



# Tikkurila

Interim Report for January–March 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
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# Tikkurila overview



**TIKKURILA**

# 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

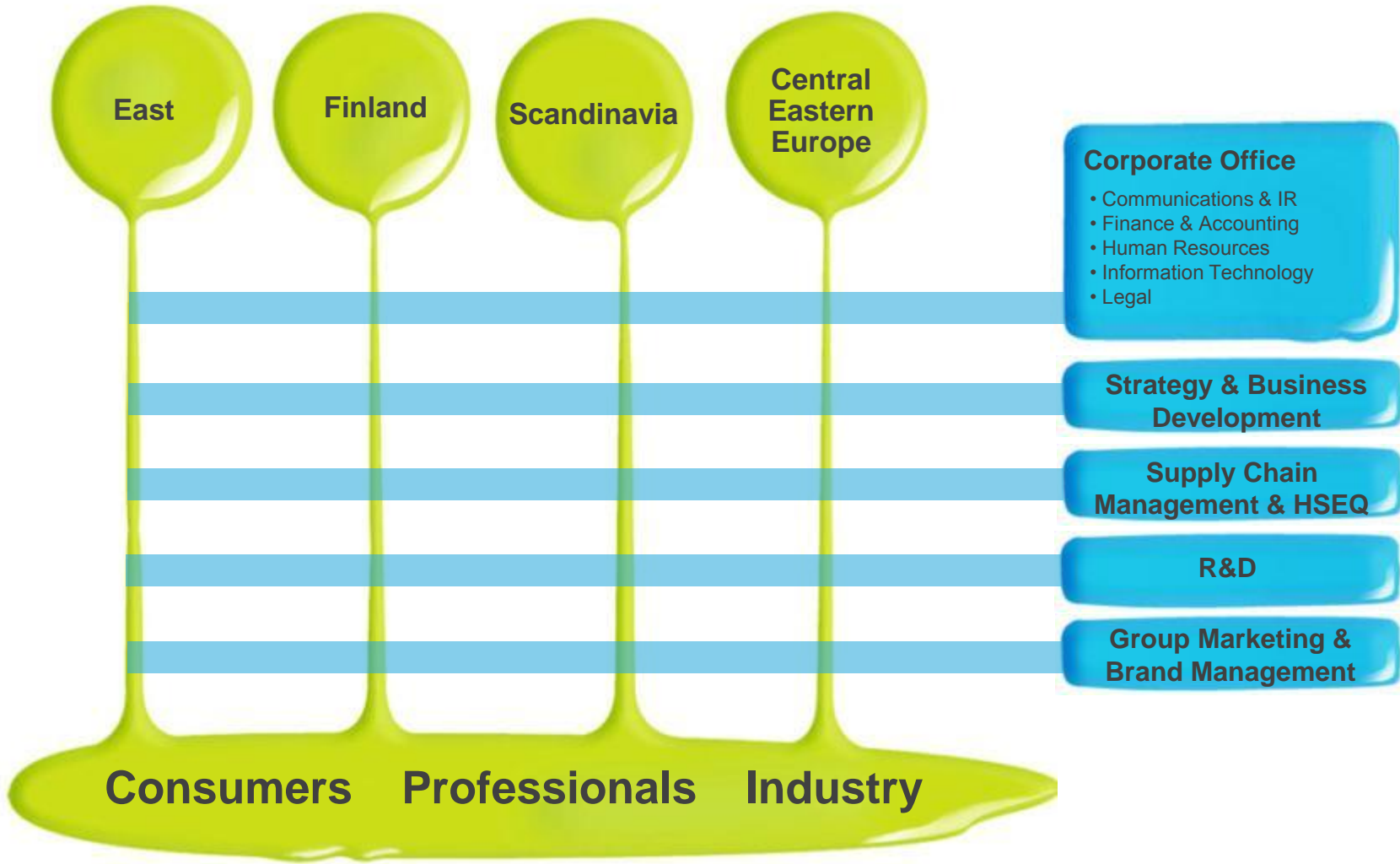
### Products and services:

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

## Tikkurila's locations



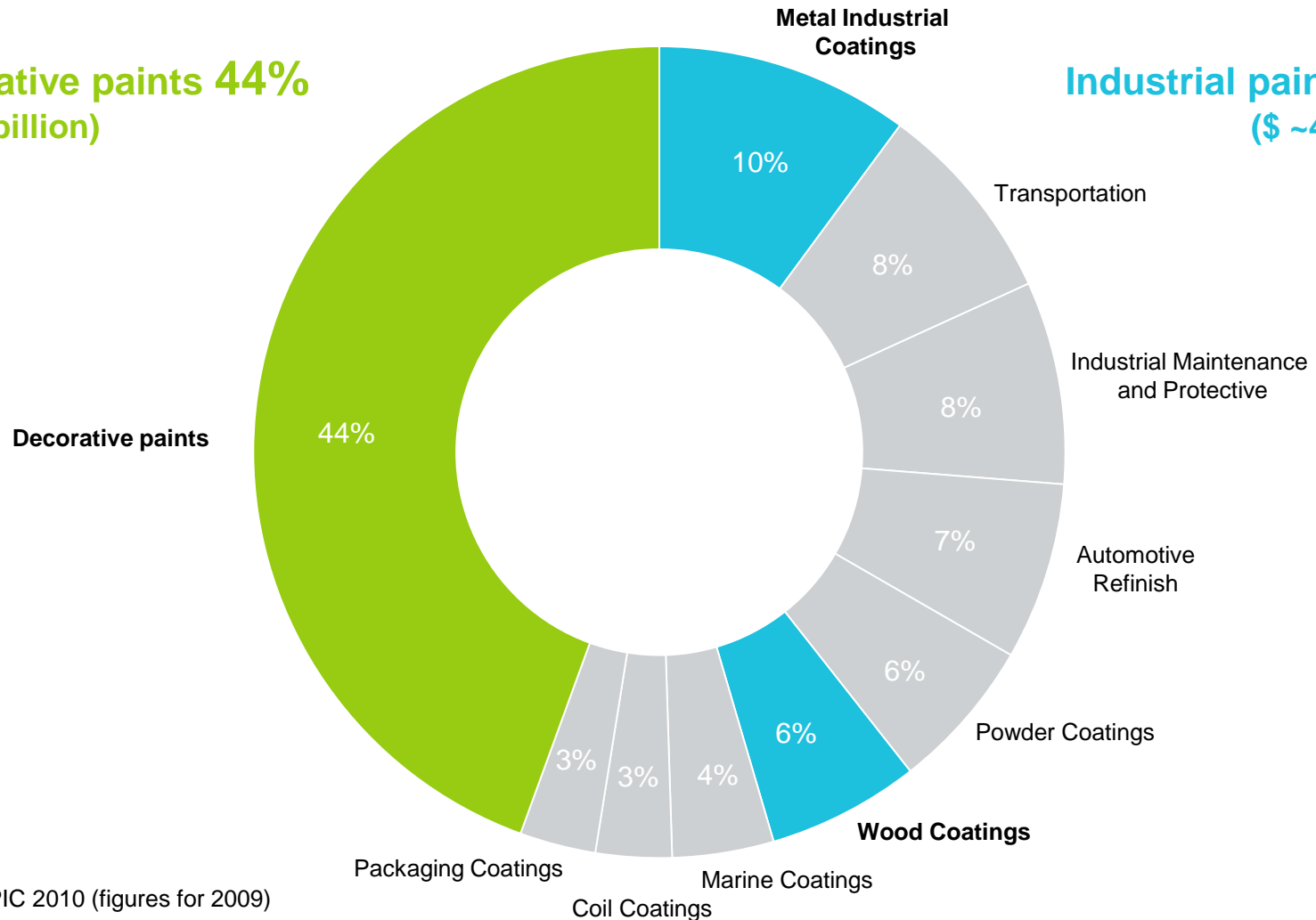
# Tikkurila group structure



# Value of the global paints and coatings market

**Decorative paints 44%**  
(\$ ~38 billion)

**Industrial paints 56%**  
(\$ ~49 billion)



Lähde: IPPIC 2010 (figures for 2009)

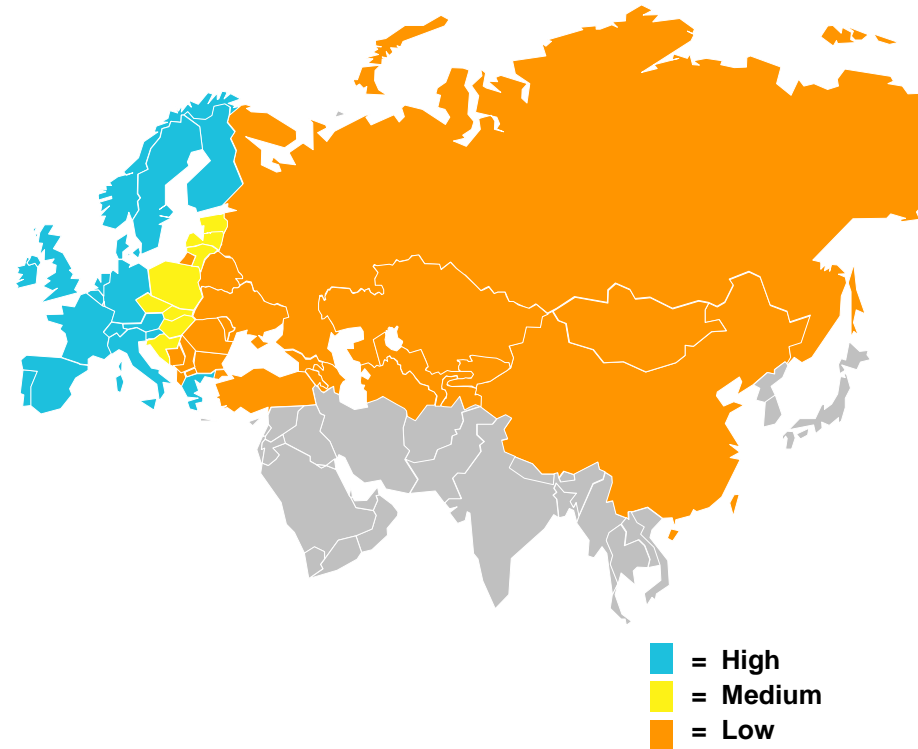
May 2011

# 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

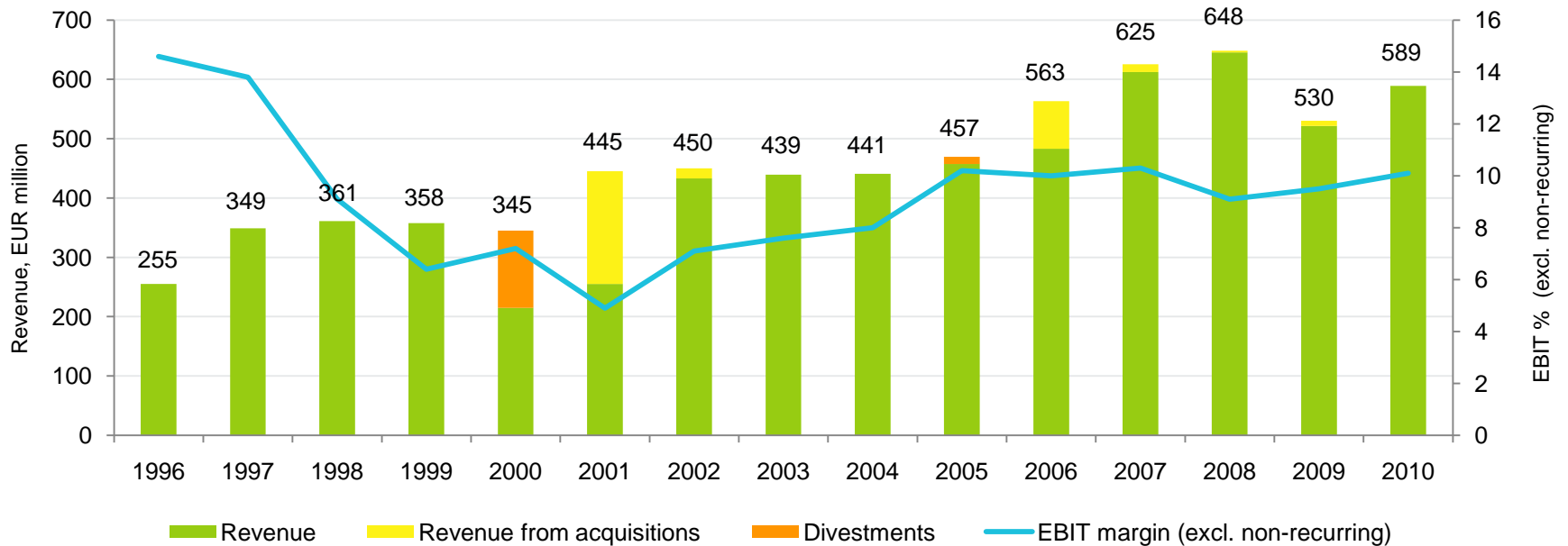
Growth through differentiation  
Substantial long term growth potential

# 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)
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# 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

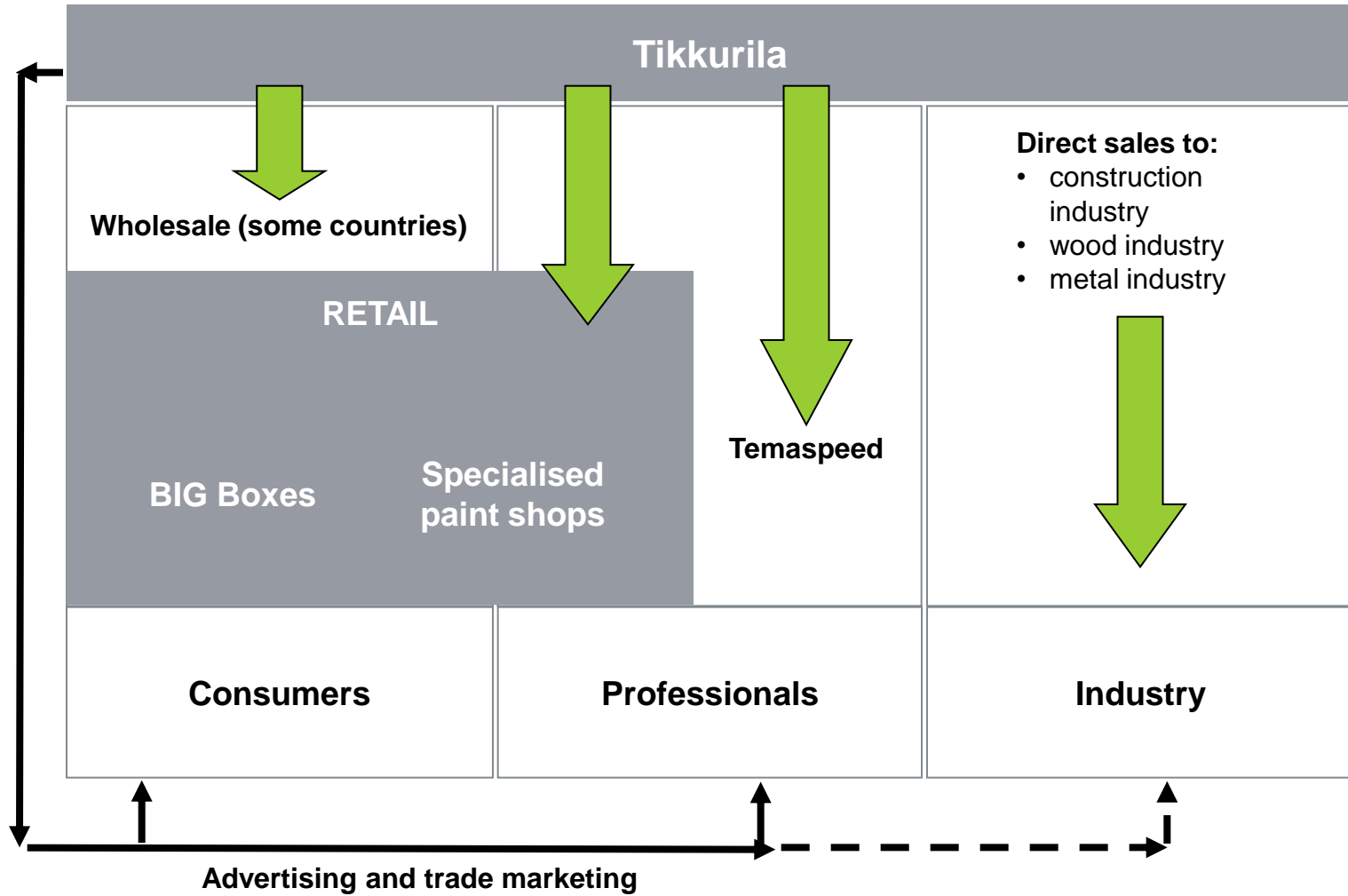


Helpline



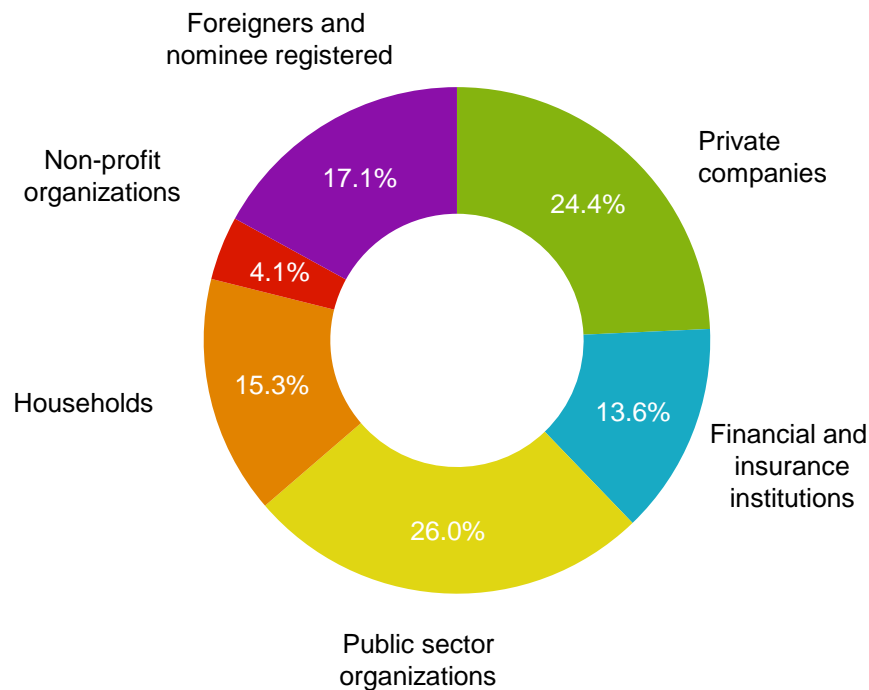
Training

# Distribution channels



# Tikkurila's ownership structure

## Ownership structure at the end of April 2011



## Ownership

- Number of shareholders ~25,200
- Largest shareholders Oras Invest Oy (18.0%), Ilmarinen (9.5%) and Varma (8.6%)
- 50 largest shareholders holding over 60%
- ~94% of shareholders holding max 1,000 shares
- Foreigners and nominee registered ownership ~17%
- Kemira Oyj sold its holding in Tikkurila shares (14.0%) in March 2011



## **Review period – Group highlights**

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# Stronger market demand

## Development Q1/2011 vs. Q1/2010

- Revenue increased by 12.6%
  - Sales volumes improved in all markets, except for Finland
- Operating profit decreased by 12.9%
  - Increase in raw material prices was mostly covered by raising prices
  - Sales and marketing expenses were 20% higher than in the comparison period
- The importance of the first quarter in the entire year's result is relatively low
- The challenges related to raw materials are expected to continue in the coming months
- Tikkurila reiterates its outlook for the financial year 2011



# Operating environment and market position

## General development of the market areas in 2011

- Emerging markets are leading the economic growth
- Development of the European economy has also been good
- Growth of Russia's total production is expected to accelerate from last year
- Inflation is eroding purchase power in both developed and developing economies
- Construction is picking up also in Russia and Poland

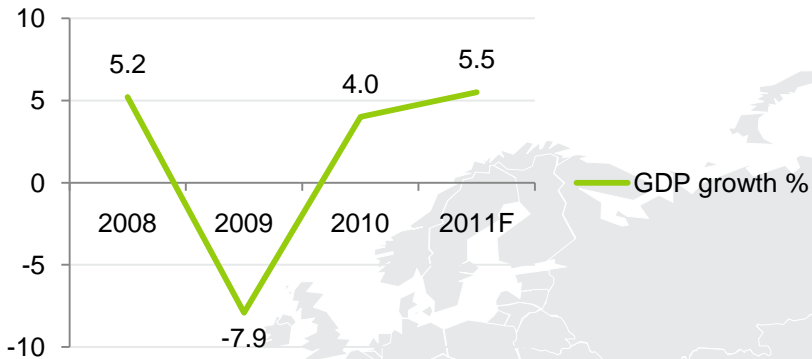
## Tikkurila's market positions\*



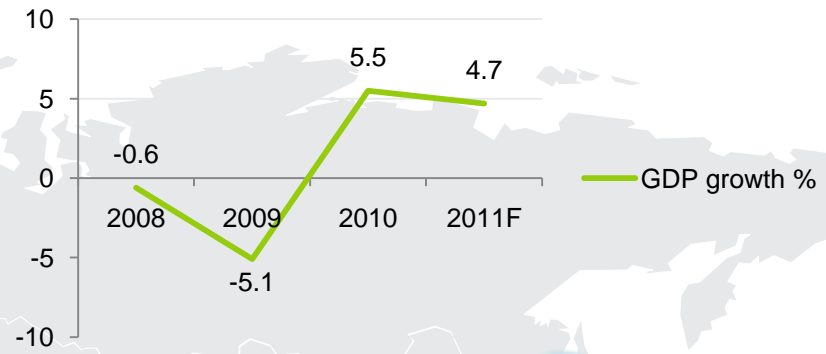
\* Decorative paints

# Development of gross domestic product 2008–2011F

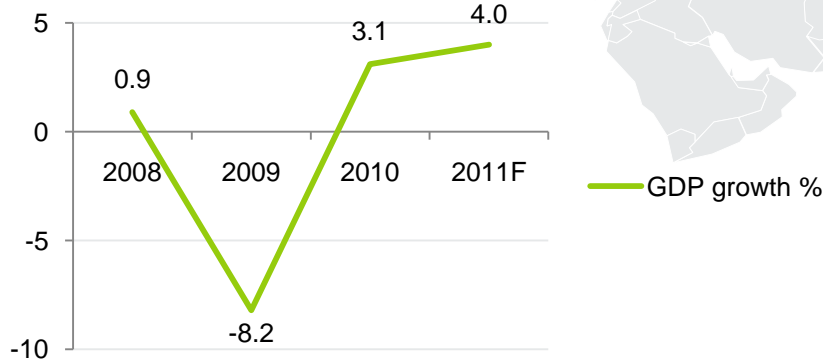
Russia



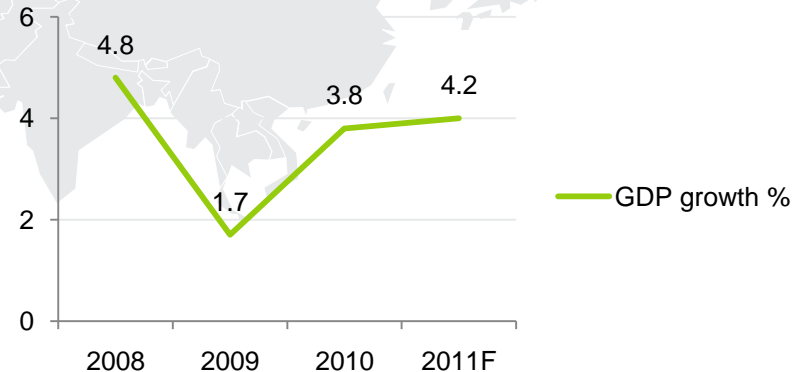
Sweden



Finland



Poland



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

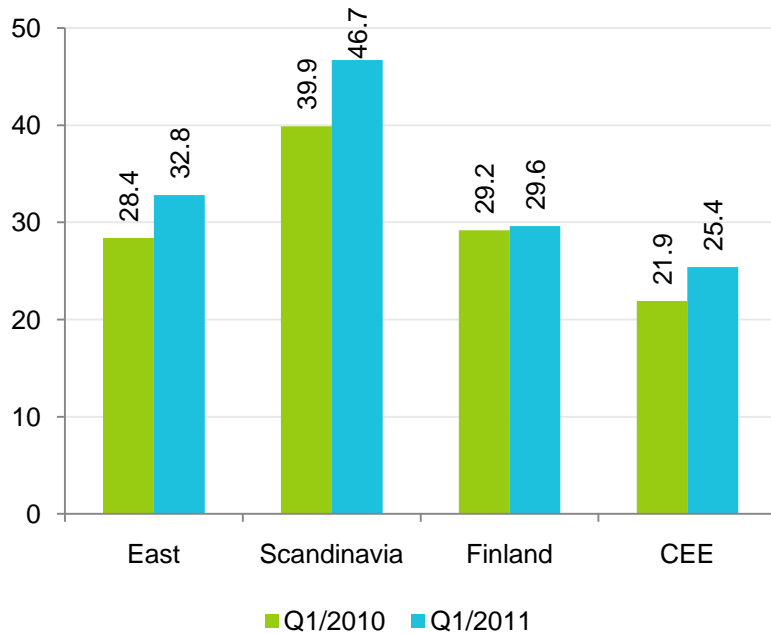
# Key figures of the review period

EUR million	1-3/2011	1-3/2010	Change %	2010
Revenue	<b>134.5</b>	119.4	12.6%	588.6
EBIT excluding non-recurring items	<b>6.5</b>	7.5	-12.9%	59.7
EBIT excluding non-recurring items, %	<b>4.9%</b>	6.3%		10.1%
EBIT	<b>6.5</b>	7.5	-12.9%	60.8
EBIT, %	<b>4.9%</b>	6.3%		10.3%
EPS*, EUR	<b>0.03</b>	0.08	-58.2%	0.83
ROCE, % p.a.	<b>19.1%</b>	16.6%		19.2%
Cash flow after capital expenditure	<b>-27.7</b>	-30.2	8.2%	51.4
Net interest-bearing debt at period-end	<b>106.4</b>	158.7	-32.9%	78.6
Gearing, %	<b>65.8%</b>	101.0%		41.4%
Equity ratio, %	<b>34.7%</b>	34.5%		41.1%
Personnel at period-end	<b>3,555</b>	3,695	-3.8%	3,468

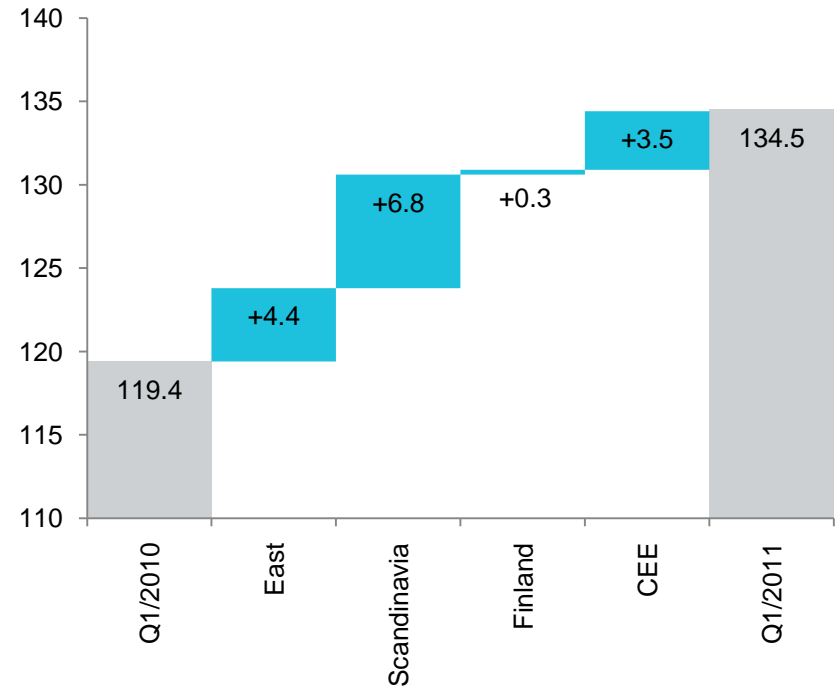
\* Calculated by using the amount of outstanding shares of 44,108,252

# Revenue development by segment Q1/2010 vs. Q1/2011

EUR million

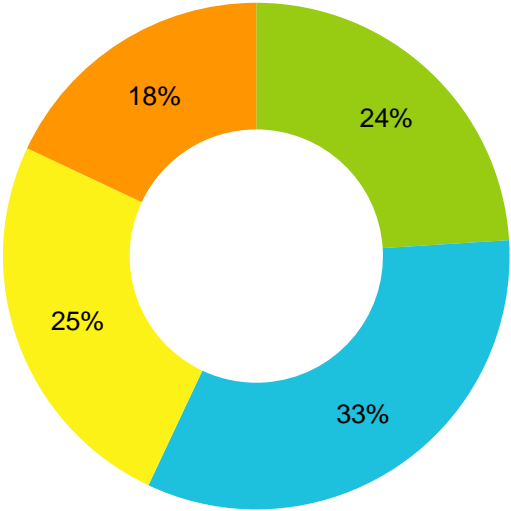


EUR million

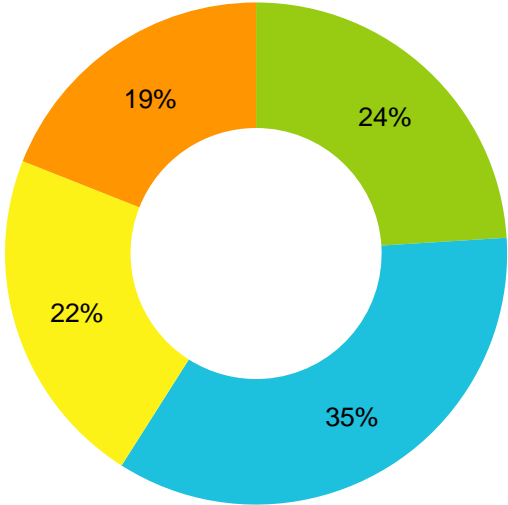


# Revenue by segment (SBU) Q1/2010 vs. Q1/2011

Q1/2010 total revenue EUR 119.4 million



Q1/2011 total revenue EUR 134.5 million



- East
- Scandinavia
- Finland
- CEE

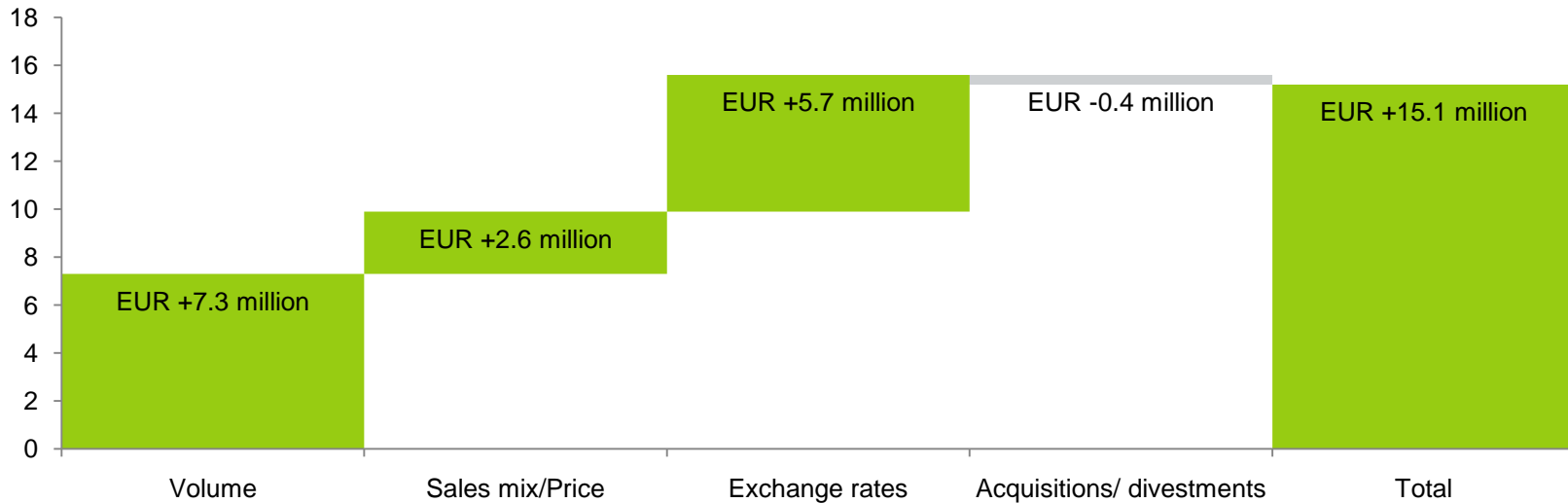
Decorative paints accounted for 84% of revenue in Q1/2010 and Q1/2011

# Revenue development

EUR million	1-3/2011	1-3/2010	Change %	2010
Revenue	<b>134.5</b>	119.4	12.6%	588.6

## Different factors impacting revenue development, Q1/2010 vs. Q1/2011

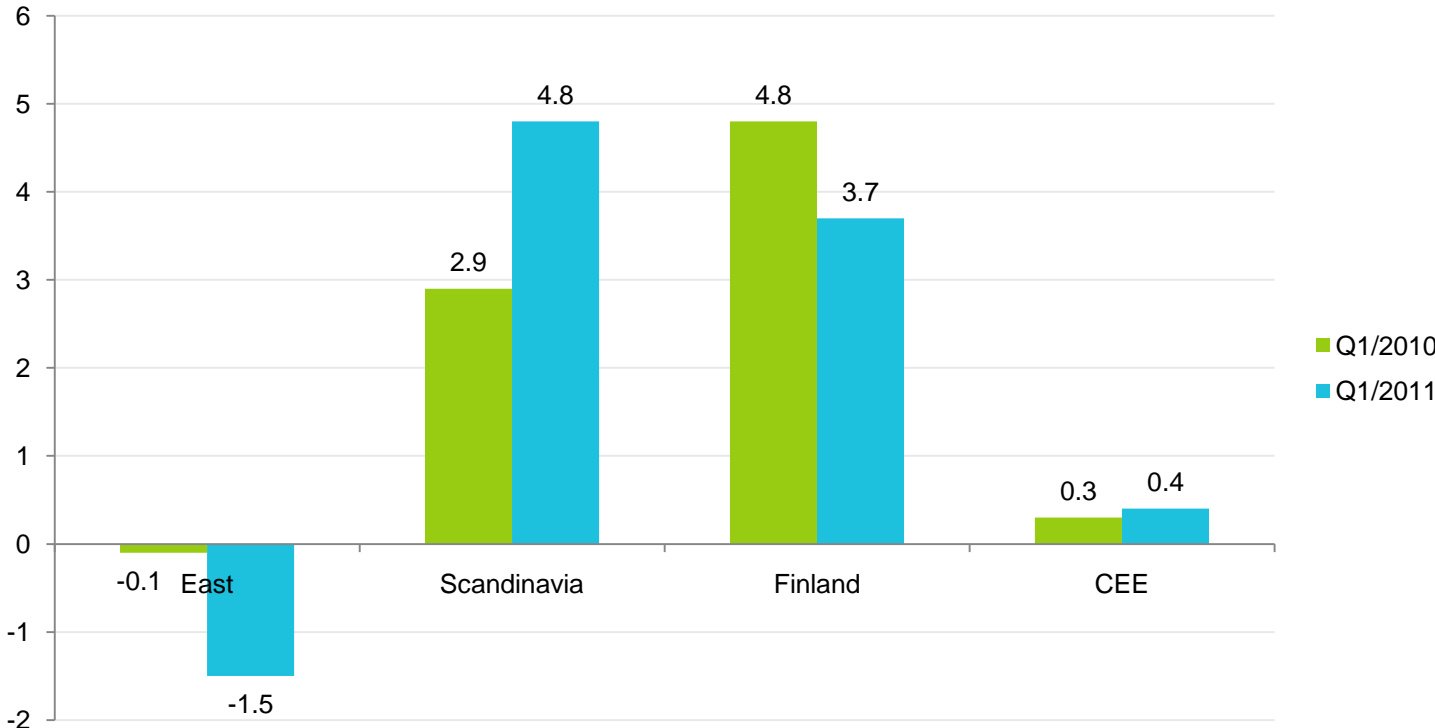
Increase/decrease, EUR million



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) Q1/2010 vs. Q1/2011

EUR million



# Sales and marketing activities were increased

- Sales and marketing expenses were approximately 20% higher in the first quarter of 2011 than in the comparison period
- Securing sales of the upcoming outdoor painting season and further strengthening positions in the prevailing challenging raw material situation
- In addition to traditional advertising, promotional activities include, among others, collaboration projects with different TV programs, web-based services, mobile applications and store materials

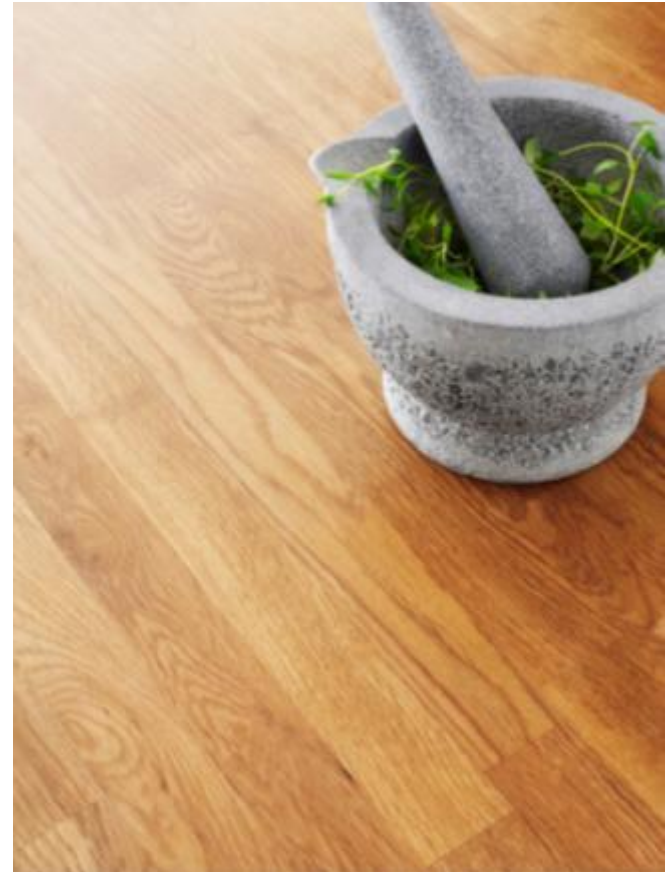


# Launched in Finland in spring: Zen products of Tikkurila's Pigrol brand

Pigrol Zen Beeswax oil



Pigrol Zen Oil for wooden surfaces

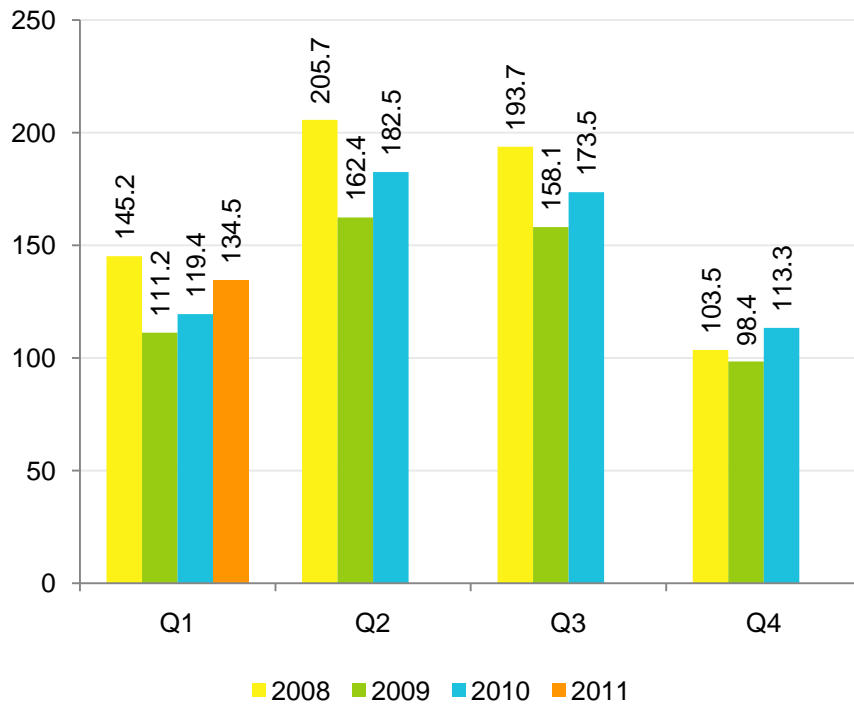


For further information, please visit [www.tikkurila.fi](http://www.tikkurila.fi)

# Seasonality

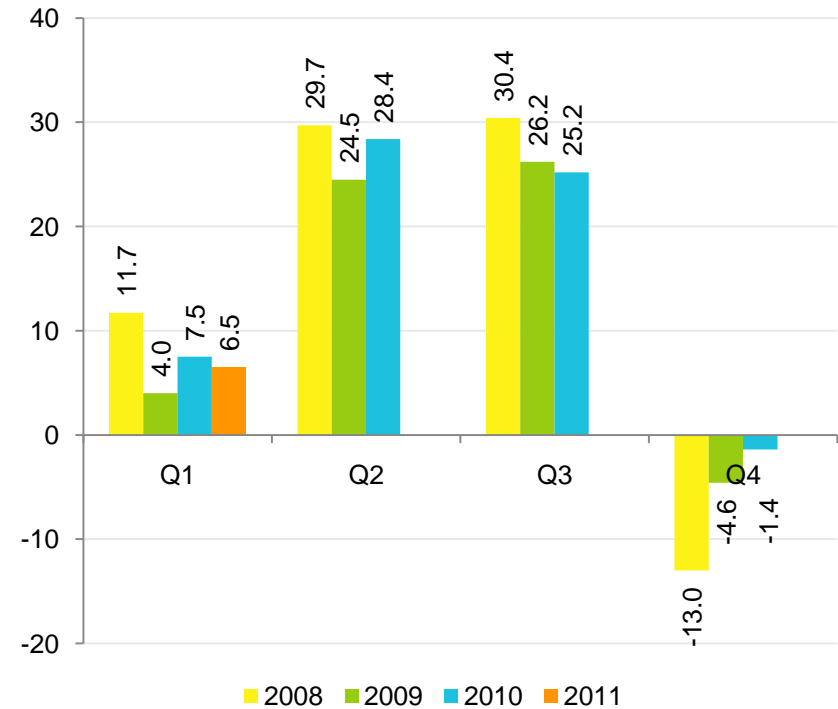
Revenue by quarter 2008–2011

EUR million



EBIT\* by quarter 2008–2011

EUR million



\* Excluding non-recurring items



**Review period –  
Segment highlights**

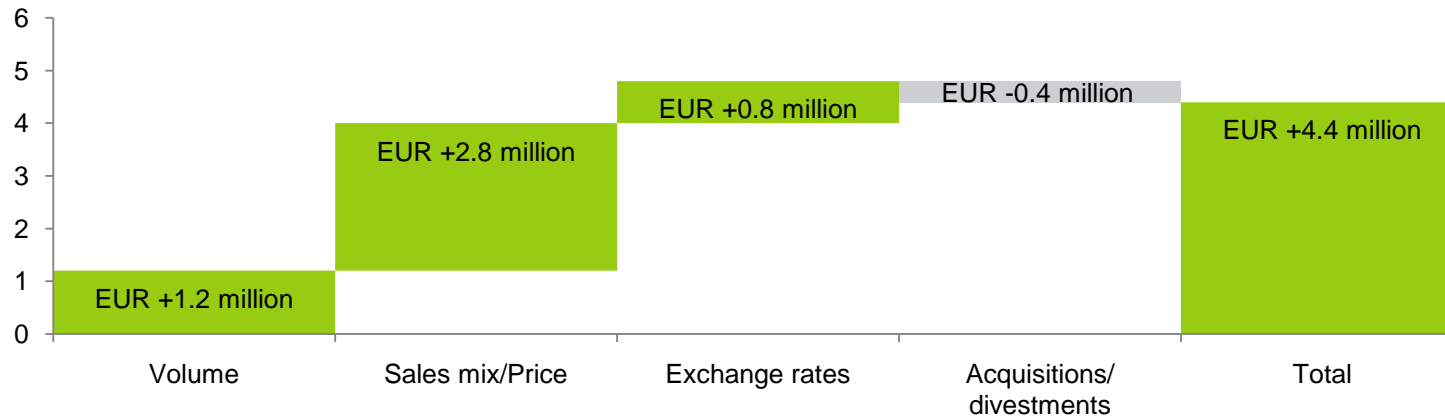
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# SBU East Q1/2011

EUR million	1-3/2011	1-3/2010	Change %	2010
Revenue	<b>32.8</b>	28.4	15.5%	194.5
EBIT*	<b>-1.5</b>	-0.1		22.7
EBIT*, %	<b>-4.5%</b>	-0.2%		11.6%
Capital expenditure excl. acquisitions	<b>0.6</b>	0.7	-17.6%	4.5

## Different factors impacting the revenue development of SBU East, Q1/2011 vs. Q1/2010

Increase/decrease, EUR million

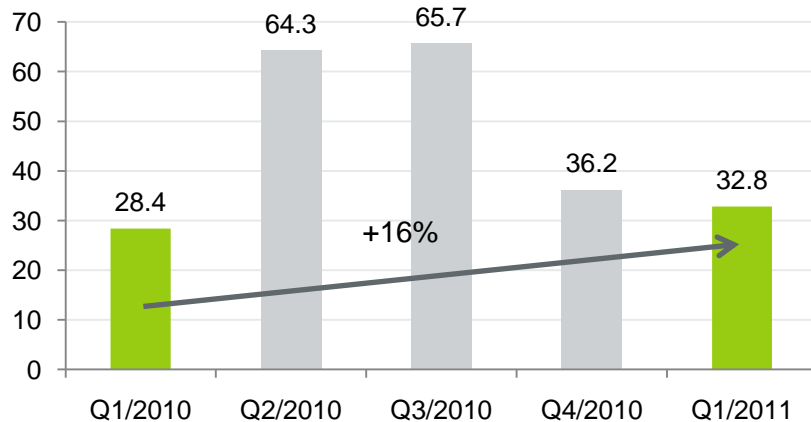


\* Excluding non-recurring items

# SBU East Q1/2011

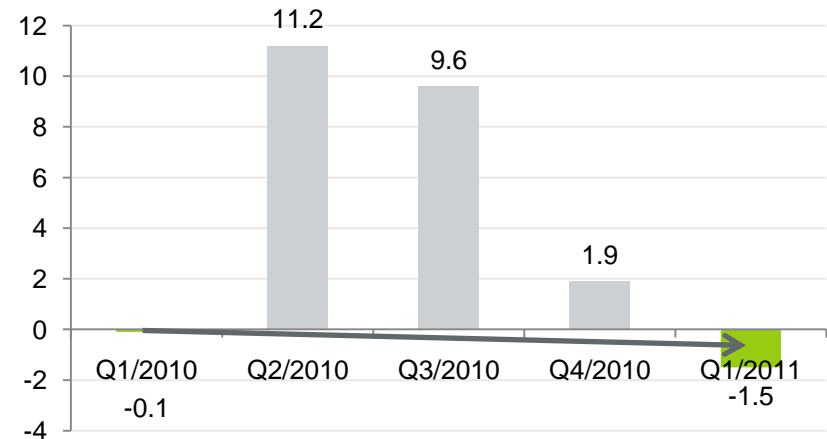
Revenue by quarter Q1/2010–Q1/2011

EUR million



EBIT\* by quarter Q1/2010–Q1/2011

EUR million



- The long and cold winter in Russia has delayed the start of the painting season
- Sales prices were increased at the beginning of the year
- Sales and marketing expenses were higher than in the comparison period
- Salary inflation

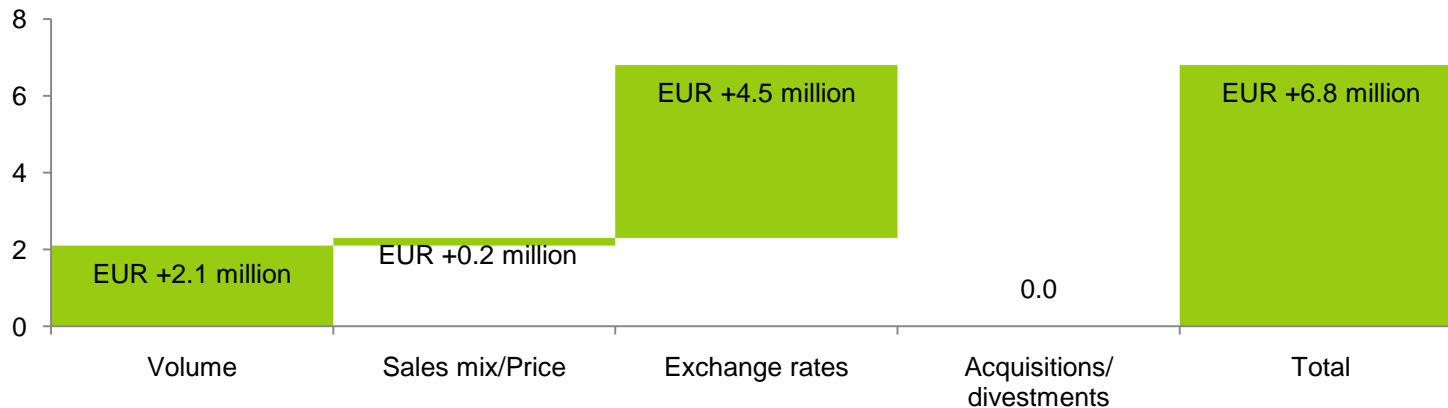
\* Excluding non-recurring items

# SBU Scandinavia Q1/2011

EUR million	1-3/2011	1-3/2010	Change %	2010
Revenue	<b>46.7</b>	39.9	17.2%	181.8
EBIT*	<b>4.8</b>	2.9	61.9%	21.3
EBIT*, %	<b>10.2%</b>	7.4%		11.7%
Capital expenditure excl. acquisitions	<b>0.2</b>	0.4	-48.2%	2.3

## Different factors impacting the revenue development of SBU Scandinavia, Q1/2011 vs. Q1/2010

Increase/decrease, EUR million

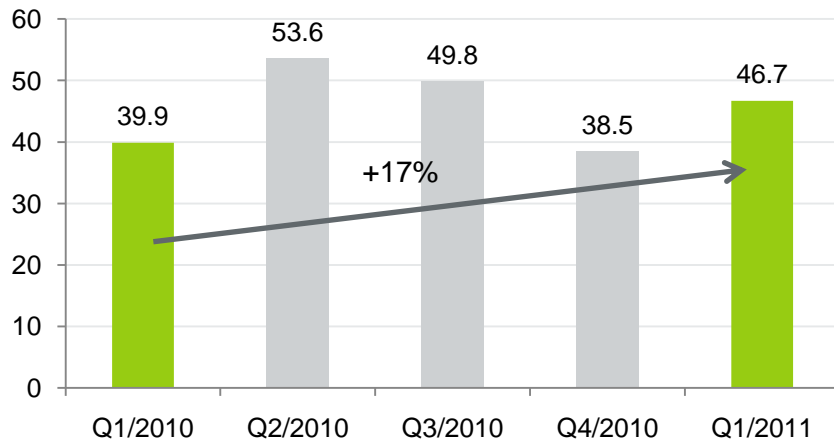


\* Excluding non-recurring items

# SBU Scandinavia Q1/2011

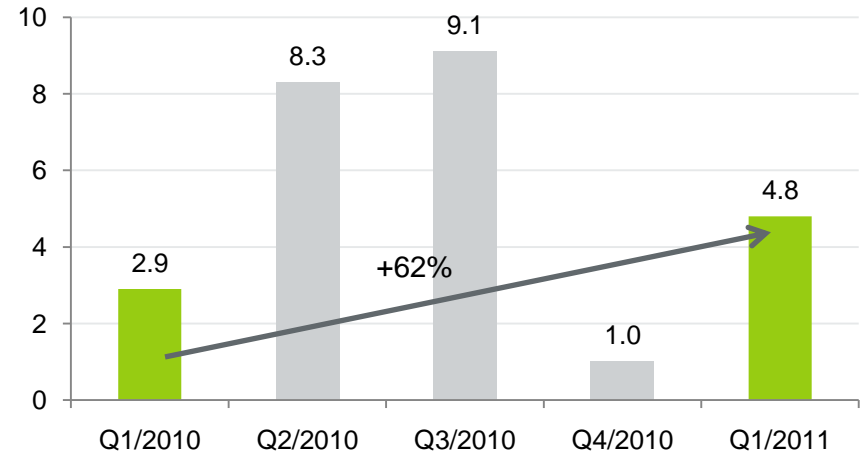
Revenue by quarter Q1/2010–Q1/2011

EUR million



EBIT\* by quarter Q1/2010–Q1/2011

EUR million



- Advance orders for the summer season remained at the same level as last year
- Sales prices were increased at the beginning of the year
- Sales and marketing expenses were higher than in the comparison period
- Productivity of the Nykvarn site in Sweden improved

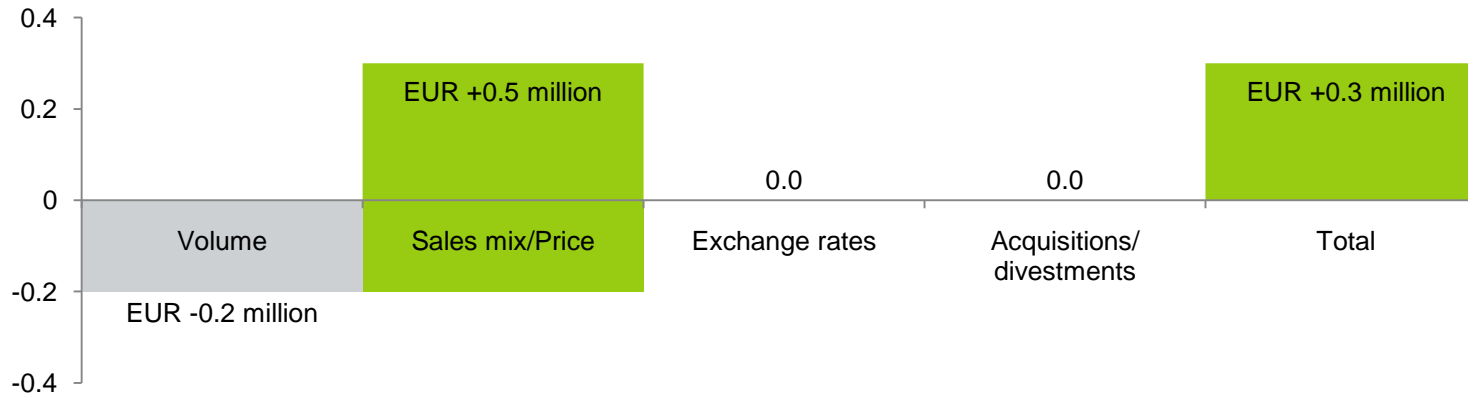
\* Excluding non-recurring items

# SBU Finland Q1/2011

EUR million	1-3/2011	1-3/2010	Change %	2010
Revenue	<b>29.6</b>	29.2	1.2%	107.2
EBIT*	<b>3.7</b>	4.8	-23.1%	13.6
EBIT*, %	<b>12.6%</b>	16.5%		12.7%
Capital expenditure excl. acquisitions	<b>0.8</b>	0.6	37.6%	2.2

## Different factors impacting the revenue development of SBU Finland, Q1/2011 vs. Q1/2010

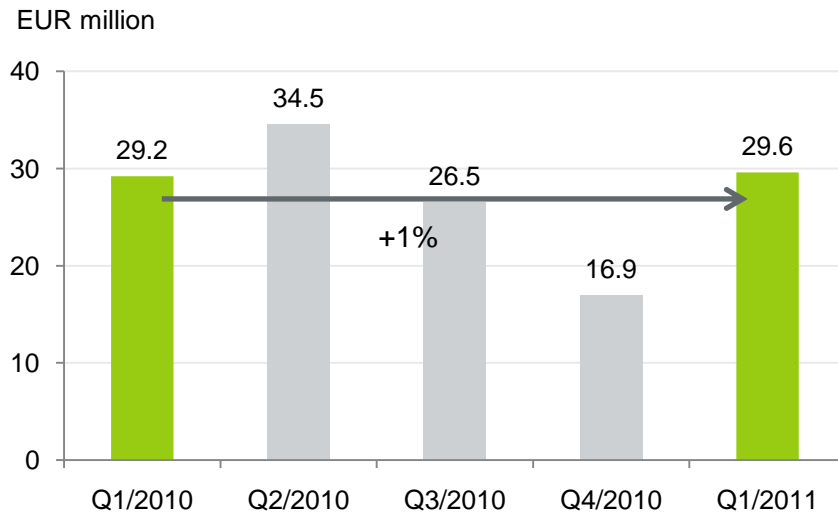
Increase/decrease, EUR million



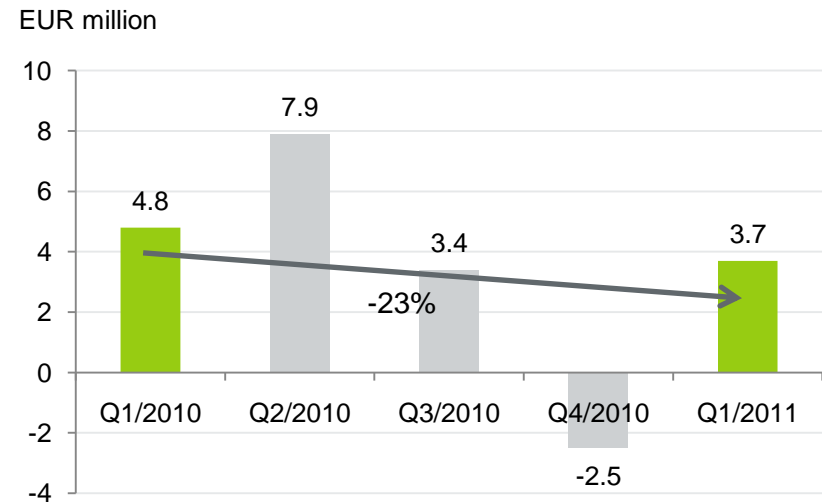
\* Excluding non-recurring items

# SBU Finland Q1/2011

Revenue by quarter Q1/2010–Q1/2011



EBIT\* by quarter Q1/2010–Q1/2011



- Cold spring has slightly postponed advance orders of outdoor paints; orders are expected to remain at last year's level
- Sales prices were increased at the beginning of the year
- Sales and marketing expenses were higher than in the comparison period

\* Excluding non-recurring items

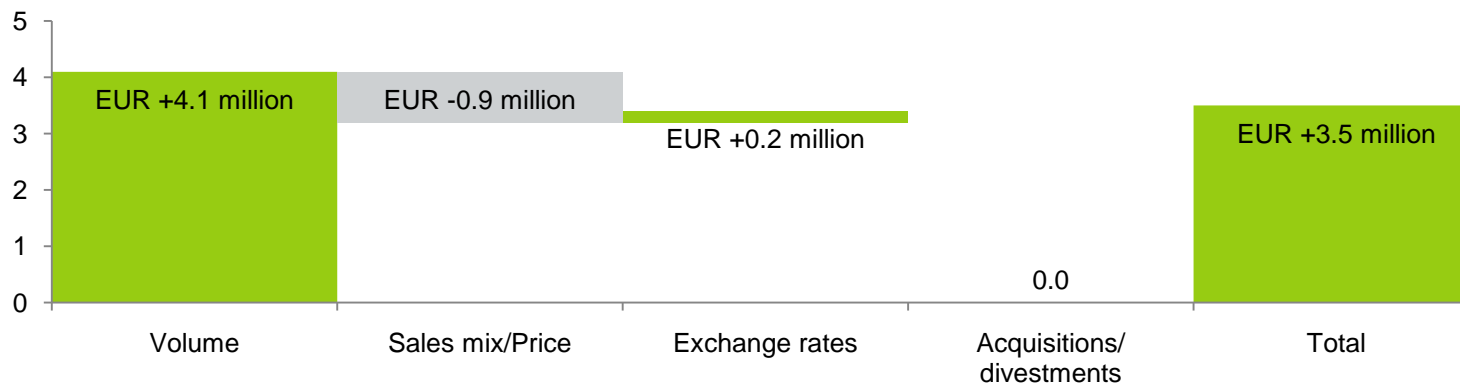
# SBU Central Eastern Europe (CEE) Q1/2011

EUR million	1-3/2011	1-3/2010	Change %	2010
Revenue	<b>25.4</b>	21.9	16.0%	105.2
EBIT*	<b>0.4</b>	0.3	43.9%	4.8
EBIT*, %	<b>1.7%</b>	1.3%		4.6%
Capital expenditure excl. acquisitions	<b>0.4</b>	0.5	-15.2%	2.2

Figures include export to more than 20 countries

## Different factors impacting the revenue development of SBU CEE, Q1/2011 vs. Q1/2010

Increase/decrease, EUR million



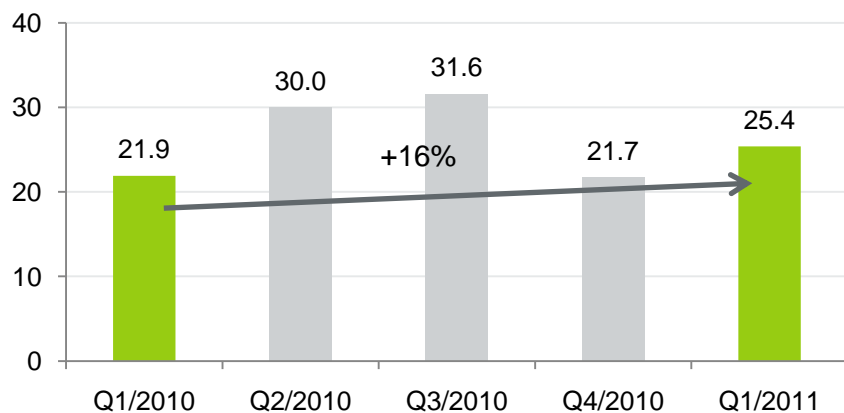
The figures on the graph above have been independently rounded to one decimal, which should be taken into account when calculating total figures.

\* Excluding non-recurring items

# SBU CEE Q1/2011

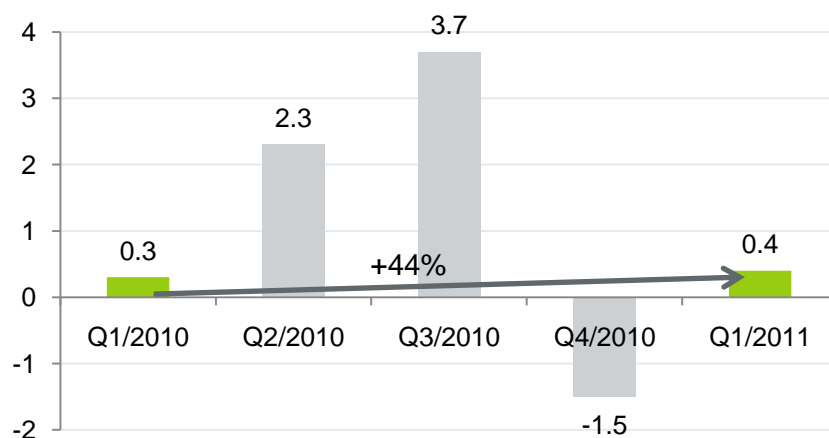
## Revenue by quarter Q1/2010–Q1/2011

EUR million



## EBIT\* by quarter Q1/2010–Q1/2011

EUR million



- Sales volumes in the region clearly growing
- Sales prices were increased during the first months of the year; in Poland, price increases became effective after the review period
- Sales of industrial coatings grew more than that of decorative paints

\* Excluding non-recurring items

# Tikkurila strengthens its position in Central Eastern Europe



- In April, Tikkurila agreed on the acquisition of the business operations of Serbian Zorka Color
- Expanding geographical presence into the Balkans and strengthening position in Central Eastern Europe in accordance with Tikkurila's growth strategy
- In 2010, the revenue of Zorka Color was approximately EUR 16.2 million, operating profit EUR 1.0 million, and the number of employees 150
- A strong brand with a great product portfolio
- A leading player in its region
- The purchase price will be specified, and will be partly based on the future results
- Requires an approval from the competition authorities and fulfillment of other terms and conditions of the transaction

# The emerging Balkan region

## Emerging market area

- Zorka Color operates in Serbia, Macedonia, Bosnia-Herzegovina, Montenegro, Croatia and Kosovo
- Previously, Tikkurila has exported paints to the area
- Total population in the area ~20 million
- Estimated GDP growth 3% for 2011 in Serbia
- Paint consumption per capita 5 liters in Serbia, 3–7 liters in other countries
- Environmental awareness increasing, new interior decoration trends (more colors, growth in tinting system)
- Competitors in the region include Helios and JUB

## Expansion to the Balkan region



— Tikkurila SBU CEE's current operating area  
(China also includes in CEE)

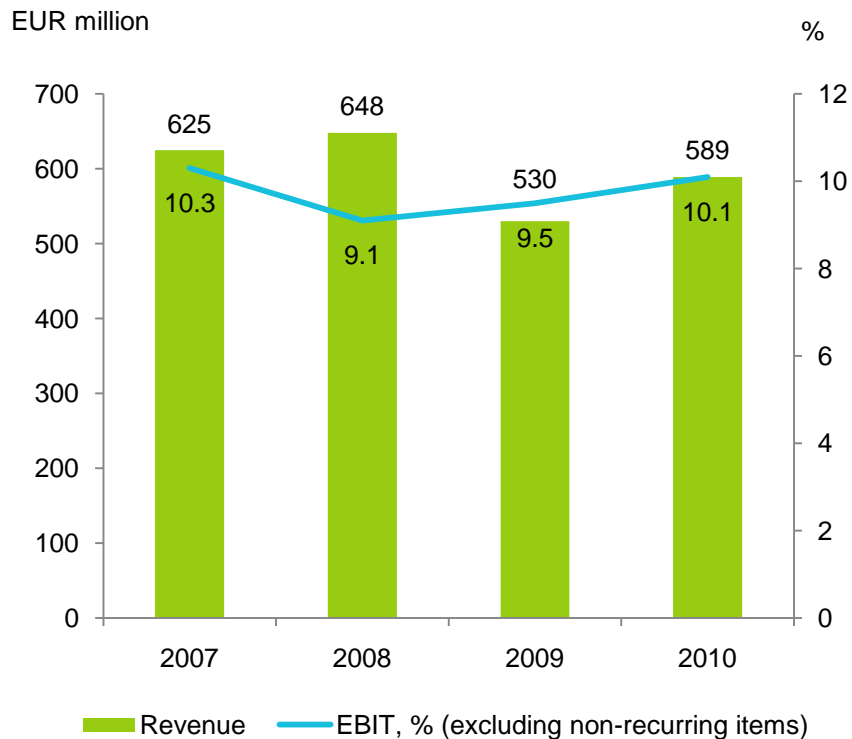
— Zorka Color's operating area

# 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.



# Contact persons

**TIKKURILA**

# Investor and media contacts



**Erkki Järvinen**

President and CEO



**Jukka Havia**

CFO



**Susanna Aaltonen**

GVP, Communications & IR

[susanna.aaltonen@tikkurila.com](mailto:susanna.aaltonen@tikkurila.com)

Tel. +358 9 8577 2488, mobile +358 40 593 4221

# Appendix



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# 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 Sary 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 <sup>2</sup> , Becker Acroma <sup>2</sup>	Akzo Nobel, Flügger, Jotun, Becker Acroma, Teknos	Akzo Nobel, PPG, a large number of local and regional suppliers
Distribution channels	<b>Deco:</b> DIY retailers, independent retailers, wholesalers <b>Industry:</b> direct sales, Temaspeed	<b>Deco:</b> DIY retailers, independent paint retailers <b>Industry:</b> direct sales, Temaspeed	<b>Deco:</b> DIY retailers, Alcro-Beckers professional stores <sup>1</sup> , Happy Homes chain <sup>1</sup> , Colorama retail chain <sup>1</sup> <b>Industry:</b> direct sales, Temaspeed	<b>Deco:</b> DIY retailers, independent retailers <b>Industry:</b> direct sales, Temaspeed

<sup>1</sup> In Sweden

<sup>2</sup> Industrial coatings

# SBU East in brief

## Key facts

Operational area	Russia, other CIS countries, Ukraine
2010 revenue	EUR 194.5 million, 33% of group
2010 EBIT <sup>1</sup>	EUR 22.7 million, 36% of group <sup>2</sup>
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 Teks
- 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

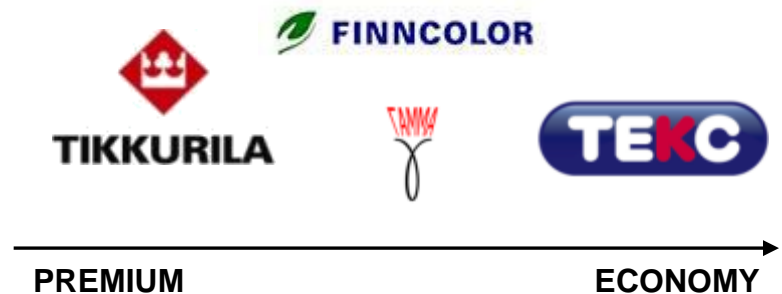
2 Excluding group items

# Tikkurila in Russia

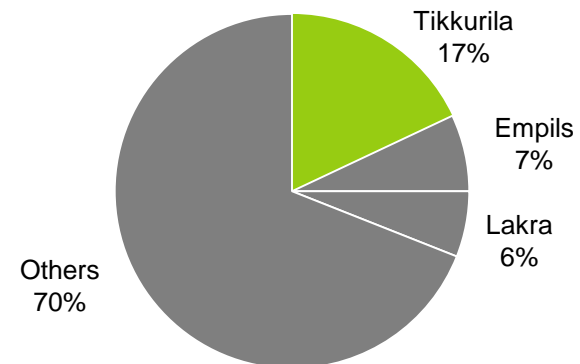
## Overview

- 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



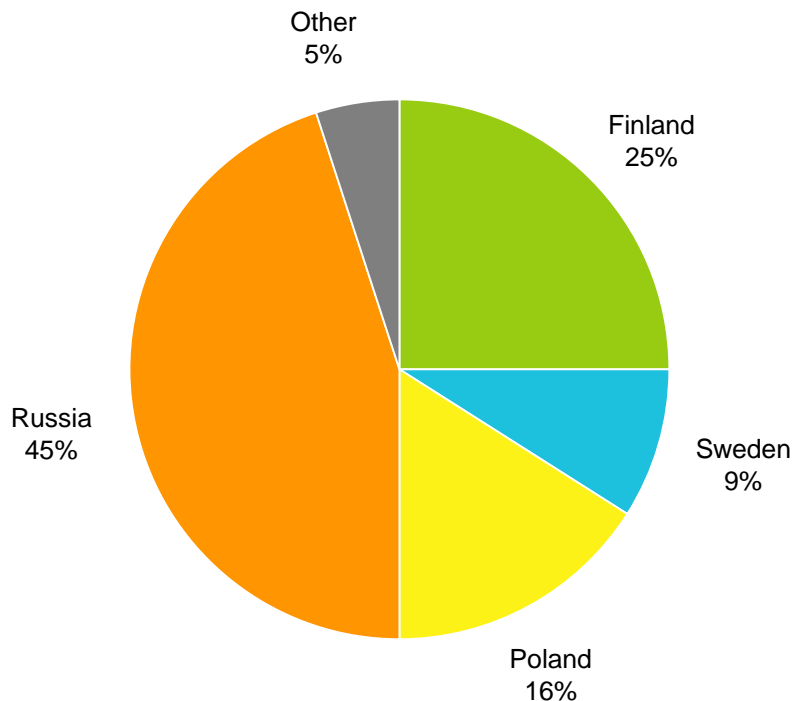
## Market leader in decorative paints in 2010\*



\* Chem-Courier

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

## Tikkurila's production capacity



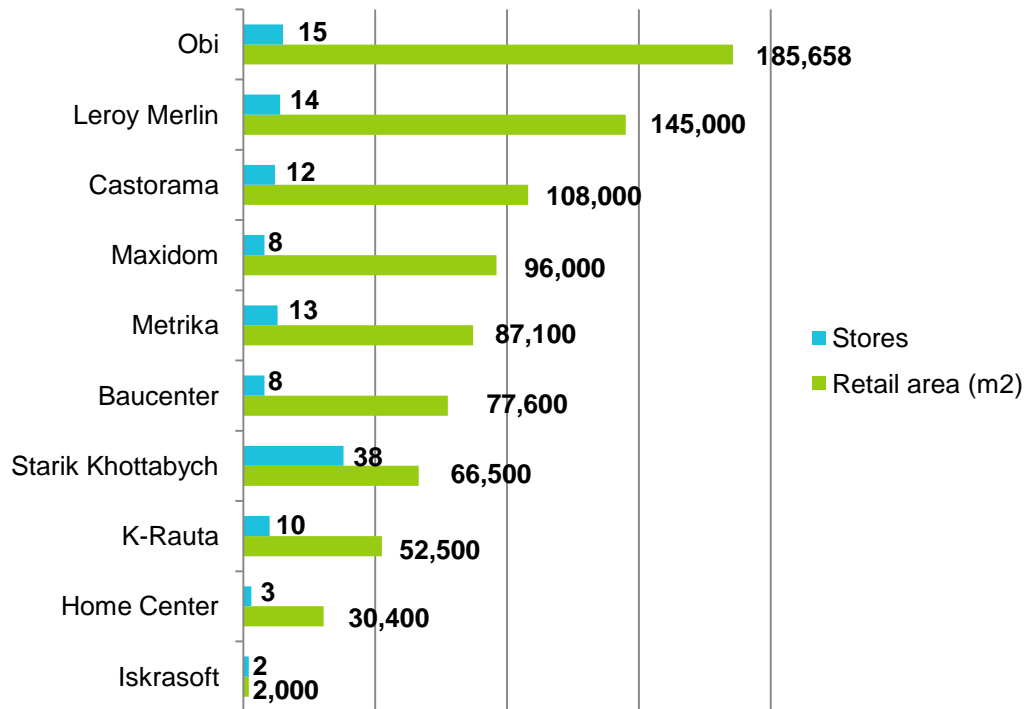
## Production and raw materials

- 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 <sup>1</sup>	EUR 21.3 million, 34% of group <sup>2</sup>
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 <sup>1</sup>	EUR 13.6 million, 22% of group <sup>2</sup>
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

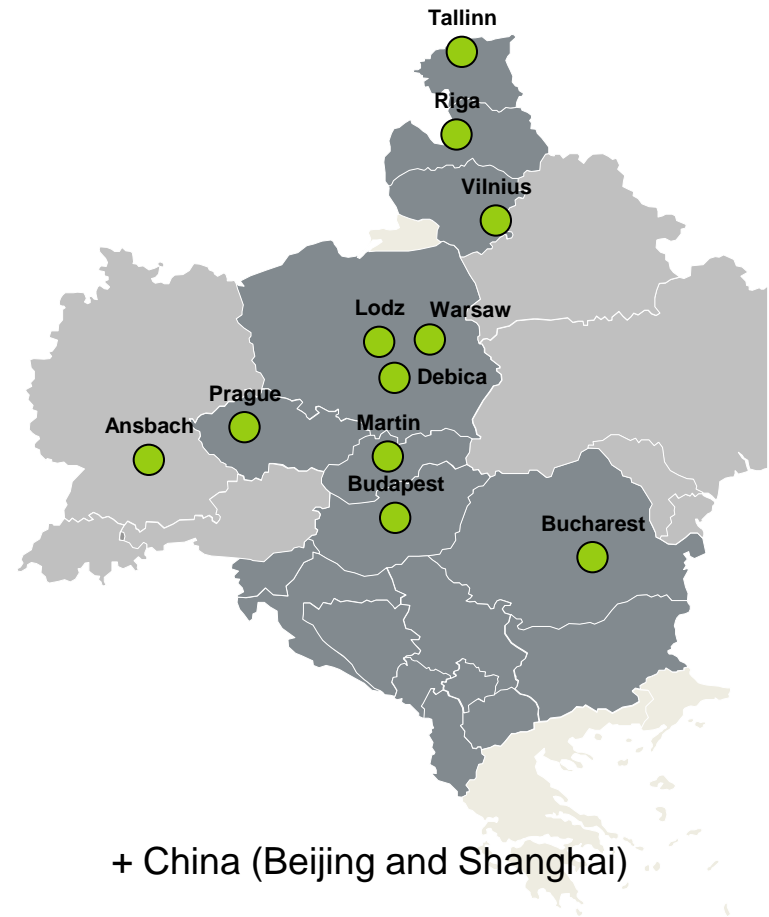
## Key facts

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 <sup>1</sup>	EUR 4.8 million, 8% of group <sup>2</sup>
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



<sup>1</sup> Excluding non-recurring items  
<sup>2</sup> Excluding group items

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

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