



Financial Statement Release January–December 2016

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February 9, 2017



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



Highlights of Q4/2016

Development Q4/2016 vs. Q4/2015

- Revenue and operating profit were close to the comparison period's level
- Sales volumes developed well in the west
- Unfavorable development in exchange rates and higher cost level negatively impacted revenue and profitability
- Market sentiment improved slightly in Finland and Russia towards the year-end

Key figures

EUR million	10–12/2016	10–12/2015	Change %
Revenue	104.2	103.4	0.7%
Adjusted operating result	-10.6	-11.1	4.5%
Adjusted operating result, %	-10.1%	-10.7%	
Operating result (EBIT)	-10.7	-10.3	-4.2%
Operating result (EBIT), %	-10.3%	-9.9%	
EPS, EUR	-0.18	-0.25	25.6%
Cash flow after capital expenditure	9.3	-1.6	



Full-year highlights

Development 2016 vs. 2015

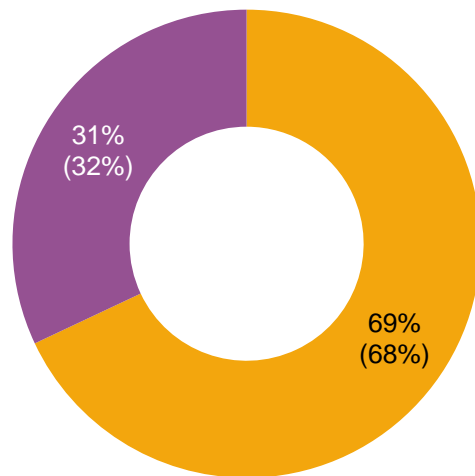
- Euro-denominated revenue for the entire year decreased by 2 percent, but grew in local currencies. The exchange rate development and divestments exerted a negative impact on revenue, totaling approximately EUR 28 million
- Sales volumes grew in all key markets with the exception of Russia, where the decline in volume nevertheless clearly leveled out. China's strong development continued
- Profitability was weakened by higher sales and marketing costs, in particular
- EPS increased 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	1-12/2016	1-12/2015	Change %
Revenue	572.0	584.1	-2.1%
Adjusted operating profit	54.0	58.9	-8.3%
Adjusted operating profit, %	9.4%	10.1%	
Operating profit (EBIT)	53.1	61.7	-13.9%
Operating profit (EBIT), %	9.3%	10.6%	
EPS, EUR	1.01	0.94	7.2%
ROCE, %, rolling	18.5%	22.2%	
Cash flow after capital expenditure	22.7	32.6	-30.4%
Net interest-bearing debt at period-end	58.7	46.2	27.0%
Gearing, %	28.1%	23.7%	
Equity ratio, %	50.9%	51.1%	
Personnel at period-end	3,033	3,100	-2.2%

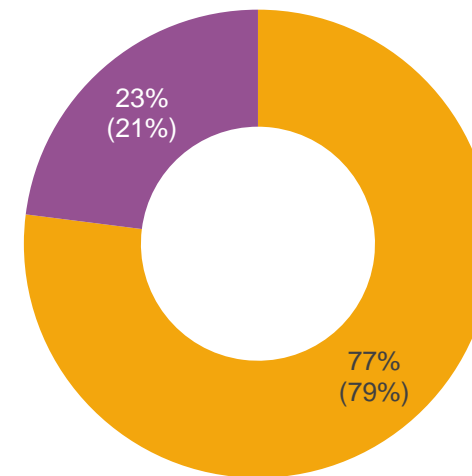
Revenue and operating profit split in 2016

Revenue by reporting segment



■ West ■ East

Operating profit* by reporting segment



■ West ■ East

Decorative paints accounted for 83.0% (83.3) and industrial coatings for 17.0% (16.7) of revenue.

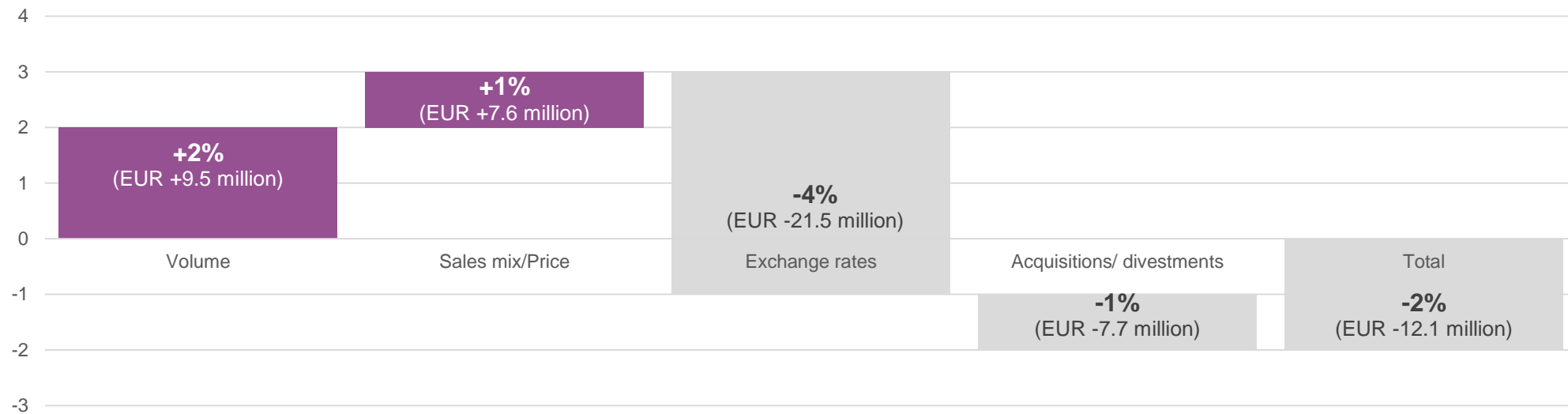
* Adjusted operating profit, excl. Group items

Slight increase in comparable revenue

EUR million	10–12/2016	10–12/2015	Change %	1–12/2016	1–12/2015	Change %
Revenue	104.2	103.4	0.7%	572.0	584.1	-2.1%

Group's revenue development 2016 vs. 2015

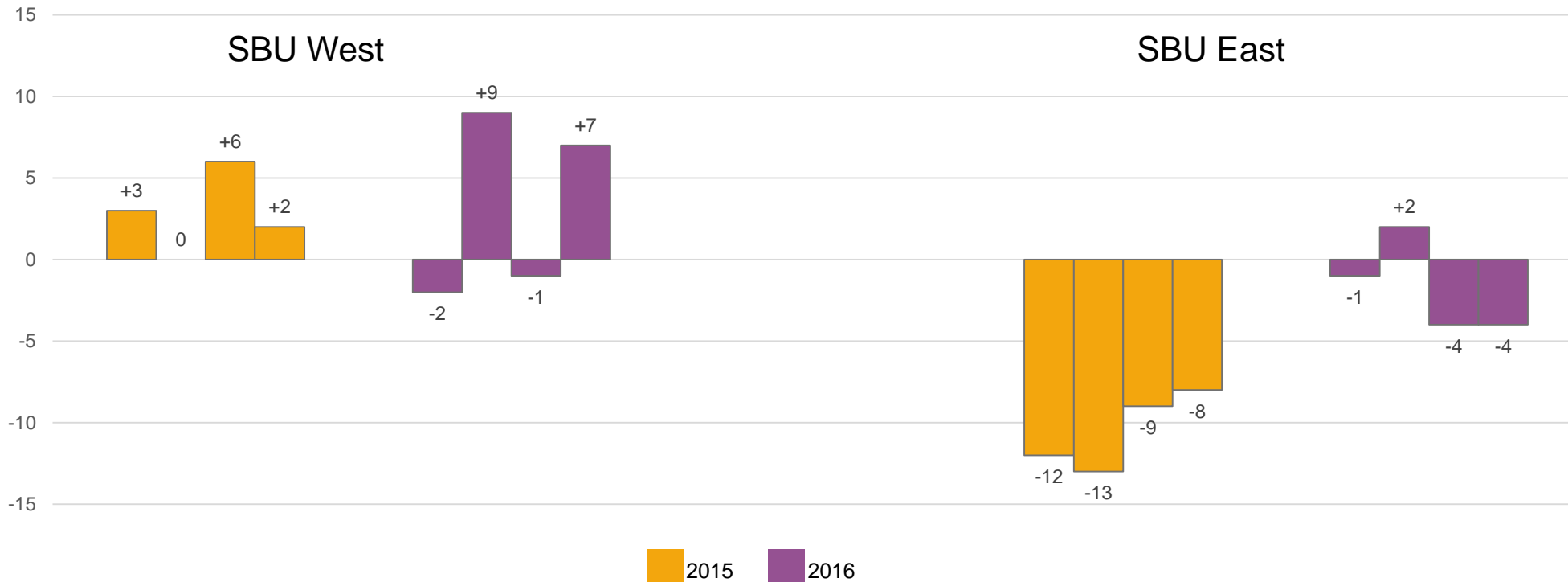
Increase/decrease, %





Growth in the west, situation stabilizing in the east

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





Balance sheet

Assets		
EUR million	Dec 31, 2016	Dec 31, 2015
Goodwill	72.3	71.9
Other intangible assets	30.7	19.4
Property, plant and equipment	87.5	89.4
Other non-current assets	16.2	11.6
Total non-current assets	206.8	192.3
Inventories	80.2	78.4
Current receivables	104.6	93.9
Cash and cash equivalents	18.5	16.8
Non-current assets held for sale	0.2	-
Total current assets	203.6	189.1
Total assets	410.3	381.4

Equity and liabilities		
EUR million	Dec 31, 2016	Dec 31, 2015
Share capital	35.0	35.0
Reserves	40.0	40.0
Treasury shares	0.0	0.0
Translation differences	-36.8	-41.8
Retained earnings	170.3	161.7
Total equity	208.6	195.0
Interest-bearing non-current liabilities	50.1	50.2
Non-interest-bearing non-current liabilities	32.2	33.2
Interest-bearing current liabilities	27.1	12.8
Non-interest-bearing current liabilities	92.3	90.2
Total liabilities	201.7	186.5
Total equity and liabilities	410.3	381.4



Cash flow statement

Cash flow from operating activities

EUR million	1-12/2016	1-12/2015
Net profit	44.5	41.5
Adjustments	29.6	36.0
Funds from operations before change in net working capital	74.1	77.5
Change in net working capital	-15.4	-10.7
Interest and financial items, net	-1.7	-6.9
Income tax paid	-14.1	-11.5
Cash flow from operations	42.8	48.5

Cash flow from investing and financing activities

EUR million	1-12/2016	1-12/2015
Business combinations	-	0.2
Other capital expenditure	-21.3	-20.4
Proceeds from sale of assets	0.6	2.8
Other investment items, net	0.7	1.5
Net cash used in investing activities	-20.1	-15.8
Cash flow before financing	22.7	32.6
EUR million	1-12/2016	1-12/2015
Change in non-current borrowings	-	-10.0
Change in current financing	14.1	0.3
Dividend payout	-35.3	-35.3
Other financing items, net	0.2	3.4
Net cash used in financing activities	-20.9	-41.5
Net change in cash and cash equivalents	1.8	-8.9



Strategic Business Units

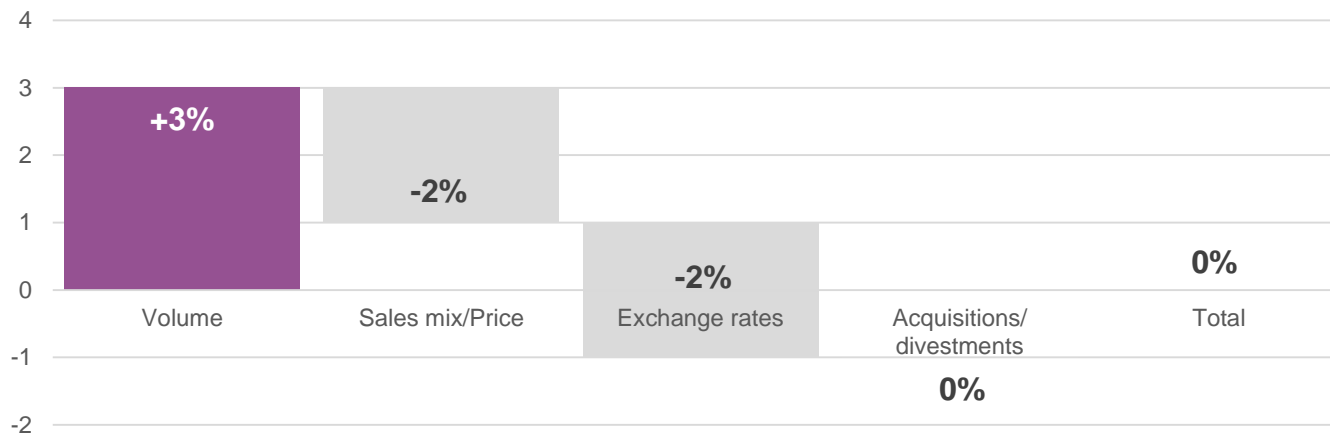


SBU West 2016

EUR million	10–12/2016	10–12/2015	Change %	1–12/2016	1–12/2015	Change %
Revenue	67.2	68.0	-1.3%	395.2	395.3	0.0%
Adjusted operating result	-9.7	-8.5	-14.1%	45.3	50.5	-10.3%
Adjusted operating result, %	-14.4%	-12.5%		11.5%	12.8%	

Revenue development 2016 vs. 2015

Increase/decrease, %



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

2016 highlights

- Sales volumes grew in all key markets
- Changes in the sales mix and sales prices had a negative impact on revenue; preparation for the deployment of the ERP system was in the background of this development, as well as an increase in the relative share sales of fillers and larger cans
- Profitability was weakened by higher sales and marketing efforts, in particular

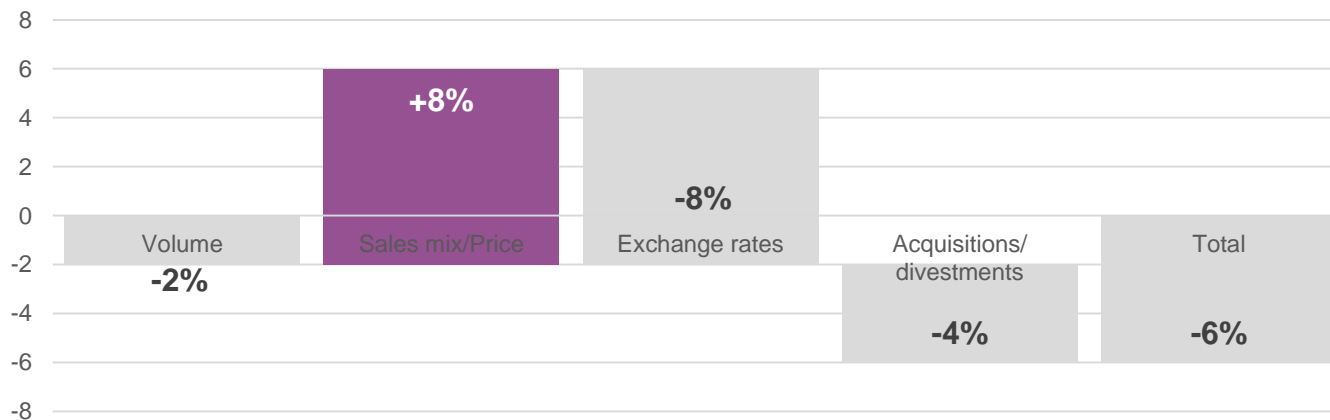


SBU East 2016

EUR million	10–12/2016	10–12/2015	Change %	1–12/2016	1–12/2015	Change %
Revenue	37.0	35.4	4.6%	176.8	188.9	-6.4%
Adjusted operating result	0.3	-1.5	121.5%	13.4	13.4	-0.3%
Adjusted operating result, %	0.9%	-4.3%		7.6%	7.1%	

Revenue development 2016 vs. 2015

Increase/decrease, %



2016 highlights

- Weak exchange rates and divestments reduced revenue
- Volume decline stabilized from the comparison period in Russia. Strong development continued in China
- Sales price increases conducted in early 2016 and changes in the sales mix had a positive impact on revenue
- Profitability was improved by the increases in sales prices and changes in sales mix, increased local production and improved productivity in Russia as well as the favorable development of the Chinese business operations

Conclusions and outlook



Conclusions

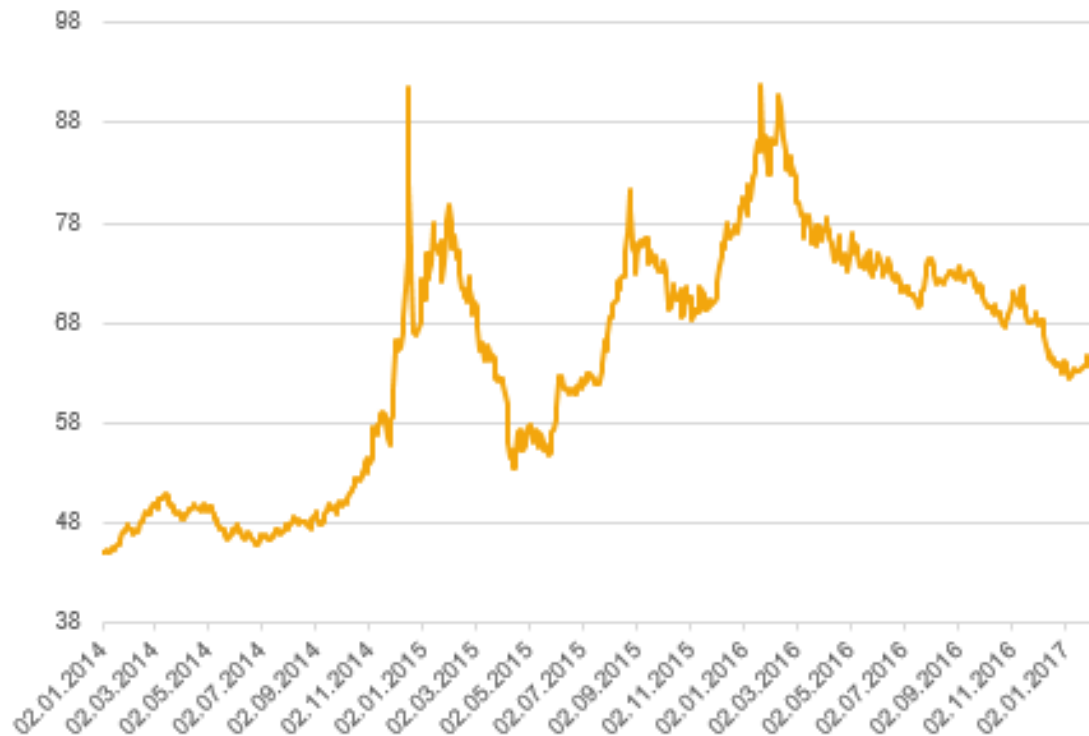
- Volumes grew in the west; decline in volumes diminished and stabilized in the east
- Measures to boost sales volumes were continued in all market areas; higher sales and marketing costs in the western markets burdened profitability
- Stable dividend payment ability
- Sentiment seems to be improving in Russia and Finland
- Investments in business development and growth supporting measures will be continued
- Pressures for raw material price increase; particularly the prices for titanium dioxide and oil related raw materials started to increase in Q4/2016. Recently, the availability and price development related uncertainties linked with titanium dioxide have increased significantly

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Ruble strengthened during the year but remained weaker than in the previous year

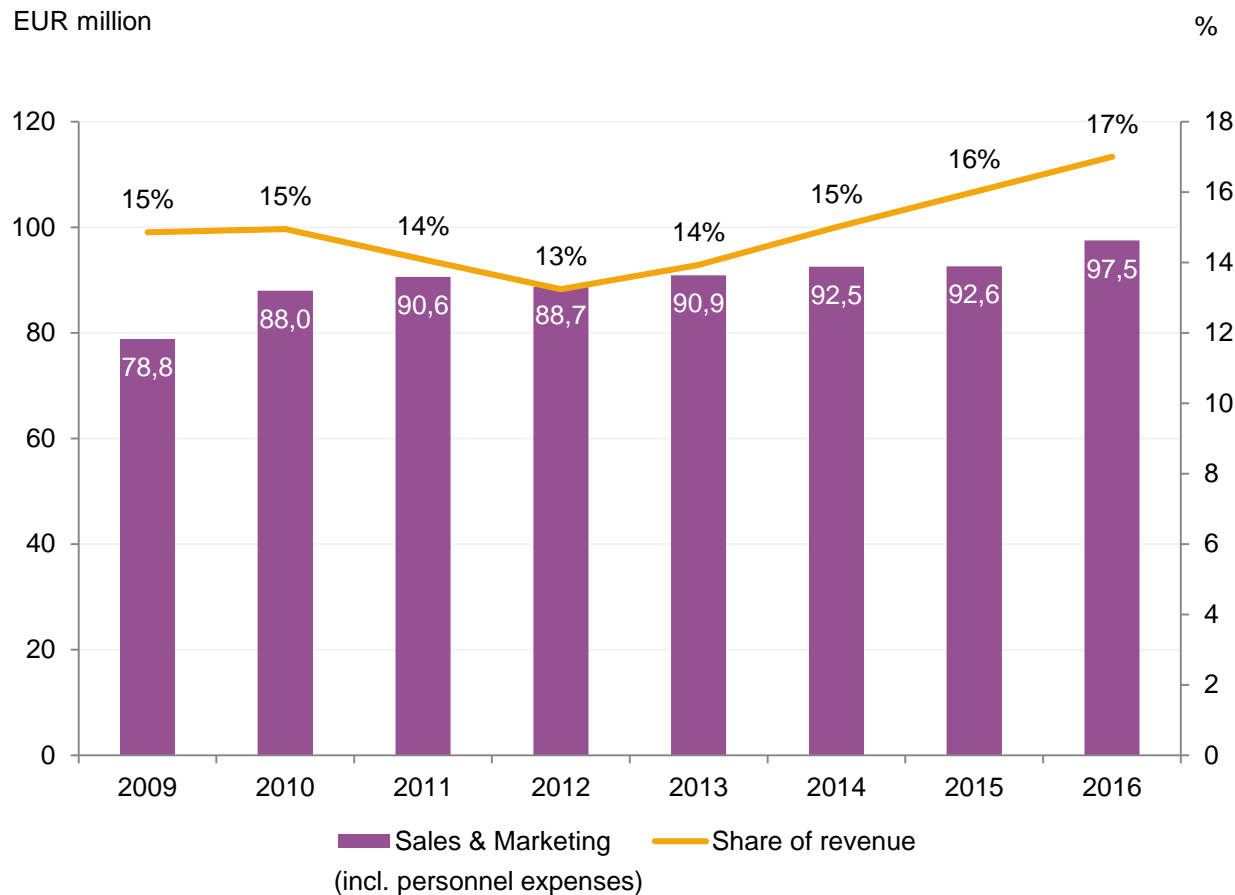
EUR/RUB exchange rate



- In 2016, the EUR/RUB average exchange rate was approximately 74 (vs. approximately 64 at the end of January 2017)
- 10 percent change in the EUR/RUB exchange rate leads to approximately EUR 12 million impact on revenue
- Situation in Russia is more stable but the consumer confidence and purchasing power remain at a low level. Oil price, in particular, determines to a large extent the outlook for the Russian economy



Sales & Marketing



- Sales and marketing costs increased as a result of our investments towards stimulating demand in the Western paint market and improving the customer experience, as well as in strengthening sales and marketing resources under harsh competitive circumstances
- Retail operations were actively developed in different markets. In China, our sales network was increased by more than 100 new points of sales. In Poland, a web shop solution was piloted
- In 2017, the sales and marketing costs are estimated to be below the 2016 level (as a percentage of revenue)



Finland 100 centenary year

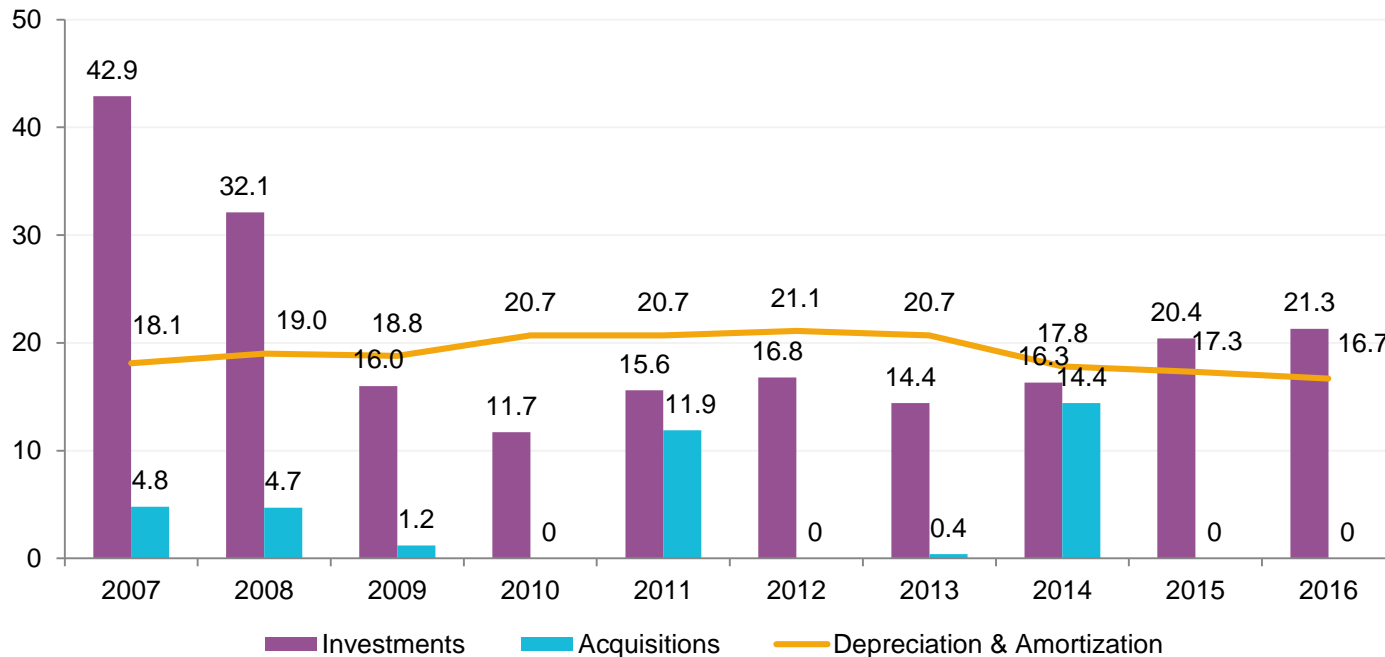
- Tikkurila is one of the official partners of the Finland 100 centenary
- Colors will also be one of Tikkurila's Finland 100 campaign themes. Tikkurila will reveal the favorite colors of Finnish houses in its brochure "Suomalaisten talojen värit" (Finnish House Colors), which will be released in the spring of 2017
- Story of the color card will be continued by sharing the personal experiences of ordinary people and by collecting a number of photographs of houses
- Furthermore, Tikkurila will introduce Finland 100 products for both exterior and interior painting

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Investments and D&A

EUR million



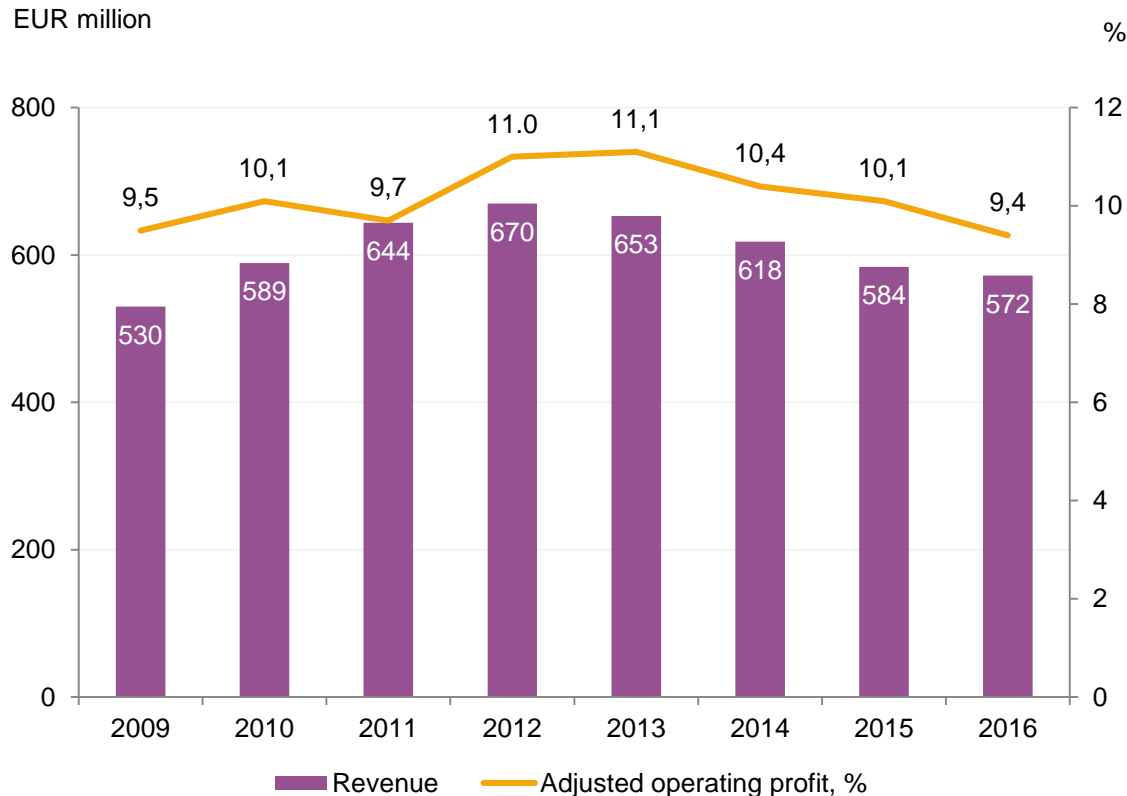
Investments and acquisitions are presented on cash flow basis and excluding any impacts of divestments
 Depreciation and amortization are presented excluding non-recurring impairments

- Capital expenditures in the period under review were mainly related to the introduction of new IT systems in different locations of the Group. One of the most important on-going ICT investments is the deployment of enterprise resource planning system (ERP), which started in the Group phase by phase during the first half of 2016. The system will be in use in almost all Group's operating countries during the first half of 2017
- The deployment of the new ERP system will incur considerable costs in 2017
- In 2017, capital expenditure level is estimated to be slightly higher than the annual depreciation and amortization level



Guidance for 2017

Revenue and profitability of Tikkurila 2009–2016



Outlook and guidance for 2017

Among Tikkurila's key markets in Sweden and Poland, the fairly strong economic growth is expected to continue in 2017. The economies of Finland and Russia are also anticipated to grow slightly. Demand for paint is predicted to moderately increase in Tikkurila's operational area during the current year. The importance of the professional segment is growing, which affects the sales structure of the Tikkurila Group.

Raw material prices are expected to rise, but Tikkurila will aim to compensate for this impact by intensifying its raw material procurement, increasing local purchasing in Russia, and by increasing its sales prices. Furthermore, there are risks related to the availability of titanium dioxide.

Tikkurila expects its revenue and adjusted operating profit for the financial year 2017 to increase from the 2016 level.



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