FINANCIAL STATEMENTS
1 Jan-31 Dec 2013
Uponor Corporation

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Review by the Board of Directors

Markets

The European building and construction markets remained challenging throughout most of 2013. The revitalisation of demand in some of Europe's larger markets, in particular, that was witnessed in the third quarter turned out to be short lived and, towards the end of the year, demand started to slacken again. This was mostly felt in the building solutions markets in Iberia, Italy, the Netherlands, Norway, and Finland. Demand in Germany continued to be rather resilient and positive signals were also recorded in Sweden.

In Building Solutions – North America, the business environment stayed healthy throughout the year, reflected in new housing development trends and consumers showing more lively buying patterns. The Canadian market was softening from its previous year's levels.

The infrastructure solutions demand in Uponor Infra's core European markets remained subdued, much like in the comparison period. The Canadian market was somewhat weaker than in 2012, reflecting the general economic trends in the country.

Net sales

Uponor's 2013 net sales from continuing operations amounted to €906.0 (2012: €811.5) million, up 11.6% year on year. In comparable terms, excluding the new Uponor Infra businesses for 2013 and the divested Hewing GmbH for the first quarter of 2012, net sales went down by -1.5%, or by -0.1% when considering currency exchange differences.

Building Solutions – Europe had unsatisfactory net sales development, reflecting the challenging market conditions throughout the continent. The reasonably strong development in the third quarter of 2013 weakened in the final quarter, and the situation was adversely affected by the product approval cancellation in France in the fourth quarter.

Continued positive progress was recorded in Building Solutions – North America throughout 2013, and record numbers were reached both in terms of sales and production. A good development was noted in the non-residential plumbing market, in particular, as a result of the fact that the share of PEX-plumbing strengthened in specifications, and it gained in popularity among installers.

Uponor Infra's net sales, at €261.4 million, includes the joint-venture business for the second half of 2013, reporting growth of 75.5%. Organically, including only Uponor Infrastructure Solutions, the growth was negative at roughly -1.4%, reflecting the subdued market environment.

In 2013, as a result of the expanded role of the infrastructure business, the share of Plumbing Solutions of Group net sales came to 42% (47%), Indoor Climate Solutions to 30% (35%), and Infrastructure Solutions to 28% (18%).

Net sales by segment for 1 January – 31 December 2013:

M€	1–12 2013	1–12 2012	Reported change, %
Building Solutions – Europe	479.5	517.7	-7.4%
Building Solutions – North America	171.5	151.1	13.5%
(Building Solutions – North America (M$)	228.2	195.4	16.8%)
Uponor Infra	261.4	149.0	75.5%
Eliminations	-6.4	-6.3	
Total	906.0	811.5	11.6%

The largest 10 countries, in terms of reported net sales, and their respective share of consolidated net sales, were as follows (2012 figures in brackets): Germany 15.9% (17.9%), USA 15.8% (14.1%), Finland 13.8% (11.6%), Sweden 9.5% (9.8%), Canada 6.1% (4.5%), Denmark 4.9% (4.1%), Norway 3.9% (4.8%), the United Kingdom 3.3% (3.8%), the Netherlands 3.2% (4.0%), and Russia 3.1% (2.8%).

Results

In 2013, Uponor's gross profit margin went clearly down from 2012. The main influencers for this trend were the higher relative share of the infrastructure business in the Group and the case of the cancelled product approval in France in the fourth quarter. Further, the input cost development was not as volatile as last year, which had a favourable impact on returns. The consolidated full-year gross profit ended up at €320.1 (€310.8) million, a change of €9.3 million or 3.0%.

Consolidated operating profit came to €50.2 (57.7) million, down -13.0% from the previous year or -10.8% organically. The operating profit margin came to 5.5% (7.1%) of net sales. Operating profit was down from last year, driven by the Uponor Infra integration costs at €5.0m, Uponor Infra transaction related costs at €1.7m and the impact of the French product approval case

Building Solutions – Europe's operating profit deteriorated markedly in the fourth quarter as a result of negative operational leverage, due to weakening demand in key markets as well as the cancellation of a central product approval in France, resulting in lost net sales and buyback of inventory from the distribution chain.

Building Solutions – North America's performance continued to improve as a result of strong operational leverage in a steady market growth environment in the U.S., while the Canadian market showed signs of slowing down.

Uponor Infra's operating profit was burdened by the one-time integration and restructuring costs of €5.0 million in the third and fourth quarters of the year. On a pro forma basis, its operating profit deteriorated somewhat, mainly due to the weakening business conditions in Canada.

Operating profit by segment for 1 January – 31 December 2013:

M€	1–12 2013	1–12 2012	Reported change, %
Building Solutions – Europe	32.7	47.2	-30.7%
Building Solutions – North-America	24.7	17.8	39.0%
(Building Solutions – North-America (M$)	32.9	23.0	43.1%)
Uponor Infra	-2.3	0.0	-7,020.3%
Others	-3.4	-6.1	
Eliminations	-1.5	-1.2	
Total	50.2	57.7	-13.0%

Uponor's financial expenses came to €7.1 (€8.6) million. Net currency exchange differences in 2013 were €-0.6 (-1.9) million.

Profit before taxes was €43.2 (49.4) million. At a tax rate of 37.3% (33.4%), income taxes totalled €16.1 (16.5) million.

Profit for the period totalled €26.8 (32.8) million, of which continuing operations accounted for €27.1 (32.9) million.

Return on equity decreased to 10.8% (15.7%). Return on investment reached 12.5% (16.5%).

Earnings per share were €0.38 (0.45), and €0.38 (0.45) for continuing operations. Equity per share was €3.00 (2.84). For other share-specific information, please see the Tables section.

Consolidated cash flow from operations was €92.1 (32.7) million, while cash flow before financing came to €67.2 (22.5) million. Cash flow from operations improved as a result of a change in net working capital, due to the new units entering Uponor Infra in high season, and lower taxes year-on-year as the 2012 figures were burdened by the surtaxes paid in the first quarter 2012.

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

Investment, research and development, and financing

Uponor's practice is to reach a balance between placing resources with the most viable opportunities while at the same time keeping investments tight, and focussing on maintenance and careful productivity improvements, depending on the respective market situation. Thus, funds were allocated to the expansion of manufacturing capacity in the Apple Valley factory in the U.S., which was completed by year-end. This represents the Group's largest investment in 2013, increasing the site's manufacturing capacity by some 15%. The investment cost, at approximately €9.0 million, turned out to be somewhat lower than anticipated and disclosed earlier. Major investment funds were also allocated into the manufacturing of the new seamless aluminium composite pipe and other new technologies within Building Solutions – Europe.

Gross investments into fixed assets totalled €33.9 (19.2) million, an increase of €14.7 million year on year. Net investments totalled €30.4 (18.1) million.

Research and development costs amounted to €17.7 (15.9) million, or 2.0% (2.0%) of net sales.

The main existing funding programmes on 31 December 2013 included an €80 million bond maturing in 2018 and a €20 million bond maturing in 2016. With the existing bond issues, Uponor has extended the maturity structure and diversified its sources of funding. In addition to these, Uponor Infra Oy took a loan of €35 million on 1 July 2013 to finance its operations.

Committed bilateral revolving credit facilities, maturing in 2015, totalled €190 million; none of these back-up facilities were used during the year.

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 €53.7 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 €1.3 (0.5) million, the increase coming from an impairment to trade receivables from the mining company Talvivaara Sotkamo Oy.

Consolidated net interest-bearing liabilities increased to €96.9 (94.1) million. The solvency ratio was 43.9% (41.5%) and gearing came to 33.7% (45.4%). Average quarterly gearing was 57.9 (64.6), in line with the range of 30-70 set in the company's financial targets.

Events during the period

Uponor Infra Ltd, a new subsidiary company to Uponor, owned jointly by Uponor Corporation (55.3%) and KWH Group (44.7%), began operating on 1 July 2013, thus merging Uponor's Infrastructure Solutions and KWH Pipe's infrastructure businesses into one company. In this connection, Infrastructure Solutions ceased to exist as an IFRS segment name and was substituted by Uponor Infra as of 1 July 2013. A detailed description of the structural changes related to the integration process was given in the January-September 2013 interim report.

During 2013, the main targets of Uponor Infra were to set the strategic direction and design a new organisation, as well as to execute activities to ensure that the majority of the integration and restructuring savings can be achieved in 2014.

During the autumn, Uponor Infra started collaborative negotiations in Denmark, Sweden, and Finland, with the aim to optimise the production and administration structure. The outcome of the negotiations was that more than 130 employees will leave the company, and production in Ulricehamn, Sweden, and Ulvila and Forssa in Finland, as well as two offices in Denmark and Finland, will be relocated to other existing facilities. The majority of the production equipment and personnel movements are being executed during the low season, starting in December 2013.

Announced on 24 May 2013, the Market Court's approval of the Uponor Infra merger was subject to certain conditions, as proposed by Uponor and KWH Group. Uponor divested the required extrusion lines in the autumn of 2013, and complies fully with the conditions.

In addition to the above events, in April 2013, the Board of Adjustment of the Finnish Tax Authority rejected Uponor's appeal for the rectification of an earlier decision of the Tax Authority requiring Uponor Business Solutions Oy to pay €14.4 million in back taxes and penalties in a case concerning the market-based transfer pricing of Uponor's internal service charges. Uponor placed the issue before the administrative court on 15 July 2013 and applied for rectification of the Board of Adjustment's ruling, while seeking a counterrectification associated with taxable income in countries where the company should, according to the Board of Adjustment, have charged service fees.

In June, the Board of Adjustment of the Finnish Tax Authority rejected, for the most part, Uponor’s appeal on a €0.5 million transfer price issue concerning the parent company Uponor Corporation. On 24 July 2013, Uponor applied to the administrative court for a rectification of this ruling.

Personnel and organisation

At the end of the year, the Uponor Group had 4,141 (3,052) employees. In full-time-equivalent (FTE) terms, this is 1,089 more than at the end of 2012. The average number of employees (FTE) for the year was 3,649 (3,098). In 2013, the establishment of Uponor Infra contributed to Uponor’s personnel growth by 1,105 persons at year-end. In North America, the business growth and the factory expansion resulted in an increase of the workforce by 41 persons.

The geographical breakdown of the Group's personnel (FTE) was as follows: Germany 867 (20.9%), Finland 813 (19.6%), Sweden 500 (12.1%), the USA 474 (11.4%), Thailand 204 (4.9%), Poland 201 (4.9%), Canada 189 (4.6%), Spain 185 (4.5%), the UK 145 (3.5%), Denmark 127 (3.1%), and other countries 436 (10.5%).

A total of €211.9 (€184.7) million was recorded in salaries, other remunerations, and employee benefits during the financial period.

Effective on 1 April 2013, a new, functional organisation structure was introduced for Building Solutions – Europe. In connection with this, Heiko Folgmann assumed the role of Executive Vice President, Sales and Marketing, including responsibility for Group brand management, and Fernando Roses assumed the role of Executive Vice President, Offering and Supply chain, including group-wide responsibility for research and technology as well as sustainability. Robin Carlsson, Executive Vice President for Infrastructure Solutions and member of the Executive Committee, left the company. Sebastian Bondestam, Executive Vice President, Supply Chain, was appointed Executive Vice President, Infrastructure Solutions, and later, when Uponor Infra Ltd was established, he was appointed President of Uponor Infra Ltd, as of 1 July 2013. Bondestam remained in his post as a member of the Uponor Executive Committee and deputy to the managing director of the Uponor Corporation.

Effective on 23 September 2013, Ms Minna Schrey-Hyppänen, 47, a Finnish citizen, was appointed Executive Vice President, Human Resources, at Uponor Corporation, 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. Through Uponor Infra Oy, established in July 2013, Uponor now has business also in Thailand. While accounting only around two per cent of the Group’s net sales, the political risk posed by the country of Thailand has thus grown.

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 23 countries.

Although the economic situation in Europe seems to have stabilised somewhat, the economic environment remains highly fragile, particularly in the euro zone. For this reason, Uponor is continually monitoring the situation and performs 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. Via Uponor Infra Oy, founded in July 2013, around 40% of Uponor's annual net sales comes from the infrastructure solutions business, entailing a corresponding increase in the associated risks to the company. 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.

In many countries, Uponor's operations are regulated by local legislation. For example, Uponor seeks national product approvals for a large proportion of the products it sells. 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 able to pass 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. Whenever feasible, Uponor manages the risk of fluctuations in the price of metals and plastics raw materials through supply agreements with fixed prices and by means of financial products. 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. Where only one raw material supplier is used, Uponor seeks to ensure that the supplier has 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
Recent years have shown that major disruptions in the financial markets are possible with very little warning. For this reason, although the situation now seems rather stable from Uponor's perspective, significant risks may arise in relation 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. Correspondingly, a major part of expenses associated with these net sales are also denominated in the same local currencies, markedly 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 twelve production plants in nine countries. Products manufactured at these plants generate the majority of the company's net sales. Uponor co-ordinates property damage 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 property damage 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 2013

As market conditions remained challenging in many of Uponor's major geographical markets, management and monitoring of market risk continued to play a key role in the field of risk management.

Towards the end of 2013, a major business risk materialised in France, when Uponor S.A.R.L. temporarily lost a local approval of a central product. It resulted in a considerable drop in net sales and incurred costs as Uponor accepted returns of products already shipped to customers. All told, the operating profit fell by close to €5 million in the last quarter due to this. An approval for a substituting product was granted in December 2013.

With regard to Uponor's critical commodities, the price development in 2013 was smoother and calmer than during the previous year. Despite that, continuous risk management is an important and well acknowledged component in sourcing.

In an annual exercise performed in the second half of the year, risks were comprehensively mapped and risk management plans updated accordingly.

In 2013, 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 funding instruments, maturities, 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 2012, 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 continued prominence, 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 18 March 2013 re-elected the following Board members for a term of one year: Eva Nygren, Jorma Eloranta, Jari Paasikivi, Jari Rosendal and Rainer S. Simon. In addition, Timo Ihamuotila, 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 Teppo Rantanen, Authorised Public Accountant, as the principal auditor.

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

Share capital and shares

In 2013, Uponor's share turnover on the NASDAQ OMX Helsinki stock exchange was 14.6 (22.0) million shares, totalling €179.3 (€186.1) million. The share quotation at the end of 2013 was €14.22 (€9.60), and market capitalisation of the outstanding shares was €1,041.0 (€702.8) million. At the end of the year, there were a total of 15,480 (17,788) shareholders. Foreign shareholding in Uponor accounted for 33.9% (30.2%) of all shareholding in the company at the end of the reporting period. More detailed information is available in the financial statements.

In 2013, 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 foreign notification of changes in ownership in 2013: The holdings of Franklin Resources, Inc., a U.S. company, reached 10.01% on 12 March 2013. The number of shares and voting rights held by the company came to 7,325,055 shares. Further information on shares and holdings is reported in the financial statements.

Board authorisations

The AGM of 18 March 2013 authorised the Board to buy back a maximum of 3.5 million of the company's own shares, which equals 4.8% of the total number of shares of the company. These shares will 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.

The AGM of 15 March 2012 authorised the Board to resolve on issuing a maximum of 7.2 million new shares or transferring the company's own shares, representing 9.8 per cent of the total number of the shares of the company. The Board of Directors was authorised to resolve on the conditions of share issuance. The authorisation is valid for three years, i.e. until 15 March 2015. On 15 March 2012, the Board further resolved on a directed share issue without payment and decided to transfer 19,622 of the company's own shares, held by the company, to current and former Executive Committee members, as specified in the rules of the Long-Term Incentive programme.

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 646,821 Uponor shares on 31 December 2013 (709,547 on 31 December 2012). These shares accounted for 0.88% of all shares and votes in the company.

Share-based incentive programme

In February 2013, the Board of Directors decided to continue to implement the long-term share-based incentive plan established in 2012. The new plan covers the years 2013-2015, and it complements the plan that exists for the years 2012-2014. The plan will cover a maximum of twelve members of the Group's key management. Details of the plans are presented on the company's website.

Events after the period

On 2 January 2014, the U.S. company The Capital Group Companies, Inc.'s ownership in Uponor fell below 5% as a result of share transactions. The total holding and voting power of The Capital Group Companies, Inc. came to 3,616,201 shares, representing an ownership of 4.9396%. The shares are owned by various funds and clients of The Capital Group Companies, Inc. and its affiliates.

Uponor has initiated preparations to renew the existing committed bilateral revolving credit facilities, targeting completion in the first half of 2014. To start with, €50 million of the facilities was renegotiated and signed in February 2014. The renegotiated facility now matures in February 2019.

Short-term outlook

The economic outlook in Uponor's key markets is twofold for 2014: North America – the U.S., in particular - is expected to stay lively and offer room for reasonable construction industry growth. The European markets, however, are expected to develop in a rather steady manner, but offering no real growth in the building solutions or in the infrastructure solutions markets.

The development will continue to be fragile, and there is a risk that short-term variances to the general trend may take place.

Uponor will continue to promote its value-adding sustainable solutions, which have a tailwind of significant global megatrends. Uponor has kept on renewing its offering portfolio over the last few years and expects the new products and systems solutions to offer possibilities for increased sales and profitability.

The management continues to keep 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 2014: The Group's net sales and operating profit (excluding any non-recurring items) are expected to improve from 2013.

Uponor's financial performance may be affected by a range of strategic, operational, financial, and hazard risks. No meaningful change in the risk scenario has been observed compared to the year before, except for the fact that the establishment of Uponor Infra in July 2013 did increase infrastructure solutions-related business risks and also some country risks. A more detailed risk analysis is provided in the 'Key risks associated with business' section of the Financial Statements 2013.

Uponor Corporation
Board of Directors

GROUP KEY FINANCIAL FIGURES

	2013 IFRS	2012* IFRS	2011 IFRS	2010 IFRS	2009 IFRS
Consolidated income statement (continuing operations), M€					
Net sales	906.0	811.5	806.4	749.2	734.1
Operating expenses	823.6	726.5	743.0	669.9	665.1
Depreciation	33.0	28.2	29.4	29.1	32.0
Other operating income	0.8	0.9	1.4	2.2	4.2
Operating profit	50.2	57.7	35.4	52.4	41.2
Financial income and expenses	-7.1	-8.6	-17.7	-10.7	-12.7
Profit before taxes	43.2	49.4	17.7	41.7	28.5
Result from continuing operations	27.1	32.9	1.9	27.0	17.2
Profit for the period	26.8	32.8	1.6	24.7	11.5
Consolidated balance sheet, M€					
Non-current assets	249.0	186.5*	199.81	218.3	223.1
Goodwill	82.3	74.9	74.9	72.2	73.0
Inventories	115.4	78.7	81.8	84.4	74.3
Cash and cash equivalents	53.7	17.7	29.1	11.9	13.2
Accounts receivable and other receivables	160.6	141.6	129.4	110.4	115.0
Equity attributable to the owners of the parent company	219.7	207.3*	209.2	252.1	258.0
Non-controlling interest	68.0	-	2.9	-	-
Provisions	22.1	20.6	22.0	12.0	18.4
Non-current interest-bearing liabilities	136.4	107.6	110.2	43.5	60.2
Current interest-bearing liabilities	14.2	4.2	2.8	35.2	17.6
Non-interest-bearing liabilities	200.6	159.7*	167.9	154.4	144.4
Balance sheet total	661.0	499.4	515.0	497.2	498.6
Other key figures					
Operating profit (continuing operations), %	5.5	7.1	4.4	7.0	5.6
Profit before taxes (continuing operations), %	4.8	6.1	2.2	5.6	3.9
Return on Equity (ROE), %	10.8	15.7*	0.7	9.7	4.1
Return on Investment (ROI), %	12.5	16.5*	11.0	14.4	8.1
Solvency, %	43.9	41.5*	41.2	50.8	51.8
Gearing, %	33.7	45.4*	39.3	26.5	25.0
Net interest-bearing liabilities, M€	96.9	94.1	83.9	66.8	64.6
- % of net sales	10.7	11.6	10.4	8.9	8.8
Change in net sales, %	11.6	0.6	7.6	2.1	-22.7
Exports from Finland, M€	43.3	32.8	34.7	30.4	23.0
Net sales of foreign subsidiaries, M€	770.4	717.6	709.8	658.9	644.7
Total net sales of foreign operations, M€	781.4	718.1	714.1	659.6	645.3
Share of foreign operations, %	86.2	88.5	88.6	88.0	87.9
Personnel at 31 December	4,141	3,052	3,228	3,197	3,316
Average no. of personnel	3,649	3,098	3,288	3,219	3,426
Investments (continuing operations), M€	33.9	19.2	24.0	19.0	24.0
- % of net sales	3.7	2.4	3.0	2.5	3.5

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

SHARE-SPECIFIC KEY FIGURES

	2013 IFRS	2012* IFRS	2011 IFRS	2010 IFRS	2009 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	73,067
- average	73,067	73,062	73,067	73,067	73,049
Shareholders' equity, M€	219.7	207.3*	209.2	252.1	258.0
Share trading, M€	179.3	186.1	366.2	481.5	455.8
Share trading, in thousands	14,563	21,963	38,155	37,389	45,815
- of average number of shares, %	19.9	30.1	52.2	51.2	62.7
Market value of share capital, M€	1,041.0	702.8	502.2	1,013.2	1,098.1
Adjusted earnings per share (fully diluted), €	0.38	0.45	0.03	0.34	0.16
Equity per share, €	3.00	2.84*	2.86	3.45	3.53
Dividend, M€	1) 27.8	27.8	25.6	40.2	36.5
Dividend per share, €	1) 0.38	0.38	0.35	0.55	0.50
Effective share yield, %	2.7	4.0	5.1	4.0	3.3
Dividend per earnings, %	100.0	84.4	1,018.5	162.5	316.3
P/E ratio	37.4	21.3	199.7	40.9	94.9
Issue-adjusted share prices, €					
- highest	15.85	10.00	14.25	15.66	15.10
- lowest	9.65	6.77	6.03	10.58	6.80
- average	12.31	8.47	9.57	12.88	9.95

The definitions of key ratios are shown on page 15.
* Figures for 31.12.2012 have been adjusted with the effect of retrospective application of IAS19R Employee Benefits.

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

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

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

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

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

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

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

Dividend per share ratio = $\dfrac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

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

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		2013	2012
Continuing operations	**Note**		
Net sales	2	906.0	811.5
Cost of goods sold		585.9	500.7
Gross profit		**320.1**	**310.8**
Other operating income	7	**0.8**	**0.9**
Dispatching and warehousing expenses		34.2	31.8
Sales and marketing expenses		167.7	161.3
Administration expenses		50.0	44.6
Other operating expenses	7	18.8	16.3
Expenses		**270.7**	**254.0**
Operating profit	2	**50.2**	**57.7**
Financial income	10	23.4	27.0
Financial expenses	10	30.5	35.6
Share of result in associated companies		0.1	0.3
Profit before taxes		**43.2**	**49.4**
Income taxes	11	16.1	16.5
Result from continuing operations		**27.1**	**32.9**
Discontinued operations			
Result from discontinued operations	3	-0.3	-0.1
Profit for the period		**26.8**	**32.8**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurements on defined benefit pensions, net of taxes		0.4	-1.1
Items that may be reclassified subsequently to profit or loss:			
Translation differences		-5.1	0.6
Cash flow hedges, net of taxes		0.5	-0.7
Net investment hedges		2.4	-3.5
Other comprehensive income for the period, net of taxes		**-1.8**	**-4.7**
Total comprehensive income for the period		**25.0**	**28.1**
Profit for the period attributable to			
Equity holders of parent company		27.8	32.8
Non-controlling interest		-1.0	-
Total compernsive income for the period attributable to			
Equity holders of parent company		26.5	28.1
Non-controlling interest		-1.5	-
Earnings per share, €	12	0.38	0.45
- Continuing operations		0.38	0.45
- Discontinued operations		0.00	0.00
Diluted earnings per share, €		0.38	0.45
- Continuing operations		0.38	0.45
- Discontinued operations		0.00	0.00

CONSOLIDATED BALANCE SHEET

Assets	Note	31.12.2013	31.12.2012
Non-current assets			
Intangible assets			
Intangible rights		17.5	18.6
Goodwill		82.3	74.9
Customer relationship value		2.2	-
Other intangible assets		0.2	0.2
Investment in progress		0.6	0.0
Total intangible assets	13	**102.8**	**93.7**
Tangible assets			
Land and water areas		16.9	10.8
Buildings and structures		56.3	42.6
Machinery and equipment		98.5	78.0
Other tangible assets		14.6	12.3
Construction work in progress		15.5	8.7
Total tangible assets	14	**201.8**	**152.4**
Securities and long-term investments			
Investments in associated companies	16	0.0	0.1
Other shares and holdings	17	0.7	0.2
Non-current receivables	18	10.1	0.5
Total securities and long-term investments		**10.8**	**0.8**
Deferred tax assets	23	**15.9**	**14.5**
Total non-current assets		**331.3**	**261.4**
Current assets			
Inventories	19	**115.4**	**78.7**
Current receivables			
Accounts receivables		126.7	107.3
Current income tax receivables		4.5	15.1
Accruals		6.8	4.6
Other receivables		22.6	14.6
Total current receivables	20	**160.6**	**141.6**
Cash and cash equivalents	21	**53.7**	**17.7**
Total current assets		**329.7**	**238.0**
Total assets		**661.0**	**499.4**

CONSOLIDATED BALANCE SHEET

Shareholders' equity and liabilities	Note	31.12.2013	31.12.2012
Equity attributable to the owners of the parent company	22		
Share capital		146.4	146.4
Share premium		50.2	50.2
Other reserves		0.0	-0.5
Translation reserve		-17.6	-15.4
Retained earnings		12.9	-6.2
Profit for the period		27.8	32.8
Total equity attributable to the owners of the parent company		**219.7**	**207.3**
Non-controlling interest		68.0	-
Total equity		**287.7**	**207.3**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	26	136.4	107.6
Employee benefit obligations	24	25.1	22.3
Provisions	25	4.5	5.1
Deferred tax liabilities	23	15.7	14.8
Other non-current liabilities		0.7	0.4
Total non-current liabilities		**182.4**	**150.2**
Current liabilities			
Interest bearing liabilities	26	14.2	4.2
Accounts payable		61.1	43.3
Current income tax liability		2.5	2.9
Provisions	25	17.6	15.5
Other current liabilities	27	95.5	76.0
Total current liabilities		**190.9**	**141.9**
Total liabilities		**373.3**	**292.1**
Total shareholders' equity and liabilities		**661.0**	**499.4**

CONSOLIDATED CASH FLOW STATEMENT

	Note	1.1. - 31.12.2013	1.1. - 31.12.2012
Cash flow from operations			
Net cash from operations			
Profit for the period		26.8	32.8
Adjustments for:			
Depreciation		33.0	28.2
Income taxes		16.1	16.5
Interest income		-0.4	-0.5
Interest expense		4.6	5.6
Sales gains/losses from the sale of businesses and fixed assets		0.6	0.4
Share of profit in associated companies		-0.1	-0.3
Other cash flow adjustments		7.3	-5.3
Net cash from operations		**87.9**	**77.4**
Change in net working capital			
Receivables		21.5	-3.5
Inventories		10.0	-2.0
Non-interest-bearing liabilities		-9.2	-2.1
Change in net working capital		**22.3**	**-7.6**
Income taxes paid		-14.8	-30.2
Interests paid		-3.6	-7.4
Interests received		0.3	0.5
Cash flow from operations		**92.1**	**32.7**
Cash flow from investments			
Acquisition of subsidiaries and businesses	4	8.2	
Proceeds from disposal of subsidiaries and businesses	6	-	7.6
Proceeds from share divestments		0.0	-
Purchase of fixed assets		-33.9	-19.2
Proceeds from sale of fixed assets		0.8	1.2
Dividends received		0.0	0.2
Loan repayments		0.0	0.0
Cash flow from investments		**-24.9**	**-10.2**
Cash flow before financing		**67.2**	**22.5**
Cash flow from financing			
Borrowings of debt		76.3	46.3
Repayments of debt		-41.1	-47.3
Change in other short term debt		-35.8	0.5
Dividends paid		-27.8	-25.6
Acquisition of non-controlling interest	5	0.0	-6.2
Payment of finance lease liabilities		-1.6	-1.5
Cash flow from financing		**-30.0**	**-33.8**
Conversion differences for cash and cash equivalents		**-1.2**	**-0.1**
Change in cash and cash equivalents		**36.0**	**-11.4**
Cash and cash equivalents at 1 January		17.7	29.1
Cash and cash equivalents at 31 December		53.7	17.7
Changes according to balance sheet	21	**36.0**	**-11.4**

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 2013	**73 067**	**146.4**	**50.2**	**1.7**	**0.1**	**-2.3**	**-1.0**	**-15.4**	**27.6**	**207.3**	-	**207.3**
Total comprehensive income for the period						0.5		-2.2	28.2	26.5	-1.5	**25.0**
Dividend paid									-27.8	-27.8		**-27.8**
Transfers between reserves				0.0					0.0	-		**-**
Share based incentive plan									0.3	0.3		**0.3**
Acquisition of non-controlling interest										0.0	38.5	**38.5**
Transfer of non-controlling interest									13.4	13.4	30.8	**44.2**
Other adjustments									0.0	0.0	0.2	**0.2**
Balance at 31 December 2013	**73 067**	**146.4**	**50.2**	**1.7**	**0.1**	**-1.8**	**-1.0**	**-17.6**	**41.7**	**219.7**	**68.0**	**287.7**
Balance at 1 January 2012	**73 047**	**146.4**	**50.2**	**1.7**	**0.1**	**-1.6**	**-1.2**	**-12.5**	**24.6**	**207.7**	**2.9**	**210.6**
Total comprehensive income for the period						-0.7		-2.9	31.7	28.1		**28.1**
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**	**27.6**	**207.3**	-	**207.3**

For further information see note 22.

* Figures for 1.1.2012 and 31.12.2012 have been adjusted with the effect of retrospective application of IAS19R Employee Benefits.

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 Uponor Infra. Its segment business risks and profitability factors differ from each other with respect to the market and business environment as well as 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 13 February 2014, 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 to be held after their publication. Furthermore, the Annual General Meeting can decide on the modification of the financial statements.

Basis of preparation

Uponor Group's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and their SIC and IFRIC interpretations valid on 31 December 2013. 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. Although these estimates are based on the management's best view of current events and actions, the actual results may ultimately differ from these estimates. In addition, judgement is required in the application of accounting policies.

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 fulfil 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 pension plans, the liability is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets. 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.

Current service cost (benefit expense) and net interest cost on defined benefit obligation (net liability) are recognised in the income statement and presented under employee benefit costs.
Re-measurement items on defined benefit plan obligations and plan assets, incl. actuarial gains and losses and return on plan assets (excluding interest income), are immediately recognised through other comprehensive income and such balances are permanently excluded from the consolidated income statement.

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, software licences and customer relations. 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 before taxes. 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 current 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 on 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. These judgements are in particular required in 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 management's best view 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.

Non-recurring items

Non-recurring items described in the Review by the Board of Directors, are exceptional transactions that are not related to normal business operations. The most common non-recurring items are capital gains and losses, inefficiencies in production related to plant closures, additional write-downs, or reversals of write-downs, expenses due to accidents and disasters, provisions for planned restructurings, environmental matters or penalties. The Group's management exercises its discretion when taking decisions regarding the classification of non-recurring items.

New and amended IFRSs adopted in 2013

The following new and revised IFRSs have been adopted in these consolidated financial statements.

- 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 has grouped 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 impacted other comprehensive income and increased the Group's employee benefit liability.

The amendment required retrospective application. Unrecognised actuarial gains and losses have been recognised in the balance sheet as of 1 January 2012. The adjustments for 2012 resulting from the implementation of the new requirements are disclosed below.

Application of new and revised standards

31.12.2012, M€	Reported	Adjustment	Adjusted
Impact on statement of comprehensive			
Other comprehensive income	-3.6	-1.1	-4.7
Impact on statement of financial position			
Deferred tax assets	13.6	0.9	14.5
Equity attributable to the owners of the parent	209.9	-2.6	207.3
Employee benefits and other liabilities	19.2	3.5	22.7

Impact on key figures	Reported	Adjusted
Return on equity, % (p.a.)	15.5	15.7
Return on investment, % (p.a.)	16.7	16.5
Solvency ratio, %	42.1	41.5
Gearing, %	44.8	45.4
Equity per share, €	2.87	2.84
Gearing across quarters, %	64.0	64.6

- 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. The new requirements did not have material impact on the reported financial statements.

- Amendment to IFRS 7 *Financial Instruments: Disclosures* (effective for reporting periods beginning on or after 1 January 2013). The amendments require information about financial instruments that are set off and also disclosure of information about enforceable master netting arrangements and similar agreements. The new requirements did not have impact on presented financial statements.

- *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.

Application of new and revised IFRSs effective from 2014

The following new and revised IFRSs shall be adopted in 2014 consolidated financial statements. The application of these new and revised IFRSs is not expected to have impact on the Uponor's consolidated financial statements. However, they may affect the accounting for future transactions and events.

- 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.

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

- IAS 28 (revised 2011) *Investments in Associates and Joint Ventures* (effective for reporting periods beginning on or after 1 January 2013). The revised standard includes requirements for both joint operations and associates to be accounted by using equity method of accounting after IFRS 11 was issued. According to the EU endorsement the standard is effective for reporting periods beginning on or after 1 January 2014, but earlier application is also permitted.

- Amendment to IAS 32 *Financial instruments: Presentation* (effective for reporting periods beginning on or after 1 January 2014). The amendment clarifies the conditions for net presentation of financial assets and liabilities and introduces some additional application guidance.

- Amendment to IAS 36 *Impairment of assets: Recoverable Amount Disclosures for Non-Financial Assets* (effective for reporting periods beginning on or after 1 January 2014). The overall effect of the amendments is to clarify the disclosure requirements on those cash generating units which have been subject to impairment.

- Amendments to IAS 39: *Novation of Derivatives and Continuation of Hedge Accounting* (effective for reporting periods beginning on or after 1 January 2014). The amendments allow the continuation of hedge accounting under IAS 39 when a derivative is novated to a clearing counterparty and certain conditions are met.

- 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.

- 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.

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.

- *Annual Improvements to IFRS 2010-2012* and *Annual Improvements to IFRS 2011-2013*, both issued December 2013 (effective for reporting periods beginning on or after 1 July 2014). In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. 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.

- IFRIC 21 *Levies* (effective for reporting periods beginning on or after January 1, 2014). The interpretation provides guidance on when to recognise a liability for a levy imposed by a government. The interpretation 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 Uponor Infra, which, since 1 July 2013, also includes the acquired infrastructure businesses of KWH Pipe Ltd. The business risks and profitability factors differ from each other with respect to the market and business environments, product offering, services and customers. The Group's 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.

Uponor Infra is market leader in municipal infrastructure pipe systems in Northern Europe and it has also business in Central Europe, North America and Thailand. Its products and services, such as sewer and storm water systems and waste water treatment systems and project services are sold to municipalities, utilities and 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.

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.

2013	Building Solutions - Europe	Building Solutions - North America	Uponor Infra	Others	Eliminations	Uponor Group
Net sales, external	478.9	171.5	255.6	-	-	906.0
Net sales, internal	0.6	-	5.8	-	-6.4	-
Net sales, total	479.5	171.5	261.4	-	-6.4	906.0
Operating result	32.7	24.7	-2.3	-3.4	-1.5	50.2
Operating result, %	6.8	14.4	-0.9			5.5
Finance income						23.4
Finance expenses						30.5
Share of result in associated companies						0.1
Income taxes						16.1
Result from discontinued operations						-0.3
Profit for the period						26.8
Assets	340.8	131.9	259.5	260.2	-331.4	661.0
Liabilities						
Total liabilities for reportable segments	238.8	69.2	117.8	302.2	-354.6	373.4
Unallocated amounts						287.6
Total liabilities						661.0
Investments	8.0	15.7	9.4	0.8	-	33.9
Depreciation and impairment	11.3	6.8	9.9	4.5	0.5	33.0
Personnel, average	2 084	504	1 002	59	-	3 649

2012	Building Solutions - Europe	Building Solutions - North America	Uponor Infra	Others	Eliminations	Uponor Group
Net sales, external	517.3	151.1	143.1	-	-	811.5
Net sales, internal	0.4	-	5.9	-	-6.3	-
Net sales, total	517.7	151.1	149.0	-	-6.3	811.5
Operating result	47.2	17.8	0.0	-6.1	-1.2	57.7
Operating result, %	9.1	11.8	0.0			7.1
Finance income						27.0
Finance expenses						35.6
Share of result in associated companies						0.3
Income taxes						16.5
Result from discontinued operations						-0.1
Profit for the period						32.8
Assets	364.9	119.6	84.4	249.8	-319.3	499.4
Liabilities						
Total liabilities for reportable segments	290.3	69.2	66.5	210.3	-344.2	292.1
Unallocated amounts						207.3
Total liabilities						499.4
Investments	7.8	5.9	4.2	1.3	-	19.2
Depreciation and impairment	11.4	6.0	5.9	4.4	0.5	28.2
Personnel, average	2 132	427	480	59	-	3 098

Entity-wide information

Information about product and services

External net sales, continuing operations	2013	2012
Building Solutions	649.4	667.4
Infrastructure Solutions	256.6	144.1
Uponor Group	**906.0**	**811.5**

Information about geographical areas

External net sales, continuing operations	2013	2012
Finland	124.9	93.8
Germany	144.5	145.3
United States	143.1	114.8
Sweden	86.3	79.9
Canada	55.1	36.6
Denmark	44.0	33.4
Norway	35.7	39.2
United Kingdom	30.0	30.9
Netherlands	29.1	32.1
Russia	28.1	22.6
Others	185.2	183.1
Uponor Group	**906.0**	**811.5**

Non-current assets	2013	2012
Finland	70.2	42.3
USA	47.4	40.6
Germany	32.4	33.5
Sweden	31.1	40.2
Canada	12.4	-
Others	39.6	15.4
Uponor Group	**233.1**	**172.0**

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.

3. Discontinued operations

In 2013 and 2012, the discontinued operations include €0.3 (0.1) million costs related to the Irish infrastructure business sold in 2008. These costs incurred mainly from administrative and operative costs.

	2013	**2012**
Expenses	0.3	0.1
Result before taxes	-0.3	-0.1
Income taxes	-	-
Result after taxes	-0.3	-0.1
Result for the period from discontinued operations	-0.3	-0.1
Cash flow from discontinued operations		
Cash flow from operations	-0.4	-0.5

4. Business combinations

The merger plan, announced in September 2012, by Uponor Corporation and the KWH Group Ltd, to combine their infrastructure businesses into a jointly owned company, was completed on 1 July 2013. The new company, Uponor Infra Oy started operations on 1 July 2013. Its ownership is divided by: Uponor 55.3% and KWH Group 44.7%. Uponor Infra Oy will focus on providing infrastructure pipe systems in northern Europe and elsewhere. With the merger, Uponor and the KWH Group aim to create efficiencies and strengthen the profitability. Uponor Infra Oy is consolidated in Uponor Corporation as the segment Uponor Infra from 1 July.

In terms of IFRS 3 Business Combinations, Uponor Corporation acquired a 55.3% majority stake in KWH Pipe Ltd and as consideration transferred a 44.7% non-controlling interest in Uponor’s infrastructure business to KWH Group. Uponor has a control in the jointly owned company through the 55.3% direct ownership and the voting ownership by holding the Chair position in the board of directors of Uponor Infra Oy.

	2013	**2012**
Recognised amounts of identifiable net assets acquired and liabilities assumed		
Property, plant and equipment	50.7	-
Intangible assets	4.8	-
Securities and non-current receivables	0.6	-
Deferred tax asset	3.2	-
Inventories	49.9	-
Accounts receivable and other receivables	44.0	-
Cash and cash equivalents	12.0	-
Total assets	165.2	-
Non-current interest-bearing liabilities	33.9	-
Deferred tax liability	2.9	-
Employee benefits and other liabilities	4.9	-
Provisions	0.6	-
Current interest-bearing liabilities	9.2	-
Accounts payable and other current liabilities	38.1	-
Total liabilities	89.6	-
Net assets	75.6	-
Consideration	44.5	-
Non-controlling interest	38.5	-
Acquired net assets	-75.6	-
Goodwill	7.4	-

Consideration of €44.5 million represents 55.3% of KWH Pipe Ltd's determined fair value, which was estimated by applying an income approach and a market approach. The fair value measurement is based on significant inputs that are not observable in the market, which IFRS 13 Fair Value Measurement refers to as Level 3 inputs. Consideration represents also the fair value of transferred net assets of Uponor infrastructure business, thus the transferred net assets remain in their carrying amounts leading to a gain recognised directly equity. Further details are presented in the part changes in non-controlling interest. The non-controlling interest (44.7% ownership interest in KWH Pipe Ltd) recognised at the acquisition date was measured by reference to the fair value of non-controlling interest.

The goodwill of €7.4 million arising from the acquisition consists largely of the cost synergies and better capacity utilisation obtained through the combined infrastructure business of KWH Pipe and Uponor. None of the goodwill recognised is deductible for income tax purposes.

Acquisition related costs amounted to €3.5 million. They were included in administration expenses in the consolidated statement of comprehensive income as follows: €1.8 million for the year ended 31 December 2012 and €1.7 million for the reporting period ended 31 December 2013.

The KWH Pipe Ltd's infrastructure business included in to consolidated statement of comprehensive income since 1 July 2013 contributed net sales of €114.6 million and profit for the period of €-1.5 million. Had the KWH Pipe Ltd been consolidated from 1 January 2013, the impact on the consolidated statement of comprehensive income would have been €212.4 million in net sales and €-2.1 million in profit. The profit for the period impact is an estimate based on the available information and assumptions.

Prior to the acquisition of KWH Pipe Ltd, Uponor acquired KWH Pipe Ltd's domestic PEX pipe business in late June for an acquisition price of €3.8 million. Acquired identifiable net assets were €3.8 million, and this corresponds to the sales price. In the consolidated statement of comprehensive income, the impact on net sales and profit was minor. The acquired PEX pipe business is included in the Building Solutions - Europe segment.

Cash flow effect	**2013**	**2012**
Acquisition of the PEX pipe business	-3.8	-
Received in cash and cash equivalents from the acquisition of KWH Pipe Ltd	12.0	-
Cash flow effect	8.2	-

The Group did not have any acquisitions in 2012.

5. Changes in non-controlling interest

In connection with the acquisition of a 55.3% share in KWH Pipe Ltd, Uponor Corporation transferred 44.7% of its infrastructure business to KWH Group Ltd. The fair value of consideration transferred was €44.5 million, as described in the note 4 Business combinations. The book value of transferred net assets was €30.8 million and costs related to the transfer of non-controlling interest were €0.3 million. The transfer of non-controlling interest has been recorded directly in the equity according to IFRS. Its effect in retained earnings was a net gain of €13.4 million.

In March 2012, Uponor acquired 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

The Group did not have any divestments in 2013.

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.

M€	**2013**	**2012**
Book value of disposed assets		
Tangible assets	-	3.4
Intangible assets	-	0.1
Other non-current assets	-	0.3
Inventory	-	5.6
Accounts receivable and other receivables	-	6.9
Cash and cash equivalents	-	3.9
Total assets	-	20.2
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

	2013	**2012**
Other operating income		
Gains from sales of fixed assets	0.3	0.2
Royalties	0.0	0.2
Other items	0.5	0.5
Total	**0.8**	**0.9**
Other operating expenses		
Losses from sales of fixed assets	0.9	0.1
Research and development expenses	17.7	15.9
Impairments	0.0	-
Other items	0.2	0.3
Total	**18.8**	**16.3**

Other operating expenses occur mostly from research and development activities.

8. Employee benefits

	2013	2012
Short-term employee benefits:		
- Salaries and bonuses	172.2	150.4
- Other social costs	29.7	24.9
Post-employment benefits:		
- Pension expenses - defined contribution plans	7.8	7.3
- Pension expenses - defined benefit plans	1.1	1.2
Other long-term employee benefits	0.0	0.0
Termination benefit expenses	0.8	0.5
Share based payments		
- Cash settled share-based payment transactions	-	0.2
- Equity settled share-based payment transactions	0.3	0.2
Total	**211.9**	**184.7**

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

9. Depreciation and impairment

	2013	2012
Depreciation by asset category		
Intangible rights	5.2	4.8
Other intangible assets	0.3	0.0
Land and water areas	0.1	0.1
Buildings and structures	4.2	3.8
Machinery and equipment	19.2	16.4
Other tangible assets	4.0	3.1
Total	**33.0**	**28.2**
Depreciation by function		
Cost of goods sold	21.8	18.4
Dispatching and warehousing	1.4	1.2
Sales and marketing	1.9	1.7
Administration	6.9	6.1
Other	1.0	0.8
Total	**33.0**	**28.2**

No material impairments were made in the reporting period or the comparison period.

10. Financial income and expenses and currency exchange differences

	2013	2012
Financial income		
Dividend income on available-for-sale financial assets	0.0	0.0
Interest income from loans and other receivables	0.4	0.5
Interest income from interest rate swaps	0.9	0.6
Profit from financial assets and liabilities designated at fair value through profit and loss		
- foreign currency derivatives, not under hedge accounting	18.6	21.7
Exchange differences	3.5	4.0
Other financial income	-	0.2
Total	**23.4**	**27.0**
Financial expenses		
Interest expense for financial liabilities measured at amortised cost	4.6	5.6
Interest expense from interest rate swaps	1.8	1.2
Loss from financial assets and liabilities designated at fair value through profit and loss		
- foreign currency derivatives, not under hedge accounting	17.3	25.0
Exchange differences	5.4	2.6
Other financial costs	1.4	1.2
Total	**30.5**	**35.6**

In 2013 exchange rate gains and losses included in operating income and expenses total €2.5 million gain (€1.2 million gain). Interest expenses include the interest part of finance lease payments of €0.9 million (€0.9 million).

11. Income taxes

	2013	2012
Current year and previous years taxes		
For the financial period	17.0	15.1
For previous financial periods	0.0	-0.8
Change in deferred taxes	-0.9	2.2
Total	**16.1**	**16.5**

Tax reconciliation

	2013	2012
Profit before taxes	43.2	49.4
Computed tax at Finnish statutory rate	10.6	12.1
Difference between Finnish and foreign rates	2.6	2.9
Non-deductible expenses	1.4	2.3
Tax exempt income	-0.4	-0.2
Utilisation of previously unrecognised tax losses	-0.1	-0.8
Unrecognised deferred tax assets on losses	2.2	1.9
Change in tax legislation	-0.1	-0.7
Taxes from previous years	0.0	-0.8
Other items	-0.1	-0.2
Total	**16.1**	**16.5**
Effective tax rate, %	37.3	33.4

During the year 2013, the most significant change in the national tax legislation with an influence on Group companies was the decrease in the Finnish tax rate from 24.5 percent to 20 percent as of 1 January 2014. The valuation of deferred tax on 31 December 2013 in accordance with the new tax rate reduced the Group's taxes by €0.1 million. The effective tax rate in 2013 increased to 37.3 percent from the previous year's 33.4 percent. Unrecognised deferred tax asset from carry forward losses increased the Group's effective tax rate.

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.

In the beginning of 2012, Uponor Corporation and its subsidiary Uponor Business Solutions Oy paid € 15.0 million in taxes, surtaxes and penalties based on the taxation adjustment decisions made by the Finnish tax authority for the years 2005-2009. Uponor has appealed against the decisions and has placed the issue before the administrative court. The additional taxation and taxation adjustments are based on a tax audit for the years 2004-2007, performed in 2008. The dispute mainly pertains to market-based transfer pricing of the company's internal service charges. Further details are presented in the note 28 Commitments and contingent assets and liabilities.

Taxes relating to other comprehensive income

	2013	2012
Cash flow hedges		
Before taxes	0.6	-0.9
Tax effect	-0.2	0.2
Net of taxes	0.5	-0.7

12. Earnings per share

	2013	2012
Result from continuing operations	27.1	32.9
Result from discontinued operations	-0.3	-0.1
Profit for the period	26.8	32.8
Profit for the period attributable to equity holders of parent company	27.8	32.8
Shares, in thousands		
Weighted average number of shares *)	73 067	73 062
Diluted weighted average number of shares	73 118	73 093
Basic earnings per share, €	0.38	0.45
- Continuing operations	0.38	0.45
- Discontinued operations	0.00	0.00
Diluted earnings per share, €	0.38	0.45
- Continuing operations	0.38	0.45
- Discontinued operations	0.00	0.00

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

13. Intangible assets

2013	Intangible rights	Customer relationship value	Goodwill	Other intangible assets	Investment in progress	**Intangible assets**
Acquisition costs 1 Jan	57.2	-	75.6	0.5	-	**133.3**
Structural changes	5.5	2.4	7.4	0.6	-	**15.9**
Translation difference	-0.4	-	0.0	0.0	-	**-0.4**
Increases	0.8	-	-	0.1	0.1	**1.0**
Decreases	-0.1	-	0.0	-	-	**-0.1**
Transfers between items	0.0	-	-	0.2	0.5	**0.7**
Acquisition costs 31 Dec	63.0	2.4	83.0	1.4	0.6	**150.4**
Accumulated depreciations and impairments 1 Jan	38.6	-	0.7	0.3	-	**39.6**
Structural changes	2.2	-	-	0.6	-	**2.8**
Translation difference	-0.3	-	-	0.0	-	**-0.3**
Acc. depreciation on disposals and transfers	0.0	-	-	-	-	**0.0**
Depreciation for the financial period	5.2	0.2	-	0.1	-	**5.5**
Transfers between items	-0.2	-	-	0.2	-	**0.0**
Accumulated depreciations and impairments 31 Dec	45.5	0.2	0.7	1.2	-	**47.6**
Book value 31 December	**17.5**	**2.2**	**82.3**	**0.2**	**0.6**	**102.8**

2012	Intangible rights	Customer relationship value	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**
Transfers between items	-	-	-	-	-	**0.0**
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	-	0.0	0.0	-	**-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**	**0.0**	**74.9**	**0.2**	**0.0**	**93.7**

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 2013, increases in intangible rights include investments to ERP system and software. Customer relations value was identified in connection with the acquisitions of KWH Pipe Ltd's PEX pipe business and of KWH Pipe Ltd.

Goodwill increased as a result of the acquisition of KWH Pipe Ltd, and it is allocated to Uponor Infra -segment. Structural changes are used for acquisitions and/or divestments. In 2013, there is presented acquisition of KWH Pipe Ltd.

In 2012 investments in intangible assets related almost entirely to the ERP system.

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 (65.4) million and Uponor Infra €16.9 (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 10.4 (8.6) per cent for Building Solutions – Europe and 10.5 (8.6) per cent for Uponor Infra. The increase in the discount rate impacted mainly the increase in the industry specific market risk. The 2013 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. A 16 per cent sales reduction compared to the forecasted long-term levels would not expose the Group to any material impairment risk. A decrease of 5.2 percent in gross profit margin would not cause any impairment, provided that other business factors remained unchanged. A discount rate increase by ten (10) percent would not lead either to any impairment. Presented sensitivities relate to Uponor Infra segment, as its goodwill is more sensitive to the risk of impairment.

The Group does not have any capitalised development costs.

14. Property, plant and equipment

2013	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	**Tangible assets**
Acquisition costs 1 Jan	12.8	107.0	289.2	43.0	8.7	**460.7**
Structural changes	7.2	41.6	102.2	7.1	4.3	**162.4**
Translation difference	-0.7	-3.0	-10.0	-1.3	-0.4	**-15.4**
Increases	-	3.4	20.4	4.2	6.1	**34.1**
Decreases	-0.2	-2.3	-18.3	-0.6	-0.2	**-21.6**
Transfers between items	-0.1	-0.2	-2.9	0.6	-3.0	**-5.6**
Acquisition costs 31 Dec	19.0	146.5	380.6	53.0	15.5	**614.6**
Accumulated depreciations and impairments 1 Jan	2.0	64.4	211.2	30.7	-	**308.3**
Structural changes	-	23.4	81.5	5.2	-	**110.1**
Translation difference	0.1	-1.4	-7.8	-1.0	-	**-10.1**
Acc. depreciation on disposals and transfers	-	-0.4	-17.2	-0.6	-	**-18.2**
Depreciation for the financial period	0.0	4.2	19.2	4.0	-	**27.4**
Transfers between items	-	-	-4.9	0.1	-	**-4.8**
Impairments	0.0	0.0	0.1	0.0	-	**0.1**
Accumulated depreciations and impairments 31 Dec	2.1	90.2	282.1	38.4	-	**412.8**
Book value 31 December	**16.9**	**56.3**	**98.5**	**14.6**	**15.5**	**201.8**

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	0.0	**-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	-	0.4	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	-	-	**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**

In 2013 increases in tangible assets include an expansion to the manufacturing facility in Apple Valley, Minnesota in North America, completed towards the end of the year, and new technology investments in Building Solutions – Europe. The 2012 increases in machinery and equipment included capacity investments in North America and development of production processes in the European business.

Construction work in progress increased during 2013 by €6.8 million to €15.5 million at closing date due to the investments launched in Uponor Infra and Building Solutions - Europe.

Structural changes are used for acquisitions and/or divestments. In 2013, there is presented acquisitions of KWH Pipe Ltd's PEX pipe business and of KWH Pipe Ltd. In 2012 it included the sale of Hewing GmbH.

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

2013	Land and water areas	Buildings and structures	Others	**Finance lease arrangements total**
Acquisition costs 1 Jan	1.1	14.0	0.2	**15.3**
Structural changes	-	0.8	-	**0.8**
Translation difference	-	0.0	0.0	**0.0**
Decreases	-0.2	-2.2	-0.1	**-2.5**
Transfers between items	-	-0.5	0.5	**0.0**
Acquisition costs 31 Dec	0.9	12.1	0.6	**13.6**
Accumulated depreciations and impairments 1 Jan	-	7.9	0.2	**8.1**
Structural changes	-	0.3	-	**0.3**
Translation difference	-	0.0	-0.1	**-0.1**
Acc. depreciation on disposals and transfers	-	-0.3	-0.1	**-0.4**
Depreciation for the financial period	-	0.5	0.1	**0.6**
Accumulated depreciations and impairments 31 Dec	-	8.4	0.1	**8.5**
Book value 31 December	**0.9**	**3.7**	**0.5**	**5.1**

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	0.0	-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**

15. Financial assets and liabilities by measurement category

2013	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	IFRS 7 Fair value hierarchy level	Note
Non-current financial assets								
Other shares and holdings				0.7		0.7		17
Non-current receivables			10.1			10.1		18
Current financial assets								
Accounts receivable and other receivables			143.9			143.9		20
Other derivative contracts	2.6	3.1				5.7	2, 3	31
Cash and cash equivalent			53.7			53.7		21
Carrying amount by category	**2.6**	**3.1**	**207.7**	**0.7**		**214.1**		
Non-current financial liabilities								
Interest-bearing liabilities					136.4	136.4		26
Electricity derivatives	0.7					0.7	1	31
Current financial liabilities								
Interest-bearing liabilities					14.2	14.2		26
Electricity derivatives	0.7					0.7	1	31
Other derivative contracts	3.2	1.3				4.5	2, 3	31
Accounts payable and other liabilities					79.2	79.2		27
Carrying amount by category	**4.6**	**1.3**			**229.8**	**235.7**		

2012	Derivative contracts, under hedge accounting	Financial assets/liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	IFRS 7 Fair value hierarchy level	Note
Non-current financial assets								
Other shares and holdings				0.2		0.2		17
Non-current receivables			0.5			0.5		18
Current financial assets								
Accounts receivable and other receivables			120.1			120.1		20
Electricity derivatives	0.0					0.0	1	31
Other derivative contracts	1.0	0.8				1.8	2, 3	31
Cash and cash equivalent			17.7			17.7		21
Carrying amount by category	**1.0**	**0.8**	**138.3**	**0.2**		**140.3**		
Non-current financial liabilities								
Interest-bearing liabilities					107.6	107.6		26
Electricity derivatives	0.4					0.4	1	31
Current financial liabilities								
Interest-bearing liabilities					4.2	4.2		26
Electricity derivatives	0.3					0.3	1	31
Other derivative contracts	2.9	0.6				3.5	2, 3	31
Accounts payable and other liabilities					57.6	57.6		27
Carrying amount by category	**3.6**	**0.6**			**169.4**	**173.6**		

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

	2013	2012
Acquisition costs 1 Jan	0.1	0.0
Share of result in associated companies	0.1	0.3
Increases	-	0.0
Decreases	-0.2	-0.2
Translation difference	0.0	0.0
Book value 31 Dec	**0.0**	**0.1**

The Group has two German associated companies: Punitec GmbH and Punitec Verwaltungs GmbH, whose book value is insignificant. From 2013 result Punitec GmbH paid dividend of €0.2 (0.2) million to Uponor. The Group has also a joint venture Uponor Middle East. Its book value is €0.0 (0.1) million.

17. Other shares and holdings

Other non-current investments	0.7	0.2
Total	**0.7**	**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

Other loan receivables	0.2	0.2
Other receivables	9.9	0.3
Total	**10.1**	**0.5**

Other non-current receivable includes the tax receivable of €9.6 million related to the unresolved Finnish tax dispute. Further information is disclosed in the note 28 Commitments and contingent assets and liabilities.

19. Inventories

	2013	2012
Raw materials and consumables	21.3	8.4
Finished products / goods	81.5	53.9
Semifinished products	12.6	16.4
Total	**115.4**	**78.7**

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 €1.0 (1.1) million.

20. Accounts receivable and other receivables

	2013	2012
Accounts receivable	126.7	107.3
Current income tax receivables	4.5	15.1
Prepayments and accrued income	6.8	4.6
Derivative contracts	5.4	1.8
Other receivable	17.2	12.8
Total	**160.6**	**141.6**

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

The Group booked a €1.3 (0.5) million impairment to accounts receivable as expenses during the financial period. The increase comes from an impairment to trade receivables from the mining company Talvivaara Sotkamo Oy. 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	2013	2012
Taxes	1.6	2.0
Interest	0.1	0.1
Other	5.1	2.5
Total	**6.8**	**4.6**

21. Cash and cash equivalents

	2013	2012
Cash and bank deposits	31.9	13.3
Other short-term investments (1-3 months)	21.8	4.4
Total	**53.7**	**17.7**

22. Shareholders' equity

During 2013, 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.

At the beginning of 2013 the company held 140,378 treasury shares with a value of €1.0 million, there were no changes in the treasury shares amount during the year. The treasury shares were reacquired during the period 17 Nov. – 5 Dec. 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 investments complying with the Limited Liability Companies Act. 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

	2013	2012
Deferred tax assets		
Internal profit in inventory	0.6	0.5
Provisions	4.8	5.4
Unused tax losses	1.2	0.5
Tangible assets	1.1	0.1
Employee benefits	2.4	1.7
Fair valuation of available-for-sale investments and financial instruments	0.4	0.3
Other temporary differences	5.4	6.0
Total	**15.9**	**14.5**
Deferred tax liabilities		
Accumulated depreciation difference and untaxed reserve	7.2	5.7
Tangible assets	0.2	0.4
Fair valuation of available-for-sale investments and financial instruments	0.2	0.1
Other temporary differences	8.1	8.6
Total	**15.7**	**14.8**

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 2013, the Group carried forward losses of €4.6 (2.0) million, for which the Group has a recognised deferred tax asset. Losses of €2.5 million will expire in 2014. In 2013, there is a €15.9 (6.0) 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

As of 1 January 2013, the Group adopted the revised IAS 19 Employee Benefits standard. The impacts are presented in section applied new and revised standards and interpretations.

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, Sweden and Canada, constituting around 96 (94) % of the defined benefit pension liability in the Group's balance sheet. Defined benefit plans in Germany and Sweden are unfunded and relate to pensions. These plans are closed for new entrants. Pensions are accrued nowadays according to defined contribution plans. In Canada, defined benefit plans relate to pensions and post-employment medical and life insurance benefits. Defined benefit pension plan is funded. In Finland, pensions are handled in accordance with the TyEL system, a defined contribution pension plan.

	2013	**2012**
Post-employment benefit obligations:		
- Defined benefit plans	23.0	19.7
Other long-term employee benefit liability	2.1	2.6
Total	**25.1**	**22.3**

Defined benefit obligations

	2013	**2012**
Reconciliation of assets and liabilities recognised in the balance sheet		
Defined benefit obligation	31.5	20.0
Fair value of plan assets	-8.5	-0.3
Net liability in the balance sheet	**23.0**	**19.7**
Expenses recognised in the income statement		
Service costs	0.3	0.2
Net interest costs	0.8	0.7
Total	**1.1**	**0.9**
Expenses recognised in the income statement by function		
Cost of goods sold	0.2	-0.2
Dispatching and warehousing	0.2	0.2
Sales and marketing	0.5	0.5
Administration	0.2	0.3
Other	0.0	0.1
Total	**1.1**	**0.9**
Movements in obligation		
Obligation at 1 January	20.0	19.6
Acquisition of businesses	11.9	-
Sale of businesses	-	-1.1
Service cost	0.3	0.2
Interest expense	1.0	0.8
Remeasurements	0.7	1.0
Member contributions	0.0	0.0
Conversion difference	-1.0	0.4
Benefit payments	-1.4	-0.9
Obligation at 31 December	**31.5**	**20.0**
Movements in fair value of plan assets		
Fair value of plan assets at 1 January	0.3	0.4
Acquisition of businesses	8.0	-
Interest income	0.2	0.0
Remeasurements	0.6	-0.2
Contributions by employer	1.2	1.0
Member contributions	0.0	0.0
Conversion difference	-0.4	0.0
Benefit payments	-1.4	-0.9
Fair value of plan assets at 31 December	**8.5**	**0.3**

Major categories of plan assets, fair values and % of total plan assets

	2013		2012	
	Fair value	%	Fair value	%
Equity instruments	4.9	57.2%	-	0%
Debt instruments	3.2	38.1%	-	0%
Assets held by insurance company	0.4	4.6%	0.3	100%
Total	8.5	100.0%	0.3	100%

	Germany		Sweden		Canada	Others	
	2013	**2012**	**2013**	**2012**	**2013**	**2013**	**2012**
Defined benefit obligation	10.3	9.9	7.9	8.7	12.1	1.2	1.4
Fair value of plan assets	0.0	0.0	0.0	0.0	8.1	0.4	0.3
Net liability (asset)	**10.3**	**9.9**	**7.9**	**8.7**	**4.0**	**0.8**	**1.1**

Principal actuarial assumptions

	Germany		Sweden		Canada	Other countries	
	2013	**2012**	**2013**	**2012**	**2013**	**2013**	**2012**
Discount rate (%)	3.5	3.75	4.0	3.5	5.0	3.5-4.0	2,25-3,75
Expected rate of salary increase (%)	3.0	n/a	n/a	n/a	3.0	3,0-3,5	3,0-3,5
Expected rate of pension increase (%)	2.0	2.0	2.0	2.0	n/a	0.1-2.0	0.1-2.0

Sensitivity analysis of discount rate	Effect on amount of liability
Increase of 0.5%	Decrease of 6% on average
Decrease of 0.5%	Increase of 6% on average

The Group expects to contribute €1.4 (0.5) million to its defined benefit pension plans in 2014.

The following table shows maturity of expected benefit payments:

Maturity of benefit payments	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 ->**
Expected benefit payments	1.2	0.7	0.8	0.8	0.8	5.9

25. Provisions

	Guarantee and warranty	Environmental obligation	Restructuring	Other provisions	Total
Provisions at January 1, 2013	6.3	4.0	0.5	9.8	20.6
Structural changes	0.6	-	-	0.2	0.8
Conversion difference	-0.3	-	0.0	-0.3	-0.6
Additional provisions	1.9	0.0	3.7	1.0	6.6
Utilised provisions	-2.0	-0.7	-0.4	-1.9	-5.0
Unused amounts reversed	-	-	-	-0.3	-0.3
Provisions at December 31, 2013	**6.5**	**3.3**	**3.8**	**8.5**	**22.1**
Current provisions	5.7	0.4	3.8	7.6	17.6
Non-current provisions	0.8	2.9	-	0.9	4.5
Total	**6.5**	**3.3**	**3.8**	**8.5**	**22.1**

Warranty provisions amounted to €6.5 (6.3) 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 €6.0 million in provision for certain claim issues which date back to and concern an already discontinued system brand. The increase in restructuring provision relates mainly to the reorganisations of Uponor Infra in the Nordic countries.

At period end, the environmental provision relating mainly to the divested Finnish real estate business in 2004 was €3.3 (4.0) million. During 2014 €0.4 (0.6) million of these provisions is expected to be realised.

26. Interest-bearing liabilities

	2013	2012
Non-current interest bearing liabilities		
Bonds	99.9	99.8
Loans from financial institutions	28.9	-
Finance lease liabilities	7.6	7.8
Total	**136.4**	**107.6**
Current interest-bearing liabilities		
Commercial papers	-	0.0
Loans from financial institutions	13.5	1.3
Finance lease liabilities	0.7	2.9
Total	**14.2**	**4.2**

Maturity of non-current interest bearing liabilities

	2015	2016	2017	2018	2019-
Bonds	-0.1	20.0	0.0	80.0	0.0
Loans from financial institutions	6.0	6.0	6.0	10.9	0.0
Finance lease agreements	0.6	0.7	0.7	0.8	4.8
Total	**6.5**	**26.7**	**6.7**	**91.7**	**4.8**

The interest rate ranges of interest-bearing liabilities, % pa	2013	2012
Loans from financial institutions	1,974 - 7,00	0.60
Bonds *)	2,137- 2,437	2,068-2,368

*) The Group has entered into an interest rate swap to fix half of the bond interest until June 2018.

The Group raised a long term five-year bilateral loan of €35 million in 2013. The loan was related to the joint venture company, Uponor Infra Oy, formed together with KWH Group. Uponor has two bonds totalling €100 million, issued in 2011. 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 maturing in 2016 and 2018. €50 million of the bonds' nominal value is hedged with fixed rate interest rate swaps. The transaction costs of the bonds have been netted to the bond.

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

Finance lease liabilities	2013	2012
Minimum lease payments		
In less than one year	1.3	3.7
1-5 years	5.0	4.8
Over 5 years	5.6	6.5
Total	**11.9**	**15.0**
Future finance charges	3.6	4.4
Finance lease liabilities - the present value of minimum lease payments	**8.3**	**10.6**
The present value of minimum lease payments		
In less than one year	0.7	2.9
1-5 years	2.8	2.4
Over 5 years	4.8	5.3
Total	**8.3**	**10.6**

The Group's finance lease agreements are mainly related to office, factory and warehouse premises. On 31 December 2013, the total amount of capitalised costs for finance lease agreements in the Group was €4.8 (7.2) million, which was included in the balance sheet under property, plant and equipment. The corresponding depreciation in 2013 were € 0.5 (0.6) million. The total amount of finance lease payments in 2013 was €1.6 (1.5) million, which included €0.9 (0.9) 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 2013, the Group did not enter into any significant new finance lease agreements.

27. Accounts payable and other liabilities

	2013	2012
Accounts payable	61.1	43.3
Current income tax liability	2.5	2.9
Accrued liabilities	69.3	57.6
Advances received	2.8	0.3
Derivative contracts	5.3	3.8
Other current liabilities	18.1	14.3
Total	**159.1**	**122.2**
Accrued liabilities		
Personnel expenses	21.3	12.2
Bonuses	15.5	15.8
Taxes	1.2	1.9
Interest	0.7	0.4
Others	30.6	27.3
Total	**69.3**	**57.6**

28. Commitments and contingent assets and liabilities

	2013	2012
Commitments of purchase PPE (Property, plant, equipment)	3.3	0.6
Other commitments	1.5	0.9
- on own behalf		
Pledges at book value	0.4	0.0
Mortgages issued	9.4	0.1
Guarantees issued	6.1	-
- on behalf of a subsidiary		
Pledges at book value	0.0	-
Guarantees issued	19.4	16.1
- on behalf of others		
Guarantees issued	-	7.0
Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures.		
Pledges at book value	0.4	0.0
Mortgages issued	9.4	0.1
Guarantees issued	25.6	23.1
Total	**35.4**	**23.2**

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.

In the beginning of 2012, Uponor Corporation and its subsidiary Uponor Business Solutions Oy paid €15.0 million in taxes, surtaxes and penalties based on the taxation adjustment decisions made by the Finnish tax authority for the years 2005-2009. The additional taxation and taxation adjustments are based on a tax audit for the years 2004-2007. The dispute mainly pertains to market-based transfer pricing of the company's internal service charges. Uponor appealed against the decisions and filed a request for rectification to the Board of Adjustment. The Board of Adjustment rejected Uponor Business Solutions

Oy's appeal in April 2013 and, for the most part, also Uponor Corporation's appeal in June 2013. On July 2013, Uponor placed the issue before the administrative court and applied for rectification of the Board of Adjustment's ruling. Uponor will also start a process to avoid possible double taxation. The surtaxes (€1.9 million) and the interest on delayed payments (€3.3 million) were recorded as expenses in 2011. The paid taxes (€9.8 million) relating to an increase in taxable income were booked as receivables from the tax authority in 2012. Tax authority returned €0.3 million to Uponor Corporation in June 2013; thus the tax receivable decreased to €9.6 million. The tax receivable is transferred to non-current receivables, as the process can last years. If Uponor, against expectations, should fail to get the appeal approved, the surtaxes and interests would remain as the company's loss. If the appeal would be approved, the surtaxes and interests would be returned to the company.

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

	2013	**2012**
Future minimum lease payments		
In less than one year	12.2	13.0
1-5 years	18.6	20.9
Over 5 years	4.5	6.3
Total	**35.3**	**40.2**

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 Finance Policy, approved by the Board.

At practical level Group's Treasury activities are governed by 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 external hedging. The maximum duration of used foreign exchange contracts is one year.

A rule in intra-Group trade is that 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 first 1-3 month period, at least 50% of the next 4-6 month period, and at least 30% of the following 7-9 month period. In addition to the euro, other main invoicing currencies are US dollar (USD), Swedish krona (SEK), Canadian dollar (CAD) and Danish krona (DKK). On 31 December 2013, these currencies accounted for approximately 40 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 2013

M€	EUR USD	EUR SEK	USD CAD	EUR CAD	EUR DKK	Total
Gross exposure	-11.7	10.4	0.9	10.0	7.1	16.7
Hedged	0.7	-46.8	15.5	-16.2	6.3	-40.5
Net exposure	-11.0	-36.4	16.4	-6.2	13.4	-23.8

Sensitivity analysis (+/- 10%)	EUR SEK	EUR USD	NOK SEK	USD CAD	DKK SEK	Total
Income statement	0.0	0.0	1.6	0.6	1.3	3.5
Equity (translation differences)	1.1	3.7				4.8

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%)	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

The exposure presented includes only financial instruments as defined by IFRS 7. An 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 a 10 percent change in exchange rates on the income statement and on the 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 are 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. A 10 percent change in the euro against the Swedish krona and the US dollar would have resulted in a translation difference of €4.8 million before taxes in equity. According to the Group hedging policy, such 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 have an effect on the profit, but will be recognised in the 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 optimising 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 the 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 -/+ €0.4 million (-/+ €0.3 million) to the income statement and +/- €1.9 million to shareholders' equity (+/- €1.0 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, 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 can establish local working capital credit lines or loan structures in the name of a subsidiary, guaranteed by the parent company.

The most significant existing funding programmes on 31 December 2013 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.

None of the committed bilateral revolving credit facilities were used during the reporting period. The majority of the revolving credit facilities is being planned to be renegotiated and extended during the first half of 2014.

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

At the end of the reporting period, the Group had a total of €53.7 (17.7) million in cash and cash equivalents.

Contractual maturity of financial liabilities at 31 Dec 2013	2014	2015	2016	2017	2018 -
Bonds	2.4	2.7	23.0	3.1	81.7
Loans from financial institutions	10.6	6.5	6.4	6.3	14.2
Finance lease liabilities	1.3	1.3	1.2	1.2	6.9
Bank overdrafts in use	0.7				
Accounts payable	61.1				
Derivative contracts					
Foreign currency derivatives					
- cash outflow	230.2				
- cash inflow	232.5				
Interest derivatives	0.6	0.5	0.3	0.2	0.0
Electricity derivatives	0.7	0.3	0.2	0.2	

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

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 2013.

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 a €1.3 (0.5) million impairment to accounts receivable in 2013. The increase comes from an impairment to trade receivables from the mining company Talvivaara Sotkamo Oy.

The aging of accounts receivable	**2013**	**2012**
Undue	87.7	73.7
Due 1-30 days	25.5	26.2
Due 31-60 days	6.8	2.2
Due 61-90 days	1.7	0.7
Due over 90 days	5.0	4.5
Total	**126.7**	**107.3**

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. As far as the metals price risk is concerned, LME-based (London Metal Exchange) financial instruments are used to supplement fixed-price contracts. Hedge accounting is not applied to metals hedging via financial instruments.

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.

Change in shareholders' equity	+/- 0.5	+/- 0.6

31. Derivative contracts and hedge accounting

Nominal value

	2013	2012
Interest derivatives:		
Interest rate swaps	170.0	50.0
Foreign currency derivatives:		
Forward agreements		
- not under hedge accounting	157.1	101.9
- under hedge accounting	93.6	141.3
Currency options, bought	9.9	10.8
Currency options, sold	9.9	10.8
Commodity derivatives:		
Forward agreements		
- under hedge accounting	7.2	6.5

Fair value	2013 Positive fair value	2013 Negative fair value	2013 Net fair value	2012 Positive fair value	2012 Negative fair value	2012 Net fair value
Interest derivatives:						
Interest rate swaps	2.2	-3.7	-1.5	0.0	-2.5	-2.5
Foreign currency derivatives:						
Forward agreements						
- not under hedge accounting	2.0	-0.6	1.5	0.7	-0.6	0.1
- under hedge accounting	1.1	-0.2	0.7	1.0	-0.4	0.6
Currency options, bought	0.4	-	0.4	0.1	-	0.1
Currency options, sold	-	0.0	0.0	-	0.0	0.0
Electricity derivatives						
- under hedge accounting	-	-1.4	-1.4	0.0	-0.7	-0.7

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 € 0.4million (loss of €0.2 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 €0.3 million (a loss of €0.1 million). A loss of €0.1 million in electricity derivatives (a loss of €0.1 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 €0.8 million (loss of €0.6 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 total 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 2013, gearing average was 57.9 (64.6) percent.

	2013	2012
Interest-bearing liabilities	150.6	111.8
Cash and cash equivalent	53.7	17.7
Net interest-bearing liabilities	96.9	94.1
Total equity	287.7	207.3
Gearing, %	33.7	45.4
Gearing across quarters, %	57.9	64.6

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

In 2013, the long-term share-based incentive plan established in 2012 for the years 2012-2014 was complemented with the new plan covering the years 2013-2015. The terms are the same as described below. The maximum value of the shares awarded based on the share investment corresponds with approximately 13,000 shares and the maximum value of performance shares to be delivered corresponds with 260,000 shares.

The Board of Directors of Uponor Corporation approved on 2 March 2012 the establishment of a long-term share-based incentive plan for 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 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.

The management incentive scheme impact on the Group’s operating profit is €0.9 (0.4) million, on equity it is €0.3 (0.2) million and the liability reserved for paying any related income taxes for scheme participants is €0.8 (0.2) million.

34. Related party transactions

Uponor Group’s related parties include subsidiaries and associates as well as Board members, the managing director, his deputy and Executive Committee members.

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

Transactions with associated companies, M€	**2013**	**2012**
Continuing operations		
Purchases	1.5	2.4
Balances at the end of period		
Accounts and other receivables	0.0	0.0
Accounts payable and other liabilities	0.1	0.0

Executive Committee remuneration, T€		
Remuneration	2 127.8	1 953.6
Post-employment benefits		
- defined contribution plans	229.2	186.3
Share based benefits	749.6	296.2
Total	**3 106.6**	**2 436.1**

Executive Committee remuneration includes salaries, fringe benefits and bonus.

Post-employment benefits include expenses accrued in accordance with local legal pension arrangements for the members of the Executive Committee and expenses related to defined contribution pension insurances taken in addition to the managing director and his deputy. The Group does not have any other commitments related to post-employment benefits.

Share based benefits include accrued expenses relating to management incentive schemes (further details in the note 33). In 2012, management received €182.6 million relating to the long-term management incentive schemes from years 2007 and 2008. This was already expensed during the earning period.

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

	2013	2012
Executive Committee remuneration: managing director and his deputy, T€		
Luomakoski Jyri, managing director	568.4	500.4
Bondestam Sebastian, deputy to the managing director	262.4	263.1

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

Board remuneration, T€		
Paasikivi Jari, Chairman	81.8	81.2
Eloranta Jorma, Deputy Chairman from 15 March 2012	58.6	61.0
Ihamuotila Timo, from 18 March 2013	51.2	-
Nygren Eva	56.0	57.8
Rosendal Jari	54.2	51.2
Silfverstolpe Nordin Anne-Christine, until 18 March 2013	4.8	61.4
Simon Rainer S.	56.0	56.0
Rajahalme Aimo, Deputy Chairman until 15 March 2012	-	2.4
Total	**362.6**	**371.0**

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

Other related party disclosures

The Group had not issued any loans to the persons classified as related party by 31 December 2013 or 31 December 2012.

In addition, persons classified as related party to the company have carried out minor transactions with companies belonging to the Group.

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 GmbH	Germany, Hassfurt
Uponor S.A.R.L.	France, Saint Quentin Fallavier
Uponor Middle East S.A.L. (Off Shore) (50.0%)	Lebanon, Beirut
Uponor Holding GmbH	Germany, Hassfurt
Zent-Frenger GmbH	Germany, Heppenheim
Uponor Hispania, S.A.U.	Spain, Móstoles
Uponor A/S	Denmark, Randers
Uponor Eesti Oü	Estonia, Tallinn
Uponor Suomi Oy	Finland, Nastola
Uponor Business Solutions Oy	Finland, Vantaa
Nereus Oy	Finland, Uusikaupunki
Uponor Asia Oy	Finland, Helsinki
Uponor Technikes Lyseis gia Ktiria AE	Greece, Athens
Uponor Kft. (Uponor Épuletgépészeti Korlátolt Felelösségu Társaság)	Hungary, Budapest
Cork Pipe Plant Limited	Ireland, Bishopstown
Uponor (Cork) Limited	Ireland, Bishopstown
Uponor (Ireland) Ltd	Ireland, Cork
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
ZAO Uponor Rus	Russia, Moscow
AO Asko-Upo (Spb)	Russia, St.Petersburg
Uponor Innovation AB	Sweden, Borås
Uponor AB	Sweden, Virsbo
Uponor Vertriebs GmbH	Austria, Guntramsdorf
Uponor Limited	England, Lutterworth
The Underfloor Heating Co Limited	England, Skelmanthorpe
Uponor NA Holding, Inc.	USA, Delaware
Uponor NA Asset Leasing, Inc.	USA, Delaware
Uponor North America, Inc.	USA, Delaware
Tulsa Pipe Plant, Inc.	USA, Delaware
Hot Water Systems North America, Inc.	USA, Delaware
Uponor Ltd	Canada, Saskatchewan
Radiant Technology, Inc.	USA, Delaware
Uponor, Inc.	USA, Illinois
Uponor Innovations, LLC	USA, Delaware
Uponor Trading (Beijing) Co., Ltd.	China, Beijing
Uponor Hong Kong Ltd	Hong Kong
Uponor Romania S.R.L.	Romania, Bucharest

Name	Country and domicile
Uponor Infra Oy (shareholding 55.3% Uponor Corporation, 44.7% KWH Group Ltd)	Finland, Helsinki
Jita Oy	Finland, Virrat
Uponor Infra AB	Sweden, Virsbo
Uponor Infra A/S	Denmark, Holbæk
Uponor Infra AS	Norway, Vestby
Uponor Infra Ltd	Canada, Mississauga
Uponor Infra Holding Corp.	USA, Delaware
Uponor Infra Corp.	USA, California
Extron Engineering Oy	Finland, Vaasa
Uponor Infra Tech GmbH	Germany, Fulda
KWH Pipe Sverige AB	Sweden, Ulricehamn
Uponor Infra Limited (99% Uponor Infra Oy, 1% Uponor Infra A/S)	England, Milton Keynes
Uponor Infra sp. z o.o.	Poland, Warsaw
Uponor Infra AS	Estonia, Tartu
CJSC "Uponor Infra"	Russia, St Petersburg
UAB KWH Pipe Lithuania	Lithuania, Vilnius
Uponor Infra Fastighets Ab	Finland, Vaasa
Koy Tuusulan Pakkasraitti 12	Finland, Tuusula
Wiik & Hoeglund PLC (65.99%)	Thailand, Bangkok
WH Holding Co., Ltd. (49% Wiik & Hoeglund PLC)	Thailand, Bangkok
WH Pipe (Thailand) Ltd. (51% WH Holding Co Ltd, 49% Wiik & Hoeglund PLC)	Thailand, Bangkok
KWH Pipe (Malaysia) Sdn. Bhd.	Malaysia, Kuala Lumpur
KWH Pipe Holdings (L) Ltd.	Malaysia, Labuan
KWH Pipe (India) Ltd. (76% KWH Pipe Holdings (L) Ltd., 24% Uponor Infra Oy)	India, Mumbai
Uponor Infra Fintherm a.s.	Czech, Prague
KWH Pipe Espana SA	Madrid, Spain
KWH Pipe (Portugal) Tubos Lda.	Portugal, Palmela

Associated companies

Name	Country and domicile
Punitec GmbH & Co. KG	Germany, Gochsheim
Punitec Verwaltungs GmbH	Germany, Gochsheim

35. Events after the balance sheet date

Uponor has initiated preparations to renew the existing committed bilateral revolving credit facilities, targeting completion in the first half of 2014. To start with, €50 million of the facilities was renegotiated and signed in February 2014. The renegotiated facility now matures in February 2019.

SHARES AND SHAREHOLDERS

The volume of Uponor shares traded on the NASDAQ OMX Helsinki Exchange in 2013 totalled 14,562,961, valued at € 179.3 million. The share closed at € 14.22 and the market capitalisation came to € 1,041.0 million. The yearend number of shareholders totalled 15,480 of which foreign shareholders accounted for 33.9 (30.2) per cent.

Major shareholders on 31 December 2013

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
Investment fund Nordea Nordic Small Cap	2,902,714	4.0	4.0
Nordea Nordenfonden	1,249,317	1.7	1.7
Ilmarinen Mutual Pension Insurance Company	922,052	1.3	1.3
Sigrid Juselius Foundation	773,200	1.1	1.1
State Pension Fund	705,000	1.0	1.0
Paasikivi Pekka	560,406	0.8	0.8
Paasikivi Jari	548,888	0.7	0.8
Paasikivi Jukka	538,173	0.7	0.7
Finnish Cultural Foundation	500,853	0.7	0.7
Aktia Capital Investment Fund	370,000	0.5	0.5
Others	42,262,111	57.6	57.6
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 2013

Nordea Bank Finland Plc	14,316,380	19.6	19.6
Nasdaq OMXBS/Skandinaviska Enskilda Banken AB	7,894,964	10.8	10.8
Svenska Handelsbanken AB (publ.)	1,013,377	1.4	1.4
Others	107,439	0.1	0.1
Total	23,332,160	31.9	31.9

The maximum number of votes which may be cast at the Annual General Meeting is 73,066,566 (status on 31 December 2013).
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.

The Paasikivi family has shareholdings directly and through Oras Invest Ltd totalling 24.8 (25.0) per cent.

Shareholders by category on 31 December 2013

Category	No. of shares	% of shares
Private non-financial corporations	19,180,387	26.2
Public non-financial corporations	27,375	0.0
Financial and insurance corporations	5,730,186	7.8
General government	7,536,333	10.3
Non-profit institutions	3,042,003	4.2
Households	12,900,113	17.6
Foreign (including nominee registrations)	24,789,693	33.9
Other (joint account)	854	0.0
Total	73,206,944	100.0

Shareholders by size of holding on 31 December 2013

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1 - 100	255,915	0.3	3,821	24.7
101 - 1,000	3,878,982	5.3	9,138	59.0
1,001 - 10,000	6,267,873	8.6	2,302	14.9
10,001 - 100,000	5,284,142	7.2	186	1.2
100,001 - 1,000,000	8,409,428	11.5	26	0.2
1,000,001 -	49,110,604	67.1	7	0.0
Total	73,206,944	100.0	15,480	100.0

Share capital development 2009 - 2013

	Date	Reason	Change, euro	Share capital, euro	Number of shares
2013	31 Dec.			146,446,888	73,206,944
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

PARENT COMPANY INCOME STATEMENT (FAS)

		1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
		Euro	
Net sales	2	19,213,392.48	18,876,681.25
Other operating income	3	1,921.00	0.00
Personnel expenses	4	4,735,277.69	5,075,932.94
Depreciation and impairments	5	441,784.97	393,162.93
Other operating expenses	3	20,000,401.30	20,778,360.76
Operating loss		**-5,962,150.48**	**-7,370,775.38**
Financial income and expenses	6	10,726,858.13	923,435.59
Profit before extraordinary items		**4,764,707.65**	**-6,447,339.79**
Extraordinary items	7	6,960,000.00	8,940,000.00
Profit before appropriations and taxes		**11,724,707.65**	**2,492,660.21**
Change in depreciation difference		-91,814.96	-52,234.04
Income taxes	8	-411,072.21	-1,055,042.35
Profit for the period		**11,221,820.48**	**1,385,383.82**

PARENT COMPANY BALANCE SHEET (FAS)

		31.12.2013	31.12.2012
		Euro	
Assets			
Non-current assets			
Intangible assets			
Intangible rights		618,193.14	743,727.38
Intangible assets	9	**618,193.14**	**743,727.38**
Tangible assets			
Machinery and equipment		208,914.79	205,695.16
Tangible assets	9	**208,914.79**	**205,695.16**
Securities and long-term investments			
Shares in subsidiaries		272,571,570.93	205,297,828.28
Other shares and holdings		48,618.99	86,432.97
Loan receivables		89,197,738.73	193,913,666.61
Securities and long-term investments	10	**361,817,928.65**	**399,297,927.86**
Total non-current assets		**362,645,036.58**	**400,247,350.40**
Current assets			
Non-current receivables			
Deferred tax assets		534,027.33	829,175.79
Non-current receivables	11	**534,027.33**	**829,175.79**
Current receivables			
Accounts receivable		2,625,851.80	5,930,092.08
Loan receivables		79,175,579.49	27,961,447.65
Accruals		501,227.76	3,067,798.20
Other receivables		38,578,919.37	43,685,387.71
Current receivables	12	**120,881,578.42**	**80,644,725.64**
Cash and cash equivalents			
Cash and cash equivalents		30,436,573.75	10,415,195.61
Cash and cash equivalents		**30,436,573.75**	**10,415,195.61**
Total current assets		**151,852,179.50**	**91,889,097.04**
Total assets		**514,497,216.08**	**492,136,447.44**

PARENT COMPANY BALANCE SHEET (FAS)

		31.12.2013	31.12.2012
		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		81,585,630.09	107,965,541.35
Profit for the period		11,221,820.48	1,385,383.82
Total shareholders' equity	13	**289,505,324.53**	**306,048,799.13**
Accumulated appropriations			
Depreciation difference	14	245,323.11	153,508.15
Accumulated appropriations total		**245,323.11**	**153,508.15**
Provisions	**15**	**2,670,136.64**	**3,384,366.24**
Liabilities			
Non-current liabilities			
Bonds		100,000,000.00	100,000,000.00
Non-current liabilities	16	**100,000,000.00**	**100,000,000.00**
Current liabilities			
Accounts payable		2,334,110.03	2,727,152.58
Accruals		1,847,022.87	3,019,808.38
Other current liabilities		117,895,298.90	76,802,812.96
Current liabilities	17	**122,076,431.80**	**82,549,773.92**
Total liabilities		**222,076,431.80**	**182,549,773.92**
Total liabilities and shareholders' equity		**514,497,216.08**	**492,136,447.44**

PARENT COMPANY CASH FLOW STATEMENT

	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
	Euro	
Cash flow from operations		
Operating profit	-5 962 150,48	-7 370 775,38
Depreciation	441 784,97	393 162,93
Sales gains/losses from the sale of fixed assets	-	20 791,43
Other non-cash items	-714 229,60	-115 250,48
Net cash from operations	**-6 234 595,11**	**-7 072 071,50**
Change in working capital		
Receivables	11 490 185,11	-6 910 350,75
Non-interest-bearing liabilities	40 267 605,05	-70 564 818,16
Change in working capital	**51 757 790,16**	**-77 475 168,91**
Dividends received	17 292 688,26	42 093 710,10
Group contributions	8 940 000,00	5 990 000,00
Cash flow from operations	**71 755 883,31**	**-36 463 530,31**
Cash flow from investments		
Purchase of fixed assets	-319 470,36	-155 607,64
Proceeds from sale of tangible and intangible assets	3 695 090,69	-
Granted loans	-2 838 675,35	-15 003 837,90
Loan repayments	17 869 712,95	60 428 327,95
Changes in investments in subsidiaries	-43 783 887,51	-1 021 040,73
Interests received	5 105 642,89	9 474 210,87
Dividends received	2 400,00	3 829,98
Cash flow from investments	**-20 269 186,69**	**53 725 882,53**
Cash flow before financing	**51 486 696,62**	**17 262 352,22**
Cash flow from financing		
Borrowings of debt	41 000 000,00	46 310 824,45
Repayments of debt	-41 000 000,00	-47 300 000,00
Change in other short term debt	-1 355 906,96	-1 359 479,36
Interests paid	-2 344 116,44	-3 343 816,68
Dividends paid	-27 765 295,08	-25 566 430,40
Income taxes paid	-	-84 077,49
Cash flow from financing	**-31 465 318,48**	**-31 342 979,48**
Change in cash and cash equivalents	**20 021 378,14**	**-14 080 627,26**
Cash and cash equivalents at 1 January	10 415 195,61	24 495 822,87
Cash and cash equivalents at 31 December	30 436 573,75	10 415 195,61
Changes according to balance sheet	**20 021 378,14**	**-14 080 627,26**

PARENT COMPANY

1. Accounting Principles

The Parent Company's Financial Statements have been prepared according to Generally Accepted Accounting Principles in Finland. Uponor Group´s financial statements have 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.

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.

	2013	2012
	Euro	
2. Net sales		
Income from services		
- From group companies	19,206,182.48	18,864,804.25
- External	7,210.00	11,877.00
Total	**19,213,392.48**	**18,876,681.25**

3. Other operating income and expenses

Other operating income		
Gains from sales of fixed assets	1,921.00	-
Total	**1,921.00**	**-**

Other operating expenses		
Travel expenses	1,202,941.04	1,246,622.76
Purchased services	9,364,162.67	9,116,026.04
Other	9,433,297.59	10,415,711.96
Total	**20,000,401.30**	**20,778,360.76**

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

	2013	2012
Auditor's fees		
- Audit fees	72,705.25	64,000.00
- Tax advice	41,818.15	-
- Other services	50,615.00	259,902.03

4. Personnel expenses

Salaries and bonuses	4,047,196.61	4,368,172.36
Pension expenses	494,268.30	493,011.81
Other personnel expenses	193,812.78	214,748.77
Total	**4,735,277.69**	**5,075,932.94**

During financial period company employed:		
Employees, average	38	38

Salaries and emoluments paid to the managing director and Board members *)		
Managing director and his deputy	730,540.31	763,498.82
Board of Directors	362,600.00	371,000.00
Total	**1,093,140.31**	**1,134,498.82**

*) Specification per persons has been reported in the notes of the consolidated financial statements. Salary of the managing director's deputy is included until 31 July 2013.

Loans to company directors

At 31 December 2013, the company's managing director and members of the Board of directors had no loans outstanding from the company or its subsidiaries.

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

5. Depreciations

Intangible assets	374,190.14	351,373.02
Tangible assets	67,594.83	41,789.91
Total	**441,784.97**	**393,162.93**

6. Financial income and expenses

Interest income	2,556,330.69	786,268.27
Intercompany interest income	5,548,171.93	10,260,968.58
Dividend income	2,400.00	3,829.98
Dividend income from subsidiaries	17 292 688,26	42,093,710.10
Interest expenses	-5,760,224.71	-6,641,267.39
Intercompany interest expenses	-199 070,02	-843,859.02
Other financial expenses	-84,590.56	-73,896.14
Other financial income	6,706.80	-
Impairments on non-current investments	-9 996 143,98	-43,000,000.00
Income from shares in Group companies	2,207,934.41	-
Exchange differences		
Derivatives realised	2,385,787.11	-12,665,632.37

Derivatives unrealised	1,046,897.97	5,472,477.74
Others realised	491,369.51	-109,958.66
Others unrealised	-4,771,399.28	5,640,794.50
Financial income and expenses total	**10,726,858.13**	**923,435.59**

7. Extraordinary income

Group contributions	6,960,000.00	8,940,000.00
Total	**6,960,000.00**	**8,940,000.00**

8. Taxes

For the financial period	-349,959.04	-125,346.89
For previous financial periods	234,029.23	-881,123.09
Change in deferred taxes	-295,142.40	-48,572.37
Total	**-411,072.21**	**-1,055,042.35**

Previous year's taxes include returns of tax increase and interest of €115,948.27.
Returns relate to tax years 2005-2007.

9. Intangible and tangible assets

2013	Intangible rights	Intangible investment in progress	Machinery and equipment	Investment in progress	**Intangible and tangible assets**
Acquisition costs 1 Jan	2,465,679.99	0.00	410,527.76	0.00	**2,876,207.75**
Increases	202,778.40	45,877.50	67,560.46	3,254.00	**319,470.36**
Decreases	0.00	0.00	0.00	0.00	**0.00**
Acquisition costs 31 Dec	2,668,458.39	45,877.50	478,088.22	3,254.00	**3,195,678.11**
Accumulated depreciations 1 Jan	1,721,952.61	0.00	204,832.60	0.00	**1,926,785.21**
Acc. depreciation on disposals and transfers	0.00	0.00	0.00	0.00	**0.00**
Depreciation for the financial period	374,190.14	0.00	67,594.83	0.00	**441,784.97**
Accumulated depreciations 31 Dec	2,096,142.75	0.00	272,427.43	0.00	**2,368,570.18**
Book value 31 December	**572,315.64**	**45,877.50**	**205,660.79**	**3,254.00**	**827,107.93**

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	0.00	0.00	423,354.37	0.00	**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**

10. Non-current investments

Shares in subsidiaries book value 1.1.	205,297,828.28	244,890,996.72
Increases	78,712,522.13	3,406,831.56
Decreases	1,480,449.48	-
Shares in subsidiaries acquisition cost 31.12	282,529,900.93	248,297,828.28
Impairments	9,958,330.00	43,000,000.00
Shares in subsidiaries book value 31.12.	**272,571,570.93**	**205,297,828.28**
Other shares and holdings 1.1.	86,432.97	86,432.97
Decreases	37,813.98	0.00
Other shares and holdings 31.12.	**48,618.99**	**86,432.97**
Loans receivables		
- From group companies	84,070,381.81	188,743,889.06
- Subordinated loan	5,000,000.00	5,000,000.00
- Others	127,356.92	169,777.55
Loan receivables total	**89,197,738.73**	**193,913,666.61**
Total	361,817,928.65	399,297,927.86

Decreases in subsidiary shares include an impairment of €8.8 million euro relating to Uponor Limited’s shares. In 2012 decreases in subsidiary shares included an impairment of €40 million euro relating to Uponor Hispania S.A.’s shares.

11. Non-current receivables

- deferred tax assets	534,027.33	829,175.79
Total	**534,027.33**	**829,175.79**

Deferred tax asset is recorded for obligatory provisions in the balance sheet.
Deferred tax asset includes short-term tax assets totalling €80,000.00.

12. Current receivables	2013	2012
From group companies		
- accounts receivable	2,625,851.80	5,930,092.08
- loan receivable	79,175,579.49	27,961,447.65
- accruals	5,208.30	84,178.19
- other receivables	31,656,975.60	40,962,944.43
Total	**113,463,615.19**	**74,938,662.35**
From external parties		
- accruals	496,019.46	2,983,620.01
- other receivables	6,921,943.77	2,722,443.28
Total	**7,417,963.23**	**5,706,063.29**
Total current receivables	120,881,578.42	80,644,725.64
Accruals		
Interest income	27,370.43	687.65
Taxes	138,520.69	345,146.10
Others	335,336.64	2,721,964.45
Total	**501,227.76**	**3,067,798.20**

13. Changes in equity

	2013	2012
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	109,350,925.17	133,379,468.06
Dividend payments	-27,765,295.08	-25,566,430.40
Refund of unredeemed dividends	-	13,310.90
Treasury shares	-	139,192.79
Retained earnings 31 December	81,585,630.09	107,965,541.35
Profit for financial period	11,221,820.48	1,385,383.82
Total unrestricted equity	92,874,064.13	109,417,538.73
Shareholders' equity 31 December	**289,505,324.53**	**306,048,799.13**

	2013	2012
Distributable funds		
Unrestricted equity	66,613.56	66,613.56
Retained earnings	82,610,500.10	108,990,411.36
Profit for the period	11,221 820.48	1,385,383.82
Treasury shares	-1,024,870.01	-1 024 870.01
Distributable funds, 31 December	92,874,064.13	109,417,538.73

14. Depreciation differences

- Other capitalised long-term expenditure	218,546.26	166,060.36
- Plant and machinery	26,776.85	-12,552.21
Total	**245,323.11**	**153,508.15**

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

15. Provisions

Pension obligation	70,136.64	84,366.24
Environmental provision	2,600,000.00	3,300,000.00
Total	**2,670,136.64**	**3,384,366.24**

16. 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

17. Current liabilities

From group companies		
- accounts payable	1,590,385.10	1,502,166.65
- accruals	141,053.31	810,019.21
- other current liabilities	112,423,529.63	72,438,830.33
Total	**114,154,968.04**	**74,751,016.19**
From external parties		
- accounts payable	743,724.93	1,224,985.93
- accruals	1,705,969.56	2,209,789.17
- other current liabilities	5,471,769.27	4,363,982.63
Total	**7,921,463.76**	**7,798,757.73**
Total current liabilities	122,076,431.80	82,549,773.92

	2013	2012
Accrued liabilities		
Personnel expenses	505,455.44	509,567.04
Bonuses	274,164.60	510,471.29
Taxes	504,768.05	251,810.67
Interest	189,222.68	181,711.52
Others	373,412.10	1,566,247.86
Total	**1,847,022.87**	**3,019,808.38**

18. Contingent liabilities

- on behalf group companies		
Guarantees issued	17,834,246.22	16,086,266.84
Guarantees issued	**17,834,246.22**	**16,086,266.84**
Operating lease commitments (including rental lease obligations)		
Operating lease commitments for next 12 months	703,968.36	783,900.30
Operating lease commitments over next 12 months	3,927,489.39	4,372,812.60
Lease commitments	**4,631,457.75**	**5,156,712.90**
Total	**22,465,703.97**	**21,242,979.74**

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

19. Derivative contracts

	Nominal value	
	2013	**2012**
Interest derivatives:		
Interest rate swaps	170,000,000.00	50,000,000.00

	Fair value	
	2013	**2012**
Interest derivatives:		
Interest rate swaps	-1,498,939.83	-2,547,874.43

	Nominal value	
Foreign currency derivatives:	**2013**	**2012**
Forward agreements	250,458,727.42	243,265,798.16
Intragroup forward agreements	78,946,837.10	60,434,725.70
Currency options, bought	9,859,502.10	10,830,569.28
Currency options, sold	9,859,502.10	10,830,569.28
Commodity derivatives:		
Forward agreements	7,211,169.00	6,502,438.00

	Fair value	
Foreign currency derivatives:	**2013**	**2012**
Forward agreements	2,271,415.66	765,352.69,
Intragroup forward agreements	-566,941.89	229,473.44,
Currency options, bought	385,485.00	72,594.89,
Currency options, sold	-2,695.00	-27,370.37,
Commodity derivatives:		
Forward agreements	-1,380,265.00	-695,545.00

	Fair value changes recognised in the income statement	
Foreign currency derivatives:	**2013**	**2012**
Forward agreements	2,271,415.66	765,352.69
Intragroup forward agreements	-566,941.89	229,473.44
Currency options, bought	385,485.00	72,594.89
Currency options, sold	-2,695.00	-27,370.37
Interest derivatives:		
Interest rate swaps	1,048,934.60	-788,609.43

20. 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 92,874,064.13 of which profit for the period is EUR 11,221,820.48.

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	65,108,769.05
	EUR	92,874,064.13

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, 13 February 2014

Jari Paasikivi
Chairman

Jorma Eloranta

Jari Rosendal

Timo Ihamuotila

Rainer S. Simon

Eva Nygren

Jyri Luomakoski
Managing director

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Vantaa, 13 February 2014

Deloitte & Touche Oy
Authorised Public Audit Firm

Teppo Rantanen
Authorised Public Accountant