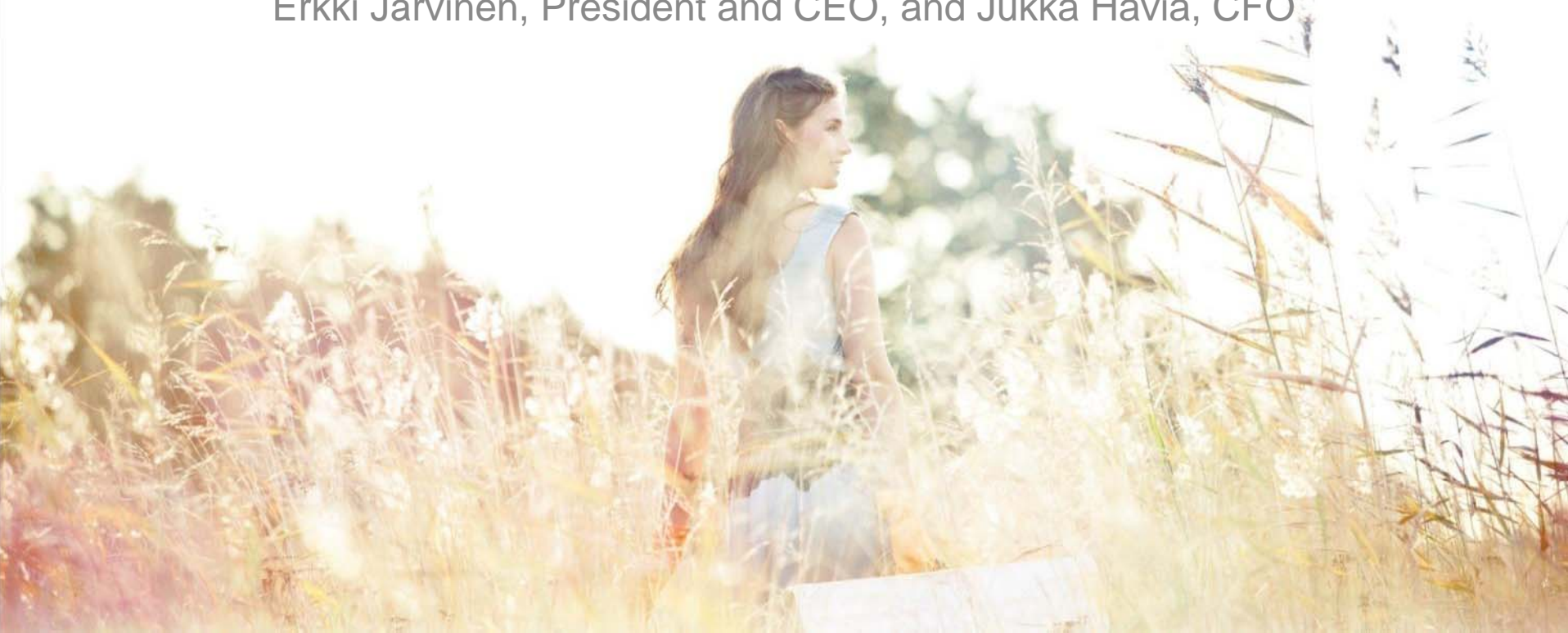


# Tikkurila

Interim Report for January–June 2012

Erkki Järvinen, President and CEO, and Jukka Havia, CFO



**TIKKURILA**

# Disclaimer

*In this presentation, all forward-looking statements in relation to the company or its business are based on the management judgment, and macroeconomic or general industry data are based on third-party sources, and actual results may differ from the expectations and beliefs such statements contain.*

# Contents

- General development during the review period
- Key financials of the review period
- Summary and outlook for 2012



**General development  
during the review  
period**

# Second quarter highlights

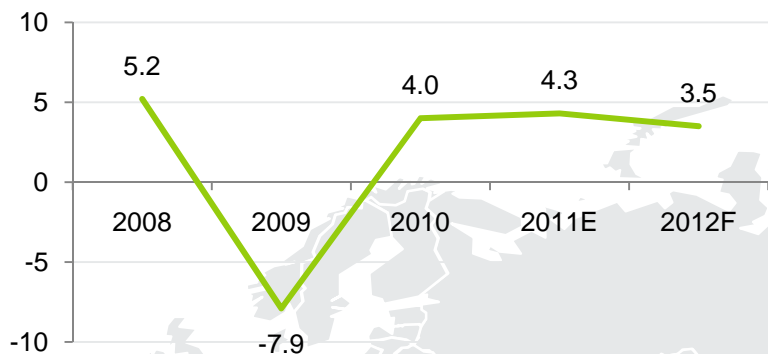
## Development Q2/2012 vs. Q2/2011

- Revenue increased by 6% due to sales price increases, in particular
- Sales volumes decreased in all markets, excluding the impact of acquisitions
- Operating profit (EBIT) excl. non-recurring items increased by 27% due to increased revenue and streamlining measures
- Relative profitability improved
- Raw material cost level was clearly higher than in the comparison period, but the price development and availability are stabilizing
- Efficiency improvement measures are proceeding as planned and are improving the result
- Uncertainty in the operating environment increased towards the end of the review period
- Tikkurila's outlook for 2012 is reiterated

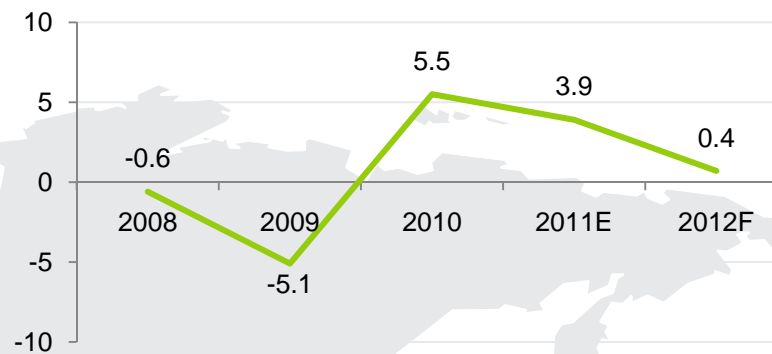


# Development of gross domestic product 2008–2012F, growth-%

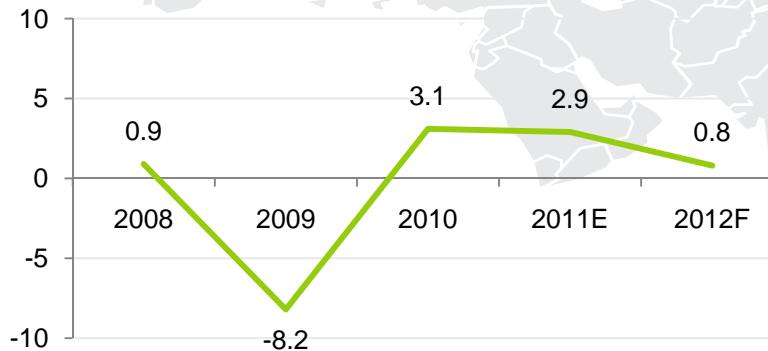
Russia



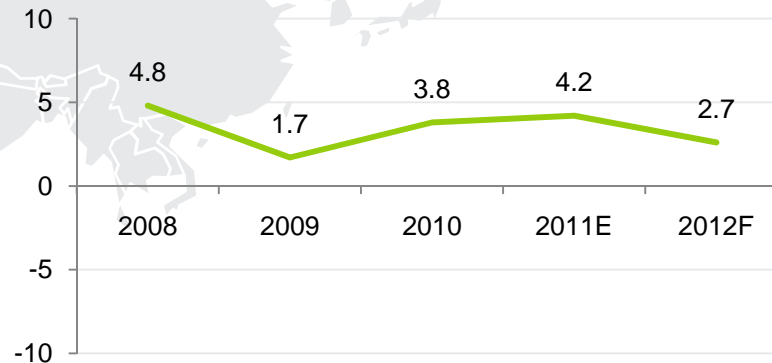
Sweden



Finland



Poland

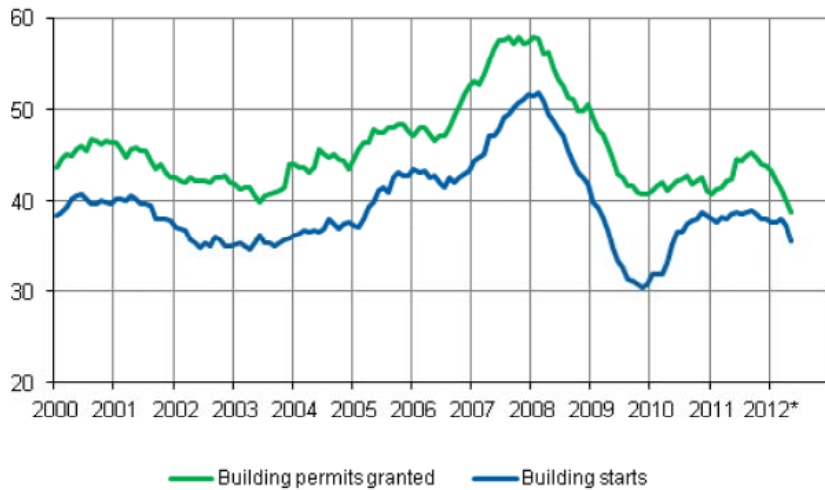


Source: Bank of Finland, Statistics Finland, Eurostat, Citibank



# Volume of Finnish residential building construction has been falling since autumn 2011

## Granted permits and building starts in Finland



mil. m<sup>3</sup>, variable annual sum

## Volume index for Finnish newbuilding



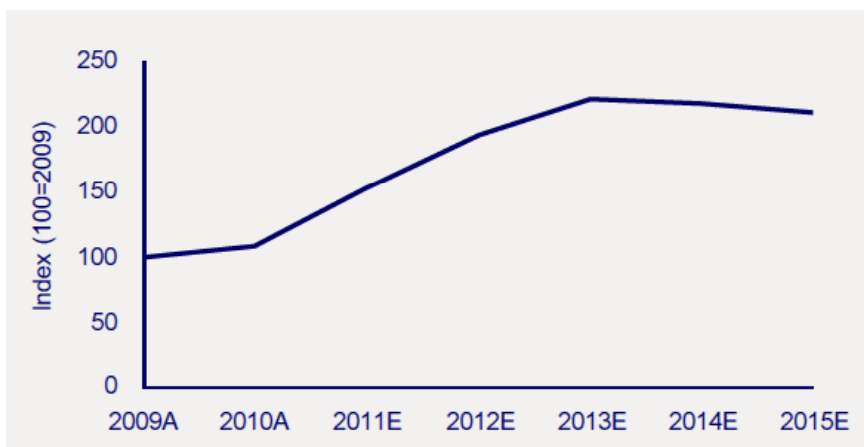
2005=100, trend

- The situation is still fairly good for the construction industry – however, there are some signs of slowing down in many European countries

Source: Statistics Finland, Rosstat

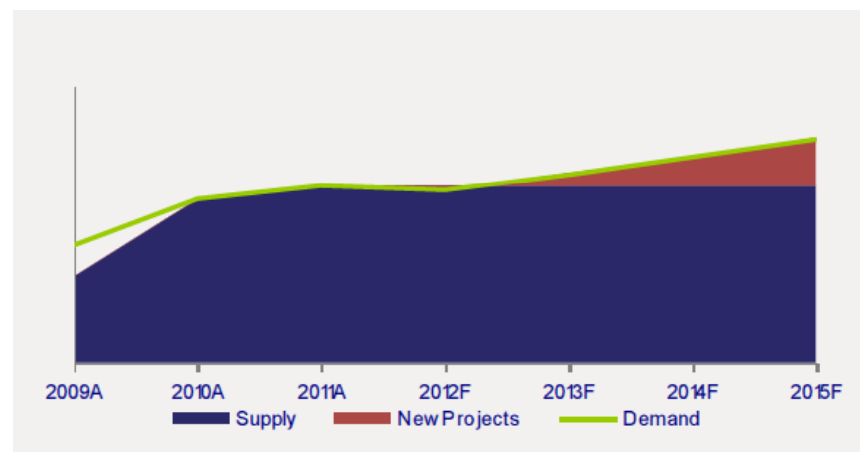
# Price development of TiO<sub>2</sub> seems to be stabilizing

## TiO<sub>2</sub> Pigment Pricing



Source: TZMI Q2 2012 forecast, Tronox

## TiO<sub>2</sub> Supply/Demand Trends



Source: TZMI Q2 2012 forecast, Tronox



# Second quarter highlights



## Teks brand in renewal

- Teks, a strategic brand of Tikkurila, was renewed in Russia, CIS countries and the Baltics in order to strengthen the brand's position



## Services business in Sweden

- Alcro to cooperate with Skanska in construction of the New Karolinska Solna University Hospital outside Stockholm



## Vision shop-in-shop store concept received an honorary mention

- Fennia Prize – Good design grows global competition awarded Vision for innovative and inspiring design in Finland

For further information, please visit [www.tikkurilagroup.com](http://www.tikkurilagroup.com)

A photograph of a person from the waist down, wearing a light pink, flowing dress, walking barefoot on a sandy beach. The person's feet are stepping into the shallow, foamy waves of the ocean. The background is a bright, hazy beach scene with soft sunlight and blurred greenery. The overall mood is serene and peaceful.

**Key financials of  
the review period**

# Review period key figures

Milj. euroa	4-6/2012	4-6/2011	Change %	1-6/2012	1-6/2011	Change %	2011
Revenue	<b>209.5</b>	198.3	5.6%	<b>358.4</b>	332.8	7.7%	643.7
EBIT excluding non-recurring items	<b>34.8</b>	27.5	26.9%	<b>44.9</b>	34.0	32.2%	62.7
EBIT excluding non-recurring items, %	<b>16.6%</b>	13.8%		<b>12.5%</b>	10.2%		9.7%
EBIT	<b>33.3</b>	27.5	21.3%	<b>39.1</b>	34.0	15.0%	61.2
EBIT, %	<b>15.9%</b>	13.8%		<b>10.9%</b>	10.2%		9.5%
EPS, EUR	<b>0.52</b>	0.39	35.2%	<b>0.51</b>	0.42	21.6%	0.80
ROCE, %, rolling	<b>20.6%</b>	18.8%		<b>20.6%</b>	18.8%		19.4%
Cash flow after capital expenditure	<b>-0.7</b>	1.7		<b>-23.5</b>	-26.0	9.6%	13.3
Net interest-bearing debt at period-end				<b>155.2</b>	137.7	12.7%	99.4
Gearing, %				<b>84.0%</b>	77.1%		51.9%
Equity ratio, %				<b>35.0%</b>	34.4%		44.1%
Personnel at period-end				<b>3,555</b>	3,794	-6.3%	3,551

# Non-recurring items by segment

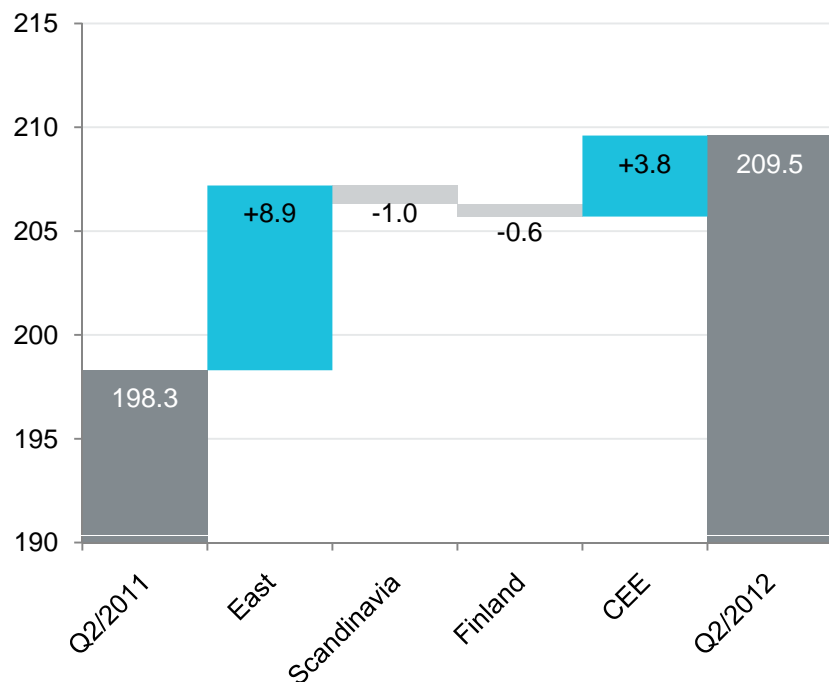
EUR million	SBU East	SBU Scandinavia	SBU Finland	SBU CEE	Tikkurila common	Total 1–6/2012
Personnel related	-0.5	-0.5	-1.9	-0.6	-0.1	<b>-3.6</b>
Divestments	-	-	-	-1.2	-	<b>-1.2</b>
Impairment losses	-1.0	-	-	-	-	<b>-1.0</b>
<b>Total</b>	<b>-1.5</b>	<b>-0.5</b>	<b>-1.9</b>	<b>-1.8</b>	<b>-0.1</b>	<b>-5.9</b>

- Personnel related non-recurring items are related to the efficiency improvement program and restructuring measures under way in the Group
- Divestment related non-recurring items are related to the sale of the subsidiaries in Hungary, Czech Republic, Slovakia and Romania
- Impairment losses are related to a Russian land area and related buildings, which have been put up for sale

# Revenue and operating profit\* by segment Q2/2012 vs. Q2/2011

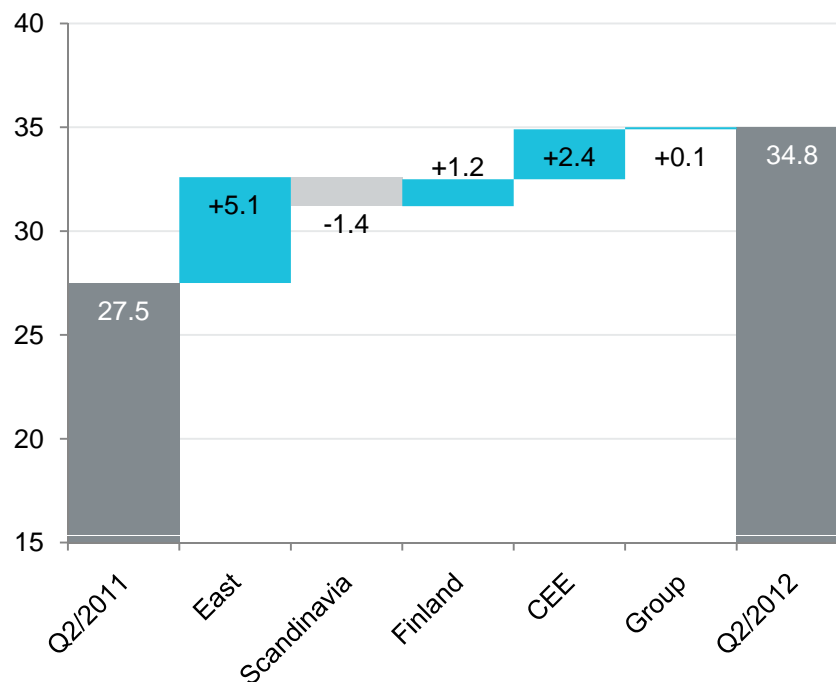
## Revenue change by segment

EUR million



## Operating profit\* change by segment

EUR million



The figures on the graph above have been independently rounded to one decimal, which should be taken into account when calculating total figures.

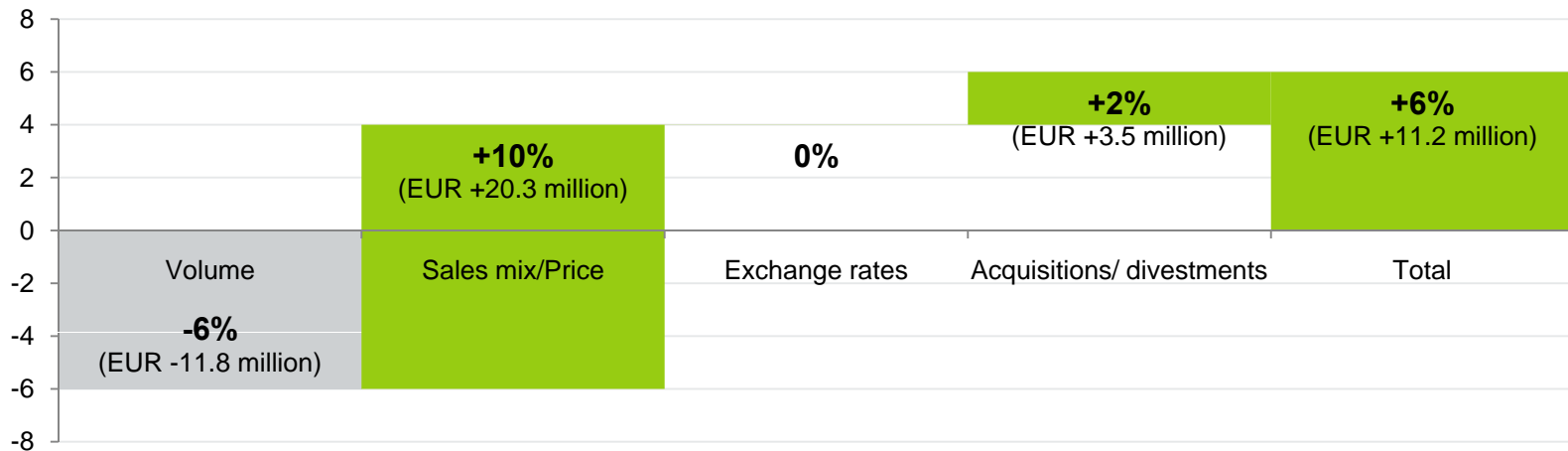
\* Excluding non-recurring items

# Revenue development

EUR million	4–6/2012	4–6/2011	Change %
Revenue	<b>209.5</b>	198.3	5.6%

## Group's revenue development Q2/2012 vs. Q2/2011

Increase/decrease, %



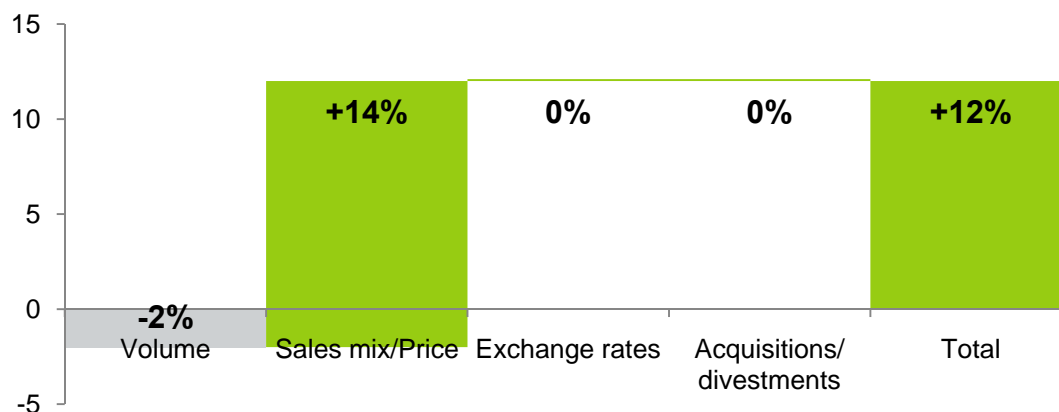
The figures on the graph above have been independently rounded to one decimal, which should be taken into account when calculating total figures.

# SBU East Q2/2012

EUR million	4-6/2012	4-6/2011	Change %
Revenue	<b>82.4</b>	73.5	12.0%
EBIT*	<b>15.3</b>	10.2	50.0%
EBIT*, %	<b>18.6%</b>	13.9%	

## Revenue development Q2/2012 vs. Q2/2011

Increase/decrease, %



\* Excluding non-recurring items

## Q2/2012 highlights

- Revenue grew due to the sales price increases
- Profitability was improved by revenue growth and streamlining of operations
- Economic growth in Russia is slowing down after a good start of the year

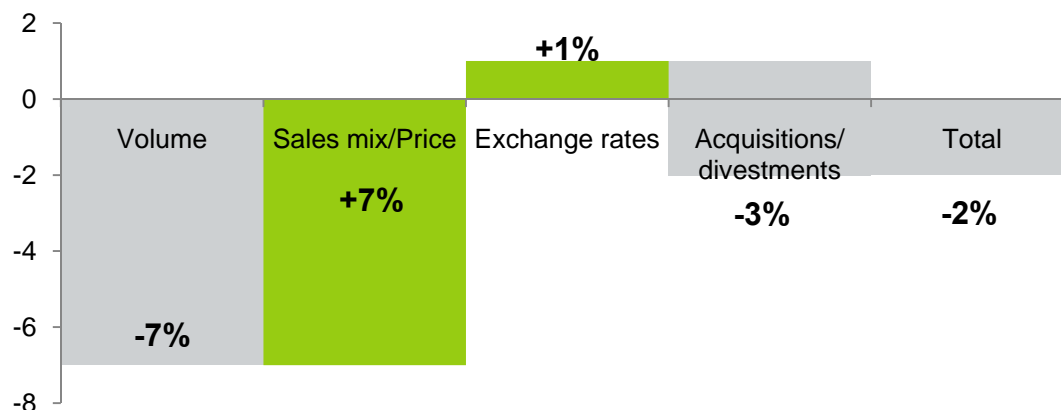


# SBU Scandinavia Q2/2012

EUR million	4-6/2012	4-6/2011	Change %
Revenue	<b>55.9</b>	56.8	-1.7%
EBIT*	<b>8.8</b>	10.2	-13.9%
EBIT*, %	<b>15.7%</b>	18.0%	

## Revenue development Q2/2012 vs. Q2/2011

Increase/decrease, %



\* Excluding non-recurring items

## Q2/2012 highlights

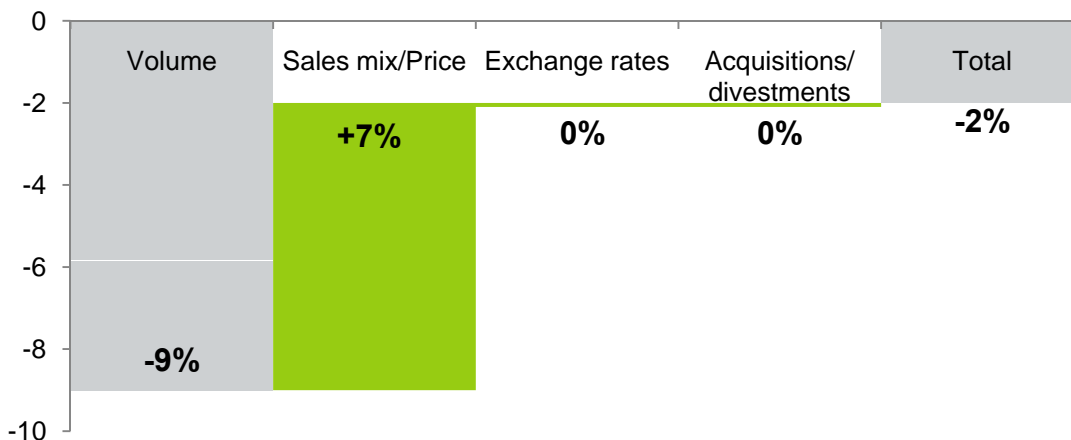
- Sales volumes decreased due to the uncertainty of the economic development and rainy beginning of the summer
- Competitive situation has tightened in Scandinavia
- Reduction in revenue and higher sales promotion expenses weakened the profitability

# SBU Finland Q2/2012

EUR million	4-6/2012	4-6/2011	Change %
Revenue	<b>34.3</b>	34.9	-1.6%
EBIT*	<b>7.0</b>	5.7	21.9%
EBIT*, %	<b>20.2%</b>	16.3%	

## Revenue development Q2/2012 vs. Q2/2011

Increase/decrease, %



\* Excluding non-recurring items

## Q2/2012 highlights

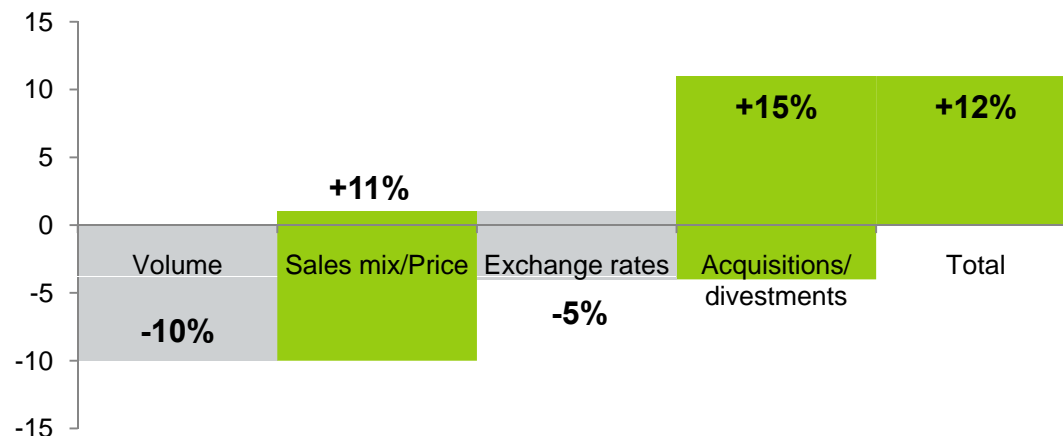
- Economic uncertainty and slowdown in construction weakened sales volumes
- Efficiency improvements and cost saving operations improved profitability
- Consumer confidence took a clear downward turn in summer

# SBU Central Eastern Europe Q2/2012

EUR million	4-6/2012	4-6/2011	Change %
Revenue	<b>36.9</b>	33.0	11.6%
EBIT*	<b>4.5</b>	2.1	113.4%
EBIT*, %	<b>12.3%</b>	6.4%	

## Revenue development Q2/2012 vs. Q2/2011

Increase/decrease, %



## Q2/2012 highlights

- Sales volumes declined, excl. the impact the Tikkurila Zorka acquisition
- Sales price increases and the acquisition of Tikkurila Zorka increased the revenue
- Revenue growth as well as restructuring and cost saving measures clearly improved the profitability

The figures on the graph above have been independently rounded to one decimal, which should be taken into account when calculating total figures.

\* Excluding non-recurring items

A close-up photograph of a person's lower legs and feet. They are wearing a light blue, flowing dress and brown, strappy sandals. They are standing on a wooden deck. The background is a blurred outdoor setting with greenery and a bright light source, possibly the sun, creating a bokeh effect.

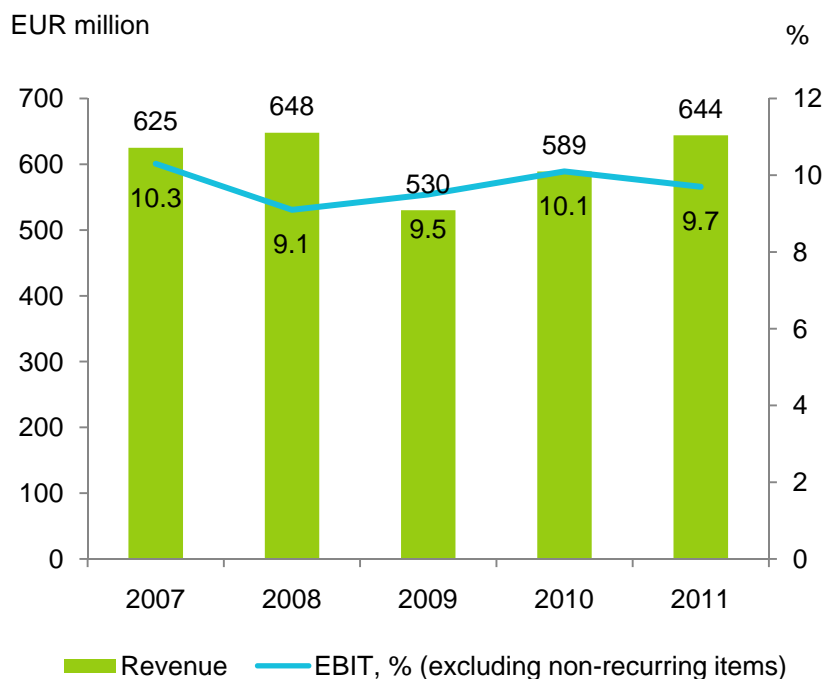
**Summary and  
outlook for 2012**

# Conclusions

- Tikkurila's first half of the year was very strong
- Streamlining and restructuring measures are proceeding as planned and they are improving the result
- Measures in accordance with the strategy will be continued, but they are estimated not to result in significant expenses
- Raw material situation is stabilizing
- Market volatility has all in all increased
- Uncertainty related to the global economic development poses the main near-term challenge

# Outlook for 2012 reiterated

## Revenue and profitability of Tikkurila 2007–2011



## Outlook for 2012

In 2012, the GDP is expected to remain close to the 2011 levels or the GDP growth is expected to be low in the key market areas of Tikkurila. Further raw material cost increases are predicted, even though it is assumed that the raw material and packaging material cost inflation will be clearly lower than in 2011.

**In 2012, Tikkurila expects the revenue growth to exceed the average GDP growth in Tikkurila's main market areas and EBIT in euro to stay at the same level as in 2011.**





**Thank you!**

**TIKKURILA**