

An aerial night view of a city skyline, likely Copenhagen, featuring a river and a bridge. The city lights are visible against a dark blue sky.

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# Half year financial report

Jyri Luomakoski – President and CEO  
Riitta Palomäki – CFO

1 – 6 / 2016

# Q2/2016: European demand picks up, savings from transformation programmes visible

April - June, M€	4-6/ 2015	4-6/ 2016	Change
Net sales	277.6	299.5	7.9%
Operating profit	22.5	26.5	18.0%
Comparable operating profit	23.2	30.7	31.8%

## Net sales

- Demand picking up in parts of Europe, Building Solutions grew by double-digit numbers in several countries
  - Non-organic growth at €8.6 million
- Strong tailwinds supported the U.S. growth: Building Solutions - North America reports over five years of y-o-y growth
- Despite emerging stability in Europe, Uponor Infra declined, mainly due to weak North America and Poland

## Operating profit

- Building Solutions – Europe benefited from higher net sales and savings from the ongoing transformation programme
- Building Solutions – North America's performance at prior year level, curbed by fittings transition and JV transaction costs
- Uponor Infra benefited from transformation savings and changes in product/channel mix

# Market overview: second quarter 2016



## Nordic countries

- Sweden continues to outpace its neighbours, especially in the new residential segment
- Other markets are generally stable, with signs of a fragile recovery in Finland

## Central Europe

- The regions largest market, Germany, continues to see improvements in the construction market
- In the Netherlands, activity has moderated

## Southern Europe

- A dynamic situation, with a recovery in Spain, continued stagnation in Italy and significant uncertainty surrounding the UK

## North America

- The U.S. construction market has continued to improve across nearly every building segment, but at a reduced pace
- In Canada, weak energy markets hold back non-residential activity while house building is more resilient

# Developments by segment: Building Solutions – Europe

- Positive signals from a number of European markets support marketing initiatives
- Transformation programme advances as planned in most markets
  - Jobs reduced by 140 by end of June (116 in Q1)
- The KaMo/Delta integration progressing
- Good market response of recent product launches continues (such as Smatrix Aqua, prefabricated assembly units, seamless composite pipe Uni Pipe Plus)



# Developments by segment: Building Solutions – North America

- Strong sales growth in a healthy market maintained across the U.S.; Canadian demand softened in Q2
- Sales driven by the lively U.S. plumbing market
- Financial performance burdened by costs related to the temporary EP fittings replacement by metal fittings, the Canadian currency impact and costs related to the joint venture transaction



# Developments by segment: Uponor Infra

- Emerging stability in much of Europe
- Net sales declined as a result of
  - Weak North America due to poor PE pipe market
  - Poland suffers from delayed EU funding
- Changes in product/channel mix supported performance development
- Manufacturing footprint optimisation and cost savings progressing as planned. In Finland, reinstallation of 3 out of 8 lines in progress.





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# Financial statements

Riitta Palomäki – CFO

1 – 6 / 2016

# New terminology

Uponor begins to follow the new recommendation from the European Securities and Markets Authority (ESMA) concerning Alternative Performance Measures. Thus, the term “non-recurring items” (NRI) will be changed to “items affecting comparability” (IAC).

The disclosed comparable operating and gross profit excludes IAC.

See the table section in the release for more details.



# January – June 2016: Key figures

M€	1-6 2015	1-6 2016	Change Y/Y	1-12 2015
Net sales, continuing operations	514.7	546.4	+6.2%	1,050.8
Operating profit, continuing operations	33.8	38.4	+13.6%	71.4
Comparable operating profit	34.6	45.6	+31.7%	75.8
Comparable operating profit margin	6.7%	8.3%	1.6% pts	7.2%
Earnings per share (diluted), continuing operations, €	0.23	0.28	+21.7%	0.51
Return on equity, % (p.a.)	11.6%	13.9%	2.3% pts	12.1%
Return on investment, % (p.a.)	14.0%	15.3%	1.3% pts	15.5%
Net interest bearing liabilities	138.8	175.1	+26.2%	91.3
Gearing, %	47.8%	58.5%	+10.7% pts	29.3%
Net working capital of Net sales, % (p.a.)	11.9%	11.9%	+0.0% pts	8.1%
Number of employees, end of period, continuing operations	3,906	3,964	+1.5%	3,735

All numbers in M€, unless otherwise noted

-1.5% excluding German acquisitions

April – June 2016:

# Income statement

M€	4-6 2015	4-6 2016	Change Y/Y
<b>Continuing operations</b>			
Net sales	277.6	299.5	+7.9%
Cost of goods sold	179.0	194.0	+8.3%
Gross profit	98.6	105.5	+7.2%
% of net sales	35.5%	35.2%	-0.2% pts
Other operating income	0.0	1.4	
Expenses	76.1	80.4	+5.8%
Operating profit	22.5	26.5	+18.0%
% of net sales	8.1%	8.8%	+0.8% pts
Financial expenses, net	1.3	2.1	+63.8%
Share of result in associated companies	0.0	0.0	-0.0%
Profit before taxes	21.2	24.4	+15.2%
Profit for the period	13.3	15.4	+15.2%
EBITDA	31.5	36.2	+15.1%

- **Financial performance development** in Q2/2016 much as in Q1/2016
- **Organic net sales** growth at +4.8%, improved from Q1/2016
- **Gross profit margin** stable
- **Expenses** up due to IAC, German acquisitions and Building Solutions - North America, offsetting the favourable progress in cost saving from the European transformation programmes
- **Comparable operating profit** €30.7m (10.2%), up 31.8%
- Increase in **net financial expenses** due to FX

January – June 2016:

# Income statement

M€	1-6 2015	1-6 2016	Change Y/Y	1-12 2015
<b>Continuing operations</b>				
Net sales	514.7	546.4	+6.2%	1,050.8
Cost of goods sold	330.9	353.1	+6.7%	680.6
Gross profit	183.8	193.3	+5.2%	370.2
% of net sales	35.7%	35.4%	-0.3% pts	35.2%
Other operating income	0.7	2.0	+180.7%	2.4
Expenses	150.7	156.9	+4.1%	301.2
Operating profit	33.8	38.4	+13.6%	71.4
% of net sales	6.6%	7.0%	+0.5% pts	6.8%
Financial expenses, net	6.4	5.5	-14.0%	8.9
Share of result in associated companies	0.1	0.1	+0.0%	0.3
Profit before taxes	27.5	33.0	+20.0%	62.8
Profit for the period	17.3	20.8	+20.1%	37.1
EBITDA	52.1	57.9	+11.2%	110.5

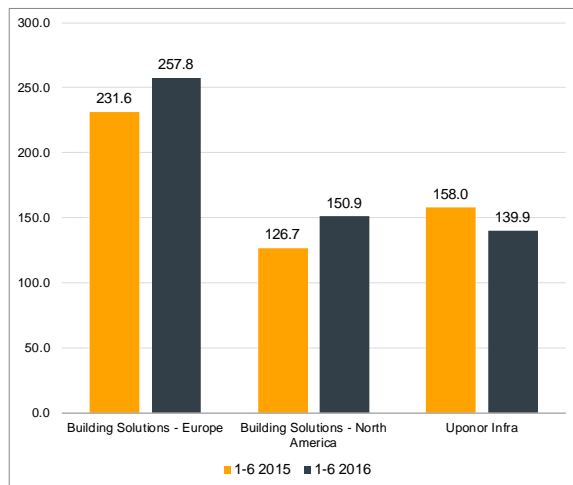
- **Comparable gross profit** at €194.8m (35.7%) against €184.2m (35.8%) in 2015
- **Comparable operating profit** at €45.6m (8.3%) against €34.6m (6.7%) in 2015, up €11m

January – June 2016:

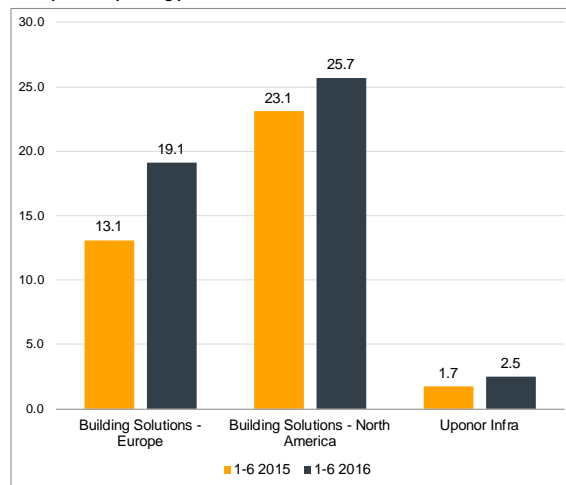
# Net sales & comparable operating profit by segment

Currency: M€

Net sales



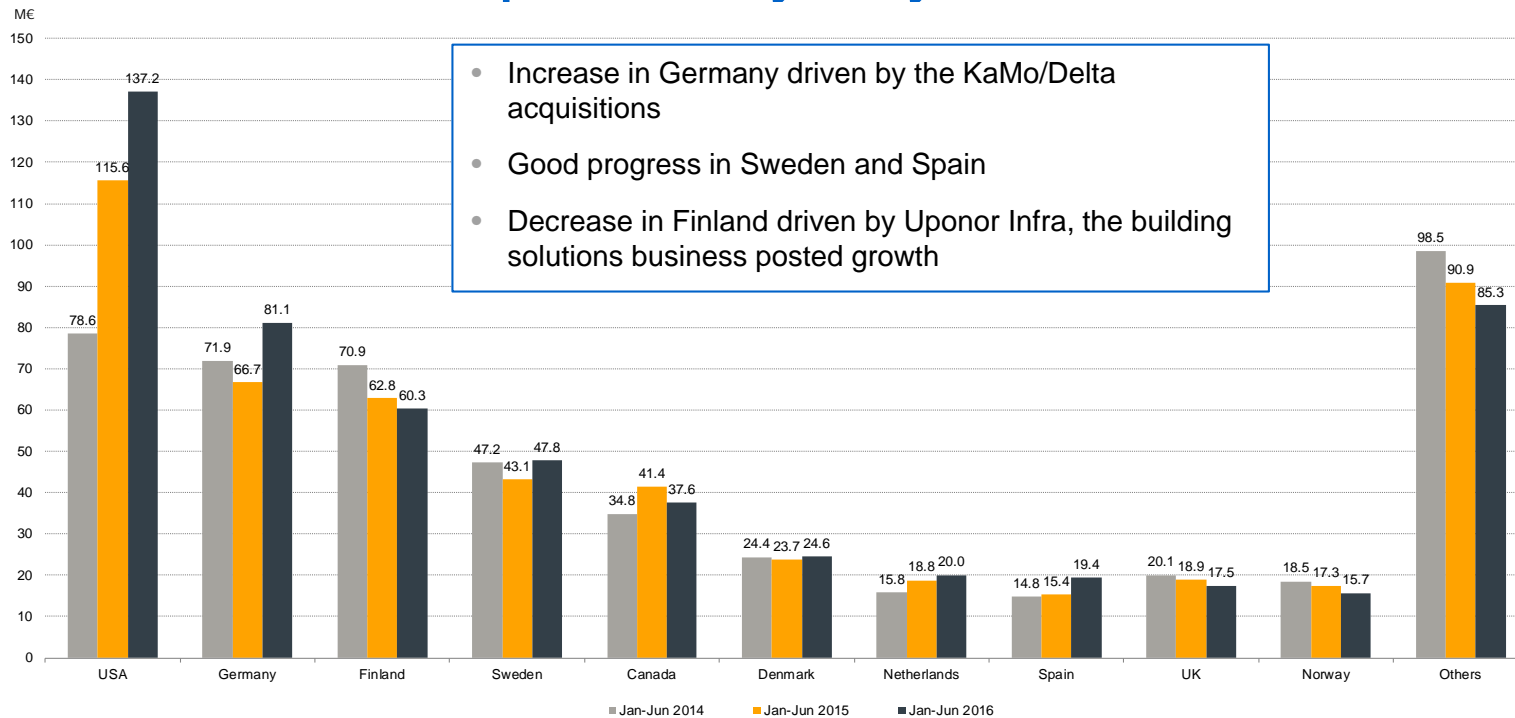
Comparable operating profit



- Building Solutions – Europe: net sales growth driven by the German acquisitions. Comparable operating profit margin at 7.4%, up from 5.7%
- Building Solutions – North America: strong sales growth continued, +19% in euro terms. Comparable operating profit margin 17.0%, down by 1.2%-pts from the very high level in 2015
- Uponor Infra: net sales down by 11.5%. Improved comparable operating profit driven by reduced operational cost levels in Finland

January – June 2016:

# Net sales development by key markets



- Increase in Germany driven by the KaMo/Delta acquisitions
- Good progress in Sweden and Spain
- Decrease in Finland driven by Uponor Infra, the building solutions business posted growth

Growth  
% in EUR  
% in Curr.

18.7 %  
19.0 %

21.5%

-4.0%

10.8%  
10.6%

-9.3%  
-3.8%

3.8%  
3.6%

6.5%

26.0%

-7.8%  
-0.4%

-9.5%  
-1.7%

-7.7%

## January – June 2016:

# Balance sheet

M€	30 Jun 2015	30 Jun 2016	Change Y/Y	31 Dec 2015
Property, plant and equipment	209.5	221.7	+12.2	221.4
Intangible assets	96.3	121.4	+25.1	94.7
Securities and long-term investments	10.8	21.6	+10.8	21.0
Inventories	131.2	133.6	+2.4	112.4
Cash and cash equivalents	16.5	24.8	+8.3	49.2
Other current and non-current assets	252.5	269.4	+16.9	209.1
Total equity	290.6	299.2	+8.6	311.7
Non-current interest-bearing liabilities	100.4	139.1	+38.7	91.2
Provisions	17.4	26.4	+9.0	25.0
Current non-interest-bearing liabilities	253.5	267.0	+13.5	231.6
Current interest-bearing liabilities	54.9	60.8	+5.9	48.3
Balance sheet total	716.8	792.5	+75.7	707.8

- Increase in the balance sheet driven by the German acquisitions and a growing business in Building Solutions - North America
- Non-controlling interest represents €63.8m of the total equity at €299.2m

## January – June 2016:

# Cash flow

M€	1-6 2015	1-6 2016	Change Y/Y	1-12 2015
Net cash from operations	+47.1	+55.1	+8.0	+105.6
Change in NWC	-50.2	-41.9	+8.3	-15.0
Net payment of income tax and interest	-16.7	-16.6	+0.1	-32.4
<b>Cash flow from operations</b>	<b>-19.8</b>	<b>-3.4</b>	<b>+16.4</b>	<b>+58.2</b>
Cash flow from investments	-12.5	-44.4	-31.9	-41.7
<b>Cash flow before financing</b>	<b>-32.3</b>	<b>-47.8</b>	<b>-15.5</b>	<b>+16.5</b>
Dividends and buy backs	-30.7	-32.2	-1.5	-30.7
Other financing	+18.5	+56.5	+38.0	+2.3
Cash flow from financing	-12.2	+24.3	+36.5	-28.4
Conversion differences	+0.8	+0.1	-0.7	-0.1
Change in cash and cash equivalents	-43.7	-23.4	+20.3	-12.0

- Improved cash flow from operations
- Cash flow from investments includes cash flow-out related to the German acquisitions (€31.4m)
- Gross CapEx (€15.7m) below depreciation and slightly down year-on-year
- Cash flow from investments in the comparison period includes a net cash flow effect of €+5.9m from the divestments of Uponor Infra's Thai business and Extron Engineering Oy in Finland























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# Outlook for the future

Jyri Luomakoski – President and CEO



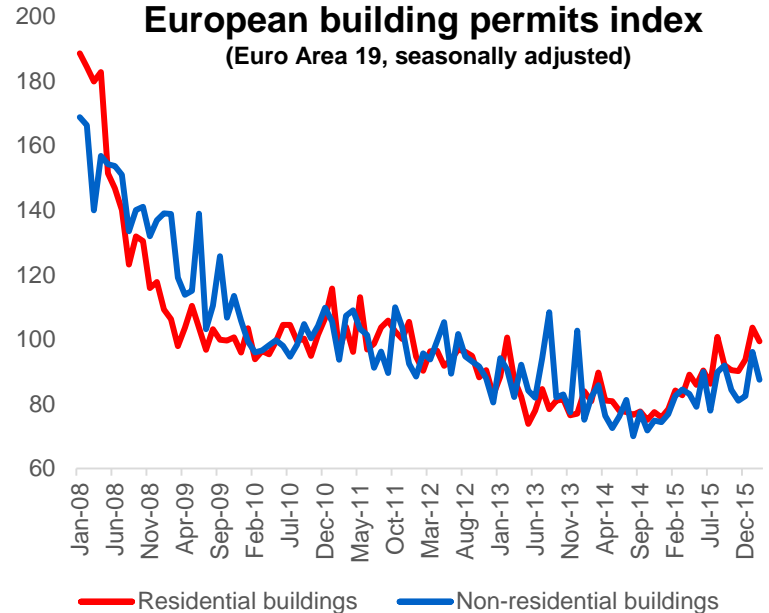
# Leading indicators: stable market outlook overall

	Indicator	YTD % Change	Rolling 12-month % Change	Data through	Trend since Q1 update
 USA	Housing starts <sup>1)</sup>	-2%	N/A	June 2016	
 Germany	Housing permits	+29%	+18%	May 2016	
 Finland	Housing permits	+10%	+7%	April 2016	
 Sweden	Housing starts	+47%	+30%	Q1 2016	
 Canada	Housing starts <sup>1)</sup>	+14%	N/A	June 2016	
 Denmark	Housing starts	+13%	-11%	March 2016	
 Netherlands	Housing permits	-42%	-15%	April 2016	
 Spain	Housing permits	+42%	+32%	April 2016	
 UK	Housing starts <sup>2)</sup>	-9%	+2%	Q1 2016	
 Norway	Housing starts	+11%	+14%	May 2016	

<sup>1)</sup> Seasonally adjusted, annualised rate vs. same month in 2015 <sup>2)</sup> England only

# Building permits in Europe have continued to make gains from all-time lows

- Permit activity has continued to slowly trend upwards in both the residential and non-residential segments (data through February 2016)
- Comparing the first months of 2016 to 2015, the largest gains were made in Germany, Spain, and Norway



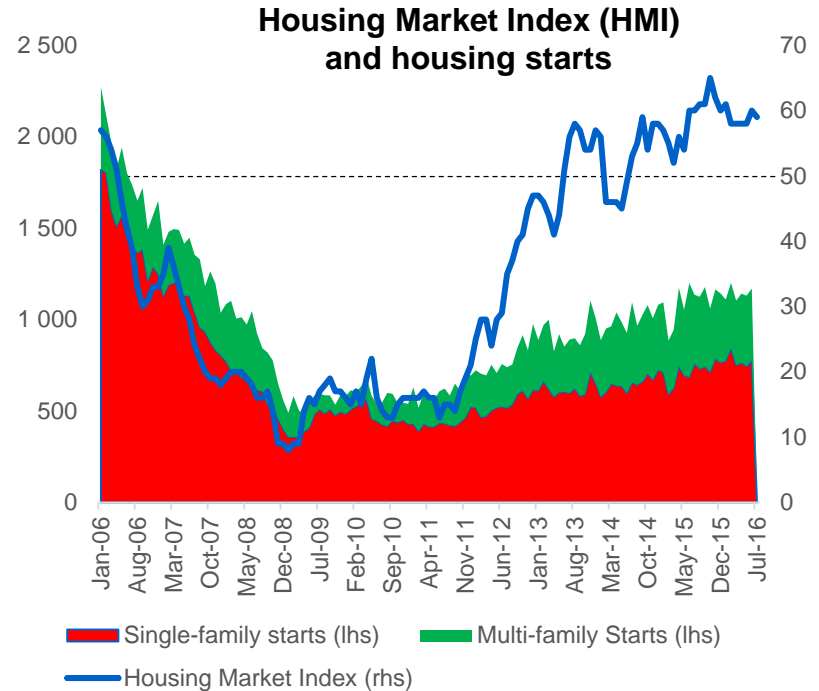
Source: Eurostat (Base year = 2010)

# Country overview- USA

The economy continues to post modest growth, but at significantly reduced rates from last autumn

Within the construction industry:

- Housing starts are on a similar level as last year, having lost some momentum from earlier in the year
- Residential builder confidence has softened, but remains clearly in expansionary territory
- Construction spending has risen across nearly all residential and non-residential building segments compared to the same period in 2015



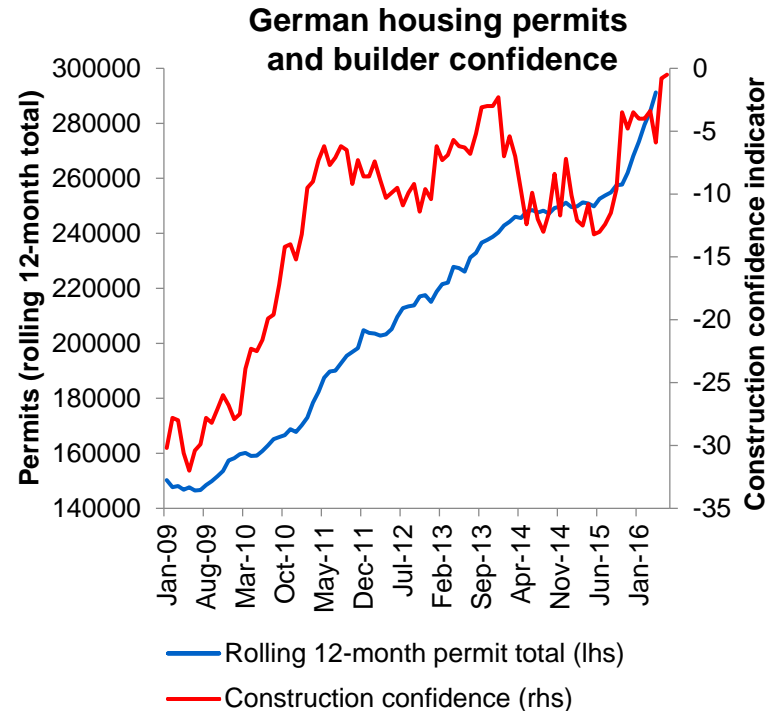
Source: US Census, NAHB/Wells Fargo

# Country overview- Germany

The economy has so far continued to brush off external uncertainties, with households driving economic growth

Within the construction industry:

- Builder confidence has reached another post-reunification high
- Order book development has remained generally positive in both the residential and non-residential segments
- Permit levels continue to develop positively across most building segments



Source: Destatis and Eurostat

# Management agenda for 2016 – No change in focus since Q1

- Complete the broad-based transformation in Europe, including manufacturing footprint optimisation, targeting a clear growth in net sales
- Start the manufacture of indoor climate and plumbing products in China
- Uphold customer satisfaction and sales growth in North America, while continuously upgrading manufacturing capacity
- Boost investment in research, technology and corporate development in order to maintain lead in sustainable building technology



# Guidance 2016

- Despite recent encouraging stability, volatility in the market is expected to continue
- No sign of changes in the market place in the near future, which could materially affect demand in 2016 from our earlier forecast
  - Direct impact of 'Brexit' not meaningful due to Uponor's low exposure to the UK market
  - Wider political and economic repercussions remain to be seen
- In 2016, the Group's capital expenditure will temporarily increase from that experienced in the last few years and reach circa €58 million, against €50 million in 2015 (excluding any investment in shares)
- Assuming that economic development in Uponor's key geographies continues undisturbed, Uponor reiterates earlier guidance from February 2016:

**The Group's net sales and comparable operating profit  
are expected to improve from 2015**

## Q&A

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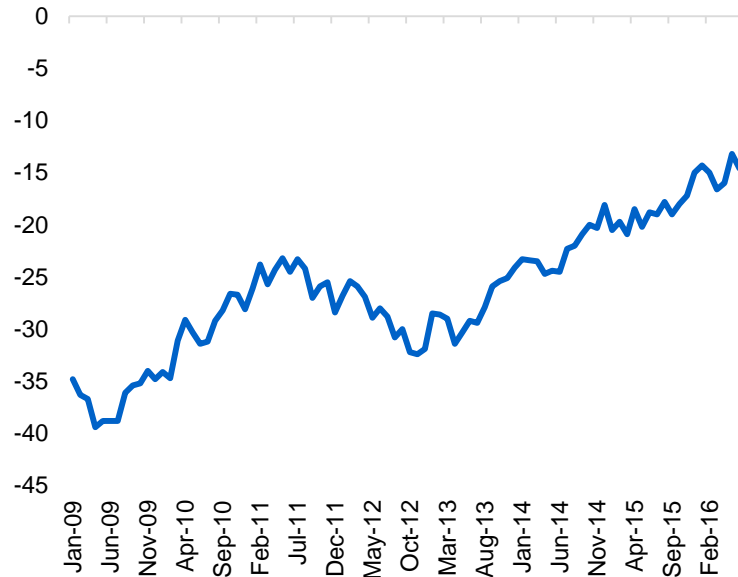
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# Appendix



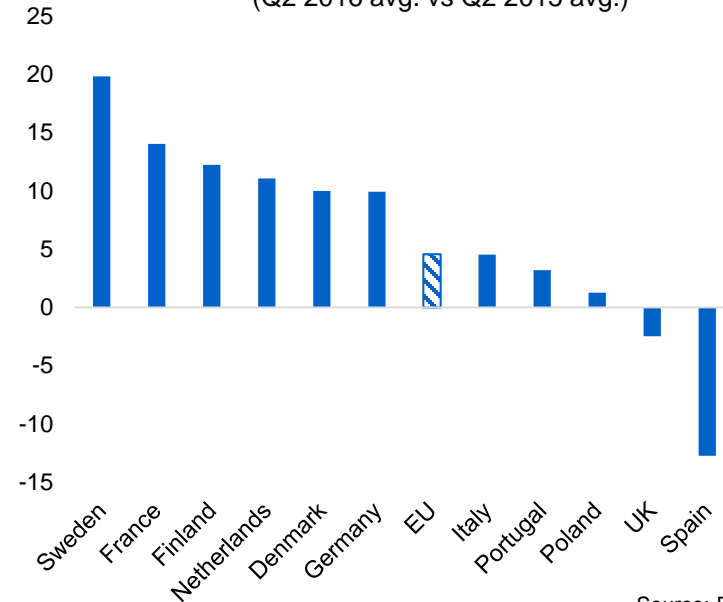
# Builder confidence in Europe has strengthened in most markets compared to last year

## EU construction confidence



## Change in construction confidence

(Q2 2016 avg. vs Q2 2015 avg.)



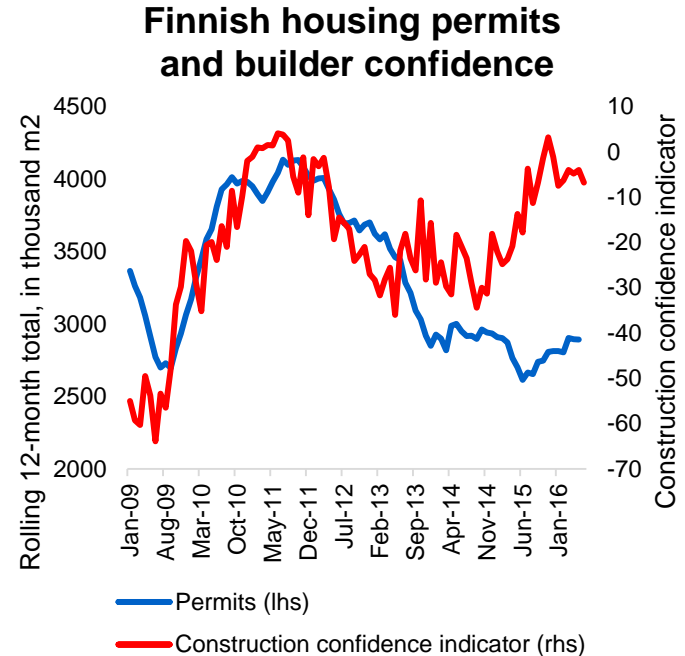
Source: Eurostat

# Country overview- Finland

While the economy has likely returned to growth, significant challenges continue to be present

Within the construction industry:

- Construction volumes and permit activity have increased compared to last year (from a very low base)
- However, the positive trend witnessed in builder confidence has halted during recent months



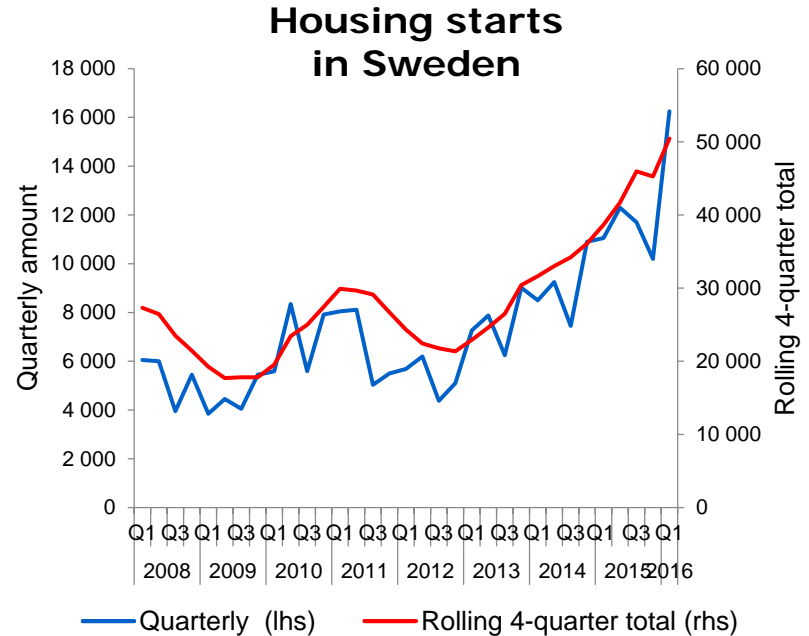
Source: Statistics Finland & Eurostat

# Country overview- Sweden

While some measures of trade have slowed, nearly every component of the economy continues to grow

Within the construction industry:

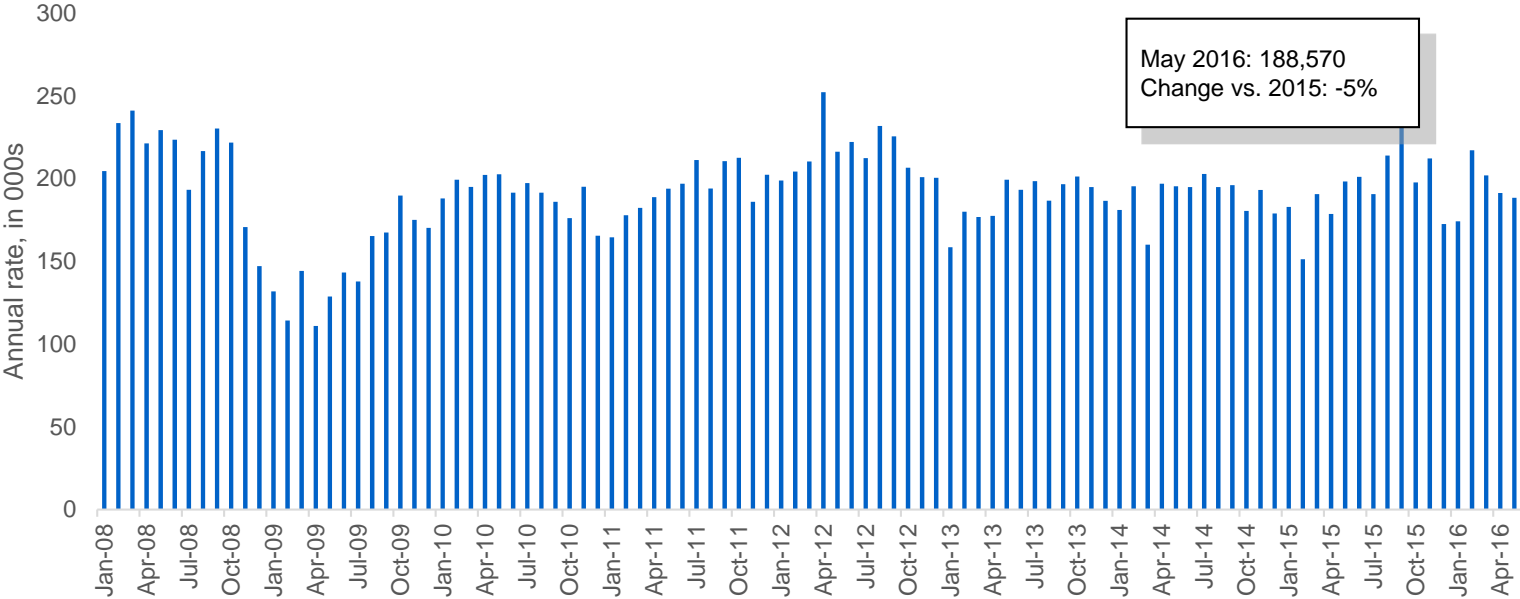
- The residential new-build segment continues to grow significantly, reaching a 25-year high
- However, builder confidence has moderated in recent months and non-residential and civil engineering activity remain more constrained



Source: Statistics Sweden

# Canada

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



Source: CMHC/ Statistics Canada

