



# Power of colors 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, and actual results may differ from the expectations and beliefs such statements contain.*



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# Tikkurila in brief





# Tikkurila

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.

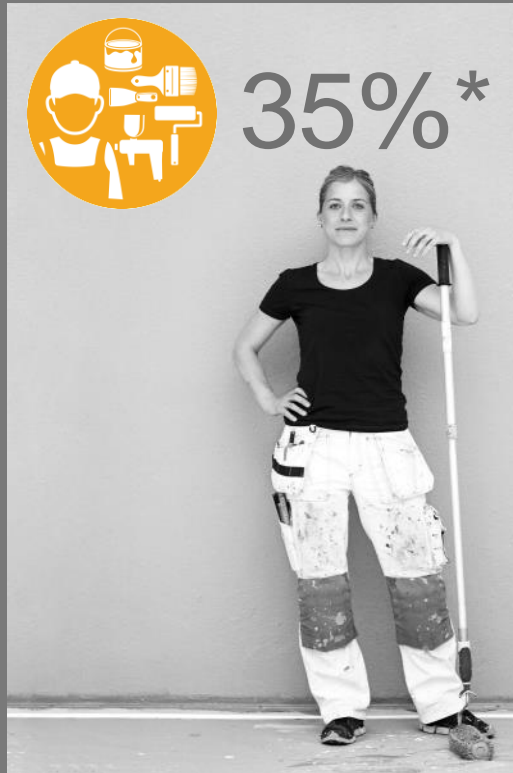


# Our end-customers



50%\*

Consumers (DIY)



35%\*

Professional painters



15%

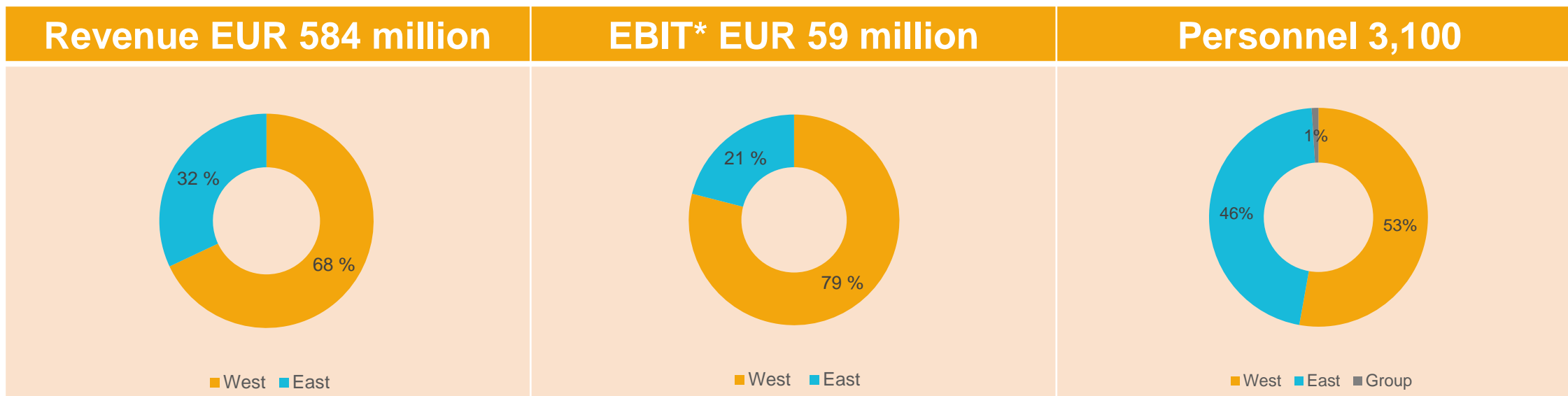
Industry

\*Tikkurila estimate



# Tikkurila 2015

Our largest markets are Sweden, Russia, Finland, Poland and the Baltic countries. We have production in ten countries, and we are the leading decorative paint company in all our main markets. On the whole, our products are available in 40 countries. In 2015, Tikkurila's revenue totaled EUR 584 million, and it had 3,100 employees.



\*Excl. non-recurring and Group items

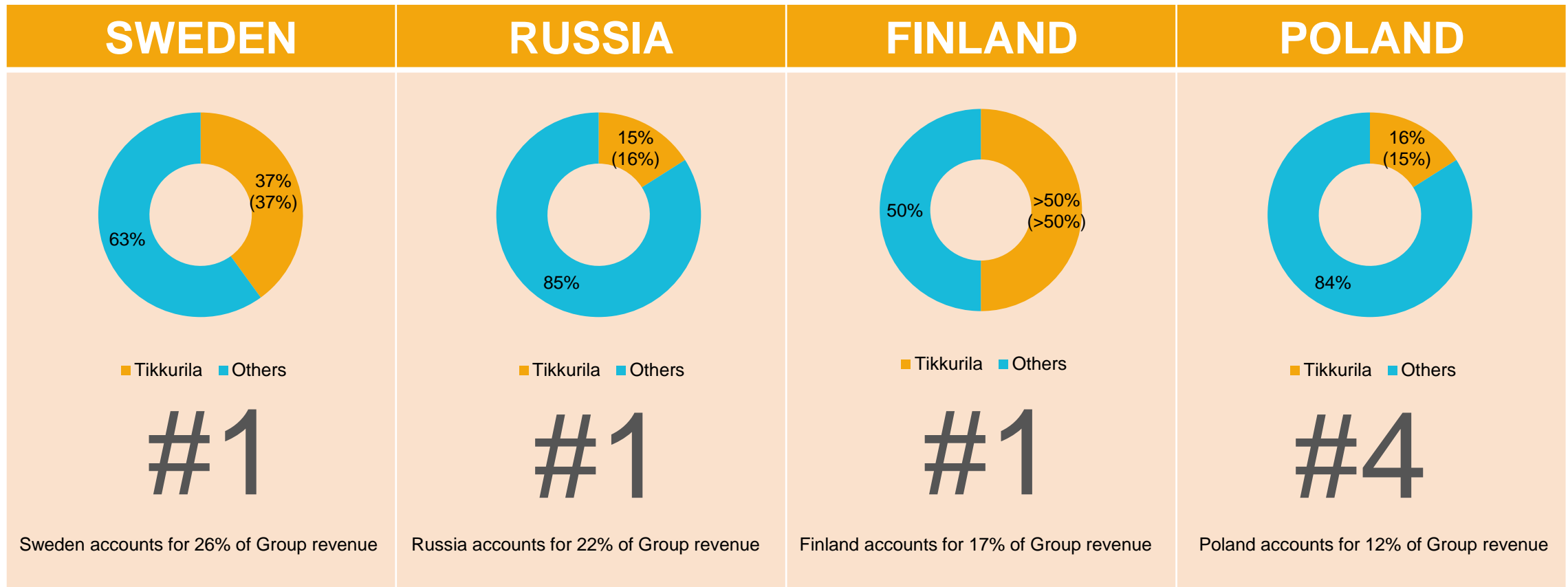
# Our locations







# Tikkurila market shares in decorative paints in key markets in 2015

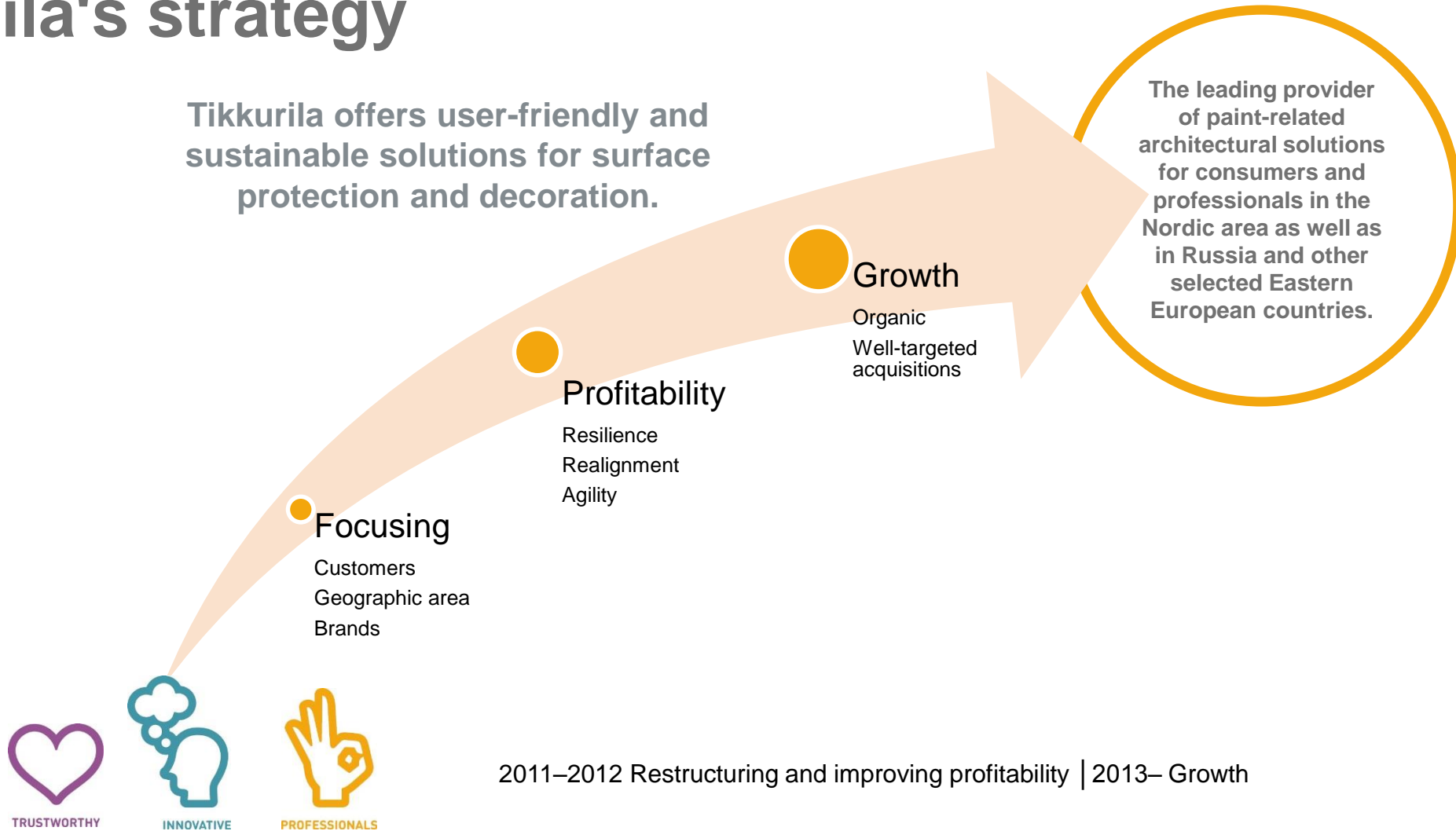


Source: SVEFF (Sweden, value), Chem-Courier (Russia, volume), Association of Finnish Paint Industry (Finland, value), IBP Research (Poland, volume)



# Tikkurila's strategy

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



# Proceeding of strategic efforts in 2015

## Growth

- A hundred new exclusive Tikkurila shops operated by a third party opened in China
- New production unit to Kazakhstan
- Development program for professional and industrial businesses
- Increased functional product portfolio
- Reorganization and increased ambition level for export function
- Seeking for new market areas

## Flexibility

- Adjustment and restructuring of operations in Russia, Finland and Sweden
- Integration of operational systems and centralizing operations in Poland
- Harmonization of raw material and product portfolio
- Expanding LEAN operating philosophy



# 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



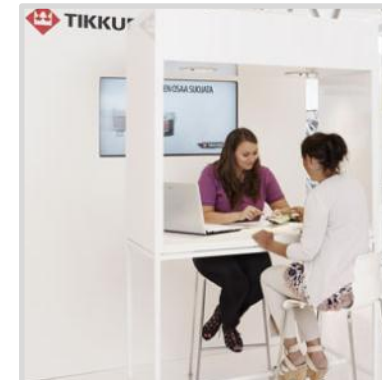
Inspiration



Ideas



Colors



Stores



Helpline



Internet



Training



Designer Pool  
Contractor Pool



Professional  
services



# Tikkurila in Russia



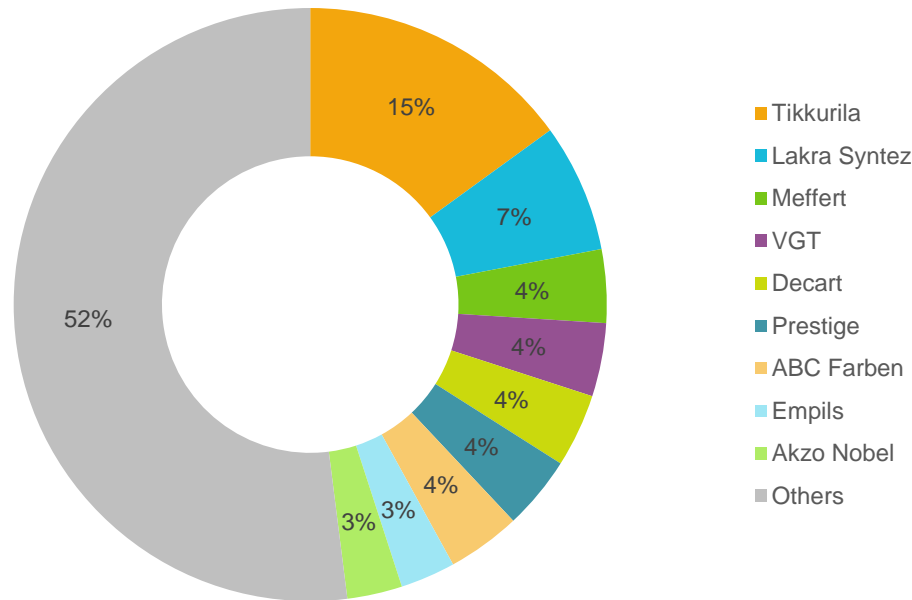
# Tikkurila in Russia

|                                              |                                                                                                                                                                                                                                                                                                            |             |     |         |    |       |    |          |     |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----|---------|----|-------|----|----------|-----|
| 2015 revenue                                 | EUR 122 million, 22% of Group                                                                                                                                                                                                                                                                              |             |     |         |    |       |    |          |     |
| Brands                                       | <p style="text-align: center;"> </p> <p style="text-align: center;"> <span style="margin-right: 100px;"><b>PREMIUM</b></span> <span><b>ECONOMY</b></span> </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                                | 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 2015 in decorative paints | <table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td>■ Tikkurila</td><td>15%</td></tr> <tr><td>■ Lakra</td><td>7%</td></tr> <tr><td>■ VGT</td><td>4%</td></tr> <tr><td>■ Others</td><td>74%</td></tr> </table> <p style="text-align: center;">Source: Chem-Courier, 2016 (volume)</p> | ■ Tikkurila | 15% | ■ Lakra | 7% | ■ VGT | 4% | ■ Others | 74% |
| ■ Tikkurila                                  | 15%                                                                                                                                                                                                                                                                                                        |             |     |         |    |       |    |          |     |
| ■ Lakra                                      | 7%                                                                                                                                                                                                                                                                                                         |             |     |         |    |       |    |          |     |
| ■ VGT                                        | 4%                                                                                                                                                                                                                                                                                                         |             |     |         |    |       |    |          |     |
| ■ Others                                     | 74%                                                                                                                                                                                                                                                                                                        |             |     |         |    |       |    |          |     |



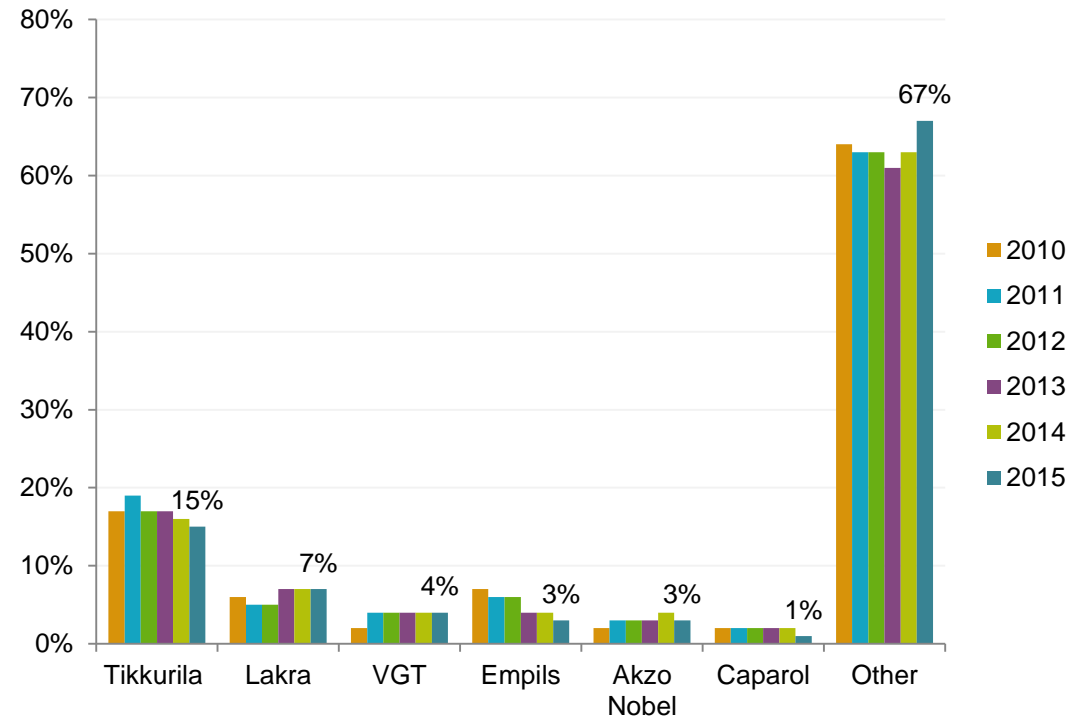
# Russian paint market is still highly fragmented

Russian decorative paint market shares in 2015



Source: Chem-Courier 2016 (volume)

Market share development in Russia in 2010–2015





# Good coverage of operations

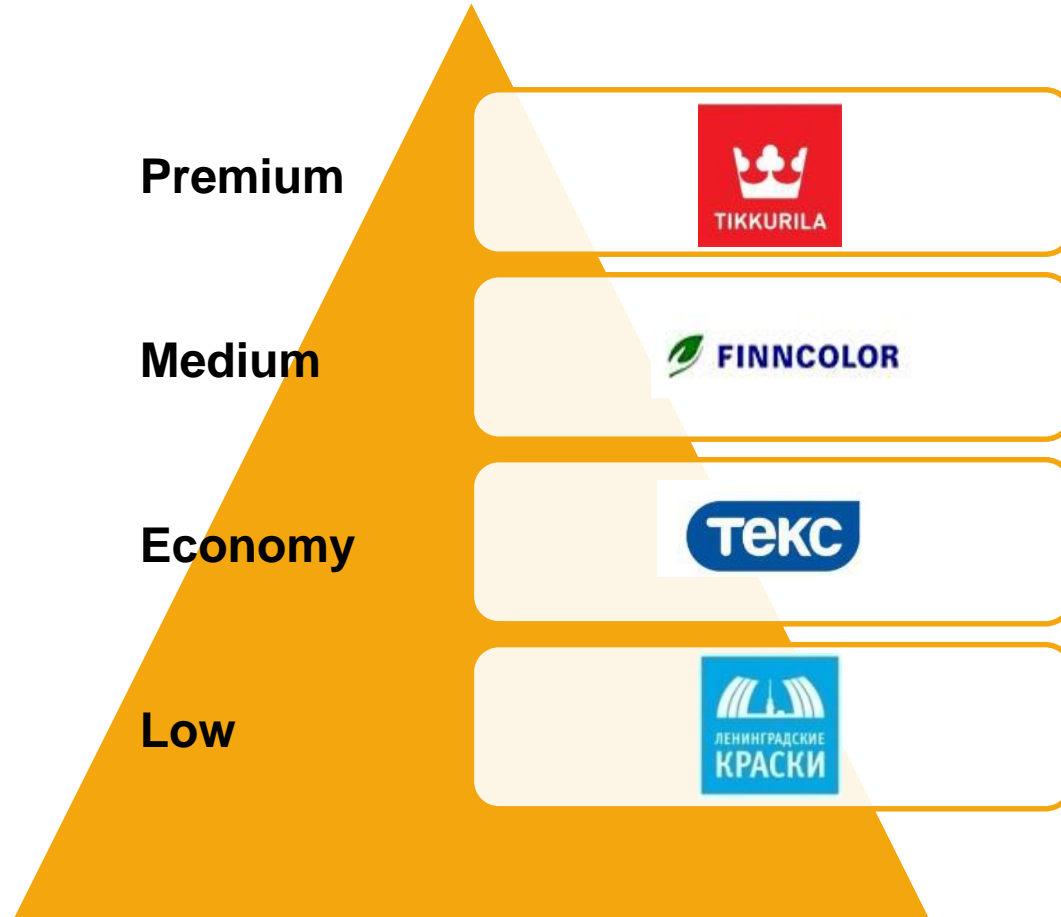


Tikkurila sales function has regional structure with more than 200 employees

Tikkurila has established long term partnerships with local customers



## Good brand coverage

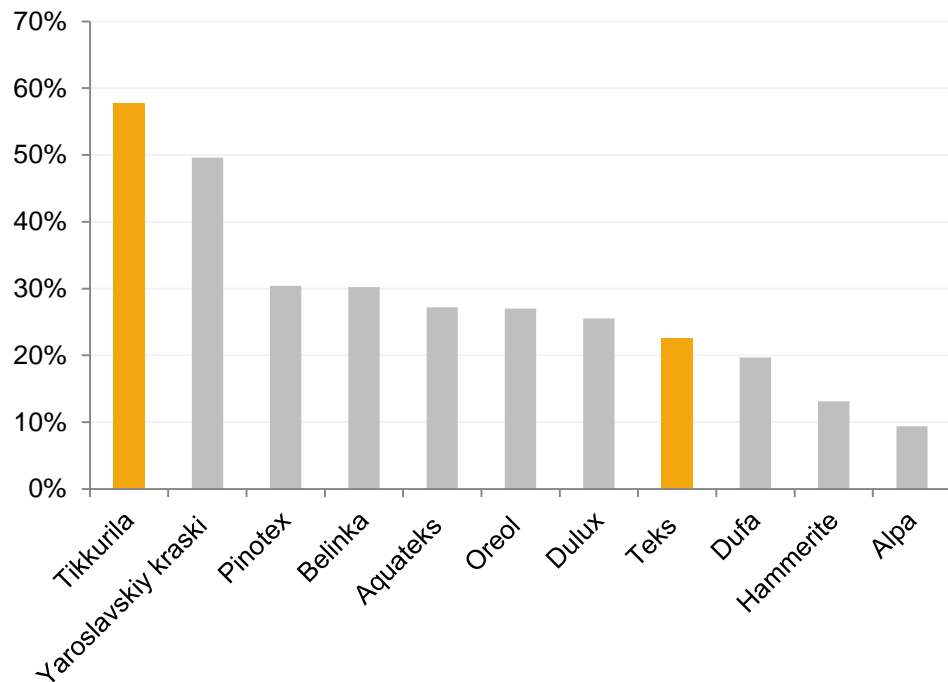


- Tikkurila premium products are produced in Finland and exported to Russia, other brands are produced locally
- Tikkurila and Teks are the main brands (volume and value)
- In recent years, the volume development of Tikkurila's high end products has been better; more pressure at the lower end

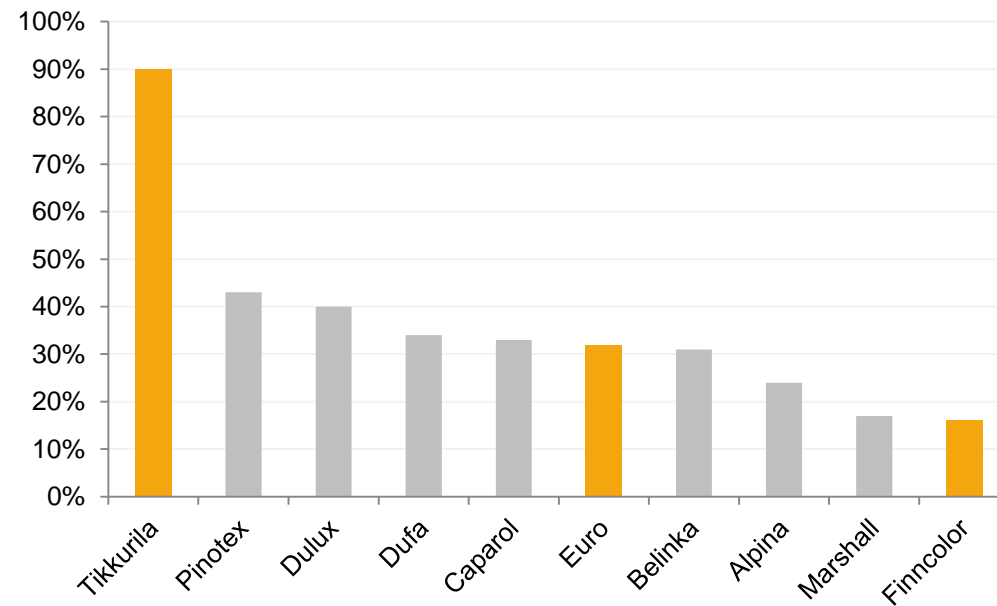


# Tikkurila is the most well-known paint brand in Russia

Brand awareness in 2014, non-aided



Brand awareness in 2014, aided

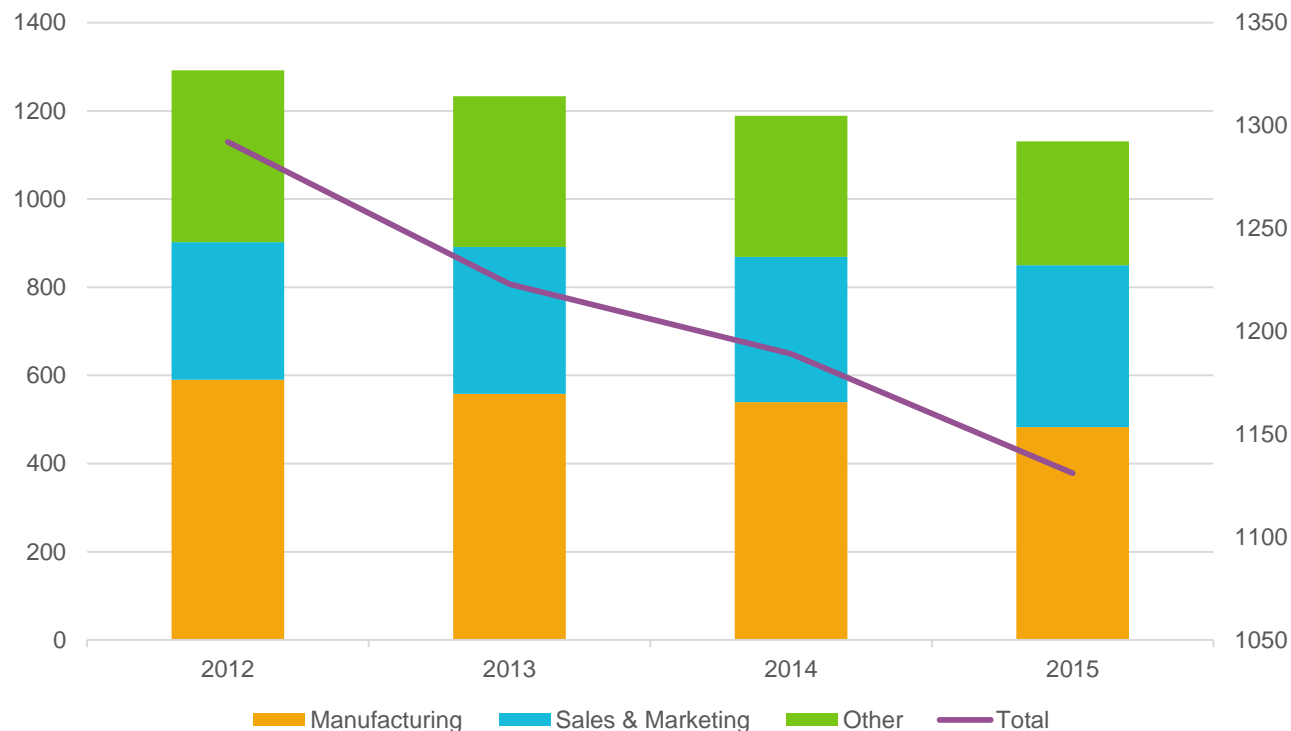


Source: TNS Gallup (Russia 2014)



# Sales and marketing function has been strengthened, while headcount in total is down

Personnel development by function in Russia  
End of June



- Sales and marketing resources have been remarkably strengthened recently
- Simultaneously the number of persons working in production and support functions has been reduced





# Active development of commercial activities

- Updated commercial strategy
- Reorganization of the commercial function
- Dedicated marketing support for key customers
- Focus on sell-out activities: price promotion, retailers motivation, incentives for sales team
- Increasing the transparency of retailers' inventories (DTS, Data Tracking System)
- Rebranding of Tikkurila EURO series, launch in 2016

КРАСКИ ТИККУРИЛА -  
КОЗЫРЬ В ВАШЕМ РЕМОНТЕ!

Купи краску Tikkurila  
и получи 1 000 рублей на ремонт!

до 30  
СЕНТЯБРЯ

Товары для дома и ремонта  
**FORMA**  
ВСЁ + ВДОХНОВЕНИЕ

УЛ. КОТОВСКОГО, 19/1

ПЕРИОД ПРОВЕДЕНИЯ С 01.08.2015 Г ПО 30.09.2015 Г. ИНФОРМАЦИЮ ОБ ОРГАНИЗАТОРЕ АКЦИИ, О ПРАВИЛАХ ЕЕ ПРОВЕДЕНИЯ,  
КОЛИЧЕСТВЕ ПРИЗОВ ИЛИ ВЫИГРЫШЕЙ ПО РЕЗУЛЬТАТАМ АКЦИИ, СРОКАХ, МЕСТЕ И ПОРЯДКЕ ПОЛУЧЕНИЯ ПО ТЕЛЕФОНУ..... 8 (3822) 56-16-51

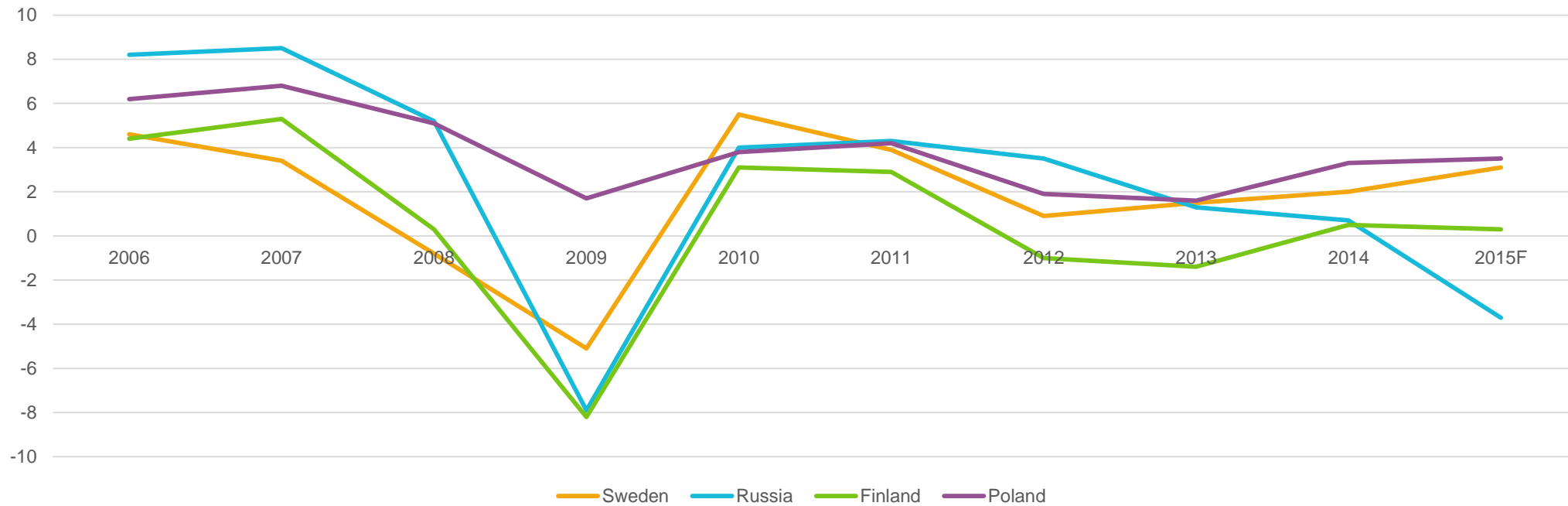


# Conclusions



# Stable development in the west, east bottoming out?

GDP development, %





# Outlook for Russia remains weak

- Russian GDP is expected to continue to decrease during 2016
- Consumers' purchasing power will deteriorate, which will decrease the overall demand for paint and increase the relative market share of cheaper products
- At the current levels, the weak ruble will decrease Tikkurila's euro-denominated revenue (2015 average rate for EUR/RUB ~68 vs. ~84 in January 2016)
- In general, weaker ruble will reduce import and support domestic production
- Our aim is to increase local raw material sourcing and production
- Focus of the sales and marketing activities will be on shop floor level activities, development of retail operations and increasing shelf space, as well as on supporting locally produced products



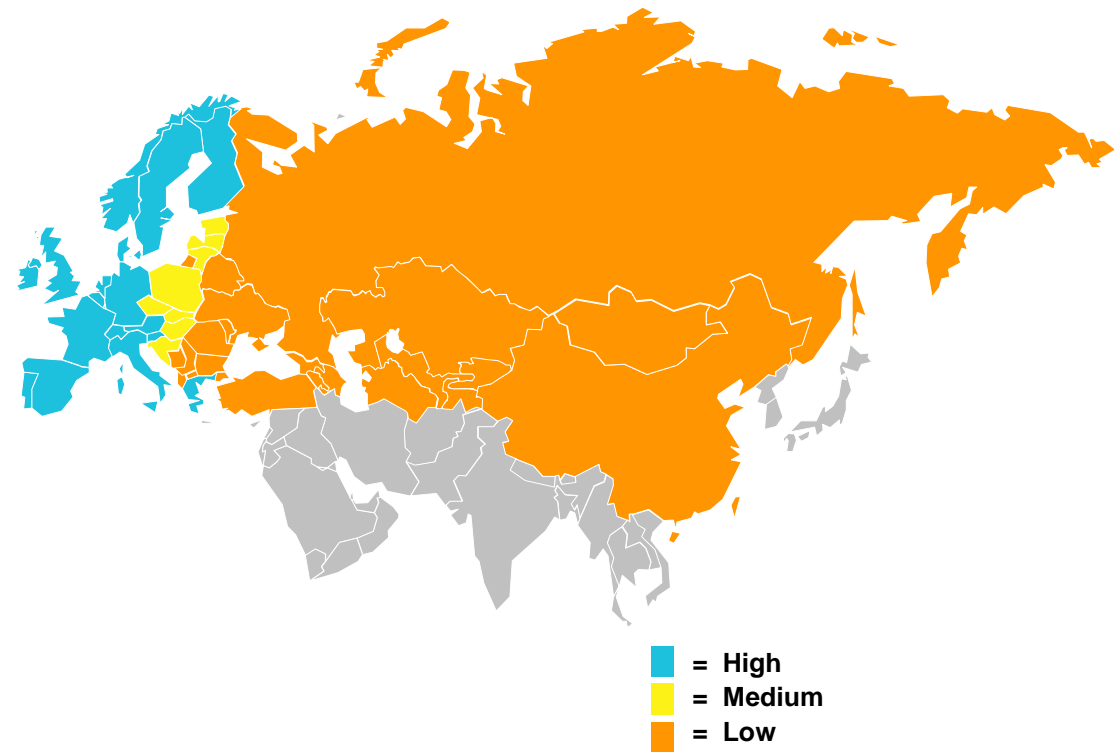
In Russia, the renewed product portfolio and rebranded product packaging of the locally produced Tikkurila Euro series will be launched in spring 2016

# 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 2000–2014

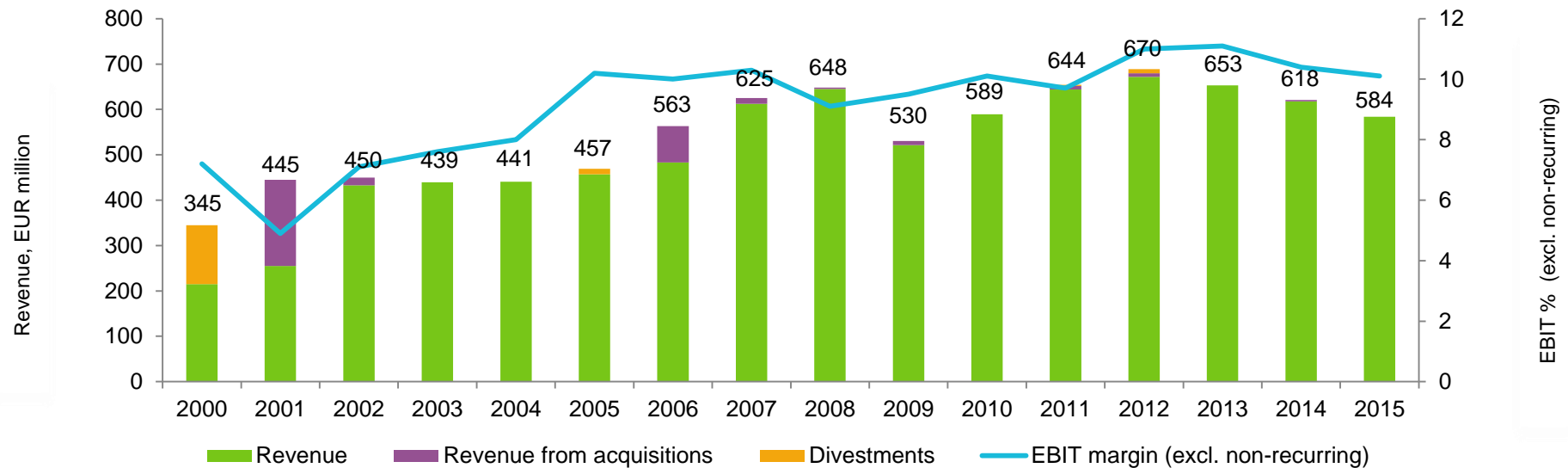
### Major acquisitions and divestments

Sale of tinting business in 2000  
(Revenue ~MEUR 130)

Acquisition of Alcro-Beckers in 2001  
(Revenue ~MEUR 190)

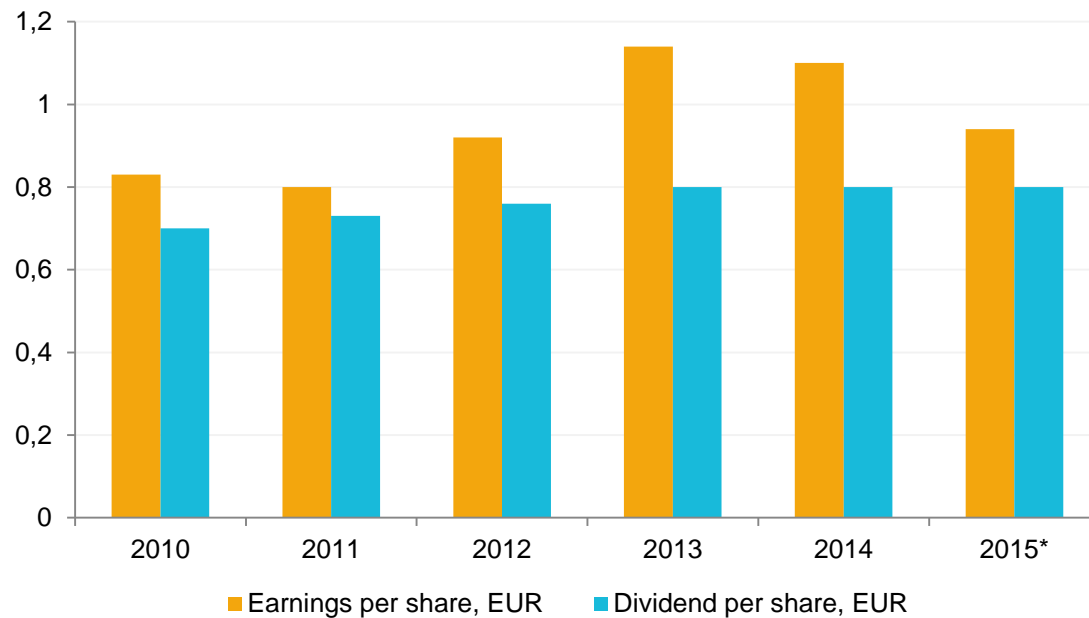
Acquisition of Kraski Teks in 2006  
(Revenue ~MEUR 80)

Acquisition of Zorka Color in 2011  
(Revenue ~MEUR 16)





# Stable dividend outflow



- Dividend policy: Target is to pay at least 40 % of annual operative net income as dividends
- Historical dividends have corresponded to approximately 70-90% of the operative net income





Thank you!







TIKKURILA INSPIRES YOU  
TO COLOR YOUR LIFE.™