



TIKKURILA

Interim Report January-March 2015

Investor presentation



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
- Conclusions and outlook
- Appendix



TIKKURILA

Tikkurila in brief

Tikkurila in brief

Our end-customers



Consumers



Professionals



Industry

#1

Market position in key markets* in decorative paints

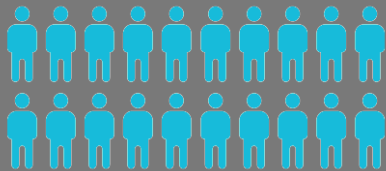
50%

Balanced geographical presence between mature and emerging markets

Our goal is to provide the best user experience

Operations in 16 countries

Production in 9 countries



More than
3,100 employees



*Russia, Sweden, Finland, the Baltic countries
Tikkurila is #4 in Poland

Our end-customers



Consumers (DIY)



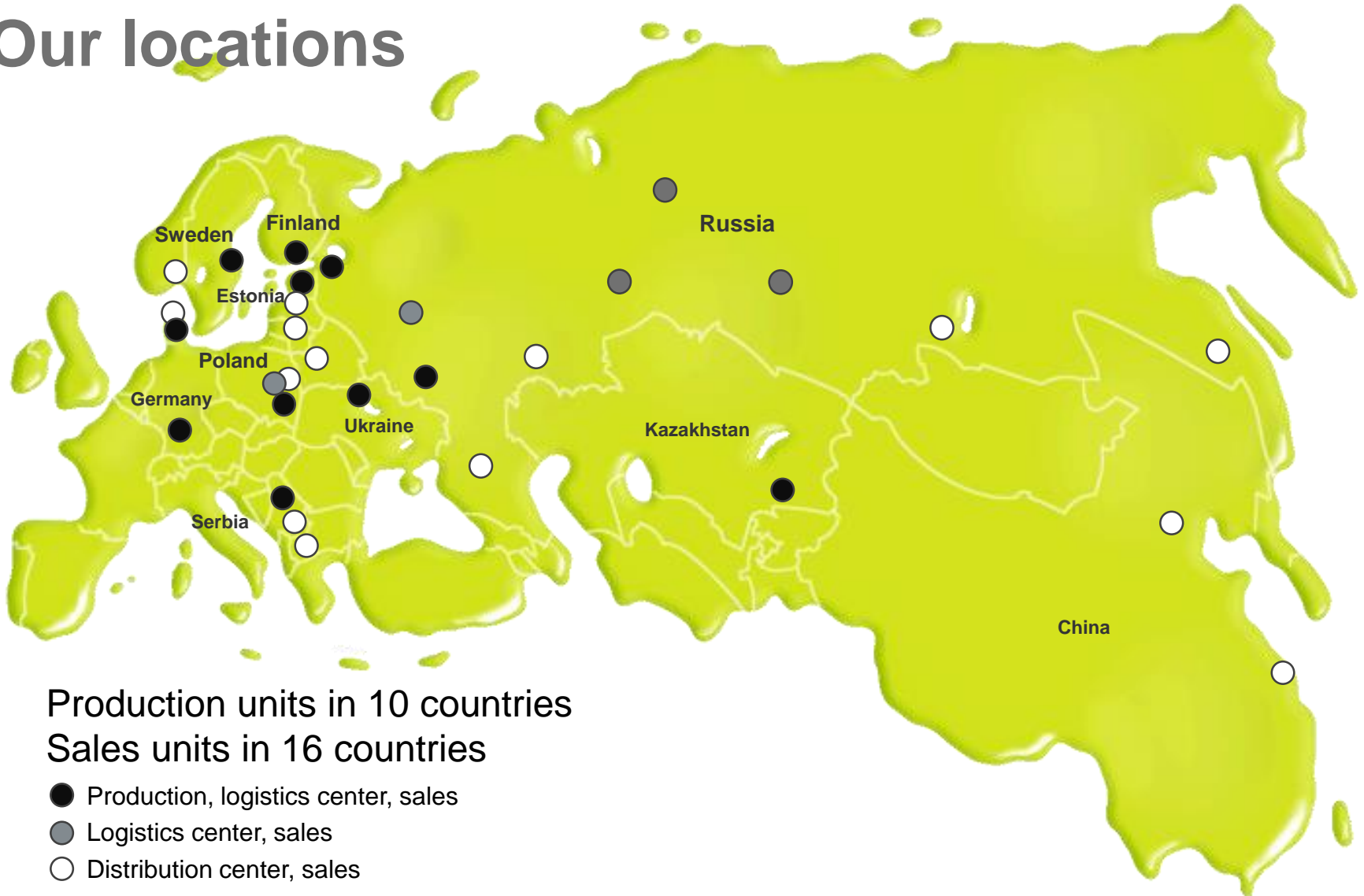
Professional painters



Industry

*Tikkurila estimate

Our locations

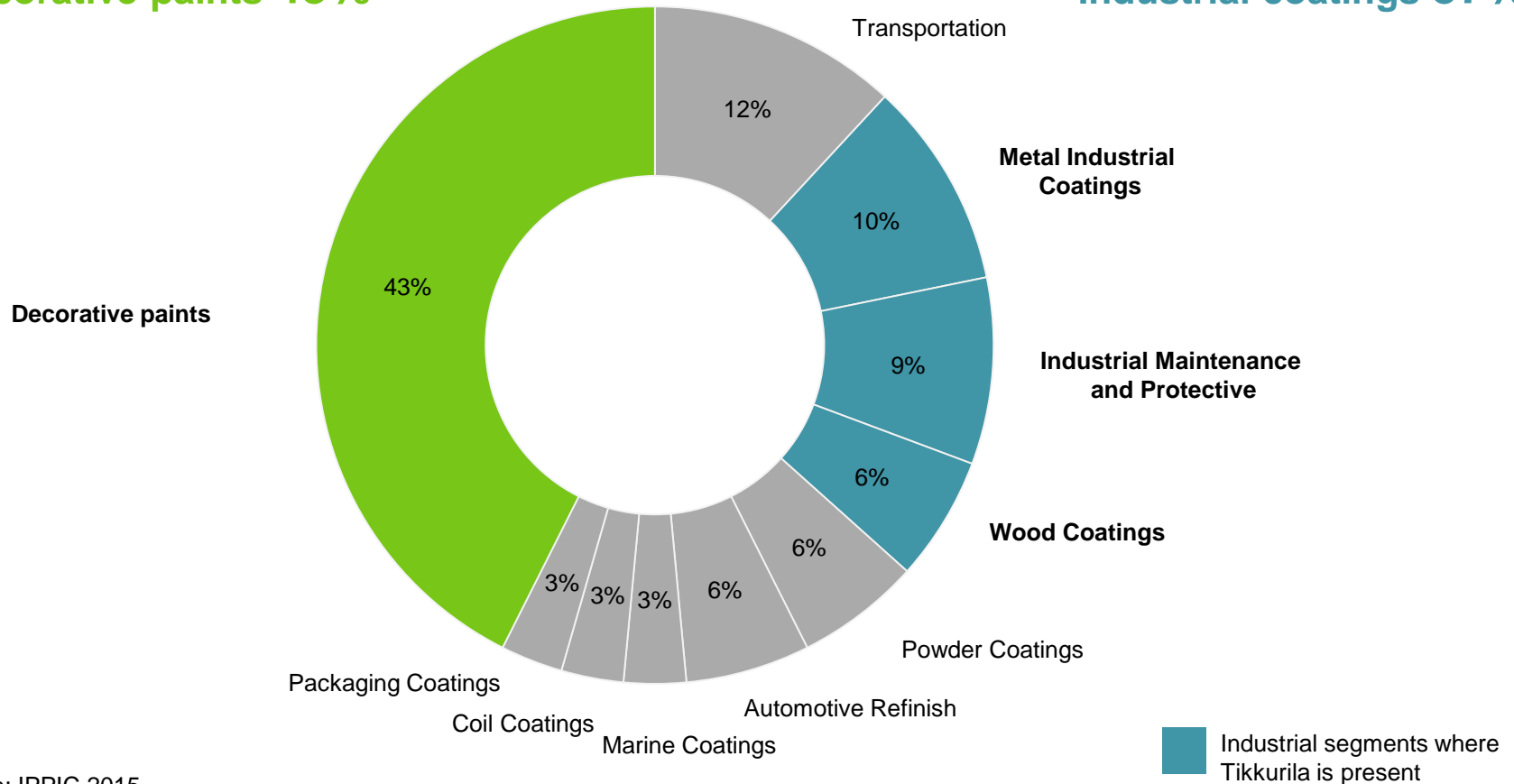




Value of the global paints and coatings market; USD ~130 billion

Decorative paints 43%

Industrial coatings 57%



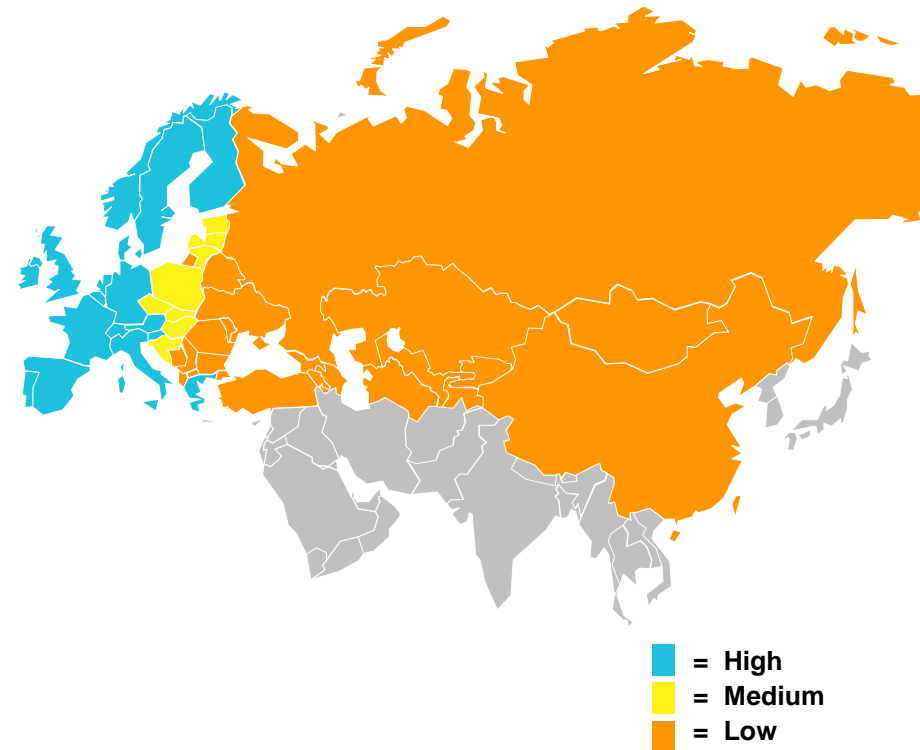
Source: IPPIC 2015

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*



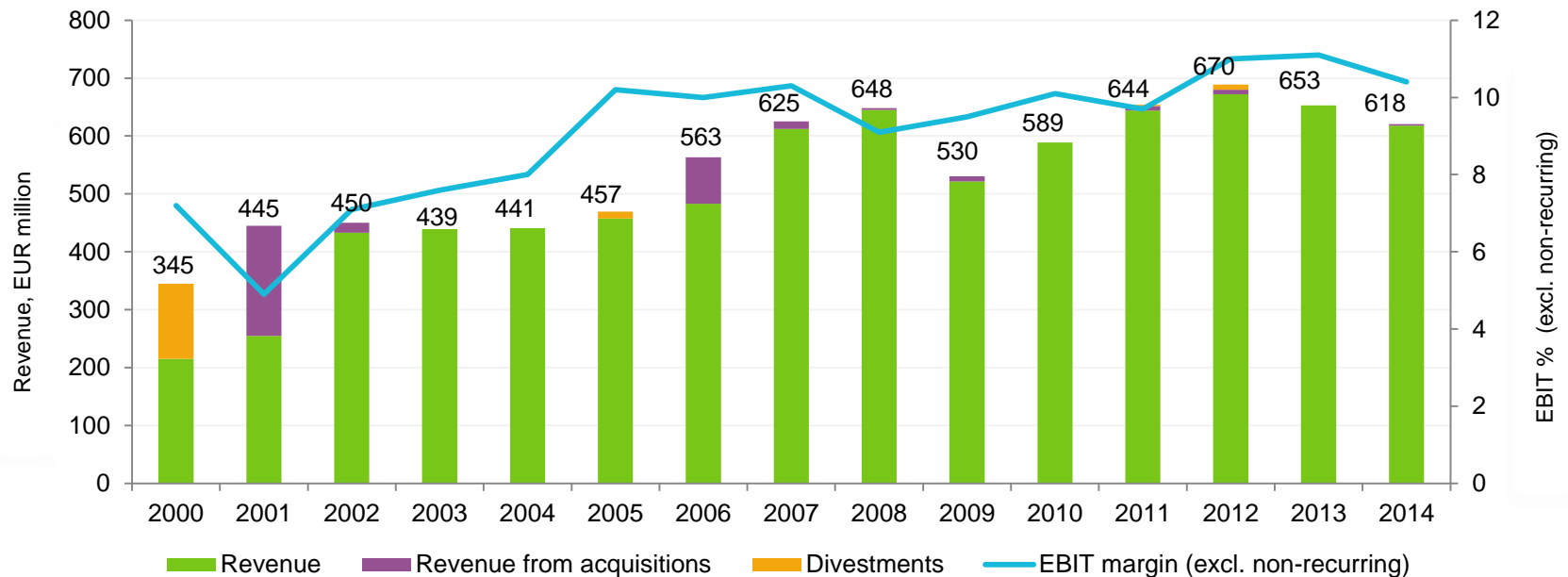
* Paint consumption source: Management estimates, IPPIC

Long term financial development

Development of sales and profitability 2000–2013

Major acquisitions and divestments

<p>Sale of tinting business in 2000 (Revenue ~MEUR 130)</p>	<p>Acquisition of Alcro-Beckers in 2001 (Revenue ~MEUR 190)</p>	<p>Acquisition of Kraski Tekes in 2006 (Revenue ~MEUR 80)</p>	<p>Acquisition of Zorka Color in 2011 (Revenue ~MEUR 16)</p>
---	---	---	--



Financial targets for 2018

- Revenue of EUR 1 billion
- Operating EBIT >12%
- Operative return on capital employed (ROCE) >20%
- Gearing <70%
- Dividend policy: Target is to pay at least 40 % of annual operative net income as dividends

	Historical performance							
	2007	2008	2009	2010	2011	2012	2013	2014
Revenue	625	648	530	589	644	670	653	618
EBIT, % ¹	10.3%	9.1%	9.5%	10.1%	9.7%	11.0%	11.1%	10.4%
ROCE	24.5%	18.7%	15.7%	19.2%	19.4%	21.0%	23.5%	22.9%
Gearing	135.3%	208.5%	90.0%	41.4%	51.9%	40.6%	23.4%	24.6%
Dividend payout; share of operative net income, %				84% (EUR 0.70 per share)	88% (EUR 0.73 per share)	72% (EUR 0.76 per share)	69% ² (EUR 0.80 per share)	73 % (EUR 0.80 per share)

1) Excluding non-recurring items

Tikkurila's strategy

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





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

Distribution channels



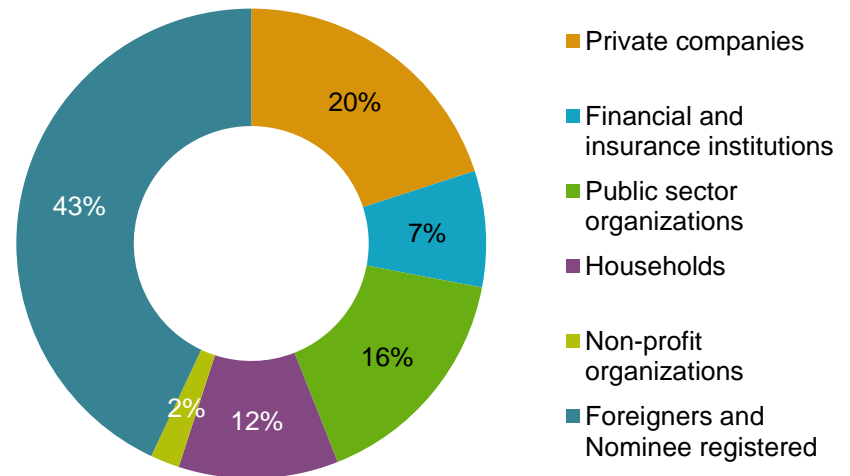
* Only in some markets

** Big boxes, specialized paint shops

Tikkurila's ownership at the end of March 2015

- Number of shareholders ~21,300
- Foreign ownership in Tikkurila has increased strongly
- Largest shareholders: Oras Invest Oy (18.1%), Ilmarinen (8.4%) and Varma (5.7%)
- 50 largest shareholders holding ~45%

Tikkurila's ownership structure on March 31, 2015





TIKKURILA

Development during the review period

First quarter highlights

- Euro-denominated revenue decreased by 6 % due to weak foreign exchange rates. Revenue increased in local currencies due to sales price hikes
- Sales volumes decreased slightly. In Sweden, the pre-deliveries of exterior paints got off to a good start, whereas in Russia demand deteriorated
- Relative profitability was on a record-high level due to lower euro-denominated fixed costs due to the weak Russian ruble
- Cash flow was weakened by the increase in working capital (mainly due to differences in timing)

Review period key figures

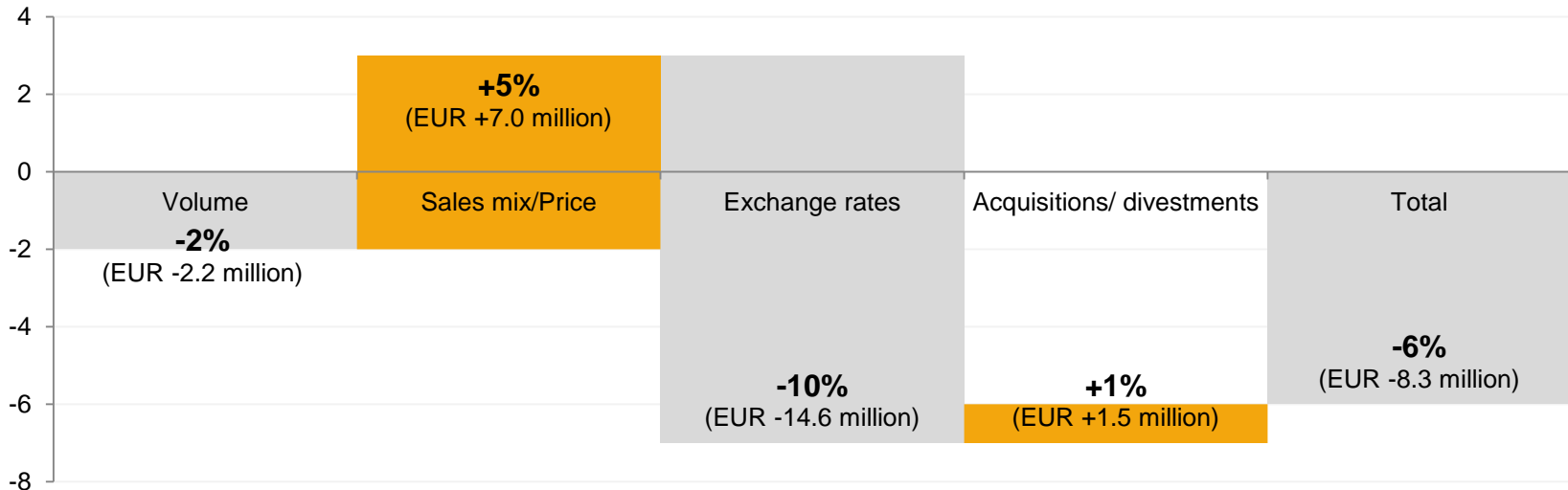
EUR million	1-3/2015	1-3/2014	Change %	2014
Revenue	133.2	141.5	-5.8%	618.4
EBIT excluding non-recurring items	15.3	13.0	17.6%	64.2
EBIT excluding non-recurring items, %	11.5%	9.2%		10.4%
EBIT	15.2	13.8	10.4%	63.7
EBIT, %	11.4%	9.8%		10.3%
EPS, EUR	0.30	0.17	81.7%	1.10
ROCE, %, rolling	23.5%	25.4%		22.9%
Cash flow after capital expenditure	-13.6	-4.8	-182.2%	49.9
Net interest-bearing debt at period-end	57.3	53.8	6.5%	47.4
Gearing, %	32.8%	30.6%		24.6%
Equity ratio, %	39.4%	39.1%		49.5%
Personnel at period-end	3,215	3,186	0.9%	3,142

Weak ruble had a significant negative impact on the euro-denominated revenue

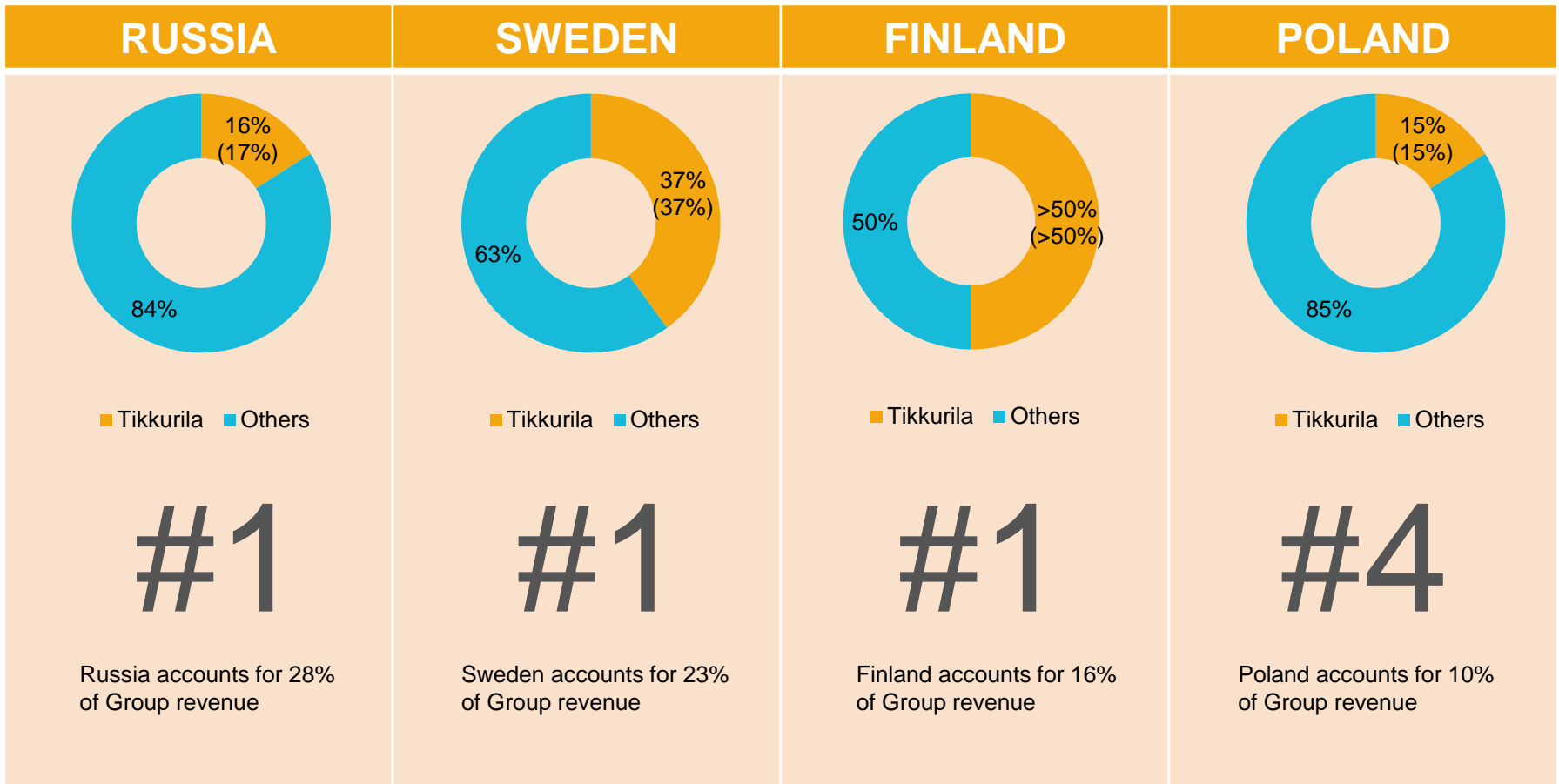
EUR million	1-3/2015	1-3/2014	Change %
Revenue	133.2	141.5	-5.8%

Group's revenue development Q1/2015 vs. Q1/2014

Increase/decrease, %



Tikkurila market shares in decorative paints in key markets in 2014



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



TIKKURILA

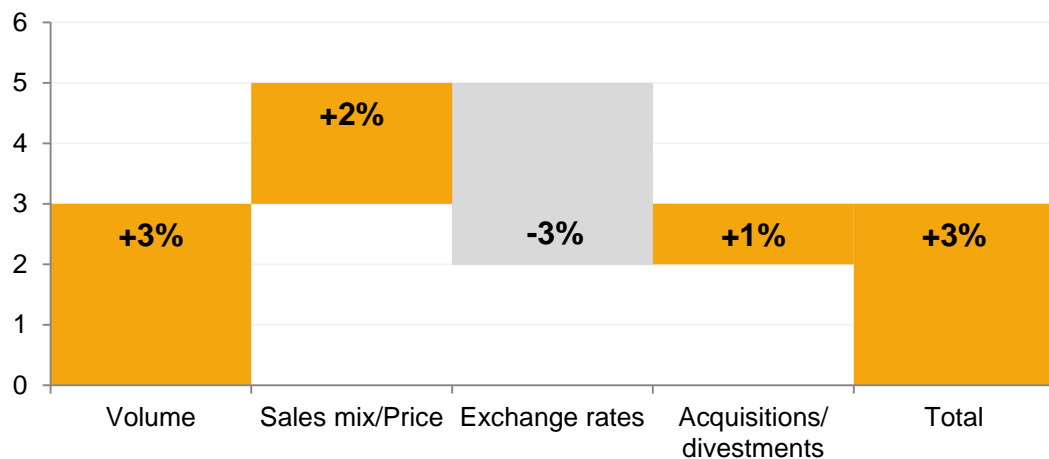
Strategic Business Units

SBU West Q1/2015

EUR million	1-3/2015	1-3/2014	Change %
Revenue	102.2	98.8	3.4%
EBIT*	16.9	15.3	10.6%
EBIT*, %	16.6%	15.5%	

Revenue development Q1/2015 vs. Q1/2014

Increase/decrease, %



* excl. non-recurring items

Highlights Q1/2015

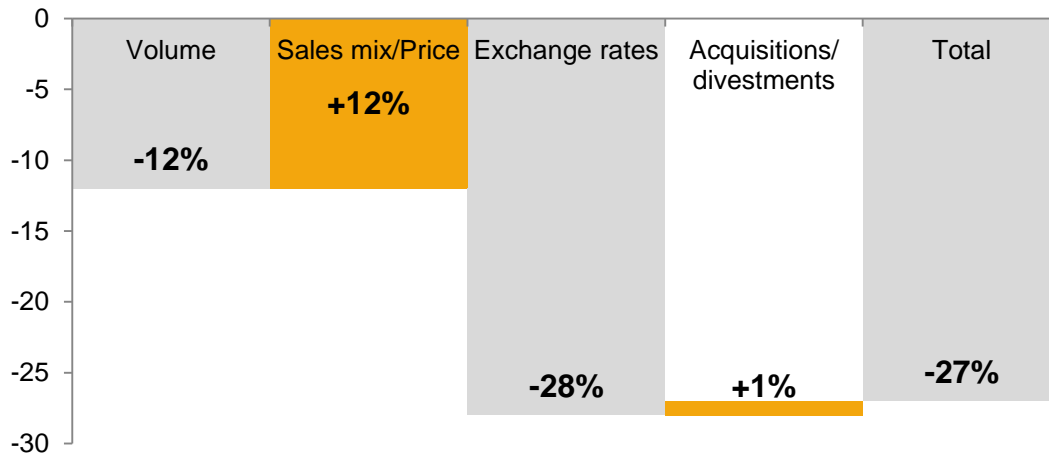
- Sales volumes increased in Sweden
- Sales prices were increased in Sweden, favorable sales mix development continued in Poland
- Increase in revenue and favorable sales mix development improved profitability

SBU East Q1/2015

EUR million	1-3/2015	1-3/2014	Change %
Revenue	31.0	42.6	-27.2%
EBIT*	0.1	-1.6	106.7%
EBIT*, %	0.3%	-3.7%	

Revenue development Q1/2015 vs. Q1/2014

Increase/decrease, %



* excl. non-recurring items

April 2015

Highlights Q1/2015

- Particularly the weak Russian ruble decreased the euro-denominated revenue
- Prices of decorative paints were increased in Russia in late January
- Plummeted Russian consumer confidence and deteriorated purchasing power decreased paint demand
- Profitability was improved by the lower euro-denominated fixed costs due to the weak Russian ruble

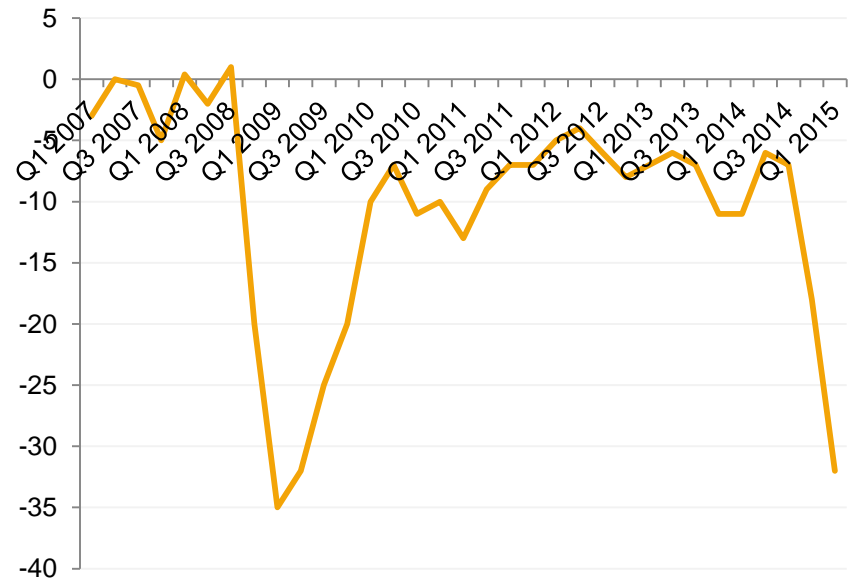
Ruble strengthened, consumer confidence decreased

EUR RUB exchange rate



- Russian ruble has been clearly strengthening in the spring from the situation at year-end

Russian consumer confidence



- Consumer confidence plummeted during the first quarter of the year



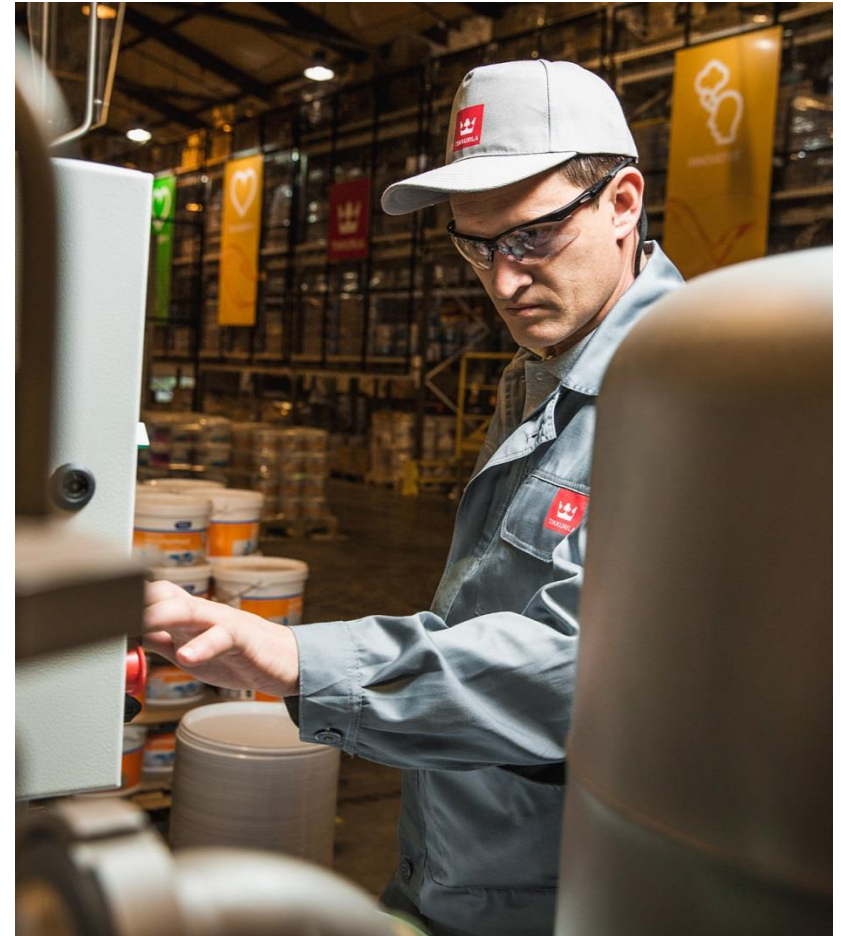
Small production unit established in Kazakhstan

- Tikkurila's new unit produces a limited range of water-borne decorative paints to meet local market needs.
- Local production will enable us to grow our business in Kazakhstan and the surrounding regions.
- Tikkurila, which is the market leader in Kazakhstan in premium products, is the first Western paint producer starting local production in the country.



Piloting a novel production concept

- Small production unit can be adjusted to match demand and customer needs (current capacity totals some 2 million liters)
- Designed to enable the quick launch of production in a new market
- Low initial investment costs and efficient operating model
- Risks associated with entering a new market are smaller
- Closed-loop production process





TIKKURILA

Conclusions and outlook

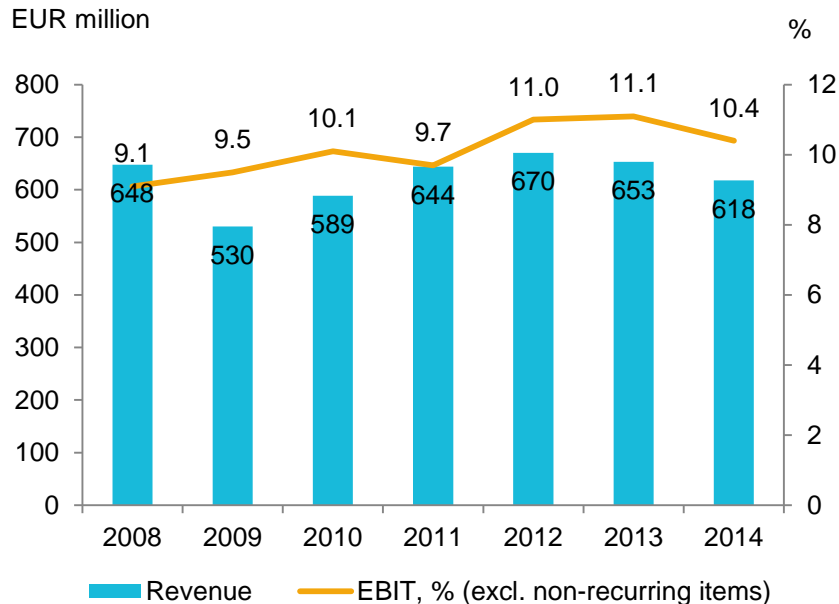
Conclusions

- Revenue increased in local currencies
- Profitability development was strong due to lower euro-denominated fixed costs
- Ruble strengthened clearly from the year-end, otherwise the outlook for Russia remains gloomy. Cautious recovery could be seen in the west
- Measures to boost sales volumes will be continued in all market areas



Guidance for 2015 intact

Revenue and profitability of Tikkurila 2008–2014



Outlook and guidance for 2015

The geopolitical tensions, low oil prices and the weak ruble will make a difficult operating environment for 2015. The Russian economy is anticipated to weaken considerably, and the EU region is expected to see a slow recovery. The demand for paint is anticipated to reduce in Russia, with a relative increase expected in the market share of the lower price and quality grade products. Demand in the EU region is expected to remain close to last year's level. Tikkurila will increase sales prices mainly in Russia to partly, not fully, compensate for the effects of the weak ruble. As in the previous years, Tikkurila will continue investing in sales and marketing in order to strengthen its market position. The level of costs is being continuously monitored.

Tikkurila expects its revenue and EBIT excluding non-recurring items for the financial year 2015 to be below the 2014 level.



TIKKURILA

Appendix

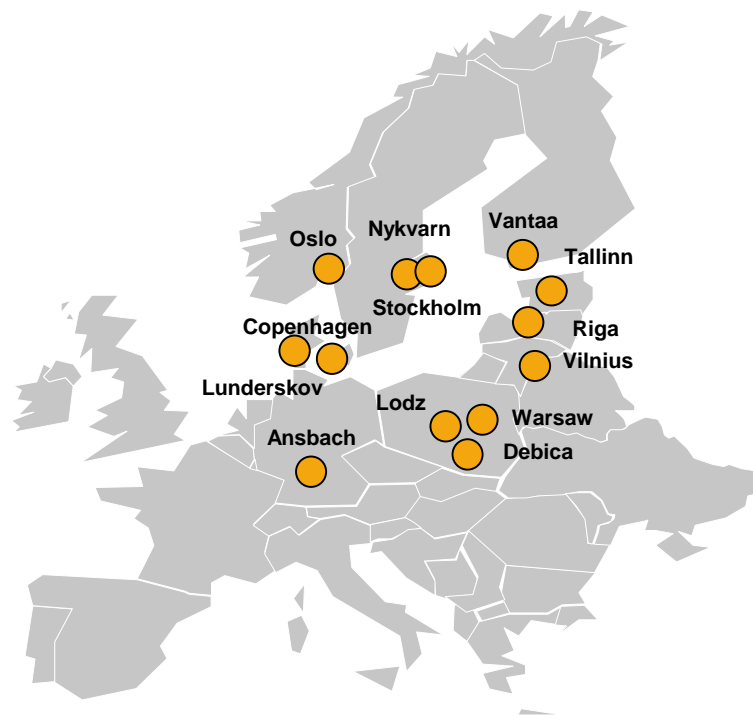
Tikkurila Strategic Business Units (SBU)

	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	Nykvarn, 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
2014 revenue	EUR 382.5 million, 62% of Group
EBIT 2014 ¹⁾	EUR 45.8 million, 68% of Group ²⁾
Employees	1,606 (at year-end)
Production sites	Nykvarn, 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 Maailinja 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 Nykvarn Sweden</p> <p>2009 Avatint tinting system launched</p> <p>2012 Divestment of subsidiaries in Hungary, Czech Republic, Slovakia, and Romania</p> <p>2014 Acquisitions of ISO Paint Nordic and KEFA Drytech</p>

SBU West 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.
2014 revenue	EUR 236.0 million, 38% of Group
EBIT 2014 ¹⁾	EUR 21.3 million, 32% of Group ²⁾
Employees	1,505 (at year-end)
Production sites	St. Petersburg, Russia (3) Stary Oskol, Russia Kiev, Ukraine Šabac, Serbia


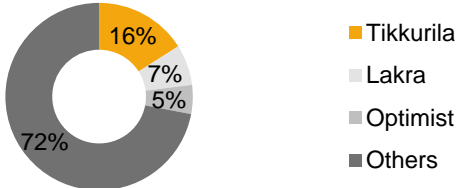
Development in SBU East

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

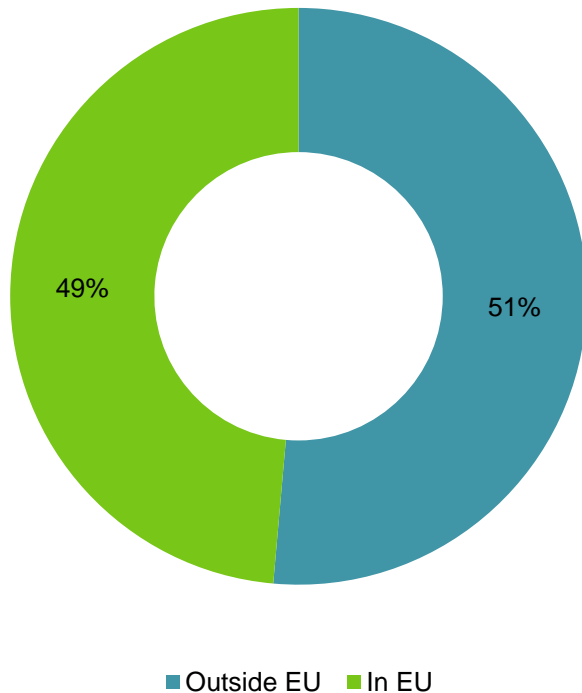
Tikkurila in Russia

2014 revenue	EUR 176 million, 28% 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 good position to grow further in our operating area

Tikkurila's production capacity



Production and raw materials

- 14 production facilities in 10 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



TIKKURILA

TIKKURILA INSPIRES YOU
TO COLOR YOUR LIFE.™