

Uponor



Financial results briefing – Q3/2011

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Q3/2011 in summary

- Satisfactory demand and net sales development in key markets offset much of the difficulties in weaker markets
- Global financial concerns overcrowded the good news
 - impact stronger on sentiments than on business in Q3
- Profitability development weaker than anticipated, mainly due to temporary gross margin erosion
 - profit guidance revised in September to reflect this
- Foundations of building and construction markets are still fairly solid but visibility is weak due to macro-economic challenges in Europe

Q3/2011 market overview

- **Nordics:**

- Builder sentiment has fallen since the beginning of the summer and building activity in some markets has slowed from the spring

- **Central Europe:**

- Leading indicators are still up year-over-year, but the growth rates have slowed. While builders continue to be positive about the current environment, expectations for the future have become bleaker











- **Southern Europe:**

- Activity levels have stabilised in most countries, albeit at a very low level of production

- **North America:**

- Building activity has stabilised at a very low level and there are no real signs of recovery

Leading indicators in major markets

	Indicator	% change YTD	Data through	Trend since Q2 update
Germany	Housing permits	+23%	August 2011	
Finland	Housing permits	+14%	July 2011	
USA	Housing starts	+10%	September 2011	
Sweden	Housing starts	+3%	Q2 2011	
Spain	Housing permits	-13%	July 2011	
Norway	Housing starts	+37%	August 2011	
Italy	Construction index	0%	May 2011	
Denmark	Housing starts	+3%	June 2011	
Netherlands	Housing permits	+6%	June 2011	
Canada	Housing starts	+11%	September 2011	

*Seasonally adjusted, annualised rate vs. same month in 2010

Strong net sales development in USA and Germany, some markets softening

Net sales, M€	7-9/2011	7-9/2010	Change, %
Uponor	213.6	205.5	3.9
Building solutions – Europe	140.9	137.9	2.0
Building solutions – North America	33.2	29.9	11.2
(Building solutions – North America, US\$)	46.8	39.2	19.6)
Infrastructure solutions	42.1	40.4	4.2

- BLD - Europe: Reported growth mainly from the acquired business and price inflation; Central Europe and some Nordic markets performed well, overall trend from neutral to negative
- BLD - North America: Strong growth in a flat building market driven by long-term systematic investment in sales and innovation
- Infrastructure: Modest growth, mainly due to price increases but also from brisker net sales in Scandinavia
- Group organic growth at 0.5%

Operating profit down despite strong North American performance

Operating profit, M€	7-9/2011	7-9/2010	Change, %
Uponor	19.7	23.5	-16.1
Building solutions – Europe	13.4	21.5	-37.7
Building solutions – North America	4.9	1.9	+156.2
(Building solutions – North America, US\$)	7.0	2.5	+177.1
Infrastructure solutions	1.4	2.2	-41.0

BLD – Europe:

- High input prices together with increasing sales and marketing costs burdened profitability
- Changes in product and customer mix affected profit margins

BLD – North America:

- Successful sales & marketing programmes and effective price-setting were supported by better operational efficiency

Infrastructure:

- Weak performance continued, reflecting margin squeeze in the distribution and project channels, where price increases could not be fully passed on, affecting especially Finland

Highlights of Q3

- + Strong net sales development in key markets, such as the USA, Germany and Sweden
- + Marketing programmes of the recent (H1) product & technology innovations continued with vigour, although consuming resources
 - + Customer feedback highly positive
- The financial market turmoil started to make an impact in customer sentiment towards the end of the quarter
- High input costs continue to be an issue, although price increases are starting to have full impact
- Current structures designed for a growing market, adjustments are needed



Financial statements

Riitta Palomäki

CFO

Uponor Corporation

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Interim January – September 2011

Key figures

MEUR	1-9 2011	1-9 2010	Change Y/Y	1-12 2010
Net sales, continuing operations	609,4	567,5	+7,4%	749,2
Operating profit, continuing operations	38,4	43,8	-12,2%	52,4
Operating profit margin, continuing operations	6,3%	7,7%	-1,4% pts	7,0%
Earnings per share (diluted), EUR	0,32	0,32	+0,0%	0,34
Return on equity, % (p.a.)	12,5%	12,1%	0,4% pts	9,7%
Return on investment, % (p.a.)	15,3%	15,5%	-0,2% pts	14,4%
Net interest bearing liabilities	126,8	101,5	+24,9%	66,8
Gearing, %	53,7%	40,9%	12,8% pts	26,5%
Net Working capital of Net Sales, % (p.a.)	14,7%	12,7%	+16,3%	8,6%
Average number of employees, continuing operations	3 300	3 221	+2,5%	3 219
Number of employees, end of period, continuing operations	3 292	3 233	+1,8%	3 197

July – September 2011

Income statement

MEUR	7-9 2011	7-9 2010	Change Y/Y
Continuing operations			
Net sales	213.6	205.5	+3.9%
Cost of goods sold	135.7	125.0	+8.6%
Gross profit	77.9	80.5	-3.3%
- % of net sales	36.5 %	39.2 %	-2.7% pts
Other operating income	0.3	0.7	-63.3%
Expenses	58.5	57.7	+1.3%
Operating profit	19.7	23.5	-16.1%
- % of net sales	9.2 %	11.4 %	-2.2% pts
Financial expenses, net	1.3	1.5	-20.8%
Profit before taxes	18.4	22.0	-15.8%
Profit for the period	12.3	15.4	-18.2%
EBITDA	26.6	31.0	-14.3%

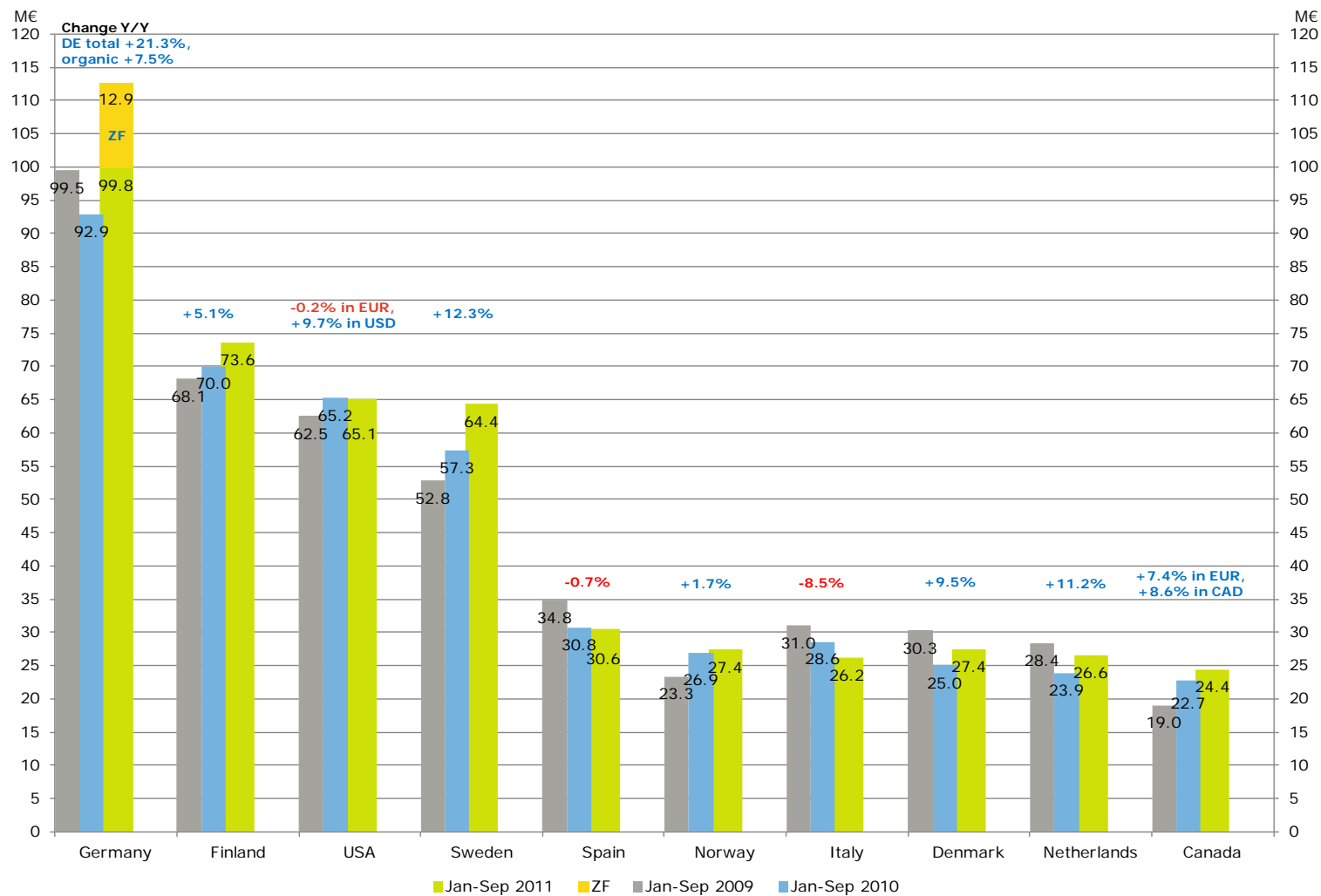
- Q3/2011 organic growth only 0.5% compared to 7.5% in H1/2011

January – September 2011

Income statement

	MEUR	1-9 2011	1-9 2010	Change Y/Y
Continuing operations				
• Sales price increases +€10.7m Sales from the acquisition +€13.3m FX impact +€1.4 m	Net sales	609.4	567.5	+7.4%
	Cost of goods sold	386.5	347.5	+11.2%
	Gross profit	222.9	220.0	+1.3%
	- % of net sales	36.6 %	38.8 %	-2.2% pts
• Higher input costs and changes in product and customer mix affecting gross margin	Other operating income	0.4	1.8	-75.1%
	Expenses	184.9	178.0	+3.9%
	Operating profit	38.4	43.8	-12.2%
	- % of net sales	6.3 %	7.7 %	-1.4% pts
• Expenses €6.9m higher than in 2010, mainly due to sales and marketing costs	Financial expenses, net	4.4	8.9	-51.7%
	Profit before taxes	34.0	34.9	-2.1%
	Profit for the period	22.8	24.4	-4.3%
• Financial expenses, net — Financial expenses €6.4m — Financial income €1.8m — Exchange differences, net +€0.2m	EBITDA	59.2	66.2	-10.6%

Net sales development in key markets



- In Q3/2011, sales growth speeded up in the USA and Canada compared to H1/2011 (in local currencies)
- In Building Solutions – Europe, organic growth halted in Q3/2011

Note: Countries are sorted by FY2010 net sales

Interim January – September 2011

Balance sheet

MEUR	30 Sep 2011	30 Sep 2010	Change Y/Y	31 Dec 2010
Property, plant and equipment	165,2	169,1	-3,9	171,3
Intangible assets	98,6	98,8	-0,2	96,9
Securities and long-term investments	8,5	8,0	+0,5	8,4
Inventories	96,2	89,5	+6,7	84,4
Cash and cash equivalents	9,9	4,1	+5,8	11,9
Other current and non-current assets	184,5	172,8	+11,7	124,3
Total equity	236,0	248,4	-12,4	252,1
Non-current interest-bearing liabilities	111,2	53,4	+57,8	43,5
Provisions	10,2	11,8	-1,6	12,0
Non-interest-bearing liabilities	180,0	176,5	+3,5	154,4
Current interest-bearing liabilities	25,5	52,2	-26,7	35,2
Balance sheet total	562,9	542,3	+20,6	497,2

- Inventories and accounts receivable stay at a high level compared to Q3/2010 due to higher input costs and increases in sales prices

Interim January – September 2011

Cash flow

MEUR	1-9/ 2011	1-9/ 2010	Change Y/Y	1-12/ 2010
Net cash from operations	58,7	57,9	+0,8	74,9
Change in NWC	-48,9	-44,9	-4,0	-22,6
Net payment of income tax and interest	-14,7	-5,1	-9,6	-3,1
Cash flow from operations	-4,9	7,9	-12,8	49,2
<u>Cash flow from investments</u>	<u>-18,3</u>	<u>-6,2</u>	<u>-12,1</u>	<u>-13,6</u>
Cash flow before financing	-23,2	1,7	-24,9	35,6
Dividends and buy backs	-40,2	-36,5	-3,7	-36,5
Other financing	+61,4	+25,7	+35,7	-0,5
Cash flow from financing	21,2	-10,8	+32,0	-37,0
Change in cash and cash equivalents	-2,0	-9,1	+7,1	-1,3

- Gross capex at €12.8m, higher than in Q3/2010 (€9.4m) but still clearly less than the depreciation at €20.8m
- 2011 cash flow from investments include acquisition of subsidiary shares (€6.4m)
- 2010 cash flow from investments include proceeds from sales of fixed assets (€3.1m)
- Other financing includes bonds totalling €100m issued in June 2011 and a payback of an pension loan, totalling €48.0m



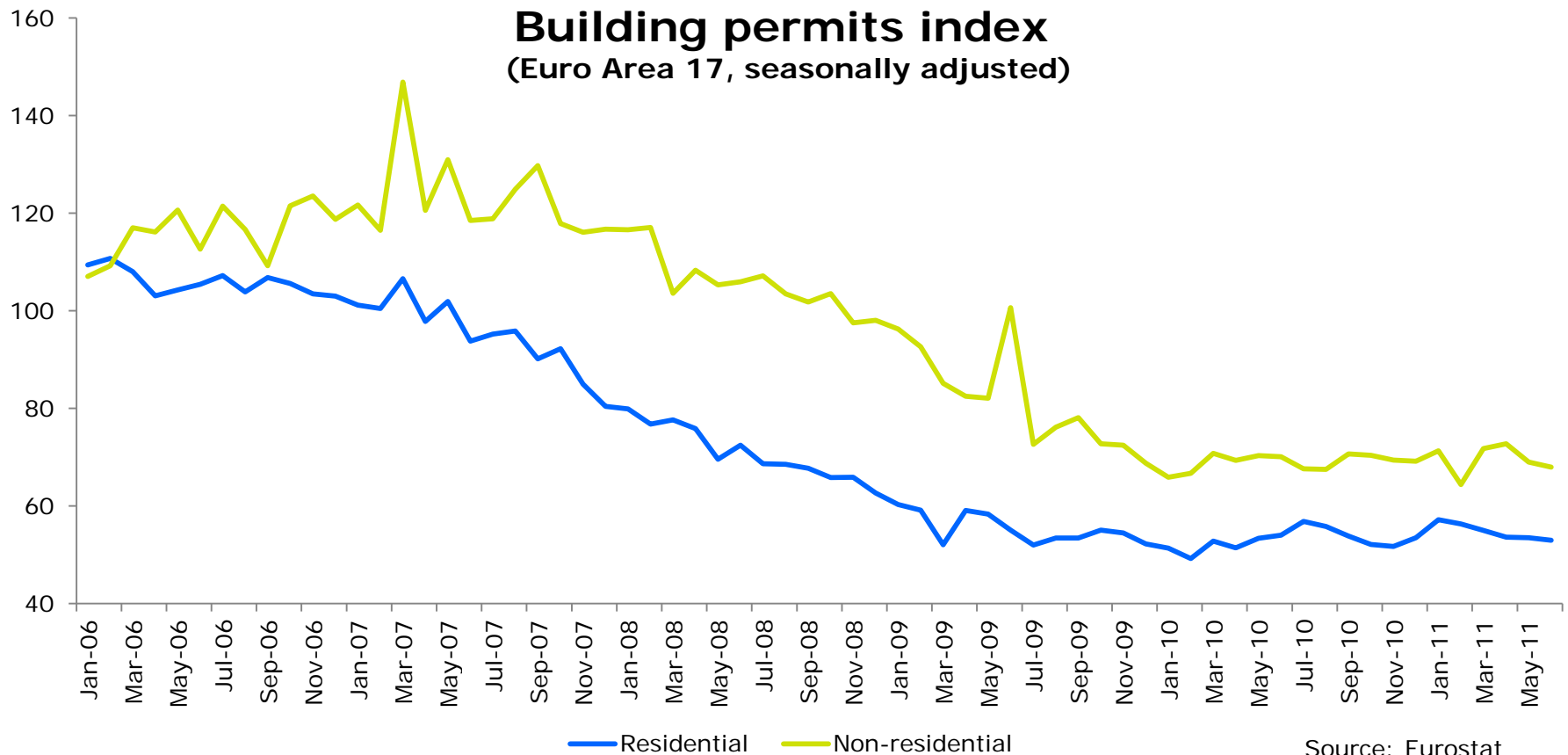
Outlook for the future

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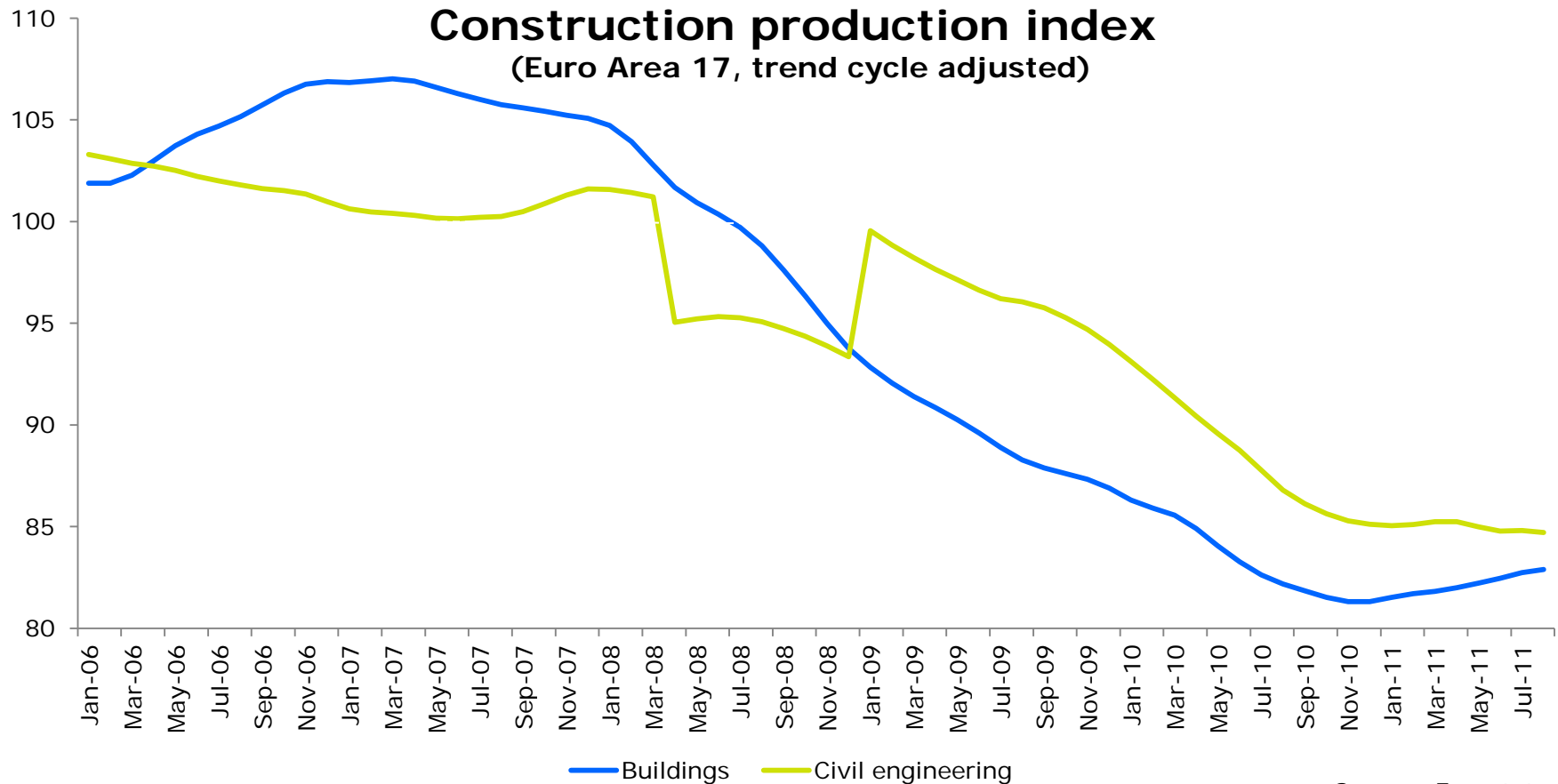
European building permits

- Building permits in both the residential and non-residential sectors have weakened and were below the June 2010 levels.



European construction output

- Data through August show that neither residential nor non-residential construction have been able to make any meaningful improvements.

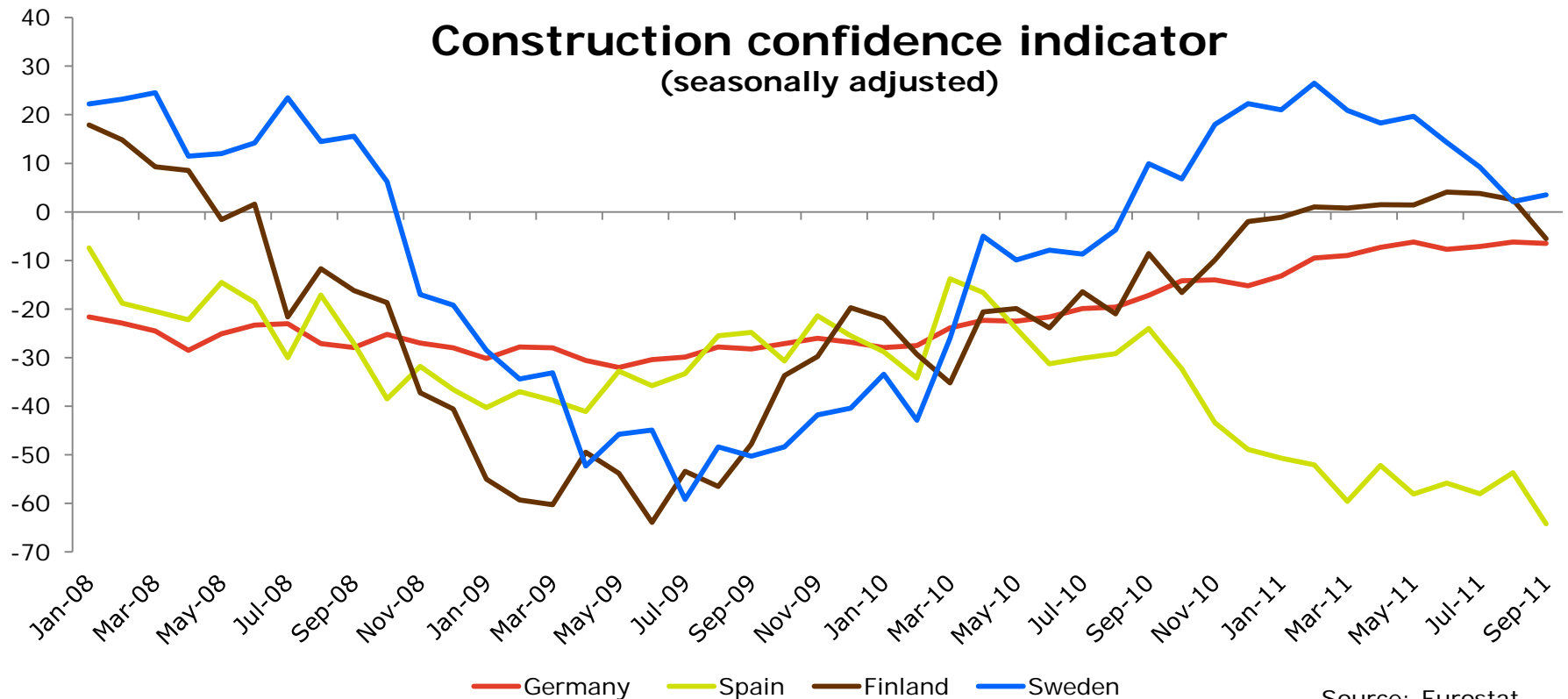


Source: Eurostat

Construction sentiment in select European countries

- Construction confidence in Northern Europe has weakened notably since the beginning of the summer. In Central Europe assessment of the current situation is still relatively upbeat, but expectations for the future have become much more pessimistic.

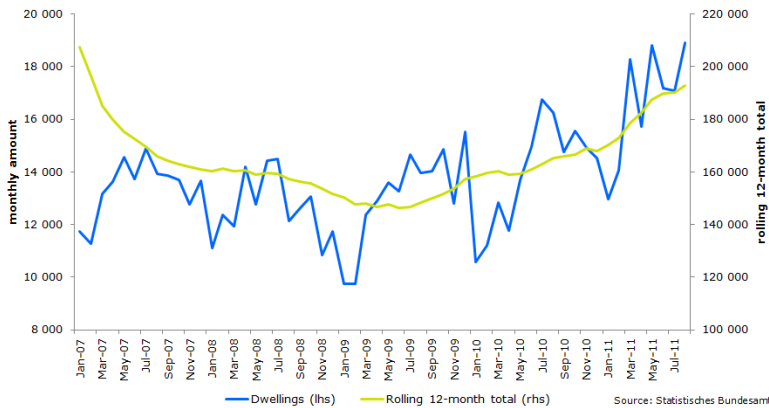
Construction confidence indicator
(seasonally adjusted)



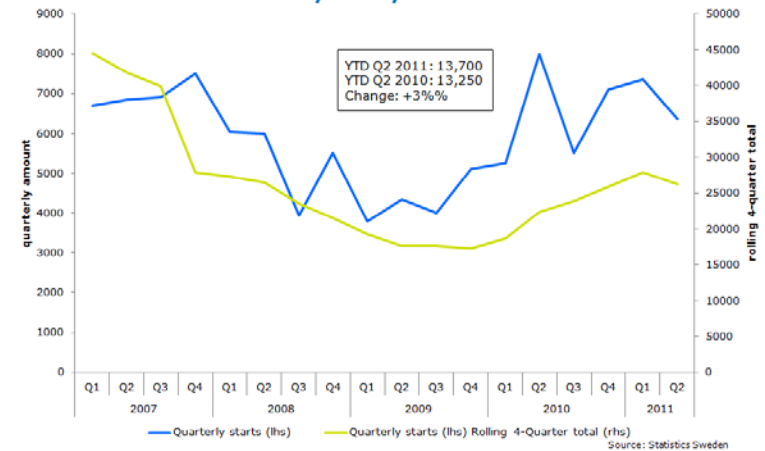
Source: Eurostat

Market development in key countries

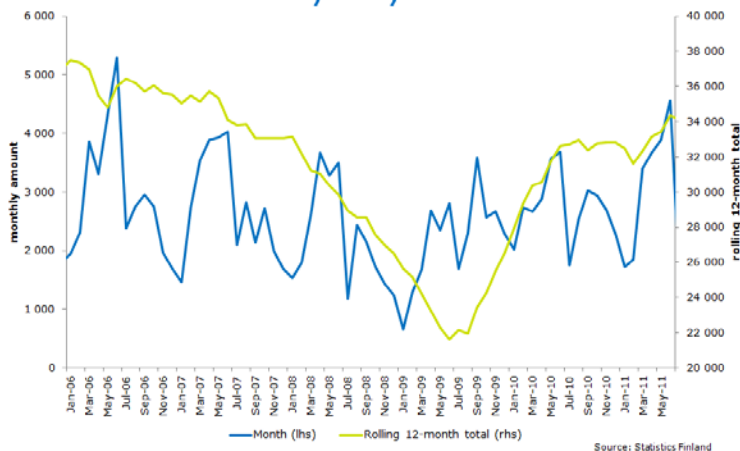
YTD August residential building permits in Germany: +23% y-o-y



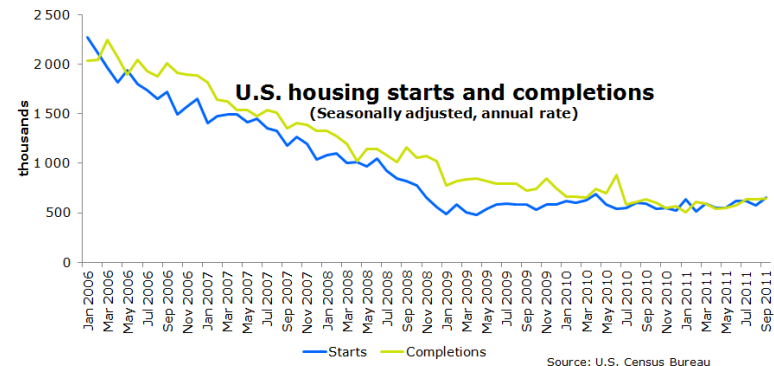
YTD Q2 housing starts in Sweden: +3% y-o-y



YTD July residential building permits in Finland: +14% y-o-y



September housing starts in USA +10% y-o-y, completions +2%



Short-term management issues

- European Business Development unit was dismantled
 - the mission for the most part accomplished
 - focus on the Asian markets in a new setup
 - Turkey and Croatia turned into export markets
- European Supply Chain to continue warehousing and logistics development
 - distribution into larger units in Sweden and Germany
- Organisational streamlining
 - Reduction of temporary workers after the summer season
 - Voluntary unpaid leave programme in the Finnish business unit
 - Overall adjustment of organisational and cost structures
- Inventory reduction programme ongoing
- Review priorities of the current strategic path as needed

Guidance for 2011

As revised on 27 September 2011

- Weakening business climate overall, although with great regional variation
- The evolution of the international financial crisis will decide the direction of the markets – it can get clearly weaker or clearly better

Based on the present situation in the main markets, the company repeats the full-year guidance announced on 27 September 2011:

- Net sales is expected to improve on the 2010 level
- Operating profit to fall somewhat short of the previous year's reported result
- The Group's fixed-asset investments are not expected to exceed depreciation

As forecasting the results of the net working capital improvement programme is exceptionally challenging, Uponor will not issue a guidance on full-year cash flow for 2011

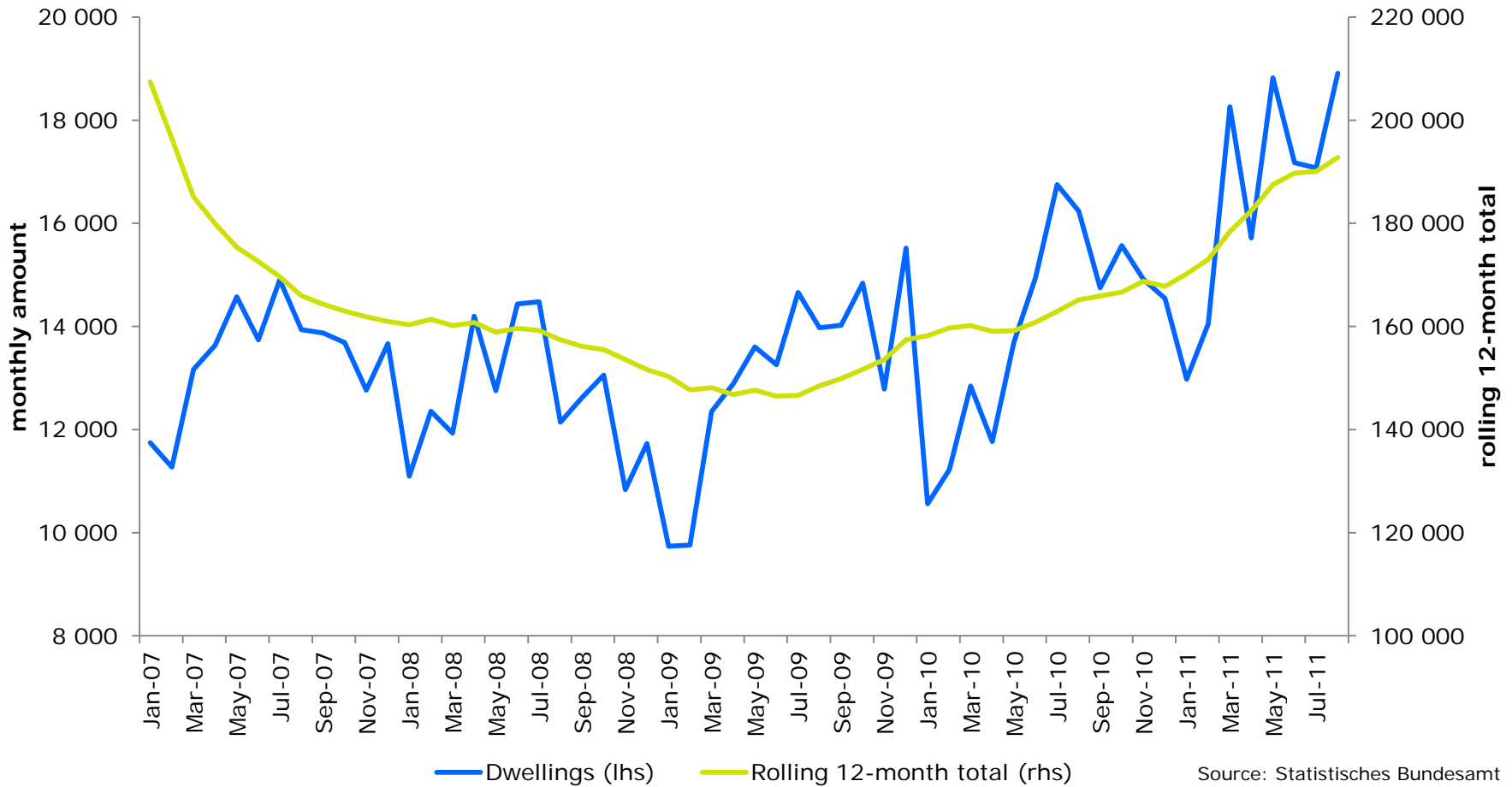
As usual, Uponor issues the first 2012 guidance in connection with its full-year results publication in February 2012

Uponor

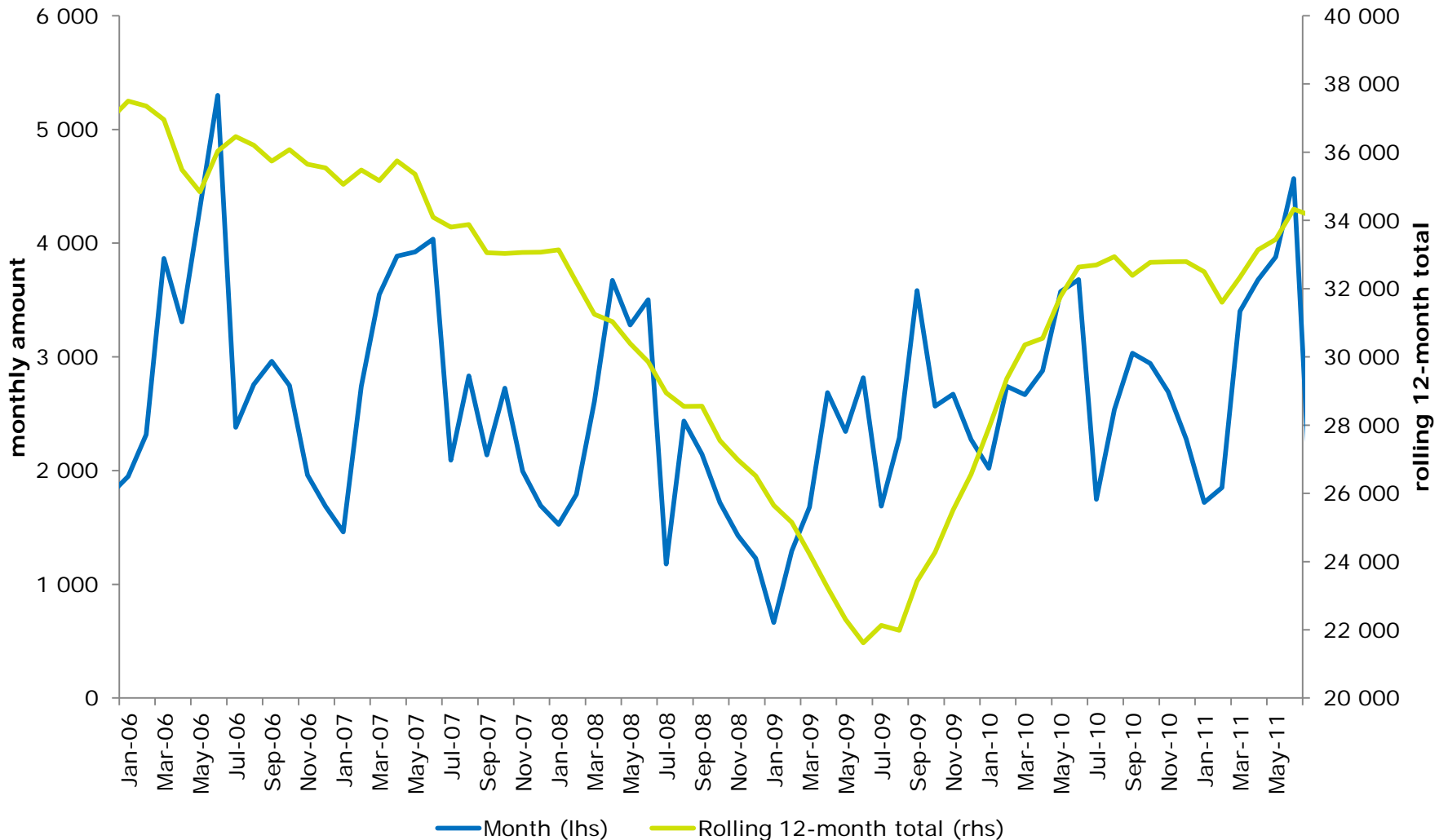
simply more

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.

YTD August residential building permits in Germany: +23% y-o-y

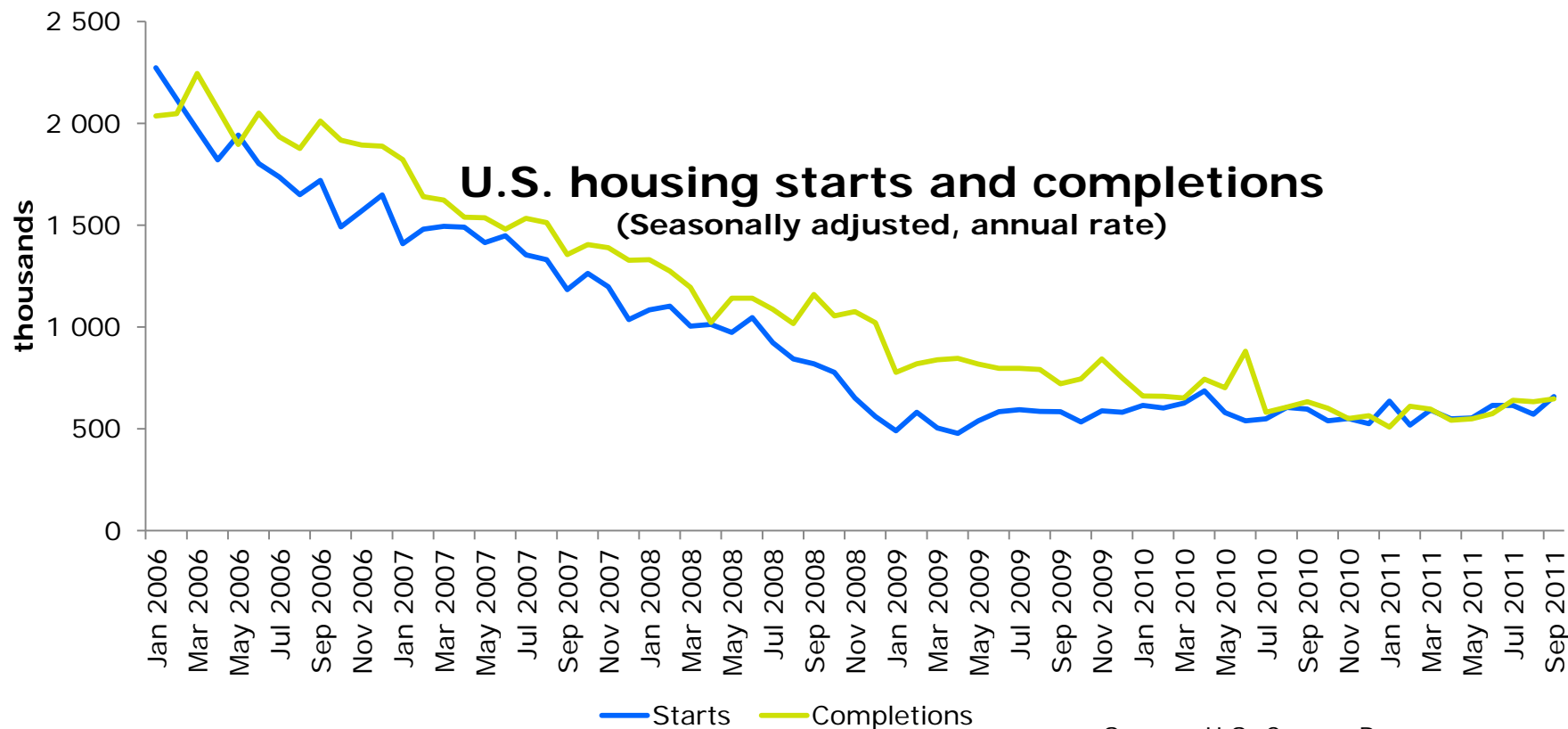


YTD July residential building permits in Finland: +14% y-o-y



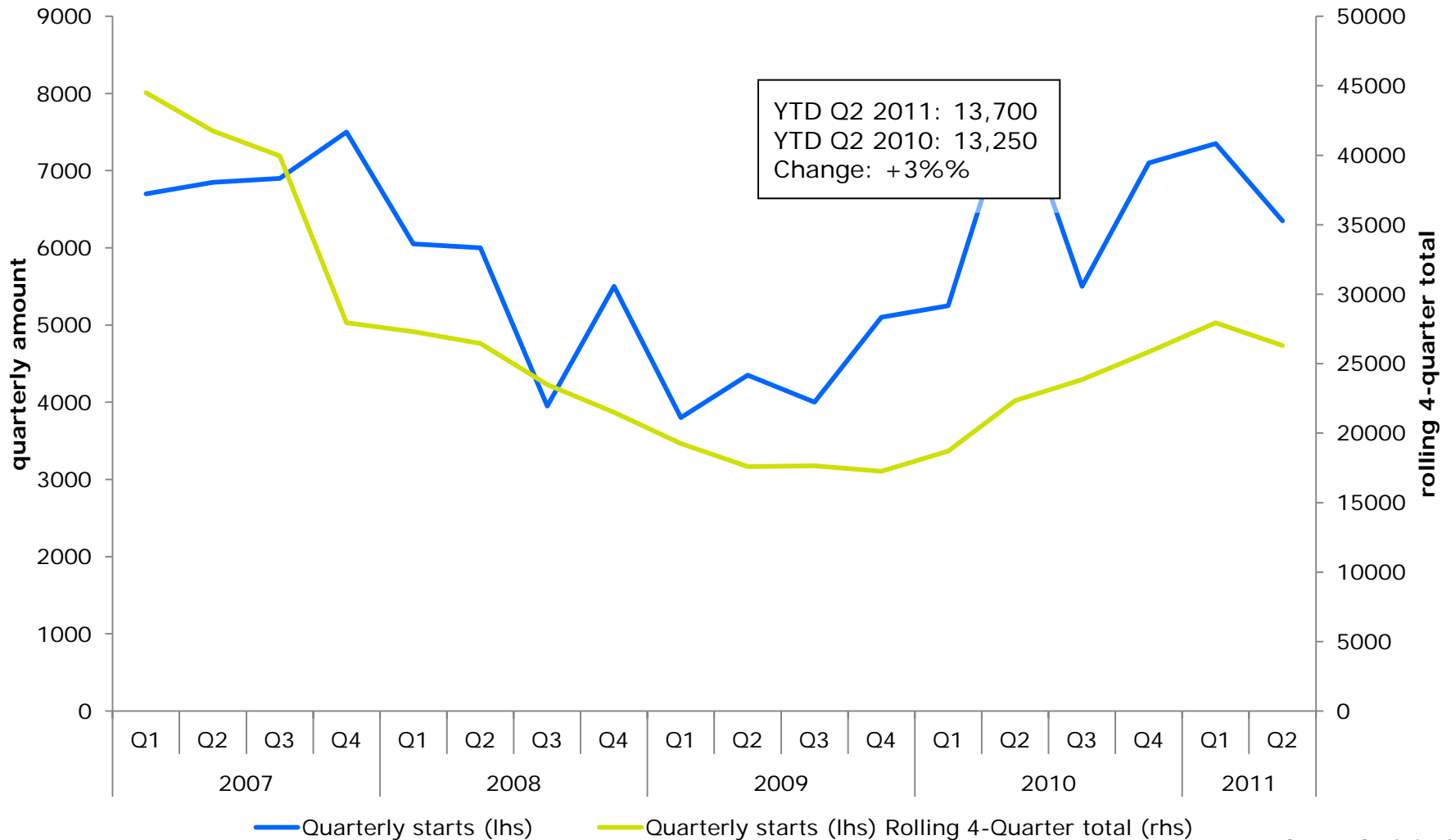
Source: Statistics Finland

September housing starts in USA + 10% y-o-y, completions + 2%



Source: U.S. Census Bureau

YTD Q2 housing starts in Sweden: +3% y-o-y



Source: Statistics Sweden