

Uponor



Financial statements 2011 briefing

Jyri Luomakoski
President and CEO
Uponor Corporation

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Q4/2011 in summary

- After the promising first half of the year, demand declined and uncertainty amongst customers increased markedly in the second half of 2011
- Raw material prices showed an unprecedented development with prices continuing at a high level or even increasing while demand in Europe softened
- Good development achieved in efficiency improvements throughout the organisation, but results not transparent due to weakening markets and large non-recurring items
- Strategic decision to divest German OEM unit will improve future performance
- Strong cash flow thanks to determined net working capital programme launched in September

Q4 market overview

- **Nordics:**
 - Construction of buildings has remained at a healthy level across the region, while infrastructure investments have been scaled back
- **Central Europe:**
 - Sentiment has fallen since the summer months, but remains strong relative to previous years and other European geographies. Leading construction indicators continue to post year-on-year improvements
- **Southern Europe:**
 - With governments continuing to scale back public building projects and unemployment levels stubbornly high, construction activity has continued to be weak
- **North America:**
 - Builder sentiment has reached a four-year high, but has thus far failed to translate into any significant increase in building activity

Market data continues to build confidence in recovery

	Indicator	% change YTD	Data through	Trend since Q3 update
Germany	Housing permits	+20%	November 2011	
Finland	Housing permits	+6%	November 2011	
USA	Housing starts	+25%	December 2011	
Sweden	Housing starts	-1%	Q3 2011	
Spain	Housing permits	-10%	October 2011	
Norway	Housing starts	+28%	November 2011	
Italy	Construction index	-3%	October 2011	
Denmark	Housing starts	+9%	September 2011	
Netherlands	Housing permits	-2%%	September 2011	
Canada	Housing starts	+20%	December 2011	

Q4/2011: Favourable net sales trend, profits burdened by non-recurring items

Q4/2011	10-12/2011	10-12/2010	Change
Net sales	197.0	181.7	+8.4%
Operating profit	-3.0	8.6	-139.9%
- OP without non-recurring items	7.4		-14.0%

- **Net sales:**
 - October-December net sales growth continued, supported mostly by Building Solutions business in Europe and North America
- **Operating profit:**
 - Weakening profitability was burdened by large non-recurring items
 - Building Solutions – North America showed a positive trend
 - Price increases giving a full effect towards the end of the year, but price inflation dilutes gross profit margin

1-12/2011: Net sales grew despite weak markets

FY 2011	1-12 /2011	1-12 /2010	Change
Net sales	806.4	749.2	+7.6%
Operating profit	35.4	52.4	-32.4%
- OP without non-recurring items	45.9		-12.4%

- **Net sales:**

- All segments increased net sales, with Building Solutions – North America, in local currency, posting the strongest relative growth
- Organic growth at 4.9 per cent, with close to equal contributions from sales price increases and volume growth

- **Operating profit:**

- Operating profit burdened by the decision to divest Hewing: impact €10.5m
- Building Solutions – North America recorded a major improvement
- Other factors: impact of high raw material costs; overall cost inflation; high sales and marketing costs due to numerous launches; weaker demand in the second half of the year

Developments by business group: Indoor Climate

Enhancements and new products

- New climate controller to regulate both heating and cooling, new ground energy collector with increased performance, launch of harmonised European pump group portfolio
- Two underfloor heating solutions designed for renovation

New markets and partnerships

- Launch of TABS* business in Iberia, France, Russia and China, with first projects won in each country
- Partnership with Toshiba Carrier in the UK to offer integrated heat pump and heating system
- Acquisition of Zent-Frenger to speed up entry into CE project markets and win new technology and know-how

References

- Largest ceiling cooling project in Uponor's history, the German Ministry of the Interior
- Meltaway turf heating installed in a major new stadium in Italy

* TABS = Thermally Active Building Systems

Developments by business group: Plumbing Solutions

Enhancements and new products

- Global introduction of the Milwaukee Q&E expansion tool as part of the Q&E PEX system evolution programme
- European launch of the RTM press fitting with the 'tool inside' concept, including the launch of PEX pipes for use with RTM
- Started the introduction of the plastic ISO range of fittings in the Nordics alongside the existing metallic systems
- Riser pipe offering improvement by the introduction of riser system modules with WIPEX and Q&E fittings
- Expansion of all-plastic fitting and manifold programmes and various other product and systems adaptations
- Strong harmonisation of product range, achieving 4% more sales with 18% less items in Europe

Developments by business group: Infrastructure Solutions

Enhancements and new products

- Launch of new storm water system, Uponor IQ, supporting growth in road construction and municipal building activities
 - The system features fast and easy installation compared with both concrete and existing plastic systems
 - Reduced risk of leakage due to 'in-line socketing', reducing lifetime cost of ownership
- Developed two new technologies for sewer systems
 - Ultra Classic featuring high performance standards with less depletion of natural resources
 - Ultra Double with twin-wall technology and in-line socketing with minimum risks of leakage

Markets and customer service

- New segmentation model aims at better customer service
- Fine-tuning of the supply chain structure to achieve further synergies

Developments in key geographies

Central Europe

- Successful year in Germany
- Fast growing new Swiss unit, strengthening of position in Austria

East Europe and International Sales

- Market position improvement in East Europe, especially Russia
- Downsizing activity in Turkey, Croatia
- Sales unit in the Middle East started
- Added focus on China, India starting up

Southwest Europe

- Increased market penetration in Iberia; growth in France and the UK
- Successfully focussed on customer intimacy to demonstrate the advantages of working with Uponor and Uponor solutions
 - Ca 10,000 installers trained in Uponor Academy

Developments in key geographies

Nordic countries

- Adapt offering to new building codes that are gradually being introduced
- Approached new customer segments for added sales

North America

- Increased new customer conversions supported by the new tools
- Commercial (=project business) plumbing designs up by 49%
- Capitalised on the California PEX mandate > 35% growth
- Focussed market initiatives generated results; e.g. Quebec +29%

Infrastructure Solutions

- Gained market share in Scandinavia and the Baltics
- Growth in telecom and power cable ducting in Sweden as operators convert to ground-laid cabling

Promoting sustainable development

Internal activities

- Defined a “Wanted 2020” goal, linking sustainability to values and demonstrated by actions throughout the organisation, contributing to the profitable growth of business
- Continued to develop the measurement of key environmental indicators in the production and logistics operations, now covering all relevant units

Activities in the market-place

- Participated in Life Cycle Assessments through industry organisation
 - > Plastic pipe impacts are very low compared to any competing material
- Declared commitment to sustainability being a vital criteria for the future built environment in World Sustainable Building Conference in Oct. 2011
- Signed the ENCORD Sustainable Development Charter
- Involved in National Green Building Councils
 - Already active in Finland, Spain, Germany and North America

Highlights of the year 2011

- + Strong range of innovations and product launches strengthened the value proposition of Indoor Climate, supported by increasing interest in energy-efficient systems
 - + Good growth in Europe despite weak new-build market
- + Uponor plumbing solutions penetrate strongly in the North American commercial segment
 - + In Europe, plastic fittings, additions to the riser range, and new launches were favourably received by customers
- + Infrastructure Solutions paves the way for future by unique new-generation product launches, new segmentation and marketing concept
- Rapid increases in input costs, which could not sufficiently be compensated by sales price increases
- Especially Infrastructure Solutions was burdened by high resin prices, although sales development was encouraging
- Negative influence of non-recurring items in the fourth quarter, impacting results severely



Financial statements Q4 and FY/2011

Riitta Palomäki

CFO

Uponor Corporation

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Interim January – December 2011

Key figures

MEUR	1-12 2011	1-12 2010	Change Y/Y
Net sales, continuing operations	806,4	749,2	+7,6%
Operating profit, continuing operations	35,4	52,4	-32,4%
Operating profit margin, continuing operations	4,4%	7,0%	-2,6% pts
Earnings per share (diluted), EUR	0,03	0,34	-91,2%
Return on equity, % (p.a.)	0,7%	9,7%	-9,0% pts
Return on investment, % (p.a.)	11,0%	14,4%	-3,4% pts
Net interest bearing liabilities	83,3	66,8	+24,7%
Gearing, %	39,3%	26,5%	12,8% pts
Net Working capital of Net Sales, % (p.a.)	7,0%	8,6%	-18,5%
Average number of employees, continuing operations	3 288	3 219	+2,1%
Number of employees, end of period, continuing operations	3 228	3 197	+1,0%

October – December 2011

Income statement

MEUR	w/o non-recurring items		10-12 2010	Change Y/Y
	10-12 2011	10-12 2011		
Continuing operations				
Net sales	197,0	197,0	181,7	+8,4%
Cost of goods sold	127,0	127,0	113,6	+11,8%
Gross profit	70,0	70,0	68,1	+2,8%
- % of net sales	35,5 %	35,5 %	37,4 %	-1,9% pts
Other operating income	1,0	1,0	0,4	+145,6%
Expenses	63,6	74,1	59,9	+23,8%
Operating profit	7,4	-3,1	8,6	-136,0%
- % of net sales	3,8 %	-1,6 %	4,7 %	-6,3% pts
Financial expenses, net	4,1	13,3	1,8	+659,1%
Profit before taxes	3,3	-16,4	6,9	-339,2%
Profit for the period	0,6	-21,0	2,6	-900,9%
EBITDA	16,0	5,5	15,4	-64,2%

- Q4/2011 organic growth 4.4%
- Gross margin lower than in Q4/2010 due to product mix and active reduction of inventories resulting in lower production volumes and capacity utilisation
- €10.5m impairment related to the Hewing divestment as a non-recurring item in expenses
- €3.2m interests related to the Finnish tax decisions and €6.0m impairment of UK vendor note as a non-recurring item in financial expenses
- €1.9m in surtaxes related to the Finnish tax decisions as a non-recurring item in taxes

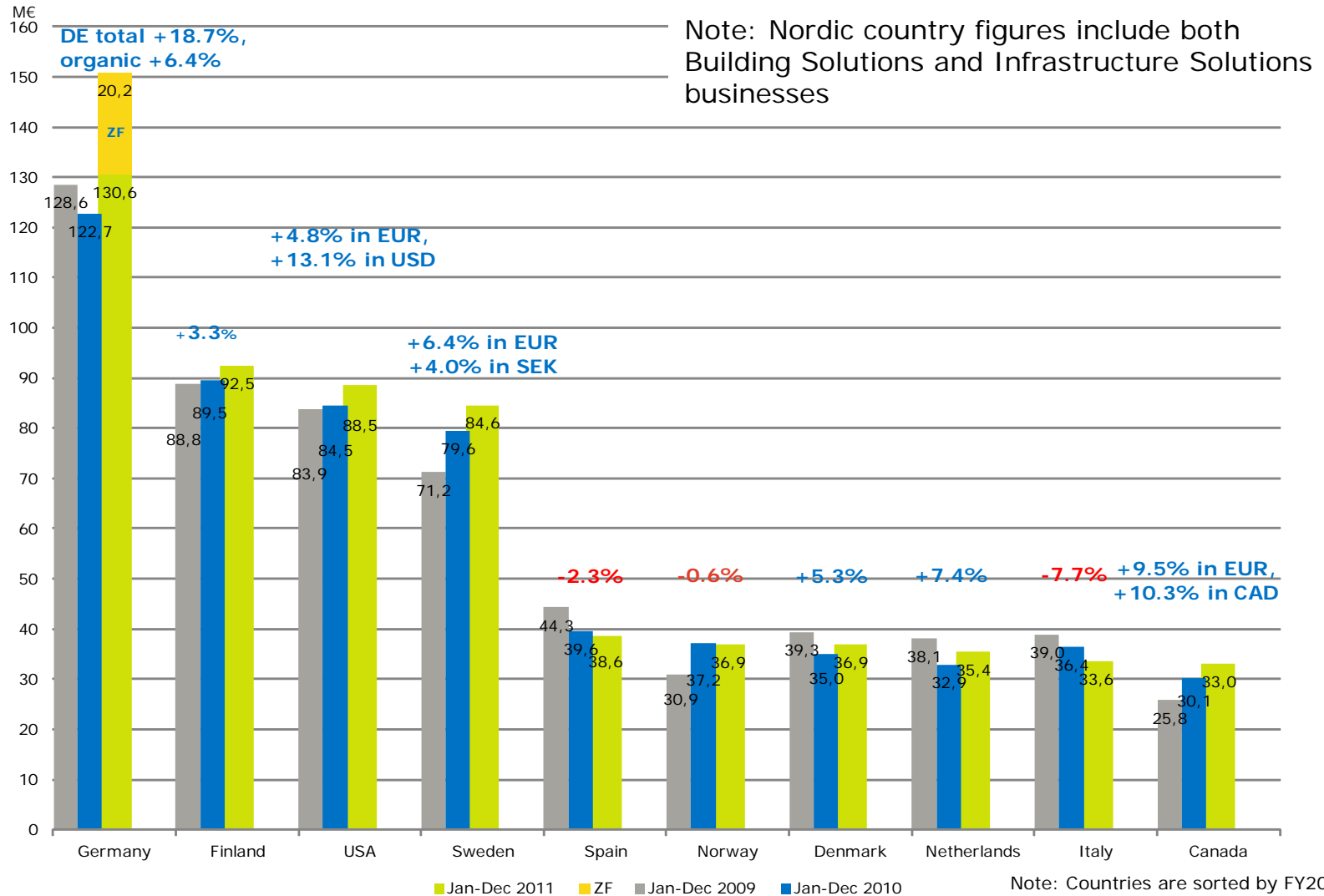
January – December 2011

Income statement

	MEUR	w/o non-recurring items 1-12 2011	1-12 2011	1-12 2010	Change Y/Y
Continuing operations					
• Sales price increases €20.1m Sales from the acquisition €20.2m FX impact €+1.2 m	Net sales	806,4	806,4	749,2	+7,6%
	Cost of goods sold	513,5	513,5	461,1	+11,4%
	Gross profit	292,9	292,9	288,1	+1,7%
• Higher input costs offset by price increases, but diluted gross margin Changes in product and customer mix also decreased gross margin	- % of net sales	36,3 %	36,3 %	38,5 %	-2,1% pts
	Other operating income	1,4	1,4	2,2	-34,1%
	Expenses	248,4	258,9	237,9	+8,8%
	Operating profit	45,9	35,4	52,4	-32,4%
• Expenses €10.5m higher than in 2010, due to sales and marketing costs	- % of net sales	5,7 %	4,4 %	7,0 %	-2,6% pts
	Financial expenses, net	8,5	17,7	10,7	+65,5%
	Profit before taxes	37,4	17,7	41,8	-57,4%
	Profit for the period	23,5	1,9	27,0	-93,0%
	EBITDA	75,3	64,8	81,6	-20,5%
• Financial expenses, net					
— Financial expenses €18.5m (including €9.2m non-recurring items)					
— Financial income €2.1m					
— Exchange differences, net €-1.3m					
• Tax rate very high (88.8%) due to non-deductible non-recurring items and surtaxes related to the Finnish tax decisions					

January – December 2011

Net sales development by key markets



January – December 2011

Balance sheet

MEUR	31 Dec 2011	31 Dec 2010	Change Y/Y
Property, plant and equipment	161,6	171,3	-9,7
Intangible assets	97,3	96,9	+0,4
Securities and long-term investments	2,8	8,4	-5,6
Inventories	81,8	82,9	-1,1
Cash and cash equivalents	29,1	11,9	+17,2
Other current and non-current assets	142,6	125,8	+16,8
Total equity	209,3	252,1	-42,8
Non-current interest-bearing liabilities	110,4	43,5	+66,9
Provisions	22,0	12,0	+10,0
Non-interest-bearing liabilities	171,5	154,4	+17,1
Current interest-bearing liabilities	2,0	35,2	-33,2
Balance sheet total	515,2	497,2	+18,0

- Active reduction of inventories during Q4/2011 took the inventories down by €14.4m and below the year-end 2010
- Accounts receivable (€106.6m) up by €13.6m compared to year-end 2010

January – December 2011

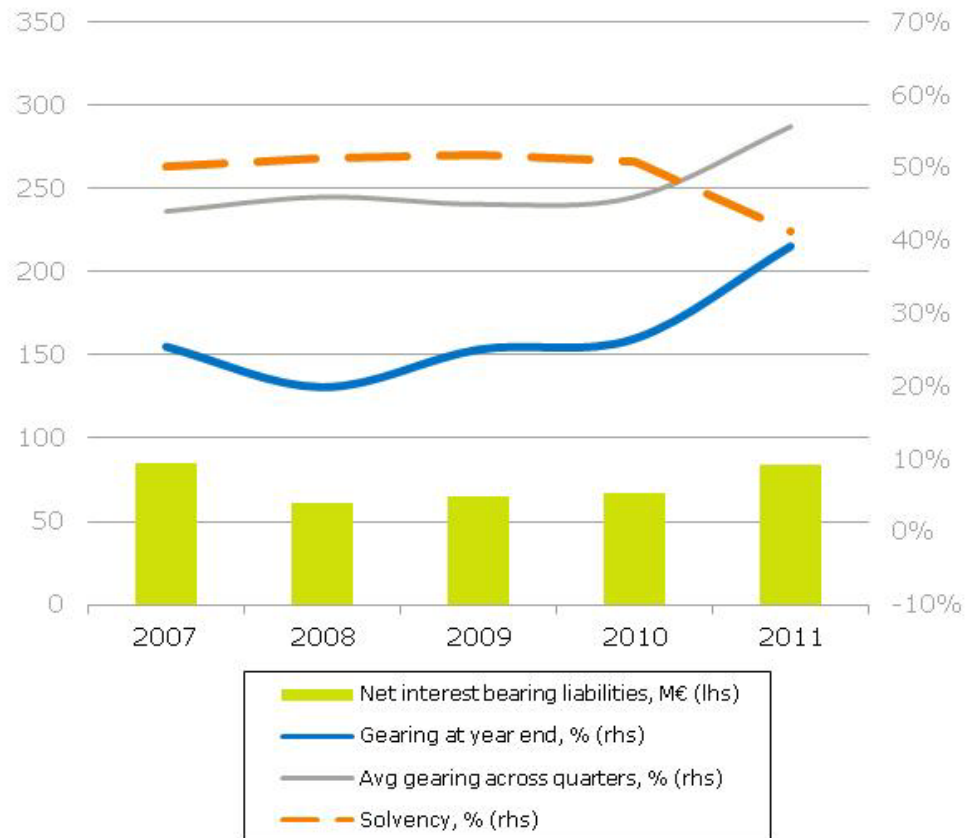
Cash flow

MEUR	1-12/ 2011	1-12/ 2010	Change Y/Y
Net cash from operations	66,8	74,9	-8,1
Change in NWC	+12,4	-22,6	+35,0
Net payment of income tax and interest	-20,8	-3,1	-17,7
Cash flow from operations	58,4	49,2	+9,2
Cash flow from investments	-29,1	-13,6	-15,5
Cash flow before financing	29,3	35,6	-6,3
Dividends and buy backs	-40,2	-36,5	-3,7
Other financing	+28,1	-0,5	+28,6
Cash flow from financing	-12,1	-37,0	+24,9
Change in cash and cash equivalents	17,2	-1,3	+18,5

- Cash flow from operations was sustainable, non-recurring items in the profit were mainly non-cash items
- Gross capex €24.0m compared to €19.0m in 2010
- Cash flow from investments includes also €6.4m in share acquisitions (50.3 % holding in Zent-Frenger)

January – December 2011

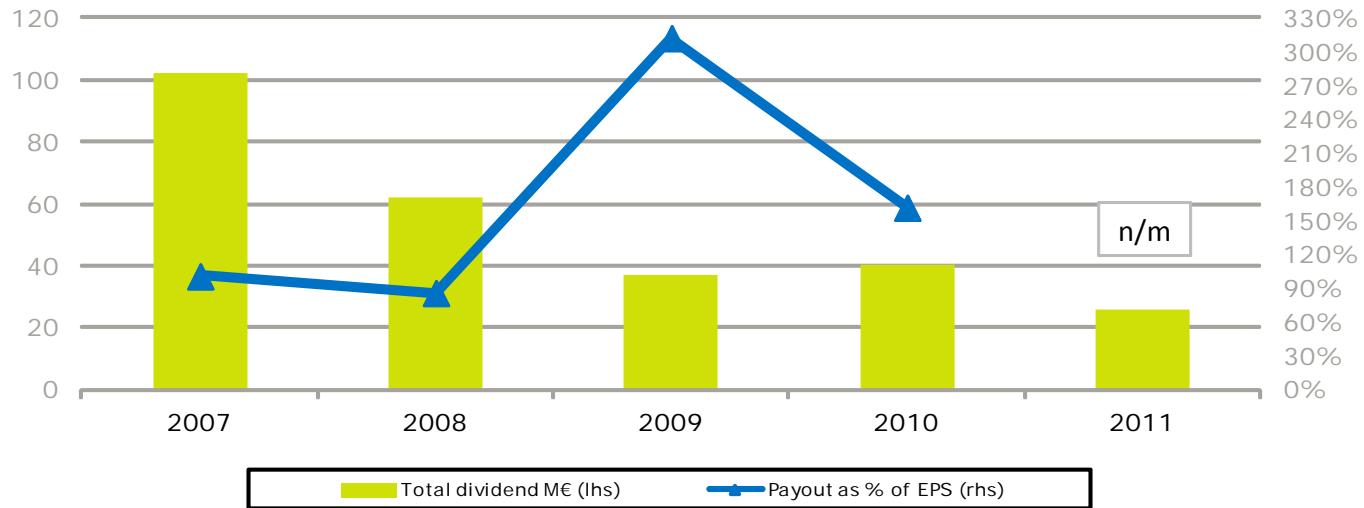
Capital structure development



Long-term target: average gearing across quarters between 30 and 70

January – December 2011

Dividends and payout ratio



Board's dividend proposal for 2011: €0.35 per share

Major shareholders

31 December 2011

Oras Invest Ltd	22,7	Share capital
Varma Mutual Pension Insurance Company	7,1	146.4 MEUR
Ilmarinen Mutual Pension Insurance Company	2,8	
Tapiola Mutual Pension Insurance Company	1,9	Number of shares outstanding
State Pension Fund	1,1	73 046 944
Sigrid Juselius Foundation	1,1	
Investment fund Nordea Nordic Small Cap	1,0	Number of shareholders
Svenska Litteratursällskapet i Finland	1,0	19 828
Investment fund Alfred Berg Finland	0,8	
Nominee registration	24,3	
Others	36,2	
Total	100,0	



Outlook for the future

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President and CEO
Uponor Corporation

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Uponor has a good position to start the new year

- Short-term strategic initiatives well under way
 - Modern integrated supply chain enabling efficient customer service and inventory management throughout the value chain
 - A strong range of new and unique innovations in all Business Groups, ideally meeting customer needs and supporting market share growth
 - Firm bridgehead in project business, thanks to acquisitions, supporting further growth and expansion of business into new territories
- Penetration trend continues
 - Penetration of plastic/composite plumbing continues strong, market share currently estimated to be >60% in Europe
 - Plastic fittings and manifolds as new drives of plumbing growth, supported by the benefit of being 'designed as a system'
 - The role of sustainability as a new, yet emerging driver in plumbing, increasing the more the customers start to demand hard facts in the form of product declarations: plastic pipe systems show clearly stronger results than competing systems
 - Indoor climate benefits of the energy trend already now

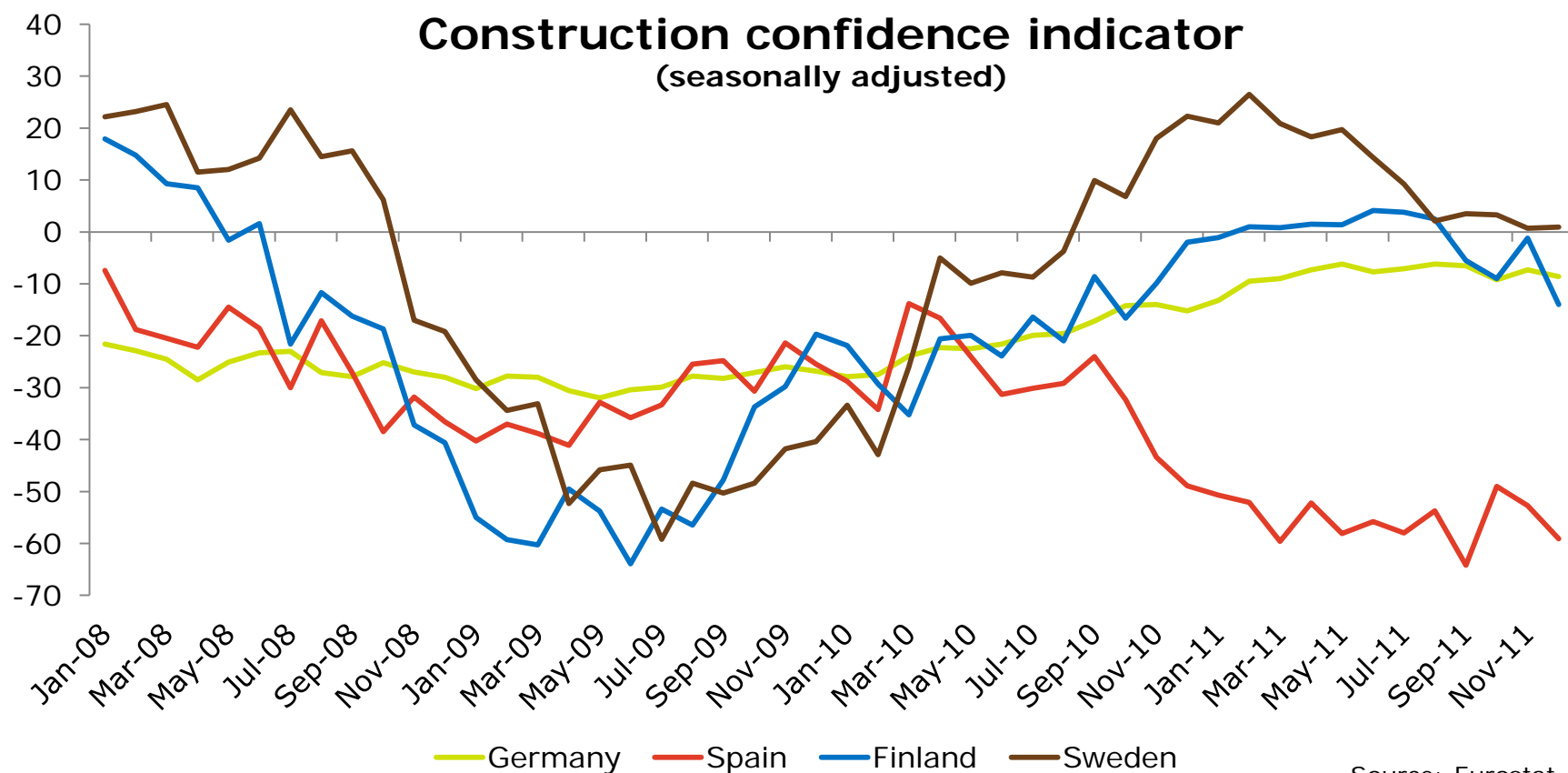
Management agenda for 2012

In anticipation of a lengthy low-activity period in our key geographical markets...

- Focus on business growth
 - Fully utilise the strategic initiatives carried out in the past few years
 - Sharpen Uponor's value propositions in the customers' minds to benefit of the growing market trends
- Look for further acquisitions and partnerships to improve competitiveness and value propositions
- Actively continue with cost management
- Maintain strong balance sheet and financial strength in alignment with the financial targets

Construction sentiment in select European countries

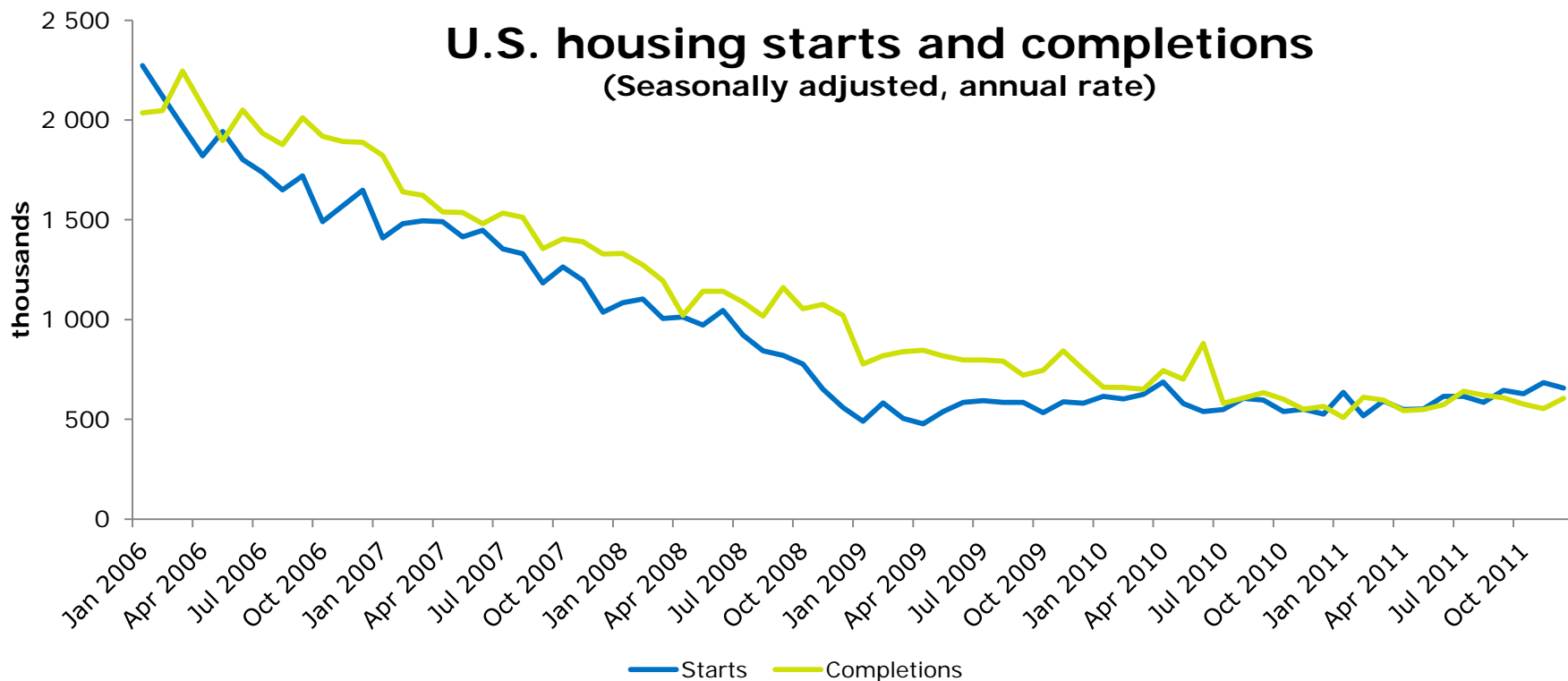
- Construction confidence in Northern Europe has weakened notably since the summer. In Germany, construction confidence has retreated slightly from the summer, but remains relatively strong.



Source: Eurostat

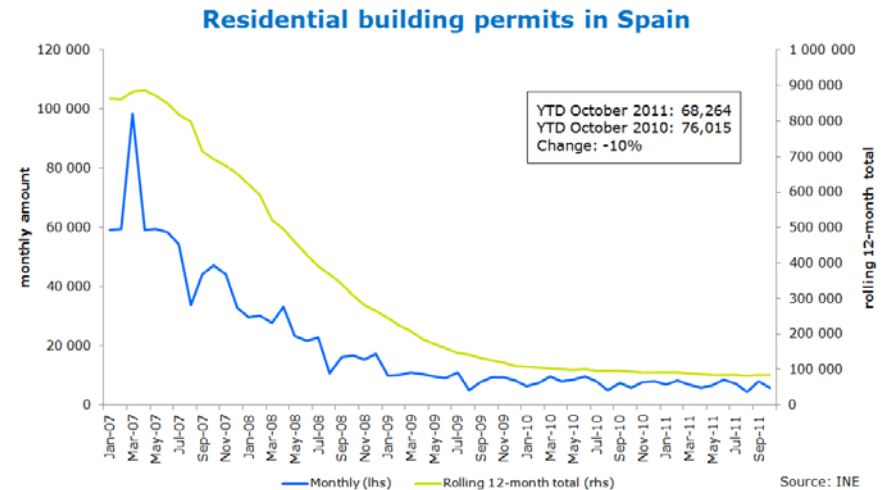
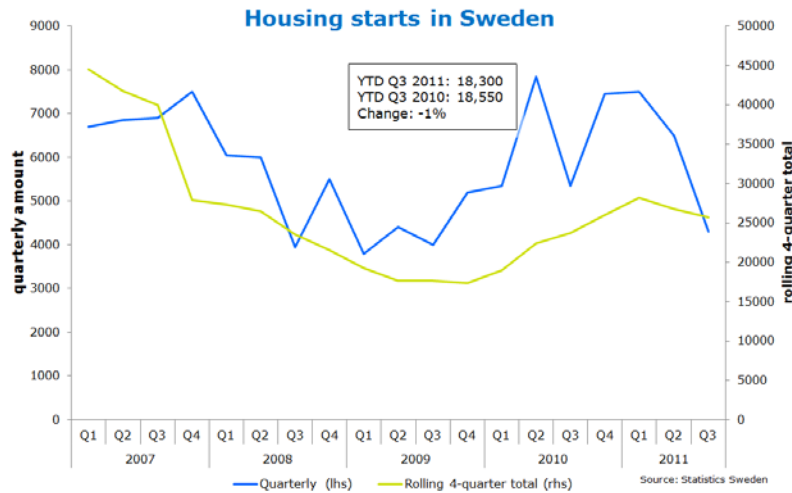
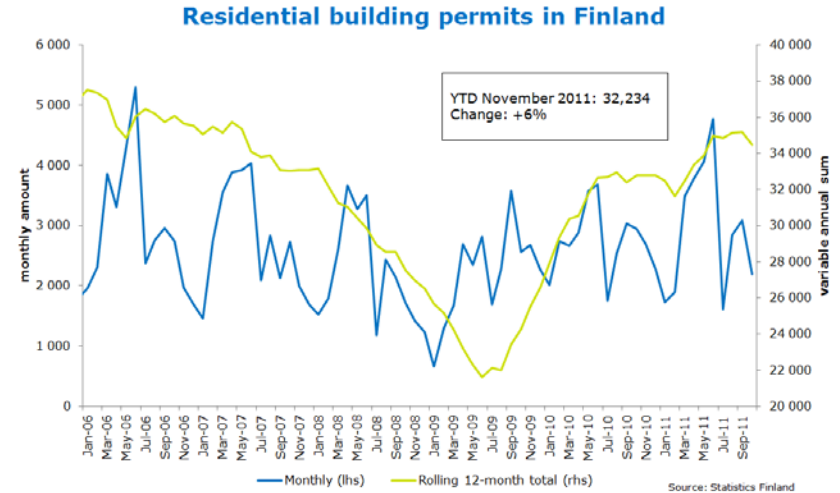
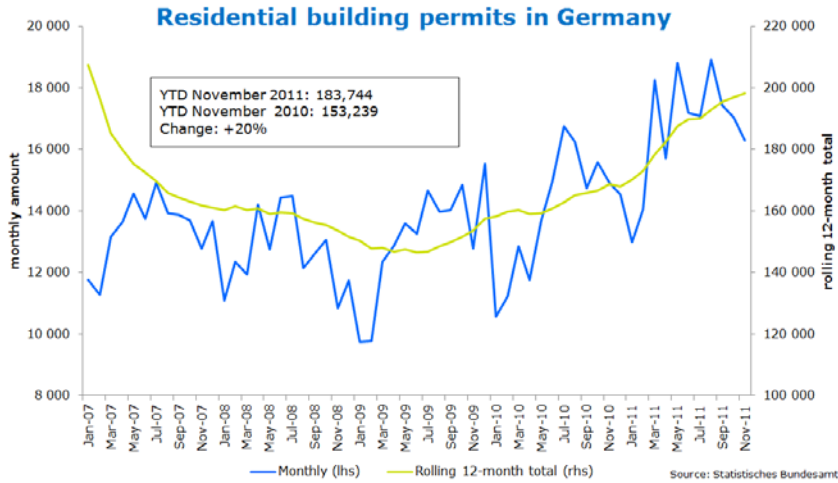
USA

- Housing **starts** in December were at a seasonally adjusted annual rate of 657,000. This 25% above the December 2010 rate.
- Housing **completions** in December were at a seasonally adjusted annual rate of 605,000. This is 7% above the December 2010 rate.



Source: U.S. Census Bureau

Market development in key countries



Guidance for 2012

Issued on 10 Feb. 2012

- Optimism in the market-place has fallen clearly below what it was one year ago
- No consistent direction in the development of the geographic markets; financial development in Europe continues to be a concern
- At the moment, the overall demand outlook is rather steady and Uponor is prepared for a lengthy low-activity period

Assuming current market assumptions hold, Uponor's guidance for 2012 is:

- Uponor's net sales are expected to grow organically from 2011
- Uponor's operating profit is expected to exceed €50 million
- The Group's net investment into fixed-assets is not expected to exceed depreciation

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.