



Half year financial report January-June 2016

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

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- Development during the review period
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Tikkurila in brief



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.

Revenue EUR 584 million

EBIT* EUR 59 million (10% of revenue)

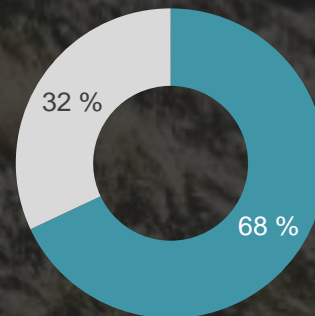
3,100 employees

Production in nine countries

Products available in 40 countries

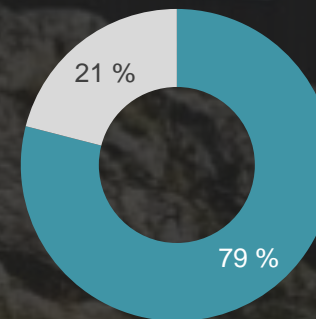
Leading market position in main markets

Revenue by segment



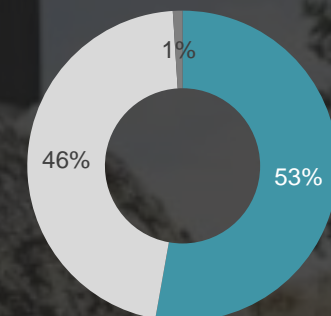
■ West ■ East

EBIT* by segment



■ West ■ East

Personnel by segment



■ West ■ East ■ Group

*Excl. non-recurring and Group items

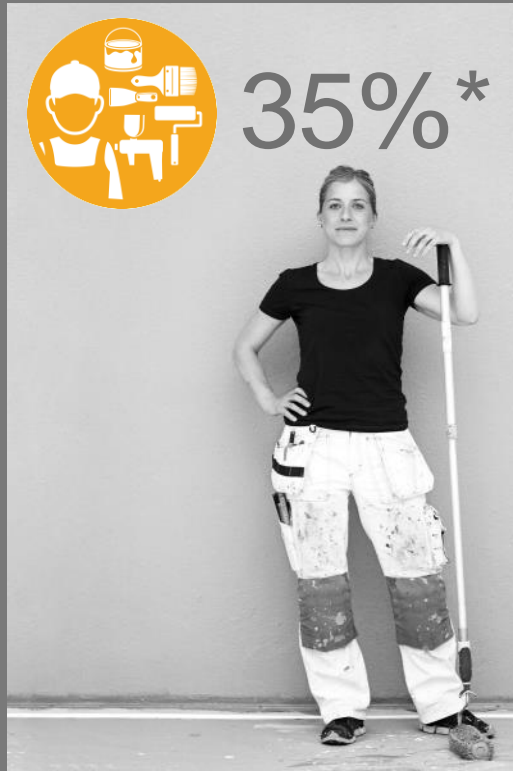
Our end-customers



Consumers (DIY)



50%*



Professional painters



35%*



Industry



15%

*Tikkurila estimate

Our locations

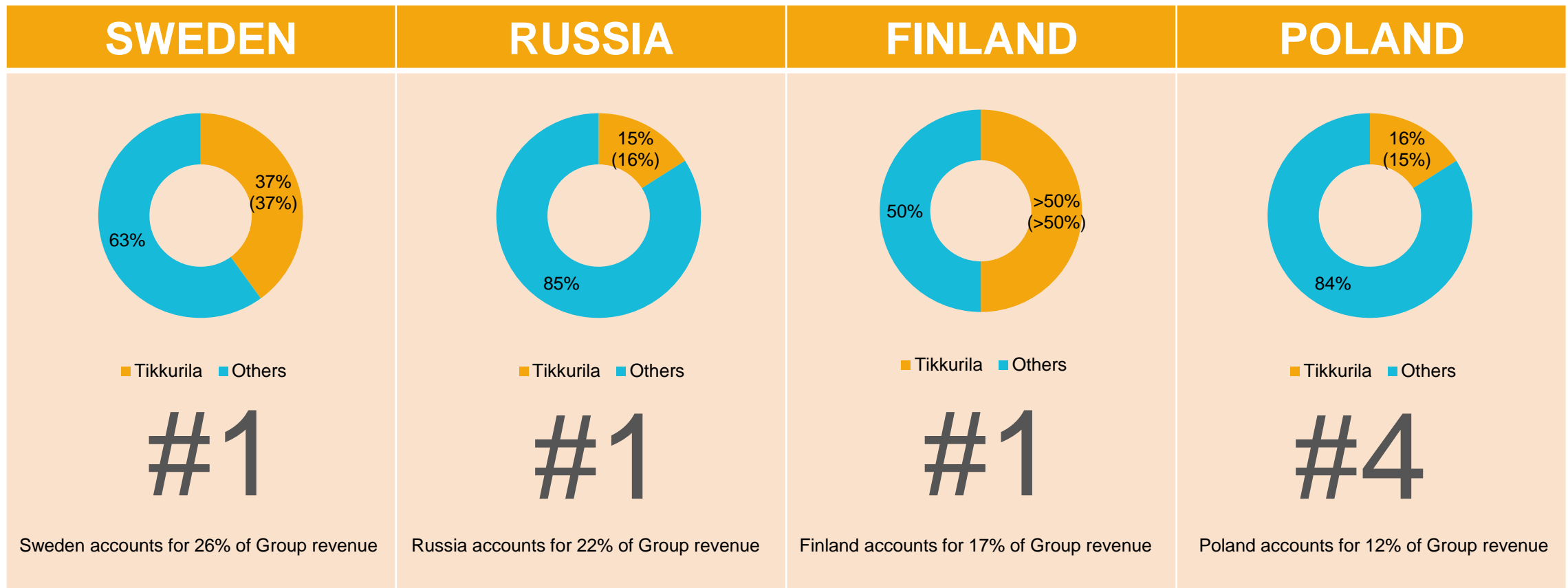


Production units in 9 countries
 Sales units in 14 countries

- Production, distribution center, sales
- Distribution center, sales
- Training center



Tikkurila market shares in decorative paints in key markets in 2015



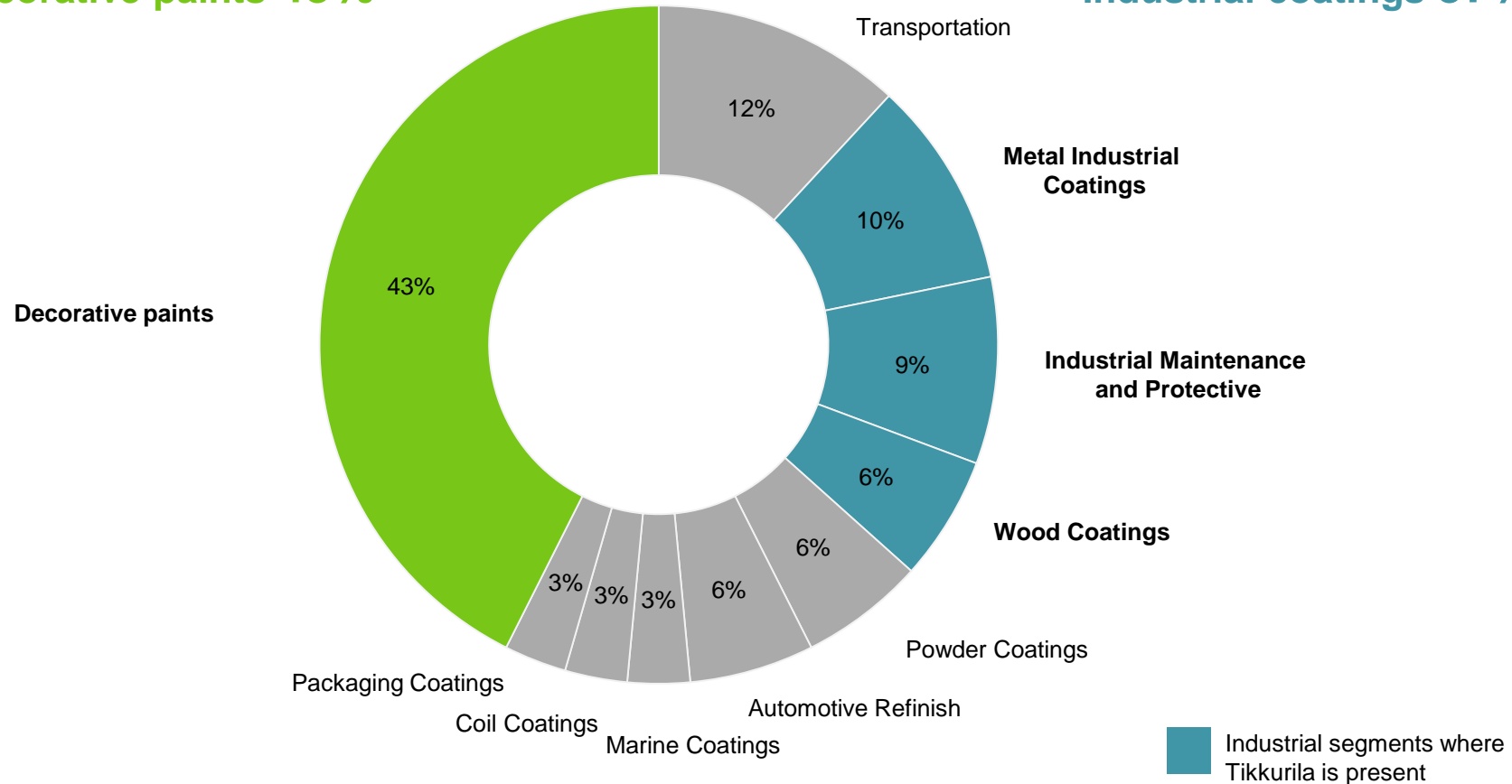
Source: SVEFF (Sweden, value), Chem-Courier (Russia, volume), Association of Finnish Paint Industry (Finland, value), IBP Research (Poland, volume)



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

Decorative paints 43%

Industrial coatings 57%



Source: IPPIC 2015

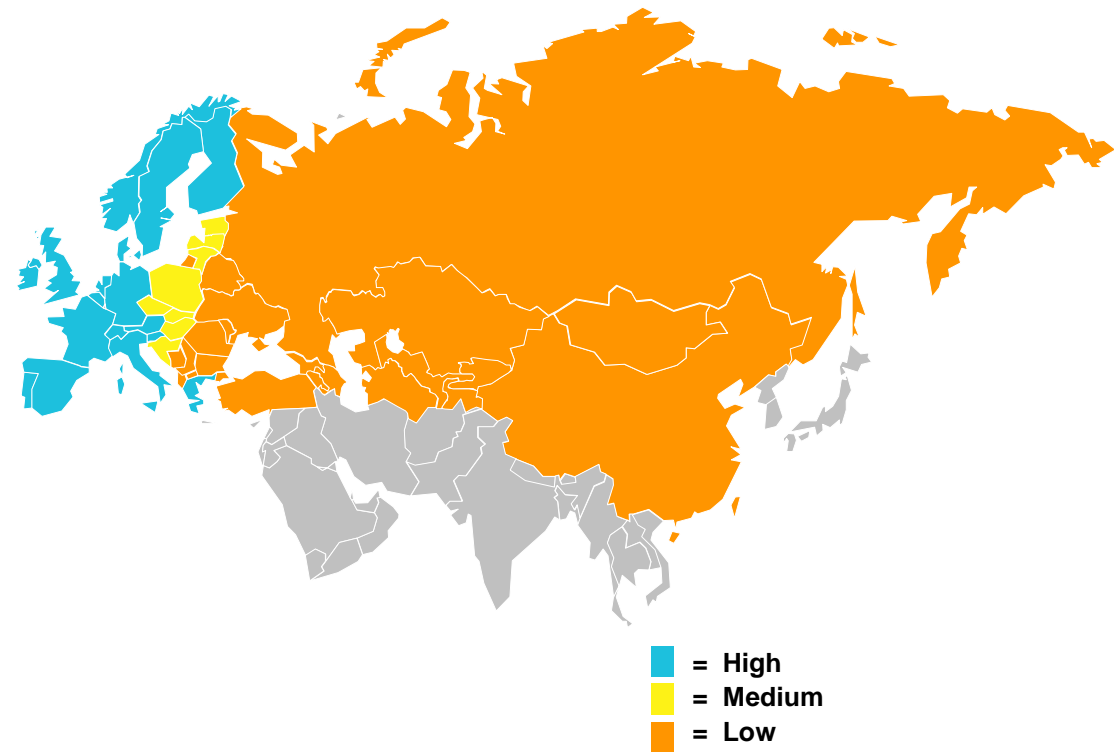
August 2016

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 2000–2015

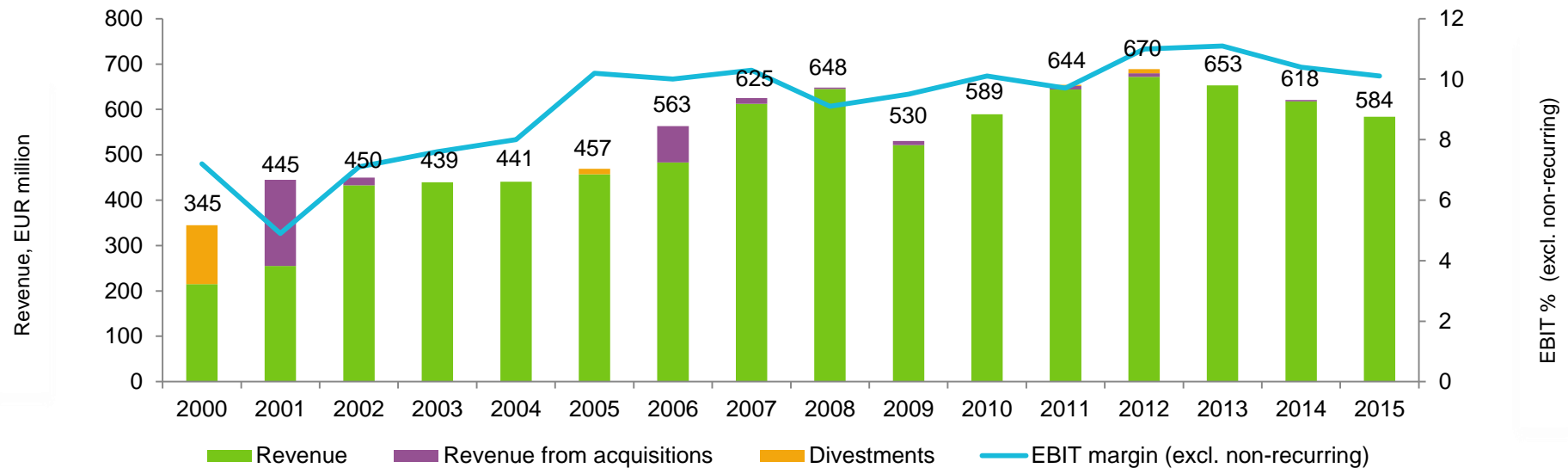
Major acquisitions and divestments

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)

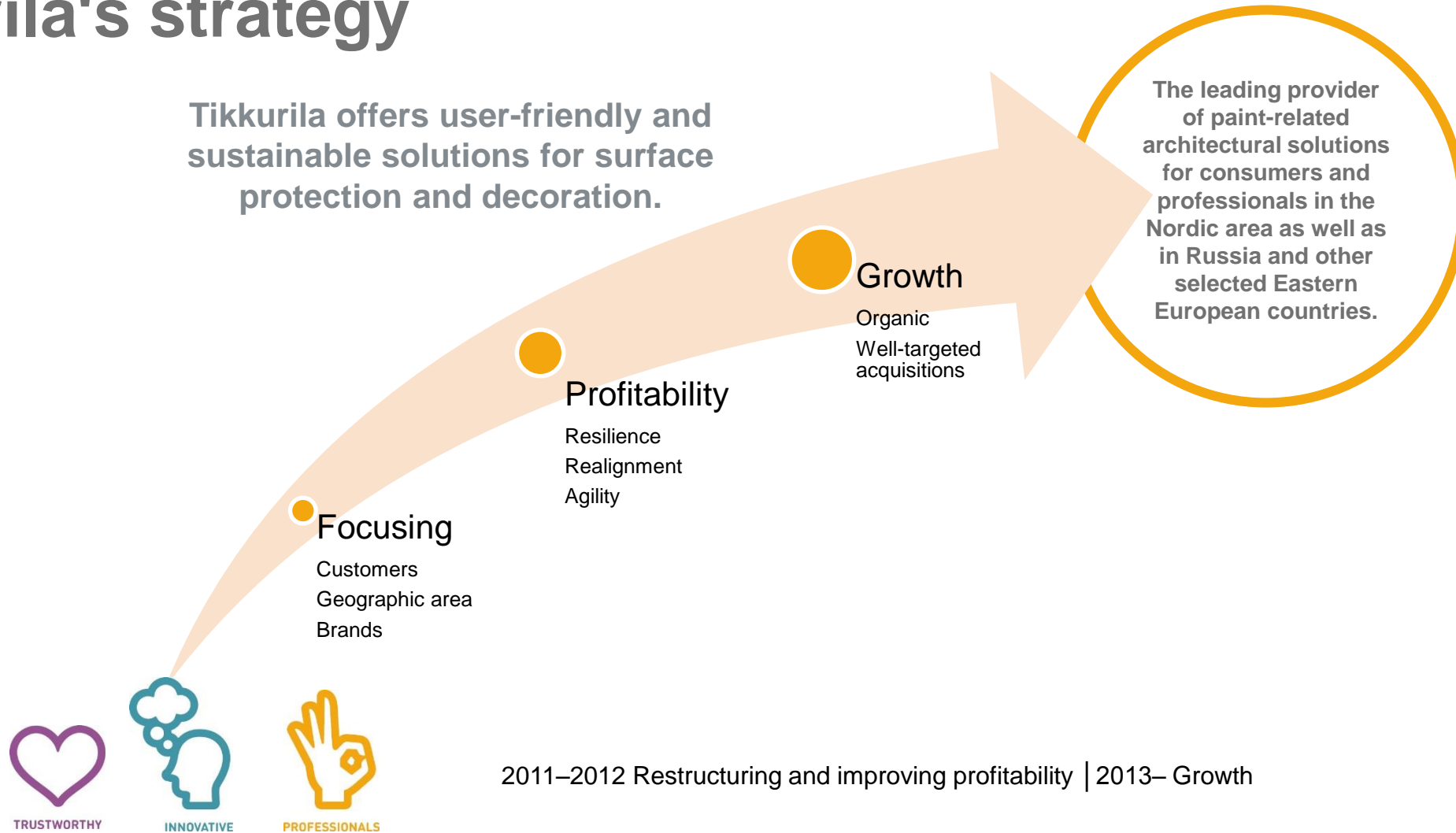
Acquisition of Zorka Color in 2011
(Revenue ~MEUR 16)





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



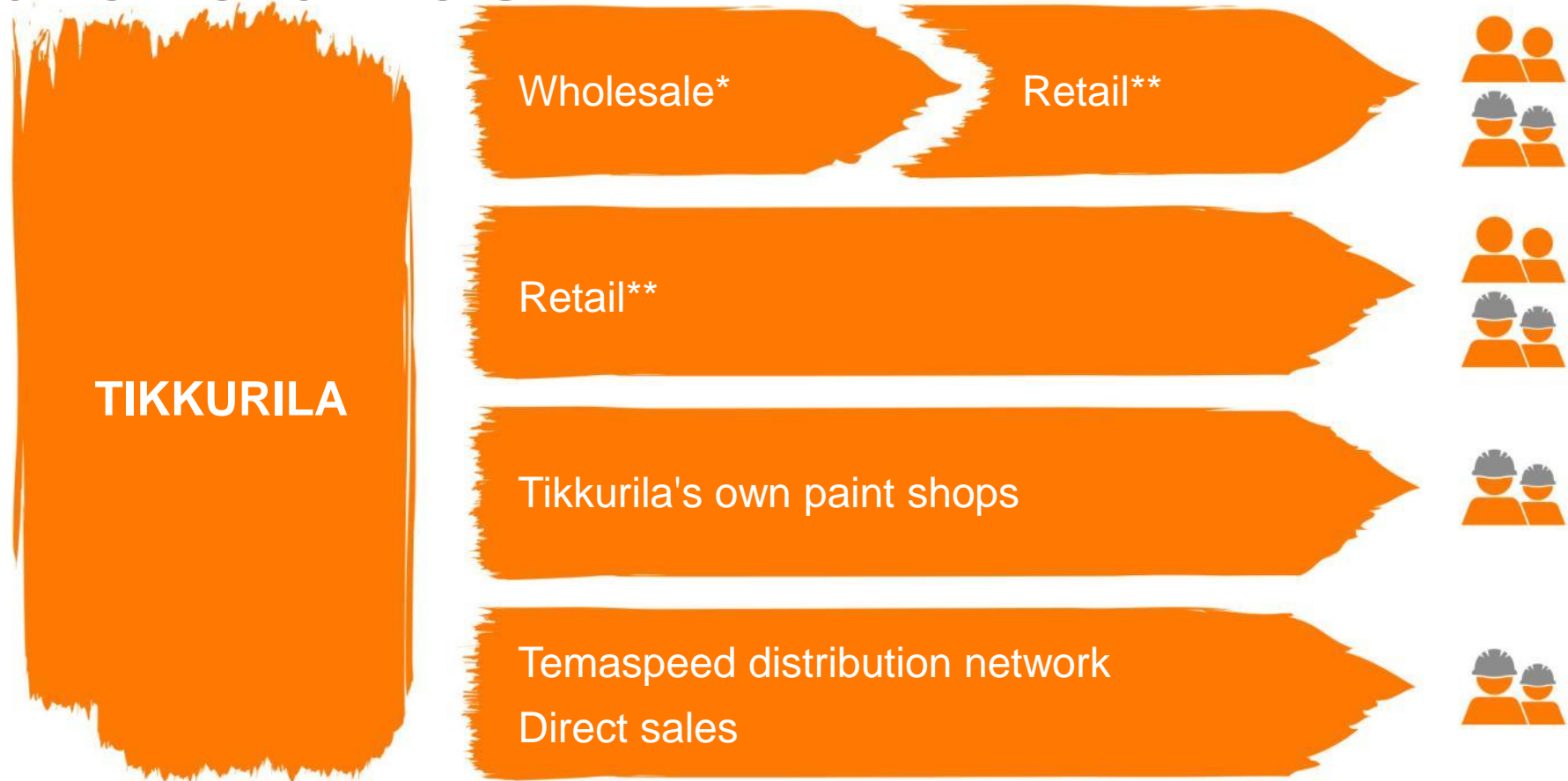
Designer Pool
Contractor Pool



Professional
services



Distribution channels



* Only in some markets

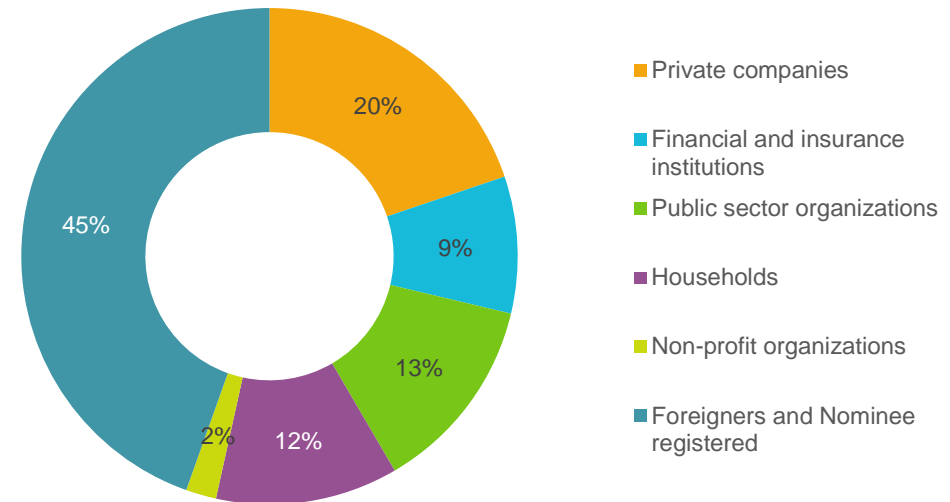
** Big boxes, specialized paint shops

Consumers  Professionals 

Tikkurila's ownership at the end of June 2016

- Number of shareholders ~20,600
- Foreign ownership in Tikkurila has increased
- Largest shareholders: Oras Invest Oy (18.1%), Varma (5.7%), and Ilmarinen (5.6%) and

Tikkurila's ownership structure on June 30, 2016



Development during the review period



Second quarter highlights

- Revenue increased at comparable exchange rates by around 8% due to higher sales volumes as well as sales price increases and changes in the sales mix
- Euro-denominated revenue was at the comparison period's level. Unfavorable exchange rate fluctuations had a significant negative impact on revenue
- Demand grew particularly in the west due to suitable weather conditions, pre-season orders of paints in the first quarter that were delivered in the second, successful product launches, and an upswing in construction
- Q2 profitability was at the same level as a year ago. Sales and marketing expenses were clearly higher than a year ago because of the efforts put into the western markets
- Cash flow was weakened by changes in net working capital, in particular. On the closing date, trade receivables were at a higher level than in the previous year due to the discontinuation of using factoring financing. This has only seasonal effect and will even out by the end of the year

Review period key figures

EUR million	4-6/2016	4-6/2015	Change %	1-6/2016	1-6/2015	Change %	2015
Revenue	179.3	179.5	-0.1%	309.8	312.7	-0.9%	584.1
Adjusted operating profit	28.4	28.6	-0.8%	40.9	43.9	-6.9%	58.9
Adjusted operating profit, %	15.8%	15.9%		13.2%	14.0%		10.1%
EBIT	27.6	30.9	-10.8%	40.1	46.2	-13.1%	61.7
EBIT, %	15.4%	17.2%		13.0%	14.8%		10.6%
EPS, EUR	0.54	0.52	3.9%	0.77	0.82	-6.8%	0.94
ROCE, %, rolling	19.6%	22.8%		19.6%	22.8%		22.2%
Cash flow after capital expenditure	-23.2	-7.2	-220.8%	-56.7	-20.8	-172.3%	32.6
Net interest-bearing debt at period-end				135.2	101.8	32.8%	46.2
Gearing, %				70.2%	51.4%		23.7%
Equity ratio, %				36.6%	40.9%		51.1%
Personnel at period-end				3,154	3,300	-4.4%	3,100

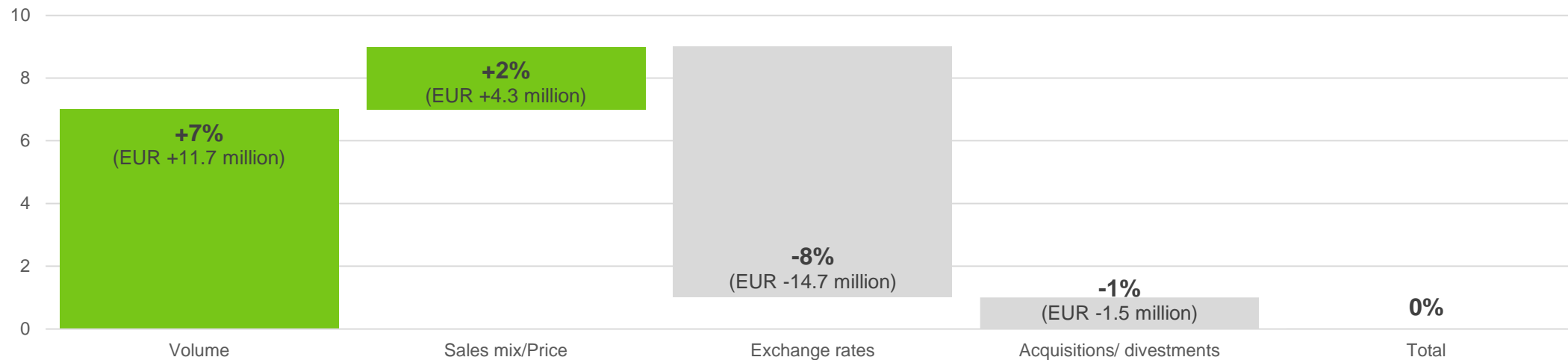
Due to European Securities and Markets Authority's (ESMA) guidelines on Alternative Performance Measures, effective from July 3, 2016, the performance measure "operating profit (EBIT) excluding non-recurring items" is replaced with "adjusted operating profit (EBIT)". Adjusted items affecting comparability are defined in the table section of the half year financial report.

Weak exchange rates eroded revenue growth

EUR million	4–6/2016	4–6/2015	Change %	1–6/2016	1–6/2015	Change %
Revenue	179.3	179.5	-0.1%	309.8	312.7	-0.9%

Group's revenue development Q2/2016 vs. Q2/2015

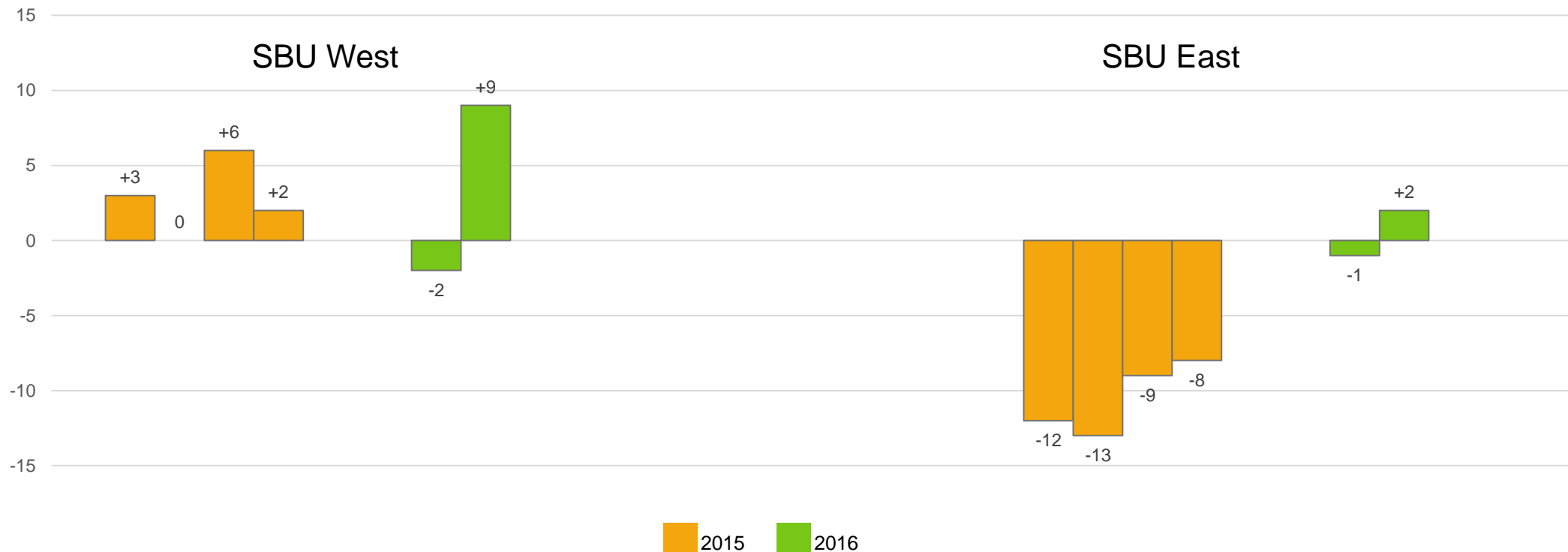
Increase/decrease, %





Good growth particularly in the west, demand picked-up slightly also in the east

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





TIKKURILA NOVELTIES

Successful product launches for the season include e.g. Tikkurila Valtti series' renewed semi-transparent wood finishes and terrace oils. For instance, Valtti Plus Kesto offers twice as long maintenance interval compared to traditional semi-transparent wood finishes.



Long-term financial targets

Board of Directors decided to change the time frame for Tikkurila's financial targets.

Financial targets remain the same, time frame was extended from 2018 to long-term.

- Revenue of EUR 1 billion
- Adjusted operating profit >12%
- Return on capital employed (ROCE) calculated with adjusted operating profit >20%
- Gearing <70%

	Historical performance								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue	625	648	530	589	644	670	653	618	584
Adjusted operating profit, % of revenue	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 profit, %				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% (EUR 0.80 per share)

Strategic Business Units

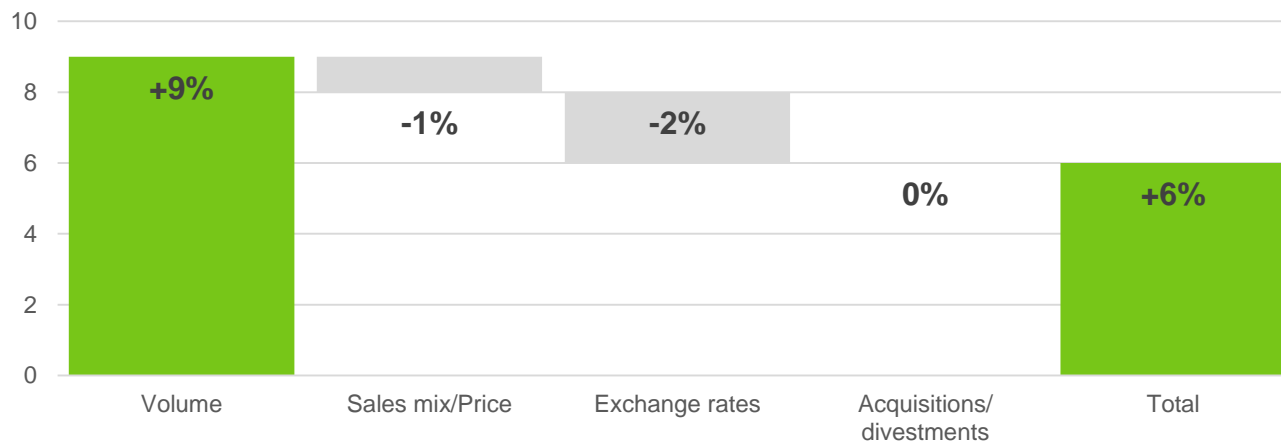


SBU West Q2/2016

EUR million	4-6/2016	4-6/2015	Change %	1-6/2016	1-6/2015	Change %	1-12/2015
Revenue	123.5	116.3	6.2%	223.1	218.5	2.1%	395.3
Adjusted operating profit	22.2	20.2	9.6%	36.4	37.2	-1.9%	50.5
Adjusted operating profit, %	17.9%	17.4%		16.3%	17.0%		12.8%

Revenue development Q2/2016 vs. Q2/2015

Increase/decrease, %



Q2/2016 highlights

- Sales volumes increased particularly in Finland but also in Scandinavia and the Baltic countries. The reason for higher sales volumes is explained by deliveries of pre-season sales later than a year ago, the reviving economic situation and successful product launches
- Profitability improved
- S&M investments were higher in Sweden, in particular
- Exchange rates of the Polish zloty and Norwegian krona weakened

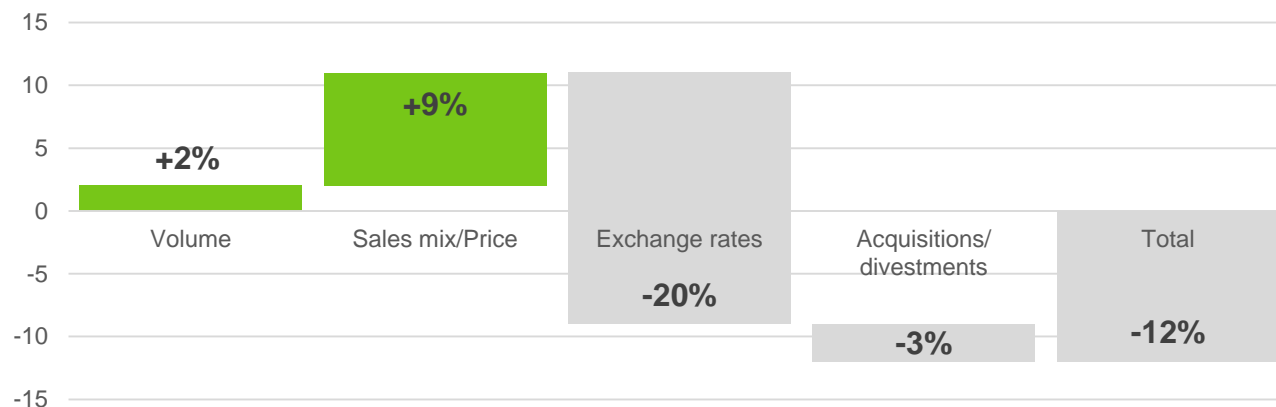


SBU East Q2/2016

EUR million	4-6/2016	4-6/2015	Change %	1-6/2016	1-6/2015	Change %	1-12/2015
Revenue	55.8	63.2	-11.7%	86.7	94.3	-8.1%	188.9
Adjusted operating profit	7.6	9.8	-22.5%	7.0	9.9	-29.9%	13.4
Adjusted operating profit, %	13.6%	15.5%		8.0%	10.5%		7.1%

Revenue development Q2/2016 vs. Q2/2015

Increase/decrease, %

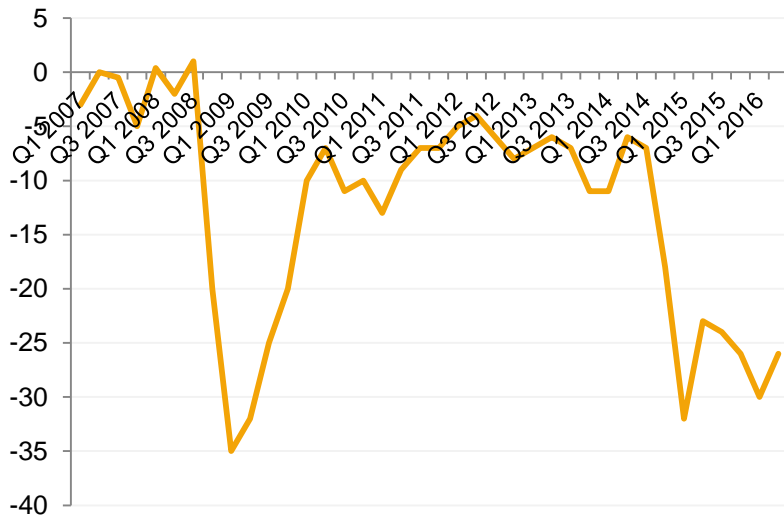


Q2/2016 highlights

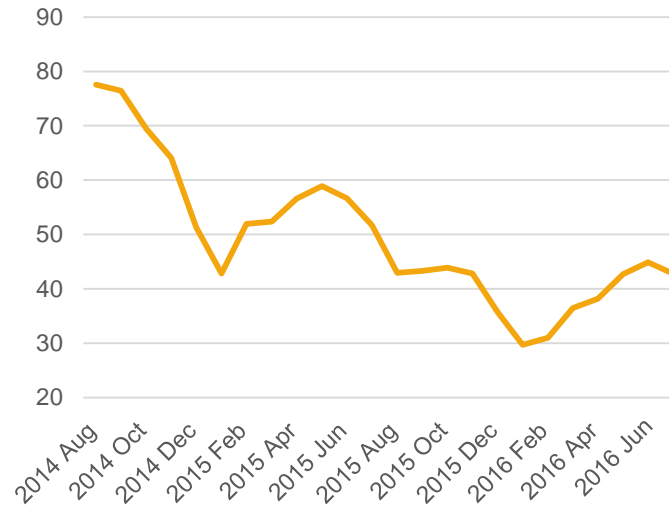
- Sales volumes grew particularly in China, but also in Russia
- Weak Russian ruble decreased the euro-denominated revenue
- Tikkurila divested the subsidiaries in Ukraine and Belarus to the local management
- Cost management was strict, but the weak ruble increased raw material costs from the comparison period's level

No major changes took place in the general economic situation in Russia

Russian consumer confidence



Oil price, EUR



EUR RUB exchange rate



- Consumer confidence remains weak
- Price of oil increased in the spring, but took again a downward turn after the review period
- Ruble has strengthened from the beginning of the year, but was clearly weaker than in the comparison period



Key goals for our Russian operations

- To increase local manufacturing and raw materials purchasing
 - To expand the range of Tikkurila brand products manufactured in Russia
 - To increase local raw materials purchasing in all price and quality categories of paints
- To make maintenance and development investments in production in order to improve productivity as well as to optimize production set-up and material flows
- To develop our commercial operations
 - To strengthen our sales organization for industrial and professional customers
 - To develop our product management and marketing department
 - To ensure strict cost management and the optimization of our product range and formulas
- To meet customer requirements and purchasing power development
 - To improve our competitiveness
 - To increase our shelf space and market share

Conclusions and outlook

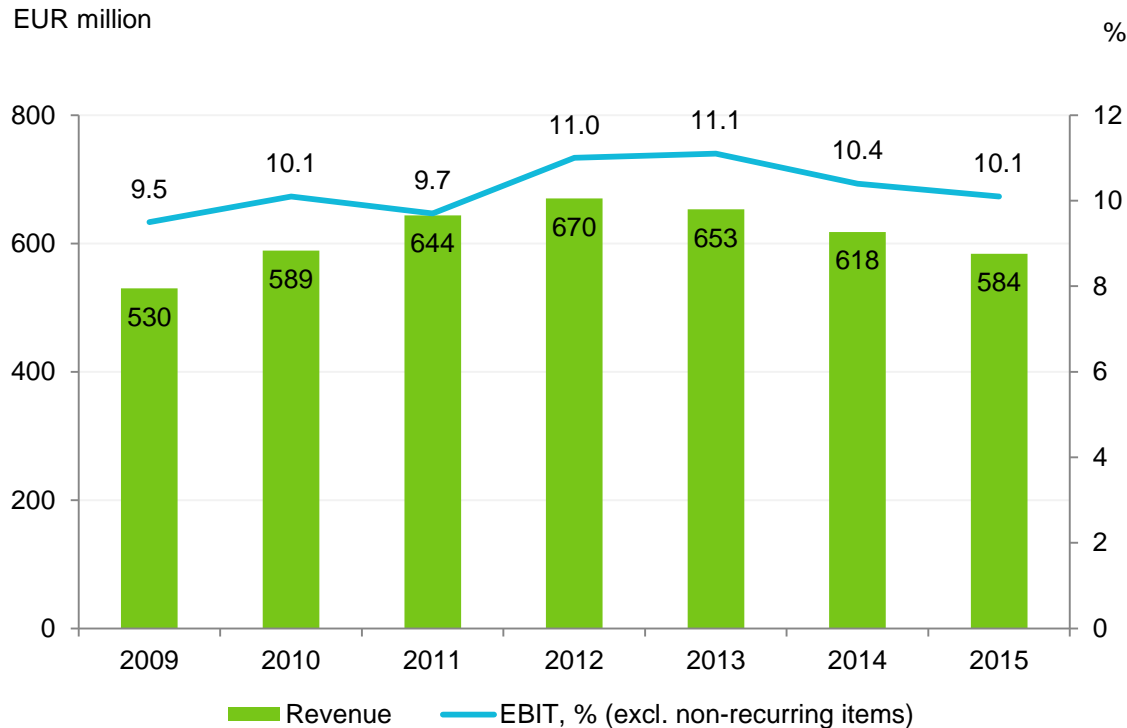
Conclusions

- There were no significant changes in the market situation. Some positive signs could be seen in the sentiment in Finland and Russia
- Demand picked-up clearly, major headwinds from the exchange rates
- Measures to boost sales volumes were continued; sales and marketing expenses were clearly higher in the west. Full-year sales and marketing expenses will be close to those a year ago



Guidance for 2016 intact

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. Adjusted operating profit is expected to stay at 2015 level.

Appendix

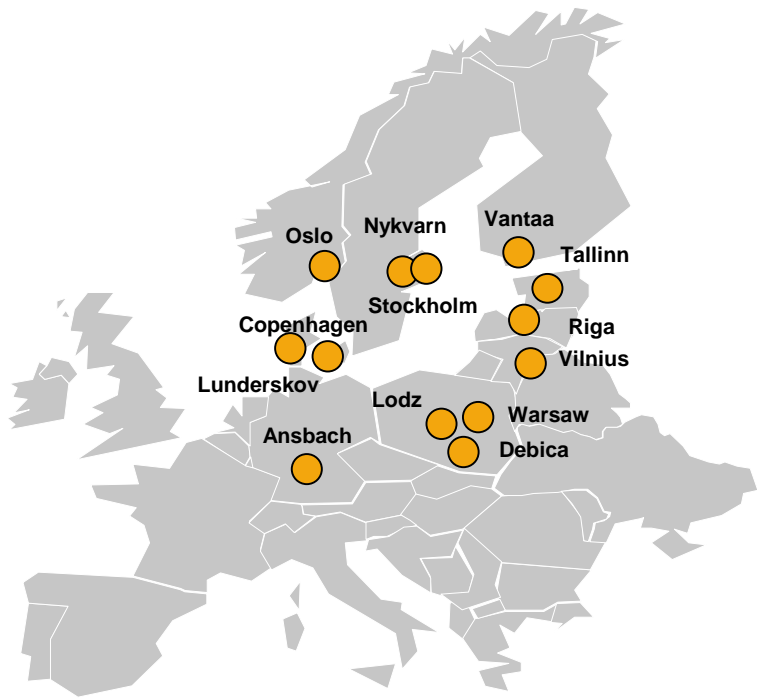
Tikkurila Strategic Business Units (SBU)

	SBU West	SBU East
Operational area	Sweden, Denmark, Norway, Finland, Poland, Germany, Estonia, Latvia, and Lithuania	Russia, Central Asian countries, Serbia, Macedonia, and China. Furthermore, this SBU is responsible for the exports to approximately 20 countries.
Production sites	Nykvarn, Sweden Lunderskov, Denmark Vantaa, Finland Debica, Poland Ansbach, Germany Tallinn, Estonia	St. Petersburg, Russia Stary Oskol, Russia Almaty, Kazakhstan 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, Tikkurila Industrial Paint Service	Deco: DIY retailers, independent retailers, wholesalers Industry: direct sales, Tikkurila Industrial Paint Service

SBU West key facts

Operational area	Sweden, Denmark, Norway, Finland, Poland, Germany, Estonia, Latvia, and Lithuania
2015 revenue	EUR 395.3 million, 68% of Group
EBIT 2015 ¹⁾	EUR 50.5 million, 79% of Group ²⁾
Employees	1,630 (at year-end)
Production sites	Nykvarn, Sweden; Vantaa, Finland; Debica, Poland; Ansbach, Germany; Tallinn, Estonia; Lunderskov, Denmark
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



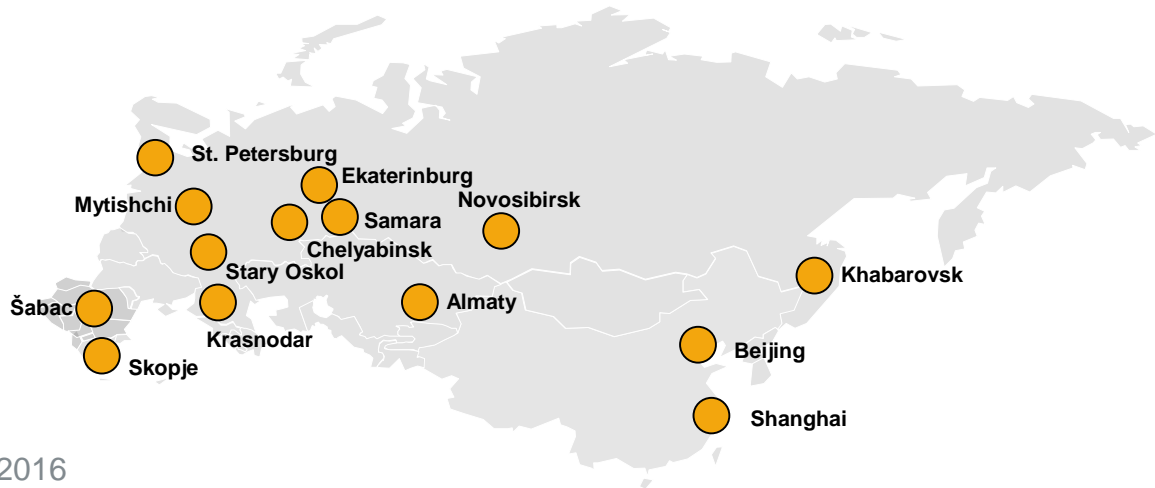
1 Excluding non-recurring items
2 Excluding group items

SBU East key facts

Operational area	Russia, Central Asian countries, Serbia, Macedonia, and China. Furthermore, this SBU is responsible for the exports to approximately 20 countries.
2015 revenue	EUR 188.9 million, 32% of Group
EBIT 2015 ¹⁾	EUR 13.4 million, 21% of Group ²⁾
Employees	1,441 (at year-end)
Production sites	St. Petersburg, Russia (3) Stary Oskol, Russia Šabac, Serbia Almaty, Kazakhstan

Development in SBU East




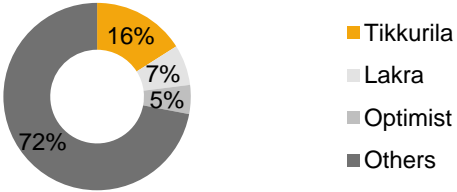
1970s	Export to Russia and the former Soviet Union started
1994	Sales company in Russia
1995	First western paint factory opened in St. Petersburg
1998	Sales company OOO Tikkurila Coatings established
2004	Acquisition of Kolorit in Ukraine
2006	Acquisition of Kraski Teks
2006	Sales company established 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
2015	New factory opened in Almaty, Kazakhstan focusing on water-borne products
2016	Divestment of subsidiaries in Ukraine and Belarus



1 Excluding non-recurring items
2 Excluding group items



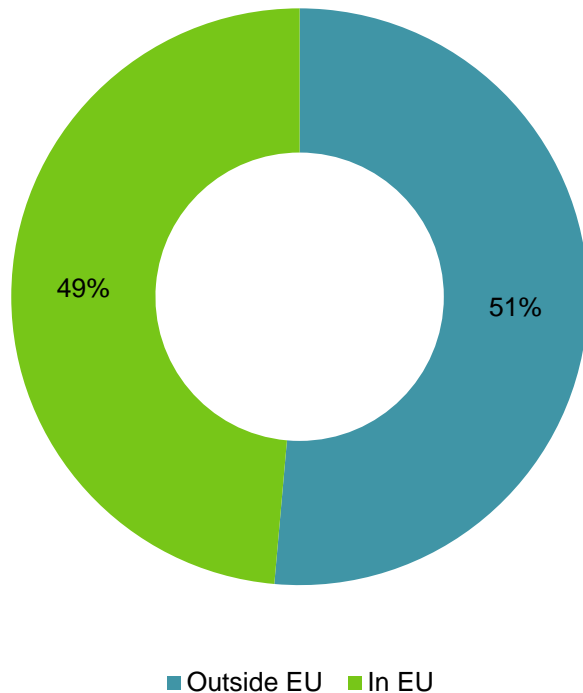
Tikkurila in Russia

2015 revenue	EUR 128 million, 22% of Group
Brands	   PREMIUM → ECONOMY
Production	Production sites in St. Petersburg (3) and Stary Oskol Majority of the products sold in the area are produced locally, Tikkurila brand is also exported from Finland
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	 Source: Chem-Courier, 2014 (volume)



In good position to grow further in our operating area

Tikkurila's production capacity



Production and raw materials

- 12 production facilities in 9 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
- ~90% of raw materials and packaging materials from western suppliers, in Russia ~60% of raw materials and packaging materials from local suppliers
- Chemical legislation sets restrictions on paint import to the EU region from the third countries



Investor and media contacts



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TIKKURILA INSPIRES YOU
TO COLOR YOUR LIFE.™