



Tikkurila Annual General Meeting

March 25, 2014

Erkki Järvinen, President and CEO

TIKKURILA

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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- Year 2013 in brief
- Strategy
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Year 2013 in brief



Full year highlights

Development 2013 vs. 2012

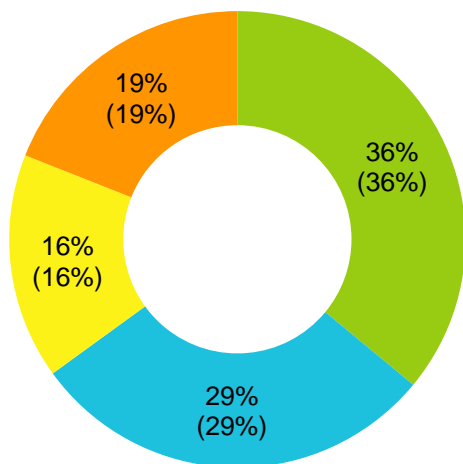
- Revenue decreased slightly due to lower sales volumes and weakening of the key currencies
- Operating profit excl. non-recurring items and relative profitability remained close to the previous year's level due to favorable sales mix development and lower cost level
- Cash flow was strong
- Economic growth in Tikkurila's markets was fairly weak

Key figures

EUR million	1-12/2013	1-12/2012	Change %
Revenue	653.0	670.4	-2.6%
EBIT excluding non-recurring items	72.6	73.7	-1.5%
EBIT excluding non-recurring items, %	11.1%	11.0%	
EBIT	71.5	66.3	7.7%
EBIT, %	10.9%	9.9%	
EPS, EUR	1.14	0.92	23.1%
ROCE, %, rolling	23.5%	21.0%	
Cash flow after capital expenditure	66.9	50.3	33.2%
Net interest-bearing debt at period-end	48.6	80.8	-39.8%
Gearing, %	23.4%	40.6%	
Equity ratio, %	50.1%	45.9%	
Personnel at period-end	3,133	3,223	-2.8%

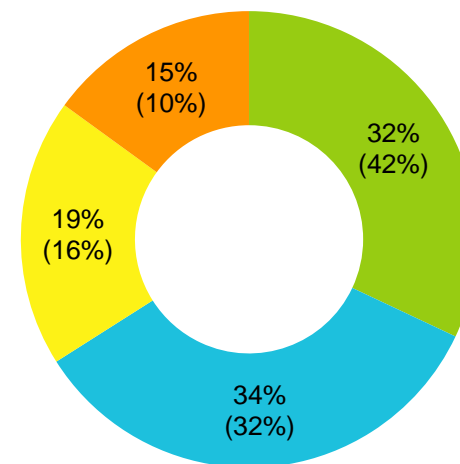
Revenue and EBIT split January–December 2013

Revenue by reporting segment



■ East ■ Scandinavia ■ Finland ■ CEE

EBIT* by reporting segment



■ East ■ Scandinavia ■ Finland ■ CEE

Decorative paints accounted for 84.1% (84.0) and industrial coatings 15.9% (16.0) of revenue

* Excluding non-recurring and Group items

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
Revenue	625	648	530	589	644	670	653
EBIT, % ¹	10.3%	9.1%	9.5%	10.1%	9.7%	11.0%	11.1%
ROCE	24.5%	18.7%	15.7%	19.2%	19.4%	21.0%	23.5%
Gearing	135.3%	208.5%	90.0%	41.4%	51.9%	40.6%	23.4%
Dividend payout; share of operative net income, %				86% (EUR 0.70 per share)	88% (EUR 0.73 per share)	72% (EUR 0.76 per share)	69% ² (EUR 0.80 per share)

1) Excluding non-recurring items

2) Board of Directors' proposal

Strategy implementation in 2013

- Development of distribution through own Profe shop concept, launch of Tikkurila Branded Shop concept in dozens of stores
- Resource allocation for the development of digital business and innovativeness
- Restructuring measures in Denmark, China, the Baltic countries, and the Balkan area
- Successful completion of a project aiming at raw material optimization, formula harmonization, and SKU reduction
- Suitable acquisition targets are difficult to find



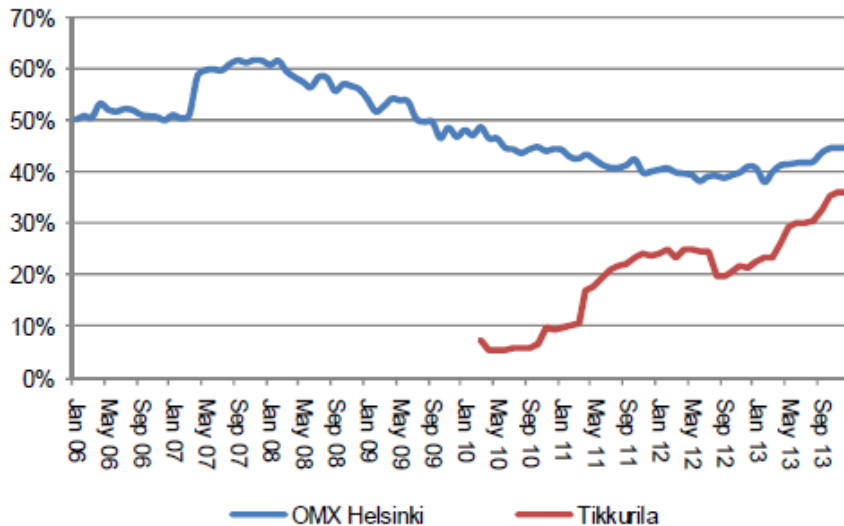
Tikkurila Group structure



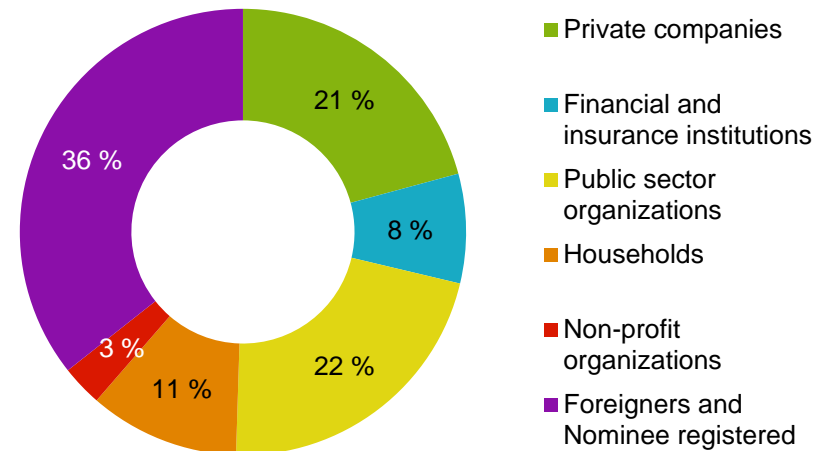
Tikkurila's reporting units: West and East.

Foreign ownership in Tikkurila has increased strongly

Foreign ownership, Tikkurila vs. OMX Helsinki average



Tikkurila's ownership structure on Dec 31, 2013





Strategy

Durable protection and sustainable beauty for built environments since 1862

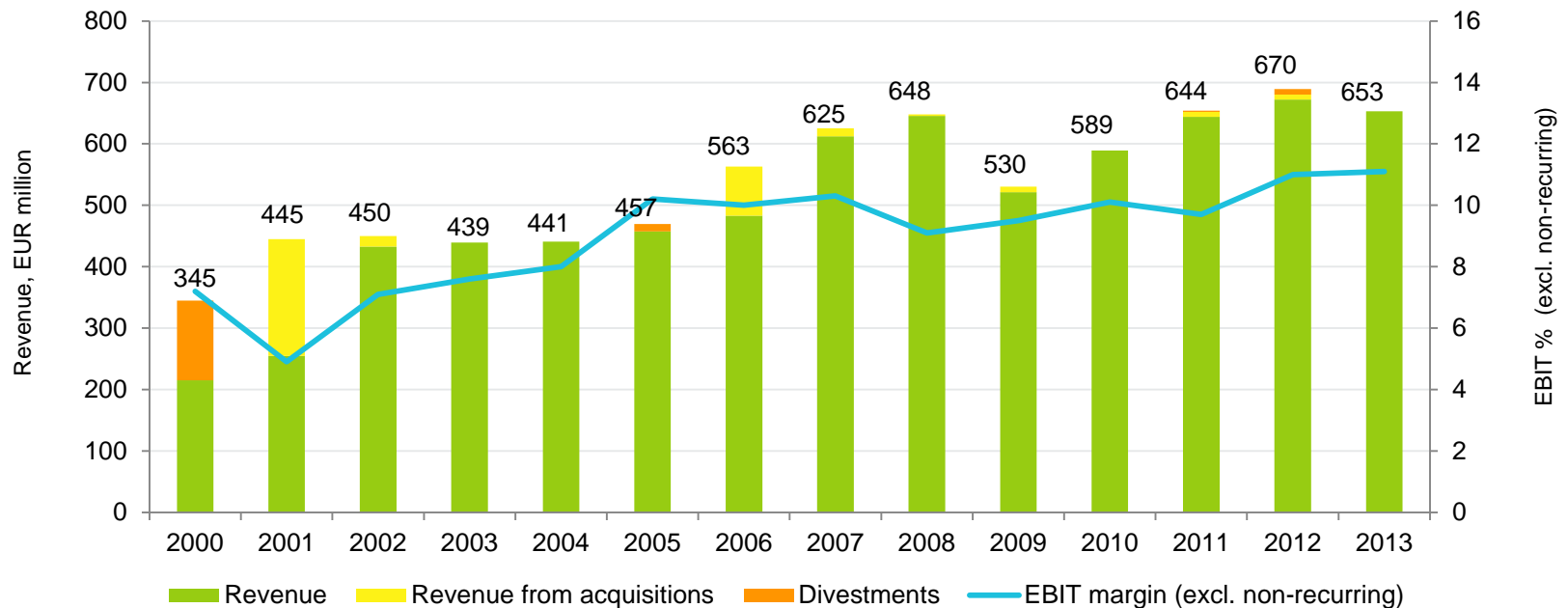


Long term financial development

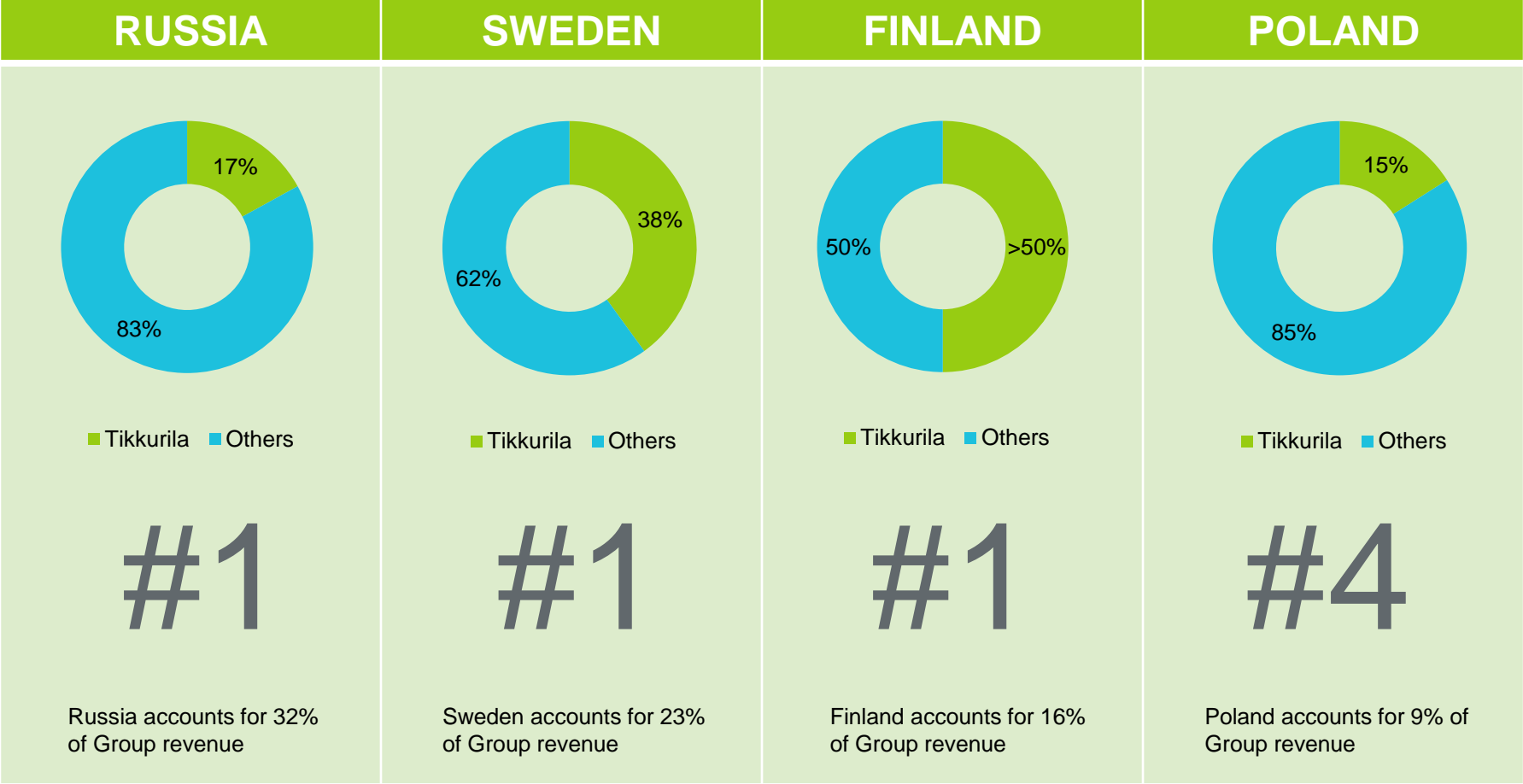
Development of sales and profitability 2000–2013

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 Tekes in 2006 (Revenue ~MEUR 80)	Acquisition of Zorka Color in 2011 (Revenue ~MEUR 16)
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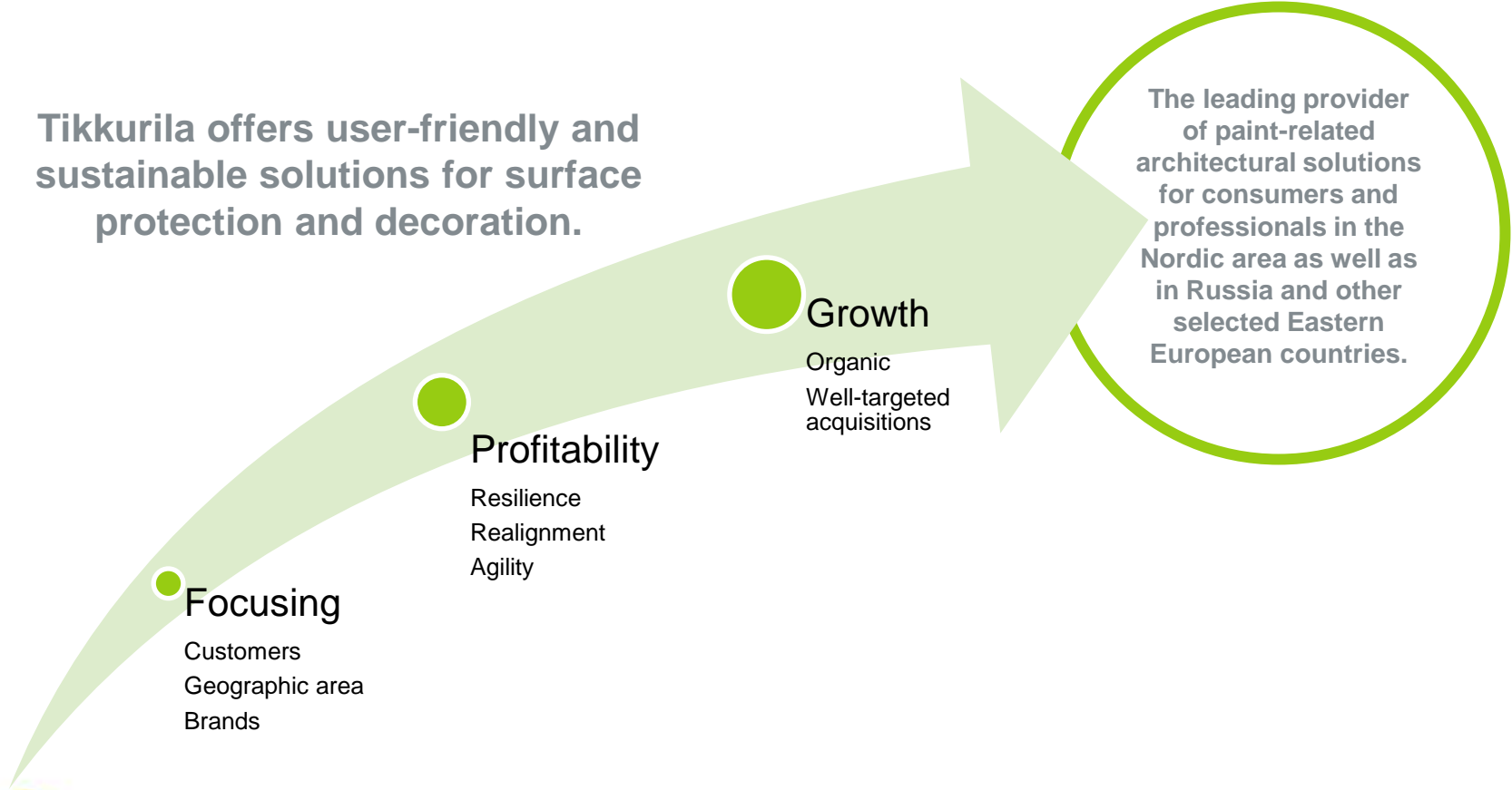
Tikkurila market shares and positions in decorative paints in key markets in 2012



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

Tikkurila's strategy

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



trustworthy



innovative



professionals

2011–2012 Restructuring and improving profitability | 2013– Growth

Tikkurila aims at profitable growth



Profitable growth

The focus is on organic growth generated by strong brands.

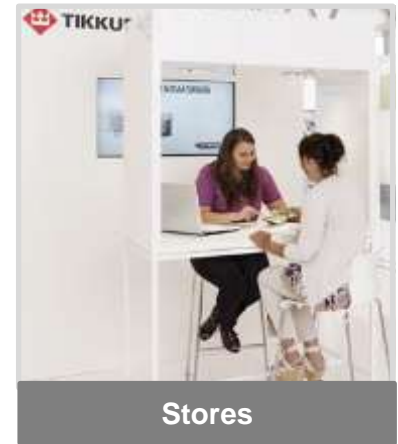
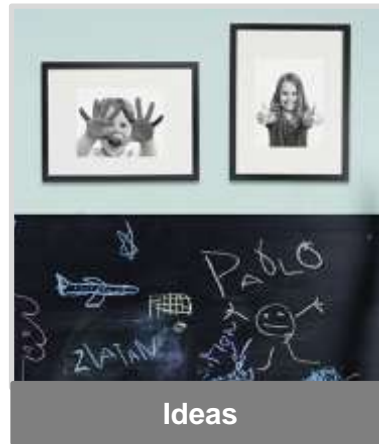
Continuous improvement

A profitable volume growth raises the utilization rate of our capacity and reduces the manufacturing costs per unit, since fixed costs can be spread over a larger manufacturing volume. Efficiency is also sought through intra-Group activities.

Marketing and innovations

Improved effectiveness of operations frees resources for developing our business operations. In our operations, new and improved products and more convenient purchasing and use of products are achieved through investments in product development and marketing.

We help our customers to succeed in surface protection and decoration



Review of Russia



Tikkurila in Russia

Facts about SBU East	
Operational area	Russia, other CIS countries, Ukraine
2013 revenue	EUR 231.9 million, 36% of Group Russia ~90% of SBU East revenue
2013 EBIT*	EUR 24.3 million, 32% of Group
Personnel	1,425 (on average in 2013)
Production	Production sites in Russia (3) and Ukraine (1) 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



*Excl. non-recurring items

Macro environment is challenging

- GDP grew by 1.3% in 2013 (3.4% in 2012)
- Slowdown was driven by low investments and weak net exports
- Consumption has held up quite well
- GDP growth estimate for 2014 was revised downwards to 1–2% due to the crisis in Crimea



Source: Rosstat, several sources

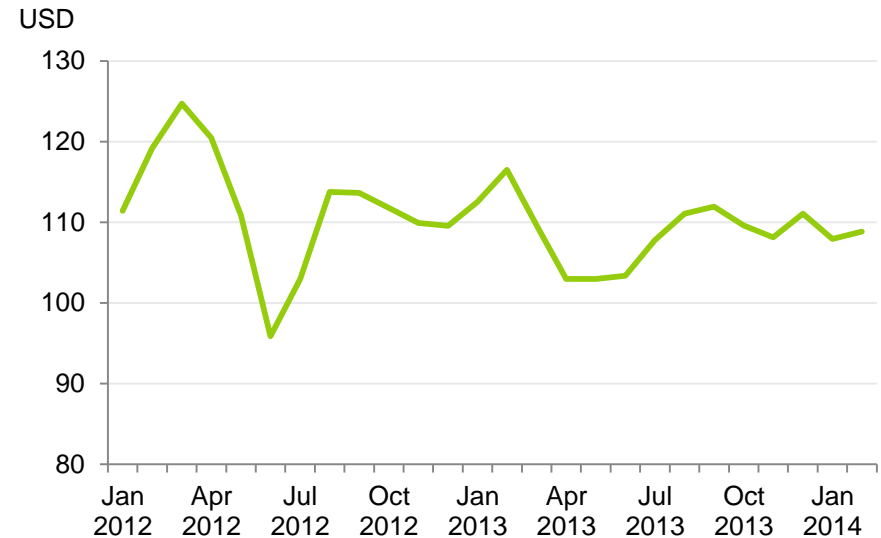
Headwinds from the foreign exchange rates

Euro ruble exchange rate



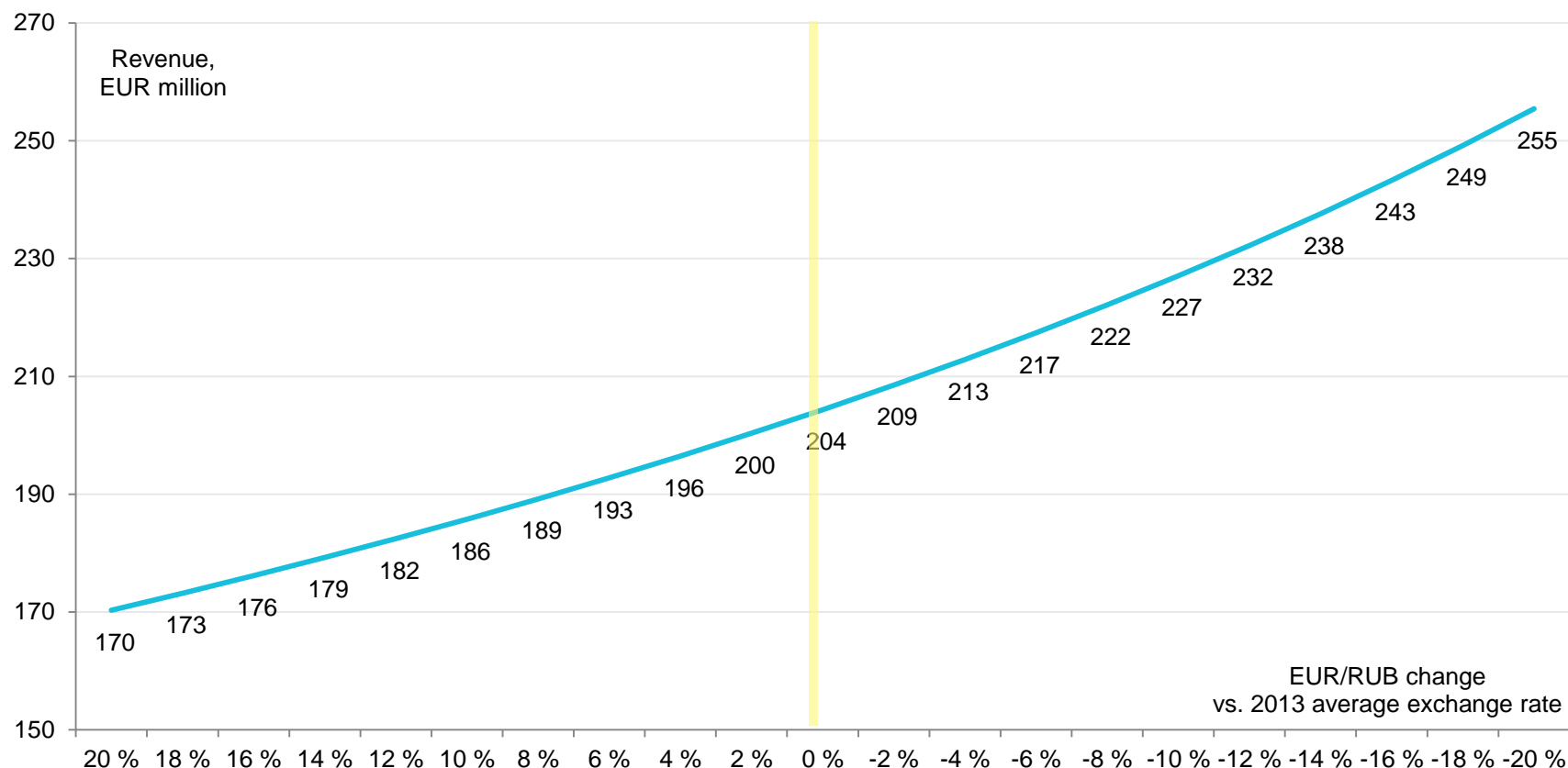
- Ruble exchange rate has clearly weakened during the past few months

Oil price development



- Oil price has held up pretty well

Effect of EUR/RUB exchange rate changes on the revenue development in Russia



Graph is based on the actual revenue for Tikkurila in Russia in 2013 (EUR 204 million)

Annual average EUR/RUB rate as quoted by the Bank of Finland in 2013 has been used as the basis for the calculation (EUR/RUB 42.34)

Graph is a simplified illustration

Thus far the impacts of the Crimean crisis on Tikkurila have been limited

- General economic uncertainty has increased and growth estimates have been revised downwards
- Depreciation of the ruble decreases the euro-denominated revenue of Tikkurila
- Thus far the crisis has not had a significant impact on paint sales
- Part of Tikkurila's products sold and raw materials used in the production in Russia are exported from the EU countries. Possible economic sanctions would have a significant negative impact on Tikkurila's business operations

Tikkurila's locations in Russia and adjacent markets



In the long run, many factors support the good development of business operations in Russia

- Approximately half of Tikkurila's production capacity is located in Russia.
- Tikkurila's operations cover the entire nation. Products are sold in more than 5,000 retail outlets in different parts of the country.
- Rise of the middle class increases paint consumption and boosts quality consciousness.
- Brand awareness is high and growing. Tikkurila is by far the most well-known paint brand in Russia.

Paint consumption on Tikkurila's markets, liters per capita

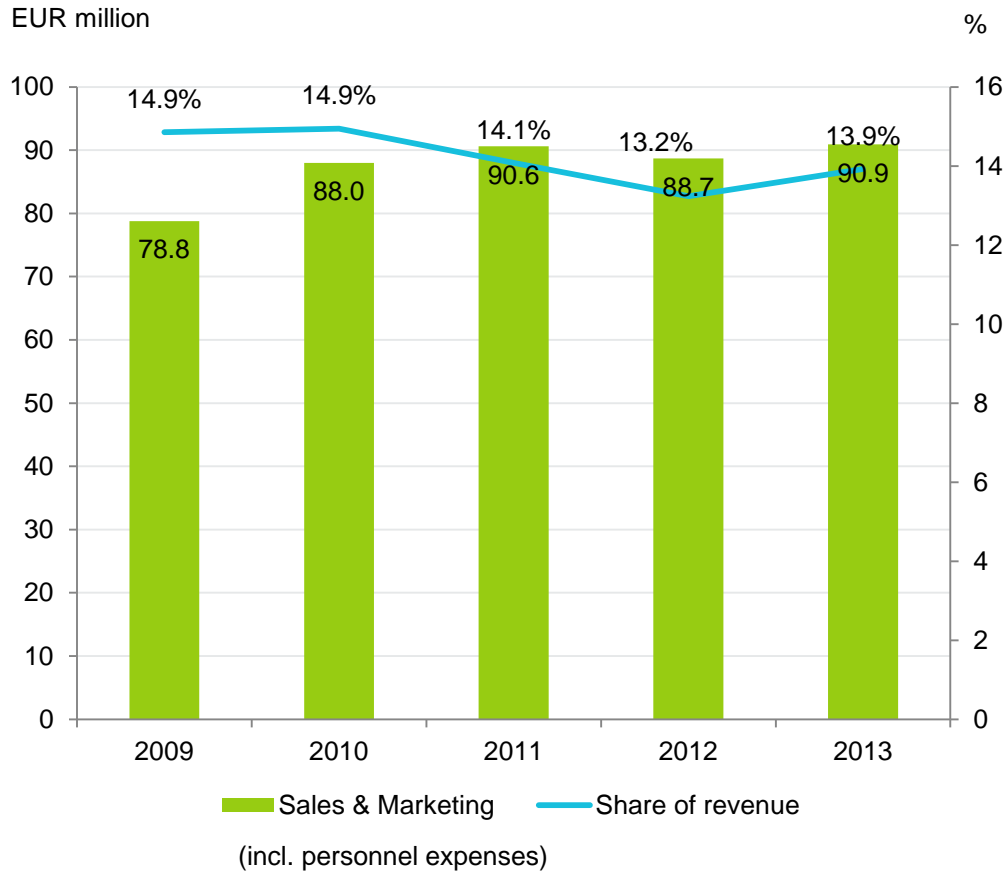


Source: Tikkurila, market data

Outlook for 2014

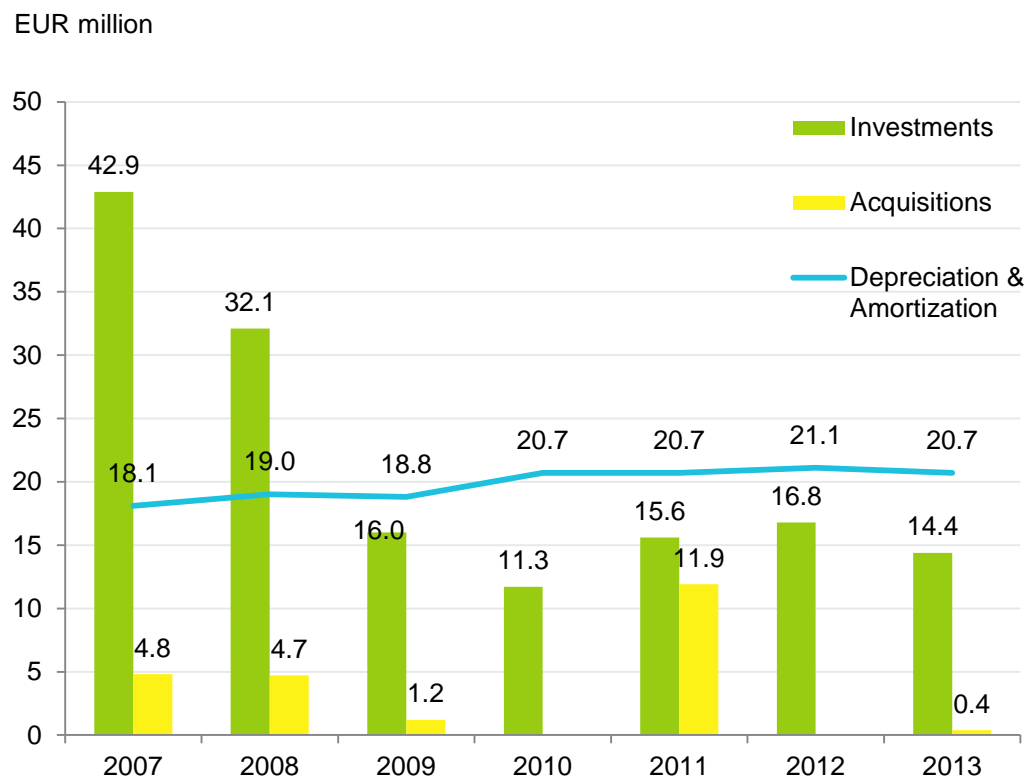


Sales & Marketing



- Development of retail store concept, different kinds of paint-related services and training as well as digital solutions will be continued
- Sales and marketing expenses are estimated to increase slightly in 2014

Investments and D&A

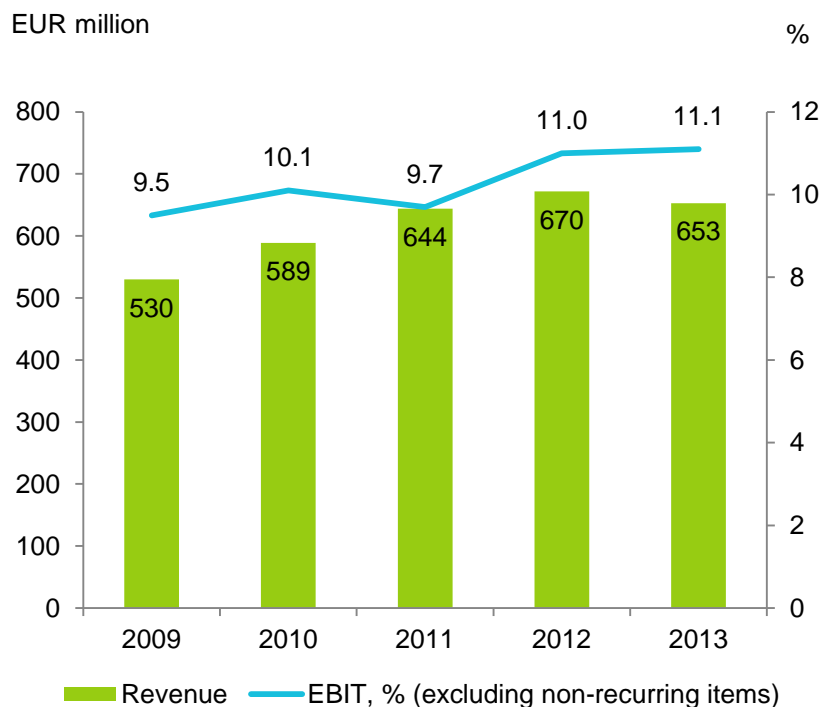


- Various measures to secure production automation, streamlining and continuity continue in various Tikkurila units
- 2014 capital expenditure level is estimated to be close to the annual depreciation and amortization level

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

Outlook for 2014

Revenue and profitability of Tikkurila 2009–2013



Outlook for 2014

The economic situation in Europe is expected to improve moderately in 2014. Considerable regional differences are forecasted between Tikkurila's different markets in private consumption and construction volumes in 2014, but overall growth is estimated to remain rather weak. The GDPs in Tikkurila's key markets, i.e. Russia, Sweden, Finland, and Poland, are expected to grow approximately two percent, on average, in 2014. Based on these estimates, no considerable change is expected in the demand for Tikkurila's products compared to last year. Cost inflation is expected to continue, and investments in sales, marketing and innovation activities are forecasted to increase the fixed cost level. Raw material prices are forecasted to remain stable.

Tikkurila expects its revenue and EBIT excluding non-recurring items for the financial year 2014 to remain at the 2013 level.

Thank you!

