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Financial results briefing

Jyri Luomakoski – President and CEO, Uponor Corporation
Riitta Palomäki – CFO, Uponor Corporation

1–12 / 2016

Q4/2016: Satisfactory progress but no growth vs the strong comparison period

October - December, M€	10-12/ 2015	10-12/ 2016	Change	OP margin
Net sales	262.0	**268.9**	2.6%	
Operating profit	14.0	**7.5**	-46.5%	2.8%
Comparable operating profit	16.5	**16.1**	-2.3%	6.0%

Net sales
- Building Solutions – Europe reported an increase of 10.0%, with just over half coming from the German acquisitions in January 2016, the rest is organic
- In Building Solutions – North America, net sales growth decreased, as y-o-y growth of the market was stabilising in 2nd half 2016. Growth was also curbed by volatility in sales originating in the plastic fittings resin shortage that began in late 2015.
- Uponor Infra's net sales picked up in northern Europe, but subdued markets elsewhere influenced in a negative way

Operating profit
- Building Solutions – Europe's reported operating profit declined as a result of the transformation programme. Comparable operating profit grew by 40.4%
- Building Solutions – North America's profitability remained strong, despite issues related to managing the fittings resin shortage
- Uponor Infra reported weakening performance vs the strong Q4/2015, mainly due to weak Eastern Europe and North America

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1-12/2016: Improving comparable operating profit supported by transformation; small organic growth

January - December, M€	1-12/ 2015	1-12/ 2016	Change	OP margin
Net sales	1,050.8	1,099.4	4.6%	
Operating profit	71.4	71.0	-0.7%	6.5%
Comparable operating profit	75.8	90.7	19.7%	8.2%

Net sales

- Building Solutions – Europe's net sales +9.4%, driven by acquisitions and demand pick up in much of Europe
- Building Solutions – North America's net sales +10.7% (local curr), the first half of the year more robust than the second; challenges from plastic fittings resin supply that started at the end of 2015
- Uponor Infra's net sales –7.7% due to weak development in Poland and America, despite increasing demand in northern Europe

Operating profit

- Building Solutions – Europe reported an improvement as a result of higher net sales and lower expenditure enabled by savings from the transformation programme
- Building Solutions – North America's profit margin did not quite reach the strong comparison figure in 2015, mainly due to extra costs associated with managing the shortage of a key resin for plastic fittings
- Uponor Infra reported a decline but comparable operating profit improved clearly; the segment benefited from stable resin prices

Developments by segment: Building Solutions – Europe

- Net sales in local currency grew in 9/10 largest countries reflecting the budding recovery in Europe
  - In Germany, growth was from acquisitions as well as successes achieved in project business
  - Within the Nordic countries, the boom continued in Sweden, and also Finland trended well

- The transformation programme initiated in Q4/2015 was almost completed, final measures scheduled for completion during Q1/2017
  - A total of 10 offices closed (one moved) during 2016
  - Net reduction in head count at 164 (target 250)
  - Concentration of European PEX pipe production almost finalised
- New setup with stronger and leaner management structure close to growth centres, and efficient manufacturing network
- New factory in Asia operational, with China now ranking in top 10 in terms of personnel by country

Developments by segment: Building Solutions – North America

- The year 2016 was twofold, with solid growth continuing in the first half, and growth stabilising in the 2^{nd} half, reflecting general building and construction market trends
- Challenges were posed by plastic fittings resin supply and its careful management; returned to full supply by year-end
- Overall, Uponor's PEX plumbing offering sales grew well in 2016 in the U.S. and in Canada

Recent capacity expansion 'up and running' after the new manufacturing building was taken into use in 2016

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Developments by segment: Uponor Infra

- Modest increase in infrastructure solutions demand in northern Europe, while weak market development persisted in Eastern Europe (Poland) and North America

- Benefits from the earlier streamlining programmes in the Nordic countries achieved as expected

- Transformation programme in Europe and the cost reduction programme started in Canada in the fourth quarter 2016 were completed in Q1/2017
  - Production centralised in Finland and Denmark
  - In total, 75 jobs were reduced as part of the transformation programme during 2016

- In stark contrast to 2015, the resin price development in 2016 was rather stable, contributing to a more stable input cost environment and gross profit

Investment in R&D and technology

- In 2016, Uponor's R&D expenditure exceeded €20 million for the first time
  - New Group Technology function
  - Investment in digitalisation initiatives
  - New product, application and materials development

- Strategic focus on hygiene, safety and sustainability
  - UWater online monitoring – Dec 2015
  - KaMo/Delta fresh water stations - Jan 2016
  - Joint venture Phyn with Belkin to pioneer in intelligent water - July 2016

Phyn

Smatrix Aqua PLUS


Aqua & Combi Port


Ecoflex Thermo PRO


UWater

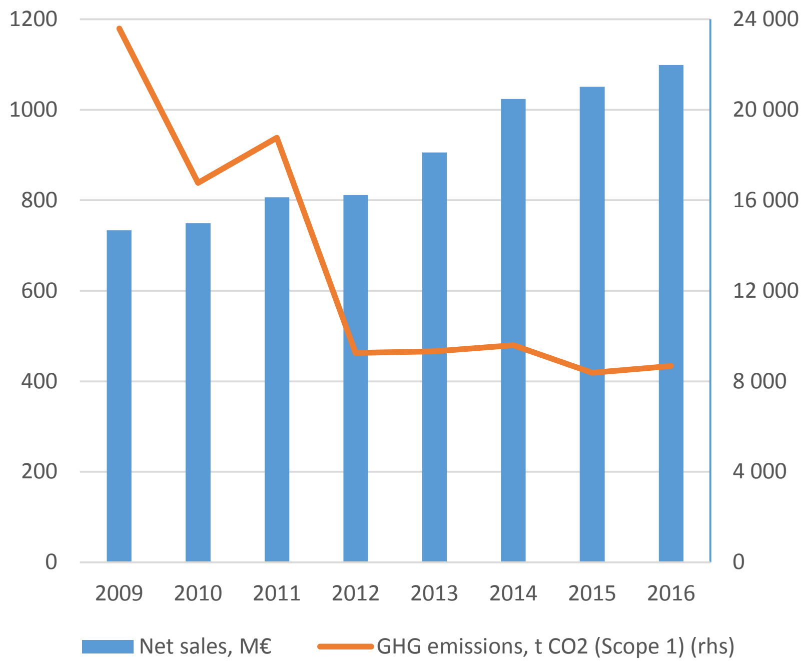

Uponor Decibel

People and planet in focus

- Renewed leadership development portfolio: in 2016, ca 100 employees participated
- Transition management training for 150 leaders across Europe

- Reduced GHG emissions in operations and improved CDP Climate Change ranking

- 10 out of 14 sites are certified by ISO 14001 environmental management system
- 6 are certified by ISO 50001 energy management system, with a rollout to all Uponor production sites planned by 2020



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

First renovation project involving radiant ceiling cooling in tropical climate: Seng Choon Office Building, Singapore

Water supply in demanding terrain: Glomfjord, Norway

Restoring old-world charm to an iconic hotel: The Cavalier Hotel, Virginia, USA

Radiant heating and cooling in European Central Bank: Frankfurt, Germany

Water supply in extreme weather conditions: Gabriel de Castilla research station, Antarctica

Securing safe transportation of waste water: Borås, Sweden

Radiant heating and cooling in an underground women’s university: Seoul, South Korea

Ice-free pavement throughout the year: Lahti, Finland

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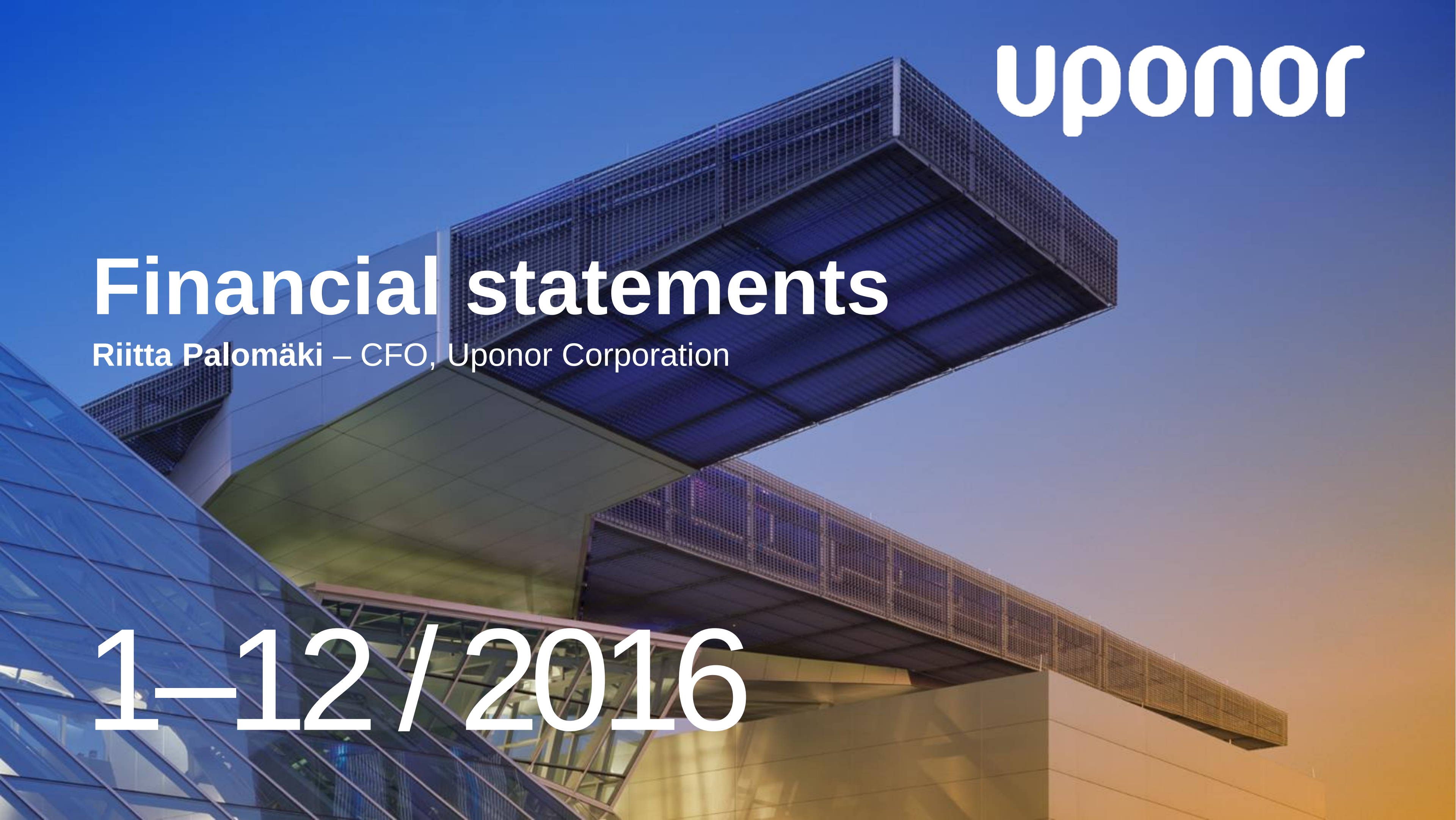

Financial statements

Riitta Palomäki – CFO, Uponor Corporation

1–12 / 2016

January-December 2016
Key figures

Uponor Group, continuing operations		1-12 2015	1-12 2016	Change Y/Y
Net sales	M€	1,050.8	1,099.4	+4.6%
Operating profit	M€	71.4	71.0	-0.7%
Comparable operating profit	M€	75.8	90.7	+19.7%
Comparable operating profit margin	%	7.2%	8.2%	1.0% pts
Earnings per share (diluted)	€	0.51	0.58	+13.7%
Return on equity (p.a.)	%	12.1%	13.1%	1.0% pts
Return on investment (p.a.)	%	15.5%	14.1%	-1.4% pts
Net interest bearing liabilities	M€	91.3	159.5	+74.7%
Gearing	%	29.3%	48.8%	+19.5% pts
Net working capital of Net sales (p.a.)	%	8.1%	10.2%	+2.1% pts
Number of employees, end of period	FTE	3,735	3,868	+3.6%

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October-December 2016
Income statement

Continuing operations, M€	10-12 2015	10-12 2016	Change Y/Y
Net sales	262.0	268.9	+2.6%
Cost of goods sold	170.6	183.0	+7.3%
Gross profit	91.4	85.9	-6.0%
Gross profit margin (%)	34.9%	31.9%	-2.9% pts
Other operating income	1.5	1.8	+25.0%
Expenses	78.9	80.2	+1.7%
Operating profit	14.0	7.5	-46.5%
Operating profit margin (%)	5.3%	2.8%	-2.6% pts
Financial expenses, net	3.2	2.8	-11.7%
Share of result in associated companies	0.1	-0.8	-868.2%
Profit before taxes	10.9	3.9	-63.8%
Profit for the period	4.4	5.9	+32.6%
EBITDA	25.8	17.5	-32.1%

- **Net sales** growth flat in organic terms
- **Comparable gross profit margin** at 34.1% (35.0)%. All segments reported a small drop
- **Comparable operating profit** at €16.1m, 6.0% (Q4/2015: €16.5m, 6.3%)

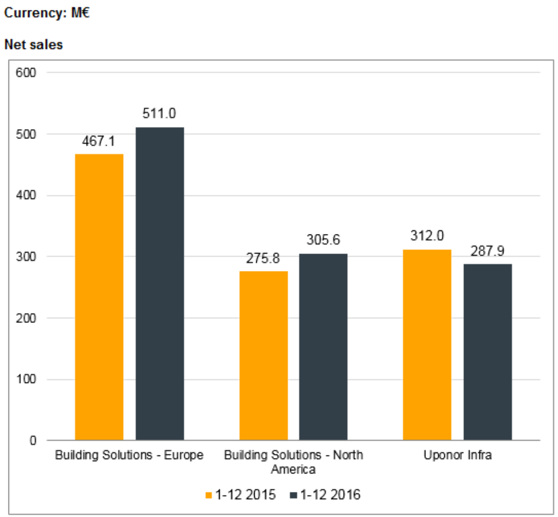
January-December 2016

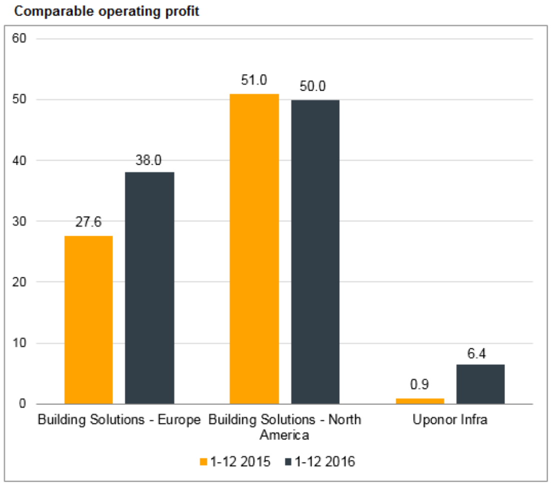
Income statement

Continuing operations, M€	1-12 2015	1-12 2016	Change Y/Y
Net sales	1,050.8	1,099.4	+4.6%
Cost of goods sold	680.6	723.4	+6.3%
Gross profit	370.2	376.0	+1.6%
Gross profit margin (%)	35.2%	34.2%	-1.0% pts
Other operating income	2.4	4.2	+78.4%
Expenses	301.2	309.2	+2.7%
Operating profit	71.4	71.0	-0.7%
Operating profit margin (%)	6.8%	6.5%	-0.3% pts
Financial expenses, net	8.9	10.0	+11.6%
Share of result in associated companies	0.3	-0.6	-303.2%
Profit before taxes	62.8	60.4	-3.8%
Profit for the period	37.1	41.5	+11.7%
EBITDA	110.5	112.6	+1.9%

- **Net sales** growth 2.0% in organic terms, currency impact totalled -€10.3 million, mainly due to the GBP and CAD
- **Expenses** slightly up due to transformation costs, German acquisitions, and costs associated with growing operations in Building Solutions – North America. The increase was partially offset by the favourable progress in European transformation programmes.
- **Comparable operating profit** €90.7m, 8.2%, up by 19.7% (2015: €75.8m, 7.2%)
- **Effective tax rate** at 31.3% (40.9%) below the anticipated longer-term level. Includes one-time R&D tax credits in the USA

January-December 2016
Net sales and results by segment





Building Solutions – Europe

- Net sales growth driven by the German acquisitions. Comparable operating profit margin at 7.4%, up from 5.9%

Building Solutions – North America

- Only modest net sales growth in H2/ 2016; increased costs from managing resin supply shortage. Comparable operating profit margin at 16.4%, down by 2.1% pts from the very high level in 2015

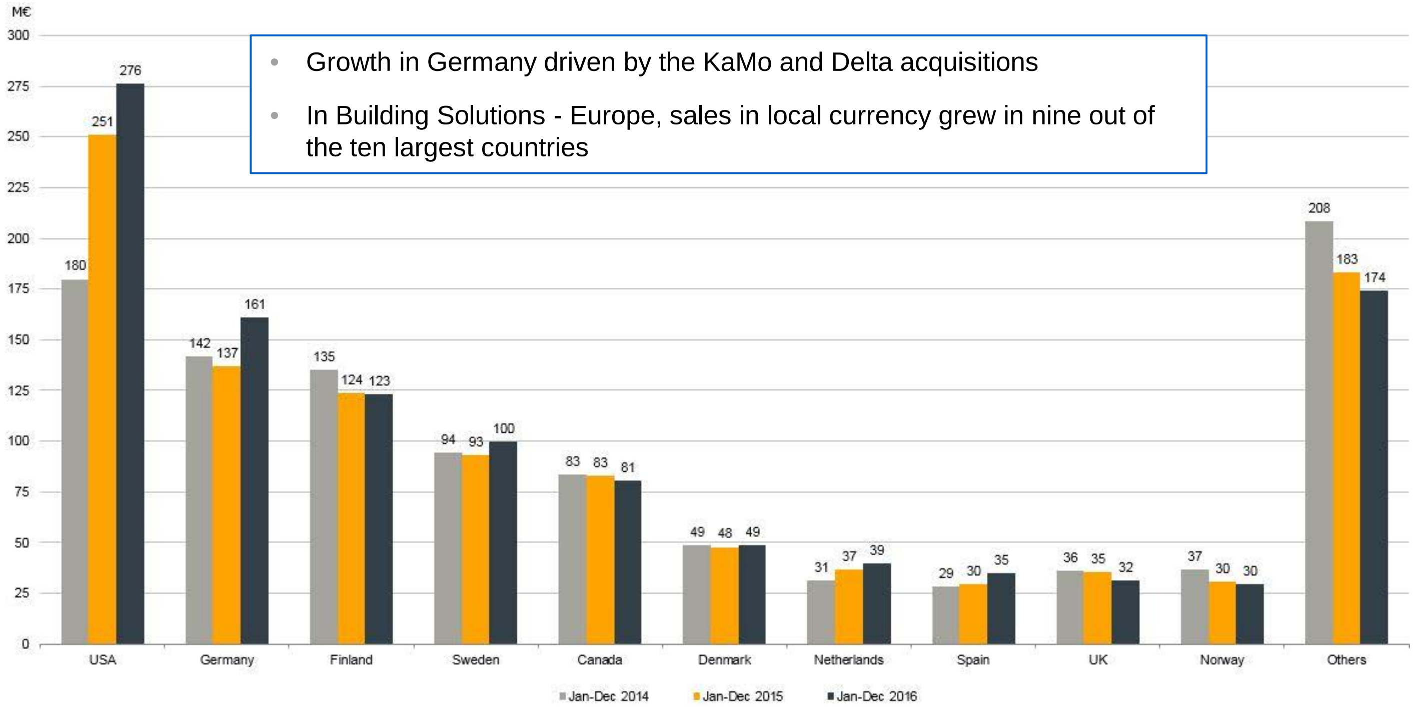
Uponor Infra

- Net sales down by 7.7% driven by Poland and North America. Improved comparable operating profit resulted from reduced cost level and improving performance in most of the Nordic countries

January-December 2016

Net sales development by key markets

- Growth in Germany driven by the KaMo and Delta acquisitions
- In Building Solutions - Europe, sales in local currency grew in nine out of the ten largest countries



Growth	USA	Germany	Finland	Sweden	Canada	Denmark	Netherlands	Spain	UK	Norway	Others
% in EUR	10.0%	17.8%	-0.5%	7.0%	-2.6%	2.4%	6.7%	17.4%	-10.6%	-2.5%	-4.9%
% in Curr.	9.9%			8.6%	-0.2%	2.2%			1.6%	0.4%	

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January-December 2016
Balance sheet

M€	31 Dec 2015	31 Dec 2016	Change Y/Y
Property, plant and equipment	221.4	240.9	+19.5
Intangible assets	94.7	119.0	+24.3
Securities and long-term investments	21.0	34.7	+13.7
Inventories	112.4	139.3	+26.9
Cash and cash equivalents *	49.2	16.3	-32.9
Other current and non-current assets	209.1	217.3	+8.2
Total equity	311.7	326.9	+15.2
Non-current interest-bearing liabilities	91.2	158.2	+67.0
Provisions	25.0	28.8	+3.8
Non-interest-bearing liabilities	231.6	236.0	+4.4
Current interest-bearing liabilities	48.3	17.6	-30.7
Balance sheet total	707.8	767.5	+59.7

* In 2015, cash and cash equivalents include €1.0 million restricted cash

- Increase in the balance sheet driven by the KaMo and Delta acquisitions and a growing business in Building Solutions – North America
- In Europe, inventories were increased to serve as buffers in connection with production transfers in both Building Solutions – Europe and in Uponor Infra.
- Non-controlling interest represents €63.6m of the total equity at €326.9m

January-December 2016
Cash flow

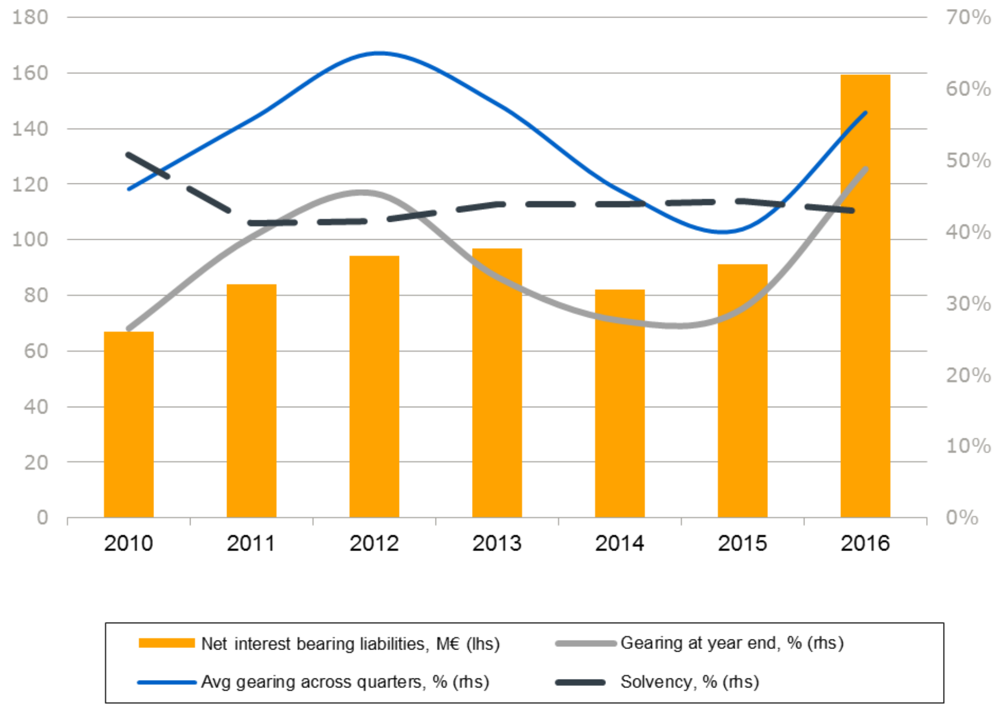
M€	1-12 2015	1-12 2016	Change Y/Y
Net cash from operations	+105.6	+105.3	-0.3
Change in NWC	-15.0	-16.6	-1.6
Net payment of income tax and interest	-32.4	-28.8	+3.6
Cash flow from operations	**+58.2**	**+59.9**	**+1.7**
Cash flow from investments	-41.7	-91.8	-50.1
Cash flow before financing	**+16.5**	**-31.9**	**-48.4**
Dividends paid	-30.7	-32.2	-1.5
Other financing	+2.3	+32.0	+29.7
Cash flow from financing	-28.4	-0.2	+28.2
Conversion differences	-0.1	+0.2	+0.3
Change in cash and cash equivalents	-12.0	-31.9	-19.9

- Gross CapEx (€50.7m) on prior year level (€50.1m)
- Funds were allocated to new production technology in Building Solutions – Europe, capacity expansion in Building Solutions – North America, and production enhancement projects in Uponor Infra

- Cash flow from investments includes a net cash flow effect of €-44.9m from the German acquisitions and the establishment of a new joint venture, Phyn, with Belkin. The comparison year includes a net cash flow effect of €+7.6m from the divestments in Uponor Infra

January-December 2016

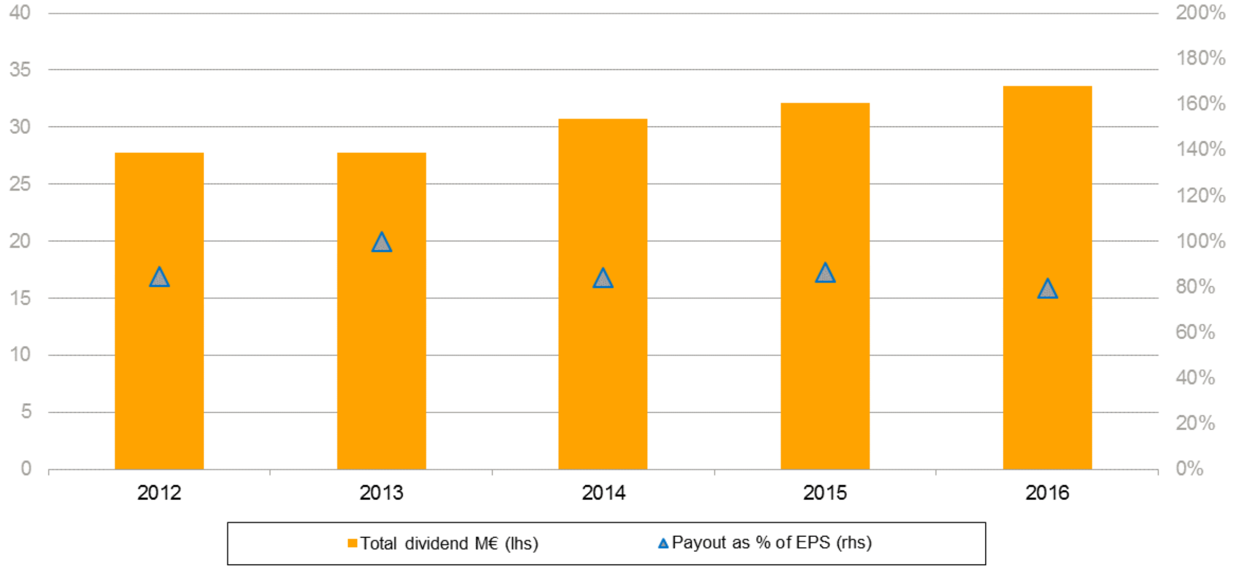
Capital structure development



- Net interest bearing liabilities €159.5m, up €68.2m, driven by acquisitions
- Average gearing across quarters at 56.7%, up from 40.4% in 2015, and in line with the long-term target between 30 and 70

January-December 2016

Dividends and payout ratio



Board's dividend proposal for 2016: €0.46 per share

Outlook for the future

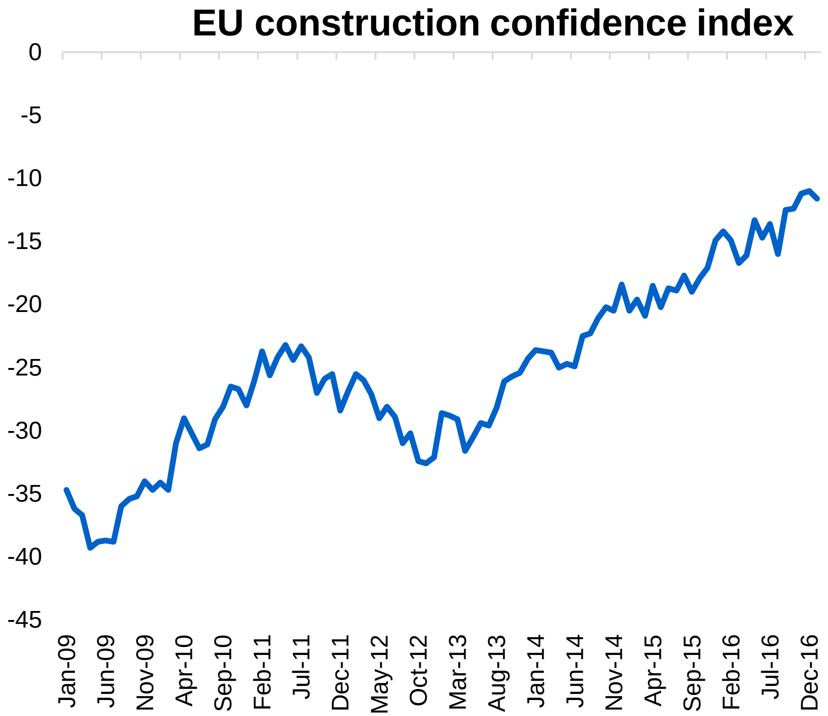
Jyri Luomakoski – President and CEO, Uponor Corporation

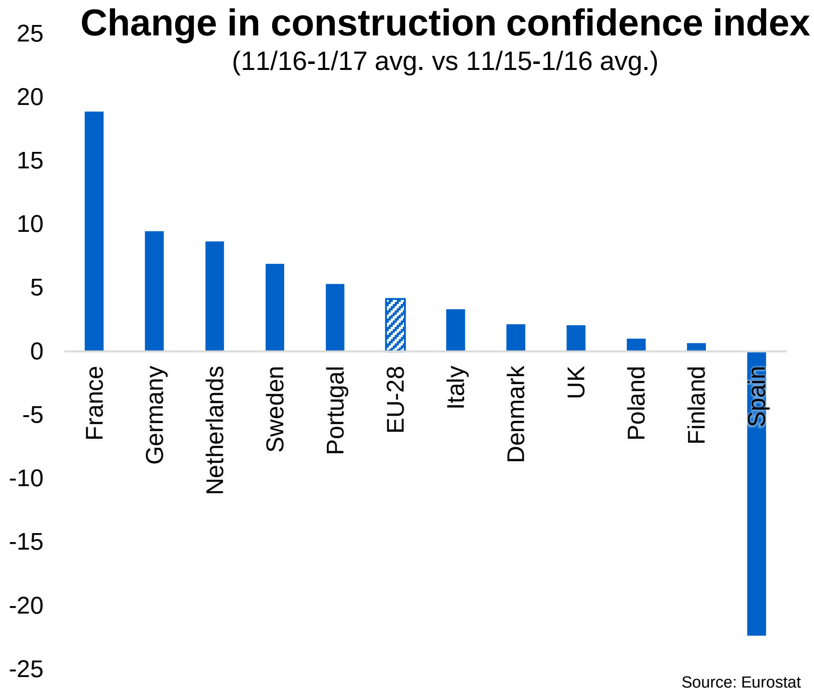
Leading indicators: generally positive outlook

	Indicator	YTD % Change	Rolling 12-month % Change	Data through	Trend since Q3 update
USA	Housing starts	+6%[1)]	N/A	December 2016	↗
Germany	Housing permits	+22%	+22%	November 2016	→
Finland	Housing permits	+10%	+10%	November 2016	→
Sweden	Housing starts	+39%	+30%	Q3 2016	→
Canada	Housing starts	+20%[1)]	N/A	December 2016	↗
Denmark	Housing starts	-3%	-2%	September 2016	↘
Netherlands	Housing permits	-9%	-10%	November 2016	→
Spain	Housing permits	+33%	+38%	November 2016	→
UK	Housing starts[2)]	+0%	+4%	Q3 2016	→
Norway	Housing starts	+18%	+18%	December 2016	→

[1)] Seasonally adjusted, annualised rate vs. same month in 2015 [2)] England only

Builder confidence continues to strengthen in most European markets, driven by improved order books





Source: Eurostat

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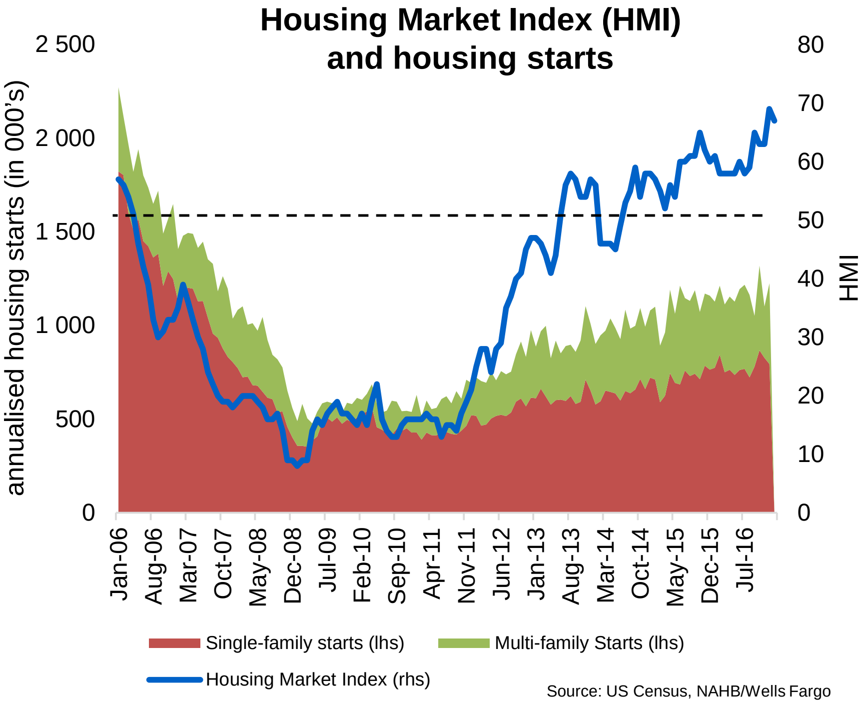
USA - Continued expansion, but with some reason for caution

The economy continues to slowly expand, driven by sustained job growth and improved consumer confidence. However, lacklustre business investments, labour shortages in some industries and rising interest rates are tempering growth

Within the construction industry:

- Home builder sentiment is near an all-time high
- Billings by architects are strong, indicating continued growth in non-residential construction
- Construction spending in residential and non-residential segments has increased moderately
- Some concerns centre on rising mortgage interest rates and housing affordability



Source: US Census, NAHB/Wells Fargo

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Management agenda for 2017

- With the transformation in Building Solutions - Europe completed:
  - achieve profitable growth
  - leverage knowhow and capabilities of our strategic focus areas throughout the organisation
- Return back to earlier growth and performance trends in Building Solutions – North America after volatile 2016
- Aim for a solid performance improvement and net sales growth in Uponor Infra
- Continue determined efforts on digitalised offering development and launch new offerings currently in test phase
- Get new organisation and production working effectively in China and capture more market share

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Guidance 2017

- No sign of major changes in the market place in the near future, which could materially affect demand in 2017 from our earlier forecast

- Capital expenditure, excluding investment in shares, is expected to be in the range of €50-60 million. Funds will be directed towards new product and offering development, such as strategically significant hygiene solutions, and the expansion of business in Asia, among other activities

- Assuming that economic development in Uponor's key geographies continues undisturbed, Uponor reiterates similar guidance as earlier:

The Group's net sales and comparable operating profit are expected to improve from 2016

Q&A

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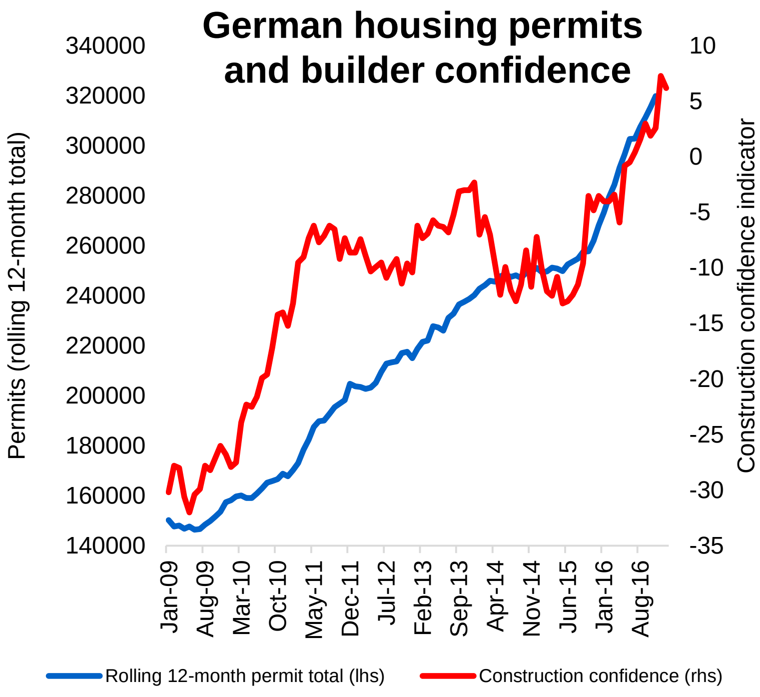
Appendix

Germany - Consumer-driven growth continues in the face of political uncertainties

With unemployment at a post-reunification low, private consumption continues to drive growth in the economy. The industrial sector is also showing some signs of improvement

Within the construction industry:

- Construction confidence has reached yet another all-time-high
- Housing permits continue to rise year-over-year
- Order books for building construction have continued to grow, although this is not yet fully visible in work carried out
- However, the very important renovation segment is essentially flat



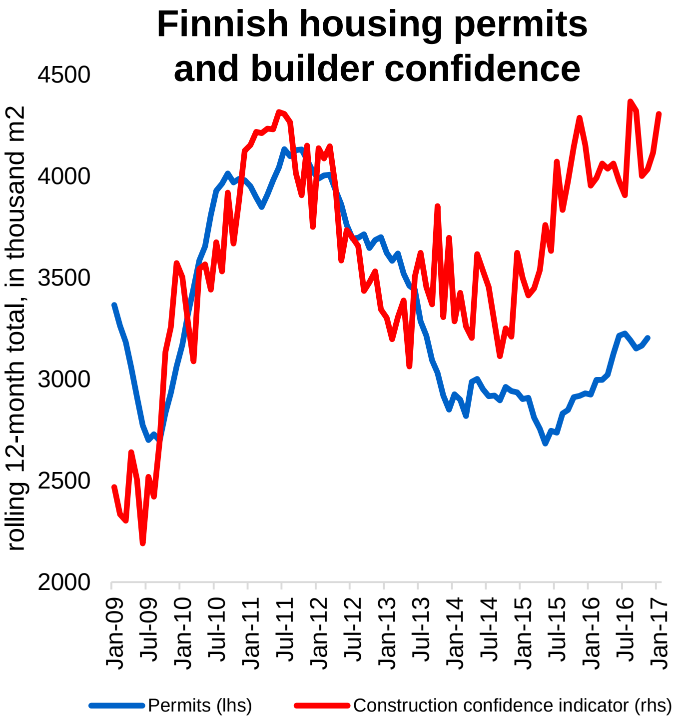
Source: Destatis and Eurostat

Finland - The fragile recovery continues

Economic growth continues to lag behind the rest of Europe, with limited improvements in exports leaving the economy dependent on domestic demand

Within the construction industry:

- Total construction volumes continue to increase
- Building permits have made some gains from the same time in the previous year
- Builder confidence has fluctuated significantly, but remains relatively strong



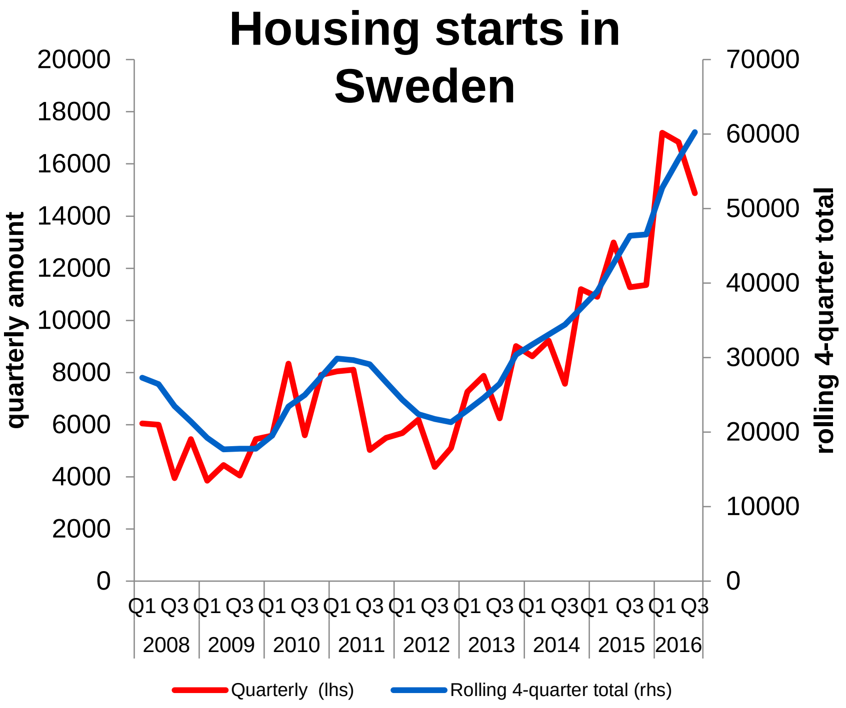
Source: Statistics Finland & Eurostat

Sweden - Continued growth, but some signs of slowing

The economy continues to grow at a brisk pace, although the growth rate is likely slowing

In the construction industry:

- Housing starts have continued their ascent that began in 2012 and were up 40% in the first nine months of 2016 compared to 2015
- Builder confidence is on the same level as a year ago
- Property prices have continued to rise, prompting some concerns



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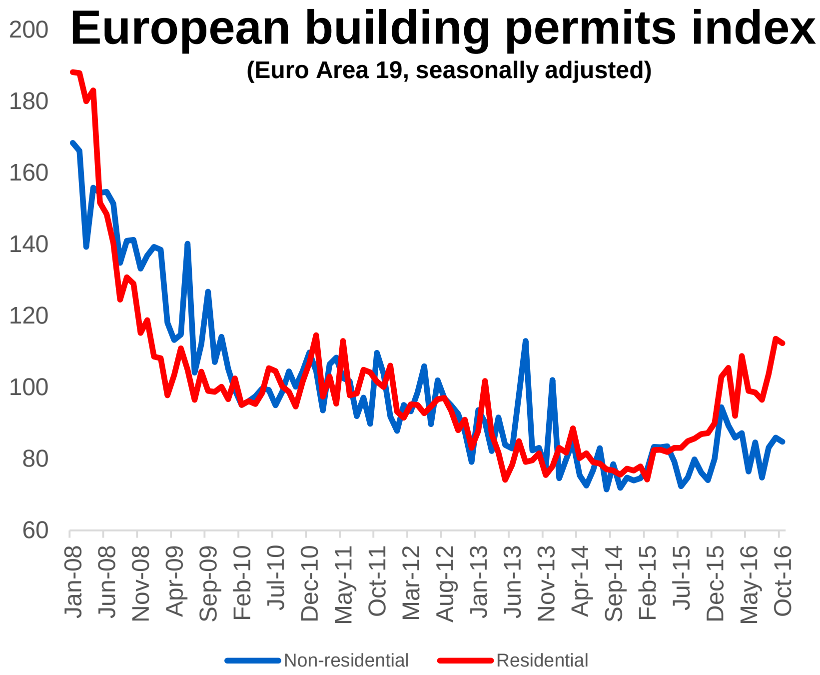
Permit activity points towards broad-based strengthening within the residential segment

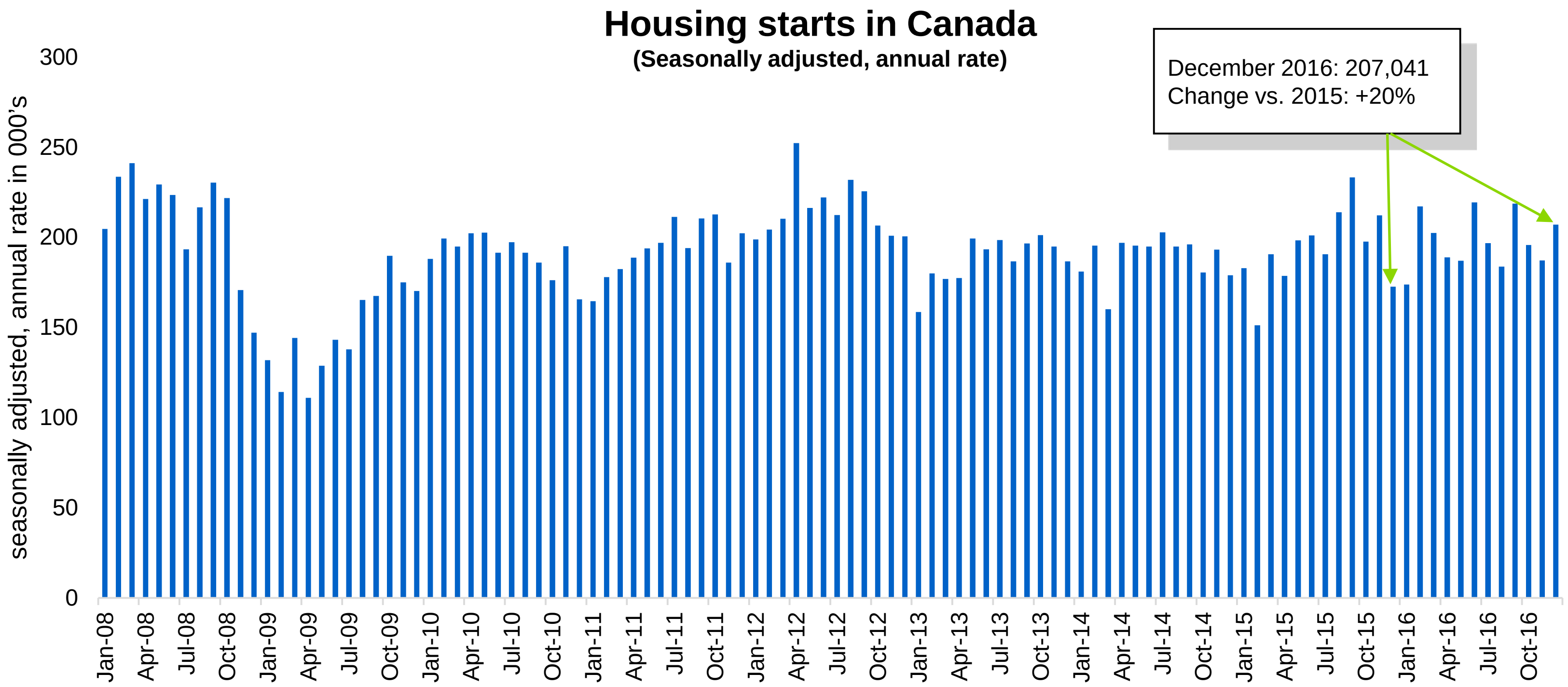
- Data through October 2016 shows that European permit activity in the residential segment improved compared to 2015

- Developments in the non-residential segment have been much more heterogeneous, with gains in some key markets countered by falls in others



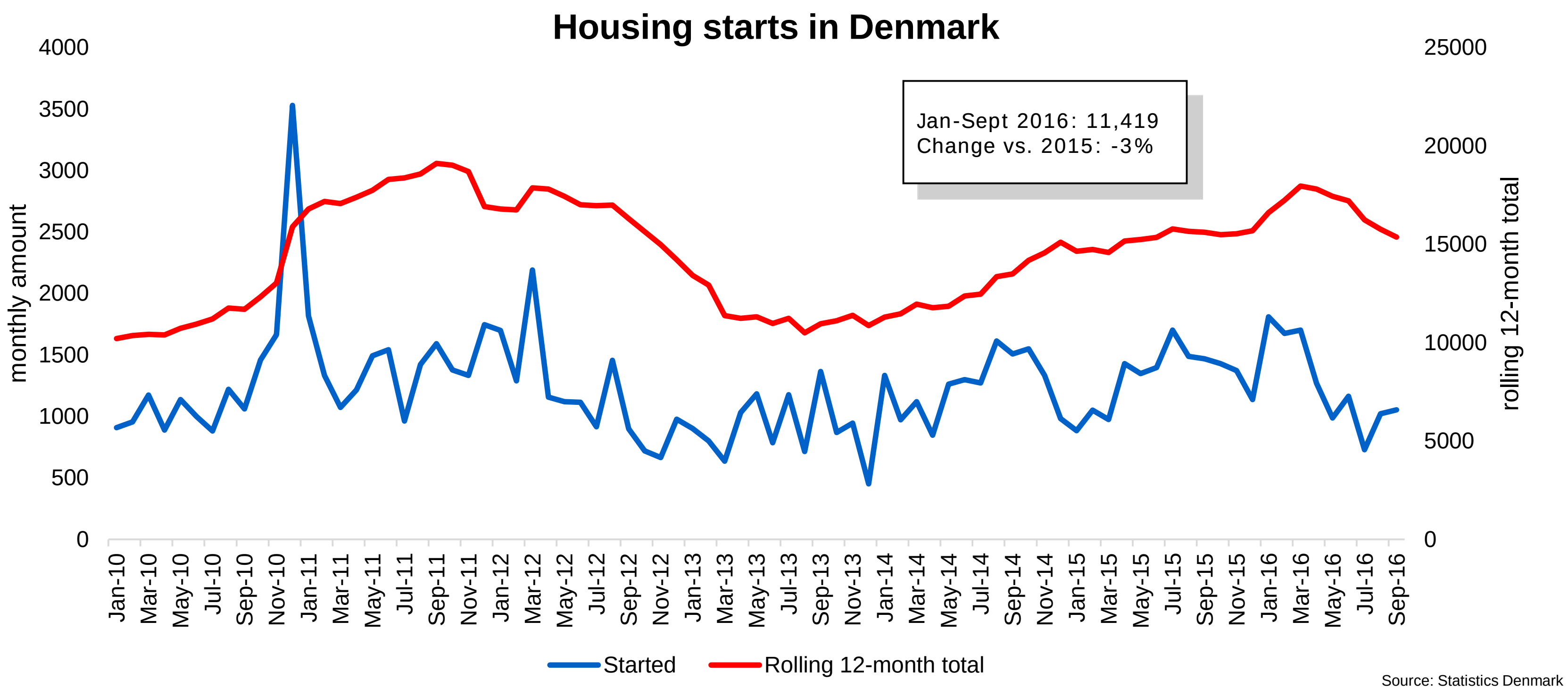
Source: Eurostat (Base year = 2010)

Canada



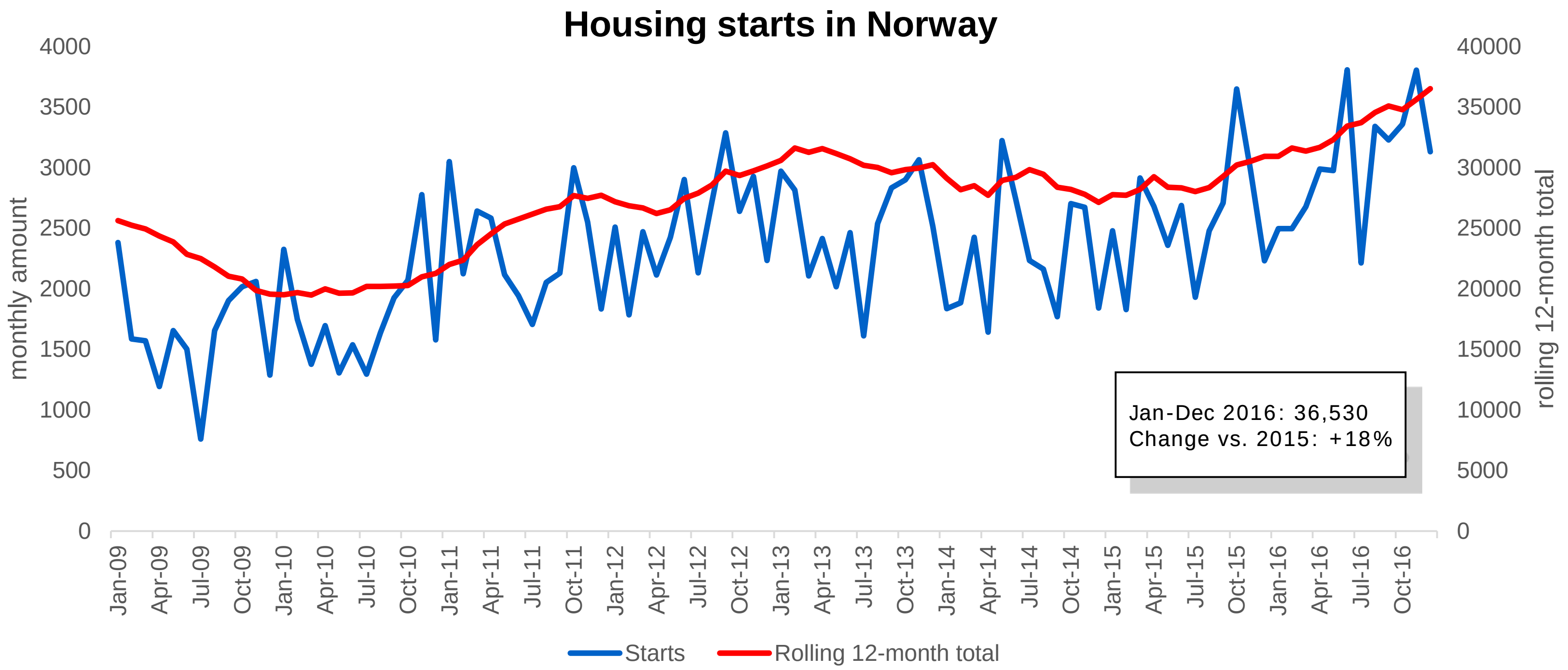
Source: CMHC/ Statistics Canada

Denmark



Source: Statistics Denmark

Norway



Source: Statistics Norway