



Financial results briefing

1–12/2018

Jyri Luomakoski – President and CEO, Uponor Corporation

Maija Strandberg – CFO, Uponor Corporation

October – December 2018: solid closing for 2018

October–December, M€	10–12/ 2017	10–12/ 2018	Change
Net sales	279.4	282.6	1.2%
Operating profit	18.0	17.1	-5.2%
Comparable operating profit	18.0	20.5	13.3%

Net sales:

- Building Solutions – Europe's net sales increased, driven by Finland and Norway.
- Building Solutions – North America's net sales increased, driven by good sales in both plumbing and indoor climate in the US market.
- Uponor Infra's net sales decreased, compared to the comparison period where North American business was still reported. North American business was divested in August 2018. Remaining European business' net sales grew significantly.

Operating profit:

- Building Solutions – Europe's comparable operating profit decreased due to higher operational costs in Virsbo and sales mix.
- Profitability of Building Solutions – North America improved, supported by price increases and reduced freight rates.
- Uponor Infra's remaining European business increased its profitability, especially in Finland and designed solutions sales.

Full year 2018: net sales improved in all segments; stable operational performance

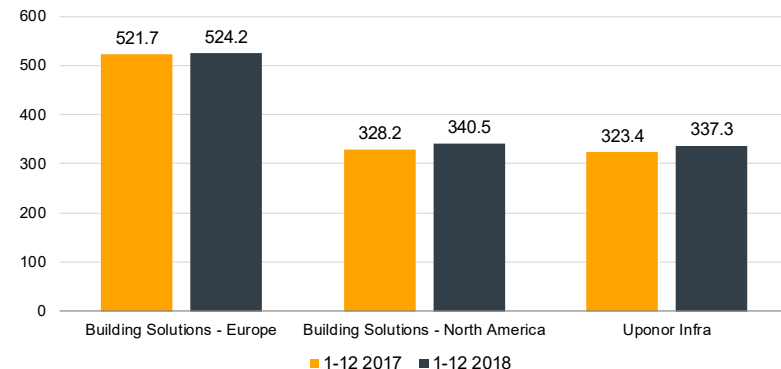
January–December, M€	1–12/2017	1–12/2018	Change
Net sales	1,170.4	1,196.3	2.2%
Operating profit	95.9	106.7	11.3%
Comparable operating profit	97.2	99.3	2.1%
- Comparable operating profit %	8.3	8.3	

January–December 2018:

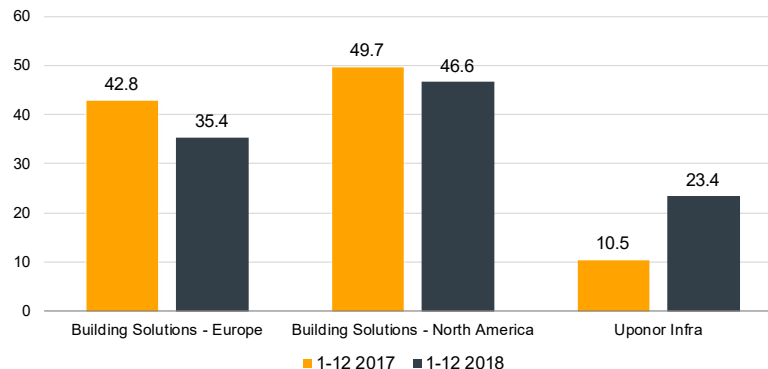
Net sales & comparable operating profit by segment

Currency: M€

Net sales



Comparable operating profit



- **Building Solutions – Europe**'s net sales stayed at quite a stable level in most countries but operational challenges in the manufacturing facility in Virsbo, Sweden, together with increasing raw material costs decreased profitability. In addition, Asian operations have been reported as part of Building Solutions – Europe.
- **Building Solutions – North America** segment increased its net sales but the profitability level was burdened by the start-up costs from the Hutchinson manufacturing facility. In addition, the segment suffered from increasing raw material costs and freight rates throughout the first half of the year, and the second half of the year was not enough to compensate this completely.
- **Uponor Infra** improved its profitability significantly in Europe. Operational improvements were notable especially in Finland and designed solutions sales also performed well. Uponor Infra's North American business was divested in August.

Development by segment: Building Solutions – Europe

- Streamlining of segment's operational footprint will support the profitability development in 2019:
 - Divestment of Zent-Frenger
 - Close down of sales offices in Australia and Switzerland
 - Withdrawal from Asia
- Corrective measures for Virsbo's manufacturing facility's operational challenges have been taken and the situation is expected to improve during 2019
- New products will be launched in ISH fair in March:
 - smart water monitoring system, Phyn Plus
 - new generation press fitting solution, S-Press PLUS
 - fully electronic heat interface unit Combi Port E
 - the Smatrix Pulse cloud-based smart home control system



Development by segment: Building Solutions – North America

- Second manufacturing facility in Hutchinson was opened in the summer and is running according to plan
- Price increases were introduced in July and started to impact in H2, compensating the increase in raw material costs and freight rates
- Phyn Plus was launched in Q2 and a certified dealer network of 350 professional installers trained during 2018



Development by segment: Uponor Infra

- The segment's operational improvements in Europe succeeded well, especially in Finland and designed solutions sales
- According to its strategy, Uponor Infra is increasing the share of the commercial segment, designed solutions sales, in its net sales
- In 2019, Uponor Infra will continue to focus on operational improvements, but the impact is not expected to be as notable as in 2018



Development in sustainability topics

	Unit	2017	2018
Total energy consumption	1,000 MWh	200	226.9
Raw material used	1,000 tonnes	140.9	151.2
Water consumption	1,000 m3	155.2	207.1
Total GHG emissions (Scope 1)	1,000 tonnes	7.5	8.5
Total GHG emissions (Scope 2)	1,000 tonnes	32.1	30.8
Total waste	1,000 tonnes	18.8	20.2
Incident rate (LTIF)	per million work hours	8.9	12.7

- **Opening of Hutchinson manufacturing facility** is notable in the increase of total energy consumption, used raw materials and waste.
- **Water consumption** increased due to leakage in our cooling water systems in Hutchinson, which are corrected as well as extremely hot summer in Virsbo.
- **Incident rate (LTIF)** increased due to increase in home-to-work accidents and business trip accidents.

Throughout the world, our solutions enrich people's way of life



Award winning district cooling, reducing electricity consumption and emissions by about 65-70%, compared to cooling from local cooling units: Helsingborg, Sweden



Prefabricated Uponor Riser Port for quick and easy installation – and quick repair, if necessary - in a 6 floor apartment building: Helsinki, Finland



Radiant cooling system for the world's largest concrete pour in the 10th tallest building in the USA: Wilshire Grand, Los Angeles, USA



Decentralised heating and cooling for the tallest residential building in Germany: Grand Tower, Frankfurt, Germany



Uponor TABS offering safe and comfortable temperatures for train maintenance teams in one of the largest rail depots in Europe: London, UK



Uponor's Contec ceiling radiant cooling system for a sustainable international school: Kuala Lumpur, Malaysia



Delivery of sustainable, easy to transport and handle fish farming pipes under harsh conditions in the North Atlantic: North Atlantic, Denmark



Durable, sustainable Weholite at a modern pulp and fine paper mill : Nymölla, Sweden



uponor

Financial statements

Maija Strandberg – CFO, Uponor Corporation

1–12 / 2018

January–December 2018:

Key figures

Uponor Group		1-12 2017	1-12 2018	Change Y/Y
Net sales	M€	1,170.4	1,196.3	+2.2%
Operating profit	M€	95.9	106.7	+11.3%
Comparable operating profit	M€	97.2	99.3	+2.1%
Comparable operating profit margin	%	8.3%	8.3%	0.0% pts
Earnings per share (diluted)	€	0.83	0.72	-13.3%
Return on equity (p.a.)	%	19.4%	18.0%	-1.4% pts
Return on investment (p.a.)	%	16.3%	17.2%	+0.9% pts
Net interest bearing liabilities	M€	151.5	139.2	-8.1%
Gearing	%	43.5%	39.4%	-4.1% pts
Net working capital of net sales (p.a.)	%	10.4%	10.0%	-0.4% pts
Number of employees, end of period	FTE	4,075	3,928	-3.6%

October–December 2018:

Income statement

Uponor Group, M€	10-12 2017	10-12 2018	Change Y/Y
Net sales	279.4	282.6	+1.2%
Cost of goods sold	184.4	188.4	+2.2%
Gross profit	95.0	94.2	-0.8%
Gross profit margin (%)	34.0%	33.3%	-0.7% pts
Other operating income	0.3	3.8	+1178.1%
Expenses	77.2	80.9	+4.8%
Operating profit	18.0	17.1	-5.2%
Operating profit margin (%)	6.4%	6.1%	-0.3% pts
Financial expenses, net	2.5	1.5	-36.3%
Share of result in associated companies	-0.7	-1.1	-37.4%
Profit before taxes	14.8	14.5	-2.0%
Profit for the period	15.1	6.7	-56.0%
EBITDA	28.2	30.0	+6.3%

- **Net sales**
Negative translation impact mainly from USD, SEK and RUB vs last year. Net sales grew 1.2% or 12.5% organically in constant currency terms.
- **Gross profit margin** landed at 33.3% (34.0%).
- **Operating profit** came to €17.1 (18.0) million. This includes the disposal gain of Zent-Frenger (€4.0 million) and ramp down costs from Asian operations (€6.9 million). Comparable operating profit came to €20.5 (18.0) million, a growth of 13.3%.

January–December 2018:

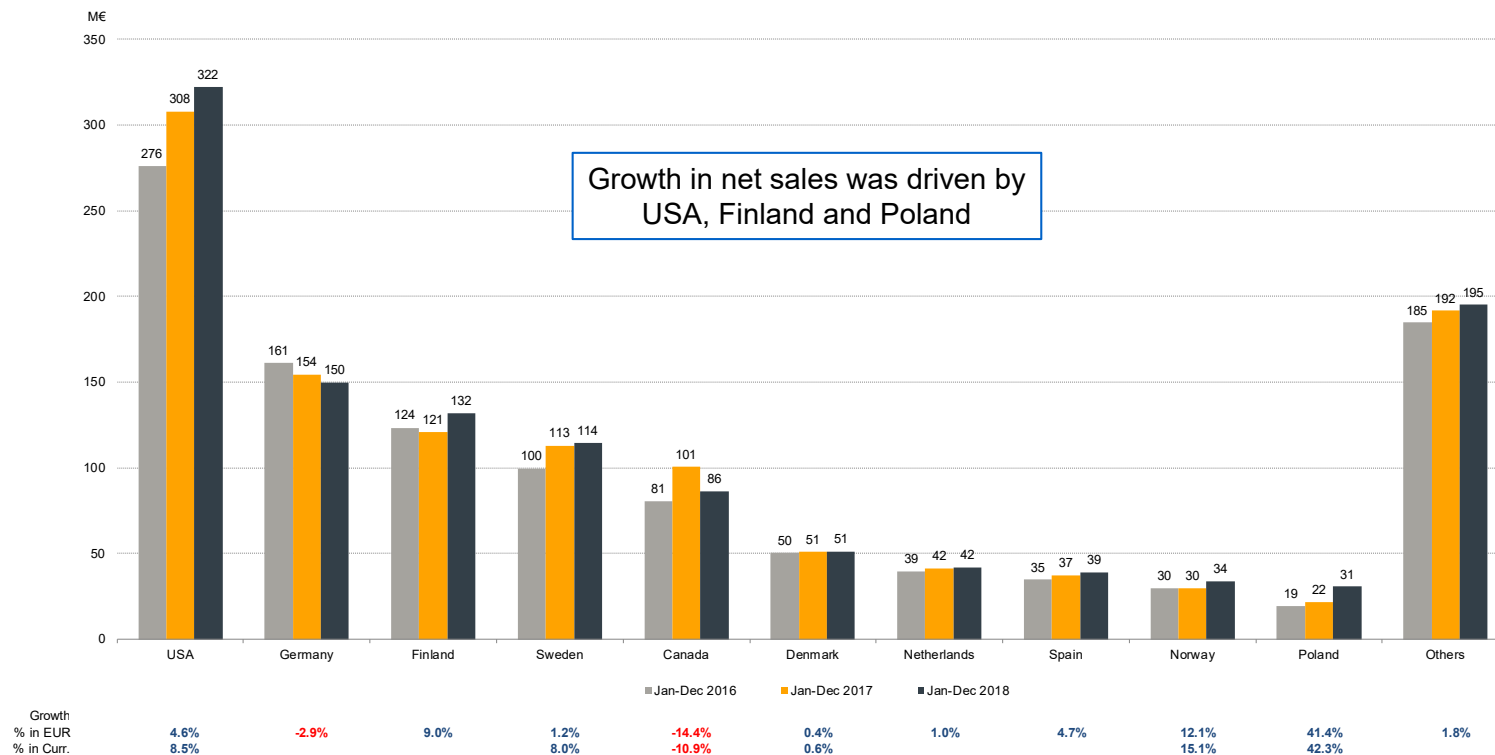
Income statement

Uponor Group, M€	1-12 2017	1-12 2018	Change Y/Y
Net sales	1,170.4	1,196.3	+2.2%
Cost of goods sold	776.3	795.5	+2.5%
Gross profit	394.1	400.8	+1.7%
Gross profit margin (%)	33.7%	33.5%	-0.2% pts
Other operating income	3.1	16.4	+435.3%
Expenses	301.3	310.5	+3.1%
Operating profit	95.9	106.7	+11.3%
Operating profit margin (%)	8.2%	8.9%	+0.7% pts
Financial expenses, net	5.5	8.5	+58.8%
Share of result in associated companies	-2.3	-4.7	-99.5%
Profit before taxes	88.1	93.5	+6.0%
Profit for the period	65.4	63.2	-3.5%
EBITDA	135.1	149.1	+10.4%

- **Net sales** totalled €1,196.3 million, with growth of 2.2% or organic growth of 7.4% in constant currency terms – A negative currency impact of €28.1 million mainly due to the USD, SEK, CAD and RUB.
- **Comparable gross profit** ended at €400.8 (395.1) million, with the comparable gross profit margin landing at 33.5% (33.8%).
- **Comparable operating profit** was €99.3 (97.2) million, an increase of 2.1%.

January–December 2018:

Net sales development by key markets



January–December 2018:

Balance sheet

Uponor Group, M€	31 Dec 2017	31 Dec 2018	Change Y/Y
Property, plant and equipment	252.2	258.3	+6.1
Intangible assets	116.0	101.0	-15.0
Securities and long-term investments	20.2	25.7	+5.5
Inventories	132.7	147.9	+15.2
Cash and cash equivalents	107.0	38.1	-68.9
Other current and non-current assets	237.7	215.6	-22.1
Assets total	865.8	786.6	-79.2
Total equity	348.4	353.6	+5.2
Non-current interest-bearing liabilities	176.6	175.6	-1.0
Provisions	28.9	30.2	+1.3
Non-interest-bearing liabilities	230.0	225.5	-4.5
Current interest-bearing liabilities	81.9	1.7	-80.2
Shareholders' equity and liabilities total	865.8	786.6	-79.2

- Property, plant and equipment increased mainly due to investments in capacity expansion and efficiency improvements.
- The decrease in intangible assets was mainly due to the goodwill allocated to the divestments.
- Uponor's €80 million bond matured in June 2018.
- Gearing at 39.4 (LY: 43.5), rolling 4- quarters gearing at 53.0 (LY:58.4)

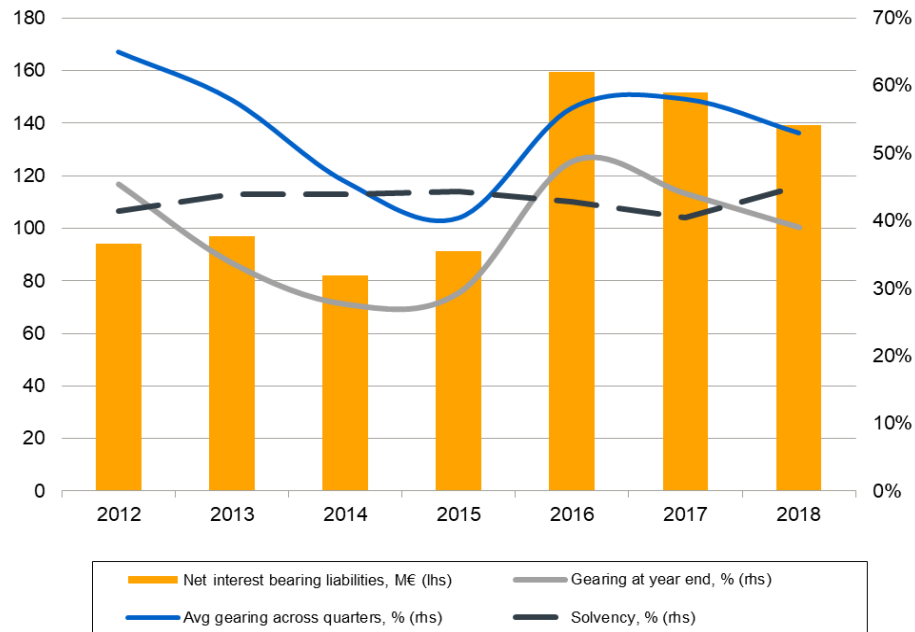
January–December 2018:

Cash flow

Uponor Group, M€	1-12 2017	1-12 2018	Change Y/Y
Net cash from operations	+141.8	+122.5	-19.3
Change in NWC	-7.2	-28.1	-20.9
Net payment of income tax and interest	-33.1	-14.5	+18.6
Cash flow from operations	+101.5	+79.9	-21.6
Cash flow from investments	-59.5	-7.2	+52.3
Cash flow before financing	+42.0	+72.7	+30.7
Dividends paid	-33.6	-35.8	-2.2
Other financing	+82.6	-105.6	-188.2
Cash flow from financing	+49.0	-141.4	-190.4
Conversion differences	-0.3	-0.2	+0.1
Change in cash and cash equivalents	+90.7	-68.9	-159.6

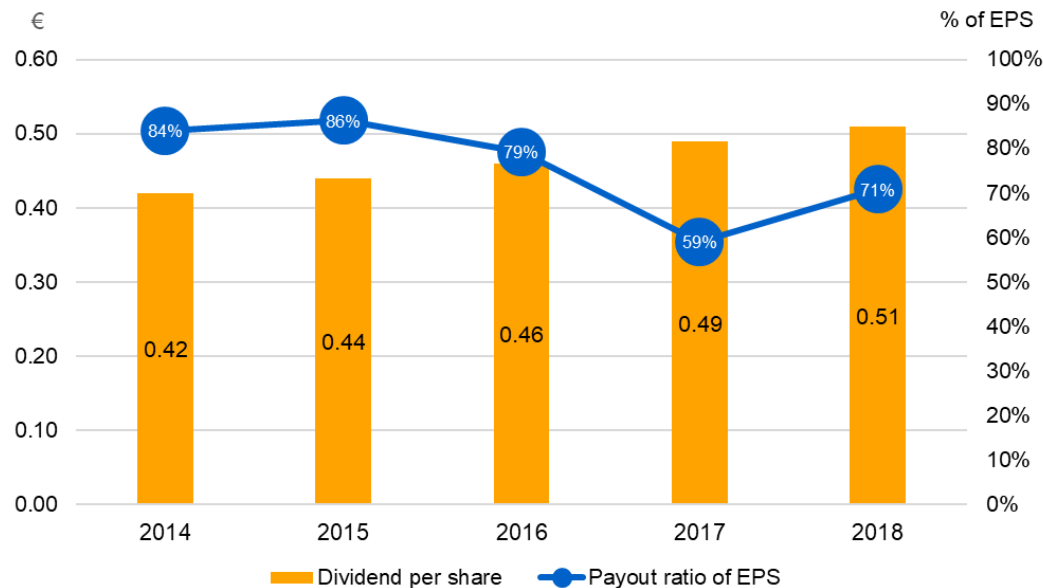
- Cash flow from operations was €79.9 (101.5) million. Uponor received full compensation for tax claim concerning Uponor Business Solutions Oy with impact of €11.4 million, but net working capital increased due to higher inventories.
- Gross investments were €54.0 (63.4) million.
- Cash flow from investments includes €8.1 million investment into Phyn and €53.8 million proceeds from disposal of subsidiaries and businesses.
- Cash flow from financing includes the two instalments of the dividend payments totalling €35.8 million, the payback of €80 million bond, as well as Uponor Infra's return of capital to its minority shareholder.

January–December 2018: Capital structure development



- Net interest-bearing liabilities totalled €139.2 million (151.5).
- Average quarterly gearing at 53.0, down from 58.4 in 2017, and in line with the long-term target between 30 and 70.

January–December 2018: Dividends and payout ratio



- The Board's dividend proposal is €0.51 (0.49) per share, of which 25 c will be paid in March 2019 and 26 c planned to be paid in September 2019
- When making the proposal, the Board considered the solvency of the company, the company's dividend policy, the business outlook and planned investments, recognising the high availability of the external funding for the company's growth



uponor

Outlook for the future

Jyri Luomakoski – President and CEO, Uponor Corporation

Updated long-term financial targets

- As a result of adoption of IFRS 16 Leases standard as of 1 January 2019, Uponor converts its gearing target range from 30–70 to 40–80
- Uponor's updated long-term financial targets are:
 - Organic net sales growth to exceed annual GDP growth by 3 ppts
 - EBIT margin to exceed 10%
 - ROI to exceed 20%
 - Gearing to stay within 40 to 80 as an annual average of the quarters
 - Dividend pay-out to be at least 50% of annual earnings (considering the gearing target)

Leading indicators: Nordic markets are moderating from multi-year highs, while others are relatively flat

	Indicator	YTD % Change	Rolling 12-month % Change	Data through	Trend since Q3 update
 USA	Housing starts	-4% ¹⁾	N/A	November 2018 ²⁾	➡
 Germany	Housing permits	+1%	+1%	November 2018	➡
 Finland	Housing permits	-16%	-12%	November 2018	↘
 Sweden	Housing starts	-16%	-10%	September 2018	↘
 Canada	Housing starts	0% ¹⁾	N/A	December 2018	➡
 Denmark	Construction index	+5%	N/A	October 2018	➡
 Netherlands	Housing permits	+1%	0%	October 2018	➡
 Spain	Housing permits	+25%	+25%	November 2018	➡
 Norway	Housing starts	-11%	-11%	December 2018	➡
 Poland	Housing completions	+3%	+4%	November 2018	➡

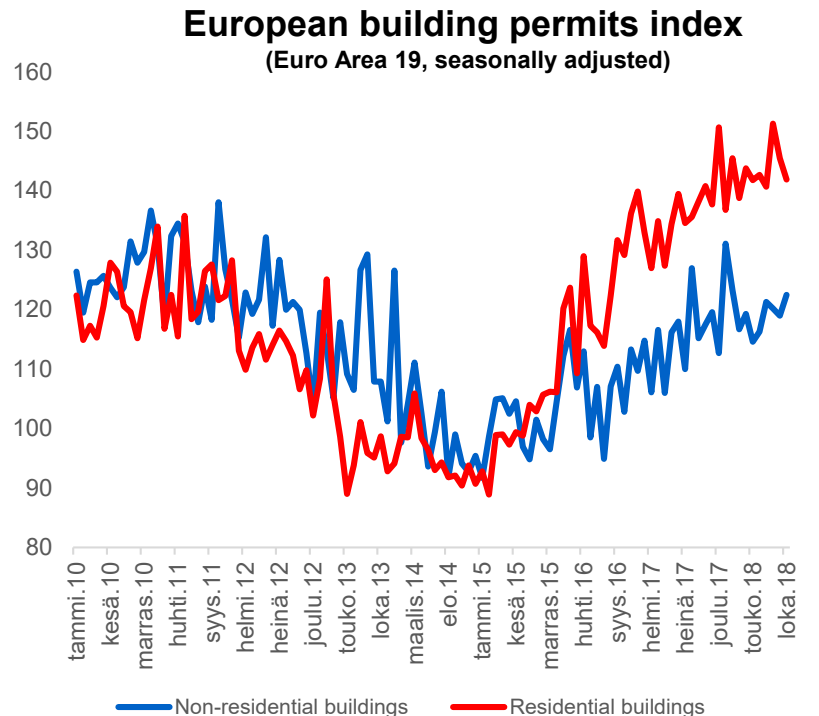
1) Seasonally adjusted, annualised rate vs. same month in previous year

2) Due to federal shut down, newer statistics were not available

Source: National Statistics Offices

Building in Europe develops unevenly

- Residential permits through October 2018 were at the same level as October 2017, with notable weakening in the Nordic region being compensated for by significant growth in Spain
- In the more volatile non-residential segment, permit levels remain at multi-year highs, but growth has slowed or reversed trend in many markets, especially in the Nordic countries



Source: Eurostat (Base year = 2015)

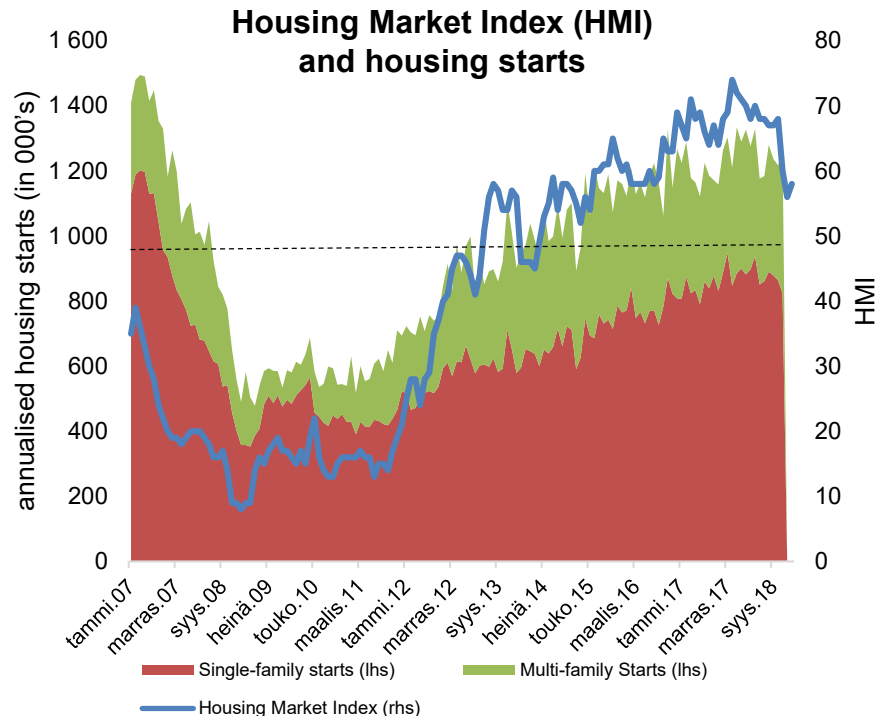
USA – uncertainty increased

While a strong labour market and tax cuts have continued to support the economy, the impact of continued political uncertainties remains unclear

Within the construction industry:

- Housing starts were down 4% in November from November 2017, while housing permits remained near 2017 levels
- Home builder confidence has retreated in recent months, but remains in expansionary territory (above 50)
- Construction spending in November was largely flat in the residential segment and up in the non-residential segment compared to 2017

December housing starts figures
unavailable due to federal shutdown



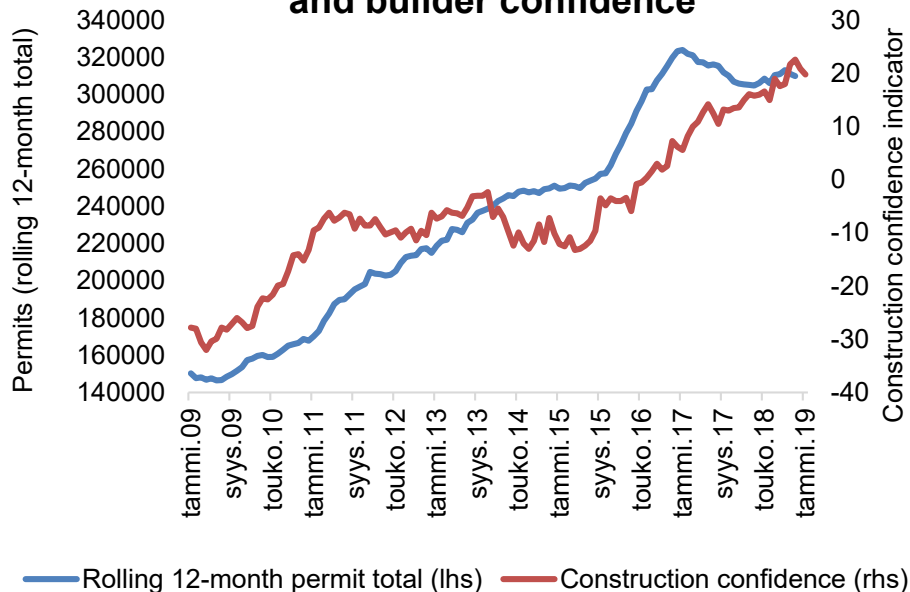
Germany – residential investment is steady despite trade headwinds

The continued strength of the job market and private consumption has been largely offset by the significant slowing in industrial production during the last months of the year

Within the construction industry:

- Builders continue to be very positive, with order books and building activity levels up from the same time in 2017
- Housing permits levels have retreated from 2017 highs, but were steady throughout the year
- New build construction in both the residential and non-residential segments continued to expand marginally, while indications are that the much larger renovation markets were stable

German housing permits and builder confidence



Source: Destatis and Eurostat

Management agenda for 2019

- We will concentrate on profitable growth in our core businesses in Europe and North America
- Operational improvement initiatives continue in all factories
- Increase the share of the commercial segment:
 - Focus on offsite construction and designed solutions sales
- New product launches in Europe:
 - smart water monitoring system, Phyn Plus
 - new generation press fitting solution, S-Press PLUS
 - fully electronic heat interface unit Combi Port E
 - the Smatrix Pulse cloud-based smart home control system



Market outlook and guidance statement for 2019

Uponor expects the markets to remain at a healthy level during Q1:

- In the USA, market growth has slowed down, but a slight growth is expected to continue throughout 2019
- The market stays at a stable level in Germany
- Although the market is weakening in Sweden, it still remains at a good level
- In Finland as well, the market will remain at a good level, despite signs of weakening

Guidance statement for 2019:

Excluding the impact of currencies, Uponor expects its net sales to reach the level of the year 2018 net sales excluding the divested Uponor Infra's North American business and Zent-Frenger (€1,107.7 million), and comparable operating profit to improve from the year 2018 comparable operating profit excluding the divested Uponor Infra's North American business and Zent-Frenger (€83.5 million).



Q&A

communications@uponor.com

Uponor IR site: investors.uponor.com

Uponor's IR app:

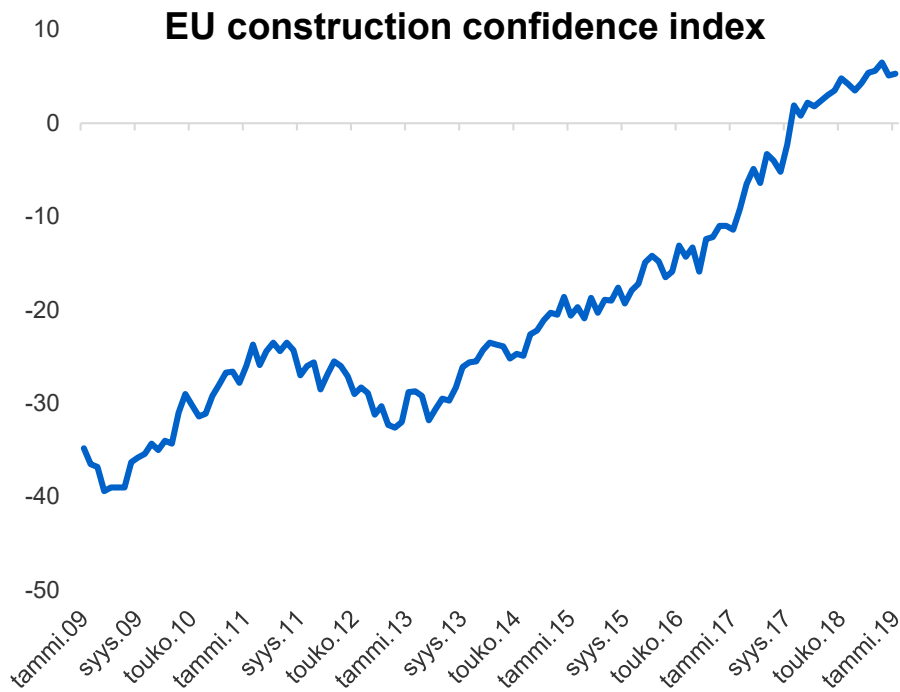


Follow us

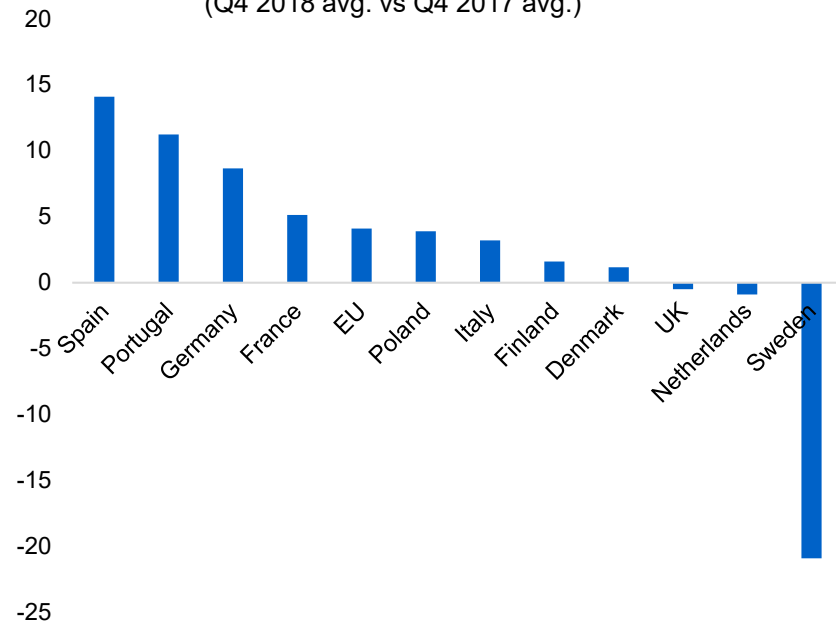


Appendix

Builder confidence in Europe remains strong, improving in Central and Southern Europe in Q4 compared to Q4 2017



Change in construction confidence index (Q4 2018 avg. vs Q4 2017 avg.)



Source: Eurostat

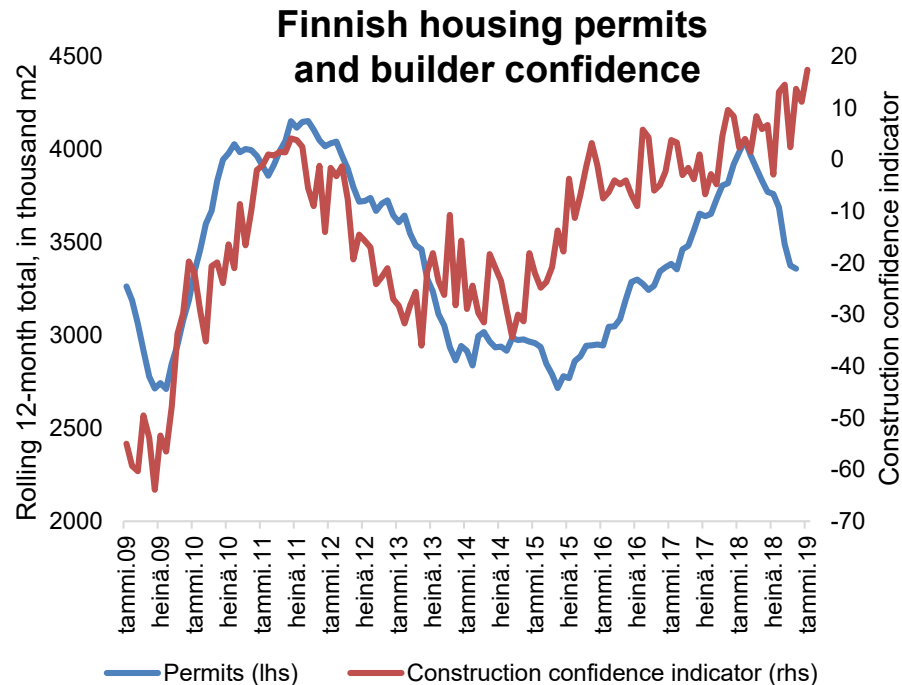
uponor

Finland - Economic growth has slowed and leading indicators point to moderation

The economy has grown at a reduced rate from earlier periods, with increased consumer spending thus far compensating for slowing exports

Within the construction industry:

- Both residential and non-residential building permit activity has slowed
- Although builder confidence indicators remain high, many builders have reported a deterioration in building activity in recent months



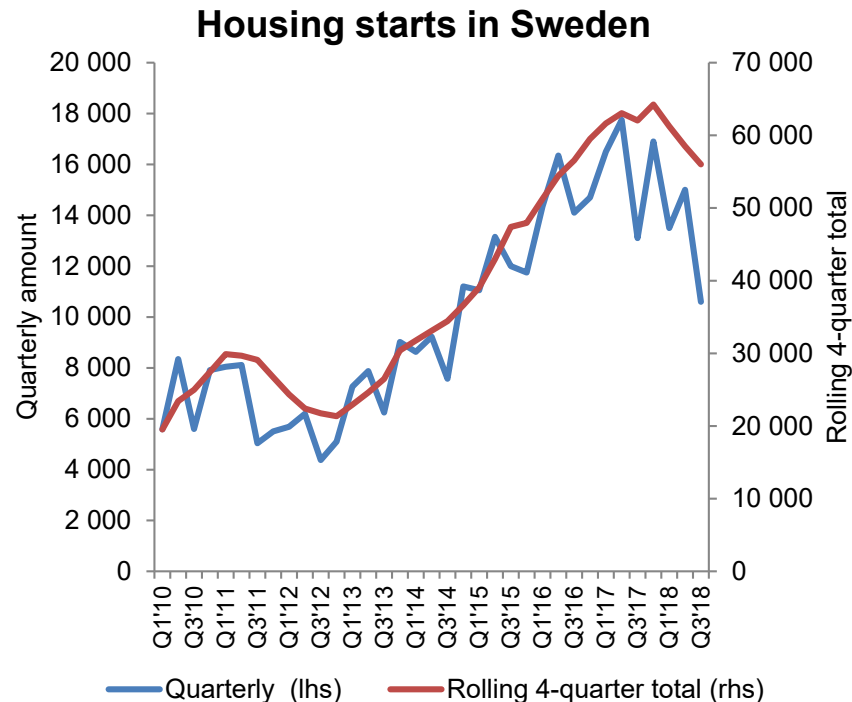
Source: Statistics Finland & Eurostat

Sweden - growth is slowing

While the labour market remains strong, businesses are clearly less positive than previously as the economy contracted during Q3

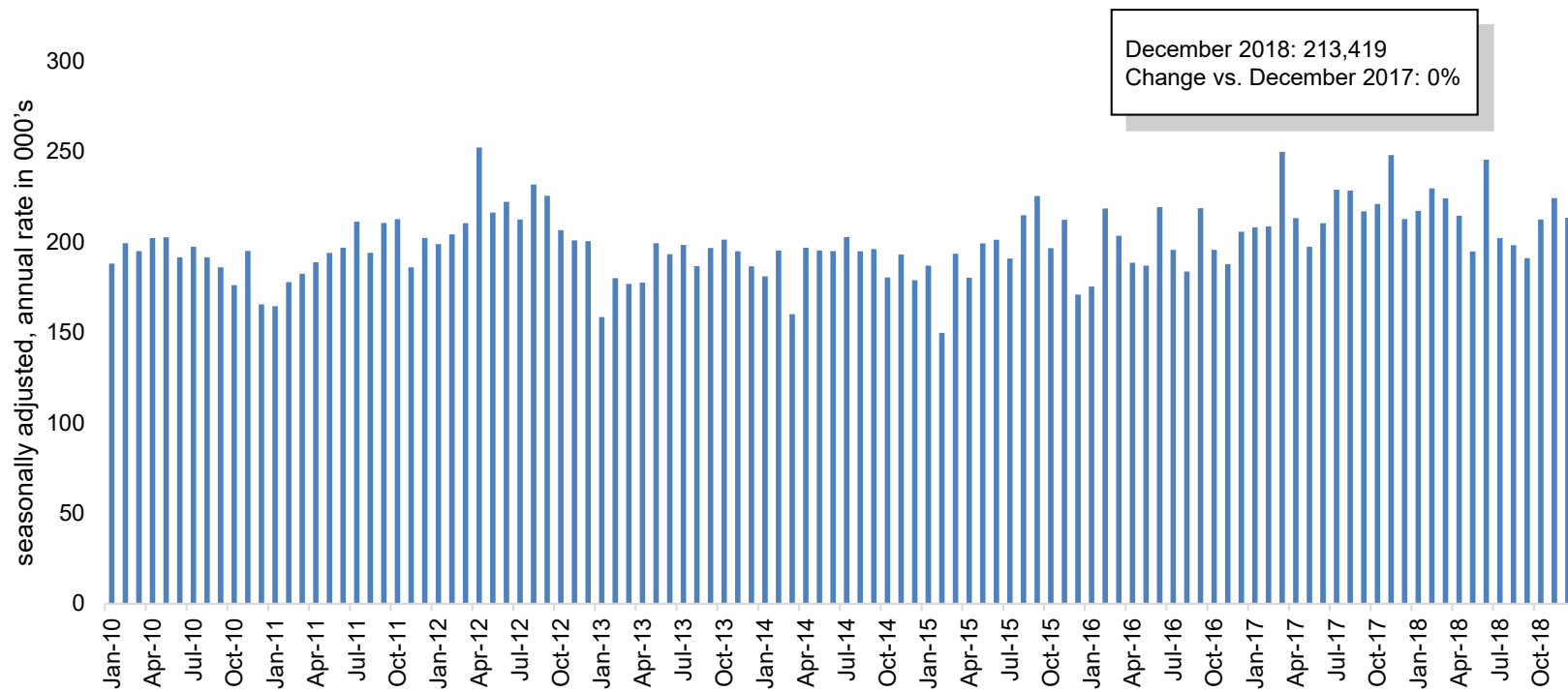
Within the construction industry:

- Housing starts through the first three quarters of 2018 fell 16% compared to 2017
- Builders are clearly more pessimistic about their prospects, with a significant decrease in building activity being reported
- Both residential and non-residential building permits fell through the first three quarters of the year



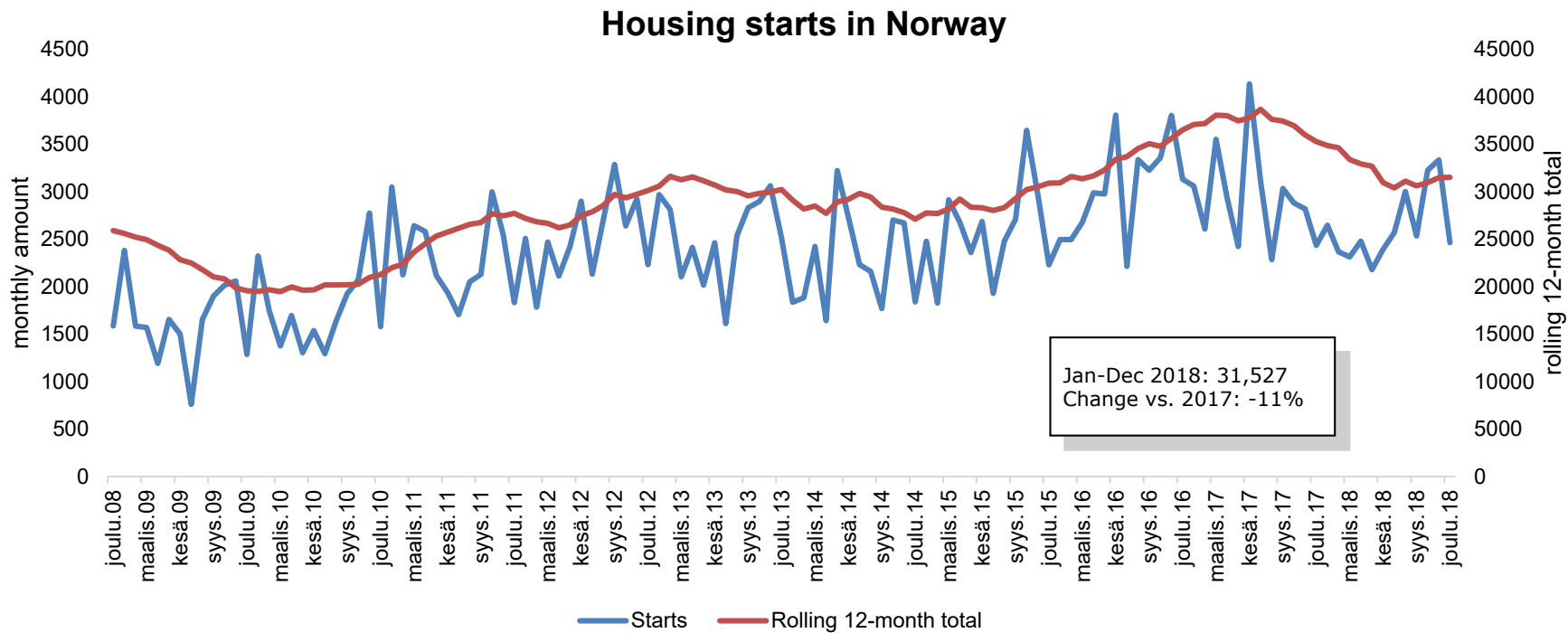
Source: Statistics Sweden

Canada



Source: CMHC/ Statistics Canada

Norway



Source: Statistics Norway