Financial statements bulletin 1–12/2018

13 February 2019

Net sales improved in all segments; stable operational performance

- Net sales for Oct–Dec 2018 was €282.6 (279.4) million, growth of 1.2% or organic growth of 12.5% in constant currency terms
- Operating profit for Oct–Dec was €17.1 (18.0) million; comparable operating profit at €20.5 (18.0) million, growth of 13.3%
- Net sales for Jan–Dec was €1,196.3 (1,170.4) million, growth of 2.2% or organic growth of 7.4% in constant currency terms
- Operating profit for Jan–Dec was €106.7 (95.9) million; comparable operating profit at €99.3 (97.2), growth of 2.1%
- Jan–Dec earnings per share was at €0.72 (0.83)
- Jan–Dec return on investment was 17.2% (16.3%), and gearing on 31 December was 39.4% (43.5%)
- Jan–Dec cash flow from business operations came to €79.9 (101.5) million

Uponor Infra's North American business is included in the financial information until the end of August 2018, after which the business was divested. Zent-Frenger, which was part of Building Solutions – Europe segment, is included in the financial information until the end of October 2018, after which the business was divested.

Guidance statement for 2019:

Excluding the impact of currencies, Uponor expects its net sales to reach the level of the year 2018 net sales excluding the divested Uponor Infra's North American business and Zent-Frenger (€1,107.7 million), and comparable operating profit to improve from the year 2018 comparable operating profit excluding the divested Uponor Infra's North American business and Zent-Frenger (€83.5 million).

The Board's dividend proposal:

The Board proposes to the Annual General Meeting a dividend of €0.51 (0.49) per share, of which 25 cents will be paid in March 2019 and 26 cents is planned to be paid in September 2019. When making the proposal, the Board considered the solvency of the company, the company's dividend policy, the business outlook and planned investments, recognising the high availability of external funding for the company's growth plans.

President and CEO Jyri Luomakoski's comments:

- In 2018, Uponor improved both net sales and comparable operating profit, despite the divestments of Uponor Infra's North American business and Zent-Frenger, a radiant ceiling manufacturer from Germany. We also announced our decision to cease our operations in Asia during 2019. Going forward, we will focus on our core businesses in Europe and North America, and strive to meet our profitable growth agenda.
- Net sales increased slightly in the Building Solutions – Europe segment, but operational challenges in our manufacturing facility in Virsbo, Sweden, together with increasing raw material costs decreased profitability in 2018. Corrective measures in Virsbo have been implemented and we expect the situation to improve during 2019. We will also launch new products for European markets at the world's leading trade fair in the field of sanitary and heating, ISH, in March: smart water monitoring system, Phyn Plus; new generation press fitting solution, S-Press PLUS; fully electronic heat interface unit Combi Port E as well as the Smatrix Pulse cloud-based smart home control system.

- Building Solutions – North America segment increased its net sales, but the profitability level was burdened by the start-up costs from the Hutchinson manufacturing facility. In addition, the segment suffered from increasing raw material costs and freight rates throughout the first half of the year, and the second half of the year was not enough to compensate this completely.
- Uponor Infra improved its profitability significantly in Europe. Operational improvements were notable especially in Finland, and designed solutions sales also performed well. Uponor Infra's North American business was divested in August.
- There are multiple uncertainty factors in the world economy, making 2019 predictions challenging. Our guidance, which is based on the current Group structure and constant currencies, is based on the execution plans of our strategy, but it is dependent on economic market conditions prevailing during the main construction season in our operating area. Our first quarter, traditionally the smallest due to seasonality in construction industry, is expected to be impacted by purchasing patterns of our distributors as price increases in many key markets will take place during the quarter and new products will be launched at the end of the quarter. In addition, the costs related to the biennial ISH trade fair will burden the result.

Key financial figures

Consolidated income statement (continuing operations), M€	2018	2017	2016	2015	2014	2013
Net sales	1,196.3	1,170.4	1,099.4	1,050.8	1,023.9	906.0
Operating expenses	1,063.6	1,038.4	991.0	942.7	926.4	823.6
Depreciation and impairments	42.4	39.2	41.6	39.1	36.5	33.0
Other operating income	16.4	3.1	4.2	2.4	2.4	0.8
Operating profit	106.7	95.9	71.0	71.4	63.4	50.2
Comparable operating profit	99.3	97.2	90.7	75.8	67.7	55.2
Financial income and expenses	-8.5	-5.4	-10.0	-8.9	-7.4	-7.1
Profit before taxes	93.5	88.2	60.4	62.8	56.3	43.2
Result from continuing operations	63.2	65.4	41.5	37.1	36.3	27.1
Profit for the period	63.2	65.4	41.9	36.9	36.0	26.8
Earnings per share	0.72	0.83	0.58	0.51	0.50	0.38

Uponor Corporation's long-term financial targets

(issued on 12 February 2013)

Annual targets and actuals	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Organic net sales growth to exceed GDP growth(1 by 3 ppts (2018E: 5.4%)	4.9	6.5	2.0	5.2	2.0	-1.5
Comparable(2 EBIT margin >10%	8.3	8.3	8.2	7.2	6.6	6.1
Return on investment, ROI (p.a.) >20%	17.2	16.3	14.1	15.5	14.2	12.5
Gearing (annual average for the four latest quarters) 30 – 70	53.0	58.4	56.7	40.4	45.8	57.9
Dividend payout > 50% of earnings	70.8	59.0	79.3	86.3	84.0	100.0

((1)GDP growth based on weighted average growth in the top 10 countries, measured by net sales. 2) The targets issued in February 2013 referred to reported EBIT margin.)

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, the figures refer to continuing operations. Any change percentages were calculated from the exact figures and not the rounded figures published here.

News conference, webcast and presentation
A news conference for analysts, fund managers, investors and representatives of the media will be arranged in Savoy, Eteläesplanadi 14 (Salikabinetti, 7th floor), Helsinki, Finland on 13 February at 10:00 EET.

A webcast of the news conference in English will be broadcast on 13 February at 10:00 EET. It can be viewed via our IR website at investors.uponor.com or via the Uponor IR mobile app. The recorded webcast can be viewed via the website or the app shortly after the live presentation. All presentation materials will be available at investors.uponor.com > News & downloads.

Next interim results
Uponor Corporation will publish its Q1 interim results on 3 May 2019. During the silent period from 1 April to 2 May, Uponor will not comment on market prospects or factors affecting business and performance.

Interim results October – December 2018

Markets

Construction activity in Uponor's key markets remained generally healthy, although signs of softening demand became more pronounced in some markets. In Europe, a slowdown in building activity became more apparent in the Nordics, while in Uponor's largest European market, Germany, building activity remained stable. North American markets grew slightly overall from a year earlier.

Net sales

Uponor reported net sales of €282.6 (279.4) million for the fourth quarter, showing growth of 1.2% to comparison year 2017. The currency impact, mainly from the USD, SEK and RUB came to € -6.5 million, whereby the year-over-year organic growth in the quarter in constant currency terms came to 12.5%.

Building Solutions – Europe's net sales grew, coming to €128.5 (125.5) million, a growth of 2.5% from the comparison period. The main drivers behind the growth were Finland, Norway and Austria.

Building Solutions – North America continued growth with net sales of €90.5 (79.5) million, which represents an increase of 13.8%. In USD, net sales were $103.3 (94.2) million, a growth of 9.6%. The growth was driven by strong performance in the U.S. markets both in plumbing solutions and indoor climate solutions.

Uponor Infra's net sales decreased to €65.3 (75.4) million, a decline of 13.3%. The decline in the comparison period is due to Uponor Infra's North American business, which was divested in August 2018. Remaining European business increased its net sales year-over-year.

Breakdown of net sales by segment, October–December:

M€	10–12 2018	10–12 2017	Reported change
Building Solutions – Europe	128.5	125.5	2.5%
Building Solutions – North-America	90.5	79.5	13.8%
(Building Solutions – North-America, M$	103.3	94.2	9.6%)
Uponor Infra	65.3	75.4	-13.3%
Eliminations	-1.7	-1.0	
Total	282.6	279.4	1.2%

Results and profitability

Uponor's gross profit in the final quarter of 2018 totalled €94.2 (95.0) million. The gross profit margin declined slightly to 33.3% (34.0%).

Operating profit for the fourth quarter came to €17.1 (18.0) million. The operating profit margin came to 6.1% (6.4%). The total net effect of items affecting comparability (IAC) was €3.4 million in the fourth quarter. The biggest items were disposal gain from the divestment of Zent-Frenger (€4.0 million) and ramp down costs from Asian operations (€6.9 million). There were no items affecting comparability in the comparison period.

Comparable operating profit, i.e. excluding any items affecting comparability, improved and came to €20.5 (18.0) million, while the comparable operating profit margin came to 7.3% (6.5%).

Building Solutions – Europe's operating profit was €5.1 (10.2) million. Adjusting for IAC, comparable operating profit came to €8.0 (10.2) million, which represents a comparable operating profit margin of 6.2% (8.1%). The decline was due to higher operational costs in Virsbo and sales mix.

Building Solutions – North America's operating profit came to €13.7 (9.6) million, or to $15.7 (11.5) million measured in USD. The operating profit margin improved to 15.2% (12.2%). This was driven by price increases and reduced freight rates.

Uponor Infra's operating profit declined, coming to €-0.2 (1.8) million. The comparable operating profit came to €0.3 (€1.8) million. The decline was due to the divestment of North American business in August 2018. In Europe, Finland improved its profitability level together with designed solutions sales.

Reported operating profit by segment, October–December:

M€	10–12 2018	10–12 2017	Reported change
Building Solutions – Europe	5.1	10.2	-50.0%
Building Solutions – North-America	13.7	9.6	42.9%
(Building Solutions – North-America, M$	15.7	11.5	36.3%)
Uponor Infra	-0.2	1.8	-113.8%
Others	-1.2	-2.5	
Eliminations	-0.3	-1.1	
Total	17.1	18.0	-5.2%

Comparable operating profit by segment, October–December:

M€	10–12 2018	10–12 2017	Comparable change
Building Solutions – Europe	8.0	10.2	-21.8%
Building Solutions – North-America	13.7	9.6	42.9%
(Building Solutions – North-America, M$	15.7	11.5	36.3%)
Uponor Infra	0.3	1.8	-87.9%
Others	-1.2	-2.5	
Eliminations	-0.3	-1.1	
Total	20.5	18.0	13.3%

Events during the period

On 28 November 2018, Karsten Hoppe was appointed President, Building Solutions – Europe and a member of Uponor's Executive Committee as of 1 February 2019.

On 13 December 2018, Uponor announced that, in alignment with its strategy to focus on profitable growth in core businesses throughout Europe and North America, the company has decided to cease operations in Asia during 2019. This includes operations in China, as well as sales offices in South Korea, Hong Kong and Malaysia.

Financial statements January – December 2018

Markets

Despite some softening towards the end of the year, construction activity on both sides of the Atlantic was generally healthy in 2018, growing marginally from the strong levels seen in 2017. Consumers on both continents continued to benefit from a strong labour market that in turn drove growth in residential new build projects. Although more cautious than consumers, businesses increased investments in non-residential construction projects, too. As in previous years during this prolonged growth cycle, a pronounced lack of skilled labour continued to challenge builders' ability to take on new projects.

In Uponor's largest Central European market, Germany, residential building permits fell from their post-unification peak, but remained at elevated levels that continued to provide a backlog of multi-family housing projects. Spending on new residential projects grew, while the significantly larger renovation segment was flat compared to the previous year. Non-residential building grew slightly, but was at a similarly low level as in previous years. Growth was stronger in the Netherlands, with spending in both the residential and non-residential segments expanding.

In Southwest Europe, the Spanish construction market continued to make gains from a very low baseline. Construction spending was sustained at elevated levels in France, while the Italian market was again subdued. In the UK, political uncertainties may have contributed to a reduction in investment in non-residential projects, but residential spending remained at 2017 levels.

Construction activity in the Nordic region continued to grow during the beginning of the year, supported by a backlog of projects. However, as the year wore on, a clear deceleration in the number of new multi-family residential projects became evident in Finland and Sweden. In the non-residential segment, Sweden and Norway both experienced a decline in activity, while Finland and Denmark grew slightly.

In North America, the USA posted another year of construction industry growth, albeit at a reduced rate from earlier years. Residential spending grew and home builder confidence remained clearly in expansionary territory, despite moderating towards the end of the year. Meanwhile, businesses continued to invest more in non-residential projects, with nearly every sub-segment contributing to the growth. In Canada, a decrease in residential spending was compensated for by growth in non-residential projects.

With regard to Uponor's infrastructure solutions, demand was stable overall, with softening in some building segments offset by increased government expenditures in, for example, Sweden and Norway. East Central European countries, and especially Poland, benefited from elevated investment levels in both building and civil engineering.

Net sales

Uponor's 2018 net sales amounted to €1,196.3 (1,170.4) million, a growth of 2.2% year-over-year. The negative currency impact totalled €28.1 million, bringing the 2018 full-year organic growth to 7.4% in constant currency terms. The negative net currency effect was mainly due to the USD, SEK, CAD and RUB.

Building Solutions – Europe's net sales amounted to €524.2 (521.7) million, showing a small growth of 0.5% year-over-year. Net sales remained at quite a stable level in most countries, with the biggest growth in Finland and Spain. Net sales declined in Sweden and slightly in Germany.

Building Solutions – North America reported full-year net sales at €340.5 (328.2) million, a growth of 3.7%. In U.S. dollar terms, net sales were $401.5 (373.2) million, representing growth of 7.6%. The growth came from both the U.S. and Canadian markets.

Uponor Infra's net sales came to €337.3 (323.4) million, which represents a growth of 4.3%, despite the divestment of North American business in August 2018. Most of this growth came from Sweden and Poland.

Within the business groups, the share of plumbing solutions represented 49% (49%), indoor climate solutions 23% (24%), while infrastructure solutions represented 28% (27%) of Group net sales. If the impact of Uponor Infra's North American business is eliminated, the shares are: plumbing solutions 52%, indoor climate solutions 24% and infrastructure solutions 24%.

Measured in terms of reported net sales, and their respective share of Group net sales, the 10 largest countries were as follows (2017 figures in brackets): the USA 26.9% (26.3%), Germany 12.5% (13.2%), Finland 11.0% (10.3%), Sweden 9.6% (9.7%), Canada 7.2% (8.6%), Denmark 4.3% (4.4%), the Netherlands 3.5% (3.5%), Spain 3.3% (3.2%), Norway 2.8% (2.6%), and Poland 2.6% (1.9%).

Net sales by segment for 1 January – 31 December:

M€	1–12 2018	1–12 2017	Reported change
Building Solutions – Europe	524.2	521.7	0.5%
Building Solutions – North America	340.5	328.2	3.7%
(Building Solutions – North America, M$	401.5	373.2	7.6%)
Uponor Infra	337.3	323.4	4.3%
Eliminations	-5.7	-2.9	
Total	1,196.3	1,170.4	2.2%

Results and profitability

The consolidated full-year gross profit ended at €400.8 (394.1) million, a growth of €6.7 million. The gross profit margin came to 33.5% (33.7%). Comparable gross profit came to €400.8 (395.1) million, or 33.5% (33.8%).

Consolidated operating profit came to €106.7 (95.9) million, a clear improvement from the previous year, driven by the disposal gains (€11.7million) from the divestment of Uponor Infra's North American business and (€4.0 million) Zent-Frenger. The operating profit margin ended at 8.9% (8.2%) of net sales.

Comparable operating profit, i.e. excluding any items affecting comparability, reached €99.3 (97.2) million, an increase of 2.1%. Comparable operating profit margin came to 8.3% (8.3%). The total net amount of items affecting comparability was €7.4 (1.3) million, of which a total of €4.3 (2.8) million was reported in Building Solutions – Europe (disposal gain from divestment of Zent-Frenger, restructuring costs and ramp down costs from Asian operations) and €-11.7 (-1.5) million in Uponor Infra (the disposal gain from the divestment of North American business).

Building Solutions – Europe's operating profit was €31.1 (40.0) million. The segment reported a decline in full-year comparable operating profit, which came to €35.4 (42.8) million. The segment's profitability was burdened by the continuing tight competitive situation together with increasing raw material prices. The introduced price increases were not enough to offset the situation, when also operational expenses increased in Virsbo. In addition, the sales mix did not support profitability development.

Building Solutions – North America's operating profit came to €46.6 (49.7) million, or $54.9 (56.5) in USD. The decline was due to start-up costs for Hutchinson manufacturing facility as well as increased raw material costs and freight rates. During the second half of 2018, the segment introduced price increases and managed to reduce freight rates, but the positive actions were not enough to fully compensate for the weaker first half of the year.

Uponor Infra reported a good improvement in operating profit €35.1 (12.0) million as well as in comparable operating profit which reached €23.4 (10.5) million. The improved profitability was driven by operational improvements in Finland as well as designed solution sales. Uponor Infra's North American business was divested in August 2018.

Operating profit by segment for 1 January – 31 December:

M€	1–12/ 2018	1–12/ 2017	Reported change
Building Solutions – Europe	31.1	40.0	-22.1%
Building Solutions – North-America	46.6	49.7	-6.2%
(Building Solutions – North-America, M$	54.9	56.5	-2.8%)
Uponor Infra	35.1	12.0	191.6%
Others	-5.2	-4.2	
Eliminations	-0.9	-1.6	
Total	106.7	95.9	11.3%

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

M€	1–12 2018	1–12 2017	Comparable change
Building Solutions – Europe	35.4	42.8	-17.3%
Building Solutions – North-America	46.6	49.7	-6.2%
(Building Solutions – North-America, M$	54.9	56.5	-2.8%)
Uponor Infra	23.4	10.5	122.0%
Others	-5.2	-4.2	
Eliminations	-0.9	-1.6	
Total	99.3	97.2	2.1%

Uponor's net financial expenses increased to €8.5 (5.4) million, as the comparison period includes a positive impact of €3.6 million from the Finnish Supreme Administrative Court tax resolution. Net currency exchange differences in 2018 totalled €-4.9 (-3.2) million.

The share of the result in associated companies, €-4.7 (-2.3) million, is related to Uponor's 50% share in the joint venture company, Phyn, established in 2016. Uponor increased its ownership from 37.5% to 50% in February 2018, by investing an additional €8.1 million ($10 million). Sales of the new Phyn Plus smart water monitoring system began in the second quarter in the USA, and it will be launched in European markets in spring 2019.

Profit before taxes was €93.5 (88.2) million. The effective tax rate was 32.4% (25.8). The divestments of Uponor Infra's North American business and Zent-Frenger together with decision to cease operations in Asia and close down the sales office in Australia had one-time impacts of +4.9% pts to effective tax rate. Income taxes totalled €30.3 (22.8) million.

Profit for the period totalled €63.2 (65.4) million. Return on equity reached 18.0% (19.4%).

Return on investment increased to 17.2% (16.3%). Return on investment, adjusted for items affecting comparability, came to 15.9% (16.6).

Earnings per share were €0.72 (0.83). Equity per share was €4.08 (3.83). For other share-specific information, please see the Tables section.

Consolidated cash flow from operations amounted to €79.9 (101.5) million. Uponor received full compensation for the tax claim concerning Uponor Business Solutions Oy, with an impact of €11.4 million, but the net working capital increased. This is due to the comparison period, where North American inventories were on a level too low for sustainable business needs at the end of 2017. In addition, the inventories were at a higher level in Europe in the end of 2018 driven by the new product launches in March 2019. Cash flow before financing came to €72.7 (42.0) million.

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

Investment, research and development, and financing

During recent years Uponor has invested in selected productivity improvements, maintenance and the modernisation of technology in the company's manufacturing operations in addition to new digital innovations.

In 2018, Uponor's largest investments were the new manufacturing facility in Hutchinson, Minnesota and the joint-venture, Phyn, with Belkin International. The expansion investment in Hutchinson was announced on 20 July 2017, and Uponor opened the new manufacturing facility in June 2018. In 2018, Uponor invested €18.2 million ($21.5 million) to Hutchinson. In 2017, the investment was worth €7.6 million ($8.6 million). Uponor invested an additional €8.1 million ($10 million) in Phyn and increased its ownership from 37.5% to 50% in February 2018, bringing Uponor's cumulative investment up to €21.6 million ($25 million).

In 2018, gross investment in fixed assets totalled €54.0 (63.4) million. Net investments totalled €53.3 (61.8) million.

Research and development costs decreased slightly to €22.5 (23.2) million, or 1.9% (2.0%) of net sales. The main areas for research and development were digitalisation and Internet of Things (IoT) initiatives together with the new-generation indoor climate controls and plumbing fittings, which will be launched in ISH fair in March. In addition, Uponor continued to develop different BIM (Building Information Model) solutions, new pipe extrusion technologies and process as well as improvements to existing platforms.

The main existing long-term funding programme on 31 December 2018 was the 5-year bilateral loan agreement of €100 million, which will mature in July 2022. The loan has replaced the earlier €80 million bond, which matured in June 2018.

In addition to the above-mentioned funding arrangement, Uponor has outstanding, bilateral long-term loans of €50 million and €20 million, both of which will mature in the summer of 2021. As back-up funding arrangements, Uponor has four €50 million committed bilateral revolving credit facilities in force, totalling €200 million and maturing in 2021–2023; none of these were used during the reporting period.

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. Available cash-pools limits granted by Uponor's key banks amounted to €34.9 million, none of which was in use on the balance sheet date. At the end of the year, Uponor had €38.1 (107.0) million in cash and cash equivalents.

Accounts receivable and credit risks received special attention throughout the year. Most of Uponor's accounts receivable are secured by credit insurance.

Net interest-bearing liabilities decreased to €139.2 (151.5) million. The solvency ratio was 45.1% (40.5%) and gearing came to 39.4% (43.5%), with a four-quarter rolling gearing of 53.0% (58.4%). Average quarterly gearing was 53.0 (58.4), in line with the range of 30–70 set in the company's financial targets.

Events during the period

Uponor celebrated its 100-year anniversary throughout 2018.

In January, Uponor Inc., part of Building Solutions – North America, completed its tenth €16.3 million ($17.4 million) manufacturing expansion in Apple Valley.

During the same month, Phyn, Uponor's joint venture with Belkin International, Inc., launched its first product Phyn Plus, a smart water monitoring system, at the International Builders' Show (IBS) in Florida and the Consumer Electronics Show (CES) in Las Vegas. The product received two awards at these shows. Phyn Plus became available to customers in the USA in Q2 and will be launched in Europe in spring 2019.

In February, Uponor invested an additional $10 million in Phyn, bringing its cumulative investment to €21.6 million ($25 million). With this second round of funding, Uponor established 50 percent ownership in Phyn, the other 50 percent being owned by Belkin.

In the second quarter, Uponor Inc., part of Building Solutions – North America, opened a second manufacturing facility in Hutchinson, Minnesota, and began producing PEX pipe slightly ahead of the planned schedule.

On 29 August, the Finnish Tax Administration gave its decision concerning Uponor Business Solutions Oy's tax case. As a result, taxes, surtaxes and delay interests, recorded by Uponor in 2011, in total approximately €11.4 million as well as statutory interests was paid back to the company.

On 31 August, Uponor announced that Uponor Infra and Wynnchurch Capital, an American private equity firm, have signed a business purchase agreement for Uponor Infra's North American business. The debt and cash free purchase price was CAD 62.5 million (approximately €41 million).

On 5 September, Uponor and Swegon Group AB signed a share purchase agreement for the sale of all outstanding shares in Zent-Frenger GmbH. The debt and cash free purchase price was €16 million. The acquisition was completed at the end of October 2018.

In September, Uponor Infra Oy and Infra Pipe Solutions Ltd signed a Weholite Licensing Agreement for the continuous future manufacture of Weholite pipes and products for the North American market. In addition to Uponor Infra's own production of Weholite, there are licensees in the UK, Iceland, Oman, South Africa, Malaysia, Thailand, Japan, Brazil, France, Turkey, Tanzania and now also in Canada.

On 13 December, Uponor announced that in alignment with its strategy to focus on profitable growth in core businesses throughout Europe and North America, the company has decided to cease operations in Asia during 2019. This includes operations in China, as well as sales offices in South Korea, Hong Kong and Malaysia.

On 19 December, 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 50 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 2019–2021, 2020–2022 and 2021–2023. The potential reward based on the 2019–2021 plan will be paid in 2022. 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 key managers.

Personnel and organisation

At the end of the year, the Uponor Group had 3,928 (4,075) employees, in full-time-equivalent (FTE) terms. This is 147 less than at the end of 2017. The decrease in the number of employees was due to the divestments of Uponor Infra's North American business and Zent-Frenger. The average number of employees (FTE) for the year was 4,074 (3,990).

Two changes were seen in the Group's Executive Committee during the year 2018. Fernando Roses, Executive Vice President, Group Technology and Corporate Development, left Uponor in April and his successor, Richard Windischhofer, joined Uponor in January 2019. Jan Peter Tewes, President, Building Solutions – Europe, left Uponor in September and his successor, Karsten Hoppe, joined Uponor in February 2019.

The geographical breakdown of the Group's personnel (FTE) was as follows: the USA 23% (20%), Germany 22% (23%), Finland 15% (15%), Sweden 14% (13%), Poland 6% (6%), Spain 3% (3%), Denmark 3% (3%), Russia 2% (2%), China 2% (2%), Czech Republic 2% (2%) and other countries 8% (9%).

A total of €259.5 (245.7) million was recorded in salaries, other remunerations and employee benefits during the financial period.

Non-financial information

This section describes Uponor's corporate responsibility activities as required in the Chapter 3a of the Finnish Accounting Act on non-financial information.

Uponor's business model and value creation
Operating in an industry with a strong influence on sustainable living, Uponor's objective is to enrich people's way of life by offering high quality indoor climate, plumbing and infrastructure solutions that enhance the wellbeing of Uponor's customers. At Uponor, sustainability plays a key role in fulfilling this objective. Through innovation and partnerships, the company is committed to long-term value creation and developing a more sustainable world.

During 2017, Uponor conducted a materiality analysis among its stakeholders. The analysis together with the UN's Sustainable Development Goals forms the framework for Uponor's sustainability approach. During 2018, Uponor reviewed its sustainability strategy and defined four focus areas: clean water and sanitation, responsible production and consumption, climate action as well as decent work and economic growth. The selected focus areas are those that have the greatest impact potential on the business, including major opportunities, and are aligned with Uponor's business scope. In 2019, Uponor will continue the work and define measurable targets for each focus area.

Uponor is organised into three segments (Building Solutions – Europe, Building Solutions – North America and Uponor Infra) according to business responsibility and proximity to customers. People, brand, sustainability and technology topics are managed at Group level in order to benefit from the global presence and maximise the return from long-term R&D projects.

More information on Uponor's value creation model can be found in the Annual Report.

Operating principles and due diligence processes
Uponor complies with local laws and regulations, and the company's Code of Conduct, together with other Group policies, form the foundation for its operating principles. In 2018, Uponor also joined the UN Global Compact.

Environment
Uponor considers the environmental aspects of its product offering and continuously aims to reduce the overall impact of its business operations. Uponor has 18 manufacturing sites globally and their key environmental impacts are greenhouse gas emissions, waste and water usage. Uponor's target is to reduce scope 1 and scope 2 greenhouse gas emissions by 20% per net sales by 2020, from 2015 levels.

Uponor pursues an environmental management system according to the standard ISO 14001, and an energy-management system compliant with the standard ISO 50001, to reach its environmental and energy targets systematically. In 2018, 14 manufacturing facilities were ISO 14001 certified and 7 ISO 50001 certified. Uponor's environmental topics are covered by Quality Environmental Management Policy. Internal and external audits are conducted on a yearly-basis to ensure enforcement of the Quality Environmental Management Policy. Based on information provided by suppliers, all Uponor products and systems comply with the requirements of the European REACH regulation. While North America does not have a REACH regulation of its own, Uponor follows the EU regulation throughout the company, when appropriate.

In addition, Uponor is developing innovations related to recyclable packaging systems and alternative resins, among others, to promote circular economy.

Personnel and social matters
Uponor emphasises equal treatment, and promotes safety and well-being of its employees. The health and safety of employees is a management priority and Uponor is striving towards zero accidents. Employee health and safety topics are covered by the Quality Environmental Management Policy.

Uponor's people strategy is based on three main themes: leadership, talent and culture. With the people strategy, the company aims to ensure that it attracts and retains the right talent to support Uponor's business goals under good leadership and a high performance culture.

Uponor conducts a personnel survey every other year to get feedback from its employees on employee-related matters. The next survey is planned for 2019.

Human rights
Uponor respects human rights as defined, for example, in the United Nations' Universal Declaration of Human Rights. Uponor is a responsible employer and supports equal opportunities for its employees. No discrimination is allowed. Uponor does not allow child or forced labour or any other activities that are against basic labour rights across its value chain.

Uponor has a Supplier Policy, which aims to ensure that suppliers also meet Uponor's ethical, social, environment and quality standards as well as comply with all local laws and regulations.

In 2018, Uponor launched a whistle-blower channel which enables employees to report non-compliant behaviour anonymously.

Anti-corruption and bribery
Uponor has zero tolerance for corruption and bribery. Uponor's Fraud Prevention Policy sets out the company's attitude towards fraud and its intention to prevent it, as well as the responsibilities of all Uponor employees regarding fraud prevention.

The new whistle-blower channel will enable employees to report non-compliant behaviour anonymously.

Results of compliance with the operating principles
Environmental matters
Uponor's joint venture launched a smart water monitoring system with shut-off ability, Phyn Plus, to the US market. Phyn Plus helps customers to monitor their water consumption and detects leakages at an early stage to help save water. In addition, Uponor launched other products which help its customers to reduce

energy-consumption, such as Uponor Combi Port. Uponor continues to concentrate on sustainability matters in its R&D.

Uponor continues to strive to reduce its greenhouse gas emissions and waste. In 2018, Uponor's scope 2 GHG emissions lowered driven by increased purchase of certified green electricity and updated emission factors to reflect more accurate location based and market based scope 2 emissions. At the same time scope 1 GHG emissions increased due to an increase in the products manufactured and addition of two new manufacturing facilities to the reporting scope.

The total amount of waste developed rather stably in 2018. Hazardous waste also came back to normal levels after the dismantling of an unused process water installation and nearby contaminated soil, which had been jointly used by Uponor and two businesses divested in the 1990s was completed in 2017.

In 2018, water consumption increased primarily at Hutchinson and Virsbo. Leaks were identified in the chiller towers and production was running on an open system instead of a closed loop during the replacement of chiller fill tanks for couple of months in Hutchinson. All the leaks are fixed and replacement is complete at Hutchinson. Virsbo experienced extraordinarily hot summer that led to an increase in water consumption.

In 2018, in the management system audit, one breach of environmental permits in Denmark was noticed and corrective actions were implemented.

Social and employee related matters

Safety is Uponor's top priority. In 2018, Uponor's lost time injury frequency was 12.7 (8.9). The increase is due to increase in accidents during commuting and business trips. Uponor also aims to improve the health and safety of the installers of its products, for example, with the new prefabricated products, which are lighter to handle than other similar products.

Uponor invested in internal trainings and launched a pilot in supervisor trainings in Finland and Denmark. The aim is to make these trainings compulsory to all supervisors to increase employees' leadership skills.

Uponor has been conducting its personnel survey every other year and 2018 was an off year. The company has started a project to renew its personnel survey concept during 2019.

Human rights

No incidents related to human rights violations were detected in daily management processes, internal audit investigations or through the whistle-blower channel in Uponor's operations.

Anti-corruption and bribery

No incidents related to corruption and bribery were detected by daily management processes, internal audit investigations or through the whistle-blower channel in Uponor's operations.

Main risks related to non-financial themes

Environmental matters

Non-compliance with local legislation and regulations may cause fines as well as reputational and business risk to Uponor.

Uponor mitigates environmental risks by trainings and implementing ISO 14001, ISO 9001 and ISO 50001 processes and certifications in its manufacturing facilities.

Social and employee related matters

Health and safety related issues may cause risk to Uponor. Uponor may also have difficulties in attracting and retaining talent in the organisation.

Uponor mitigates health and safety related risks by internal trainings, near-miss reporting and continuous improvement of internal processes. In addition, Uponor invests in building an attractive corporate culture and employer brand as well as building diverse career paths.

Human rights

Possible violation of human rights and employee rights may impact Uponor's reputation and business opportunities.

Uponor mitigates risks by developing internal trainings and processes as well as supply chain audits. In addition, the internal anonymous whistleblowing channel is in use.

Anti-corruption and bribery

Unethical behaviour by Uponor's employees or partners may negatively impact Uponor's reputation and business opportunities.

Uponor mitigates this risks by a careful recruitment process, internal trainings and monitoring partners. In addition, the internal anonymous whistle-blower channel is in use.

Key non-financial performance indicators

Measure	Unit	2018	2017	2016	2015	2014
Environmental indicators						
Total energy consumption	1,000 MWh	226.9	200	199	185	184.2
- Electricity purchased	1,000 MWh	180.6	157.5	149.6	138.3	130.6
- of which, certified green electricity	1,000 MWh	33.8	20.9	14.5	11.5	11.1
-Self-generated electricity	1,000 MWh	0.0	0.4	0.9	1.1	1.0
-Fossil fuels used	1,000 MWh	46.2	42.5	49.5	47.4	53.6
-Heating	1,000 MWh	30.5	27.9	34.2	32.2	35.9
of which renewable	%	11.4	16.5	14.7	13.4	12.9
-Own fleet vehicles (including leasing)	1,000 MWh	15.8	14.6	15.2	15.2	17.7
Raw material used	1,000 tonnes	151.2	140.9	132.7	127.1	122.5
Water consumption	1,000 m3	207.1	155.2	168.4	190.9	190.0
Total GHG emissions (Scope 1)	1,000 tonnes	8.5	7.5	8.7	8.5	9.6
Total GHG emissions (Scope 2)	1,000 tonnes	30.8	32.1	32.2	33.5	31.1
Total waste	1,000 tonnes	20.2	18.8	16.4	16.4	15.1
-Waste recycled	%	97.6	92.4	97.4	97.5	95.3
-Waste to landfills	%	2.36	7.6	2.6	2.5	4.7
Hazardous waste, of total waste	%	1.4	4.5	1.4	1.1	1.1
Social indicators						
Employee turnover	%	13	11.2	4.5	5	3.3
Workforce accidents		88	64	54	86	74
Incident rate (LTIF)	per million work hours	12.7	8.9	7.8	13.1	10.6

In 2018, 2 new manufacturing facilities were added to reporting scope. The current waste recycle % calculations include waste to energy and waste recycled as materials. Some figures for previous years have changed due to improved accuracy in the data collection and reporting. The data does not include information for the manufacturing facilities in Canada and China, as Uponor Infra's North American business was divested in 2018 and operations in China are planned to cease in 2019. Uponor aims to include all manufacturing facilities in the reporting in 2019. Currently, the data covers 15 manufacturing facilities of 18. Uponor is reporting its scope 2 emissions using location-based methodology, factors from "GHG Protocol/IEA (05/2018) - IEA2017", but for the countries, where Uponor purchases green electricity, market-based factors are in use. The total working hours are calculated based on the combined FTE of all active employees and the average yearly working hours of Uponor's biggest operating countries.

Key risks associated with business

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

Strategic risks

Uncertainty in the global economy and financial markets may have a negative impact on Uponor's operations, performance, financial position and sources of capital. Uncertainties will continue in 2019, e.g. Brexit and the possible trade war between the USA and China.

Uponor's key operating areas are Europe and North America, where exposure to political risks is considered to be relatively low in general. The Ukraine crisis continues, thus the sanctions imposed by the USA and EU against Russia, and Russia's counter sanctions, are affecting business conditions in and with Russia. Russia's share of Uponor's net sales was around 1.9% in 2018.

Demand for Uponor's products depends on business cycles in the construction sector. Uponor mitigates this risk by distributing its business to two main geographical areas: Europe and North America. Uponor also has three business areas: plumbing solutions, indoor climate solutions and infrastructure solutions. Uponor's products are used both in new construction projects and renovation projects, and in the latter the demand is usually more stable than in more cyclical new construction.

Increasing competitive pressure through e.g. private labelling creates a risk for Uponor. The company mitigates this with constant R&D investments and increasing its capabilities in the commercial segment, i.e. commercial buildings and multi-family housing.

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.

Digitalisation, emerging technologies and capabilities related to those areas are needed to build new business opportunities for Uponor. Uponor's ability to attract and retain talent to drive change are key to Uponor's future success. Uponor manages this risk by building its employer brand and helping its current employees to develop, for example, their leadership skills. Uponor also aims to build a suitable partner network, which complements Uponor's own competences.

In most countries, Uponor's operations related to plumbing solutions are regulated by local legislation. For example, Uponor needs national product approval for a large proportion of the products it sells. Therefore, the company closely monitors any laws and regulations related to its products and raw materials under preparation, in order to anticipate their impact on Uponor and its customers. Uponor also participates actively in the work of different branch and trade organisations to influence both local and international policy makers on topics related to energy, health and water.

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, and market demand among others. In recent years, Uponor has been able to pass most of the effects of such fluctuations onto its selling prices with a reasonable delay. 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 the Nordic level.

With respect to components, raw materials and services sourcing, Uponor aims to use supplies and raw materials available from several suppliers, who are also expected to follow all aspects of Uponor's Code of Conduct and framework contracts. Whenever only one raw material supplier is used, Uponor seeks to ensure that the supplier has at least two production plants, which manufacture the goods used by Uponor. Uponor implements systems for material and raw material quality control and supplier accreditation.

Uponor has entered the 'IoT era' by launching new intelligent products. Therefore, Uponor is monitoring multiple cyber risks, such as cyber, data and information threats. Uponor's business processes are managed by 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 constantly included in the implementation and lifecycle management of major IT systems.

Uponor has adopted a stance of zero tolerance with respect to Health & Safety, Compliance & Laws, and Environmental risks. For Uponor, risks related to climate issues or clean water also represent potential opportunities, which are based on the company's water saving, water hygiene-enhancing and energy-saving products and solutions.

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

In its project business operations, Uponor is seeking to manage risks related to issues such as project-specific timing and costs. As far as possible, such risks are covered in project and supplier agreements. In addition, Uponor actively enhances its employees' project management skills.

Financial risks
Uponor aims to ensure the availability, flexibility and affordability of financing at all times 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 company manages its liquidity through efficient cash management solutions and by applying a risk-averse investment policy, investing solely in low-risk instruments which can be liquidated rapidly and at a clear market price.

Interest rate movements expose Uponor 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 company to currency risks associated with various currencies. 61.4% 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 euros. According to the company's hedging policy, non-euro-area balance sheet items are not hedged, with the exception of some internal loans, which are classified as net investments and included in hedge accounting. Only reputable and well-rated banks are used as currency hedging counterparties.

Hazard risks
At the end of 2018, Uponor operated 18 manufacturing facilities. The products manufactured in these facilities generate most of the company's net sales. Uponor co-ordinates property damage and business interruption insurance at the Group-level on a centralised basis, in order to achieve extensive insurance

coverage neutralising the possible financial damage caused by risks associated with machine breakdowns, fire, among others.

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 the Group-level.

Various and numerous measures are taken in order to manage the risks associated with property damage and business interruption. These include unit-level Business Contingency Plans, safety training for personnel, adherence to maintenance schedules, and actions taken to maintain the availability of major spare parts.

Uponor is involved in several judicial proceedings in various countries. The year 2018 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 Uponor.

Administration and audit

Uponor's Annual General Meeting was held in Helsinki, Finland, on 13 March 2018. Existing Board members Pia Aaltonen-Forsell, Markus Lengauer, Eva Nygren and Annika Paasikivi were re-elected. Swedish citizen Johan Falk and Finnish citizen Casimir Lindholm were elected as new members, since Jorma Eloranta and Jari Rosendal were unavailable for re-election. The AGM elected Annika Paasikivi as Chair of the Board. Audit firm Deloitte Oy was elected as the auditor of the corporation for the 9th consecutive year. Jukka Vattulainen, Authorised Public Accountant, assumed the role of principal auditor for his third term.

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 https://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 recommendations 13 and 15. According to recommendation 13, the Board of Directors should conduct an annual evaluation of its operations and working methods. During the year 2018, there were several changes in the Board of Directors and the Board concluded that the evaluation shall be made at the beginning of 2019, when more meetings have been conducted with the new composition. Therefore there was no evaluation conducted in the year 2018, but annual evaluations will be conducted in the future. According to recommendation 15, the Board of Directors' committees should have at least three members each. The Personnel and Remuneration Committee, however, 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 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 2018, Uponor's share turnover on Nasdaq Helsinki was 40.8 (35.1) million shares, totalling €499.0 (545.5) million. The share quotation at the end of 2018 was €8.62 (16.78), and the market capitalisation of the shares was €631.0 (1,228.4) million.

At the end of the year, there was a total of 20,341 (19,191) shareholders. Foreign shareholding in Uponor accounted for 23.5% (26.4%) of all shareholding in the company at the end of the reporting period. More detailed information is available in the financial statements.

In 2018, 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.

Board authorisations
On 13 March 2018, the Annual General Meeting 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. On 24 October 2018, the Board decided to start repurchasing the company's own shares in one or several instalments. The maximum number of shares to be acquired was 200,000. The repurchases were completed on 5 November 2018 and in total 200,000 of Uponor's own shares were acquired.

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 of the company. The Board of Directors is authorised to decide on all conditions relating to the issuance of shares. This authorisation is valid until the end of the next AGM. On 15 February 2018, the Board decided to transfer the company's own shares as specified in the rules of the LTI plan 2015–2017. A total of 14,365 were transferred to 11 key employees.

Further details regarding the AGM are available at https://investors.uponor.com/governance/annual-general-meeting/annual-general-meeting-2018.

Treasury shares
At the end of the year, Uponor held 244,756 of its own shares, representing approximately 0.33% 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 and CEO, along with corporations known to the company and in which they exercise control, held a total of 101,079 Uponor shares (134,288 shares). These shares accounted for 0.14% 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 2018, 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 50 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 2019–2021, 2020–2022 and 2021–2023. The potential reward based on the 2019–2021 plan will be paid in 2022, partly in company shares and partly in cash.

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.

Short-term outlook

For all of 2018, Uponor's key markets, Europe and North America, remained at a strong level. Political uncertainties remain, which causes difficulties in forecasting the outlook for 2019. E.g. Brexit, the challenges posed by tariff increases and China's economic development can change the situation, perhaps even quickly.

Assuming that economic and political developments in Uponor's key geographies continue undisturbed, Uponor issues the following full-year guidance for 2019:

Excluding the impact of currencies, Uponor expects its net sales to reach the level of the year 2018 net sales excluding the divested Uponor Infra’s North American business and Zent-Frenger (€1,107.7 million), and comparable operating profit to improve from the year 2018 comparable operating profit excluding the divested Uponor Infra’s North American business and Zent-Frenger (€83.5 million).

Uponor Corporation
Board of Directors

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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 2017. The change percentages reported have been calculated from the exact figures and not from the rounded figures published in the interim report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

M€	1-12/2018	1-12/2017	10-12/2018	10-12/2017
Net sales	1,196.3	1,170.4	282.6	279.4
Cost of goods sold	795.5	776.3	188.4	184.4
Gross profit	400.8	394.1	94.2	95.0
Other operating income	16.4	3.1	3.8	0.3
Dispatching and warehousing expenses	33.7	33.2	8.1	8.1
Sales and marketing expenses	191.3	190.3	45.8	47.9
Administration expenses	60.0	53.4	17.8	14.6
Other operating expenses	25.5	24.4	9.2	6.7
Operating profit	106.7	95.9	17.1	18.0
Financial expenses, net	8.5	5.4	1.5	2.5
Share of results in associated companies and joint ventures	-4.7	-2.3	-1.1	-0.7
Profit before taxes	93.5	88.2	14.5	14.8
Income taxes	30.3	22.8	7.8	-0.3
Profit for period	63.2	65.4	6.7	15.1
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Re-measurements on defined benefit pensions, net of taxes	-1.1	-0.4	-1.1	-0.4
Items that may be reclassified subsequently to profit or loss				
Translation differences	1.2	-13.2	0.7	-2.6
Cash flow hedges, net of taxes	1.6	1.2	0.2	0.3
Net investment hedges	-0.7	1.7	-0.2	0.2
Other comprehensive income for the period, net of taxes	1.0	-10.7	-0.4	-2.5
Total comprehensive income for the period	64.2	54.7	6.3	12.6
Profit/loss for the period attributable to				
- Equity holders of parent company	52.8	60.5	6.0	13.4
- Non-controlling interest	10.4	4.9	0.7	1.7
Total comprehensive income for the period attributable for				
- Equity holders of parent company	54.0	50.1	5.5	11.2
- Non-controlling interest	10.2	4.6	0.8	1.4
Earnings per share, €	0.72	0.83	0.08	0.19
Diluted earnings per share, €	0.72	0.83	0.08	0.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

M€	31.12.2018	31.12.2017
Assets		
Non-current assets		
Property, plant and equipment	258.3	252.2
Intangible assets	101.0	116.0
Investments in associates and joint ventures	13.7	9.5
Other securities and non-current receivables	12.0	10.7
Deferred tax assets	9.1	10.4
Total non-current assets	394.1	398.8
Current assets		
Inventories	147.9	132.7
Accounts receivable	168.5	171.8
Other receivables	38.0	55.5
Cash and cash equivalents	38.1	107.0
Total current assets	392.5	467.0
Total assets	786.6	865.8
Equity and liabilities		
Equity		
Equity attributable to the owners of the parent company	297.6	280.2
Non-controlling interest	56.0	68.2
Total equity	353.6	348.4
Non-current liabilities		
Interest-bearing liabilities	175.6	176.6
Deferred tax liability	12.3	7.9
Provisions	5.2	7.1
Employee benefits and other liabilities	19.6	24.4
Total non-current liabilities	212.7	216.0
Current liabilities		
Interest-bearing liabilities	1.7	81.9
Provisions	25.0	21.8
Accounts payable	72.0	77.0
Other liabilities	121.6	120.7
Total current liabilities	220.3	301.4
Total equity and liabilities	786.6	865.8

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

M€	1-12/2018	1-12/2017
Cash flow from operations		
Net cash from operations	122.5	141.8
Change in net working capital	-28.1	-7.2
Income taxes paid	-12.3	-29.5
Interest paid	-2.8	-3.8
Interest received	0.6	0.2
Cash flow from operations	79.9	101.5
Cash flow from investments		
Proceeds from disposal of subsidiaries and businesses	53.8	-
Acquisition of joint venture	-8.1	-
Purchase of fixed assets	-54.0	-63.4
Proceeds from sale of fixed assets	0.9	3.7
Dividends received	0.2	0.2
Loan repayments	0.0	0.0
Cash flow from investments	-7.2	-59.5
Cash flow from financing		
Borrowings of debt	0.2	159.5
Repayment of debt	-80.1	-59.6
Change in other short-term loan	-0.4	-16.2
Dividends paid	-35.8	-33.6
Purchase of own shares	-1.9	-
Return of capital to Infra Oy's non-controlling interest	-22.4	-
Payment of finance lease liabilities	-1.0	-1.1
Cash flow from financing	-141.4	49.0
Conversion differences for cash and cash equivalents	-0.2	-0.3
Change in cash and cash equivalents	-68.9	90.7
Cash and cash equivalents at 1 January	107.0	16.3
Cash and cash equivalents at end of period	38.1	107.0
Changes according to balance sheet	-68.9	90.7

STATEMENT OF CHANGES IN EQUITY

M€	A	B	C	D*	E	F	G	H	I
Balance at 1 Jan 2018	146.4	50.2	1.7	-10.4	-0.4	92.7	280.2	68.2	348.4
Effect of IFRS 2 amendment						1.0	1.0		1.0
Revised balance at 1 Jan 2018	146.4	50.2	1.7	-10.4	-0.4	93.7	281.2	68.2	349.4
Profit for the period						52.8	52.8	10.4	63.2
Other comprehensive income for the period			1.6	0.7		-1.1	1.2	-0.2	1.0
Acquisition of own shares					-1.9		-1.9		-1.9
Dividend (€0.49 per share)						-35.8	-35.8		-35.8
Return of capital to Infra Oy's non-controlling interest								-22.4	-22.4
Share-based incentive plan					0.1	0.0	0.1		0.1
Balance at 31 December 2018	146.4	50.2	3.3	-9.7	-2.2	109.6	297.6	56.0	353.6
Balance at 1 Jan 2017	146.4	50.2	0.5	0.9	-0.5	65.8	263.3	63.6	326.9
Profit for the period						60.5	60.5	4.9	65.4
Other comprehensive income for the period			1.2	-11.3		-0.3	-10.4	-0.3	-10.7
Dividend (€0.46 per share)						-33.6	-33.6		-33.6
Share-based incentive plan					0.1	0.3	0.4		0.4
Balance at 31 December 2017	146.4	50.2	1.7	-10.4	-0.4	92.7	280.2	68.2	348.4

*) Includes a €-14.3 (-13.5) 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 2018.

New standards, interpretations and amendments adopted by the Group

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The Group adopted the amendments to IFRS 2 as of 1 January 2018. The amendments concern share-based payment arrangements with a 'net settlement feature' where tax law or regulation requires an entity to withhold a specified number of equity instruments, equal to the monetary value of the employee's tax obligation, to meet the employee's tax liability, which is then remitted to the tax authority. Such arrangements are classified and recognised as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. As a result of the adoption of these amendments, the Group has derecognised a liability of € 1.0 million as of 1 January 2018 and recognised on the same date the new equity-settled share-based payment of € 1.0 million in retained earnings.

IFRS 9 Financial Instruments

The Group adopted the IFRS 9 standard as of 1 January 2018. The main impact of IFRS 9 concerns impairment requirements for financial assets and the classification and measurement of financial assets and liabilities. The adoption did not have any material impact on the valuation of financial assets and liabilities in the balance sheet. IFRS 9 has not been applied retrospectively.

IFRS 15 Revenue from Contracts with Customers

The Group adopted IFRS 15 using the full retrospective method of adoption. There are no changes impacting the comparative information and therefore, no restatements have been made in the Group's financial statements.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 has superseded the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the good or service underlying the particular performance obligation is transferred to the customer. The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group is in the business of providing of systems and solutions for safe drinking water delivery, energy-efficient radiant heating and cooling, and reliable infrastructure. The revenue streams can be divided into two groups: sale of goods and rendering of services including project business. The Group is acting as a principal in all of the customer contracts as the Group provides the good and services itself to a customer and controls the specified goods and services before they are transferred to a customer.

Sale of goods
The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The exact timing of the control transfer is analysed contract by contract taking into account the delivery terms, customer acceptance clauses and customer's ability to benefit from the goods delivered. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Rendering of services including project business
Typically the promised goods and services in the contract are not distinct from each other and therefore, in most of the cases the Group accounts for the goods and services as a single performance obligation. The Group has concluded that the rendered services including project business are satisfied over time given that the Group's performance does not create an asset with an alternative use to the Group, the Group has an enforceable right to payment for performance completed to date or the Group's performance creates or

enhances an asset that the customer controls as the asset is created or enhanced. Therefore, the Group has not identified any significant impacts in terms of the revenue recognition.

Combining contracts; In rendering of services including project business segment, the Group has entered into two contracts near the same with the same customer. The contracts have been negotiated as a package with a single commercial objective and shall be combined. However, the Group concluded that these agreements do not create a single performance obligation and does not have an impact on the amount of revenue recognition.

Warranty obligations; The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its practice prior to the adoption of IFRS 15. However, if any other warranties are provided, they are immaterial.

Revenue from contract with customers
The Group disaggregates revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Set out below is the disaggregation of the Group's revenue from contract with customers, including reconciliation of the revenue:

		1-12/2018			1-12/2017	
M€	Sale of goods	Rendering of services	Total	Sale of goods	Rendering of services	Total
Revenue from contract with customers by segment						
Building Solutions - Europe	489.4	32.2	521.6	486.5	34.1	520.6
Building Solutions - North America	340.5	0.0	340.5	382.2	0.0	328.2
Uponor Infra	316.9	17.3	334.2	311.5	10.1	321.6
External customer, total	1,146.8	49.5	1,196.3	1,126.2	44.2	1,170.4
Internal	5.7		5.7	2.9		2.9
Total	1,152.5	49.5	1,202.0	1,129.1	44.2	1,173.3
Eliminations	-5.7		-5.7	-2.9		-2.9
Total revenue from contracts with customer	1,146.8	49.5	1,196.3	1,126.2	44.2	1,170.4

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

M€	31.12.2018	31.12.2017
Gross investment	54.0	63.4
- % of net sales	4.5	5.4
Depreciation and impairments	42.4	39.2
Book value of disposed fixed assets	0.7	1.6

PERSONNEL

Converted to full time employees	31.12.2018	31.12.2017
Average	4,074	3,990
At the end of the period	3,928	4,075

OWN SHARES	31.12.2018	31.12.2017
Own shares held by the company, pcs	244,756	59,121
- of share capital, %	0.3	0.1
- of voting rights, %	0.3	0.1
Accounted par value of own shares held by the company, M€	0.5	0.1

SEGMENT INFORMATION

		1-12/2018			1-12/2017	
M€	External	Internal	Total	External	Internal	Total
Net sales by segment						
Building Solutions - Europe	521.6	2.6	524.2	520.6	1.1	521.7
Building Solutions - North America	340.5	0.0	340.5	328.2	0.0	328.2
Uponor Infra	334.2	3.1	337.3	321.6	1.8	323.4
Eliminations	0.0	-5.7	-5.7	-	-2.9	-2.9
Total	1,196.3	-	1,196.3	1,170.4	-	1,170.4

M€	External	10-12/2018 Internal	Total	External	10-12/2017 Internal	Total
Net sales by segment						
Building Solutions - Europe	127.6	0.9	128.5	125.2	0.3	125.5
Building Solutions - North America	90.5	0.0	90.5	79.5	0.0	79.5
Uponor Infra	64.5	0.8	65.3	74.7	0.7	75.4
Eliminations	0.0	-1.7	-1.7	0.0	-1.0	-1.0
Total	282.6	-	282.6	279.4	-	279.4

M€	1-12/2018	1-12/2017	10-12/2018	10-12/2017
Operating profit by segment				
Building Solutions - Europe	31.1	40.0	5.1	10.2
Building Solutions - North America	46.6	49.7	13.7	9.6
Uponor Infra	35.1	12.0	-0.2	1.8
Others	-5.2	-4.2	-1.2	-2.5
Eliminations	-0.9	-1.6	-0.3	-1.1
Total	106.7	95.9	17.1	18.0

M€	1-12/2018	1-12/2017
Segment depreciation and impairments		
Building Solutions - Europe	16.4	14.0
Building Solutions - North America	15.1	12.4
Uponor Infra	9.9	11.0
Others	1.0	1.8
Eliminations	0.0	0.0
Total	42.4	39.2
Segment investments		
Building Solutions - Europe	15.3	13.5
Building Solutions - North America	27.6	39.7
Uponor Infra	9.5	9.7
Others	1.6	0.5
Total	54.0	63.4

M€	31.12.2018	31.12.2017
Segment assets		
Building Solutions - Europe	357.0	365.6
Building Solutions - North America	286.1	233.9
Uponor Infra	171.5	210.4
Others	358.5	400.3
Eliminations	-386.5	-344.1
Total	786.6	866.1
Segment liabilities		
Building Solutions - Europe	305.0	293.6
Building Solutions - North America	232.0	176.3
Uponor Infra	58.3	69.6
Others	261.7	345.8
Eliminations	-424.1	-367.9
Total	432.9	517.4

	1-12/2018	1-12/2017
Segment personnel, average		
Building Solutions - Europe	2,073	2,065
Building Solutions - North America	925	808
Uponor Infra	999	1,041
Others	77	76
Total	4,074	3,990

Reconciliation

M€	1-12/2018	1-12/2017
Operating profit by segment		
Total result for reportable segments	112.8	101.7
Others	-5.2	-4.2
Eliminations	-0.8	-1.6
Operating profit	106.7	95.9
Financial expenses, net	8.5	5.4
Share of results in associated companies and joint ventures	-4.7	-2.3
Profit before taxes	93.5	88.2

CONTINGENT LIABILITIES AND ASSETS

M€	31.12.2018	31.12.2017
Commitments of purchase PPE (Property, plant, equipment)	7.4	12.4
Other commitments	0.0	0.8
- on own behalf		
Pledges at book value	0.1	0.1
Mortgages issued	1.9	2.1
Guarantees issued	0.6	5.6
- on behalf of a subsidiary		
Guarantees issued	27.3	29.4
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	1.9	2.1
Guarantees issued	27.9	35.0
Total	29.9	37.2

On 13 September 2017, The Supreme Administrative Court gave its decisions concerning Uponor's appeals that the company has submitted in January 2016. In the decision, the reassessment of the amount of the arm's length principle of Uponor Business Solutions Oy's service fees charged during 2006-2009 was returned to the Finnish Tax Administration. The Finnish Tax Administration has given its decision on 28 August 2018. According to the reassessment of the Finnish Tax Administration, no taxable income will be added to Uponor Business Solutions Oy, because the company's original pricing model did not include material deviation from the arm's length principle. Due to the Finnish Tax Administration's decision, taxes, surtaxes and delay interests, recorded by Uponor in 2011, in total approximately €11.4 million as well as statutory interests was paid back the company.

M€	31.12.2018	31.12.2017
OPERATING LEASE COMMITMENTS	50.8	44.0

DERIVATIVE CONTRACTS

M€	Nominal value 31.12.2018	Fair value 31.12.2018	Nominal value 31.12.2017	Fair value 31.12.2017
Currency derivatives				
- Forward agreements	277.2	1.9	212.4	1.1
Interest rate derivatives				

- Interest rate swaps	50.0	-0.6	100.0	-0.5
- Interest rate options	70.0	0.0	70.0	0.0
Commodity derivatives				
- Electricity derivatives	4.1	2.6	4.7	0.4

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

M€	IFRS 7 Fair value hierarchy level	31.12.2018	31.12.2017
Non-current financial assets			
Fair value through other comprehensive income			
Electricity derivatives	1	1.0	0.4
Amortised cost			
Other non-current receivables		10.8	10.1
Other shares and holdings		0.2	0.2
Current financial assets			
Fair value through other comprehensive income			
Electricity derivatives	1	1.5	0.1
Other derivative contracts	2	0.0	0.2
Fair value through profit or loss			
Other derivative contracts	2	2.4	1.7
Amortised cost			
Accounts receivable and other receivables		192.3	202.4
Cash and cash equivalents		38.1	107.0
Financial assets total		**246.3**	**322.1**
Non-current financial liabilities			
Amortised cost			
Interest bearing liabilities		175.6	176.6
Current financial liabilities			
Fair value through other comprehensive income			
Electricity derivatives	1	0.0	0.1
Other derivative contracts	2	0.6	0.5
Fair value through the profit or loss			
Other derivative contracts	2	0.5	0.8
Amortised cost			
Interest bearing liabilities		1.7	81.9
Accounts payable and other liabilities		98.2	105.4
Financial liabilities total		**276.6**	**365.3**

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)

DISPOSAL OF SUBSIDIARIES AND BUSINESSES

On 31 August, Uponor announced that its subsidiary Uponor Infra Oy and Wynnchurch Capital, an American private equity firm, had signed a business purchase agreement for Uponor Infra's North American business. Uponor Infra made a decision to withdraw from the business in accordance with its strategy to focus on markets where it has possibilities to find synergies with Uponor's Building Solutions

– Europe segment: strong brand and common distribution channels among others. The debt and cash free purchase price was CAD 62.5 million (approximately €41 million).

Futher, on 5 September, Uponor and Swegon Group AB signed a share purchase agreement for the sale of all outstanding shares in Zent-Frenger GmbH. In 2012, Uponor acquired Zent-Frenger, a leading provider of radiant ceilings in Germany, aiming to extend its product offering and find synergies in large commercial projects. The strategic fit did not materialise and due to different business models, the operational synergies were limited. The debt and cash free purchase price was €16 million. The acquisition was completed at the end of October 2018.

The sales price received from these transactions totalled to net €54.6 million. The net gain, including transaction cost, totalling €15.7 million was booked to other operating income.

M€	2018
Book value of disposed assets and liabilities	
Property, plant and equipment	12.1
Intangible assets	10.3
Inventory	10.4
Accounts receivable and other receivables	25.3
Cash and cash equivalents	0.8
Total assets	58.9
Other non-current liabilities	7.0
Accounts payable and other current liabilities	15.0
Total liabilities	22.0
Net assets	36.8
Cash received from sales	54.6
Cash and cash equivalents disposed of	0.8
Cash flow effect	53.8

RELATED-PARTY TRANSACTIONS

M€	1-12/2018	1-12/2017
Purchases from associated companies	4.3	2.4
Balances at the end of the period		
Accounts payables and other liabilities	0.4	0.2

KEY FIGURES

	1-12/2018	1-12/2017
Earnings per share, €	0.72	0.83
Operating profit, %	8.9	8.2
Return on equity, % (p.a.)	18.0	19.4
Return on investment, % (p.a.)	17.2	16.3
Solvency ratio, %	45.1	40.5
Gearing, %	39.4	43.5
Gearing, % rolling 4 quarters	53.0	58.4
Net interest-bearing liabilities	139.2	151.5
Equity per share, €	4.08	3.83
- diluted	4.08	3.83
Dividend per share, €	0.51*)	0.49
Dividend per earnings, %	70.8	59.0
Effective share yield, %	5.9	2.9
P/E ratio	12.0	20.2
Market value of share capital	631.0	1,228.4
Trading price of shares		
- low, €	8.13	13.30
- high, €	17.62	17.79
- average, €	12.24	15.55
Shares traded		
- 1,000 pcs	40,763	35,077
- M€	499.0	545.5

*) Proposal of the Board of Directors

QUARTERLY DATA

	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018	10-12/ 2017	7-9/ 2017	4-6/ 2017	1-3/ 2017
Net sales, M€	282.6	311.9	324.9	276.9	279.4	317.5	308.4	265.1
- Building Solutions – Europe	128.5	131.8	138.7	125.2	125.5	136.3	135.6	124.3
- Building Solutions – North America	90.5	88.9	83.5	77.6	79.5	91.2	79.3	78.2
Building Solutions – North America, $	103.3	103.8	98.8	95.7	94.2	106.8	88.7	83.5
- Uponor Infra	65.3	92.6	104.1	75.3	75.4	90.6	94.3	63.1
Gross profit, M€	94.2	106.1	107.3	93.2	95.0	109.3	98.4	91.4
- Gross profit, %	33.3	34.0	33.0	33.7	34.0	34.4	31.9	34.5
Operating profit, M€	17.1	44.6	28.0	17.0	18.0	40.4	22.9	14.6
- Building Solutions – Europe	5.1	9.0	11.0	6.0	10.2	14.4	9.1	6.3
- Building Solutions – North America	13.7	13.9	8.8	10.2	9.6	19.0	10.5	10.6
Building Solutions – North America, $	15.7	16.3	10.4	12.5	11.5	21.9	11.7	11.4
- Uponor Infra	-0.2	21.9	10.1	3.3	1.8	7.4	4.7	-1.9
- Others	-1.2	-1.7	-1.3	-1.0	-2.5	0.2	-1.0	-0.9
Operating profit, % of net sales	6.1	14.3	8.6	6.1	6.4	12.7	7.4	5.5
- Building Solutions – Europe	4.0	6.9	7.9	4.8	8.1	10.5	6.8	5.0
- Building Solutions – North America	15.2	15.8	10.5	13.1	12.2	20.8	13.2	13.6
- Uponor Infra	-0.4	23.6	9.8	4.4	2.5	8.1	5.0	-3.0
Profit for the period, M€	6.7	30.0	17.3	9.2	15.1	28.6	14.3	7.4
Balance sheet total, M€	786.6	842.8	905.1	855.5	865.8	820.2	825.9	812.9
Earnings per share, €	0.08	0.34	0.19	0.11	0.19	0.35	0.18	0.11
Equity per share, €	4.08	4.02	3.66	3.43	3.83	3.68	3.35	3.25
Market value of share capital, M€	631.0	824.3	1,006.6	993.4	1,228.4	1,073.2	1,164.7	1,216,0
Return on investment, % (p.a.)	17.2	19.1	13.5	9.9	16.3	19.4	13.6	9.9
Net interest-bearing liabilities at the end of the period, M€	139.2	156.7	218.3	211.9	151.5	161.8	208.9	224.0
Gearing, %	39.4	42.2	64.2	66.3	43.5	48.2	67.6	74.5
Gearing, % rolling 4 quarters	53.0	54.1	55.6	56.4	58.4	59.8	61.9	59.6
Gross investment, M€	17.8	11.3	15.0	9.9	26.0	18.1	11.5	7.8
- % of net sales	6.3	3.6	4.6	3.6	9.3	5.7	3.7	2.9

ITEMS AFFECTING COMPARABILITY AND RECONCILIATIONS TO IFRS

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.

	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018	10-12/ 2017	7-9/ 2017	4-6/ 2017	1-3/ 2017
Items affecting comparability								
Restructuring charges	-6.9	-1.4	-	-	-	-	-2.8	-0.6
Capital gains and losses on sale of non-current assets	3.5	12.2	-	-	-	-	1.9	0.2
Total items affecting comparability in operating profit	-3.4	10.8	-	-	-	-	-0.9	-0.4
Items affecting comparability, total	**-3.4**	**10.8**	**-**	**-**	**-**	**-**	**-0.9**	**-0.4**
Comparable gross profit								
Gross profit	94.2	106.1	107.3	93.2	95.0	109.3	98.4	91.4
Less: Items affecting comparability in gross profit	-	-	-	-	-	-	-0.8	-0.2
Comparable gross profit	**94.2**	**106.1**	**107.3**	**93.2**	**95.0**	**109.3**	**99.2**	**91.6**
% of sales	33.3	34.0	33.0	33.7	34.0	34.4	32.1	34.6
Comparable operating profit								
Operating profit	17.1	44.6	28.0	17.0	18.0	40.4	22.9	14.6
Less: Items affecting comparability in operating profit	-3.4	10.8	-	-	-	-	-0.9	-0.4
Comparable operating profit	**20.5**	**33.8**	**28.0**	**17.0**	**18.0**	**40.4**	**23.8**	**15.0**
% of sales	7.2	10.9	8.6	6.1	6.4	12.7	7.7	5.7
Comparable operating profit by segment								
Building Solutions - Europe								
Operating profit	5.1	9.0	11.0	6.0	10.2	14.4	9.1	6.3
Less: Items affecting comparability in operating profit	-2.9	-1.4	-	-	-	-	-2.4	-0.4
Comparable operating profit	8.0	10.4	11.0	6.0	10.2	14.4	11.5	6.7
% of sales	6.2	7.9	7.9	4.8	8.1	10.5	8.5	5.4
Building Solutions - North America								
Operating profit	13.7	13.9	8.8	10.2	9.6	19.0	10.5	10.6
Comparable operating profit	13.7	13.9	8.8	10.2	9.6	19.0	10.5	10.6
% of sales	15.2	15.8	10.5	13.1	12.2	20.8	13.2	13.6
Uponor Infra								
Operating profit	-0.2	21.9	10.1	3.3	1.8	7.4	4.7	-1.9
Less: Items affecting comparability in operating profit	-0,5	12.2	-	-	-	-	1.5	0.0
Comparable operating profit	0.3	9.7	10.1	3.3	1.8	7.4	3.2	-1.9
% of sales	0.3	10.4	9.8	4.4	2.5	8.1	3.5	-3.1
Others								
Operating profit	-1.2	-1.7	-1.3	-1.0	-2.5	0.2	-1.0	-0.9
Less: Items affecting comparability in operating profit	-	-	-	-	-	-	-	-
Comparable operating profit	-1.2	-1.7	-1.3	-1.0	-2.5	0.2	-1.0	-0.9
% 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

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