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Emerging markets: Central East Europe, Baltic, Russia

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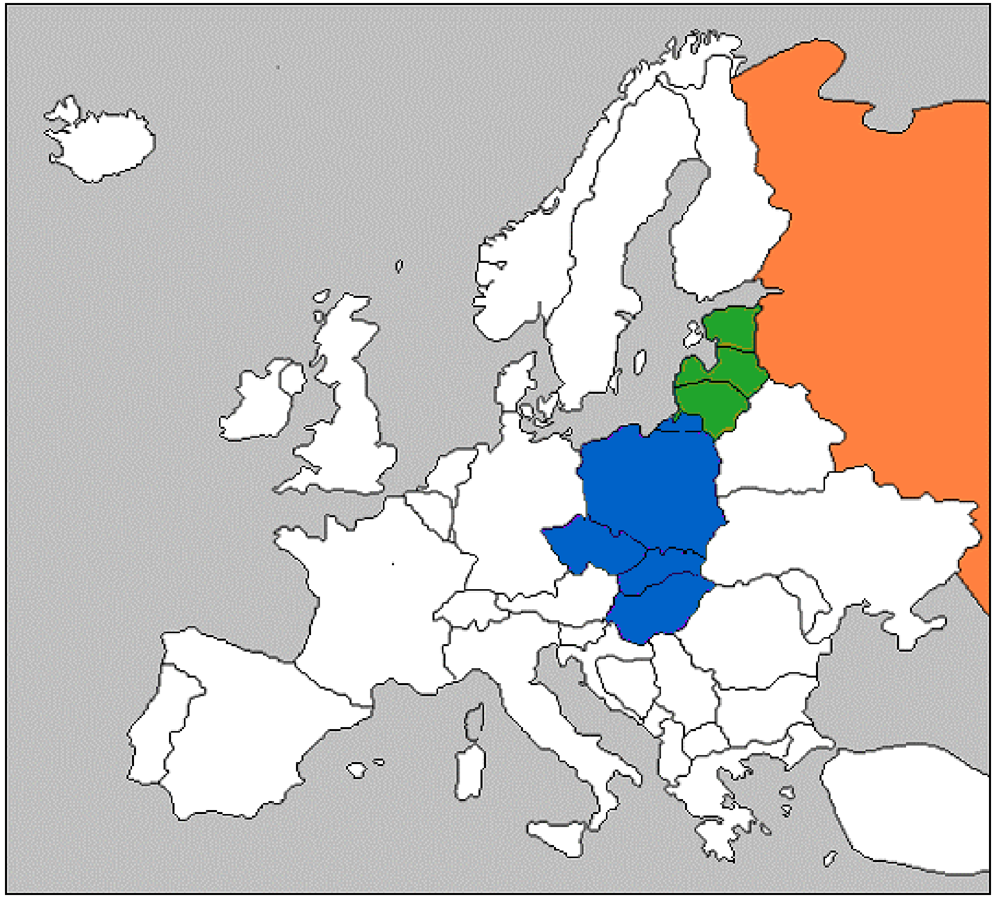
Developing economies - a growing opportunity for Uponor

Russia

Estonia
Latvia
Lithuania

Poland
Czech Rep.
Slovakia
Hungary



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Uponor entered eastern Europe in the 1990's

- Operations in CEE, Baltic countries and Russia started in early 90s with the emphasis on the infrastructure business
- Production plants were established in Hungary and Poland
- Housing Solutions business was largely carried out by outside agents and importers having exclusive rights for their respective territories

Uponor in CEE, Baltic Countries and Russia today

- Operation is aligned with Uponor's strategy to focus on plumbing & heating markets
  - Infrastructure production in Poland and Hungary discontinued
  - Plumbing and heating sales taken under the Uponor brand
  - In the Baltics and Russia Uponor continues to market selected infrastructure business lines using Nordic factories as supply base
- Currently Uponor employs approx. 220 people in the area
- Uponor's net sales in the area reached EUR 50.2m in 2004

Uponor delivered a snow/ice melting system to the Constantine Palace in St. Petersburg

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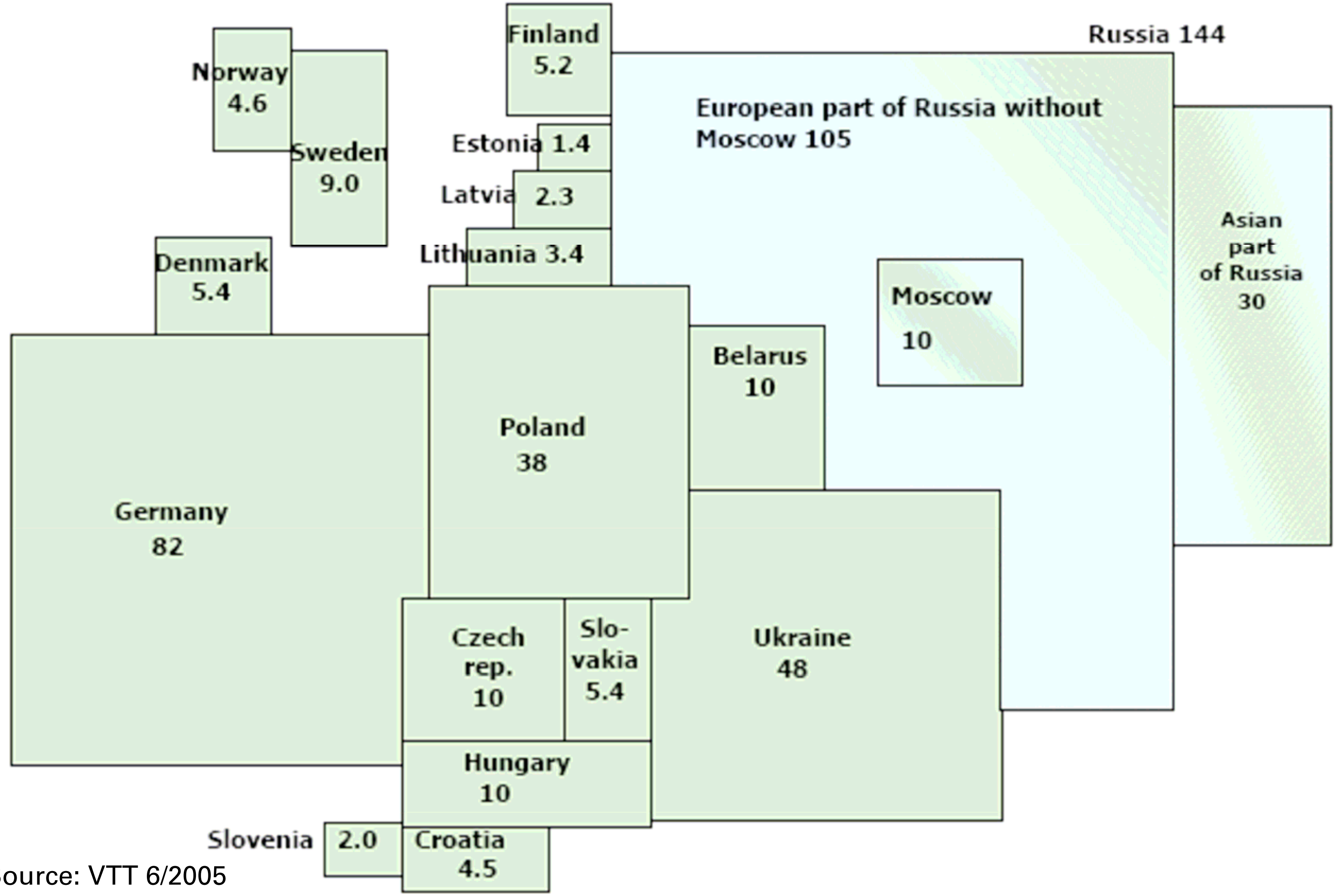
Uponor's market position by segment

	Heating & plumbing	Infrastructure
Baltic countries	• •	• •
Poland	• •	
Czech & Slovakia	•	•
Hungary	•	
Russia	•	•

• • = amongst top 1-2

• = present in the market

Population map 2004
(millions)

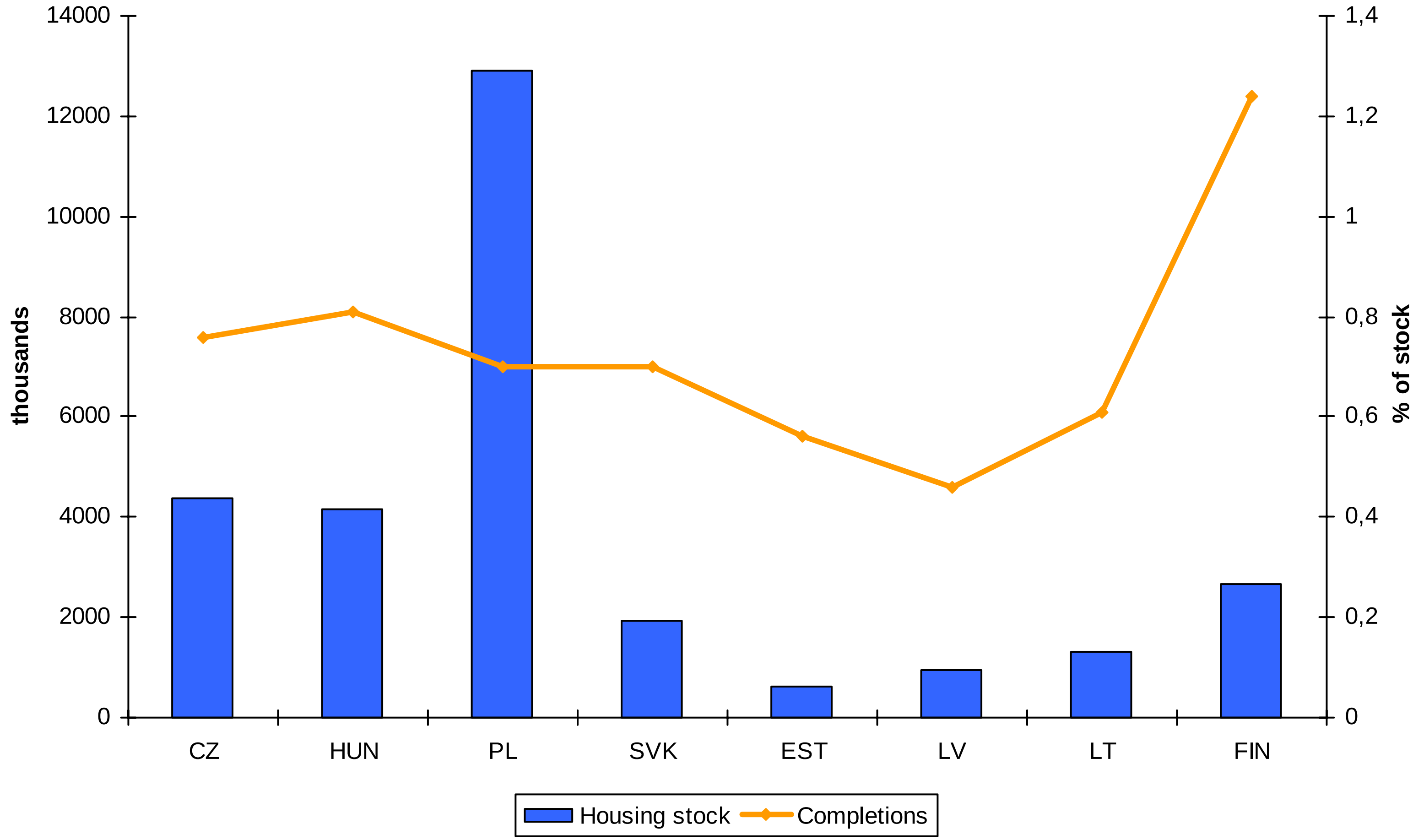


Source: VTT 6/2005

Residential construction market statistics

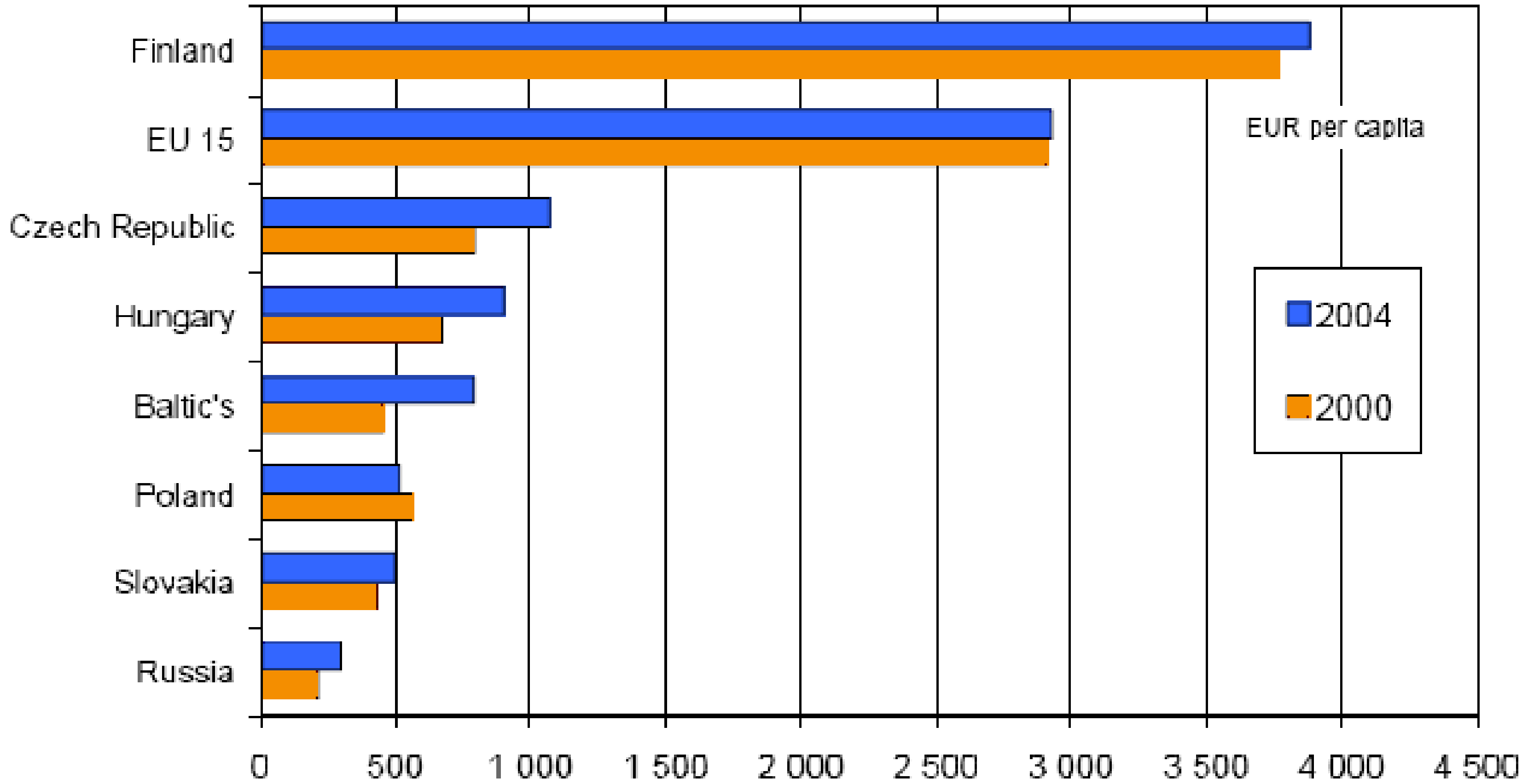
CEE and Baltic countries

Existing housing stock in relation to new completions (forecast 2005)



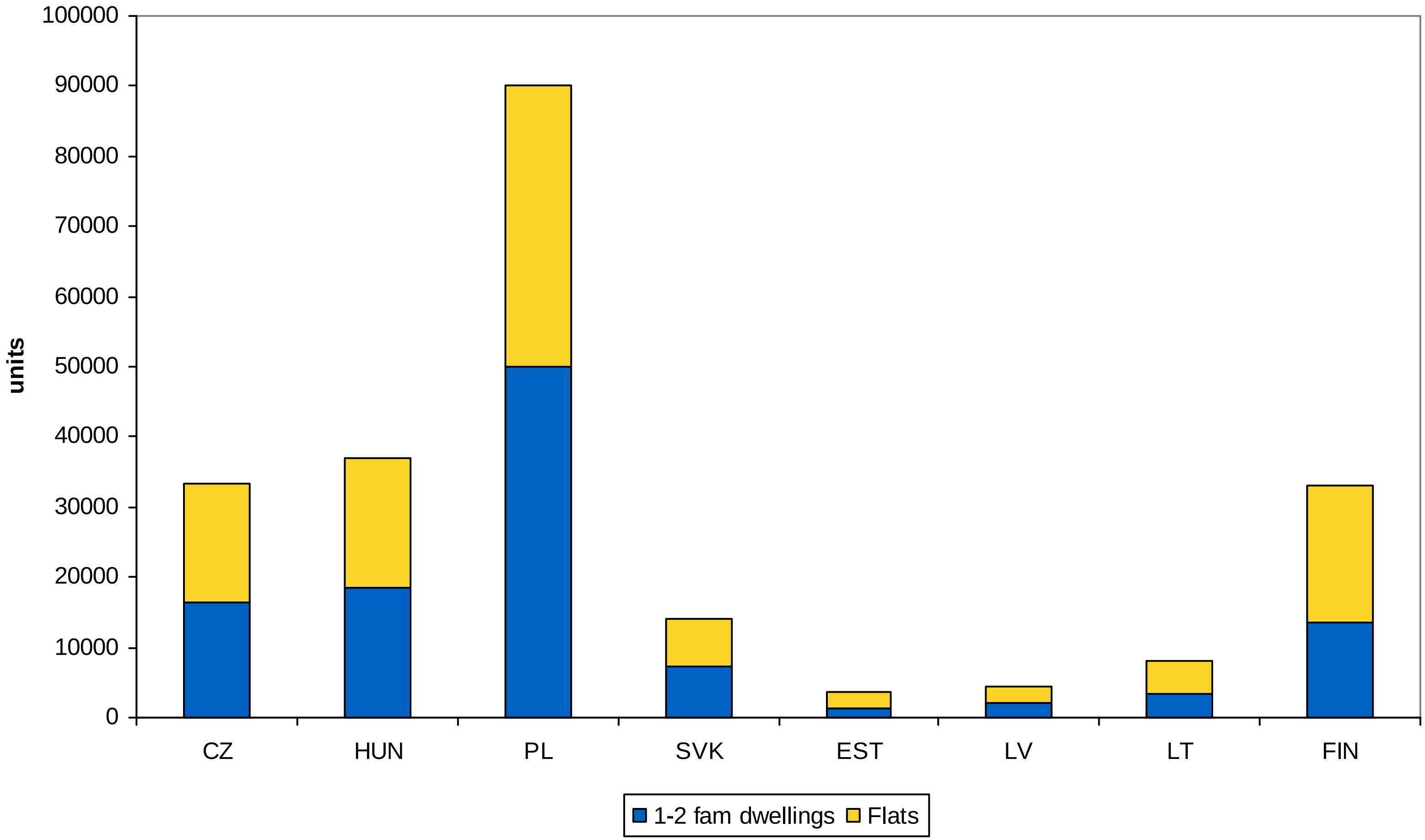
Source: VTT 6/2005

Value of construction per capita in 2000 and 2004



Source: Euroconstruct and VTT

Housing completions 2005, flats vs. 1-2 family dwellings



Source: VTT 6/2005

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Market environment and current trends in CEE and the Baltic countries

- New EU members with long-term growth potential as the economies and their political situations develop
- Residential construction markets under-developed
  - relative number of new-built apartments low
  - typically 2-3 apartments / 1,000 inhabitants (Finland: 6)
  - financing of private purchases still difficult
- Low share of renovation and modernisation compared to western Europe

Market environment and current trends in CEE and the Baltic countries (cont.)

- Plastic systems' penetration increasing
  - existing systems aging fast
  - high acceptance and developed offering for plastic solutions
- Growing demand for quality drinking water and comfort
  - standards of living
  - EU directives
- Pan-European construction companies and distributors increasing presence in all countries

Market environment and current trends in CEE and the Baltic countries (cont.)

- Expansion of residential construction supported by the development of the market in mortgages, building savings and interest rates
- Number of completed flats grows steadily
  - still less than the need
- Housing renovation and modernisation activity grows 8-10% annually

- Poland: after an economic slowdown, strong growth in construction production is continuing
  - growth rate expectations for 2005 and 2006 around 10% p.a.

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Market developments and current trends in Russia

- GDP increased by 7.1% in 2004, inflation at 13.6% during first five months of 2005
- Oil price continues to stay on high level
- Total building industry production EUR 40 billion with 9-10% growth rate at the moment (Finland: EUR 20 billion)
- Housing completions estimated at 400,000 units per annum
  - 1-2 family house share low, typically 5-15% of total
  - harsh climate creates a need for comfortable heating systems

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Market developments and current trends in Russia (cont.)

- Main construction drivers are housing and commerce sectors
  - shopping centres and offices
  - Moscow dominating
- Market driven by health, comfort and safety issues
  - short lifetime of existing pipe systems
  - poor water quality in residential buildings

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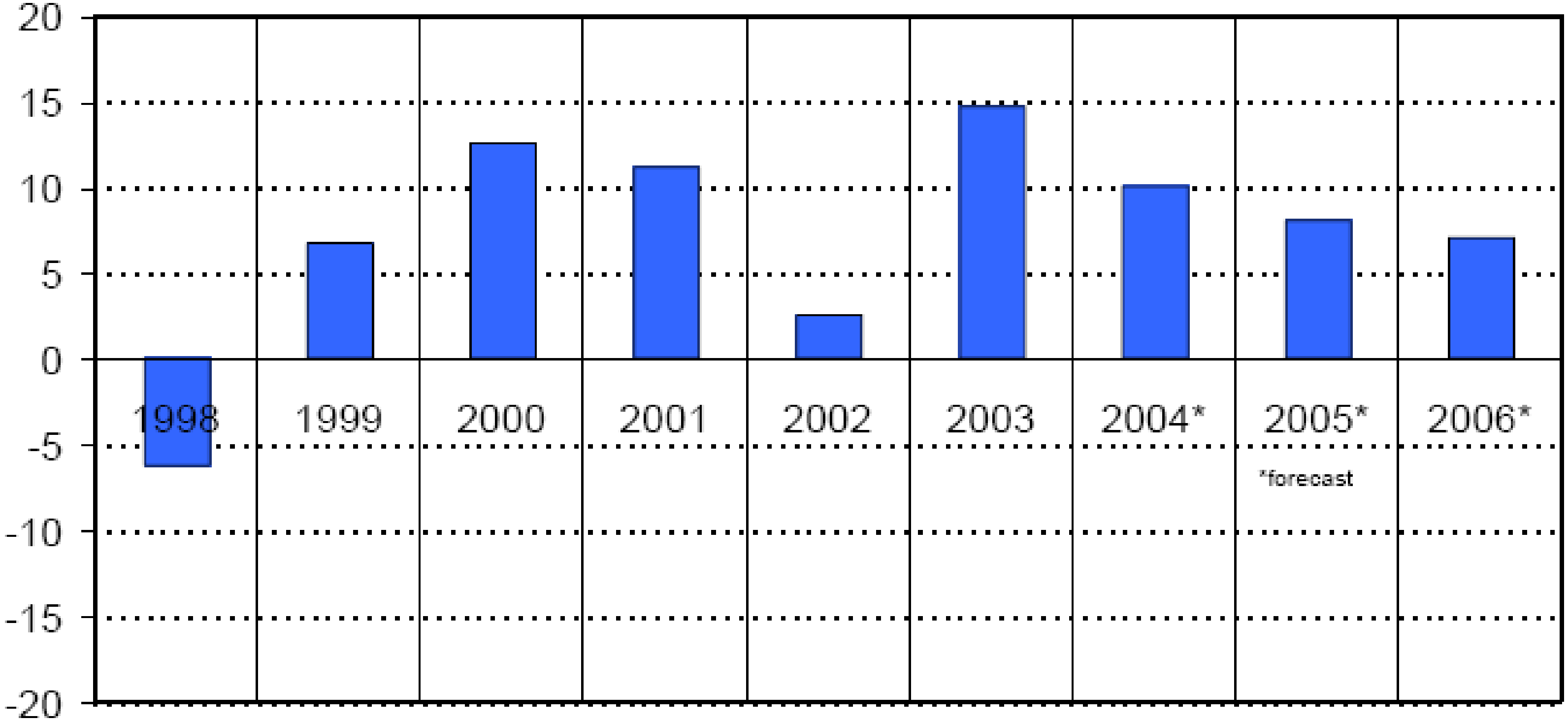
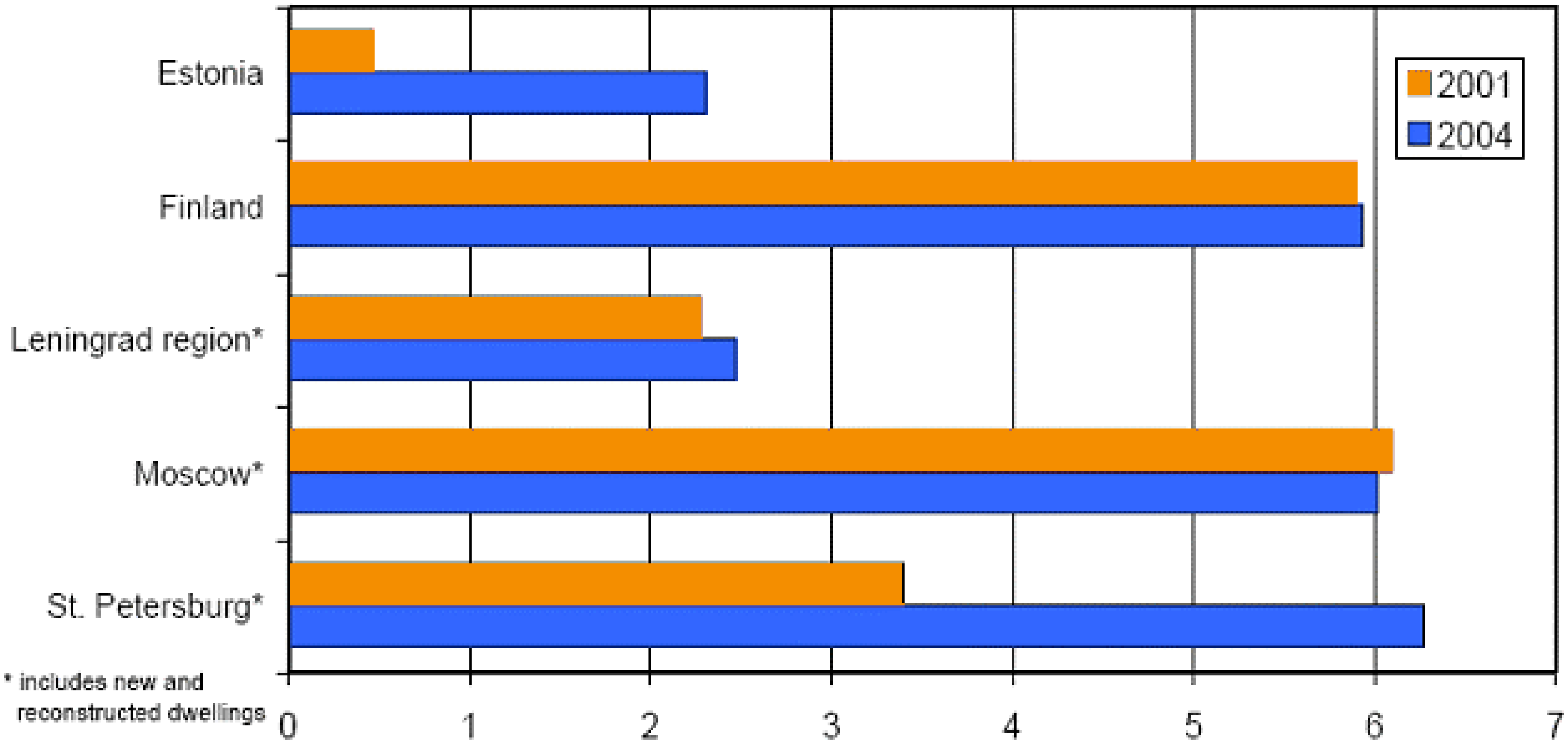
Annual change of value of construction in Russia, %



Source: VTT 6/2005

Completed dwellings per 1,000 capita



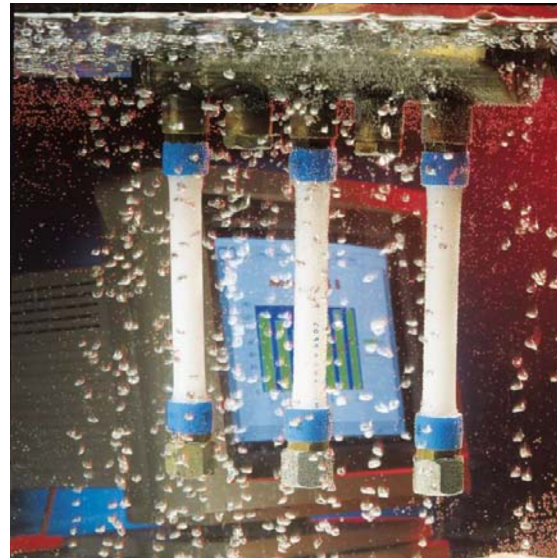
* includes new and reconstructed dwellings

Source: VTT 6/2005

Opportunities and challenges for Uponor in this market

Opportunities

- Largest long-term opportunity in Poland and Russia
  - rest of the markets provide mid-term growth potential
- Growing residential construction activity, increasing plastics penetration
- Training and support valued due to low skills levels
  - takes time
- Recognised brand with a strong and broad supply base help in winning customers
- Uponor's international presence enables partnering with foreign construction companies and wholesalers
- Sales growth expected to stay above Group average for the near future



Challenges in the market place vs. western Europe

- role of unofficial economy in certain countries
- customer emphasis still heavily on low purchase price instead of life-time cost
- strong competition from China
- distribution channels still under-developed
- skills level of installers and planners low
- technical standards emerging, but not yet fully deployed
  - competition from products not complying with specifications

- Russia:
  - a history of using only steel pipes for drinking water
  - political and economical uncertainty higher than in other CEE countries

Areas of emphasis for Uponor

- Continued investment in market development
- Installer and planner training a key for growth and increased brand loyalty
- Development of supply and distribution of Uponor products
  - Partnering with pan-European wholesalers
  - Implementation of group-wide ERP software by 2008 improves Uponor's competitive position
- Training and development of local Uponor people

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