

Dear shareholders, ladies and gentlemen,

For us here at Uponor – as well as everyone in the business – the past year has been extremely challenging. In 2009, our net sales declined significantly, nearly 23%, while at the same time building and construction saw a decline of 30% in our main market areas.

As a result of the decline in total net sales, we needed to improve our efficiency. To achieve this, we have had to make drastic decisions and implement changes that have affected the work and its continuity for several people. Since the onset of the financial crisis in the autumn of 2008, the number of our staff has decreased by close to 20%. In autumn 2008, we closed one factory, and in 2009 two production facilities were closed. Furthermore, we are currently designing a new operational model in which fewer but larger units will be responsible for all distribution and warehousing operations. As part of this new scheme, we have already closed down or are in the process of closing down warehouses in Europe such that when this process is complete, of the initial 20 warehouses in Europe only 12 will be left.

The initiatives implemented have enabled us to cut our expenses. However, they have not been implemented for the sole purpose of helping us survive the current recession - the decisions we have made have also provided us with new opportunities to create an improved, more efficient operational structure that enables us to lead Uponor forward, to improve our customer care, and to prepare a strong foundation for future growth.

Although our financial performance this past year was modest, I would nevertheless like to take this opportunity to bring to your attention also some areas where we have succeeded despite the difficult business environment of last year:

- Amidst tough competition, we were able to maintain and even improve our gross profit through savings in production and by applying a strict pricing policy. Sales efforts were focused on products that create added value for both our customers and our shareholders.
- We maintained our focus on R&D, and successfully channelled resources on key projects. As a result, last year saw us launch an innovative dynamic heating control system that improves energy-efficiency in buildings. This system has been hailed by our customers in Europe.
- On a like-for-like basis, Uponor's fixed expenses fell by 47 million euros, which is approximately 17%.
- We reduced inventories by 30 million euros and succeeded in improving inventory turnover and delivery reliability.
- On a like-for-like basis, Uponor's cash flow before financing – that is, the cash flow available for loan payments and dividends – improved in comparison to the previous year, when the cash flow included 75 million euros in payment income from the sale of the UK infrastructure operations.

Last year we also made a small acquisition – the first in quite a while. Although this acquisition was relatively small, I believe its importance will be great since it adds to our

project knowledge and opens new possibilities for growth in this new customer sector.

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The world around us is changing. The necessity of reducing the burden caused by us humans on nature received much attention in the media last year. As one example, also here in Finland stricter building codes entered into force at the beginning of the year. Low-energy houses received immediate public attention. In the industrialised countries, homes and other real estate account for 40% of the total energy consumption. This is almost equal to industrial energy consumption. On the world scale, our business can make a difference.

This offers a remarkable opportunity not only for societies but for Uponor as well. At Uponor, we believe that by creating better, more comfortable human environments – as stated in our mission – we can affect energy consumption and, hence, reduce CO₂ emissions. The technology enabling the building of houses that are nearly self-sufficient in energy with zero emissions already exists. However, it will be somewhere in the future when these technologies are implemented on a larger scale. Someone must take the first steps and show the way to improved energy-efficiency not only in new buildings but, especially, in existing houses and other buildings. Uponor participates in such projects in several countries.

This has been noticed by our customers as well. Most of our larger customer projects include environmentally friendly hydronic heating/cooling systems, which often employ energy from natural sources available near the building site. In the past year, we have been engaged in several projects of this type for instance in Germany. In the future, when you arrive at Berlin's new airport, you will be enjoying a comfortable indoor climate provided by Uponor heating and cooling systems. An Uponor indoor climate system was installed also in the new 23,000 m² hall of Messe Frankfurt. And a climate centre where visitors can experience different climate zones has been opened in Bremerhaven, in northern Germany, where several of Uponor's system solutions have been installed.

In North America, we have entered into partnerships with prominent homebuilders and hotels, some of which operate internationally, such as Hilton Hotels. Furthermore, we have concluded an agreement on deliveries with Sweden's largest house-builder.

Leading international designers and architects are becoming increasingly familiar with Uponor's heating and cooling systems. Sometimes this co-operation receives public recognition also. For example, the Swedish ski resort restaurant Ramundberget was selected as Building of the Year in the holiday category of an international architectural festival, and the Kranhaus complex – a group of office buildings in Cologne – was awarded first prize in the business centre category at an international real-estate trade show in France.

Much of our effort is directed toward improved co-operation with our customers and with other professionals in the building and construction business. The reason is obvious – their success enables Uponor to strengthen its position. Personally, I am optimistic about the future. Despite the economic low, we have been able to improve our operational structure and its functionality significantly. And despite the serious savings efforts, we have improved and enhanced our customer care. Our product and service portfolio evolves continuously and responds to the current and future needs concerning energy-efficiency and ecological impact. Creating better human environments serves also as a way to create added value for our shareholders.

We are greatly inspired by these new challenges and opportunities opening ahead of us. I would like to thank our staff; our achievements – in the past and in the future – are the achievements of our staff, who have demonstrated incredible resiliency in these hard times.



Furthermore, special thanks to all of our customers who have encouraged and supported us in improving our product offering and services. I would also like to extend warm thanks to all of you shareholders who have patiently stayed with us as owners enabling Uponor's progress in the long run.

Thank you!