# FINANCIAL STATEMENTS
1 Jan-31 Dec 2014
Uponor Corporation

**CONTENTS**


| | |
|---|---|
| Review by the Board of Directors | 3 |
| Group key figures | 14 |
| Share-specific key figures | 15 |
| Definitions of key ratios | 16 |
| Consolidated statement of comprehensive income | 17 |
| Consolidated balance sheet | 18 |
| Consolidated cash flow statement | 20 |
| Statement of changes in shareholders’ equity | 21 |
| Notes to the consolidated financial statements | 22 |
| Shares and shareholders | 56 |
| Parent company (FAS) | 58 |
| Income statement | 58 |
| Balance sheet | 59 |
| Cash flow statement | 61 |
| Notes to the parent company financial statements | 62 |
| Proposal of the Board of Directors | 70 |
| The auditor’s note | 70 |

# Review of the board

## Markets

In 2014, the construction markets in Europe and North America developed as mirror images of one another. An exceptionally cold winter in North America slowed activity in the early months of the year but, as the snow melted, activity gained strength. Meanwhile, in Europe, the mild winter provided a jump-start for the industry, but this early momentum was largely lost by mid-summer.

The Nordic countries saw new residential construction rise from 2013 levels in Sweden and Denmark, but fall in Norway and Finland, while new non-residential construction stabilised in the area following a number of years of contraction. Meanwhile, renovation activity in the residential and non-residential markets expanded in all countries. Civil engineering was flat in Sweden, contracted in Finland and Denmark and, thanks to investments in transport and energy, grew in Norway.

In Central Europe, an especially mild winter coupled with strong demand spurred the area's largest country, Germany, to begin the year with accelerated construction output levels across the residential and non-residential markets, in both new builds and renovation. At the same time, the Netherlands began to show the first signs of recovery after an extended period of contraction in most building segments. The slowdown that began in the summer within the euro area dampened sentiment in the region's construction industry. The year ended with relatively high levels of building activity, but growth had clearly decelerated.

The Southwest European markets were characterised by marked variation in developments. In the UK, the non-residential segment returned to growth, and the new residential segment exhibited a second year of improved activity. The first signs of recovery were witnessed in Spain, where construction activity and industry sentiment improved throughout the year, albeit from extremely low levels. In France and Italy, on the other hand, slight growth in the renovation segments fell well short of offsetting the significant reduction in new non-residential and residential building.

In terms of Eastern Europe, the Russian market started the year well and, despite an increasingly challenging business environment, residential construction activity remained largely on a par with the previous year. Meanwhile, businesses in Russia began scaling back investments in the non-residential segment. Events related to the Ukraine crisis had a clearly negative impact on the entire region, consumers and businesses became cautious and a slowdown in activity was apparent. In the Baltics, residential and non-residential construction grew during the year, but civil engineering contracted slightly.

In general, the export markets outside Europe, in which Uponor does a significant amount of business, continued to exhibit year-over-year growth in the residential and non-residential new build segments.

Many parts of the U.S. and Canada were seriously affected by adverse weather in the first months of the year, dampening both construction activity and builder sentiment. As the summer approached, a slow but broad-based recovery took shape in the U.S., leading to growth across nearly all residential and non-residential segments. In Canada, both housing construction and non-residential building activity slowed. The civil engineering segment development in the U.S. and Canada was the same as for the other building segments: steady growth in the U.S., but contraction in Canada.

## Net sales

Uponor's 2014 net sales from continuing operations amounted to €1,023.9 (2013: €906.0) million, up 13.0% year on year. In comparable terms, i.e. adjusting for historic 2013 figures of the new Uponor Infra businesses, consolidated as of 1 July 2013, net sales grew by 2.0%. In local currency, this growth amounted to 3.9%.

Building Solutions – Europe's net sales declined by -0.1% but showed modest growth of 1.7% in local currency. A key reason for this flattish development was the weaker-than-anticipated market conditions in Germany in the latter part of the year, which slowed growth.

Building Solutions – North America reported continued strong growth, both in the local currency and in euro. Uponor was successful in growing net sales in both the residential and commercial markets, and in expanding its geographical presence in the U.S.

For the first time, Uponor Infra's net sales for 2014 included a full 12 months of figures for the businesses that have been combined since the establishment of the joint-venture with KWH Pipe on 1 July 2013. Reported growth from 2013 was therefore considerable, rising by 34.4%. Compared to the historic 2013 net sales levels achieved by the combined businesses, there was a decline of 2.2%, mainly driven by the impact of currency changes, but also due to plummeting demand in some key markets, such as Finland and Denmark, and a negative development in market share in Finland in particular.

In terms of business groups, as a result of the full-year consolidation of Uponor Infra, the share of Infrastructure Solutions in 2014 grew to 34% (28%) while Plumbing Solutions represented 39% (42%) and Indoor Climate Solutions 27% (30%) of Group net sales.

**Net sales by segment for 1 January – 31 December 2014:**

| M€ | 1–12 2014 | 1–12 2013 | Reported change |
|---|---|---|---|
| Building Solutions – Europe | 479.1 | 479.5 | -0.1% |
| Building Solutions – North America | 200.8 | 171.5 | 17.1% |
| (Building Solutions – North America (M$) | 265.2 | 228.2 | 16.2%) |
| Uponor Infra | 351.3 | 261.4 | 34.4% |
| Eliminations | -7.3 | -6.4 | |
| Total | 1,023.9 | 906.0 | 13.0% |

Measured by reported net sales, and their respective share of Group net sales, the 10 largest countries were as follows (2013 figures in brackets): the USA 17.6% (15.8%), Germany 13.9% (15.9%), Finland 13.2% (13.8%), Sweden 9.2% (9.5%), Canada 8.2 % (6.1%), Denmark 4.7% (4.9%), Norway 3.6% (3.9%), the United Kingdom 3.5% (3.3%), the Netherlands 3.1% (3.2%), and Russia 3.0% (3.1%).

## Results

The consolidated full-year gross profit ended at €340.1 (€320.1) million, a change of €20.0 million or 6.2%. The gross profit margin came to 33.2% (35.3%). The main influencer for this trend was an increased share of infrastructure solutions business after the establishment of Uponor Infra.

Consolidated operating profit came to €63.4 (50.2) million, up 26.3% from the previous year. The operating profit margin improved to 6.2% (5.5%) of net sales. Operating profit included €4.3 (5.0) million in non-recurring items, of which €3.7m was reported in Building Solutions – Europe and €0.6m (net) in Uponor Infra. The non-recurring items in 2013 were related to the integration programme in Uponor Infra, while the items in 2014 comprised the relocation of Building Solutions – Europe's Central European distribution centre, relocation and assembly of fixed assets in Uponor Infra related to the integration programme, including the sale of former manufacturing facilities, as well as costs incurred by Uponor Infra's streamlining in Finland in 2014.

Operating profit improved in all segments, although it remained slightly negative in Uponor Infra. The biggest contributor was Building Solutions – North America, with a 27.4% improvement in euro terms from last year.

Building Solutions – Europe's operating profit improved, especially in the spring season, against the rather soft 2013 performance. In the fourth quarter of 2013, the operating profit was burdened by a cost of €5 million related to the temporary cancellation of a product approval in France, while in 2014 there was a non-recurring cost of €3.7 million related to the relocation of the distribution centre in Germany.

Building Solutions – North America's performance continued strong, in a favourable market environment, and Uponor was able to capture more volume as a result of capacity expansions.

Uponor Infra's performance improved, largely due to the synergic savings generated by the merger between the Uponor and KWH Pipe infrastructure businesses on 1 July 2013, the results of the streamlining actions implemented in the Finnish market, as well as higher profitability in the foreign businesses. Profitability was burdened by the declining volume development in the Finnish market and the action begun to adjust operations to low demand. In 2014, Uponor Infra's operating profit was burdened by a non-recurring cost of €0.6 million (net) due to merger-related integration initiatives, as well as the streamlining of the Finnish operations in 2014.

**Operating profit by segment for 1 January – 31 December 2014:**

| M€ | 1–12 2014 | 1–12 2013 | Reported change |
|---|---|---|---|
| Building Solutions – Europe | 35.0 | 32.7 | 7.0% |
| Building Solutions – North-America | 31.5 | 24.7 | 27.4% |
| (Building Solutions – North-America (M$) | 41.6 | 32.9 | 26.4%) |
| Uponor Infra | -0.5 | -2.3 | 77.9% |
| Others | -2.6 | -3.4 | |
| Eliminations | 0.0 | -1.5 | |
| Total | 63.4 | 50.2 | 26.3% |

Uponor's financial expenses came to €7.4 (€7.1) million. Net currency exchange differences in 2014 totalled €-1.2 (-0.6) million.

Profit before taxes was €56.3 (43.2) million. At a tax rate of 35.5% (37.3%), income taxes totalled €20.0 (16.1) million.

Profit for the period totalled €36.0 (26.8) million, of which continuing operations accounted for €36.3 (27.1) million.

Return on equity grew to 12.3% (10.8%). Return on investment reached 14.2% (12.5%).

Earnings per share were €0.50 (0.38), and €0.50 (0.38) for continuing operations. Equity per share was €3.16 (3.00). For other share-specific information, please see the Tables section.

Consolidated cash flow from operations was €75.7 (92.1) million, while cash flow before financing came to €45.1 (67.2) million. Comparison with the 2013 cash flow is impacted by significant positive one-time effects from the first time consolidation of the former KWH Pipe business in the middle of 2013, i.e. at the peak of the seasonal net working capital cycle. In line with the profit improvement, net cash from operations in 2014 improved from €87.9 million to €99.0 million.

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

## Investment, research and development, and financing

In terms of capital expenditure, Uponor aims to achieve a balance between targeting resources at the most viable opportunities, while keeping investment tight, depending on the respective market situation. Funds are being addressed, on an ongoing basis, at maintenance and selected productivity improvements.

In 2014, capital was allocated to new pipe technologies, such as the new seamless composite pipe and PEX pipe extrusion, which was mainly targeted at boosting production capacity and efficiency. In North America, the fifth expansion of the manufacturing facility in Minnesota was completed in the fourth quarter of 2014. As a result, new raw material handling capacity was introduced and manufacturing space grew by more than 1,600 square metres. Further, the idle production lines relocated from Europe to the U.S. in 2013, were taken into use.

Gross investments into fixed assets totalled €35.7 (33.9) million, an increase of €1.8 million year on year. Net investments totalled €32.1 (30.4) million. In 2014, proceeds from the sale of fixed assets include the sale of the real estates of the two closed Uponor Infra manufacturing facilities.

Research and development costs amounted to €16.3 (17.7) million, or 1.6% (2.0%) of net sales. The decline is related to the relative growth of the lower R&D intensive infrastructure solutions business within the Group. Further, the trend also reflects the fact that major building solutions' product development projects have advanced to a launch phase, thus requiring less R&D expenditure.

The main existing funding programmes on 31 December 2014 included an €80 million bond maturing in 2018 and a €20 million bond maturing in 2016. With existing bond issues, Uponor has extended the maturity structure and diversified its sources of funding. In addition to these, Uponor Infra Oy took out a loan of €35 million on 1 July 2013 in order to finance its operations, €26 million of which was outstanding at the end of 2014.

Committed bilateral revolving credit facilities, which will mature in 2015-2019, totalled €200 million; none of these back-up facilities were used during the year.

For short-term funding needs, Uponor's main source is its domestic commercial paper programme, totalling €150 million, none of which was outstanding on the balance sheet date. At the end of the year, Uponor had €60.2 million in cash and cash equivalents.

Accounts receivable and credit risks received special attention throughout the year. The amount of bad debt remained low at €0.7 (1.3) million.

Consolidated net interest-bearing liabilities reduced to €82.0 (96.9) million. The solvency ratio was 43.9% (43.9%) and gearing came to 27.6% (33.7%). Average quarterly gearing was 45.8 (57.9), in line with the range of 30-70 set in the company's financial targets.

## Events during the period

In April, Uponor announced a plan to streamline its Central European distribution operations and close its distribution centre in Wettringen, north-western Germany. The ground-breaking of a new logistics centre, with a floor area of 15,500 $m^2$, on leased premises in Hassfurt, Germany, occurred at the end of September. The centre will be fully operational early in the second quarter of 2015. In the same connection, the manufacture of local heat distribution pipe systems in Ochtrup, the town neighbouring Wettringen, was transferred to Hassfurt. These relocations incurred a non-recurring cost of €3.7 million. They are expected to generate operational savings in the range of €2 million on an annual basis, effective from the second quarter of 2015 onwards, while reducing operational emissions. After the relocation, Uponor continues to have sales, offering and other service functions in the Wettringen-Ochtrup area.

In the autumn, Uponor announced the closing of two chamber-prefabrication units at Uponor Infra in Finland, as an outcome of the collaborative negotiations within Uponor's Finnish subsidiaries, Uponor Infra Oy and Uponor Suomi Oy. The negotiations were initiated in order to adjust operations in response to weak Finnish market development. As a result, the companies jointly reduced their personnel by nearly 100 employees. The restructuring is expected to be completed by the end of the first quarter of 2015. It involves a total of €0.8 million in non-recurring costs recognised in 2014, down from the previously announced €1.5 million, while generating annual savings of €5 million from the second quarter of 2015.

In terms of the development of its offering, Uponor continued to roll out a range of new and upgraded products in several key markets. The most important novelties included the seamless aluminium composite pipe for plumbing applications, introduced in some European markets, and its further development – a composite pipe with a metallic look for surface installations.

## Personnel and organisation

At the end of the year, the Uponor Group had 3,982 (4,141) employees, in full-time-equivalent (FTE) terms. This is 159 less than at the end of 2013. The average number of employees (FTE) for the year was 4,127 (3,649). The workforce was reduced as a result of the redundancies in Uponor Infra in Finland, affecting ca 100 jobs, while there was an increase in personnel in the U.S. to satisfy business growth.

The geographical breakdown of the Group's personnel (FTE) was as follows: Germany 20.8 (20.9%), Finland 17.2 (19.6%), the USA 12.8 (11.4%), Sweden 12.5 (12.1%), Thailand 5.3 (4.9%), Poland 5.1 (4.9%), Canada 4.9 (4.6%), Spain 4.5 (4.5%), the UK 3.3 (3.6%), Denmark 2.9 (3.1%) and other countries 10.7 (10.5%).

A total of €227.1 (€211.9) million was recorded in salaries, other remunerations and employee benefits during the financial period.

## Key risks associated with business

Uponor’s financial performance may be affected by several market, operational, financing 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.

In spring 2014, the political tensions in Ukraine escalated into a conflict, impacting on the geopolitical situation in Eastern Europe and Russia in particular. The Ukraine crisis and its repercussions have thereby increased the political risks associated with Russia. Sanctions imposed by the U.S. and the EU against Russia, and Russia’s counter sanctions, have affected business conditions in Russia and elsewhere in Europe, particularly Finland. These tense relations may have a far-reaching impact on the European markets and fragile economic growth on the continent. Russia’s share of Uponor’s net sales has grown in recent years, but it is still rather modest at 3.0% in 2014.

As a result of the establishment of Uponor Infra Oy on 1 July 2013, Uponor has business operations in Thailand. Thailand presently accounts for around two per cent of Uponor’s consolidated annual net sales, thereby affecting the political risk involved in the Group’s operations.

Since Uponor’s net sales are divided among a large number of customers, most 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.

The European economy and Europe’s economic climate remain fragile, partly due to the Ukrainian situation referred to above. In particular, the economic and political situation in Greece is also under focus, while the news from Spain has been somewhat more positive. 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 non-residential building construction. Fluctuations in demand often differ between these sectors. Such fluctuations are being offset to a certain degree by demand for renovation projects, which is not always as discretionary as new housing projects.

Around one third of Uponor's annual net sales come from the infrastructure solutions business via Uponor Infra Oy, which was founded in July 2013. This entails 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, in order 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 material 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 the 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 internal employee surveys provide important information on our employees’ engagement, by measuring various aspects of competence, the working environment and motivation. Action plans are agreed and followed up based on the survey results, resulting in improved job satisfaction.

Uponor’s business processes are managed using several IT applications, the most important of which are the ERP systems for the company’s European and North American operations. A system criticality review and contingency planning are included in the implementation and lifecycle management of major IT systems. Contingency plans can include activities such as failover planning, backup and restore management and testing. Disaster recovery tests are held every two years for key systems. IT-related risks are evaluated as part of Uponor’s risk management process, with an increasing emphasis on IT systems security issues. 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 being actively enhanced.

**Financing risks**

Recent years have shown that major disruptions can occur in financial markets with very little warning. For this reason, although the situation now seems rather stable from Uponor's perspective, significant risks may arise in the future 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 reputable and well-rated counterparties and various forms of financing.

The Group manages its liquidity through efficient cash management solutions and by applying a 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 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 proportion 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 associated 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 a 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 some internal loans, which are classified as net investments and included in hedge accounting.

**Hazard risks**
Uponor operates 14 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 possible 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 the risks associated with property damage and business interruption. These include safety training for personnel, adherence to maintenance schedules, and actions taken to maintain the availability of major spare parts. Audits and training conducted at Uponor's production sites by, and in cooperation with, insurance companies also form an essential part of Group risk management.

**Risk management in 2014**
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.

In 2014, a public discussion arose in Finland related to taste and odour issues observed in PEX tap water pipes representing different brands. Abnormalities were found in a few production batches of Uponor products; these abnormalities were not compliant with the type approval requirements applied in Finland. As a result, Uponor implemented corrective measures in post-production processes to ensure consistent product quality.

With regard to several of Uponor's critical raw materials, price developments in 2014 were smooth and stable. The price of plastic resin is to some extent dependant on the price of oil, which plummeted sharply from the summer of 2014 onwards. This had no material impact on Uponor's business. In sum, continuous risk management is an important and well acknowledged component of sourcing.

Uponor conducted risk assessment exercises in the spring and autumn of 2014 in relation to the primary risks identified, and updated its risk management plans accordingly.

In 2014, in cooperation with insurance companies Uponor assessed the functionality and preparedness of its risk management in five 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. In spring 2014, Uponor renewed part of its committed bilateral credit limits, representing a total value of €150 million, for a five-year period.

As in previous years, 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 a more explicit role to tax risk assessment 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 19 March 2014 re-elected the following Board members for a term of one year: Eva Nygren, Jorma Eloranta, Timo Ihamuotila, Jari Rosendal and Rainer S. Simon. In addition, Annika Paasikivi, a Finnish citizen, was elected as the sixth member. Jorma Eloranta was elected Chair of the Board and Annika Paasikivi Deputy Chair.

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 IR website at http://investors.uponor.com > Governance > Corporate governance.

While Uponor complies with the Finnish Corporate Governance Code 2010, issued by the Securities Market Association, the company deviates from the code with respect to recommendation 22. Uponor's Personnel and Remuneration Committee, which was established subsequent to the AGM held in March 2014, has two members instead of the three stated in the recommendation. Uponor considers sufficient expertise for the Personnel and Remuneration Committee to have been secured with two members, and the Committee can also seek the views of non-Committee members. The Committee acts as a preparatory body assisting the Board of Directors, and all essential matters relating to remuneration are decided by the Board of Directors.

## Share capital and shares

In 2014, Uponor's share turnover on NASDAQ Helsinki was 18.8 (14.6) million shares, totalling €229.3 (€179.3) million. The share quotation at the end of 2014 was €11.49 (€14.22), and market capitalisation of the outstanding shares was €841.1 (€1,041.0) million. At the end of the year, there were a total of 15,846 (15,480) shareholders. Foreign shareholding in Uponor accounted for 28.3% (33.9%) of all shareholding in the company at the end of the reporting period. More detailed information is available in the financial statements.

In 2014, Uponor Corporation's share capital totalled €146,446,888, and the number of shares stood at 73,206,944; there were no changes during the year.

Uponor received the following foreign notification of a change in ownership: the ownership of the U.S. company, The Capital Group Companies, Inc., fell below 5 per cent, as a result of share transactions on 2 January 2014. This brought its total holding to 3,616,201 shares. Further information on shares and holdings is given in the financial statements.

### Board authorisations

In the AGM held on 19 March 2014, the Board of Directors was authorised to repurchase a maximum of 3.5 million of the company's own shares, amounting to 4.8% of the full number of shares in the company. This authorisation will remain valid until the end of the next annual general meeting and for no longer than 18 months. The AGM proposals and resolutions can be viewed in detail at http://investors.uponor.com.

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 company's shares. The authorisation is valid for three years, i.e. until 15 March 2015. The Board of Directors was authorised to decide on the conditions of share issuance. 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 plan. This authority has not been used since then.

### 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 and in which they exercise control, held a total of 141,568 Uponor shares on 31 December 2014 (646,821 shares on 31 December 2013). These shares accounted for 0.19% of all shares and votes in the company.

### Share-based incentive programme

On 14 February 2014, the Board of Directors decided to continue implementing the long-term share-based incentive plan established in 2012, by approving a new plan that covers the years 2014-2016. This plan complements the plans already in place for the years 2012-2014 and 2013-2015. The plan will cover a maximum of ten members of the Group's key management.

In addition, on 11 December 2014 the Board approved a new performance share plan to be offered to approximately 20-25 key managers of the Group, including the members of the Executive Committee. The plan has one performance period covering the calendar years 2015-2017.

The purpose of the share-based incentive plans is to continue aligning the objectives of the management and Uponor shareholders in order to increase the value of the company, boost profitable growth and retain the services of the participants over the longer term. The plan offers key managers a competitive reward plan based on achieving the company's strategic profitability and growth targets, and earning and accumulating Uponor shares.

Details of the plans are presented on the company's IR website.

## Events after the period

There were no events to report.

## Short-term outlook

The economic outlook in Uponor's key markets is likely to remain twofold in 2015: demand in North America, representing one fourth of Group net sales, is expected to remain lively and offer room for continued construction industry growth. The European markets, on the other hand, are expected to remain flat, although supported by growing confidence in a gradual revival of the European economy. However, this scenario is subject to certain risks, some of which are geopolitical.

Uponor has focussed considerable effort in recent years on strengthening its foothold in key markets. This has been achieved through measures such as intensifying partnerships in the value chain and enhancing the product and services offering in order to fulfil the diversified needs of customers and partners on the road towards a more sustainable building industry. Internally, the company has consistently executed a programme involving the further development and harmonisation of operations, such as the supply and distribution of products, the streamlining of operations, and reducing the environmental footprint, while better serving the company's customers.

A key target for the future is continued investment in Uponor's platforms for growth. This will mean securing supply and customer service capacity in growing markets, such as North America, and ensuring the optimal allocation of resources in areas that enable short and long term growth. At the same time, 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 for future growth initiatives.

Assuming that none of the major risks described materialise, Uponor issues the following guidance for 2015: the Group's net sales and operating profit (excluding any non-recurring items) are expected to improve from 2014.

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

Uponor Corporation
Board of Directors

## GROUP KEY FINANCIAL FIGURES

| | 2014 IFRS | 2013 IFRS | 2012 IFRS | 2011 IFRS | 2010 IFRS |
|---|---|---|---|---|---|
| **Consolidated income statement (continuing operations), M€** | | | | | |
| Net sales | 1,023.9 | 906.0 | 811.5 | 806.4 | 749.2 |
| Operating expenses | 926.9 | 823.6 | 726.5 | 743.0 | 669.9 |
| Depreciation | 36.0 | 33.0 | 28.2 | 29.4 | 29.1 |
| Other operating income | 2.4 | 0.8 | 0.9 | 1.4 | 2.2 |
| Operating profit | 63.4 | 50.2 | 57.7 | 35.4 | 52.4 |
| Financial income and expenses | -7.4 | -7.1 | -8.6 | -17.7 | -10.7 |
| Profit before taxes | 56.3 | 43.2 | 49.4 | 17.7 | 41.7 |
| Result from continuing operations | 36.3 | 27.1 | 32.9 | 1.9 | 27.0 |
| Profit for the period | 36.0 | 26.8 | 32.8 | 1.6 | 24.7 |
| **Consolidated balance sheet, M€** | | | | | |
| Non-current assets | 253.7 | 249.0 | 186.5 | 199.81 | 218.3 |
| Goodwill | 83.1 | 82.3 | 74.9 | 74.9 | 72.2 |
| Inventories | 117.4 | 115.4 | 78.7 | 81.8 | 84.4 |
| Cash and cash equivalents | 60.2 | 53.7 | 17.7 | 29.1 | 11.9 |
| Accounts receivable and other receivables | 167.4 | 160.6 | 141.6 | 129.4 | 110.4 |
| Equity attributable to the owners of the parent company | 231.1 | 219.7 | 207.3 | 209.2 | 252.1 |
| Non-controlling interest | 66.8 | 68.0 | - | 2.9 | - |
| Provisions | 16.2 | 22.1 | 20.6 | 22.0 | 12.0 |
| Non-current interest-bearing liabilities | 126.3 | 136.4 | 107.6 | 110.2 | 43.5 |
| Current interest-bearing liabilities | 15.9 | 14.2 | 4.2 | 2.8 | 35.2 |
| Non-interest-bearing liabilities | 225.5 | 200.6 | 159.7 | 167.9 | 154.4 |
| Balance sheet total | 681.8 | 661.0 | 499.4 | 515.0 | 497.2 |
| **Other key figures** | | | | | |
| Operating profit (continuing operations), % | 6.2 | 5.5 | 7.1 | 4.4 | 7.0 |
| Profit before taxes (continuing operations), % | 5.5 | 4.8 | 6.1 | 2.2 | 5.6 |
| Return on Equity (ROE), % | 12.3 | 10.8 | 15.7 | 0.7 | 9.7 |
| Return on Investment (ROI), % | 14.1 | 12.5 | 16.5 | 11.0 | 14.4 |
| Solvency, % | 43.9 | 43.9 | 41.5 | 41.2 | 50.8 |
| Gearing, % | 27.6 | 33.7 | 45.4 | 39.3 | 26.5 |
| Net interest-bearing liabilities, M€ | 82.0 | 96.9 | 94.1 | 83.9 | 66.8 |
| - % of net sales | 8.0 | 10.7 | 11.6 | 10.4 | 8.9 |
| Change in net sales, % | 13.0 | 11.6 | 0.6 | 7.6 | 2.1 |
| Exports from Finland, M€ | 55.5 | 43.3 | 32.8 | 34.7 | 30.4 |
| Net sales of foreign subsidiaries, M€ | 870.1 | 770.4 | 717.6 | 709.8 | 658.9 |
| Total net sales of foreign operations, M€ | 888.8 | 781.4 | 718.1 | 714.1 | 659.6 |
| Share of foreign operations, % | 86.8 | 86.2 | 88.5 | 88.6 | 88.0 |
| Personnel at 31 December | 3,982 | 4,141 | 3,052 | 3,228 | 3,197 |
| Average no. of personnel | 4,127 | 3,649 | 3,098 | 3,288 | 3,219 |
| Investments (continuing operations), M€ | 35.7 | 33.9 | 19.2 | 24.0 | 19.0 |
| - % of net sales | 3.5 | 3.7 | 2.4 | 3.0 | 2.5 |

## SHARE-SPECIFIC KEY FIGURES

| | 2014<br>IFRS | 2013<br>IFRS | 2012<br>IFRS | 2011<br>IFRS | 2010<br>IFRS | 2009<br>IFRS |
|---|---|---|---|---|---|---|
| Share capital, M€ | 146.4 | 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 | 73,207 |
| Number of shares outstanding, in thousands | | | | | | |
| - at end of year | 73,067 | 73,067 | 73,067 | 73,067 | 73,067 | 73,067 |
| - average | 73,067 | 73,067 | 73,062 | 73,067 | 73,067 | 73,049 |
| Total equity attributable to the owners of the parent company, M€ | 231.1 | 219.7 | 207.3 | 209.2 | 252.1 | 258.0 |
| Share trading, M€ | 229.3 | 179.3 | 186.1 | 366.2 | 481.5 | 455.8 |
| Share trading, in thousands | 18,843 | 14,563 | 21,963 | 38,155 | 37,389 | 45,815 |
| - of average number of shares, % | 25.8 | 19.9 | 30.1 | 52.2 | 51.2 | 62.7 |
| Market value of share capital, M€ | 841.1 | 1,041.0 | 702.8 | 502.2 | 1,013.2 | 1,098.1 |
| Earnings per share (diluted), € | 0.50 | 0.38 | 0.45 | 0.03 | 0.34 | 0.16 |
| Equity per share, € | 3.16 | 3.00 | 2,84 | 2.86 | 3.45 | 3.53 |
| Dividend, M€ | 30.7 | 27,8 | 27.8 | 25.6 | 40.2 | 36.5 |
| Dividend per share, € | 0.42 [1)] | 0.38 | 0.38 | 0.35 | 0.55 | 0.50 |
| Effective share yield, % | 3.7 | 2.7 | 4.0 | 5.1 | 4.0 | 3.3 |
| Dividend per earnings, % | 84.0 | 100.0 | 84.4 | 1,018.5 | 162.5 | 316.3 |
| P/E ratio | 23.0 | 37.4 | 21.3 | 199.7 | 40.9 | 94.9 |
| Issue-adjusted share prices, € | | | | | | |
| - highest | 14.94 | 15.85 | 10.00 | 14.25 | 15.66 | 15.10 |
| - lowest | 9.11 | 9.65 | 6.77 | 6.03 | 10.58 | 6.80 |
| - average | 12.17 | 12.31 | 8.47 | 9.57 | 12.88 | 9.95 |

The definitions of key ratios are shown on page 16.

Notes to the table:

1) Proposal of the Board of Directors

The average number of shares is adjusted with treasury shares.

## DEFINITIONS OF KEY RATIOS

Return on Equity (ROE), % = $\frac{\text{Profit before taxes – taxes}}{\text{Shareholder's equity + non-controlling interest, average}} \times 100$

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

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

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

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

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

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

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

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

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

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

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| Continuing operations | Note | 2014 | 2013 |
|---|---|---|---|
| **Net sales** | 2 | 1,023.9 | 906.0 |
| Cost of goods sold | | 683.8 | 585.9 |
| **Gross profit** | | **340.1** | **320.1** |
| | | | |
| **Other operating income** | 6 | **2.4** | **0.8** |
| | | | |
| Dispatching and warehousing expenses | | 37.1 | 34.2 |
| Sales and marketing expenses | | 173.1 | 167.7 |
| Administration expenses | | 51.1 | 50.0 |
| Other operating expenses | 6 | 17.8 | 18.8 |
| **Expenses** | | **279.1** | **270.7** |
| | | | |
| **Operating profit** | 2 | **63.4** | **50.2** |
| | | | |
| Financial income | 9 | 8.8 | 6.1 |
| Financial expenses | 9 | 16.2 | 13.2 |
| Share of result in associated companies | | 0.3 | 0.1 |
| | | | |
| **Profit before taxes** | | **56.3** | **43.2** |
| | | | |
| Income taxes | 10 | 20.0 | 16.1 |
| | | | |
| **Result from continuing operations** | | **36.3** | **27.1** |
| | | | |
| **Discontinued operations** | | | |
| Result from discontinued operations | 3 | -0.3 | -0.3 |
| | | | |
| **Profit for the period** | | **36.0** | **26.8** |
| | | | |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Re-measurements on defined benefit pensions, net of taxes | | -5.0 | 0.4 |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Translation differences | | 7.3 | -5.1 |
| Cash flow hedges, net of taxes | | -0.9 | 0.5 |
| Net investment hedges | | 0.6 | 2.4 |
| **Other comprehensive income for the period, net of taxes** | | **2.0** | **-1.8** |
| | | | |
| **Total comprehensive income for the period** | | **38.0** | **25.0** |
| | | | |
| Profit for the period attributable to | | | |
| Equity holders of parent company | | 36.5 | 27.8 |
| Non-controlling interest | | -0.5 | -1.0 |
| Total comperensive income for the period attributable to | | | |
| Equity holders of parent company | | 39.1 | 26.5 |
| Non-controlling interest | | -1.1 | -1.5 |
| | | | |
| Earnings per share, € | 11 | 0.50 | 0.38 |
| - Continuing operations | | 0.50 | 0.38 |
| - Discontinued operations | | 0.00 | 0.00 |
| Diluted earnings per share, € | | 0.50 | 0.38 |
| - Continuing operations | | 0.50 | 0.38 |
| - Discontinued operations | | 0.00 | 0.00 |

## CONSOLIDATED BALANCE SHEET

| Assets | Note | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| **Non-current assets** | | | |
| **Intangible assets** | | | |
| Intangible rights | | 12.1 | 17.5 |
| Goodwill | | 83.1 | 82.3 |
| Customer relationship value | | 1.7 | 2.2 |
| Technology | | 1.2 | - |
| Other intangible assets | | 0.2 | 0.2 |
| Investment in progress | | 0.1 | 0.6 |
| **Total intangible assets** | 12 | **98.4** | **102.8** |
| **Tangible assets** | | | |
| Land and water areas | | 17.2 | 16.9 |
| Buildings and structures | | 57.5 | 56.3 |
| Machinery and equipment | | 96.1 | 98.5 |
| Other tangible assets | | 16.0 | 14.6 |
| Construction work in progress | | 21.0 | 15.5 |
| **Total tangible assets** | 13 | **207.8** | **201.8** |
| **Securities and long-term investments** | | | |
| Investments in associated companies | 15 | 0.1 | 0.0 |
| Other shares and holdings | 16 | 0.8 | 0.7 |
| Non-current receivables | 17 | 10.3 | 10.1 |
| **Total securities and long-term investments** | | **11.2** | **10.8** |
| **Deferred tax assets** | 22 | **19.4** | **15.9** |
| **Total non-current assets** | | **336.8** | **331.3** |
| **Current assets** | | | |
| **Inventories** | 18 | **117.4** | **115.4** |
| **Current receivables** | | | |
| Interest-bearing current assets | | 0.3 | - |
| Accounts receivables | | 137.3 | 126.7 |
| Current income tax receivables | | 3.0 | 4.5 |
| Accruals | | 8.8 | 6.8 |
| Other receivables | | 18.0 | 22.6 |
| **Total current receivables** | 19 | **167.4** | **160.6** |
| **Cash and cash equivalents** | 20 | **60.2** | **53.7** |
| **Total current assets** | | **345.0** | **329.7** |
| **Total assets** | | **681.8** | **661.0** |

## CONSOLIDATED BALANCE SHEET

| Shareholders' equity and liabilities | Note | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| **Equity attributable to the owners of the parent company** | 21 | | |
| Share capital | | 146.4 | 146.4 |
| Share premium | | 50.2 | 50.2 |
| Other reserves | | -1.0 | 0.0 |
| Translation reserve | | -10.3 | -17.6 |
| Retained earnings | | 9.3 | 12.9 |
| Profit for the period | | 36.5 | 27.8 |
| **Total equity attributable to the owners of the parent company** | | **231.1** | **219.7** |
| Non-controlling interest | | 66.8 | 68.0 |
| **Total equity** | | **297.9** | **287.7** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities | 25 | 126.3 | 136.4 |
| Employee benefit obligations | 23 | 29.9 | 25.1 |
| Provisions | 24 | 4.6 | 4.5 |
| Deferred tax liabilities | 22 | 19.3 | 15.7 |
| Other non-current liabilities | | 1.0 | 0.7 |
| **Total non-current liabilities** | | **181.1** | **182.4** |
| **Current liabilities** | | | |
| Interest bearing liabilities | 25 | 15.9 | 14.2 |
| Accounts payable | | 67.6 | 61.1 |
| Current income tax liability | | 5.0 | 2.5 |
| Provisions | 24 | 11.6 | 17.6 |
| Other current liabilities | 26 | 102.7 | 95.5 |
| **Total current liabilities** | | **202.8** | **190.9** |
| **Total liabilities** | | **383.9** | **373.3** |
| **Total shareholders' equity and liabilities** | | **681.8** | **661.0** |

## CONSOLIDATED CASH FLOW STATEMENT

| | Note | 1.1.-31.12. 2014 | 1.1.-31.12. 2013 |
|---|---|---|---|
| **Cash flow from operations** | | | |
| **Net cash from operations** | | | |
| Profit for the period | | 36.0 | 26.8 |
| Adjustments for: | | | |
| Depreciation | | 36.5 | 33.0 |
| Dividend income | | -0.6 | 0.0 |
| Income taxes | | 20.0 | 16.1 |
| Interest income | | -0.4 | -0.4 |
| Interest expense | | 4.7 | 4.6 |
| Sales gains/losses from the sale of businesses and fixed assets | | -1.2 | 0.6 |
| Share of profit in associated companies | | -0.3 | -0.1 |
| Other cash flow adjustments | | 4.3 | 7.3 |
| **Net cash from operations** | | **99.0** | **87.9** |
| **Change in net working capital** | | | |
| Receivables | | -7.3 | 21.5 |
| Inventories | | -0.5 | 10.0 |
| Non-interest-bearing liabilities | | 4.3 | -9.2 |
| **Change in net working capital** | | **-3.5** | **22.3** |
| Income taxes paid | | -16.0 | -14.8 |
| Interests paid | | -4.3 | -3.6 |
| Interests received | | 0.5 | 0.3 |
| **Cash flow from operations** | | **75.7** | **92.1** |
| **Cash flow from investments** | | | |
| Acquisition of subsidiaries and businesses | 4 | - | 8.2 |
| Purchase of fixed assets | | -35.7 | -33.9 |
| Proceeds from sale of fixed assets | | 4.8 | 0.8 |
| Dividends received | | 0.6 | 0.0 |
| Loan granted | | -0.3 | 0.0 |
| **Cash flow from investments** | | **-30.6** | **-24.9** |
| **Cash flow before financing** | | **45.1** | **67.2** |
| **Cash flow from financing** | | | |
| Borrowings of debt | | 21.0 | 76.3 |
| Repayments of debt | | -31.0 | -41.1 |
| Change in other short term debt | | 1.9 | -35.8 |
| Dividends paid | | -27.8 | -27.8 |
| Payment of finance lease liabilities | | -1.8 | -1.6 |
| **Cash flow from financing** | | **-37.7** | **-30.0** |
| **Conversion differences for cash and cash equivalents** | | **-0.9** | **-1.2** |
| **Change in cash and cash equivalents** | | **6.5** | **36.0** |
| Cash and cash equivalents at 1 January | | 53.7 | 17.7 |
| Cash and cash equivalents at 31 December | | 60.2 | 53.7 |
| **Changes according to balance sheet** | 20 | **6.5** | **36.0** |

## 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 2014** | **73,067** | **146.4** | **50.2** | **1.7** | **0.1** | **-1.8** | **-1.0** | **-17.6** | **41.7** | **219.7** | **68.0** | **287.7** |
| Total comprehensive income for the period | | | | | | -0.9 | | 7.3 | 32.7 | 39.1 | -1.1 | **38.0** |
| Dividend paid | | | | | | | | | -27.8 | -27.8 | | **-27.8** |
| Transfers between reserves | | | | -0.1 | | | | | 0.1 | - | | **-** |
| Share based incentive plan | | | | | | | | | -0.1 | -0.1 | | **-0.1** |
| Other adjustments | | | | | | | | | 0.2 | 0.2 | -0.1 | **0.1** |
| **Balance at 31 December 2014** | **73,067** | **146.4** | **50.2** | **1.6** | **0.1** | **-2.7** | **-1.0** | **-10.3** | **46.8** | **231.1** | **66.8** | **297.9** |
| **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** |

For further information see note 21.

# 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 at the above-mentioned address.

At its meeting of 12 February 2015, 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 2014. 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 per cent 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 per cent 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.

**Key exchange rates for the euro**

| | At end of period | | Average | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| USD | 1.2141 | 1.3791 | 1.3211 | 1.3308 |
| SEK | 9.3930 | 8.8591 | 9.1205 | 8.6692 |
| CAD | 1.4063 | 1.4671 | 1.4636 | 1.3771 |
| DKK | 7.4453 | 7.4593 | 7.4547 | 7.4577 |
| NOK | 9.0420 | 8.3630 | 8.3966 | 7.8664 |
| GBP | 0.7789 | 0.8337 | 0.8031 | 0.8501 |

### 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 often.

### 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 2014**

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact, unless otherwise stated below, on consolidated financial statements, but may affect the accounting for future transactions and events.

- IFRS 10 *Consolidated Financial Statements*. 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.

- IFRS 11 *Joint Arrangements*. 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.

- IFRS 12 *Disclosure of Interests in Other Entities*. 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. Note 33 Interests in subsidiaries and non-controlling interests has been added.

- IAS 27 (revised 2011) *Separate Financial Statements*. 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.

- IAS 28 (revised 2011) *Investments in Associates and Joint Ventures*. 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.

- Amendment to IAS 32 *Financial instruments: Presentation*. 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*. 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 *Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting*. 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*. 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. 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, unless otherwise stated below.

- IFRS 9 *Financial Instruments* (effective for reporting periods beginning on or after January 1, 2018). IFRS 9 is a several phase project which aims to replace IAS 39 with a new standard. According to the finalised classification and measurement part of 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. The new impairment model reflects an expected credit loss model, as opposed to incurred credit losses model under IAS 39. The finalised general hedge accounting model of IFRS 9 allows reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. The standard has not yet been endorsed by the EU.

- IFRS 15 *Revenue from Contracts with Customers* (effective for reporting periods beginning on or after January 1, 2017). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations. The standard has not yet been endorsed by the EU. The Group does not expect to have any significant changes from adoption of this new standard.

- Amendment to IFRS 11 *Joint Arrangements* (effective for reporting periods beginning on or after January 1, 2016). The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 *Business Combinations*. The amendment has not yet been endorsed by the EU.

- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Tangible Assets*: *Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for reporting periods beginning on or after January 1, 2016). The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. The amendments have not yet been endorsed by the EU.

- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*: *Bearer Plants* (effective for reporting periods beginning on or after January 1, 2016). The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The amendments have not yet been endorsed by the EU.

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (effective for reporting periods beginning on or after 1 July 2014). The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. Retrospective application is required.

- *Annual Improvements to IFRSs 2010-2012* and *2011-2013* (both effective for reporting periods beginning on or after 1 July 2014) and *Annual Improvements to IFRSs 2012-2014* (effective for reporting periods beginning on or after 1 January 2016). 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. *Annual Improvements to IFRSs 2012-2014* have not yet been endorsed by the 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 been endorsed by the EU on 14 June 2014.

## 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 the European markets and sales to such 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.

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.

| **2014** M€ | Building Solutions - Europe | Building Solutions - North America | Uponor Infra | Others | Eliminations | Uponor Group |
|---|---|---|---|---|---|---|
| Net sales, external | 477.7 | 200.8 | 345.4 | - | - | 1,023.9 |
| Net sales, internal | 1.4 | - | 5.9 | - | -7.3 | - |
| **Net sales, total** | **479.1** | **200.8** | **351.3** | **-** | **-7.3** | **1,023.9** |
| **Operating result** | **35.0** | **31.5** | **-0.5** | **-2.6** | **0.0** | **63.4** |
| Operating result, % | 7.3 | 15.7 | -0.1 | | | 6.2 |
| Finance income | | | | | | 8.8 |
| Finance expenses | | | | | | 16.2 |
| Share of result in associated companies | | | | | | 0.3 |
| Income taxes | | | | | | 20.0 |
| Result from discontinued operations | | | | | | -0.3 |
| Profit for the period | | | | | | 36.0 |
| **Assets** | 338.8 | 161.2 | 242.3 | 190.5 | -251.0 | 681.8 |
| **Liabilities** | | | | | | |
| Total liabilities for reportable segments | 227.4 | 85.7 | 105.7 | 240.3 | -275.1 | 384.0 |
| Unallocated amounts | | | | | | 297.8 |
| Total liabilities | | | | | | 681.8 |
| **Investments** | 13.6 | 11.4 | 10.3 | 0.4 | - | 35.7 |
| **Depreciation and impairment** | 10.4 | 8.0 | 13.1 | 4.5 | 0.5 | 36.5 |
| **Personnel, average** | 2,052 | 537 | 1,481 | 57 | - | 4,127 |

| **2013** M€ | 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 | 0.0 | 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 | | | | | | 6.1 |
| Finance expenses | | | | | | 13.2 |
| 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 |

**Entity-wide information**

**Information about product and services**

| | 2014 | 2013 |
|---|---|---|
| **External net sales, continuing operations** | | |
| Building Solutions | 678.3 | 649.4 |
| Infrastructure Solutions | 345.6 | 256.6 |
| **Uponor Group** | **1,023.9** | **906.0** |

**Information about geographical areas**

| | 2014 | 2013 |
|---|---|---|
| **External net sales, continuing operations** | | |
| Finland | 135.1 | 124.9 |
| United States | 179.9 | 143.1 |
| Germany | 141.8 | 144.5 |
| Sweden | 94.1 | 86.3 |
| Canada | 83.5 | 55.1 |
| Denmark | 48.6 | 44.0 |
| Norway | 36.6 | 35.7 |
| United Kingdom | 35.9 | 30.0 |
| Netherlands | 31.5 | 29.1 |
| Russia | 30.7 | 28.1 |
| Others | 206.2 | 185.2 |
| **Uponor Group** | **1,023.9** | **906.0** |

| | 2014 | 2013 |
|---|---|---|
| **Non-current assets** | | |
| Finland | 61.9 | 70.2 |
| Unites States | 57.5 | 47.4 |
| Germany | 34.5 | 32.4 |
| Sweden | 32.0 | 31.1 |
| Canada | 12.1 | 12.4 |
| Others | 36.3 | 39.6 |
| **Uponor Group** | **234.3** | **233.1** |

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 2014 and 2013, the discontinued operations include €0.3 (0.3) million in costs related to the Irish infrastructure business sold in 2008. These costs mainly incurred from administrative and operative costs.

| | 2014 | 2013 |
|---|---|---|
| Expenses | 0.3 | 0.3 |
| Result before taxes | -0.3 | -0.3 |
| Income taxes | - | - |
| Result after taxes | -0.3 | -0.3 |
| | | |
| Result for the period from discontinued operations | -0.3 | -0.3 |
| | | |
| Cash flow from discontinued operations | | |
| Cash flow from operations | -0.5 | -0.4 |

## 4. Business combinations

The Group did not have any significant acquisitions in 2014.

In 2013, Uponor Corporation and the KWH Group Ltd combined their infrastructure businesses into a jointly owned company. The new company, Uponor Infra Oy, started operations on 1 July 2013. Its ownership is divided by: Uponor 55.3 per cent and KWH Group 44.7 per cent. Uponor Infra Oy focuses 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 per cent majority stake in KWH Pipe Ltd and as consideration transferred a 44.7 per cent non-controlling interest in Uponor’s infrastructure business to KWH Group. Uponor has a control in the jointly owned company through the 55.3 per cent direct ownership and the voting ownership by holding the Chair position in the board of directors of Uponor Infra Oy.

| | **2014** | **2013** |
|---|---|---|
| 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 per cent of the determined fair value of KWH Pipe Ltd. This 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 also represents the fair value of transferred net assets of the Uponor infrastructure business, thus the transferred net assets remain in their carrying amounts leading to a gain recognised directly in equity. Further details are presented in the part changes in non-controlling interest. The non-controlling interest (44.7 per cent 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.

KWH Pipe Ltd’s infrastructure business included in the 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 in 2013. Had the KWH Pipe Ltd been consolidated from 1 January 2013, the impact on the 2013 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 2013 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 | 2014 | 2013 |
|---|---|---|
| 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 |

## 5. Changes in non-controlling interest

In 2014, there were no changes in the non-controlling interest.

In connection with the acquisition of a 55.3 per cent share in KWH Pipe Ltd in 2013, Uponor Corporation transferred 44.7per cent 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.

## 6. Other operating income and expenses

| | 2014 | 2013 |
|---|---|---|
| **Other operating income** | | |
| Gains from sales of fixed assets | 2.1 | 0.3 |
| Other items | 0.3 | 0.5 |
| Total | **2.4** | **0.8** |
| | | |
| **Other operating expenses** | | |
| Research and development expenses | 16.3 | 17.7 |
| Losses from sales of fixed assets | 0.8 | 0.9 |
| Impairments | 0.5 | 0.0 |
| Other items | 0.2 | 0.2 |
| Total | **17.8** | **18.8** |

## 7. Employee benefits

| | 2014 | 2013 |
|---|---|---|
| Short-term employee benefits: | | |
| - Salaries and incentives | 182.2 | 172.2 |
| - Other social costs | 28.5 | 29.7 |
| Post-employment benefits: | | |
| - Pension expenses - defined contribution plans | 11.1 | 7.8 |
| - Pension expenses - defined benefit plans | 1.4 | 1.1 |
| Termination benefit expenses | 4.2 | 0.8 |
| Share based payments | | |
| - Equity settled share-based payment transactions | -0.3 | 0.3 |
| Total | **227.1** | **211.9** |
| | | |
| Personnel at 31 December | 3,982 | 4,141 |
| Personnel, average | 4,127 | 3,649 |

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

## 8. Depreciation and impairment

| | 2014 | 2013 |
|---|---|---|
| **Depreciation and impairment by asset category** | | |
| Intangible rights | 5.0 | 5.2 |
| Other intangible assets | 0.8 | 0.3 |
| Land and water areas | 0.1 | 0.1 |
| Buildings and structures | 4.3 | 4.2 |
| Machinery and equipment | 20.6 | 19.2 |
| Other tangible assets | 5.7 | 4.0 |
| Total | **36.5** | **33.0** |
| | | |
| **Depreciation and impairment by function** | | |
| Cost of goods sold | 24.3 | 21.8 |
| Dispatching and warehousing | 1.4 | 1.4 |
| Sales and marketing | 2.0 | 1.9 |
| Administration | 7.3 | 6.9 |
| Other | 1.5 | 1.0 |
| Total | **36.5** | **33.0** |

An impairment of €0.5 million was made relating to other tangible assets in the reporting period. By function this is included in the line other. No material impairments were made in the comparison period.

## 9. Financial income and expenses and currency exchange differences

| | 2014 | 2013 |
|---|---|---|
| **Financial income** | | |
| Dividend income on available-for-sale financial assets | 0.6 | 0.0 |
| Interest income from loans and other receivables | 0.4 | 0.4 |
| Interest income from interest rate swaps | 0.2 | 0.9 |
| Profit from financial assets and liabilities designated at fair value through profit and loss | | |
| - net foreign currency derivatives, not under hedge accounting | 1.4 | 1.3 |
| Exchange differences | 6.2 | 3.5 |
| Total | **8.8** | **6.1** |
| | | |
| **Financial expenses** | | |
| Interest expense for financial liabilities measured at amortised cost | 4.7 | 4.6 |
| Interest expense from interest rate swaps | 1.4 | 1.8 |
| Exchange differences | 8.8 | 5.4 |
| Other financial costs | 1.3 | 1.4 |
| Total | **16.2** | **13.2** |

In 2014, exchange rate gains and losses included in operating income and expenses total an €0.3 million loss (€2.5 million gain). Interest expenses include the interest part of finance lease payments of €0.6 (€0.9) million.

## 10. Income taxes

| | 2014 | 2013 |
|---|---|---|
| **Current year and previous years taxes** | | |
| For the financial period | 20.0 | 17.0 |
| For previous financial periods | -0.2 | 0.0 |
| Change in deferred taxes | 0.2 | -0.9 |
| Total | **20.0** | **16.1** |

**Tax reconciliation**

| | 2014 | 2013 |
|---|---|---|
| Profit before taxes | 56.3 | 43.2 |
| | | |
| Computed tax at Finnish statutory rate | 11.3 | 10.6 |
| Difference between Finnish and foreign rates | 6.8 | 2.6 |
| Non-deductible expenses | 1.6 | 1.4 |
| Tax exempt income | -0.8 | -0.4 |
| Utilisation of previously unrecognised tax losses | -0.3 | -0.1 |
| Unrecognised deferred tax assets on losses | 2.0 | 2.2 |
| Change in tax legislation | -0.1 | -0.1 |
| Taxes from previous years | -0.2 | 0.0 |
| Other items | -0.3 | -0.1 |
| Total | **20.0** | **16.1** |
| | | |
| Effective tax rate, % | 35.5 | 37.3 |

During the year 2014, there were no significant changes in the national tax legislation influencing on Group companies. The effective tax rate in 2014 decreased to 35.5 per cent from the previous year's 37.3 per cent.

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 per cent 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.

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 27 Commitments, contingent assets and contingent liabilities.

**Taxes relating to other comprehensive income**

| **2014** | Before taxes | Tax effect | Net of taxes |
|---|---|---|---|
| Cash flow hedges | -0.9 | 0.0 | -0.9 |
| Net investment hedging | 0.6 | - | 0.6 |
| Re-measurements on defined benefit pensions | -5.1 | 0.1 | -5.0 |
| Translation differences | 7.3 | - | 7.3 |
| Total | 1.9 | 0.1 | 2.0 |

| **2013** | Before taxes | Tax effect | Net of taxes |
|---|---|---|---|
| Cash flow hedges | 0.6 | -0.2 | 0.5 |
| Net investment hedging | 2.4 | - | 2.4 |
| Re-measurements on defined benefit pensions | 0.5 | -0.1 | 0.4 |
| Translation differences | -5.1 | - | -5.1 |
| Total | -1.6 | -0.3 | -1.8 |

## 11. Earnings per share

| | 2014 | 2013 |
|---|---|---|
| Result from continuing operations | 36.3 | 27.1 |
| Result from discontinued operations | -0.3 | -0.3 |
| Profit for the period | 36.0 | 26.8 |
| | | |
| Profit for the period attributable to equity holders of parent company | 36.5 | 27.8 |
| | | |
| Shares, in thousands | | |
| Weighted average number of shares *) | 73,067 | 73,067 |
| Diluted weighted average number of shares | 73,118 | 73,118 |
| | | |
| Basic earnings per share, € | 0.50 | 0.38 |
| - Continuing operations | 0.50 | 0.38 |
| - Discontinued operations | 0.00 | 0.00 |
| | | |
| Diluted earnings per share, € | 0.50 | 0.38 |
| - Continuing operations | 0.50 | 0.38 |
| - Discontinued operations | 0.00 | 0.00 |

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

## 12. Intangible assets

| 2014 | Intangible rights | Customer relationship value | Technology | Goodwill | Other intangible assets | Investment in progress | Intangible assets |
|---|---|---|---|---|---|---|---|
| Acquisition costs 1 Jan | 63.0 | 2.4 | 0.0 | 83.0 | 1.4 | 0.6 | **150.4** |
| Translation difference | -0.5 | - | - | 0.2 | 0.0 | - | **-0.3** |
| Increases | 0.5 | - | - | 0.6 | 0.1 | 0.1 | **1.3** |
| Decreases | -0.3 | - | - | - | -0.6 | - | **-0.9** |
| Transfers between items | -0.8 | - | 1.5 | - | 0.0 | -0.6 | **0.1** |
| Acquisition costs 31 Dec | 61.9 | 2.4 | 1.5 | 83.8 | 0.9 | 0.1 | **150.6** |
| | | | | | | | |
| Accumulated depreciations and impairments 1 Jan | 45.5 | 0.2 | 0.0 | 0.7 | 1.2 | - | **47.6** |
| Translation difference | -0.5 | - | - | - | 0.0 | - | **-0.5** |
| Acc. depreciation on disposals and transfers | -0.2 | - | - | - | -0.6 | - | **-0.8** |
| Depreciation for the financial period | 5.0 | 0.5 | 0.2 | - | 0.1 | - | **5.8** |
| Transfers between items | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | - | **0.1** |
| Accumulated depreciations and impairments 31 Dec | 49.8 | 0.7 | 0.3 | 0.7 | 0.7 | - | **52.2** |
| | | | | | | | |
| **Book value 31 December** | **12.1** | **1.7** | **1.2** | **83.1** | **0.2** | **0.1** | **98.4** |

| 2013 | Intangible rights | Customer relationship value | Technology | 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** |

In 2014, increases in intangible rights include investments to ERP system and software, as in 2013.

In 2013, 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 in the Uponor Infra segment.

Structural changes are used for acquisitions and/or divestments. In 2013, the acquisition of KWH Pipe Ltd. is presented as structural changes.

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

Goodwill has been allocated between the segments as follows: Building Solutions – Europe €66.2 (65.4) million and Uponor Infra €17.1 (16.9) million.

Impairment tests are carried out for each separate cash-generating unit. Cash flow forecasts related to goodwill cover a period of 5 years. Terminal value is calculated from the fifth year's cash flow. Cash flow forecasts are based on the strategic plans approved by the management. Key assumptions of the plans relate to growth and profitability development of the markets and the product and service offerings. A cash-generating unit's useful life has been assumed to be indefinite, since these units have been estimated to impact on the accrual of cash flows for an undetermined period. The discount rate used is based on the interest rate level reflecting the average yield requirement for the cash generating unit in question. The discount rate used was 8.2 (10.4) per cent for Building Solutions – Europe and 8.4 (10.5) per cent for Uponor Infra. The decrease in the discount rate impacted by the decrease in risk free interest rate and the decrease in the industry specific market risk. The 2014 goodwill impairment tests indicated that there was no need to make impairments.

A sensitivity analysis is performed for the following variables: sales, gross profit margin and discount rate. A 4 per cent sales reduction compared to the forecasted long-term levels would not expose the Group to any material impairment risk. A decrease of 1.5 percent in gross profit margin would not cause any impairment, provided that other business factors remained unchanged. A discount rate increase of 2.5 per cent would not lead to any impairment, either. Presented sensitivities relate to the segment Uponor Infra, as its goodwill is more sensitive to the risk of impairment.

The Group does not have any capitalised development costs.

## 13. Property, plant and equipment

| **2014** | Land and water areas | Buildings and structures | Machinery and equipment | Other tangible assets | Construction work in progress | **Tangible assets** |
|---|---|---|---|---|---|---|
| Acquisition costs 1 Jan | 19.0 | 146.5 | 380.6 | 53.0 | 15.5 | **614.6** |
| Translation difference | 0.8 | 2.4 | 6.2 | 1.5 | 0.2 | **11.1** |
| Increases | - | 4.8 | 15.4 | 4.9 | 10.4 | **35.5** |
| Decreases | -0.7 | -5.4 | -16.9 | -14.7 | -0.4 | **-38.1** |
| Transfers between items | -0.1 | -2.3 | -10.0 | 14.6 | -4.7 | **-2.5** |
| Acquisition costs 31 Dec | 19.0 | 146.0 | 375.3 | 59.3 | 21.0 | **620.6** |
| | | | | | | |
| Accumulated depreciations and impairments 1 Jan | 2.1 | 90.2 | 282.1 | 38.4 | - | **412.8** |
| Translation difference | 0.0 | 0.4 | 4.5 | 1.5 | - | **6.4** |
| Acc. depreciation on disposals and transfers | -0.2 | -5.9 | -22.3 | -6.2 | - | **-34.6** |
| Depreciation for the financial period | 0.0 | 4.3 | 20.7 | 5.2 | - | **30.2** |
| Transfers between items | -0.1 | -0.5 | -5.8 | 3.9 | - | **-2.5** |
| Impairments | - | 0.0 | - | 0.5 | - | **0.5** |
| Accumulated depreciations and impairments 31 Dec | 1.8 | 88.5 | 279.2 | 43.3 | - | **412.8** |
| | | | | | | |
| **Book value 31 December** | **17.2** | **57.5** | **96.1** | **16.0** | **21.0** | **207.8** |
| | | | | | | |
| Book value for production plant, machinery and equipment | | | 86.5 | | | |

| **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** |
| | | | | | | |
| Book value for production plant, machinery and equipment | | | 88.6 | | | |

The 2014 increases include investments in new pipe technologies, such as the new seamless aluminium composite pipe, PEX pipe extrusion and capacity investments in Apple Valley, Minnesota in North America, where the fifth expansion of the manufacturing facility was completed by the end of the year.

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.

Construction work in progress increased during 2014 by €5.5 million to €21.0 million at closing date due to the investments launched in both North America and Europe.

Structural changes are used for acquisitions and/or divestments. In 2013, the presented acquisitions are the PEX pipe business of KWH Pipe Ltd and the company KWH Pipe Ltd.

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

| **2014** | Land and water areas | Buildings and structures | Others | **Finance lease arrangements total** |
|---|---|---|---|---|
| Acquisition costs 1 Jan | 0.9 | 12.1 | 0.6 | **13.6** |
| Translation difference | - | 0.1 | 0.0 | **0.1** |
| Decreases | -0.2 | -0.9 | - | **-1.1** |
| Acquisition costs 31 Dec | 0.7 | 11.3 | 0.6 | **12.6** |
| | | | | |
| Accumulated depreciations and impairments 1 Jan | - | 8.4 | 0.1 | **8.5** |
| Translation difference | - | 0.0 | 0.0 | **0.0** |
| Acc. depreciation on disposals and transfers | - | -0.8 | - | **-0.8** |
| Depreciation for the financial period | - | 0.3 | 0.1 | **0.4** |
| Accumulated depreciations and impairments 31 Dec | - | 7.9 | 0.2 | **8.1** |
| | | | | |
| **Book value 31 December** | **0.7** | **3.4** | **0.4** | **4.5** |

| **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** |
| Increases | - | 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** |

## 14. Financial assets and liabilities by measurement category

| 2014 | 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 | | | | 0.8 | | 0.8 | | 16 |
| Non-current receivables | | | 10.3 | | | 10.3 | | 17 |
| **Current financial assets** | | | | | | | | |
| Accounts receivable and other receivables | | | 152.4 | | | 152.4 | | 19 |
| Other derivative contracts | 0.4 | 2.5 | | | | 2.9 | 1, 2, 3 | 30 |
| Cash and cash equivalent | | | 60.2 | | | 60.2 | | 20 |
| **Carrying amount by category** | **0.4** | **2.5** | **222.9** | **0.8** | | **226.6** | | |
| | | | | | | | | |
| **Non-current financial liabilities** | | | | | | | | |
| Interest-bearing liabilities | | | | | 126.3 | 126.3 | | 25 |
| Electricity derivatives | 0.6 | | | | | 0.6 | 1 | 30 |
| **Current financial liabilities** | | | | | | | | |
| Interest-bearing liabilities | | | | | 15.9 | 15.9 | | 25 |
| Electricity derivatives | 0.4 | | | | | 0.4 | 1 | 30 |
| Other derivative contracts | 3.5 | 2.3 | | | | 5.8 | 1, 2, 3 | 30 |
| Accounts payable and other liabilities | | | | | 90.1 | 90.1 | | 26 |
| **Carrying amount by category** | **4.5** | **2.3** | | | **232.3** | **239.1** | | |

| 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 | | 16 |
| Non-current receivables | | | 10.1 | | | 10.1 | | 17 |
| **Current financial assets** | | | | | | | | |
| Accounts receivable and other receivables | | | 143.9 | | | 143.9 | | 19 |
| Other derivative contracts | 2.6 | 3.1 | | | | 5.7 | 1, 2, 3 | 30 |
| Cash and cash equivalent | | | 53.7 | | | 53.7 | | 20 |
| **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 | | 25 |
| Electricity derivatives | 0.7 | | | | | 0.7 | 1 | 30 |
| **Current financial liabilities** | | | | | | | | |
| Interest-bearing liabilities | | | | | 14.2 | 14.2 | | 25 |
| Electricity derivatives | 0.7 | | | | | 0.7 | 1 | 30 |
| Other derivative contracts | 3.2 | 1.3 | | | | 4.5 | 1, 2, 3 | 30 |
| Accounts payable and other liabilities | | | | | 79.2 | 79.2 | | 26 |
| **Carrying amount by category** | **4.6** | **1.3** | | | **229.8** | **235.7** | | |

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.

## 15. Investment in associated companies

| | 2014 | 2013 |
|---|---|---|
| Acquisition costs 1 Jan | 0.0 | 0.1 |
| Share of result in associated companies | 0.3 | 0.1 |
| Decreases | -0.2 | -0.2 |
| Translation difference | 0.0 | 0.0 |
| Book value 31 Dec | **0.1** | **0.0** |

The Group has two German associated companies: Punitec GmbH and Punitec Verwaltungs GmbH, whose book value is insignificant. From its 2014 result, Punitec GmbH paid a dividend of €0.2 (0.2) million to Uponor. The Group has also a joint venture company, Uponor Middle East S.A.L. Its book value is €0.0 (0.0) million.

## 16. Other shares and holdings

| | | |
|---|---|---|
| Other non-current investments | 0.8 | 0.7 |
| Total | **0.8** | **0.7** |

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

## 17. Non-current receivables

| | | |
|---|---|---|
| Other loan receivables | 0.2 | 0.2 |
| Other receivables | 10.1 | 9.9 |
| Total | **10.3** | **10.1** |

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 27 Commitments, contingent assets and contingent liabilities.

## 18. Inventories

| | | |
|---|---|---|
| Raw materials and consumables | 16.3 | 21.3 |
| Semifinished products | 15.4 | 12.6 |
| Finished products / goods | 85.7 | 81.5 |
| Total | **117.4** | **115.4** |

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 €3.4 (1.0) million.

## 19. Accounts receivable and other receivables

| | | |
|---|---|---|
| Accounts receivable | 137.3 | 126.7 |
| Current income tax receivables | 3.0 | 4.5 |
| Prepayments and accrued income | 8.8 | 6.8 |
| Derivative contracts | 2.9 | 5.4 |
| Interest-bearing current assets | 0.3 | - |
| Other receivable | 15.1 | 17.2 |
| Total | **167.4** | **160.6** |

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 an €0.7 (1.3) million impairment in accounts receivable as expenses during the financial period. The decrease relates to an impairment in trade receivable from the mining company Talvivaara Sotkamo Oy in 2013. The Group is unaware of any factors which would cause possible additional impairments.

Aging of accounts receivable is as presented in note 29 Financial risk management.

| **Accrued income** | **2014** | **2013** |
|---|---|---|
| Taxes | 2.7 | 1.6 |
| Other | 6.1 | 5.1 |
| Total | **8.8** | **6.8** |

## 20. Cash and cash equivalents

| | | |
|---|---|---|
| Cash and bank deposits | 28.8 | 31.9 |
| Other short-term investments (1-3 months) | 31.4 | 21.8 |
| Total | **60.2** | **53.7** |

## 21. Shareholders' equity

During 2014, 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 2014 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.

## 22. Deferred taxes

| | 2014 | 2013 |
|---|---|---|
| **Deferred tax assets** | | |
| Internal profit in inventory | 0.6 | 0.6 |
| Provisions | 6.1 | 4.8 |
| Unused tax losses | 3.4 | 1.2 |
| Tangible assets | 0.8 | 1.1 |
| Employee benefits | 2.9 | 2.4 |
| Fair valuation of available-for-sale investments and financial instruments | 0.2 | 0.4 |
| Other temporary differences | 5.4 | 5.4 |
| Total | **19.4** | **15.9** |
| **Deferred tax liabilities** | | |
| Accumulated depreciation difference and untaxed reserve | 7.1 | 7.2 |
| Tangible assets | 0.1 | 0.2 |
| Fair valuation of available-for-sale investments and financial instruments | 0.6 | 0.2 |
| Other temporary differences | 11.5 | 8.1 |
| Total | **19.3** | **15.7** |

**Deferred tax assets**

| | 2014 | 2013 |
|---|---|---|
| **1 Jan** | **15.9** | **14.6** |
| Recognised on income statement | 2.2 | -1.8 |
| Recognised in comprehensive income | 0.3 | -0.4 |
| Recorded in equity | 0.2 | 0.1 |
| Translation difference | 0.8 | -0.5 |
| Bought / sold business operations | - | 3.9 |
| **31 Dec** | **19.4** | **15.9** |

**Deferred tax liabilities**

| | 2014 | 2013 |
|---|---|---|
| **1 Jan** | **15.7** | **14.8** |
| Recognised on income statement | 2.3 | -3.6 |
| Recognised in comprehensive income | 0.0 | -0.1 |
| Recorded in equity | 0.3 | 0.1 |
| Translation difference | 1.0 | -0.3 |
| Bought / sold business operations | - | 4.8 |
| **31 Dec** | **19.3** | **15.7** |

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 2014, the Group carried forward losses of €15.4 (4.6) million, for which the Group has a recognised deferred tax asset. In 2014, there is a €32.8 (26.9) million of loss carry-forwards for which no deferred tax asset has been recognised due to the uncertainty of the utilisation of these loss carry-forwards. Losses of €1.9 million will expire in 2015.

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.

## 23. Employee benefit obligations

The Group has a number of pension plans covering its operations, complying with each country's local rules and regulations. Moreover, the Group applies defined contribution and defined benefit pension plans. Pensions are based on actuarial calculations or actual payments to insurance companies. Independent authorised actuaries have prepared the actuarial calculations. The discount rate for actuarial calculations is determined by the reference to market yields of high-quality corporate bonds or government bonds. Used discount rates are country specific. Before 2014 the discount rate used was the same inside currency areas. The change impacted only the euro area, in this case Germany, Finland and Italy. 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 (96) % 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. Nowadays, pensions are accrued 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.

| | **2014** | **2013** |
|---|---|---|
| Post-employment benefit obligations: | | |
| - Defined benefit plans | 28.0 | 23.0 |
| Other long-term employee benefit liability | 1.9 | 2.1 |
| Total | **29.9** | **25.1** |

**Defined benefit obligations**

| | **2014** | **2013** |
|---|---|---|
| **Reconciliation of assets and liabilities recognised in the balance sheet** | | |
| Defined benefit obligation | 37.6 | 31.5 |
| Fair value of plan assets | -9.6 | -8.5 |
| Net liability in the balance sheet | **28.0** | **23.0** |
| | | |
| **Expenses recognised in the income statement** | | |
| Service costs | 0.5 | 0.3 |
| Net interest costs | 0.9 | 0.8 |
| Total | **1.4** | **1.1** |
| | | |
| **Expenses recognised in the income statement by function** | | |
| Cost of goods sold | 0.3 | 0.2 |
| Dispatching and warehousing | 0.3 | 0.2 |
| Sales and marketing | 0.6 | 0.5 |
| Administration | 0.2 | 0.2 |
| Other | 0.0 | 0.0 |
| Total | **1.4** | **1.1** |
| | | |
| **Movements in obligation** | | |
| Obligation at 1 Jan | 31.5 | 20.0 |
| Acquisition of businesses | - | 11.9 |
| Service cost | 0.5 | 0.3 |
| Interest expense | 1.3 | 1.0 |
| Remeasurements | 5.5 | 0.7 |
| Member contributions | 0.1 | 0.0 |
| Conversion difference | 0.1 | -1.0 |
| Benefit payments | -1.4 | -1.4 |
| Obligation at 31 Dec | **37.6** | **31.5** |
| | | |
| **Movements in fair value of plan assets** | | |
| Fair value of plan assets at 1 Jan | 8.5 | 0.3 |
| Acquisition of businesses | - | 8.0 |
| Interest income | 0.5 | 0.2 |
| Remeasurements | 0.2 | 0.6 |
| Contributions by employer | 1.4 | 1.2 |
| Member contributions | 0.1 | 0.0 |
| Conversion difference | 0.3 | -0.4 |
| Benefit payments | -1.4 | -1.4 |
| Fair value of plan assets at 31 Dec | **9.6** | **8.5** |

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Fair value | % | Fair value | % |
| Equity instruments | 5.5 | 57.5% | 4.9 | 57.2% |
| Debt instruments | 3.7 | 38.3% | 3.2 | 38.1% |
| Assets held by insurance company | 0.4 | 4.2% | 0.4 | 4.6% |
| Total | 9.6 | 100.0% | 8.5 | 100% |

| | Germany | | Sweden | | Canada | | Other countries | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| Defined benefit obligation | 11.9 | 10.3 | 8.5 | 7.9 | 15.7 | 12.1 | 1.4 | 1.2 |
| Fair value of plan assets | - | 0.0 | - | 0.0 | 9.2 | 8.1 | 0.4 | 0.4 |
| **Net liability (asset)** | **11.9** | **10.3** | **8.5** | **7.9** | **6.6** | **4.0** | **1.0** | **0.8** |

**Principal actuarial assumptions**

| | Germany | | Sweden | | Canada | | Other countries | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| Discount rate (%) | 4.0 | 3.5 | 2.5 | 4.0 | 4.0 | 5.0 | 1.5-2.5 | 3.5-4.0 |
| Expected rate of salary increase (%) | 3.0 | 3.0 | n/a | n/a | 3.0 | 3.0 | n/a-3.0 | 3.0-3.5 |
| Expected rate of pension increase (%) | n/a | 2.0 | 1.5 | 2.0 | n/a | n/a | n/a-2.0 | 0.1-2.0 |

The Group expects to contribute €1.7 (1.4) million to its defined benefit pension plans in 2015.

The following table shows maturity of expected benefit payments:

| **Maturity of benefit payments** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020 ->** |
|---|---|---|---|---|---|---|
| Expected benefit payments | 1.3 | 0.7 | 0.7 | 0.8 | 0.9 | 5.3 |

## 24. Provisions

| | Guarantee and warranty obligations | Environmental obligations | Restructuring | Other provisions | Total |
|---|---|---|---|---|---|
| Provisions at 1 Jan 2014 | 6.5 | 3.3 | 3.8 | 8.5 | 22.1 |
| Conversion difference | 0.3 | - | 0.0 | 0.8 | 1.1 |
| Additional provisions | 2.9 | - | 2.5 | 2.9 | 8.3 |
| Utilised provisions | -3.1 | -0.1 | -4.2 | -1.9 | -9.3 |
| Unused amounts reversed | -0.1 | - | -0.1 | -5.8 | -6.0 |
| **Provisions at 31 Dec 2014** | **6.5** | **3.2** | **2.0** | **4.5** | **16.2** |
| | | | | | |
| Current provisions | 5.7 | 0.4 | 2.0 | 3.4 | 11.6 |
| Non-current provisions | 0.8 | 2.8 | - | 1.1 | 4.6 |
| **Total** | **6.5** | **3.2** | **2.0** | **4.5** | **16.2** |

Warranty provisions amounted to €6.5 (6.5) 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 provision for certain claim issues which date back to and concern an already discontinued system brand. The increase in restructuring provisions relates to relocation of the distribution centre in Germany and streamlining of the Finnish operations in Uponor Infra. The used restructuring provisions relate 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 €3.2 (3.3) million. During 2015, a total of €0.4 million of these provisions is expected to be realised.

## 25. Interest-bearing liabilities

| | 2014 | 2013 |
|---|---|---|
| **Non-current interest bearing liabilities** | | |
| Bonds | 99.9 | 99.9 |
| Loans from financial institutions | 19.9 | 28.9 |
| Finance lease liabilities | 6.5 | 7.6 |
| Total | **126.3** | **136.4** |
| | | |
| **Current interest-bearing liabilities** | | |
| Loans from financial institutions | 15.3 | 13.5 |
| Finance lease liabilities | 0.6 | 0.7 |
| Total | **15.9** | **14.2** |

**Maturity of non-current interest bearing liabilities**

| | 2016 | 2017 | 2018 | 2019 | 2020- |
|---|---|---|---|---|---|
| Bonds | 19.9 | 0.0 | 80.0 | - | - |
| Loans from financial institutions | 6.0 | 6.0 | 7.9 | - | - |
| Finance lease agreements | 0.6 | 0.7 | 0.8 | 0.8 | 3.6 |
| Total | **26.5** | **6.7** | **88.7** | **0.8** | **3.6** |

| **The interest rate ranges of interest-bearing liabilities, % pa** | **2014** | **2013** |
|---|---|---|
| Loans from financial institutions | 1,579 - 5,300 | 1,974 - 7,00 |
| Bonds *) | 1,926 - 2,226 | 2,137- 2,437 |

*) 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, Uponor Infra Oy, jointly owned 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** | **2014** | **2013** |
|---|---|---|
| Minimum lease payments | | |
| In less than one year | 1.0 | 1.3 |
| 1-5 years | 4.1 | 5.0 |
| Over 5 years | 3.8 | 5.6 |
| Total | **8.9** | **11.9** |
| Future finance charges | 1.8 | 3.6 |
| Finance lease liabilities - the present value of minimum lease payments | **7.1** | **8.3** |
| | | |
| The present value of minimum lease payments | | |
| In less than one year | 0.6 | 0.7 |
| 1-5 years | 2.9 | 2.8 |
| Over 5 years | 3.6 | 4.8 |
| Total | **7.1** | **8.3** |

The Group’s finance lease agreements are mainly related to office, factory and warehouse premises. On 31 December 2014, the total amount of capitalised costs for finance lease agreements in the Group was €4.5 (5.1) million, which was included in the balance sheet under property, plant and equipment. The corresponding depreciation in 2014 was € 0.4 (0.5) million. The total amount of finance lease payments in 2014 was €1.8 (1.6) million, which included €0.6 (0.9) million in interest expenses.

The most significant leasing liability is the finance lease agreement relating to office buildings and production facilities in Germany, signed in 1999. In 2014, the Group did not enter into any significant new finance lease agreements.

## 26. Accounts payable and other liabilities

| | 2014 | 2013 |
|---|---|---|
| Accounts payable | 67.6 | 61.1 |
| Current income tax liability | 5.0 | 2.5 |
| Accrued liabilities | 72.5 | 69.3 |
| Advances received | 1.5 | 2.8 |
| Derivative contracts | 6.3 | 5.3 |
| Other current liabilities | 22.4 | 18.1 |
| Total | **175.3** | **159.1** |
| **Accrued liabilities** | | |
| Personnel expenses | 32.8 | 21.3 |
| Bonuses | 17.6 | 15.5 |
| Taxes | 1.0 | 1.2 |
| Interest | 0.3 | 0.7 |
| Others | 20.8 | 30.6 |
| Total | **72.5** | **69.3** |

## 27. Commitments, contingent assets and contingent liabilities

| | 2014 | 2013 |
|---|---|---|
| Commitments of purchase PPE (Property, plant, equipment) | 1.9 | 3.3 |
| Other commitments | 1.1 | 1.5 |
| - on own behalf | | |
| Pledges at book value | 0.5 | 0.4 |
| Mortgages issued | 14.3 | 9.4 |
| Guarantees issued | 5.1 | 6.1 |
| - on behalf of a subsidiary | | |
| Pledges at book value | 0.0 | 0.0 |
| Guarantees issued | 18.8 | 19.4 |
| Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures. | | |
| Pledges at book value | 0.5 | 0.4 |
| Mortgages issued | 14.3 | 9.4 |
| Guarantees issued | 24.0 | 25.6 |
| Total | **38.8** | **35.4** |

Contingent liabilities are presented in accordance with the best estimate of the amount of liability.

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 in 2012. 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 has also started a process to avoid possible double taxation. The surtaxes (€1.9 million) and the interest on delayed payments (€3.3 million) were recorded as expenses in 2011. The paid taxes (€9.8 million) relating to an increase in taxable income were booked as receivables from the tax authority in 2012. Tax authority returned €0.3 million to Uponor Corporation in June 2013; thus the tax receivable decreased to €9.6 million. The tax receivable is 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.

## 28. Operating lease commitments

| | 2014 | 2013 |
|---|---|---|
| Future minimum lease payments | | |
| In less than one year | 10.6 | 12.2 |
| 1-5 years | 23.6 | 18.6 |
| Over 5 years | 10.4 | 4.5 |
| Total | **44.6** | **35.3** |

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.

## 29. 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, Vice President Treasury and Risk Management and Vice President, Group Controlling. 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 the relevant portion of their net foreign currency cash flows. 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 2014, these currencies accounted for approximately 50 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 2014**

| M€ | EUR USD | EUR SEK | USD CAD | EUR CAD | EUR DKK | Total |
|---|---|---|---|---|---|---|
| Gross exposure | -14.5 | 4.4 | -0.3 | 5.6 | 5.4 | 0.6 |
| Hedged | 0.1 | -26.6 | 11.5 | -12.0 | 5.4 | -21.6 |
| Net exposure | -14.4 | -22.2 | 11.2 | -6.4 | 10.8 | -21.0 |

| **Sensitivity analysis (+/- 10%)** | **EUR USD** | **EUR SEK** | **USD CAD** | **EUR CAD** | **EUR DKK** | **Total** |
|---|---|---|---|---|---|---|
| Income statement | 0.2 | 0.8 | 1.1 | 0.7 | 1.1 | 3.9 |
| Equity (translation differences) | 1.2 | 3.0 | | | | 4.2 |

**Group's currency risk position at 31 Dec 2013**

| M€ | EUR SEK | EUR USD | NOK SEK | USD CAD | DKK SEK | 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 |

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 €4.2 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 -/+ €0.6 million (-/+ €0.4 million) to the income statement and +/- €1.8 million to shareholders’ equity (+/- €1.9 million). The impact is calculated before taxes. The interest position impacting income statement consists of floating rate interest-bearing financial liabilities and assets and interest rate swaps, where hedge accounting is not applied. 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 2014 included:

- Bond €80 million maturing in 2018
- Bond €20 million maturing in 2016
- Several committed bilateral revolving credit facilities totalling €200 million of which 150 million maturing in 2019 and 50 million maturing in 2015.

None of the committed bilateral revolving credit facilities were used during the reporting period. €150 million of the revolving credit facilities were renegotiated and extended during the first quarter 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 €60.2 (53.7) million in cash and cash equivalents.

| **Contractual maturity of financial liabilities at 31 Dec 2014** | **2015** | **2016** | **2017** | **2018** | **2019 -** |
|---|---|---|---|---|---|
| Bonds | 2.2 | 22.0 | 2.0 | 81.0 | |
| Loans from financial institutions | 13.4 | 6.3 | 6.2 | 8.1 | |
| Finance lease liabilities | 1.0 | 1.0 | 1.0 | 1.1 | 4.8 |
| Bank overdrafts in use | 2.7 | | | | |
| Accounts payable | 67.6 | | | | |
| | | | | | |
| **Derivative contracts** | | | | | |
| Foreign currency derivatives | | | | | |
| - cash outflow | 227.1 | | | | |
| - cash inflow | 227.3 | | | | |
| Interest derivatives | 1.0 | 1.0 | 0.8 | 0.4 | |
| Electricity derivatives | 0.4 | 0.3 | 0.3 | 0.0 | 0.0 |

| **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 |
| Commercial papers | 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 | |

### 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 2014.

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 €0.7 (1.3) million impairment in accounts receivable in 2014. The reduction relates to impairment in trade receivables from the mining company Talvivaara Sotkamo Oy in 2013.

| The aging of accounts receivable | 2014 | 2013 |
|---|---|---|
| Undue | 107.0 | 87.7 |
| Due 1-30 days | 20.9 | 25.5 |
| Due 31-60 days | 2.7 | 6.8 |
| Due 61-90 days | 2.4 | 1.7 |
| Due over 90 days | 4.3 | 5.0 |
| Total | **137.3** | **126.7** |

### 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. 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.

| | 2014 | 2013 |
|---|---|---|
| Change in shareholders' equity | +/- 0.5 | +/- 0.5 |

## 30. Derivative contracts and hedge accounting

| Nominal value | 2014 | 2013 |
|---|---|---|
| Interest derivatives: | | |
| Interest rate swaps | 170.0 | 170.0 |
| | | |
| Foreign currency derivatives: | | |
| Forward agreements | | |
| - not under hedge accounting | 176.5 | 157.1 |
| - under hedge accounting | 51.9 | 93.6 |
| Currency options, bought | 9.4 | 9.9 |
| Currency options, sold | 9.4 | 9.9 |
| | | |
| Commodity derivatives: | | |
| Forward agreements | | |
| - under hedge accounting | 7.1 | 7.2 |

| Fair value | 2014 Positive fair value | 2014 Negative fair value | 2014 Net fair value | 2013 Positive fair value | 2013 Negative fair value | 2013 Net fair value |
|---|---|---|---|---|---|---|
| Interest derivatives: | | | | | | |
| Interest rate swaps | 0.6 | -3.7 | -3.1 | 2.2 | -3.7 | -1.5 |
| | | | | | | |
| Foreign currency derivatives: | | | | | | |
| Forward agreements | | | | | | |
| - not under hedge accounting | 2.0 | -1.9 | 0.1 | 2.0 | -0.6 | 1.5 |
| - under hedge accounting | 0.3 | -0.2 | 0.1 | 1.1 | -0.2 | 0.7 |
| Currency options, bought | 0.6 | - | 0.6 | 0.4 | - | 0.4 |
| Currency options, sold | - | 0.0 | 0.0 | - | 0.0 | 0.0 |
| | | | | | | |
| Electricity derivatives | | | | | | |
| - under hedge accounting | - | -0.9 | -0.9 | - | -1.4 | -1.4 |

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.

From electricity derivatives a gain of € 0.1 million (loss of €0.4 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 gain of €0.2 million (a loss of €0.3 million). A loss of € 0.2 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 loss of €1.0 million (loss of €0.8 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.

## 31. 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 a 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 2014, gearing average was 45.8 (57.9) per cent.

| | 2014 | 2013 |
|---|---|---|
| Interest-bearing liabilities | 142.2 | 150.6 |
| Cash and cash equivalent | 60.2 | 53.7 |
| Net interest-bearing liabilities | 82.0 | 96.9 |
| Total equity | 297.9 | 287.7 |
| Gearing, % | 27.6 | 33.7 |
| Gearing across quarters, % | 45.8 | 57.9 |

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.

## 32. Management incentive programmes and share based payments

In February 2014, the Board of Directors of Uponor Corporation decided to continue to implement the long-term share-based incentive plan established in 2012. The new plan covers the years 2014-2016 and it complements the existing plans for the years 2012-2014 and 2013-2015.

The terms are the same for all three plans:
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 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.

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 plan 2014-2016 covers a maximum of ten members of the Group's key management. The maximum number of the shares awarded based on the share investment corresponds with approximately 8,500 shares and the maximum number of performance shares to be delivered corresponds with approximately 170,000 shares.

The plan 2013-2015 covers a maximum of twelve members of the Group's key management. 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 plan 2012-2014 covers a maximum of twelve members of the Group's key management. 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.

The management incentive scheme impact on the Group's operating profit is €0.3 (-0.9) million, on equity it is €-0.1 (0.3) million and the liability reserved for paying any related income taxes for scheme participants is €0.5 (0.8) million.

In addition, on 11 December 2014 the Board approved a new performance share plan to be offered approximately 20-25 key managers of the Group, including the members of Executive Committee. The plan has one performance period covering calendar years 2015-2017. This did not have any impact on the consolidated financial statements in 2014.

## 33. Interests in subsidiaries and non-controlling interests

Subsidiaries are listed in the note 34 Related party transactions.

Uponor Corporation's subsidiary Uponor Infra Oy has material non-controlling interest as a result of its ownership structure. Uponor Corporation has control in Uponor Infra Oy through the 55.3 per cent direct ownership and the voting ownership by holding the Chair position in the board of directors of Uponor Infra Oy. KWH Group Ltd has 44.7per cent ownership in Uponor Infra Oy. Uponor Infra Oy is a parent company of a subgroup and its consolidated financials are presented below. The structure of this subgroup is presented in the list of subsidiaries. Uponor Infra Oy was established in 1 July 2013.

| | | Non-controlling interest, proportion of ownership | | Profit for the period attributable to non-controlling interest | | Equity attributable to non-controlling interest | |
|---|---|---|---|---|---|---|---|
| | Location | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Uponor Infra Oy | Finland, Helsinki | 44.7% | 44.7% | -0.5 | -1.0 | 66.8 | 68.0 |

Financial information on Uponor Infra Oy's consolidated financial statements:

| | **2014** | **2013** |
|---|---|---|
| Net sales | 351.3 | 189.3 |
| Profit for the period | -1.4 | -2.4 |
| Total comprehensive income for the period | -3.7 | -3.1 |
| | | |
| Non-current assets | 93.3 | 95.9 |
| Current assets | 145.7 | 158.8 |
| | | |
| Non-current liabilities | 32.8 | 39.6 |
| Current liabilities | 70.1 | 76.1 |
| | | |
| Cash flow from operations | -2.3 | 26.7 |
| Cash flow from investments | -6.7 | 6.7 |
| Cash flow from financing | 1.8 | -18.9 |

Uponor Infra Oy's consolidated profit for the period includes non-controlling interest related to Wiik & Hoeglund Plc. This is not material from Uponor Group's perspective.

Uponor Infra Oy did not pay any dividends in 2014 or in the comparison period to its owners.

## 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.

## Executive Committee and Board remuneration

| Executive Committee remuneration, T€ | 2014 | 2013 |
|---|---|---|
| Remuneration | 2,182.0 | 2,127.8 |
| Post-employment benefits | | |
| - defined contribution plans | 223.5 | 229.2 |
| Share based benefits | -248.0 | 749.6 |
| Total | **2,157.5** | **3,106.6** |

Executive Committee remuneration includes salaries, fringe benefits and incentives.

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 32).

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

| | 2014 | 2013 |
|---|---|---|
| **Executive Committee remuneration: managing director and his deputy, T€** | | |
| Luomakoski Jyri, Managing Director | 491.7 | 568.4 |
| Bondestam Sebastian, Deputy to the Managing Director | 265.9 | 262.4 |

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 a 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€ | | |
|---|---|---|
| Eloranta Jorma, Chair from 19 March 2014 | 81.2 | 58.6 |
| Paasikivi Annika, Deputy Chair from 19 March 2014 | 58.6 | - |
| Ihamuotila Timo, Chair of the Audit Committee, from 18 March 2013 | 58.0 | 51.2 |
| Nygren Eva | 54.8 | 56.0 |
| Rosendal Jari | 53.0 | 54.2 |
| Simon Rainer S. | 53.0 | 56.0 |
| Paasikivi Jari, Chair until 19 March 2014 | 3.0 | 81.8 |
| Silfverstolpe Nordin Anne-Christine, until 18 March 2013 | - | 4.8 |
| Total | **361.6** | **362.6** |

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

### Other related party disclosures

The Group had not issued any loans to the persons classified as related party by 31 December 2014 or 31 December 2013.

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.

| Transactions with associated companies, M€ | 2014 | 2013 |
|---|---|---|
| Continuing operations | | |
| Purchases | 1.6 | 1.5 |
| | | |
| Balances at the end of period | | |
| Loan receivables | 0.3 | - |
| Accounts and other receivables | - | 0.0 |
| Accounts payable and other liabilities | 0.1 | 0.1 |

## 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, Brøndby |
| 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 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 AG | Switzerland, Pfungen |
| ZAO Uponor Rus | Russia, Moscow |
| Uponor Innovation AB | Sweden, Borås |
| Uponor AB | Sweden, Virsbo |
| Uponor Vertriebs GmbH | Austria, Guntramsdorf |
| Uponor Limited | England, Lutterworth |
| Uponor Building Energy 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 |
| Uponor Infra Limited (99% Uponor Infra A/S, 1% Uponor Infra Oy) | England, Milton Keynes |
| Uponor Infra Sp. z o.o. | Poland, Warsaw |
| Uponor Infra Oü | Estonia, Tartu |
| ZAO “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 |

(*) Dormant company

## 35. Events after the balance sheet date

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

## SHARES AND SHAREHOLDERS

The volume of Uponor shares traded on the NASDAQ OMX Helsinki Exchange in 2014 totalled 18,842,871, valued at € 229.3 million. The share closed at € 11.49 and the market capitalisation came to € 841.1 million. The yearend number of shareholders totalled 15,846 of which foreign shareholders accounted for 28.3 (33.9) per cent.

### Major shareholders on 31 December 2014

| Shareholder | Shares | % of shares | % of votes |
|---|---|---|---|
| Oras Invest Ltd | 16,571,780 | 22.6 | 22.7 |
| Varma Mutual Pension Insurance Company | 3,862,072 | 5.3 | 5.3 |
| Investment Fund Nordea Nordic Small Cap | 3,163,857 | 4.3 | 4.3 |
| Ilmarinen Mutual Pension Insurance Company | 1,588,275 | 2.2 | 2.2 |
| Investment Fund Nordea Fennia | 911,905 | 1.2 | 1.2 |
| Sigrid Juselius Foundation | 773,200 | 1.1 | 1.1 |
| State Pension Fund | 705,000 | 1.0 | 1.0 |
| Investment Fund Nordea Pro Suomi | 625,829 | 0.9 | 0.9 |
| Nordea Nordenfonden | 571,503 | 0.8 | 0.8 |
| Paasikivi Pekka | 560,406 | 0.8 | 0.8 |
| Paasikivi Jari | 548,888 | 0.7 | 0.7 |
| Paasikivi Jukka | 538,173 | 0.7 | 0.7 |
| Others | 42,645,678 | 58.2 | 58.3 |
| Total | 73,066,566 | 99.8 | 100.0 |
| Own shares held by the company | 140,378 | 0.2 | - |
| Grand total | 73,206,944 | 100.0 | 100.0 |

### Nominee registered shares on 31 December 2014

| | | | |
|---|---|---|---|
| Nordea Bank Finland Plc | 10,764,051 | 14.7 | 14.7 |
| Nasdaq OMXBS/Skandinaviska Enskilda Banken AB | 7,186,004 | 9.8 | 9.8 |
| Svenska Handelsbanken AB (publ.) | 1,708,176 | 2.3 | 2.3 |
| Others | 274,006 | 0.4 | 0.4 |
| Total | 19,932,237 | 27.2 | 27.2 |

The maximum number of votes which may be cast at the Annual General Meeting is 73,066,566 (status on 31 December 2014).
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 25.3 (25.3) per cent.

**Shareholders by category on 31 December 2014**

| Category | No. of shares | % of shares |
|---|---|---|
| Private non-financial corporations | 19,326,378 | 26.4 |
| Public non-financial corporations | 4,300 | 0.0 |
| Financial and insurance corporations | 9,939,895 | 13.6 |
| General government | 7,064,784 | 9.6 |
| Non-profit institutions | 3,118,098 | 4.3 |
| Households | 13,056,117 | 17.8 |
| Foreign (including nominee registrations) | 20,696,518 | 28.3 |
| Other (joint account) | 854 | 0.0 |
| Total | 73,206,944 | 100.0 |

**Shareholders by size of holding on 31 December 2014**

| Shares per shareholder | No. of shares, total | % of share capital | No. of shareholders | % of shareholders |
|---|---|---|---|---|
| 1 - 100 | 265,012 | 0.4 | 3,985 | 25.1 |
| 101 - 1,000 | 3,938,179 | 5.4 | 9,300 | 58.7 |
| 1,001 - 10,000 | 6,348,174 | 8.7 | 2,328 | 14.7 |
| 10,001 - 100,000 | 4,946,457 | 6.7 | 185 | 1.2 |
| 100,001 - 1,000,000 | 12,864,907 | 17.6 | 41 | 0.3 |
| 1,000,001 - | 44,844,215 | 61.2 | 7 | 0.0 |
| Total | 73,206,944 | 100.0 | 15,846 | 100.0 |

**Share capital development 2010 - 2014**

| | Date | Reason | Change, euro | Share capital, euro | Number of shares |
|---|---|---|---|---|---|
| **2014** | 31 Dec | | | 146,446,888 | 73,206,944 |
| **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 |

## PARENT COMPANY INCOME STATEMENT (FAS)

| | | 1 Jan - 31 Dec 2014 | 1 Jan - 31 Dec 2013 |
|---|---|---|---|
| | | Euro | |
| **Net sales** | 2 | 21,444,513.45 | 19,213,392.48 |
| Other operating income | 3 | 275.00 | 1,921.00 |
| Personnel expenses | 4 | 4,764,194.50 | 4,735,277.69 |
| Depreciation and impairments | 5 | 335,929.63 | 441,784.97 |
| Other operating expenses | 3 | 23,150,985.56 | 20,000,401.30 |
| **Operating loss** | | **-6,806,321.24** | **-5,962,150.48** |
| Financial income and expenses | 6 | 31,136,879.86 | 10,726,858.13 |
| **Profit before extraordinary items** | | **24,330,558.62** | **4,764,707.65** |
| Extraordinary items | 7 | 7,903,000.00 | 6,960,000.00 |
| **Profit before appropriations and taxes** | | **32,233,558.62** | **11,724,707.65** |
| Change in depreciation difference | | 104,514.29 | -91,814.96 |
| Income taxes | 8 | -22,473.89 | -411,072.21 |
| **Profit for the period** | | **32,315,599.02** | **11,221,820.48** |

## PARENT COMPANY BALANCE SHEET (FAS)

| | | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| | | Euro | |
| **Assets** | | | |
| **Non-current assets** | | | |
| **Intangible assets** | | | |
| Intangible rights | | 388,325.10 | 618,193.14 |
| **Intangible assets** | 9 | **388,325.10** | **618,193.14** |
| **Tangible assets** | | | |
| Machinery and equipment | | 176,618.89 | 208,914.79 |
| **Tangible assets** | 9 | **176,618.89** | **208,914.79** |
| **Securities and long-term investments** | | | |
| Shares in subsidiaries | | 283,029,963.05 | 272,571,570.93 |
| Other shares and holdings | | 48,585.35 | 48,618.99 |
| Loan receivables | | 89,035,979.25 | 89,197,738.73 |
| **Securities and long-term investments** | 10 | **372,114,527.65** | **361,817,928.65** |
| **Total non-current assets** | | **372,679,471.64** | **362,645,036.58** |
| **Current assets** | | | |
| **Non-current receivables** | | | |
| Deferred tax assets | | 506,145.06 | 534,027.33 |
| **Non-current receivables** | 11 | **506,145.06** | **534,027.33** |
| **Current receivables** | | | |
| Accounts receivable | | 3,294,339.58 | 2,625,851.80 |
| Loan receivables | | 71,226,628.05 | 79,175,579.49 |
| Accruals | | 478,455.14 | 501,227.76 |
| Other receivables | | 34,057,271.22 | 38,578,919.37 |
| **Current receivables** | 12 | **109,056,693.99** | **120,881,578.42** |
| **Cash and cash equivalents** | | | |
| Cash and cash equivalents | | 46,693,090.94 | 30,436,573.75 |
| **Cash and cash equivalents** | | **46,693,090.94** | **30,436,573.75** |
| **Total current assets** | | **156,255,929.99** | **151,852,179.50** |
| **Total assets** | | **528,935,401.63** | **514,497,216.08** |

## PARENT COMPANY BALANCE SHEET (FAS)

| | Note | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| | | 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 | | 65,042,155.49 | 81,585,630.09 |
| Profit for the period | | 32,315,599.02 | 11,221,820.48 |
| **Total shareholders' equity** | 13 | **294,055,628.47** | **289,505,324.53** |
| **Accumulated appropriations** | | | |
| Depreciation difference | 14 | 140,808.82 | 245,323.11 |
| **Accumulated appropriations total** | | **140,808.82** | **245,323.11** |
| **Provisions** | **15** | **2,530,725.28** | **2,670,136.64** |
| **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 | | 2,549,207.07 | 2,334,110.03 |
| Accruals | | 2,865,538.95 | 1,847,022.87 |
| Other current liabilities | | 126,793,493.04 | 117,895,298.90 |
| **Current liabilities** | 17 | **132,208,239.06** | **122,076,431.80** |
| **Total liabilities** | | **232,208,239.06** | **222,076,431.80** |
| **Total liabilities and shareholders' equity** | | **528,935,401.63** | **514,497,216.08** |

## PARENT COMPANY CASH FLOW STATEMENT

| | 1 Jan - 31 Dec 2014 | 1 Jan - 31 Dec 2013 |
|---|---|---|
| | Euro | |
| **Cash flow from operations** | | |
| Operating profit | -6,806,321.24 | -5,962,150.48 |
| Depreciation | 335,929.63 | 441,784.97 |
| Other non-cash items | -139,411.36 | -714,229.60 |
| **Net cash from operations** | **-6,609,802.97** | **-6,234,595.11** |
| **Change in working capital** | | |
| Receivables | 4,832,198.24 | 11,490,185.11 |
| Non-interest-bearing liabilities | 7,532,662.03 | 40,267,605.05 |
| **Change in working capital** | **12,364,860.27** | **51,757,790.16** |
| Dividends received | 34,357,281.63 | 17,292,688.26 |
| Group contributions | 5,810,000.00 | 8,940,000.00 |
| **Cash flow from operations** | **45,922,338.93** | **71,755,883.31** |
| **Cash flow from investments** | | |
| Purchase of fixed assets | -73,765.69 | -319,470.36 |
| Proceeds from sale of tangible and intangible assets | - | 3,695,090.69 |
| Granted loans | -1,138,877.77 | -2,838,675.35 |
| Loan repayments | 1,981,848.31 | 17,869,712.95 |
| Changes in investments in subsidiaries | -3,939,331.22 | -43,783,887.51 |
| Interests received | 3,976,600.83 | 5,105,642.89 |
| Dividends received | 1,050.00 | 2,400.00 |
| **Cash flow from investments** | **807,524.46** | **-20,269,186.69** |
| **Cash flow before financing** | **46,729,863.39** | **51,486,696.62** |
| **Cash flow from financing** | | |
| Borrowings of debt | 21,000,000.00 | 41,000,000.00 |
| Repayments of debt | -21,000,000.00 | -41,000,000.00 |
| Change in other short term debt | -9,716.58 | -1,355,906.96 |
| Interests paid | -2,363,788.88 | -2,344,116.44 |
| Dividends paid | -27,765,295.08 | -27,765,295.08 |
| Income taxes paid | -334,545.66 | - |
| **Cash flow from financing** | **-30,473,346.20** | **-31,465,318.48** |
| **Change in cash and cash equivalents** | **16,256,517.19** | **20,021,378.14** |
| Cash and cash equivalents at 1 January | 30,436,573.75 | 10,415,195.61 |
| Cash and cash equivalents at 31 December | 46,693,090.94 | 30,436,573.75 |
| **Changes according to balance sheet** | **16,256,517.19** | **20,021,378.14** |

## 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.

| | 2014<br>Euro | 2013 |
|---|---|---|
| **2. Net sales** | | |
| Income from services | | |
| - From group companies | 21,440,736.36 | 19,206,182.48 |
| - External | 3,777.09 | 7,210.00 |
| Total | **21,444,513.45** | **19,213,392.48** |
| | | |
| **3. Other operating income and expenses** | | |
| | | |
| **Other operating income** | | |
| Gains from sales of fixed assets | - | 1,921.00 |
| Other | 275.00 | - |
| Total | **275.00** | **1,921.00** |
| | | |
| **Other operating expenses** | | |
| Travel expenses | 1,262,603.54 | 1,202,941.04 |
| Purchased services | 10,882,154.50 | 9,364,162.67 |
| Other | 11,006,227.52 | 9,433,297.59 |
| Total | **23,150,985.56** | **20,000,401.30** |

| Auditor's fees | 2014 | 2013 |
|---|---|---|
| - Audit fees | 66,500.00 | 72,705.25 |
| - Tax advice | 2,500.00 | 41,818.15 |
| - Other services | 45,642.08 | 50,615.00 |

**4. Personnel expenses**

| | 2014 | 2013 |
|---|---|---|
| Salaries and bonuses | 4,187,536.68 | 4,047,196.61 |
| Pension expenses | 390,714.49 | 494,268.30 |
| Other personnel expenses | 185,943.33 | 193,812.78 |
| Total | **4,764,194.50** | **4,735,277.69** |

During financial period company employed:

| | 2014 | 2013 |
|---|---|---|
| Employees, average | 38 | 38 |

Salaries and emoluments paid to the managing director and his debuty and Board Members *)

| | 2014 | 2013 |
|---|---|---|
| Managing director and his deputy | 491,692.93 | 730,540.31 |
| Board of Directors | 361,600.00 | 362,600.00 |
| Total | **853,292.93** | **1,093,140.31** |

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

**Loans to company directors**
At 31 December 2014, 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**

| | 2014 | 2013 |
|---|---|---|
| Intangible assets | 267,594.80 | 374,190.14 |
| Tangible assets | 68,334.83 | 67,594.83 |
| Total | **335,929.63** | **441,784.97** |

**6. Financial income and expenses**

| | | |
|---|---|---|
| Interest income | 1,882,761.73 | 2,556,330.69 |
| Intercompany interest income | 4,776,015.35 | 5,548,171.93 |
| - Associated companies | 2,012.94 | 0.00 |
| Dividend income | 1,050.00 | 2,400.00 |
| Dividend income from subsidiaries | 34,357,281.63 | 17,292,688.26 |
| Interest expenses | -7,564,983.49 | -5,760,224.71 |
| Intercompany interest expenses | -121,915.61 | -199,070.02 |
| Other financial expenses | -72,694.34 | -84,590.56 |
| Other financial income | - | 6,706.80 |
| Impairments on non-current investments | -33.64 | -9,996,143.98 |
| Tuotot osuuksista saman konsernin yrityksistä | - | 2,207,934.41 |
| Gains and losses from derivatives | | |
| Realised | 3,628,973.67 | 2,385,787.11 |
| Unrealised | -2,429,651.59 | 1,046,897.97 |
| Exchange differences | | |
| Realised | -1,519,713.59 | 491,369.51 |
| Unrealised | -1,802,223.20 | -4,771,399.28 |
| **Financial income and expenses total** | **31,136,879.86** | **10,726,858.13** |

**7. Extraordinary income**

| | | |
|---|---|---|
| Group contributions | 7,903,000.00 | 6,960,000.00 |
| Total | **7,903,000.00** | **6,960,000.00** |

**8. Taxes**

| | | |
|---|---|---|
| For the financial period | 0.00 | -349,959.04 |
| For previous financial periods | 5,408.38 | 234,029.23 |
| Change in deferred taxes | -27,882.27 | -295,142.40 |
| Total | **-22,473.89** | **-411,072.21** |

In 2013 previous year's taxes include return of tax increase and interest of €115,948.27. Returns relate to tax years 2005-2007.

**9. Intangible and tangible assets**

| **2014** | Intangible rights | Intangible investment in progress | Machinery and equipment | Investment in progress | **Intangible and tangible assets** |
|---|---|---|---|---|---|
| Acquisition costs 1 Jan | 2,668,458.39 | 45,877.50 | 478,088.22 | 3,254.00 | **3,195,678.11** |
| Increases | 37,726.76 | 0.00 | 36,038.93 | 0.00 | **73,765.69** |
| Decreases | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** |
| Transfers between items | 45,877.50 | -45,877.50 | 3,254.00 | -3,254.00 | **0.00** |
| Acquisition costs 31 Dec | 2,752,062.65 | 0.00 | 517,381.15 | 0.00 | **3,269,443.80** |
| Accumulated depreciations 1 Jan | 2,096,142.75 | 0.00 | 272,427.43 | 0.00 | **2,368,570.18** |
| Acc. depreciation on disposals and transfers | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** |
| Depreciation for the financial period | 267,594.80 | 0.00 | 68,334.83 | 0.00 | **335,929.63** |
| Accumulated depreciations 31 Dec | 2,363,737.55 | 0.00 | 340,762.26 | 0.00 | **2,704,499.81** |
| **Book value 31 December** | **388,325.10** | **0.00** | **176,618.89** | **0.00** | **564,943.99** |

| **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** |

### 10. Non-current investments

| | 2014 | 2013 |
|---|---|---|
| Shares in subsidiaries book value 1 Jan | 272,571,570.93 | 205,297,828.28 |
| Increases | 10,458,392.12 | 78,712,522.13 |
| Decreases | 0.00 | 1,480,449.48 |
| Shares in subsidiaries acquisition cost 31 Dec | 283,029,963.05 | 282,529,900.93 |
| Impairments | 0.00 | 9,958,330.00 |
| **Shares in subsidiaries book value 31 Dec** | **283,029,963.05** | **272,571,570.93** |
| Other shares and holdings 1 Jan | 48,618.99 | 86,432.97 |
| Decreases | 33.64 | 37,813.98 |
| Other shares and holdings 31 Dec | **48,585.35** | **48,618.99** |
| Loans receivables | | |
| - From group companies | 83,669,015.31 | 84,070,381.81 |
| - Subordinated loan | 5,000,000.00 | 5,000,000.00 |
| - Others | 366,963.94 | 127,356.92 |
| Loan receivables total | **89,035,979.25** | **89,197,738.73** |
| Total | 372,114,527.65 | 361,817,928.65 |

In 2013 decreases in subsidiary shares include an impairment of €8.8 million relating to Uponor Ltd.

### 11. Non-current receivables

| | | |
|---|---|---|
| - deferred tax assets | 506,145.06 | 534,027.33 |
| Total | **506,145.06** | **534,027.33** |

Deferred tax asset is recorded for obligatory provisions in the balance sheet. Deferred tax asset includes short-term tax assets totalling €70,000.00.

### 12. Current receivables

| | 2014 | 2013 |
|---|---|---|
| From group companies | | |
| - accounts receivable | 3,293,499.66 | 2,625,851.80 |
| - loan receivable | 70,938,348.67 | 79,175,579.49 |
| - accruals | 2,841.38 | 5,208.30 |
| - other receivables | 29,141,111.16 | 31,656,975.60 |
| Total | **103,375,800.87** | **113,463,615.19** |
| Associated companies | | |
| - loan receivable | **288,279.38** | **0.00** |
| From external parties | | |
| - accounts receivable | 839.92 | 0.00 |
| - accruals | 475,613.76 | 496,019.46 |
| - other receivables | 4,916,160.06 | 6,921,943.77 |
| Total | **5,392,613.74** | **7,417,963.23** |
| Total current receivables | 109,056,693.99 | 120,881,578.42 |

**Accruals**

| | | |
|---|---|---|
| Interest income | 40,065.77 | 27,370.43 |
| Taxes | 138,520.69 | 138,520.69 |
| Others | 299,868.68 | 335,336.64 |
| Total | **478,455.14** | **501,227.76** |

## 13. Changes in equity

| | 2014 | 2013 |
|---|---|---|
| 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 | 92,807,450.57 | 109,350,925.17 |
| Dividend payments | -27,765,295.08 | -27,765,295.08 |
| Retained earnings 31 December | **65,042,155.49** | **81,585,630.09** |
| Profit for financial period | 32,315,599.02 | 11,221,820.48 |
| Total unrestricted equity | **97,424,368.07** | **92,874,064.13** |
| **Shareholders' equity 31 December** | **294,055,628.47** | **289,505,324.53** |

| **Distributable funds** | | |
|---|---|---|
| Unrestricted equity | 66,613.56 | 66,613.56 |
| Retained earnings | 66,067,025.50 | 82,610,500.10 |
| Profit for the period | 32,315,599.02 | 11,221,820.48 |
| Treasury shares | -1,024,870.01 | -1,024,870.01 |
| Distributable funds 31 December | **97,424,368.07** | **92,874,064.13** |

## 14. Depreciation differences

| | | |
|---|---|---|
| - Other capitalised long-term expenditure | 127,822.75 | 218,546.26 |
| - Plant and machinery | 12,986.07 | 26,776.85 |
| Total | **140,808.82** | **245,323.11** |

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

## 15. Provisions

| | | |
|---|---|---|
| Pension obligation | 30,725.28 | 70,136.64 |
| Environmental provision | 2,500,000.00 | 2,600,000.00 |
| Total | **2,530,725.28** | **2,670,136.64** |

## 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**

| | 2014 | 2016 | 2017 - |
|---|---|---|---|
| Bonds | 0.00 | 20,000,000.00 | 80,000,000.00 |

**17. Current liabilities**

| | 2014 | 2013 |
|---|---|---|
| From group companies | | |
| - accounts payable | 1,606,970.70 | 1,590,385.10 |
| - accruals | 989,267.67 | 141,053.31 |
| - other current liabilities | 119,912,621.92 | 112,423,529.63 |
| Total | **122,508,860.29** | **114,154,968.04** |
| From external parties | | |
| - accounts payable | 942,236.37 | 743,724.93 |
| - accruals | 1,876,271.28 | 1,705,969.56 |
| - other current liabilities | 6,880,871.12 | 5,471,769.27 |
| Total | **9,699,378.77** | **7,921,463.76** |
| Total current liabilities | 132,208,239.06 | 122,076,431.80 |

| **Accrued liabilities** | 2014 | 2013 |
|---|---|---|
| Personnel expenses | 520,717.86 | 505,455.44 |
| Bonuses | 496,361.92 | 274,164.60 |
| Taxes | 132,194.88 | 504,768.05 |
| Interest | 198,437.60 | 189,222.68 |
| Others | 1,517,826.69 | 373,412.10 |
| Total | **2,865,538.95** | **1,847,022.87** |

**18. Contingent liabilities**

| | 2014 | 2013 |
|---|---|---|
| - on behalf group companies | | |
| Guarantees issued | 30,954,403.30 | 17,834,246.22 |
| Guarantees issued | **30,954,403.30** | **17,834,246.22** |
| Operating lease commitments (including rental lease obligations) | | |
| Operating lease commitments for next 12 months | 696,565.32 | 703,968.36 |
| Operating lease commitments over next 12 months | 3,514,662.42 | 3,927,489.39 |
| Lease commitments | **4,211,227.74** | **4,631,457.75** |
| Total | **35,165,631.04** | **22,465,703.97** |

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

## 19. Derivative contracts

| | Nominal value | |
|---|---|---|
| | **2014** | **2013** |
| Interest derivatives: | | |
| Interest rate swaps | 170,000,000.00 | 170,000,000.00 |

| | Fair value | |
|---|---|---|
| | **2014** | **2013** |
| Interest derivatives: | | |
| Interest rate swaps | -3,131,382.80 | -1,498,939.83 |

| | Nominal value | |
|---|---|---|
| Foreign currency derivatives: | **2014** | **2013** |
| Forward agreements | 225,542,879.89 | 250,458,727.42 |
| Intragroup forward agreements | 104,961,951.42 | 78,946,837.10 |
| Currency options, bought | 9,353,443.24 | 9,859,502.10 |
| Currency options, sold | 9,353,443.24 | 9,859,502.10 |
| | | |
| Commodity derivatives: | | |
| Forward agreements | 7,130,790.00 | 7,211,169.00 |

| | Fair value | |
|---|---|---|
| Foreign currency derivatives: | **2014** | **2013** |
| Forward agreements | 253,326.54 | 2,271,415.66 |
| Intragroup forward agreements | -1,140,284.37 | -566,941.89 |
| Currency options, bought | 557,447.33 | 385,485.00 |
| Currency options, sold | -11,152.87 | -2,695.00 |
| | | |
| Commodity derivatives: | | |
| Forward agreements | -938,760.00 | -1,380,265.00 |

## 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

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## PROPOSAL OF THE BOARD OF DIRECTORS

The distributable funds of the parent company Uponor Corporation are €97,424,368.07 of which profit for the period is €32,315,599.02.

The Board of Directors proposes to the Annual General Meeting that

| | | |
|---|---|---|
| -a dividend of EUR 0.42 per share will be paid, at maximum | € | 30,687,957.72 |
| -the remainder be retained in the shareholders' equity | € | 66,736,410.35 |
| | € | 97,424,368.07 |

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

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

Vantaa, 12 February 2015

Jorma Eloranta
Chair

Annika Paasikivi

Jari Rosendal

Timo Ihamuotila

Rainer S. Simon

Eva Nygren

Jyri Luomakoski
Managing director

## THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Vantaa, 12 February 2015

Deloitte & Touche Oy
Authorised Public Audit Firm

Teppo Rantanen
Authorised Public Accountant