



Financial Statement Release January–December 2015

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

- Tikkurila in brief
- Development during the review period
- Strategic Business Units
- Conclusions and outlook
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Tikkurila in brief

Tikkurila in brief

Our end-customers



Consumers



Professionals



Industry

Our goal is to provide the best user experience



More than
3,100 employees

#1

Market position in key markets* in decorative paints

50%

Balanced geographical presence between mature and emerging markets

Production in 10 countries

Operations in 16 countries

Presence in 40 countries

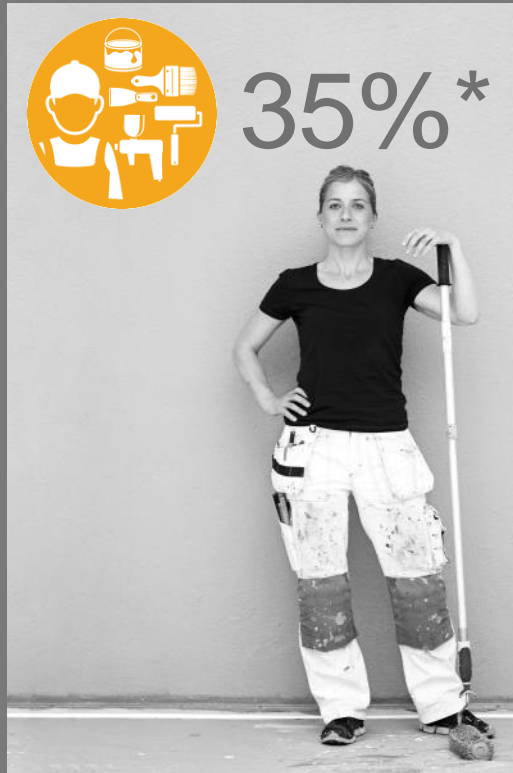


*Russia, Sweden, Finland, the Baltic countries
Tikkurila is #4 in Poland

Our end-customers



Consumers (DIY)



Professional painters



Industry

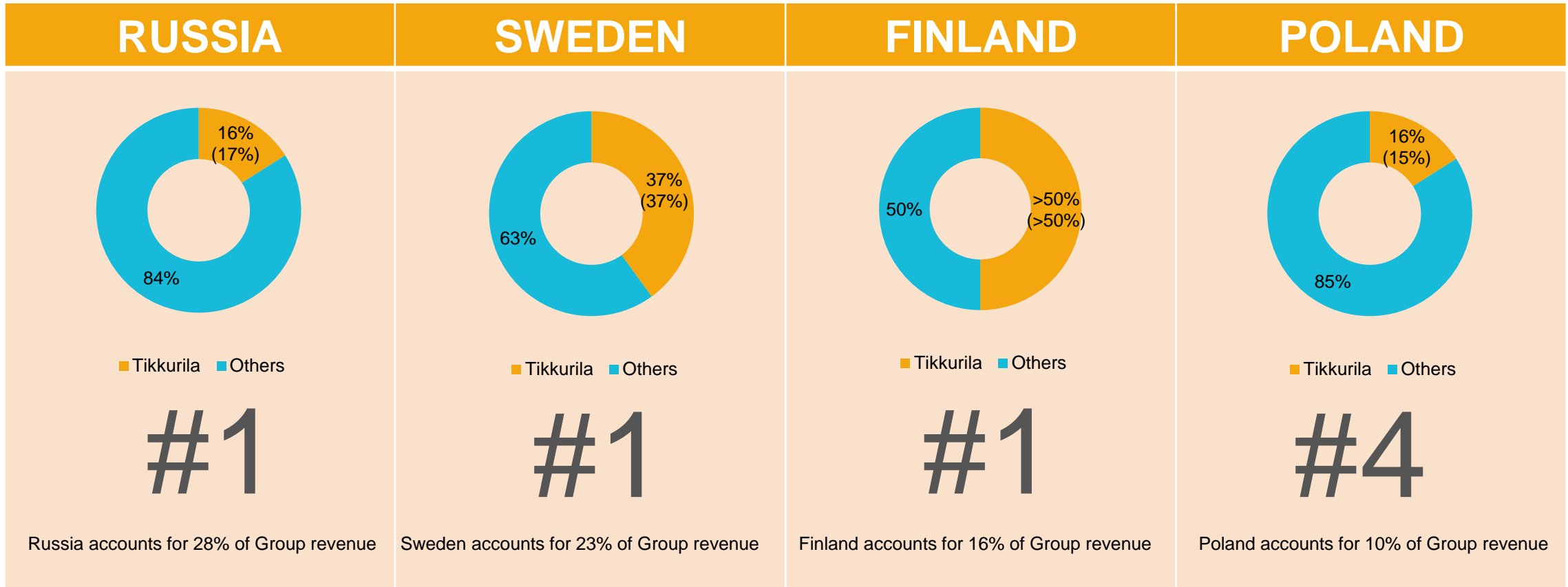
*Tikkurila estimate

Our locations





Tikkurila market shares in decorative paints in key markets in 2014



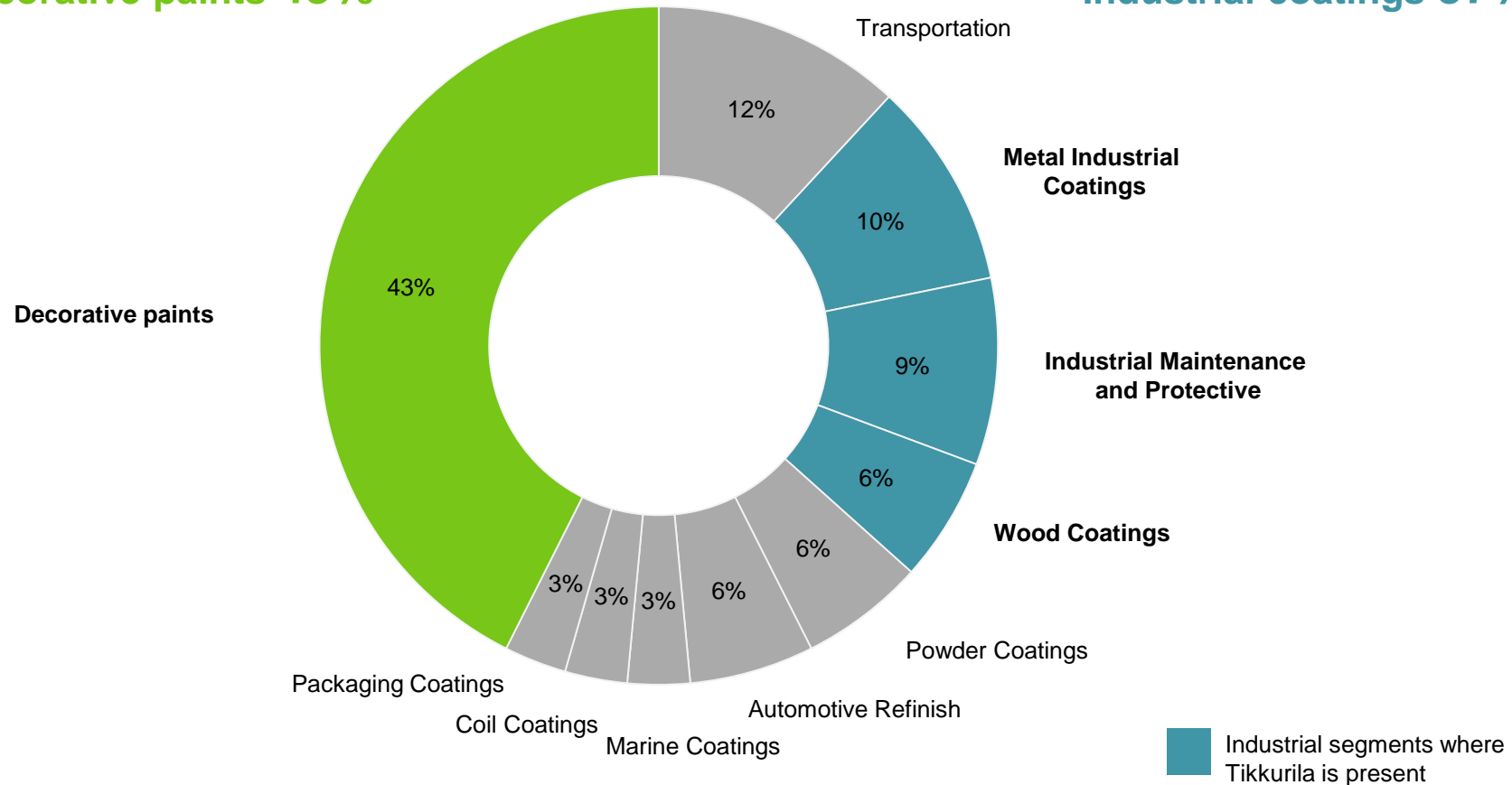
Source: Chem-Courier (Russia, volume), SVEFF (Sweden, value), Association of Finnish Paint Industry (Finland, value), IBP Research (Poland, volume)



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

Decorative paints 43%

Industrial coatings 57%



Source: IPPIC 2015

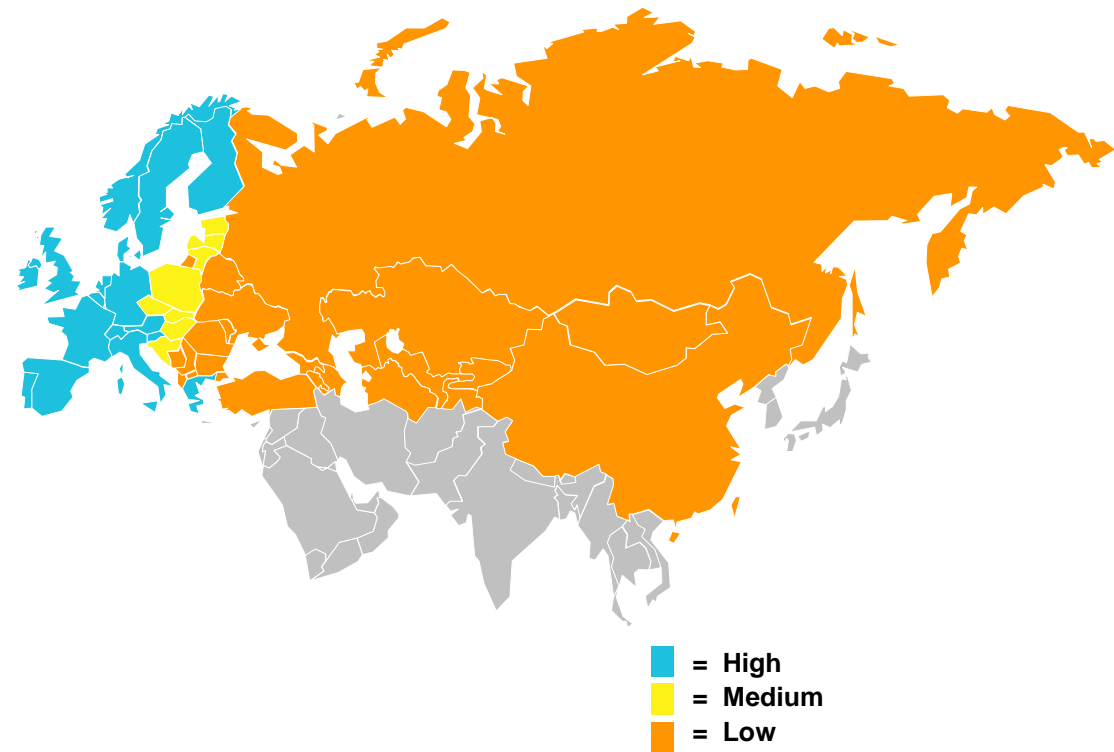
February 2016

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

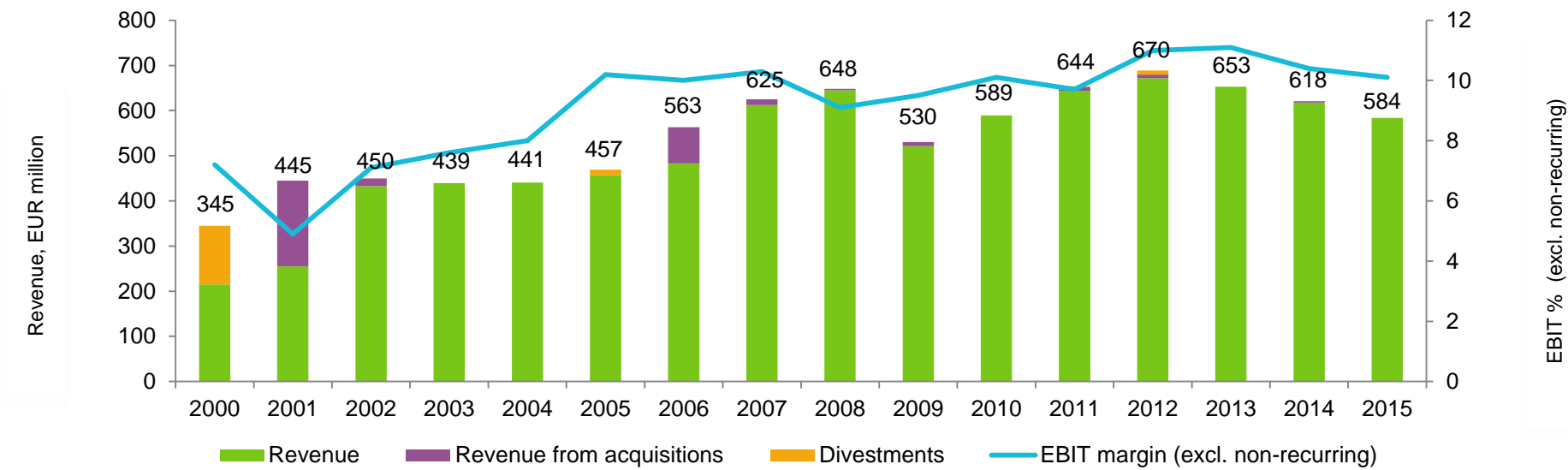


Long term financial development

Development of sales and profitability 2000–2014

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)
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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

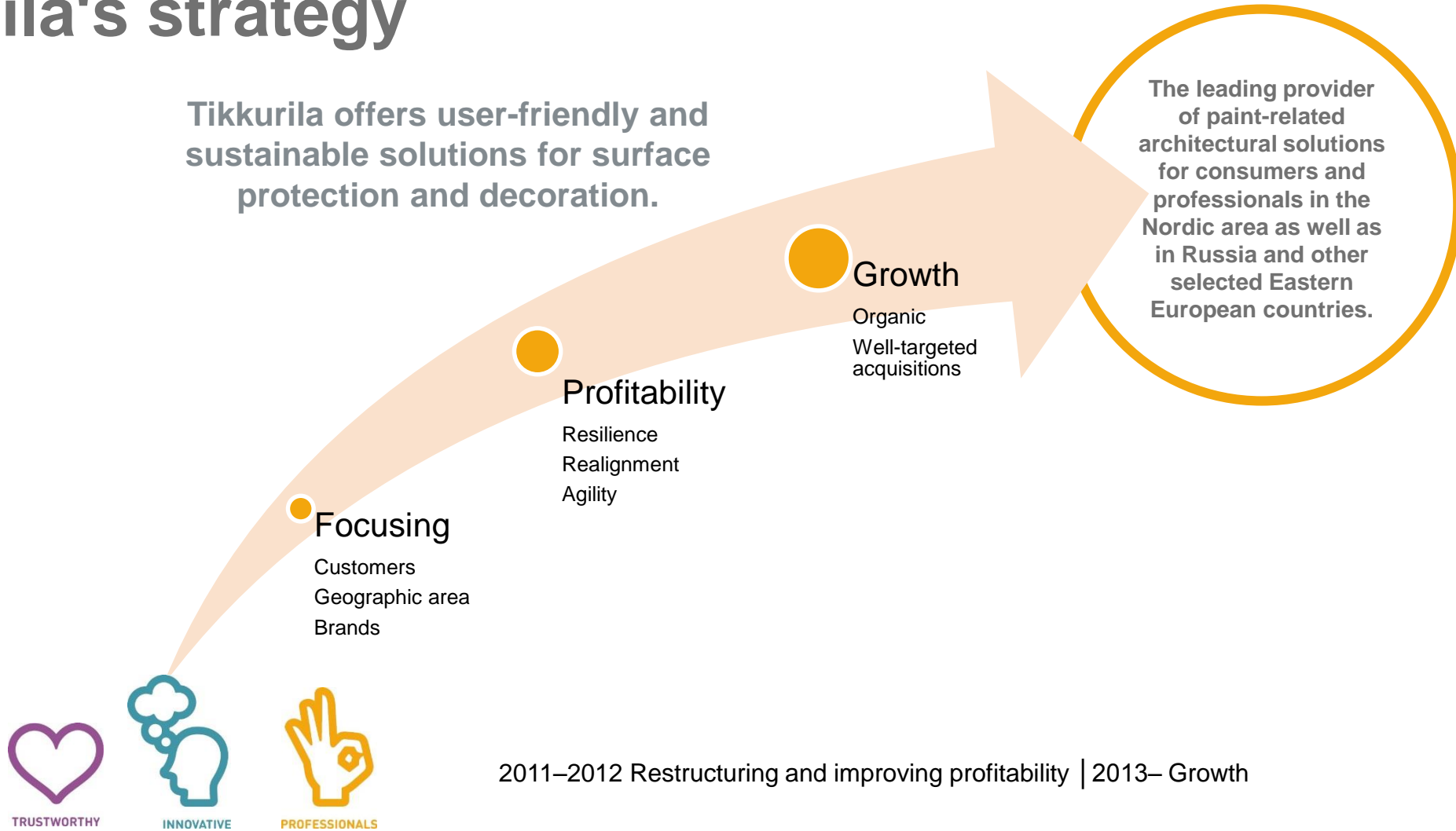
	Historical performance								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue	625	648	530	589	644	670	653	618	584
EBIT, % ¹	10.3%	9.1%	9.5%	10.1%	9.7%	11.0%	11.1%	10.4%	10.1%
ROCE	24.5%	18.7%	15.7%	19.2%	19.4%	21.0%	23.5%	22.9%	22.2%
Gearing	135.3%	208.5%	90.0%	41.4%	51.9%	40.6%	23.4%	24.6%	23.7%
Dividend paid; share of operative net income, %				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%² (EUR 0.80 per share)

1) Excluding non-recurring items
2) Board of Directors' proposal



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



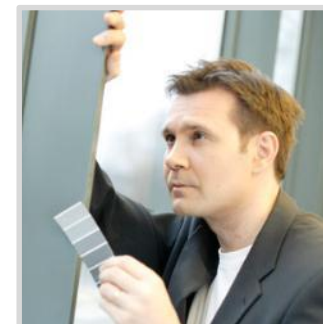
Internet



Training



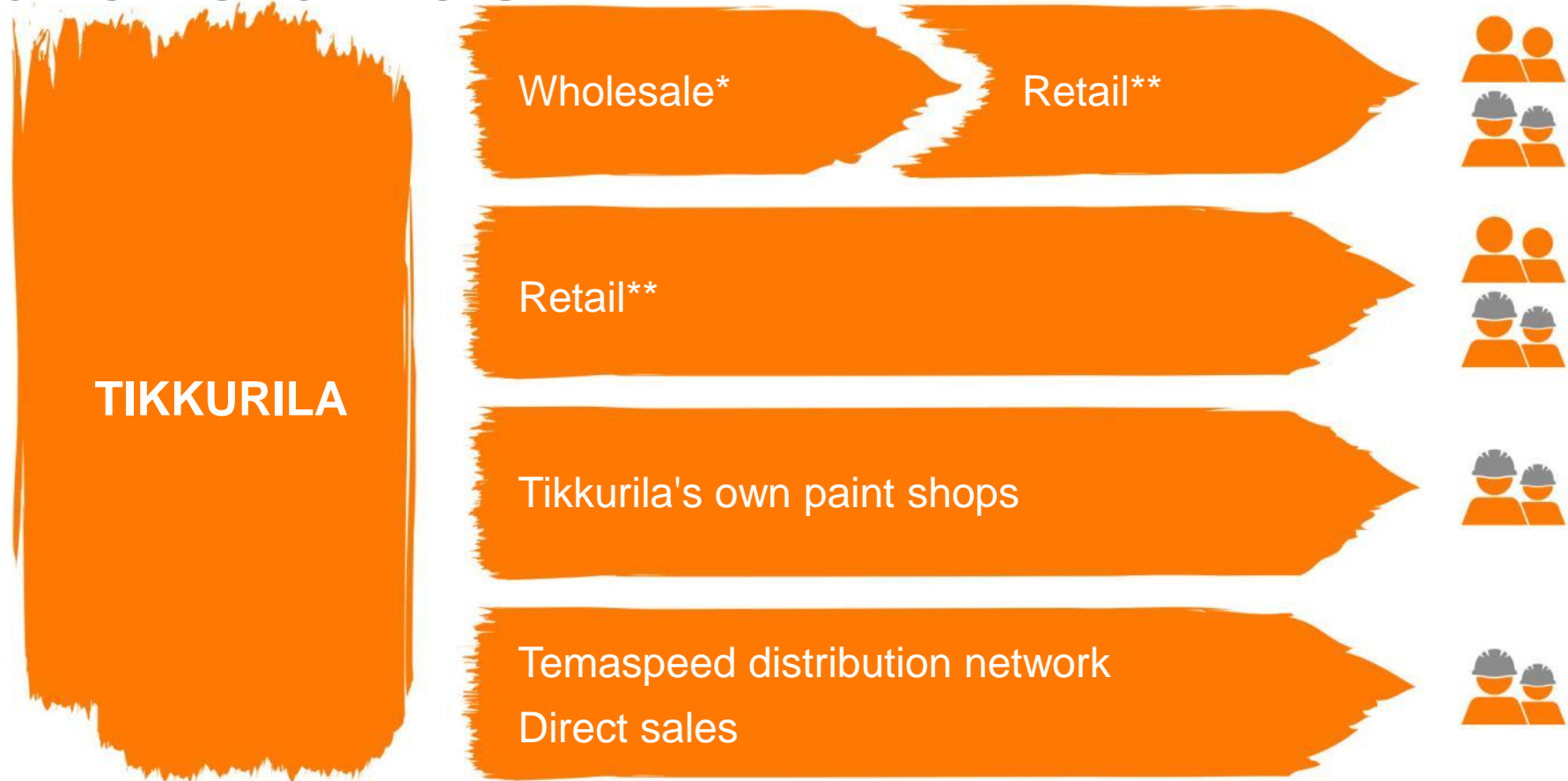
Designer Pool
Contractor Pool



Professional
services



Distribution channels



* Only in some markets

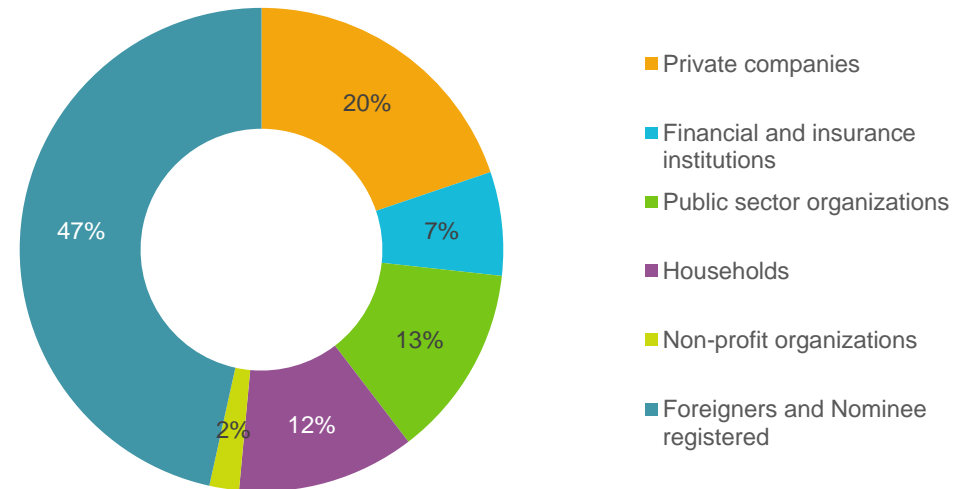
** Big boxes, specialized paint shops

Consumers  Professionals 

Tikkurila's ownership at the end of December 2015

- Number of shareholders ~20,500
- Foreign ownership in Tikkurila has increased strongly
- Largest shareholders: Oras Invest Oy (18.1%), Varma (5.7%), and Ilmarinen (5.6%) and

Tikkurila's ownership structure on December 31, 2015



Development during the review period

Highlights of Q4/2015

Development Q4/2015 vs. Q4/2014

- Revenue was close to the comparison period's level
- Operating loss decreased due to price increases implemented in Russia and good business development in China
- There were no significant changes in the market environment

Key figures

EUR million	10-12/2015	10-12/2014	Change %
Revenue	103.4	104.4	-0.9%
EBIT excluding non-recurring items	-11.1	-13.2	16.1%
EBIT excluding non-recurring items, %	-10.7%	-12.6%	
EBIT	-10.3	-13.9	25.9%
EBIT, %	-9.9%	-13.3%	
EPS, EUR	-0.25	-0.19	-33.1%
Cash flow after capital expenditure	-1.6	7.6	

Full-year highlights

Development 2015 vs. 2014

- Weak exchange rates and particularly the Russian ruble had a significant negative impact on the euro-denominated revenue
- In Russia, demand was weaker than in the previous year. Good development continued in Sweden, Poland, and China, in particular
- Decrease in revenue and weak currencies had a negative impact on profitability. Cost management was strict. However, sales and marketing investments were continued according to plan
- EPS decreased 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

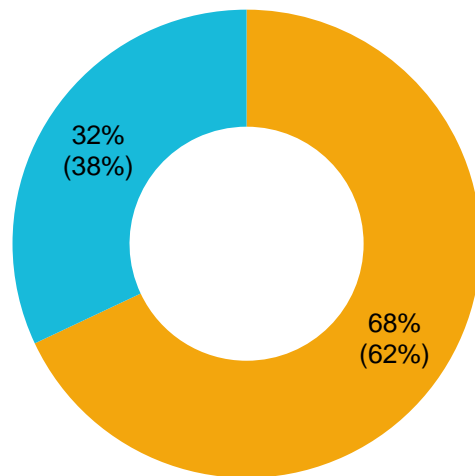
EUR million	1-12/2015	1-12/2014	Change %
Revenue	584.1	618.4	-5.5%
EBIT excluding non-recurring items	58.9	64.2	-8.2%
EBIT excluding non-recurring items, %	10.1%	10.4%	
EBIT	61.7	63.7	-3.2%
EBIT, %	10.6%	10.3%	
EPS, EUR	0.94	1.10	-14.1%
ROCE, %, rolling	22.2%	22.9%	
Cash flow after capital expenditure	32.6	49.9	-34.5%
Net interest-bearing debt at period-end	46.2	47.4	-2.4%
Gearing, %	23.7%	24.6%	
Equity ratio, %	51.1%	49.5%	
Personnel at period-end	3,100	3,142	-1.3%



Revenue and EBIT split in 2015

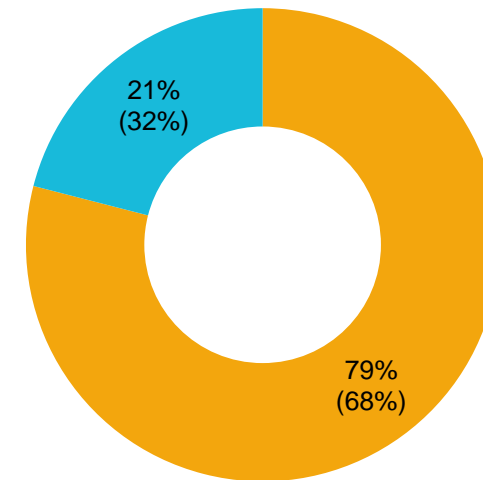
Weight of the eastern segment has clearly decreased

Revenue by reporting segment



■ West ■ East

EBIT* by reporting segment



■ West ■ East

Decorative paints accounted for 83.3% (83.4) and industrial coatings for 16.7% (16.6) of revenue.

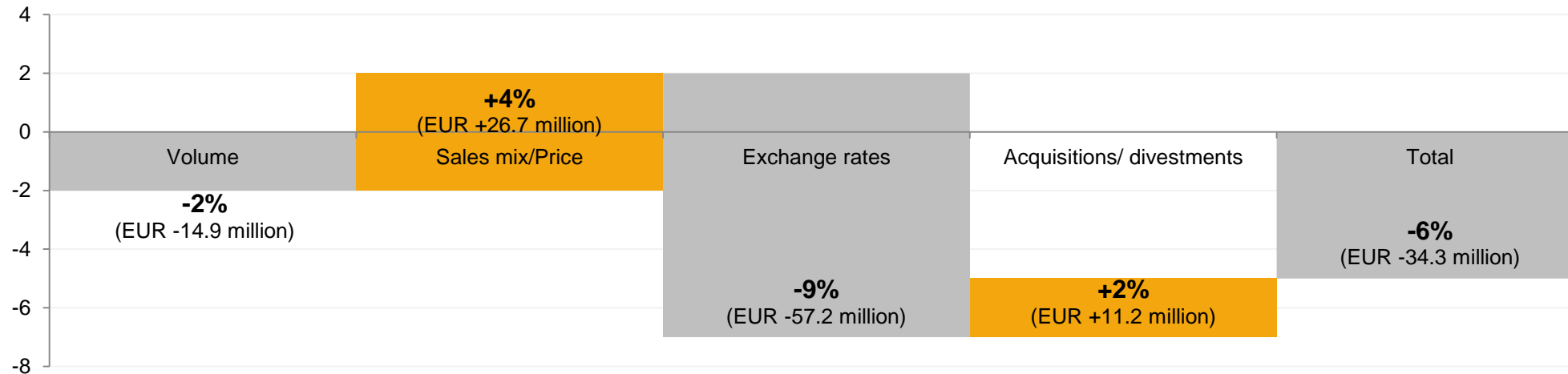
* Excluding non-recurring items

Slight increase in comparable revenue

EUR million	10–12/2015	10–12/2014	Change %	1–12/2015	1–12/2014	Change %
Revenue	103.4	104.4	-0.9%	584.1	618.4	-5.5%

Group's revenue development 2015 vs. 2014

Increase/decrease, %

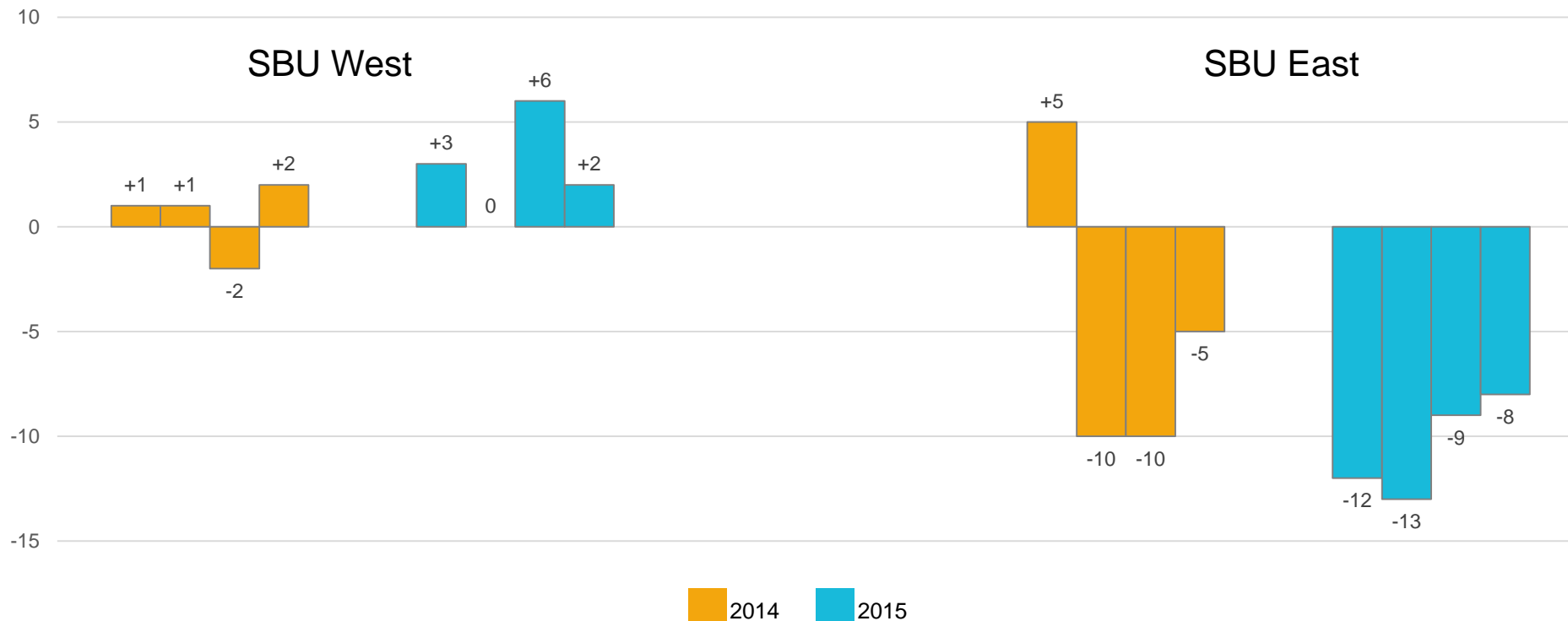


The figures on the graph above have been independently rounded to one decimal, which should be taken into account when calculating total figures.



Low but stable growth in the west, volumes dropping in the east

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



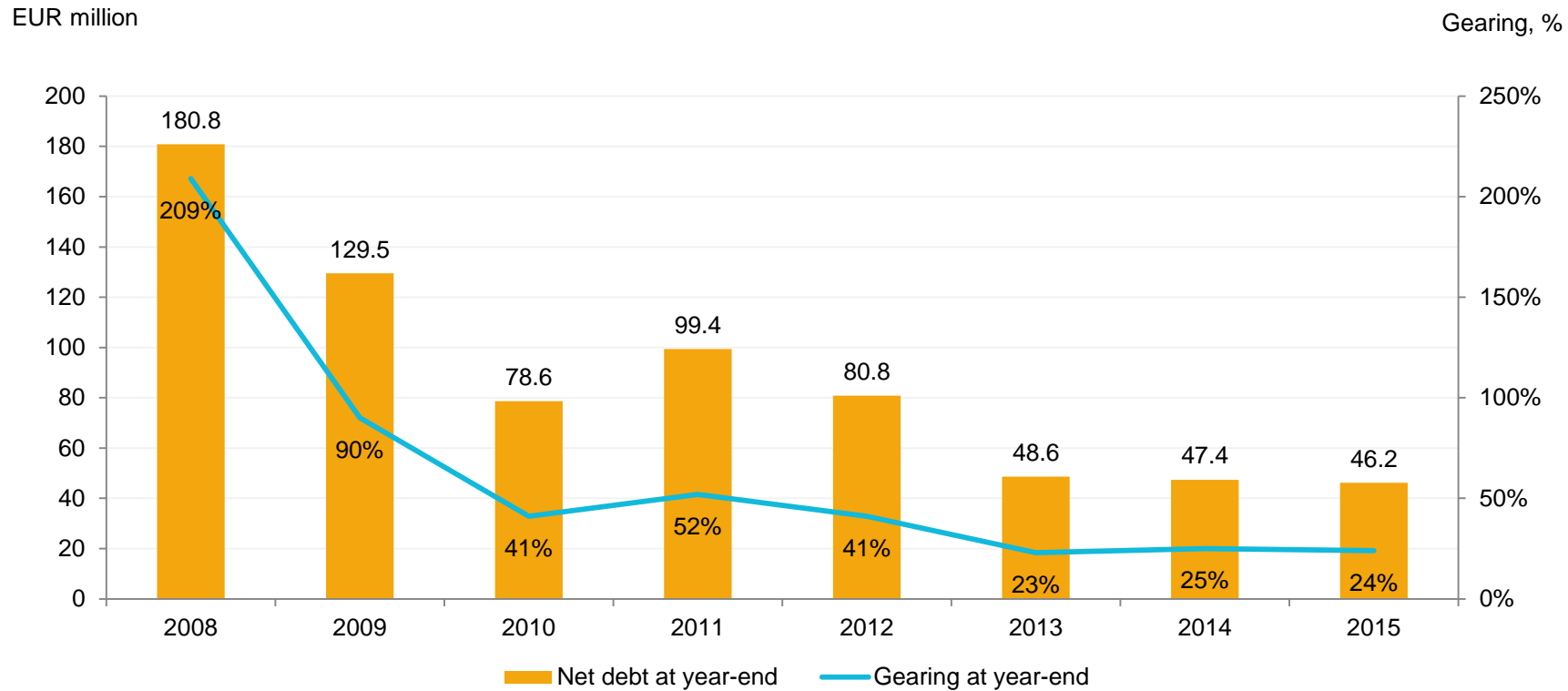


Balance sheet

Assets		
EUR million	Dec 31, 2015	Dec 31, 2014
Goodwill	71.9	72.5
Other intangible assets	19.4	18.4
Property, plant and equipment	89.4	90.3
Other non-current assets	11.6	16.1
Total non-current assets	192.3	197.3
Inventories	78.4	73.7
Current receivables	93.9	93.1
Cash and cash equivalents	16.8	25.8
Total current assets	189.1	192.6
Total assets	381.4	389.8

Equity and liabilities		
EUR million	Dec 31, 2015	Dec 31, 2014
Share capital	35.0	35.0
Reserves	40.0	41.9
Treasury shares	0.0	-1.6
Translation differences	-41.8	-39.6
Retained earnings	161.7	157.0
Total equity	195.0	192.7
Interest-bearing non-current liabilities	50.2	60.3
Non-interest-bearing non-current liabilities	33.2	36.2
Interest-bearing current liabilities	12.8	12.8
Non-interest-bearing current liabilities	90.2	87.8
Total liabilities	186.5	197.2
Total equity and liabilities	381.4	389.8

Net debt and gearing



Due to the intra-year seasonality in Tikkurila's business, gearing is typically at its lowest at the end of the year



Cash flow statement

Cash flow from operating activities

EUR million	1-12/2015	1-12/2014
Net profit	41.5	48.3
Adjustments	36.0	38.1
Funds from operations before change in net working capital	77.5	86.4
Change in net working capital	-10.7	6.2
Interest and financial items, net	-6.9	2.6
Income tax paid	-11.5	-19.3
Cash flow from operations	48.5	75.9

Cash flow from investing and financing activities

EUR million	1-12/2015	1-12/2014
Acquisitions	0.2	-14.4
Capital expenditures	-20.4	-16.3
Proceeds from sale of assets	2.8	3.3
Other investment items, net	1.5	1.4
Net cash used in investing activities	-15.8	-26.1
Cash flow before financing	32.6	49.9
EUR million	1-12/2015	1-12/2014
Change in non-current borrowings	-10.0	-2.4
Change in current financing	0.3	-5.9
Dividend payout	-35.3	-35.3
Other financing items, net	3.4	-9.6
Net cash used in financing activities	-41.5	-53.2
Net change in cash and cash equivalents	-8.9	-3.3



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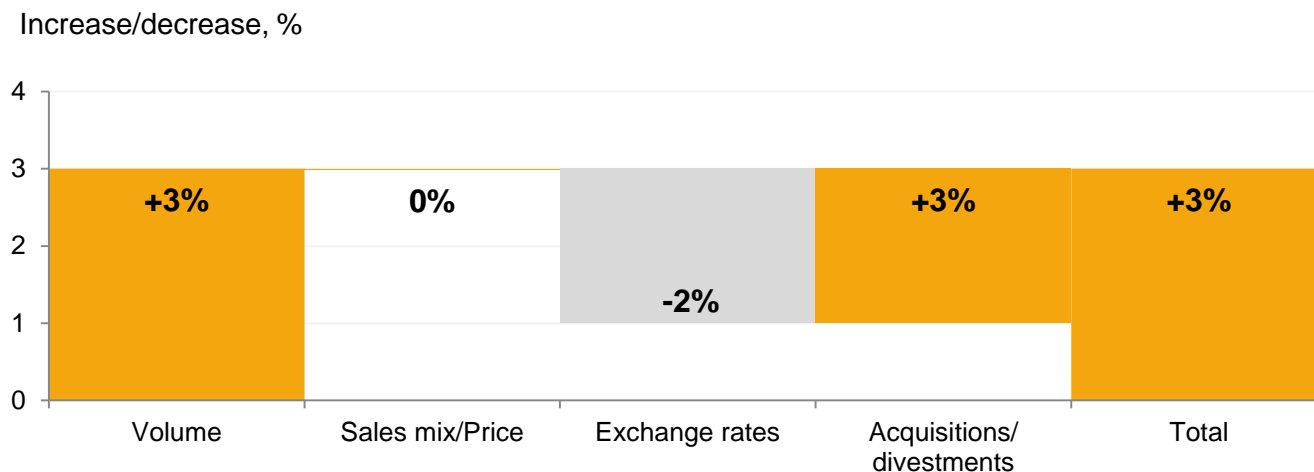
Strategic Business Units



SBU West 2015

EUR million	10-12/2015	10-12/2014	Change %	1-12/2015	1-12/2014	Change %
Revenue	68.0	68.3	-0.3%	395.3	382.5	3.3%
EBIT*	-8.5	-8.1	-4.4%	50.5	45.8	10.2%
EBIT*, %	-12.5%	-11.9%		12.8%	12.0%	

Revenue development 2015 vs. 2014



2015 highlights

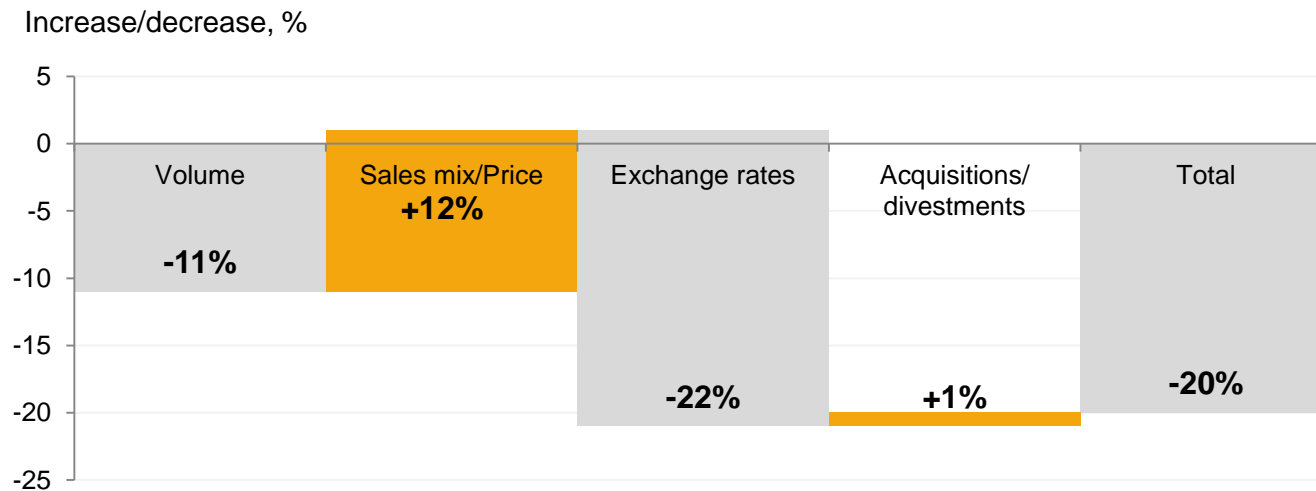
- Development of sales volumes was good in Sweden, Poland, and the Baltic countries
- Increase in revenue had a favorable impact on profitability. Production efficiency improved and cost management was strict. Sales and marketing investments increased slightly from the comparison period

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

SBU East 2015

EUR million	10–12/2015	10–12/2014	Change %	1–12/2015	1–12/2014	Change %
Revenue	35.4	36.2	-2.1%	188.9	236.0	-19.9%
EBIT*	-1.5	-4.9	69.1%	13.4	21.3	-37.0%
EBIT*, %	-4.3%	-13.7%		7.1%	9.0%	

Revenue development 2015 vs. 2014



2015 highlights

- Revenue decreased due to the strong devaluation of exchange rates
- Volumes decreased due to the weak development in Russia and its adjacent countries. In China, sales volumes increased strongly from the previous year
- Sales prices were increased in Russia at the beginning of 2015 and again in November
- Profitability was burdened by the decline in revenue, and weak currencies which affected the purchasing prices of raw materials and paints exported to Russia

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



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Conclusions and outlook

Conclusions

- Stable development in the west, market environment was difficult in Russia and its adjacent markets. China was the bright spot of the east
- Currency and deterioration of consumers' purchasing power in Russia are the main concerns
- Benefits of the balanced geographical market presence
- Stable dividend payment ability
- Measures to boost sales volumes will be continued in all market areas; at the same time, increased operational efficiency and cost savings will be actively sought in all operations





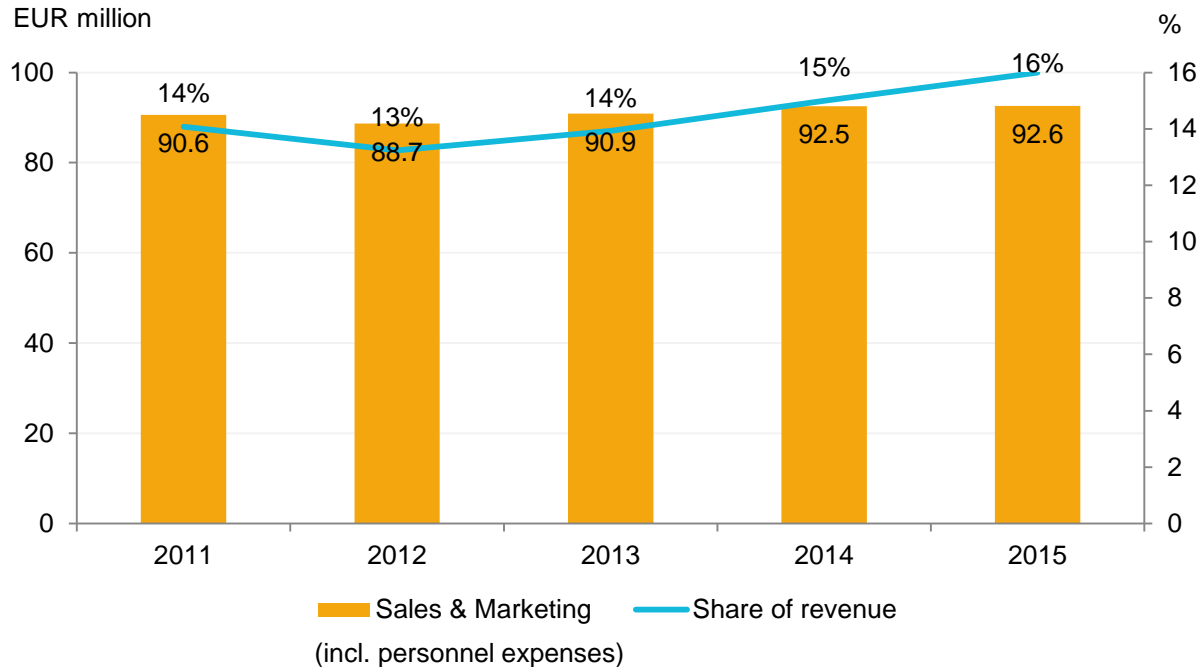
Outlook for Russia remains weak

- Russian GDP is expected to continue to decrease during 2016
- Consumers' purchasing power will deteriorate, which will decrease the overall demand for paint and increase the relative market share of cheaper products
- At the current levels, the weak ruble will decrease Tikkurila's euro-denominated revenue (2015 average rate for EUR/RUB ~68 vs. ~84 in January 2016)
- In general, weaker ruble will reduce import and support domestic production
- Our aim is to increase local raw material sourcing and production
- Focus of the sales and marketing activities will be on shop floor level activities, development of retail operations and increasing shelf space, as well as on supporting locally produced products



In Russia, the renewed product portfolio and rebranded product packaging of the locally produced Tikkurila Euro series will be launched in spring 2016

Sales & Marketing



- In 2016, sales and marketing expenses are estimated to remain at the past few years' level as a percentage of revenue

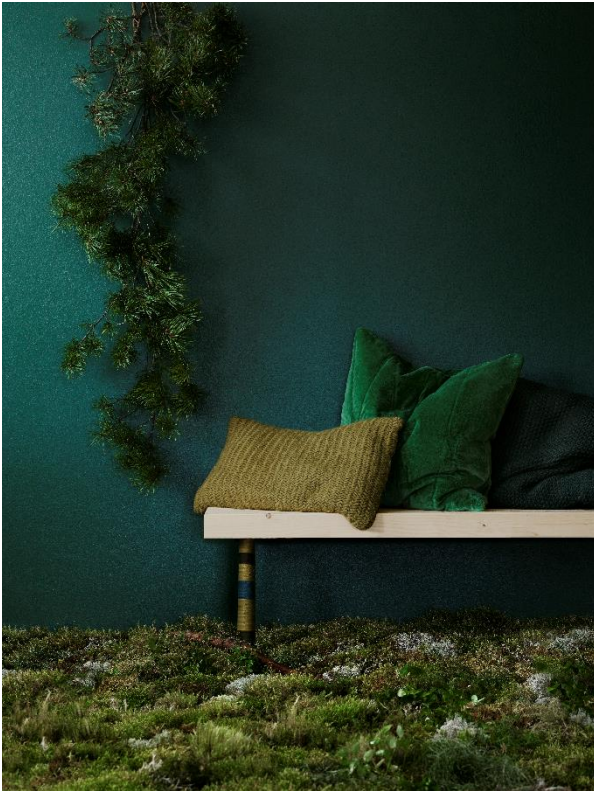


- Retail operations were actively developed in different markets. In China, we opened 100 new stores during the year and increased our network of stores focusing on Tikkurila's products to a total of 350 units. Furthermore, our products entered the big box stores in China



Topical brand and product issues

Tikkurila's color of the year is the deep green Fjord (color code M442)



Energy-efficient Tikkurila ClimateCooler will be launched in spring 2016

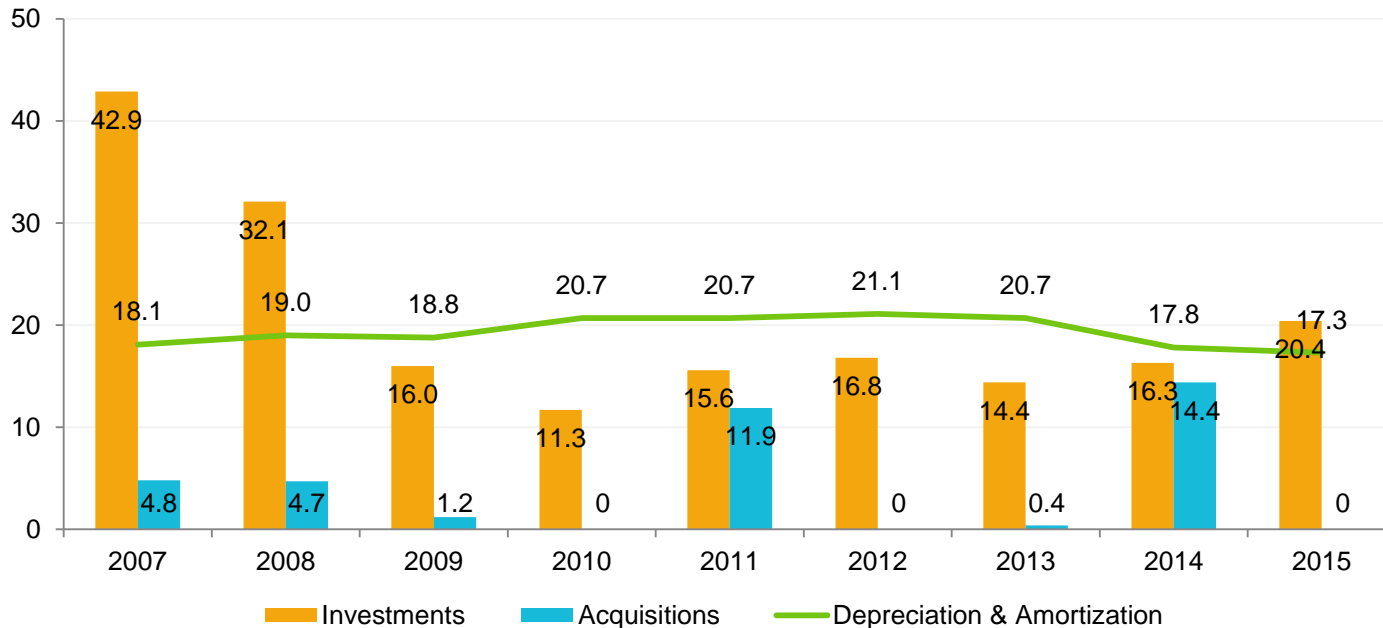


New functional products include Tikkurila FonteFire St 60, an intumescent coating for metal surfaces



Investments and D&A

EUR million

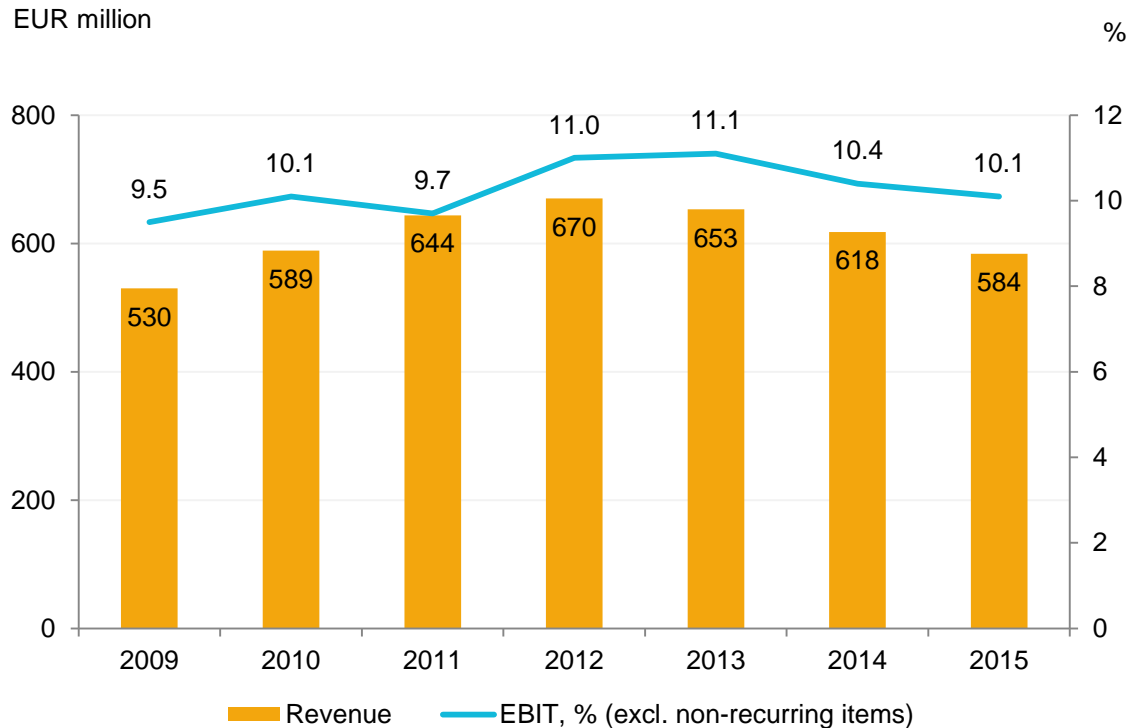


Investments and acquisitions are presented on cash flow basis and excluding any impacts of divestments
 Depreciation and amortization are presented excluding non-recurring impairments

- Various measures to automate and streamline production and to secure continuity of operations will continue in various Tikkurila units
- One of the most important on-going ICT investments is the deployment of enterprise resource planning system (ERP), which will start gradually during the first year-half of 2016
- In 2016, capital expenditure level is estimated to be close to the annual depreciation and amortization level

Guidance for 2016

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. EBIT excluding non-recurring items is expected to stay at 2015 level.

Appendix



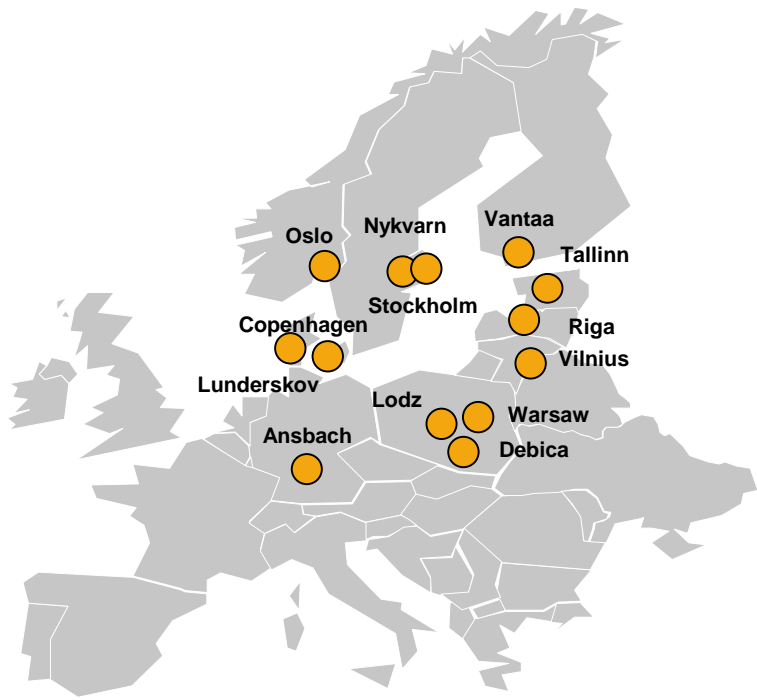
Tikkurila Strategic Business Units (SBU)

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

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, Ukraine, Belarus, 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 Kiev, Ukraine Šabac, Serbia Almaty, Kazakhstan

Development in SBU East


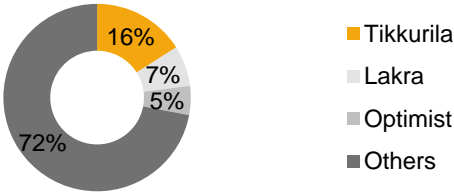
1970s	Export to Russia and the former Soviet Union started
1994	Sales company in Russia
1995	First western paint factory opened in St. Petersburg
1998	Sales company OOO Tikkurila Coatings established
2004	Acquisition of Kolorit in Ukraine
2006	Acquisition of Kraski Teks
2006	Sales company established 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



1 Excluding non-recurring items
2 Excluding group items



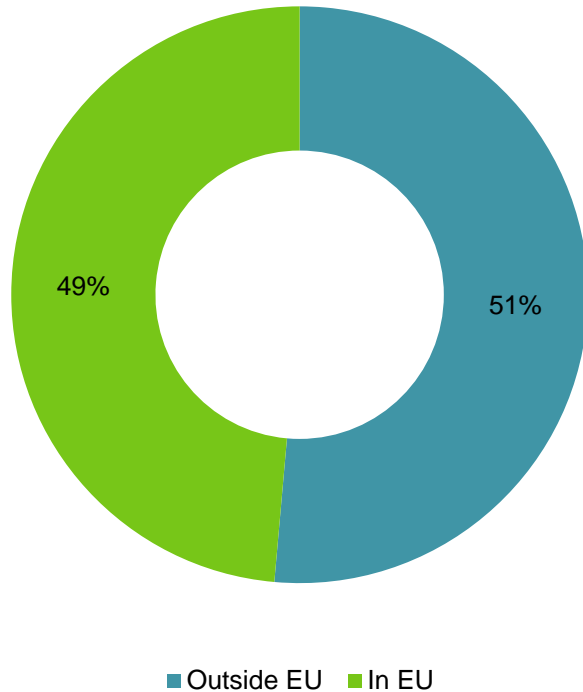
Tikkurila in Russia

2015 revenue	EUR 128 million, 22% of Group
Brands	 <p>PREMIUM → ECONOMY</p>
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	 <p>Source: Chem-Courier, 2014 (volume)</p>



In good position to grow further in our operating area

Tikkurila's production capacity



Production and raw materials

- 13 production facilities in 10 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

TIKKURILA INSPIRES YOU
TO COLOR YOUR LIFE.™