



Interim Report January-September 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
- Appendix



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



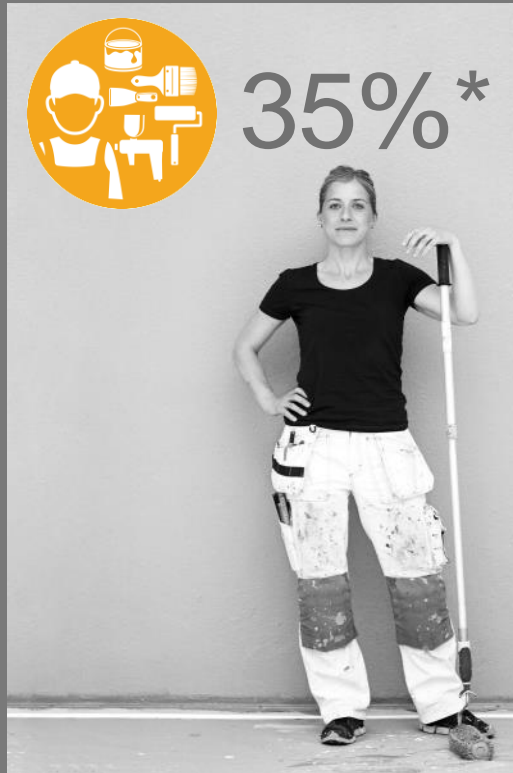
*Russia, Sweden, Finland, the Baltic countries
Tikkurila is #4 in Poland

Our end-customers



50%*

Consumers (DIY)



35%*

Professional painters



15%

Industry

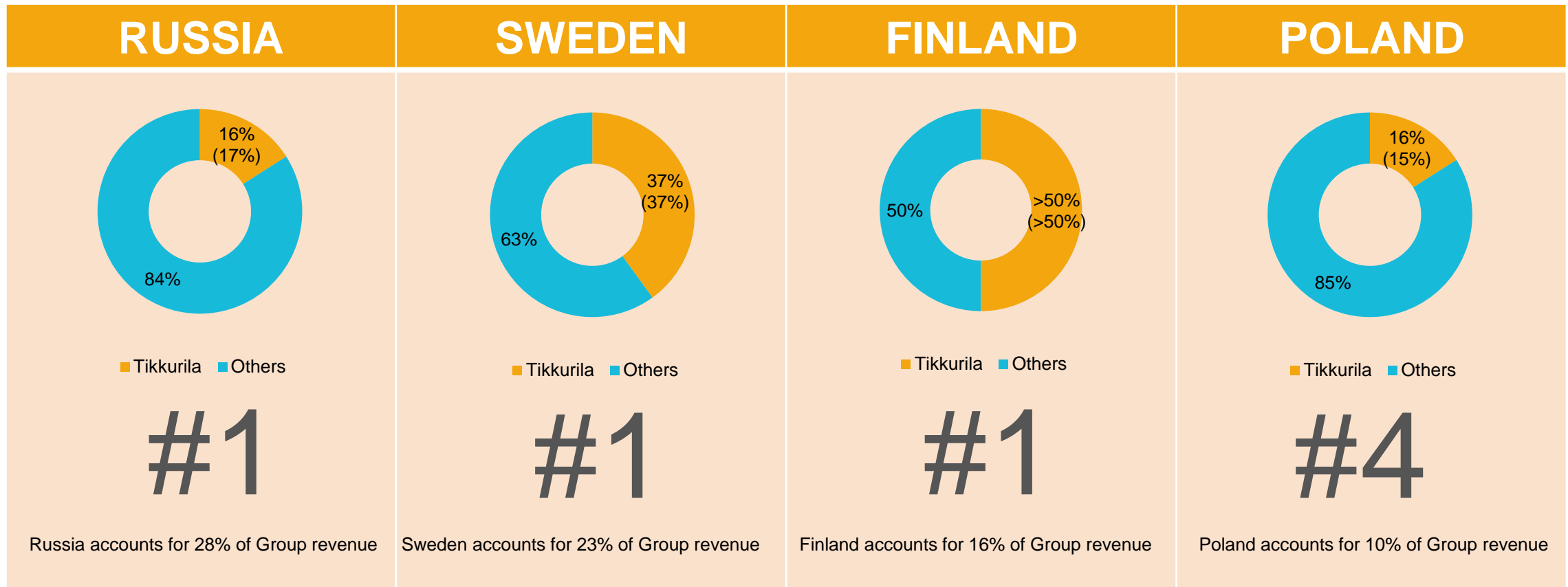
*Tikkurila estimate

Our locations





Tikkurila market shares in decorative paints in key markets in 2014



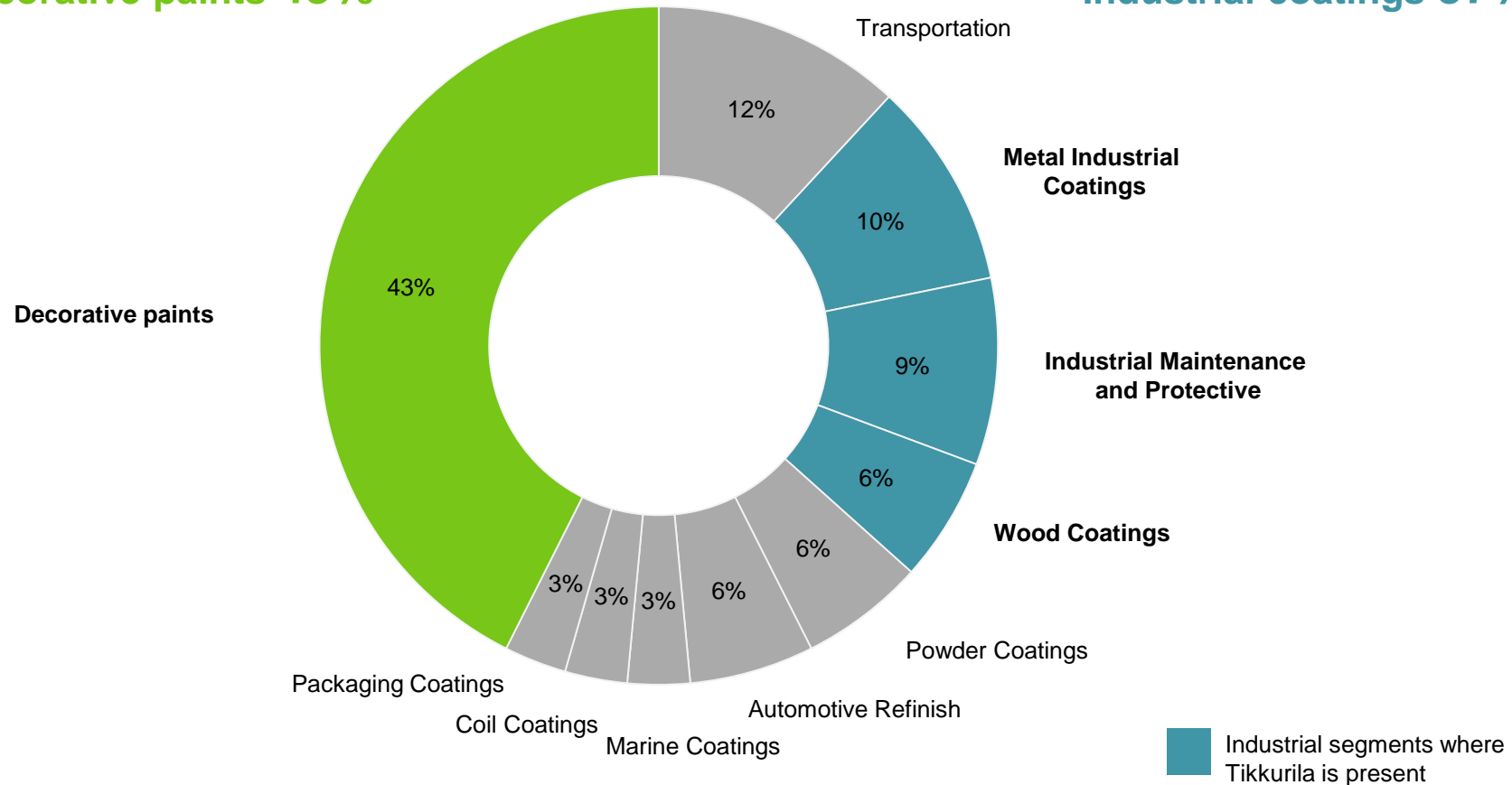
Source: Chem-Courier (Russia, volume), SVEFF (Sweden, value), Association of Finnish Paint Industry (Finland, value), IBP Research (Poland, volume)



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

Decorative paints 43%

Industrial coatings 57%



Source: IPPIC 2015

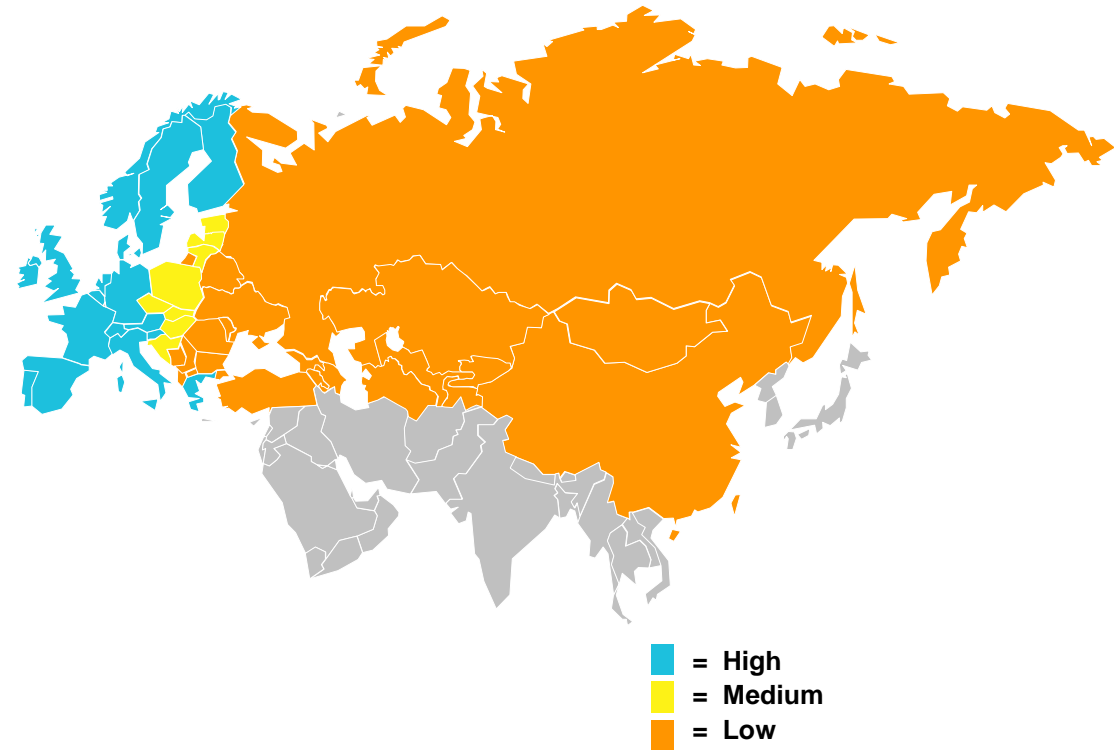
November 2015

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*

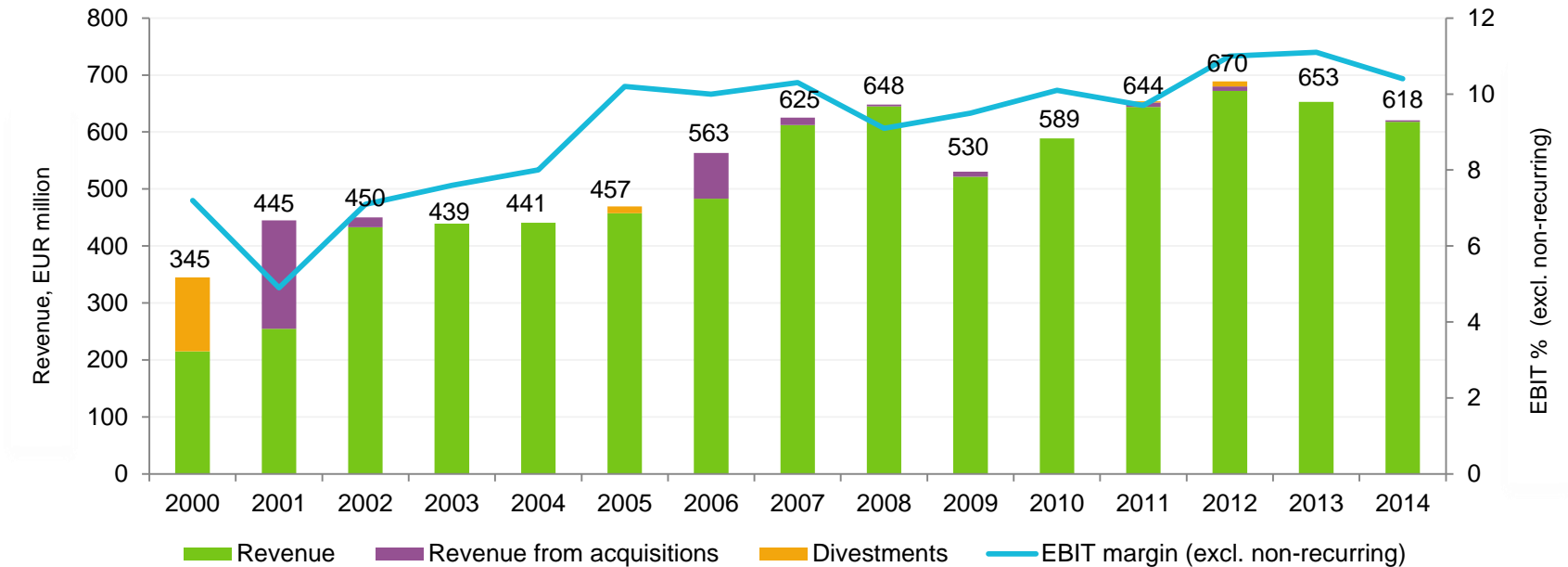


* Paint consumption source: Management estimates, IPPIC

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 Tekes in 2006 (Revenue ~MEUR 80)	Acquisition of Zorka Color in 2011 (Revenue ~MEUR 16)



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

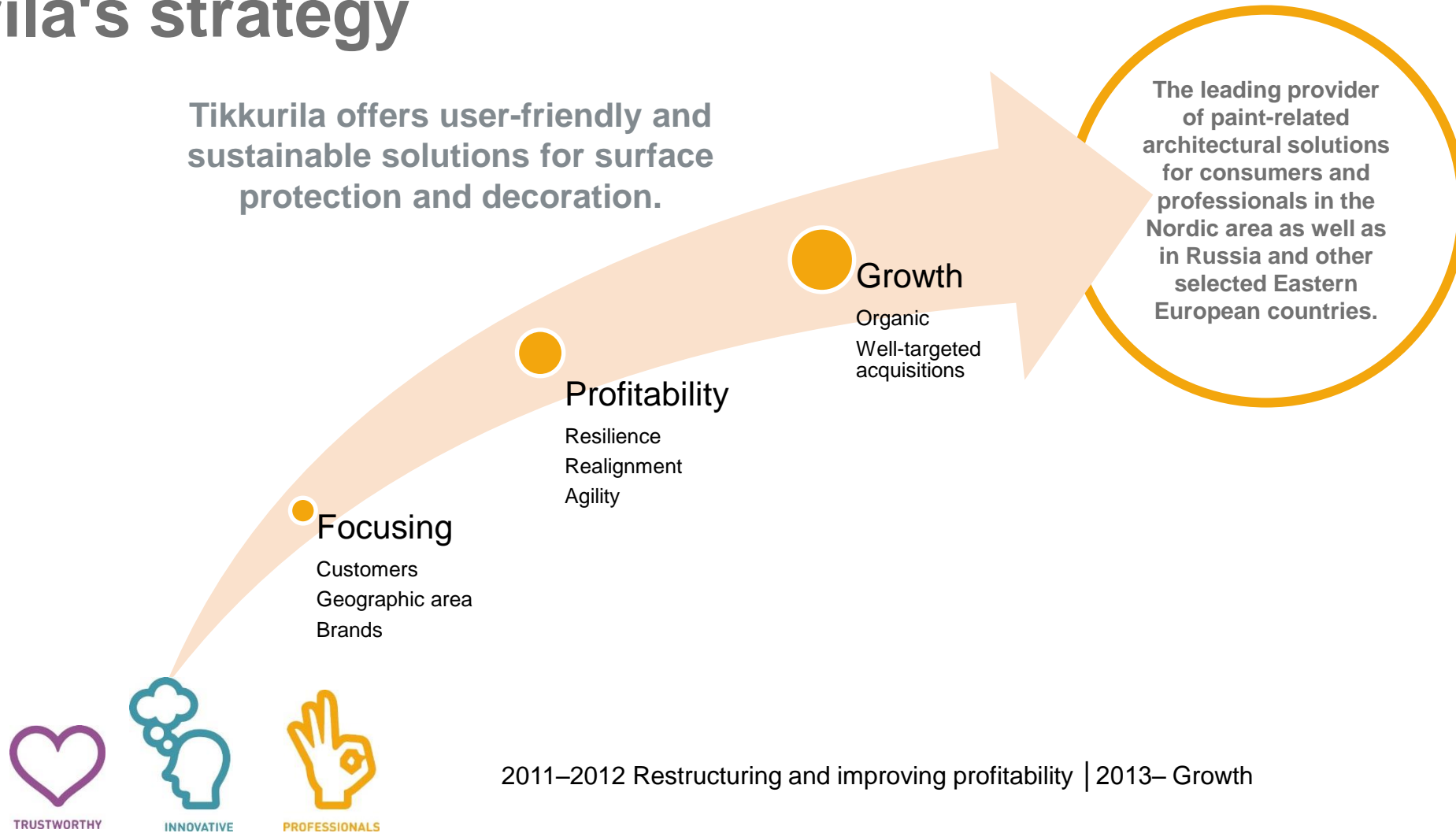
	Historical performance							
	2007	2008	2009	2010	2011	2012	2013	2014
Revenue	625	648	530	589	644	670	653	618
EBIT, % ¹	10.3%	9.1%	9.5%	10.1%	9.7%	11.0%	11.1%	10.4%
ROCE	24.5%	18.7%	15.7%	19.2%	19.4%	21.0%	23.5%	22.9%
Gearing	135.3%	208.5%	90.0%	41.4%	51.9%	40.6%	23.4%	24.6%
Dividend payout; share of operative net income, %				84% (EUR 0.70 per share)	88% (EUR 0.73 per share)	72% (EUR 0.76 per share)	69% ² (EUR 0.80 per share)	73 % (EUR 0.80 per share)

1) Excluding non-recurring items



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



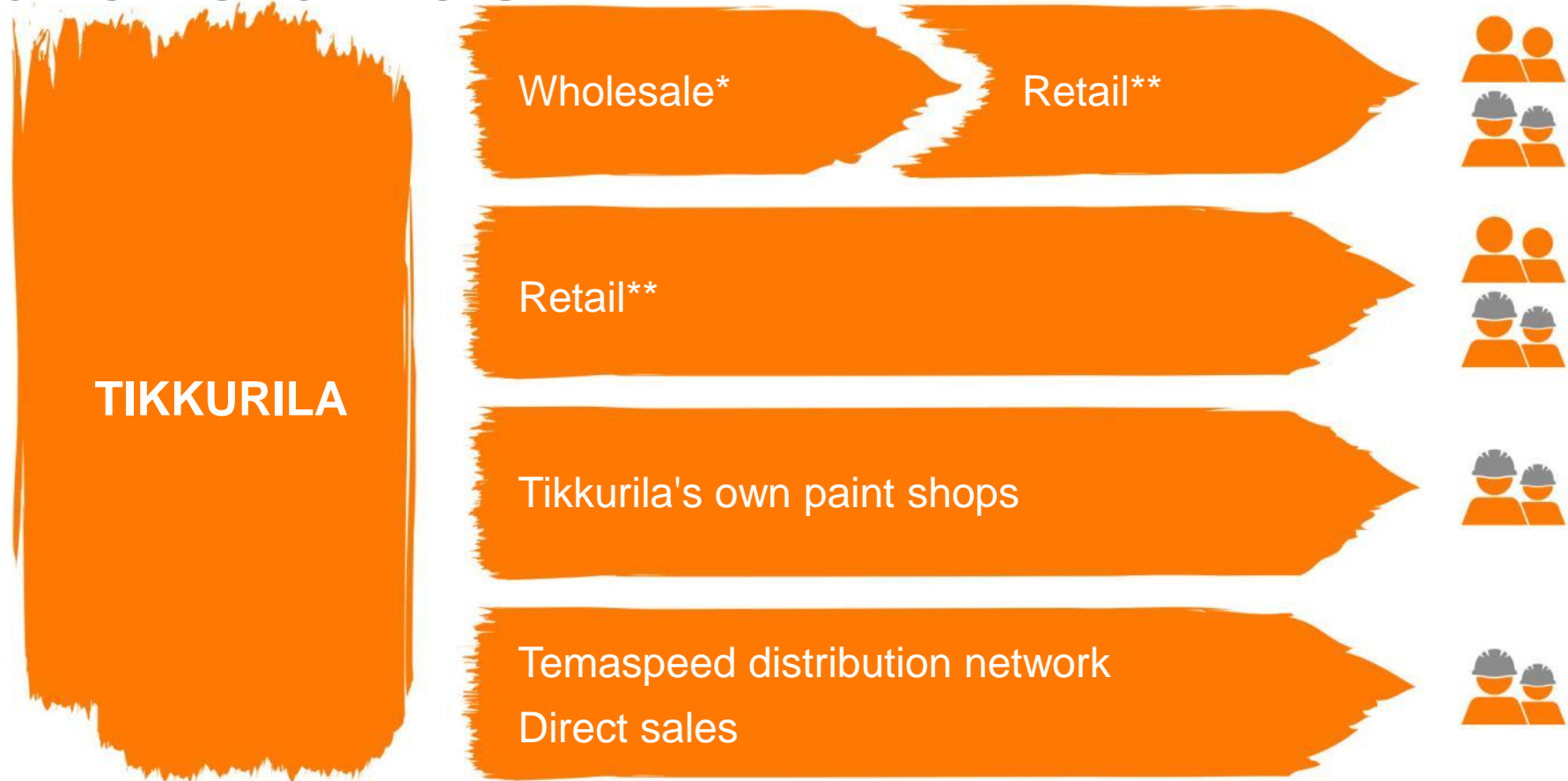
Designer Pool
Contractor Pool



Professional
services



Distribution channels



* Only in some markets

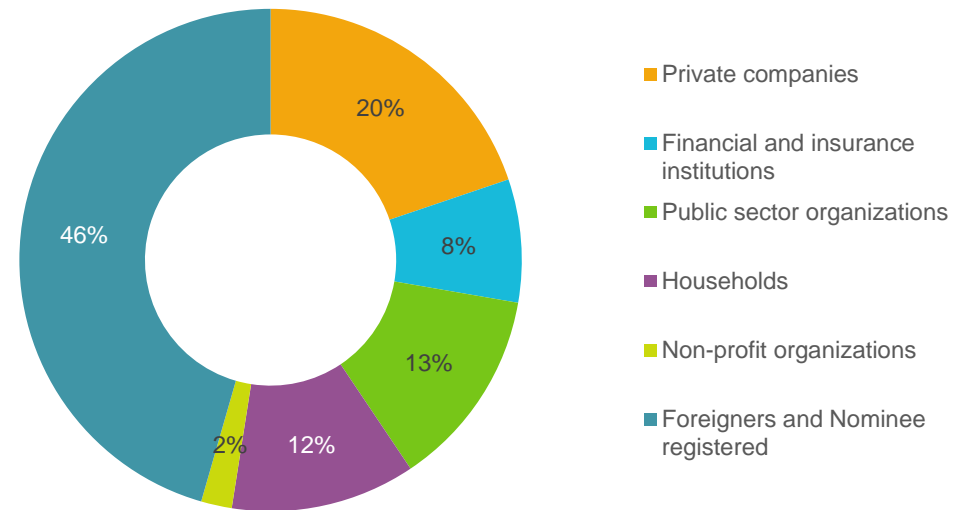
** Big boxes, specialized paint shops

Consumers  Professionals 

Tikkurila's ownership at the end of September 2015

- Number of shareholders ~20,800
- Foreign ownership in Tikkurila has increased strongly
- Largest shareholders: Oras Invest Oy (18.1%), Ilmarinen (6.4%) and Varma (5.7%)
- 50 largest shareholders holding ~45%

Tikkurila's ownership structure on September 30, 2015



Development during the review period



Third quarter highlights

- Revenue decreased by 6%. Weak foreign exchange rates and particularly the Russian ruble had a significant negative impact on the euro-denominated revenue
- Demand declined year-on-year in Russia. Good development continued in Sweden, Poland, and China, in particular
- Decline in revenue and weak exchange rates had a negative impact on profitability. Cost management was strict, sales and marketing investments were nevertheless continued according to plan
- Prices of raw materials were at a slightly lower level, but due to the exchange rates, the raw material costs were in relative terms higher than in the comparison period
- Operations were adjusted to fit current volume level in Russia and Finland



Review period key figures

EUR million	7-9/2015	7-9/2014	Change %	1-9/2015	1-9/2014	Change %	2014
Revenue	168.0	179.6	-6.5%	480.7	514.0	-6.5%	618.4
EBIT excluding non-recurring items	26.0	32.1	-18.8%	70.0	77.4	-9.6%	64.2
EBIT excluding non-recurring items, %	15.5%	17.9%		14.6%	15.0%		10.4%
EBIT	25.8	31.3	-17.6%	72.0	77.6	-7.2%	63.7
EBIT, %	15.3%	17.4%		15.0%	15.1%		10.3%
EPS, EUR	0.37	0.55	-33.7%	1.19	1.28	-7.2%	1.10
ROCE, %, rolling	20.9%	25.5%		20.9%	25.5%		22.9%
Cash flow after capital expenditure	55.1	54.1	1.8%	34.2	42.2	-18.9%	49.9
Net interest-bearing debt at period-end				46.8	46.1	1.5%	47.4
Gearing, %				22.4%	21.2%		24.6%
Equity ratio, %				46.1%	46.8%		49.5%
Personnel at period-end				3,189	3,212	-0.7%	3,142

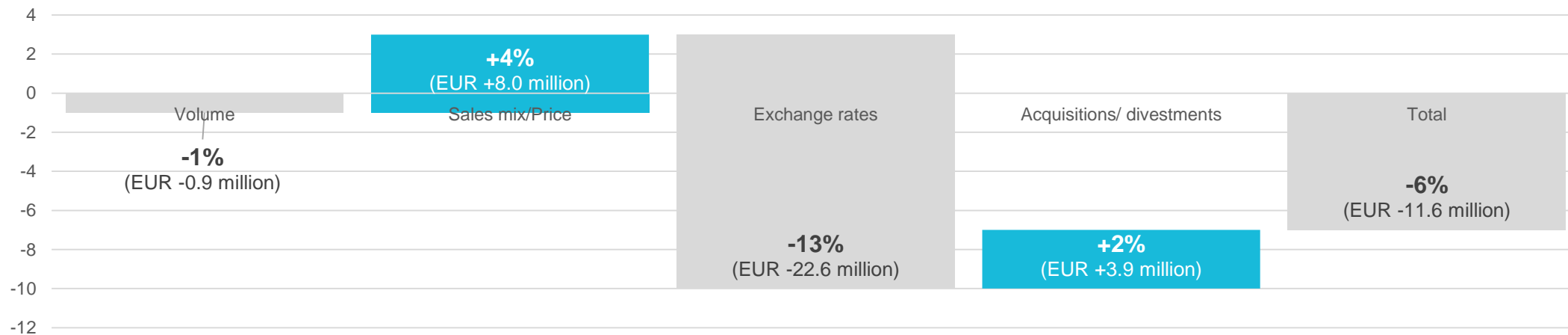


Weak Russian ruble lowered the euro-denominated revenue

EUR million	7–9/2015	7–9/2014	Change %	1–6/2015	1–9/2014	Change %
Revenue	168.0	179.6	-6.5%	480.7	514.0	-6.5%

Group's revenue development Q3/2015 vs. Q3/2014

Increase/decrease, %

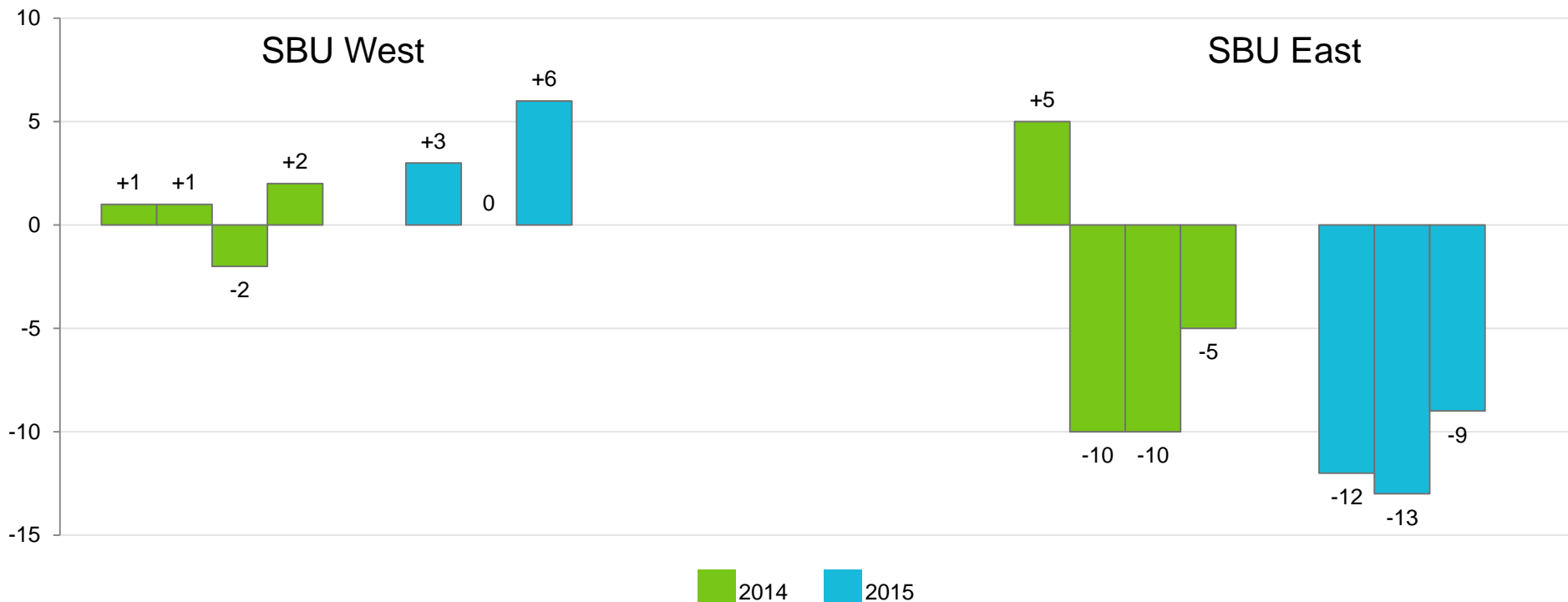


The figures on the graph above have been independently rounded to one decimal, which should be taken into account when calculating total figures.



Slight growth in the west, volume drop has settled to some 10% in the east

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



Adjustment of operations

- Target is to adjust the personnel to fit current volume level, to find new, more flexible ways to operate, and to ensure company's cost competitiveness
- In Finland, a total of 41 persons were dismissed as a result of the negotiations. The negotiated outcome included an agreement to commence local collective bargaining on flexible working time allowing for seasonal and other factors, and to modify staff remuneration with a view to supporting the company's strategic objectives more effectively
- In Flen, Sweden, Tikkurila is planning to close down a small production unit during 2016 and relocate the production to another Tikkurila Group site



Examples of recent novelties

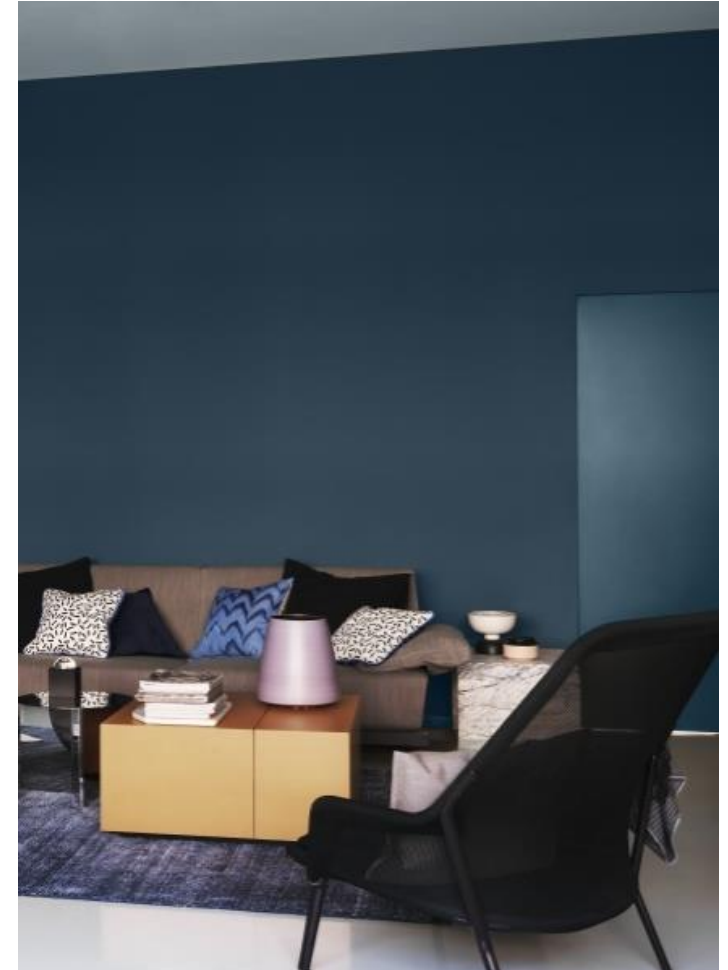


Argentum 20
Functional, easy-to-clean hygienic surface for e.g. hospital surroundings



Black
Semi matt, perfect black for interior walls

Trend colors for 2016 by Alcro



Strategic Business Units

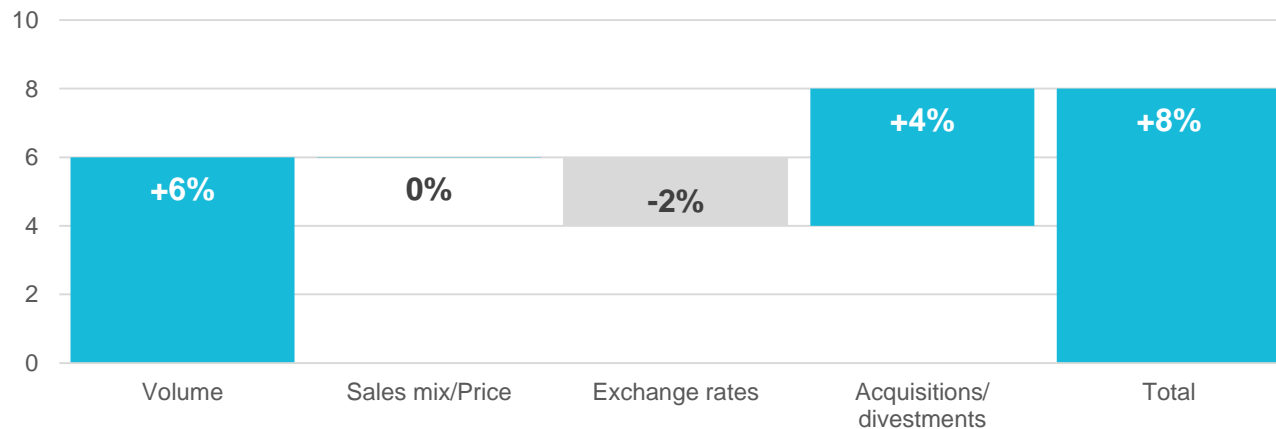


SBU West Q3/2015

EUR million	7–9/2015	7–9/2014	Change %	1–9/2015	1–9/2014	Change %	1–12/2014
Revenue	108.7	100.4	8.2%	327.2	314.2	4.1%	382.5
EBIT*	21.8	18.4	18.8%	59.0	53.9	9.3%	45.8
EBIT*, %	20.1%	18.3%		18.0%	17.2%		12.0%

Revenue development Q3/2015 vs. Q3/2014

Increase/decrease, %



Q3/2015 highlights

- Sales volumes in SBU West grew due to good development in Sweden and Poland, in particular
- Functional products provided us with additional growth
- S&M investments were higher than in the comparison period
- Profitability was excellent

* Excluding non-recurring items

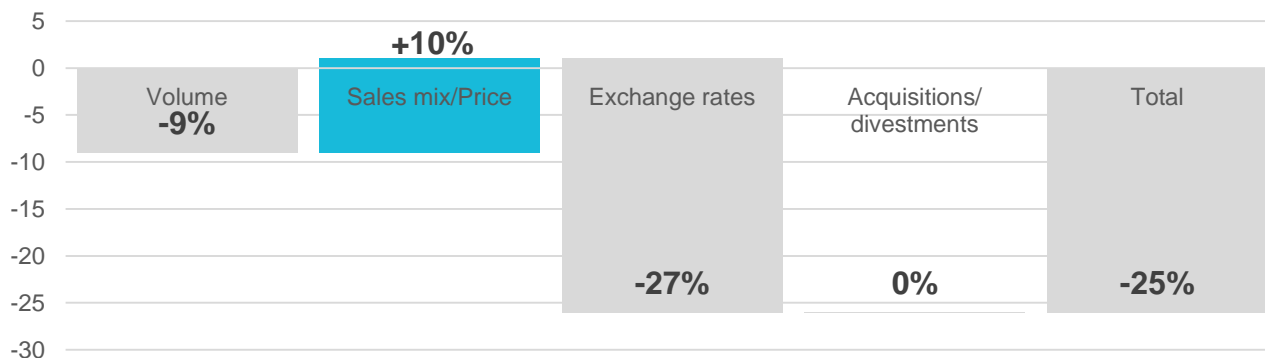


SBU East Q3/2015

EUR million	7-9/2015	7-9/2014	Change %	1-9/2015	1-9/2014	Change %	1-12/2014
Revenue	59.3	79.2	-25.1%	153.5	199.8	-23.2%	236.0
EBIT*	5.0	14.4	-65.1%	14.9	26.2	-43.0%	21.3
EBIT*, %	8.5%	18.2%		9.7%	13.1%		9.0%

Revenue development Q3/2015 vs. Q3/2014

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.

* Excluding non-recurring items

Q3/2015 highlights

- Euro-denominated revenue declined due to the Russian ruble, which depreciated again steeply during the period under review
- Weak purchasing power hindered paint demand in Russia
- Challenging situation continued in Russia's neighboring areas as well
- Good sales development continued in China
- Decline in revenue and higher raw material costs, caused by the weak ruble, decreased profitability clearly

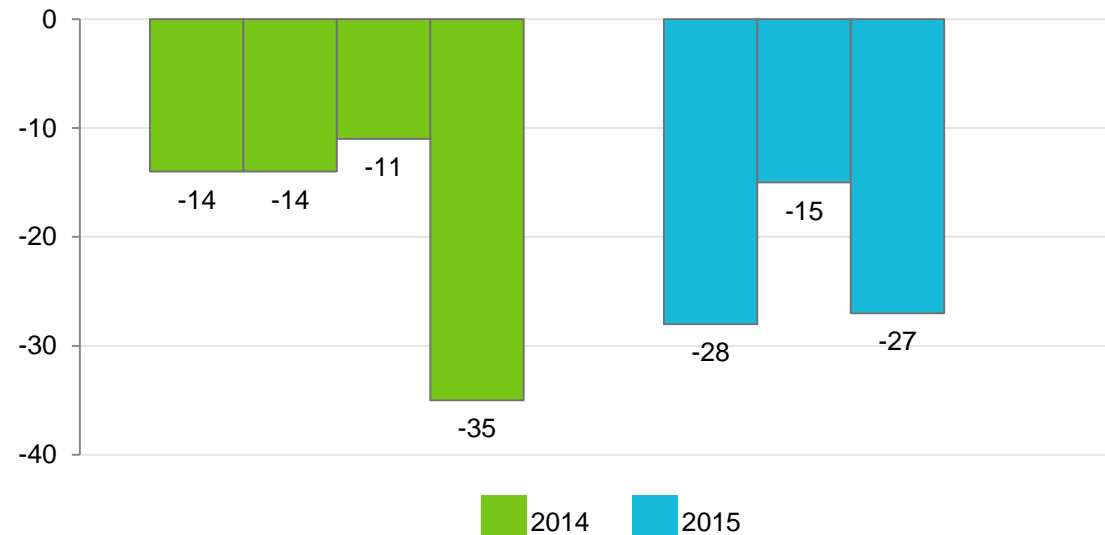


Exchange rates are cutting steeply the euro-denominated revenue in Russia

EUR RUB exchange rate



Impact of FX on SBU East's revenue by quarter, % change from the comparison period



- Russian ruble depreciated again strongly in the third quarter. In Russia, Tikkurila's revenue in rubles was at the comparison period level

Conclusions and outlook

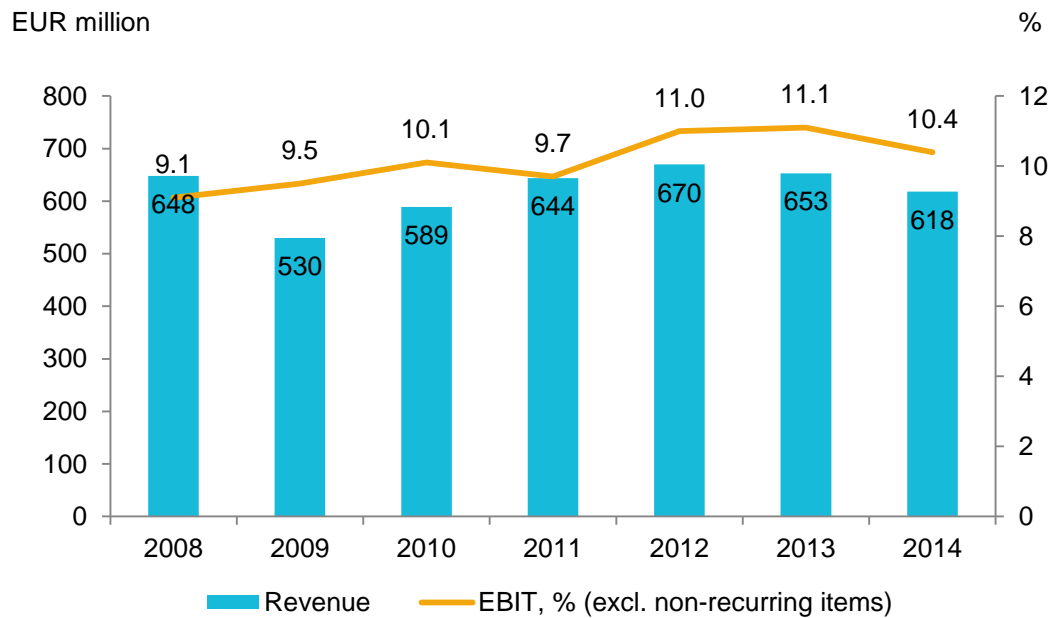
Conclusions

- There were no significant changes in the market situation
- Good development in the west, in the east, the weak Russia ruble burdened the euro-denominated revenue and profitability
- Measures to boost the sales volumes were continued
- By adjusting its operations, Tikkurila aims at more efficient and flexible ways of operating



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. 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.

Appendix

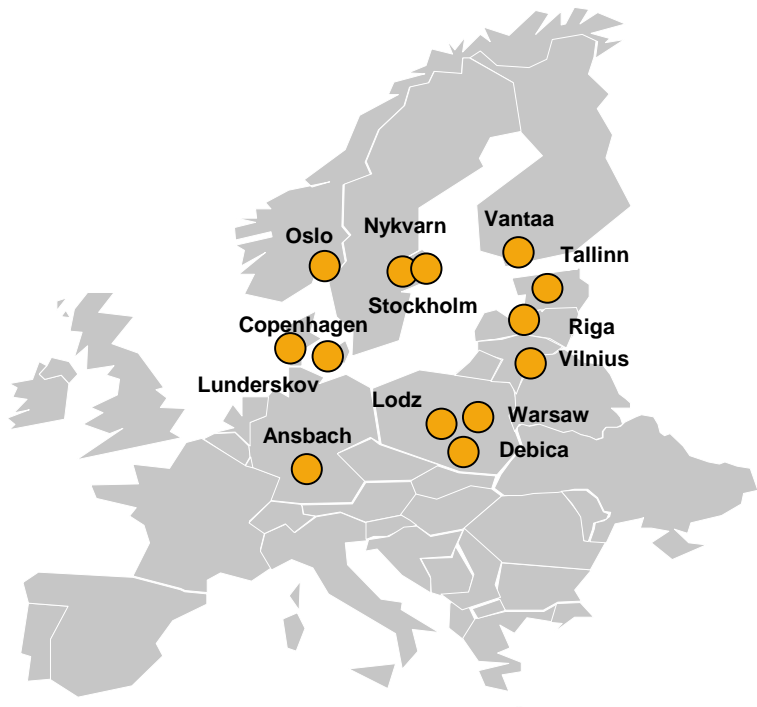
Tikkurila Strategic Business Units (SBU)

	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	St. Petersburg, Russia Stary Oskol, Russia 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
2014 revenue	EUR 382.5 million, 62% of Group
EBIT 2014 ¹⁾	EUR 45.8 million, 68% of Group ²⁾
Employees	1,606 (at year-end)
Production sites	Nykvarn, Sweden; Vantaa, Finland; Debica, Poland; Ansbach, Germany; Tallinn, Estonia
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.
2014 revenue	EUR 236.0 million, 38% of Group
EBIT 2014 ¹⁾	EUR 21.3 million, 32% of Group ²⁾
Employees	1,505 (at year-end)
Production sites	St. Petersburg, Russia (3) Stary Oskol, Russia Kiev, Ukraine Šabac, Serbia

Development in SBU East


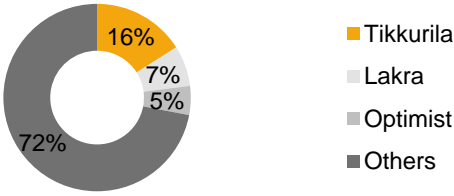
1970s	Export to Russia and the former Soviet Union started
1994	Sales company in Russia
1995	First western paint factory opened in St. Petersburg
1998	Sales company OOO Tikkurila Coatings established
2004	Acquisition of Kolorit in Ukraine
2006	Acquisition of Kraski Teks
2006	Sales company established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



1 Excluding non-recurring items
2 Excluding group items



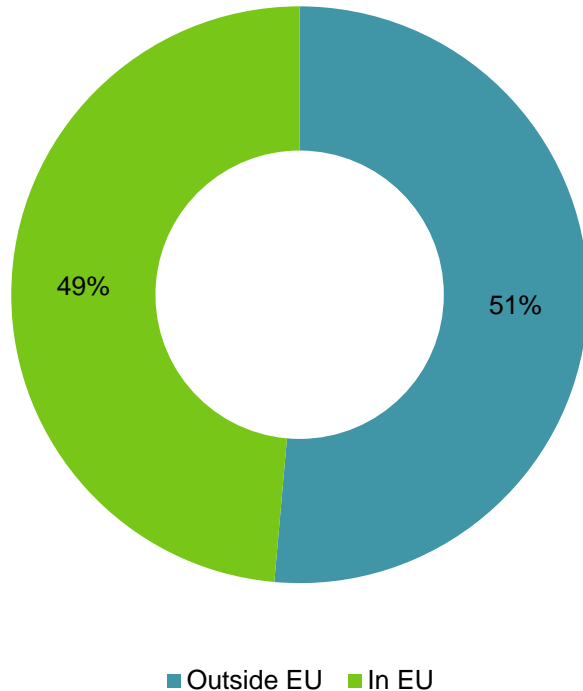
Tikkurila in Russia

2014 revenue	EUR 176 million, 28% of Group
Brands	 <p>TIKKURILA FINNCOLOR ТЕКС</p> <p>PREMIUM ECONOMY</p>
Production	<p>Production sites in St. Petersburg (3) and Stary 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	 <ul style="list-style-type: none"> ■ Tikkurila ■ Lakra ■ Optimist ■ Others <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

- 14 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
- ~75% of raw materials from western suppliers, in Russia ~50% of raw materials from local suppliers
- Chemical legislation sets restrictions on paint import to the EU region from the third countries



Investor and media contacts



Erkki Järvinen

President and CEO



Jukka Havia

CFO



Minna Avellan

Manager, Investor Relations

minna.avellan@tikkurila.com

Tel. +358 40 533 7932



TIKKURILA INSPIRES YOU
TO COLOR YOUR LIFE.™