



**Interim Report for
January–June 2014
July 25, 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.

Contents

- Development during the review period
- Strategic Business Units
- Summary and outlook for 2014

**Development during
the review period**



Second quarter highlights

- Revenue decreased by 7% due to weak foreign exchange rates and lower sales volumes in Russia
- Relative profitability improved slightly due to efficiency improvement measures, higher productivity, cost savings, and favorable sales mix development
- In Russia, the uncertainty related to the economic development increased clearly. The economic situation also in the EU region remained fragile



Review period key figures

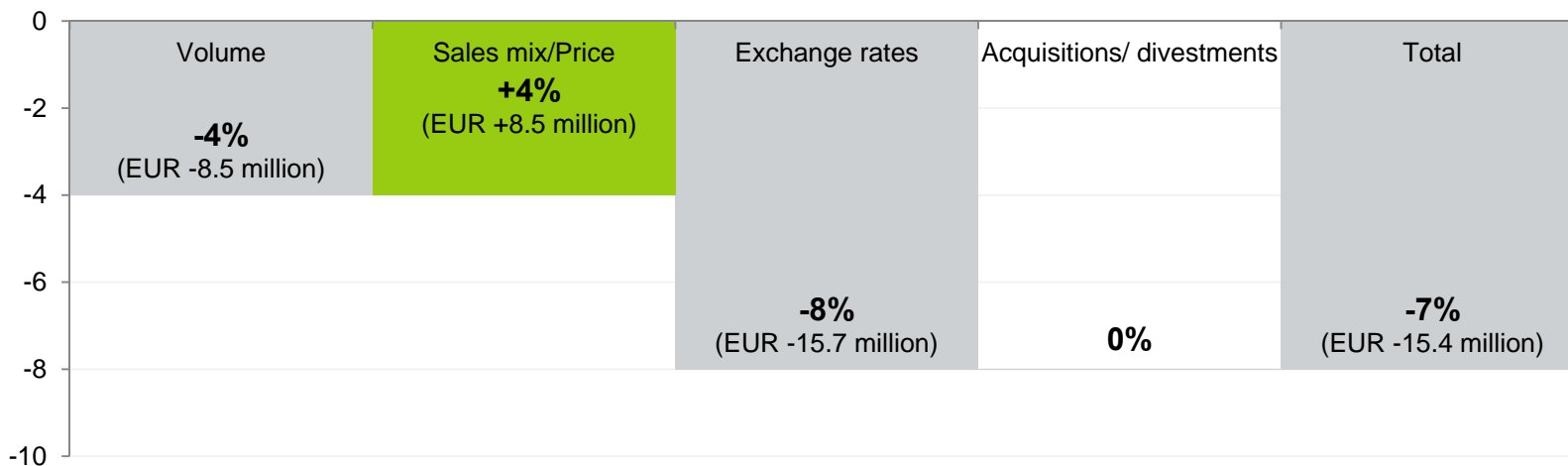
EUR million	4-6/2014	4-6/2013	Change %	1-6/2014	1-6/2013	Change %	2013
Revenue	192.9	208.3	-7.4%	334.4	346.7	-3.6%	653.0
EBIT excluding non-recurring items	32.2	33.4	-3.4%	45.3	43.5	4.0%	72.6
EBIT excluding non-recurring items, %	16.7%	16.0%		13.5%	12.6%		11.1%
EBIT	32.5	33.3	-2.6%	46.3	43.6	6.2%	71.5
EBIT, %	16.8%	16.0%		13.8%	12.6%		10.9%
EPS, EUR	0.56	0.54	4.3%	0.73	0.69	5.8%	1.14
ROCE, %, rolling	25.7%	22.9%		25.7%	22.9%		23.5%
Cash flow after capital expenditure	-7.0	4.4		-11.9	-9.4	-26.7%	66.9
Net interest-bearing debt at period-end				97.0	125.6	22.8%	48.6
Gearing, %				48.5%	66.0%		23.4%
Equity ratio, %				41.1%	36.9%		50.1%
Personnel at period-end				3,338	3,400	-1.8%	3,133

Lower sales volumes in Russia, major headwinds from the exchange rates


EUR million	4-6/2014	4-6/2013	Change %	1-6/2014	1-6/2013	Change %
Revenue	192.9	208.3	-7.4%	334.4	346.7	-3.6%

Group's revenue development Q2/2014 vs. Q2/2013

Increase/decrease, %



The figures on the graph above have been independently rounded to one decimal, which should be taken into account when calculating total figures.

A woman with her hair in a bun, wearing a light-colored business shirt, is shown in profile from the chest up. She is looking out a window with a view of a bright, possibly outdoor scene. Her hands are clasped together, holding a yellow pen. The background is a blurred office interior with a window and a dark, out-of-focus foreground element on the right.

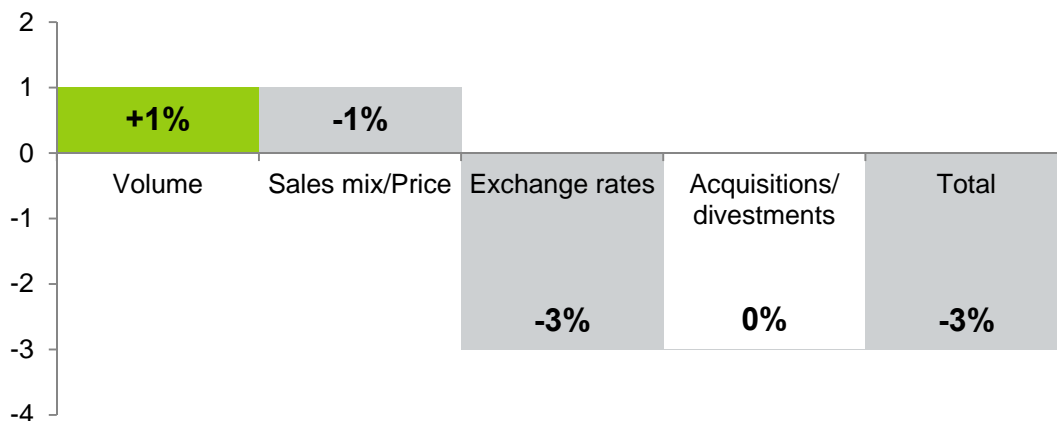
Strategic Business Units

SBU West Q2/2014

EUR million	4-6/2014	4-6/2013	Change %	1-6/2014	1-6/2013	Change %	1-12/2013
Revenue	114.9	118.1	-2.7%	213.7	214.9	-0.5%	388.6
EBIT*	20.3	20.8	-2.7%	35.6	33.3	6.9%	50.9
EBIT*, %	17.6%	17.6%		16.6%	15.5%		13.1%

Revenue development Q2/2014 vs. Q2/2013

Increase/decrease, %



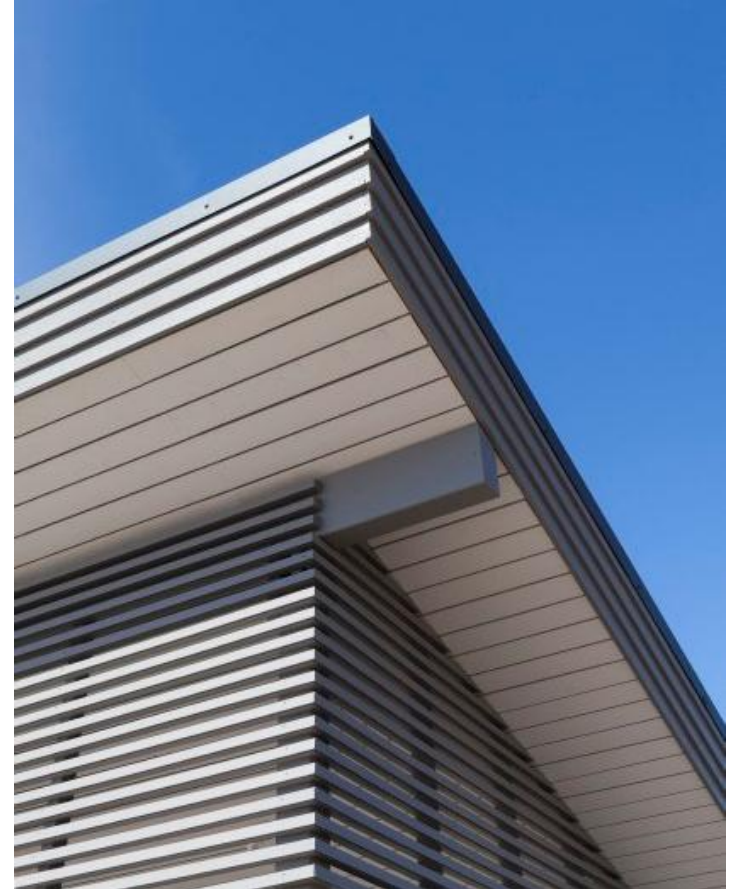
* Excluding non-recurring items

Q2/2014 highlights

- Development of sales volumes was good in Poland and the Baltic countries
- In Sweden and Finland, the sales volumes were close to the comparison period level
- Relative profitability remained at the comparison period level

Surface protection technology acquired in Sweden

- In June, Tikkurila acquired the Swedish KEFA Drytech AB
- Acquired technology supplements Tikkurila's know-how, and the aim is to commercialize this technology in all geographical business areas of Tikkurila
- Wide range of functional paints (such as condensation protection, mold protection, noise damping, encapsulation of asbestos)
- KEFA Drytech's revenue totaled less than EUR 2 million in 2013
- Purchase price was EUR 2.4 million

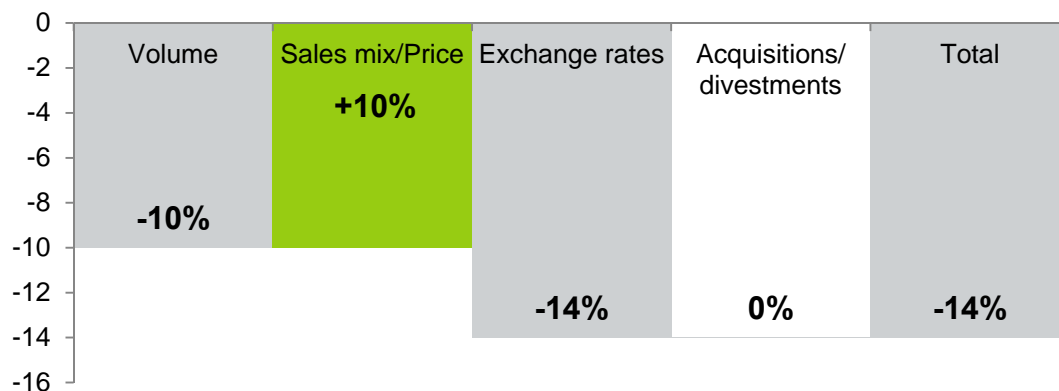


SBU East Q2/2014

EUR million	4-6/2014	4-6/2013	Change %	1-6/2014	1-6/2013	Change %	1-12/2013
Revenue	78.0	90.2	-13.5%	120.7	131.9	-8.5%	264.4
EBIT*	13.4	13.4	-0.1%	11.8	11.9	-0.7%	24.7
EBIT*, %	17.2%	14.9%		9.8%	9.0%		9.3%

Revenue development Q2/2014 vs. Q2/2013

Increase/decrease, %



* Excluding non-recurring items

Q2/2014 highlights

- Sales volumes decreased in Russia due to the weakened economic prospects
- Weak exchange rates had a significant negative impact on revenue
- Favorable sales mix development and higher productivity improved relative profitability
- Sales and marketing expenses were higher than in the comparison period

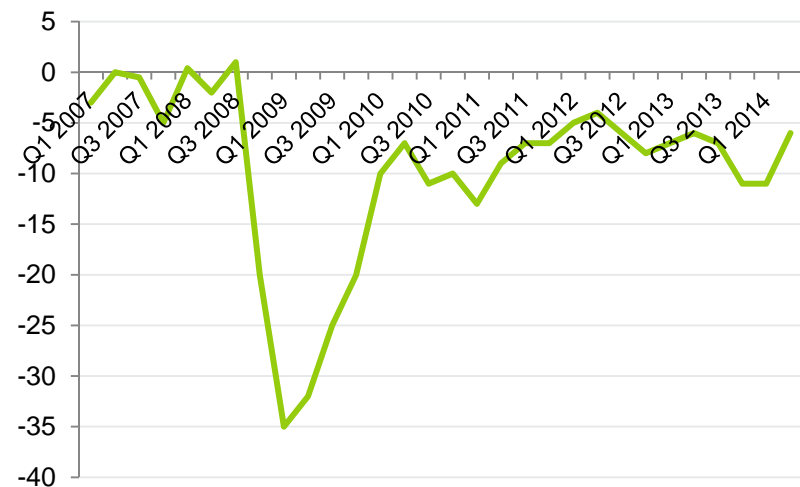
Uncertainty related to the economic development increased clearly in Russia

EUR RUB exchange rate



- Russian ruble has strengthened from the first quarter but is still clearly weaker than in the comparison period

Russian consumer confidence



- Despite the strengthened consumer confidence the growth of the private consumption seemed to slow down during the second quarter

Business development operations will be continued in Russia

- Tightening of competition
- Increased demand for lower quality and price grades due to the weakened macro economic situation
- Continuing active sales and marketing efforts
- Ensuring optimal pricing
- Improving the service level
- Developing the retail



www.tikkurila.ru  **TIKKURILA**

TIKKURILA

Conclusions and outlook for 2014



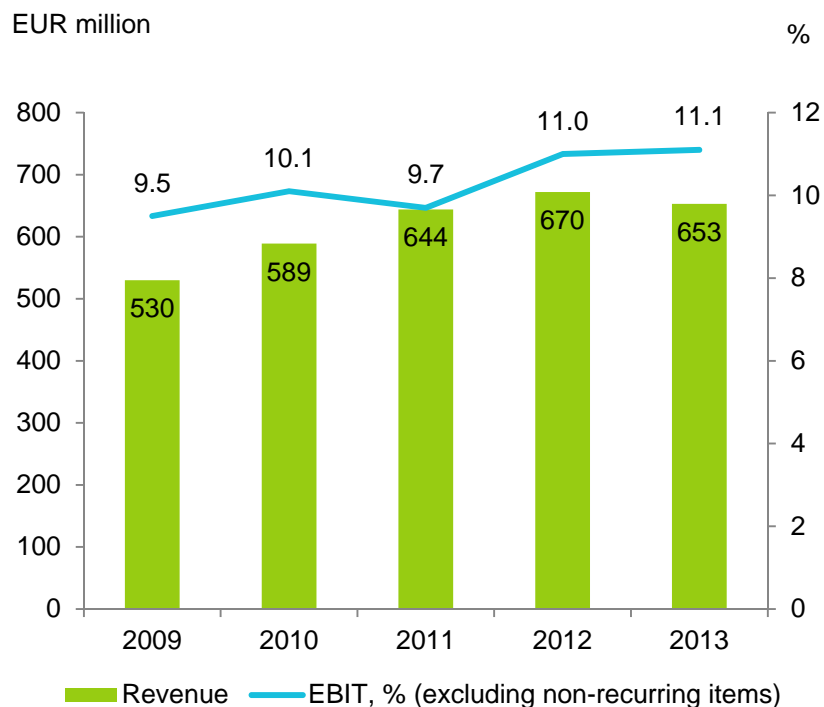
Conclusions

- General economic development continued to be weak, slight positive signals in few markets
- In Russia, the increased uncertainty lowered sales volumes
- Weak foreign exchange rates had a significant negative impact
- Profitability remained on a good level



Guidance for 2014 intact

Revenue and profitability of Tikkurila 2009–2013



Outlook for 2014

The economic situation in Europe is expected to improve moderately in 2014. Considerable regional differences are forecasted between Tikkurila's different markets in private consumption and construction volumes in 2014, but overall growth is estimated to remain low. Based on these estimates, no considerable change is expected in the demand for Tikkurila's products compared to last year. Cost inflation is expected to continue, and investments in sales, marketing and innovation activities are forecasted to increase the fixed cost level. Raw material prices are forecasted to remain stable.

Tikkurila expects its revenue and EBIT excluding non-recurring items for the financial year 2014 to remain at the 2013 level.

Thank you!

