



TIKKURILA

JANUARY-DECEMBER 2019

**Tikkurila's adjusted operating
result increased by 19.5%
from the previous year**

FEBRUARY 12, 2020

Key takeaways from 2019

Revenue increased by +0.4% (+1.4% comparable) and profitability improved by 19.5% or EUR 7.6M

- **Adjusted EBIT improved to 8.2% of revenue (2018: 6.9%)**
 - Profitability increase driven by price increases, improved sales mix, continued strict cost control
 - EPS has increased by 213% since 2017
- **Revenue stable, but mixed regional performance**
 - strong performance in growth markets (Russia and Poland)
 - revenue declined in mature markets (Sweden and Finland)
- **Raw materials**
 - Prices remain still at a historically high level
- **Currencies**
 - Headwind from the Krona, tailwind from the Ruble
- **Full impact of restructuring measures (2018) was now visible in fixed costs**
- **Improved ROCE (15.4%) and cash flow**



We are facing differing dynamics in our core markets

Mature markets

Flat total markets

Tikkurila's market share
already strong

Opportunities to grow
especially in Industry

Growth markets

Faster market growth

More room to improve
Tikkurila's market share

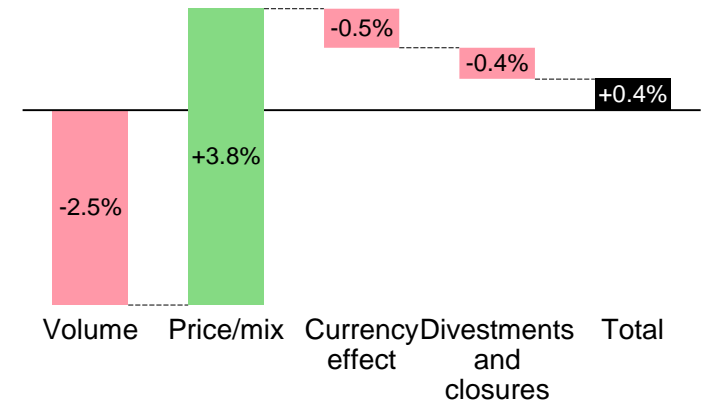
Continued premiumization

Opportunities to grow in both
decorative and Industry

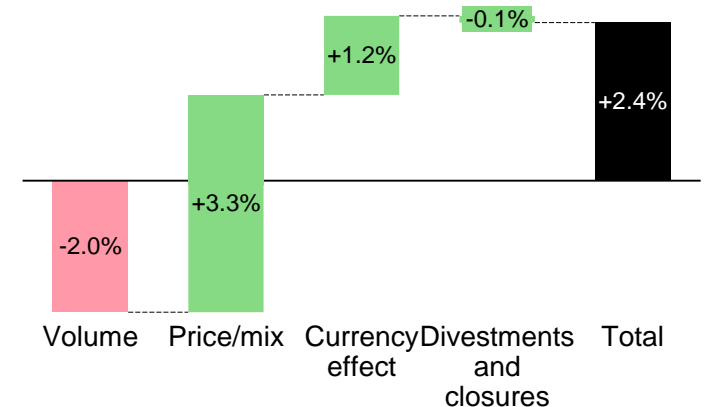
Key figures – Tikkurila Group

EUR, million	1-12/2019	1-12/2018	Change, %	1-12/2017	10-12/2019	10-12/2018	Change %
Revenue	563.8	561.5	+0.4%	582.4	107.9	105.5	+2.4%
Excl. currency effects, divestments & closures			+1.4%				+1.3%
Adjusted operating result	46.4	38.8**	+19.5%	28.8	-7.6	-5.5*	-38.3%
Adjusted operating result margin, %	8.2%	6.9%	+1.3%-p	4.9%	-7.1%	-5.2%	-1.9%-p
Operating result (EBIT)	43.9	26.5	+65.5%	19.3	-7.7	-8.6	+11.0%
Operating result (EBIT) margin, %	7.8%	4.7%	+3.1%-p	3.3%	-7.1%	-8.2%	+1.1%-p
Earnings per share (EPS), EUR	0.75	0.33	+127.9%	0.24	-0.17	-0.19	+12.1%
Net interest-bearing debt at period-end ***	78.4	85.5	-8.4%	90.1			
Gearing, *** %	45.6%	57.0%		50.2%			
ROCE, %	15.4%	9.3%		6.3%			
Equity ratio, %	39.3%	37.6%		42.0%			
Cash flow after capital expenditure	52.7	36.3	+45.4%	4.4			

The effects of various factors on revenue
Full year 2019 vs. 2018



The effects of various factors on revenue
10-12/19 vs. 10-12/18



*In the comparison period (Q4/2018), adjusted operating result included a EUR 4.75 million insurance compensation.

**In the comparison period (2018), adjusted operating result included a EUR 6 million insurance compensation.

*** 2019 incl. IFRS 16 lease liabilities, 2017 & 2018 not restated with IFRS16

Key figures – SBU East

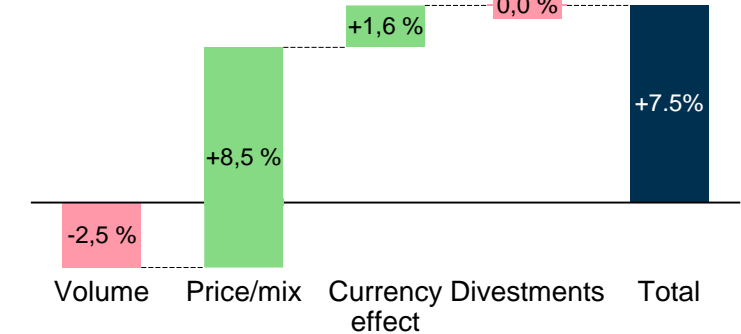
EUR million	1–12/2019	1–12/2018	Change %	10–12/2019	10–12/2018	Change %
Revenue	193.8	180.3	+7.5%	39.9	37.6	+6.3%
Excl. currency effects, divestments & closures			+5.9%			+0.3%
Adjusted operating result	22.0	9.9	+122.1%	1.7	0.0	+4386.4%
Adjusted operating result margin, %	11.4%	5.5%		4.4%	0.1%	

Highlights from January-December

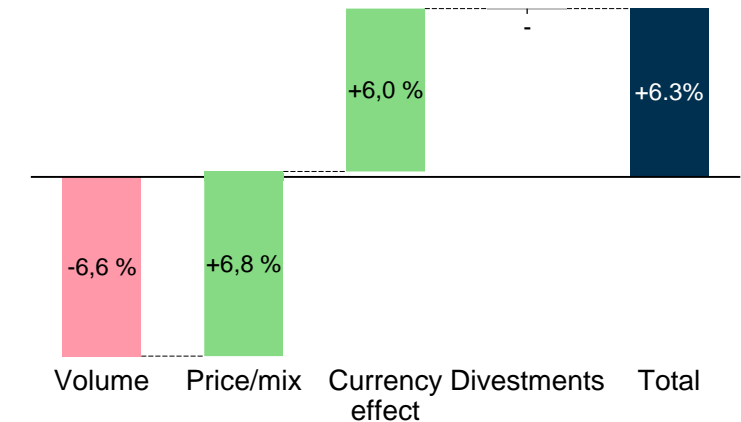
- In **Russia**, revenue growth was driven by positive changes in our product mix and price increases as well as positive tailwind from development of the Russian Ruble. Especially the company's core Tikkurila brand expanded its share of sales in all channels. The share of private label products decreased.
- On April 25, 2019, Tikkurila announced that as part of its strategy work, the company would explore alternative options to support its business growth in Russia, instead of the planned new greenfield factory, as the estimated return on the planned investment did not meet the company's target level. The total costs incurred amounted up to approximately EUR 2.0 million, which were recognized as an expense in Q2/2019.

SBU East consists of Russia, Central Asian countries, and China. Furthermore, SBU East is responsible for the exports to more than 30 countries.

The effects of various factors on revenue
Full year 2019 vs. 2018



The effects of various factors on revenue
10-12/19 vs. 10-12/18



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

Key figures – SBU West

EUR million	1–12/2019	1–12/2018	Change %	10–12/2019	10–12/2018	Change %
Revenue	370.0	381.2	-2.9%	68.0	67.9	0.2%
Excl. currency effects & divestments and closures			-0.8%			+1.8%
Adjusted operating result	30.7	34.5**	-11.1%	-7.5	-3.2*	-131.7%
Adjusted operating result margin, %	8.3%	9.1%		-11.0%	-4.7%	

Highlights from January–December (Full year 2019)

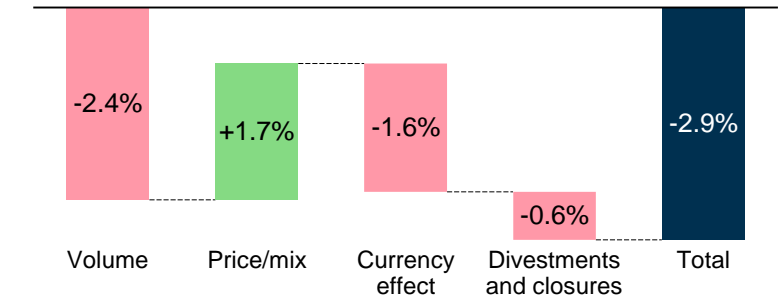
- In **Sweden**, efforts continued to improve the company's performance by focusing on commercial excellence and actions to improve go-to-market. Distribution with DIY stores was expanded and sales through them ramped up towards the end of the year. Overall, revenue in Sweden declined in a soft market, mainly due to lower levels of pre-season sales and replenishment sales especially in exterior paints. Additionally, revenue was negatively impacted by the weak Swedish Krona, tightening competition and changes in sales management.
- In **Finland**, revenue declined in a soft market driven by lower levels of pre-season sales of exterior paints. Also, the continued offshoring impacted the industry metal business negatively. That said, sales to professional customers increased driven by better price/mix. Also, revenue from the industry wood segment increased, driven by continued efforts to push sales to new customers supported by new products (e.g. fire-retardant paints).
- In **Poland**, revenue growth was driven by increasing volumes in interior paints, despite softening market demand, especially in industry segment. Growth was also positively impacted by new investments in marketing and sales, and the share of premium brands –Tikkurila and Beckers – continued to increase.

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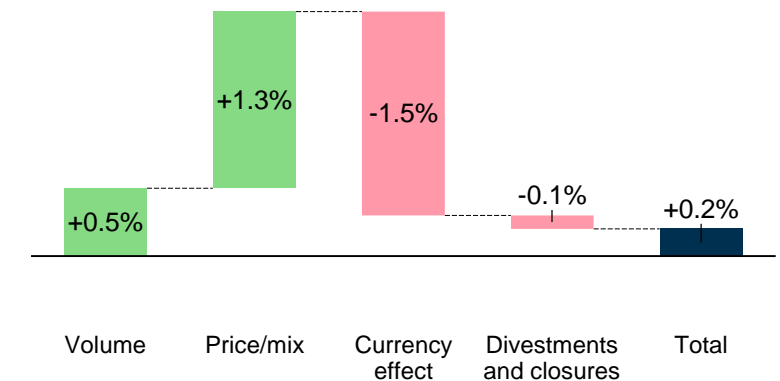
**In the comparison period (2018), adjusted operating result included a EUR 6 million insurance compensation.

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

The effects of various factors on revenue Full year 2019 vs. 2018



The effects of various factors on revenue 10-12/19 vs. 10-12/18



SBU West consists of Sweden, Denmark, Norway, Finland, Poland, Estonia, Latvia, and Lithuania. For 2018, Germany is presented in SBU West. In 2019, after closing the activities of Tikkurila's German subsidiary, Germany has belonged to export and is presented in SBU East, but items related to German subsidiary are reported in SBU West during 2019.

Highlights from Q4/2019

Profitability continued to improve
(Q4/18 included EUR 4.75M insurance compensation)

Revenue increased by +2.4%
(+1.3% comparable)

In **Sweden**, the fourth quarter was relatively
the best during 2019

In **Poland**, revenue growth accelerated during
the fourth quarter in interior paints

Tailwind from strong **Russian Ruble**

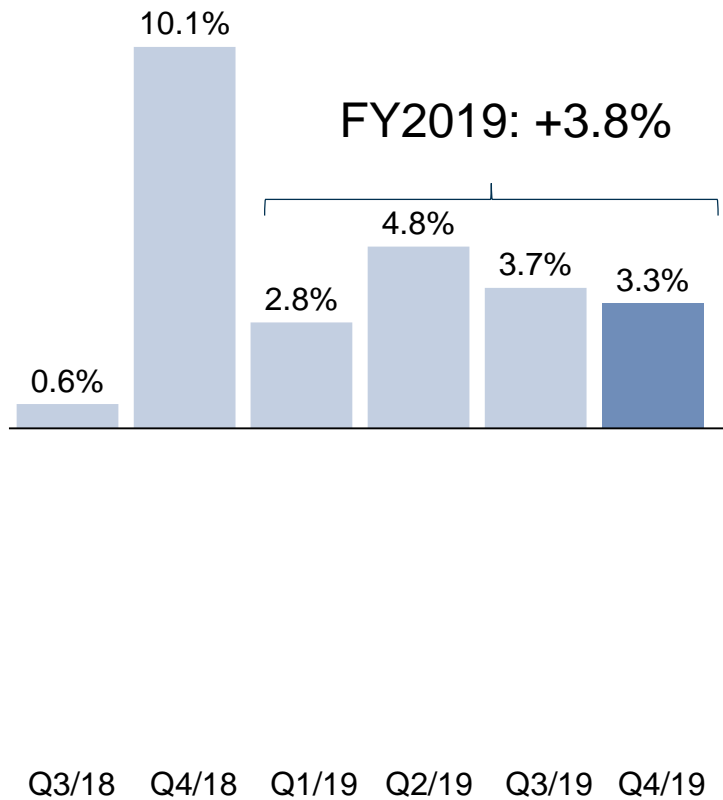
In **Russia**, operational performance was at previous
year's level, reflecting a tough comparison period

In **Finland**, revenue declined against a tough
comparison period, with impact from chemical
industry strike

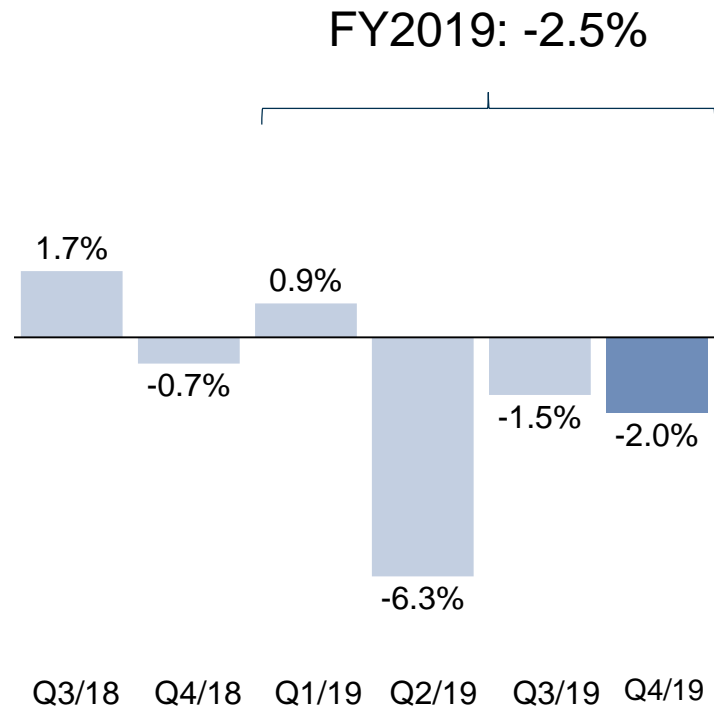
Continued headwind from **Swedish Krona**

Value drives revenue, impact of currencies leveling out

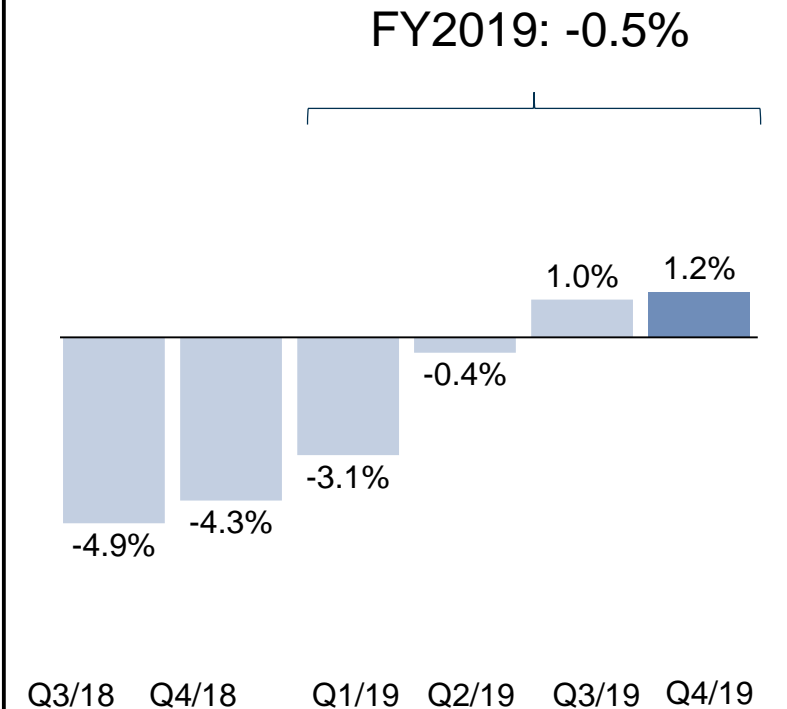
Impact of price/mix on revenue



Impact of volume on revenue

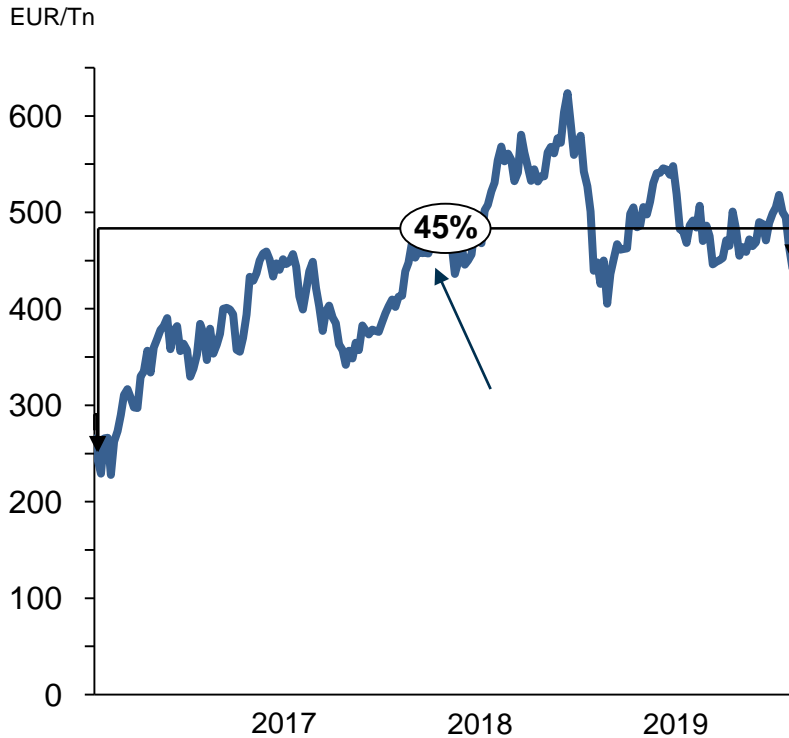


Impact of currencies on revenue

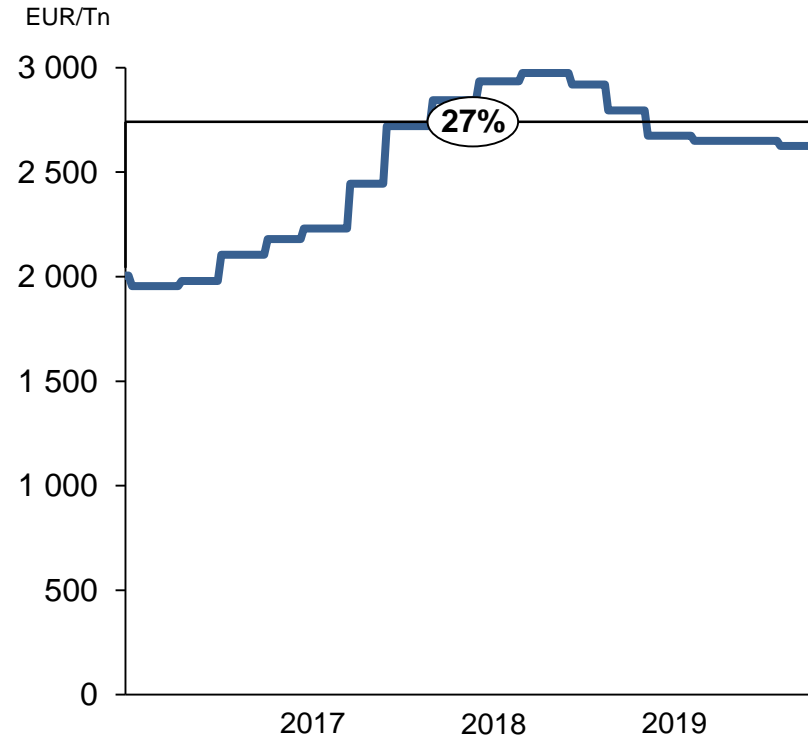


Raw material prices remain on a historically high level

Price development of oil (Brent), 2016-



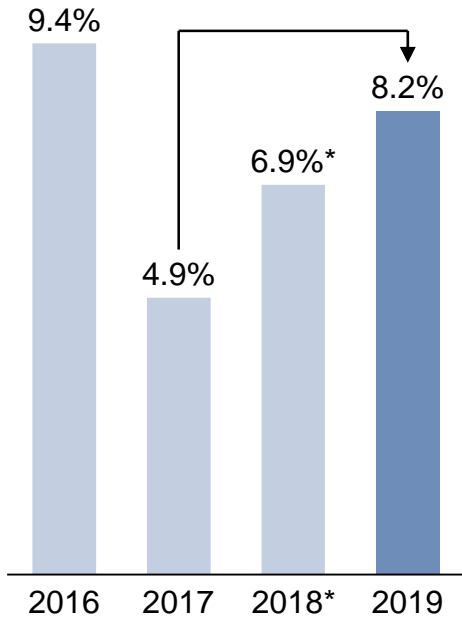
Price development of titanium dioxide, 2016-



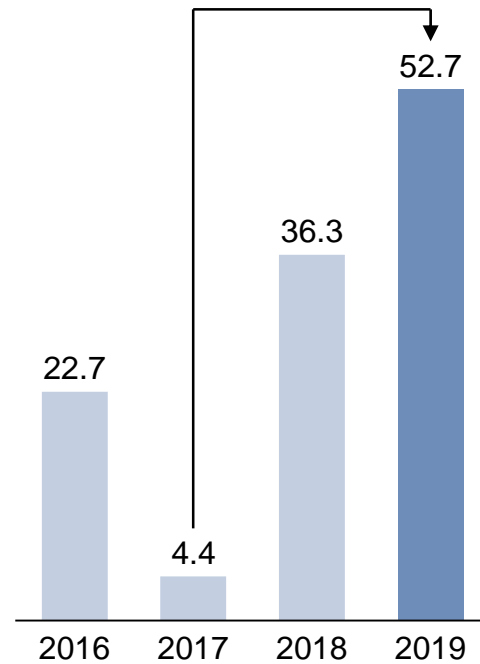
- Overall, raw material and packaging material prices have remained at a historically high level, following the inflation during recent years
- Price of titanium dioxide has declined slightly since peak in mid-2018
- Oil price remains volatile

Key indicators continued to develop positively

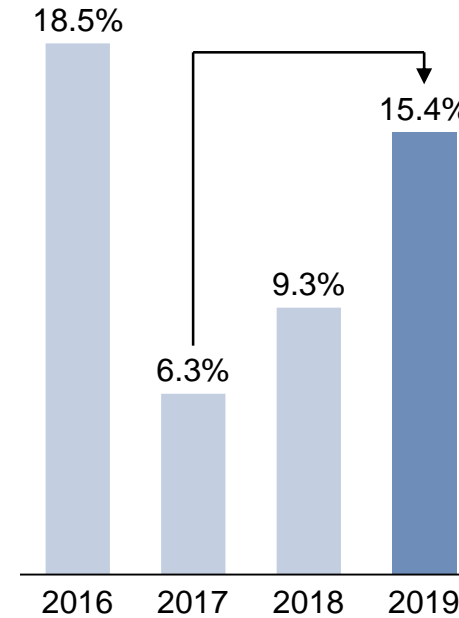
Adjusted operating result margin, %



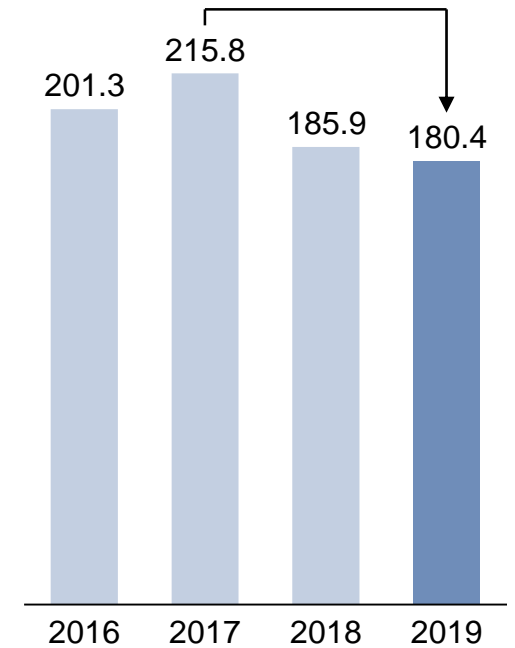
Cash flow after capital expenditure



Return of Capital Employed, %

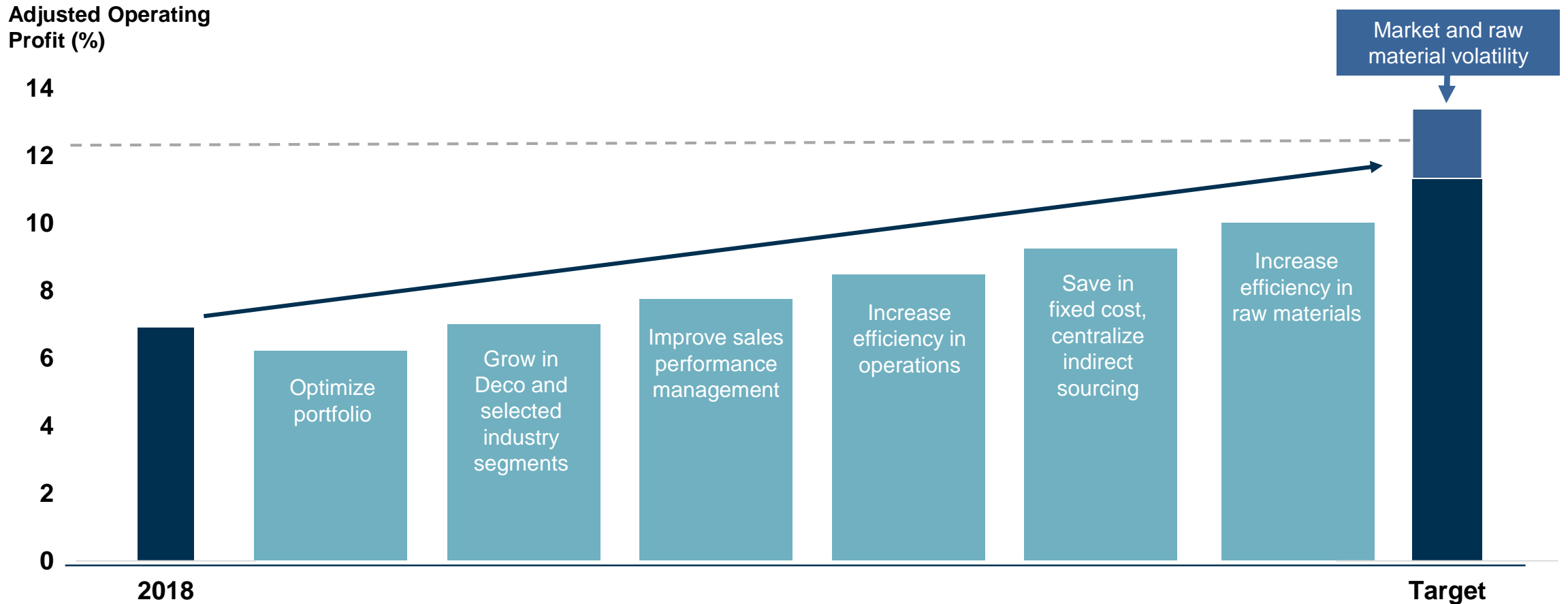


Fixed costs



* Including EUR 6 million of insurance compensation for 2018

We continue to systematically execute our strategy action plan towards long-term financial target Adjusted Operating Profit >12%



Multiple actions executed in 2019

Actions to improve profitability and growth

Optimize portfolio	Less formulas	Less raw materials	Less sales articles 10,000 → 5,000
Grow in Deco and selected industry segments	New products (e.g. fire retardant)	New Tikkurila brand look rolled out in Finland	R&D focus on sustainability, functionality & services
Improve sales performance management	Continued price increases to match raw material inflation	Centralization of core marketing teams finalized	Sales leadership strengthened
Increase efficiency in operations	Continued to work on the future Supply Chain Footprint	Further optimized S&OP	
Save in fixed cost, centralize indirect sourcing	Fixed expenses down by EUR 35.4M from 2017	Strict cost discipline continued	
Increase efficiency in raw materials	A large number of cost reduction actions identified	Commercial negotiations with major suppliers as planned	

We continue to systematically execute our strategy action plan

We are generating new growth

New products – especially
for industry customers

Expanding partnerships
with DIY chains

Expanding distribution, strong
focus on store presence and
attraction



Successful sales
activities with key
accounts

Impact of premiumization is particularly strong in Russia



PREMIUM
1000 Rubles/litre



MEDIUM
300 Rubles/litre



ECONOMY LABEL
200 Rubles/litre

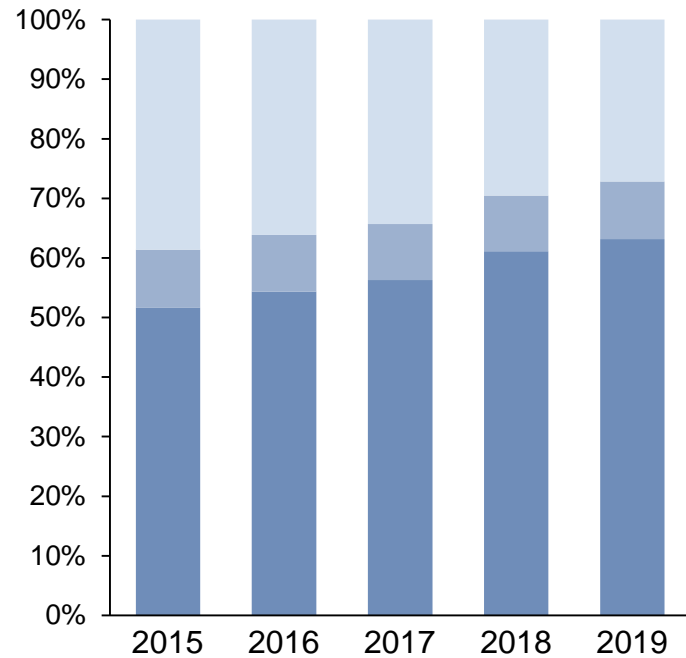


PRIVATE LABEL
40 Rubles/litre

Premium brands are Tikkurila's core strength

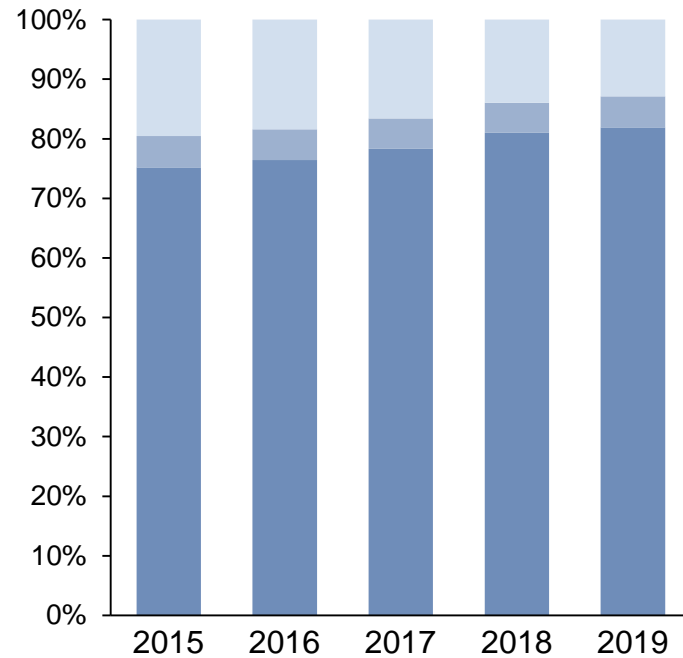
Volume

Share of total



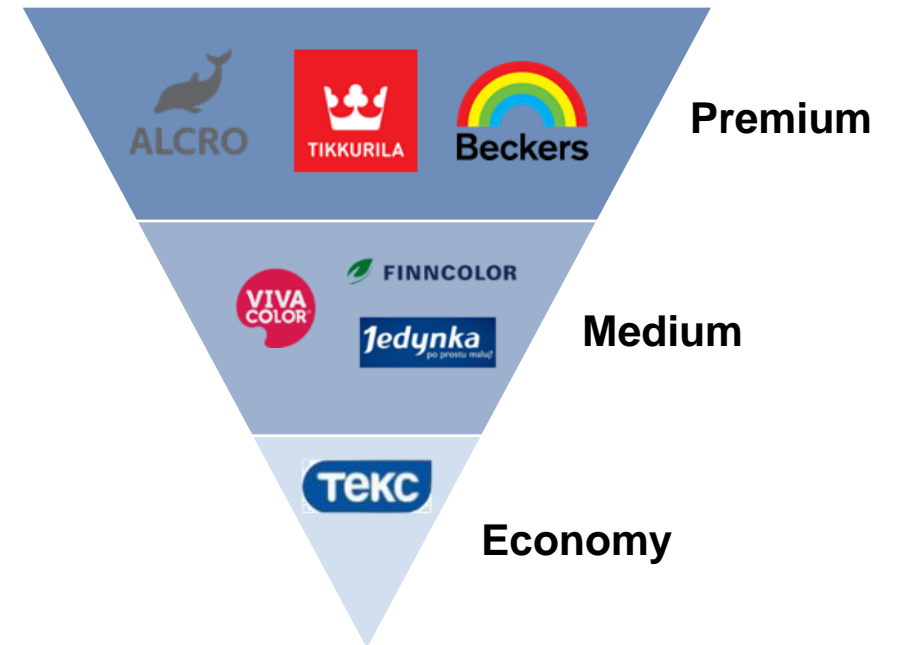
Value

Share of total



Premium
 Medium
 Economy

We focus on our key brands



Tikkurila has the largest number of eco-labeled products in our market areas

74 %

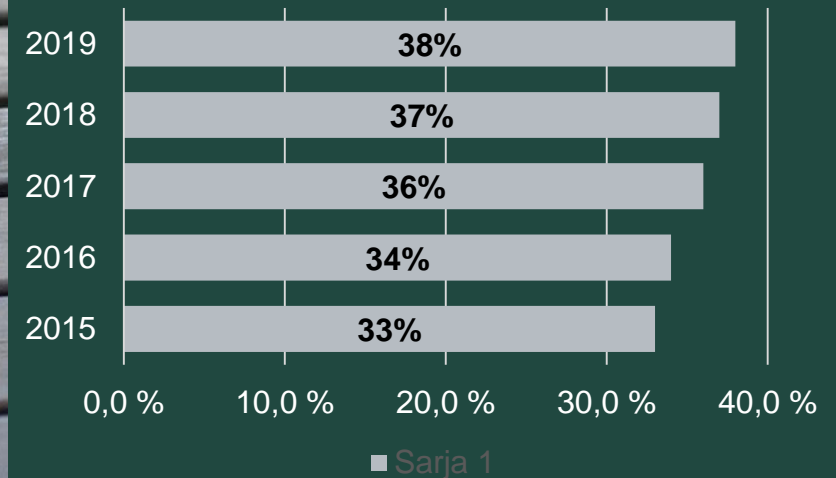
of produced paints were water-borne (in value 2019)

300+

Ecolabeled products* (2019)

*Products that have international or local ecolabels, allergy or asthma society labels or M1 classification.

Ecolabelled products, of value (%)



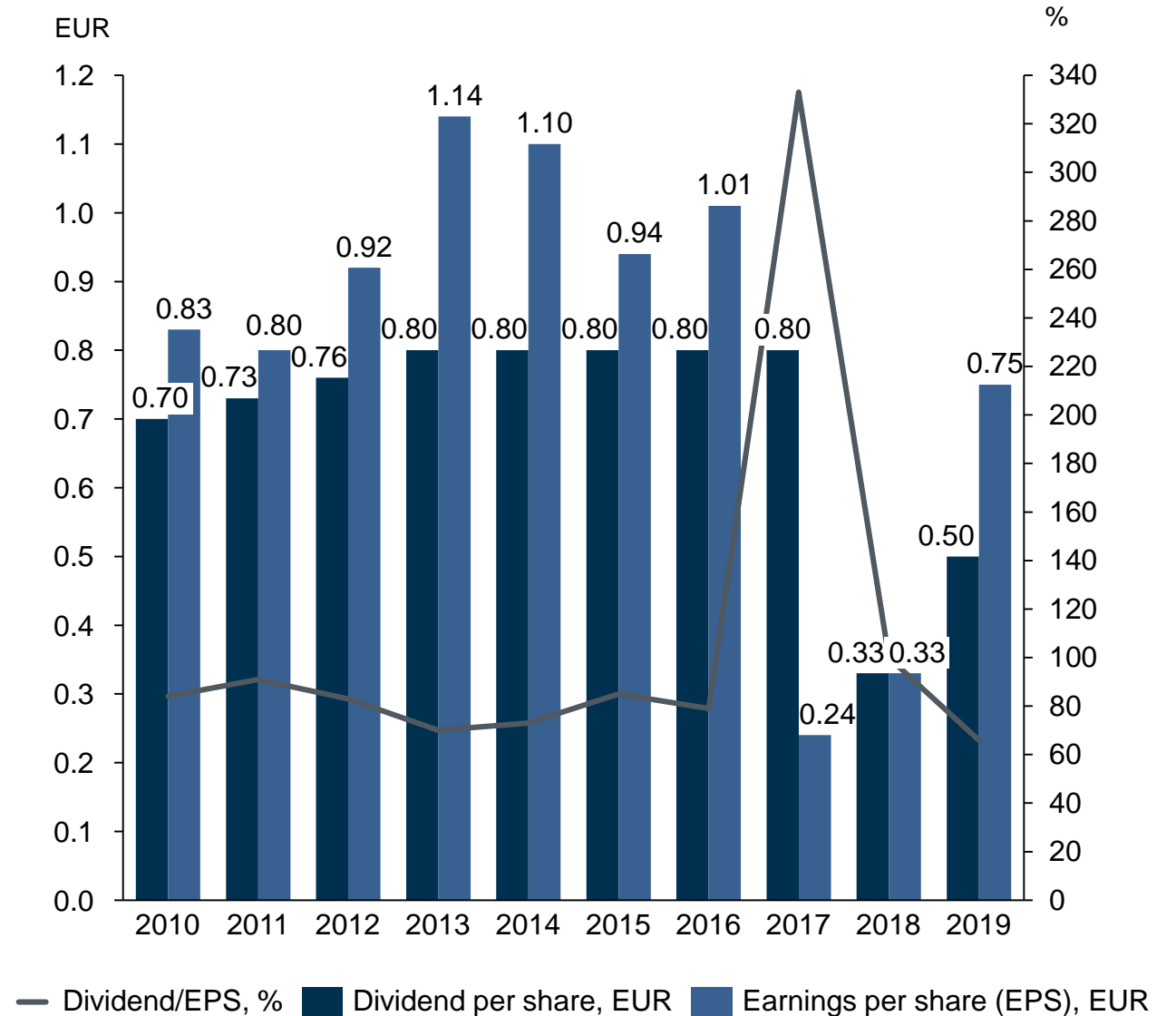
Dividend proposal

- The Board proposes a dividend of EUR 0.50 (0.33) per share, which corresponds to 66 (100) percent of the Group’s 2019 earnings per share.
- It is proposed that the dividend will be paid in two equal tranches.
- According to Tikkurila’s dividend policy, Tikkurila aims to distribute a dividend of at least 40 percent of its annual operative net income.

Guidance for 2020

- Adjusted operating result will continue to improve (2019: EUR 46.4 million)
- Revenue is expected to remain at previous year’s level (2019: EUR 563.8 million), excluding currency effects

Dividend 2010-2019





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%

Thank you!

H300 Lemonade Color of the Year 2020



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TIKKURILA

” Tikkurila is a Nordic paint company whose products are manufactured of carefully chosen raw materials that meet the highest quality standards. Our purpose is to create sustainable Nordic quality surfaces that make a difference.

www.tikkurilagroup.com