



Half year financial report January-June 2016

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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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Development during the review period



Second quarter highlights

- Revenue increased at comparable exchange rates by around 8% due to higher sales volumes as well as sales price increases and changes in the sales mix
- Euro-denominated revenue was at the comparison period's level. Unfavorable exchange rate fluctuations had a significant negative impact on revenue
- Demand grew particularly in the west due to suitable weather conditions, pre-season orders of paints in the first quarter that were delivered in the second, successful product launches, and an upswing in construction
- Q2 profitability was at the same level as a year ago. Sales and marketing expenses were clearly higher than a year ago because of the efforts put into the western markets
- Cash flow was weakened by changes in net working capital, in particular. On the closing date, trade receivables were at a higher level than in the previous year due to the discontinuation of using factoring financing. This has only seasonal effect and will even out by the end of the year



Review period key figures

EUR million	4-6/2016	4-6/2015	Change %	1-6/2016	1-6/2015	Change %	2015
Revenue	179.3	179.5	-0.1%	309.8	312.7	-0.9%	584.1
Adjusted operating profit	28.4	28.6	-0.8%	40.9	43.9	-6.9%	58.9
Adjusted operating profit, %	15.8%	15.9%		13.2%	14.0%		10.1%
EBIT	27.6	30.9	-10.8%	40.1	46.2	-13.1%	61.7
EBIT, %	15.4%	17.2%		13.0%	14.8%		10.6%
EPS, EUR	0.54	0.52	3.9%	0.77	0.82	-6.8%	0.94
ROCE, %, rolling	19.6%	22.8%		19.6%	22.8%		22.2%
Cash flow after capital expenditure	-23.2	-7.2	-220.8%	-56.7	-20.8	-172.3%	32.6
Net interest-bearing debt at period-end				135.2	101.8	32.8%	46.2
Gearing, %				70.2%	51.4%		23.7%
Equity ratio, %				36.6%	40.9%		51.1%
Personnel at period-end				3,154	3,300	-4.4%	3,100

Due to European Securities and Markets Authority's (ESMA) guidelines on Alternative Performance Measures, effective from July 3, 2016, the performance measure "operating profit (EBIT) excluding non-recurring items" is replaced with "adjusted operating profit (EBIT)". Adjusted items affecting comparability are defined in the table section of the half year financial report.

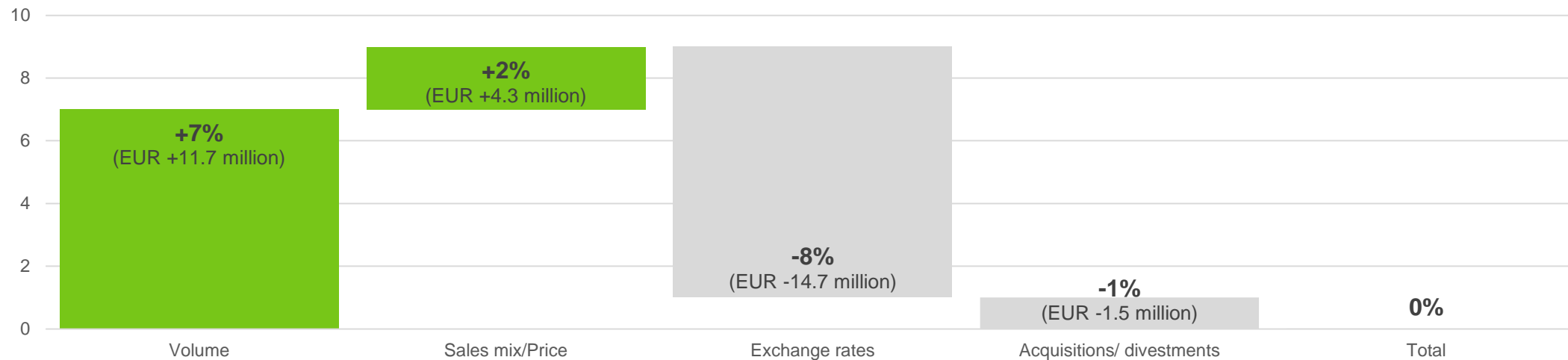


Weak exchange rates eroded revenue growth

EUR million	4–6/2016	4–6/2015	Change %	1–6/2016	1–6/2015	Change %
Revenue	179.3	179.5	-0.1%	309.8	312.7	-0.9%

Group's revenue development Q2/2016 vs. Q2/2015

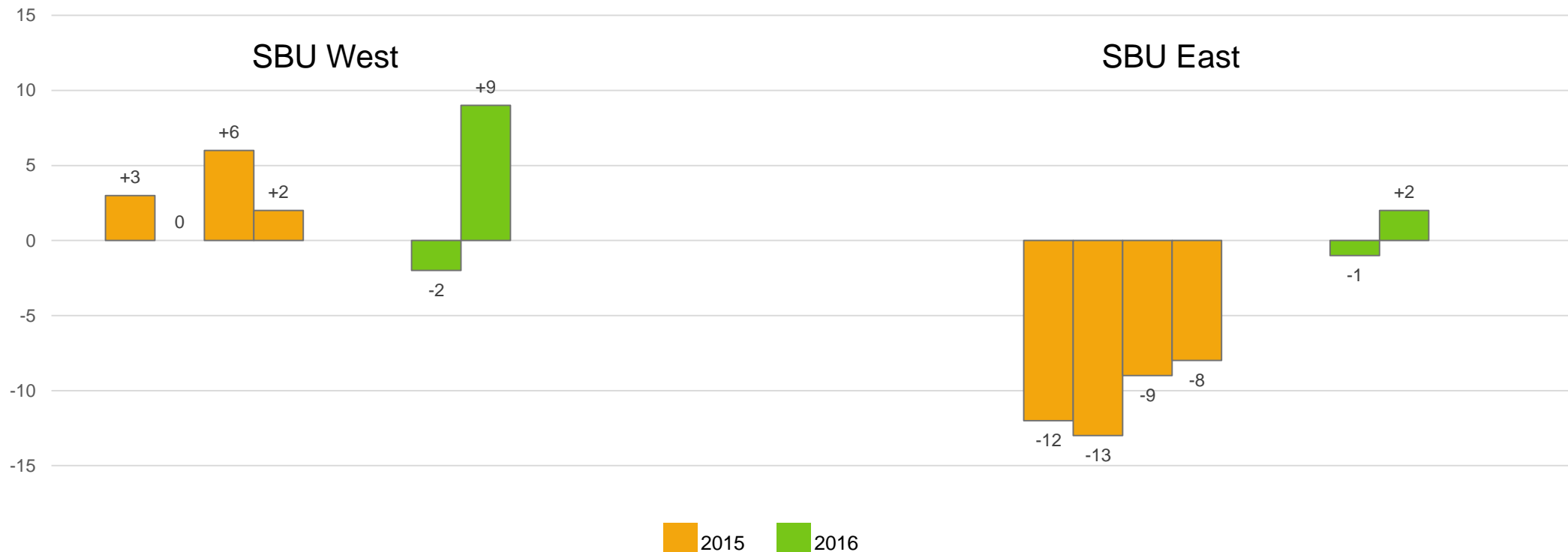
Increase/decrease, %





Good growth particularly in the west, demand picked-up slightly also in the east

Sales volume development by quarter, % change from the comparison period





TIKKURILA NOVELTIES

Successful product launches for the season include e.g. Tikkurila Valtti series' renewed semi-transparent wood finishes and terrace oils. For instance, Valtti Plus Kesto offers twice as long maintenance interval compared to traditional semi-transparent wood finishes.



Long-term financial targets

Board of Directors decided to change the time frame for Tikkurila's financial targets.

Financial targets remain the same, time frame was extended from 2018 to long-term.

- Revenue of EUR 1 billion
- Adjusted operating profit >12%
- Return on capital employed (ROCE) calculated with adjusted operating profit >20%
- Gearing <70%

	Historical performance								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue	625	648	530	589	644	670	653	618	584
Adjusted operating profit, % of revenue	10.3%	9.1%	9.5%	10.1%	9.7%	11.0%	11.1%	10.4%	10.1%
ROCE	24.5%	18.7%	15.7%	19.2%	19.4%	21.0%	23.5%	22.9%	22.2%
Gearing	135.3%	208.5%	90.0%	41.4%	51.9%	40.6%	23.4%	24.6%	23.7%
Dividend paid; share of operative net profit, %				84% (EUR 0.70 per share)	88% (EUR 0.73 per share)	72% (EUR 0.76 per share)	69% (EUR 0.80 per share)	73% (EUR 0.80 per share)	90% (EUR 0.80 per share)

Strategic Business Units

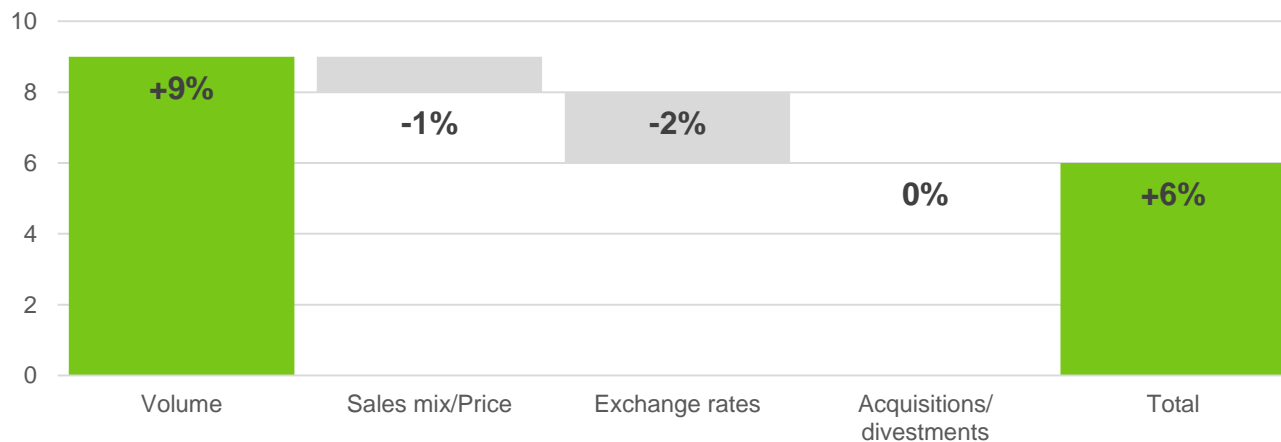


SBU West Q2/2016

EUR million	4-6/2016	4-6/2015	Change %	1-6/2016	1-6/2015	Change %	1-12/2015
Revenue	123.5	116.3	6.2%	223.1	218.5	2.1%	395.3
Adjusted operating profit	22.2	20.2	9.6%	36.4	37.2	-1.9%	50.5
Adjusted operating profit, %	17.9%	17.4%		16.3%	17.0%		12.8%

Revenue development Q2/2016 vs. Q2/2015

Increase/decrease, %



Q2/2016 highlights

- Sales volumes increased particularly in Finland but also in Scandinavia and the Baltic countries. The reason for higher sales volumes is explained by deliveries of pre-season sales later than a year ago, the reviving economic situation and successful product launches
- Profitability improved
- S&M investments were higher in Sweden, in particular
- Exchange rates of the Polish zloty and Norwegian krona weakened

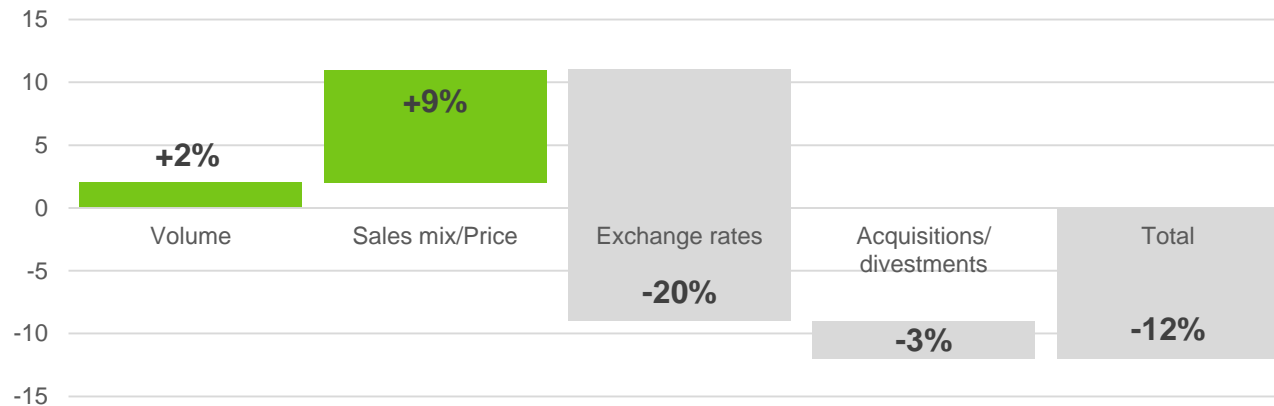


SBU East Q2/2016

EUR million	4-6/2016	4-6/2015	Change %	1-6/2016	1-6/2015	Change %	1-12/2015
Revenue	55.8	63.2	-11.7%	86.7	94.3	-8.1%	188.9
Adjusted operating profit	7.6	9.8	-22.5%	7.0	9.9	-29.9%	13.4
Adjusted operating profit, %	13.6%	15.5%		8.0%	10.5%		7.1%

Revenue development Q2/2016 vs. Q2/2015

Increase/decrease, %

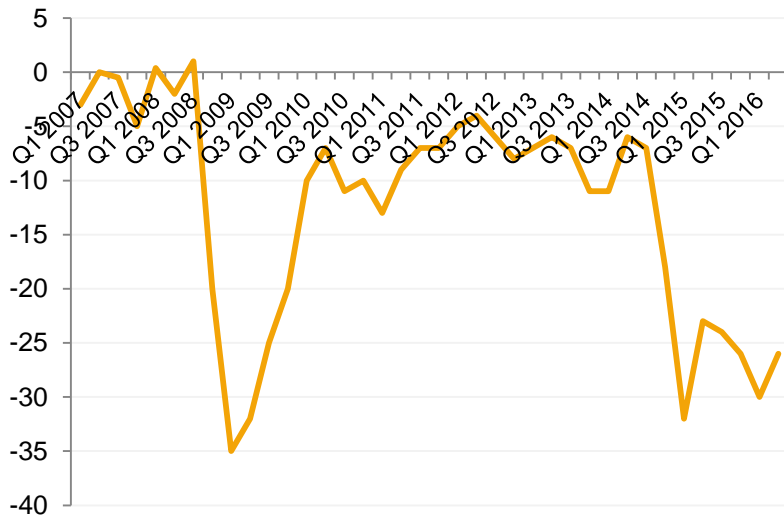


Q2/2016 highlights

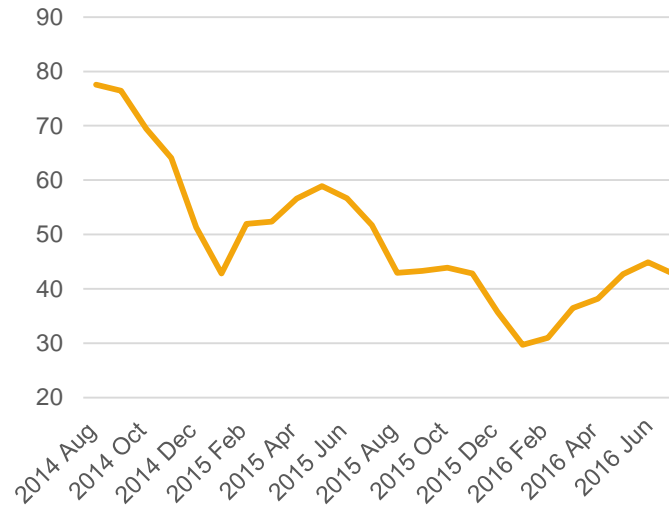
- Sales volumes grew particularly in China, but also in Russia
- Weak Russian ruble decreased the euro-denominated revenue
- Tikkurila divested the subsidiaries in Ukraine and Belarus to the local management
- Cost management was strict, but the weak ruble increased raw material costs from the comparison period's level

No major changes took place in the general economic situation in Russia

Russian consumer confidence



Oil price, EUR



EUR RUB exchange rate



- Consumer confidence remains weak
- Price of oil increased in the spring, but took again a downward turn after the review period
- Ruble has strengthened from the beginning of the year, but was clearly weaker than in the comparison period



Key goals for our Russian operations

- To increase local manufacturing and raw materials purchasing
 - To expand the range of Tikkurila brand products manufactured in Russia
 - To increase local raw materials purchasing in all price and quality categories of paints
- To make maintenance and development investments in production in order to improve productivity as well as to optimize production set-up and material flows
- To develop our commercial operations
 - To strengthen our sales organization for industrial and professional customers
 - To develop our product management and marketing department
 - To ensure strict cost management and the optimization of our product range and formulas
- To meet customer requirements and purchasing power development
 - To improve our competitiveness
 - To increase our shelf space and market share

Conclusions and outlook

Conclusions

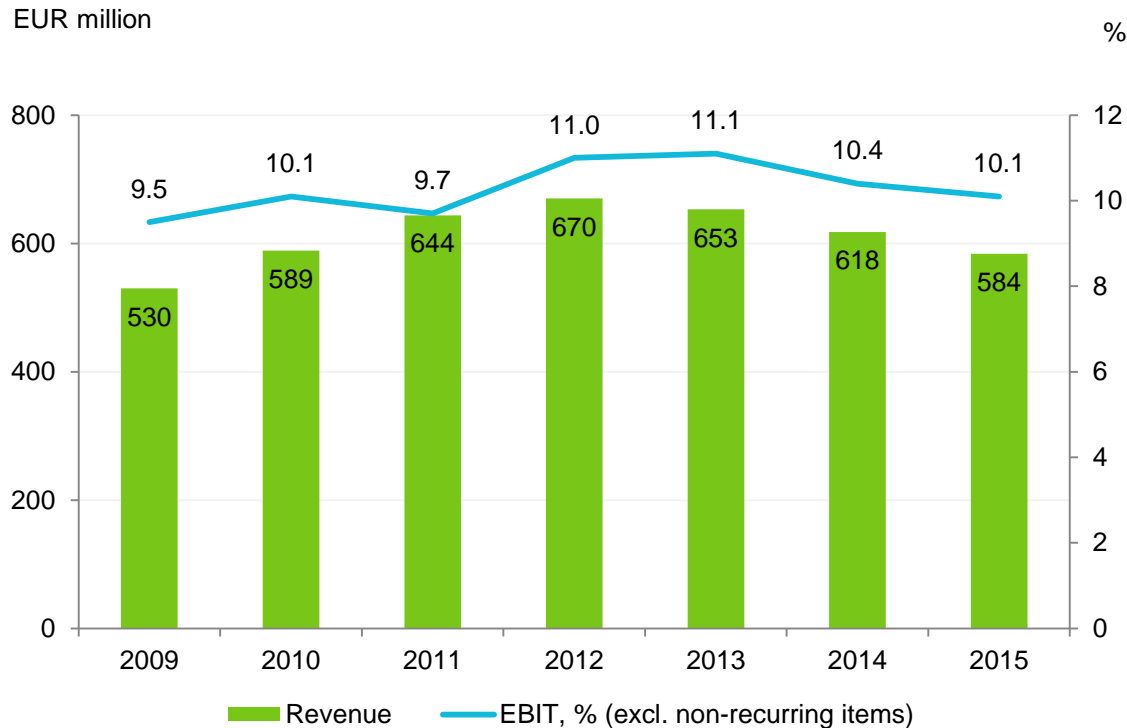
- There were no significant changes in the market situation. Some positive signs could be seen in the sentiment in Finland and Russia
- Demand picked-up clearly, major headwinds from the exchange rates
- Measures to boost sales volumes were continued; sales and marketing expenses were clearly higher in the west. Full-year sales and marketing expenses will be close to those a year ago





Guidance for 2016 intact

Revenue and profitability of Tikkurila 2009–2015



Outlook and guidance for 2016

Growth in the EU region is forecasted to be steady but fairly low. The importance of the Western markets, particularly Sweden and Poland, is expected to increase further. The weak economic situation in Russia and the low level of ruble will make the operating environment difficult in 2016. In Russia, paint demand is expected to decrease and the relative market share of the lower price and quality grade products is expected to grow. Tikkurila is planning to increase its prices primarily in Russia, as well as to increase local manufacturing and raw material purchasing. Sales and marketing investments will continue in the previous years' manner in order to strengthen the market position. At the same time, increased operational efficiency and cost savings will be actively sought in all operations.

Tikkurila expects its revenue for the financial year 2016, with exchange rates as of the publication date of the financial statement release, to be at the same level as in 2015. Adjusted operating profit is expected to stay at 2015 level.



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