uponor

Financial Review 2020

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Uponor's Annual Report 2020 consists of an Annual Review and a Financial Review, which are published as separate PDF documents and can be found on our website.

You are now reading the Financial Review 2020, which covers the Report by the Board of Directors, Financial Statements for 2020 and Auditor's report. The Financial Review also includes information for investors. Corporate Governance Statement and Remuneration Report are published as separate PDF documents on our website. The Annual Review consists of the key topics of Uponor's business and sustainability in 2020.

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Change of address
Shareholders are requested to notify their custodian bank, their brokerage firm, or any other financial institution responsible for maintaining their book-entry securities account of any changes in their mailing address.

Disclosure policy
Information on Uponor's disclosure policy is available on our investor website at investors.uponor.com > Governance > Disclosure Policy.

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FI-01511 Vantaa, Finland
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Why invest in Uponor

The business: sustainable building and infrastructure solutions

- Safe drinking water delivery; energy-efficient heating and cooling and reliable infrastructure continue to be essential needs in built environments
- Uponor mitigates the cyclicality of construction industry by operating in European and North American markets and serving both new construction and renovation projects

The company: An industry innovator building on a century of experience

- A leading supplier for residential and commercial construction for drinking water delivery and radiant heating and cooling systems; and a strong position in infrastructure piping systems in northern Europe.
- Established brand with a broad and loyal customer base
- Well maintained manufacturing network with capacity to grow
- Continuous material and production technology development to support operational efficiency
- Committed long-term key ownership with a clear understanding of the industry's dynamics

LONG-TERM FINANCIAL TARGETS (UPDATED ON 13 FEB 2019)	Target	2020	2019	2018	2017	2016
Organic net sales growth[1]	2020E: -1.2%	3.0	-0.4	4.9	6.5	2.0
Comparable[2] EBIT margin	>10%	12.6	8.4	8.3	8.3	8.2
Return on investment (ROI)	>20%	21.8	14.4	17.2	16.3	14.1
Gearing[3] (annual average for the four latest quarters)	40-80%	28.6	57.5	53.0	58.4	56.7
Dividend payout	> 50% of earnings	47.1[4]	73.6	70.8	59.0	79.3

1) GDP +3ppts (GDP growth based on a weighted average growth in the top 10 countries)
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.
4) proposal of the Board of Directors

SHARE-SPECIFIC KEY FIGURES	2020	2019	2018	2017	2016
Market value of share capital at year-end, M€	1,329.4	852.9	631.0	1,228.4	1,208.6
Earnings per share (fully diluted), €	1.21	0.72	0.72	0.83	0.58
Dividend, total, M€	41.6[1]	38.7	37.2	35.8	33.6
Dividend per share, €	0.57[1]	0.53	0.51	0.49	0.46
Effective share yield, %	3.1[1]	4.5	5.9	2.9	2.8
Issue-adjusted share prices					
- highest, €	18.60	12.37	17.62	17.79	17.35
- lowest, €	6.73	8.52	8.13	13.30	11.13
Number of shareholders	17,834	18,907	20,341	19,191	16,113

1) proposal of the Board of Directors
The definitions of key ratios are presented in the financial statements.

Information for shareholders

Annual General Meeting

Uponor Corporation's Annual General Meeting will be held on 18 March 2021 at 15:00 EET.

In order to limit the spread of the COVID-19 pandemic, it is not possible to attend the Annual General Meeting in person.

The company's shareholders and their proxy representatives may attend the meeting and exercise their shareholder rights only by voting in advance and submitting counter-proposals and questions in advance. Shareholders also have the opportunity to follow the Annual General Meeting as a webcast if the registration and advance voting has been completed.

Registration and advance voting for shareholders will be available between 18 February 2021 and 11 March 2021 at 10:00 in the following ways:

- via Uponor's IR website investors.uponor.com, which requires strong identification or
- by email to agm@innovatics.fi, when also necessary documentation shall be attached to the email, such as signed voting form and possible proxy document and/or extract from trade register or
- by mail addressed Innovatics Oy, Yhtiökokous / Uponor Oyj, Ratamestarinkatu 13 A, 00520 Helsinki, when also necessary documentation shall be included, such as signed voting form and possible proxy document and/or extract from trade register.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that a dividend of €0.57 per share be distributed for the financial period 2020. The dividend shall be paid in two instalments. The first instalment of €0.28 per share shall be paid to a shareholder registered as a shareholder in the shareholder register maintained by Euroclear Finland Ltd on the record date of the dividend payment on 22 March 2021. The payment date proposed by the Board for this instalment is 29 March 2021.

The second instalment of €0.29 per share shall be paid in September 2021. The second instalment shall be paid to a shareholder registered as a shareholder in the shareholder register maintained by Euroclear Finland Ltd on the dividend record date, which, together with the payment date, shall be decided by the Board of Directors in its meeting scheduled for 14 September 2021. The dividend record date for the second instalment would be 16 September 2021 and the dividend payment date 23 September 2021.

Important dates in 2021

Financial statements bulletin for 2020	11 February	08:00 EET
Annual report 2020	Week 8	
Annual General Meeting	18 March	15:00 EET
Record date for dividend payment	1st instalment: 20 March* 2nd instalment: 12 September*	
Date for dividend payment	1st instalment: 27 March* 2nd instalment: 19 September*	
Interim report: January–March	5 May	08:00 EET
Interim report: January–June	27 July	08:00 EET
Interim report: January–September	28 October	08:00 EET

* proposal of the Board of Directors

Analysts covering Uponor

According to the information available to the company, the following analysts made investment analyses of Uponor in 2020. These parties follow Uponor on their own initiative, and the company is not responsible for their statements. Further information on Uponor's analysts is available on **investors.uponor.com.**

Carnegie
Tommy Ilmoni

Handelsbanken
Mika Karppinen

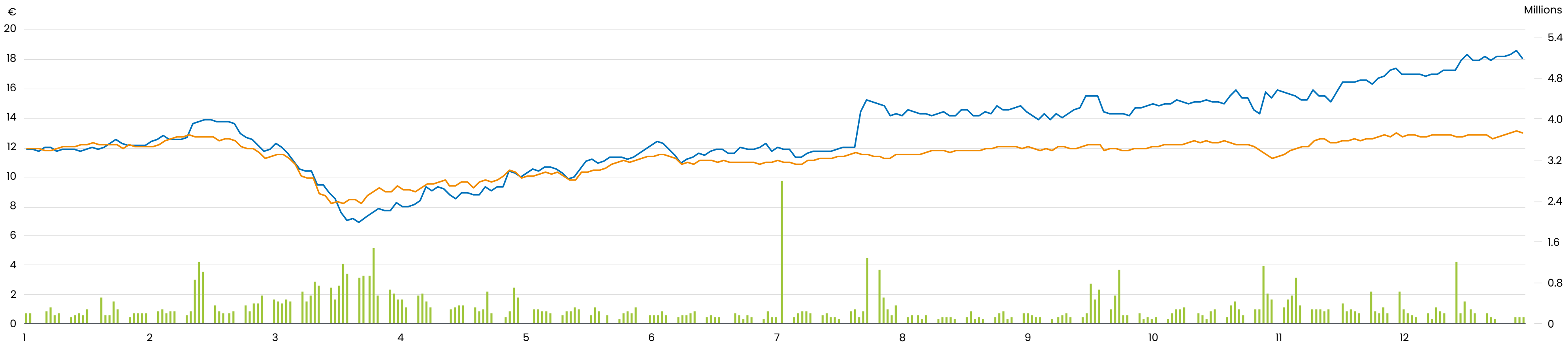
Danske Markets
Matias Rautionmaa

Nordea Markets
Svante Krokfors

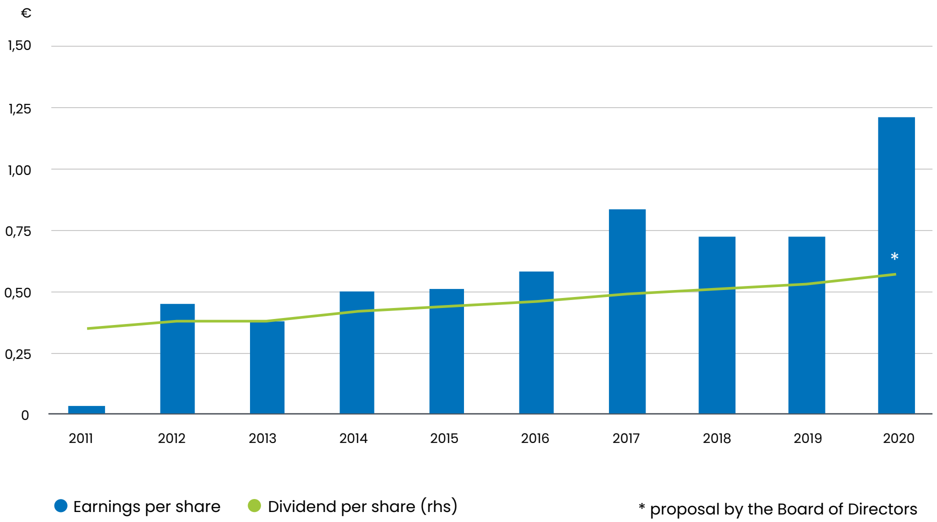
OP Corporate Bank
Markku Moilanen

Shareholder value development

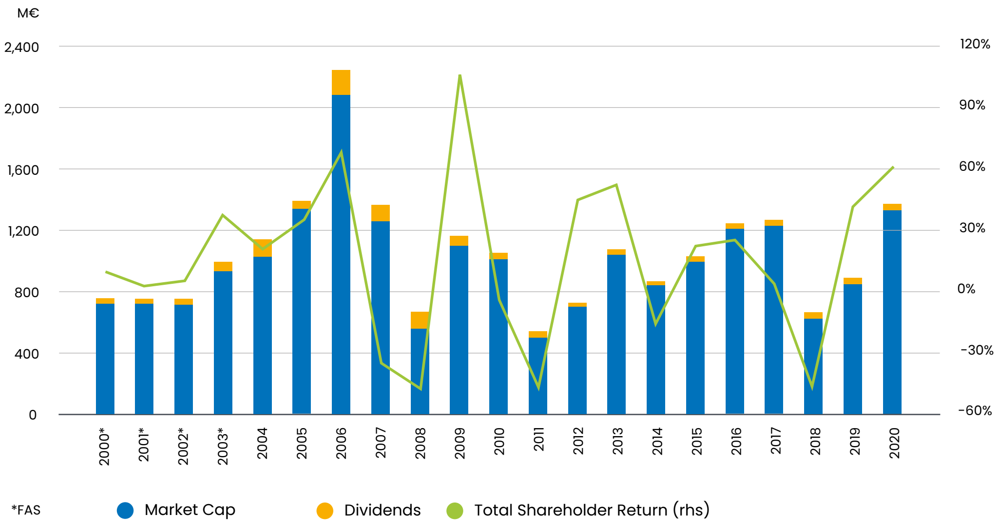
Share performance and volumes 2020



EPS and DPS



Shareholder value development 2000–2020



Board of Directors

31 December 2020

Annika Paasikivi

b. 1975, Finnish citizen, B.A., M.Sc. (Global Politics), President and CEO, Oras Invest Ltd and CEO, Finow Ltd

- Chair of the Board, Uponor Corporation, 13 March 2018–
- Member of the Board, Uponor Corporation, 19 March 2014–
- Chair of the Personnel and Remuneration Committee
- Uponor shareholdings: 47,892

Johan Falk

b. 1971, Swedish citizen, M.Sc. (Eng.), MBA, CEO, OneMed Group

- Member of the Board, Uponor Corporation, 13 March 2018–
- Member of the Audit Committee
- Uponor shareholdings: 4,352

Markus Lengauer

b. 1965, Austrian citizen, M.Sc. (Eng.), Doctorate in Mechanical Engineering

- Deputy chair of the Board, Uponor Corporation, 13 March 2018–
- Member of the Board, Uponor Corporation, 17 March 2015–
- Member of the Audit Committee
- Uponor shareholdings: 8,238

Casimir Lindholm

b. 1971, Finnish citizen, M.Sc. (Econ.), MBA, President and CEO, Eltel AB

- Member of the Board, Uponor Corporation, 13 March 2018–
- Member of the Personnel and Remuneration Committee
- Uponor shareholdings: 4,352

Pia Aaltonen-Forsell

b. 1974, Finnish citizen, M.Soc.Sc. (Econ.), MBA, CFO, Outokumpu

- Member of the Board, Uponor Corporation, 20 March 2017–
- Chair of the Audit Committee
- Uponor shareholdings: 5,886

Michael G. Marchi

b. 1959, U.S. citizen, B.S. (Marketing and Economics), MBA, CEO, MGM Executive Consulting

- Member of the Board, Uponor Corporation, 16 March 2020–
- Member of the Audit Committee
- Uponor shareholdings: 1,202

Executive Committee

31 December 2020

Jyri Luomakoski

b. 1967, Finnish citizen, MBA

- President and CEO, Uponor Corporation, since 27 October 2008
- Employed by Uponor since 1996
- Member of the Executive Committee since 1 October 1999
- Uponor shareholdings: 46,000

Karsten Hoppe

b. 1971, German citizen, M.Sc. (Industrial Engineering), MBA, Ph.D. (Business)

- President, Building Solutions - Europe
- Employed by Uponor since 2019
- Member of the Executive Committee since 1 February 2019
- Uponor shareholdings: 4,187

Sebastian Bondestam

b. 1962, Finnish citizen, M.Sc. (Eng.)

- President, Uponor Infra
- Employed by Uponor since 2007
- Member of the Executive Committee since 1 April 2007
- Uponor shareholdings: 23,264

Minna Yrjönmäki

b.1967, Finnish citizen, M.Sc. (Business Administration and Financial Accounting)

- CFO
- Employed by Uponor since 2019
- Member of the Executive Committee since 3 August 2019
- Uponor shareholdings: 0

Bill Gray

b. 1965, U.S., Canadian and British citizen, B.Com. (Finance and Marketing) & B.A

- President, Building Solutions - North America
- Employed by Uponor since 2008
- Member of the Executive Committee since 15 February 2012
- Uponor shareholdings: 29,134

Further information on the Board of Directors and the Executive Committee is available on investors.uponor.com

Review by the Board of Directors

Markets

As the year began, construction activity levels were maintained, or even increased, in Uponor's key markets in comparison to 2019. However, the onset of COVID-19 led to significant, though temporary, disruptions or shutdowns at construction sites throughout North America and Europe. While there were differences in the severity of COVID-19 outbreaks and in the approaches to combatting the outbreaks between countries, most local and national governments were quick to classify construction as an essential industry, and sites were predominately reopened in Uponor's main markets by the late spring. Beginning in the summer and continuing through the end of the year, residential building in many markets gained strength while the initiation of new projects in non-residential segments slowed.

In North America, construction activity in the U.S. was healthy in the early months of the year, but slowed dramatically in April. Thereafter, a combination of all-time low mortgage rates, the strong performance of the higher-wage labour market, and increased disposable income drove investments in both new-build and renovation spending in the residential segment. In the final quarter of the year, home prices continued to rise and home builders reported being more confident about their business prospects than at any point in the last 35 years. The non-residential building sector, however, was significantly less buoyant. Although ongoing projects helped support construction activity, the initiation of new projects slowed in most non-residential sub-segments, including hospitality and office space, as firms' appeared to scale back new capital expenditures. In Canada, housing starts recovered from the exceptionally low production levels seen in April, while non-residential starts slowed.

In Uponor's largest Central European market, Germany, deep builder order books, a stable renovation market, and elevated consumer confidence helped maintain a similar level of activity in residential building as in the previous year. Meanwhile, uncertainty about the future led to a pronounced weakening in non-residential builder confidence and a slowing of new projects in the non-residential segment. In the Netherlands, both the new residential and non-residential segments moderated somewhat, while renovation markets expanded slightly.

In the Nordic region, new residential construction continued to moderate from the high levels seen in earlier years in Finland and Sweden, but was supported by a steady renovation segment. In the non-residential segment, projects that began the previous year and early in 2020 helped support activity, while the initiation of new projects began to slow as the year progressed. Expenditures in civil engineering, an important demand driver for Uponor Infra, expanded notably as a result of increased spending on transportation infrastructure, especially in rail projects.

Construction markets in Southwest Europe were the most severely impacted by the implementation of COVID-19 restrictions and, despite improvements after the spring, witnessed significant slowing for the year overall.

Net sales

Uponor's net sales were €1,136.0 (1,103.1) million, a growth of 3.0% year-over-year. Negative currency impact totalled €17.9 million, mainly due to USD, RUB and NOK, bringing the 2020 full-year organic growth to 4.6% in constant currency terms.

Building Solutions – Europe's net sales were €499.5 (489.3) million, a growth of 2.1% year-over-year. Net sales increased in Germany and Eastern Europe, in particular, but development was positive in most European markets. In South European markets, where construction industry suffered from COVID-19-related lockdowns during the year, net sales decreased. Net sales increased in plumbing.

Building Solutions – North America's net sales were €389.1 (375.4) million, a growth of 3.6%. In U.S. dollar terms, the growth was 6.2%. Net sales grew in both the U.S. and Canadian markets. Especially the U.S. single-family residential market has remained strong during the COVID-19 pandemic.

Uponor Infra's net sales were €252.0 (243.9) million, a growth of 3.3%. Net sales increased in all operating countries, even though sales of large designed solutions declined due to COVID-19, which postponed new project starts.

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

In the absence of the full set of technical screening criteria referred to in the EU regulation on the establishment of a framework to facilitate sustainable investment (2020/852), Uponor currently considers that the share of its taxonomy-aligned, green net sales is 23% (equalling Uponor's indoor climate solutions).

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. 30.4% (29.9), Germany 11.9% (11.8), Finland 11.1% (11.2), Sweden 9.0% (9.1), Denmark 4.5% (4.3), the Netherlands 4.4% (4.2), Canada 4.0% (4.2), Poland 3.4% (2.9), Spain 3.2% (3.7) and Norway 2.8% (3.0).

Net sales by segment for 1 January–31 December 2020:

M€	1–12/ 2020	1–12/ 2019	Change
Building Solutions – Europe	499.5	489.3	2.1%
Building Solutions – North America	389.1	375.4	3.6%
(Building Solutions – North America, (M$))	446.3	420.2	6.2%
Uponor Infra	252.0	243.9	3.3%
Eliminations	-4.5	-5.5	
Total	**1,136.0**	**1,103.1**	**3.0%**

Results and profitability

Driven by improvements in operations and favourable input costs in all segments, Uponor's full-year gross profit was €429.4 (381.9) million, a growth of €47.5 million. The gross profit margin improved and was 37.8% (34.6). Comparable gross profit was €430.2 (382.0) million, with a margin of 37.9% (34.6). The items affecting comparability were related to the operational excellence programme.

Comparable operating profit, i.e., excluding any items affecting comparability, was €142.7 (92.7) million, a growth of 53.9%. The total net amount of items affecting comparability was €10.4 (1.4) million. The items were related to Uponor's operational excellence programme and the release of the provision due to essentially completing the exit from Asia. During the comparison period, the items affecting comparability were mainly related to the operational excellence programme. Comparable operating profit margin was 12.6% (8.4).

Operating profit was €132.3 (91.3) million. The operating profit margin was 11.6% (8.3).

Building Solutions – Europe's operating profit was €45.1 (31.6) million. Comparable operating profit was €55.1 (32.3) million. The items affecting comparability were related to the operational excellence programme. The growth was driven by increased volume and favourable input costs together with the operational excellence programme and tight cost control.

Building Solutions – North America's operating profit was €74.5 (57.1) million. Comparable operating profit was €74.6 (57.1) million. The segment's result was mainly driven by increased volumes and well-managed pricing. The profitability improvement was also supported by tight cost control and favourable input costs.

Uponor Infra's operating profit was €19.0 (10.8) million. The growth was driven by good performance in all operating countries, especially in Sweden and Norway. Increase in volume, improvements in operations and favourable input costs supported the profitability development.

Operating profit by segment for 1 January–31 December 2020:

M€	1–12/ 2020	1–12/ 2019	Change
Building Solutions – Europe	45.1	31.6	42.9%
Building Solutions – North America	74.5	57.1	30.5%
(Building Solutions – North America, (M$))	85.5	63.9	33.7%
Uponor Infra	19.0	10.8	75.5%
Others	-4.7	-8.0	
Eliminations	-1.6	-0.2	
Total	**132.3**	**91.3**	**44.9%**

Comparable operating profit by segment for 1 January–31 December 2020:

M€	1–12/ 2020	1–12/ 2019	Change
Building Solutions – Europe	55.1	32.3	70.6%
Building Solutions – North America	74.6	57.1	30.6%
(Building Solutions – North America, (M$))	85.6	63.9	33.8%
Uponor Infra	19.0	10.8	75.9%
Others	-4.4	-7.3	
Eliminations	-1.6	-0.2	
Total	**142.7**	**92.7**	**53.9%**

Uponor's net financial expenses were €6.3 (11.6) million. In 2020, net currency exchange differences totalled €-2.7 (-6.4) million.

The share of the result in associated companies and joint ventures, €-4.2 (-4.0) million, is mainly related to Uponor's 50% share in the joint venture company, Phyn, established in 2016. In January 2021, Phyn and Kohler Co., a global leader in the design and innovation of kitchen and bath products, signed a partnership agreement to launch two co-branded products to the North American markets.

Profit before taxes was €121.8 (75.6) million. The effective tax rate was 21.1% (26.8). The decrease was related to the utilisation of unrecognised tax losses and transfer pricing agreement reached between tax authorities, items which Uponor does not expect to reoccur in 2021. Income taxes totalled €25.7 (20.3) million.

Profit for the period totalled €96.1 (55.3) million. Return on equity was 24.3% (15.3).

Return on investment was 21.8% (14.4). Return on investment, adjusted for items affecting comparability, was 23.6% (14.7).

Earnings per share were €1.21 (0.72). Equity per share was €4.89 (4.27). For other share-specific information, please see the attached tables.

Cash flow from operations increased and was €207.5 (109.2) million. This was driven by increased operating profit and low net working capital. Cash flow before financing was €170.7 (88.4) million.

Investment, research and development, and financing

In 2020, due to the general economic uncertainties caused by the COVID-19 pandemic, Uponor maintained a cautious approach to new investments. Gross investment in fixed assets totalled €30.2 (26.1) million. Net investments totalled €29.5 (23.2) million. Uponor's investments in 2020 were mainly related to efficiency improvements and maintenance in the manufacturing facilities together with capacity expansions in the U.S.

Research and development costs increased slightly to €22.5 (21.9) million, or 2.0% (2.0) of net sales. The main research and development activities were related to the development of improved expansion tools for connections with our partner, various prefabricated solutions, and new materials for engineered polymer fittings. In addition, the development of new pipe extrusion technologies and processes continued.

The main existing long-term funding programme on 31 December 2020 was the five-year bilateral loan agreement of €100 million, which will mature in July 2022.

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, €15.0 million of which was outstanding on the balance sheet date. Available cash-pools limits granted by Uponor's key banks amounted to €34.5 million, none of which was in use on the balance sheet date. At the end of the year, Uponor had €138.0 (76.1) million in cash and cash equivalents.

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

Net interest-bearing liabilities were €15.1 (139.1) million. The solvency ratio was 48.7% (44.6) and gearing declined to 3.6% (37.6), with a four-quarter rolling gearing of 28.6% (57.5), below the range of 40–80% set in the company's financial targets.

Operational excellence programme

In October 2019, Uponor announced an operational excellence programme to secure competitiveness and further accelerate growth. The execution of the programme is ongoing with a target of €20 million in annual cost savings by the end of 2021. Of this target, the programme generated savings of approximately €8 million in 2020. The main initiatives are related to Building Solutions – Europe and Group functions, and they are advancing as planned.

The programme is expected to reduce approximately 200 FTEs by the end of 2021. By the end of 2020, the reduction was close to 80 FTEs.

Since the launch of the programme, in total €11.8 million in one-time costs have been recorded as items affecting comparability. Of that amount, €10.4 million was recorded in 2020, €1.4 million already in 2019.

The impacts of COVID-19

In 2020, COVID-19 restrictions and related economic uncertainty led to overall market slowness and uncertainties in Uponor's operating environment. During spring, demand for Uponor's solutions decreased due to the first wave of the pandemic, but after May, demand returned to normal seasonal level. Costs related to marketing activities (e.g. cancelled trade shows and customer events) and travelling were directly impacted by the pandemic creating savings of around €10 million. Starting in 2021, Uponor expects most of these costs to gradually reoccur.

Strong result and balance sheet creates a solid financial position for Uponor during the next phases of the pandemic and its implications. The outlook for 2021 still involves uncertainties regarding the impacts of the COVID-19 pandemic on Uponor's markets.

Annual impairment testing for goodwill has been prepared at year-end, based on which no need for impairment has been identified. Uponor's management has prepared different scenarios concerning the possible financial impacts of COVID-19. The management has utilised these scenarios to assess also fair values of assets, recoverability of deferred tax assets, contract modifications and expected credit losses. Based on these analyses, the management's judgement is that Uponor's liquidity and financial position has remained strong and the pandemic has had no impact on the valuation of Uponor's assets.

Resolutions of the Annual General Meeting 2020

Uponor's Annual General Meeting was held in Helsinki, Finland, on 16 March 2020. The AGM adopted the financial statements and the consolidated financial statements for 2019 and released the Board members and the President and CEO from liability. The AGM approved the proposed dividend of €0.53 per share for 2019, the dividend will be paid in two instalments. The first instalment of €0.26 per share was paid on 25 March 2020. The second instalment of €0.27 per share was paid in September 2020.

Existing Board members Annika Paasikivi (chair), Pia Aaltonen-Forsell, Johan Falk, Markus Lengauer and Casimir Lindholm were re-elected. Michael G. Marchi was elected as a new member of the Board. The AGM elected Annika Paasikivi as Chair of the Board. The former Board member Eva Nygren was not available for re-election. KPMG Oy Ab, a company of Authorised Public Accountants, was elected as the auditor of the company for 2020.

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.

The Annual General Meeting approved the Remuneration Policy for Governing Bodies.

Further details regarding the Annual General Meeting are available at https://investors.uponor.com/governance/annual-general-meeting/agm-2020

Governance

Uponor prepares a separate corporate governance statement and a remuneration report for governing bodies, which are available on the company's investor website at investors.uponor.com.

Uponor complies with the Finnish Corporate Governance Code 2020 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.

Personnel

At the end of the year, the Uponor Group had 3,658 (3,708) employees, in full-time-equivalent (FTE) terms. This is 50 less than at the end of 2019. The average number of employees (FTE) for the year was 3,708 (3,801). The decline was mainly due to the operational excellence programme.

The geographical breakdown of the Group's personnel (FTE) was as follows: the U.S. 23% (23), Germany 23% (23), Finland 17% (16), Sweden 15% (15), Poland 7% (7), Denmark 3% (3), Spain 2% (3), Russia 2% (2), Canada 1% (1), France 1% (1) and other countries 6% (6).

A total of €256.7 (247.5) 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 2020 (which will be published during week 8/2021).

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 four selected UN's Sustainable Development Goals; clean water and sanitation (6), decent work and economic growth (8), responsible production and consumption (12) and climate action (13), form the framework for Uponor's sustainability agenda. 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. The KPIs are reported at the end of this section.

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; IT and R&D 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 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 2020, 15 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 employee safety and well-being. The health and safety of employees is a management priority, and Uponor is striving towards zero accidents by 2025. 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 yearly employee engagement survey 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 the opportunity to report non-compliant behaviour, even anonymously if they wish. Uponor is planning on opening the whistle-blower channel to external stakeholders as well in 2021.

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 continued to develop its product portfolio and help its customers to reduce their environmental impacts. The company started a project to create Environmental Product Declarations for its product portfolio to give its customers a better understanding of the lifecycle impacts of its products.

Uponor strives to reduce its greenhouse gas emissions and waste. In December 2020, Uponor committed to the UN Global Compact's Business ambition for 1.5°C and the Science Based Targets initiatives, promising to pursue actions that will limit the global temperature rise to 1.5°C. The company is currently waiting for the approval of its new greenhouse gas emission reduction targets from the Science Based Targets initiative and expects to receive it during the first half of 2021. In addition to science-based targets, Uponor aims to source 100% renewable electricity by 2025.

In 2020, the target level of Uponor's earlier climate related goal to reduce its greenhouse gas emissions (reduction of direct and indirect scope 1 and 2 by 20% per net sales by 2020, from the 2015 levels) were met. The overall change in volumes and product mixes resulted in reduced energy consumption, which also lowered Uponor's scope 1 and 2 GHG emissions. In addition, Uponor transferred to green electricity in its Nordic and US manufacturing facilities, which reduced scope 2 GHG emissions. The total amount of waste reduced, and its recycle rate was 97.0%. Water consumption reduced slightly.

Social and employee related matters
Safety is Uponor's top priority, and the COVID-19 pandemic emphasised that even further. Keeping employees safe, introducing new digital ways of working and promoting remote work were the main topics on the management's agenda during 2020.

Uponor's lost time injury frequency improved to 7.5 (11.9), driven by good progress in building solutions segments. Uponor continues to develop its internal trainings, ways of working and enhanced processes and safety equipment that improve 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 2020, the company continued to run its internal supervisor training programme. All Uponor supervisors participated in the training. In addition, Uponor organises three targeted training courses to employees in different stages of their career, from young professionals to senior-level managers. The COVID-19 pandemic affected some of the scheduled training sessions, but all programmes will continue in 2021 in virtual mode.

Uponor conducted a Group-wide employee engagement survey during autumn 2020. The response rate was 85%, and the employee Net Promoter Score (eNPS) was among the top 10% in the manufacturing industry.

Human rights, anti-corruption and bribery
Uponor started a project to further improve the transparency of its supply chain and ensure that Uponor's Supplier Policy and other guidelines are followed in its supply chain. The work continues in 2021.

No incidents related to human rights violations, corruption or bribery were detected in 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.

Uponor has identified that climate change can cause transition risks to the company. As Uponor's manufacturing facilities are located inland and further away from areas which are more exposed to extreme weather conditions, the company has no material physical risks related to climate change.

Policy or legal risks
As Uponor's main raw material is plastic, produced using fossil fuel, i.e. crude oil, tightening regulations and/or taxation around fossil fuels can increase Uponor's operational costs and set new requirements for Uponor's products. To mitigate the risk, Uponor's R&D actively participates in projects seeking alternatives for fossil oil-based resins. Uponor also participates in different trade organisations' work and aims to influence local and regional decision makers in questions related to energy, health and water usage.

Market and reputation risk
Uponor's customers' preference may shift towards products that are produced from renewable and recycled raw materials. If Uponor fails to introduce new materials on time, the company can lose market share. If Uponor continues to use fossil-based resins while competitors move to other options, it can cause reputational damage to Uponor and its brand.

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 means of 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	2020	2019	2018	2017	2016
Total energy consumption	1,000 MWh	208.5	218.0	226.0	200.0	199.0
Raw material used	1,000 tonnes	157.1	146.2	151.2	140.9	132.7
Water consumption	1,000 m^3	139.3	154.1	206.2	155.2	168.4
Total GHG emissions (Scope 1)	1,000 tonnes	6.7	8.4	8.5	7.5	8.7
Total GHG emissions (Scope 2)	1,000 tonnes	14.4	27.0	30.8	32.1	32.2
Total waste	1,000 tonnes	15.9	18.1	20.2	18.8	16.4
Incident rate (LTIF)	per million work hours	7.5	11.9	12.7	8.9	7.8
Share of white-collar employees participating in Code of Conduct e-learning	%	95.2	90.9	-	-	-

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.

Risks related to the COVID-19 pandemic can be found in a separate section: The impacts of COVID-19.

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, which mitigate risk further. 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’s ongoing operational excellence programme aims to achieve annual savings of €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 2020, 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. 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 investors.uponor.com.

Share capital and shares

In 2020, Uponor’s share turnover on Nasdaq Helsinki was 28.8 (26.5) million shares, totalling €361.2 (266.7) million. The share quotation at the end of 2020 was €18.16 (11.65), and the market capitalisation of the shares was €1,329.4 (852.9) million.

At the end of the year, there were a total of 17,834 (18,907) shareholders. Foreign shareholding in Uponor accounted for 28.7% (27.2) of all shareholding in the company at the end of the reporting period. More detailed information is available in the attached tables.

In 2020, 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 184,966 of its own shares, representing approximately 0.25% 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 117,922 Uponor shares (119,531 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 investors.uponor.com.

In December 2020, 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 potential reward based on the 2021–2023 plan will be paid in 2024, partly in company shares and partly in cash.

Notices under the Securities Market Act 9:5

On 6 July, Uponor received a notification from Varma Mutual Pension Insurance Company, in accordance with the Finnish Securities Market Act, Chapter 9, Section 5. According to the notification, Varma Mutual Pension Insurance Company's holdings decreased below 5.0% of the share capital in Uponor on 3 July 2020.

Events after the reporting period

There were no events to report on.

Short-term market outlook

Uponor anticipates that the trends witnessed during the fourth quarter of 2020 will continue into the first quarter of 2021. Supported by accommodative government spending and policies, consumers are likely to continue to create demand for residential building projects. Meanwhile, as ongoing projects are completed in the non-residential segment, activity may moderate further in some markets. Given the continued uncertainty surrounding the evolution of, and response to, the COVID-19 pandemic, visibility remains limited and uncertainty around forecasts remains exceptionally high.

Guidance for 2021

Excluding the impact of currencies, Uponor expects its net sales to stay at the level of the year 2020*. Uponor expects its comparable operating profit to decrease from 2020, but the comparable operating profit margin to remain above 10%.

*Stay at the level indicates a range of +/- 2.5% in comparison to the year 2020.

Group key financial figures

	2020	2019	2018	2017	2016
Consolidated income statement (continuing operations), M€					
Net sales	1,136.0	1,103.1	1,196.3	1,170.4	1,099.4
Operating expenses	952.1	961.3	1,063.6	1,038.4	991.0
Depreciation and impairments	52.7	51.8	42.4	39.2	41.6
Other operating income	1.0	1.3	16.4	3.1	4.2
Operating profit	132.3	91.3	106.7	95.9	71.0
Comparable operating profit	142.7	92.7	99.3	97.2	90.7
Financial income and expenses	-6.3	-11.6	-8.5	-5.4	-10.0
Profit before taxes	121.8	75.6	93.5	88.2	60.4
Result from continuing operations	96.1	55.4	63.2	65.4	41.5
Profit for the period	96.1	55.3	63.2	65.4	41.9
Consolidated balance sheet, M€					
Non-current assets	305.2	327.7	310.6	305.2	312.5
Goodwill	85.8	83.6	83.5	93.6	93.7
Inventories	128.7	144.4	147.9	132.7	139.3
Cash and cash equivalents	138.0	76.1	38.1	107.0	16.3
Accounts receivable and other receivables	210.7	201.4	206.5	227.3	205.7
Equity attributable to the owners of the parent company	356.8	311.6	297.6	280.2	263.3
Non-controlling interest	65.1	58.8	56.0	68.2	63.6
Provisions	37.1	30.0	30.2	28.9	28.8
Non-current interest-bearing liabilities	124.1	203.4	175.6	176.6	158.2
Current interest-bearing liabilities	29.0	11.8	1.7	81.9	17.6
Non-interest-bearing liabilities	256.4	217.7	225.5	230.0	236.0
Balance sheet total	868.4	833.2	786.6	865.8	767.5

	2020	2019	2018	2017	2016
Other key figures					
Operating profit (continuing operations), %	11.6	8.3	8.9	8.2	6.5
Comparable operating profit (continuing operations), %	12.6	8.4	8.3	8.3	8.2
Profit before taxes (continuing operations), %	10.7	6.9	7.8	7.5	5.5
Return on Equity (ROE), %	24.3	15.3	18.0	19.4	13.1
Return on Investment (ROI), %	21.8	14.4	17.2	16.3	14.1
Solvency, %	48.7	44.6	45.1	40.5	42.8
Gearing, %	3.6	37.6	39.4	43.5	48.8
Net interest-bearing liabilities, M€	15.1	139.1	139.2	151.5	159.5
- % of net sales	1.3	12.6	11.6	12.9	14.5
Change in net sales, %	3.0	-7.8	2.2	6.5	4.6
Exports from Finland, M€	41.4	48.7	54.2	45.1	47.6
Net sales of foreign subsidiaries, M€	996.3	965.1	1,049.4	1,037.5	976.3
Total net sales of foreign operations, M€	1,009.7	980.2	1,064.7	1,049.7	990.1
Share of foreign operations, %	88.9	88.9	89.0	89.7	90.1
Personnel at 31 December	3,658	3,708	3,928	4,075	3,868
Average no. of personnel	3,708	3,801	4,074	3,990	3,869
Employee benefits total, M€	257.8	247.5	259.6	245.7	240.8
Investments (continuing operations), M€	30.2	26.1	54.0	63.4	50.7
- % of net sales	2.7	2.4	4.5	5.4	4.6

Items affecting comparability and reconciliations to IFRS

M€	2020	2019	2018	2017	2016
Items affecting comparability					
- restructuring charges	-10.4	-1.4	-8.2	-3.4	-19.7
- capital gains and losses on sale of non-current assets	-	-	15.7	2.1	-
- total items affecting comparability in operating profit	-10.4	-1.4	7.4	-1.3	-19.7
Items affecting comparability, total	-10.4	-1.4	7.4	-1.3	-19.7
Comparable gross profit					
- Gross profit	429.4	381.9	400.8	394.1	376.0
- Less: Items affecting comparability in gross profit	-0.9	-0.1	-	-1.0	-7.9
Comparable gross profit	430.2	382.0	400.8	395.1	383.9
% of sales	37.9	34.6	33.5	33.7	34.9
Comparable operating profit					
- Operating profit	132.3	91.3	106.7	95.9	71.0
- Less: Items affecting comparability in operating profit	-10.4	-1.4	7.4	-1.3	-19.7
Comparable operating profit	142.7	92.7	99.3	97.2	90.7
% of sales	12.6	8.4	8.3	8.3	8.2

Share-specific key figures

	2020	2019	2018	2017	2016
Share capital, M€	146.4	146.4	146.4	146.4	146.4
Number of shares at 31 December, in thousands	73,207	73,207	73,207	73,207	73,207
Number of shares outstanding, in thousands					
- at end of year	73,022	72,987	72,962	73,148	73,138
- average	73,016	72,983	73,123	73,130	73,133
Total equity attributable to the owners of the parent company, M€	356.8	311.6	297.6	280.2	263.3
Share trading, M€	361.2	266.7	499.0	545.5	297.7
Share trading, in thousands	28,795	26,537	40,763	35,077	20,339
- of average number of shares, %	39.4	36.4	55.7	48.0	27.8
Market value of share capital, M€	1,329.4	852.9	631.0	1,228.4	1,208.6
Earnings per share (diluted), €	1.21	0.72	0.72	0.83	0.58
Equity per share, €	4.87	4.26	4.07	3.83	3.60
Dividend, M€	41.6[1)]	38.7	37.2	35.8	33.6
Dividend per share, €	0.57[1)]	0.53	0.51	0.49	0.46
Effective share yield, %	3.1	4.5	5.9	2.9	2.8
Dividend per earnings, %	47.1	73.6	70.8	59.0	79.3
P/E ratio	15.0	16.2	12.0	20.2	28.5
Issue-adjusted share prices, €					
- highest	18.60	12.37	17.62	17.79	17.35
- lowest	6.73	8.52	8.13	13.30	11.13
- average	12.55	10.05	12.24	15.55	14.64

The definitions of key ratios are shown on page 19.

Notes to the table:
1) Proposal of the Board of Directors

The average number of shares is adjusted with treasury shares.

Definitions of key ratios

$$\text{Return on Equity (ROE), \%} = \frac{\text{Profit before taxes – taxes}}{\text{Total equity, average}} \times 100$$

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

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

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

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

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

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

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

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

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

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

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

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

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

Comparable gross profit = Gross profit – items affecting comparability*

$$\text{Comparable gross profit margin, \%} = \frac{\text{Gross profit – items affecting comparability*}}{\text{Net sales}} \times 100$$

Comparable operating profit = Operating profit – items affecting comparability*

$$\text{Comparable operating profit margin, \%} = \frac{\text{Operating profit – items affecting comparability*}}{\text{Net sales}} \times 100$$

*)Items affecting comparability are exceptional transactions that are not related to normal business operations. The most common items affecting comparability are capital gains and losses, inefficiencies in production related to plant closures, additional write-downs, or reversals of write-downs, expenses due to accidents and disasters, provisions for planned restructurings, environmental matters, penalties, and changes in legislation and legal proceedings. The Group's management exercises its discretion when taking decisions regarding the classification of items affecting comparability.

Shares and shareholders

The volume of Uponor shares traded on the NASDAQ Helsinki Exchange in 2020 totalled 28,794,936, valued at €361.2 million. The share closed at € 18.16 and the market capitalisation came to €1,329.4 million. The year-end number of shareholders totalled 17,834. Foreign ownership in the company at the end of the fiscal period accounted for 28.7 (27.2) per cent.

Major shareholders on 31 December 2020

Shareholder	No. of shares	% of shares	% of votes
Oras Invest Ltd	18,030,780	24.6	24.7
Investment Fund Nordea Nordic Small Cap	3,182,639	4.3	4.4
Varma Mutual Pension Insurance Company	2,962,072	4.0	4.1
Ilmarinen Mutual Pension Insurance Company	1,791,613	2.4	2.5
Mandatum Life Insurance Company Limited	1,767,958	2.4	2.4
OP-Finland	928,585	1.3	1.3
Sigrid Jusélius Foundation	926,286	1.3	1.3
Paasikivi Pekka	853,900	1.2	1.2
The State Pension Fund	655,000	0.9	0.9
Paasikivi Jukka	588,173	0.8	0.8
Elo Mutual Pension Insurance Company	571,592	0.8	0.8
Paasikivi Pertti	558,888	0.8	0.8
Others	40,204,492	54.9	55.1
Total	**73,021,978**	**99.7**	**100.0**
Own shares held by the company	184,966	0.3	-
Grand total	**73,206,944**	**100.0**	**100.0**
Nominee registered shares on 31 December 2020			
Nordea Bank AB (publ), Finnish Branch	10,536,974	14.4	14.4
Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	9,688,936	13.2	13.3
Clearstream Banking S.A.	354,634	0.5	0.5
Others	178,569	0.2	0.2
Total	**20,759,113**	**28.4**	**28.4**

The maximum number of votes which may be cast at the Annual General Meeting is 73,021,978 (status on 31 December 2020). At the end of the financial period the company held a total of 184,966 own shares corresponding to the same number of votes. These shares do not entitle to vote in the Annual General Meeting.
The Paasikivi family has shareholdings directly and through Oras Invest Ltd totalling 27.8 (27.8) per cent.

Shareholders by category on 31 December 2020

Category	No. of shares	% of shares
Private non-financial corporations	20,753,035	28.3
Public non-financial corporations	1,196	0.0
Financial and insurance corporations	10,247,651	14.0
General government	6,233,139	8.5
Non-profit institutions	2,571,955	3.5
Households	12,416,437	17.0
Foreign (including nominee registrations)	20,983,531	28.7
Other (joint account)	0	0.0
Total	**73,206,944**	**100.0**

Shareholders by size of holding on 31 December 2020

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1-100	326,471	0.4	6,038	33.9
101-1,000	3,740,954	5.1	9,457	53.0
1,001-10,000	5,759,678	7.9	2,139	12.0
10,001-100,000	4,446,486	6.1	159	0.9
100,001-1,000,000	10,972,383	15.0	34	0.2
1,000,001-	47,960,972	65.5	7	0.0
Total	**73,206,944**	**100.0**	**17,834**	**100.0**

Share capital development 2016-2020

	Date	Share capital, euro	Number of shares
2020	31 Dec	146,446,888	73,206,944
2019	31 Dec	146,446,888	73,206,944
2018	31 Dec	146,446,888	73,206,944
2017	31 Dec	146,446,888	73,206,944
2016	31 Dec	146,446,888	73,206,944

Consolidated financial statements (IFRS)

Consolidated statement of comprehensive income

M€	Note	2020	%	2019	%
Net sales	2	1,136.0	100.0	1,103.1	100.0
Cost of goods sold		706.6	62.2	721.2	65.4
Gross profit		**429.4**	**37.8**	**381.9**	**34.6**
Other operating income	5	**1.0**	**0.1**	**1.3**	**0.1**
Dispatching and warehousing expenses		31.7	2.8	32.2	2.9
Sales and marketing expenses		180.6	15.9	180.0	16.3
Administration expenses		61.9	5.4	58.3	5.3
Other operating expenses	5	23.9	2.1	21.4	1.9
Expenses		**298.1**	**26.2**	**291.9**	**26.5**
Operating profit	2	**132.3**	**11.6**	**91.3**	**8.3**
Financial income	8	16.2	1.4	8.5	0.8
Financial expenses	8	22.5	2.0	20.2	1.8
Share of result in associated companies and joint ventures		-4.2	-0.4	-4.0	-0.4
Profit before taxes		**121.8**	**10.7**	**75.6**	**6.9**
Income taxes	9	25.7	2.3	20.3	1.8
Profit for the period		**96.1**	**8.5**	**55.3**	**5.0**

M€	Note	2020	2019
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurements on defined benefit pensions, net of taxes		0.1	-1.9
Items that may be reclassified subsequently to profit or loss:			
Translation differences		-6.3	1.9
Cash flow hedges, net of taxes		-0.3	-1.8
Other comprehensive income for the period, net of taxes		**-6.5**	**-1.8**
Total comprehensive income for the period		**89.6**	**53.5**
Profit for the period attributable to			
Equity holders of parent company		88.6	52.3
Non-controlling interest		7.5	3.0
Total compernsive income for the period attributable to			
Equity holders of parent company		82.0	50.8
Non-controlling interest		7.6	2.8
Earnings per share, €	10	1.21	0.72
Diluted earnings per share, €		1.21	0.72

Consolidated balance sheet

M€	Note	31 Dec 2020	%	31 Dec 2019	%
ASSETS					
Non-current assets					
Intangible assets					
Intangible rights		6.2		8.3	
Goodwill		85.8		83.6	
Customer relationship value		1.0		1.9	
Other intangible assets		2.1		2.7	
Investment in progress		0.8		0.2	
Total intangible assets	11	**95.9**	**11.0**	**96.7**	**11.6**
Property, plant and equipment					
Land and water areas		14.7		14.7	
Buildings and structures		90.0		101.8	
Machinery and equipment		116.8		121.5	
Other tangible assets		21.4		24.7	
Construction work in progress		21.8		23.1	
Total property, plant and equipment	12	**264.7**	**30.5**	**285.8**	**34.3**
Securities and long-term investments					
Investments in associated companies and joint ventures	14	9.4		10.9	
Other securities and non-current receivables	15	4.8		9.0	
Total securities and long-term investments		**14.2**	**1.6**	**19.8**	**2.4**

M€	Note	31 Dec 2020	%	31 Dec 2019	%
Deferred tax assets	20	**16.2**	**1.9**	**9.1**	**1.1**
Total non-current assets		**391.0**	**45.0**	**411.3**	**49.4**
Current assets					
Inventories	16	**128.7**	**14.8**	**144.4**	**17.3**
Current receivables					
Accounts receivables		163.6		157.7	
Current income tax receivables		8.6		10.5	
Accruals		1.6		1.5	
Other receivables		36.9		31.8	
Total current receivables	17	**210.7**	**24.3**	**201.4**	**24.2**
Cash and cash equivalents	18	**138.0**	**15.9**	**76.1**	**9.1**
Total current assets		**477.4**	**55.0**	**421.9**	**50.6**
Total assets		**868.4**	**100.0**	**833.2**	**100.0**

M€	Note	31 Dec 2020	%	31 Dec 2019	%
EQUITY AND LIABILITIES					
Equity attributable to the owners of the parent company	19				
Share capital		146.4		146.4	
Share premium		50.2		50.2	
Other reserves		0.9		1.5	
Translation reserve		-13.9		-7.6	
Retained earnings		84.6		68.8	
Profit for the period		88.6		52.3	
Total equity attributable to the owners of the parent company		**356.8**	**41.1**	**311.6**	**37.4**
Non-controlling interest	31	65.1		58.8	
Total equity		**421.9**	**48.6**	**370.4**	**44.5**
Liabilities					
Non-current liabilities					
Interest-bearing liabilities	23, 24	124.1		203.4	
Employee benefit obligations	21	21.0		21.5	
Provisions	22	15.8		4.3	
Deferred tax liabilities	20	9.7		10.7	
Total non-current liabilities		**170.7**	**19.7**	**239.9**	**28.8**

M€	Note	31 Dec 2020	%	31 Dec 2019	%
Current liabilities					
Interest bearing liabilities	23, 24	29.0		11.8	
Accounts payable		83.9		65.5	
Current income tax liability		11.6		1.0	
Provisions	22	21.3		25.8	
Other current liabilities	25	130.0		118.8	
Total current liabilities		**275.8**	**31.8**	**223.0**	**26.8**
Total liabilities		**446.5**	**51.4**	**462.8**	**55.5**
Total equity and liabilities		**868.4**	**100.0**	**833.2**	**100.0**

Consolidated cash flow statement

M€	Note	2020	2019
Cash flow from operations			
Net cash from operations			
Profit for the period		96.1	55.3
Adjustments for:			
Depreciation		52.7	51.8
Dividend income		-0.1	-0.2
Income taxes		25.7	20.3
Interest income		-0.8	-0.3
Interest expense		3.5	3.4
Sales gains/losses from the sale of businesses and fixed assets		0.9	-0.6
Share of profit in associated companies and joint ventures		4.2	4.0
Other cash flow adjustments		8.9	-1.1
Net cash from operations		**191.1**	**132.6**
Change in net working capital			
Receivables		-14.7	11.8
Inventories		12.9	2.8
Non-interest-bearing liabilities		42.0	-6.7
Change in net working capital		**40.2**	**8.0**
Income taxes paid		-21.1	-28.4
Interests paid		-3.3	-3.3
Interests received		0.5	0.3
Cash flow from operations		**207.5**	**109.2**

M€	Note	2020	2019
Cash flow from investments			
Acquisition of subsidiaries and businesses	3	-4.0	-
Proceeds from disposal of subsidiaries and businesses	4	-	3.2
Investments in joint ventures		-3.9	-1.3
Purchase of other shares		-	-0.5
Purchase of fixed assets		-30.2	-26.1
Proceeds from sale of fixed assets		0.9	3.1
Dividends received		0.4	0.4
Loan granted and repayments		0.0	0.4
Cash flow from investments		**-36.8**	**-20.8**
Cash flow before financing		**170.6**	**88.4**
Cash flow from financing			
Borrowings of debt		-	-
Repayments of debt		-70.3	-1.5
Change in other short term debt		15.0	0.0
Dividends paid		-40.0	-37.2
Payment of lease liabilities		-12.7	-11.8
Cash flow from financing		**-108.0**	**-50.6**
Conversion differences for cash and cash equivalents		-0.7	0.2
Change in cash and cash equivalents		**61.9**	**38.0**
Cash and cash equivalents at 1 January		76.1	38.1
Cash and cash equivalents at 31 December		138.0	76.1
Changes according to balance sheet	18	**61.9**	**38.0**

Consolidated statement of changes in shareholders' equity

M€	Share capital	Share premium	Other reserves	Unrestricted equity	Hedge reserve	Treasury shares	Transla-tion reserve	Retained earnings	Equity attribut-able to the owners of the parent company	Non-controlling interest	Total equity
2020											
Balance at 1 January	**146.4**	**50.2**	**1.7**	**0.1**	**-0.3**	**-2.0**	**-7.5**	**123.0**	**311.6**	**58.8**	**370.4**
Profit for the period								88.6	88.6	7.5	**96.1**
Other comprehensive income for the period					-0.3		-6.4	0.1	-6.7	0.1	**-6.5**
Dividend paid								-38.7	-38.7	-1.3	**-40.0**
Share based incentive plan						0.3		1.7	2.0		**2.0**
Transfers between reserves			-0.3					0.3	-		**-**
Balance at 31 December	**146.4**	**50.2**	**1.4**	**0.1**	**-0.6**	**-1.7**	**-13.9**	**175.0**	**356.8**	**65.1**	**421.9**
2019											
Balance at 1 January	**146.4**	**50.2**	**1.7**	**0.1**	**1.5**	**-2.2**	**-9.7**	**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 paid								-37.2	-37.2		**-37.2**
Share based incentive plan						0.2		0.3	0.5		**0.5**
Balance at 31 December	**146.4**	**50.2**	**1.7**	**0.1**	**-0.3**	**-2.0**	**-7.5**	**123.0**	**311.6**	**58.8**	**370.4**

For further information see note 19.

Notes to the consolidated financial statements

1. Accounting principles

Company profile

Uponor is an international industrial group providing building and municipal infrastructure solutions. Uponor Group's segment structure consists of the following three reporting segments: Building Solutions – Europe, Building Solutions – North America and Uponor Infra. Its segment business risks and profitability factors differ from each other with respect to the market and business environment as well as offering, services and customers. Group management, control and reporting structures are organised according to the business segments.

Uponor Group's parent company is Uponor Corporation, domiciled in Helsinki in the Republic of Finland. Uponor Corporation is a public limited company and its registered address is:

Uponor Corporation
P.O. Box 37 (street address: Äyritie 20)
FI-01511 Vantaa
Finland
Business ID: 0148731-6
Tel. +358 20 129 211

The Financial Statements will also be available on the company website at http://investors.uponor.com and can be ordered from Uponor Corporation at the above-mentioned address.

At its meeting of 10 February 2021, Uponor Corporation's Board of Directors approved the publication of these financial statements. According to the Finnish Limited Liability Companies Act, the shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting to be held after their publication. Furthermore, the Annual General Meeting can decide on the modification of the financial statements.

Basis of preparation

Uponor Group's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and their SIC and IFRIC interpretations valid on 31 December 2020. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refer to the standards and their interpretations adopted in accordance with the procedures as set in regulation (EC) No 1606/2002 of the European Parliament and of the European Council. The consolidated financial statements also include additional information required by the Finnish Accounting Act and the Limited Liability Companies Act. The consolidated financial statements are presented in millions of euros (M€) and are based on the historical cost convention, unless otherwise specified in the accounting principles section below. All figures presented have been rounded and consequently, the sum of individual figures might differ from the presented total figure. The percentages reported have been calculated from the exact figures and not from the rounded figures published.

Use of estimates

The preparation of consolidated financial statements under IFRS requires the use of estimates and assumptions affecting the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements, as well as the reported amounts of income and expenses during the report period. Although these estimates are based on the management's best view of current events and actions, the actual results may ultimately differ from these estimates. In addition, judgement is required in the application of accounting policies.

Consolidation principles

The consolidated financial statements include the parent company, Uponor Corporation, and all companies in which the parent company holds more than half of the voting rights, either directly or through its subsidiaries. Subsidiaries include those companies in which Uponor Corporation has direct or indirect control of over 50 per cent of the voting rights or otherwise has power to govern the financial and operating policies, with the purpose of gaining financial benefit from their operations. Subsidiaries acquired or established during the year are included from the date the Group obtained control. Divested companies have been included up to their date of sale.

Intra-Group shareholdings are eliminated using the acquisition cost method. Accordingly, the assets and liabilities of an acquired company are measured at fair value on the date of acquisition. The excess of the acquisition cost over the fair value of the net assets has been recorded as goodwill. Based on the First-Time-Adoption of IFRS 1, any company acquisitions made prior to the IFRS transition date (1 January 2004) are not adjusted for IFRS, but book value according to Finnish Accounting Standards (FAS) is applied to goodwill amounts. Intra-Group transactions, receivables, liabilities, unrealised gains and dividends between Group companies are eliminated in the consolidated financial statements.

Associated companies are entities over which the Group has 20–50 per cent of the voting rights, or over which the Group otherwise exercises a major influence. Joint ventures are arrangements in which the Group has a joint control with another entity. Holdings in associated companies and joint ventures over which the Group does not have over 50 per cent ownership of the voting rights or over which the Group does not excise a major influence are included in the consolidated financial statements using the equity method. Accordingly, the share of post-acquisition profits and losses are recognised in the income statement to the extent of the Group's holding in the associated companies and joint ventures. When the Group's share of losses exceeds the carrying amount it is reduced to nil and any recognition of further losses ceases unless the Group has an obligation to fulfil the associated company's or joint ventures' obligations. Joint ventures over which the Group has over 50 per cent ownership of the voting rights or over which the Group otherwise exercises a major influence are included in the consolidated financial statements using the acquisition cost method.

Foreign currency translations and exchange rate differences

Each company translates its foreign currency transactions into its own functional currency, using the rate of exchange prevailing on the transaction date. Outstanding monetary receivables and payables in foreign currencies are stated using the exchange rates on the balance sheet date. Exchange rate gains and losses on actual business operations are treated as sales adjustment items or adjustment items to materials and services. Exchange rate gains and losses on financial transactions are entered as exchange rate differences in financial income and expenses.

In the consolidated financial statements, the income statements of the Group's foreign subsidiaries are converted into euros using the average exchange rates quoted for the reporting period. All balance sheet items are converted into euros using the exchange rates quoted on the reporting date. The resulting conversion difference and other conversion differences resulting from the conversion of subsidiaries' equity are shown as a separate item under equity. In addition, in the consolidated financial statements, exchange rate differences in the loans granted by the parent company to foreign subsidiaries in replacement of their equity are treated as translation differences. Realised translation differences in relation to the divestment of subsidiaries and the redemption of material shares in subsidiaries are recognised as income or expenses in the consolidated statement of comprehensive income.

Key exchange rates for the euro

	At end of period		Average	
	2020	**2019**	**2020**	**2019**
USD	1.2271	1.1234	1.1470	1.1195
SEK	10.0343	10.4468	10.4815	10.5824
DKK	7.4409	7.4715	7.4534	7.4660
CAD	1.5633	1.4598	1.5380	1.4822
PLN	4.5597	4.2568	4.4680	4.2990
NOK	10.4703	9.8638	10.7821	9.8444

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and assets related to discontinued operations are formed once the company, according to a single co-ordinated plan, decides to dispose of a separate significant business unit, whose net assets, liabilities and financial results can be separated operationally and for financial reporting purposes (cash generating unit). Non-current assets held for sale are shown separately in the consolidated balance sheet. Profit or loss from a discontinued operation and gains or losses on its disposal are shown separately in the consolidated statement of comprehensive income. Assets related to non-current assets held for sale and discontinued operations are assessed at book value or, if it is the lower of the two, at fair value. Depreciation from these assets has been discontinued upon the date of classifying assets as non-current assets held for sale and discontinued operations. The Group has no assets classified as non-current assets held for sale or discontinued operations at the end of the financial or a comparable period.

Revenue from contracts with customers

Uponor Group is in the business of providing 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
- Rendering of services including project business and water monitoring services.

Sale of goods

The sale of goods includes products such as pipes, chambers and water tanks. Each good provided to the customer is distinct from the other products provided to the customer and therefore, each good is considered as a separate performance obligation.

The Group recognises the revenue for the goods at a point in time. When determining the timing of revenue recognition, the Group analyses the delivery terms and customer acceptance clauses in order to define the exact timing of the control being transferred. Certain products have a right of return, but the Group has assessed that the returns are unlikely and therefore, they are considered immaterial. Regarding warranties provided, Uponor provides warranties for general repairs of defects that exist at the time of sale, as required by law. Therefore, Uponor provides assurance to the customer that the product is working in the manner intended. Uponor recognises these warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Rendering of services including project business and water monitoring services

The Group has project deliveries in which Uponor is committed to deliver a complete set of goods and services to the customer, which include e.g. planning and design, overall project management and integration services. When the product provided by Uponor includes both goods and services, the Group accounts for the goods and services in the contract as a single performance obligation. In case a licensing agreement is needed for the good to be fully operating, the good and the license are accounted for as separate performance obligations, as the customer can benefit from the goods without a license.

The Group recognises revenue for rendering of services over time as the Group has concluded to have an enforceable right to payment for performance completed to date.

The Group applies the input method to recognise revenue for contracts in the project business, which is used when the outcome of the project can be estimated reliably. The input method is defined as the proportion of the individual project cost incurred to date from the total estimated project costs. The payment frequency is linked with the milestones of the project.

Additionally, Uponor has provided cloud-based water monitoring services relating to monitoring of water consumption, quality and leakages for both private consumers and municipal networks. The services include a device, an application for use of the device and accompanied services. These services are considered to be highly interdependent and are therefore treated as one performance obligation.

The water monitoring services are invoiced based on a fixed monthly fee, including all components relating to the services. The contract term is fixed for 30-36 months and continues thereafter as ongoing until further notice. The Group recognises revenue for the water monitoring services over time. Equipment and installation costs relating to the contracts are accounted for as contract costs and thus periodised on a straight-line basis over the contract period.

In both revenue streams, Uponor is acting as principal in all the customer contracts as the Group provides the goods and services itself to a customer and controls the specified goods and services before they are transferred to a customer.

Variable consideration

The amount of consideration that Uponor is entitled to may vary due to items of variable consideration. Relevant variable consideration for Uponor includes rebates, returns, refunds, penalties and marketing fees. Uponor estimates the amount of variable consideration at the contract inception by using either the expected value method or the most likely amount method depending on which method better predicts the amount of consideration to which Uponor will be entitled. Uponor applies the requirements on constraining estimates of variable consideration in order to determine the amount recognised as revenue. The amount of variable considerations in Uponor's business are considered as immaterial.

Contract balances

Contract assets and trade receivables. Uponor records a trade receivable when Uponor's right to payment is unconditional (i.e. only the passage of time is required before payment of the consideration is due). For trade receivables, please refer to Note 27.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. Uponor recognises a contract asset for the earned consideration that is conditional in case services are rendered or goods are provided before receiving the payment from the customer e.g. in project business or before delivery of goods has been invoiced. Contract assets are subject to impairment assessment. Refer to accounting policies of financial assets.

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which Uponor has received consideration from the customer. The contract liability is recognised when the payment is received or when the payment is due (whichever is earlier). Contract liabilities are recorded as revenue when Uponor performs under the contract. Contract liabilities may arise within the project business and within the water monitoring services.

Research and development

Research costs are expensed as incurred and are included in the consolidated statement of comprehensive income in other operating expenses. Development costs are expensed as incurred, unless the criteria for capitalising these costs as assets are met. Product development costs are capitalised as intangible assets and are depreciated during the useful life of the asset, if future economic benefits are expected to flow to the entity and certain other criteria, such as the product's technical feasibility and commercial usability, are confirmed. The Group does not have any capitalised development costs.

Pension plans

The Group's pension schemes comply with each country's local rules and regulations. Pensions are based on actuarial calculations or actual payments to insurance companies. The Group applies defined contribution and defined benefit pension plans.

Within the defined contribution plan, pension contributions are paid directly to insurance companies and, once the contributions have been paid, the Group has no further payment obligations. These contributions are recognised in the income statement for the accounting period during which such contributions are made.

For defined benefit pension plans, the liability is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets. The pension obligation is defined using the projected unit credit method. The discount rate applied to calculating the present value of post-employment benefit obligations is determined by the market yields of long-term corporate bonds or government bonds. Costs resulting from the defined benefit pension plans are recognised as expenses for the remaining average period of employment.

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

Operating profit

Operating profit is an income statement item, which is calculated by deducting expenses related to operating activities from net sales.

Borrowing costs

Borrowing costs are recognised in the income statement as they incur. Direct transaction expenses due to loans, clearly linked to a specific loan, are included in the loan's original cost on an accrual basis and recognised as interest expenses using the effective interest method. Interest costs on borrowings to finance the construction of assets are capitalised as part of the cost during the period required to prepare and complete the property for its intended use.

Income taxes

Income taxes in the consolidated statement of comprehensive income comprise taxes based on taxable income recognised for the period by each Group company on an accrual basis, according to local tax regulations, including tax adjustments from the previous periods and changes in deferred tax. Deferred tax assets or liabilities are calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, using the tax rate approved on the balance sheet date. Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available, against which temporary differences can be utilised.

Intangible assets

Goodwill

Goodwill represents future economic benefits arising from assets that are not capable of being individually identified and separately recognised by the Group. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired company on the date of acquisition. Goodwill is allocated to the business segments. Goodwill is not amortised, but is tested for impairment annually. Gains and losses on the disposal of a Group entity include any goodwill relating to the entity sold.

Other intangible assets

Other intangible assets include trademarks, patents, copyrights, software licences, technology and customer relations. Intangible assets are recognised in the balance sheet at historical costs less accumulated depreciation, according to the expected useful life and any impairment losses.

Property, plant and equipment

Group companies' property, plant and equipment are stated at historical cost less accumulated depreciation, according to the expected useful life and any impairment losses. Interest costs on borrowings to finance the construction of these assets are capitalised as part of the cost during the period required to prepare and complete the property for its intended use.

Ordinary repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the asset's carrying amount when it is probable that the Group will incur future economic benefits in excess of the originally assessed standard of performance of the existing asset.

Gains or losses on the disposal, divestment or removal from use of property, plant and equipment are based on the difference between the net gains and the balance sheet value. Gains are shown within other operating income and losses under other operating expenses.

Depreciations

Group companies' intangible assets and property, plant and equipment are stated at historical cost less accumulated straight-line depreciation, according to their expected useful life and any impairment losses. Land is not depreciated, as it is deemed to have an indefinite life, but depreciation is otherwise based on estimated useful lives as follows:

	Years
Buildings	20–40
Production machinery and equipment	8–12
Other machinery and equipment	3–15
Office and outlet furniture and fittings	5–10
Transport equipment	5–7
Intangible assets	3–10

The residual value and useful life of assets are reviewed on each balance sheet date and, if necessary, adjusted to reflect any changes in expectations of financial value.

Government grants

Any grants received for the acquisition of intangible or tangible assets are deducted from the asset's acquisition cost and recorded on the income statement to reduce the asset's depreciation. Other grants are recognised as income for the periods during which the related expenses are incurred. Such grants are shown as deductions from expenses related to the target of the grant.

Impairment

The balance sheet values of assets are assessed for impairment on a regular basis. Should any indication of an impaired asset exist, the asset's recoverable amount will be assessed. The asset's recoverable amount is its net selling price less any selling expenses, or its value in use, whichever is higher. The value in use is determined by reference to the discounted future net cash flow expected from the asset. Discount rates correspond to the cash generating unit's average return on investment before taxes. Impairment is measured at the level of cash generating units, which is the lowest level that is primarily independent of other units and whose cash flows can be distinguished from other cash flows.

Whenever the asset's carrying amount exceeds its recoverable amount, it is impaired and the resulting impairment loss is recognised in the income statement. An impairment of property, plant and equipment and other intangible assets, excluding goodwill, will be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Impairment is not reversed over the balance sheet value that existed before the recognition of impairment losses in the previous financial periods. Any impairment loss on goodwill is not reversed.

Goodwill is assessed for impairment at least annually, or if any indication of impairment exists, more often.

Leases

Uponor's leased assets comprise mainly of properties (offices and warehouses including land areas), cars and forklifts. At contract inception, Uponor determines whether the contract is, or contains, a lease. A contract is determined as a lease contract if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Uponor recognises a right-of-use asset and a lease liability corresponding to the present value of the future lease payments in the consolidated statement of financial position at the commencement date of the lease.

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. Uponor does not have significant contracts including variable lease payments. 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. Neither VAT nor other indirect taxes are not included in the carrying amount of the leasing liability.

The lease term is defined as the period when the lease is non-cancellable. 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. Regarding lease contracts that include extension and termination options, Uponor exercises significant judgement whether these extension and termination options are reasonably certain to be exercised.

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 reflects the rate at which Uponor could borrow an amount similar to the value of the right-of-use asset, in the same currency, over the same term, and with similar collateral. Uponor has determined the incremental borrowing rates taking into consideration the financial environment of the contract, the maturity of the lease agreements and the different economic environments. Based on these factors, Uponor uses an interest rate matrix to determine the appropriate discount rate for different lease contracts where the interest rate implicit in the lease is not readily available.

Right-of-use assets

Uponor recognises right-of-use assets at the commencement date of the lease, which is the date when the underlying asset is available for use. The right-of-use assets are measured at cost, which comprises the amount of lease liability and the lease payments made at or before the commencement of the lease including any direct costs incurred less any lease incentives received. The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities.

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 as follows:

Buildings	3–10 years
Land and water	3–45 years
Machinery and equipment	3–15 years
Other tangible assets	3–10 years

Right-of-use assets are subject to impairment testing.

Short-term leases and leases of low-value assets

Uponor applies the short-term lease recognition exemption to its short-term leases and low value assets. In determining whether a contract is a short-term lease 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. 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. Lease payments relating to short-term leases and leases of low value are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost or net realisable value, based on the FIFO principle. The net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and sale. In addition to the cost of materials and direct labour, an appropriate proportion of production overheads is included in the inventory value of finished products and work in progress.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation or if the settlement of an obligation will cause a legal loss and a reliable estimate of the amount of obligation can be made. Provisions can include e.g. environmental provisions, warranty provisions, restructuring costs and onerous contracts. Changes in provisions are included in relevant expenses on the consolidated statement of comprehensive income. The amount of provisions is reviewed on every balance sheet date and the amounts are revised to correspond to the best estimate at that moment.

Contingent assets and liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the entity. Such present obligation that probably does not require a settlement of a payment obligation or the amount of which cannot be reliably measured is also considered to be a contingent liability. Contingent liabilities are disclosed in the notes to the financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at bank and other short-term, highly liquid investments, whose maturity does not exceed three months. Cash and cash equivalents are carried in the balance sheet at cost. The bank account credit limit in use is recognised under current interest-bearing liabilities.

Financial assets

Financial assets are classified as follows: amortized cost, fair value through other comprehensive income and fair value through profit and loss. Sales and purchase of financial assets are recognised at their trading date.

Fair value through profit and loss include financial assets held for trading and measured at fair value. Financial assets at fair value through profit and loss have been acquired principally for the purpose of generating a profit from short-term fluctuations in market prices. Derivative instruments, for which hedge accounting is not applied, are included in financial assets at fair value through profit and loss. Interest and currency derivatives, for which no hedge accounting is applied, are recognised in the balance sheet at historical cost and valued at fair value on each balance sheet date. Fair value is determined using market prices on the balance sheet date, or the present value of estimated future cash flows. Changes in the fair value of financial assets at fair value through profit and loss, and unrealised and realised gains and losses, are included in financial income and expenses in the period in which they occur. Fair value through profit and loss are presented under the other current assets in the balance sheet.

Amortized cost items are non-derivative assets with fixed or determinable payment dates that are not quoted in the active markets or held for trading purposes. Loans and receivables are measured at amortised cost. Accounts receivable are carried at expected fair value, which is the original invoice amount less the provision made for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, the probable bankruptcy of the debtor or default in payments are considered as probable indicators of the impairment of accounts receivable. Impairment of a loan receivable is assessed with the same criteria as an impairment of accounts receivable.

Fair value through other comprehensive income assets consist of holdings in listed and non-listed companies and investments. Fair value through other comprehensive assets are measured at fair value based on market prices on the balance sheet date, or using the net present value method of cash flows, or another revaluation model. If the fair value of a holding or investment cannot be measured reliably, it will be measured at cost. Changes in the fair value of other comprehensive income assets are recognised in the fair value reserve under shareholders' equity, taking tax consequences into account. Changes in the fair value will be re-entered from shareholders' equity into the consolidated statement of comprehensive income when the asset is disposed of or has lost its value to the extent that an impairment loss must be recognised.

Financial liabilities

Financial liabilities at fair value through profit and loss are measured at their fair value. This group includes those derivatives for which hedge accounting is not applied and whose fair value is negative.

Other financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Transaction costs are included in the original book value of financial liabilities. Other financial liabilities include non-current and current interest-bearing liabilities and accounts payable.

Derivative contracts and hedge accounting

Financial derivatives are used for hedging purposes and are initially recognised in the balance sheet at fair value and are subsequently re-measured at fair value on each reporting period's balance sheet date. At the contract date derivatives are classified as either cash flow hedges or hedges that hedge accounting is not applied to. For derivatives that hedge accounting is not applied to the changes in fair value are recognised under financial items in the consolidated statement of comprehensive income. The fair values of derivatives are determined on the basis of publicly quoted market prices.

Cash flow hedging is applied to electricity derivatives and interest rate derivatives. Hedge programmes are documented according to the requirements of IFRS 9.

Fair value changes of derivatives, which are designated as cash flow hedges, are recognised in other comprehensive income in the hedge reserve to the extent that the hedge is effective. Accumulated fair value changes in other comprehensive income are released into the consolidated statement of comprehensive income in the period during which the hedged cash flow affects the result, while electricity derivatives are recognised under cost of goods sold and interest rate derivatives under financial items.

The ineffective portion of the fair value change of cash flow hedges is recognised under cost of goods sold for electricity derivatives and under financial items for interest rate derivatives.

Share-based payments – management incentive scheme

The fair value of share-based incentives have been determined at grant date and is expensed until vesting. The entire share incentive, including the cash-for-taxes portion is recognised in equity. Also the value of the cash portion is based on the grant date value to the extent not granted and expensed.

Treasury shares

Treasury shares are presented in the financial statements as a reduction in shareholders' equity. Treasury shares are taken into account in calculating key figures and ratios according to IAS 33.

Dividends

Dividends proposed by the Board of Directors are not recognised in the financial statements until their proposal is approved by the shareholders in the Annual General Meeting.

Accounting policies requiring consideration by management and essential uncertainty factors associated with estimates

Estimates and assumptions regarding the future must be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting principles requires consideration.

Group management needs to make decisions regarding the selection and application of accounting principles. These judgements are in particular required in those cases in which the IFRS in force provide the opportunity to choose between various accounting, valuation or presentation methods.

The estimates made in connection with preparing the financial statements reflect the management's best view at the time of the closing of the accounts. These estimates are affected by historical experience and assumptions regarding future developments, which are regarded as well-founded at the time of closing the accounts. On a regular basis, the Group monitors the realisation of these estimates and assumptions through internal and external information sources. Any changes in estimates and assumptions are recognised in the financial statements for the period during which such corrections are made, and all subsequent financial periods.

Estimates have been used in determining the size of items reported in the financial statements, including, among other things, possibility to realise certain asset items, such as deferred tax assets and other receivables, the economic useful life of property, plant and equipment, provisions, pension liabilities and impairment on goodwill.

From the Group's perspective, the most significant uncertainty factors are related to impairment testing on goodwill and the defined benefit-based pension obligations. The application of the related accounting policies requires the use of estimates and assumptions that also have a large impact. Uncertainty factors in connection with impairment testing on goodwill relate to the assumptions made on future cash flows and determining the discount rate. The Group's weighted average capital cost rate (WACC) determined by reporting segment is used as the discount rate in impairment tests. The book value of the defined benefit-based pension obligation is based on actuarial calculations, which in turn are based on the assumptions and estimates of a discount rate used for assessing plan assets and obligations at their current value, the expected rate of return on plan assets and developments in inflation, salary and wage levels.

Significant management's judgement relating to IFRS 15 Revenue from Contracts with customers has been applied in the following areas:

- Timing of revenue recognition (sale of goods and rendering of services)
- Right of return (sale of goods)
- Identifying performance obligations in project business
- Assessing the right to payment for performance completed date in project business

Relating to the timing of revenue recognition, 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.

Significant judgement relating to lease contracts relates to determining the lease term. 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 the underlying asset to the lessee's operations is 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.

New and amended IFRS standards and interpretations that are effective for the year 2020

The following new or revised IFRS standards have been adopted from 1 January 2020 in these consolidated financial statements

Amendments to References to Conceptual Framework in IFRS Standards; the revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.

Definition of a Business – Amendments to IFRS 3 Business Combinations; the amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business.

Definition of Material – Amendments to IAS 1 Presentation of Financial Instruments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; the amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.

Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures; amendments have been issued to address uncertainties related to the reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

COVID-19-Related Rent Concessions – Amendment to IFRS 16 Leases; the amendment allows the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the COVID-19 pandemic and only if certain conditions are met.

Adoption of the changes listed above did not have a material impact on the financial statements of the Group.

New and revised IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective. The Group does not expect that the adoption of the Standards listed below will have a material impact on the financial statements of the Group in future periods, except as noted below:

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases* (to be applied from 1 January 2021); Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

Property, Plant and Equipment – Proceeds before Intended Use – Amendments to IAS 16 Property, Plant and Equipment* (to be applied from 1 January 2022). Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (to be applied from 1 January 2022). When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

Annual Improvements to IFRS Standards 2018–2020 * (to be applied from 1 January 2022); the annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent – a subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities: this amendment clarifies that – for the purpose of performing the ''10 per cent test'

for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- IFRS 16 Leases – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 Presentation of Financial Statements * (to be applied from 1 January 2023); the amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

IFRS 17 Insurance Contracts * (to be applied from 1 January 2023); the new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4 standard.

* = not yet endorsed for use by the European Union as of 31 December 2020

2. Segment information

Uponor's segment structure is based on business and geographical segments in accordance with the organisational structure. The reporting segments are Building Solutions – Europe, Building Solutions – North America and Uponor Infra. The business risks and profitability factors differ from each other with respect to the market and business environments, product offering, services and customers. The Group's management, control and reporting structures are organised by business segment. The reported segments are specified as operating segments, which have not been combined.

Building Solutions – Europe is in charge of the European markets and sales to such non-European countries in which Uponor does not have its own operations. In December 2018, Uponor announced that the company has decided to cease operations in Asia during 2019. Asian operations were reported under Building Solutions – Europe.

Building Solutions – North America is responsible for business operations in the U.S and Canada. Building solutions in Uponor mainly refers to indoor climate and plumbing solutions for residential and non-residential buildings. A major part of the building solutions customers are heating, ventilation and air conditioning (HVAC) professionals, such as installers and building companies.

Uponor Infra specialises in municipal infrastructure pipe systems business in Northern Europe and it has also business in Central Europe. Its products and services, such as sewer and stormwater systems and wastewater treatment systems and project services are sold to municipalities, utilities and pipeline construction and renovation customers.

The 'Others' segment includes Group functions.

Financial target setting and monitoring mainly focus on figures for segment sales, operating profit, operative costs and net working capital. Group resources are managed, for instance, by allocating investments to attractive businesses and balancing human resources and competencies to match the requirements of business processes.

Segment reporting is based on the Group accounting principles. All transactions between segments are market-based and internal sales and margins are eliminated from consolidated figures.

The segment revenue equals to the net sales and the segment result equals to the operating profit presented in the condensed consolidated income statement. The income statement consists of continuing operations by segment, while balance sheet items match the Group structure on the closing dates.

Segment assets include items directly attributable to a segment and items, which can be allocated on a reasonable basis. These are mainly non-interest-bearing items such as intangible assets, property, plant and equipment, inventories, accruals, accounts receivables and other receivables.

2020 M€	Building Solutions – Europe	Building Solutions – North America	Uponor Infra	Others	Eliminations	Uponor Group
Net sales, external	497.9	389.1	249.0	-	-	1,136.0
Net sales, internal	1.5	-	3.0	-	-4.5	-
Net sales, total	**499.5**	**389.1**	**252.0**	**-**	**-4.5**	**1,136.0**
Operating profit	**45.1**	**74.5**	**19.0**	**-4.7**	**-1.6**	**132.3**
Operating profit, %	9.0	19.1	7.5			11.6
Financial income						16.2
Financial expenses						22.5
Share of result in associated companies and joint ventures						-4.2
Income taxes						25.7
Profit for the period						96.1
Assets	**374.6**	**293.2**	**193.0**	**422.9**	**-415.4**	**868.4**
Liabilities						
Total liabilities for reportable segments	313.0	231.7	56.9	297.8	-452.9	446.5
Equity						421.9
Total shareholders' equity and liabilities						868.4
Investments	**9.9**	**10.2**	**9.3**	**0.7**	**-**	**30.2**
Depreciation and impairment	**20.6**	**20.6**	**10.2**	**1.4**	**0.0**	**52.7**
Personnel, average	**1,876**	**886**	**835**	**111**	**-**	**3,708**

2019 M€	Building Solutions – Europe	Building Solutions – North America	Uponor Infra	Others	Eliminations	Uponor Group
Net sales, external	486.9	375.4	240.8	-	-	1,103.1
Net sales, internal	2.4	-	3.1	-	-5.5	-
Net sales, total	**489.3**	**375.4**	**243.9**	**-**	**-5.5**	**1,103.1**
Operating profit	**31.6**	**57.1**	**10.8**	**-8.0**	**-0.2**	**91.3**
Operating profit, %	6.5	15.2	4.4			8.3
Financial income						8.5
Financial expenses						20.2
Share of result in associated companies and joint ventures						-4.0
Income taxes						20.3
Profit for the period						55.3
Assets	**366.4**	**298.1**	**172.4**	**397.5**	**-401.1**	**833.2**
Liabilities						
Total liabilities for reportable segments	320.7	241.7	50.6	288.4	-438.5	462.8
Equity						370.4
Total shareholders' equity and liabilities						833.2
Investments	**9.0**	**8.4**	**8.3**	**0.4**	**-**	**26.1**
Depreciation and impairment	**19.5**	**20.7**	**10.0**	**1.6**	**0.0**	**51.8**
Personnel, average	**1,950**	**898**	**867**	**86**	**-**	**3,801**

Disaggregated revenue information

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€	2020			2019		
Revenue from contract with customers	**Sale of goods**	**Rendering of services**	**Total**	**Sale of goods**	**Rendering of services**	**Total**
Building Solutions - Europe	491.3	6.7	497.9	480.9	6.0	486.9
Building Solutions - North America	389.1	0.0	389.1	375.4	0.0	375.4
Uponor Infra	233.1	15.9	249.0	220.8	20.0	240.8
External customer, total	**1,113.4**	**22.6**	**1,136.0**	**1,077.1**	**26.0**	**1,103.1**
Internal revenue	4.5		4.5	5.5		5.5
Total	**1,117.9**	**22.6**	**1,140.5**	**1,082.5**	**26.0**	**1,108.6**
Eliminations	-4.5		-4.5	-5.5		-5.5
Total revenue	**1,113.4**	**22.6**	**1,136.0**	**1,077.1**	**26.0**	**1,103.1**

Sale of goods

The sale of goods include products such as pipes, chambers and water tanks. Each good provided to the customer is distinct from the other products provided to the customer and therefore, each good is considered as a separate 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.

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.

Entity-wide information

M€	2020	2019
Information about product and services		
External net sales		
Building Solutions	883.3	859.4
Infrastructure Solutions	252.7	243.7
Uponor Group	**1,136.0**	**1,103.1**
Information about geographical areas		
External net sales		
United States	345.2	329.9
Germany	135.7	129.7
Finland	126.6	123.0
Sweden	102.4	99.9
Denmark	50.8	48.0
Netherlands	49.7	46.0
Canada	44.9	46.5
Poland	38.3	31.8
Spain	36.9	41.2
Norway	31.3	32.6
Others	174.2	174.5
Uponor Group	**1,136.0**	**1,103.1**
Non-current assets		
United States	118.4	143.3
Finland	47.0	44.2
Sweden	46.9	45.6
Germany	46.0	46.7
Denmark	7.7	8.5
Others	23.0	30.3
Uponor Group	**289.1**	**318.6**

External net sales are presented in accordance with the geographical location of the customers. Non-current assets are presented in accordance with the geographical location of the assets. Non-current assets do not include goodwill and deferred tax asset.

3. Business combinations

On 1 October 2020, Uponor Infra Oy acquired a Finnish engineering company Insinööritoimisto Sukellus-Kotka Oy (Uponor Infra Marine Services Oy since 26 November 2020).

Uponor Infra Marine Services Oy is specialised in inspection, repair, design and installation services for under water constructions. Its projects vary from short inspections of underwater constructions to broad project implementations such as pier reparations and spillway gate renewals. Underwater blasting is one of company's expertise areas. The acquisition supports Infra segment's strategy to grow Uponor Infra 360° project services.

M€	2020
Recognised amounts of identifiable net assets acquired and liabilities assumed	
Property, plant and equipment	1.7
Intangible assets	1.0
Accounts receivable and other receivables	0.9
Cash and cash equivalents	1.3
Total assets	**4.9**
Non-current interest-bearing liabilities	0.4
Deferred tax liability	0.2
Provisions	0.2
Current interest-bearing liabilities	0.2
Accounts payable and other current liabilities	0.9
Total liabilities	**1.9**
Net assets	3.0
Consideration	5.3
Acquired net assets	-3.0
Goodwill	**2.3**

The consideration of €5.3 million paid represents the entire determined fair value of Uponor Infra Marine Services Oy. The goodwill of €2.3 million arising from the acquisition consists largely of attainable synergies, such as those involving international growth, project business and cross selling. The acquisition calculation is preliminary; the fair value of acquired net assets is provisional pending on the receipt of final valuations for identifiable intangible assets and property, plant and equipment.

M€	2020
Cash flow effect	
Acquisition cost	5.3
Received in cash and cash equivalents	-1.3
Cash flow effect	**4.0**

Acquisition related costs amounted to €0.1 million. They were included in other operating expenses in the consolidated statement of comprehensive income in 2020.

Uponor Infra Marine Services Oy included in the consolidated statement of comprehensive income as of 1 October 2020, contributed a total of €0.8 million in net sales and €-0.1 million in profit for the period.

There were no business combinations in 2019.

4. Disposal of subsidiaries and businesses

There were no disposal of subsidiaries and businesses in 2020.

In 2019, 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	
Tangible assets	2.0
Inventory	1.9
Accounts receivable and other receivables	1.3
Cash and cash equivalents	0.2
Total assets	**5.3**
Interest-bearing non-current liabilities	0.4
Employee benefits and other liabilities	0.0
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 equivalent disposed of	0.2
Cash flow effect	**3.2**

5. Other operating income and expenses

M€	2020	2019
Other operating income		
Gains from sales of fixed assets	0.4	0.6
Profit from disposal of subsidiaries and businesses	0.0	0.5
Other items	0.5	0.2
Total	**1.0**	**1.3**
Other operating expenses		
Research and development expenses	22.5	21.9
Losses from sales of fixed assets	0.2	0.4
Impairments	-0.1	-0.9
Other items	1.3	0.0
Total	**23.9**	**21.4**
Auditor fees		
Audit firm KPMG 2020 / Deloitte 2019		
Statutory audit services	0.8	0.9
Other services	0.1	0.0
Total	**0.9**	**1.0**

In 2019, other operating income included a €0.5 million gain from the sale of manufacturing space in Spain and a €0.5 million profit from disposal of Uponor Infra's Czech subsidiary Fintherm

In 2019, other operating expenses included a reversal of impairment in the amount of €0.9 million that was mainly booked as impairment in 2018.

6. Employee benefits

M€	2020	2019
Short-term employee benefits:		
- Salaries and bonuses	200.2	197.5
- Other social costs	37.1	37.3
Post-employment benefits:		
- Pension expenses - defined contribution plans	11.3	11.2
- Pension expenses - defined benefit plans	0.3	0.4
Termination benefit expenses	6.4	0.2
Share based payments		
- Equity settled share-based payment expenses	2.5	0.8
Total	**257.8**	**247.5**
Personnel at 31 December	3,658	3,708
Personnel, average	3,708	3,801

In 2020, termination benefit expenses mainly consist of expenses related to operational excellence programme. Information on the management's employee benefits is presented in note 32 Related party transactions.

7. Depreciation and impairment

M€	2020	2019
Depreciation and impairment by asset category		
Intangible rights	2.4	2.5
Other intangible assets	2.6	2.8
Land and water areas	0.2	0.2
Buildings and structures	11.4	11.6
Machinery and equipment	26.4	24.7
Other tangible assets	9.6	10.1
Total	**52.7**	**51.8**
Depreciation and impairment by function		
Cost of goods sold	33.7	32.9
Dispatching and warehousing	5.1	5.2
Sales and marketing	8.2	7.9
Administration	4.7	5.4
Other	1.0	0.5
Total	**52.7**	**51.8**

Depreciation includes also depreciation of right-of-use assets in the amount of €12.6 (12.0) million.

In 2020, an impairment of €0.6 million was made related to tangible assets. By function, this is included in cost of goods sold.

In 2019, an impairment of €0.6 million was made relating to tangible assets, this is included in cost of goods sold. In addition, a reversal of impairment €0.9 million was made relating to tangible assets. By function, this is included in line Other.

8. Financial income and expenses and currency exchange differences

M€	2020	2019
Financial income		
Dividend income from other shares and holdings	0.1	0.2
Interest income from loans and other receivables	0.8	0.3
Profit from financial assets and liabilities designated at fair value through profit and loss		
- net foreign currency derivatives, not under hedge accounting	10.8	-
Exchange differences	4.4	7.7
Other financial income	0.1	0.4
Total	**16.2**	**8.5**
Financial expenses		
Interest expense for financial liabilities measured at amortised cost	3.2	3.3
Interest expense from interest rate swaps	0.3	0.1
Loss from financial assets and liabilities designated at fair value through profit and loss		
- net foreign currency derivatives, not under hedge accounting	-	9.5
Exchange differences	17.9	5.8
Other financial costs	1.1	1.5
Total	**22.5**	**20.2**

In 2020, exchange rate gains and losses included in operating income and expenses total a €0.6 million gain (€2.7 million loss). Interest expenses include the interest part of lease payments of €1.3 (1.6) million.

9. Income taxes

M€	2020	2019
Current year and previous years taxes		
For the financial period	34.0	19.1
For previous financial periods	-0.2	1.4
Change in deferred taxes	-8.2	-0.2
Total	**25.7**	**20.3**
Tax reconciliation		
Profit before taxes	121.8	75.6
Computed tax at Finnish statutory rate (20%)	24.4	15.1
Difference between Finnish and foreign rates	4.9	2.7
Non-deductible expenses	1.3	1.7
Tax exempt income	-0.4	-0.6
Utilisation of previously unrecognised tax losses	-1.9	-0.3
Unrecognised deferred tax assets on losses	0.1	1.3
Change in tax legislation	0.1	0.0
Taxes from previous years	-0.2	1.4
Other items	-2.6	-1.0
Total	**25.7**	**20.3**
Effective tax rate, %	21.1	26.8

Effective tax rate in 2020 was 21.1% (26.8). The decrease in effective tax rate was due to one-time impacts related to utilisation of old tax losses and transfer pricing agreement between tax authorities.

During 2020 and 2019 there were no significant changes in national tax legislation having impact on Group's deferred taxes.

Taxes relating to other comprehensive income

M€	Before taxes	Tax effect	Net of taxes
2020			
Cash flow hedges	-0.4	0.1	-0.3
Re-measurements on defined benefit pensions	0.1	0.0	0.1
Translation differences	-6.3	0.0	-6.3
Total	**-6.6**	**0.1**	**-6.6**
2019			
Cash flow hedges	-2.3	0.5	-1.8
Re-measurements on defined benefit pensions	-2.6	0.7	-1.9
Translation differences	1.9	0.0	1.9
Total	**-3.0**	**1.2**	**-1.8**

10. Earnings per share

	2020	2019
Profit for the period, M€	96.1	55.4
Profit for the period attributable to equity holders of parent company, M€	88.6	52.3
Shares, in thousands		
Weighted average number of shares *)	73,016	72,983
Diluted weighted average number of shares	73,016	72,983
Basic earnings per share, €	1.21	0.72
Diluted earnings per share, €	1.21	0.72

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

11. Intangible assets

2020 M€	Intangible rights	Customer relationship value	Technology	Goodwill	Other intangible assets	Investment in progress	Intangible assets
Acquisition costs 1 Jan	33.1	11.9	1.5	84.4	44.3	0.2	**175.4**
Structural changes	0.0	1.0	-	2.3	-	-	**3.4**
Translation difference	0.3	-	-	-0.2	0.0	-	**0.1**
Increases	0.4	-	-	-	0.1	0.8	**1.3**
Decreases	-0.1	-	-	-	0.0	-0.1	**-0.2**
Transfers between items	-0.1	-	-	-	0.0	-0.1	**-0.1**
Acquisition costs 31 Dec	33.7	12.9	1.5	86.5	44.4	0.8	**179.9**
Accumulated depreciations and impairments 1 Jan	24.8	10.0	1.2	0.7	41.9	0.0	**78.7**
Translation difference	0.3	-	-	-	0.0	-	**0.3**
Acc. depreciation on disposals and transfers	-0.1	-	-	-	0.0	0.0	**-0.1**
Depreciation for the financial period	2.4	1.9	0.2	0.0	0.4	-	**5.0**
Accumulated depreciations and impairments 31 Dec	27.5	11.9	1.4	0.7	42.4	0.0	**83.9**
Book value 31 December	**6.2**	**1.0**	**0.1**	**85.8**	**2.0**	**0.8**	**95.9**

2019 M€	Intangible rights	Customer relationship value	Technology	Goodwill	Other intangible assets	Investment in progress	Intangible assets
Acquisition costs 1 Jan	33.4	11.9	1.5	84.2	44.7	0.2	**175.9**
Structural changes	-0.1	-	-	0.0	0.0	0.0	**-0.1**
Translation difference	-0.2	-	-	0.2	0.0	0.0	**0.0**
Increases	0.5	-	-	-	0.4	0.1	**0.9**
Decreases	-0.3	-	-	0.0	-1.0	-0.1	**-1.3**
Transfers between items	-0.1	-	-	-	0.2	0.0	**0.1**
Acquisition costs 31 Dec	33.1	11.9	1.5	84.4	44.3	0.2	**175.4**
Accumulated depreciations and impairments 1 Jan	22.9	8.1	1.0	0.7	42.2	0.0	**74.9**
Structural changes	-0.1	0.0	0.0	0.0	0.0	0.0	**-0.1**
Translation difference	-0.2	-	-	-	0.0	0.0	**-0.2**
Acc. depreciation on disposals and transfers	-0.1	-	-	-	-0.9	0.0	**-1.0**
Depreciation for the financial period	2.5	1.9	0.2	0.0	0.6	-	**5.2**
Transfers between items	-0.1	0.0	-	0.0	0.0	-	**-0.1**
Impairments	0.0	0.0	-	0.0	0.1	-	**0.0**
Accumulated depreciations and impairments 31 Dec	24.8	10.0	1.2	0.7	41.9	0.0	**78.7**
Book value 31 December	**8.3**	**1.9**	**0.3**	**83.6**	**2.4**	**0.2**	**96.7**

In 2020, increases in intangible assets mainly included investments to IT software development.

In 2019, increases in intangible assets mainly included investments to patents and trademarks.

In 2020, structural changes include acquisition of Uponor Infra Marine Services Oy. In 2019, structural changes include the disposal of Uponor Infra Fintherm a.s.

According to the IFRS 3 standard, goodwill is not depreciated but is tested at least annually for any impairment. The recoverable amount of cash generating units are determined based on value in use calculation, which uses cash flow projections. If a unit's recoverable amount does not exceed the carrying amount, impairment is booked. Goodwill has been allocated between the segments as follows: Building Solutions – Europe €74.1 (74.2) million and Uponor Infra €11.8 (9.5) million. In 2020, the changes relate to the acquisition of Uponor Infra Marine Services Oy.

Impairment tests are carried out for each separate cash-generating unit. Cash flow forecasts related to goodwill cover a period of 5 years. Terminal value is calculated from the fifth year's cash flow. Cash flow forecasts are based on the strategic plans approved by the management. Key assumptions of the plans relate to growth and profitability development of the markets and the product and service offerings. A cash-generating unit's useful life has been assumed to be indefinite, since these units have been estimated to impact on the accrual of cash flows for an undetermined period. The discount rate used is based on the interest rate level reflecting the average yield requirement for the cash generating unit in question. The discount rate used was 8.2 (9.3) per cent for Building Solutions – Europe and 7.2 (8.1) per cent for Uponor Infra. The 2020 goodwill impairment tests indicated that there was no need to make impairments.

A sensitivity analysis is performed for the following variables: sales, gross profit margin and discount rate. A 12.3 per cent sales reduction compared to the forecasted long-term levels would not expose the Group to any material impairment risk. A decrease of 5.4 percentage points in gross profit margin would not cause any impairment, provided that other business factors remained unchanged. A discount rate increase of 9.5 percentage points would not lead to any impairment, either. Presented sensitivities relate to the segment Uponor Infra, as its goodwill is more sensitive to the risk of impairment. It is the opinion of management that the changes in the basic assumptions in the theoretical scenarios mentioned above should not be interpreted as evidence that they are likely to occur.

The Group does not have any capitalised development costs.

12. Property, plant and equipment

2020 **M€**	**Land and water areas**	**Buildings and structures**	**Machinery and equipment**	**Other tangible assets**	**Construction work in progress**	**Property, plant and equipment**
Acquisition costs 1 Jan	17.9	197.9	432.9	80.8	23.1	**752.7**
Structural changes	0.1	0.2	1.1	0.3	0.0	**1.6**
Translation difference	-0.4	-6.9	-10.2	-1.8	-0.2	**-19.6**
Increases	0.5	3.0	11.7	6.3	14.8	**36.3**
Decreases	-0.2	-9.2	-23.4	-4.4	0.0	**-37.3**
Transfers between items	0.2	1.9	11.5	2.4	-15.9	**0.1**
Acquisition costs 31 Dec	18.0	186.8	423.6	83.6	21.8	**733.8**
Accumulated depreciations and impairments 1 Jan	3.3	96.1	311.4	56.1	-	**466.9**
Translation difference	0.0	-1.8	-6.6	-1.5	-	**-9.9**
Acc. depreciation on disposals and transfers	-0.1	-8.9	-23.0	-3.5	-	**-35.6**
Depreciation for the financial period	0.2	11.5	25.8	9.6	-	**47.1**
Transfers between items	0.0	0.0	-1.6	1.5	-	**0.0**
Impairments	-	-0.1	0.6	0.0	-	**0.6**
Accumulated depreciations and impairments 31 Dec	3.4	96.8	306.8	62.2	-	**469.1**
Book value 31 December	**14.7**	**90.0**	**116.8**	**21.4**	**21.8**	**264.7**
Book value for production plant, machinery and equipment			105.1			

2019 M€	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	Property, plant and equipment
Acquisition costs 1 Jan	17.0	161.9	416.8	63.3	29.9	**688.9**
IFRS 16 impact 1 Jan	1.8	32.0	0.0	10.5	0.0	**44.3**
Structural changes	-0.4	-2.2	-4.8	-0.2	-0.0	**-7.6**
Translation difference	0.1	1.9	1.4	0.4	0.2	**4.1**
Increases	0.4	3.4	12.7	7.4	8.3	**32.2**
Decreases	-0.8	-1.4	-4.6	-2.5	-0.1	**-9.4**
Transfers between items	0.0	2.5	11.5	1.8	-15.2	**0.6**
Acquisition costs 31 Dec	17.9	197.9	432.9	80.8	23.1	**752.7**
Accumulated depreciations and impairments 1 Jan	3.2	85.6	294.7	47.1	-	**430.6**
Structural changes	-	-1.0	-4.4	-0.1	-	**-5.6**
Translation difference	0.0	0.5	0.6	0.3	0.0	**1.3**
Acc. depreciation on disposals and transfers	0.0	-0.3	-4.0	-2.2	-	**-6.4**
Depreciation for the financial period	0.2	11.6	25.3	9.9	-	**47.0**
Transfers between items	-0.0	0.0	-0.1	0.8	0.0	**0.7**
Impairments	-	0.0	-0.5	0.2	-	**-0.4**
Accumulated depreciations and impairments 31 Dec	3.3	96.1	311.4	56.1	-	**466.9**
Book value 31 December	**14.7**	**101.8**	**121.5**	**24.7**	**23.1**	**285.8**
Book value for production plant, machinery and equipment			109.4			

The 2020 investments in property, plant and equipment were mainly related to efficiency improvements and maintenance in the manufacturing facilities together with capacity expansions in the U.S

The 2019 investments in property, plant and equipment consisted mainly of selected productivity improvements, maintenance and the modernisation of technology in the Group's manufacturing facilities. Increases in property, plant and equipment include also investments in right-of-use assets.

In 2020, structural changes include acquisition of Uponor Infra Marine Services Oy. In 2019, structural changes include disposal of Uponor Infra Fintherm a.s.

Property, plant and equipment include right-of-use assets, as follows:

2020 M€	Land and water areas	Buildings and structures	Others	Right-of-use assets total
Acquisition costs 1 Jan	2.8	44.7	16.2	**63.6**
Structural changes	-	-	0.3	**0.3**
Translation difference	-	-1.3	-0.3	**-1.5**
Increases	0.5	1.9	5.3	**7.7**
Decreases	0.0	-0.8	-3.2	**-4.0**
Acquisition costs 31 Dec	3.2	44.6	18.4	**66.2**
Accumulated depreciations and impairments 1 Jan	0.1	16.3	5.1	**21.5**
Translation difference	-	-0.3	-0.1	**-0.4**
Acc. depreciation on disposals and transfers	-	-0.6	-2.3	**-2.9**
Depreciation for the financial period	0.1	7.0	5.5	**12.6**
Accumulated depreciations and impairments 31 Dec	0.2	22.4	8.2	**30.8**
Book value 31 December	**3.0**	**22.1**	**10.2**	**35.4**

2019 M€	Land and water areas	Buildings and structures	Others	Right-of-use assets total
Acquisition costs 1 Jan	0.7	11.1	0.6	**12.4**
IFRS 16 impact 1 Jan	1.8	32.0	10.5	**44.3**
Translation difference	-	0.4	0.1	**0.5**
Increases	0.3	1.2	5.5	**7.0**
Decreases	0.0	-0.1	-0.3	**-0.4**
Acquisition costs 31 Dec	2.8	44.7	16.2	**63.6**
Accumulated depreciations and impairments 1 Jan	-	9.1	0.3	**9.4**
Translation difference	-	0.1	0.0	**0.1**
Depreciation for the financial period	0.1	7.1	4.8	**12.0**
Accumulated depreciations and impairments 31 Dec	0.1	16.3	5.1	**21.5**
Book value 31 December	**2.7**	**28.4**	**11.1**	**42.1**

13. Financial assets and liabilities by measurement category

M€	Note	IFRS7 Fair value hierarchy level	2020	2019
Non-current financial assets				
Fair value through other comprehensive income				
Electricity derivatives	28	1	0.1	0.4
Amortised cost				
Other non-current receivables	15		4.1	7.9
Other shares and holdings	15		0.6	0.7
Current financial assets				
Fair value through other comprehensive income				
Electricity derivatives	28	1	0.4	0.3
Fair value through profit or loss				
Other derivative contracts	28	2	3.8	1.8
Amortised cost				
Accounts receivable and other receivables	17		196.3	187.3
Cash and cash equivalents	18		138.0	76.1
Financial assets total			**343.2**	**274.5**
Non-current financial liabilities				
Fair value through other comprehensive income				
Electricity derivatives	28	1	0.1	-
Amortised cost				
Interest-bearing liabilities	23, 24		124.1	203.4
Current financial liabilities				
Fair value through other comprehensive income				
Electricity derivatives	28	1	0.2	-
Other derivative contracts	28	2	1.0	1.1

M€	Note	IFRS7 Fair value hierarchy level	2020	2019
Fair value through profit or loss				
Other derivative contracts	28	2	0.9	0.9
Amortised cost				
Interest-bearing liabilities	23, 24		29.0	11.8
Accounts payable and other liabilities	25		134.5	102.0
Financial liabilities total			**289.7**	**319.2**

The carrying value of financial assets and liabilities is considered to correspond to their fair value. Group's financial instruments are classified according to IFRS 7 fair value hierarchies.

Uponor applies hierarchy as follows:

The fair value of electricity derivatives are measured based on stock exchange prices. (Hierarchy 1)

The fair value of foreign exchange derivatives and interest rate derivatives are measured based on price information from common markets and commonly used valuation methods. (Hierarchy 2)

14. Investment in joint ventures and associated companies

M€	2020	2019
Acquisition costs 1 Jan	10.9	13.7
Share of result in associated companies	-4.2	-4.0
Increases	4.0	1.3
Dividends received	-0.3	-0.3
Translation difference	-0.8	0.2
Book value 31 Dec	**9.4**	**10.9**

Uponor has a 50 per cent ownership in Phyn, both in the U.S. and in Europe, a smart water technology joint venture between Uponor and Belkin International. As a joint-venture company, Phyn is consolidated into Uponor's financial accounts using the equity method.

On 9 May 2019, Uponor announced that Uponor and Belkin have decided to invest an additional $6 million each, in total $12 million, in their joint venture Phyn. At the end of 2020, Uponor had invested the total announced amount.

Summarised financial information in respect of the joint ventures

M€	2020	2019
Phyn		
Net sales	3.1	2.6
Profit for the period	-9.3	-9.0
Total comprehensive income for the period	-9.3	-9.0
Non-current assets	18.2	22.2
Current assets	2.4	2.2
Equity	17.9	21.0
Current liabilities	2.7	3.5
The above amounts of assets and liabilities include		
Cash and cash equivalents	1.5	0.4
Carrying amount of interest in joint venture		
Net assets in joint ventures	17.9	21.0
Group's ownership	50.0%	50.0%
Group's share of interest in Phyn	8.9	10.5

In addition, the Group has two German associated companies: Punitec GmbH and Punitec Verwaltungs GmbH, whose book value is €0.4 (0.3) million. From its 2020 result, Punitec GmbH paid a dividend of €0.3 (0.3) million to Uponor.

15. Other securities and non-current receivables

M€	2020	2019
Other shares and holdings	0.6	0.7
Loan receivables	0.4	0.4
Derivative contracts	0.1	0.4
Other non-current receivables	3.7	7.6
Total	**4.8**	**9.0**

Other non-current receivables include €3.3 (7.2) million in funds recorded as receivables related to the court approved class action settlements in the USA in 2015. In 2020, €3.4 million of the funds were returned.

16. Inventories

M€	2020	2019
Raw materials and consumables	24.9	20.9
Semifinished products	20.8	21.9
Finished products / goods	83.0	101.6
Total	**128.7**	**144.4**

Based on the FIFO principle, inventories are valued at the lower of cost or net realisable value. During the year, inventories were scrapped or written down by €5.3 (3.2) million.

17. Current receivables

M€	2020	2019
Accounts receivable	163.6	157.7
Contract assets	1.2	2.4
Current income tax receivables	8.6	10.5
Prepayments and accrued income	1.6	1.5
Derivative contracts	4.1	2.2
Other receivable	31.5	27.3
Total	**210.7**	**201.4**

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

Accounts receivable are non-interest-bearing and the payment terms vary based on market areas and conditions. Contract assets are recognised for revenue earned from rendering of services including project business.

Aging of accounts receivable is presented in note 27 Financial risk management.

18. Cash and cash equivalents

M€	2020	2019
Cash and bank deposits	138.0	68.6
Other short-term investments (1-3 months)	0.0	7.5
Total	**138.0**	**76.1**

19. Shareholders' equity

During 2020, Uponor Corporation's share capital remained unchanged at 146,446,888 euros and the number of shares totalled 73,206,944. Each share entitles its holder to one vote at the shareholders' meeting. The share does not have any nominal value. Additionally, it does not have any minimum or maximum share capital other than stipulated by Finnish Limited Liability Companies Act. All shares issued have been paid in full.

M€	2020	2019
Number of shares outstanding (1,000), 1 Jan	72,987	72,962
Share based incentive plan	35	25
Number of shares outstanding (1,000), 31 Dec	73,022	72,987

At the beginning of 2020 the company held 219,527 treasury shares with a value of €2.0 million. During the period, 34,561 of the company's own shares were transferred to the management as part of the long-term incentive scheme for the years 2017-2019. At the end of 2020, company held a total of 184,966 treasury shares with a value of €1.7 million. The treasury shares have been reacquired during the periods 17 Nov - 5 Dec 2008 and 26 Oct - 2 Nov 2018. The justification for the buy-back was the use of shares as consideration in connection with the share-based incentive schemes. Treasury shares are presented as a reduction in retained earnings and do not have any asset value in the financial statements.

Reserve for invested unrestricted equity includes investments complying with the Limited Liability Companies Act. Hedge reserve is used for recording the changes in fair value of derivative contracts under hedge accounting.

At present, other reserves include statutory legal reserves.

20. Deferred taxes

M€	2020	2019
Deferred tax assets		
Internal profit in inventory	0.4	0.4
Provisions	4.3	3.6
Unused tax losses	0.5	1.9
Employee benefits	2.7	2.7
Derivative contracts at fair value	0.3	0.3
Other temporary differences	17.1	9.8
Total deferred tax assets	**25.3**	**18.7**
Offset against deferred tax liabilities	-9.1	-9.6
Net deferred tax assets	**16.2**	**9.1**
Deferred tax liabilities		
Accumulated depreciation difference and untaxed reserve	15.9	15.7
Derivative contracts at fair value	0.3	0.2
Other temporary differences	2.7	4.3
Total deferred tax liabilities	**18.9**	**20.3**
Offset against deferred tax assets	-9.1	-9.6
Net deferred tax liabilities	**9.7**	**10.7**
Deferred tax assets		
1 Jan	**9.1**	**9.1**
Recognised on income statement	7.2	-1.0
Recognised in comprehensive income	0.0	0.9
Translation difference	-0.2	0.1
Bought / sold business operations	0.0	0.0
31 Dec	**16.2**	**9.1**

M€	2020	2019
Deferred tax liabilities		
1 Jan	**10.7**	**12.3**
Recognised on income statement	-1.0	-1.2
Recognised in comprehensive income	-0.1	-0.3
Recorded in equity	0.2	-0.2
Translation difference	-0.3	0.1
Bought / sold business operations	0.2	0.0
31 Dec	**9.7**	**10.7**

The Group has recognised a deferred tax asset for its net operating loss carry-forwards, which can probably be utilised against future profits in the relevant tax jurisdictions. On 31 December 2020, the Group carried forward losses of €2.8 (8.5) million, for which the Group has a recognised deferred tax asset. In 2020, there is a €12.0 (19.6) million of loss carry-forwards for which no deferred tax asset has been recognised due to the uncertainty of the utilisation of these loss carry-forwards. No significant losses will expire in 2021.

The Group recognises deferred taxes on the undistributed earnings of non-Finnish subsidiaries, in case repatriation would cause tax expenses. The Group recognises the deferred tax only to the extent that such earnings are not intended to be permanently reinvested in those operations.

21. Employee benefit obligations

The Group has a number of pension plans covering its operations, complying with each country's local rules and regulations. Moreover, the Group applies defined contribution and defined benefit pension plans. Pensions are based on actuarial calculations or actual payments to insurance companies. Independent authorised actuaries have prepared the actuarial calculations. The discount rate for actuarial calculations is determined by the reference to market yields of high-quality corporate bonds or government bonds. Used discount rates are country specific. Pension benefits are normally based on the number of working years and salary. Most defined benefit plans are located in Germany and Sweden, constituting around 98% of the defined benefit pension liability in the Group's balance sheet. Defined benefit plans in Germany and Sweden are unfunded and relate to pensions. These plans are closed for new entrants. Currently pensions are accrued according to defined contribution plans.

M€	2020	2019
Post-employment benefit obligations:		
- Defined benefit plans	19.5	19.9
Other long-term employee benefit liability	1.5	1.6
Total	**21.0**	**21.5**

Defined benefit obligations

M€	2020	2019
Reconciliation of assets and liabilities recognised in the balance sheet		
Defined benefit obligation	19.5	19.9
Net liability in the balance sheet	**19.5**	**19.9**
Expenses recognised in the income statement		
Current service costs	0.1	0.1
Net interest costs	0.2	0.3
Total	**0.3**	**0.4**
Expenses recognised in the income statement by function		
Cost of goods sold	0.1	0.1
Dispatching and warehousing	0.0	0.1
Sales and marketing	0.1	0.2
Administration	0.1	0.1
Total	**0.3**	**0.4**

M€	2020	2019
Movements in obligation		
Obligation at 1 Jan	19.9	18.1
Service cost	0.1	0.1
Interest expense	0.2	0.3
Remeasurements	-0.1	2.6
Conversion difference	0.3	-0.1
Benefit payments	-0.9	-0.9
Obligation at 31 Dec	**19.5**	**19.9**

M€	2020	2019
Movements in fair value of plan assets		
Fair value of plan assets at 1 Jan	-	-
Contributions by employer	0.9	0.9
Benefit payments	-0.9	-0.9
Fair value of plan assets at 31 Dec	**-**	**-**

Defined benefit obligation and fair value of plan assets by countries

	Germany		Sweden		Other countries	
M€	2020	2019	2020	2019	2020	2019
Defined benefit obligation	11.4	11.6	7.8	8.0	0.3	0.3
Net liability (asset)	**11.4**	**11.6**	**7.8**	**8.0**	**0.3**	**0.3**

Principal actuarial assumptions

	Germany		Sweden		Other countries	
	2020	2019	2020	2019	2020	2019
Discount rate (%)	0.9	0.9	0.9	1.5	0.9	0.9
Expected rate of salary increase (%)	3.0	3.0	n/a	n/a	n/a	n/a
Expected rate of pension increase (%)	1.7	1.7	1.5	2.0	n/a	n/a

Sensitivity analysis of discount rate	Effect on amount of liability
Increase of 0.5%	Decrease of 6% on average
Decrease of 0.5%	Increase of 7% on average

The Group expects to contribute €1.0 million to its defined benefit pension plans in 2021.

22. Provisions

M€	Guarantee and warranty obligations	Environmental obligations	Restructuring	Other provisions	Total
Provisions at 1 Jan	15.4	2.1	1.4	11.1	30.0
Structural changes	0.2	-	-	-	0.2
Conversion difference	-1.0	-	0.0	-0.1	-1.1
Additional provisions	9.8	-	5.5	3.0	18.3
Utilised provisions	-4.4	-	-0.9	-3.5	-8.8
Unused amounts reversed	-0.2	-	-1.1	-0.3	-1.5
Provisions at 31 Dec	**19.8**	**2.1**	**5.0**	**10.2**	**37.1**
Current provisions	6.5	0.2	5.0	9.6	21.3
Non-current provisions	13.3	1.9	0.0	0.7	15.8
Total	**19.8**	**2.1**	**5.0**	**10.2**	**37.1**

Warranty provisions amounted to €19.8 (15.4) million at the end of the period. Warranty provisions are based on the previous years' experience of defective goods. The aim is to be prepared for future warranty expenses. Warranty periods vary from country to country, depending on local legislation and commercial practices. Provisions for enhanced warranty to cover potential fitting failures related to Uponor yellow brass fittings sold in the USA are included in Other provisions. This enhanced warranty relates to the court approved terms of the class action suits settled on 17 December 2015.

Increase in restructuring provisions relate mainly to the operational excellence programme that was announced in 2019 to secure competitiveness and further accelerate growth. The execution of the programme is ongoing with a target of €20 million in annual cost savings by the end of 2021 and the programme is expected to reduce approximately 200 FTEs by the end of 2021.

At period end, the environmental provision relating to the divested Finnish real estate business in 2004 was €2.1 (2.1) million.

23. Interest-bearing liabilities

M€	2020	2019
Non-current interest-bearing liabilities		
Loans from financial institutions	101.0	171.1
Lease liabilities	23.1	32.3
Total	**124.1**	**203.4**
Current interest-bearing liabilities		
Commercial papers	15.0	-
Loans from financial institutions	0.1	0.1
Lease liabilities	13.9	11.6
Other current interest-bearing liabilities	0.0	0.1
Total	**29.0**	**11.8**

A reconciliation between the opening and closing balances of liabilities arising from financing activities

M€	2020	2019
Interest-bearing liabilities at 1 Jan	215.2	177.3
IFRS 16 impact on interest-bearing liabilities at 1 Jan	-	44.3
Increases in lease liabilities	7.7	7.0
Decreases in lease liabilities	-1.1	-0.4
Cash flows	-68.0	-13.3
Acquisitions / divestments	0.6	-
Writedown	-0.1	-
Translation difference	-1.2	0.4
Interest-bearing liabilities at 31 Dec	153.0	215.2

Maturity of non-current interest-bearing liabilities

M€	2022	2023	2024	2025	2026-
Loans from financial institutions	100.1	0.1	0.4	0.0	0.5
Lease agreements	7.9	4.3	3.0	1.7	6.2
Total	**107.9**	**4.4**	**3.4**	**1.7**	**6.7**

The weighted average interest rates of interest-bearing liabilities, % p.a.

M€	2020	2019
Commercial papers	0.37	-
Loans from financial institutions	0.77	0.75

On 31 December 2020, the main existing long-term funding programme was a five-year bilateral loan agreement of €100 million, which was raised in July 2017 and will mature in July 2022. €50 million of the long-term loans' capital is hedged using financial instruments.

At the end of the year, the Group had €15.0 million issued outstanding commercial papers.

24. Lease liabilities

The carrying amounts of lease liabilities, movements during the period, as well as maturity analysis of lease liabilities are presented in note 23 Interest-bearing liabilities. The contractual maturity is presented in note 27 Financial risk management. The right-of-use assets are included in the balance sheet under property, plant and equipment. The carrying amounts of right-of-use assets recognised and the movements during the period are presented in note 12 Property, plant and equipment.

Relating to the lease contracts, the following are the amounts recognised in profit or loss:

M€	2020	2019
Depreciation expenses	12.6	12.0
Interest expenses	1.3	1.6
Expenses relating to short-term leases	0.1	0.4
Expenses relating to low-value assets	0.6	0.1
Expenses relating to other components of lease expenses not included in the measurement of the lease liability	1.9	1.3

The majority of the expenditure related to lease payments is presented in the cash flow from investment activities. In 2020, Uponor had total cash outflows for leases of €14.0 (€13.4) million, which included €1.3 (1.6) million in interest expenses. The future cash flows relating to lease contracts signed but that have the starting date on 1 January 2021 or later, and are thus not included in the lease liabilities and the right-of-use assets as of 31 December 2020, amount to €0.4 million.

25. Current liabilities

M€	2020	2019
Accounts payable	83.9	65.5
Current income tax liability	11.6	1.0
Accrued liabilities	76.1	77.7
Advances received	0.3	0.1
Contract liabilities	1.1	2.7
Derivative contracts	2.1	2.0
Other current liabilities	50.5	36.3
Total	**225.6**	**185.4**

Contract liabilities are recognised for revenue earned from rendering of services including project business, all projects are realised within one year.

M€	2020	2019
Accrued liabilities		
Personnel expenses	28.1	38.8
Bonuses	31.1	19.6
Taxes	0.7	0.7
Interest	0.4	0.5
Others	15.8	18.1
Total	**76.1**	**77.7**

26. Commitments, contingent assets and liabilities

M€	2020	2019
Commitments of purchase PPE (Property, plant, equipment)	2.6	4.3
Other commitments	0.0	0.0
- on own behalf		
Mortgages issued	1.1	1.1
Guarantees issued	0.4	0.5
- on behalf of a subsidiary		
Guarantees issued	12.9	33.9
Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures		
Mortgages issued	1.1	1.1
Guarantees issued	13.3	34.4
Total	**14.4**	**35.6**

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

Uponor is involved in several judicial proceedings, in various countries. The Group believes at the moment that the outcome of these disputes will not have a material effect on the Group's result or financial position.

27. Financial risk management

Financial risk management aims to ensure Uponor Group's sufficient liquidity in a cost-efficient manner and to minimise any adverse effects on the Group's financial performance caused by uncertainties in the financial markets. The general operating principles of financial risk management are defined in the Group Treasury Finance policy, approved by the Board.

At practical level Group's Treasury activities are governed by Treasury Committee. Treasury Committee is chaired by the Group's President and CEO, and its other members are the Group CFO and Vice President, Treasury and Risk Management. The Treasury Committee is responsible for steering and supervising practical financial risk management. For the purposes of risk management, Uponor uses only such financial instruments whose market value and risk profile can be monitored reliably and continuously, and which are tradable. Hedging transactions related to, for instance instrument, foreign currency, interest rate, liquidity and counterparty risks, are carried out in accordance with the Group Hedging Policy.

The management of financial risk is centralised into parent company and Group Treasury, which also operates as the Group's internal bank. Group Treasury's financial risk management duties include identifying, assessing and covering the Group's financial risks. The Treasury is also responsible for external market transactions related to financial assets and risk management. Providing Group companies with consultation and services within financing belongs to the scope of Group Treasury as well.

Currency risk

Due to its international operations, the Group is exposed to currency risks arising from, for instance, currency-denominated accounts receivable and payable, intra-Group transactions, currency-denominated financing, deposits and bank account balances. According to the Group hedging policy, subsidiaries hedge all relevant transaction risks with the Group Treasury, using internal forward transactions. Group Treasury is responsible for assessing net positions and hedging them in external currency markets. Currency forward agreements and options are main instruments used in external hedging. Typically, the maximum duration of used foreign exchange contracts is one year.

Subsidiaries forecast their foreign currency cash flows monthly for the following 12 month period. In accordance with the Group hedging policy, they hedge the relevant portion of their net foreign currency cash flows. In addition to the euro, other main invoicing currencies are US dollar (USD), Swedish krona (SEK), Danish krone (DKK) and Canadian dollar (CAD). On 31 December 2020, these currencies accounted for 70.0 (62.1) per cent of the Group's external accounts receivable. Costs arising from the Group's own production in the United States and Sweden are used as natural hedges against sales in the mentioned currencies.

Group's currency risk position at 31 Dec 2020

M€	EUR/PLN	EUR/SEK	USD/CAD	EUR/NOK	EUR/DKK	Total
Gross exposure	1.9	-3.8	-7.8	0.3	7.5	-1.9
Hedged	-8.7	-1.1	12.0	-6.3	4.2	0.1
Net exposure	-6.8	-4.9	4.2	-6.0	11.7	-1.8

SENSITIVITY ANALYSIS (+/- 10%)	EUR/PLN	EUR/SEK	USD/CAD	EUR/NOK	EUR/DKK	Total
Income statement	0.7	0.5	0.4	0.6	1.2	3.4

Group's currency risk position at 31 Dec 2019

M€	EUR/USD	EUR/SEK	USD/CAD	EUR/NOK	EUR/DKK	Total
Gross exposure	134.9	10.6	-8.1	5.7	10.6	153.7
Hedged	-146.5	-33.7	13.0	-11.7	4.5	-174.4
Net exposure	-11.6	-23.1	4.9	-6.0	15.1	-20.7

SENSITIVITY ANALYSIS (+/- 10%)	EUR/USD	EUR/SEK	USD/CAD	EUR/NOK	EUR/DKK	Total
Income statement	1.2	2.3	0.5	0.6	1.5	6.1

The exposure presented includes only financial instruments as defined by IFRS 7. An exposure is a net of all the financial assets and liabilities nominated in foreign currencies outstanding on the balance sheet date. The exposure does not include any forecasted sales and purchases that are not yet on the balance sheet. The presented foreign exchange risk sensitivity analysis illustrates the impact of a 10 per cent change in exchange rates on the income statement and on the balance sheet in euro.

Translation risks arise when the currency denominated assets and liabilities of subsidiaries located outside the euro area are exposed to currency fluctuations and these assets, and liabilities are translated into the parent company's reporting currency, the euro. The most important balance sheet items in foreign currency are in the US dollar (USD). Translation risk affects the reported profit and key ratios through changes in the balance sheet, but not the cash flow. According to the Group hedging policy, such non-euro denominated balance sheet items are not hedged, with the exception of non-euro denominated internal loans, which are hedged in full.

Interest rate risk

Interest rate risk arises when changes in market interest rates influence financing costs, returns on financial investments and valuation of interest-bearing balance sheet items. Group Treasury is responsible for managing interest rate risks within the framework specified by Group Treasury policy, with the aim of balancing the interest rate position and optimising interest rate risks.

In order to manage interest rate risks, Uponor Group's funding is executed by using both fixed and floating interest rate loans and financial instruments. Currently all the external loans are based on floating interest rates. The duration of the interest rate position is managed by choosing loans with different interest rate periods. Different derivative instruments, such as interest rate swaps, forward rate agreements and interest rate options can also be used. Group Treasury is also responsible for matching external financial items and the duration of balance sheet items funded by such items. Short-term money market investments expose the Group to cash flow interest rate risks, but the overall impact of such investments is insignificant.

Financial instruments' sensitivity to fluctuations in market interest rates, as stated in the standard IFRS 7, is as follows: the impact of an interest rate increase or decrease of one percentage point is -/+ €1.0 (1.7) million to the income statement and +/- €0.8 (1.3) million to shareholders' equity. The impact is calculated before taxes. The interest position impacting income statement consists of floating rate interest-bearing financial liabilities and assets, interest rate options and interest rate swaps where hedge accounting is not applied. The impact to shareholders' equity results from the fair value change of the interest rate swap under cash flow hedge accounting.

Liquidity and refinancing risk

Liquidity and refinancing risk arises when a company is not able to arrange funding at reasonable terms and conditions, or at all. Uponor seeks to ensure availability and flexibility of financing through a balanced distribution of loan maturities, utilisation of various types of funding, multiple sources and by maintaining adequate credit limit reserves. The Group's liquidity is managed through efficient cash management and by investing solely in low-risk instruments, that can be liquidated rapidly and at a clear market price.

Group Treasury is responsible for the co-ordination of Group funding through the parent company. In exceptional cases, mainly for practical or legal reasons, Group Treasury can establish local working capital credit lines or loan structures in the name of a subsidiary, guaranteed by the parent company.

The most significant existing funding programmes on 31 December 2020 included:

- Bilateral term loan of €100 million maturing in 2022
- Four committed bilateral revolving credit facilities totalling €200 million of which €50 million maturing both in 2021 and 2022 and €100 million maturing in 2023

None of the committed bilateral revolving credit facilities were used during the reporting period.

In addition, the Group has €34.5 million of cash-pool limits and a domestic commercial paper programme totalling €150 million. At the end of the reporting period, no cash-pool limits were used and €15.0 million was used from domestic commercial paper programme.

At the end of the reporting period, the Group had a total of €138.0 (76.1) million in cash and cash equivalents.

Contractual maturity of financial liabilities at 31 Dec 2020

M€	2021	2022	2023	2024	2025-
Commercial papers	15.0				
Loans from financial institutions	0.8	100.8	0.1	0.5	0.6
Lease liabilities	14.9	8.6	4.7	3.4	9.4
Bank overdrafts in use	0.0				
Accounts payable	83.9				
Derivative contracts					
Foreign currency derivatives					
- cash outflow	218.1				
- cash inflow	219.9				
Interest derivatives*)	0.5	0.5			
Electricity derivatives*)	0.2	0.0	0.1		

Contractual maturity of financial liabilities at 31 Dec 2019

M€	2020	2021	2022	2023	2024-
Loans from financial institutions	1.4	71.2	100.8	0.1	1.0
Lease liabilities	12.9	13.1	6.8	3.9	12.2
Other current and non-current interest-bearing liabilities	0.1				
Bank overdrafts in use	0.0				
Accounts payable	65.5				
Derivative contracts					
Foreign currency derivatives					
- cash outflow	210.2				
- cash inflow	211.1				
Interest derivatives*)	0.3	0.4	0.3		
Electricity derivatives*)	0.1				

*) under hedge accounting

Counterparty and credit risk

The counterparty risk related to financial instruments has been defined as the risk of the counterparty being unable or unwilling to fulfil its contractual obligations.

In order to minimise counterparty risks, the Group invests its cash reserves and makes derivative contracts using only counterparties who meet the Group's criteria for creditworthiness. The Group did not suffer any significant credit losses in its normal business operations during the financial year. The maximum counterparty risk is the book value of financial assets on 31 December 2020.

Potential concentrations of credit risk with respect to trade and other receivables are limited due to the large number and geographic dispersion of companies that comprise the Group's customer base. Customer credit limits are established and constantly monitored, and the evaluation of customers' financial conditions is performed on an ongoing basis. Most of Uponor's accounts receivable are secured by credit insurance. Group's expected credit loss is evaluated based on trade receivables of the lifetime expected credit losses according to IFRS 9. Group has analysed individually receivables, which are under juridical proceedings and has decided not to combine these credit loss provisions into expected credit loss model. Group's total credit loss provision is combination of individual cases provisions and evaluated expected credit loss, which is calculated separately for insured and uninsured receivables. The probability of a credit loss is calculated by the percentage determined for each age group by the specified percentages based on historically realised payments and recorded historical credit loss, in addition to which the Group has anticipated the increase in credit losses and has taken into account changes in the probability of credit losses. The simplified approach is used for evaluation.

The aging of accounts receivable

	2020		2019	
M€	Trade receivables	Expected uncollect-ible	Trade receivables	Expected uncollect-ible
Not yet due	144.6	0.0	137.7	0.0
Overdue 1-30 days	14.2	0.0	14.0	0.0
Overdue 31-60 days	1.9	0.0	1.8	0.0
Overdue 61-90 days	0.6	0.0	1.1	0.0
Overdue over 90 days	2.3	0.1	3.1	0.2
Total	**163.6**	**0.2**	**157.7**	**0.3**
Provision for impairment based on individual analyses		1.1		1.7
Total		**1.3**		**2.0**

Raw material price risk

In its business operations, the Group is exposed to raw material price risks including materials like plastics, aluminium, copper, zinc as well as electricity price risks. Such price risks are managed through long-term fixed-price supply contracts, whenever financially feasible. As far as the metals' price risk is concerned, LME-based (London Metal Exchange) financial instruments can be used to supplement fixed-price contracts. Hedge accounting is not applied to metals hedging via financial instruments.

Group Treasury is responsible for managing electricity price risks at the Nordic level within the framework defined in the Group hedging policy. Hedging targets are achieved mainly by using financial electricity derivative contracts. The Group applies hedge accounting to the electricity derivatives.

The table below presents the sensitivity of open electricity derivatives to fluctuations in electricity prices should the market price of electricity increase or decrease by 10 per cent, while other factors are expected to remain unchanged. These figures are calculated before taxes. Electricity derivatives recorded at fair value affect the profit and loss statement. Any changes in the value of electricity derivatives that meet the criteria for hedge accounting as set forth in IFRS 9 have an impact on shareholders' equity.

M€	2020	2019
Change in shareholders' equity	+/- 0.5	+/- 0.4

28. Derivative contracts and hedge accounting

Nominal value

M€	2020	2019
Interest rate derivatives:		
Interest rate swaps		
- under hedge accounting	50.0	50.0
Interest rate options		
- not under hedge accounting	20.0	45.0
Foreign currency derivatives:		
Forward agreements		
- not under hedge accounting	236.4	229.1
Currency options, bought	34.9	20.5
Currency options, sold	34.9	20.5
Commodity derivatives:		
Electricity derivatives		
- under hedge accounting	4.5	3.4
Energy, MWh	183,960	127,198

Fair value

M€	2020 Positive fair value	2020 Negative fair value	2020 Net fair value	2019 Positive fair value	2019 Negative fair value	2019 Net fair value
Interest rate derivatives:						
Interest rate swaps						
- under hedge accounting	-	-1.0	-1.0	-	-1.1	-1.1
Interest rate options						
- not under hedge accounting	-	-	-	0.0	-	0.0
Foreign currency derivatives:						
Forward agreements						
- not under hedge accounting	2.7	-0.9	1.8	1.8	-0.9	0.9
Currency options, bought	1.1	-	1.1	0.1	-	0.1
Currency options, sold	-	0.0	0.0	-	0.0	0.0
Commodity derivatives:						
Electricity derivatives						
- under hedge accounting	0.4	-0.3	0.1	0.7	-0.1	0.6

Changes in the fair values of electricity and interest rate derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective.

From electricity derivatives a loss of €0.4 (1.5) million was booked to other comprehensive income during the financial period.

From interest rate derivatives a gain of €0.1 (a loss of €0.3) million was entered into other comprehensive income during the financial period.

The tax impact has been taken into account in the amounts. No ineffectiveness has been booked.

29. Capital management

The purpose of the Group's capital management is to create an efficient capital structure in order to ensure normal operational preconditions and growth opportunities and, thereby, to increase long-term shareholder return.

In addition to investment decisions, dividend distribution is a key factor affecting the capital structure. The Group's long-term goal is to pay a basic dividend, which represents at least 50 per cent of annual earnings per share.

The Group's capital structure developments are monitored by means of gearing. Gearing is calculated by dividing net interest-bearing liabilities by total equity. Net interest-bearing liabilities include interest-bearing liabilities less cash and cash equivalents. The Group's target is to keep its average gearing between 40 and 80 per cent across quarters. In 2020, gearing average across quarters was 28.6 (57.5) per cent.

M€	2020	2019
Interest-bearing liabilities	153.0	215.2
Cash and cash equivalent	138.0	76.1
Net interest-bearing liabilities	15.1	139.1
Total equity	421.9	370.4
Gearing, %	3.6	37.6
Gearing across quarters, %	28.6	57.5

Group's financial agreements include typical covenant clauses regarding the gearing and interest cover ratio. The realised ratio levels have clearly fulfilled the covenant clauses.

30. Management incentive schemes and share-based payments

During the financial year 2020 Uponor's share-based plans had the earning periods 2017–2019, 2018–2020 and 2019–2021 and 2020–2022 in operation. In December, the Board decided on a new share-based plan for the performance period 2021–2023 but no costs were recognised in 2020. In the plans Uponor shares can be earned on the basis of performance criteria set for the performance period. The purpose of the plans is to retain key management, as well as to motivate and reward the management for good performance that supports the Group's profitability and the implementation of the Group's strategy. The targets for the earning periods launched since 2015 are mainly based on consolidated three-year cumulative Net Sales and three-year EBITDA or EBITDA-based intrinsic value. The plans also encourage the key management to further acquire and own Uponor's shares, which will contribute to aligning the interests of the management, the company and the shareholders. Key characteristics and terms of Uponor share-based plans are listed in the table below. The amounts include the cash portion intended for taxes arising from the reward to the participant.

Performance Share Plan

	2018–2020	2019–2021	2020–2022
Maximum amount, pcs	400,000	600,000	600,000
Launch date	12.12.2017	19.12.2018	16.12.2019
Start of the earning period	1.1.2018	1.1.2019	1.1.2020
Vesting date	30.4.2021	30.4.2022	30.4.2023
Maximum contractual life, yrs	3.3	3.3	3.3
Remaining contractual life, yrs	0.3	1.3	2.3
Number of persons at the end of the reporting year	36	38	42
Payment method	Shares and cash	Shares and cash	Shares and cash
Maximum amount outstanding at the end of the period	269,290	438,400	494,400

The fair value of share-based incentives have been determined at grant date and is expensed until vesting. The pricing of the share-based incentives granted during the period was determined by the following inputs and share-based incentives had the following effect:

Valuation parameters for instruments granted during period

Share price at grant, €	12.96
Expected dividends, per year €	1.58
Fair value per share, €	11.38

Effect of share-based incentives on the result and financial position during the period

M€	2020	2019
Expenses for the financial year, share-based payments, equity-settled	2.4	0.8
Estimated amount of taxes to be paid in the plans 31 December	5.6	1.7

31. Interests in subsidiaries and non-controlling interests

Subsidiaries are listed in the note 32 Related party transactions.

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

Financial information on subsidiaries, which has significant non-controlling interest

		Non-controlling interest, proportion of ownership		Profit for the period attributable to non-controlling interest, M€		Equity attributable to non-controlling interest, M€	
	Location	2020	2019	2020	2019	2020	2019
Uponor Infra Oy	Finland, Helsinki	44.7%	44.7%	7.5	3.0	65.1	58.8

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

M€	2020	2019
Net sales	252.0	243.9
Profit for the period	16.7	6.8
Total comprehensive income for the period	17.0	6.2
Profit for the period	16.7	6.8
- Equity holders of parent company	9.2	3.8
- Non-controlling interest	7.5	3.0
Total comprehensive income for the period	17.0	6.2
- Equity holders of parent company	9.4	3.4
- Non-controlling interest	7.6	2.8
Non-current assets	67.9	63.2
Current assets	125.6	109.7
Shareholders' equity	136.0	122.0
Non-current liabilities	4.9	4.9
Current liabilities	52.6	45.9
Cash flow from operations	28.7	11.3
Cash flow from investments	-12.6	-5.0
Cash flow from financing	-16.9	-4.8
Total cash flow	-0.8	1.5

In 2020, Uponor Infra Oy paid €3.0 million dividend to its owners. Uponor Infra Oy did not pay any dividends to its owners in 2019.

32. Related party transactions

Uponor Group's related parties include subsidiaries and associates as well as Board members, the President and CEO, and Executive Committee members.

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

Executive Committee and Board remuneration

Executive Committee remuneration, T€	2020	2019
Remuneration*)	2,263.7	3,153.8
Post-employment benefits		
- defined contribution plans	367.8	420.8
Share based benefits	464.1	322.8
Total	**3,095.6**	**3,897.4**

*) Remuneration includes termination benefit expenses

Executive Committee remuneration includes salaries, fringe benefits and short-term incentives.

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

Share-based benefits include payments relating to management long-term incentive schemes (further details in the note 30).

Remuneration of the President and CEO is also included in the table presented above.

Executive Committee remuneration: the President and CEO, T€

	2020	2019
Luomakoski Jyri, President and CEO	650.6	669.5
Shares received by the executive committee (number)		
Luomakoski Jyri, President and CEO	6,207	4,913
Other members of Excecutive Committee	15,506	7,381
Total	**21,713**	**12,294**

The retirement age of the President and CEO will be determined in accordance with the Employees' Pensions Act (TyEL), however the Group and the President and CEO may agree for the President and CEO to retire at the age of 63 years. The President and CEO's pension accrues in accordance with the Employee's Pensions Act (TyEL). The Group has also taken a defined contribution pension insurance for the President and CEO, to which the company paid €40,000 in 2020. The Group has further concluded a pension arrangement based on a capitalisation agreement for the benefit of the President and CEO, to which the Group paid €50,000 in 2020.

Board remuneration

	2020		2019	
	Gross annual fee (T€)	Shares received (number)	Gross annual fee (T€)	Shares received (number)
Paasikivi Annika, Chair	105.0	2,352	109.2	3,665
Aaltonen-Forsell Pia, Chair of the Audit Committee	60.9	1,333	63.9	2,077
Falk Johan, Audit Committee until 13 March 2020	52.9	1,202	58.9	1,873
Lengauer Markus	58.5	1,333	65.1	2,077
Lindholm Casimir	53.5	1,202	54.7	1,873
Marchi Michael G., from 16 March 2020, Audit Committee from 16 March 2020	51.1	1,202	-	-
Nygren Eva, until 16 March 2020	1.8	-	55.9	1,873
Total	**383.7**	**8,624**	**407.7**	**13,438**

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

Other related party disclosures

The Group had not issued any loans to the persons classified as related party on 31 December 2020 or 31 December 2019.

Persons classified as related party to the company have carried out minor transactions with companies belonging to the Group.

The shareholdings of the management and Board members are presented in Corporate Governance Statement.

Transactions with associated companies, M€

	2020	2019
Sales	0.7	0.7
Purchases	3.1	2.7
Balances at the end of period		
Accounts payable and other liabilities	0.1	0.1

Shares and holdings

Subsidiaries

Name	Country and domicile
Uponor Beteiligungs GmbH	Germany, Hassfurt
Uponor GmbH	Germany, Hassfurt
Uponor S.A.R.L.	France, Saint-Priest
Uponor S.r.l.	Italy, Vimercate
KaMo GmbH	Germany, Ehingen
Delta Systemtechnik GmbH (95% Uponor Beteiligungs GmbH, 5% KaMo GmbH)	Germany, Celle
Uponor Hispania, S.A.U.	Spain, Móstoles
Uponor A/S	Denmark, Brøndby
Uponor Eesti Oü	Estonia, Tallinn
Uponor Suomi Oy	Finland, Lahti
Uponor Hong Kong Ltd	Hong Kong
Uponor Kft. (Uponor Épuletgépészeti Korlátolt Felelösségu Társaság)	Hungary, Budapest
SIA Uponor Latvia	Latvia, Riga
UAB Uponor	Lithuania, Vilnius
Uponor, s.r.o.	Czech Rep., Prague
Uponor d.o.o	Croatia, Zagreb
Uponor AS	Norway, Vestby
Uponor Vertriebs GmbH	Austria, Wiener Neudorf
Uponor Sp. z o.o.	Poland, Błonie

Name	Country and domicile
Uponor Portugal - Sistemas para Fluídos, Lda. (99.97% Uponor Corporation, 0.03 % Uponor Hispania, S.A.U)	Portugal, V.N. Gaia
JSC "Uponor Rus"	Russia, Moscow
Uponor Innovation AB	Sweden, Borås
Uponor AB	Sweden, Virsbo
Uponor Limited	England, Watford
UPONOR, s.r.o.	Slovakia, Bratislava
Uponor NA Holding, Inc.	USA, Delaware
Uponor NA Asset Leasing, Inc.	USA, Delaware
Uponor NA Investment LLC	USA, Delaware
Uponor North America, Inc.	USA, Delaware
Tulsa Pipe Plant, Inc. (*)	USA, Delaware
Uponor Ltd.	Canada, Saskatchewan
Radiant Technology, Inc.	USA, Delaware
Uponor, Inc.	USA, Illinois
Uponor Innovations, LLC	USA, Delaware
Uponor Romania S.R.L.	Romania, Bucharest
Uponor Insurance Limited	Guernsey

Name	Country and domicile
Uponor Infra Oy (55.3% Uponor Corporation, 44.7% KWH Group Ltd)	Finland, Helsinki
Jita Oy	Finland, Virrat
Uponor Infra AB	Sweden, Virsbo
Uponor Infra A/S	Denmark, Holbæk
Uponor Infra AS	Norway, Vestby
Uponor Infra Ltd.	Canada, Mississauga
Uponor Infra Limited (*)	England, Milton Keynes
Uponor Infra Sp. z o.o.	Poland, Warsaw
Uponor Infra Oü	Estonia, Tallinn
Uponor Infra Marine Services Oy	Finland, Kotka
KWH PIPE (INDIA) LIMITED (*)	India, Mumbai
KWH Pipe Espana SA (*)	Spain, Madrid

Associated companies and joint ventures

Name	Country and domicile
Punitec GmbH & Co. KG (36%)	Germany, Gochsheim
Punitec Verwaltungs GmbH (36%)	Germany, Gochsheim
Phyn Oy (50%)	Finland, Helsinki
Phyn LLC (50%)	USA, Delaware

(*) Dormant company

33. The impacts of COVID-19

In 2020, COVID-19 restrictions and related economic uncertainty led to overall market slowness and uncertainties in Uponor's operating environment. During spring, demand for Uponor's solutions decreased due to the first wave of the pandemic, but after May, demand returned to normal seasonal level. Costs related to marketing activities (e.g. cancelled trade shows and customer events) and travelling were directly impacted by the pandemic creating savings of around €10 million. Starting in 2021, Uponor expects most of these costs to gradually reoccur.

Strong result and balance sheet creates a solid financial position for Uponor during the next phases of the pandemic and its implications. The outlook for 2021 still involves uncertainties regarding the impacts of the COVID-19 pandemic on Uponor's markets.

Annual impairment testing for goodwill has been prepared at year-end, based on which no need for impairment has been identified. Uponor's management has prepared different scenarios concerning the possible financial impacts of COVID-19. The management has utilised these scenarios to assess also fair values of assets, recoverability of deferred tax assets, contract modifications and expected credit losses. Based on these analyses, the management's judgement is that Uponor's liquidity and financial position has remained strong and the pandemic has had no impact on the valuation of Uponor's assets.

34. Events after the balance sheet date

There were no events to report on.

Parent company financial statements (FAS)

Parent company income statement

M€	Note	2020	2019
Net turnover	2	24.7	10.9
Other operating income	3	-	5.0
Staff expenses	4	11.4	7.8
Depreciation, amortization and reduction in value	5	0.7	0.3
Other operating expenses	3	18.0	15.1
Operating loss		**-5.4**	**-7.4**
Financial income and expenses	6	58.1	61.5
Profit before appropriations and taxes		**52.7**	**54.1**
Appropriations	7	0.1	3.3
Income taxes	8	0.6	0.0
Profit for the period		**53.4**	**57.4**

Parent company balance sheet

M€	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets			
Intangible rights		2.7	2.6
Total intangible assets	9	**2.7**	**2.6**
Tangible assets			
Machinery and equipment		0.2	0.4
Total tangible assets	9	**0.2**	**0.4**
Non-current investments			
Shares in subsidiaries		255.5	255.6
Shares in associated companies		3.1	2.6
Other shares and holdings		0.0	0.0
Loan receivables		80.7	254.7
Total non-current investments	10	**339.3**	**512.9**
Total non-current assets		**342.3**	**515.9**
Current assets			
Non-current receivables			
Deferred tax assets		0.3	0.3
Total non-current receivables	11	**0.3**	**0.3**
Current receivables			
Accounts receivable		3.4	1.9
Loan receivables		167.3	10.2
Prepayments and accrued income		2.3	1.9
Deferred tax assets		0.0	0.1
Other receivables		39.1	58.4
Total current receivables	12	**212.2**	**72.4**
Cash and cash equivalents		**122.7**	**61.9**

M€	Note	31 Dec 2020	31 Dec 2019
Total current assets		**335.3**	**134.6**
Total assets		**677.5**	**650.5**

M€	Note	31 Dec 2020	31 Dec 2019
Liabilities and shareholders’ equity			
Shareholders' equity			
Share capital		146.4	146.4
Share premium		50.2	50.2
Unrestricted equity		0.1	0.1
Retained earnings		130.5	111.4
Profit for the period		53.4	57.4
Total shareholders' equity	13	**380.7**	**365.6**
Accumulated appropriations			
Depreciation difference		0.4	0.5
Total accumulated appropriations		**0.4**	**0.5**
Provisions	14	**1.5**	**1.5**
Liabilities			
Non-current liabilities			
Loans from financial institutions		100.0	170.0
Total non-current liabilities	15	**100.0**	**170.0**
Current liabilities			
Accounts payable		2.5	2.4
Accruals and deferred income		4.5	3.6
Other liabilities		187.9	106.9
Total current liabilities	16	**195.0**	**112.9**
Total liabilities		**295.0**	**282.9**
Total liabilities and shareholders’ equity		**677.5**	**650.5**

Parent company cash flow statement

M€	2020	2019
Cash flow from operations		
Operating profit / loss	-5.4	-7.4
Depreciation	0.7	0.3
Other non-cash items	0.1	-0.1
Income taxes paid	0.6	0.0
Merger profit / loss	-	-4.1
Net cash from operations	**-4.1**	**-11.2**
Receivables, increase (-) / decrease (+)	-4.2	1.9
Non-interest-bearing liabilities, increase (-) / decrease (+)	15.6	-0.8
Cash pool receivables, increase (-) / decrease (+)	21.3	-8.1
Cash pool payables, increase (+) / decrease (-)	62.9	19.3
Change in working capital	**95.5**	**12.3**
Dividends received	51.8	58.9
Group contributions	0.2	2.5
Cash flow from operations	**143.4**	**62.5**
Cash flow from investments		
Purchase of fixed assets	-0.7	-0.2
Purchase of investments	-0.5	-
Granted loans	-5.5	-43.0
Loan repayments	9.3	45.9
Changes in investments in subsidiaries	-	-2.6
Repayment of equity - Group	-	0.0
Share divestments and result of subsidiary liquidations	0.2	-
Interests received	9.9	9.7
Dividends received	0.0	0.1
Cash flow from investments	**12.7**	**9.9**

M€	2020	2019
Cash flow before financing	**156.2**	**72.7**
Cash flow from financing		
Borrowings of debt	104.9	75.2
Repayments of debt	-160.1	-75.0
Change in other short term debt	0.0	0.0
Interests paid	-1.8	-1.3
Dividends paid	-38.7	-37.2
Change in treasury shares	0.3	0.2
Cash flow from financing	**-95.4**	**-38.1**
Change in cash and cash equivalents	**60.8**	**34.3**
Cash and cash equivalents at 1 January	61.9	27.6
Cash and cash equivalents at 31 December	122.7	61.9
Changes according to balance sheet	**60.8**	**34.3**

Notes to the parent company financial statements

1. Accounting Principles

The Parent Company's Financial Statements have been prepared according to Generally Accepted Accounting Principles in Finland. Uponor Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the parent company observes the Group's accounting policies whenever this has been possible. Presented below are the accounting policies in which the practice differs from the Group's accounting policies. In other respects, the Group's accounting policies are applied.

Net Sales

Parent Company's business consists of Group functions and turnover of the service charges to the Group companies

Income taxes

Income taxes presented in the income statement consist of accrued taxes for the financial year and tax adjustments for prior years.

Loan arrangement fee

Loan arrangement fee has been accrued linearly to current assets.

Pension arrangements

The Company's pension liabilities are handled through a pension insurance company. All expenses incurred in pension benefits are recorded as expenses in the period during which the corresponding work was performed.

Financial assets, financial liabilities and derivative contracts

Derivatives are measured at their fair value, which are based on market prices on the closing day in accordance with section 5.2 of the Finnish Accounting Act. Changes in the value of derivatives are recorded as gain or loss through profit and loss as financial income and expenses. Changes in the fair value of different derivative groups are shown in the Note 6. Parent company does not apply hedge accounting. Otherwise the methods of measuring derivative contracts are explained in the section on the Group's accounting standards. The fair values of different derivative groups are shown in the note 18. The use of derivatives is described in the note 28 in Group notes to the consolidated financial statements.

Leases

All leasing payments have been treated as rental expenses.

Shares in group companies

The balance sheet value of shares in group companies consists of historical costs less impairments.

2. Net turnover

M€	2020	2019
Income from services		
- From group companies	24.7	10.9
Total	**24.7**	**10.9**

3. Other operating income and expenses

M€	2020	2019
Other operating income		
Profit from merger *)	-	5.0
Total	**-**	**5.0**

*) Uponor Business Solutions Oy merged with Uponor Corporation as of 31 December 2019.

M€	2020	2019
Other operating expenses		
Travel expenses	0.1	0.4
Purchased services	7.7	5.5
Loss from merger *)	-	0.9
Other	10.1	8.2
Total	**18.0**	**15.1**

*) UWater Oy merged with Uponor Corporation as of 30 April 2019.

M€	2020	2019
Auditor's fees		
- Audit fees	0.1	0.1

4. Staff expenses

M€	2020	2019
Salaries and bonuses	9.7	6.7
Pension expenses	1.2	1.0
Other personnel expenses	0.5	0.1
Total	**11.4**	**7.8**
During financial period company employed:		
Employees, average	115	62
Salaries and emoluments paid to the President and CEO and the board of directors T€ *)		
President and CEO	650.6	669.5
Board of Directors	383.7	407.7
Total	**1,034.3**	**1,077.2**

*) specification per persons has been reported in the notes of the consolidated financial statements

Loans to company directors

At 31 December 2020, neither the President and CEO of the company nor the members of the Board of directors had loans outstanding from the company or its subsidiaries.

President and CEO's pension obligations

The retirement age of the President and CEO will be determined in accordance with the Employees' Pensions Act (TyEL), however both the Company and the President and CEO may agree on the President and CEO to retire at the age of 63 years.

The President and CEO's pension accrues in accordance with the Employee's Pensions Act (TyEL). The company has also taken out a defined contribution pension insurance for the President and CEO, to which the company paid €40,000 in 2020. The Company has further concluded a pension arrangement based on a capitalisation agreement for the benefit of the President and CEO, to which the company paid €50,000 in 2019. In 2020 the company payment was €50,000.

5. Depreciations

M€	2020	2019
Intangible assets	0.5	0.1
Tangible assets	0.1	0.2
Total	**0.7**	**0.3**

6. Financial income and expenses

M€	2020	2019
Interest income	0.1	0.1
Intercompany interest income	9.7	10.3
Dividend income	0.0	0.1
Dividend income from subsidiaries	51.8	58.9
Interest expenses	-2.2	-3.3
Intercompany interest expenses	-0.1	-0.5
Other financial income	0.2	2.5
Other financial expenses	-0.1	-0.1
Impairments on non-current investments	0.0	-2.3
Gains and losses from derivatives		
Realised	8.1	-8.1
Unrealised	1.1	0.9
Exchange differences		
Realised	-0.6	0.9
Unrealised	-10.0	2.1
Financial income and expenses total	**58.1**	**61.5**

7. Appropriations

M€	2020	2019
Change in depreciation difference	0.1	0.1
Group contributions	-	3.2
Total	**0.1**	**3.3**

8. Income taxes

M€	2020	2019
For the financial period	0.0	-
For previous financial periods	0.6	0.0
Change in deferred taxes	0.0	0.0
Total	**0.6**	**0.0**

9. Intangible and tangible assets

2020 M€	Intangible rights	Machinery and equip-ment	Intangible and tangible assets
Acquisition costs 1 Jan	45.3	2.0	47.3
Increases	0.7	0.0	0.7
Decreases	0.1	0.0	0.1
Acquisition costs 31 Dec	45.9	2.0	47.9
Accumulated depreciations 1 Jan	42.7	1.6	44.3
Depreciation for the financial period	0.5	0.1	0.7
Accumulated depreciations 31 Dec	43.2	1.7	45.0
Book value 31 December	**2.7**	**0.2**	**2.9**

2019 M€	Intangible rights	Machinery and equip-ment	Intangible and tangible assets
Acquisition costs 1 Jan	3.3	1.0	4.3
Increases	0.0	0.1	0.2
Merger additions	42.0	0.8	42.8
Acquisition costs 31 Dec	45.3	2.0	47.3
Accumulated depreciations 1 Jan	2.8	0.6	3.5
Depreciation for the financial period	0.1	0.2	0.3
Merger additions	39.8	0.8	40.6
Accumulated depreciations 31 Dec	42.7	1.6	44.3
Book value 31 December	**2.6**	**0.4**	**2.9**

Merger additions consist of assets moved in the UWater Oy merger 30 April 2019 and merger with Uponor Business Solutions Oy 31 December 2019.

10. Non-current investments

M€	2020	2019
Shares in subsidiaries book value 1 Jan	255.6	256.3
Increases	0.0	2.6
Decreases	0.1	0.0
Shares in subsidiaries acquisition cost 31 Dec	255.5	258.8
Impairments	-	3.2
Shares in subsidiaries book value 31 Dec	255.5	255.6
Associated companies 1 Jan	2.6	2.6
Increases	0.5	-
Associated companies 31 Dec	3.1	2.6
Other shares and holdings 1 Jan	0.0	0.0
Other shares and holdings 31 Dec	0.0	0.0
Loans receivables		
- From group companies	80.4	254.5
- Others	0.2	0.2
Loan receivables total	80.7	254.7
Total	**339.3**	**512.9**

Impairments in subsidiary shares in 2019 were related to Uponor Pty Ltd. and eliminations due to mergers.

11. Non-current receivables

M€	2019	2019
Deferred tax assets	0.3	0.3
Total	**0.3**	**0.3**

Deferred tax asset is recorded for provisions in the balance sheet.

12. Current receivables

M€	2020	2019
From group companies		
- accounts receivable	3.4	1.9
- loan receivable	167.3	10.2
- deferred tax assets	0.0	0.1
- prepayments and accrued income	0.8	0.9
- cash pool receivables	32.1	53.4
- other receivables	2.1	2.1
Total	**205.8**	**68.6**
From external parties		
- accounts receivable	0.0	0.0
- prepayments and accrued income	1.5	1.0
- other receivables	4.9	2.8
Total	**6.4**	**3.8**
Total current receivables	**212.2**	**72.4**
Prepayments and accrued income		
Interest income	0.8	0.9
Taxes	0.0	0.0
Others	1.5	1.0
Total	**2.3**	**1.9**

13. Changes in equity

M€	2020	2019
Restricted equity		
Share capital on 1 January	146.4	146.4
Share capital on 31 December	146.4	146.4
Share premium on 1 January	50.2	50.2
Share premium on 31 December	50.2	50.2
Total restricted equity	**196.6**	**196.6**
Unrestricted equity		
Unrestricted equity 1.1.	0.1	0.1
Unrestricted equity 31.12.	0.1	0.1
Retained earnings 1 January	168.9	148.4
Dividend payments	-38.7	-37.2
Treasury shares	0.3	0.2
Retained earnings 31 December	130.5	111.4
Profit for financial period	53.4	57.4
Total unrestricted equity	**184.0**	**168.9**
Shareholders' equity 31 December	**380.7**	**365.6**
Distributable funds		
Unrestricted equity	0.1	0.1
Retained earnings	132.2	113.4
Profit for the period	53.4	57.4
Treasury shares	-1.7	-2.0
Distributable funds 31 December	**184.0**	**168.9**

14. Provisions

M€	2020	2019
Environmental provision	1.5	1.5
Total	**1.5**	**1.5**

15. Non-current liabilities

M€	2020	2019
Loans from financial institutions	100.0	170.0
Total	**100.0**	**170.0**

Maturity of non-current interest bearing liabilities

M€	2021	2022	2023	2024
Loans from financial institutions	-	100.0	-	-
Total	**-**	**100.0**	**-**	**-**

16. Current liabilities

M€	2020	2019
From group companies		
- accounts payable	0.4	0.6
- cash pool payables	159.6	96.8
- other current liabilities	10.5	7.1
Total	**170.6**	**104.4**
From external parties		
- accounts payable	2.1	1.8
- accruals and deferred income	4.5	3.6
- other current liabilities	17.8	3.1
Total	**24.4**	**8.5**
Total current liabilities	**195.0**	**112.9**

M€	2020	2019
Accrued liabilities		
Staff expenses	1.5	1.3
Bonuses	1.8	1.1
Taxes	0.1	0.1
Interest	0.5	0.6
Others	0.6	0.5
Total	**4.5**	**3.6**

17. Contingent liabilities

M€	2020	2019
- on behalf group companies		
Guarantees issued	25.0	47.6
Guarantees issued	**25.0**	**47.6**
Operating lease commitments		
Due within next 12 months	0.2	0.2
Due later	0.1	0.1
Total lease commitments	**0.3**	**0.3**

The parent company has a 10 years fixed-term rental agreement on its premises which rental period started on 1 March 2013, a 5 years fixed-term rental agreement which started 1 October 2019 and a 2 years fixed-term rental agreement which started 1 October 2020.

M€	2020	2019
Rental lease obligations		
Due within next 12 months	0.7	0.6
Due later	0.8	1.3
Total rental lease obligations	**1.5**	**1.9**
Total	**26.7**	**49.8**

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

18. Derivative contracts

	2020	2019
M€	Nominal value	
Interest derivatives:		
Interest rate swaps	50.0	50.0
Interest rate options	20.0	45.0

	2020	2019
	Fair value	
Interest derivatives:		
Interest rate swaps	-1.0	-1.1
Interest rate options	-	0.0

	2020	2019
	Nominal value	
Foreign currency derivatives:		
Forward agreements	236.4	229.1
Intragroup forward agreements	108.1	119.6
Commodity derivatives:		
Electricity derivatives	4.5	3.4
Energy (MWh)	183,960	127,198

	2020	2019
	Fair value	
Foreign currency derivatives:		
Forward agreements	1.8	0.9
Intragroup forward agreements	0.2	1.1
Currency options, bought	1.1	0.1
Currency options, sold	0.0	0.0
Commodity derivatives:		
Electricity derivatives	0.1	0.6

Maturity of derivatives is presented in group financial statements note 27.

Proposal of the Board of Directors

The distributable funds of the parent company, Uponor Corporation are € 184,024,843.81, of which profit for the period is € 53,446,387.07

The Board of Directors proposes to the Annual General Meeting that

-a dividend of € 0.57 per share will be paid, at maximum	€ 41,622,527.46
-the remainder be retained in the shareholders' equity	€ 142,402,316.35
	€ 184,024,843.81

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

Vantaa, 10 February 2021

Annika Paasikivi	Markus Lengauer	Pia Aaltonen-Forsell	Johan Falk	Casimir Lindholm	Michael G. Marchi	Jyri Luomakoski
Chair	Deputy Chair					President and CEO

Auditor’s report

To the Annual General Meeting of Uponor Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Uponor Oyj (business identity code 0148731-6) for the year ended 31 December 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company’s balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 5 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter	How the matter was addressed in the audit
Valuation of goodwill (refer to accounting principles for the consolidated financial statements and note 11)	
At the end of the financial year, the group had EUR 86 million of goodwill. Goodwill is tested for impairment when indicators of impairment exist, or at least annually. Goodwill impairment testing is conducted by comparing the carrying value with the recoverable amount using a discounted cash flow model. Determining the key assumptions used in the impairment tests requires management judgement and estimates especially relating to long term growth, profitability and discount rates. Valuation of goodwill is considered a key audit matter due to the significant carrying values and high level of management judgement involved.	We assessed the impairment tests prepared by the Company. Our detailed audit work with the involvement of KPMG valuation specialists included testing the integrity of the calculations and the technical model. We challenged the assumptions used by management in respect of forecasted growth rates and profitability as well as the appropriateness of the discount rates used. We also validated the assumptions used in relation to market and industry information. We also evaluated the cash flows used by comparing them to the group's budgets, to the strategic plans and the understanding we gained from our audit. Furthermore, we have considered the adequacy of the group's disclosures in respect of the impairment testing.

The key audit matter	How the matter was addressed in the audit
Revenue recognition (refer to accounting principles for the consolidated financial statements and note 2)	
Group's revenue is generated in multiple markets with different contractual terms. Revenue is composed of sales of manufactured goods and rendering of services including project business and water monitoring services. The revenue earned from the sale of goods is recognised when the control associated with ownership is transferred to the buyer in accordance with the terms of delivery and customer acceptance. Revenue for rendering of services including project business is recognised over time. In general, revenue recognition within the group is not complex, but the large volumes of transactions and the fact that the revenue is generated through subsidiaries in different countries and markets makes revenue recognition an area of focus in the audit and is therefore determined as a key audit matter	We have on assessed group's revenue recognition principles in relation to IFRS standards and appraised overall view on revenue recognition and compliance with group revenue recognition principles. During our audit we have focused on determination of performance obligations, timing of revenue recognition, variable considerations in relation to rebates, returns, and refunds including judgements made by the management. We have performed testing of internal controls related to revenue recognition as well as performed substantive procedures such as testing of sales agreements and year-end transactions (cut-off and accruals).

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 16, 2020, and our appointment represents a total period of uninterrupted engagement of 1 year.

Other information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO should be discharged from liability for the financial period audited by us.

Helsinki, 10 February 2021

KPMG OY AB

Anders Lundin
Authorised Public Accountant, KHT

uponor

Moving
> Forward

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