



# Financial results briefing – Q2/2014

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Q2



Geothermal energy solution  
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# Q2/2014 market overview

## Northern Europe

- Residential activity is slowing in Norway and Finland, stabilising in Denmark on a very low level and growing in Sweden
- Non-residential and civil engineering activity is, on the whole, stable but on a low level

## Central Europe

- Germany continues to be robust
- The Netherlands is exhibiting the first signs of stabilisation and even growth in some segments











## Southern Europe

- The UK continues to improve, decline in France is steepening
- Most other markets in the region have stabilised at low levels

## North America

- Following a difficult winter, construction activity has picked up in the USA, albeit volatile, while the market in Canada has remained resilient

# Leading indicators in major markets

	Indicator	% change YTD	Data through	Trend since Q2 update
USA	Housing starts <sup>1)</sup>	+7%	June 2014	
Germany	Housing permits	+7%	April 2014	
Finland	Housing permits	+19%	April 2014	
Sweden	Housing starts	+29%	March 2014	
Canada	Housing starts <sup>1)</sup>	+3%	June 2014	
Denmark	Housing starts	-10%	March 2014	
UK	Housing starts <sup>2)</sup>	+31%	March 2014	
Norway	Housing starts	-11%	May 2014	
Netherlands	Housing permits	+37%	March 2014	
Spain	Housing permits	-8%	April 2014	

<sup>1)</sup> Seasonally adjusted, annualised rate vs. same month in 2013

# Q2/2014: Soft markets and weaker Uponor Infra affected performance

April – June	4-6/2014	4-6/2013	Change	Organic
Net sales	264.5	211.4	25.1%	-2.1%
Operating profit	17.6	19.7	-10.9%	

- **Net sales:**

- BLD – Europe: overall softening after strong Q1; continued slow development in several markets hides a healthier development in Germany, Russia, the Baltics and the UK
- BLD – North America: markets driven by improved U.S. economy and housing market
- Uponor Infra: unsatisfactory development, especially in Finland
- Negative currency impact of around €8 million on Group net sales

- **Operating profit:**

- OP margin at 6.6% compared to 9.3% in the rather strong Q2/2013
- Unsatisfactory top line development in Uponor Infra
- In Building Solutions, North America contributed strongly while Europe was burdened by a decline in net sales and a lower margin product mix

# Jan – Jun 2014: European businesses influenced by lack of stamina

January – June	1-6/2014	1-6/2013	Change	Organic
Net sales	495.4	389.1	27.3%	1.8%
Operating profit	22.4	25.8	-13.3%	

- **Net sales:**

- First half-year performance balances the ‘unsynchronised’ developments in the first and second quarters
- Several European markets still burdened by weak demand
- Currency impact of €-15.7 million on Group net sales

- **Operating profit:**

- Soft second quarter in Europe impacted YTD profitability
- Building Solutions – North America gathers speed after severe winter
- OP margin at 4.5% against 6.6% in the comparison period
- January – June non-recurring items totalled €3.3 million, mainly relating to Building Solutions – Europe

# Highlights of Q2/2014

- + Continued good progress in the USA driven by economy and Uponor's strong overall position
- + Modest building solutions net sales growth in some central European markets and also in Finland, despite the economic headwinds
- Continued sluggishness in public infrastructure and non-residential investments, especially in Finland
- Negative development of Uponor Infra, despite progress in integration and the execution of synergies
- Continued fragile market development in Europe and lack of growth drivers

Uponor



PEX plumbing at North Carolina State University housing, USA

## Financial statements

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Riitta Palomäki

CFO

Uponor Corporation

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# Interim January – June 2014

## Key figures

M€	1-6 2014	1-6 2013	Change Y/Y	1-12 2013
Net sales, continuing operations	495.4	389.1	+27.3%	906.0
Operating profit, continuing operations	22.4	25.8	-13.3%	50.2
Operating profit margin, continuing operations	4.5%	6.6%	-2.1% pts	5.5%
Earnings per share (diluted), €	0.17	0.21	-19.0%	0.38
Return on equity, % (p.a.)	8.0%	15.0%	-7.0% pts	10.8%
Return on investment, % (p.a.)	8.8%	14.7%	-5.9% pts	12.5%
Net interest bearing liabilities	154.3	146.2	+5.5%	96.9
Gearing, %	56.9%	74.5%	-17.6% pts	33.7%
Net working capital of Net sales, % (p.a.)	14.0%	14.2%	-1.5%	12.1%
Average number of employees, continuing operations	4 174	3 067	+36.1%	3 649
Number of employees, end of period, continuing operations	4 225	3 156	+33.9%	4 141



# April – June 2014

## Income statement

M€	4-6 2014	4-6 2013	Change Y/Y
<b>Continuing operations</b>			
Net sales	264.5	211.4	+25.1%
Cost of goods sold	177.8	128.8	+38.0%
Gross profit	86.7	82.6	+5.0%
- % of net sales	32.8%	39.1%	-6.3% pts
Other operating income	0.9	0.1	
Expenses	70.0	63.0	+11.2%
Operating profit	17.6	19.7	-10.9%
- % of net sales	6.6%	9.3%	-2.7% pts
Financial expenses, net	3.7	2.1	+68.4%
Share of result in associated companies	0.1	0.0	
Profit before taxes	14.0	17.6	-20.5%
Profit for the period	9.4	11.8	-20.5%
EBITDA	26.4	27.0	-2.3%

- Compared to the combined historic figures and excluding currency impacts **net sales grew** at 1.0%
- **Gross profit margin** diluted due to higher share of the infrastructure solutions business
- **Other operating income** includes a sales gain related to the disposal of the Forssa factory building in Uponor Infra
- **Operating profit** w/o NRI at €17.1m, down 13.4% y-o-y
- **Financial expenses, net** up due to FX

# Interim January – June 2014

## Income statement

M€	1-6 2014	1-6 2013	Change Y/Y	1-12 2013
<b>Continuing operations</b>				
Net sales	495.4	389.1	+27.3%	906.0
Cost of goods sold	330.6	237.3	+39.3%	585.9
Gross profit	164.8	151.8	+8.6%	320.1
- % of net sales	33.3%	39.0%	-5.7% pts	35.3%
Other operating income	1.1	0.2	+517.1%	0.8
Expenses	143.5	126.2	+13.8%	270.7
Operating profit	22.4	25.8	-13.3%	50.2
- % of net sales	4.5%	6.6%	-2.1% pts	5.5%
Financial expenses, net	5.8	3.2	+79.3%	7.1
Share of result in associated companies	0.1	0.0		0.1
Profit before taxes	16.7	22.6	-26.2%	43.2
Profit for the period	11.2	15.1	-26.3%	27.1
EBITDA	40.3	40.3	+0.2%	83.2

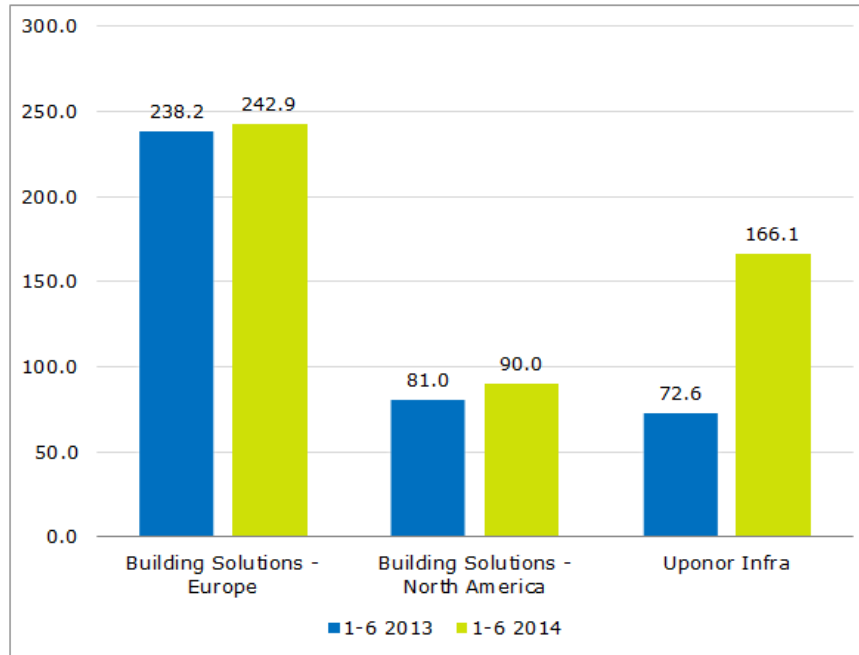
- Compared to the combined historic figures and excluding currency impacts **net sales grew** at 5.0%
- **Gross profit margin** diluted due to higher share of the infrastructure solutions business
- Increase in **expenses** due to the new units through the establishment of Uponor Infra on 1 July 2013
- **Operating profit** w/o NRI at €25.7m, down 0.5% y-o-y
- **Financial expenses, net** up due to FX

# Interim January – June 2014

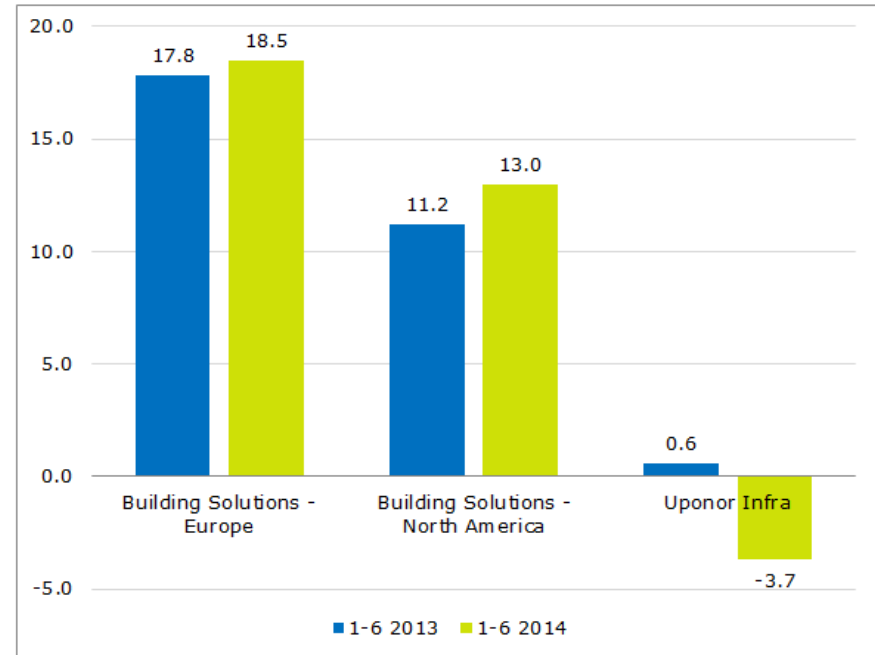
## Net sales & operating profit by segment

Currency: M€

### Net sales



### Operating profit, w/o non-recurring items

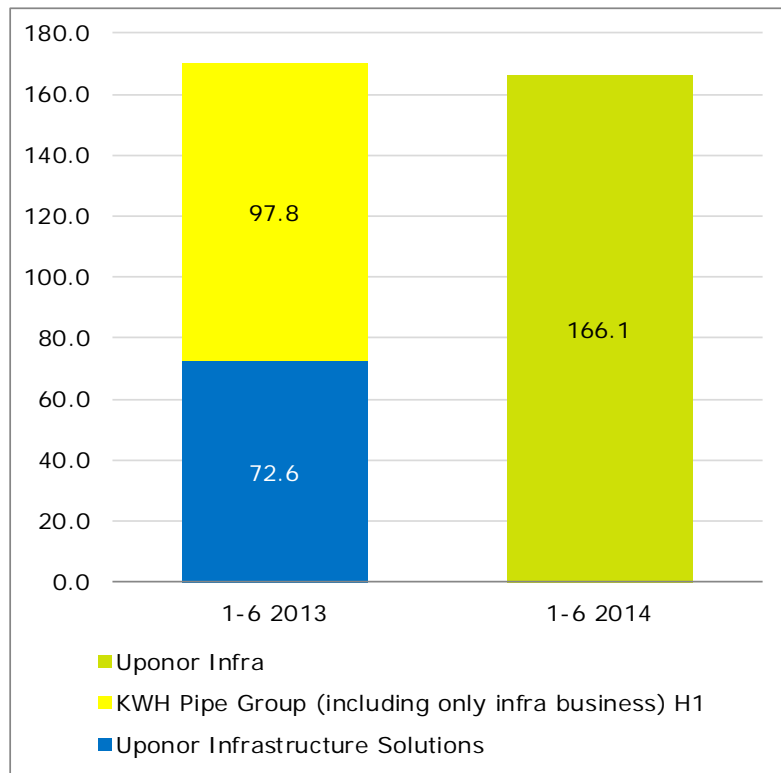


- Building Solutions – Europe profit supported by strong Q1 with operational leverage as a result of higher sales, part of which the weaker Q2 performance was offsetting
- Building Solutions – North America profit improved due to continued growth in net sales
- Uponor Infra profit down from H1 2013 due to unsatisfactory top line development

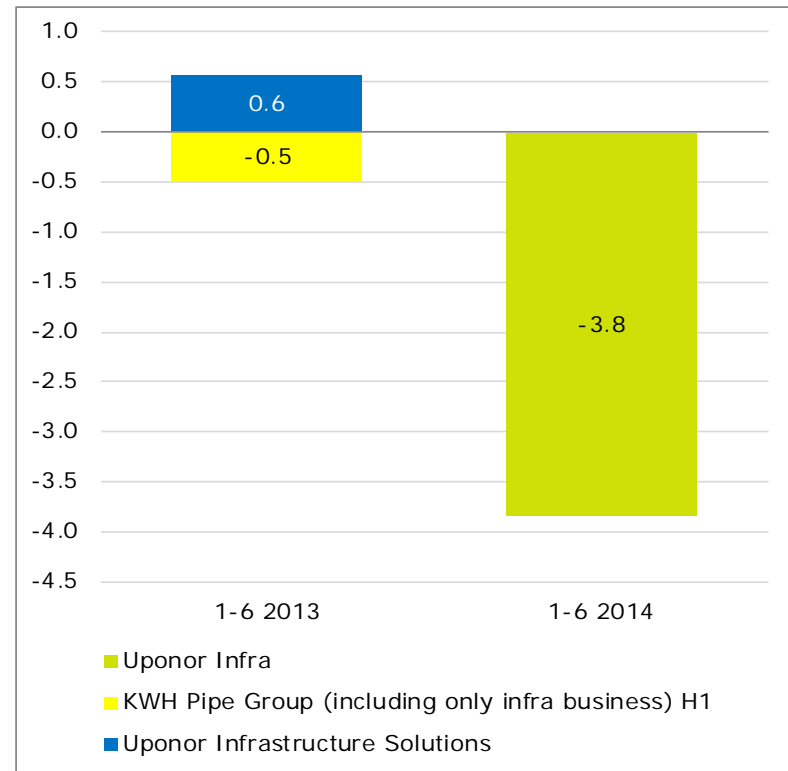
# Interim January – June 2014

## Uponor Infra – combined historic figures

Currency: M€  
Net sales

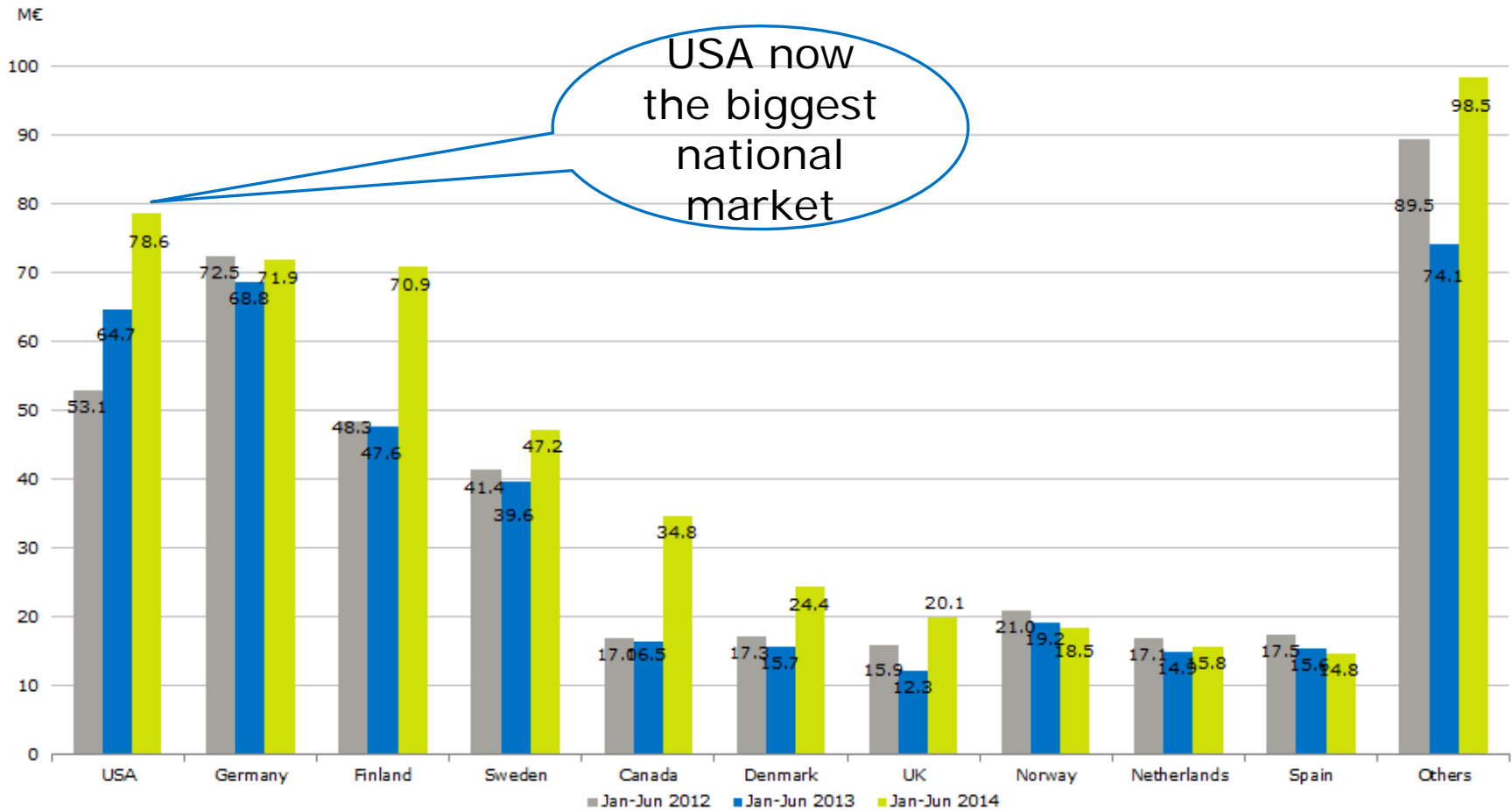


Operating profit



- Net sales declined by 2.5%
- Integration programme execution continued in Q2/2014, according to plan; however, the impact from unsatisfactory top line development exceeded the integration benefits

# Net sales development by key national markets



Growth	USA	Germany	Finland	Sweden	Canada	Denmark	UK	Norway	Netherlands	Spain	Others
% in EUR	+21.5	+4.5	+49.0	+19.2	+111.0	+55.1	+62.9	-3.7	+6.0	-5.1	+32.8
% in Curr.	+27.1			+25.3	+136.8	+55.3	+56.3	+5.5			

# Interim January – June 2014

## Balance sheet

M€	30 Jun 2014	30 Jun 2013	Change Y/Y	31 Dec 2013
Property, plant and equipment	197.5	151.4	+46.1	201.8
Intangible assets	100.2	92.4	+7.8	102.8
Securities and long-term investments	11.2	10.3	+0.9	10.8
Inventories	130.8	96.8	+34.0	115.4
Cash and cash equivalents	17.9	7.3	+10.6	53.7
Other current and non-current assets	240.3	194.5	+45.8	176.5
Total equity	271.2	196.1	+75.1	287.7
Non-current interest-bearing liabilities	130.3	107.6	+22.7	136.4
Provisions	20.7	18.5	+2.2	22.1
Non-interest-bearing liabilities	233.8	184.6	+49.2	200.6
Current interest-bearing liabilities	41.9	45.9	-4.0	14.2
Balance sheet total	697.9	552.7	+145.2	661.0

- Total recognised assets related to the new Uponor Infra at €165.2m (1 July 2013)
- Non-controlling interest represents €66.5m of the total equity at €271.2m

# Interim January – June 2014

## Cash flow

M€	1-6 2014	1-6 2013	Change Y/Y	1-12 2013
Net cash from operations	+37.4	+41.8	-4.4	+87.9
Change in NWC	-44.3	-42.7	-1.6	+22.3
Net payment of income tax and interest	-11.8	-8.4	-3.4	-18.1
<b>Cash flow from operations</b>	<b>-18.7</b>	<b>-9.3</b>	<b>-9.4</b>	<b>+92.1</b>
Cash flow from investments	-10.3	-14.3	+4.0	-24.9
<b>Cash flow before financing</b>	<b>-29.0</b>	<b>-23.6</b>	<b>-5.4</b>	<b>+67.2</b>
Dividends and buy backs	-27.8	-27.8	+0.0	-27.8
Other financing	+21.2	+41.2	-20.0	-2.2
Cash flow from financing	-6.6	+13.4	-20.0	-30.0
Change in cash and cash equivalents	-35.8	-10.4	-25.4	+36.0

- Cash flow from investments includes €1.7m proceeds from the sale of fixed assets driven by the sale of the Forssa manufacturing facility in Finland related to the Uponor Infra integration
- Gross CAPEX at €12.4m, €5.5m below depreciation at €17.9m

## Outlook for the future

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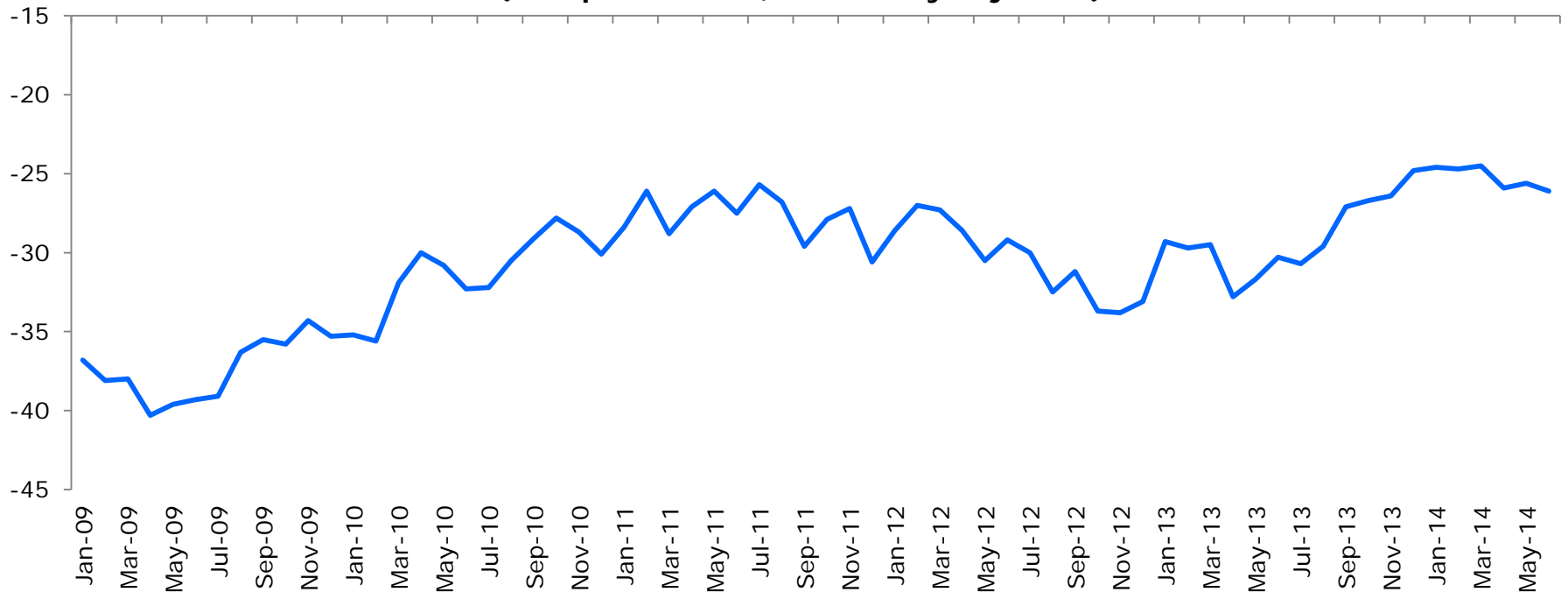
Soil drainage system at Nyköping airport, Sweden



# Construction sentiment in Europe

- Construction sentiment in the European Union suffered a mild fall during the spring, with declining confidence primarily in Central and Southern Europe

**European construction confidence indicator**  
(European Union, seasonally adjusted)



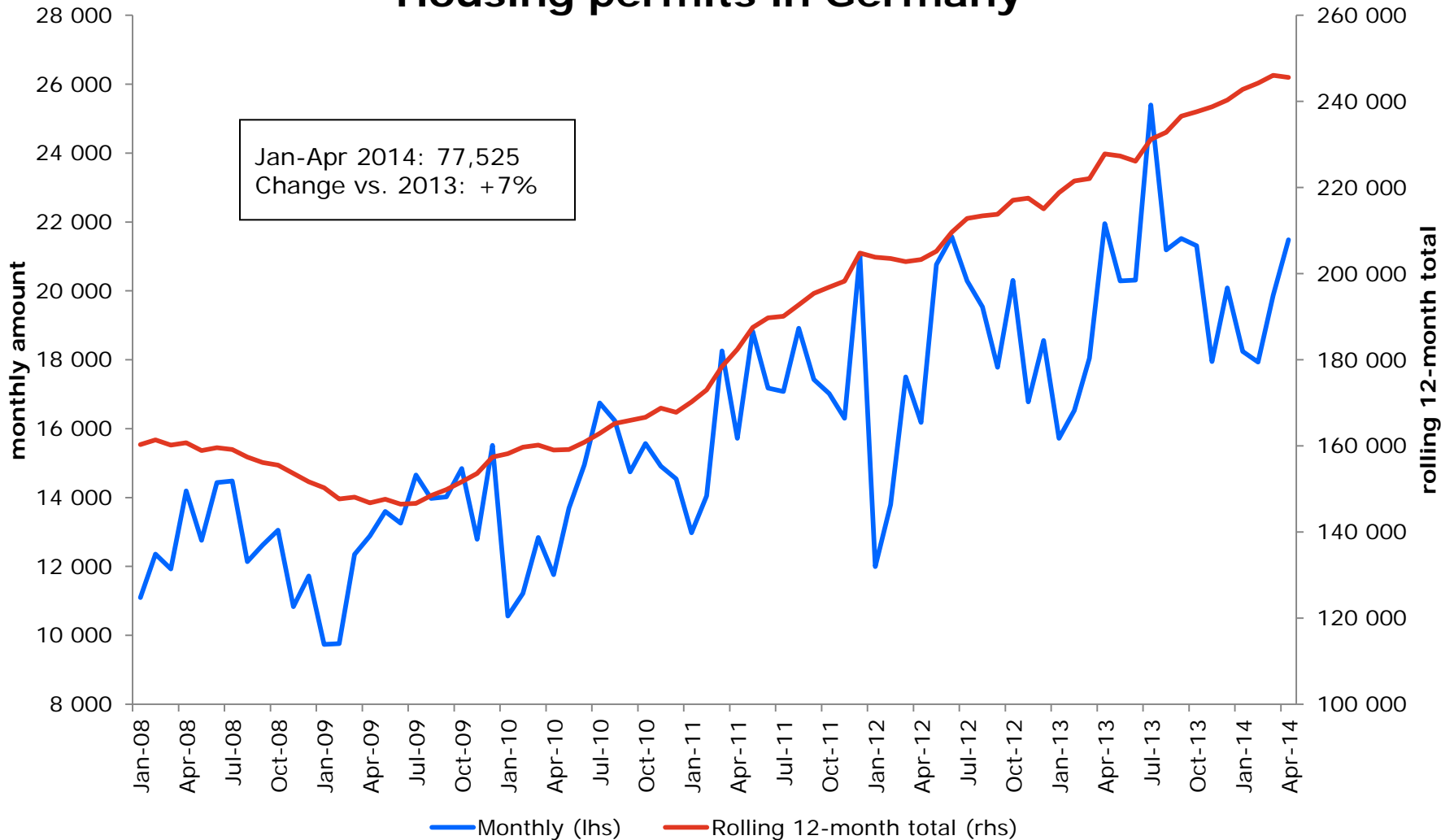
Source: Eurostat

# Country overview – Germany

- With economic growth at a three-year high, internal demand has helped the economy continue to perform well. Meanwhile, exports have slowed from previous levels, and business sentiment has darkened slightly based on increased uncertainty about the future
- Within the construction industry:
  - Confidence has been trending downwards throughout the year, but remains relatively high
  - Despite weak April data, industry order entry and residential building permits have continued to trend higher throughout the year
  - Non-residential construction is mixed, with some segments continuing to grow while others have stagnated

# Germany

## Housing permits in Germany

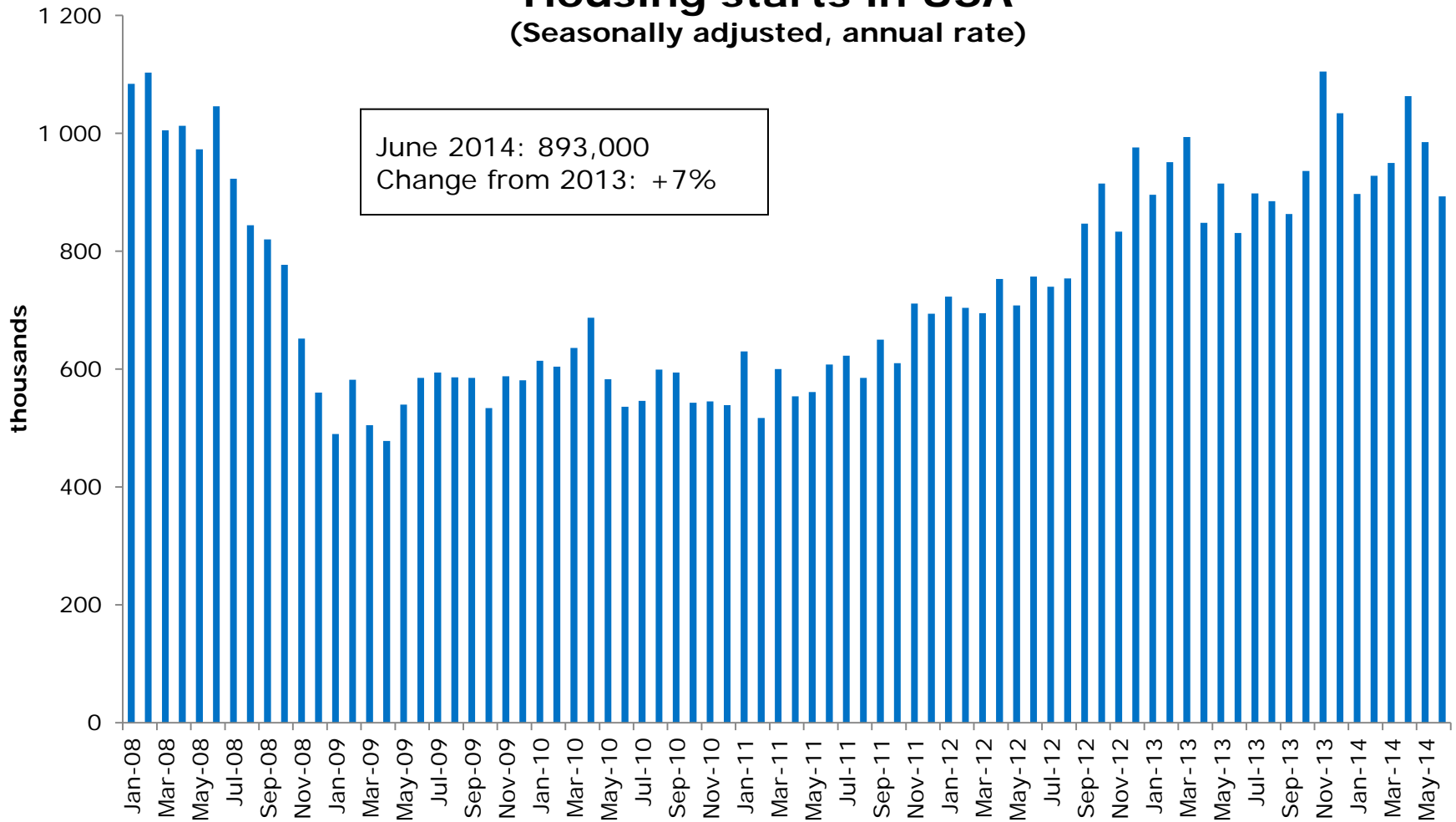


Source: Destatis

# Country overview – USA

- Revised Q1 GDP figures revealed that the impact of the harsh winter on the economy was even more substantial than previously thought
- Within the construction industry:
  - May sales data for single-family homes showed the highest rate for six years
  - Construction confidence has finally risen to what is considered to be expansionary levels
  - Housing starts have been unexpectedly low during May and June, falling to their lowest level since September

## Housing starts in USA (Seasonally adjusted, annual rate)



Source: U.S. Census Bureau

# Management agenda for the near term

- Continue to drive the targeted €10 million synergies in Uponor Infra, the main impact of which comes in the next quarters
  - Swift adjustments needed due to the worse-than-expected demand picture especially in Finland
- Continue to adjust costs to align with local demand trends in Building Solutions – Europe
- Focussed execution of growth programmes in North America to secure maximum gain from the market growth

# Guiding forward

- Current guidance was issued on 14 February 2014
- Except for the emergence of political risks, no other major changes to the worse in the macro-economic trends since that date
- Therefore, the guidance remains intact:

The Group's net sales and operating profit (excluding any non-recurring items) are expected to improve from 2013

# Uponor

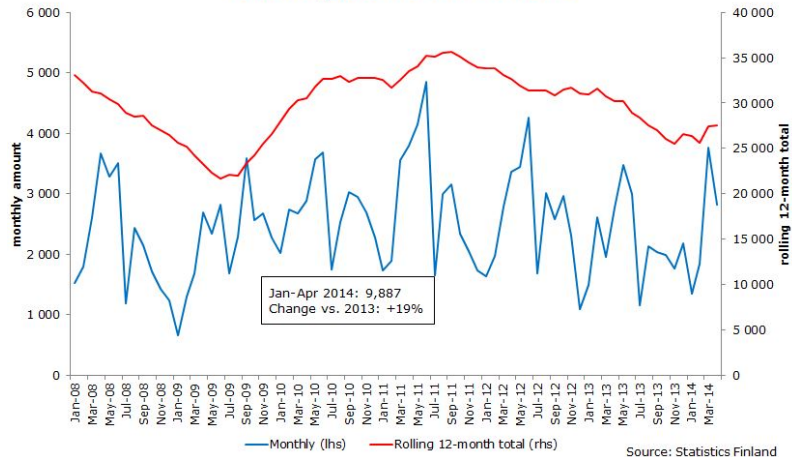
simply more

*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.*

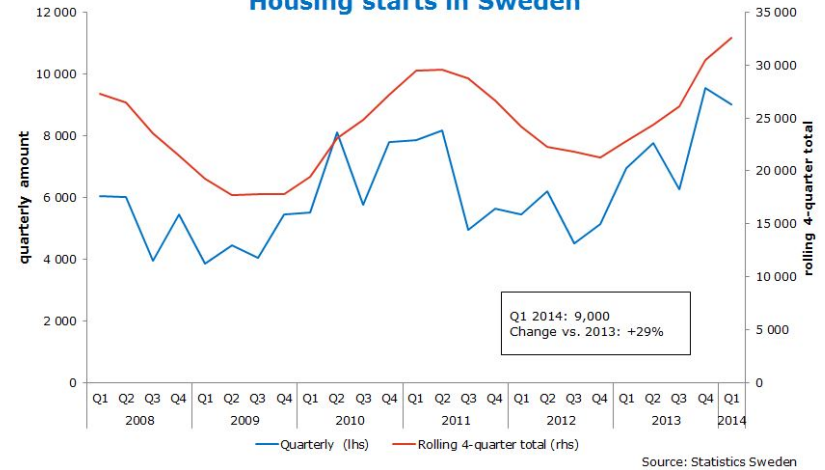


# Residential building permits in selected countries

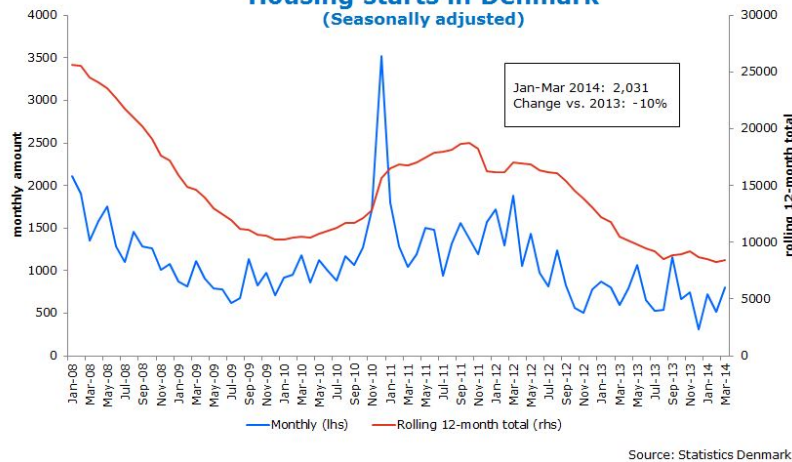
## Housing permits in Finland



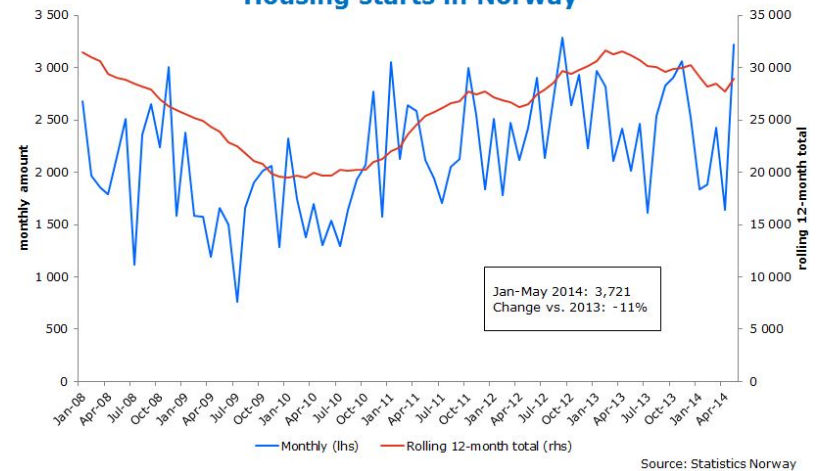
## Housing starts in Sweden



## Housing starts in Denmark (Seasonally adjusted)



## Housing starts in Norway



# Building permits in Europe

- Residential permits improved from their historic low during the early spring and are up slightly from spring 2013
- Non-residential permits are down slightly from the same period in 2013, with the Nordic countries contributing to the decline

