



TIKKURILA

Sustainable beauty since 1862

Erkki Järvinen, President and CEO
Annual General Meeting on March 25, 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. Actual results may differ from the expectations and beliefs such statements contain.



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Year 2014 in brief

Full year highlights

Development 2014 vs. 2013

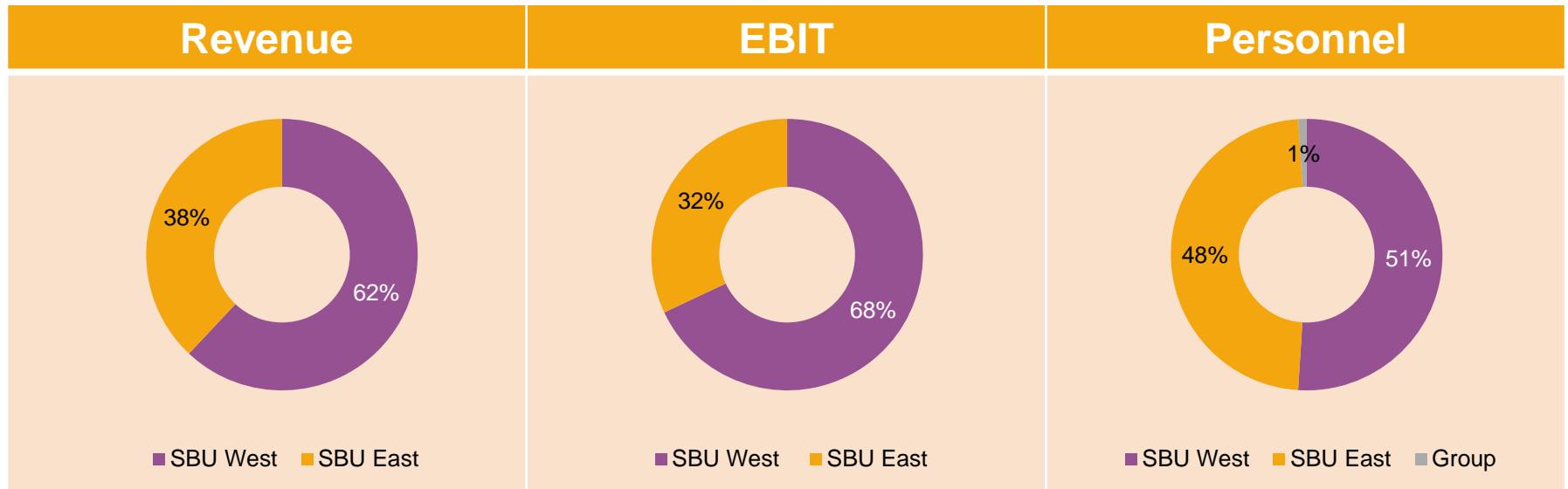
- Revenue decreased mainly due to the weakening of key currencies
- Decline in revenue and weakening of the key currencies had a negative impact on profitability
- Acquisitions weakened the cash flow
- Good net income kept the dividend distribution capability stable

Key figures

EUR million	1-12/2014	1-12/2013	Change %
Revenue	618.4	653.0	-5.3%
EBIT excluding non-recurring items	64.2	72.6	-11.6%
EBIT excluding non-recurring items, %	10.4%	11.1%	
EBIT	63.7	71.5	-10.9%
EBIT, %	10.3%	10.9%	
EPS, EUR	1.10	1.14	-3.5%
ROCE, %, rolling	22.9%	23.5%	
Cash flow after capital expenditure	49.9	66.9	-25.5%
Net interest-bearing debt at period-end	47.4	48.6	-2.6%
Gearing, %	24.6%	23.4%	
Equity ratio, %	49.5%	50.1%	
Personnel at period-end	3,142	3,133	0.3%

Tikkurila 2014

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 618 million

EBIT* EUR 64 million

Personnel 3,142

Decorative paints accounted for 83.4% (84.1) and industrial coatings 16.6% (15.9) of revenue

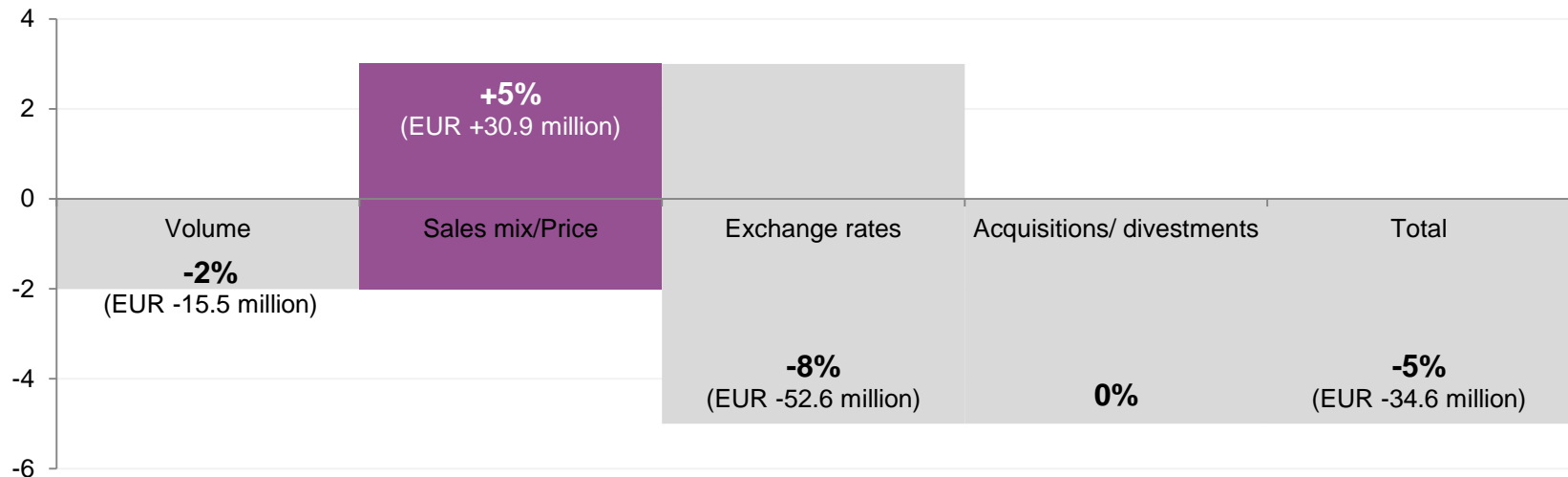
*Excl. non-recurring items

Weak currencies had a significant negative impact on the euro-denominated revenue

EUR million	10–12/2014	10–12/2013	Change %	1–12/2014	1–12/2013	Change %
Revenue	104.4	116.7	-10.5%	618.4	653.0	-5.3%

Group's revenue development 2014 vs. 2013

Increase/decrease, %



Trends affecting Tikkurila's business operations



URBANIZATION



AGING OF THE
POPULATION



RISE OF THE MIDDLE
CLASS



EXHAUSTING NATURAL
RESOURCES



CHANGES IN
CONSUMPTION
BEHAVIOR



CLIMATE CHANGE

On-going development projects

Products and services to the professionals



Online services and ecommerce



Resource efficiency



Excellence in energy-efficient solutions

- In 2014, Tikkurila acquired two companies specializing in functional products: KEFA Drytech AB and ISO Paint Nordic A/S.
- Acquisitions complemented Tikkurila's professional product range and expertise in functional, energy-efficient coating solutions.
- Products to prevent condensation and mold, to damp noise, and to reduce the amount of energy needed for heating or cooling of buildings, as well as to extend the life cycle of building structures.



Significant renewals and launches

Tikkurila brand renewal



New brand to Scandinavia



Wallpaper and paint collection, Duett





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Strategy

Sustainable beauty since 1862

Our end-customers



Consumers



Professionals



Industry

#1

Market position in key markets* in decorative paints

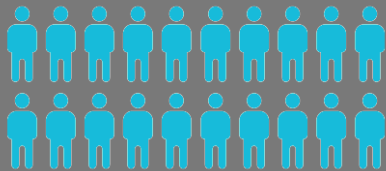
50%

Balanced geographical presence between mature and emerging markets

Our goal is to provide the best user experience

Operations in 16 countries

Production in 9 countries



More than
3,100 employees



*Russia, Sweden, Finland, the Baltic countries
Tikkurila is #4 in Poland

Our end-customers



Consumers (DIY)



Professional painters



Industry

*Tikkurila estimate

Our goal is to provide the best user experience



Inspiration



Ideas



Colors



Stores



Helpline



Internet



Training



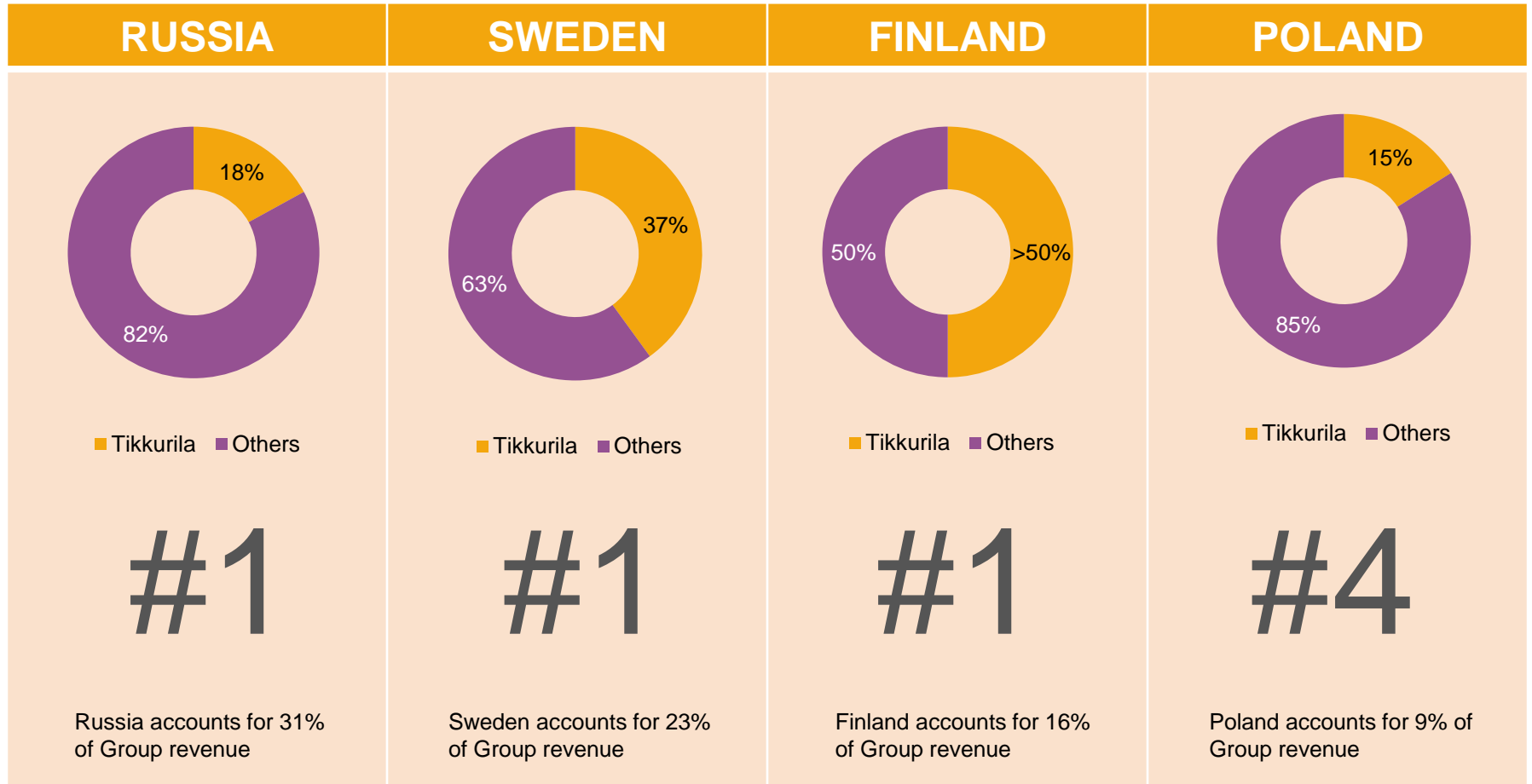
Designer Pool Contractor Pool



Professional services



Tikkurila market shares and positions in decorative paints in key markets in 2013



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

Decorative paint business characteristics

Brand recognition

Efficient distribution

Pricing power

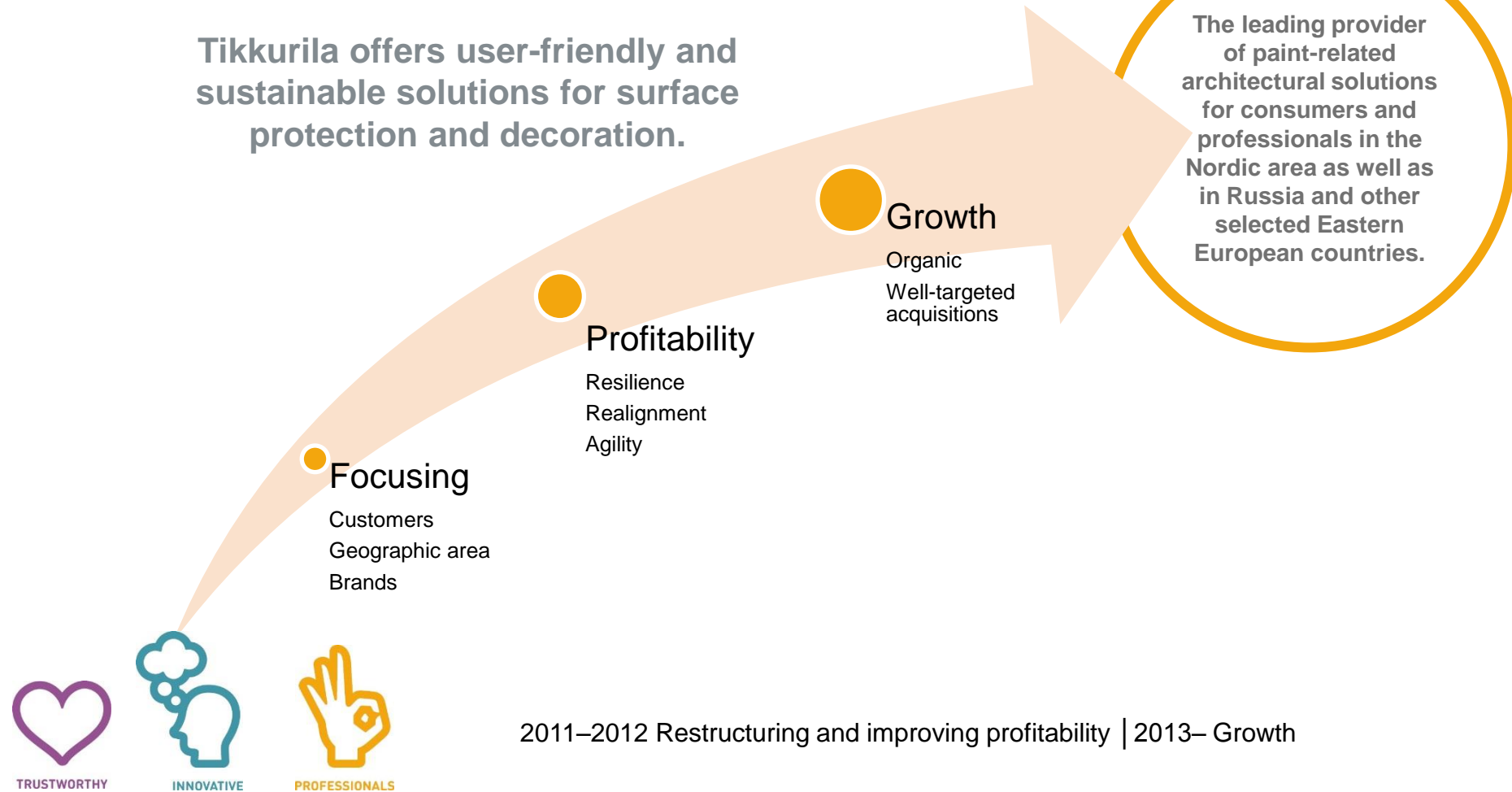
Strong cash flow generation ability

Low capital intensity

Solid performance over business cycles

Tikkurila's strategy

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



2011–2012 Restructuring and improving profitability | 2013– Growth

We are aiming at profitable growth

Enablers of growth

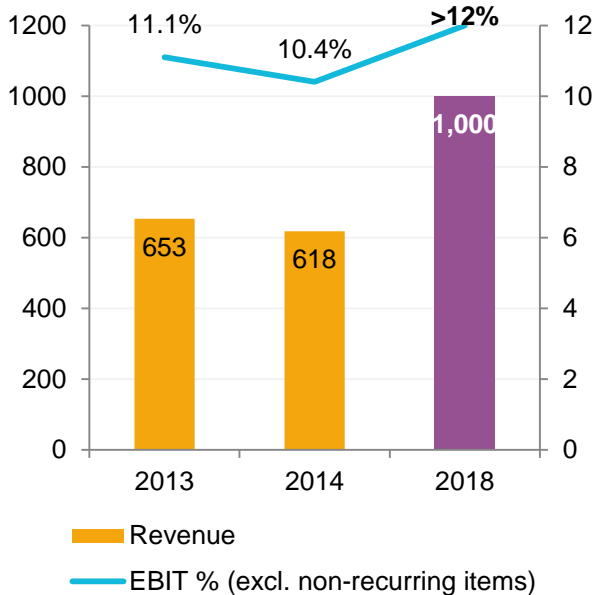
- Commercial excellence
 - Strong brands with high customer loyalty
 - Leading market positions
 - Good distribution coverage
- Other
 - Strong balance sheet

Sources for growth

- Existing products and market presence
 - Volume
 - Market shares
 - Product mix and price increases
- New products and services
- M&A
- FX (either positive or negative impact)

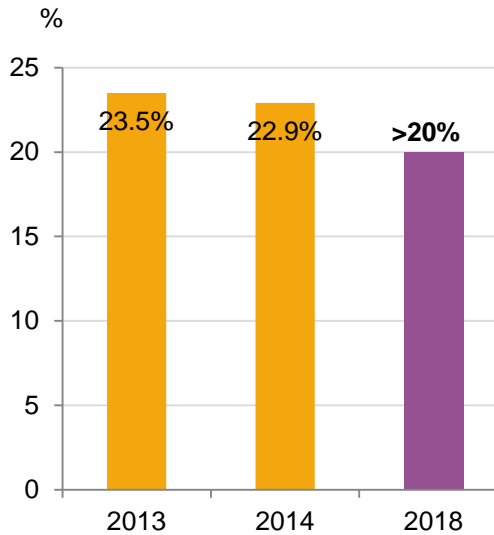
Financial targets for 2018

Revenue and operative EBIT %



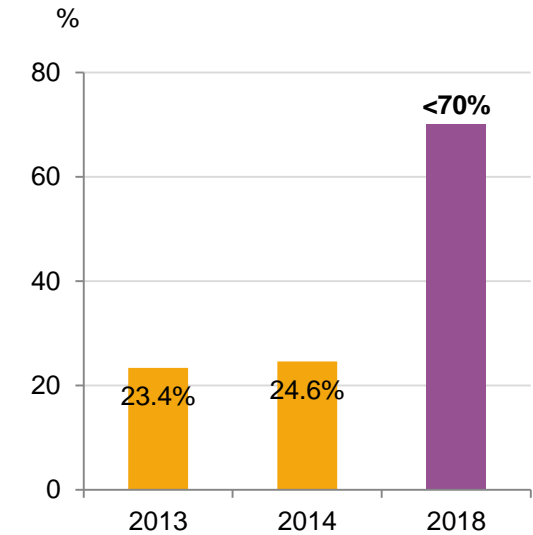
- Revenue of EUR 1 billion
- Operative EBIT >12%

ROCE



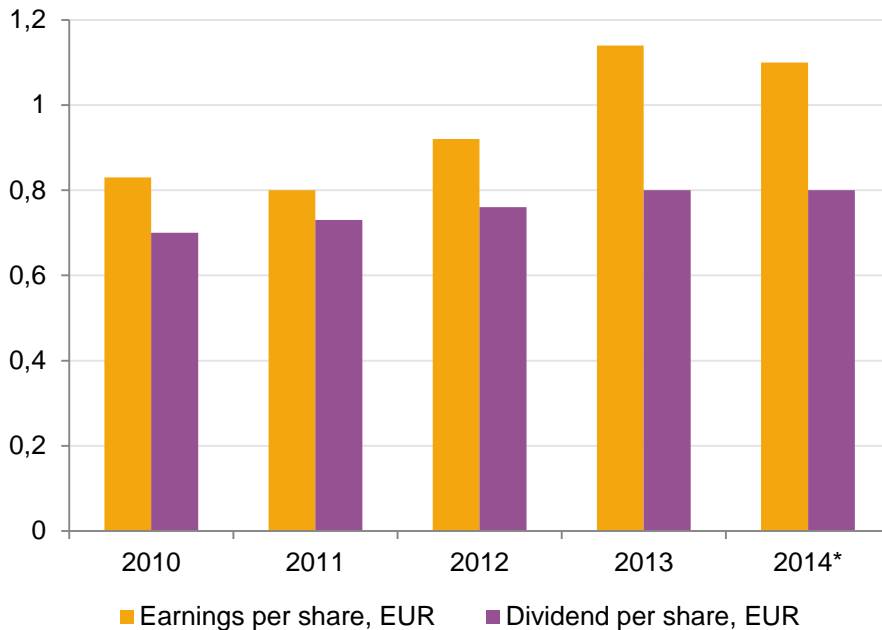
- Operative return on capital employed (ROCE) >20%

Gearing



- Gearing <70%

Stable dividend outflow



- 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


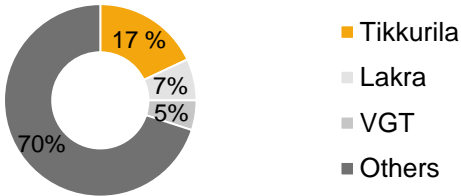
*Board of Directors' proposal for the Annual General Meeting



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Review of Russia

Tikkurila in Russia

2014 revenue	EUR 176 million, 28% of Group
Brands	
Production	<p>Production sites in St. Petersburg (3) and Sary Oskol</p> <p>Majority of the products sold in the area are produced locally, Tikkurila brand is also exported from Finland</p>
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	 <p>Source: Chem-Courier, 2014 (volume)</p>



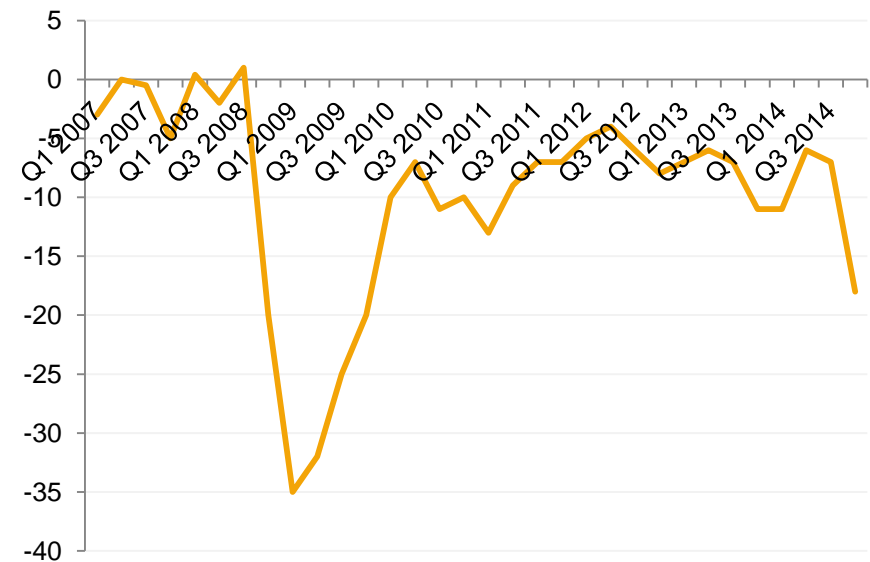
Operating environment is exceptionally difficult in Russia

EUR RUB exchange rate



- Russian ruble has been steeply depreciating during the past few months due to e.g. decreasing oil price

Russian consumer confidence



- In the last quarter, consumer confidence weakened clearly

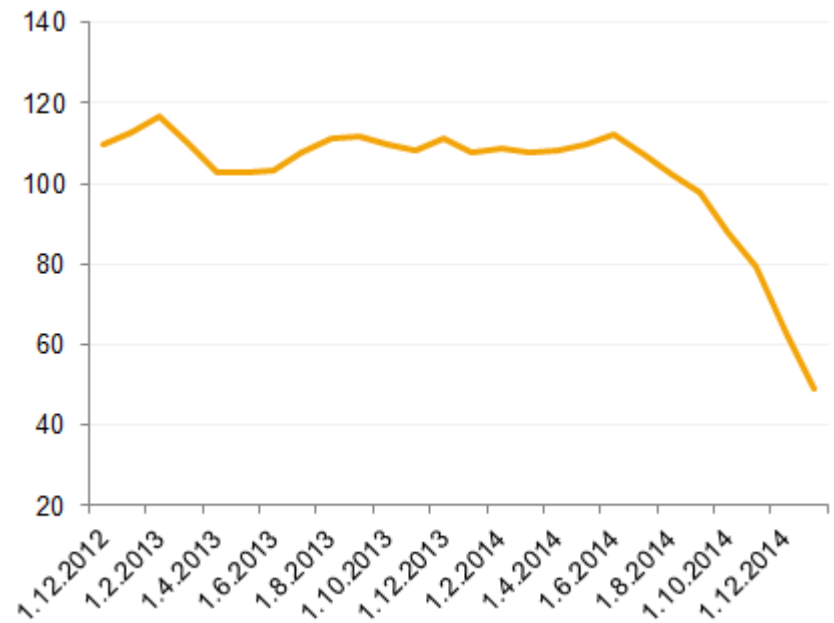
Outlook for Russia remains weak

- Russian GDP development is dependent on oil prices. Russian GDP for 2015 is estimated to decrease by 4 percent if the oil prices stay at USD 60/barrel.
- Russia's economic recovery is not likely until oil prices rise and the geopolitical situation stabilizes. Nevertheless, growth is expected to be slower than before.
- Inflation is high (some 15%) and the purchasing power of consumers declines.
- Demand for paint will decrease and the market share of cheap paints is likely to increase.
- Weak ruble will decrease Tikkurila's euro-denominated revenue clearly (2014 average rate for EURRUB 51.0 vs. 73.0 in February 2015)

Impact of oil price changes on Tikkurila

- Changes in oil prices will have a delayed impact on many of the raw materials and packaging materials Tikkurila uses
- The drop in oil prices will reduce our raw material costs, but the lower costs will be partly offset by the stronger dollar
- Falling oil prices will have a significant negative impact on the ruble exchange rate and the Russian economy in particular, and with that, an overall adverse effect on Tikkurila's operations

Oil price development, USD



Business development operations will be continued in Russia

- Active sales and marketing activities
- Increased presence and shelf space
- Active pricing; sales prices were increased in early 2015 to compensate the weak ruble
- Development of the retail operations
- Growth will be sought actively also in other markets

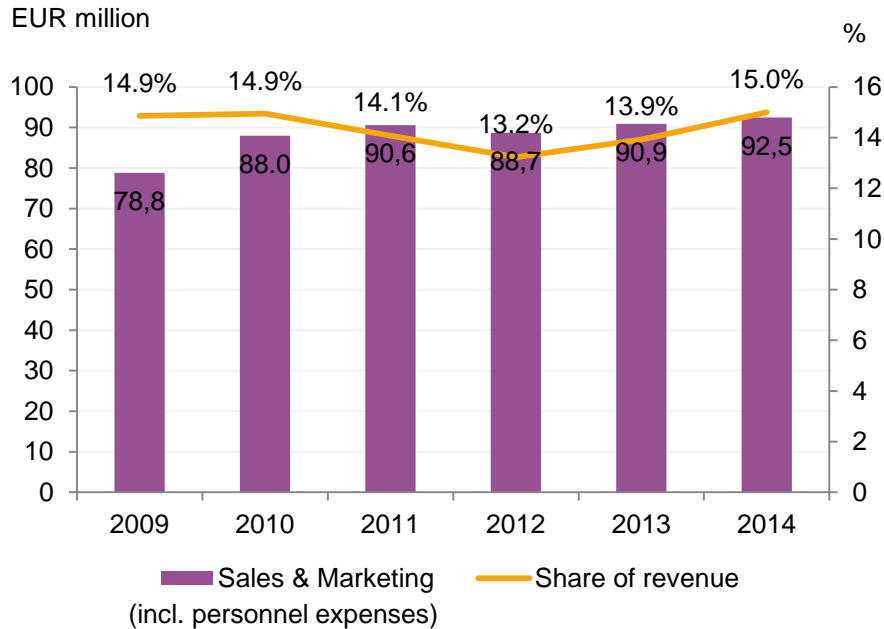




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Outlook for 2015

Sales & Marketing



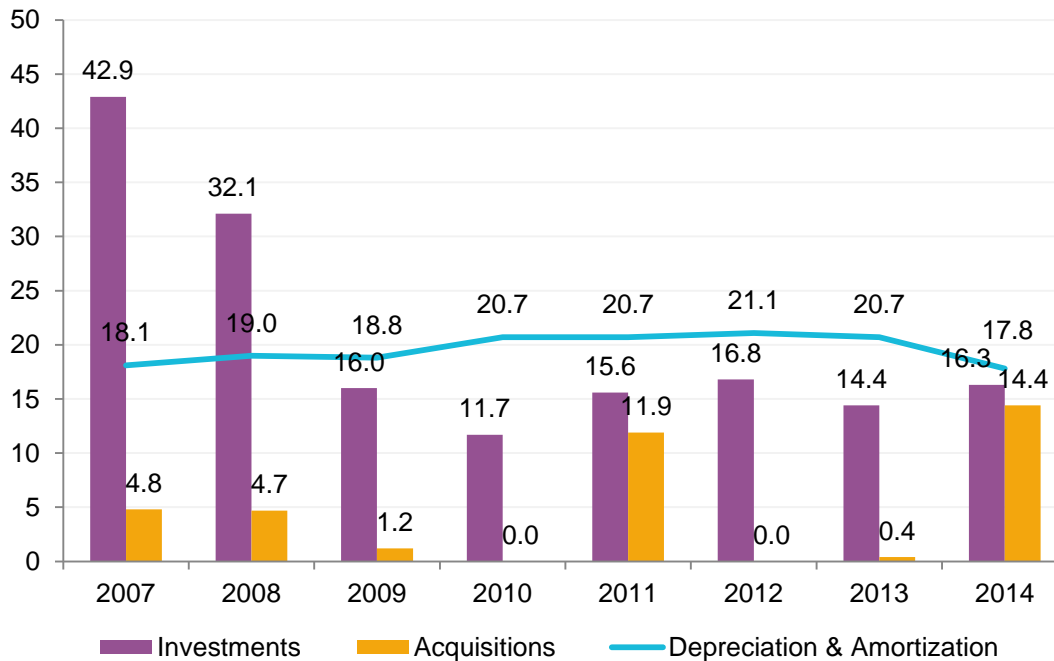
- In 2015, sales and marketing expenses are estimated to remain at the past few years' level as a percentage of revenue



- In China, Tikkurila already has 250 Tikkurila brand stores operated by third parties

Investments and D&A

EUR million

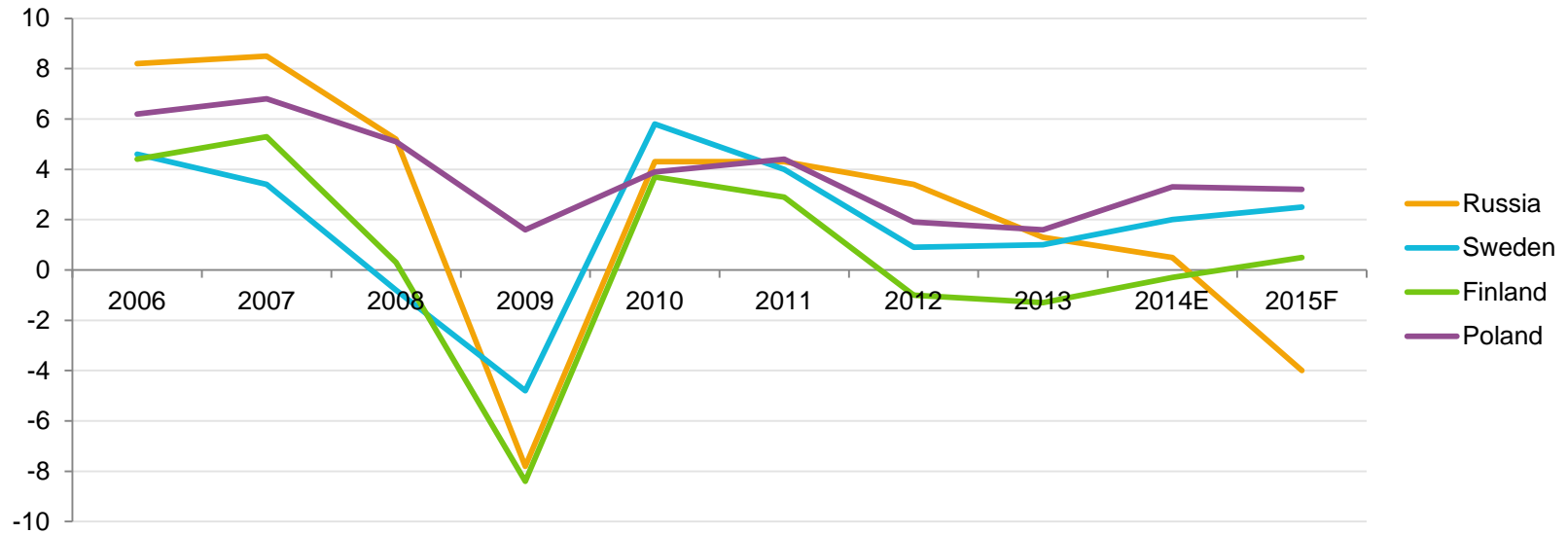


- Various measures to secure production automation, streamlining and continuity continue in various Tikkurila units
- 2015 capital expenditure level is estimated to be close to the annual depreciation and amortization level

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

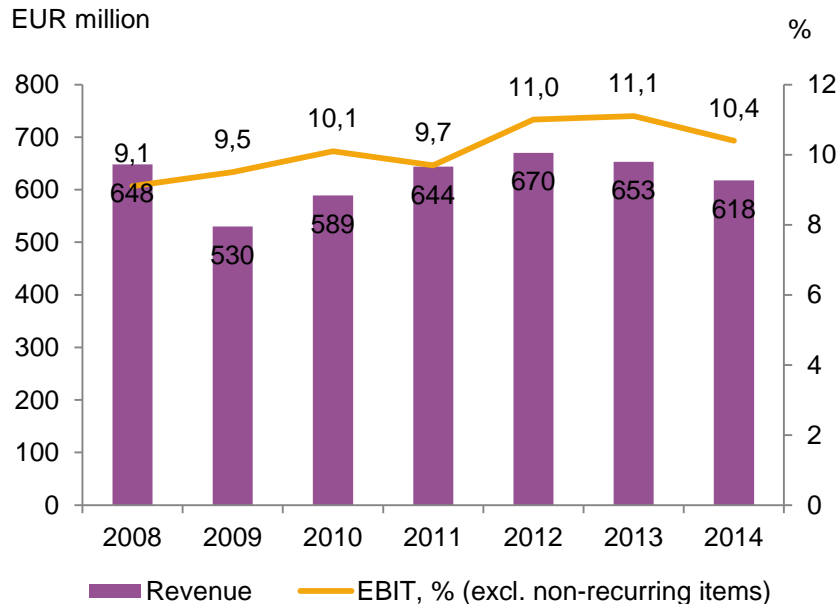
Slow recovery in the EU region, outlook for Russia remains gloomy

GDP development, %



Guidance for 2015

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.

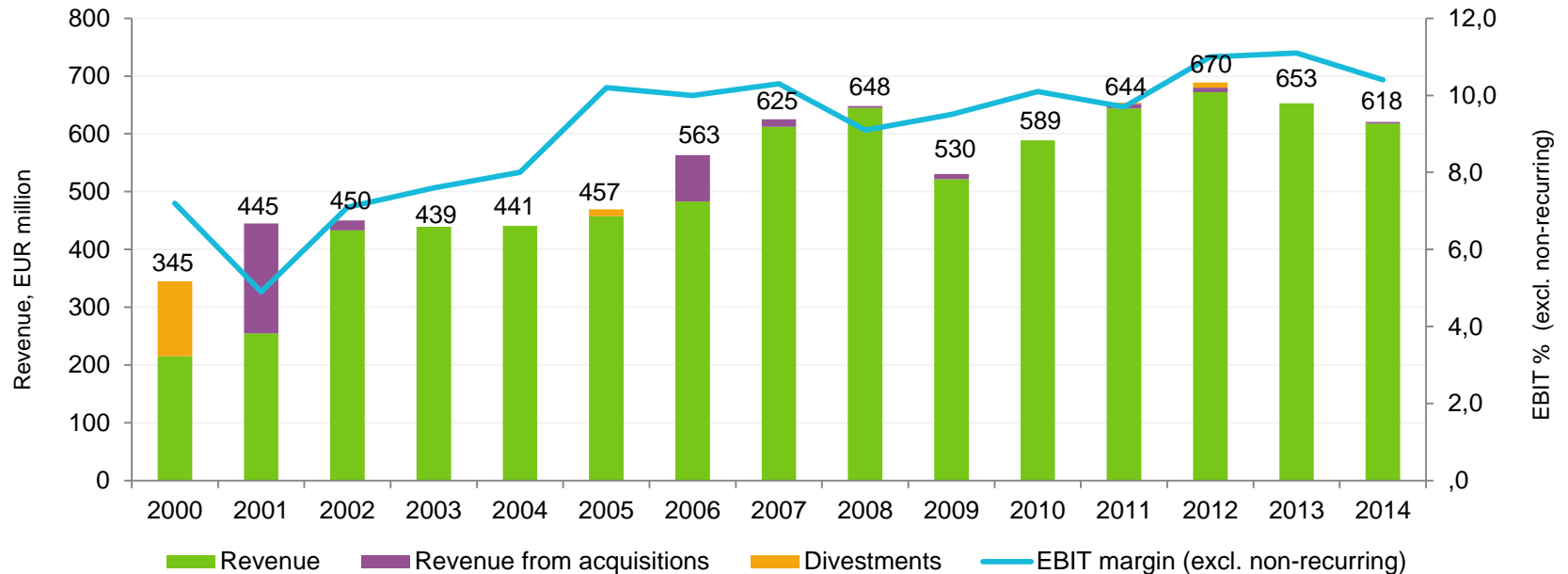
Tikkurila expects its revenue and EBIT excluding non-recurring items for the financial year 2015 to be below the 2014 level.

Solid performance over business cycles

Development of sales and profitability 2000–2013

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 Tekes in 2006 (Revenue ~MEUR 80)</p>	<p>Acquisition of Zorka Color in 2011 (Revenue ~MEUR 16)</p>
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TIKKURILA INSPIRES YOU
TO COLOR YOUR LIFE.™