



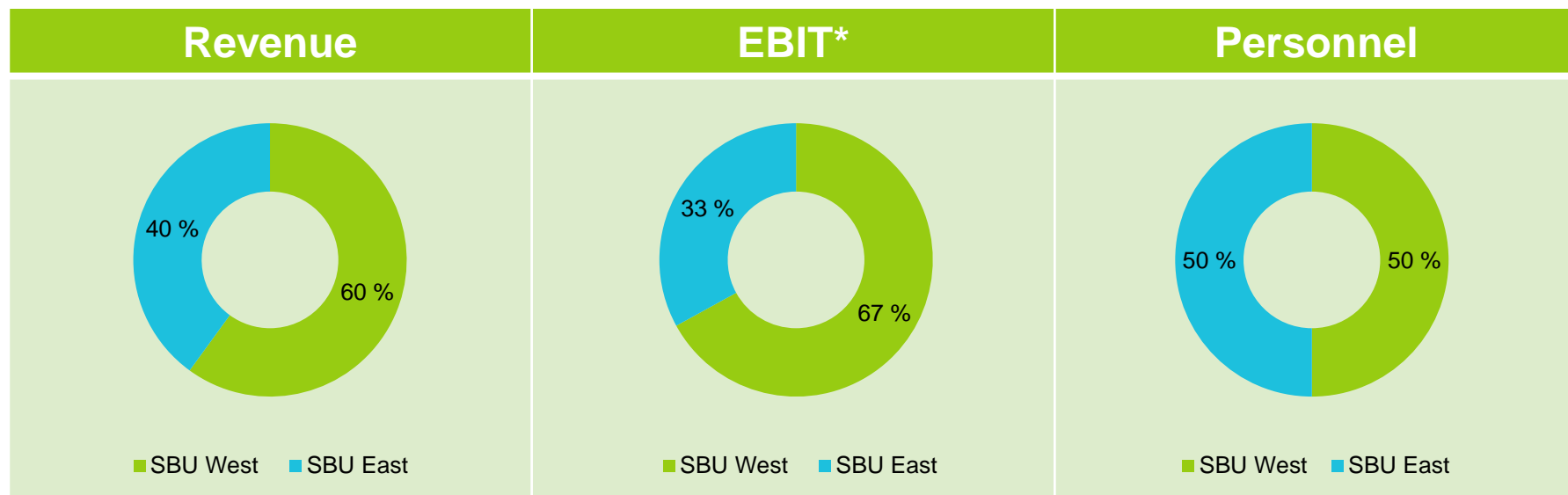
Capital Markets Day Strategy review

Erkki Järvinen, President and CEO

TIKKURILA

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.



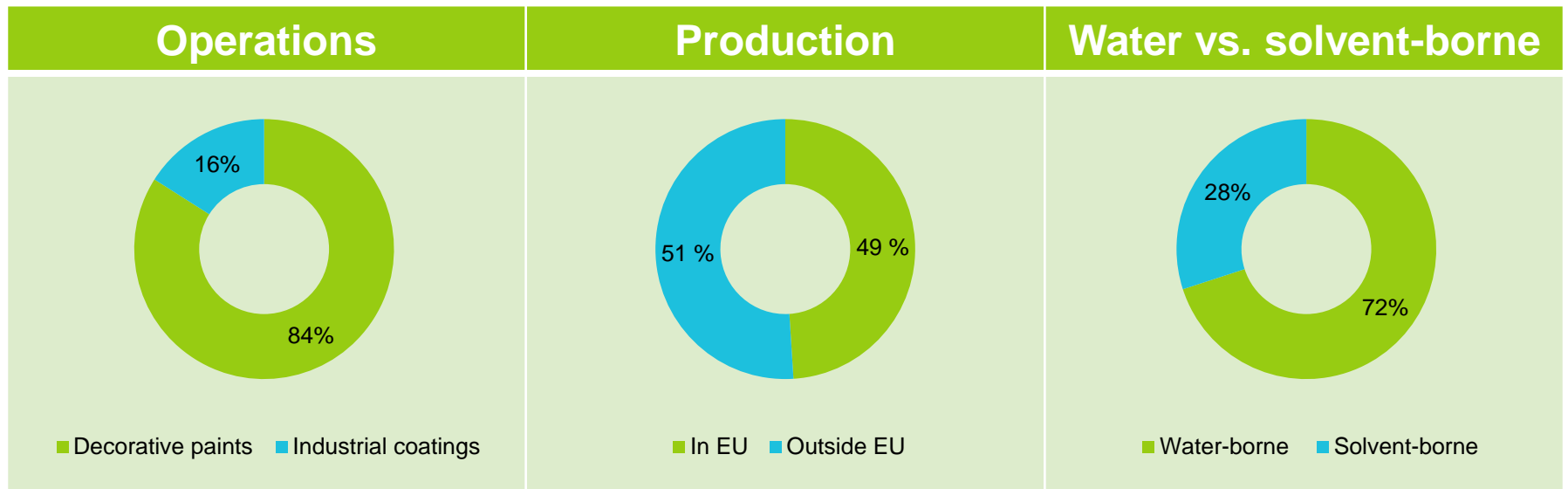
Revenue EUR 653 million

EBIT* EUR 73 million

Personnel 3,133

*Excl. non-recurring and Group items

Tikkurila key facts 2013



- Focus on decorative paint business
- Total production capacity ~300 million liters
- Water-borne paints account for two thirds of total production

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.

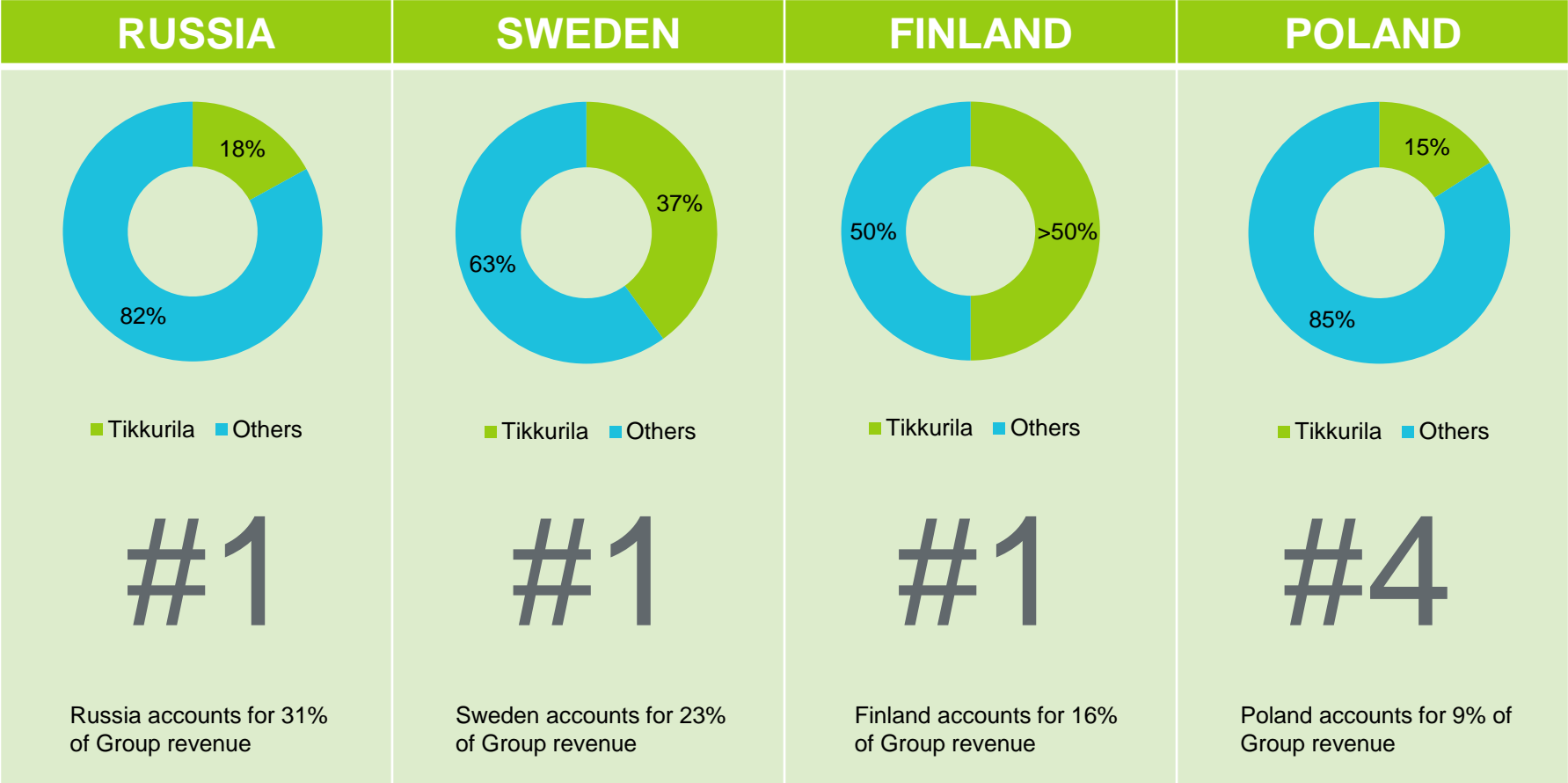
Tikkurila's market positions*



* Decorative paints

We want to be the leading paint company in our operating area

Tikkurila's market shares and positions in decorative paints in key markets in 2013



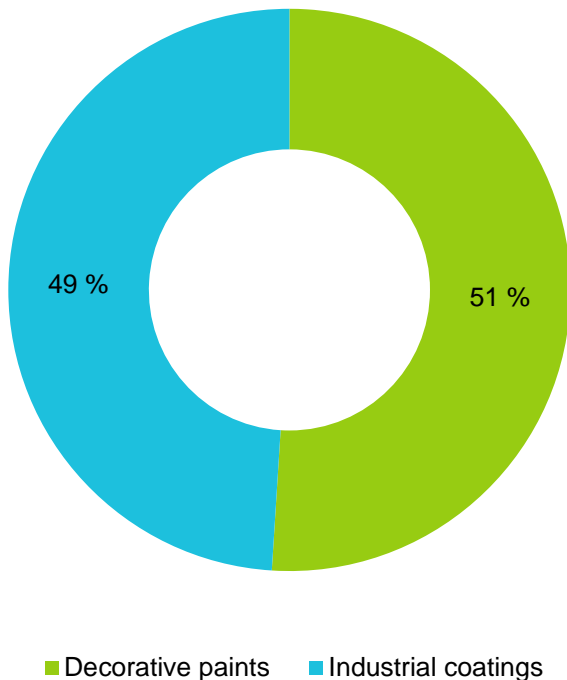
Source: Chem-Courier (Russia, volume), SVEFF (Sweden, value), Association of Finnish Paint Industry (Finland, value), IBP Research (Poland, volume)

Tikkurila locations



European paints and coatings industry

European paints and coatings market split

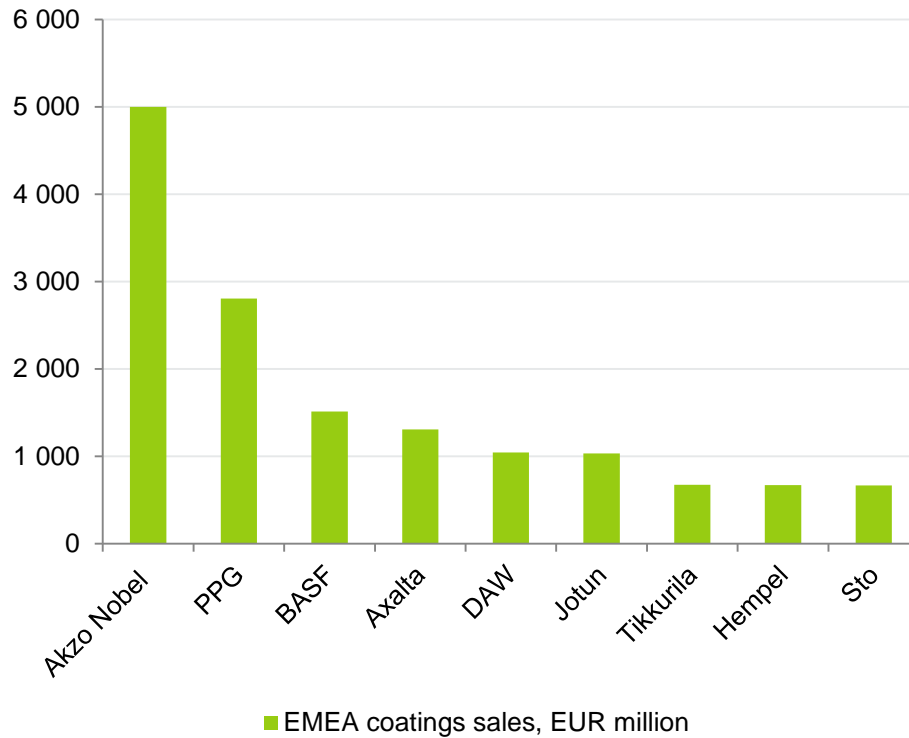


- Global paints and coatings industry totaled approximately EUR 80 billion in 2013 with Europe representing little less than one third of the total value
- Mature 2% annual growth rate is forecast with Russia, Turkey, and other Eastern European countries expanding faster
- Demand growth is closely correlated with GDP development, main drivers being consumer confidence as well as construction and housing market activity
- Western Europe is characterized by premium products and high per capita consumption, Eastern Europe is characterized by economy products and clear growth potential

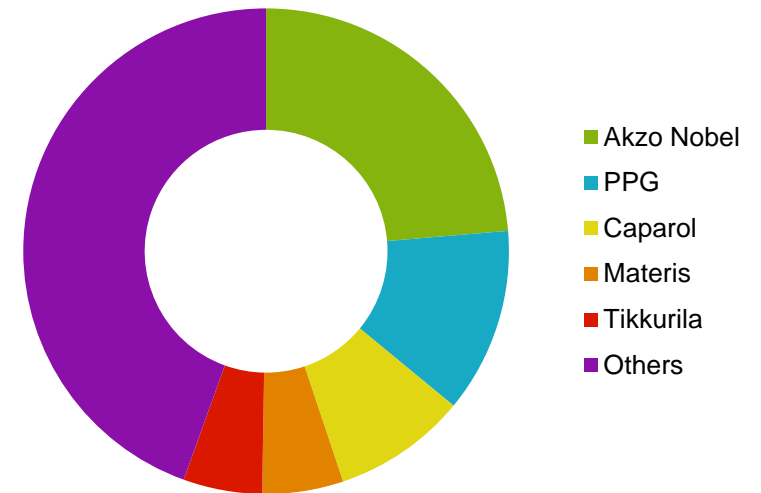
Source: IPPIC 2012, ECJ 2014

Consolidation of the European paints market continues

EMEA coatings market split



European decorative paints market split

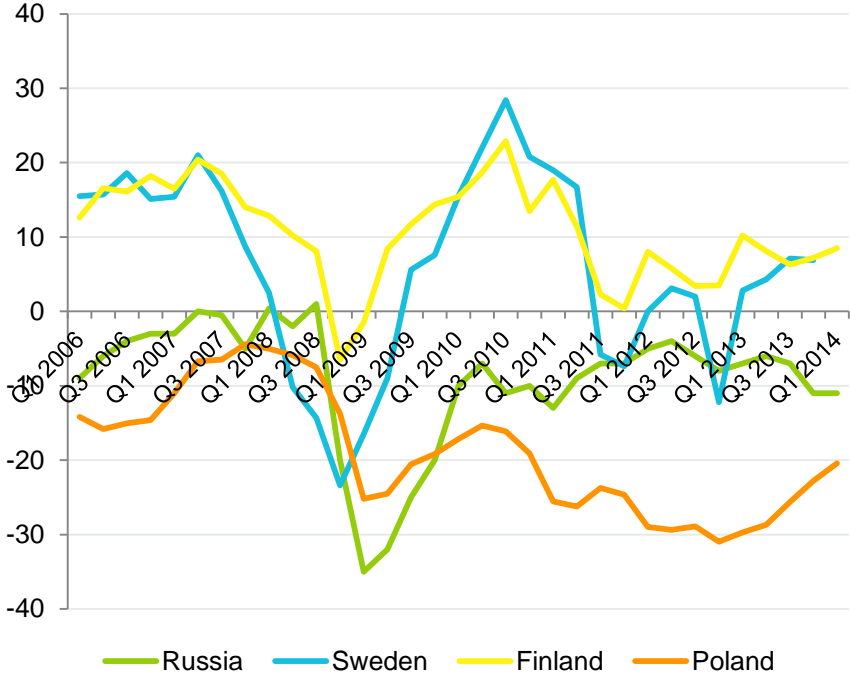


According to Tikkurila's estimates, the European decorative paints market totals EUR 10-11 billion

Source: PPCJ 2013, Tikkurila estimates

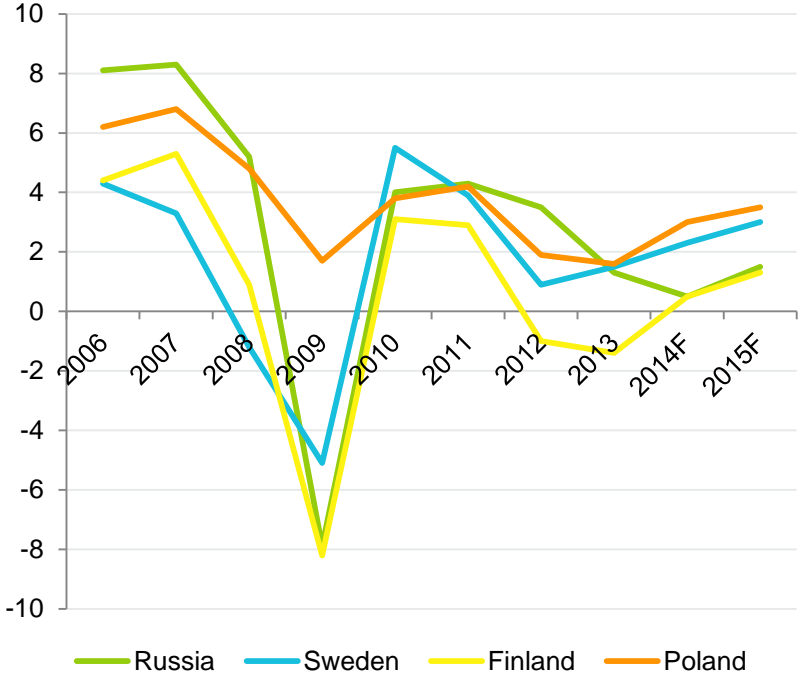
Growth expectations have declined after our financial targets were defined in 2012

Consumer confidence



Source: Reuters

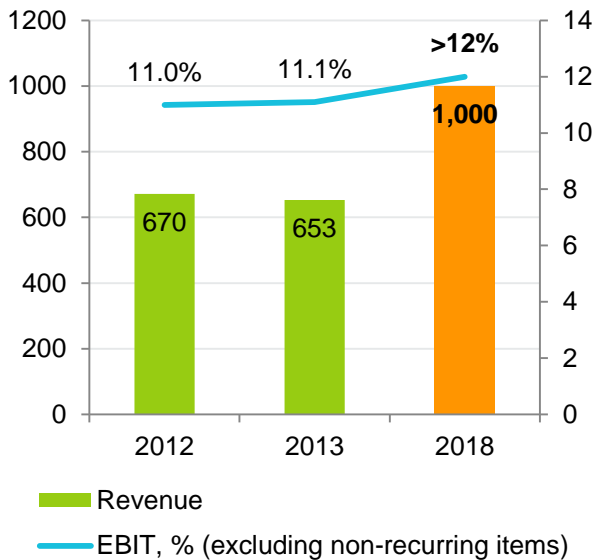
GDP development



Source: Several sources

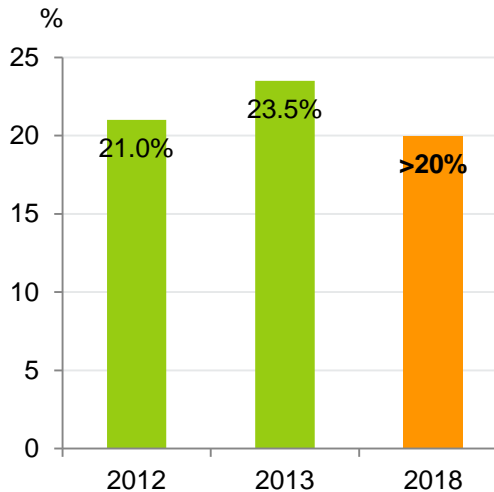
Financial targets for 2018

Revenue and operative EBIT %



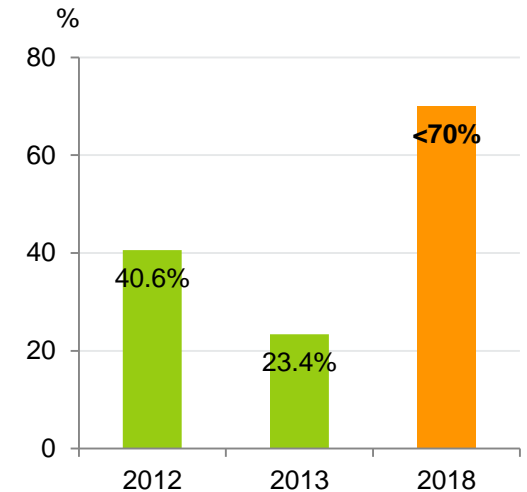
- Revenue of EUR 1 billion
- Operative EBIT >12%

ROCE



- Operative return on capital employed (ROCE) >20%

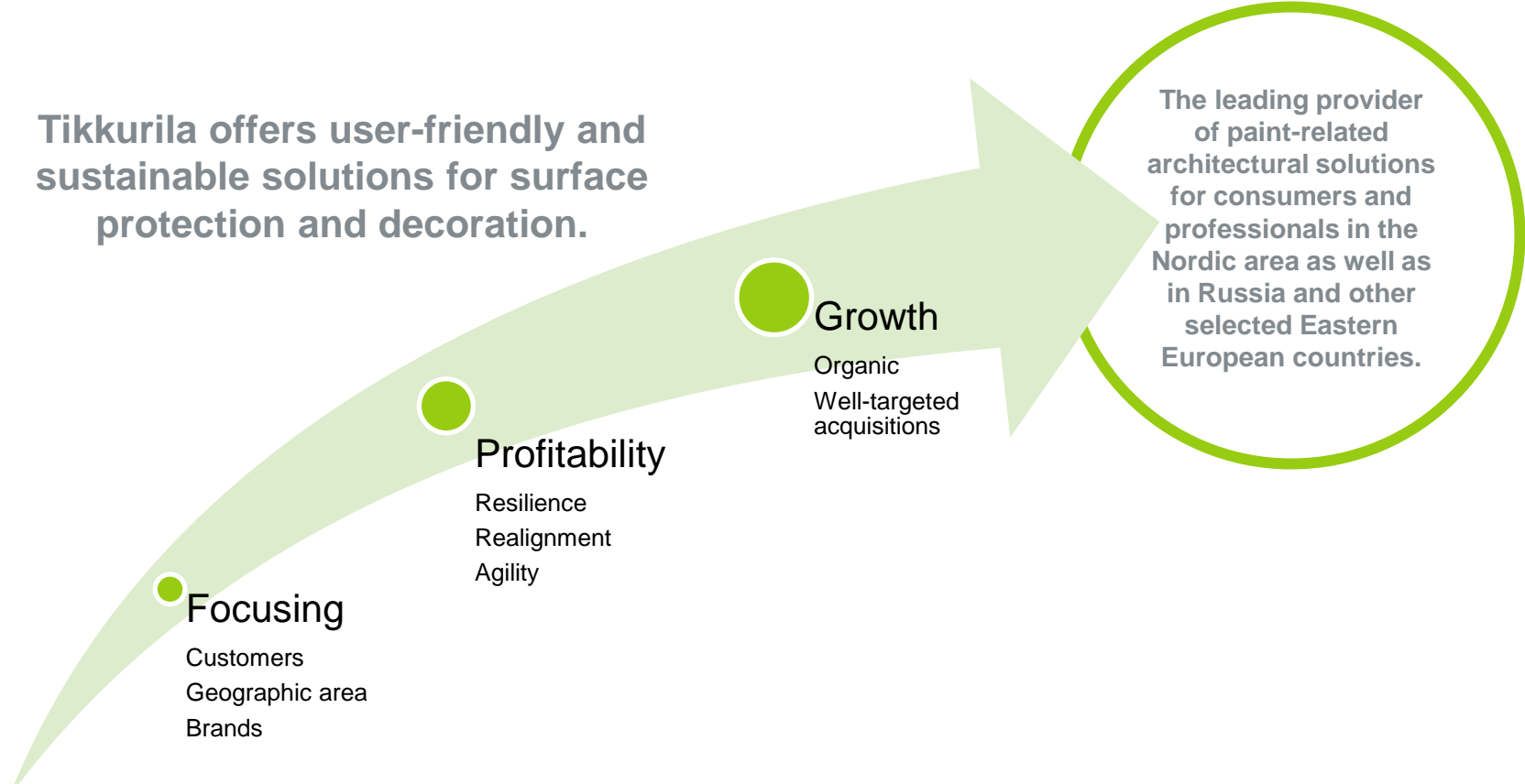
Gearing



- Gearing <70%

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

Tikkurila aims at profitable growth



Profitable growth

The focus is on organic growth generated by strong brands.

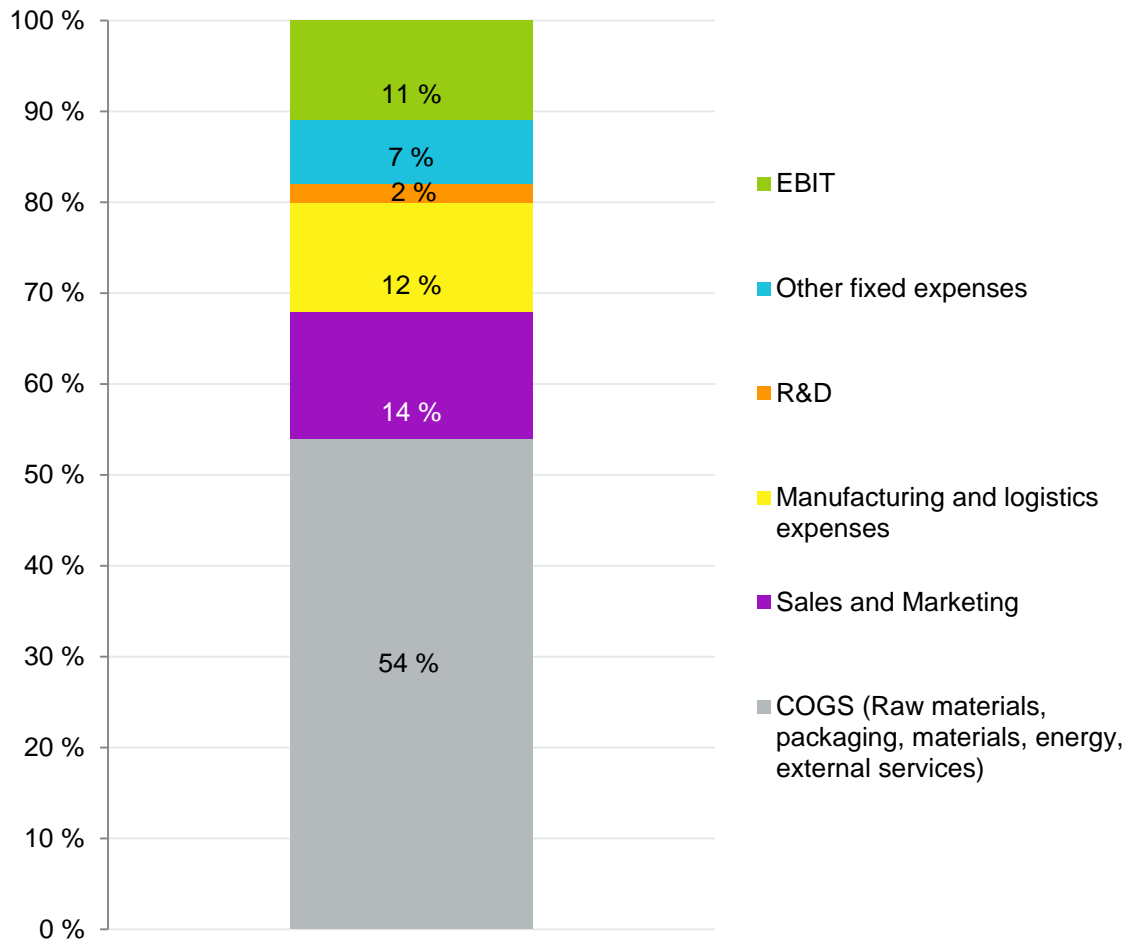
Continuous improvement

A profitable volume growth raises the utilization rate of our capacity and reduces the manufacturing costs per unit, since fixed costs can be spread over a larger manufacturing volume. Efficiency is also sought through intra-Group activities

Marketing and innovations

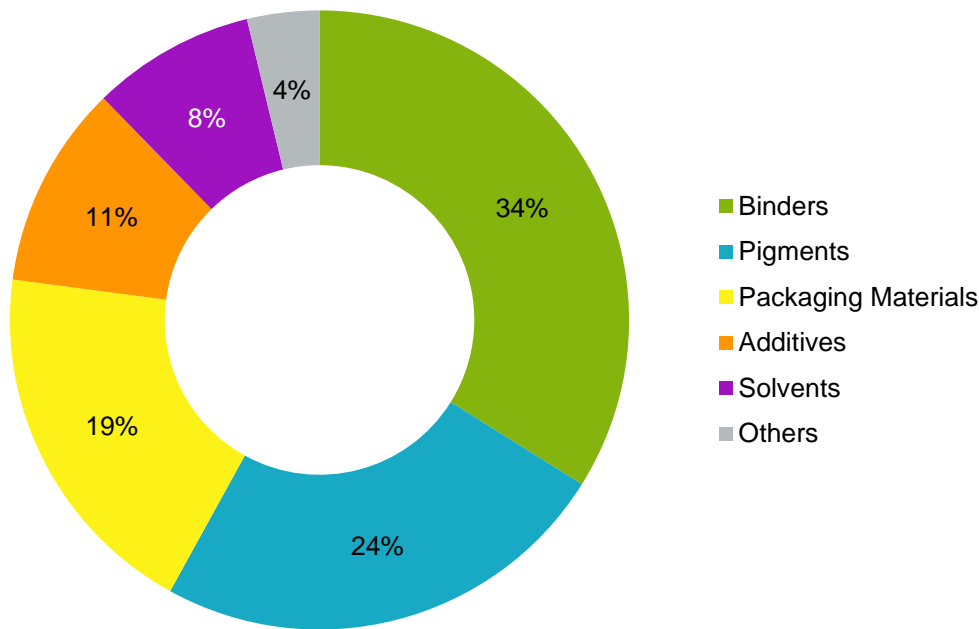
Improved effectiveness of operations frees resources for developing our business operations. In our operations, new and improved products and more convenient purchasing and use of products are achieved through investments in product development and marketing.

Cost structure for 2013, % of revenue



- Raw materials and packaging materials account for more than half of the revenue
- Share of the raw materials and packaging materials has been quite stable in recent years

Raw material purchases split in 2013



- Raw material prices stabilized in 2013 after recent years' major turbulence
- Situation is expected to remain calm also during 2014
- Approximately 75% of our raw materials are sourced from the West
- In Russia, half of the raw materials are sourced from local suppliers

We are aiming at profitable growth

Enablers of growth

- Commercial excellence
 - Strong brands with high customer loyalty
 - Leading market positions
 - Good distribution coverage
- Other
 - Strong balance sheet

Sources for growth

- Existing products and market presence
 - Volume
 - Market shares
 - Product mix and price increases
- New products and services
- M&A
- FX (either positive or negative impact)

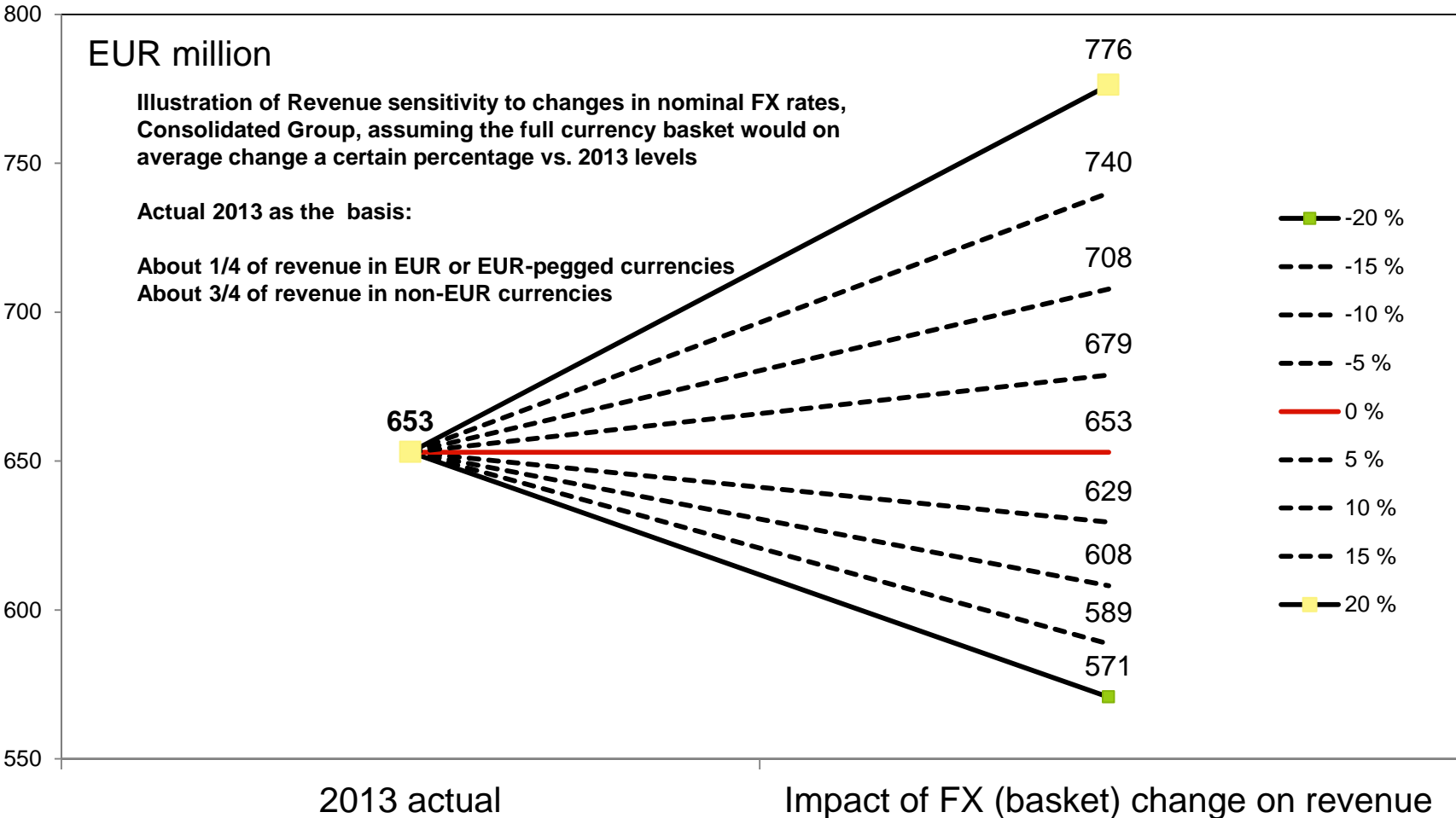
Sources for revenue growth

Illustration of anticipated growth until 2018

Capital expenditure intensity



Illustration of revenue sensitivity to foreign exchange rate changes



Headwinds from the foreign exchange rates

EUR RUB exchange rate



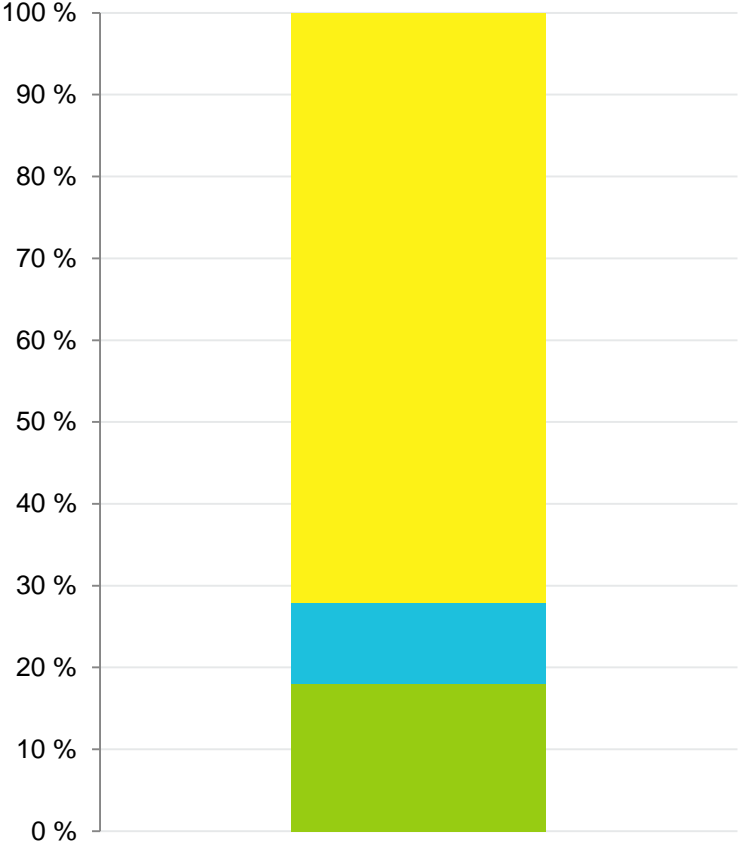
EUR SEK exchange rate



- Approximately three fourths of Tikkurila sales are in non-euro currencies
- Of the significant currencies for Tikkurila, the Russian ruble and the Swedish krona have been depreciating against the euro

We are focused on high-quality products

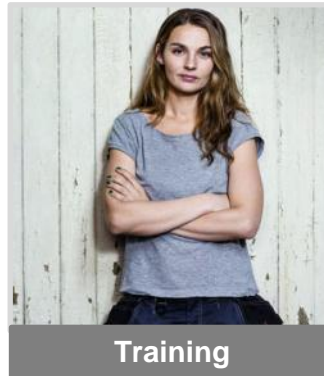
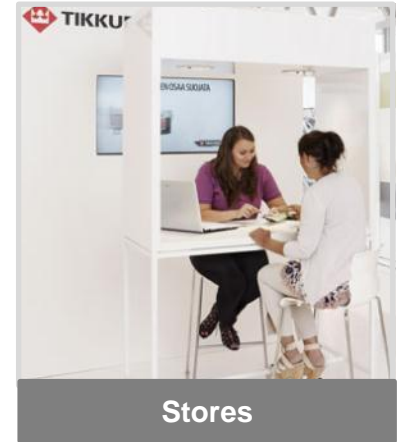
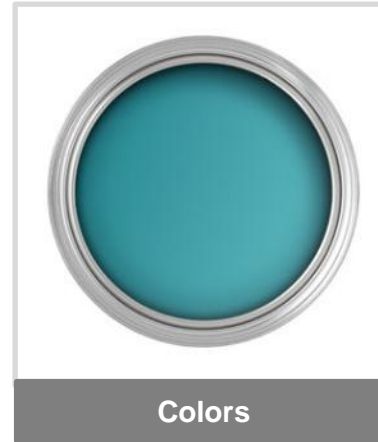
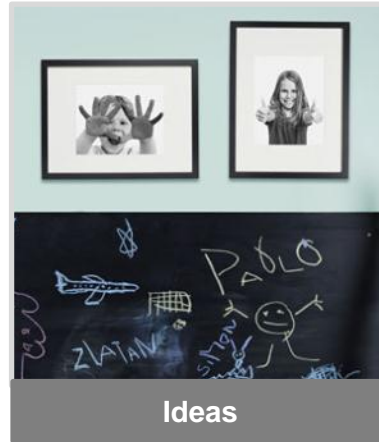
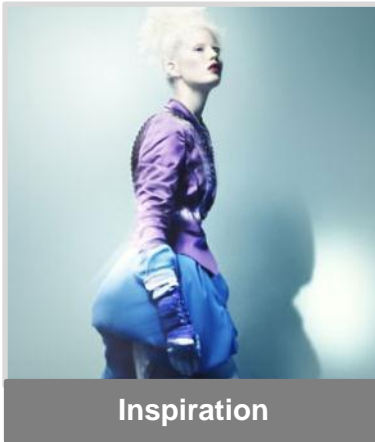
Tikkurila's sales split by brand



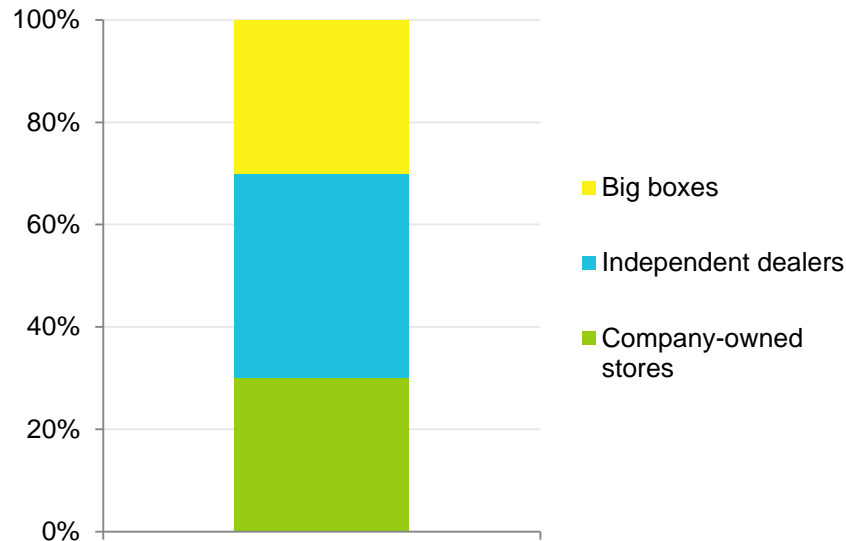
- Premium
- Medium
- Economy



We help our customers to succeed in surface protection and decoration



Current distribution channel split in the paint business



Further structural changes are (slowly) taking place in distribution channels for decorative paints

Big boxes

- Mostly for DIY
- Operate with top brands
- Often multi-country approach
- Advertising and promotion driven

Independent dealers

- Hardware chains
- Multi-brand approach

Company-owned stores

- Professional focus
- High service level

Our approach on retail

Current set-up

- Our distribution splits equally between wholesale/ distributors, big boxes, and traditional paint shops
- Own shops in Scandinavia (27 professional shops), single own shops in Russia, Poland, and Serbia
- Shop-in-shop concepts and dedicated Tikkurila brand shops (operated by a third party) in many markets

Future set-up

- All retail concepts/ channels will be developed
- Active utilization of Internet also as a sales channel



Enhancing the user experience



- Making buying and selling of paints, as well as painting, easier.
- Inspiring people to paint.
- Guiding end-users to choose, use and dispose of paint.
- Comprehensive training and raising awareness about products and painting.
- Enhancing the quality of painting, environmentally sustainable use of products, product and user safety, as well as the knowledge of surface treatment.

Minimizing the environmental impact of products

- When developing and producing paints, we take into consideration the environmental and other sustainability issues of the entire life-cycle.
- ✓ developing paint combinations and solutions that extend the life cycle of the product and allow for longer maintenance painting intervals,
- ✓ promoting the use of water-borne products,
- ✓ selecting the options which burden the environment less, whenever possible.

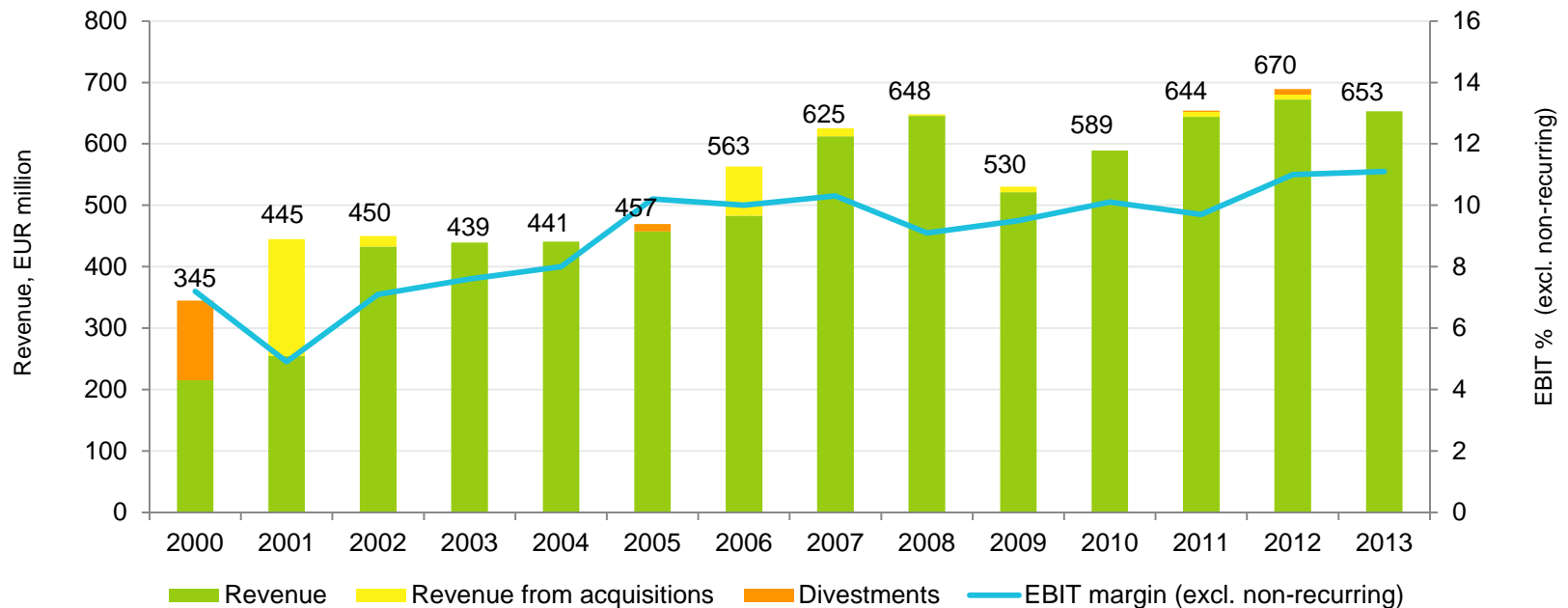


Long term financial development

Development of sales and profitability 2000–2013

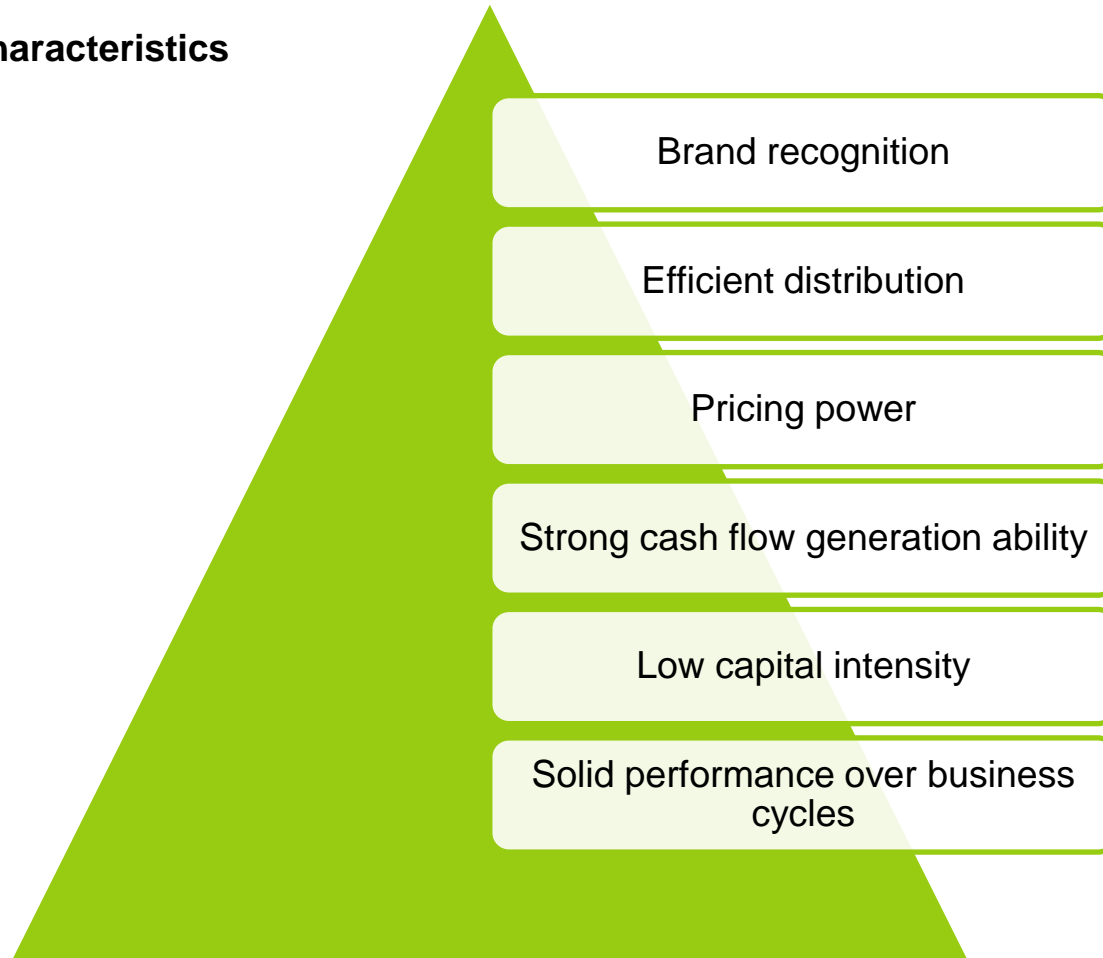
Major acquisitions and divestments

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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Market leader position enables solid business performance

Paint business characteristics



Q&A

