
# Financial statements bulletin 1-12/2016

13 February 2017

# Transformation drives comparable operating profit improvement in Europe in 2016

- Savings from the transformation and earlier streamlining programmes helped to improve comparable operating profit in Building Solutions – Europe and Uponor Infra in 2016; operating profit in Building Solutions – North America remained strong but stayed slightly behind last year
- Oct-Dec net sales at €268.9 (2015: 262.0) million; Oct-Dec comparable operating profit at 16.1 (16.5) million
- Net sales Jan-Dec: €1,099.4m (1,050.8m), up 4.6%; organic growth at 2.0%
- Operating profit Jan-Dec: €71.0m (71.4m); down 0.7%
- Comparable operating profit at €90.7m (75.8m), up 19.7%
- Earnings per share at €0.58 (0.51)
- Guidance for the year 2017: the Group's net sales and comparable operating profit are expected to improve from 2016
- The Board's dividend proposal is €0.46 (0.44) per share

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

- Building Solutions – Europe progressed well in its transformation. The segment's new setup, based on a stronger and leaner management structure close to growth centres, together with an efficient manufacturing network, will provide it with a firm foothold to be able to benefit from an anticipated recovery in the European building market.
- Performance in Building Solutions – North America continued healthy, although operating profit did not grow compared to the strong comparison period in 2015. The outlook for North America remains solid.
- Uponor Infra's comparable profitability developed well in 2016, showing that the transformation programme and the streamlining initiatives from previous years are bearing fruit. Now that the change is well underway, the team will focus efforts on promoting Uponor's value-adding offering and generating growth in net sales.
- Throughout our almost 100-year history, Uponor has continuously focused on renewal and innovation. In 2016, our R&D expenditure exceeded €20 million for the first time. Growth was driven by digital transformation in our plumbing business, including such recent endeavours as the joint venture company Phyn that develops smart water solutions, or the online measurement offering by our subsidiary company UWater. In both of the above, field tests are running according plan.

## The Board's dividend proposal

The Board proposes to the Annual General Meeting a dividend of €0.46 (0.44) per share. When making the proposal, the Board considered the solvency of the company, the company's dividend policy and the business outlook, recognising the high availability of external funding for the company's growth plans.

## Key financial figures

| Consolidated income statement (continuing operations), M€ | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Net sales | 1,099.4 | 1,050.8 | 1,023.9 | 906.0 | 811.5 |
| Operating expenses | 991.0 | 942.7 | 926.4 | 823.6 | 726.5 |
| Depreciation and impairments | 41.6 | 39.1 | 36.5 | 33.0 | 28.2 |
| Other operating income | 4.2 | 2.4 | 2.4 | 0.8 | 0.9 |
| Operating profit | 71.0 | 71.4 | 63.4 | 50.2 | 57.7 |
| Comparable operating profit | 90.7 | 75.8 | 67.7 | 55.2 | 57.7 |
| Financial income and expenses | -10.0 | -8.9 | -7.4 | -7.1 | -8.6 |
| Profit before taxes | 60.4 | 62.8 | 56.3 | 43.2 | 49.4 |
| Result from continuing operations | 41.5 | 37.1 | 36.3 | 27.1 | 32.9 |
| Profit for the period | 41.9 | 36.9 | 36.0 | 26.8 | 32.8 |
| Earnings per share | 0.58 | 0.51 | 0.50 | 0.38 | 0.45 |

**Information on the financial statements bulletin**
The figures in brackets are the reference figures for the equivalent period of the previous year. Unless otherwise stated, figures refer to continuing operations. Any change percentages were calculated from the exact figures and not the rounded figures published here.

**Webcast and presentation**
A webcast of the results briefing in English will be broadcast on 13 February at 10.00 EET. Connection details are available at http://investors.uponor.com. Questions can be sent in advance to ir@uponor.com. The recorded webcast can be viewed at http://investors.uponor.com shortly after its publication. The presentation document will be available at http://investors.uponor.com > News & downloads.

**Next interim results**
Uponor Corporation will publish its Q1 interim results on 3 May 2017. During the silent period from 1 April to 3 May, Uponor will not comment on market prospects or factors affecting business and performance.

# Interim results October – December 2016

## Markets

Most of Uponor's core European building solutions markets improved during the fourth quarter, compared to 2015, with construction activity and builder sentiment rising. In North America, demand for building solutions was assisted by marginal increases in U.S. construction, with growth probably being tempered by increasing mortgage rates and some labour shortages. In Canada, the residential market continued to be resilient.

Civil engineering markets remained stable overall, but demand for infrastructure solutions continued to decline in Canada and Poland. The energy price increases witnessed during recent months have not translated into new oil production related investments, but stimulus spending on civil engineering projects has helped to spur demand in other market segments.

## Net sales

Uponor reported net sales of €268.9 (262.0) million for the fourth quarter, which brings growth in reported numbers to 2.6%. In comparable terms, i.e. excluding the acquisitions in Germany in January 2016, growth was 0.2%. The currency impact came to €0.9 million, whereby the fourth quarter's comparable growth in constant currency came to 0.5%.

Building Solutions – Europe reported an increase of 10.0% from the comparison period, with net sales coming to 125.8 (114.3) million. Just over half of this growth is due to German acquisitions made in January 2016, while the rest is from organic advances in markets, mainly in southwestern and northern Europe.

In Building Solutions – North America, net sales reached €77.2  (74.0) million. At 4.5%, the growth pace was slightly lower than in some recent quarters. This trend is partly due to the fact that while demand in the U.S. remains on a growth track, year-over-year growth of the market was stabilising in the second half of 2016. Secondly, in 2016, growth was curbed by volatility in sales originating in the plastic fittings resin shortage that began in late 2015. Judging from sales mix development, distributors who increased their fittings inventories in the first half of 2016, due to announced constraints in supply, began to assume normal buying patterns during the course of the fourth quarter.

Uponor Infra's net sales amounted to €67.2 (75.0) million, representing a decline of 10.4%. While sales picked up encouragingly in northern Europe, the subdued markets of Eastern Europe and Canada influenced the segment's sales in a negative way.

**Breakdown of net sales by segment, October–December:**

| M€ | 10-12 2016 | 10-12 2015 | Reported change |
|---|---|---|---|
| Building Solutions – Europe | 125.8 | 114.3 | 10.0% |
| Building Solutions – North-America | 77.2 | 74.0 | 4.5% |
| (Building Solutions – North-America, M$ | 82.7 | 80.2 | 3.2%) |
| Uponor Infra | 67.2 | 75.0 | -10.4% |
| Eliminations | -1.3 | -1.3 | |
| Total | 268.9 | 262.0 | 2.6% |

## Profits and profitability

Uponor's comparable gross profit in the final quarter of 2016 totalled €91.5 (91.7) million. Comparable gross profit margin came to 34.1% (35.0%). All segments reported a slight decline in comparable gross profit margin.

Consolidated operating profit for the fourth quarter came to €7.5 (14.0) million, down by 46.5%. The operating profit margin came to 2.8% (5.3%).

Comparable operating profit, i.e. excluding any items affecting comparability (IAC), came to 16.1 (16.5) million in the quarter under review, with comparable operating profit margin reaching 6.0% (6.3%). IAC, which were connected to the European transformation programmes, and included also the streamlining programme in Uponor Infra's Canadian operations, totalled €8.6 (2.5) million in the fourth quarter, of which Uponor Infra accounted for €3.0 (0.7) million and Building Solutions – Europe €5.6 (1.8) million.

Building Solutions – Europe's reported operating profit declined sharply as a result of the initiatives related to the transformation programme. These included, among other things, the costs related to the announced transfer of PEX pipe production from Spain to Sweden and the relocation of the UK office, as well as personnel reductions in some countries. Adjusting for IAC, Building Solutions – Europe's comparable operating profit came to €7.2 (5.1) million, up 40.4%. Furthermore, the price pressure caused by weak market trends over several years continued, affecting core product categories. The trend was somewhat offset by savings in overhead spend.

Building Solutions – North America's operating profit did not quite reach the strong 2015 figure but profitability or the operating profit margin remained high, at 15.4% (16.3%). Profit development was mainly due to costs associated with managing the consequences of a shortage of a key resin for plastic fittings, as reported earlier. Uponor substituted brass fittings, which had a higher unit cost, for the fittings unavailable due to the shortage. By the end of the quarter, Uponor was able to offer a full range of plastic fittings made of the new, more expensive material. Volatility due to managing this issue markedly increased costs in securing the supply of fittings for customers.

Uponor Infra, too, reported a decline in operating profit driven by the costs related to its transformation. Furthermore, the 2015 figures included a gain from the divestment of the Omega-Liner® pipeline renovation business in December 2015. Comparable operating profit, without IAC, came to €-2.0 (€-0.5) million. The negative trend in performance was mainly a result of weak sales development in North America and in Eastern Europe, while business activities in Northern Europe developed more favourably. In stark contrast to 2015, the development in resin prices was rather stable, contributing to a more stable performance overall. In 2015, infrastructure solutions sales were curbed by resin shortages and pricing issues in the second and third quarters, which resulted in higher demand in the fourth quarter once the situation had settled down.

**Reported operating profit by segment, October–December:**

| M€ | 10-12 2016 | 10-12 2015 | Reported change |
|---|---|---|---|
| Building Solutions – Europe | 1.6 | 3.3 | -53.9% |
| Building Solutions – North-America | 11.9 | 12.2 | -1.6% |
| (Building Solutions – North-America, M$ | 12.7 | 13.1 | -2.7%) |
| Uponor Infra | -5.0 | -1.2 | -334.7% |
| Others | -0.3 | -0.9 | |
| Eliminations | -0.7 | 0.6 | |
| Total | 7.5 | 14.0 | -46.5% |

**Comparable operating profit by segment, October–December:**

| M€ | 10-12 2016 | 10-12 2015 | Comparable change |
|---|---|---|---|
| Building Solutions – Europe | 7.2 | 5.1 | 40.4% |
| Building Solutions – North-America | 11.9 | 12.2 | -1.6% |
| (Building Solutions – North-America, M$ | 12.7 | 13.1 | -2.7%) |
| Uponor Infra | -2.0 | -0.5 | -370.8% |
| Others | -0.3 | -0.9 | |
| Eliminations | -0.7 | 0.6 | |
| Total | 16.1 | 16.5 | -2.3% |

## Events during the period

On 10 October 2016, employees moved into Uponor's new office in Taicang, China, the latest addition to Uponor's family of manufacturing units and the first in Asia. Production started in steps by December and additional lines will be introduced in 2017. The factory's overall floor space is 10,000m².

Also in October, Uponor launched its new Uponor PRO mobile app. This is an update of the Uponor & More app, which has been downloaded by European installers over 5,000 times since 2015. The Uponor PRO app offers more services, such as the possibility to search for Uponor distributor outlets, Uponor installers or Uponor sales reps, with an opportunity to contact them directly via the app. Product information via an online catalogue or download centre is also available.

On 23 November, Uponor announced a plan to close PEX pipe production in Mostoles, Spain and concentrate it to Virsbo, Sweden. The final decision was made in December. As a result, a maximum of 50 job positions will be terminated most of them by the end of February 2017. Uponor will continue to have its logistics centre and sales & marketing organisation in Spain. The initiative was part of Uponor's European transformation programme, launched in the autumn of 2015 and targeting the rationalisation of manufacturing and reduction of costs in supply chain and production operations.

On 30 November, Uponor took part in ReCoTech (Real Estate and Construction Technologies), an official side event of Slush, Europe's leading start-up event held annually in Helsinki, Finland. Uponor gained an overview of the latest technological developments in the building and construction industry and networked with interesting start-ups.

On 12 December, Uponor's Board of Directors resolved to continue the key management Performance Share Plan mechanism decided on by the Board in 2014. Targeting roughly 30 managers, the new plan covers the years 2017—2019 and offers participants the opportunity to earn Uponor shares as a reward for achieving their targets. The potential reward will be paid in 2020. The purpose of the plan is to continue aligning the objectives of the management with Uponor shareholders in order to increase the value of the company, boost profitable growth and retain the services of participants over the longer term.

In December, Uponor completed the relocation of its UK business to a new site in Watford, close to London, UK. The relocation moved Uponor closer to the nucleus of decision makers in the British construction market. The new setup makes the business more streamlined, simplified and efficient.

# Financial statements January – December 2016

## Markets

On the whole, construction activity in European markets strengthened during the year, albeit from a modest base. In North America, construction activity remained healthy in general, but the substantial year-over-year gains witnessed during previous years exhibited signs of waning.

In Central Europe, Germany continued to benefit from consumer-driven expansion in the economy. A strong labour market and low mortgage rates translated into increased demand for residential buildings, leading to a significant increase in residential building projects and several, all-time-high builder confidence readings. However, the much larger residential renovation segment remained flat. The non-residential segment was healthy but, in some cases, external political and economic uncertainties made businesses hesitant to initiate new projects. In the Netherlands, construction activity continued to grow, but at a reduced rate.

In Southwest Europe, construction market demand in Spain and France picked up modestly from rather low levels, while the Italian market continued to be soft. In the UK, the fallout from the “Brexit” referendum was muted, with both the residential and non-residential segments remaining steady.

Within the Nordic countries, construction activity trended upwards. Sweden’s residential boom endured, with housing starts clearly up from the previous year and reaching their highest level since the early 1990s. In Finland, after several years of slowdown, both residential and non-residential construction spending rose from 2015. Non-residential spending in Norway remained at the previous year’s level, while residential spending picked up slightly. Denmark remained flat.

In Eastern Europe, continued uncertainty took a toll on the residential and non-residential building segments. In East-Central European countries such as the Czech Republic, Hungary and Poland, residential investments rose, but non-residential investments fell from 2015. Construction spending in the Baltic countries was flat overall.

In North America, residential and non-residential construction remained largely healthy, but no signs could be seen of the substantial year-over-year gains witnessed since the recovery began. While home builder sentiment is near an all-time-high and consumer confidence remains strong, activity has probably been tempered by increased mortgage rates and labour shortages in some areas. Major volatility in leading construction indicators was witnessed during the latter half of 2016, which may have influenced purchasing behaviour patterns in the distribution chain. In Canada, the residential market experienced some softness in comparison to the previous year.

With regard to Uponor’s infrastructure solutions, demand in the Nordic markets was stable on the whole, with Sweden and Norway improving somewhat. The markets in Poland and other central-eastern Europe countries remained subdued, while spending fell significantly in the Baltic countries. Depressed energy prices continued to restrain oil-related investments in Canada, negatively influencing the infrastructure business in other market segments as well.

## Net sales

Uponor's 2016 consolidated net sales amounted to €1,099.4 (2015: €1,050.8) million, up 4.6% year-on-year. In comparable terms, i.e. excluding the 2015 divestments by Uponor Infra and the 2016 acquisitions in Germany by Building Solutions – Europe, Uponor's consolidated net sales grew by 2.0%. The currency impact totalled €-10.3 million, bringing 2016’s full-year comparable growth in constant currency to 3.0%. The negative currency effect was mainly due to the GBP, CAD, SEK, and RUB, and was therefore mostly affected Building Solutions – Europe and Uponor Infra.

Building Solutions – Europe's net sales grew by 9.4%, or 2.6% organically. This positive trend is a reflection of sales picking up in several European markets, mainly south-west Europe and the Nordic countries, as well as acquisitions in Germany in January 2016. In Europe, sales in local currency grew in nine out of the ten largest countries. The biggest advances were made in Sweden, Spain, the UK and Austria. In Germany, growth came entirely from acquisitions. Offset by growth in the commercial project business, local systems sales in Germany declined as a result of competitive sales price pressure.

With a net sales growth of 10.7% in local currency, the year 2016 was twofold for Building Solutions – North America. In the USA, the first half of the year continued to see robust growth in sales, while during the second half, growth of sales stabilised, reflecting the general trends in the building and construction market. Additionally, challenges were posed by a shortage in the plastic fittings resin supply, which forced Uponor to offer a complementary brass fitting line for an interim period. This led to sales volatility and supply chain issues and impacted on pipe and fittings system sales growth throughout most of the year 2016. Despite this, Uponor's PEX plumbing offering sales grew well in 2016 in the U.S. and also in Canada.

Uponor Infra's net sales for 2016 declined by 7.7%. The decline was mainly driven by continued weak development in Poland and North America, offsetting the budding increase in demand in northern Europe.

Within the business groups, the share of Plumbing Solutions represented 49% (45%), Indoor Climate Solutions 25% (25%), while Infrastructure Solutions represented 26% (30%) of Group net sales.

**Net sales by segment for 1 January – 31 December 2016:**

| M€ | 1–12 2016 | 1–12 2015 | Reported change |
|---|---|---|---|
| Building Solutions – Europe | 511.0 | 467.1 | 9.4% |
| Building Solutions – North America | 305.6 | 275.8 | 10.8% |
| (Building Solutions – North America (M$) | 337.2 | 304.6 | 10.7%) |
| Uponor Infra | 287.9 | 312.0 | -7.7% |
| Eliminations | -5.1 | -4.1 | |
| Total | 1,099.4 | 1,050.8 | 4.6% |

Measured in terms of reported net sales, and their respective share of Group net sales, the 10 largest countries were as follows (2015 figures in brackets): the USA 25.1% (23.9%), Germany 14.7% (13.0%), Finland 11.2% (11.8%), Sweden 9.1% (8.9%), Canada 7.3% (7.9%), Denmark 4.4% (4.5%), the Netherlands 3.6% (3.5%), Spain 3.2% (2.8%), the United Kingdom 2.9% (3.4%), and Norway 2.7% (2.9%).

## Results

The consolidated full-year gross profit ended at €376.0 (370.2) million, a change of €5.8 million. The gross profit margin came to 34.2% (35.2%). Comparable gross profit came to 383.9 (371.0) million, or 34.9% (35.3%). The gross profit was burdened by price competition and product mix issues in Building Solutions – Europe as well as plastic fittings challenges in Building Solutions – North America, offset to a large extent by operational efficiency improvements in all segments.

Consolidated operating profit came to €71.0 (71.4) million, which is close to the level of the previous year. The operating profit margin ended at 6.5% (6.8%) of net sales. Currency exchange rates did not have a material impact on the full-year operating profit.

Comparable operating profit, i.e. excluding any items affecting comparability, reached €90.7 (75.8) million, an increase of 19.7%. Comparable operating profit in Building Solutions – Europe came to €38.0 (27.6) million and €6.4 (0.9) million in Uponor Infra. The net total amount for items affecting comparability was €19.7 (4.3) million, of which €12.4 (3.6) million was reported in Building Solutions – Europe and €7.2 (0.7) million in Uponor Infra, all of the above being related to the transformation programmes in the respective segment.

Overall, market conditions in Europe improved slightly in 2016, contributing to the positive trend in operating profit in Building Solutions - Europe, in particular. Another factor, mainly influencing Uponor Infra, was the more stable cost environment and availability of plastic resins, in stark contrast to the comparison period.

Building Solutions – Europe reported an improvement in full-year operating profit, albeit at a low level in a longer-term comparison. This growth was a result of higher net sales and lower expenditure enabled by the savings due to the transformation programme. The initiatives carried out included the closure of a total of 10 offices, including one relocation, as well as the reduction of office space in three locations during 2016. The net reduction in personnel totalled 164 persons in 2016, in line with the original plan. Profitability was burdened by increasing competition in both indoor climate and plumbing solutions, mainly from private label and other competing offerings using lower price technologies, as well as tighter competition within the distribution channel.

Building Solutions – North America reported continued strong profits, although the profit margin weakened against the strong comparison period in 2015. Operating profit fell in the third quarter in particular, due to extra costs associated with managing the shortage of a key resin for plastic fittings. Uponor substituted brass fittings, which had a higher unit cost, for the fittings that were unavailable due to the shortage. By the end of the fourth quarter, Uponor was able to offer a full range of plastic fittings made of a new, more expensive material. In addition, the volatility involved in managing this transition markedly increased the costs of ensuring the supply for customers.

Burdened by IAC costs related to the transformation programme in Europe and the cost reduction programme started in Canada in the fourth quarter 2016, Uponor Infra reported a decline in operating profit. Comparable operating profit without IAC improved and came to €6.4 (€0.9) million. The improvement mainly resulted from reduced cost level thanks to earlier streamlining programmes and improving performance in most of the Nordic countries, despite the negative profit trend in North America and Eastern Europe. In addition, performance was affected by temporary challenges encountered in Denmark. In stark contrast to 2015, the resin price development in 2016 was rather stable, contributing to a more stable input cost environment and gross profit.

Other operating income includes funds received in royalties and compensation for patent infringement as part of a settlement in Canada in 2016.

**Reported operating profit by segment for 1 January – 31 December 2016:**

| M€ | 1-12/ 2016 | 1-12/ 2015 | Reported change |
|---|---|---|---|
| Building Solutions – Europe | 25.6 | 24.0 | 6.4% |
| Building Solutions – North-America | 50.0 | 51.0 | -1.8% |
| (Building Solutions – North-America (M$) | 55.2 | 56.3 | -1.9%) |
| Uponor Infra | -0.8 | 0.2 | -484.2% |
| Others | -2.2 | -3.8 | |
| Eliminations | -1.6 | 0.0 | |
| Total | 71.0 | 71.4 | -0.7% |

**Comparable operating profit by segment for 1 January – 31 December 2016:**

| M€ | 1-12 2016 | 1-12 2015 | Comparable change |
|---|---|---|---|
| Building Solutions – Europe | 38.0 | 27.6 | 37.6% |
| Building Solutions – North-America | 50.0 | 51.0 | -1.8% |
| (Building Solutions – North-America, M$ | 55.2 | 56.3 | -1.9%) |
| Uponor Infra | 6.4 | 0.9 | 573.0% |
| Others | -2.1 | -3.8 | |
| Eliminations | -1.6 | 0.0 | |
| Total | 90.7 | 75.8 | 19.7% |

Uponor's net financial expenses came to €10.0 (€8.9) million. Net currency exchange differences in 2016 totalled €-3.9 (-3.4) million.

Share of result in associated companies, €-0.6 (0.3) million, includes the product development and other start-up costs related to the establishment of Phyn, the joint venture company with Belkin International, Inc.

Profit before taxes was €60.4 (62.8) million. The effective tax rate came to 31.3% (40.9%), which is below the anticipated longer-term level but does include one-time R&D tax credits in the USA, granted to Uponor retrospectively. Income taxes, including the tax credits, totalled €18.9 (25.7) million. The 2015 income taxes included €1.6 million in taxes paid in Estonia due to dividends distributed, as well as an additional €0.5 million deferred tax liability related to remaining retained earnings in the Estonian subsidiaries, corresponding to a one-time effective tax rate increase of 3.3 percentage points.

Profit for the period totalled €41.9 (36.9) million.

Return on equity reached 13.1% (12.1%). Return on investment declined to 14.1% (15.5%). Return on investment, adjusted for items affecting comparability, came to 18.3% (16.5%).

Earnings per share were €0.58 (0.51). Equity per share was €3.60 (3.39). For other share-specific information, please see the Tables section.

Consolidated cash flow from operations amounted to €59.9 (58.2) million, while cash flow before financing came to €-31.9 (16.5) million due to the German acquisitions in January 2016 and the $15 million investment in the joint venture company Phyn in July 2016.

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

## Investment, research and development, and financing

In terms of capital expenditure, Uponor aims to maintain a balance between targeting resources at the most viable opportunities, while keeping overall investment levels tight.

In 2016, such funds were allocated to new production technology in Building Solutions – Europe, capacity expansion in Building Solutions – North America, as well as production enhancement projects in Uponor Infra. In China, the new factory in Taicang (Shanghai) was equipped with production lines and production commenced in December 2016. A high proportion of the funds spent are being directed towards selected productivity improvements and maintenance.

In 2016, gross investment in fixed assets totalled €50.7 (50.1) million, clearly below the anticipated level due to delays in projects. Net investments totalled €48.4 (49.2) million.

Further investments in shares were made in January 2016, when Uponor Holding GmbH acquired the companies KaMo Group and Delta Systemtechnik GmbH, in Germany, and in July, when Uponor Corporation signed the joint venture agreement on the establishment of a new business, Phyn, with Belkin International, Inc.

Research and development costs grew to €21.4 (18.5) million, or 1.9% (1.8%) of net sales. The main reasons for the increase were setting up the new Group Technology function with added personnel, increased investment in digitalisation initiatives, and direct project costs related to new product and application development, as well as materials development.

The main existing funding programme on 31 December 2016 was an €80 million bond maturing in June 2018. In addition to the outstanding bond, Uponor took out 5-year loans of €50 million in January 2016 and €20 million in July 2016, in order to fund M&A and joint venture activities.

Four committed bilateral revolving credit facilities, which will mature in 2019–2021, totalled €200 million; none of these back-up facilities were used during the year.

For short-term funding needs, Uponor's main source of funding 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 €16.3 (49.2) million in cash and cash equivalents.

Accounts receivable and credit risks received special attention throughout the year. Accounts receivable increased due to changes in the management of key accounts in North America.

Consolidated net interest-bearing liabilities rose to €159.5 (91.3) million, driven mainly by the German acquisitions and the establishment of the joint venture Phyn. Also accounts receivable grew in North America and inventories were increased to serve as buffers in connection with production transfers in both Building Solutions – Europe and in Uponor Infra. The solvency ratio was 42.8% (44.3%) and gearing came to 48.8% (29.3%). Average quarterly gearing was 56.7 (40.4), in line with the range of 30–70 set in the company's financial targets.

## Events during the period

On 4 January, Uponor Holding GmbH completed the acquisition of all of the shares in the German companies KaMo Group and Delta Systemtechnik GmbH. In 2014, KaMo and Delta combined generated a total turnover of €32.8 million and employed 119 employees. On 7 January, Uponor Corporation announced the acquisition of the entire shareholding in a Finnish start-up company specialising in online water quality monitoring. The company, renamed to UWater Oy, has developed a unique and revolutionary technology for the online measurement of water quality. The above acquisitions strengthened Uponor's competencies in assuring water quality and hygiene, both of which are of growing importance in modern-day water services, whether such services involve municipal, industrial or residential water supply applications.

In January, Uponor's Finnish subsidiaries Uponor Infra Oy and Uponor Suomi Oy concluded co-determination negotiations in Finland, resulting in the termination of 126 jobs. The negotiations were related to the European transformation programmes announced in the autumn of 2015. Uponor Infra also decided to relocate pressure pipe and standard chamber manufacturing operations from Vaasa to Nastola, Finland.

On 13 July, Uponor Corporation and Belkin International, Inc. formed a joint venture company in the United States and Europe for the development and commercialisation of intelligent water technology. The new joint venture, named Phyn, develops water sensing and conservation technology for both consumers and the building industry. As a minority-owned business, the joint venture company was consolidated into Uponor's financial accounts using the equity method. Uponor initially invested $15 million in exchange for a 37.5%

shareholding in the companies. The parties also agreed on a time frame within which Uponor has an option to invest an additional $10 million and increase its shareholding in Phyn to 50%. Uponor regards the partnership as an important step in its growth strategy, particularly in the emerging Internet of Things (IoT) market and a major development in digitalisation, which is perfectly aligned with the company's commitment to creating safe and sustainable buildings and infrastructures.

On 10 October, 2016 employees moved into Uponor's new office in Taicang, China, the latest addition to Uponor's family of manufacturing units and the first in Asia. Production and deliveries began according to plan in steps by December. Additional lines will be introduced in 2017. The factory's overall floor space is 10,000m².

On 23 November, Uponor announced a plan to close PEX pipe production in Mostoles, Spain and concentrate it to Virsbo, Sweden. The final decision was made in December. As a result, a maximum of 50 job positions will be terminated most of them by the end of February 2017. Uponor will continue to have its logistics centre and the sales & marketing organisation in Spain. The initiative was part of Uponor's European transformation programme, launched in autumn 2015, targeting the rationalisation of manufacturing and reduction of costs in the supply chain and production operations.

Other initiatives related to Building Solutions – Europe's transformation programme included closing a total of 10 offices across Europe, as well as the relocation of the UK office to a location close to London. The net reduction in personnel, relating to the transformation programme, was 164 persons in 2016.

Uponor Infra continued to streamline manufacturing by centralising production in fewer locations in Finland and Denmark. A total of 75 job positions were terminated in Uponor Infra as part of the transformation programme during 2016.

On 12 December, Uponor's Board of Directors resolved to continue the key management Performance Share Plan mechanism decided on by the Board in 2014. Targeting roughly 30 managers, the new plan covers the years 2017—2019 and offers participants the opportunity to earn Uponor shares as a reward for achieving targets. The potential reward will be paid in 2020. The purpose of the plan 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 participants over the longer term.

During 2016, Uponor introduced a range of new products on the market. These included, for instance, the new Uponor Smatrix Aqua that helps improve drinking water safety and hygiene. In North America, alongside Milwaukee, Uponor co-developed a unique new-generation tool, Milwaukee Force Logic, which makes fitting large-diameter PEX pipes easier and much more competitive than with traditional tools. In Europe, Uponor launched 75mm Q&E fittings and a new Milwaukee expansion tool extending the offering range from 63 mm/6 bar pipes all the way up to 75 mm and 10 bar pipes, for use in tap water riser installations and local heat distribution (LHD) installations. Uponor Infra launched Uponor Decibel, a modern silent soil & waste pipe system that combines an aesthetic visual appearance with the product's inner mineral layer, which helps to eliminate noise. Another Uponor Infra novelty was Uponor Barrier PLUS, the first 100% plastic potable water pipe for use in water transport in areas with contaminated soil. The new Uponor Barrier PLUS is based on a non-permeable polymer in place of the aluminium layer, resulting in a durable but fully-recyclable pipe system.

## Personnel and organisation

At the end of the year, the Uponor Group had 3,868 (3,735) employees, in full-time-equivalent (FTE) terms. This is 133 more than at the end of 2015. The average number of employees (FTE) for the year was 3,869 (3,842). The number of employees mainly increased in China, where a new factory began operating, and in the USA, where a manufacturing expansion became operational. Excluding an addition of 141 employees from the German acquisitions, workforce was reduced in Building Solutions – Europe and Uponor Infra as a result of the transformation programme.

On 21 November, it was announced that Uponor Corporation's CFO, Ms. Riitta Palomäki, will retire at the end of May 2017. The Board of Directors has appointed M.Sc. (Econ) Maija Strandberg (47) Executive Vice President, Finance and member of the Executive Committee. Strandberg will join Uponor on 6 March 2017 and takes over as CFO on 21 March 2017, after the Annual General Meeting.

The geographical breakdown of the Group's personnel (FTE) was as follows: Germany 23% (22%), USA 18% (16%), Finland 16% (17%), Sweden 13% (13%), Poland 6% (5%), Canada 4% (5%), Spain 4% (5%), Denmark 3% (3%), Russia 2% (3%), China 2% (n/a), and other countries 9% (9%).

Further, in North America, Uponor sells products through manufacturers' representatives. Such representatives are not direct employees of Uponor, but are independent businesses that operate in defined geographical areas and are paid a commission by Uponor.

A total of €240.8 (€230.3) million was recorded in salaries, other remunerations and employee benefits during the financial period.

## Key risks associated with business

Uponor's financial performance could be affected by a range of market, operational, financial and hazard risks.

**Market risks**
Uponor's principal areas of business are Europe and North America, where its exposure to political risks is considered to be relatively low in general. However, the situation changed somewhat during the years 2015–16, when Uponor opened production facilities in the St. Petersburg area in Russia and in Taicang, near Shanghai in China.

The Ukraine crisis and its repercussions have kept the political risks associated with Russia on the agenda and Russia's growing involvement in Syria has not reduced them. Sanctions imposed by the U.S. and EU against Russia, and Russia's counter sanctions, are still affecting business conditions in Russia and elsewhere in Europe, particularly in Finland, and no solution is in sight in the foreseeable future. These tense relations have had a negative impact on the European markets and on fragile economic growth on the continent. Russia's share of Uponor's net sales was around 2.0% in 2016.

The European economy and Europe's economic climate show signs of recovery, but the upturn remains slow and fragile. The new administration in the U.S., following the presidential election, and the UK's decision to move on with 'Brexit' are weighing on risk sentiment. In addition, the upcoming French and German elections, and uncertainties related to them, are casting a shadow on the risk landscape in 2017.

Unrest and military conflicts in the Middle East have led to unpredictable levels of volatility and huge challenges facing Europe. Uponor is continually monitoring the situation and performing internal assessments of the potential risks facing Europe and the euro area, and their possible repercussions for Uponor'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, whose sales are distributed between over 20 countries, generate roughly one third of Uponor's net sales.

Demand for Uponor's products depends on business cycles in the construction sector. Uponor's main end market has traditionally comprised single-family housing. However, the company's products are increasingly being supplied for multi-family residential and non-residential building construction, where Uponor plans to increase its sales further. Demand often fluctuates differently within each of these two sectors. To a certain degree, such fluctuations are being offset by demand for renovation projects, which is not always as discretionary as that for new housing projects.

Roughly one quarter of Uponor's annual net sales come from the infrastructure solutions business. In addition to construction sector cycles, demand for infrastructure products depends on civil engineering and publicly funded investments in municipal development. To safeguard against risks associated with economic cycles and fluctuations in demand, the company has developed its sales forecasting processes and enhanced the flexibility of its organisation and supply chain.

In many countries, Uponor's operations are regulated by local legislation. For example, Uponor seeks national product approval for a large proportion of the products it sells. It also closely monitors any laws and regulations under preparation, in order to anticipate their impact on Uponor and its customers.

**Operational risks**
The prices of raw materials used in the manufacture of plastic pipe systems are susceptible to change, driven by several factors including petrochemical and metal product price fluctuations, supply capacity, market demand etc. In recent years, Uponor has been able to pass most of the effects of such fluctuations onto 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 continuously and systematically uses financial instruments to manage price risks associated with electricity prices at Nordic level.

With respect to component and raw material sourcing, Uponor aims to use supplies and raw materials available from several suppliers. Wherever 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. The Group 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 leadership skills in a multicultural matrix organisation. Uponor's internal employee surveys provide important information on our employees' engagement, by measuring various aspects of engagement, alignment, the working environment and motivation. Action plans are agreed and followed up based on the survey results, resulting in better performance and employee engagement.

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 being placed on the security aspects of IT systems. Uponor IT systems are regularly evaluated by external parties, including in 2016. These reviews are used as input for further security improvements. In addition, Uponor has been acquiring insurance that covers certain risks within IT applications over a period of several years.

Uponor applies an ISO 9001 quality management system and an ISO 14001 environmental management system, which enhance production safety, environmental law compliance and productivity while reducing the environmental impact and risks of Uponor's operations. In Germany, Uponor has implemented a certified Energy Management System based on ISO 50001 for all factories. A further rollout to all Uponor production sites is planned by 2020.

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

**Financial risks**
Major disruptions can occur in the international 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 relation to the availability of financing in the future. Uponor aims to ensure the availability, flexibility and affordability of financing by maintaining sufficient committed 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 expenses, as well as in the fair values of fixed-rate financial items. The 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 various 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 currency translation risk, which manifests itself in the translation of non-euro-area subsidiaries' equity into euro. 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. Only reputable and well-rated banks are used as currency hedging counterparties.

**Hazard risks**
At year-end 2016, Uponor operated 15 factories in ten countries as well as several sites assembling prefabricated products. The products manufactured in these plants generate most 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 risks associated with machine breakdowns, fire etc.

Another major risk is associated with product liability related to products manufactured and sold by Uponor. Product liability is also addressed through centralised insurance programmes at Group level.

A Group-wide Business Continuity Management and Business Interruption Analysis project launched in 2015 was completed in 2016. No significant new risks regarding business continuity were discovered. Various and numerous measures are already being taken in order 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. The integrity of the supply chain has been and is one of the main focuses of risk management.

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. When needed, suppliers' production facilities may also be audited.

Cyber risks and threats are subject to constant monitoring by default.

**Risk management in 2016**
Because the business environment in many of Uponor's major geographical markets remained challenging, the management and monitoring of market risks continued to play a key role in the field of risk management. Uponor conducted risk assessment exercises in the spring and autumn of 2016 in relation to the core risks identified, and updated its risk management plans accordingly. In 2016, in cooperation with insurance

companies, Uponor assessed the functionality and preparedness of its risk management in four production units. The results showed the level of risk management to be sound in all units.

After a challenging 2015, the commodity markets relevant to Uponor normalised in 2016. The availability of raw materials was good overall and price formation occurred in accordance with normal market mechanisms. In order to minimise risks, Uponor continued to add new, approved raw material sources to the supplier portfolios of its business units. Since late 2015, a number of challenges were encountered in the steady supply of resins for plastic plumbing fittings in the USA. Uponor found a solution to the issue during 2016 and updated its supply chain procedures for the future accordingly.

With volatility still dominating the global economic arena, concern about the availability of bank and market-based funding on favourable terms remained on the agenda. To secure longer-term funding, Uponor has diversified its financing risks through various funding instruments, maturities, multiple counterparties and markets. When funding is not being raised from money or capital markets, special attention is paid to the quality of counterparties. Only solid, well-rated banks or financial institutions are used. The size of Uponor's total committed revolving credit facility programmes is €200 million, with maturities ranging between 2019 and 2021.

As in previous years, special attention was paid to the monitoring of accounts receivable 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 within Uponor. The company has proactively endeavoured to focus on good tax governance and has assigned a more explicit role to tax risk assessment within its risk assessment process.

Uponor is involved in several judicial proceedings in various countries. The year 2016 saw no materialisation of risks, pending litigation or other legal proceedings, or measures taken by the authorities that, based on current information, might have been of material significance to the Group.

## Administration and audit

Uponor's Annual General Meeting, held in Helsinki, Finland, on 10 March 2016, re-elected the existing Board members for a new one year term: Jorma Eloranta (chair), Timo Ihamuotila, Markus Lengauer, Eva Nygren, Annika Paasikivi (deputy chair) and Jari Rosendal. Audit firm Deloitte & Touche Oy were re-elected as the auditor of the corporation for the 7th consecutive year. In this connection, Jukka Vattulainen, Authorised Public Accountant, was elected the new principal auditor from outside the previous team.

Uponor prepares a separate corporate governance statement and a remuneration statement, which are made available online after the annual accounts have been published, on Uponor's IR website at http://investors.uponor.com > Governance > Corporate governance.

Uponor complies with the Finnish Corporate Governance Code 2015, issued by the Securities Market Association, with the exception of recommendation 15 in relation to the Personnel and Remuneration Committee, which has two members instead of the three stated in the recommendation. Uponor considers sufficient expertise to have been secured for the Personnel and Remuneration Committee on the basis of two members, and the Committee may also obtain views from outside of the Committee. The Committee acts as a preparatory and assisting body for the Board of Directors, and all essential matters relating to remuneration shall be dealt with by the Board of Directors.

## Share capital and shares

In 2016, Uponor's share turnover on Nasdaq Helsinki was 20.3 (27.6) million shares, totalling €297.7 (€384.1) million. The share quotation at the end of 2016 was €16.51 (€13.60), and the market capitalisation of the shares was €1, 208.6 (€995.6) million. At the end of the year, there were a total of 16,113 (14,539) shareholders. Foreign shareholding in Uponor accounted for 26.1% (31.5%) of all shareholding in the company at the end of the reporting period. More detailed information is available in the financial statements.

In 2016, 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.

On 13 September 2016, the holdings of Franklin Resources, Inc., a U.S. nominee registered shareholder, went down to 9.55%. The number of shares and voting rights held by the company then amounted to 6,989,652 shares.

On 20 May 2016, Uponor issued a public request to its shareholders to accept the remaining shares issued as part of the share bonus issues of 1998 and 2004. Any unaccepted shares issued on the basis of the above bonus issues must be accepted by 20 May 2017, or will be declared forfeit. Any unclaimed shares will be sold in public trading for the benefit of the parties entitled to the shares. Funds not withdrawn within four years of the sale shall revert to the company.

**Board authorisations**

Based on the authorisation granted by the Annual General Meeting of 17 March 2015, on 12 February 2016 the Board of Directors decided on a directed share issue to the company's management, as part of the long-term share-based incentive plan for 2013-2015. As announced on 12 February 2016, 28,601 of the company's own shares were transferred to 9 key employees.

On 10 March 2016, the Annual General Meeting (AGM) authorised the Board of Directors to buy back a maximum of 3.5 million of the company's own shares. The authorisation is valid until the end of the next AGM, and for no longer than 18 months. The Board was also authorised to resolve on issuing a maximum of 7.2 million new shares or transferring the company's own shares, amounting to approximately 9.8 per cent of the total number of shares. This authorisation is valid until the end of the next AGM. Neither of these authorisations were exercised in 2016. Further details regarding the AGM are available at http://investors.uponor.com/governance/general-meeting/agm-2016.

**Treasury shares**

At the end of the year, Uponor held 68,959 treasury shares, representing approximately 0.1% of the company's shares and voting rights.

**Management shareholding**

At the end of the year the members of the Board of Directors and the President & CEO, along with corporations known to the company and in which they exercise control, held a total of 139,173 Uponor shares (124,916 shares). These shares accounted for 0.19% of all shares and votes in the company.

**Share-based incentive programme**

The Board of Directors has resolved on several long-term incentive programmes for key management in the last few years. Details of the plans are presented on the company's IR website.

In December 2016, the Board of Directors of Uponor Corporation resolved to continue the key management Performance Share Plan mechanism, originally decided on by the Board in 2014. Approximately 30 Group key managers, including the members of the Executive Committee, belong to the target group covered by the new plan. The new plan covers the calendar years 2017—2019. The potential reward based on the new plan will be paid in 2020.

The purpose of the incentive programmes is to align 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 participants over the longer term. The plans offer key managers a competitive reward plan based on achieving the company's strategic profitability and growth targets and provide the opportunity to earn and accumulate Uponor shares.

## Events after the period

There were no significant events after the reporting period.

## Short-term outlook

Overall, the market outlook for Uponor's core businesses and core geographical markets remains rather stable and positive although, based on negative scenarios, there are certain risks that may materialise and influence the development of the business going forward.

Until very recently, many European construction markets had not begun a meaningful recovery from the global financial crisis that shocked economies almost a decade ago. Following the emerging signals of a pick-up that materialised in Europe in the second half of 2016, the gradual recovery of European building and construction markets is anticipated to continue throughout 2017. This trend is supported by the fact that housing permit development is reasonably strong in most European countries and market trends are positive in some countries, such as Germany, the Netherlands, France, as well as some Nordic countries. The recovery thus seems broad-based and is supported by improving confidence, attractive credit terms, immigration and, naturally, pent up demand over the longer term. Another factor adding to the credibility of the recovery is the fact that governments in several countries are beginning to emphasise infrastructure projects as part of their near-term investment plans.

The North American economy is expected to remain on a growth path, although the pace of growth may begin to decelerate. This trend was already in evidence in late 2016, when housing start growth in the U.S. temporarily slowed although several key fundamentals, such as mortgage rates, unsold inventory of homes, and job growth in the construction industry, remained fairly favourable. Furthermore, the new presidential administration in the U.S. has discussed providing support to boost infrastructure and manufacturing investments, which, once they materialise, should act as an economic stimulus, particularly in the longer-term.

The above market scenarios are not without risk, even if such risks are unlikely to materialise. The year 2017 will see elections in several large European economies and surprises may occur. Some major issues may re-emerge: the progress and impact of the UK's EU referendum; the debt crisis within the EU; political issues within the EU, in Eastern Europe, and now perhaps in the global arena. Any or all of these could derail economic development from its expected heading in Europe, North America and in other markets in which Uponor does business.

Uponor has invested a considerable amount of human and monetary resources into making the company stronger. In the autumn of 2015, Uponor announced extensive transformation programmes in its European businesses, involving both Building Solutions – Europe and Uponor Infra. Both of these programmes have been carried out diligently, with most of the planned initiatives completed on plan by the end of 2016, and more or less with expected results. The organisations are leaner, the decision-making is more agile, and performance is improving. Both segments now have an up-to-date production network from the production technology perspective, as well as regional spread.

Assuming that economic development in Uponor's key geographies otherwise continues undisturbed, Uponor issues the following, full-year guidance: the Group's net sales and comparable operating profit are expected to improve from 2016.

The Group's capital expenditure, excluding any investment in shares, is expected to be in the range of €50-60 million. Funds will be directed towards new product and offering development, such as strategically significant hygiene solutions, and the expansion of business in Asia, among other activities.

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

Uponor Corporation
Board of Directors

For further information, please contact:
Jyri Luomakoski, President and CEO, tel. +358 20 129 2824
Riitta Palomäki, CFO, tel. +358 20 129 2822

Tarmo Anttila
Vice President, Communications, Tel. +358 20 129 2852

Distribution:
Nasdaq Helsinki
Media
www.uponor.com

## Table part

This interim report has been compiled in accordance with the IAS 34 reporting standard and it is unaudited. The figures in brackets are the reference figures for the equivalent period in 2015. The change percentages reported have been calculated from the exact figures and not from the rounded figures published in the interim report.
Uponor provides comparable operating profit and comparable gross profit in order to provide useful and comparable information of its operative business performance. Comparable operating or gross profit excludes items affecting comparability (IAC). Items affecting comparability are exceptional transactions that are unrelated to normal business operations. Such items often include issues such as capital gains and losses, additional costs arising from site closures and other restructuring, additional write-downs, or reversals of write-downs, expenses due to accidents and disasters, environmental matters, legal proceedings and changes in regulation.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| M€ | 1-12/2016 | 1-12/2015 | 10-12/2016 | 10-12/2015 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Net sales | 1,099.4 | 1,050.8 | 268.9 | 262.0 |
| Cost of goods sold | 723.4 | 680.6 | 183.0 | 170.6 |
| Gross profit | 376.0 | 370.2 | 85.9 | 91.4 |
| Other operating income | 4.2 | 2.4 | 1.8 | 1.5 |
| Dispatching and warehousing expenses | 34.6 | 35.3 | 8.3 | 8.6 |
| Sales and marketing expenses | 190.1 | 187.4 | 47.0 | 46.9 |
| Administration expenses | 58.9 | 56.8 | 17.4 | 15.1 |
| Other operating expenses | 25.6 | 21.7 | 7.5 | 8.3 |
| Operating profit | 71.0 | 71.4 | 7.5 | 14.0 |
| Financial expenses, net | 10.0 | 8.9 | 2.8 | 3.2 |
| Share of results in associated companies | -0.6 | 0.3 | -0.8 | 0.1 |
| Profit before taxes | 60.4 | 62.8 | 3.9 | 10.9 |
| Income taxes | 18.9 | 25.7 | -2.0 | 6.5 |
| Profit for period from continuing operations | 41.5 | 37.1 | 5.9 | 4.4 |
| **Discontinued operations** | | | | |
| Profit for the period from discontinued operations | 0.4 | -0.2 | 0.0 | 0.1 |
| **Profit for the period** | 41.9 | 36.9 | 5.9 | 4.5 |
| | | | | |
| **Other comprehensive income** | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Re-measurements on defined benefit pensions, net of taxes | 1.4 | 1.4 | 1.4 | 1.4 |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Translation differences | 2.1 | 11.3 | 6.3 | 4.0 |
| Cash flow hedges, net of taxes | 1.4 | 0.0 | 0.5 | 0.3 |
| Net investment hedges | 0.2 | -2.0 | -1.0 | -1.0 |
| Other comprehensive income for the period, net of taxes | 5.1 | 10.7 | 7.2 | 4.7 |
| | | | | |
| Total comprehensive income for the period | 47.0 | 47.6 | 13.1 | 9.2 |
| | | | | |
| Profit/loss for the period attributable to | | | | |
| - Equity holders of parent company | 42.2 | 37.5 | 7.7 | 5.5 |
| - Non-controlling interest | -0.3 | -0.6 | -1.8 | -1.0 |
| Comprehensive income for the period attributable to | | | | |
| - Equity holders of parent company | 47.1 | 47.3 | 14.2 | 9.9 |
| - Non-controlling interest | -0.1 | 0.3 | -1.1 | -0.7 |
| | | | | |
| Earnings per share, € | 0.58 | 0.51 | 0.11 | 0.07 |
| - Continuing operations | 0.57 | 0.51 | 0.10 | 0.07 |
| - Discontinued operations | 0.01 | 0.00 | 0.01 | 0.00 |
| | | | | |
| Diluted earnings per share, € | 0.58 | 0.51 | 0.11 | 0.07 |
| - Continuing operations | 0.57 | 0.51 | 0.10 | 0.07 |
| - Discontinued operations | 0.01 | 0.00 | 0.01 | 0.00 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| M€ | 31.12.2016 | 31.12.2015 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 240.9 | 221.4 |
| Intangible assets | 119.0 | 94.7 |
| Investments in associates and joint ventures | 13.3 | 0.2 |
| Other securities and non-current receivables | 21.4 | 20.8 |
| Deferred tax assets | 11.6 | 21.0 |
| Total non-current assets | 406.2 | 358.1 |
| | | |
| **Current assets** | | |
| Inventories | 139.3 | 112.4 |
| Accounts receivable | 165.8 | 154.5 |
| Other receivables | 39.9 | 33.6 |
| Cash and cash equivalents *) | 16.3 | 49.2 |
| Total current assets | 361.3 | 349.7 |
| | | |
| **Total assets** | 767.5 | 707.8 |
| | | |
| **Equity and liabilities** | | |
| **Equity** | | |
| Equity attributable to the owners of the parent company | 263.3 | 248.0 |
| Non-controlling interest | 63.6 | 63.7 |
| Total equity | 326.9 | 311.7 |
| | | |
| **Non-current liabilities** | | |
| Interest-bearing liabilities | 158.2 | 91.2 |
| Deferred tax liability | 11.8 | 20.2 |
| Provisions | 8.9 | 10.6 |
| Employee benefits and other liabilities | 25.2 | 28.1 |
| Total non-current liabilities | 204.1 | 150.1 |
| | | |
| **Current liabilities** | | |
| Interest-bearing liabilities | 17.6 | 48.3 |
| Provisions | 19.9 | 14.4 |
| Accounts payable | 76.2 | 63.9 |
| Other liabilities | 122.8 | 119.4 |
| Total current liabilities | 236.5 | 246.0 |
| | | |
| **Total equity and liabilities** | 767.5 | 707.8 |

*) On 31 December 2015, cash and cash equivalents include €1.0 million in restricted cash.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

| M€ | 1-12/2016 | 1-12/2015 |
|---|---|---|
| Cash flow from operations | | |
| Net cash from operations | 105.3 | 105.6 |
| Change in net working capital | -16.6 | -15.0 |
| Income taxes paid | -24.9 | -29.5 |
| Interest paid | -4.1 | -3.2 |
| Interest received | 0.2 | 0.3 |
| **Cash flow from operations** | 59.9 | 58.2 |
| | | |
| Cash flow from investments | | |
| Acquisition of subsidiaries and businesses* | -31.4 | -0.1 |
| Proceeds from disposal of subsidiaries and businesses | - | 7.6 |
| Acquisition of joint venture | -13.5 | - |
| Purchase of fixed assets | -50.7 | -50.1 |
| Proceeds from sale of fixed assets | 3.4 | 0.7 |
| Dividends received | 0.4 | 0.2 |
| Loan repayments | 0.0 | 0.0 |
| **Cash flow from investments** | -91.8 | -41.7 |
| | | |
| Cash flow from financing | | |
| Borrowings of debt | 97.3 | 17.4 |
| Repayment of debt | -58.8 | -33.3 |
| Change in other short-term loan | -5.4 | 19.1 |
| Dividends paid | -32.2 | -30.7 |
| Payment of finance lease liabilities | -1.1 | -0.9 |
| **Cash flow from financing** | -0.2 | -28.4 |
| | | |
| Conversion differences for cash and cash equivalents | 0.2 | -0.1 |
| | | |
| **Change in cash and cash equivalents** | -31.9 | -12.0 |
| | | |
| Cash and cash equivalents at 1 January | 48.2 | 60.2 |
| Cash and cash equivalents at end of period | 16.3 | 48.2 |
| **Changes according to balance sheet** | -31.9 | -12.0 |

*) Acquisition of subsidiaries and businesses consists of €32.5 million paid for the acquisition of the KaMo/Delta business and €1.1 million received in cash and cash equivalents from the acquisition.

# STATEMENT OF CHANGES IN EQUITY

| M€ | A | B | C | D* | E | F | G | H | I |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 Jan 2016 | 146.4 | 50.2 | -1.0 | -1.8 | -0.7 | 54.9 | 248.0 | 63.7 | 311.7 |
| Total comprehensive income for the period | | | 1.4 | 2.7 | | 43.0 | 47.1 | -0.1 | 47.0 |
| Dividend paid (€0.44 per share) | | | | | | -32.2 | -32.2 | | -32.2 |
| Share-based incentive plan | | | | | 0.2 | 0.2 | 0.4 | | 0.4 |
| Other adjustments | | | | | | 0.0 | 0.0 | | 0.0 |
| Balance at 31 December 2016 | 146.4 | 50.2 | 0.4 | 0.9 | -0.5 | 65.9 | 263.3 | 63.6 | 326.9 |
| | | | | | | | | | |
| Balance at 1 Jan 2015 | 146.4 | 50.2 | -1.0 | -10.3 | -1.0 | 46.8 | 231.1 | 66.8 | 297.9 |
| Total comprehensive income for the period | | | 0.0 | 8.5 | | 38.8 | 47.3 | 0.3 | 47.6 |
| Dividend paid (€0.42 per share) | | | | | | -30.7 | -30.7 | | -30.7 |
| Share-based incentive plan | | | | | 0.3 | 0.0 | 0.3 | | 0.3 |
| Disposal of subsidiaries | | | | | | | - | -3.3 | -3.3 |
| Other adjustments | | | | | | 0.0 | 0.0 | -0.1 | -0.1 |
| Balance at 31 December 2015 | 146.4 | 50.2 | -1.0 | -1.8 | -0.7 | 54.9 | 248.0 | 63.7 | 311.7 |

*) Includes a €-15.2 (-15.5) million effective part of net investment hedging at the end of period.

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

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### ACCOUNTING PRINCIPLES

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

### PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

| M€ | 31.12.2016 | 31.12.2015 |
|---|---|---|
| Gross investment | 50.7 | 50.1 |
| - % of net sales | 4.6 | 4.8 |
| Depreciation and impairments | 41.6 | 39.1 |
| Book value of disposed fixed assets | 2.3 | 0.9 |

### PERSONNEL

| Converted to full time employees | 1-12/2016 | 1-12/2015 |
|---|---|---|
| Average | 3,869 | 3,842 |
| At the end of the period | 3,868 | 3,735 |

### OWN SHARES

| | 31.12.2016 | 31.12.2015 |
|---|---|---|
| Own shares held by the company, pcs | 68,959 | 97,560 |
| - of share capital, % | 0.1 | 0.1 |
| - of voting rights, % | 0.1 | 0.1 |
| Accounted par value of own shares held by the company, M€ | 0.1 | 0.2 |

### SEGMENT INFORMATION

| | | 1-12/2016 | | | 1-12/2015 | |
|---|---|---|---|---|---|---|
| M€ | External | Internal | Total | External | Internal | Total |
| **Net sales by segment, continuing operations** | | | | | | |
| Building Solutions – Europe | 510.2 | 0.8 | 511.0 | 466.4 | 0.7 | 467.1 |
| Building Solutions - North America | 305.6 | 0.0 | 305.6 | 275.8 | - | 275.8 |
| Uponor Infra | 283.6 | 4.3 | 287.9 | 308.6 | 3.4 | 312.0 |
| Eliminations | - | -5.1 | -5.1 | - | -4.1 | -4.1 |
| Total | 1,099.4 | - | 1,099.4 | 1,050.8 | - | 1,050.8 |

| | | 10-12/2016 | | | 10-12/2015 | |
|---|---|---|---|---|---|---|
| M€ | External | Internal | Total | External | Internal | Total |
| **Net sales by segment, continuing operations** | | | | | | |
| Building Solutions – Europe | 125.6 | 0.2 | 125.8 | 114.2 | 0.1 | 114.3 |
| Building Solutions - North America | 77.2 | 0.0 | 77.2 | 74.0 | - | 74.0 |
| Uponor Infra | 66.1 | 1.1 | 67.2 | 73.8 | 1.2 | 75.0 |
| Eliminations | - | -1.3 | -1.3 | - | -1.3 | -1.3 |
| Total | 268.9 | - | 268.9 | 262.0 | - | 262.0 |

| M€ | 1-12/2016 | 1-12/2015 | 10-12/2016 | 10-12/2015 |
|---|---|---|---|---|
| **Operating result by segment, continuing operations** | | | | |
| Building Solutions - Europe | 25.6 | 24.0 | 1.6 | 3.3 |
| Building Solutions - North America | 50.0 | 51.0 | 11.9 | 12.2 |
| Uponor Infra | -0.8 | 0.2 | -5.0 | -1.2 |
| Others | -2.2 | -3.8 | -0.3 | -0.9 |
| Eliminations | -1.6 | 0.0 | -0.7 | 0.6 |
| Total | 71.0 | 71.4 | 7.5 | 14.0 |

| M€ | 1-12/2016 | 1-12/2015 |
|---|---|---|
| **Segment depreciation and impairments, continuing operations** | | |
| Building Solutions - Europe | 14.2 | 10.2 |
| Building Solutions - North America | 10.7 | 9.8 |
| Uponor Infra | 13.1 | 14.5 |
| Others | 3.6 | 4.5 |
| Eliminations | 0.0 | 0.1 |
| Total | 41.6 | 39.1 |
| | | |
| **Segment investments, continuing operations** | | |
| Building Solutions – Europe | 14.4 | 15.4 |
| Building Solutions - North America | 20.8 | 22.6 |
| Uponor Infra | 14.3 | 11.3 |
| Others | 1.2 | 0.8 |
| Total | 50.7 | 50.1 |

| M€ | 31.12.2016 | 31.12.2015 |
|---|---|---|
| **Segment assets** | | |
| Building Solutions - Europe | 393.0 | 325.5 |
| Building Solutions - North America | 245.1 | 216.0 |
| Uponor Infra | 196.8 | 212.9 |
| Others | 260.2 | 227.7 |
| Eliminations | -327.6 | -274.3 |
| Total | 767.5 | 707.8 |
| | | |
| **Segment liabilities** | | |
| Building Solutions - Europe | 261.9 | 211.3 |
| Building Solutions - North America | 174.5 | 160.2 |
| Uponor Infra | 65.1 | 80.0 |
| Others | 297.6 | 245.7 |
| Eliminations | -358.5 | -301.0 |
| Total | 440.6 | 396.2 |

| | 1-12/2016 | 1-12/2015 |
|---|---|---|
| **Segment personnel, continuing operations, average** | | |
| Building Solutions – Europe | 2,037 | 2,014 |
| Building Solutions - North America | 682 | 592 |
| Uponor Infra | 1,081 | 1,173 |
| Others | 69 | 63 |
| Total | 3,869 | 3,842 |

**Reconciliation**

| M€ | 1-12/2016 | 1-12/2015 |
|---|---|---|
| **Operating result by segment, continuing operations** | | |
| Total result for reportable segments | 74.8 | 75.2 |
| Others | -2.2 | -3.8 |
| Eliminations | -1.6 | 0.0 |
| Operating profit | 71.0 | 71.4 |
| Financial expenses, net | 10.0 | 8.9 |
| Share of results in associated companies | -0.6 | 0.3 |
| Profit before taxes | 60.4 | 62.8 |

**CONTINGENT LIABILITIES AND ASSETS**

| M€ | 31.12.2016 | 31.12.2015 |
|---|---|---|
| Commitments of purchase PPE (Property, plant, equipment) | 9.7 | 5.7 |
| Other commitments | 0.6 | 1.5 |

- on own behalf

| | | |
|---|---|---|
| Pledges at book value | 0.1 | 0.1 |
| Mortgages issued | 2.5 | - |
| Guarantees issued | 5.0 | 4.8 |
| | | |
| - on behalf of a subsidiary | | |
| Pledges at book value | | - |
| Guarantees issued | 34.1 | 19.6 |
| | | |
| Letter of Comfort commitments undertaken on behalf of subsidiaries | | |
| are not included in the above figures | | |
| | | |
| Pledges at book value | 0.1 | 0.1 |
| Mortgages issued | 2.5 | - |
| Guarantees issued | 39.1 | 24.4 |
| Total | 41.7 | 24.5 |

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

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

| M€ | 31.12.2016 | 31.12.2015 |
|---|---|---|
| **OPERATING LEASE COMMITMENTS** | 47.7 | 45.9 |

## DERIVATIVE CONTRACTS

| M€ | Nominal value 31.12.2016 | Fair value 30112.2016 | Nominal value 31.12.2015 | Fair value 31.12.2015 |
|---|---|---|---|---|
| Currency derivatives | | | | |
| - Forward agreements | 187.7 | -0.6 | 230.0 | 0.7 |
| | | | | |
| Interest derivatives | | | | |
| - Interest rate swaps | 50.0 | -1.5 | 61.0 | -2.4 |
| - Interest rate options | 20.0 | 0.1 | | |
| | | | | |
| Commodity derivatives | | | | |
| - Forward agreements | 5.8 | -0.2 | 5.0 | -1.8 |

## FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

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

### FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

| 31.12.2015<br>M€ | Derivative contracts, under hedge accounting | Financial assets/liabilities at fair value through profit and loss | Loans and receivables | Available for sales financial assets | Financial liabilities measured at amortised cost | Carrying amount by balance sheet item | IFRS 7 Fair value hierarchy level |
|---|---|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | | | |
| Other shares and holdings | | | | 0.2 | | 0.2 | |
| Non-current receivables | | | 20.6 | | | 20.6 | |
| **Current financial assets** | | | | | | | |
| Accounts receivable and other receivables | | | 178.1 | | | 178.1 | |
| Other derivative contracts | 0.0 | 1.4 | | | | 1.4 | 2 |
| Cash and cash equivalents | | | 49.2 | | | 49.2 | |
| **Carrying amount** | 0.0 | 1.4 | 247.9 | 0.2 | | 249.5 | |
| | | | | | | | |
| **Non-current financial liabilities** | | | | | | | |
| Interest bearing liabilities | | | | | 91.2 | 91.2 | |
| Electricity derivatives | 0.9 | | | | | 0.9 | 1 |
| **Current financial liabilities** | | | | | | | |
| Interest bearing liabilities | | | | | 48.3 | 48.3 | |
| Electricity derivatives | 0.9 | | | | | 0.9 | 1 |
| Other derivative contracts | 2.7 | 0.5 | | | | 3.2 | 2 |
| Accounts payable and other liabilities | | | | | 92.7 | 92.7 | |
| **Carrying amount** | 4.5 | 0.5 | | | 232.2 | 237.2 | |

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

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

**BUSINESS COMBINATIONS**

On 4 January 2016, Uponor Holding GmbH closed the acquisition of all of the shares in the German companies, Delta Systemtechnik GmbH and the KaMo Group, as announced on 30 November, 2015. Kamo Group consists of the companies: KaMo Frischwarmwassersysteme GmbH, KaMo Verteilersysteme GmbH and Morlok Betriebsgesellschaft mbH. Delta Systemtechnik produces fresh water units for central domestic hot water systems as well as heating transfer stations and components for hot water and heating systems. KaMo develops and distributes systems for local and central heating and domestic hot water preparation. This acquisition aims at broadening Uponor's portfolio and competencies in the increasingly important hygienic drinking water delivery sector. The new companies are included in the segment Building Solutions - Europe.

| M€ | 2016 |
|---|---|
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment | 3.7 |
| Intangible assets | 19.8 |
| Inventories | 5.5 |
| Accounts receivable and other receivables | 5.7 |
| Cash and cash equivalents | 1.1 |
| Total assets | 35.8 |
| | |
| Non-current interest-bearing liabilities | 3.3 |
| Deferred tax liability | 5.7 |
| Provisions | 0.7 |
| Current interest-bearing liabilities | 0.4 |
| Accounts payable and other current liabilities | 4.3 |
| Total liabilities | 14.4 |
| | |
| Net assets | 21.4 |

| M€ | |
|---|---|
| Consideration | 32.5 |
| Acquired net assets | -21.4 |
| Goodwill | 11.1 |

The consideration of €32.5 million represents the entire determined fair value of Delta Systemtechnik GmbH and the KaMo Group. The estimate was done 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.

The goodwill of €11.1 million arising from the acquisition consists largely of attainable synergies, such as those involving international growth, project business, product portfolio, and cross selling. The acquisition calculation is preliminary; the fair value of acquired net assets is provisional pending on the receipt of final valuations for identifiable intangible assets and property, plant and equipment.

Acquisition related costs amounted to €0.9 million. They were included in administration expenses in the consolidated statement of comprehensive income as follows: €0.6 million for the year ended 31 December 2015 and €0.3 million for the reporting period ended 31 December 2016.

Delta Systemtechnik GmbH and the KaMo Group, included in the consolidated statement of comprehensive income as of 4 January 2016, contributed a total of €31.6 million in net sales and €1.3 million in profit for the period.

In December 2015, Uponor Corporation acquired the entire shareholding in a Finnish start-up company UWater Oy (NWater Oy until 11 January 2016) specialising in online water quality monitoring. Consideration paid, net assets acquired and liabilities assumed were immaterial.

**ACQUISITION OF JOINT VENTURE**

On 13 July 2016, Uponor Corporation and Belkin International, Inc. completed a partnership agreement and formed a joint venture company in the United States and in Europe for the development and commercialisation of intelligent water technology. The new joint venture, named Phyn, develops water sensing and conservation technology both for consumers and to the building industry.

Uponor invested €13.5 million in exchange of a 37.5% shareholding in the companies. The joint venture company is consolidated into Uponor's financial accounts using the equity method.

**DISPOSAL OF SUBSIDIARIES AND BUSINESSES**

There were no disposal of subsidiaries and businesses in 2016.

On 25 February 2015, Uponor announced that its majority-held subsidiary Uponor Infra Oy sold its majority shareholding of 65.99% of the shares in Wiik & Hoeglund PLC, a company listed on the stock exchange of Thailand. Uponor Infra Oy made a decision to withdraw from the business in accordance with its strategy to focus on markets where it can command a strong market position and achieve operational synergies. As a result of the sale, non-controlling interest related to Wiik & Hoeglund Plc ceased to exist.

Further, on 30 March 2015 it was announced that Uponor Infra Oy divested, for the same reasons, its fully owned Finnish subsidiary, Extron Engineering Oy, a specialist in the business of designing and manufacturing machinery for the plastic products industry.

Later, in December 2015, following the strategic adjustment of Uponor Infra's product portfolio, Uponor Infra Oy sold its Omega-Liner® pipeline renovation business.

The sales price received from these transactions totalled to €9.8 million. The net impact on the result was €1.9 million.

| M€ | 2015 |
|---|---|
| **Book value of disposed assets** | |
| Property, plant and equipment | 8.0 |
| Other non-current assets | 1.5 |
| Inventory | 5.1 |
| Accounts receivable and other receivables | 5.9 |
| Cash and cash equivalents | 2.2 |
| Total assets | 22.7 |
| | |
| Interest-bearing non-current liabilities | 0.4 |
| Other non-current liabilities | 0.4 |
| Interest-bearing current liabilities | 6.0 |
| Accounts payable and other current liabilities | 4.7 |
| Total liabilities | 11.5 |
| | |
| Net assets | 11.2 |
| - attributable to parent company | 7.9 |
| | |
| Cash received from sales | 9.8 |
| Cash and cash equivalents disposed of | 2.2 |
| Cash flow effect | 7.6 |

**RELATED-PARTY TRANSACTIONS**

| M€ | 1-12/2016 | 1-12/2015 |
|---|---|---|
| Continuing operations | | |
| Purchases from associated companies | 1.9 | 1.9 |
| | | |
| Balances at the end of the period | | |
| Loan receivable from associated companies | - | 0.3 |
| Accounts payables and other liabilities | 0.1 | 0.1 |

## KEY FIGURES

| | 1-12/2016 | 1-12/2015 |
|---|---|---|
| Earnings per share, € | 0.58 | 0.51 |
| - continuing operations | 0.57 | 0.51 |
| - discontinued operations | 0.01 | 0.00 |
| Operating profit (continuing operations), % | 6.5 | 6.8 |
| Return on equity, % (p.a.) | 13.1 | 12.1 |
| Return on investment, % (p.a.) | 14.1 | 15.5 |
| Solvency ratio, % | 42.8 | 44.3 |
| Gearing, % | 48.8 | 29.3 |
| Net interest-bearing liabilities | 159.5 | 91.3 |
| Equity per share, € | 3.60 | 3.39 |
| - diluted | 3.60 | 3.39 |
| Dividend per share, € | 0.46 *) | 0.44 |
| Dividend per earnings, % | 79.3 | 86.3 |
| Effective share yield, % | 2.8 | 3.2 |
| P/E ratio | 28.5 | 26.7 |
| Market value of share capital | 1,208.6 | 995.6 |
| Trading price of shares | | |
| - low, € | 11.13 | 10.42 |
| - high, € | 17.35 | 17.30 |
| - average, € | 14.64 | 13.92 |
| Shares traded | | |
| - 1,000 pcs | 20,339 | 27,590 |
| - M€ | 298 | 384 |

*) Proposal of the Board of Directors

## QUARTERLY DATA

| | 10-12/ 2016 | 7-9/ 2016 | 4-6/ 2016 | 1-3/ 2016 | 10-12/ 2015 | 7-9/ 2015 | 4-6/ 2015 | 1-3/ 2015 |
|---|---|---|---|---|---|---|---|---|
| Continuing operations | | | | | | | | |
| Net sales, M€ | 268.9 | 284.1 | 299.5 | 246.9 | 262.0 | 274.1 | 277.6 | 237.1 |
| - Building Solutions – Europe | 125.8 | 127.3 | 134.8 | 123.0 | 114.3 | 121.2 | 119.0 | 112.6 |
| - Building Solutions – North America | 77.2 | 77.5 | 80.2 | 70.7 | 74.0 | 75.1 | 69.8 | 56.9 |
| Building Solutions – North America, $ | 82.7 | 86.3 | 90.0 | 78.2 | 80.2 | 83.6 | 77.6 | 63.2 |
| - Uponor Infra | 67.2 | 80.9 | 85.8 | 54.1 | 75.0 | 79.0 | 89.7 | 68.3 |
| | | | | | | | | |
| Gross profit, M€ | 85.9 | 96.8 | 105.5 | 87.8 | 91.4 | 95.0 | 98.6 | 85.2 |
| - Gross profit, % | 32.0 | 34.1 | 35.2 | 35.5 | 34.9 | 34.7 | 35.5 | 35.9 |
| | | | | | | | | |
| Operating profit, M€ | 7.5 | 25.1 | 26.5 | 11.9 | 14.0 | 23.6 | 22.5 | 11.3 |
| - Building Solutions – Europe | 1.6 | 10.8 | 8.3 | 4.9 | 3.3 | 8.4 | 6.2 | 6.1 |
| - Building Solutions – North America | 11.9 | 12.4 | 14.6 | 11.1 | 12.2 | 15.7 | 15.0 | 8.1 |
| Building Solutions – North America, $ | 12.7 | 13.8 | 16.3 | 12.3 | 13.1 | 17.5 | 16.8 | 8.9 |
| - Uponor Infra | -5.0 | 2.7 | 5.1 | -3.6 | -1.2 | -0.3 | 3.0 | -1.3 |
| - Others | -0.7 | -0.2 | -1.0 | -0.7 | -0.9 | -0.2 | -1.4 | -1.3 |
| | | | | | | | | |
| Operating profit, % of net sales | 2.8 | 8.8 | 8.8 | 4.8 | 5.3 | 8.6 | 8.1 | 4.8 |
| - Building Solutions – Europe | 1.2 | 8.5 | 6.1 | 4.0 | 2.9 | 6.9 | 5.2 | 5.4 |
| - Building Solutions – North America | 15.4 | 16.0 | 18.2 | 15.7 | 16.4 | 20.9 | 21.5 | 14.1 |
| - Uponor Infra | -7.4 | 3.3 | 6.0 | -6.7 | -1.5 | -0.4 | 3.0 | -0.2 |
| | | | | | | | | |
| Profit for the period, M€ | 5.9 | 14.8 | 15.4 | 5.9 | 4.4 | 15.4 | 13.3 | 4.0 |
| | | | | | | | | |
| Balance sheet total, M€ | 767.5 | 803.7 | 792.5 | 748.7 | 707.8 | 740.0 | 716.8 | 692.5 |
| | | | | | | | | |
| Earnings per share, € | 0.11 | 0.19 | 0.19 | 0.09 | 0.07 | 0.21 | 0.17 | 0.06 |
| Equity per share, € | 3.60 | 3.41 | 3.22 | 3.01 | 3.39 | 3.26 | 3.08 | 2.96 |
| Market value of share capital, M€ | 1,208.6 | 1,206.5 | 1,038.1 | 934.1 | 995.6 | 851.4 | 989.0 | 1,153.0 |
| | | | | | | | | |
| Return on investment, % (p.a.) | 14.1 | 16.9 | 15.3 | 8.9 | 15.5 | 17.3 | 14.0 | 7.2 |
| Net interest-bearing liabilities at the end of the period, M€ | 159.5 | 177.5 | 175.1 | 176.5 | 91.3 | 114.8 | 138.8 | 130.9 |
| Gearing, % | 48.8 | 56.6 | 58.5 | 62.4 | 29.3 | 37.9 | 47.8 | 46.7 |
| Gearing, % rolling 4 quarters | 56.7 | 51.8 | 47.1 | 44.3 | 40.4 | 40.0 | 41.0 | 43.2 |
| | | | | | | | | |
| Gross investment, M€ | 21.0 | 14.0 | 10.4 | 5.3 | 19.7 | 11.9 | 10.4 | 8.1 |
| - % of net sales | 7.8 | 4.9 | 3.5 | 2.1 | 7.5 | 4.3 | 3.7 | 3.4 |

## ITEMS AFFECTING COMPARABILITY AND RECONCILIATIONS TO IFRS

| | 10-12/ 2016 | 7-9/ 2016 | 4-6/ 2016 | 1-3/ 2016 | 10-12/ 2015 | 7-9/ 2015 | 4-6/ 2015 | 1-3/ 2015 |
|---|---|---|---|---|---|---|---|---|
| **Items affecting comparability** | | | | | | | | |
| Restructuring charges | -8.6 | -3.9 | -4.2 | -3.0 | -4.4 | -1.0 | -0.8 | - |
| Capital gains and losses on sale of non-current assets | | - | - | - | 1.9 | - | - | - |
| Total items affecting comparability in operating profit | -8.6 | -3.9 | -4.2 | -3.0 | -2.5 | -1.0 | -0.8 | - |
| **Items affecting comparability, total** | **-8.6** | **-3.9** | **-4.2** | **-3.0** | **-2.5** | **-1.0** | **-0.8** | **-** |
| | | | | | | | | |
| **Comparable gross profit** | | | | | | | | |
| Gross profit | 85.9 | 96.8 | 105.5 | 87.8 | 91.4 | 95.0 | 98.6 | 85.2 |
| Less: Items affecting comparability in gross profit | -5.6 | -0.8 | -0.8 | -0.7 | -0.3 | -0.1 | -0.4 | - |
| **Comparable gross profit** | **91.5** | **97.6** | **106.3** | **88.5** | **91.7** | **95.1** | **99.0** | **85.2** |
| % of sales | 34.1 | 34.4 | 35.5 | 35.8 | 35.0 | 34.7 | 35.6 | 36.0 |
| | | | | | | | | |
| **Comparable operating profit** | | | | | | | | |
| Operating profit | 7.5 | 25.1 | 26.5 | 11.9 | 14.0 | 23.6 | 22.5 | 11.3 |
| Less: Items affecting comparability in operating profit | -8.6 | -3.9 | -4.2 | -3.0 | -2.5 | -1.0 | -0.8 | - |
| **Comparable operating profit** | **16.1** | **29.0** | **30.7** | **14.9** | **16.5** | **24.6** | **23.3** | **11.3** |
| % of sales | 6.0 | 10.2 | 10.2 | 6.0 | 6.4 | 8.9 | 8.4 | 4.8 |
| | | | | | | | | |
| **Comparable operating profit by segment** | | | | | | | | |
| | | | | | | | | |
| **Building Solutions - Europe** | | | | | | | | |
| Operating profit | 1.6 | 10.8 | 8.3 | 4.9 | 3.3 | 8.4 | 6.2 | 6.1 |
| Less: Items affecting comparability in operating profit | -5.6 | -0.9 | -3.3 | -2.6 | -1.8 | -1.0 | -0.8 | - |
| Comparable operating profit | 7.2 | 11.7 | 11.6 | 7.5 | 5.1 | 9.4 | 7.0 | 6.1 |
| % of sales | 5.7 | 9.2 | 8.5 | 6.2 | 4.5 | 7.7 | 5.9 | 5.4 |
| | | | | | | | | |
| **Building Solutions - North America** | | | | | | | | |
| Operating profit | 11.9 | 12.4 | 14.6 | 11.1 | 12.2 | 15.7 | 15.0 | 8.1 |
| Comparable operating profit | 11.9 | 12.4 | 14.6 | 11.1 | 12.2 | 15.7 | 15.0 | 8.1 |
| % of sales | 15.4 | 16.0 | 18.2 | 15.7 | 16.4 | 20.9 | 21.5 | 14.1 |
| | | | | | | | | |
| **Uponor Infra** | | | | | | | | |
| Operating profit | -5.0 | 2.7 | 5.1 | -3.6 | -1.2 | -0.3 | 3.0 | -1.3 |
| Less: Items affecting comparability in operating profit | -3.0 | -3.2 | -0.6 | -0.4 | -0.7 | - | - | - |
| Comparable operating profit | -2.0 | 5.9 | 5.7 | -3.2 | -0.5 | -0.3 | 3.0 | -1.3 |
| % of sales | -2.9 | 7.2 | 6.7 | -6.0 | -0.6 | -0.4 | 3.4 | -2.0 |
| | | | | | | | | |
| **Others** | | | | | | | | |
| Operating profit | -0.3 | -0.2 | -1.0 | -0.7 | -0.9 | -0.2 | -1.4 | -1.3 |
| Less: Items affecting comparability in operating profit | 0.0 | 0.2 | -0.3 | - | - | - | - | - |
| Comparable operating profit | -0.3 | -0.4 | -0.7 | -0.7 | -0.9 | -0.2 | -1.4 | -1.3 |
| % of sales | na | na | na | na | na | na | na | na |

## DEFINITIONS OF KEY RATIOS

Return on Equity (ROE), %

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

Return on Investment (ROI), %

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

Solvency, %

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

Gearing, %

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

Net interest-bearing liabilities

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

Earnings per share (EPS)

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

Equity per share ratio

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

Average share price

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

Gross profit margin

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

Operating profit margin

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

Comparable gross profit margin

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

Comparable operating profit margin

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