

Tikkurila

Interim Report for January–September 2012

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TIKKURILA

Disclaimer

In this presentation, all forward-looking statements in relation to the company or its business are based on the management judgement, 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

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- Key financials of the Strategic Business Units
- Summary and outlook for 2012

A woman with long dark hair, wearing a red floral dress with a brown belt and brown boots, is walking on a dirt path in a forest. She is carrying a brown suitcase in her right hand. The scene is lit with warm, golden light, suggesting late afternoon or early morning. The background consists of tall, thin trees and a dense canopy of leaves.

**Development
during the review
period**

Third quarter highlights

Development Q3/2012 vs. Q3/2011

- Revenue remained at the comparison period level
- Sales volumes decreased in all markets due to increased economic uncertainty
- Operating profit (EBIT) excl. non-recurring items increased slightly from the record level of the comparison period mainly due to streamlining measures
- Exchange rates had a positive impact on the performance (RUB and SEK strengthened against Euro)
- Cash flow improved clearly
- Raw material cost level was clearly higher than in the comparison period, but the price development has stabilized
- Consumer confidence is on a low level and construction is slowing down in all markets
- Tikkurila's outlook for 2012 is reiterated (guidance was updated in September)



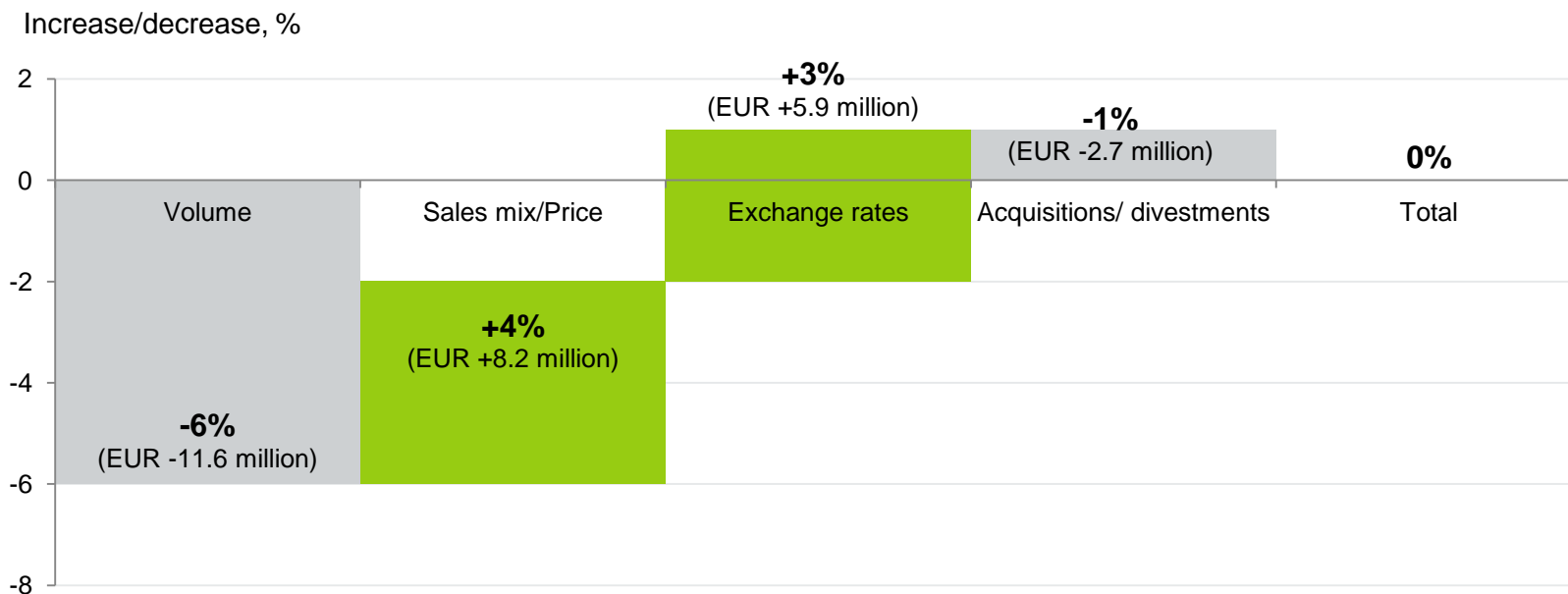
Review period key figures

EUR million	7-9/2012	7-9/2011	Change %	1-9/2012	1-9/2011	Change %	2011
Revenue	191.7	191.8	-0.1%	550.1	524.6	4.8%	643.7
EBIT excluding non-recurring items	32.2	31.0	3.8%	77.1	65.0	18.7%	62.7
EBIT excluding non-recurring items, %	16.8%	16.2%		14.0%	12.4%		9.7%
EBIT	31.4	31.0	1.5%	70.5	65.0	8.5%	61.2
EBIT, %	16.4%	16.2%		12.8%	12.4%		9.5%
EPS, EUR	0.51	0.50	2.8%	1.02	0.92	11.4%	0.80
ROCE, %, rolling	20.9%	20.6%		20.9%	20.6%		19.4%
Cash flow after capital expenditure	64.0	38.5	66.4%	40.5	12.5	224.5%	13.3
Net interest-bearing debt at period-end				89.1	102.7	-13.2%	99.4
Gearing, %				42.1%	53.3%		51.9%
Equity ratio, %				43.6%	41.0%		44.1%
Personnel at period-end				3,358	3,721	-9.8%	3,551

Revenue remained at comparison period level

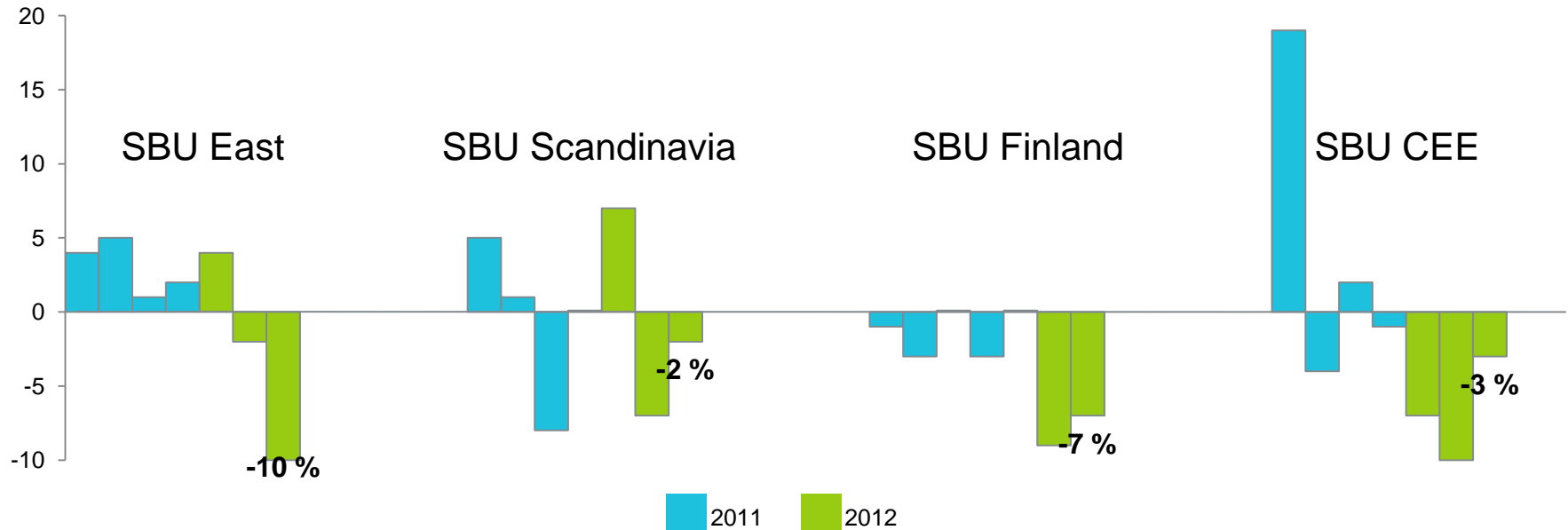
EUR million	7-9/2012	7-9/2011	Change %
Revenue	191.7	191.8	-0.1%

Group's revenue development Q3/2012 vs. Q3/2011



Sales volume development

Quarterly sales volume development, change in %, year-on-year



- Sales volumes declined in all markets from the comparison period due to economic uncertainty
- Volatility has increased in all markets
- Tikkurila's market shares decreased slightly
- Tikkurila aims at increasing its sales volumes and market shares

Cash flow improved clearly

Cash flow statement EUR million	7–9/2012	7–9/2011
Net profit for the period	22.6	22.0
Adjustments	17.2	16.2
Funds from operations before change in net working capital	39.8	38.2
Change in net working capital	35.2	25.3
Interest and financial items	-1.5	-4.2
Income taxes paid	-6.6	-6.3
Total cash flow from operations	66.9	53.0

- Improved cash flow was mainly based on the efficiency boosting actions, as well as on better net working capital development than in the comparison period

New financial targets for 2018

Growth

- Revenue EUR 1 billion

Profitability

- Operative EBIT margin over 12 percent

Return on capital

- Operative return on capital employed (ROCE) over 20 percent

Balance Sheet structure

- Gearing less than 70 percent

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 in the shallow water of a wave, creating white foam. The background is a bright, hazy beach scene with soft sunlight and blurred greenery. The overall mood is serene and peaceful.

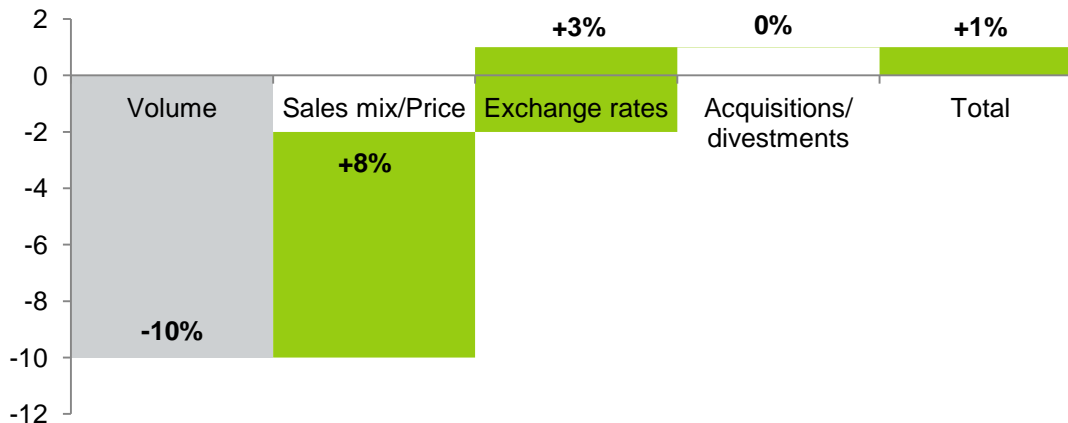
Key financials of the Strategic Business Units

SBU East Q3/2012

EUR million	7-9/2012	7-9/2011	Change %
Revenue	75.6	74.6	1.3%
EBIT*	14.4	14.9	-3.4%
EBIT*, %	19.1%	20.0%	

Revenue development Q3/2012 vs. Q3/2011

Increase/decrease, %



* Excluding non-recurring items

Q3/2012 highlights

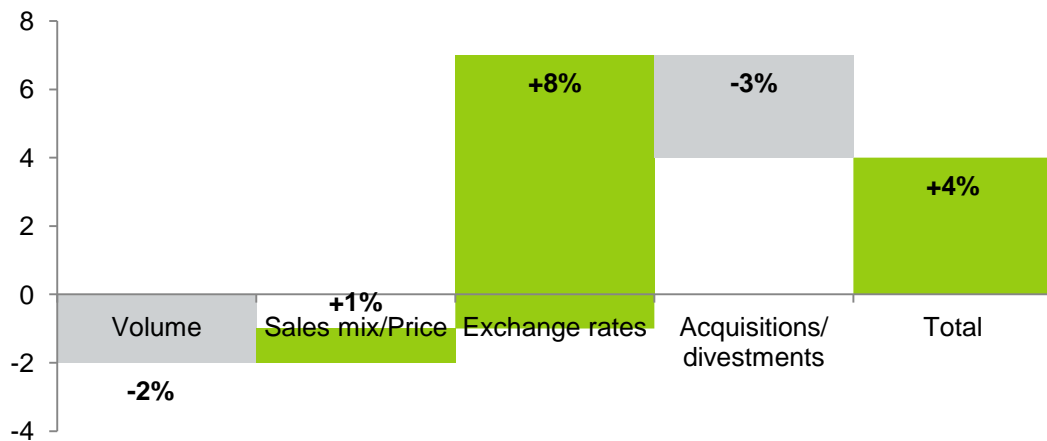
- Deterioration of the market sentiment resulted in a clear demand decline
- Lower price and quality grade paints grew their relative proportion of the total paint demand
- Costs increased due to e.g. higher salary level and marketing expenses

SBU Scandinavia Q3/2012

EUR million	7-9/2012	7-9/2011	Change %
Revenue	52.6	50.5	4.1%
EBIT*	11.2	9.7	15.1%
EBIT*, %	21.2%	19.2%	

Revenue development Q3/2012 vs. Q3/2011

Increase/decrease, %



* Excluding non-recurring items

Q3/2012 highlights

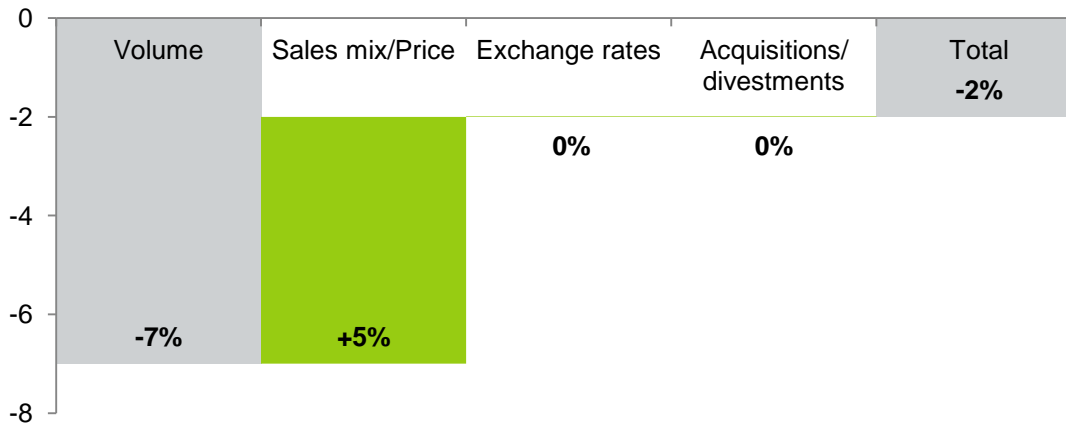
- Exchange rates developed favorably
- Efficiency boosting measures and revenue growth improved relative profitability
- Due to the intensified competitive situation Tikkurila's market share decreased slightly in Sweden in the first year-half

SBU Finland Q3/2012

EUR million	7-9/2012	7-9/2011	Change %
Revenue	26.4	27.0	-2.1%
EBIT*	3.5	3.2	8.6%
EBIT*, %	13.2%	11.9%	

Revenue development Q3/2012 vs. Q3/2011

Increase/decrease, %



* Excluding non-recurring items

Q3/2012 highlights

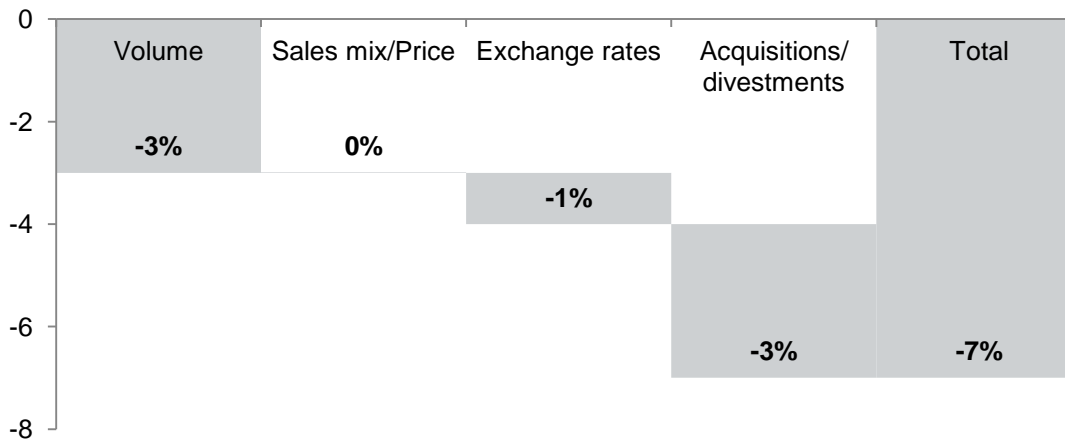
- Weak demand continued as a result of economic uncertainty, slowdown of construction activity and rainy fall
- Efficiency boosting measures improved relative profitability
- Tikkurila's market share decreased slightly in the first year-half

SBU Central Eastern Europe Q3/2012

EUR million	7-9/2012	7-9/2011	Change %
Revenue	37,1	39,7	-6,6 %
EBIT*	3,7	3,3	10,4 %
EBIT*, %	10,0 %	8,4 %	

Revenue development Q3/2012 vs. Q3/2011

Increase/decrease, %



* Excluding non-recurring items

Q3/2012 highlights

- Polish economic situation remained fairly stable
- Demand was still rather weak
- Structural changes and streamlining of operations improved profitability
- Intense competition continued in Poland and Tikkurila's market share declined slightly



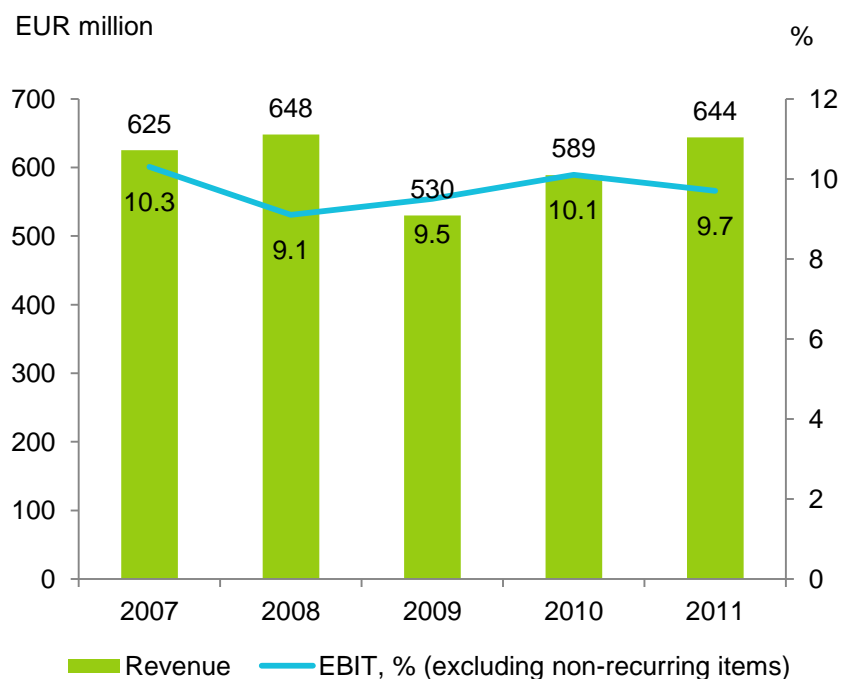
**Conclusions and
outlook for 2012**

Conclusions

- Tikkurila made a good result due to efficiency boosting measures, in particular
- Demand was weak in all key markets
- Cash flow improved clearly
- Going forward, the focus will be on increasing sales volumes and market shares
- 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

Prolonged crisis in the euro region and increased economic uncertainty have weakened consumer confidence in all Tikkurila's key markets. The fact that consumers are growing more cautious is expected to have a negative impact on the general willingness of consumers to make purchases as well as on the demand of Tikkurila's products during the remainder of the year. The stabilization of raw material prices is estimated to continue during the remainder of the year.

Tikkurila expects reported EBIT to exceed EUR 65 million (2011: EUR 61.2 million) and EBIT excluding non-recurring items to exceed EUR 70 million (EUR 62.7 million). Reported revenue is expected to exceed EUR 660 million (EUR 644 million). The estimates include the effect of foreign exchange rate fluctuations.



Thank you!

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