to the buyer of the municipal infrastructure business that Uponor divested in the UK and Ireland.

11. Income taxes

M€	2012	2011
Current year and previous years taxes		
For the financial period	**15.1**	13.2
For previous financial periods	**-0.8**	1.8
Change in deferred taxes	**2.2**	0.8
Total	**16.5**	15.8
Tax reconciliation		
Profit before taxes	**49.4**	17.8
Computed tax at Finnish statutory rate	**12.1**	4.6
Difference between Finnish and foreign rates	**2.9**	0.3
Non-deductible expenses	**2.3**	9.0
Tax exempt income	**-0.2**	-0.9
Utilisation of previously unrecognised tax losses	**-0.8**	0.0
Unrecognised deferred tax assets on losses	**1.9**	0.9
Change in tax legislation	**-0.7**	0.1
Taxes from previous years	**-0.8**	1.8
Other items	**-0.2**	0.0
Total	**16.5**	15.8
Effective tax rate, %	**33.4**	88.8

During the year 2012, the most significant change in the national tax legislation with an influence on Group companies was the decrease in the Swedish tax rate from 26.3 percent to 22 percent as of 1 January 2013. The valuation of deferred tax on 31 December 2012 in accordance with the new tax rate reduced the Group's taxes by €0.7 million. The effective tax rate in 2012 decreased to 33.4 percent from the previous year's 88.8 percent. Unrecognised deferred tax asset from carry forward losses increased the Group's effective tax rate.

The 2011 tax rate was impacted by non-recurring items: the impairment related to Hewing GmbH and the surtaxes and tax penalties related to taxation adjustment decision concerning certain Finnish Group companies. These were both non-deductible expenses and thus increased the tax rate.

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 for the years 2005–2009 in the beginning of 2012. Uponor has appealed against the decisions and has submitted a request for rectification for the Board of Adjustment. The additional taxation and taxation adjustment decisions are based on a tax audit for the years 2004-2007, performed on some Uponor companies in Finland in the summer of 2008. The dispute mainly pertains to market-based transfer pricing of the company's internal service charges.

In 2011, taxes for the previous periods included €1.9 million in surtaxes related to these tax decisions. Interest on delayed payment (€3.3 million) was booked in financial expenses. The taxes related to the increased income taxes (at €9.8 million) were not expensed nor recorded as liability in 2011. The taxes paid in the beginning of 2012 relating to the increase in taxable income have been booked as receivables from the tax authority and they are included in current income tax receivable in the consolidated balance sheet. If the original decisions by the Finnish tax authorities would remain in force, Uponor will start initiatives to avoid double taxation in alignment with EU legislation and OECD guidelines. If Uponor, against expectations, should fail to get the appeal approved, the surtaxes and interests would be the company's loss.

Taxes relating to other comprehensive income

M€	2012	2011
Cash flow hedges		
Before taxes	**-0.9**	-3.8
Tax effect	**0.2**	1.0
Net of taxes	**-0.7**	-2.8

Notes to the consolidated financial statements

12. Earnings per share

M€	**2012**	2011
Result from continuing operations	**32.9**	1.9
Result from discontinued operations	**-0.1**	-0.3
Profit for the period	**32.8**	1.6
Shares, in thousands		
Weighted average number of shares *)	**73,062**	73,067
Diluted weighted average number of shares	**73,093**	73,067
Basic earnings per share, €	**0.45**	0.03
- Continuing operations	**0.45**	0.03
- Discontinued operations	**0.00**	0.00
Diluted earnings per share, €	**0.45**	0.03
- Continuing operations	**0.45**	0.03
- Discontinued operations	**0.00**	0.00

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

13. Intangible assets

2012 M€	Intangible rights	Goodwill	Other intangible assets	Investment in progress	**Intangible assets**
Acquisition costs 1 Jan	60.9	75.6	0.4	-	**136.9**
Structural changes	-5.1	-	-	-	**-5.1**
Translation difference	0.4	0.0	-	-	**0.4**
Increases	1.1	-	0.1	-	**1.2**
Decreases	-0.1	-	-	-	**-0.1**
Acquisition costs 31 Dec	57.2	75.6	0.5	-	**133.3**
Accumulated depreciations and impairments 1 Jan	38.6	0.7	0.3	-	**39.6**
Structural changes	-5.0	-	-	-	**-5.0**
Translation difference	0.3	-	-	-	**0.3**
Acc. depreciation on disposals and transfers	-0.1	-	-	-	**-0.1**
Depreciation for the financial period	4.8	-	0.0	-	**4.8**
Accumulated depreciations and impairments 31 Dec	38.6	0.7	0.3	-	**39.6**
Book value 31 December	18.6	74.9	0.2	-	**93.7**

2011 M€	Intangible rights	Goodwill	Other intangible assets	Investment in progress	**Intangible assets**
Acquisition costs 1 Jan	59.4	72.9	0.3	0.2	**132.8**
Structural changes	0.4	-	-	-	**0.4**
Translation difference	0.0	0.9	-	-	**0.9**
Increases	1.9	2.6	0.1	-	**4.6**
Decreases	-1.2	-0.8	-	-	**-2.0**
Transfers between items	0.4	-	-	-0.2	**0.2**
Acquisition costs 31 Dec	60.9	75.6	0.4	-	**136.9**
Accumulated depreciations and impairments 1 Jan	35.0	0.7	0.2	-	**35.9**
Structural changes	0.3	-	-	-	**0.3**
Translation difference	0.0	-	-	-	**0.0**
Acc. depreciation on disposals and transfers	-1.2	-	-	-	**-1.2**
Depreciation for the financial period	4.5	-	0.1	-	**4.6**
Transfers between items	0.0	-	0.0	-	**-**
Accumulated depreciations and impairments 31 Dec	38.6	0.7	0.3	-	**39.6**
Book value 31 December	22.3	74.9	0.1	-	**97.3**

According to the IFRS 3 standard, goodwill is not depreciated, but it is tested at least annually for any impairment. If unit's carrying value does not exceed goodwill amount, impairment is booked.

In 2012 and 2011, investments in intangible assets related almost entirely to the ERP system and in year 2011 to the goodwill arising from the acquisition of Zent-Frenger subsidiary. The goodwill is allocated in full to Building Solutions – Europe.

A majority of the Group's goodwill (€23.4 million) relates to the Uponor minority share acquired by Asko Oyj, which due to Oy Uponor Ab's merger with Asko Oy has been allocated to the current Uponor Corporation, and the acquired Unicor businesses (€43.2 million). This goodwill has been allocated between segments as follows: Building Solutions – Europe €65.4 (65.3) million and Infrastructure Solutions €9.5 (9.5) 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 8.6 (11.2) per cent. The decrease in the discount rate impacted the decrease in market rates during 2012. The 2012 goodwill impairment tests indicated that there was not any need to make impairments.

A sensitivity analysis is performed for the following variables: sales, gross profit margin and discount rate. An eight (8) percent sales reduction compared to the forecasted long-term levels would not expose the Group to any material impairment risk. A decrease of 2.3 percent in gross profit margin would not cause any impairment, provided that other business factors remained unchanged. A discount rate increase by five (5) percent would not lead either to any impairment. Presented sensitivities relates to Infrastructure Solutions –segment, as its goodwill is the most sensitive to the risk of impairment.

The Group does not have any capitalised development costs.

14. Property, plant and equipment

2012 M€	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	**Tangible assets**
Acquisition costs 1 Jan	13.9	119.4	309.2	46.5	14.5	**503.5**
Structural changes	-1.2	-11.8	-37.2	-6.9	-1.8	**-58.9**
Translation difference	0.0	0.4	1.7	0.0	0.2	**2.3**
Increases	0.2	0.3	11.0	3.5	3.0	**18.0**
Decreases	-0.1	-1.4	-2.2	-0.5	-	**-4.2**
Transfers between items	-	0.1	6.7	0.4	-7.2	**0,0**
Acquisition costs 31 Dec	12.8	107.0	289.2	43.0	8.7	**460.7**
Accumulated depreciations and impairments 1 Jan	2.0	71.4	233.6	34.9	-	**341.9**
Structural changes	-0.1	-10.6	-37.9	-6.8	-	**-55.4**
Translation difference	0.0	0.4	1.1	0.0	-	**1.5**
Acc. depreciation on disposals and transfers	-	-0.6	-2.0	-0.5	-	**-3.1**
Depreciation for the financial period	0.1	3.8	16.4	3.1	-	**23.4**
Transfers between items	-	-	0.0	-	-	**0.0**
Accumulated depreciations and impairments 31 Dec	2.0	64.4	211.2	30.7	-	**308.3**
Book value 31 December	10.8	42.6	78.0	12.3	8.7	**152.4**
Book value for production plant, machinery and equipment			70,2			

2011 M€	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	**Tangible assets**
Acquisition costs 1 Jan	12.2	117.2	305.7	35.9	10.0	**481.0**
Structural changes	1.4	3.7	1.2	1.2	0.0	**7.5**
Translation difference	0.2	0.7	1.8	0.5	0.1	**3.3**
Increases	0.2	0.8	11.3	3.3	6.4	**22.0**
Decreases	0.0	-3.2	-4.4	-2.5	0.0	**-10.1**
Transfers between items	-0.1	0.2	-6.4	8.1	-2.0	**-0.2**
Acquisition costs 31 Dec	13.9	119.4	309.2	46.5	14.5	**503.5**
Accumulated depreciations and impairments 1 Jan	1.9	65.7	214.8	27.3	-	**309.7**
Structural changes	0.0	1.9	1.0	1.0	-	**3.9**
Translation difference	-	0.2	1.8	0.3	-	**2.3**
Acc. depreciation on disposals and transfers	-	-2.6	-4.2	-2.4	-	**-9.2**
Depreciation for the financial period	0.1	4.0	17.8	2.9	-	**24.8**
Transfers between items	-	0.0	-5.8	5.8	-	**0,0**
Impairments	-	2.2	8.2	-	-	**10.4**
Accumulated depreciations and impairments 31 Dec	2.0	71.4	233.6	34.9	-	**341.9**
Book value 31 December	11.9	48.0	75.6	11.6	14.5	**161.6**
Book value for production plant, machinery and equipment			68.0			

Increases in machinery and equipment included capacity investments in North America and development of e-production processes in the European business. Construction work in progress decreased during 2012 by €5.8 million to €8.7 million at closing date due to the fact that the construction work in progress transferred from the previous year was finalised.

Structural changes are used for acquisitions and/or divestments. In 2012 it includes sale of Hewing GmbH and in 2011 it included acquisition of Zent-Frenger Gebäudetechnik mbH.

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

2012 M€	Land and water areas	Buildings and structures	Others	**Finance lease arrangements total**
Acquisition costs 1 Jan	0.9	15.7	0.2	**16.8**
Structural changes	-	-1.7	0.0	**-1.7**
Increases	0.2	-	-	**0.2**
Decreases	-	-	0.0	**0.0**
Acquisition costs 31 Dec	1.1	14.0	0.2	**15.3**
Accumulated depreciations and impairments 1 Jan	-	9.1	0.1	**9.2**
Structural changes	-	-1.7	-	**-1.7**
Translation difference	-	0.0	0.0	**0.0**
Depreciation for the financial period	-	0.5	0.1	**0.6**
Accumulated depreciations and impairments 31 Dec	-	7.9	0.2	**8.1**
Book value 31 December	1.1	6.1	0.0	**7.2**

2011 M€	Land and water areas	Buildings and structures	Others	**Finance lease arrangements total**
Acquisition costs 1 Jan	0.9	16.0	0.2	**17.1**
Translation difference	-	0.0	0.0	**0.0**
Decreases	-	-0.3	0.0	**-0.3**
Acquisition costs 31 Dec	0.9	15.7	0.2	**16.8**
Accumulated depreciations and impairments 1 Jan	-	8.6	0.1	**8.7**
Translation difference	-	0.0	0.0	**0.0**
Depreciation for the financial period	-	0.5	0.0	**0.5**
Accumulated depreciations and impairments 31 Dec	-	9.1	0.1	**9.2**
Book value 31 December	0.9	6.6	0.1	**7.6**

15. Financial assets and liabilities by measurement category

2012 M€	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**		17
Non-current receivables			0.5			**0.5**		18
Current financial assets								
Accounts receivable and other receivables			120.1			**120.1**		20
Electricity derivatives	0.0					**0.0**	1	31
Other derivative contracts	1.0	0.8				**1.8**	2, 3	31
Cash and cash equivalent			17.7			**17.7**		21
Carrying amount by category	1.0	0.8	138.3	0.2		**140.3**		
Non-current financial liabilities								
Interest-bearing liabilities					107.6	**107.6**		26
Electricity derivatives	0.4					**0.4**	1	31
Current financial liabilities								
Interest-bearing liabilities					4.2	**4.2**		26
Electricity derivatives	0.3					**0.3**	1	31
Other derivative contracts	2.9	0.6				**3.5**	2, 3	31
Accounts payable and other liabilities					57.6	**57.6**		27
Carrying amount by category	3.6	0.6			169.4	**173.6**		

2011 M€	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**		17
Non-current receivables			2.6			**2.6**		18
Current financial assets								
Accounts receivable and other receivables			120.1			**120.1**		20
Electricity derivatives	0.0					**0.0**	1	31
Other derivative contracts	0.1	1.3				**1.4**	2, 3	31
Cash and cash equivalent			29.1			**29.1**		21
Carrying amount by category	0.1	1.3	151.8	0.2		**153.4**		
Non-current financial liabilities								
Interest-bearing liabilities					110.4	**110.4**		26
Electricity derivatives	0.2					**0.2**	1	31
Current financial liabilities								
Interest-bearing liabilities					2.7	**2.7**		26
Electricity derivatives	0.3					**0.3**	1	31
Other derivative contracts	4.8	0.8				**5.6**	2, 3	31
Accounts payable and other liabilities					59.2	**59.2**		27
Carrying amount by category	5.3	0.8			172.3	**178.4**		

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 currency forward agreements are measured based on price information from common markets and commonly used valuation methods. (Hierarchy 2)

The fair value of currency options are measured according to fair value calculations made by financial institutions (Hierarchy 3). The fair value of currency options at the valuation day is immaterial.

Notes to the consolidated financial statements

16. Investment in associated companies

M€	2012	2011
Acquisition costs 1 Jan	0.0	0.0
Share of result in associated companies	0.3	-
Increases	-	0.0
Decreases	-0.2	-
Translation difference	0.0	0.0
Book value 31 December	0.1	0.0

The Group has two German associated companies: Punitec GmbH and Punitec Verwaltungs GmbH, whose book value is insignificant. From 2012 result Punitec GmbH paid dividend of €0.2 million to Uponor. The Group established a joint venture Uponor Middle East in Lebanon during summer 2011. Its book value is €0.1 (0.0) million.

17. Other shares and holdings

M€	2012	2011
Other non-current investments	0.2	0.2
Total	0.2	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.

18. Non-current receivables

M€	2012	2011
Other loan receivables	0.2	0.2
Other receivables	0.3	2.2
Total	0.5	2.4

19. Inventories

M€	2012	2011
Raw materials and consumables	8.4	9.9
Finished products / goods	53.9	57.4
Semifinished products	16.4	14.5
Total	78.7	81.8

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 €1.1 (5.7) million.

20. Accounts receivable and other receivables

M€	2012	2011
Accounts receivable	107.3	106.6
Current income tax receivables	15.1	2.4
Prepayments and accrued income	4.6	5.5
Derivative contracts	1.8	1.4
Other receivable	12.8	13.5
Total	141.6	129.4

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

The Group booked €0.5 (0.5) million impairment of 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 30 Financial risk management.

M€	2012	2011
Accrued income		
Taxes	2.0	2.8
Interest	0.1	0.0
Other	2.5	2.7
Total	4.6	5.5

21. Cash and cash equivalents

M€	2012	2011
Cash and bank deposits	13.3	24.0
Other short-term investments (1–3 months)	4.4	5.1
Total	17.7	29.1

22. Shareholders' equity

During 2012, 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.

In the beginning of 2012 the company held 160,000 treasury shares with value of €1.2 million. During the period 19,622 of the company's own shares were transferred to the management as specified in the rules of the long-term incentive programme for the years 2007–2011. At the end of the year 2012, the company held 140,378 treasury shares with a value of €1.0 million. The treasury shares were reacquired during the period

17.11.–5.12.2008. 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 foreign net investments complying with the Limited Liability Companies Act and 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.

23. Deferred taxes

M€	2012	2011
Deferred tax assets		
Internal profit in inventory	**0.5**	0.6
Provisions	**5.4**	4.5
Carry-forward losses	**0.5**	1.5
Tangible assets	**0.1**	0.2
Employee benefits	**0.8**	0.9
Fair valuation of available-for-sale investments and financial instruments	**0.3**	0.3
Other temporary differences	**6.0**	5.2
Total	**13.6**	13.2

M€	2012	2011
Deferred tax liabilities		
Accumulated depreciation difference and untaxed reserve	**5.7**	5.6
Tangible assets	**0.4**	1.2
Fair valuation of available-for-sale investments and financial instruments	**0.1**	0.2
Other temporary differences	**8.6**	5.2
Total	**14.8**	12.2

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 2012, the Group carried forward losses of €2.0 (7.2) million, for which the Group has a recognised deferred tax asset. Losses of €0.2 million will expire in 2013. In 2012, there is a €6.0 (2.2) million of loss carry-forwards for which deferred tax asset recognition has not been made due to uncertainty about the utilisation of these loss carry-forwards.

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.

24. 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 rate is the same inside currency areas. Pension benefits are normally based on the number of working years and salary. Most defined benefit plans are located in Germany and Sweden, constituting around 94 (94) % of the defined benefit pension liability in the Group's balance sheet. In Finland, pensions are handled in accordance with the TyEL system, a defined contribution pension plan.

M€	2012	2011
Post-employment benefit obligations:		
- Pensions – defined benefit plans	**16.2**	17.0
Other long-term employee benefit liability	**2.6**	4.1
Total	**18.8**	21.1

Pension obligations

M€	2012	2011
Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of funded obligations	**0.9**	0.7
Present value of unfunded obligations	**19.1**	18.8
Fair value of plan assets	**-0.3**	-0.4
Unrecognised actuarial gains (+) and losses (-)	**-3.5**	-2.1
Net liability in the balance sheet	**16.2**	17.0
Expenses recognised in the income statement		
Current service costs	**0.2**	0.2
Interest costs	**0.8**	0.8
Expected return on plan assets	**0.0**	0.0
Actuarial gains (-) and losses (+)	**-0.1**	0.0
Effect of any curtailments and settlements	**-**	-0.1
Total	**0.9**	0.9
Actual return on plan assets	**-0.1**	0.0

M€	2012	2011
Expenses recognised in the income statement by function		
Cost of goods sold	**-0.2**	-0.1
Dispatching and warehousing	**0.2**	0.0
Sales and marketing	**0.5**	0.3
Administration	**0.3**	0.6
Other	**0.1**	0.1
Total	**0.9**	0.9
Movements in obligation		
Obligation at 1 Jan	**19.6**	22.4
Sale of businesses	**-1.1**	-
Current service cost	**0.2**	0.2
Interest cost	**0.8**	0.8
Actuarial gains (-) and losses (+)	**1.0**	-1.8
Gains (-) and losses (+) on curtailments	**-**	-0.3
Member contributions	**-**	0.0
Benefit payments	**-0.9**	-0.9
Settlements	**0.0**	-0.3
Conversion difference	**0.4**	-0.6
Obligation at 31 Dec	**20.0**	19.6
Movements in fair value of plan assets		
Fair value of plan assets at 1 Jan	**0.4**	0.5
Expected return on plan assets	**0.0**	0.0
Actuarial gains (+) and losses (-)	**-0.2**	0.1
Contributions by employer	**1.0**	1.0
Member contributions	**-**	0.0
Settlements	**0.0**	-0.2
Conversion difference	**0.0**	0.0
Benefit payments	**-0.9**	-0.9
Fair value of plan assets at 31 Dec	**0.3**	0.4
Major categories of plan assets as % of total plan		
Other	**100.0**	100.0
Total	**100.0**	100.0

Principal actuarial assumptions

	Nordic		Germany		Other countries	
	2012	2011	**2012**	2011	**2012**	2011
Discount rate (%)	**2.25–3.75**	3.50–4.75	**3.75**	4.50–4.75	**3.75**	4.50–4.75
Expected rate of return on plan assets (%)	**3.60**	4.50	**n/a**	n/a	**n/a**	n/a
Expected rate of salary increase (%)	**3.00–3.50**	3.00–3.50	**3.00**	2.00	**n/a**	n/a
Expected rate of pension increase (%)	**0.10–2.00**	0.50–2.00	**2.00**	2.00	**2.00**	2.00

The expected rate of long-term return on plan assets is 4.68 (4.50) percent. When determining the expected long-term rate of return on plan assets, the Group took consideration of historical returns and future expectations for each asset class. Transaction expenses and any applicable yield taxes were deducted from the return on plan assets.

M€	2012	2011
Amounts for the current and previous period		
Present value of obligation	**20.0**	19.6
Fair value of plan assets	**-0.3**	-0.4
Surplus (+)/Deficit (-)	**19.7**	19.2
Experience adjustments on plan assets	**0.2**	-0.1
Experience adjustments on plan liabilities	**-0.2**	-0.4

The Group expects to contribute €0.5 (1.0) million to its defined benefit pension plans in 2013.

25. Provisions

M€	Guarantee and warranty obligations	Environmental obligations	Restructuring	Other provisions	Total
Provisions at January 1, 2012	6.1	4.2	0.1	11.6	22.0
Structural changes	-0.5	-	-	-	-0.5
Conversion difference	0.0	-	0.0	-0.2	-0.2
Additional provisions	3.7	-	0.4	0.6	4.7
Utilised provisions	-3.0	-0.2	0.0	-2.2	-5.4
Unused amounts reversed	-	-	-	0.0	0.0
Provisions at December 31, 2012	6.3	4.0	0.5	9.8	20.6
Current provisions	5.4	0.6	0.5	9.0	15.5
Non-current provisions	0.9	3.4	-	0.8	5.1
Total	6.3	4.0	0.5	9.8	20.6

Warranty provisions amounted to €6.3 (6.1) 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 €8.0 million provision for certain claim issues which date back to and concern already discontinued system brand.

At period end, the environmental provision relating mainly to the divested Finnish real estate business in 2004 was €4.0 (4.2) million. During 2013 €0.6 (0.9) million of these provisions is expected to be realised.

26. Interest-bearing liabilities

M€	2012	2011
Non-current interest bearing liabilities		
Bonds	**99.8**	99.8
Finance lease liabilities	**7.8**	10.4
Total	**107.6**	110.2
Current interest-bearing liabilities		
Commercial papers	**-**	1.0
Loans from financial institutions	**1.3**	0.9
Finance lease liabilities	**2.9**	0.8
Total	**4.2**	2.7

M€	2014	2015	2016	2017	2018-
Maturity of non-current interest bearing liabilities					
Bonds	-	-	20.0	-	80.0
Finance lease agreements	0.6	0.6	0.6	0.7	5.3
Total	0.6	0.6	20.6	0.7	85.3

	2012	2011
The interest rate ranges of interest-bearing liabilities, % pa		
Commercial papers	**-**	2.141
Loans from financial institutions	**0.60**	-
Bonds *)	**2.068–2.368**	3.418–4.446

*) The Group has entered into an interest rate swap to fix half of the bond interest until June 2015.

The Group was not active in the loan or credit markets in 2012. In 2011, Uponor issued two bonds totalling €100 million. The amount of the five-year floating-rate loan totals €20 million and the amount of the seven-year floating-rate loan €80 million. They have bullet repayment structure. €50 million of the bonds' nominal value is hedged with a fixed rate interest rate swap. The transaction costs of the bond have been netted to the bond; comparison period has been corrected accordingly.

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

M€	2012	2011
Finance lease liabilities		
Minimum lease payments		
In less than one year	**3.7**	1.6
1–5 years	**4.8**	6.9
Over 5 years	**6.5**	8.5
Total	**15.0**	17.0
Future finance charges	**4.4**	5.8
Finance lease liabilities – the present value of minimum lease payments	**10.6**	11.2
The present value of minimum lease payments		
In less than one year	**2.9**	0.8
1–5 years	**2.4**	4.4
Over 5 years	**5.3**	6.0
Total	**10.6**	11.2

Notes to the consolidated financial statements

The Group's finance lease agreements are mainly related to office, factory and warehouse premises. On 31 December 2012, the total amount of capitalised costs for finance lease agreements in the Group was €7.2 (7.6) million, which was included in the balance sheet under property, plant and equipment. The corresponding depreciation in 2012 were €0.6 (0.5) million. The total amount of finance lease payments in 2012 was €1.5 (2.0) million, which included €0.9 (1.0) million of interest expenses.

The most significant leasing liability is the finance lease agreement signed in connection with the purchase of the German Unicor business in 1999. In 2012, the Group did not enter into any significant new finance lease agreements.

27. Accounts payable and other liabilities

M€	2012	2011
Accounts payable	**43.3**	45.7
Current income tax liability	**2.9**	6.1
Accrued liabilities	**57.6**	63.2
Advances received	**0.3**	0.0
Derivative contracts	**3.8**	5.9
Other current liabilities	**14.3**	13.5
Total	**122.2**	134.4
Accrued liabilities		
Personnel expenses	**12.2**	12.9
Bonuses	**15.8**	14.6
Taxes	**1.9**	2.0
Interest	**0.4**	3.4
Others	**27.3**	30.3
Total	**57.6**	63.2

28. Commitments and contingent assets and liabilities

M€	2012	2011
Commitments of purchase PPE (Property, plant, equipment)	**0.6**	0.6
- on own behalf		
Pledges at book value	**0.0**	0.0
Mortgages issued	**0.1**	0.1
- on behalf of a subsidiary		
Guarantees issued	**16.1**	19.8
- on behalf of others		
Guarantees issued	**7.0**	5.9

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

Pledges at book value	**0.0**	0.0
Mortgages issued	**0.1**	0.1
Guarantees issued	**23.1**	25.7
Total	**23.2**	25.8

Contingent liabilities are presented in accordance with the best estimate of the amount of liability. The Group has entered into agreements with third parties to provide them with financial or performance assurance services. The maximum amounts of future payments on behalf of others under these guarantees are disclosed under "Guarantees issued – on behalf of others".

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

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 for the years 2005–2009 in the beginning of 2012. Uponor has appealed against the decisions and has submitted a request for rectification for the Board of Adjustment. Surtaxes (€1.9 million) and interest on delayed payments (€3.3 million) were recorded as expense in 2011. The paid taxes (€9.8 million) relating to increase in taxable income were booked as receivable from tax authority in 2012. If the original decisions by the Finnish tax authorities would remain in force, Uponor will start initiatives to avoid double taxation in alignment with EU legislation and OECD guidelines. If Uponor, against expectations, should fail to get the appeal approved, the surtaxes and interests would be the company's loss. If the appeal in Finland would be approved, the paid surtaxes and interest 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.

29. Operating lease commitments

M€	**2012**	2011
Future minimum lease payments		
In less than one year	**13.0**	12.3
1–5 years	**20.9**	19.1
Over 5 years	**6.3**	4.2
Total	**40.2**	35.6

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.

30. 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 policy, approved by the Treasury Committee.

Treasury Committee is chaired by the Group's President and CEO, and its other members are the Group CFO and Vice President 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 hedging. The maximum duration of used foreign exchange contracts is one year.

As a rule in intra-group trade, 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, in a rolling manner: a minimum of 80% of the monthly net cash flow in foreign currency of the next 1–3 month period, at least 50% of the next 4-6 month period, and at least 30% of the next 7–9 month period. In addition to euro, other main invoicing currencies are US dollar (USD), Swedish krona (SEK) and Danish krona (DKK). On 31 December 2012, these currencies accounted for approximately 35 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 2012

M€	EUR SEK	EUR USD	NOK SEK	USD CAD	DKK SEK	Total
Gross exposure	-3.2	-13.1	0.7	0.0	0.8	-14.8
Hedged	-84.0	0.1	-9.1	11.1	-7.6	-89.5
Net exposure	-87.2	-13.0	-8.4	11.1	-6.8	-104.3

Sensitivity analysis (+/- 10%)

M€	EUR SEK	EUR USD	NOK SEK	USD CAD	DKK SEK	Total
Income statement	-0.5	0.2	0.8	-1.1	0.7	0.1
Equity (translation differences)	9.2	1.1				10.3

Group's currency risk position at 31 Dec 2011

M€	EUR SEK	EUR USD	NOK SEK	USD CAD	EUR GBP	Total
Gross exposure	-10.6	-16.8	16.1	-0.5	3.9	-7.9
Hedged	-87.3	-5.8	-22.9	-11.4	-14.5	-141.9
Net exposure	-97.9	-22.6	-6.8	-11.9	-10.6	-149.8

Sensitivity analysis (+/- 10%)

M€	EUR SEK	EUR USD	NOK SEK	USD CAD	EUR GBP	Total
Income statement	-0.7	-0.8	0.7	1.2	1.0	1.4
Equity (translation differences)	10.5	3.1				13.6

The exposure presented includes only financial instruments as defined by IFRS 7. 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 10 percent change in exchange rates on income statement and on 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 being translated into the parent company's reporting currency, the euro. The most important balance sheet items in foreign currency are in the United States (USD) and Sweden (SEK). Translational risk affects the reported profit and key ratios through changes in the balance sheet, but not the cash flow 10 percent change in EUR against Swedish krona and US dollar would have resulted translation difference of €10.3 million before taxes in equity. According to the Group hedging policy, these 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 impact on the profit, but will be recognised in 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 minimising 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. 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 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 -/+ €0.3 million (-/+ €0.5 million) to the income statement and +/- €1.0 million to shareholders' equity (+/- €1.4 million). The impact is calculated before taxes. The interest position impacting income statement consists of floating rate interest-bearing financial liabilities and assets. 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 and 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 has established local working capital credit lines in the name of a subsidiary, guaranteed by the parent company.

The most significant existing funding programmes on 31 December 2012 included:

- Bond €80 million maturing in 2018
- Bond €20 million maturing in 2016
- Several committed bilateral revolving credit facilities totalling €190 million and maturing in 2015.

From committed bilateral revolving credit facilities of which none was in use at the end of the reporting period.

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

At the end of the reporting period the Group had €17.7 (29.1) million in total as cash and cash equivalents. .

Contractual maturity of financial liabilities at 31 Dec 2012

M€	2013	2014	2015	2016	2017-
Bonds	2.4	2.4	2.8	22.8	84.2
Finance lease liabilities	3.7	1.3	1.2	1.1	7.7
Bank overdrafts in use	1.3				
Accounts payable	43.3				
Guarantees issued on behalf of others	3.1	1.7	0.6	0.7	0.9
Derivative contracts					
Foreign currency derivatives					
- cash outflow	222.4				
- cash inflow	221.6				
Interest derivatives	1.1	1.0	0.4		
Electricity derivatives	0.3	0.2	0.1	0.1	0.0

Contractual maturity of financial liabilities at 31 Dec 2011

M€	2012	2013	2014	2015	2016–
Bonds	3.7	3.7	3.7	3.7	107.9
Commercial papers	1.0				
Finance lease liabilities	1.6	3.4	1.3	1.2	9.6
Bank overdrafts in use	0.9				
Accounts payable	45.7				
Guarantees issued on behalf of others	3.1	1.5	0.6	0.7	
Derivative contracts					
Foreign currency derivatives	229.7				
- cash outflow	227.2				
- cash inflow	0.4	0.6	0.5	0.2	
Electricity derivatives	0.3	0.1	0.1	0.0	

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 2012.

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 €0.5 (0.5) million impairment of accounts receivable in 2012.

M€	**2012**	2011
The aging of accounts receivable		
Undue	**73.7**	78.6
Due 1–30 days	**26.2**	20.6
Due 31–60 days	**2.2**	1.9
Due 61–90 days	**0.7**	1.5
Due over 90 days	**4.5**	4.0
Total	**107.3**	106.6

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.

Group Treasury is responsible for managing electricity price risks at the Nordic level within the framework defined in the Group hedging policy. The hedging level based on this policy provides a 70–100 per cent cover for the coming 12 months and 25–80 per cent for the following 12 months. 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.

M€	**2012**	2011
Change in the income statement	**+/- -**	+/- -
Change in shareholders' equity	**+/- 0,6**	+/- 0,5

31. Derivative contracts and hedge accounting

M€	2012	2011
Nominal value		
Interest derivatives:		
Interest rate swaps	**50.0**	50.0
Foreign currency derivatives:		
Forward agreements		
- not under hedge accounting	**101.9**	80.0
- under hedge accounting	**141.3**	132.8
Currency options, bought	**10.8**	14.2
Currency options, sold	**10.8**	14.2
Commodity derivatives:		
Forward agreements		
- under hedge accounting	**6.5**	5.8

M€	2012			2011		
	Positive fair value	**Negative fair value**	**Net fair value**	Positive fair value	Negative fair value	Net fair value
Fair value						
Interest derivatives:						
Interest rate swaps	**0.0**	**-2.5**	**-2.5**	0.0	-1.8	-1.8
Foreign currency derivatives:						
Forward agreements						
- not under hedge accounting	**0.7**	**-0.6**	**0.1**	1.3	-0.8	0.5
- under hedge accounting	**1.0**	**-0.4**	**0.6**	0.0	-3.0	-3.0
Currency options, bought	**0.1**	**-**	**0.1**	0.0	-	0.0
Currency options, sold	**-**	**0.0**	**0.0**	-	0.0	0.0
Electricity derivatives						
- under hedge accounting	**0.0**	**-0.7**	**-0.7**	0.0	-0.5	-0.5

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

Fair value movement loss of €0.2 million (loss of €1.8 million) was entered into hedge reserve during the financial period. The impact of the ineffective portion on the profit for the financial period was a loss of €0.1 million (a loss of €0.1 million). A loss of €0.1 million in electricity derivatives (a gain of €0.3 million) was removed from hedge reserve and recorded in the consolidated statement of comprehensive income during the financial period, in costs of goods sold.

From interest rate derivatives a fair value movement loss of €0.6 million (loss of €1.3 million) was entered into hedge reserve during the financial period. The tax impact has been taken into account in the amount. No ineffectiveness has been booked.

32. 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 an annually growing 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 shareholders' 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 2012, gearing average was 64.0 (55.8) percent.

M€	2012	2011
Interest-bearing liabilities	**111.8**	113.0
Cash and cash equivalent	**17.7**	29.1
Net interest-bearing liabilities	**94.1**	83.9
Shareholders' equity	**209.9**	209.2
Gearing, %	**44.8**	39.3
Gearing across quarters, %	**64.0**	55.8

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.

33. Management incentive scheme and share based payments

The Board of Directors of Uponor Corporation has on 2 March 2012 approved the establishment of a new long-term share-based incentive plan to be offered to the key management of the company. The plan will cover a maximum of twelve members of the Group's key management. The plan covers the years 2012–2014. 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 2012–2014 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.

The maximum value of the total amount of shares awarded based on the share investment corresponds with less than 20,000 shares and the maximum value of performance shares to be delivered corresponds with less than 370,000 shares. 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.

In the course of 2007 and 2008, the Uponor Corporation Board of Directors launched long-term incentive schemes for members of the company's Executive Committee and persons holding international management positions. Both schemes ended at year-end 2011. The 2007 scheme yielded 19,622 shares, which were awarded in March 2012. Uponor used treasury shares as payout. The 2008 scheme did not yield any shares.

The management incentive scheme impact on the Group's operating profit is €0.4 (0.0) million, on equity it is €0.2 (0.1) million and the liability reserved for paying any related income taxes for scheme participants is €0.2 (0.1) million.

34. Related party transactions

Uponor Group's related parties include subsidiaries and associates as well as Board members, the Managing director, his deputy 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.

M€	**2012**	2011
Transactions with associated companies		
Continuing operations		
Purchases	**2.4**	1.7
Balances at the end of period		
Accounts and other receivables	**0.0**	0.0
Accounts payable and other liabilities	**0.0**	0.2

T€	**2012**	2011
Executive Committee remuneration, T€		
Remuneration	**1,953.6**	2,281.2
Post-employment benefits	**59.2**	59.7
Share based benefits	**182.9**	-
Total	**2,195.7**	2,340.9

Executive Committee remuneration includes paid salaries, fringe benefits and bonus. Post-employment benefits include defined contribution pension insurances for Managing director and his deputy. Otherwise post-employment benefits accrue in accordance with local legal pension arrangements and they are not included above. Share based benefits include realised payments for the long-term management incentive scheme from years 2007 and 2008.

Remuneration of the Managing director and his deputy is included also above presented table.

T€	**2012**	2011
Executive Committee remuneration: Managing director and his Deputy, T€		
Luomakoski Jyri, Managing director	**500.4**	536.5
Bondestam Sebastian, Deputy Managing director	**263.1**	266.3

The Managing director's and his deputy's retirement has been agreed to be at the age of 63. The Managing director's and his deputy's pension accrues in accordance with the Employees' Pensions Act (TyEL). Furthermore, the company has taken a defined contribution pension insurance for the Managing director for which the company pays €40,000 on an annual basis, and for his deputy for which the Board decides separately the amount of the defined contribution for each year.

T€	**2012**	2011
Board remuneration, T€		
Paasikivi Jari, Chairman	**81.2**	78.8
Rajahalme Aimo, Deputy Chairman until 15 March 2012	**2.4**	56.8
Eloranta Jorma, Deputy Chairman from 15 March 2012	**61.0**	51.2
Nygren Eva	**57.8**	51.2
Rosendal Jari	**51.2**	-
Silfverstolpe Nordin Anne-Christine	**61.4**	51.2
Simon Rainer S.	**56.0**	52.4
Total	**371.0**	341.6

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.

Loans to management

The Group had not issued any loans to the management and Board members by 31 December 2012 or 31 December 2011.

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

Notes to the consolidated financial statements

Shares and holdings

Subsidiaries

Name	Country and domicile
Uponor Beteiligungs GmbH	Germany, Hassfurt
Uponor (Deutschland) GmbH	Germany, Hassfurt
Uponor GmbH	Germany, Hassfurt
Uponor S.A.R.L.	France, Saint-Quentin-Fallavier
Uponor Holding GmbH	Germany, Hassfurt
Zent-Frenger Gesellschaft für Gebäudetechnik mbH	Germany, Heppenheim
Uponor Hispania, S.A.	Spain, Môstoles
Uponor A/S	Denmark, Randers
Uponor Eesti Oü	Estonia, Tallinn
Jita Oy	Finland, Virrat
Nereus Oy	Finland, Uusikaupunki
Uponor Business Solutions Oy	Finland, Vantaa
Uponor Suomi Oy	Finland, Nastola
Uponor Varaosa Oy	Finland, Helsinki
Uponor Infra AB	Sweden, Virsbo
Uponor Texnikes Lyseis gia Ktiria AE	Greece, Athens
Uponor Kft.	Hungary, Budapest
Cork Pipe Plant Limited	Ireland, Bishopstown
Uponor (Cork) Limited	Ireland, Bishopstown
Uponor (Ireland) Ltd	Ireland, Bishopstown
Uponor S.r.l.	Italy, Badia Polesine
SIA Uponor Latvia	Latvia, Riga
UAB Uponor	Lithuania, Vilnius
Uponor s.r.o.	Czech, Prague
Uponor AS	Norway, Vestby
Uponor Sp. z o.o.	Poland, Plonie
Uponor Portugal – Sistemas para Fluidos, Lda.	Portugal, V.N. Gaia
Uponor Construcão e Ambiente – Sistemas de Tubagens, S.A.	Portugal, V.N. Gaia
Uponor AG	Switzerland, Pfungen
AO Asko-Upo (Spb)	Russia, St.Petersburg
ZAO Uponor Rus	Russia, Moscow
Uponor Innovation AB	Sweden, Borås
Uponor AB	Sweden, Virsbo
Uponor Vertriebs GmbH	Austria, Guntramsdorf
Uponor Limited	England, Lutterworth
The Underfloor Heating Co Ltd	England, Skelmanthorpe

Name	Country and domicile
Uponor NA Holding, Inc.	USA, Delaware
Uponor NA Asset Leasing, Inc.	USA, Delaware
Uponor North America, Inc.	USA, Delaware
Hot Water Systems North America, Inc.	USA, Delaware
Uponor, Inc.	USA, Illinois
Uponor Ltd	Canada, Saskatchewan
Radiant Technology, Inc.	USA, Delaware
Tulsa Pipe Plant, Inc.	USA, Delaware
Uponor Trading (Beijing) Co., Ltd.	China, Beijing
Uponor Romania S.R.L.	Romania, Bucharest

Associated companies

Name	Shareholding, %	Country and domicile
Uponor Middle East S.A.L. (Off Shore)	50	Lebanon, Beirut
Punitec GmbH & Co. KG	36	Germany, Gochsheim
Punitec Verwaltungs GmbH	36	Germany, Gochsheim

35. Events after the balance sheet date

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

Parent company financial statement (FAS)

Parent company income statement

M€	Note	2012	2011
Net sales	2	**18.9**	19.8
Other operating income	3	**0.0**	0.1
Personnel expenses	4	**5.1**	4.7
Depreciation and impairments	5	**0.4**	0.4
Other operating expenses	3	**20.8**	20.6
Operating loss		**-7.4**	-5.7
Financial income and expenses	6	**0.9**	57.6
Profit before extraordinary items		**-6.4**	51.8
Extraordinary items	7	**8.9**	6.0
Profit before appropriations and taxes		**2.5**	57.8
Change in depreciation difference		**0.1**	0.0
Income taxes	8	**1.1**	-1.2
Profit for the period		**1.4**	59.0

Parent company financial statement (FAS)

Parent company balance sheet

M€	Note	31 Jan 2012	31 Jan 2011
Assets			
Non-current assets			
Intangible assets			
Intangible rights		**0.7**	1.0
Intangible assets	9	**0.7**	1.0
Tangible assets			
Machinery and equipment		**0.2**	0.1
Tangible assets	9	**0.2**	0.1
Securities and long-term investments			
Shares in subsidiaries		**205.3**	244.9
Other shares and holdings		**0.1**	0.1
Loan receivables		**193.9**	167.9
Securities and long-term investments	10	**399.3**	412.8
Total non-current assets		**400.2**	413.9
Current assets			
Current receivables			
Accounts receivable		**5.9**	5.0
Loan receivables		**28.0**	103.9
Accruals		**3.1**	1.6
Deferred tax assets		**0.8**	0.9
Other receivables		**43.7**	39.1
Current receivables	11	**81.5**	150.5
Cash and cash equivalents			
Cash and cash equivalents		**10.4**	24.5
Cash and cash equivalents		**10.4**	24.5
Total current assets		**91.9**	175.0
Total assets		**492.1**	588.9

M€	Note	31 Jan 2012	31 Jan 2011
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital		**146.4**	146.4
Share premium		**50.2**	50.2
Unrestricted equity		**0.1**	0.1
Retained earnings		**108.0**	74.4
Profit for the period		**1.4**	59.0
Total shareholders' equity	12	**306.0**	330.1
Accumulated appropriations			
Depreciation difference	13	**0.2**	0.1
Accumulated appropriations total		**0.2**	0.1
Provisions	14	**3.4**	3.6
Liabilities			
Non-current liabilities			
Bonds		**100.0**	100.0
Non-current liabilities	15	**100.0**	100.0
Current liabilities			
Accounts payable		**2.7**	2.3
Accruals		**3.0**	2.2
Other current liabilities		**76.8**	150.6
Current liabilities	16	**82.5**	155.1
Total liabilities		**182.5**	255.1
Total liabilities and shareholders' equity		**492.1**	588.9

Parent company cash flow statement

M€	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Cash flow from operations		
Operating profit	**-7.4**	-5.7
Depreciation	**0.4**	0.4
Sales gains/losses from the sale of fixed assets	**0.0**	-0.1
Other non-cash items	**-0.1**	0.4
Net cash from operations	**-7.1**	-5.0
Change in working capital		
Receivables	**-6.9**	-25.4
Non-interest-bearing liabilities	**-70.6**	3.0
Change in working capital	**-77.5**	-22.4
Dividends received	**42.1**	95.8
Group contributions	**6.0**	3.9
Cash flow from operations	**-36.5**	72.3
Cash flow from investments		
Purchase of fixed assets	**-0.2**	-0.2
Granted loans	**-15.0**	-8.0
Loan repayments	**60.4**	18.9
Share acquisitions	**2.0**	-67.9
Repayment of equity – Group	**-3.0**	-
Share divestments and result of subsidiary liquidations	**-**	0.1
Interests received	**9.5**	9.7
Dividends received	**0.0**	0.0
Cash flow from investments	**53.7**	-47.4
Cash flow before financing	**17.3**	24.9
Cash flow from financing		
Borrowings of debt	**46.3**	162.1
Repayments of debt	**-47.3**	-109.5
Change in other short term debt	**-1.4**	-17.6
Interests paid	**-3.3**	-2.9
Dividends paid	**-25.6**	-40.2
Income taxes paid	**-0.1**	-0.2
Cash flow from financing	**-31.3**	-8.3
Change in cash and cash equivalents	**-14.1**	16.6
Cash and cash equivalents at 1 January	**24.5**	7.9
Cash and cash equivalents at 31 December	**10.4**	24.5
Changes according to balance sheet	**-14.1**	16.6

Notes to the parent company financial statement

1. Accounting principles

The Parent Company's Financial Statement has been prepared according to Generally Accepted Accounting Principles in Finland. Uponor Group´s financial statement has 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.

Other operating income and expenses

Expert fees related to M&A activity have been accrued to current assets.

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.

Extraordinary income and expenses

Extraordinary income and expenses consist of Group contributions received and given, which are eliminated at the Group level.

Financial assets, financial liabilities and derivative contracts

Currency derivatives are measured at their fair value, which are based on market prices on closing date. 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. Parent company does not apply hedge accounting. Otherwise the methods of measuring derivative contracts are explained in the section on the Group's accounting principles.

Leases

All leasing payments have been treated as rental expenses.

2. Net sales

M€	**2012**	2011
Income from services		
- From group companies	**18.9**	19.8
- External	**0.0**	0.0
Total	**18.9**	19.8

3. Other operating income and expense

M€	**2012**	2011
Other operating income		
Gains from sales of fixed assets	**0.0**	0.1
Total	**0.0**	0.1

M€	**2012**	2011
Other operating expenses		
Environmental expenses	**0.3**	0.7
Travel expenses	**1.2**	1.3
Purchased services	**9.1**	8.4
Loss from sales of fixed assets	**0.0**	-
Other	**10.1**	10.1
Total	**20.8**	20.6

Other operating expenses include environmental expenses relating to the domestic real estate business divested in 2004, as well as other operating expenses.

M€	**2012**	2011
Auditor's fees		
- Audit fees	**0.1**	0.1
- Other services	**0.3**	0.1

4. Personnel expenses

M€	**2012**	2011
Salaries and bonuses	**4.0**	3.5
Pension expenses	**0.5**	0.6
Other personnel expenses	**0.6**	0.6
Total	**5.1**	4.7
During financial period company employed:		
Employees, average	**38**	40
Salaries and emoluments paid to the Managing director and Board Members, T€ *)		
Managing director and his deputy	**763.5**	802.8
Board of Directors	**371.0**	341.6
Total	**1.134,5**	1.144,4

*) specification per persons has been reported in the notes of the consolidated income statement

Loans to company directors

At 31 December 2012, the company's Managing director and members of the Board of directors had no loans outstanding from the company or its subsidiaries.

The retirement age for the parent company's Managing director and his deputy has been agreed as 63 years.

5. Depreciation

M€	2012	2011
Intangible assets	**0.4**	0.4
Tangible assets	**0.0**	0.0
Total	**0.4**	0.4

6. Financial income and expenses

M€	2012	2011
Interest income	**0.8**	1.0
Intercompany interest income	**10.3**	11.4
Dividend income	**0.0**	0.0
Dividend income from subsidiaries	**42.1**	95.8
Interest expenses	**6.6**	7.3
Intercompany interest expenses	**0.8**	1.4
Other financial expenses	**0.1**	0.1
Impairments on non-current investments	**43.0**	40.8
Exchange differences		
Derivatives realised	**12.8**	4.6
Derivatives unrealised	**-5.5**	2.6
Others realised	**0.1**	0.7
Others unrealised	**-5.6**	-6.8
Financial income and expenses total	**0.9**	57.5

7. Extraordinary income

M€	2012	2011
Group contributions	**8.9**	6.0
Total	**8.9**	6.0

8. Taxes

M€	2012	2011
For the financial period	**0.2**	-0.8
For previous financial periods	**0.9**	-0.3
Change in deferred taxes	**0.0**	0.0
Total	**1.1**	-1.2

9. Intangible and tangible assets

2012 M€	Intangible rights	Intangible investment in progress	Machinery and equipment	Investment in progress	**Intangible and tangible assets**
Acquisition costs 1 Jan	2.3	-	0.7	-	**3.0**
Increases	0.1	-	0.2	-	**0.3**
Decreases			0.4		**0.4**
Acquisition costs 31 Dec	2.5	-	0.4	-	**2.9**
Accumulated depreciations 1 Jan	1.4	-	0.6	-	**1.9**
Acc. depreciation on disposals and transfers	0.0	-	-0.4	-	**-0.4**
Depreciation for the financial period	0.4	-	0.0	-	**0.4**
Accumulated depreciations 31 Dec	1.7	-	0.2	-	**1.9**
Book value 31 December	0.7	-	0.2	-	**0.9**

2011 M€	Intangible rights	Intangible investment in progress	Machinery and equipment	Investment in progress	**Intangible and tangible assets**
Acquisition costs 1 Jan	2.1	0.1	0.6	0.0	**2.8**
Increases	0.1	-	0.1	-	**0.2**
Transfers between items	0.1	-0.1	0.0	0.0	**0.0**
Acquisition costs 31 Dec	2.3	-	0.7	-	**3.0**
Accumulated depreciations 1 Jan	1.0	-	0.5	-	**1.5**
Depreciation for the financial period	0.3	-	0.1	-	**0.4**
Accumulated depreciations 31 Dec	1.3	-	0.6	-	**1.9**
Book value 31 December	1.0	-	0.1	-	**1.1**

Notes to the parent company financial statement

10. Non-current investments

M€	2012	2011
Shares in subsidiaries acquisition cost 1.1.	**244.9**	211.4
Increases	**3.4**	67.9
Decreases	**43.0**	34.5
Shares in subsidiaries book value 31.12.	**205.3**	244.9
Other shares and holdings 1.1.	**0.1**	0.1
Increases	**-**	0.0
Decreases	**0.0**	0.0
Other shares and holdings 31.12.	**0.1**	0.1
Loans receivables		
- From group companies	**188.7**	162.9
- Subordinated loan	**5.0**	5.0
- Others	**0.2**	-
Loan receivables total	**193.9**	167.9
Total	**399.3**	412.8

Decreases in subsidiary shares include an impairment of €40 million relating to Uponor Hispania S.A.'s shares. In 2011, decreases in subsidiary shares included an impairment of €30 million relating to Uponor Beteiligungs GmbH shares. Impairments are done as a consequence of received dividends.

11. Current receivables

M€	2012	2011
From group companies		
- accounts receivable	**5.9**	5.0
- loan receivable	**28.0**	103.9
- accruals	**0.1**	-
- other receivables	**41.0**	37.0
Total	**75.0**	145.9
From external parties		
- accruals	**3.0**	1.6
- deferred tax assets	**0.8**	0.9
- other receivables	**2.7**	2.1
Total	**6.5**	4.6
Total current receivables	**81.5**	150.5

Deferred tax asset is recorded for obligatory provisions in the balance sheet. Deferred tax asset includes long-term tax assets totalling €0.7 million.

M€	2012	2011
Accruals		
Interest income	**0.0**	0.0
Taxes	**0.3**	1.4
Others	**2.7**	0.2
Total	**3.1**	1.6

12. Changes in equity

M€	2012	2011
Restricted equity		
Share capital on 1 Jan	**146.4**	146.4
Share capital on 31 Dec	**146.4**	146.4
Share premium on 1 Jan	**50.2**	50.2
Share premium on 31 Dec	**50.2**	50.2
Total restricted equity	**196.6**	196.6
Unrestricted equity		
Unrestricted equity 1 Jan	**0.1**	0.1
Unrestricted equity 31 Dec	**0.1**	0.1
Retained earnings 1 Jan	**133.4**	114.6
Dividend payments	**-25.6**	-40.2
Refund of unredeemed dividends	**0.0**	0.0
Treasury shares	**0.1**	0.0
Retained earnings 31 Dec	**108.0**	74.4
Profit for financial period	**1.4**	59.0
Total unrestricted equity	**109.4**	133.4
Shareholders' equity 31 December	**306.0**	330.1
Distributable funds		
Unrestricted equity	**0.1**	0.1
Retained earnings	**109.0**	75.6
Profit for the period	**1.4**	59.0
Treasury shares	**-1.0**	-1.2
Distributable funds, 31 Dec	**109.4**	133.5

13. Depreciation differences

M€	2012	2011
- Other capitalised long-term expenditure	**0.2**	0.1
- Plant and machinery	**0.0**	0.0
Total	**0.2**	0.1

Depreciation differences include deferred tax liabilities, which have not been recorded in the parent company's financial statements.

14. Provisions

M€	2012	2011
Pension obligation	**0.1**	0.1
Environmental provision	**3.3**	3.5
Total	**3.4**	3.6

15. Non-current liabilities

M€	2012	2011
Bonds	**100.0**	100.0
Total	**100.0**	100.0

Maturity of non-current interest bearing liabilities

M€	2013	2016	2017–
Bonds	0.0	20.0	80.0

16. Current liabilities

M€	2012	2011
From group companies		
- accounts payable	**1.5**	1.1
- accruals	**0.8**	0.2
- other current liabilities	**72.4**	143.5
Total	**74.7**	144.8
From external parties		
- accounts payable	**1.2**	1.1
- accruals	**2.2**	2.1
- other current liabilities	**4.4**	7.1
Total	**7.8**	10.3
Total current liabilities	**82.5**	155.1
Accrued liabilities		
Personnel expenses	**0.5**	0.6
Bonuses	**0.5**	0.3
Taxes	**0.3**	0.3
Interest	**0.2**	0.1
Others	**1.5**	0.9
Yhteensä	**3.0**	2.2

17. Contingent liabilities

M€	2012	2011
- on behalf group companies		
Guarantees issued	**16.1**	19.7
Guarantees issued	**16.1**	19.7
Operating lease commitments (including rental lease obligations)		
Operating lease commitments for next 12 months	**0.8**	0.7
Operating lease commitments over next 12 months	**4.3**	0.3
Lease commitments	**5.2**	1.0
Total	**21.2**	20.7

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

18. Derivative contracts

M€	2012	2011
	Nominal value	
Interest derivatives:		
Interest rate swaps	**50.0**	50.0
	Fair value	
Interest derivatives:		
Interest rate swaps	**-2.5**	-1.8
	Nominal value	
Foreign currency derivatives:		
Forward agreements	**243.3**	212.8
Intragroup forward agreements	**60.4**	57.6
Currency options, bought	**10.8**	14.2
Currency options, sold	**10.8**	14.2
Commodity derivatives:		
Forward agreements	**6.5**	5.8
	Fair value	
Foreign currency derivatives:		
Forward agreements	**0.8**	-2.5
Intragroup forward agreements	**0.2**	-0.1
Currency options, bought	**0.1**	0.0
Currency options, sold	**-0.0**	-0.0
Commodity derivatives:		
Forward agreements	**-0.7**	-0.5
	Fair value changes recognised in the income statement	
Foreign currency derivatives:		
Forward agreements	**0.8**	-2.5
Intragroup forward agreements	**0.0**	-0.1
Currency options, bought	**0.1**	0.0
Currency options, sold	**-0.0**	-0.0
Interest derivatives:		
Interest rate swaps	**-0.8**	-1.8

Auditor's report

To the Annual General Meeting of Uponor Corporation

We have audited the accounting records, the financial statements, the Review by the Board of Directors and the administration of Uponor Corporation for the financial period 1.1.–31.12.2012. The financial statements comprise of the consolidated statement of comprehensive income, balance sheet, statement of changes in shareholders´ equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the Review by the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the Review by the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the Review by the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the Review by the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the Review by the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and Review by the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and Review by the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the Review by the Board of Directors

In our opinion, the financial statements and the Review by the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the Review by the Board of Directors in Finland. The information in the Review by the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO should be discharged from liability for the financial period audited by us.

Vantaa, 12 February 2013
Deloitte & Touche Oy
Authorized Public Audit Firm

Mikael Paul
Authorized Public Accountant

Quarterly data

	2012				2011			
	10–12	**7–9**	**4–6**	**1–3**	10–12	7–9	4–6	1–3
Continuing operations								
Net sales, M€	**189.6**	**211.3**	**218.1**	**192.5**	197.0	213.7	222.6	173.2
- Building Solutions – Europe	**121.6**	**129.9**	**133.2**	**133.0**	132.9	140.9	147.8	122.3
- Building Solutions – North America	**38.1**	**43.1**	**38.9**	**31.0**	32.1	33.2	29.5	26.7
- Building Solutions – North America, USD	**49.8**	**54.5**	**49.7**	**41.4**	43.2	46.8	42.8	37.2
- Infrastructure Solutions	**31.4**	**40.3**	**47.6**	**29.7**	34.3	42.1	47.3	26.0
Gross profit, M€	**72.2**	**82.6**	**81.4**	**74.6**	70.0	77.9	80.5	64.5
- Gross profit, %	**38.1**	**39.1**	**37.3**	**38.7**	35.5	36.5	36.2	37.2
Operating profit, M€	**10.2**	**22.1**	**16.1**	**9.3**	-3.0	19.7	15.5	3.2
- Building Solutions – Europe	**9.4**	**13.9**	**12.2**	**11.7**	7.8	13.4	13.9	6.6
- Building Solutions – North America	**3.5**	**7.5**	**4.1**	**2.7**	1.8	4.9	2.7	0.7
- Building Solutions – North America, USD	**4.6**	**9.6**	**5.3**	**3.5**	2.4	7.0	3.8	1.0
- Infrastructure Solutions	**-2.7**	**2.4**	**2.2**	**-1.9**	-1.5	1.4	1.7	-4.0
- Others	**0.3**	**-1.4**	**-2.6**	**-2.4**	-10.4	0.1	-2.6	-1.1
Operating profit, % of net sales	**5.4**	**10.4**	**7.4**	**4.8**	-1.5	9.2	7.0	1.8
- Building Solutions – Europe	**7.7**	**10.7**	**9.1**	**8.8**	5.9	9.5	9.4	5.4
- Building Solutions – North America	**9.1**	**17.4**	**10.6**	**8.5**	5.7	14.8	8.9	2.7
- Building Solutions – North America, USD	**9.2**	**17.5**	**10.6**	**8.5**	5.7	14.8	8.9	2.7
- Infrastructure Solutions	**-8.6**	**5.8**	**4.7**	**-6.5**	-4.4	3.2	3.7	-15.4
Profit for the period, M€	**7.1**	**12.4**	**8.8**	**4.5**	-21.3	12.3	9.0	1.5
Balance sheet total, M€	**498.5**	**539.0**	**559.1**	**542.0**	515.0	562.9	596.1	528.0
Earnings per share, €	**0.10**	**0.17**	**0.12**	**0.06**	-0.29	0.17	0.13	0.02
Equity per share, €	**2.87**	**2.78**	**2.65**	**2.51**	2.86	3.18	3.00	2.87
Market value of share capital, M€	**702.8**	**600.3**	**517.2**	**632.5**	502.2	451.7	837.5	880.7
Return on investment, % (p.a)	**16.7**	**18.1**	**15.3**	**11.1**	11.0	15.3	10.6	4.7
Interest-bearing net debt at the end of period, M€	**94.0**	**117.7**	**143.9**	**145.3**	83.9	126.8	150.9	130.8
Gearing, %	**44.8**	**57.9**	**74.2**	**79.2**	39.3	53.7	67.7	62.3
Gearing, %, rolling 4 quarters	**64.0**	**48.2**	**61.7**	**60.1**	55.8	52.6	49.3	46.0
Gross investment, M€	**6.8**	**4.6**	**4.0**	**3.8**	11.2	3.6	6.3	2.9
- % of net sales	**3.2**	**2.3**	**1.8**	**2.0**	5.3	1.7	2.8	1.7

Uponor analysts

Carnegie Investment Bank AB
Helsinki, Finland
Contact person: **Tommy Ilmoni**
Tel. +358 (0)9 6187 1235
tommy.ilmoni@carnegie.fi
www.carnegie.fi

Danske Bank Plc
Helsinki, Finland
Contact person: **Ari Järvinen**
Tel. +358 (0)10 236 4760
ari.jarvinen@danskebank.com
www.danskebank.com

Deutsche Bank AG
London, UK
Contact person: **Manu Rimpelä**
Tel. +44 20 7545 5669
manu.rimpela@db.com
www.db.com

DNB Bank ASA
London, UK
Contact person: **Lars Brorson**
Tel. +44 20 7621 6149
lars.brorson@dnb.no
www.dnb.no

Evli Pankki PlC
Helsinki, Finland
Contact person: **Mika Karppinen**
Tel. +358 (0)9 4766 9643
mika.karppinen@evli.com
www.evli.com

Goldman Sachs International
London, UK
Contact person: **Will Wyman**
Tel. +44 20 7552 2998
will.wyman@gs.com
www.gs.com

Inderes Oy
Helsinki, Finland
Contact person: **Sauli Vilén**
Tel. +358 (0)44 025 8908
sauli.vilen@inderes.com
www.inderes.fi

Nordea Bank Finland Plc
Helsinki, Finland
Contact person: **Johannes Grasberger**
Tel. +358 (0)9 1655 9929
johannes.grasberger@nordea.com
www.nordea.com

Pohjola Bank Plc
Helsinki, Finland
Contact person: **Matias Rautionmaa**
Tel. +358 (0)10 252 4408
matias.rautionmaa@pohjola.fi
www.pohjola.fi

SEB Enskilda
Helsinki, Finland
Contact person: **Jutta Rahikainen**
Tel. +358 (0)9 6162 8713
jutta.rahikainen@enskilda.fi
www.enskilda.se

Swedbank First Securities
Oslo, Norway
Contact person: **Are Martin Berntzen**
Tel. +47 23 23 82 66
are.martin.berntzen@swedbank.no
www.swedbank.no

Layout: Innocorp Oy
Printing: Erweko Oy, 2013
Paper: LumiArt Gloss 300g / Edixion 120g

Uponor Corporation
Äyritie 20
P.O. Box 37
FI – 01511 Vantaa
FINLAND

T +358 (0)20 129 211
F +358 (0)20 129 2841
W www.uponor.com

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