



Tikkurila in Russia

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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
- Strategy and operating environment
- Tikkurila in Russia
- Conclusions

Tikkurila overview



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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.

Market position in the decorative paint market



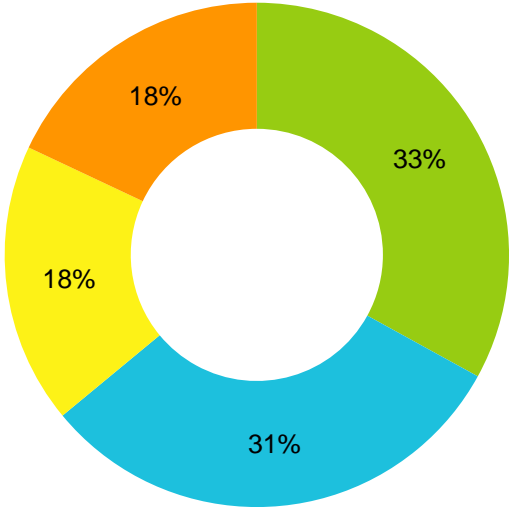
Tikkurila locations



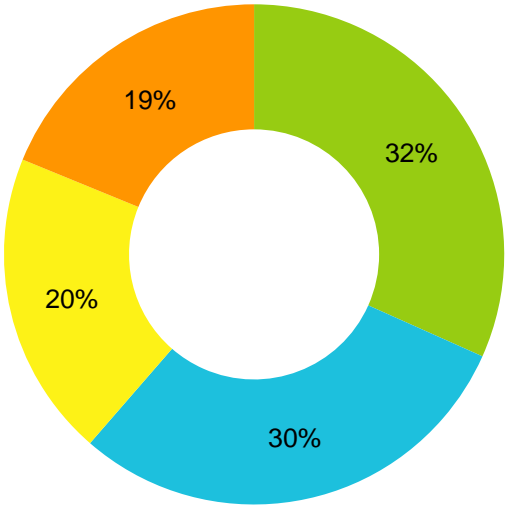
- Production, logistics center, sales
- Logistics center, sales
- Distribution center, sales

Revenue by segment (SBU) 2010 vs. 2009

Total revenue for 2010 EUR 588.6 million



Total revenue for 2009 EUR 530.2 million



- East
- Scandinavia
- Finland
- CEE

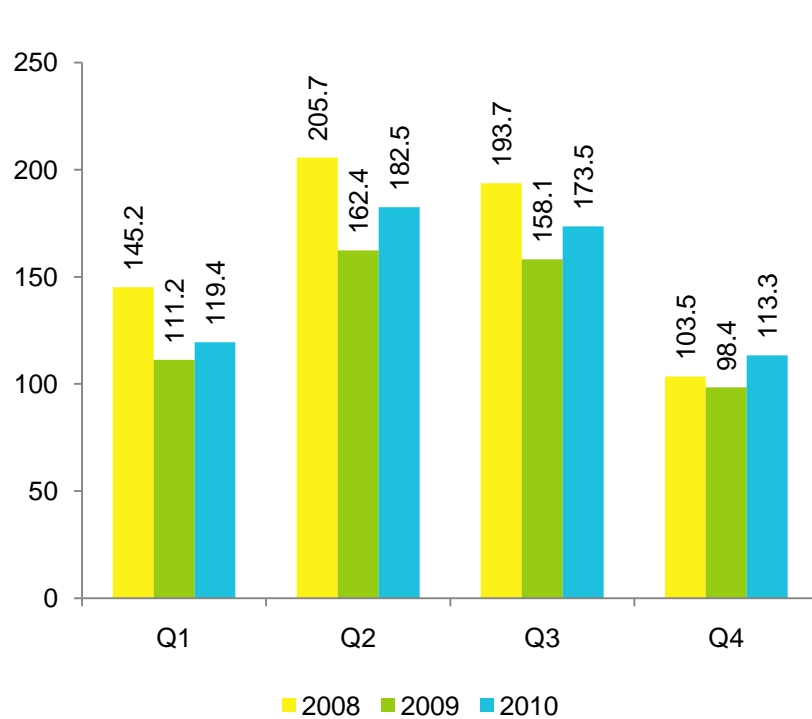
Decorative paints accounted for 84% of revenue in 2010 and 2009

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

Seasonality

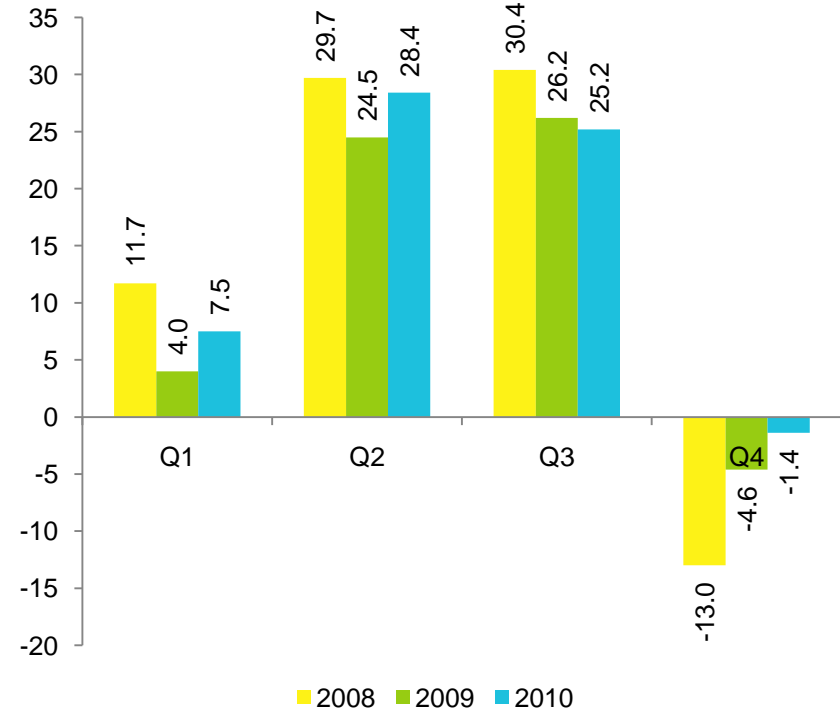
Revenue by quarter 2008–2010

EUR million



EBIT* by quarter 2008–2010

EUR million



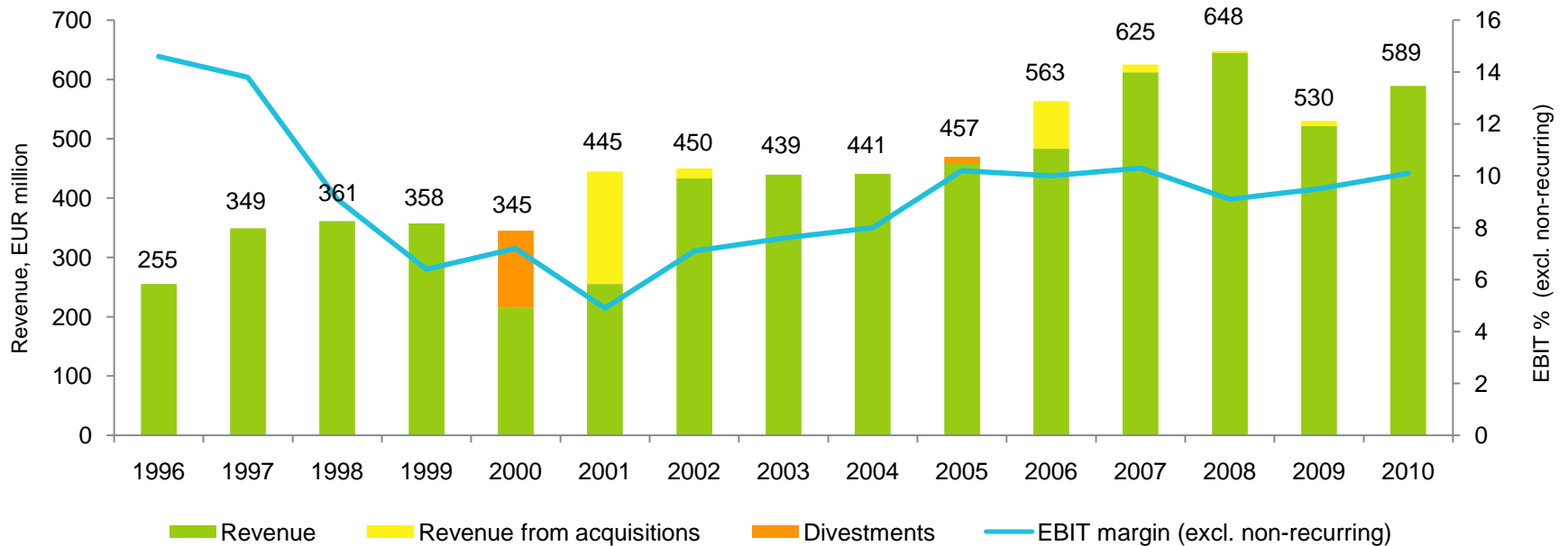
* Excluding non-recurring items

Long term financial development

Development of sales and profitability 1996–2010

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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Strategy and operating environment

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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

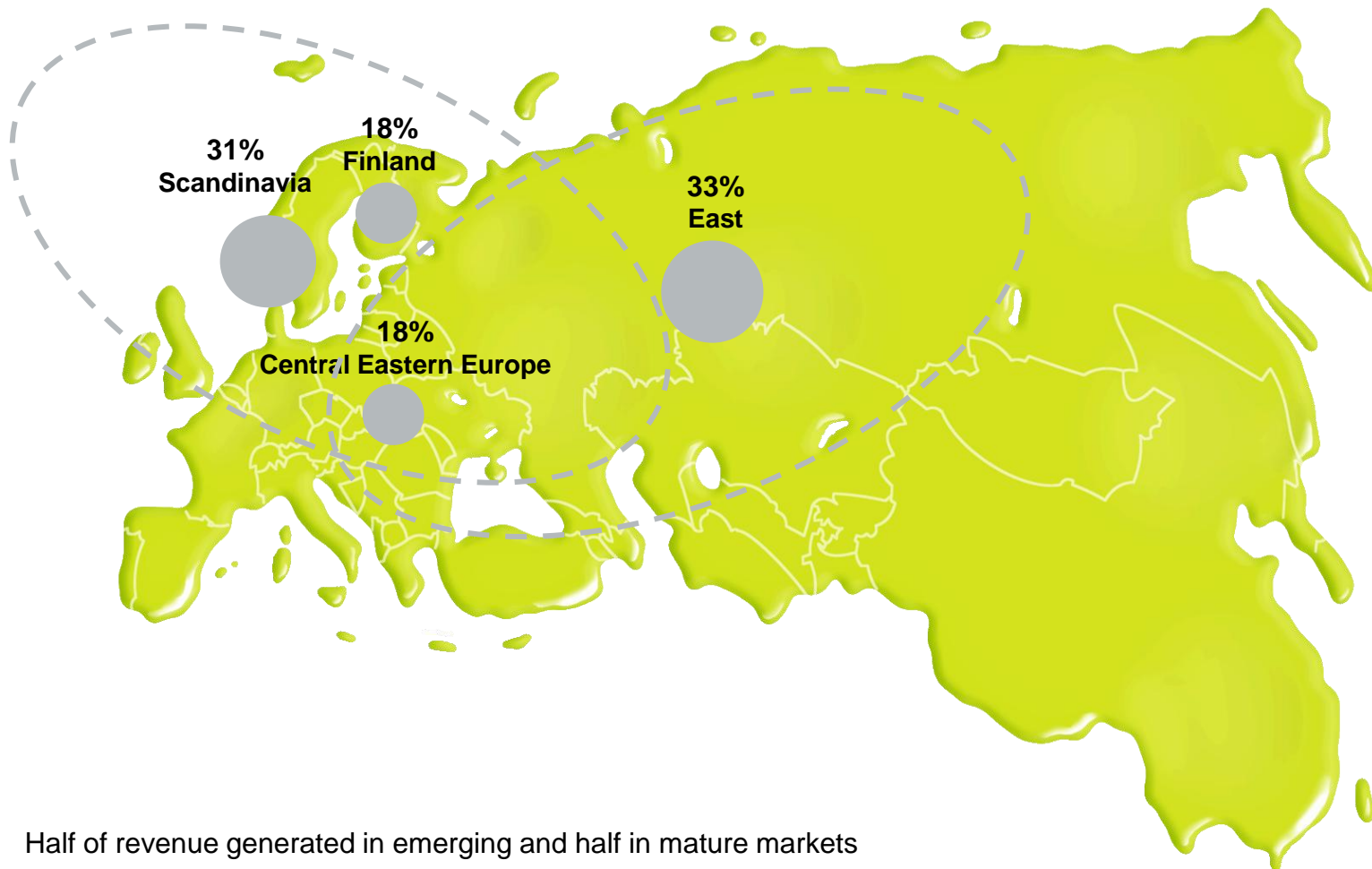


innovative



professionals

Balanced geographical portfolio



Half of revenue generated in emerging and half in mature markets

Strong and well-established brands

Strategic brands



"High end" (premium),



"High end" (premium),



"Medium",



"Economy",

Local brands



Jedynka



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



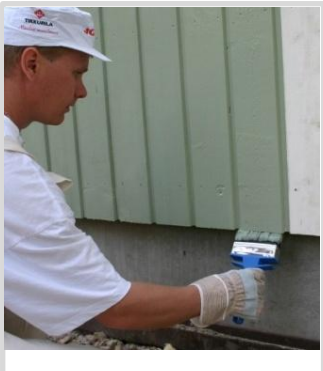
Colors



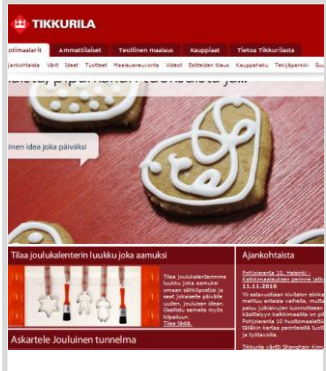
Store



Designer Pool



Contractor Pool



Internet



Help line

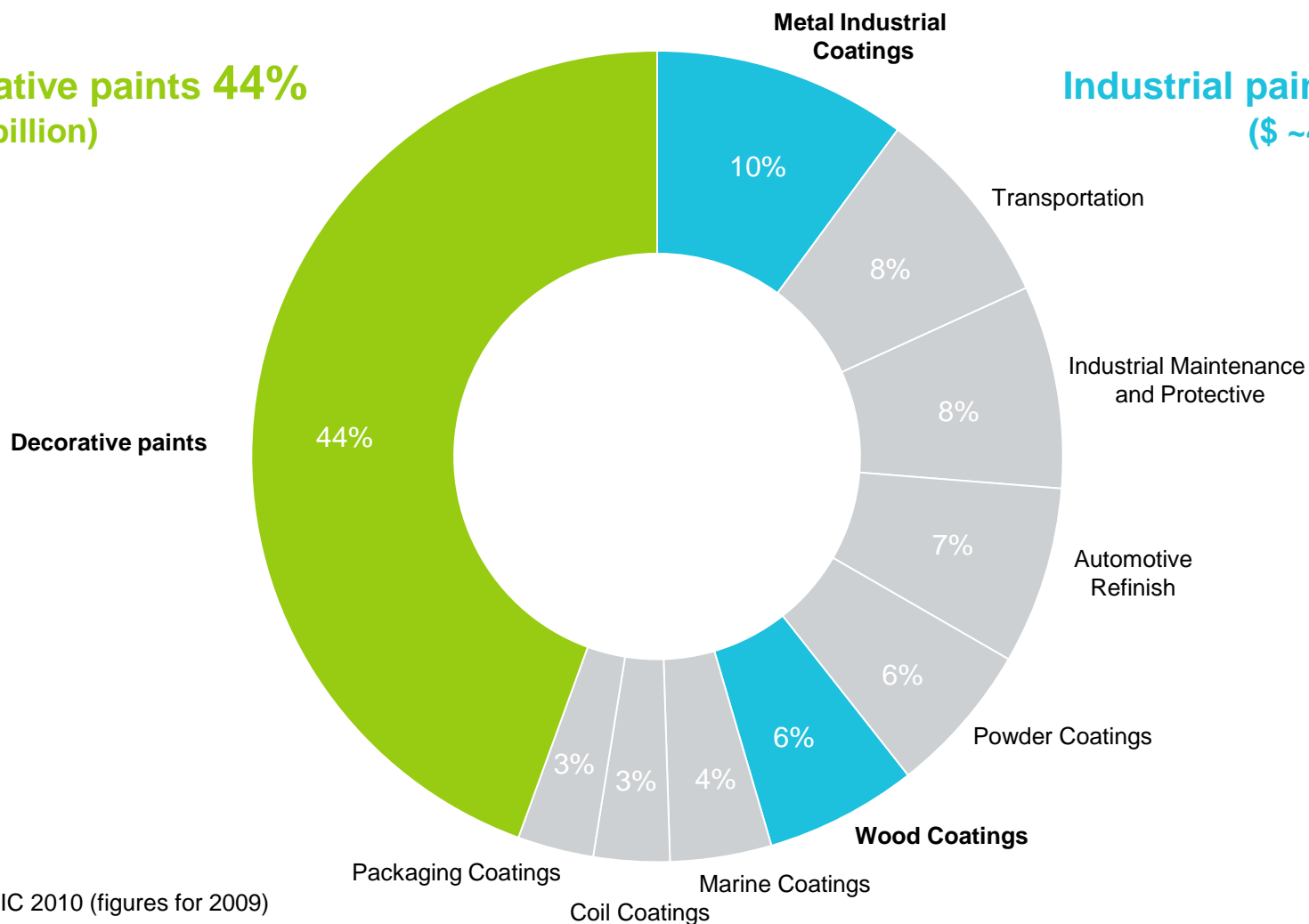


Training

Value of the global paints and coatings market

Decorative paints 44%
(\$ ~38 billion)

Industrial paints 56%
(\$ ~49 billion)



Lähde: IPPIC 2010 (figures for 2009)

Factors impacting paint consumption

- 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 changes in painting habits



Paint consumption and demand structure



- ➔ Standard of living and regional painting habits drive paint consumption
- ➔ The demand for premium products is expected to rise in less developed economies in connection with rise in the standard of living

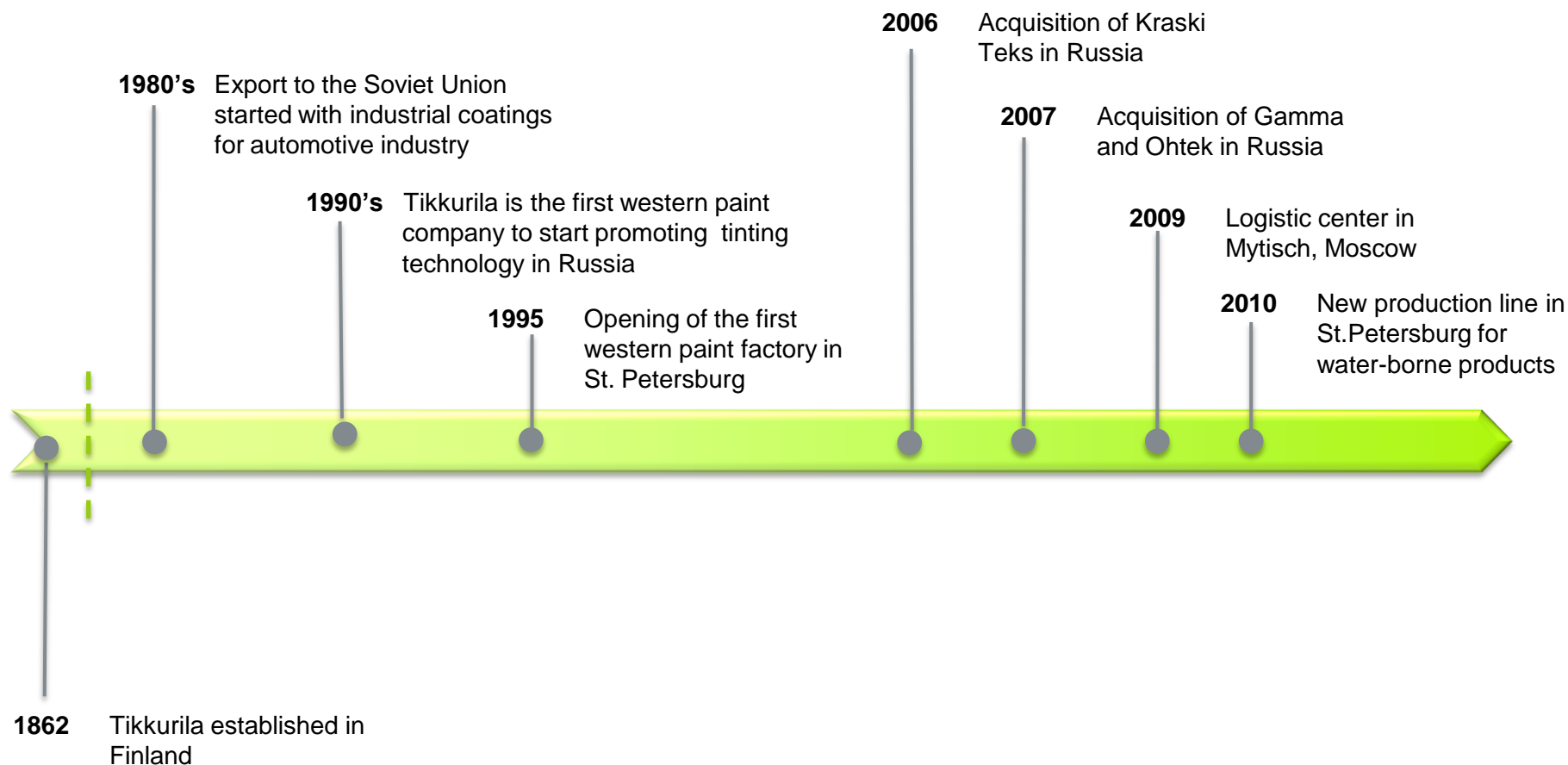
* Paint consumption source: Management estimates, IPPIC



Tikkurila in Russia

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Tikkurila's key milestones in Russia



Tikkurila in Russia

Key facts

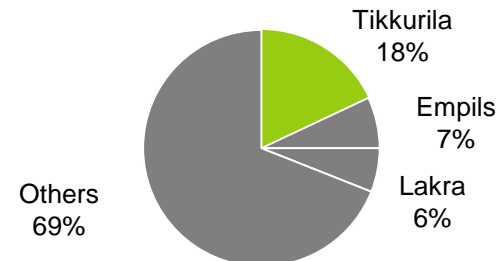
Operational area	SBU East: Russia, other CIS countries and Ukraine
Product offering and brands	Decorative paints and coatings for metal and wood industries Tikkurila, Teks, Gamma, Finncolor
2010 revenue	EUR 194.5 million, 33% of group Biggest market: Russia (89% of SBU East's revenue)
2010 EBIT¹	EUR 22.7 million, 36% of group ²
Employees	1,508 (year-end 2010)
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



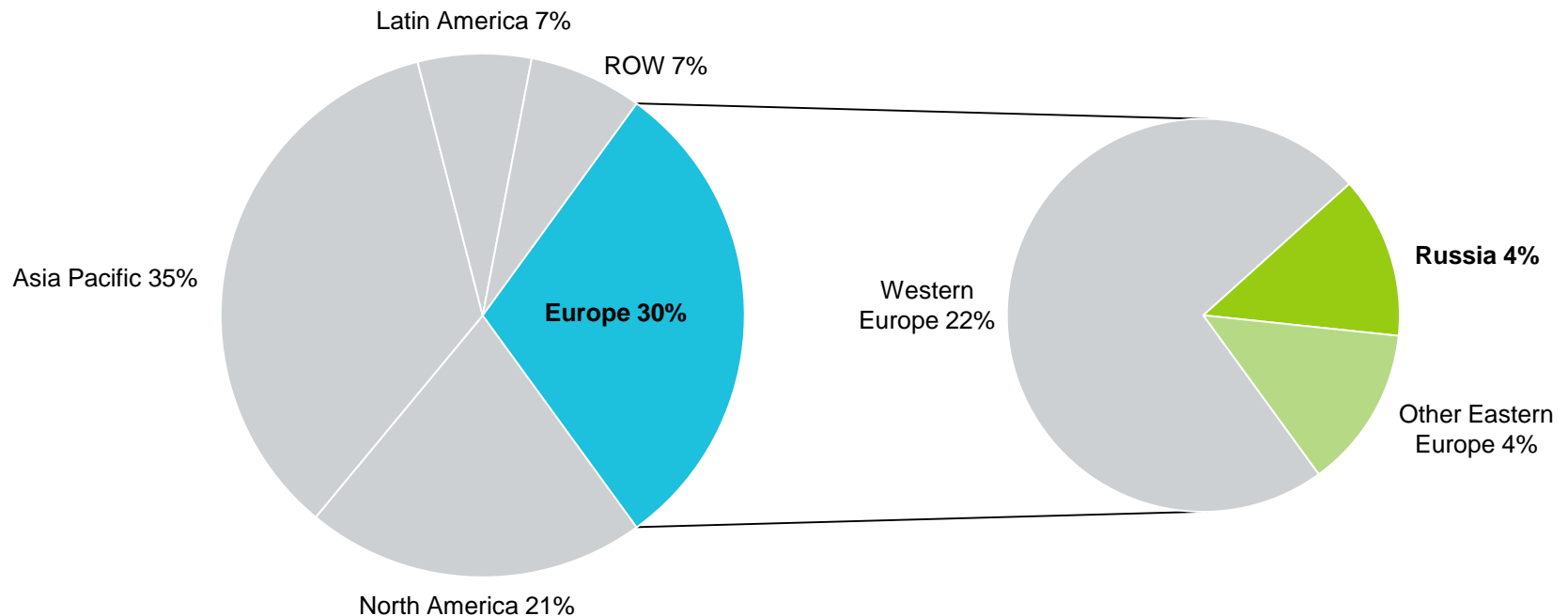
Market shares in decorative paints in 2009³



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)

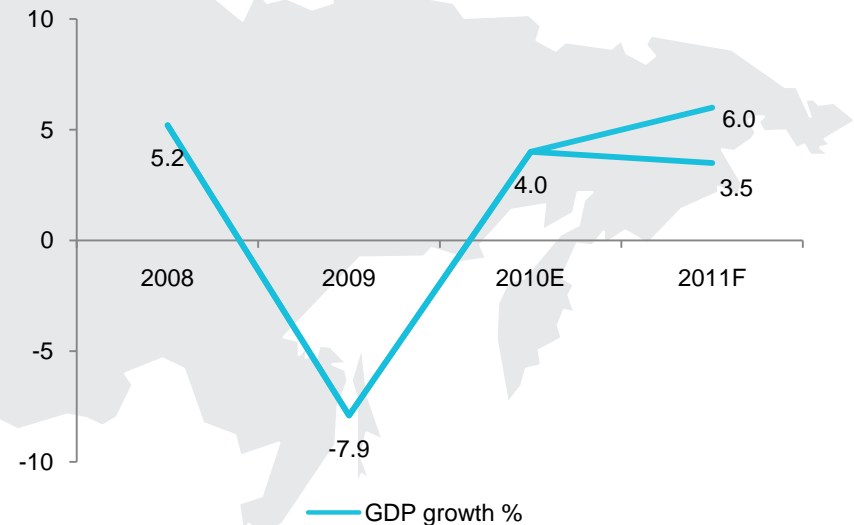
March 2011

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 liters per capita
Current demand structure	Economy and medium segments dominating, premium segment expected to grow fastest
GDP development	Russian GDP grew by 4% in 2010 2011–2012: Oil price growth above 10% a year should grow economy 4–6% p.a., but current consensus remains pessimistic

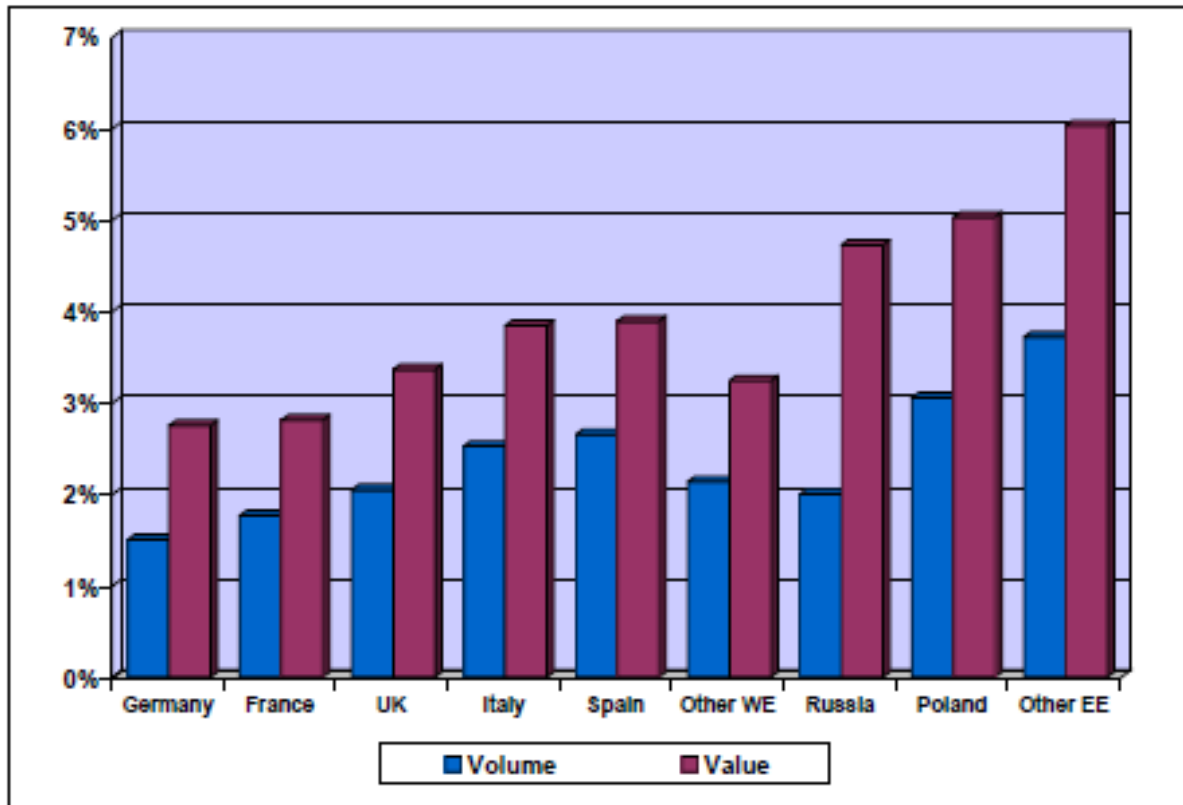
Development of Russia's GDP 2008–2011F, %



Source: IPPIC (2010), Rosstat, BOFIT, East Office (2011)

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)

March 2011

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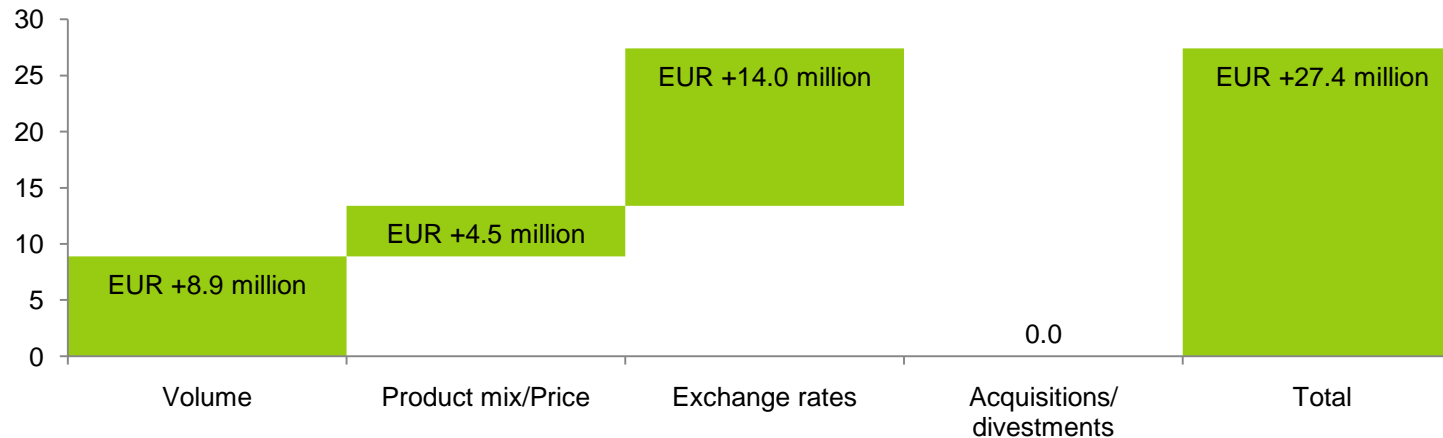
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SBU East 2010

EUR million	10-12/2010	10-12/2009	Change %	1-12/2010	1-12/2009	Change %
Revenue	36.2	31.8	13.7%	194.5	167.1	16.4%
EBIT*	1.9	0.3	575.7%	22.7	17.7	27.7%
EBIT*, %	5.2%	0.9%		11.6%	10.6%	
Capital expenditure excl. acquisitions	1.4	1.1	26.0%	4.5	7.2	-37.1%

Different factors impacting revenue development, 2010 vs. 2009

Increase/decrease, EUR million

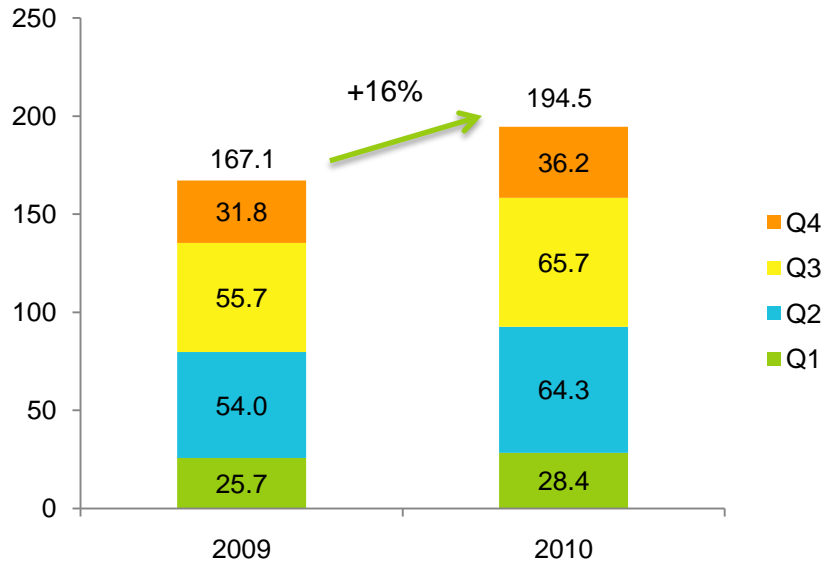


* Excluding non-recurring items

SBU East 2010

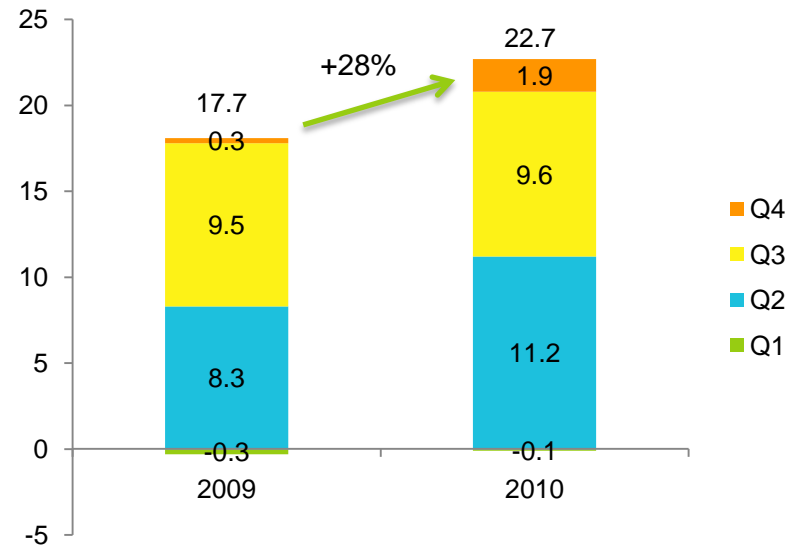
Revenue by quarter 2009–2010

EUR million












































EBIT* per quarter 2009–2010

EUR million

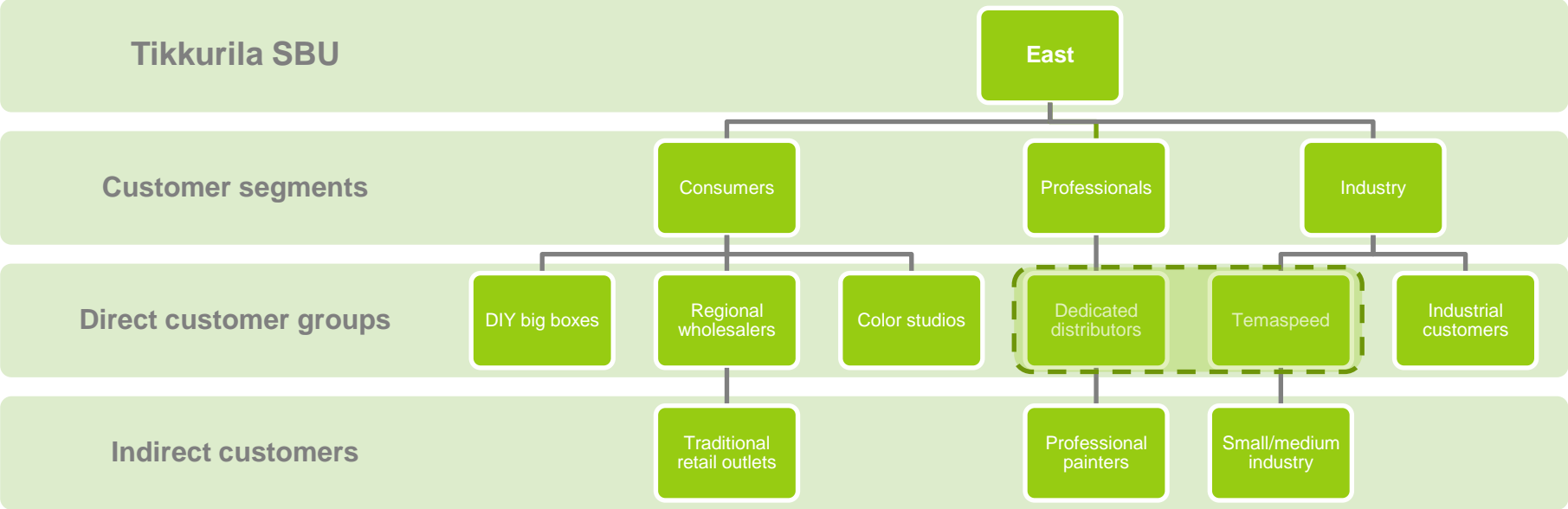


* Excluding non-recurring items

Decorative paint brands in Russia

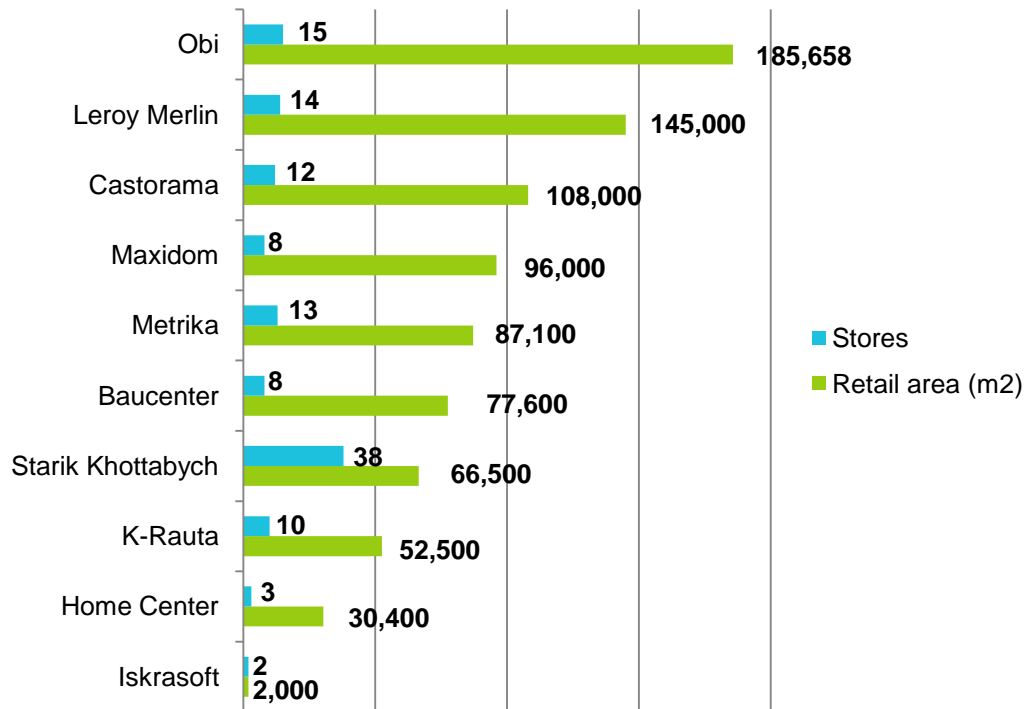
Segment Trends	Tikkurila	Empils	Farben – Dekart	Akzo Nobel + ICI	Lakra	Russkiye kraski	Predpriyatie VGT	Caparol	Khimik	Holding Prestizh	Eskaro	Meffert
Shelf Price												
Premium	 TIKKURILA Beckers 			   				 CAPAROL				
> 6 EUR												
Medium	 TIKKURILA 	 		 								
2-6 EUR												
Value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

Distribution channels



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

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 published in 2010, 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)



Conclusions

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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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