Interim report January - March 2017

3 May 2017

INTERIM REPORT JANUARY – MARCH 2017

Uponor's net sales grows in all segments

- A pick-up in demand fuelled net sales growth in key markets in all segments, with the clear exception of Germany and the UK
- Net sales in January – March totalled €265.1 (246.9) million, with an organic growth at 7.4%
- Operating profit came to €14.6 (11.9) million, a change of 22.8%
- Comparable operating profit came to €15.0 (14.9) million, a change of 0.8%
- Earnings per share were €0.11 (0.09)
- Return on investment was 9.9% (8.9%), and gearing 74.5% (62.4%)
- Cash flow from business operations came to €-23.0 (-14.5) million
- Uponor repeats its full-year guidance announced on 13 February 2017: the Group's net sales and comparable operating profit are expected to improve from 2016, assuming that economic development in Uponor's key geographies continues undisturbed

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

- We made broad-based progress in several key markets across all segments in the first quarter, which had more business days this year than in 2016. The first quarter is an off-season quarter and performance trends may change further in the year. One such factor that may impact business going forward is an upward trend in the prices of key raw materials which we have seen in recent months. We have issued and are prepared to issue further price increases to compensate for higher input costs.
- Building Solutions – Europe's net sales growth was strong in several of its key markets, but business operations experienced headwinds in the largest national market, Germany, in particular. Performance was negatively affected mainly as a result of intensifying competition in plumbing solutions, along with higher marketing costs related to the biennial ISH trade show.
- The building solutions business in North America is progressing in a satisfactory manner and demand in the key market segments remains healthy, although not quite as lively as in the very strong comparison period.
- Uponor Infra reported an improvement both in its top line and bottom line development, but reported an operating loss which is typical for the season. Faced with margin pressures due to emerging input cost risks, the segment continues to implement its strategy of focussing on designed solutions sales that is less dependent on raw material price movements.

Information on the January – March 2017 interim report bulletin
This interim report has been compiled in accordance with the IAS 34 reporting standards and is unaudited. The figures in brackets are the reference figures for the equivalent period in the previous year. Any change percentages are calculated from the exact figures and not the rounded figures published here.
Webcast of the results briefing and the presentation
A webcast in English will be broadcast on 3 May at 15.00 EET. Connection details are available at http://investors.uponor.com. The recorded webcast can be viewed at http://investors.uponor.com shortly after publication. The presentation document will be available at http://investors.uponor.com > News & downloads.
Next interim results
Uponor Corporation will publish its half year financial report on 25 July 2017. During the silent period from 1 to 25 July, Uponor will not comment on market prospects or factors affecting business and performance.

Markets

With confidence among builders at levels not seen since before the financial crisis, European construction markets entered the year with continued, positive momentum. In North America, broad-based growth continued in Uponor's key building segments, but at a reduced rate.

In Uponor's largest Central European market, Germany, private consumption and public expenditure, combined with buoyant business confidence, have continued to boost the economy. Within the construction industry, the commercial construction market has been particularly strong, while other building segments have experienced lower growth. Some of the growth has been in the prefabricated house market, which has not been a core market for Uponor. The construction sentiment in Germany stumbled in the last months of 2016, but rebounded somewhat during the first months of 2017 and remains favourable compared to previous years. In the Netherlands, growth has moderated, but builders report significant improvements in their order books. In several European markets, the HVAC industry continues to be hampered by bottlenecks in planning and in professional installation services, which is slowing business.

In Southern Europe, construction activity is primarily trending upward, with considerable improvements in the Spanish and French markets. Despite political uncertainties, no significant headwinds have been prevalent in UK demand.

Supported by improving macroeconomic fundamentals, construction activity has grown across the Nordic countries. In Finland, non-residential projects have slowly begun to contribute to the recovery, which has thus far been driven by residential construction in growth centres. The Swedish market continues to outperform its neighbours, with housing starts growing significantly. The construction markets in Norway and Denmark are also both benefiting from strengthening economies.

In North America, residential and non-residential construction remain largely healthy in the face of labour shortages in some industries and rising interest rates. In the USA, lacklustre business investments have slowed the pace of growth in non-residential construction projects, but construction spending has nevertheless grown from the same period last year. On the residential side, housing starts have sustained their steady, upward trend. In Canada, a recent - and probably temporary - surge in multi-family starts in urban areas has lent support to the residential market.

With regard to Uponor's infrastructure solutions, civil engineering expenditures in the Nordic countries remain modest, but steady, while an increase in non-residential building construction projects has improved demand. In Canada, the significant fall in industrial investments witnessed during 2015-2016 has bottomed out and demand in Uponor's core market segments is returning.

Net sales

Uponor's consolidated net sales reached €265.1 (246.9) million, up 7.4%. A positive currency impact of €3.7 million increased consolidated net sales, mainly originating in the USD and CAD. In constant currency terms, i.e. using Q1/2016 exchange rates, net sales growth was 5.8%.

Growth of net sales was robust both in Uponor Infra and in Building Solutions – North America, but also in several key national markets in Building Solutions – Europe, reflecting a clearly improved business environment in both continents. In addition, a small, positive effect is likely to have arisen from customers pre-buying ahead of announced price increases.

Building Solutions – Europe reported net sales of €124.3 (123.0) million, up by a modest 1.1%. Net sales grew strongly in several key markets, supported by sales initiatives that bore fruit in pre-fabricated installation unit sales, in particular. A clear exception to the trend was Germany and the UK, both of which saw net sales decline. In the UK, net sales were influenced by the weakening British pound, which made imported products less attractive and, in part, by earlier transformation-related internal measures that caused short term challenges, especially in supply. The unsatisfactory net sales development in Germany was mainly related to overcapacity in the supply of plumbing products that influenced Uponor's routes to market, in particular, as well as competitive pressures, both in plumbing and in radiant heating systems, from OEM and other low price-performance suppliers.

Net sales continued to grow favourably in Building Solutions – North America. The segment's net sales came to €78.2 (70.7) million, up 10.5%, or 6.7% in USD. In the first quarter of 2016, net sales was very strong as a result of lively sales in Canada and the pre-buying of EP (enhanced polymer) fittings in the U.S. as a result of announced availability constraints. In 2017, irregular order and sales patterns as a result of the EP fittings availability issue in 2016, were still experienced and had a negative impact on net sales growth. Further, sales was curbed by the fact that some business opportunities did not materialise as expected in the first quarter due to external issues, such as weather.

Breaking a multi-year negative trend, Uponor Infra reported growth for the first quarter and posted quarterly net sales of €63.1 (54.1) million, up 16.7% year-on-year. Growth was particularly robust in North America, Sweden and Denmark.

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

M€	1–3/ 2017	1–3/ 2016	Change
Building Solutions – Europe	124.3	123.0	1.1%
Building Solutions – North America	78.2	70.7	10.5%
(Building Solutions – North America (M$)	83.5	78.2	6.7%)
Uponor Infra	63.1	54.1	16.7%
Eliminations	-0.5	-0.9	
Total	265.1	246.9	7.4%

Results and profitability

Uponor's consolidated gross profit came to €91.4 (87.8) million, a change of €3.6 million. The gross profit margin was 34.5% (35.5%). Comparable gross profit came to €91.6 (88.5) million, or 34.6% (35.8%). The change in gross profit margin was mainly driven by factors related to the EP fittings shortage in the U.S. in 2016, including an increase in freight costs and higher EP resin material cost. Further, partner promotions in the building solutions segments increased from the comparison period in 2016.

Operating profit in the first quarter of 2017 came to €14.6 (11.9) million, representing a change of 22.8% year-over-year. Profitability, as measured by the operating profit margin, ticked up to 5.5% (4.8%). Comparable operating profit, i.e. excluding items affecting comparability, came to €15.0 (14.9) million, up 0.8%. Operating profit was burdened by a variety of factors, such as sales mix shifting towards lower margin product groups during the period, increases in overheads and expenses due to initiatives to expand business in the U.S., in particular, as well as continued high level of R&D investment. In line with the transformation programmes reaching towards their end, items affecting comparability amounted to just €-0.4 (€-3.0) million.

Building Solutions – Europe's operating profit came to €6.3 (4.9) million, up 27.9%. The segment's comparable operating profit amounted to €6.7 (7.5) million, a change of -11.2%. Offsetting the beneficial impact of higher net sales in several markets, the segment's comparable operating profit declined as a result of lower sales in Germany and marketing costs related to the biennial ISH trade fair in March. The ramp-up of operations in Asia, including the new factory in China, also burdened operating profit to some extent.

Building Solutions – North America reported an operating profit of €10.6 (11.1) million, showing a decline of 3.9% from the comparison period but still remaining at a healthy level. The decline in operating profit was partly caused by the repercussions of the shortage in EP resin in 2016, as mentioned above, as well as lower margins due to regional sales mix.

Uponor Infra improved its operating profit markedly, by 47.1%, but remained in negative territory at €-1.9 (-3.6) million which, for seasonal reasons, is not unusual for the first quarter. The segment's comparable operating profit came to €-1.9 (-3.2) million, representing a change of 40.5%. The improvement in profitability was mainly caused by operational leverage due to higher sales volumes, as well as savings from the transformation programme. The largest share of the improvement came from the North American operations, supported by the timely cost saving actions implemented during the fourth quarter of 2016. Uponor Infra's transformation programme in Europe has, been completed.

Operating profit by segment (January – March):

M€	1–3/ 2017	1–3/ 2016	Change
Building Solutions – Europe	6.3	4.9	27.9%
Building Solutions – North America	10.6	11.1	-3.9%
(Building Solutions – North America (M$)	11.4	12.3	-7.2%)
Uponor Infra	-1.9	-3.6	47.1%
Others	-0.9	-0.7	
Eliminations	0.5	0.2	
Total	14.6	11.9	22.8%

Comparable operating profit by segment (January – March):

M€	1–3/ 2017	1–3/ 2016	Change
Building Solutions – Europe	6.7	7.5	-11.2%
Building Solutions – North America	10.6	11.1	-3.9%
(Building Solutions – North America (M$)	11.4	12.3	-7.2%)
Uponor Infra	-1.9	-3.2	40.5%
Others	-0.9	-0.7	
Eliminations	0.5	0.2	
Total	15.0	14.9	0.8%

Financial expenses at €2.8 (3.4) million were slightly less than in the comparison period.

The share of the result in associated companies at -0.5 million is related to the minority share in the joint venture company Phyn, which is still in a development and pilot phase and does not yet generate returns.

Profit before taxes for January – March totalled €11.3 (8.6) million. The effect of taxes on profits was €3.9 million, compared to €3.2 million in the first quarter of 2016. The estimated tax rate for the full year is 35%, compared to 31.3% at the year-end of 2016.

The profit for the first quarter of 2017 amounted to €7.4 (5.4) million.

Investment and financing

Uponor's gross investments in the first quarter came to €7.8 (5.3) million, remaining below depreciation. Depreciation came to €9.3 (9.8) million. The investments in the first quarter were mainly addressed at increasing and modernising capacity, e.g. in terms of pre-fabricated solutions, to meet expected growth. The transfer of PEX pipe production from Spain to Virsbo, Sweden, was completed as planned, resulting in the highest ever monthly PEX pipe production volumes in Virsbo.

Cash flow from business operations came to €-23.0 (-14.5) million, largely coming from higher inventories aimed to reduce the number of back orders especially in Building Solutions – North America. Cash flow from financing and thus cash flow for the period were influenced by the dividend payment of €33.6 (32.2) million on 29 March 2017.

Uponor continues to implement a cautious policy with regard to credit risk and has successfully managed to maintain a high level of liquidity. This includes actions such as actively following up on accounts receivable. The volatility in the commodity markets in recent years has increased the risk of disruption in the continuous availability of Uponor's critical raw materials. Uponor is therefore continuing to put focus on group-wide business continuity management and risk management within the supply chain, in particular.

The main existing long-term funding source on 31 March 2017 was an €80 million bond maturing in June 2018. With its existing bond issue, Uponor has balanced the maturity structure and diversified its sources of funding. In addition to the outstanding bond, Uponor took out 5-year loans of €50 million in January 2016 and €20 million in July 2016 mainly to fund M&A and joint venture activities. Four committed bilateral revolving credit facilities, which will mature in 2019-2021, totalled €200 million; none of these back-up facilities were used during the reporting period.

For short-term funding needs, Uponor's main source of funding is its domestic commercial paper programme, totalling €150 million, of which €68.9 million was in use and outstanding on the balance sheet date.

The Group's solvency, at 37.2% (38.0%), has remained at a good level. Net interest-bearing liabilities were €224.0 (176.5) million, the increase mainly being driven by the acquisition of the minority holding in the joint venture Phyn in the summer of 2016 as well as an increase in net working capital. The period-end cash balance totalled €18.0 (20.9) million. Gearing came to 74.5% (62.4%) with the four-quarter rolling gearing being at 59.6% (44.3%).

Key events

In January, Uponor Infra announced a licensee agreement, whereby it granted the French company TUBAO S.A.S. an exclusive licence for the manufacture and marketing of the Weholite® pipe in France. Invented in the 1980s, Uponor's revolutionary Weholite® technology consists of high density polyethylene (HDPE) pipe, fittings and fabricated assemblies, and is used worldwide in low pressure service applications for potable water, storm water, sewage and various other liquids.

In February, Uponor launched a new version of the popular Ecoflex range of insulated products in selected European markets. In addition to high flexibility, the new Uponor Ecoflex Thermo PRO lowers operational costs and heat loss in heat distribution networks, thanks to its new premium insulation.

In March, Uponor won the best project award in the prestigious ACREX India Hall of Fame 2017. From among ten shortlisted customer projects, Uponor's winning project, Infosys EC 53, is a platinum-rated building at the Infosys campus in Bangalore, India, and the first building in India to have radiant cooling panels. The award aims to recognise iconic Indian projects which could serve as global benchmarks in energy efficiency and sustainability.

At the biennial international ISH trade fair in Germany in late March, Uponor presented its solutions and new offerings under the concept "Build on innovation". Uponor focussed on its total offerings, complete with the technologies acquired in early 2016, related to drinking water hygiene, indoor climate, comfort and efficient energy distribution for a wide variety of building types. Uponor also presented its renewed Uponor PRO mobile app, which is intended to be *the* mobile channel through which Uponor serves the professional community.

At the end of March, Uponor organised its traditional Leadership Event in the Netherlands, bringing together close to 150 Uponor leaders from around the world. This year's event was built around topical themes such as the customer experience, digitalisation and leadership in a volatile world. In addition to building alignment between the various businesses and geographies, a special emphasis was placed on viewing leadership through the eyes of the millennial generation.

Annual General Meeting

Uponor's Annual General Meeting, held in Helsinki, Finland, on 20 March 2017, adopted Uponor's parent-company and consolidated financial statements for 2016 and released the Board members and the managing director from liability. The AGM approved the proposed dividend of €0.46 per share for 2016, the sixth year in succession in which the same or higher dividend has been paid.

Existing Board members Jorma Eloranta, Markus Lengauer, Eva Nygren, Annika Paasikivi and Jari Rosendal were re-elected, and Pia Aaltonen-Forsell was elected as a new member. The AGM elected Jorma Eloranta to continue as Chair of the Board.

Audit firm Deloitte & Touche Oy was elected as the auditor of the corporation for the 8th consecutive year. Jukka Vattulainen, Authorised Public Accountant, assumed the role of principal auditor for his second term.

Using distributable earnings from unrestricted equity, the Board of Directors was authorised to buy back a maximum of 3.5 million of the company's own shares, which equals 4.8 per cent of the total number of shares of the company. The authorisation is valid until the end of the next Annual General Meeting, and for no longer than 18 months.

The Board was also authorised to resolve on issuing a maximum of 7.2 million new shares or transferring the company's own shares, amounting to approximately 9.8 per cent of the total number of shares of the company. The Board of Directors is authorised to decide on all conditions relating to the issuance of shares. This authorisation is valid until the end of the next Annual General Meeting.

The AGM approved the Nomination Board's proposal to keep the Board's annual remuneration unchanged.

Further details regarding the Annual General Meeting are available at http://investors.uponor.com/governance/general-meeting/agm-2017.

Human resources and administration

The number of Group full-time-equivalent employees averaged 3,843 (3,823) in January – March 2017, an increase of 20 persons from the first quarter 2016. At the end of the period, the Group had 3,866 (3,810) employees, showing an increase of 56 employees. The growth mainly comes from Building Solutions – North America and from Asia that is reported as part of Building Solutions – Europe, whose total personnel declined slightly due to reductions in European operations. The number of employees in Uponor Infra also decreased.

In its meeting subsequent to the AGM, the Board of Directors re-elected Annika Paasikivi as Deputy Chair of the Board. The Board also decided to re-establish the Audit Committee and the Personnel and Remuneration Committee. The members of the Audit Committee are Annika Paasikivi (chair), Markus Lengauer and Jari Rosendal. The members of the Personnel and Remuneration Committee are Jorma Eloranta (Chair) and Annika Paasikivi. With regards to the Personnel and Remuneration Committee, Uponor does not comply with the Finnish Corporate Governance Code 2015, which recommends that a Board Committee should consist of three members. Further details are available at http://investors.uponor.com.

Uponor Corporation's corporate governance statement for 2016 and remuneration statement for 2016 were published on 13 February 2017 and are available through the website at http://investors.uponor.com.

M.Sc. (Econ) Maija Strandberg joined Uponor in March and took over as CFO on 21 March 2017. She is also a member of the Executive Committee. As announced earlier, the previous CFO Riitta Palomäki will retire at the end of May 2017.

Share capital and shares

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

The number of Uponor shares traded on Nasdaq Helsinki in the reporting period was 5.2 (4.9) million shares, totalling €86.1 (61.8) million. The market value of share capital at the end of the period was €1.2 (0.9) billion and the number of shareholders 16,957 (14,545).

On 13 February, based on the authorisation granted by the Annual General Meeting on 10 March 2016, Uponor's Board of Directors decided on a directed issue of 11,141 shares to the company's management as part of the long-term share-based incentive plan 2014-2016. No new shares were issued in connection with the plan and it therefore had no diluting effect. Prior to this directed issue, Uponor held a total of 68,959 of its own shares, of which 57,818 remain.

According to a notification from Franklin Resources, Inc., a U.S. company, the holdings of Franklin Templeton Institutional, LLC in Uponor came to 4.97%, or 3,640,933 shares, on 16 March 2017.

On 30 March, Uponor announced a change in the trading symbol of Uponor shares in Nasdaq Helsinki. The trading symbol UNR1V was replaced by UPONOR at the start of trading on Monday, 3 April 2017.

Events after the period under review

Executive Vice President – Human Resources, Minna Schrey-Hyppänen, a member of the Executive Committee, announced her resignation to accept a position in another company outside Uponor. She will continue in her role until June 2017.

Short-term outlook

The rather stable market outlook that prevailed in February 2017, when Uponor announced its 2016 results, has remained materially unchanged. Despite the obvious risks that may materialise, the recent investment behaviour of businesses and consumers indicates that confidence in near-term economic development remains undisturbed.

An encouraging improvement in demand has been noted in the European markets, influencing demand for both building solutions and infrastructure solutions, in comparison to sentiment in early 2016. The North American building solutions markets have sustained their healthy levels, despite occasional month-to-month fluctuations in demand. Likewise, demand for infrastructure solutions has picked up in North America. As stated earlier, the recovery thus seems broad-based and is supported by improving confidence, attractive credit terms, immigration and, naturally, pent up demand over the longer term.

Plastic resin prices have been on a gradual rising trend in recent months, and Uponor has announced its first price increases to compensate for higher input costs. Further price increases are likely to be announced during the quarter at hand.

Assuming that economic development in Uponor's key geographies otherwise continues undisturbed, Uponor repeats its earlier full-year guidance:

> The Group's net sales and comparable operating profit
> are expected to improve from 2016.

On 13 February 2017, Uponor estimated that the Group's capital expenditure, excluding any investment in shares, would be in the range of €50-60 million. With the new, planned additions included, the capital expenditure is expected to be close to €60 million in 2017. Funds will be directed towards the development of new products and offering, such as strategically significant hygiene solutions, and the expansion of business in Asia among other activities.

Uponor's financial performance may be affected by a range of strategic, operational, financial, legal, political and hazard risks. A more detailed risk analysis is provided in the section 'Key risks associated with business' in the Annual Report 2016.

Uponor Corporation

Board of Directors

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Uponor is a leading international systems and solutions provider for safe drinking water delivery, energy-efficient radiant heating and cooling and reliable infrastructure. The company serves a variety of building markets including residential, commercial, industrial and civil engineering. Uponor employs about 3,900 employees in 30 countries, mainly in Europe and North America. In 2016, Uponor's net sales totalled €1.1 billion. Uponor is based in Finland and listed on Nasdaq Helsinki. www.uponor.com

Table part

This interim report has been compiled in accordance with the IAS 34 reporting standard and it is unaudited. The figures in brackets are the reference figures for the equivalent period in 2016. The change percentages reported have been calculated from the exact figures and not from the rounded figures published in the interim report.

Uponor provides comparable operating profit and comparable gross profit in order to provide useful and comparable information of its operative business performance. Comparable operating or gross profit excludes items affecting comparability (IAC). Items affecting comparability are exceptional transactions that are unrelated to normal business operations. Such items often include issues such as capital gains and losses, additional costs arising from site closures and other restructuring, additional write-downs, or reversals of write-downs, expenses due to accidents and disasters, environmental matters, legal proceedings and changes in regulation.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

M€	1-3/2017	1-3/2016	1-12/2016
Continuing operations			
Net sales	265.1	246.9	1,099.4
Cost of goods sold	173.7	159.1	723.4
Gross profit	91.4	87.8	376.0
Other operating income	0.3	0.6	4.2
Dispatching and warehousing expenses	8.7	8.8	34.6
Sales and marketing expenses	49.4	48.7	190.1
Administration expenses	13.3	14.1	58.9
Other operating expenses	5.7	4.9	25.6
Operating profit	14.6	11.9	71.0
Financial expenses, net	2.8	3.4	10.0
Share of results in associated companies	-0.5	0.1	-0.6
Profit before taxes	11.3	8.6	60.4
Income taxes	3.9	3.2	18.9
Profit for period from continuing operations	7.4	5.4	41.5
Discontinued operations			
Profit for the period from discontinued operations	-	0.5	0.4
Profit for the period	7.4	5.9	41.9
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Re-measurements on defined benefit pensions, net of taxes	-	-	1.4
Items that may be reclassified subsequently to profit or loss			
Translation differences	-0.1	-3.2	2.1
Cash flow hedges, net of taxes	-0.1	-0.2	1.4
Net investment hedges	0.2	0.7	0.2
Other comprehensive income for the period, net of taxes	0.0	-2.7	5.1
Total comprehensive income for the period	7.4	3.2	47.0
Profit/loss for the period attributable to			
- Equity holders of parent company	8.3	7.2	42.2
- Non-controlling interest	-0.9	-1.3	-0.3
Comprehensive income for the period attributable to			
- Equity holders of parent company	8.1	4.5	47.1
- Non-controlling interest	-0.7	-1.3	-0.1
Earnings per share, €	0.11	0.10	0.58
- Continuing operations	0.11	0.09	0.57
- Discontinued operations	0.00	0.01	0.01
Diluted earnings per share, €	0.11	0.10	0.58
- Continuing operations	0.11	0.09	0.57
- Discontinued operations	0.00	0.01	0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

M€	31.3.2017	31.3.2016	31.12.2016
Assets			
Non-current assets			
Property, plant and equipment	239.3	219.0	240.9
Intangible assets	118.5	123.3	119.0
Investments in associates and joint ventures	12.6	0.2	13.3
Other securities and non-current receivables	21.1	20.5	21.4
Deferred tax assets	11.7	20.5	11.6
Total non-current assets	403.2	383.5	406.2
Current assets			
Inventories	152.4	130.8	139.3
Accounts receivable	211.9	184.1	165.8
Other receivables	27.4	29.4	39.9
Cash and cash equivalents *)	18.0	20.9	16.3
Total current assets	409.7	365.2	361.3
Total assets	812.9	748.7	767.5
Equity and liabilities			
Equity			
Equity attributable to the owners of the parent company	237.8	220.5	263.3
Non-controlling interest	62.9	62.4	63.6
Total equity	300.7	282.9	326.9
Non-current liabilities			
Interest-bearing liabilities	157.7	144.6	158.2
Deferred tax liability	11.4	25.1	11.8
Provisions	8.9	11.0	8.9
Employee benefits and other liabilities	25.5	27.1	25.2
Total non-current liabilities	203.5	207.8	204.1
Current liabilities			
Interest-bearing liabilities	84.3	52.8	17.6
Provisions	18.3	13.5	19.9
Accounts payable	87.3	72.9	76.2
Other liabilities	118.8	118.8	122.8
Total current liabilities	308.7	258.0	236.5
Total equity and liabilities	812.9	748.7	767.5

*) On 31 March 2016, cash and cash equivalents include €1.0 million in restricted cash.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

M€	1-3/2017	1-3/2016	1-12/2016
Cash flow from operations			
Net cash from operations	22.5	21.5	105.3
Change in net working capital	-40.6	-26.2	-16.6
Income taxes paid	-4.6	-9.4	-24.9
Interest paid	-0.5	-0.4	-4.1
Interest received	0.2	0.0	0.2
Cash flow from operations	-23.0	-14.5	59.9
Cash flow from investments			
Acquisition of subsidiaries and businesses	-	-31.4	-31.4
Acquisition of joint venture	-	-	-13.5
Purchase of fixed assets	-7.8	-5.3	-50.7
Proceeds from sale of fixed assets	0.0	2.2	3.4
Dividends received	0.0	-	0.4
Loan repayments	0.0	0.0	0.0
Cash flow from investments	-7.8	-34.5	-91.8
Cash flow from financing			
Borrowings of debt	49.9	65.2	97.3
Repayment of debt	-0.5	-0.4	-58.8
Change in other short-term loan	17.0	-10.5	-5.4
Dividends paid	-33.6	-32.2	-32.2
Payment of finance lease liabilities	-0.3	-0.3	-1.1
Cash flow from financing	32.5	21.8	-0.2
Conversion differences for cash and cash equivalents	0.0	-0.1	0.2
Change in cash and cash equivalents	1.7	-27.3	-31.9
Cash and cash equivalents at 1 January	16.3	48.2	48.2
Cash and cash equivalents at end of period	18.0	20.9	16.3
Changes according to balance sheet	1.7	-27.3	-31.9

STATEMENT OF CHANGES IN EQUITY

M€	A	B	C	D*	E	F	G	H	I
Balance at 1 Jan 2017	146.4	50.2	0.4	0.9	-0.5	65.9	263.3	63.6	326.9
Total comprehensive income for the period			-0.1	-0.1		8.3	8.1	-0.7	7.4
Dividend paid (€0.46 per share)						-33.6	-33.6		-33.6
Share-based incentive plan					0.1	-0.1	0.0		0.0
Balance at 31 March 2017	146.4	50.2	0.3	0.8	-0.4	40.5	237.8	62.9	300.7
Balance at 1 Jan 2016	146.4	50.2	-1.0	-1.8	-0.7	54.9	248.0	63.7	311.7
Total comprehensive income for the period			-0.2	-2.5		7.2	4.5	-1.3	3.2
Dividend paid (€0.44 per share)						-32.2	-32.2		-32.2
Share-based incentive plan					0.2	0.0	0.2		0.2
Balance at 31 March 2016	146.4	50.2	-1.2	-4.3	-0.5	29.9	220.5	62.4	282.9

*) Includes a €-15.0 (-14.8) million effective part of net investment hedging at the end of period.

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The interim report has been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU and IAS 34 Interim Financial Reporting. In its interim reports, Uponor Group follows the same principles as in the annual financial statements for 2016.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

M€	31.3.2017	31.3.2016	31.12.2016
Gross investment	7.8	5.3	50.7
- % of net sales	2.9	2.1	4.6
Depreciation and impairments	9.3	9.8	41.6
Book value of disposed fixed assets	0.0	1.1	2.3

PERSONNEL

Converted to full time employees	1-3/2017	1-3/2016	1-12/2016
Average	3,843	3,823	3,869
At the end of the period	3,866	3,810	3,868

OWN SHARES	31.3.2017	31.3.2016	31.12.2016
Own shares held by the company, pcs	57,818	68,959	68,959
- of share capital, %	0.1	0.1	0.1
- of voting rights, %	0.1	0.1	0.1
Accounted par value of own shares held by the company, M€	0.1	0.1	0.1

SEGMENT INFORMATION

	1-3/2017			1-3/2016		
M€	External	Internal	Total	External	Internal	Total
Net sales by segment, continuing operations						
Building Solutions - Europe	124.1	0.2	124.3	122.9	0.1	123.0
Building Solutions - North America	78.2	0.0	78.2	70.7	0.0	70.7
Uponor Infra	62.8	0.3	63.1	53.3	0.8	54.1
Eliminations	-	-0.5	-0.5	0.0	-0.9	-0.9
Total	265.1	-	265.1	246.9	-	246.9

	1-12/2016		
M€	External	Internal	Total
Net sales by segment, continuing operations			
Building Solutions - Europe	510.2	0.8	511.0
Building Solutions - North America	305.6	0.0	305.6
Uponor Infra	283.6	4.3	287.9
Eliminations	-	-5.1	-5.1
Total	1,099.4	-	1,099.4

M€	1-3/2017	1-3/2016	1-12/2016
Operating result by segment, continuing operations			
Building Solutions - Europe	6.3	4.9	25.4
Building Solutions - North America	10.6	11.1	50.0
Uponor Infra	-1.9	-3.6	-0.8
Others	-0.9	-0.7	-2.0
Eliminations	0.5	0.2	-1.6
Total	14.6	11.9	71.0

M€	1-3/2017	1-3/2016	1-12/2016
Segment depreciation and impairments, continuing operations			
Building Solutions - Europe	3.4	3.4	14.2
Building Solutions - North America	2.8	2.6	10.7
Uponor Infra	2.6	2.7	13.1
Others	0.5	1.1	3.6
Eliminations	0.0	0.0	0.0
Total	9.3	9.8	41.6
Segment investments, continuing operations			
Building Solutions - Europe	1.9	1.9	14.4
Building Solutions - North America	3.9	1.9	20.8
Uponor Infra	1.9	1.3	14.3
Others	0.1	0.2	1.2
Total	7.8	5.3	50.7

M€	31.3.2017	31.3.2016	31.12.2016
Segment assets			
Building Solutions - Europe	425.9	399.8	397.2
Building Solutions - North America	223.0	182.1	222.5
Uponor Infra	205.3	219.6	196.8
Others	317.9	289.5	301.4
Eliminations	-359.2	-342.3	-350.4
Total	812.9	748.7	767.5
Segment liabilities			
Building Solutions - Europe	353.5	349.5	325.5
Building Solutions - North America	151.9	125.4	156.0
Uponor Infra	75.4	89.9	65.1
Others	316.0	269.9	269.5
Eliminations	-384.5	-368.9	-375.4
Total	512.3	465.8	440.6

The presentation of segment assets and liabilities has changed as of the beginning of 2017 due to a transfer of non-operative companies from the segment Others to the segments Building Solutions - Europe and Building Solutions - North America, causing a change in elimination of internal receivables and liabilities. The comparable data have been adjusted accordingly.

	1-3/2017	1-3/2016	1-12/2016
Segment personnel, continuing operations, average			
Building Solutions - Europe	2,009	2,056	2,037
Building Solutions - North America	755	644	682
Uponor Infra	1,001	1,061	1,081
Others	78	63	69
Total	3,843	3,823	3,869

Reconciliation

M€	1-3/2017	1-3/2016	1-12/2016
Operating result by segment, continuing operations			
Total result for reportable segments	15.0	12.4	74.8
Others	-0.9	-0.7	-2.2
Eliminations	0.5	0.2	-1.6
Operating profit	14.6	11.9	71.0
Financial expenses, net	2.8	3.4	10.0
Share of results in associated companies	-0.5	0.1	-0.6
Profit before taxes	11.3	8.6	60.4

CONTINGENT LIABILITIES AND ASSETS

M€	31.3.2017	31.3.2016	31.12.2016
Commitments of purchase PPE (Property, plant, equipment)	17.4	7.4	9.7
Other commitments	0.6	1.2	0.6
- on own behalf			
Pledges at book value	0.1	0.1	0.1
Mortgages issued	2.2	3.8	2.5
Guarantees issued	5.0	4.8	5.0
- on behalf of a subsidiary			
Guarantees issued	32.5	39.0	34.1
Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures			
Pledges at book value	0.1	0.1	0.1
Mortgages issued	2.2	3.8	2.5
Guarantees issued	37.5	43.8	39.1
Total	39.8	47.7	41.7

Uponor Corporation's subsidiary in Spain, Uponor Hispania, S.A.U, had tax audits covering financial years 2006-2007 and 2011-2012. As a result of the audits, the tax authority rejected the tax deductibility of costs related to certain Group services and to advertising and promotion. As a result of this, Uponor Hispania has paid €0.7 million in taxes and in interest on delayed payments and booked a provision of €0.4 million to cover further delayed interest payments. The company has started a process to avoid double taxation.

In the beginning of 2012, Uponor Corporation and its subsidiary Uponor Business Solutions Oy paid €15.0 million in taxes, surtaxes and penalties based on the taxation adjustment decisions made by the Finnish tax authority for the years 2005-2009. Uponor has sought leave to appeal to the supreme administrative court. Uponor has also started a process to avoid possible double taxation. The surtaxes and the interest on delayed payments has been recorded as expenses in 2011. The paid taxes at €9.6 million have been booked as receivables. The tax receivable is reported in non-current receivables, as the process can last years. If Uponor, against expectations, should fail to get the appeal approved, the surtaxes and interests would remain as the company's loss. If the appeal would be approved, the surtaxes and interests would be returned to the company.

M€	31.3.2017	31.3.2016	31.12.2016
OPERATING LEASE COMMITMENTS	44.9	42.7	47.7

DERIVATIVE CONTRACTS

M€	Nominal value 31.3.2017	Fair value 31.3.2017	Nominal value 31.3.2016	Fair value 31.3.2016	Nominal value 31.12.2016	Fair value 31.12.2016
Currency derivatives						
- Forward agreements	202.3	-0.9	207.3	0.0	187.7	-0.6
Interest derivatives						
- Interest rate swaps	50.0	-1.5	61.0	-2.6	50.0	-1.5
- Interest rate options	20.0	0.1	20.0	0.1	20.0	0.1
Commodity derivatives						
- Forward agreements	5.1	-0.7	4.4	-1.8	5.8	-0.2

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

31.3.2017 M€	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit and loss	Loans and receivables	Available for sales financial assets	Financial liabilities measured at amortised cost	Carrying amount by balance sheet item	IFRS 7 Fair value hierarchy level
Non-current financial assets							
Other shares and holdings				0.3		0.3	
Electricity derivatives	0.0					0.0	1
Non-current receivables			20.8			20.8	
Current financial assets							
Accounts receivable and other receivables			228.4			228.4	
Electricity derivatives	0.0					0.0	1
Other derivative contracts	0.1	0.9				1.0	2
Cash and cash equivalents			18.0			18.0	
Carrying amount	0.1	0.9	267.2	0.3		268.5	
Non-current financial liabilities							
Interest bearing liabilities					157.7	157.7	
Electricity derivatives	0.2					0.2	1
Current financial liabilities							
Interest bearing liabilities					84.3	84.3	
Electricity derivatives	0.5					0.5	1
Other derivative contracts	1.5	1.8				3.3	2
Accounts payable and other liabilities					135.9	135.9	
Carrying amount	2.2	1.8			377.9	381.9	

31.3.2016 M€	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit and loss	Loans and receivables	Available for sales financial assets	Financial liabilities measured at amortised cost	Carrying amount by balance sheet item	IFRS 7 Fair value hierarchy level
Non-current financial assets							
Other shares and holdings				0.3		0.3	
Non-current receivables			20.2			20.2	
Current financial assets							
Accounts receivable and other receivables			199.4			199.4	
Other derivative contracts	0.5	0.9				1.4	2
Cash and cash equivalents			20.9			20.9	
Carrying amount	0.5	0.9	240.5	0.3		242.2	
Non-current financial liabilities							
Interest bearing liabilities					144.6	144.6	
Electricity derivatives	0.9					0.9	1
Current financial liabilities							
Interest bearing liabilities					52.8	52.8	
Electricity derivatives	0.9					0.9	1
Other derivative contracts	2.6	1.3				3.9	2
Accounts payable and other liabilities					120.8	120.8	
Carrying amount	4.4	1.3			318.2	323.9	

31.12.2016 M€	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit and loss	Loans and receivables	Available for sales financial assets	Financial liabilities measured at amortised cost	Carrying amount by balance sheet item	IFRS 7 Fair value hierarchy level
Non-current financial assets							
Other shares and holdings				0.3		0.3	
Electricity derivatives	0.1					0.1	1
Other derivative contracts		0.1				0.1	2
Non-current receivables			20.9			20.9	
Current financial assets							
Accounts receivable and other receivables			193.5			193.5	
Electricity derivatives	0.1					0.1	1
Other derivative contracts		1.6				1.6	2
Cash and cash equivalents			16.3			16.3	
Carrying amount	0.2	1.7	230.7	0.3		232.9	
Non-current financial liabilities							
Interest bearing liabilities					158.2	158.2	
Electricity derivatives	0.2					0.2	1
Current financial liabilities							
Interest bearing liabilities					17.6	17.6	
Electricity derivatives	0.3					0.3	1
Other derivative contracts	1.6	2.1				3.7	2
Accounts payable and other liabilities					102.6	102.6	
Carrying amount	2.1	2.1			278.4	282.6	

The carrying value of financial assets and liabilities is considered to correspond to their fair value. The Group's financial instruments are classified according to IFRS 7 fair value hierarchies. Uponor applies the hierarchy as follows:

- The fair value of electricity derivatives is measured based on stock exchange prices. (Hierarchy 1)
- The fair value of currency forward agreements is measured based on price information from common markets and commonly used valuation methods. (Hierarchy 2)

RELATED-PARTY TRANSACTIONS

M€	1-3/2017	1-3/2016	1-12/2016
Continuing operations			
Purchases from associated companies	0.4	0.4	1.9
Balances at the end of the period			
Loan receivable from associated companies	-	0.3	-
Accounts payables and other liabilities	0.1	0.1	0.1

KEY FIGURES

	1-3/2017	1-3/2016	1-12/2016
Earnings per share, €	0.11	0.10	0.58
- continuing operations	0.11	0.09	0.57
- discontinued operations	0.00	0.01	0.01
Operating profit (continuing operations), %	5.5	4.8	6.5
Return on equity, % (p.a.)	9.4	7.9	13.1
Return on investment, % (p.a.)	9.9	8.9	14.1
Solvency ratio, %	37.2	38.0	42.8
Gearing, %	74.5	62.4	48.8
Gearing, % rolling 4 quarters	59.6	44.3	56.7
Net interest-bearing liabilities	224.0	176.5	159.5
Equity per share, €	3.25	3.01	3.60
- diluted	3.25	3.01	3.60
Trading price of shares			
- low, €	15.53	11.13	11.13
- high, €	17.30	14.37	17.35
- average, €	16.47	12.72	14.64
Shares traded			
- 1,000 pcs	5,225	4,862	20,339
- M€	86	62	298

QUARTERLY DATA

	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Continuing operations					
Net sales, M€	265.1	268.9	284.1	299.5	246.9
- Building Solutions – Europe	124.3	125.8	127.3	134.8	123.0
- Building Solutions – North America	78.2	77.2	77.5	80.2	70.7
Building Solutions – North America, $	83.5	82.7	86.3	90.0	78.2
- Uponor Infra	63.1	67.2	80.9	85.8	54.1
Gross profit, M€	91.4	85.9	96.8	105.5	87.8
- Gross profit, %	34.5	32.0	34.1	35.2	35.5
Operating profit, M€	14.6	7.5	25.1	26.5	11.9
- Building Solutions – Europe	6.3	1.6	10.7	8.2	4.9
- Building Solutions – North America	10.6	11.9	12.4	14.6	11.1
Building Solutions – North America, $	11.4	12.7	13.8	16.3	12.3
- Uponor Infra	-1.9	-5.0	2.7	5.1	-3.6
- Others	-0.9	-0.7	-0.1	-0.9	-0.7
Operating profit, % of net sales	5.5	2.8	8.8	8.8	4.8
- Building Solutions – Europe	5.0	1.2	8.5	6.0	4.0
- Building Solutions – North America	13.6	15.4	16.0	18.2	15.7
- Uponor Infra	-3.0	-7.4	3.3	6.0	-6.7
Profit for the period, M€	7.4	5.9	14.8	15.4	5.9
Balance sheet total, M€	812.9	767.5	803.7	792.5	748.7
Earnings per share, €	0.11	0.11	0.19	0.19	0.09
Equity per share, €	3.25	3.60	3.41	3.22	3.01
Market value of share capital, M€	1,216,0	1,208.6	1,206.5	1,038.1	934.1
Return on investment, % (p.a.)	9.9	14.1	16.9	15.3	8.9
Net interest-bearing liabilities at the end of the period, M€	224.0	159.5	177.5	175.1	176.5
Gearing, %	74.5	48.8	56.6	58.5	62.4
Gearing, % rolling 4 quarters	59.6	56.7	51.8	47.1	44.3
Gross investment, M€	7.8	21.0	14.0	10.4	5.3
- % of net sales	2.9	7.8	4.9	3.5	2.1

ITEMS AFFECTING COMPARABILITY AND RECONCILIATIONS TO IFRS

	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Items affecting comparability					
Restructuring charges	-0.6	-8.6	-3.9	-4.2	-3.0
Capital gains and losses on sale of non-current assets	0.2		-	-	-
Total items affecting comparability in operating profit	-0.4	-8.6	-3.9	-4.2	-3.0
Items affecting comparability, total	**-0.4**	**-8.6**	**-3.9**	**-4.2**	**-3.0**
Comparable gross profit					
Gross profit	91.4	85.9	96.8	105.5	87.8
Less: Items affecting comparability in gross profit	-0.2	-5.6	-0.8	-0.8	-0.7
Comparable gross profit	**91.6**	**91.5**	**97.6**	**106.3**	**88.5**
% of sales	34.6	34.1	34.4	35.5	35.8
Comparable operating profit					
Operating profit	14.6	7.5	25.1	26.5	11.9
Less: Items affecting comparability in operating profit	-0.4	-8.6	-3.9	-4.2	-3.0
Comparable operating profit	**15.0**	**16.1**	**29.0**	**30.7**	**14.9**
% of sales	5.7	6.0	10.2	10.2	6.0
Comparable operating profit by segment					
Building Solutions - Europe					
Operating profit	6.3	1.6	10.7	8.2	4.9
Less: Items affecting comparability in operating profit	-0.4	-5.6	-0.9	-3.3	-2.6
Comparable operating profit	6.7	7.2	11.6	11.5	7.5
% of sales	5.4	5.7	9.2	8.5	6.1
Building Solutions - North America					
Operating profit	10.6	11.9	12.4	14.6	11.1
Comparable operating profit	10.6	11.9	12.4	14.6	11.1
% of sales	13.6	15.4	16.0	18.2	15.7
Uponor Infra					
Operating profit	-1.9	-5.0	2.7	5.1	-3.6
Less: Items affecting comparability in operating profit	0.0	-3.0	-3.2	-0.6	-0.4
Comparable operating profit	-1.9	-2.0	5.9	5.7	-3.2
% of sales	-3.1	-2.9	7.2	6.7	-6.0
Others					
Operating profit	-0.9	-0.3	-0.1	-0.9	-0.7
Less: Items affecting comparability in operating profit	0.0	0.0	0.2	-0.3	-
Comparable operating profit	-0.9	-0.3	-0.3	-0.6	-0.7
% of sales	na	na	na	na	na

DEFINITIONS OF KEY RATIOS

Return on Equity (ROE), %

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

Return on Investment (ROI), %

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

Solvency, %

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

Gearing, %

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

Net interest-bearing liabilities

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

Earnings per share (EPS)

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

Equity per share ratio

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

Average share price

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

Gross profit margin

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

Operating profit margin

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

Comparable gross profit margin

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

Comparable operating profit margin

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