



Power of colors since 1862

Tikkurila Annual General Meeting on April 6, 2016
Erkki Järvinen, President and CEO



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

- Year 2015 in brief
- Strategy
- Outlook for 2016



Year 2015 in brief



Full-year highlights

Development 2015 vs. 2014

- Weak exchange rates and particularly the Russian ruble had a significant negative impact on the euro-denominated revenue
- In Russia, demand was weaker than in the previous year. Good development continued in Sweden, Poland, and China, in particular
- Decrease in revenue and weak currencies had a negative impact on profitability. Cost management was strict. However, sales and marketing investments were continued according to plan
- EPS decreased due to exchange rate changes
- Cash flow was negatively impacted by lower profitability, higher level of trade receivables due to the differences in the timing of sales, as well as inventory levels, which were increased in order to secure the service level

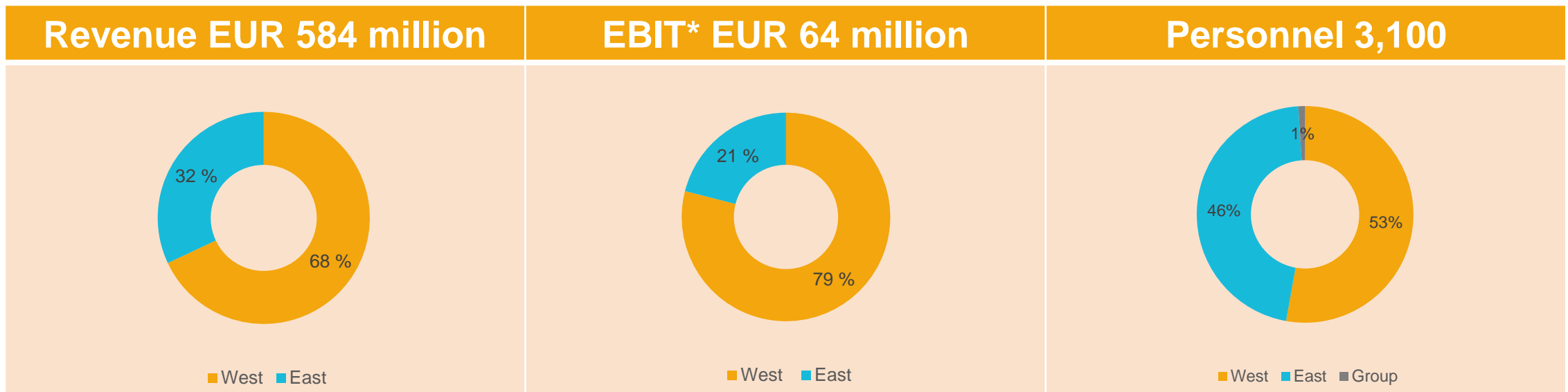
Key figures

EUR million	1-12/2015	1-12/2014	Change %
Revenue	584.1	618.4	-5.5%
EBIT excluding non-recurring items	58.9	64.2	-8.2%
EBIT excluding non-recurring items, %	10.1%	10.4%	
EBIT	61.7	63.7	-3.2%
EBIT, %	10.6%	10.3%	
EPS, EUR	0.94	1.10	-14.1%
ROCE, %, rolling	22.2%	22.9%	
Cash flow after capital expenditure	32.6	49.9	-34.5%
Net interest-bearing debt at period-end	46.2	47.4	-2.4%
Gearing, %	23.7%	24.6%	
Equity ratio, %	51.1%	49.5%	
Personnel at period-end	3,100	3,142	-1.3%



Tikkurila 2015

Our largest markets are Sweden, Russia, Finland, Poland and the Baltic countries. We have production in ten countries, and we are the leading decorative paint company in all our main markets. On the whole, our products are available in 40 countries. In 2015, Tikkurila's revenue totaled EUR 584 million, and it had 3,100 employees.



*Excl. non-recurring and Group items

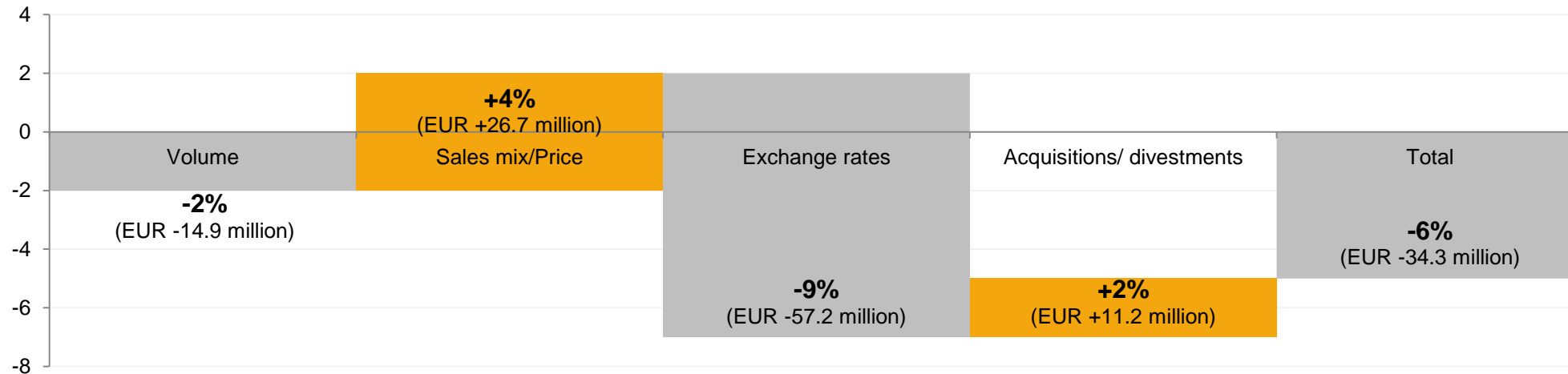


Slight increase in comparable revenue

EUR million	10–12/2015	10–12/2014	Change %	1–12/2015	1–12/2014	Change %
Revenue	103.4	104.4	-0.9%	584.1	618.4	-5.5%

Group's revenue development 2015 vs. 2014

Increase/decrease, %

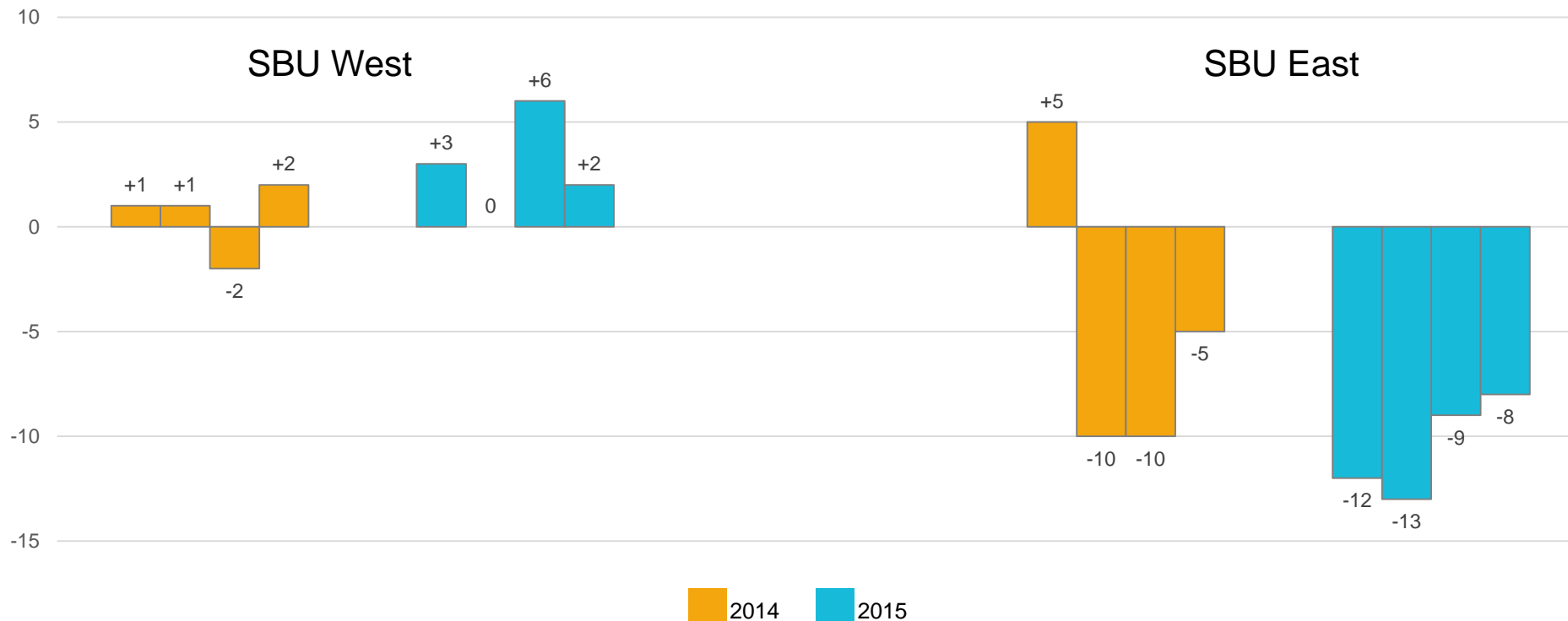


The figures on the graph above have been independently rounded to one decimal, which should be taken into account when calculating total figures.



Low but stable growth in the west, volumes dropping in the east

Sales volume development by quarter, % change from the comparison period





New Valtti products

Tikkurila's new Valtti Plus Kesto provides twice as long maintenance interval.

In addition, transparent pigments give better resistance to sun light and end-result than ordinary pigments.





Functional products

Tikkurila's functional products provide solutions for e.g. anti-condensation, energy saving, improving hygiene and fire protection.



Strategy



Tikkurila

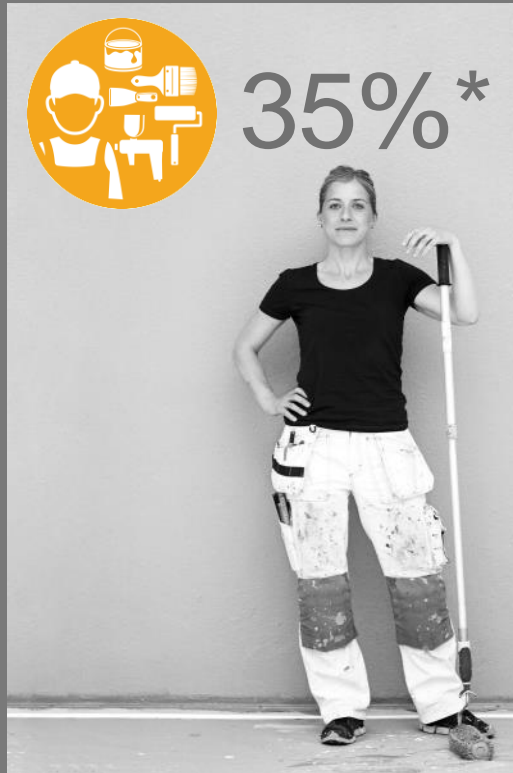
Tikkurila is the leading paints and coatings professional in the Nordic region and Russia. With our roots in Finland, we now operate in 16 countries. Our high-quality products and extensive services ensure the best possible user experience in the market.

Sustainable beauty since 1862.

Our end-customers



Consumers (DIY)



Professional painters



Industry

*Tikkurila estimate



We help our customers to succeed in surface protection and decoration



Inspiration



Ideas



Colors



Stores



Helpline



Internet



Training



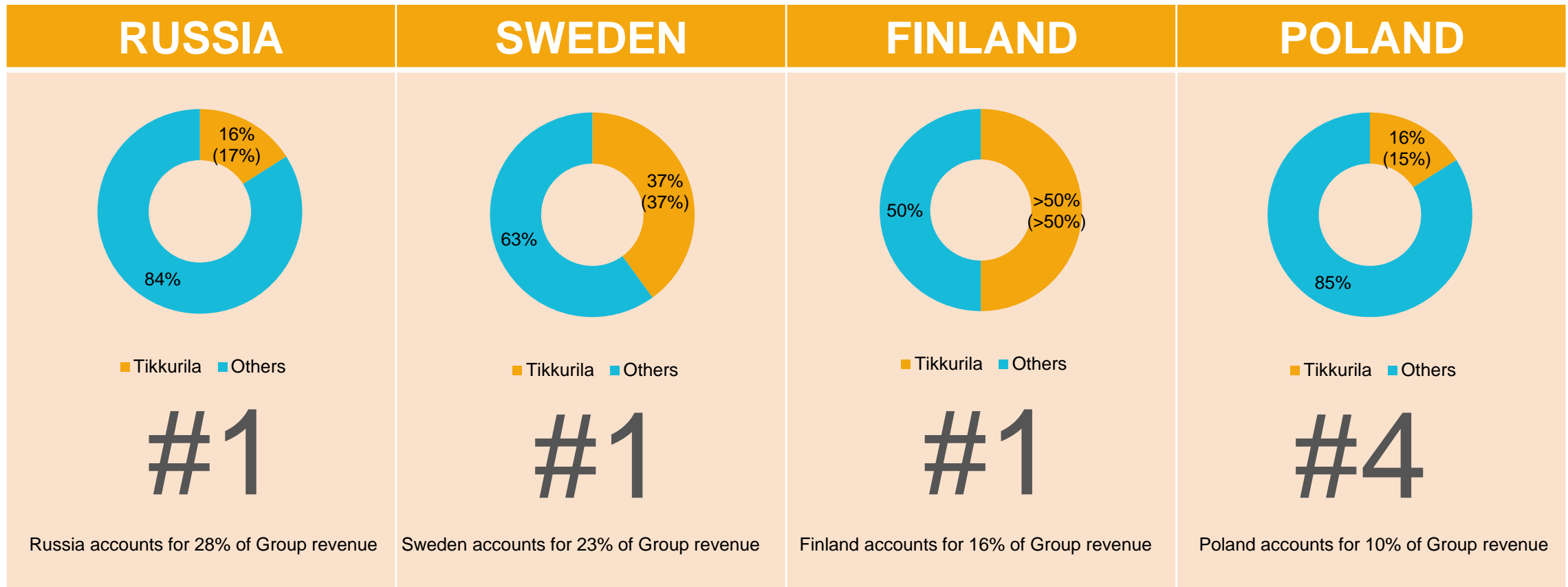
Designer Pool Contractor Pool



Professional services



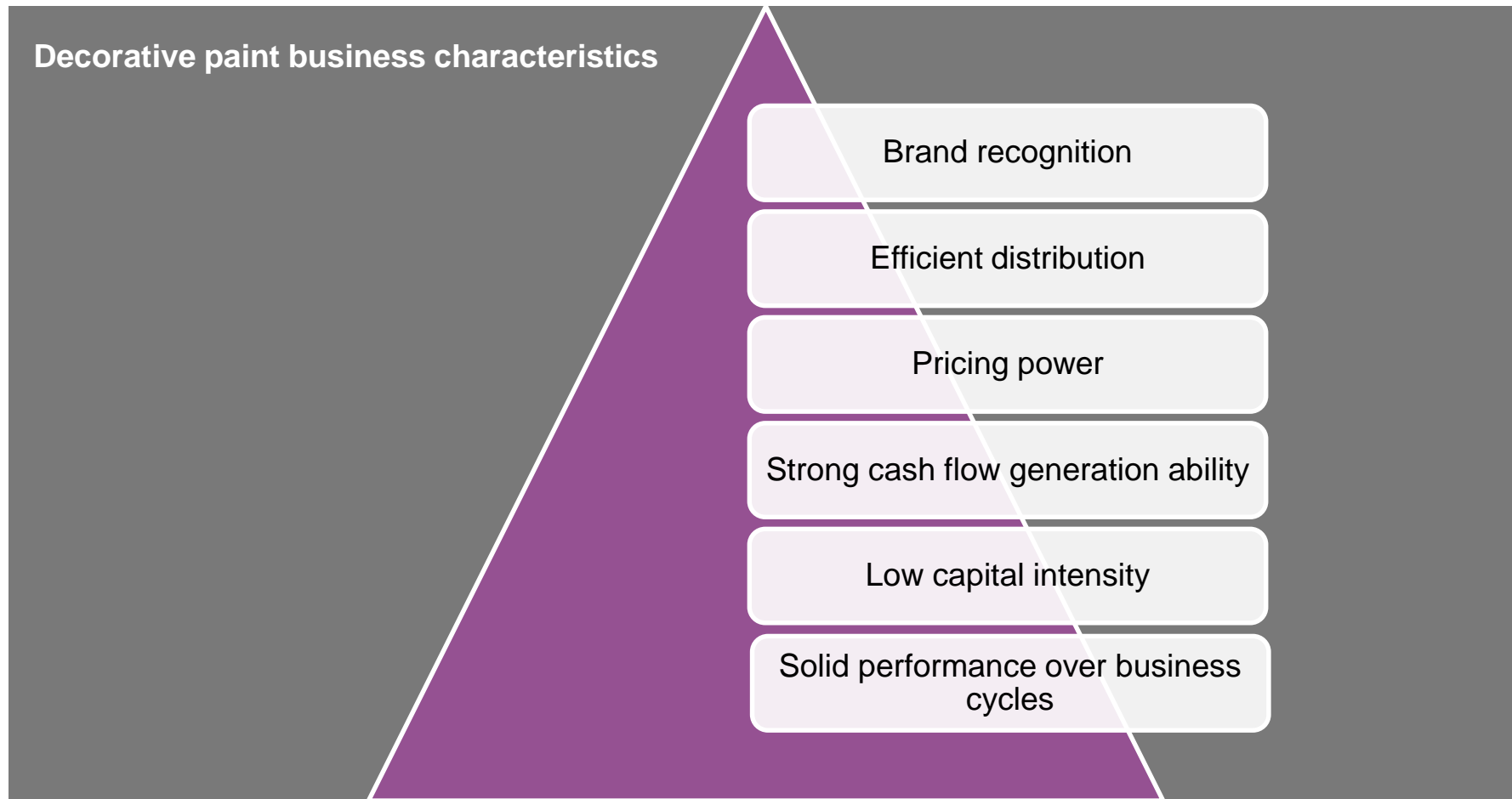
Tikkurila market shares in decorative paints in key markets in 2014



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



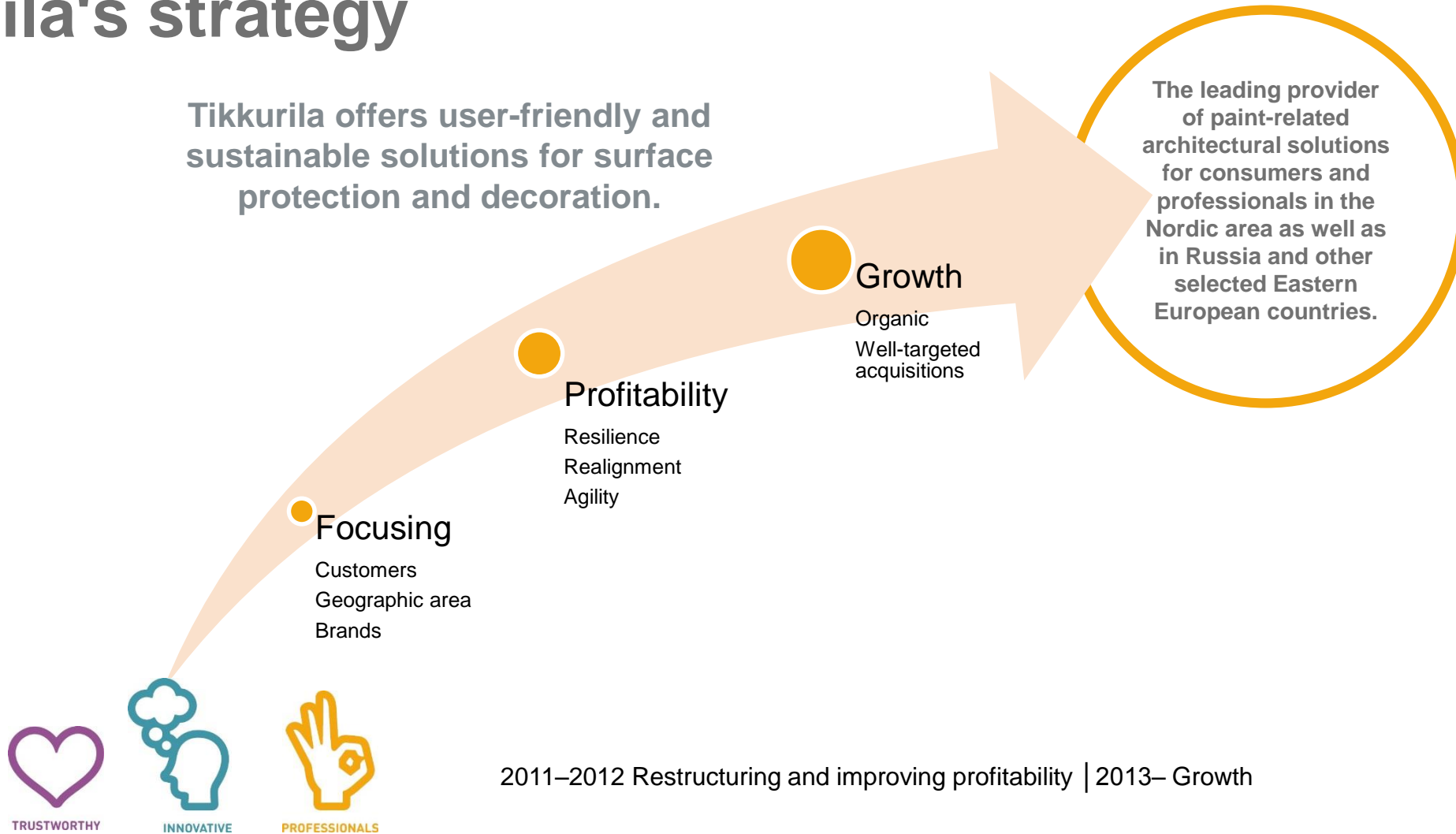
Market leader position enables solid business performance





Tikkurila's strategy

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





Proceeding of strategic efforts in 2015

Growth

- A hundred new exclusive Tikkurila shops operated by a third party opened in China
- New production unit to Kazakhstan
- Development program for professional and industrial businesses
- Increased functional product portfolio
- Reorganization and increased ambition level for export function
- Seeking for new market areas

Flexibility

- Adjustment and restructuring of operations in Russia, Finland and Sweden
- Integration of operational systems and centralizing operations in Poland
- Harmonization of raw material and product portfolio
- Expanding LEAN operating philosophy

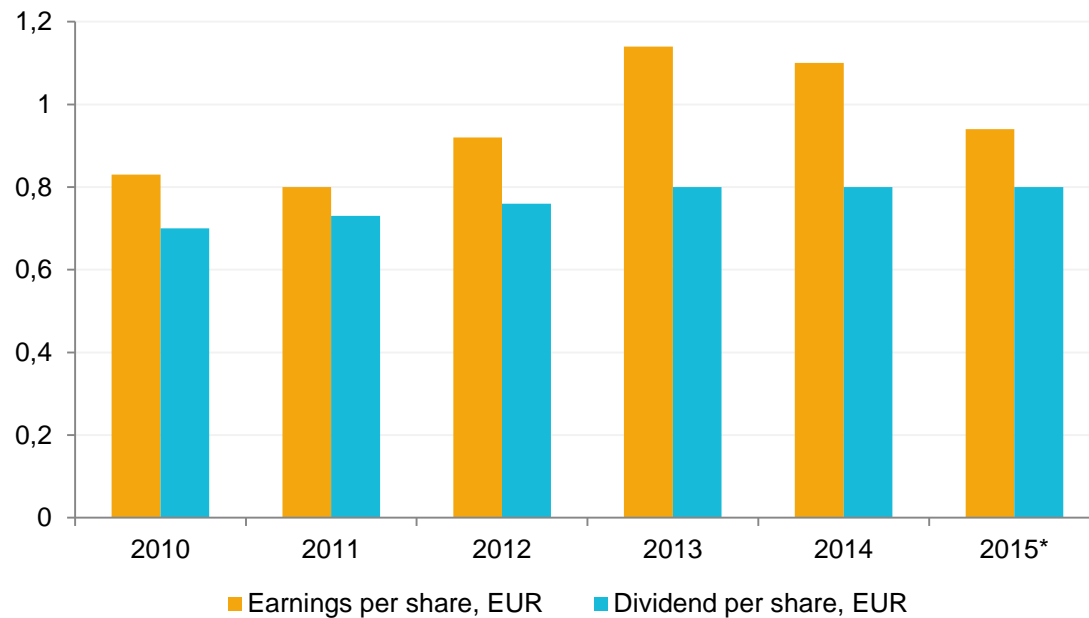
Financial targets for 2018

- 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	2015
Revenue	625	648	530	589	644	670	653	618	584
EBIT, % ¹	10.3%	9.1%	9.5%	10.1%	9.7%	11.0%	11.1%	10.4%	10.1%
ROCE	24.5%	18.7%	15.7%	19.2%	19.4%	21.0%	23.5%	22.9%	22.2%
Gearing	135.3%	208.5%	90.0%	41.4%	51.9%	40.6%	23.4%	24.6%	23.7%
Dividend paid; share of operative net income, %				84% (EUR 0.70 per share)	88% (EUR 0.73 per share)	72% (EUR 0.76 per share)	69% (EUR 0.80 per share)	73% (EUR 0.80 per share)	90%² (EUR 0.80 per share)

1) Excluding non-recurring items
2) Board of Directors' proposal

Stable dividend outflow



*Board of Directors' proposal for the Annual General Meeting

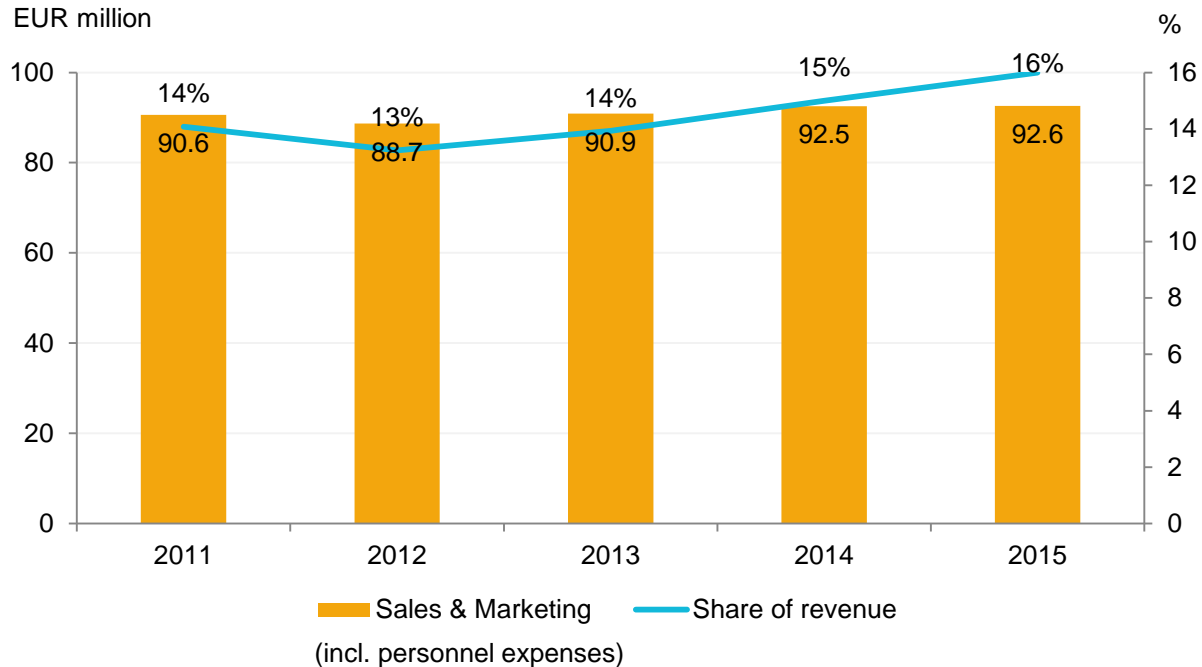
- Dividend policy: Target is to pay at least 40 % of annual operative net income as dividends
- Historical dividends have corresponded to approximately 70-90% of the operative net income



Outlook for 2016



Sales & Marketing



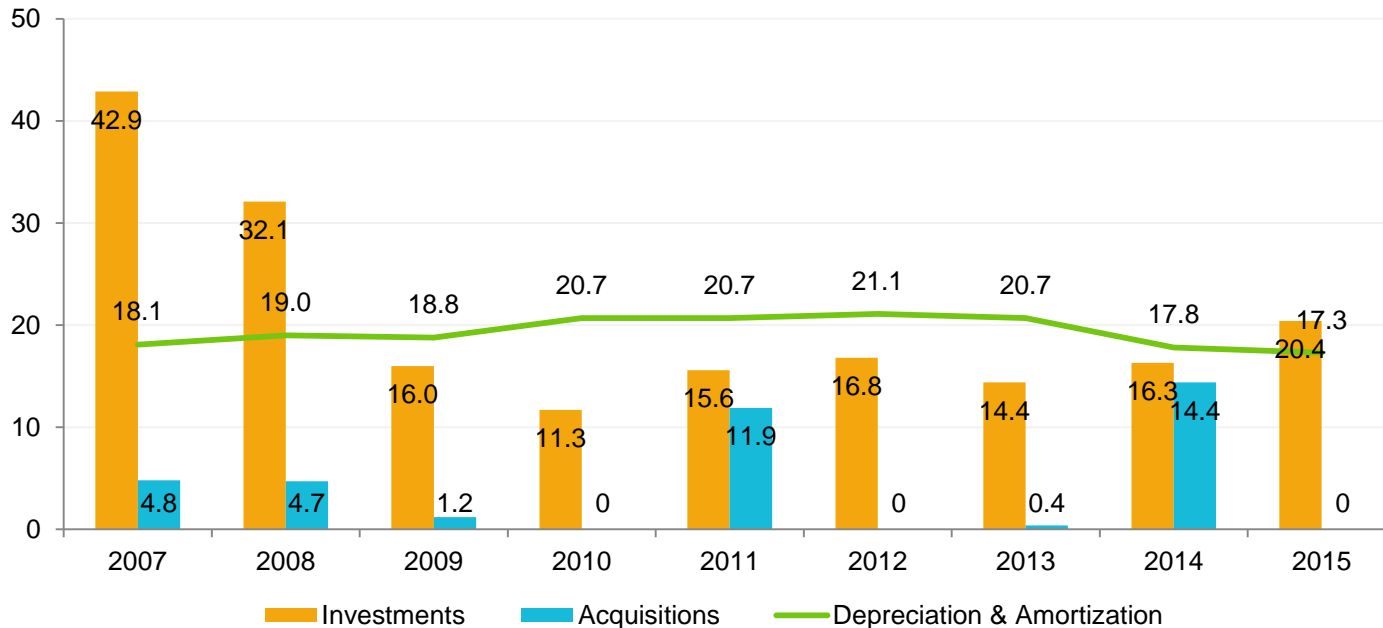
- In 2016, sales and marketing expenses are estimated to remain at the past few years' level as a percentage of revenue



- Retail operations were actively developed in different markets. In China, we opened 100 new stores during the year and increased our network of stores focusing on Tikkurila's products to a total of 350 units. Furthermore, our products entered the big box stores in China

Investments and D&A

EUR million



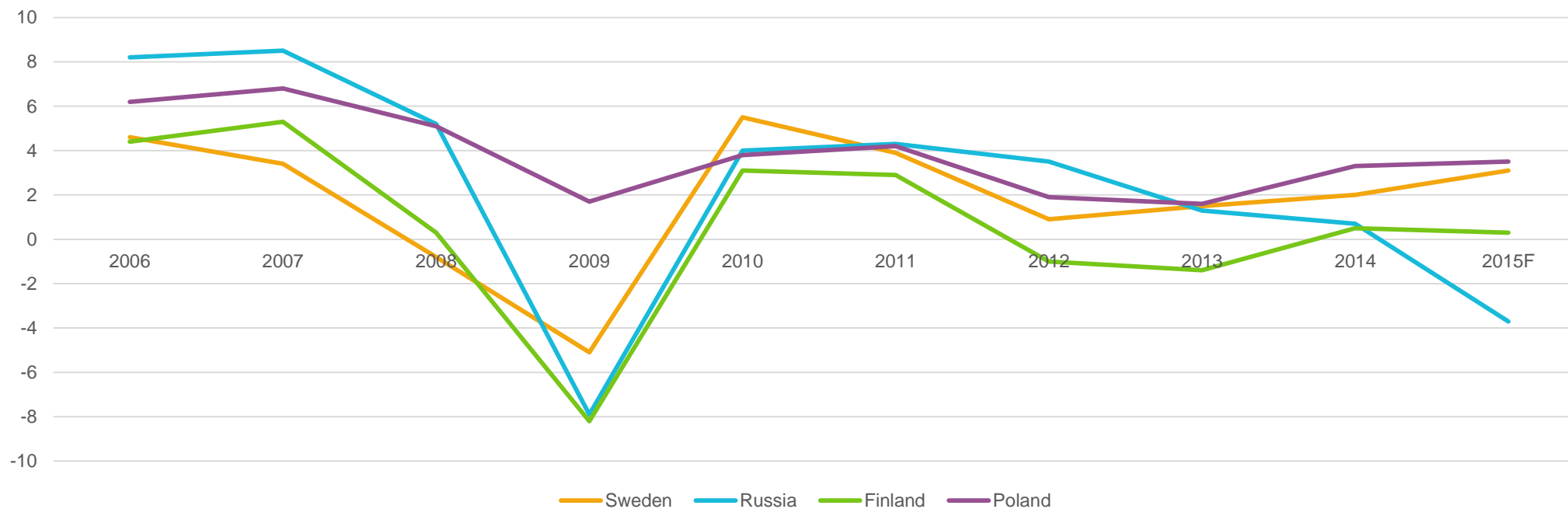
Investments and acquisitions are presented on cash flow basis and excluding any impacts of divestments
 Depreciation and amortization are presented excluding non-recurring impairments

- Various measures to automate and streamline production and to secure continuity of operations will continue in various Tikkurila units
- One of the most important on-going ICT investments is the deployment of enterprise resource planning system (ERP), which will start gradually during the first year-half of 2016
- In 2016, capital expenditure level is estimated to be close to the annual depreciation and amortization level



Stable development in the west, difficult times will continue in the east

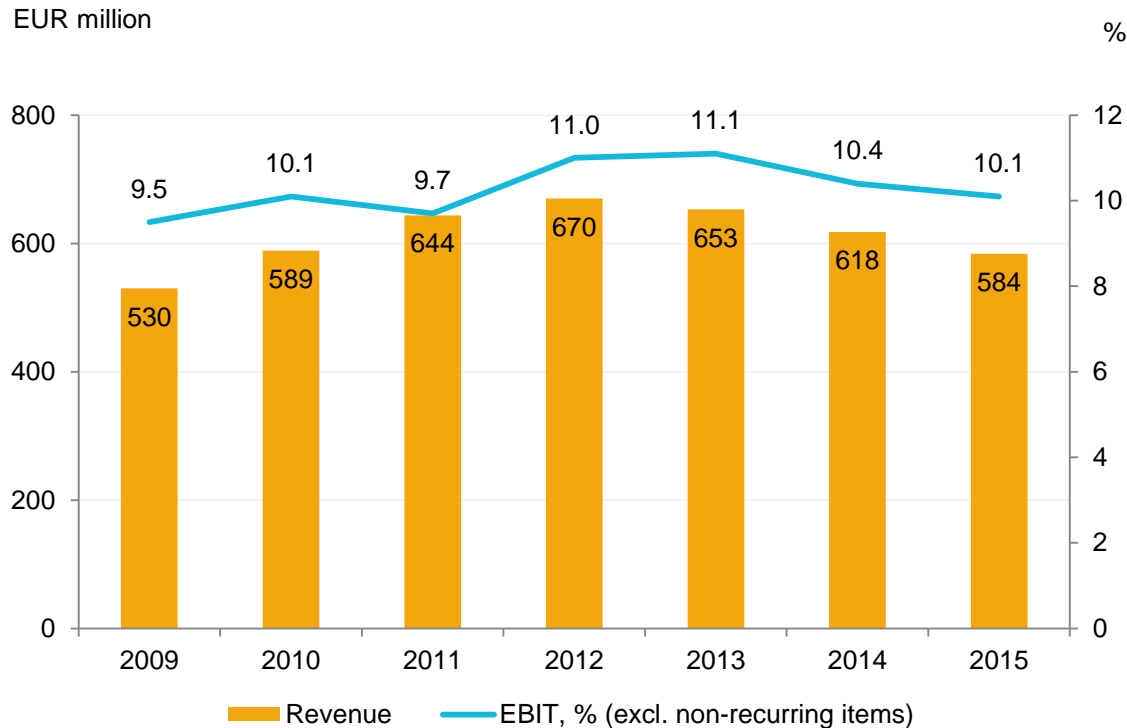
GDP development, %





Guidance for 2016

Revenue and profitability of Tikkurila 2009–2015



Outlook and guidance for 2016

Growth in the EU region is forecasted to be steady but fairly low. The importance of the Western markets, particularly Sweden and Poland, is expected to increase further. The weak economic situation in Russia and the low level of ruble will make the operating environment difficult in 2016. In Russia, paint demand is expected to decrease and the relative market share of the lower price and quality grade products is expected to grow. Tikkurila is planning to increase its prices primarily in Russia, as well as to increase local manufacturing and raw material purchasing. Sales and marketing investments will continue in the previous years' manner in order to strengthen the market position. At the same time, increased operational efficiency and cost savings will be actively sought in all operations.

Tikkurila expects its revenue for the financial year 2016, with exchange rates as of the publication date of the financial statement release, to be at the same level as in 2015. EBIT excluding non-recurring items is expected to stay at 2015 level.



Long term financial development

Development of sales and profitability 2000–2014

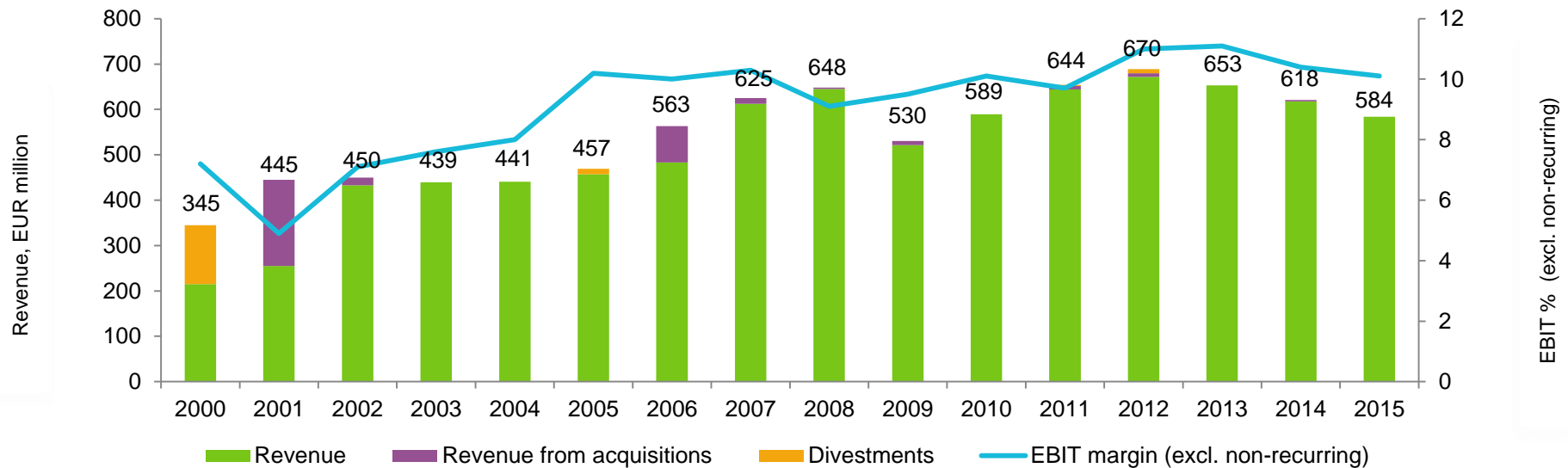
Major acquisitions and divestments

Sale of tinting business in 2000
(Revenue ~MEUR 130)

Acquisition of Alcro-Beckers in 2001
(Revenue ~MEUR 190)

Acquisition of Kraski Teks in 2006
(Revenue ~MEUR 80)

Acquisition of Zorka Color in 2011
(Revenue ~MEUR 16)





Thank you!





TIKKURILA INSPIRES YOU
TO COLOR YOUR LIFE.™