



Interim Report January-September 2015

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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



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

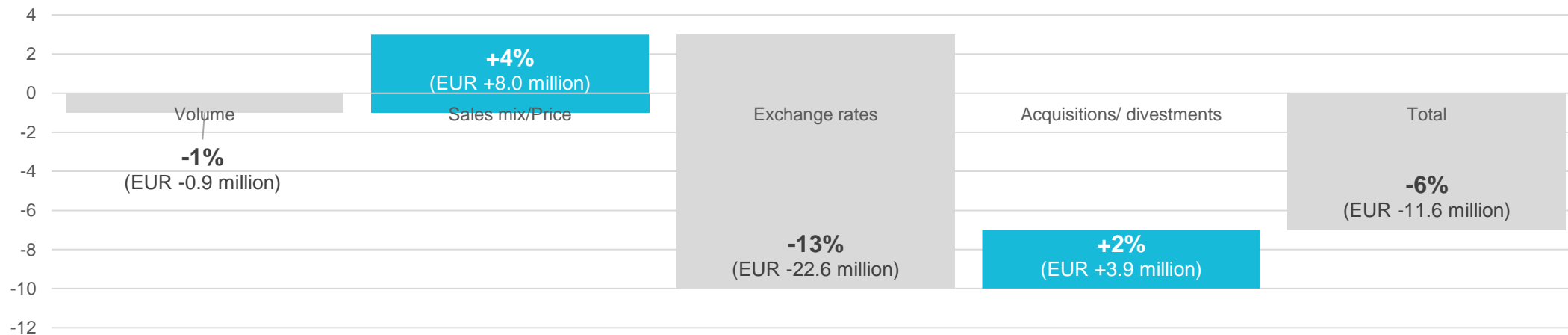


Weak Russian ruble lowered the euro-denominated revenue

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, %

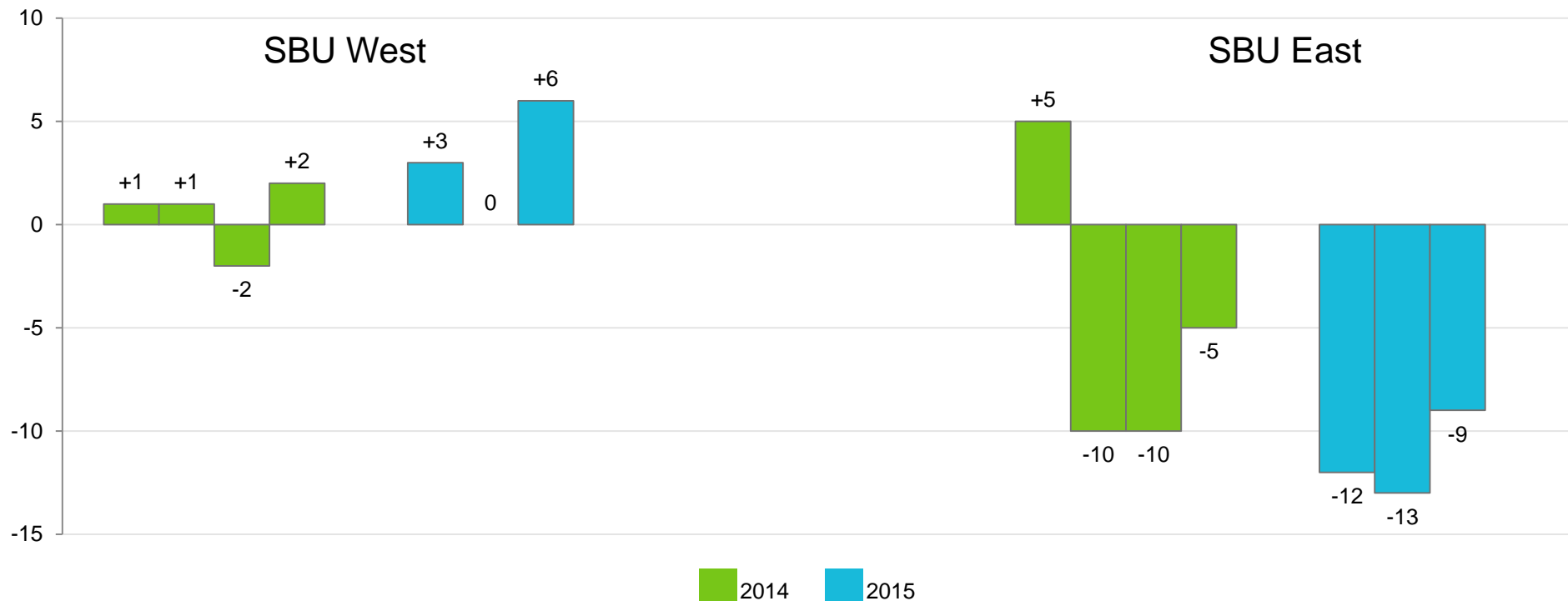


The figures on the graph above have been independently rounded to one decimal, which should be taken into account when calculating total figures.



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

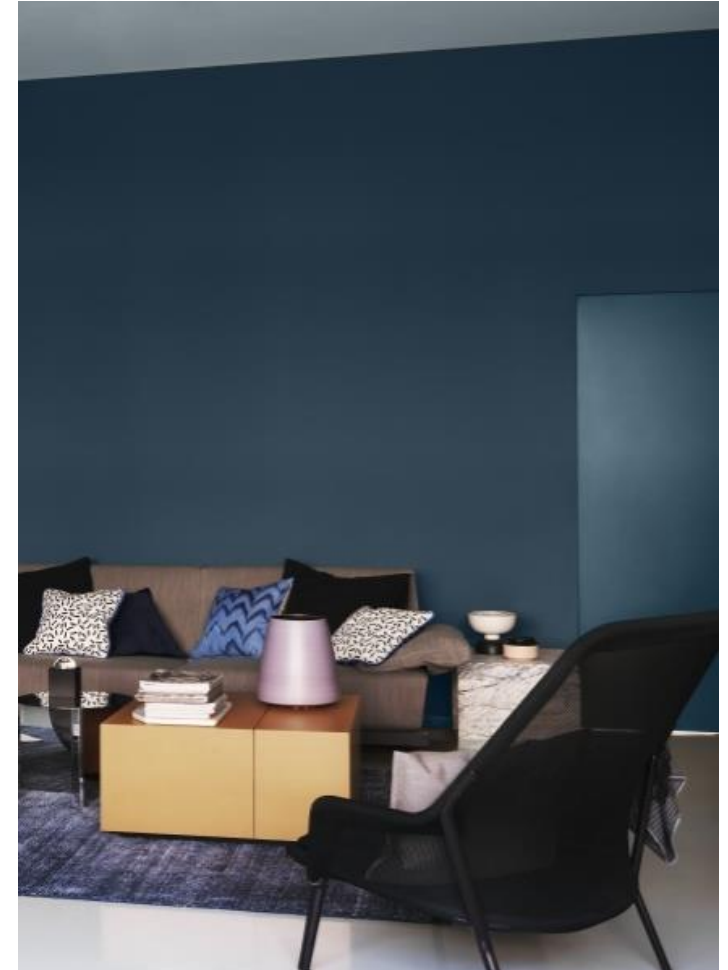


Argentum 20
Functional, easy-to-clean hygienic surface for e.g. hospital surroundings



Black
Semi matt, perfect black for interior walls

Trend colors for 2016 by Alcro





Strategic Business Units

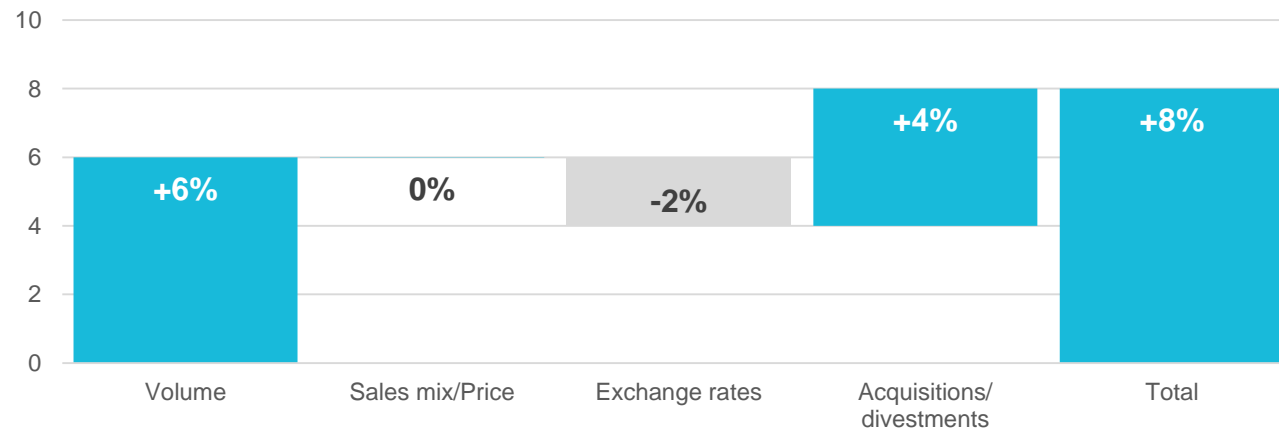


SBU West Q3/2015

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

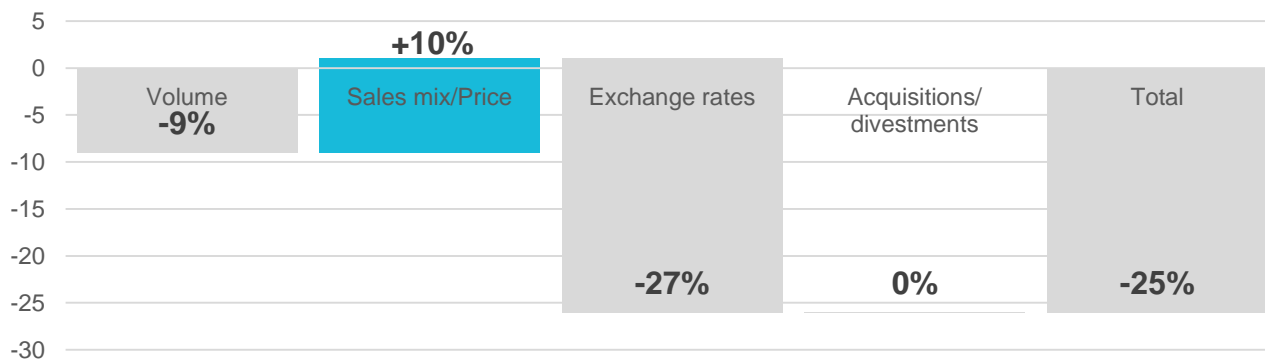


SBU East Q3/2015

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

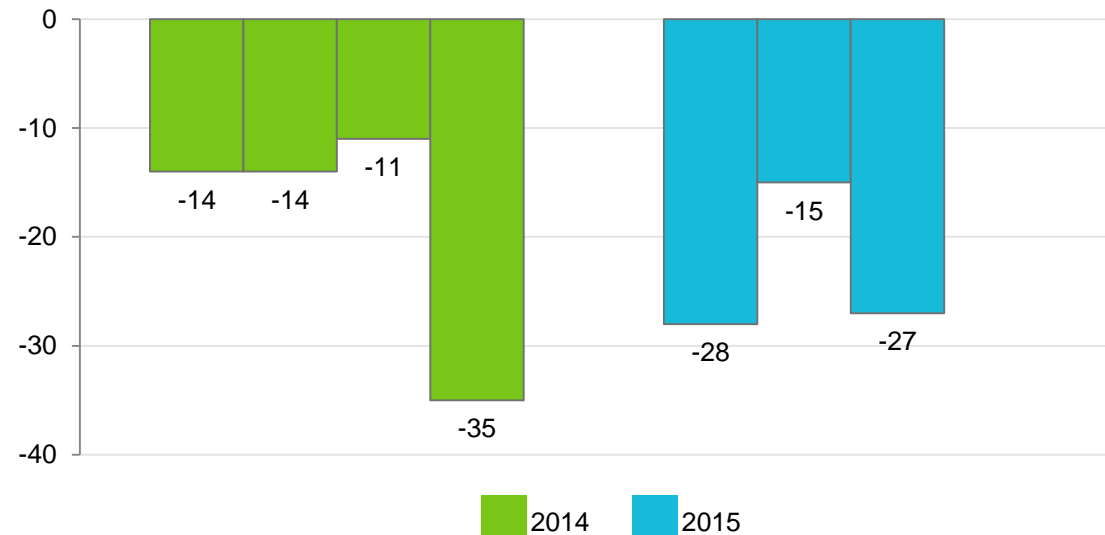


Exchange rates are cutting steeply the euro-denominated revenue in Russia

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

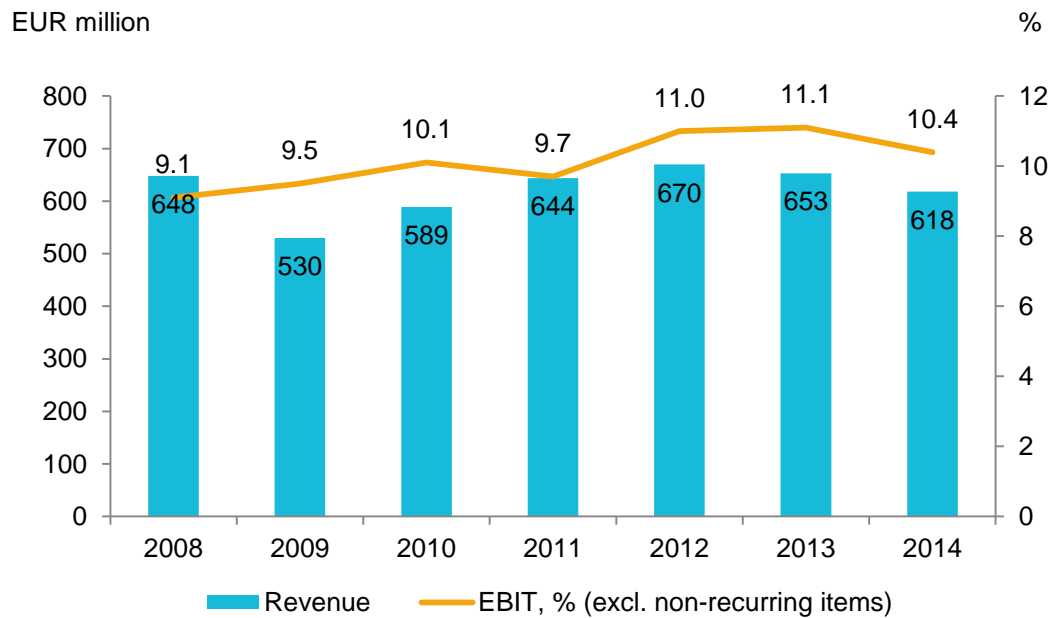
- There were no significant changes in the market situation
- Good development in the west, in the east, the weak Russia ruble burdened the euro-denominated revenue and profitability
- Measures to boost the sales volumes were continued
- By adjusting its operations, Tikkurila aims at more efficient and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



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