



TIKKURILA

Interim Report January-March 2015

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

April 29, 2015



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

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

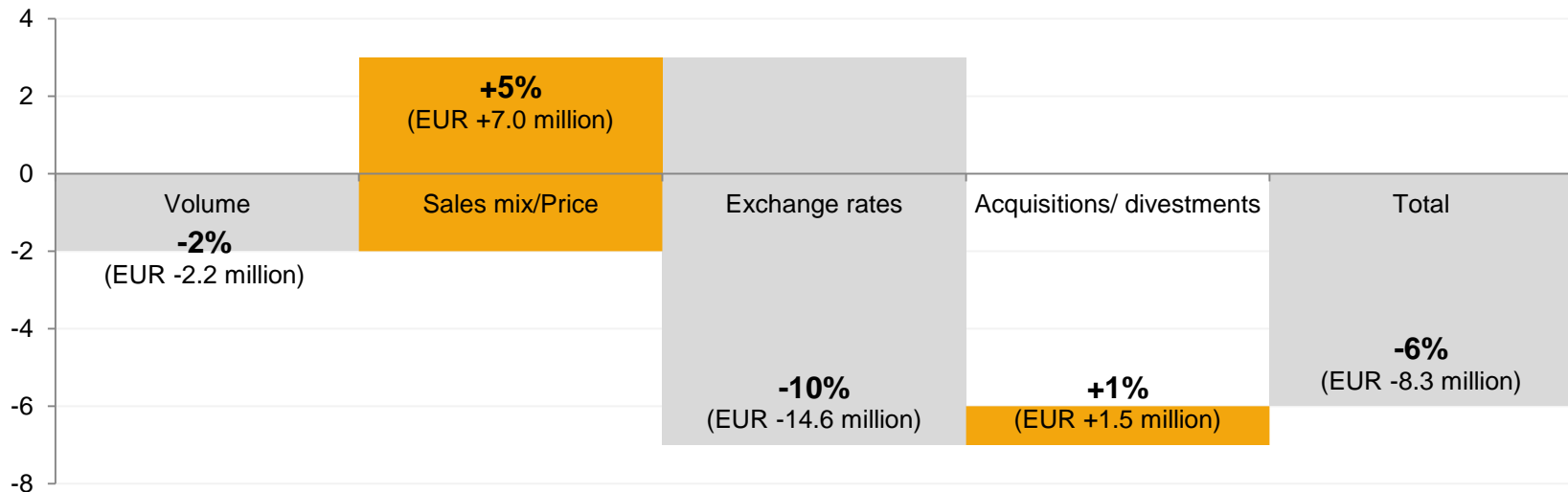
| EUR million | 1-3/2015 | 1-3/2014 | Change % | 2014 |
|---|--------------|----------|----------|-------|
| Revenue | 133.2 | 141.5 | -5.8% | 618.4 |
| EBIT excluding non-recurring items | 15.3 | 13.0 | 17.6% | 64.2 |
| EBIT excluding non-recurring items, % | 11.5% | 9.2% | | 10.4% |
| EBIT | 15.2 | 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

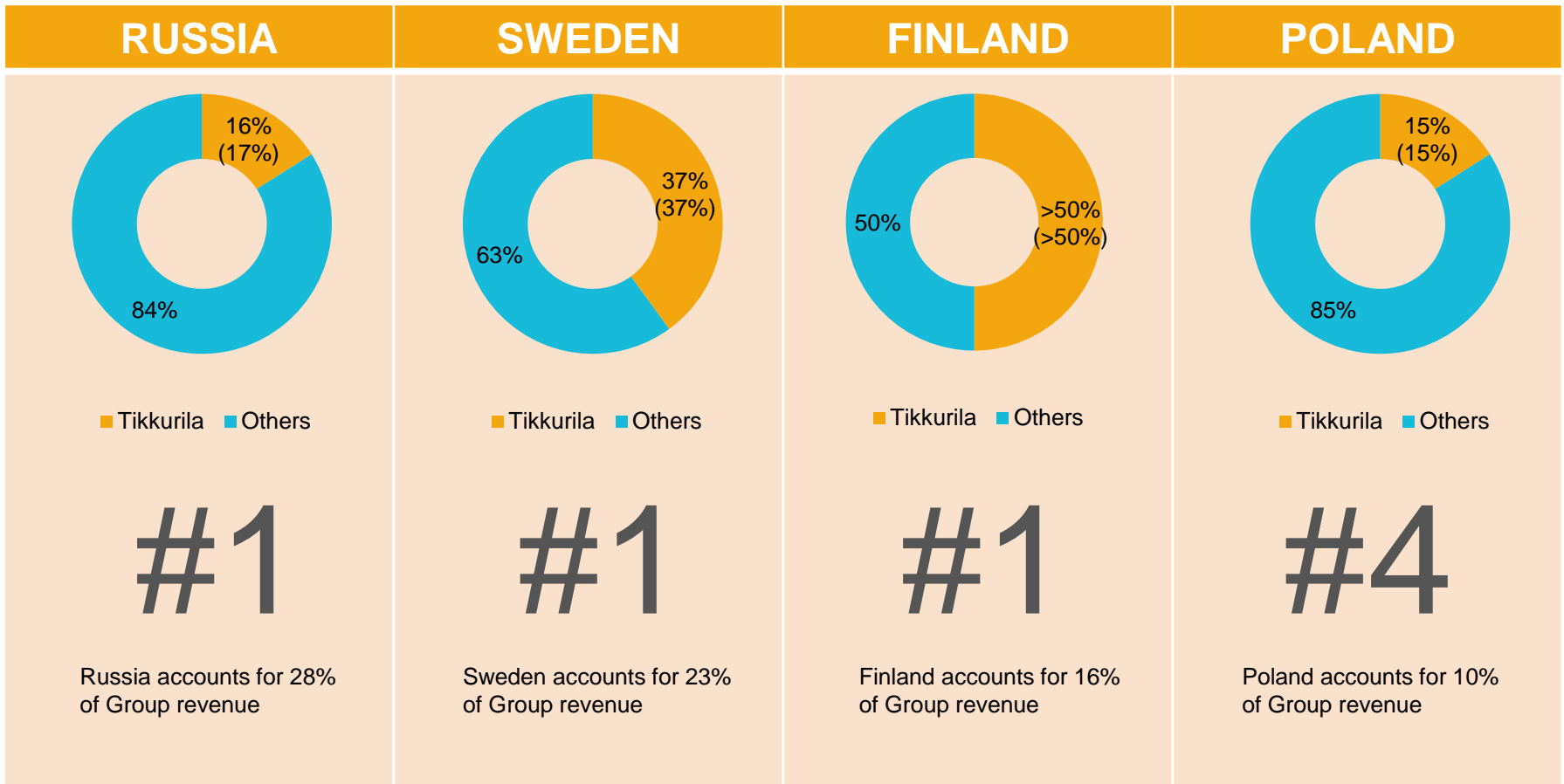
| EUR million | 1-3/2015 | 1-3/2014 | Change % |
|-------------|--------------|----------|----------|
| Revenue | 133.2 | 141.5 | -5.8% |

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)



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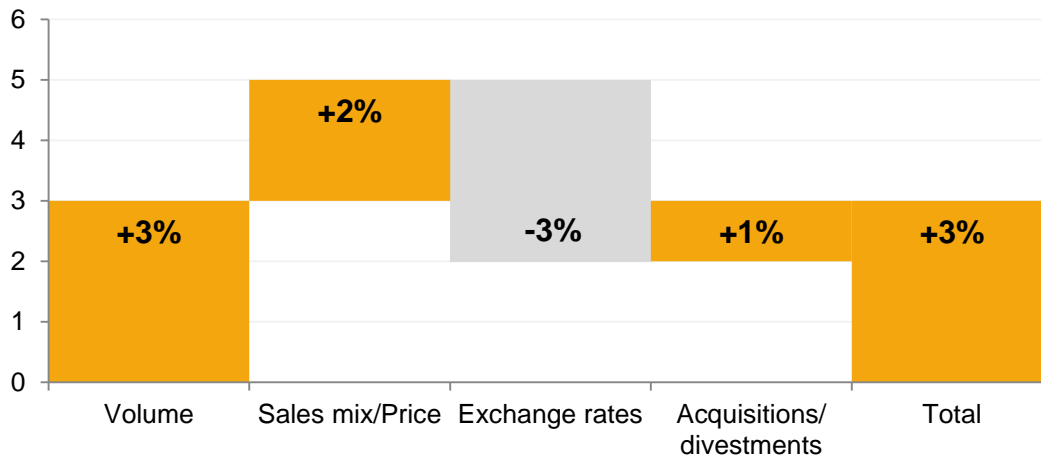
Strategic Business Units

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, %



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

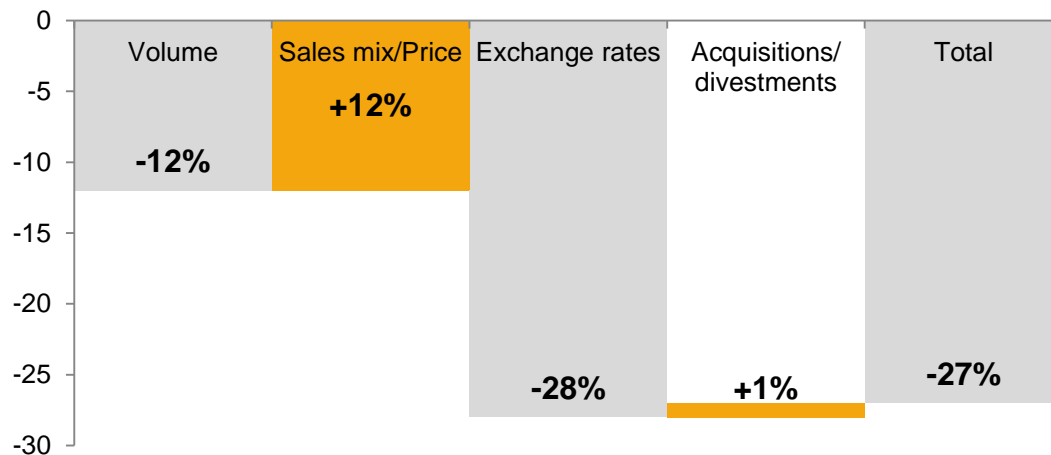
* excl. non-recurring items

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

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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

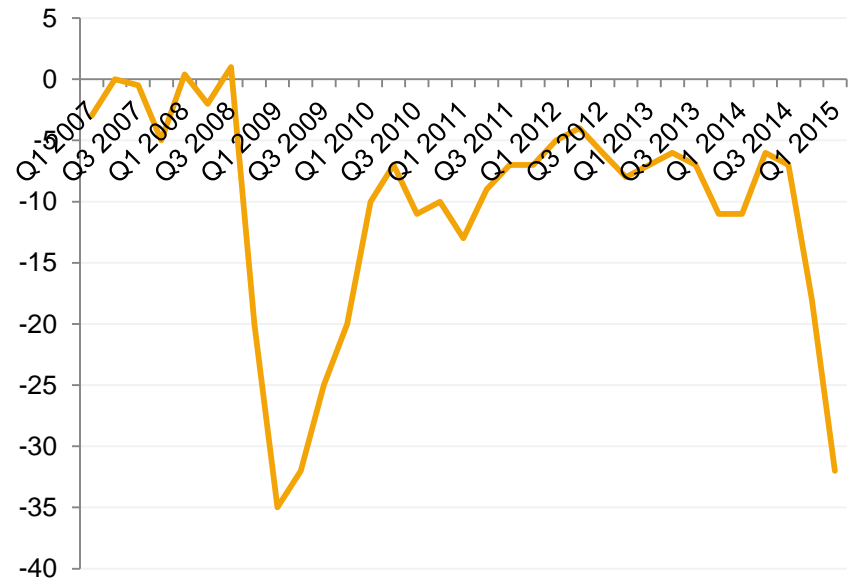
Ruble strengthened, consumer confidence decreased

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



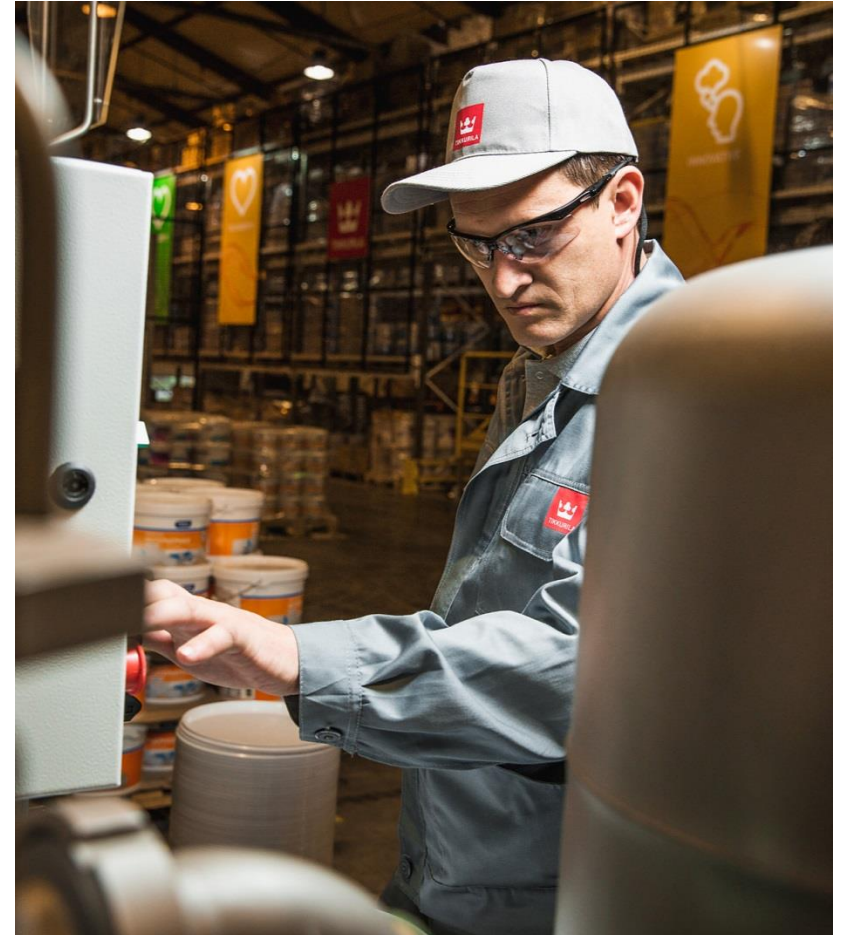
Small production unit established in Kazakhstan

- 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





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Conclusions and outlook

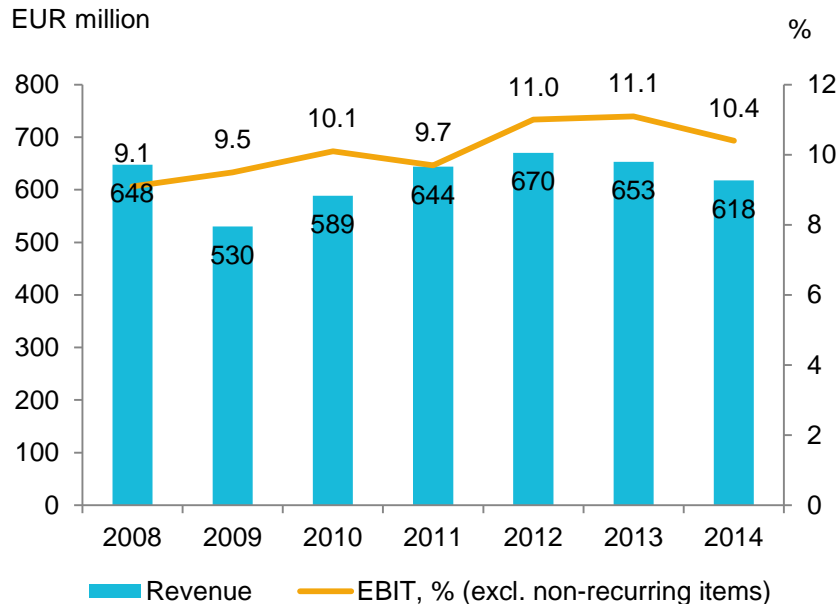
Conclusions

- 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.



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