

# Q1

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## Performance in January-March 2010

28 April 2010

Jyri Luomakoski  
President and CEO  
Uponor Corporation

### Summary of Q1/2010

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- What looked like an emerging recovery of building markets was suddenly frozen and hidden in snow, thus slowing business
- Uponor victorious in keeping its grounds
- Thanks to comprehensive savings, product and process development and streamlining programmes of the past 2-3 years, Uponor stands on a solid ground
- Much of the lost business likely to be recovered in 2010



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	Indicator	% change YTD	Data through
Germany	Housing permits	+7%	January 2010
USA	Housing starts	+20% *	March 2010
Finland	Housing permits	+38%	February 2010
Sweden	Housing starts	-30%	December 2009
Spain	Housing permits	-36%	January 2010
Netherlands	Housing permits	-38%	January 2010
Italy	Construction index	-11%	December 2009
Denmark	Housing starts	-33%	December 2009
Norway	Housing starts	+3%	February 2010
Canada	Housing starts	+34% *	March 2010

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\*Seasonally adjusted, annualised rate vs same month in 2009

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# Demand ranges from brisk growth to continued decline

Net sales MEUR	1-3/2010	1-3/2009	Change, %
<b>Uponor</b>	<b>157.4</b>	<b>171.0</b>	<b>-8.0%</b>
Building Solutions – Europe	112.0	115.6	-3.1%
Building Solutions – North America	24.5	25.0	-1.7%
(Building Solutions – North America, USD)	33.6	32.3	+4.0%)
Infrastructure Solutions	21.9	31.4	-30.4%

- BLD Europe: Pick up in demand in the Nordic countries; sentiments in Iberia stabilising despite weak demand drivers; Benelux clearly slowing down
- BLD North America: Lively demand in Canada, while the U.S. reverts to a growth mode, albeit slow
- Infrastructure projects suffer a hit from harsh winter conditions

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## Profit impacted by slow net sales due to harsh winter

Operating profit MEUR	1-3/2010	1-3/2009	Change, %
<b>Uponor</b>	<b>+1.5</b>	<b>-1.0</b>	<b>255.9</b>
Building Solutions – Europe	9.0	3.3	176.8%
Building Solutions – North America	-1.8	-3.2	42.5%
(Building Solutions – North America, USD)	-2.5	-4.1	39.3%)
Infrastructure Solutions	-4.0	0.5	-893.3%

- BLD Europe: Improved performance throughout geographies supported by efficiency improvements in the supply chain
- BLD North America: Modest improvement from cost savings and improved volumes
- Infrastructure profitability suffers from lack of business and relatively high maintenance activity

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## Highlights of Q1/2010

- + Performance improvements bearing fruit despite less net sales
- + Clearly improved market signals in the value chain
- + Stability of input costs maintained in Q1
- + Favourable sustainability tailwind for Uponor's indoor climate offering continued
  - + Uponor founding member in Finland's new Green Building Council
- Harsh winter conditions throughout the northern hemisphere slowed down the emerging growth
- Further savings dependent on progress of system harmonisation
- Price pressure in plastic raw materials



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## Financial statements

Riitta Palomäki  
CFO  
Uponor Corporation

### Interim January – March 2010 Key figures

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MEUR	1-3 2010	1-3 2009	Change Y/Y	1-12 2009
Net sales, continuing operations	157,4	171,0	-8,0%	734,1
Operating profit, continuing operations	1,5	-1,0	+255,9%	41,2
Operating profit margin, continuing operations	1,0%	-0,6%	1,5% pts	5,6%
Earnings per share (diluted), EUR	-0,03	-0,05	+40,0%	0,16
Return on equity, % (p.a.)	-3,7%	-5,5%	1,8% pts	4,1%
Return on investment, % (p.a.)	-1,1%	-3,0%	1,9% pts	8,1%
Net interest bearing liabilities	135,4	141,7	-4,4%	64,6
Gearing, %	60,4%	58,6%	1,8% pts	25,0%
Net Working capital of Net Sales, %	59,8%	66,6%	-10,2%	13,3%
Average number of employees, continuing operations	3 173	3 572	-11,2%	3 426
Number of employees, end of period, continuing operations	3 181	3 526	-9,8%	3 316



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## Interim January – March 2010 Income statement

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- Stable gross profit even with lower volumes compared to Q1 2009

- Expenses down from Q4 2009 level, now savings in dispatching and warehousing expenses also visible

- Financial income: 0.4 MEUR  
Financial expenses: 2.0 MEUR  
Net FX differences: 2.5 MEUR

MEUR	1-3 2010	1-3 2009	Change Y/Y	1-12 2009
<b>Continuing operations</b>				
Net sales	157,4	171,0	-8,0%	734,1
Cost of goods sold	98,6	111,1	-11,2%	463,0
Gross profit - % of net sales	58,8 37,3 %	59,9 35,0 %	-1,9% +2,3%	271,1 36,9 %
Other operating income	0,6	0,0	+898,3%	4,2
Expenses	57,9	60,9	-5,0%	234,1
Operating profit - % of net sales	1,5 1,0 %	-1,0 -0,6 %	+255,9% +1,5%	41,2 5,6 %
Financial expenses, net	4,1	4,2	-2,0%	12,7
Profit before taxes	-2,6	-5,2	+49,1%	28,5
Profit for the period	-1,8	-3,7	+50,5%	17,2
EBITDA	9,0	6,8	+31,3%	73,8

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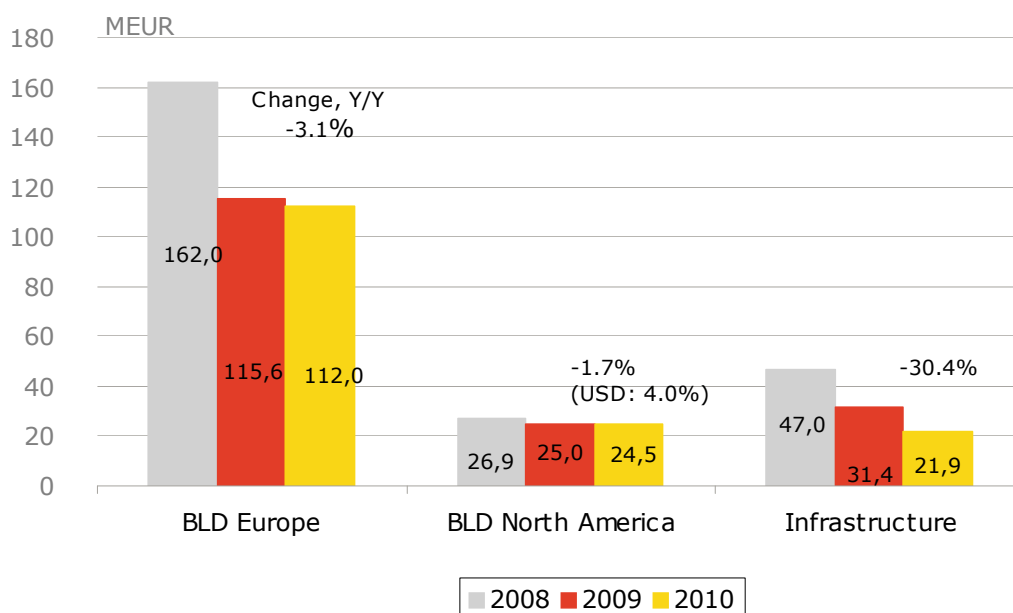
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## Interim January – March 2010 Net sales by segment

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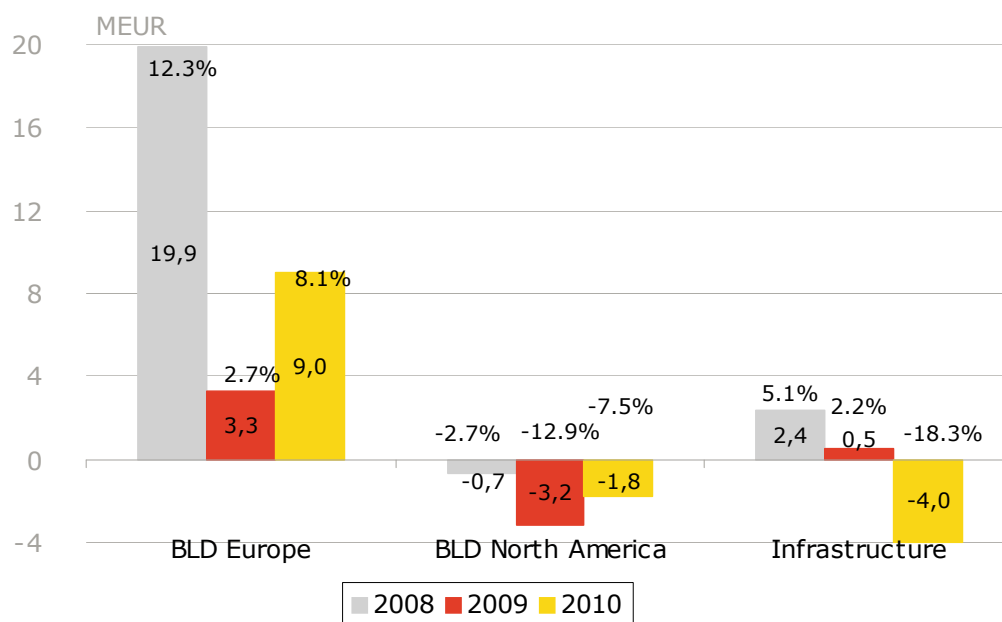
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## Interim January – March 2010 operating profit by segment

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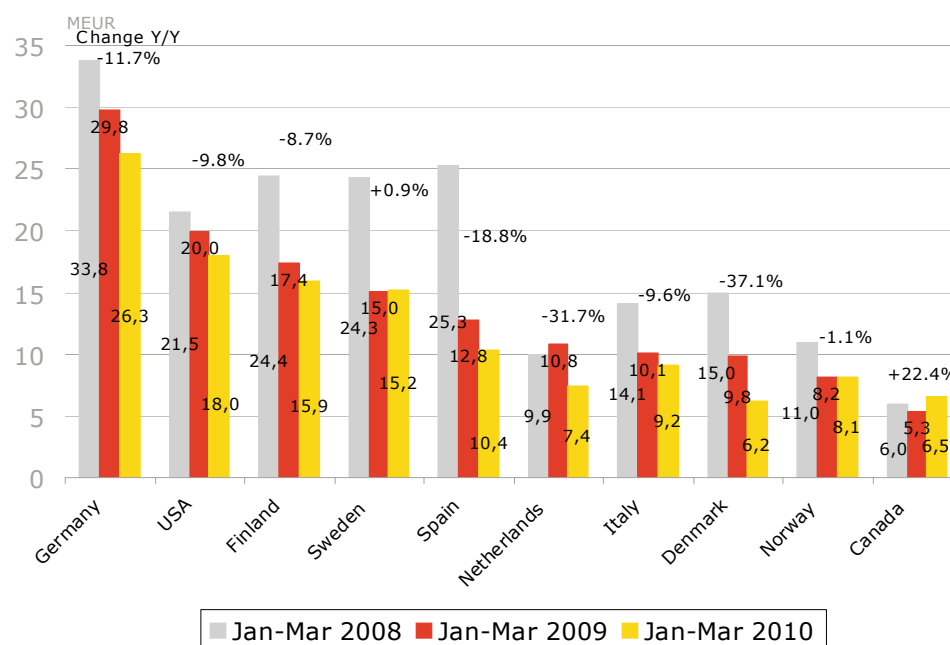
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## Net sales development by key national markets (10 largest\* by net sales)

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\* measured by net sales in 2009

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## Interim January – March 2010 Balance sheet



MEUR	31 Mar 2010	31 Mar 2009	Change Y/Y	31 Dec 2009
Property, plant and equipment	173,5	182,4	-8,9	175,1
Intangible assets	100,4	100,5	-0,1	101,5
Securities and long-term investments	7,3	6,6	+0,7	7,5
Inventories	83,4	100,7	-17,3	74,3
Cash and cash equivalents	6,3	33,7	-27,4	13,2
Other current and non-current assets	153,8	166,1	-12,3	127,0
Shareholders' equity	224,1	242,0	-17,9	258,0
Non-current interest-bearing liabilities	67,3	80,0	-12,7	60,2
Provisions	14,7	27,8	-13,1	18,4
Non-interest-bearing liabilities	144,2	144,8	-0,6	144,4
Current interest-bearing liabilities	74,4	95,4	-21,0	17,6
Balance sheet total	524,7	590,0	-65,3	498,6

- Inventories slightly up compared to year-end 2009 due to seasonality of the business

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## Interim January – March 2010 Cash flow



MEUR	1-3/ 2010	1-3/ 2009	Change Y/Y	1-12/ 2009
Net cash from operations	4,9	3,7	+1,2	65,7
Change in NWC	-28,8	-7,7	-21,1	25,9
Net payment of income tax and interest	-4,1	-10,0	+5,9	-12,8
<b>Cash flow from operations</b>	<b>-28,0</b>	<b>-14,0</b>	<b>-14,0</b>	<b>78,8</b>
Cash flow from investments	+0,9	-2,9	+3,8	-18,2
<b>Cash flow before financing</b>	<b>-27,1</b>	<b>-16,9</b>	<b>-10,2</b>	<b>60,6</b>
Dividends and buy backs	-36,5	-62,1	+25,6	-62,1
Other financing	+56,7	+59,4	-2,7	-38,4
Cash flow from financing	20,2	-2,7	+22,9	-100,5
Change in cash and cash equivalents	-6,9	-19,5	+12,6	-40,0

- Cash flow from investments includes 2.7 MEUR in proceeds from sale of fixed assets
- Gross investment at 1.8 MEUR was clearly less than depreciation at 7.5 MEUR

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## Outlook for the future

**Jyri Luomakoski**  
President and CEO  
Uponor Corporation

### References: B&Q store in New Malden, London

- The award winning B&Q store is the first of its kind in the UK and the greenest B&Q store to date
- In addition to major energy savings, 10% of its energy needs is catered for by renewable energy sources on site
- The concept was to demonstrate the store design and serve as a basis for future B&Q stores and warehouses
- Uponor heating and cooling system incorporated into the retail floor area extending to 9,000m<sup>2</sup>





## References: Housing projects in Sweden

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- Sheltered housing of 190 m<sup>2</sup> for disabled people with care and support needs
- Uponor systems used: Underfloor heating, pre-insulated pipe, sprinkler, Uponor PEX pipe for tap water and multilayer composite pipe for feedings
- Probably the first major block of flats in Sweden that does not have a traditional heating system
- 44 flats, designed for extremely low energy consumption but with optimum residential comfort. Underfloor heating gives additional heating in winter



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## References: Schloss Burgk, Thuringia, Germany

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- The 600-year historical castle will be used as library, conference site and civil registry office
- Regenerative energy combined with modern heating solutions
- Total solution by Uponor and strategic partner, Stiebel Eltron: Uponor wall heating, underfloor heating and heat distribution systems as well as multi-layer pipe for tap water, combined with Stiebel Eltron heat pumps
- Benefit for the customer:  
Energy efficiency and comfort with building systems that are perfectly aligned to each other, delivered by two strong market partners



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## References: Manchester Metropolitan University

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- The new Business School of Manchester Metropolitan University utilises Uponor's TABS (thermally active building structure) technology
- PEX-a carpet inbuilt within the concrete slab, Coolslab, developed together with Hanson, international building product supplier, enabling the system to operate with low temperature heating water and high temperature cooling water



Photos: Felien Clegg Bradley Studios

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## References: Building complex in Ålesund, Norway

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- The project is a total of 20,000m<sup>2</sup>, comprising hotels, offices and apartments
- The plot is situated between the sea and a busy road. Part of the building will sometimes be below sea level. The ideal place for the air intake was towards the sea
- Uponor was participating in the design of the ventilation. The system Uponor supplied is located in the sea and are exposed to 7 meter tall water column



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## References: Sustainable U.S. residential homes

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- A LEED® Gold home in Aspen, Colo., equipped for sustainable living and design.  
To offer the greatest comfort levels with the most efficient delivery, the home featured geothermal, solar panels, high-efficiency condensing boilers, radiant floor heating, snow melting, humidification, ventilation and forced-air heating and cooling
- Seawatch in Southport, NC, is built with environmental consciousness and a commitment to the use of sustainable products.  
The house includes Uponor's radiant heating systems and a water conserving PEX plumbing system



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## References: Shanghai World Expo 2010

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- Uponor, ClimateWell and the Unisolar Group will air-condition the Madrid Pavilion at the Shanghai World Expo 2010
- Uponor systems will cool parts of the Finnish Pavilion 'Kirnu'
- Uponor provided heating and cooling technology to two venues connected to the German Pavilion



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## Summary of outlook by geographic area

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- Central Europe
  - recovering residential new-build segment
  - public and commercial low
- Nordic countries
  - post-winter demand outlook remains favourable in Building Solutions and signs of improvement notable in Infrastructure Solutions
- Southwest Europe
  - Spain low but stable
  - Italy, France, the UK on the road to recovery
- North America
  - USA slowly returning, Canada already in growth mode
- Eastern Europe and international sales
  - Overall stable, with local variations



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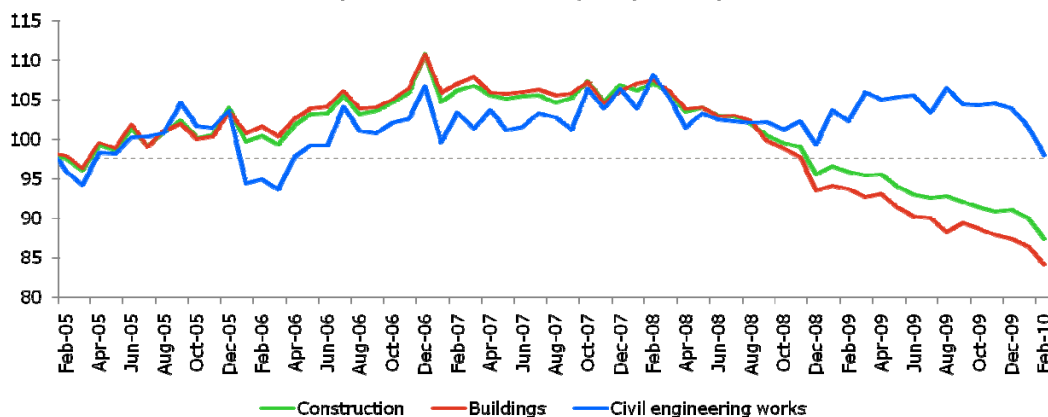
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## European construction output

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- Output in the building and construction segment has continued to decline
- The civil engineering segment remained stable through 2009, but has fallen significantly during the first two months of 2010

**Construction Production Index**  
(EU 27, Seasonally adjusted)



Source: Eurostat

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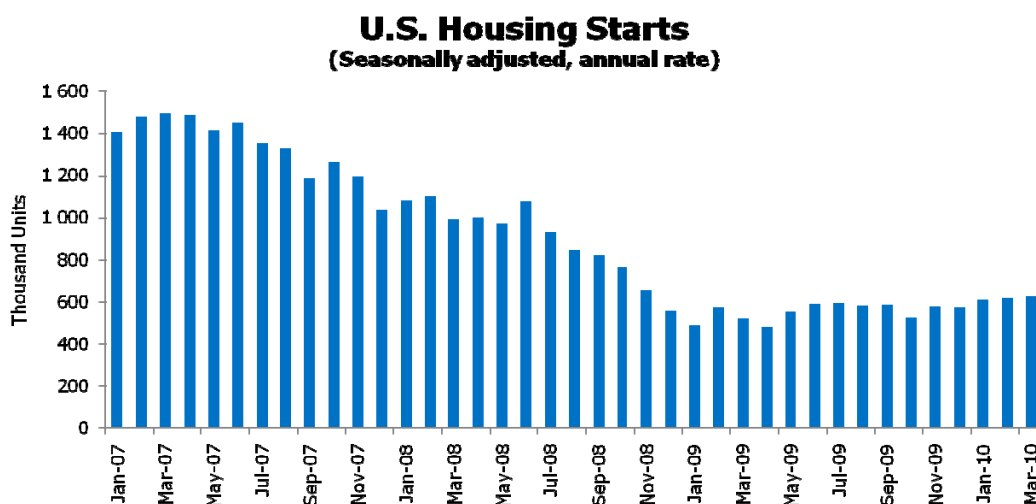
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## Housing starts development in USA

- Housing starts in March were at a seasonally adjusted annual rate of 626,000. This is 1.6% above the February estimate of 616,000 and is 20% above the March 2009 rate



Source: U.S. Census Bureau

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## Looking back at the building market slowdown in 2007-2010

- The financial market crisis pushed the building market into the longest and most severe recession in Uponor's history
  - Started in Q3/2007 and came to influence all regions simultaneously

Key figures 2007-2009	2009	2007	Change
Net sales	734	1,047	-30%
Operating profit margin %	5.6	13.0	-57%
Personnel FTE	3,316	4,581	-28%

- Uponor streamlined operations and focussed on creating a world-class supply chain
  - closed down three factories and seven warehouses
- Despite recession, execution of the growth strategy continued
  - Entered seven new countries with own operations and six with distribution partners – exited zero countries
- The recession turned out to be an opportunity to speed up evolution

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- Focus on tapping market opportunities
  - including new routes to market with alliances
- Organic expansion in new territories and in low market share countries
- Clarify Uponor's value proposition in terms of sustainability in the customers' minds

Earlier initiatives remain valid:

- Continue to invest in strategic initiatives
- Deeper integration of the European organisation
- Continue with active cost and cash-flow management



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## 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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## simply more

*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.*