Financial statements bulletin 1–12/2019

12 February 2020

Positive profitability development continued

Uponor divested Uponor Infra's North American business in August 2018 and Zent-Frenger (reported in Building Solutions – Europe segment) in October 2018. The financial information from the comparison period includes their figures.

October–December 2019

- Net sales were €269.2 (282.6) million, a decline of 4.8%. In organic terms and in constant currency terms, the decline was 5.0%.
- The comparable operating profit was €21.8 (20.5) million, an increase of 6.4%. Operating profit was €20.4 (17.1) million, an increase of 19.3%.
- Earnings per share were €0.18 (0.08).

January–December 2019

- Net sales were €1,103.1 (1,196.3) million, a decline of 7.8%. In organic terms and in constant currency terms, the decline was 1.2%. Net sales for the comparison period without divested Uponor Infra's North American business and Zent-Frenger would have been €1,107.7 million.
- The comparable operating profit was €92.7 (99.3) million. Comparable operating profit had an increase of 11.0% from the comparison period without the divested Uponor Infra's North American business and Zent-Frenger (2018: €83.5 million). Operating profit was €91.3 (106.7) million, a decline of 14.5%.
- Earnings per share were €0.72 (0.72).
- Cash flow from operations was €109.2 (79.9) million.
- Return on investment was 14.4% (17.2). Gearing was 37.6% (39.4) on 31 Dec. Without the adoption of IFRS 16, return on investment would have been 14.8% and gearing would have been 26.5%.

Organic growth refers to Uponor's operations without the divested businesses.

Jyri Luomakoski, President and CEO, comments:

"Our guidance for 2019 was based on comparison figures (net sales €1,107.7 million and comparable operating profit €83.5 million) which excluded the impacts of entities divested in 2018. From that baseline, we saw a positive development in our comparable operating profit margin from 7.5% to 8.4%. Our profitability has continuously improved year-on-year since 2013.

Building Solutions – Europe suffered from operational challenges, as launching and scaling up the production of the new fitting, S-Press PLUS, affected performance during the year. The decline in net sales also had an impact on profitability. On the positive side, the continuous corrective measures taken at our manufacturing facility in Virsbo, Sweden, have started to have a favourable impact on productivity. The development in the Eastern European market was also positive throughout the year. The segment will focus on implementing operational excellence initiatives in 2020.

Building Solutions – North America had a good year, after a slow start in the first quarter. We are pleased that our second manufacturing facility in Hutchinson, Minnesota, which was opened in 2018, is up and running according to plans. Both the U.S. and Canadian markets developed positively.

Uponor Infra continued the successful execution of its profitability improvement strategy, which had a negative impact on the segment's net sales. In 2020, Uponor Infra continues to seek growth opportunities with designed solutions sales.

In comparison to the previous years, the growth in many of our key markets has further slowed down, although there are regional differences in these trends. Overall the construction market is still on a good level. In 2020, we expect the markets to remain on similar level as in 2019. We will continue to advance our strategic agenda and execute our operational excellence programme. The first signs of the benefits of this programme should be visible during the second half of 2020."

Guidance statement for 2020:

Uponor expects comparable operating profit to improve from 2019.

The Board's dividend proposal:

The Board proposes to the Annual General Meeting that a dividend of €0.53 (0.51) per share be paid, of which 26 cents will be paid in March 2020 and 27 cents is planned to be paid in September 2020.

Key figures

M€	10-12/ 2019	10-12/ 2018	Change	1-12/ 2019	1-12/ 2018	Change	*1-12/ 2018*)*
Net sales	269.2	282.6	-4.8%	1,103.1	1,196.3	-7.8%	*1,107.7*
Building Solutions – Europe	116.0	128.5	-9.8%	489.3	524.2	-6.7%	*502.6*
Building Solutions – North America	102.0	90.5	12.7%	375.4	340.5	10.3%	*340.5*
Uponor Infra	52.0	65.3	-20.4%	243.9	337.3	-27.7%	*270.3*
Operating expenses	235.7	256.5	-8.1%	961.3	1,063.6	-9.6%	
Depreciation and impairments	13.1	12.8	2.5%	51.8	42.4	22.2%	
Other operating income	0.1	3.8	-97.5%	1.3	16.4	-92.2%	
Operating profit	20.4	17.1	19.3%	91.3	106.7	-14.5%	
Building Solutions – Europe	5.3	5.1	3.5%	31.6	31.1	1.5%	
Building Solutions – North America	19.0	13.7	39.3%	57.1	46.6	22.7%	
Uponor Infra	0.0	-0.2	99.2%	10.8	35.1	-69.1%	
Comparable operating profit	21.8	20.5	6.4%	92.7	99.3	-6.7%	*83.5*
Building Solutions – Europe	5.9	8.0	-25.4%	32.3	35.4	-8.7%	*34.6*
Building Solutions – North America	19.0	13.7	39.3%	57.1	46.6	22.7%	*46.6*
Uponor Infra	0.0	0.3	-101.0%	10.8	23.4	-53.7%	*8.3*
Financial income and expenses	-3.1	-1.6	95%	-11.6	-8.6	35.6%	
Profit before taxes	16.3	14.5	12.4%	75.6	93.5	-19.1%	
Profit for the period	12.3	6.7	84.5%	55.3	63.1	-12.4%	
Earnings per share	0.18	0.08	117.8%	0.72	0.72	0.0%	

**) Illustrative figures without divested Uponor Infra's North American business and Zent-Frenger.*

	31 Dec 2019	31Dec 2018	Change
Net working capital, M€	115.1	119.3	-3.5%
Net-interest bearing debt, M€	139.1	139.2	-0.1%
Solvency, %	44.6	45.1	-1.0%
Gearing, %	37.6	39.4	-4.6%
Return on investment, %	14.4	17.2	-16.1%

Uponor divested Uponor Infra's North American business in August 2018 and Zent-Frenger (reported in Building Solutions – Europe segment) in October 2018. The financial information from the comparison period includes their figures.

The impact of IFRS 16 adoption on Uponor's liabilities as of 1 January 2019 was €44.3 million, increasing the amount of lease liabilities, more detailed information on the impacts of IFRS 16 can found on page 24.

Uponor Corporation's long-term financial targets

(updated on 13 February 2019)

Annual targets and actuals	2019	2018	2017	2016	2015
Organic net sales growth to exceed GDP growth[1] by 3 ppts (2019E: 4.8%)	-0.4	4.9	6.5	2.0	5.2
Comparable[2] EBIT margin >10%	8.4	8.3	8.3	8.2	7.2
Return on investment, ROI[3] (p.a.) >20%	14.4	17.2	16.3	14.1	15.5
Gearing[3] (annual average for the four latest quarters) 40–80%	57.5	53.0	58.4	56.7	40.4
Dividend payout > 50% of earnings	73.6	70.8	59.0	79.3	86.3

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.
3) The impact of IFRS 16 adoption on Uponor's liabilities as of 1 January 2019 was €44.3 million, increasing the amount of lease liabilities.

News conference, webcast and the presentation

A news conference for analysts, fund managers, investors and representatives of the media will be arranged at Savoy, Eteläesplanadi 14 (Meeting rooms 2&3, 7th floor), Helsinki, Finland on 12 February at 10:00 EET.

A webcast of the news conference in English will be broadcast on 12 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.

Uponor Corporation's financial reporting in 2020

12 Feb 2020	Financial statements bulletin 2019
Week 8	Annual report 2019
29 April 2020	Interim report 1–3/2020
24 July 2020	Interim report 1–6/2020
28 Oct 2020	Interim report 1–9/2020

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Interim results October–December 2019

Markets

The construction trends observed during the third quarter continued through the final months of the year in most markets. In Europe, residential building in the Nordics slowed overall while other building segments were satisfactory, and Germany was able to sustain the same healthy level of activity. In North America, a clear improvement in builder sentiment was accompanied by a slight year-on-year improvement in construction output.

Net sales

Uponor's net sales for the fourth quarter reached €269.2 (282.6) million, a decline of 4.8%. Positive net currency impact was €4.2 million, mainly due to USD, bringing the decline without currency impact to 6.3%. Net sales for the comparison period without divested Zent-Frenger would have been €280.0 million.

Net sales of Building Solutions – Europe were €116.0 (128.5) million, a decline of 9.8%. The decline was due to weaker sales in Norway and Sweden, together with Asia and Zent-Frenger, whose net sales are included in the comparison period.

Building Solutions – North America's net sales were €102.0 (90.5) million, a growth of 12.7% in euro terms or 9.9% in USD. The growth was driven by good sales in both markets, the U.S. and Canada.

Uponor Infra's net sales were €52.0 (65.3) million, a decline of 20.4%. In the fourth quarter of 2019, net sales declined in the biggest markets Finland, Sweden and Denmark, but grew in Poland.

Breakdown of net sales by segment (October–December):

M€	10-12/ 2019	10-12/ 2018	Change	*10-12/ 2018*)*
Building Solutions – Europe	116.0	128.5	-9.8%	*126.1*
Building Solutions – North America	102.0	90.5	12.7%	*90.5*
(Building Solutions – North America (M$))	113.5	103.3	9.9%	
Uponor Infra	52.0	65.3	-20.4%	*65.1*
Eliminations	-0.8	-1.8		
Total	269.2	282.6	-4.8%	*280.0*

**) Illustrative figures without divested Uponor Infra's North American business and Zent-Frenger.*

Results and profitability

Uponor's gross profit in the fourth quarter was €96.7 (94.2) million. The gross profit margin improved to 35.9% (33.3). Comparable gross profit was €96.8 (94.2) million, with a margin of 36.0% (33.3). The items affecting comparability were related to operational excellence programme.

The comparable operating profit was €21.8 (20.5) million. The items affecting comparability (IAC) were mostly related to Uponor's operational excellence programme. The total net effect of items affecting comparability was €1.4 (3.4) million. During the comparison period, the most material items were disposal gain from the divestment of Zent-Frenger (€4.0 million) and ramp down costs from Asian operations (€6.9

million). Comparable operating profit margin was 8.1% (7.3). Operating profit in the fourth quarter of 2019 was €20.4 (17.1) million. Operating profit margin was 7.6% (6.1).

Building Solutions – Europe's operating profit was €5.3 (5.1) million, an increase of 3.5%. The segment's comparable operating profit was €5.9 (8.0) million. The decline in profitability was mainly due to weaker net sales, sales mix and increased freight costs.

Building Solutions – North America reported an operating profit of €19.0 (13.7) million, a growth of 39.3% in euro terms and 35.3% in USD. The good profitability development was driven by positive price development, decreased freight costs and tight cost control.

Uponor Infra's operating profit was €0.0 (-0.2) million, an improvement of 99.2%. The positive development was mainly driven by profitability improvements in Finland.

Uponor's profit before taxes for October–December was €16.3 (14.5) million. Tax expense was €4.0 million for the period, while the tax expense in the comparison period was €7.8 million.

Profit for the period in the fourth quarter was €12.3 (6.7) million.

Operating profit by segment (October–December):

M€	10-12/ 2019	10-12/ 2018	Change
Building Solutions – Europe	5.3	5.1	3.5%
Building Solutions – North America	19.0	13.7	39.3%
(Building Solutions – North America (M$))	21.2	15.7	35.5%
Uponor Infra	0.0	-0.2	99.2%
Others	-3.9	-1.2	
Eliminations	0.0	-0.3	
Total	20.4	17.1	19.3%

Comparable operating profit by segment (October–December):

M€	10-12/ 2019	10-12/ 2018	Change	*10-12/ 2018*)*
Building Solutions – Europe	5.9	8.0	-25.4%	*7.9*
Building Solutions – North America	19.0	13.7	39.3%	*13.7*
(Building Solutions – North America (M$))	21.2	15.7	35.5%	
Uponor Infra	0.0	0.3	-101.0%	*-0.2*
Others	-3.2	-1.2		
Eliminations	0.0	-0.3		
Total	21.8	20.5	6.4%	*19.9*

**) Illustrative figures without divested Uponor Infra's North American business and Zent-Frenger.*

Events during the period

On 25 October, Uponor announced the start of an operational excellence programme which aims to annual cost improvements of around €20 million with the full effects being realised by the end of 2021. The estimated costs of the programme are expected to be around €20 million, the majority of which is expected to realise during 2020 and will be recorded as items affecting comparability.

On 15 November, Uponor announced that Minna Blomqvist, EVP HR and a member of the Executive Committee, and Richard Windischhofer, EVP Corporate Development and Technology and a member of the Executive Committee, will leave their positions in the Executive Committee as of 15 November 2019 and the company in November.

Financial statements January–December 2019

Markets

In the face of continued uncertainty surrounding global trade, buoyant consumer spending drove growth in the economies of Uponor's key markets, albeit at slower rates than in 2018. Against the backdrop of these supportive macroeconomic tailwinds, activity within the construction industry remained at a good level overall, but with significant differences in market dynamics between countries.

In Uponor's largest Central European market, Germany, construction activity was sustained at healthy levels despite the significant downturn in export-oriented sectors of the economy. In the new build segments, residential projects continued to drive growth, especially in multi-family buildings, while non-residential spending was on par with the previous year. Within the significantly larger renovation segments, residential and non-residential spending was principally flat overall. In the Netherlands, the construction growth witnessed in recent years continued, but at a slower rate.

In Southwest Europe, both the Spanish and Italian construction markets grew at solid rates, but construction spend on a per capita basis still lagged well behind the rest of Europe. In the United Kingdom, construction was on the previous year's level, with increased investments in new residential projects countered by reduced spending on non-residential projects.

In the Nordic region, new residential building in Finland and Sweden moderated as anticipated following a number of years of elevated production levels. In Denmark and Norway, new residential building was steady, while the residential renovation segments in all four countries grew somewhat. On the non-residential side, construction spending grew throughout the region, with notable growth in Norway and Sweden. Spending on civil engineering projects, an important segment for Uponor Infra, was flat in Denmark and down in Finland, while government expenditures in areas such as transportation and water works increased substantially in Norway and Sweden.

In North America, residential building activity in the USA slowed in the first half of the year, but stabilised during the summer and appeared to gain some momentum during the final months of the year as confidence returned to the market. However, builders continue to be challenged by an ongoing lack of skilled labour and land. The non-residential segment grew slightly overall, with growth in lodging and offices offset by a fall in commercial projects. In Canada, the residential market was flat, with growth in multi-family offsetting a decline in single-family homes, while non-residential construction was steady.

Net sales

Uponor's net sales were €1,103.1 (1,196.3) million, a decline of 7.8% year-over-year. The positive currency impact totalled €15.1 million, bringing the 2019 full-year organic growth to -1.2% in constant currency terms. The positive net currency effect was mainly due to the USD. Net sales for the comparison period without divested Uponor Infra's North American business and Zent-Frenger would have been €1,101.7 million.

Building Solutions – Europe's net sales were €489.3 (524.2) million, a decline of 6.7% year-on-year. The decline was due to Asia and Zent-Frenger, whose net sales are included in the comparison period. In addition, net sales declined in Finland, Norway and Sweden.

Building Solutions – North America's net sales were €375.4 (340.5) million, a growth of 10.3%. In U.S. dollar terms, the growth was 4.7%. The positive development was driven by growth in plumbing sales in both the U.S. and Canadian markets.

Uponor Infra's net sales were €243.9 (337.3) million, a decline of 27.7%. The comparison period includes Uponor Infra's North American business, which was divested in August 2018. In 2019, net sales declined in

Finland and Sweden, due to the execution of segment's profitability improvement strategy. Designed solutions sales developed positively.

Within the business groups, the share of plumbing solutions represented 55% (49), indoor climate solutions 23% (23), and infrastructure solutions 22% (28) of Group net sales.

Measured in terms of reported net sales, and their respective share of Group net sales, the 10 largest countries were as follows: the U.S. 29.9% (26.9), Germany 11.8% (12.5), Finland 11.2% (11.0), Sweden 9.1% (9.6), Denmark 4.3% (4.3), Canada 4.2% (7.2), the Netherlands 4.2% (3.5), Spain 3.7% (3.3), Norway 3.0% (2.8), and Poland 2.9% (2.6).

Net sales by segment for 1 January–31 December 2019:

M€	1–12/ 2019	1–12/ 2018	Change	*1–12/ 2018**
Building Solutions – Europe	489.3	524.2	-6.7%	*502.6*
Building Solutions – North America	375.4	340.5	10.3%	*340.5*
(Building Solutions – North America, (M$))	420.2	401.5	4.7%	
Uponor Infra	243.9	337.3	-27.7%	*270.3*
Eliminations	-5.5	-5.7		
Total	1,103.1	1,196.3	-7.8%	*1,107.7*

**) Illustrative figures without divested Uponor Infra's North American business and Zent-Frenger.*

Results and profitability

Driven by the strategic decisions to divest Uponor Infra's North American business and Zent-Frenger as well as to cease operations in Asia, Uponor's full-year gross profit was €381.9 (400.8) million, a decline of €18.9 million. The gross profit margin improved and was 34.6% (33.5). Comparable gross profit was €382.0 (400.8) million, with a margin of 34.6% (33.5). The items affecting comparability were related to operational excellence programme.

Comparable operating profit, i.e. excluding any items affecting comparability, was €92.7 (99.3) million, a decline of 6.7%. Comparable operating profit margin was 8.4% (8.3). The total net amount of items affecting comparability was €1.4 (-7.4) million. The items were mostly related to Uponor's operational excellence programme. During the comparison period, the most material items affecting comparability were disposal gains from Uponor Infra's North American business and Zent-Frenger together with restructuring costs and ramp down costs from Asian operations. Comparable operating profit improved 11.0% from the comparison period without the divested Uponor Infra's North American business and Zent-Frenger.

Operating profit was €91.3 (106.7) million. The comparison period includes the above mentioned items affecting comparability. The operating profit margin was 8.3% (8.9).

Building Solutions – Europe's operating profit was €31.6 (31.1) million. Comparable operating profit was €32.3 (35.4) million. The items affecting comparability were related to operational excellence programme. The comparison period included following items affecting comparability: disposal gain from divestment of Zent-Frenger, restructuring costs and ramp down costs from Asian operations. The decline in profitability was due to decline in net sales, sales mix and unfavourable development of freight costs together with the costs associated with the scaling up of the production of S-Press PLUS.

Building Solutions – North America's operating profit was €57.1 (46.6) million. The favourable development was driven by price development, stabilised freight environment, sales mix and tight cost control.

Uponor Infra's operating profit was €10.8 (35.1) million. The comparison period included the disposal gain from the divestment of Uponor Infra's North American business. Comparable operating profit was €10.8 (23.4) million. The decline was due to the divested North American business. In 2019, the profitability of the current portfolio improved year-on-year, in Finland and Sweden, in particular.

Operating profit by segment for 1 January–31 December 2019:

M€	1–12/ 2019	1–12/ 2018	Change
Building Solutions – Europe	31.6	31.1	1.5%
Building Solutions – North America	57.1	46.6	22.7%
(Building Solutions – North America, (M$))	63.9	54.9	16.4%
Uponor Infra	10.8	35.1	-69.1%
Others	-8.0	-5.2	
Eliminations	-0.2	-0.9	
Total	91.3	106.7	-14.5%

Comparable operating profit by segment for 1 January–31 December 2019:

M€	1–12 2019	1–12 2018	Change	*1–12/ 2018*)*
Building Solutions – Europe	32.3	35.4	-8.7%	*34.6*
Building Solutions – North America	57.1	46.6	22.7%	*46.6*
(Building Solutions – North America, (M$))	63.9	54.9	16.4%	
Uponor Infra	10.8	23.4	-53.7%	*8.3*
Others	-7.3	-5.2		
Eliminations	-0.2	-0.9		
Total	92.7	99.3	-6.7%	*83.5*

**) Illustrative figures without divested Uponor Infra's North American business and Zent-Frenger.*

Uponor's net financial expenses were €11.6 (8.5) million. The adoption of IFRS 16 increased interest expenses. Net currency exchange differences in 2019 totalled €-6.4 (-4.9) million.

The share of the result in associated companies and joint ventures, €-4.0 (-4.7) million, is mainly related to Uponor's 50% share in the joint venture company, Phyn, established in 2016.

Profit before taxes was €75.6 (93.5) million. The effective tax rate was 26.8% (32.4). In the comparison period, the effective tax rate was higher due to one-time impacts of the divestments of Uponor Infra's North American business and Zent-Frenger together with closing down Asian operations and Australian sales office. Income taxes totalled €20.3 (30.3) million.

Profit for the period totalled €55.3 (63.2) million. Return on equity was 15.3% (18.0).

Return on investment was 14.4% (17.2). Without the adoption of IFRS 16, return on investment would have been 14.8%. Return on investment, adjusted for items affecting comparability, was 14.7% (15.9).

Earnings per share were €0.72 (0.72). Equity per share was €4.27 (4.08). For other share-specific information, please see the Tables section.

Cash flow from operations increased and was €109.2 (79.9) million. This was due to a change in net working capital. Cash flow before financing was €88.4 (72.7) million.

Investment, research and development, and financing

In recent years, Uponor has invested in selected productivity improvements, maintenance and the modernisation of technology in the company's manufacturing facilities. In 2019, gross investment in fixed assets totalled €26.1 (54.0) million. Net investments totalled €23.2 (53.3) million. During the comparison period, Uponor completed its expansion investment in a new manufacturing facility in Hutchinson, Minnesota, USA.

Research and development costs decreased slightly to €21.9 (22.5) million, or 2.0% (1.9) of net sales. The main research and development activities were related to the new S-Press PLUS fitting family, smart offering and legionella controls. In addition, the development of new pipe extrusion technologies and processes continued.

The main existing long-term funding programme on 31 December 2019 was the five-year bilateral loan agreement of €100 million, which will mature in July 2022.

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 €35.1 million, none of which was in use on the balance sheet date. At the end of the year, Uponor had €76.1 (38.1) million in cash and cash equivalents.

Most of Uponor's accounts receivable are secured by credit insurance.

Net interest-bearing liabilities were €139.1 (139.2) million. The solvency ratio was 44.6% (45.1) and gearing declined to 37.6% (39.4), with a four-quarter rolling gearing of 57.5% (53.0), in line with the range of 40–80% set in the company's financial targets. The impact of IFRS 16 adoption on Uponor's liabilities as of 1 January 2019 was €44.3 million, increasing the amount of lease liabilities. Without the impact of IFRS 16, gearing would have been 26.5% at the end of the period.

Events during the period

In March, Uponor launched new products for European markets at ISH, the world's leading trade fair in the field of sanitary and heating: smart water monitoring system, Phyn Plus; new generation press fitting solution, S-Press PLUS; fully electronic heat interface unit Combi Port E; and cloud-based smart home control system Smatrix Pulse.

On 29 April, Uponor Infra divested its Czech subsidiary, Fintherm. The buyer was EP Industries a.s. In 2018, Fintherm's net sales were approximately €8 million and it employed 60 persons.

On 9 May, Uponor announced that Uponor and Belkin have decided to invest an additional USD6 million each, in total USD12 million, in their joint venture Phyn during the year 2019. At the end of the year, Uponor had invested USD1.5 million of the announced amount.

In September, Building Solutions – North America and Pestan North America signed an agreement naming Uponor the exclusive distributor of Pestan North America’s proprietary PP-RCT (polypropylene, random copolymer, with modified crystallinity and temperature resistance) products throughout the U.S. and Canada. The sales will start at the beginning of 2020.

On 25 October, Uponor announced that is has reviewed it strategy: the direction for profitable growth through further expansion into the commercial markets remains valid. In addition, the company will start an operational excellence programme to improve processes and increase efficiencies. The aim is to deliver annual cost improvements of around €20 million with the full effects being realised by the end of 2021. The estimated costs of the programme are expected to be around €20 million, the majority of which is expected to realise during 2020 and will be recorded as items affecting comparability.

Resolutions of the Annual General Meeting 2019

Uponor’s Annual General Meeting, was held in Helsinki, Finland, on 18 March 2019. The AGM adopted the financial statements and the consolidated financial statements for 2018, and released the Board members and the President and CEO from liability. The AGM approved the proposed dividend of €0.51 per share for 2018. The dividend was paid in two instalments, in March and September. Existing Board members Annika Paasikivi (chair), Pia Aaltonen-Forsell, Johan Falk, Markus Lengauer, Casimir Lindholm and Eva Nygren were re-elected. The AGM elected Annika Paasikivi as Chair of the Board. Audit firm Deloitte Oy was re-elected as the auditor of the corporation.

The Board of Directors was authorised to resolve on the repurchase of no more than 3,500,000 of the company’s own shares amounting in total to approximately 4.8 per cent of the total number of the shares of the company at the date of the general meeting. These shares will be bought back using distributable earnings from unrestricted equity. The authorisation is valid until the end of the next annual general meeting, however, no longer than 18 months from the date of the general meeting.

The Board of Directors was authorised to resolve on issuing a maximum of 7,200,000 new shares or transferring the company’s own shares, amounting in total to approximately 9.8 per cent of the total number of the shares of the company. The Board of Directors is authorised to resolve on all the conditions of the issuance of shares. This authorisation is valid until the end of the next annual general meeting, however, no longer than 18 months from the date of the general meeting.

Further details regarding the Annual General Meeting are available at investors.uponor.com/governance/annual-general-meeting/annual-general-meeting-2019.

Governance

Uponor prepares a separate corporate governance statement and a remuneration statement, which are available online, on Uponor’s IR website at 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. 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.

Changes in Uponor's Executive Committee

Richard Windischhofer started as EVP, Corporate Development and Technology and member of the Executive Committee at Uponor Corporation on 1 January 2019.

Karsten Hoppe started as President, Building Solutions – Europe and a member of the Executive Committee at Uponor Corporation on 1 February 2019.

Maija Strandberg, CFO and member of Uponor Corporation's Executive Committee, left her position in the Executive Committee as of 15 February 2019 and in the company in March.

On 3 May 2019, Uponor announced the appointment of Minna Yrjönmäki as CFO and a member of the Executive Committee at Uponor Corporation as of 3 August 2019.

On 15 November 2019, Minna Blomqvist, EVP HR and a member of the Executive Committee, and Richard Windischhofer, EVP Corporate Development and Technology and a member of the Executive Committee, left their positions in the Executive Committee and in the company in November.

Personnel

At the end of the year, the Uponor Group had 3,708 (3,928) employees, in full-time-equivalent (FTE) terms. This is 220 less than at the end of 2018. The average number of employees (FTE) for the year was 3,801 (4,074). The decline was mainly due to Uponor's decision to cease the operations in Asia during 2019 and the divestment of Fintherm. The comparison period includes the divestment of Uponor Infra's North American business.

The geographical breakdown of the Group's personnel (FTE) was as follows: Germany 23% (22), the U.S. 23% (23), Finland 16% (15), Sweden 15% (14), Poland 7% (6), Spain 3% (3), Denmark 3% (3), Russia 2% (2), Canada 1% (1), France 1% (1) and other countries 6% (8).

A total of €247.5 (259.5) million was recorded in salaries, other remunerations and employee benefits during the financial period.

Non-financial information

This section describes Uponor's sustainability activities as required in Chapter 3a of the Finnish Accounting Act on non-financial information. More information on sustainability and the value creation model can be found in the Annual Review 2019 (which will be published during week 8/2020).

Uponor's business model and value creation
Operating in an industry with a strong influence on sustainable living, Uponor's vision is to become a recognised leader in sustainable building and infrastructure solutions.

Uponor's materiality analysis together with the UN's Sustainable Development Goals forms the framework for Uponor's sustainability approach. Uponor is currently creating long-term sustainability targets, based on 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.

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

Operating principles and due diligence processes
Uponor complies with local laws and regulations, and the company's Code of Conduct and other Group policies form the foundation for its operating principles. Uponor is also a signatory of 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 16 manufacturing facilities in Europe and North America 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. Based on the progress so far, Uponor expects that this target will be achieved in 2020.

Uponor pursues an environmental management system according to the standard ISO 14001, and an energy-management system compliant with the standard ISO 50001 in order to reach its environmental and energy targets systematically. In 2019, 14 manufacturing facilities were ISO 14001 certified and 9 ISO 50001 certified. Uponor's environmental topics are covered by its Quality Environmental Management Policy. Internal and external audits are conducted on a yearly basis to ensure enforcement of the Quality Environmental Management Policy.

In addition, Uponor is developing innovations related to recyclable packaging systems and alternative resins, among others, to reduce its environmental impacts.

Personnel and social matters

Uponor emphasises equal treatment, and promotes the 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 personnel surveys regularly to get feedback from its employees on employee-related matters.

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, environmental and quality standards as well as comply with all local laws and regulations.

Through Uponor's whistle-blower channel, its employees have an opportunity to report non-compliant behaviour anonymously if they wish.

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.

Results of compliance with the operating principles

Environmental matters

Uponor aims to develop products and solutions that help its customers to reduce their environmental impacts. In 2019, Uponor introduced a smart water monitoring system with shut-off ability, Phyn Plus, to the European markets. Other products, such as Uponor Combi Port E, increase the energy-efficiency of the end-users.

Uponor continues to strive to reduce its greenhouse gas emissions and waste. In 2019, the overall change in volumes and product mixes resulted in lower energy consumption, which also lowered Uponor's scope 1 and 2 GHG emissions. The total amount of waste reduced slightly and at the same time the share of recycled waste increased slightly. The water consumption returned back to its normal level in 2019. The comparison period included leak in the Hutchinson manufacturing facility and increased use of water in Virsbo due to a hot summer.

Social and employee related matters

Safety is Uponor's top priority. In 2019, Uponor's lost time injury frequency reduced to 11.9 (12.7). Uponor continues to develop its internal ways of working and advancing processes that improves safety. Sharing the best practices and near miss learnings are important tools in enhancing the safety culture.

Uponor invests in the personal development of its employees. In 2019, the company continued to run its internal supervisor training programme. All Uponor's supervisors participate in the training. In addition, Uponor organised three targeted training courses to employees in different stages of their career, from young professionals to senior-level managers.

Uponor has been conducting Group-wide personnel survey every other year. The company is in the process of renewing its personnel survey concept.

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 lead to fines as well as reputational and business risk to Uponor.

Uponor mitigates environmental risks by means of training 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 risks to Uponor. Uponor may also have difficulties in attracting and retaining talent in the organisation.

Uponor mitigates health- and safety-related risks by means of internal training, 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 enabling 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 training and processes as well as supply chain audits. In addition, an internal anonymous whistle-blowing 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 these risks by a careful recruitment process, internal training and monitoring partners. In addition, the company has an internal anonymous whistle-blowing channel in use.

Key non-financial performance indicators

Measure	Unit	2019	2018	2017	2016	2015
Total energy consumption	1,000 MWh	218.0	226.0	200.0	199.0	185.0
Raw material used	1,000 tonnes	146.2	151.2	140.9	132.7	127.1
Water consumption	1,000 m3	154.1	206.2	155.2	168.4	190.9
Total GHG emissions (Scope 1)	1,000 tonnes	8.4	8.5	7.5	8.7	8.5
Total GHG emissions (Scope 2)	1,000 tonnes	27.0	30.8	32.1	32.2	33.5
Total waste	1,000 tonnes	18.1	20.2	18.8	16.4	16.4
Incident rate (LTIF)	per million work hours	11.9	12.7	8.9	7.8	13.1
Share of white-collar employees participating in Code of Conduct e-learning	%	90.9	-	-	-	-

The current waste recycling % 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. Uponor is reporting its scope 2 emissions using location-based methodology, factors were updated and used from "GHG Protocol/IEA (11/2019) - IEA2019". For the countries, where Uponor purchases green electricity, market-based factors are in use. All 16 manufacturing facilities are included in the figures. 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.

Short-term risks and uncertainties

Changes in the global economy and financial markets may have a negative impact on Uponor's operations, performance, financial position and sources of capital.

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. In addition, Uponor has three business areas: plumbing solutions, indoor climate solutions and infrastructure solutions. Uponor's products are used in both 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, for example, private labelling creates a risk for Uponor. There is also a risk associated with product liability related to products manufactured and sold by Uponor.

Uponor has started an operational excellence programme that aims to achieve annual savings of around €20 million by the end of 2021. The company is exposed to a risk of capturing the savings within the planned timeline.

Digitalisation, emerging technologies and capabilities related to those areas are needed to build new business opportunities for Uponor. In addition, digitalisation and smart solutions expose the company to cyber risks.

Uponor's ability to attract and retain talent to drive change are key to the company's future success. Uponor manages this risk by building its employer brand and helping its current employees to develop, for example, their leadership skills.

The prices of raw materials used in the manufacture of Uponor's products are susceptible to change, driven by several market 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.

Uponor has 16 manufacturing facilities in Europe and North America, which exposes the company to possible environmental risks. Uponor operates under an ISO 9001 quality management system and an ISO 14001 environmental management system, which enhance quality, production safety, environmental law compliance and productivity while reducing the environmental impact and risks related to Uponor's operations.

Several factors, including disturbances in the supply chain and IT systems as well as natural disasters can pose a business continuity risk to Uponor. Uponor mitigates the risk with comprehensive business continuity planning and management.

Uponor can be exposed to different judicial proceedings. In year 2019, such proceedings had no material impact on Uponor's result.

The international nature of its operations exposes the company to currency risks associated with various currencies. In 2019, approximately 60% of Uponor's net sales were generated in currencies other than the euro. Correspondingly, a major part of expenses associated with these net sales were also denominated in the same local currencies, markedly decreasing the associated currency risks.

A more detailed risk analysis can be found from www.investors.uponor.com.

Share capital and shares

In 2019, Uponor's share turnover on Nasdaq Helsinki was 26.5 (40.8) million shares, totalling €266.7 (499.0) million. The share quotation at the end of 2019 was €11.65 (8.62), and the market capitalisation of the shares was €852.9 (631.0) million.

At the end of the year, there were a total of 18,907 (20,341) shareholders. Foreign shareholding in Uponor accounted for 27.2% (23.5%) of all shareholding in the company at the end of the reporting period. More detailed information is available in the financial statements.

In 2019, 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.

Treasury shares

At the end of the year, Uponor held 219,527 of its own shares, representing approximately 0.29% 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 119,531 Uponor shares (101,079 shares). These shares accounted for 0.16% 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 can be found from www.investors.uponor.com.

In December 2019, 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 2020–2022 plan will be paid in 2023, partly in company shares and partly in cash.

Events after the reporting period

There were no events to report on.

Short-term market outlook

While economic growth looks set to slow and some construction markets are moderating from elevated output levels, Uponor expects that the markets will remain at a healthy level overall during Q1:

- In the U.S., the market remains challenged by capacity restraints, but is expected to grow from last year's levels.
- The market is expected to remain at a healthy level in Germany, although non-residential building may soften.
- The new build residential market in Finland continues to exhibit signs of slowing, while other segments are stable.
- While the new build market is weakening in Sweden, construction still remains at a good level.

Guidance for 2020

Uponor expects comparable operating profit to improve from 2019.

Vantaa, 12 February 2020

Uponor Corporation
Board of Directors

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 2018. All figures presented have been rounded and consequently, the sum of individual figures might differ from the presented total figure. 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€	1-12/2019	1-12/2018	10-12/2019	10-12/2018
Net sales	1,103.1	1,196.3	269.2	282.6
Cost of goods sold	721.2	795.5	172.4	188.4
Gross profit	381.9	400.8	96.7	94.2
Other operating income	1.3	16.4	0.1	3.8
Dispatching and warehousing expenses	32.2	33.7	7.9	8.1
Sales and marketing expenses	180.0	191.3	45.6	45.8
Administration expenses	58.3	60.0	17.0	17.8
Other operating expenses	21.4	25.5	5.9	9.2
Operating profit	91.3	106.7	20.4	17.1
Financial expenses, net	11.6	8.5	3.1	1.5
Share of results in associated companies and joint ventures	-4.0	-4.7	-1.0	-1.1
Profit before taxes	75.6	93.5	16.3	14.5
Income taxes	20.3	30.3	4.0	7.8
Profit for period	55.3	63.2	12.3	6.7
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Re-measurements on defined benefit pensions, net of taxes	-1.9	-1.1	-1.9	-1.1
Items that may be reclassified subsequently to profit or loss				
Translation differences	1.9	1.2	0.2	0.7
Cash flow hedges, net of taxes	-1.8	1.6	-0.2	0.2
Net investment hedges	0.0	-0.7	0.0	-0.2
Other comprehensive income for the period, net of taxes	-1.8	1.0	-1.9	-0.4
Total comprehensive income for the period	53.5	64.2	10.4	6.3
Profit/loss for the period attributable to				
- Equity holders of parent company	52.3	52.8	12.5	6.0
- Non-controlling interest	3.0	10.4	-0.2	0.7
Total comprehensive income for the period attributable for				
- Equity holders of parent company	50.8	54.0	10.3	5.5
- Non-controlling interest	2.8	10.2	0.1	0.8
Earnings per share, €	0.72	0.72	0.18	0.08
Diluted earnings per share, €	0.72	0.72	0.18	0.08

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

M€	31.12.2019	31.12.2018
Assets		
Non-current assets		
Property, plant and equipment	285.8	258.3
Intangible assets	96.7	101.0
Investments in associates and joint ventures	10.9	13.7
Other securities and non-current receivables	9.0	12.0
Deferred tax assets	9.1	9.1
Total non-current assets	411.3	394.1
Current assets		
Inventories	144.4	147.9
Accounts receivable	157.7	168.5
Other receivables	43.7	38.0
Cash and cash equivalents	76.1	38.1
Total current assets	421.9	392.5
Total assets	833.2	786.6
Equity and liabilities		
Equity		
Equity attributable to the owners of the parent company	311.6	297.6
Non-controlling interest	58.8	56.0
Total equity	370.4	353.6
Non-current liabilities		
Interest-bearing liabilities	203.4	175.6
Deferred tax liability	10.7	12.3
Provisions	4.3	5.2
Employee benefits and other liabilities	21.5	19.6
Total non-current liabilities	239.9	212.7
Current liabilities		
Interest-bearing liabilities	11.8	1.7
Provisions	25.8	25.0
Accounts payable	65.5	72.0
Other liabilities	119.9	121.6
Total current liabilities	223.0	220.3
Total equity and liabilities	833.2	786.6

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

M€	1-12/2019	1-12/2018
Cash flow from operations		
Net cash from operations	132.6	122.5
Change in net working capital	8.0	-28.1
Income taxes paid	-28.4	-12.3
Interest paid	-3.3	-2.8
Interest received	0.3	0.6
Cash flow from operations	109.2	79.9
Cash flow from investments		
Proceeds from disposal of subsidiaries and businesses	3.2	53.8
Acquisition of joint venture	-1.3	-8.1
Purchase of other shares	-0.5	-
Purchase of fixed assets	-26.1	-54.0
Proceeds from sale of fixed assets	3.1	0.9
Loan repayments	0.4	0.0
Dividends received	0.4	0.2
Cash flow from investments	-20.8	-7.2
Cash flow from financing		
Borrowings of debt	-	0.2
Repayment of debt	-1.5	-80.1
Change in other short-term loan	0.0	-0.4
Dividends paid	-37.2	-35.8
Purchase of own shares	-	-1.9
Return of capital to Infra Oy's non-controlling interest	-	-22.4
Payment of lease liabilities	-11.8	-1.0
Cash flow from financing	-50.6	-141.4
Conversion differences for cash and cash equivalents	0.2	-0.2
Change in cash and cash equivalents	38.0	-68.9
Cash and cash equivalents at 1 January	38.1	107.0
Cash and cash equivalents at end of period	76.1	38.1
Changes according to balance sheet	38.0	-68.9

STATEMENT OF CHANGES IN EQUITY

M€	A	B	C	D*	E	F	G	H	I
Balance at 1 Jan 2019	146.4	50.2	3.3	-9.7	-2.2	109.6	297.6	56.0	353.6
Profit for the period						52.3	52.3	3.0	55.3
Other comprehensive income for the period			-1.8	2.2		-1.9	-1.5	-0.3	-1.8
Dividend (€0.51 per share)						-37.2	-37.2		.-37.2
Share-based incentive plan					0.2	0.3	0.5		0.5
Balance at 31 December 2019	146.4	50.2	1.5	-7.6	-2.0	123.1	311.6	58.8	370.4
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

*) Includes a €-14.3 (-14.3) 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 2019.

New standards adopted beginning on January 1, 2019

<u>IFRS 16 Leases</u>

IFRS 16 Leases became effective on January 1, 2019 and supersedes the IAS 17 standard and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Uponor adopted IFRS 16, Leases using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. This means that the comparatives have not been adjusted for the period ending 31 December 2018. Uponor recognised a right-of-use asset and lease liability for lease contracts previously categorized as operating leases under IAS 17. The right-of-use asset is recognised at an amount equal to the lease liability at the present value of the lease payments that are not paid on 1 January 2019. The adoption of IFRS 16 did not have any impact on equity.

Prior to the adoption of IFRS 16, lease agreements were classified as either finance leases or operating leases under IAS 17. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset. Otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the asset or if lower, at the present value of the minimum lease payments. Similarly, lease obligations, deducted by financing expenses, were recognised in interest bearing liabilities. The finance lease assets were depreciated over their useful life or within the shorter lease term. Interest costs were expensed in the consolidated statement of comprehensive income during the lease term. Leases in which the lessor retained risks and rewards incidental to ownership of the asset were classified as operating leases. The rents related to operating leases were recognised as expenses in profit or loss on a straight line basis over the lease term. The undiscounted commitments were presented in the notes to the financial statements.

IFRS 16 requires lessees to account for the majority of lease contracts under a single on-balance sheet model. Lessees recognize a right-of-use asset and lease liability at the inception of the lease discounted to the present value of future lease payments. Previously recognised operating expenses for leases are replaced by depreciations of the right-of-use asset and interest expenses over the lease term.

<u>Leases previously classified as finance leases</u>
Uponor did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases applying IAS 17. For these leases, Uponor has already recognised tangible assets and lease liabilities prior to the adoption of IFRS 16. The requirements of IFRS 16 was applied to these leases from 1 January 2019. After the transition these lease contracts are treated in a similar way as all the lease contracts meeting the capitalization criteria of IFRS 16.

<u>Leases previously classified as operating leases</u>
The majority of lease agreements Uponor has entered into were previously classified as operating leases. These lease agreements consist mainly of real estate (offices and warehouses including land areas), cars and forklifts. The adoption of IFRS 16 has changed the accounting for these leases.

Uponor applies the practical expedients relating to the short term and low-value leases. Uponor has not recognised right-of-use assets and liabilities for short-term leases with a lease term of 12 months or less or for leases of low value assets. Furthermore, Uponor does not apply IFRS 16 to intangible assets. Uponor also uses the practical expedients of the modified retrospective approach and does not thus include lease contracts which end within 12 months from the date of the initial application of IFRS 16 and do not contain a purchase option.

Uponor recognised lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets on 1 January 2019 based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of application, and a right-of-use asset with an equivalent value. In assessing the lease term, Uponor has estimated the expected termination date. In estimating the termination date, Uponor considers e.g. the expenditure related to the termination of the lease and the importance of the underlying asset to its operations. Uponor has entered into lease agreements valid until further notice relating mainly to real estate leases.

Based on the foregoing, as at 1 January 2019 Uponor recognised an addition of €44.3 million of right-of-use assets and €44.3 million of lease liabilities.

AMOUNTS RECOGNISED IN CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

M€	1.1.2019	IFRS 16	31.12.2018
Property, plant and equipment			
ROU assets	47.2	47.2	
Capitalised finance lease assets		-2.9	2.9
Interest-bearing liabilities, non-current			
Lease liability	37.7	34.1	3.6
Interest-bearing liabilities, current			
Lease liability	11.0	10.2	0.8

As a result of applying IFRS 16 the equity ratio decreased by 2.4 percentage points, the gearing increased by 12.5 percentage points and the net interest-bearing liabilities increased by 32 percentage points when adjusting 31.12.2018 figures with IFRS 16 impact.

Additionally, the adoption of IFRS 16 impacted the income statement of Uponor. From 1 January 2019 onwards Uponor recognised a depreciation charge in the income statement instead of an operating expense and an interest expense related to the lease liability. This change had only minor impact on operating profit and net result decreased slightly.

IFRS 16 also impacted the presentation of cash flows. Lease expenditure was previously presented as cash flow from operations in its entirety but 2019 onwards only the interest expense related to leases is presented in the cash flow from operations. The majority of the expenditure related to lease payments is presented in the cash flow from financing activities.

Summary of new accounting policies

Lease liabilities

At the commencement date of the lease, Uponor recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments, inclusive of in-substance fixed payments, less any lease incentives receivable and variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. The lease contracts may also contain payments of penalties for terminating the leases. Uponor includes the termination penalty in the lease payments if it has determined that there is a reasonable certainty of terminating the lease. VAT is not included in the carrying amount of the leasing liability. Uponor has analysed the expected lease term and thereby assessed whether it is reasonably certain that any options to extend or terminate the agreements will be exercised for the lease contracts.
Uponor calculates the present value of the lease payments using the interest rate implicit in the lease if this is readily available. For contracts where the interest rate implicit in the lease is not readily available, the incremental borrowing rate is used. The incremental borrowing rate is defined in IFRS 16 as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Uponor has determined the incremental borrowing rates taking into consideration the financial environment of the contract, the maturity of the lease agreements as of 31.12.2018 and the different economic environments. Based on these factors Uponor uses an interest rate matrix to determine the appropriate discount rate in different lease contracts where the interest rate implicit in the lease is not readily available.

Right-of-use assets

Uponor recognizes right-of-use assets at the commencement date of the lease which is the date that the underlying asset is available for use. Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.
Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment in future periods.

Short-term leases and leases of low-value assets

Uponor applies the short-term lease recognition exemption to its short-term leases and does not recognize at 1 January 2019 leases with a lease term of 12 months or less from the commencement date. In determining whether a contract is a short-term contract Uponor takes into account reasonable certainty of exercising extension and termination options similarly as for other leases. If a lease contains a purchase option, Uponor does not consider it to be a short-term lease. Lease payments relating to short-term leases are recognised as an expense on a straight-line basis over the lease term.
Uponor also applies the recognition exemption related to leases of low-value assets and recognizes leases of low-value assets as an expense on a straight-line basis over the lease term. In determining whether a lease contains a low-value asset, Uponor considers the value of the underlying asset when new and not in its current age and condition.

Significant judgment

IFRS 16 requires lessees to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. Uponor has analysed the expected lease term and thereby assessed whether it is reasonably certain that any options to extend or terminate the agreements will be exercised for the lease contracts.

Uponor has lease agreements with either a fixed lease term or which are valid until further notice. Uponor evaluates the lease term on a case by case basis. For lease agreements valid until further notice, Uponor has determined the lease term using the expected termination date based on its best estimate. Uponor considers any significant leasehold improvements undertaken over the term, costs relating to the termination of the lease, such as negotiation costs, relocation costs, costs of identifying another underlying asset suitable for the lessee's needs, costs of integrating a new asset into the lessee's operations, or termination penalties and similar costs, including costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location. Additionally, the importance of that underlying asset to the lessee's operations are considered, for example, whether the underlying asset is a specialised asset, the location of the underlying asset and the availability of suitable alternatives. Uponor will revise the lease term if there is a change in the non-cancellable period of a lease.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

M€	31.12.2019	31.12.2018
Gross investment	26.1	54.0
- % of net sales	2.4	4.5
Book value of disposed fixed assets	2.9	0.7
Depreciation and impairments*	51.8	42.4

** 2019 include ROU asset depreciations 12.0M€*

PERSONNEL

Converted to full time employees	1-12/2019	1-12/2018
Average	3,801	4,074
At the end of the period	3,708	3,928

OWN SHARES	31.12.2019	31.12.2018
Own shares held by the company, pcs	219,527	244,756
- of share capital, %	0.3	0.3
- of voting rights, %	0.3	0.3
Accounted par value of own shares held by the company, M€	0.4	0.5

SEGMENT INFORMATION

		1-12/2019			1-12/2018	
M€	External	Internal	Total	External	Internal	Total
Net sales by segment						
Building Solutions - Europe	486.9	2.4	489.3	521.6	2.6	524.2
Building Solutions - North America	375.4	0.0	375.4	340.5	0.0	340.5
Uponor Infra	240.8	3.1	243.9	334.2	3.1	337.3
Eliminations	-	-5.5	-5.5	-	-5.7	-5.7
Total	1,103.1	-	1,103.1	1,196.3	-	1,196.3

		10-12/2019			10-12/2018	
M€	External	Internal	Total	External	Internal	Total
Net sales by segment						
Building Solutions - Europe	115.8	0.2	116.0	127.6	0.9	128.5
Building Solutions - North America	102.0	0.0	102.0	90.5	0.0	90.5
Uponor Infra	51.4	0.6	52.0	64.5	0.8	65.3
Eliminations	-	-0.8	-0.8	0.0	-1.7	-1.7
Total	269.2	-	269.2	282.6	-	282.6

M€	1-12/2019	1-12/2018	10-12/2019	10-12/2018
Operating profit by segment				
Building Solutions - Europe	31.6	31.1	5.3	5.1
Building Solutions - North America	57.1	46.6	19.0	13.7
Uponor Infra	10.8	35.1	0.0	-0.2
Others	-8.0	-5.2	-3.9	-1.2
Eliminations	-0.2	-0.9	0.0	-0.3
Total	91.3	106.7	20.4	17.1

M€	1-12/2019	1-12/2018
Segment depreciation and impairments		
Building Solutions - Europe	19.5	16.4
Building Solutions - North America	20.7	15.1
Uponor Infra	10.0	9.9
Others	1.6	1.0
Eliminations	0.0	0.0
Total	51.8	42.4
Segment investments		
Building Solutions - Europe	9.1	16.1
Building Solutions - North America	8.4	27.6
Uponor Infra	8.3	9.5
Others	0.4	0.8
Total	26.1	54.0

M€	31.12.2019	31.12.2018
Segment assets		
Building Solutions - Europe	366.4	357.0
Building Solutions - North America	298.1	286.1
Uponor Infra	172.4	171.5
Others	397.5	358.5
Eliminations	-401.1	-386.5
Total	833.2	786.6
Segment liabilities		
Building Solutions - Europe	320.7	305.0
Building Solutions - North America	241.7	232.0
Uponor Infra	50.6	58.3
Others	288.4	261.7
Eliminations	-438.5	-424.1
Total	462.8	432.9

	1-12/2019	1-12/2018
Segment personnel, average		
Building Solutions - Europe	1,950	2,073
Building Solutions - North America	898	925
Uponor Infra	867	999
Others	86	77
Total	3,801	4,074

Reconciliation

M€	1-12/2019	1-12/2018
Operating profit by segment		
Total result for reportable segments	99.5	112.8
Others	-8.0	-5.2
Eliminations	-0.2	-0.8
Operating profit	91.3	106.7
Financial expenses, net	11.6	8.5
Share of results in associated companies and joint ventures	-4.0	-4.7
Profit before taxes	75.6	93.5

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:

M€	1-12/2019 Sale of goods	1-12/2019 Rendering of services	1-12/2019 Total	1-12/2018 Sale of goods	1-12/2018 Rendering of services	1-12/2018 Total
Revenue from contract with customers by segment						
Building Solutions - Europe	480.9	6.0	486.9	489.4	32.2	521.6
Building Solutions - North America	375.4	0.0	375.4	340.5	0.0	340.5
Uponor Infra	220.8	20.0	240.8	316.9	17.3	334.2
External customer, total	1,077.1	26.0	1,103.1	1,146.8	49.5	1,196.3
Internal	5.5		5.5	5.7		5.7
Total	1,082.5	26.0	1,108.6	1,152.5	49.5	1,202.0
Eliminations	-5.5		-5.5	-5.7		-5.7
Total revenue from contracts with customer	1,077.1	26.0	1,103.1	1,146.8	49.5	1,196.3

M€	10-12/2019 Sale of goods	10-12/2019 Rendering of services	10-12/2019 Total	10-12/2018 Sale of goods	10-12/2018 Rendering of services	10-12/2018 Total
Revenue from contract with customers by segment						
Building Solutions - Europe	114.1	1.7	115.8	123.4	4.3	127.7
Building Solutions - North America	102.0	0.0	102.0	90.5	0.0	90.5
Uponor Infra	47.9	3.5	51.4	57.9	6.5	64.4
External customer, total	264.0	5.2	269.2	271.8	10.8	282.6
Internal	0.8	0	0.8	1.9		1.9
Total	264.8	5.2	270.0	273.7	10.8	284.5
Eliminations	-0.8		-0.8	-1.9		-1.9
Total revenue from contracts with customer	264.0	5.2	269.2	271.8	10.8	282.6

COMMITMENTS

M€	31.12.2019	31.12.2018
Commitments of purchase PPE (Property, plant, equipment)	4.3	7.4
Other commitments	0.0	0.0
- on own behalf		
Pledges at book value	0.0	0.1
Mortgages issued	1.1	1.9
Guarantees issued	0.5	0.6
- on behalf of a subsidiary		
Guarantees issued	33.9	27.3
Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures		
Pledges at book value	0.0	0.1
Mortgages issued	1.1	1.9
Guarantees issued	34.4	27.9
Total	35.6	29.9

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

M€	IFRS 7 Fair value hierarchy level	31.12.2019	31.12.2018
Non-current financial assets			
Fair value through other comprehensive income			
Electricity derivatives	1	0.4	1.0
Amortised cost			
Other non-current receivables		7.9	10.8
Other shares and holdings		0.7	0.2
Current financial assets			
Fair value through other comprehensive income			
Electricity derivatives	1	0.3	1.5
Fair value through profit or loss			
Other derivative contracts	2	1.8	2.4
Amortised cost			
Accounts receivable and other receivables		187.3	192.3
Cash and cash equivalents		76.1	38.1
Financial assets total		**274.5**	**246.3**
Non-current financial liabilities			
Amortised cost			
Interest bearing liabilities		203.4	175.6
Current financial liabilities			
Fair value through other comprehensive income			
Other derivative contracts	2	1.1	0.6
Fair value through the profit or loss			
Other derivative contracts	2	0.9	0.5
Amortised cost			
Interest bearing liabilities		11.8	1.7
Accounts payable and other liabilities		102.0	98.2
Financial liabilities total		**319.2**	**276.6**

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 29 April, Uponor Infra and EP Industries a.s. signed a share purchase agreement for Uponor Infra's Czech subsidiary Fintherm. The sales price for the transaction was €3.4 million and the profit of €0.5 million has been booked to other operating income.

M€	2019
Book value of disposed assets and liabilities	
Property, plant and equipment	2.0
Inventory	1.9
Accounts receivable and other receivables	1.3
Cash and cash equivalents	0.2
Total assets	**5.4**

Interest-bearing non-current liabilities	0.4
Accounts payable and other current liabilities	1.2
Total liabilities	**1.7**
Net assets	3.7
Cash received from sales	3.4
Cash and cash equivalents disposed of	0.2
Cash flow effect	**3.2**

KEY FIGURES

	1-12/2019	1-12/2018
Earnings per share, €	0.72	0.72
Operating profit, %	8.3	8.9
Return on equity, % (p.a.)	15.3	18.0
Return on investment, % (p.a.)	14.4	17.2
Solvency ratio, %	44.6	45.1
Gearing, %	37.6	39.4
Gearing, % rolling 4 quarters	57.5	53.0
Net interest-bearing liabilities	139.1	139.2
Equity per share, €	4.27	4.08
- diluted	4.27	4.08
Dividend per share, €	0.53*)	0.51
Dividend per earnings, %	73.6	70.8
Effective share yield, %	4.5	5.9
P/E ratio	16.2	12.0
Market value of share capital	852.9	631.0
Trading price of shares		
- low, €	8.52	8.13
- high, €	12.37	17.62
- average, €	10.05	12.24
Shares traded		
- 1,000 pcs	26,537	40,763
- M€	266.7	499.0

*) Proposal of the Board of Directors

QUARTERLY DATA

	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Net sales, M€	269.2	292.4	292.6	248.9	282.6	311.9	324.9	276.9
- Building Solutions – Europe	116.0	124.0	125.7	123.5	128.5	131.8	138.7	125.2
- Building Solutions – North America	102.0	102.4	96.3	74.7	90.5	88.9	83.5	77.6
Building Solutions – North America, $	113.5	113.2	108.5	85.0	103.3	103.8	98.8	95.7
- Uponor Infra	52.0	67.1	72.4	52.4	65.3	92.6	104.1	75.3
Gross profit, M€	96.7	101.3	97.6	86.2	94.2	106.1	107.3	93.2
- Gross profit, %	35.9	34.6	33.4	34.6	33.3	34.0	33.0	33.7
Operating profit, M€	20.4	31.3	25.3	14.3	17.1	44.6	28.0	17.0
- Building Solutions – Europe	5.3	10.9	8.2	7.2	5.1	9.0	11.0	6.0
- Building Solutions – North America	19.0	16.8	13.8	7.5	13.7	13.9	8.8	10.2
Building Solutions – North America, $	21.2	18.6	15.6	8.5	15.7	16.3	10.4	12.5
- Uponor Infra	0.0	4.9	5.4	0.6	-0.2	21.9	10.1	3.3
- Others	-3.9	-1.0	-1.8	-1.3	-1.2	-1.7	-1.3	-1.0
Operating profit, % of net sales	7.6	10.7	8.6	5.7	6.1	14.3	8.6	6.1
- Building Solutions – Europe	4.6	8.8	6.5	5.9	4.0	6.9	7.9	4.8
- Building Solutions – North America	18.7	16.4	14.4	10.0	15.2	15.8	10.5	13.1
- Uponor Infra	0.0	7.3	7.5	1.1	-0.4	23.6	9.8	4.4
Profit for the period, M€	12.3	20.5	15.4	7.1	6.7	30.0	17.3	9.2
Balance sheet total, M€	833.2	855.1	862.0	848.3	786.6	842.8	905.1	855.5
Earnings per share, €	0.18	0.26	0.18	0.10	0.08	0.34	0.19	0.11
Equity per share, €	4.27	4.13	3.84	3.68	4.08	4.02	3.66	3.43
Market value of share capital, M€	852.9	714.5	699.1	746.0	631.0	824.3	1,006.6	993.4
Return on investment, % (p.a.)	14.4	15.1	12.2	8.0	17.2	19.1	13.5	9.9
Net interest-bearing liabilities at the end of the period, M€	139.1	190.5	224.9	236.0	139.2	156.7	218.3	211.9
Gearing, %	37.6	52.9	66.7	72.8	39.4	42.2	64.2	66.3
Gearing, % rolling 4 quarters	57.5	57.9	55.2	54.6	53.0	54.1	55.6	56.4
Gross investment, M€	9.9	6.4	5.0	4.8	17.8	11.3	15.0	9.9
- % of net sales	3.7	2.2	1.7	1.9	6.3	3.6	4.6	3.6

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/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Items affecting comparability								
Restructuring charges	-1.4	0.0	0.0	0.0	-6.9	-1.4	-	-
Capital gains and losses on sale of non-current assets	0.0	0.0	0.0	0.0	3.5	12.2	-	-
Total items affecting comparability in operating profit	-1.4	0.0	0.0	0.0	-3.4	10.8	-	-
Items affecting comparability, total	**-1.4**	**0.0**	**0.0**	**0.0**	**-3.4**	**10.8**	**-**	**-**
Comparable gross profit								
Gross profit	96.7	101.3	97.6	86.2	94.2	106.1	107.3	93.2
Less: Items affecting comparability in gross profit	-0.1	-	-	-	-	-	-	-
Comparable gross profit	**96.8**	**101.3**	**97.6**	**86.2**	**94.2**	**106.1**	**107.3**	**93.2**
% of sales	36.0	34.6	33.4	34.6	33.3	34.0	33.0	33.7
Comparable operating profit								
Operating profit	20.4	31.3	25.3	14.3	17.1	44.6	28.0	17.0
Less: Items affecting comparability in operating profit	-1.4	0.0	0.0	0.0	-3.4	10.8	-	-
Comparable operating profit	**21.8**	**31.3**	**25.3**	**14.3**	**20.5**	**33.8**	**28.0**	**17.0**
% of sales	8.1	10.7	8.6	5.7	7.2	10.9	8.6	6.1
Comparable operating profit by segment								
Building Solutions - Europe								
Operating profit	5.3	10.9	8.2	7.2	5.1	9.0	11.0	6.0
Less: Items affecting comparability in operating profit	-0.7	0.0	0.0	0.0	-2.9	-1.4	-	-
Comparable operating profit	5.9	10.9	8.2	7.2	8.0	10.4	11.0	6.0
% of sales	5.1	8.8	6.5	5.9	6.2	7.9	7.9	4.8
Building Solutions - North America								
Operating profit	19.0	16.8	13.8	7.5	13.7	13.9	8.8	10.2
Comparable operating profit	19.0	16.8	13.8	7.5	13.7	13.9	8.8	10.2
% of sales	18.7	16.4	14.4	10.0	15.2	15.8	10.5	13.1
Uponor Infra								
Operating profit	0.0	4.9	5.4	0.6	-0.2	21.9	10.1	3.3
Less: Items affecting comparability in operating profit	-	-	-	-	-0,5	12.2	-	-
Comparable operating profit	0.0	4.9	5.4	0.6	0.3	9.7	10.1	3.3
% of sales	0.0	7.3	7.5	1.1	0.3	10.4	9.8	4.4
Others								
Operating profit	-3.9	-1.0	-1.8	-1.3	-1.2	-1.7	-1.3	-1.0
Less: Items affecting comparability in operating profit	-0.7	-	-	-	-	-	-	-
Comparable operating profit	-3.2	-1.0	-1.8	-1.3	-1.2	-1.7	-1.3	-1.0
% 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
= Gross profit – items affecting comparability

Comparable gross profit margin

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

Comparable operating profit
= Operating profit – items affecting comparability

Comparable operating profit margin

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