



San Diego State University Aztec Center, California, USA

Financial results briefing – Q2/2015

Jyri Luomakoski
President and CEO
Uponor Corporation

Q2

Q2/2015: Improving operating profit on nearly flat net sales

April – June	4-6/2015	4-6/2014	Change
Net sales	277.6	264.5	4.9%
Operating profit	22.5	17.6	27.9%
- Operating profit w/o non-recurring items	23.3	17.1	36.4%

Net sales

- Persistently weak business environment in Europe affects both Building Solutions and Infra businesses
- Growth in Building Solutions - North America driven by healthy markets and market share gains
- Considerable boost from USD/euro translation; growth without currency impact at 0.3%

Operating profit

- Building Solutions – North America's growth is mainly volume driven
- Unsatisfactory trend in Building Solutions – Europe
- Modest improvement in Uponor Infra as a result of restructuring benefits; resin scarcity driving manufacturing costs up

Developments by segment: Building Solutions – Europe

- Flat or declining markets in most of Europe, biggest drops in net sales in Germany, Finland and the UK
 - The Netherlands and Spain as the main positive exceptions
- Profits down driven by business in Germany and some other key markets
 - Cost reduction plans under preparation
 - Costs increase due to start-up issues in German distribution centre and non-recurring items booked in relation to the streamlining ahead



Developments by segment: Building Solutions – North America

- Net sales grows in step with healthy market trends
 - customer conversion and penetration into low market share regions help strengthen market share
- Net sales and operating profit roughly doubled in 4 years
 - Careful cost management despite continuous expansion and investments
- Manufacturing expansion on plan, completion by year-end 2015



Developments by segment:

Uponor Infra

- Continued decline in net sales, due to weak markets in Europe and the divestments made in Q1
- Resin price volatility with minor impact in Q2, negative effect to be expected during H2
 - Resin availability challenges put pressure on manufacturing costs



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The new Children's Hospital, Helsinki, Finland

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Financial statements

Riitta Palomäki
CFO
Uponor Corporation

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Interim January – June 2015:

Key figures

M€	1-6 2015	1-6 2014	Change Y/Y	1-12 2014
Net sales, continuing operations	514.7	495.4	+3.9%	1 023.9
Operating profit, continuing operations	33.8	22.4	+50.6%	63.4
Operating profit margin, continuing operations	6.6%	4.5%	2.1% pts	6.2%
Earnings per share (diluted), €	0.23	0.17	+35.3%	0.50
Return on equity, % (p.a.)	11.6%	8.0%	3.6% pts	12.3%
Return on investment, % (p.a.)	14.0%	8.8%	5.2% pts	14.2%
Net interest bearing liabilities	138.8	154.3	-10.0%	82.0
Gearing, %	47.8%	56.9%	-9.1% pts	27.6%
Net working capital of Net sales, % (p.a.)	11.9%	12.8%	-0.9% pts	7.1%
Average number of employees, continuing operations	3 881	4 174	-7.0%	4 127
Number of employees, end of period, continuing operations	3 906	4 225	-7.6%	3 982



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April – June 2015:

Income statement

M€	4-6 2015	4-6 2014	Change Y/Y
Continuing operations			
Net sales	277.6	264.5	+4.9%
Cost of goods sold	179.0	177.8	+0.7%
Gross profit	98.6	86.7	+13.7%
- % of net sales	35.5%	32.8%	+2.7% pts
Other operating income	0.0	0.9	
Expenses	76.1	70.0	+8.7%
Operating profit	22.5	17.6	+27.9%
- % of net sales	8.1%	6.6%	+1.4% pts
Financial expenses, net	1.3	3.7	-63.6%
Share of result in associated companies	0.0	0.1	
Profit before taxes	21.2	14.0	+51.2%
Profit for the period	13.3	9.4	+42.4%
EBITDA	31.5	26.4	+19.2%

- **Net sales growth**, adjusted for currency translation (mainly coming from USD), was flat at 0.3%
- **Gross profit margin** improvement driven by increased share of Building Solutions – North America and more favourable product mix there
- Increase in **expenses** due to Building Solutions – North America, driven by dollar-to-euro translation
- **Operating profit** includes a non-recurring cost of €0.8m from the streamlining programme in Building Solutions – Europe while the comparison year contained a non-recurring net gain of €0.5m. Translation impact on operating profit was €2.7m vs Q2/2014



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Interim January – June 2015: Income statement

M€	1-6 2015	1-6 2014	Change Y/Y	1-12 2014
Continuing operations				
Net sales	514.7	495.4	+3.9%	1 023.9
Cost of goods sold	330.9	330.6	+0.1%	683.8
Gross profit	183.8	164.8	+11.5%	340.1
- % of net sales	35.7%	33.3%	+2.4% pts	33.2%
Other operating income	0.7	1.1	-34.9%	2.4
Expenses	150.7	143.5	+5.0%	279.1
Operating profit	33.8	22.4	+50.6%	63.4
- % of net sales	6.6%	4.5%	+2.0% pts	6.2%
Financial expenses, net	6.4	5.8	+9.8%	7.4
Share of result in associated companies	0.1	0.1		0.3
Profit before taxes	27.5	16.7	+64.9%	56.3
Profit for the period	17.3	11.2	+55.1%	36.3
EBITDA	52.1	40.3	+29.3%	99.9

- **Net sales** growth, adjusted for the currency translation impact (mainly coming from USD), was flat at -0.6%
- Increase in **expenses** due to Building Solutions - North America, driven by dollar-to-euro translation. Comparison figures burdened by €3.0m in NRI
- **Operating profit** in 2015 includes €0.8m NRI related to streamlining programme in Building Solutions- Europe. Operating profit w/o NRI €34.6m (€25.7m), up 34.6% y-on-y



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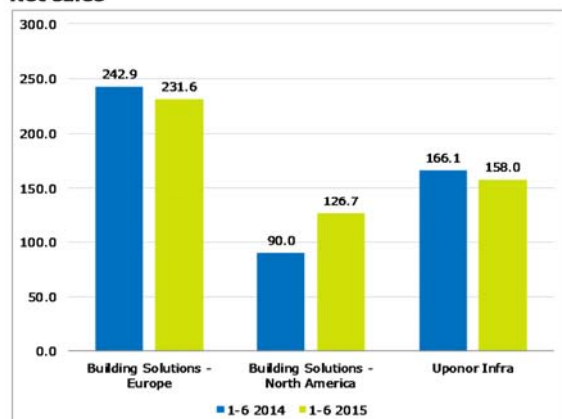
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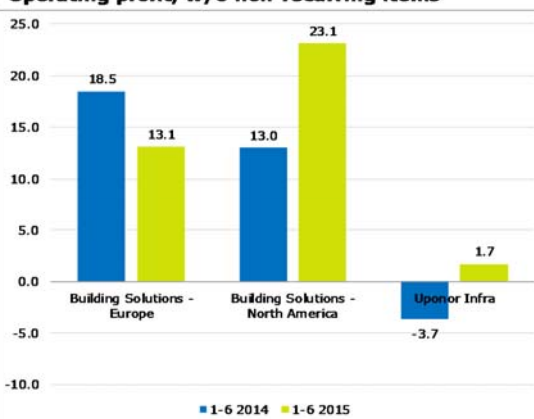
Interim January – June 2015: Net sales & operating profit by segment

Currency: M€

Net sales



Operating profit, w/o non-recurring items



- Building Solutions – Europe: operating profit margin (w/o non-recurring items) down from 7.6% to 5.7% driven by declining net sales in key markets
- Building Solutions – North America: profit margin up from 14.4% to 18.3 %, driven by solid sales growth and careful cost management. Q2/2015 profit margin 21.6%
- Uponor Infra: profit improved as a result of the restructuring measures during 2013 and 2014. Uponor Infra also benefited from input costs



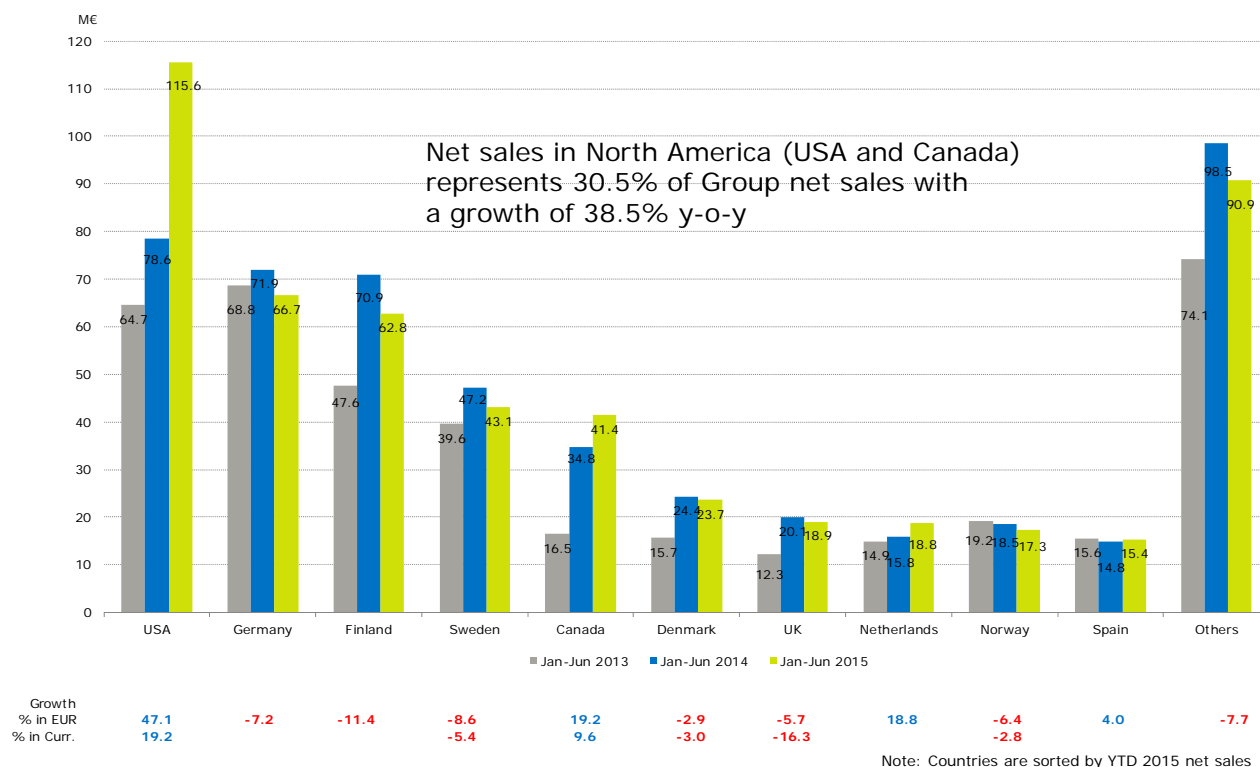
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Interim January – June 2015: Net sales development in key markets



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Interim January – June 2015: Balance sheet

M€	30 Jun 2015	30 Jun 2014	Change Y/Y	31 Dec 2014
Property, plant and equipment	209.5	197.5	+12.0	207.8
Intangible assets	96.3	100.2	-3.9	98.4
Securities and long-term investments	10.8	11.2	-0.4	11.2
Inventories	131.2	130.8	+0.4	117.4
Cash and cash equivalents	16.5	17.9	-1.4	60.2
Other current and non-current assets	252.5	240.3	+12.2	186.8
Total equity	290.6	271.2	+19.4	297.9
Non-current interest-bearing liabilities	100.4	130.3	-29.9	126.3
Provisions	17.4	20.7	-3.3	16.2
Non-interest-bearing liabilities	253.5	233.8	+19.7	225.5
Current interest-bearing liabilities	54.9	41.9	+13.0	15.9
Balance sheet total	716.8	697.9	+18.9	681.8

- Net interest-bearing liabilities at €138.8m, down by €15.5m from LY
- Non-controlling interest at Uponor Infra represents €65.2m of the total equity at €290.6m



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Interim January – June 2015:

Cash flow

M€	1-6 2015	1-6 2014	Change Y/Y	1-12 2014
Net cash from operations	+47.1	+37.4	+9.7	+99.0
Change in NWC	-50.2	-44.3	-5.9	-3.5
Net payment of income tax and interest	-16.7	-11.8	-4.9	-19.8
Cash flow from operations	-19.8	-18.7	-1.1	+75.7
Cash flow from investments	-12.5	-10.3	-2.2	-30.6
Cash flow before financing	-32.3	-29.0	-3.3	+45.1
Dividends and buy backs	-30.7	-27.8	-2.9	-27.8
Other financing	+18.5	+21.2	-2.7	-9.9
Cash flow from financing	-12.2	-6.6	-5.6	-37.7
Change in cash and cash equivalents	-43.7	-35.8	-7.9	+6.5

- Gross CapEx (€18.5m) at depreciation level and up €6.1m from LY, driven by investment in Building Solutions – North America
- Cash flow from investments includes a cash flow effect of €+5.9m from the divestments of the Thai infrastructure business and Extron Engineering Oy in Finland. The comparison year includes €1.7m in proceeds from the sale of fixed assets in Finland related to Uponor Infra's integration



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Apartment building, Veendaal, the Netherlands











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Outlook for the future

Jyri Luomakoski
President and CEO
Uponor Corporation



Leading indicators in major markets

	Indicator	% change YTD	Data through	Trend since Q4 update
USA	Housing starts ¹⁾	+27%	June 2015	
Germany	Housing permits	-1%	May 2015	
Finland	Building starts	-10%	April 2015	
Sweden	Housing starts	+29%	March 2015	
Canada	Housing starts ¹⁾	-2%	June 2015	
Denmark	Housing starts	-30%	March 2015	
UK	Housing starts ²⁾	+9%	March 2015	
Netherlands	Housing permits	+105%	March 2015	
Norway	Housing permits	+11%	May 2015	
Spain	Housing permits	+23%	March 2015	

¹⁾ Seasonally adjusted, annualised rate vs. same month in 2014; ²⁾ England only



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Country overview- USA

- After a harsh winter that clearly influenced the slow start to the year, gains have been made in most fundamental economic indicators
- Within the construction industry:
 - Housing starts rebounded in June after disappointing May starts
 - Other leading indicators of construction activity, such as permit levels and builder confidence, are positive and have reached pre-crisis levels
 - Non-residential construction has grown versus last year, with businesses increasingly investing in offices, commercial properties and manufacturing facilities



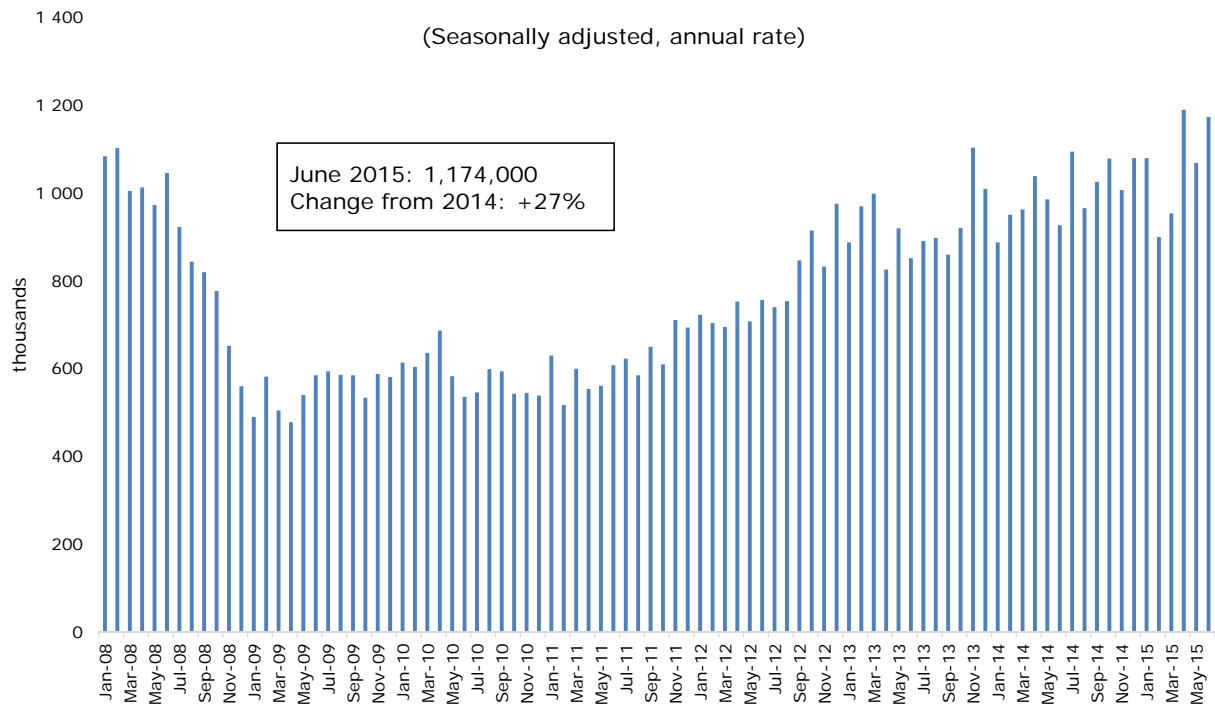
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U.S. housing starts



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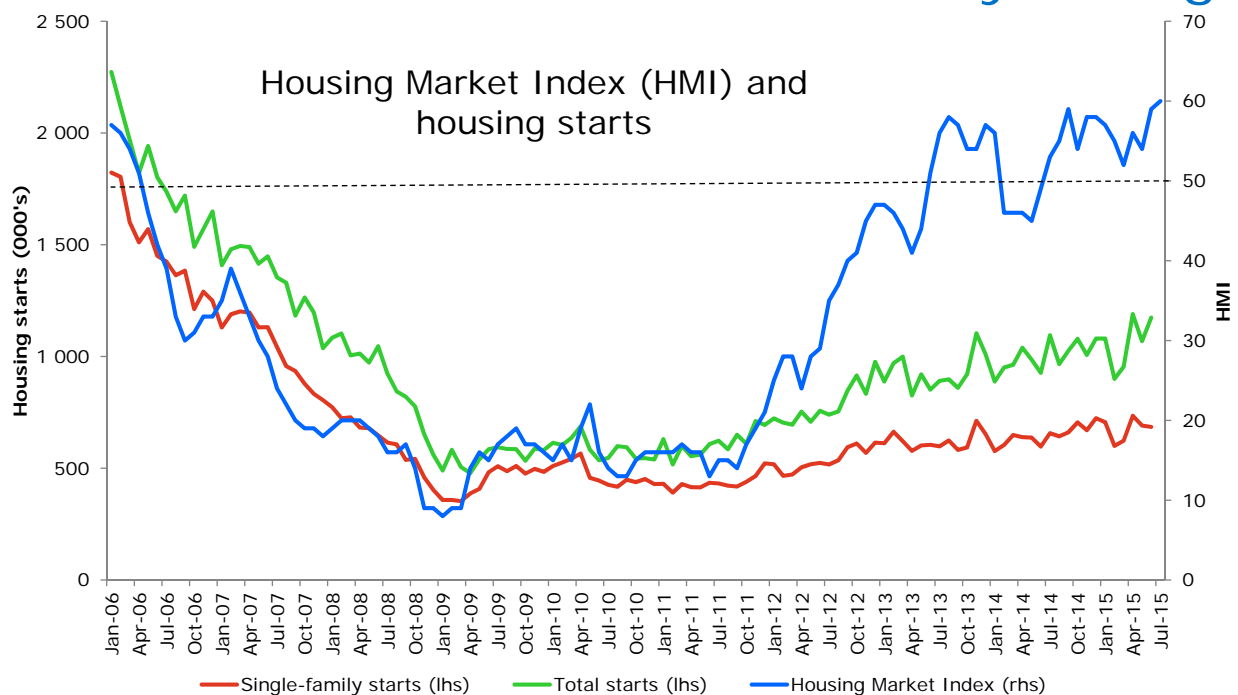
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U.S. starts rebounded in June and builder confidence rose to a 10-year high



Source: US Census, NAHB/Wells Fargo

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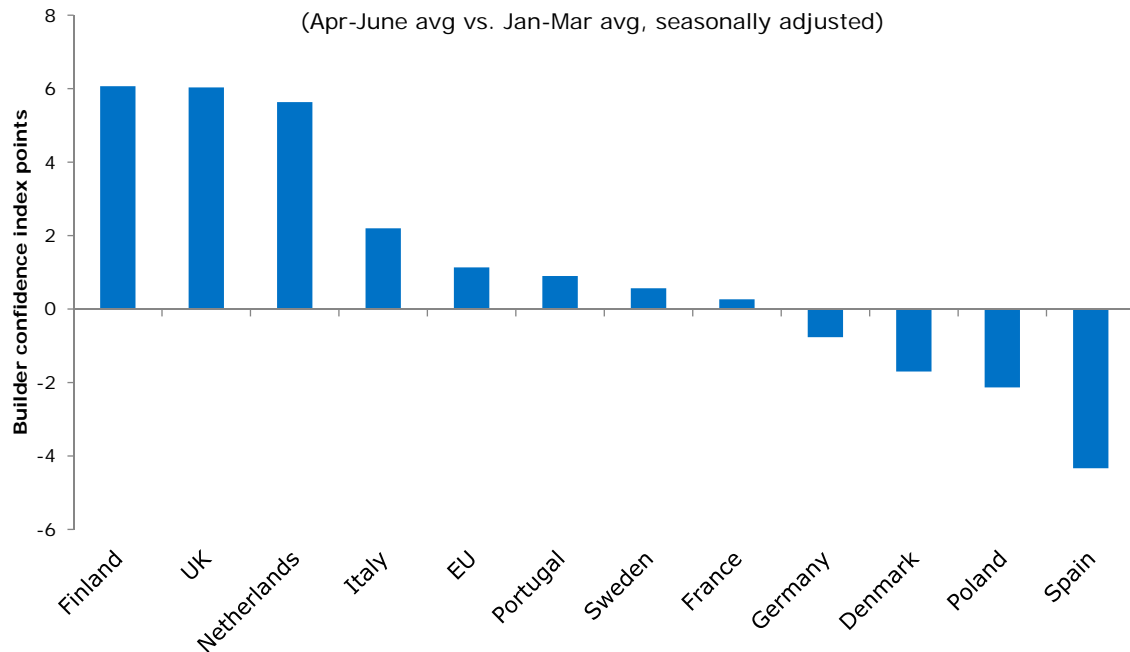
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Europe: Change in builder confidence



Source: Eurostat

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Country overview- Germany

- A very strong labour market coupled with consumer confidence at a 13-year high has continued to drive growth in the economy, despite the headwinds created by external factors
- Within the construction industry:
 - Building permit levels to-date are on par with 2014, with the multi-family segment outperforming the single-family segment
 - Builder confidence has weakened somewhat, but remains relatively robust
 - Non-residential spending continues to be restrained as businesses remain cautious

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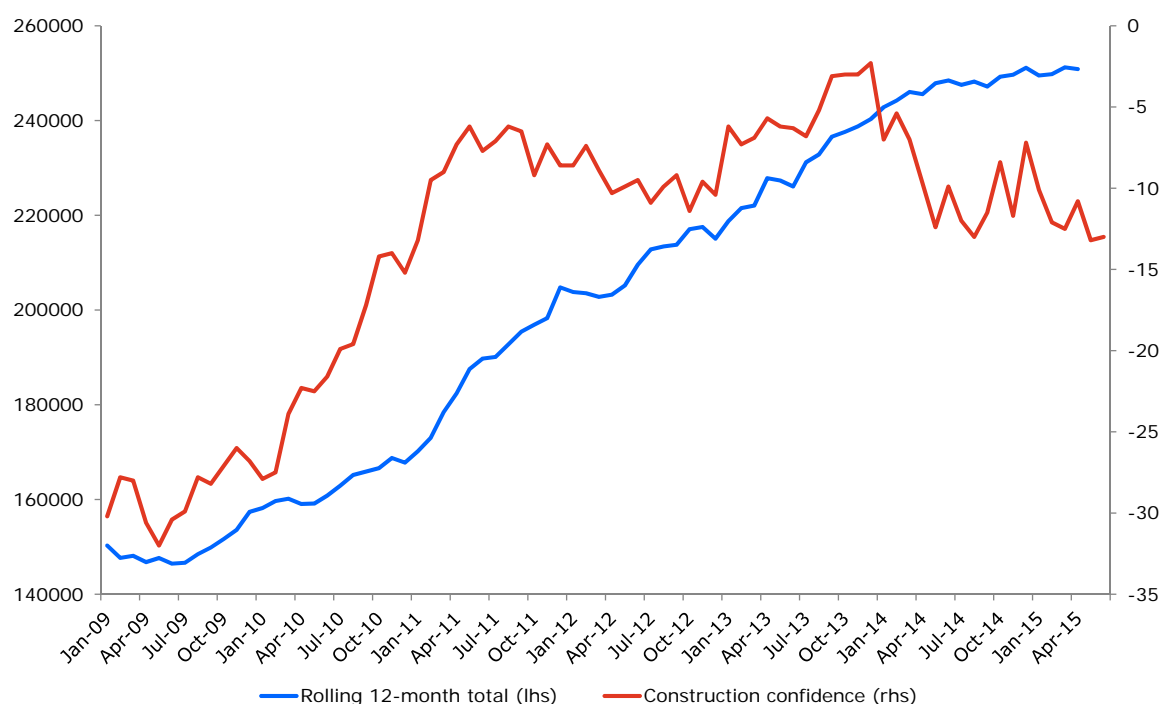
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German housing permits and builder confidence



Source: Destatis and Eurostat



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Management agenda for the near term

- Focus on cost and pricing management as demand and input costs remain volatile in the European markets
- Execution of North American expansion in building solutions, and tapping into growth opportunities partly created by the tailwind in the building markets
- September marks a one-year anniversary of the most recent restructuring programmes in Uponor Infra
 - follow the initiatives through and get stability in the supply/demand situation
- Building Solutions – Europe's streamlining programme



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Guiding forward

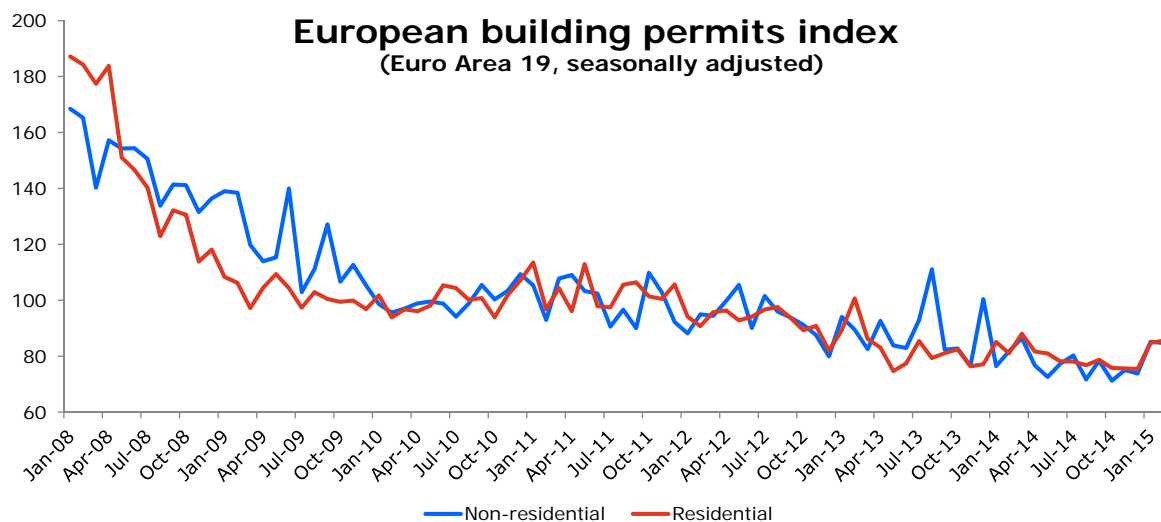
- Macro-economic challenges and the geopolitical situation remain difficult and have not improved
- Plastic resin availability challenging although it may be easing after the summer
 - Main impact on Uponor Infra
- The guidance issued on 12 February 2015 remains intact:

The Group's net sales and operating profit (excluding any non-recurring items) are expected to improve from 2014

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Building permits in Europe

- Building permits data through February indicates that permit levels have improved slightly from the all-time lows at the end of 2014, largely as a result of increased activity in Spain and Sweden



Source: Eurostat (Base year = 2010)



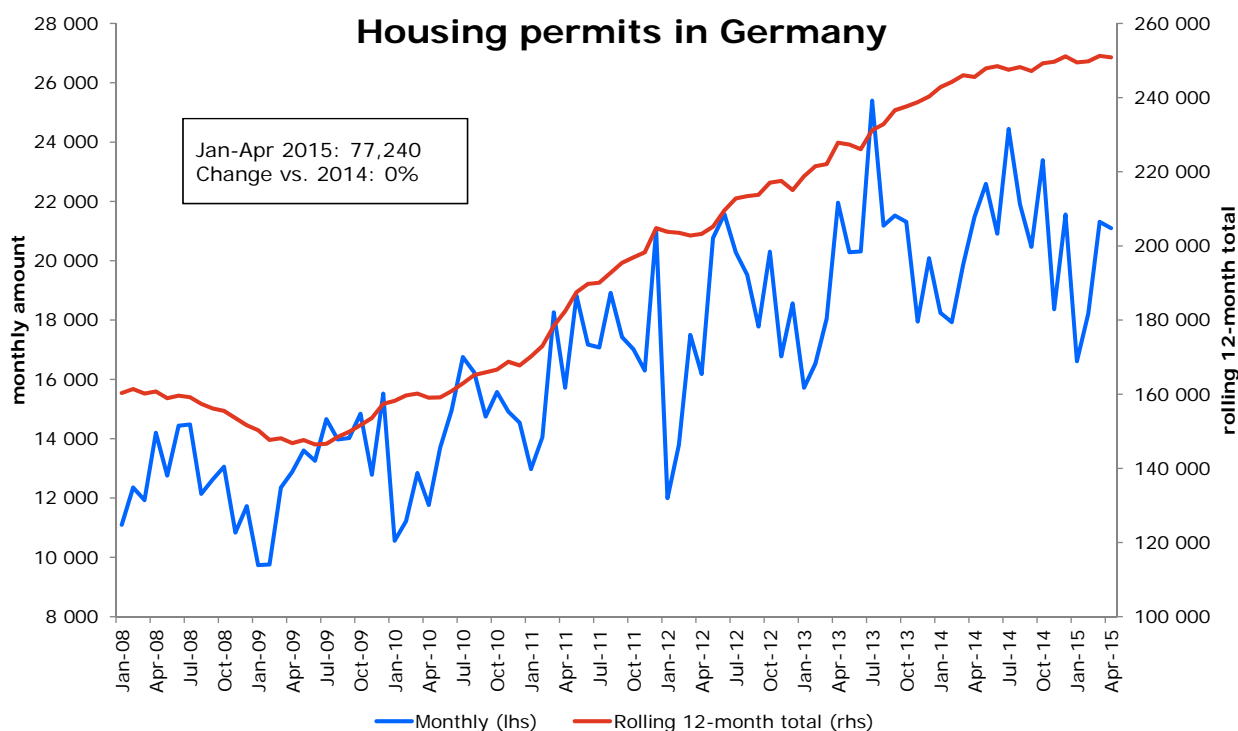
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Germany



Source: Destatis



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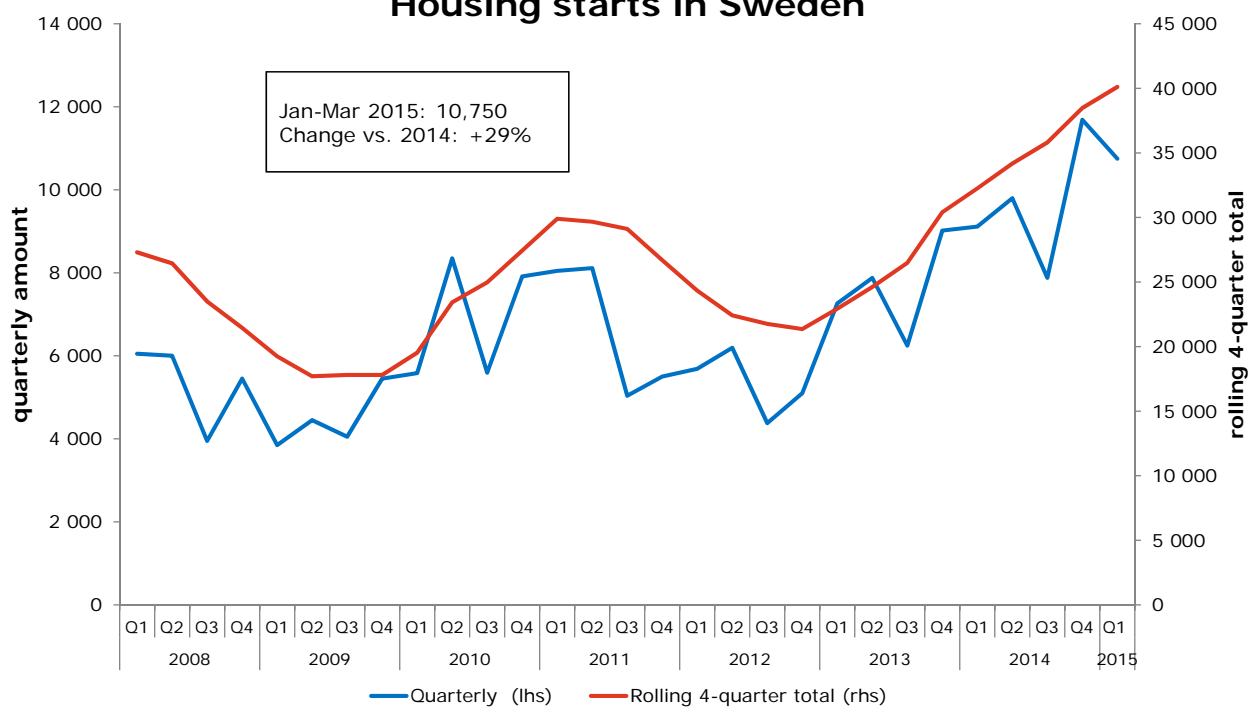
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Sweden

Housing starts in Sweden



Source: Statistics Sweden

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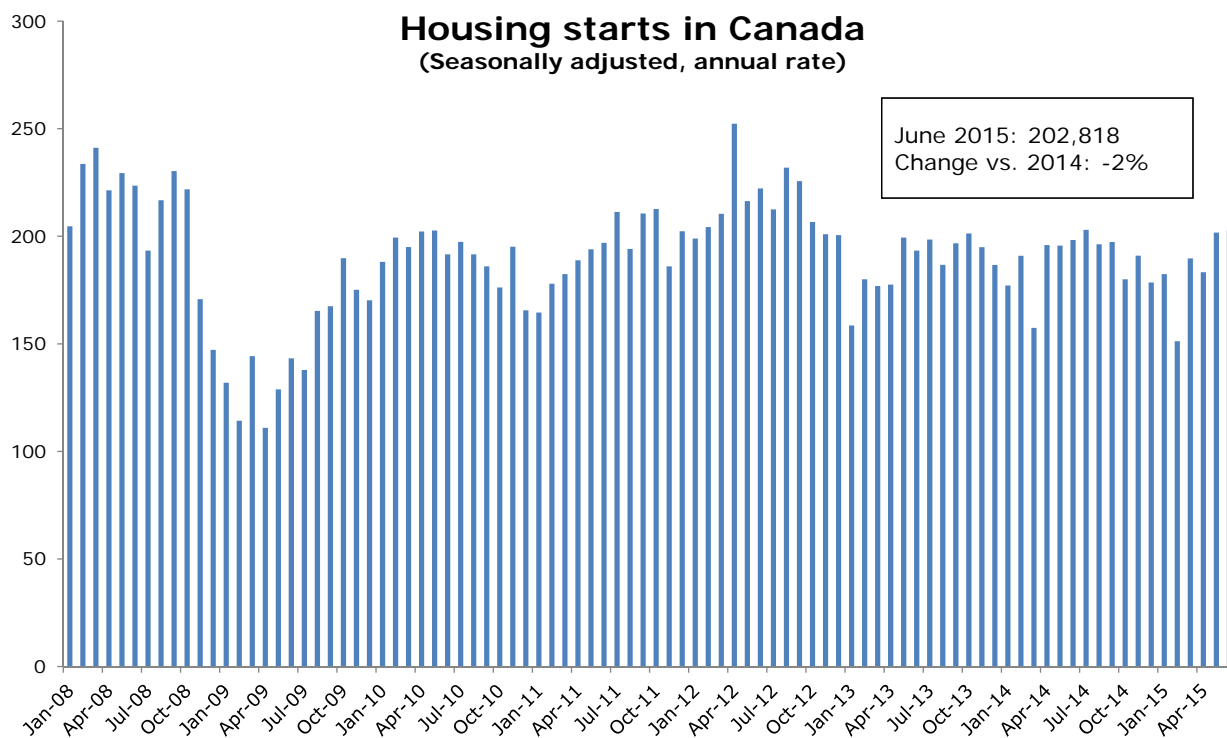
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Canada

Housing starts in Canada (Seasonally adjusted, annual rate)



Source: CMHC/ Statistics Canada

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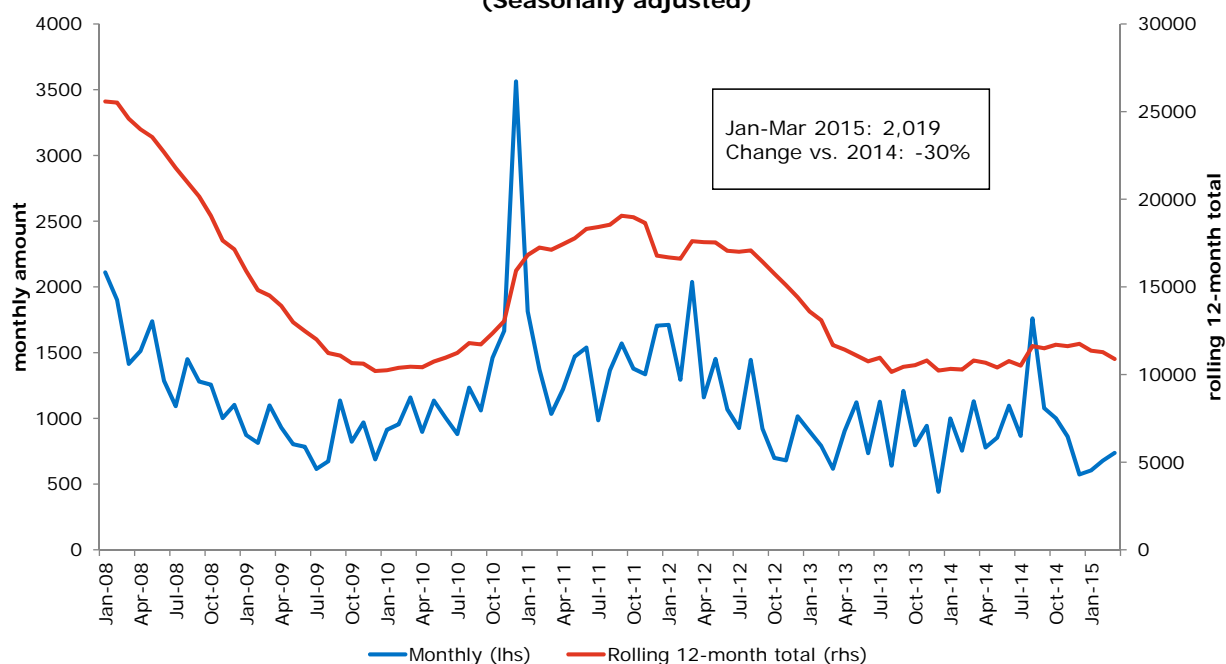
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Denmark

Housing starts in Denmark (Seasonally adjusted)



Source: Statistics Denmark



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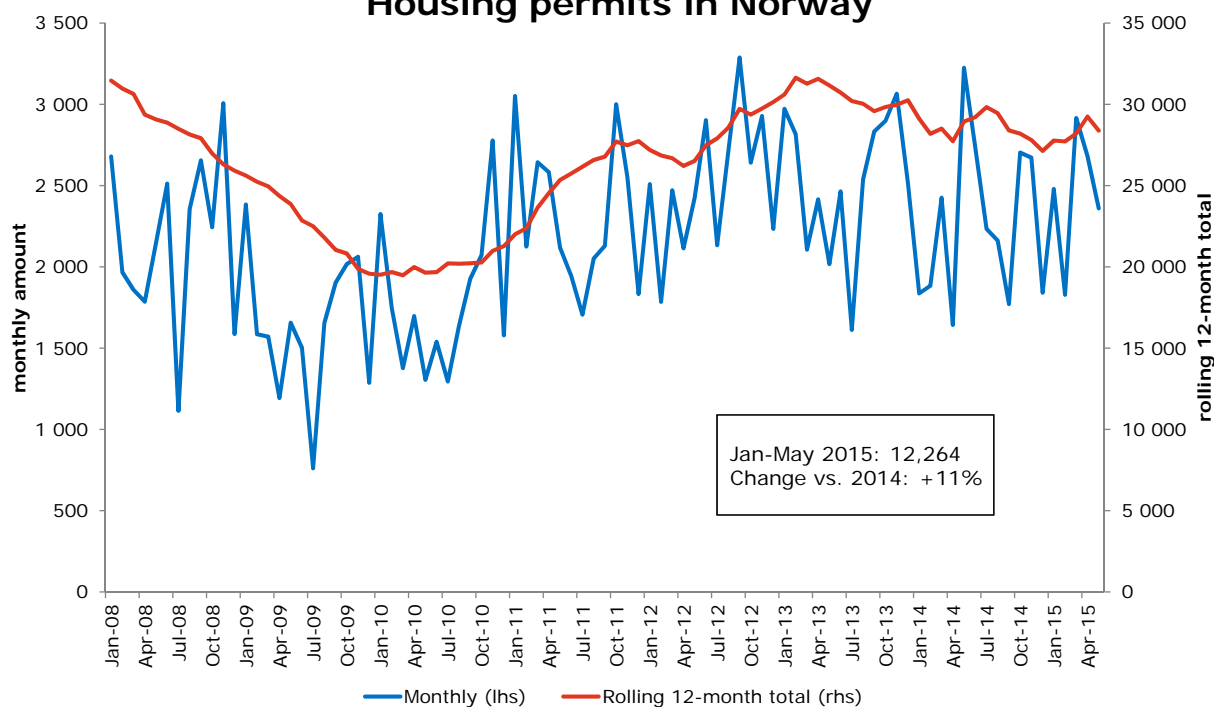
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Norway

Housing permits in Norway



Source: Statistics Norway



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