



Financial Statement Release January–December 2017

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February 13, 2018

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.

Contents

- Development during the review period
- Strategic Business Units
- Conclusions and outlook

Development during the review period

Highlights of Q4/2017

- Revenue was close to the comparison period's level.
- Sales volumes developed favorably but the customer refunds paid in Sweden decreased revenue.
- Profitability was weak due to high cost level.
- Items affecting comparability totaled EUR -8.2 million, the majority of which were related to the divestment of the Balkan business operations.

EUR million	10-12/2017	10-12/2016	Change %
Revenue	102.2	104.2	-1.9%
Adjusted operating result	-18.3	-10.6	-72.9%
Adjusted operating result, %	-17.9%	-10.1%	
Operating result (EBIT)	-26.5	-10.7	-147.7%
Operating result (EBIT), %	-25.9%	-10.3%	
EPS, EUR	-0.53	-0.18	-187.3%
Cash flow after capital expenditure	11.0	9.3	19.0%

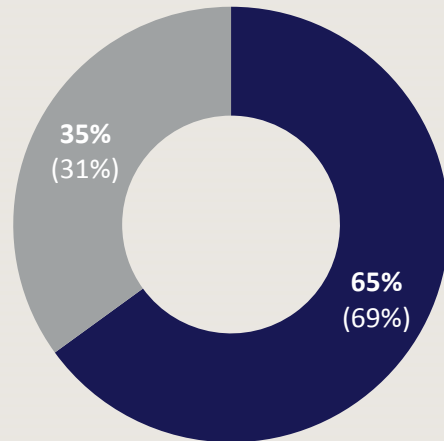
Full-year highlights

- Revenue was at the comparison period's level. Tikkurila was not able to meet the market demand in full in the Nordic countries due to delivery problems. Sales volumes grew in other parts of the Group.
- Profitability was weakened by the costs being higher than in the comparison period, which was related to the introduction of the new ERP system and the increased costs of raw materials and packaging materials.
- The direct costs of the introduction of the new ERP system, including depreciation, were EUR 10.4 million in 2017. In addition, a significant amount of indirect costs were also incurred.
- Cash flow was weakened by lower profitability and costs related to implementation of new ERP.

EUR million	1–12/2017	1–12/2016	Change %
Revenue	582.4	572.0	1.8%
Adjusted operating profit	28.8	54.0	-46.7%
Adjusted operating profit, %	4.9%	9.4%	
Operating profit (EBIT)	19.3	53.1	-63.6%
Operating profit (EBIT), %	3.3%	9.3%	
EPS, EUR	0.24	1.01	-76.0%
ROCE, %, rolling	6.3%	18.5%	
Cash flow after capital expenditure	4.4	22.7	-80.5%
Net interest-bearing debt at period-end	90.1	58.7	53.5%
Gearing, %	50.2%	28.1%	
Equity ratio, %	42.0%	50.9%	
Personnel at period-end	3,037	3,033	0.1%

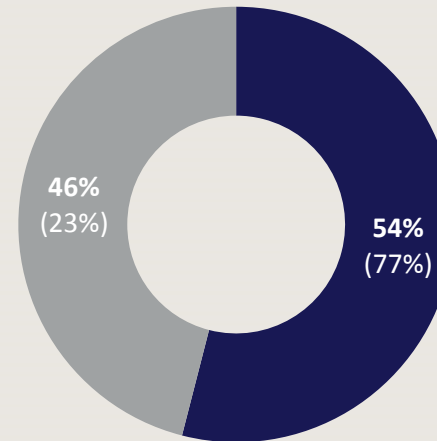
Revenue and operating profit split in 2017

Revenue by reporting segment



■ West ■ East

Operating profit* by reporting segment



■ West ■ East

* Adjusted operating profit, excl. Group items

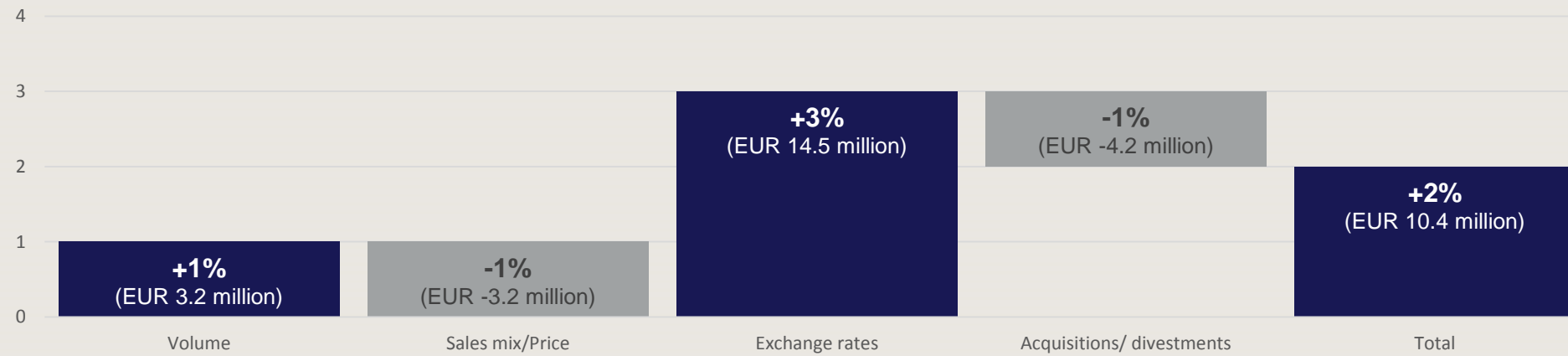
Decorative paints accounted for 82% (83) and industrial coatings for 18% (17) of revenue.

Revenue remained quite stable

EUR million	10-12/2017	10-12/2016	Change %	1-12/2017	1-12/2016	Change %
Revenue	102.2	104.2	-1.9%	582.4	572.0	1.8%

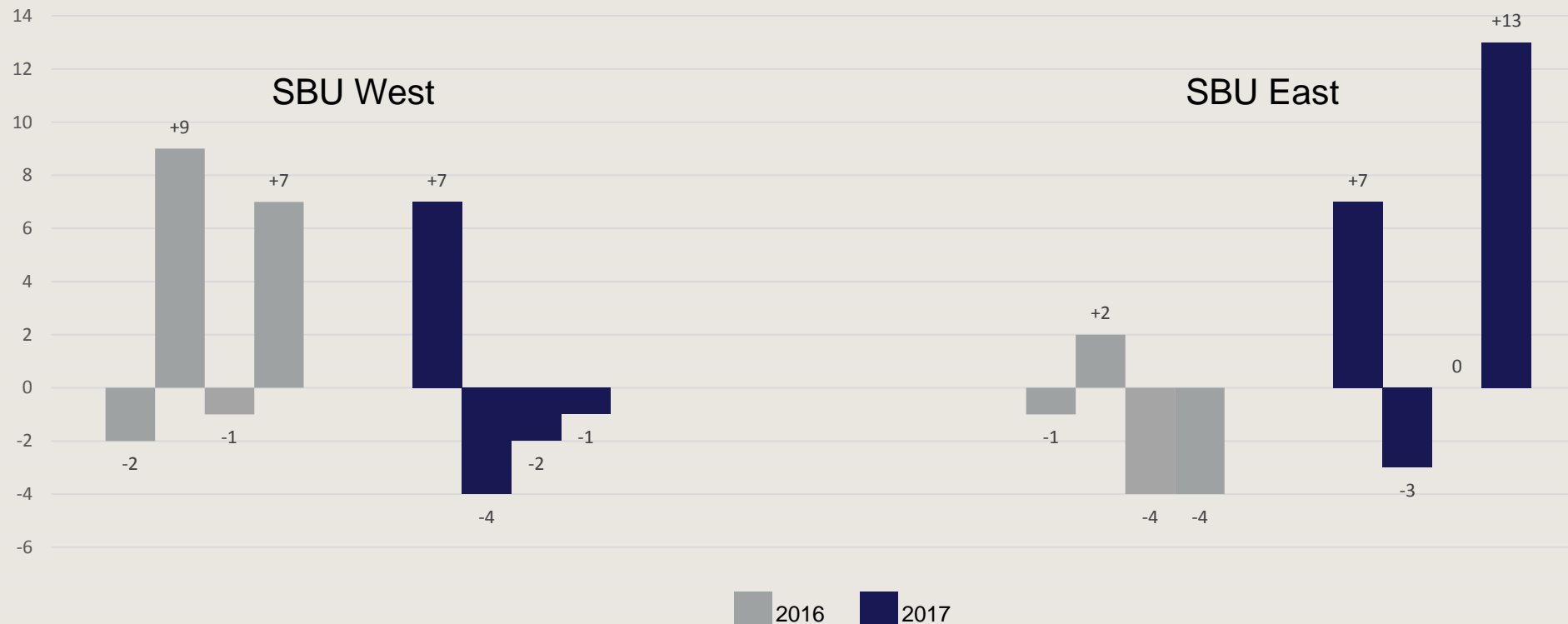
Group's revenue development 2017 vs. 2016

Increase/decrease, %



Tikkurila was not able to meet the market demand in full in the Nordic countries

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



Balance sheet

Assets

EUR million	Dec 31, 2017	Dec 31, 2016
Goodwill	72.0	72.3
Other intangible assets	26.5	30.7
Property, plant and equipment	81.2	87.5
Other non-current assets	16.9	16.3
Total non-current assets	196.6	206.8
Inventories	96.0	80.2
Current receivables	108.9	104.6
Cash and cash equivalents	17.0	18.5
Non-current assets held for sale	9.3	0.2
Total current assets	231.2	203.6
Total assets	427.7	410.3

Equity and liabilities

EUR million	Dec 31, 2017	Dec 31, 2016
Share capital	35.0	35.0
Reserves	40.0	40.0
Treasury shares	0.0	0.0
Translation differences	-39.3	-36.8
Retained earnings	143.9	170.3
Total equity	179.5	208.6
Interest-bearing non-current liabilities	50.1	50.1
Non-interest-bearing non-current liabilities	32.8	32.3
Interest-bearing current liabilities	57.0	27.1
Non-interest-bearing current liabilities	108.4	92.2
Total liabilities	248.2	201.7
Total equity and liabilities	427.7	410.3

Cash flow statement

Cash flow from operating activities

EUR million	1-12/2017	1-12/2016
Net profit	10.7	44.5
Adjustments	37.0	29.6
Funds from operations before change in net working capital	47.6	74.1
Change in net working capital	-13.9	-15.4
Interest and financial items, net	-2.8	-1.7
Income tax paid	-12.8	-14.1
Cash flow from operations	18.1	42.8

Cash flow from investing and financing activities

EUR million	1-12/2017	1-12/2016
Business combinations	-	-
Other capital expenditure	-15.2	-21.3
Proceeds from sale of assets	1.4	0.6
Other investment items, net	0.2	0.7
Net cash used in investing activities	-13.7	-20.1
Cash flow before financing	4.4	22.7
Change in non-current borrowings	-	-
Change in current financing	29.7	14.1
Dividend payout	-35.3	-35.3
Other financing items, net	-	0.2
Net cash used in financing activities	-5.6	-20.9
Net change in cash and cash equivalents	-1.2	1.8

STRATEGY 2022

OUR VISION

Surfaces that make a difference

FOCUS AREAS



Improve segment-specific customer journeys and support



Harmonize portfolio for segment needs across markets



Utilize resources more efficiently

WE ARE



PROFESSIONALS



TRUSTWORTHY



INNOVATIVE

VALUE WE CREATE

Nordic quality from start to finish

Strategic focus areas



Improve segment-specific customer journeys and support

- Study decision-making processes
- Provide pleasant and professional customer journeys
- Develop digital services



Harmonize portfolio for segment needs across markets




- Unify solution portfolios
- Reduce number of overlapping products
- Leverage expertise and concepts
- Base product and service development on market and customer needs
- Drive for more sustainable product portfolio



Utilize resources more efficiently

- Improve cost competitiveness and overall operational quality
- Increase cooperation across countries
- Optimize production network and increase productivity

Segment strategies

Customer segment	Share of revenue ¹	Key market trends	Tikkurila focus
CONSUMERS 	50%	<ul style="list-style-type: none">• Simplicity, easiness, digital solutions• Sustainability• Share of private labels increasing	Grow in our operating area
PROFESSIONALS 	35%	<ul style="list-style-type: none">• Volume growing due to urbanization and growing middle class• Higher price sensitivity• New generation painters, digital solutions	Improve competitiveness, build attractive and compact total offering
INDUSTRY 	15%	<ul style="list-style-type: none">• Metal infrastructure, PC (protective coatings) and power generation demand growing• Certified painting systems required• High price competition and complex customer needs in general Industry• OEM and interior wood segments	Grow in profitable sub-segments, fine tune focus by country

1) Management estimate

Actions to boost profitability

In 2017, Tikkurila initiated an extensive program to boost profitability. The program is aimed at generating at least EUR 30 million in savings. Improved cost competitiveness will support Tikkurila in seeking new growth opportunities.

2017

2018

Reorganization

- The goal of the reorganization measures is to clarify the decision-making process and responsibilities while eliminating overlaps

Structural changes

Decisions to close down and divest business operations:

- Discontinuation of manufacturing and warehousing operations in Stary Oskol in southwestern Russia and move of the unit's production to our St. Petersburg site during 2018.
- Sale of the entire share capital of the subsidiaries in Serbia and Macedonia to the local management of Tikkurila

Plans to optimize production:

- Plans to construct a new factory in the St. Petersburg area in Russia to replace two existing units. Design of the facility is under way

Portfolio optimization:

- Raw materials
- Formulations
- SKUs (the aim is to have 30% less in 2020)

Structural changes

Decisions to close down and divest business operations:

- Discontinuation of German business operations

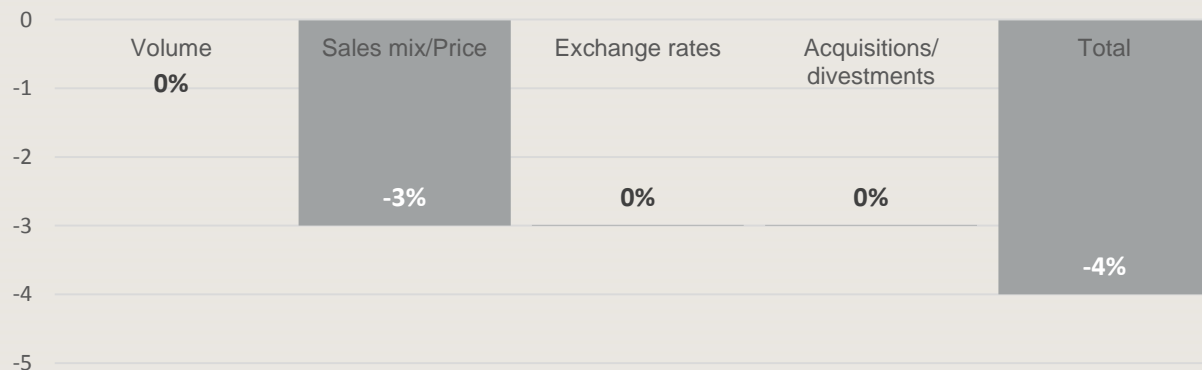
Strategic Business Units

SBU West 2017

EUR million	10–12/2017	10–12/2016	Change %	1–12/2017	1–12/2016	Change %
Revenue	61.3	67.2	-8.7%	379.8	395.2	-3.9%
Adjusted operating result	-18.4	-9.7	-89.7%	18.1	45.3	-60.1%
Adjusted operating result, %	-30.0%	-14.4%		4.8%	11.5%	

Revenue development 2017 vs. 2016

Increase/decrease, %



2017 highlights

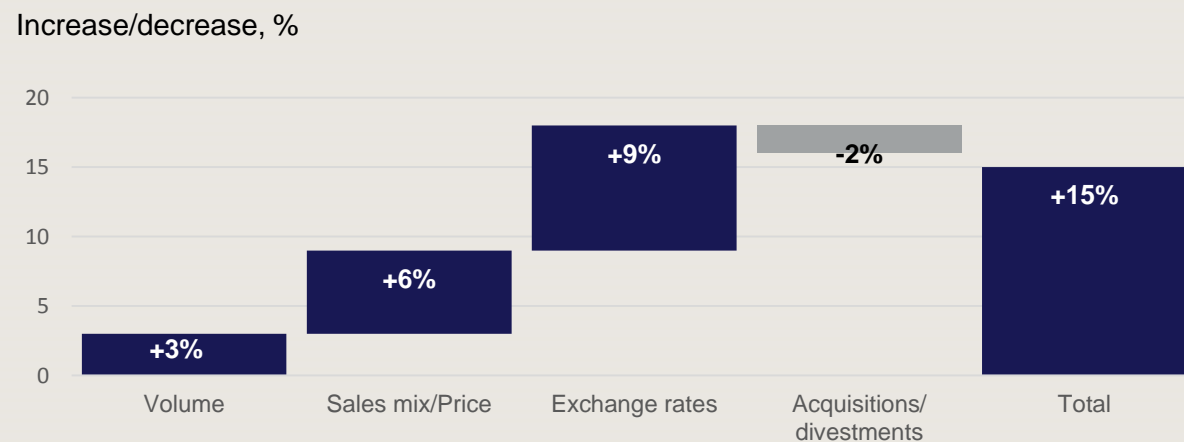
- Due to the problems with the deployment of the ERP system and the availability of raw materials, Tikkurila was not able to fully meet market demand in the Nordic countries
- Profitability was negatively impacted by decline in revenue, expenses and problems related to the introduction of the new ERP system, rise of the raw material and packaging material costs as well as delays in sales price increases
- Favorable development continued in Poland

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

SBU East 2017

EUR million	10–12/2017	10–12/2016	Change %	1–12/2017	1–12/2016	Change %
Revenue	40.9	37.0	10.6%	202.6	176.8	14.6%
Adjusted operating result	1.1	0.3	221.9%	15.2	13.4	13.7%
Adjusted operating result, %	2.6%	0.9%		7.5%	7.6%	

Revenue development 2017 vs. 2016



2017 highlights

- Stronger Russian ruble, sales price hikes and higher sales volumes increased revenue
- Sales volumes grew in Russia and particularly in China
- Adjusted operating profit was positively affected by the increase in revenue. Profitability improved in Russia, but declined in China due to clearly higher cost level

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

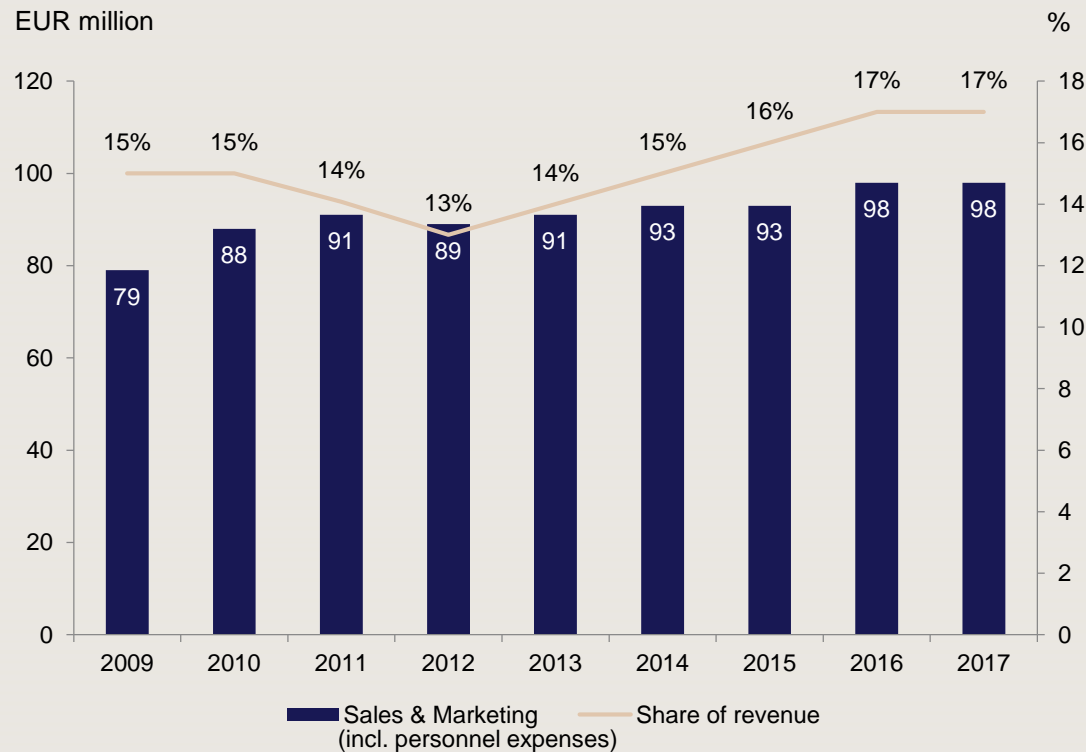
Conclusions and outlook

Conclusions

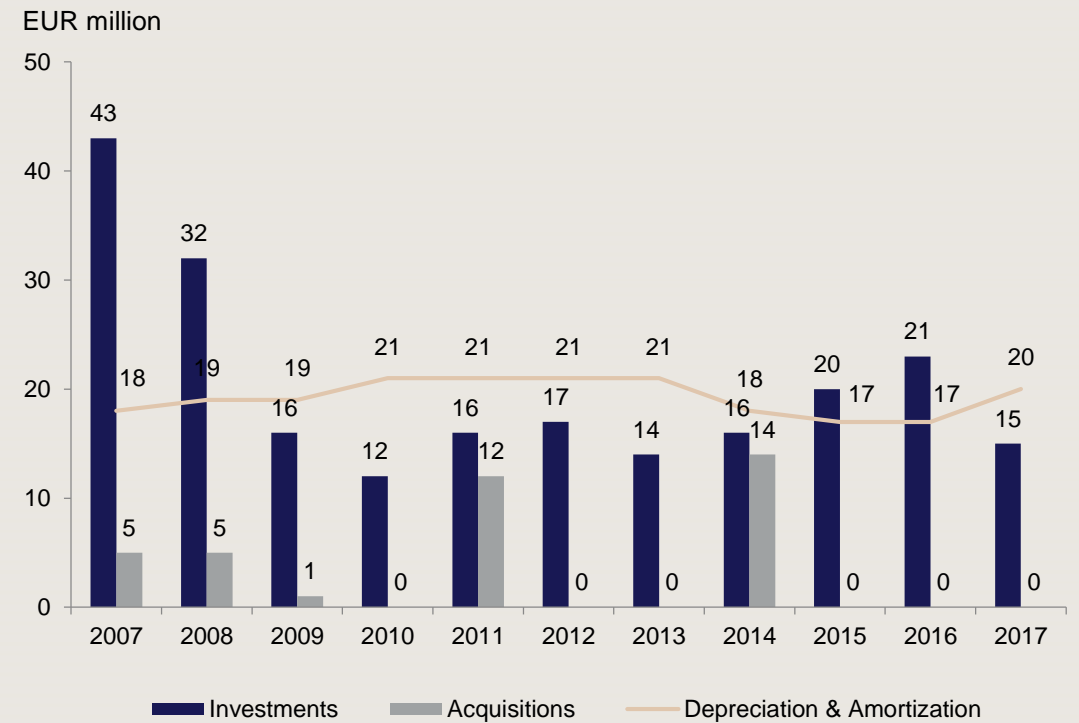
- Profitability was particularly weak due to exceptionally high cost level
- Identified problems with the deployment of the ERP system have mostly been resolved
- Program to boost profitability is proceeding as planned
- Focus will be on improving profitability and reliability of deliveries
- Market outlook is fairly good for this year
- Raw material prices are anticipated to continue to rise, we will continue to increase our own sales prices

Sales and marketing, investments and D&A

Sales and marketing

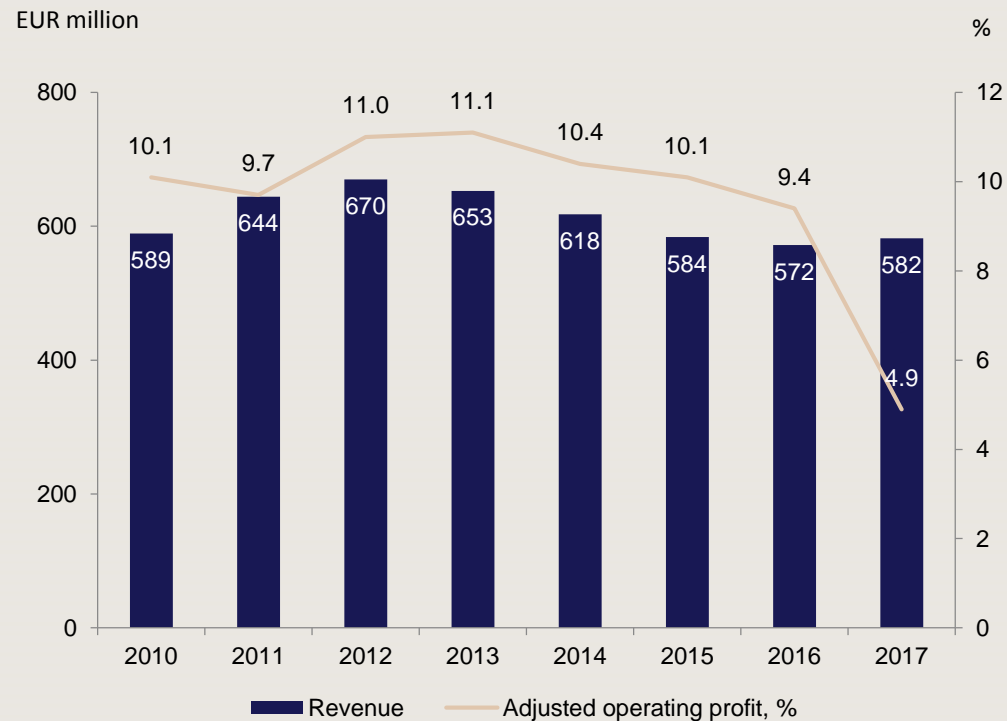


Investments and D&A



Guidance for 2018

Revenue and profitability of Tikkurila 2010–2017



Outlook and guidance for 2018

The market outlook for the current year is relatively good, although uncertainty has increased in the Swedish housing market in recent months. Economic growth is anticipated to continue in Tikkurila’s key markets and consumer confidence is high. The identified problems with the deployment of the ERP system have mostly been resolved, and inventory levels have been significantly raised in order to ensure deliveries.

The prices of raw materials and packaging materials are anticipated to continue rising throughout the year. Some challenges with availability may also still occur. In order to compensate for increased costs, Tikkurila will continue to raise its sales prices and to take action to boost profitability.

The ongoing organizational and structural change may cause indirect costs or otherwise negatively affect the company’s operations.

Tikkurila’s revenue is expected to remain at last year’s level and adjusted operating profit to improve.

New President and CEO

Tikkurila's new President and CEO as of May 2018



Elisa Markula appointed President and CEO of Tikkurila

- Born: 1966
- Nationality: Finnish
- Education: M.Sc. (Econ.) International Marketing, Turku School of Economics and Business Administration

Work experience:

- 2010–
Senior Vice President, Paulig Group
Managing Director, Oy Gustav Paulig Ab (Coffee division)
- 2006–2009
Country Manager, Oy Suomen LEGO Ab (Finland)
Member of the Management Team, Nordic-Benelux Business Unit
- 2003–2006
Sales Director, Oy Snellman Ab

Board memberships:

- Olvi Oyj 2015–
- The Association of Finnish Advertisers 2014–



NORDIC QUALITY FROM START TO FINISH SINCE 1862.