



9.3.2011

Dynea Results 2010: A clear improvement in profitability

Dynea significantly improved results due to growth in demand.

In 2010, the general economic conditions in all of Dynea's key markets improved, which had a positive impact on demand. Especially in the developing economies of the Asia Pacific region, demand was good and returned to the levels preceding the financial crisis. In Europe, the economic picture remained unstable translating into a slower but steady growth. As a consequence of the prevailing economic uncertainty, construction activity has recovered at a very different pace in the various parts of Europe. Therefore the demand for Dynea's products in Europe has not yet returned to the normal long-term level.

Dynea's sales increased to €708.0 million from €526.9 million in 2009. Dynea's sales prices are linked to raw material prices, which in turn are dependant on commodity prices and general economic conditions. Due to raw material prices increasing steadily during the whole year, sales rose by 34%, while volumes grew by 14%.

In 2010, Dynea's operating result turned to a €17.0 million profit from a €46.0 million loss a year earlier. The operating profit in 2010 comprises a €1.7 million loss on disposal of a joint venture. The operating result in 2009 includes an impairment write-down amounting to €49.9 million.

As a result of increased sales volumes and higher raw material prices, a substantial amount of working capital was tied up, and net cash provided by operating activities decreased to €15.1 million (€27.6 million in 2009). Net debt, taking into account loans receivable, rose to €162.2 million from €157.2 million in 2009. The equity ratio rose to 30% (29%) and net gearing was 99% (103%).

In 2010, the 50% owned joint venture Dynea Brasil S.A. was sold and the sales company OOO Dynea was established in Russia. In addition, Dynea Nanjing Co., Ltd. was founded in China.

The President and CEO of the Dynea Group, **Roger Carlstedt** retired from his role on February 28, 2011, and **Nina Kopola** was appointed as the acting President of the Group as of March 1, 2011. She also continues in her role as President Dynea Europe.

"We expect the market situation in Europe to improve, albeit slowly. In Asia Pacific, the growth is estimated to remain stable. We are excited about our new investment in China and the Nanjing plant is expected to go on-stream during 2011. This will further strengthen our position in this growing market. Altogether we predict an improvement in our results also in 2011," comments Dynea's acting President Nina Kopola.

For further information

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Dynea in brief

Dynea is a world-leader leader in creating high value adhesion and surfacing solutions for the wood processing and construction industries as well as for selected industrial applications. In 2010, Dynea's sales were €708 million. The company has 36 production plants and some 2100 employees in 23 countries in Europe, the Asia Pacific region and Brazil. Dynea is headquartered in Helsinki and controlled by the European private equity firm IK Investment Partners' 1997 and 2000 funds. For further information, please visit www.dynea.com

Dynea Oy and Subsidiaries
Consolidated condensed income statement

(all amounts in € millions)

	12 months ended December 31, 2010	12 months ended December 31, 2009
Sales		
Europe	488.9	370.4
Asia-Pacific	199.8	142.5
Unallocated	28.7	18.0
Eliminations	(9.4)	(4.0)
Total	<u>708.0</u>	<u>526.9</u>
Share of income in associates and joint ventures	2.9	1.0
Impairment write-downs	—	(49.9)
Operating profit/(loss)		
Europe	12.5	(43.0)
Asia-Pacific	18.3	5.9
Unallocated	(13.8)	(8.9)
Total	<u>17.0</u>	<u>(46.0)</u>
Finance costs	(14.8)	(14.6)
Income tax benefit	0.2	8.7
Profit/(loss) for the year	<u><u>2.4</u></u>	<u><u>(51.9)</u></u>

Dynea Oy and Subsidiaries
Consolidated condensed balance sheet

(all amounts in € millions)

	As at December 31, 2010	As at December 31, 2009
ASSETS		
Non-current assets		
Property, plant and equipment	196.5	198.5
Intangible assets	112.1	113.7
Investments in associates and joint ventures	20.2	29.3
Other non-current assets	13.6	10.2
Total non-current assets	342.4	351.7
Current assets		
Inventories	58.7	40.8
Receivables	93.1	77.9
Loans receivable	23.9	17.7
Other current assets	1.2	1.8
Cash and cash equivalents	26.3	30.6
Total current assets	203.2	168.8
Total assets	545.6	520.5
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders equity		
Share capital	96.2	96.2
Share premium	11.4	11.4
Retained earnings	41.7	32.9
	149.3	140.5
Non-controlling interest	14.7	12.3
Total equity	164.0	152.8
Non-current liabilities		
Borrowings	164.8	160.6
Other non-current liabilities	51.9	56.5
	216.7	217.1
Current liabilities		
Accounts payable	79.4	58.8
Borrowings and current portion of long-term debt	48.7	44.9
Other current liabilities	36.8	46.9
	164.9	150.6
Total liabilities	381.6	367.7
Total equity and liabilities	545.6	520.5

Dynea Oy and Subsidiaries
Consolidated condensed cash flow statement

(all amounts in € millions)

	12 months ended December 31, 2010	12 months ended December 31, 2009
Cash flow from operating activities		
Profit/(loss) for the year	2.4	(51.9)
Adjustments, total	36.8	77.9
Change in net working capital	(17.8)	11.0
Cash generated from operations	21.4	37.0
Interests received	2.4	1.2
Interests paid	(5.3)	(12.4)
Other financial income and expense	2.0	(4.5)
Dividends from associates and joint ventures	1.4	3.9
Income taxes paid	(6.8)	(0.4)
Net cash provided by operating activities	15.1	24.8
Investing activities		
Investments in joint ventures	—	(8.0)
Disposals of joint ventures	11.5	—
Purchase of property, plant and equipment	(13.7)	(16.3)
Proceeds from sales of property, plant and equipment	0.1	0.7
(Increase) in loans receivable, joint ventures	(3.2)	(4.2)
(Increase) in loans receivable, other	(3.0)	—
Net cash (used in) investing activities	(8.3)	(27.8)
Financing activities		
Dividends paid to non-controlling interests	(3.9)	(2.3)
(Repayments) of borrowings	(12.2)	(103.1)
Proceeds from borrowings	5.7	106.7
Other financing items	(3.4)	2.2
Net cash (used in)/provided by financing activities	(13.8)	3.5
Movement in cash and cash equivalents		
At start of the year	30.6	25.7
(Decrease)/increase in cash and cash equivalents	(7.0)	3.3
Effect of exchange rates	2.7	1.6
At end of the year	26.3	30.6