



Packing fittings before shipping them to customers

Financial results briefing – Q3/2014

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Q3/2014 market overview

Northern Europe

- A mixed picture, with activity in Finland continuing to slow, generally healthy construction levels in Sweden, signs of softening in Norway, and stabilisation in Denmark

Central Europe

- Most construction indicators in Germany remain at healthy levels, but with clear downside risks growing
- The Netherlands appears to be recovering after a sustained period of low activity











Southern Europe

- The UK continues to perform in a satisfactory way, Spain shows signals of recovery from a very low level
- Most other markets in the region have stabilised at low levels

North America

- Construction activity and most indicators point to continued broad-based improvements in the USA, 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 ¹⁾	+18%	Sept 2014	
Germany	Housing permits	+5%	July 2014	
Finland	Housing permits	+13%	July 2014	
Sweden	Housing starts	+35%	June 2014	
Canada	Housing starts ¹⁾	+0%	Sept 2014	
Denmark	Housing starts	-16%	June 2014	
UK	Housing starts ²⁾	+51%	June 2014	
Norway	Housing permits	-4%	August 2014	
Netherlands	Housing permits	+30%	June 2014	
Russia	Construction output	-3%	August 2014	

¹⁾ Seasonally adjusted, annualised rate vs. same month in 2013; ²⁾ England only

Q3/2014: Performance on track despite challenges in Europe

July – September	7-9/2014	7-9/2013	Change
Net sales	277.0	279.3	-0.9%
Operating profit	29.2	28.2	3.8%

- **Net sales:**
 - BLD – Europe: Apart from the Netherlands, Russia and Spain, small ups and downs in net sales across the region; uncertainties increasing once again
 - BLD – North America: Healthy growth continued in the USA; Canada starting to pick up
 - Uponor Infra: Sales flat in most markets, Finland and Poland declining
- **Operating profit:**
 - Profit development driven by BLD – North America, supported by stable performance in BLD – Europe despite soft markets
 - Uponor Infra hit severely by the weak market in Finland
 - OP margin up from 10.1% to 10.5%

Jan–Sept 2014: Slow high season in Europe burdens YTD results

January – September	1-9/2014	1-9/2013	Change
Net sales	772.4	668.4	15.6%
Operating profit	51.6	54.0	-4.4%

- **Net sales:**

- Growth mostly attributable to the birth of Uponor Infra (1 July 2013)
- BLD – North America’s 2-digit growth continues steady
- A notable weakening in building and construction demand and sentiment in Europe since Q1

- **Operating profit:**

- YTD reported operating profit still negative despite strengthening in Q3; excluding non-recurring items, the decrease YTD was 0.2%
- Operating profit margin at 6.7% (8.1%)

Highlights of Q3/2014

- + Growth in BLD – North America on track and even improved from Q3/2013
- + Ongoing adjustment to support positive performance development in the soft building solutions markets in Europe
- Despite successful implementation of integration measures relating to Uponor Infra, further adjustments were needed in Finland due to weakening business environment
- Although the trends are mixed, the protracted recovery in Europe is weakening consumers' and businesses' faith in investing



Installing pipes for district heating

Financial statements

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CFO

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Interim January – September 2014

Key figures

M€	1-9 2014	1-9 2013	Change Y/Y	1-12 2013
Net sales, continuing operations	772.4	668.4	+15.6%	906.0
Operating profit, continuing operations	51.6	54.0	-4.4%	50.2
Operating profit margin, continuing operations	6.7%	8.1%	-1.4% pts	5.5%
Earnings per share (diluted), €	0.38	0.41	-7.3%	0.38
Return on equity, % (p.a.)	12.8%	17.4%	-4.6% pts	10.8%
Return on investment, % (p.a.)	14.8%	17.9%	-3.1% pts	12.5%
Net interest bearing liabilities	122.9	135.2	-9.1%	96.9
Gearing, %	41.7%	45.8%	-4.1% pts	33.7%
Net working capital of Net sales, % (p.a.)	12.7%	13.2%	-0.5% pts	12.1%
Average number of employees, continuing operations	4 161	3 473	+19.8%	3 649
Number of employees, end of period, continuing operations	4 091	4 188	-2.3%	4 141

July – September 2014

Income statement

M€	7-9 2014	7-9 2013	Change Y/Y
Continuing operations			
Net sales	277.0	279.3	-0.9%
Cost of goods sold	184.8	183.0	+1.0%
Gross profit	92.2	96.3	-4.4%
- % of net sales	33.3%	34.5%	-1.2% pts
Other operating income	1.0	0.1	
Expenses	64.0	68.2	-6.4%
Operating profit	29.2	28.2	+3.8%
- % of net sales	10.5%	10.1%	+0.5% pts
Financial expenses, net	1.4	1.8	-17.7%
Share of result in associated companies	0.0	0.0	
Profit before taxes	27.8	26.4	+5.2%
Profit for the period	16.8	17.7	-4.9%
EBITDA	38.2	37.6	+1.6%

- Change in **net sales** +0.4%, excluding currency impacts. Weakening y-o-y development in Europe, continued growth in North America.
- **Operating profit** w/o NRI at €29.3m (Q3/2013: €29.2m). Uponor Infra's operating profit was hit severely by weak volume development in several markets.

Interim January – September 2014

Income statement

M€	1-9 2014	1-9 2013	Change Y/Y	1-12 2013
Continuing operations				
Net sales	772.4	668.4	+15.6%	906.0
Cost of goods sold	515.4	420.3	+22.6%	585.9
Gross profit	257.0	248.1	+3.6%	320.1
- % of net sales	33.3%	37.1%	-3.9% pts	35.3%
Other operating income	2.1	0.3	+594.0%	0.8
Expenses	207.5	194.4	+6.7%	270.7
Operating profit	51.6	54.0	-4.4%	50.2
- % of net sales	6.7%	8.1%	-1.4% pts	5.5%
Financial expenses, net	7.2	5.0	+45.8%	7.1
Share of result in associated companies	0.1	0.0		0.1
Profit before taxes	44.5	49.0	-9.3%	43.2
Profit for the period	28.0	32.8	-14.7%	27.1
EBITDA	78.5	77.9	+0.9%	83.2

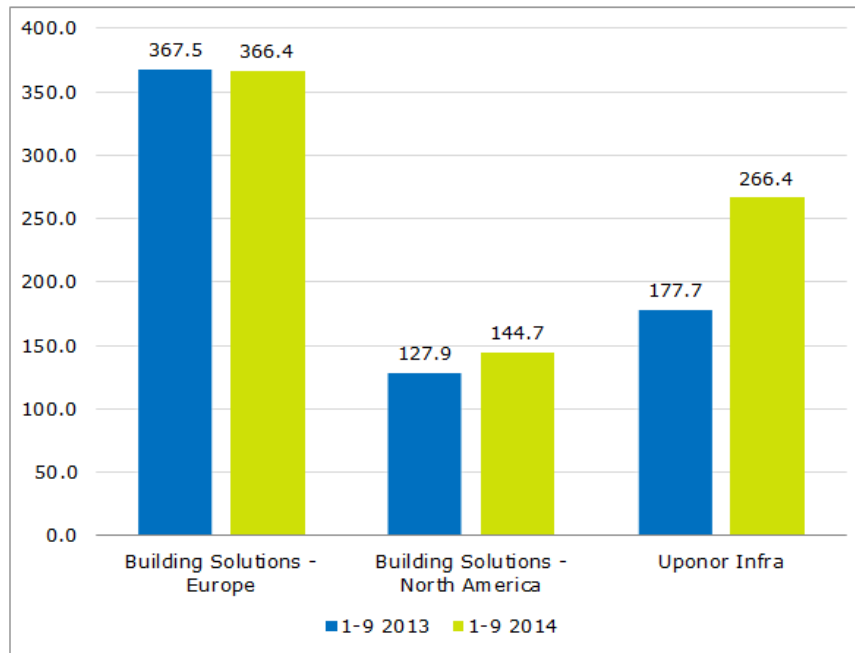
- **Net sales grew** 3.3% compared to the combined historic figures and excluding currency impacts
- **Other operating income** includes sales gains from the disposal of the Forssa and Ulvila factory buildings in Uponor Infra
- **Operating profit** w/o NRI at €55.0m, down 0.2% y-o-y; or up by 2.9% excluding FX impacts (-€1.7m)
- **Financial expenses, net** up due to FX
- **Tax rate** at 37%, up from 33% due to income allocation in countries with high tax rates

Interim January – September 2014

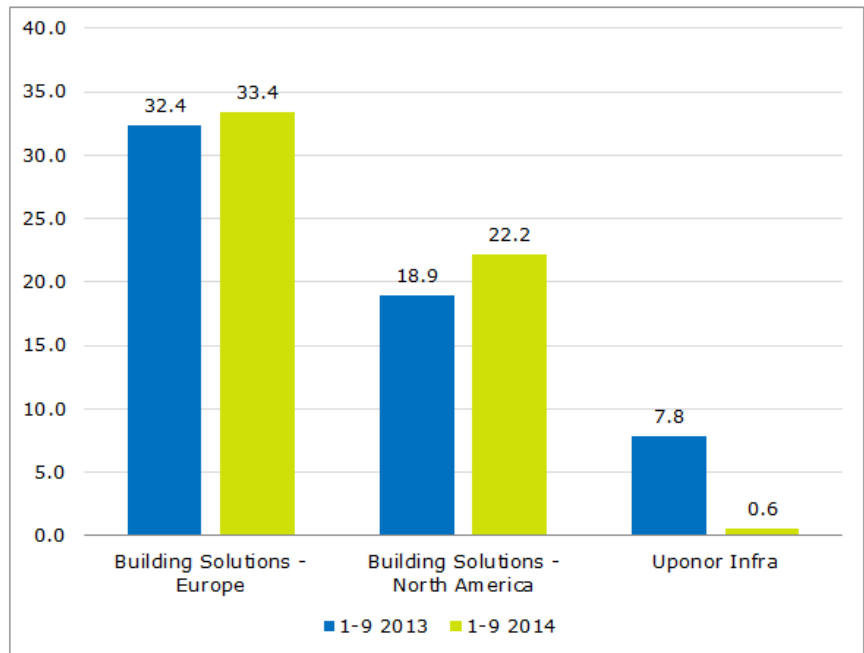
Net sales & operating profit by segment

Currency: M€

Net sales



Operating profit, w/o non-recurring items

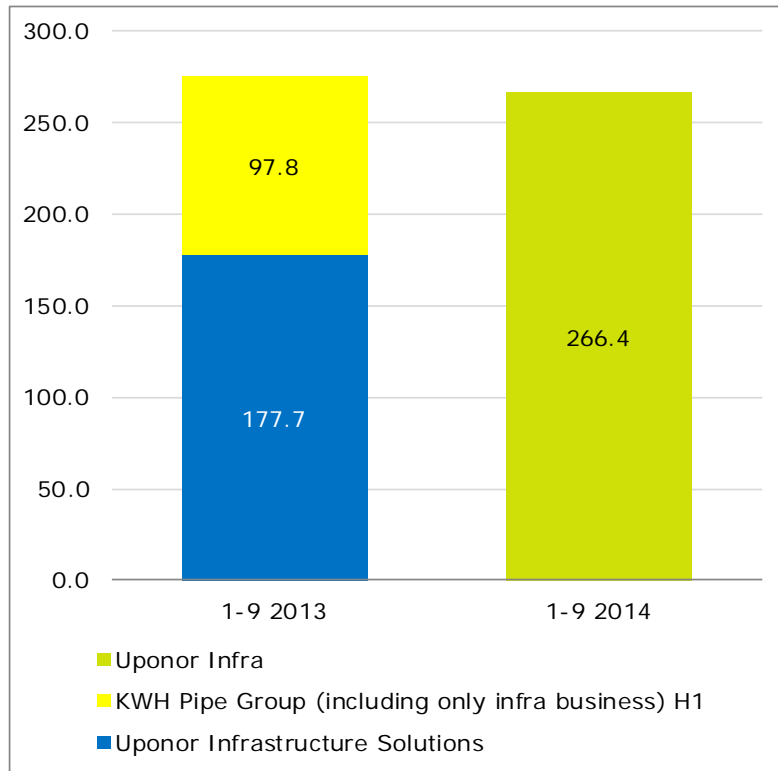


- Stable net sales and performance in Building Solutions – Europe
- Building Solutions – North America’s double-digit growth (13.2% in €, 15.8% in \$) supports double-digit growth in operating profit
- Cost savings from the restructuring measures in Uponor Infra were not enough to bridge the gap in operating profit

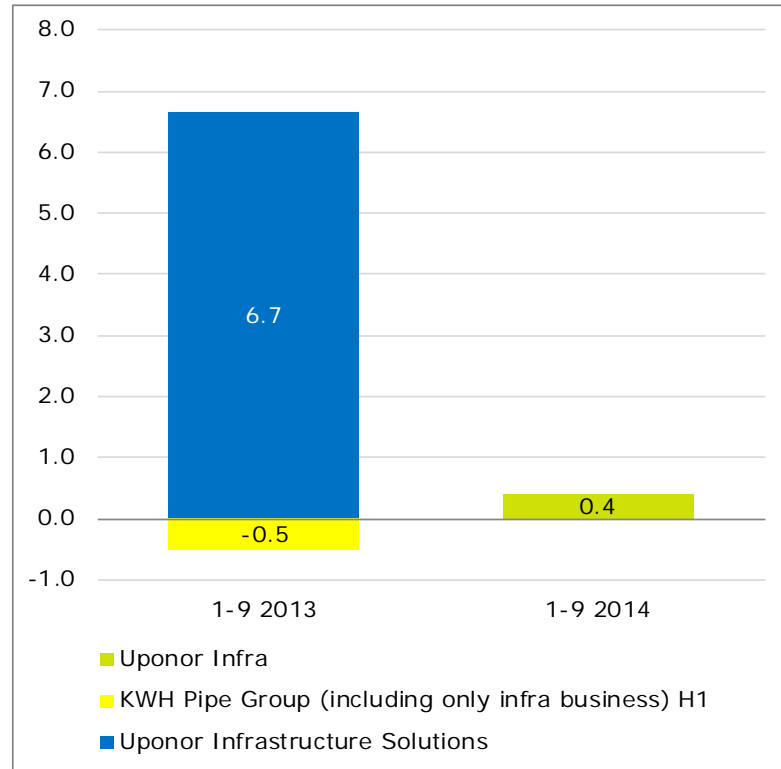
Interim January – September 2014

Uponor Infra – combined historic figures

Currency: M€
Net sales

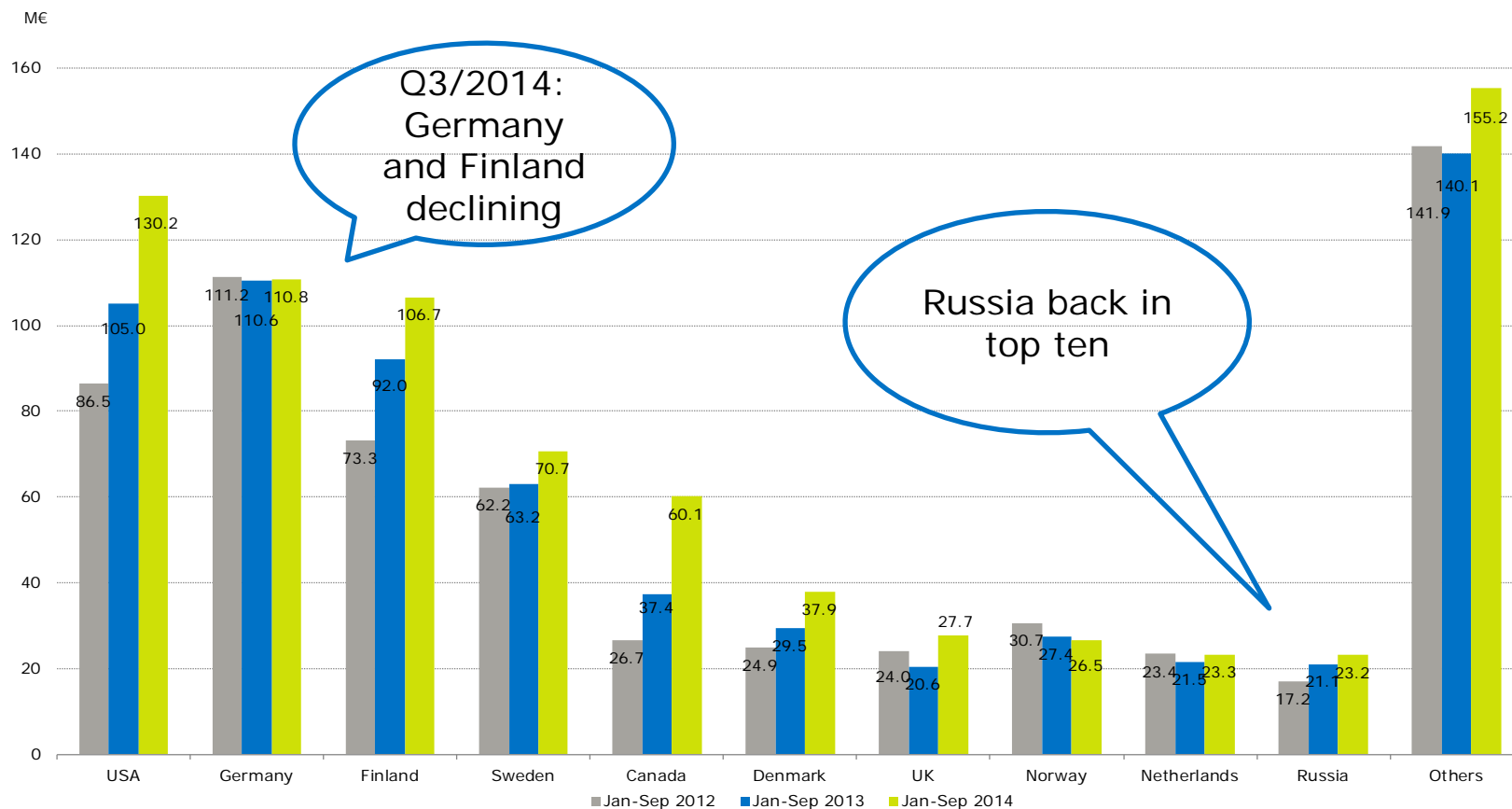


Operating profit



- Net sales declined by 3.3%
- An additional plan for adjusting operations in Finland to meet the challenge of the declining market and implementing savings to bring profitability back to an acceptable level was announced during Q3/2014.

Net sales development by key national markets January-September



Growth

% in EUR

% in Curr.

+24.0

+0.2

+15.9

+12.0

+60.8

+28.4

+34.7

-3.1

+8.1

+10.0

+10.8

+26.8

+17.9

+75.6

+28.4

+27.6

+3.7

+27.0

Interim January – September 2014

Balance sheet

M€	30 Sep 2014	30 Sep 2013	Change Y/Y	31 Dec 2013
Property, plant and equipment	201.6	200.8	+0.8	201.8
Intangible assets	99.7	104.7	-5.0	102.8
Securities and long-term investments	11.4	11.1	+0.3	10.8
Inventories	119.8	132.2	-12.4	115.4
Cash and cash equivalents	21.2	25.0	-3.8	53.7
Other current and non-current assets	248.0	242.6	+5.4	176.5
Total equity	294.7	295.4	-0.7	287.7
Non-current interest-bearing liabilities	129.9	141.0	-11.1	136.4
Provisions	20.6	19.7	+0.9	22.1
Non-interest-bearing liabilities	242.3	241.1	+1.2	200.6
Current interest-bearing liabilities	14.2	19.2	-5.0	14.2
Balance sheet total	701.7	716.4	-14.7	661.0

- Integration benefits in Uponor Infra visible in inventory
- Non-controlling interest represents €68.6m of the total equity at €294.7m

Interim January – September 2014

Cash flow

M€	1-9 2014	1-9 2013	Change Y/Y	1-12 2013
Net cash from operations	+74.2	+81.6	-7.4	+87.9
Change in NWC	-36.2	-27.2	-9.0	+22.3
Net payment of income tax and interest	-18.7	-12.9	-5.8	-18.1
Cash flow from operations	+19.3	+41.5	-22.2	+92.1
Cash flow from investments	-16.5	-10.9	-5.6	-24.9
Cash flow before financing	+2.8	+30.6	-27.8	+67.2
Dividends and buy backs	-27.8	-27.8	+0.0	-27.8
Other financing	-7.6	+5.1	-12.7	-2.2
Cash flow from financing	-35.4	-22.7	-12.7	-30.0
Change in cash and cash equivalents	-32.5	+7.3	-39.8	+36.0

- Cash flow from investments includes €4.4m in proceeds from the sale of fixed assets, driven by the sale of the Forssa and Ulvila manufacturing facilities in Finland related to the Uponor Infra integration
- Gross CAPEX at €21.4m, €5.6m below depreciation at €27.0m



Demonstrating SACP at a customer event

Outlook for the future

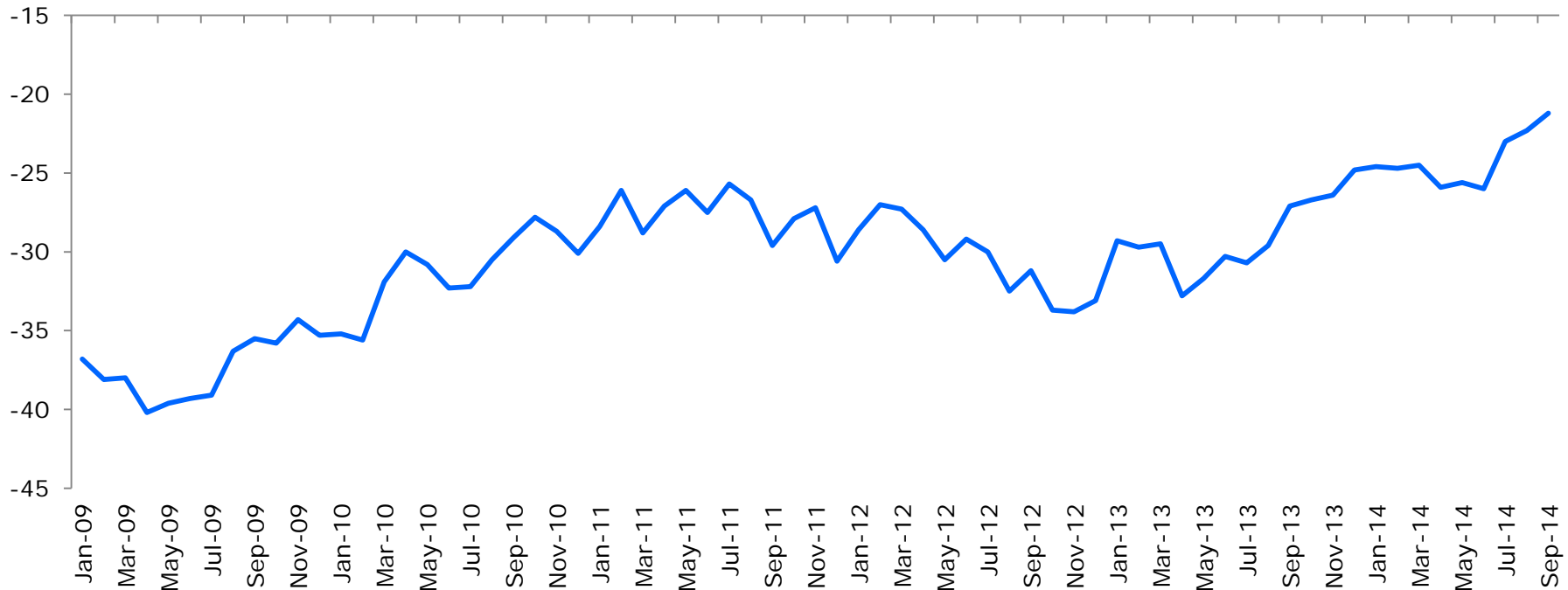
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Construction sentiment in Europe

- Construction sentiment has risen significantly over the past three months, with improvement in Spain, the UK and the Netherlands masking significant weakening in other countries such as Germany

European construction confidence indicator
(European Union, seasonally adjusted)



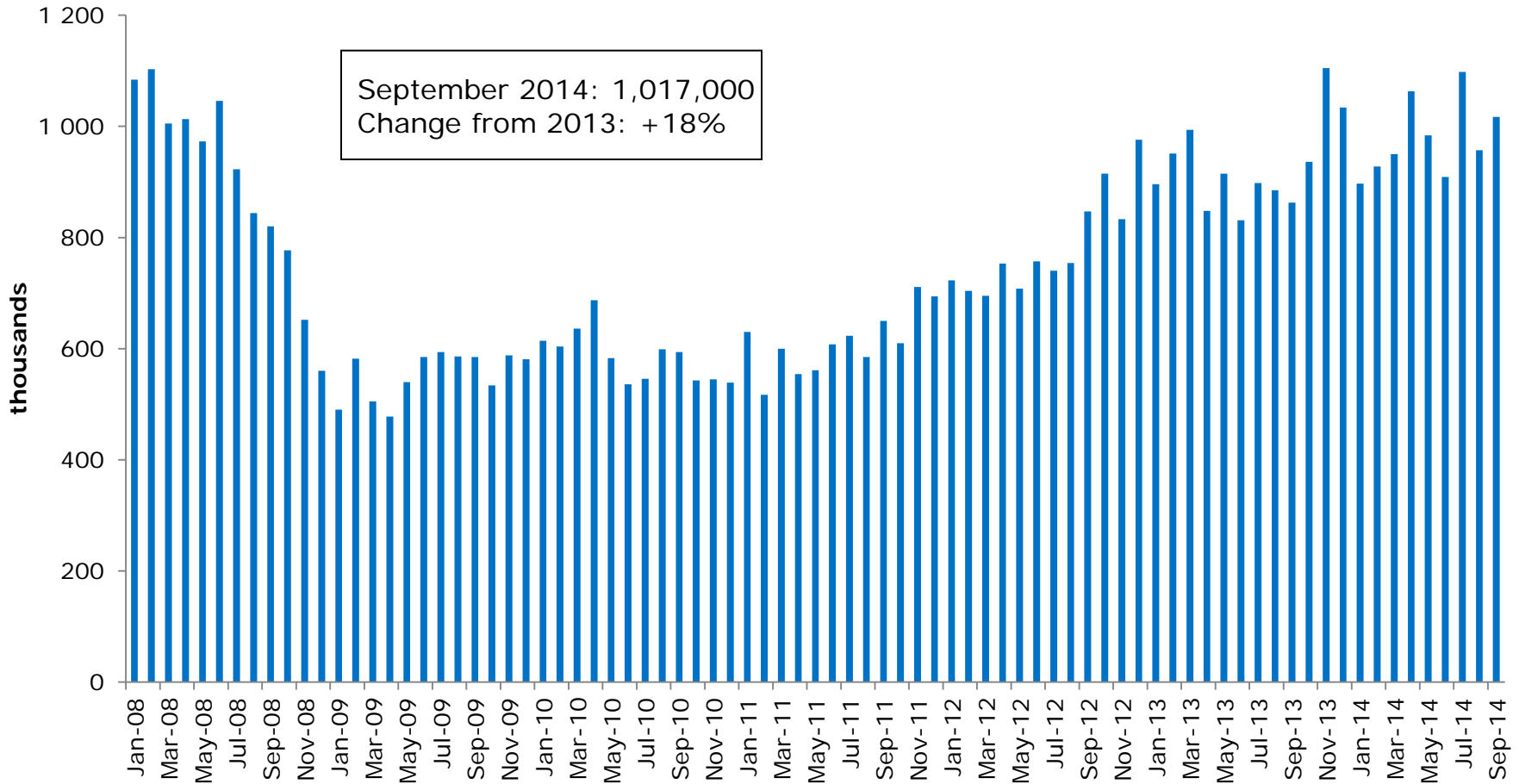
Source: Eurostat

Country overview - USA

- With the revised Q2/2014 GDP figures showing strong growth and unemployment levels falling to pre-recession levels, the economy appears to be gaining strength
- Within the construction industry:
 - Despite some setbacks, most indicators of the residential construction market are trending upwards and have improved since last year
 - Although it fell in October, construction confidence in the residential market indicates continued recovery
 - Construction spending in the non-residential segment is posting modest gains compared to 2013

Housing starts - USA

Seasonally adjusted, annual rate



Source: U.S. Census Bureau

Country overview - Germany

- Signs of the economy weakening that began with disappointing Q2/2014 GDP figures are becoming more apparent, with industrial production and business sentiment both falling in recent months
- Within the construction industry:
 - Construction sentiment remains higher than its long-term average, but has dropped to its lowest level since late 2012
 - Order entry and turnover have fallen, both impacted by a fall in non-residential and civil engineering activity
 - Building permits have fallen slightly in the non-residential segment, while the growth rate in the residential segment has plateaued

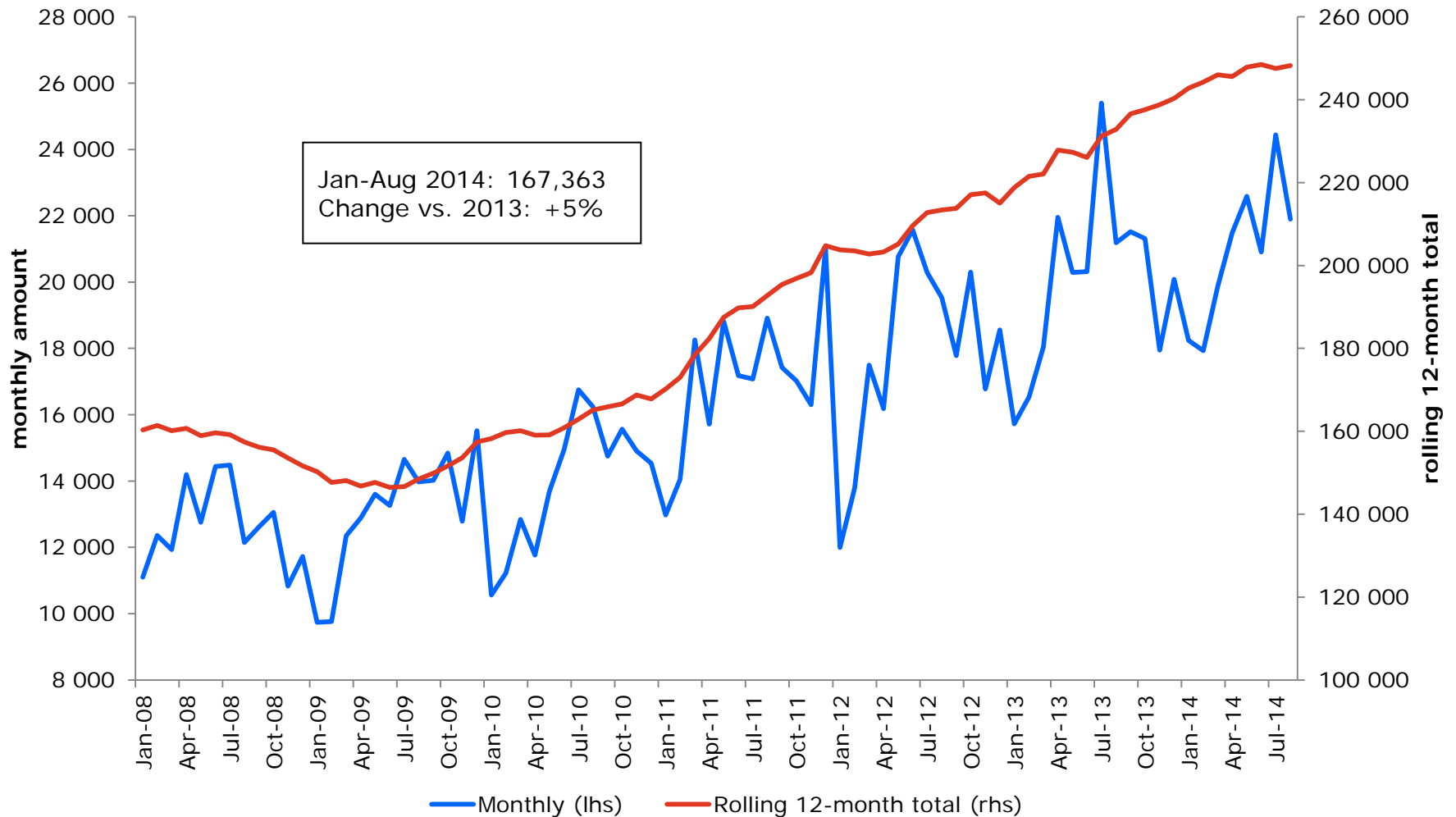
Main indicators of German market

		Indicator	Reading	Date	Trend
Macro	}	GDP	-0.2%	Q2 2014	
		Industrial production	-4%	Aug 2014	
		Consumer confidence	8.3	Sept 2014	
		Zew Indicator	-3.6	Oct 2014	

Construction	}	Non-residential permits	-6%*	July 2014	
		Residential permits	+5%*	July 2014	
		PMI (Construction)	50	Sept 2014	
		Ifo Construction Confidence	-7	Sept 2014	
		HVAC industry confidence	+13%*	Sept 2014	
		Construction turnover	+10%*	July 2014	
		Construction order entry	+1%*	July 2014	

* = Year-to-date compared to 2013

Housing permits - Germany



Source: Destatis

Management agenda for the near term

- Continue to drive the targeted €10+5 million synergies in Uponor Infra, programmes proceeding according to plan
- Managing costs to align with local demand trends in Building Solutions – Europe, while simultaneously driving synergies e.g. in logistics and marketing
- Focussed execution of growth programmes in North America to keep up with market growth and secure meeting future growth in North America

Global leadership development



- The launch of new company values marks the beginning of a global internal development programme for the next 2-3 years
 - Deeper common understanding of the strategy and the way forward
 - Sharper, better-aligned and focussed brand image both internally and externally
 - Drive engagement and performance further on all levels of the organisation

Guiding forward

- Current guidance was issued on 14 February 2014
- No major changes in the business environment:
 - Macro-economic trends much as they were in Q2 but downside risk in Europe has increased (delayed recovery, weak visibility into German developments)
 - Political environment has not weakened further (East Europe)
 - Strength of the U.S. economy seems to be stabilising
- Therefore, the guidance remains intact:

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

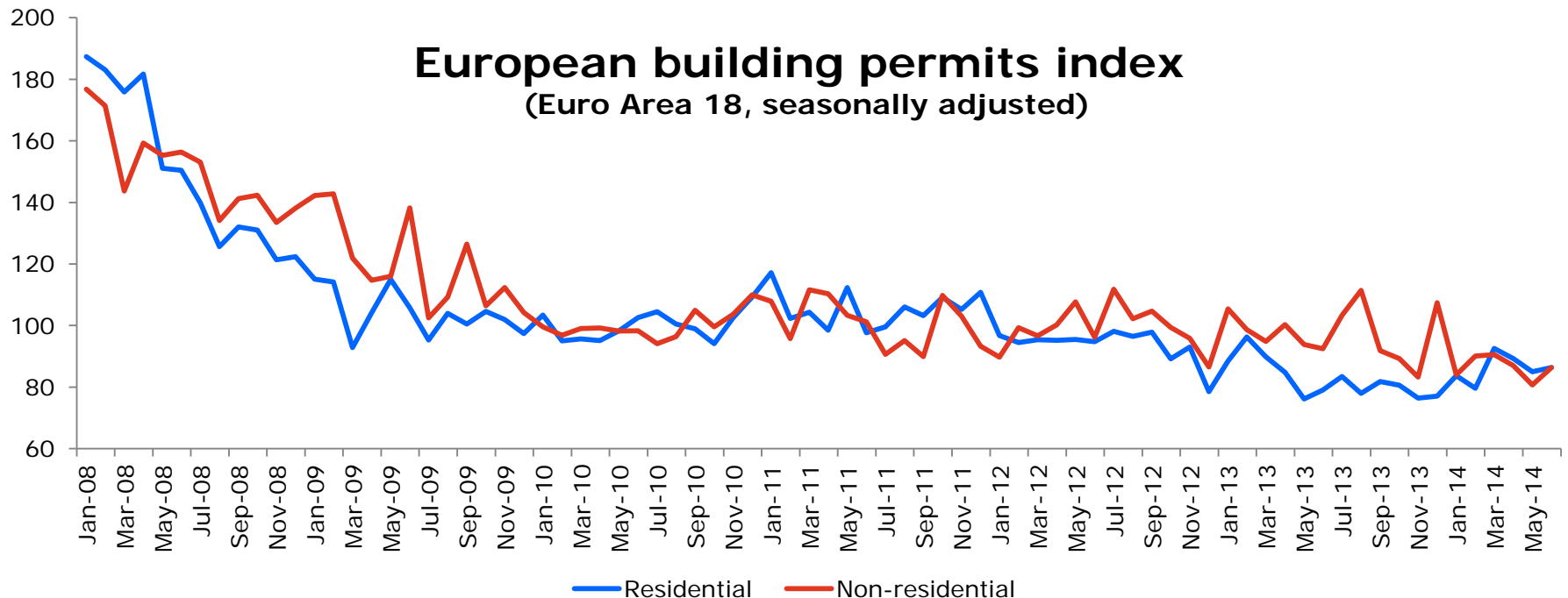
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Building permits in Europe

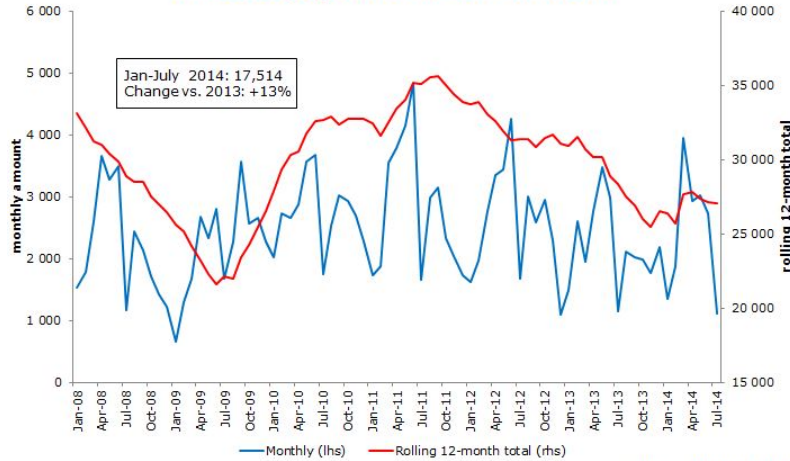
- Residential permits are up 9% from June 2013, but lost ground during the summer months, with increased activity in Spain unable to compensate for falls in most of the rest of Europe
- Non-residential permits have fallen another 6% since June 2013, with no notable exceptions to the trend



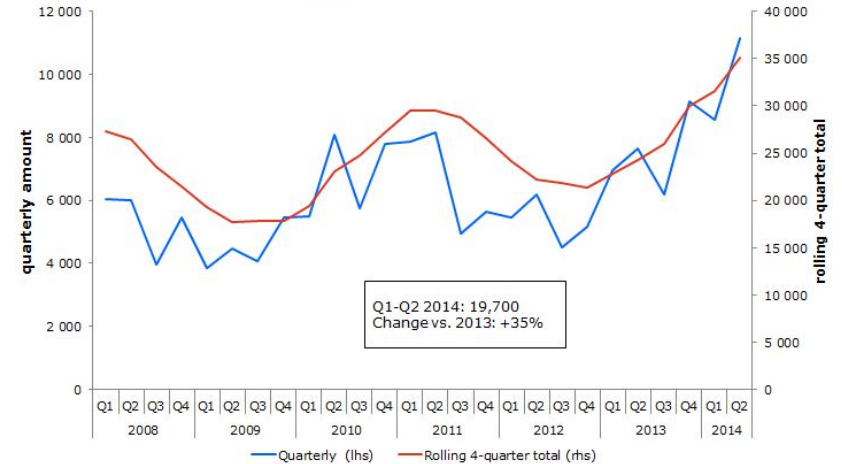
Source: Eurostat (Base year = 2010)

Residential building permits in selected countries

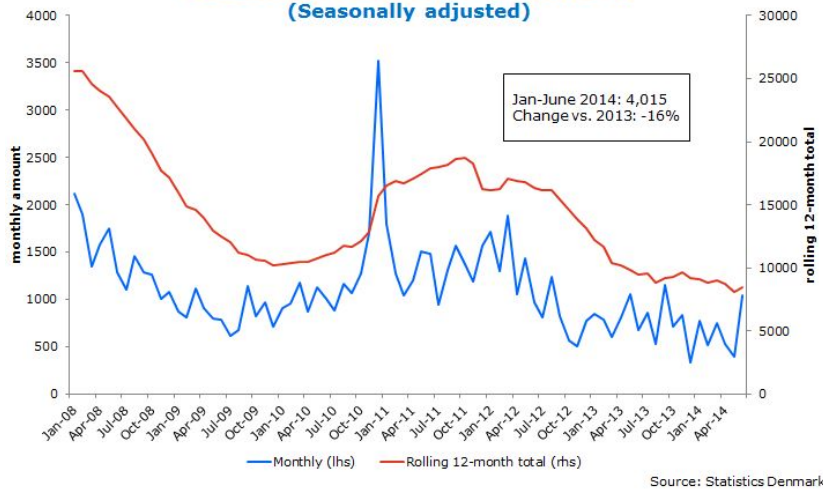
Housing permits in Finland



Housing starts in Sweden



Housing starts in Denmark (Seasonally adjusted)



Housing starts in Norway

