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FULL-YEAR RESULTS 2008

Uponor

## Financial statements presentation

10 February 2009

**Jyri Luomakoski**  
President and CEO  
Uponor Corporation

### Summary of 2008

Uponor

- Uponor maintained reasonable strength in spite of the historically difficult markets of 2008, and emerged well prepared to weather the challenges ahead
- Net sales declined by -9.4%
- Operating profit remained at ~8% of net sales (excl. non-recurring items)
- Despite lower profits, cash flow improved (also when excluding the large disposal proceeds)



## Building market indicators in major markets

	Indicator	Change %, YTD	Data through	Uponor HS net sales development
<b>Germany</b>	Housing permits	-5%	Nov 2008	+1.4%
<b>Nordic</b>	Housing starts	-20%	Sept 2008	-6.6%
<b>Spain</b>	Housing permits	-62%	Nov 2008	-33.9%
<b>USA</b>	Housing starts	-33%	Dec 2008	-20.9% (in USD)

## Full-year 2008: Net sales suffered as residential building starts halted

Net sales MEUR	1-12/2008	1-12/2007	Change, %
<b>Uponor</b>	<b>949.2</b>	<b>1,047.4</b>	<b>-9.4</b>
Central Europe	339.4	351.3	-3.4
Nordic	365.7	397.7	-8.0
Europe – West, East, South	234.3	272.9	-14.1
North America	130.8	169.2	-22.7
(North America, USD)	191.5	233.1	-17.8)

- Negative development in all key markets simultaneously
- Serious problems in overall demand in the US and Spain, other markets impacted too
- Nordic Infrastructure and the US and German commercial building stayed resilient until Q4
- Eastern Europe fared well for the most part of 2008, but fell steeply in Q4

## Full-year 2008: Profitability hit by lower volumes and non-recurring items



Operating profit MEUR	1-12/2008	1-12/2007	Change, %
<b>Uponor</b>	<b>51.2</b>	<b>135.7</b>	<b>-62.3</b>
Central Europe	38.2	41.1	-7.0
Nordic	23.6	49.7	-52.5
Europe – West, East, South	15.3	42.2	-63.7
North America	-16.0	16.6	-196.1
(North America, USD)	-23.4	22.9	-202.1)

- Reasonably good start to the year supported profitability for the most part of the year
- Public and commercial building activity in Germany and other Central Europe held up fairly well
- Infrastructure business in the Nordic countries increased its share of total net sales

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## Q4: Performance weakened towards the end of 2008



	10-12/2008	10-12/2007	Change, %
Net sales MEUR	198.9	238.2	-16.5
Operating profit MEUR	-19.9	25.4	-178.4

- The already weak demand in most of Uponor's key markets worsened towards the end of the year
  - Also the infrastructure and the commercial & public building segments started to feel the impact
  - Eastern Europe, which had grown by double-digit numbers until Q4, started to decline rapidly
- Net sales decline strongest in Europe – WES and North America
- Profitability in Central Europe fairly resilient, North America hit by a non-recurring item
- EUR 4.1m in costs relating to the cost-reduction programme booked in Q4

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- + Despite the challenging market conditions, Uponor managed to grow (in local currency) in the three largest European economies: Germany, the UK, France
- + Cash flow at a good level
  - + Improved inventory management – historically low levels
- + New code approvals in the US
  - + Sprinklers required for new homes as of 2011
  - + California approved PEX to be used in plumbing
- Cost savings lagging behind the rapid decline of the markets
- Third-party component replacement programme costing up to EUR 14.5m in the US
- Challenges to pass on H2 resin price increases in the Infrastructure business
- Poor capacity utilisation impacting the gross profit margin by ~2 %-points

## Cost reduction programme 2008

- Programme essentially completed
  - 412 persons in redundancies in 2008
  - costs EUR 7.3 million
- Closing of two facilities
  - St. John, Canada (completed)
  - Kungsör, Sweden (ongoing)
- Cost impact increasingly visible towards the end of Q4/2008
- Overheads excluding one-time costs below the 2007 level
  - December ..... EUR 2.5m
  - Q4..... EUR 1.1m



- Modern architecture meets engineering of the future in Cologne, Germany
  - In 2009, three office buildings will be completed, featuring Uponor heating/cooling and boasting architecture inspired by quay cranes of the past
- Cross-country skiing tunnel in Oberhof, Germany
  - internationally known for being one of the biathlon sport 'Mekkas', hosting also the World Cup
  - cooled by Uponor technology



- The world's most modern opera house in Oslo, Norway chose Uponor ventilation ducts and floor heating
  - placed underground to save space, costs and time
- Nupurinkartano, Espoo, Finland
  - first turnkey bedrock heating/cooling in Finland
  - joint project with YIT and Fortum
- Renovation complete with underfloor heating and tap water in Västerås, Sweden
  - a 1978 office building turned into 50 apartments and 13 unique terraced houses on the rooftop





- Modern Old Port of Savona, NW coast of Italy
  - Uponor underfloor heating for 140 high-end residential apartments and shopping area at ground level
- Dolce Vita Tejo, Lisbon, Portugal
  - one of Europe's largest shopping centres to be built
  - heating and cooling by Uponor



- In 2008, Uponor was able to develop a working relationship with Hilton Hotels Corporation worldwide, including being selected to contribute and participate with Hilton's *Suppliers' Corner* program
- M/I Homes, one of the nation's leading home builders in the US, is using Uponor PEX plumbing systems in Ohio



Other major references:

- Athlete's Village in Whistler, B.C., Canada for the 2010 Winter Olympics
- Trump Plaza development in Toronto

- The Pearl in Qatar, located in the Arabian Gulf near Doha

- transforming an old pearl-diving site into an artificial island with living space for 40,000 people



- The project is scheduled in four phases, with a target completion date in 2011
- Uponor has been actively involved in several key projects in the Arabian Gulf region
- Uponor's multilayer composite pipe systems were selected for the plumbing systems and a pre-insulated pipe system for the cooling networks

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**Financial statements**  
**Q4 and FY/2008**

## Q4/2008: Income statement

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MEUR	10-12 2008	10-12 2007	Change Y/Y
<b>Continuing operations</b>			
Net sales	198.9	238.2	-16.5%
Cost of goods sold	136.6	146.0	-6.4%
Gross profit	62.3	92.2	-32.5%
- % of net sales	31.3 %	38.7 %	-7.4%
Other operating income	0.8	0.9	-4.9%
Expenses	83.0	67.7	+22.8%
Operating profit	-19.9	25.4	-178.4%
- % of net sales	-10.0 %	10.7 %	-20.7%
Financial expenses, net	5.6	-1.5	+484.6%
Profit before taxes	-25.5	26.9	-195.1%
Profit for the period	-15.9	19.9	-179.8%
EBITDA	-11.8	33.1	-135.6%

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## Q4/2008: Net sales by region

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MEUR	10-12 2008	10-12 2007	Change Y/Y
Central Europe	70.8	75.7	-6.5 %
Nordic	71.2	88.1	-19.2 %
Europe - West, East, South	46.3	63.9	-27.6 %
North America	31.2	38.7	-19.5 %
Eliminations	-20.6	-28.2	
Uponor Group	198.9	238.2	-16.5 %

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## Q4/2008: Operating profit by region

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MEUR	10-12 2008	10-12 2007	Change Y/Y
Central Europe	5.0	7.1	-29.4 %
Nordic	-4.2	7.7	-154.0 %
Europe - West, East, South	-1.6	8.8	-117.8 %
North America	-18.4	4.0	-556.7 %
Others	-1.1	-3.5	-64.5 %
Eliminations	0.4	1.3	
Uponor Group	-20.5	25.4	-178.4 %

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## Q4/2008: Cash flow

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MEUR	10-12/ 2008	10-12/ 2007	Change Y/Y
Net cash from operations	-12.5	37.6	-50.1
Change in NWC	60.1	29.2	+30.9
Net payment of income tax and interest	-7.3	-11.9	+4.6
<b>Cash flow from operations</b>	<b>40.3</b>	<b>54.9</b>	<b>-14.6</b>
Cash flow from investments	-14.6	-25.3	+10.7
<b>Cash flow before financing</b>	<b>25.7</b>	<b>29.6</b>	<b>-3.9</b>
Dividends and buy backs	-1.2	0.0	-1.2
Other financing	+23.7	-30.7	+54.4
Cash flow from financing	+22.5	-30.7	+53.2
Change in cash and cash equivalents	48.2	-1.1	+49.3

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## FY 2008: Key figures

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MEUR	1-12 2008	1-12 2007	Change Y/Y
Net sales, continuing operations	949.2	1,047.4	-9.4%
Operating profit, continuing operations	51.2	135.7	-62.3%
Operating profit margin, continuing operations	5.4%	13.0%	-7.6% pts
Earnings per share (diluted), EUR	0.99	1.39	-28.8%
Return on equity, % (p.a.)	22.7%	30.1%	-7.4% pts
Return on investment, % (p.a.)	22.2%	39.2%	-17.0% pts
Net interest bearing liabilities	60.6	84.5	-28.3%
Gearing, %	19.8%	25.4%	-5.6% pts
Average number of employees, continuing operations	4,006	4,008	-0.0%
Number of employees, end of period, continuing operations	3,678	4,090	-10.1%

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## FY 2008: Income statement

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MEUR	1-12 2008	1-12 2007	Change Y/Y
<b>Continuing operations</b>			
Net sales	949.2	1,047.4	-9.4%
Cost of goods sold	607.4	640.4	-5.1%
Gross profit	341.8	407.0	-16.0%
- % of net sales	36.0 %	38.9 %	-2.9%
Other operating income	1.4	5.9	-75.3%
Expenses	292.0	277.2	+5.4%
Operating profit	51.2	135.7	-62.3%
- % of net sales	5.4 %	13.0 %	-7.6%
Financial expenses, net	10.2	2.6	+284.8%
Profit before taxes	41.0	133.1	-69.2%
Profit for the period	30.1	91.4	-67.1%
EBITDA	82.6	165.2	-50.0%

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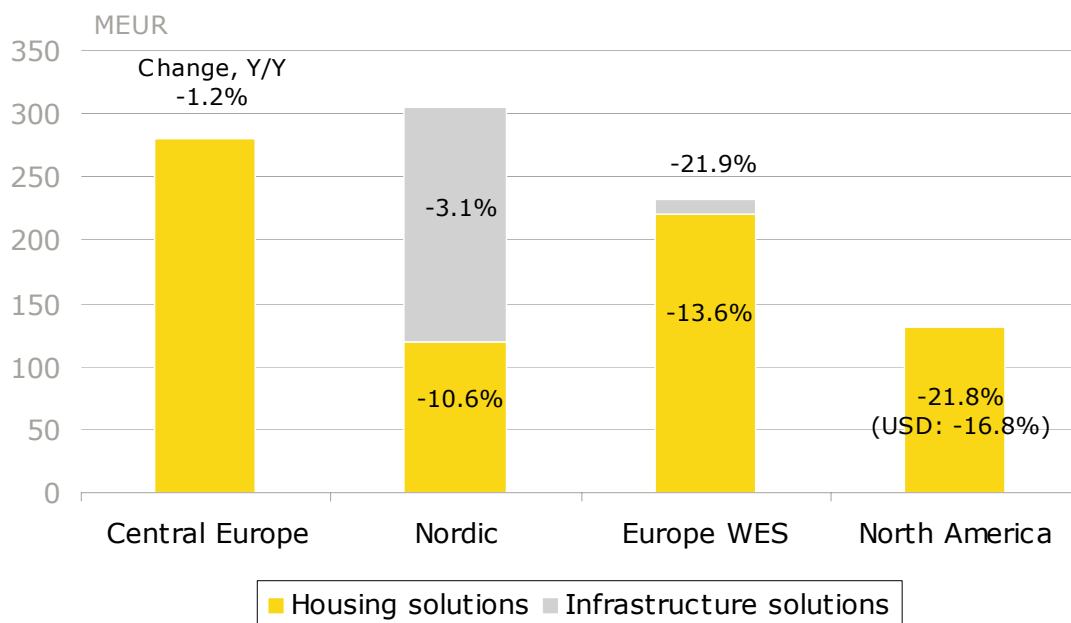
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# FY 2008: Income statement

- Gross profit impacted by low utilisation of production, product harmonisation, scrapping of 3.1 M€ and 2.7 M€ cost reduction programme related costs
- Expenses down 4.3 M€ excluding 14.5 M€ US provision and 4.6 M€ cost reduction programme related costs
- Financial expenses, net:
  - interest expenses 9.2 M€
  - interest income 1.7 M€
  - foreign exchange rates 1.7 M€
  - other 1.0 M€
- Tax rate down due to losses in the US (high tax rate) and lower German tax rate

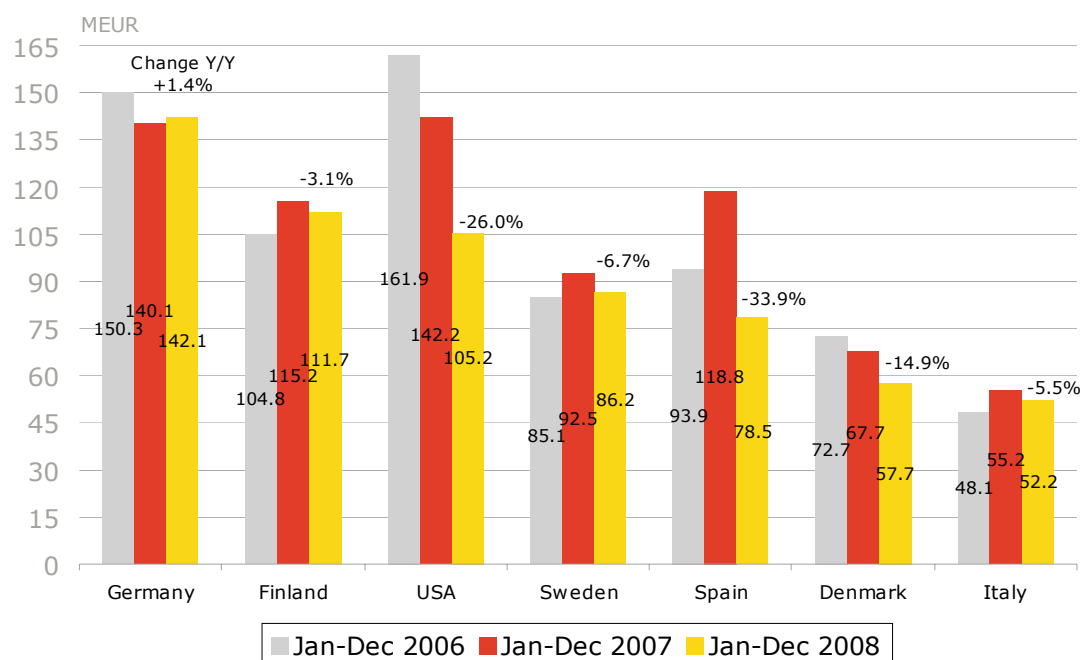
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Financial expenses, net	10.2	2.6	+284.8%
Profit before taxes	41.0	133.1	-69.2%
Profit for the period	30.1	91.4	-67.1%
EBITDA	82.6	165.2	-50.0%

# FY 2008: Business segment external revenue



## FY 2008: Net sales development by key national markets (>5% of total)

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## FY 2008: Balance sheet

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MEUR	31 Dec 2008	31 Dec 2007	Change Y/Y
Property, plant and equipment	184.5	218.9	-34.4
Intangible assets	101.3	101.7	-0.4
Securities and long-term investments	6.3	3.6	+2.7
Inventories	104.5	150.6	-46.1
Cash and cash equivalents	53.2	6.3	+46.9
Other current and non-current assets	145.1	183.2	-38.1
Shareholders' equity	305.6	333.0	-27.4
Non-current interest-bearing liabilities	77.0	14.7	+62.3
Provisions	30.0	16.2	+13.8
Non-interest-bearing liabilities	145.5	224.3	-78.8
Current interest-bearing liabilities	36.8	76.1	-39.3
Balance sheet total	594.9	664.3	-69.4

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## FY 2008: Comments to balance sheet

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- Inventories at lowest level for a long time

- Trade receivables down due to decrease in sales and improved turnover

- US provision for product replacement

- Net interest-bearing liabilities 60.6 M€

MEUR	31 Dec 2008	31 Dec 2007	Change Y/Y
Property, plant and equipment	184.5	218.9	-34.4
Intangible assets	101.3	101.7	-0.4
Securities and long-term investments	6.3	3.6	+2.7
Inventories	104.5	150.6	-46.1
Cash and cash equivalents	53.2	6.3	+46.9
Other current and non-current assets	145.1	183.2	-38.1
Shareholders' equity	305.6	333.0	-27.4
Non-current interest-bearing liabilities	77.0	14.7	+62.3
Provisions	30.0	16.2	+13.8
Non-interest-bearing liabilities	145.5	224.3	-78.8
Current interest-bearing liabilities	36.8	76.1	-39.3
Balance sheet total	594.9	664.3	-69.4

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## FY 2008: Cash flow

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MEUR	1-12/ 2008	1-12/ 2007	Change Y/Y
Net cash from operations	85.0	186.0	-101.0
Change in NWC	+55.7	-45.1	+100.8
Net payment of income tax and interest	-45.3	-47.1	+1.8
<b>Cash flow from operations</b>	<b>95.4</b>	<b>93.8</b>	<b>+1.6</b>
Cash flow from investments	+38.2	-52.7	+90.9
<b>Cash flow before financing</b>	<b>133.6</b>	<b>41.1</b>	<b>+92.5</b>
Dividends and buy backs	-103.7	-102.5	-1.2
Other financing	+17.1	+55.3	-38.2
Cash flow from financing	-86.6	-47.2	-39.4
Change in cash and cash equivalents	46.9	-6.1	+53.0

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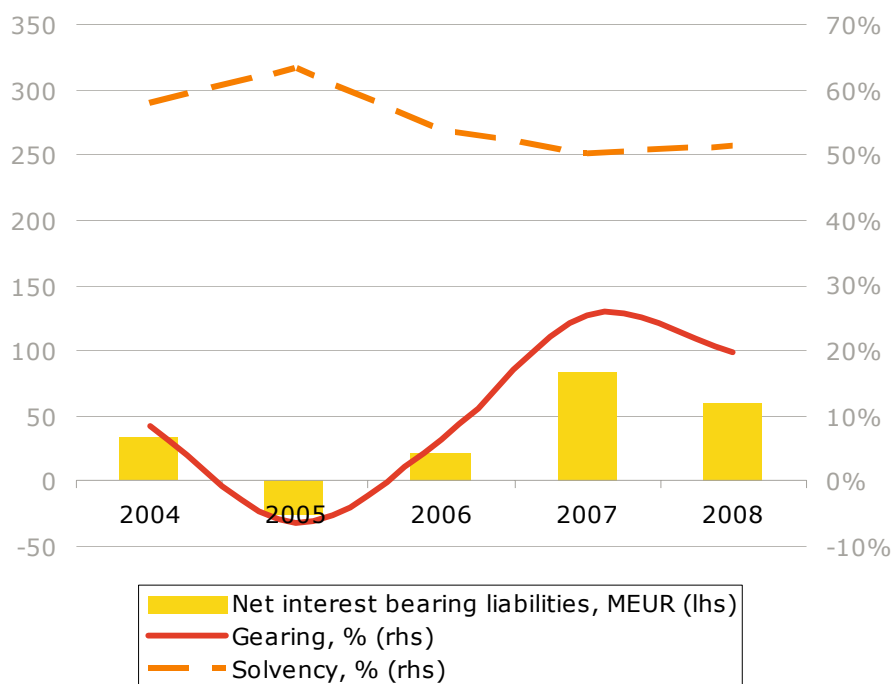
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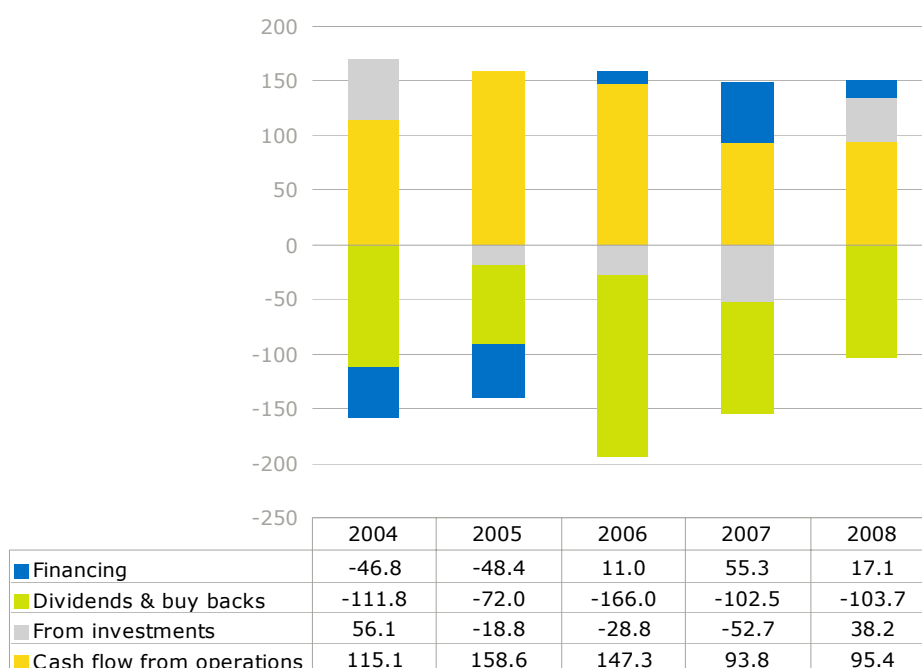
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## FY 2008: Capital structure development

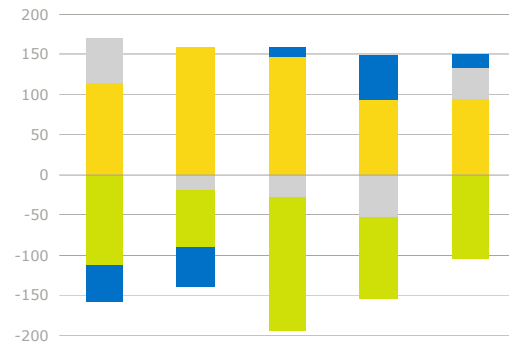


## FY 2008: 5-year cash flow



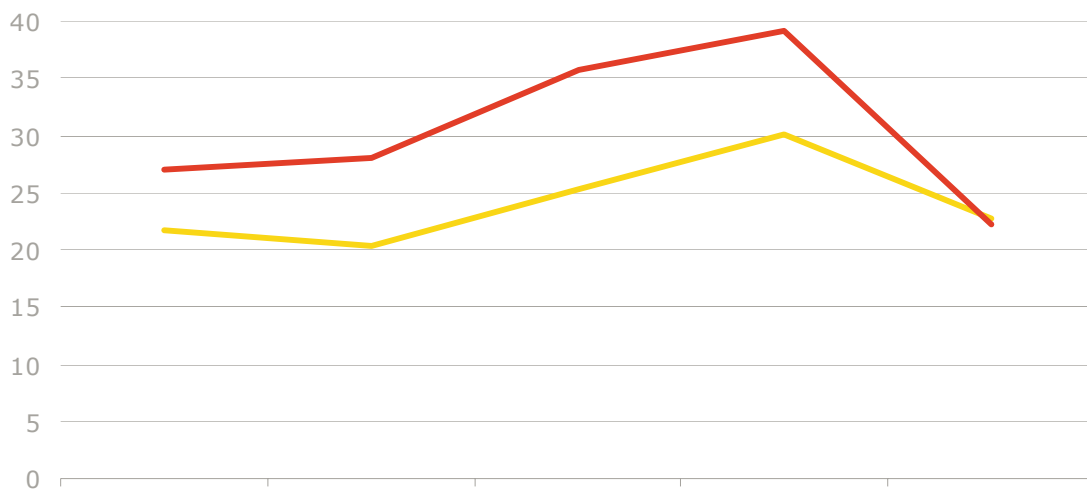
## FY cash flow comments

- 556 M€ returned to shareholders in 2004-2008



	2004	2005	2006	2007	2008
Financing	-46.8	-48.4	11.0	55.3	17.1
Dividends & buy backs	-111.8	-72.0	-166.0	-102.5	-103.7
From investments	56.1	-18.8	-28.8	-52.7	38.2
Cash flow from operations	115.1	158.6	147.3	93.8	95.4

## ROI and ROE



\*) 2004

2005

2006

2007

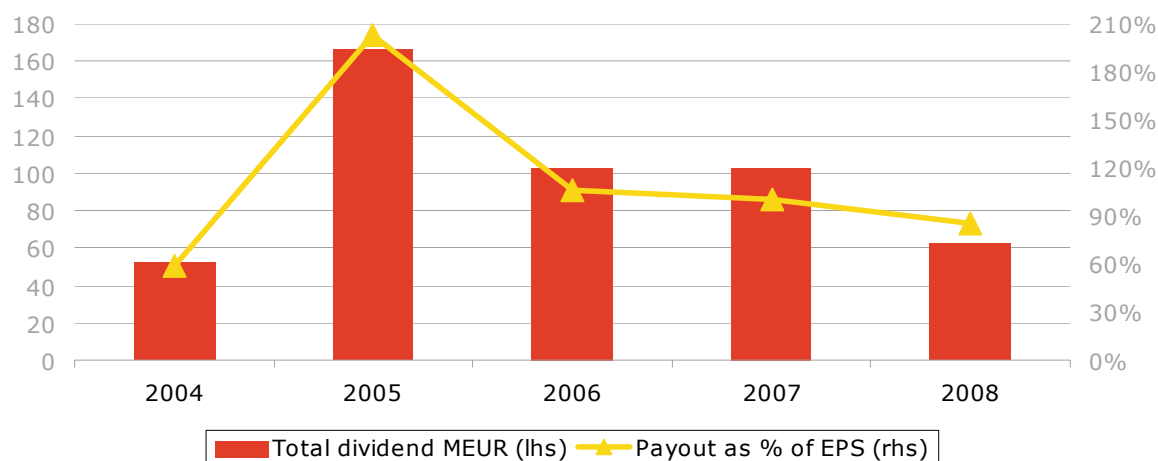
\*\* ) 2008

— ROE — ROI

\*) Including 24.6 MEUR profit from discontinued operations

\*\* ) Including 42.4 MEUR profit from discontinued operations

## Dividends and payout ratio

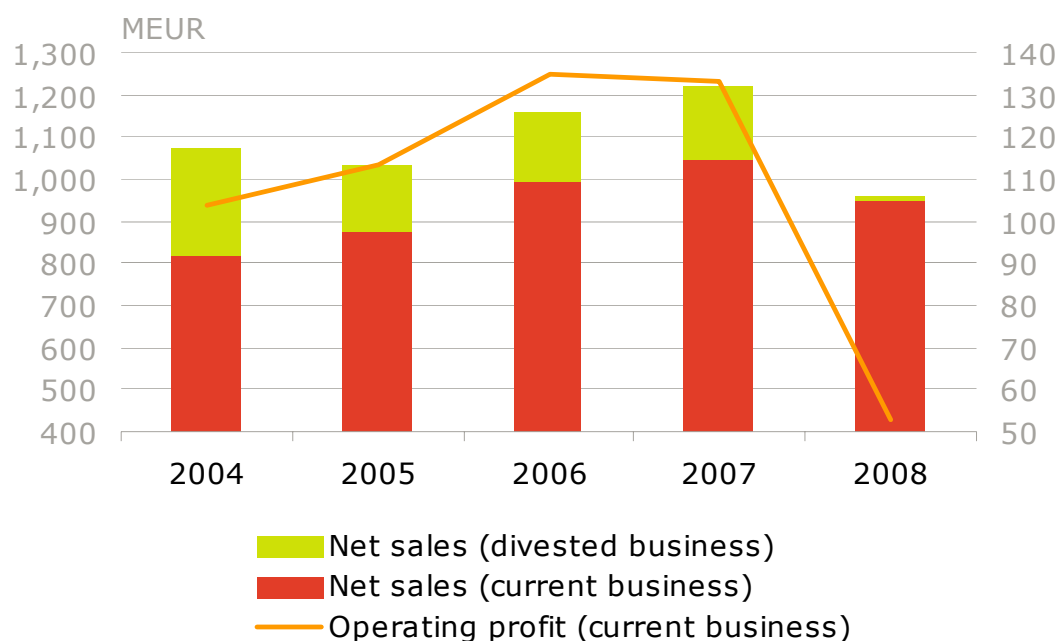


- Board's dividend proposal of EUR 0.85 per share is based on the dividend policy

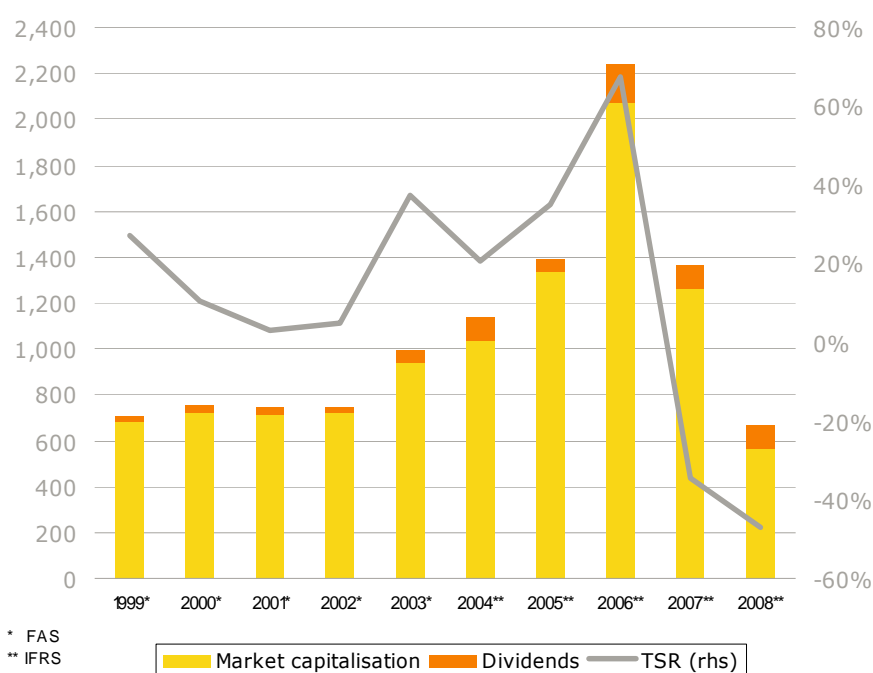
## Major shareholders 31 December 2008

Oras Invest Ltd	23.9%	Share capital	146.4 MEUR
Varma Mutual Pension Insurance Company	7.1%	Number of shares outstanding	73,046,944
Mandatum Life Insurance Company Limited	3.2%		
Tapiola Mutual Pension Insurance Company	1.9%		
State Pension Fund	1.3%		
Sigrid Juselius Foundation	1.1%		
Nominee registration	22.0%		
Others	39.5%		
	<hr/>		
	100.0%		

## 5-year development of the current business portfolio



## Shareholder value development



## Outlook for the future

### Near term strategic goals

While the long-term financial targets are in place per se, the following near-term strategic goals override them in the current economic climate:

- Cash flow management
  - inventories
  - accounts receivable
  - fixed asset investment (not to exceed depreciation)
- Cost management
- Supporting the implementation of the new European organisation
  - very encouraging trend in breaking local silos
- Actively fighting for market share and penetration growth
- Continuing to invest in strategic initiatives
  - high-rise business
  - indoor climate solutions





- As a result of the difficult market situation, Uponor expects its net sales to remain below the 2008 level, and the profit for the year 2009 is expected to be positive.
- The Group's capital expenditure will not exceed depreciation in 2009, and with tight net working capital management, Uponor expects its cash flow to remain at a reasonable level



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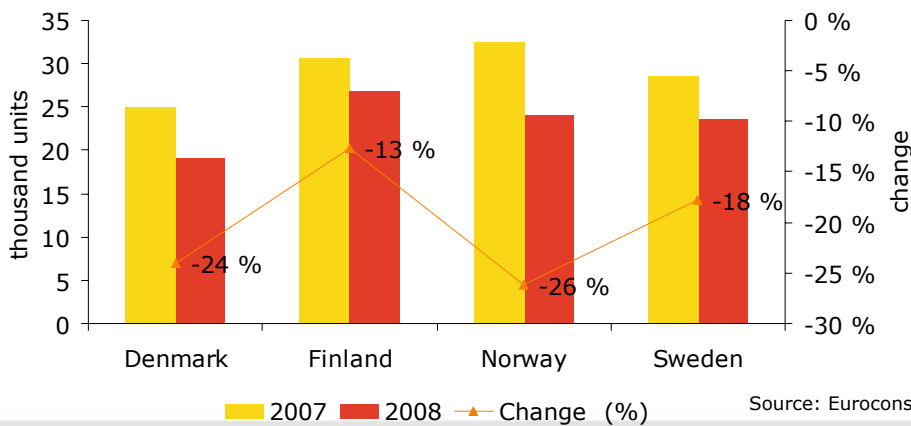
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**Appendix:**  
2008 Construction  
Summaries by Region

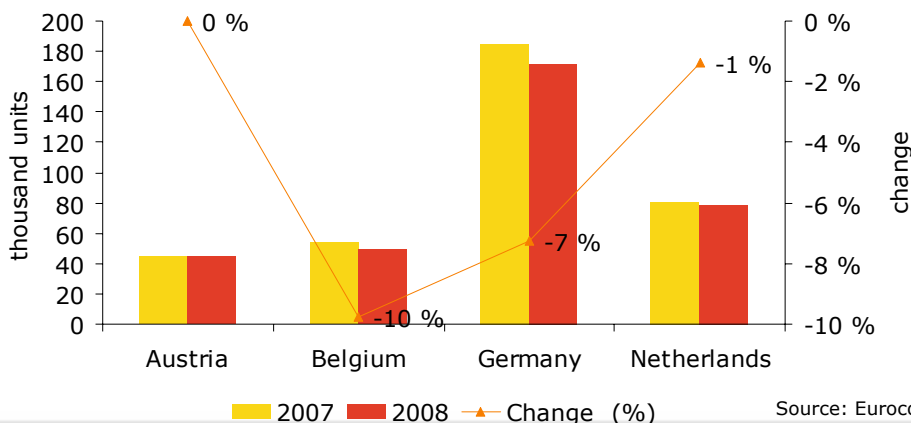
- The slowdown that began in Denmark spread to the other Nordic countries in 2008, with the rate of the decline in the new-build segment accelerating in the second half of the year.
- Although the renovation segment fared better, investments also fell slightly from 2007.
- The downward tendency in **infrastructure** appears to have levelled out in Denmark, while the decrease has continued in other Nordic countries.

Nordic Housing Starts



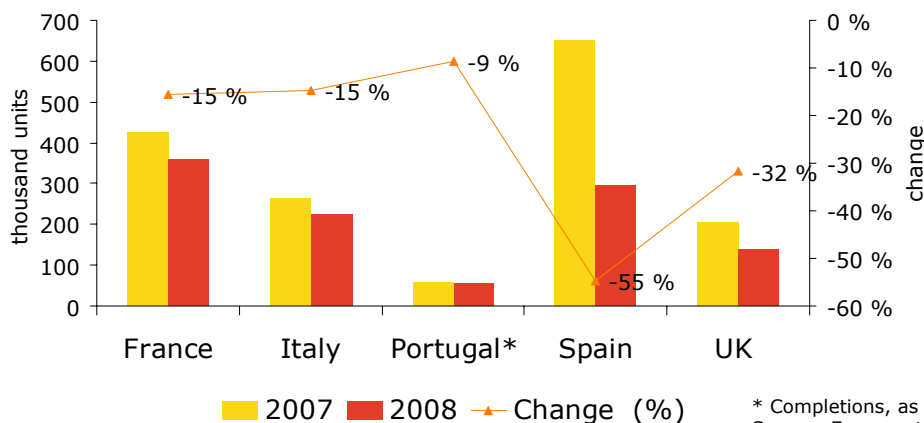
- The new-build residential markets in the Netherlands and Austria were able to maintain momentum through the year, while the markets in Germany and Belgium slowed.
- Activity in the non-residential segment grew, especially in Germany.
- The renovation segment, accounting for two-thirds of residential construction expenditures in Germany, grew slightly from 2007 levels.

Central Europe Housing Completions



- The Spanish construction industry continued its descent during 2008, with housing permits falling to less than half of 2007 levels.
- The UK and Italy have also suffered from reduced activity levels, with even further deterioration in the second half of the year.
- France maintained more strength than other countries in the Region, but also experienced a notable drop in activity in H2.

**South, West Housing Starts**



### Eastern Europe

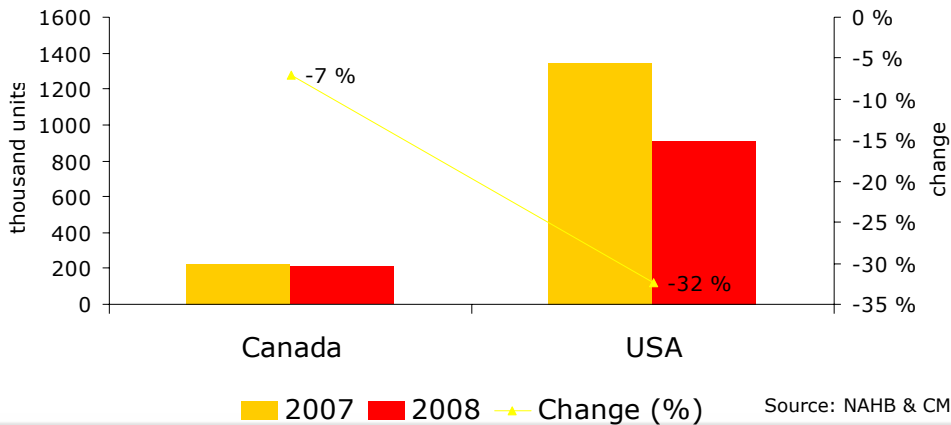
- Russia's construction market, which seemed to be only slightly affected by the financial crisis in the spring, began to show significant signs of weakness towards the end of the year.
- Activity in the Baltic states has been slow, with construction activity nearly coming to a halt.
- In all markets, luxury single family houses seem to be less affected, but larger projects are suffering from a lack of funds from real estate investors and builders.

### International

- The impact of the financial crisis on Uponor's export countries has been less extensive, providing continued growth opportunities.

- US housing starts fell 30% from 2007 levels, meaning that residential new build activity has halved in the past two years.
- US non-residential construction remained fairly strong in 2008. However, considerable slowing of the year-over-year growth rate occurred in the second half of 2008.
- Canadian housing starts have also declined, but at a much lower rate of 7%.

North American Housing Starts



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 simply more