FINANCIAL STATEMENTS
1 Jan-31 Dec 2012
Uponor Corporation

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REVIEW BY THE BOARD OF DIRECTORS

Markets

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

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

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

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

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

Net sales

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

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

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

In terms of business groups, Plumbing Solutions' development was supported by reasonably healthy demand in the renovation and refurbishment segments of the market. The introduction of new products and technologies in 2011 and 2012, such as the unique RTM press fitting, the new generation of expansion tools for the Quick&Easy range of fittings, the new Q&E ring as well as modifications in the multilayer composite pipe range, pushed sales up. Uponor significantly increased its plumbing sales in several focus countries, thus offsetting the effects of the weak overall economy. In Indoor Climate Solutions, good progress was made in starting up commercial projects in some countries, thus supporting the ambition of rolling out the TABS heating and cooling technology, which utilises the energy stored in the building mass, in new European markets. However, growth in net sales was somewhat repressed by the low number of housing starts and the intense price competition that followed. Infrastructure Solutions strengthened its market position throughout the Nordic region, greatly aided by the introduction of new products and technologies in 2012.

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

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

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

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

Results

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

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

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

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

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

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

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

Profit before taxes increased by 177.9%, to €49.4 (17.7) million. At a tax rate of 33.4% (88.8%), income taxes totalled €16.5 (15.8) million. All three non-recurring items in 2011, described in the next paragraph, were non-deductible expenses for taxation purposes.

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

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

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

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

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

Investment, research and development, and financing

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

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

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

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

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

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

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

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

Events during the period

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

On 12 March, Uponor reported that it had acquired the remaining 49.7% of shares in the German company Zent-Frenger Gesellschaft für Gebäudetechnik mbH, and now holds 100% of its share capital.

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

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

Considerable effort was put into developing the structure and performance of the supply chain in 2012, with a focus on warehousing and distribution. Since spring, the logistics centre in Wettringen, north-western Germany began to serve all central European

countries and is being developed into a logistics hub for the entire region, delivering the complete Uponor building solutions product range. A new distribution centre for Uponor's building solutions business in the Nordic countries was completed in Sweden and subsequently taken into use in December 2012.

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

Events after the period

There were no major events after the period.

Personnel and organisation

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

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

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

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

Key risks associated with business

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

Market risks

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

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

cycles, demand for infrastructure products depends on civil engineering and publicly funded investments in municipal development. To safeguard against risks associated with economic cycles and fluctuations in demand, the company has developed its sales forecasting processes and enhanced the flexibility of its organisation and supply chain.

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

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

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

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

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

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

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

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

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

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

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

The international nature of its operations exposes the Group to currency risks associated with different currencies. A significant part of Uponor's net sales are created in currencies other than the euro. Subsequently, a major part of expenses associated with these net sales are also denominated in the same local currencies, decreasing the currency risks. The Group Treasury function is responsible for managing and hedging Group-level net currency flows in external currency markets, mainly by using currency forward contracts and currency options as hedging instruments.

Uponor is also exposed to currency translation risk, which manifests itself in the translation of non-euro-area subsidiaries' equity into euros. According to the company's hedging policy, non-euro-area balance sheet items are not hedged, with the exception of internal loans, which are classified as net investments and included in hedge accounting.

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

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

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

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

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

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

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

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

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

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

Administration and audit

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

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

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

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

Share capital and shares

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

shareholding in the company at the end of the reporting period. More detailed information is available in the financial statements.

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

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

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

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

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

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

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

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

Short-term outlook

The global economic environment continues to be fragile and uncertain, but in the shorter term the previous volatility seems to have subsided to some extent. In Europe, much work has been done to lay the foundations for stable development of the euro-zone, in particular. So far, the economies involved have been able to sustain a fixed course. In

North America, the economic environment has begun to improve slowly from a low level, a development which is likely to continue in 2013. In Asia too, the macroeconomic environment has remained rather solid, but at a lower level of activity than in recent years.

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

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

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

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

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

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

Uponor Corporation
Board of Directors

GROUP KEY FINANCIAL FIGURES

	2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS
Consolidated income statement (continuing operations), M€					
Net sales	811.5	806.4	749.2	734.1	949.2
Operating expenses	726.5	743.0	669.9	665.1	868.0
Depreciation	28.2	29.4	29.1	32.0	31.4
Other operating income	0.9	1.4	2.2	4.2	1.4
Operating profit	57.7	35.4	52.4	41.2	51.2
Financial income and expenses	-8.6	-17.7	-10.7	-12.7	-10.2
Profit before taxes	49.4	17.7	41.7	28.5	41.0
Result from continuing operations	32.9	1.9	27.0	17.2	30.1
Profit for the period	32.8	1.6	24.7	11.5	72.5
Consolidated balance sheet, M€					
Non-current assets	185.6	199.8	218.3	223.1	239.1
Goodwill	74.9	74.9	72.2	73.0	70.0
Inventories	78.7	81.8	84.4	74.3	104.5
Cash and cash equivalents	17.7	29.1	11.9	13.2	53.2
Accounts receivable and other receivables	141.6	129.4	110.4	115.0	128.1
Equity attributable to the owners of the parent company	209.9	209.2	252.1	258.0	305.6
Non-controlling interest	-	2.9	-	-	-
Provisions	20.6	22.0	12.0	18.4	30.0
Non-current interest-bearing liabilities	107.6	110.2	43.5	60.2	77.0
Current interest-bearing liabilities	4.2	2.8	35.2	17.6	36.8
Non-interest-bearing liabilities	156.2	167.9	154.4	144.4	145.5
Balance sheet total	498.5	515.0	497.2	498.6	594.9
Other key figures					
Operating profit (continuing operations), %	7.1	4.4	7.0	5.6	5.4
Profit before taxes (continuing operations), %	6.1	2.2	5.6	3.9	4.3
Return on Equity (ROE), %	15.5	0.7	9.7	4.1	22.7
Return on Investment (ROI), %	16.7	11.0	14.4	8.1	22.2
Solvency, %	42.1	41.2	50.8	51.8	51.4
Gearing, %	44.8	39.3	26.5	25.0	19.8
Net interest-bearing liabilities, M€	94.1	83.9	66.8	64.6	60.6
- % of net sales	11.6	10.4	8.9	8.8	6.4
Change in net sales, %	0.6	7.6	2.1	-22.7	-9.4
Exports from Finland, M€	32.8	34.7	30.4	23.0	34.1
Net sales of foreign subsidiaries, M€	717.6	709.8	658.9	644.7	836.5
Total net sales of foreign operations, M€	718.1	714.1	659.6	645.3	837.5
Share of foreign operations, %	88.5	88.6	88.0	87.9	88.2
Personnel at 31 December	3,052	3,228	3,197	3,316	3,678
Average no. of personnel	3,098	3,288	3,219	3,426	4,211
Investments (continuing operations), M€	19.2	24.0	19.0	24.0	39.0
- % of net sales	2.4	3.0	2.5	3.5	4.1

SHARE-SPECIFIC KEY FIGURES

	2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS
Share capital, M€	146.4	146.4	146.4	146.4	146.4
Number of shares at 31 December, in thousands	73,207	73,207	73,207	73,207	73,207
Number of shares outstanding, in thousands					
- at end of year	73,067	73,067	73,067	73,067	73,047
- average	73,062	73,067	73,067	73,049	73,187
Shareholders' equity, M€	209.9	209.2	252.1	258.0	305.6
Share trading, M€	186.1	366.2	481.5	455.8	1,195.1
Share trading, in thousands	21,963	38,155	37,389	45,815	99,227
- of average number of shares, %	30.1	52.2	51.2	62.7	135.6
Market value of share capital, M€	702.8	502.2	1,013.2	1,098.1	563.7
Adjusted earnings per share (fully diluted), €	0.45	0.03	0.34	0.16	0.99
Equity per share, €	2.87	2.86	3.45	3.53	4.18
Dividend, M€	[1] 27,8	25.6	40.2	36.5	62.1
Dividend per share, €	[1] 0,38	0.35	0.55	0.50	0.85
Effective share yield, %	4.0	5.1	4.0	3.3	11.0
Dividend per earnings, %	84.4	1,018.5	162.5	316.3	85.9
P/E ratio	21.3	199.7	40.9	94.9	7.8
Issue-adjusted share prices, €					
- highest	10.00	14.25	15.66	15.10	18.91
- lowest	6.77	6.03	10.58	6.80	6.10
- average	8.47	9.57	12.88	9.95	12.04

The definitions of key ratios are shown on page 15.

Notes to the table:

1) Proposal of the Board of Directors

The average number of shares is adjusted with treasury shares.

DEFINITIONS OF KEY RATIOS

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. bank receivables and financial assets

Earnings per share (EPS) =

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

Equity per share ratio =

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

Dividend per share ratio =

$$\frac{\text{Dividend per share}}{\text{Earnings per share}}$$

Effective dividend yield =

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

Price − Earnings ratio (P/E) =

$$\frac{\text{Share price at the end of financial period}}{\text{Earnings per share}}$$

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

Average share price =

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED BALANCE SHEET

Assets	Note	31.12.2012	31.12.2011
Non-current assets			
Intangible assets			
Intangible rights		18.6	22.3
Goodwill		74.9	74.9
Other intangible assets		0.2	0.1
Investment in progress		0.0	0.0
Total intangible assets	13	**93.7**	**97.3**
Tangible assets			
Land and water areas		10.8	11.9
Buildings and structures		42.6	48.0
Machinery and equipment		78.0	75.6
Other tangible assets		12.3	11.6
Construction work in progress		8.7	14.5
Total tangible assets	14	**152.4**	**161.6**
Securities and long-term investments			
Investments in associated companies	16	0.1	0.0
Other shares and holdings	17	0.2	0.2
Non-current receivables	18	0.5	2.4
Total securities and long-term investments		**0.8**	**2.6**
Deferred tax assets	23	**13.6**	**13.2**
Total non-current assets		**260.5**	**274.7**
Current assets			
Inventories	19	**78.7**	**81.8**
Current receivables			
Accounts receivables		107.3	106.6
Current income tax receivables		15.1	2.4
Accruals		4.6	5.5
Other receivables		14.6	14.9
Total current receivables	20	**141.6**	**129.4**
Cash and cash equivalents	21	**17.7**	**29.1**
Total current assets		**238.0**	**240.3**
Total assets		**498.5**	**515.0**

CONSOLIDATED BALANCE SHEET

Shareholders' equity and liabilities	Note	31.12.2012	31.12.2011
Equity attributable to the owners of the parent company	22		
Share capital		146.4	146.4
Share premium		50.2	50.2
Other reserves		-0.5	0.2
Translation reserve		-15.4	-12.5
Retained earnings		-3.6	22.4
Profit for the period		32.8	2.5
Total equity attributable to the owners of the parent company		**209.9**	**209.2**
Non-controlling interest		-	2.9
Total equity		**209.9**	**212.1**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	26	107.6	110.2
Employee benefit obligations	24	18.8	21.1
Provisions	25	5.1	5.2
Deferred tax liabilities	23	14.8	12.2
Other non-current liabilities		0.4	0.2
Total non-current liabilities		**146.7**	**148.9**
Current liabilities			
Interest bearing liabilities	26	4.2	2.8
Accounts payable		43.3	45.7
Current income tax liability		2.9	6.1
Provisions	25	15.5	16.8
Other current liabilities	27	76.0	82.6
Total current liabilities		**141.9**	**154.0**
Total liabilities		**288.6**	**302.9**
Total shareholders' equity and liabilities		**498.5**	**515.0**

CONSOLIDATED CASH FLOW STATEMENT

	Note	1.1. - 31.12.2012	1.1. - 31.12.2011
Cash flow from operations			
Net cash from operations			
Profit for the period		32.8	1.6
Adjustments for:			
Depreciation		28.2	29.4
Impairments		-	16.8
Income taxes		16.5	15.8
Interest income		-0.5	-1.8
Interest expense		5.6	6.9
Sales gains/losses from the sale of businesses and fixed assets		0.4	-0.3
Share of profit in associated companies		-0.3	-0.2
Other cash flow adjustments		-5.3	-1.4
Net cash from operations		**77.4**	**66.8**
Change in net working capital			
Receivables		-3.5	-12.3
Inventories		-2.0	2.7
Non-interest-bearing liabilities		-2.1	22.0
Change in net working capital		**-7.6**	**12.4**
Income taxes paid		-30.2	-16.5
Interests paid		-7.4	-6.3
Interests received		0.5	2.0
Cash flow from operations		**32.7**	**58.4**
Cash flow from investments			
Proceeds from disposal of subsidiaries and businesses *	6	7.6	-
Share acquisitions	4	-	-6.4
Proceeds from share divestments		0.0	0.1
Purchase of fixed assets		-19.2	-24.0
Proceeds from sale of fixed assets		1.2	1.1
Dividends received		0.2	0.0
Loan repayments		0.0	0.1
Cash flow from investments		**-10.2**	**-29.1**
Cash flow before financing		**22.5**	**29.3**
Cash flow from financing			
Borrowings of debt		46.3	162.1
Repayments of debt		-47.3	-113.7
Change in other short term debt		0.5	-18.3
Dividends paid		-25.6	-40.2
Acquisition of non-controlling interest	5	-6.2	-
Payment of finance lease liabilities		-1.5	-2.0
Cash flow from financing		**-33.8**	**-12.1**
Conversion differences for cash and cash equivalents		**-0.1**	**0.0**
Change in cash and cash equivalents		**-11.4**	**17.2**
Cash and cash equivalents at 1 January		29.1	11.9
Cash and cash equivalents at 31 December		17.7	29.1
Changes according to balance sheet	21	**-11.4**	**17.2**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of shares outstanding (1,000)	Share capital	Share premium	Other reserves	Unrestricted equity	Hedge reserve	Treasury shares	Translation reserve	Retained earnings	Equity attributable to the owners of the parent company	Non-controlling interest	Total equity
Balance at 1 January 2012	**73,047**	**146.4**	**50.2**	**1.7**	**0.1**	**-1.6**	**-1.2**	**-12.5**	**26.1**	**209.2**	**2.9**	**212.1**
Total comprehensive income for the period						-0.7		-2.9	32.8	29.2		**29.2**
Dividend paid									-25.6	-25.6		**-25.6**
Transfers between reserves				0.0					0.0	-		**-**
Share based incentive plan	20						0.2		0.2	0.4		**0.4**
Acquisition of non-controlling interest									-3.3	-3.3	-2.9	**-6.2**
Other adjustments									0.0	0.0		**0.0**
Balance at 31 December 2012	**73,067**	**146.4**	**50.2**	**1.7**	**0.1**	**-2.3**	**-1.0**	**-15.4**	**30.2**	**209.9**	**-**	**209.9**
Balance at 1 January 2011	**73,047**	**146.4**	**50.2**	**1.6**	**0.1**	**1.2**	**-1.2**	**-9.8**	**63.6**	**252.1**	-	**252.1**
Total comprehensive income for the period						-2.8		-2.6	2.5	-2.9	-0.9	**-3.8**
Dividend paid									-40.2	-40.2		**-40.2**
Transfers between reserves				0.0					0.0	-		**-**
Share based incentive plan									0.1	0.1		**0.1**
Other adjustments				0.1				-0.1	0.1	0.1	3.8	**3.9**
Balance at 31 December 2011	**73,047**	**146.4**	**50.2**	**1.7**	**0.1**	**-1.6**	**-1.2**	**-12.5**	**26.1**	**209.2**	2.9	**212.1**

For further information see note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting principles

Company profile

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

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

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

The Financial Statements will also be available on the company website at www.uponor.com and can be ordered from Uponor Corporation, using the above-mentioned address.

At its meeting of 12 February 2013, Uponor Corporation's Board of Directors approved the publication of these financial statements. According to the Finnish Limited Liability Companies Act, the shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting held after their publication. Furthermore, the Annual General Meeting can decide on the modification of the financial statements.

Basis of preparation

Uponor Group's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and their SIC and IFRIC interpretations valid on 31 December2012. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refer to the standards and their interpretations adopted in accordance with the procedures as set in regulation (EC) No 1606/2002 of the European Parliament and of the European Council. The consolidated financial statements also include additional information required by the Finnish Accounting Act and the Limited Liability Companies Act. The consolidated financial statements are presented in millions of euros (M€) and are based on the historical cost convention, unless otherwise specified in the accounting principles section below.

Use of estimates

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

Consolidation principles

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

Intra-Group shareholdings are eliminated using the acquisition cost method. Accordingly, the assets and liabilities of an acquired company are measured at fair value on the date of acquisition. The excess of the

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

Associated companies are entities over which the Group has 20–50 percent of the voting rights, or over which the Group otherwise exercises a major influence. Holdings in associated companies are included in the consolidated financial statements, using the equity method. Accordingly, the share of post-acquisition profits and losses of associated companies is recognised in the income statement, to the extent of the Group's holding in the associated companies. When the Group's share of losses of an associated company exceeds the carrying amount, it is reduced to nil and any recognition of further losses ceases, unless the Group has an obligation to fulfil the associated company's obligations.

Foreign currency translations and exchange rate differences

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

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

Non-current assets held for sale and discontinued operations

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

Revenue recognition

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

Research and development

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

Employee benefits

The Group's pension schemes comply with each country's local rules and regulations. Pensions are based on actuarial calculations or actual payments to insurance companies. The Group applies defined contribution and defined benefit pension plans.

Within the defined contribution plan, pension contributions are paid directly to insurance companies and, once the contributions have been paid, the Group has no further payment obligations. These contributions are recognised in the income statement for the accounting period during which such contributions are made.

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

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

Operating profit

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

Borrowing costs

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

Income taxes

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

Intangible assets

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

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

Property, plant and equipment

Group companies' property, plant and equipment are stated at historical cost less accumulated depreciation, according to the expected useful life and any impairment losses. Interest costs on

borrowings to finance the construction of these assets are capitalised as part of the cost during the period required to prepare and complete the property for its intended use.

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

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

Depreciations

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

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

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

Government grants

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

Impairment

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

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

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

Leases

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

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

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

Inventories

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

Provisions

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

Contingent assets and liabilities

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

Cash and cash equivalents

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

Financial assets

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

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

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

Loans and receivables are non-derivative assets with fixed or determinable payment dates that are not quoted in the active markets or held for trading purposes. Loan and receivables are measured at amortised cost. Accounts receivable are carried at expected fair value, which is the original invoice amount less the provision made for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to

collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, the probable bankruptcy of the debtor or default in payments are considered as probable indicators of the impairment of accounts receivable. Impairment of a loan receivable is assessed with the same criteria as an impairment of accounts receivable.

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

Financial liabilities

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

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

Derivative contracts and hedge accounting

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

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

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

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

Share based payments – Management incentive scheme

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

Treasury shares

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

Dividends

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

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

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

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

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

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

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

New and amended IFRSs adopted in 2012

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

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

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

Application of new and revised IFRSs effective from 2013

- Amendment to IAS 1 *Presentation of Financial Statements* (effective for reporting periods beginning on or after 1 July 2012). The main change is the requirement for grouping items in 'other comprehensive income' based on whether they are potentially reclassifiable to profit or loss as certain conditions are fulfilled. Uponor will group items in other comprehensive income as required.

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

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

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

- IFRS 9 *Financial Instruments* (effective for reporting periods beginning on or after 1 January 2015). IFRS 9 project is the first phase of a wider project which aims to replace IAS 39 with a new standard. According to IFRS 9, financial assets are classified and measured based on entity's business model and the contractual cash flow characteristics of the financial asset. Classification and measurement of financial liabilities is mainly based on the current IAS 39 principles. Impairment of financial assets and hedge accounting are the most significant uncompleted parts of IFRS 9. The standard has not yet been endorsed by EU.

- IFRS 10 *Consolidated Financial Statements* (effective for reporting periods beginning on or after 1 January 2013). The standard establishes control as the base for consolidation. Additionally, the standard provides further guidance on how to apply principles of control when it is challenging to assess. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.

- IFRS 11 *Joint Arrangements* (effective for reporting periods beginning on or after 1 January 2013). The standard emphases the rights and obligations of the joint arrangement rather than its legal form in the accounting. The arrangements are divided into two: joint operations and joint ventures. The standard requires joint ventures to be accounted for using equity method of accounting. Proportional consolidation of joint ventures is no longer allowed. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.

- IFRS 12 *Disclosure of Interests in Other Entities* (effective for reporting periods beginning on or after 1 January 2013). The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.

- IFRS 13 *Fair Value Measurement* (effective for reporting periods beginning on or after 1 January 2013). The standard aims to increase uniformity by providing specific definition for fair value. It also provides both requirements for determining fair value and the required disclosures under the same standard. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards.

- IAS 27 (revised 2011) *Separate Financial Statements* (effective for reporting periods beginning on or after 1 January 2013). The revised standard includes the requirements for separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.

- IAS 28 (revised 2011) *Investments in Associates and Joint Ventures* (effective for reporting periods beginning on or *after 1 January 2013). The r*evised standard includes requirements for both joint operations and associates to be accounted by using equity method of accounting after

IFRS 11 was issued. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.

- Amendment to IAS 32 *Financial instruments: Presentation* (effective for reporting periods beginning on or after 1 January 2014) and amendment to IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2013). These amendments are intended to clarify existing offsetting rules and to require additional disclosure information about rights of offset in certain specific circumstances.

- Amendment to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* (effective for reporting periods beginning on or after 1 January 2013). The amendment provides additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The standard has not yet been endorsed by EU.

- Amendment to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* (effective for reporting periods beginning on or after 1 January 2014). The amendment provides 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39. The standard has not yet been endorsed by EU.

- Annual Improvements to IFRS 2009-2011, May 2012 (effective for reporting periods beginning on or after 1 January 2013). In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. The improvements concern five standards. The nature of the improvements depends on the standards, but they do not have material impact on the consolidated financial statements. The standard has not yet been endorsed by EU.

2. Segment information

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

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

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

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

Financial target setting and monitoring mainly focus on figures for segment sales, operating profit, operative costs and net working capital. Group resources are managed, for instance, by allocating investments to attractive businesses and balancing human resources and competencies to match the requirements of business processes.
Segment reporting is based on the Group accounting principles. All transactions between segments are market-based and internal sales and margins are eliminated from consolidated figures.

The segment revenue equals to the net sales and the segment result equals to the operating profit presented in the condensed consolidated income statement. The income statement consists of continuing

operations by segment, while balance sheet items match the Group structure on the closing dates. Continuing operations do not include the infrastructure business in Ireland, which was sold in June 2008.

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

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

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

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

	2012	**2011**
Operating result by segment, continuing operations		
Building Solutions - Europe	47.2	41.7
Building Solutions - North America	17.8	10.1
Infrastructure Solutions	0.0	-2.4
Others	-6.1	-14.0
Eliminations	-1.2	0.0
Uponor Group	**57.7**	**35.4**
Segment depreciation and impairments, continuing operations		
Building Solutions - Europe	11.4	13.0
Building Solutions - North America	6.0	5.5
Infrastructure Solutions	5.9	6.2
Others *)	4.4	14.7
Eliminations	0.5	0.5
Uponor Group	**28.2**	**39.9**

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

Segment investments, continuing operations		
Building Solutions - Europe	7.8	13.6
Building Solutions - North America	5.9	3.6
Infrastructure Solutions	4.2	5.4
Others	1.3	1.4
Uponor Group	**19.2**	**24.0**
Segment assets		
Building Solutions - Europe	364.0	433.9
Building Solutions - North America	119.6	130.0
Infrastructure Solutions	84.4	83.0
Others	249.8	283.5
Eliminations	-319.3	-415.4
Uponor Group	**498.5**	**515.0**
	2012	**2011**

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

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

Reconciliations

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

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

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

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

Entity-wide information

Information about product and services

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

Information about geographical areas

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

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

External net sales are presented in accordance with the geographical location of the customers. Non-current assets are presented in accordance with the geographical location of the assets. Non-current assets do not include goodwill and deferred tax asset. The presentation of the assets has been changed from previous year to non-current assets and the comparison period has been changed accordingly.

3. Discontinued operations

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

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

4. Business combinations

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

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

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

5. Acquisition of non-controlling interest

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

6. Disposal of subsidiaries

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

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

7. Other operating income and expenses

	2012	**2011**
Other operating income		
Gains from sales of fixed assets	0.2	0.4
Royalties	0.2	0.1
Dividends from associated companies	-	0.2
Other items	0.5	0.7
Total	**0.9**	**1.4**

Other operating expenses		
Losses from sales of fixed assets	0.1	0.1
Research and development expenses	15.9	16.3
Impairments	-	10.5
Other items	0.3	-
Total	**16.3**	**26.9**

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

8. Employee benefits

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

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

9. Depreciation and impairment

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

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

10. Financial income and expenses and currency exchange differences

	2012	**2011**
Financial income		
Dividend income on available-for-sale financial assets	0.0	0.0
Interest income from loans and other receivables	0.5	1.3
Interest income from interest rate swaps	0.6	0.5
Profit from financial assets and liabilities designated at fair value through profit and loss - foreign currency derivatives, not under hedge accounting	21.7	12.0
Exchange differences	4.0	4.2
Other financial income	0.2	0.2
Total	**27.0**	**18.2**

Financial expenses		
Interest expense for financial liabilities measured at amortised cost	5.6	6.2
Interest expense from interest rate swaps	1.2	0.7
Penalty interest	-	3.2
Loss from financial assets and liabilities designated at fair value through profit and loss		
- foreign currency derivatives, not under hedge accounting	25.0	13.2
Exchange differences	2.6	4.2
Impairment of investments	-	6.3
Other financial costs	1.2	2.1
Total	**35.6**	**35.9**

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

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

11. Income taxes

	2012	**2011**
Current year and previous years taxes		
For the financial period	15.1	13.2
For previous financial periods	-0.8	1.8
Change in deferred taxes	2.2	0.8
Total	**16.5**	**15.8**

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

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

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

Uponor Corporation and its subsidiary Uponor Business Solutions Oy paid €15.0 million in taxes, surtaxes and penalties based on the taxation adjustment decisions made for the years 2005-2009 in the beginning of 2012. Uponor has appealed against the decisions and has submitted a request for rectification for the Board of Adjustment. The additional taxation and taxation adjustment decisions are based on a tax audit for the years 2004-2007, performed on some Uponor companies in Finland in the summer of 2008. The

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

Taxes relating to other comprehensive income

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

12. Earnings per share

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

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

13. Intangible assets

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

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

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

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

A majority of the Group’s goodwill (€23.4 million) relates to the Uponor minority share acquired by Asko Oyj, which due to Oy Uponor Ab’s merger with Asko Oy has been allocated to the current Uponor Corporation, and the acquired Unicor businesses (€43.2 million). This goodwill has been allocated between segments as follows: Building Solutions – Europe €65.4 (65.3) million and Infrastructure Solutions €9.5 (9.5) million.

Impairment tests are carried out for each separate cash-generating unit. Cash flow forecasts related to goodwill cover a period of 5 years. Terminal value is calculated from the fifth year’s cash flow. Cash flow forecasts are based on the strategic plans approved by the management. Key assumptions of the plans relate to growth and profitability development of the markets and the product and service offerings. A cash-generating unit’s useful life has been assumed to be indefinite, since these units have been estimated to impact on the accrual of cash flows for an undetermined period. The discount rate used is based on the interest rate level reflecting the average yield requirement for the cash generating unit in question. The discount rate used was 8.6 (11.2) per cent. The decrease in the discount rate impacted the decrease in market rates during 2012. The 2012 goodwill impairment tests indicated that there was not any need to make impairments.

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

The Group does not have any capitalised development costs.

14. Property, plant and equipment

2012	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	Tangible assets
Acquisition costs 1 Jan	13.9	119.4	309.2	46.5	14.5	**503.5**
Structural changes	-1.2	-11.8	-37.2	-6.9	-1.8	**-58.9**
Translation difference	0.0	0.4	1.7	0.0	0.2	**2.3**
Increases	0.2	0.3	11.0	3.5	3.0	**18.0**
Decreases	-0.1	-1.4	-2.2	-0.5	-	**-4.2**
Transfers between items	-	0.1	6.7	0.4	-7.2	**0.0**
Acquisition costs 31 Dec	12.8	107.0	289.2	43.0	8.7	**460.7**
Accumulated depreciations and impairments 1 Jan	2.0	71.4	233.6	34.9	-	**341.9**
Structural changes	-0.1	-10.6	-37.9	-6.8	-	**-55.4**
Translation difference	0.0	0.4	1.1	0.0	-	**1.5**
Acc. depreciation on disposals and transfers		-0.6	-2.0	-0.5	-	**-3.1**
Depreciation for the financial period	0.1	3.8	16.4	3.1	-	**23.4**
Transfers between items	-	-	0.0	-	-	**0.0**
Accumulated depreciations and impairments 31 Dec	2.0	64.4	211.2	30.7	-	**308.3**
Book value 31 December	**10.8**	**42.6**	**78.0**	**12.3**	**8.7**	**152.4**
Book value for production plant, machinery and equipment			70.2			

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

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

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

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

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

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

15. Financial assets and liabilities by measurement category

2012	Derivative contracts, under hedge accounting	Financial assets/ liabilities at fair value through profit or loss	Loans and receiva bles	Available -for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	IFRS 7 Fair value hierarc hy level	Note
Non-current financial assets								
Other shares and holdings				0.2		0.2		17
Non-current receivables			0.5			0.5		18
Current financial assets								
Accounts receivable and other receivables			120.1			120.1		20
Electricity derivatives	0.0						1	31
Other derivative contracts	1.0	0.8				1.8	2, 3	31
Cash and cash equivalent			17.7			17.7		21
Carrying amount by category	**1.0**	**0.8**	**138.3**	**0.2**		**140.3**		
Non-current financial liabilities								
Interest-bearing liabilities					107.6	107.6		26
Electricity derivatives	0.4					0.4	1	31
Current financial liabilities								
Interest-bearing liabilities					4.2	4.2		26
Electricity derivatives	0.3						1	31
Other derivative contracts	2.9	0.6				3.5	2, 3	31
Accounts payable and other liabilities					57.6	57.6		27
Carrying amount by category	**3.6**	**0.6**			**169.4**	**173.3**		

2011	Derivative contracts, under hedge accounting	Financial assets/ liabilities at fair value through profit or loss	Loans and receiva bles	Available -for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	IFRS 7 Fair value hierarc hy level	Note
Non-current financial assets								
Other shares and holdings				0.2		0.2		17
Non-current receivables			2.6			2.6		18
Current financial assets								
Accounts receivable and other receivables			120.1			120.1		20
Electricity derivatives	0.0						1	31
Other derivative contracts	0.1	1.3				1.4	2, 3	31
Cash and cash equivalent			29.1			29.1		21
Carrying amount by category	**0.1**	**1.3**	**151.8**	**0.2**		**153.4**		
Non-current financial liabilities								
Interest-bearing liabilities					110.4	110.4		26
Electricity derivatives	0.2					0.2	1	
Current financial liabilities								
Interest-bearing liabilities					2.7	2.7		26
Electricity derivatives	0.3						1	31
Other derivative contracts	4.8	0.8				5.9	2, 3	31
Accounts payable and other liabilities					59.2	59.2		27
Carrying amount by category	**5.3**	**0.8**			**172.3**	**178.4**		

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

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

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

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

16. Investment in associated companies

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

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

17. Other shares and holdings

Other non-current investments	0.2	0.2
Total	**0.2**	**0.2**

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

18. Non-current receivables

	2012	2011
Other loan receivables	0.2	0.2
Other receivables	0.3	2.2
Total	**0.5**	**2.4**

19. Inventories

Raw materials and consumables	8.4	9.9
Finished products / goods	53.9	57.4
Semifinished products	16.4	14.5
Total	**78.7**	**81.8**

Based on the FIFO principle, inventories are valued at the lower of cost or net realisable value. During the year, inventories were scrapped or written down by €1.1 (5.7) million.

20. Accounts receivable and other receivables

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

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

The Group booked €0.5 (0.5) million impairment of accounts receivable as expenses during the financial period. The Group is unaware of any factors which would cause possible additional impairments.

Aging of accounts receivable is as presented in note 30 Financial risk management.

Accrued income

Taxes	2.0	2.8
Interest	0.1	0.0
Other	2.5	2.7
Total	**4.6**	**5.5**

21. Cash and cash equivalents

Cash and bank deposits	13.3	24.0
Other short-term investments (1-3 months)	4.4	5.1
Total	**17.7**	**29.1**

22. Shareholders' equity

During 2012, Uponor Corporation's share capital remained unchanged at 146,446,888 euros and the number of shares totalled 73,206,944. Each share entitles its holder to one vote at the shareholders' meeting. The share does not have any nominal value. Additionally, it does not have any minimum or maximum share capital. All shares issued have been paid in full.

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

during the period 17.11–5.12.2008. The justification for the buy-back was the use of shares as consideration in connection with the company's share-based incentive schemes. Treasury shares are presented as a reduction in retained earnings and do not have any asset value in the financial statements.

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

At present, other reserves include statutory legal reserves.

23. Deferred taxes

	2012	**2011**
Deferred tax assets		
Internal profit in inventory	0.5	0.6
Provisions	5.4	4.5
Carry-forward losses	0.5	1.5
Tangible assets	0.1	0.2
Employee benefits	0.8	0.9
Fair valuation of available-for-sale investments and financial instruments	0.3	0.3
Other temporary differences	6.0	5.2
Total	**13.6**	**13.2**
Deferred tax liabilities		
Accumulated depreciation difference and untaxed reserve	5.7	5.6
Tangible assets	0.4	1.2
Fair valuation of available-for-sale investments and financial instruments	0.1	0.2
Other temporary differences	8.6	5.2
Total	**14.8**	**12.2**

The Group has recognised a deferred tax asset for its net operating loss carry-forwards, which can probably be utilised against future profits in the relevant tax jurisdictions. On 31 December 2012, the Group carried forward losses of €2.0 (7.2) million, for which the Group has a recognised deferred tax asset. Losses of €0.2 million will expire in 2013. In 2012, there is a €6.0 (2.2) million of loss carry-forwards for which deferred tax asset recognition has not been made due to uncertainty about the utilisation of these loss carry-forwards.

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

24. Employee benefit obligations

The Group has a number of pension plans covering its operations, complying with each country's local rules and regulations. Moreover, the Group applies defined contribution and defined benefit pension plans. Pensions are based on actuarial calculations or actual payments to insurance companies. Independent authorised actuaries have prepared the actuarial calculations. The discount rate for actuarial calculations is determined by the reference to market yields of high-quality corporate bonds or government bonds. Used discount rate is the same inside currency areas. Pension benefits are normally based on the number of working years and salary. Most defined benefit plans are located in Germany and Sweden, constituting around 94 (94) % of the defined benefit pension liability in the Group's balance sheet. In Finland, pensions are handled in accordance with the TyEL system, a defined contribution pension plan.

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

Pension obligations

	2012	**2011**

Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of funded obligations	0.9	0.7
Present value of unfunded obligations	19.1	18.8
Fair value of plan assets	-0.3	-0.4
Unrecognised actuarial gains (+) and losses (-)	-3.5	-2.1
Net liability in the balance sheet	**16.2**	**17.0**
Expenses recognised in the income statement		
Current service costs	0.2	0.2
Interest costs	0.8	0.8
Expected return on plan assets	0.0	0.0
Actuarial gains (-) and losses (+)	-0.1	0.0
Effect of any curtailments and settlements	-	-0.1
Total	**0.9**	**0.9**
Actual return on plan assets	-0.1	0.0
Expenses recognised in the income statement by function		
Cost of goods sold	-0.2	-0.1
Dispatching and warehousing	0.2	0.0
Sales and marketing	0.5	0.3
Administration	0.3	0.6
Other	0.1	0.1
Total	**0.9**	**0.9**
Movements in obligation		
Obligation at 1 January	19.6	22.4
Sale of businesses	-1.1	-
Current service cost	0.2	0.2
Interest cost	0.8	0.8
Actuarial gains (-) and losses (+)	1.0	-1.8
Gains (-) and losses (+) on curtailments	-	-0.3
Member contributions	-	0.0
Benefit payments	-0.9	-0.9
Settlements	0.0	-0.3
Conversion difference	0.4	-0.6
Obligation at 31 December	**20.0**	**19.6**
Movements in fair value of plan assets		
Fair value of plan assets at 1 January	0.4	0.5
Expected return on plan assets	0.0	0.0
Actuarial gains (+) and losses (-)	-0.2	0.1
Contributions by employer	1.0	1.0
Member contributions	-	0.0
Settlements	0.0	-0.2
Conversion difference	0.0	0.0
Benefit payments	-0.9	-0.9
Fair value of plan assets at 31 December	**0.3**	**0.4**
Major categories of plan assets as % of total plan		
Other	100.0	100.0
Total	100.0	100.0

Principal actuarial assumptions

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

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

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

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

25. Provisions

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

Warranty provisions amounted to €6.3 (6.1) million at the end of the period. Warranty provisions are based on the previous years' experience of defective goods. The aim is to be prepared for future warranty expenses. Warranty periods vary from country to country, depending on local legislation and commercial practices. Other provisions include €8.0 million provision for certain claim issues which date back to and concern already discontinued system brand.

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

26. Interest-bearing liabilities

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

Maturity of non-current interest bearing liabilities

	2014	2015	2016	2017	2018 -
Bonds			20.0		80.0
Finance lease agreements	0.6	0.6	0.6	0.7	5.3
Total	**0.6**	**0.6**	**20.6**	**0.7**	**85.3**

The interest rate ranges of interest-bearing liabilities, % pa	**2012**	**2011**

Commercial papers	-	2.141
Loans from financial institutions	0.60	-
Bonds *)	2,068-2,368	3,418-4,446

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

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

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

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

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

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

27. Accounts payable and other liabilities

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

28. Commitments and contingent assets and liabilities

	2012	2011
Commitments of purchase Property, plant, equipment	0.6	0.6
- on own behalf		
Pledges at book value	0.0	0.0
Mortgages issued	0.1	0.1
- on behalf of a subsidiary		
Guarantees issued	16.1	19.8
- on behalf of others		
Guarantees issued	7.0	5.9
Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures.		
Pledges at book value	0.0	0.0
Mortgages issued	0.1	0.1
Guarantees issued	23.1	25.7
Total	**23.2**	**25.8**

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

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

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

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

29. Operating lease commitments

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

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

30. Financial risk management

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

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

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

Currency risk

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

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

Subsidiaries forecast their foreign currency cash flows monthly for the following 12 month period. In accordance with the Group hedging policy, they hedge, in a rolling manner: a minimum of 80% of the monthly net cash flow in foreign currency of the next 1-3 month period, at least 50% of the next 4-6 month period, and at least 30% of the next 7-9 month period. In addition to euro, other main invoicing currencies are US dollar (USD), Swedish krona (SEK) and Danish krona (DKK). On 31 December 2012, these currencies accounted for approximately 35 percent of the Group's external accounts receivable. Costs arising from the Group's own production in the United States and Sweden are used as natural hedges against sales in the mentioned currencies.

Group's currency risk position at 31 Dec 2012

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

Sensitivity analysis (+/- 10%)

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

Group's currency risk position at 31 Dec 2011

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

Sensitivity analysis (+/- 10%) M€	**EUR SEK**	**EUR USD**	**NOK SEK**	**USD CAD**	**EUR GBP**	**Total**
Income statement	-0.7	-0.8	0.7	1.2	1.0	1.4
Equity (translation differences)	10.5	3.1				13.6

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

Translational risks arise when the currency denominated assets and liabilities of subsidiaries located outside the euro area are exposed to currency fluctuations and these assets and liabilities being translated into the parent company's reporting currency, the euro. The most important balance sheet items in foreign currency are in the United States (USD) and Sweden (SEK). Translational risk affects the reported profit and key ratios through changes in the balance sheet, but not the cash flow 10 percent change in EUR against Swedish krona and US dollar would have resulted translation difference of €10.3 million before taxes in equity. According to the Group hedging policy, these non-euro denominated balance sheet items are not hedged with the exception of non-euro denominated internal loans which are hedged in full. In addition, hedge accounting is applied to certain hedges on internal loans defined as net investments by the Group's Treasury Committee. Thereby, the fair value changes in these loans and loan hedges will not impact on the profit, but will be recognised in equity to the extent that the hedge is effective.

Interest rate risk

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

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

Financial instruments' sensitivity to fluctuations in market interest rates, as stated in the standard IFRS 7, is as follows: the impact of an interest rate increase or decrease of one percent is -/+ €0.3 million (-/+ €0.5 million) to the income statement and +/- €1.0 million to shareholders' equity (+/- €1.4 million). The impact is calculated before taxes. The interest position impacting income statement consists of floating rate interest-bearing financial liabilities and assets. The impact to shareholders' equity results from the fair value change of the interest rate swap under cash flow hedge accounting.

Liquidity and refinancing risk

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

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

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

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

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

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

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

Contractual maturity of financial liabilities at 31 Dec 2012					
	2013	**2014**	**2015**	**2016**	**2017 -**
Bonds	2.4	2.4	2.8	22.8	84.2
Finance lease liabilities	3.7	1.3	1.2	1.1	7.7
Bank overdrafts in use	1.3				
Accounts payable	43.3				
Guarantees issued on behalf of others	3.1	1.7	0.6	0.7	0.9
Derivative contracts					
Foreign currency derivatives					
- cash outflow	222.4				
- cash inflow	221.6				
Interest derivatives	1.1	1.0	0.4		
Electricity derivatives	0.3	0.2	0.1	0.1	0.0

Contractual maturity of financial liabilities at 31 Dec 2011					
	2012	**2013**	**2014**	**2015**	**2016 -**
Bonds	3.7	3.7	3.7	3.7	107.9
Commercial papers	1.0				
Finance lease liabilities	1.6	3.4	1.3	1.2	9.6
Bank overdrafts in use	0.9				
Accounts payable	45.7				
Guarantees issued on behalf of others	3.1	1.5	0.6	0.7	
Derivative contracts					
Foreign currency derivatives	229.7				
- cash outflow	227.2				
- cash inflow	0.4	0.6	0.5	0.2	
Electricity derivatives	0.3	0.1	0.1	0.0	

Counterparty and credit risk

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

In order to minimise counterparty risks, the Group invests its cash reserves and makes derivative contracts using only counterparties who meet the Group’s criteria for creditworthiness. The Group did not suffer any significant credit losses in its normal business operations during the financial year. The maximum counterparty risk is the book value of financial assets on 31 December 2012.

Potential concentrations of credit risk with respect to trade and other receivables are limited due to the large number and geographic dispersion of companies that comprise the Group’s customer base. Customer credit limits are established and constantly monitored, and the evaluation of customers’ financial conditions is performed on an ongoing basis. Trade receivables are credit insured when applicable. The Group recorded €0.5 (0.5) million impairment of accounts receivable in 2012.

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

Price risk

In its business operations, the Group is exposed to raw material price risks including materials like plastics, aluminium, copper, zinc as well as electricity price risks. Such price risks are managed through long-term fixed-price supply contracts, whenever financially feasible.

Group Treasury is responsible for managing electricity price risks at the Nordic level within the framework defined in the Group hedging policy. The hedging level based on this policy provides a 70–100 per cent cover for the coming 12 months and 25–80 per cent for the following 12 months. Hedging targets are achieved mainly by using financial electricity derivative contracts. The Group applies hedge accounting to the electricity derivatives.

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

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

31. Derivative contracts and hedge accounting

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

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

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

Fair value movement loss of €0.2 million (loss of €1.8 million) was entered into hedge reserve during the financial period. The impact of the ineffective portion on the profit for the financial period was a loss of €0.1 million (a loss of €0.1 million). A loss of €0.1 million in electricity derivatives (a gain of €0.3 million)

was removed from hedge reserve and recorded in the consolidated statement of comprehensive income during the financial period, in costs of goods sold.

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

32. Capital management

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

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

The Group’s capital structure developments are monitored by means of gearing. Gearing is calculated by dividing net interest-bearing liabilities by shareholders’ equity. Net interest-bearing liabilities include interest bearing liabilities less cash and cash equivalents. The Group’s target is to keep its gearing between 30 and 70 percent across quarters. In 2012, gearing average was 64.0 (55.8) percent.

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

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

33. Management incentive scheme and share based payments

The Board of Directors of Uponor Corporation has on March 2nd 2012 approved the establishment of a new long-term share-based incentive plan to be offered to the key management of the company. The plan will cover a maximum of twelve members of the Group's key management. The plan covers the years 2012-2014. Each participant in the incentive plan invests in Uponor shares within the pre-determined minimum and maximum limits of the plan. The reward in the Plan 2012-2014 consists of the following parts:

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

The maximum value of the total amount of shares awarded based on the share investment corresponds with less than 20,000 shares and the maximum value of performance shares to be delivered corresponds with less than 370,000 shares. Both the matching shares and performance shares will be restricted by a one year restriction period after the share delivery, during which the delivered shares may not be transferred.

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

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

34. Related party transactions

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

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

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

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

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

Remuneration of CEO and his Deputy is included also above presented table.

Executive Committee remuneration: CEO and his Deputy, T€		
Luomakoski Jyri, CEO	500.4	536.5
Bondestam Sebastian, Deputy CEO	263.1	266.3

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

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

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

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

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

Shares and holdings

Subsidiaries

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

Associated companies

Name	Shareholding, %	Country and domicile
Uponor Middle East S.A.L. (Off Shore)	50	Lebanon, Beirut

Punitec GmbH & Co. KG	36	Germany, Gochsheim
Punitec Verwaltungs GmbH	36	Germany, Gochsheim

35. Events after the balance sheet date

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

SHARES AND SHAREHOLDERS

The volume of Uponor shares traded on the NASDAQ OMX Helsinki Exchange in 2011 totalled 21,963,026, valued at EUR 186.1 million. The share closed at EUR 9.60 and the market capitalisation came to EUR 702.8 million. The yearend number of shareholders totalled 17,788 of which foreign shareholders accounted for 30.2 per cent (24.5 per cent).

Major shareholders on 31 December 2012

Shareholder	Shares	% of shares	% of votes
Oras Invest Ltd	16,571,780	22.6	22.7
Varma Mutual Pension Insurance Company	5,162,072	7.1	7.1
Ilmarinen Mutual Pension Insurance Company	1,402,052	1.9	1.9
Investment fund Nordea Nordic Small Cap	962,095	1.3	1.3
Nordea Nordenfonden	900,286	1.2	1.2
Investment fund Alfred Berg Finland	853,129	1.2	1.2
State Pension Fund	805,000	1.1	1.1
Sigrid Juselius Foundation	773,200	1.1	1.1
Aktia Capital Investment fund	650,000	0.9	0.9
Paasikivi Pekka	560,406	0.8	0.8
Paasikivi Jari	546,830	0.7	0.7
Paasikivi Jukka	538,173	0.7	0.7
Others	43,341,543	59.2	59.3
Total	73,066,566	99.8	100.0
Own shares held by the company	140,378	0.2	-
Grand total	73,206,944	100.0	100.0

Nominee registered shares on 31 December 2012

Nordea Bank Finland Plc	10,895,617	14.9	14.9
Nasdaq OMXBS/Skandinaviska Enskilda Banken AB	8,237,211	11.3	11.3
Svenska Handelsbanken AB (publ.)	1,850,811	2.5	2.5
Others	78,216	0.1	0.1
Total	21,061,855	28.8	28.8

The maximum number of votes which may be cast at the Annual General Meeting is 73,066,566 (status on 31 December 2012).
At the end of the financial period the company held a total of 140,378 own shares corresponding to the same number of votes. These shares do not entitle to vote in the Annual General Meeting.

Shareholders by category on 31 December 2012

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

Shareholders by size of holding on 31 December 2012

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

Share capital development 2007 - 2012

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

PARENT COMPANY INCOME STATEMENT (FAS)

		1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
		Euro	
Net sales	2	18,876,681.25	19,837,485.47
Other operating income	3	0.00	94,867.11
Personnel expenses	4	5,075,932.94	4,686,882.78
Depreciation and impairments	5	393,162.93	417,388.57
Other operating expenses	3	20,778,360.76	20,568,529.78
Operating loss		**-7,370,775.38**	**-5,740,448.55**
Financial income and expenses	6	923,435.59	57,558,034.53
Profit before extraordinary items		**-6,447,339.79**	**51,817,585.98**
Extraordinary items	7	8,940,000.00	5,990,000.00
Profit before appropriations and taxes		**2,492,660.21**	**57,807,585.98**
Change in depreciation difference		-52,234.04	-6,896.04
Income taxes	8	-1,055,042.35	1,150,846.44
Profit for the period		**1,385,383.82**	**58,951,536.38**

PARENT COMPANY BALANCE SHEET (FAS)

	Note	31.12.2012	31.12.2011
		Euro	
Assets			
Non-current assets			
Intangible assets			
Intangible rights		743,727.38	960,595.44
Intangible assets	9	**743,727.38**	**960,595.44**
Tangible assets			
Machinery and equipment		205,695.16	85,943.27
Tangible assets	9	**205,695.16**	**85,943.27**
Securities and long-term investments			
Shares in subsidiaries		205,297,828.28	244,890,996.72
Other shares and holdings		86,432.97	86,432.97
Loan receivables		193,913,666.61	167,864,111.81
Securities and long-term investments	10	**399,297,927.86**	**412,841,541.50**
Total non-current assets		**400,247,350.40**	**413,888,080.21**
Current assets			
Current receivables			
Accounts receivable		5,930,092.08	4,959,918.62
Loan receivables		27,961,447.65	103,905,901.62
Accruals		3,067,798.20	1,604,933.54
Deferred tax assets		829,175.79	877,748.16
Other receivables		43,685,387.71	39,145,403.48
Current receivables	11	**81,473,901.43**	**150,493,905.42**
Cash and cash equivalents			
Cash and cash equivalents		10,415,195.61	24,495,822.87
Cash and cash equivalents		**10,415,195.61**	**24,495,822.87**
Total current assets		**91,889,097.04**	**174,989,728.29**
Total assets		**492,136,447.44**	**588,877,808.50**

PARENT COMPANY BALANCE SHEET (FAS)

	Note	31.12.2012	31.12.2011
		Euro	
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital		146,446,888.00	146,446,888.00
Share premium		50,184,372.40	50,184,372.40
Unrestricted equity		66,613.56	66,613.56
Retained earnings		107,965,541.35	74,427,931.68
Profit for the period		1,385,383.82	58,951,536.38
Total shareholders' equity	12	**306,048,799.13**	**330,077,342.02**
Accumulated appropriations			
Depreciation difference	13	153,508.15	101,274.11
Accumulated appropriations total		**153,508.15**	**101,274.11**
Provisions	**14**	**3,384,366.24**	**3,582,645.56**
Liabilities			
Non-current liabilities			
Bonds		100,000,000.00	100,000,000.00
Non-current liabilities	15	**100,000,000.00**	**100,000,000.00**
Current liabilities			
Accounts payable		2,727,152.58	2,267,021.76
Accruals		3,019,808.38	2,237,407.12
Other current liabilities		76,802,812.96	150,612,117.93
Current liabilities	16	**82,549,773.92**	**155,116,546.81**
Total liabilities		**182,549,773.92**	**255,116,546.81**
Total liabilities and shareholders' equity		**492,136,447.44**	**588,877,808.50**

PARENT COMPANY CASH FLOW STATEMENT

	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
	Euro	
Cash flow from operations		
Operating profit	-7,370,775.38	-5,740,448.55
Depreciation	393,162.93	417,388.57
Sales gains/losses from the sale of fixed assets	20,791.43	-94,867.11
Other non-cash items	-115,250.48	396,464.08
Net cash from operations	**-7,072,071.50**	**-5,021,463.01**
Change in working capital		
Receivables	-6,910,350.75	-25,435,503.21
Non-interest-bearing liabilities	-70,564,818.16	3,046,345.12
Change in working capital	**-77,475,168.91**	**-22,389,158.09**
Dividends received	42,093,710.10	95,788,676.07
Group contributions	5,990,000.00	3,883,000.00
Cash flow from operations	**-36,463,530.31**	**72,261,054.97**
Cash flow from investments		
Purchase of fixed assets	-155,607.64	-177,832.00
Granted loans	-15,003,837.90	-7,983,237.97
Loan repayments	60,428,327.95	18,869,445.83
Share acquisitions	1,978,005.27	-67,918,314.40
Repayment of equity - Group	-2,999,046.00	-
Share divestments and result of subsidiary liquidations	-	99,240.00
Interests received	9,474,210.87	9,728,751.07
Dividends received	3,829.98	7,342.00
Cash flow from investments	**53,725,882.53**	**-47,374,605.47**
Cash flow before financing	**17,262,352.22**	**24,886,449.50**
Cash flow from financing		
Borrowings of debt	46,310,824.45	162,120,509.06
Repayments of debt	-47,300,000.00	-109,500,000.00
Change in other short term debt	-1,359,479.36	-17,623,521.44
Interests paid	-3,343,816.68	-2,846,798.51
Dividends paid	-25,566,430.40	-40,175,819.20
Income taxes paid	-84,077.49	-234,598.36
Cash flow from financing	**-31,342,979.48**	**-8,260,228.45**
Change in cash and cash equivalents	**-14,080,627.26**	**16,626,221.05**
Cash and cash equivalents at 1 January	24,495,822.87	7,869,601.81
Cash and cash equivalents at 31 December	10,415,195.61	24,495,822.87
Changes according to balance sheet	**-14,080,627.26**	**16,626,221.06**

PARENT COMPANY

1. Accounting Principles

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

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

Other operating income and expenses
Expert fees related to M&A activity have been accrued to current assets.

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

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

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

Financial assets, financial liabilities and derivative contracts
Currency derivatives are measured at their fair value, which are based on market prices on closing date. Changes in the value of financial assets and liabilities, including derivatives, are recorded as gain or loss through profit and loss as financial income and expenses. Parent company does not apply hedge accounting. Otherwise the methods of measuring derivative contracts are explained in the section on the Group's accounting principles.

Leases
All leasing payments have been treated as rental expenses.

2. Net sales

	2012	2011
Income from services		
- From group companies	18,864,804.25	19,829,499.47
- External	11,877.00	7,986.00
Total	**18,876,681.25**	**19,837,485.47**

3. Other operating income and expense

	2012	2011
Other operating income		
Gains from sales of fixed assets	-	94,867.11
Total	**-**	**94,867.11**
Other operating expenses		
Environmental expenses	257,060.85	721,554.44
Travel expenses	1,246,622.76	1,300,379.10
Purchased services	9,116,026.04	8,449,312.92
Loss from sales of fixed assets	20,791.43	-
Other	10,137,859.68	10,097,283.32
Total	**20,778,360.76**	**20,568,529.78**

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

Auditor's fees		
- Audit fees	64,000.00	67,630.00
- Other services	259,902.03	52,898.00

4. Personnel expenses

Salaries and bonuses	3,936,799.35	3,510,673.74
Pension expenses	493,011.81	567,280.11
Other personnel expenses	646,121.78	608,928.93
Total	**5,075,932.94**	**4,686,882.78**
During financial period company employed:		
Employees, average	38	40
Salaries and emoluments paid to the President & CEO and Board Members *)		
President & CEO and his deputy	763,498.82	802,767.78
Board of Directors	371,000.00	341,600.00
Total	**1,134,498.82**	**1,144,367.78**

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

Loans to company directors
At 31 December 2012, the company’s President & CEO and members of the Board of directors had no loans outstanding from the company or its subsidiaries.

The retirement age for the parent company President & CEO and his Deputy has been agreed as 63 years.

5. Depreciation

Intangible assets	351,373.02	373,257.83
Tangible assets	41,789.91	44,130.74
Total	**393,162.93**	**417,388.57**

6. Financial income and expenses

	2012	2011
Interest income	786,268.27	1,001,813.67
Intercompany interest income	10,260,968.58	11,415,696.98
Dividend income	3,829.98	7,342.00
Dividend income from subsidiaries	42,093,710.10	95,788,676.07
Interest expenses	-6,641,267.39	-7,350,621.26
Intercompany interest expenses	-843,859.02	-1,352,121.55
Other financial expenses	-73,896.14	-79,906.17
Impairments on non-current investments	-43,000,000.00	-40,760,736.66
Exchange differences		
Derivatives realised	-12,665,632.37	-4,576,840.80
Derivatives unrealised	5,472,477.74	-2,628,405.75
Others realised	-109,958.66	-665,614.46
Others unrealised	5,640,794.50	6,758,752.50
Financial income and expenses total	**923,435.59**	**57,558,034.57**

7. Extraordinary income

	2012	2011
Group contributions	8,940,000.00	5,990,000.00
Total	**8,940,000.00**	**5,990,000.00**

8. Taxes

	2012	2011
For the financial period	-125,346.89	815,886.67
For previous financial periods	-881,123.09	285,618.65
Change in deferred taxes	-48,572.37	49,341.12
Total	**-1,055,042.35**	**1,150,846.44**

9. Intangible and tangible assets

2012	Intangible rights	Intangible investment in progress	Machinery and equipment	Investment in progress	**Intangible and tangible assets**
Acquisition costs 1 Jan	2,331,175.03	0.00	651,548.90	0.00	**2,982,723.93**
Increases	134,504.96	0.00	182,333.23	0.00	**316,838.19**
Decreases			423,354.37		**423,354.37**
Acquisition costs 31 Dec	2,465,679.99	0.00	410,527.76	0.00	**2,876,207.75**
Accumulated depreciations 1 Jan	1,370,579.59	0.00	565,605.63	0.00	**1,936,185.22**
Acc. depreciation on disposals and transfers	0.00	0.00	-402,562.94	0.00	**-402,562.94**
Depreciation for the financial period	351,373.02	0.00	41,789.91	0.00	**393,162.93**
Accumulated depreciations 31 Dec	1,721,952.61	0.00	204,832.60	0.00	**1,926,785.21**
Book value 31 December	**743,727.38**	**0.00**	**205,695.16**	**0.00**	**949,422.54**

2011	Intangible rights	Intangible investment in progress	Machinery and equipment	Investment in progress	**Intangible and tangible assets**
Acquisition costs 1 Jan	2,065,629.17	125,280.46	604,570.50	9,411.80	**2,804,891.93**
Increases	140,265.40	0.00	37,566.60	0.00	**177,832.00**
Transfers between items	125,280.46	-125,280.46	9,411.80	-9,411.80	**0.00**
Acquisition costs 31 Dec	2,331,175.03	0.00	651,548.90	0.00	**2,982,723.93**
Accumulated depreciations 1 Jan	997,321.76	0.00	521,474.89	0.00	**1,518,796.65**
Depreciation for the financial period	373,257.83	0.00	44,130.74	0.00	**417,388.57**
Accumulated depreciations 31 Dec	1,370,579.59	0.00	565,605.63	0.00	**1,936,185.22**
Book value 31 December	**960,595.44**	**0.00**	**85,943.27**	**0.00**	**1,046,538.71**

10. Non-current investments

	2012	**2011**
Shares in subsidiaries acquisition cost 1.1.	244,890,996.72	211,441,893.31
Increases	3,406,831.56	67,918,314.40
Decreases	43,000,000.00	34,469,210.99
Shares in subsidiaries book value 31.12.	**205,297,828.28**	**244,890,996.72**
Other shares and holdings 1.1.	86,432.97	90,805.86
Increases		0.00
Decreases	0.00	4,372.89
Other shares and holdings 31.12.	**86,432.97**	**86,432.97**
Loans receivables		
- From group companies	188,743,889.06	162,864,111.81
- Subordinated loan	5,000,000.00	5,000,000.00
- Others	169,777.55	0.00
Loan receivables total	**193,913,666.61**	**167,864,111.81**
Total	399,297,927.86	412,841,541.50

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

11. Current receivables

	2012	2011
From group companies		
- accounts receivable	5,930,092.08	4,959,918.62
- loan receivable	27,961,447.65	103,905,901.62
- accruals	84,178.19	0.00
- other receivables	40,962,944.43	37,004,898.90
Total	**74,938,662.35**	**145,870,719.14**
From external parties		
- accruals	2,983,620.01	1,604,933.54
- deferred tax assets	829,175.79	877,748.16
- other receivables	2,722,443.28	2,140,504.58
Total	**6,535,239.08**	**4,623,186.28**
Total current receivables	81,473,901.43	150,493,905.42

Deferred tax asset is recorded for obligatory provisions in the balance sheet. Deferred tax asset includes long-term tax assets totalling €682,169.73.

Accruals		
Interest income	687.65	1,441.07
Taxes	345,146.10	1,399,216.87
Others	2,721,964.45	204,275.60
Total	**3,067,798.20**	**1,604,933.54**

12. Changes in equity

Restricted equity		
Share capital on 1 January	146,446,888.00	146,446,888.00
Share capital on 31 December	**146,446,888.00**	**146,446,888.00**
Share premium on 1 January	50,184,372.40	50,184,372.40
Share premium on 31 December	**50,184,372.40**	**50,184,372.40**
Total restricted equity	**196,631,260.40**	**196,631,260.40**
Unrestricted equity		
Unrestricted equity 1.1.	66,613.56	66,613.56
Unrestricted equity 31.12.	**66,613.56**	**66,613.56**
Retained earnings 1 January	133,379,468.06	114,603,750.88
Dividend payments	-25,566,430.40	-40,175,819.20
Refund of unredeemed dividends	13,310.90	0.00
Treasury shares	139,192.79	0.00
Retained earnings 31 December	**107,965,541.35**	**74,427,931.68**
Profit for the financial period	1,385,383.82	58,951,536.38
Total unrestricted equity	**109,417,538.73**	**133,446,081.62**
Shareholders' equity 31 December	**306,048,799.13**	**330,077,342.02**

	2012	2011
Distributable funds		
Unrestricted equity	66,613.56	66,613.56
Retained earnings	108,990,411.36	75,591,994.48
Profit for the period	1,385,383.82	58,951,536.38
Treasury shares	-1,024,870.01	-1,164,062.80
Distributable funds, 31 December	**109,417,538.73**	**133,446,081.62**

13. Depreciation differences

- Other capitalised long-term expenditure	166,060.36	129,623.86
- Plant and machinery	-12,552.21	-28,349.75
Total	**153,508.15**	**101,274.11**

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

14. Provisions

Pension obligation	84,366.24	82,645.56
Environmental provision	3,300,000.00	3,500,000.00
Total	**3,384,366.24**	**3,582,645.56**

15. Non-current liabilities

Bonds	100,000,000.00	100,000,000.00
Total	**100,000,000.00**	**100,000,000.00**

Maturity of non-current interest bearing liabilities

	2013	2016	2017 -
Bonds	0.00	20,000,000.00	80,000,000.00

16. Current liabilities

From group companies		
- accounts payable	1,502,166.65	1,165,605.81
- accruals	810,019.21	177,184.77
- other current liabilities	72,438,830.33	143,483,539.32
Total	**74,751,016.19**	**144,826,329.90**
From external parties		
- accounts payable	1,224,985.93	1,101,415.95
- accruals	2,209,789.17	2,060,222.35
- other current liabilities	4,363,982.63	7,128,578.61
Total	**7,798,757.73**	**10,290,216.91**
Total current liabilities	82,549,773.92	155,116,546.81

	2012	2011
Accrued liabilities		
Personnel expenses	509,567.04	633,045.13
Bonuses	510,471.29	302,750.41
Taxes	251,810.67	322,025.17
Interest	181,711.52	117,330.61
Others	1,566,247.86	862,255.80
Total	**3,019,808.38**	**2,237,407.12**

17. Contingent liabilities

- on behalf group companies		
Guarantees issued	16,086,266.84	19,763,223.22
Guarantees issued	**16,086,266.84**	**19,763,223.22**
Operating lease commitments (including rental lease obligations)		
Operating lease commitments for next 12 months	783,900.30	657,702.40
Operating lease commitments over next 12 months	4,372,812.60	312,154.80
Lease commitments	**5,156,712.90**	**969,857.20**
Total	**21,242,979.74**	**20,733,080.42**

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

18. Derivative contracts

	Nominal value	
	2012	**2011**
Interest derivatives:		
Interest rate swaps	50,000,000.00	50,000,000.0

	Fair value	
	2012	**2011**
Interest derivatives:		
Interest rate swaps	-2,547,874.43	-1,759,265.0

	Nominal value	
Foreign currency derivatives:	**2012**	**2011**
Forward agreements	243,265,798.16	212,790,202.62
Intragroup forward agreements	60,434,725.70	57,612,507.84
Currency options, bought	10,830,569.28	14,186,226.46
Currency options, sold	10,830,569.28	14,186,226.46
Commodity derivatives:		
Forward agreements	6,502,438.00	5,840,537.00

	Fair value	
Foreign currency derivatives:	**2012**	**2011**
Forward agreements	765,352.69	-2,497,047.09
Intragroup forward agreements	229,473.44	-116,024.79
Currency options, bought	72,594.89	233.93
Currency options, sold	-27,370.37	-15,567.80
Commodity derivatives:		

Forward agreements	-695,545.00	-529,281.00

	Fair value changes recognised in the income statement	
Foreign currency derivatives:	**2012**	**2011**
Forward agreements	765,352.69	-2,497,047.09
Intragroup forward agreements	229,473.44	-116,024.79
Currency options, bought	72,594.89	233.93
Currency options, sold	-27,370.37	-15,567.80
Interest derivatives:		
Interest rate swaps	-788,609.43	-1,759,265.0

19. Ledgers, vouchers and storaging

In electronic format:
General ledger
Journal
Accounts ledgers
Payroll accounting
Bank vouchers
Account sales

As paper documents:
Purchase account
Memo vouchers

Separately bound:
Balance book of financial period
Balance sheet specifications

PROPOSAL OF THE BOARD OF DIRECTORS

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

The Board of Directors proposes to the Annual General Meeting that

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

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

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

Vantaa, 12 February 2013

Jari Paasikivi
Chairman

Jorma Eloranta

Jari Rosendal

Anne-Christine Silfverstolpe Nordin

Rainer S. Simon

Eva Nygren

Jyri Luomakoski
President & CEO

THE AUDITORS NOTE

Our auditors' report has been issued today.

Vantaa, 12 February 2013

Deloitte & Touche Oy
Authorized Public Audit Firm

Mikael Paul
Authorized Public Accountant