



TIKKURILA

# Interim Report for January–September 2014

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November 6, 2014



# 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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- Strategic Business Units
- Summary and outlook for 2014



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# Development during the review period



# Third quarter highlights

- Revenue decreased by 5% due to weak foreign exchange rates and lower sales volumes
- Relative profitability remained on a record high level due to efficiency improvement measures, higher productivity, cost savings, and favorable sales mix development
- Overall economic outlook is weak in Russia and Finland, the situation is somewhat better in Sweden, Poland, and the Baltic countries



# Review period key figures

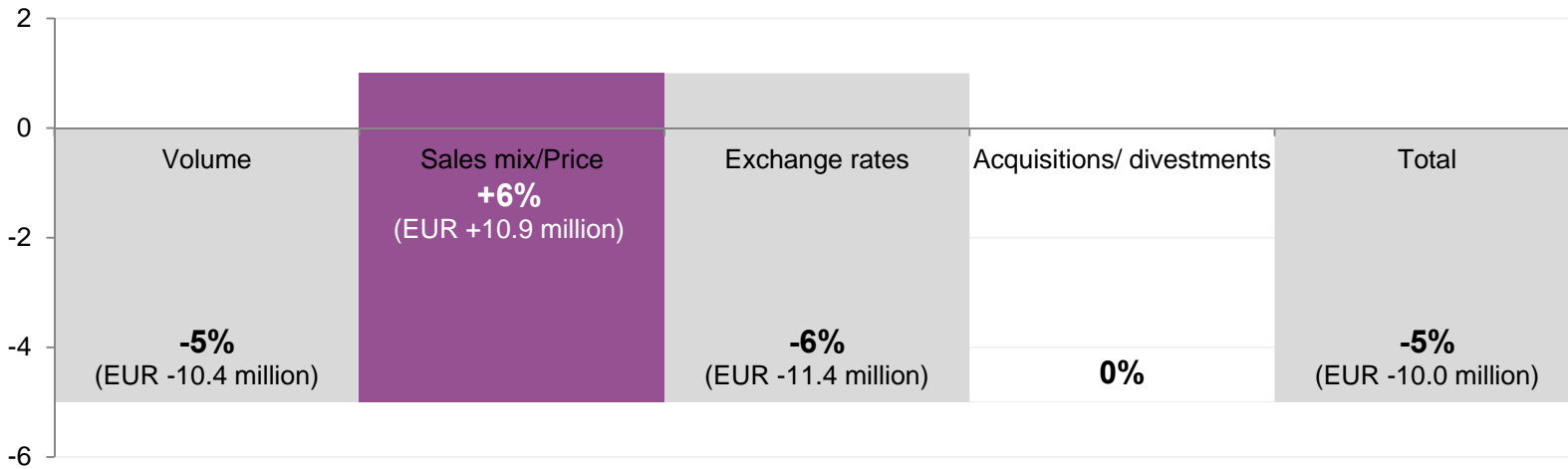
EUR million	7–9/2014	7–9/2013	Change %	1–9/2014	1–9/2013	Change %	2013
Revenue	<b>179.6</b>	189.6	-5.3%	<b>514.0</b>	536.3	-4.2%	653.0
EBIT excluding non-recurring items	<b>32.1</b>	33.3	-3.7%	<b>77.4</b>	76.8	0.7%	72.6
EBIT excluding non-recurring items, %	<b>17.9%</b>	17.6%		<b>15.0%</b>	14.3%		11.1%
EBIT	<b>31.3</b>	33.1	-5.4%	<b>77.6</b>	76.7	1.2%	71.5
EBIT, %	<b>17.4%</b>	17.4%		<b>15.1%</b>	14.3%		10.9%
EPS, EUR	<b>0.55</b>	0.55	-0.6%	<b>1.28</b>	1.25	3.0%	1.14
ROCE, %, rolling	<b>25.5%</b>	23.7%		<b>25.5%</b>	23.7%		23.5%
Cash flow after capital expenditure	<b>54.1</b>	64.9	-16.6%	<b>42.2</b>	55.5	-23.9%	66.9
Net interest-bearing debt at period-end				<b>46.1</b>	60.1	-23.3%	48.6
Gearing, %				<b>21.2%</b>	28.0%		23.4%
Equity ratio, %				<b>46.8%</b>	46.4%		50.1%
Personnel at period-end				<b>3,212</b>	3,253	-1.3%	3,133

# Sales volume development and weak currencies decreased revenue

EUR million	7–9/2014	7–9/2013	Change %	1–9/2014	1–9/2013	Change %
Revenue	<b>179.6</b>	189.6	-5.3%	<b>514.0</b>	536.3	-4.2%

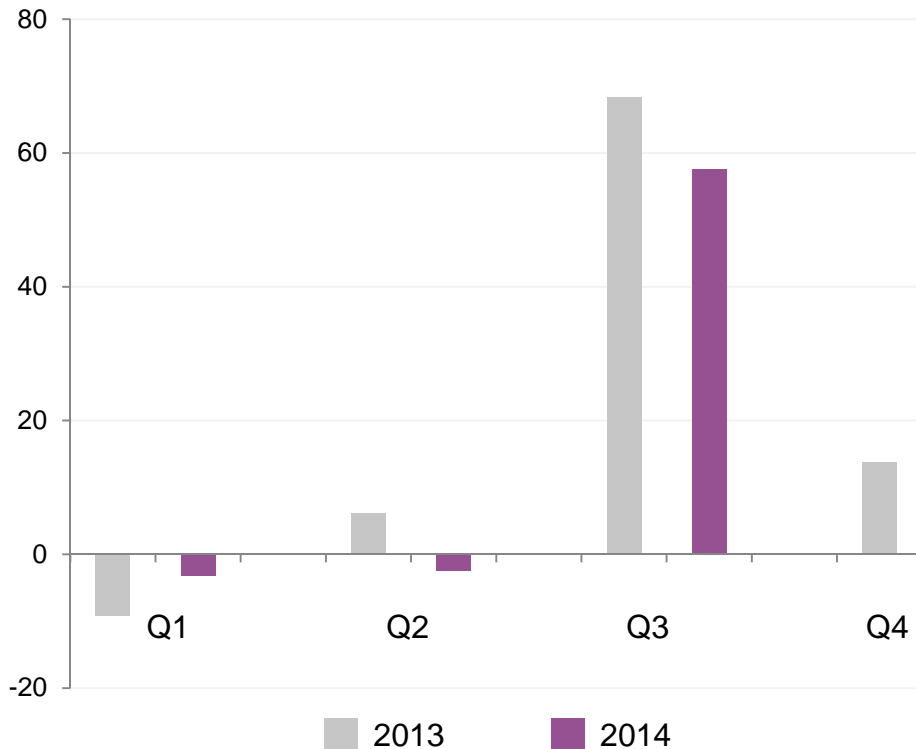
## Group's revenue development Q3/2014 vs. Q3/2013

Increase/decrease, %



# Changes in the working capital decreased cash flow

Cash flow from operations  
EUR million



- Inventories and trade receivables tied more capital than during the comparison period
- This was mainly due to increased inventory level (to secure good customer service), and sales taking place at the end of the review period



# Delivery reliability was improved in all markets

- Supply chain aims at excellent customer service and timely product availability in stores
- Forecasting has become more challenging due to increased volatility in demand
- Product availability has been on a high level and it has been further improved
- During 2014, the delivery reliability in Russia has been improved to an excellent level after the challenges faced last year





# Logo and packaging renewal of the Tikkurila brand

- Renewal aims at improved customer experience
- Strong logo that symbolizes quality
- Distinguishable, clear, and informative packages
- Water-borne interior paints will be delivered in plastic cans, which are light to transport and easy to open





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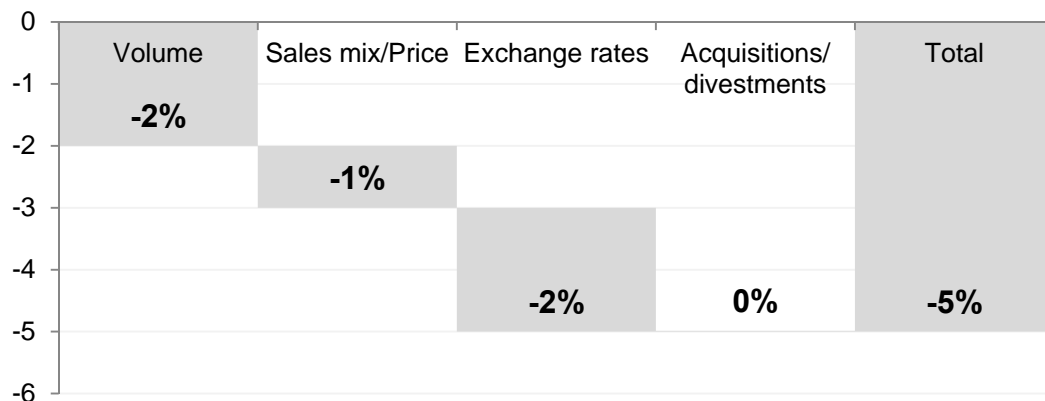
# Strategic Business Units

# SBU West Q3/2014

EUR million	7-9/2014	7-9/2013	Change %	1-9/2014	1-9/2013	Change %	1-12/2013
Revenue	<b>100.4</b>	105.5	-4.8%	<b>314.2</b>	320.3	-1.9%	388.6
EBIT*	<b>18.4</b>	22.3	-17.6%	<b>53.9</b>	55.6	-2.9%	50.9
EBIT*, %	<b>18.3%</b>	21.1%		<b>17.2%</b>	17.3%		13.1%

## Revenue development Q3/2014 vs. Q3/2013

Increase/decrease, %



\* Excluding non-recurring items

## Q3/2014 highlights

- Sales volume development was weak in Finland
- Sweden, Poland, and the Baltic countries performed somewhat better
- Decline in revenue and higher sales and marketing expenses had a negative impact on profitability

# Expertise in energy-efficient solutions

- Tikkurila acquired the Danish ISO Paint Nordic (revenue totaled EUR 7.5 million in 2013)
- Complements the professional product range and expertise in energy-efficient coating solutions and solutions which extend the life cycle of structures
- Demand for energy-efficient and eco-efficient solutions is expected to increase



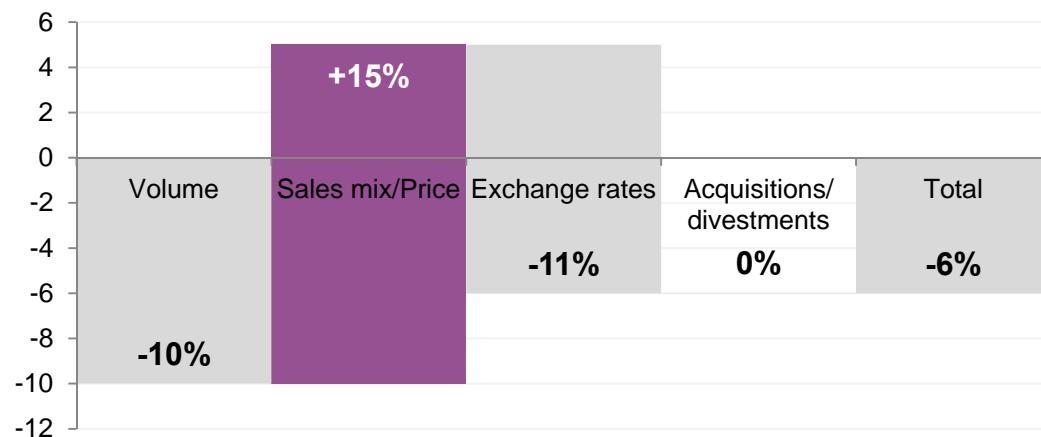
ISO Paint ClimateCooler™ roof coating reflects the rays of sunlight, which saves energy and extends the life cycle of the roof. In addition, the surface is self-cleaning.

# SBU East Q3/2014

EUR million	7-9/2014	7-9/2013	Change %	1-9/2014	1-9/2013	Change %	1-12/2013
Revenue	<b>79.2</b>	84.1	-5.9%	<b>199.8</b>	216.0	-7.5%	264.4
EBIT*	<b>14.4</b>	11.7	23.1%	<b>26.2</b>	23.6	11.1%	24.7
EBIT*, %	<b>18.2%</b>	13.9%		<b>13.1%</b>	10.9%		9.3%

## Revenue development Q3/2014 vs. Q3/2013

Increase/decrease, %



\* Excluding non-recurring items

## Q3/2014 highlights

- Sales volumes declined in Russia due to weak economic situation
- Weak currencies had a significant negative impact on revenue
- Favorable sales mix development, higher productivity, and cost savings clearly improved relative profitability

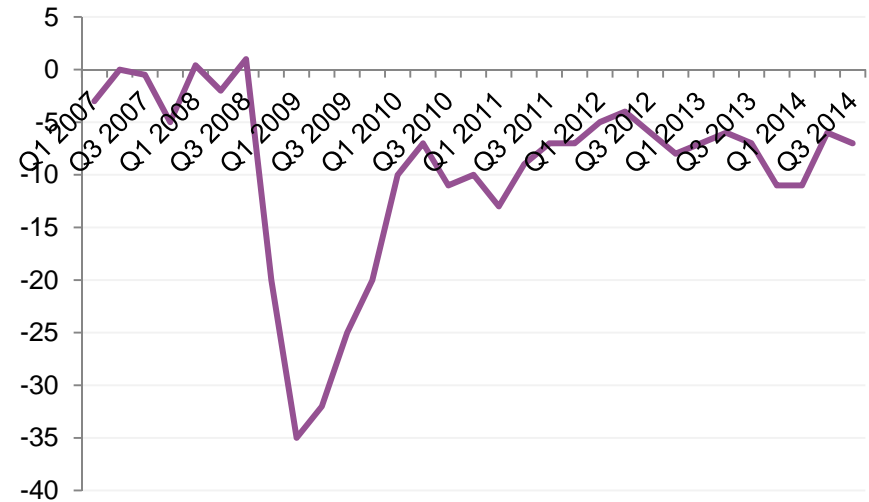
# Economic situation deteriorates in Russia

EUR RUB exchange rate



- Russian ruble has been depreciating during the past few months due to e.g. decreasing oil price

Russian consumer confidence



- In the third quarter, consumer confidence weakened and private consumption slowed down



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# Conclusions and outlook



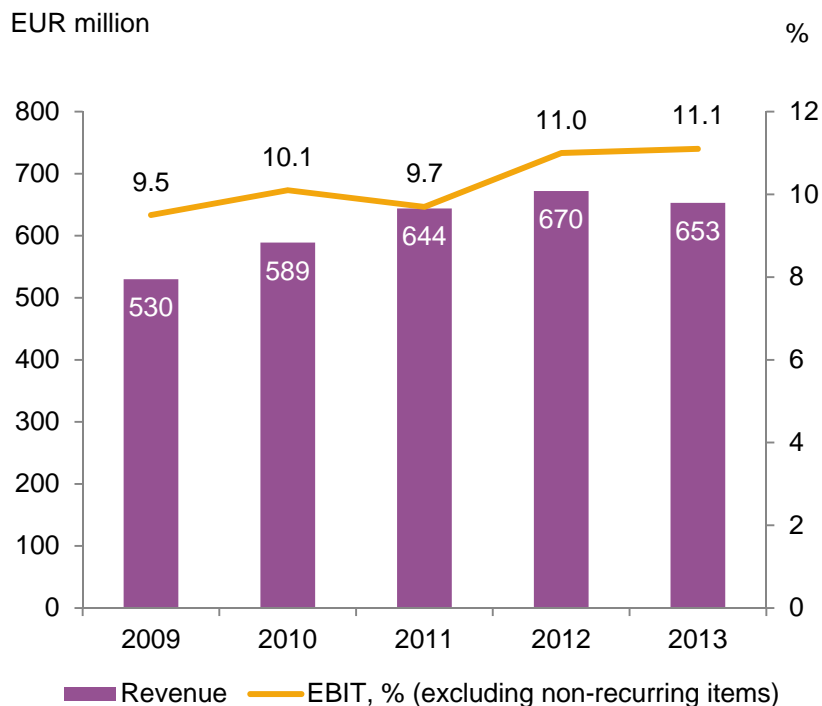


# Conclusions

- General economic development continued to be weak in Tikkurila's operating area
- Comparable revenue for the third quarter was on last year's level
- Measures to boost sales volumes will be continued in all market areas
- Profitability remained on a good level

# Guidance for 2014 intact

## Revenue and profitability of Tikkurila 2009–2013



## Outlook and guidance for 2014

For the last months of 2014, the economic growth is expected to be weak in Tikkurila's key market areas. 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.**



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