



Business overview

Jyri Luomakoski, President and CEO

Uponor Corporation's Annual General Meeting

15 March 2011

Dear shareholders, Ladies and Gentlemen,

I wish you a warm welcome to Uponor Corporation's Annual General Meeting.

Last year was not an easy year for Uponor, despite the fact that house building, and residential building in particular, appeared to almost return to their pre-recession levels – at least judging from the domestic media and the view from the street. True, it was an easier year than 2009, with fewer uncertainty factors and most markets pulling out of freefall. In countries in which Uponor has its own outlets, some 12 per cent fewer new residences were completed than in 2009, the year of the recession. The reduction in 2009 was even steeper – at almost 20 per cent. Compared with the peak period for this millennium, 41 per cent fewer residences were completed in our main markets last year. If you have been following building trends closely in various parts of the world, you are probably aware that the recession in building has hit the United States and Spain hardest. Both of these countries, in which Uponor has held and still holds a significant market position, remain important to our company. Our strong success in the Nordic countries last year could not compensate for our losses in these key markets.

While new housing projects have declined, renovation and modernisation projects' share of the construction sector in general has increased almost everywhere. Of the approximately thirty countries in which we operate, only ten saw absolute growth in renovation and modernisation projects. In all of our markets, public and commercial construction fell back from the previous year's levels – except for four countries that recorded modest growth.

The situation was exceptionally grim in infrastructure solutions. A situation characterised by excess capacity and low demand was further aggravated by rapidly rising raw material prices. We were unable to transfer the impact of these price increases to our sales prices. Our profit performance therefore remained poor for the entire year.

When the recession's first impacts on building became evident during the late summer of 2007, we embarked on determined measures to strengthen the company's finances. Until now, our attention has been strongly focused on securing solvency and cash flow. While they remain focal, last year we launched a number of internal projects aimed at growth. Major growth initiatives include investments in indoor climate systems. This means that cooling and indoor air quality will be highlighted alongside underfloor heating. Another, closely related issue lies in developing our project business. We seek deeper involvement in major projects whose service packages can, in addition to mere product deliveries, involve elements such as project-specific development work, the planning of comprehensive entities, more extensive deliveries, optimising energy consumption, project management, and so on. Our third major growth project involves expansion in markets in which we have a weak position. While China and other parts of Asia may spring to mind, I would also emphasise our major potential in large European countries and North America.

Although, we cannot show high growth figures for 2010 in support of our strategy, we remain convinced of Uponor's excellent potential for further development as a company. In many business operations, we are supported by strong international trends promoting developments such as energy efficiency, the use of renewable energy, and indoor air quality in the home and workplace. Concerns over the sufficiency of water resources are forcing people to save water and ensure that groundwater remains unspoiled. In implementing these issues and continuously improving quality, the importance of comprehensive planning and partnerships is being emphasised in building. Uponor has long been a forerunner in promoting these issues.

We have made progress in these key strategic issues through a number of individual measures.

Among other matters, we have focused on developing sales and marketing by implementing a range of segmentation projects in all business groups. These enable us to target our sales propositions more effectively at better defined target groups. At group level, we restructured our organisation by simplifying the decision-making process and bringing products closer to the customer interface.

We have also increased our development investments. The industry's largest international trade fair, at which we are launching two new products, began today in Frankfurt. One is a connector system for plumbing, requiring no tools for fitting. The other, developed in co-operation with a leading tool-maker, is an installation tool compatible with the battery-powered equipment used by professionals. This will enable professionals installing Uponor systems to perform more installations with greater efficiency and a lighter toolbox. Further information on our new products is available from our exhibition in the lobby.

In various markets, we have sought and launched new partnerships, and new types of co-operation, with other building industry professionals. In Germany, for instance, we have close co-operation with a heat pump manufacturer, enabling us to offer more extensive product packages. We have also launched mutually beneficial sales and marketing co-operation with a flooring manufacturer who is also known here in Finland. In the UK, with the help of a local partner, we are able to deliver concrete elements complete with underfloor heating pipes.

Increasing environmental awareness requires enterprises to act with increasing transparency. In many countries, our subsidiaries have led the way in environmental management, for instance. We are also focussing more in this at group level. For example, for the first time, our newly published Annual Report includes environmental data covering the entire group. Our clients are also seeking more information on the eco efficiency of our product systems and on how our products can help them reduce their own environmental footprint.

Staff development is integral to sustainable development. Through this, we can ensure that our organisation can implement the Group strategy efficiently and profitably. Every year, we conduct a work environment survey covering our entire staff. We have been delighted to note that the 2010 results are the best in the survey's history – regardless of our difficult times and the cuts forced upon us.

Overall, our financial performance for 2010 cannot be regarded as sufficient. While we are heading in the right direction, this positive development must be intensified. The key to improving profitability is growth in sales. As you may have already gathered from my presentation – we have plenty of untapped potential in this regard.

In addition to organic growth, we are striving to accelerate growth through corporate acquisitions. Over a week ago, we published an agreement on acquiring a majority stake in the German company Zent-Frenger. If the German competition authorities approve the deal, this transaction could be completed at the end of the month. The company we bought is a leading supplier of radiant cooling panels in Germany and the neighbouring areas. It also possesses in-depth technological know-how in other energy-efficient heating and cooling solutions for buildings. We are confident that this will complement the offerings and expertise of our indoor climate business.

We hope to identify one or two other opportunities to engage in small-scale corporate acquisitions. This will supplement our offerings and expertise, making Uponor an even more preferred partner for our clients.



Although economic uncertainty factors remain – even intensifying over the last few days – looking ahead I see more opportunities than reasons for anxiety. I am confident that we will be able to develop Uponor further with the objective of profitable growth, as mentioned in the guidance we issued alongside the financial statements.

I would like to thank all shareholders for your trust in our company. We will do our utmost to be worthy of your trust again this year.

Thank you!