

Dear Shareholders, Ladies and Gentlemen,

The year 2007 was in many ways challenging. The construction market - especially that for residential construction - saw a major slowdown across the world which impeded the business activities of building industry companies.

The sharpness of the building industry downturn was somewhat surprising. As recently as the previous Annual General Meeting, I predicted that demand would continue at a healthy level in Europe. Unfortunately, this turned out to be too optimistic, since the problems in the US financial and housing markets soon spread to many parts of our continent. These manifested themselves most severely in Spain, where the market boom ended after the spring season, the downturn gaining momentum towards the end of the year. Despite active demand in the first two quarters, the market situation in Germany also remained challenging. Fluctuations in demand were experienced in other markets as well, but remained more moderate.

Business development should not be considered by quarter only. Looking at our performance from a long-term perspective, several very positive developments can be highlighted. Without a doubt, one of Uponor's greatest achievements is the recording of its best ever operating profit last year. Considering the prevailing market environment, I personally see this as an outstanding accomplishment. For several years now, we have focused our determined efforts on developing the Group in the longer term with a view to establishing a solid foundation for growth, as well as strengthening Uponor's business and competitive position. Last year has proven these efforts worthwhile.

Solid and dynamic growth in Europe – West, East and South was particularly gratifying. After focusing on the southern, western and eastern European business for several years, our bottom line is beginning to reflect this investment. Last year, we concentrated our efforts on gaining a firmer foothold in these markets. New offices were opened, for instance in Greece, Romania and Ukraine, and we now have a presence in the most important business districts in Russia. These measures are designed to increase our visibility in the strategically significant eastern European markets where construction is active, while demand in Uponor's product segments is increasing.

Several training centres were also opened. At the beginning of this year, the Group's largest ever training facility was opened in Germany. This centre is unique in providing us with tools for sharing information on the potential offered by Uponor systems, particularly to our customers in the high-rise building segment.

Although the North American market situation was even more problematic than that in Europe, we succeeded in developing our business there as well. The new management of our North American region implemented a comprehensive development programme, which included renewing the organisation and setting up new targets. In connection with the reform of the sales organisation, the number of our sales personnel was increased considerably. Measured in the local currency, we managed to keep our net sales close to the previous year's level despite the simultaneous notable contraction of the markets. And, in spite of our extensive change programmes, our operating profit improved markedly.

We were also faced with many challenges. As a result of buoyant demand in the spring, our delivery performance was put to the test with regard to some key products, and we did not meet the agreed delivery times in every case. On the other hand, heavy fluctuations in demand over the summer and early autumn impaired our supply chain, which had a negative impact on our financial performance.

* * *

This year, Uponor celebrates its 90th anniversary. During these nine decades, our company has experienced difficult times but we have also witnessed periods of long-term business development and seeking new opportunities. Once an innovator in the industrial manufacture of wooden furniture, Uponor evolved first into a supplier of appliances and hardware for homes and society in the post-war period, before emerging as a specialist in plastic pipes and building infrastructure. Naturally, this evolution will continue. We aim to go on strengthening the Group's strategic position, operations and development opportunities through various choices designed to ensure our long-term competitiveness.

Uponor's near-term strategy is built on two primary goals: growth and productivity. For a couple of years now, we have implemented rather extensive development projects in our new growth areas. We have progressed well in our aim to become the leader in the high-rise building segment and to make it one of the Group's key growth areas. With its promising prospects, the high-rise segment is also likely to stabilise our profit performance in an otherwise cyclical market environment.

Other projects aimed at business expansion include enhancing Uponor's market leading position in our segments of the market in North America, where our share of the total market is still modest. Similarly, in Europe, our aim is to expand strongly in Eastern Europe while also strengthening our position in countries where our share of the market remains modest, such as the United Kingdom, France and Italy.

Internal development of the Group and the creation of a unified Uponor will continue. The implementation of a European-wide enterprise resource planning system has advanced according to plan and the new system is, despite some temporary difficulties, already in use in our key housing solutions offices in Europe. The priority of the project is now shifting away from implementation to efficient use, with the aim of driving synergic benefits.

And finally, considering the unpredictability of the markets and the development of economies in general, it is natural that both cost and productivity management should be given special attention.

* * *

We at Uponor firmly believe in the Group's capabilities to be successful in the future. We expect sustained organic net sales growth during the current year and estimate that our operating profit will reach, if not exceed, last year's record result. We are pursuing our targets with determined efforts. When drawing comparisons between 2008 and 2007, one should not forget that quarters are not directly comparable. Last year's first two quarters being extremely strong, we are expecting a weaker performance during the first 6 months of this year.

Dear shareholders – there are now more than 14 thousand of you – I thank you for your trust in Uponor and hope that, in the future, we continue to merit your faith in us.