

# Uponor



*The Uponor Congress in Arlberg, Austria*

## Financial results briefing – Q1/2012

Jyri Luomakoski  
President and CEO  
Uponor Corporation

# Q1

# Q1/2012 market overview

- **Nordics**

- Construction activity has slowed across the region. Meanwhile, leading construction indicators have deteriorated during the winter months

- **Central Europe**

- The German market has remained resilient, with leading indicators continuing to improve and sentiment remaining stable. Other markets within the region have not fared as well

- **Southern Europe**

- The prolonged downturn in the largest markets continues to constrain investment in construction projects

- **North America**

- Longer-term upward trend is visible and most measures of industry activity are firmly above last year's levels

# Market data reflects the turbulence and lack of visibility

	Indicator	% change YTD	Data through	Trend since Q4 update
Germany	Housing permits	+22%	December 2011	→
USA	Housing starts	+10%*	March 2012	→
Sweden	Housing starts	-14%	Q4 2011	↘
Finland	Housing permits	-11%	January 2012	↘
Norway	Housing starts	-17%	February 2012	↘
Netherlands	Housing permits	-9%	December 2011	→
Spain	Housing permits	-20%	December 2011	→
Great Britain	Housing starts <sup>1)</sup>	-4%	Q4 2011	→
Denmark	Housing starts	-15%	December 2011	↘
Canada	Housing starts	+17%*	March 2012	→

\*Seasonally adjusted, annualised rate vs. same month in 2011; <sup>1)</sup> England only

# Q1/2012 net sales grows in all segments

	1-3/2012	1-3/2011	Change, %
<b>Uponor</b>	<b>192.5</b>	<b>173.2</b>	<b>11.2</b>
Building Solutions – Europe	133.0	122.3	8.7
Building Solutions – North America	31.0	26.7	16.2
(Building Solutions – North America, USD	41.4	37.2	11.3
Infrastructure Solutions	29.7	26.0	14.3

- BLD Europe: Polarised net sales development from one market to another, ranging from 20+ per cent growth to 20+ per cent drop; Most of the growth in Germany came from the Zent-Frenger acquisition
- BLD North America: Slightly improving y-o-y market indicators in the USA and Canada; Uponor continued to win market share by means of customer conversion and stronger share in new geographical regions
- Infrastructure: In addition to sales price increases, new products were well received and demand improved in some markets

# Q1/2012 operating profit up thanks to improved sales and margin development

	1-3/2012	1-3/2011	Change, %
<b>Uponor</b>	<b>9.3</b>	<b>3.2</b>	<b>189.3</b>
Building Solutions – Europe	11.7	6.6	78.4
Building Solutions – North America	2.7	0.7	263.7
(Building Solutions – North America, USD	3.5	1.0	248.4
Infrastructure Solutions	-1.9	-4.0	51.3

- BLD Europe: Profits improved by strong sales in North and Central Europe and some Southwest Europe markets, driven by new products and tools, offsetting the weaker performance in Iberia and Italy
- BLD North America: Increased net sales, margin improvement and control of overhead spending impacted positively
- Infrastructure: Volume growth and increases in sales prices improved profits

# Highlights of Q1

- + Positive operating profit development due to operational leverage thanks to brisk net sales development
- + New innovations well received both in building and infrastructure solutions, helping to win new customers and market share
- + The reorganisation of Sales & Marketing and Business Group responsibilities in September 2010 is fully implemented, improving marketing efficiency
  
- Low-end offering with limited features is capturing more market share in underfloor heating
- Raw material price trend turned up again after a couple of months of stability
- Continued economic uncertainty, especially in Europe, impacts all customer markets



*Nordbygg exhibition in Stockholm, Sweden*

# Financial statements

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Riitta Palomäki

CFO

Uponor Corporation

# Q1

# Interim January – March 2012

## Key figures

M€	1-3 2012	1-3 2011	Change Y/Y	1-12 2011
Net sales, continuing operations	192.5	173.2	+11.2%	806.4
Operating profit, continuing operations	9.3	3.2	+189.3%	35.4
Operating profit margin, continuing operations	4.8%	1.8%	3.0% pts	4.4%
Earnings per share (diluted), €	0.06	0.02	+200.0%	0.03
Return on equity, % (p.a.)	9.0%	2.6%	6.4% pts	0.7%
Return on investment, % (p.a.)	11.1%	4.7%	6.4% pts	11.0%
Net interest bearing liabilities	145.3	130.8	+11.1%	83.3
Gearing, %	79.2%	62.3%	16.9% pts	39.3%
Net working capital of Net sales, % (p.a.)	12.2%	13.6%	-9.9%	7.0%
Average number of employees, continuing operations	3,165	3,197	-1.0%	3,288
Number of employees, end of period, continuing operations	3,022	3,227	-6.4%	3,228



# Interim January – March 2012

## Income statement

- Organic growth at 8%. All segments increased their **net sales**

- Improved **gross margin** due to sales price increases and stable raw material prices

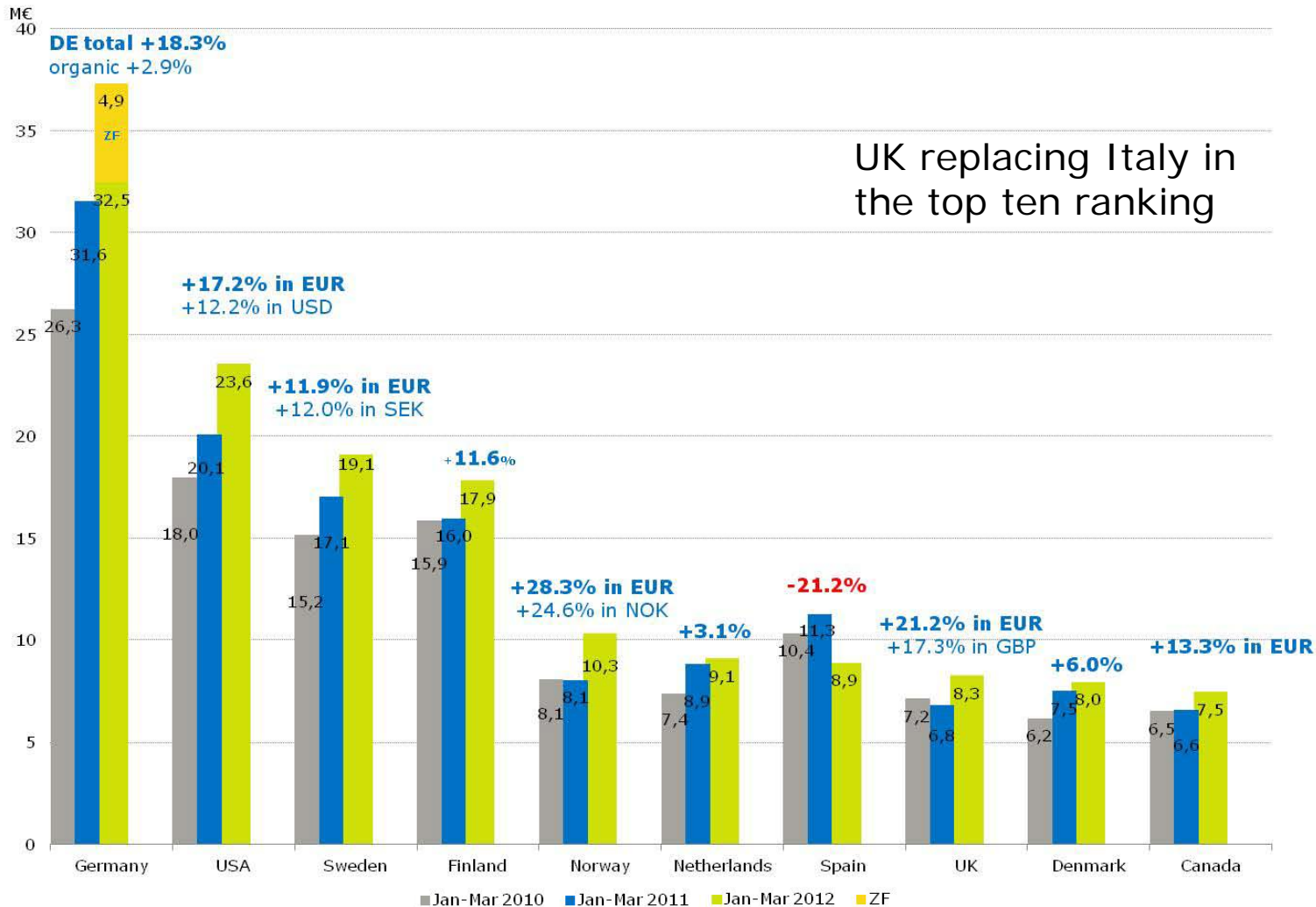
- **Expenses** up due to acquisition and divestment related costs and variable marketing costs

- **Financial expenses, net**

- Fin expenses €2.2m
- Fin income €0.5m
- Exchange differences, net € -0.6m

M€	1-3 2012	1-3 2011	Change Y/Y	1-12 2011
<b>Continuing operations</b>				
Net sales	192.5	173.2	+11.2%	806.4
Cost of goods sold	117.9	108.7	+8.5%	513.5
Gross profit	74.6	64.5	+15.7%	292.9
- % of net sales	38.7 %	37.2 %	+1.5% pts	36.3 %
Other operating income	0.3	0.0		1.4
Expenses	65.6	61.3	+7.1%	258.9
Operating profit	9.3	3.2	+189.3%	35.4
- % of net sales	4.8 %	1.8 %	+3.0% pts	4.4 %
Financial expenses, net	2.3	1.1	+112.1%	17.7
Share of result in associated companies	0.1	-	+100.0%	-
Profit before taxes	7.1	2.1	+228.2%	17.7
Profit for the period	4.5	1.5	+200.0%	1.9
EBITDA	16.5	10.1	+63.4%	64.8

# Net sales development by key national markets



# Interim January – March 2012

## Balance sheet

M€	31 Mar 2012	31 Mar 2011	Change Y/Y	31 Dec 2011
Property, plant and equipment	153.9	165.5	-11.6	161.6
Intangible assets	96.3	96.9	-0.6	97.3
Securities and long-term investments	1.1	8.2	-7.1	2.8
Inventories	91.7	93.7	-2.0	81.8
Cash and cash equivalents	12.0	8.5	+3.5	29.1
Other current and non-current assets	187.0	155.2	+31.8	142.6
Total equity	183.5	210.0	-26.5	209.3
Non-current interest-bearing liabilities	110.4	43.4	+67.0	110.4
Provisions	19.6	11.5	+8.1	22.0
Non-interest-bearing liabilities	181.6	167.2	+14.4	171.5
Current interest-bearing liabilities	46.9	95.9	-49.0	2.0
Balance sheet total	542.0	528.0	+14.0	515.2

- Hewing GmbH balance sheet not included in 31 March 2012 figures

# Interim January – March 2012

## Cash flow

M€	1-3 2012	1-3 2011	Change Y/Y	1-12 2011
Net cash from operations	+16.4	+12.9	+3.5	+66.8
Change in NWC	-18.6	-29.4	+10.8	+12.4
Net payment of income tax and interest	-19.2	-5.4	-13.8	-20.8
<b>Cash flow from operations</b>	<b>-21.4</b>	<b>-21.9</b>	<b>+0.5</b>	<b>+58.4</b>
Cash flow from investments	-13.8	-2.8	-11.0	-29.1
<b>Cash flow before financing</b>	<b>-35.2</b>	<b>-24.7</b>	<b>-10.5</b>	<b>+29.3</b>
Dividends and buy backs	-25.6	-40.2	+14.6	-40.2
Other financing	+43.7	+61.5	-17.8	+28.1
Cash flow from financing	+18.1	+21.3	-3.2	-12.1
Change in cash and cash equivalents	-17.1	-3.4	-13.7	+17.2

- Increase in income taxes paid related to the Finnish tax decisions at the end of 2011
- Cash flow from investments includes €6.2m in share acquisitions (remaining shares in Zent-Frenger bought in Q1/2012)
- Gross Capex €3.8m, up €0.9m from Q1/2011 but clearly less than depreciation at €7.3m



*Uponor North America Convention in Las Vegas, Nevada*

# Outlook for the future

Jyri Luomakoski  
President and CEO  
Uponor Corporation

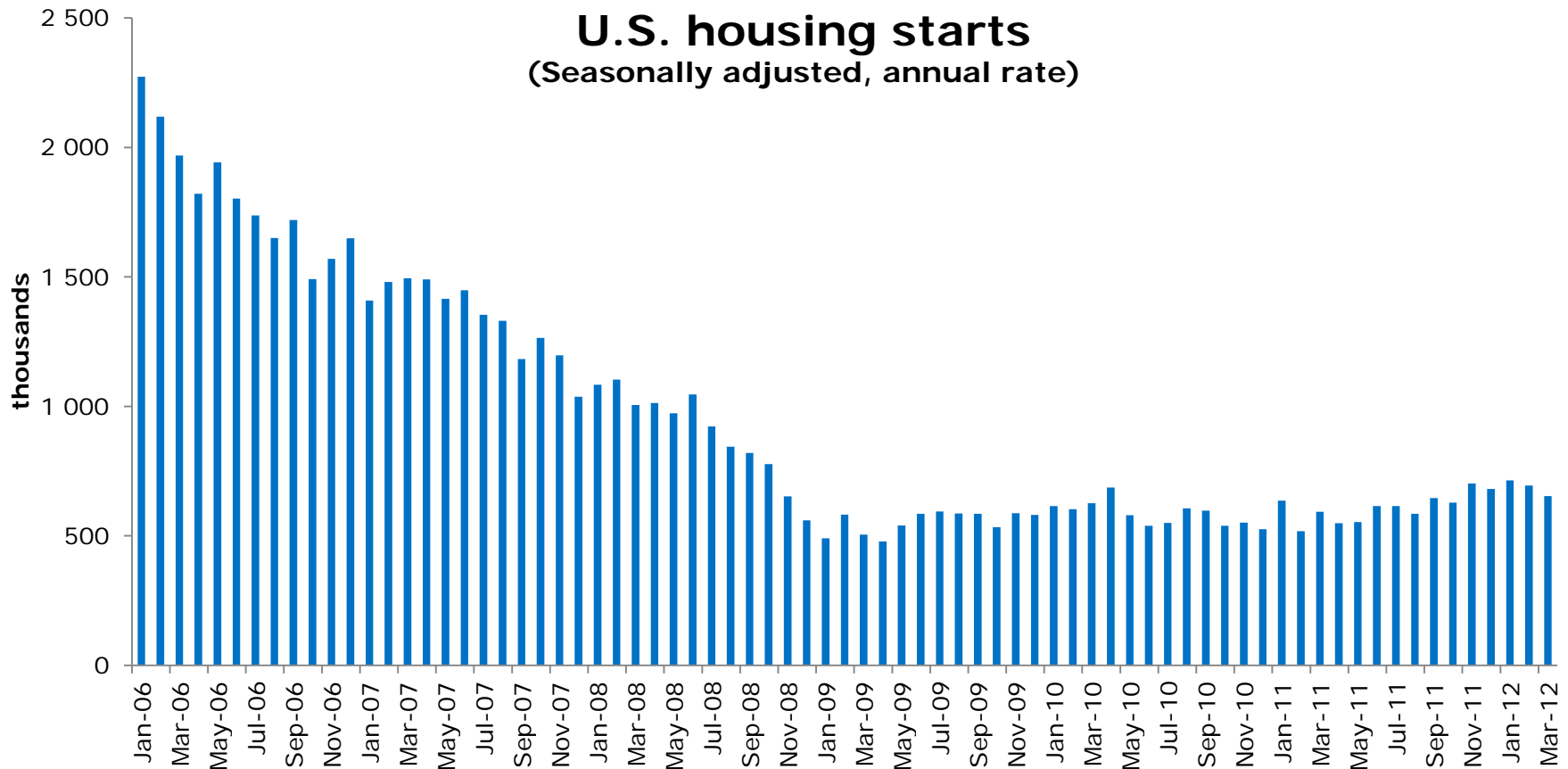
# Q1

# Market outlook – Europe

- Building permit development in most European markets has remained flat or decreased. The notable exception is Germany, which has seen increasing permit levels in both building segments
- Construction output in Europe has grown marginally since spring 2011, predominantly driven by Germany
- While construction sentiment has remained stable in the Euro Area as a whole, a clear gap continues to exist between northern and southern Europe
- Signs of softening visible in Sweden and Finland

# Market outlook – USA

- March housing starts were 10% above the March 2011 rate
- March permits were up 30% y-o-y and their highest since 2008



Source: U.S. Census Bureau

# Agenda for 2012

- Visibility remains weak, and Uponor prepares itself for a lengthy period of low activity with limited expectations of market growth
- Emphasis on organic growth initiatives to continue paramount
  - As the leading brand in key markets, Uponor wants to be visible amongst customers in the market place
  - Strong promotions of new products and tools to be continued and extended to new markets to boost sales and gain market share
  - More new innovations are in the pipeline
  - Active attention to the energy efficiency/sustainability trend
- Efforts to focus and leverage the supply chain to continue
- Raw material cost management continues to be a priority issue



# Guidance for 2012

The positive Q1 performance offers a good start to the year but it has a relatively small impact on full-year performance.

## **Uponor's guidance for 2012 remains intact:**

- Uponor's net sales are expected to grow organically from 2011
- Operating profit is expected to exceed €50 million
- The Group's net investment in fixed-assets is not expected to exceed depreciation

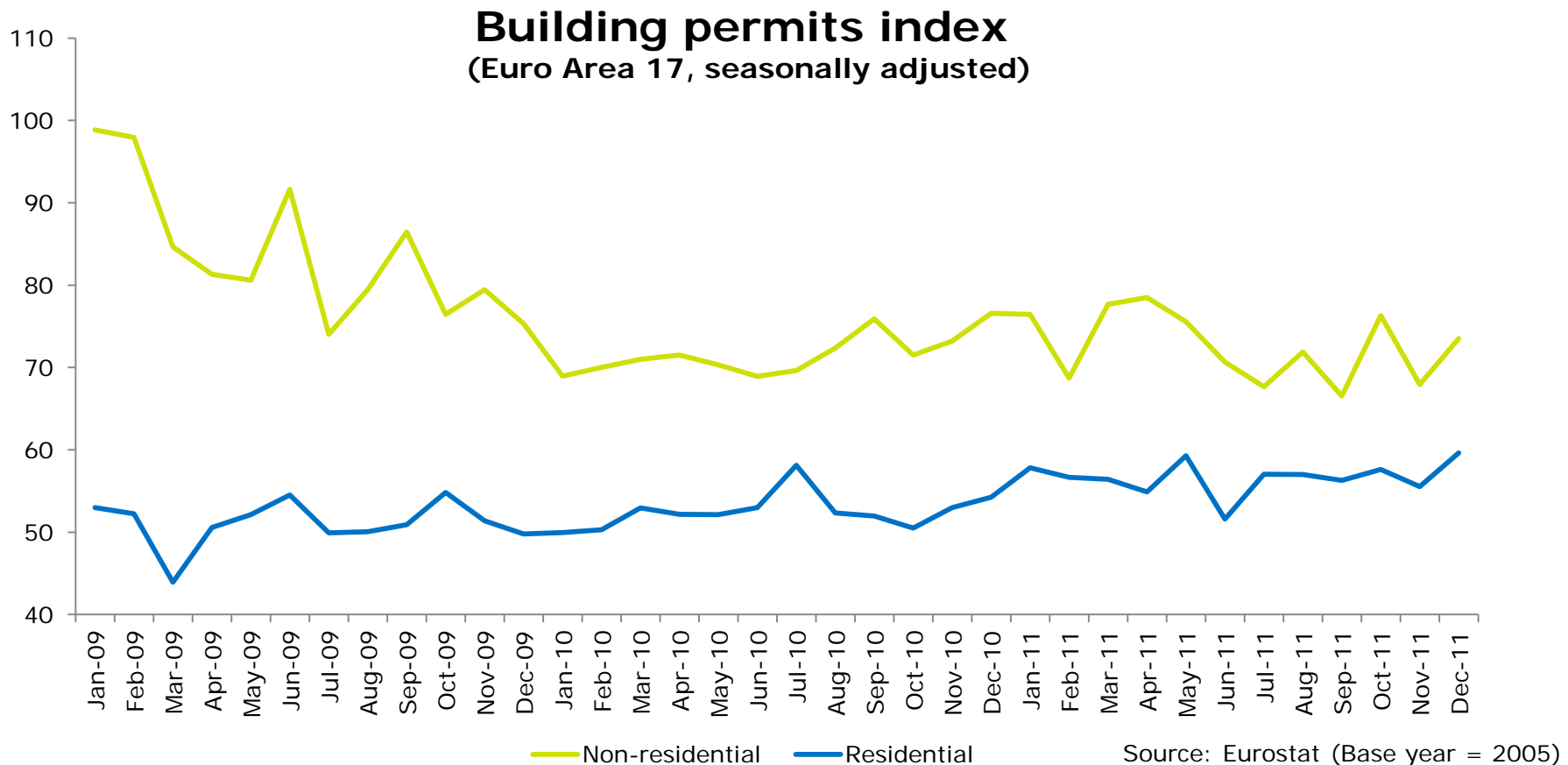
# Uponor

simply more

*The text may contain forward-looking statements, which are based on the present business scope and the management's present expectations and beliefs about the future. The actual result may differ materially from such statements.*

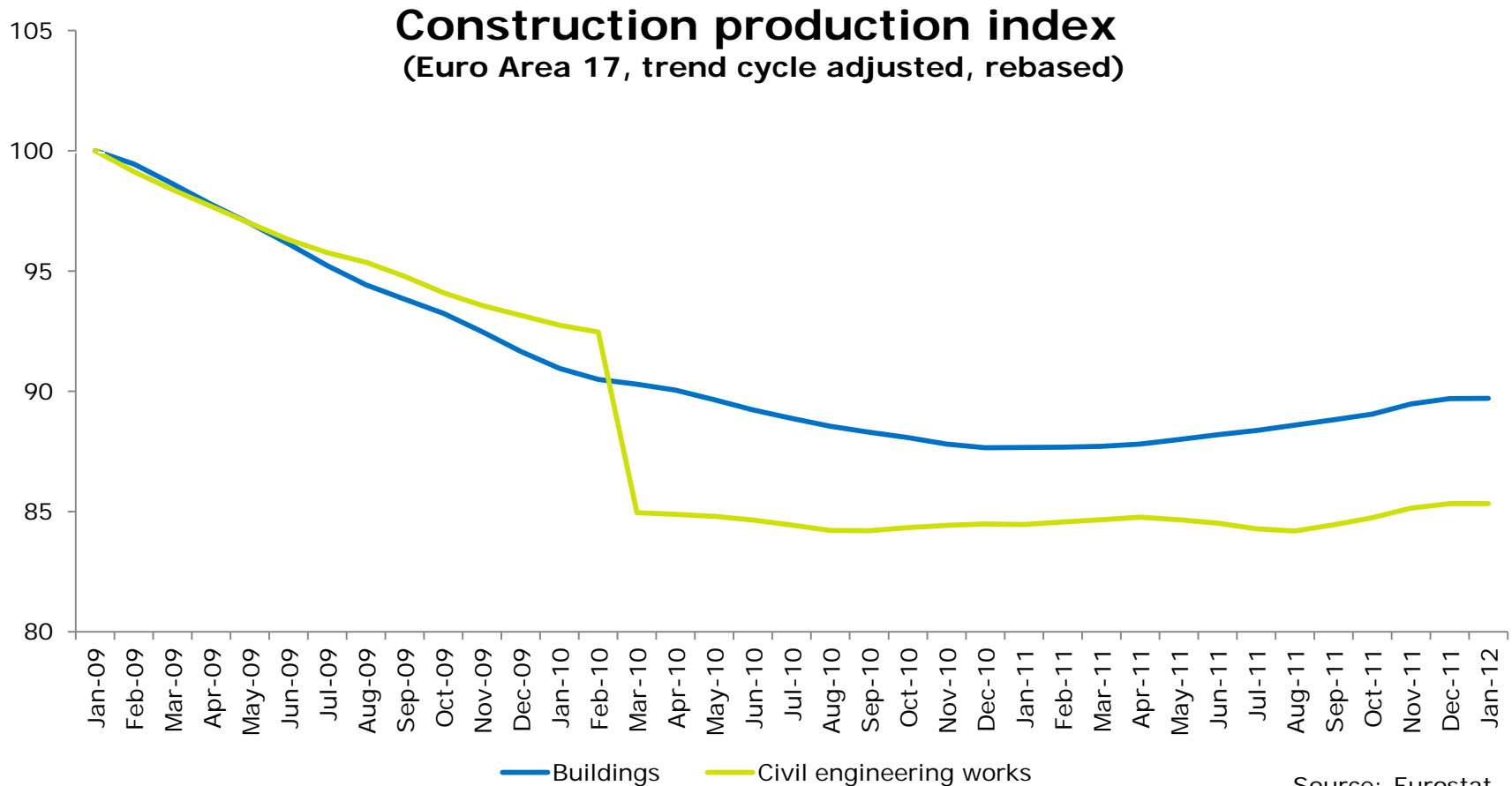
# European building permits

- Building permit development in most European markets has remained flat or decreased. The notable exception is Germany, which has seen increasing permit levels in both building segments.



# European construction output

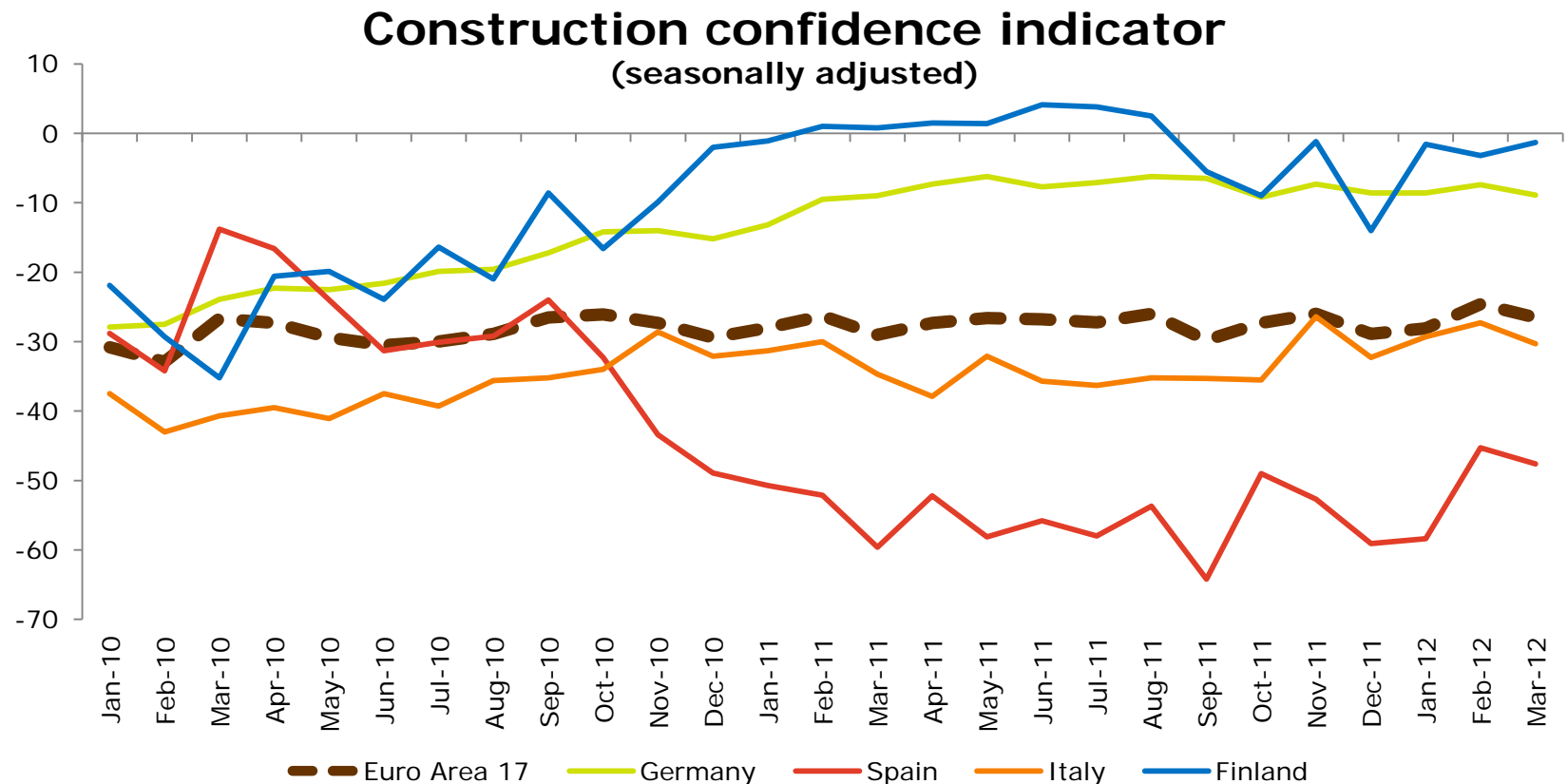
- Construction output in Europe has grown marginally since spring 2011, predominantly driven by Germany.



Source: Eurostat

# Construction sentiment in select European countries

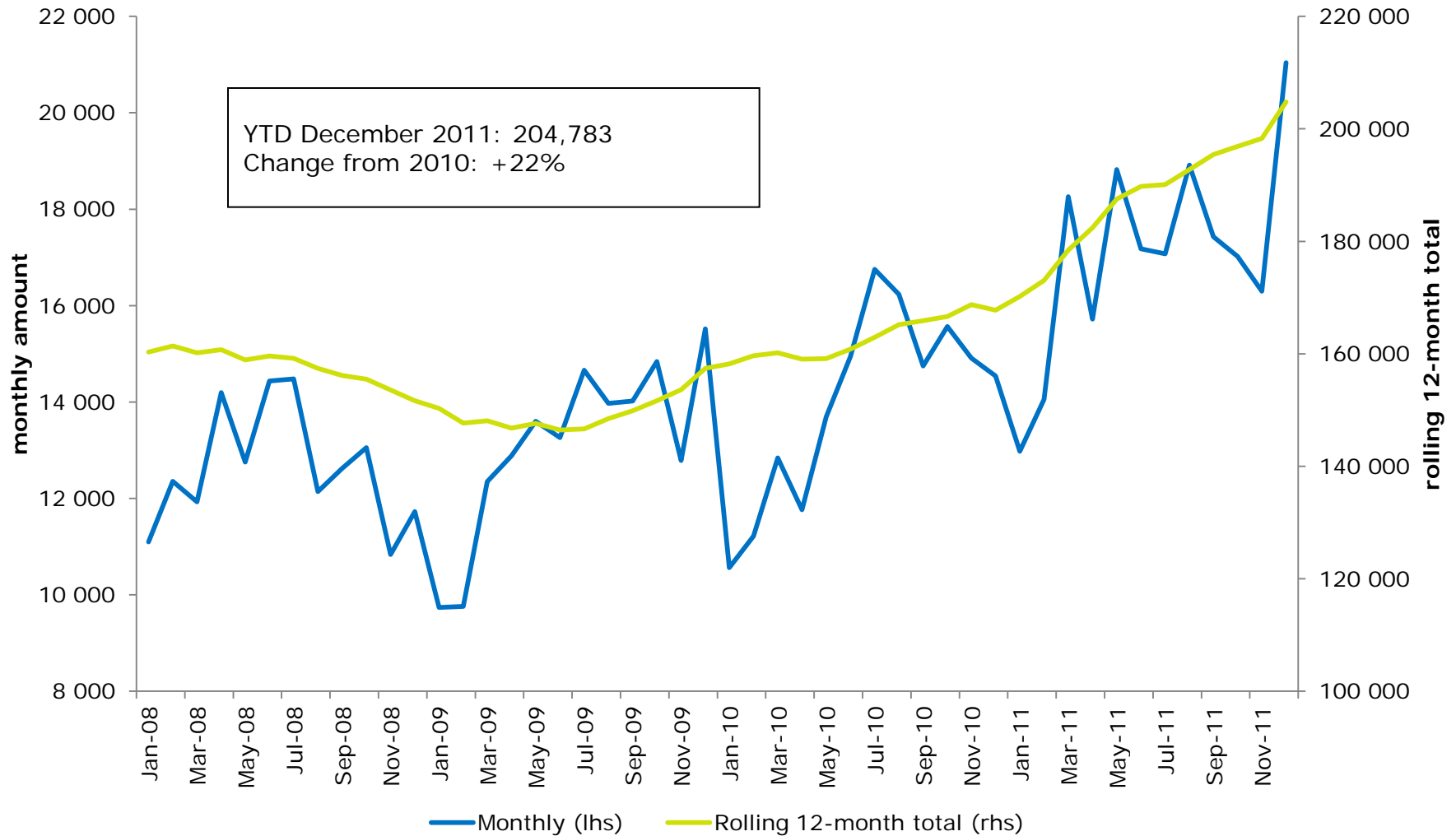
- While construction sentiment has remained stable in the Euro Area as a whole, a clear gap continues to exist between northern and southern Europe.



Source: Eurostat

# Germany

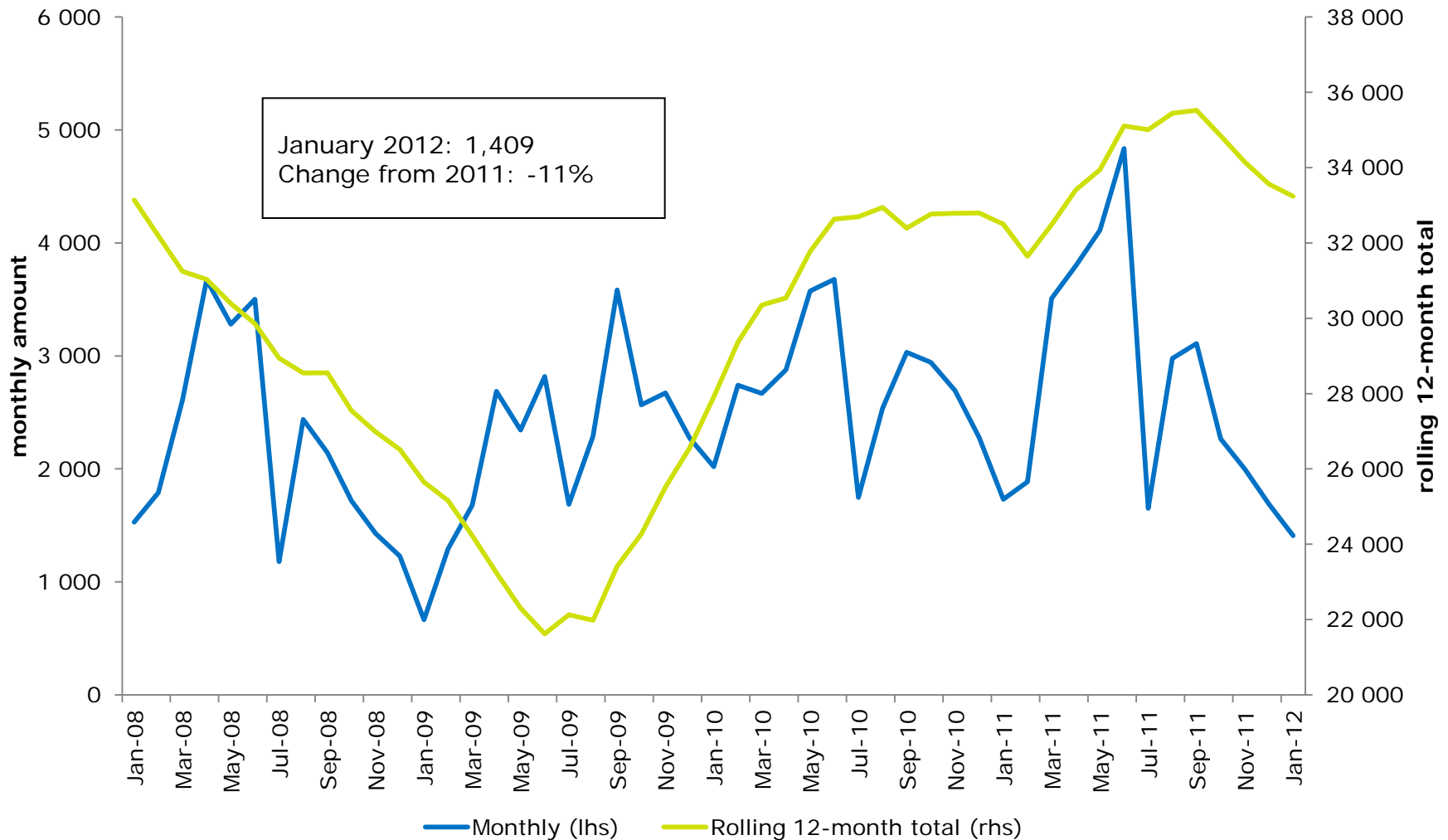
## Residential building permits in Germany



Source: Statistisches Bundesamt

# Finland

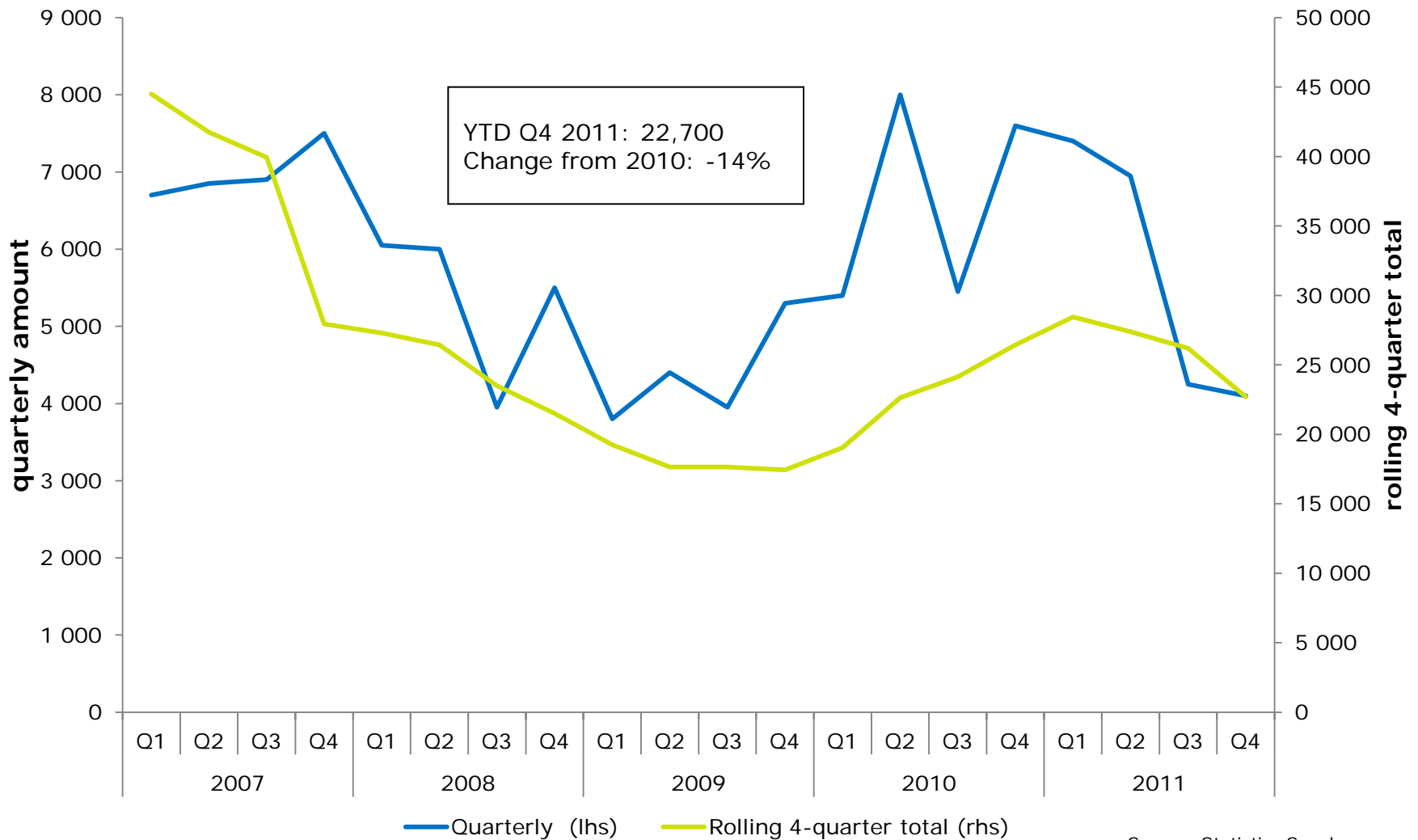
## Residential building permits in Finland



Source: Statistics Finland

# Sweden

## Housing starts in Sweden

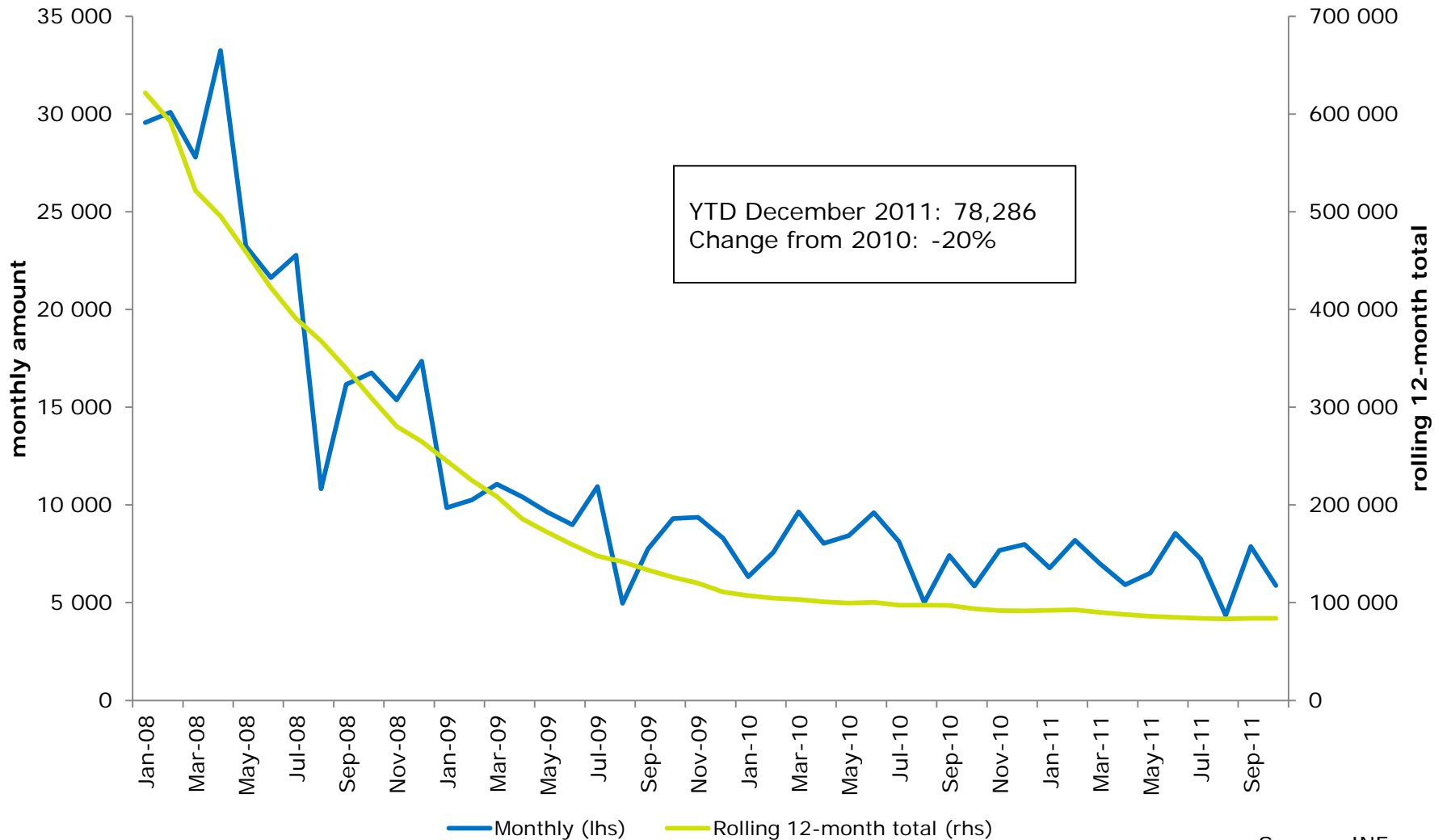


Source: Statistics Sweden



# Spain

## Residential building permits in Spain



Source: INE