



TIKKURILA

Interim Report | Q4
January–December 2012

Tikkurila Oyj
Financial Statements Release
 February 15, 2013 at 9:00 a.m. (CET+1)

Tikkurila's Interim Report for January–December 2012 **– A record year 2012**

Full-year 2012 highlights

- Revenue increased by 4.4 percent to EUR 671.8 million (2011: EUR 643.7 million).
- Operating profit (EBIT) excluding non-recurring items was EUR 73.9 (62.7) million, i.e. 11.0 (9.7) percent of revenue.
- Operating profit (EBIT) was EUR 66.6 (61.2) million, i.e. 9.9 (9.5) percent of revenue.
- Non-recurring items were EUR -7.4 (-1.5) million.
- EPS was EUR 0.92 (0.80).
- The Board proposes a dividend of EUR 0.76 (0.73) per share, which corresponds to about 82.6 (90.7) percent of the Group's 2012 earnings per share.
- Cash flow after capital expenditure was EUR 50.3 (13.3) million.

October–December 2012 highlights

- Revenue increased by 2.2 percent to EUR 121.8 million (10–12/2011: EUR 119.1 million).
- Operating loss (EBIT) excluding non-recurring items was EUR -3.2 (-2.3) million, i.e. -2.6 (-1.9) percent of revenue.
- Operating loss (EBIT) was EUR -4.0 (-3.8) million, i.e. -3.3 (-3.2) percent of revenue.
- EPS was EUR -0.10 (-0.11).

Revenue and EBIT estimates for 2013

- Tikkurila expects its revenue and EBIT in euro excluding non-recurring items for the financial year 2013 to remain on 2012 level.

Key Figures

(EUR million)	10–12/2012	10–12/2011	Change %	1–12/2012	1–12/2011	Change %
Income statement						
Revenue	121.8	119.1	2.2%	671.8	643.7	4.4%
Operating profit (EBIT), excluding non-recurring items	-3.2	-2.3	-40.6%	73.9	62.7	17.8%
Operating profit (EBIT) margin, excluding non-recurring items, %	-2.6%	-1.9%		11.0%	9.7%	
Operating profit (EBIT)	-4.0	-3.8	-5.6%	66.6	61.2	8.7%
Operating profit (EBIT) margin, %	-3.3%	-3.2%		9.9%	9.5%	
Profit before taxes	-4.2	-5.3	20.5%	59.2	50.7	16.9%
Net profit	-4.6	-5.0	9.5%	40.6	35.5	14.3%
Other key indicators						
EPS*, EUR	-0.10	-0.11	9.5%	0.92	0.80	14.3%
ROCE, % rolling	21.0%	19.4%		21.0%	19.4%	
Cash flow after capital expenditure	9.8	0.8		50.3	13.3	278.7%
Net interest-bearing debt at period-end				80.6	99.4	-18.9%
Gearing, %				39.1%	51.9%	
Equity ratio, %				47.7%	44.1%	
Personnel at period-end				3,227	3,551	-9.1%

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Comments by Erkki Järvinen, President and CEO:

“Last year was a record-breaking year for us in many ways. In honor of our company’s 150th anniversary, we attained a record-high revenue, operating profit, and cash flow from operations, although the overall macro-economic development did little to support our business operations. The euro region suffered from a debt crisis and drifted into recession as the year progressed. The growth rate of the Russian economy also waned towards the end of the year. Our revenue growth was moderate as sales volumes decreased in all markets in the second half of the year, in particular, as a result of the weak market atmosphere and declining consumer confidence. Our excellent operative profitability was, in particular, based on the cost savings generated by the restructuring and the streamlining of operations we launched a year ago. Our relative profitability increased particularly in the east, where the relative share of our premium brand Tikkurila in sales grew, against the general market trend. In addition, we improved the management of net working capital, which had a positive impact on our cash flow.

In addition to the debt crisis in the euro region, the year 2012 was characterized by high raw material prices, although the upward trend started to stabilize over the course of the year, as the outlook for the global economy weakened. Thus, our revenue growth was mainly due to the sales price increases, which we had to carry out in order to compensate for the higher raw material costs.

Traditionally, the last quarter of the year is clearly less significant for us than the summer season in terms of both sales and results. We have begun increasing our product inventories for the upcoming exterior painting season. Despite our lighter cost structure, loss in the last quarter remained at the previous year's level due to the sales and marketing investments, which were greater than in the comparison period. Our objectives are organic growth and stronger positions in our most important markets in the increasingly tighter competitive situation.

It seems that the macroeconomic situation continues to be challenging. The average economic growth in our key markets is likely to be no more than a couple of percent. In the light of this outlook, we estimate our revenue and operating profit excluding non-recurring items in the 2013 financial year to remain at the same level as last year”.

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Press Conference today at 12:00 p.m.

Tikkurila will hold a press conference regarding its Financial Statement Release for 2012 for the media and analysts today on February 15, 2013, at 12:00 p.m. (CET+1) in the Akseli Gallén-Kallela Cabinet at the Hotel Kämp, (address Pohjoisesplanadi 29, 00100 Helsinki). The conference will be held in Finnish language. Attendees will be served lunch at the conference premises starting at 11:30 (CET+1). The result will be presented by **Erkki Järvinen**, President and CEO, and **Jukka Havia**, CFO.

The stock exchange release and presentation materials will be available before the event at www.tikkurilagroup.com/investors.

Tikkurila will publish its Interim Report for January–March 2013 on Wednesday, April 24, 2013 at around 12:00 noon (CET+1).

Tikkurila Oyj

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For 150 years already, Tikkurila has provided consumers and professionals with user-friendly and sustainable solutions for surface protection and decoration. Tikkurila wants to be the leading paint company in the Nordic area as well as in Russia and other selected Eastern European countries. – Tikkurila inspires you to color your life.

www.tikkurilagroup.com

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Tikkurila Oyj Financial Statement Release for January 1–December 31, 2012

This Interim Report has been prepared in accordance with the IAS 34 standard and other valid regulations. The information disclosed is unaudited except for the whole year 2011 and 2012 data. The figures presented in the Financial Statement Release are independently rounded.

Fluctuations in exchange rates in this review refer to the translation effect of the exchange rates.

In this review 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.

If there are any discrepancies between the language versions of the Financial Statement Release, the Finnish version shall prevail.

Tikkurila's business operations are organized in four reporting segments, or Strategic Business Units (SBU). Tikkurila's reporting segments are SBU East, SBU Scandinavia, SBU Finland, and SBU Central Eastern Europe. SBU East consists of Russia, Ukraine, Central Asian countries and Belarus. SBU Scandinavia covers Sweden, Denmark, and Norway. SBU Finland covers Tikkurila's business operations in Finland. SBU Central Eastern Europe includes Estonia, Latvia, Lithuania, Poland, China, Germany, Serbia and Macedonia. Furthermore, this SBU is responsible for the exports to approximately 25 countries that are not included in the operating areas of the other SBUs.

Market Review

The economic atmosphere continued to be weak towards the end of the year. No solution has been found to the economic situation in Europe, and economic growth in the emerging countries has also slowed down. The economy in the euro region is in recession, and recovery is not expected until towards the end of 2013. The overall and prolonged economic uncertainty was reflected in consumer spending in many of Tikkurila's key markets. In the developed markets in Sweden and Finland, consumer confidence was still low and unemployment increased. Consumer confidence declined in Russia as well. Economic growth in Russia slowed down as expected at the end of the year, and growth of the entire year is estimated to be 3.5 percent. In Poland, consumer confidence declined to the lowest level of the year in December. The economy in Poland is expected to have grown by approximately 2 percent in 2012. According to preliminary estimates, the economy grew in Sweden and declined slightly in Finland last year.

Construction is estimated to have decreased in Sweden and Finland during last year. In Russia, construction remained near the previous year's level. In Poland, construction grew considerably at the beginning of 2012 but took a downward turn as the year progressed. In many markets, the decline in construction is stabilized by renovation, which has continued to grow steadily as the building stock ages.

Among Tikkurila's key currencies, the Russian ruble and Swedish krona strengthened and the Polish zloty weakened slightly from the comparison period.

Raw material prices declined slightly during the second half of the year compared to the beginning of the year, but were still at a higher level than in the comparison period.

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Financial Performance in October–December 2012

Revenue and operating result by reporting segment in October–December are presented in the table below.

October–December (EUR million)

	Revenue		Operating result (EBIT) excluding non-recurring items	
	10–12/2012	10–12/2011	10–12/2012	10–12/2011
SBU East	44.6	39.1	2.6	1.7
SBU Scandinavia	37.3	38.3	-0.7	-0.4
SBU Finland	15.7	17.7	-3.1	-1.7
SBU Central Eastern Europe	24.2	24.0	-1.0	-1.5
Group common and eliminations	0.0	0.0	-1.0	-0.4
Consolidated Group	121.8	119.1	-3.2	-2.3

Tikkurila Group's **revenue** in the last quarter of 2012 grew slightly. Volume development continued negative in all markets, which reduced revenue by EUR 9.4 million. The sales price increases and changes in the sales mix increased revenue by EUR 7.2 million. The positive impact of exchange rate fluctuations was EUR 6.8 million. The divestment of two retail stores in Sweden at the end of 2011 decreased fourth quarter revenue by EUR 1.2 million. The negative impact of the divestment of the subsidiaries in Hungary, Czech Republic, Slovakia, and Romania at the end of February 2012 on third quarter revenue was EUR 0.6 million.

Operating loss (EBIT) excluding non-recurring items totaled EUR -3.2 (-2.3) million. Operating loss increased slightly from the comparison period, primarily due to the greater sales and marketing investments. The higher marketing investments were due to Tikkurila's anniversary year, preparation for the upcoming summer season, and the competitive situation which has become tighter in many markets. The non-recurring items of the last quarter totaled EUR -0.8 (-1.5) million net and were related to the change of the contingent consideration estimate for the acquisition of the Serbian Zorka Color as well as impairments in different markets. In Serbia, impairments were recognized on goodwill and intangible rights realized in the Zorka Color transaction. An impairment relating to a production plant was recognized in Russia.

Operating profit (EBIT) totaled EUR -4.0 (-3.8) million.

The net financial expenses were EUR 0.3 (1.7) million. Earnings per share were EUR -0.10 (-0.11) in the review period.

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Financial Performance in January–December 2012

Revenue and operating profit by reporting segment in January–December are presented in the table below.

January–December (EUR million)	Revenue		Operating profit (EBIT) excluding non-recurring items	
	1–12/2012	1–12/2011	1–12/2012	1–12/2011
SBU East	242.8	220.0	32.5	25.3
SBU Scandinavia	195.6	192.3	24.4	24.3
SBU Finland	107.9	109.2	12.7	10.9
SBU Central Eastern Europe	125.5	122.2	7.3	4.4
Group common and eliminations	0.0	0.0	-3.0	-2.3
Consolidated Group	671.8	643.7	73.9	62.7

Tikkurila Group's **revenue** grew by 4.4 percent in 2012. EUR 47.4 million of the total growth was due to the sales price increases and changes in the sales mix. Lower sales volumes reduced revenue by EUR 28.9 million. The positive impact of exchange rate changes was EUR 9.9 million. The acquisition of Tikkurila Zorka in July 2011 increased revenue by EUR 8.4 million. The divestment of two retail stores in Sweden at the end of 2011 decreased revenue by EUR 5.6 million. The negative impact of the divestment of the subsidiaries in Central Eastern Europe was EUR 3.1 million.

Operating profit (EBIT) excluding non-recurring items totaled EUR 73.9 (62.7) million, which accounts for 11.0 (9.7) percent of revenue.

Operating profit (EBIT) totaled EUR 66.6 (61.2) million, which accounts for 9.9 (9.5) percent of revenue. Increased revenue, streamlining of operations and favorable sales mix development in Russia, in particular, improved operating profit. Non-recurring items in the review period amounted to EUR -7.4 (-1.5) million. The majority of the non-recurring items is associated with the implementation of the streamlining program under way in the Group. In addition, impairments were carried out in Russia and Serbia.

The net financial expenses were EUR 7.4 (10.8) million. Profit before taxes was EUR 59.2 (50.7) million. Taxes totaled EUR 18.7 (15.2) million, equaling an effective tax rate of 31.5 (30.0) percent. Earnings per share were EUR 0.92 (0.80) in the review period.

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Financial Performance by Reporting Segments

SBU East

(EUR million)	10–12/2012	10–12/2011	Change %	1–12/2012	1–12/2011	Change %
Revenue	44.6	39.1	14.2%	242.8	220.0	10.4%
Operating profit (EBIT), excluding non-recurring items	2.6	1.7	53.8%	32.5	25.3	28.4%
Operating profit (EBIT) margin, excluding non- recurring items, %	5.9%	4.4%		13.4%	11.5%	
Operating profit (EBIT)	2.1	1.7	22.4%	29.9	25.3	18.0%
Operating profit (EBIT) margin, %	4.7%	4.4%		12.3%	11.5%	
Capital expenditure excl. acquisitions	1.3	1.6	-17.7%	5.6	3.9	42.2%

Financial Performance in October–December 2012

SBU East's fourth quarter revenue increased from the comparison period. The sales volumes were lower than in the comparison period and decreased revenue by EUR 1.7 million. The decline in sales volume was partly due to the weakened market atmosphere in Russia, which also had an effect on paint sales. Competition has become tighter in Russia, but there were no significant changes in the situation during the last quarter of the year. Increases in sales prices and favorable sales mix development grew revenue by EUR 3.5 million and exchange rate translation effect increased it by EUR 3.7 million.

Operating profit excluding non-recurring items improved clearly from the comparison period. Relative profitability was improved by revenue growth and sales mix development, in particular. The non-recurring items of the review period amounted to EUR -0.5 million and were related to the impairment of a production facility.

Financial Performance in 2012

SBU East's full-year revenue increased from the comparison period. Increases in sales prices and changes in the sales mix grew revenue by EUR 26.7 million and the translation effect of exchange rate fluctuations increased it by EUR 4.2 million. The sales volumes were lower than in the comparison period and weakened revenue by EUR 8.1 million.

Despite increased cost level, operating profit excluding non-recurring items clearly increased and relative profitability improved. Profitability improved mainly driven by the increase in revenue and Tikkurila brand's increased relative share of sales. The increase in costs happened against the backdrop of increased sales and marketing investments as well as general cost inflation in Russia. The non-recurring items amounted to EUR -2.6 million and were related to the streamlining of operations and the impairments recognized on a production facility, land area and certain trademarks.

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SBU Scandinavia

(EUR million)	10–12/2012	10–12/2011	Change %	1–12/2012	1–12/2011	Change %
Revenue	37.3	38.3	-2.7%	195.6	192.3	1.7%
Operating profit (EBIT), excluding non-recurring items	-0.7	-0.4	-88.6%	24.4	24.3	0.4%
Operating profit (EBIT) margin, excluding non- recurring items, %	-1.9%	-1.0%		12.5%	12.6%	
Operating profit (EBIT)	-0.8	-0.4	-93.8%	23.7	24.2	-2.1%
Operating profit (EBIT) margin, %	-2.2%	-1.1%		12.1%	12.6%	
Capital expenditure excl. acquisitions	1.3	1.8	-24.1%	3.4	3.5	-4.8%

Financial Performance in October–December 2012

SBU Scandinavia's fourth quarter revenue decreased slightly from the comparison period. In Sweden, competition remained tight and market sentiment weak. Lower sales volumes reduced revenue by EUR 5.1 million. Increases in sales prices grew revenue by EUR 3.2 million and exchange rates increased it by EUR 2.1 million. The divestment of retail stores completed at the end of December 2011 reduced fourth quarter revenue by EUR 1.2 million.

Operating loss excluding non-recurring items increased from the comparison period mainly as a result of decreased revenue.

Financial Performance in 2012

SBU Scandinavia's full-year revenue increased slightly from the comparison period. The positive impact of the increased sales prices was EUR 8.7 million, and the positive impact of exchange rate changes was EUR 7.2 million. Lower sales volumes reduced revenue by EUR 7.1 million. The negative impact of the divestment of retail stores was EUR 5.6 million.

Operating profit excluding non-recurring items and relative profitability remained at the comparison period level. The non-recurring items amounted to EUR -0.6 million and were related to the streamlining of operations.

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SBU Finland

(EUR million)	10–12/2012	10–12/2011	Change %	1–12/2012	1–12/2011	Change %
Revenue	15.7	17.7	-11.0%	107.9	109.2	-1.2%
Operating profit (EBIT), excluding non-recurring items	-3.1	-1.7	-79.8%	12.7	10.9	16.1%
Operating profit (EBIT) margin, excluding non- recurring items, %	-19.6%	-9.7%		11.8%	10.0%	
Operating profit (EBIT)	-3.1	-1.8	-67.8%	10.7	10.8	-1.2%
Operating profit (EBIT) margin, %	-19.6%	-10.4%		9.9%	9.9%	
Capital expenditure excl. acquisitions	1.6	1.5	6.2%	5.3	4.1	28.2%

Financial Performance in October–December 2012

SBU Finland's fourth quarter revenue decreased from the comparison period. Economic uncertainty was reflected in construction material sales and consumers' spending. Sales volumes were lower than in the comparison period and reduced revenue by EUR 1.6 million. Changes in sales mix lowered revenue by EUR 0.4 million. Professionals' relative share of total sales increased in the last quarter.

Operating loss increased clearly from the comparison period due to revenue decline and increased cost level. Costs were primarily increased by the sales and marketing investments, which were higher than in the comparison period.

Financial Performance in 2012

SBU Finland's full-year revenue decreased slightly from the comparison period. Lower sales volumes reduced revenue by EUR 6.6 million. The positive impact of the sales price increases was EUR 5.4 million.

Operating profit excluding non-recurring items and relative profitability improved as a result of the streamlining of operations. The non-recurring items of the period under review were EUR -2.0 million and were related to the streamlining program under way in the Group.

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SBU Central Eastern Europe (CEE)

(EUR million)	10–12/2012	10–12/2011	Change %	1–12/2012	1–12/2011	Change %
Revenue	24.2	24.0	0.6%	125.5	122.2	2.8%
Operating profit (EBIT), excluding non-recurring items	-1.0	-1.5	34.5%	7.3	4.4	65.4%
Operating profit (EBIT) margin, excluding non- recurring items, %	-4.0%	-6.2%		5.8%	3.6%	
Operating profit (EBIT)	-1.1	-2.7	59.6%	5.4	3.2	69.1%
Operating profit (EBIT) margin, %	-4.5%	-11.3%		4.3%	2.6%	
Capital expenditure excl. acquisitions	0.7	1.4	-47.0%	3.9	3.3	17.0%

Financial Performance in October–December 2012

SBU Central Eastern Europe's fourth quarter revenue was on comparison period level. The sales volumes were lower than in the comparison period and reduced revenue by EUR 1.0 million. The positive impact of the increased sales prices was EUR 0.9 million, and the positive translation effect of exchange rate fluctuations was EUR 0.9 million. The negative impact of the divestment of the subsidiaries in Hungary, Czech Republic, Slovakia, and Romania at the end of February 2012 on fourth quarter revenue was EUR 0.6 million.

Operating loss excluding non-recurring items decreased from the comparison period due to the impacts of restructuring measures in the area and streamlining of operations.

Tikkurila agreed to pay a possible additional purchase price on the acquisition of the business operations of Zorka Color during the next four years (2012–2015). The price will be contingent on the future financial performance of the business operations acquired. The value of the contingent consideration related to the acquisition of Zorka Color was re-evaluated at the closing date of December 31, 2012, based on the actual results development of the financial year 2012 as well as updated future forecasts, which take into account the changes in the macro economic development in the business area in question, assumed changes in the competitive situation in the paint markets and customer structure as well as other background information based on the estimates by the management. Based on the re-evaluation, the fair value of the contingent consideration decreased compared to the closing date of December 31, 2011. This impact, totaling EUR 1.9 million, has been recognized through profit and loss in other operating income. The decline in the fair value was due to the changes in the economic development in the business operations in the 2012 financial year, compared to previous forecasts as well as the changed outlook for future economic development. Tikkurila recognized an equal impairment of EUR 1.9 million related to goodwill and intangible rights, and therefore, the reduction of the fair value of the contingent consideration will have no effect on Central Eastern Europe's operating profit in the last quarter or the entire year.

Financial Performance in 2012

SBU Central Eastern Europe's full-year revenue increased slightly from the comparison period. The sales volumes in the area decreased, excluding the impact of the acquisition of Tikkurila Zorka. The sales volumes were lower than in the comparison period and reduced revenue by EUR 7.2 million. The increase was due to sales price increases, which had an impact of EUR 6.7 million. The negative impact of exchange rate changes was EUR 1.5 million. The consolidation of Tikkurila Zorka in the consolidated financial statements increased SBU Central Eastern Europe's full-year revenue by EUR 8.4 million. The negative impact of the divestment of the subsidiaries in Central Eastern Europe on full-year revenue was EUR 3.1 million.

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Operating profit excluding non-recurring items increased clearly from the comparison period. Profitability improved against the backdrop of revenue growth as well as the restructuring measures in the area and streamlining of operations. The non-recurring items of the review period amounted to EUR -1.9 million and were related to the restructuring measures and streamlining of operations.

Cash Flow, Financing Activities, and Financial Risk Management

Tikkurila's financial position and liquidity remained at a good level during the review period, and gearing decreased compared to the end of the previous financial year. Tikkurila's business is seasonal, and thus the situation at the end of the year does not typically reflect the average full-year financial position.

Cash flow from operations in January–December totaled EUR 66.0 (37.1) million. The positive development was based on the efficiency boosting actions carried out throughout the Group, as well as on better net working capital development than in the comparison period. Net working capital totaled EUR 90.6 (96.2) million at the end of the review period. Net cash flow from the investing activities was EUR -15.7 (-23.8) million, when taking into account the acquisitions and divestments. Cash flow after capital expenditure totaled EUR 50.3 (13.3) million during the review period.

Interest-bearing debt amounted to EUR 96.6 (109.8) million and the net debt was EUR 80.6 (99.4) million at the end of the review period. Cash and cash equivalents amounted to EUR 15.9 (10.4) million at the end of the review period. The short-term interest-bearing debt totaled EUR 35.9 (49.5) million at the end of December. At that time, the company had issued commercial papers for a total nominal amount of EUR 33.5 (11.0) million. Moreover, at the end of December, the Group had long-term interest-bearing debt totaling EUR 60.6 (60.3) million and a total of EUR 156.0 (125.3) million of unused committed credit facilities or credit limits. At the end of December, the equity ratio was 47.7 (44.1) percent, and gearing was 39.1 (51.9) percent.

The Group's net financial expenses were EUR 7.4 (10.8) million, of which net interest expenses and other financing expenses accounted for EUR 4.7 (10.0) million. The average capital-weighted interest rate of interest-bearing debt was 2.1 (4.3) percent. The average interest rate was lower than in 2011 due to the decline in market interest rate as well as due to the impact of the revised debt financing package implemented in the latter half of 2011. The net profit was negatively affected by a total of EUR 2.8 (1.0) million during the review period due to the impact of realized and unrealized exchange rate differences recognized in net finance expenses. At the end of the review period, the nominal value of Tikkurila's foreign exchange rate forward agreements was EUR 47.9 (96.2) million and the corresponding market value was EUR -0.2 (0.4) million. At the end of December 2012, the average nominal hedge ratio, based on those non-euro currencies that have cost-efficient hedging instruments and that are not tied to euro, was about 50 percent.

Capital Expenditure

In 2012, the gross capital expenditure excluding acquisitions amounted to EUR 18.1 (14.9) million. No major single investments were carried out during the review period. Capital expenditures in the period under review were related to, among others, the construction of training center in Russia, the modernization investments of crane systems and forklifts in the production site in Sweden, the modernization of palletizing robots in Finland, and the construction of new warehouse for packaging materials in Poland.

Various measures to secure production automation, streamlining and continuity continue in various Tikkurila units. Tikkurila estimates that the 2013 capital expenditure level will be close to the annual depreciation and amortization level.

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The Group's depreciation, amortization and impairment losses amounted to EUR 25.1 (21.7) million in 2012. The Group performs impairment tests in accordance with the IAS 36 standard.

Sales and Marketing

In 2012, the Tikkurila Group's sales and marketing expenses, including personnel expenses, totaled EUR 90.0 (90.6) million, corresponding to 13.4 (14.1) percent of revenue.

Tikkurila continued to actively market its products and services to consumers and professionals. Tikkurila has four strategic brands – Tikkurila, Alcro, Vivacolor, and Teks – and several local brands. Tikkurila focuses on premium products but due to the demand structure on certain markets Tikkurila offers also medium and economy segment products. According to external studies, the strategic brands of Tikkurila Group are the best-known paint brands or among them in their respective market areas.

Tikkurila has been working actively and consistently for years in order to develop and offer environmentally sustainable and easy-to-use products in Scandinavia, in particular, where Tikkurila has the highest number of eco-labeled decorative paints. Tikkurila Group's different paint brands have been awarded several official and local eco-labels and product-specific classifications. In 2012, the products of Tikkurila were granted the EU Ecolabel in Poland, Scandinavia and Finland. Several products in Scandinavia were awarded the Swan Ecolabel, and currently more than hundred exterior and interior paints of Alcro and Beckers carry the Swan label. In addition, Tikkurila received the first Swan Ecolabels in the Baltics. Also in Finland, the amount of Swan Ecolabeled products increased. New asthma and allergy labels were awarded to Tikkurila products in Estonia, Latvia, Lithuania, and Ukraine.

Other significant events during 2012 included the expansion of the Profe service concept for professionals in Finland, and it was also introduced in Russia and Poland, the development of training center network by opening a new training facility in Obukhovo, St. Petersburg in Russia, the reform of the Teks brand in Russia and the Vivacolor brand in the Baltic countries, consumer awards received by Tikkurila in Poland, as well as the launch of the new Shop concept in Finland. In addition, Tikkurila developed its service business, and development work will also continue during the current year.

In 2012, Tikkurila launched some 40 new products for the needs of consumers and professionals.

Research and Development

In 2012, Tikkurila's research and development expenses totaled EUR 10.8 (2011: EUR 9.9 and 2010: EUR 10.2) million or 1.6 (2011: 1.5 and 2010: 1.7) percent of revenue. At the end of 2012, the unit employed 164 (173) people. Tikkurila's largest R&D units are located in Finland, Russia, Poland and Sweden.

Tikkurila's R&D operation is responsible for creating new business opportunities, maintaining and renewing the product range as well as studying and adopting alternative raw materials. R&D operations are guided by customer needs as well as environmental and safety aspects and legislation.

In 2012, R&D function focused on product launches, product safety issues, sustainability of products, harmonization of the raw material portfolio, and cost savings. Important events in 2012 included, among others, the formation of Tikkurila innovation team, the introduction of the Avatint tinting system in Scandinavia, the modernization and reconstruction of the laboratory premises and equipment in Poland to fulfill the highest standards, and the implementation of a new IT tool for raw material and formula management.

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Corporate Responsibility

Tikkurila offers environmentally sustainable and high-quality products. The core objective of Tikkurila's corporate responsibility approach is to minimize the environmental effects and to provide environmentally sound solutions for customers. When developing and manufacturing products, Tikkurila considers the environmental and other sustainability issues of the entire life-cycle of paint, ranging from raw materials to the finished products and product disposal.

Tikkurila's annual corporate responsibility report will be published on the company website in March. In 2010, Tikkurila started to apply the international G3 guidelines issued by the Global Reporting Initiative (GRI) in its corporate responsibility reporting. Tikkurila's objective is to create independently audited and certified quality, environmental and security systems for each of its units.

Environment

The environmental impact of paints is also reduced through legislation. One of the most significant changes in legislation in the EU region is the REACH directive, which obligates manufacturers and importers of chemicals to assess the risks related to the use of the product and to provide end users with instructions on the safe use of chemicals. Tikkurila has ensured that all raw materials used in the EU region have been or will be registered by 2018, in accordance with the schedule stated in REACH.

Other significant regulations associated with paints relate, among others, to the classification, labeling and packaging of substances and mixtures (the CLP directive). In 2013, Tikkurila will launch the preparation of new labels and safety data sheets to comply with the regulations of the CLP directive. The warning texts on paint product labels should be replaced by June 2015. The VOC directive for paints defines the maximum allowed amounts of solvents evaporating into the air from paints intended for different purposes. The biocide directive directs the use of preservatives used in paints.

In addition to the aforementioned directives, various eco-labels and markings such as the Swan Ecolabel and the EU Ecolabel as well as various allergy and asthma labels set requirements on our products regarding the environment, health and quality.

In 2012, Tikkurila invested EUR 0.3 (0.1) million into environmental protection in its units, and environmental operating costs totaled EUR 2.1 (2.1) million.

Human Resources

At the end of 2012, the Tikkurila Group employed 3,227 (3,551) people. The average number of employees in 2012 was 3,425 (3,676).

Tikkurila Group's number of employees at the end of each quarter is presented below split by SBU, starting from the first quarter of 2011.

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	Q1/2011	Q2/2011	Q3/2011	Q4/2011	Q1/2012	Q2/2012	Q3/2012	Q4/2012
SBU East	1,558	1,642	1,576	1,527	1,522	1,534	1,500	1,437
SBU Scandinavia	468	514	464	422	413	447	415	408
SBU Finland	743	825	705	688	624	685	562	558
SBU CEE	750	777	940	877	848	853	845	788
Group functions	36	36	36	37	34	36	36	36
Total	3,555	3,794	3,721	3,551	3,441	3,555	3,358	3,227

Approximately half of Tikkurila's personnel work in the supply chain (production, sourcing, logistics and HSEQ) and one-third in sales, marketing and technical support. The share of temporary workers at the end of 2012 was 5.6 (6.0) percent and 39.9 (40.9) percent were blue-collar workers. 63.6 (63.7) percent of the personnel were men and 36.4 (36.3) percent women. The average age of the employees was 39.9 (39.2) years.

Performance-based salaries and compensation paid in 2012 totaled EUR 88.1 (88.8) million.

A new personnel survey tool was implemented at Tikkurila in 2012. A personnel survey model covering the entire personnel has been used since 2004, but the process was renewed to better reflect our operations and ways of working. Instead of concentrating on job satisfaction, the Tikkurila Beat survey focuses on measuring the potential of our personnel: competence, working prerequisites and motivation. The survey was conducted in November 2012, and 86.3 percent (2010: 86.3%) of Tikkurila employees responded to the survey and gave their feedback on our company, management, their own work, and the operations of their own teams. Tikkurila's overall index measured based on the results was 399, whereas the global comparable average was 420. Compared to the results from the previous years, the most positive changes included, among other things, improved respect between and collaboration of employees as well as an increased understanding among employees of their own resources, duties, and their importance to the company. Overall, employees felt that factors supporting working prerequisites and motivation were at a good level in the Group. Competence development is the area with the greatest improvement pressure.

At the end of 2011, Tikkurila launched a group-wide program. Measures aiming to improve effectiveness and carry out restructuring were launched in all business units in 2012. For the most part, HR work in 2012 focused on supporting management, supervisors and personnel in the change. In addition, engaging in dialogue and cooperation were developed at Tikkurila in 2012.

Shares and Shareholders

At the end of 2012, Tikkurila's share capital was EUR 35.0 million, and the total number of registered shares was 44,108,252. At the end of 2012, Tikkurila held no treasury shares.

According to Euroclear Finland Oy's register, Tikkurila had a total of some 23,000 shareholders on December 31, 2012. A list of the largest shareholders registered in the book-entry account system is regularly updated and is available on Tikkurila's website at www.tikkurilagroup.com/investors/share_information/shareholders.

At the end of December, the closing price of Tikkurila's share was EUR 14.72. In January–December, the volume-weighted average share price was EUR 14.13, the highest price EUR 15.45, and the lowest EUR 12.89. At the end of December, the market value of Tikkurila Oyj's shares was EUR 649.3 million. During January–December, a total of 11.8 million Tikkurila shares, corresponding to approximately 27 percent of the

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number of registered shares, were traded on NASDAQ OMX Helsinki Ltd. The value of the traded volume was EUR 166.8 million.

Tikkurila Board members and their interest parties held altogether 86,020 shares on December 31, 2012, which is about 0.2 percent of the share capital and votes in Tikkurila. Furthermore, Jari Paasikivi, the Chairman of the Tikkurila Board, acts as the President and CEO in Oras Invest Oy, which is the single largest shareholder in Tikkurila.

Tikkurila Management Board members and their interest parties held altogether 30,025 shares on December 31, 2012, which is about 0.1 percent of the share capital and votes. Up-to-date information concerning the holdings of Tikkurila statutory insiders is available at www.tikkurilagroup.com/fi/corporate_governance.

Tikkurila is not aware of any valid shareholders' agreements regarding the ownership of Tikkurila shares and voting rights.

Disclosure of changes in holdings in 2012

Orkla ASA announced on August 16, 2012, that its holding in shares of Tikkurila had fallen below the 1/20 (5%) threshold. After the transactions, the holding of Orkla in Tikkurila shares was 0 percent. Prior to the triggering transaction, the holding of Orkla amounted to 2,876,937 Tikkurila shares, which corresponded to 6.5 percent of the total amount of shares and votes in Tikkurila.

Prudential plc and its subsidiaries announced on August 20, 2012, that their holdings in shares of Tikkurila Oyj had exceeded the 1/20 (5%) threshold due to trades executed on August 16, 2012. The direct holding of Prudential Group's companies in Tikkurila Oyj had amounted to a total of 2,248,853 shares, which corresponded to 5.10 percent of the total amount of shares and votes in Tikkurila Oyj. In addition, the indirect holding of Prudential Group's companies in Tikkurila had amounted to 9,770 shares, which corresponded to 0.02 percent of the total amount of shares and votes in Tikkurila Oyj.

Prudential plc announced on August 29, 2012, that its and its subsidiaries (M&G Investment Management Limited, M&G Group Limited, M&G Limited) holdings in shares of Tikkurila Oyj had fallen below the 1/20 (5%) threshold due to trades executed on August 24, 2012. After these transactions the holding of Prudential plc and its subsidiaries in Tikkurila Oyj amounted to a total of 2,168,414 shares, which corresponded to 4.92 percent of the total amount of shares in Tikkurila Oyj. According to the announcement, the voting rights of Prudential plc and its subsidiaries totaled 1,995,280 votes, which corresponded to 4.52 percent of the total amount of votes in Tikkurila Oyj.

Corporate Governance Statement

Tikkurila will prepare a separate Corporate Governance Statement which follows the recommendations of the Finnish Corporate Governance Code for listed companies. It also covers some other central areas of corporate governance. The statement will be included in Tikkurila's Annual Report, but it will be published separately from the Board of Directors' Report. The statement will also be available at www.tikkurilagroup.com/investors.

Financial targets and dividend policy

On November 7, 2012, the Board of Directors of Tikkurila adopted new financial targets for the Group. The targets will be measured after a five-year period (2013–2017) in 2018. In 2018, Tikkurila aims at EUR 1

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billion revenue, over 12 percent operative EBIT margin, over 20 percent operative return on capital employed (ROCE), and less than 70 percent gearing.

Tikkurila's dividend policy was kept unchanged. According to Tikkurila's dividend policy, Tikkurila aims to distribute a dividend of at least 40 percent of its annual operative net income. Operative net income means net profit for the period excluding non-recurring items and adjusted for tax effects. Any dividends to be paid in future years, their amount and the time of payment will depend on the company's future earnings, financial condition, cash flows, investments, solvency, business cycle and other factors, which the company's Board of Directors considers relevant.

Further information on financial targets and dividend policy is available on Tikkurila's website on www.tikkurilagroup.com/investors.

Decisions of the Annual General Meeting

The Annual General Meeting of Tikkurila Oyj approved the Financial Statements for 2011 and decided to discharge the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting re-elected Eeva Ahdekivi, Riitta Mynttinen, Jari Paasikivi, Pia Rudengren and Petteri Walldén to the Board of Directors and elected Harri Kerminen and Aleksey Vlasov as new members. The AGM approved all Board proposals. The detailed proposals are available at www.tikkurilagroup.com.

The Annual General Meeting approved a EUR 0.73 dividend per share for the financial year 2011. The rest were retained and carried further in the company's unrestricted equity. The dividend was paid to a shareholder who was registered in the company's shareholder register maintained by Euroclear Finland Ltd on the dividend record date, April 2, 2012. The dividend was paid on April 11, 2012.

The Annual General Meeting decided that the remuneration to the members of the Board of Directors was as follows: EUR 57,000 for the Chairman, EUR 37,000 for the Vice Chairman and EUR 31,000 for other members of the Board of Directors. Circa 40 percent of the annual remuneration was paid in Tikkurila Oyj's shares acquired from the market and the rest in cash. The shares were acquired directly on behalf of the Board members within two weeks from the release of the interim report for January 1–March 31, 2012. Furthermore, a meeting fee for each meeting of the Board and its Committees (excluding decisions without a meeting) was paid to the members of the Board of Directors as follows: EUR 600 for meetings held in the home state of a member and EUR 1,200 for meetings held outside the home state of a member. The remuneration paid for telephone meetings was EUR 600. Travel expenses were paid according to the travel policy of the company.

The Annual General Meeting decided that the Auditor's fees were paid against an invoice approved by the company. KPMG Oy Ab, the current auditor of the company, was re-elected as the company's auditor until the end of the next Annual General Meeting, with APA Toni Aaltonen nominated by KPMG as the principal auditor.

The Annual General Meeting resolved to remove from the Articles of Association section 3 determining the minimum and maximum number of the company's share capital and shares. Section 9 was amended in a way that the notice to the General Meeting will be published on the company's website. In addition to this, the Board of Directors can decide that the notice to the meeting be published in a newspaper. A statement was decided to be added to the section whereby the Chairman of the General Meeting is to resolve the method of voting in case a matter is to be resolved by vote at the General Meeting.

The Annual General Meeting authorized the Board of Directors to decide upon the repurchase of a maximum of 4,400,000 company's own shares. The shares may be repurchased to be used for financing or implementing possible mergers and acquisitions, developing the company's equity structure, improving the

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liquidity of the company's shares or to be used for the payment of the annual fees payable to the members of the Board of Directors or for implementing the share-based incentive programs of the company. The repurchase authorization will be valid until the end of the next Annual General Meeting, however, no longer than until June 30, 2013.

The Annual General Meeting authorized the Board of Directors to decide to transfer company's own shares held by the company or to issue new shares limited to a maximum of 8,800,000 shares. The company's own shares held by the company may be transferred and the new shares may be issued either against payment or without payment. The new shares may be issued and the company's own shares held by the company may be transferred to the company's shareholders in proportion to their current shareholdings in the company or deviating from the shareholders' pre-emptive right through a directed share issue, if the company has a weighty financial reason to do so, such as financing or implementing mergers and acquisitions, developing the company's equity structure, improving the liquidity of the company's shares or to be used for the payment of the annual fees payable to the members of the Board of Directors. The authorization will be valid until the end of the next Annual General Meeting, however, no longer than until June 30, 2013.

The Annual General Meeting authorized the Board of Directors to decide to transfer company's own shares held by the company or to issue new shares in one or more tranches limited to a maximum of 440,000 shares, deviating from the shareholders' pre-emptive subscription right, to the company's key persons as part of the share-based commitment and incentive program published on February 16, 2012. The authorization will be valid for five years from the decision.

The Annual General Meeting decided to establish a Nomination Board consisting of shareholders or representatives of shareholders to prepare and present annually a proposal for the next Annual General Meeting concerning the composition and remuneration of the Board of Directors. Representatives of the three largest shareholders will be elected to the Nomination Board. In addition, the Chairman of the Board of Directors of the company will act as an expert member of the Nomination Board.

Decisions of the Board of Directors and Committees

The Board of Directors of Tikkurila elected from among its members Jari Paasikivi as Chairman and Petteri Walldén as Vice Chairman of the Board of Directors.

Eeva Ahdekivi was elected as Chairman and Riitta Mynttinen and Pia Rudengren as members of the Audit Committee. In addition, the Board of Directors decided to establish a Remuneration Committee as a new Board Committee. Jari Paasikivi was elected as Chairman and Harri Kerminen and Petteri Walldén as members of the Remuneration Committee.

Tikkurila Oyj's three largest registered shareholders on May 31, 2012, named their representatives for Tikkurila's Nomination Board in June 2012. The members of the Nomination Board are Pekka Paasikivi, Chairman of the Board of Directors of Oras Invest Oy; Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company; and Risto Murto, Executive Vice President of Varma Mutual Pension Insurance Company. The fourth member of the Nomination Board is Jari Paasikivi, the Chairman of the Board of Directors of Tikkurila Oyj, who acts as an expert member.

Events after the review period

The Nomination Board of Tikkurila proposes to the Annual General Meeting, which is planned to be held on April 10, 2013, that the number of Board members would remain unchanged at seven and that all present

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members Eeva Ahdekivi, Harri Kerminen, Riitta Mynttinen, Jari Paasikivi, Pia Rudengren, Aleksey Vlasov and Petteri Walldén would be re-elected. Furthermore, the Nomination Board proposes to the Annual General Meeting that the annual remuneration of the members of the Board of Directors will stay at the current level.

Board of Directors' proposal for the distribution of profit

Tikkurila Oyj's retained earnings totaled EUR 91.1 million on December 31, 2012. The Board proposes to the Annual General Meeting that a dividend of EUR 0.76 per share will be distributed for the year ended on December 31, 2012, and that the rest be retained in the unrestricted equity. The proposed dividend totals about EUR 33.5 million, which corresponds to approximately 82.6 percent of the Group's net profit for 2012. It is proposed that the record date for the payment of the dividend will be April 15, 2013, and that the dividend will be paid on April 24, 2013.

Annual General Meeting 2013

The Annual General Meeting of Tikkurila Oyj will be held at 1:00 p.m. on Wednesday, April 10, 2013 at Lasipalatsi's Bio Rex (address: Mannerheimintie 22-24, 00100 Helsinki). The report of the Board of Directors and Financial Statements will be available on week 10 at www.tikkurilagroup.com.

Short-term Business Risks and Uncertainties

Tikkurila's business involves a number of strategic, operational, financial and hazard risks. Tikkurila strives to recognize, assess and react to risks as proactively as possible, and restrict their possible adverse effects. The main short-term risks and uncertainties are the following:

Overall macroeconomic situation

Economic uncertainty has increased in the past few months in the euro region, in particular. Consumer confidence has decreased in many of Tikkurila's key market areas, unemployment has increased, and the forecast GDP growth rates have decreased. As a result, demand for the Group's products and services may decrease and the demand structure may change in favor of lower price level products. This may have an adverse effect on the average relative profitability of the Group. Because the overall economic development impacts factors influencing demand for Tikkurila's products and services, such as new construction and renovation activity, macroeconomic development halting or taking a downward turn in Tikkurila's operating area may have adverse effects on the Group's business operations, economic position, and financial performance.

Competitive situation and changes in the value chain and product distribution

Competition in the paint industry has tightened in Tikkurila's main markets, and the same development is likely to continue in the near future. Tikkurila's competition includes both large multinational paint industry companies and smaller local companies. Large players have publicly announced additional investments into production capacity in Russia, for example. In addition, the industry has completed, and presumably will continue to complete, acquisitions which will result in the centralization of the industry. Smaller competitors, which often only operate in a certain area or product segment may be more cost-competitive in the future. It is also possible that new players will enter the paint industry as suppliers or distribution channels potentially expand their operations. The competitive situation may result in additional costs, for example in sales promotion, slow down the development of Tikkurila's revenue, or impact sales prices. In addition, there may

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be changes in distribution channels, which may have adverse effects on the structure of Tikkurila's sales or profitability. Possible changes in the product distribution of Tikkurila's sales may also have an adverse effect on profitability or increase the warranty or other risks related to products. The relative share of professionals in sales has grown in many of Tikkurila's operating countries, which may impact the Group's relative profitability or change the allocation of Tikkurila's resources.

Tikkurila's risk management principles are available on Tikkurila's website at www.tikkurilagroup.com. Additional information is available for example in the corporate governance statement and Board of Directors review in relation to risks applicable and relevant to Tikkurila's business in both short term and long term. Moreover, additional information on financial risks can be found in the Notes to the 2012 Financial Statements.

Outlook for 2013

Economic development in Europe is expected to be weak in 2013. The overall uncertainty and increasing unemployment are expected to have a negative impact on consumers' willingness to purchase and on the demand for Tikkurila's products. The GDPs in Tikkurila's key markets, in other words Russia, Sweden, Finland, and Poland, are estimated to grow an average of approximately two percent in 2013. Raw material prices are estimated to remain stable or to decrease slightly.

Tikkurila expects its revenue and EBIT in euro excluding non-recurring items for the financial year 2013 to remain on 2012 level.

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Summary Financial Statements and Notes

The annual financial statement figures of Tikkurila are audited. Auditors' report was issued on February 14, 2013. The financial information presented in this financial statement release is prepared in accordance with IAS 34 standard. As a result of rounding differences, the figures presented in the tables may not add up to the total. Quarterly information and interim reports are unaudited.

The following new or revised or amended standards and interpretations have been applied from January 1, 2012:

- Amendment to IFRS 7 Financial Instruments: Disclosures - Transfer of Financial Assets (effective on financial years beginning on or after July 1, 2011)
- Amendment to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (effective for financial years beginning on or after January 1, 2012)

The Group's view is that the adoption of the standards and interpretations above did not have any material effect on the financial statements of the reporting period.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	10-12/2012	10-12/2011	1-12/2012	1-12/2011
Revenue	121,785	119,112	671,836	643,729
Other operating income	1,845	461	3,266	1,793
Expenses	-119,886	-117,236	-583,409	-562,645
Depreciation, amortization and impairment losses	-7,714	-6,098	-25,140	-21,666
Operating profit	-3,970	-3,761	66,553	61,211
Total financial income and expenses	-260	-1,688	-7,373	-10,832
Share of profit or loss of associates	23	156	62	294
Profit before taxes	-4,207	-5,293	59,242	50,673
Income taxes	-364	244	-18,664	-15,186
Net profit for the period	-4,571	-5,049	40,578	35,487
Other comprehensive income				
Available-for-sale financial assets	75	162	237	342
Foreign currency translation differences for foreign operations	-1,009	2,769	6,248	-4,261
Income taxes related to components of other comprehensive income	19	123	-68	54
Total comprehensive income for the period	-5,486	-1,995	46,995	31,622
Net profit attributable to:				
Owners of the parent	-4,571	-5,049	40,578	35,487
Non-controlling interest	-	-	-	-
Net profit for the period	-4,571	-5,049	40,578	35,487
Total comprehensive income attributable to:				
Owners of the parent	-5,486	-1,995	46,995	31,622
Non-controlling interest	-	-	-	-
Total comprehensive income for the period	-5,486	-1,995	46,995	31,622
Earnings per share of the net profit attributable to owners of the parent				
Basic earnings per share (EUR)	-0.10	-0.11	0.92	0.80
Diluted earnings per share (EUR)	-0.10	-0.11	0.92	0.80

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR 1,000

	Dec 31, 2012	Dec 31, 2011
ASSETS		
Non-current assets		
Goodwill	66,971	68,696
Other intangible assets	26,922	30,155
Property, plant and equipment	112,785	112,570
Investment in associates	1,070	971
Available-for-sale financial assets	3,281	3,028
Non-current receivables	10,631	7,564
Defined benefit pension assets	467	491
Deferred tax assets	6,627	4,932
Total non-current assets	228,754	228,407
Current assets		
Inventories	84,766	94,690
Interest-bearing receivables	332	63
Non-interest-bearing receivables	102,236	96,023
Cash and cash equivalents	15,927	10,426
Non-current assets held for sale	-	4,894
Total current assets	203,261	206,096
Total assets	432,015	434,503
EQUITY AND LIABILITIES	Dec 31, 2012	Dec 31, 2011
Share capital	35,000	35,000
Other reserves	359	359
Fair value reserve	1,815	1,636
Reserve for invested unrestricted equity	40,000	40,000
Translation differences	-7,852	-16,281
Retained earnings	136,763	130,786
Equity attributable to owners of the parent	206,085	191,500
Non-controlling interest	-	-
Total equity	206,085	191,500
Non-current liabilities		
Interest-bearing non-current liabilities	60,628	60,345
Other non-current liabilities	1,160	2,382
Pension obligations	17,772	16,743
Provisions	924	534
Deferred tax liabilities	11,678	10,980
Total non-current liabilities	92,162	90,984
Current liabilities		
Interest-bearing current liabilities	35,925	49,504
Non-interest-bearing current liabilities	97,672	101,675
Provisions	171	222
Liabilities classified as held for sale	-	618
Total current liabilities	133,768	152,019
Total equity and liabilities	432,015	434,503

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CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS

EUR 1,000	10-12/2012	10-12/2011	1-12/2012	1-12/2011
CASH FLOW FROM OPERATING ACTIVITIES				
Net profit for the period	-4,571	-5,049	40,578	35,487
Adjustments for:				
Non-cash transactions	6,871	5,798	31,509	25,437
Interest and other financial expenses	988	1,458	8,782	12,051
Interest income and other financial income	-726	1,407	-1,409	-1,219
Income taxes	364	-245	18,664	15,185
Funds from operations before change in net working capital	2,926	3,369	98,124	86,941
Change in net working capital	14,323	9,652	240	-25,421
Interest and other financial expenses paid	-843	-2,270	-6,645	-12,700
Interest and other financial income received	242	145	770	1,070
Income taxes paid	-3,726	-4,153	-26,465	-12,790
Total cash flow from operations	12,922	6,743	66,024	37,100
CASH FLOW FROM INVESTING ACTIVITIES				
Business combinations	-	-	-	-11,930
Other capital expenditure	-3,636	-7,448	-16,827	-15,600
Proceeds from sale of assets	147	1,408	714	3,335
Change in non-current loan receivables decrease (+), increase (-)	383	103	283	263
Dividends received	-	-	132	120
Net cash used in investing activities	-3,106	-5,937	-15,698	-23,812
Cash flow before financing	9,816	806	50,326	13,288
CASH FLOW FROM FINANCING ACTIVITIES				
Change in non-current borrowings, increase (+), decrease (-)	-	-	-	-80,000
Current financing, increase (+), decrease (-)	-8,746	-8,942	-14,032	40,008
Dividends paid	-	-	-32,199	-30,876
Other	-881	2,272	1,457	-1,264
Net cash used in financing activities	-9,627	-6,670	-44,774	-72,132
Net change in cash and cash equivalents	189	-5,864	5,552	-58,844
Cash and cash equivalents at the beginning of period	16,009	15,926	10,426	69,328
Effect of exchange rate fluctuations on cash held	271	-700	387	-278
Cash and cash equivalents transferred in assets held for sale	-	336	-336	336
Cash and cash equivalents at the end of period	15,927	10,426	15,927	10,426
Net change in cash and cash equivalents	189	-5,864	5,552	-58,844

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
EUR 1,000

	Equity attributable to the owners of the parent							Non- control- ling interest	Total equity
	Share capital	Other reserves	Fair value reserve	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total		
Equity at Jan 1, 2011	35,000	359	1,350	40,000	-12,130	125,459	190,038	-	190,038
Total comprehensive income for the period	-	-	286	-	-4,151	35,487	31,622	-	31,622
Adjustment arising from hyperinflation	-	-	-	-	-	716	716	-	716
Dividends paid	-	-	-	-	-	-30,876	-30,876	-	-30,876
Equity at Dec 31, 2011	35,000	359	1,636	40,000	-16,281	130,786	191,500	-	191,500
Equity at Jan 1, 2012	35,000	359	1,636	40,000	-16,281	130,786	191,500	-	191,500
Total comprehensive income for the period	-	-	179	-	8,429	38,387	46,995	-	46,995
Share-based compensation	-	-	-	-	-	262	262	-	262
Adjustment arising from hyperinflation	-	-	-	-	-	-473	-473	-	-473
Dividends paid	-	-	-	-	-	-32,199	-32,199	-	-32,199
Equity at Dec 31, 2012	35,000	359	1,815	40,000	-7,852	136,763	206,085	-	206,085

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NEW IFRS STANDARDS

The Group will apply the following standards, interpretations and amendments as of January 1, 2013:

- Amendments to IAS 1 Presentation of Items of Other comprehensive Income (effective for financial years beginning on or after July 1, 2012)
- IFRS 13 Fair Value Measurement (effective for financial years beginning on or after January 1, 2013)
- IFRS 10 Consolidated Financial Statements (effective for financial years beginning on or after January 1, 2013)
- IAS 27 (revised 2011) Separate Financial Statements (effective for financial years beginning on or after January 1, 2013)
- IAS 28 (revised 2011) Associates and joint ventures (effective for financial years beginning on or after January 1, 2013)
- IFRS 11 Joint Arrangements (effective for financial years beginning on or after January 1, 2013)
- IAS 19 (revised 2011) Employee Benefits (effective for financial years beginning on or after January 1, 2013)
- IFRS 12 Disclosures of Interest in Other Entities (effective for financial years beginning on or after January 1, 2013)
- Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial liabilities (effective on financial years beginning on or after January, 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective on financial years beginning on or after January, 2013)
- Annual Improvements to IFRSs 2009-2011, May 2012 (effective for financial years beginning on or after January, 1 2013). This has not yet been endorsed by the EU.

Revised IAS 19 and new standard IFRS 11 Joint Arrangements will have a significant effect on Tikkurila Group's forthcoming financial statements. Amendment to IAS 19 eliminates the possibility of corridor method approach. Instead all the unrecognized actuarial gains and losses shall be recognized immediately in other comprehensive income. The finance cost is calculated on net funding basis and disclosure requirements are increased. Tikkurila Group has used the corridor method. As a result of amendment the equity will decrease and the amount of recognized defined benefit pension liabilities will increase.

The Group has used the proportionate consolidation for its joint venture, Alcro Parti AB. According the new standard IFRS 11 the joint ventures are required to be accounted for using the equity method. This will have an impact on Group's consolidated statement of comprehensive income, statement of financial position and cash flow.

In addition the IFRS 12 Disclosures of Interest in Other Entities and IFRS 13 Fair Value Measurement may increase the disclosures presented and the amendment to IAS 1 will have an effect on the presentation of other comprehensive income. Other new, revised or amended standards are not estimated to have any significant impact on Group's forthcoming financial statements.

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OPERATING SEGMENTS

Tikkurila's business activities are organized in four reporting segments based on its strategy to be the leading provider of paint-related architectural solutions for consumers and professionals in the Nordic area as well as in Russia and other selected Eastern European countries. The differences in these operating environments and overall management of each area have been taken into account while establishing these reporting segments. Segments' revenue arises from the sales of various paints and related products that are sold to retailers, industrial customers and for professional use. Insignificant revenue is received from the sales of auxiliary services related to paints. Tikkurila common section includes the items related to the Group headquarters.

The evaluation of profitability and decision making concerning resource allocation are based on segmental operating profit. Segment assets are items of the statement of financial position that the segment employs in its business activities or which can reasonably be allocated to a segment. Segments' revenue is presented based on the location of the customers, whereas reportable segment assets are presented according to the location of the assets. Inter-segment pricing is based on market prices. External revenue accumulates from a large number of customers.

Revenue by segment EUR 1,000	10-12/2012	10-12/2011	1-12/2012	1-12/2011
SBU East	44,603	39,061	242,840	220,041
SBU Scandinavia	37,281	38,332	195,551	192,347
SBU Finland	15,738	17,693	107,906	109,182
SBU Central Eastern Europe	24,162	24,025	125,539	122,158
Total	121,785	119,112	671,836	643,729

EBIT by segment EUR 1,000	10-12/2012	10-12/2011	1-12/2012	1-12/2011
SBU East	2,080	1,700	29,897	25,343
SBU Scandinavia	-818	-422	23,737	24,237
SBU Finland	-3,088	-1,840	10,671	10,804
SBU Central Eastern Europe	-1,098	-2,720	5,355	3,166
Tikkurila common	-1,047	-505	-3,107	-2,340
Eliminations	0	26	0	0
Total	-3,970	-3,761	66,553	61,211

Non-allocated items:

Total financial income and expenses	-260	-1,688	-7,373	-10,832
Share of profit or loss of associates	23	156	62	294
Profit before taxes	-4,207	-5,293	59,242	50,673

Assets by segment EUR 1,000	Dec 31, 2012	Dec 31, 2011
SBU East	127,062	125,048
SBU Scandinavia	162,298	163,710
SBU Finland	74,159	78,708
SBU Central Eastern Europe	82,202	88,872
Assets, non-allocated to segments	45,826	41,280
Eliminations	-59,532	-63,115
Total assets	432,015	434,503

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**Non-recurring items by segment
EUR 1,000**

	SBU East	SBU Scandinavia	SBU Finland	SBU Central Eastern Europe	Tikkurila common	Total 1-12/2012
Personnel related	-532	-518	-2,011	-728	-131	-3,919
Divestments and restructuring of Group organization	-	-38	-	-1,208	-	-1,246
Impairment losses	-2,100	-85	-	-1,853	-	-4,038
Change in fair value of contingent consideration	-	-	-	1,853	-	1,853
Total	-2,632	-640	-2,011	-1,936	-131	-7,350

**DISPOSAL OF GROUP COMPANIES
EUR 1,000**

Disposal of a Polish subsidiary Kujot Sp.zo.o, former Tikkurila Coatings Sp.zo.o, during the third quarter was disclosed in the third quarter interim report published on November 7, 2012.

Disposals of subsidiaries in Hungary, Czech Republic, Slovakia and Romania during the first quarter were disclosed in the first quarter interim report published on April 26, 2012 under headline "Disposal of group companies".

**CHANGES IN PROPERTY, PLANT AND EQUIPMENT
EUR 1,000**

	1-12/2012	1-12/2011
Carrying amount at the beginning of period	112,570	114,736
Business combinations	-	3,273
Additions	14,640	13,422
Disposal of subsidiaries and businesses	-110	-145
Disposals	-449	-604
Depreciation, amortization and impairment losses	-17,446	-15,389
Exchange rate differences and other changes	3,580	-2,723
Carrying amount at the end of period	112,785	112,570

Tikkurila Group had contractual commitments for purchase of property, plant and equipment EUR 1.4 (3.8) million at the end of December 2012.

**CHANGES IN INTANGIBLE ASSETS
EUR 1,000**

	1-12/2012	1-12/2011
Carrying amount at the beginning of period	98,850	98,930
Business combinations	-	7,787
Additions	3,475	1,460
Disposal of subsidiaries and businesses	-1	-2,440
Disposals	-3	-
Depreciation, amortization and impairment losses	-7,694	-6,278
Exchange rate differences and other changes	-735	-609
Carrying amount at the end of period	93,892	98,850

Tikkurila Group had contractual commitments for intangible assets EUR 0.0 million at the end of December 2012.

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INVENTORIES

Write-down of inventory for a total amount of EUR 4.2 (2.7) million was recognized and reversals of write-down of inventory EUR 0.4 (0.0) million until end of December 2012.

RELATED PARTY TRANSACTIONS

Parties are considered as each other's related parties if one party is able to control or has significant influence over financial and operating decision making of another party. Tikkurila Group has related party relationships with the parent company of the Group (Tikkurila Oyj), subsidiaries, associates and joint ventures. Related parties include members of Board of Directors and the Group's Board of Management, CEO as well as their family members.

Related party transactions are presented below

EUR 1,000	1-12/2012	1-12/2011
Joint ventures		
Sales	2,351	2,248
Receivables	119	125
Liabilities	13	13
Associates		
Sales	20,724	20,229
Purchases	1,261	1,244
Receivables	3,151	3,780
Liabilities	-	-

According the letter of intent announced in November 2011, Tikkurila has concluded the divestment of its three sales subsidiaries in Hungary, Czech Republic and Slovakia. The companies were transferred to Dejmark Group, a company established by Tikkurila's local management, on February 29, 2012. Moreover, Tikkurila sold all the shares in its Romanian subsidiary to the same buyer.

More information is presented in the first quarter interim report published on April 26, 2012 under headline " Disposal of group companies".

Share-based Commitment and Incentive Plan

In order to commit and motivate key personnel, the Board of Directors of Tikkurila Oyj decided on a new share-based plan in February 2012. During the second quarter the Board selected ten key persons, each of which has a right to participate in this share-based plan. In order to participate, each person has to buy Tikkurila Oyj's shares from the market. The maximum amount of shares under this plan has been individually defined for each participant.

Based on the commitment and incentive plan, a total of EUR 0.2 million was booked as personnel expenses during the fourth quarter according to IFRS 2 standard into the Group income statement. From the beginning of the financial year, expenses totaling around EUR 0.5 million have been booked. Correspondingly, the estimated total value of the plan for the period of 2012–2014 totaled approximately EUR 2.4 million at the end of the review period on December 31, 2012. The total value will be expensed over a three-year period until the first quarter of 2015, when the potential payments will take place if the terms and conditions of the plan are met. Half of the payments will be settled in shares, and a half in cash. Share price changes as well as the terms and conditions of the plan will determine the value and corresponding liability in relation to the cash-settled portion.

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COMMITMENTS AND CONTINGENT LIABILITIES
EUR 1,000**Dec 31, 2012****Dec 31, 2011****Mortgages given as collateral for liabilities in the statement of financial position**

Other loans	-	-
Mortgages given	102	102
Total loans	-	-
Total mortgages given	102	102

Contingent liabilities

Guarantees		
On behalf of own commitments	230	946
On behalf of others	2,436	2,899
Lease obligations	41,183	39,290
Total contingent liabilities	43,849	43,135

In addition, Tikkurila Group has some commitments which are related to personnel's years in service as well as retiring. These commitments are not mandatory, but are rather established by a pattern of past practice. The amount of the obligation cannot be measured with sufficient reliability.

DERIVATIVE INSTRUMENTS
EUR 1,000**Dec 31, 2012****Dec 31, 2011**

	Nominal value	Fair value	Nominal value	Fair value
Currency derivatives				
Currency forwards	47,919	-206	96,237	351

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KEY PERFORMANCE INDICATORS	10-12/2012/ Dec 31, 2012	10-12/2011/ Dec 31, 2011	1-12/2012/ Dec 31, 2012	1-12/2011/ Dec 31, 2011
Earnings per share / basic, EUR	-0.10	-0.11	0.92	0.80
Earnings per share / diluted, EUR	-0.10	-0.11	0.92	0.80
Cash flow from operations, EUR 1,000	12,922	6,743	66,024	37,100
Cash flow from operations / per share, EUR	0.29	0.15	1.50	0.84
Capital expenditure, EUR 1,000	3,636	7,448	16,827	27,530
of revenue %	3.0%	6.3%	2.5%	4.3%
Shares (1,000), average	44,108	44,108	44,108	44,108
Shares (1,000), at the end of the reporting period	44,108	44,108	44,108	44,108
Weighted average number of shares, adjusted for dilutive effect (1,000)	44,212	44,108	44,179	44,108
Number of shares at the end of period, adjusted for dilutive effect (1,000)	44,218	44,108	44,218	44,108
Equity attributable to the owners of the parent / per share, EUR	4.67	4.34	4.67	4.34
Equity ratio, %	47.7%	44.1%	47.7%	44.1%
Gearing, %	39.1%	51.9%	39.1%	51.9%
Interest-bearing financial liabilities (net), EUR 1,000	80,626	99,423	80,626	99,423
Return on capital employed (ROCE), % p.a.	21.0%	19.4%	21.0%	19.4%
Personnel (average)	3,284	3,624	3,425	3,676

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DEFINITIONS OF KEY FIGURES**Earnings per share (EPS), basic**

 Net profit of the period attributable to the owners of the parent

 Shares on average
Earnings per share (EPS), diluted

 Net profit of the period attributable to the owners of the parent

 Weighted average number of shares, adjusted for dilutive effect
Equity per share

 Equity attributable to the owners of the parent at the end of the reporting period

 Number of shares at the end of the reporting period
Cash flow from operations / per share

 Cash flow from operations

 Shares on average
Equity ratio, %

 Total equity x 100

 Total assets - advances received
Gearing, %

 Net interest-bearing financial liabilities x 100

 Total equity
Interest-bearing financial liabilities (net)

Interest-bearing liabilities - money market investments - cash and cash equivalents

Net working capital

Inventories + interest-free receivables, excluding current tax assets, accrued interest income and other prepaid financial items - interest-free liabilities, excluding current tax liabilities, accrued interest expenses and other accrued financial items

Return on capital employed (ROCE), % p.a. **

 Operating profit + share of profit or loss of associates x 100

 (Net working capital + property, plant and equipment ready for use + intangible assets ready for use + investments in associates)*

* average during the period

** actual operating profit and share of profit or loss of associates taken into account for a rolling twelve month period ending at the end of the review period

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SEGMENT INFORMATION BY QUARTER

Revenue by segment EUR 1,000	1-3/2011	4-6/2011	7-9/2011	10-12/2011	1-3/2012	4-6/2012	7-9/2012	10-12/2012
SBU East	32,803	73,542	74,635	39,061	40,254	82,392	75,592	44,603
SBU Scandinavia	46,713	56,821	50,480	38,332	49,865	55,855	52,550	37,281
SBU Finland	29,572	34,916	27,001	17,693	31,378	34,346	26,444	15,738
SBU Central Eastern Europe	25,396	33,030	39,708	24,025	27,432	36,873	37,072	24,162
Total	134,483	198,310	191,824	119,112	148,928	209,465	191,658	121,785

EBIT by segment EUR 1,000	1-3/2011	4-6/2011	7-9/2011	10-12/2011	1-3/2012	4-6/2012	7-9/2012	10-12/2012
SBU East	-1,478	10,201	14,920	1,700	-296	14,276	13,836	2,080
SBU Scandinavia	4,766	10,205	9,688	-422	4,948	8,476	11,132	-818
SBU Finland	3,716	5,707	3,221	-1,840	3,383	6,951	3,424	-3,088
SBU Central Eastern Europe	423	2,120	3,344	-2,720	-1,517	4,320	3,649	-1,098
Tikkurila common	-896	-757	-182	-505	-744	-718	-598	-1,047
Eliminations	0	-15	-12	26	0	0	0	0
Total	6,531	27,461	30,980	-3,761	5,775	33,304	31,444	-3,970

Non-allocated items:

Total financial income and expenses	-3,200	-3,658	-2,287	-1,688	-3,702	-2,362	-1,049	-260
Share of profit or loss of associates	125	53	-39	156	-48	78	9	23

Profit / loss before taxes	3,456	23,856	28,654	-5,293	2,025	31,020	30,404	-4,207
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Assets by segment EUR 1,000	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011	Mar 31, 2012	Jun 30, 2012	Sep 30, 2012	Dec 31, 2012
SBU East	125,682	140,422	129,011	125,048	137,800	153,437	148,257	127,062
SBU Scandinavia	167,683	176,674	166,685	163,710	165,299	176,880	169,367	162,298
SBU Finland	94,612	100,896	92,029	78,708	92,392	87,911	83,366	74,159
SBU Central Eastern Europe	79,429	99,498	101,086	88,872	96,104	101,897	100,759	82,202
Assets, non-allocated to segments	69,638	80,834	40,131	41,280	88,232	99,109	50,170	45,826
Eliminations	-70,289	-78,772	-58,601	-63,115	-88,012	-91,456	-66,912	-59,532
Total assets	466,755	519,552	470,342	434,503	491,816	527,778	485,007	432,015

Vantaa, February 14, 2013

TIKKURILA OYJ
BOARD OF DIRECTORS

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