



Tikkurila

Interim Report for January–June 2011

Investors and media



TIKKURILA

Disclaimer

All forward-looking statements in this presentation are based on the management's current expectations and beliefs about future events, and actual results may differ from the expectations and beliefs such statements contain.

Contents

- Tikkurila overview
- Review period – Group highlights
- Review period – Segment highlights
- Outlook
- Appendix

Tikkurila overview



Tikkurila in brief

Tikkurila in a nutshell

Customers:

Consumers, professionals and industry

Market position:

Leading market position in decorative paints in Finland, Sweden, Russia and the Baltic countries, one of the leading in Poland

Market area:

Northern Europe, Central Eastern Europe, Russia and other CIS countries, Ukraine

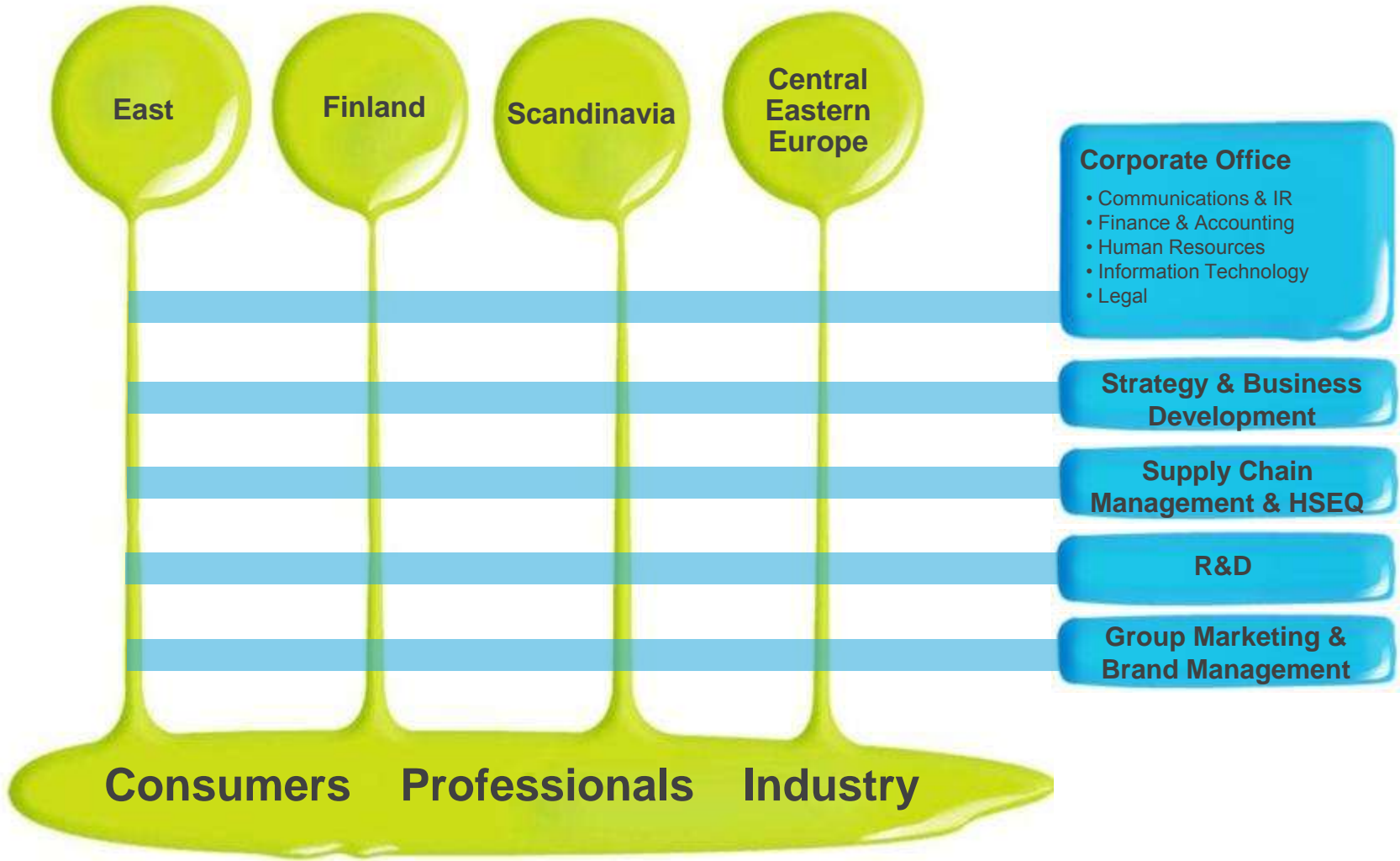
Products and services:

Decorative paints, industrial wood and metal coatings, customer training, comprehensive advisory service (e.g. Customer hotline), Designer and Contractor Pool etc.

Tikkurila's locations



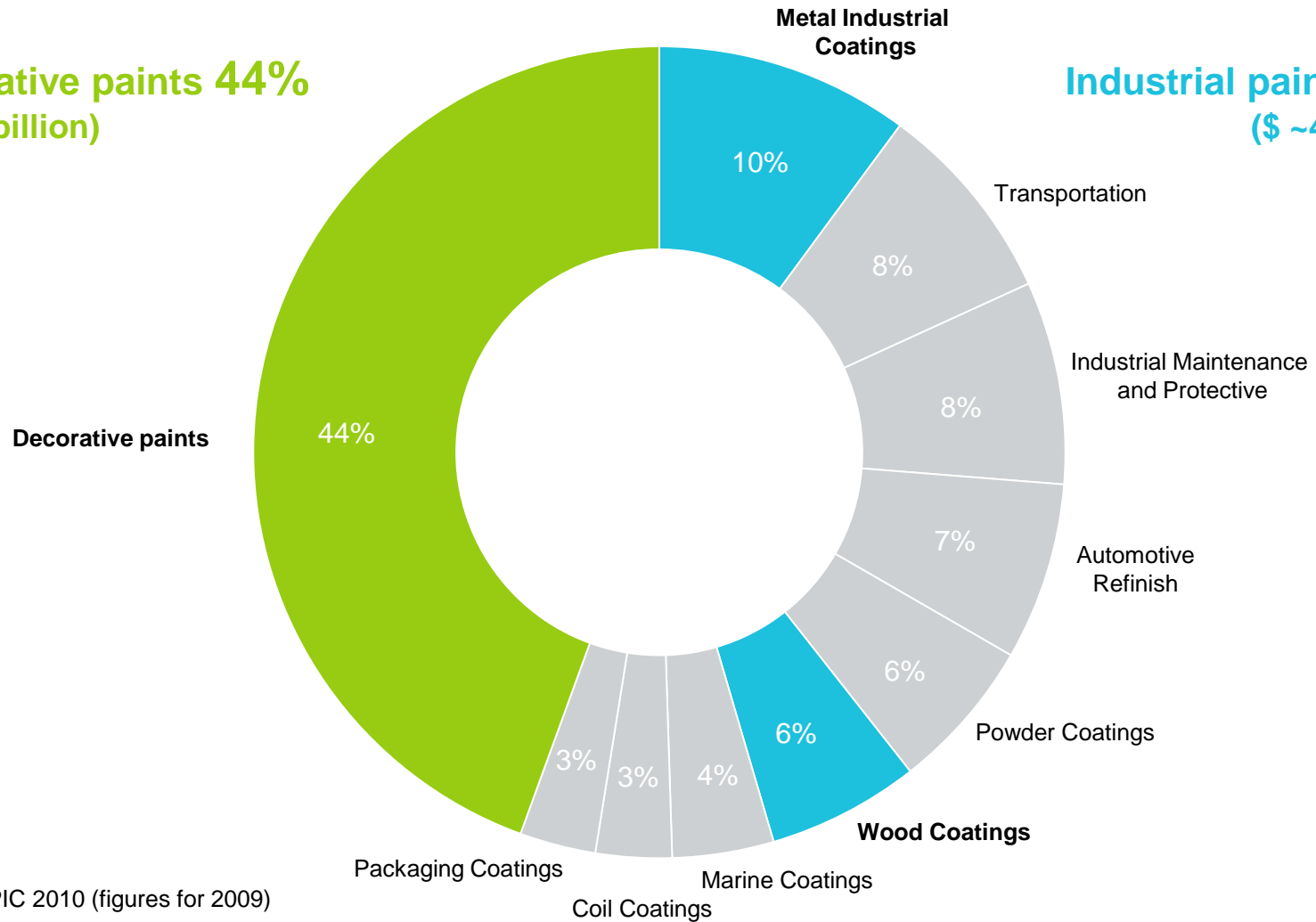
Tikkurila group structure



Value of the global paints and coatings market

Decorative paints 44%
(\$ ~38 billion)

Industrial paints 56%
(\$ ~49 billion)



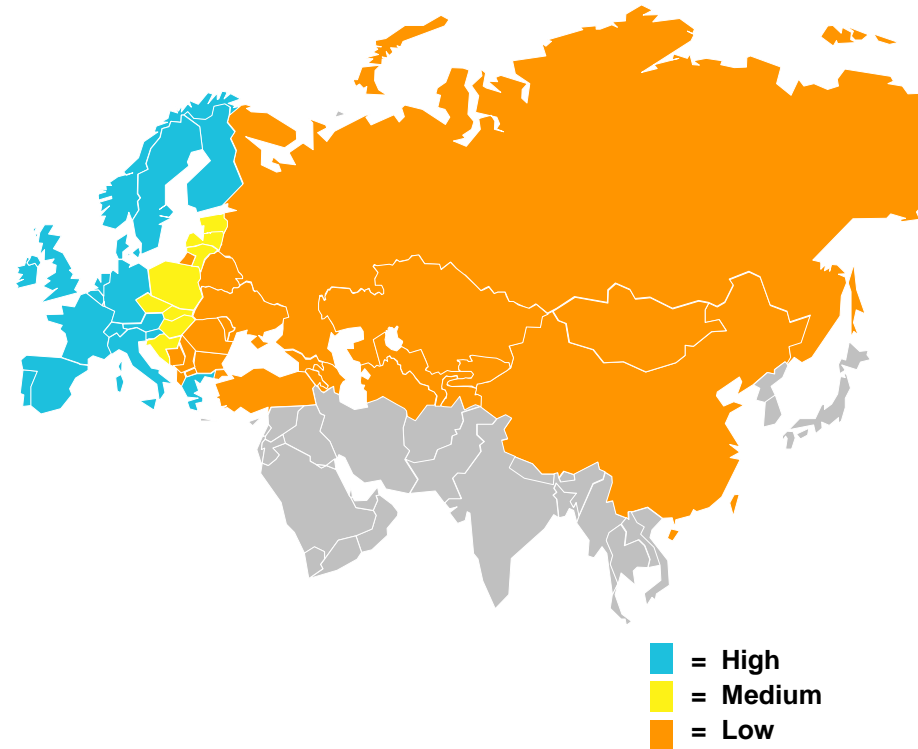
Lähde: IPPIC 2010 (figures for 2009)

Paint consumption and demand structure

Factors impacting paint demand

- Living standards
 - Local habits and painting methods
 - Construction styles and available materials
 - Trends in interior decoration, colors etc.
 - Level of activity in new construction, renovation and industry
 - Functional paints
- Markets in Western Europe mature, growth opportunities in areas with increasing income per household
- Tikkurila has an established presence in areas with expected growth in consumption per capita and increasing demand for premium products

Estimated paint consumption per capita*



* Paint consumption source: Management estimates, IPPIC

Strategic intent:

The leading paint company in the Nordic countries and Eastern Europe, including Russia

Profitable growth

Customer focus

Geographical focus

Strong brands

One unified Tikkurila



trustworthy



innovative



professionals

Profitable growth through focus on selected regional areas

Finland, Sweden and the Baltic States

Strengthening of strong market positions
Innovation of new extensive service concepts

Russia

Strong organic growth
Utilization of service concepts

Central Eastern Europe & other markets

Organic growth
Possible acquisitions

Ukraine, Belarus, Central Asia, China

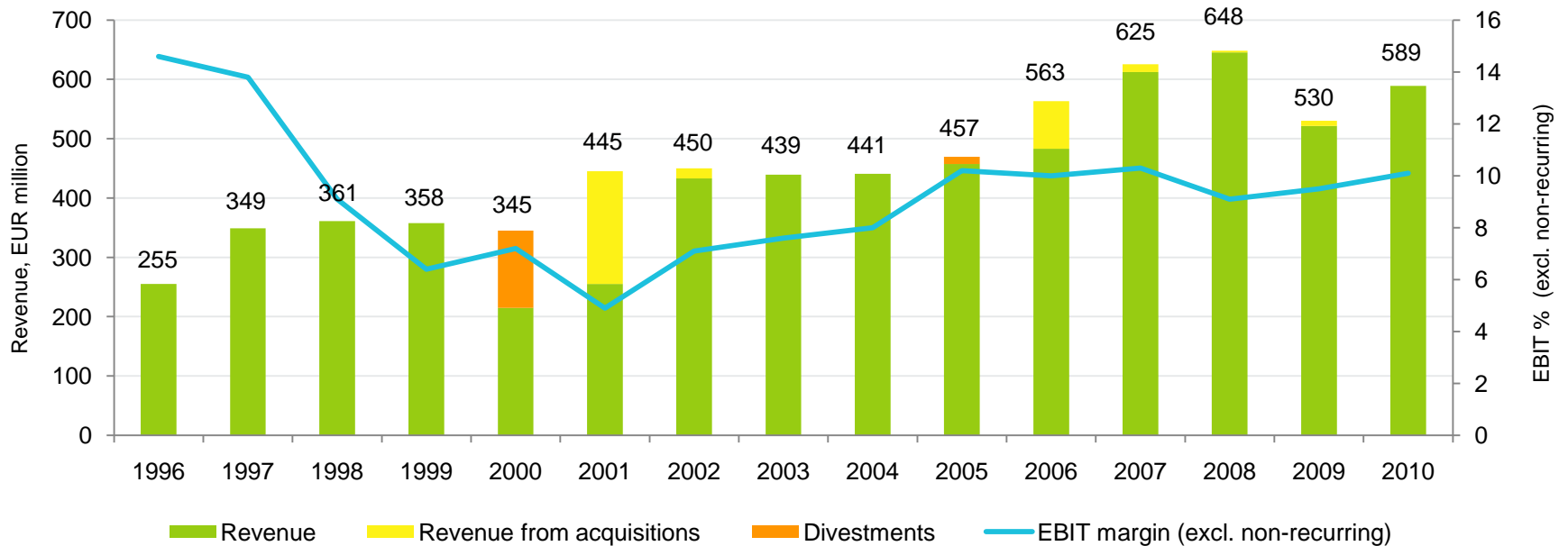
Growth through differentiation
Substantial long term growth potential

Long term financial development

Development of sales and profitability 1996–2010

Major acquisitions and divestments

Sale of tinting business in 2000 (Revenue ~MEUR 130)	Acquisition of Alcro-Beckers in 2001 (Revenue ~MEUR 190)	Acquisition of Kraski Tekes in 2006 (Revenue ~MEUR 80)	Acquisition of Gamma and Ohtek in 2007 (Revenue ~MEUR 11)
---	---	---	--



Strong and well-established brands

Strategic brands



"High end" (premium),



"High end" (premium),



"Medium",



"Economy",

Local brands



Large majority of sales from strategic brands

Deep partnerships with retailers are of crucial importance

- Creating added value to consumers
- The strongest brands
- Marketing support
- Active product and service development
- Training for retailers' personnel
- Developing the category together with the retailers



Service concepts and tinting technology



Inspiration



Ideas



Colors



Stores



Designer Pool



Contractor Pool



Internet

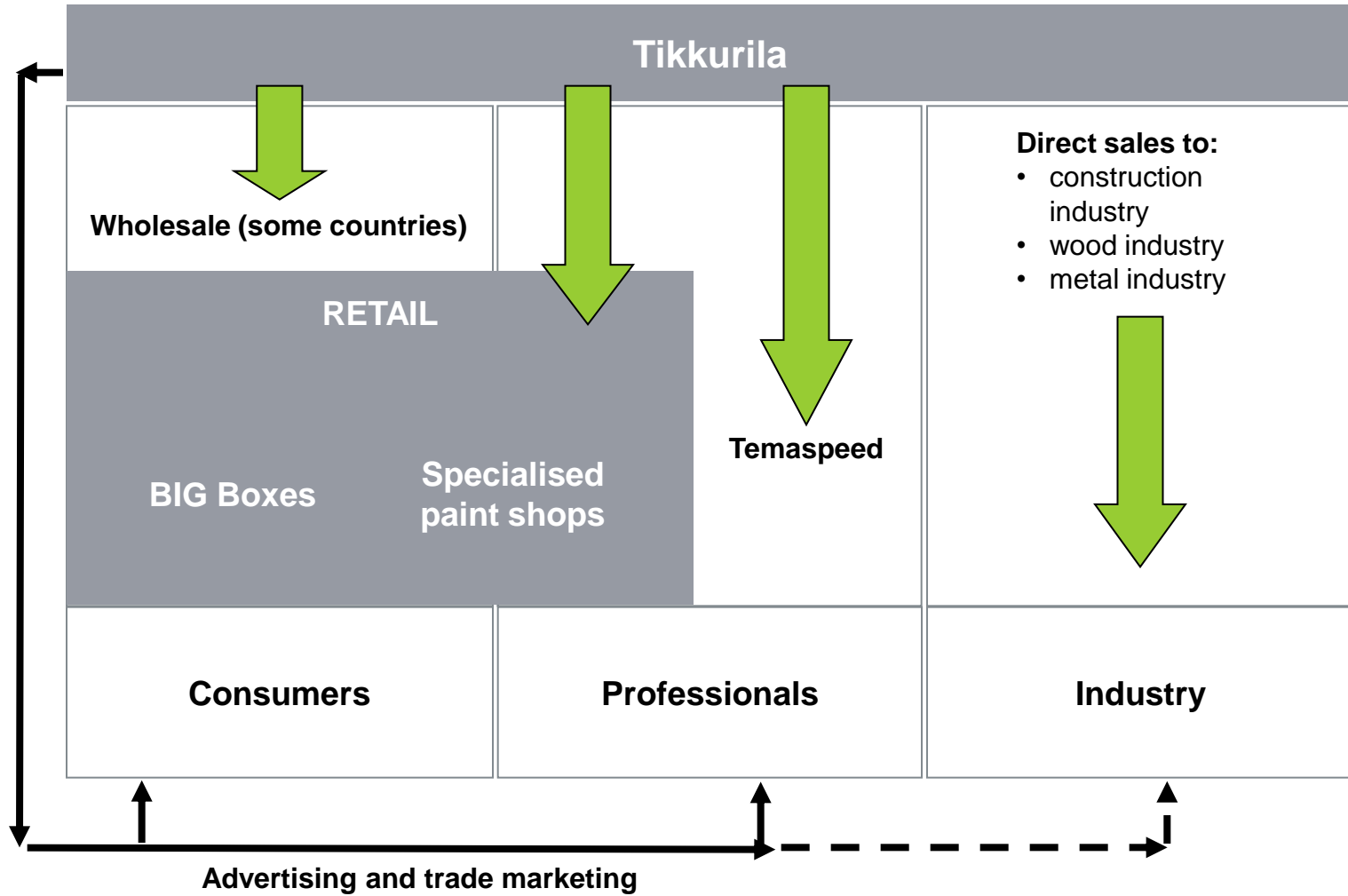


Helpline

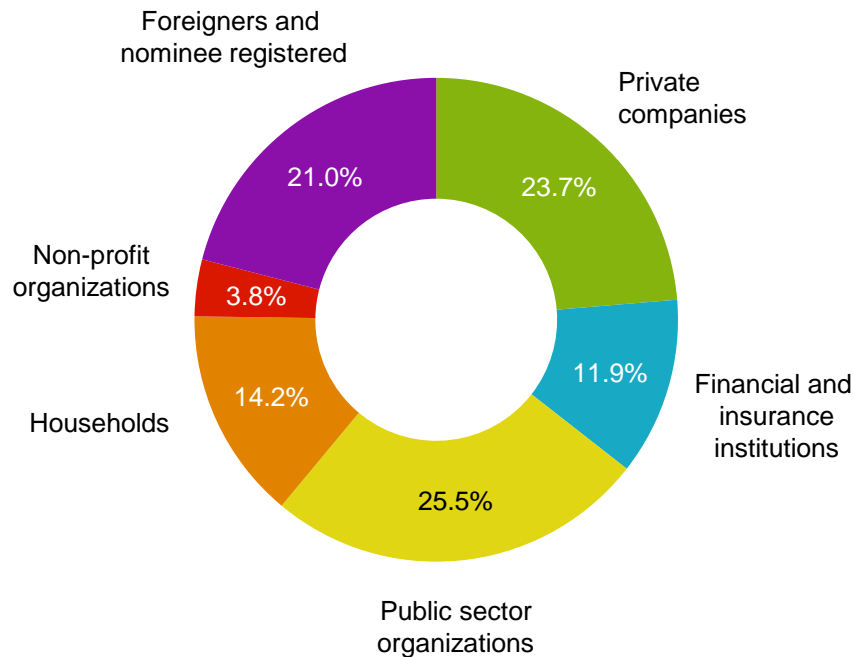


Training

Distribution channels



Tikkurila's ownership structure on July 31, 2011



- Number of shareholders ~24,000
- Largest shareholders Oras Invest Oy (18.1%), Ilmarinen (9.4%) and Varma (8.6%)
- 50 largest shareholders holding over 60%
- ~94% of shareholders holding max 1,000 shares
- Foreigners and nominee registered ownership ~21%
- On August 5, 2011, Ilmarinen's holding in Tikkurila increased to 10.1%
- On August 10, 2011, Orkla's holding in Tikkurila increased to 6.2%

Financial targets

Tikkurila has set the following financial targets in 2010 for medium term

- An annual organic revenue growth of > 5%
- Operating EBIT > 10%
- ROCE %: continuous improvement
- Gearing < 100%
- Dividend policy: Target is to pay at least 40 % of annual operative net income as dividends

	Historical performance						Target
	2005	2006	2007	2008	2009	2010	
Organic growth, % ¹	7%	6%	9%	3%	-20%	11%	> 5%
EBIT, % ²	10.3%	9.9%	10.3%	9.1%	9.5%	10.1%	> 10%
ROCE	20.2%	23.7%	24.5%	18.7%	15.7%	19.2%	Continuous improvement
Gearing	315.4%	220.3%	135.3%	208.5%	90.0%	41.4%	< 100 %

1) Organic growth calculated based on reported net revenue and reported acquisitions and divestments

2) Excluding non-recurring items

Review period – Group highlights



Highlights of Q2/2011

- Revenue increased by 8.7% in comparison to the corresponding period last year
 - Brisk growth in the East, Finland did not meet the expectations
- Operating profit decreased by 3.2%
 - Due to wide-reaching cost inflation
 - Prices of the key raw materials approximately 20% higher
- Challenges related to raw material prices and availability estimated to continue
- Outlook for 2011 reiterated
- Financial uncertainty has gained momentum, making it more difficult to forecast the development during the rest of the year



Operating environment and market position

General development of the market areas in 2011

- Economic development in Tikkurila's key market areas was fairly favorable, although general uncertainty increased
- Consumer confidence improved in Russia and Poland, but declined in Finland and Sweden
- Construction grew in Finland, Sweden, and Poland, development continued to be slow in Russia
- High inflation remains a challenge in both developed and developing markets

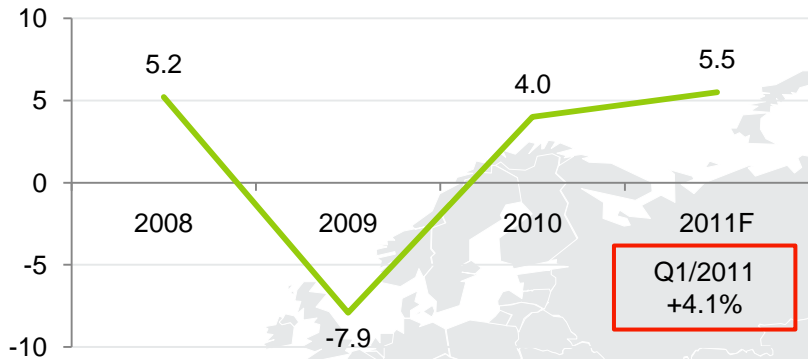
Tikkurila's market positions*



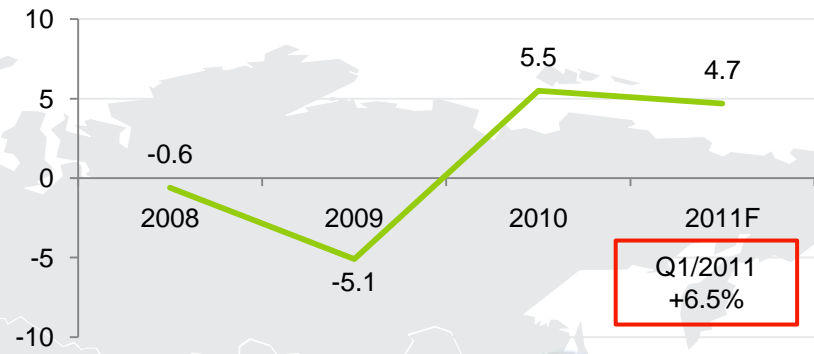
* Decorative paints

Development of gross domestic product 2008–2011F, growth-%

Russia



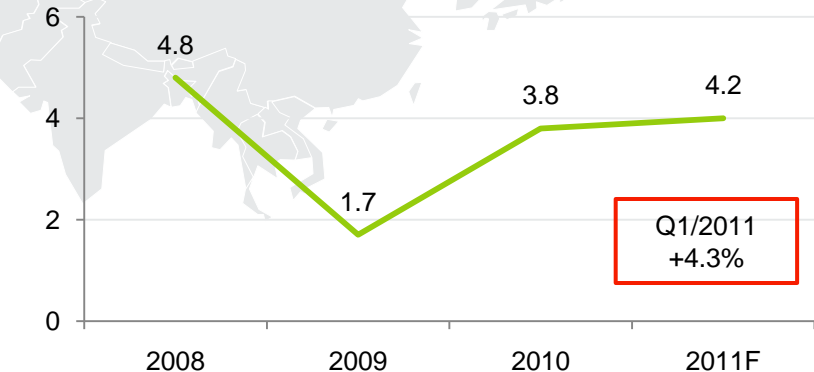
Sweden



Finland



Poland

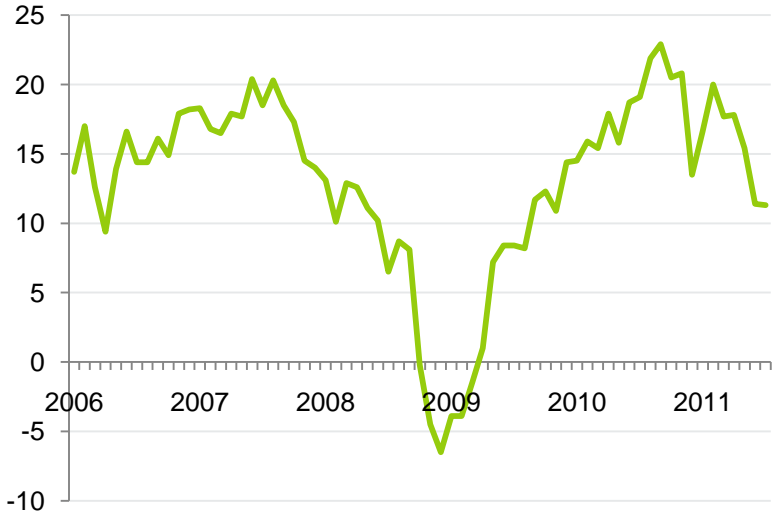


Source: BOFIT, European Commission, Statistics Finland and Sweden, Etl, Bank of Finland, EIU

Consumer confidence declined in Finland and Sweden, improved in Russia and Poland

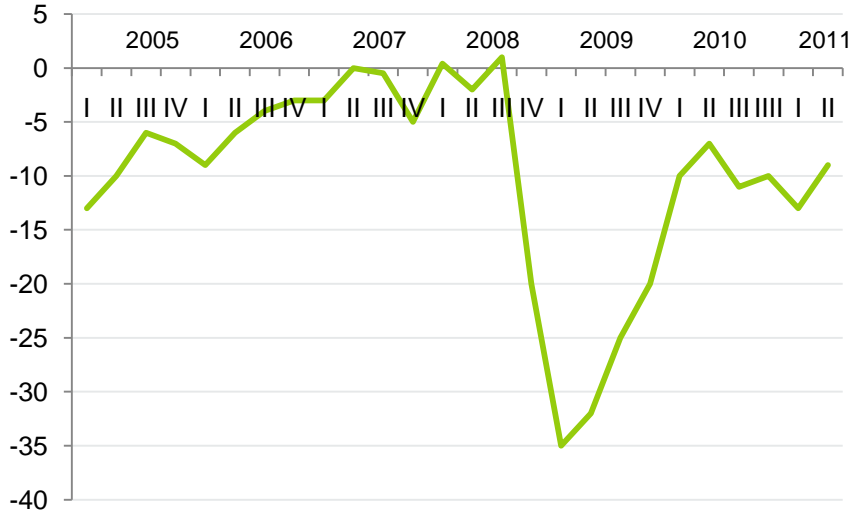
Consumer confidence in Finland

Balance figure



Consumer confidence in Russia

%



Source: Statistics Finland, Rosstat

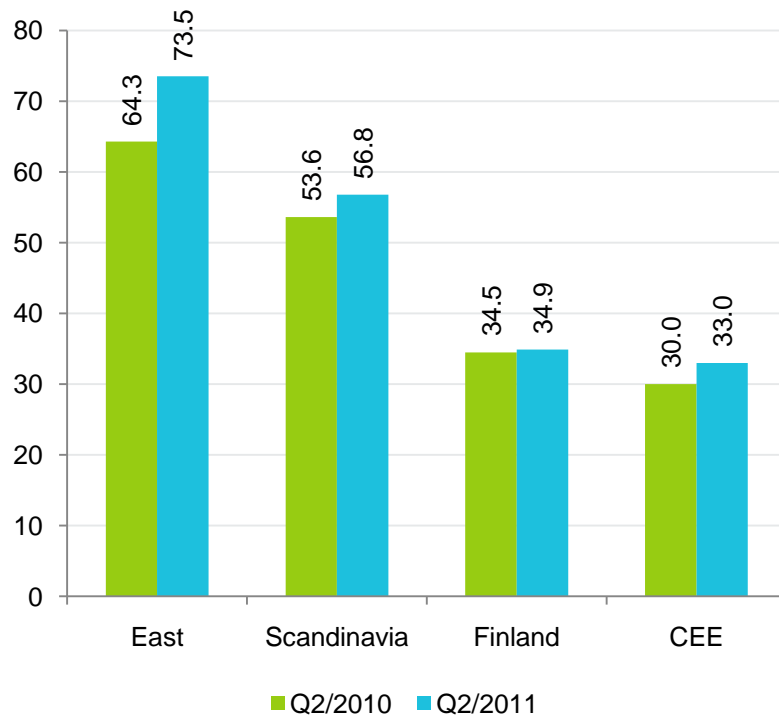
Key figures of the review period

EUR million	4-6/2011	4-6/2010	Change %	1-6/2011	1-6/2010	Change %	2010
Revenue	198.3	182.5	8.7%	332.8	301.8	10.3%	588.6
EBIT excluding non-recurring items	27.5	28.4	-3.2%	34.0	35.9	-5.2%	59.7
EBIT excluding non-recurring items, %	13.8%	15.5%		10.2%	11.9%		10.1%
EBIT	27.5	29.1	-5.5%	34.0	36.6	-7.0%	60.8
EBIT, %	13.8%	15.9%		10.2%	12.1%		10.3%
EPS*, EUR	0.39	0.46	-17.0%	0.42	0.55	-23.2%	0.83
ROCE, % p.a.	18.8%	18.5%		18.8%	18.5%		19.2%
Cash flow after capital expenditure	1.7	5.1	-67.2%	-26.0	-25.0	-3.8%	51.4
Net interest-bearing debt at period-end				137.7	155.3	-11.3%	78.6
Gearing, %				77.1%	87.0%		41.4%
Equity ratio, %				34.4%	34.2%		41.1%
Personnel at period-end				3,794	3,946	-3.8%	3,468

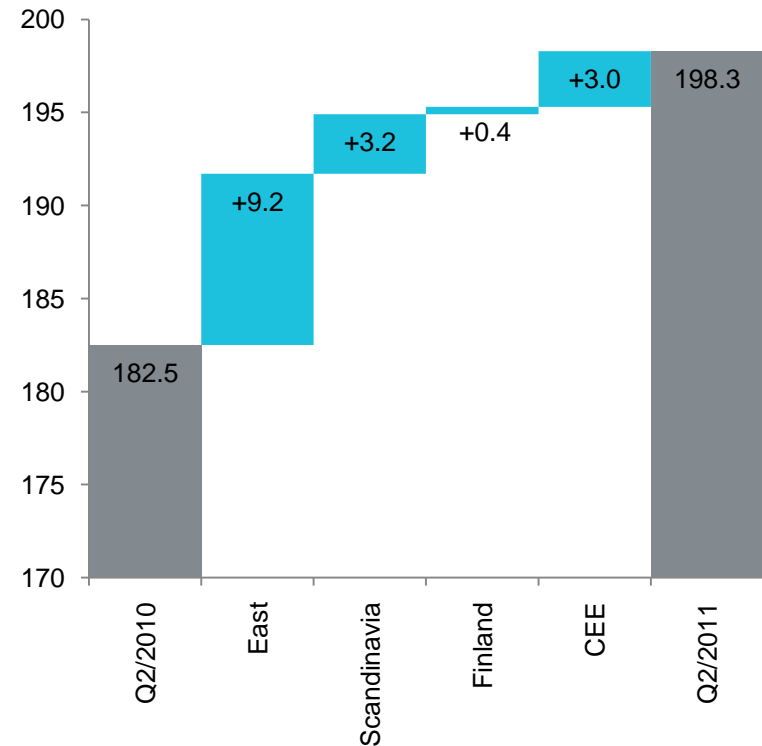
* Calculated by using the amount of outstanding shares of 44,108,252.

Revenue development by segment Q2/2010 vs. Q2/2011

EUR million

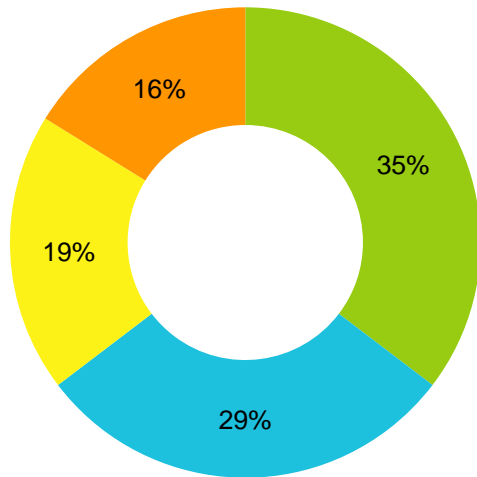


EUR million

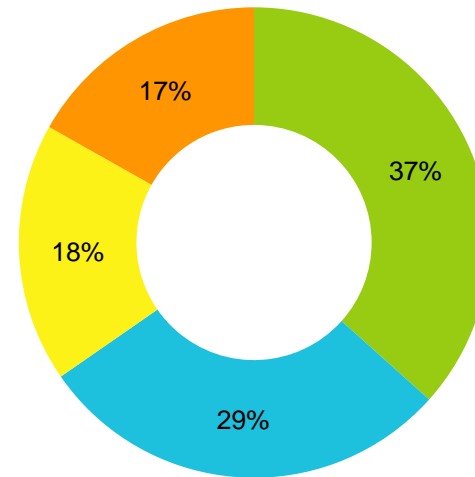


Revenue by segment (SBU) Q2/2010 vs. Q2/2011

Q2/2010 total revenue EUR 182.5 million



Q2/2011 total revenue EUR 198.3 million



- East
- Scandinavia
- Finland
- CEE

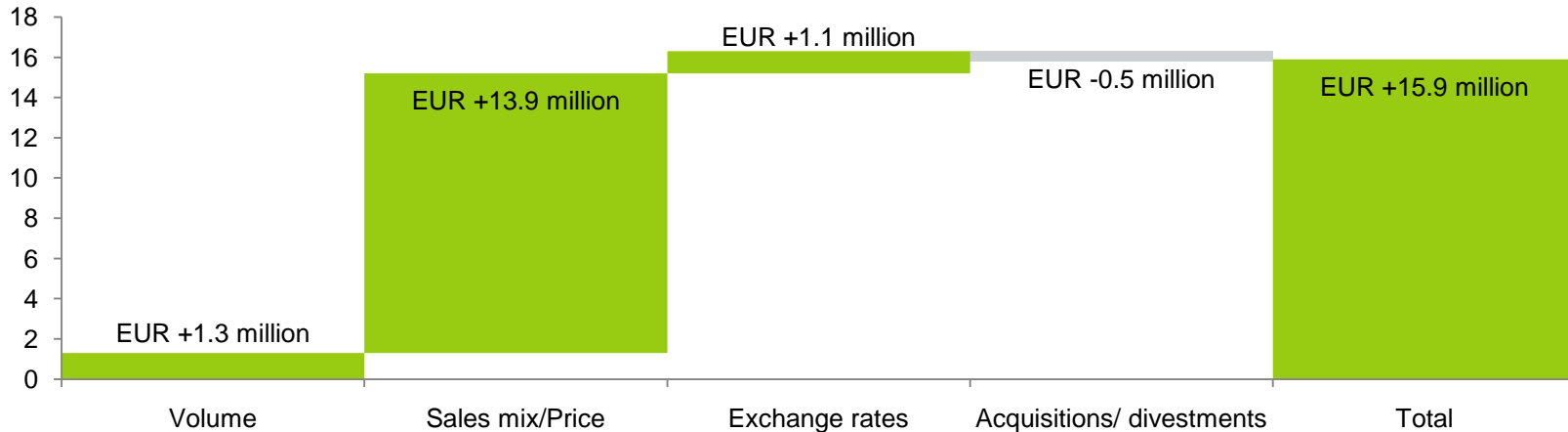
Decorative paints accounted for 86% of revenue in Q2/2010 and Q2/2011.

Revenue development

EUR million	4-6/2011	4-6/2010	Change %	2010
Revenue	198.3	182.5	8.7%	588.6

Different factors impacting revenue development, Q2/2010 vs. Q2/2011

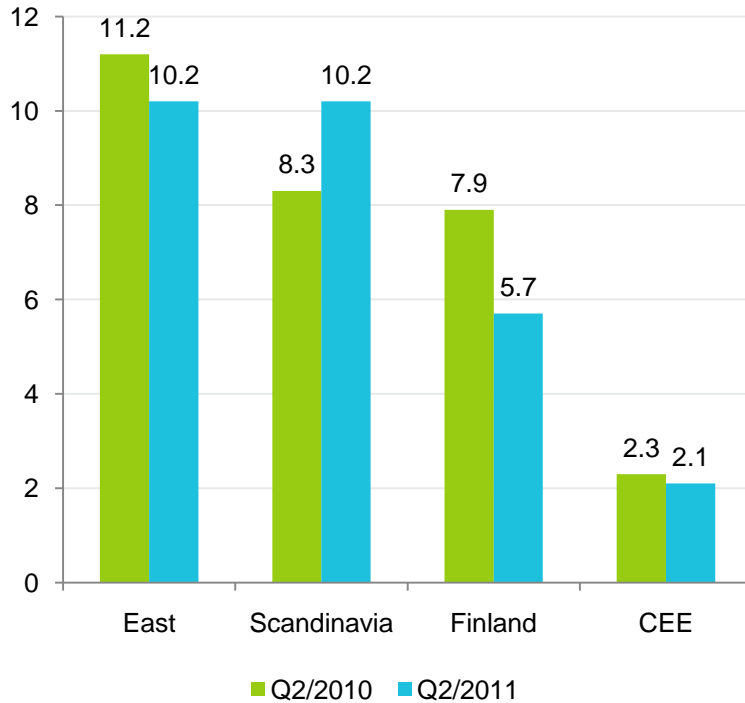
Increase/decrease, EUR million



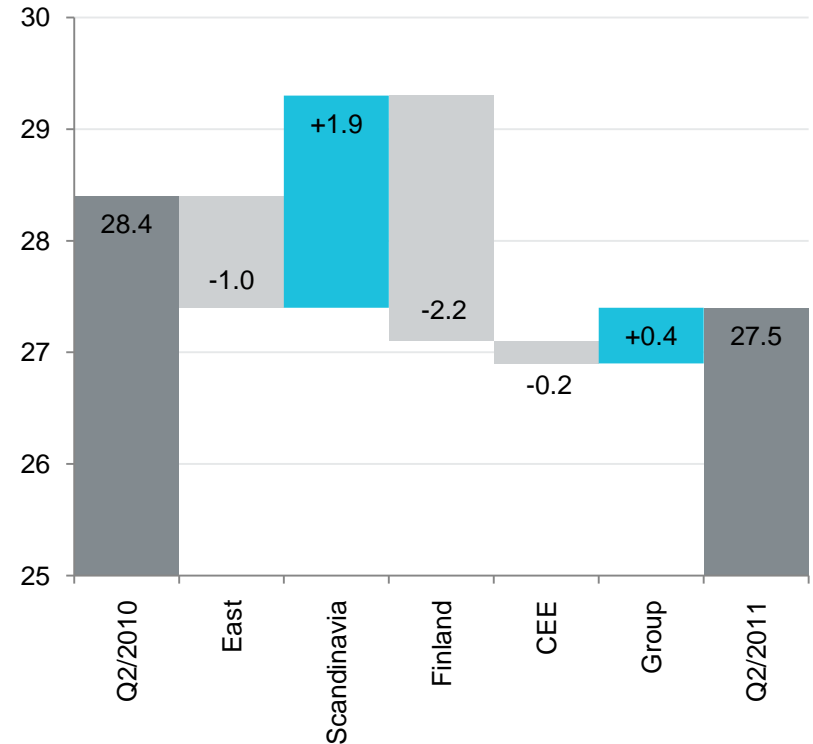
The figures on the graph above have been independently rounded to one decimal, which should be taken into account when calculating total figures.

EBIT* development by segment (SBU) Q2/2010 vs. Q2/2011

EUR million



EUR million

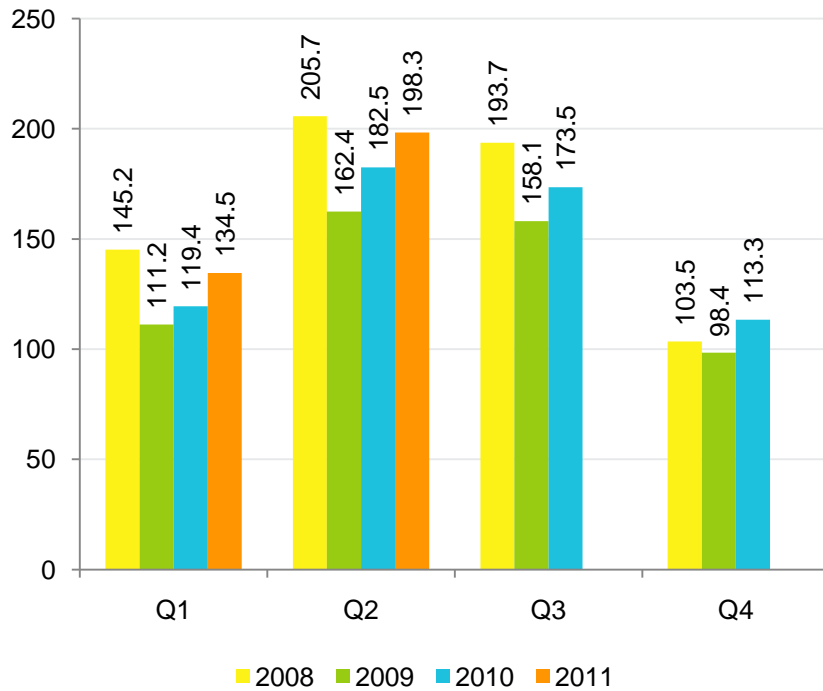


* Excluding non-recurring items

Seasonality

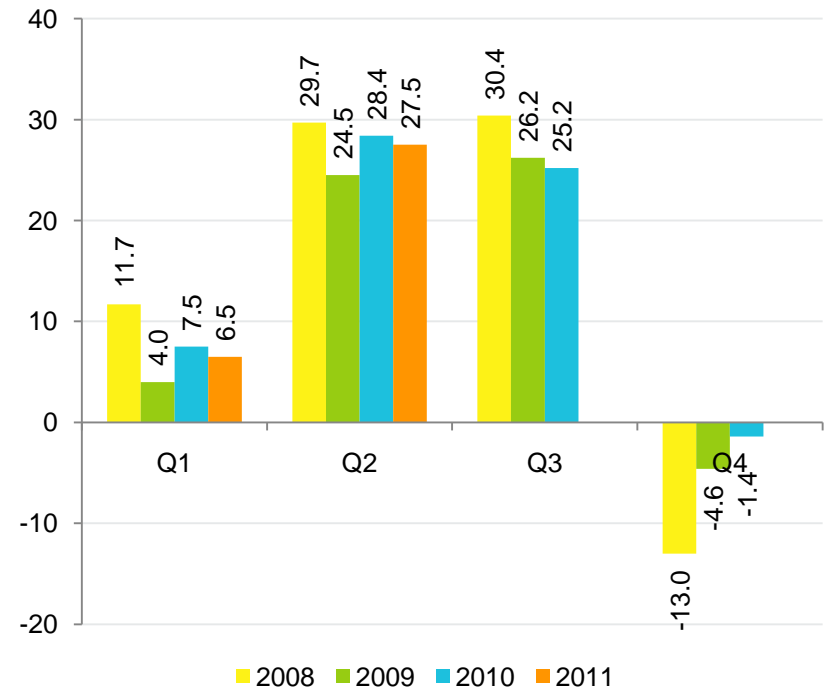
Revenue by quarter 2008–2011

EUR million



EBIT* by quarter 2008–2011

EUR million



* Excluding non-recurring items

Tikkurila's Valtti donated money to forest conservation

- Tikkurila celebrated Valtti's 60th anniversary by donating EUR 0.60 on every 9-liter can of Valtti Color sold in Finland between January 1–June 24, 2011, to Luonto-Liitto to the conservation of old-growth forests



For further information, please visit www.tikkurila.fi

New environmental labels

- Tikkurila's products were awarded five new Nordic Swan ecolabels in Scandinavia
- Tikkurila has the largest number of ecolabeled decorative paints in Scandinavia



For further information, please visit www.alcro.se/miljo

Launched in spring: Yki Aitokivi, a stone coating for outer surfaces

- Coating with crushed natural stone for outer surfaces and plinths
- Ready-made basic colors derived from the Finnish nature: red granite, black gabro, grey granite, and pale limestone
- The product can also be tinted
- Reception for the product has been good and a patent application has been filed





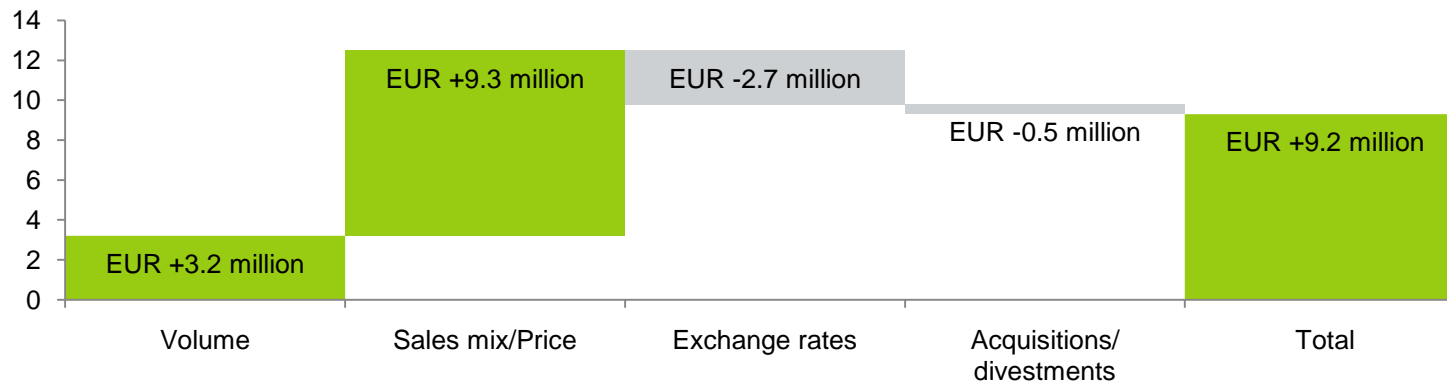
Review period – Group highlights

SBU East Q2/2011

EUR million	4-6/2011	4-6/2010	Change %	1-6/2011	1-6/2010	Change %	2010
Revenue	73.5	64.3	14.3%	106.3	92.7	14.7%	194.5
EBIT*	10.2	11.2	-8.9%	8.7	11.2	-21.8%	22.7
EBIT*, %	13.9%	17.4%		8.2%	12.0%		11.6%
Capital expenditure excl. acquisitions	0.9	1.2	-19.8%	1.5	1.8	-19.0%	4.5

Different factors impacting the revenue development of SBU East, Q2/2011 vs. Q2/2010

Increase/decrease, EUR million



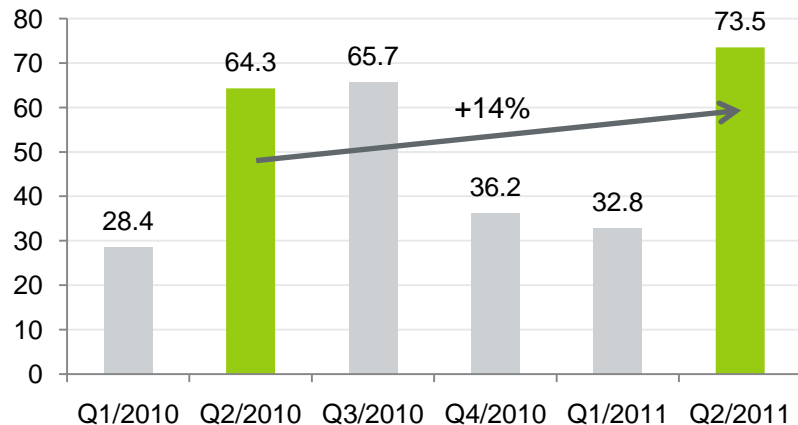
The figures on the graph above have been independently rounded to one decimal, which should be taken into account when calculating total figures.

* Excluding non-recurring items

SBU East Q2/2011

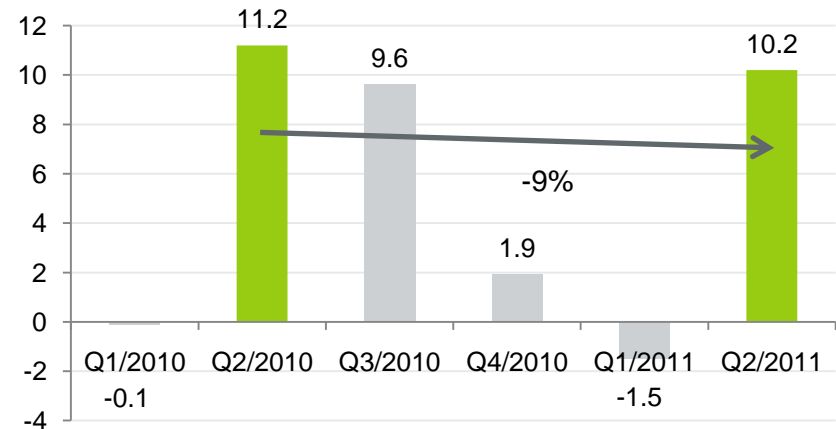
Revenue by quarter Q1/2010–Q2/2011

EUR million



EBIT* by quarter Q1/2010–Q2/2011

EUR million



Key issues in Q2/2011

- Sales prices were increased in June
- Profitability was weakened by general cost inflation and higher level of salary expenses
- Tikkurila continued investing in brand building and sales promotion

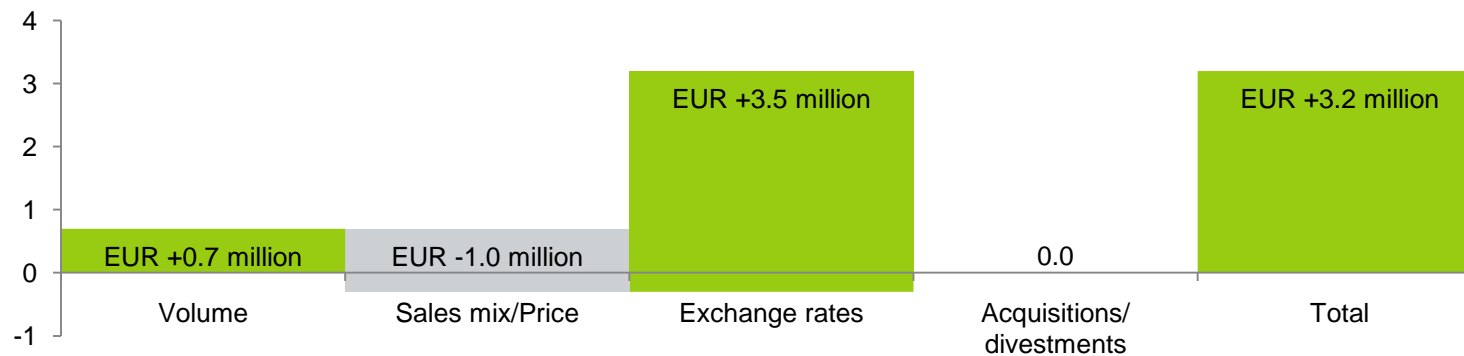
* Excluding non-recurring items

SBU Scandinavia Q2/2011

EUR million	4-6/2011	4-6/2010	Change %	1-6/2011	1-6/2010	Change %	2010
Revenue	56.8	53.6	6.0%	103.5	93.5	10.7 %	181.8
EBIT*	10.2	8.3	23.3%	15.0	11.2	33.4%	21.3
EBIT*, %	18.0%	15.4%		14.5%	12.0%		11.7%
Capital expenditure excl. acquisitions	1.0	0.6	66.3%	1.2	1.0	19.4%	2.3

Different factors impacting the revenue development of SBU Scandinavia, Q2/2011 vs. Q2/2010

Increase/decrease, EUR million

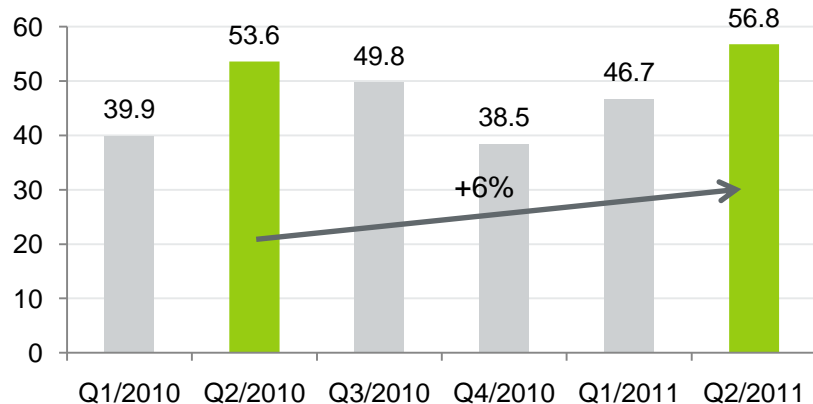


* Excluding non-recurring items

SBU Scandinavia Q2/2011

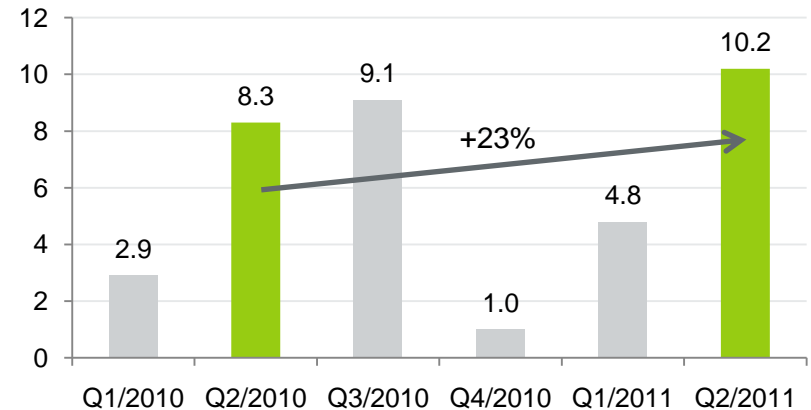
Revenue by quarter Q1/2010–Q2/2011

EUR million



EBIT* by quarter Q1/2010–Q2/2011

EUR million



Key issues in Q2/2011

- Higher productivity of Nykvarn site in Sweden and effective management of fixed costs improved the relative profitability
- Growth of the Swedish economy showed some signs of weakening
- Consumer confidence declined in Sweden

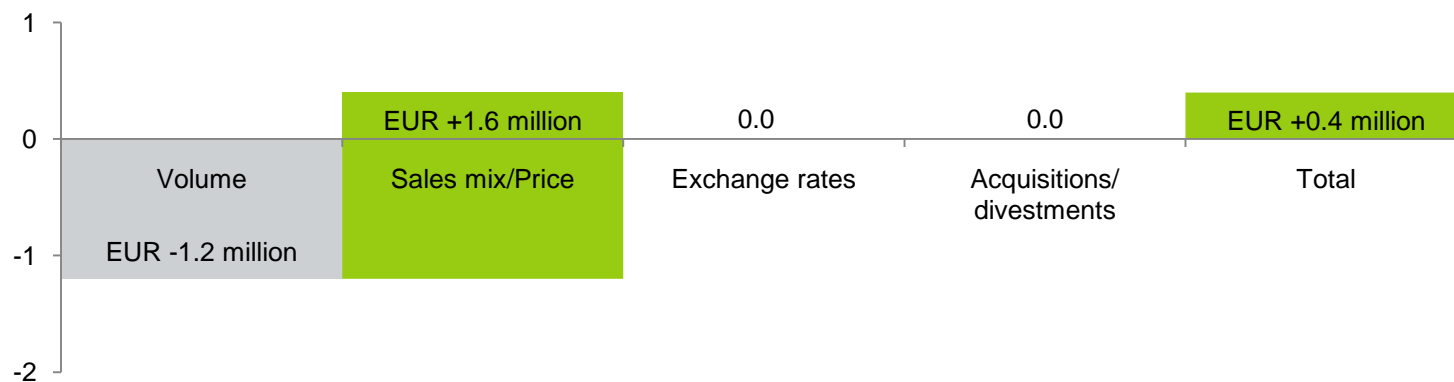
* Excluding non-recurring items

SBU Finland Q2/2011

EUR million	4-6/2011	4-6/2010	Change %	1-6/2011	1-6/2010	Change %	2010
Revenue	34.9	34.5	1.2%	64.5	63.7	1.2%	107.2
EBIT*	5.7	7.9	-27.5%	9.4	12.7	-25.8%	13.6
EBIT*, %	16.3%	22.8%		14.6%	19.9%		12.7%
Capital expenditure excl. acquisitions	0.5	0.7	-19.0%	1.3	1.2	7.1%	2.2

Different factors impacting the revenue development of SBU Finland, Q2/2011 vs. Q2/2010

Increase/decrease, EUR million

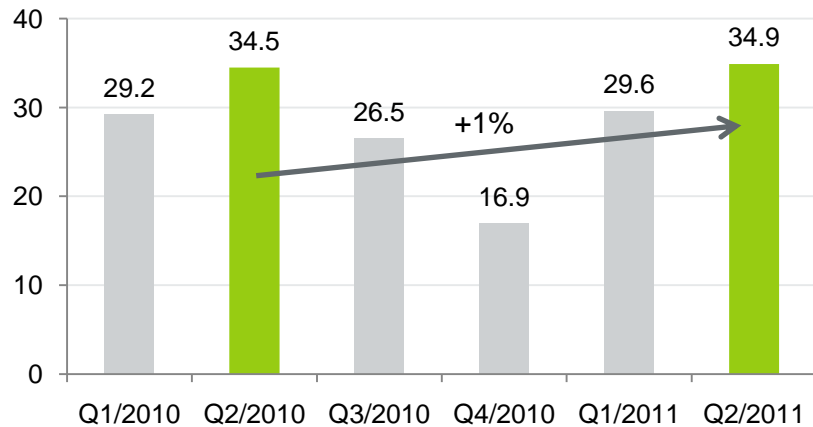


* Excluding non-recurring items

SBU Finland Q2/2011

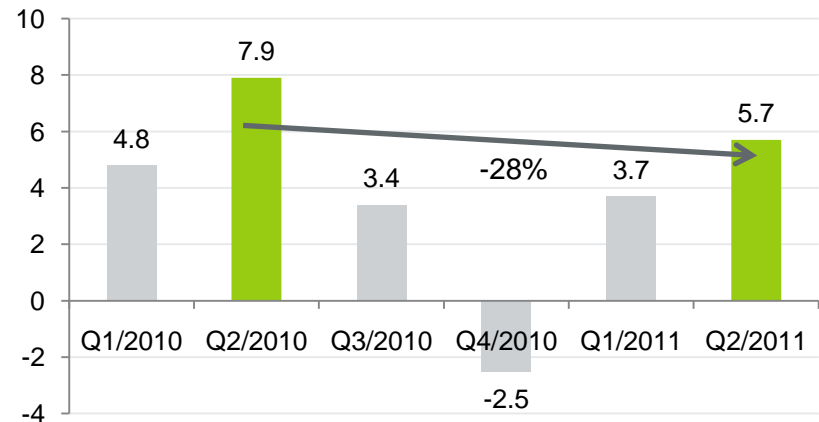
Revenue by quarter Q1/2010–Q2/2011

EUR million



EBIT* by quarter Q1/2010–Q2/2011

EUR million



Key issues in Q2/2011

- Profitability was weakened by general cost inflation and lower sales volumes
- Consumer confidence declined
- Tikkurila's market share in decorative paints remained unchanged

* Excluding non-recurring items

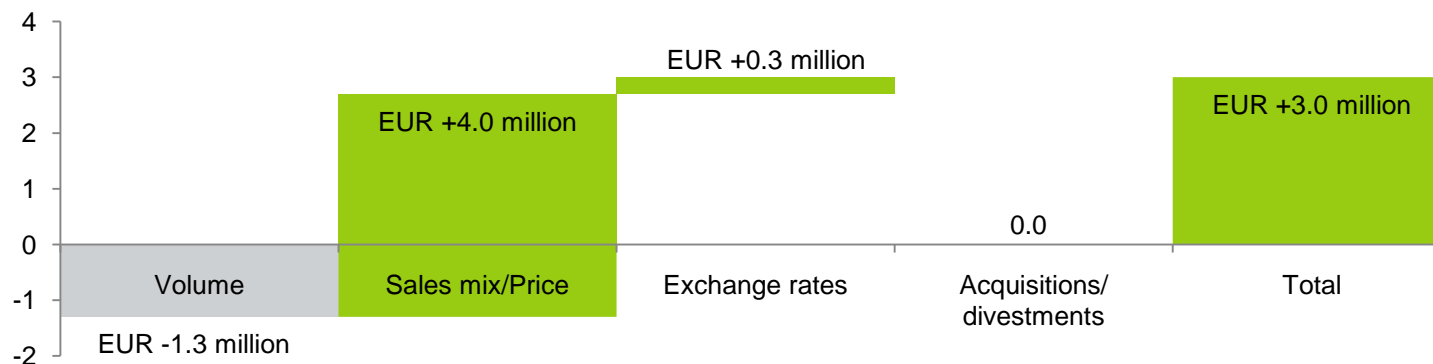
SBU Central Eastern Europe (CEE) Q2/2011

EUR million	4-6/2011	4-6/2010	Change %	1-6/2011	1-6/2010	Change %	2010
Revenue	33.0	30.0	10.1%	58.4	51.9	12.6%	105.2
EBIT*	2.1	2.3	-6.0%	2.5	2.6	-0.3%	4.8
EBIT*, %	6.4%	7.5%		4.4%	4.9%		4.6%
Capital expenditure excl. acquisitions	0.7	0.4	80.7%	1.1	0.8	28.7%	2.2

Figures include export to more than 20 countries

Different factors impacting the revenue development of SBU CEE, Q2/2011 vs. Q2/2010

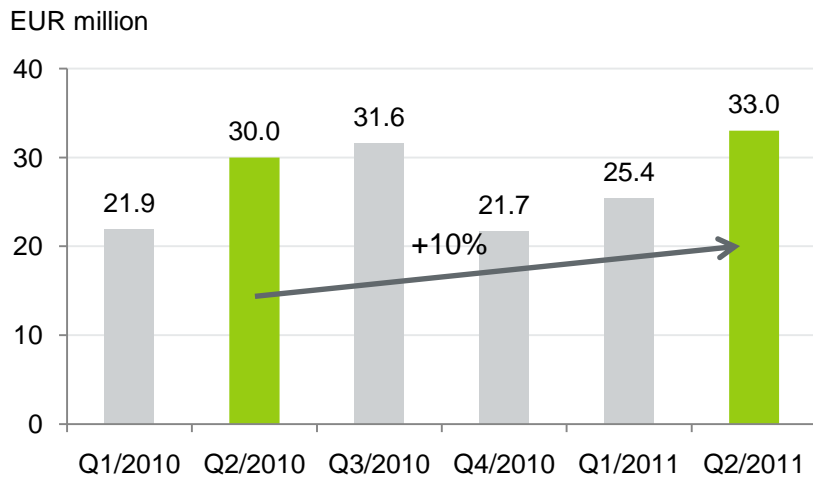
Increase/decrease, EUR million



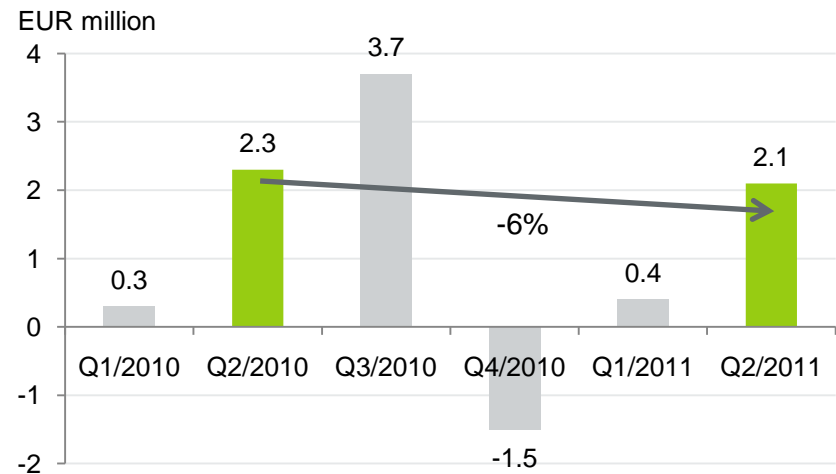
* Excluding non-recurring items

SBU Central Eastern Europe (CEE) Q2/2011

Revenue by quarter Q1/2010–Q2/2011



EBIT* by quarter Q1/2010–Q2/2011



Key issues in Q2/2011

- Sales prices were increased in Poland in April and July
- Efforts to improve the efficiency of the operations were continued

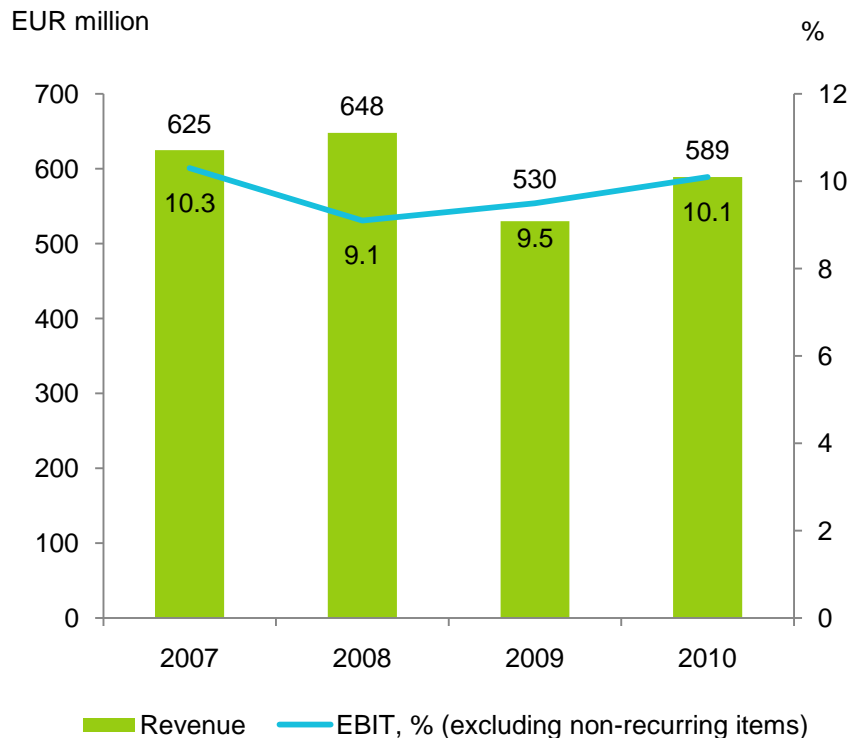
* Excluding non-recurring items

Outlook



Outlook for 2011 reiterated

Revenue and profitability of Tikkurila 2007–2010



Outlook for 2011

In 2011, Tikkurila expects revenue growth to exceed the average GDP growth in Tikkurila's main market areas. In spite of the rising raw material prices, Tikkurila expects EBIT margin as a percentage of revenue to stay at the same level as in 2010.

In order to enhance profitability and competitiveness, Tikkurila continues to increase sales prices as well as increases efficiency and decreases expenses.

Financial uncertainty has gained momentum, and therefore it is more difficult to forecast the development during the rest of the year.



Contact persons

Investor and media contacts



Erkki Järvinen
President and CEO



Jukka Havia
CFO



Susanna Aaltonen
GVP, Communications & IR
susanna.aaltonen@tikkurila.com
Tel. +358 9 8577 2488, mobile +358 40 593 4221



Appendix



Tikkurila SBUs

	East	Finland	Scandinavia	CEE
Operational area	Russia and other CIS countries	Finland	Sweden, Norway, Denmark	CEE countries and other counties incl. China
Production sites	St. Petersburg, Russia Stary Oskol, Russia Kiev, Ukraine	Tikkurila, Vantaa	Nykvarn, Sweden	Tallinn, Estonia Ansbach, Germany Debica, Poland
Current demand structure	Economy price and quality segment products	Premium and medium price and quality segment products	Premium and medium price and quality segment products	Medium and economy price and quality segment products
Expected demand structure	Premium price and quality segment products expected to rise	Premium and medium price and quality segment products	Premium and medium price and quality segment products	Medium and premium price and quality segment products
Competitors	Akzo Nobel, Lakra-Sintez, Empils, ABC-Farben, Meffert, Caparol	Akzo Nobel, Teknos, Nor-Maali ² , Becker Acroma ²	Akzo Nobel, Flügger, Jotun, Becker Acroma, Teknos	Akzo Nobel, PPG, a large number of local and regional suppliers
Distribution channels	Deco: DIY retailers, independent retailers, wholesalers Industry: direct sales, Temaspeed	Deco: DIY retailers, independent paint retailers Industry: direct sales, Temaspeed	Deco: DIY retailers, Alcro-Beckers professional stores ¹ , Happy Homes chain ¹ , Colorama retail chain ¹ Industry: direct sales, Temaspeed	Deco: DIY retailers, independent retailers Industry: direct sales, Temaspeed

SBU East in brief

Key facts

Operational area	Russia, other CIS countries, Ukraine
2010 revenue	EUR 194.5 million, 33% of group
2010 EBIT ¹	EUR 22.7 million, 36% of group ²
Employees	1,508 (year-end)
Production sites	3 in St. Petersburg, Russia, Stary Oskol, Russia and Kiev, Ukraine
Production capacity	~143 million litres, 48% of group
Sales offices	Russia, Ukraine, Belarus, Kazakhstan

Expansion in East

- 1970s** Export to Russia and the former Soviet Union started
- 1994** Sales company in Russia
- 1995** First western paint factory opened in St. Petersburg
- 1998** Sales company OOO Tikkurila Coatings established
- 2004** Acquisition of Kolorit in Ukraine
- 2006** Acquisition of Kraski Tekst
- 2006** Sales company established in Almaty, Kazakhstan
- 2007** Acquisition 2 St. Petersburg-based paint companies (Gamma, Powder Coatings)
- 2008** Sales company established in Minsk, Belarus
- 2009** Completion of logistic centre in Mytishchi, Moscow region

Locations



¹ Excluding non-recurring items

² Excluding group items

Tikkurila in Russia

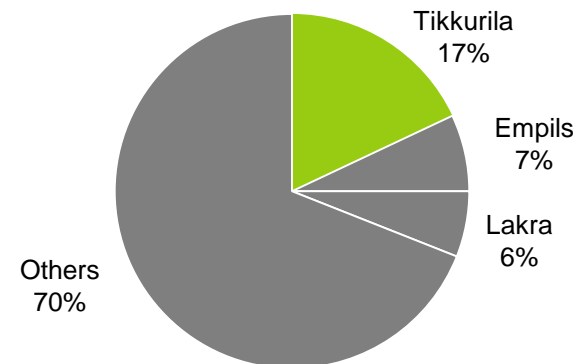
Overview

- Tikkurila is the leading decorative paints supplier in Russia
 - Tikkurila products are sold in over 5,000 retail outlets
- The product range consists of decorative paints and coatings for the wood and metal industries
- Products are sold under the well known brands: Teks, Finncolor, Gamma and Tikkurila
- Tikkurila has three paint factories in St. Petersburg and one in Sary Oskol
- Personnel 1,500 at year-end 2010

Tikkurila paint brands in Russia



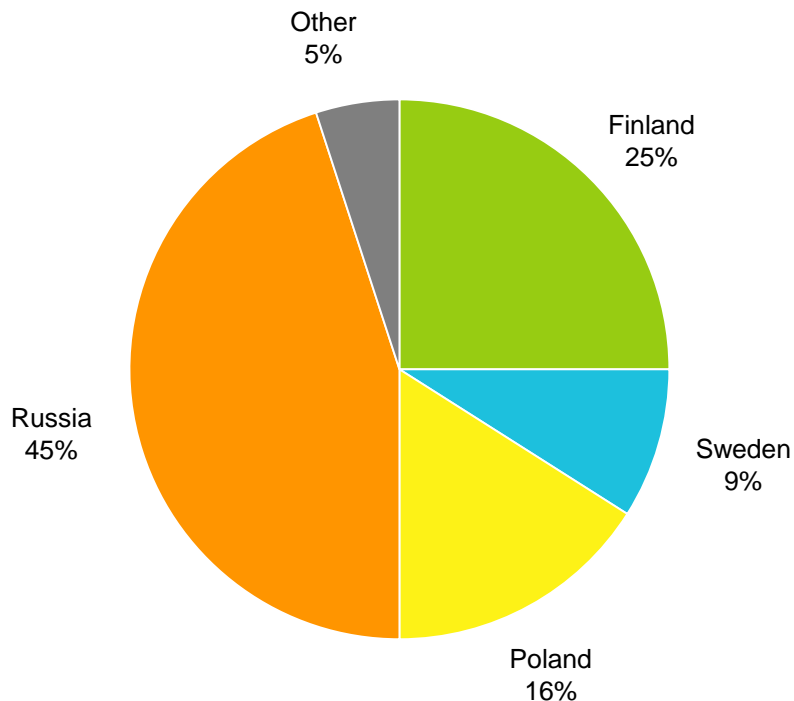
Market leader in decorative paints in 2010*



* Chem-Courier

In good position to grow further in Russia, other CIS Countries and CEE countries

Tikkurila's production capacity

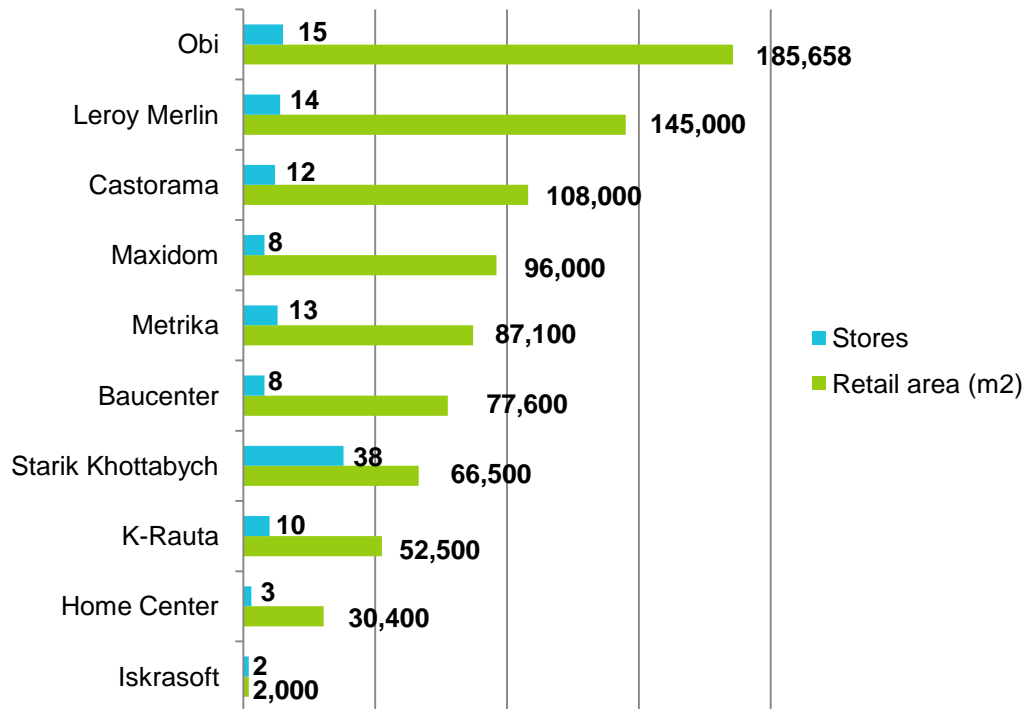


Production and raw materials

- Production in 7 countries, annual capacity ~300 million litres
- Local production increases flexibility, clear advantage specially during unstable market conditions
- Production of water-borne products increasing; ~60% of total, ~70% of decorative paints
- Raw material prices affected mainly by oil prices, supply capacity and currencies
- ~75% of raw materials from western suppliers, in Russia ~50% of raw materials from local suppliers

Russian Big Box market

Top ten retailers in Russia



Comments on Big Box market

- Tikkurila is represented by all major retailers in Russia.
- ~20% of Tikkurila's sales in Russia come from Big Boxes.
- The importance of the Big Boxes to Tikkurila is on the increase as the number of retail stores is growing.

Source: Retrospective 2010

SBU Scandinavia in brief

Key facts

Operational area	Sweden, Norway, Denmark
2010 revenue	EUR 181.8 million, 31% of group
2010 EBIT ¹	EUR 21.3 million, 34% of group ²
Employees	466 (year-end)
Production sites	Nykvarn, Sweden
Production capacity	~ 28 million litres, 9% of group
Sales offices	Sweden, Norway, Denmark

Development in Scandinavia

- 1865** Beckers founded
- 1906** Alcro founded
- 1967** First Tikkurila subsidiary established in Sweden
- 2001** Acquisition of Alcro-Beckers
- 2002** Acquisition of Akzo Nobel's general industrial finishes business
- 2007** New production plant in Nykvarn
- 2008** New headquarters in Hammarby Sjöstad
- 2008** Acquisition of the flagship store Måleributiken in Alvik, Sweden

Locations



1 Excluding non-recurring items

2 Excluding group items

SBU Finland in brief

Key facts

Operational area	Finland
2010 revenue	EUR 107.2 million, 18% of group
2010 EBIT ¹	EUR 13.6 million, 22% of group ²
Employees	718 (year-end)
Production sites	Vantaa, Finland
Production capacity	~ 65 million litres, 22% of group
Sales offices	Several in Finland

1 Excluding non-recurring items
2 Excluding group items

Locations



SBU CEE in brief

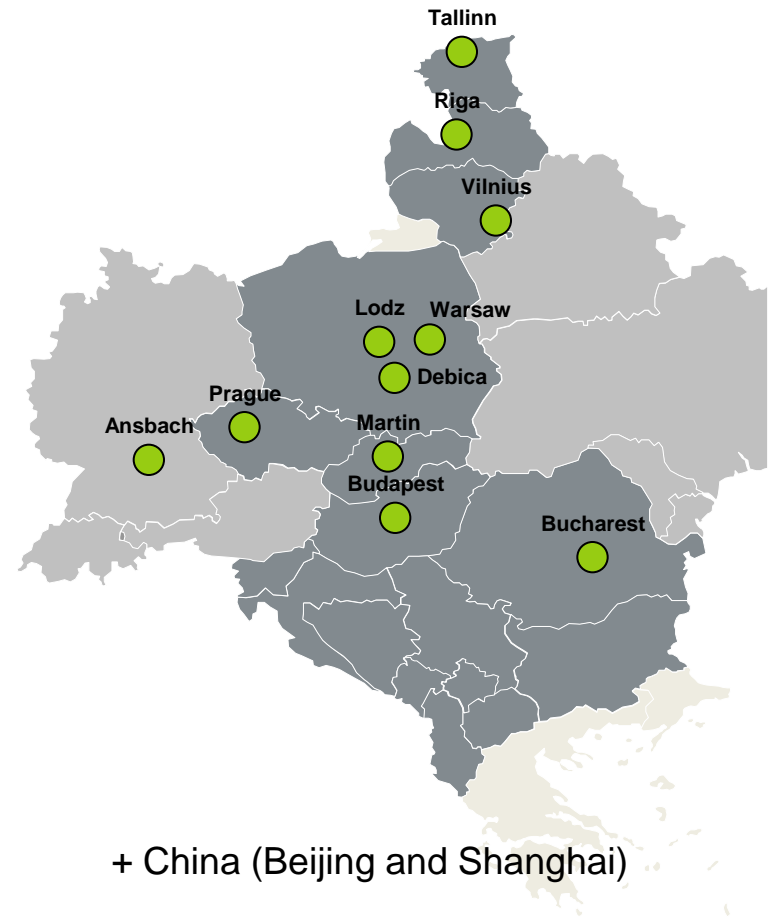
Key facts

Operational area	Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Former Yugoslav Republic of Macedonia, Kosovo, Hungary, Latvia, Lithuania, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia and other markets (including e.g. China)
2010 revenue	EUR 105.2 million, 18% of group
2010 EBIT ¹	EUR 4.8 million, 8% of group ²
Employees	741 (year-end)
Production sites	Tallinn, Estonia, Ansbach, Germany and Debica, Poland
Production capacity	~ 64 million litres, 21% of group
Sales offices	Czech Republic, Hungary, Latvia, Lithuania, Romania, Slovakia, China, Finland (export)

Expansion in CEE

- 1989** JV established in Tallinn, Estonia
- 1992** Paint production started in Tallinn, Estonia
- 1993** Sales company in Riga, Latvia
- 1995** Sales company established in Vilnius, Lithuania
- 1997** Sales company in Budapest, Hungary
- 2001** Production plants in Ansbach, Germany and Debica, Poland
- 2006** Acquisition of sales company in Prague, Czech Republic
- 2007** Sales company established in Beijing, China
- 2008** Sales companies in Shanghai, China, Bucharest, Romania and Martin, Slovakia

Locations



¹ Excluding non-recurring items
² Excluding group items

The background features several vibrant, glossy paint splashes in various colors: a large blue splash at the top center, a small red splash at the top right, a yellow splash at the top right, a green splash at the top right, a yellow splash on the left side, a green splash at the bottom center, and a large red splash at the bottom left.

TIKKURILA INSPIRES YOU
TO COLOR YOUR LIFE.™

TIKKURILA