



The Mayo hotel, Tulsa, Oklahoma, USA

Financial results briefing – Q3/2013

Jyri Luomakoski
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Q³

Q3/2013 market overview

Northern Europe

- Market trends have weakened somewhat in the residential sector and caps on spending continue to hamper the non-residential sector
- Activity in Finland and Sweden in particular was slow across the sectors

Central Europe

- After a slower than expected start into the year, the German market shows growth, while other markets have yet to get back on track
- The business lost during the long winter cannot be fully recovered in '13











Southern Europe

- With the exception of the U.K., there are very few positive developments in the region

North America

- A cooling in activity in Canada is being compensated for by continuing, broad based improvement in the U.S. market

Leading indicators in major markets

	Indicator	% change YTD	Data through	Trend since Q2 update
Germany	Housing permits	+13%	July 2013	
USA	Housing starts ¹⁾	+19%	August 2013	
Finland	Housing permits	-16%	July 2013	
Sweden	Housing starts	+41%	June 2013	
Denmark	Housing starts	-38%	June 2013	
Norway	Housing starts	-1%	August 2013	
Canada	Housing starts ¹⁾	-13%	September 2013	
Netherlands	Housing permits	-32%	July 2013	
Spain	Housing permits	-24%	July 2013	
Russia	Housing permits	+6%	July 2013	

¹⁾ Seasonally adjusted, annualised rate vs. same month in 2012

Q3/2013: The large markets of U.S., Germany and Russia show strength

July – September	7-9/2013	7-9/2012	Change	Organic
Net sales	279.3	211.3	32.2%	2.3%
Operating profit	28.2	22.1	27.5%	16.6%

- **Net sales:**

- BLD – Europe: brisk development in Germany, Russia and Denmark; Emphasis on project sales is starting to pay off
- BLD – North America: healthy market growth; continued penetration into selected segments of the commercial market
- Uponor Infra: net sales of €105.1m, up by €65m; the combined businesses contracted slightly year-on-year

- **Operating profit:**

- All segments report improving numbers despite tough market conditions
- Operating profit margin at 10.1% (10.4%), organically 11.9%
- Driven by a stable input cost environment, efficient cost and overhead management, and operational leverage due to increased volumes

January–Sept 2013: Softer first quarters burden YTD results

January – September	1-9/2013	1-9/2012	Change	Organic
Net sales	668.4	621.9	7.5%	-1.4%
Operating profit	54.0	47.5	13.6%	7.4%

- **Net sales:**
 - More favourable net sales development in growing key markets towards the autumn
 - Several European markets still burdened by weak demand
- **Operating profit:**
 - Soft first quarter impact visible in YTD profit numbers
 - Controlled overhead cost management and efficiency improvements continued in all segments
 - Operating profit margin at 8.1% (7.6%)

Uponor Infra started 1 July 2013

2

world-leading specialists, KWH Pipe and Uponor Infrastructure, have been merged.

120

years of experience in research, development and production.

1600

experts all over the world, prepared to help you.

Uponor Infra

At your service

Uponor and KWH Pipe have been merged and become **Uponor Infra**, a partnership of two innovative experts which during more than six decades untiringly have been driven by the wish to develop efficient infrastructure for humans, homes and society.

This means that customers all over the world will get access to the knowledge and service of two leading specialists in pipe solutions protecting and transporting water, air, energy, gas, electricity and telecom. Furthermore with manufacture of machines for plastic production.

Infrastructure for a sustainable future.



Uponor Infra is a joint venture between the former companies KWH Pipe and Uponor Infrastructure

Uponor
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Uponor Infra's first quarter

- Operations started on 1 July 2013
- Management and organisation mostly set up
- Integration initiatives targeting synergies of ca €10 million
 - Decisions made to combine two factories in Sweden and close one facility in Denmark
 - Collaborative negotiations started in Finland
- Total personnel reduction planned ca 160 persons
- Roadmap for the near-term future
 - Northern Europe to be developed as one integrated entity
 - International business development targets to secure profitable growth
 - Comprehensive integration programme ongoing, prioritising consolidation, branding and the ERP rollout
- Execution of remedies set by Market Court ongoing

Highlights of Q3/2013

- + Successful and speedy start in the integration of Uponor Infra
- + Profitable growth in North America continued and manufacturing expansion on track for going live in early 2014
- + Cost containment and efficiency improvements continue to be in the management's focus

- Overall sluggishness of the European markets prevails
 - There are both positive and negative developments
- Most of Central Europe affected by the long winter – full year volumes will fall below normal



TV-Tower, Tallinn, Estonia

Financial statements

Riitta Palomäki

CFO

Uponor Corporation

Q³

Interim January – September 2013

Key figures

M€	1-9 2013	1-9 2012	Change Y/Y	1-12 2012
Net sales, continuing operations	668.4	621.9	+7.5%	811.5
Operating profit, continuing operations	54.0	47.5	+13.6%	57.7
Operating profit margin, continuing operations	8.1%	7.6%	0.5% pts	7.1%
Earnings per share (diluted), €	0.41	0.35	+17.1%	0.45
Return on equity, % (p.a.)	17.4%	16.6%	0.8% pts	15.7%
Return on investment, % (p.a.)	17.9%	18.2%	-0.3% pts	16.5%
Net interest bearing liabilities	135.2	117.7	+14.9%	94.1
Gearing, %	45.8%	58.3%	-12.5% pts	45.4%
Net working capital of Net sales, % (p.a.)	13.2%	9.8%	+34.8%	9.9%
Average number of employees, continuing operations	3 473	3 112	+11.6%	3 098
Number of employees, end of period, continuing operations	4 188	3 043	+37.6%	3 052

July – September 2013

Income statement

M€	7-9 2013	7-9 2012	Change Y/Y
Continuing operations			
Net sales	279.3	211.3	+32.2%
Cost of goods sold	183.0	128.7	+42.1%
Gross profit	96.3	82.6	+16.7%
- % of net sales	34.5%	39.1%	-4.6% pts
Other operating income	0.1	0.1	
Expenses	68.2	60.6	+12.7%
Operating profit	28.2	22.1	+27.5%
- % of net sales	10.1%	10.4%	-0.3% pts
Financial expenses, net	1.8	2.6	-29.9%
Share of result in associated companies	0.0	0.0	
Profit before taxes	26.4	19.5	+34.7%
Profit for the period	17.7	12.4	+43.2%
EBITDA	37.6	29.1	+29.3%

- Gross profit margin diluted due to new Uponor Infra units
- Operating profit burdened by €1.1m coming from consolidation of the Swedish and Danish Infra operations

Interim January – September 2013

Income statement

M€	1-9 2013	1-9 2012	Change Y/Y	
Continuing operations				
Net sales	668.4	621.9	+7.5%	
Cost of goods sold	420.3	383.3	+9.6%	
Gross profit	248.1	238.6	+4.0%	
- % of net sales	37.1%	38.4%	-1.2% pts	
Other operating income	0.3	0.8	-64.0%	
Expenses	194.4	191.9	+1.3%	
Operating profit	54.0	47.5	+13.6%	
- % of net sales	8.1%	7.6%	+0.4% pts	
Financial expenses, net	5.0	7.1	-29.4%	
Share of result in associated companies	0.0	0.1		
Profit before taxes	49.0	40.5	+21.0%	
Profit for the period	32.8	25.7	+28.0%	
EBITDA	77.9	68.7	+13.3%	

Note: Hewing GmbH income statement consolidated in Q1/2012

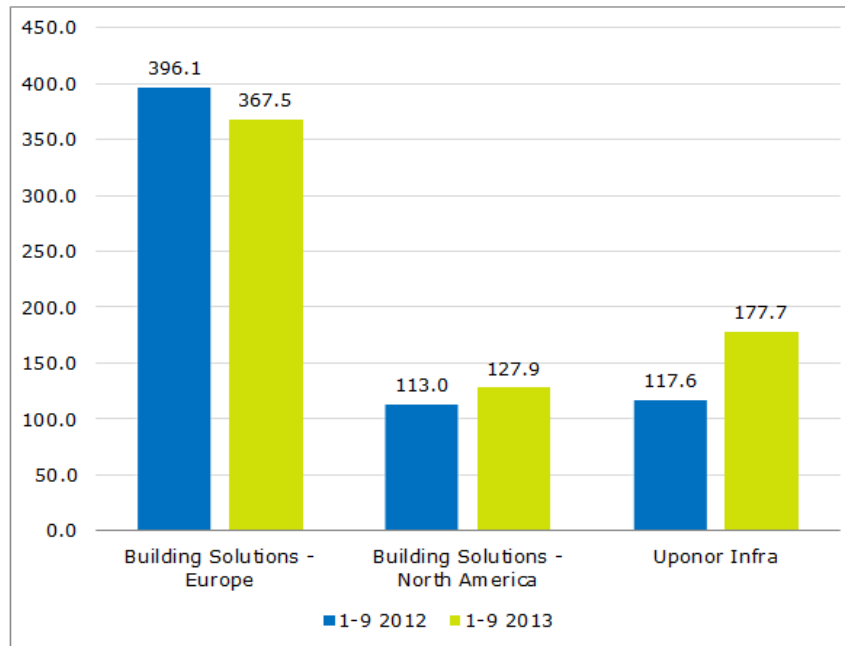
- Organic growth, adjusted for currency rate effect, at -0.4% due to weaker first and second quarters in the current year
- Gross margin slightly below last year, due to new Uponor Infra businesses' impact in Q3/2013
- Financial expenses, net down mainly due to FX

Interim January – September 2013

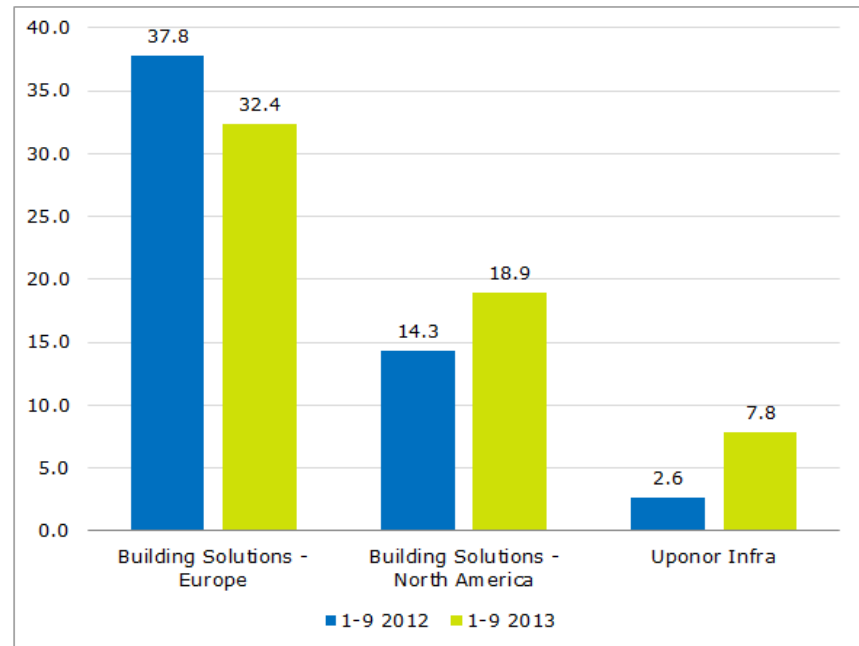
Net sales & operating profit by segment

Currency: M€

Net sales



Operating profit, w/o one time costs

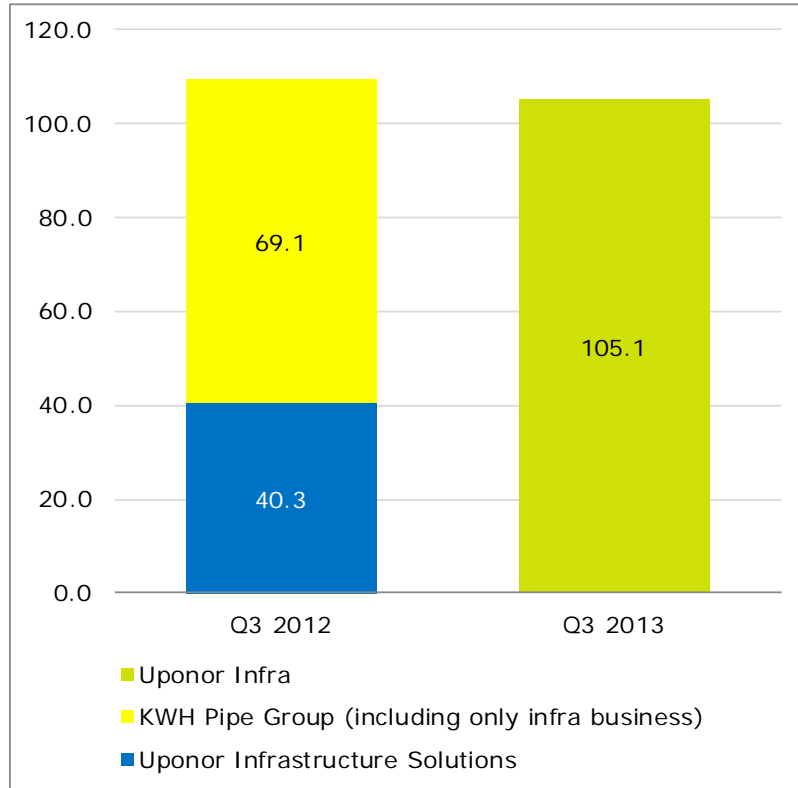


- Building Solutions - North America continuing to grow organically
- Uponor Infra operating profit 2013 without one time items (€1.1m)

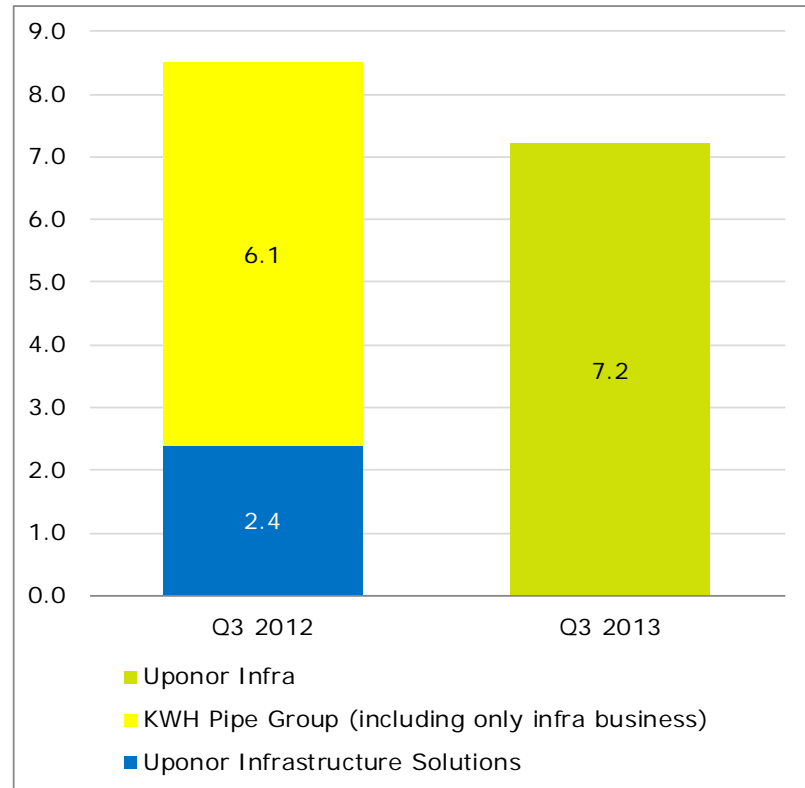
Interim July – September 2013

Uponor Infra

Currency: M€
Net sales

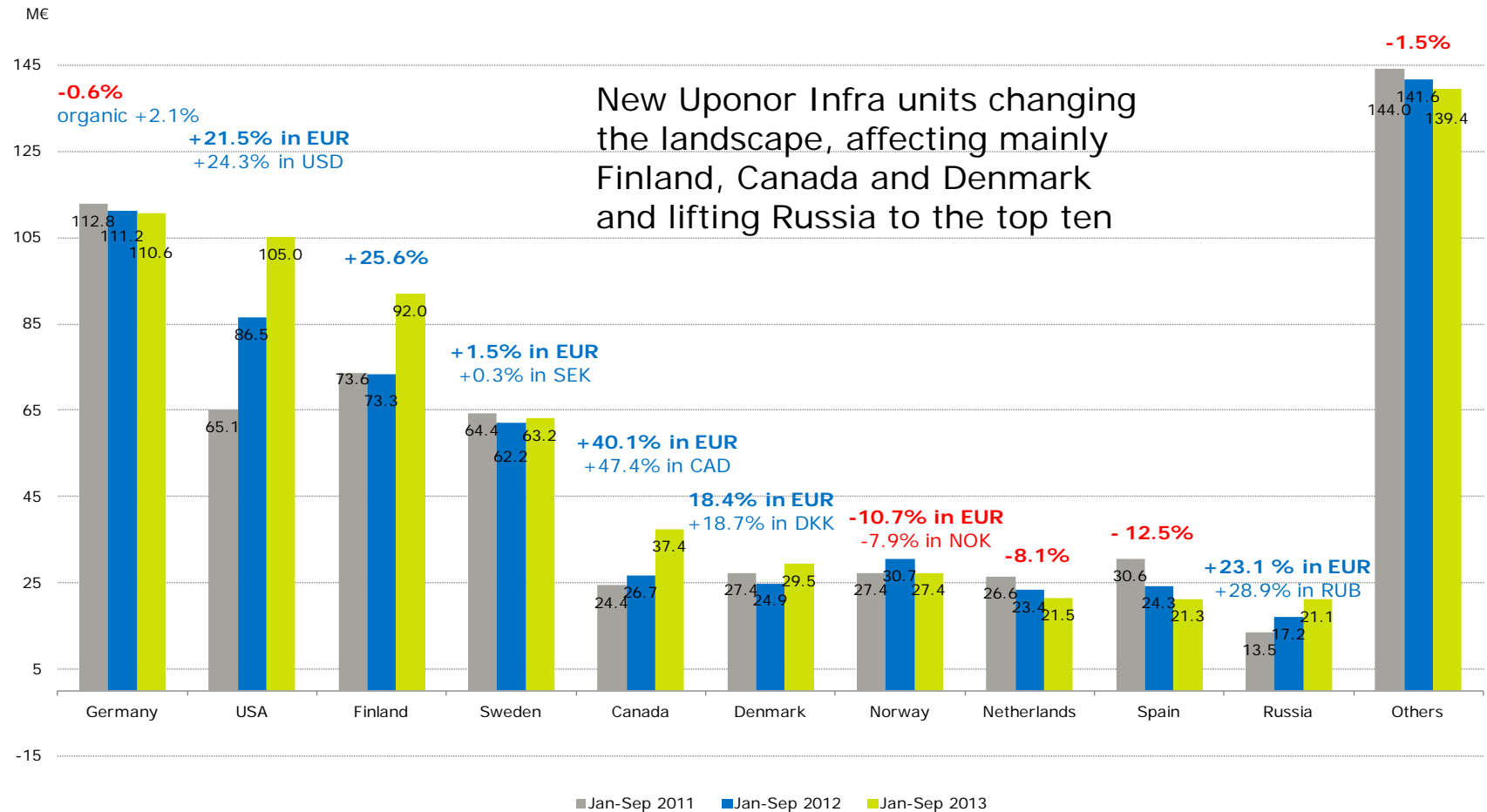


Operating profit



- Uponor Infra operating profit Q3/2013 without one time items (€1.1m)

Net sales development by key national markets



Interim January – September 2013

Balance sheet

M€	30 Sep 2013	30 Sep 2012	Change Y/Y	31 Dec 2012
Property, plant and equipment	200.8	153.7	+47.1	152.4
Intangible assets	104.7	94.4	+10.3	93.7
Securities and non-current receivables	11.1	1.0	+10.1	0.8
Inventories	132.2	84.3	+47.9	78.7
Cash and cash equivalents	25.0	8.7	+16.3	17.7
Other current and non-current assets	242.6	197.5	+45.1	156.1
Total equity	295.4	201.9	+93.5	207.3
Non-current interest-bearing liabilities	141.0	110.6	+30.4	107.6
Provisions	19.7	19.7	+0.0	20.6
Non-interest-bearing liabilities	241.1	191.6	+49.5	159.7
Current interest-bearing liabilities	19.2	15.8	+3.4	4.2
Balance sheet total	716.4	539.6	+176.8	499.4

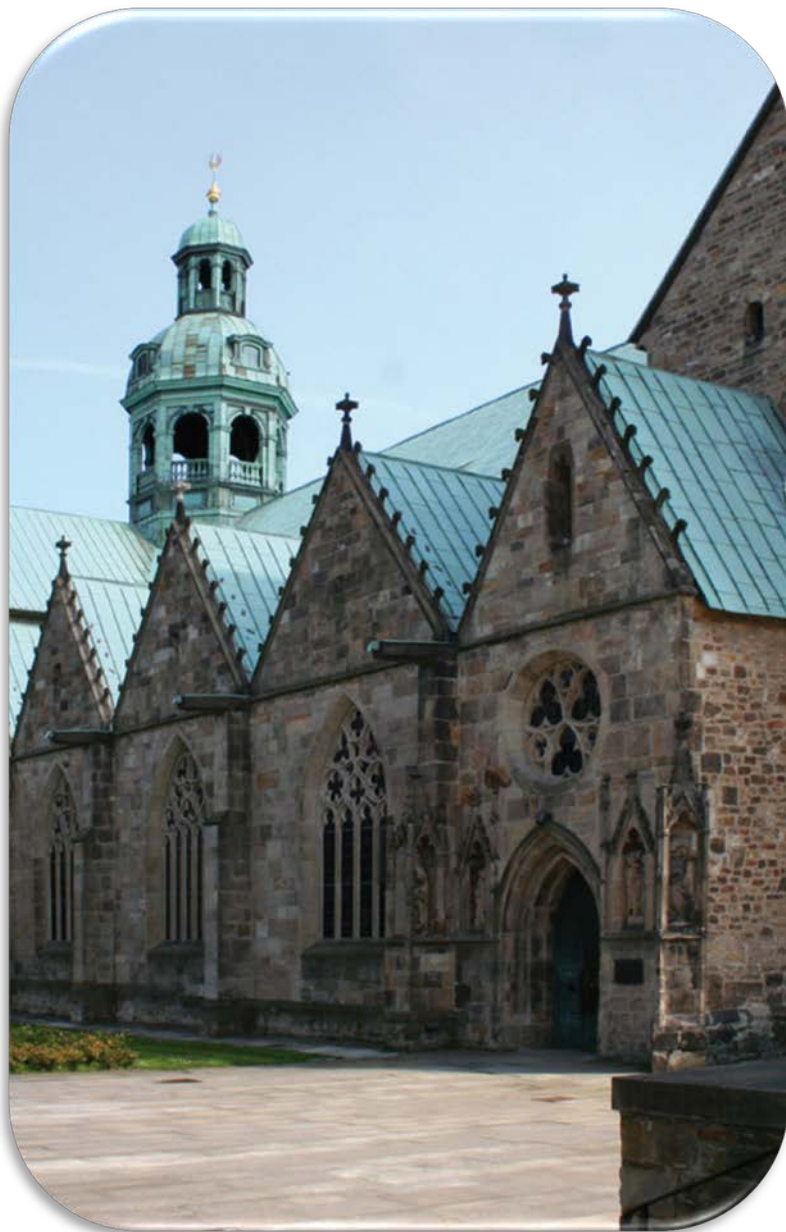
- Total recognised assets related to new Uponor Infra business €164.6m
- Gearing (rolling 4 quarters) at 60.9 % – in line with the long-term target

Interim January – September 2013

Cash flow

M€	1-9 2013	1-9 2012	Change Y/Y	1-12 2012
Net cash from operations	+81.6	+61.0	+20.6	+77.4
Change in NWC	-27.2	-24.8	-2.4	-7.6
Net payment of income tax and interest	-12.9	-34.1	+21.2	-37.1
Cash flow from operations	+41.5	+2.1	+39.4	+32.7
Cash flow from investments	-10.9	-3.3	-7.6	-10.2
Cash flow before financing	+30.6	-1.2	+31.8	+22.5
Dividends and buy backs	-27.8	-25.6	-2.2	-25.6
Other financing	+5.1	+6.3	-1.2	-8.2
Cash flow from financing	-22.7	-19.3	-3.4	-33.8
Change in cash and cash equivalents	7.3	-20.4	+27.7	-11.4

- The 2012 cash flow was burdened by the payment of €15.0m in taxes, surtaxes and interest, with respect to the 2011 decision by the Finnish tax authority
- Further cash flow improvement in 2013 came from higher profit and positive cash flow from financial items
- Gross Capex €19.1m, up €6.8m from 2012, mainly due to Building Solutions - North America



St. Mary's Cathedral, Hildesheim, Germany

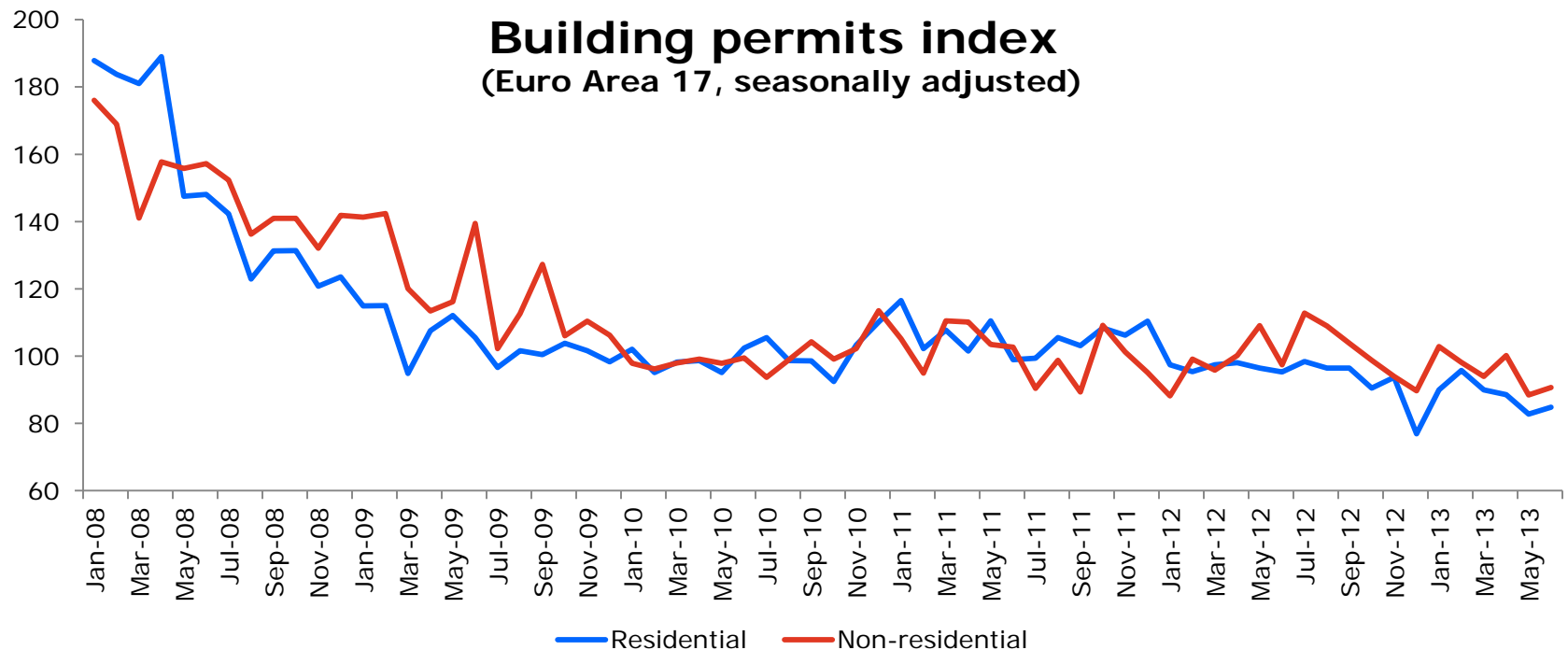
Outlook for the future

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Building permits in Europe

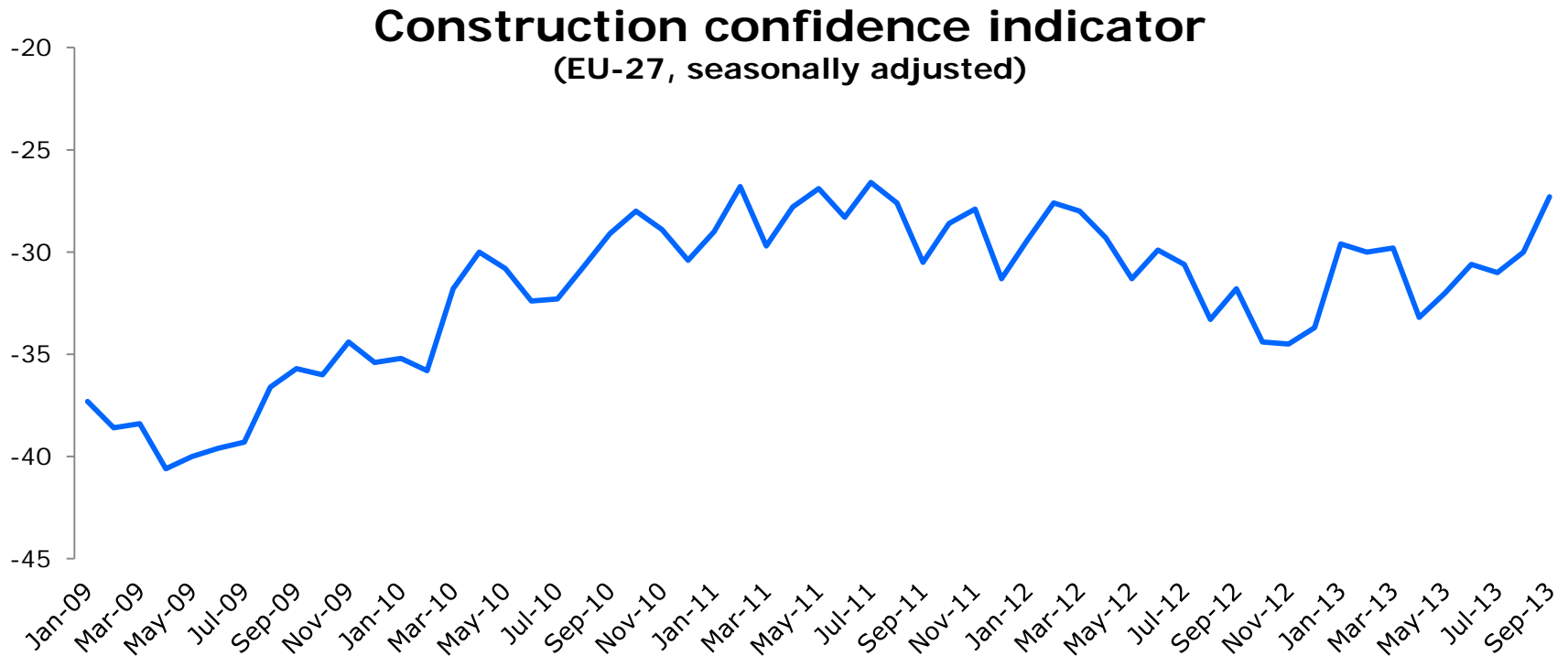
- Residential permits have shown a clear downward trend since January, with developments in France weighing heavily on the index
- Non-residential permits have followed a similar trend throughout the region, with almost no countries showing improvement



Source: Eurostat (Base year = 2010)

Construction sentiment in Europe

- After weakening during the spring, construction sentiment has stabilised or been improving in most countries in Europe throughout the summer



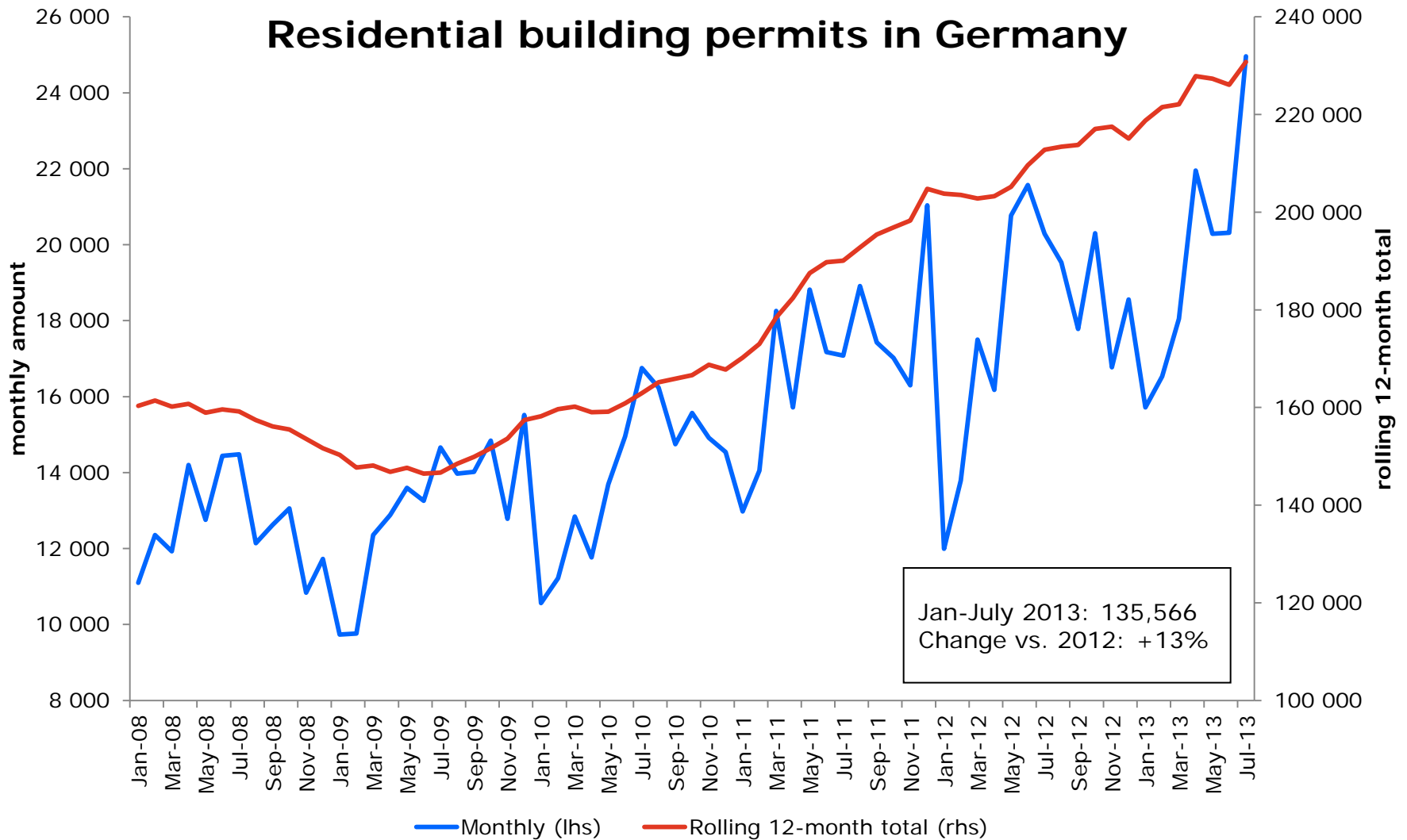
Source: Eurostat

Country overview - Germany

- The Eurozone's exit from recession has supported both consumer confidence and business investments in Germany
- Within the construction industry, many indicators point to continued growth:
 - Residential building permits are 13% ahead of last year's level, with multi-family permits especially strong
 - Order entry in the construction industry rose over the summer
 - Construction sentiment remains at a high level
- ...but there are notable exceptions:
 - Construction industry turnover is still behind the 2012 level
 - Permit activity in the non-residential segment is behind 2012, although it improved in July

Germany

Residential building permits in Germany

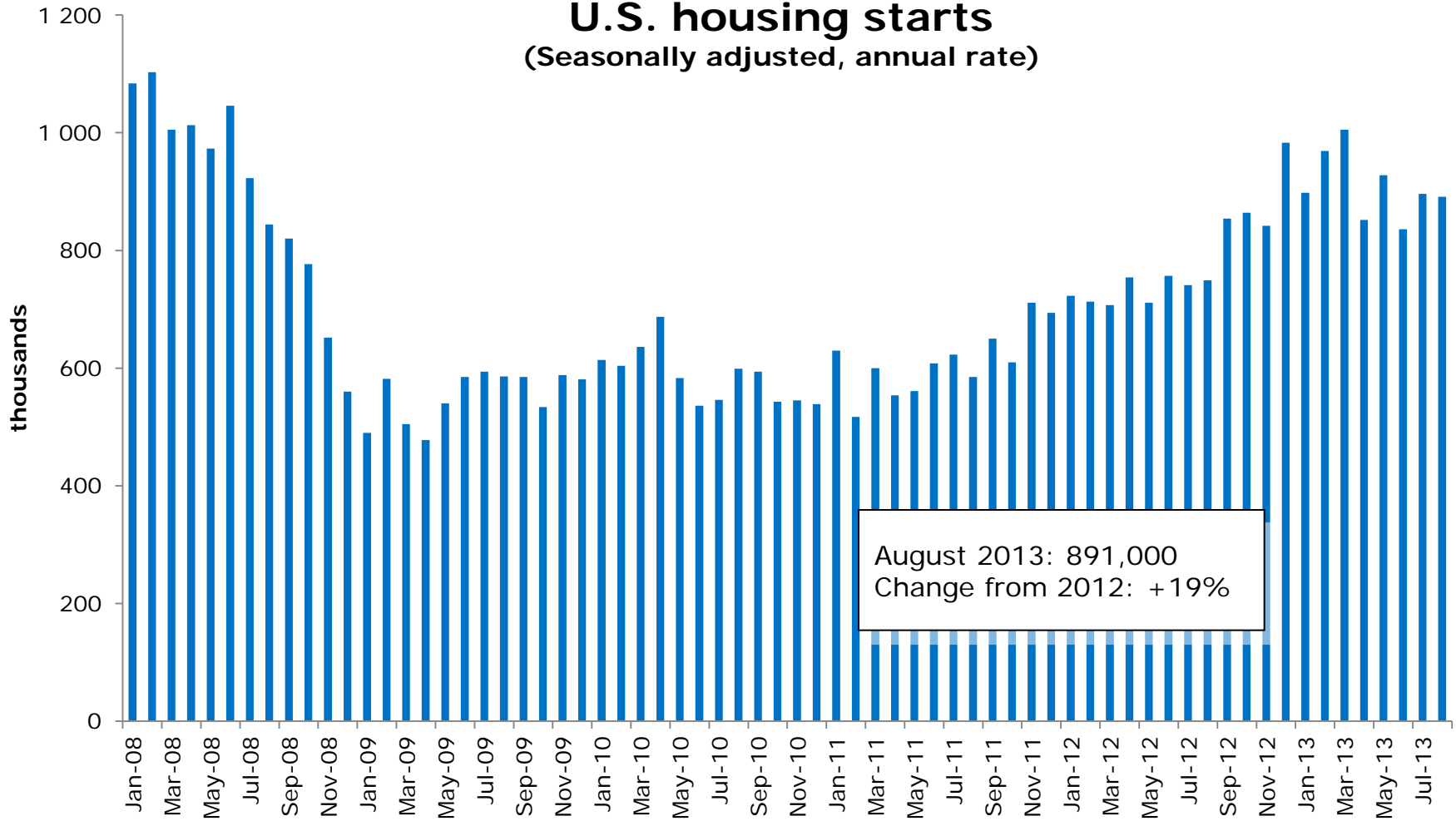


Source: Destatis

Country overview - USA

- Having grown at 2.5% in the second quarter, the U.S. economy continues to make gains, despite persistent employment challenges and subdued personal consumption
- Within the **residential** construction industry, the majority of indicators continue to improve when compared with 2012, including housing starts, housing permits, and builder sentiment
- Spending in **non-residential** construction has been slightly behind the 2012 rate

U.S. housing starts (Seasonally adjusted, annual rate)



August 2013: 891,000
Change from 2012: +19%

Management agenda for the near term

- Drive the targeted €10 million synergies in Uponor Infra while keeping customer value in focus
- Enforce the new, more agile European organisation aiming at performance improvements in the shorter term
- Focussed execution of growth programmes in North America to secure maximum gain from the market growth
- Keep overheads and investments aligned with realistic market expectations

Guiding forward

- Uponor cancelled its guidance for 2013 on 1 July due to the start-up of Uponor Infra Oy
- New guidance to be issued in February 2014 in connection with the publication of 2013 Financial Statements
- Uponor will arrange a Capital Markets Day on 11 December 2013 to provide further information on the roadmap

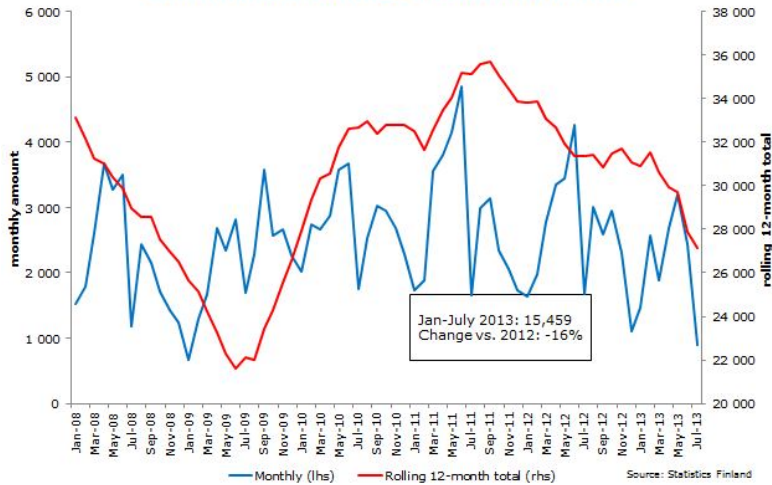
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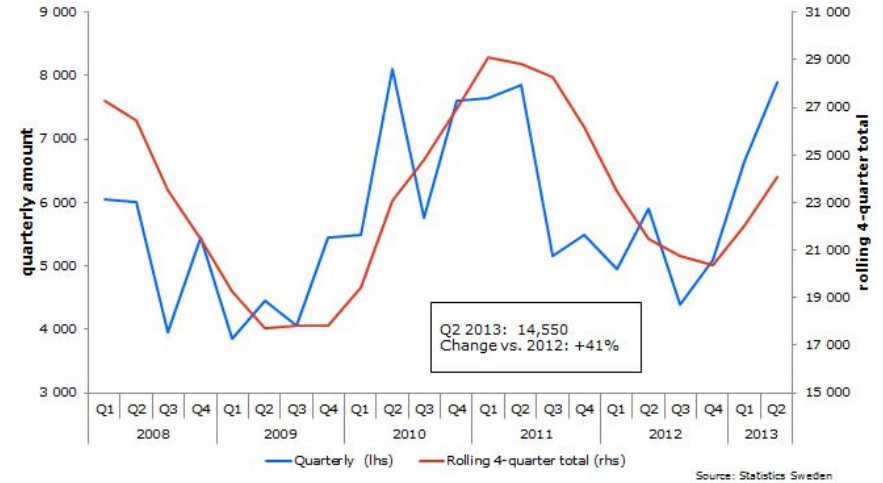
The text may contain forward-looking statements, which are based on the present business scope and the management's present expectations and beliefs about the future. The actual result may differ materially from such statements.

Residential building permits in selected countries

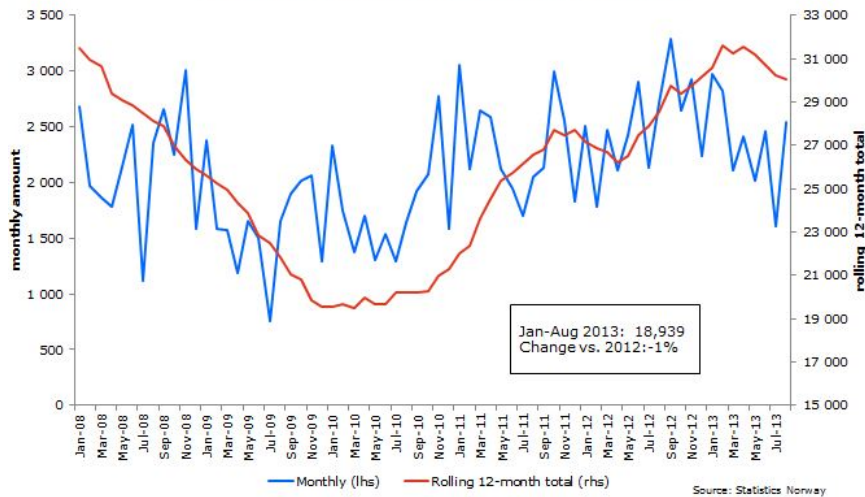
Residential building permits in Finland



Residential building starts in Sweden



Residential building starts in Norway



Residential building permits in Spain

