



# Financial results briefing – Q3/2012

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Jyri Luomakoski  
President and CEO  
Uponor Corporation

A large, stylized blue logo consisting of the letters 'Q' and '3'.



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Uponor's new head office, which will be taken into use 1 Jan 2013, will showcase sustainable and innovative Uponor technology in use.

# Q3/2012 market overview

- **Nordics:**

- Construction activity has fallen or remained flat in most building and civil engineering markets, while leading indicators point to additional softening. The notable exception is Norway, where construction activity has continued to grow

- **Central Europe:**

- The German construction industry has, so far, weathered the global slowdown better than other industries. Other construction markets within the region have not fared as well

- **Southern Europe:**

- Low confidence, tight lending standards, and austerity measures have led to further deterioration in the construction markets

- **North America:**

- Despite signs of a slowing economy, the construction industry continues to post consistent, although subdued, gains

# Market indicators stable but on a low level in Europe; USA recovering

	Indicator	% change YTD	Data through	Trend since Q2 update
Germany	Housing permits	+6%	August 2012	
USA	Housing starts <sup>1)</sup>	+35%	September 2012	
Finland	Housing permits	-11%	August 2012	
Sweden	Housing starts	-34%	Q2 2012	
Norway	Housing starts	+5%	August 2012	
Canada	Housing starts <sup>1)</sup>	+5%	September 2012	
Denmark	Housing starts	-28%	June 2012	
Spain	Housing permits	-36%	May 2012	
UK	Housing starts <sup>2)</sup>	-20%	Q2 2012	
Netherlands	Housing permits	-37%	June 2012	

<sup>1)</sup> Seasonally adjusted, annualised rate vs. same month in 2011; <sup>2)</sup> England only

# Q3/2012: Europe stalls while demand in North America picks up

Net sales, M€	7-9/2012	7-9/2011	Change, %
<b>Uponor, reported</b>	<b>211.3</b>	<b>213.6</b>	<b>-1.1</b>
<b>Uponor, organic</b>			<b>+3.3</b>
Building Solutions – Europe	129.9	140.9	-7.7
Building Solutions – North America	43.1	33.2	29.5
(Building Solutions – North America, M\$)	54.5	46.8	16.4
Infrastructure Solutions	40.3	42.1	-4.2

- Group organic growth for the quarter at 3.3%, slightly better than in April-June, including a positive impact from exchange rate differences
- BLD - Europe: Negative growth mainly due to weak building market demand in several large European markets (including the impact of the divestment of Hewing GmbH). [Comparable change at -1.4%](#)
- BLD - North America: The residential building markets in USA and Canada showed a lively demand despite uncertainties regarding the strength of the U.S. economy
- Infrastructure: Net sales suffered due to declining civil engineering markets and austerity measures taken by national governments

# Q3/2012: Strengthening of operating profit continues

Operating profit, M€	7-9/2012	7-9/2011	Change, %
<b>Uponor</b>	<b>22.1</b>	<b>19.7</b>	<b>11.9</b>
Building Solutions – Europe	13.9	13.4	3.6
Building Solutions – North America	7.5	4.9	51.9
(Building Solutions – North America, M\$)	9.6	7.0	37.1
Infrastructure Solutions	2.3	1.4	75.6

- Performance development largely driven by improved gross margin
- Operating profit margin at 10.4% vs. 9.2% in Q3/2011
- BLD - Europe: Competition remains tough, with pressure on margins as an increased number of competitors pushed their offerings at a low price in subdued markets
- BLD - North America: Operating profit improved on account of higher volumes, margin development and effective management of manufacturing efficiency
- Infrastructure: Benefits from sales price margin management vs. prior year, and a more favourable product mix in sales

# Joint venture with KWH

- On 21 Sept, Uponor and KWH Group Ltd announced a plan to merge both companies' infrastructure pipe businesses into a joint venture company
  - Uponor Infra Oy, jointly owned by Uponor (55.3%) and KWH (44.7%)
  - Specialist on infrastructure pipe systems
- Uponor (Building Solutions – Europe) to acquire the PEX pipe production and business of KWH Pipe
- Uponor's net debt is expected to increase by approximately €35 million upon the completion of the transaction. No material impact on Uponor's gearing or solvency ratio
- Significant cost synergies achievable
- Subject to closing conditions, including approval by the Competition Authorities. Uponor anticipates closing of the deal in Q1/2013

# Other key events in Q3/2012

- Uponor involved in the development of Nordic Built charter, and signed it on 16 August
  - Nordic construction industry's commitment to taking action to deliver competitive concepts for a sustainable built environment that is made for people and promotes quality of life
  - Concept/technology competition for solutions to *renovate* existing buildings to a high sustainability standard
- Manufacturing expansion investment on current premises in North America in order to meet growth in demand. The programme will be executed by the year end
- Preparations are ongoing to open a new distribution centre in Västerås, Sweden in January 2013. It will serve Uponor's building solutions business in the Nordic countries

# Highlights of Q3

- + Agreement on the infrastructure solutions joint-venture with KWH Group
- + Increased business volumes in North America, reflecting a recovery in the residential building markets
- + Efficient inventory management both in low and high demand situations
- + Resilience of the German one- and two-family building sector
- + The success of Plumbing solutions due to renovation demand and new product offerings
  
- Volatility in resin prices that disturbs long-term planning and execution as well as passing on necessary price increases
- Weakening market signals in some key European markets
- The volatility/weakening of the euro currency, impacting the transparency of reported numbers and influencing negatively the price setting of resins





# Financial statements

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Riitta Palomäki

CFO

Uponor Corporation

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Uponor underfloor heating is used throughout the new Uponor offices

# Interim January – September 2012

## Key figures

M€	1-9 2012	1-9 2011	Change Y/Y	1-12 2011
Net sales, continuing operations	621.9	609.4	+2.1%	806.4
Operating profit, continuing operations	47.5	38.4	+23.6%	35.4
Operating profit margin, continuing operations	7.6%	6.3%	1.3% pts	4.4%
Earnings per share (diluted), €	0.35	0.32	+9.4%	0.03
Return on equity, % (p.a.)	16.5%	12.5%	4.0% pts	0.7%
Return on investment, % (p.a.)	18.1%	15.3%	2.8% pts	11.0%
Net interest bearing liabilities	117.7	126.8	-7.2%	84.1
Gearing, %	57.9%	53.7%	4.2% pts	39.3%
Net working capital of Net sales, % (p.a.)	9.8%	14.7%	-33.1%	7.0%
Average number of employees, continuing operations	3 112	3 300	-5.7%	3 288
Number of employees, end of period, continuing operations	3 043	3 292	-7.6%	3 228

# July – September 2012

## Income statement

MEUR	7-9 2012	7-9 2011	Change Y/Y
<b>Continuing operations</b>			
Net sales	211.3	213.6	-1.1%
Cost of goods sold	128.7	135.7	-5.1%
Gross profit	82.6	77.9	+6.0%
- % of net sales	39.1%	36.5%	+2.6% pts
Other operating income	0.1	0.3	
Expenses	60.6	58.5	+3.6%
Operating profit	22.1	19.7	+11.9%
- % of net sales	10.4%	9.2%	+1.2% pts
Financial expenses, net	2.6	1.3	+110.7%
Share of result in associated companies	0.0	-	
Profit before taxes	19.5	18.4	+5.8%
Profit for the period	12.4	12.3	-3.8%
EBITDA	29.1	26.6	+9.5%

- Net sales declined after the more lively H1/2012, organic growth only 3.3%
- Gross profit margin improved, supported by sales price increases during the year

# January – September 2012

## Income statement

- **Organic growth** at 4.4%.

Impact of currencies  
+€15.4m or 2.5%

- **Gross margin** recovered from the depressed 2011 levels. In 2011, sales prices lagged behind the input cost increases more than in 2012.

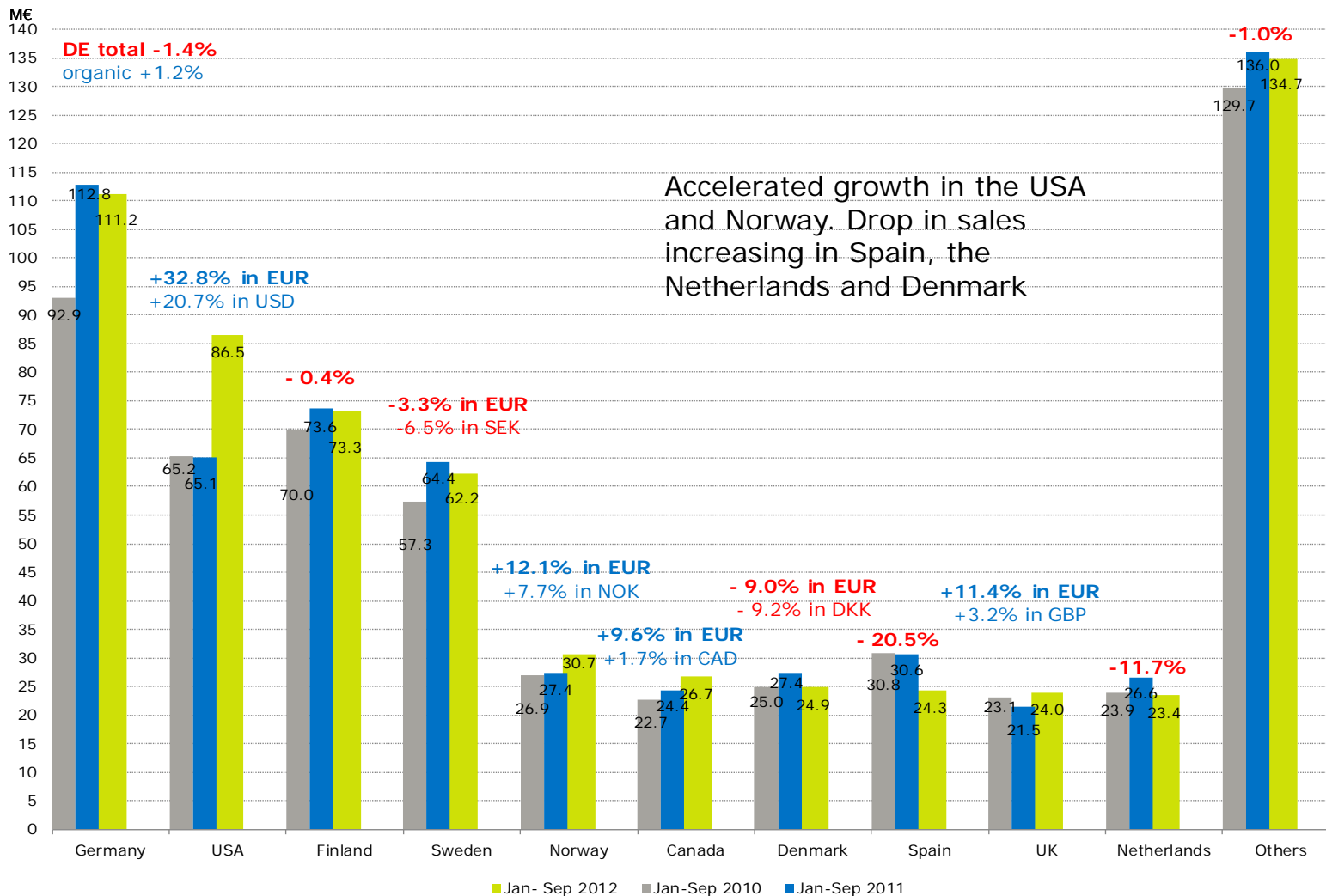
- **Expenses** up due to acquisition and divestment related costs and variable marketing costs. Impact of currencies €4.9m

- **Financial expenses, net**

- Fin expenses €7.1m
- Fin income €2.1m
- Exchange differences, net -€2.1m

M€	1-9 2012	1-9 2011	Change Y/Y
<b>Continuing operations</b>			
Net sales	621.9	609.4	+2.1%
Cost of goods sold	383.3	386.5	-0.8%
Gross profit	238.6	222.9	+7.0%
- % of net sales	38.4%	36.6%	+1.7% pts
Other operating income	0.8	0.4	
Expenses	191.9	184.9	+3.8%
Operating profit	47.5	38.4	+23.6%
- % of net sales	7.6%	6.3%	+1.3% pts
Financial expenses, net	7.1	4.4	+63.4%
Share of result in associated companies	0.1	-	
Profit before taxes	40.5	34.0	+18.8%
Profit for the period	25.7	22.8	+10.1%
EBITDA	68.7	59.2	+16.0%

# Net sales development by key national markets



# Interim January – September 2012

## Balance sheet

M€	30 Sep 2012	30 Sep 2011	Change Y/Y	31 Dec 2011
Property, plant and equipment	153.7	165.2	-11.5	161.6
Intangible assets	94.4	98.6	-4.2	97.3
Securities and long-term investments	1.0	8.5	-7.5	2.8
Inventories	84.3	96.2	-11.9	81.8
Cash and cash equivalents	8.7	9.9	-1.2	29.1
Other current and non-current assets	196.9	184.5	+12.4	142.6
Total equity	203.4	236.0	-32.6	212.1
Non-current interest-bearing liabilities	110.6	111.2	-0.6	110.4
Provisions	19.7	10.2	+9.5	22.0
Non-interest-bearing liabilities	189.5	180.0	+9.5	167.9
Current interest-bearing liabilities	15.8	25.5	-9.7	2.8
Balance sheet total	539.0	562.9	-23.9	515.2

# Interim January – September 2012

## Cash flow

M€	1-9 2012	1-9 2011	Change Y/Y	1-12 2011
Net cash from operations	+61.0	+58.7	+2.3	+66.8
Change in NWC	-24.8	-48.9	+24.1	+12.4
Net payment of income tax and interest	-34.1	-14.7	-19.4	-20.8
<b>Cash flow from operations</b>	<b>2.1</b>	<b>-4.9</b>	<b>+7.0</b>	<b>+58.4</b>
Cash flow from investments	-3.3	-18.3	+15.0	-29.1
<b>Cash flow before financing</b>	<b>-1.2</b>	<b>-23.2</b>	<b>+22.0</b>	<b>+29.3</b>
Dividends and buy backs	-25.6	-40.2	+14.6	-40.2
Other financing	+6.4	+61.4	-55.0	+28.1
Cash flow from financing	-19.2	+21.2	-40.4	-12.1
Change in cash and cash equivalents	-20.4	-2.0	-18.4	+17.2

- Increase in income taxes paid is mainly related to the Finnish tax decisions at the end of 2011, totalling €15.0m
- Cash flow from investments includes an €8.0m cash-in from the Hewing divestment
- Gross capex €12.3m, €0.5m less than in 2011 and clearly less than depreciation at €21.2m



# Outlook for the future

Jyri Luomakoski  
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Uponor cooling system has been installed in the ceiling to ensure comfortable working environment even during summer



# Macro-economics are steering the building market development

## Europe:

- The European Union remains affected by a complex and inefficient web of political and financial arrangements
  - No rapid solutions in sight to the continent's prolonged economic problems
- Residential building projects are being curbed by tighter financing, and unwillingness amongst individuals and organisations to commit to longer-term investment plans
- Austerity measures by national governments continue, slowing demand and affecting the prospects of a recovery in the building, construction and civil engineering markets

## North America:

- Development in the United States has been positive. Although the Canadian market seems to be softening, these markets are expected to remain reasonably strong in the near term

## Other markets:

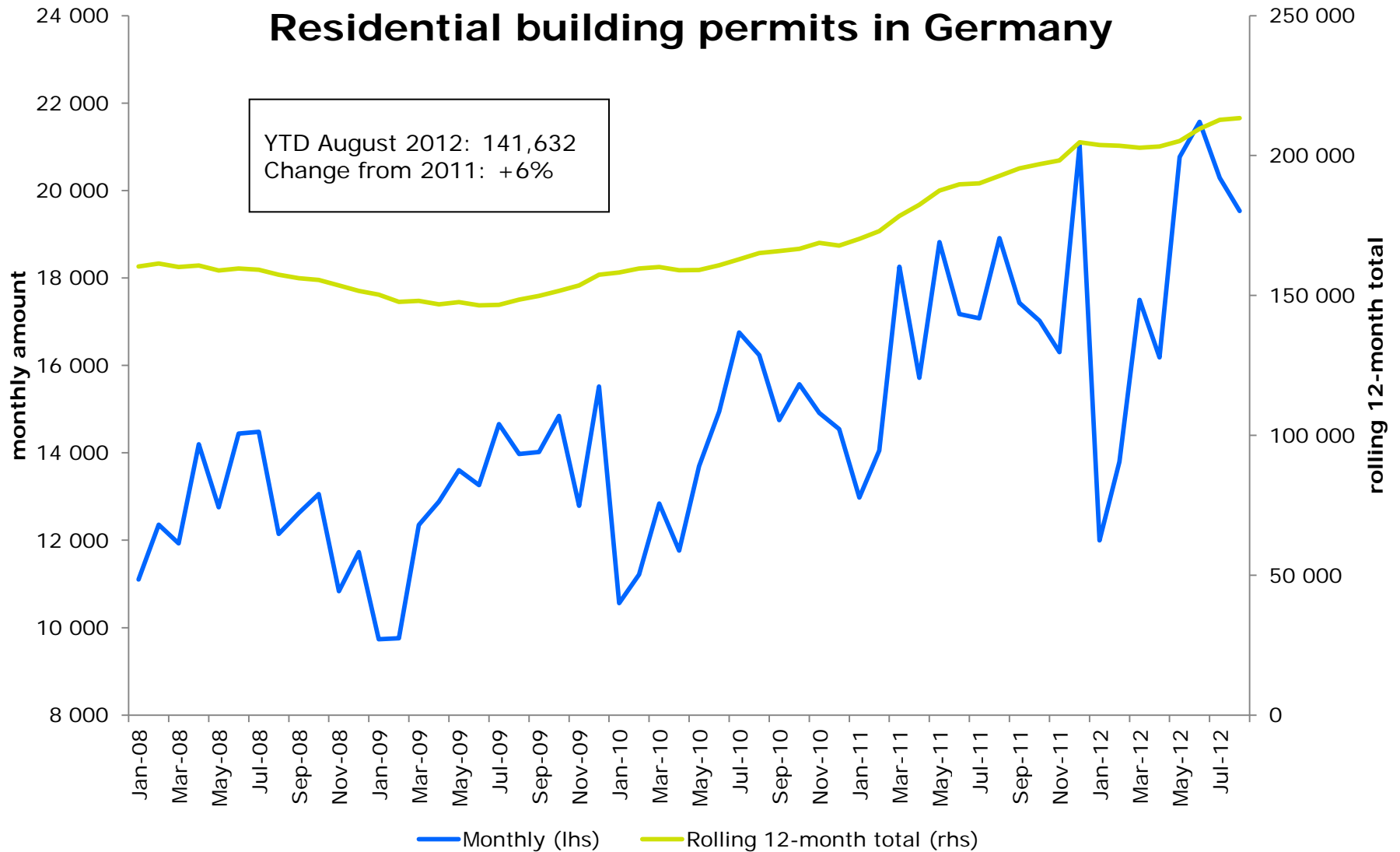
- Demand in Eastern European markets lacks strong drivers – Russia blazing a trail
- Export markets (the Middle East, the Far East) mostly flat or growing modestly

# Country overview - Germany

- Despite some stronger-than-expected manufacturing and industrial production figures from the summer, sentiment and growth forecasts for the economy have continued to fall
- Domestic demand appears to have sheltered the construction industry, at least for now, from the fall in global demand:
  - Building permits have continued to post year-over-year gains, even strengthening during the summer months
  - Sentiment within the construction industry has decreased, but not to the same degree as other industries
  - Construction output has continued to post monthly gains
  - HVAC industry confidence has recovered fairly well from the drop posted in late spring

# Germany

## Residential building permits in Germany



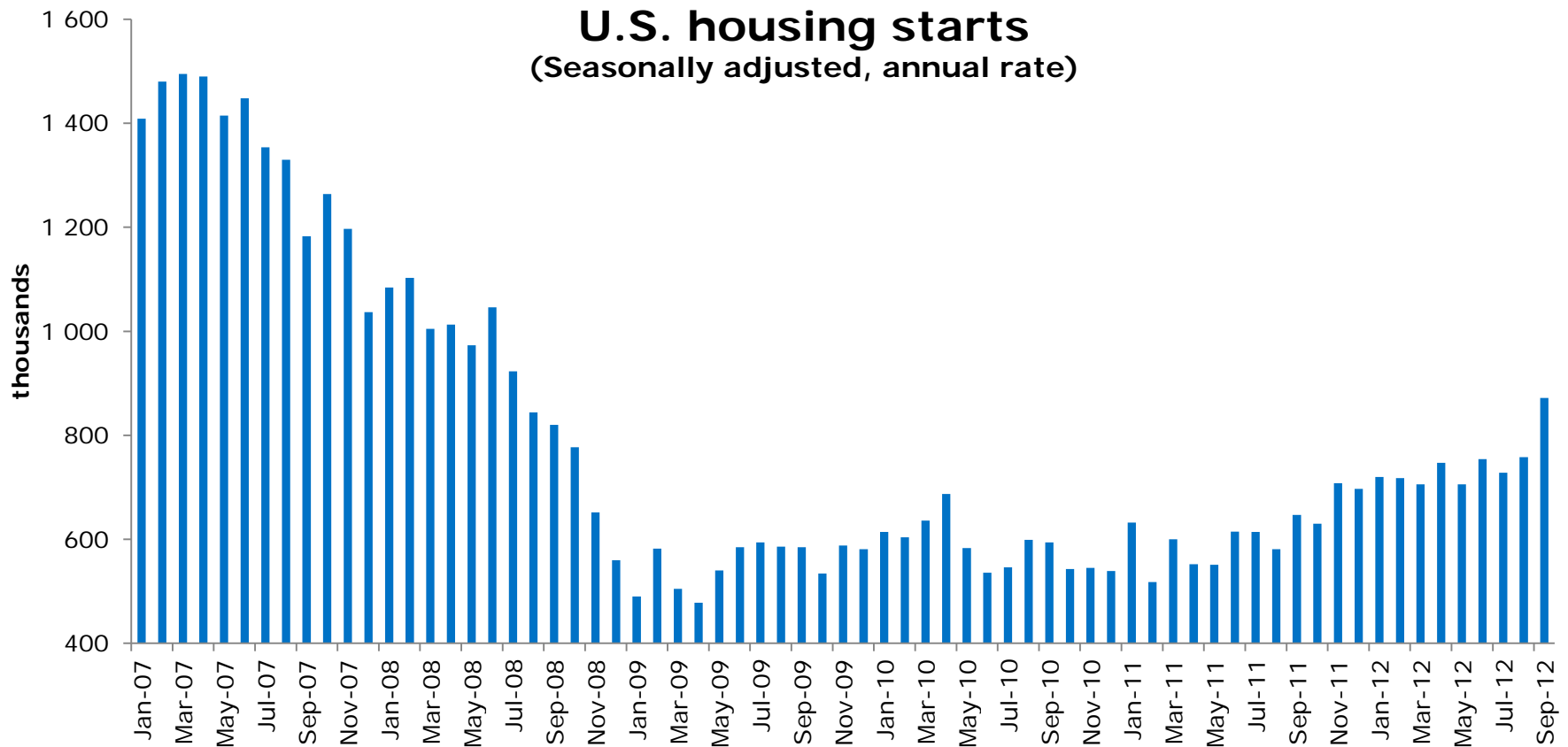
Source: Statistisches Bundesamt

# Country overview - USA

- The construction market has continued to stage a consistent recovery
  - Housing starts, construction spending, and home prices have all risen
- However, the upturn has been subdued
  - In terms of housing starts, 2012 will likely be the fourth weakest year since recordkeeping began in 1959, resulting in just half of the 50-year average of 1.5 million units
- A lacklustre job market and uncertainty about the wider economy are clouding the recovery

# USA

- Housing starts in September were stronger than anticipated, at a rate of 872,000 units. This is 15% above the August estimate and 35% above the September 2011 rate



Source: U.S. Census Bureau

# Country overview - Finland

- The wider economy is clearly experiencing the same slowdown in activity as other European countries
- The negative effects on the construction industry have, thus far, been more muted than in many European countries
  - In residential construction, building permits have fallen, but not by a dramatic rate
  - On the non-residential side, permits for commercial and office buildings showed notable growth through July, while permits for industrial and warehouse buildings fell
- Despite the relative resilience displayed to-date, construction confidence has fallen in five of the last six months

# Country overview - Sweden

- Recent unemployment and manufacturing data has been disappointing
- Within the construction industry, a clear slowing of activity can be seen
  - Housing starts through June were down 34% from 2011, with single-family home starts falling by half
  - Wholesalers reported a fall in sales in both Q2 and Q3 compared to 2011
- Construction confidence has also been shaken, displaying a clear downward trend

# Guidance for 2012

Uponor remains prepared for a lengthy period at current low activity levels, with limited expectations of market growth

Factors supporting stable business growth are:

- lively renovation activity
- longer-term trends in sustainability and low-energy building
- increased preparation for extreme weather conditions

... all of which favour Uponor's indoor climate, plumbing and infrastructure solutions

## **Uponor's guidance for 2012 remains intact**

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



# Uponor

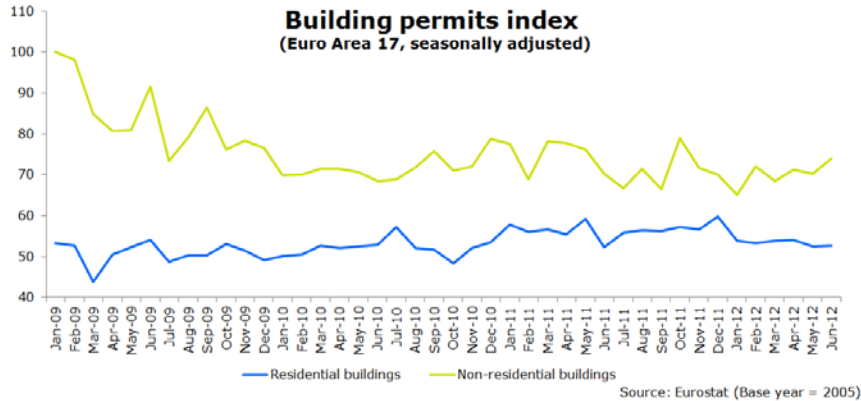
simply more

*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.*

# Appendix 1

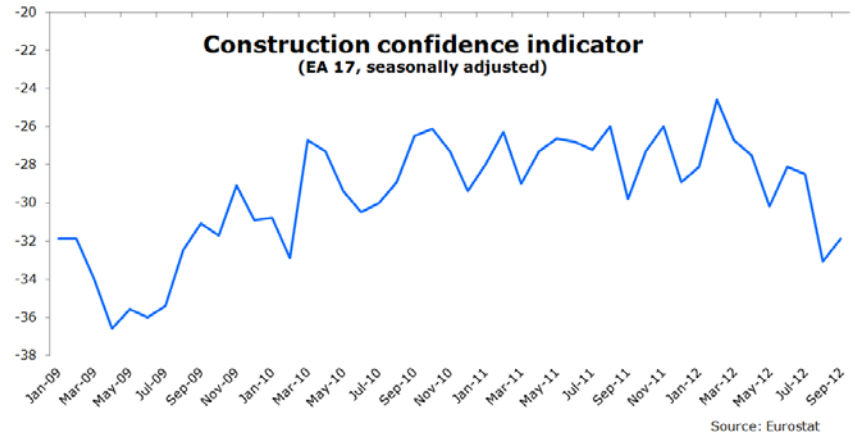
## European building permits

- Non-residential permits have shown a positive, but small, improvement during the first half of the year. Improvements were registered in Germany and France, while most countries recorded year-over-year drops



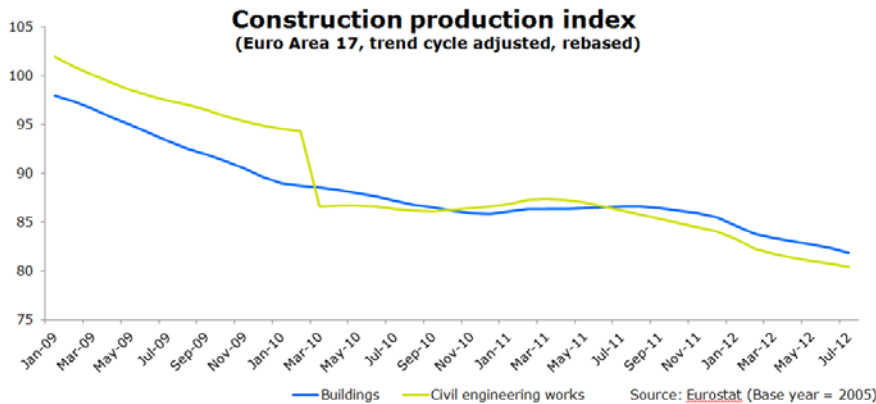
## Construction sentiment in the Euro Area

- Construction confidence in the Euro Area has clearly weakened during the first 9 months of the year



## European construction output

- Construction output in Europe has contracted, with the building and civil engineering works segments falling during the first 7 months of the year



# Appendix 2

