



# Power of colors for more than 150 years

Private investors at Tikkurila  
on May 12, 2014

Erkki Järvinen, President & CEO

**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 in brief

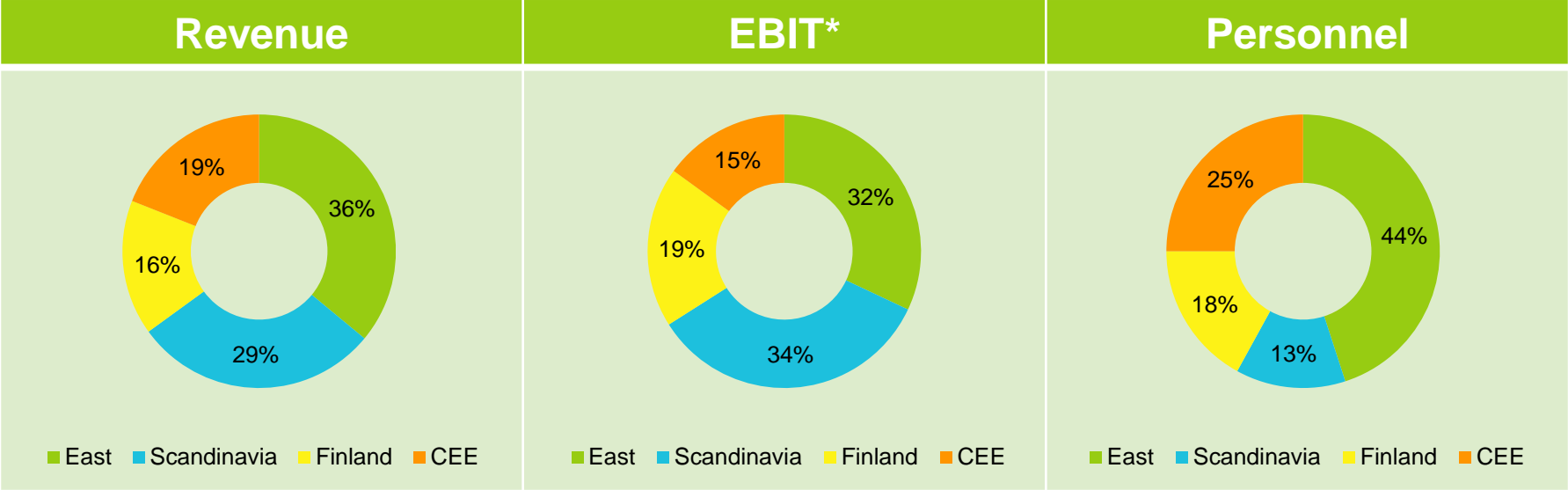


# Durable protection and sustainable beauty for built environments since 1862



# Tikkurila 2013

For 150 years already, Tikkurila has provided consumers and professionals with user-friendly and sustainable solutions for surface protection and decoration. Tikkurila wants to be the leading paint company in the Nordic area as well as in Russia and other selected Eastern European countries.  
 – Tikkurila inspires you to color your life.



Revenue EUR 653 million

EBIT\* EUR 73 million

Personnel 3,133

\*Excl. non-recurring and Group items

# 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 market positions\*



\* Decorative paints

# Tikkurila market shares and positions in decorative paints in key markets in 2013



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



# Tikkurila locations



# Tikkurila Group structure

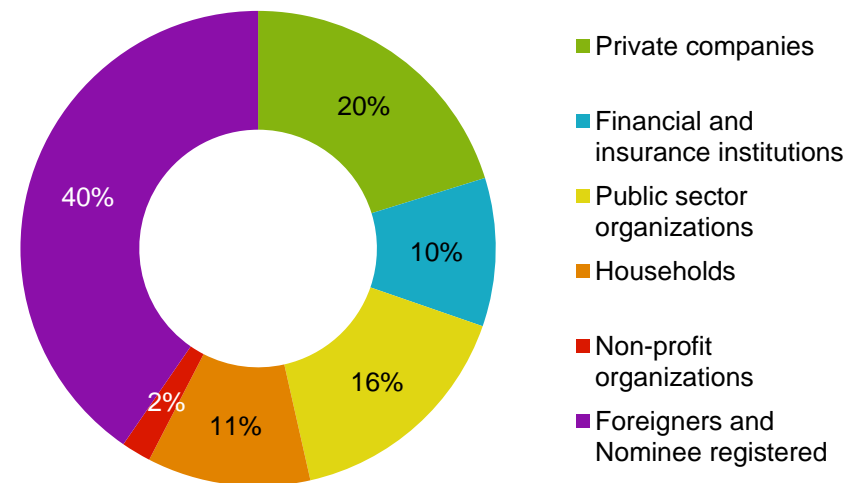


Tikkurila's reporting units: West and East.

# Tikkurila's ownership structure on March 31, 2014

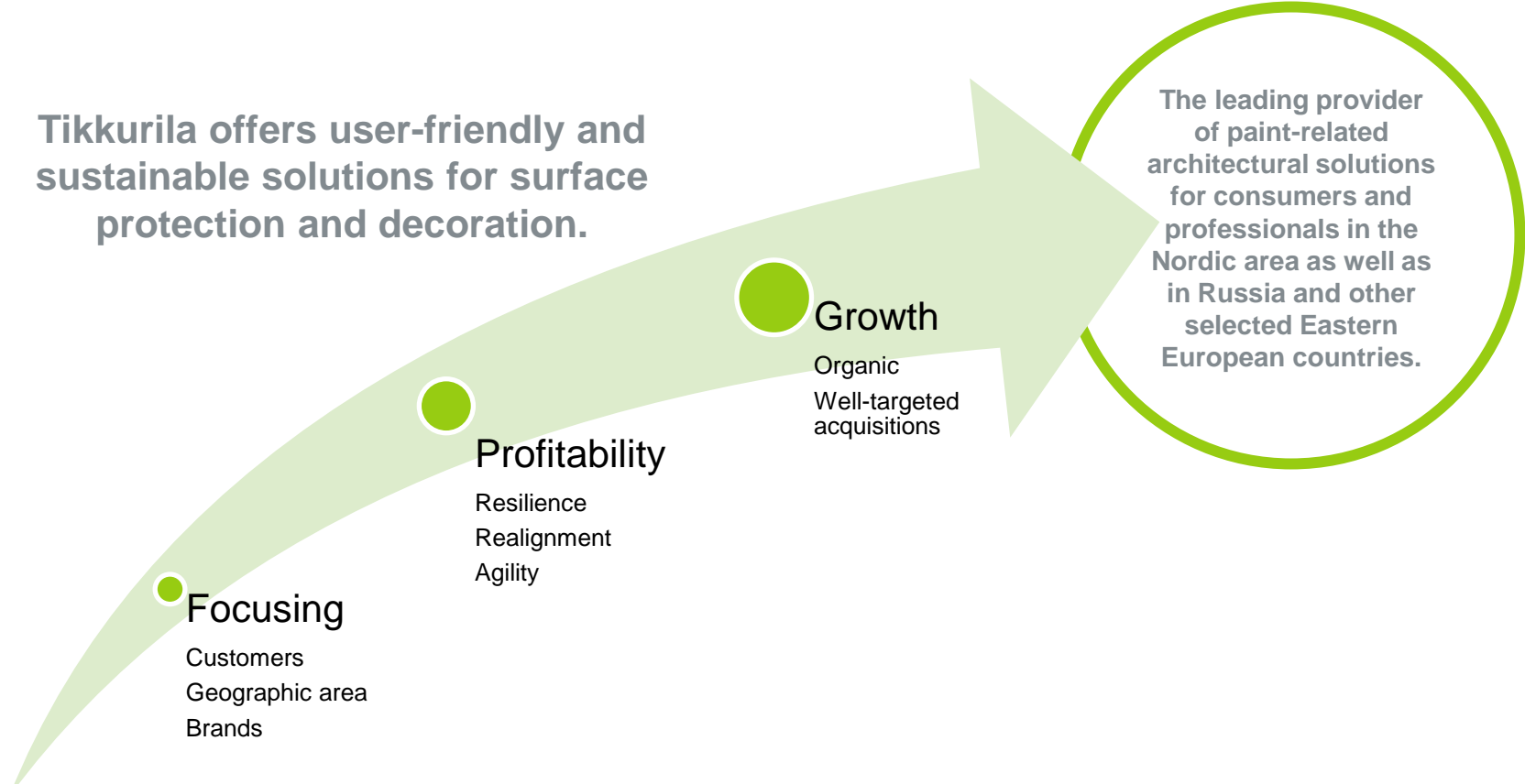
- Number of shareholders ~21,000
- Foreign ownership in Tikkurila has increased strongly
- Largest shareholders: Oras Invest Oy (18.1%), Ilmarinen (9.1%) and Varma (5.7%)
- 50 largest shareholders holding ~45%
- ~95% of shareholders holding max 1,000 shares

Tikkurila's ownership structure on March 31, 2014



# Tikkurila's strategy

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



trustworthy



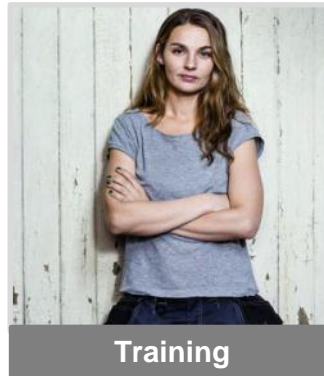
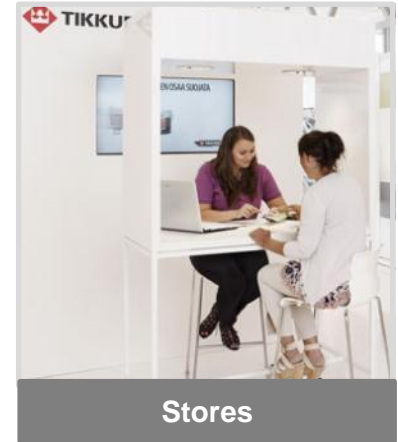
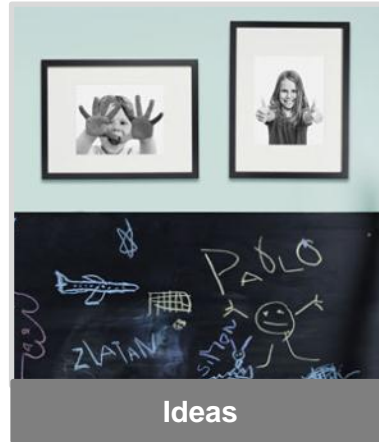
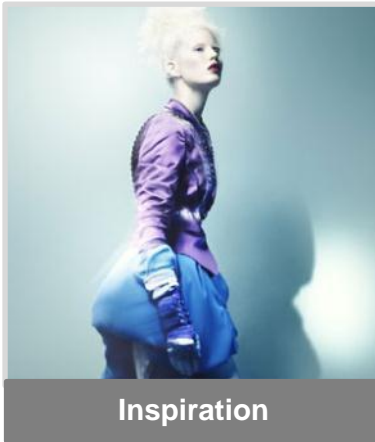
innovative



professionals

2011–2012 Restructuring and improving profitability | 2013– Growth


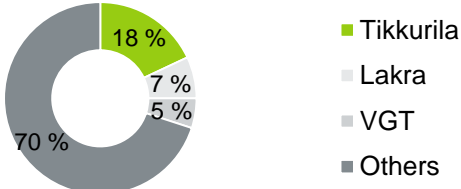
# We help our customers to succeed in surface protection and decoration





## **Tikkurila in Russia**

# Tikkurila in Russia

2013 revenue	EUR 204 million, 31% of Group
Brands	 <p>FINNCOLOR  <b>TIKKURILA</b>      <b>ТЕКС</b>          PREMIUM → ECONOMY</p>
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	<p>Approximately half of the raw materials used in the production in Russia is sourced from local suppliers</p>
Retail	<p>Tikkurila's products are sold in more than 5,000 retail outlets</p>
Market position in decorative paints	 <ul style="list-style-type: none"> <li>■ Tikkurila</li> <li>■ Lakra</li> <li>■ VGT</li> <li>■ Others</li> </ul> <p>Source: Chem-Courier, 2014 (volume)</p>



# Macro environment is challenging

- GDP grew by 1.3% in 2013 (3.4% in 2012)
- Slowdown was driven by low investments and weak net exports
- Consumption has held up quite well
- GDP growth estimate for 2014 was revised downwards to less than 1% due to the crisis in Crimea



Source: Rosstat, several sources



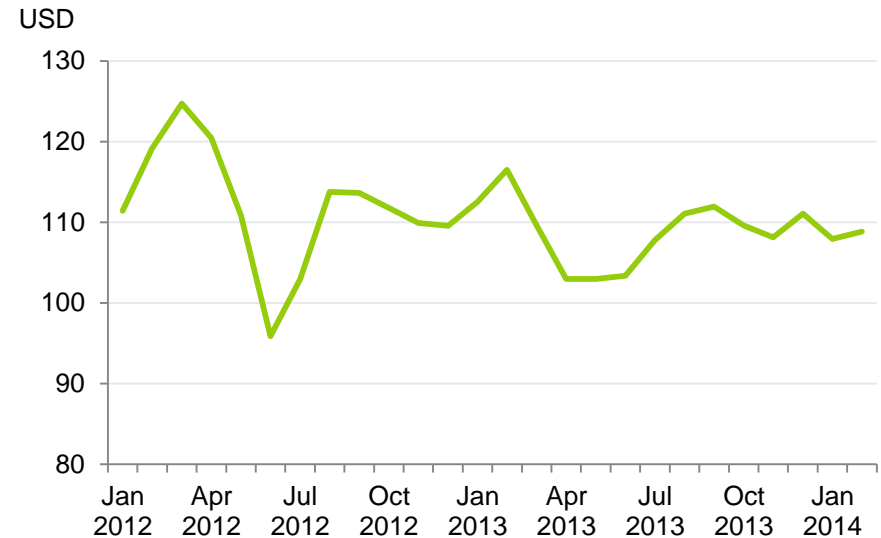
# Headwinds from the foreign exchange rates

## Euro ruble exchange rate



- Ruble exchange rate has clearly weakened during the past few months

## Oil price development



- Oil price has held up pretty well

# Thus far the impacts of the Ukrainian crisis on Tikkurila have been limited

- General economic uncertainty has increased and growth estimates have been revised downwards
- Depreciation of the ruble decreases the euro-denominated revenue of Tikkurila
- Thus far the crisis has not had a significant impact on paint sales
- Part of Tikkurila's products sold and raw materials used in the production in Russia are exported from the EU countries. Possible economic sanctions would have a significant negative impact on Tikkurila's business operations

Tikkurila's locations in Russia and adjacent markets



# In the long run, many factors support the good development of business operations in Russia

- Approximately half of Tikkurila's production capacity is located in Russia.
- Tikkurila's operations cover the entire nation. Products are sold in more than 5,000 retail outlets in different parts of the country.
- Rise of the middle class increases paint consumption and boosts quality consciousness.
- Brand awareness is high and growing. Tikkurila is by far the most well-known paint brand in Russia.

Paint consumption on Tikkurila's markets, liters per capita



Source: Tikkurila, market data

# Tikkurila as an investment

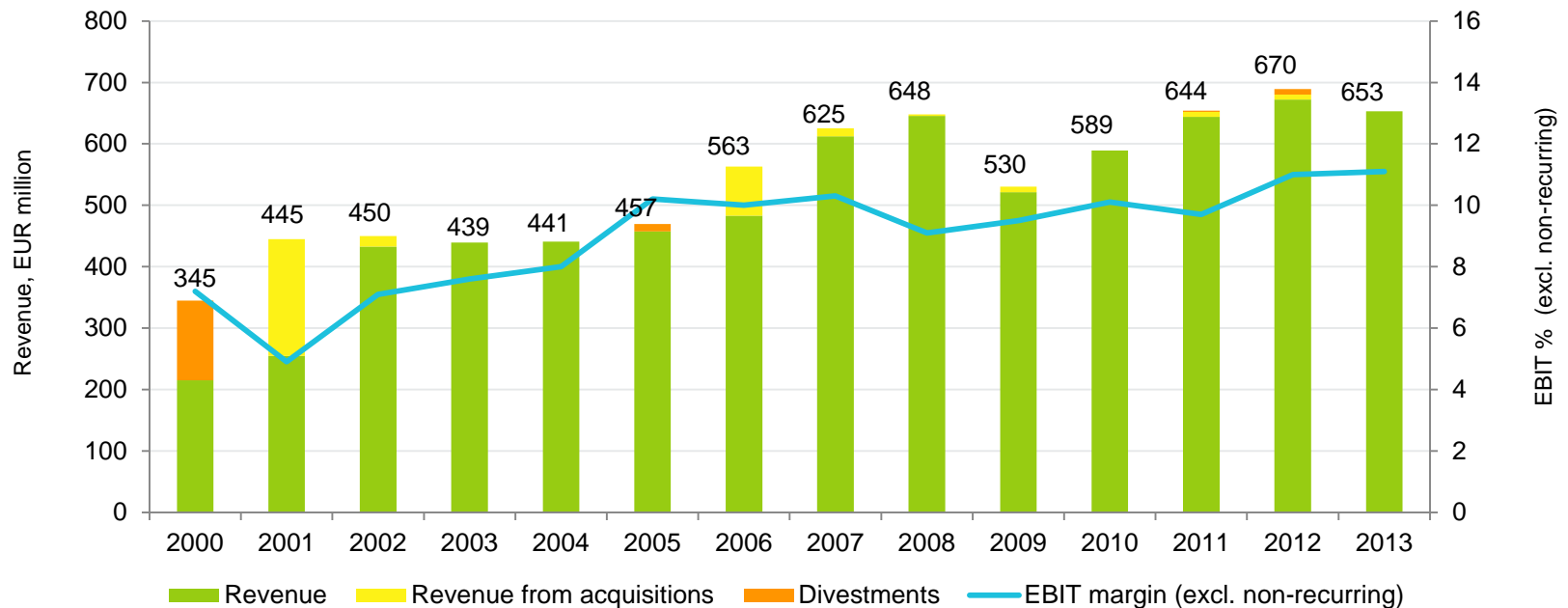


# Long term financial development

## Development of sales and profitability 2000–2013

### 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)
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# Financial targets for 2018

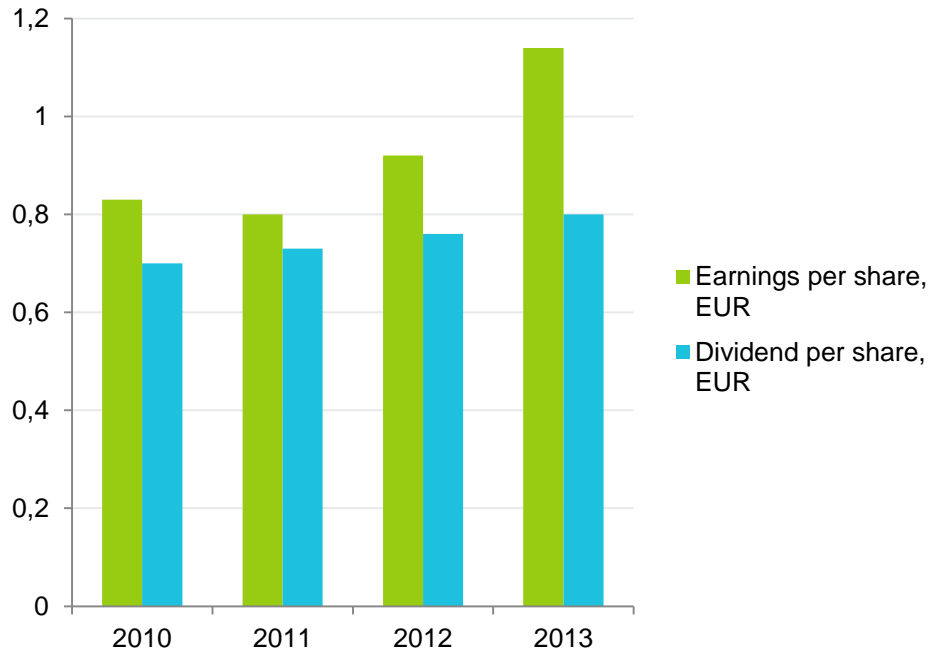
- Revenue of EUR 1 billion
- Operating EBIT >12%
- Operative return on capital employed (ROCE) >20%
- Gearing <70%
- Dividend policy: Target is to pay at least 40 % of annual operative net income as dividends

	Historical performance						
	2007	2008	2009	2010	2011	2012	2013
Revenue	625	648	530	589	644	670	653
EBIT, % <sup>1</sup>	10.3%	9.1%	9.5%	10.1%	9.7%	11.0%	11.1%
ROCE	24.5%	18.7%	15.7%	19.2%	19.4%	21.0%	23.5%
Gearing	135.3%	208.5%	90.0%	41.4%	51.9%	40.6%	23.4%
Dividend payout; share of operative net income, %				86% (EUR 0.70 per share)	88% (EUR 0.73 per share)	72% (EUR 0.76 per share)	69% <sup>2</sup> (EUR 0.80 per share)

1) Excluding non-recurring items

2) Board of Directors' proposal

# Stable dividend outflow



- Dividend policy: Target is to pay at least 40 % of annual operative net income as dividends
- Historical dividends have corresponded to 69-88% of the operative net income

Tikkurila was listed on the NASDAQ OMX Helsinki in March 2010. Until that, Tikkurila was a part of Kemira.

# Tikkurila key strengths

**LEADING MARKET POSITIONS IN KEY MARKETS**

**STRONG CASH FLOW GENERATION ABILITY**

**INCREASING SHARE OF SALES IS DERIVED FROM EMERGING  
MARKETS**

**SOLID PERFORMANCE OVER BUSINESS CYCLE**

**PROFITABILITY EXCEEDS THE INDUSTRY AVERAGE**

**COMPETENT AND DIVERSIFIED MANAGEMENT TEAM**



**Thank you!**

