

An aerial night view of a city skyline, likely Copenhagen, featuring a river and a bridge. The city lights are visible against a dark blue sky.

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# Half-year financial report

Jyri Luomakoski – President and CEO  
Maija Strandberg – CFO

1 – 6 / 2017

# Market overview: second quarter 2017



## Nordic countries

Construction activity is generally favourable across the region, with the residential segment leading the way

## Central Europe

In Germany, increased demand for multi-family residential buildings is driving growth, while activity in the Netherlands has moderated

## Southern Europe

By and large positive developments, with France experiencing the largest tailwinds

## North America

Building construction markets remain largely healthy, but with some limitations to growth present

# Q2/2017: Performance down from Q1 due to a production issue and volatility in demand

| April - June, M€            | 4-6/<br>2016 | 4-6/<br>2017 | Change |
|-----------------------------|--------------|--------------|--------|
| Net sales                   | 299.5        | 308.4        | 3.0%   |
| Operating profit            | 26.5         | 22.9         | -13.6% |
| Comparable operating profit | 30.7         | 23.8         | -22.6% |

## Net sales

- Building Solutions – Europe suffered from weaker demand and competitive pressure in key markets
- Building solutions demand in the U.S. remained healthy, but capacity constraints and a temporary production issue curbed deliveries
- Uponor Infra benefited from improving demand in North America and Sweden

## Operating profit

- Flat performance in Building Solutions – Europe, burdened by input costs that offset the savings achieved
- Building Solutions – North America saw a sharp decline in operating profit, mainly due to a temporary production issue
- Uponor Infra suffered from higher resin prices, sales mix and an increase in transformation spending

# Developments by segment: Building Solutions – Europe

- Inconsistent sales development across the European markets
  - Austria and Eastern European countries top the list of best performers
- Transformation programme completed
  - Plan on Italian office consolidation introduced at the end of the 2<sup>nd</sup> quarter
- Marketing efforts continued in order to promote prefabricated solutions as the future choice in several European markets



# Developments by segment: Building Solutions – North America

- A healthy market demand continued across the U.S.; Canadian demand softened in Q2
- Due to capacity constraints, deliveries to customers were controlled based on allocation
  - A temporary production issue curbed output and led to lost business opportunities
- Impact of more extensive resin for EP fittings (since June 2016) still visible
- Manufacturing expansions under way to meet expected growth
  - 10<sup>th</sup> expansion in Apple Valley in progress
  - Acquisition of a Hutchinson, Minn. facility announced in July





# Developments by segment: Uponor Infra

- Increasing stability in the market place in much of Europe, with Sweden and North America booming
- Profitability affected by sales growth in lower margin markets as well as higher cost of resin
  - Price increases take effect from Q3/2017 onwards
- Transformation programme, including optimisation of manufacturing footprint in Finland and cost savings, finalised
  - Targets fully met but with slightly higher than planned temporary costs due to lively demand



# Uponor's European transformation programmes completed with nearly expected results

Launched in November 2015 in Building Solutions

- Europe and Uponor Infra, in order to:
  - strengthen the basis for profitable growth, increase agility, reduce costs and address weak performance in Building Solutions – Europe
  - consolidate Finnish manufacturing operations in Uponor Infra



# Transformation programme: Building Solutions – Europe key deliverables

- Implemented leaner management structure with central function hubs in Frankfurt (DE); Vantaa (FI); and Warsaw (PL)
- Optimised warehouse, administrative and sales office network Europe-wide
- Transferred PEX and Ecoflex pipe production to Sweden
- Started consultation in Italy on office footprint optimisation (Q2/2017)
  - European-wide, a total of 10 consolidated offices and one relocated
- Total workforce reduction to reach 246 by end of 2017 (target 250)









# Transformation programme: Uponor Infra key deliverables

- Completed consolidation of pipe manufacturing to Nastola and chamber manufacturing to Tuusula (FI)
- Launched further rationalisation in Denmark and Canada (not within original scope)
- Total manpower reduction at 65 (target 71)
  - Temporarily missing the target slightly due to delays caused by high demand and knowhow transfer



# Uponor's European transformation: The realised savings are close to plans

| €million  | Building Solutions<br>- Europe |   | Uponor Infra |   | Total      |
|---|--------------------------------|---|--------------|---|------------|
|   | Target                         | Outcome   | Target       | Outcome   | Target     |
| Annual operational savings                              | 20                             |  | 5            |  | 25         |
| Total items affecting comparability<br>(non-cash items) | 21<br>(5)                      |  | 11<br>(8)    |  | 32<br>(13) |

- Close to half of the savings in 2016 and the other half in 2017; total net IAC at €24.5m
- Building Solutions – Europe lags behind, owing to smaller HR cost savings as well as changes in plans with regard to marketing initiatives and indirect sourcing
- Uponor Infra's IAC includes a gain of €1.9m from the sale of unused premises in Vaasa, Finland

A photograph of a modern building facade with a prominent cantilevered section. The building features a mix of materials, including glass, metal panels, and a perforated metal screen. The sky is a clear, deep blue, suggesting a bright day. The overall aesthetic is clean and architectural.

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# Financial statements

Maija Strandberg – CFO

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# January – June 2017:

## Key figures

| Uponor Group - continuing operations    |     | 1-6<br>2016 | 1-6<br>2017 | Change<br>Y/Y | 1-12<br>2016 |
|---|-----|-------------|-------------|---------------|--------------|
| Net sales                               | M€  | 546.4       | 573.5       | +5.0%         | 1,099.4      |
| Operating profit                        | M€  | 38.4        | 37.5        | -2.3%         | 71.0         |
| Comparable operating profit             | M€  | 45.6        | 38.8        | -15.0%        | 90.7         |
| Comparable operating profit margin      | %   | 8.3%        | 6.8%        | -1.6% pts     | 8.2%         |
| Earnings per share (diluted)            | €   | 0.28        | 0.29        | +3.6%         | 0.57         |
| Return on equity (p.a.)                 | %   | 13.9%       | 13.6%       | -0.3% pts     | 13.1%        |
| Return on investment (p.a.)             | %   | 15.3%       | 13.6%       | -1.7% pts     | 14.1%        |
| Net interest bearing liabilities        | M€  | 175.1       | 208.9       | +19.3%        | 159.5        |
| Gearing                                 | %   | 58.5%       | 67.6%       | +9.1% pts     | 48.8%        |
| Net working capital of net sales (p.a.) | %   | 11.9%       | 13.5%       | +1.6% pts     | 10.2%        |
| Number of employees, end of period      | FTE | 3,964       | 4,077       | +2.9%         | 3,868        |

# April – June 2017:

## Income statement

| Uponor Group - continuing operations, M€ | 4-6<br>2016 | 4-6<br>2017 | Change<br>Y/Y |
|--|-------------|-------------|---------------|
| Net sales                                | 299.5       | 308.4       | +3.0%         |
| Cost of goods sold                       | 194.0       | 210.0       | +8.3%         |
| Gross profit                             | 105.5       | 98.4        | -6.8%         |
| Gross profit margin (%)                  | 35.2%       | 31.9%       | -3.3% pts     |
| Other operating income                   | 1.4         | 2.3         | +56.8%        |
| Expenses                                 | 80.4        | 77.8        | -3.5%         |
| Operating profit                         | 26.5        | 22.9        | -13.6%        |
| Operating profit margin (%)              | 8.8%        | 7.4%        | -1.4% pts     |
| Financial expenses, net                  | 2.1         | 1.2         | -40.6%        |
| Share of result in associated companies  | 0.0         | -0.6        | -976.0%       |
| Profit before taxes                      | 24.4        | 21.1        | -13.7%        |
| Profit for the period                    | 15.4        | 14.3        | -6.8%         |
| EBITDA                                   | 36.2        | 33.1        | -8.4%         |

- **Net sales** growth +2.4% in constant currency terms – a positive currency impact of €1.7m mainly originating in USD and CAD
- **Comparable gross profit margin** 32.1% (35.5%) due to increased raw material prices and a temporary production issue in Building Solutions – North America
- **Comparable operating profit** reached €23.8m (€30.7m), a drop of 22.6%
- **Items affecting comparability** amounted to €0.9m (€4.2m), including a €1.9 million gain from the sale of unused office and manufacturing space in Uponor Infra's premises in Vaasa, Finland

# January – June 2017:

## Income statement

| Uponor Group - continuing operations, M€ | 1-6<br>2016 | 1-6<br>2017 | Change<br>Y/Y | 1-12<br>2016 |
|--|-------------|-------------|---------------|--------------|
| Net sales                                | 546.4       | 573.5       | +5.0%         | 1,099.4      |
| Cost of goods sold                       | 353.1       | 383.7       | +8.7%         | 723.4        |
| Gross profit                             | 193.3       | 189.8       | -1.8%         | 376.0        |
| Gross profit margin (%)                  | 35.4%       | 33.1%       | -2.3% pts     | 34.2%        |
| Other operating income                   | 2.0         | 2.6         | +25.4%        | 4.2          |
| Expenses                                 | 156.9       | 154.9       | -1.4%         | 309.2        |
| Operating profit                         | 38.4        | 37.5        | -2.3%         | 71.0         |
| Operating profit margin (%)              | 7.0%        | 6.5%        | -0.5% pts     | 6.5%         |
| Financial expenses, net                  | 5.5         | 4.0         | -27.1%        | 10.0         |
| Share of result in associated companies  | 0.1         | -1.1        | -974.2%       | -0.6         |
| Profit before taxes                      | 33.0        | 32.4        | -1.8%         | 60.4         |
| Profit for the period                    | 20.8        | 21.7        | +4.4%         | 41.5         |
| EBITDA                                   | 57.9        | 57.1        | -1.3%         | 112.6        |

- **Net sales** growth +4.5% in constant currency terms – a positive currency impact of €2.5m mainly driven by USD
- **Comparable gross profit margin** 33.3% (35.5%), mainly burdened by a temporary production issue in North America and competitive price pressure, particularly in the European building solutions business
- **Comparable operating profit** €38.8m which is 15.0% less than last year (€45.6m)

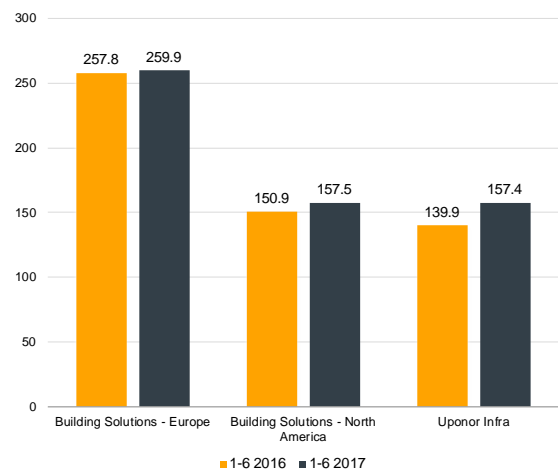


January – June 2017:

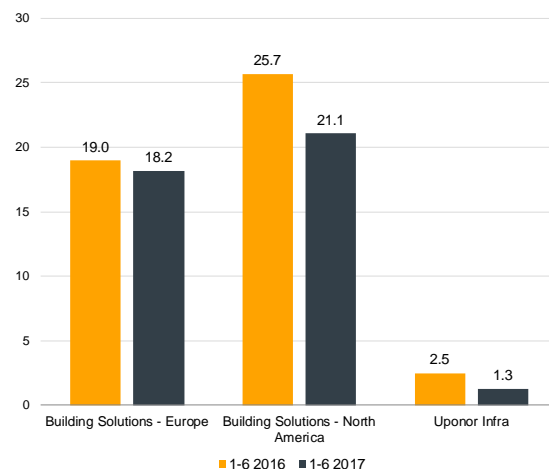
# Net sales & comparable operating profit by segment

Currency: M€

## Net sales



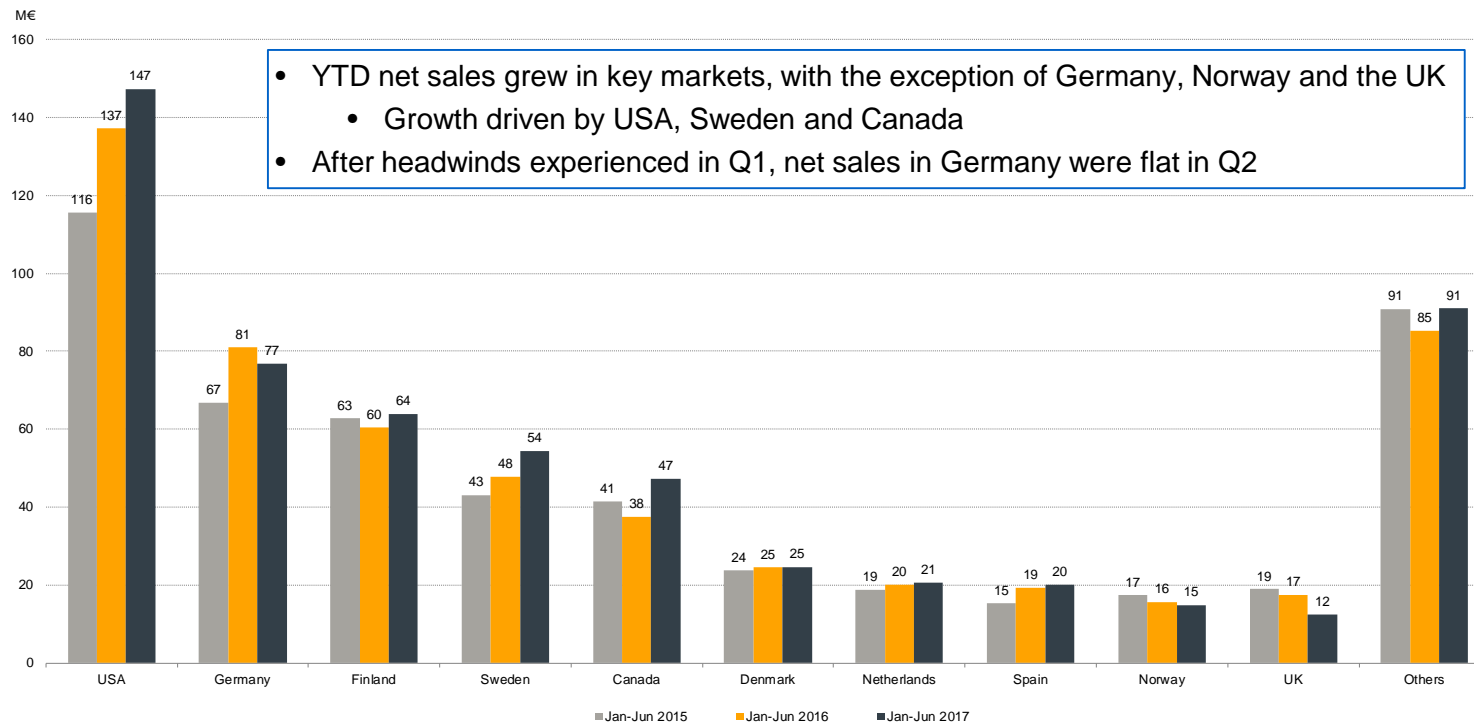
## Comparable operating profit



- **Building Solutions – Europe:** Modest net sales growth (+0.8%), while comparable operating profit declined (-3.9%) due to higher raw material prices and start-up expenses related to Asian operations
- **Building Solutions – North America:** Despite strong Q1, a temporary production issue in Q2 had a measurable impact on net sales (+4.3%) and operating profit (-17.9%)
- **Uponor Infra:** Strong net sales growth (+12.5%) but comparable operating profit stayed below last year (-46.9%) mainly due to higher resin costs and temporary inefficiencies related to production transfers

January – June 2017

# Net sales development by key markets



- YTD net sales grew in key markets, with the exception of Germany, Norway and the UK
  - Growth driven by USA, Sweden and Canada
- After headwinds experienced in Q1, net sales in Germany were flat in Q2

Growth  
% in EUR  
% in Curr.

7.4%  
5.4%

-5.3%

5.9%

13.9%  
17.6%

26.0%  
24.6%

0.3%  
0.1%

3.0%

3.6%

-5.1%  
-6.7%

-28.7%  
-21.8%

6.6%

# January – June 2017: Balance sheet

| Uponor Group, M€                                  | 30 Jun<br>2016 | 30 Jun<br>2017 | Change<br>Y/Y | 31 Dec<br>2016 |
|---|----------------|----------------|---------------|----------------|
| Property, plant and equipment                     | 221.7          | 233.8          | +12.1         | 240.9          |
| Intangible assets                                 | 121.4          | 117.3          | -4.1          | 119.0          |
| Securities and long-term investments              | 21.6           | 31.9           | +10.3         | 34.7           |
| Inventories                                       | 133.6          | 146.7          | +13.1         | 139.3          |
| Cash and cash equivalents                         | 24.8           | 24.3           | -0.5          | 16.3           |
| Other current and non-current assets              | 269.4          | 271.9          | +2.5          | 217.3          |
| <b>Assets total</b>                               | <b>792.5</b>   | <b>825.9</b>   | <b>+33.4</b>  | <b>767.5</b>   |
| <b>Total equity</b>                               | <b>299.2</b>   | <b>309.0</b>   | <b>+9.8</b>   | <b>326.9</b>   |
| Non-current interest-bearing liabilities          | 139.1          | 77.5           | -61.6         | 158.2          |
| Provisions  | 26.5           | 28.0           | +1.5          | 28.8           |
| Non-interest-bearing liabilities                  | 266.9          | 255.7          | -11.2         | 236.0          |
| Current interest-bearing liabilities              | 60.8           | 155.7          | +94.9         | 17.6           |
| <b>Shareholders' equity and liabilities total</b> | <b>792.5</b>   | <b>825.9</b>   | <b>+33.4</b>  | <b>767.5</b>   |

- Property, plant and equipment increased mainly due to investments in capacity expansion and efficiency improvement
- Non-controlling interest represents €64.3m of the equity at €309.0m
- €80m bond maturing in June 2018 – refinancing was arranged during Q2 by signing a committed 5-year bilateral loan agreement of €100m. None of the loan was drawn on 30 June 2017

# January – June 2017:

## Cash flow

| Uponor Group, M€                       | 1-6<br>2016  | 1-6<br>2017  | Change<br>Y/Y | 1-12<br>2016 |
|--|--------------|--------------|---------------|--------------|
| Net cash from operations               | +55.1        | +59.2        | +4.1          | +105.3       |
| Change in NWC                          | -41.9        | -45.9        | -4.0          | -16.6        |
| Net payment of income tax and interest | -16.6        | -11.8        | +4.8          | -28.8        |
| <b>Cash flow from operations</b>       | <b>-3.4</b>  | <b>+1.5</b>  | <b>+4.9</b>   | <b>+59.9</b> |
| Cash flow from investments             | -44.4        | -16.8        | +27.6         | -91.8        |
| <b>Cash flow before financing</b>      | <b>-47.8</b> | <b>-15.3</b> | <b>+32.5</b>  | <b>-31.9</b> |
| Dividends paid                         | -32.2        | -33.6        | -1.4          | -32.2        |
| Other financing                        | +56.5        | +57.3        | +0.8          | +32.0        |
| <b>Cash flow from financing</b>        | <b>+24.3</b> | <b>+23.7</b> | <b>-0.6</b>   | <b>-0.2</b>  |
| Conversion differences                 | +0.1         | -0.4         | -0.5          | +0.2         |
| Change in cash and cash equivalents    | -23.4        | +8.0         | +31.4         | -31.9        |

- Gross investments came to €19.3 (15.7) million, remaining slightly below depreciation
- Cash flow from investments in the comparison period includes a net cash flow effect of -€31.4m from the acquisition of KaMo & Delta Group























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# Outlook for the future

Jyri Luomakoski – President and CEO

# Leading indicators: Still solid, but growth is slowing

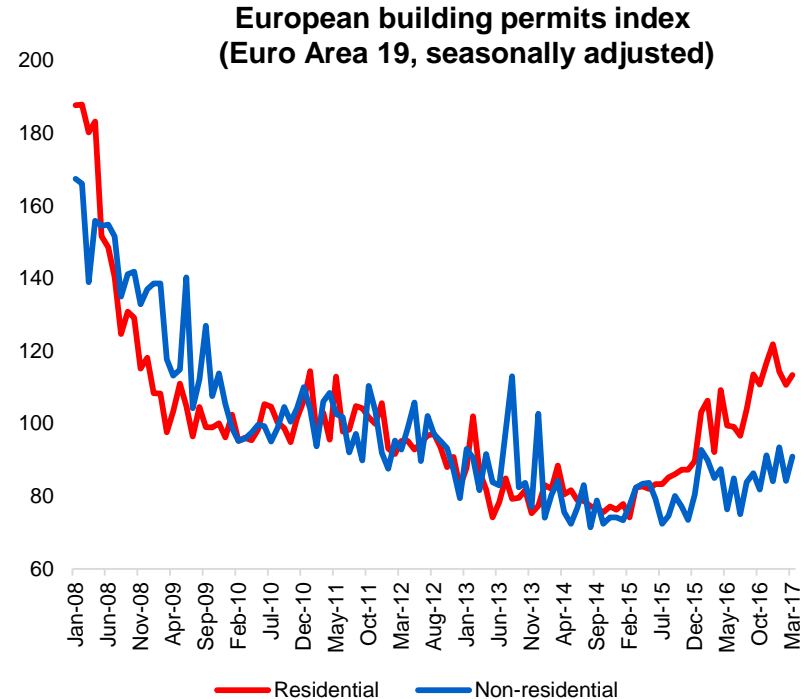
|   | Indicator                    | YTD % Change      | Rolling 12-month % Change | Data through  | Trend since Q1 update   |
|---|------------------------------|-------------------|---------------------------|---------------|---|
|  USA         | Housing starts               | +2% <sup>1)</sup> | N/A                       | June 2017     |  |
|  Germany     | Housing permits              | -5%               | +7%                       | May 2017      |  |
|  Finland     | Housing permits              | +4%               | +10%                      | April 2017    |  |
|  Sweden      | Housing starts               | +45%              | +34%                      | March 2017    |  |
|  Canada      | Housing starts               | -3% <sup>1)</sup> | N/A                       | June 2017     |  |
|  Denmark     | Housing starts               | -29%              | -1%                       | March 2017    |  |
|  Netherlands | Housing permits              | -5%               | -5%                       | December 2016 |  |
|  Spain       | Housing permits              | +12%              | +15%                      | April 2017    |  |
|  Norway      | Housing starts               | +7%               | +16%                      | May 2017      |  |
|  UK          | Housing starts <sup>2)</sup> | +21%              | +14%                      | March 2017    |  |

<sup>1)</sup> Seasonally adjusted, annualised rate vs. same month in 2016 <sup>2)</sup> England only



# Building permit activity in Europe points towards broad-based strengthening in the residential segment

- Data through March 2017 shows continued growth in residential building permits across Europe compared to the same time last year
  - One notable exception is in Germany, where permit levels have fallen compared to 2016
- Developments in the non-residential segment have been mixed, with about half of all markets making gains while the other half have fallen since the same time last year



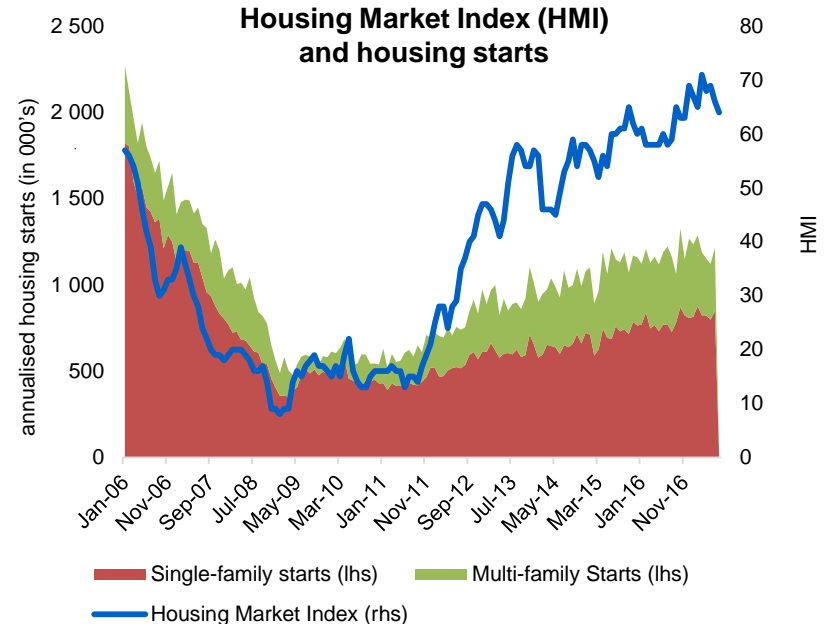
Source: Eurostat (Base year = 2010)

# USA - Continued expansion, but with some reason for caution

The economy continues to expand, but labour shortages in some industries and rising interest rates are tempering growth

Within the construction industry:

- While the housing starts rate has slowed in recent months, residential construction spending continues to grow
- Non-residential spending is flat overall compared to 2016, but has grown in the office and commercial segments
- Home builder confidence has moderated, but remains high



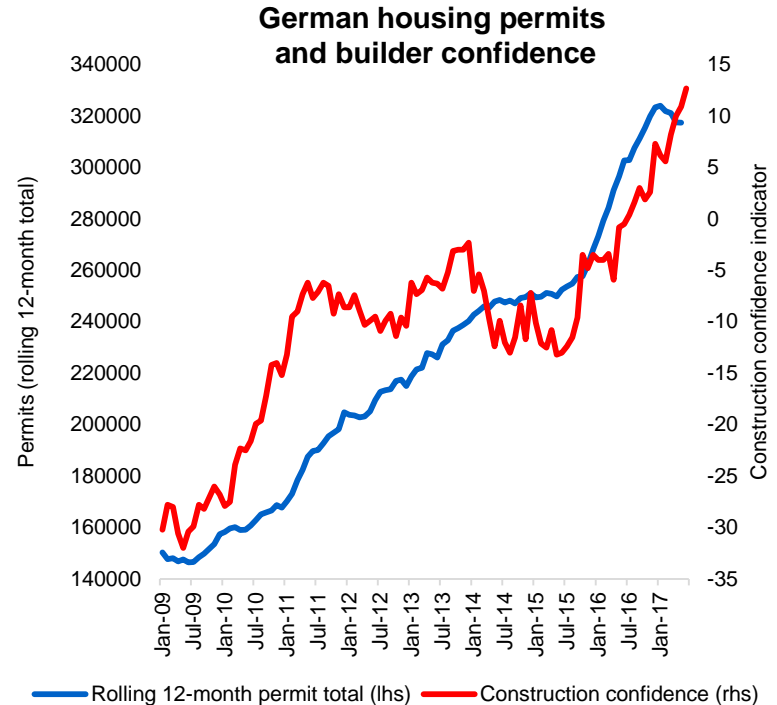
Source: US Census, NAHB/Wells Fargo

# Germany - A strong labour market is supporting residential investment

With unemployment at a record low and business confidence at a record high, the economy continues to expand at a moderate pace

Within the construction industry:

- Builders continue to be very positive with regard to the evolution of order books and current building activity
- Growth remains concentrated in the new, multi-family segment, while the renovation segment is essentially flat
- Residential building permits have moderated from their 2016 highs



Source: Destatis and Eurostat

# Management agenda for 2017

- Speed up the rollout of the strategic offerings in Building Solutions – Europe while fully utilising the renewed operational setup and market presence
- Satisfy the consistently high demand of pipe and fittings among the customers in North America, while securing smooth operations and increasing manufacturing capacity
- Establish stronger foothold in Asia with the new Chinese factory operational
- Promote Uponor's digital transformation and launch new ground-breaking digital offerings



# Guidance 2017

- No sign of changes visible in the market place, which could materially change demand forecasts for 2017
- Subject to the acquisition of the U.S. manufacturing facility and real estate, announced on 20 July 2017, the Group's capital expenditure is estimated to exceed €60 million (excluding any investment in shares) in 2017
- Assuming that economic development in Uponor's key geographies continues undisturbed, Uponor reiterates earlier guidance from February 2017:

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

## Q&A

**Uponor IR site:** [investors.uponor.com](https://investors.uponor.com)



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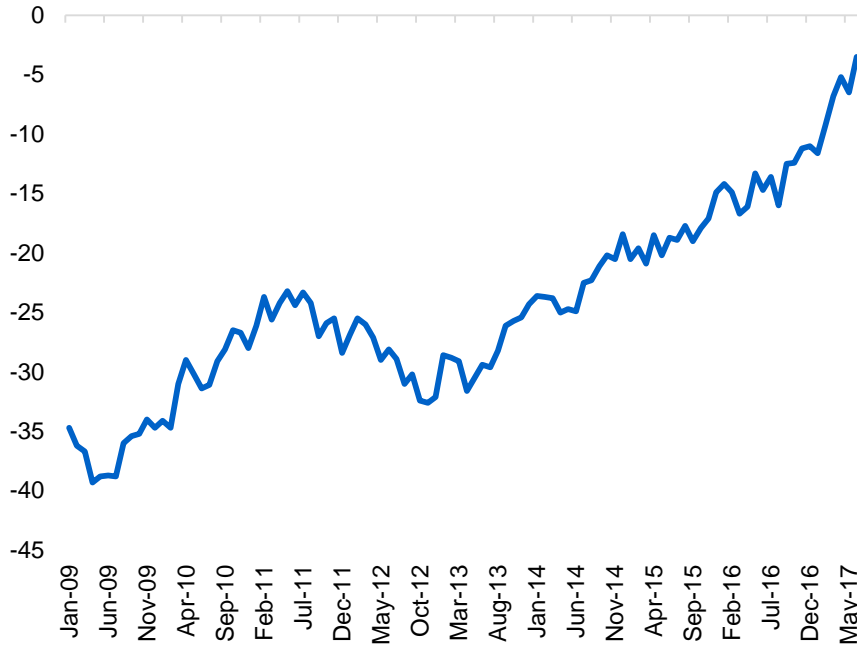


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# Appendix

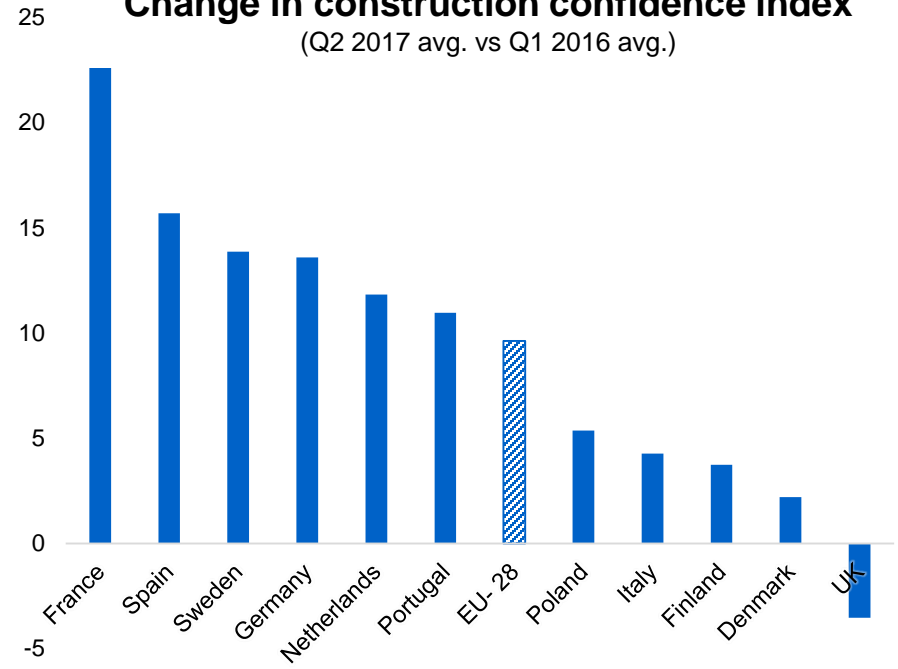
# Builder confidence continues to strengthen in most European markets

## EU construction confidence index



## Change in construction confidence index

(Q2 2017 avg. vs Q1 2016 avg.)



Source: Eurostat

# Finland - The recovery continues

Both consumers and exports are supporting solid growth in the economy that is above the European average

Within the construction industry:

- Residential starts have continued to post significant year-over-year gains, while permit levels have levelled off
- Non-residential permits have grown in the commercial and office space segments, driven by a handful of large projects
- Construction confidence has plateaued, but remains relatively high



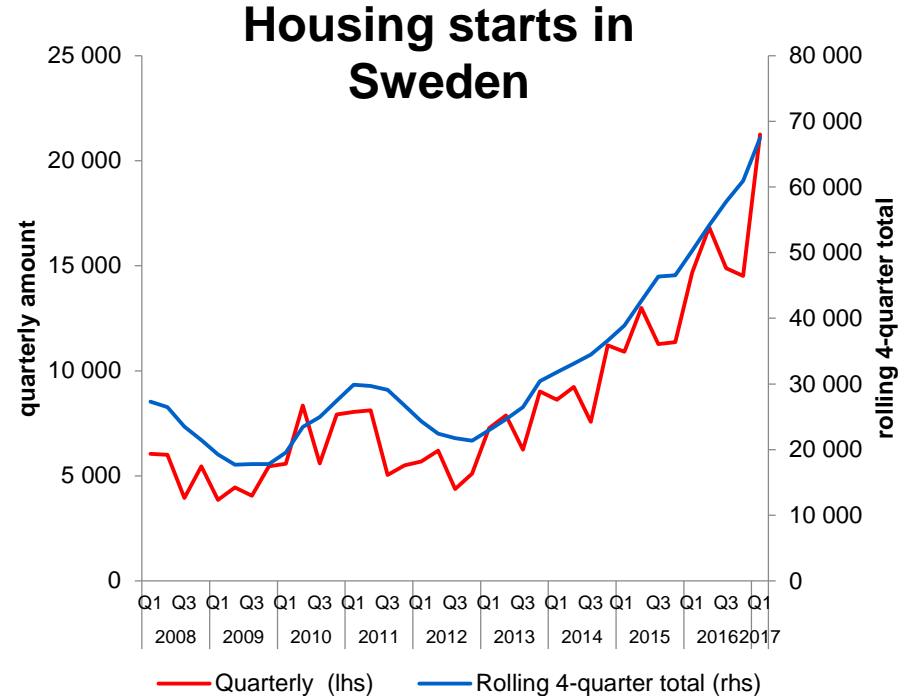
Source: Statistics Finland & Eurostat

# Sweden - Fundamentals remain solid

Economic fundamentals remain solid and growth, although showing signs of moderating, is robust

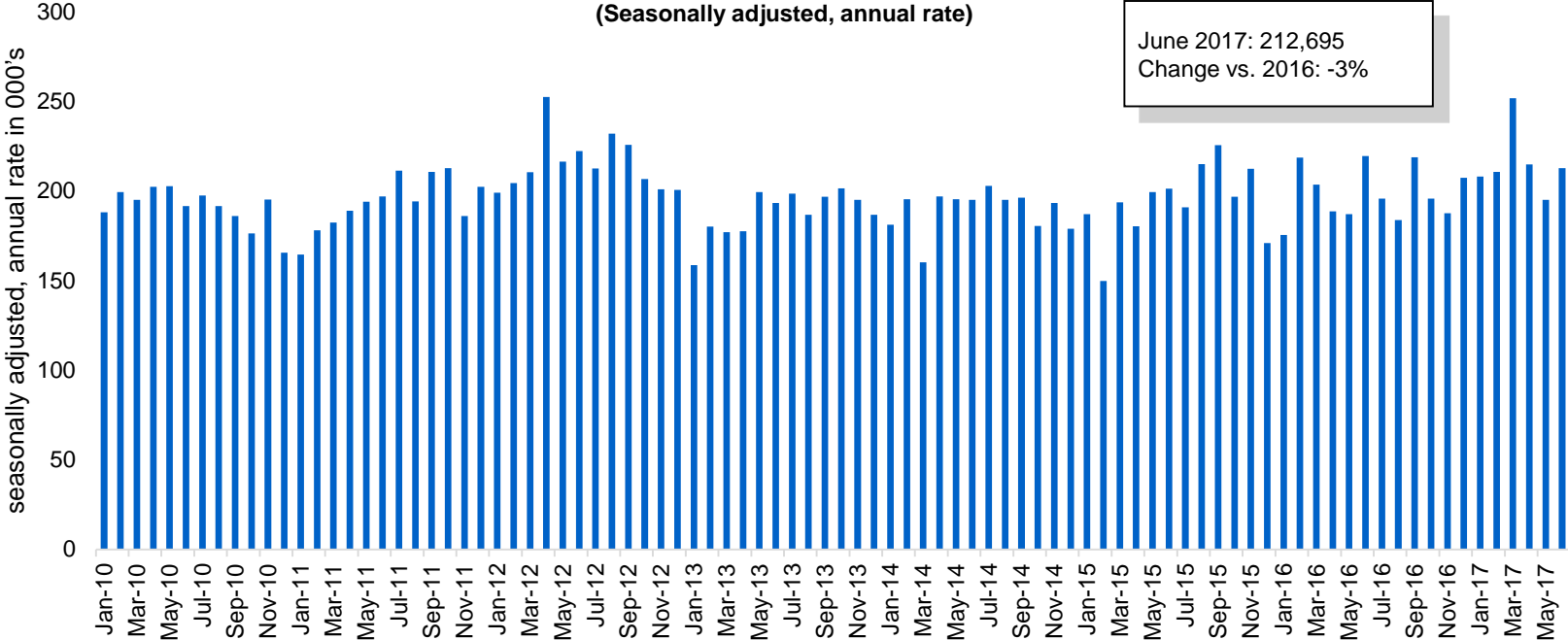
In the construction industry:

- Housing starts continue to rise, especially in the multi-family segment
- Builders report strong order books and confidence
- Property prices have continued to rise, prompting some concerns



Source: Statistics Sweden

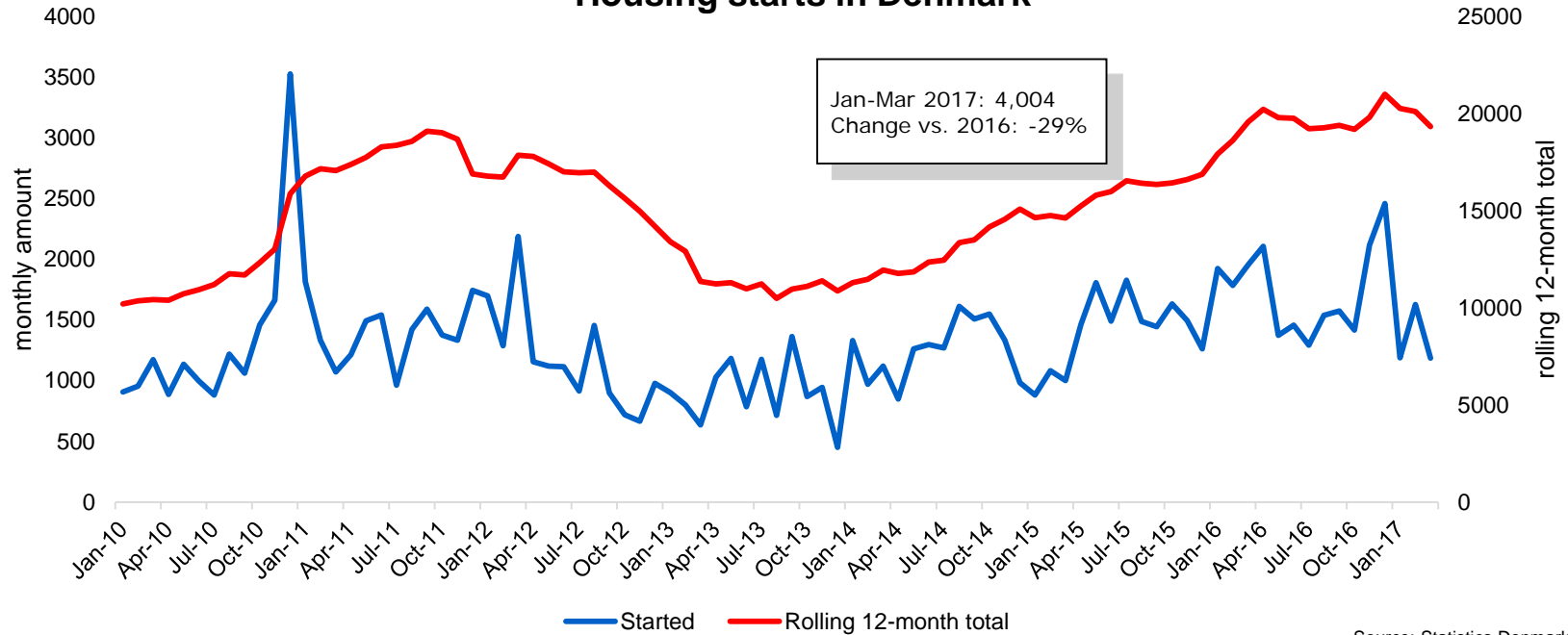
## Housing starts in Canada (Seasonally adjusted, annual rate)



Source: CMHC/ Statistics Canada

# Denmark

## Housing starts in Denmark



Source: Statistics Denmark



# Norway

