

Uponor



San Diego State University Aztec Center, California, USA

Financial results briefing – Q2/2015

Jyri Luomakoski
President and CEO
Uponor Corporation

Q2

Q2/2015: Improving operating profit on nearly flat net sales

April – June	4-6/2015	4-6/2014	Change
Net sales	277.6	264.5	4.9%
Operating profit	22.5	17.6	27.9%
- Operating profit w/o non-recurring items	23.3	17.1	36.4%

Net sales

- Persistently weak business environment in Europe affects both Building Solutions and Infra businesses
- Growth in Building Solutions - North America driven by healthy markets and market share gains
- Considerable boost from USD/euro translation; growth without currency impact at 0.3%

Operating profit

- Building Solutions – North America's growth is mainly volume driven
- Unsatisfactory trend in Building Solutions – Europe
- Modest improvement in Uponor Infra as a result of restructuring benefits; resin scarcity driving manufacturing costs up

Developments by segment: Building Solutions – Europe

- Flat or declining markets in most of Europe, biggest drops in net sales in Germany, Finland and the UK
 - The Netherlands and Spain as the main positive exceptions
- Profits down driven by business in Germany and some other key markets
 - Cost reduction plans under preparation
 - Costs increase due to start-up issues in German distribution centre and non-recurring items booked in relation to the streamlining ahead

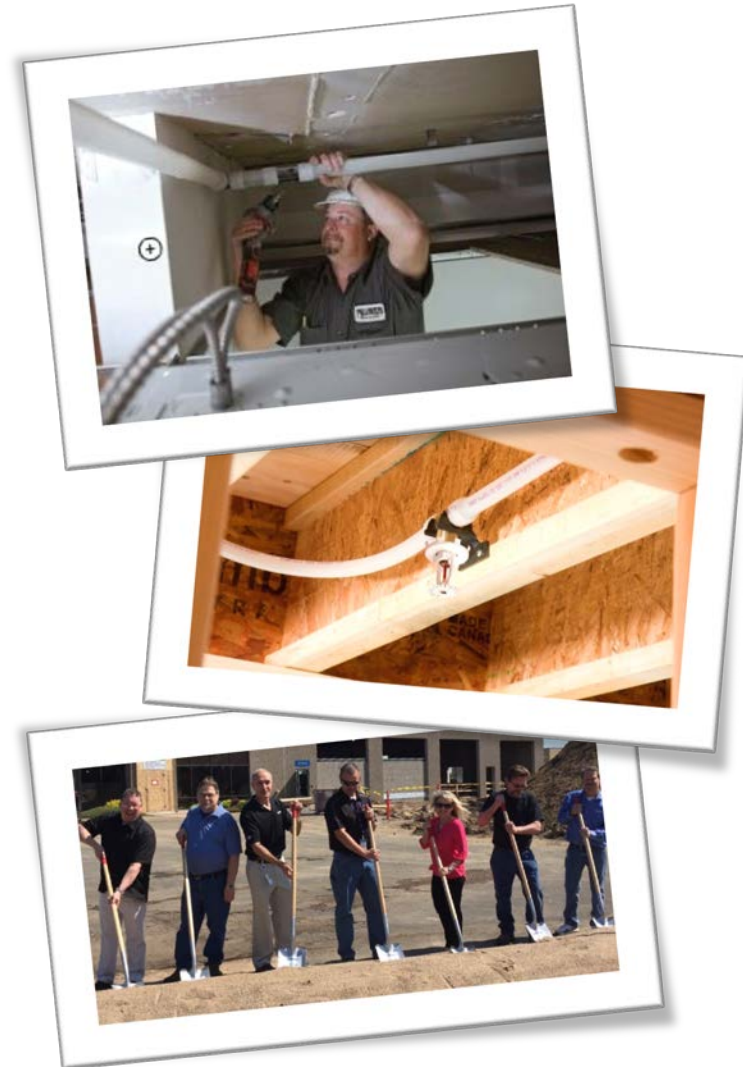


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Developments by segment:

Building Solutions – North America

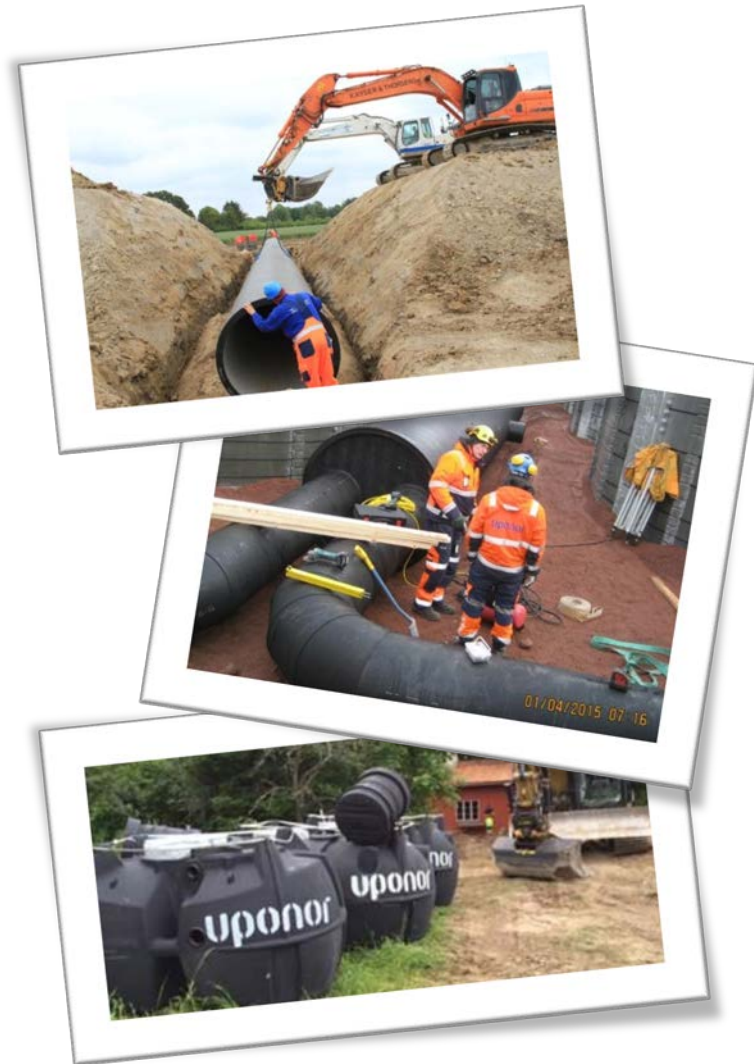
- Net sales grows in step with healthy market trends
 - customer conversion and penetration into low market share regions help strengthen market share
- Net sales and operating profit roughly doubled in 4 years
 - Careful cost management despite continuous expansion and investments
- Manufacturing expansion on plan, completion by year-end 2015



Developments by segment:

Uponor Infra

- Continued decline in net sales, due to weak markets in Europe and the divestments made in Q1
- Resin price volatility with minor impact in Q2, negative effect to be expected during H2
 - Resin availability challenges put pressure on manufacturing costs



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The new Children's Hospital, Helsinki, Finland

Financial statements

Riitta Palomäki

CFO

Uponor Corporation

Q2

Interim January – June 2015:

Key figures

M€	1-6 2015	1-6 2014	Change Y/Y	1-12 2014
Net sales, continuing operations	514.7	495.4	+3.9%	1 023.9
Operating profit, continuing operations	33.8	22.4	+50.6%	63.4
Operating profit margin, continuing operations	6.6%	4.5%	2.1% pts	6.2%
Earnings per share (diluted), €	0.23	0.17	+35.3%	0.50
Return on equity, % (p.a.)	11.6%	8.0%	3.6% pts	12.3%
Return on investment, % (p.a.)	14.0%	8.8%	5.2% pts	14.2%
Net interest bearing liabilities	138.8	154.3	-10.0%	82.0
Gearing, %	47.8%	56.9%	-9.1% pts	27.6%
Net working capital of Net sales, % (p.a.)	11.9%	12.8%	-0.9% pts	7.1%
Average number of employees, continuing operations	3 881	4 174	-7.0%	4 127
Number of employees, end of period, continuing operations	3 906	4 225	-7.6%	3 982

April – June 2015: Income statement

M€	4-6 2015	4-6 2014	Change Y/Y
Continuing operations			
Net sales	277.6	264.5	+4.9%
Cost of goods sold	179.0	177.8	+0.7%
Gross profit	98.6	86.7	+13.7%
- % of net sales	35.5%	32.8%	+2.7% pts
Other operating income	0.0	0.9	
Expenses	76.1	70.0	+8.7%
Operating profit	22.5	17.6	+27.9%
- % of net sales	8.1%	6.6%	+1.4% pts
Financial expenses, net	1.3	3.7	-63.6%
Share of result in associated companies	0.0	0.1	
Profit before taxes	21.2	14.0	+51.2%
Profit for the period	13.3	9.4	+42.4%
EBITDA	31.5	26.4	+19.2%

- **Net sales growth**, adjusted for currency translation (mainly coming from USD), was flat at 0.3%
- **Gross profit margin** improvement driven by increased share of Building Solutions – North America and more favourable product mix there
- Increase in **expenses** due to Building Solutions – North America, driven by dollar-to-euro translation
- **Operating profit** includes a non-recurring cost of €0.8m from the streamlining programme in Building Solutions – Europe while the comparison year contained a non-recurring net gain of €0.5m. Translation impact on operating profit was €2.7m vs Q2/2014

Interim January – June 2015: Income statement

M€	1-6 2015	1-6 2014	Change Y/Y	1-12 2014
Continuing operations				
Net sales	514.7	495.4	+3.9%	1 023.9
Cost of goods sold	330.9	330.6	+0.1%	683.8
Gross profit	183.8	164.8	+11.5%	340.1
- % of net sales	35.7%	33.3%	+2.4% pts	33.2%
Other operating income	0.7	1.1	-34.9%	2.4
Expenses	150.7	143.5	+5.0%	279.1
Operating profit	33.8	22.4	+50.6%	63.4
- % of net sales	6.6%	4.5%	+2.0% pts	6.2%
Financial expenses, net	6.4	5.8	+9.8%	7.4
Share of result in associated companies	0.1	0.1		0.3
Profit before taxes	27.5	16.7	+64.9%	56.3
Profit for the period	17.3	11.2	+55.1%	36.3
EBITDA	52.1	40.3	+29.3%	99.9

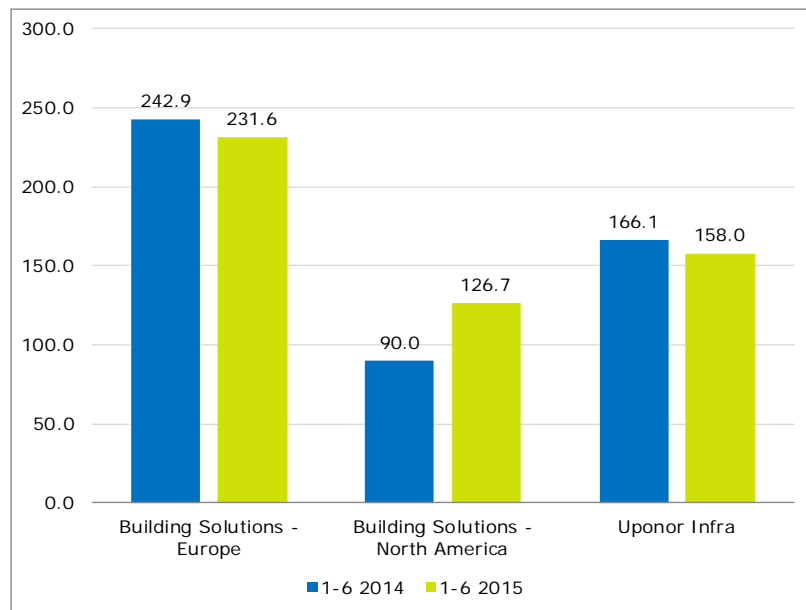
- **Net sales** growth, adjusted for the currency translation impact (mainly coming from USD), was flat at -0.6%
- Increase in **expenses** due to Building Solutions - North America, driven by dollar-to-euro translation. Comparison figures burdened by €3.0m in NRI
- **Operating profit** in 2015 includes €0.8m NRI related to streamlining programme in Building Solutions- Europe. Operating profit w/o NRI €34.6m (€25.7m), up 34.6% y-on-y

Interim January – June 2015:

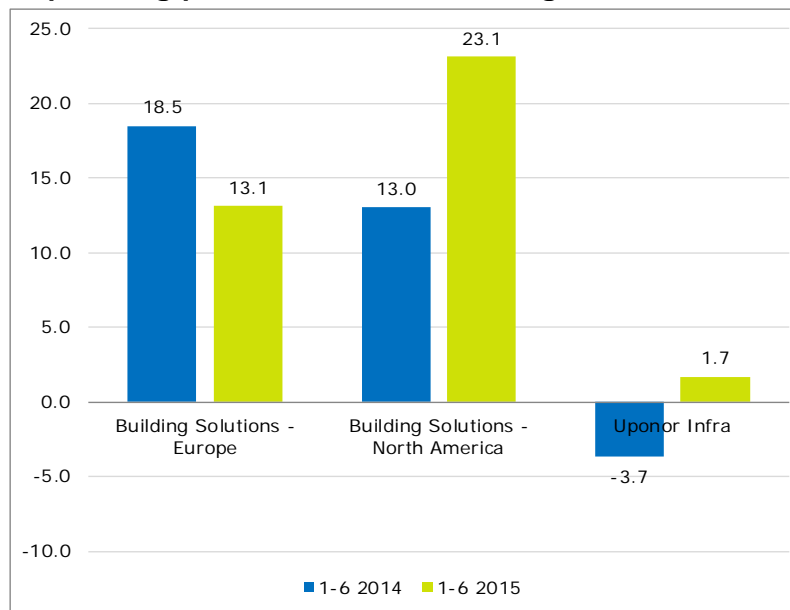
Net sales & operating profit by segment

Currency: M€

Net sales

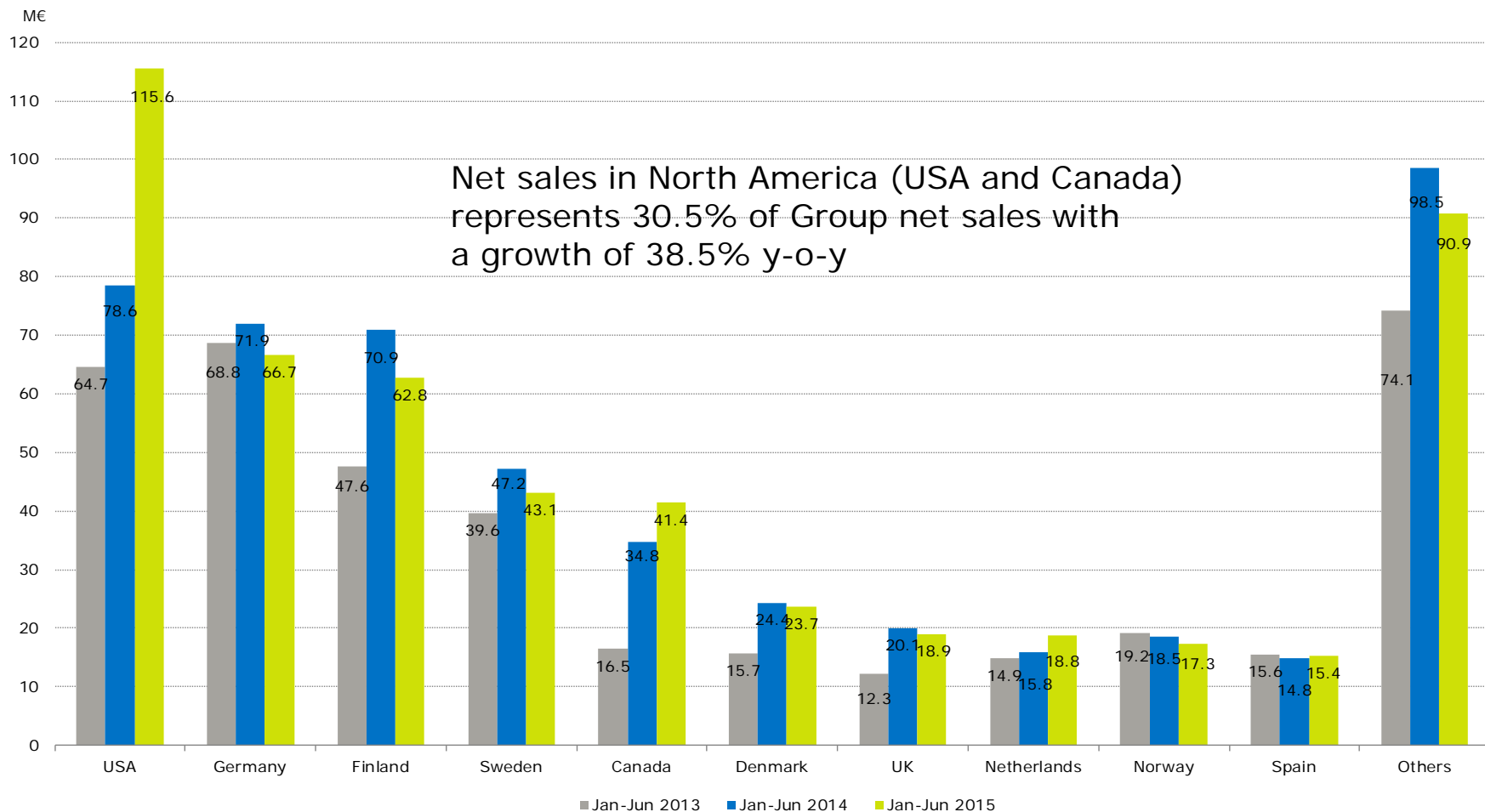


Operating profit, w/o non-recurring items



- Building Solutions – Europe: operating profit margin (w/o non-recurring items) down from 7.6% to 5.7% driven by declining net sales in key markets
- Building Solutions – North America: profit margin up from 14.4% to 18.3 %, driven by solid sales growth and careful cost management. Q2/2015 profit margin 21.6%
- Uponor Infra: profit improved as a result of the restructuring measures during 2013 and 2014. Uponor Infra also benefited from input costs

Interim January – June 2015: Net sales development in key markets



Growth
% in EUR
% in Curr.

USA	Germany	Finland	Sweden	Canada	Denmark	UK	Netherlands	Norway	Spain	Others
47.1	-7.2	-11.4	-8.6	19.2	-2.9	-5.7	18.8	-6.4	4.0	-7.7
19.2			-5.4	9.6	-3.0	-16.3		-2.8		

Note: Countries are sorted by YTD 2015 net sales

Interim January – June 2015:

Balance sheet

M€	30 Jun 2015	30 Jun 2014	Change Y/Y	31 Dec 2014
Property, plant and equipment	209.5	197.5	+12.0	207.8
Intangible assets	96.3	100.2	-3.9	98.4
Securities and long-term investments	10.8	11.2	-0.4	11.2
Inventories	131.2	130.8	+0.4	117.4
Cash and cash equivalents	16.5	17.9	-1.4	60.2
Other current and non-current assets	252.5	240.3	+12.2	186.8
Total equity	290.6	271.2	+19.4	297.9
Non-current interest-bearing liabilities	100.4	130.3	-29.9	126.3
Provisions	17.4	20.7	-3.3	16.2
Non-interest-bearing liabilities	253.5	233.8	+19.7	225.5
Current interest-bearing liabilities	54.9	41.9	+13.0	15.9
Balance sheet total	716.8	697.9	+18.9	681.8

- Net interest-bearing liabilities at €138.8m, down by €15.5m from LY
- Non-controlling interest at Uponor Infra represents €65.2m of the total equity at €290.6m

Interim January – June 2015:

Cash flow

M€	1-6 2015	1-6 2014	Change Y/Y	1-12 2014
Net cash from operations	+47.1	+37.4	+9.7	+99.0
Change in NWC	-50.2	-44.3	-5.9	-3.5
Net payment of income tax and interest	-16.7	-11.8	-4.9	-19.8
Cash flow from operations	-19.8	-18.7	-1.1	+75.7
Cash flow from investments	-12.5	-10.3	-2.2	-30.6
Cash flow before financing	-32.3	-29.0	-3.3	+45.1
Dividends and buy backs	-30.7	-27.8	-2.9	-27.8
Other financing	+18.5	+21.2	-2.7	-9.9
Cash flow from financing	-12.2	-6.6	-5.6	-37.7
Change in cash and cash equivalents	-43.7	-35.8	-7.9	+6.5

- Gross CapEx (€18.5m) at depreciation level and up €6.1m from LY, driven by investment in Building Solutions – North America
- Cash flow from investments includes a cash flow effect of €+5.9m from the divestments of the Thai infrastructure business and Extron Engineering Oy in Finland. The comparison year includes €1.7m in proceeds from the sale of fixed assets in Finland related to Uponor Infra's integration

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Outlook for the future

Jyri Luomakoski
President and CEO
Uponor Corporation











Q2

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Apartment building, Veendaal, the Netherlands

Leading indicators in major markets

	Indicator	% change YTD	Data through	Trend since Q4 update
USA	Housing starts ¹⁾	+27%	June 2015	
Germany	Housing permits	-1%	May 2015	
Finland	Building starts	-10%	April 2015	
Sweden	Housing starts	+29%	March 2015	
Canada	Housing starts ¹⁾	-2%	June 2015	
Denmark	Housing starts	-30%	March 2015	
UK	Housing starts ²⁾	+9%	March 2015	
Netherlands	Housing permits	+105%	March 2015	
Norway	Housing permits	+11%	May 2015	
Spain	Housing permits	+23%	March 2015	

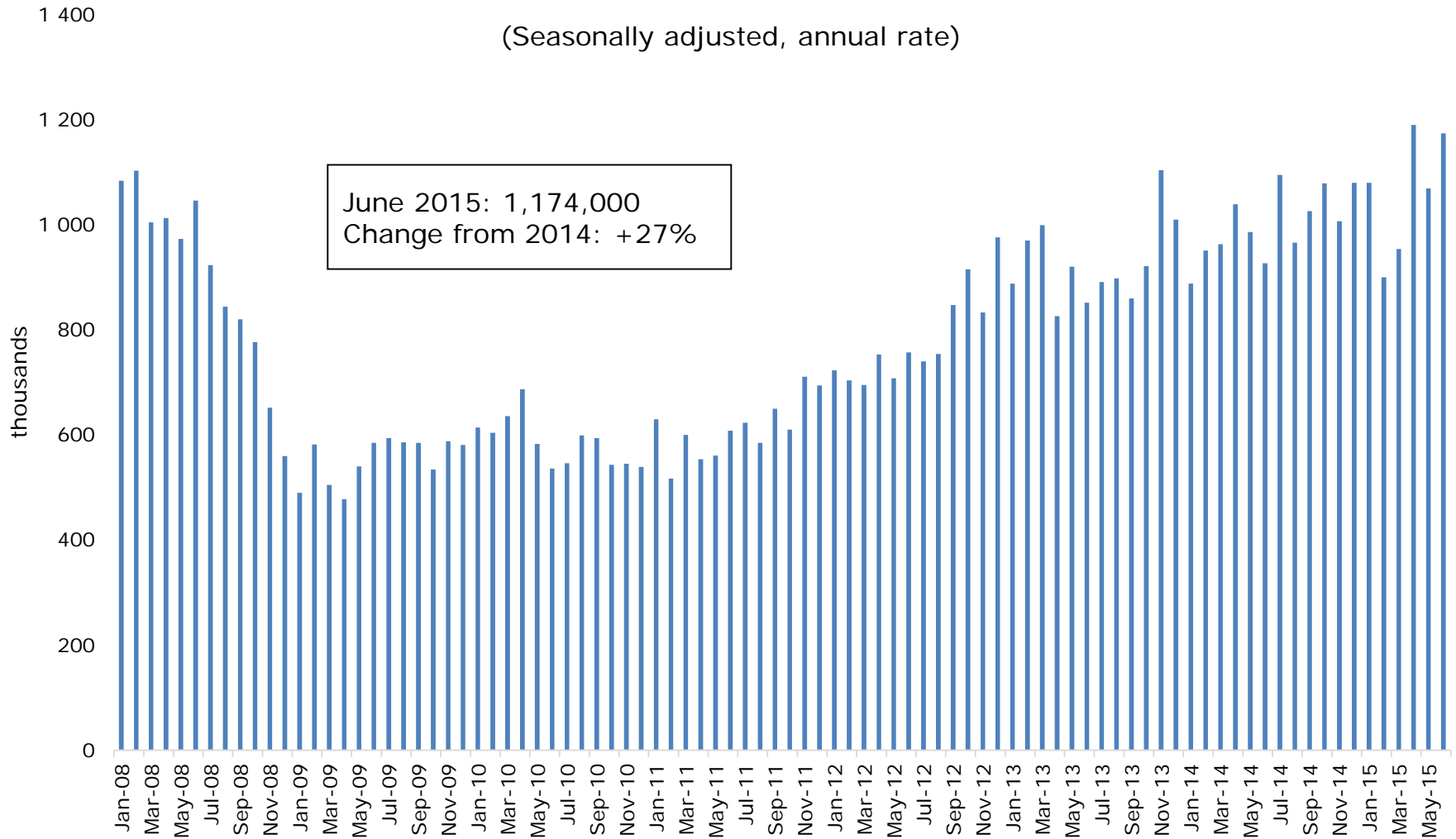
¹⁾ Seasonally adjusted, annualised rate vs. same month in 2014; ²⁾ England only

Country overview- USA

- After a harsh winter that clearly influenced the slow start to the year, gains have been made in most fundamental economic indicators
- Within the construction industry:
 - Housing starts rebounded in June after disappointing May starts
 - Other leading indicators of construction activity, such as permit levels and builder confidence, are positive and have reached pre-crisis levels
 - Non-residential construction has grown versus last year, with businesses increasingly investing in offices, commercial properties and manufacturing facilities

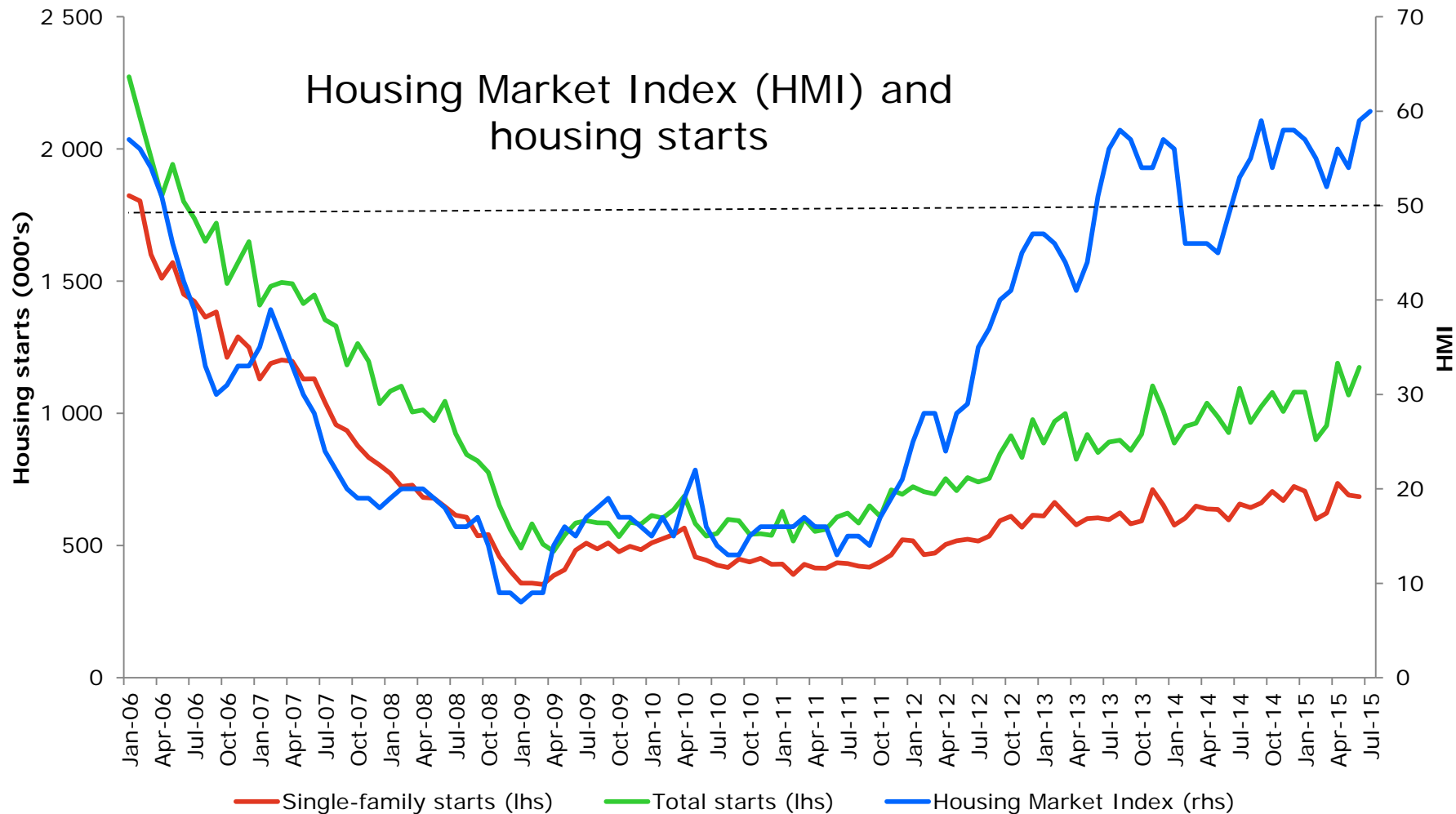
U.S. housing starts

(Seasonally adjusted, annual rate)



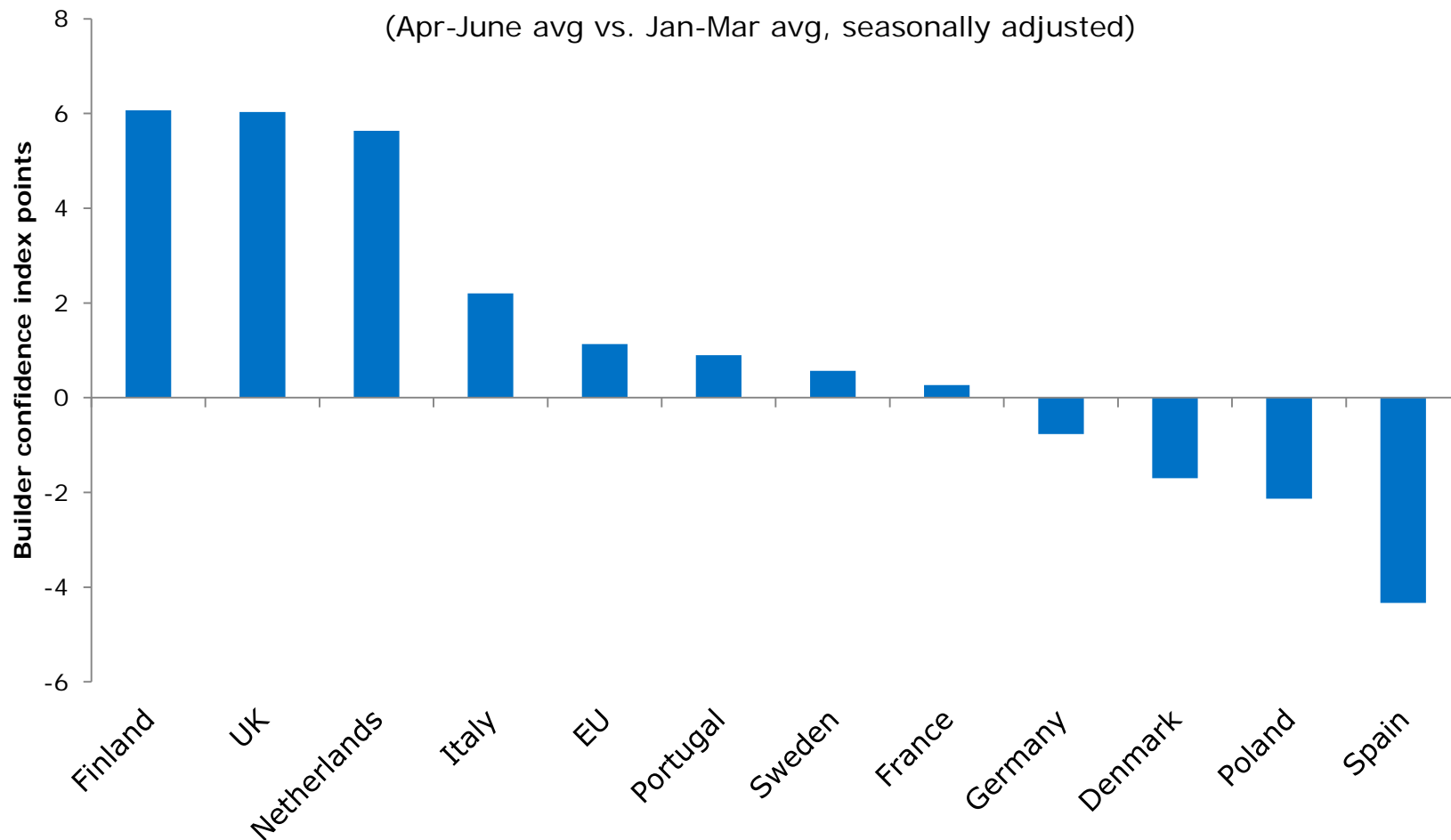
Source: U.S. Census Bureau

U.S. starts rebounded in June and builder confidence rose to a 10-year high



Source: US Census, NAHB/Wells Fargo

Europe: Change in builder confidence

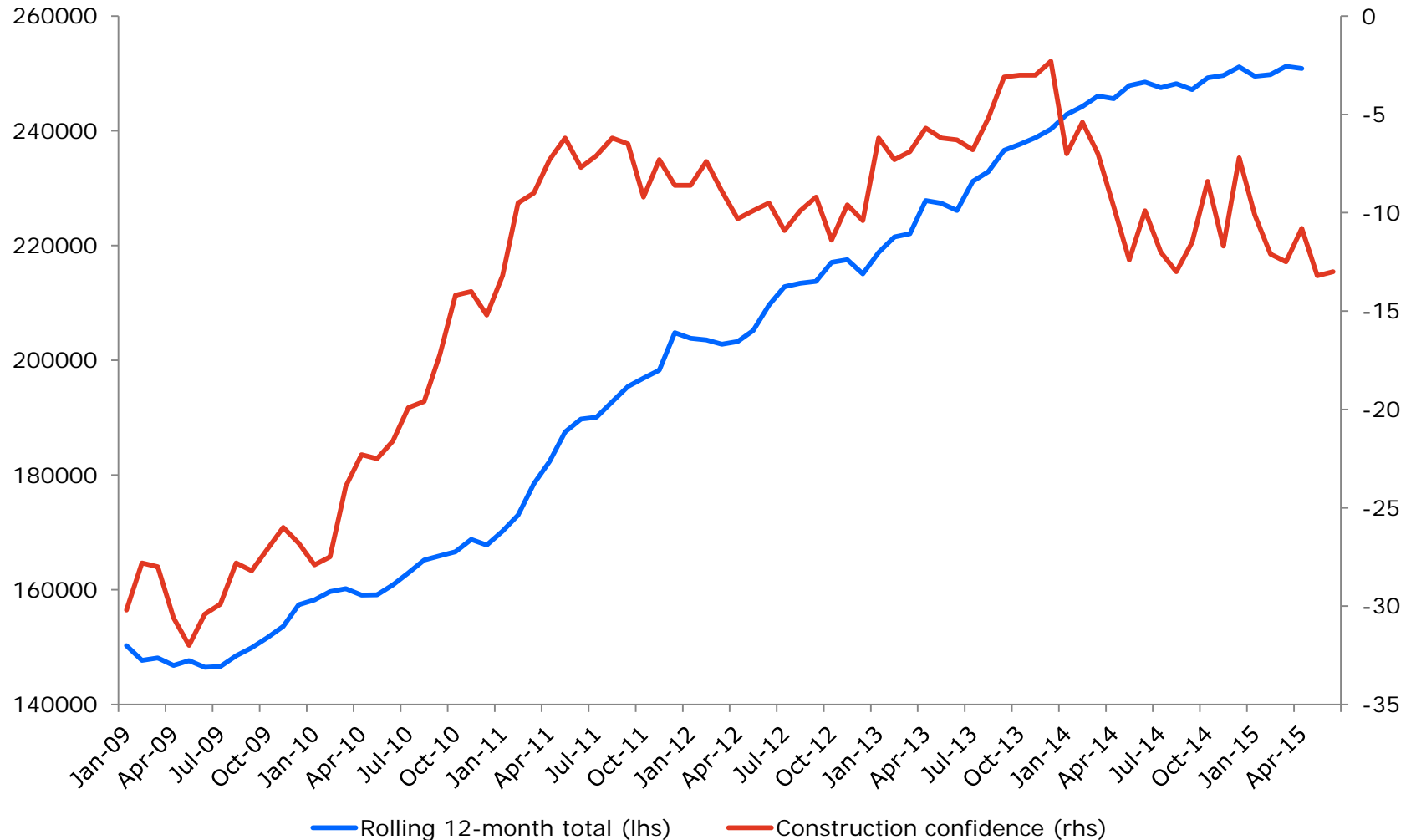


Source: Eurostat

Country overview- Germany

- A very strong labour market coupled with consumer confidence at a 13-year high has continued to drive growth in the economy, despite the headwinds created by external factors
- Within the construction industry:
 - Building permit levels to-date are on par with 2014, with the multi-family segment outperforming the single-family segment
 - Builder confidence has weakened somewhat, but remains relatively robust
 - Non-residential spending continues to be restrained as businesses remain cautious

German housing permits and builder confidence



Source: Destatis and Eurostat

Management agenda for the near term

- Focus on cost and pricing management as demand and input costs remain volatile in the European markets
- Execution of North American expansion in building solutions, and tapping into growth opportunities partly created by the tailwind in the building markets
- September marks a one-year anniversary of the most recent restructuring programmes in Uponor Infra
 - follow the initiatives through and get stability in the supply/demand situation
- Building Solutions – Europe's streamlining programme

Guiding forward

- Macro-economic challenges and the geopolitical situation remain difficult and have not improved
- Plastic resin availability challenging although it may be easing after the summer
 - Main impact on Uponor Infra
- The guidance issued on 12 February 2015 remains intact:

The Group's net sales and operating profit (excluding any non-recurring items) are expected to improve from 2014

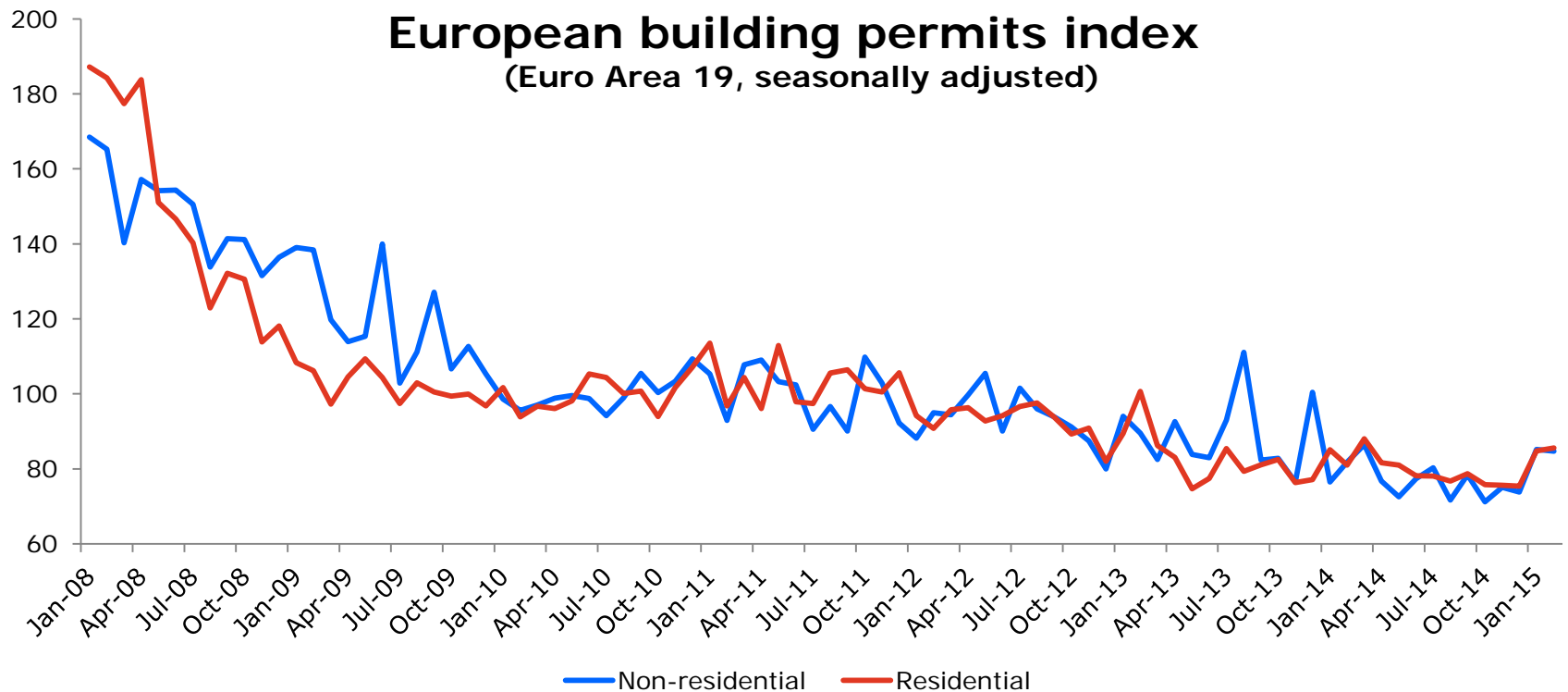
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simply more

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.

Building permits in Europe

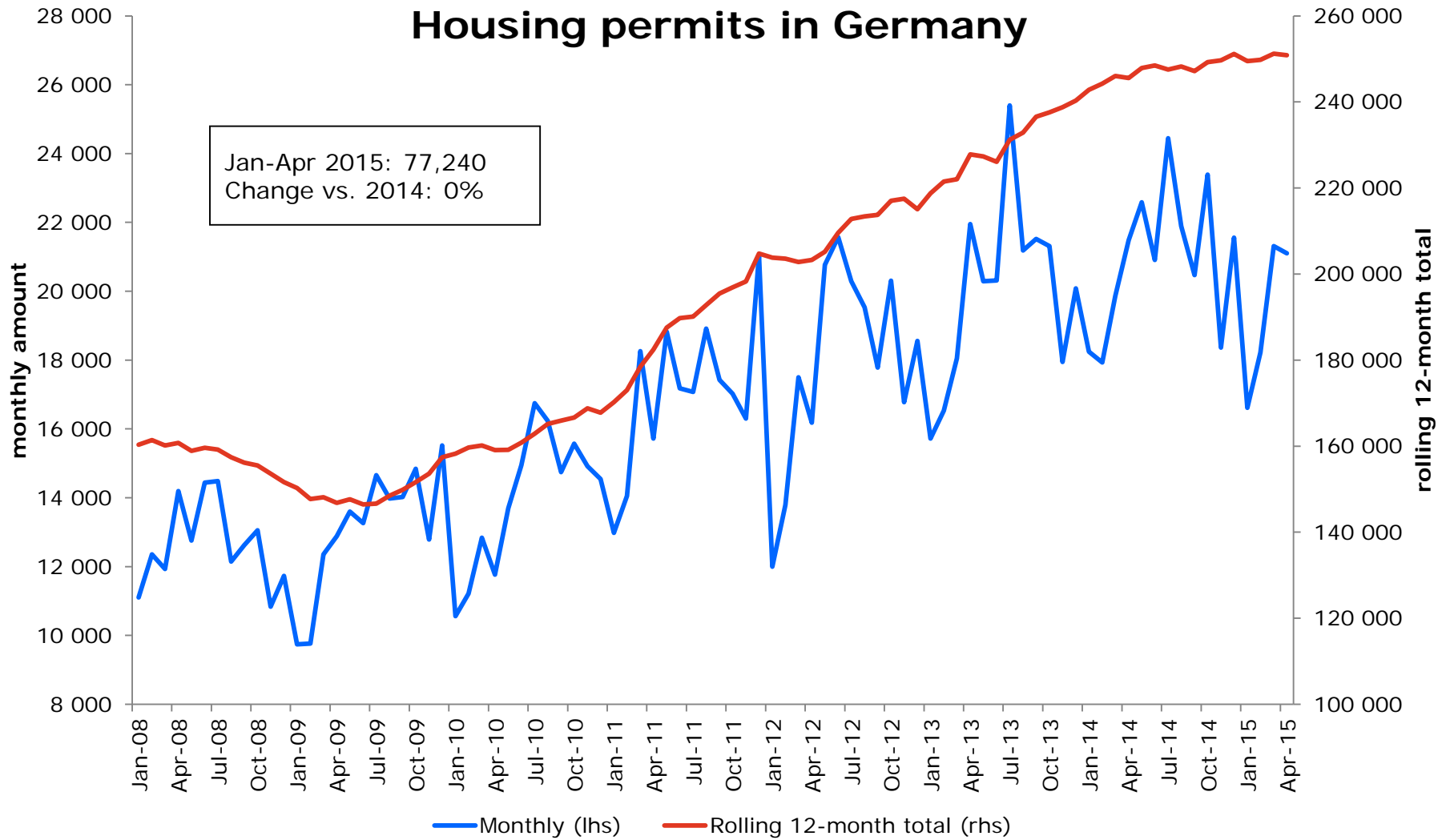
- Building permits data through February indicates that permit levels have improved slightly from the all-time lows at the end of 2014, largely as a result of increased activity in Spain and Sweden



Source: Eurostat (Base year = 2010)

Germany

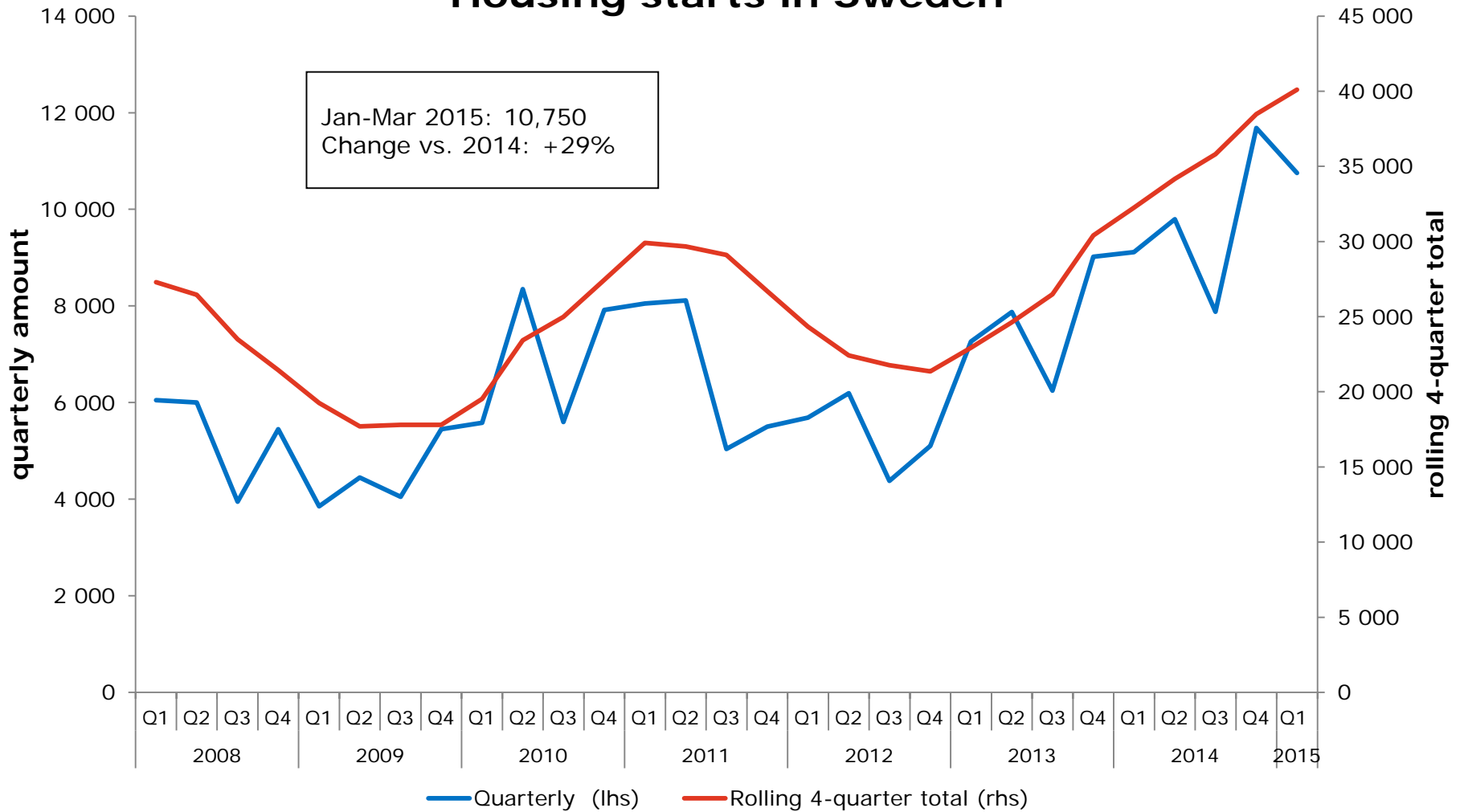
Housing permits in Germany



Source: Destatis

Sweden

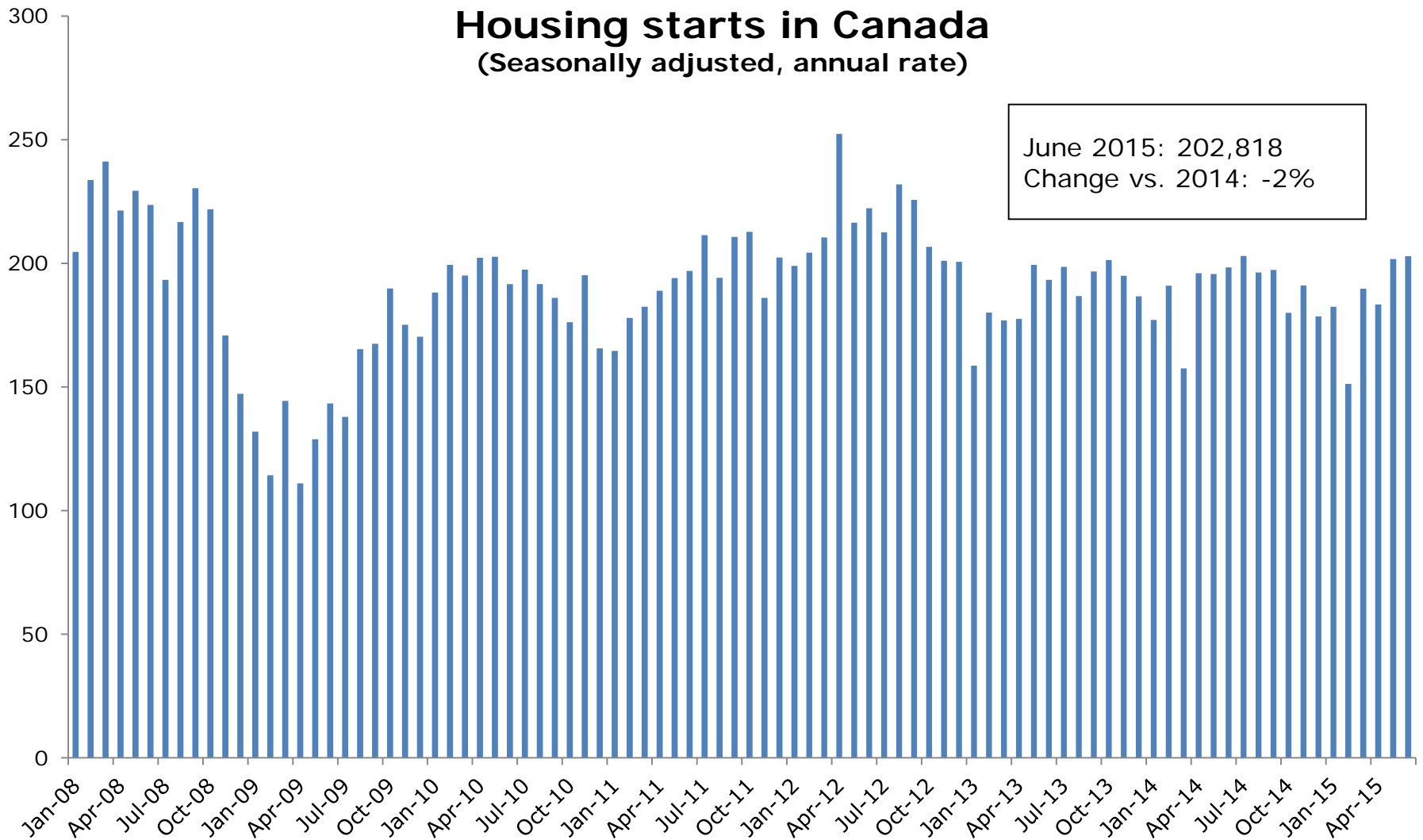
Housing starts in Sweden



Source: Statistics Sweden

Canada

Housing starts in Canada (Seasonally adjusted, annual rate)

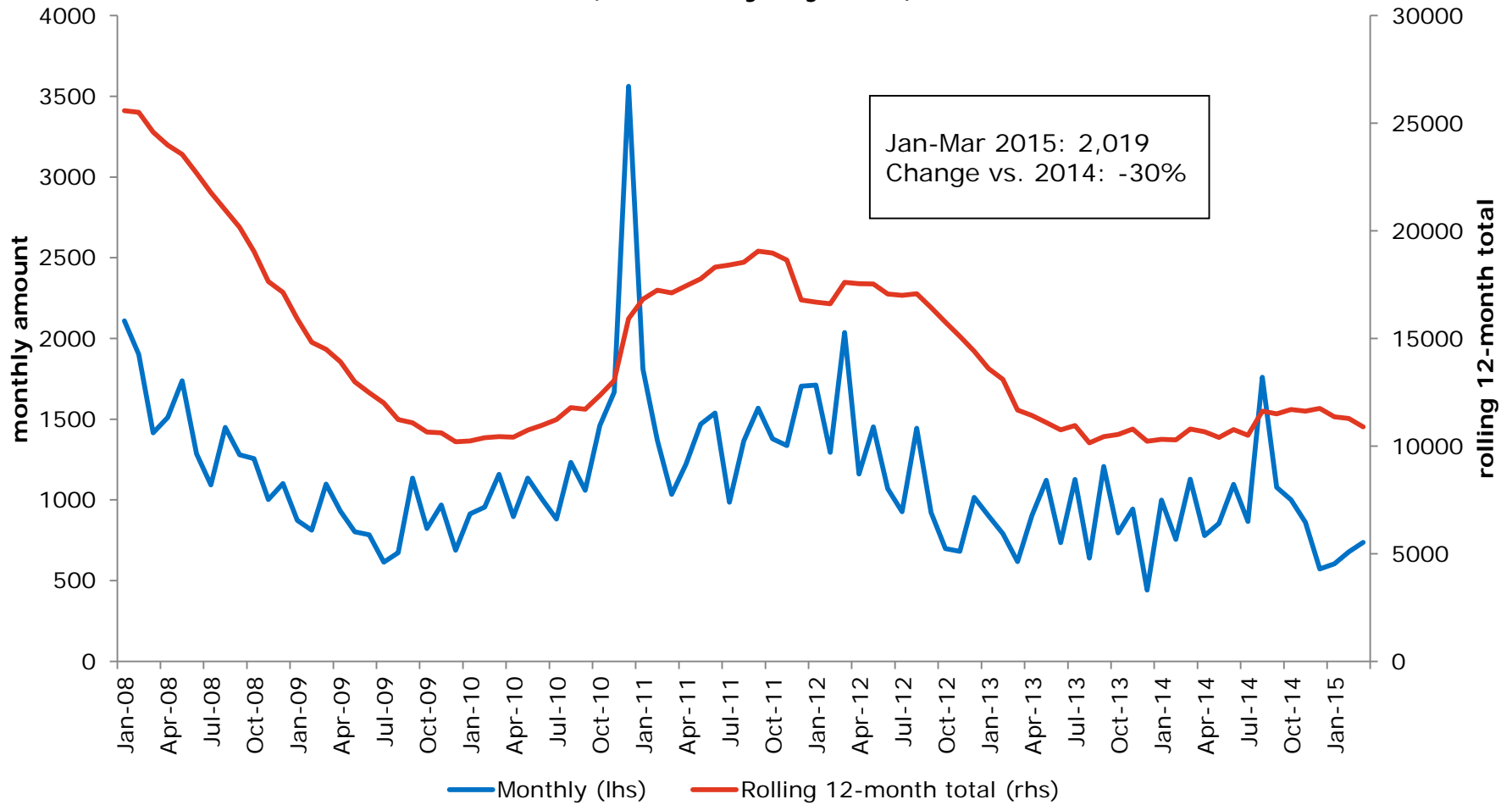


June 2015: 202,818
Change vs. 2014: -2%

Source: CMHC/ Statistics Canada

Denmark

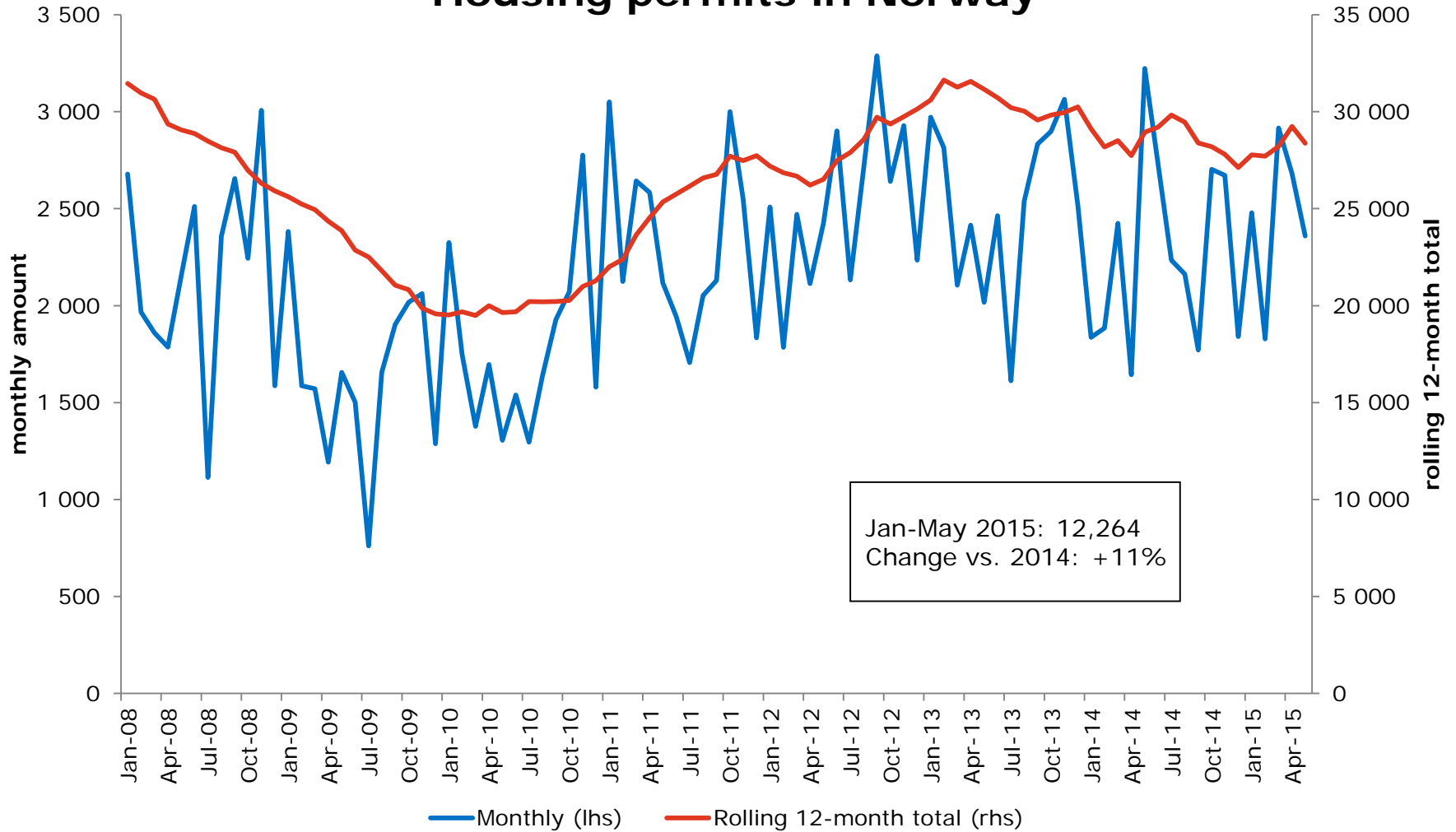
Housing starts in Denmark (Seasonally adjusted)



Source: Statistics Denmark

Norway

Housing permits in Norway



Source: Statistics Norway