

Interim results briefing

1-3/2018

Jyri Luomakoski – President and CEO, Uponor Corporation

Maija Strandberg – CFO, Uponor Corporation



Uponor celebrates its centenary in 2018



SHK Essen
Germany



Aquatherm
Moscow, Russia



Nordbygg
Stockholm, Sweden



100-year anniversary celebration:
Bucharest, Romania



100-year anniversary celebration:
Budapest, Hungary



Annual General Meeting 2018
Helsinki, Finland

Q1/2018: Strong net sales of North American businesses drove performance improvement

January - March, M€	1-3/ 2017	1-3/ 2018	Change
Net sales	265.1	276.9	4.5%
Operating profit	14.6	17.0	16.1%
Comparable operating profit	15.0	17.0	13.0%

Net sales

- Building Solutions – Europe reported small growth which was unevenly distributed geographically
- Solid growth in Building Solutions – North America in healthy markets, supply stabilised after 2017 challenges
- Uponor Infra reported strong growth in net sales in North America and Sweden; sales in much of Europe stalled

Operating profit

- Group operating profit driven by operational leverage, despite continued investments; negative translation impact
- Building Solutions – Europe affected by start-up costs in Asia and by weak net sales in some European markets
- Building Solutions – North America grew in local currency, profits were burdened by manufacturing expansion, higher freight costs and increases in material costs
- Uponor Infra profits improved thanks to significant sales growth in North America and Sweden

Developments by segment: Building Solutions – Europe

- Markets are not growing in step with the positive sentiment that prevails
- Our prefab initiatives continue to progress in line with expectations
 - solutions are genuinely helping customers to improve technical quality and offset the impact of labour shortage
- Prolonged winter hindered construction in key markets
- The start-up costs of Asian operations (part of this segment) burdened results



Developments by segment: Building Solutions – North America

- Positive start into the year, recovering well from the supply bottlenecks witnessed last year as a consequence of a production outage in Q2/2017
- Reported numbers affected by adverse development in the EUR/USD rate
- Annex II expansion in Apple Valley, a €16.3 million investment, was opened in January 2018
- 2nd factory in Hutchinson, Minnesota is targeted to be in use in summer 2018



Developments by segment: Uponor Infra

- The overall growth was driven by strong net sales development in North America
- In Europe, Sweden performed strongly, followed by Poland and much of eastern Europe
- Other Nordic countries declined, thus not showing any benefits from the transformation programme



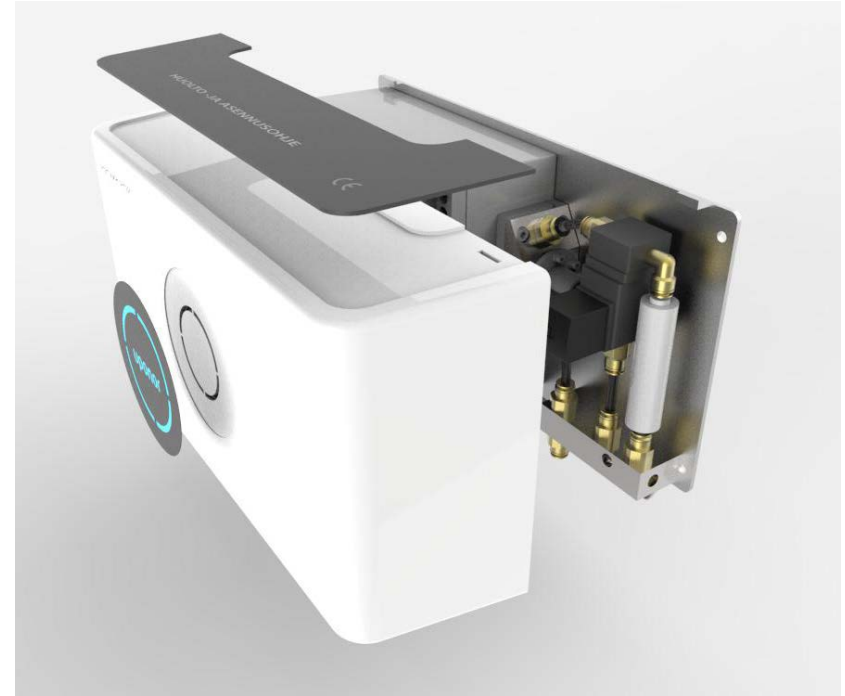
Phyn Plus smart water assistant with nationwide installer network being built up in North America

- Introduced in the U.S. market in January 2018 at leading trade shows
- Won a number of 'Smart Home' awards
- Commercial sales started in Q2/2018
- European introduction planned for ISH 2019
- Authorised network of installers, the Uponor Pro Squad
- In February 2018, Uponor invested an additional USD10 million to boost Phyn expansion, bringing total investment to USD25 million, or 50%



The Uponor online water quality monitoring

- The Uponor online water quality monitoring technology was acquired in Dec 2015
- The innovative online technology will make the potable water distribution safer
- Uponor currently pioneering in infrastructure applications for potable water networks
- The flexible technology can be applied to industry, residential and public premises, such as hospitals, nursing homes and hotels





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Financial statements

Maija Strandberg – CFO, Uponor Corporation

1–3 / 2018

January – March 2018: Key figures

Uponor Group		1-3 2017	1-3 2018	Change Y/Y	1-12 2017
Net sales	M€	265.1	276.9	+4.5%	1,170.4
Operating profit	M€	14.6	17.0	+16.1%	95.9
Comparable operating profit	M€	15.0	17.0	+13.0%	97.2
Comparable operating profit margin	%	5.7%	6.1%	0.5% pts	8.3%
Earnings per share (diluted)	€	0.11	0.11	+0.0%	0.83
Return on equity (p.a.)	%	9.4%	11.1%	+1.7% pts	19.4%
Return on investment (p.a.)	%	9.9%	9.9%	+0.0% pts	16.3%
Net interest bearing liabilities	M€	224.0	211.9	-5.4%	151.5
Gearing	%	74.5%	66.3%	-8.2% pts	43.5%
Net working capital of net sales (p.a.)	%	14.5%	13.8%	-0.7% pts	10.4%
Number of employees, end of period	FTE	3,866	4,189	+8.4%	4,075

January – March 2018: Income statement

Uponor Group, M€	1-3 2017	1-3 2018	Change Y/Y	1-12 2017
Net sales	265.1	276.9	+4.5%	1,170.4
Cost of goods sold	173.7	183.7	+5.8%	776.3
Gross profit	91.4	93.2	+2.0%	394.1
Gross profit margin (%)	34.5%	33.7%	-0.8% pts	33.7%
Other operating income	0.3	0.1	-80.9%	3.1
Expenses	77.1	76.3	-1.1%	301.2
Operating profit	14.6	17.0	+16.1%	95.9
Operating profit margin (%)	5.5%	6.1%	+0.6% pts	8.2%
Financial expenses, net	2.8	1.7	-38.5%	5.4
Share of result in associated companies	-0.5	-2.1	-286.8%	-2.3
Profit before taxes	11.3	13.2	+16.4%	88.2
Profit for the period	7.4	9.2	+25.5%	65.4
EBITDA	24.0	26.5	+10.5%	135.1

- **Net sales**

Negative translation impact from USD, CAD and SEK vs last year. In comparable currency terms, net sales growth was 10.7%

- **Comparable gross profit** came to €93.2 (91.6) million, with the comparable gross profit margin declining slightly to 33.7% (34.6%)

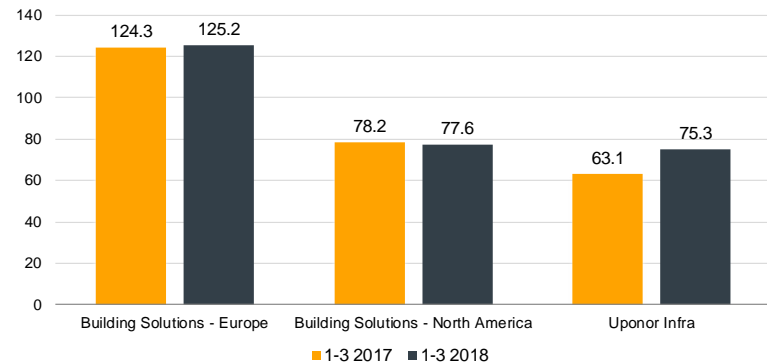
- **Comparable operating profit** came to €17.0 (15.0) million, a change of 13.0%

January – March 2018:

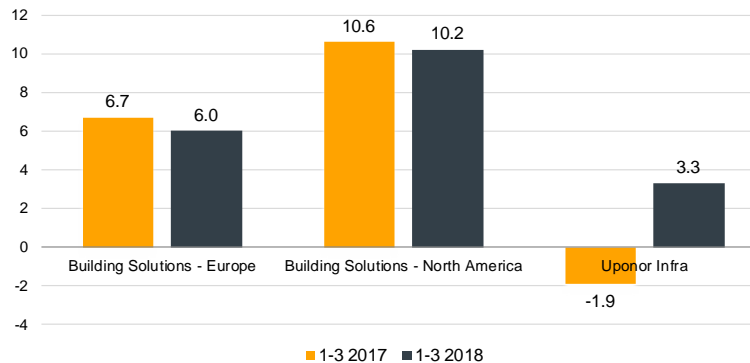
Net sales & comparable operating profit by segment

Currency: M€

Net sales



Comparable operating profit



Net sales

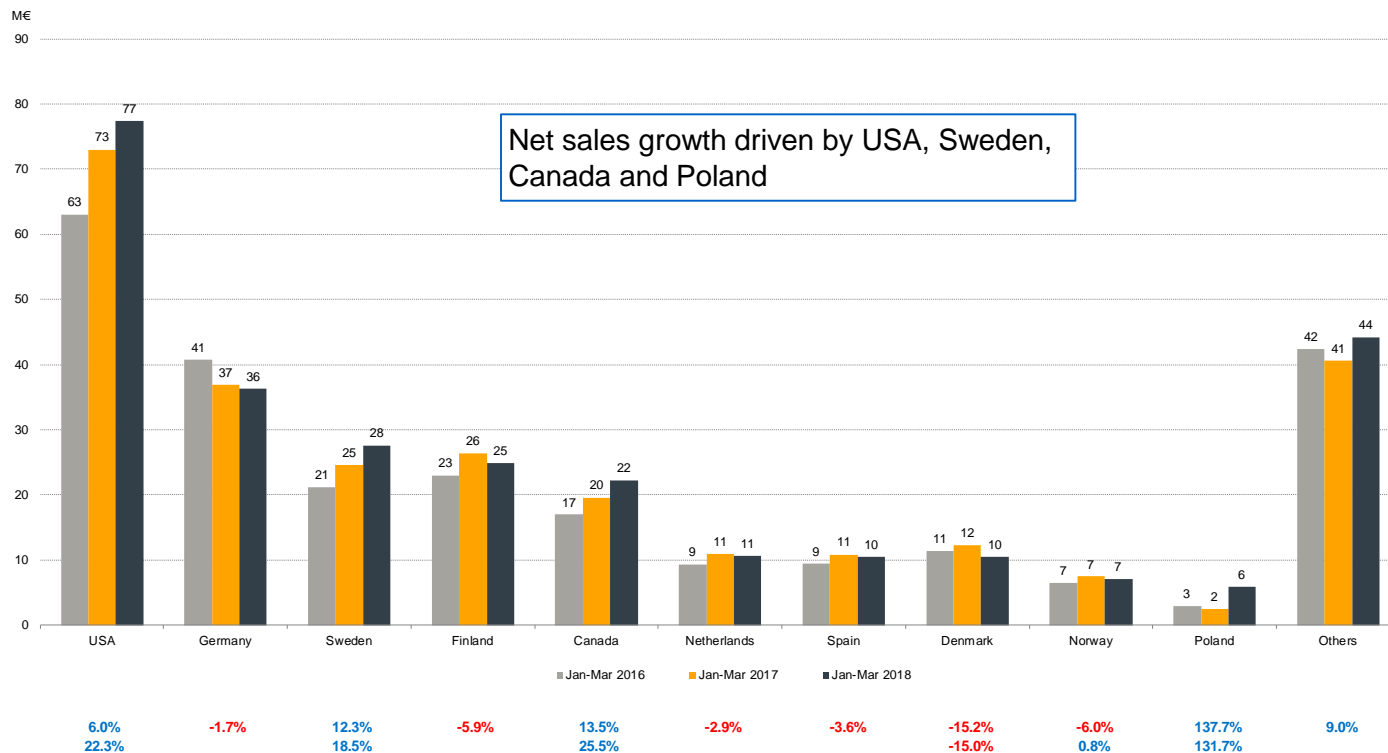
- Strong net sales development in Uponor Infra (+19.3%) from North America and Sweden, in contrast to much of Europe
- Building Solutions – North America’s satisfactory progress in local currency hidden behind EUR/USD translation
- Building Solutions – Europe flat in a low-growth market environment

Operating profit

- Uponor Infra benefited from booming sales in North America
- Building Solutions – North America’s operating profit close to prior year despite costs from manufacturing expansion, higher freight and material costs
- Building Solutions – Europe suffered from flat sales, while also burdened by investment into composite pipe and prefab manufacturing expansion as well as entry into Asia

Net sales development by key markets

Jan-Mar 2018



January – March 2018: Balance sheet

Uponor Group, M€	31 Mar 2017	31 Mar 2018	Change Y/Y	31 Dec 2017
Property, plant and equipment	239.3	248.3	+9.0	252.2
Intangible assets	118.5	114.7	-3.8	116.0
Securities and long-term investments	33.7	25.7	-8.0	20.2
Inventories	152.4	151.3	-1.1	132.7
Cash and cash equivalents	18.0	46.9	+28.9	107.0
Other current and non-current assets	251.0	268.6	+17.6	237.7
Assets total	812.9	855.5	+42.6	865.8
Total equity	300.7	319.4	+18.7	348.4
Non-current interest-bearing liabilities	157.7	174.7	+17.0	176.6
Provisions	27.2	27.3	+0.1	28.9
Non-interest-bearing liabilities	243.0	250.1	+7.1	230.0
Current interest-bearing liabilities	84.3	84.0	-0.3	81.9
Shareholders' equity and liabilities total	812.9	855.5	+42.6	865.8

- Investments addressing growth in demand:
 - building up manufacturing capacity in the U.S.
 - increasing seamless aluminium composite pipe (SACP) and prefab capacity in Europe
- Uponor invested a further USD 10m(€8.1m) in Phyn in Feb 2018, bringing total to USD25m
- €35.8m in dividends was declared
 - Two instalments: 1st part was paid in March, 2nd scheduled for September
- Gearing at 66.3% (74.5%), four-quarter rolling gearing at 56.4% (59.6%)

January – March 2018: Cash flow

Uponor Group, M€	1-3 2017	1-3 2018	Change Y/Y	1-12 2017
Net cash from operations	+22.5	+30.5	+8.0	+141.8
Change in NWC	-40.6	-46.4	-5.8	-7.2
Net payment of income tax and interest	-4.9	-9.1	-4.2	-33.1
Cash flow from operations	-23.0	-25.0	-2.0	+101.5
Cash flow from investments	-7.8	-17.6	-9.8	-59.5
Cash flow before financing	-30.8	-42.6	-11.8	+42.0
Dividends paid	-33.6	-17.6	+16.0	-33.6
Other financing	+66.1	+0.3	-65.8	+82.6
Cash flow from financing	+32.5	-17.3	-49.8	+49.0
Conversion differences	+0.0	-0.2	-0.2	-0.3
Change in cash and cash equivalents	+1.7	-60.1	-61.8	+90.7

- Gross investments came to €9.9 (7.8) million
- Cash flow from operations came to €-25.0 million, partly due to higher inventories
- Cash flow from financing includes the first dividend instalment of a total of €35.8 million





















BUILD ON
Uponor 100
YEARS

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Outlook for the future

Jyri Luomakoski – President and CEO, Uponor Corporation

Leading indicators: Still solid, but growth is slowing

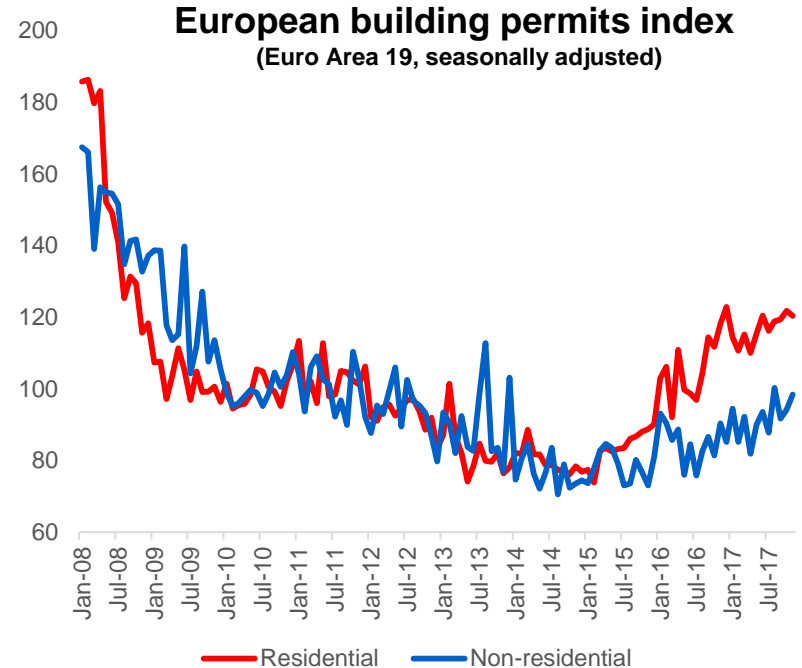
	Indicator	YTD % Change	Rolling 12-month % Change	Data through	Trend since Q4 update
 USA	Housing starts	+11% ¹⁾	N/A	March 2018	
 Germany	Housing permits	-2%	-6%	January 2018	
 Sweden	Housing starts	+8%	+8%	December 2017	
 Finland	Housing permits	+32%	+14%	January 2018	
 Canada	Housing starts	-10% ¹⁾	N/A	March 2018	
 Netherlands	Housing permits	+8%	+25%	January 2018	
 Spain	Housing permits	+7%	+24%	January 2018	
 Denmark	Housing starts	+4%	N/A	January 2018	
 Norway	Housing starts	-12%	-7%	February 2018	
 Poland	Housing completions	+10%	+10%	February 2018	

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

Source: National Statistics Offices

Building permit activity in Europe points towards broad-based, but uneven improvement

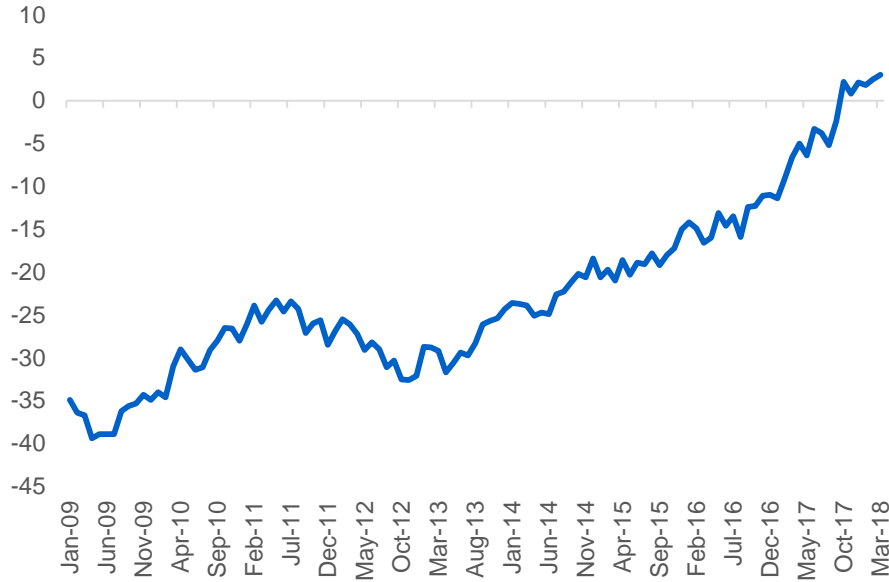
- Data through November 2017 shows continued growth in residential building permits in Europe as a whole compared to the same time last year, driven by the multi-family segment
- Developments in the more volatile non-residential segment have been mixed, but permit activity is trending upward



Source: Eurostat (Base year = 2010)

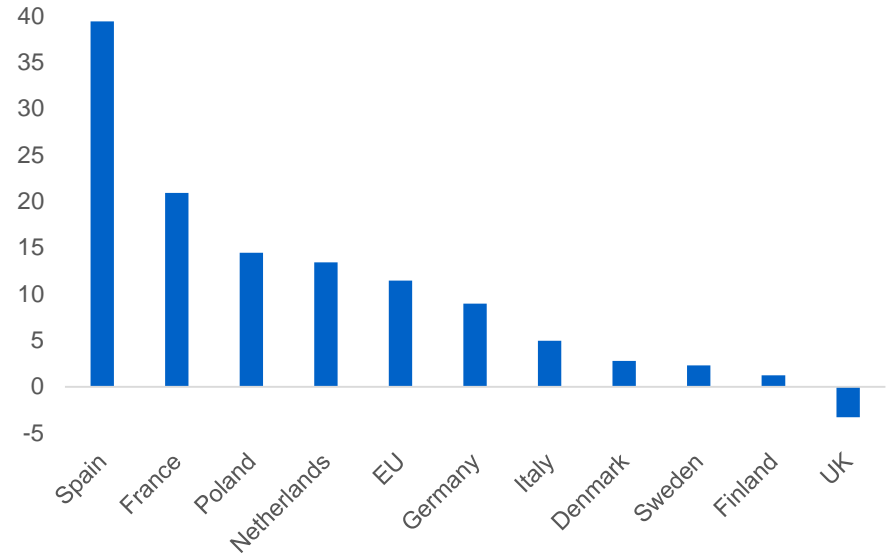
Builder confidence in Europe remains solid and has been stable overall since October

EU construction confidence index



Change in construction confidence index

(Q1 2018 avg. vs Q1 2017 avg.)



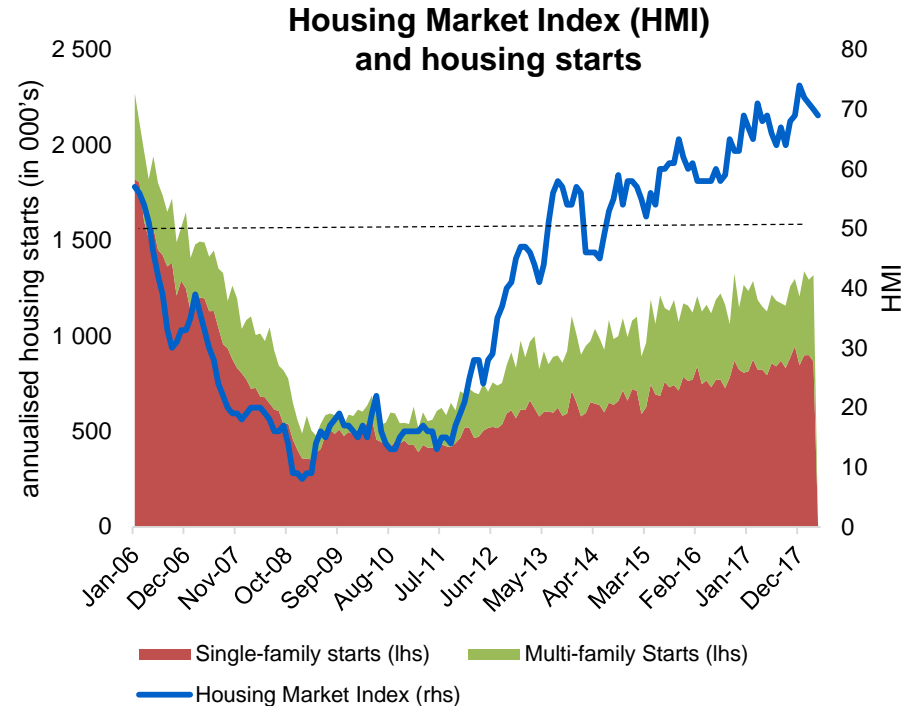
Source: Eurostat

USA - Continued expansion

Growth in the economy remains robust, supported by significant expansionary fiscal measures, while the fallout from the introduction of new trade barriers has had minimal impact to-date

Within the construction industry:

- Homebuilder sentiment remains strong, having reached an 18-year high in December
- Construction activity rose in both the residential and non-residential segments during the quarter
- However, labour shortages and increasing material costs continue to hamper growth



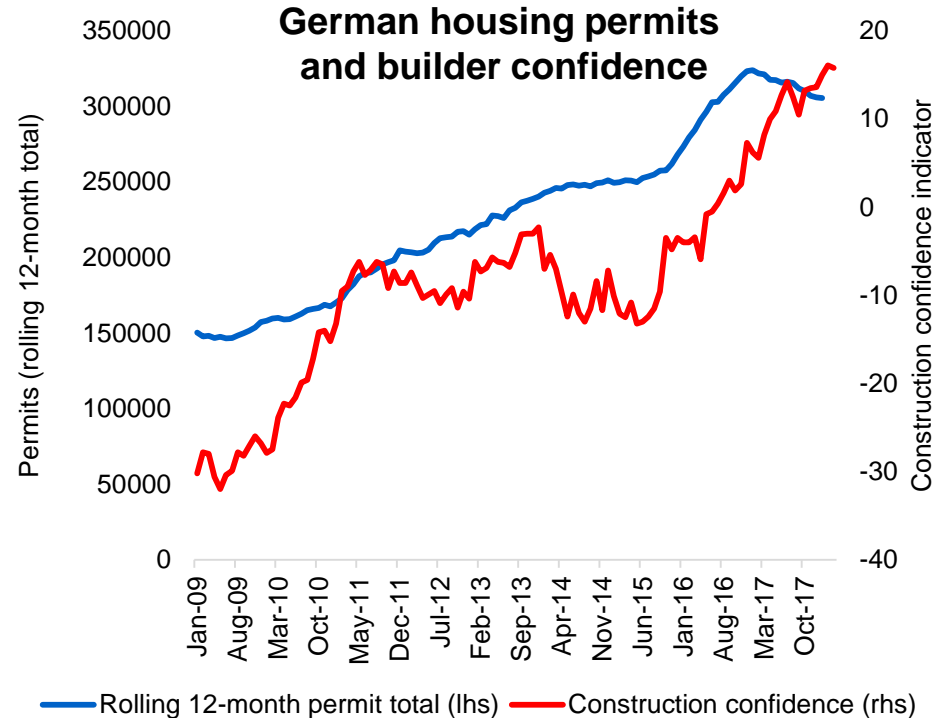
Source: US Census, NAHB/Wells Fargo

Germany - A strong labour market is supporting residential investment

With employment levels at a post-reunification high and industrial production expanding, the economy has continued to grow at a healthy rate

Within the construction industry:

- Although residential permit levels have retreated from their 2016 highs, new multi-family construction has continued to increase
- Builder confidence remains near all-time-highs
- Order books and construction volumes have continued to trend upward
- Activity in the significantly larger renovation segment remained steady



Source: Destatis and Eurostat

Management agenda for 2018

- Continue commercial penetration, prefab and digital offerings in Building Solutions - Europe
- Stabilise Uponor Infra's production inefficiencies resulting from the relocations in 2017
- Enhance customer experience by segment-specific sales & marketing initiatives while simultaneously securing an industry-leading supply of products in Building Solutions – North America
- Help transform the HVAC trade by capitalising on the Phyn smart water offering, and pave the way for the European launch in 2019



Guidance 2018

- Uponor is continuing to execute its historically high capital expenditure programme, with capex (excluding investment in shares) estimated to remain at roughly the same level as in 2017 (€63.4m), mainly driven by the capacity expansion programme in North America
- Despite increased political tensions and volatility, there are no signs of major changes in the markets, which could materially alter the business environment from what it is today
- Assuming that economic and political developments in Uponor's key geographies otherwise continue undisturbed, Uponor repeats its earlier full-year guidance for 2018:

**Excluding the impact of currencies,
Uponor expects its organic net sales and
comparable operating profit to grow from 2017**



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CMD
2018
Capital Markets Day

Uponor arranges a
Capital Markets Day
for investors and analysts on Thursday,
17 May 2018 at its facilities in Apple
Valley, USA.

Live webcast will be available at
investors.uponor.com or via our IR app.

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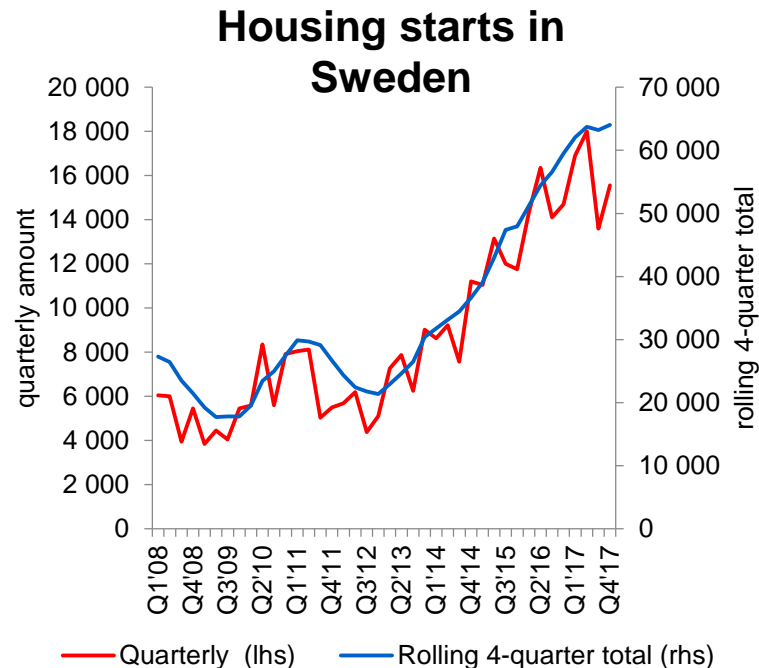
Appendix

Sweden: Fundamentals remain generally solid, but down-side risks have increased

The economy continues to expand, with broad support from consumers, industry and the government

Within the construction industry:

- Housing starts remain at a high level, but are no longer growing
- House price appreciation has stalled in many areas of the country and prices have begun to fall in others
- Non-residential building permits have slowed in some segments
- Builder confidence has retreated from the record highs witnessed last autumn, but remains very positive

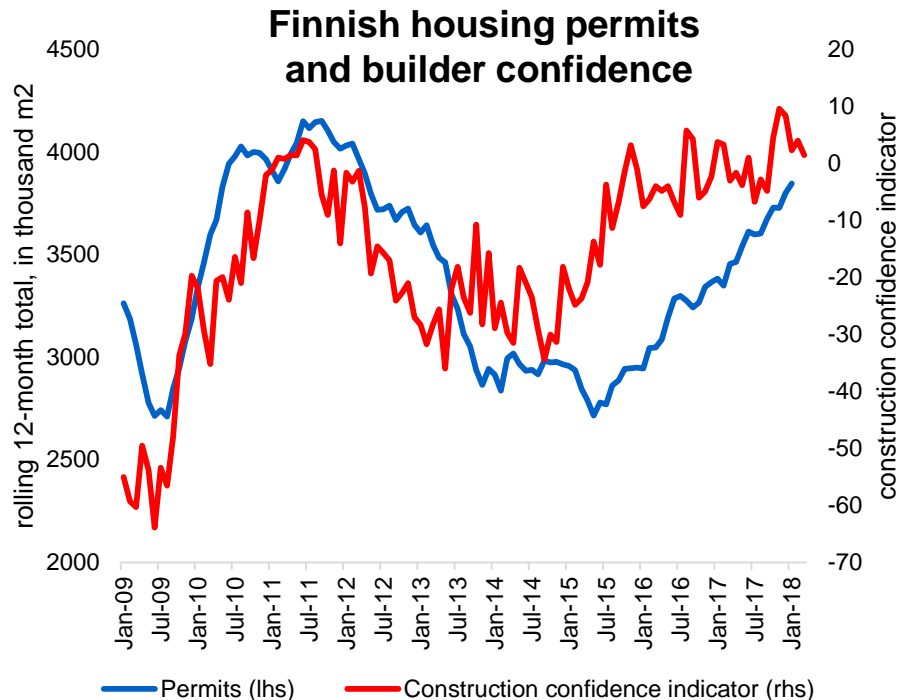


Finland: Fundamentals continue to improve, but construction growth is uneven

The economy continues to expand at a healthy pace and consumer confidence has reached the highest level since recordkeeping began 30 years ago

Within the construction industry:

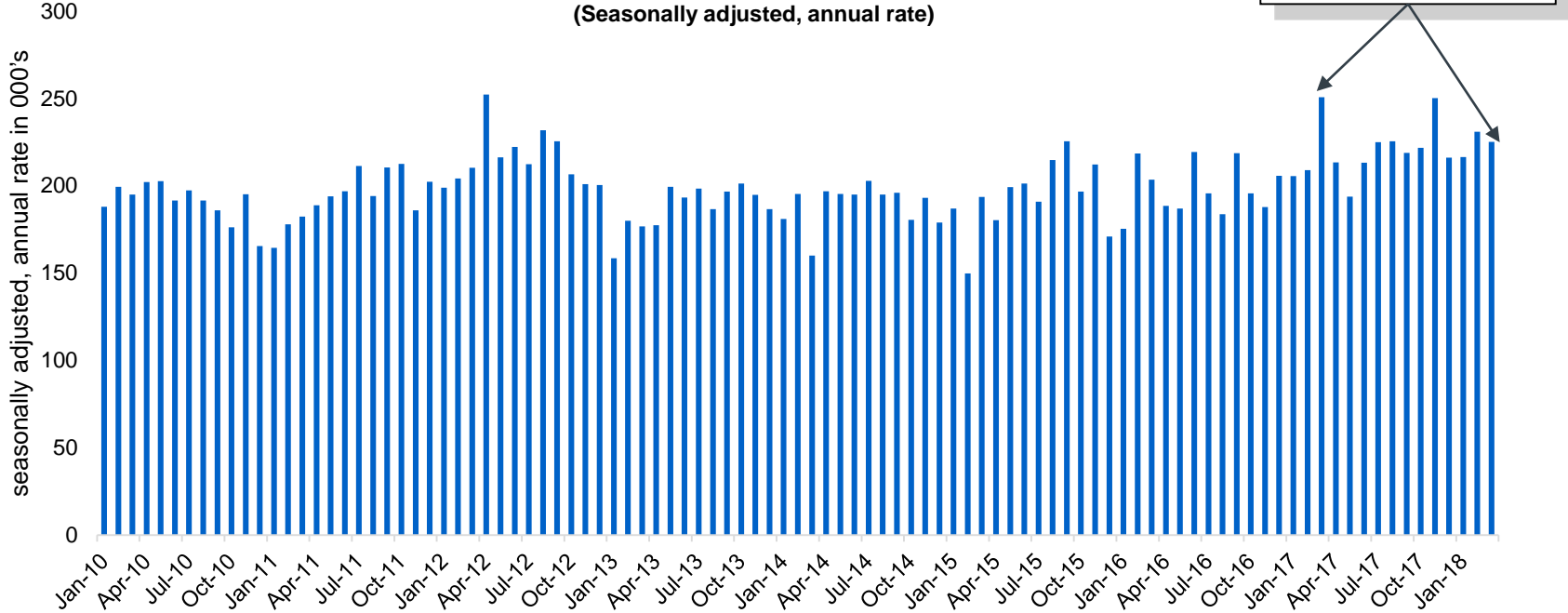
- Residential building permits have grown, while non-residential permits have slowed
- Broad-based increases in construction activity, with the growth in building construction significantly higher than in civil engineering
- Residential construction activity continues to be focused on urban growth centres
- Builder confidence has retreated from the record highs witnessed last autumn, but remains very positive



Source: Statistics Finland & Eurostat

Canada

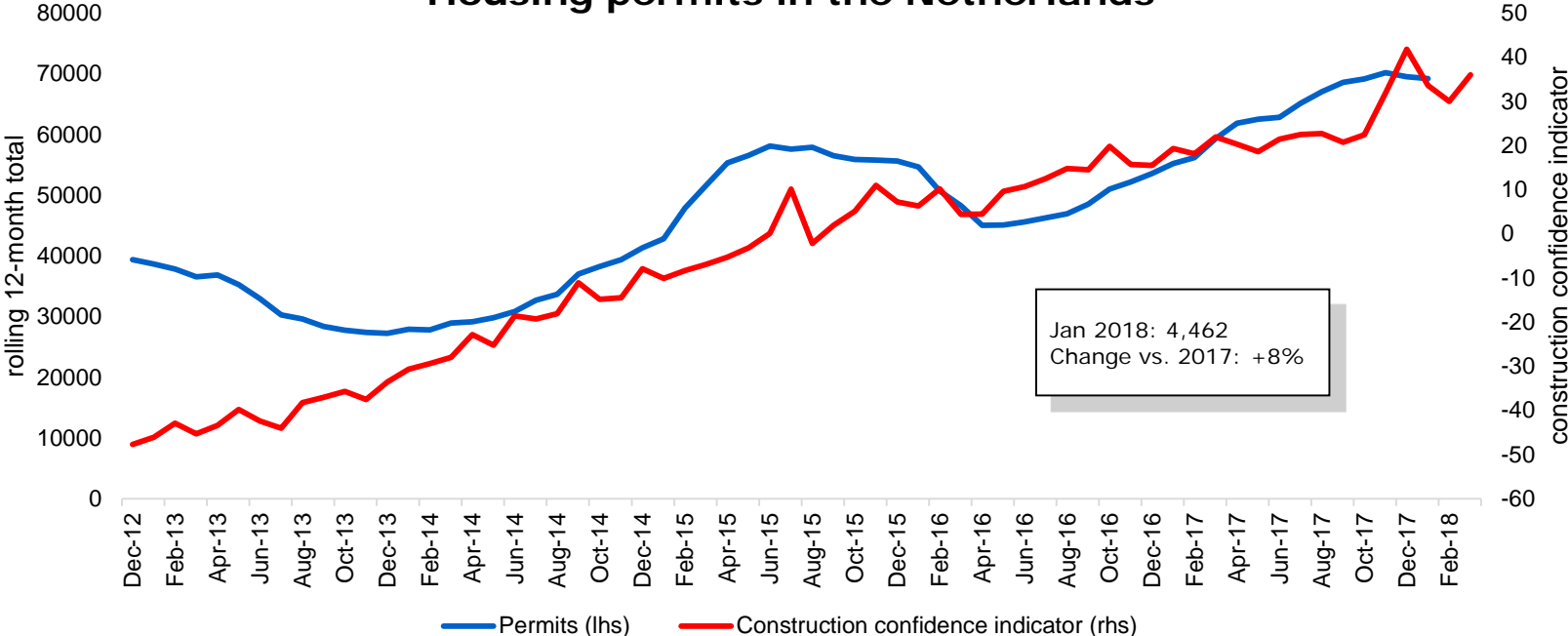
Housing starts in Canada (Seasonally adjusted, annual rate)



Source: CMHC/ Statistics Canada

Netherlands

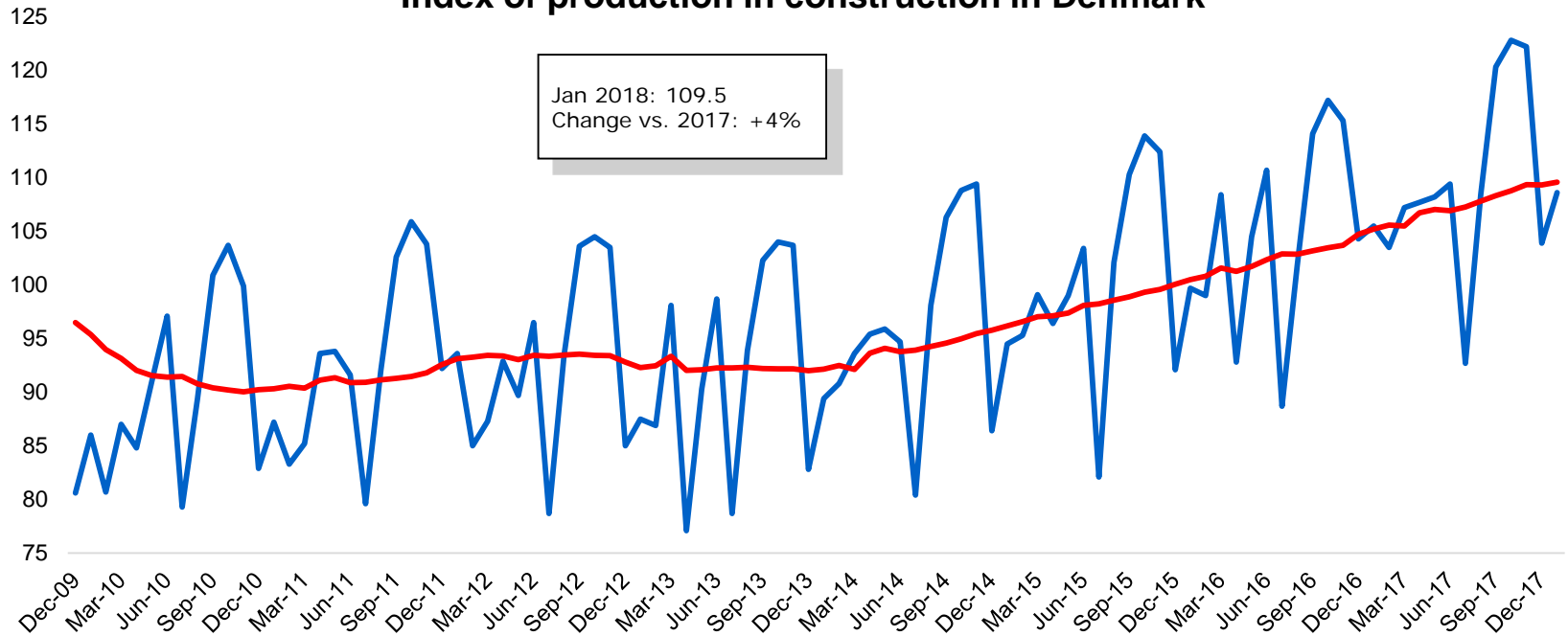
Housing permits in the Netherlands



Source: Statistics Netherlands

Denmark

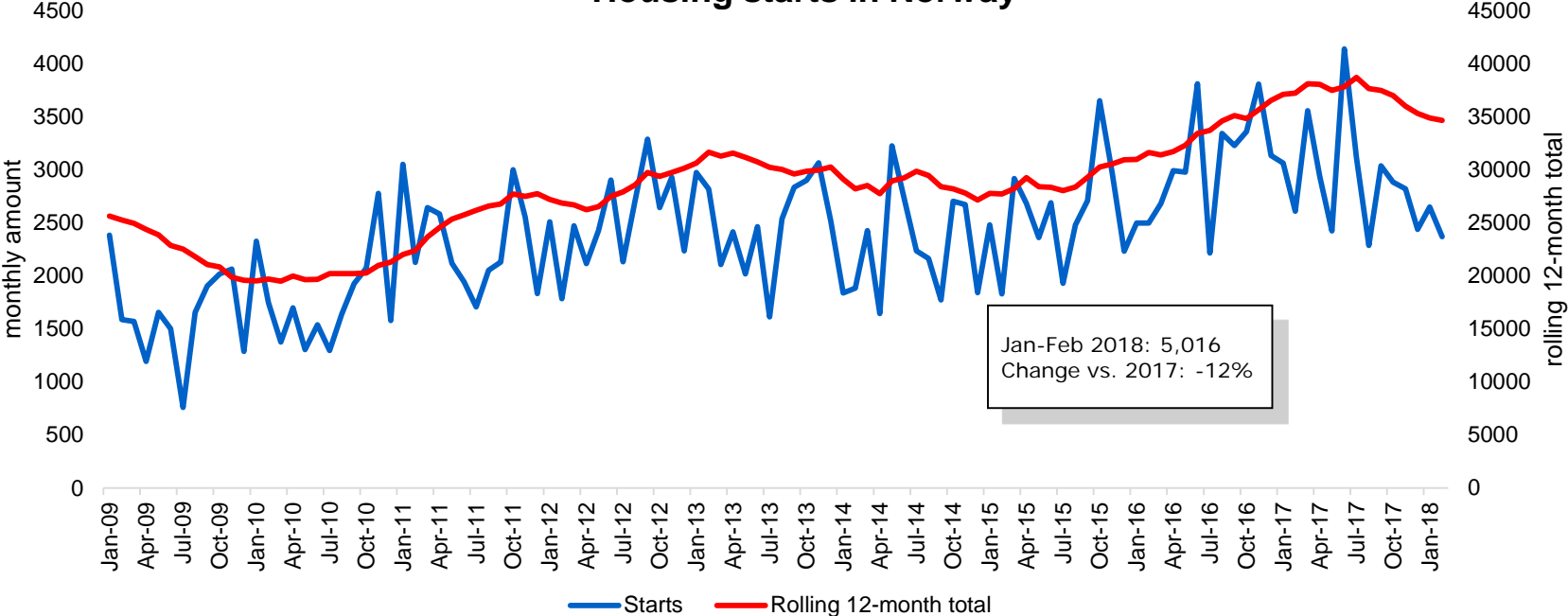
Index of production in construction in Denmark



Source: Statistics Denmark

Norway

Housing starts in Norway



Source: Statistics Norway