Uponor, Inc. factory, Apple Valley, Minnesota, USA

INTERIM REPORT 2015

29 October 2015

Q3

INTERIM REPORT JANUARY – SEPTEMBER 2015

Q3/2015: Uponor picks up speed in the U.S. as European demand remains stagnant

- July–September net sales totalled €274.1 (277.0) million, representing a change of -1.0% or organically +1.6%
- July–September operating profit at €23.6 (29.2) million, down by 18.8%
- January–September's net sales came to €788.8 (772.4) million, a change of +2.1% or organically +4.3%
- January–September operating profit, at €57.4 (51.6) million, up by 11.4%, or 7.8% excluding the impact of €1.8 (3.3) million in non-recurring items
- Earnings per share in January–September amounted to €0.44 (0.38)
- January–September return on investment was 17.3% (14.8%) and gearing 37.9 (41.7)
- For January–September, cash flow from business operations was €17.0 (19.3) million
- Uponor repeats its guidance, given on 30 September 2015, for the year 2015: Net sales for 2015, based on organic growth, are expected to exceed those of the prior year while operating profit, excluding any non-recurring items, remains somewhat below that of 2014.

(This interim report has been compiled in accordance with the IAS 34 reporting standard, and is unaudited. The figures in the report apply to continuing operations unless otherwise stated. 'Reporting period' refers to January–September.)

President and CEO Jyri Luomakoski comments on developments during the quarter:

- In Building Solutions - North America, positive development continued both in net sales growth and leveraged operating profit margin. Uponor Inc.'s expansion investment has progressed according to plan and the current operational efficiency demonstrates the scalability of the business. Despite softer Canadian construction indicators, progress has also been positive there. Supplier capacity issues have caused industry-wide scarcity of base resin for engineered polymer fittings causing a part shortage for our customers. Uponor, Inc. is mitigating by a temporary substitution of higher cost lead-free brass which is likely to curb margin expansion from levels seen in the last two quarters.
- Flat demand in Europe continues to affect Building Solutions – Europe, where initiatives are being implemented, under new management, to adjust operations, especially in high fixed-cost markets with declining sales volumes.
- Uponor Infra has successfully implemented its strategic restructuring measures, but due to persistently soft key markets its performance remains weak. The recent decline in resin prices, which took place after the historically high prices seen in the spring-summer period has left us with high-cost inventories, the sale of which will still squeeze margins in the fourth quarter. The decline, however, has returned the competiveness of plastic infrastructure solutions against other materials back to normal.

Information on the January–September 2015 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 have been calculated from the exact figures and not from the rounded figures published here.

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

The next results report
Uponor Corporation will publish its financial results for the full year 2015 on Friday 12 February 2016. During the silent period from 1 January to 12 February, Uponor will not comment on market prospects or factors affecting business and performance, nor will the company engage in any discussion of events or trends related to the reporting period or the current fiscal period.

Markets

Great differences persisted between the business environments in Uponor's key geographies, very much reflecting the situation of the two previous quarters. The North American markets, the U.S. in particular, continued their healthy growth. The European markets, overall, continued to experience soft demand, with some further setbacks noted due to internal and external political and economic challenges influencing economic development in the EU in particular. Trends in the Eastern European and Asian markets were somewhere in between.

With regard to building solutions, development of the European business landscape – which constitutes Uponor's core market area in terms of business volumes – was flat and even deteriorated somewhat in the third quarter against expectations of rather stable but low-level demand. Among Uponor's key European markets, demand for building and construction in Finland remained at a low level, while Norway, the UK and Russia were weakened from the rather stable environment that prevailed in the second quarter. Softness in the plumbing and heating industry, in particular, continued in Germany, despite the country's general economic liveliness; the heating and energy market was particularly flat. The positive development in demand reported in the Netherlands for the second quarter continued during the period. The south European markets remained flat, overall, with promising positive signals reported in Spain in the form of growth in housing permits, for instance. In the Nordic countries, Sweden continued to be lively, Denmark remained stable, but Norway experienced a drop in demand as both public and private investments were curbed following the weakening in oil prices.

While the Canadian building market posted flat or negative growth, its closest neighbour, the U.S. reported steady, broad-based growth year-on-year, although with a somewhat weaker trend than in the second quarter. The positive impact came mainly from the residential building market while the non-residential segments were soft, despite improving from the previous year. Consumer confidence in the U.S. has improved considerably over the recent months and at the end of the third quarter also U.S. builder optimism was at its highest level in ten years.

Demand for infrastructure solutions was closely aligned with that for building solutions. Uponor Infra's business is heavily affected by its large share of operations in Finland, where home building is at a low level and investments in civil engineering have reduced as a result of the country's weak economy. Another large infrastructure solutions market, Canada, has been struggling with the impact of low oil prices, which has reduced infrastructure investment in exploration projects. As a result, competition from that segment is seeking volumes from the general infrastructure pipe systems markets, thus intensifying competition.

Net sales

Uponor’s continuing operations reported net sales of €274.1 (277.0) million for the third quarter, entailing a decline of 1.0%, or a growth of 1.6% in organic terms. The impact of currency changes was €5.6 million.

Building Solutions – Europe reported weakening year-on-year net sales development from the third quarter 2014, mainly due to weak trends in key European markets such as the UK, Norway and Finland. In Germany, indoor climate systems sales, in particular, faced headwinds as low energy prices curbed the renovation business. Brisk growth in net sales was reported in the Netherlands and in Sweden; Spain and Austria also showed promise. A general, Europe-wide trend influencing Uponor sales lies in the market's growing acceptance of lower-priced standard systems. These are being increasingly introduced as private label products and through new routes to the market. This trend is visible both in indoor climate and plumbing solutions in several key regions of the continent.

In Building Solutions – North America, growth of net sales against the same period in 2014 remained strong. In local currency, net sales for the quarter grew by 16.4%. Most of this growth came from the plumbing solutions business in the U.S. Growth is mainly coming from traditional residential market rise and from commercial plumbing initiatives.

Uponor Infra reported a drop in net sales as a result of multiple factors including the divestments of the Thailand-based pipe business and the Finland-based Extron technology business in the first quarter of 2015, prolonged weakness in key European markets and a tighter competitive environment in Canada.

Breakdown of net sales by segment (July–September):

M€	7-9/ 2015	7-9/ 2014	Change
Building Solutions – Europe	121.2	123.5	-2.0%
Building Solutions – North America	75.1	54.7	37.4%
(Building Solutions – North America (M$)	83.6	71.8	16.4%)
Uponor Infra	79.0	100.3	-21.2%
Eliminations	-1.2	-1.5	
Total	274.1	277.0	-1.0%

Uponor's January–September net sales reached €788.8 (772.4) million, recording growth of 2.1%, or 4.3% in organic terms. This was driven by the strong growth in North America throughout all three quarters of 2015. The currency impact on year-to-date net sales totalled €27.8 million, mainly coming from the USD whose effect was partly offset by the RUB. Growth excluding the effect of currencies and the divestments made in the first quarter of 2015 totalled 0.7%.

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

M€	1-9/ 2015	1-9/ 2014	Change
Building Solutions – Europe	352.8	366.4	-3.7%
Building Solutions – North America	201.8	144.7	39.5%
(Building Solutions – North America (M$)	224.4	195.2	15.0%)
Uponor Infra	237.0	266.4	-11.0%
Eliminations	-2.8	-5.1	
Total	788.8	772.4	2.1%

Results and profitability

Uponor's operating profit in the third quarter came to €23.6 (29.2) million, amounting to a year-on-year decrease of 18.8%. Profitability measured in terms of the operating profit margin reached 8.6% from the 10.5% reported a year ago. Operating profit excluding any non-recurring items came to €24.6 (29.3) million in the quarter under review.

Offsetting the particularly strong performance in Building Solutions – North America, this negative development was driven by major falls in profitability in both Building Solutions – Europe and in Uponor Infra.

Building Solutions – Europe's operating profit was mainly burdened by weak net sales development especially in the more higher-margin markets of Europe and the €1.0 million in non-recurring items from ongoing streamlining measures. Overheads also grew slightly from the comparison period.

Building Solutions – North America's performance developed steadily, with both the operating profit and margin clearly exceeding last year's figure. In addition to a boost in net sales, the trend was supported by discipline and careful management of discretionary expenses while pursuing growth, which helped to offset the impact of the weaker Canadian currency.

Uponor Infra's operating profit in the third quarter primarily suffered from the weaker sales volumes in key markets. While the resin availability issue that emerged in the second quarter had already dissipated in the third, the impact of extreme resin price volatility, while depleting existing product inventory built up in a higher resin price environment, had a short-term adverse effect on profit. The above mentioned factors offset the cost benefits successfully gained from the restructuring measures implemented in 2013 – 2014 and mainly concerning Finnish operations.

Breakdown of operating profit by segment (July-September):

M€	7–9/ 2015	7–9/ 2014	Change
Building Solutions – Europe	8.4	15.0	-43.8%
Building Solutions – North America	15.7	9.2	70.6%
(Building Solutions – North America (M$)	17.5	12.1	44.0%)
Uponor Infra	-0.3	4.2	-107.5%
Others	-0.2	0.5	
Eliminations	0.0	0.3	
Total	23.6	29.2	-18.8%

Profit before taxes for July–September totalled €24.4 (27.8) million. The effect of taxes on profits was €9.0 million, while the amount of taxes in the comparison period was €11.0 million. Profit for the third quarter came to €15.4 (16.8) million.

Operating profit for January–September was €57.4 (51.6) million, up 11.4% from the comparison period. When non-recurring items are excluded, the operating profit was €59.2 (55.0) million, an increase of 7.8%. The operating profit margin came to 7.3%, while the equivalent figure for 2014 was 6.7%. Currency exchange rates had a €6.3 million positive translation impact on the operating profit for January–September.

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

M€	1–9/ 2015	1–9/ 2014	Change
Building Solutions – Europe	20.7	30.3	-31.7%
Building Solutions – North America	38.8	22.2	74.9%
(Building Solutions – North America (M$)	43.2	29.9	44.2%)
Uponor Infra	1.4	0.4	229.9%
Others	-2.9	-1.0	
Eliminations	-0.6	-0.3	
Total	57.4	51.6	11.4%

Earnings per share for January–September totalled €0.44 (0.38), both basic and diluted. Equity per share was €3.26 (3.10), and diluted €3.25 (3.09).

Investments and financing

In the U.S., the extension of Uponor, Inc.'s current factory with a new annex building, adding 8,175 m2 (88,000 sq. feet) of manufacturing and office space, is progressing according to plan and should be completed during the final quarter of the current year. Uponor, Inc. also made other, smaller investments that support a higher production output. Uponor, Inc. markets PEX-based plumbing and indoor climate systems.

In Russia, Uponor invested in the manufacture of the Ecoflex local heat distribution pipe, with the company's first Russian factory being completed during the third quarter.

Any further investments during the period were primarily targeted at maintenance and development.

Gross investments in fixed assets in January–September came to €30.4 million, exceeding the previous year's level of 21.4 million. This was slightly higher than depreciation, which amounted to €27.1 (27.0) million.

Cash flow from business operations in January–September came to €17.0 million, from €19.3 million in 2014.

Uponor continues to ensure that it keeps liquidity at a healthy level. The risk of bad debt is mitigated, among other actions, by active follow up on trade receivables and through the extensive use of credit insurance.

In 2015, Uponor has finalised the renewal of its back-up facilities, with a €50 million revolving credit facility agreement signed in August as the final step in this process. The main funding programmes in place on 30 September 2015 included an €80 million bond maturing in 2018 and a €20 million bond maturing in 2016. Uponor's available committed bilateral credit facilities totalled €200 million, maturing in 2019 and 2020, with none of this amount in use at the end of the reporting period. The amount of commercial papers issued under the €150 million domestic commercial-paper programme was €7 million at period-end.

The Group’s solvency ratio decreased to 41.1% (42.4%). Net interest-bearing liabilities declined to €114.8 (122.9) million. The period-end cash balance, excluding €41.1 million as restricted cash, totalled €20.7 (21.2) million. The restricted cash relates mainly to cash inflows into an escrow account from parties contributing to the funding of Uponor, Inc.´s pending U.S. class action settlements, as outlined in the release of 10 June 2015. These amounts are expected to be used later this year, after court approval of the settlements has been obtained.

Gearing fell to 37.9% (41.7%).

Other key events

In July, Uponor launched a streamlining programme to adjust the operations of Building Solutions – Europe to the weak demand prevailing in Europe, and in the German residential market in particular. The programme is targeting annual savings of around €3 million, to be achieved through various measures such as adjusting the sales network and centralising and outsourcing certain support functions. Uponor has already launched initiatives in Sweden and the UK targeting a reduction of circa 70 man years and measures are being prepared for the softening German market. In total, such measures are expected to account for around 100 man years of work in Building Solutions – Europe. It is estimated that these initiatives will incur a total of €4–€5 million in non-recurring costs, most of which will be booked during 2015.

In September, Uponor launched its third International Trainee Programme as part of the company’s human resources development. The purpose of this programme is to promote Uponor as an employer and to attract and retain well-educated, young professionals with high learning agility, a good attitude and an international mindset.

To strengthen the company’s performance in terms of sustainable operations, Uponor decided to establish a systematic and integral approach by implementing an Energy Management System in accordance with the international standard ISO 50001 within its European building solutions and infrastructure solutions factories, targeting completion by the end of 2020. Uponor’s primary aim is the continuous improvement of its energy performance. Implementation of an Energy Management System will support Uponor's target of reducing its carbon footprint by 20% by the year 2020 (base year 2015), and thereby reducing the company’s environmental impact. Implementation has already begun in the German factories located in Hassfurt and in Zella-Mehlis.

During the third quarter, Uponor Infra won several mid-sized delivery projects in Sweden and Finland, in both the new build and renovation sectors. As far as building solutions is concerned, a project involving the renovation of 50 properties with a total of 1,300 apartments over the next three years is presently the largest of its kind in Malmö, Sweden.

Uponor continued its active offering development and finalised and launched a combination of novel offerings focused on meeting customer needs. These included projects such as the extension of the pre-insulated flexible Ecoflex pipe offering with a larger dimension, up to 125mm, complete with fittings and tailored to have greater flow capacity in mid-sized commercial area heating networks. In indoor climate, Uponor continued the European launch of the new Smatrix Retrofit solution, which enables the refurbishment of existing Uponor and non-Uponor underfloor heating installations with new wireless controls while optimising operational costs, energy efficiency and comfort.

For the Nordic markets, Uponor introduced new R2I ('ready-to-install') factory-assembled cabinets that reduce installation time and risk, and enable consistent quality – chiefly in residential renovation and new build projects.

In terms of installer tools, in co-operation with Milwaukee, a leading power tool manufacturer, Uponor introduced an expansion tool for very large dimension ProPEX (America) /Quick&Easy (Europe) fittings that are used to connect plumbing pipes based on PEX technology. This new tool will be available in sizes 40 to 75mm for 6 and 10 bar pipes. The tool is part of the same family of products that has gained wide popularity amongst customers over the last couple of years.

Human resources and administration

For the January–September period, the number of Uponor Group employees (full-time equivalent) in continuing operations averaged 3,872 (4,161), showing a decrease of 289 employees from the equivalent period in 2014. At the end of the period, the Group had 3,777 (4,091) employees, 314 less than at the end of the comparison period, driven by the divestments of two infrastructure solutions businesses in the first quarter of 2015.

Effective from 1 September 2015, Jan Peter Tewes (46), M.Sc. (Econ.), MBA, joined Uponor as Executive Vice President Building Solutions – Europe and a member of the Group's Executive Committee. In the same connection, Fernando Roses, EVP, Offering and Supply Chain for Building Solutions – Europe, assumed the new role of EVP, Technology and Corporate Development at Uponor Group while remaining an Executive Committee member.

Share capital and shares

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

The number of Uponor shares traded on Nasdaq Helsinki in the third quarter was 6.5 (3.3) million, with the value of trading totalling €88.3 (39.4) million. The market value of the company's share capital at the end of the period was €0.9 (0.8) billion and the number of shareholders was 14,629 (16,395).

On 12 February 2015, based on the authorisation granted by Annual General Meeting on 15 March 2012, the Board of Directors decided on a directed issue of 42,818 of the company's own shares to the management as part of the incentive plan 2012-2014. Uponor currently holds a total of 97,560 of its own shares.

The AGM held on 17 March 2015 authorised the Board of Directors to buy back a maximum of 3.5 million of the company's own shares, which equals 4.8 per cent of the total number of shares 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 or transferring a maximum of 7.2 million new shares, amounting to a total of 9.8 per cent of the total number of the shares of the company. This authorisation is valid until the end of the next annual general meeting. Neither of these authorisations has been exercised to date. The AGM proposals and resolutions can be viewed in detail at http://investors.uponor.com > Governance.

Events after the reporting period

Uponor completed the building project for its first manufacturing unit in Russia in the third quarter. This facility close to St. Petersburg was opened in an official ceremony on 1 October. The new unit will make Uponor Ecoflex insulated pipe for local heat delivery installations.

Short-term outlook

Uponor estimates that, for the remainder of the year, the current economic trends in key markets in Europe and North America will continue. In addition to macro-economic and political fundamentals, demand in Uponor's business areas is driven by a range of factors, such as consumer confidence, public investment and funding policies, as well as energy price development.

The lacklustre business environment in Europe is expected to remain more or less unchanged, reflecting a lack of internal and external drivers of change. In North America, development in the U.S. is likely to continue to be positive, although the speed of growth may not be as rapid as in the last quarter.

Uponor has begun a streamlining programme to adjust operations to the challenging business environment in Europe. Initiatives in Sweden and the UK have already been launched and further measures are being prepared with a view to improving Uponor's performance in countries such as Germany.

The temporary erosion of gross margin late in the third quarter caused by sales of inventories made prior to the decline in resin prices in the summer, and impacting on the infrastructure solutions business in particular, is expected to continue throughout the fourth quarter.

Uponor repeats its guidance, given on 30 September 2015, for the year 2015:
Based on organic growth, net sales for 2015 are expected to exceed those of the prior year while operating profit, excluding any non-recurring items, remains somewhat below that of 2014.

Uponor's financial performance may be affected by various strategic, operational, financial, legal, political and hazard-related risks. A more detailed risk analysis is provided in the 'Key risks associated with business' section of the Financial Statements 2014.

Uponor Corporation
Board of Directors

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INTERIM REPORT JANUARY–SEPTEMBER 2015 - 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 2014. 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€	1-9/ 2015	1-9/ 2014	7-9/ 2015	7-9/ 2014	1-12/ 2014
Continuing operations					
Net sales	788.8	772.4	274.1	277.0	1,023.9
Cost of goods sold	510.0	515.4	179.1	184.8	683.8
Gross profit	278.8	257.0	95.0	92.2	340.1
Other operating income	0.9	2.1	0.2	1.0	2.4
Dispatching and warehousing expenses	26.7	28.4	8.6	8.4	37.1
Sales and marketing expenses	140.5	129.8	45.2	41.2	173.1
Administration expenses	41.7	37.5	13.5	10.7	51.1
Other operating expenses	13.4	11.8	4.3	3.7	17.8
Operating profit	57.4	51.6	23.6	29.2	63.4
Financial expenses, net	5.7	7.2	-0.7	1.4	7.4
Share of results in associated companies	0.2	0.1	0.1	0.0	0.3
Profit before taxes	51.9	44.5	24.4	27.8	56.3
Income taxes	19.2	16.5	9.0	11.0	20.0
Profit for period from continuing operations	32.7	28.0	15.4	16.8	36.3
Discontinued operations					
Profit for the period from discontinued operations	-0.3	0.0	0.0	0.0	-0.3
Profit for the period	32.4	28.0	15.4	16.8	36.0
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Re-measurements on defined benefit pensions, net of taxes	0.0	0.0	0.0	0.0	-5.0
Items that may be reclassified subsequently to profit or loss					
Translation differences	7.3	7.4	-3.2	7.8	7.3
Cash flow hedges, net of taxes	-0.3	-0.7	-0.3	0.1	-0.9
Net investment hedges	-1.0	0.1	0.6	-1.2	0.6
Other comprehensive income for the period, net of taxes	6.0	6.8	-2.9	6.7	2.0
Total comprehensive income for the period	38.4	34.8	12.5	23.5	38.0
Profit/loss for the period attributable to					
- Equity holders of parent company	32.0	27.9	15.6	15.5	36.5
- Non-controlling interest	0.4	0.1	-0.2	1.3	-0.5
Comprehensive income for the period attributable to					
- Equity holders of parent company	37.4	34.0	12.7	21.4	39.1
- Non-controlling interest	1.0	0.8	-0.2	2.1	-1.1
Earnings per share, €	0.44	0.38	0.21	0.21	0.50
- Continuing operations	0.44	0.38	0.21	0.21	0.50
- Discontinued operations	0.00	0.00	0.00	0.00	0.00
Diluted earnings per share, €	0.44	0.38	0.21	0.21	0.50

- Continuing operations	0.44	0.38	0.21	0.21	0.50
- Discontinued operations	0.00	0.00	0.00	0.00	0.00

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

M€	30.9.2015	30.9.2014	31.12.2014
Assets			
Non-current assets			
Property, plant and equipment	211.3	201.6	207.8
Intangible assets	95.1	99.7	98.4
Securities and non-current receivables	10.8	11.4	11.2
Deferred tax assets	19.3	15.7	19.4
Total non-current assets	336.5	328.4	336.8
Current assets			
Inventories	119.2	119.8	117.4
Accounts receivable	194.2	205.2	137.3
Other receivables	28.3	27.1	30.1
Restricted cash *)	41.1	-	-
Cash and cash equivalents	20.7	21.2	60.2
Total current assets	403.5	373.3	345.0
Total assets	740.0	701.7	681.8
Equity and liabilities			
Equity			
Equity attributable to the owners of the parent company	238.0	226.1	231.1
Non-controlling interest	64.5	68.6	66.8
Total equity	302.5	294.7	297.9
Non-current liabilities			
Interest-bearing liabilities	100.4	129.9	126.3
Deferred tax liability	20.1	15.6	19.3
Provisions	4.7	4.7	4.6
Employee benefits and other liabilities	30.4	25.8	30.9
Total non-current liabilities	155.6	176.0	181.1
Current liabilities			
Interest-bearing liabilities	35.1	14.2	15.9
Provisions	13.0	15.9	11.6
Accounts payable	66.3	70.9	67.6
Other liabilities	167.5	130.0	107.7
Total current liabilities	281.9	231.0	202.8
Total equity and liabilities	740.0	701.7	681.8

*) related mainly to the pending U.S. class action settlements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

M€	1-9/2015	1-9/2014	1-12/2014
Cash flow from operations			
Net cash from operations	82.9	74.2	99.0
Change in net working capital	-41.4	-36.2	-3.5
Income taxes paid	-22.7	-15.6	-16.0
Interest paid	-2.1	-3.2	-4.3
Interest received	0.3	0.1	0.5
Cash flow from operations	17.0	19.3	75.7
Cash flow from investments			
Proceeds from disposal of subsidiaries	5.9	0.0	-
Purchase of fixed assets	-30.4	-21.4	-35.7
Proceeds from sale of fixed assets	0.2	4.4	4.8
Dividends received	-	0.6	0.6
Loan repayments	0.0	-0.1	-0.3
Cash flow from investments	-24.3	-16.5	-30.6
Cash flow from financing			
Borrowings of debt	26.4	43.0	21.0
Repayment of debt	-33.3	-50.0	-31.0
Change in other short-term loan	6.3	0.8	1.9
Dividends paid	-30.7	-27.8	-27.8
Payment of finance lease liabilities	-0.7	-1.4	-1.8
Cash flow from financing	-32.0	-35.4	-37.7
Conversion differences for cash and cash equivalents	-0.2	0.1	-0.9
Change in cash and cash equivalents	-39.5	-32.5	6.5
Cash and cash equivalents at 1 January	60.2	53.7	53.7
Cash and cash equivalents at end of period	20.7	21.2	60.2
Changes according to balance sheet	-39.5	-32.5	6.5

STATEMENT OF CHANGES IN EQUITY

M€	A	B	C	D*	E	F	G	H	I
Balance at 1 Jan 2015	146.4	50.2	-1.0	-10.3	-1.0	46.8	231.1	66.8	297.9
Total comprehensive income for the period			-0.3	5.7		32.0	37.4	1.0	38.4
Dividend paid (€0.42 per share)						-30.7	-30.7		-30.7
Share-based incentive plan					0.3	-0.1	0.2		0.2
Disposal of subsidiaries and businesses								-3.3	-3.3
Other adjustments						0.0	0.0	0.0	0.0
Balance at 30 September 2015	146.4	50.2	-1.3	-4.6	-0.7	48.0	238.0	64.5	302.5
Balance at 1 Jan 2014	146.4	50.2	0.0	-17.6	-1.0	41.7	219.7	68.0	287.7
Total comprehensive income for the period			-0.7	6.8		27.9	34.0	0.8	34.8
Dividend paid (€0.38 per share)						-27.8	-27.8		-27.8
Share-based incentive plan						0.0	0.0		0.0
Other adjustments						0.2	0.2	-0.2	0.0
Balance at 30 September 2014	146.4	50.2	-0.7	-10.8	-1.0	42.0	226.1	68.6	294.7

*) Includes a -€14.4 (-14.0) 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 2014.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

M€	30.9.2015	30.9.2014	31.12.2014
Gross investment	30.4	21.4	35.7
- % of net sales	3.9	2.8	3.5
Depreciation and impairments	27.3	27.0	36.5
Book value of disposed fixed assets	0.2	2.0	3.6

PERSONNEL

Converted to full time employees	1-9/2015	1-9/2014	1-12/2014
Average	3,872	4,161	4,127
At the end of the period	3,777	4,091	3,982

OWN SHARES

OWN SHARES	30.9.2015	30.9.2014	31.12.2014
Own shares held by the company, pcs	97,560	140,378	140,378
- of share capital, %	0.1	0.2	0.2
- of voting rights, %	0.1	0.2	0.2
Accounted par value of own shares held by the company, M€	0.3	0.3	0.3

SEGMENT INFORMATION

		1-9/2015			1-9/2014	
M€	External	Internal	Total	External	Internal	Total
Net sales by segment, continuing operations						
Building Solutions – Europe	352.2	0.6	352.8	365.0	1.4	366.4
Building Solutions - North America	201.8	-	201.8	144.7	-	144.7
Uponor Infra	234.8	2.2	237.0	262.6	3.8	266.4
Eliminations	0.0	-2.8	-2.8	-	-5.1	-5.1
Total	788.8	-	788.8	772.4	-	772.4

		7-9/2015			7-9/2014	
M€	External	Internal	Total	External	Internal	Total
Net sales by segment, continuing operations						
Building Solutions – Europe	120.9	0.3	121.2	123.3	0.2	123.5
Building Solutions - North America	75.1	-	75.1	54.7	0.0	54.7
Uponor Infra	78.1	0.9	79.0	98.9	1.4	100.3
Eliminations	0.0	-1.2	-1.2	-	-1.5	-1.5
Total	274.1	-	274.1	277.0	-	277.0

M€	External	1-12/2014 Internal	Total
Net sales by segment, continuing operations			
Building Solutions – Europe	477.7	1.4	479.1
Building Solutions - North America	200.8	0.0	200.8
Uponor Infra	345.4	5.9	351.3
Eliminations	-	-7.3	-7.3
Total	1,023.9	-	1,023.9

M€	1-9/2015	1-9/2014	7-9/2015	7-9/2014	1-12/2014
Operating result by segment, continuing operations					
Building Solutions - Europe	20.7	30.3	8.4	15.0	35.0
Building Solutions - North America	38.8	22.2	15.7	9.2	31.5
Uponor Infra	1.4	0.4	-0.3	4.2	-0.5
Others	-2.9	-1.0	-0.2	0.5	-2.6
Eliminations	-0.6	-0.3	0.0	0.3	0.0
Total	57.4	51.6	23.6	29.2	63.4

M€	1-9/2015	1-9/2014	1-12/2014
Segment depreciation and impairments, continuing operations			
Building Solutions - Europe	7.8	7.7	10.4
Building Solutions - North America	7.3	5.7	8.0
Uponor Infra	8.8	9.8	13.1
Others	3.3	3.4	4.5
Eliminations	0.1	0.4	0.5
Total	27.3	27.0	36.5
Segment investments, continuing operations			
Building Solutions – Europe	9.6	10.0	13.6
Building Solutions - North America	14.7	6.1	11.4
Uponor Infra	5.7	5.3	10.3
Others	0.4	0.0	0.4
Total	30.4	21.4	35.7

M€	30.9.2015	30.9.2014	31.12.2014
Segment assets			
Building Solutions - Europe	348.9	357.6	338.8
Building Solutions - North America	234.3	158.8	161.2
Uponor Infra	229.2	269.3	242.3
Others	146.0	140.9	190.5
Eliminations	-218.4	-224.9	-251.0
Total	740.0	701.7	681.8
Segment liabilities			
Building Solutions - Europe	227.5	228.4	227.4
Building Solutions - North America	129.3	75.2	85.7
Uponor Infra	94.7	128.3	105.7
Others	228.3	222.2	240.3
Eliminations	-242.3	-247.1	-275.1
Total	437.5	407.0	384.0

	1-9/2015	1-9/2014	1-12/2014
Segment personnel, continuing operations, average			
Building Solutions – Europe	2,024	2,059	2,052
Building Solutions - North America	582	534	537
Uponor Infra	1,203	1,511	1,481
Others	63	57	57
Total	3,872	4,161	4,127

Reconciliation

M€	1-9/2015	1-9/2014	1-12/2014
Operating result by segment, continuing operations			
Total result for reportable segments	60.9	52.9	65.9
Others	-2.9	-1.0	-2.5
Eliminations	-0.6	-0.3	0.0
Operating profit	57.4	51.6	63.4
Financial expenses, net	5.7	7.2	7.4
Share of results in associated companies	0.2	0.1	0.3
Profit before taxes	51.9	44.5	56.3

CONTINGENT LIABILITIES AND ASSETS

M€	30.9.2015	30.9.2014	31.12.2014
Commitments of purchase PPE (Property, plant, equipment)	12.2	5.0	1.9
Other commitments	1.1	2.7	1.1
- on own behalf			
Pledges at book value	0.1	0.0	0.5
Mortgages issued	-	10.4	14.3
Guarantees issued	4.8	5.2	5.1
- on behalf of a subsidiary			
Pledges at book value	-	-	0.0
Guarantees issued	19.2	20.6	18.8
Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures			
Pledges at book value	0.1	0.0	0.5
Mortgages issued	-	10.4	14.3
Guarantees issued	24.0	25.8	24.0
Total	24.1	36.2	38.8

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. In May 2015, the Spanish tax authority accepted Uponor Hispania SA's appeal for the most part, however rejecting the tax deductibility of costs related to Group services. Related to this, Uponor Hispania SA has started a process to avoid double taxation. While the case is being handled, Uponor Hispania, SA has provided a bank guarantee of €2.7 million covering the tax amount and delay interests due to the Spanish tax authority. The bank guarantee given is included in Guarantees issued on behalf of a subsidiary above.

In the beginning of 2012, Uponor Corporation and its subsidiary Uponor Business Solutions Oy paid €15.0 million in taxes, surtaxes and penalties based on the taxation adjustment decisions made by the Finnish tax authority for the years 2005-2009. Uponor appealed against the decisions and filed a request for rectification to the Board of Adjustment. The Board of Adjustment rejected Uponor Business Solutions Oy's appeal in April 2013 and, for the most part, also Uponor Corporation's appeal in June 2013. On July 2013, Uponor placed the issue before the administrative court and applied for rectification of the Board of Adjustment's ruling. Uponor has also started a process to avoid possible double taxation. The surtaxes (€1.9 million) and the interest on delayed payments (€3.3 million) were recorded as expenses in 2011. The paid taxes (€9.8 million) relating to an increase in taxable income were booked as receivables from the tax authority in 2012. Tax authority returned €0.3 million to Uponor Corporation in June 2013; thus the tax receivable decreased to €9.6 million. The tax receivable is reported in non-current receivables, as the process can last years. If Uponor, against expectations, should fail to get the appeal approved, the surtaxes and interests would remain as the company's loss. If the appeal would be approved, the surtaxes and interests would be returned to the company.

M€	30.9.2015	30.9.2014	31.12.2014
OPERATING LEASE COMMITMENTS	44.1	45.7	44.6

DERIVATIVE CONTRACTS

M€	Nominal value 30.9.2015	Fair value 30.9.2015	Nominal value 30.9.2014	Fair value 30.9.2014	Nominal value 31.12.2014	Fair value 31.12.2014
Currency derivatives						
- Forward agreements	179.6	1.4	194.9	-1.3	228.4	0.2
- Currency options, bought	8.7	0.4	13.0	-	9.4	0.6
- Currency options, sold	8.7	0.0	13.0	-0.5	9.4	-
Interest derivatives						
- Interest rate swaps	70.0	-2.9	170.0	-3.3	170.0	-3.1
Commodity derivatives						
- Forward agreements	5.6	-1.8	7.0	-0.8	7.1	-0.9

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

30.9.2015 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				0.5		0.5	
Non-current receivables			10.3			10.3	
Current financial assets							
Accounts receivable and other receivables			208.8			208.8	
Other derivative contracts	0.0	2.4				2.4	2
Cash and cash equivalents			20.7			20.7	
Carrying amount	0.0	2.4	239.8	0.5		242.7	
Non-current financial liabilities							
Interest bearing liabilities					100.4	100.4	
Electricity derivatives	0.9					0.9	1
Current financial liabilities							
Interest bearing liabilities					35.1	35.1	
Electricity derivatives	0.8					0.8	1
Other derivative contracts	2.6	1.0				3.6	2
Accounts payable and other liabilities					155.3	155.3	
Carrying amount	4.3	1.0			290.8	296.1	

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

30.9.2014 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				0.8		0.8	
Non-current receivables	0.1		10.4			10.5	
Current financial assets							
Accounts receivable and other receivables			220.7			220.7	
Electricity derivatives	0.0					0.0	1
Other derivative contracts	1.1	1.3				2.4	2, 3
Cash and cash equivalents			21.2			21.2	
Carrying amount	1.2	1.3	252.3	0.8		255.6	
Non-current financial liabilities							
Interest bearing liabilities					129.9	129.9	
Electricity derivatives	0.5					0.5	1
Current financial liabilities							
Interest bearing liabilities					14.2	14.2	
Electricity derivatives	0.3					0.3	1
Other derivative contracts	4.5	3.0				7.5	2, 3
Accounts payable and other liabilities					123.4	123.4	
Carrying amount	5.3	3.0			267.5	275.8	

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

31.12.2014 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				0.8		0.8	
Non-current receivables			10.3			10.3	
Current financial assets							
Accounts receivable and other receivables			152.4			152.4	
Other derivative contracts	0.4	2.5				2.9	1, 2, 3
Cash and cash equivalents			60.2			60.2	
Carrying amount	0.4	2.5	222.9	0.8		226.6	
Non-current financial liabilities							
Interest bearing liabilities					126.3	126.3	
Electricity derivatives	0.6					0.6	1
Current financial liabilities							
Interest bearing liabilities					15.9	15.9	
Electricity derivatives	0.4					0.4	1
Other derivative contracts	3.5	2.3				5.8	1, 2, 3
Accounts payable and other liabilities					90.1	90.1	
Carrying amount	4.5	2.3			232.3	239.1	

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)
- 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

On 25 February, Uponor announced that its majority-held subsidiary Uponor Infra Oy sold its majority shareholding of 65.99% of the shares in Wiik & Hoeglund PLC, a company listed on the stock exchange of Thailand. Uponor Infra Oy made a decision to withdraw from the business in accordance with its strategy to focus on markets where it can command a strong market position and achieve operational synergies.

Further, on 30 March it was announced that Uponor Infra Oy divested, for the same reasons, its fully owned Finnish subsidiary, Extron Engineering Oy, a specialist in the business of designing and manufacturing machinery for the plastic products industry.

The sales price received from these transactions totalled to €8.1 million. The net impact on the result was €0.5 million.

M€	2015
Book value of disposed assets	
Property, plant and equipment	7.7
Other non-current assets	1.5
Inventory	5.1
Accounts receivable and other receivables	5.9
Cash and cash equivalents	2.2
Total assets	22.4
Interest-bearing non-current liabilities	0.4
Other non-current liabilities	0.4
Interest-bearing current liabilities	6.0
Accounts payable and other current liabilities	4.7
Total liabilities	11.5
Net assets	10.9
- attributable to parent company	7.6
Cash received from sales	8.1
Cash and cash equivalents disposed of	2.2
Cash flow effect	5.9

DISCONTINUED OPERATIONS

In 2015 and 2014, the discontinued operations include costs related to the administration and maintenance of the real estate vacated by the Irish infrastructure business sold in 2008.

M€	1-9/2015	1-9/2014	1-12/2014
Expenses	0.3	0.0	0.3
Profit before taxes	-0.3	0.0	-0.3
Income taxes	-	-	-
Profit after taxes	-0.3	0.0	-0.3
Profit for the period from discontinued operations	-0.3	0.0	-0.3

Cash flow from discontinued operations			
Cash flow from operations	-0.5	-0.3	-0.5

RELATED-PARTY TRANSACTIONS

M€	1-9/2015	1-9/2014	1-12/2014
Continuing operations			
Purchases from associated companies	1.4	1.1	1.6
Balances at the end of the period			
Loan receivable from associated companies	0.0	0.1	0.3
Accounts receivable and other receivables	-	0.0	-
Accounts payables and other liabilities	0.1	0.1	0.1

KEY FIGURES

	1-9/2015	1-9/2014	1-12/2014
Earnings per share, €	0.44	0.38	0.50
- continuing operations	0.44	0.38	0.50
- discontinued operations	0.00	0.00	0.00
Operating profit (continuing operations), %	7.3	6.7	6.2
Return on equity, % (p.a.)	14.4	12.8	12.3
Return on investment, % (p.a.)	17.3	14.8	14.2
Solvency ratio, %	41.1	42.4	43.9
Gearing, %	37.9	41.7	27.6
Net interest-bearing liabilities	114.8	122.9	82.0
Equity per share, €	3.26	3.10	3.16
- diluted	3.25	3.09	3.16
Trading price of shares			
- low, €	11.25	10.45	9.11
- high, €	17.30	14.94	14.94
- average, €	14.46	12.90	12.17
Shares traded			
- 1,000 pcs	21,519	13,719	18,842
- M€	310	176	229

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QUARTERLY DATA

	7-9/ 2015	4-6/ 2015	1-3/ 2015	10-12/ 2014	7-9/ 2014	4-6/ 2014	1-3/ 2014
Continuing operations							
Net sales, M€	274.1	277.6	237.1	251.5	277.0	264.5	230.9
- Building Solutions – Europe	121.2	119.0	112.6	112.7	123.5	122.0	120.9
- Building Solutions – North America	75.1	69.8	56.9	56.1	54.7	49.5	40.5
- Building Solutions – North America, $	83.6	77.6	63.2	70.0	71.8	67.9	55.5
- Uponor Infra	79.0	89.7	68.3	84.9	100.3	95.3	70.8
Gross profit, M€	95.0	98.6	85.2	83.2	92.2	86.7	78.1
- Gross profit, %	34.7	35.5	35.9	33.1	33.3	32.8	33.8
Operating profit, M€	23.6	22.5	11.3	11.8	29.2	17.6	4.8
- Building Solutions – Europe	8.4	6.2	6.1	4.7	15.0	9.6	5.7
- Building Solutions – North America	15.7	15.0	8.1	9.3	9.2	8.6	4.4
- Building Solutions – North America, $	17.5	16.8	8.9	11.7	12.1	11.7	6.1
- Uponor Infra	-0.3	3.0	-1.3	-0.9	4.2	0.4	-4.2
- Others	-0.2	-1.4	-1.3	-1.6	0.5	-0.7	-0.8
Operating profit, % of net sales	8.6	8.1	4.8	4.7	10.5	6.6	2.1
- Building Solutions – Europe	6.9	5.2	5.4	4.2	12.1	7.9	4.7
- Building Solutions – North America	20.9	21.5	14.1	16.6	16.8	17.2	11.0
- Uponor Infra	-0.4	3.0	-0.2	-0.1	4.2	0.4	-6.0
Profit for the period, M€	15.4	13.3	4.0	8.3	16.8	9.4	1.8
Balance sheet total, M€	740.0	716.8	692.5	681.8	701.7	697.9	690.5
Earnings per share, €	0.21	0.17	0.06	0.12	0.21	0.13	0.04
Equity per share, €	3.26	3.08	2.96	3.16	3.10	2.80	2.66
Market value of share capital, M€	851.4	989.0	1,153.0	841.1	780.4	984.6	968.5
Return on investment, % (p.a.)	17.3	14.0	7.2	14.2	14.8	8.8	3.5
Net interest-bearing liabilities at the end of the period, M€	114.8	138.8	130.9	82.0	122.9	154.3	147.8
Gearing, %	37.9	47.8	46.7	27.6	41.7	56.9	56.9
Gearing, % rolling 4 quarters	40.0	41.0	43.2	45.8	47.3	48.3	52.7
Gross investment, M€	11.9	10.4	8.1	14.3	9.0	8.0	4.4
- % of net sales	4.3	3.7	3.4	5.7	3.2	3.0	1.9

DEFINITIONS OF KEY RATIOS

Return on Equity (ROE), %

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

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, %

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

Gearing, %

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

Net interest-bearing liabilities

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

Earnings per share (EPS)

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

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

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