



**Interim Report for
January–March 2014
Investor presentation**

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

- Tikkurila in brief
- Development during the review period
- Strategic Business Units
- Summary and outlook for 2014
- Appendix

Tikkurila in brief



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.

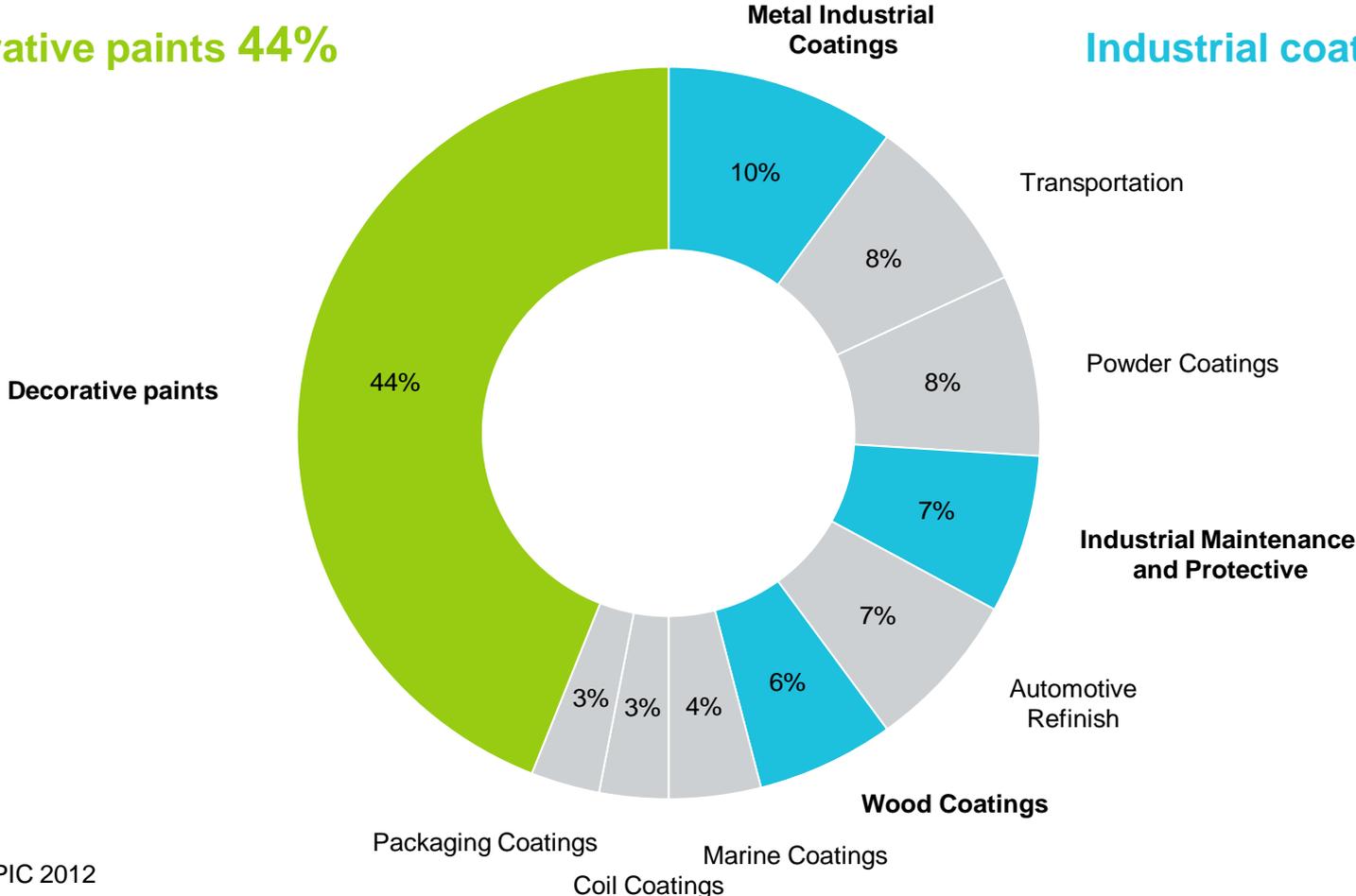
Tikkurila's locations



Value of the global paints and coatings market EUR ~76 billion

Decorative paints 44%

Industrial coatings 56%



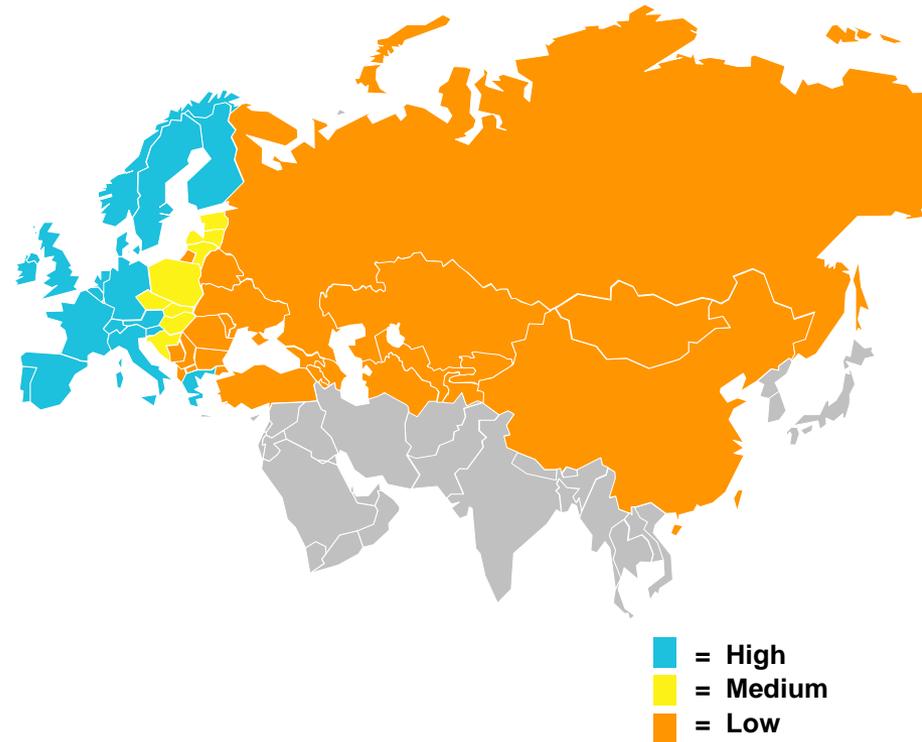
Source: IPPIC 2012

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*



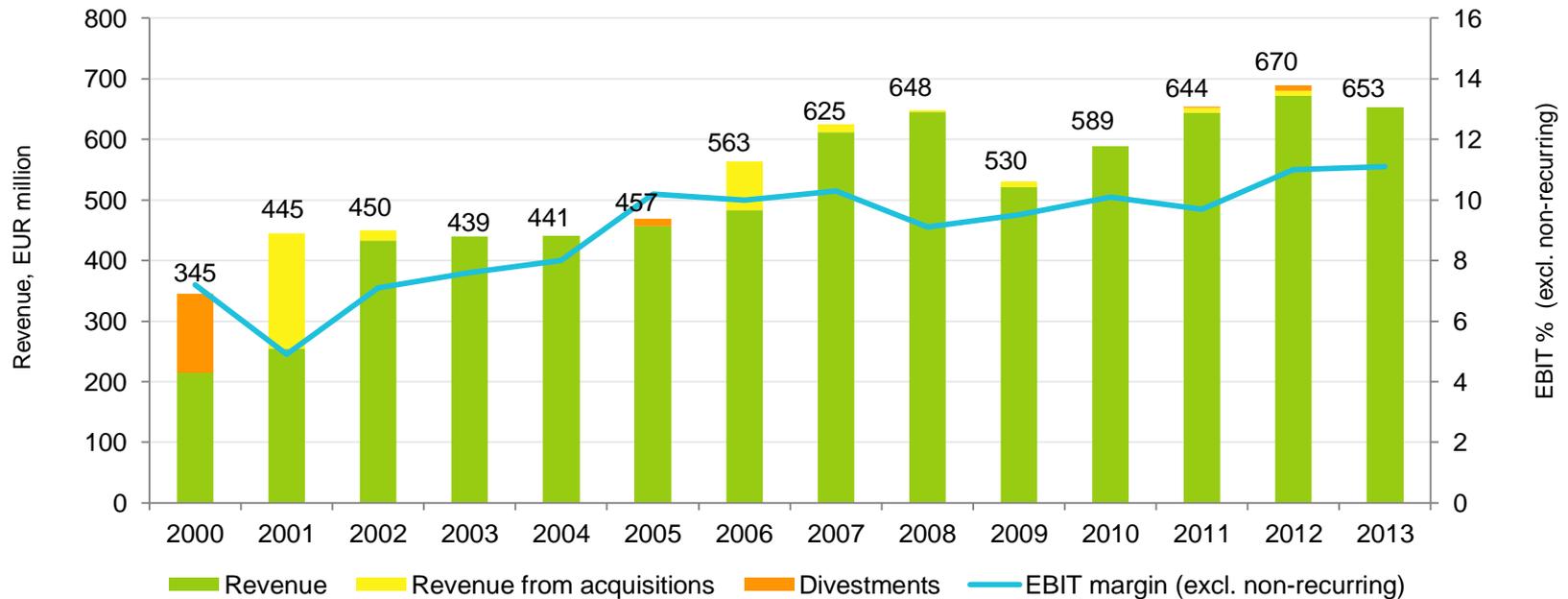
* Paint consumption source: Management estimates, IPPIC

Long term financial development

Development of sales and profitability 2000–2013

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)
---	---	---	--



Tikkurila's strategy for 2012–2014

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

The leading provider of paint-related architectural solutions for consumers and professionals in the Nordic area as well as in Russia and other selected Eastern European countries.

Growth

Organic
Well-targeted acquisitions

Profitability

Resilience
Realignment
Agility

Focusing

Customers
Geographic area
Brands



trustworthy



innovative



professionals

Strong and well-established brands

Strategic brands



"High end" (premium)



"High end" (premium)



"Medium"



"Economy"

Local brands



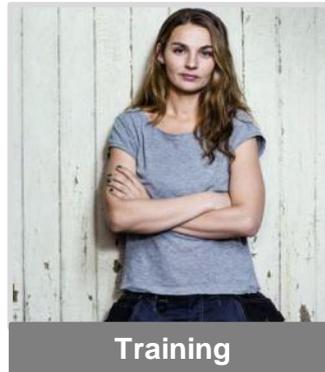
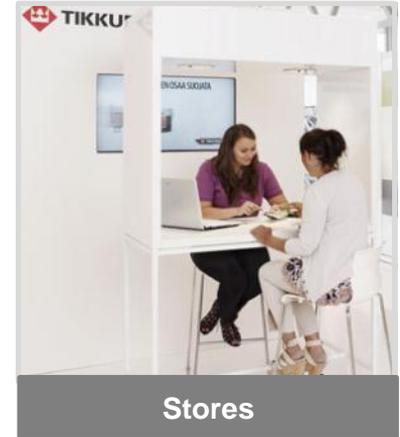
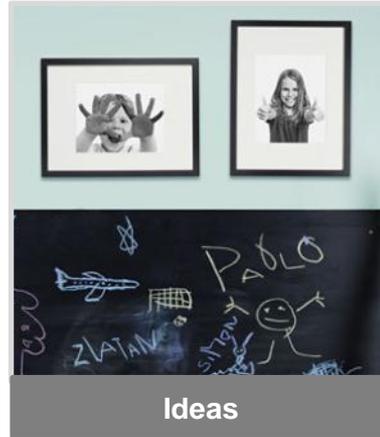
ZORKACOLOR

Jedynka



Large majority of sales from strategic brands

We help our customers to succeed in surface protection and decoration

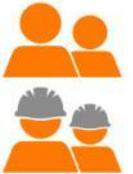


Distribution channels

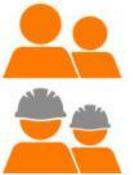


Wholesale*

Retail**



Retail**



Tikkurila's own paint shops



Temaspeed distribution network
Direct sales



* Only in some markets

** Big boxes, specialized paint shops

Consumers



Professionals

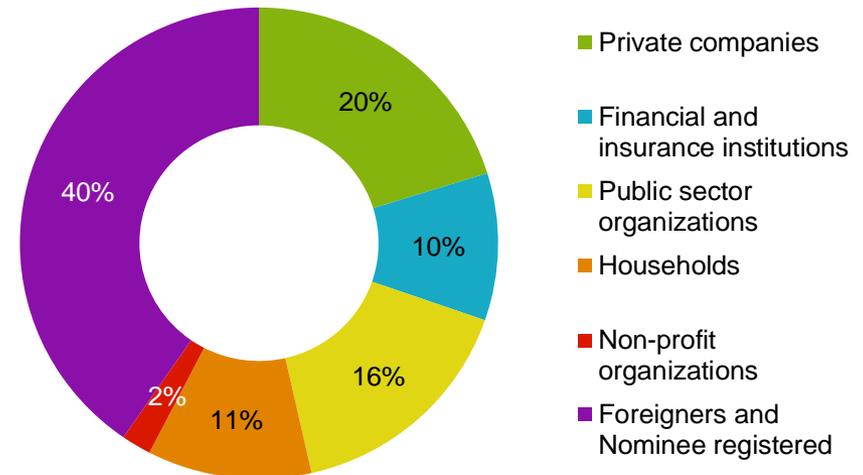


TIKKURILA

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



**Development during
the review period**



First quarter highlights

- Revenue grew by 2% due to higher sales volumes, price increases, and favorable sales mix development. Weak foreign exchange rates had a significant negative impact on revenue
- Profitability improved due to revenue growth, efficiency improvement measures, and higher productivity
- Cash flow improved clearly although safety stocks were increased due to the crisis in Ukraine
- Weak positive signals in the macro environment in certain markets
- Early spring boosted paint sales



Review period key figures

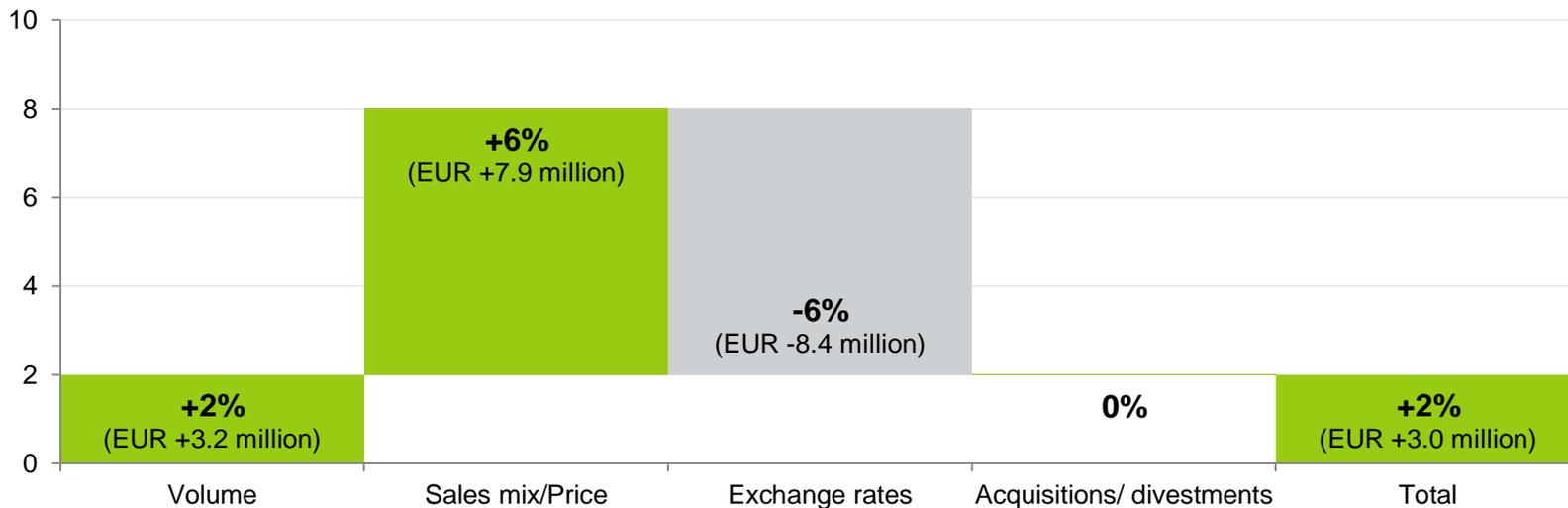
EUR million	1-3/2014	1-3/2013	Change %	2013
Revenue	141.5	138.4	2.2%	653.0
EBIT excluding non-recurring items	13.0	10.1	28.5%	72.6
EBIT excluding non-recurring items, %	9.2%	7.3%		11.1%
EBIT	13.8	10.2	35.0%	71.5
EBIT, %	9.8%	7.4%		10.9%
EPS, EUR	0.17	0.15	11.2%	1.14
ROCE, %, rolling	25.4%	22.6%		23.5%
Cash flow after capital expenditure	-4.8	-13.7	64.8%	66.9
Net interest-bearing debt at period-end	53.8	94.0	-42.8%	48.6
Gearing, %	30.6%	45.5%		23.4%
Equity ratio, %	39.1%	43.4%		50.1%
Personnel at period-end	3,186	3,231	-1.4%	3,133

Slight positive development in sales volumes, headwind from the exchange rates

EUR million	1-3/2014	1-3/2013	Change %
Revenue	141.5	138.4	2.2%

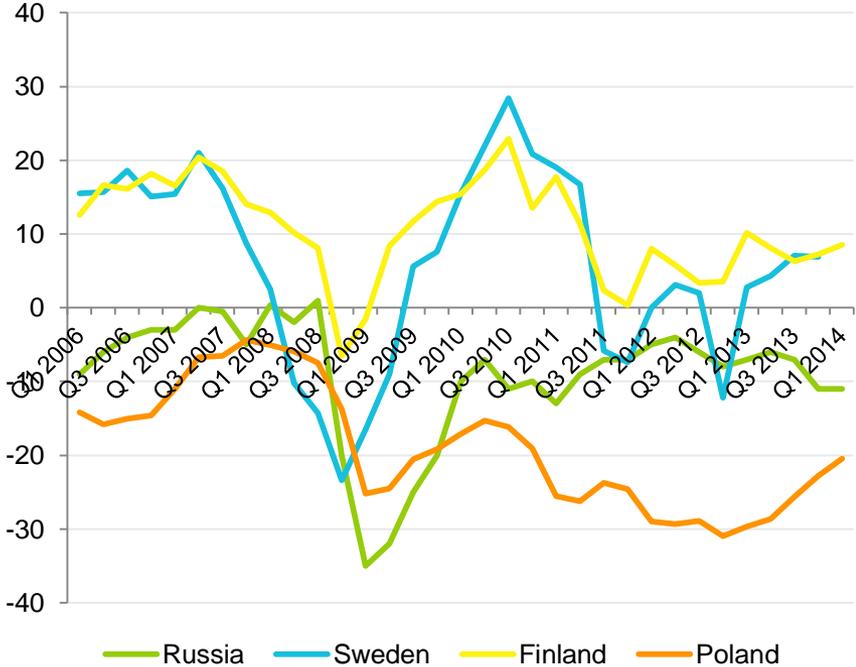
Group's revenue development 2014 vs. 2013

Increase/decrease, %



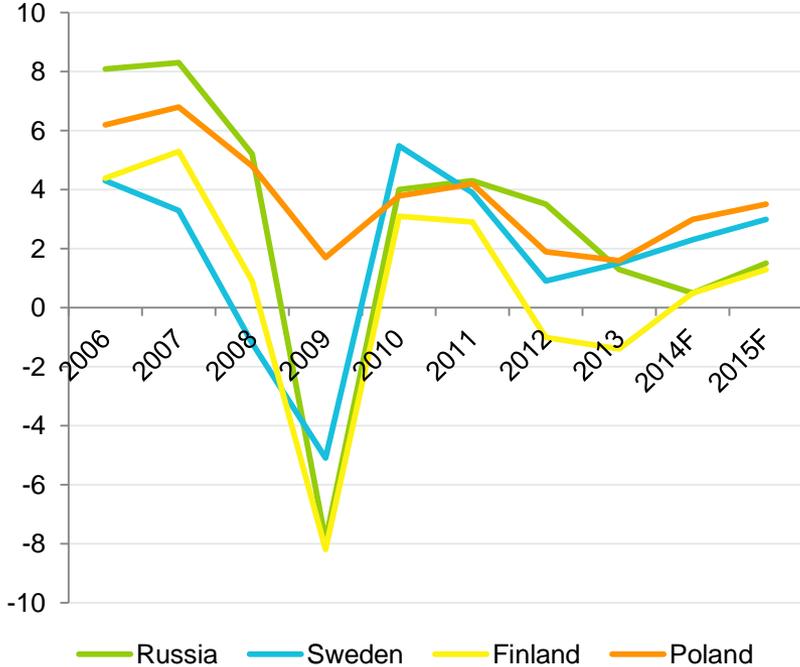
Weak positive signals in the macro environment, major country-specific differences

Consumer confidence



Source: Reuters

GDP development

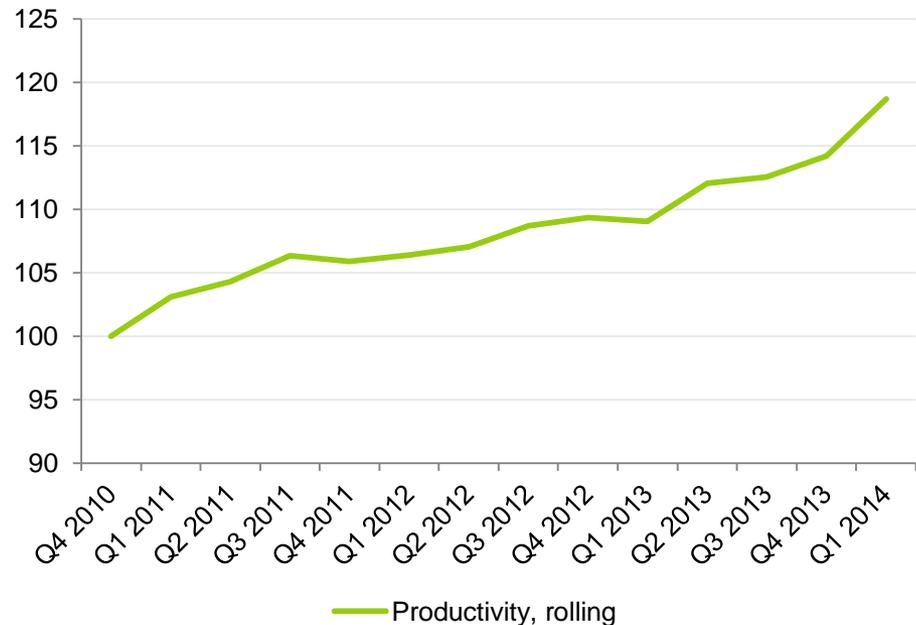


Source: Several sources

Continuous improvement – acting according to the LEAN principles

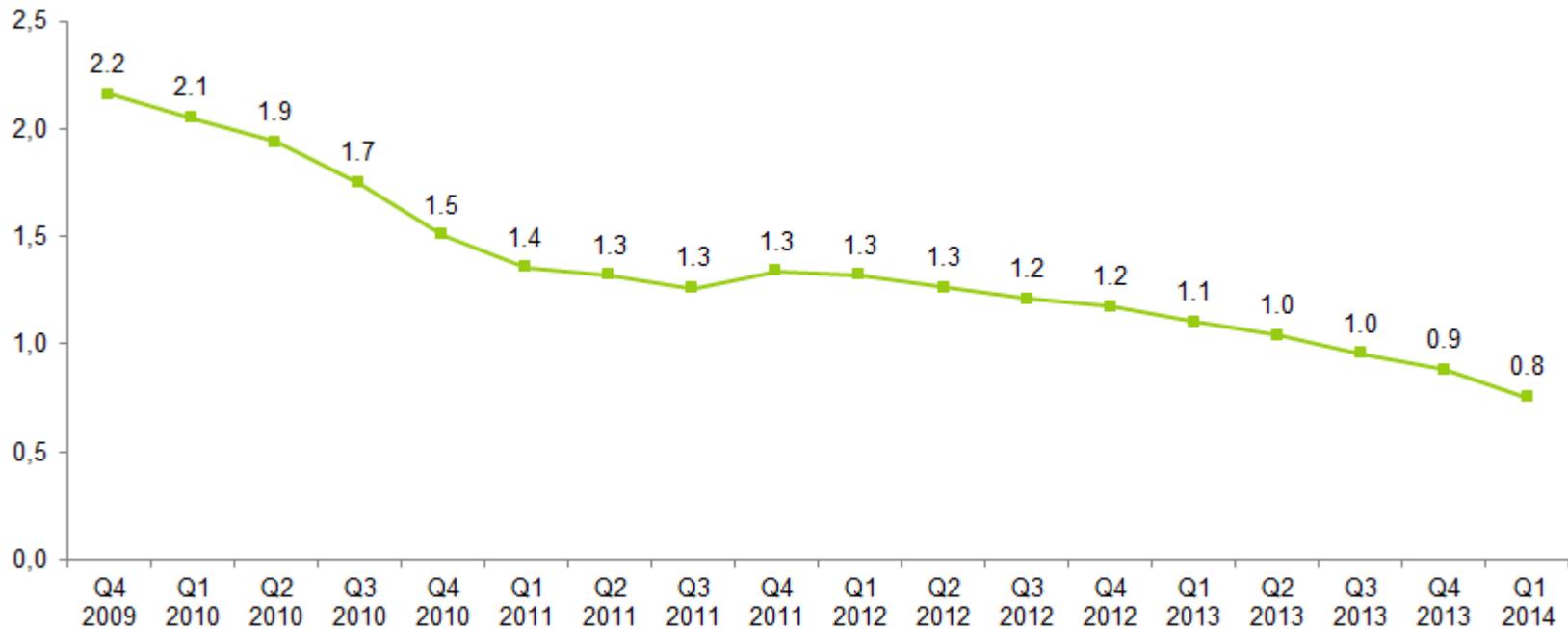
- Better productivity
- Lower production costs
- Bigger production batches
- Fewer different kinds of raw materials and SKUs
- Lower packaging costs

Productivity development 2010–2014
Index



Low net debt level in relation to EBITDA

Net debt/EBITDA



EBITDA = rolling 12-month EBITDA excluding non-recurring items

Basis = reported financials (e.g. changes in IFRS rules have not been taken into account)

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)

Development of retail continued

- Combined training center and shop-in-shop to Belgrad, Serbia
- Paint shop to Tikkurila's production site in Debica, Poland
- Intensified collaboration with certain retail chains in Russia (category management)



Belgrad, Serbia

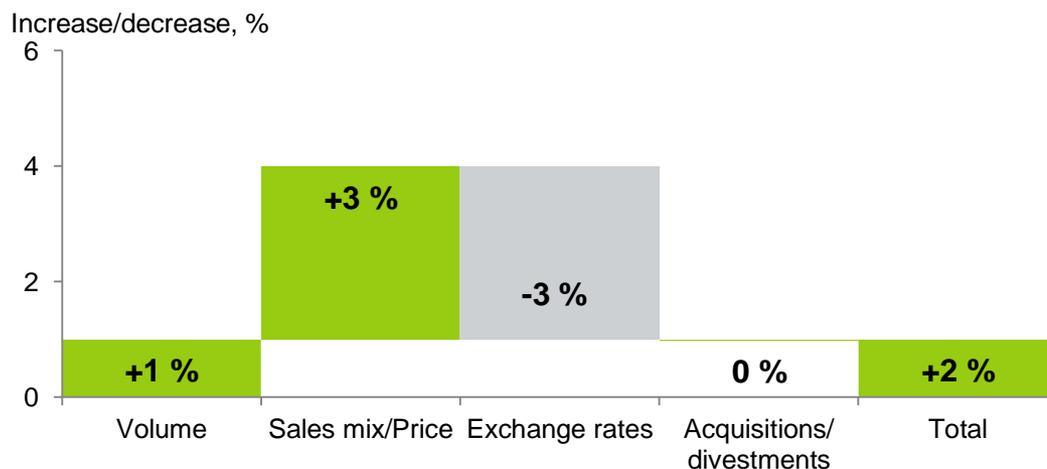
A woman with her hair in a bun, wearing a light-colored business shirt, is shown in profile from the chest up. She is looking out a window with a view of a bright, possibly outdoor scene. She is holding a yellow pen in her right hand. The background is a blurred office interior with a window and a dark,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

Strategic Business Units

SBU West Q1/2014

EUR million	1-3/2014	1-3/2013	Change %	1-12/2013
Revenue	98.8	96.8	2.1%	388.6
EBIT*	15.3	12.5	23.0%	50.9
EBIT*, %	15.5%	12.9%		13.1%

Revenue development Q1/2014 vs. Q1/2013



Q1/2014 highlights

- Slightly brighter macro economic situation and early spring boosted sales volumes in Sweden, Poland, and the Baltic Countries
- Revenue growth, streamlining measures, and higher productivity improved profitability
- New head for the Polish operations

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

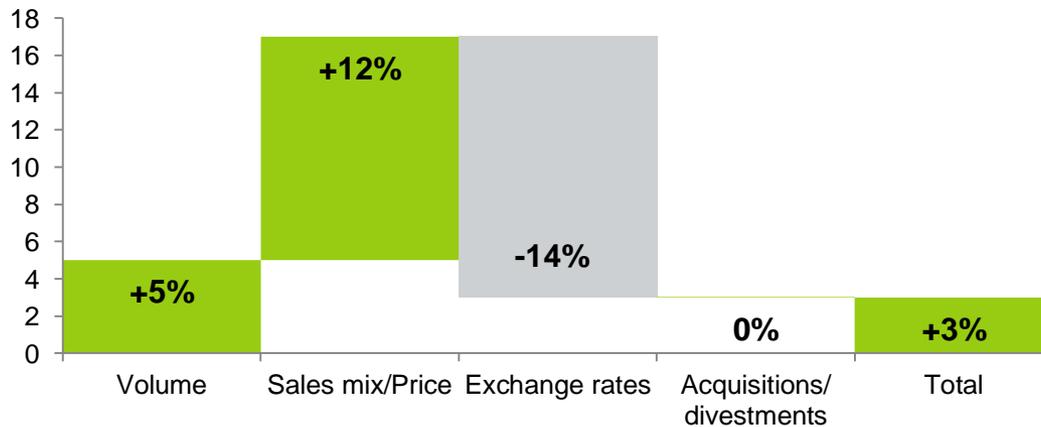
* Excluding non-recurring items

SBU East Q1/2014

EUR million	1-3/2014	1-3/2013	Change %	1-12/2013
Revenue	42.6	41.6	2.5%	264.4
EBIT*	-1.6	-1.5	-4.7%	24.7
EBIT*, %	-3.7%	-3.6%		9.3%

Revenue development Q1/2014 vs. Q1/2013

Increase/decrease, %



Q1/2014 highlights

- Volume development was good in Russia and China
- Sales prices were increased in Russia due to the strong depreciation of the ruble
- Weak exchange rates had a negative impact on both revenue and profitability
- New head for the Russian operations

* Excluding non-recurring items

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



Development of the operations in Russia

- Improving service level after the implementation of the ERP system last year
- Changes in the distribution structure continued
- Sales of the Tikkurila brand has developed well, some challenges faced with the TEKS brand
- Importance of optimal pricing is emphasized
- Sales & Marketing investments will be increased during the remainder of the year



Conclusions and outlook for 2014



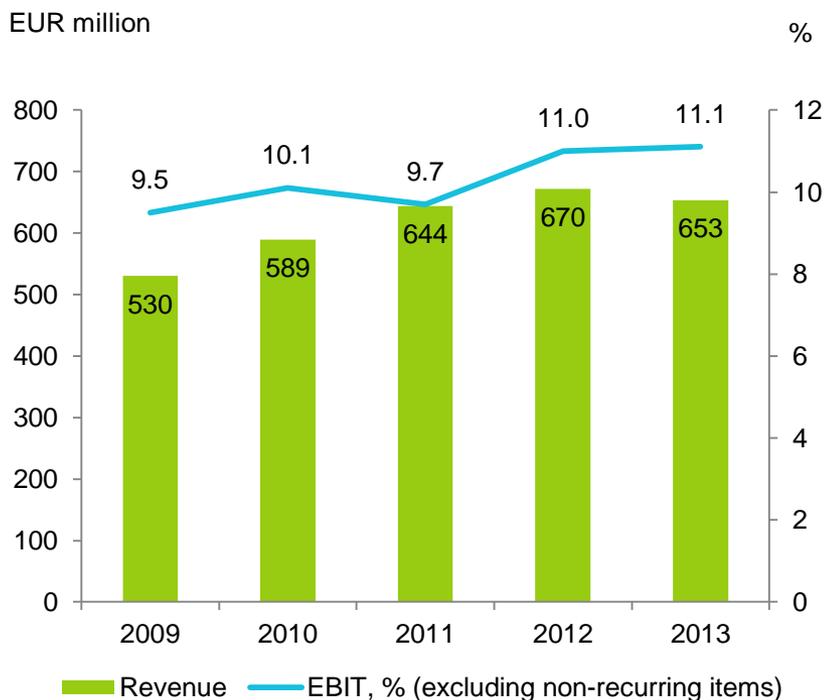
Conclusions

- Weak positive signals in the macro economic situation
- Sales volumes turned slightly upwards and profitability developed well
- Going forward, sales and marketing activities will be boosted
- Economic growth will be modest with major country-specific differences
- Foreign exchange rates are expected to remain weak during the rest of the year



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.



Appendix

Tikkurila Strategic Business Units (SBU)

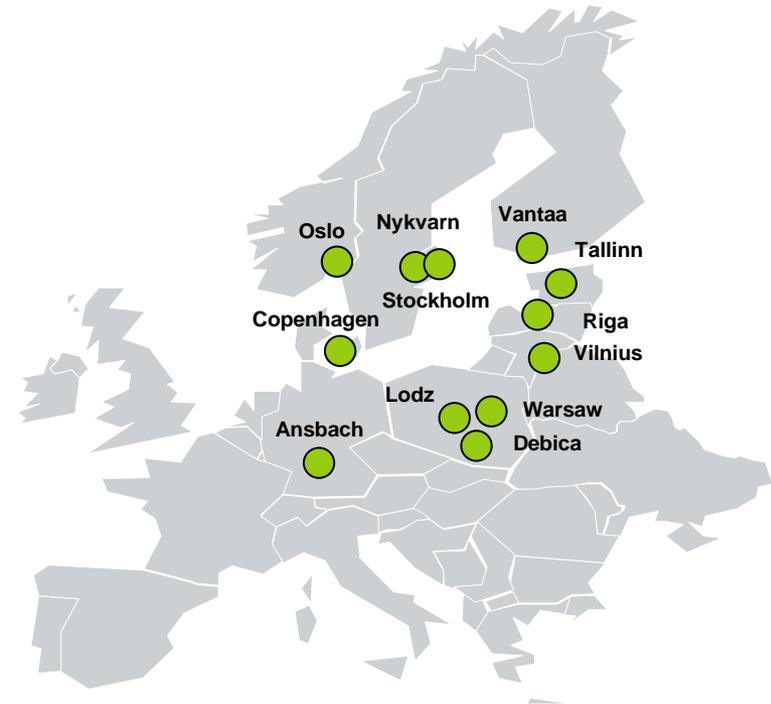
	SBU West	SBU East
Operational area	Sweden, Denmark, Norway, Finland, Poland, Germany, Estonia, Latvia, and Lithuania	Russia, Central Asian countries, Ukraine, Belarus, Serbia, Macedonia, and China. Furthermore, this SBU is responsible for the exports to approximately 20 countries.
Production sites	Nykvam, Sweden Vantaa, Finland Debica, Poland Ansbach, Germany Tallinn, Estonia	St. Petersburg, Russia Stary Oskol, Russia Kiev, Ukraine Sabac, Serbia
Current demand structure	Premium and medium price and quality segment products	Economy price and quality segment products
Expected demand structure	Premium and medium price and quality segment products	Premium price and quality segment products expected to rise
Competitors	Akzo Nobel, PPG, Flügger, Jotun, Sherwin-Williams, Teknos, Nor-Maali, Sniezka	Akzo Nobel, Lakra-Sintez, Empils, ABC-Farben, Meffert, Caparol
Distribution channels	Deco: DIY retailers, independent retailers, Alcro professional stores, wholesalers Industry: direct sales, Temaspeed	Deco: DIY retailers, independent retailers, wholesalers Industry: direct sales, Temaspeed

SBU West

Key facts

Operational area	Sweden, Denmark, Norway, Finland, Poland, Germany, Estonia, Latvia, and Lithuania
2013 revenue	EUR 388.6 million, 59.5% of Group
EBIT 2013 ¹⁾	EUR 50.9 million, 67% of Group ²⁾
Employees	1,537 (at year-end)
Production sites	Nykvärn, Sweden; Vantaa, Finland; Debica, Poland; Ansbach, Germany; Tallinn, Estonia
Development in West	<p>1862 Tikkurila founded in Finland</p> <p>1865 Beckers founded in Sweden</p> <p>1906 Alcro founded in Sweden</p> <p>1930 Customer training started in Finland</p> <p>1958 Color card development and color advisory service started in Finland</p> <p>1970 Monicolor tinting system launched in Finland</p> <p>1992 Paint production started in Estonia</p> <p>1995 Sales company established in Lithuania</p> <p>2000 Maalilinja customer helpline launched in Finland</p> <p>2001 Acquisition of Alcro-Beckers in Sweden</p> <p>2001 Production plants in Germany and Poland</p> <p>2003 Customer training center Paletti opened in Finland</p> <p>2007 New production plant in Nykvärn Sweden</p> <p>2009 Avatint tinting system launched</p> <p>2012 Divestment of subsidiaries in Hungary, Czech Republic, Slovakia, and Romania</p>

Locations



1 Excluding non-recurring items
2 Excluding group items

SBU East

Key facts

Operational area	Russia, Central Asian countries, Ukraine, Belarus, Serbia, Macedonia, and China. Furthermore, this SBU is responsible for the exports to approximately 20 countries.
2013 revenue	EUR 264.4 million, 40.5% of Group
EBIT 2013 ¹⁾	EUR 24.7 million, 32.7% of Group ²⁾
Employees	1,565 (at year-end)
Production sites	St. Petersburg, Russia (3) Stary Oskol, Russia Kiev, Ukraine Šabac, Serbia

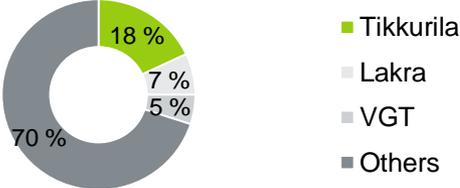
Development in East

1970s	Export to Russia and the former Soviet Union started
1994	Sales company in Russia
1995	First western paint factory opened in St. Petersburg
1998	Sales company OOO Tikkurila Coatings established
2004	Acquisition of Kolorit in Ukraine
2006	Acquisition of Kraski Teks
2006	Sales company established in Kazakhstan
2007	Sales company established in China
2008	Sales company established in Belarus
2009	Completion of logistic centre in Mytishchi, Moscow region and new water-borne production lines to Obukhovo site in St. Petersburg
2011	Divestment of the powder coatings business
2011	Acquisition of the business of Serbian Zorka Color
2012	Expansion of sales and ware house network in Russia



1 Excluding non-recurring items
2 Excluding group items

Tikkurila in Russia

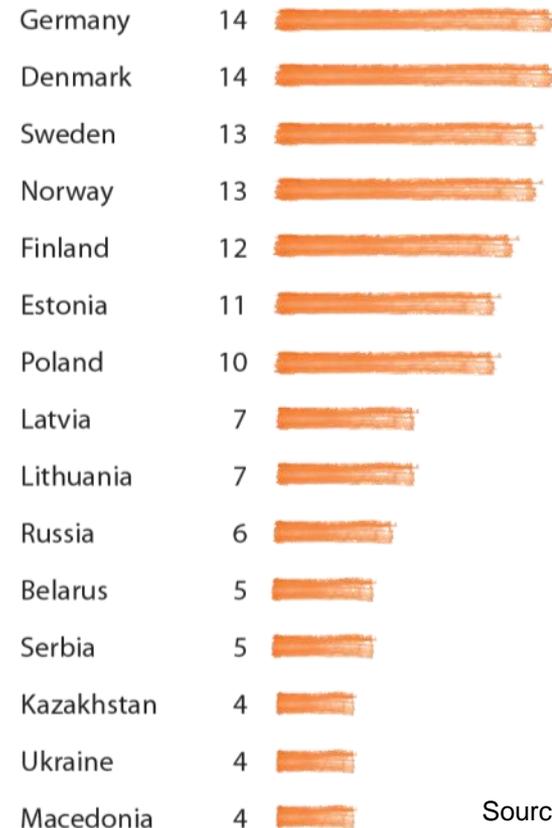
2013 revenue	EUR 204 million, 31% of Group
Brands	
Production	<p>Production sites in St. Petersburg (3) and Stary Oskol</p> <p>Majority of the products sold in the area are produced locally, Tikkurila brand is also exported from Finland</p>
Raw materials	Approximately half of the raw materials used in 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 decorative paints	 <p>Source: Chem-Courier, 2014 (volume)</p>



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.

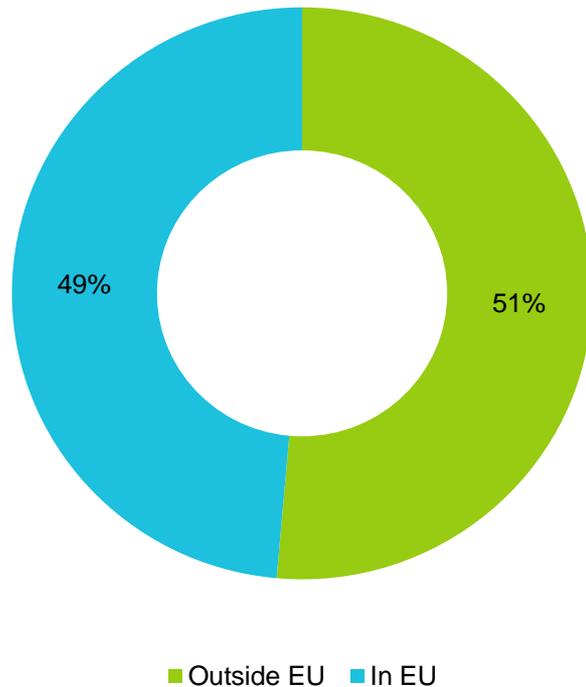
Paint consumption on Tikkurila's markets, liters per capita



Source: Tikkurila, market data

In good position to grow further in Russia, other CIS Countries and CEE countries

Tikkurila's production capacity



Production and raw materials

- 11 production facilities in 8 countries
- Local production increases flexibility, clear advantage especially during unstable market conditions
- Production of water-borne products increasing; ~70% of production
- Raw material prices affected mainly by oil prices, supply capacity and currencies
- ~75% of raw materials from western suppliers, in Russia ~50% of raw materials from local suppliers
- Chemical legislation sets restrictions on paint import to the EU region from the third countries

Investor and media contacts



Erkki Järvinen
President and CEO



Jukka Havia
CFO



Minna Avellan
Manager, Investor Relations
minna.avellan@tikkurila.com
Tel. +358 40 533 7932



Thank you!

