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## Annual results briefing

Helsinki, 9 February 2006

### At a glance: Strong performance in 2005

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- Main financial targets achieved
  - supported by improved cost structure
- Implementation of core strategy progressing well



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## Market and business update

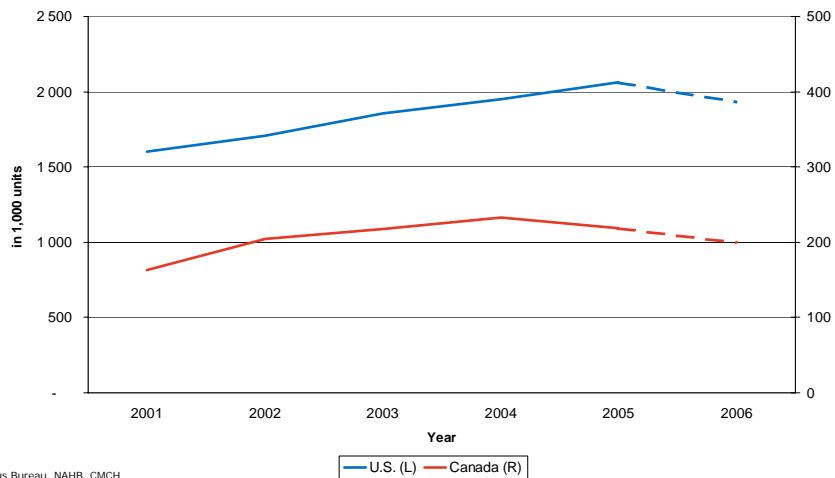
Jan Lång, President and CEO

### North America: U.S. sustains strong demand

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- FY 2005 U.S. housing starts estimated to be up 5.6% from '04
- FY 2006 U.S. housing starts forecast to decline 6-7% from '05

Housing starts - North America



Source: US Census Bureau, NAHB, CMCH

## Central Europe: Decline continued in Germany

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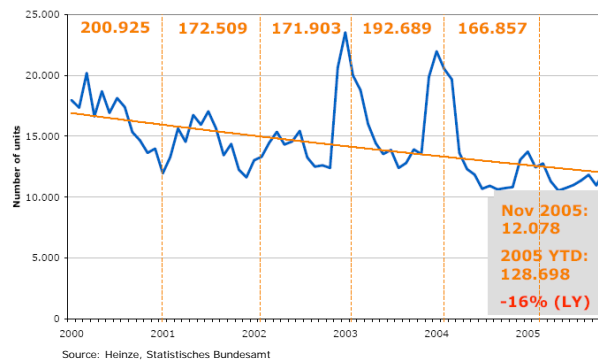
Positive news on German economy and consumer confidence are not expected to materialise into building demand recovery in 2006

- stabilisation of permits on last year's level expected
  - cancellation of the home owner subsidy as of 31 Dec. 2005
  - VAT increase in 2007

Other CE region:

- market volume to stabilise on last year's healthy level

**Monthly Development of Building Permits 2000 – 2005**  
(new single houses, in units)



## Nordic and Europe – WES: Market highlights in 2005-6

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- Nordic
  - Residential housing starts for 2005 expected to increase by 3,4% from 2004 to 120,000 units and stay on the same level for 2006
    - increase mainly from the single-family sector
  - No material changes expected in the infrastructure sector
- Europe – WES
  - Spain: Housing starts expected to peak at 710,000 in 2005, followed by more modest growth
  - UK/Ireland: Residential construction expected to stabilise on a healthy level, infrastructure demand flat
  - Russia: Good progress to continue

## Near-term market outlook remains stable or slightly weaker



Resident. new building	Germany	Nordic	UK & Ireland	Iberia	Italy	USA	Canada
2005							
Outlook 2006							

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## Net sales development



- Full year net sales EUR 1,031.4m – comparable growth of 7.0%

EUR	1 – 12 2005	Comp. change, %
Central Europe	307.9	-0.6
Nordic	313.6	+8.0
Europe – WES	325.9	+11.9
North America	179.8	+15.1

- Central Europe: Negative German impact (- 7% y/y) mostly offset by the Benelux and Swiss markets
- Nordic: Solid development – supported by price development, especially in the infrastructure segment
- Europe – WES: Highest growth rates in Spain, Russia and the Baltic countries - the two latter from a low base
- North America: Continued strong penetration in an active housing market supported sales growth – despite discontinuation of two brands

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## Profitability



- Operating profit EUR 123.0m, 11.9% of net sales  
– comparable growth 9.9 per cent

EUR	1 – 12 2005	% of net sales	Comp. change, %
Central Europe	38.1	12.4	-10.1
Nordic	41.8	13.3	26.3
Europe – WES	30.0	9.2	29.3
North America	22.7	12.6	-3.8

- Central Europe sustained profitability in a difficult market if the sales organisation integration costs of EUR 4.5m are eliminated
- Operational leverage in the Nordic – growth supporting profitability
- Improved portfolio in Europe–WES, combined with growth in housing solutions leveraging the margin
- Cost escalation issues in North America burdening margin development

## Major highlights in 2005



- + Good overall housing solutions growth – except for Germany
- + Nordic profitability improvement supported by both housing and infrastructure solutions
- + Restructuring-driven cost structure improvement in Europe
- + Profitability improvement of Europe–WES driven by portfolio restructuring
- + Integration, including ERP and brand launch, proceeding well
  
- Cost-based margin erosion in North America
- Raw material price fluctuation, high price levels of components



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## Financial statements Q4/2005 and FY/2005

Jyri Luomakoski, CFO and deputy CEO

NB: all data shown for 2003 and earlier periods are based on Finnish accounting standards while 2004 and 2005 comply with IFRS

### Q4 income statement

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MEUR	10-12 2005	%	Change Y/Y	10-12 2004	%
Net sales	261,5		8,6%	240,8	
Cost of goods sold	168,6			163,9	
Gross profit	92,9	35,5	20,8%	76,9	31,9
Other operating income	4,4	1,7	76,3%	2,5	1,0
EBITDA	38,8	14,8	45,9%	26,6	11,0
Operating profit (EBITA)	32,3	12,4	131,7%	14,0	5,8
Financial expenses, net	1,3	0,5	1.200,0%	0,1	0,0
Profit after financial items	31,0	11,9	124,1%	13,9	5,8
Profit from continuing operations	21,8	8,3	73,0%	12,6	5,2
Profit from discontinuing operations	-			17,6	
Profit for the period	21,8	8,3		30,2	12,5
Fully diluted earning per share					
Continuing operations	0,30			0,17	
Discontinuing operations	-			0,24	
Total	0,30			0,41	

## Q4 net sales by Regions



- All Regions growing and all except Central Europe in line with long term targets
- Growth resulting from a combination of volume and price
- Strong comparable growth in Europe – WES from housing solutions offsetting the net sales lost in disposals of infrastructure businesses

<b>NET SALES</b> MEUR	10-12 2005	10-12 2004	Reported change %	Comparable change %
Central Europe	74,4	74,1	0,4%	3,3%
Nordic	75,4	69,8	8,0%	9,4%
Europe - West, East, South	80,6	78,4	2,8%	15,5%
North America	54,9	39,4	39,3%	25,2%
Others	0,0	5,3		
Eliminations	-23,8	-23,6		
<b>Uponor Group</b>	<b>261,5</b>	<b>243,4</b>	<b>7,4%</b>	<b>12,6%</b>
Continuing operations	261,5	240,8	<b>8,6%</b>	
Discontinuing operations		2,6		

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## Q4 operating profit by Regions



- Central Europe burdened by costs to integrate sales forces and harmonise overlapping product systems
- Growth leveraged the margin in Nordic and Europe – WES where also portfolio restructuring improved the relative profitability
- North American margin squeezed by cost escalation
- On comparable terms, margins sustained in inflatory top line environment (price increases)

<b>OPERATING PROFIT</b> MEUR	10-12 2005	10-12 2004	Reported change %	Comparable change %
Central Europe	8,1 10,9	8,9 12,0	-9,0%	-24,3%
Nordic	9,6 12,7	4,0 5,7	140,0%	88,2%
Europe - West, East, South	10,2 12,7	1,1 1,4	827,3%	82,1%
North America	6,3 11,5	5,8 14,7	8,6%	-16,0%
Others	-2,2	24,4		
Eliminations	0,3	-5,0		
<b>Uponor Group</b>	<b>32,3 12,4</b>	<b>39,2 16,1</b>	<b>-17,6%</b>	<b>11,8%</b>
Continuing operations	32,3 12,4	14,0 5,8	<b>130,7%</b>	
Discontinuing operations		25,2		

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## FY income statement



MEUR	1-12 2005		Change Y/Y		1-12 2004	
		%		%		%
Net sales	1.031,4		0,4%		1.026,9	
Cost of goods sold	667,6				686,8	
Gross profit	363,8	35,3	7,0%		340,1	33,1
Other operating income	6,2	0,6	77,4%		3,5	0,3
EBITDA	154,8	15,0	13,7%		136,1	13,3
Operating profit (EBITA)	123,0	11,9	30,2%		95,2	9,3
Financial expenses, net	2,5	0,2	-57,6%		5,9	0,6
Profit after financial items	120,5	11,7	36,0%		89,3	8,7
Profit from continuing operations	82,7	8,0	29,6%		63,8	6,2
Profit from discontinuing operations	-				24,6	
Profit for the period	82,7	8,0			88,4	8,6
Fully diluted earning per share						
Continuing operations	1,12				0,86	
Discontinuing operations	-				0,3	
Total	1,12				1,19	

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## FY income statement comments



- Gross profit increase by 2.2%-points supported by benefits from restructuring
- 2.5 MEUR of other operating income related to finalisation of the real estate disposals
- Increase of marketing and R&D costs to support the strategy
- Administration costs down despite expenditure into European ERP programme
- Tax rate 31.4%

MEUR	1-12 2005		Change Y/Y		1-12 2004	
		%		%		%
Net sales	1.031,4		0,4%		1.026,9	
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Financial expenses, net	2,5	0,2	-57,6%		5,9	0,6
Profit after financial items	120,5	11,7	36,0%		89,3	8,7
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Continuing operations	1,12				0,86	
Discontinuing operations	-				0,3	
Total	1,12				1,19	

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## FY net sales and operating profit by Regions



<b>NET SALES</b> MEUR	1-12 2005	1-12 2004	Reported change %	Comparable change %
Central Europe	307,9	334,0	-7,8%	-0,6%
Nordic	313,6	290,6	7,9%	8,0%
Europe - West, East, South	325,9	330,0	-1,2%	11,9%
North America	179,8	155,1	15,9%	15,1%
Others	3,9	60,2		
Eliminations	-99,7	-97,5		
<b>Uponor Group</b>	<b>1.031,4</b>	<b>1.072,4</b>	<b>-3,8%</b>	<b>7,0%</b>
Continuing operations	1.031,4	1.026,9	<b>0,4%</b>	
Discontinuing operations		45,5		
<b>OPERATING PROFIT</b> MEUR	1-12 2005	1-12 2004	Reported change %	Comparable change %
Central Europe	38,1 12,4	39,6 11,9	-3,8%	-10,1%
Nordic	41,8 13,3	32,0 11,0	30,6%	26,3%
Europe - West, East, South	30,0 9,2	16,4 5,0	82,9%	29,3%
North America	22,7 12,6	22,2 14,3	2,3%	-3,8%
Others	-8,3	28,5		
Eliminations	-1,3	-8,1		
<b>Uponor Group</b>	<b>123,0 11,9</b>	<b>130,6 12,2</b>	<b>-5,8%</b>	<b>9,9%</b>
Continuing operations	123,0 11,9	95,2 9,3	<b>29,2%</b>	
Discontinuing operations		35,4		

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## FY net sales by secondary segment



- Housing solutions continued growing; good market demand supported by favourable penetration development in combination with increased sales prices driven by material costs
- Infrastructure net sales growth principally price-driven

<b>NET SALES</b> MEUR	1-12 2005	1-12 2004	Reported change %	Comparable change %
Housing solutions	697,5	666,1	4,7%	8,8%
Infrastructure	332,7	386,0	-13,8%	4,4%
Others	1,2	20,3	-94,1%	-49,5%
<b>Uponor Group</b>	<b>1.031,4</b>	<b>1.072,4</b>	<b>-3,8%</b>	<b>7,0%</b>
Continuing operations	1.031,4	1.026,9	<b>0,4%</b>	
Discontinuing operations		45,5		

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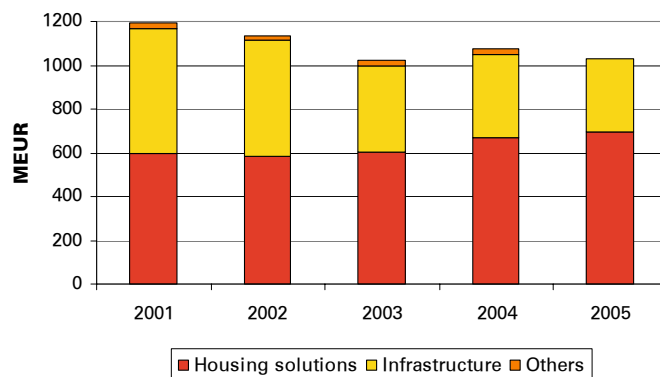
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## Secondary segment 5-year development

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- After completion of the disposals of unrelated industrial businesses in 2000, focus has been in improving the quality of Uponor's business portfolio
- Since then, disposals have focussed to Municipal Americas and other infrastructure businesses with substandard performance and poor market position
- Simultaneously, housing solutions business with broader geographical scope and higher inherent demand growth (penetration development) has grown faster



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## Balance sheet

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MEUR	31 Dec. 2005	Change %	31 Dec. 2004
Intangible assets	85,1	13,6 %	74,9
Tangible assets	214,9	-8,4 %	234,7
Securities and long-term investments	19,4	-7,6 %	21,0
Inventories	111,4	-18,4 %	136,5
Cash in hand and banks	48,9	65,8 %	29,5
Other current assets	183,6	-5,0 %	193,2
Shareholders' equity	418,4	5,4 %	397,0
Provisions	14,8	-27,5 %	20,4
Long-term interest bearing liabilities	19,4	-13,4 %	22,4
Short-term interest bearing liabilities	2,6	-93,6 %	40,7
Non-interest bearing liabilities	208,1	-0,6 %	209,3
<b>Balance sheet total</b>	<b>663,3</b>	<b>-3,8 %</b>	<b>689,8</b>

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## Balance sheet comments



- ERP investment of 10.6 MEUR

- Positive development in net working capital assets

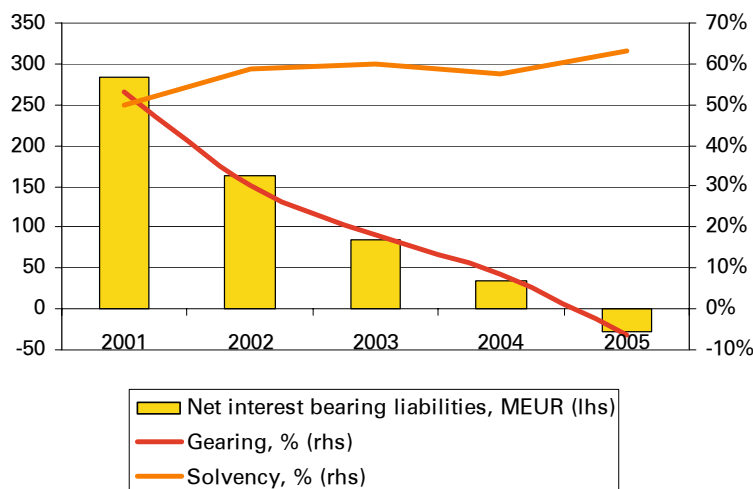
- Net cash position of 26.9 MEUR

MEUR	31 Dec. 2005	Change %	31 Dec. 2004
Intangible assets	85,1	13,6 %	74,9
Tangible assets	214,9	-8,4 %	234,7
Securities and long-term investments	19,4	-7,6 %	21,0
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<b>Balance sheet total</b>	<b>663,3</b>	<b>-3,8 %</b>	<b>689,8</b>

## Capital structure development

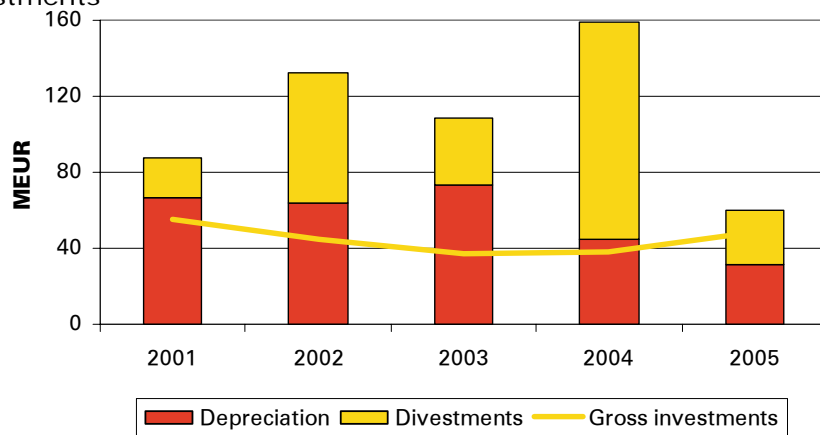


- Strong cash flow from operations over the past years in combination with disposals of non-core assets have brought Uponor to a net cash position

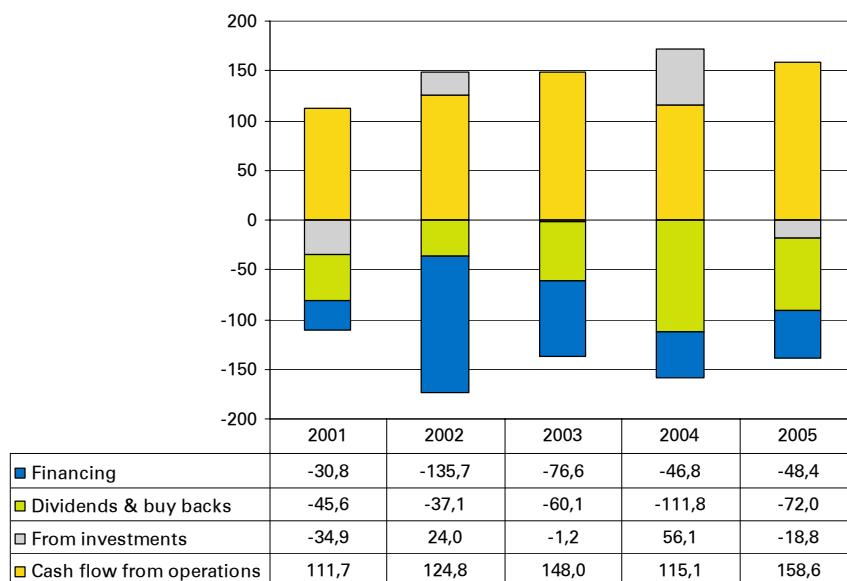


## Investments and divestments

- Gross investments up to 49.0 MEUR, largest single project is the European ERP investment which was 10.6 MEUR
- Share divestments of 19.9 MEUR, fixed asset disposals of 8.4 MEUR added with depreciation of 31 MEUR could well finance the gross investments



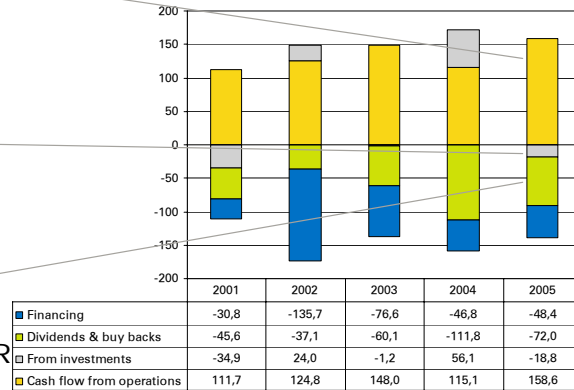
## 5-year cash flow



## FY cash flow comments



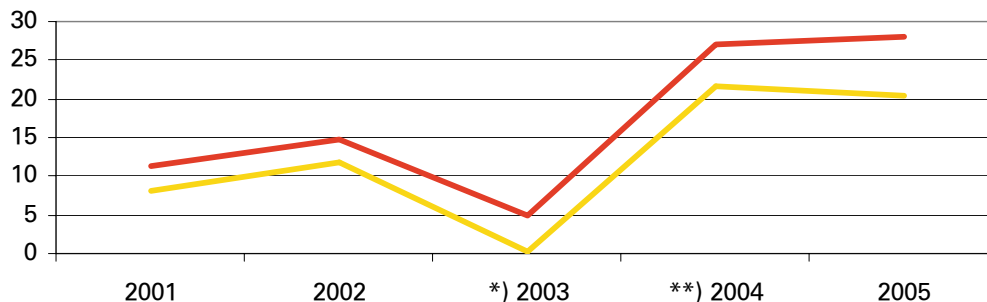
- Cash flow from operations improved primarily due to increased NWC efficiency, especially inventories
- Cash flow from investments supported by disposals and receipt of vendor note principal related a 2004 divestment
- 72 MEUR returns of equity (dividends and buy backs)
  - Since 2000, totally 358 MEUR returned to shareholders



## ROI and ROE



- 2005 ROI meeting the long term financial targets (>20%)
- 2004 ROE and ROI impacted discontinued businesses results

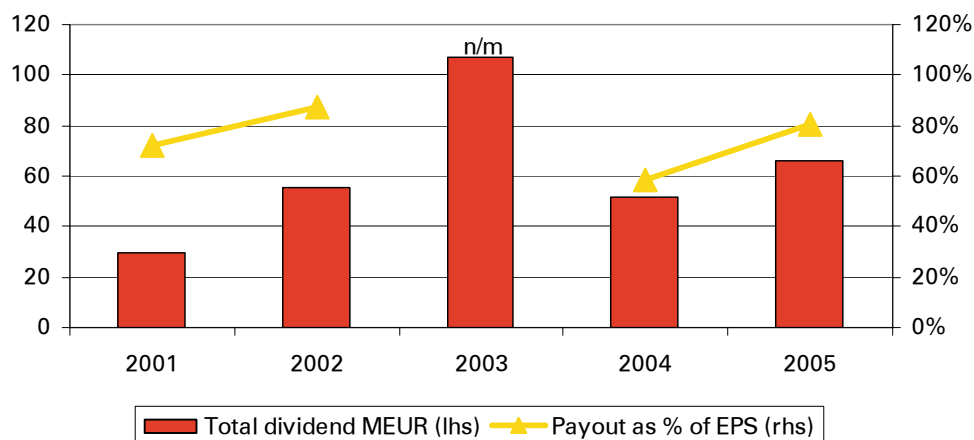


— ROE — ROI

\*) Including restructuring costs of 55 MEUR  
 \*\*) Including 24,6 MEUR profit from discontinued operations

## Dividends and payout ratio

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NB: 2005 as per Board's proposal to the AGM

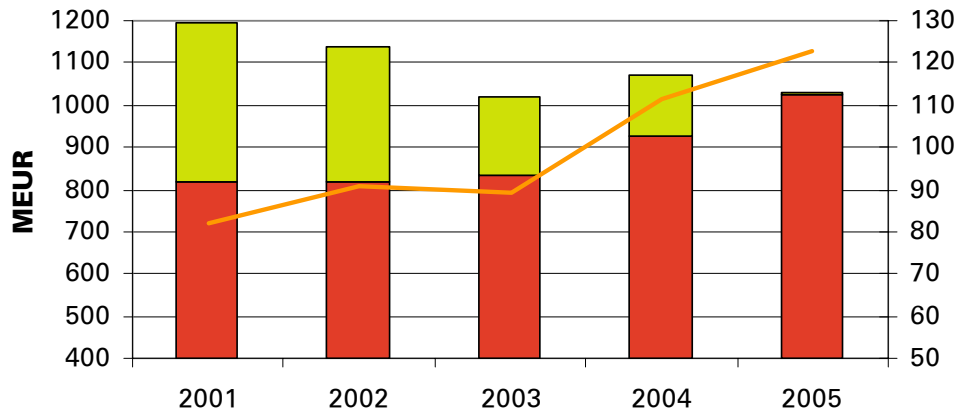
## Major shareholders 31 December 2005

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Oras Invest Group	23,5%	Share capital	148,8 MEUR
Sampo Life	6,2%	Number of shares	74.383.444
Varma	5,3%	Treasury shares	1.248.000
Tapiola Companies	3,4%		
Ilmarinen	2,4%		
Odin Funds	1,2%		
Nominee registration	29,9%		
Others	28,1%		
	<u>100,0%</u>		

## 5 year development of the current business portfolio

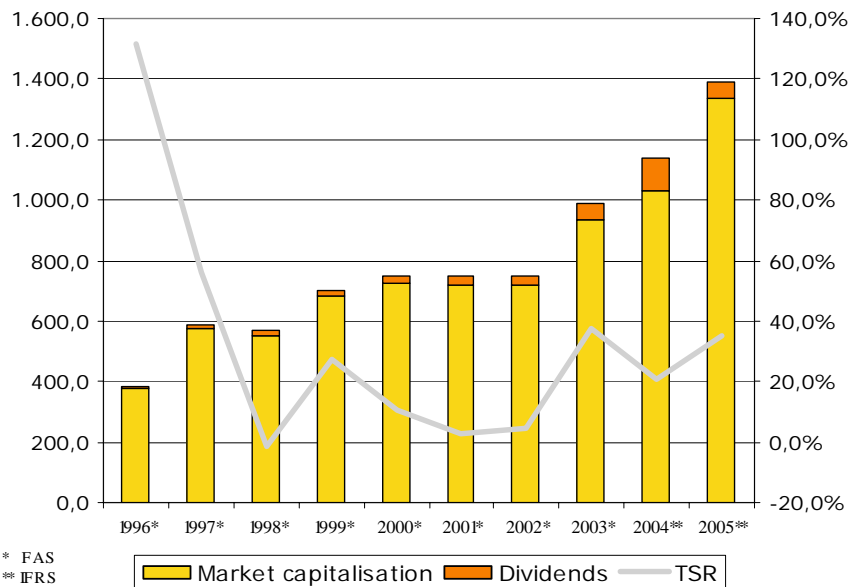
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■ Net sales (current business)      ■ Net sales (divested business)  
— Operating profit (current business)  
 CAGR 2001 – 2005 for net sales: 5,8%; for operating profit: 10,5%

## Shareholder value development

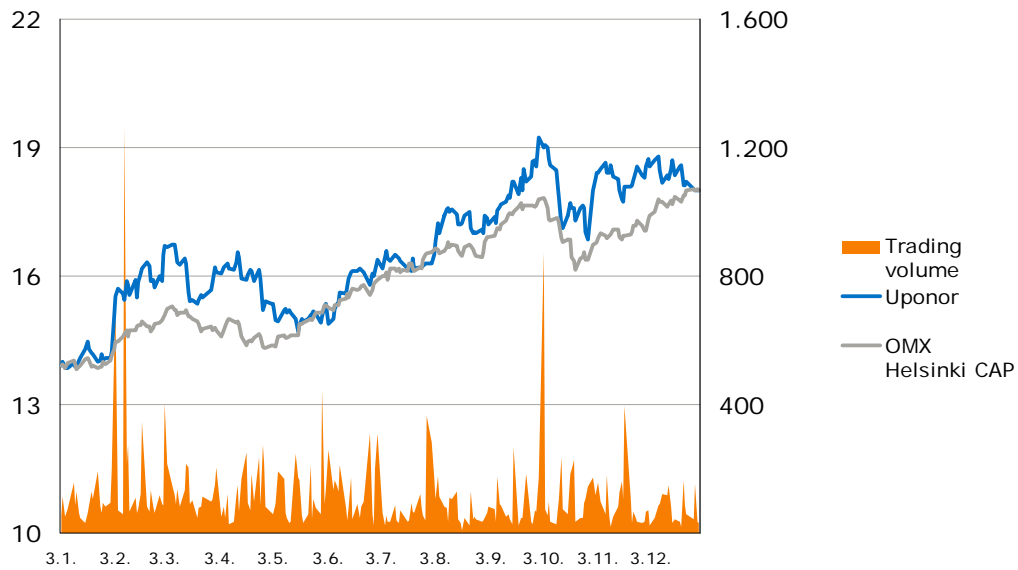
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\* FAS  
\*\* IFRS

## Share price and trading in 2005

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## Strategy forward and outlook 2006

Jan Lång, President and CEO



## Vision

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To be a leading brand for housing and environmental infrastructure solutions...

...generating profitable growth in provision of these solutions

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## Renewed mission and values

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### Mission

"Partnering with professionals to create better human environments"

- *Installers, engineers, builders, distribution*
- *Together we create better environments in which to live, work and spend spare time*

### Values

*Values reflect what we stand for and define how we should behave to our partners and to each other.*

*Knowledge*  
*Enabling*  
*Most rewarding*  
*Improving effectiveness*  
*Committed*

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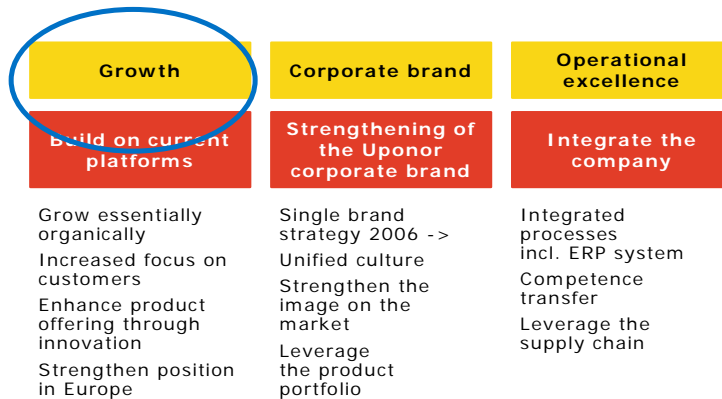
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## New strategic measures support the third pillar – growth



- Company integration has been initiated and brand strategy has been revised
  - progress according to plan
- Platform for profitable growth has been created
- Goal: organic growth in present and new segments



## Growth continues in Uponor's strongest segment, the single-family housing



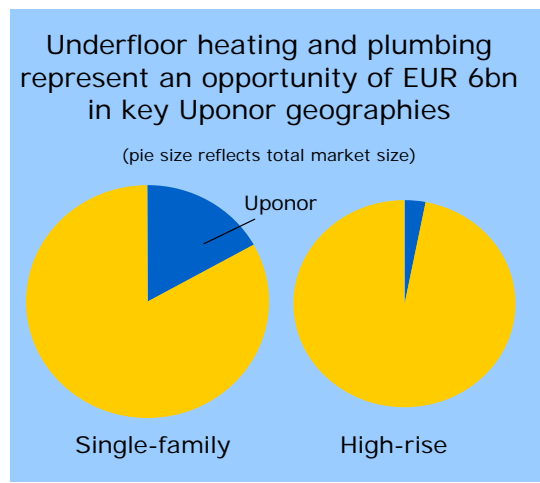
Opportunities for organic growth continue good in the single-family segment

- Uponor's market position is strongest in underfloor heating for new single-family houses (market share ~30%)
  - Penetration continues in Europe and North America
  - Markets in which Uponor's position is still undeveloped
  - Renovation and modernisation solutions
- Plumbing for single-family houses a growing market
  - renovations and modernisations (share ~10%)

## High-rise buildings, a promising new segment

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- High-rise building market value exceeds 3/4 of the single-family house markets
  - Uponor has gained high-rise building experience from Europe and North America
- Markets nearly untouched, the share of plastic pipes still small
  - Both plumbing and underfloor heating significant



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## Uponor well-positioned to seize the high-rise opportunity

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- Utilise Uponor's superior geographic coverage
- Adapt existing product and service offering
  - local /customer-specific building processes
  - local building standards and codes
- Go-to-market approach
  - resources and organisation
  - customer interface and customer service
  - supply chain processes
- Actions are being launched

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## Summary:

# Targeting profitable organic growth

- Two strategic pillars: brand and operational excellence
  - Projects underway
- New strategic activities focus on the growth pillar
  - Growth in the single-family segment continues
  - Enhancement of Infrastructure position through selective investment in current geographies
  - Capturing of the good growth opportunity provided by the high-rise building segment in the longer term

## Outlook



- No major changes anticipated in market cycles compared to 2005
  - demand expected to remain at present level or decline somewhat in 2006
- Net sales expected to grow organically in line with long-term target level, and similarly to that of 2005.
  - growth based on solid organic growth supported by the implemented increases in sales prices
- Positive profitability trend expected to continue in 2006
  - Uponor expects operating profit for 2006 to reach 2005 levels despite the fact that reported operating profit for 2005 includes approximately EUR 6m of capital gains from the disposal of non-core assets
- Cash flow from operations is expected to remain strong

- **Net sales** to grow in line with long term targets and similar to 2005 organic growth rate
- **Operating profit** to be on 2005 level despite the ~6 MEUR other operating income included in the latter
- **Gross investments** to be in the 45 – 50 MEUR range
- **Tax rate** to be around 31%

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simply more