



**Interim Report for
January–June 2014**
Investor presentation

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



Tikkurila in brief

Tikkurila in a nutshell

Customers:

Consumers and professionals

Market position:

Leading market position in decorative paints in Finland, Sweden, Russia and the Baltic countries, one of the leading in Poland

Market area:

Northern Europe, Central Eastern Europe, Russia and other CIS countries, Ukraine

Products and services:

Decorative paints, industrial wood and metal coatings, customer training, comprehensive advisory service (e.g. Customer hotline), Designer and Contractor Pool etc.

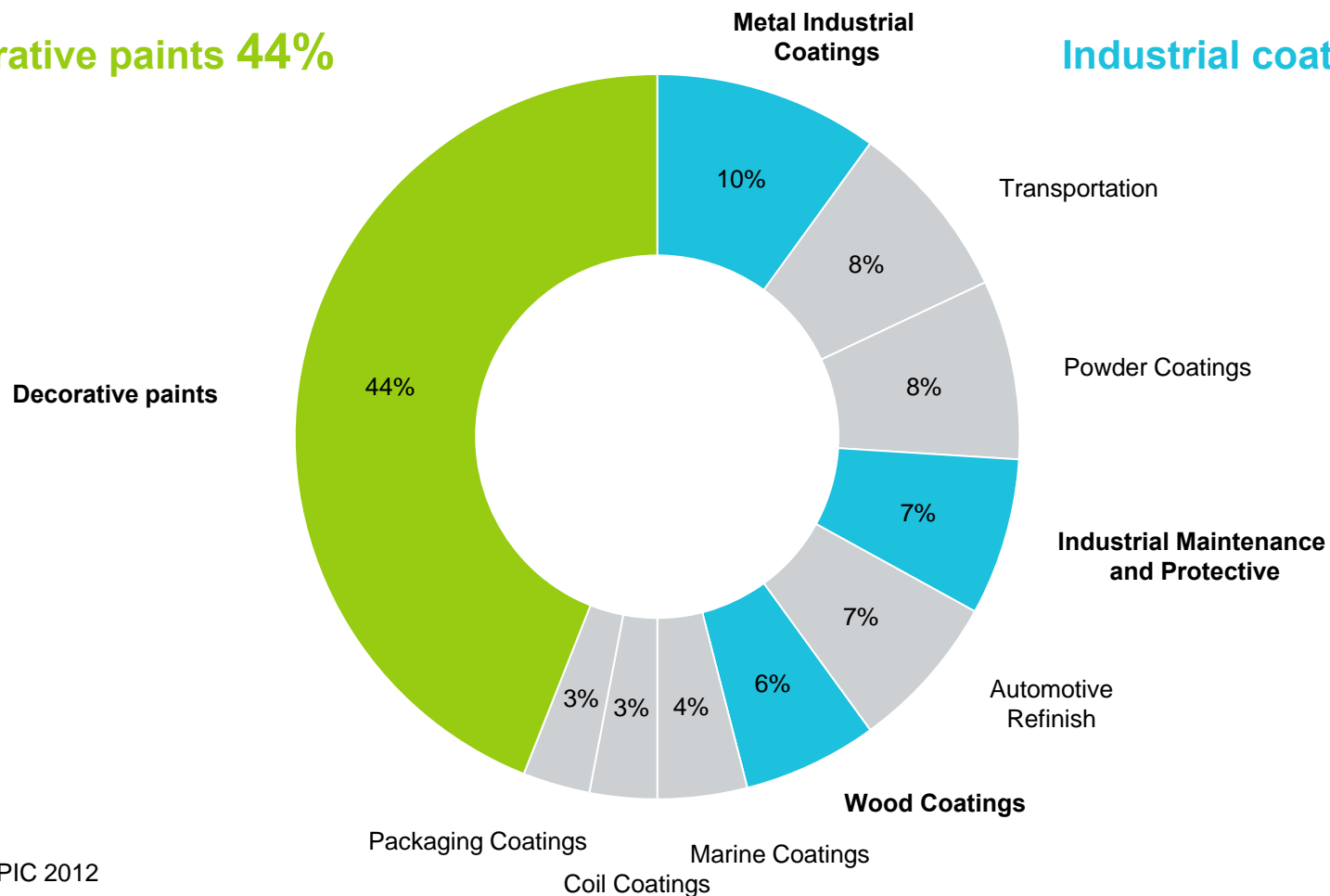
Tikkurila's locations



Value of the global paints and coatings market EUR ~76 billion

Decorative paints 44%

Industrial coatings 56%



Source: IPPIC 2012

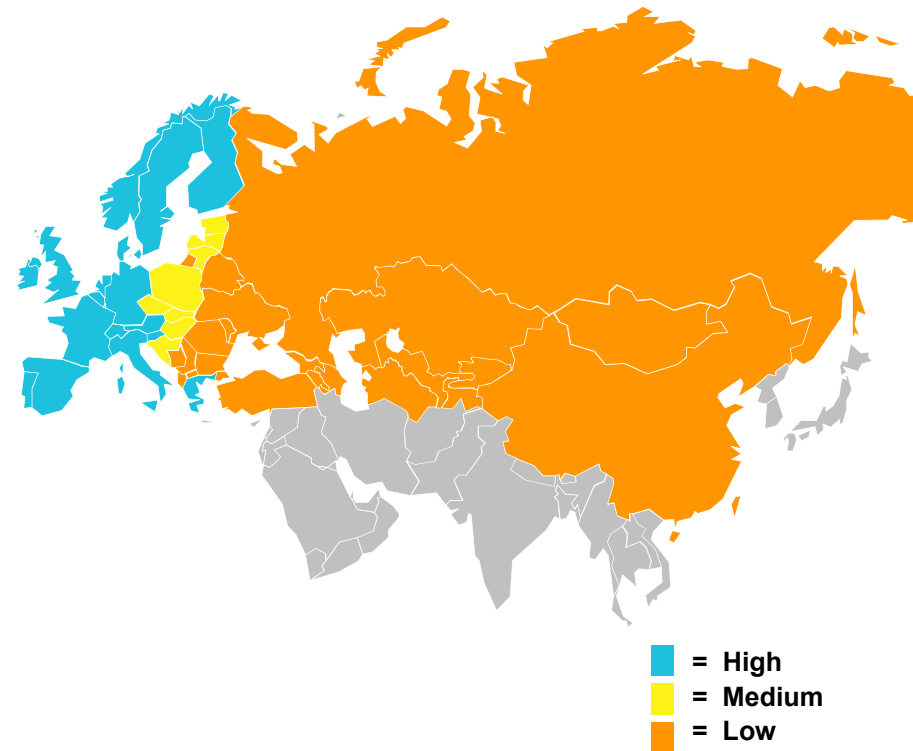
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Paint consumption and demand structure

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*



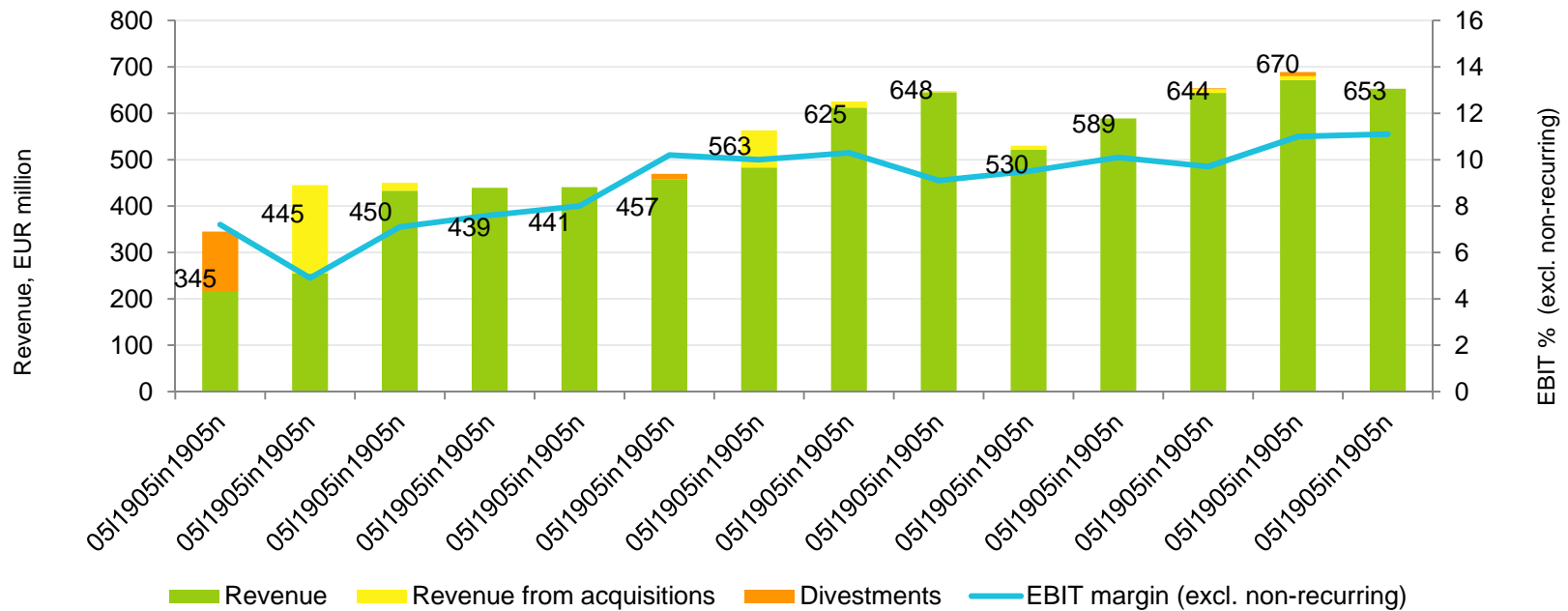
* Paint consumption source: Management estimates, IPPIC

Long term financial development

Development of sales and profitability 2000–2013

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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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% (EUR 0.80 per share)

1) Excluding non-recurring items

Tikkurila's strategy for 2012–2014

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

The leading provider of paint-related architectural solutions for consumers and professionals in the Nordic area as well as in Russia and other selected Eastern European countries.

Growth

Organic
Well-targeted acquisitions

Profitability

Resilience
Realignment
Agility

Focusing

Customers
Geographic area
Brands



trustworthy



innovative



professionals

Strong and well-established brands are the key to achieving our strategic intent

Strategic brands

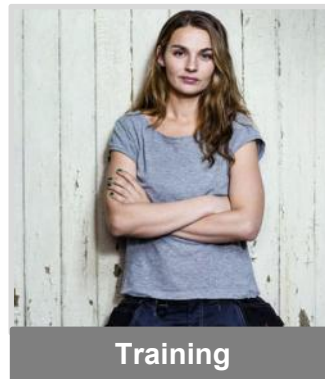
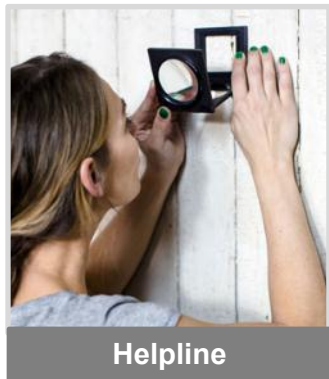
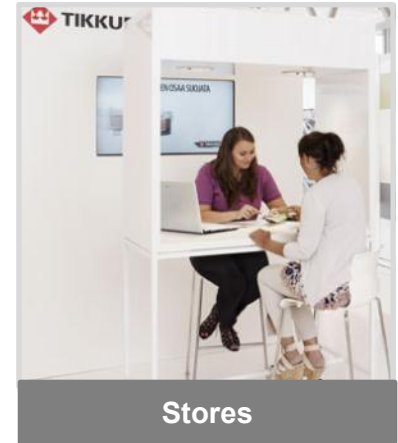
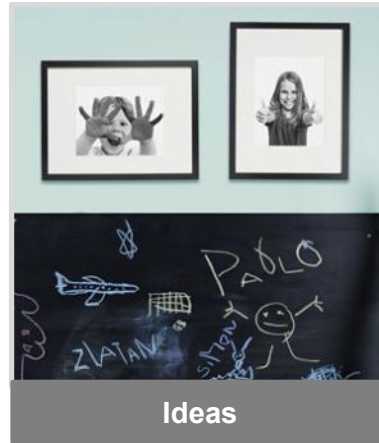
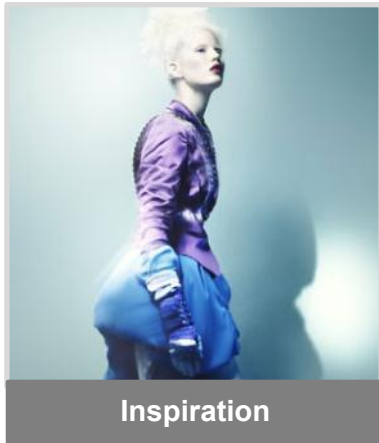
Tactical brands

International brands

Regional or local brands



We help our customers to succeed in surface protection and decoration



Distribution channels



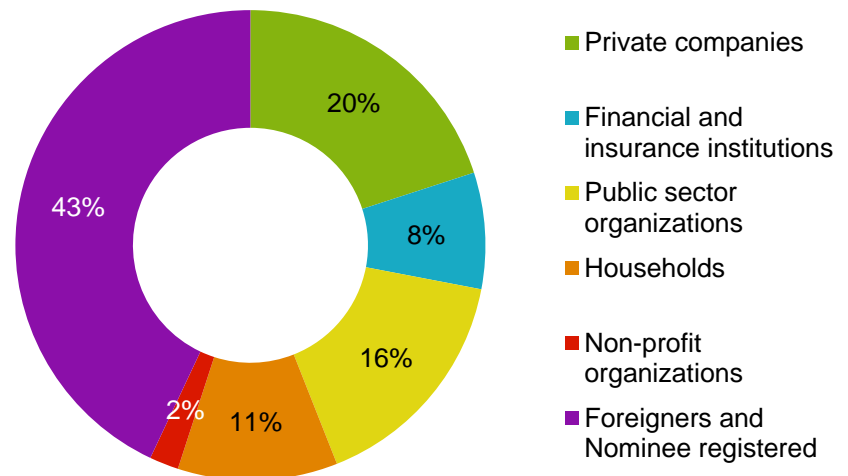
* Only in some markets

** Big boxes, specialized paint shops

Tikkurila's ownership at the end of June 2014

- Number of shareholders ~20,300
- Foreign ownership in Tikkurila has increased strongly
- Largest shareholders: Oras Invest Oy (18.1%), Ilmarinen (9.1%) and Varma (5.7%)
- 50 largest shareholders holding ~45%

Tikkurila's ownership structure on June 30, 2014



**Development during
the review period**



Second quarter highlights

- Revenue decreased by 7% due to weak foreign exchange rates and lower sales volumes in Russia
- Relative profitability improved slightly due to efficiency improvement measures, higher productivity, cost savings, and favorable sales mix development
- In Russia, the uncertainty related to the economic development increased clearly. The economic situation also in the EU region remained fragile



Review period key figures

EUR million	4-6/2014	4-6/2013	Change %	1-6/2014	1-6/2013	Change %	2013
Revenue	192.9	208.3	-7.4%	334.4	346.7	-3.6%	653.0
EBIT excluding non-recurring items	32.2	33.4	-3.4%	45.3	43.5	4.0%	72.6
EBIT excluding non-recurring items, %	16.7%	16.0%		13.5%	12.6%		11.1%
EBIT	32.5	33.3	-2.6%	46.3	43.6	6.2%	71.5
EBIT, %	16.8%	16.0%		13.8%	12.6%		10.9%
EPS, EUR	0.56	0.54	4.3%	0.73	0.69	5.8%	1.14
ROCE, %, rolling	25.7%	22.9%		25.7%	22.9%		23.5%
Cash flow after capital expenditure	-7.0	4.4		-11.9	-9.4	-26.7%	66.9
Net interest-bearing debt at period-end				97.0	125.6	22.8%	48.6
Gearing, %				48.5%	66.0%		23.4%
Equity ratio, %				41.1%	36.9%		50.1%
Personnel at period-end				3,338	3,400	-1.8%	3,133

Lower sales volumes in Russia, major headwinds from the exchange rates

EUR million	4–6/2014	4–6/2013	Change %	1–6/2014	1–6/2013	Change %
Revenue	192.9	208.3	-7.4%	334.4	346.7	-3.6%


Group's revenue development Q2/2014 vs. Q2/2013

Increase/decrease, %

001900in1900n

Volume	Sales mix/Price	Exchange rates	Acquisitions/ divestments	Total
-4% (EUR -8.5 million)	+4% (EUR +8.5 million)			
		-8% (EUR -15.7 million)	0%	-7% (EUR -15.4 million)

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

A woman with brown hair tied back, wearing a light-colored business shirt, is shown in profile from the chest up. She is looking out a window with a view of a bright, possibly outdoor scene. Her hands are clasped together, holding a yellow and black pen. The background is a blurred office interior with warm lighting. The text "Strategic Business Units" is overlaid in yellow on the right side of the image.

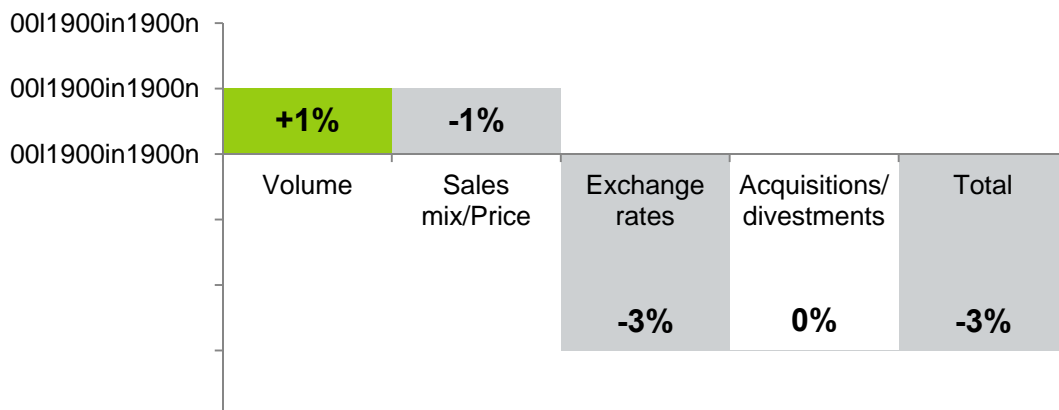
Strategic Business Units

SBU West Q2/2014

EUR million	4-6/2014	4-6/2013	Change %	1-6/2014	1-6/2013	Change %	1-12/2013
Revenue	114.9	118.1	-2.7%	213.7	214.9	-0.5%	388.6
EBIT*	20.3	20.8	-2.7%	35.6	33.3	6.9%	50.9
EBIT*, %	17.6%	17.6%		16.6%	15.5%		13.1%

Revenue development Q2/2014 vs. Q2/2013

Increase/decrease, %



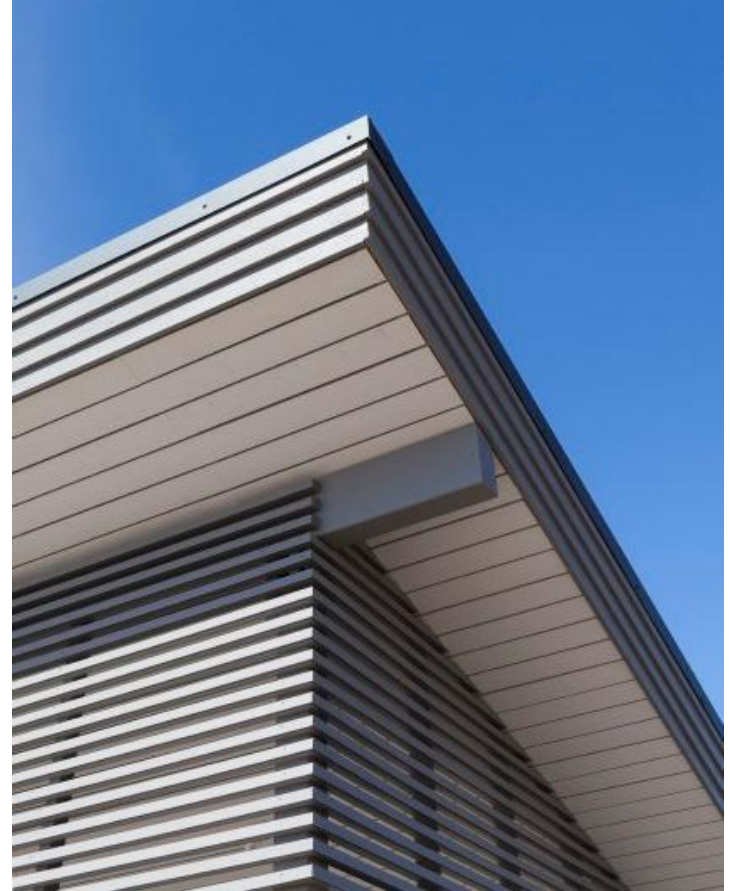
Q2/2014 highlights

- Development of sales volumes was good in Poland and the Baltic countries
- In Sweden and Finland, the sales volumes were close to the comparison period level
- Relative profitability remained at the comparison period level

* Excluding non-recurring items

Surface protection technology acquired in Sweden

- In June, Tikkurila acquired the Swedish KEFA Drytech AB
- Acquired technology supplements Tikkurila's know-how, and the aim is to commercialize this technology in all geographical business areas of Tikkurila
- Wide range of functional paints (such as condensation protection, mold protection, noise damping, encapsulation of asbestos)
- KEFA Drytech's revenue totaled less than EUR 2 million in 2013
- Purchase price was EUR 2.4 million



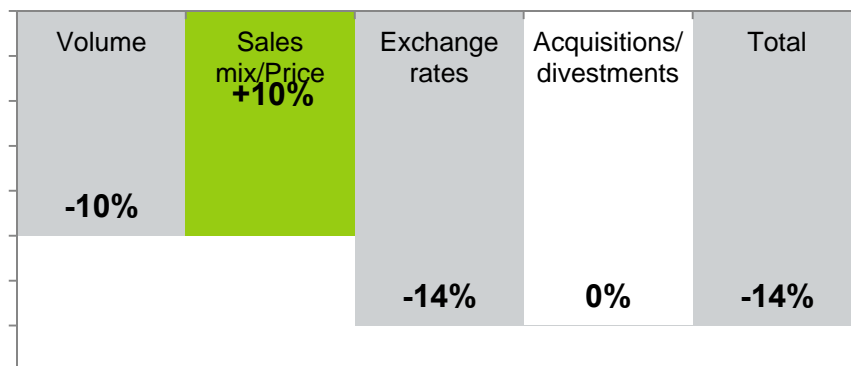
SBU East Q2/2014

EUR million	4-6/2014	4-6/2013	Change %	1-6/2014	1-6/2013	Change %	1-12/2013
Revenue	78.0	90.2	-13.5%	120.7	131.9	-8.5%	264.4
EBIT*	13.4	13.4	-0.1%	11.8	11.9	-0.7%	24.7
EBIT*, %	17.2%	14.9%		9.8%	9.0%		9.3%

Revenue development Q2/2014 vs. Q2/2013

Increase/decrease, %

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* Excluding non-recurring items

Q2/2014 highlights

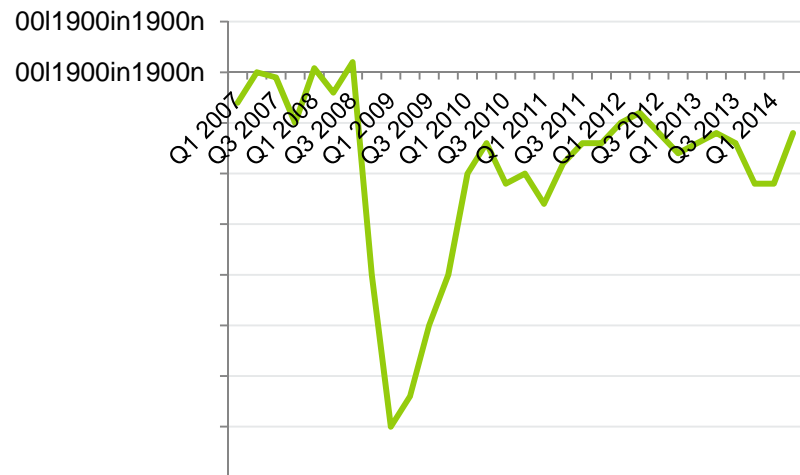
- Sales volumes decreased in Russia due to the weakened economic prospects
- Weak exchange rates had a significant negative impact on revenue
- Favorable sales mix development and higher productivity improved relative profitability
- Sales and marketing expenses were higher than in the comparison period

Uncertainty related to the economic development increased clearly in Russia

EUR RUB exchange rate



Russian consumer confidence



- Russian ruble has strengthened from the first quarter but is still clearly weaker than in the comparison period

- Despite the strengthened consumer confidence the growth of the private consumption seemed to slow down during the second quarter

Business development operations will be continued in Russia

- Tightening of competition
- Increased demand for lower quality and price grades due to the weakened macro economic situation
- Continuing active sales and marketing efforts
- Ensuring optimal pricing
- Improving the service level
- Developing the retail



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Conclusions and outlook for 2014



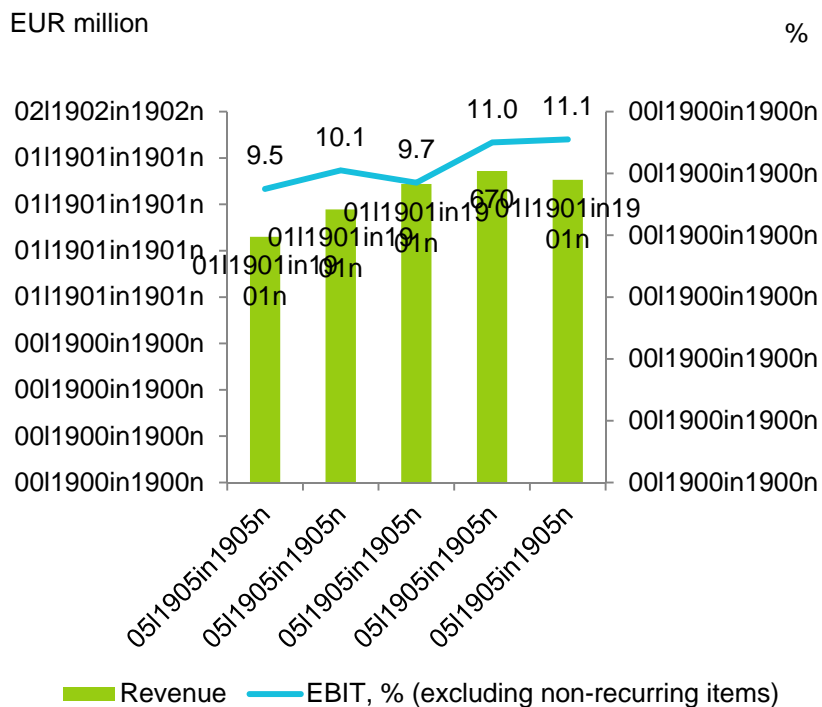
Conclusions

- General economic development continued to be weak, slight positive signals in few markets
- In Russia, the increased uncertainty lowered sales volumes
- Weak foreign exchange rates had a significant negative impact
- Profitability remained on a good level



Guidance for 2014 intact

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 low. 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.



Appendix

Tikkurila Strategic Business Units (SBU)

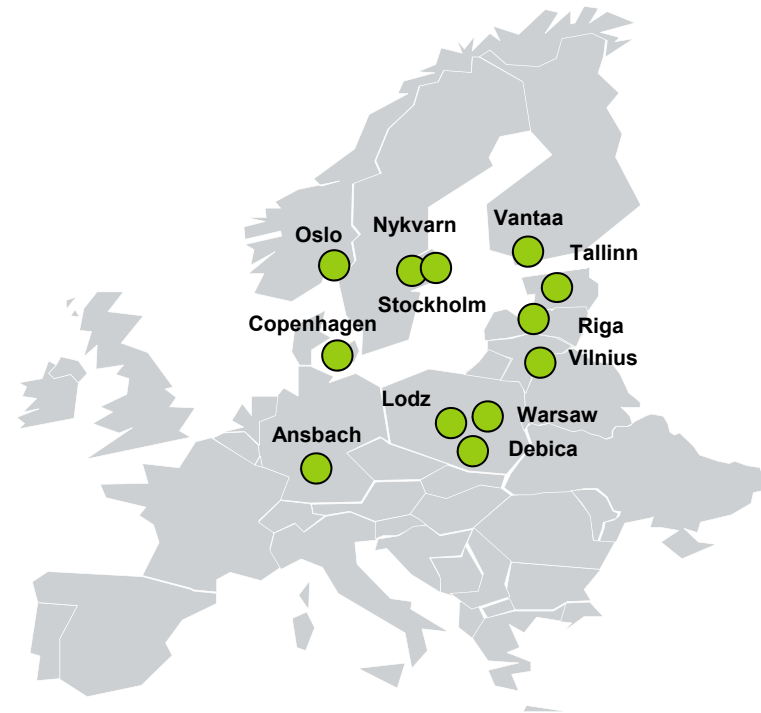
	SBU West	SBU East
Operational area	Sweden, Denmark, Norway, Finland, Poland, Germany, Estonia, Latvia, and Lithuania	Russia, Central Asian countries, Ukraine, Belarus, Serbia, Macedonia, and China. Furthermore, this SBU is responsible for the exports to approximately 20 countries.
Production sites	Nykvarn, 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
2013 revenue	EUR 388.6 million, 59.5% of Group
EBIT 2013 ¹⁾	EUR 50.9 million, 67% of Group ²⁾
Employees	1,537 (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>

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.
2013 revenue	EUR 264.4 million, 40.5% of Group
EBIT 2013 ¹⁾	EUR 24.7 million, 32.7% of Group ²⁾
Employees	1,565 (at year-end)
Production sites	St. Petersburg, Russia (3) Stary Oskol, Russia Kiev, Ukraine Šabac, Serbia


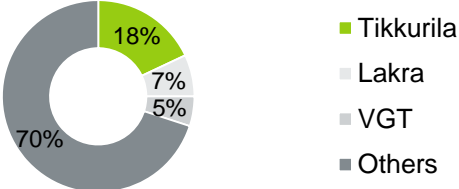
Development in East

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

2013 revenue	EUR 204 million, 31% of Group
Brands	 <p>FINNCOLOR</p> <p>TIKKURILA 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	<p>Approximately half of the raw materials used in the production in Russia is sourced from local suppliers</p>
Retail	<p>Tikkurila's products are sold in more than 5,000 retail outlets</p>
Market position in decorative paints	 <ul style="list-style-type: none"> ■ Tikkurila ■ Lakra ■ VGT ■ Others <p>Source: Chem-Courier, 2014 (volume)</p>



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.

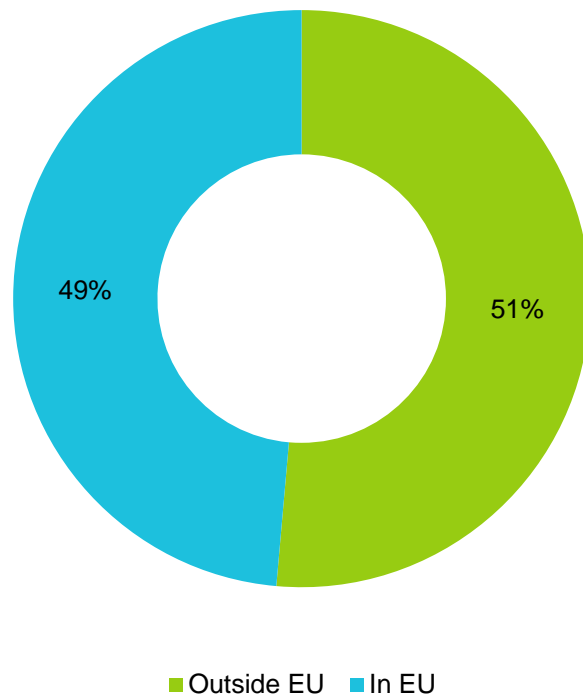
Paint consumption on Tikkurila's markets, liters per capita



Source: Tikkurila, market data

In good position to grow further in our operating area

Tikkurila's production capacity



Production and raw materials

- 11 production facilities in 8 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

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Thank you!

