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Financial update

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Financial update: **Performance improvement in 2006**

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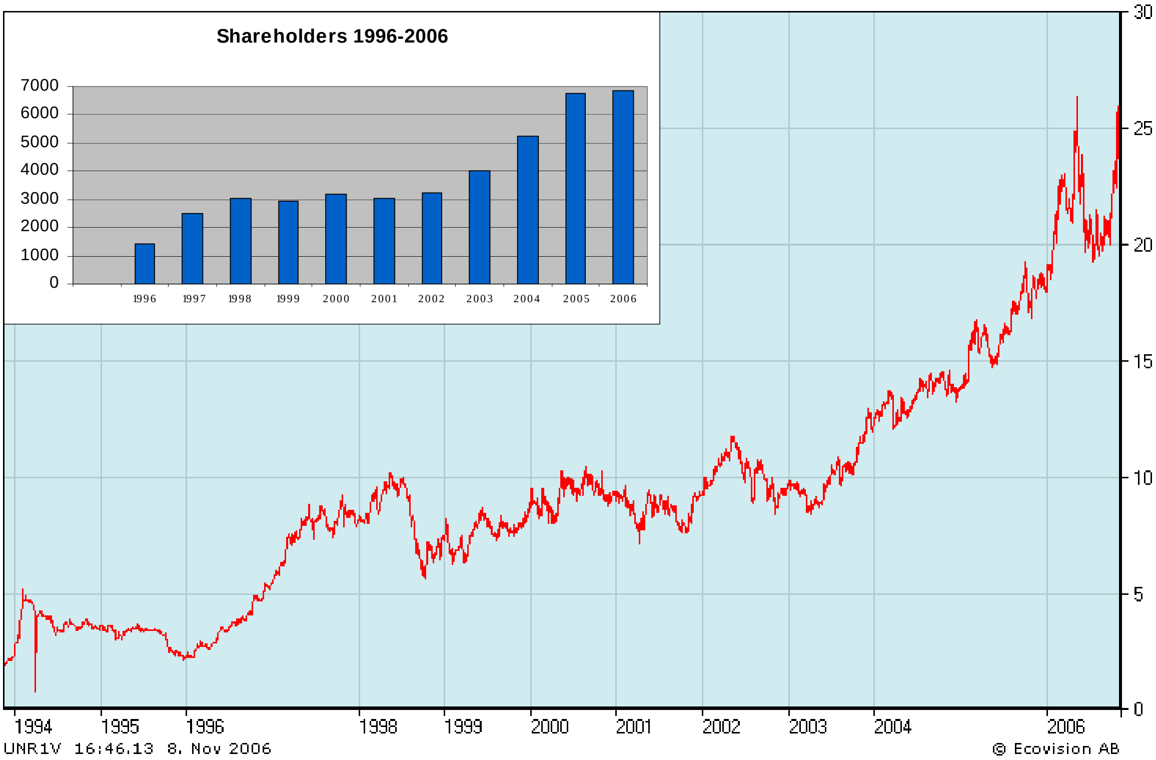
- In the first 9 months, Uponor reported a 13.1% net sales growth and a 25.5% EBITA growth
- Gross profit margin up 0.8 and EBITA margin up 1.3 %age points
- Expenses (sales and marketing, R&D, administration) down 0.7 %age points demonstrating some leverage
  - part of sales and marketing costs are in reality variable selling costs
  - spend into the brand and ERP projects
- Gross profit margin up despite dilution from the sales price inflation
  - leverage both in variable and fixed production costs

Share price and trading



Financial update:
Long term financial targets

- Annual organic net sales growth of above six per cent (average over the cycle)
- Operating profit margin reaching the level of 15 per cent during fiscal year 2009
- Return on investment (ROI) of over 30 per cent
- Gearing between 30 and 70 (average across quarters)
- A growing ordinary dividend payment: at least 50 per cent of the company's earnings annually

Growth

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- Annual organic net sales growth of above six per cent (average over the cycle)

- Focus on organic growth as true means of creating value and leveraging operations
- Numerically a slight upgrade to the old target (min 5%) but cycle qualifier added
- Our definition of a cycle is about 5 to 8 years
- Recently we have seen commodity prices inflating our selling prices, therefore a double digit growth rate guided for 2006
- Growth supported by long-term penetration

Profitability

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- Operating profit margin reaching the level of 15 per cent during fiscal year 2009

- In late 2003, when we were at 8.4% margin (without provisions for restructuring), we set the goal of reaching 12% in three years
- A further improvement of profitability in the strategy period 2007 – 2009 to reach new levels
- Again, we do have businesses complying with the new target and believe to understand what it takes to reach it
  - growth leveraging the cost structure
  - new growth initiatives are a strategic fit into current set-up
  - higher housing solutions growth improving average margins
  - operational excellence initiatives, many facilitated by the common ERP tool / processes

Capital efficiency

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- Return on investment (ROI) of over 30 per cent

- The old targets (12% EBITA margin, 20% ROI) implied a minimum capital turnover of 1.67
- The new target implies a minimum capital turnover of 2, i.e. an improvement over the old level
- We do recognise the cost of capital and want to use capital efficiently
  - EVA is the internal steering tool – EVA improvement is a bonus driver
- Main sources of improvement in the area of net working capital
  - again, contribution from common processes and the ERP tool expected

Capital structure

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- Gearing between 30 and 70 (average across quarters)

- Uponor has a very strong seasonality in its balance sheet following the seasonality of the construction business
  - heaviest burden from NWC in Q2 & Q3
  - end-of-year balance sheet looks artificially strong
- Old target established the cap (70) only while in the new goals we have a target zone

Dividend policy

- A growing ordinary dividend payment: at least 50 per cent of the company's earnings annually

- Uponor's Board recognises that one key value driver for a company is a growing dividend stream and Uponor wants to be a rewarding dividend payer
- Extraordinary dividends have been used to manage the company's balance sheet and cost of capital in the past, thus qualification "ordinary"

