



# Strategic update

**Capital Markets Day**

12 Dec. 2007, Vantaa, Finland

Jan Lång  
President and CEO  
Uponor Corporation

# Implementation of the strategic agenda continues as planned

## Growth

**Build on current platforms**

Organic growth  
Increased focus on managing the value chain  
Differentiated offering through innovation  
Strengthen position in Europe and evaluate international expansion

## Brand

**Strengthen the Uponor corporate brand**

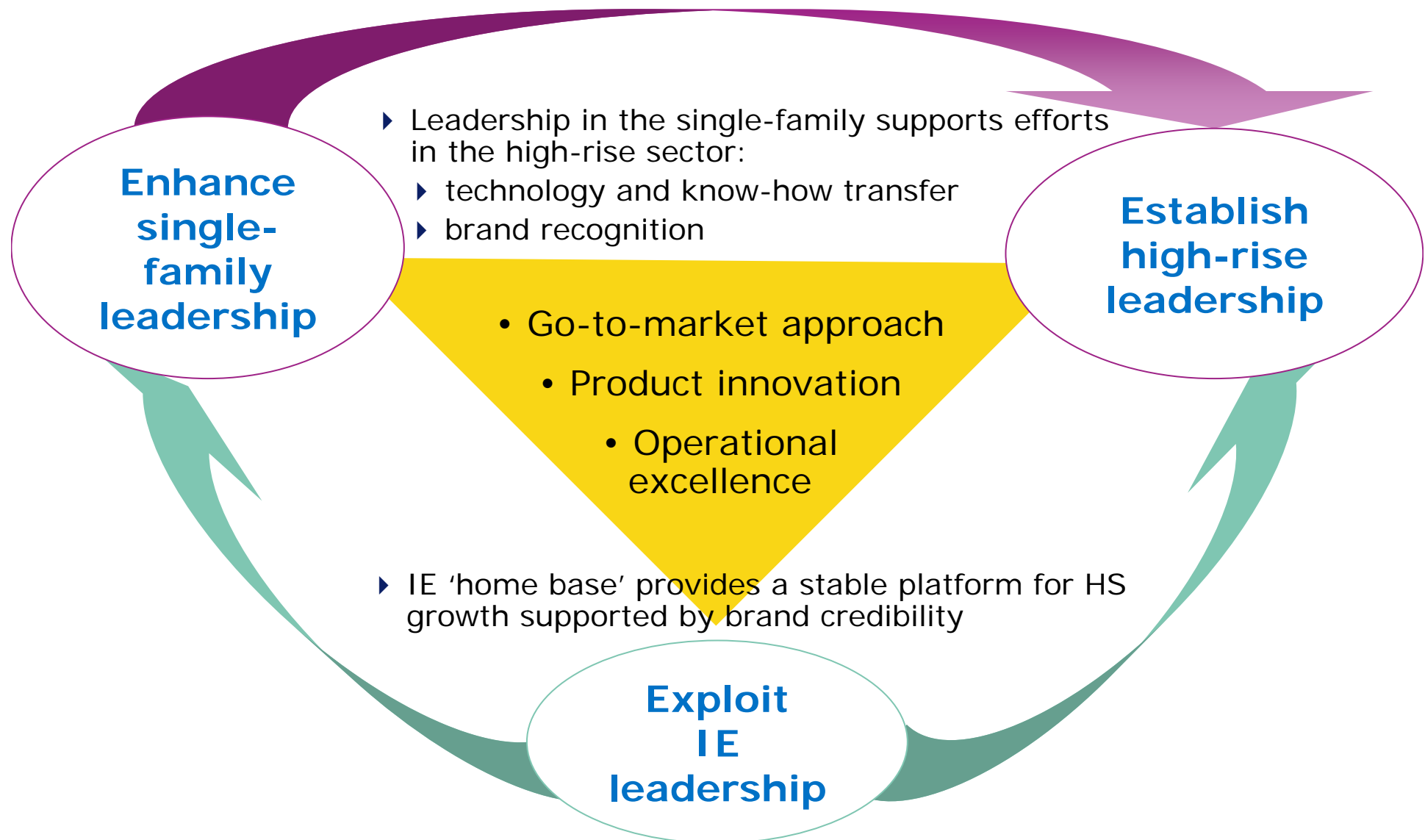
One brand  
Unified culture  
Strengthen the image on the market  
Leverage the product portfolio

## Operational excellence

**Integrate the company**

Harmonised processes (ERP)  
Competence transfer  
Leverage the supply chain

# Current strategic growth measures build on existing strengths



# Growth

## Building on current platforms

### Contents

#### The high-rise building market

- The high-rise initiative
- Case examples

#### Other growth initiatives

- Expansion of portfolio into cooling
- Utilising the strong position in radiant floor heating in Europe and N.A.
- Plastic/composite penetration continues in plumbing
- Markets with room to grow
  - France, Italy, UK
  - Central East Europe, Baltics & Russia



# The high-rise building market

## Definition of high-rise at Uponor

*High-rise is defined by market segment and value chain position*

- 'High-rise' is a **market segment** where the main decision-makers in the value chain are professional construction clients, developers, CSPs, designers and specifiers
- usually working on **large building objects** (large individual buildings, area developments, or other major projects)
- success in the high-rise segment requires adopting a **project-based business model** in contrast to the traditional business model driven by availability at distributor and delivery by installer



# The high-rise building market: Trends, drivers and the ambition



## Current trends

- Heating market dominated by radiators and forced-air
- Copper and steel main plumbing materials
- Cooling traditionally carried out by air-conditioning
- Plumbing & heating market size in new-build > EUR 4bn

## Key drivers

- Indoor comfort and reliability for end-users
- Life-cycle management and long-term performance of buildings
- Construction productivity and cost-effectiveness
- Complete system offering and one-stop shopping

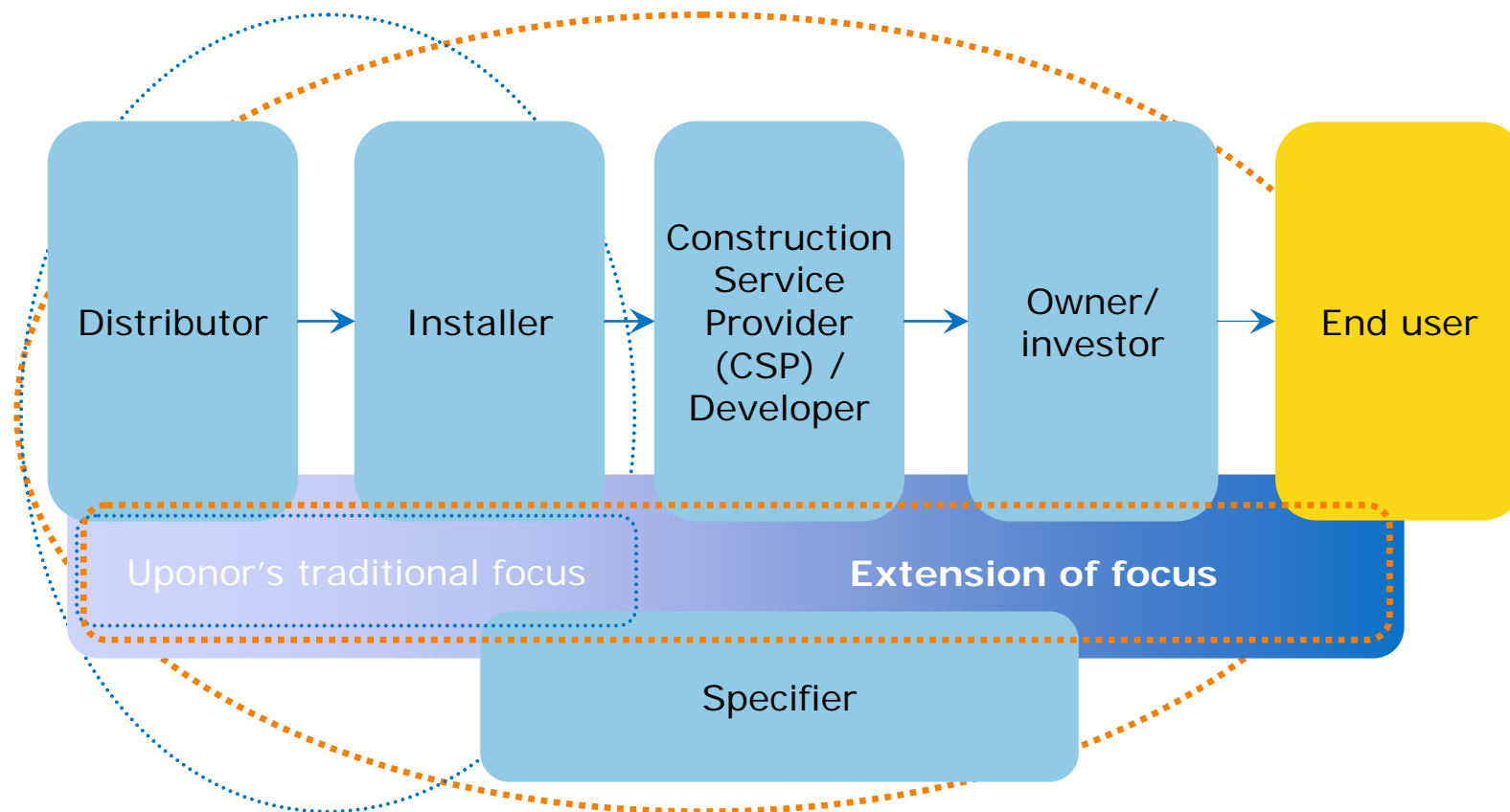
## The ambition

- Current business in the segment ca 20% of Group net sales
- Uponor wants to be the leader in the high-rise segment



# Purpose of the high-rise initiative: Moving forward in the value chain

- Building a value chain positioning, which complements the traditional distributor and installer-driven business model





# Key differences between the high-rise and single-family segments

High-rise	Single-family
Project-driven	Distribution channel-driven
Focus on whole building performance <ul style="list-style-type: none"><li>- Investment and return</li><li>- Performance for purpose</li><li>- Indoor environment and productivity</li><li>- Operational costs, reliability, environmental performance</li></ul>	Focus on system and component cost
Priority on construction process efficiency and productivity	Priority on ease of installation
Centralised purchasing, delivery performance at site, CSP–supplier partnerships	Availability at distributor

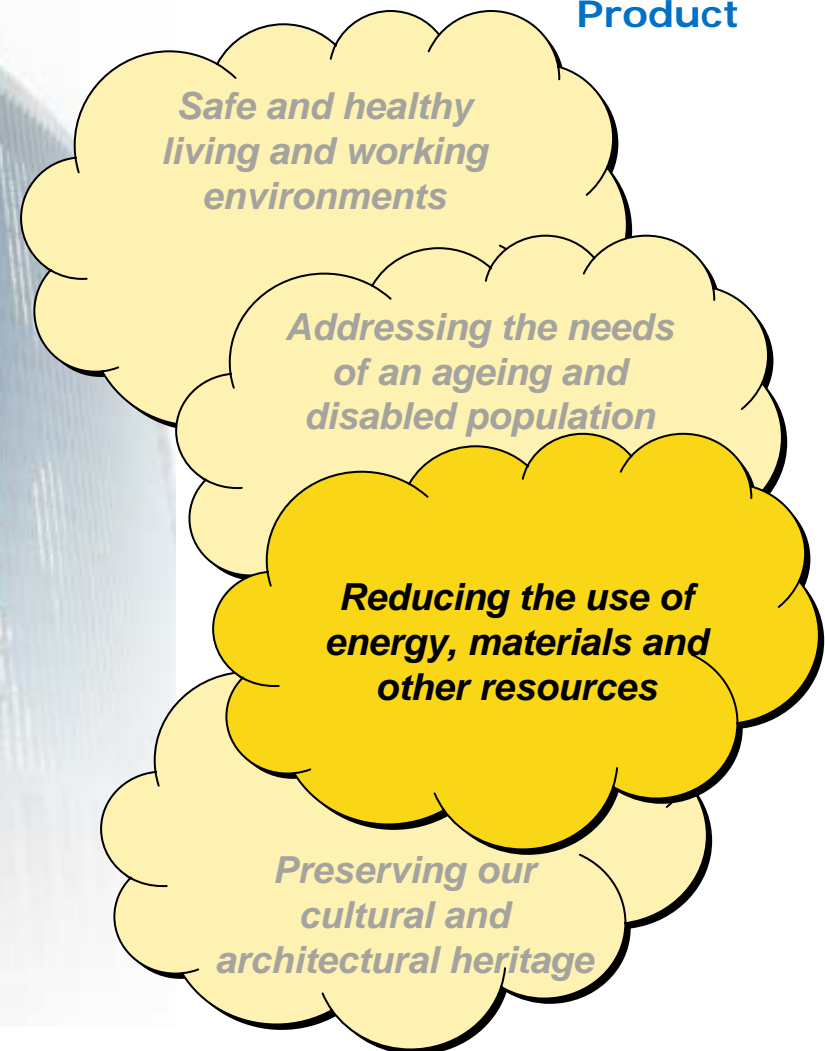


# Global drivers and trends in the construction industry

## Process



## Product



(According to the European Construction Technology Platform)

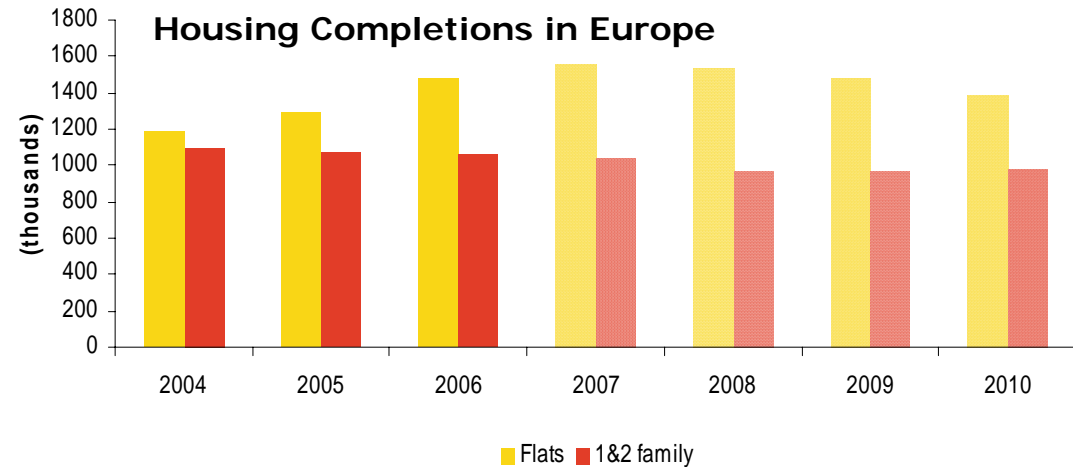
# A good growth opportunity for Uponor's business groups



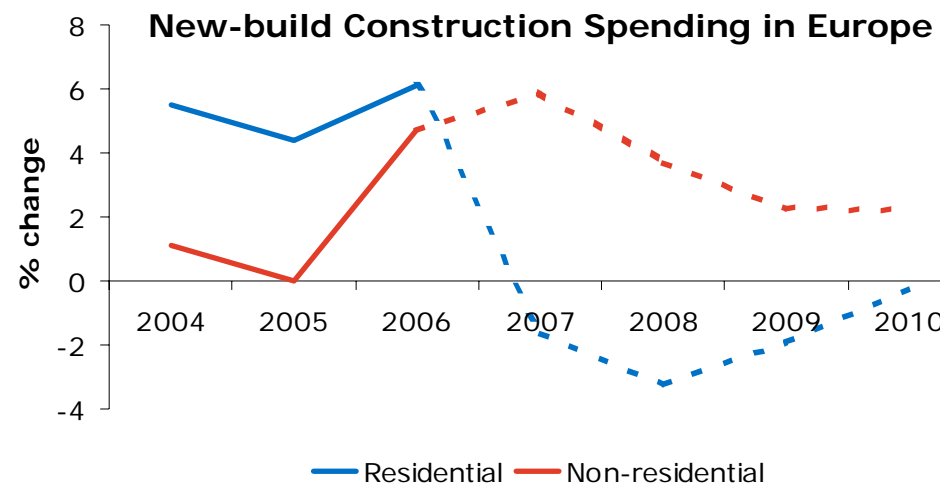
	High-rise residential, multi-occupancy	High-rise commercial & public
Plumbing	<ul style="list-style-type: none"><li>• Established market</li><li>• Medium plastics penetration</li></ul>	<ul style="list-style-type: none"><li>• Established market</li><li>• Low plastics penetration</li></ul>
Radiant Heating	<ul style="list-style-type: none"><li>• Emerging demand</li><li>• Significant potential</li><li>• Undeveloped market</li></ul>	<ul style="list-style-type: none"><li>• Existing demand</li><li>• Unexploited potential</li></ul>
Radiant Cooling	<ul style="list-style-type: none"><li>• Emerging demand</li><li>• Significant potential</li><li>• Undeveloped market</li></ul>	<ul style="list-style-type: none"><li>• Existing but undeveloped market opportunity</li></ul>

# The high-rise market environment looks favourable

- The share of flats in European housing completions has grown from 50% in 2003 to 60% in 2007



- Future indicators for non-residential construction are favourable both in Europe and in the U.S.



Source: Euroconstruct 11/2007

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## Case examples

# Uponor has established partnerships in all Regions

- Framework agreements with developers in Spain
- Building company co-operation in Russia
- Joint high-rise radiant floor heating development with a building company in Finland
- Specifier/mechanical consultant business development in the UK
- Co-operation with designers in commercial building projects in Germany
- Partnerships with commercial contractors and design companies in North America
- etc.



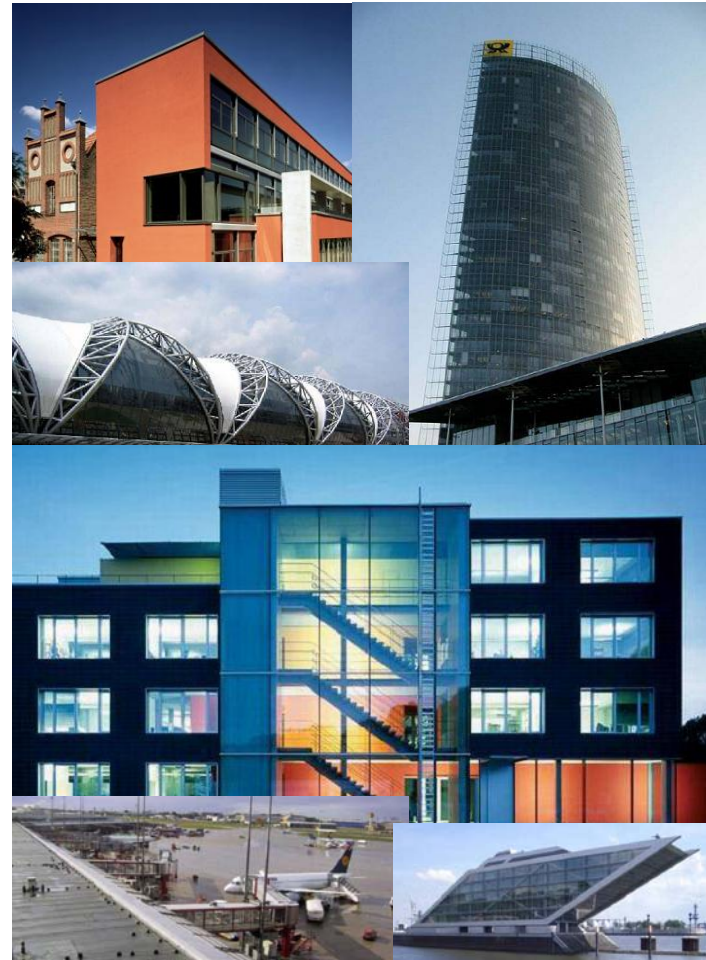


# Examples of Uponor's high-rise/cooling projects

- Centre for Sustainable Building (ZUB), Germany

The following cases are presented in the handouts:

- Bangkok International Airport, Thailand
- Deutsche Post Headquarters, Germany
- BMW World, Munich, Germany
- „The Eye“, Deutsche Telecom Head Office, Germany
- Torre Lúgano residential tower, Spain
- California Academy of Sciences (CAS), San Francisco



# Centre for Sustainable Building (ZUB), Kassel, Germany

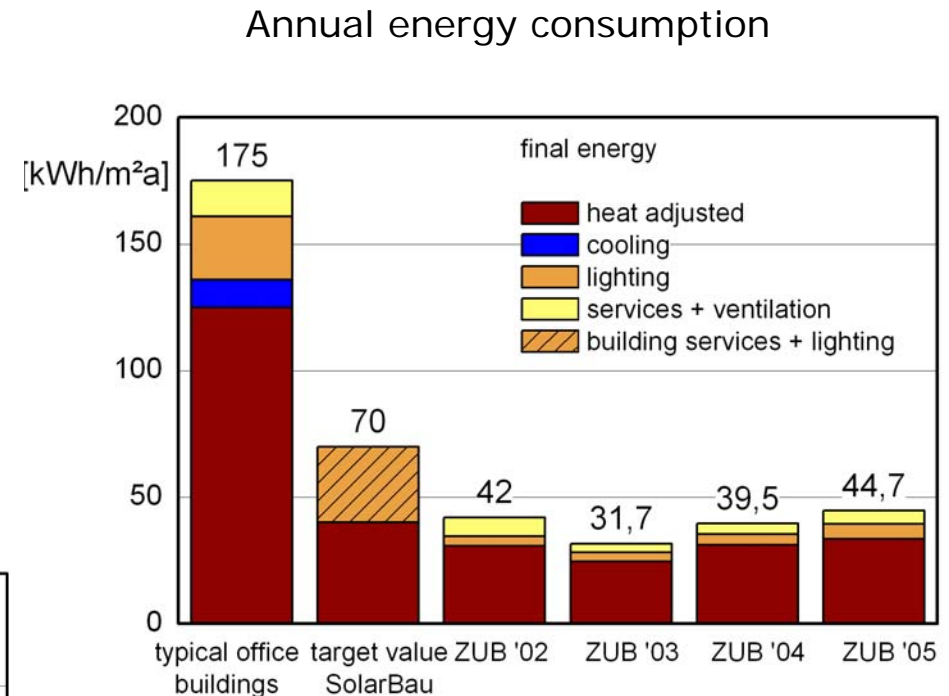
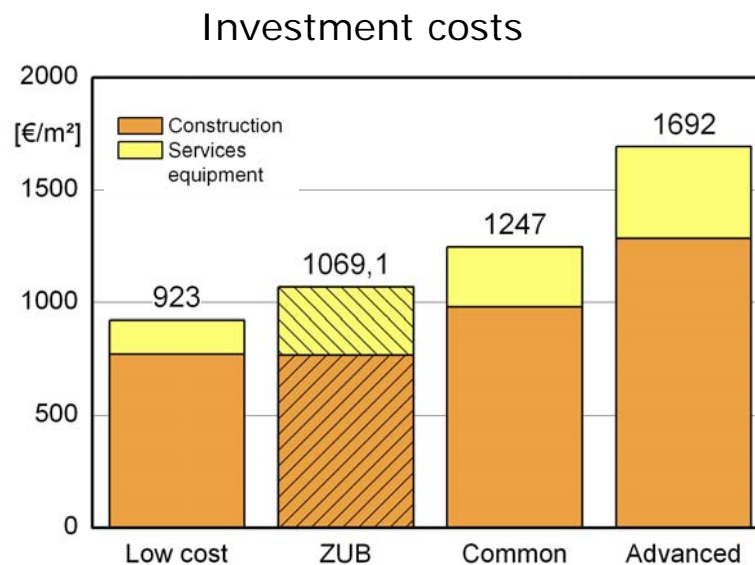
- a research and exhibition building
- an example of low energy demand and sustainability
- *special focus was given to the realisation of a sustainable cooling concept using renewable energy*
- office rooms have a separately regulated heating/cooling circuit, demand-controlled
- district heating from the neighbouring university building
- cooling energy is provided by a ground-slab integrated heat exchanger





# The ZUB Building: Energy and cost performance combined

- End-use energy consumption brought down to 25% compared to typical office buildings
- Yet, highly competitive investment cost levels



# Bangkok International Airport Thailand

- designed and planned by German-American architect Helmut Jahn
- The main building is 444 metres long and 111m wide
- *a comfortable indoor climate was particularly challenging due to climatic conditions*
- Uponor underfloor cooling provided an efficient solution to this prestigious project
- Clear improvement in cooling energy use with the help of Uponor systems:
  - original concept total load: 275 GWh/a
  - optimised concept with Uponor systems, total load: 191 GWh/a



# Deutsche Post headquarters Bonn, Germany

Height 162.5m, area 60,000m<sup>2</sup>

45 floors + 5 below grade

Ca 2,000 work places

## Components of the energy and comfort concept:

- double skin facade with protected shading
  - thermal mass activation in the open ceilings
  - natural cooling source by two wells at 12°C
  - individual heating, cooling and ventilation
  - decentralised ventilation with heat recovery by tempering the sky-gardens with exhaust air
  - fresh air for the offices always from the double skin buffer through windows or sound protected supply unit with heating and cooling function
- 
- Uponor in partnership with



# TABS\* installation at Deutsche Post



- covers 80% of the ceiling area
- all installations, incl. distribution piping, in raised floors
- concrete slab cooling with water from the Rhine as a natural source

## Experiences

- high thermal comfort with concrete core cooling with individual control
- economical advantages
  - one technical floor skipped
  - no shafts for supply and exhaust air
  - no suspended ceilings
  - maintenance cost in range of conventional systems
  - low running costs



The BMW World **opened in October 2007** to stage a venue between individuals in aesthetic surroundings, a delivery centre for BMW automobiles as well as an **architecturally forward-looking centre** for cultural events.

The **architect** team from **Coop Himmelblau** had the idea to build a kind of cloud – a design like it is “flying on the air”. The **inspiration** came from a painting by Brueggel “**The Tower of Babylon**” where a cloud is flying on the top of the tower.

The unique architecture that is visible from outside is reflected consistently throughout the interior. Everything is designed with one aim in mind: **to create an atmosphere where the guests will feel completely at ease.**



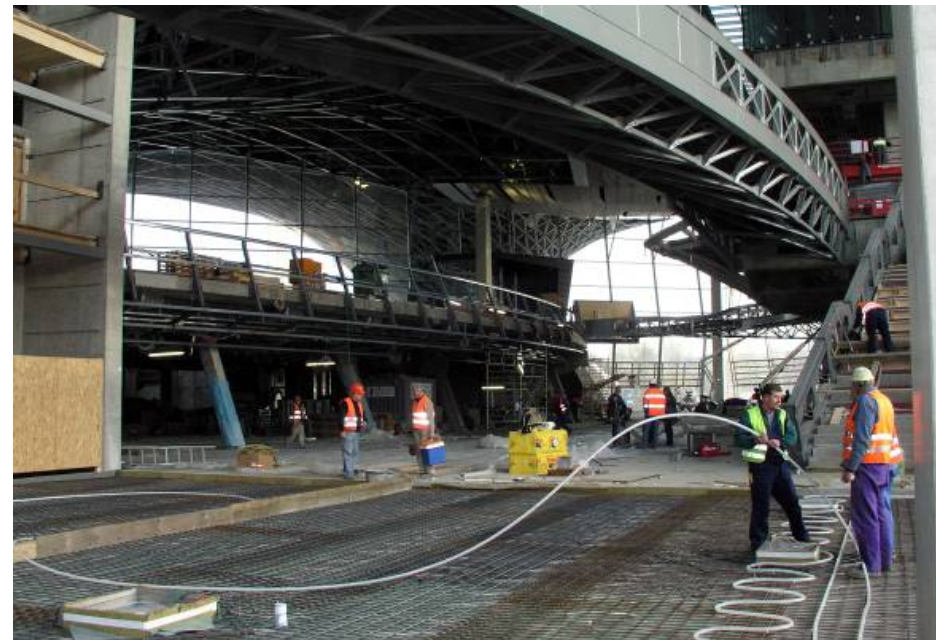
## Challenges of the project

*The requirement of the project was to find a heating and cooling system that does not have any influence on the modern architecture.*

“Nobody wants to see the pipings of the system”, states Guenther Hammitzsch from the planners Kuehn, Bauer & Partners in Munich.

“For this reason we decided to make the project with Uponor as key partner. We already **look back to a more than 10-years partnership** and were sure that they are the right partners for this ambitious project.”

Uponor has delivered some **7,800sqm of industrial floor heating and cooling systems** to the building, helping thus the venue to become a more pleasant and human environment.



# „The Eye“, Darmstadt

„The Eye“ will be the German head office of Deutsche Telekom

- 15,000 square metres of office space
- planned to be ready in summer 2008

Extraordinary glass architecture in the form of an eye, supported by a light concept

The requirement of the architects/planners was to provide a **full-year comfort climate** in a modern glass architecture being at the same time **completely flexible** when changing the use of the building



- Uponor's thermal-activated concrete system Contec will cover an area of 9,000 sqm
- Flexibility is supported by 1,500 Uponor thermal plugs enabling to add further cooling ceilings to single rooms if needed due to changed space concepts
- Additionally, 500 sqm Uponor Minitec heating was installed in the floor. The system was chosen due to its low installation height in the areas where a doubled floor installation includes all the cable and telecommunication distribution



## Featuring Uponor plastic plumbing

- Torre Lúgano, opposite the Mediterranean sea, is the highest building in Benidorm
- Its 42 floors raise up to 220 metres over the sea, turning this impressive project into the new status symbol of city
- The 204 apartments of this building are divided into 5 different types with 1, 2 or 3 bedrooms and up to 140m<sup>2</sup>, with wide terraces
- Featuring the Uponor Q & E system with PPSU manifolds, non-grooved PPSU fittings, and grooved metal fittings



CONSTRUCTION COMPANY: Necso (Acciona) – Edifesa; SPECIFIER: Adolfo Rodríguez (Architect), CIPE Ingenieros, Delta Proyectos, Grupotec. (Engineers); INSTALLER: Ivan Peiro, S.L.

# California Academy of Sciences (CAS) San Francisco

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- a planetarium and a natural science museum in a 410,000sq-foot structure
- a key aspect of CAS' commitment to green values is Uponor's radiant heating and cooling system
- CAS were motivated to choose systems that may cost more but will pay for themselves with energy savings over time
- Working with the engineering design firm, Arup & Partners, Uponor assisted in the specification of the radiant system consisting of 100,000 linear feet of tubing connected to six 20,000 BTU boilers and three 4-ton chillers



# High-rise targets for 2008

- 
- Initiate business model implementation and roll-out in all regions
  - Ensure and support organisational development in regions
    - High-rise sales force
    - Technical support and project execution
  - Complete project services portfolio with common key tools
  - Establish follow-up and quarterly reporting of high-rise KPIs
  - Ensure implementation of high-rise offering development strategy
  - High-rise net sales growth clearly stronger than business in general
  - Number of CSP partnerships to grow to ~150 globally



# Growth: Building on current platforms

## Contents:

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*The cooling initiative closely connected to the high-rise initiative*

## Key drivers for radiant cooling

- Awareness of the advantages
  - Comfort, design, possibility to combine with heating
  - Energy-efficiency compared to air-conditioning
- Legislative requirements on indoor temperature and energy performance of buildings
- Productivity improvement from indoor climate control
- Increasing indoor heat loads (glass walls, more machines)
- Cooling/AC market value estimated at EUR 70bn globally



## The ambition

- In 10 years, radiant cooling can be as significant as radiant heating is today

# Utilising the strong position in radiant floor heating in Europe and N.A.



- Despite the wide-spread acceptance of underfloor heating as a comfortable, energy-efficient heating solution, there are large growth opportunities
- **Growth outside of mature markets**
  - Throughout most of Europe and in North America, growth opportunities are high in both single-family and the high-rise sectors
  - In Central Europe and the Nordic Region underfloor heating already accounts for a sizable portion of the heating market in the single-family sector
    - growth opportunities in the multi-family and non-residential sectors are largely untapped



# Radiant floor heating market trends

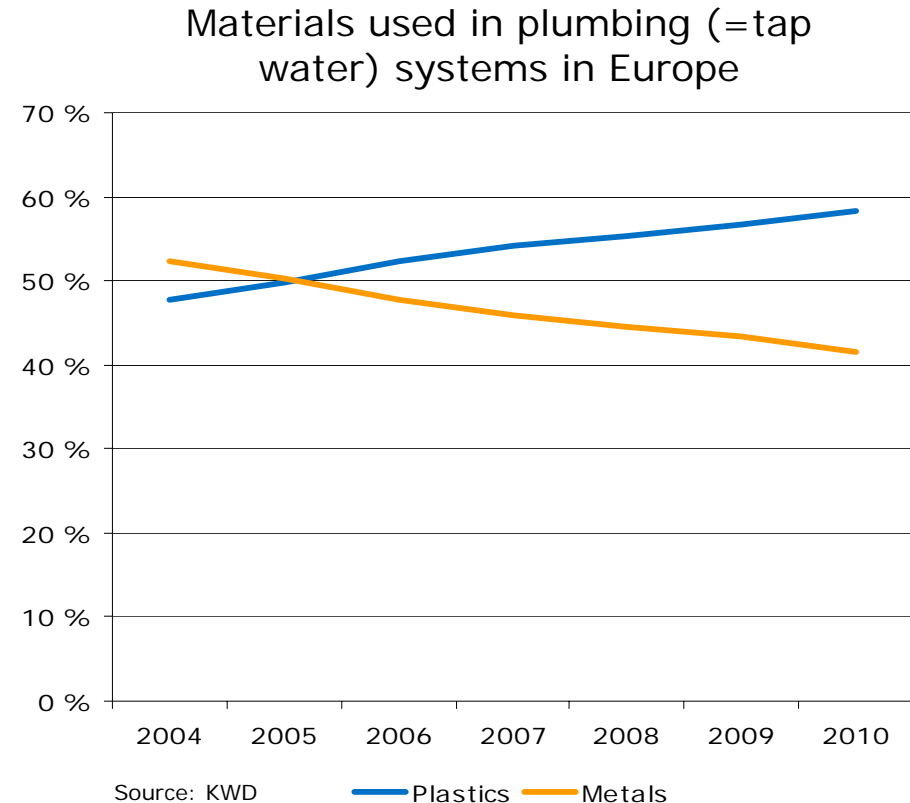
- In addition to issues of comfort and aesthetics, penetration of underfloor heating is being driven by two major influences
  1. Government legislation is pushing the use of energy-efficient technologies to lower the carbon footprint of the housing stock
    - Uponor's radiant floor heating is well-suited to the low-temperature heating technologies that have begun to gain ground
  2. Building owners are demonstrating that they not only support environmentally friendly technologies, but are also increasingly demanding them





# Plastic/composite penetration continues in plumbing

- Plastics now control more than half the plumbing market
- 2005 marked a turning point in that it was the first year in which more plastics were installed than metals
- Plastics also continue to gain share in radiator connections
- Multi-layer pipe is making the fastest gains, largely at the expense of copper tubing



# Markets with room to grow

1/2

uponor

## France, UK, Italy

- Organised as one entity, "Uponor South, West", within the Uponor – WES region, enabling focus on topical local development needs
- Similarities in demand for HS solutions, with a large share of high-rise business
- Building up organisation and talent based on strategic needs
- New offices and training centres opened
- Emphasis on professional loyalty programmes supported by active brand building
- Average organic net sales growth in the housing solutions business 20+ % for the past two years

"Por fin puedo disfrutar del espacio y sentir el verdadero confort".

Tu nueva casa, mejor con Climatización Invisible Uponor.

Bajo la superficie, sin radiadores ni elementos externos, el agua caliente o fría mantiene toda tu casa a la temperatura que desees, cada día del año, ahorrando hasta un 30% de energía, lo que supone un ahorro anual de 300 €\*. Climatización Invisible Uponor es el sistema para hacer de tu vivienda un lugar acogedor, confortable y, además, respetuoso con el medio ambiente. Si buscas hogar, busca Uponor.

[www.climatizacioninvisible.com](http://www.climatizacioninvisible.com) 900 10 10 53

\*Estudio realizado sobre una vivienda en altura tipo de 90m².

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# Markets with room to grow


2/2



## Central East Europe, Baltics & Russia

- Established firm position in the high-end residential housing solutions segment
- Also high-rise business developing well
  - Partnerships with familiar Finnish and Central European players
- Growing market with increasing stability
- Several new offices and training centres during the past 2-3 years
- Average organic net sales growth 15+% for the past two years
- Good growth opportunity for the near-term future also



- 
- Uponor is stronger than ever before
    - restructuring and integration more or less completed
    - execution of supply chain/ERP improvements starting/ongoing
    - strengthening of the brand continues
    - strategic growth initiatives are proceeding as planned
  - Business environment more challenging than in many years
    - much of the volatility caused by the widespread financial uncertainty
    - European markets assumed to face a slower growth than in 2007 (Euroconstruct)
    - U.S. residential housing market expected to weaken further, but commercial construction estimated to remain satisfactory

## Long-term financial targets 2007-2009

Target	Scale
Annual organic net sales growth (average over the cycle)	> 6%
Operating profit margin	~ 15%
Return on investment (ROI)	> 30%
Gearing (average across quarters)	30 – 70
A growing ordinary dividend payment	> 50% of earnings

- Based on the market development assumptions for 2008, Uponor expects to:
  - grow its net sales in 2008 organically
  - improve operating profits from the 2007 level

The logo features the word "Uponor" in a bold, white, lowercase sans-serif font. The letters are closely spaced, with the "u" and "o"s having a distinctive rounded shape. The background is a solid blue gradient that transitions into a layer of white, fluffy clouds at the bottom of the slide.

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*This presentation may contain forward-looking statements, which are based on the management's present expectations and beliefs about the future.  
The actual result may differ materially from such statements.*