



Uponor

## Annual results briefing

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Helsinki, 8 February 2007

# At a glance: Strong performance in 2006



- All financial targets achieved
- Strong organic growth especially in Europe - WES
- German market recovering
- Decline in the US, especially visible during the latter half of the year
- Strategy implementation and company integration proceeding well

A photograph of four business professionals in a meeting. Three men are seated at a table, and one man is standing in the background pointing at a screen. Two of the seated men are shaking hands. The image is faded and serves as a background for the top left portion of the slide.

**Uponor**

# Market and business update

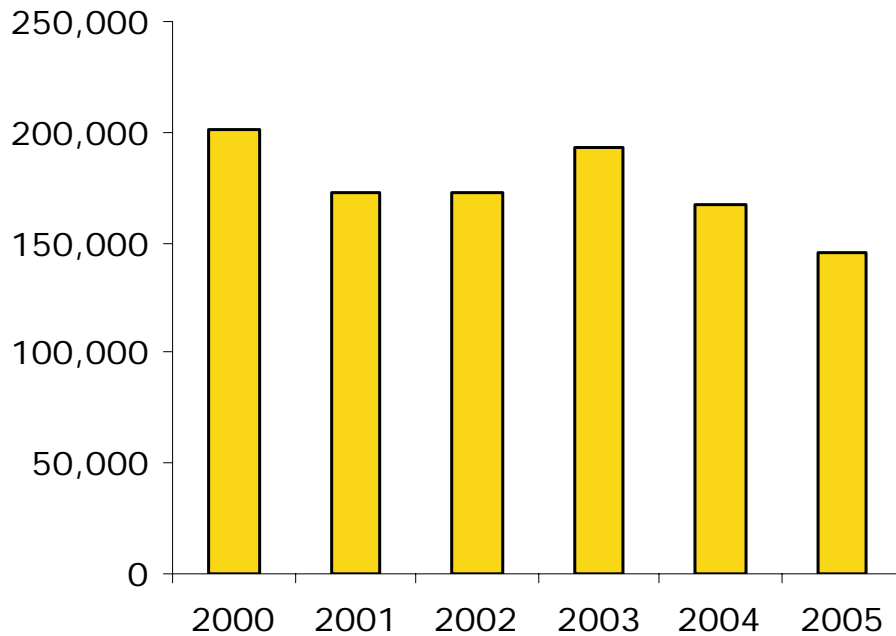
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Jan Lång, President and CEO

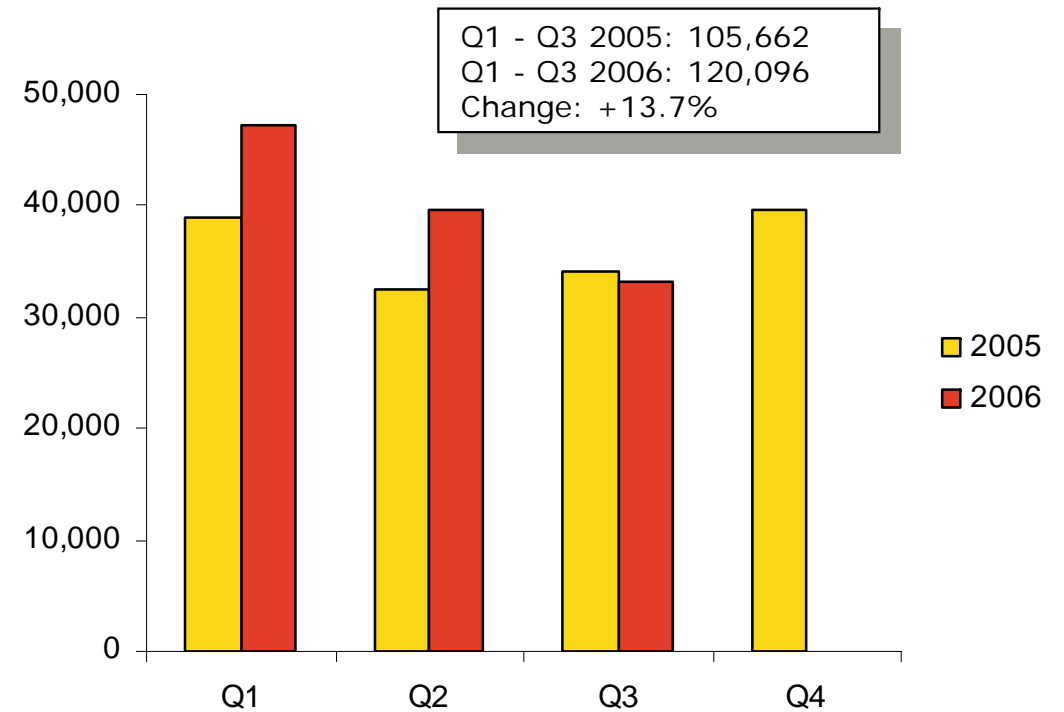
# Central Europe: German market recovering

- The construction market began to recover during the second half of 2006

### German Building Permits (new single houses) 2000 – 2006



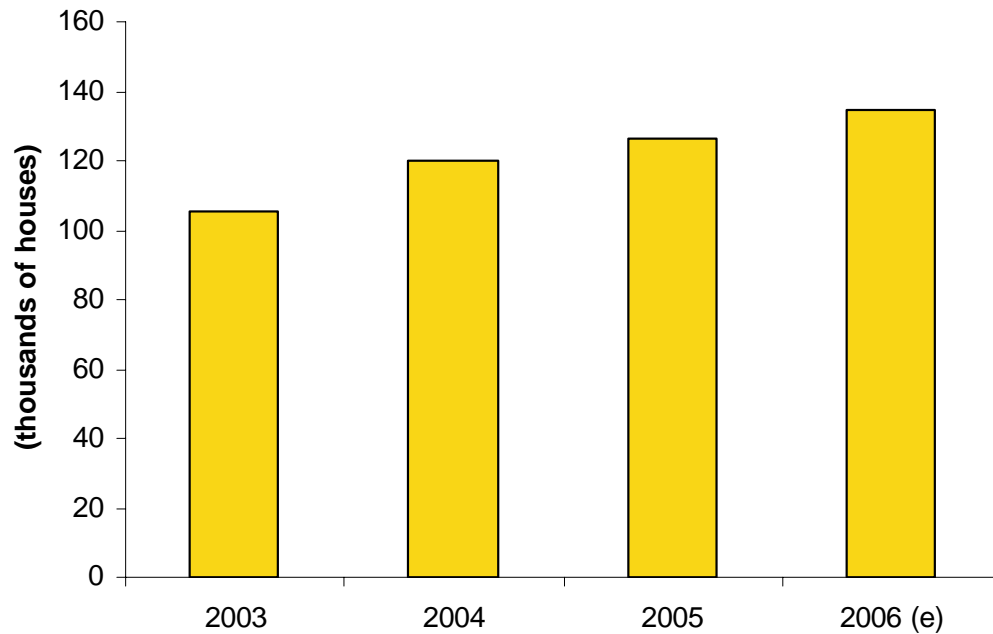
Source: Statistisches Bundesamt



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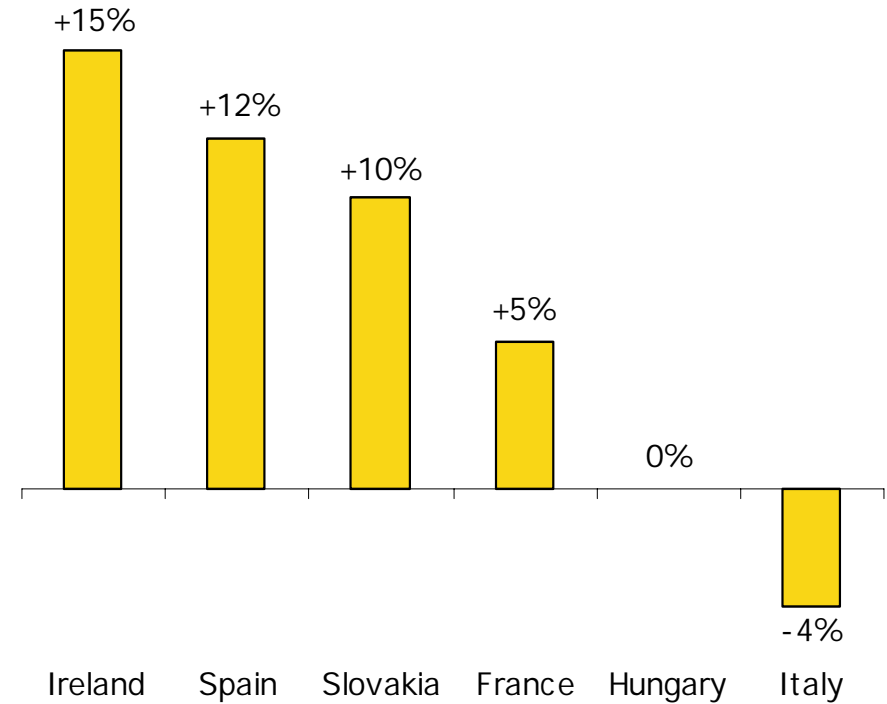
# Nordic and Europe - WES

**Nordic Housing Starts  
2003 - 2006**



Source: Euroconstruct

**Europe - WES  
Change in Housing Starts 2006 (e)**

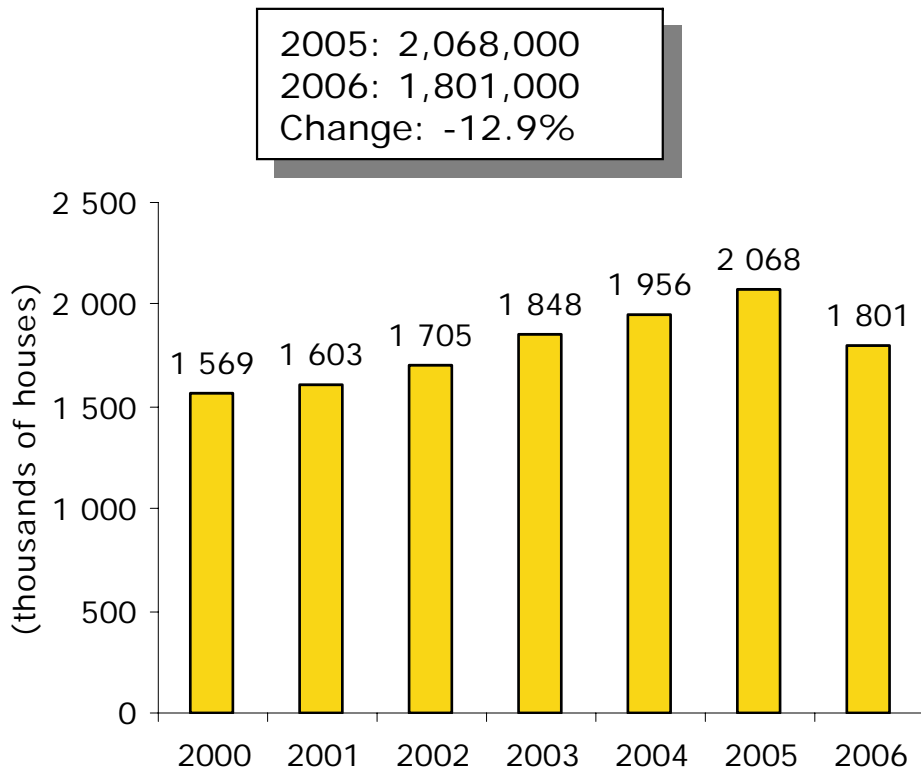


Source: Euroconstruct

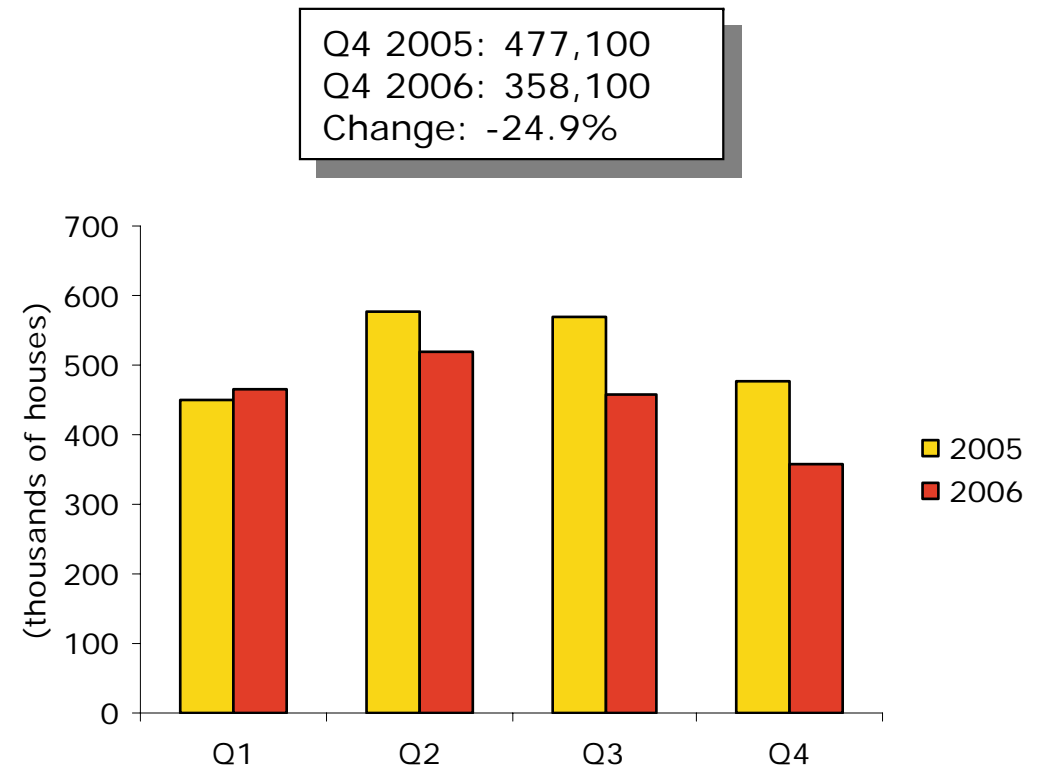
# North America: Decline in the US

- Accelerated decline in the market demand towards the end of the year

### US Housing Starts 2000 - 2006



Source: US Census



Source: US Census

# Net sales development

Net sales	MEUR	1 – 12/2006	Change, %
<b>Uponor</b>		<b>1,157.0</b>	<b>+12.2</b>
<i>Central Europe</i>		345.1	+18.6
<i>Nordic</i>		377.8	+13.6
<i>Europe – WES</i>		387.9	+19.0
<i>North America</i>		183.0	+1.8

- Full year growth of 12.2% comprises both volume and price
- **Central Europe:**
  - Demand recovered in Germany, good development also in surrounding markets
  - Housing solutions net sales increased by 17%, estimated to be above market growth
- **Nordic:**
  - Successfully growing the business in a stable market environment
- **Europe – WES:**
  - Housing solutions business expanded rapidly mainly in Spain, France and the Baltics, with annual organic growth of 32 %.
  - Several multi-year utility contracts supported strong growth in IE UK and Ireland
- **North America:**
  - Reported net sales growth due to pricing; considerably weakening demand in housing construction impacting volumes adversely

# Profitability

Operating profit MEUR	1 – 12 2006	% of net sales	Change, %
<b>Uponor</b>	<b>143.7</b>	<b>12.4</b>	<b>16.8</b>
<i>Central Europe</i>	49.3	14.3	43.0
<i>Nordic</i>	56.6	15.0	24.5
<i>Europe – WES</i>	38.2	9.9	27.3
<i>North America</i>	14.5	7.9	-36.2

- **Central Europe** - Growth in Germany and surrounding markets leveraged the profitability
- **Nordic** – good demand from the Nordic markets as well as inter-company supply strengthened profitability
- **Europe–WES** – despite of disposal loss from the German and Czech infrastructure business, growth in housing solutions market supported the improvement of region profitability
- **North America** – fast declining demand triggered profitability challenges in H2, combined with higher costs of distribution witnessed during the first half of 2006



## Major highlights in 2006

- + Strong demand and steady growth in Uponor's European markets
- + German market recovering
- + Integration proceeding well:  
ERP implementation, efficiency improvements, common processes
- + Unified Uponor brand launched successfully
- + Plumbing growth across regions supported by penetration improvements
  
- Decreased profitability in the US
- Raw material price fluctuations
- Volatile demand triggered occasional supply bottlenecks
- Heating growth not fulfilling ambitions



# Uponor

## Financial statements Q4/2006 and FY/2006

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Jyri Luomakoski, CFO and deputy CEO

# Q4/2006: Income statement

MEUR	10-12 2006	10-12 2005	Change Y/Y
Net sales	285,9	261,5	9,3%
Cost of goods sold	186,3	168,6	10,4%
Gross profit	99,6	92,9	7,3%
% of net sales	34,8 %	35,5 %	-0,7%
Other operating income	1,6	2,2	-33,0%
Expenses	71,3	62,8	13,4%
Operating profit	29,9	32,3	-7,4%
% of net sales	10,5 %	12,4 %	-1,9%
Financial expenses, net	0,9	1,3	-32,9%
Profit before taxes	29,0	31,0	-6,3%
Profit for the period	19,4	21,8	-11,0%
EBITDA	39,4	38,8	2,7%

# Q4/2006: Net sales by Regions

MEUR	10-12 2006	10-12 2005	Change Y/Y
Central Europe	88,7	70,2	26,4 %
Nordic	98,0	80,3	22,1 %
Europe - West, East, South	93,9	80,6	16,4 %
North America	38,8	54,9	-29,4 %
Others	-	0,1	
Eliminations	-33,5	-24,6	
Uponor Group	285,9	261,5	9,3 %

# Q4/2006: Operating profit by Region

MEUR	10-12 2006	10-12 2005	Change Y/Y
Central Europe	10,6	7,2	48,0 %
Nordic	12,9	10,5	21,8 %
Europe - West, East, South	9,8	10,2	-4,0 %
North America	3,4	6,3	-46,9 %
Others	-4,9	-2,2	
Eliminations	-1,9	0,3	
Uponor Group	29,9	32,3	-7,4 %

# FY 2006: Key figures

MEUR	1-12 2006	1-12 2005	Change Y/Y
Net sales	1 157,0	1 031,4	+12,2%
Operating profit	143,7	123,0	+16,8%
Operating profit margin	12,4%	11,9%	+0,5%
Earning per share (diluted), EUR	1,32	1,12	+17,9%
Return on equity, %	25,3%	20,3%	+5,0%
Return on investment, %	35,8%	28,1%	+7,7%
Net interest bearing liabilities	21,7	-26,9	-180,7%
Gearing, %	6,3%	-6,4%	+12,7%
Average number of employees	4 260	4 169	+2,2%

# FY 2006: Income statement

MEUR	1-12 2006	1-12 2005	Change Y/Y
Net sales	1 157,0	1 031,4	12,2%
Cost of goods sold	743,8	667,6	11,4%
Gross profit	413,2	363,8	13,6%
- % of net sales	35,7 %	35,3 %	0,4%
Other operating income	3,7	6,2	-41,0%
Expenses	273,2	247,0	10,6%
Operating profit	143,7	123,0	16,8%
- % of net sales	12,4 %	11,9 %	0,5%
Financial expenses, net	2,2	2,5	11,3%
Profit before taxes	141,5	120,5	17,4%
Profit for the period	96,5	82,7	16,6%
EBITDA	179,4	154,8	15,9%

- Price inflation imposed challenges but gross profit improved due to favourable product mix

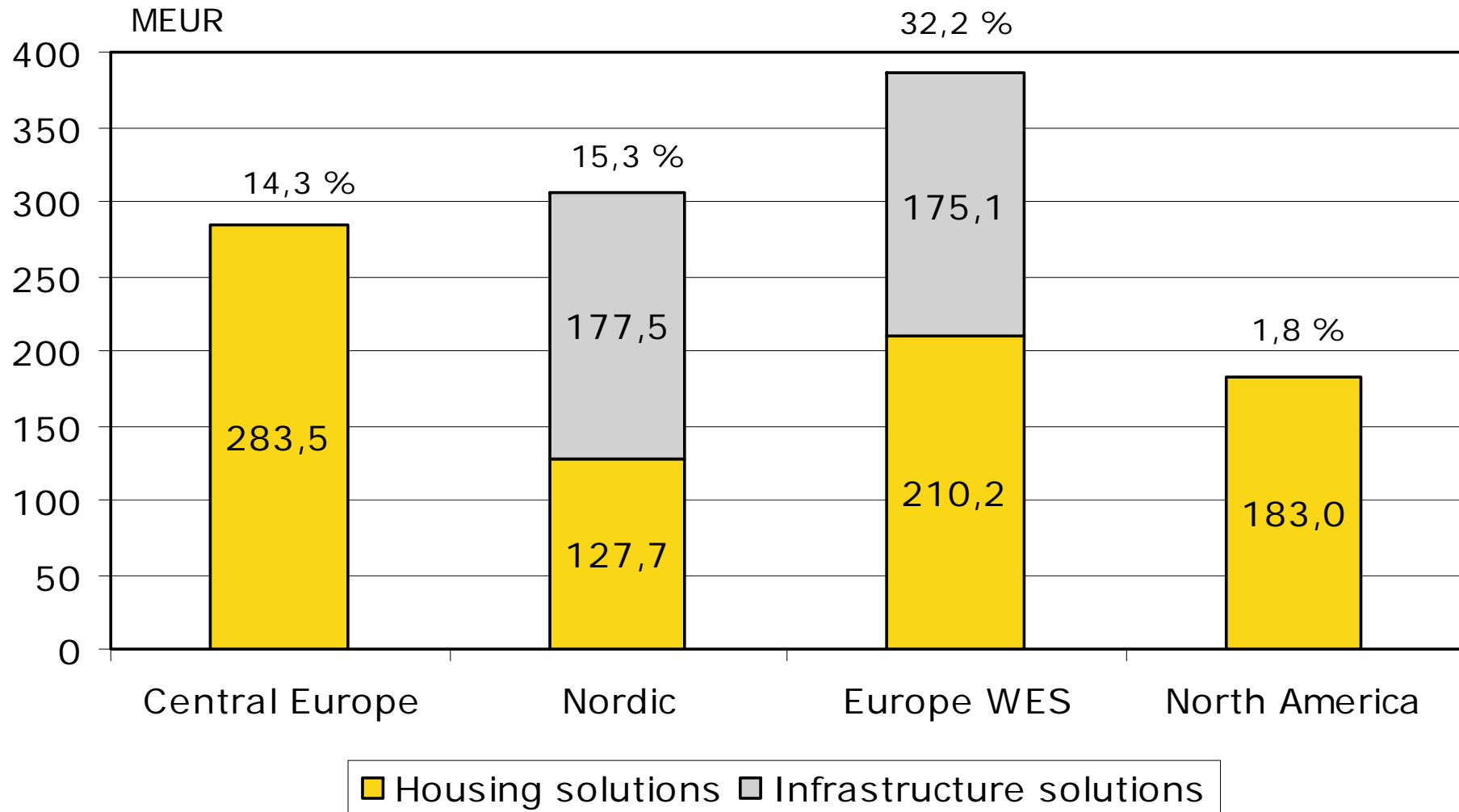
- 4 MEUR less disposal gains

- Margin goal of min. 12% achieved

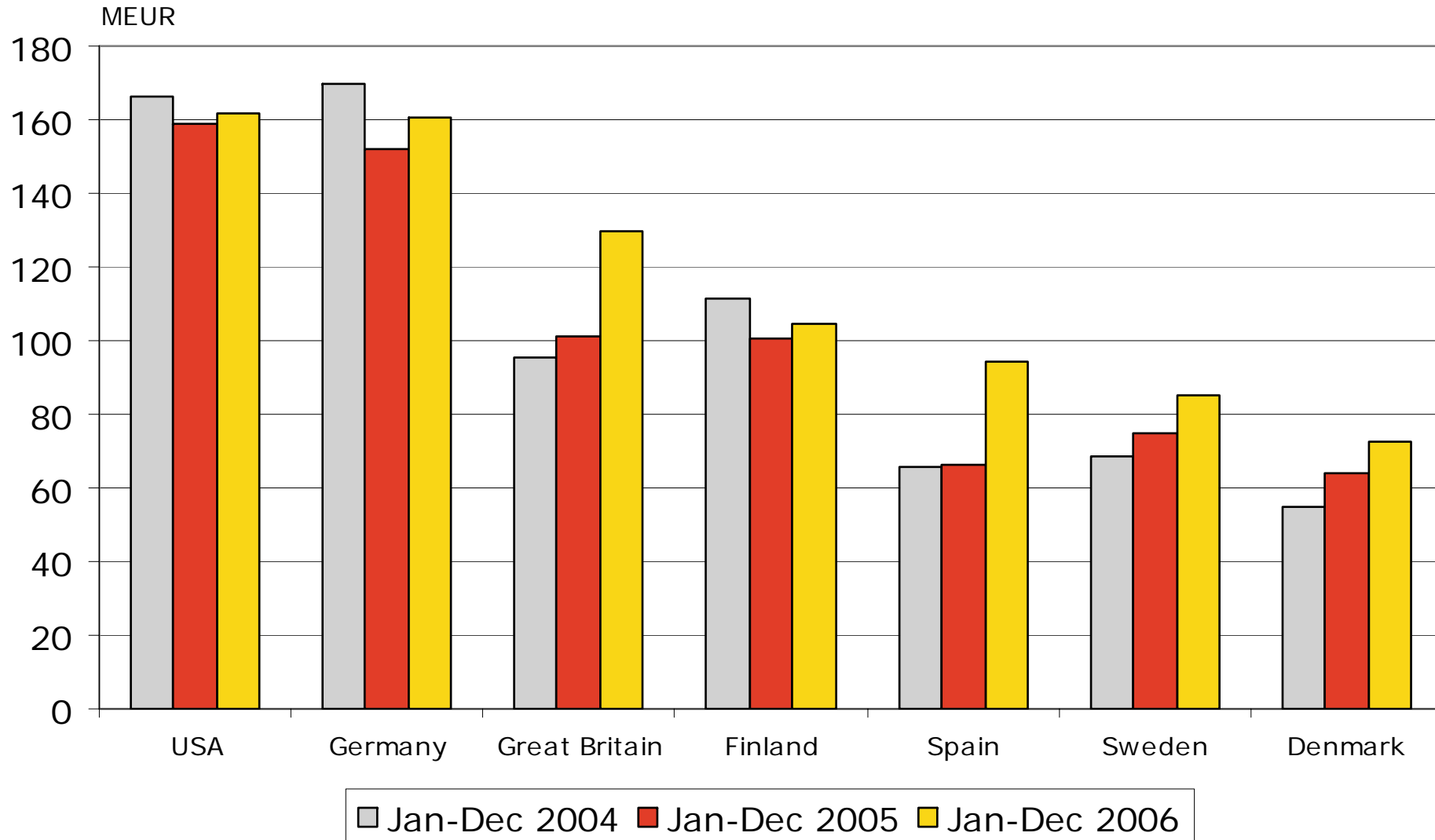
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# FY 2006: External revenue by region



# Net sales development by key national markets (> 5% of Uponor net sales)



# FY 2006: Balance sheet

MEUR	31 Dec 2006	31 Dec 2005	Change Y/Y
Intangible assets	97,6	85,1	+12,5
Tangible assets	211,8	214,9	-3,1
Securities and long-term investments	3,6	19,4	-15,8
Inventories	128,1	111,4	+16,7
Cash and cash equivalents	12,4	48,9	-36,5
Other current and non-current assets	190,4	183,6	+6,8
Shareholders' equity	344,4	418,4	-74,0
Non-current interest-bearing liabilities	17,2	19,4	-2,2
Provisions	15,5	14,8	+0,7
Non-interest-bearing liabilities	249,9	208,1	+41,8
Current interest-bearing liabilities	16,9	2,6	+14,3
Balance sheet total	643,9	663,3	-19,4

# Comments to balance sheet

- ERP investment 13.8 M€ during 2006

- Loan repayments of 18.6 MEUR from earlier divestments

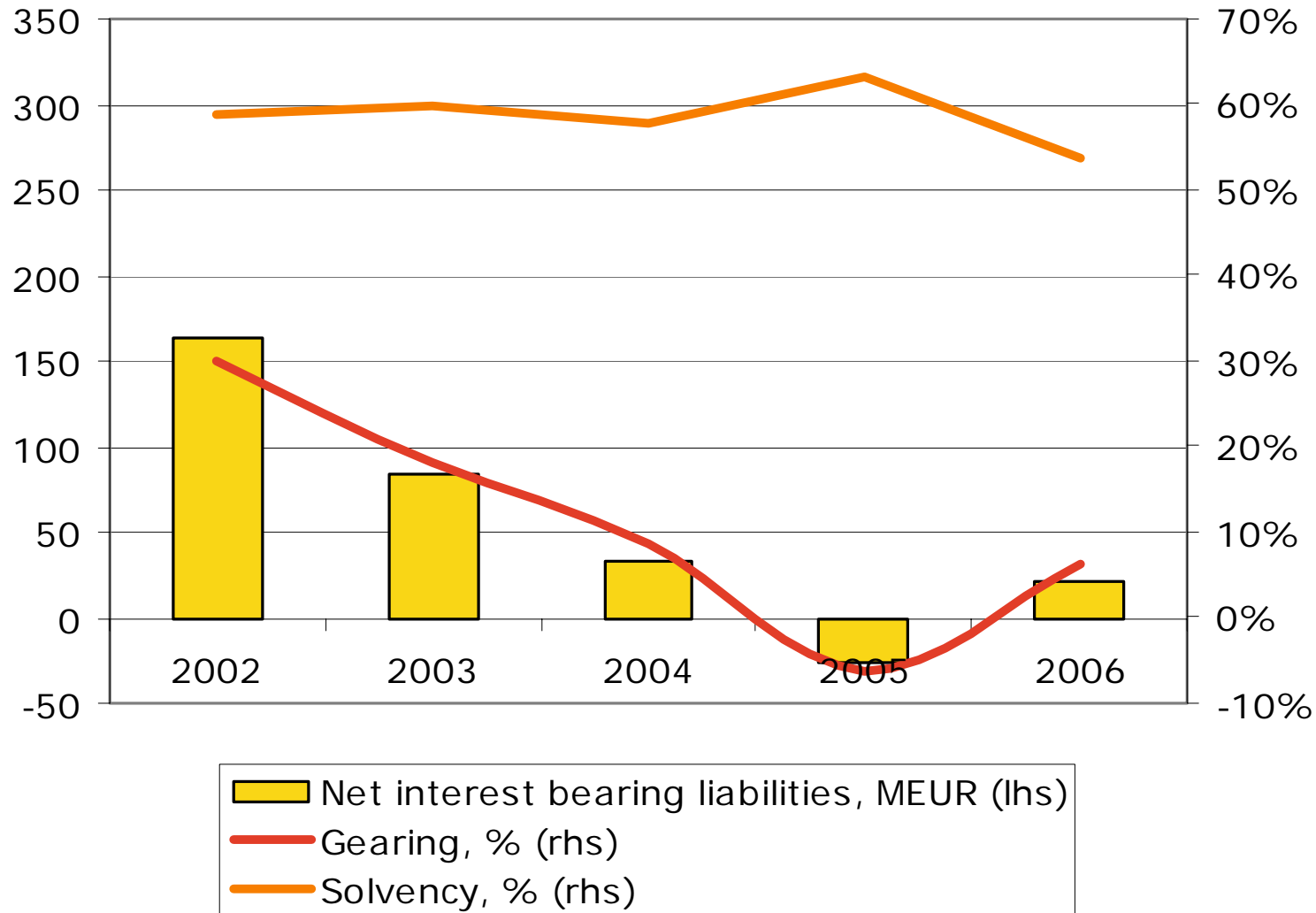
- Net interest-bearing liabilities at 21.7 MEUR

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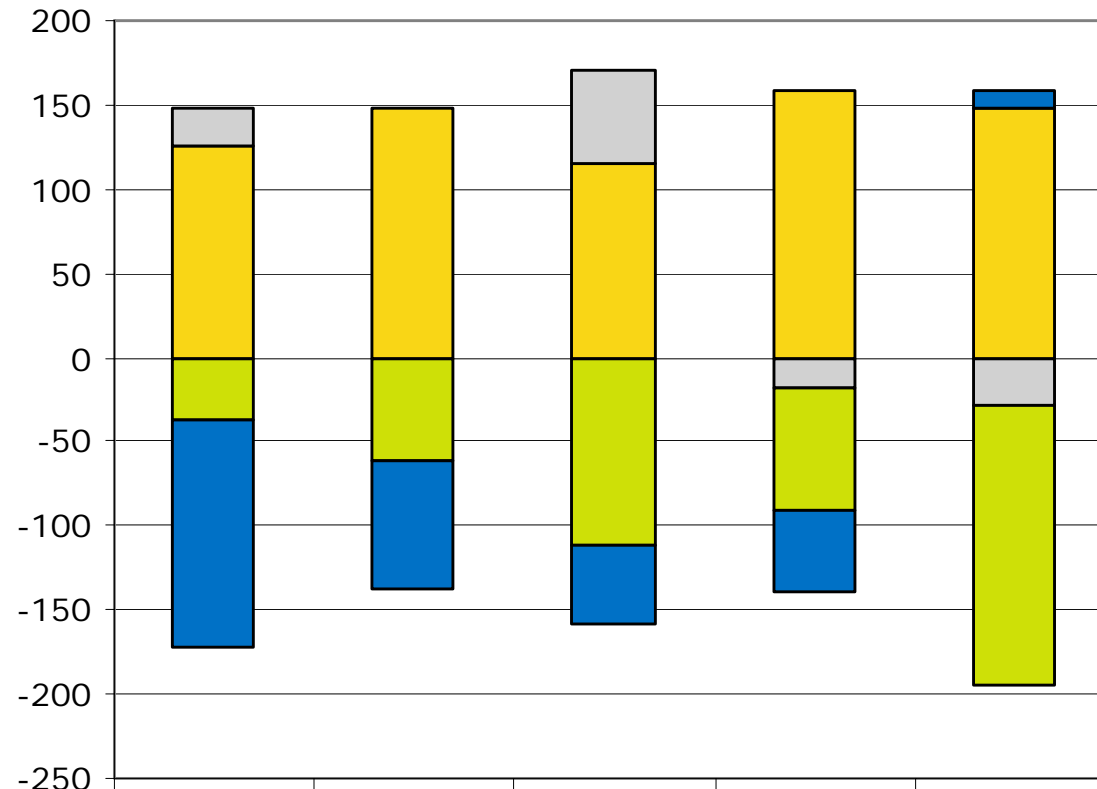
# FY 2006: Cash flow

MEUR	1- 12/ 2006	1- 12/ 2005	Change Y/Y
Net cash from operations	180,7	153,5	+27,2
Change in NWC	5,2	22,8	-17,6
Net payment of income tax and interest	-38,6	-17,7	-20,9
<b>Cash flow from operations</b>	<b>147,3</b>	<b>158,6</b>	<b>-11,3</b>
Cash flow from investments	-28,8	-18,8	-10,0
<b>Cash flow before financing</b>	<b>118,5</b>	<b>139,8</b>	<b>-21,3</b>
Dividends and buy backs	-166,0	-72,0	-94,0
Other financing	11,0	-48,4	+59,4
Cash flow from financing	-155,0	-120,4	-34,6
Change in cash and cash equivalents	-36,5	19,4	-55,9

# Capital structure development



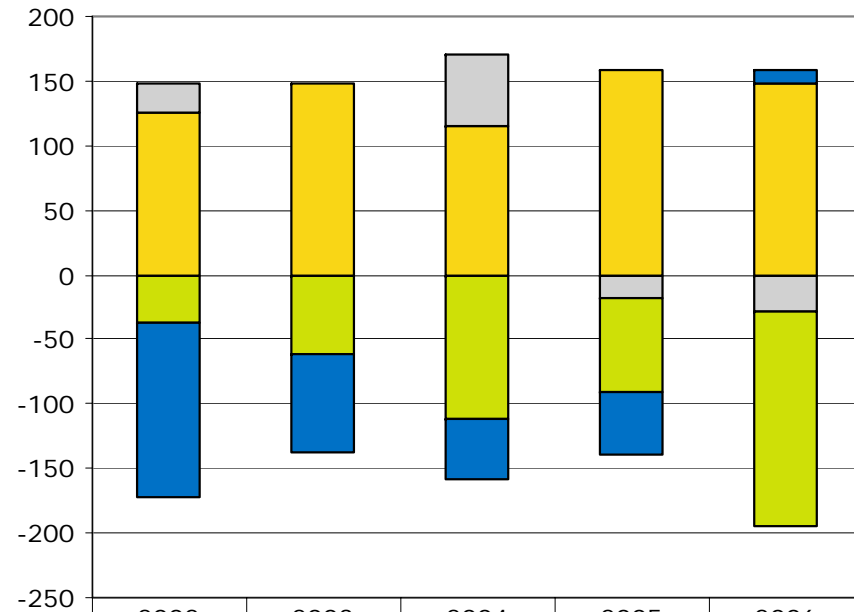
# 5-year cash flow



	2002	2003	2004	2005	2006
■ Financing	-135,7	-76,6	-46,8	-48,4	11,0
■ Dividends & buy backs	-37,1	-60,1	-111,8	-72,0	-166,0
■ From investments	24,0	-1,2	56,1	-18,8	-28,8
■ Cash flow from operations	124,8	148,0	115,1	158,6	147,3

# FY cash flow comments

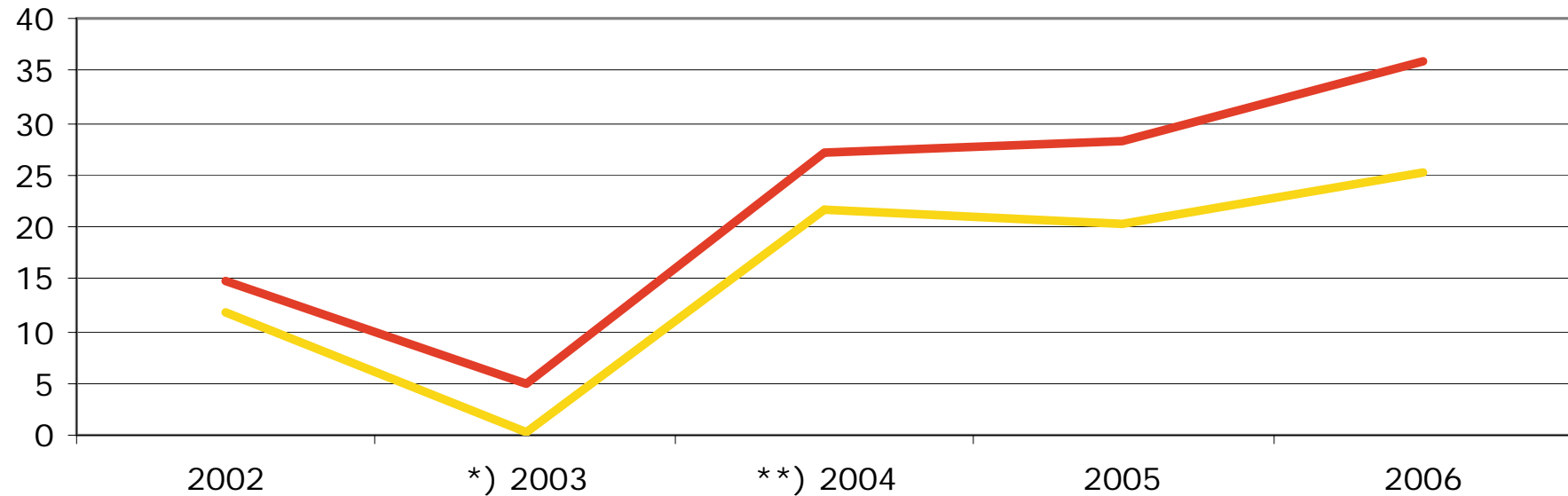
- Strong cash flow generation from operations continued
- Major divestments completed
- 447 M€ returned to shareholders during past 5 years



	2002	2003	2004	2005	2006
■ Financing	-135,7	-76,6	-46,8	-48,4	11,0
■ Dividends & buy backs	-37,1	-60,1	-111,8	-72,0	-166,0
■ From investments	24,0	-1,2	56,1	-18,8	-28,8
■ Cash flow from operations	124,8	148,0	115,1	158,6	147,3



# ROI and ROE

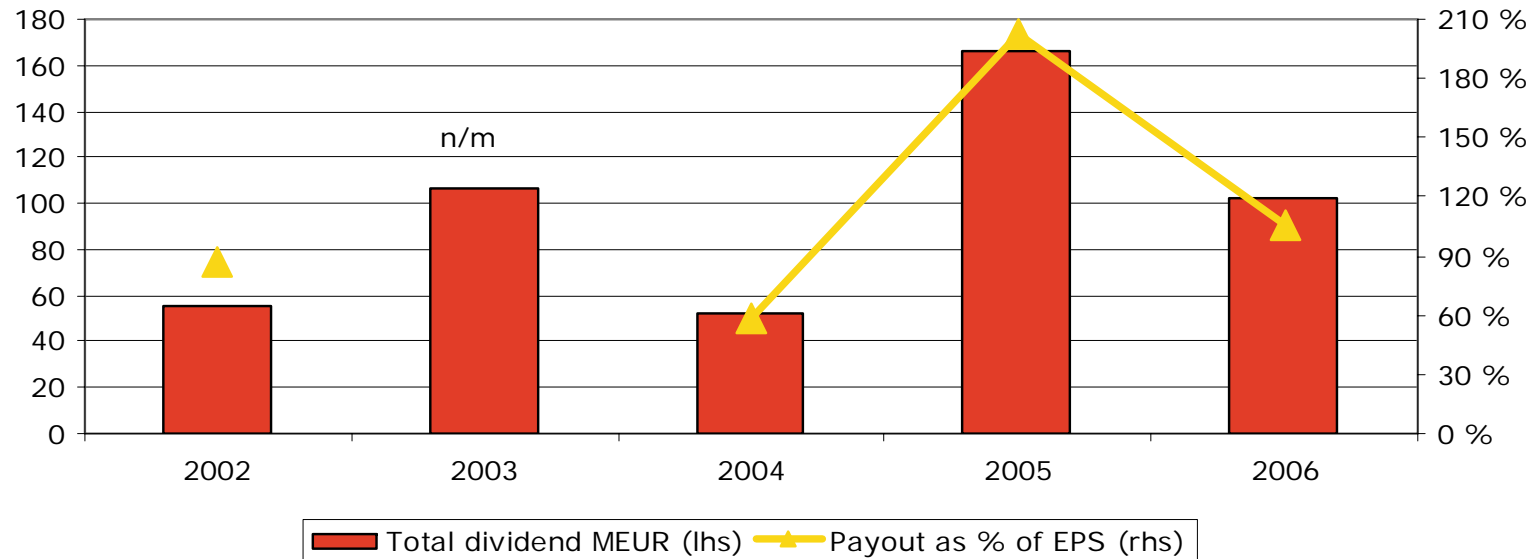


— ROE — ROI

\*) Including restructuring costs of 55 MEUR

\*\*) Including 24,6 MEUR profit from discontinued operations

# Dividends and payout ratio



- Board's dividend proposal consists of two components:
  - Ordinary dividend of 1.15 € per share based on the dividend policy reflecting a 87% payout ratio
  - Extra dividend of 0.25 € per share to guide Uponor's gearing to the target zone

# Major shareholders

## 31 December 2006

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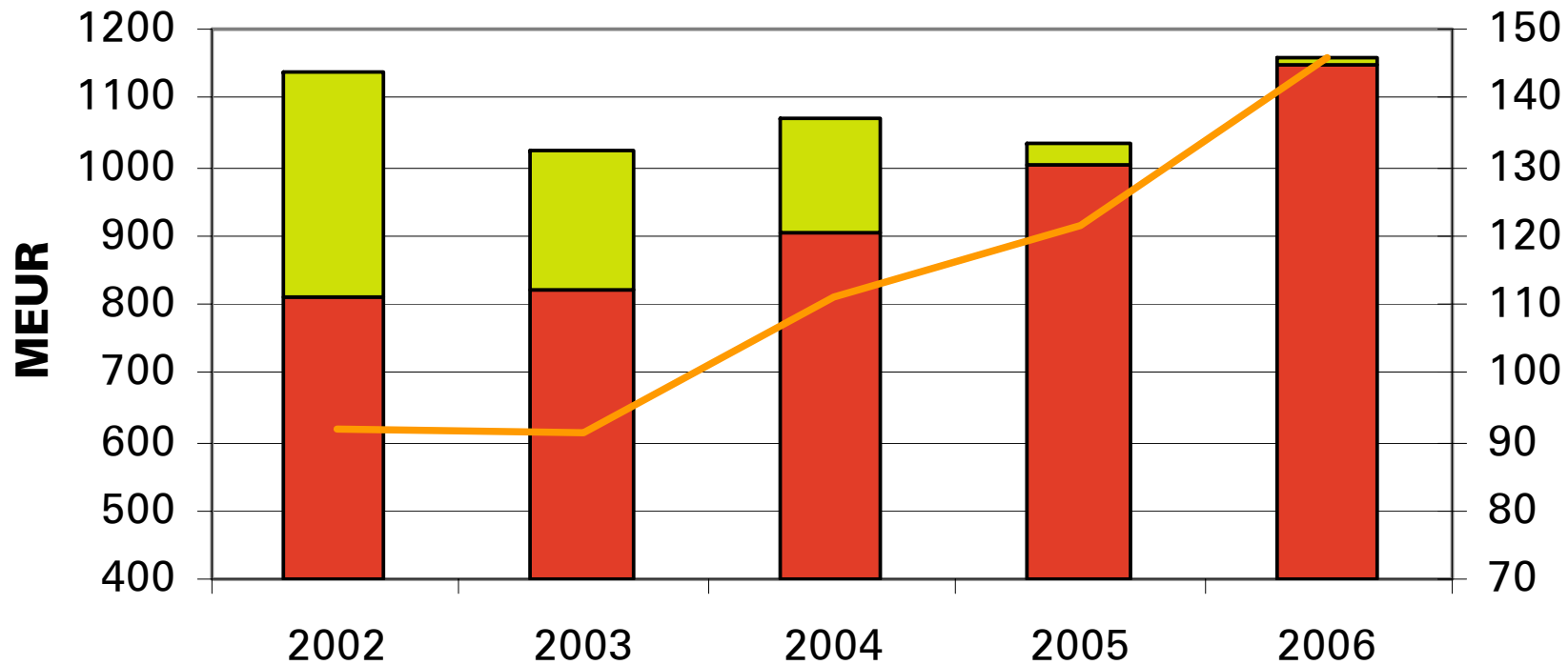
Oras Invest Group	23,9%
Sampo Life	6,3%
Varma	5,3%
Tapiola Companies	2,9%
Ilmarinen	2,9%
Odin Funds	1,3%
Nominee registration	32,6%
Others	24,8%
	<hr/>
	100,0%

Share capital  
146,4 MEUR

Number of shares  
73 223 444

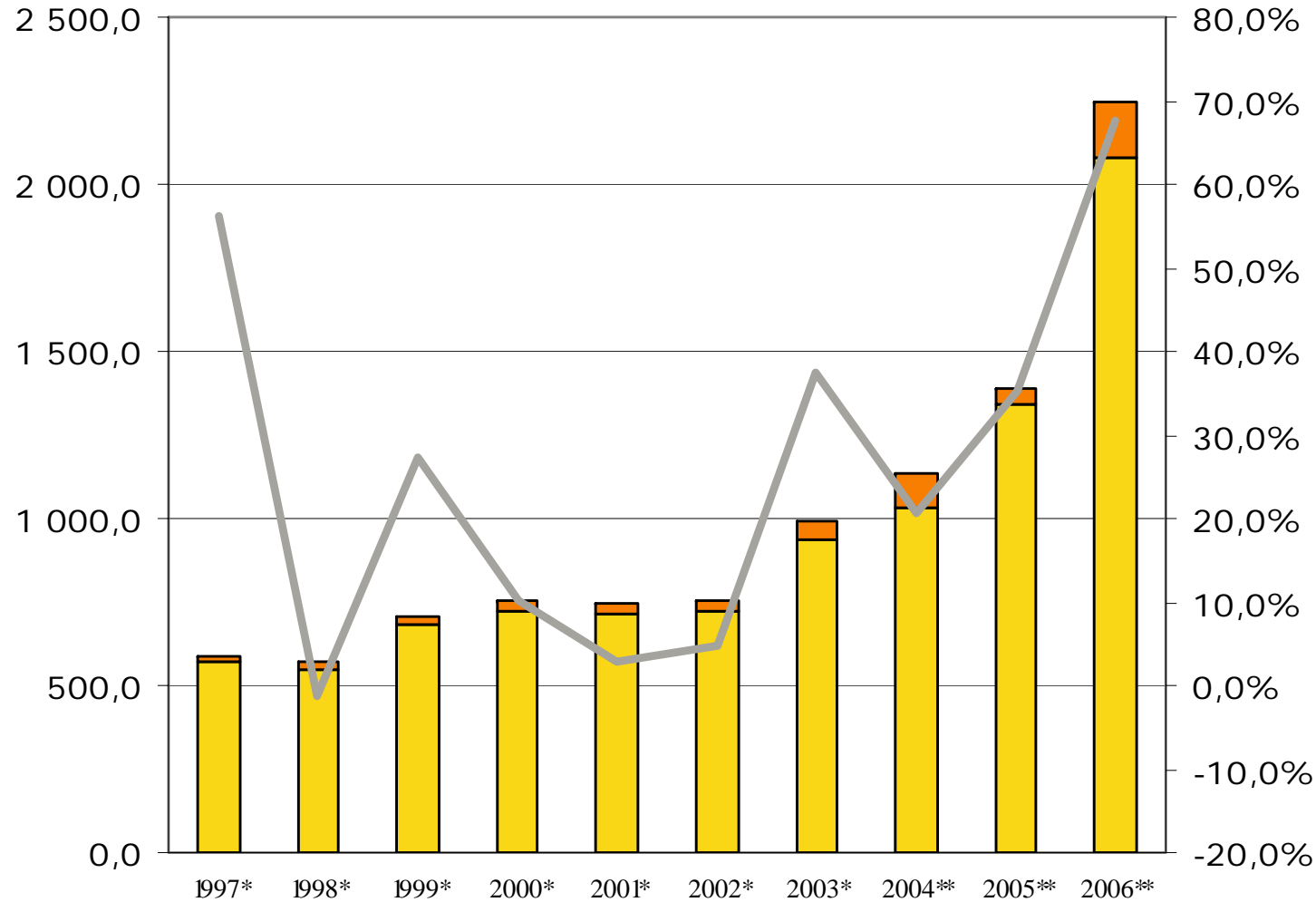
Treasury shares  
88 000

# 5-year development of the current business portfolio



- Net sales (current business)
- Net sales (divested business)
- Operating profit (current business)

# Shareholder value development



\* FAS  
\*\* IFRS





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## **Strategy forward and outlook 2007**

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Jan Lång, President and CEO

# Outlook



- Construction in Europe expected to remain active
  - Slightly slower growth rate compared to 2006
  - Recovery expected to continue in Germany
- In the US, general market expectations look unfavourable
- Organic growth in net sales is expected to reach the long-term target of minimum 6 per cent
- The profit margin is expected to improve from the 2006 level. Operating profit in euro is also projected to exceed the level recorded in 2006.

## Summary of guidances for 2007

- Organic net sales growth > 6%
- Operating profit margin > 12.4%
- Operating profit > 143.7 M€
- Gross capex ~ 55 M€



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