

Q2

Uponor

INTERIM REPORT 2008

Performance in Q2/2008

Interim results briefing
12 August 2008, Helsinki
Jan Lång, President and CEO

Building markets declined further from Q1

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- New residential building markets continued to be subdued in key markets
 - signs of weakening/peaking also in non-residential and infrastructure segments
 - some previously stable markets have started to deteriorate

Europe:

- Germany – stable – with low level of activity, economic upswing slowing down
- Spain – strong decline started in mid-2007 continued
- Nordic – a decline in activity in all markets
- Eastern European growth continues

North America:

- USA continues on historically low levels
- Canada sustains healthy volumes



Net sales down as anticipated, vs. strong Q2/2007

Net sales, MEUR Continuing operations	2008 4-6	2007 4-6	Change 08/07, %	Change 08/06, %
Uponor	267.4	288.8	-7.4	+1.5
Central Europe	96.8	95.6	+1.3	+12.8
Nordic	108.5	116.0	-6.5	+4.1
Europe – West, East, South	65.3	70.3	-6.9	+5.6
North America	34.5	49.9	-30.9	-25.6
(North America, \$	53.8	67.2	-20.1	-8.7)

- Sharp fall in key markets impacted net sales negatively
 - CE sales supported by good demand in the eastern parts
- Nordic impacted by overall weak demand in housing solutions, weakening infrastructure and drop in internal sales
- Favourable development in strategic growth markets, i.e. Eastern Europe, South-West Europe (excl. Iberia) and Canada



Drop of volumes burdened profitability

Operating profit, MEUR Continuing operations	2008 4-6	2007 4-6	Change 08/07, %	Change 08/06, %
Uponor	29.0	45.1	-35.7	-22.3
Central Europe	12.5	12.5	-0.1	-8.5
Nordic	12.8	19.0	-33.0	-30.1
Europe – West, East, South	4.9	11.8	-58.4	-4.7
North America	1.5	7.4	-80.2	-38.0
(North America, \$	2.3	9.9	-77.2	-24.5)

- Profitability mainly affected by declining volumes
- Managed to contain costs despite inflationary pressures on certain cost categories
- Europe–WES and also Nordic hit by the failing Iberian building market
- North American profitability influenced by slow sales and continued spend into strategic growth programmes



- + Successful new customer acquisition programmes and new product introductions in North America
- + Progress in strategic initiatives
 - market entry of heating/cooling in Iberia and North America
 - Iberia: Radiant Heating & Cooling included in more developments YTD than in FY 2007
 - North America: clear increase in design demand
- + ERP roll-out progressing smoothly

- Market slowdown much stronger than anticipated
- Cost containment not sufficient to compensate for volume short-fall
- Inflationary pressures on certain cost items high
- Inventory reductions lagging behind



Financial results

Jyri Luomakoski
CFO and deputy CEO

Interim January – June 2008

Key figures

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MEUR	1-6 2008	1-6 2007	Change Y/Y	1-12 2007
Net sales, continuing operations	501,2	547,1	-8,4%	1 047,4
Operating profit, continuing operations	48,3	72,4	-33,3%	135,7
Operating profit margin, continuing operations	9,6%	13,2%	-3,6%	13,0%
Earnings per share (diluted), EUR	1,01	0,74	+36,5%	1,39
Return on equity, % (p.a.)	47,0%	34,1%	+12,9%	30,1%
Return on investment, % (p.a.)	43,8%	40,1%	+3,7%	39,2%
Net interest bearing liabilities	127,0	150,1	-15,4%	84,5
Gearing, %	42,7%	51,0%	-8,3%	25,4%
Average number of employees, continuing operations	4 096	3 929	+4,3%	4 008



Interim January – June 2008

Income statement

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MEUR	1-6 2008	1-6 2007	Change Y/Y	1-12 2007
Continuing operations				
Net sales	501,2	547,1	-8,4%	1 047,4
Cost of goods sold	312,3	333,1	-6,2%	640,4
Gross profit	188,9	214,0	-11,7%	407,0
- % of net sales	37,7 %	39,1 %	-1,4%	38,9 %
Other operating income	0,6	1,0	-39,9%	5,9
Expenses	141,2	142,6	-1,0%	277,2
Operating profit	48,3	72,4	-33,3%	135,7
- % of net sales	9,6 %	13,2 %	-3,6%	13,0 %
Financial expenses, net	2,9	2,0	+42,5%	2,6
Profit before taxes	45,4	70,4	-35,5%	133,1
Profit for the period	31,5	48,2	-34,8%	91,4
EBITDA	63,8	86,9	-26,7%	165,2



Interim January – June 2008 Comments to the income statement

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- Gross profit margin suffering from lower volumes / lack of production scale
 - Also some mix issues
- Expenses still at prior year level
- Financial expenses reflecting higher interest rates and more levered balance sheet

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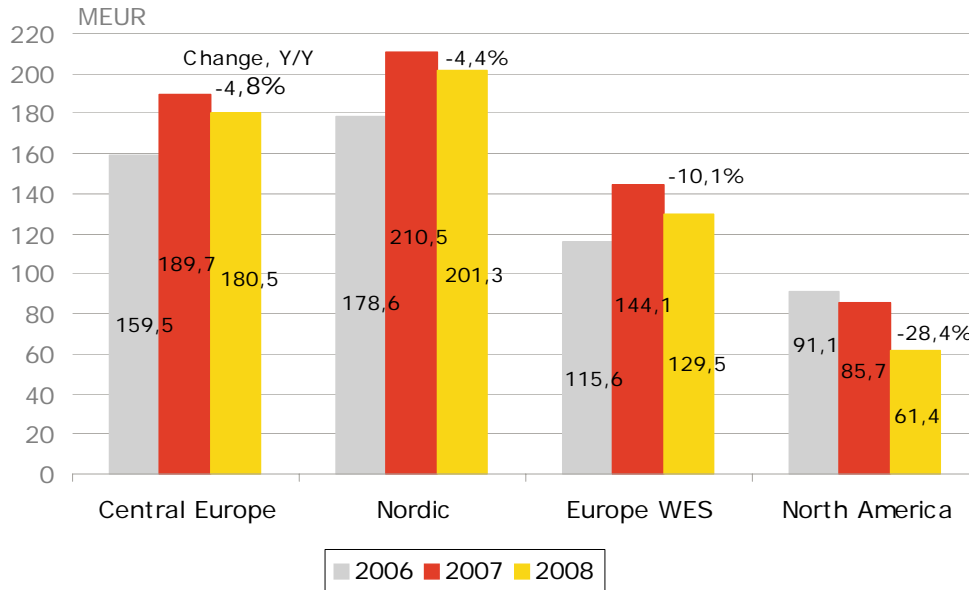
Interim April – June 2008 Income statement

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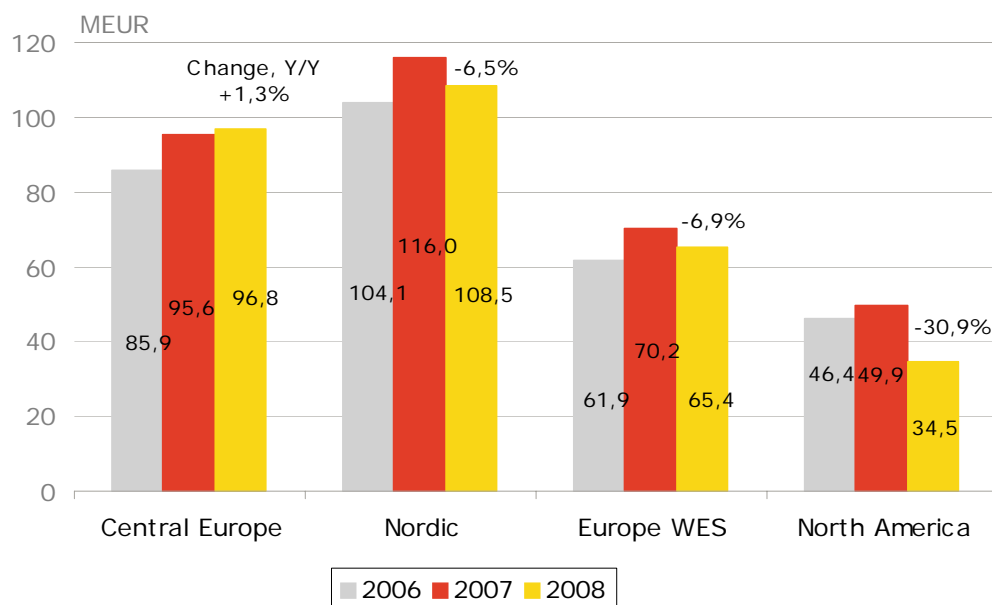
MEUR	4-6 2008	4-6 2007	Change Y/Y
Continuing operations			
Net sales	267,4	288,8	-7,4%
Cost of goods sold	166,5	171,9	-3,1%
Gross profit	100,9	116,9	-13,7%
- % of net sales	37,7 %	40,5 %	-2,7%
Other operating income	0,3	0,5	-28,6%
Expenses	72,2	72,3	-0,0%
Operating profit	29,0	45,1	-35,7%
- % of net sales	10,8 %	15,6 %	-4,8%
Financial expenses, net	2,4	2,1	+24,4%
Profit before taxes	26,6	43,0	-38,6%
Profit for the period	19,2	29,1	-36,3%
EBITDA	36,9	52,3	-29,5%



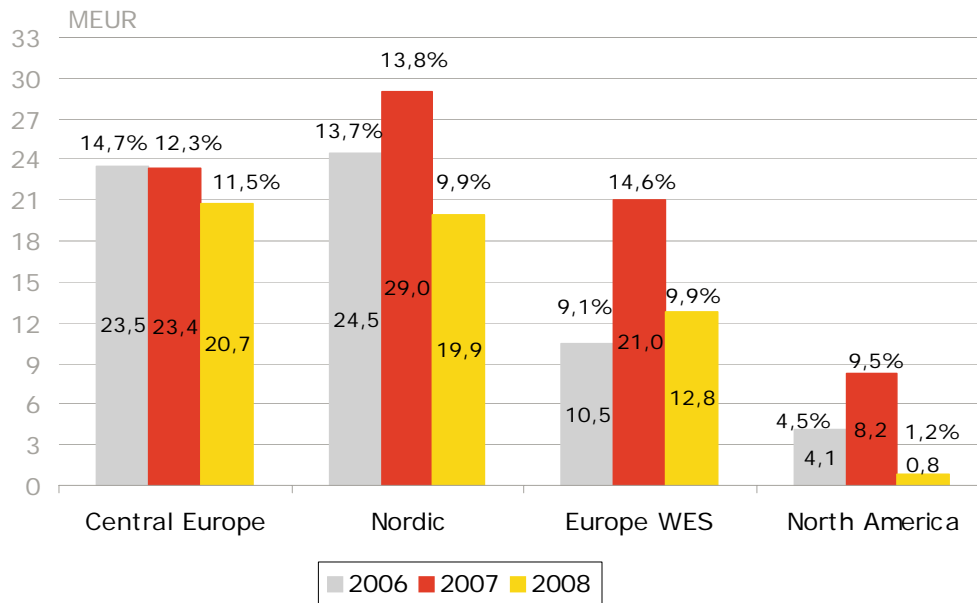
Interim January – June 2008 Revenue development by region



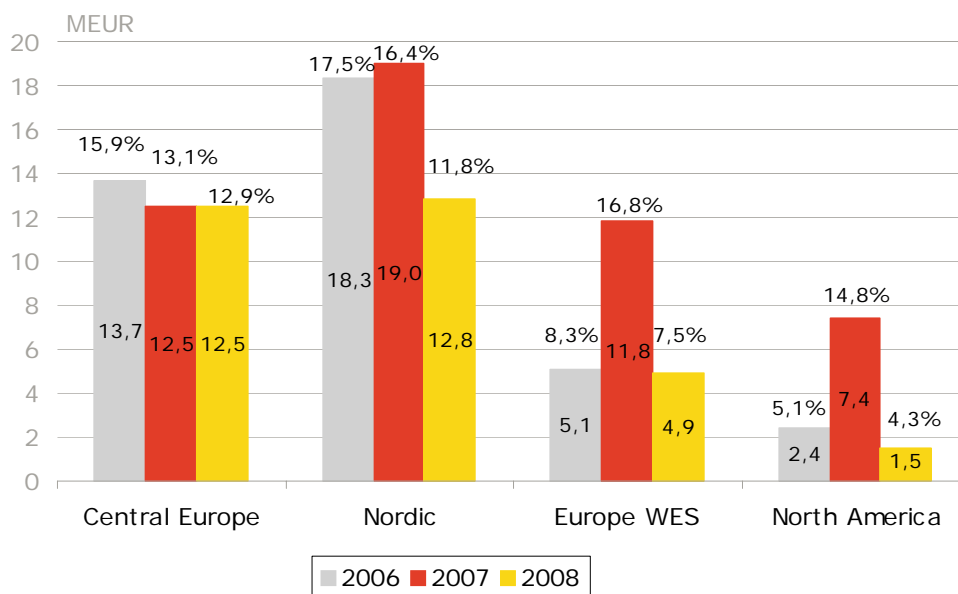
Interim April – June 2008 Revenue development by region



Interim January – June 2008 Result development by region

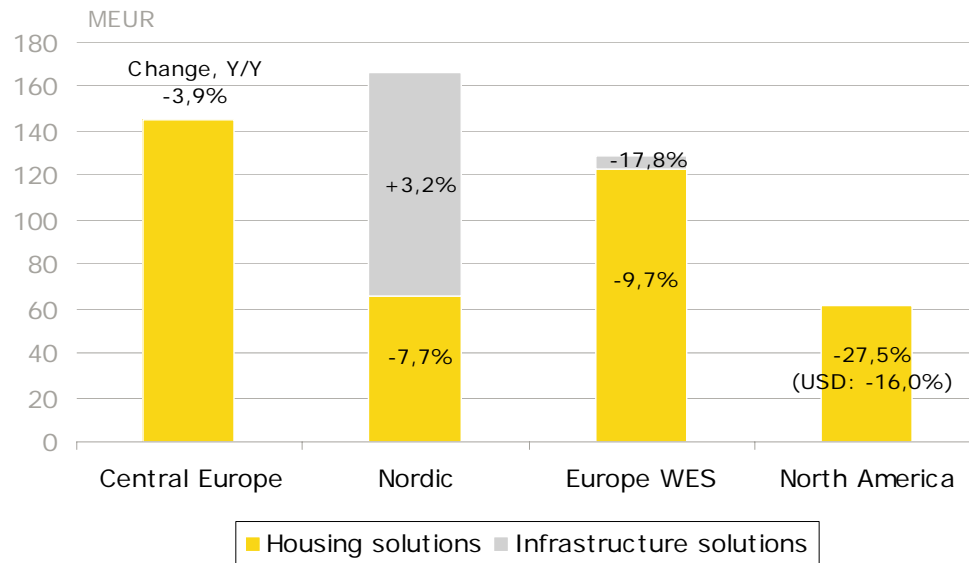


Interim April – June 2008 Result development by region



Interim January – June 2008 Business segment external revenue

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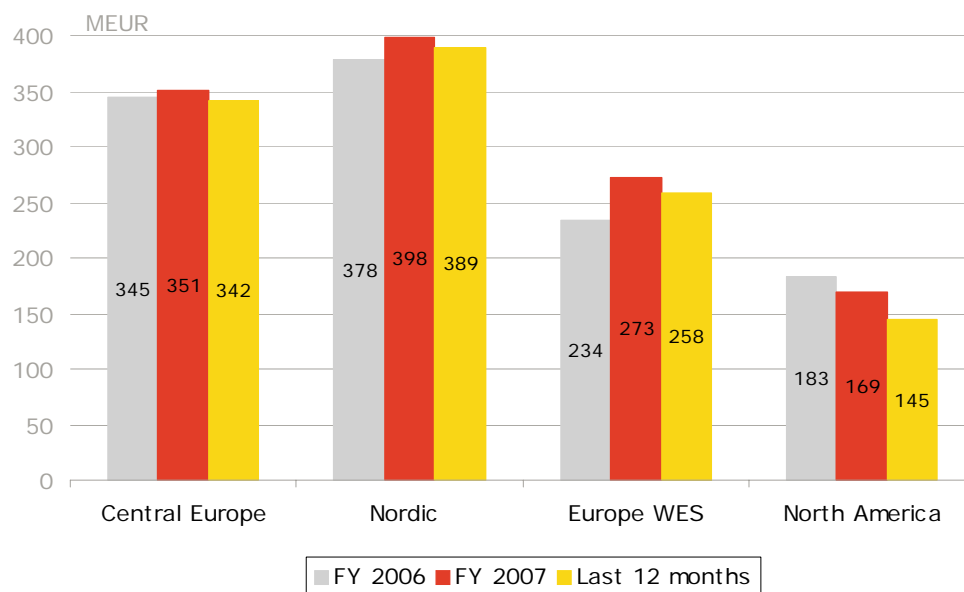
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Revenue development by region, last 12 months

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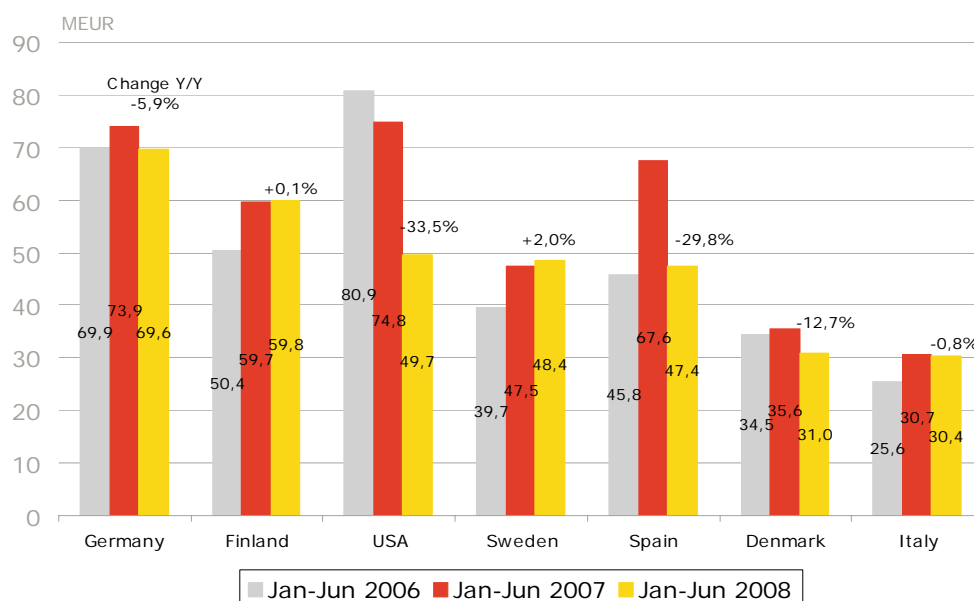
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Net sales development by key national markets (> 5% of Uponor net sales) Uponor



Interim January – June 2008 Balance sheet



MEUR	30 Jun 2008	30 Jun 2007	Change Y/Y	31 Dec 2007
Property, plant and equipment	179,3	209,4	-30,1	218,9
Intangible assets	101,9	96,9	+5,0	101,7
Securities and long-term investments	8,0	3,6	+4,4	3,6
Inventories	135,2	158,5	-23,3	150,6
Cash and cash equivalents	8,5	10,1	-1,6	6,3
Other current and non-current assets	230,3	283,1	-52,8	183,2
Shareholders' equity	297,4	294,4	+3,0	333,0
Non-current interest-bearing liabilities	17,7	20,8	-3,1	14,7
Provisions	13,4	16,9	-3,5	16,2
Non-interest-bearing liabilities	216,9	290,1	-73,2	224,3
Current interest-bearing liabilities	117,8	139,4	-21,6	76,1
Balance sheet total	663,2	761,6	-98,4	664,3



Interim January – June 2008 Comments to balance sheet



- Inventories down as a consequence of focussed action during Q2 but still above targets
- Increase in securities and long-term investments reflects a 4 MGBP vendor loan note

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Property, plant and equipment	179,3	209,4	-30,1	218,9
Intangible assets	101,9	96,9	+5,0	101,7
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Interim January – June 2008 Cash flow



MEUR	1-6/2008	1-6/2007	Change Y/Y	1-12/2007
Net cash from operations	64,4	100,6	-36,2	186,0
Change in NWC	-16,4	-79,3	+62,9	-45,1
Net payment of income tax and interest	-21,6	-25,9	+4,3	-47,1
Cash flow from operations	26,4	-4,6	+31,0	93,8
Cash flow from investments	61,0	-16,5	+77,5	-52,7
Cash flow before financing	87,4	-21,1	+108,5	41,1
Dividends and buy backs	-102,5	-102,5	+0,0	-102,5
Other financing	17,3	121,3	-104,0	55,3
Cash flow from financing	-85,2	18,8	-104,0	-47,2
Change in cash and cash equivalents	2,2	-2,3	+4,5	-6,1

- NWC spend clearly less than prior year
- Divestment proceeds bring cash flow from investments into a positive



Cash flow













MEUR	4-6/ 2008	4-6/ 2007	Change Y/Y
Net cash from operations	32,8	59,3	-26,5
Change in NWC	22,4	-21,5	+43,9
Net payment of income tax and interest	-11,4	-15,8	+4,4
Cash flow from operations	43,8	22,0	+21,8
Cash flow from investments	69,2	-9,6	+78,8
Cash flow before financing	113,0	12,4	+100,6
Dividends and buy backs	0,0	0,0	+0,0
Other financing	-117,4	-10,7	-106,7
Cash flow from financing	-117,4	-10,7	-106,7
Change in cash and cash equivalents	-4,4	1,7	-6,1



Future outlook

Jan Lång
President and CEO

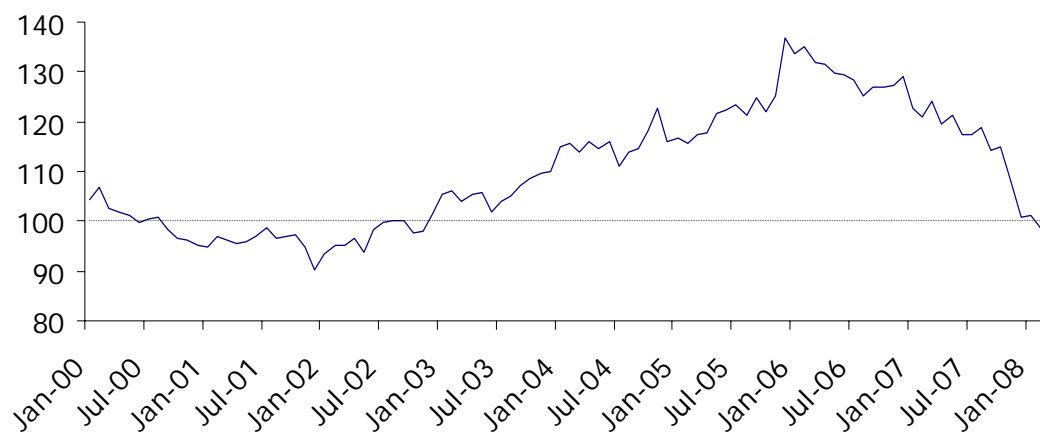
Uponor market outlook for 2008 continues to weaken

Residential new building	Germany	Nordic	Iberia	USA
2006				
2007				
Outlook 2008				



Western Europe: Residential Building Permits Index

- Leading construction indicators have continued to deteriorate
- Eurostat's Building Permits Index implies that the pace of the decline has accelerated since the end of 2007

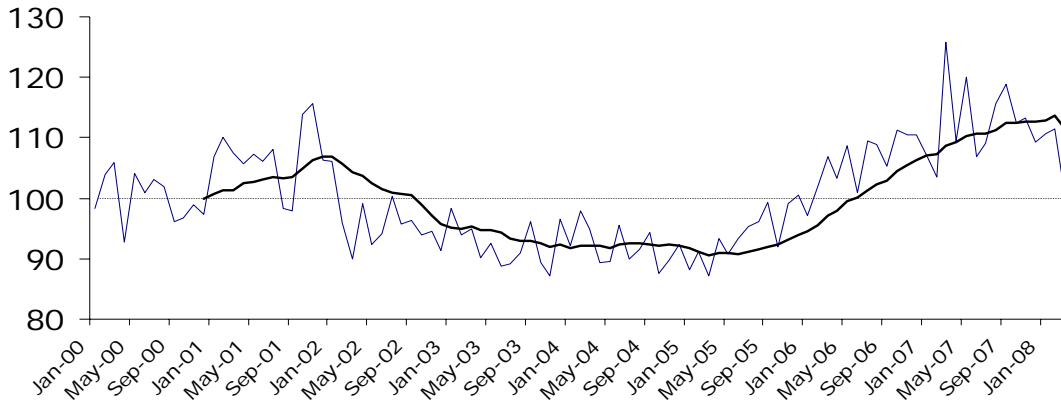


Source: Eurostat



Western Europe: Non-residential Building Permits Index

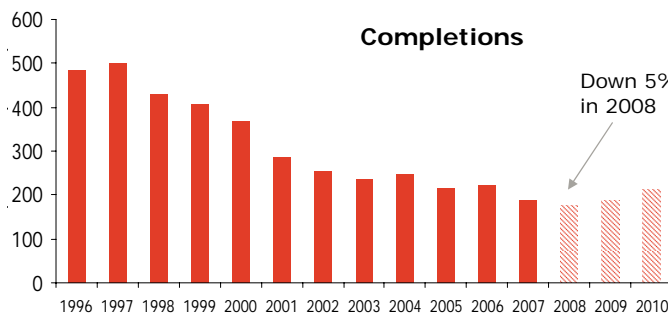
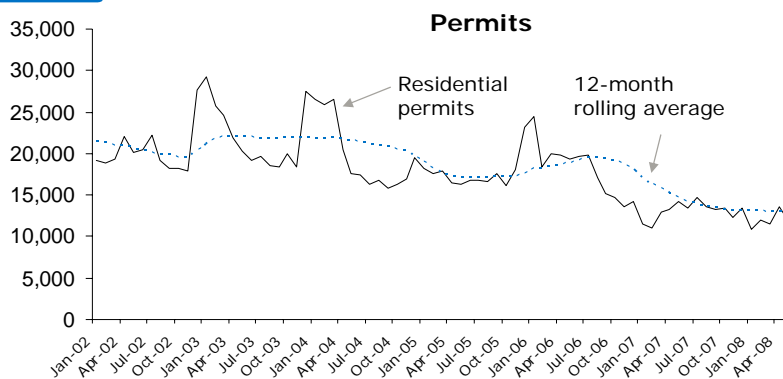
- While the non-residential segment maintained momentum through 2007, the cycle may have reached its peak
- The 12-month rolling average has declined in recent months



Source: Eurostat



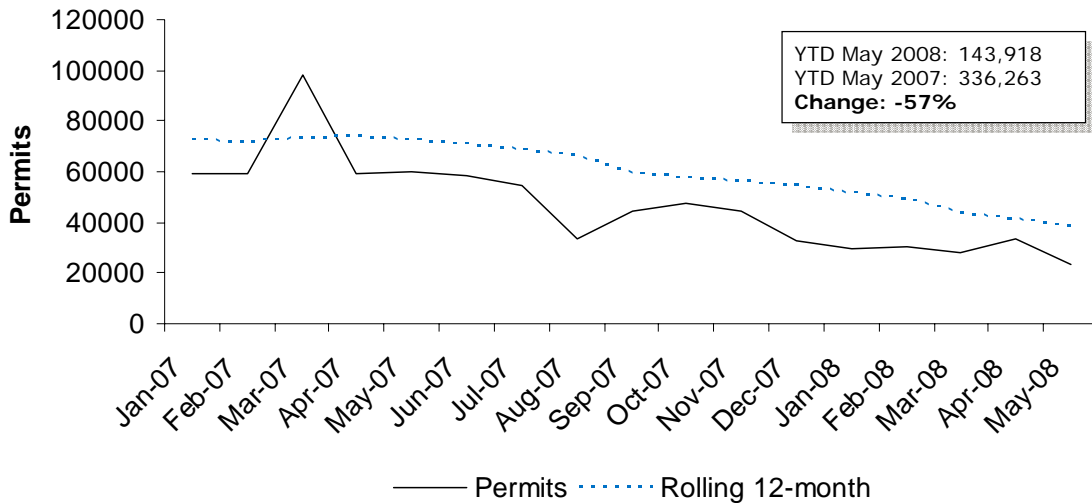
Residential housing development in Germany



Source: Statistisches Bundesamt



Residential housing permits development in Spain



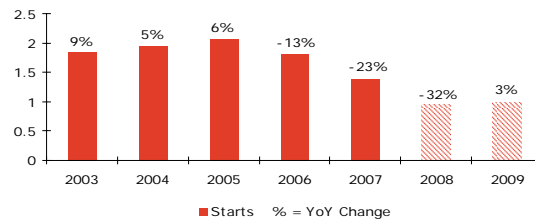
Source: INE

U.S. construction outlook

• Residential

The most recent 'Blue Chip' forecast is for 0.960 million U.S. starts in 2008 and then increasing to 1.030 million in 2009

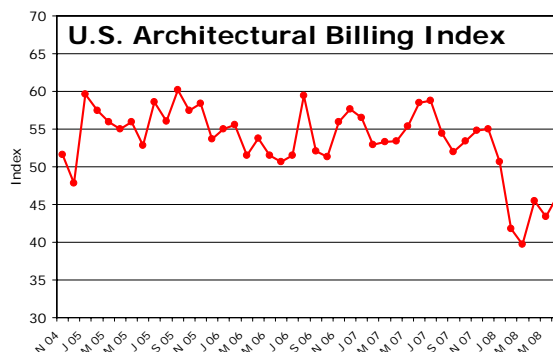
U.S. Housing Starts



Source: Consensus Economics 7/2008

• Non-residential

The latest consensus forecast predicts that non-residential construction will decline by 1.2% for the full year 2008, though some segments are still expected to show positive growth



- Allocation of resources in key strategic initiatives continues
 - high-rise
 - strengthening of position in North America
 - geographical expansion in Europe
 - penetrating low market share markets
- Drive synergic benefits
 - ERP: warehousing, transportation and sourcing initiatives
- Cost-reduction programme to secure performance in the continued weak market environment








Uponor starts a cost reduction programme for 2008/2009

- Uponor's Board of Directors has approved a plan to initiate a company-wide cost reduction programme in order to adjust expenses to the low activity level in the building and construction industry
- The programme targets structural cost reductions in the range of EUR 30 million, effective in 2009
- The planned actions are likely to affect more than 200 employees
- The savings programme is designed to secure the company's solid performance in the expected weak market environment
- Preliminary cost impact estimate at about EUR 10 million/2008-09



Long-term financial targets 2007-2009

Target	Scale	Achieved in 2007	Achieved in Q1+Q2 /08
Annual organic net sales growth (over the cycle)	> 6%	6.2% 	-8.4%*
Operating profit margin	~15%	12.4% 	9.6%*
Return on investment (ROI)	>30%	39.2% 	43.8%
Gearing (average across quarters)	30 – 70	43.9 	42.7
A growing ordinary dividend payout	> 50% of earnings	100.7%  of earnings	

*) Continuing operations



Guidances for 2008

- Based on information at hand regarding building market development and less challenging comparables, Uponor expects:
 - continuing operations' net sales not to quite reach last year's level
 - continuing operations' operating profit to fall short of the 2007 level
- Guidance justified by ongoing growth initiatives, continued penetration, and efficiency improvements/cost containment

Measure	Current guidance (Announced on 11 June 2008)
Net sales	< 1,047.4 MEUR (=2007 level)
Operating profit	< 135.7 MEUR (=2007 level)
Gross capex	~ 45 MEUR
Tax rate	~ 31.5%*

*) excluding gain from the UK/Irish divestment



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simply more

The text 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.