



# Financial Statement Release January–December 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

# 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                               | <b>103.4</b>  | 104.4      | -0.9%    |
| EBIT excluding non-recurring items    | <b>-11.1</b>  | -13.2      | 16.1%    |
| EBIT excluding non-recurring items, % | <b>-10.7%</b> | -12.6%     |          |
| EBIT                                  | <b>-10.3</b>  | -13.9      | 25.9%    |
| EBIT, %                               | <b>-9.9%</b>  | -13.3%     |          |
| EPS, EUR                              | <b>-0.25</b>  | -0.19      | -33.1%   |
| Cash flow after capital expenditure   | <b>-1.6</b>   | 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

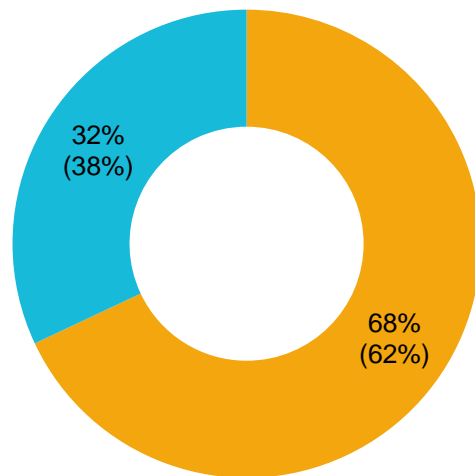
| EUR million                             | 1-12/2015    | 1-12/2014 | Change % |
|---|--------------|-----------|----------|
| Revenue                                 | <b>584.1</b> | 618.4     | -5.5%    |
| EBIT excluding non-recurring items      | <b>58.9</b>  | 64.2      | -8.2%    |
| EBIT excluding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



# Revenue and EBIT split in 2015

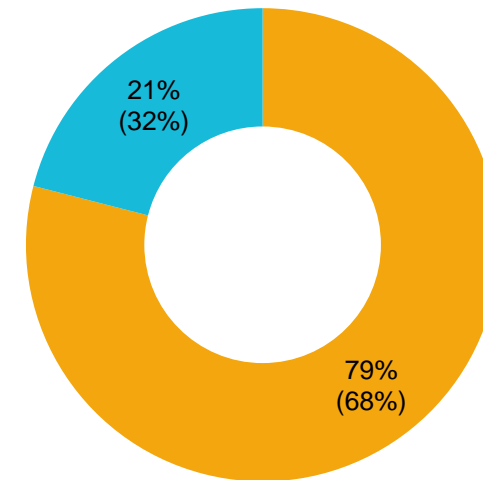
## Weight of the eastern segment has clearly decreased

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

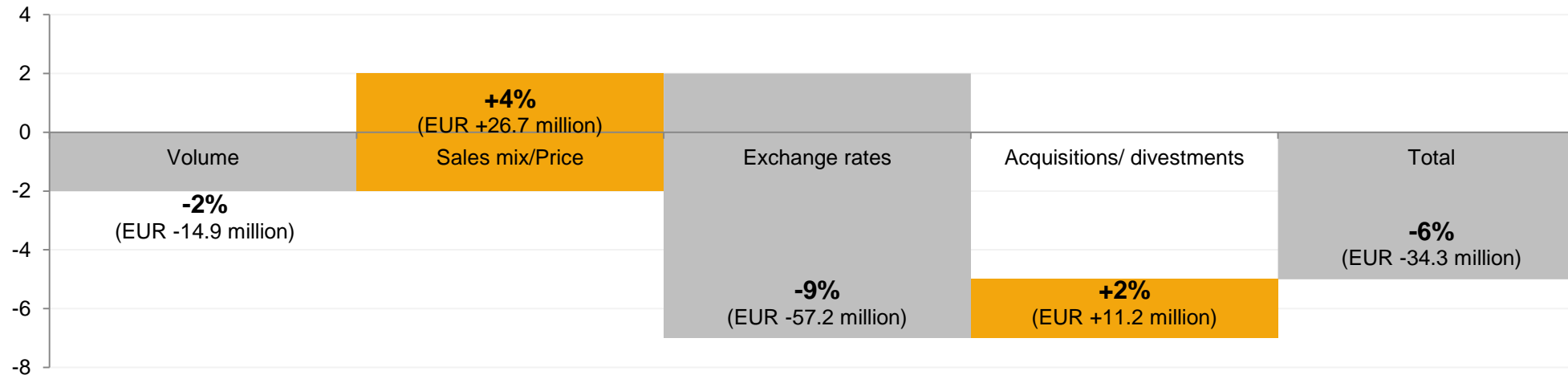


# Slight increase in comparable revenue

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

## Group's revenue development 2015 vs. 2014

Increase/decrease, %



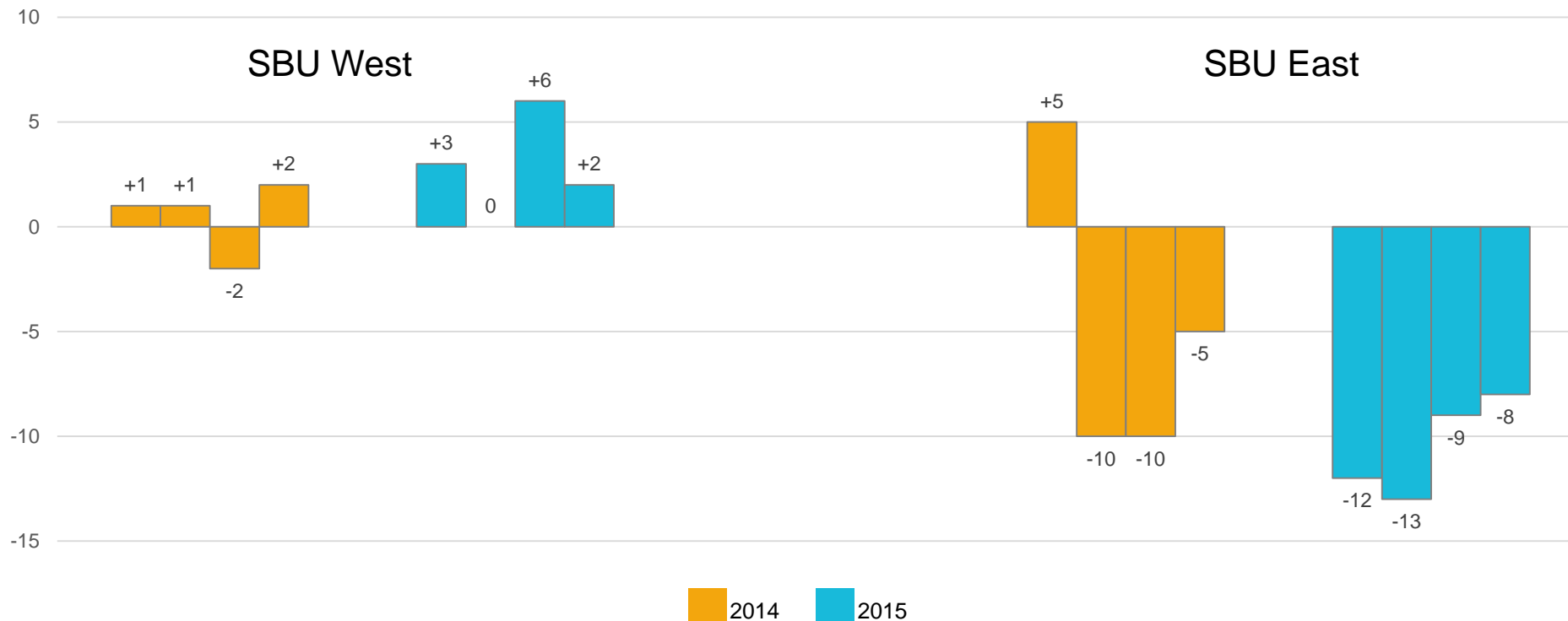
The figures on the graph above have been independently rounded to one decimal, which should be taken into account when calculating total figures.





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

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





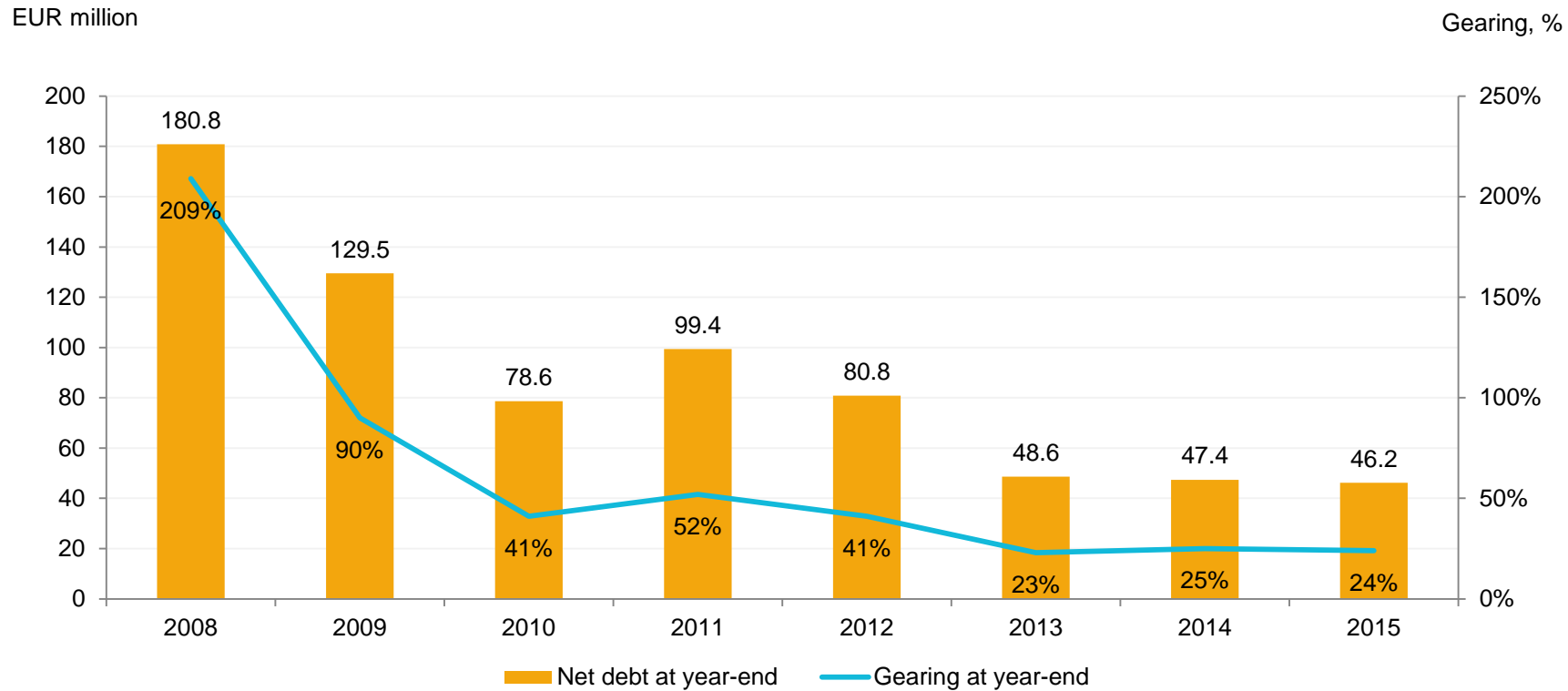
# Balance sheet

| 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         |
| <b>Total non-current assets</b> | <b>192.3</b> | 197.3        |
| Inventories                     | 78.4         | 73.7         |
| Current receivables             | 93.9         | 93.1         |
| Cash and cash equivalents       | 16.8         | 25.8         |
| <b>Total current assets</b>     | <b>189.1</b> | 192.6        |
| <b>Total assets</b>             | <b>381.4</b> | 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        |
| <b>Total equity</b>                          | <b>195.0</b> | 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         |
| <b>Total liabilities</b>                     | <b>186.5</b> | 197.2        |
| <b>Total equity and liabilities</b>          | <b>381.4</b> | 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      |



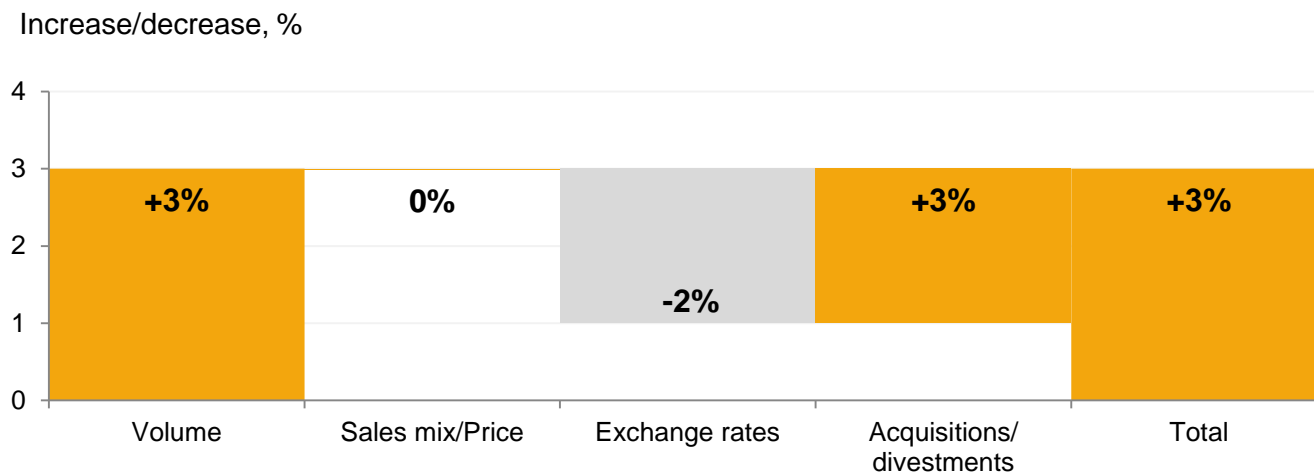
# Strategic Business Units



# SBU West 2015

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

## Revenue development 2015 vs. 2014



## 2015 highlights

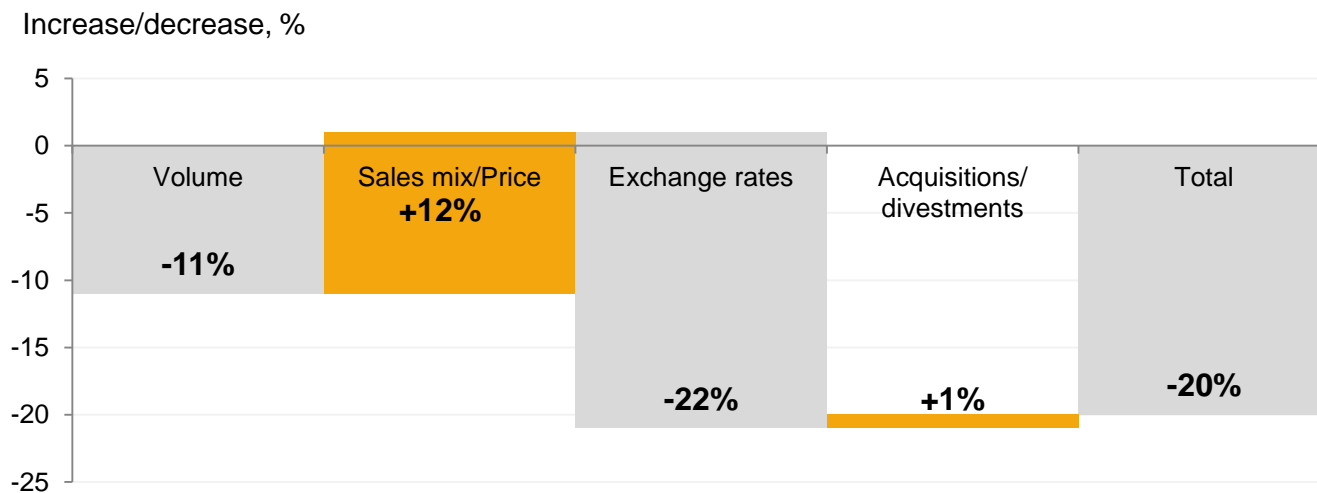
- Development of sales volumes was good in Sweden, Poland, and the Baltic countries
- Increase in revenue had a favorable impact on profitability. Production efficiency improved and cost management was strict. Sales and marketing investments increased slightly from the comparison period

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     | <b>35.4</b>  | 36.2       | -2.1%    | <b>188.9</b> | 236.0     | -19.9%   |
| EBIT*       | <b>-1.5</b>  | -4.9       | 69.1%    | <b>13.4</b>  | 21.3      | -37.0%   |
| EBIT*, %    | <b>-4.3%</b> | -13.7%     |          | <b>7.1%</b>  | 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





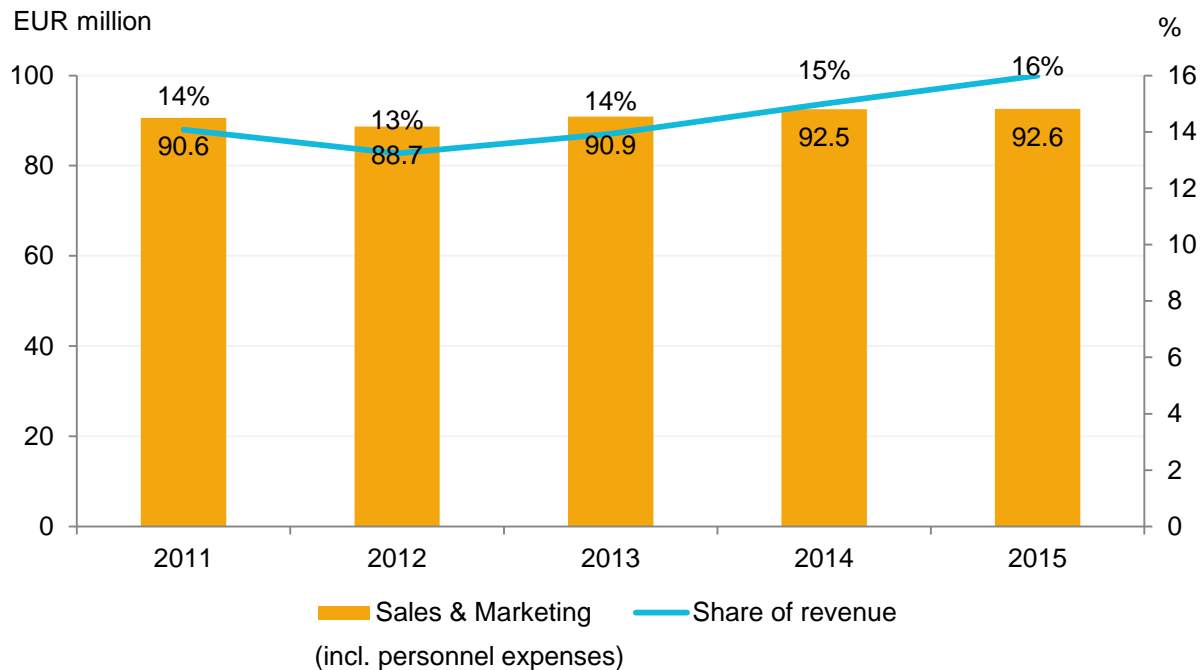
# Outlook for Russia remains weak

- 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

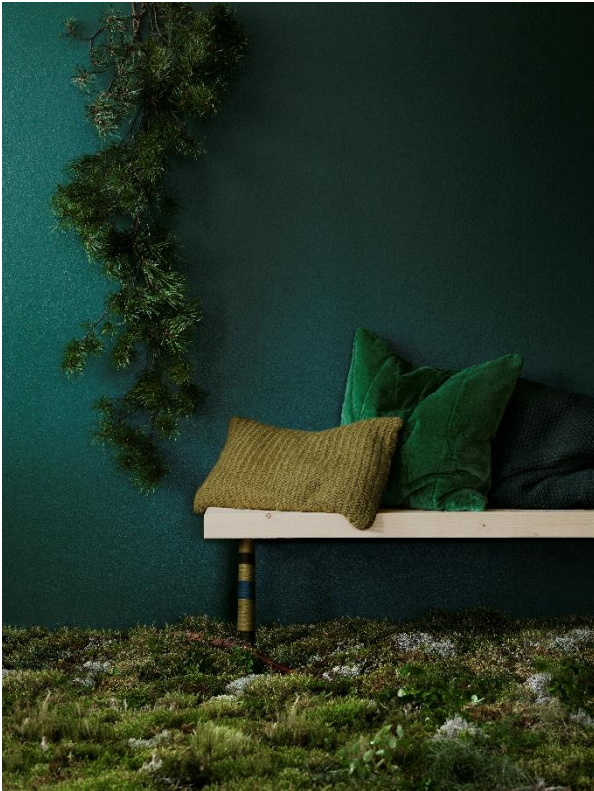


- Retail operations were actively developed in different markets. In China, we opened 100 new stores during the year and increased our network of stores focusing on Tikkurila's products to a total of 350 units. Furthermore, our products entered the big box stores in China



# 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

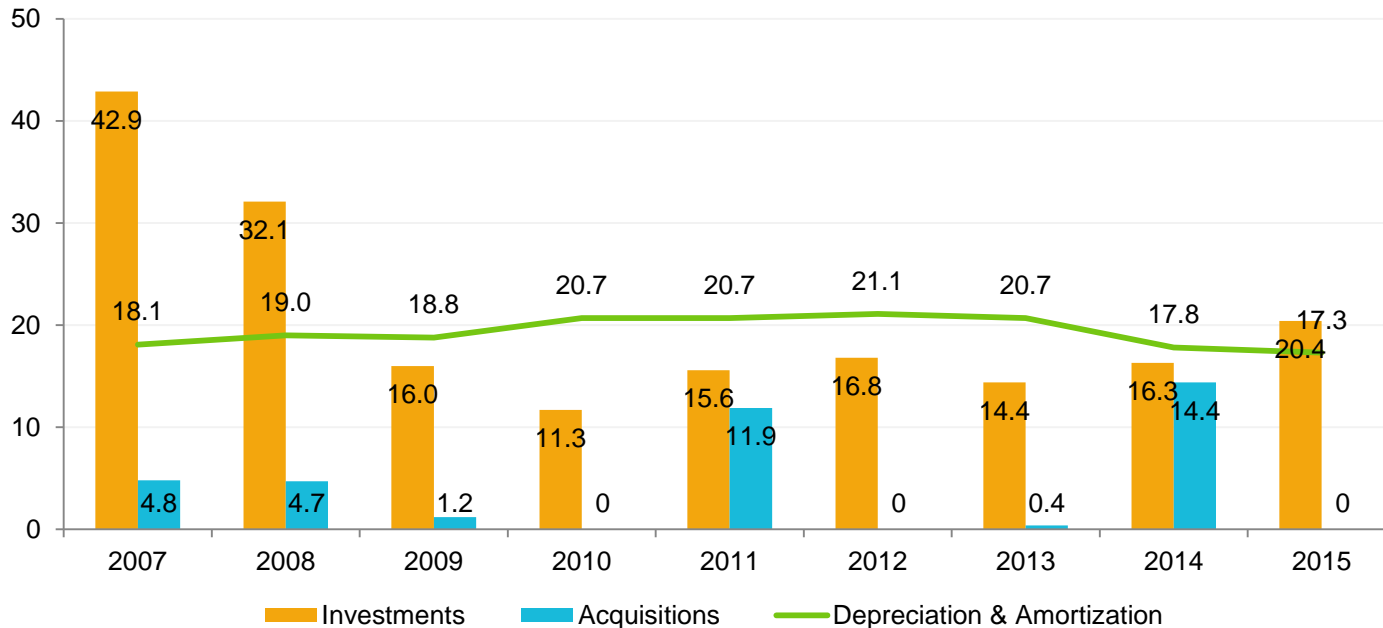


New functional products include Tikkurila FonteFire St 60, an intumescent coating for metal surfaces



# Investments and D&A

EUR million



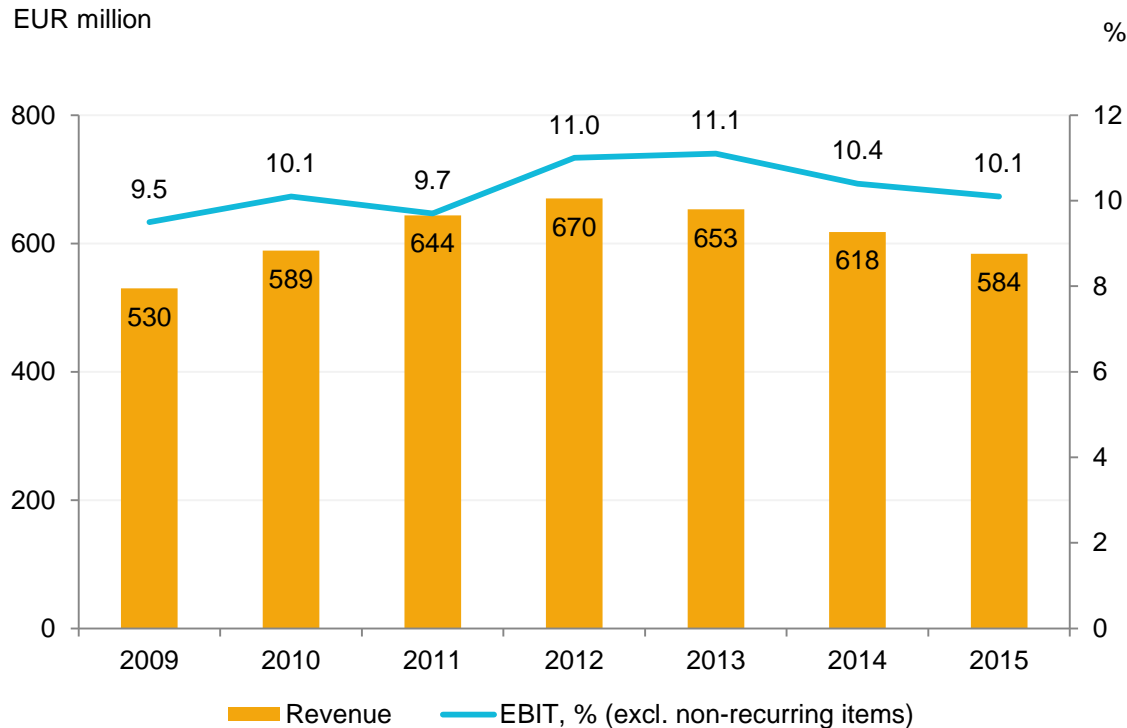
Investments and acquisitions are presented on cash flow basis and excluding any impacts of divestments  
 Depreciation and amortization are presented excluding non-recurring impairments

- 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.**



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