

Uponor



Financial results briefing – Q2/2013

Jyri Luomakoski
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Q2

Q2/2013 market overview

Northern Europe

- While the Finnish and Danish markets continue to be weak, the Swedish market has been more stable to-date
- Construction activity in Norway remains satisfactory, although signs of slowing have been noted

Central Europe

- In Germany, the residential market continues to display signs of robustness, while non-residential investment is being curtailed
- Developments in the other countries are mixed











Southern Europe

- While severe challenges remain in most of the countries in the region, activity in the UK has improved in the residential segment

North America

- The U.S. continues to post year-over-year gains despite the presence of continued budgetary and fiscal uncertainty
- In Canada, the housing market has continued to cool to a more sustainable level

Leading indicators in major markets

	Indicator	% change YTD	Data through	Trend since Q1 update
Germany	Housing permits	+15%	May 2013	
USA	Housing starts ¹⁾	+10%	June 2013	
Finland	Housing permits	-3%	April 2013	
Sweden	Housing starts	+34%	Q1 2013	
Norway	Housing starts	+9%	May 2013	
Canada	Housing starts ¹⁾	-10%	June 2013	
Denmark	Housing starts	-56%	April 2013	
Spain	Housing permits	-29%	April 2013	
Netherlands	Housing permits	-27%	April 2013	
UK	Housing starts ²⁾	+18%	Q1 2013	

¹⁾ Seasonally adjusted, annualised rate vs. same month in 2012; ²⁾ England only

Q2/2013: Strong U.S. market helped offset the weaknesses in Europe

April – June	4-6/2013	4-6/2012	Change
Net sales	211.4	218.1	-3.0%
Operating profit	19.7	16.1	+22.0%

- **Net sales:**

- Sales in Europe affected by the long winter, no catch up effect and overall sluggishness
 - In France and the UK, residential project business supported Indoor climate sales
 - Stable multilayer composite pipe sales to the renovation market
- In North America, residential investment continued strong, especially in the U.S., favouring Plumbing sales

- **Profits:**

- Positive development driven by the lively U.S. building market and the stable input cost environment vs. last year
- Consistent cost and efficiency management was not enough to fully offset the negative leverage in European operations

January–June 2013: Performance impacted by weak first quarter

January – June	1-6/2013	1-6/2012	Change
Net sales	389.1	410.6	-5.2%
Operating profit	25.8	25.4	+1.6%

- **Net sales:**

- The pattern “strong U.S. – weak Europe” prevailed throughout the period
- Uponor has benefited from the strength of the U.S. housing market due to high share in the single-family segment and partnership with multi-family builders
- Organic net sales growth at -3.3%

- **Profits:**

- Weaker first quarter impacted on H1 profitability
- Controlled overhead cost development in all segments






Uponor's progress in sustainability actively continued

- Defined and embodied the ambitions into four pillars of sustainability
 - Strongly integrating sustainability into our corporate mindset
 - Driving down our environmental impact
 - Enriching life through our innovative solutions
 - Engaging external stakeholders in our sustainability journey
- Cross-functional network to deliver on the pillars and to build sustainability throughout our organisation
- Focus on sustainability as a key element in our value proposition, reflecting increased environmental benefits of Uponor solutions
 - Energy savings, renewable energy, water conservation, end-user comfort, recyclability...

Uponor's sustainability performance

Uponor is consistently improving its sustainability performance and is well aligned with the target to reduce CO₂ emissions by 15% by 2015 (basis year 2009).

Main results per unit of measure 2012 vs. 2011:

Electricity usage	-7%	
Fossil fuels	-4%	
Water consumption	-8%	
Carbon emissions (Scope 1+2)	-23%	
Work accidents (per working hour)	-1%	

NB! There are changes in the reporting scope between years e.g. due to a wider implementation of sustainability reporting as well as structural changes within company.

Highlights of Q2/2013

- + Successful, profitable volume growth in North America in a recovering market
 - + Factory expansion initiated to satisfy further growth
- + Consistent execution of cost containment and efficiency improvements to adjust for sales decline in Europe
- + Successful completion of the joint-venture with KWH Group and start-up of Uponor Infra Oy in good spirit
- + Continuous chain of state-of-the-art product innovations
- + More stable input price environment vs. prior year

- Sluggish European markets – with little light in sight
- In Germany, picking up speed after the slow start to the year was curtailed by shortage of labour, among others
- Full catch up effect after the wintry winter/spring in Europe not likely anymore



Financial statements

Riitta Palomäki

CFO

Uponor Corporation

Q2

Interim January – June 2013

Key figures

M€	1-6 2013	1-6 2012	Change Y/Y	1-12 2012
Net sales, continuing operations	389.1	410.6	-5.2%	811.5
Operating profit, continuing operations	25.8	25.4	+1.6%	57.7
Operating profit margin, continuing operations	6.6%	6.2%	0.4% pts	7.1%
Earnings per share (diluted), €	0.21	0.18	+16.7%	0.45
Return on equity, % (p.a.)	15.0%	13.2%	1.8% pts	15.7%
Return on investment, % (p.a.)	14.7%	15.4%	-0.7% pts	16.5%
Net interest bearing liabilities	146.2	143.9	+1.6%	94.1
Gearing, %	74.5%	74.8%	-0.3% pts	45.4%
Net working capital of Net sales, % (p.a.)	14.2%	11.8%	+20.6%	9.9%
Average number of employees, continuing operations	3 067	3 128	-2.0%	3 098
Number of employees, end of period, continuing operations	3 156	3 126	+1.0%	3 052

April – June 2013

Income statement

M€	4-6 2013	4-6 2012	Change Y/Y
Continuing operations			
Net sales	211.4	218.1	-3.0%
Cost of goods sold	128.8	136.7	-5.7%
Gross profit	82.6	81.4	+1.4%
- % of net sales	39.1%	37.3%	+1.8% pts
Other operating income	0.1	0.4	
Expenses	63.0	65.7	-4.1%
Operating profit	19.7	16.1	+22.0%
- % of net sales	9.3%	7.4%	+1.9% pts
Financial expenses, net	2.1	2.2	-5.8%
Share of result in associated companies	0.0	0.0	
Profit before taxes	17.6	13.9	+26.7%
Profit for the period	11.8	8.8	+34.0%
EBITDA	27.0	23.1	+16.8%

January – June 2013

Income statement

M€	1-6 2013	1-6 2012	Change Y/Y
Continuing operations			
Net sales	389.1	410.6	-5.2%
Cost of goods sold	237.3	254.6	-6.8%
Gross profit	151.8	156.0	-2.7%
- % of net sales	39.0%	38.0%	+1.0% pts
Other operating income	0.2	0.7	-75.1%
Expenses	126.2	131.3	-3.9%
Operating profit	25.8	25.4	+1.6%
- % of net sales	6.6%	6.2%	+0.4% pts
Financial expenses, net	3.2	4.5	-29.1%
Share of result in associated companies	0.0	0.1	
Profit before taxes	22.6	21.0	+8.2%
Profit for the period	15.1	13.3	+13.9%
EBITDA	40.3	39.6	+1.3%

Note: Hewing GmbH consolidated only in the income statement for Q1/2012

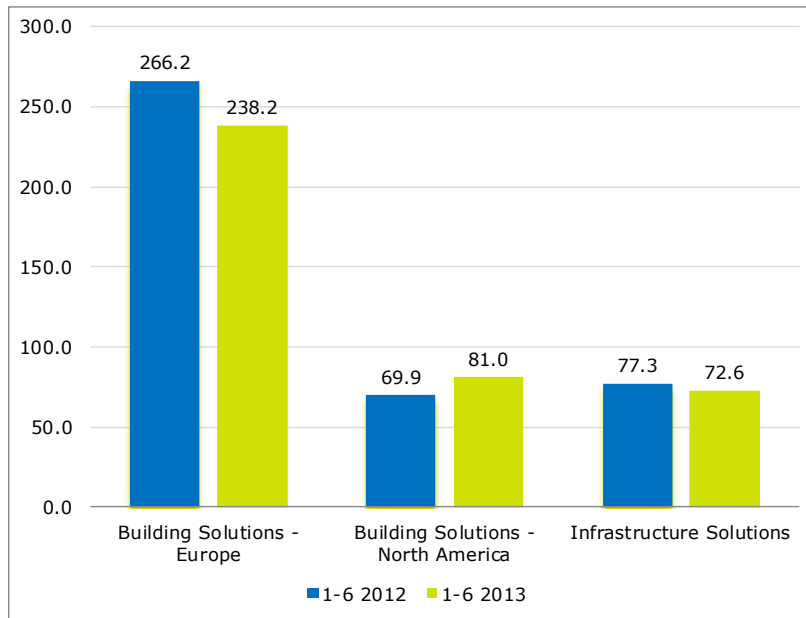
- **Organic growth** at -3.3% due to weak demand in Europe
- Improved **gross margin**, also in Q2/2013, due to stable input costs and positive development in America
- **Expenses** down due to the cost savings measures in Europe and the Hewing divestment
- **Financial expenses, net** down mainly due to FX

Interim January – June 2013

Net sales & operating profit by segment

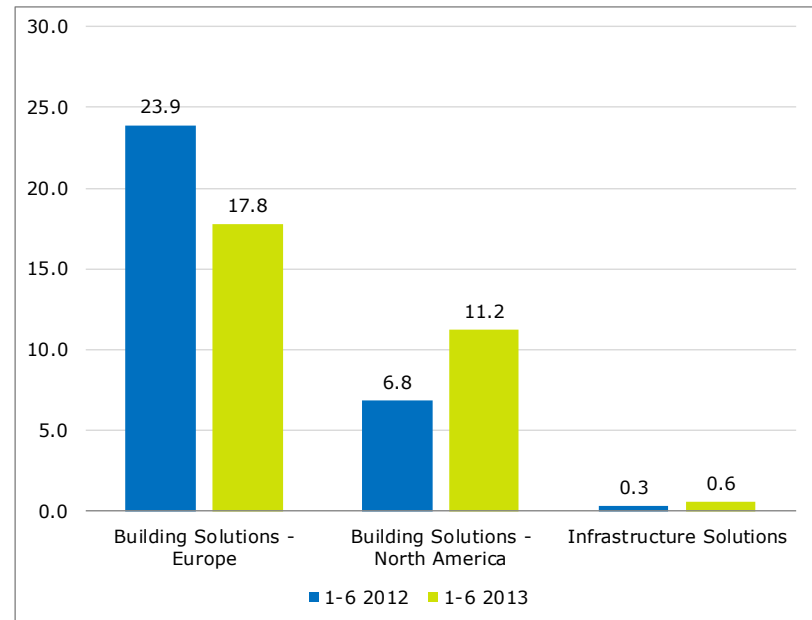
Net sales

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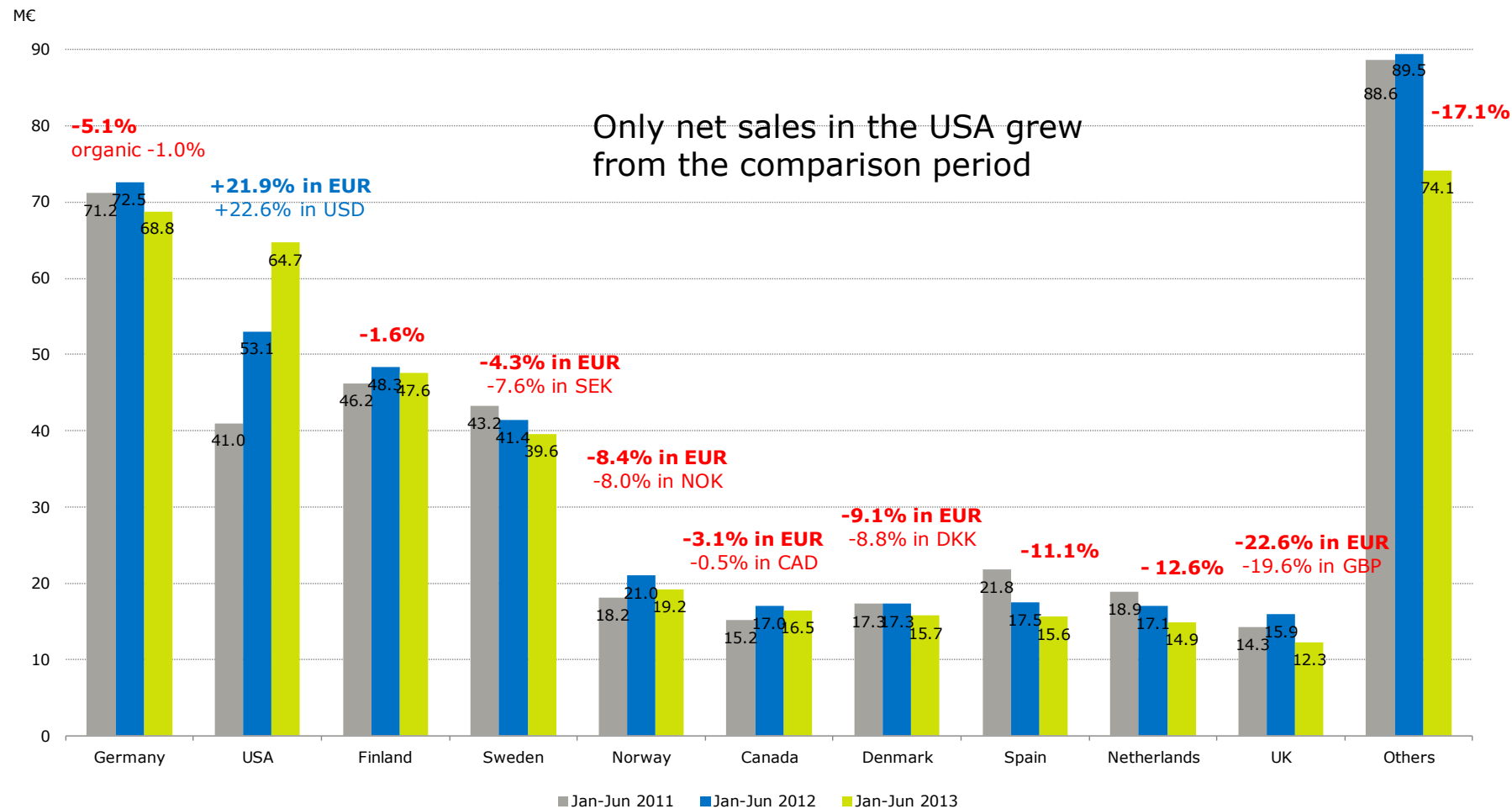
Operating profit

MC



- Due to weak demand, net sales decreasing in both European segments
 - BLD–Europe net sales: reported -10.5% / organic -7.6%
- Operating profit development following the net sales development

Net sales development by key national markets



Interim January – June 2013

Balance sheet

M€	30 Jun 2013	30 Jun 2012	Change Y/Y	31 Dec 2012
Property, plant and equipment	151.4	154.5	-3.1	152.4
Intangible assets	92.4	95.4	-3.0	93.7
Securities and non-current receivables	10.3	1.1	+9.2	0.8
Inventories	96.8	90.3	+6.5	78.7
Cash and cash equivalents	7.3	7.7	-0.4	17.7
Other current and non-current assets	194.5	210.7	-16.2	156.1
Total equity	196.1	192.5	+3.6	207.3
Non-current interest-bearing liabilities	107.6	110.6	-3.0	107.6
Provisions	18.5	20.3	-1.8	20.6
Non-interest-bearing liabilities	184.6	195.3	-10.7	159.7
Current interest-bearing liabilities	45.9	41.0	+4.9	4.2
Balance sheet total	552.7	559.7	-7.0	499.4

- No material changes in the balance sheet
- Gearing (rolling 4 quarters) at 63.9% – in line with the long-term target

Interim January – June 2013

Cash flow

M€	1-6 2013	1-6 2012	Change Y/Y
Net cash from operations	+41.8	+39.8	+2.0
Change in NWC	-42.7	-39.3	-3.4
Net payment of income tax and interest	-8.4	-28.7	+20.3
Cash flow from operations	-9.3	-28.2	+18.9
Cash flow from investments	-14.3	+1.1	-15.4
Cash flow before financing	-23.6	-27.1	+3.5
Dividends and buy backs	-27.8	-25.6	-2.2
Other financing	+41.2	+31.4	+9.8
Cash flow from financing	+13.4	+5.8	+7.6
Change in cash and cash equivalents	-10.4	-21.4	+11.0

- Income tax and interest paid in 2012 includes €15.0m related to the Finnish taxation decisions at the end of 2011
- Cash flow from investments in 2013 includes acquisition price of €4.1m related to the PEX pipe business acquired from KWH Pipe. Cash flow from investments in 2012 includes an €8.0m cash-in related to the Hewing divestment.
- Gross Capex at €10.4m, up €2.6m from H1/2012, but below depreciation at €14.4m



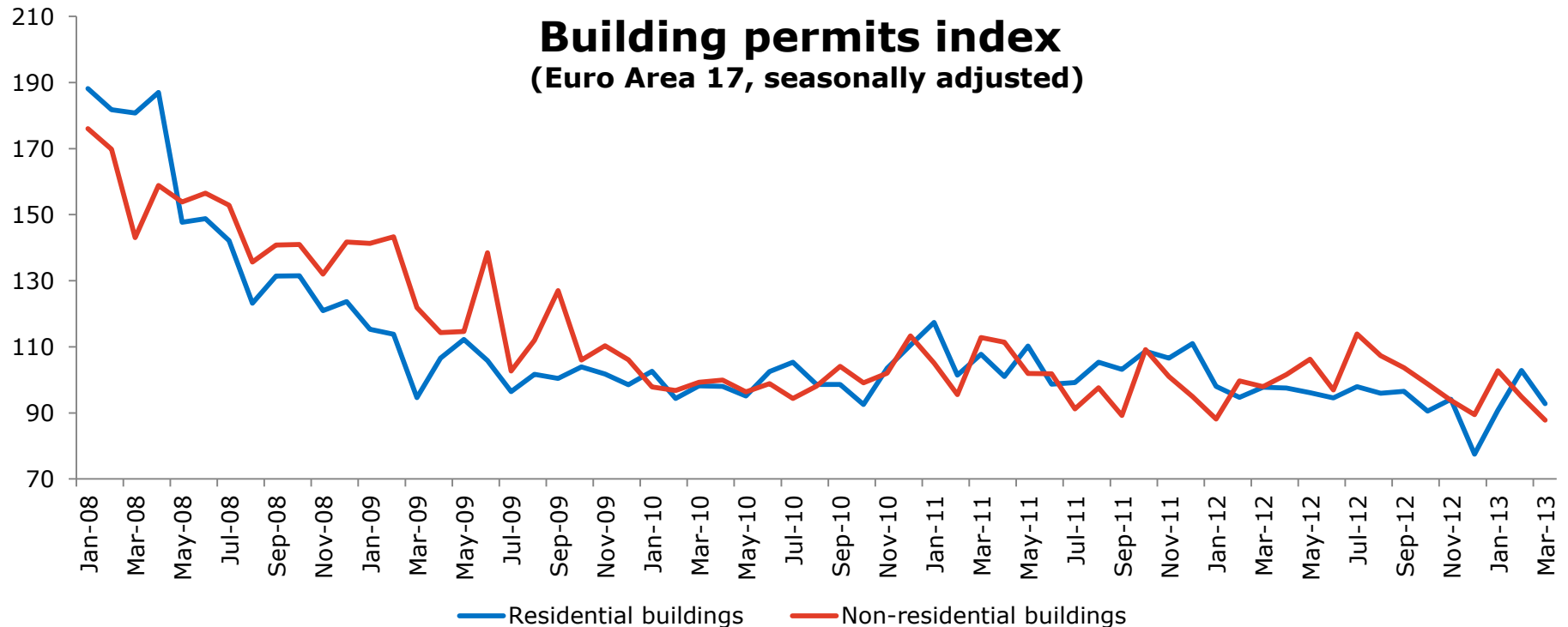
Outlook for the future

Jyri Luomakoski
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Uponor Corporation

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Building permits in Europe

- Despite recovering from the all-time low posted during the winter months, residential permit activity remains sluggish
- Non-residential permit activity has, with the exception of January, continued to trend lower

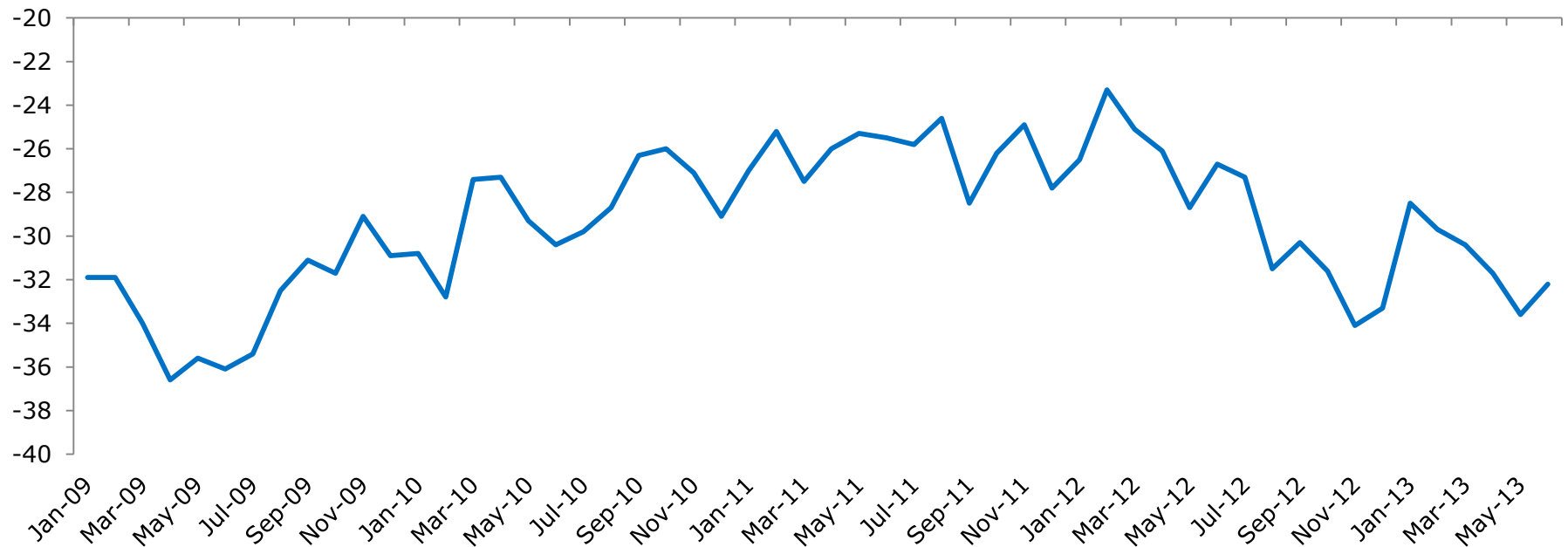


Source: Eurostat (Base year = 2010)

Construction sentiment in Europe

- Construction sentiment improved during June, ending a downward trend that began in January
- During the second quarter, the UK exhibited notable improvement, while pessimism grew in Italy and France

Construction confidence indicator
(Euro Area 17, seasonally adjusted)



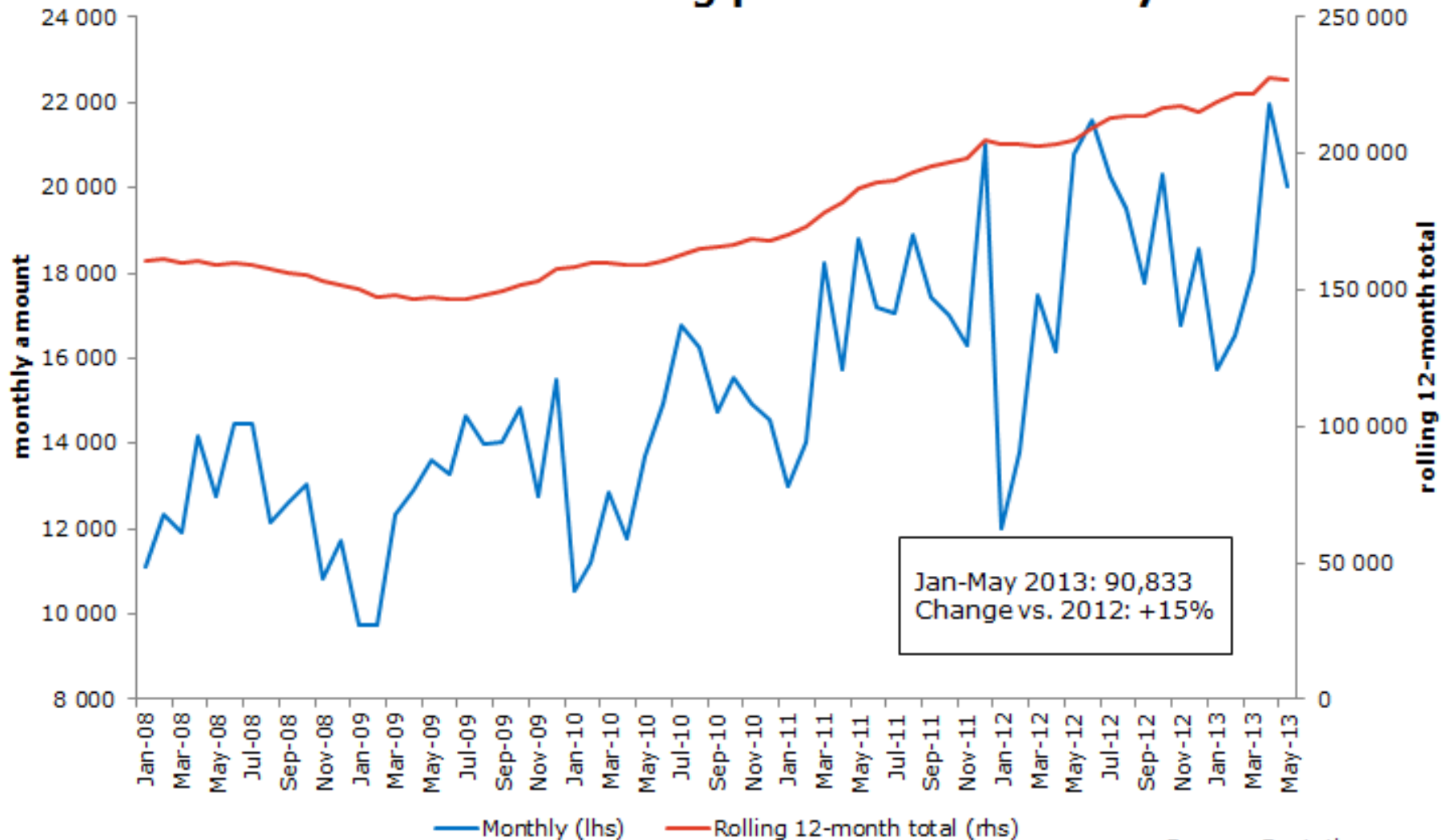
Source: Eurostat

Country overview - Germany

- Continued consumer confidence and consumption in the face of the European recession has helped compensate for declines in manufacturing exports
- Most indicators of the construction industry's health continue to be positive:
 - Construction industry sentiment edged down slightly in June, but remains near the post-reunification high
 - Residential building permits for the first five months of the year are up significantly compared to 2012
- However, non-residential investment is slowing

Germany

Residential building permits in Germany

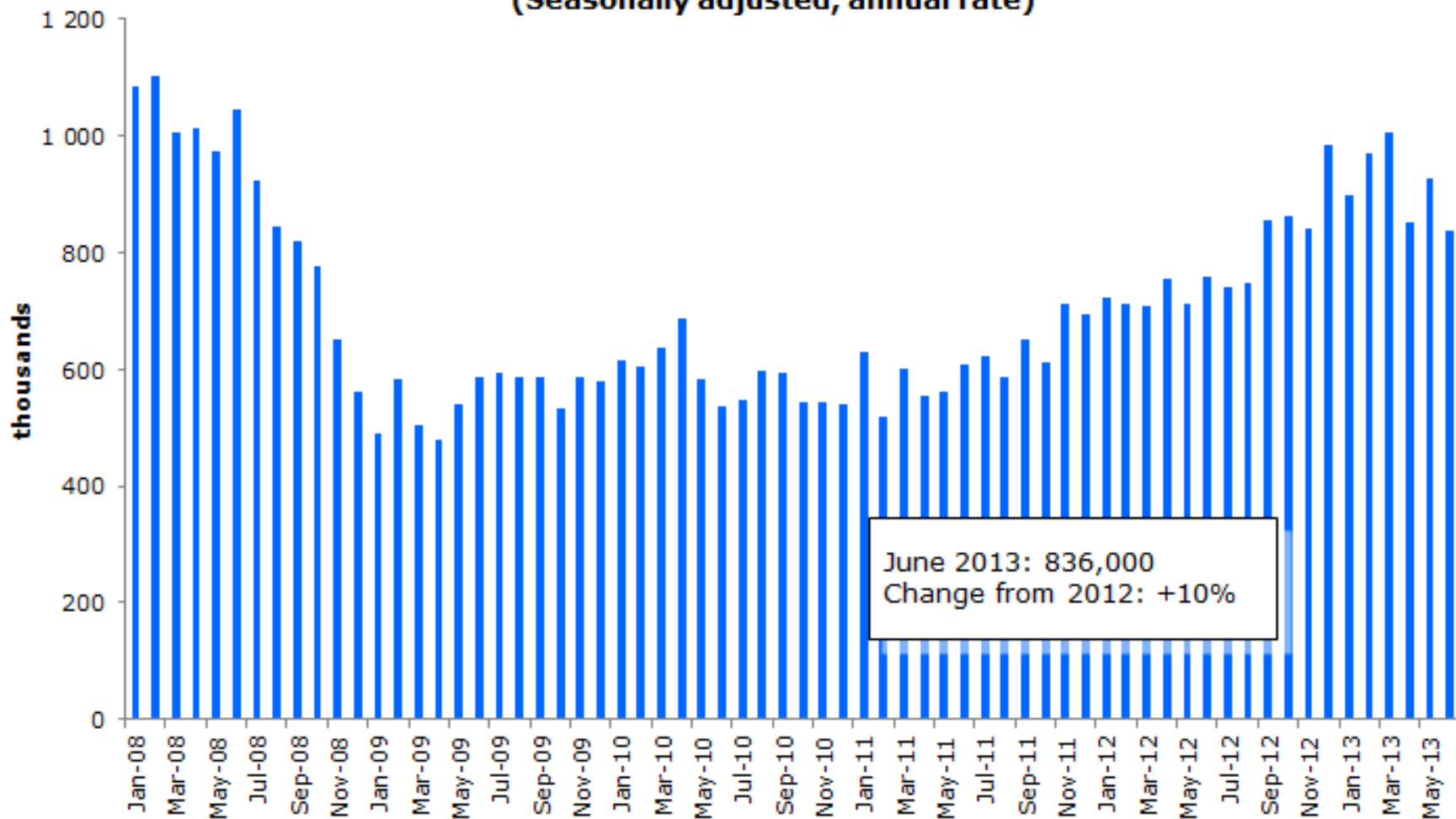


Source: Destatis

Country overview - USA

- Although sequester cuts came into effect in March, consumer confidence and consumption have improved of late and GDP continues to grow at a modest rate
- Within the construction industry, the broad based recovery continues:
 - Builder sentiment has reached its highest level since 2006
 - Residential investment and housing starts show strong year-over-year growth, although June starts reached their lowest rate in ten months

U.S. housing starts (Seasonally adjusted, annual rate)



Source: U.S. Census Bureau

Establishing Uponor Infra

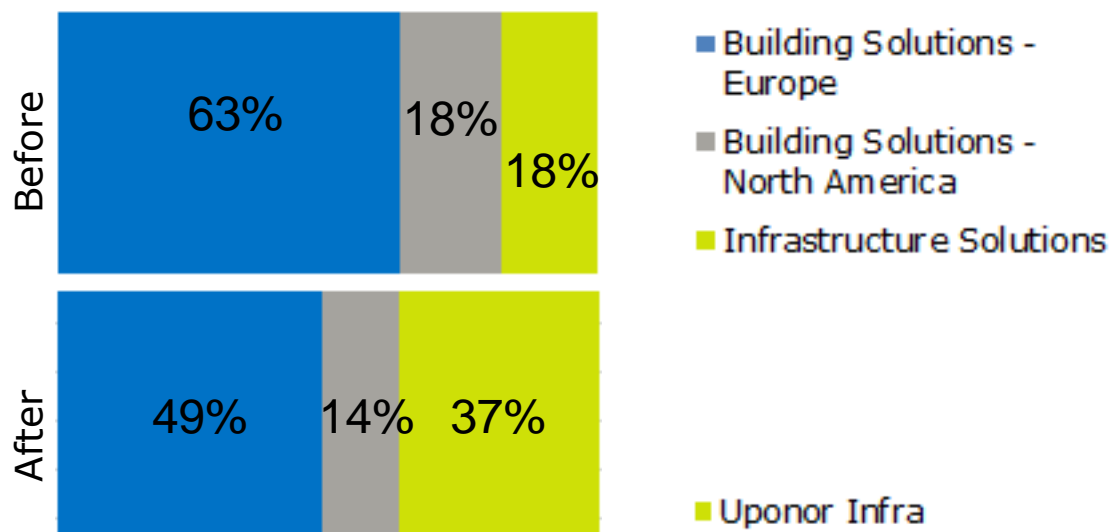
- Operations started on 1 July 2013
- Managing director Sebastian Bondestam, member of Uponor Executive Committee since 2007
- Roadmap, new setup and organisation targeted to be ready at the end of Q3/2013
- Synergic benefits of ca €10 million expected
- Execution of remedies set by Market Court ongoing
- Simultaneous acquisition of KWH Pipe's PEX business by Uponor Building Solutions - Europe
 - Net sales ca €5 million, no material impact on profits



Uponor Infra – key facts

2012 figures	Uponor Infrastructure Solutions	KWH Pipe
Net sales, €	149m	248m
EBIT, €	0.0m	7.9m
EBITDA, €	5.9m	15.7m
Balance sheet total, €	84.4m	162.5m
Employees (avg)	480	1,180

Breakdown of Uponor Group net sales by segment, %
(illustrative, based on 2012 figures)



Management agenda for H2/2013

- Drive synergies in the new infrastructure joint-venture while improving value to customers
- Continuously improve agility and speed of the new European organisation to cope with higher market volatility in the “New Normal”
- Focussed execution of growth programmes in North America to secure maximum gain from the market growth
- Keep costs and investments aligned with realistic market expectations

Guiding forward

- Uponor cancelled its guidance for 2013 on 1 July due to the start-up of Uponor Infra Oy
- New guidance to be issued in Feb 2014 in connection with the publication of 2013 Financial Statements
- Market outlook for building solutions in Europe is weak with few growth drivers visible – new build likely to remain weak and renovation not growing
- In North America, the U.S. markets are expected to perform strong in H2/2013 and Canada to remain stable
- Lacking public drivers, also infrastructure solutions market in Northern Europe remains flat

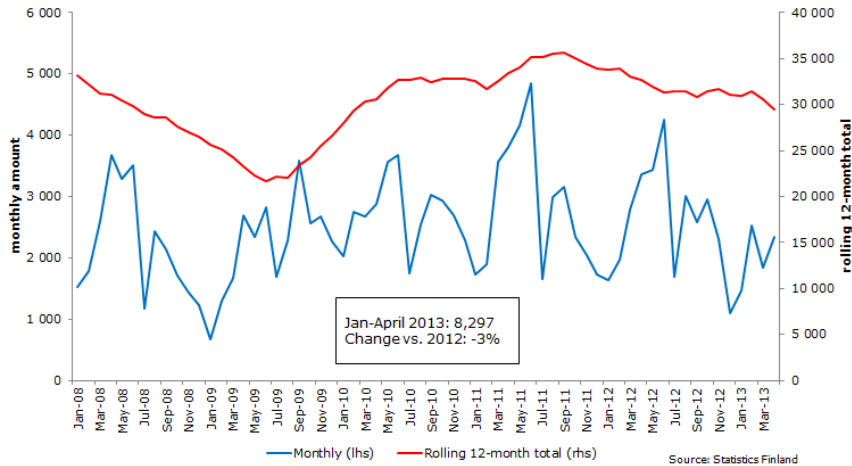
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simply more

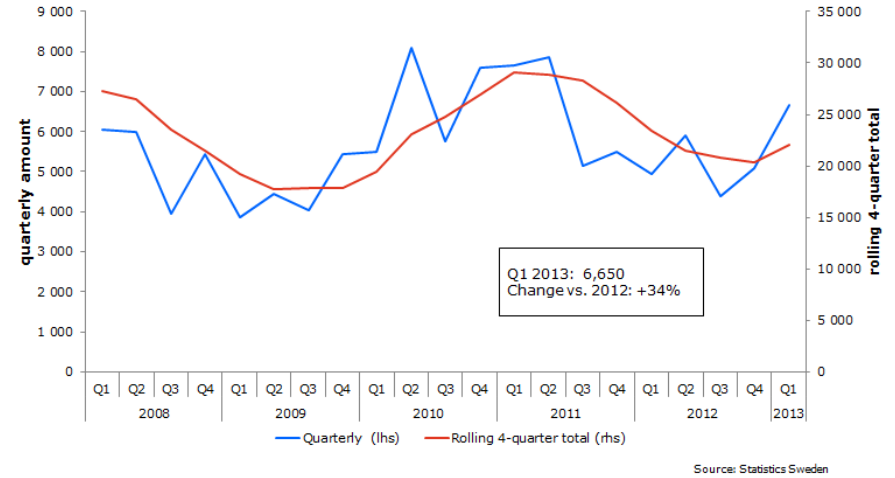
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Residential building permits in selected countries

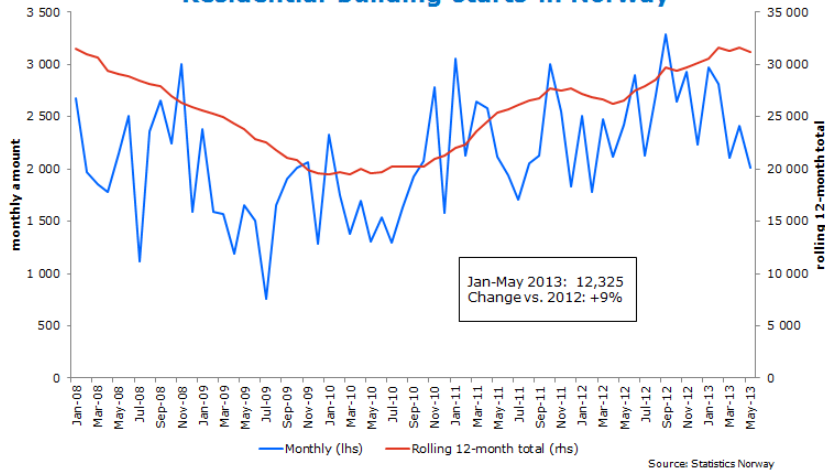
Residential building permits in Finland



Residential building starts in Sweden



Residential building starts in Norway



Residential building permits in Spain

