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INTERIM REPORT 2010

Performance in January-June 2010

12 August 2010

Jyri Luomakoski
President and CEO
Uponor Corporation

Summary of Q2/2010

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- Financial turmoil after Q1 rocked the stabilising development in the market-place
- Return into a positive growth mode for the first time since Q2/2007, supported by good progress of building solutions
- A clear improvement in profitability due to operational leverage
- The overall long-term demand outlook positive, but some uncertainty prevails, causing turbulence



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Page 2

	Indicator	% change YTD	Data through
Germany	Housing permits	+4%	April 2010
USA	Housing starts	+6% *	June 2010
Finland	Housing permits	+60%	May 2010
Sweden	Housing starts	+34%	March 2010
Spain	Housing permits	-25%	April 2010
Netherlands	Housing permits	-24%	May 2010
Italy	Construction index	-7%	March 2010
Denmark	Housing starts	-8%	March 2010
Norway	Housing starts	+1%	May 2010
Canada	Housing starts	+32% *	June 2010



*Seasonally adjusted, annualised rate vs same month in 2009

Net sales grew in building solutions – first time since Q2/2007

Net sales MEUR	4-6/2010	4-6/2009	Change, %
Uponor	204.6	193.3	5.9%
Building Solutions – Europe	130.9	125.3	4.4%
Building Solutions – North America	33.5	26.5	25.9%
(Building Solutions – North America, USD)	42.5	36.5	16.3%)
Infrastructure Solutions	42.6	42.8	-0.3%

- BLD Europe: Strong development of single-family residential business in the Nordics; Central Europe suffered from decline in demand in the Netherlands and OEM sales in Germany; non-residential project business on a low level
- BLD North America: Growth in both countries continued, cancellation of home-owner subsidy in the U.S. hurt the business
- Infrastructure projects recovered from the drop caused by the winter but demand fell driven in lack of public-financed investments



Clear improvement in profits despite low level of net sales

Operating profit MEUR	4-6/2010	4-6/2009	Change, %
Uponor	18.8	12.4	51.4%
Building Solutions – Europe	16.4	10.7	52.4%
Building Solutions – North America	2.0	-0.3	N.m.
(Building Solutions – North America, USD)	2.7	-0.5	N.m.)
Infrastructure Solutions	3.1	5.9	-47.7%

- BLD Europe: Strong performance improvement due to operational leverage, less one-time costs and efficiency improvements in the supply chain
- BLD North America: Volume growth supported by cost control resulted in improved performance
- Infrastructure profitability continued to suffer from low volumes and delays in passing on the price increases through to sales prices



Highlights of Q2/2010

- + Improvement in net sales due to housing solutions demand picking up
- + Strong improvement in operating profit, due to scale effects, despite low volumes
 - + OP margin in BLD Europe (~12.5%) close to pre-recession time
- + All of Uponor's Top 10 countries show an improving net sales trend in Q2 vs Q1
- Infrastructure demand at a lower than expected level, decelerated by declining trend in public projects
- Discontinuation of the home owner subsidy in the U.S. disturbed the business





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Financial results

Riitta Palomäki
CFO
Uponor Corporation

January – June 2010 Key figures

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MEUR	1-6 2010	1-6 2009	Change Y/Y	1-12 2009
Net sales, continuing operations	362,0	364,3	-0,6%	734,1
Operating profit, continuing operations	20,3	11,4	+77,3%	41,2
Operating profit margin, continuing operations	5,6%	3,1%	2,5% pts	5,6%
Earnings per share (diluted), EUR	0,11	0,04	+175,0%	0,16
Return on equity, % (p.a.)	6,5%	1,9%	4,6% pts	4,1%
Return on investment, % (p.a.)	9,0%	4,1%	4,9% pts	8,1%
Net interest bearing liabilities	130,8	136,8	-4,4%	64,6
Gearing, %	54,3%	55,4%	-1,1% pts	25,0%
Net Working capital of Net Sales, % (p.a.)	14,3%	16,1%	-11,0%	13,3%
Average number of employees, continuing operations	3 203	3 515	-8,9%	3 426
Number of employees, end of period, continuing operations	3 272	3 449	-5,1%	3 316



April – June 2010

Comments to income statement

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- Net sales improved in the building solutions segments
- Infrastructure business at the previous year's level

- Improved gross profit margin, also compared to Q1/2010, supported by pass-on of higher raw material prices in some businesses and scale benefits in production

- Marketing expenses up by EUR 3.7m, whereof FX impact EUR 1.4m. In addition, focussed investment to capture market growth

MEUR	4-6 2010	4-6 2009	Change Y/Y
Continuing operations			
Net sales	204,6	193,3	+5,9%
Cost of goods sold	123,9	121,6	+1,9%
Gross profit	80,7	71,7	+12,5%
- % of net sales	39,5 %	37,1 %	+2,3% pts
Other operating income	0,5	0,3	+75,7%
Expenses	62,4	59,6	+4,8%
Operating profit	18,8	12,4	+51,4%
- % of net sales	9,2 %	6,4 %	+2,8% pts
Financial expenses, net	3,3	1,0	+243,3%
Profit before taxes	15,5	11,4	+35,5%
Profit for the period	10,8	8,2	+31,1%
EBITDA	26,3	20,2	+30,4%

Q2

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Page 9

January – June 2010

Income statement

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MEUR	1-6 2010	1-6 2009	Change Y/Y	1-12 2009
Continuing operations				
Net sales	362,0	364,3	-0,6%	734,1
Cost of goods sold	222,5	232,7	-4,4%	463,0
Gross profit	139,5	131,6	+6,0%	271,1
- % of net sales	38,5 %	36,1 %	+2,4% pts	36,9 %
Other operating income	1,1	0,3	+262,5%	4,2
Expenses	120,3	120,5	-0,1%	234,1
Operating profit	20,3	11,4	+77,3%	41,2
- % of net sales	5,6 %	3,1 %	+2,5% pts	5,6 %
Financial expenses, net	7,4	5,2	+43,1%	12,7
Profit before taxes	12,9	6,2	+105,5%	28,5
Profit for the period	9,0	4,5	+98,0%	17,2
EBITDA	35,2	27,0	+30,7%	73,8

Q2

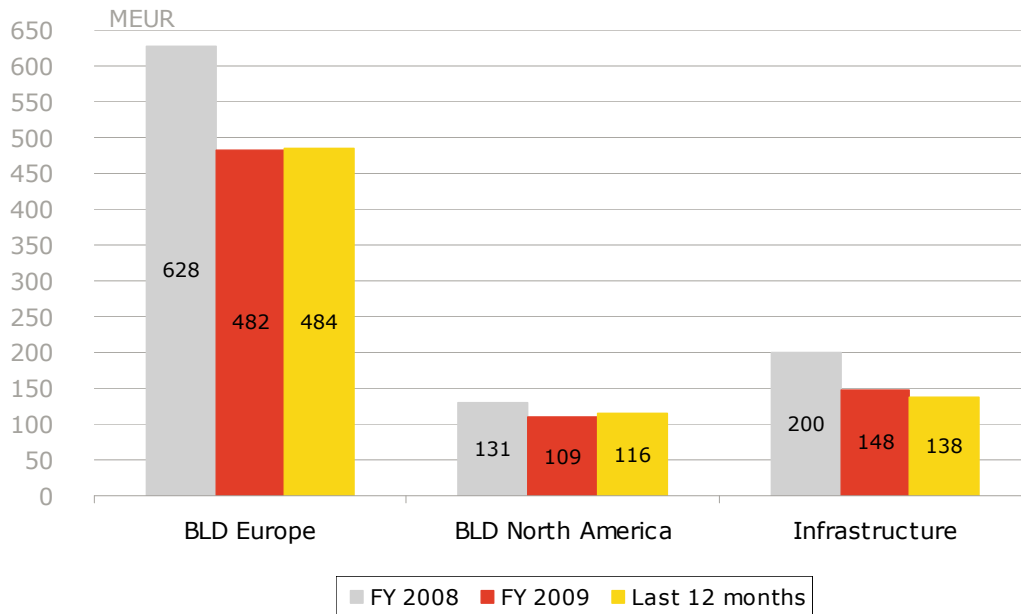
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Page 10

Net sales development by segment, last 12 months

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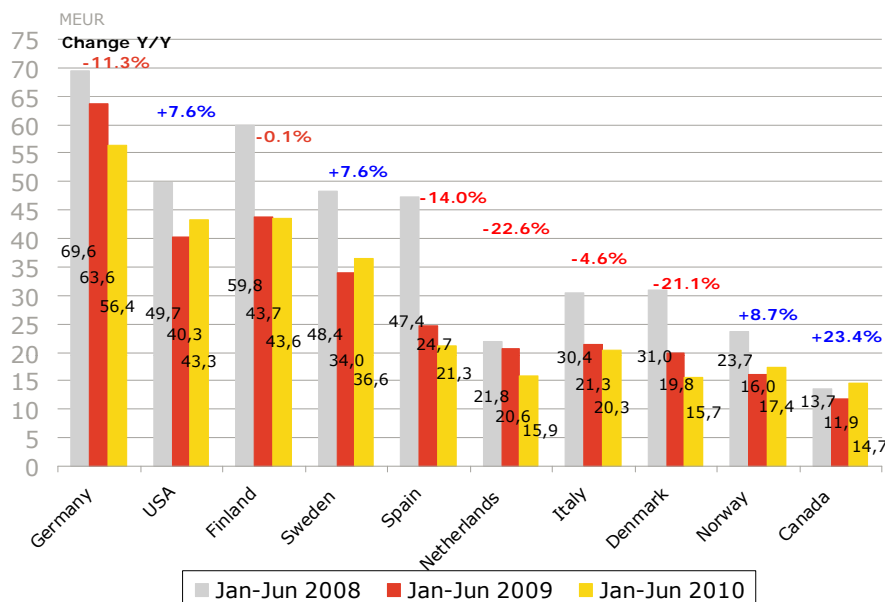
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Page 11

Net sales development by key national markets (10 largest* by net sales)

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* Sorted by net sales in Jan - Dec 2009

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Page 12

January – June 2010 Balance sheet



MEUR	30 Jun 2010	30 Jun 2009	Change Y/Y	31 Dec 2009
Property, plant and equipment	175.3	177.0	-1.7	175.1
Intangible assets	99.7	100.1	-0.4	101.5
Securities and long-term investments	8.4	7.8	+0.6	7.5
Inventories	90.4	86.7	+3.7	74.3
Cash and cash equivalents	6.8	3.0	+3.8	13.2
Other current and non-current assets	177.5	179.7	-2.2	127.0
Shareholders' equity	240.8	247.1	-6.3	258.0
Non-current interest-bearing liabilities	59.6	72.1	-12.5	60.2
Provisions	12.8	18.9	-6.1	18.4
Non-interest-bearing liabilities	166.9	148.5	+18.4	144.4
Current interest-bearing liabilities	78.0	67.7	+10.3	17.6
Balance sheet total	558.1	554.3	+3.8	498.6

- No significant changes in balance sheet compared to Q2/2009
- Increase of inventory in 2010 to meet the higher summer demand



January – June 2010 Cash flow



MEUR	1-6/ 2010	1-6/ 2009	Change Y/Y	1-12/ 2009
Net cash from operations	28.2	22.9	+5.3	65.7
Change in NWC	-44.3	-9.3	-35.0	25.9
Net payment of income tax and interest	-2.9	-16.4	+13.5	-12.8
Cash flow from operations	-19.0	-2.8	-16.2	78.8
Cash flow from investments	-2.6	-7.4	+4.8	-18.2
Cash flow before financing	-21.6	-10.2	-11.4	60.6
Dividends and buy backs	-36.5	-62.1	+25.6	-62.1
Other financing	+51.7	+22.0	+29.7	-38.4
Cash flow from financing	15.2	-40.1	+55.3	-100.5
Change in cash and cash equivalents	-6.4	-50.2	+43.8	-40.0

- Growth of net working capital in H1/2010 mainly due to inventory build-up. In H1/2009, inventory was substantially reduced on account of the weak market situation.
- Increase in accounts receivable in H1/2010 was in line with normal seasonality.



Outlook for the future

Jyri Luomakoski
President and CEO
Uponor Corporation

Berlin-Brandenburg International airport in Berlin, Germany

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- 76,000 sqm of Uponor [heating and cooling](#) and [PEX plumbing](#) for 60,000 sqm in departure and arrival terminals
- The most important current project in Berlin, with high technical standards and requirements
- The third largest airport in Germany, up to 6,500 persons an hour will be departing or landing when it is completed

Renovation in Stökhagen community in Stockholm, Sweden

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- The community, consisting of 78 link-attached houses built in 1971, had problems with steel and copper pipe corrosion.



- The pipework was replaced with [Uponor pre-insulated pipes](#), a flexible, easy-to-handle and fast-to-connect solution.
- The home-owners did not have to move out and had access to water and heating the whole time.

Recent
reference

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Page 17

First Spanish train station with radiant heating from Uponor

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- The AVE train station in Cuenca, Spain is the first train station in Spain to be equipped with [Uponor radiant heating](#).
- Uponor provides more than 10km of PEX pipe and 12,000 panel units for a total floor space of 1,500 sqm, in addition to technical and commercial support.



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Page 18

Award-winning Wormley Row in Washington, D.C., USA

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- The project showcases 5.6km of Uponor's **PEX and multilayer composite tubing for the radiant floor heating and snow-melting systems** installed in the 125-year-old landmark school building turned luxury condominium complex.
- The charge from the builder was to deliver a best-of-the-best heating and cooling system to meet its vision for the project. With ceiling heights of 2.7 to 4.3 metres and 1.2 to 2.5 metre-high windows, 'best of the best' meant a radiant floor heating system.

Received the Project of the Year award in the Plumbing and Heating category from the Plastics Pipe Institute (PPI)



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Page 19

Summary of outlook by geographic area

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- Central Europe
 - Single-family residential segment in Germany improving, supported by strengthening business climate
 - Post-cyclical public and commercial markets remain subdued
- Nordic countries
 - Housing market demand continues lively driven by Finland, Sweden and Norway
 - Lack of visibility in infrastructure development
- Southwest Europe
 - Spain low, but bottom has been reached
 - Slow recovery witnessed in Italy, France, the UK
- North America
 - USA likely to continue flat, Canada stable on growth track
- Eastern Europe and international sales
 - Local variations, ranging from strong growth to considerable decline



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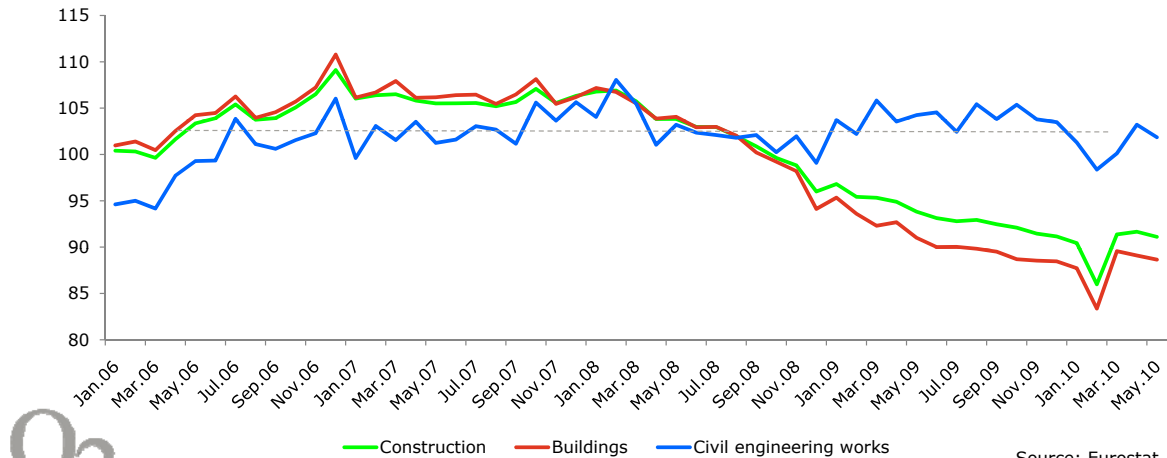
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Page 20

European construction output

- After bouncing back from a large drop in activity in February, output in both civil engineering and building construction was at approximately the same level in May as during the same time last year.

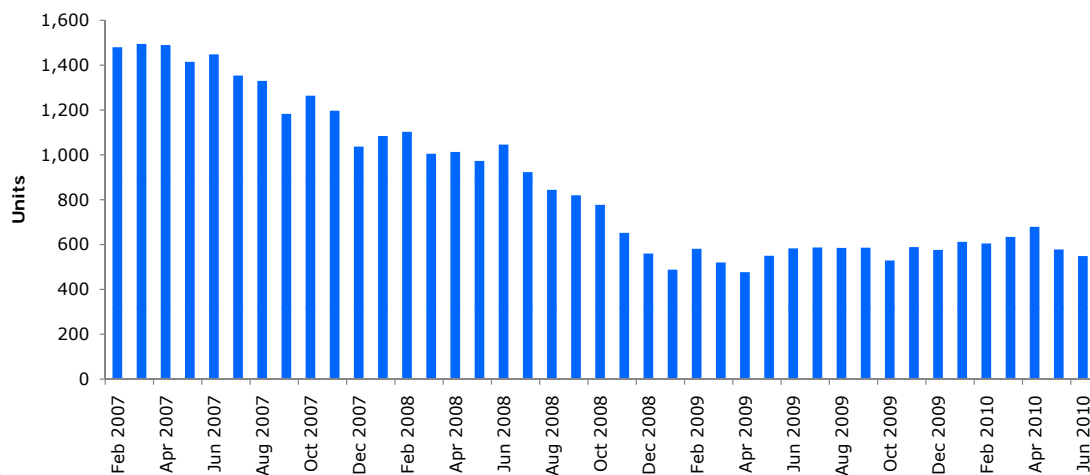
Construction Production Index
(EU 27, Seasonally adjusted)



Housing starts development in USA

- Housing starts decreased in June to a seasonally adjusted annual rate of 549,000 units, down 5% from May and 6% below the June 2009 rate.

U.S. Housing Starts
(Seasonally adjusted, annual rate)



Strong execution of existing and emerging growth initiatives and utilisation of market opportunities

- Support sales of new products and innovations by intensive marketing programmes
- Promote indoor climate, driven by increased customer demand for sustainable and ecological solutions
- Penetrate new market segments through mutually beneficial partnerships and alliances
- Expand presence in new territories and in low-penetration countries
- Invest into strategic initiatives

Internal:

- Integration of the European organisation
- Cost and cash-flow management



Guidance for 2010 remains unchanged

- In the current business environment, Uponor's net sales in 2010 are expected to remain level with 2009, and operating profit is expected to improve from last year's reported operating profit
- The Group's fixed-asset investments are not expected to exceed depreciation, and efficient net working capital management measures will help retain the Group's cash-flow at a reasonable level



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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.