



TIKKURILA

HALF YEAR FINANCIAL REPORT
AUGUST 8, 2019

Profitability continued to improve

Adjusted operating profit increased by 25% in H1



Key takeaways from H1/2019

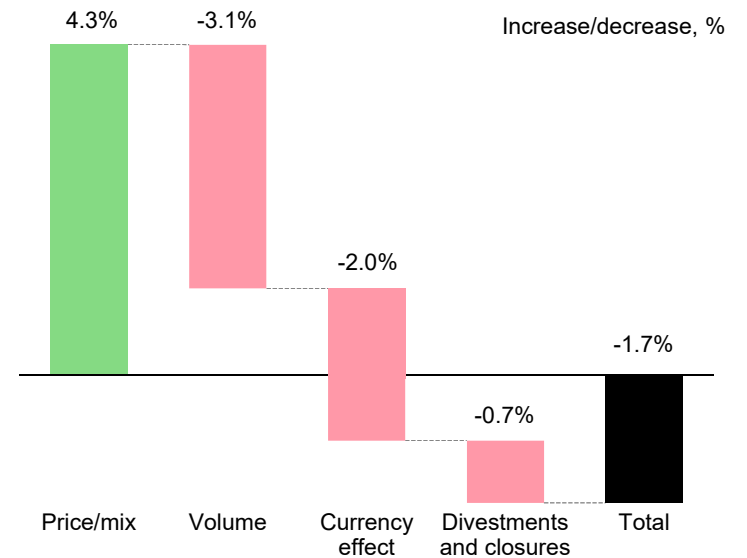
- **Adjusted operating profit increased by 25% compared to previous year, driven by:**
 - successful implementation of price increases
 - improved sales mix
 - cost savings
- **Revenue increased by 1.1% excl. currency effects, divestments and closures**
 - Euro-nominated revenue decreased slightly
 - Headwind from currency fluctuations, mainly Ruble and Krona
- **Raw material prices remain at a historically high level**
- **Fixed costs continued to decrease**
- **Improved ROCE and cash flow**



Key figures

EUR, million	4-6/2019	4-6/2018	Change %	H1/2019	H1/2018	Change, %
Revenue	169.7	173.7	-2.3%	298.8	303.8	-1.7%
Excl. impact from currency effects, divestment & closures			-1.5%			1.1%
Adjusted operating profit	23.2	21.5	7.8%	31.4	25.1	24.9%
Adjusted operating margin, %	13.7%	12.4%		10.5%	8.3%	
Operating profit (EBIT)	21.2	21.2	0.2%	29.1	21.1	37.6%
Operating profit (EBIT) margin, %	12.5%	12.2%		9.7%	7.0%	
Earnings per share (EPS), EUR	0.37	0.35	4.9%	0.53	0.30	77.4%
ROCE, % rolling	12.2%	5.0%		12.2%	5.0%	
Cash flow after capital expenditure	-12.0	-6.5	-85.8%	-30.1	-52.1	42.3%
Net interest-bearing debt at period-end				151.8	157.3	-3.5%
Gearing, %				94.2%	104.6%	
Equity ratio, %				30.4%	28.1%	
Personnel at the end of period				2,846	3,030	-6.1%

The effects of various factors on revenue (H1/19 vs. H1/18)





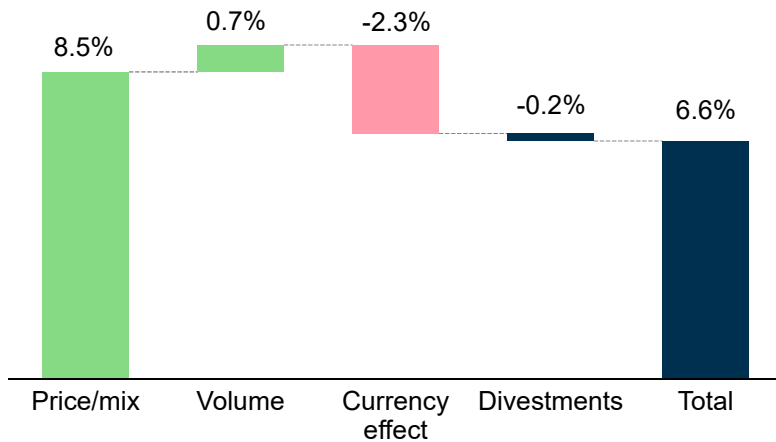
SBU East

SBU East consists of Russia, Central Asian countries, and China. Furthermore, SBU East is responsible for the exports to more than 20 countries.

EUR million	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	1–12/2018
Revenue	62.2	58.7	5.9%	94.1	88.3	6.6%	180.3
Excl. currency effects & divestments						9.0%	
Adjusted operating profit	9.8	6.8	42.9%	9.1	4.1	119.6%	9.9
Adjusted operating profit, %	15.7%	11.7%		9.7%	4.7%		5.5%

Revenue development H1/2019 vs. H1/2018

Increase/decrease, %



H1/2019 highlights

- In Russia, revenue was in good growth and the share of premium products of sales continued to increase.
- The profitability of SBU East improved in January–June especially due to higher revenue driven by a favorable sales mix with an increasing share of premium products and tight cost control.
- An adjustment of EUR -1.8 million related to the cancelled Russian greenfield project (announced on April 25, 2019) was excluded from the adjusted operating profit.

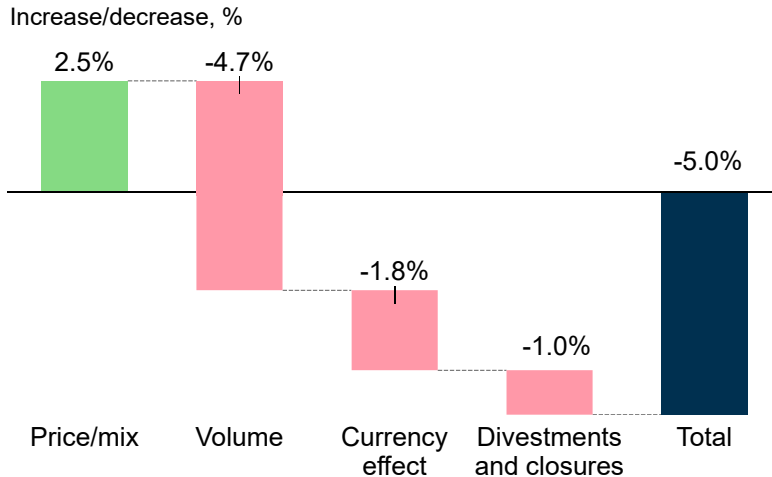


SBU West

SBU West consists of Sweden, Denmark, Norway, Finland, Poland, Germany, Estonia, Latvia, and Lithuania.

EUR million	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	1–12/2018
Revenue	107.5	115.1	-6.5%	204.7	215.5	-5.0%	381.2
Excl. currency effects & divestments and closures						-2.2%	
Adjusted operating profit	14.8	16.2	-9.0%	25.4	23.5	8.0%	34.5
Adjusted operating profit, %	13.7%	14.1%		12.4%	10.9%		9.1%

Revenue development H1/2019 vs. H1/2018



Highlights from January–June

- Revenue in Finland and Sweden decreased in part due to lower than expected market demand especially in exterior paints.
- In Sweden, revenue decline was additionally driven by currency fluctuation, tightening competition and changes in sales management. The shift from traditional paint retailers to DIY stores (“big boxes”) continued.
- In Finland, revenue decline has been additionally impacted by the continued consolidation among industry customers, and general offshoring of industrial production.
- In Poland, good revenue growth continued and the positive development in sales mix continued as the share of premium products increased.
- The profitability of SBU West was improved in January–June due to price increases, changes in product mix, and tight cost control of fixed expenses.



Not much tailwind from external factors

Positive drivers

- Price increases continue in the paint industry
- Consumers increasingly opting for premium products

Challenges

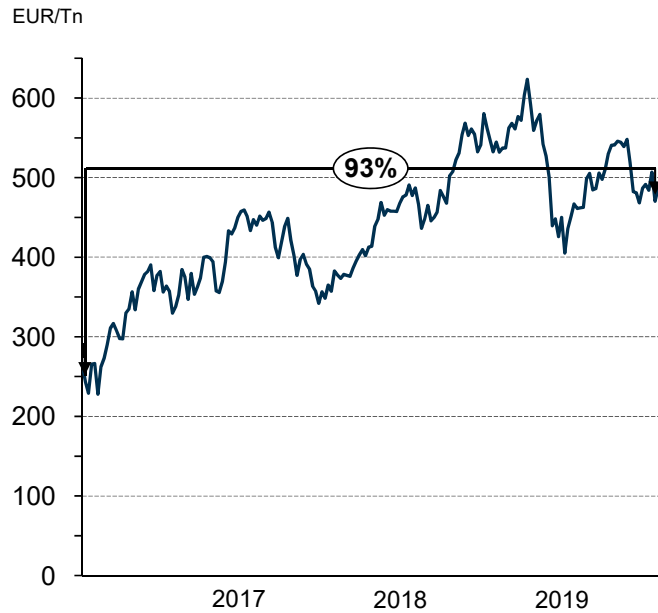
- Economic growth softening in our core markets
- Raw material prices remain at a high level
- Currency fluctuation continues
- From DIY to DIFM
- Continued offshoring and consolidation of industry production



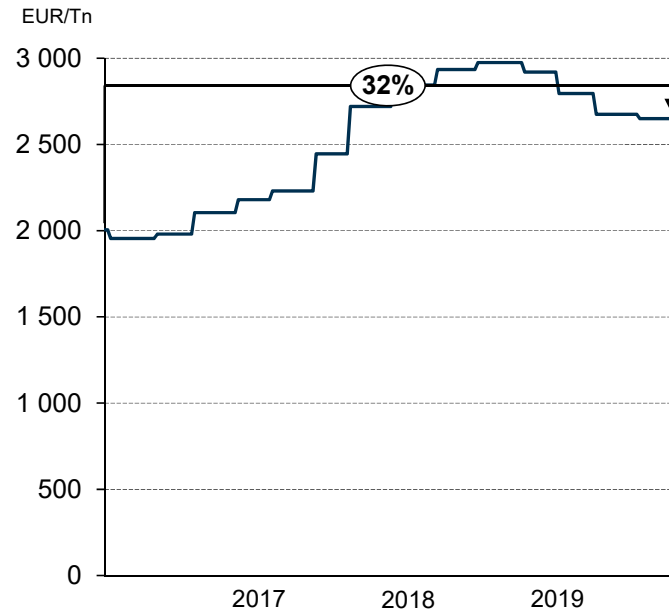


Raw material prices remain on a historically high level

Price development of oil (Brent), 2016-



Price development of titanium dioxide, 2016-

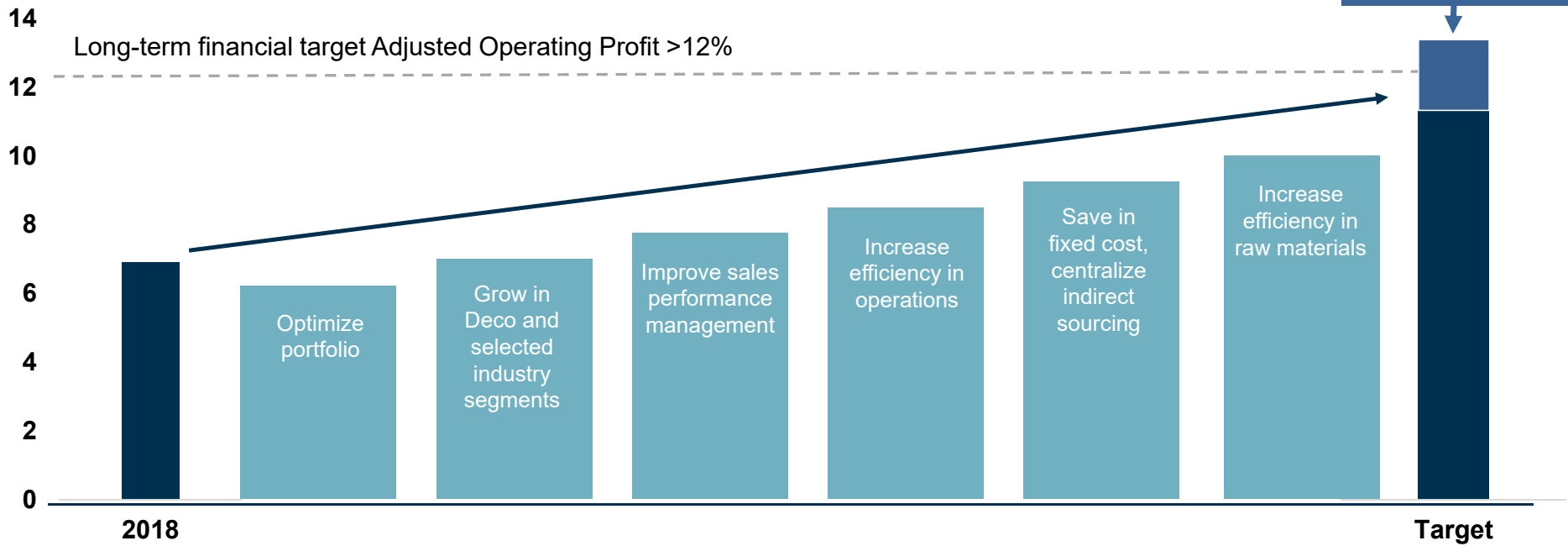




Strategy action plan announced at the CMD (June 5, 2019)

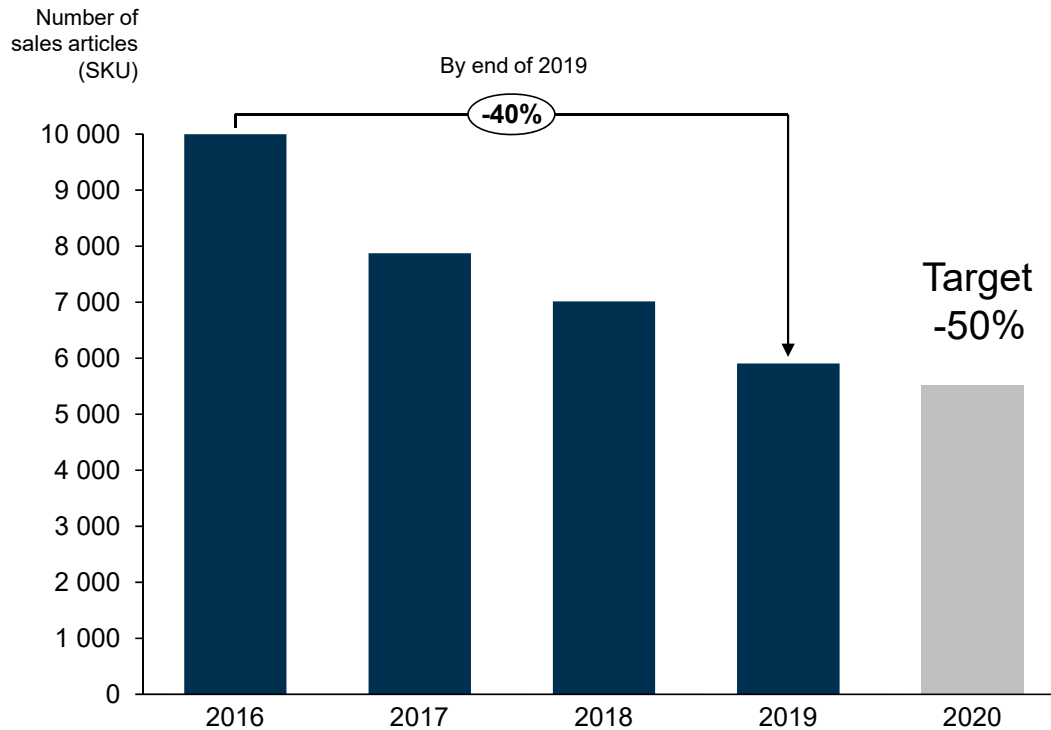
- Tikkurila has considerable potential to improve profitability

Adjusted Operating Profit (%)





We have reduced complexity in our offering by 40% since 2016



We focus on our key brands



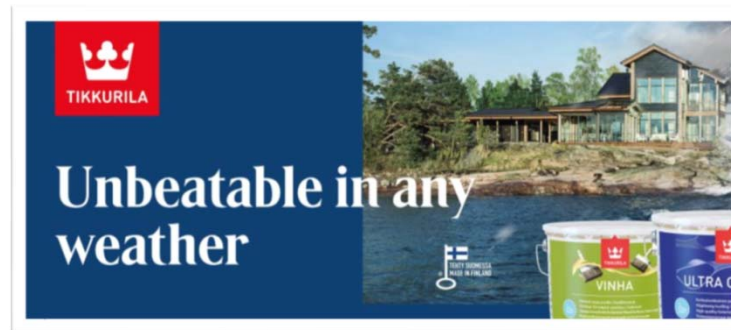


We are strengthening our premium brands further



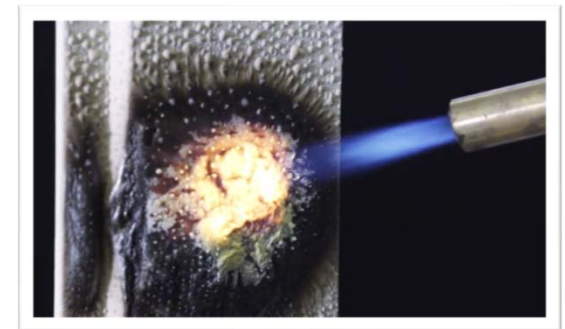
Strengthening our market leadership through **group-wide marketing campaigns**

Increases efficiency in marketing



Continued focus on increasing the **share of premium products** in sales, especially in Russia and Poland

Improves our sales mix and profitability



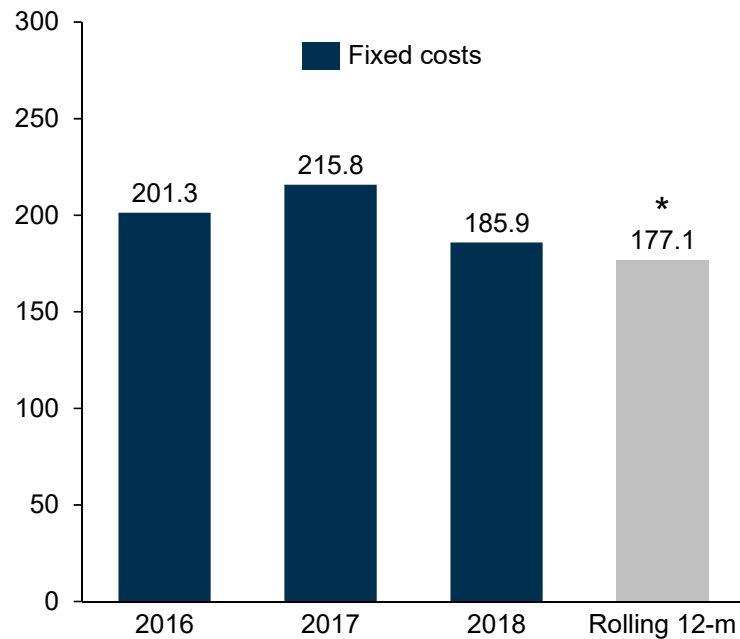
Introducing **new functional paint products**, e.g. industry-first fire-retardant system for wood with the highest protection class

New growth opportunities

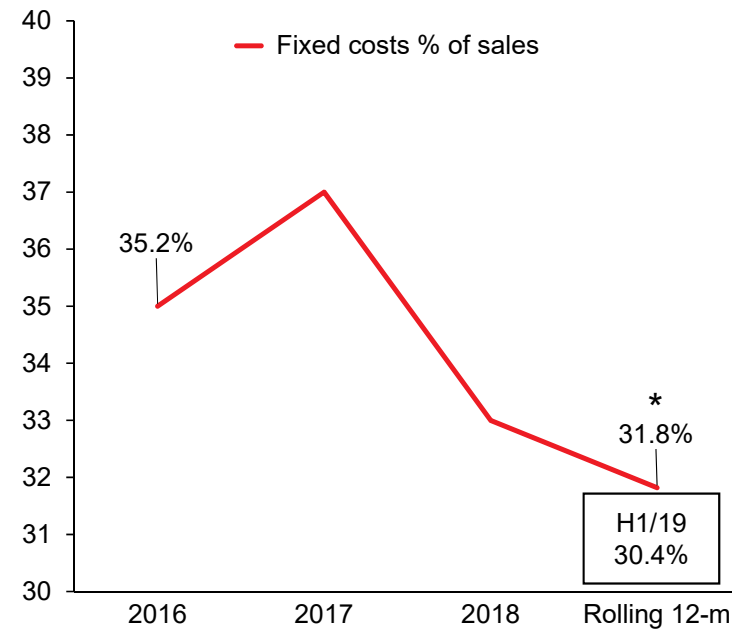


Our fixed costs continue to decrease as planned

EUR, million



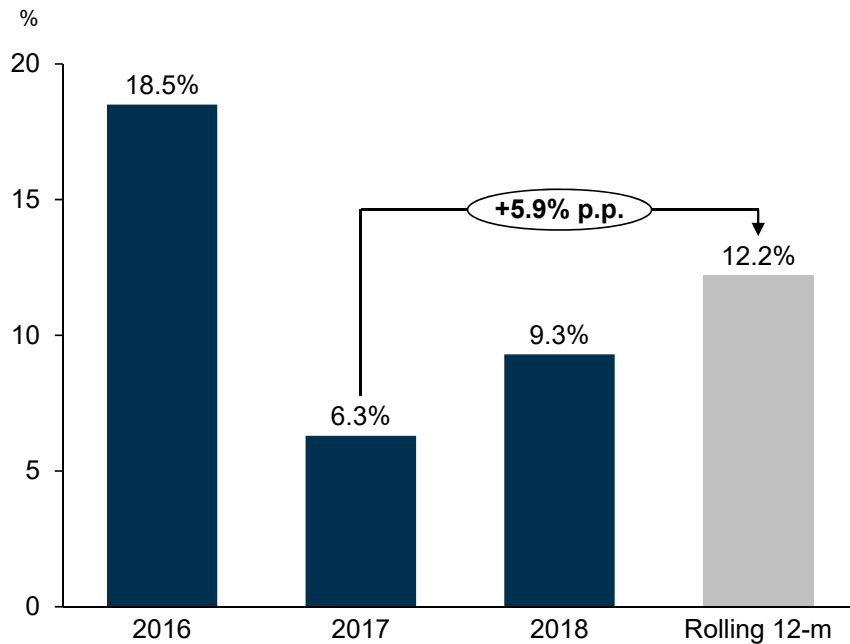
% of sales



* H1/2019 according to IFRS16. Excluding the impact of IFRS16, the rolling 12-month fixed costs were 32.6 percent of revenue in the period ending on June 30, 2019.



We are delivering improved Return on Capital Employed



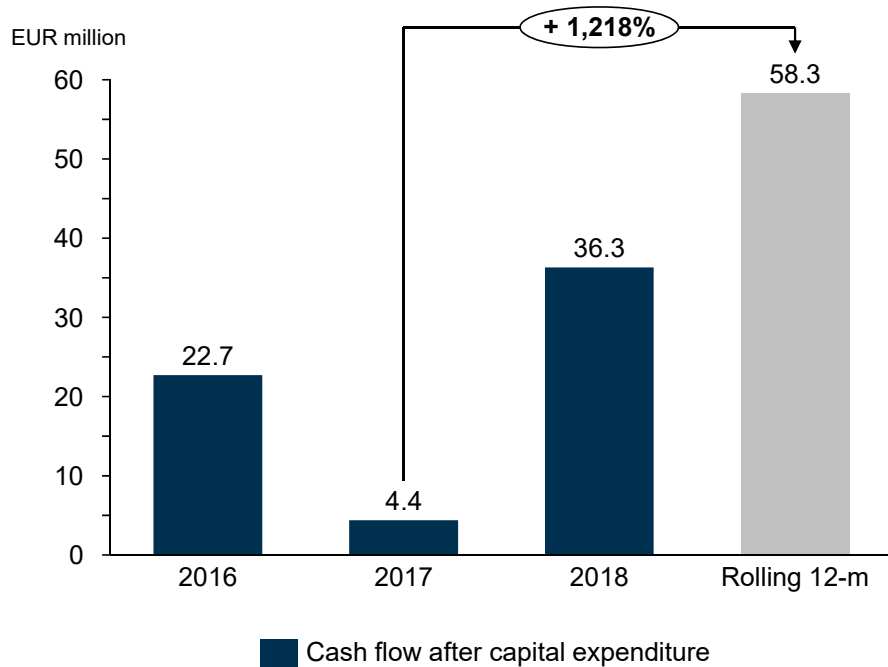
- Capital Employed peaked end 2017 / early 2018
- Decisive actions with NWC and limited investments in fixed assets have helped reducing Capital Employed
 - NWC Improvement
 - Tight Capex
- Profitability improvement has turned ROCE trend again towards the long-term goal of 20%

ROCE = Operating result + share of profit or loss of equity-accounted investees (rolling 12 months) / Capital employed (avg 12 months)

Capital employed = Net working capital + property, plant and equipment ready for use + intangible assets ready for use + right-of-use assets + investments in equity-accounted investees (averages 12 month)



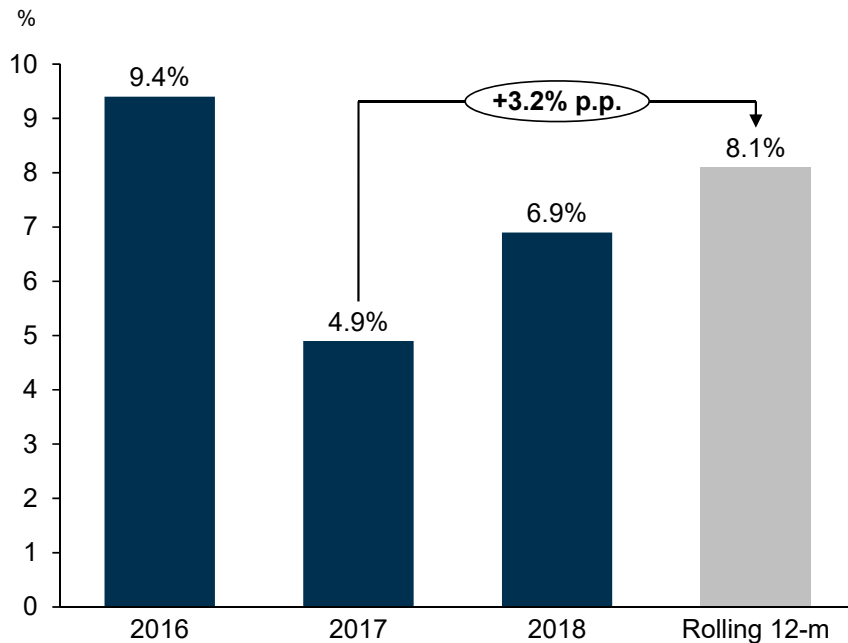
Efficiency program actions resulting in improved cash flow



- Several actions improving Net Working Capital
- Capital Expenditure under tight scrutiny
- Improved profitability



Our adjusted operating profit margin continued to improve



- Tikkurila is moving in the right direction
- The successful implementation of price increases, improved sales mix and cost savings continued to increase Tikkurila's profitability
- Adjusted operating profit increased both in Q2 and during the whole first half of the year



Tikkurila is committed to creating value by improving efficiency and accelerating organic growth

This is Tikkurila

Market leader in North-Eastern Europe. Among TOP20 globally.

Well-known and preferred premium brands

Skillful employees with close to 160 years knowledge in surfaces

This is our strategy

INCREASING EFFICIENCY

ACCELERATING PROFITABLE GROWTH

CREATING A STRONG "ONE TIKKURILA" CULTURE

This is our target

Revenue Growth

Faster than home market growth

Profitability

EBIT > 12%

ROCE

> 20%

Gearing

< 70%



Our long-term target is to achieve maximum efficiency and grow faster than the market

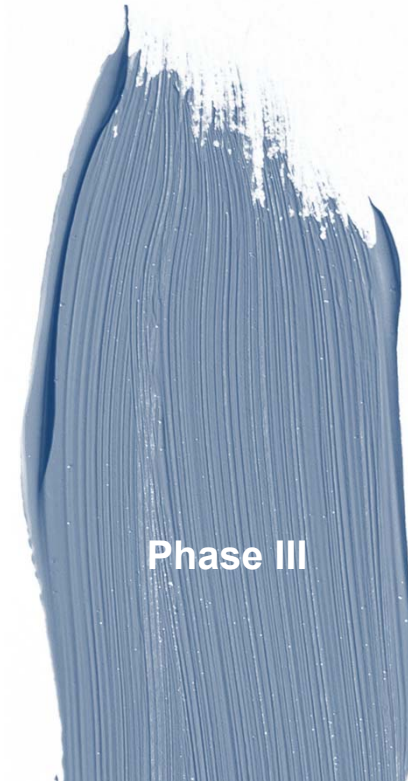
**Achieve Successful
turn-around**



**Fix the foundation
and feed growth**



**Maximize efficiency
and growth**



Guidance for 2019 remains unchanged

- Revenue is expected to remain at the same level as in 2018
- Adjusted operating profit will continue to improve.





Thank you !





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