



Sustainable beauty since 1862

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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. Actual results may differ from the expectations and beliefs such statements contain.



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- Tikkurila review
- Tikkurila in Russia
- Conclusions



Tikkurila review



Tikkurila in brief

Our end-customers



Consumers



Professionals



Industry

#1

Market position in key markets* in decorative paints

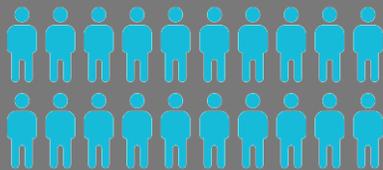
50%

Balanced geographical presence between mature and emerging markets

Our goal is to provide the best user experience

Operations in 16 countries

Production in 10 countries



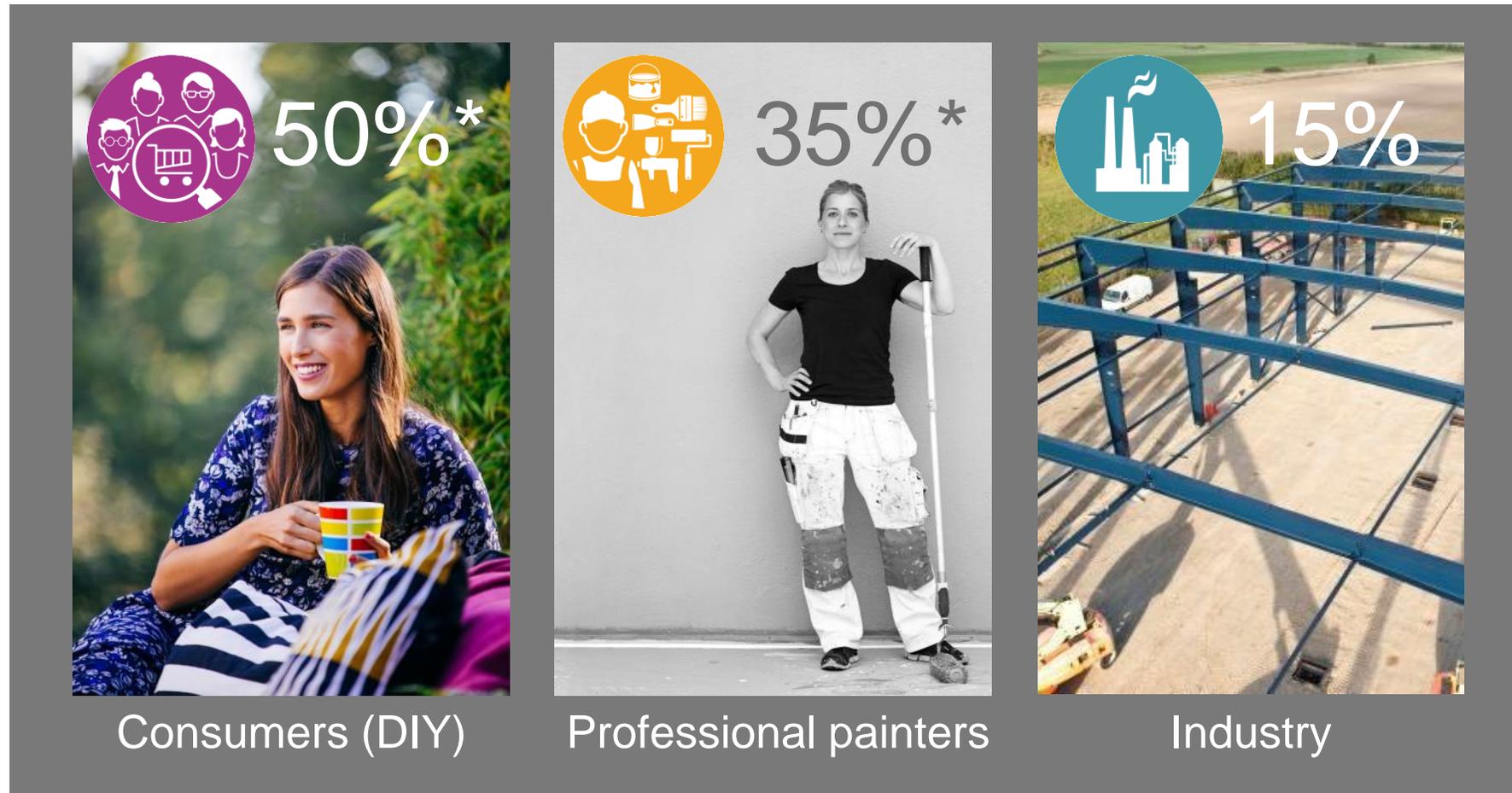
More than
3,100 employees



*Russia, Sweden, Finland, the Baltic countries
Tikkurila is #4 in Poland



Our end-customers

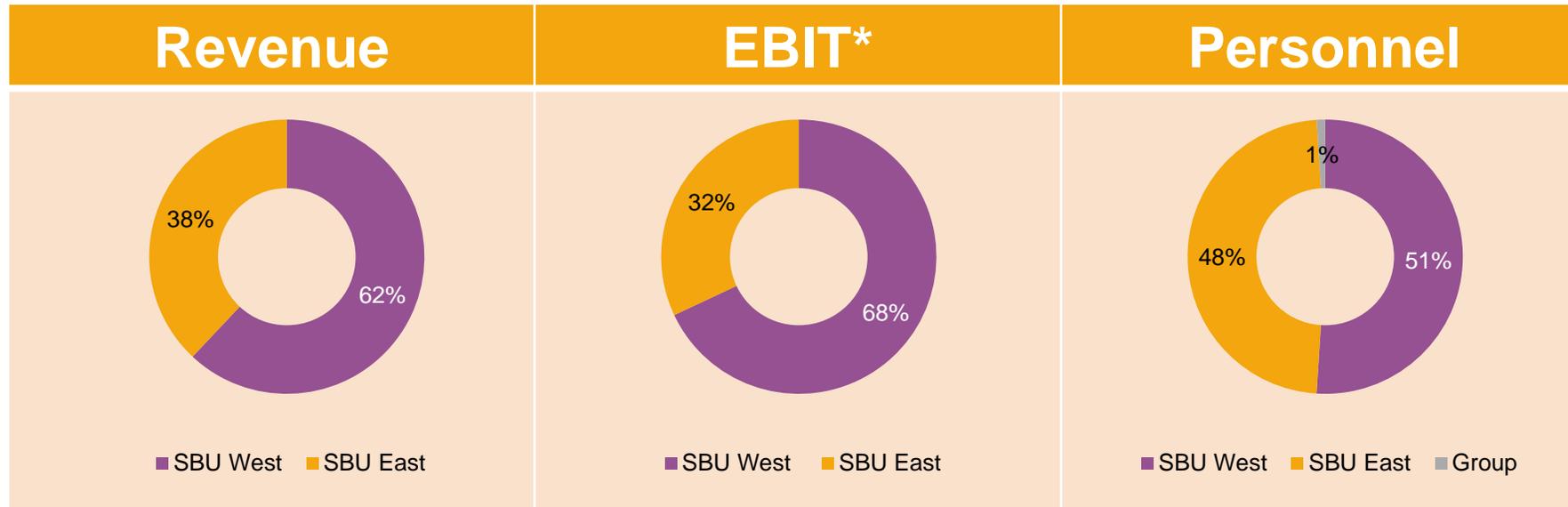


*Tikkurila estimate



Tikkurila 2014

Tikkurila is the leading paints and coatings professional in the Nordic region and Russia. With our roots in Finland, we now operate in 16 countries. Our high-quality products and extensive services ensure the best possible user experience in the market. Sustainable beauty since 1862.



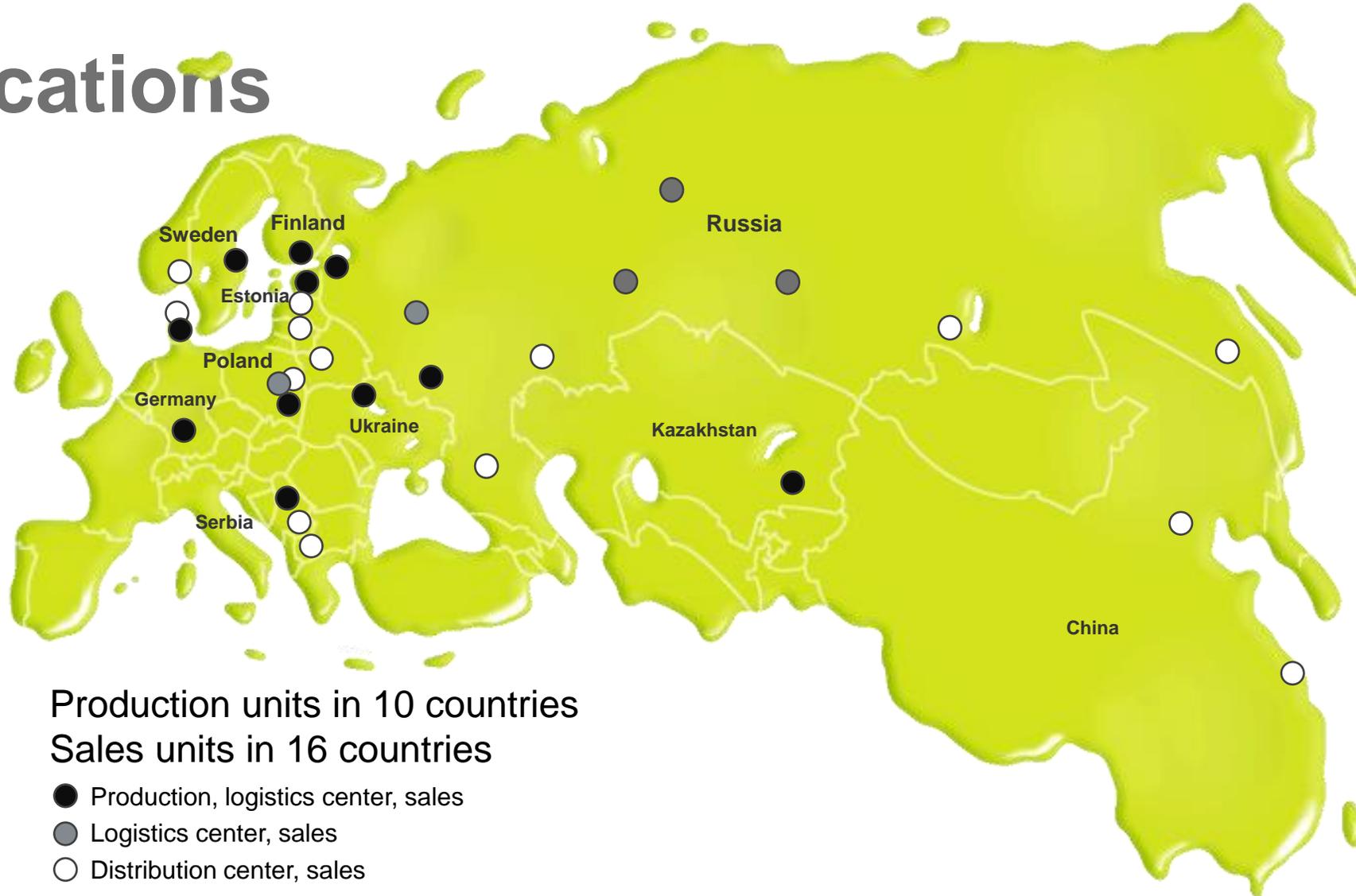
Revenue EUR 618 million

EBIT* EUR 64 million

Personnel 3,142

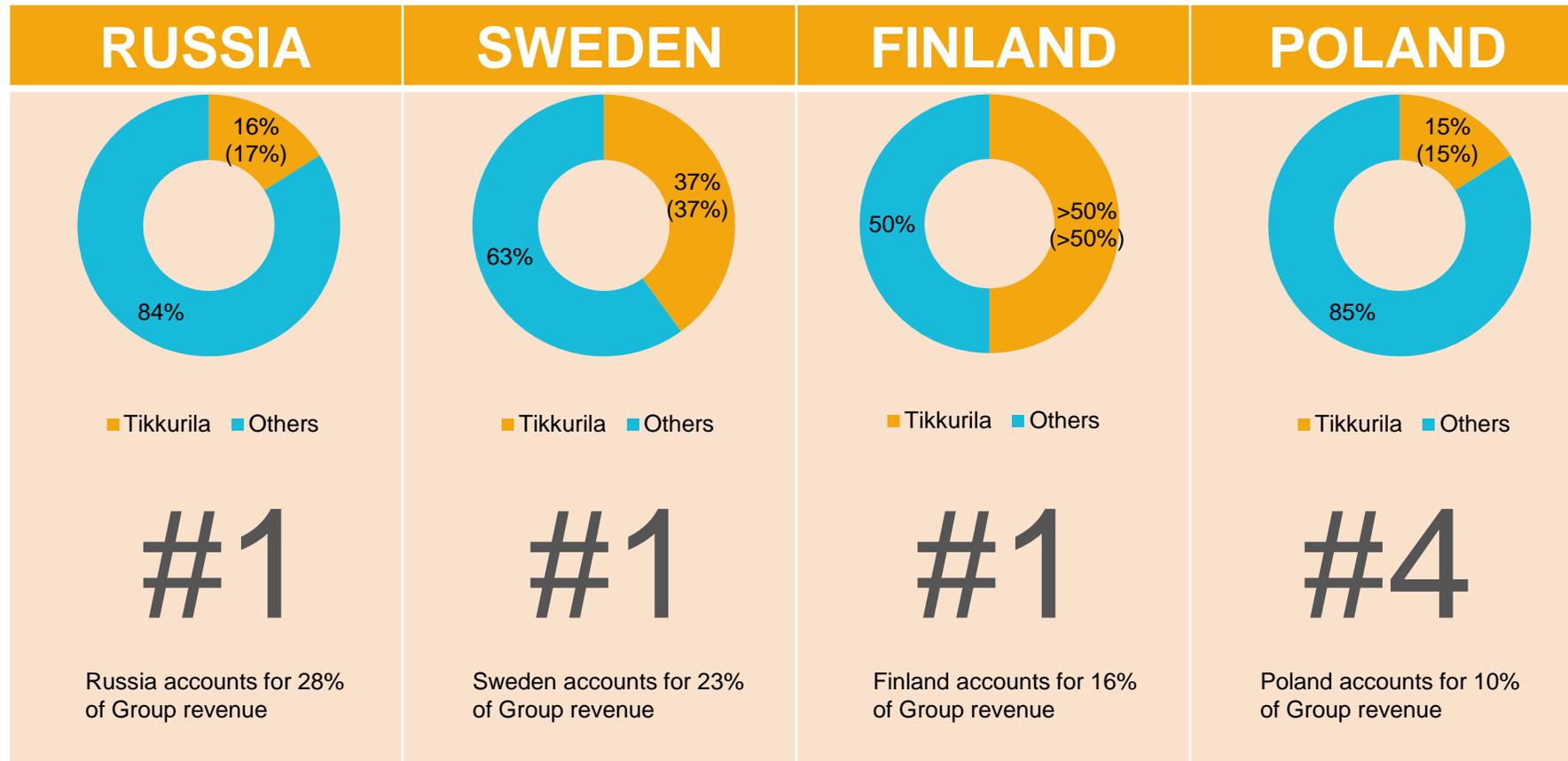
*Excl. non-recurring and Group items

Our locations





Tikkurila market shares and positions in decorative paints in key markets in 2014

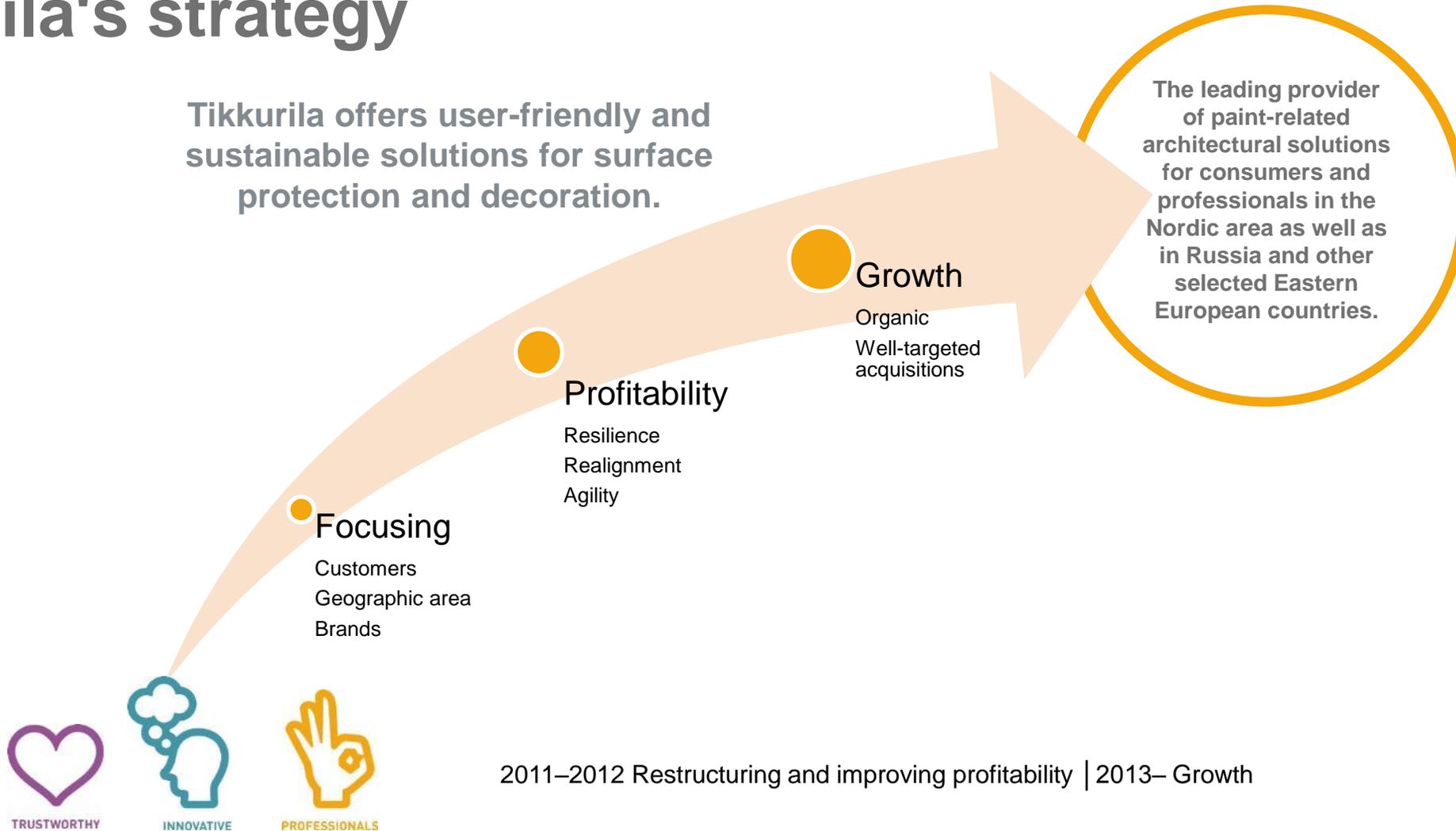


Source: Chem-Courier (Russia, volume), SVEFF (Sweden, value), Association of Finnish Paint Industry (Finland, value), IBP Research (Poland, volume)



Tikkurila's strategy

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





Strong and well-established brands



Strategic international brands



Strategic regional or local brands



Tactical regional or local brands





We help our customers to succeed in surface protection and decoration



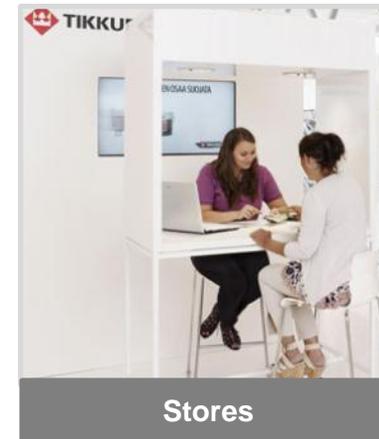
Inspiration



Ideas



Colors



Stores



Helpline



Internet



Training



Designer Pool
Contractor Pool



Professional
services

Excellence in energy-efficient solutions

- In 2014, Tikkurila acquired two companies specializing in functional products: KEFA Drytech AB and ISO Paint Nordic A/S.
- Acquisitions complemented Tikkurila's professional product range and expertise in functional, energy-efficient coating solutions.
- Products to prevent condensation and mold, to damp noise, and to reduce the amount of energy needed for heating or cooling of buildings, as well as to extend the life cycle of building structures.





Significant renewals and launches

Tikkurila brand renewal



New brand to Scandinavia



Wallpaper and paint collection, Duett

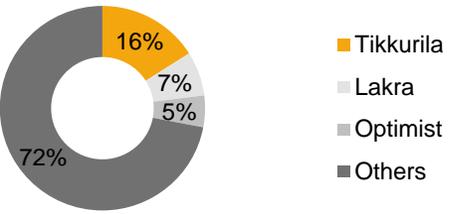




Tikkurila in Russia



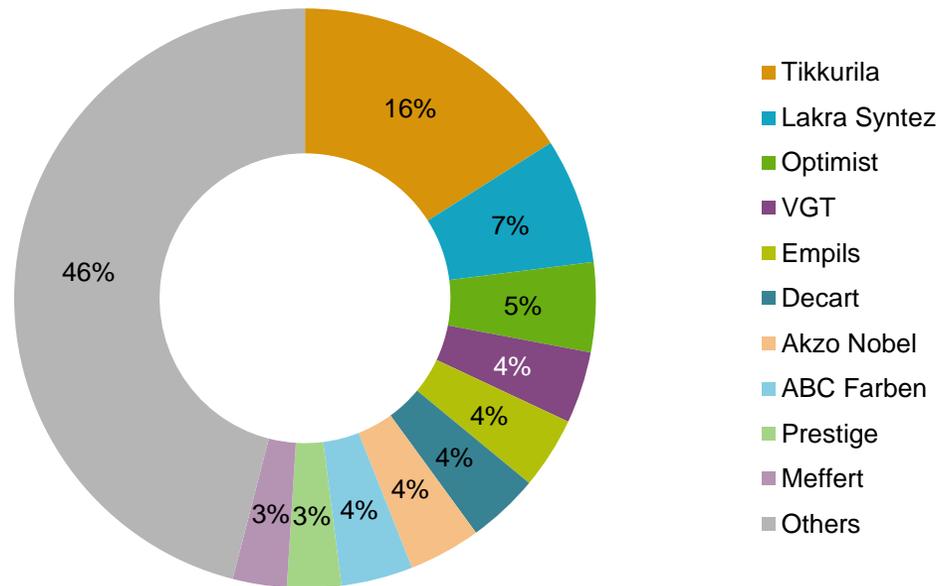
Tikkurila in Russia

2014 revenue	EUR 176 million, 28% of Group
Brands	
Production	<p>Production sites in St. Petersburg (3) and Stary Oskol</p> <p>Majority of the products sold in the area are produced locally, Tikkurila brand is also exported from Finland</p>
Raw materials	Approximately half of the raw materials used in the production in Russia is sourced from local suppliers
Retail	Tikkurila's products are sold in more than 5,000 retail outlets
Market position in 2014 in decorative paints	 <p>Source: Chem-Courier, 2015 (volume)</p>



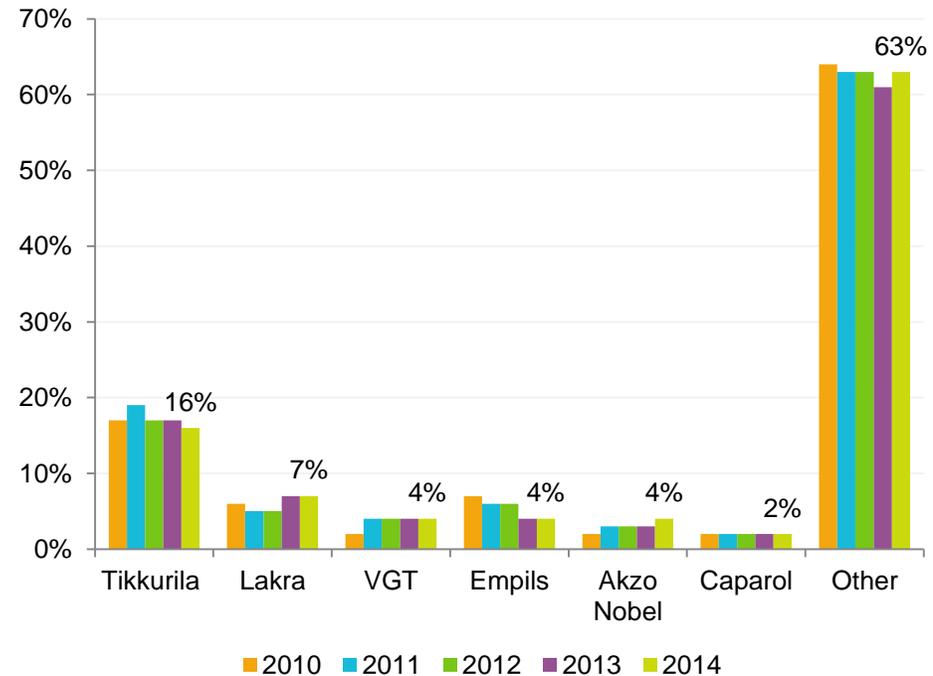
Russian paint market is still highly fragmented

Russian decorative paint market shares in 2014



Source: Chem-Courier 2015 (volume)

Market share development in Russia in 2010–2014



Good coverage of operations

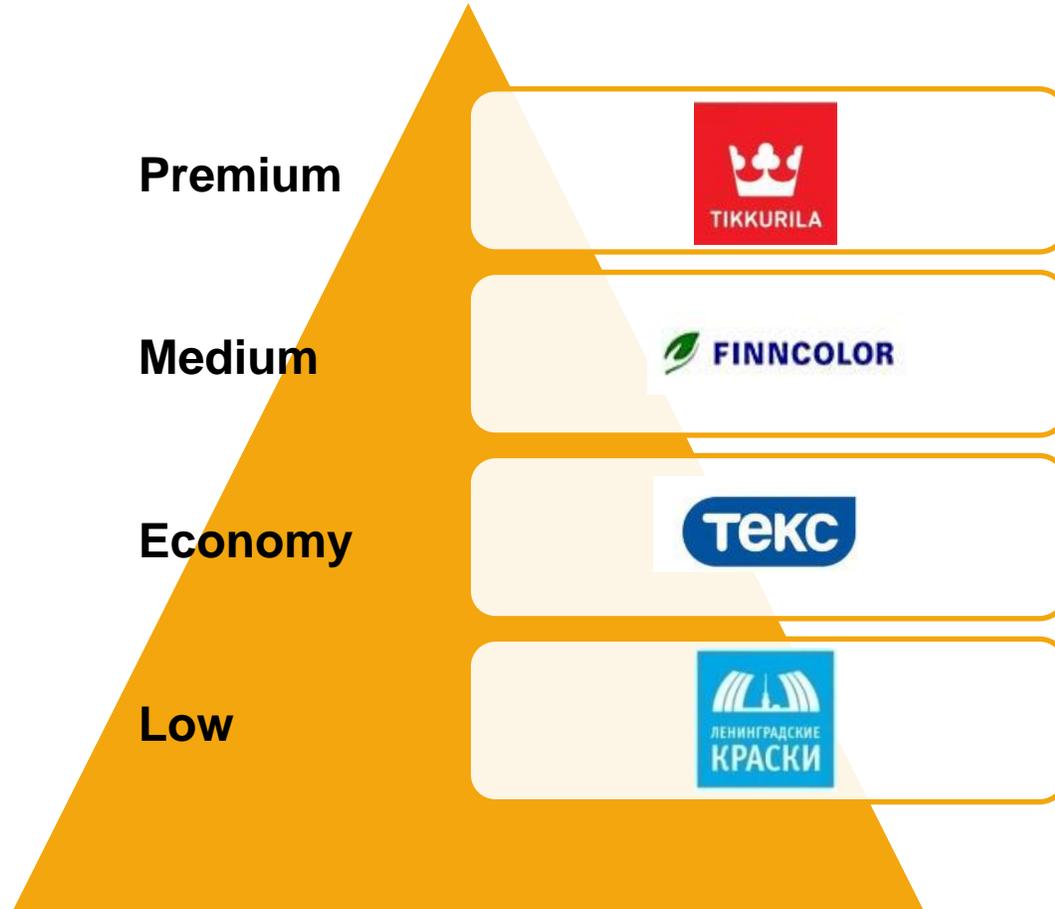


Tikkurila sales function has regional structure with more than 200 employees

Tikkurila has established long term partnerships with local customers



Good brand coverage

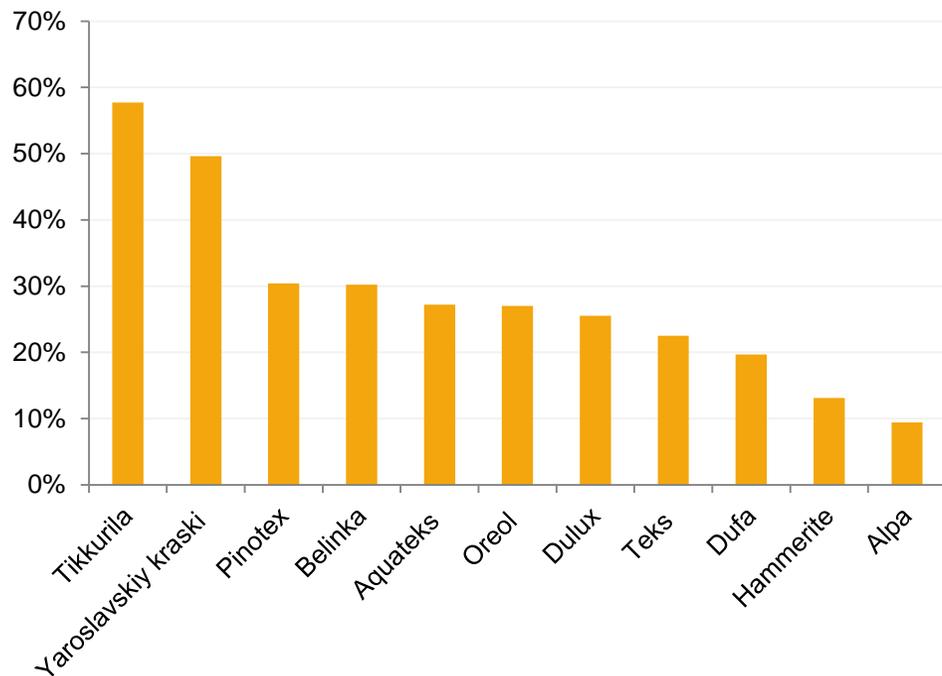


- Tikkurila premium products are produced in Finland and exported to Russia, other brands are produced locally
- Tikkurila and Teks are the main brands (volume and value)
- In recent years, the volume development of Tikkurila's high end products has been better; more pressure at the lower end

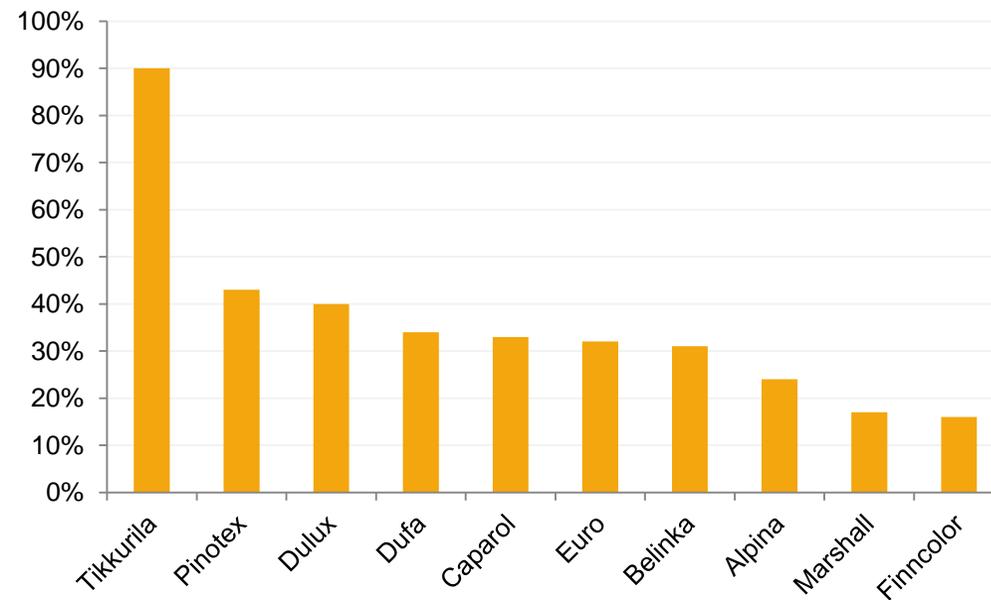


Tikkurila is the most well-known paint brand in Russia

Brand awareness in 2014, non-aided



Brand awareness in 2014, aided

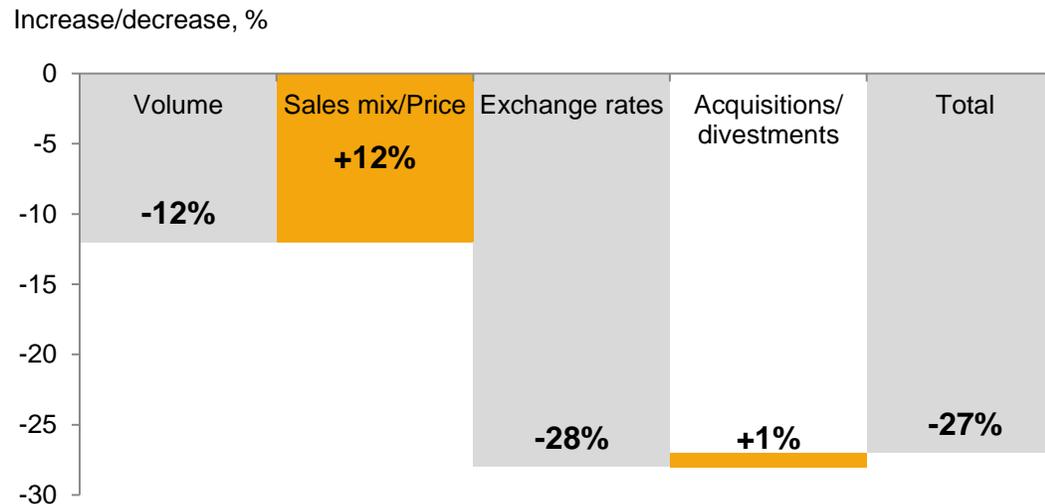


Source: TNS Gallup (Russia 2014)

SBU East Q1/2015

EUR million	1-3/2015	1-3/2014	Change %
Revenue	31.0	42.6	-27.2%
EBIT*	0.1	-1.6	106.7%
EBIT*, %	0.3%	-3.7%	

Revenue development Q1/2015 vs. Q1/2014



* excl. non-recurring items

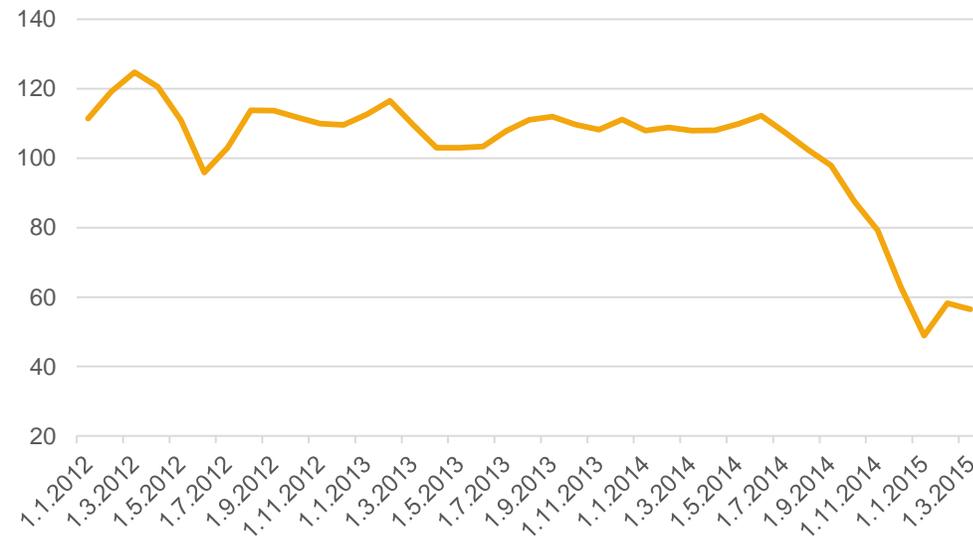
Highlights Q1/2015

- Particularly the weak Russian ruble decreased the euro-denominated revenue
- Prices of decorative paints were increased in Russia in late January
- Plummeted Russian consumer confidence and deteriorated purchasing power decreased paint demand
- Profitability was improved by the lower euro-denominated fixed costs due to the weak Russian ruble

Impact of oil price changes on Tikkurila

- Changes in oil prices will have a delayed impact on many of the raw materials and packaging materials Tikkurila uses
- The drop in oil prices will reduce our raw material costs, but the lower costs will be partly offset by the stronger dollar
- Falling oil prices will have a significant negative impact on the ruble exchange rate and the Russian economy in particular, and with that, an overall adverse effect on Tikkurila's operations

Oil price development, USD



Business development operations will be continued in Russia

- Active sales and marketing activities
- Increased presence and shelf space
- Active pricing; sales prices were increased in early 2015 to compensate the weak ruble
- Development of the retail operations
- Growth will be sought actively also in other markets





Small production unit established in Kazakhstan

- Tikkurila's new unit produces a limited range of water-borne decorative paints to meet local market needs.
- Local production will enable us to grow our business in Kazakhstan and the surrounding regions.
- Tikkurila, which is the market leader in Kazakhstan in premium products, is the first Western paint producer starting local production in the country.



Piloting a novel production concept

- Small production unit can be adjusted to match demand and customer needs (current capacity totals some 2 million liters)
- Designed to enable the quick launch of production in a new market
- Low initial investment costs and efficient operating model
- Risks associated with entering a new market are smaller
- Closed-loop production process



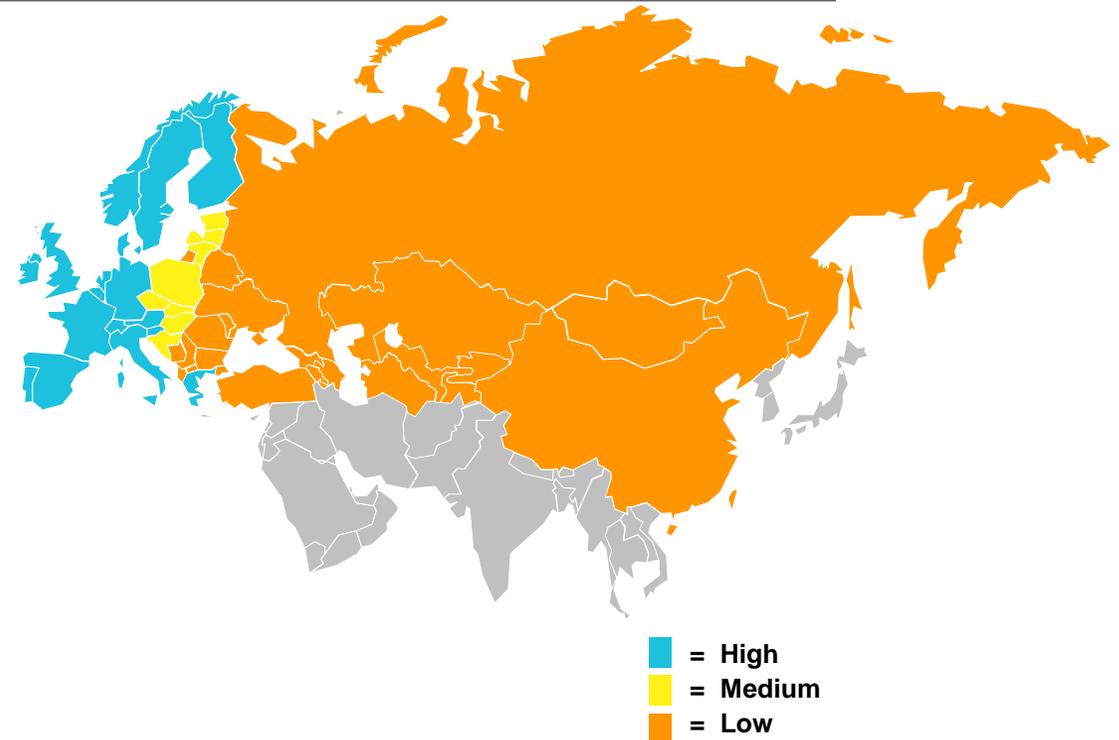
Conclusions

Paint consumption and demand structure

Factors impacting paint demand

- Living standards
 - GDP development
 - Consumers' and companies' confidence
 - Level of activity in new construction, renovation and industry
 - Local habits and painting methods
 - Construction styles and available materials
 - Trends in interior decoration, colors etc.
 - 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*



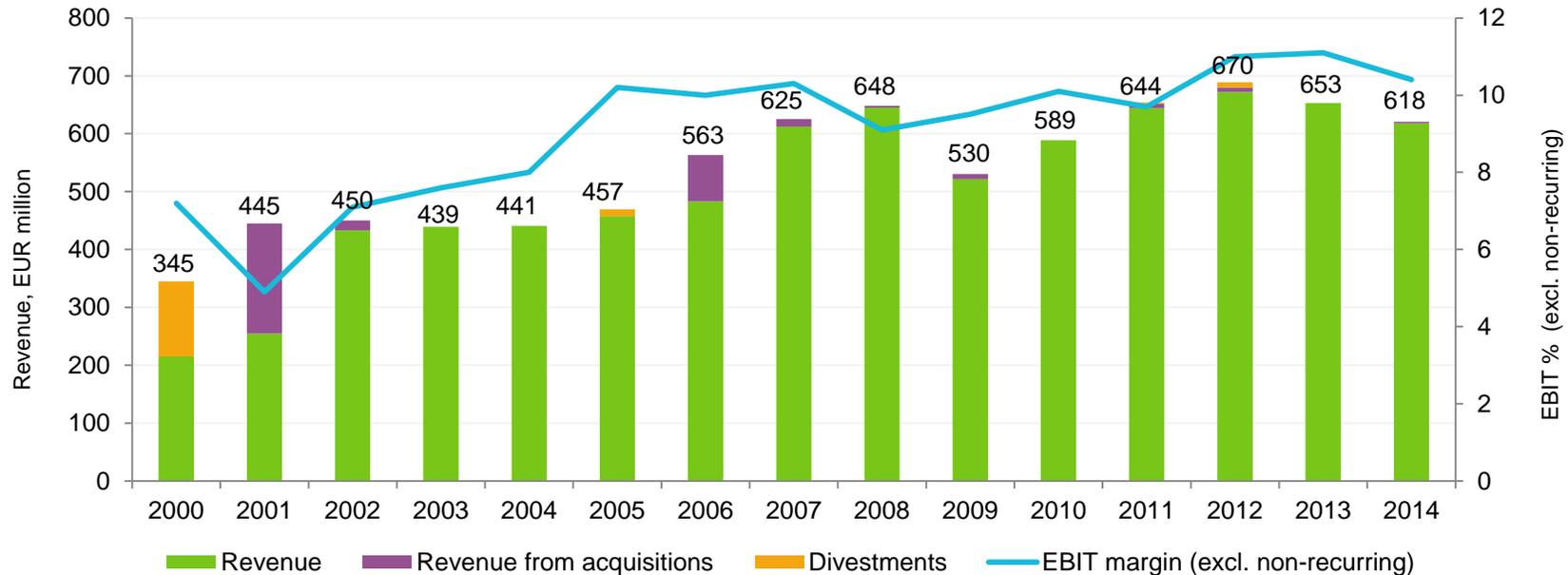
* Paint consumption source: Management estimates, IPPIC



Solid performance over business cycles

Development of sales and profitability 2000–2014

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 16)





TIKKURILA

TIKKURILA INSPIRES YOU
TO COLOR YOUR LIFE.™