uponor

International Builders' Show, Las Vegas, USA, 22-24 January

INTERIM REPORT 2013

29 April 2013

Q1

Uponor reports softer first quarter due to anticipated slowness in Europe

- The long winter burdened demand in the first quarter, compared to the exceptionally strong first quarter in 2012
- Net sales in January–March totalled €177.7 (192.5) million; a decrease of 7.7%; organic growth was negative at -3.5%
- Operating profit for January–March totalled €6.1 (9.3) million; down by -34.0%
- Earnings per share were €0.05 (0.06)
- Return on investment was 7.0% (11.2%), and gearing 77.6% (79.8%)
- Cash flow from business operations came to €-15.5 (–21.4) million
- Full-year guidance remains unchanged

(This interim report has been compiled in accordance with the IAS 34 reporting standards and is unaudited. Figures in the report are for continuing operations, unless otherwise stated.)

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

- Our good progress continued in North America, with double-digit percentage growth for the seventh consecutive quarter. While this growth has strained our manufacturing capacity, it has made a solid profit contribution to the Group.

- We continue to focus on cost management, and have succeeded in keeping our expenses in Q1 below the previous year's figures in comparable terms. The new organisational structure we launched in early April will reduce complexity and further support efficiency in execution.

- Concerns for the stability of the recovery of the European economies remain high on the daily agenda, hindering the steady recovery of the building and construction markets. Despite high volatility and the anticipated slower first quarter, we achieved our second highest operating profit in five years, second only to the exceptionally strong first quarter last year.

Information on the January – March 2013 interim report bulletin
The figures in brackets are the reference figures for the equivalent period in the previous year. Figures refer to continuing operations, unless otherwise stated. Any change percentages were calculated from the exact figures and not from the rounded figures published here.

Webcast and the presentation
A webcast, in English, of the results briefing will be broadcast on 29 April at 10:00 am EET. Connection details are available at www.uponor.com > Investors. Questions can be sent in advance to ir@uponor.com. The recorded webcast can be viewed at www.uponor.com > Investors shortly after publication. The presentation document will be available at www.uponor.com > Investors > News & downloads.

Next interim results
Uponor Corporation will publish its Q2 interim results on 26 July 2013. During the silent period from 1 to 26 July, Uponor will not comment on market prospects or factors affecting business and performance.

Markets

Overall, the national economies in Uponor's key markets continued to develop according to much the same pattern as evidenced in the last quarter of 2012 and earlier in the year. However, in comparison to the previous year, whose first quarter was exceptionally lively, 2013 began on a clearly more subdued note. First quarter demand was primarily affected by three factors. Firstly, despite promising signs in the second half of 2012, the economic situation in Europe remained difficult, causing investor and consumer sentiment to remain weak, and even to deteriorate from there in the last quarter of 2012. Secondly, and again mainly affecting the European markets, the winter was long and harsh, in some regions – such as Austria and Switzerland – historically so, impacting on activities related to residential building demand. A third reason, also with a notable impact, was the lower number of business days compared to the previous year.

In Europe, building solutions demand held up reasonably well in Germany, while steeper drops were noticed in some other Central European markets. In southwest Europe, the earlier declining trends continued more or less as before. Also the UK and French markets, where demand for Uponor products has until now remained reasonably strong, began to deteriorate. In northern Europe, Swedish and Danish demand stabilised on a lower level, while Finland maintained a reasonable level of activity and Norway continued to rise. In Eastern Europe, the Baltic and Russian markets continued to show strength, while the other markets were more or less flat.

In North America, positive sentiments continued in the building market, particularly in its residential sectors, and demand in the US developed well. The trend in Canada softened somewhat after a lengthy period of high activity and also as a result of the authorities' efforts to cool down the market.

As far as the infrastructure markets are concerned, demand in Northern Europe, where Uponor is active in this business segment, continued to be slow due to lack of public investment, intense competition and the harsh winter.

Net sales

Uponor's net sales declined considerably compared to the exceptionally strong first quarter of 2012, but slightly exceeded those of the first quarter of 2011, which was also reasonably strong. The Group's consolidated net sales in the first quarter of 2013 were €177.7 (192.5) million, down by 7.7%. Adjusted for the divestment of the OEM manufacturer Hewing GmbH in the end of the first quarter last year, this represents a change of -3.5% in consolidated net sales and -8.6% in net sales for Building Solutions – Europe.

The translation impact of currencies on consolidated figures increased net sales by €1.0m, or 0.6%, in comparison to the previous year.

The above-mentioned factors impacting on market demand, i.e. a lack of economic confidence in Europe, the long winter and fewer business days, all affected building market activity levels, and thus had a negative effect on the net sales of Building Solutions – Europe. In 2012, the sales price increases that affected organic growth in the first quarter, mainly driven by raw material price increases, did not have a similar growth effect in the first quarter of 2013.

Building Solutions – North America reported strong growth in net sales for the seventh quarter in a row. This was a result of continued lively building and construction activity in several key US regions, and successful sales and marketing programmes.

In terms of the Building Solutions business group, sales development of plumbing solutions and indoor climate solutions diverged from one region to another. Plumbing developed better in markets where renovation activity was lively, while sales of indoor climate solutions followed the development of residential building and the related project business. Growth in North America favoured plumbing systems, in particular.

Infrastructure Solutions' net sales were hit by the strong winter, in comparison to the milder first quarter last year. Negative development was also partly due to exchange rate developments in the Swedish krona, which attracted more foreign competition than normal.

Breakdown of net sales by segment (January–March):

M€	1–3/ 2013	1–3/ 2012	Change
Building Solutions – Europe	113.9	133.0	-14.4%
Building Solutions – North America	37.2	31.0	20.0%
(Building Solutions – North America (M$)	49.0	41.4	18.5%)
Infrastructure Solutions	27.6	29.7	-7.2%
Eliminations	-1.0	-1.2	
Total	177.7	192.5	-7.7%

Among the largest geographic markets, measured by net sales in local currency, business grew most in the USA, up 25.1%. Sales development in Finland was also modestly positive, at 1.2%, while other markets failed to reach previous years' levels. Looking beyond last year's exceptionally strong first quarter, and comparing to the first quarter of 2011, Uponor's sales to customers in five of the biggest national markets clearly grew in euro terms.

Results and profitability

Uponor's consolidated operating profit for continuing operations in the first quarter of 2013 came to €6.1 (9.3) million, representing a decrease of -34.0% year-on-year. Profitability, as measured by operating profit margin, declined to 3.4% from the 4.8% reported a year ago.

The main reason for the decline in operating profit in Building Solutions – Europe was lower net sales. An improved cost structure as a result of efficiency measures implemented last year, as well as the positive impact of fewer promotions, helped to partly offset the decline in results.

In Building Solutions - North America, operating profit clearly improved over last year, driven by higher sales, operational leverage of production and effective control of overhead spending.

Weak development of net sales also influenced Infrastructure Solutions' profit. In addition, margins were under pressure due to higher input costs and unfavourable developments in the product mix.

Expenses, totalling €63.2 million, fell by €2.4 million as a result of the Hewing divestment and the cost savings measures implemented in 2012.

Profit before taxes for January-March totalled €5.0 (7.1) million. The effect of taxes on profits was €1.7 million, compared to €2.6 million in the first quarter of 2012. Profit for the first quarter of 2013 amounted to €3.3 (4.5) million.

Breakdown of operating profit by segment (January–March):

M€	1–3/ 2013	1–3/ 2012	Change
Building Solutions – Europe	6.7	11.7	-42.4%
Building Solutions – North America	4.6	2.7	74.6%
(Building Solutions – North America (M$)	6.1	3.5	72.5%)
Infrastructure Solutions	-3.7	-1.9	-92.4%
Others	-1.2	-2.4	
Eliminations	-0.3	-0.8	
Total	6.1	9.3	-34.0%

Investment and financing

Apart from ongoing manufacturing capacity expansions in the Apple Valley factory in Minnesota, USA, Uponor's capital investments during the reporting period were mainly targeted at maintenance and development.

Gross investments in the first quarter came to €4.6 (3.8) million, clearly below depreciation, which amounted to €7.1 (7.3) million. Cash flow from business operations improved to €-15.5 (-21.4) million, mainly due to the fact that in 2012 cash flow included the payment of €15.0 million in taxes, surtaxes and interest, related to the decision by the Finnish tax authorities in December 2011. Cash flow from financing and thus cash flow for the period was also affected by the dividend payment on 28 March, which amounted to €27.8 (25.6) million.

Uponor continues to have a special focus on maintaining a high level of liquidity, as well as following up accounts receivable, among other issues, in order to reduce credit risk.

The main existing funding programmes on 31 March 2013 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 period under review. At the period end, €40.0 million of commercial papers were issued under the €150 million domestic commercial paper programme.

The Group's solvency, at 34.4% (33.6%), has remained at a good level. Net interest-bearing liabilities were €142.1 (145.3) million. The period-end cash balance totalled €8.1 (12.0) million. Gearing came to 77.6 (79.8)%.

Key events

In December 2012, Uponor opened a new Nordic Distribution Centre for its Building Solutions operations. During the first quarter 2013, operations fully commenced in Västerås, Sweden, leading to a clear improvement in the service level provided to customers.

On 12 February 2013, Uponor's Board of Directors decided on new long-term targets for the company. The previous targets for 2007-2009 had not been revisited prior to this, due to the turmoil in the business environment that began in the autumn of 2007. The new targets are based on the same criteria as before, and they are:

- Organic net sales growth to exceed annual GDP growth by 3ppts (GDP growth based on a weighted average growth in the top 10 countries)
- EBIT margin to exceed 10%
- ROI to exceed 20%
- Dividend pay-out to be at least 50% of annual earnings (considering the gearing target)
- Gearing to stay within 30 to 70 as an annual average of the quarters.

On 25 February, Uponor received notice from the Finnish Competition and Consumer Authority of the latter's proposal to the Market Court that the joint venture plan between Uponor and KWH Group Oy should not be approved. The plan, originally announced on 21 September 2012, consists of merging the infrastructure solutions businesses of both companies into a jointly owned enterprise. Uponor and KWH Group submitted a reply to the Market Court. A decision is expected, with a three-month period of filing, i.e. by 25 May 2013.

In March, Uponor participated in the German ISH fair, the largest of its kind in the sanitary and heating industry, exhibiting value propositions linked to key business drives such as comfort, sustainability, efficiency and health. The product focus was on innovations in sustainable energy-efficient renovation and recent additions to the plumbing portfolio, providing even more safety, speed and hygiene than earlier offerings. For the first time, the portfolio of Zent-Frenger, a subsidiary specialising in project deliveries, was presented as part of Uponor's complete solutions package for the non-residential segment.

Annual General Meeting

Uponor's Annual General Meeting in Helsinki, Finland on 18 March 2013 adopted Uponor's parent-company and consolidated financial statements for 2012 and released the Board members and the managing director from liability. The AGM approved the proposed dividend of €0.38 per share for 2012.

Existing Board members Jorma Eloranta, Eva Nygren, Jari Paasikivi, Jari Rosendal and Rainer S. Simon were re-elected. Mr Timo Ihamuotila was elected as a new member. He is employed as Executive Vice President, Chief Financial Officer at Nokia Corporation.

In its meeting subsequent to the AGM, the Board of Directors elected Jari Paasikivi as Chairman and Jorma Eloranta as Deputy Chairman of the Board. The Board decided to establish an Audit Committee and a Remuneration Committee, both with the same charter as before. The members of the Audit Committee are Timo Ihamuotila (chairman), Jari Paasikivi and Jari Rosendal. The members of the Remuneration Committee are Jari Paasikivi (chairman), Jorma Eloranta and Eva Nygren.

Deloitte & Touche Oy, authorised public accountants, was re-elected as the auditor of the corporation, and subsequently Teppo Rantanen, Authorised Public Accountant, was named the principal auditor.

The Board's annual remuneration remained unchanged. Approximately 40% shall be paid in Uponor Corporation shares, bought through public trading, and the rest in cash. Additionally, a separate fee will be paid to Board members for all board and committee meetings.

The Board of Directors was authorised to buy back a maximum of 3.5 million of the company's own shares, which equals 4.8% 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.

Human resources and administration

The number of Group full time-equivalent employees in continuing operations averaged 3,024 (3,165) in January–March 2013, showing a decrease of 141 employees on the same period in 2012, mainly as a result of the divestment of Hewing GmbH. At the end of the period, the Group had 3,030 (3,022) employees, an increase of eight persons from the end of the comparison period, as a result of the addition of 68 persons to the work force in North America.

On 12 February 2013, the Board of Directors decided to continue implementing the long-term share-based incentive plan established in 2012. The new plan covers the years 2013-2015 and complements the plan that exists for the years 2012-2014. The plan will cover a maximum of twelve members of the Group's key management. Its purpose is to retain key management, as well as to motivate and reward the management for good performance supporting profitability and the implementation of the company's strategy. The plan also encourages key management to acquire and own Uponor's shares, which contributes to aligning the interests of the management, the company and the shareholders.

Share capital and shares

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

In March, Uponor received a notification from Franklin Resources, Inc., a U.S. company, on a change in holdings. The company's holdings reached 10.01% on 12 March 2013.

The number of Uponor shares traded on the NASDAQ OMX Exchange in Helsinki in the reporting period was 4.1 (7.8) million shares, totalling €42.9 (66.3) million. The market value of the share capital at the end of the period was €0.8 (0.6) billion, and the number of shareholders was 17,487 (19,115).

Events after the period under review

Effective 1 April 2013, Uponor introduced a new organisation structure. The changes mainly relate to the segment Building Solutions – Europe, which is based on a new functional structure as against the earlier, partly geographical distribution of responsibilities.

Heiko Folgmann was appointed Executive Vice President, Sales and Marketing for Building Solutions – Europe, including responsibility for Group brand management. Fernando Roses was appointed Executive Vice President, Offering and Supply chain for Building Solutions – Europe. He also has group-wide responsibility for research and technology, as well as sustainability.

Sebastian Bondestam was appointed Executive Vice President, Infrastructure Solutions. He will also continue to be responsible for the Group supply chain's management and development. In connection with these changes, it was announced that Robin Carlsson, a member of the Executive Committee and until now responsible for Infrastructure Solutions, will leave the company.

In mid-April, Uponor was named Minnesota 2013 Manufacturer of the Year in the large company category by the Manufacturers Alliance, in recognition of the work Uponor has done over many years to enhance lean operational excellence.

In late April, a decision was made to build an extension to the Apple Valley facility in Minnesota, USA adding some 1,600 square metres of mostly manufacturing space. The construction will start in May, and it is expected to be operational by year-end. This investment will increase capital expenditure for 2013 by close to €12 million.

Short-term outlook

Despite the progress achieved in stabilising the political and financial climate in Europe and the euro zone, in particular, prospects in Europe remain challenging. This is especially true in the southwest part of the continent and some central European markets. The outlook in northern and eastern Europe is more stable, i.e. no big moves upwards or downwards are anticipated. Thus, the markets in Europe remain fragile and vulnerable to major international economic developments.

In North America, the recovery is expected to continue throughout the year, albeit not as strongly and steadily, perhaps, as during the last one and a half years, and with Canada, in particular, continuing on a softer path than last year.

For the reasons stated above, visibility in Uponor's key application areas remains rather weak. Uponor is planning for a lengthy period of low activity levels in the European market, while making efforts to meet increasing demand in North America and some other smaller geographical pockets of growth.

The management continues to keep a sharp eye on cost efficiency and cash flow, while aiming to secure growth where possible.

Uponor repeats its guidance for the year 2013, announced on 12 February 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 section 'Key risks associated with business' in the Financial Statements 2012.

Uponor Corporation
Board of Directors

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Uponor is a leading international provider of plumbing and indoor climate solutions for residential and commercial building markets across Europe and North America. In Northern Europe, Uponor is also a prominent supplier of infrastructure pipe systems. The Group employs approx. 3,000 persons, in 30 countries. In 2012, Uponor's net sales exceeded €810 million. Uponor Corporation is listed on NASDAQ OMX Helsinki in Finland. http://www.uponor.com.

INTERIM REPORT JANUARY – MARCH 2013
Table part

This interim report has been compiled in accordance with the IAS 34 reporting standards and it is unaudited. The figures in brackets are the reference figures for the equivalent period in 2012. The change percentages reported have been calculated from the exact figures and not from the rounded figures published in the interim report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

M€	1-3/ 2013	1-3/ 2012	1-12/ 2012
Continuing operations			
Net sales	177.7	192.5	811.5
Cost of goods sold	108.5	117.9	500.7
Gross profit	69.2	74.6	310.8
Other operating income	0.1	0.3	0.9
Dispatching and warehousing expenses	8.2	7.8	31.8
Sales and marketing expenses	40.0	41.2	161.3
Administration expenses	11.1	12.2	44.6
Other operating expenses	3.9	4.4	16.3
Operating profit	6.1	9.3	57.7
Financial expenses, net	1.1	2.3	8.6
Share of results in associated companies	0.0	0.1	0.3
Profit before taxes	5.0	7.1	49.4
Income taxes	1.7	2.6	16.5
Profit for the period from continuing operations	3.3	4.5	32.9
Discontinued operations			
Profit for the period from discontinued operations	0.0	0.0	-0.1
Profit for the period	3.3	4.5	32.8
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Re-measurements on defined benefit pensions, net of taxes	-	-	-1.1
Items that may be reclassified subsequently to profit or loss			
Translation differences	3.0	-1.3	0.6
Cash flow hedges, net of taxes	0.2	-0.2	-0.7
Net investment hedges	-2.8	0.2	-3.5
Other comprehensive income for the period, net of taxes	0.4	-1.3	-4.7
Total comprehensive income for the period	3.7	3.2	28.1
Profit/loss for the period attributable to			
- Equity holders of parent company	3.3	4.5	32.8
Comprehensive income for the period attributable to			
- Equity holders of parent company	3.7	3.2	28.1
Earnings per share, €	0.05	0.06	0.45
- Continuing operations	0.05	0.06	0.45
- Discontinued operations	0.00	0.00	0.00
Diluted earnings per share, €	0.05	0.06	0.45
- Continuing operations	0.05	0.06	0.45
- Discontinued operations	0.00	0.00	0.00

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

M€	31.3.2013	31.3.2012	31.12.2012
Assets			
Non-current assets			
Property, plant and equipment	153.2	153.9	152.4
Intangible assets	92.5	96.3	93.7
Securities and long-term investments	0.8	1.1	0.8
Deferred tax assets	14.9	13.5	14.5
Total non-current assets	261.4	264.8	261.4
Current assets			
Inventories	93.6	91.7	78.7
Accounts receivable	136.7	134.9	107.3
Other receivables	33.0	39.2	34.3
Cash and cash equivalents	8.1	12.0	17.7
Total current assets	271.4	277.8	238.0
Total assets	532.8	542.6	499.4
Equity and liabilities			
Equity			
Equity attributable to the owners of the parent company	183.2	182.0	207.3
Total equity	183.2	182.0	207.3
Non-current liabilities			
Interest-bearing liabilities	107.6	110.4	107.6
Deferred tax liability	15.0	11.7	14.8
Provisions	5.0	4.0	5.1
Employee benefits and other liabilities	22.8	18.8	22.7
Total non-current liabilities	150.4	144.9	150.2
Current liabilities			
Interest-bearing liabilities	42.6	46.9	4.2
Provisions	14.7	15.6	15.5
Accounts payable	52.6	56.3	43.3
Other liabilities	89.3	96.9	78.9
Total current liabilities	199.2	215.7	141.9
Total equity and liabilities	532.8	542.6	499.4

Figures for 31.3.2012 and 31.12.2012 have been adjusted with the effect of retrospective application of IAS19R *Employee Benefits*.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

M€	1-3/2013	1-3/2012	1-12/2012
Cash flow from operations			
Net cash from operations	11.2	16.4	77.4
Change in net working capital	-22.6	-18.6	-7.6
Income taxes paid	-3.4	-15.6	-30.2
Interest paid	-0.8	-3.9	-7.4
Interest received	0.1	0.3	0.5
Cash flow from operations	-15.5	-21.4	32.7
Cash flow from investments			
Proceeds from disposal of subsidiaries and businesses*	-	-3.8	7.6
Proceeds from disposal of shares	-	-	0.0
Purchase of fixed assets	-4.6	-3.8	-19.2
Proceeds from sale of fixed assets	0.0	0.0	1.2
Dividends received	-	-	0.2
Loan repayments	-	-	0.0
Cash flow from investments	-4.6	-7.6	-10.2
Cash flow from financing			
Borrowings of debt	34.9	46.0	46.3
Repayment of debt	-	-1.0	-47.3
Change in other short-term loan	3.7	-0.9	0.5
Dividends paid	-27.8	-25.6	-25.6
Acquisition of non-controlling interest	-	-6.2	-6.2
Payment of finance lease liabilities	-0.4	-0.4	-1.5
Cash flow from financing	10.4	11.9	-33.8
Conversion differences for cash and cash equivalents	0.1	0.0	-0.1
Change in cash and cash equivalents	-9.6	-17.1	-11.4
Cash and cash equivalents at 1 January	17.7	29.1	29.1
Cash and cash equivalents at end of period	8.1	12.0	17.7
Changes according to balance sheet	-9.6	-17.1	-11.4

*) Proceeds from disposal of subsidiaries and businesses equals to the cash received from the sale and the cash and cash equivalents disposed of.

STATEMENT OF CHANGES IN EQUITY

M€	A	B	C	D*	E	F	G	H	I
Balance at 1 Jan 2013	146.4	50.2	-0.5	-15.4	-1.0	27.6	207.3	-	207.3
Total comprehensive income for the period			0.2	0.2		3.3	3.7		3.7
Dividend paid (€0.38 per share)						-27.8	-27.8		-27.8
Share-based incentive plan						0.0	0.0		0.0
Other adjustments			0.0			0.0	-		-
Balance at 31 March 2013	146.4	50.2	-0.3	-15.2	-1.0	3.1	183.2	-	183.2
Balance at 1 Jan 2012	146.4	50.2	0.2	-12.5	-1.2	24.6	207.7	2.9	210.6
Total comprehensive income for the period			-0.2	-1.1		4.5	3.2		3.2
Dividend paid (€0.35 per share)						-25.6	-25.6		-25.6
Share-based incentive plan						0.0	0.0		0.0
Acquisition of non-controlling interest						-3.3	-3.3	-2.9	-6.2
Other adjustments			0.0			0.0	-		-
Balance at 31 March 2012	146.4	50.2	0.0	-13.6	-1.2	0.2	182.0	-	182.0

*) Includes a -€19.3 (-12.8) million effective part of net investment hedging at the end of period.

Figures for 1.1.2012, 31.3.2012 and 1.1.2013 have been adjusted with the effect of retrospective application of IAS19R *Employee Benefits*.

A – Share capital
B – Share premium
C – Other reserves
D* – Translation reserve
E – Treasury shares
F – Retained earnings
G – Equity attributable to owners of the parent company
H – Non-controlling interest
I – Total equity

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The interim report has been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU and IAS 34 Interim Financial Reporting. In its interim reports, Uponor Group follows the same principles as in the annual financial statements for 2012, excluding impacts of Amendments to IAS 1 *Presentation of Financial Statements* and IAS19R *Employee Benefits* followed in the interim financial statements.

Notes required by the standard IFRS 13 *Fair Value Measurement* have been included in the interim report.

Presentation of Financial Statements

As of January 2013, the Group adopted the Amendments to IAS 1 Presentation of Financial Statements. Main change is the requirement for grouping items in 'other comprehensive income' based on whether they can be reclassified to profit or loss as certain conditions are fulfilled. Uponor has grouped items in other comprehensive income as required.

Employee Benefits

As of 1 January 2013, the Group adopted the revised IAS 19 Employee Benefits. The revised standard requires that all actuarial gains and losses are immediately recognised through other comprehensive income and such balances are permanently excluded from the consolidated income statement. Previously actuarial gains and losses were deferred in accordance with the corridor approach.

Main changes relate to the fully recognised actuarial gains and losses which impact other comprehensive income and increase the Group's employee benefit liability. This change does not have material impact on the consolidated income statements.

Revised IAS 19 *Employee Benefits* requires retrospective application, the adjustments resulting from the implementation of the standard have been disclosed below.

M€	1-12/2012	10-12/2012	7-9/2012	4-6/2012	1-3/2012
Impact on statement of comprehensive income					
Other comprehensive income, reported	-3.6	-0.8	-3.0	1.5	-1.3
Adjustments	-1.1	-1.1	-	-	-
Other comprehensive income, adjusted	-4.7	-1.9	-3.0	1.5	-1.3

M€	31.12.2012	30.9.2012	30.6.2012	31.3.2012
Impact on statement of financial position				
Deferred tax assets, reported	13.6	12.1	12.8	12.9
Adjustments	0.9	0.6	0.6	0.6
Deferred tax assets, adjusted	14.5	12.7	13.4	13.5
Equity attributable to the owners of the parent company, reported	209.9	203.4	194.0	183.5
Adjustments	-2.6	-1.5	-1.5	-1.5
Equity attributable to the owners of the parent company, adjusted	207.3	201.9	192.5	182.0
Employee benefits and other liabilities, reported	19.2	20.0	19.5	16.7
Adjustments	3.5	2.1	2.1	2.1
Employee benefits and other liabilities, adjusted	22.7	22.1	21.6	18.8

M€	1-12/2012	1-9/2012	1-6/2012	1-3/2012
Impact on key figures				
Reported				
Return on equity, % (p.a.)	15.5	16.5	13.2	9.0
Return on investment, % (p.a.)	16.7	18.1	15.3	11.1
Solvency ratio, %	42.1	37.8	34.7	33.9
Gearing, %	44.8	57.9	74.2	79.2
Equity per share, €	2.87	2.78	2.65	2.51
Adjusted				
Return on equity, % (p.a.)	15.7	16.6	13.2	9.5
Return on investment, % (p.a.)	16.5	18.2	15.4	11.2
Solvency ratio, %	41.5	37.5	34.4	33.6
Gearing, %	45.4	58.3	74.8	79.8
Equity per share, €	2.84	2.76	2.63	2.49

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

M€	31.3.2013	31.3.2012	31.12.2012
Gross investment	4.6	3.8	19.2
- % of net sales	2.6	2.0	2.4
Depreciation	7.1	7.3	28.2
Book value of disposed fixed assets	0.0	0.9	1.1

PERSONNEL

Converted to full time employees	1-3/2013	1-3/2012	1-12/2012
Average	3,024	3,165	3,098
At the end of the period	3,030	3,022	3,052

OWN SHARES	31.3.2013	31.3.2012	31.12.2012
Own shares held by the company, pcs	140,378	160,000	140,378
- of share capital, %	0.2	0.2	0.2
- of voting rights, %	0.2	0.2	0.2
Accounted par value of own shares held by the company, M€	0.3	0.3	0.3

SEGMENT INFORMATION

		1-3/2013			1-3/2012	
M€	External	Internal	Total	External	Internal	Total
Net sales by segment, continuing operations						
Building Solutions – Europe	113.8	0.1	113.9	132.8	0.2	133.0
Building Solutions - North America	37.2	-	37.2	31.0	-	31.0
Infrastructure Solutions	26.7	0.9	27.6	28.7	1.0	29.7
Eliminations	-	-1.0	-1.0	-	-1.2	-1.2
Total	177.7	-	177.7	192.5	-	192.5

1-12/2012

M€	External	Internal	Total
Net sales by segment, continuing operations			
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
Total	811.5	-	811.5

M€	1-3/2013	1-3/2012	1-12/2012
Operating result by segment, continuing operations			
Building Solutions - Europe	6.7	11.7	47.2
Building Solutions - North America	4.6	2.7	17.8
Infrastructure Solutions	-3.7	-1.9	0.0
Others	-1.2	-2.4	-6.1
Eliminations	-0.3	-0.8	-1.2
Total	6.1	9.3	57.7

M€	1-3/2013	1-3/2012	1-12/2012
Segment depreciation and impairments, continuing operations			
Building Solutions - Europe	2.7	3.2	11.4
Building Solutions - North America	1.6	1.4	6.0
Infrastructure Solutions	1.5	1.5	5.9
Others	1.1	1.1	4.4
Eliminations	0.2	0.1	0.5
Total	7.1	7.3	28.2
Segment investments, continuing operations			
Building Solutions – Europe	1.2	2.1	13.6
Building Solutions - North America	2.5	0.8	3.6
Infrastructure Solutions	0.8	0.6	5.4
Others	0.1	0.3	1.4
Total	4.6	3.8	24.0

M€	31.3.2013	31.3.2012	31.12.2012
Segment assets			
Building Solutions - Europe	337.0	418.3	364.9
Building Solutions - North America	123.2	124.1	119.6
Infrastructure Solutions	101.5	95.6	84.4
Others	224.0	278.7	249.8
Eliminations	-252.9	-374.1	-319.3
Total	532.8	542.6	499.4
Segment liabilities			
Building Solutions - Europe	265.0	302.2	290.3
Building Solutions - North America	68.4	83.5	69.2
Infrastructure Solutions	79.1	72.7	66.5
Others	215.3	300.0	210.3
Eliminations	-278.2	-397.8	-344.2
Total	349.6	360.6	292.1

Segment assets and liabilities 31.3.2012 and 31.12.2012 have been adjusted with the effect of retrospective application of IAS19R *Employee Benefits*. The change mainly affected the segment Building Solutions – Europe.

	1-3/2013	1-3/2012	1-12/2012
Segment personnel, continuing operations, average			
Building Solutions – Europe	2,040	2,225	2,132
Building Solutions - North America	473	408	427
Infrastructure Solutions	451	475	480
Others	60	57	59
Total	3,024	3,165	3,098

Reconciliation

M€	1-3/2013	1-3/2012	1-12/2012
Operating result by segment, continuing operations			
Total result for reportable segments	7.6	12.5	65.0
Others	-1.3	-2.4	-6.1
Eliminations	-0.2	-0.8	-1.2
Operating profit	6.1	9.3	57.7
Financial expenses, net	1.1	2.3	8.6
Share of results in associated companies	0.0	0.1	0.3
Profit before taxes	5.0	7.1	49.4

CONTINGENT LIABILITIES

M€	31.3.2013	31.3.2012	31.12.2012
Group:			
Commitments of purchase of property, plant and equipment	3.4	0.8	0.6
Pledges			
- on own behalf	-	0.0	0.0
Mortgages			
- on own behalf	0.1	0.1	0.1
Guarantees			
- on behalf of others	7.4	5.7	7.0
Parent company:			
Guarantees			
- on behalf of a subsidiary	16.8	20.1	16.1

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 the parent company above.

Uponor Corporation and its subsidiary Uponor Business Solutions Oy paid €15.0 million in taxes, surtaxes and penalties based on the taxation adjustment decisions made by the Finnish tax authority for the years 2005-2009 in the beginning of 2012. Uponor has appealed against the decisions and has submitted a request for rectification to the Board of Adjustment. Surtaxes (€1.9 million) and interest on delayed payments (€3.3 million) were recorded as expenses in 2011. The paid taxes (€9.8 million) relating to an increase in taxable income were booked as receivables from the tax authority in 2012. If the original decisions by the Finnish tax authority would remain in force, Uponor will start initiatives to avoid double taxation in alignment with the EU legislation and the 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 would be approved, the surtaxes and interests would be returned to the company.

M€	31.3.2013	31.3.2012	31.12.2012
OPERATING LEASE COMMITMENTS	39.5	31.3	40.2

DERIVATIVE CONTRACTS

M€	Nominal value 31.3.2013	Fair value 31.3.2013	Nominal value 31.3.2012	Fair value 31.3.2012	Nominal value 31.12.2012	Fair value 31.12.2012
Currency derivatives						
- Forward agreements	214.2	-0.3	292.9	-2.0	243.2	0.7
- Currency options, bought	10.6	0.1	-	-	10.8	0.1
- Currency options, sold	10.6	0.0	-	-	10.8	0.0
Interest derivatives						
- Interest rate swaps	50.0	-2.5	50.0	-2.0	50.0	-2.5
Commodity derivatives						
- Forward agreements	6.7	-0.6	6.1	-0.7	6.5	-0.7

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

31.3.2013 M€	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit and loss	Loans and receivables	Available for sales financial assets	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	IFRS 7 Fair value hierarchy level
Non-current financial assets							
Other shares and holdings				0.2		0.2	
Electricity derivatives	0.0					0.0	1
Non-current receivables			0.6			0.6	
Current financial assets							
Accounts receivable and other receivables			151.4			151.4	
Electricity derivatives	0.0					0.0	1
Other derivative contracts	0.8	0.9				1.7	2, 3
Cash and cash equivalents			8.1			8.1	
Carrying amount	0.8	0.9	160.1	0.2		162.0	
Non-current financial liabilities							
Interest bearing liabilities					107.6	107.6	
Electricity derivatives	0.5					0.5	1
Current financial liabilities							
Interest bearing liabilities					42.6	42.6	
Electricity derivatives	0.2					0.2	1
Other derivative contracts	3.9	0.5				4.4	2, 3
Accounts payable and other liabilities					99.0	99.0	
Carrying amount	4.6	0.5			249.2	254.3	

31.12.2012 M€	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit and loss	Loans and receivables	Available for sales financial assets	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	IFRS 7 Fair value hierarchy level
Non-current financial assets							
Other shares and holdings				0.2		0.2	
Non-current receivables			0.5			0.5	
Current financial assets							
Accounts receivable and other receivables			120.1			120.1	
Electricity derivatives	0.0					0.0	1
Other derivative contracts	1.0	0.8				1.8	2, 3
Cash and cash equivalents			17.7			17.7	
Carrying amount	1.0	0.8	138.3	0.2		140.3	
Non-current financial liabilities							
Interest bearing liabilities					107.6	107.6	
Electricity derivatives	0.4					0.4	1
Current financial liabilities							
Interest bearing liabilities					4.2	4.2	
Electricity derivatives	0.3					0.3	1
Other derivative contracts	2.9	0.6				3.5	2, 3
Accounts payable and other liabilities					57.6	57.6	
Carrying amount	3.6	0.6			169.4	173.6	

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 the hierarchy as follows:
The fair value of electricity derivatives is measured based on stock exchange prices. (Hierarchy 1)
The fair value of currency forward agreements is measured based on price information from common markets and commonly used valuation methods. (Hierarchy 2)
The fair value of currency options is measured according to fair value calculations made by financial institutions (Hierarchy 3). The fair value of currency options at the valuation day is immaterial.

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 result was immaterial.

M€	2013	2012
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 equivalents disposed of	-	3.9
Cash flow effect	-	7.6

DISCONTINUED OPERATIONS

In 2013 and 2012, the discontinued operations include costs related to the Irish infrastructure business sold in 2008. These costs incurred mainly from administrative and operative costs.

M€	1-3/2013	1-3/2012	1-12/2012
Expenses	0.0	0.0	0.1
Profit before taxes	0.0	0.0	-0.1
Income taxes	-	-	-
Profit after taxes	0.0	0.0	-0.1
Profit for the period from discontinued operations	0.0	0.0	-0.1
Cash flow from discontinued operations			
Cash flow from operations	-0.1	-0.2	-0.5

RELATED-PARTY TRANSACTIONS

M€	1-3/2013	1-3/2012	1-12/2012
Continuing operations			
Purchases from associated companies	0.4	0.4	2.4
Balances at the end of the period			
Accounts receivable and other receivables	0.0	0.0	0.0
Accounts payables and other liabilities	0.1	0.2	0.0

KEY FIGURES

	1-3/2013	1-3/2012	1-12/2012
Earnings per share, €	0.05	0.06	0.45
- continuing operations	0.05	0.06	0.45
- discontinued operations	0.00	0.00	0.00
Operating profit (continuing operations), %	3.4	4.8	7.1
Return on equity, % (p.a.)	6.8	9.5	15.7
Return on investment, % (p.a.)	7.0	11.2	16.5
Solvency ratio, %	34.4	33.6	41.5
Gearing, %	77.6	79.8	45.4
Net interest-bearing liabilities	142.1	145.3	94.1
Equity per share, €	2.51	2.49	2.84
- diluted	2.51	2.49	2.84
Trading price of shares			
- low, €	9.65	6.82	6.77
- high, €	11.27	9.40	10.00
- average, €	10.54	8.50	8.47
Shares traded			
- 1,000 pcs	4,071	7,811	21,963
- M€	43	66	186

Figures for 1-3/2012 and 1-12/2012 have been adjusted with the effect of retrospective application of IAS19R *Employee Benefits*.

QUARTERLY DATA

	1-3/ 2013	10-12/ 2012	7-9/ 2012	4-6/ 2012	1-3/ 2012
Continuing operations					
Net sales, M€	177.7	189.6	211.3	218.1	192.5
- Building Solutions – Europe	113.9	121.6	129.9	133.2	133.0
- Building Solutions – North America	37.2	38.1	43.1	38.9	31.0
- Building Solutions – North America, $	49.0	49.8	54.5	49.7	41.4
- Infrastructure Solutions	27.6	31.4	40.3	47.6	29.7
Gross profit, M€	69.2	72.2	82.6	81.4	74.6
- Gross profit, %	39.0	38.1	39.1	37.3	38.7
Operating profit, M€	6.1	10.2	22.1	16.1	9.3
- Building Solutions – Europe	6.7	9.4	13.9	12.2	11.7
- Building Solutions – North America	4.6	3.5	7.5	4.1	2.7
- Building Solutions – North America, $	6.1	4.6	9.6	5.3	3.5
- Infrastructure Solutions	-3.7	-2.7	2.4	2.2	-1.9
- Others	-1.2	0.3	-1.4	-2.6	-2.4
Operating profit, % of net sales	3.4	5.4	10.4	7.4	4.8
- Building Solutions – Europe	5.9	7.7	10.7	9.1	8.8
- Building Solutions – North America	12.4	9.1	17.4	10.6	8.5
- Building Solutions – North America, $	12.4	9.2	17.5	10.6	8.5
- Infrastructure Solutions	-13.6	-8.6	5.8	4.7	-6.5
Profit for the period, M€	3.4	7.1	12.4	8.8	4.5
Balance sheet total, M€*	532.8	499.4	539.5	559.6	542.6
Earnings per share, €	0.05	0.10	0.17	0.12	0.06
Equity per share, €*	2.51	2.84	2.76	2.62	2.49
Market value of share capital, M€	776.0	702.8	600.3	517.2	632.5
Return on investment, % (p.a)*	7.0	16.5	18.2	15.4	11.2
Interest-bearing net debt at the end of the period, M€	142.1	94.1	117.7	143.9	145.3
Gearing, %*	77.5	45.4	58.3	74.8	79.8
Gearing, % rolling 4 quarters*	64.0	64.6	63.1	62.0	60.2
Gross investment, M€	4.6	6.8	4.6	4.0	3.8
- % of net sales	2.6	3.2	2.3	1.8	2.0

*) Figures for 2012 have been adjusted with the effect of retrospective application of IAS19R *Employee Benefits*.

DEFINITIONS OF KEY RATIOS

Return on Equity (ROE). %

$$= \frac{\text{Profit before taxes} - \text{taxes}}{\text{Shareholder's equity} + \text{non-controlling interest, average}} \times 100$$

Return on Investment (ROI). %

$$= \frac{\text{Profit before taxes} + \text{interest and other financing costs}}{\text{Balance sheet total} - \text{non-interest-bearing liabilities. average}} \times 100$$

Solvency. %

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

Gearing. %

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

Net interest-bearing liabilities

= Interest-bearing liabilities – cash. bank receivables and financial assets

Earnings per share (EPS)

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

Equity per share ratio

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

Average share price

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