



International Builders' Show, Las Vegas, USA, 22-24 January

## Financial results briefing – Q1/2013

Jyri Luomakoski  
President and CEO  
Uponor Corporation

# Q1

# Q1/2013 market overview

## Northern Europe

- Construction activity has fallen or remained flat in most building and civil engineering markets
- In Norway, construction activity has continued to grow

## Central Europe

- The German construction market continues to display signs of robustness and optimism
- Developments in other markets have been mixed, with Austria, Switzerland and Netherlands weak











## Southern Europe

- Despite some improvements in builder sentiment, most indicators have continued to deteriorate
- Turn down noted also in France and the UK (in terms of Uponor offering)

## North America

- The U.S. continues to post clear year-over-year gains, but some measures of the industry's progress have stalled during the past few months
- In Canada, the housing market has continued to cool

# Leading indicators in major markets

	Indicator	% change YTD	Data through	Trend since Q4 update
Germany	Housing permits	+31%	January 2013	
USA	Housing starts <sup>1)</sup>	+47%	March 2013	
Finland	Housing permits	-7%	January 2013	
Sweden	Housing starts	-23%	Q4 2012	
Norway	Housing starts	+35%	February 2013	
Netherlands	Housing permits	-19%	January 2013	
Spain	Housing permits	-31%	January 2013	
Canada	Housing starts <sup>1)</sup>	-14%	March 2013	
Denmark	Housing starts	-31%	December 2012	
UK	Housing starts <sup>2)</sup>	-11%	Q4 2012	

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

# Q1/2013: The year started off softer, as anticipated

January – March	1-3/2013	1-3/2012	Change
Net sales	177.7	192.5	-7.7%
Operating profit	6.1	9.3	-34.0%

- **Net sales:**

- Key drivers of net sales: lack of economic confidence in Europe, the long winter and fewer business days
- North America reported strong growth for the seventh quarter in a row
- Infrastructure Solutions' hit by the strong winter and increased foreign competition

- **Profits:**

- Leverage impact: positive in the US, negative in Europe
- Improved cost structure together with fewer promotions helped to partly offset

# Highlights of Q1/2013

- + Continued favourable market situation in North America
- + Efforts into raising awareness of cost-consciousness and price sensitiveness are paying off
- European recovery continues to be fragile – no quick fix visible
- Delayed decision on the joint venture with KWH Group



Ecobuild, London, UK, 5-7 March

## Financial statements

Riitta Palomäki  
CFO  
Uponor Corporation

# Q1

# Interim January – March 2013

## Key figures

M€	1-3 2013	1-3 2012	Change Y/Y	1-12 2012
Net sales, continuing operations	177.7	192.5	-7.7%	811.5
Operating profit, continuing operations	6.1	9.3	-34.0%	57.7
Operating profit margin, continuing operations	3.4%	4.8%	-1.4% pts	7.1%
Earnings per share (diluted), €	0.05	0.06	-16.7%	0.45
Return on equity, % (p.a.)	6.8%	9.5%	-2.7% pts	15.7%
Return on investment, % (p.a.)	7.0%	11.2%	-4.2% pts	16.5%
Net interest bearing liabilities	142.1	145.3	-2.2%	94.1
Gearing, %	77.6%	79.8%	-2.2% pts	45.4%
Net working capital of Net sales, % (p.a.)	12.9%	12.2%	+5.2%	9.9%
Average number of employees, continuing operations	3 024	3 165	-4.5%	3 098
Number of employees, end of period, continuing operations	3 030	3 022	+0.3%	3 052

# January – March 2013

## Income statement

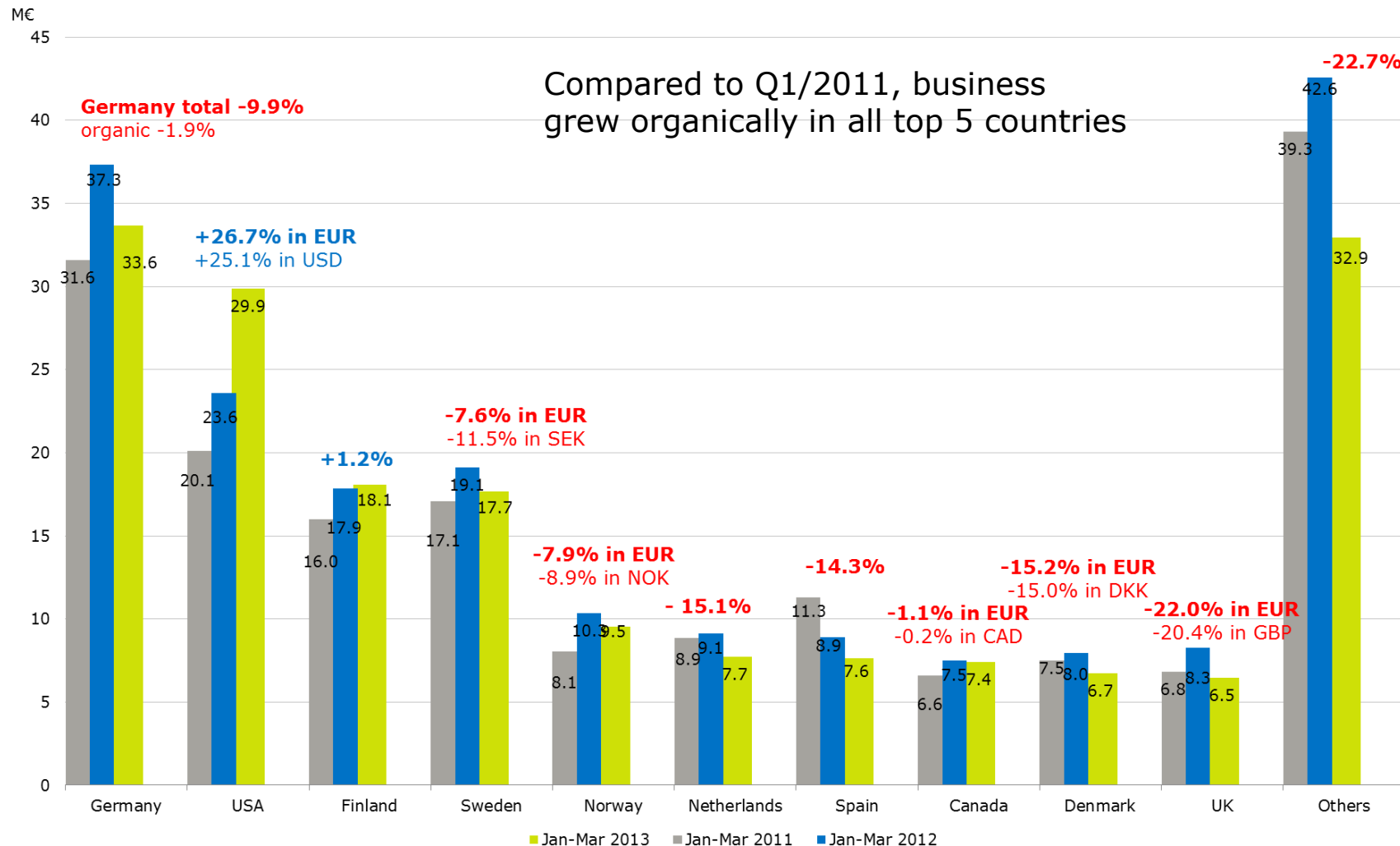
	M€	1-3 2013	1-3 2012	Change Y/Y	1-12 2012
	<b>Continuing operations</b>				
• Exceptionally strong comparison period leaves <b>organic growth</b> at -3.5%	← Net sales	177.7	192.5	-7.7%	811.5
	Cost of goods sold	108.5	117.9	-8.1%	500.7
	Gross profit	69.2	74.6	-7.2%	310.8
• Improved <b>gross margin</b> due to stable raw material prices and good operational leverage in North America	← - % of net sales	39.0%	38.7%	+0.2% pts	38.3%
	Other operating income	0.1	0.3	-75.8%	0.9
	Expenses	63.2	65.6	-3.8%	254.0
	Operating profit	6.1	9.3	-34.0%	57.7
	- % of net sales	3.4%	4.8%	-1.4% pts	7.1%
• <b>Expenses</b> down due to the Hewing divestment and the cost savings measures	↙ Financial expenses, net	1.1	2.3	-51.7%	8.6
	Share of result in associated companies	0.0	0.1		0.3
	Profit before taxes	5.0	7.1	-28.7%	49.4
	Profit for the period	3.3	4.5	-25.6%	32.9
• <b>Financial expenses, net</b> down due to FX	↘ EBITDA	13.2	16.5	-19.9%	85.9

Note: Hewing GmbH income statement consolidated in Q1/2012 figures



January – March 2013

# Net sales development by key markets



Note: Countries are sorted by Q1/2013 net sales

# January – March 2013

## Balance sheet

M€	31 Mar 2013	31 Mar 2012	Change Y/Y	31 Dec 2012
Property, plant and equipment	153.2	153.9	-0.7	152.4
Intangible assets	92.5	96.3	-3.8	93.7
Securities and long-term investments	0.8	1.1	-0.3	0.8
Inventories	93.6	91.7	+1.9	78.7
Cash and cash equivalents	8.1	12.0	-3.9	17.7
Other current and non-current assets	184.6	187.6	-3.0	156.1
Total equity	183.2	182.0	+1.2	207.3
Non-current interest-bearing liabilities	107.6	110.4	-2.8	107.6
Provisions	19.7	19.6	+0.1	20.6
Non-interest-bearing liabilities	179.7	183.7	-4.0	159.7
Current interest-bearing liabilities	42.6	46.9	-4.3	4.2
Balance sheet total	532.8	542.6	-9.8	499.4

- No material changes in the balance sheet
- Solvency ratio slightly improving to 34.4 %

# January – March 2013

## Cash flow

M€	1-3 2013	1-3 2012	Change Y/Y	1-12 2012
Net cash from operations	+11.2	+16.4	-5.2	+77.4
Change in NWC	-22.6	-18.6	-4.0	-7.6
Net payment of income tax and interest	-4.1	-19.2	+15.1	-37.1
<b>Cash flow from operations</b>	<b>-15.5</b>	<b>-21.4</b>	<b>+5.9</b>	<b>+32.7</b>
Cash flow from investments	-4.6	-7.6	+3.0	-10.2
<b>Cash flow before financing</b>	<b>-20.1</b>	<b>-29.0</b>	<b>+8.9</b>	<b>+22.5</b>
Dividends and buy backs	-27.8	-25.6	-2.2	-25.6
Other financing	+38.2	+43.7	-5.5	-8.2
Cash flow from financing	+10.4	+11.9	-1.5	-33.8
Change in cash and cash equivalents	-9.6	-17.1	+7.5	-11.4

- Income taxes paid in Q1/2012 includes income taxes related to the Finnish tax decisions at the end of 2011
- Gross Capex €4.6m, up €0.8m from Q1/2012, but below depreciation at €7.1m



Sejem DOM Home Fair, Slovenia, 12-17 March

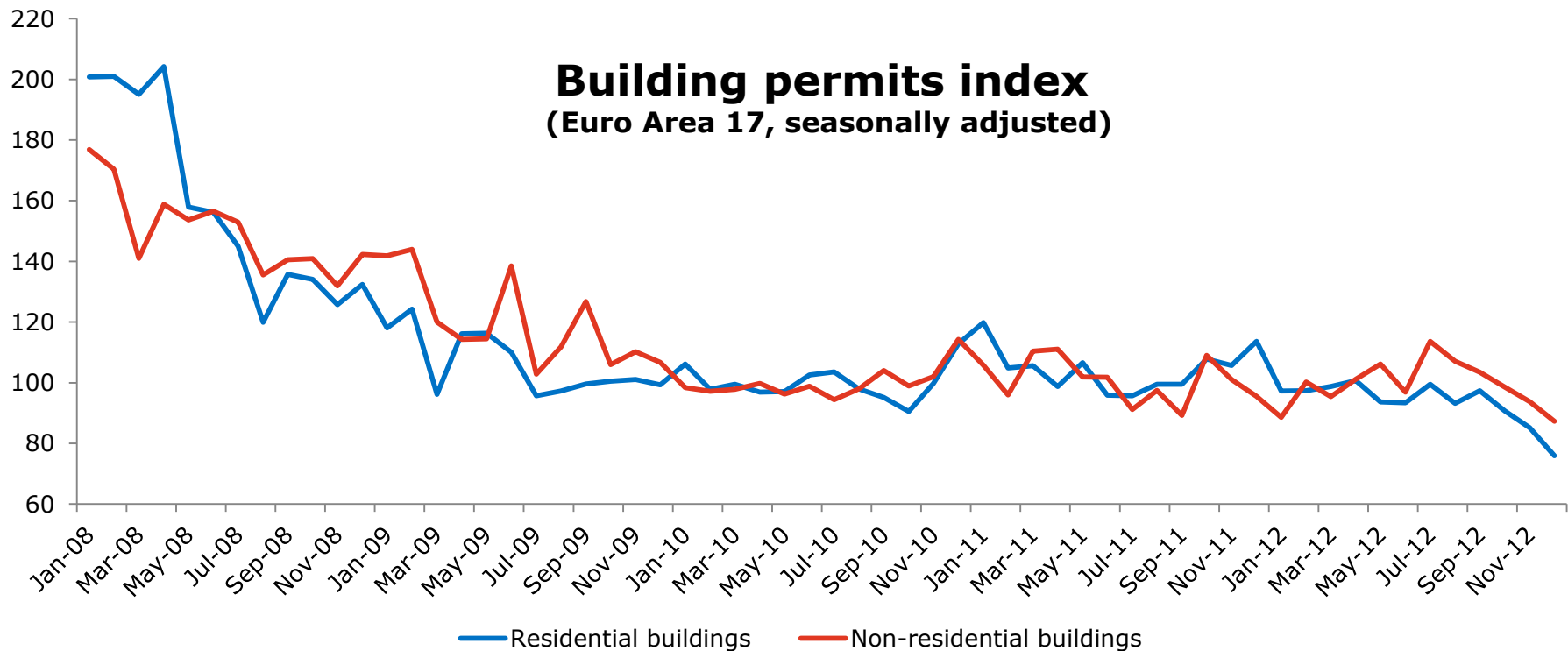
# Outlook for the future

Jyri Luomakoski  
President and CEO  
Uponor Corporation

# Q1

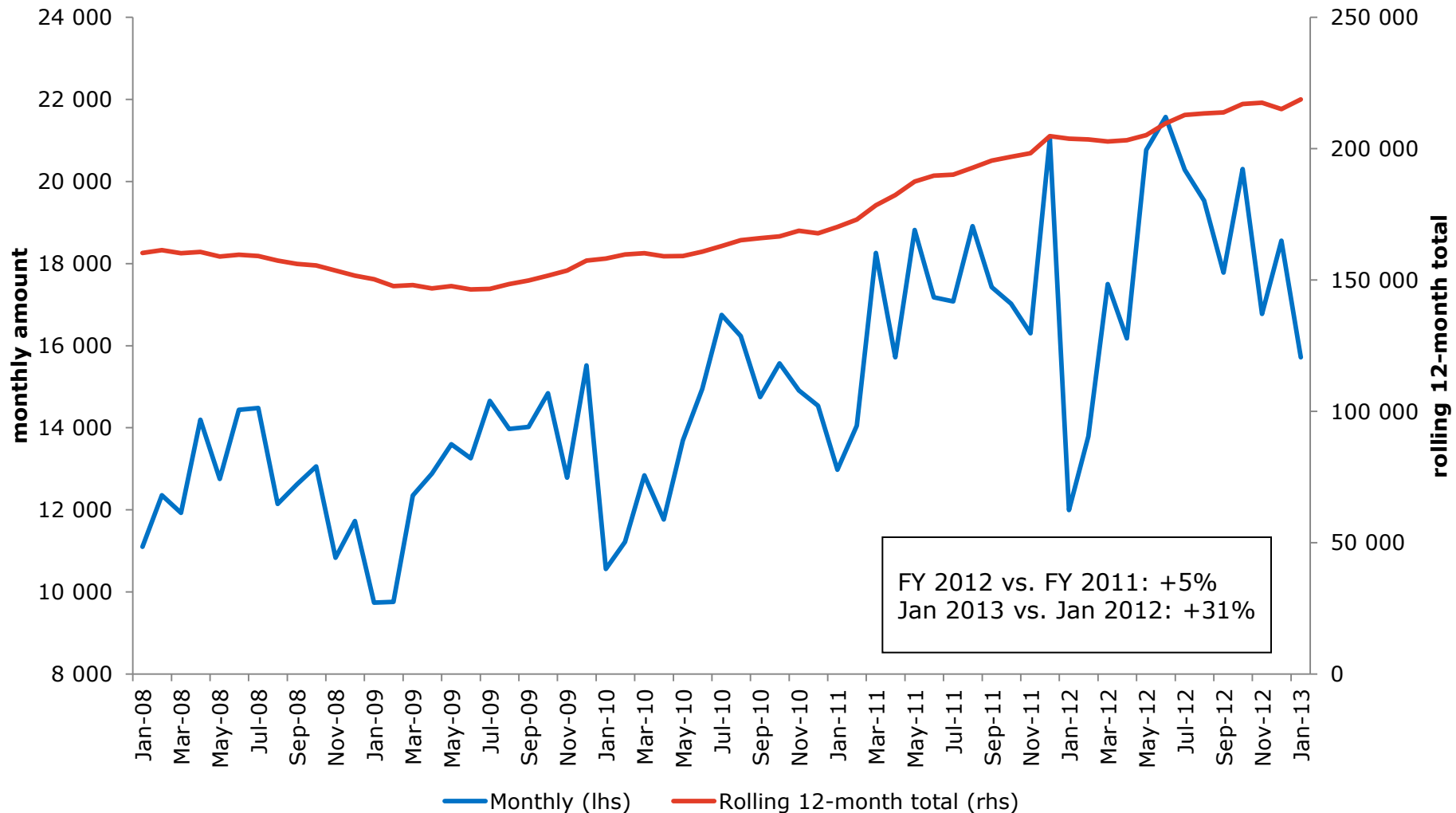
# Building permits in Europe

- The granting of building permits showed a clear downward trend, from an already depressed level, in the last three months of the year
- In December, both residential and non-residential building permits reached their lowest levels since the inception of the Euro Area indices in 1995 and 2000 respectively



Source: Eurostat (Base year = 2010)

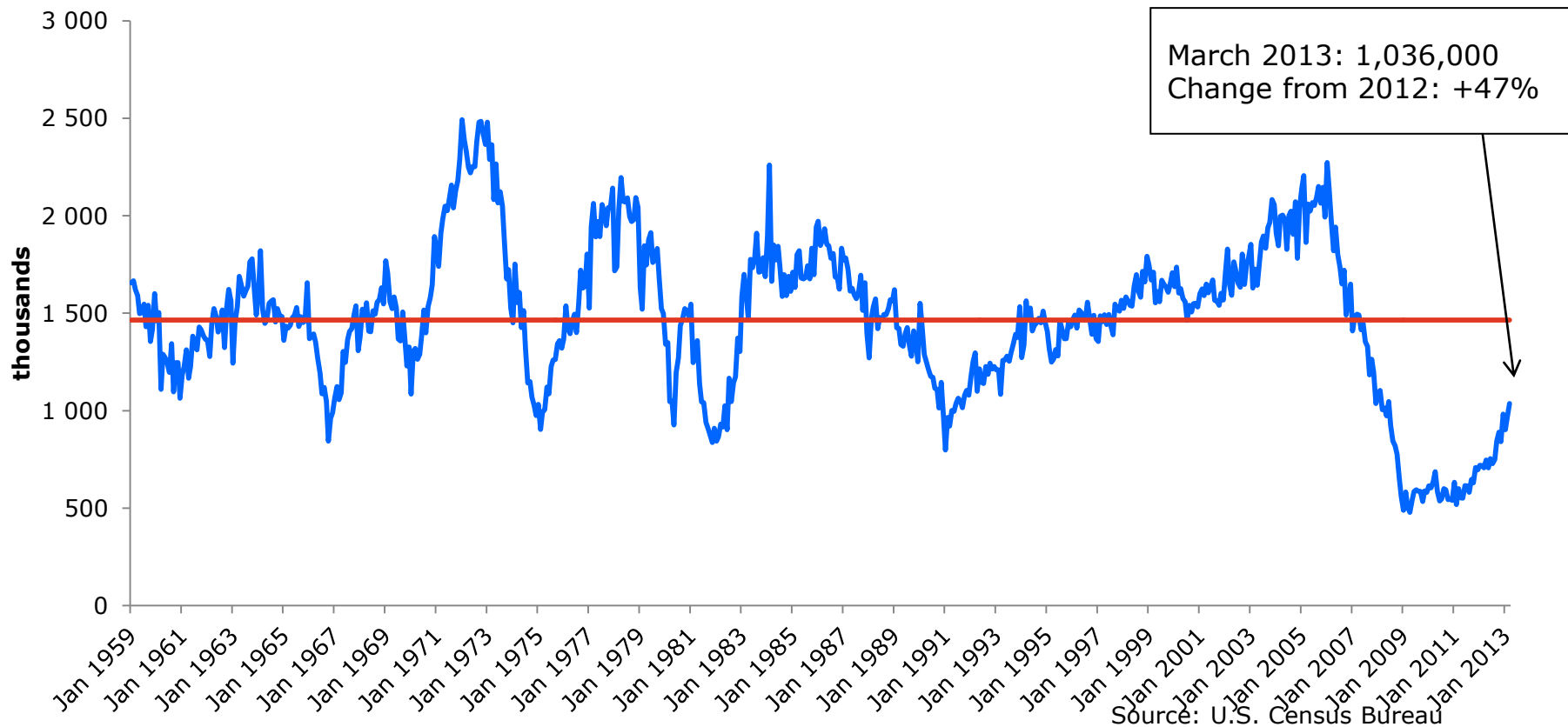
# Residential building permits in Germany



# Monthly US housing starts 1959-2013

- The US housing market has begun to climb towards “normal” levels of production, but is still well below the long-term average

Annualised, seasonally adjusted



# New European organisation

1 April 2013

- Natural evolution that takes Uponor forward in reducing complexity, driving synergies, and increasing speed and agility

## **Building Solutions – Europe**

Nordic countries  
Central Europe  
Southwest Europe  
Eastern Europe  
International markets

**Sales and marketing**  
*Heiko Folgmann*



**Offering and supply chain**  
*Fernando Roses*



## **Building Solutions – North America**

United States  
Canada

*Bill Gray*

## **Infrastructure Solutions**

Nordic countries  
Baltics & Russia

*Sebastian Bondestam*





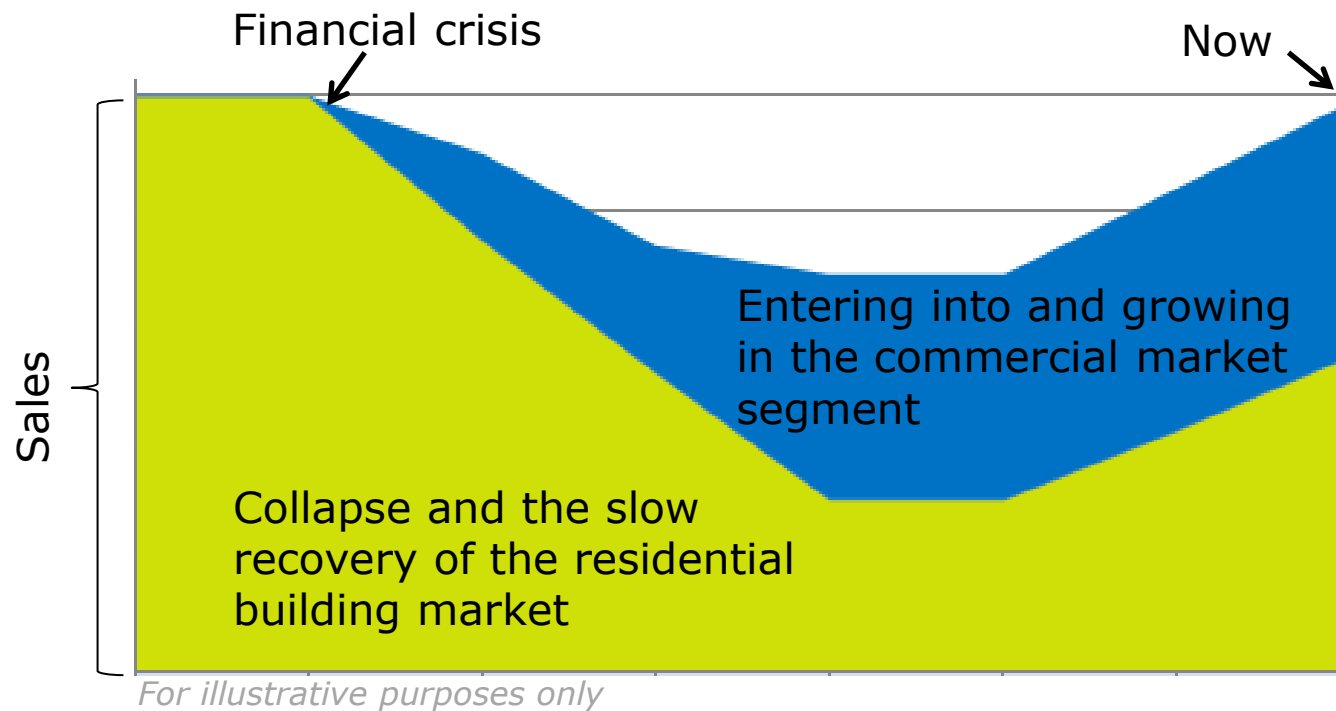
# Manufacturing expansion in North America

- Greenfield operation started up in 1990
- In 2008, all N.A. manufacturing centralised into Apple Valley, MN factory and Saint John, Canada factory was closed
- Planned addition in 2013 marks the 5<sup>th</sup> factory expansion
- Uponor, Inc. currently employs 477 persons in North America



# Manufacturing expansion in North America cont'd

- In 2013, Uponor's manufacturing capacity exceeds pre-crisis levels despite the fact that housing starts are still only half way in the recovery
- Focus on the commercial (project) segment has replaced some of the lost residential revenue – further growth anticipated



# Guidance for 2013

- Q1/2013 started off slow as expected, the guidance for the whole year remains intact

## **Uponor's guidance for 2013**

Uponor expects its net sales and operating profit to show modest organic growth from 2012.

This guidance is based on the current business portfolio and organisational setup and on the company's anticipation that the external environment faces no major, unexpected changes.

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.*

# The new sustainable Head Office in Vantaa, Finland, showcases Uponor technologies



Comfortable indoor climate  
in offices and meeting  
rooms



First BREEAM Very Good  
certified office building  
complex in Finland



Uponor Comfort Panels  
supply ceiling cooling



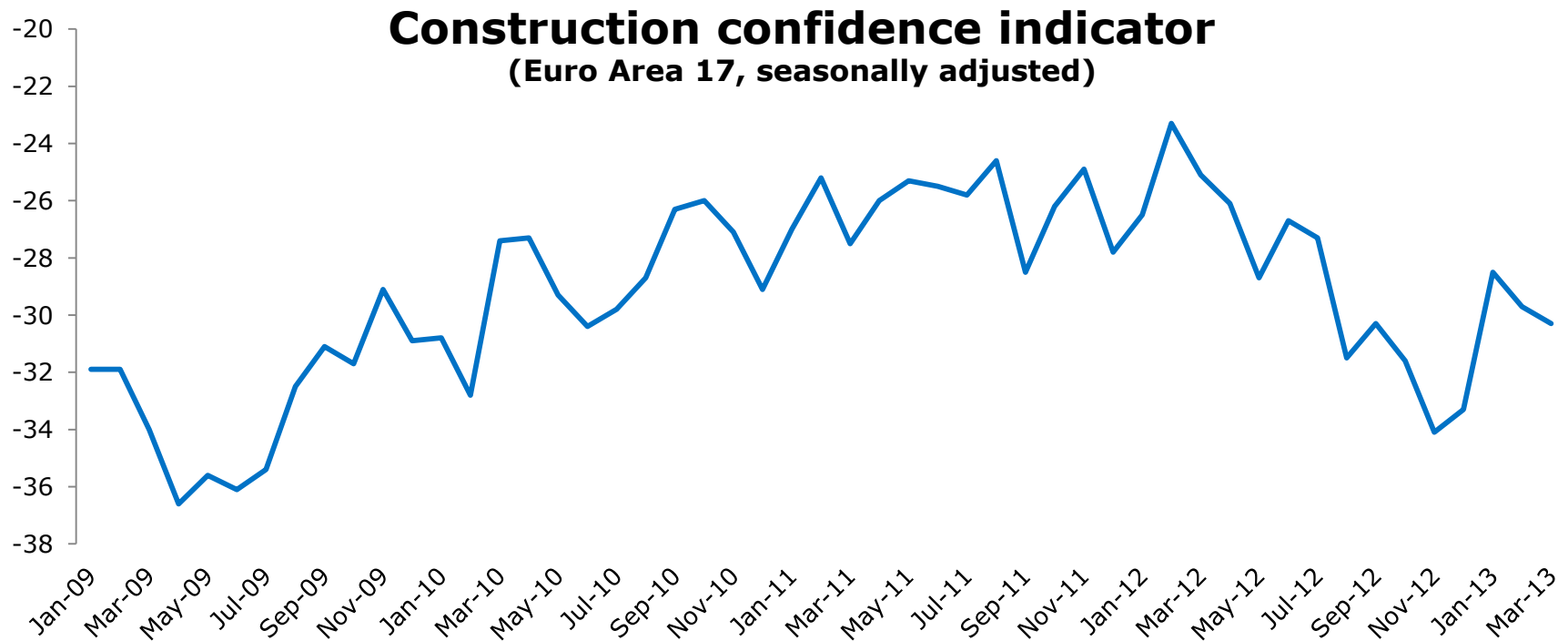
The entire building is  
equipped with Uponor  
underfloor heating



Boreholes under the  
building supply  
environmentally friendly  
cooling

# Construction sentiment in Europe

- European construction sentiment has improved since Q4, largely driven by an improvement in Germany, Spain and the UK. Conversely, the mood in France, Italy and the Nordics has darkened.



Source: Eurostat

# Country overview- Germany

- In the wider economy, domestic demand has thus far continued to compensate for recent falls in exports and lowered industrial production expectations
- Within the construction industry, both sentiment and activity remain robust:
  - Construction confidence is now at a post-reunification high
  - Architects report an uptick in activity
  - Building permits remained stable throughout the winter

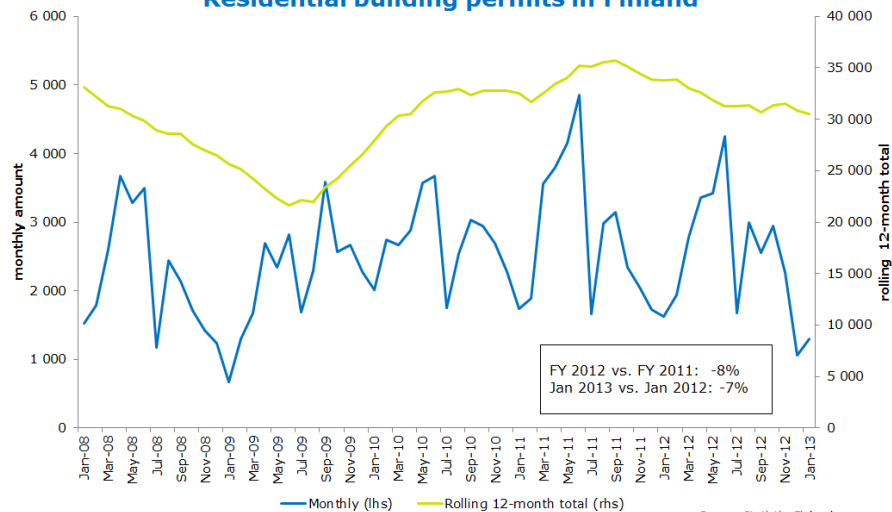
# Country overview - USA

- Despite positive developments since the disappointing Q4 GDP figures, uncertainty continues to be a drag on payroll expansion and consumer confidence
  - The full effects of the sequester cuts, which began on March 1, are still unknown
- On the whole, construction market data continues to point towards improvement, with residential investment and housing starts showing strong year-over-year growth
- However, a number of key indicators have stalled during the first months of the year, including builder sentiment and home sales

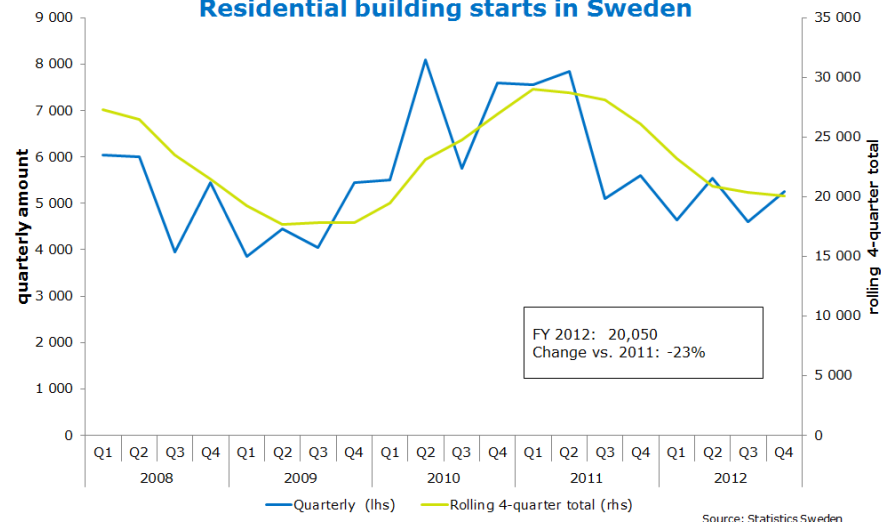


# Residential building permits in selected countries

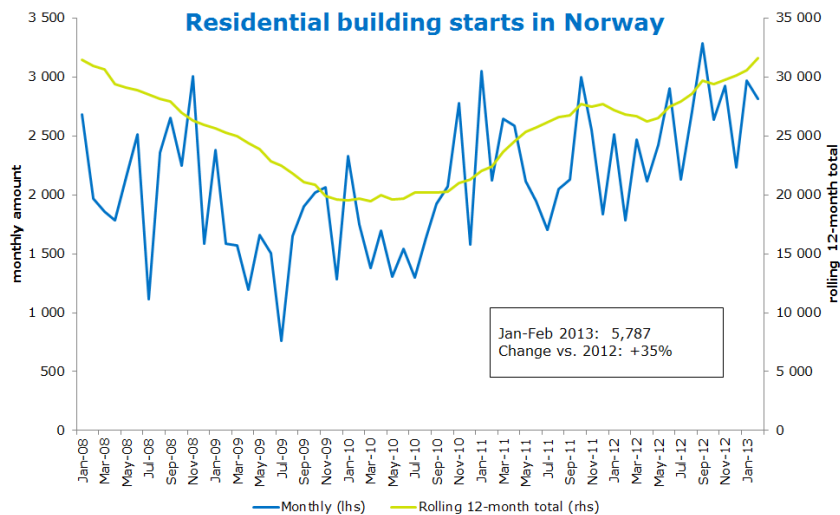
## Residential building permits in Finland



## Residential building starts in Sweden



## Residential building starts in Norway



## Residential building permits in Spain

