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Finance and IR update

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uponor

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IFRS update, schedule

- Uponor will start to report its financial statements according to IFRS from the Q1/2005 report onwards

- Before publishing the Q1/2005 report, we will disclose
  - the IFRS opening balance sheet as per 1 January 2004
  - the 2004 quarterly reports under IFRS, for comparison purposes

- In 2005, we anticipate to publish the quarterly reports approximately one week later than the Finnish GAAP reports have been published

IFRS opening balance sheet, major impacts

- The IFRS introduction involves some accounting policy decisions, such as:
  - impairment evaluations for assets, especially goodwill and investment property
  - useful life estimates
  - for investment properties (Real Estate segment), whether historical costs or current value is to be used

- Further issues relating to the first time adoption include:
  - capitalising finance lease assets
  - treatment of restructuring provisions from the December 2003 programme
  - reversal of revaluations
  - employee benefits

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IFRS, accounting policy issues

- **Impairments**
  The biggest difference impacting Uponor is the way our real estate holdings are viewed. Under Finnish GAAP, the fair value of the portfolio vs. its book value was relevant, while in IFRS each individual property (cash generating unit) is reviewed separately causing some impairments
- **Useful life**
  *Currently, we have depreciated our **production machinery** in 5 – 20 years with an average of 7 – 8 years. Typical useful life used by our competitors is 10 – 15 years.*
  From 2004 onwards, useful life will be harmonised to 10 years throughout the Uponor Group
- **Investment properties**
  Elected to use historical costs to avoid unnecessary volatility of earnings

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IFRS, other first time adoption issues

- **Capitalising finance lease assets**
  Uponor does not have plenty of finance lease agreements and thus, just a small (less than 20 MEUR) asset impact
- **Restructuring provisions**
  IFRS sets strict formal requirements for providing for restructuring. For a certain part of the December 2003 programme, these formalities were not met at year-end 2003. Thus, an addback of roughly 1/3 of the provision
- **Revaluations**
  Revaluations of some 20 MEUR exist for some of the real estate properties. IFRS does not recognise such revaluations and they had to be reversed in the opening balance sheet
- **Employee benefits**
  Some impact from various countries

IFRS, estimated impact to our 2003 balance sheet

- The impact on our equity ratio is estimated to be around 4 percentage points downwards
- No major impact to total assets (reduction of ~3%)
- No estimate of the income statements impact yet available

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Portfolio restructuring

- Announced non-core businesses
  - Municipal Americas
    - Uponor ETI, the US based PVC pipe business **deal closed in March 2003**
    - Uponor Aldyl, the US based PE municipal pipe systems business, **deal signed 1 September 2004**
    - Uponor Aldyl Argentina, next priority
  - Real Estate
    - new approach

- Restructuring programmes from 2003

Municipal Americas

- Commoditisation and competition with vertically integrated pipe manufacturers in the US triggered a re-evaluation of the strategic importance of the US/Argentine municipal business portfolio

MEUR Year	Capital employed	Net sales	Profitability
2001	80	163	Negative
2002	53	140	Positive
2003	14	59	ROI high single digits

- During 2002, the capital employed was worked down, profitability into black numbers
- Uponor ETI deal signed and closed 14 March, 2003
  - enterprise value including post closing royalties 30 – 34 MUSD
  - no gain recognised but some will come in the latter part of the 8 year royalty period
- Uponor Aldyl US deal signed 1 September, 2004 and closing expected in September
  - enterprise value 15 MUSD, including a vendor note of 2,1 MUSD

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Real Estate

- The real estate assets were incorporated into a separate entity early 2000
  - discussions regarding bigger portfolio sales failed
  - since then, divestment of individual properties has been taking place, property by property
  - significant sales especially in 2002 (e.g. the Tampere development company TaKI)
  - not a satisfactory speed during 2004

- Uponor is reviewing strategic alternatives to the current way of disposing properties
- Approaches under review can include portfolio sales based on
  - use / type of the property
  - geographical location of the property

Restructuring programme from 2003

- As communicated earlier, the programme has advanced according to plan
- A significant part of the ~39 MEUR provisions in the financial statements is still unused, due to timing of projects' spend concentrating into Q3 and Q4 (some still in Q1/2005)
- According to our latest estimation, the restructuring measures are on target both in terms of spend and return

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