

# Interim Q1/2004 result briefing

Helsinki, 22 April 2004

Market and business review

Jan Lång, CEO

Financial statement

Jyri Luomakoski, CFO

Outlook

Jan Lång, CEO

Questions

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# Market and business review

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## Interim Q1/2004: Construction market

- The slight picking up of the market that started during the latter part of 2003 has continued
- Demand for Uponor products developed in a satisfactory way in all major markets
  - exceeded expectations in Germany and in the U.S.
- German construction market picked up in the important single-family house segment
  - +12,1% increase in single-family house permits (total permits 8,6%)
  - mainly due to changes in government subsidies (Eigenheimzulage)
  - the effects are expected to even out and diminish during the year
- Housing construction development positive also in the Nordic countries, Iberia, Baltic countries and Russia
- In North America no signs of market slowing down
- Infrastructure and environment market remained satisfactory in Europe
  - Improvement in the gas pipe demand in England as well as in the market for decentralised wastewater treatment in Germany

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## Interim Q1/2004: Net sales

- Net sales 247.2 (232.1) MEUR, up 6.5%
  - organic growth in comparable terms +19.2%
- Growth was achieved through
  - favourable market situation
  - successful upgrades and improvements in product and systems offering
  - In North America some deliveries were postponed until early 2004 as capacity expansions did not fully meet rapidly growing demand
- Both underfloor heating and tap water systems experienced rapid growth

### Net sales of Pipe Systems by region

	1-3/2004	1-3/2003	Rep. change
Central Europe	88.7	70.7	+25.5%
Nordic	56.5	52.8	+7.0%
Europe – West, East, South	75.4	67.9	+11.0%
North America, EUR	33.9	24.4	+38.9%
(North America, USD	41.9	26.5	+58.2%)
Others (Municipal Americas), EUR	8.8	27.7	- 68.2%

## Interim Q1/2004: Profitability

- Operating profit 14.2 (10.0) MEUR
  - 5.7 (4.3)% of net sales
  - increase of 41.0% year-on-year
  - increased by 57.5% in comparable terms
  - EBITA at 6.8 (5.6)% of net sales
- Improvement in operating profit mainly due to
  - increased sales
  - shifting of focus in product mix towards more profitable items
  - impact of completed restructuring measures
- Cash flow from operations continued to improve: -6.7 (-25.1) MEUR
- Uponor's business is characterised by seasonal fluctuations. For this reason, the net sales and profit figures for the first quarter of the year, the low season, do not provide a solid foundation for predicting company performance for the financial year as a whole.

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## Interim Q1/2004: Positives and negatives

- + In Europe, the tap water business grew driven by renovation and by multi-layer composite pipes
- + In North America, both the tap water and the underfloor heating businesses developed favourably
- + New products have been well received in the market
- + Continued rise in copper prices has increased the penetration by plastic and multi-layer pipes  
"Once they use plastic, they will always use plastic"
- + Growth of market share in Germany and the U.S.
- + Good growth in demand for plastic fittings (Spain and Portugal 100%)
- Capacity expansions in North America did not keep up with market growth
- PEX plumbing code approval in California caught up in the legal appeal process
- Higher metal prices increase costs of metal fittings
- Strong decrease in the IE market in Spain and Portugal, causing tough price competition

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## Restructuring update

- MBO in Germany finalised on 31 March 2004
- On-going processes to centralise production and increase efficiency in Germany and Spain proceeding according to plan
- In England, all Housing Solutions business centralised at Lutterworth
- In France, all activities concentrated at the St. Etienne plant
- Measures to increase efficiency in Spain and Portugal will be completed during spring
  - three warehouses closed down, activities centralised to one central warehouse
  - Vila do Conde plant in Portugal closed down
- Measures after the reporting period:
  - Close-down of the Vårgårda plant in Sweden
  - "Nordic" marketing organisation to Norway

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# **Financial statement**

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**Jyri Luomakoski, CFO and deputy CEO**

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## Financial performance, Jan – Mar 2004

<b>NET SALES</b>	1-3	1-3	Reported	Comparable	2003	
MEUR	2004	2003	change %	change %	comp.	
Pipe Systems	241,8	226,4	6,8%	19,9%	201,6	
Real Estate	5,3	5,5	-3,6%	-3,6%	5,5	
Others & Elim.	0,1	0,2	-50,0%	-50,0%	0,2	
<b>Uponor Group</b>	<b>247,2</b>	<b>232,1</b>	<b>6,5%</b>	<b>19,2%</b>	<b>207,3</b>	
<b>OPERATING PROFIT</b>	1-3	1-3	Reported	Comparable	2003	
MEUR	2004	2003	change %	change %	comp.	
Pipe Systems	15,4	6,4	9,1	69,2%	79,5%	8,6
Real Estate	2,3		3,3	-29,8%	-29,8%	3,3
Others	-3,5		-2,4	45,8%	22,5%	-2,9
<b>Uponor Group</b>	<b>14,2</b>	<b>5,7</b>	<b>10,0</b>	<b>42,3%</b>	<b>57,5%</b>	<b>9,0</b>

Comparable change incl. divestments 2003 (Uponor ETI Company)  
and exchange rate effect

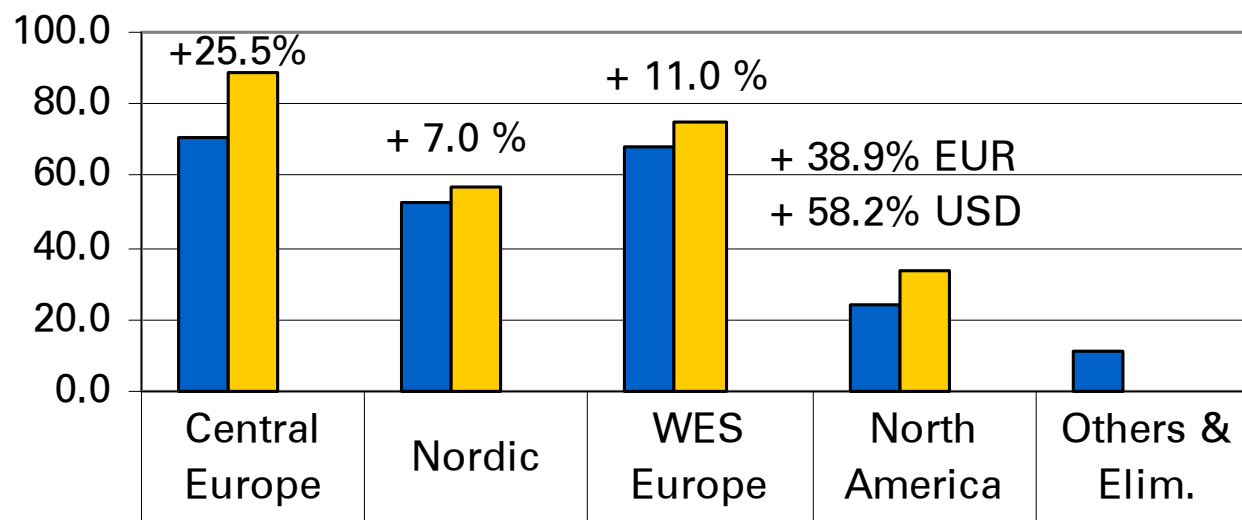
## Interim January – March 2004 Income statement

<b>MEUR</b>	1-3		Change Y/Y	1-3		1-12	
	2004	%		2003	%	2003	%
Net sales	247.2		6.5%	232.1		1,021.0	
Other operating income	0.6	0.2	-85.4%	4.1	1.8	6.8	0.7
EBITDA	28.6	11.6		26.5	11.4	117.8	11.5
EBITA	16.8	6.8	30.2%	12.9	5.6	44.9	4.4
Operating profit (EBIT)	14.2	5.7	42.0%	10.0	4.3	30.7	3.0
Financial expenses, net	1.7	0.7	-27.3%	2.3	1.0	9.9	1.0
Profit after financial items	12.5	5.1	63.2%	7.7	3.3	20.8	2.0
Profit for the period	8.2	3.3	60.8%	5.1	2.2	1.6	0.2
EPS	0.22			0.14		0.04	
EPS excl. GW amortisation	0.29			0.21		0.43	

# Interim January – March 2004

## Pipe Systems net sales by region

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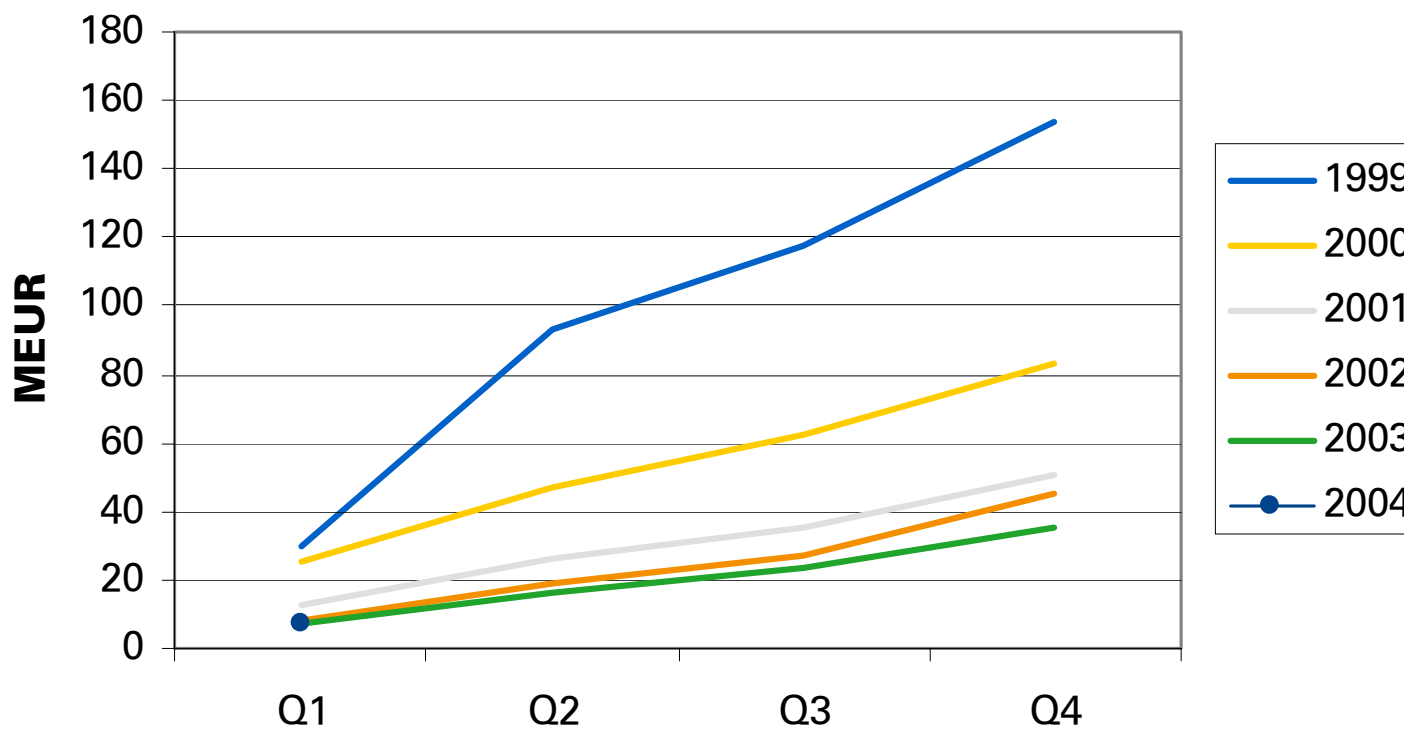
■ 2003	70.7	52.8	67.9	24.4	10.8
■ 2004	88.7	56.5	75.4	33.9	-12.6
Transl. effect	-0.3	-0.9	0.0	-4.2	-1.2

## Balance sheet

- Fixed Assets down from year end by 8 MEUR due to restructuring and reasonable investment level
- Comparable inventories 18 MEUR below last year's Q1 figure
- Trade receivable turnover days improved compared to last year
- Shareholders' equity down to 409 MEUR due to dividend pay-out of 74 MEUR
- Conversion difference has positively impacted the equity by 5 MEUR
- Obligatory provisions including restructuring charges on Dec. 2003 level

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# Interim January – March 2004 Investment activity



### January - March 2004

Gross investments	8.1
Disposals at book	4.7
Depreciation	11.8
Amortisation	2.6

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## Cash flow January - March 2004

	1-3 2004	1-3 2003	1-12 2003
<b>Cash flow from operations</b>	-6.7	-25.1	+148.0
<b>Cash flow from investments</b>	-2.8	+28.8	-1.2
<b>Cash flow from financing</b>	+5.7	+2.2	-136.2

- Net working capital change 14 MEUR better in Q1/2004 vs. Q1/2003 from a favourable development in inventory and payables
- Investments and depreciations in line with Q1 2003
- 2003 CF including divestment of Uponor ETI Company and Uponor Hausabflusstechnik (26 MEUR)
- Higher dividend pay-out in 2004 (74 MEUR vs. 56 MEUR in 2003)

## Interim January – March 2004 Financial indicators

	<b>1-3 2004</b>	<b>1-3 2003</b>	<b>1-12 2003</b>
Earnings per share, EUR	0.22	0.14	0.04
Earning per share, diluted	0.22	0.14	0.04
EPS, diluted excl. GW amort.	0.29	0.21	0.43
Return on equity, %	7.5	4.0	0.3
Return on investment, %	10.0	5.8	4.9
Solvency ratio, %	49.4	53.8	59.8
Gearing, %	41	41	18
Equity per share, EUR	11.04	12.98	12.69
Equity per share, diluted	11.01	12.97	12.68

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# Outlook

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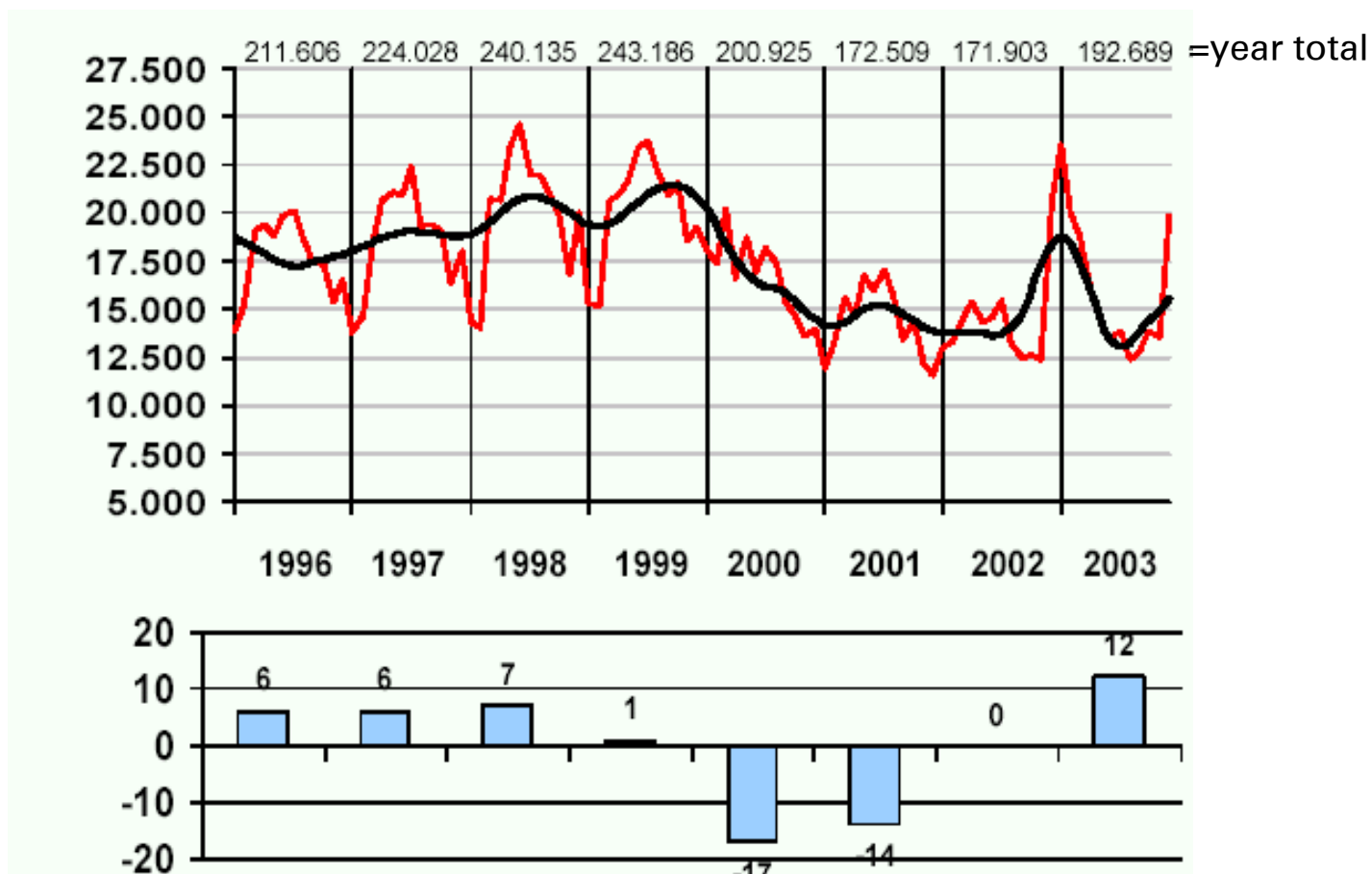
## Market outlook

- No major changes in the markets on the horizon in the near future
- Strong demand in the beginning of 2004
  - demand is expected to remain good but not as good as in Q1
- Restructuring programme is proceeding according to plan
  - mainly completed during this year
  - some results for efficiency improvements can be seen already this year
  - the entire effect starts to become visible during 2005

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# Development of single-house permits in Germany

## Permits/month



Change, %

Source: Statistisches Bundesamt

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## Guidance unchanged

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- The Group's cash flow is expected to remain strong and the 2004 operating profit and profit margin are expected to improve, excluding restructuring expenses.

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