



Tikkurila FY 2016 result

Nordea investor event on March 21, 2017
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

- Tikkurila as a company
- Development in 2016



Tikkurila as a company



TIKKURILA

Tikkurila is the leading paints and coatings professional in the Nordic region and Russia. With our roots in Finland, we now operate in 14 countries. Our high-quality products and extensive services ensure the best possible user experience in the market. Sustainable beauty since 1862.

Revenue EUR 572 million

Adjusted operating profit EUR 54 million
(9.4% of revenue)

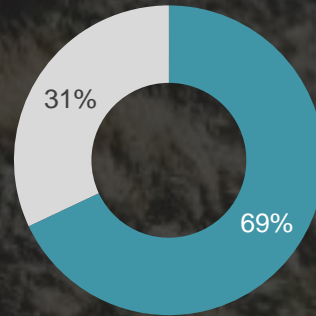
More than 3,000 employees

Production in nine countries

Products available in over 40 countries

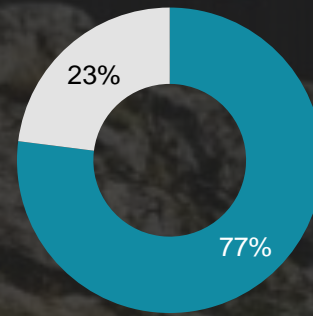
Leading market position in main markets

Revenue by segment



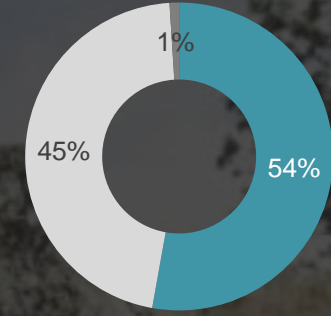
■ West ■ East

Operating profit* by segment



■ SBU West ■ SBU East

Personnel by segment



■ West ■ East ■ Group

* Adjusted, excl. Group items

Our locations



Production units in 9 countries
Sales units in 14 countries
Training centers in 11 countries

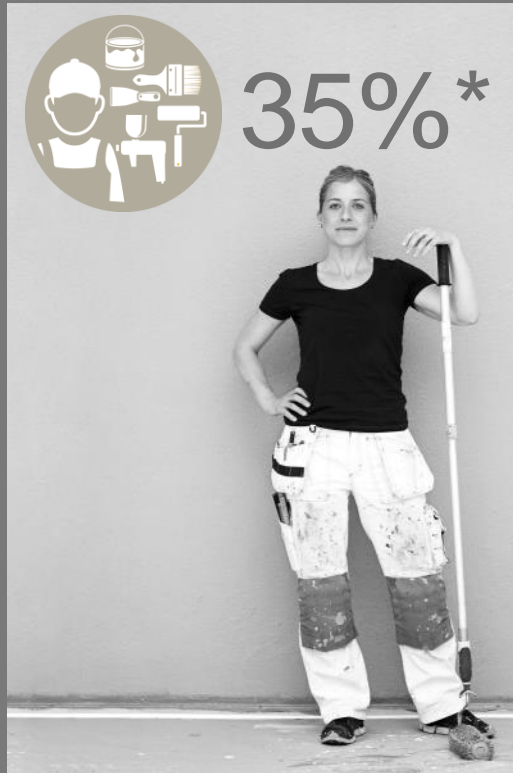
- Production, distribution center, sales
- Distribution center, sales
- Training center



Our end-customers



Consumers (DIY)



Professional painters

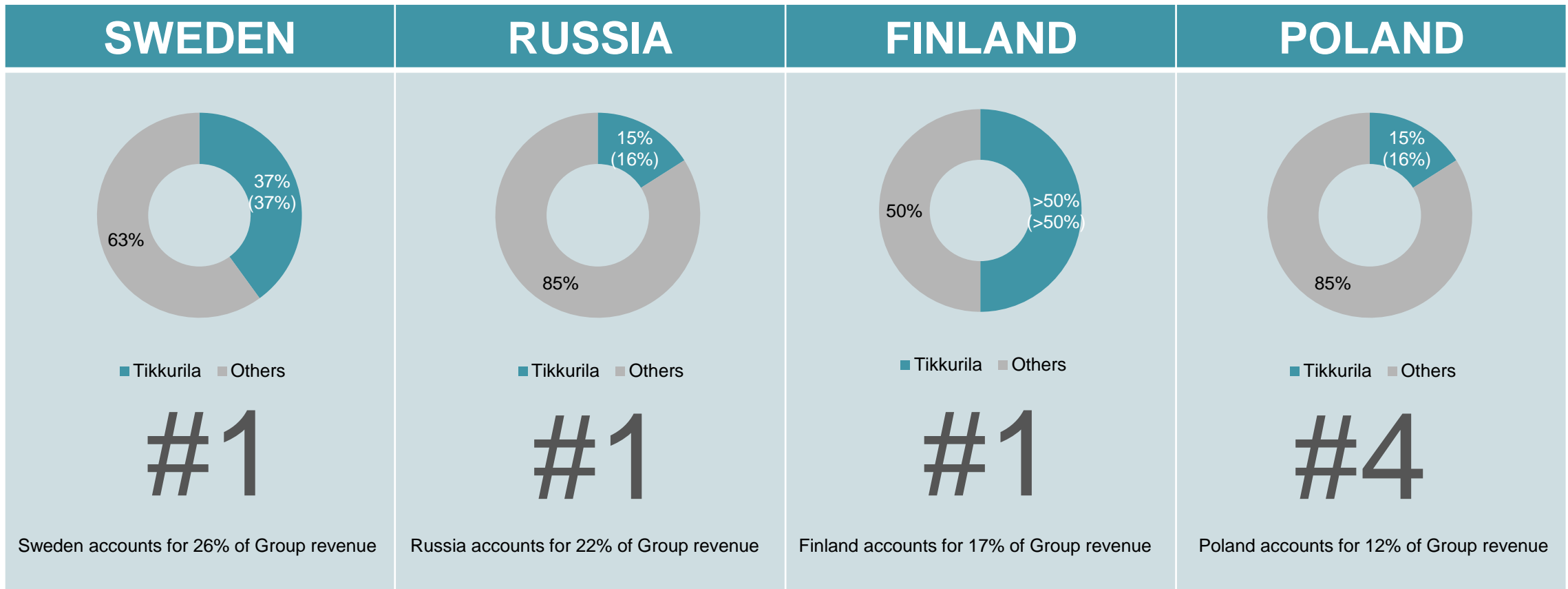


Industry

*Tikkurila estimate



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)



We help our customers to succeed in surface protection and decoration



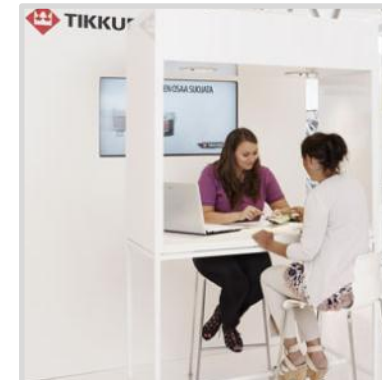
Inspiration



Ideas



Colors



Stores



Helpline



Internet



Training



Designer Pool
Contractor Pool



Professional
services



Tikkurila strategy

KEY SUCCESS FACTORS

- Brands
 - Services
 - Innovations
 - Know-how
 - Sustainability
- = **Best end-user experience**

LONG-TERM FINANCIAL TARGETS

- Revenue EUR 1 billion
- Adjusted operating profit >12%
- ROCE >20%
- Gearing <70%

STRATEGIC PRIORITY AREAS



GROWTH

Growth Initiatives
Other organic growth
Joint ventures and M&As



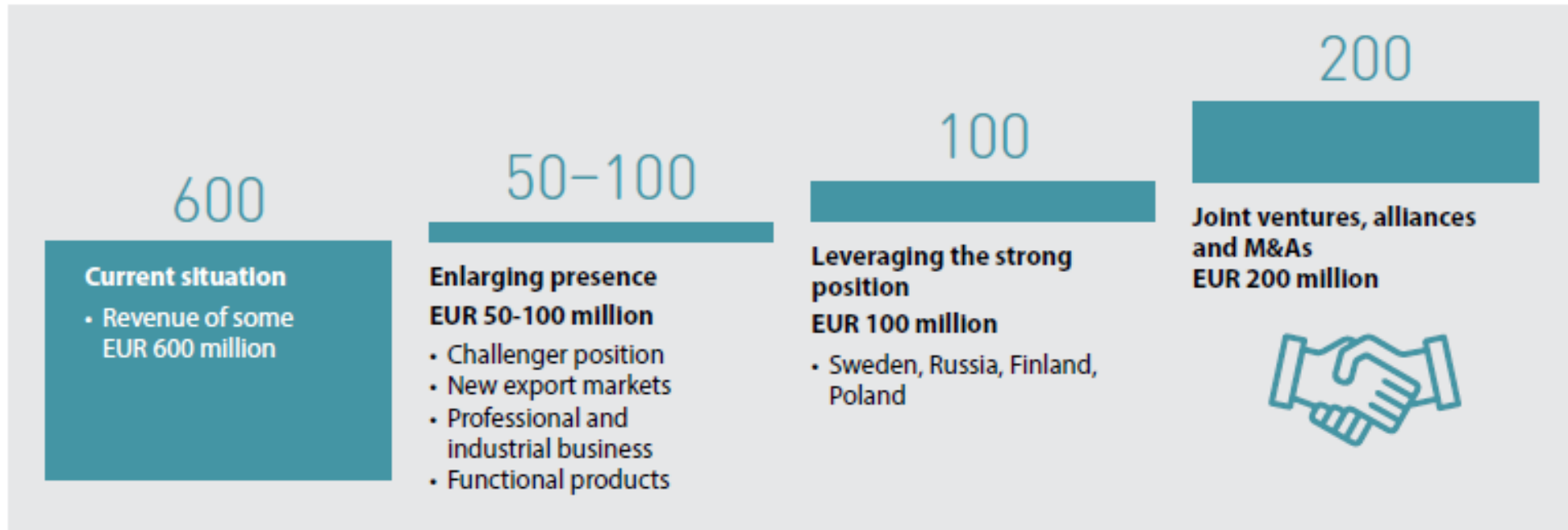
AGILITY

Efficiency and flexibility
Complexity reduction
Harmonization
LEAN



Long-term growth avenues

LONG-TERM GROWTH AVENUES



Proceeding of strategic projects in 2016

- Stepping up the use of local manufacturing and local raw materials in Russia
- Opening of more than 100 new sales outlets in China
- Reinforcing the industrial and professional segment skills and resources
- Investing in functional solutions (external certificates and customer references)
- Gaining new export customers e.g. in the Middle East and Western Europe
- Harmonizing interior products in the Western business segment
- Starting the roll-out of new ERP system
- Changing operating model in Ukraine and Belarus

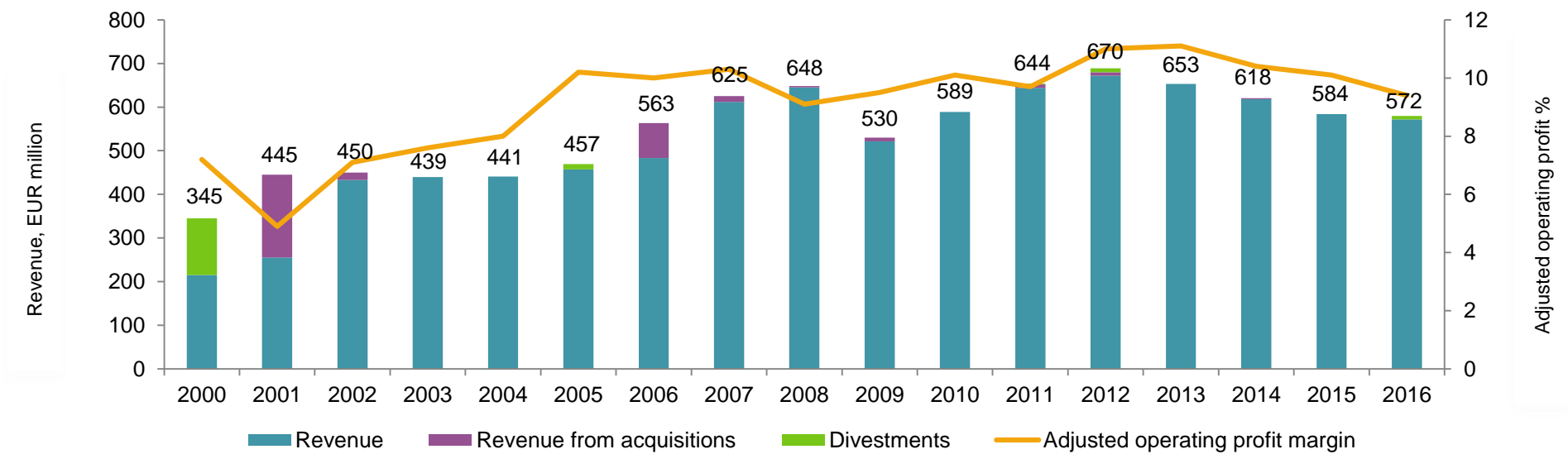


Long term financial development

Development of sales and profitability 2000–2016

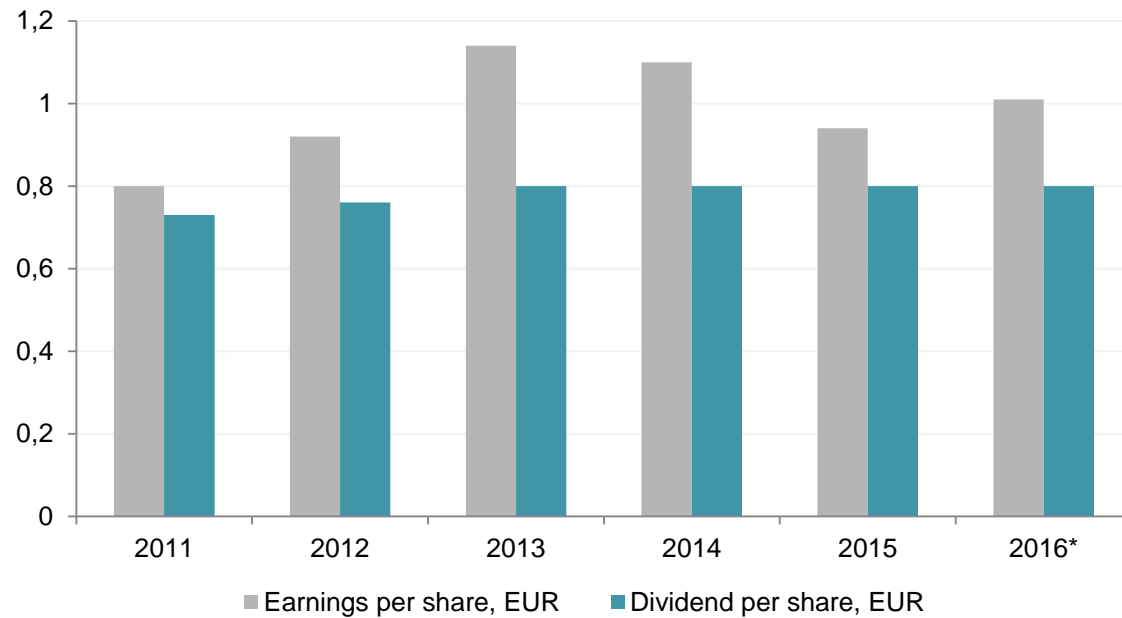
Major acquisitions and divestments

<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 Teks in 2006 (Revenue ~MEUR 80)</p>	<p>Acquisition of Zorka Color in 2011 (Revenue ~MEUR 16)</p>
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Stable dividend outflow



*Board of Directors' proposal for the Annual General Meeting

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

Development in 2016



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%

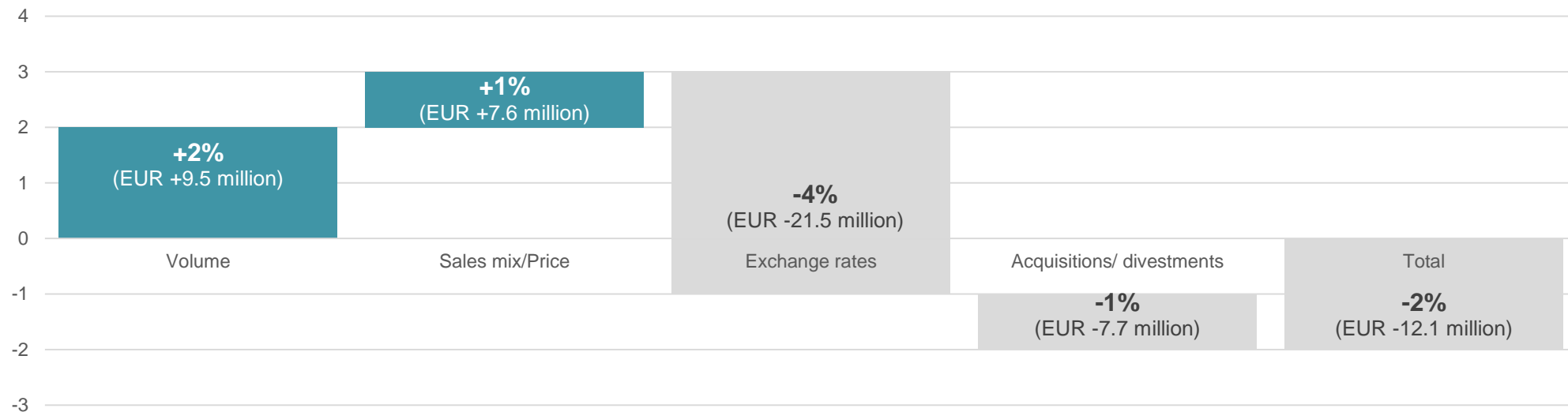


Slight increase in comparable revenue

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

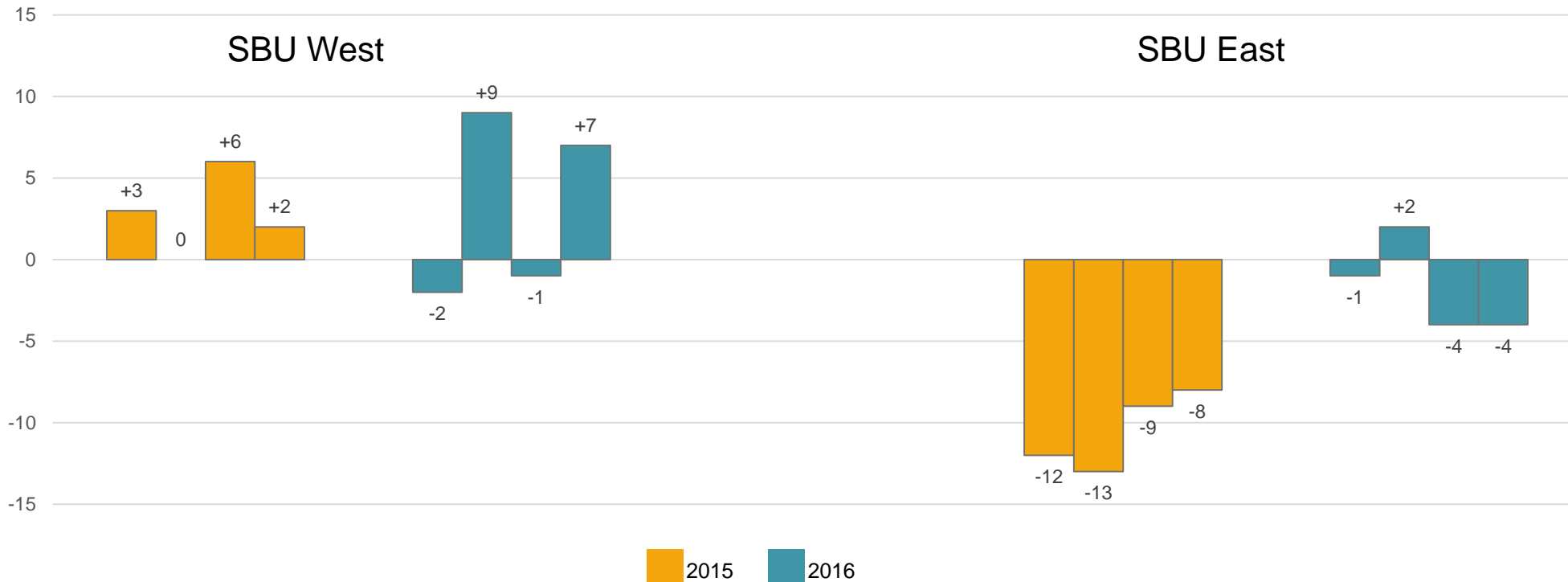
Increase/decrease, %





Growth in the west, situation stabilizing in the east

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



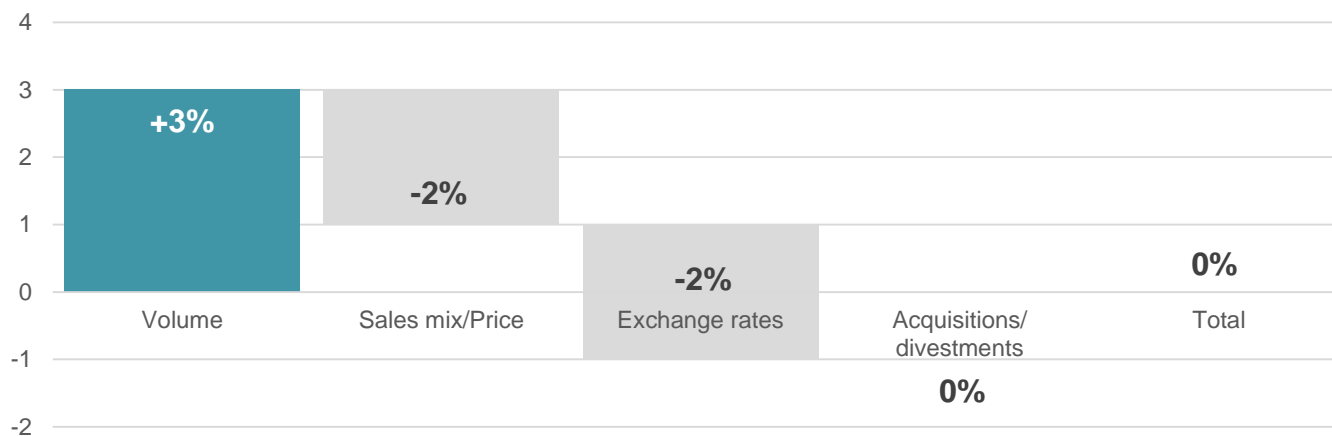


SBU West 2016

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

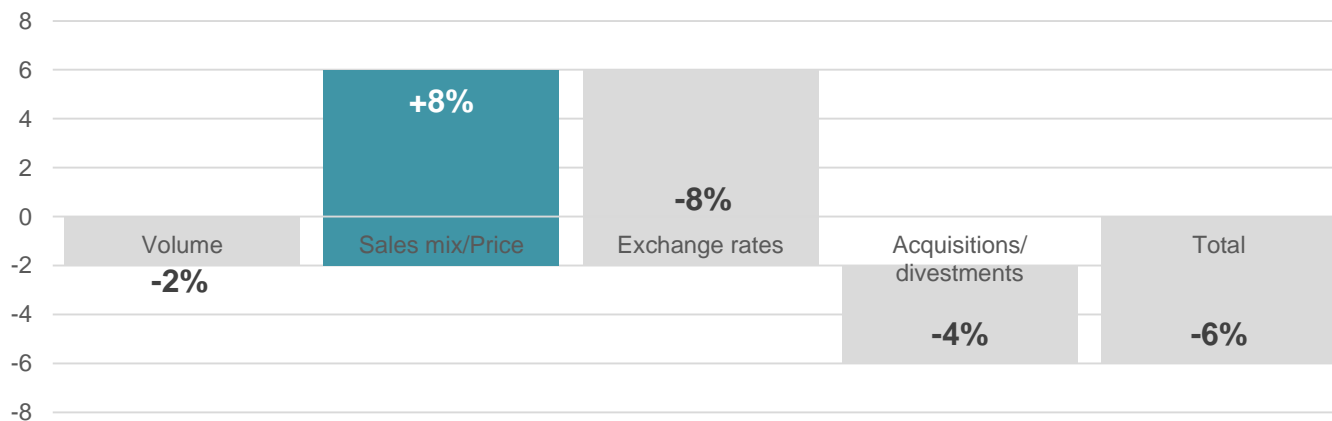


SBU East 2016

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

- 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

March 21, 2017





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

EUR/RUB exchange rate

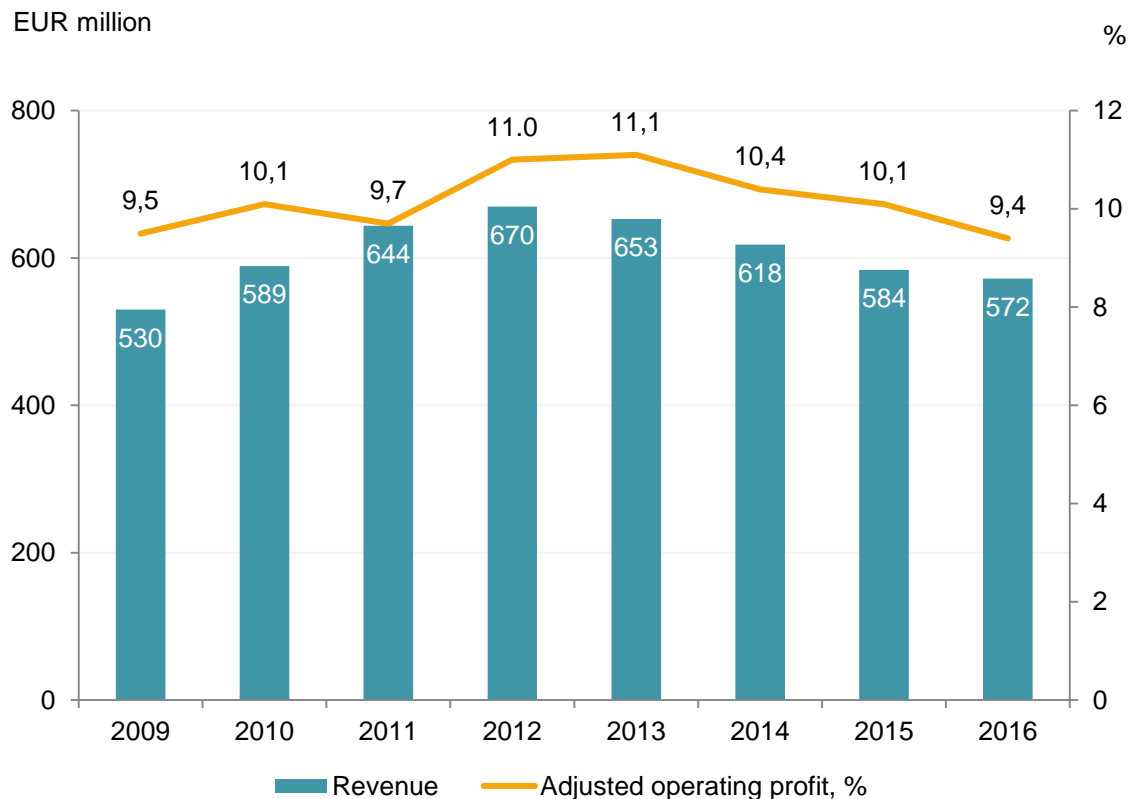


- In 2016, the EUR/RUB average exchange rate was approximately 74 (vs. approximately 64 at the end of January 2017)
- 10 percent change in the EUR/RUB exchange rate leads to approximately EUR 12 million impact on revenue
- Situation in Russia is more stable but the consumer confidence and purchasing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



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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TO COLOR YOUR LIFE.™