



Business Review for January-September 2018

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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

Third quarter highlights

- Euro-denominated revenue decreased by 5%, but grew by 2%, excluding currency effects and divestments. The negative effect of currencies on revenue in the third quarter was almost EUR 8 million.
- Sales volumes increased in all key countries except in Russia. Volumes grew in Finland by 3%, in Sweden by 2% and in Poland by 4%.
- Adjusted operating profit decreased by 12%. Clearly lower fixed expenses and sales price increases were not sufficient to compensate for the raw material inflation that continued to be strong, contrary to expectations.
- Strong efficiency boosting actions were continued.

Cost discipline

Volumes

Sales prices

Delivery reliability

Raw material
inflation

Currencies

Review period key figures, Group data

EUR million	7-9/2018	7-9/2017	Change %	1-9/2018	1-9/2017	Change %
Revenue	152.2	159.9	-4.8%	456.0	480.2	-5.0%
Adjusted operating profit	19.2	21.9	-12.2%	44.3	47.1	-5.8%
Adjusted operating profit margin, %	12.6%	13.7%		9.7%	9.8%	
EPS, EUR	0.22	0.36	-39.2%	0.52	0.77	-32.6%
Net interest-bearing liabilities (at period-end)	94.6	99.8	-5.2%	94.6	99.8	-5.2%
Total equity (at period-end)	159.6	203.5	-21.6%	159.6	203.5	-21.6%
Total assets (at period-end)	451.4	473.1	-4.6%	451.4	473.1	-4.6%

Review period key figures, segment data

SBU West

EUR million	7-9/2018	7-9/2017	Change %	1-9/2018	1-9/2017	Change %
SBU West, revenue	97.7	101.6	-3.8%	313.3	318.5	-1.6%
SBU West, adjusted operating profit	14.2	13.8	2.8%	37.8	36.5	3.6%

- Weak Swedish krona and the unfavorable development of the sales mix decreased revenue; particularly the changes in the distribution channels in Sweden and the growth in professional sales had a weakening effect on the sales mix
- Fixed expense level was clearly lower than in the comparison period, which offset the increased raw material costs

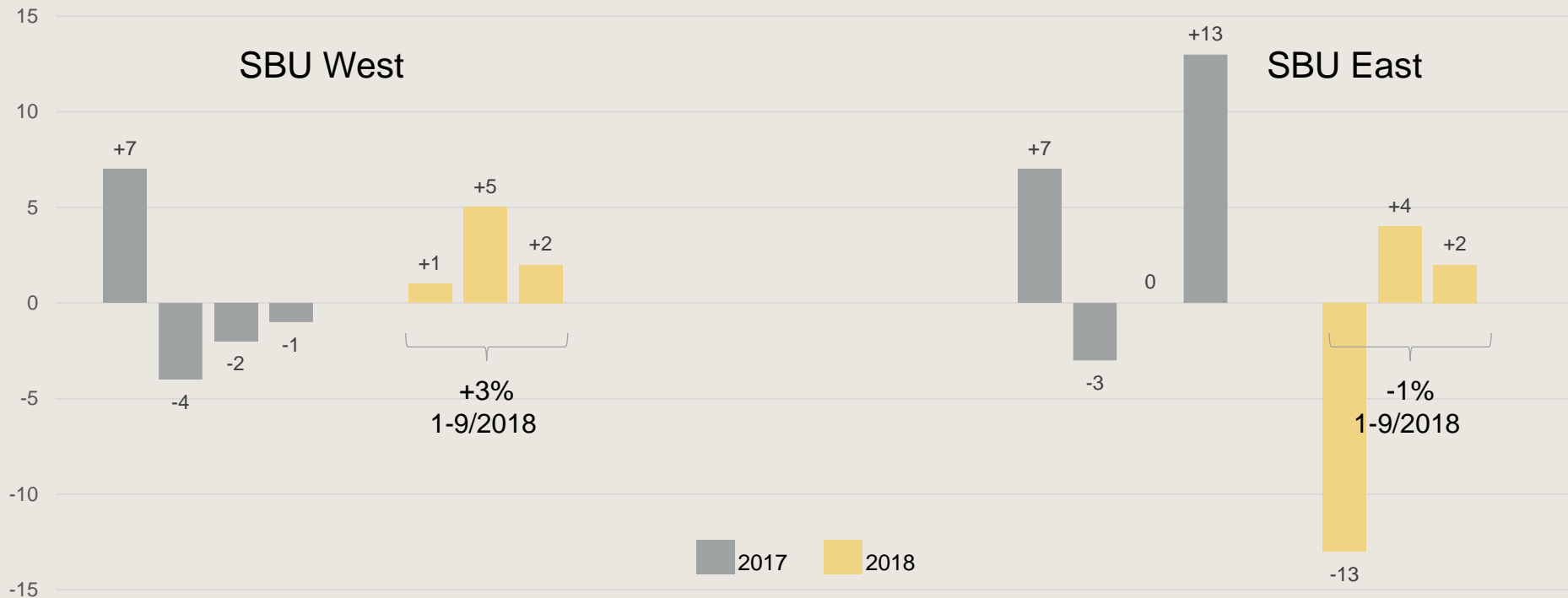
SBU East

EUR million	7-9/2018	7-9/2017	Change %	1-9/2018	1-9/2017	Change %
SBU East, revenue	54.4	58.4	-6.7%	142.7	161.7	-11.7%
SBU East, adjusted operating profit	5.7	8.7	-34.4%	9.9	14.2	-30.3%

- Weak Russian ruble and divestments decreased revenue
- FX and robust raw material inflation weakened the profitability of the Russian business operations

Sales volumes' effect on revenue in January-September was +1%

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

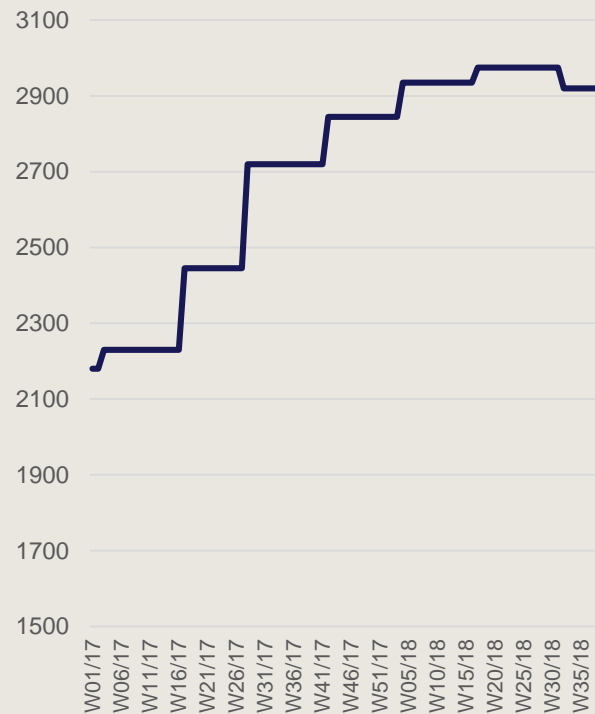


Contrary to expectations, raw material inflation continued to be strong

Price development of oil (Brent), EUR/tn



Price development of titanium dioxide, EUR/tn



- The prices of raw materials kept rising in the third quarter, in particular the prices of raw materials connected to oil prices, such as binders and solvents, continued to rise sharply.
- Rise in the titanium dioxide prices seems to be stabilizing.
- Venator's decision to close down the titanium dioxide factory in Pori does not have any direct implications for Tikkurila.
- Raw material inflation is expected to continue during the remainder of the year.

Sustainability requires actions, examples in 2018



Paint donation to New Children's Hospital in Helsinki

Eco-labeled interior paints and colors are supporting well-being of small patients. Tikkurila durable paints meet the strict hygiene requirements.



Sustainably packaged Vivacolor paints in the Baltics

New eco-labeled interior paints with recycled plastic cans.



Tikkurila X HEI Schools

Colors can enhance learning in schools and at home. Harmonious green is used to soothe and balance a space, blue tones are viewed as increasing concentration and happy yellow is said to stimulate both memory and thinking.



Climate change threatening building facades – Tikkurila's Finngard Clean is the answer

Due to the superhydrophobic surface, Finngard Clean products repel water and dirt, but allow any structural humidity to evaporate through it.

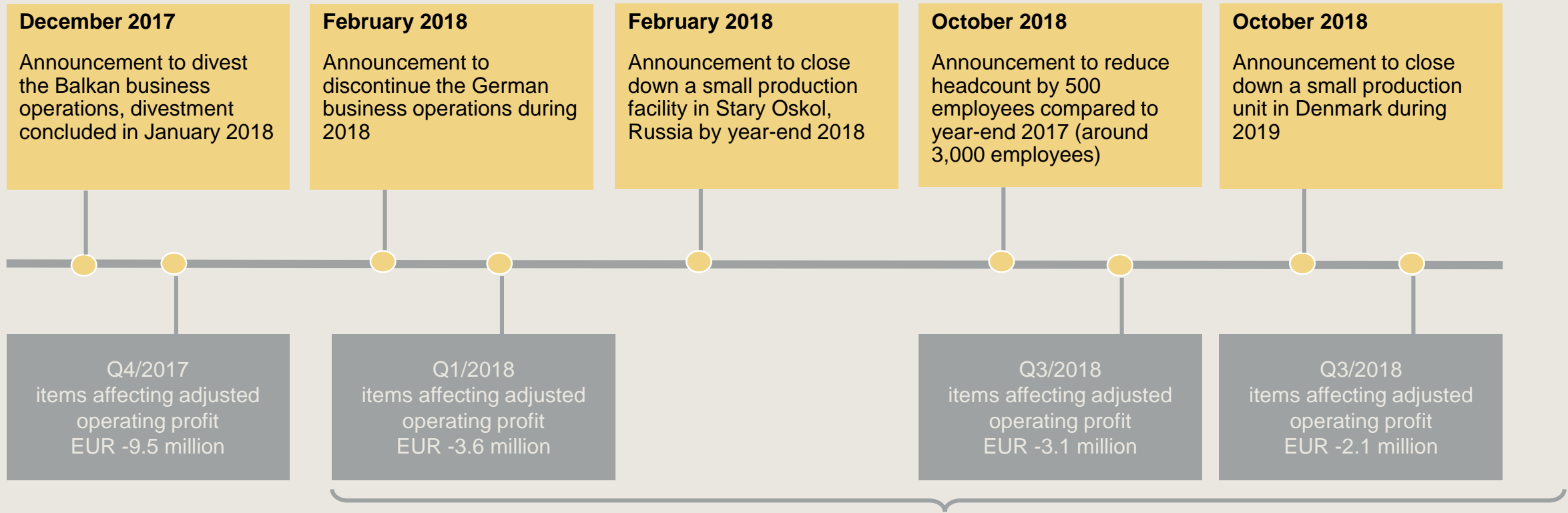
Surfaces that make a difference

Alcro's A1 paint marks a new chapter in creating more sustainable solutions. In this wall paint, a third of the raw materials that usually are fossil-based have been replaced with bio-based ingredients.



Proceeding of the efficiency program

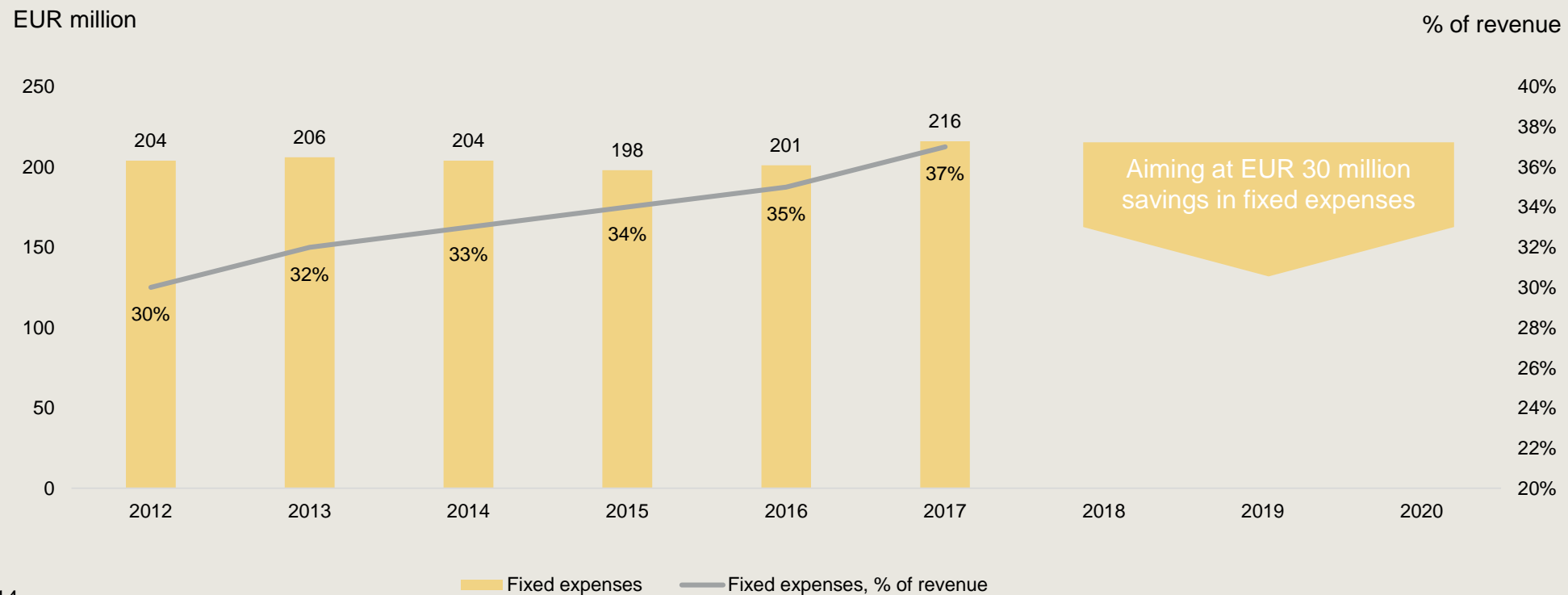
Efficiency program actions



FY 2018 items affecting adjusted operating profit around EUR -10 million

Absolute and relative share of fixed expenses of revenue has increased

Development of Tikkurila's fixed expenses and cost savings from the efficiency program



Initiatives to boost profitability

1. Fixed expenses

Tikkurila's planned headcount reduction will be around 15 percent, i.e. 500 employees, compared to the end of 2017.
Other fixed expense reduction.

2. Optimizing the production network

Tikkurila has implemented several actions relating to optimizing production and logistics, and more are planned for the future.

3. Harmonizing the portfolio

Optimization of manufacturing formulas, raw materials and SKUs is underway at Tikkurila, the goal is to reduce the number of product titles by half by 2020, including the divestment of business operations.

4. Streamlining sourcing

Tikkurila has many opportunities to streamline both direct and indirect purchases. Other goals include reducing committed capital and seeking alternative raw materials and suppliers to boost competitiveness.

5. Sales management

The efficiency of sales management will be improved by introducing digital sales monitoring and management solutions, and through the automation of services.

EUR 30 million
savings effect
will be achieved
during 2019

There is a need to change and this is the way forward: clarity, direction, focus



Conclusions and outlook

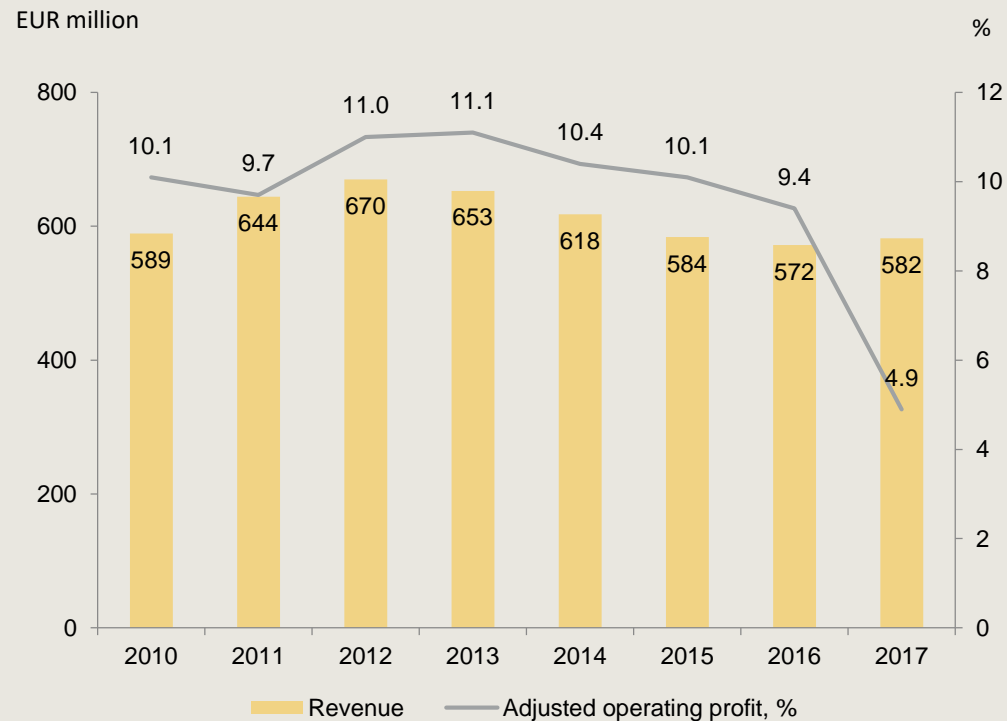
Conclusions

- Market outlook is fairly good for the rest of the year, positive volume development is expected to continue
- We will invest heavily in boosting our sales by developing customer management e.g. by utilizing customer data even better and by digitalizing sales management and customer processes
- Raw material prices are anticipated to continue to rise, we will increase our own sales prices during year-end 2018 and early 2019, depending on the market
- Our profitability level is unsatisfactory and thus we will continue to further streamline our operations and to cut fixed expenses. Increasing the efficiency of the raw and packaging material sourcing and optimizing the portfolio remains our key focus areas
- We believe that the adjusted operating loss for Q4/2018 will be lower than a year ago



Guidance for 2018 intact

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 housing market. Economic growth is anticipated to continue in Tikkurila's key markets and consumer confidence is high. The importance of professional segment is on the rise which will affect the sales split of the Tikkurila Group. 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 during the remainder of 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.

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



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