

# Tikkurila

Interim Report for January–March 2012  
Investors and media




**TIKKURILA**

# Disclaimer

*In this presentation, 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, and actual results may differ from the expectations and beliefs such statements contain.*

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- Tikkurila overview
- Review period – Group highlights
- Review period – Segment highlights
- Outlook
- Appendix

A woman with long brown hair, wearing a red and white floral dress with a brown belt and brown boots, is walking on a dirt path in a forest. She is carrying a brown suitcase. The scene is lit with warm, golden light, suggesting late afternoon or early morning. The background consists of tall, thin trees and dense foliage.

## Tikkurila overview

# Tikkurila in brief

## Tikkurila in a nutshell

### Customers:

Consumers and professionals

### 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.

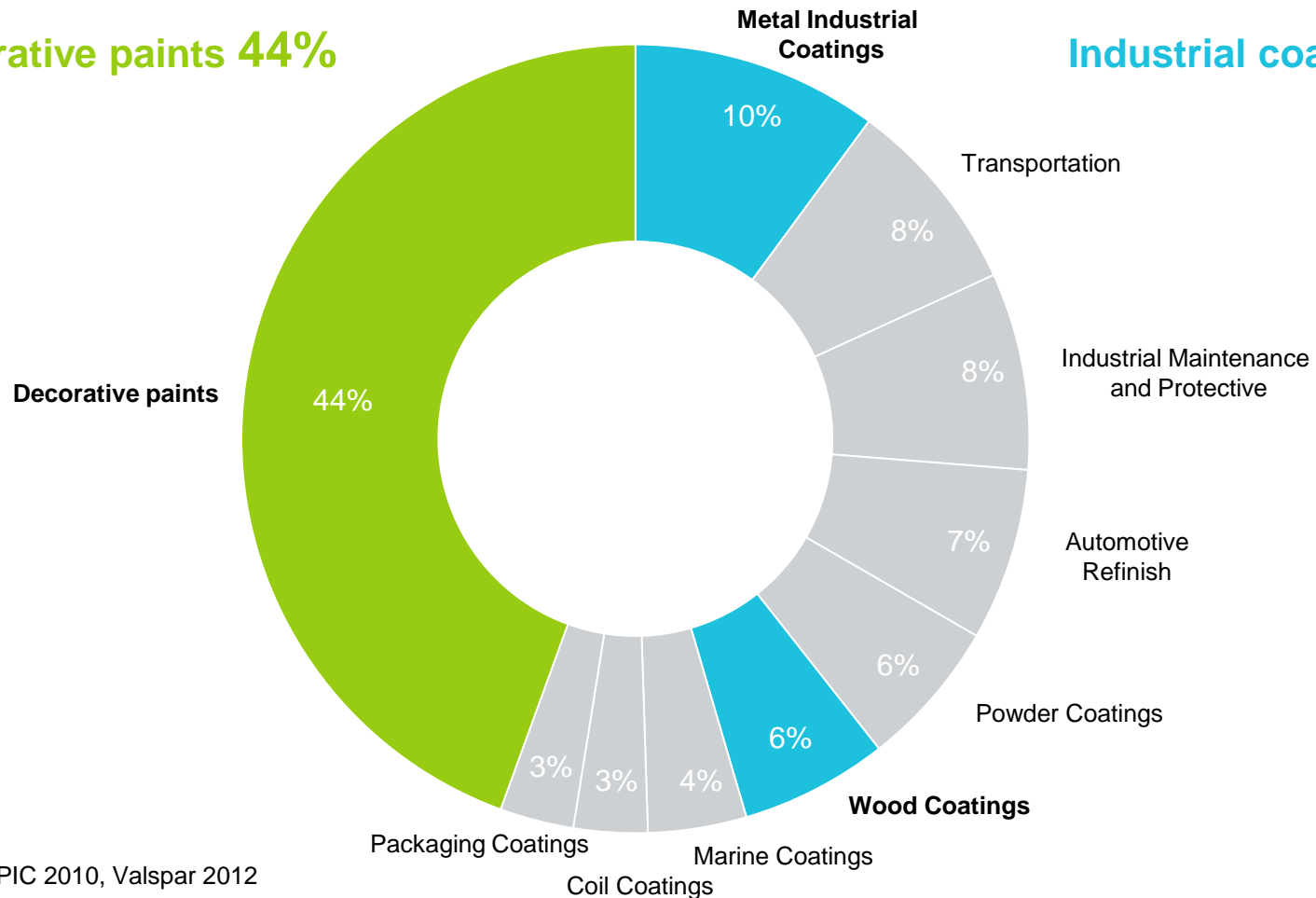
## Tikkurila's locations



# Value of the global paints and coatings market EUR ~73 billion

Decorative paints 44%

Industrial coatings 56%



Source: IPPIC 2010, Valspar 2012

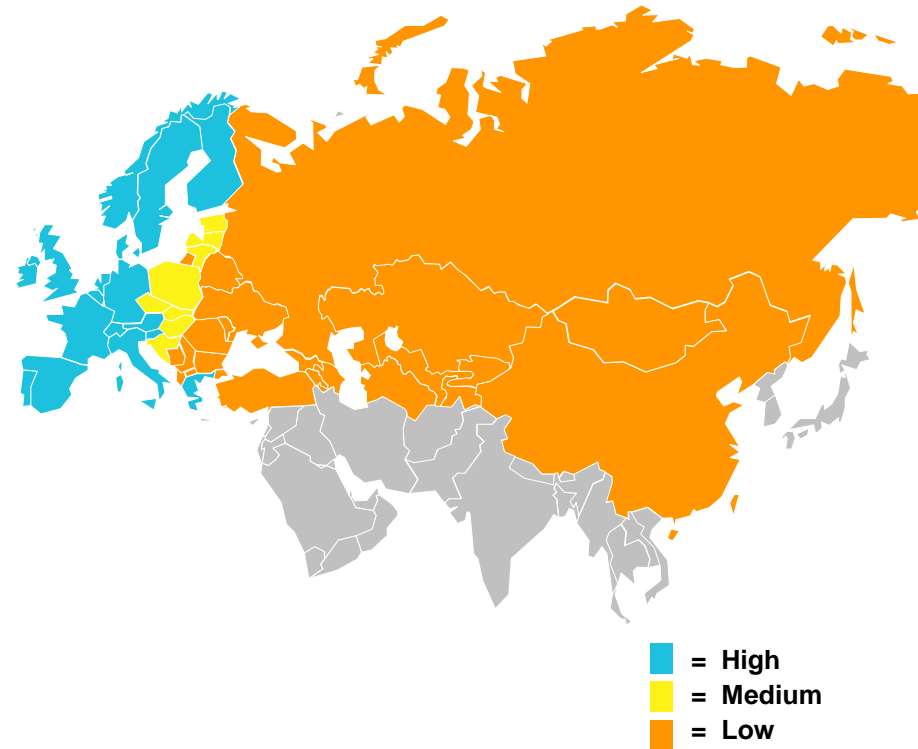
April 2012

# 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\*



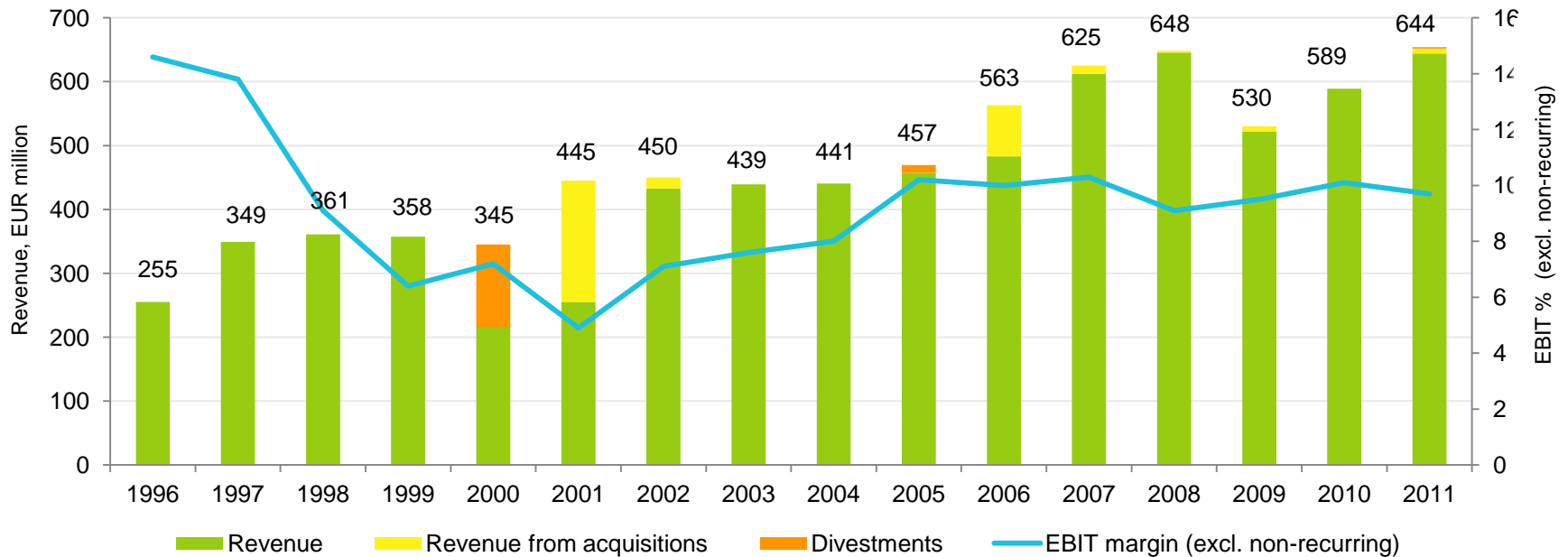
\* Paint consumption source: Management estimates, IPPIC

# Long term financial development

## Development of sales and profitability 1996–2011

### 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 Zorka Color in 2011 (Revenue ~MEUR 8)
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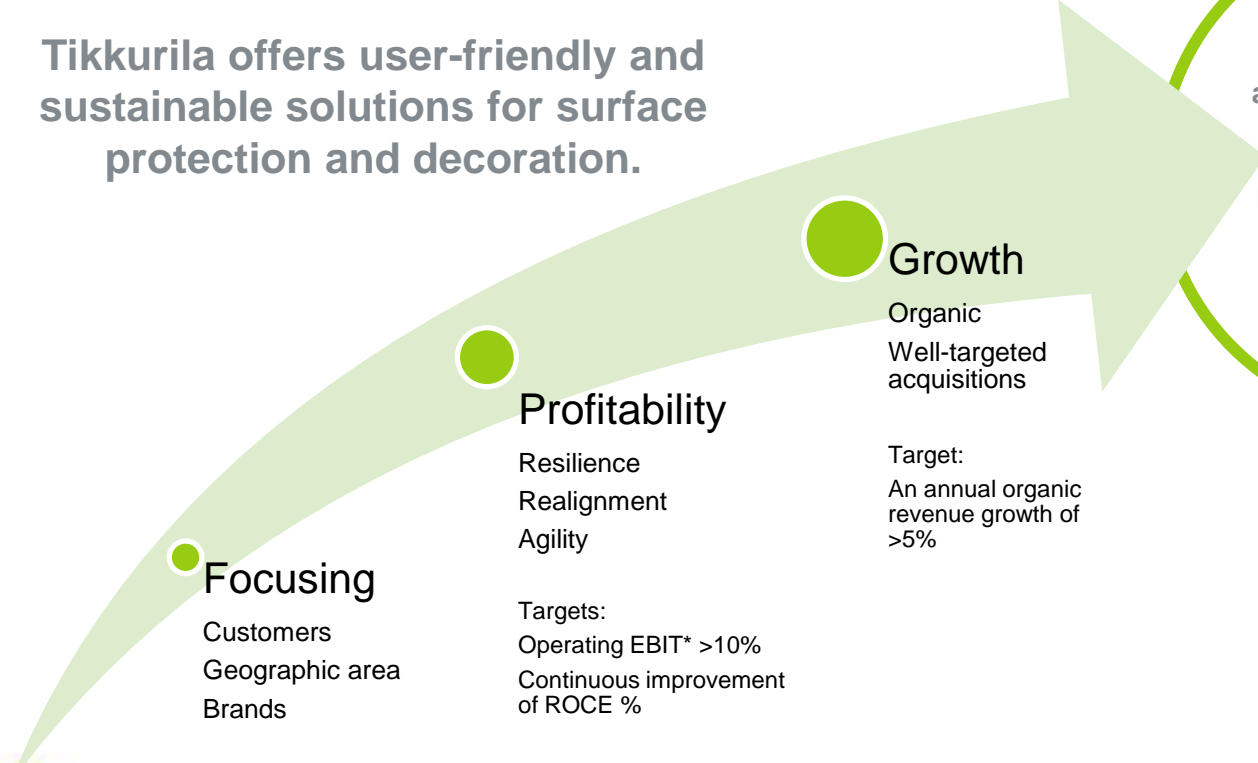




# Tikkurila's strategy 2012–2014

Tikkurila offers user-friendly and sustainable solutions for surface protection and decoration.

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.



## Focusing

- Customers
- Geographic area
- Brands

## Profitability

- Resilience
- Realignment
- Agility

- Targets:
- Operating EBIT\* >10%
  - Continuous improvement of ROCE %

## Growth

- Organic
- Well-targeted acquisitions

- Target:
- An annual organic revenue growth of >5%

\*Excluding non-recurring items



trustworthy



innovative



professionals

# Strong and well-established brands

## Strategic brands



"High end" (premium)



ALCRO

"High end" (premium)



"Medium"



"Economy"

## Local brands



Jedynka



KOLORIT



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

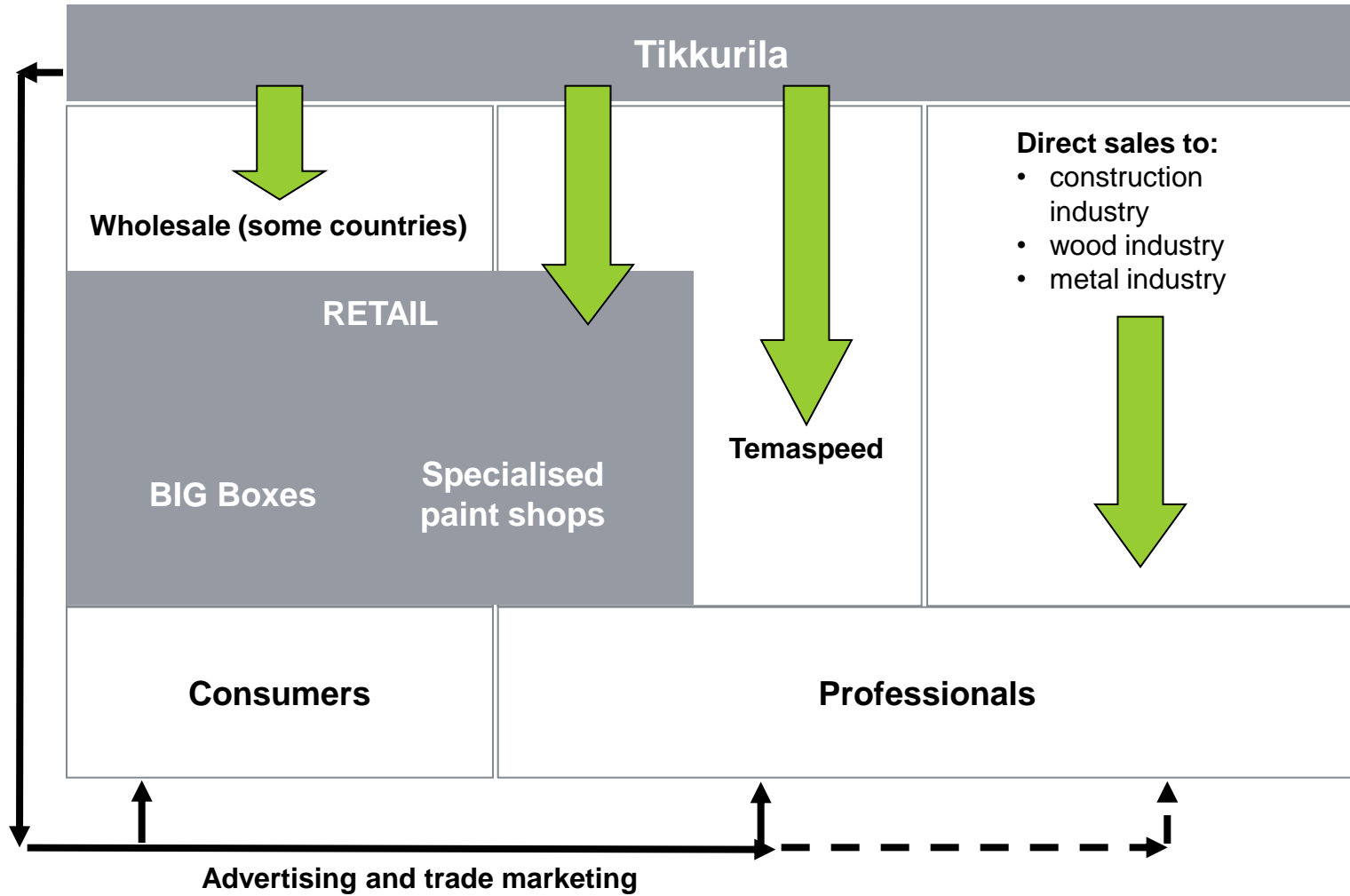


Helpline



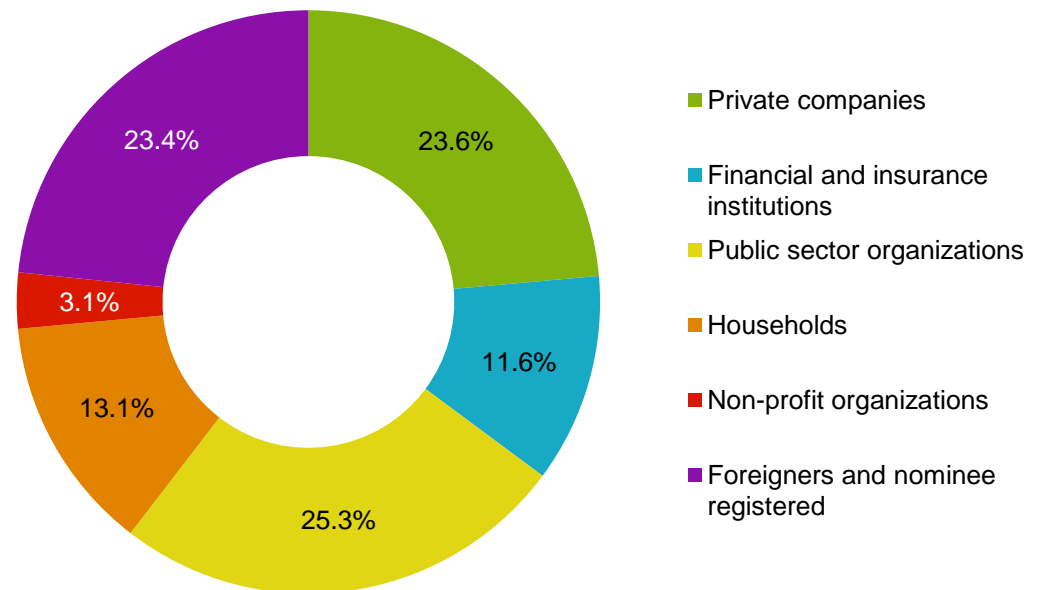
Training

# Distribution channels



# Tikkurila's ownership structure on March 31, 2012

- Number of shareholders ~23,000
- Largest shareholders Oras Invest Oy (18.1%), Ilmarinen (10.4%) and Varma (8.6%)
- 50 largest shareholders holding ~60%
- ~94% of shareholders holding max 1,000 shares



A photograph of a person from the waist down, wearing a light pink, flowing dress, walking barefoot on a sandy beach. The person's feet are in the shallow water of a wave, with white foam splashing around them. The background is a bright, hazy beach scene with soft sunlight and blurred greenery. The overall mood is serene and peaceful.

**Review period**  
**Group highlights**

# First quarter highlights

## Development Q1/2012 vs. 1/2011

- Revenue increased by 10.7%
  - In particular due to sales price increases
  - Volumes grew in SBU Scandinavia and SBU East
- Operating profit (EBIT) excl. non-recurring items increased by 54.5%
  - Due to increased revenue and streamlining measures
- Non-recurring items related to the efficiency improvement program and divestments decreased the operating profit (EBIT)
- Importance of the first quarter is relatively minor for the full year result
- Raw material price increases slowed down but the cost level was clearly higher than in the comparison period
- Outlook for 2012 reiterated





# Review period key figures

EUR million	1-3/2012	1-3/2011	Change %	2011
Revenue	<b>148.9</b>	134.5	10.7%	643.7
EBIT excluding non-recurring items	<b>10.1</b>	6.5	54.5%	62.7
EBIT excluding non-recurring items, %	<b>6.8%</b>	4.9%		9.7%
EBIT	<b>5.8</b>	6.5	-11.6%	61.2
EBIT, %	<b>3.9%</b>	4.9%		9.5%
EPS, EUR	<b>-0.01</b>	0.03	-133.3%	0.80
ROCE, %, rolling	<b>19.0%</b>	19.1%		19.4%
Cash flow after capital expenditure	<b>-22.8</b>	-27.7	17.6%	13.3
Net interest-bearing debt at period-end	<b>120.9</b>	106.4	13.6%	99.4
Gearing, %	<b>73.2%</b>	65.8%		51.9%
Equity ratio, %	<b>33.6%</b>	34.7%		44.1%
Personnel at period-end	<b>3,441</b>	3,555	-3.2%	3,551

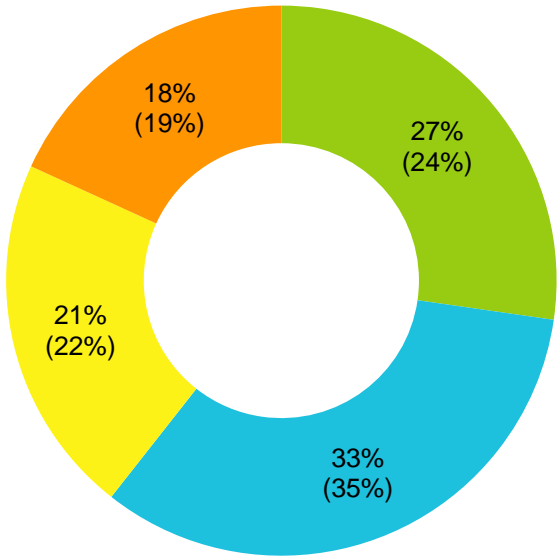
# Non-recurring items by segment

EUR million	SBU East	SBU Scandinavia	SBU Finland	SBU CEE	Tikkurila common	Total 1–3/2012
Personnel related	0.5	0.2	1.9	0.5	0.1	<b>3.3</b>
Divestments	-	-	-	1.0	-	<b>1.0</b>
<b>Total</b>	<b>0.5</b>	<b>0.2</b>	<b>1.9</b>	<b>1.6</b>	<b>0.1</b>	<b>4.3</b>

- Personnel related non-recurring items are related to the efficiency improvement program and restructuring measures under way in the Group
- Divestment related non-recurring items are related to the sale of the subsidiaries in Hungary, Czech Republic, Slovakia and Romania
- Measures in accordance with the strategy will be continued during the current year, but they are estimated not to result in significant expenses

# Revenue split and market position

Revenue split Q1/2012



■ East ■ Scandinavia ■ Finland ■ CEE

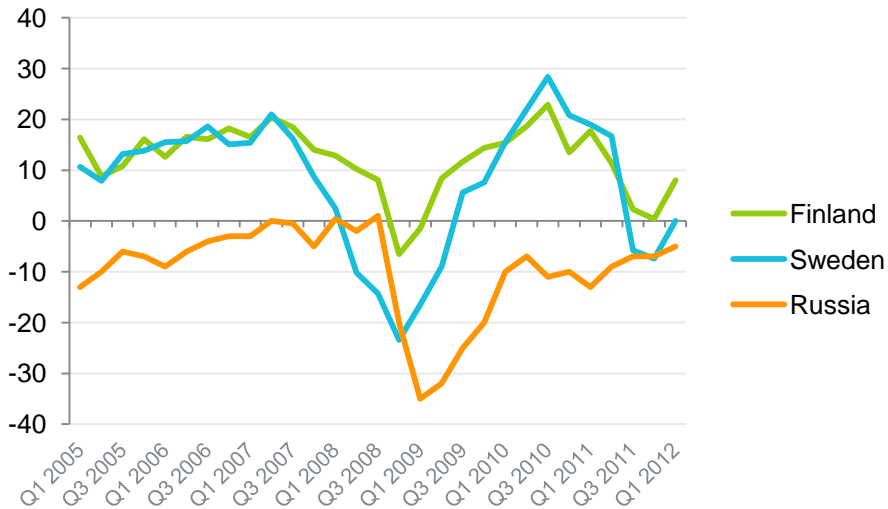
Tikkurila's market positions\*



\* Decorative paints

# Consumer confidence strengthened

## Consumer confidence index



POLAND CONSUMER CONFIDENCE



SOURCE: WWW.TRADINGECONOMICS.COM | IPSOS-DEMOSKOP

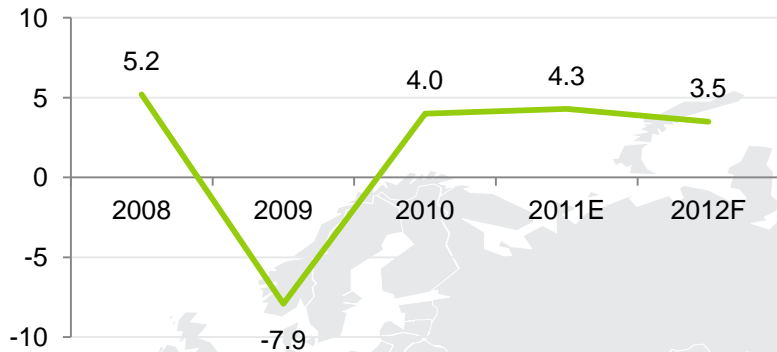
Source: Reuters, Rosstat, Ipsos

## Operating environment

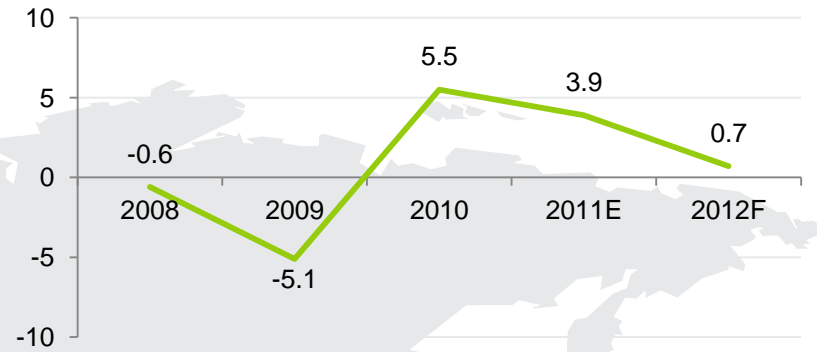
- Some positive signs were visible in the operating environment, although there still are significant uncertainties related to the economic development
- Consumer confidence, which clearly correlates with retail sales development, strengthened in Finland and Sweden during the first months of the year and remained on a fairly good level in Russia. The confidence was on decline in Poland
- Paint demand recovered in the East and Scandinavia

# Development of gross domestic product 2008–2012F, growth-%

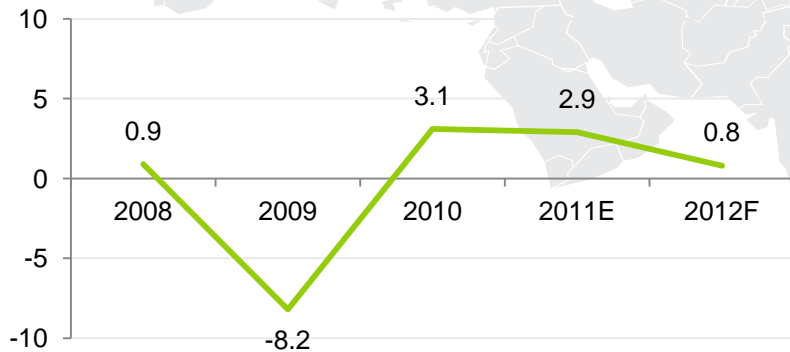
Russia



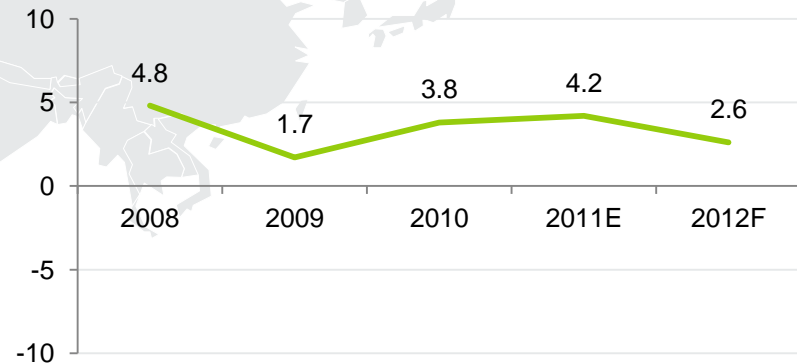
Sweden



Finland



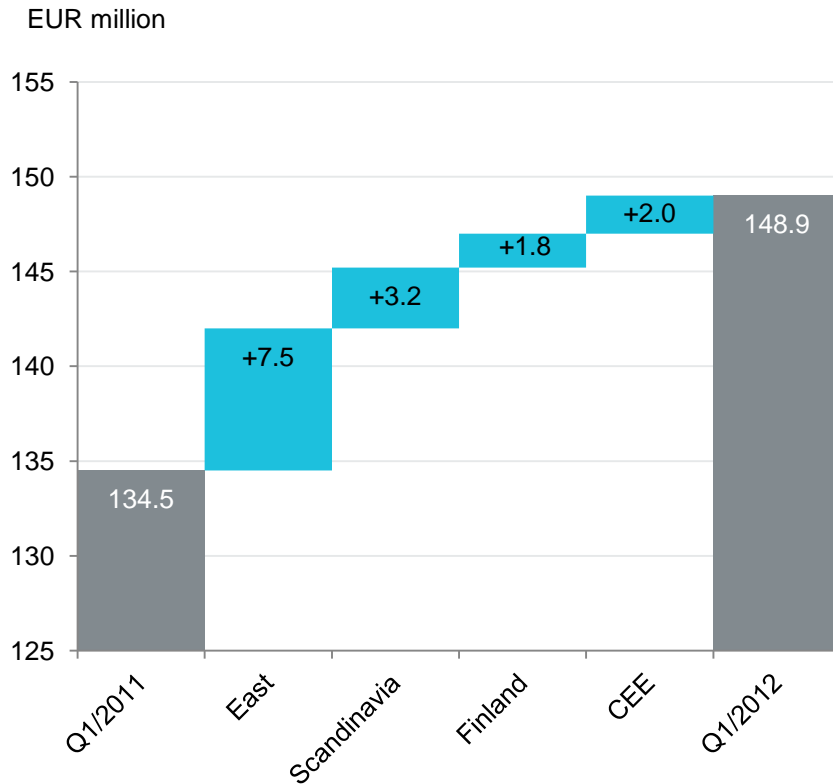
Poland



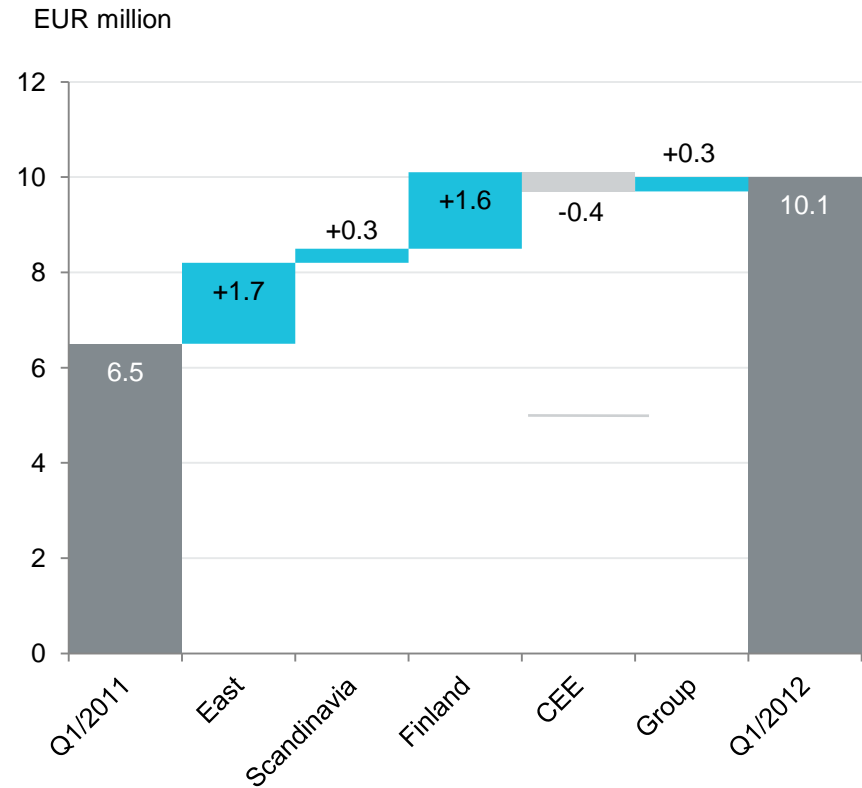
Source: Bank of Finland, Statistics Finland, Eurostat, Citibank

# Revenue and operating profit\* by segment Q1/2012 vs. Q1/2011

## Revenue change by segment



## Operating profit\* change by segment



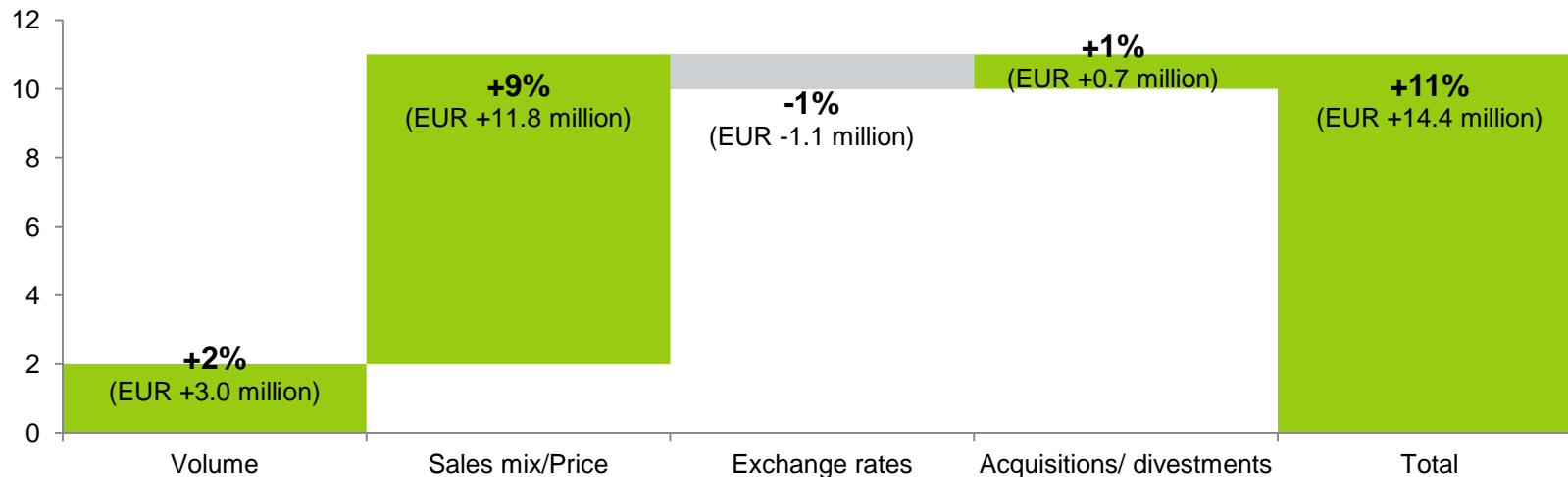
\* Excluding non-recurring items

# Revenue development

EUR million	1-3/2012	1-3/2011	Change %
Revenue	148.9	134.5	10.7%

## Group's revenue development Q1/2012 vs. Q1/2011

Increase/decrease, %



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

# Marketing actions in Q1



## Vivacolor brand in renewal

- Vivacolor, a strategic brand of Tikkurila, was renewed in the Baltics
- Vivacolor obtained its first Swan Ecolabels



## Alcro ad.retur inspiration collection

- Alcro presented an inspiration collection in cooperation with a Swedish design college



## Trend blog for professionals

- In addition to a perceptive eye on design and color trends, the blog will review e.g. trade show highlights


For further information, please visit [www.tikkurilagroup.com](http://www.tikkurilagroup.com)



# 150 years of decoration and protection

- Anniversary is utilized in e.g. products, shop displays and media
- "Sustainable Beauty" program of social responsibility is underway in the Group  
[www.tikkurilagroup.com/sustainablebeauty](http://www.tikkurilagroup.com/sustainablebeauty)
- History of Tikkurila "Colour Card – 150 years of Tikkurila Stories" will be published in May



A close-up photograph of a person's lower legs and feet. They are wearing a light blue, flowing dress and brown strappy sandals. They are standing on a wooden plank. The background is a blurred outdoor setting with green grass and a bright light source creating a bokeh effect.

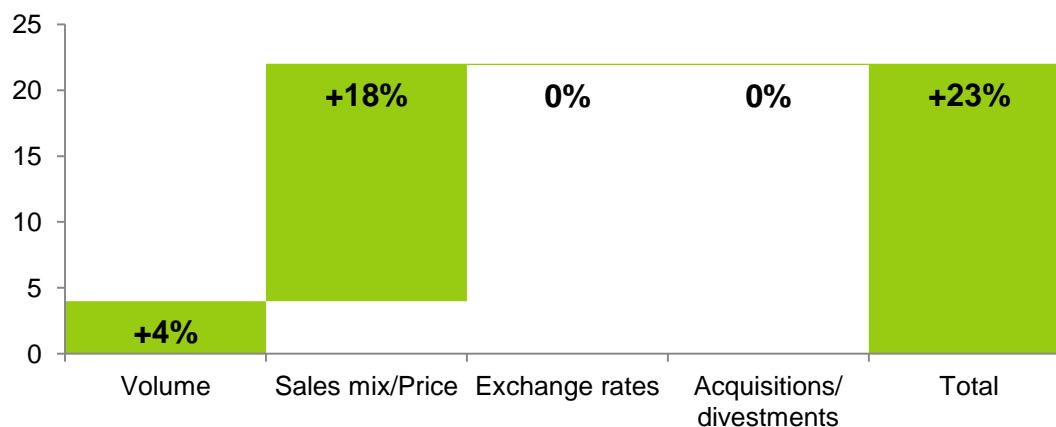
**Review period**  
**Segment highlights**

# SBU East Q1/2012

EUR million	1-3/2012	1-3/2011	Change %	1-12/2011
Revenue	<b>40.3</b>	32.8	22.7%	<b>220.0</b>
EBIT*	<b>0.2</b>	-1.5	114.1%	<b>25.3</b>
EBIT*, %	<b>0.5%</b>	-4.5%		<b>11.5%</b>

## Revenue development Q1/2012 vs. Q1/2011

Increase/decrease, %



## Q1/2012 highlights

- Sales prices were increased during the review period; effects to mainly materialize after Q1
- Volume development was favorable despite the cold weather
- Economic growth estimates clearly higher than those for the Western countries

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

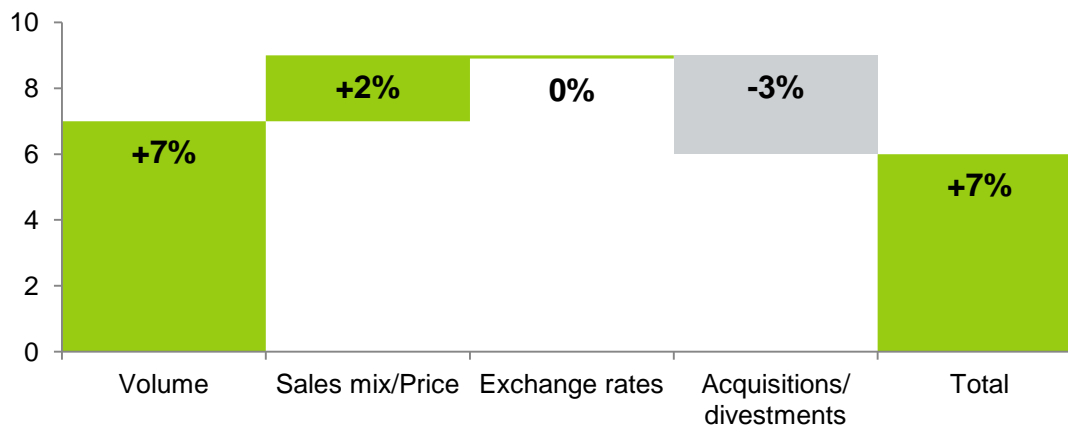
\* Excluding non-recurring items

# SBU Scandinavia Q1/2012

EUR million	1-3/2012	1-3/2011	Change %	1-12/2011
Revenue	<b>49.9</b>	46.7	6.7%	<b>192.3</b>
EBIT*	<b>5.1</b>	4.8	7.9%	<b>24.3</b>
EBIT*, %	<b>10.3%</b>	10.2%		<b>12.6%</b>

## Revenue development Q1/2012 vs. Q1/2011

Increase/decrease, %



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

## Q1/2012 highlights

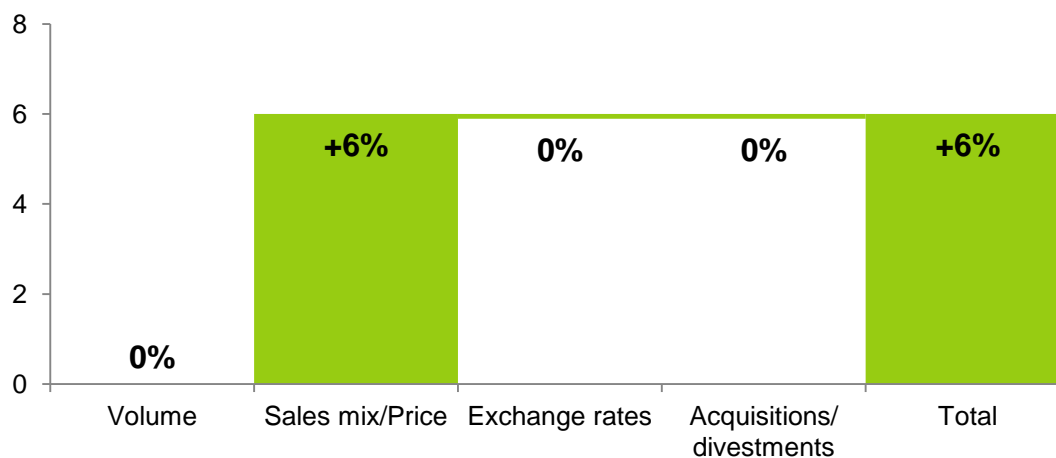
- Favorable development of the summer season pre-deliveries increased revenue
- Sales price increases were not sufficient to fully compensate higher raw material prices
- Development of the Swedish economy is estimated to be modest in 2012

# SBU Finland Q1/2012

EUR million	1-3/2012	1-3/2011	Change %	1-12/2011
Revenue	<b>31.4</b>	29.6	6.1%	<b>109.2</b>
EBIT*	<b>5.3</b>	3.7	43.1%	<b>10.9</b>
EBIT*, %	<b>16.9%</b>	12.6%		<b>10.0%</b>

## Revenue development Q1/2012 vs. Q1/2011

Increase/decrease, %



\* Excluding non-recurring items

## Q1/2012 highlights

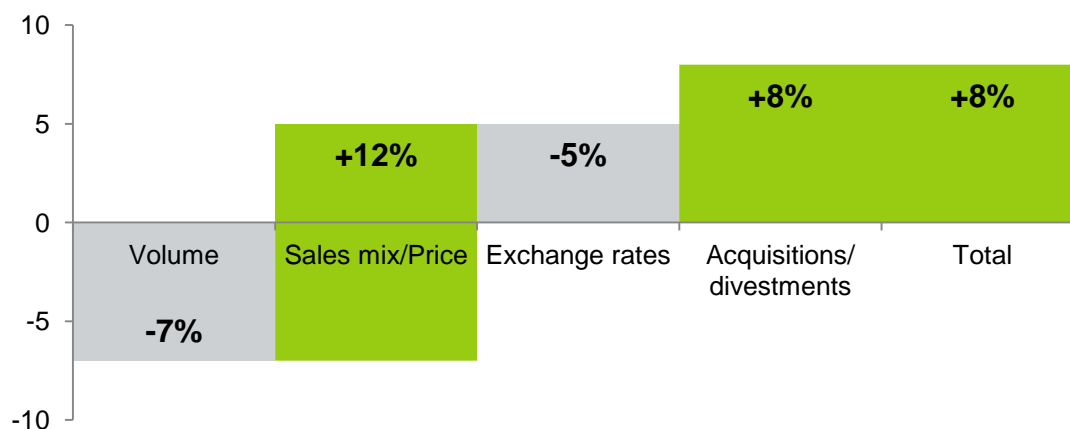
- Revenue increased due to sales price increases conducted in 2011
- EBIT excl. non-recurring items improved clearly
- Non-recurring items related to the efficiency improvement program totaled EUR -1.9 million in Q1

# SBU Central Eastern Europe Q1/2012

EUR million	1-3/2012	1-3/2011	Change %	1-12/2011
Revenue	<b>27.4</b>	25.4	8.0%	<b>122.2</b>
EBIT*	<b>0.0</b>	0.4	-89.1%	<b>4.4</b>
EBIT*, %	<b>0.2%</b>	1.7%		<b>3.6%</b>

## Revenue development Q1/2012 vs. Q1/2011

Increase/decrease, %



\* Excluding non-recurring items

## Q1/2012 highlights

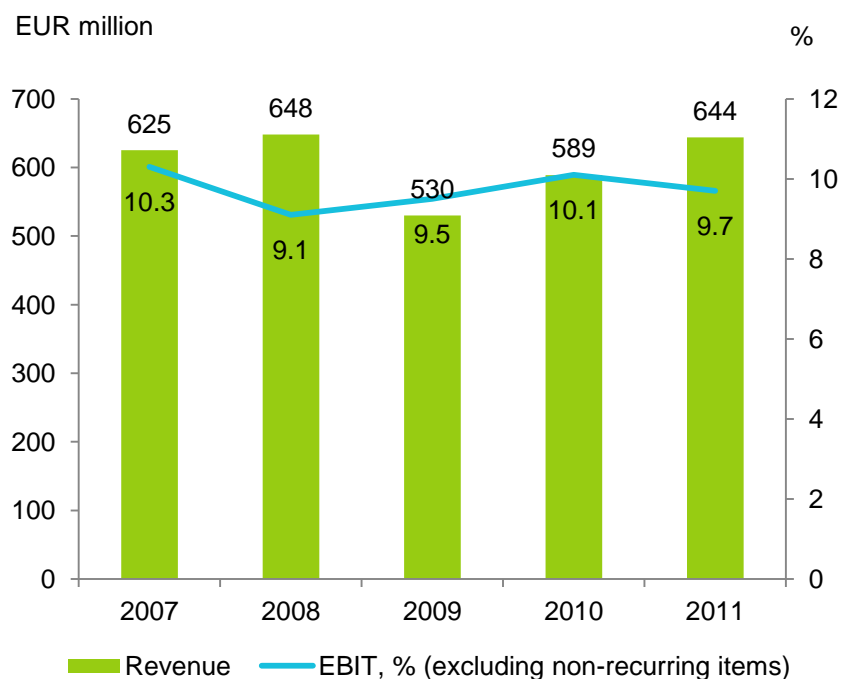
- Sales volumes decreased when the impact of the Zorka acquisition is excluded
- Sales prices were increased during the review period; effects to mainly materialize after Q1
- Non-recurring items related to the efficiency improvement program and divestments totaled EUR -1.6 million in Q1

A woman with long dark hair, wearing a red and white floral patterned dress with a brown belt and brown boots, is walking on a dirt path in a forest. She is carrying a brown suitcase. The scene is lit with warm, golden light, suggesting late afternoon or early morning. The background consists of tall, thin trees and a dense canopy of leaves.

# Outlook for 2012

# Outlook for 2012 reiterated

## Revenue and profitability of Tikkurila 2007–2011



## Outlook for 2012

In 2012, the GDP is expected to remain close to the 2011 levels or the GDP growth is expected to be low in the key market areas of Tikkurila. Further raw material cost increases are predicted, even though it is assumed that the raw material and packaging material cost inflation will be clearly lower than in 2011.

**In 2012, Tikkurila expects the revenue growth to exceed the average GDP growth in Tikkurila's main market areas. As far as the profitability is concerned, Tikkurila expects EBIT in euro to stay at the same level as in 2011.**



A photograph of a person from the waist down, wearing a light pink, flowing dress, walking barefoot on a sandy beach. The person's feet are in the shallow water of a wave, with white foam splashing around them. The background is a bright, hazy beach scene with soft, out-of-focus light. The overall mood is serene and peaceful.

# Appendix

# Tikkurila SBUs

	East	Finland	Scandinavia	CEE
Operational area	Russia and other CIS countries	Finland	Sweden, Norway, Denmark	CEE countries and other countries incl. Germany
Production sites	St. Petersburg, Russia Stary Oskol, Russia Kiev, Ukraine	Tikkurila, Vantaa	Nykvärn, Sweden	Tallinn, Estonia Ansbach, Germany Debica, Poland Sabac, Serbia
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

# SBU East in brief

## Key facts

Operational area	Russia, other CIS countries, Ukraine
2011 revenue	EUR 220.0 million, 34% of group
2011 EBIT <sup>1</sup>	EUR 25.3 million, 39% of group <sup>2</sup>
Employees	1,577 (average)
Production sites	3 in St. Petersburg, Russia, Stary Oskol, Russia and Kiev, Ukraine
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 Tekst
- 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
- 2011** Divestment of the powder coatings business

## Locations



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

<sup>2</sup> Excluding group items

# Tikkurila in Russia

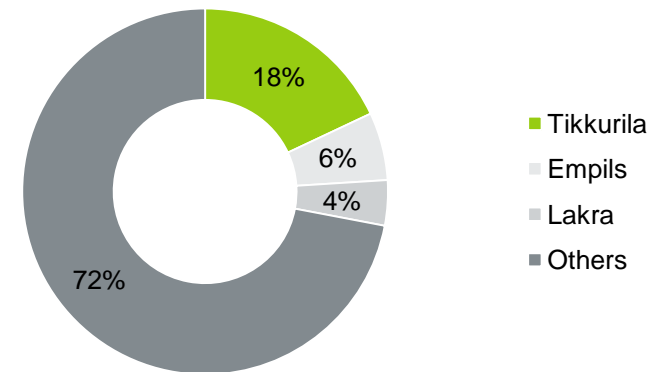
## Overview

- 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 Stary Oskol
- Personnel 1,500 at year-end 2011

## Tikkurila paint brands in Russia



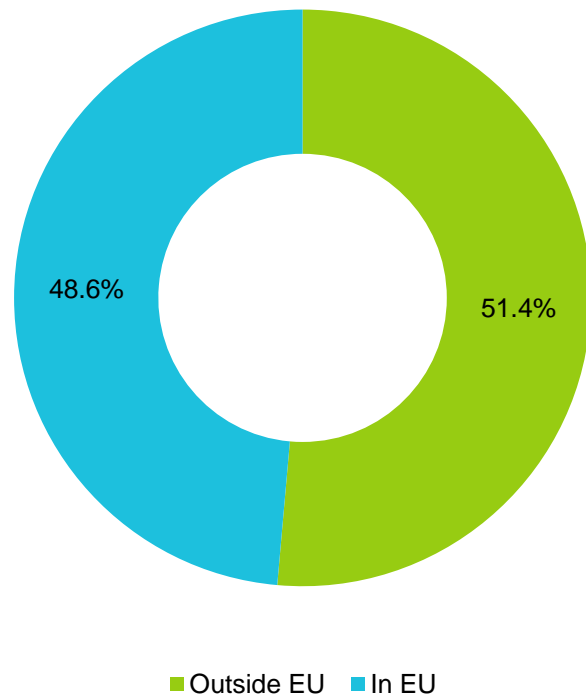
## Market leader in decorative paints in 2011\*



\* Chem-Courier, 1-9/2011 (volume)

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












































## Tikkurila's production capacity



## Production and raw materials

- 11 production facilities in 8 countries
- 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

# 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	 <b>TIKKURILA</b>  <b>Beckers</b> 			   								
> 6 EUR												
Medium	 <b>TIKKURILA</b>  	  		 								
2-6 EUR												
Value	 <b>FINNCOLOR</b>  	 <b>EMPILS</b>  			  	    		  				
1-2 EUR												
Low / Economic	  	    	  							  		
April 2012												
< 1,0 EUR												

# SBU Scandinavia in brief

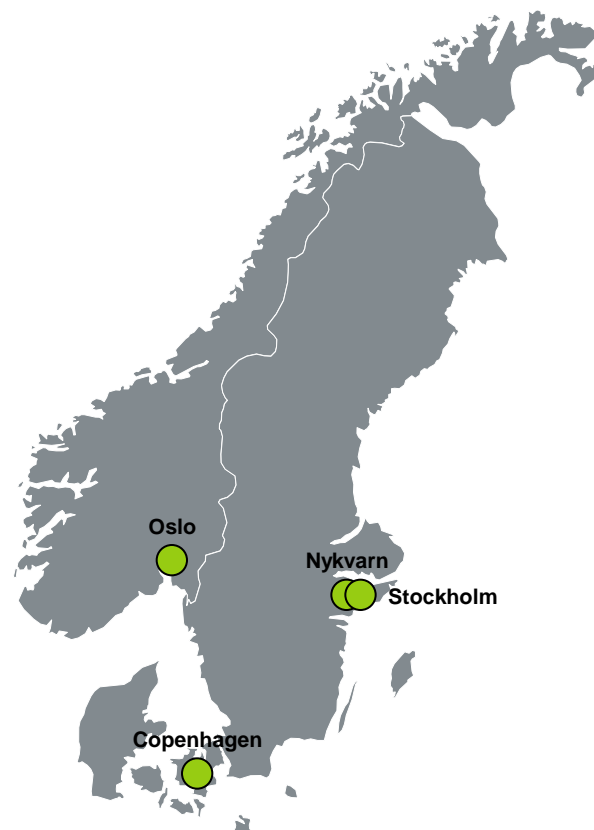
## Key facts

Operational area	Sweden, Norway, Denmark
2011 revenue	EUR 192.3 million, 30% of group
2011 EBIT <sup>1</sup>	EUR 24.3 million, 37% of group <sup>2</sup>
Employees	473 (average)
Production sites	Nykvarn, Sweden
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 Måleributiken in Alvik, Sweden
- 2011** Divestment of two retail stores in Sweden

## Locations



1 Excluding non-recurring items

2 Excluding group items

# SBU Finland in brief

## Key facts

Operational area	Finland
2011 revenue	EUR 109.2 million, 17% of group
2011 EBIT <sup>1</sup>	EUR 10.9 million, 17% of group <sup>2</sup>
Employees	746 (average)
Production sites	Vantaa, Finland
Sales offices	Several in Finland

1 Excluding non-recurring items  
2 Excluding group items

## Locations





# SBU CEE in brief

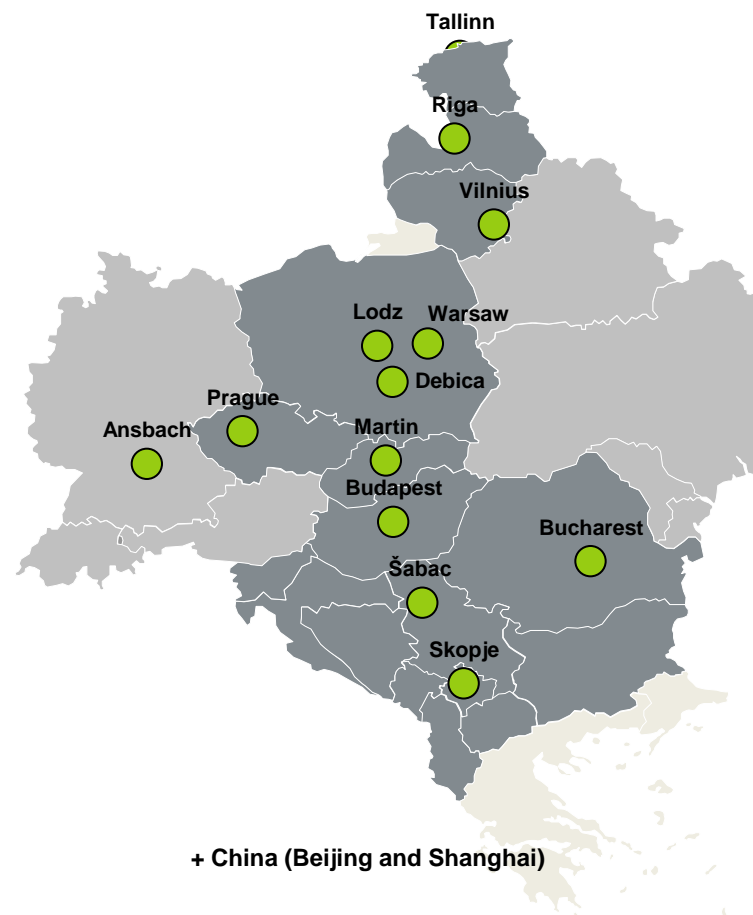
## Key facts

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)
2011 revenue	EUR 122.2 million, 19% of group
2011 EBIT <sup>1</sup>	EUR 4.4 million, 7% of group <sup>2</sup>
Employees	845 (average)
Production sites	Tallinn, Estonia, Ansbach, Germany, Debica, Poland and Sabac, Serbia
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
- 2011** Acquisition of the business of Serbian Zorka Color

## Locations



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

# Investor and media contacts



**Erkki Järvinen**  
President and CEO



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**Thank you!**

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