

Uponor Corporation's Annual General Meeting, 18 March 2009
President and CEO Jyri Luomakoski

Dear shareholders, Ladies and Gentlemen,

2008 will be remembered both as Uponor's 90th anniversary year and as the year when the development of the world economy, and in particular the strong long-term growth of the construction market, suddenly collapsed. The problems which originated in the US housing and financial markets started to spread, with the epidemic reaching all continents by the end of 2008.

This change had a dramatic impact on Uponor's main market, that is, housing construction. Let me give an example to illustrate the scope of the market collapse. In 2005, there were over 2.1 million new housing starts in the United States. Last year, the number of starts fell to around 900,000, and the estimate for this year is under half a million. In other words, this year's estimate is far less than a quarter of the level of activity in 2005. A similar trend has affected Spain and, simultaneously, almost all of our key markets, although to a less dramatic extent.

Changes like this have, of course, left their mark on our operations.

Due to the global economic crisis, we have been forced to make significant cost savings. In the latter part of 2008, we initiated an exceptionally extensive adjustment programme aimed at safeguarding our operational prerequisites in this difficult market situation. The adjustment measures were realised in the fourth quarter in particular, when almost every ninth Uponor employee had to leave the company. Furthermore, we closed down two smaller production facilities, one in Canada and the other in Sweden.

In order to secure our cash flow, we have been active in managing our inventories and have achieved good results in this. Our short-term focus is first and foremost on securing our cash flow and balance sheet.

Net sales fell in all of our Region organisations. The strongest decline was experienced in North America and Europe – West, East and South. In Central Europe, we were close to reaching the previous year's levels since demand for public and commercial construction remained relatively healthy throughout the year. In the Nordic countries, the decline in net sales was mainly attributable to the weakening of the housing solutions market.

Luckily, there were some glimpses of light in this gloomy market situation. In all of our regional organisations, the fall in net sales remained smaller than the decline in the overall market. I believe this was largely due to the fact that plastic pipe systems and radiant heating and cooling solutions achieved market shares. Our goal is to offer effective and energy-efficient solutions for controlling indoor temperature and air quality. Furthermore, our investments in project business, in other words, the high-rise business, have proven to be the right decision. Even during these difficult times, we have excellent prerequisites for strengthening our position as a reliable, long-term partner.

In 2008, we launched several new product systems. In the United States, a number of our products were recognised as the best or most innovative new products in their field. We opened new training centres in France and Germany. The latter – the largest of its kind so far – also offers tailored training for our customers in the high-rise segment.

Despite the clear shift in focus towards savings and cost control, we continued to implement our internal development programmes mainly according to plan. Our unification programme also proceeded as planned. The project, which was launched in 2005 with the purpose of implementing a uniform enterprise resource planning system throughout Uponor, was successfully finalised. Furthermore, in October, we performed a major organisational change in Europe aimed at accelerating growth and increasing synergy effects in this area.

Despite these changes, Uponor's business strategy remains unchanged. Our strategy rests on three main pillars: growth, corporate brand, and operational excellence. For the last few years, we have systematically developed a consistent Uponor brand and improved our operational excellence. With the help of these, we have constructed a solid basis for future growth and shifted our strategic focus to supporting this growth. Despite the current difficult market situation, our longer-term goal is organic growth, both in our current markets and in new geographical areas.

Today, environmental and energy considerations are strongly emphasised in any debate concerning construction and housing. At last, we could say! From the viewpoint of our businesses and strategic growth areas, the new energy efficiency requirements represent positive development – after all, we have been providing solutions to these challenges for over 20 years. In line with new EU requirements, developers are allowed to decide for themselves on how to reach target levels. This makes it easier for them to adopt new technological solutions such as surface cooling.

Despite the current challenging market situation, we at Uponor firmly believe in the Group's future success. As I said earlier, our investments in the project business have proven to be the right decision. The position of radiant underfloor heating and cooling solutions has strengthened, and they will continue to win market shares over traditional systems in the future. We expect the same trend to gain ground in infrastructure solutions as well. All of us employed by Uponor are actively working together to recover from this recession stronger than ever.

In 2008, the number of Uponor shareholders grew by nearly 10,000. I wish to extend my warmest thanks to you all for your trust in us, and I hope this confidence will further strengthen in the years to come.