

Interim results briefing

1-9/2018

Jyri Luomakoski – President and CEO, Uponor Corporation

Maija Strandberg – CFO, Uponor Corporation



Q3/2018: Net sales and comparable operating profit fell behind from comparison period

July - September, M€	7-9/ 2017	7-9/ 2018	Change
Net sales	317.5	311.9	-1.8%
Operating profit	40.4	44.6	+10.6%
Comparable operating profit	40.4	33.8	-16.2%

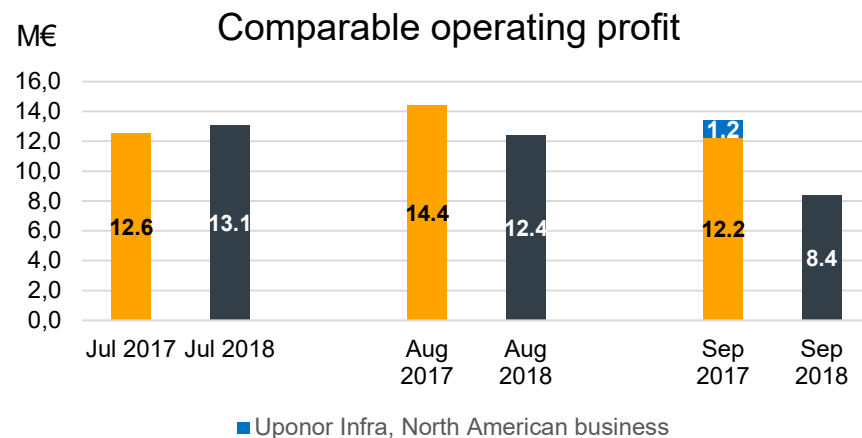
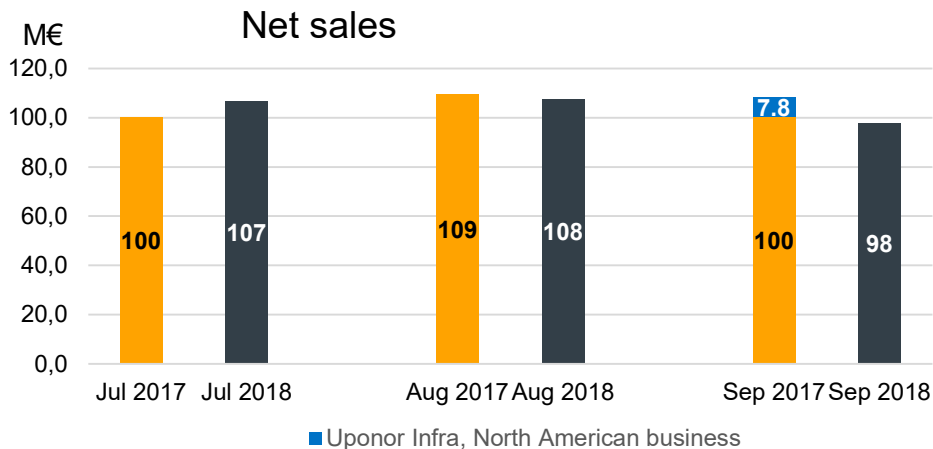
Net sales

- Net sales of Building Solutions – Europe declined due to weaker sales in Central Europe and Nordics
- Net sales of Building Solutions – North America declined. The company estimates that some distributors changed their behaviour and shifted volumes from Q3 to Q2 due to the price increases in July
- Uponor Infra's net sales grew, both in Europe and North America, which was divested at the end of August

Operating profit

- Building Solutions – Europe's profitability was impacted by weaker net sales, higher operational expenses in the Virsbo manufacturing facility and rising raw material prices
- Operating profit of Building Solutions – North America declined. The comparison period for the segment was strong, but the price increases introduced in the summer began to take effect at the end of the quarter
- The operating profit improved in both Europe and North America

Monthly development of net sales and comparable operating profit in Q3



Development by segment: Building Solutions – Europe

- Market environment continues mainly positive, but bottlenecks remain in planning and installation capacity
 - First signs of weakening in Swedish and Norwegian markets
- Streamlining operational footprint:
 - Close down of sales offices in Switzerland and Australia
 - Review of European warehouse network; close down of warehouse operations in France
 - Divestment of Zent-Frenger (closing expected by 31 Oct)
- Jan Peter Tewes (President, Building Solutions – Europe) left his position on 30 Sept
 - Recruitment process ongoing



Development by segment: Building Solutions – North America

- Hutchinson manufacturing facility running as planned
- The price increases introduced in the summer began to take effect at the end of the quarter
- Profitability of the segment has improved quarter by quarter during 2018



Development by segment: Uponor Infra

- The segment continued its strong performance
 - Finland in particular has improved its operating profit
 - The share of higher margin projects sales continued to grow
- On 31 Aug, Uponor Infra's North American business was divested to Wynnchurch Capital, an American private equity firm
- Licensing agreement signed with Infra Pipe Solutions Ltd to continue the manufacturing of Weholite pipes and products in North America



BUILD ON
Uponor 100
YEARS

Uponor

Financial statements

Maija Strandberg – CFO, Uponor Corporation

1–9 / 2018

January – September 2018:

Key figures

Uponor Group		1-9 2017	1-9 2018	Change Y/Y	1-12 2017
Net sales	M€	891.0	913.7	+2.5%	1,170.4
Operating profit	M€	77.9	89.6	+15.1%	95.9
Comparable operating profit	M€	79.2	78.8	-0.4%	97.2
Comparable operating profit margin	%	8.9%	8.6%	-0.3% pts	8.3%
Earnings per share (diluted)	€	0.64	0.64	+0.0%	0.83
Return on equity (p.a.)	%	20.2%	20.9%	+0.7% pts	19.4%
Return on investment (p.a.)	%	19.4%	19.1%	-0.3% pts	16.3%
Net interest bearing liabilities	M€	161.8	156.7	-3.2%	151.5
Gearing	%	48.2%	42.2%	-6.0% pts	43.5%
Net working capital of net sales (p.a.)	%	11.0%	12.7%	+1.7% pts	10.4%
Number of employees, end of period	FTE	4,079	4,079	+0.0%	4,075

July – September 2018:

Income statement

Uponor Group, M€	7-9 2017	7-9 2018	Change Y/Y
Net sales	317.5	311.9	-1.8%
Cost of goods sold	208.2	205.8	-1.1%
Gross profit	109.3	106.1	-3.0%
Gross profit margin (%)	34.4%	34.0%	-0.4% pts
Other operating income	0.2	12.3	+5599.8%
Expenses	69.2	73.8	+6.6%
Operating profit	40.4	44.6	+10.6%
Operating profit margin (%)	12.7%	14.3%	+1.6% pts
Financial expenses, net	-1.1	2.6	+336.0%
Share of result in associated companies	-0.5	-0.6	-34.6%
Profit before taxes	41.0	41.4	+0.7%
Profit for the period	28.6	30.0	+4.6%
EBITDA	49.8	55.1	+10.5%

- Net sales**
 Negative translation impact from USD, SEK and CAD vs last year. In constant currency terms, net sales growth was 1.3% or 3.9% in organic terms, excluding the impact of the divestiture in August
- Comparable gross profit margin**
 landed at 34.0% (34.4)
- Operating profit** came to €44.6 (40.4) million, a growth of 10.6%. This includes the disposal gain from the divestment of Uponor Infra's North American business (€12.2 million). Comparable operating profit came to €33.8 (40.4) million, a decline of 16.2%

January – September 2018: Income statement

Uponor Group, M€	1-9 2017	1-9 2018	Change Y/Y	1-12 2017
Net sales	891.0	913.7	+2.5%	1,170.4
Cost of goods sold	591.9	607.1	+2.6%	776.3
Gross profit	299.1	306.6	+2.5%	394.1
Gross profit margin (%)	33.6%	33.6%	-0.0% pts	33.7%
Other operating income	2.8	12.6	+355.1%	3.1
Expenses	224.0	229.6	+2.5%	301.2
Operating profit	77.9	89.6	+15.1%	95.9
Operating profit margin (%)	8.7%	9.8%	+1.1% pts	8.2%
Financial expenses, net	2.9	7.0	+141.7%	5.4
Share of result in associated companies	-1.6	-3.6	-127.5%	-2.3
Profit before taxes	73.4	79.0	+7.6%	88.2
Profit for the period	50.3	56.5	+12.3%	65.4
EBITDA	107.0	119.2	+11.5%	135.1

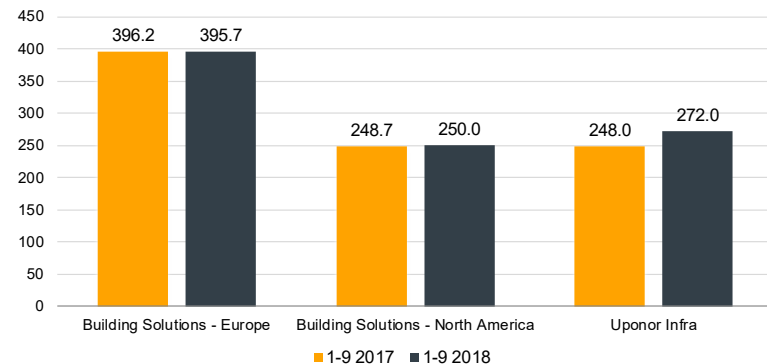
- **Net sales** totalled €913.7 million, with growth of 2.5% or organic growth of 6.7% in constant currency terms – A negative currency impact of €29 million mainly driven by the USD, SEK and CAD
- **Comparable gross profit** came to €306.6 (300.1) million, with the comparable gross profit margin landing at 33.6% (33.7).
- **Comparable operating profit** came to €78.8 (79.2) million, a decline of 0.4%

January – September 2018:

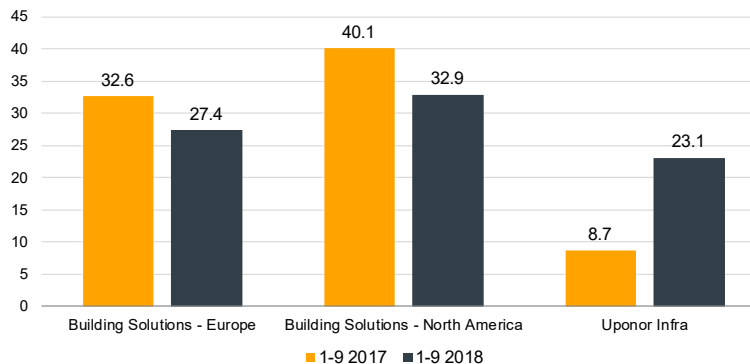
Net sales & comparable operating profit by segment

Currency: M€

Net sales



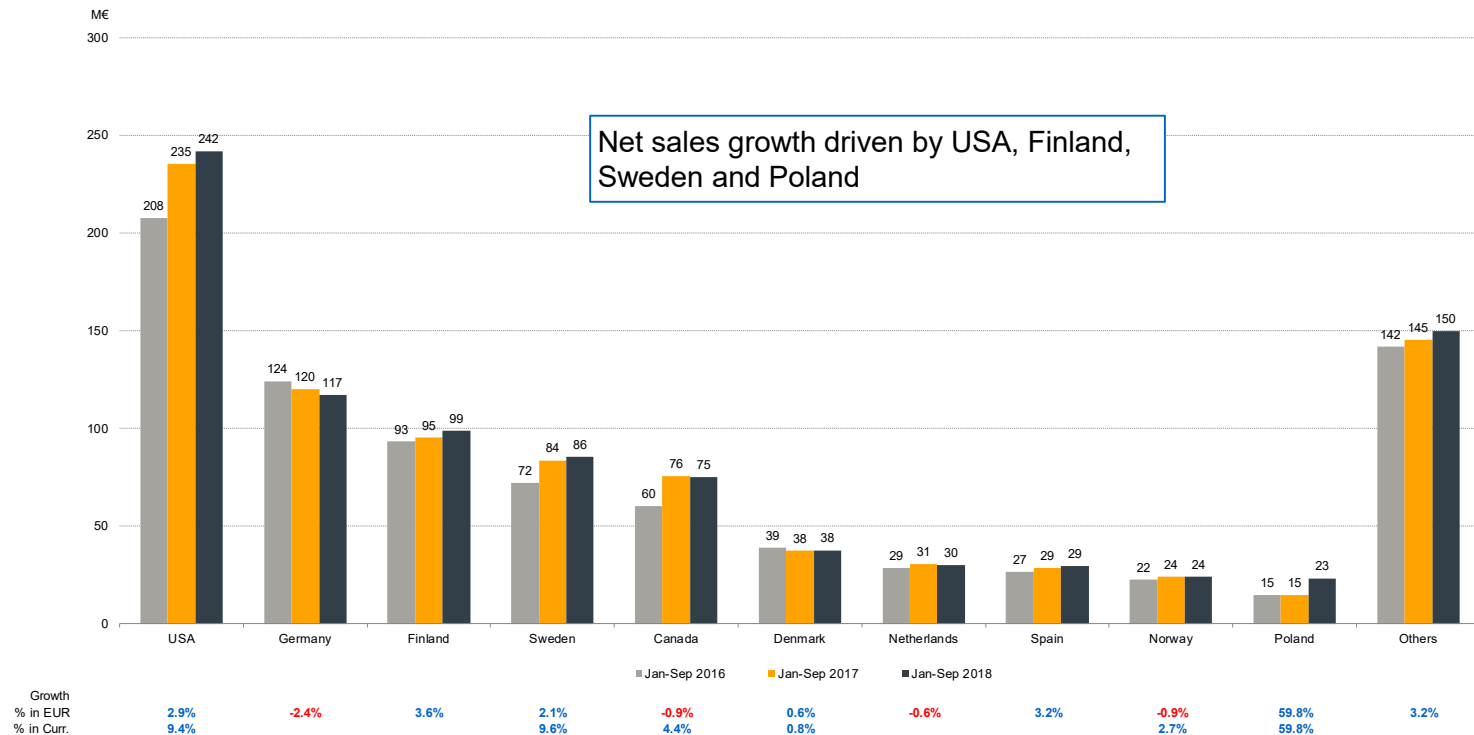
Comparable operating profit



- **Building Solutions – Europe** segment suffered from weaker sales than expected, which also impacted the operating profit
- **Building Solutions – North America’s** net sales and operating profit decreased. However, the segment had a strong comparison period, which resulted from overcoming the delivery difficulties experienced in the second quarter of 2017. On the positive side, the profitability of the segment has improved quarter by quarter in 2018
- **Uponor Infra’s** business in Europe has continued to improve its net sales and profitability. The divested business in North America continued its strong performance until the divestment on 31 August

Net sales development by key markets

January – September 2018



January – September 2018: Balance sheet

Uponor Group, M€	30 Sep 2017	30 Sep 2018	Change Y/Y	31 Dec 2017
Property, plant and equipment	239.3	253.4	+14.1	252.2
Intangible assets	116.0	105.2	-10.8	116.0
Securities and long-term investments	21.3	26.2	+4.9	20.2
Inventories	133.4	150.5	+17.1	132.7
Cash and cash equivalents	21.8	20.9	-0.9	107.0
Other current and non-current assets	288.4	286.6	-1.8	237.7
Assets total	820.2	842.8	+22.6	865.8
Total equity	335.6	371.7	+36.1	348.4
Non-current interest-bearing liabilities	87.4	176.5	+89.1	176.6
Provisions	27.9	28.5	+0.6	28.9
Non-interest-bearing liabilities	273.1	265.0	-8.1	230.0
Current interest-bearing liabilities	96.2	1.1	-95.1	81.9
Shareholders' equity and liabilities total	820.2	842.8	+22.6	865.8

- Investments were mainly related to capacity expansion and efficiency improvement
- Uponor Business Solutions Oy received €11.4 million of taxes, surtaxes and delay interests from the Finnish tax authorities in September. Additionally, the proceeds from the sale of Uponor Infra's North American business (39 M€) was received in September
- Cash was used to pay back commercial papers (45 M€) as well as the remaining portion of dividends (0.25 €/share, totalling 16.8 M€)
- Gearing at 42.2% (48.2), four-quarter rolling gearing at 54.1% (59.8)

January – September 2018:

Cash flow

Uponor Group, M€	1-9 2017	1-9 2018	Change Y/Y	1-12 2017
Net cash from operations	+113.2	+100.5	-12.7	+141.8
Change in NWC	-30.3	-52.6	-22.3	-7.2
Net payment of income tax and interest	-17.5	-12.4	+5.1	-33.1
Cash flow from operations	+65.4	+35.5	-29.9	+101.5
Cash flow from investments	-33.8	-4.6	+29.2	-59.5
Cash flow before financing	+31.6	+30.9	-0.7	+42.0
Dividends paid	-33.6	-35.8	-2.2	-33.6
Other financing	+7.8	-81.1	-88.9	+82.6
Cash flow from financing	-25.8	-116.9	-91.1	+49.0
Conversion differences	-0.3	-0.1	+0.2	-0.3
Change in cash and cash equivalents	+5.5	-86.1	-91.6	+90.7

- Cash flow from business operations came to €35.5 (65.4) million, mainly due to increased amount of net working capital resulting from higher inventories
- Gross investments came to €36.2 (37.4) million
- Cash flow from investments include €8.1 million acquisition of joint venture and €38.9 million proceeds from disposal of subsidiaries and businesses
- Cash flow from financing includes the the two instalments of the dividend payment, totalling €35.8 million





















BUILD ON
Uponor 100
YEARS

Uponor

Outlook for the future

Jyri Luomakoski – President and CEO, Uponor Corporation

Leading indicators: Many markets moderating from the strong growth witnessed in recent years

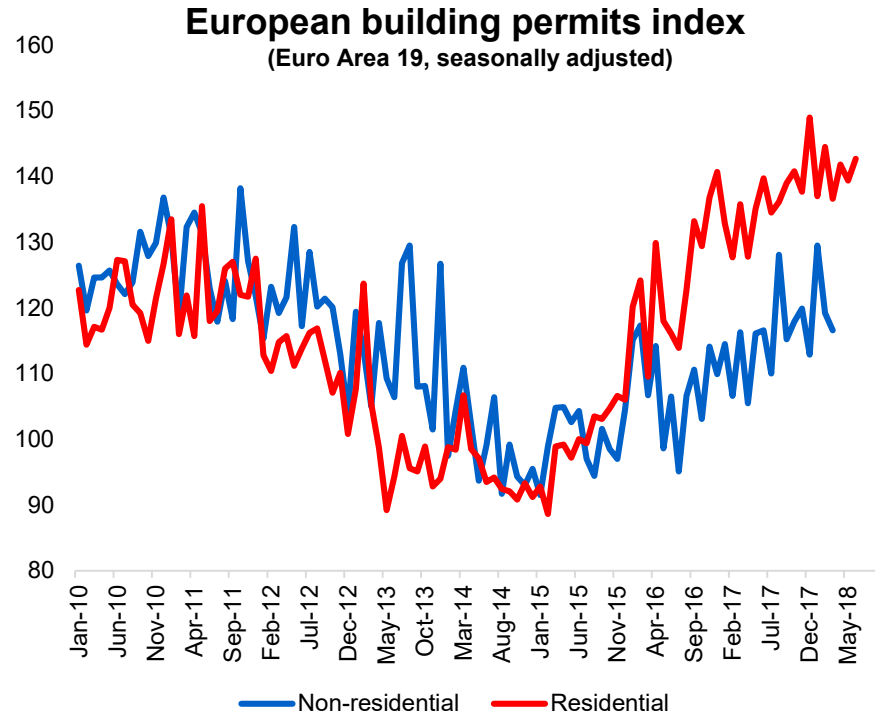
	Indicator	YTD % Change	Rolling 12-month % Change	Data through	Trend since Q2 update
 USA	Housing starts	+4% ¹⁾	N/A	September 2018	
 Germany	Housing permits	+3%	-2%	July 2018	
 Finland	Housing permits	-11%	-1%	July 2018	
 Sweden	Housing starts	-10%	-3%	June 2018	
 Canada	Housing starts	-11% ¹⁾	N/A	August 2018	
 Denmark	Construction index	+4%	N/A	July 2018	
 Netherlands	Housing permits	+6%	+4%	July 2018	
 Spain	Housing permits	+26%	+27%	July 2018	
 Norway	Housing starts	-17%	17%	August 2018	
 Poland	Housing completions	+4%	+5%	August 2018	

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

Source: National Statistics Offices

Residential building permits remain strong in Europe, but have plateaued or fallen in most markets

- Residential permits for January to June 2018 increased slightly from the same period in 2017, but have retreated from the 10-year high seen in December 2017
- Developments in the more volatile non-residential segment have been mixed, with significant variation between different countries



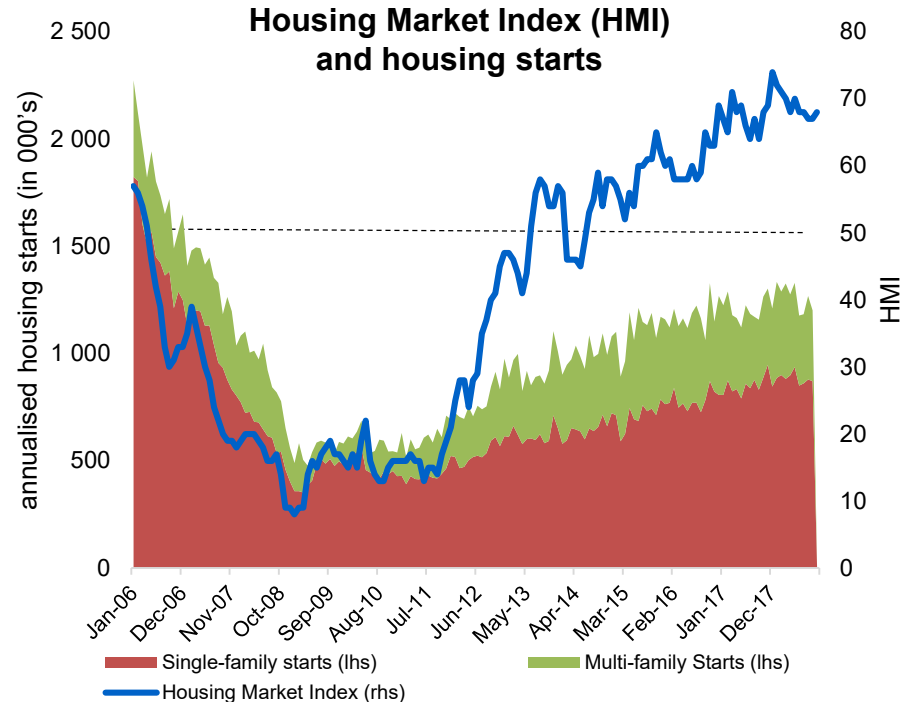
Source: Eurostat (Base year = 2015)

USA - Continued expansion

With Q2 GDP growth at its highest level in four years, private consumption and, especially, business profits and investments appear to be gaining strength as a result of recent tax reforms

Within the construction industry:

- Home builder confidence has moderated from the multi-year highs reported in winter, but remains firmly in expansionary territory
- Construction spending in most segments has risen since last year, but at a slower rate than earlier
- Rising interest rates, labour shortages, and affordability concerns have increased down-side risks



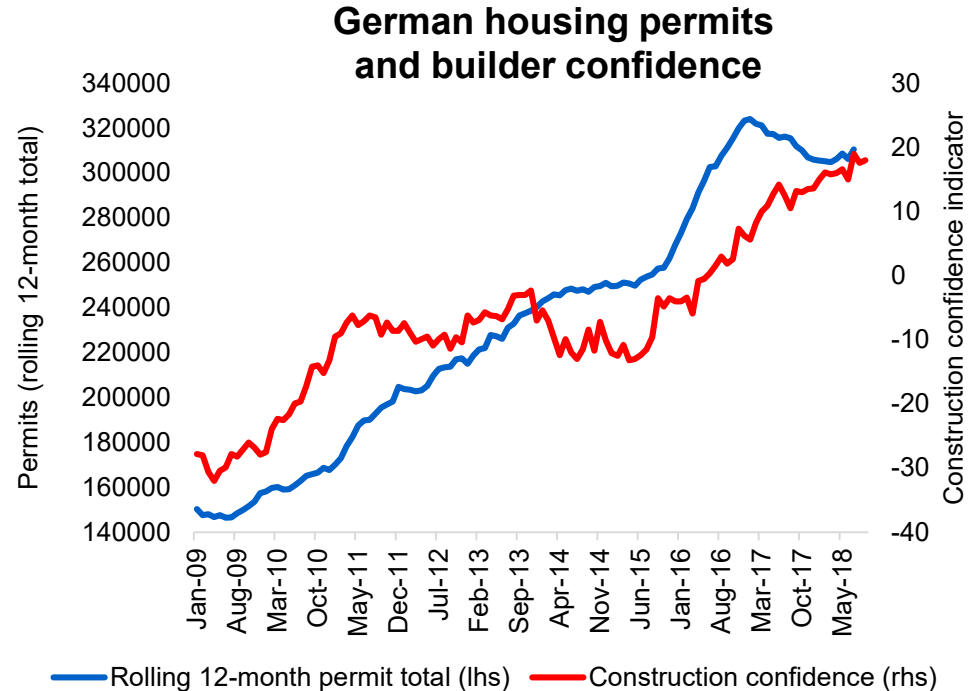
Source: US Census, NAHB/Wells Fargo

Germany - A strong labour market is supporting residential investment

The economy rebounded during Q2, from a disappointing Q1, with private consumption continuing to drive growth

Within the construction industry:

- Residential building permits appear to have stabilised during the summer, having retreated from post-reunification highs seen in 2017 (chart)
- Builder confidence remains at all-time highs, with order books improving again during Q3



Source: Destatis and Eurostat

Management agenda for Q4

- Speed up the sales shift from residential to commercial in certain markets, e.g. Sweden
- Continuous focus on selling price and operational cost management in Building Solutions – Europe



Guidance 2018, revised on 5 September

- The building and construction market has remained on a healthy level in all countries where Uponor operates, although there are signs of especially Nordic markets having reached their peaks. The political uncertainties, e.g. Brexit and the challenges posed by tariff increases, have remained, but have not yet impacted on consumer or business behaviour.
- The Group's capital expenditure, excluding any investment in shares, will remain at roughly the same level as in 2017, mainly driven by the capacity expansion programme in North America
- Assuming that economic development in Uponor's key geographies continues undisturbed, Uponor repeats its full-year guidance for 2018 (revised on 5 September):

Excluding the impact of currencies, Uponor expects its organic net sales to grow from 2017 and comparable operating profit to remain at the same level as in 2017.

uponor

BUILD ON
uponor

100
YEARS

communications@uponor.com

Uponor IR site: investors.uponor.com

Uponor's IR app:



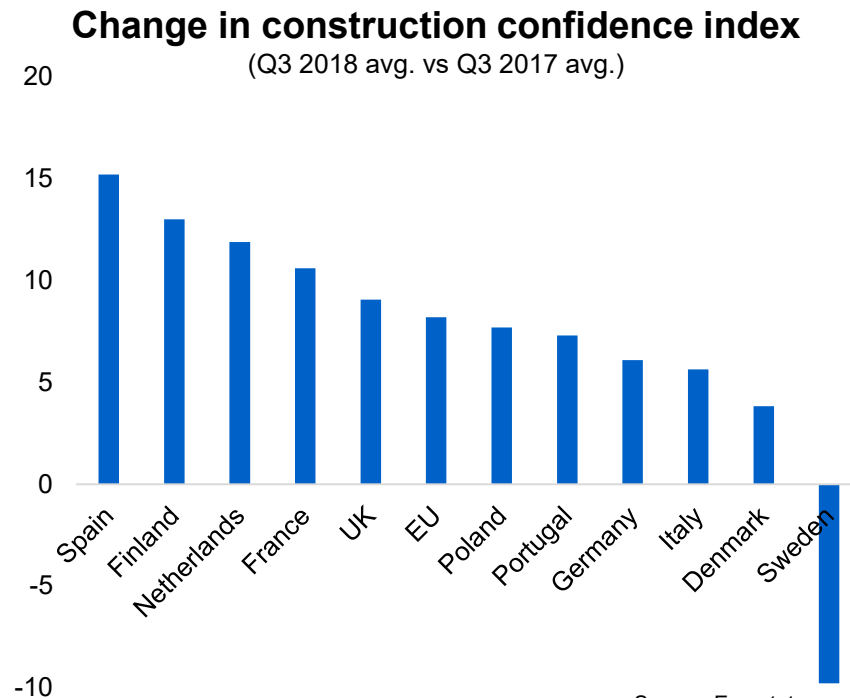
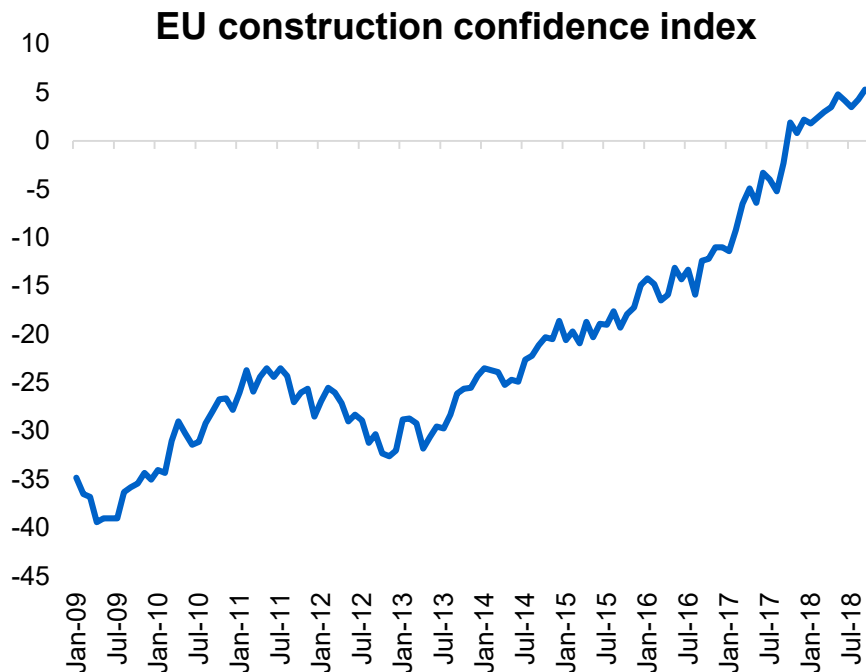
Follow us





Appendix

Builder confidence in Europe improved compared to last year, with the exception of Sweden

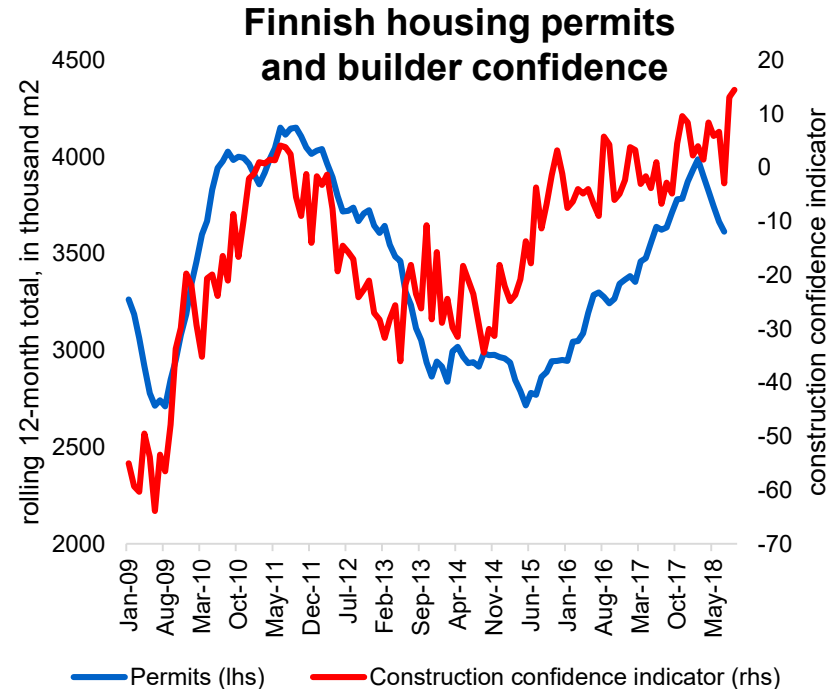


Finland - The economy is strong, but leading indicators point to moderation in the construction industry

Elevated household confidence levels and a solid labour market continue to drive the economy, while business order books remain healthy

Within the construction industry:

- Construction volumes have continued to grow, while leading indicators have slowed
- Residential building permits continue to trend lower (chart)
- Non-residential permits are down across most segments
- Builders remain confident, although a lack of skilled labour continues to hamper activity



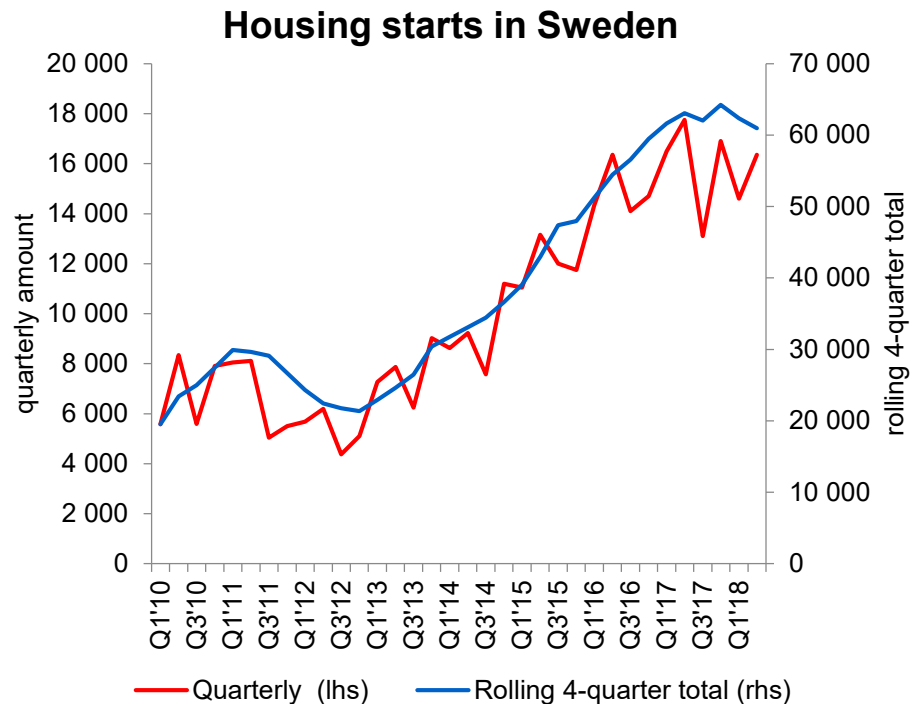
Source: Statistics Finland & Eurostat

Sweden - Fundamentals remain generally solid, but residential construction is slowing

Despite a clear increase in downside risks and concerns about household debt, the economy and the labour market remain strong

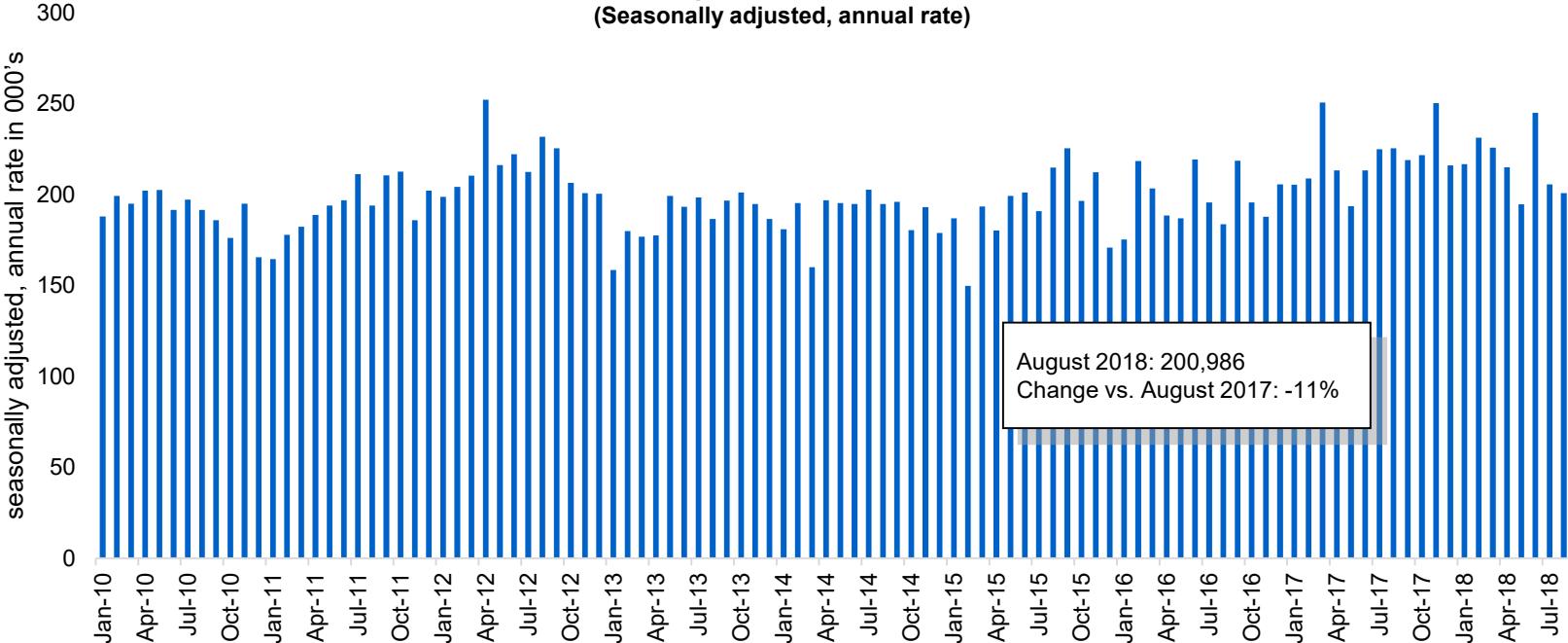
Within the construction industry:

- Housing starts fell about 10% during the first half of the year (chart)
- House price depreciation has been notable in the greater Stockholm area
- While builders remain relatively confident, they report a recent reduction in construction activity levels
- Construction activity in the non-residential and civil engineering segments remains healthy



Source: Statistics Sweden

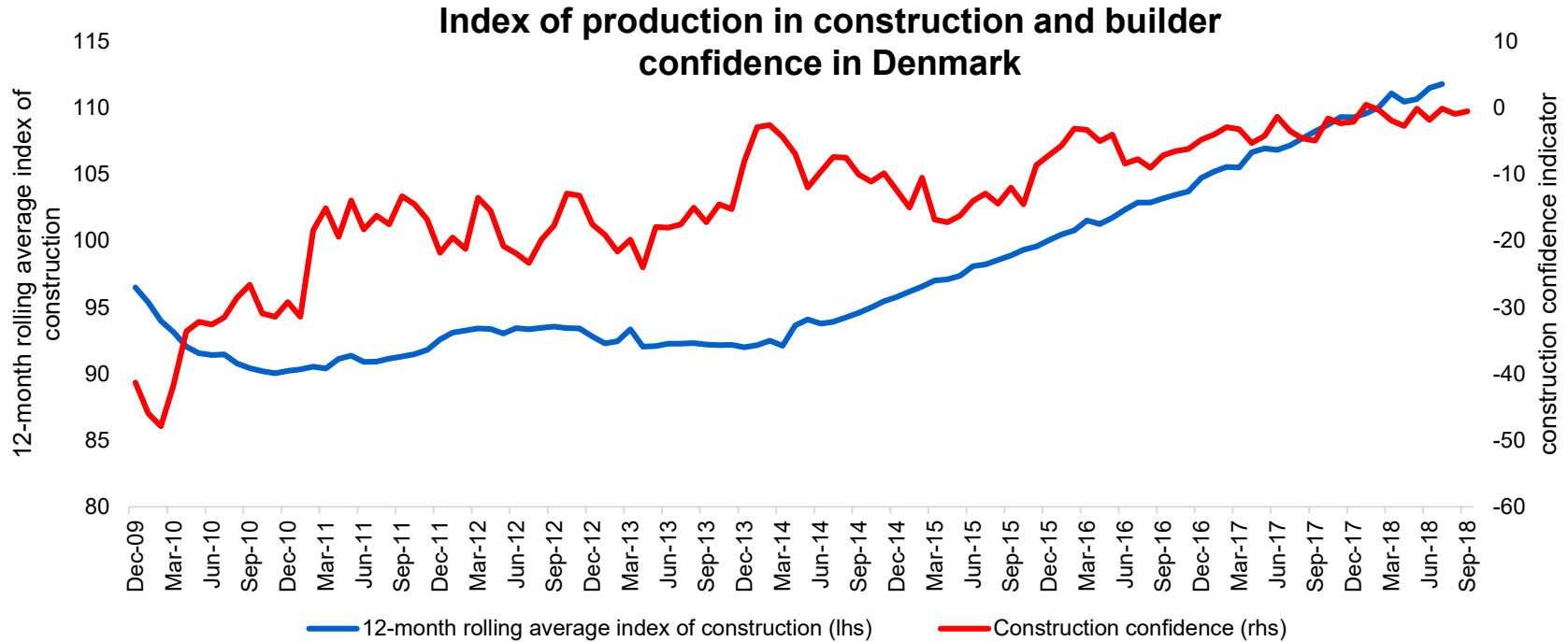
Housing starts in Canada (Seasonally adjusted, annual rate)



Source: CMHC/ Statistics Canada



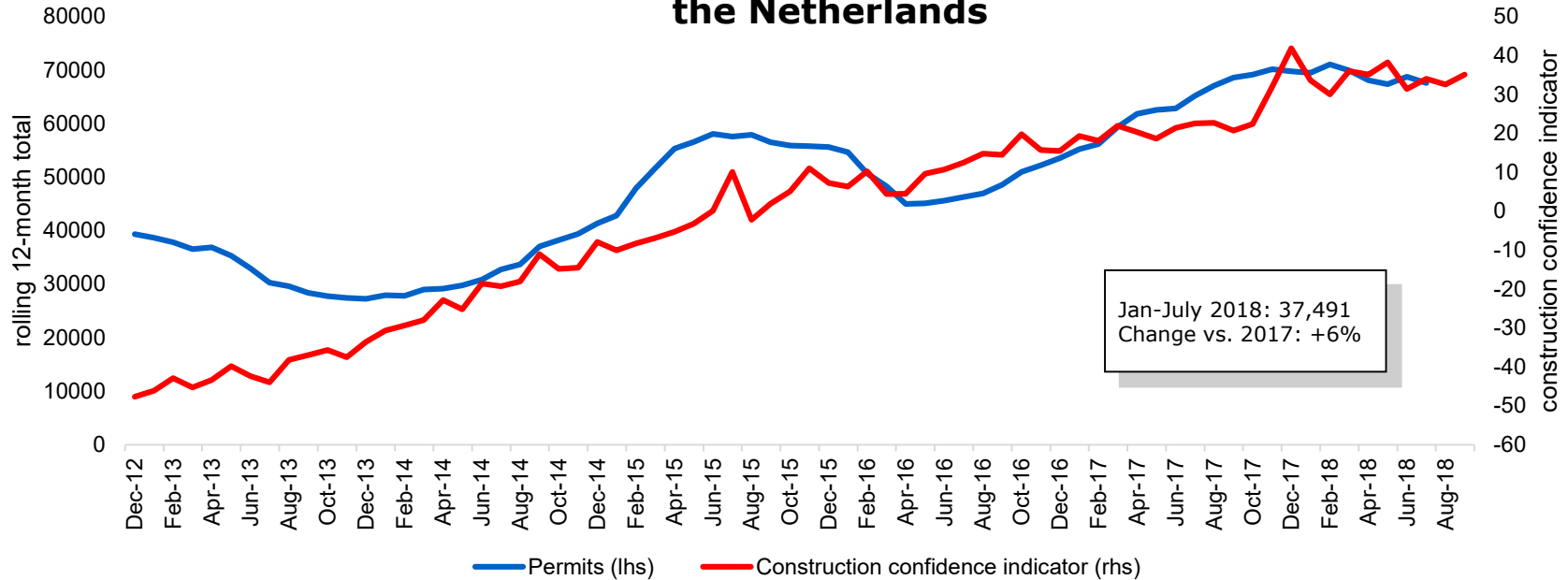
Denmark



Source: Statistics Denmark

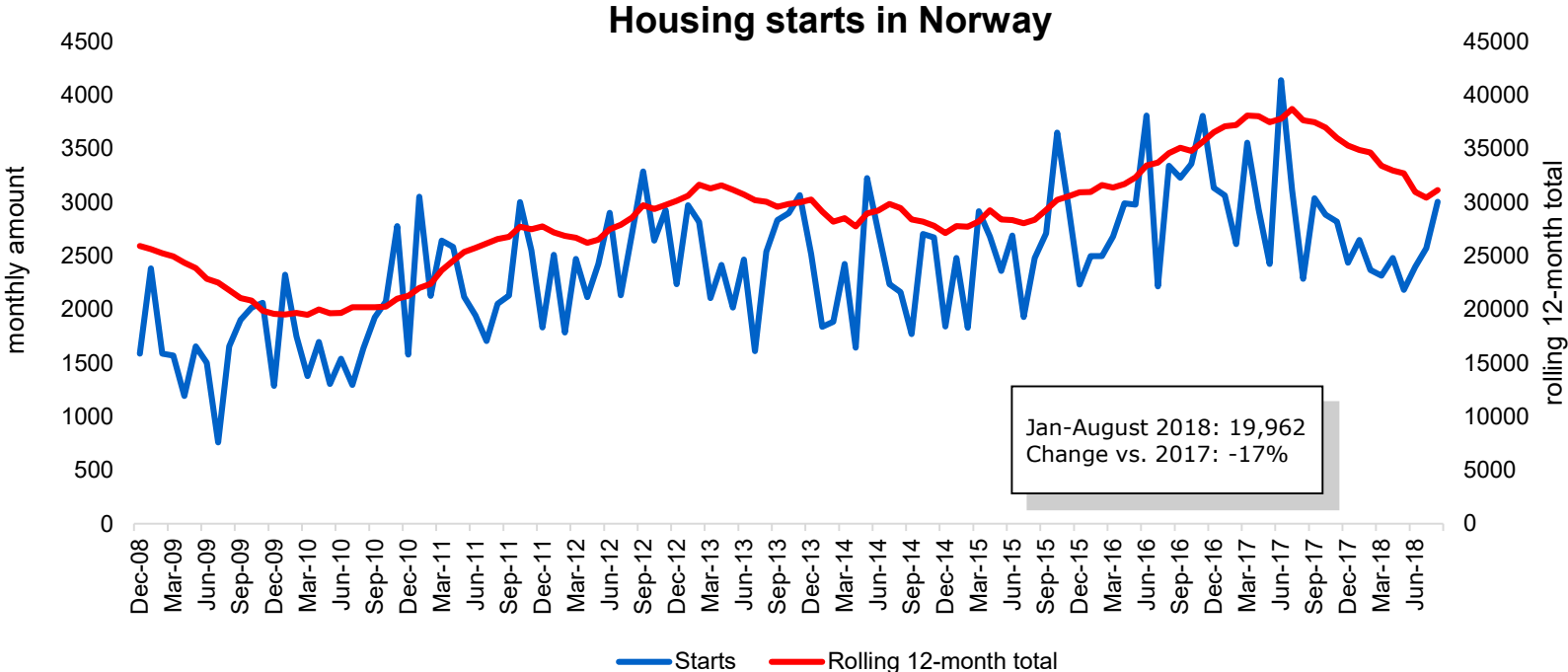
Netherlands

Housing permits and builder confidence in the Netherlands



Source: Statistics Netherlands

Norway



Source: Statistics Norway

