

Uponor

Half year financial report

1-6/2018

Jyri Luomakoski – President and CEO, Uponor Corporation
Maija Strandberg – CFO, Uponor Corporation



Q2/2018: Growth was driven by Uponor Infra's strong performance

April - June, M€	4-6/ 2017	4-6/ 2018	Change
Net sales	308.4	324.9	5.3%
Operating profit	22.9	28.0	22.3%
Comparable operating profit	23.8	28.0	17.9%

Net sales

- Net sales of Building Solutions – Europe grew moderately in most of the European markets
- Net sales of Building Solutions – North America grew although the biggest customers had already been building up their stocks in Q1
- Uponor Infra's net sales grew, particularly in North America, Sweden and Poland

Operating profit

- Building Solutions – Europe's profitability was impacted by higher raw material prices and promotional activities
- Operating profit of Building Solutions – North America declined due to rising raw material costs and freight rates as well as start-up costs from the Hutchinson manufacturing facility
- Improvements in both North America and Europe increased Uponor Infra's operating profit

Development by segment: Building Solutions – Europe

- Market environment remains positive
 - Bottle necks in planning and installation capacity
- Temporary production challenges in prefabricated production in Germany impacted on net sales
- Modernisation of fitting production line in Hassfurt finalised, enabling more efficient production process



Development by segment: Building Solutions – North America

- Despite increasing competition, the business environment has stayed healthy
- Successful start-up of new Hutchinson manufacturing facility ahead of schedule
 - Start-up costs burdened profitability
- Sales of Phyn Plus smart water monitoring and shut-off device began



Development by segment: Uponor Infra

- Market demand has been strong in North America, Sweden and Poland
- Benefits from the transformation programme are clearly visible in Europe
- Growth in the share of higher margin products in the sales mix



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Financial statements

Maija Strandberg – CFO, Uponor Corporation

1–6 / 2018

January – June 2018: Key figures

Uponor Group		1-6 2017	1-6 2018	Change Y/Y	1-12 2017
Net sales	M€	573.5	601.8	+4.9%	1,170.4
Operating profit	M€	37.5	45.0	+19.9%	95.9
Comparable operating profit	M€	38.8	45.0	+16.0%	97.2
Comparable operating profit margin	%	6.8%	7.5%	0.7% pts	8.3%
Earnings per share (diluted)	€	0.29	0.30	+3.4%	0.83
Return on equity (p.a.)	%	13.6%	15.4%	+1.8% pts	19.4%
Return on investment (p.a.)	%	13.6%	13.5%	-0.1% pts	16.3%
Net interest bearing liabilities	M€	208.9	218.3	+4.5%	151.5
Gearing	%	67.6%	64.2%	-3.4% pts	43.5%
Net working capital of net sales (p.a.)	%	13.5%	14.0%	+0.5% pts	10.4%
Number of employees, end of period	FTE	4,077	4,351	+6.7%	4,075

April – June 2018:

Income statement

Uponor Group, M€	4-6 2017	4-6 2018	Change Y/Y
Net sales	308.4	324.9	+5.3%
Cost of goods sold	210.0	217.6	+3.6%
Gross profit	98.4	107.3	+9.1%
Gross profit margin (%)	31.9%	33.0%	+1.1% pts
Other operating income	2.3	0.2	-89.9%
Expenses	77.8	79.5	+2.4%
Operating profit	22.9	28.0	+22.3%
Operating profit margin (%)	7.4%	8.6%	+1.2% pts
Financial expenses, net	1.2	2.7	+108.9%
Share of result in associated companies	-0.6	-0.9	-56.1%
Profit before taxes	21.1	24.4	+16.3%
Profit for the period	14.3	17.3	+20.8%
EBITDA	33.1	37.6	+13.6%

- Net sales**
 Negative translation impact from USD, CAD and SEK vs last year. In constant currency terms, net sales growth was 9.6%
- Comparable gross profit** came to €107.3 (99.2) million, with the comparable gross profit margin improving slightly to 33.0% (32.1%).
- Comparable operating profit** came to €28.0 (23.8) million, a change of 17.9%

January – June 2018:

Income statement

Uponor Group, M€	1-6 2017	1-6 2018	Change Y/Y	1-12 2017
Net sales	573.5	601.8	+4.9%	1,170.4
Cost of goods sold	383.7	401.3	+4.6%	776.3
Gross profit	189.8	200.5	+5.7%	394.1
Gross profit margin (%)	33.1%	33.3%	+0.2% pts	34.5%
Other operating income	2.6	0.3	-88.8%	3.1
Expenses	154.9	155.8	+0.7%	301.2
Operating profit	37.5	45.0	+19.9%	95.9
Operating profit margin (%)	6.5%	7.5%	+0.9% pts	5.5%
Financial expenses, net	4.0	4.4	+7.1%	5.4
Share of result in associated companies	-1.1	-3.0	-171.2%	-2.3
Profit before taxes	32.4	37.6	+16.3%	88.2
Profit for the period	21.7	26.5	+22.4%	65.4
EBITDA	57.1	64.2	+12.3%	135.1

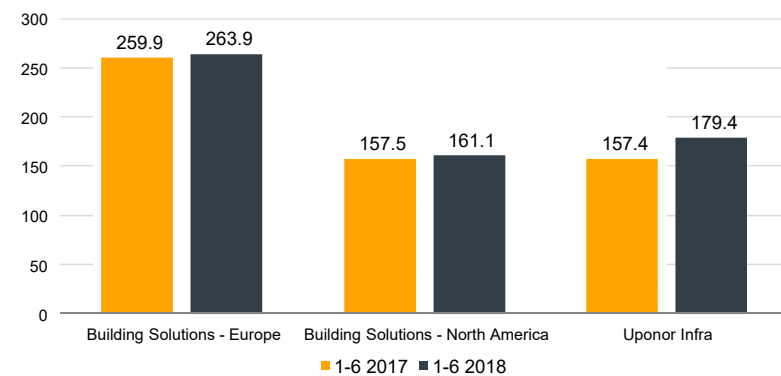
- **Net sales** grew 9.4% in constant currency terms – A negative currency impact of €25.4 million mainly driven by the USD, CAD and SEK
- **Comparable gross profit margin** stayed on par 33.3% (33.3%) year-on-year.
- **Comparable operating profit** came to €45.0 (38.8) million, a change of 16.0%

January – June 2018:

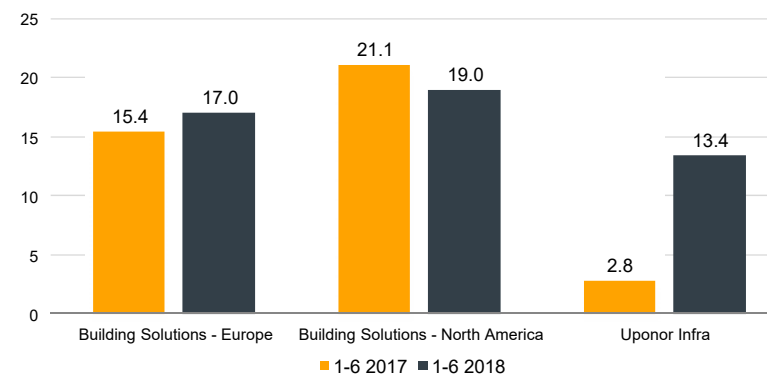
Net sales & operating profit by segment

Currency: M€

Net sales



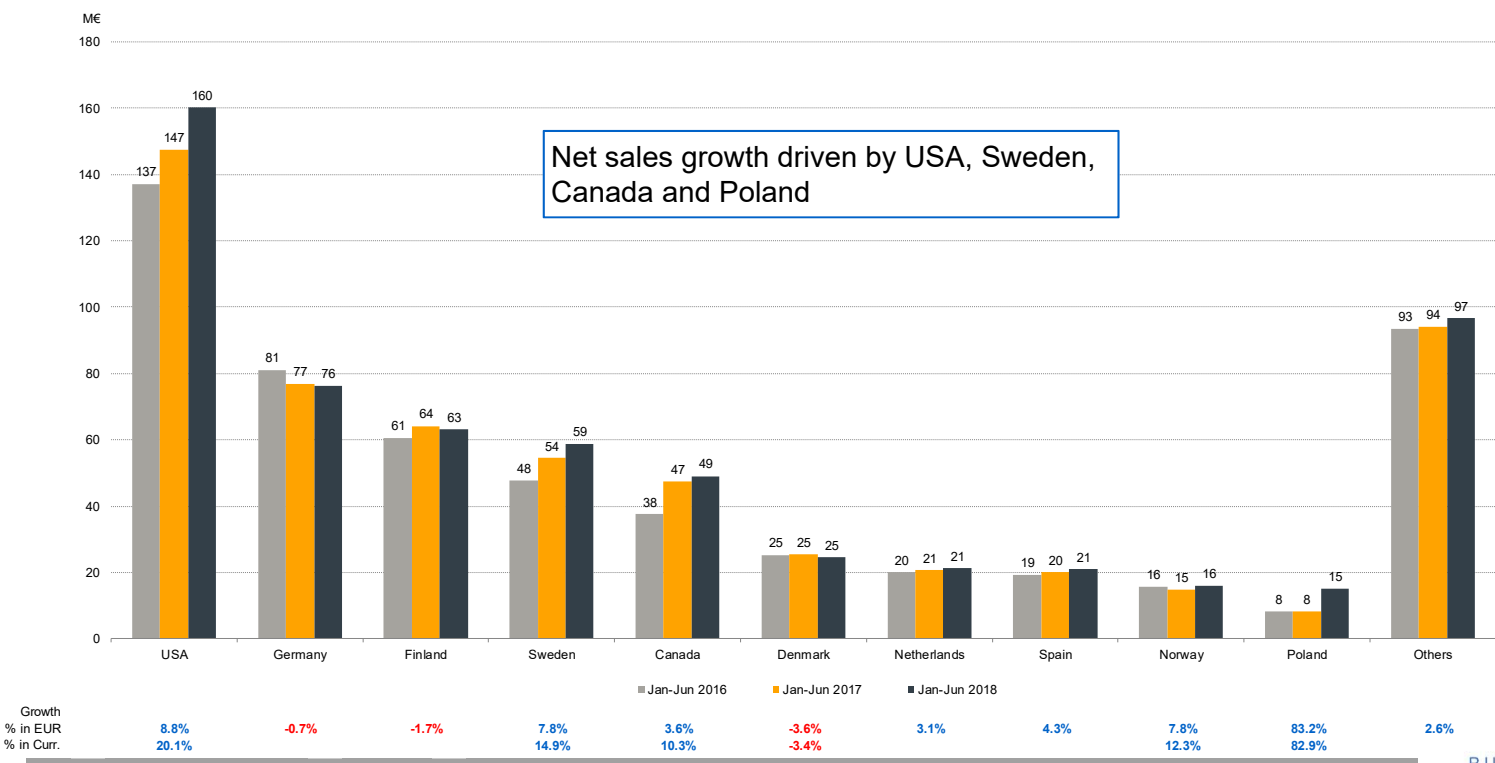
Operating profit



- **Building Solutions – Europe**’s net sales grew in most of the European markets but the increasing raw material prices and promotional activities had an impact on operating profit
- **Building Solutions – North America**’s net sales grew but the rising level of freight rates as well as the start-up costs of the new manufacturing facility in Hutchinson reduced operating profit. On the positive side, the start-up of Hutchinson in the second quarter was successful and ahead of schedule
- **Uponor Infra** benefited from strong sales in both North America and Europe. Also growing the share of higher margin products in the sales mix improved the comparable operating profit

January – June 2018

Net sales development by key markets



January – June 2018: Balance sheet

Uponor Group, M€	30 Jun 2017	30 Jun 2018	Change Y/Y	31 Dec 2017
Property, plant and equipment	233.8	259.9	+26.1	252.2
Intangible assets	117.3	113.4	-3.9	116.0
Securities and long-term investments	31.9	26.8	-5.1	20.2
Inventories	146.7	158.4	+11.7	132.7
Cash and cash equivalents	24.3	32.1	+7.8	107.0
Other current and non-current assets	271.9	314.5	+42.6	237.7
Assets total	825.9	905.1	+79.2	865.8
Total equity	309.0	339.8	+30.8	348.4
Non-current interest-bearing liabilities	77.5	176.6	+99.1	176.6
Provisions	28.0	28.8	+0.8	28.9
Non-interest-bearing liabilities	255.7	286.1	+30.4	230.0
Current interest-bearing liabilities	155.7	73.8	-81.9	81.9
Shareholders' equity and liabilities total	825.9	905.1	+79.2	865.8

- Investments were mainly related to capacity expansion and efficiency improvement
- Uponor invested a further USD 10 million (€8.1million) in Phyn in February 2018, bringing total to USD 25 million
- Repayment of €80 million bond in June was mostly covered by issuing commercial papers of €70 million
- €35.8 million in dividends was declared
- Two instalments: 1st part was paid in March, 2nd scheduled for September
- Gearing at 64.2% (67.6%), four-quarter rolling gearing at 55.6% (61.9%)

January – June 2018: Cash flow

Uponor Group, M€	1-6 2017	1-6 2018	Change Y/Y	1-12 2017
Net cash from operations	+59.2	+60.7	+1.5	+141.8
Change in NWC	-45.9	-60.5	-14.6	-7.2
Net payment of income tax and interest	-11.8	-16.7	-4.9	-33.1
Cash flow from operations	+1.5	-16.5	-18.0	+101.5
Cash flow from investments	-16.8	-32.3	-15.5	-59.5
Cash flow before financing	-15.3	-48.8	-33.5	+42.0
Dividends paid	-33.6	-17.6	+16.0	-33.6
Other financing	+57.3	-8.4	-65.7	+82.6
Cash flow from financing	+23.7	-26.0	-49.7	+49.0
Conversion differences	-0.4	-0.1	+0.3	-0.3
Change in cash and cash equivalents	+8.0	-74.9	-82.9	+90.7

- Gross investments came to €24.9 (19.3) million
- Cash flow from business operations came to €-16.5 million, due to an increase in net working capital
- Cash flow from financing includes the first dividend instalment of a total of €35.8 million











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Outlook for the future

Jyri Luomakoski – President and CEO, Uponor Corporation

Leading indicators: Still solid, but moderating from recent highs

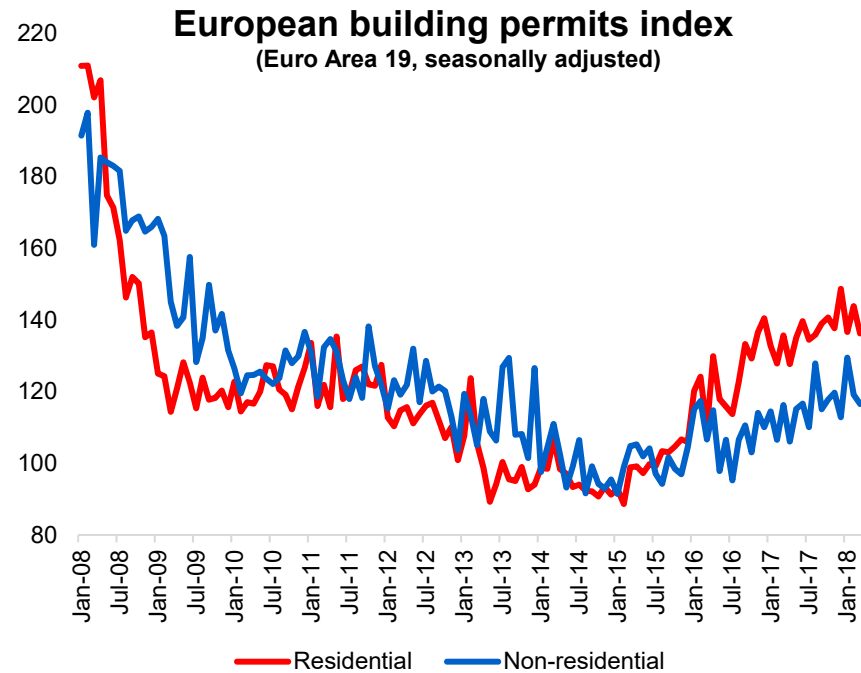
	Indicator	YTD % Change	Rolling 12-month % Change	Data through	Trend since Q1 update
 USA	Housing starts	+20% ¹⁾	N/A	May 2018	➔
 Germany	Housing permits	0%	-4%	April 2018	➔
 Finland	Housing permits	-7%	+8%	April 2018	➡
 Sweden	Housing starts	-14%	0	March 2018	➡
 Canada	Housing starts	0% ¹⁾	N/A	May 2018	➔
 Denmark	Construction index	-7%	N/A	April 2018	➔
 Netherlands	Housing permits	+10%	+9%	April 2018	➔
 Spain	Housing permits	+23%	+39%	April 2018	➔
 Norway	Housing starts	-18%	-14%	May 2018	➔
 Poland	Housing completions	+10%	+10%	February 2018	➔

¹⁾ Seasonally adjusted, annualised rate vs. same month in previous year

Source: National Statistics Offices

Residential building permits remain strong in Europe, but may have plateaued

- Residential permits for January to March 2018 increased from the same period in 2017, but have retreated from the 10-year high seen in December 2017
- Developments in the more volatile non-residential segment have been mixed, but permit activity seems to be trending upward overall



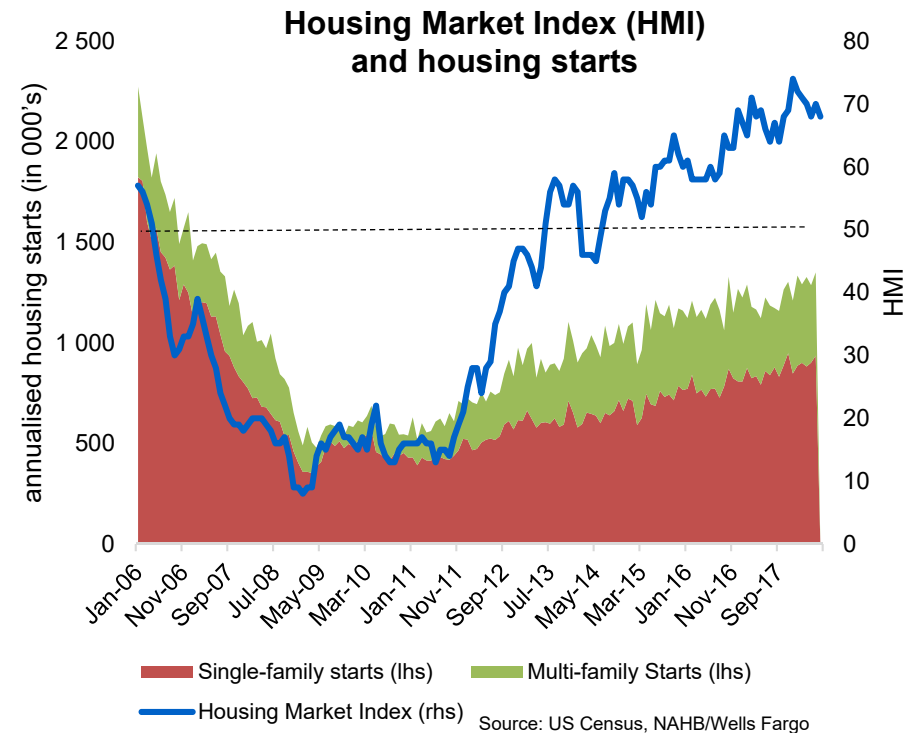
Source: Eurostat (Base year = 2015)

USA – strong economic growth continues

Private consumption and, especially, business investments appear to be gaining strength from recent tax cuts, contributing to strong economic growth

Within the construction industry:

- Construction spending through May rose in nearly every residential and non-residential segment
- Builder confidence remains high, but has fallen slightly in part because of increasing input prices

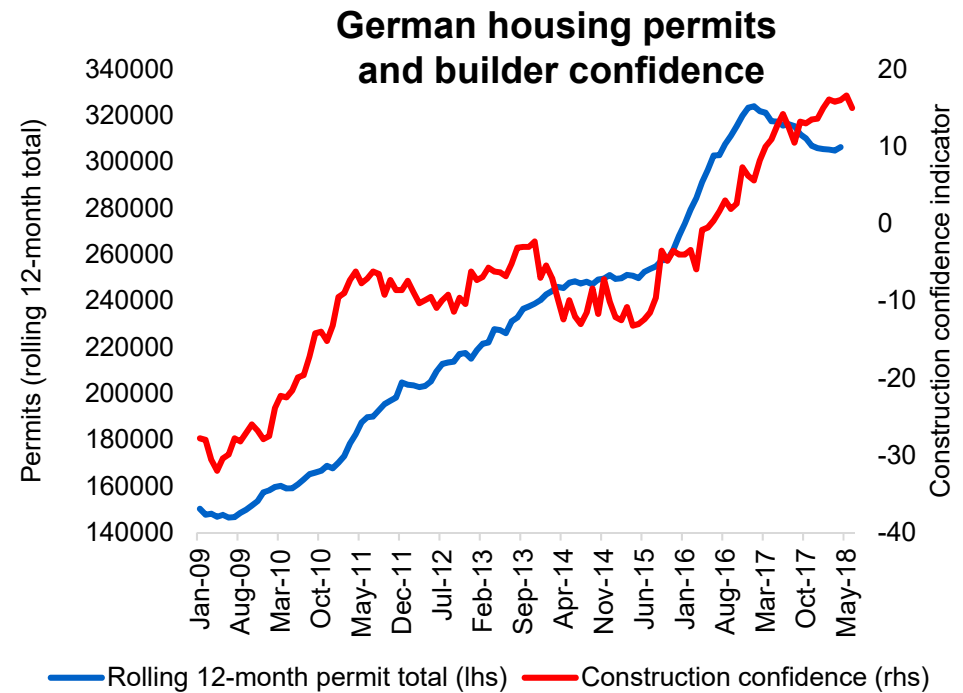


Germany – construction confidence remains at high level

Private consumption continues to drive growth in the economy. However, some signs of weakness are present in the business sector, with investor confidence at a 5-year low and factory orders falling

Within the construction industry:

- Construction confidence remains at all-time highs
- Although permit levels have fallen, the skilled labour shortage means a significant backlog still exists



Source: Destatis and Eurostat

Management agenda for H2/2018

- Selling price management in all segments to reflect the impacts of rising raw material costs and freight rates
- Driving our digital agenda forward, including promotion of Phyn in North America and preparation of its European launch
- While the BLD E transformation programme was carried out in line with the plans, further review of the operational footprint still needs to be done
- Secure that the good start of operations in Hutchinson continues



Guidance 2018

- No signs of construction markets getting weaker in Europe or North America. Going forward, one should take a note that the comparison period in the third quarter 2017 was exceptionally strong after the recovery from the temporary production issue in Building Solutions – North America in April 2017
- The Group's capital expenditure, excluding any investment in shares, will remain at roughly the same level as in 2017, mainly driven by the capacity expansion programme in North America
- Assuming that economic development in Uponor's key geographies continues undisturbed, Uponor repeats its earlier, full-year guidance for 2018:

Excluding the impact of currencies, the Group's net sales and comparable operating profit are expected to improve from 2017

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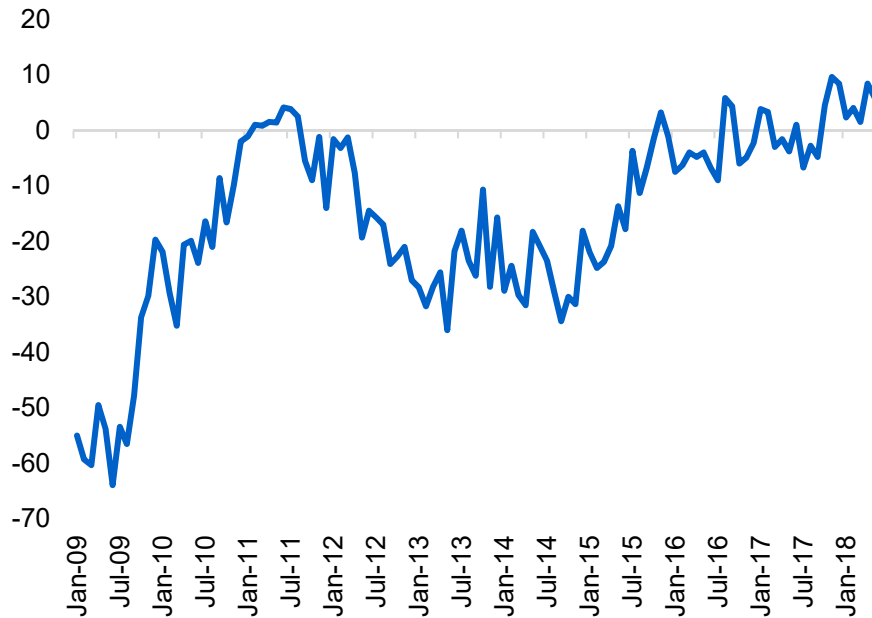


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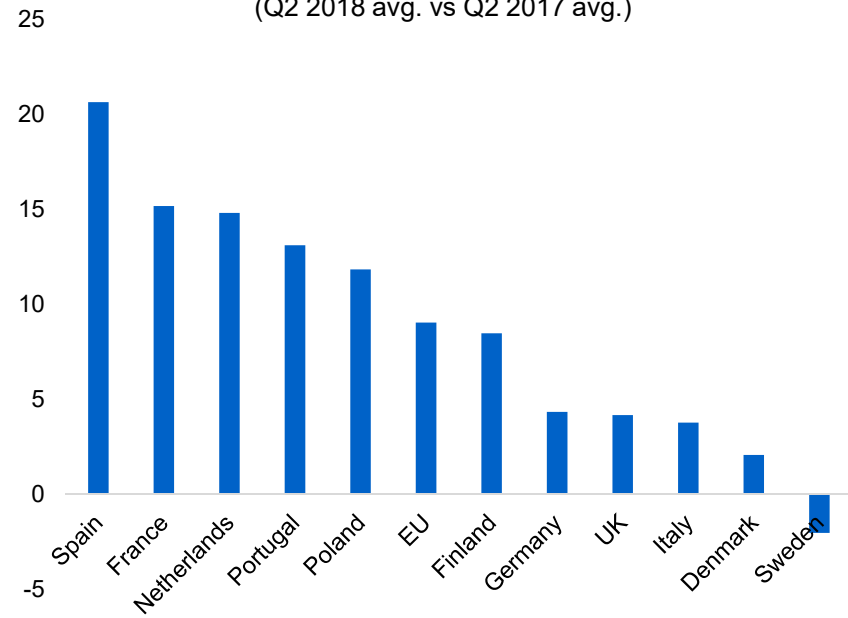
Appendix

Builder confidence in Europe has improved overall

EU construction confidence index



Change in construction confidence index
(Q2 2018 avg. vs Q2 2017 avg.)



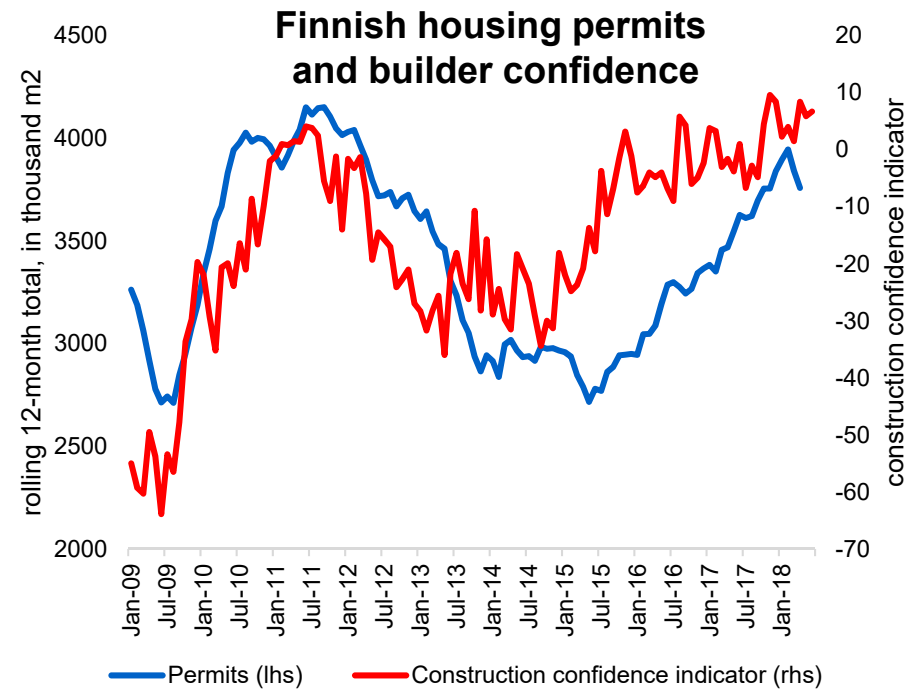
Source: Eurostat

Finland - fundamentals are solid, but leading indicators point to moderation in the construction industry

The economy is growing at a robust pace, driven by elevated levels of construction and improved exports

Within the construction industry:

- Builders remain confident and construction turnover has grown from 2017, but they also report some slowing of building activity over recent months
- Building permits in both the residential and non-residential segments have slowed from the comparison period in 2017



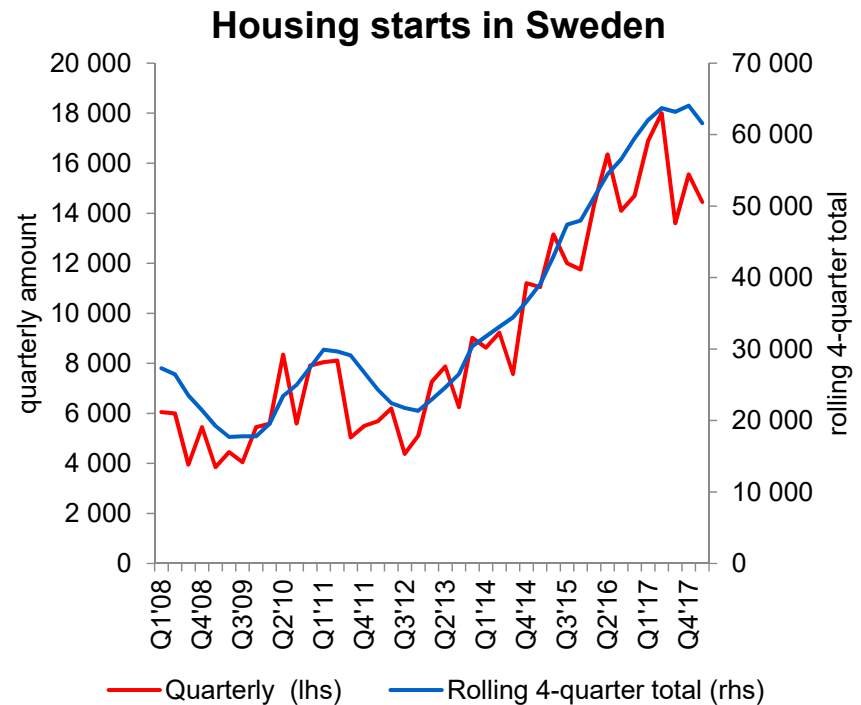
Source: Statistics Finland & Eurostat

Sweden - fundamentals remain generally solid, but downside risks have increased

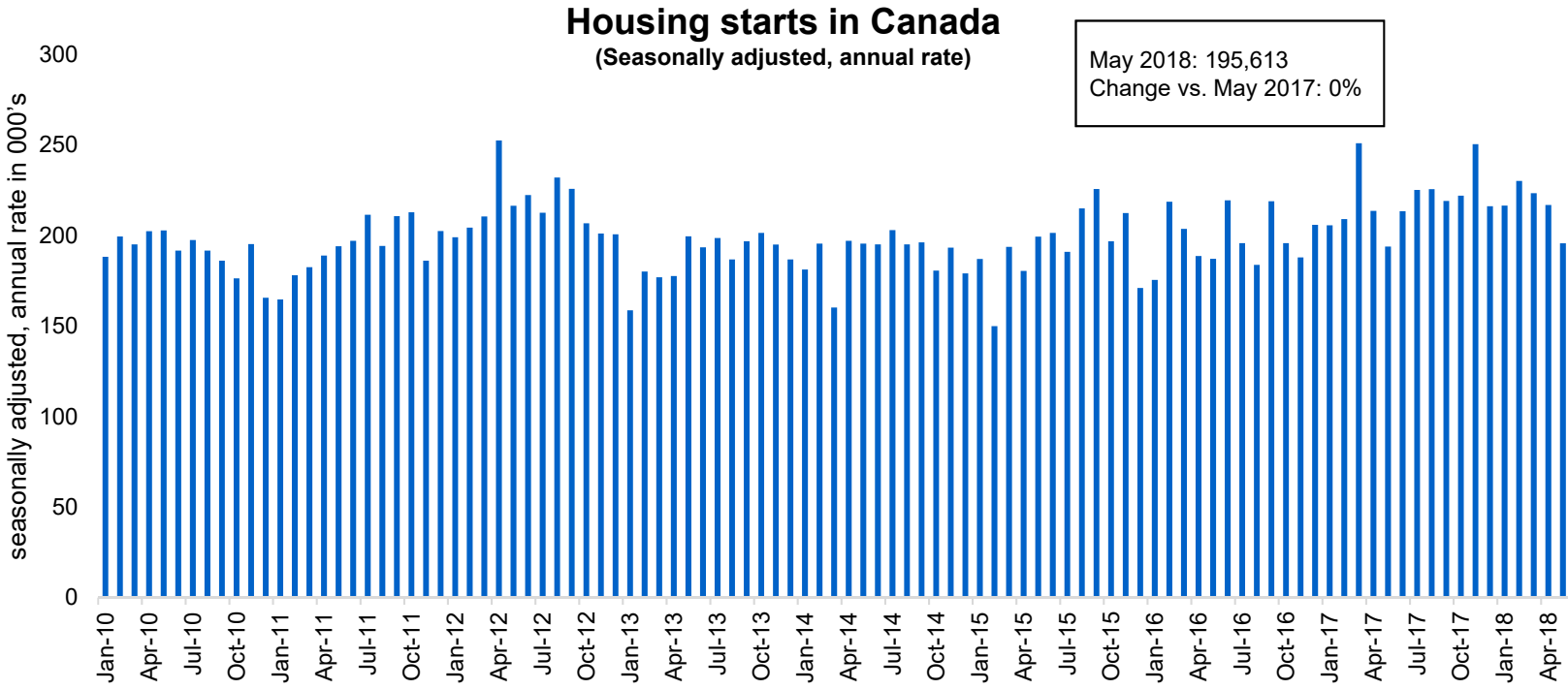
Despite a clear increase in downside risks and concerns about household debt, the economy and the labour market remain strong

Within the construction industry:

- Builder confidence has trended downwards, but remains relatively high
- The upward trend in housing starts has reversed course (see chart) and builders report some slowing in building activity
- The civil engineering segment is experiencing healthy growth



Canada

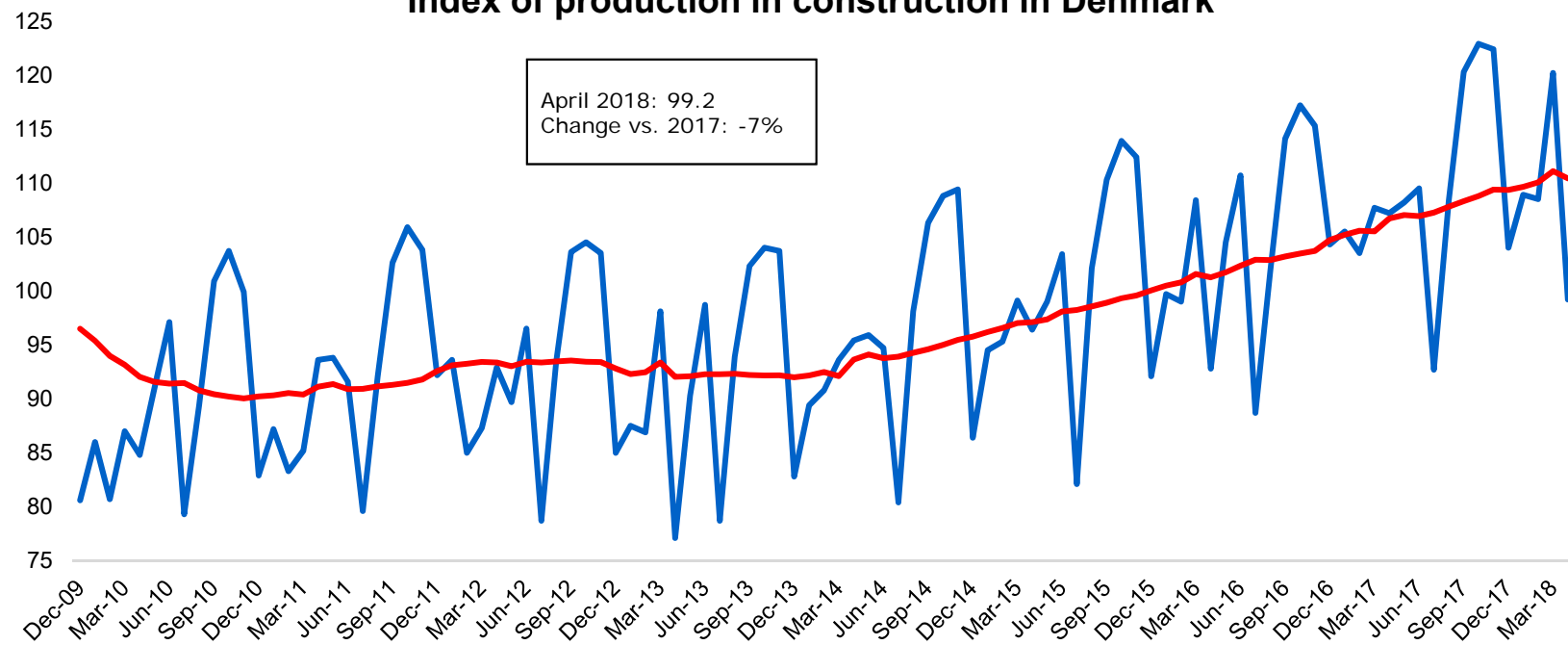


Source: CMHC/ Statistics Canada



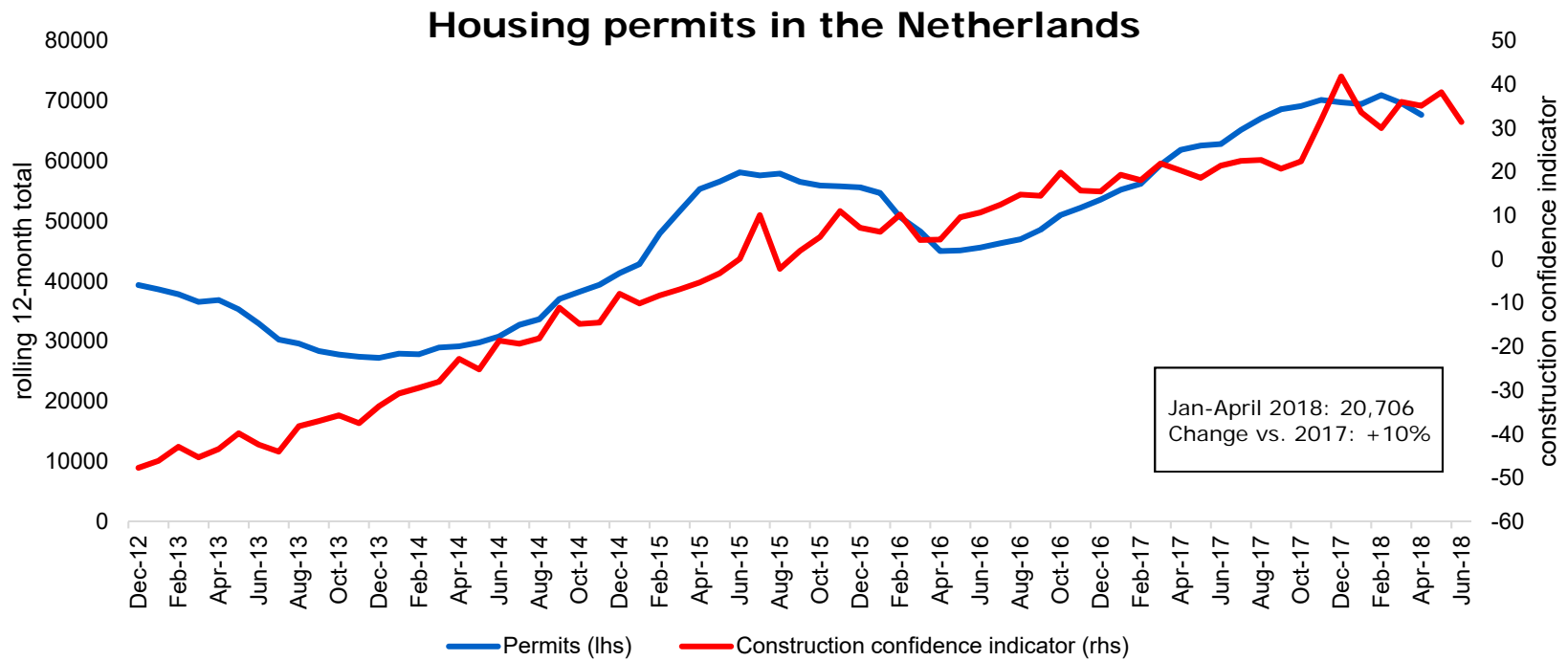
Denmark

Index of production in construction in Denmark



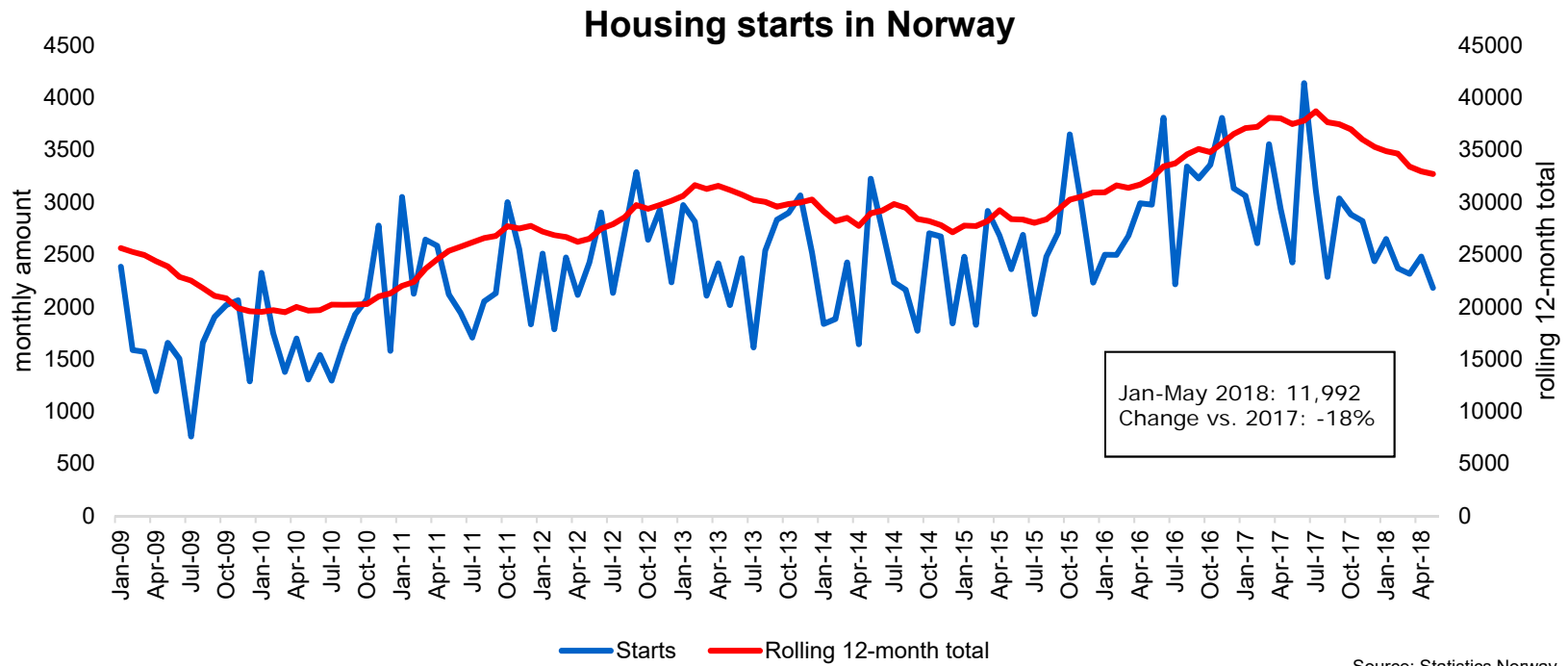
Source: Statistics Denmark

Netherlands



Source: Statistics Netherlands

Norway



Source: Statistics Norway