Interim Report January-June 2015

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August 4, 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, and actual results may differ from the expectations and beliefs such statements contain.

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Development during the review period

Second quarter highlights

- Euro-denominated revenue decreased by 7% due to weak foreign exchange rates and lower sales volumes
- Demand was weaker in Russia, Ukraine, and Finland. Good development continued in Sweden, Poland, the Baltic countries, China, and the export markets, among others
- Decline in revenue weakened profitability, which still remained at a high level. Cost management was strict, sales and marketing investments were nevertheless continued according to plan
- Positive effect of slightly lower raw material prices was offset by foreign exchange rates
- Cash flow was weakened by the increase in working capital (mainly due to differences in timing)

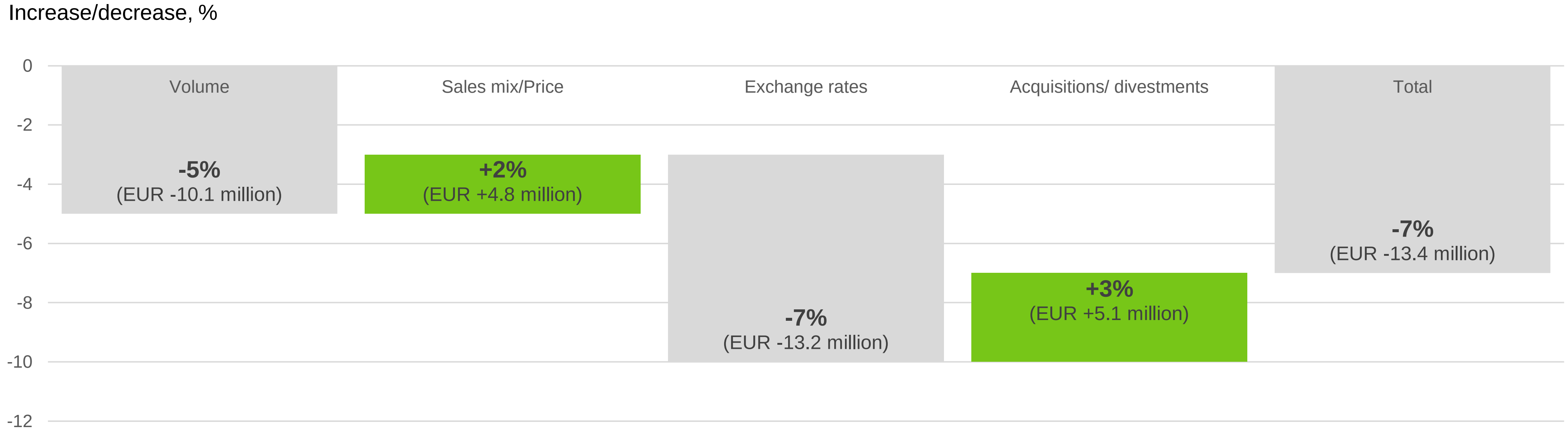
Review period key figures

EUR million	4–6/2015	4–6/2014	Change %	1–6/2015	1–6/2014	Change %	2014
Revenue	**179.5**	192.9	-7.0%	**312.7**	334.4	-6.5%	618.4
EBIT excluding non-recurring items	**28.6**	32.2	-11.3%	**43.9**	45.3	-3.0%	64.2
EBIT excluding non-recurring items, %	**15.9%**	16.7%		**14.0%**	13.5%		10.4%
EBIT	**30.9**	32.5	-4.7%	**46.2**	46.3	-0.2%	63.7
EBIT, %	**17.2%**	16.8%		**14.8%**	13.8%		10.3%
EPS, EUR	**0.52**	0.56	-7.6%	**0.82**	0.73	12.8%	1.10
ROCE, %, rolling	**22.8%**	25.7%		**22.8%**	25.7%		22.9%
Cash flow after capital expenditure	**-7.2**	-7.0	-2.5%	**-20.8**	-11.9	-75.5%	49.9
Net interest-bearing debt at period-end				**101.8**	97.0	-5.0%	47.4
Gearing, %				**51.4%**	48.5%		24.6%
Equity ratio, %				**40.9%**	41.1%		49.5%
Personnel at period-end				**3,300**	3,340	-1.2%	3,142

Weak ruble and poor demand particularly in Russia lowered the euro-denominated revenue

EUR million	4–6/2015	4–6/2014	Change %	1–6/2015	1–6/2014	Change %
Revenue	**179.5**	192.9	-7.0%	**312.7**	334.4	-6.5%

Group's revenue development Q2/2015 vs. Q2/2014

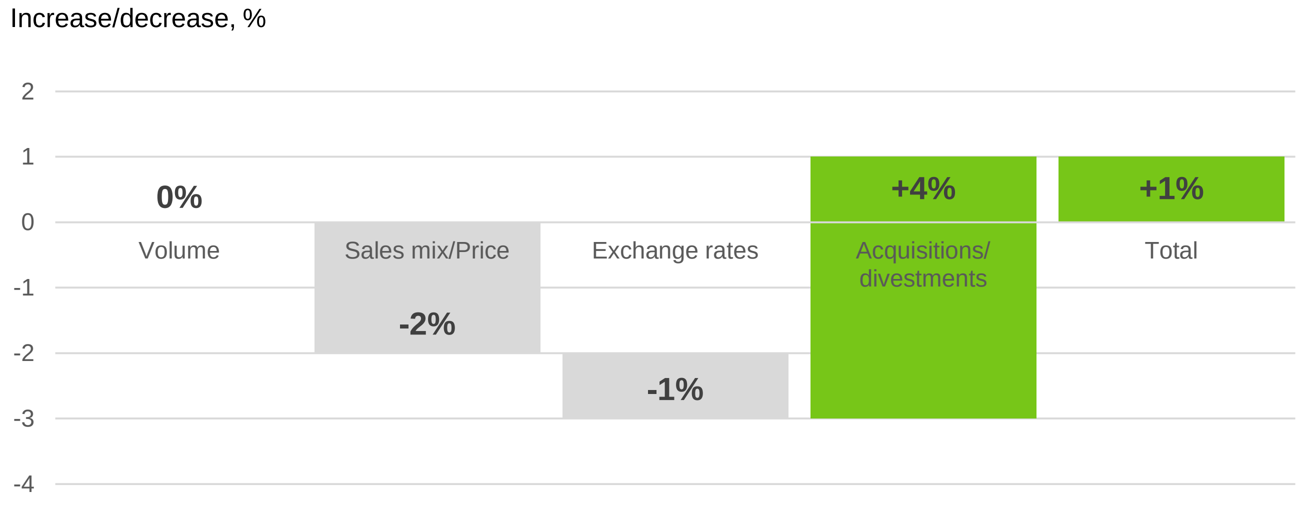


Strategic Business Units

SBU West Q2/2015

EUR million	4–6/2015	4–6/2014	Change %	1–6/2015	1–6/2014	Change %	1–12/2014
Revenue	**116.3**	114.9	1.2%	**218.5**	213.7	2.2%	382.5
EBIT*	**20.2**	20.3	-0.2%	**37.2**	35.6	4.4%	45.8
EBIT*, %	**17.4%**	17.6%		**17.0%**	16.6%		12.0%

Revenue development Q2/2015 vs. Q2/2014



* Excluding non-recurring items

Q2/2015 highlights

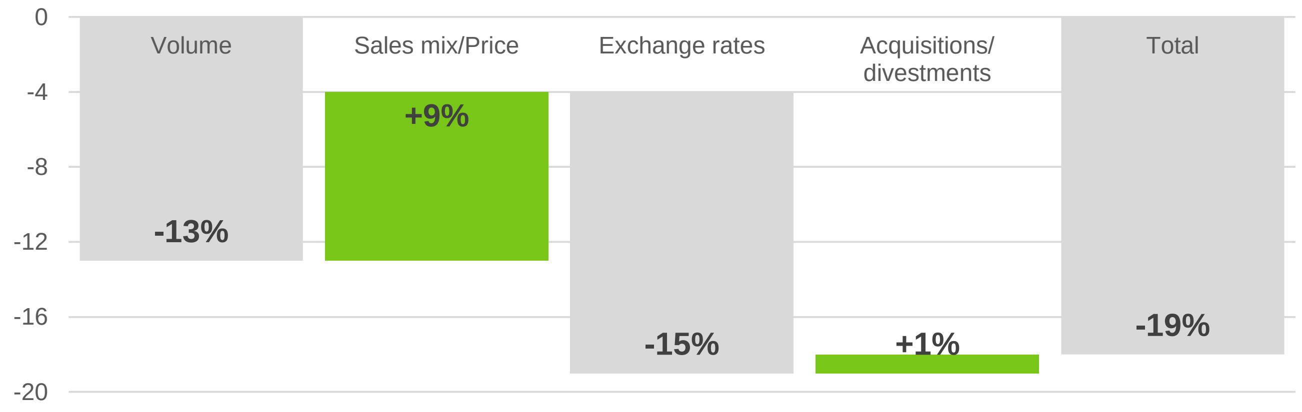
- Sales volumes in SBU West remained at the comparison period's level due to the weak demand in Finland, caused by the challenging macro environment and rainy summer
- Lower-margin products increased their share of sales
- S&M investments were high in Scandinavia and Poland, in particular (e.g. brand and shop concept renewals)
- Profitability remained at a high level

SBU East Q2/2015

EUR million	4–6/2015	4–6/2014	Change %	1–6/2015	1–6/2014	Change %	1–12/2014
Revenue	**63.2**	78.0	-19.0%	**94.3**	120.7	-21.9%	236.0
EBIT*	**9.8**	13.4	-26.7%	**9.9**	11.8	-16.1%	21.3
EBIT*, %	**15.5%**	17.2%		**10.5%**	9.8%		9.0%

Revenue development Q2/2015 vs. Q2/2014

Increase/decrease, %



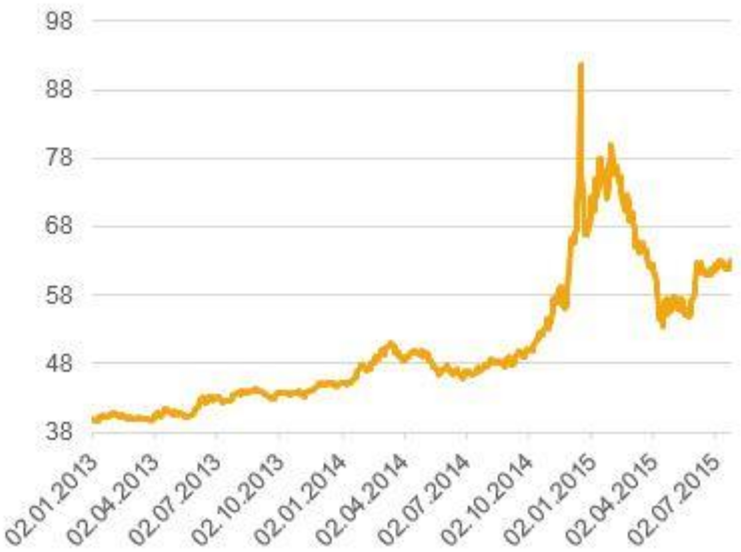
Q2/2015 highlights

- Weak purchasing power hindered paint demand in Russia
- Demand was lower both in premium and economy products
- Cost management was strict, but the weak ruble increased raw material costs from the comparison period's level
- Good sales development continued in China and the export countries, among others

* Excluding non-recurring items

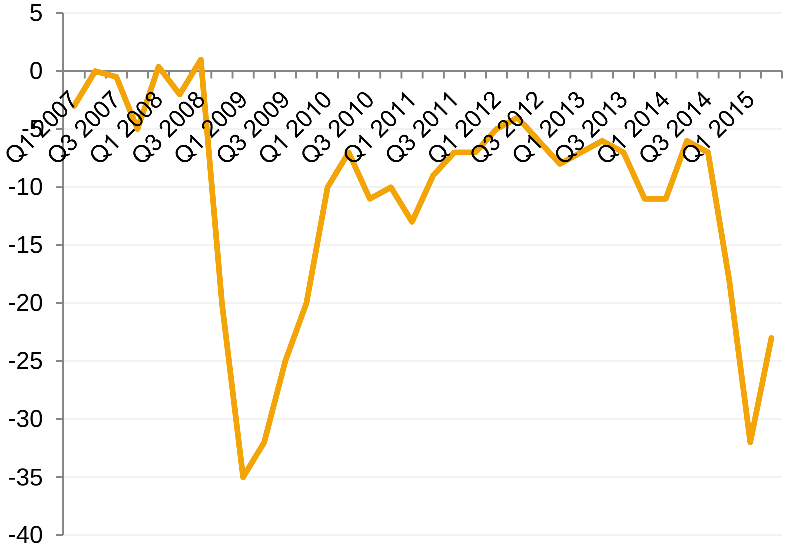
Ruble remains weak and consumption is declining

EUR RUB exchange rate



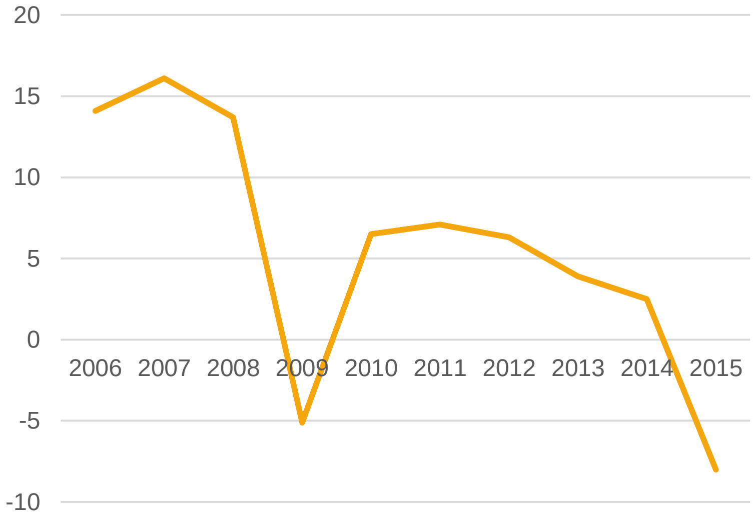
- Ruble continued to depreciate after the strengthening at the beginning of the year

Russian consumer confidence



- Consumer confidence remains weak

Retail sales in Russia, yearly change, %



- Consumption decreased rapidly

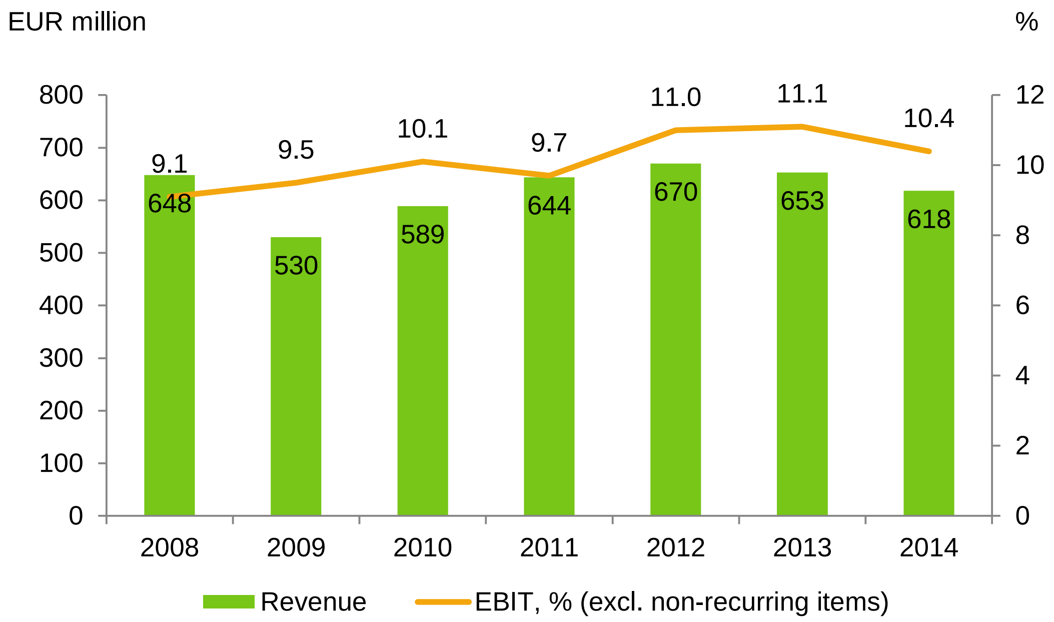
Conclusions and outlook

Conclusions

- There were no changes in the market situation
- Stable development continued in SBU West with the exception of Finland, in SBU East Russia cut down the revenue and profitability
- Measures to boost the sales volumes were continued
- Profitability was still on a good level
- As there are no signs of pick up in the paint demand, more efficient and flexible ways of operating as well as strict cost management are needed in order to maintain profitability

Guidance for 2015 intact

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.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