



# Uponor

## Interim Jan.-June 2006 results briefing

Helsinki 3 August 2006

Jan Lång  
President and CEO

### Q2/2006: Active demand continued in key markets, U.S. slowing down

# Uponor

- Overall strong demand for Uponor housing and infrastructure solutions continued in key markets
- Central Europe:
  - Good demand in Central Europe from countries outside Germany
  - German net sales decline stopped
    - anticipation effect of the planned 3pp VAT increase in 2007
- Nordic and Europe – West, East, South:
  - Construction markets remain buoyant
  - Spain sustains healthy volumes
- North America:
  - Change downwards noted in key signals (e.g. housing starts) and value chain behaviour
  - No material effect on Uponor demand yet

## Q2/2006: Strong development of net sales

Net sales	MEUR	4-6/ 2006	4-6/2005	Change
<b>Uponor</b>		<b>300.9</b>	<b>276.1</b>	<b>+9.0%</b>
<i>Central Europe</i>		<i>85.9</i>	<i>74.8</i>	<i>+14.8%</i>
<i>Nordic</i>		<i>104.1</i>	<i>96.8</i>	<i>+7.7%</i>
<i>Europe -WES</i>		<i>99.5</i>	<i>86.7</i>	<i>+14.8%</i>
<i>North America</i>		<i>46.4</i>	<i>44.6</i>	<i>+3.9%</i>
<i>(North America, USD)</i>		<i>58.9</i>	<i>55.9</i>	<i>+5.2%</i>

- Uponor growth exceeds the long-term target
- Strong development in
  - Central Europe against weak H1/2005
  - Europe–WES markets of rapid growth (despite divestment)
- Impact of sales price increases (due to higher raw material costs)
- Value chain destocking impacted Q2 net sales in the U.S.

## Q2/2006: Profitability improved in Europe

Operating profit	MEUR	4-6/ 2006	4-6/2005	Change
<b>Uponor</b>		<b>39.9</b>	<b>36.3</b>	<b>+9.9%</b>
<i>Central Europe</i>		<i>13.7</i>	<i>9.1</i>	<i>+52.3%</i>
<i>Nordic</i>		<i>18.3</i>	<i>16.0</i>	<i>+14.0%</i>
<i>Europe-WES</i>		<i>7.8</i>	<i>8.2</i>	<i>-5.5%</i>
<i>North America</i>		<i>2.4</i>	<i>6.0</i>	<i>-60.8%</i>
<i>(North America, USD)</i>		<i>3.0</i>	<i>7.6</i>	<i>-60.9%</i>

- Growth of net sales and improved cost base contributed positively to OP
- Strong development in the European regions
  - Europe–WES includes a EUR –2.6m impact from IE divestment
- Profitability declined in North America as a result of higher rebate accruals in Q2 related to volume discounts and promotions

## Q2/2006: Highlights

- + Sustained positive development of growth and results in all European regions
- + Strong growth of tap water systems (PEX and composite) in a high copper price environment
  - + Plastic fittings strengthening their position
- + Strong infrastructure contract base in the UK and Ireland
- + Successful European go-live of the ERP system in Germany
  - + Paves the way for the introduction throughout Europe in 2007-8
  
- Development of performance in North America
  - Q2 earnings decline
  - sales development of radiant floor heating

## Strong infrastructure contract base in the UK and Ireland

Contract		Uponor IE market share development
<b>Gas market</b>	<ul style="list-style-type: none"> <li>• 3 contracts retained</li> <li>• 2 contracts won</li> <li>• 0 contracts lost</li> </ul>	From 2/3 → 3/4
<b>Water market</b>	<ul style="list-style-type: none"> <li>• 2 contracts retained</li> <li>• 1 contract won</li> <li>• 0 contracts lost</li> </ul>	From 1/6 → 1/4



## Jan.–June 2006 results

Jyri Luomakoski  
CFO and deputy CEO

### Interim January – June 2006: Key figures

MEUR	1-6 2006	1-6 2005	Change Y/Y	1-12 2005
Net sales	551,4	493,7	+11,7%	1 031,4
Operating profit	61,7	50,0	+23,5%	123,0
Operating profit margin	11,2%	10,1%	+1,1%	11,9%
Earning per share (diluted), EUR	0,57	0,46	+23,9%	1,12
Return on equity, %	20,7%	17,4%	+3,3%	20,3%
Return on investment, %	29,2%	22,8%	+6,4%	28,1%
Net interest bearing liabilities	29,7	71,5	+58,5%	-26,9
Gearing, %	7,6%	18,7%	-11,1%	-6,4%
Average number of employees	4 216	4 181	+0,8%	4 169

## Interim January – June 2006: Income statement

MEUR	1-6 2006	1-6 2005	Change Y/Y	1-12 2005
Net sales	551,4	493,7	+11,7%	1 031,4
Cost of goods sold	355,2	324,7	+9,4%	667,6
Gross profit	196,2	169,0	+16,1%	363,8
- % of net sales	35,6 %	34,2 %	+1,4%	35,3 %
Other operating income	1,2	1,6	-57,6%	6,2
Expenses	135,7	120,6	+11,4%	247,0
Operating profit	61,7	50,0	+23,5%	123,0
- % of net sales	11,2 %	10,1 %	+1,1%	11,9 %
Financial expenses, net	1,1	0,7	-43,2%	2,5
Profit before taxes	60,6	49,3	+23,1%	120,5
Profit for the period	41,9	34,0	+23,2%	82,7
EBITDA	79,0	67,0	+17,9%	154,8

3 August 2006

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Page 8

## Interim January – June 2006: Comments to income statement

- Gross profit increase by 1.4%-points supported by benefits from restructuring and faster than prior year compensation for higher input costs
- Total expenses up with 15.1 M€ mainly driven by variable sales costs, brand introduction costs and ERP programme
- Tax rate 31.0%

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3 August 2006

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Page 9

## Interim April – June 2006: Income statement

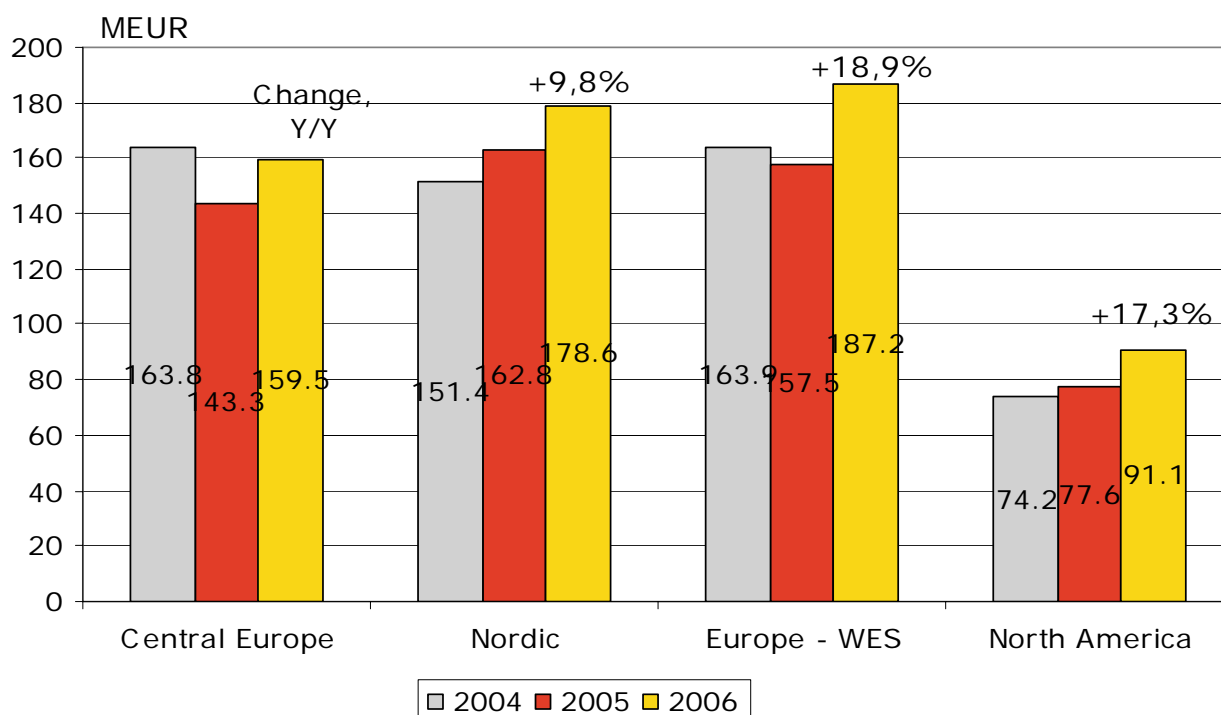
MEUR	4-6 2006	4-6 2005	Change Y/Y
Net sales	300.9	276.1	9.0%
Cost of goods sold	192.1	178.1	7.9%
Gross profit	108.8	98.0	11.0%
% of net sales	36.2 %	35.5 %	0.7%
Other operating income	0.9	0.4	-43.4%
Expenses	69.8	62.1	10.2%
Operating profit	39.9	36.3	9.9%
% of net sales	13.3 %	13.1 %	0.2%
Financial expenses, net	1.9	0.5	234.8%
Profit before taxes	38.0	35.8	6.5%
Profit for the period	26.3	24.7	6.4%
EBITA	48.4	44.7	8.1%

3 August 2006

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Page 10

## Interim January – June 2006: Revenue development by region

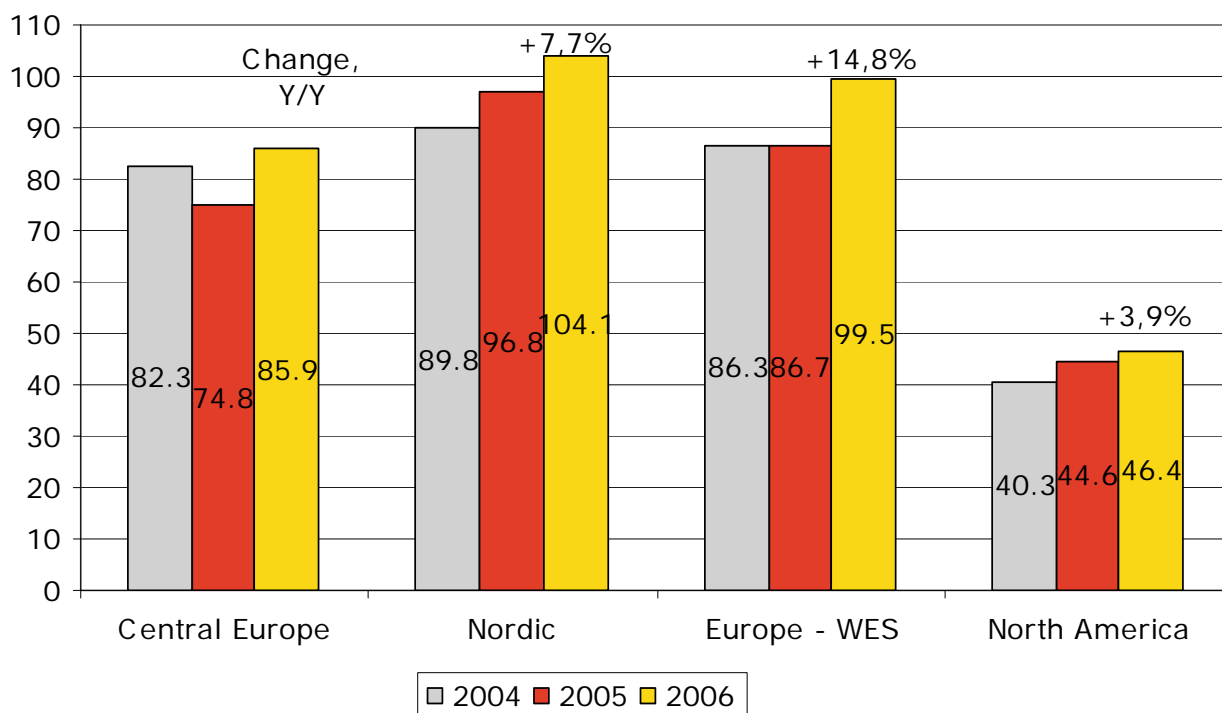


3 August 2006

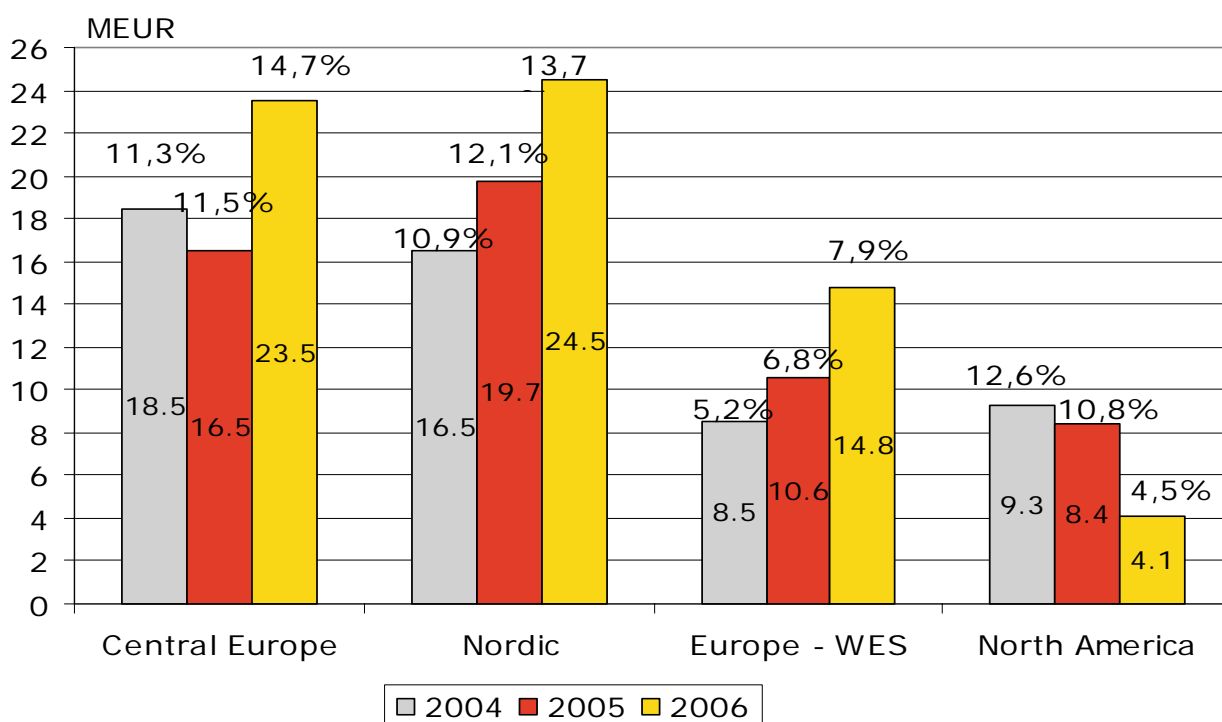
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Page 11

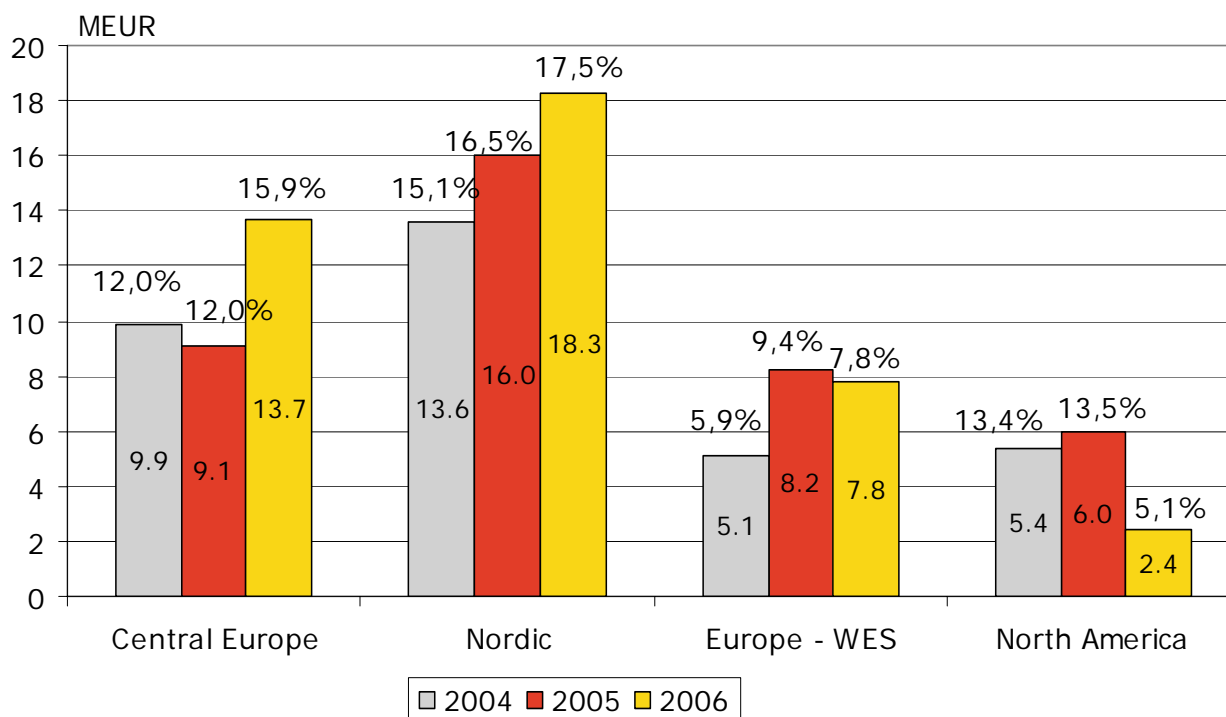
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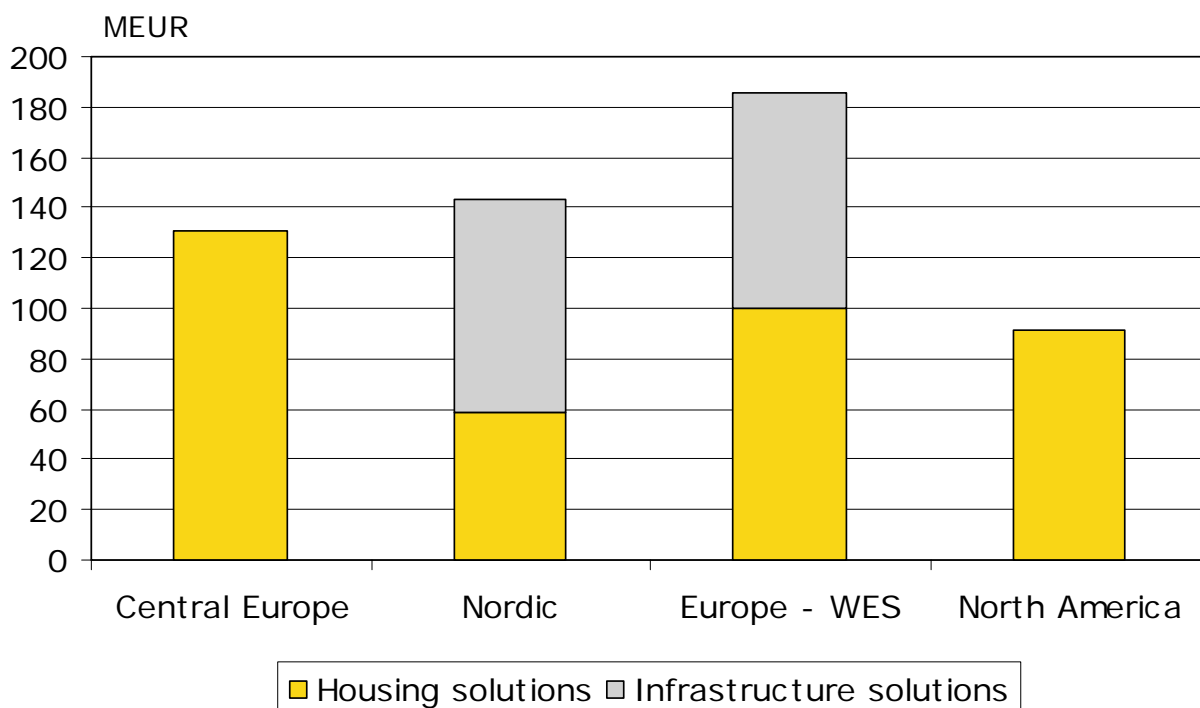
## Interim January – June 2006: Result development by region



## Interim April – June 2006: Result development by region

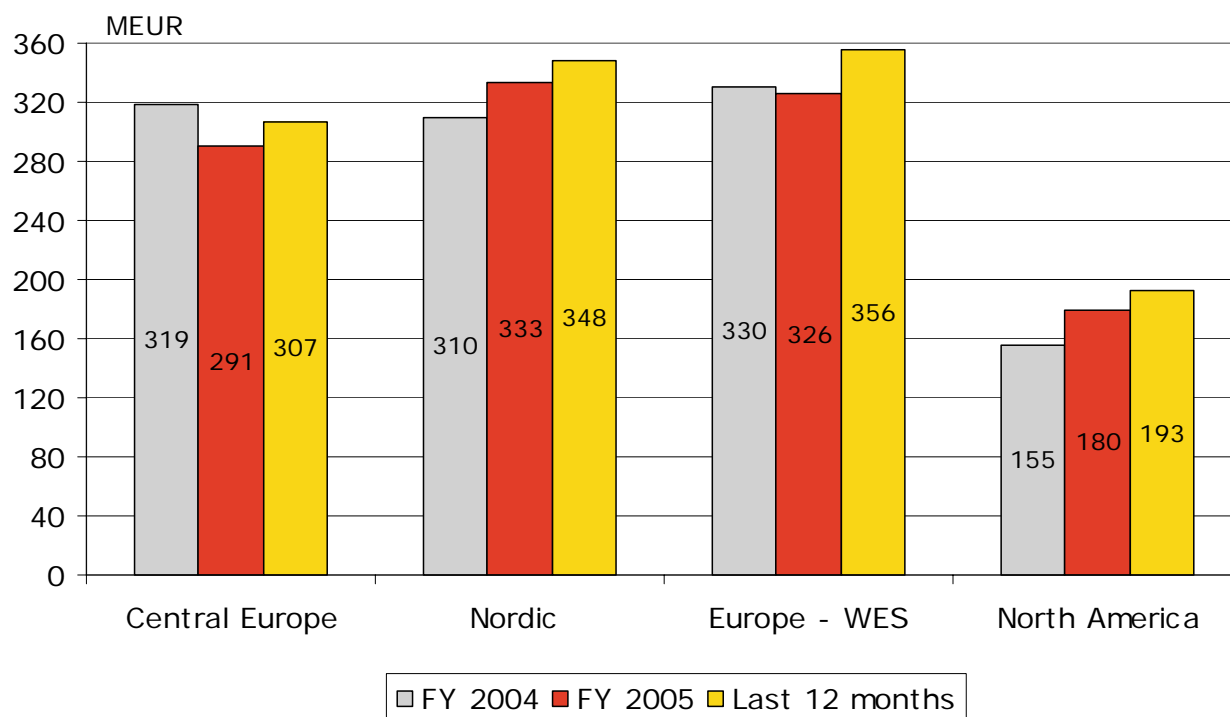


## Interim January – June 2006: Business segment external revenue by region

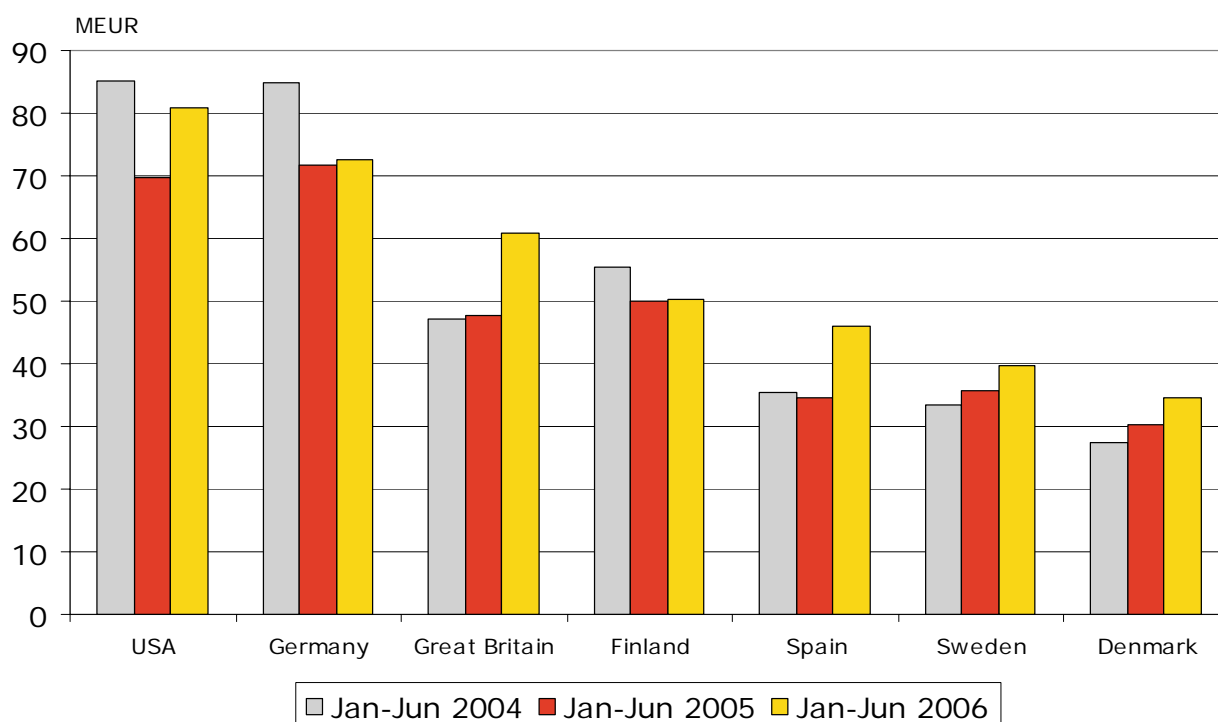




## Revenue development by region, last 12 months



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



## Interim January – June 2006: Balance sheet

MEUR	30 Jun. 2006	30 Jun. 2005	Change Y/Y	31 Dec. 2005
Intangible assets	88,5	77,4	+11,1	85,1
Tangible assets	205,9	219,1	-13,2	214,9
Securities and long-term investments	10,5	23,0	-12,5	19,4
Inventories	128,6	132,8	-4,2	111,4
Cash and cash equivalents	4,7	10,9	-6,2	48,9
Other current and non-current assets	239,8	232,3	+7,5	183,6
Shareholders' equity	389,4	382,9	+6,5	418,4
Non-current interest-bearing liabilities	21,8	23,2	-1,4	19,4
Provisions	16,1	18,5	-2,4	14,8
Non-interest-bearing liabilities	238,1	211,7	+26,4	208,1
Current interest-bearing liabilities	12,6	59,2	-46,6	2,6
Balance sheet total	678,0	695,5	-17,5	663,3

## Interim January – June 2006: Comments to balance sheet

- Increase of intangible assets (ERP) 11 MEUR compared to prior year

- Loan repayments of 10,7 MEUR from old divestments

- Improvement in net working capital performance

- Net interest-bearing liabilities of 29.7 MEUR

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## Interim January – June 2006: Cash flow

MEUR	1-6/ 2006	1-6/ 2005	Change Y/Y	1-12/ 2005
Net cash from operations	80,0	64,4	+15,6	153,5
Change in NWC	-41,9	-40,4	-1,5	22,8
Net payment of income tax and interest	-19,9	-16,7	-3,2	-17,7
<b>Cash flow from operations</b>	<b>18,2</b>	<b>7,3</b>	<b>+10,9</b>	<b>158,6</b>
Cash flow from investments	-3,4	3,4	-6,8	-18,8
<b>Cash flow before financing</b>	<b>14,8</b>	<b>10,7</b>	<b>+4,1</b>	<b>139,8</b>
Dividends and buy backs	-65,8	-56,4	-9,4	-72,0
Other financing	6,8	27,1	-20,3	-48,4
Cash flow from financing	-59,0	-29,3	-29,7	-120,4
Change in cash and cash equivalents	-44,2	-18,6	-25,6	19,4

- Net cash from operations improved due to positive result development
- Net sales growth increased accounts receivable (partly offset from accounts payable)
- Gross CapEx at prior year level but less proceeds from disposals/divestments vs. H1/2005

## Interim April – June 2006: Cash flow

MEUR	4-6/ 2006	4-6/ 2005	Change Y/Y
Net cash from operations	49,9	42,8	+7,1
Change in NWC	-20,4	-14,6	-5,8
Net payment of income tax and interest	-12,5	-8,4	-4,1
<b>Cash flow from operations</b>	<b>17,0</b>	<b>19,8</b>	<b>-2,8</b>
Cash flow from investments	1,6	-5,3	+6,9
<b>Cash flow before financing</b>	<b>18,6</b>	<b>14,5</b>	<b>+4,1</b>
Dividends and buy backs	0,0	-4,4	+4,4
Other financing	-24,5	-13,6	-10,9
Cash flow from financing	-24,5	-18,0	-6,5
Change in cash and cash equivalents	-5,9	-3,5	-2,4



## Outlook

Jan Lång  
President and CEO

## Market and business outlook remains stable

- Overall business or economic environment expected to stay as predicted in 2006
- Stable Q1 in Germany followed by stable Q2, with positive signals
  - The planned 3pp VAT increase for 2007 seems to be triggering higher building activity for late 2006
- The North American building market has started to decline from the historically high level recorded in 2005
  - analysts forecast a drop in housing starts in 2006 of ca 7%
- No significant changes in sight in the Nordic countries and Europe - WES countries

# Market and business outlook remains stable

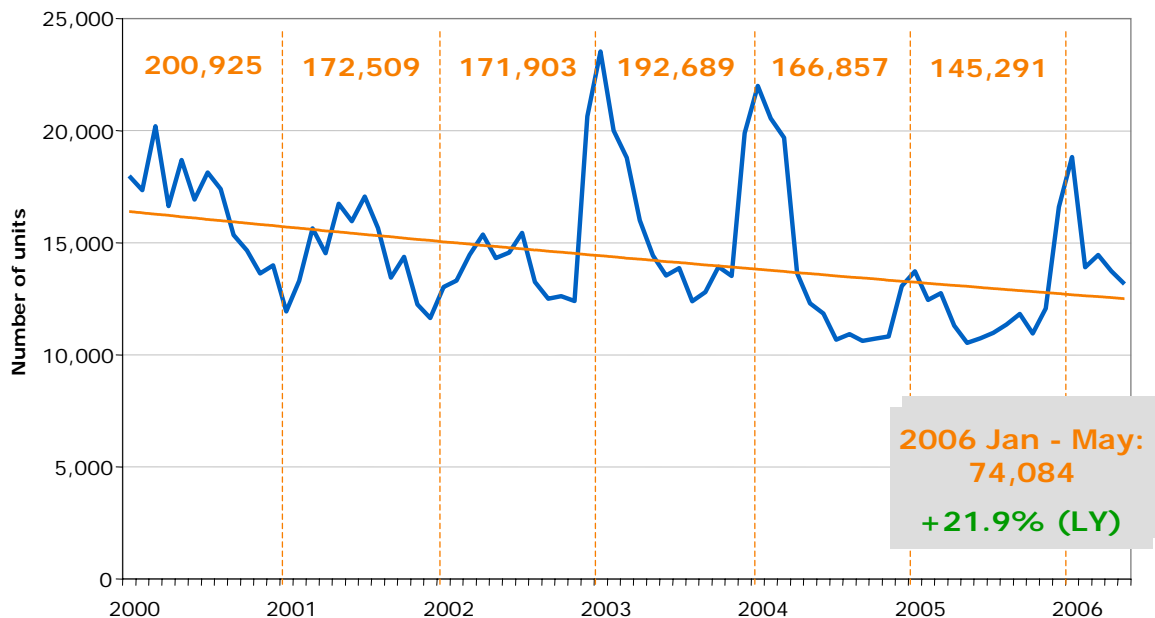
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Resident. new building	Germany	Nordic	UK & Ireland	Iberia	Italy	USA	Canada
2005							
Outlook 2006							

# Monthly residential housing permits in Germany

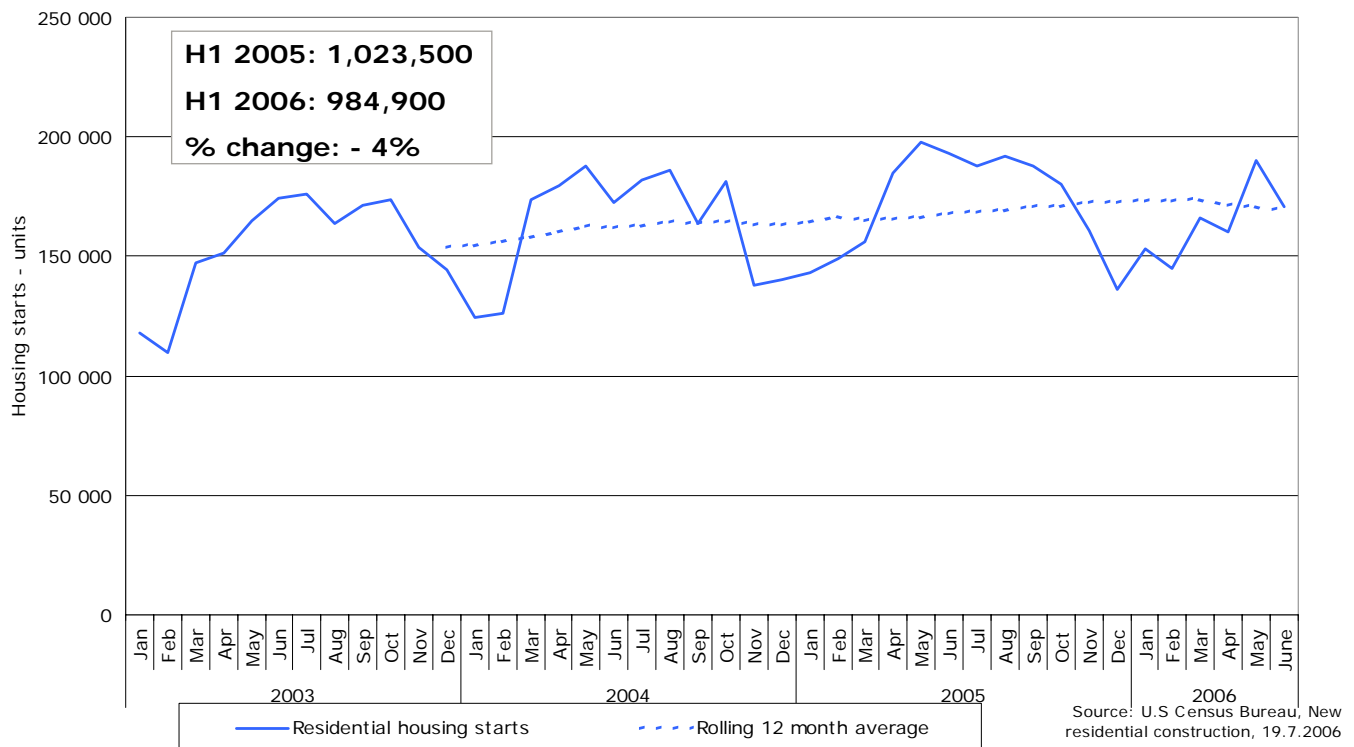
(incl. May 2006)

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



# Monthly residential housing starts in the U.S.

(incl. June 2006)



# Full-year guidance unchanged

(updated on 25 April 2006)

- Net sales growth is expected to be similar to that in 2005, when organic growth was 7.0%
- Operating profit is expected to exceed the operating profit of 2005 (MEUR 123)
- Operating profit margin is expected to achieve the long-term target level (≥ 12 %)

## Strategic focus going forward

- Uponor's strategic focus areas since 2003 are:
  - organic growth
  - development of the brand
  - operational excellence
- Investments done mainly in the latter two, progressing as planned
  - 2006 – new brand identity with Uponor-branded product offering, uniform offering management processes and harmonised product offering
  - ERP project – deployment in Central Europe in summer 2006 to be continued with roll-outs in rest of Europe in 2006-2008
- Recently revised strategy ***focuses on profitable growth***, aiming at:
  - accelerated growth in single-family housing and infrastructure markets
  - increased market shares in the high-rise segment
    - product and service offering and go-to-market approach
  - analysis and implementation under way

Uponor  
simply more