



Interim Report for January–March 2014

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Erkki Järvinen, President & CEO, and
Jukka Havia, CFO

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

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**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

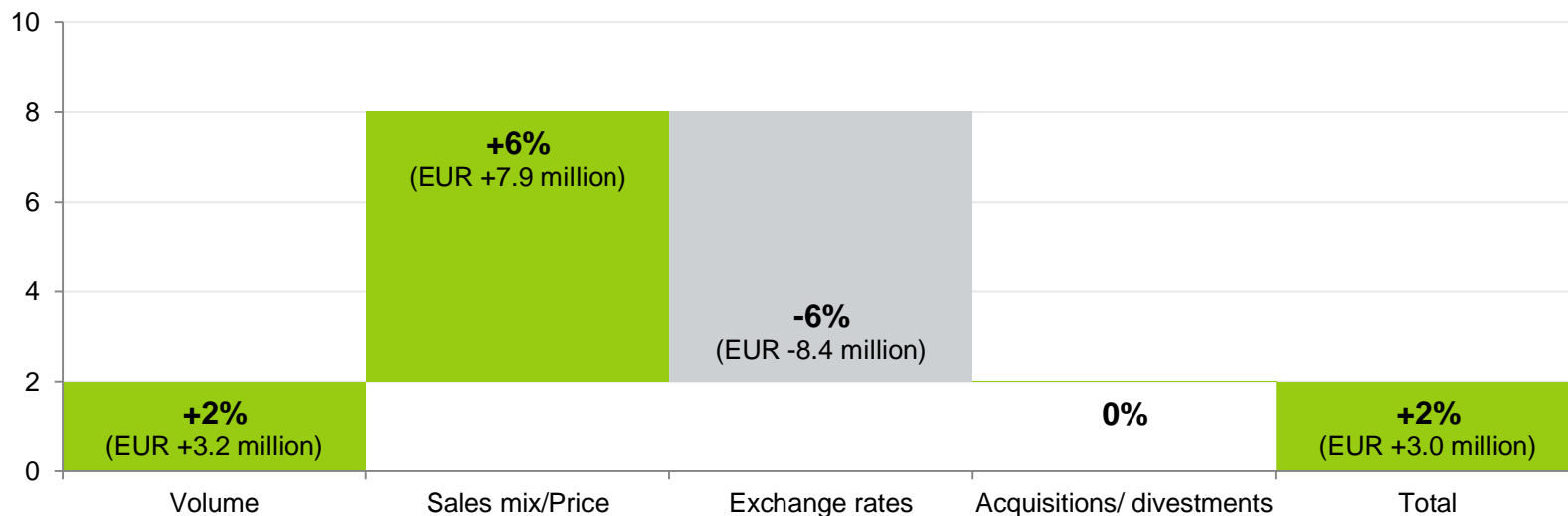
EUR million	1-3/2014	1-3/2013	Change %	2013
Revenue	141.5	138.4	2.2%	653.0
EBIT excluding non-recurring items	13.0	10.1	28.5%	72.6
EBIT excluding non-recurring items, %	9.2%	7.3%		11.1%
EBIT	13.8	10.2	35.0%	71.5
EBIT, %	9.8%	7.4%		10.9%
EPS, EUR	0.17	0.15	11.2%	1.14
ROCE, %, rolling	25.4%	22.6%		23.5%
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, headwinds from the exchange rates

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

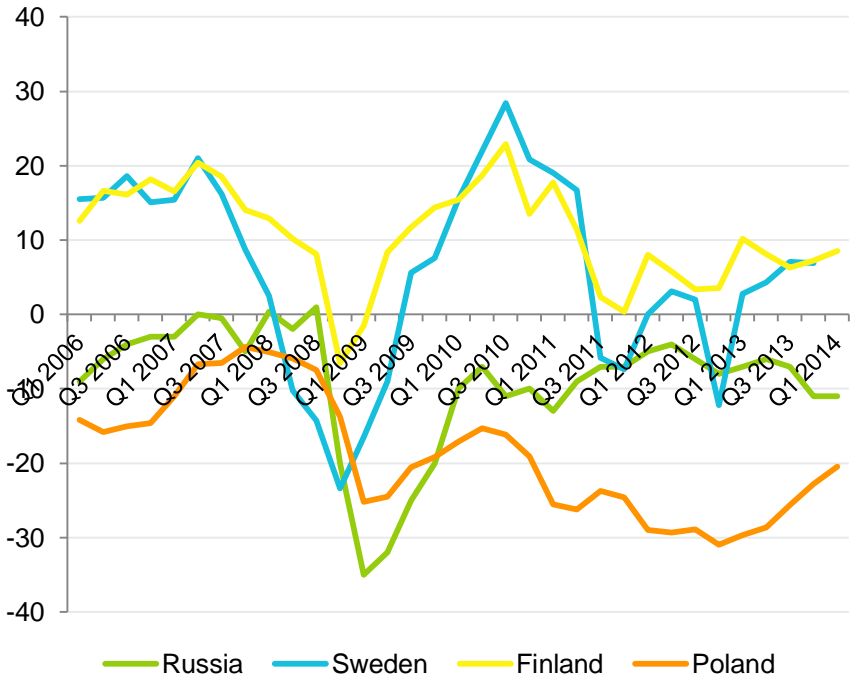
Group's revenue development 2014 vs. 2013

Increase/decrease, %



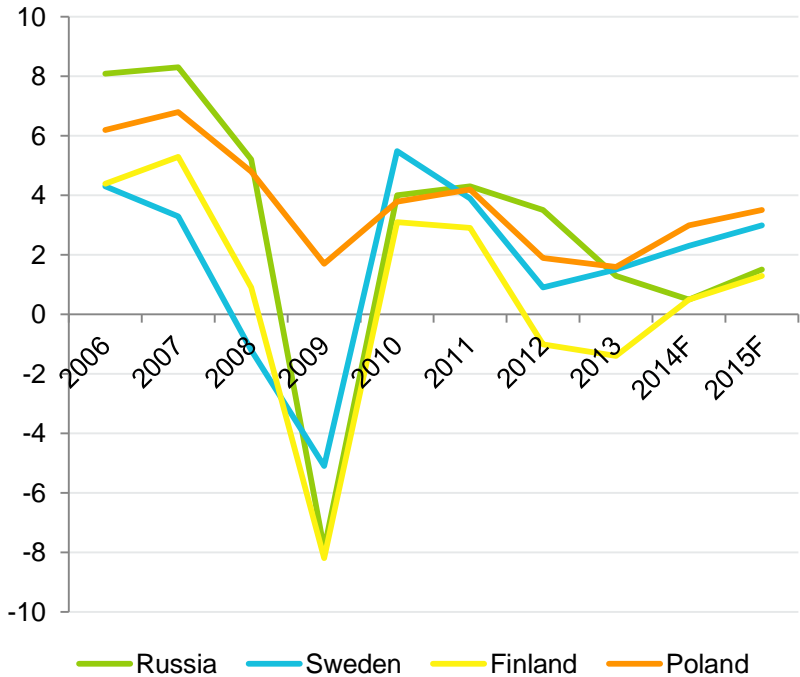
Weak positive signals in the macro environment, major country-specific differences

Consumer confidence



Source: Reuters

GDP development



Source: Several sources

Continuous improvement – acting according to the LEAN principles

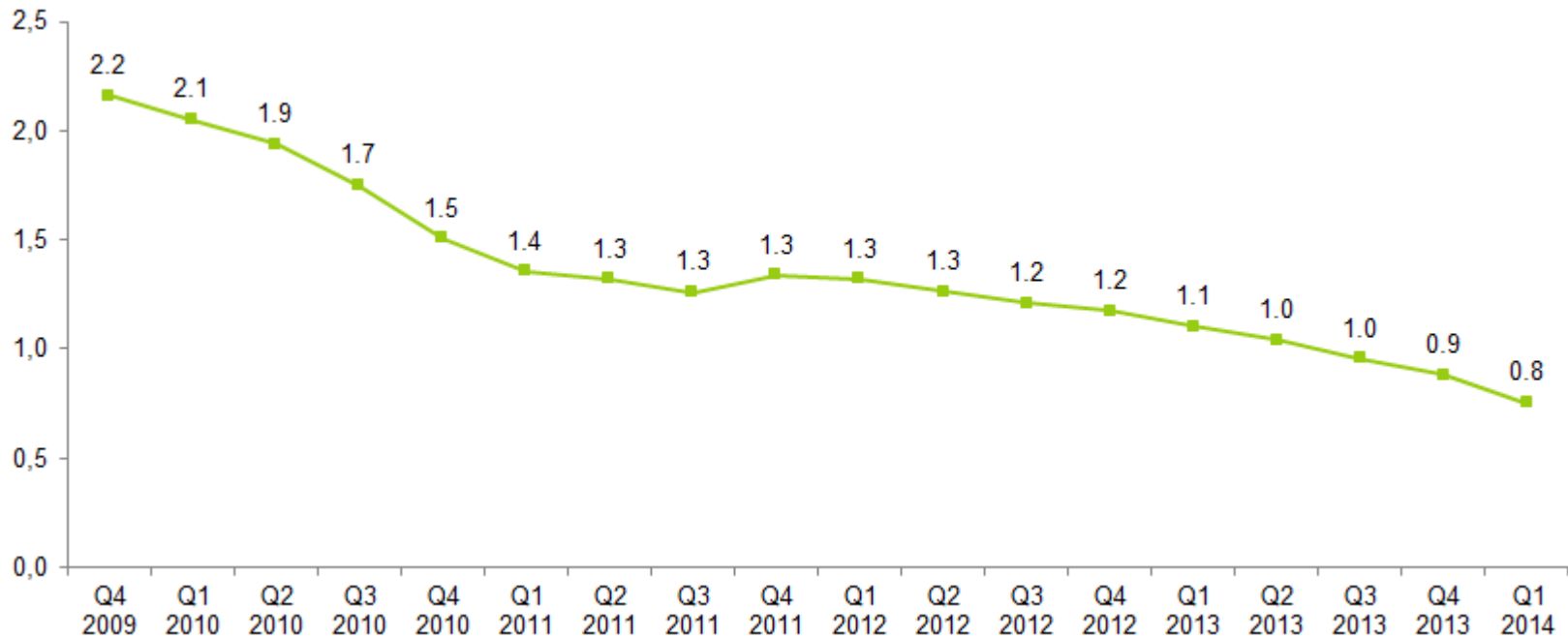
- Better productivity
- Lower production costs
- Bigger production batches
- Fewer different kinds of raw materials and SKUs
- Lower packaging costs

Productivity development 2010–2014
Index



Low net debt level in relation to EBITDA

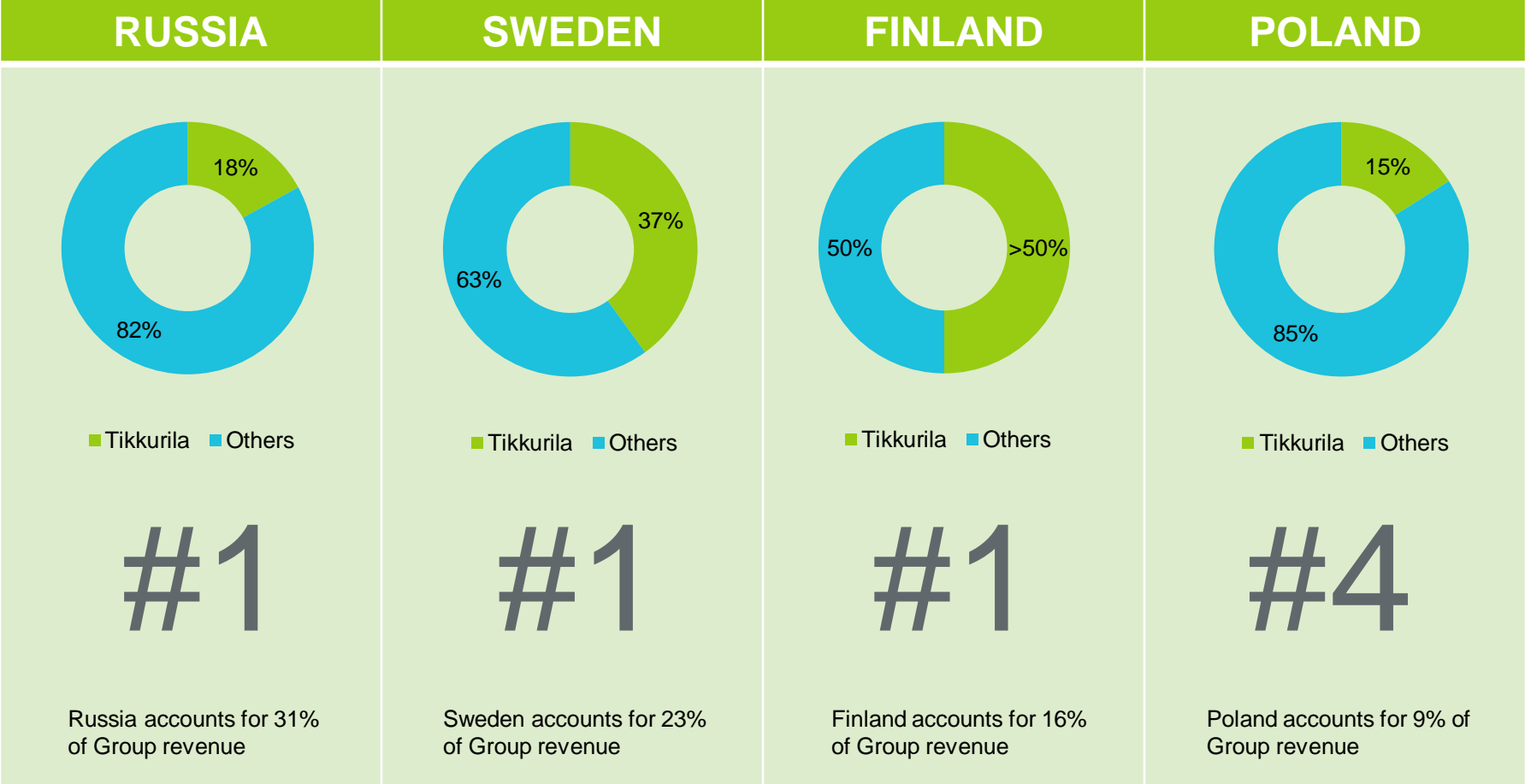
Net debt/EBITDA



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

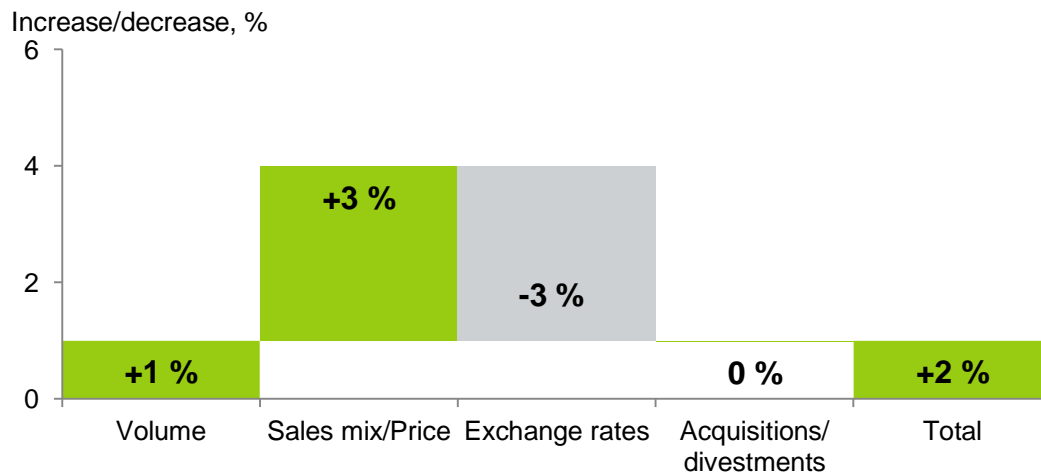
A woman with brown hair tied back, wearing a light-colored business shirt, is shown in profile from the chest up. She is looking out a window with a view of a bright, possibly outdoor scene. She is holding a yellow pen in her right hand. The background is a blurred office interior with a window and a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

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.

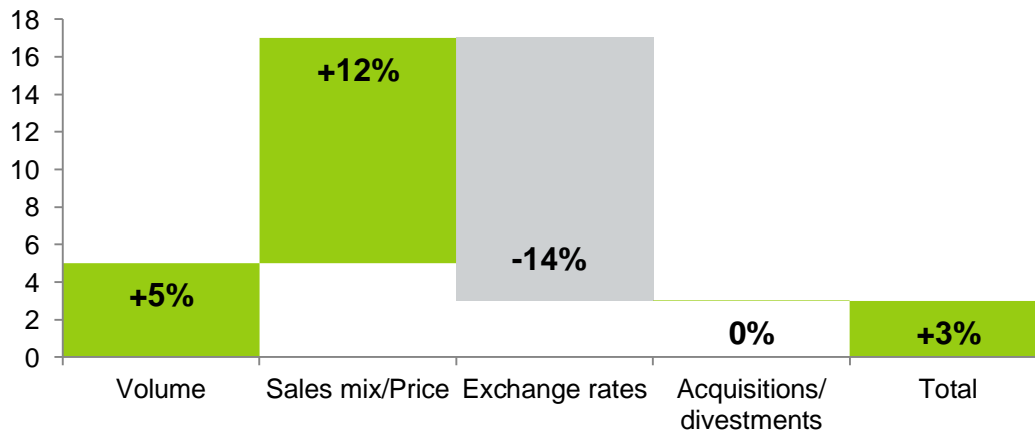
* Excluding non-recurring items

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



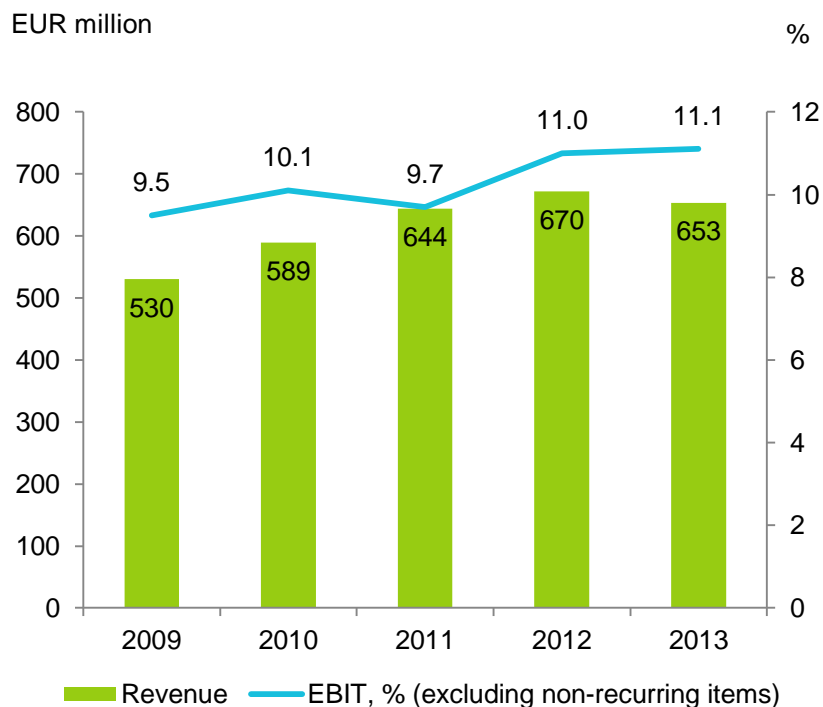
Conclusions

- 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.

Thank you!

