



Tikkurila in Russia and the Baltics

The Coatings Summit

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Erkki Järvinen, President and CEO



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
- Tikkurila in Russia and the Baltic countries
- Conclusions and lessons learnt

Erkki Järvinen in brief

b. 1960, M.Sc. (Econ.)

President and CEO of Tikkurila since 2009

Career history

- 2001–2008 President and CEO of Rautakirja Corporation
- 1997–2001 Senior VP of Kiosk Operations in Rautakirja Corporation
- 1984–1996 Several positions in Cultor Group and Oy Karl Fazer Ab

Family & hobbies

- Wife Kristina, dentist
- One adult child, Lauri, studying economics
- Sports, spectator sports, reading



Tikkurila overview



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Tikkurila in brief

Information on Tikkurila

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.

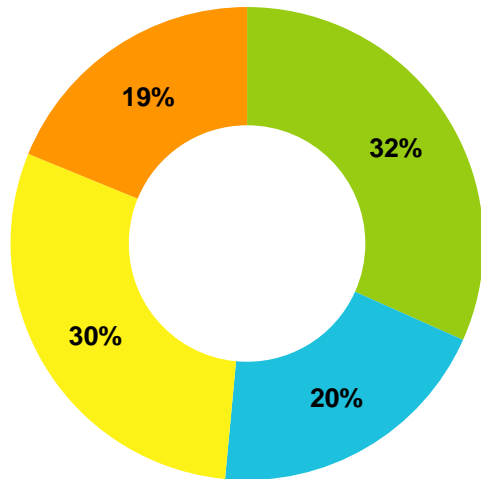
Market position in the decorative paint market



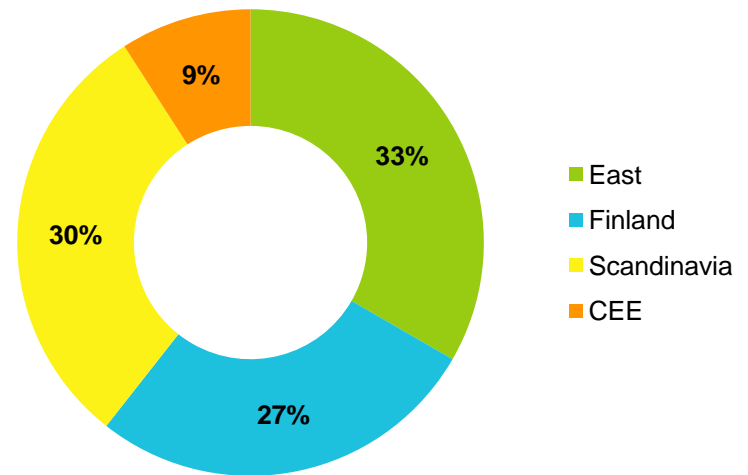
Tikkurila key financials in 2009

- Revenue EUR 530.2 million in 2009
 - Decorative paints accounted for 83% and industrial coatings 17% of the revenue
- Operating profit (excl. non-recurring items) EUR 50.2 million in 2009

Revenue by segment (2009)



Operating profit by segment (2009)*



■ East
■ Finland
■ Scandinavia
■ CEE

* Excluding non-recurring and group items

Tikkurila locations



- Production, logistics centre, sales office
- Logistics centre, sales office
- Distribution centre, sales office

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



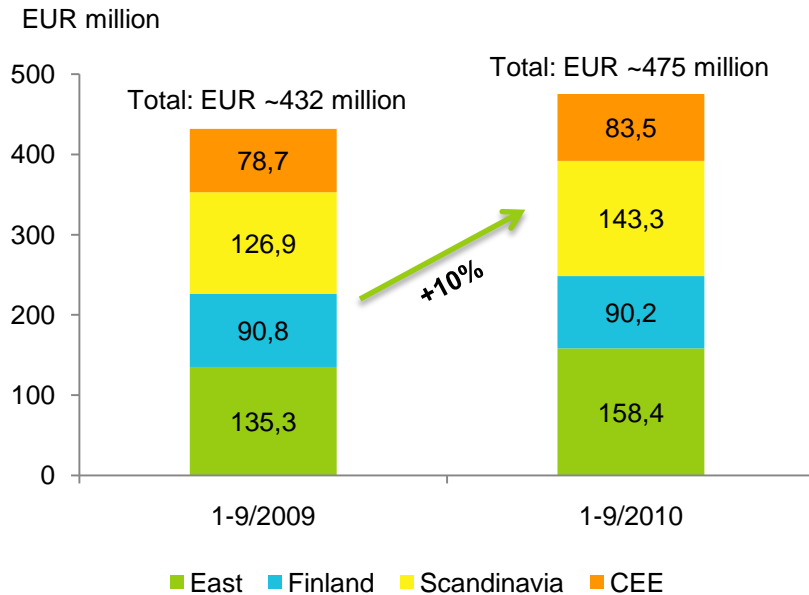
innovative



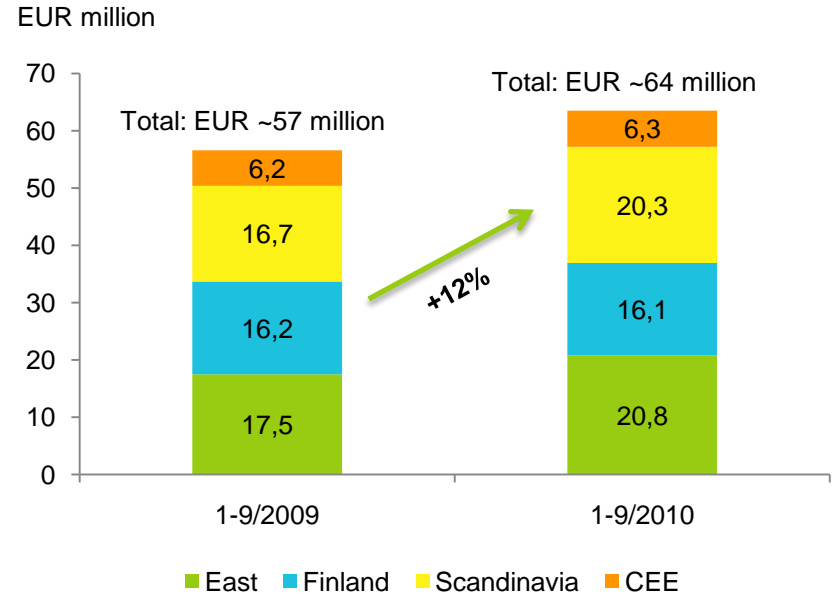
professional

Tikkurila's revenue and operating profit Q1–Q3 2009 and 2010

Revenue by segment Q1–Q3 2009 and 2010



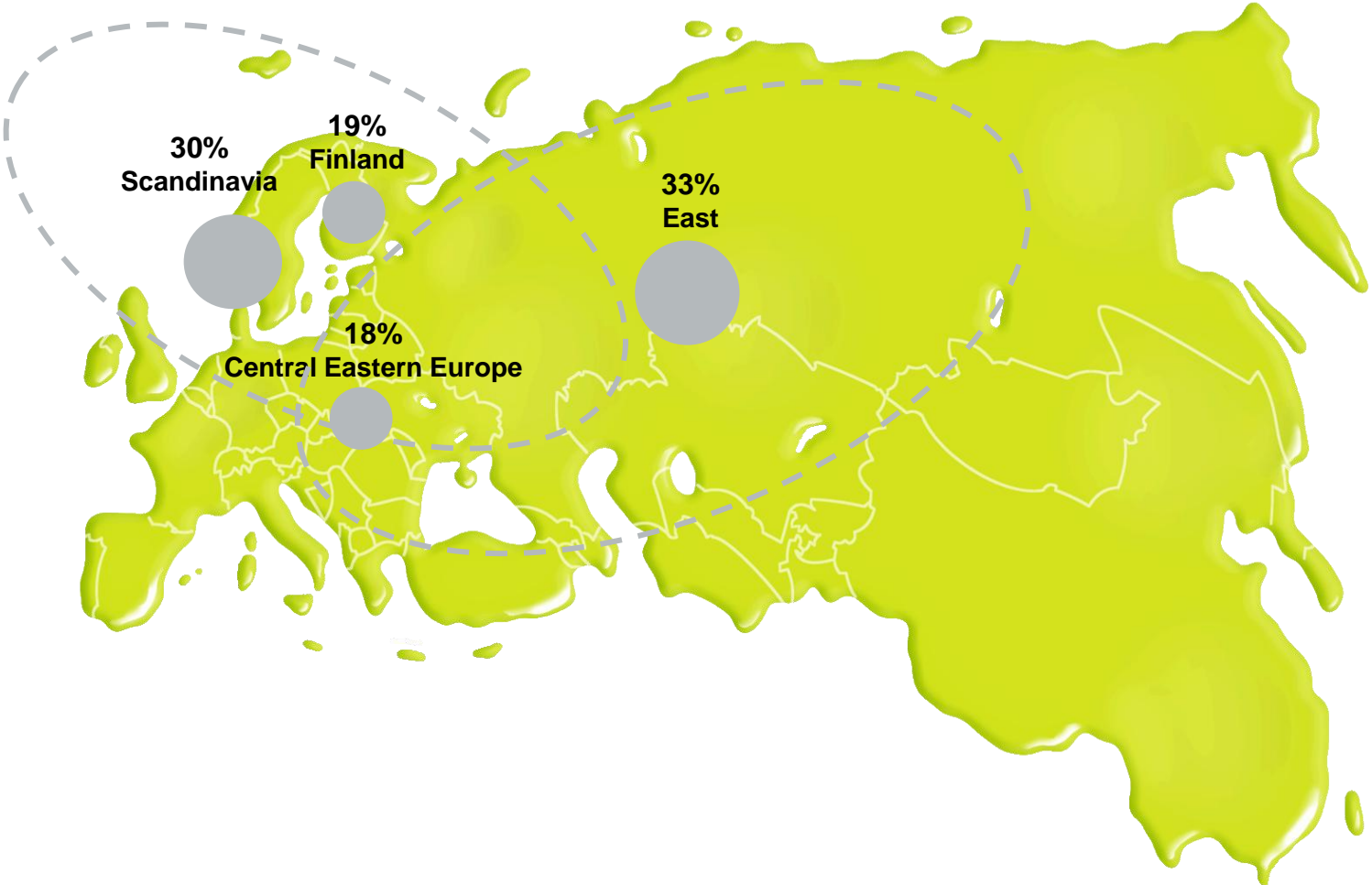
Operating profit* by segment Q1–Q3 2009 and 2010



Decorative paints account for 85% of revenue

* Excluding non-recurring and group items

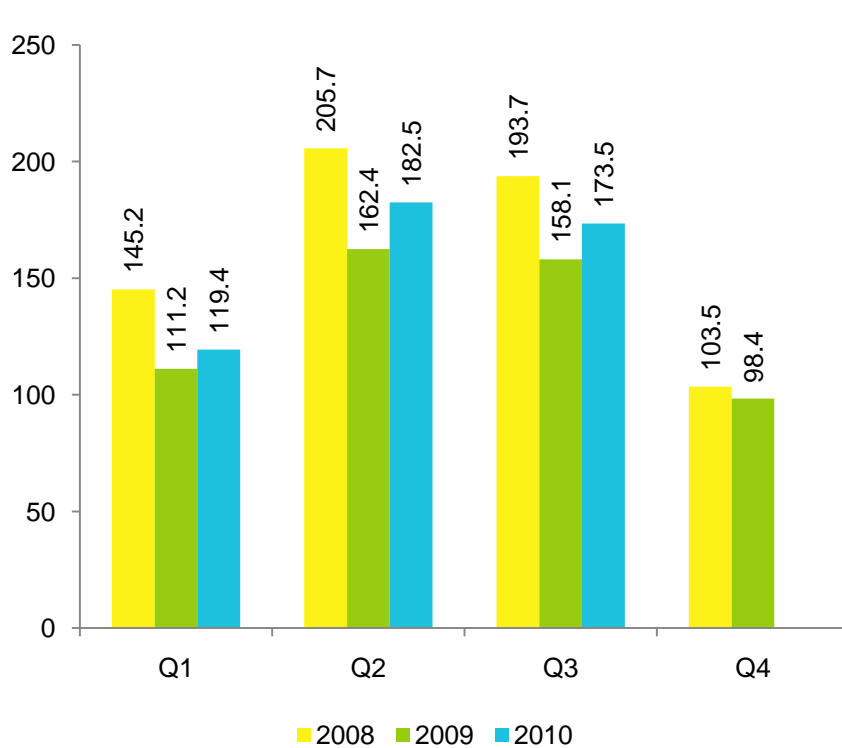
Balanced geographical portfolio



Track record 2008–2010

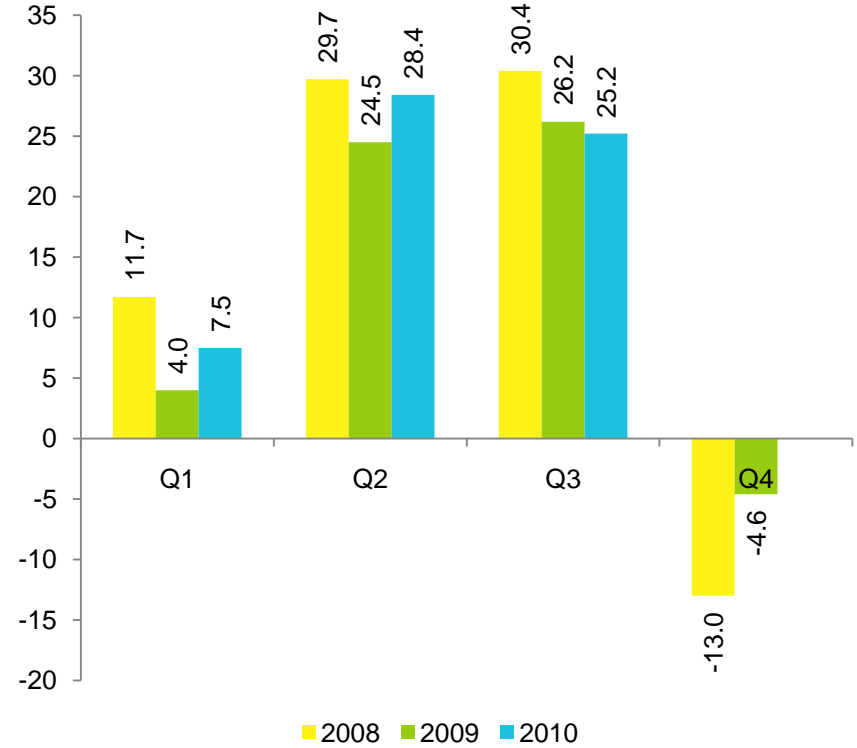
Revenue by quarter 2008–2010

EUR million



EBIT* by quarter 2008–2010

EUR million



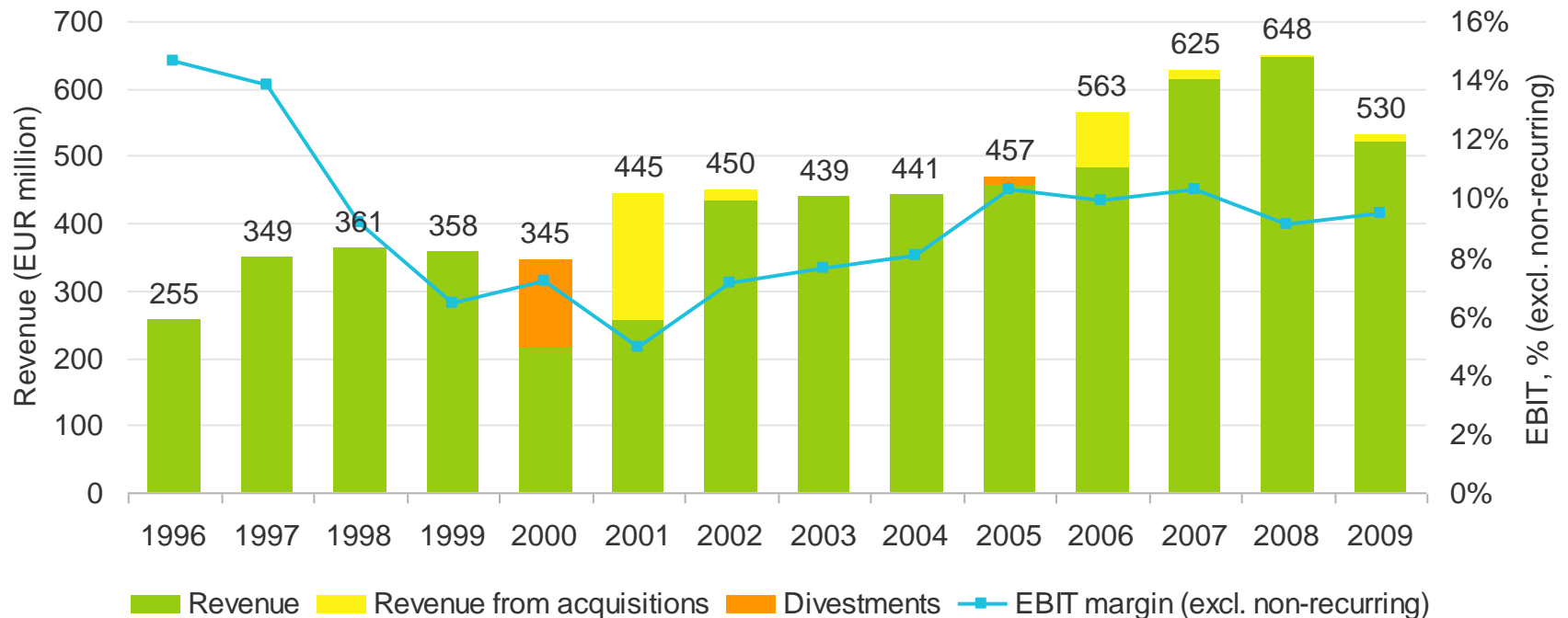
* Excluding non-recurring items

Long term financial development

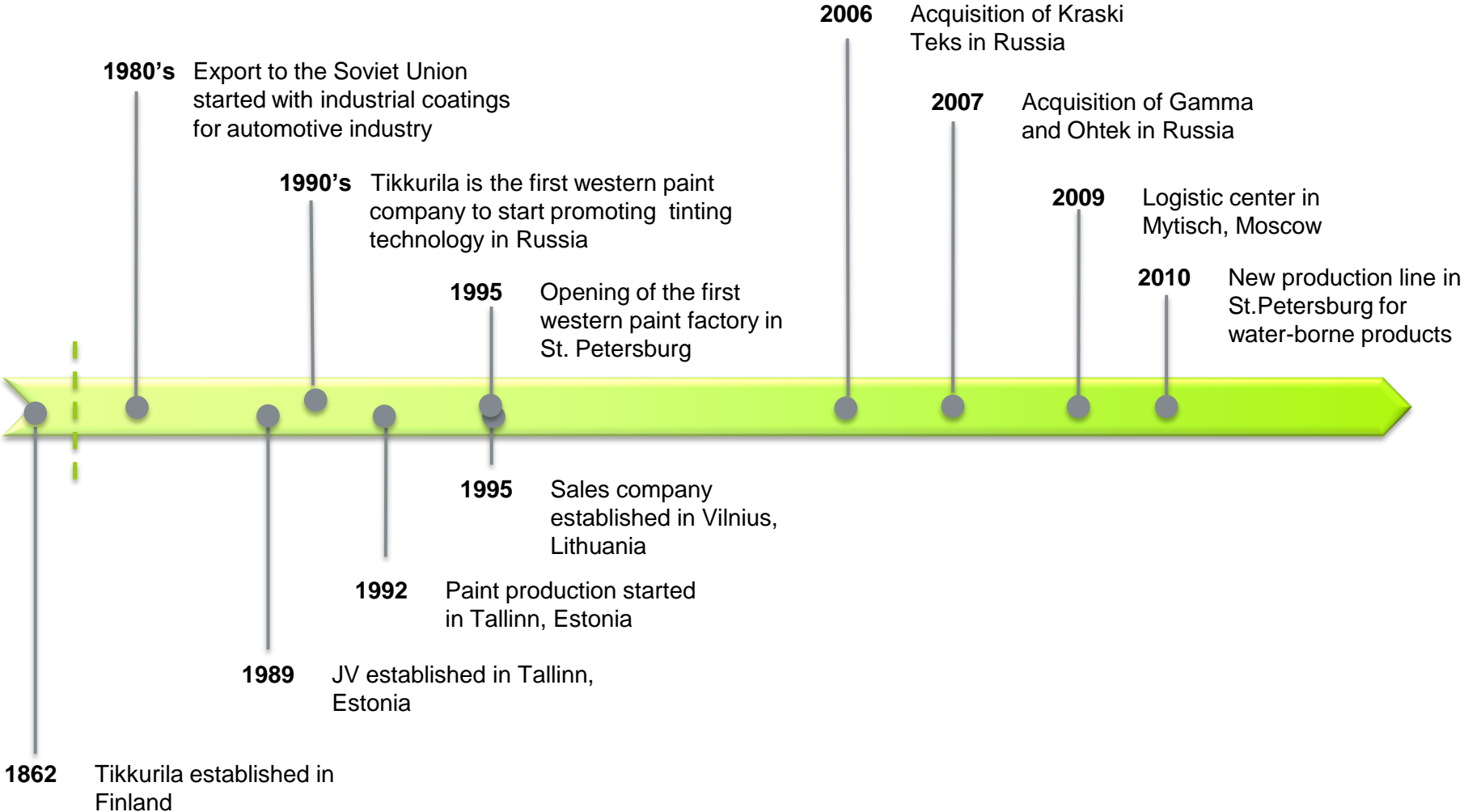
Development of sales and profitability 1996-2009

Major acquisitions and divestments

Sale of tinting business in 2000 (Revenue ~MEUR 130)	Acquisition of Alcro-Beckers in 2001 (Swe) (Revenue ~MEUR 190)	Acquisition of Kraski Tekes in 2006 (Rus) (Revenue ~MEUR 80)	Acquisition of Gamma and Ohtek in 2007 (Rus) (Revenue ~MEUR 11)
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Tikkurila's key milestones in Russia and the Baltic countries





**Tikkurila in Russia and
the Baltic countries**

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Tikkurila in Russia

Key facts

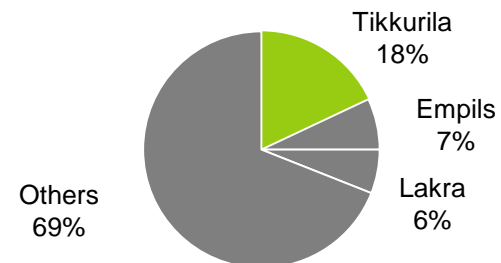
Operational area	SBU East: Russia, other CIS countries and Ukraine
Product offering and brands	Decorative paints and coatings for the metal and wood industries Tikkurila, Teks, Gamma
2009 revenue	EUR 167.1 million, 32% of group
2009 EBIT¹	EUR 17.7 million, 33% of group ²
Employees	1,563 (year-end 2009)
Production sites	St. Petersburg, Russia Stary Oskol, Russia Kiev, Ukraine
Production capacity	~143 million litres, 48% of group capacity
Sales offices	Russia, Ukraine, Belarus, Kazakhstan

- 1 Excluding non-recurring items
2 Excluding group items
3 Source: Chem-Courier 2010

Locations



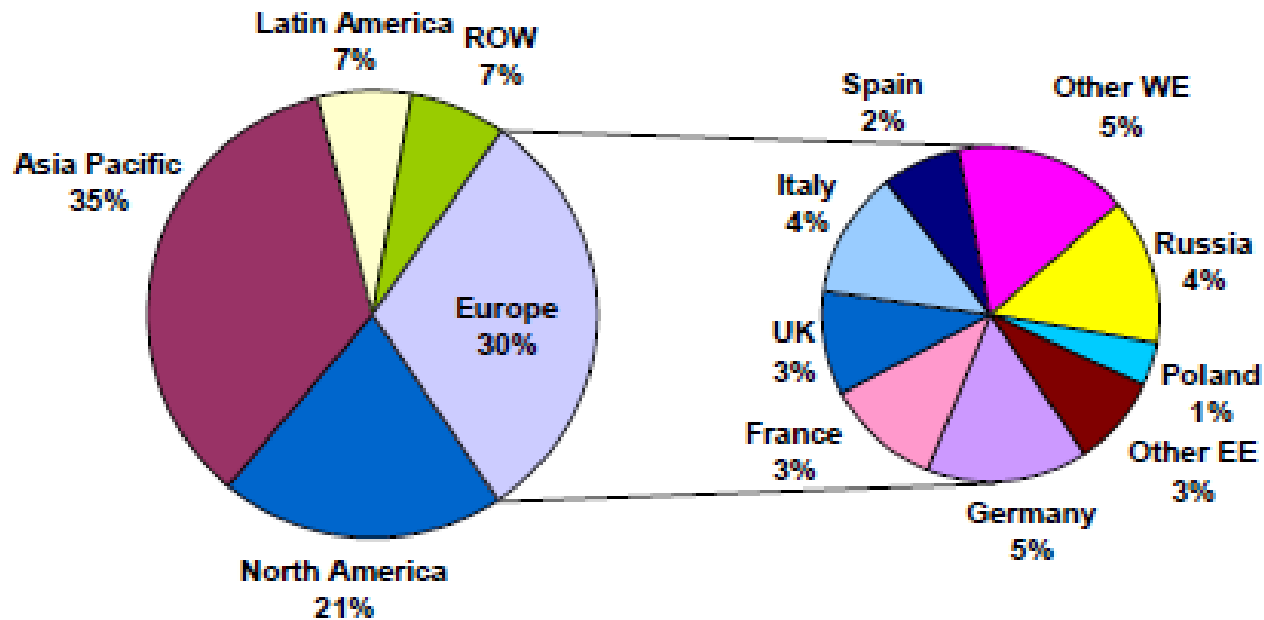
Market shares in decorative paints in 2009³



Russia as part of the total coatings market

Europe accounted for 30% of the total value in 2009

Russia accounted for 4% of the total value in 2009



Total global coatings value was some US \$87 billion

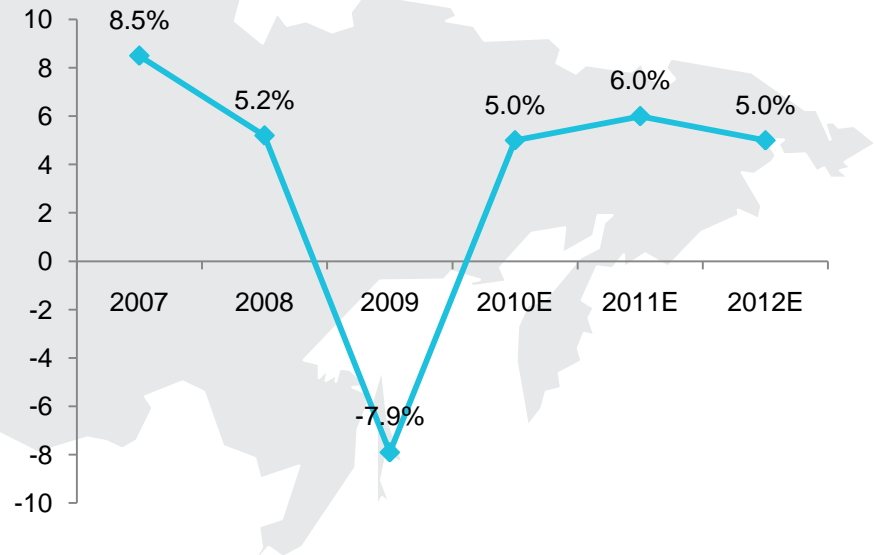
Source: IPPIC (2010)

Russian paint market

Facts about the Russian market

Population	~142 million; 9 th biggest country in the world Population is decreasing
Coatings volume and value	~943 million litres; US \$ 3,846 million ~4% of world's paint market volume and value
Paint consumption	~6.7 litres per capita
Current demand structure	Economy and medium segments dominating
Expected demand structure	Premium segment expected to grow fastest

Development of Russia's GDP 2007–2012E, %



Source: IPPIC (2010), Rosstat, BOFIT

Strong GDP growth in Russia and Eastern Europe

Forecasted GDP growth rates by country

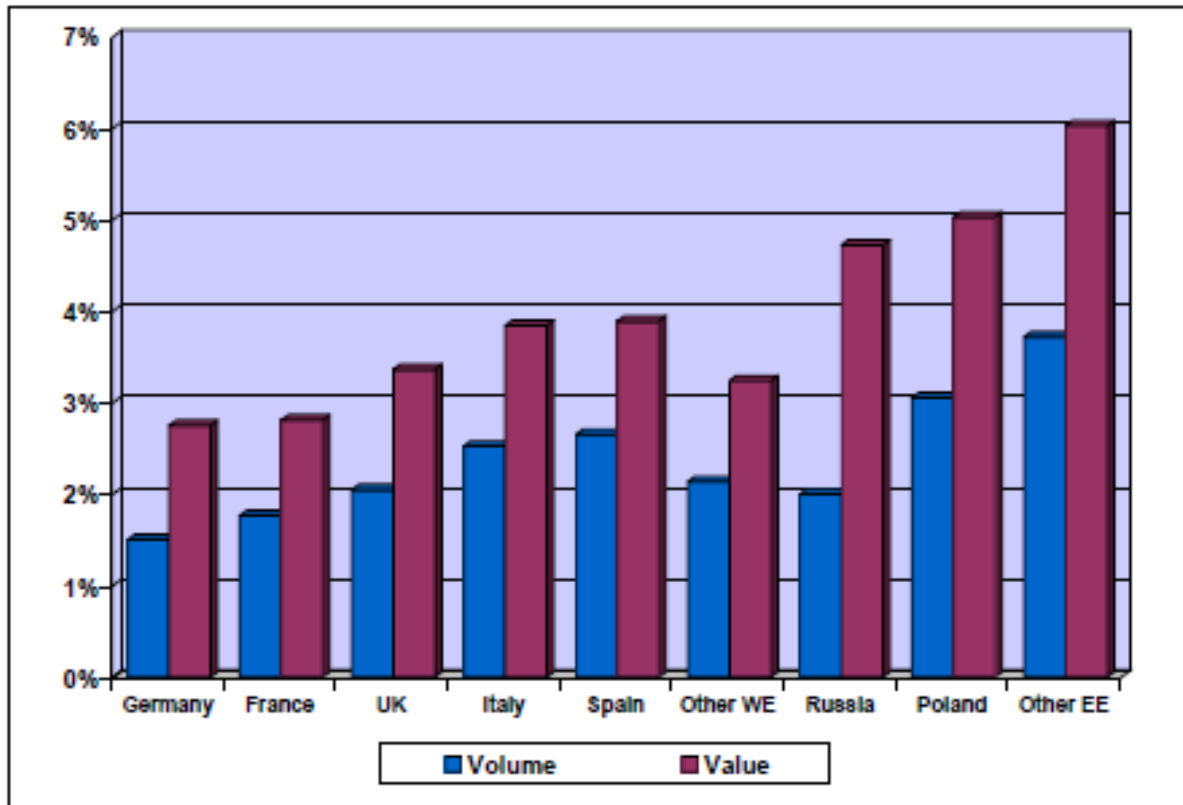
	2004-2009	2009-2014f
Germany	3.1%	3.5%
France	3.3%	3.2%
UK	3.0%	3.6%
Italy	2.0%	2.6%
Spain	4.1%	2.6%
Other WE	4.2%	3.7%
Russia	6.5%	5.6%
Poland	7.2%	5.3%
Other EE	6.7%	5.2%

Source: IMF, World Economic Output, GDP based on Purchasing Power Parity

Source: IPPIC (2010)

Forecasted coatings market growth rates in Europe

Forecast volume and value growth rates by country 2009–2014f



Source: Orr & Boss, Inc. estimates

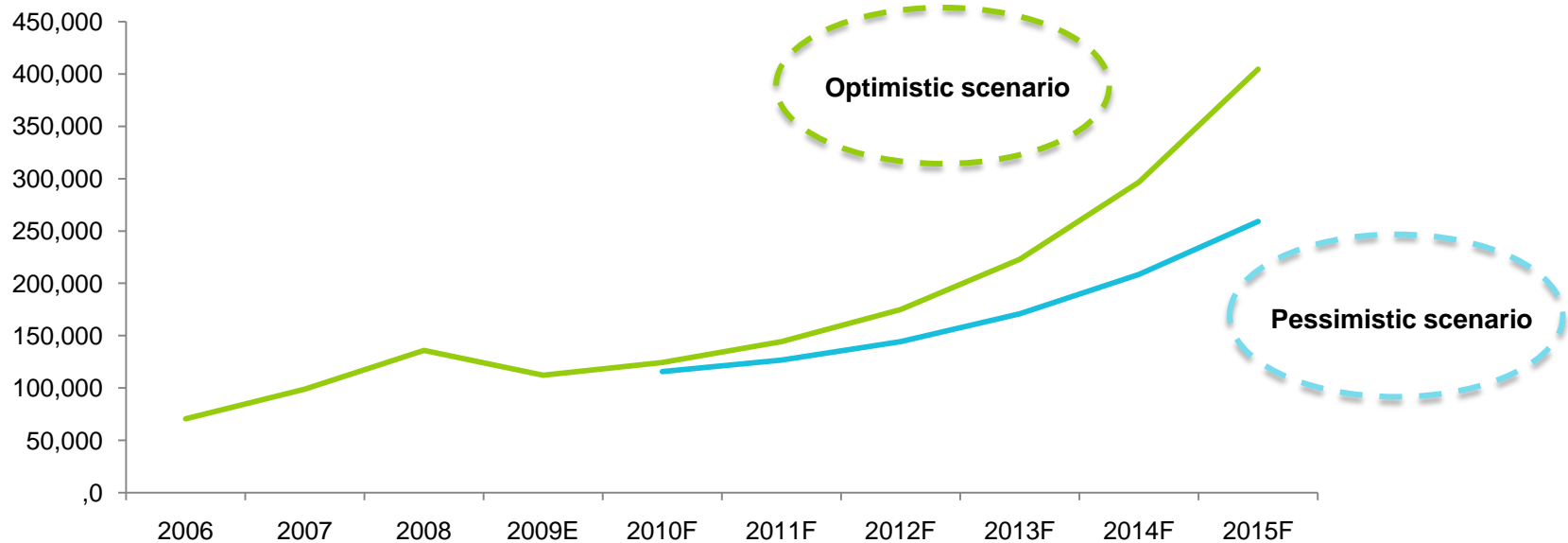
Source: IPPIC (2010)

January 19, 2011

Construction in Russia 2006–2015F

Value of Russian construction market 2006–2015F

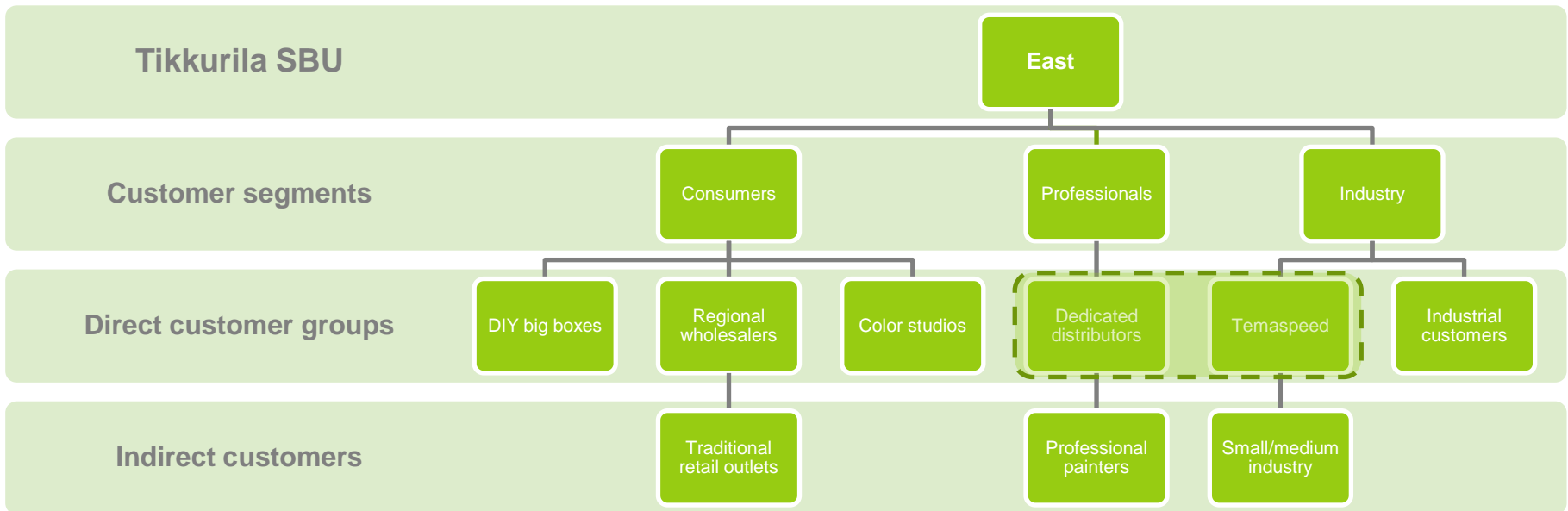
EUR million



Growth %	2010F	2011F	2012F	2013F	2014F	2015F
Optimistic forecast	10.9%	16.2%	21.1%	27.5%	33.1%	36.4%
Pessimistic forecast	3.2%	9.5%	14.1%	18.3%	22.1%	24.3%

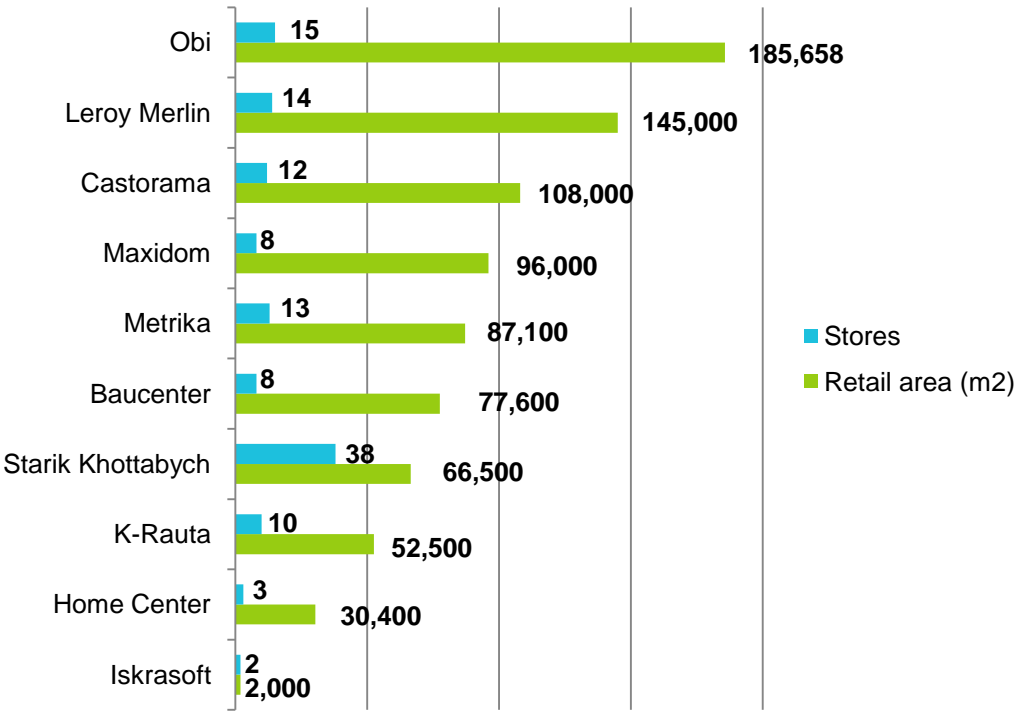
Source: Global Research & Data Services, March 2010

Distribution channels



Growing sales through DIY market

Top ten retailers in Russia












































Source: Retrospective 2010

Traditional open air markets in Russia



Decorative paint brands in Russia

Segment Trends	Tikkurila	Empils	Farben – Dekart	Akzo Nobel + ICI	Lakra	Russkiye kraski	Predpriyatie VGT	Caparol	Khimik	Holding Prestizh	Eskaro	Meffert
Shelf Price												
Premium	 TIKKURILA Beckers 			   				 CAPAROL				
> 6 EUR												
Medium	 TIKKURILA 	 		 						 		
2-6 EUR												
Value	 FINNCOLOR 	 EMPILS 			 	 brite  		 Alpina 				
1-2 EUR												
Low / Economic	  <i>Ленинградские Краски</i>	 РАСЦЕБЕТ  ЭКСПЕРТ  ОЛИМП  OLECOLOR				 5 МАСТЕРОВ	 БИТ	 Красные пакки	 КАЗАЧКА  ПРЕСТИЖ  POLLER	 КАПРАЛ		
< 1,0 EUR					25							

Tikkurila the best-known paint brand in Russia

Brand awareness



- Tikkurila has been systematic in strengthening its brand particularly in Russia
- According to TNS survey, Tikkurila is the best-known paint brand in Russia (awareness rate 40.3%)



Source: TNS Marketing Index, Russia, 100,000 people, aged + 16 years (2009)

Tikkurila in the Baltic countries

Key facts	
Operational area	SBU CEE: 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)
Product offering and brands	Decorative paints and coatings for the metal and wood industries Tikkurila, Vivacolor, Jedylnka, Polifarb Debica, Finkolora, Pigrol
2009 revenue	EUR 98.5 million, 19% of group
2009 EBIT ¹	EUR 5.0 million, 9% of group ²
Employees	744 (year-end 2009)
Production sites	Tallinn, Estonia Ansbach, Germany Debica, Poland
Production capacity	~64 million litres, 21% of group capacity

Facts about the Baltic market	
Population	~7 million
Coatings volume	~54 million litres ³
Paint consumption	~7-10 litres per capita
Current demand structure	Economy segment prevailing
Expected demand structure	Premium segment products expected to grow

¹ Excluding non-recurring items

² Excluding group items

³ Source: IPPIC 2008



Conclusions and lessons learnt

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Lessons learnt in Russia

(1)

Always operate strictly according to the legislation

- ✓ Take care of necessary permits and certificates
- ✓ Do not search for short-cuts
- ✓ Obey the country laws rather than country habits

Use specialist help

- ✓ For example in legal matters and due diligence processes
- ✓ Do not try to do everything yourself
- ✓ Do not save on wrong issues

Trust in local management and personnel

- ✓ But take care of necessary control

Use time in recruiting staff and choosing partners

- ✓ Analyze backgrounds and driving forces



Lessons learnt in Russia

(2)

Be realistic in setting time schedules

- ✓ Things take longer than at home
- ✓ Good personal relations have to be built before business can be done

Be realistic in transferring operational policies

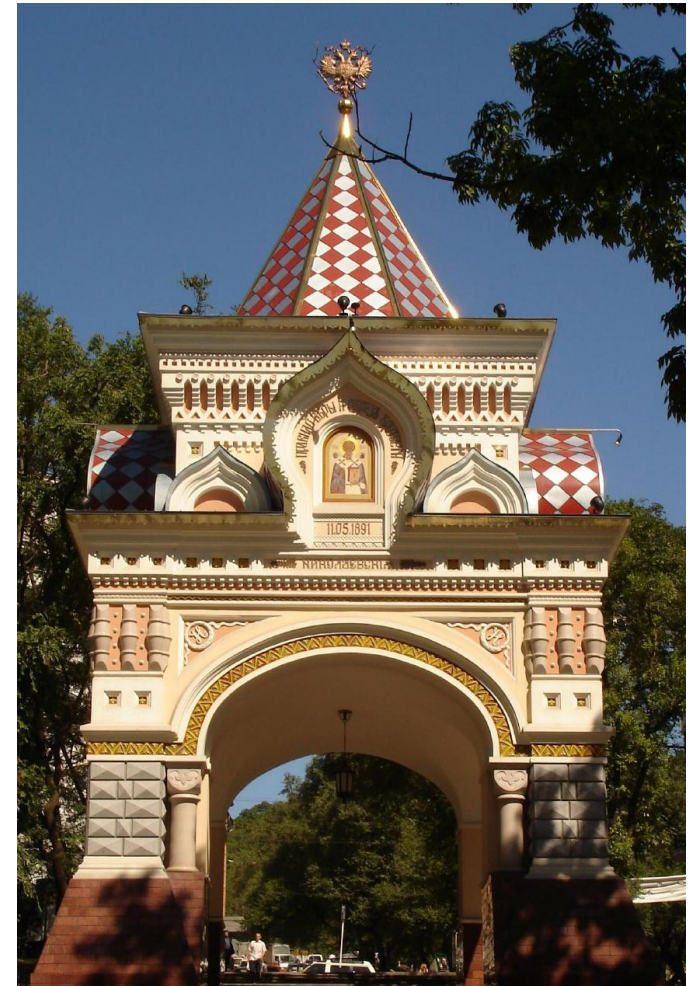
- ✓ Accept the fact that things cannot always be transferred one-to-one

Be patient and ready for surprises

- ✓ Things might turn out to be different than they seemed to be
- ✓ One example land ownership – be sure of the legal owner
- ✓ Do not give up too easily

Show interest in Russian language and culture

- ✓ Learn and speak Russian
- ✓ Use interpreters and translators when needed
- ✓ Invest in Russian speaking personnel at home office



Tikkurila in Russia

General Conclusions

The market opportunity is undeniable

- All sources indicate growth on medium and long term
- Drivers such as construction activity and increasing living standard gives further support
- Consumers and consumption follow more and more western patterns

Tikkurila well set for future growth

- Market leader position
- Good coverage of the distribution and own operations
- Strong and well recognized brand portfolio
- Russia serves as a good base for enlarging business to adjacent markets

Still good potential for efficiency improvement

- How to operate with different customer groups, DIY, large/small, distributors etc.
- How to adjust the assortment to selected customer groups
- How to find the best integration synergies to acquired companies

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.

TIKKURILA INSPIRES YOU
TO COLOR YOUR LIFE.™

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