



TIKKURILA

Surfaces that make a difference

CEO ELISA MARKULA

TIKKURILA ANNUAL GENERAL MEETING ON APRIL 11, 2019

In this presentation, all forward-looking statements in relation to the company or its business are based on the management judgement, and macroeconomic or general industry data on third-party sources, and actual results may differ from the expectations and beliefs such statements contain.

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- Tikkurila today
- Business performance in 2018
- Efficiency program and cost savings
- Sustainability in Tikkurila
- Outlook for 2019



Tikkurila today

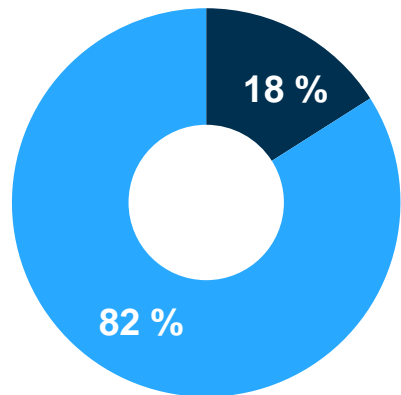
Tikkurila is a leading Nordic paint company with expertise that spans over decades.

We develop premium products and services that provide our customers with quality that will stand the test of time and weather.



Tikkurila's market position is strong in its main markets in decorative paints

Russia

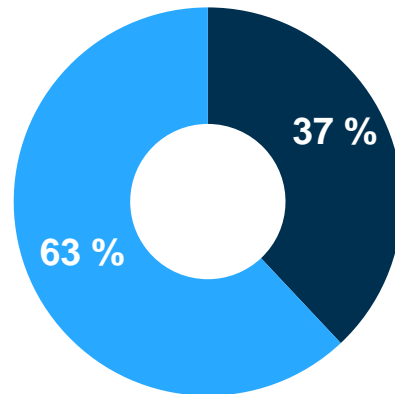


■ Tikkurila ■ Others



Russia accounts for 25% of revenue

Sweden

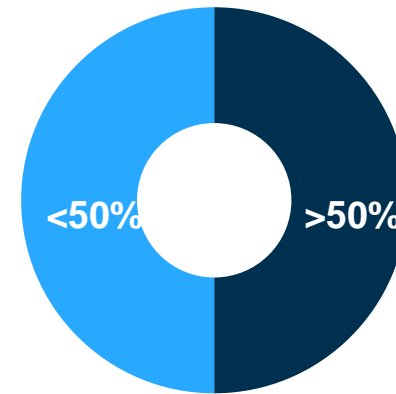


■ Tikkurila ■ Others



Sweden accounts for 23% of revenue

Finland

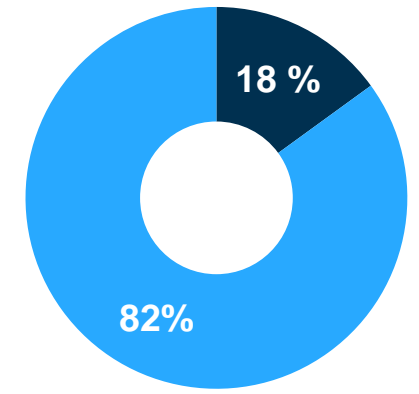


■ Tikkurila ■ Others



Finland accounts for 16% of revenue

Poland



■ Tikkurila ■ Others



Poland accounts for 13% of revenue

Tikkurila's customer segments

Share of industrial customers rising

Consumers 47 %*



Professionals 35 %*



Industry 18 %

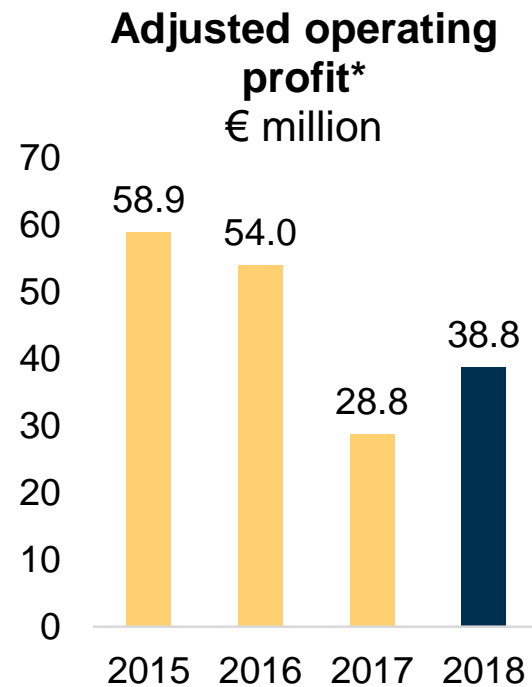
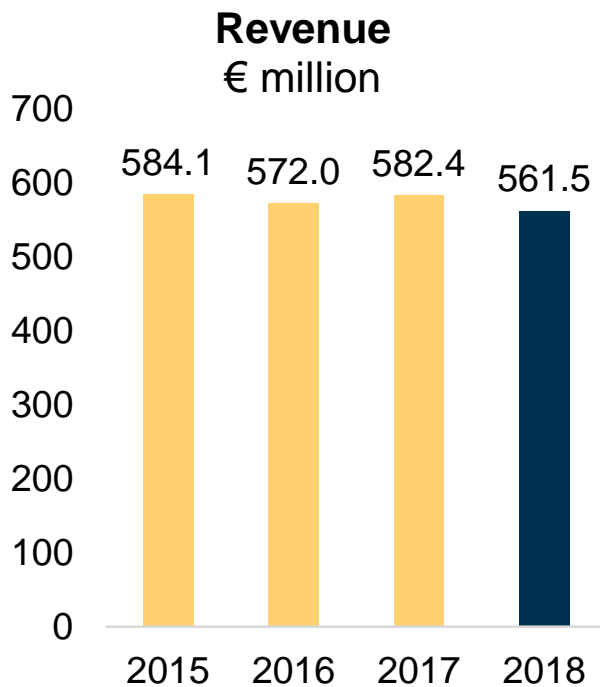


**Tikkurila estimate*

Business performance in 2018

2018 in brief

- Euro-denominated revenue was EUR 561.5 million, decreased by 3.6%, and grew by 3.1% when excluding currency effects and divestments (EUR -38.8 million).
- Adjusted operating profit increased significantly to EUR 38.8 million (28.8), up 34.8%.
- Earnings per share EUR 0.33

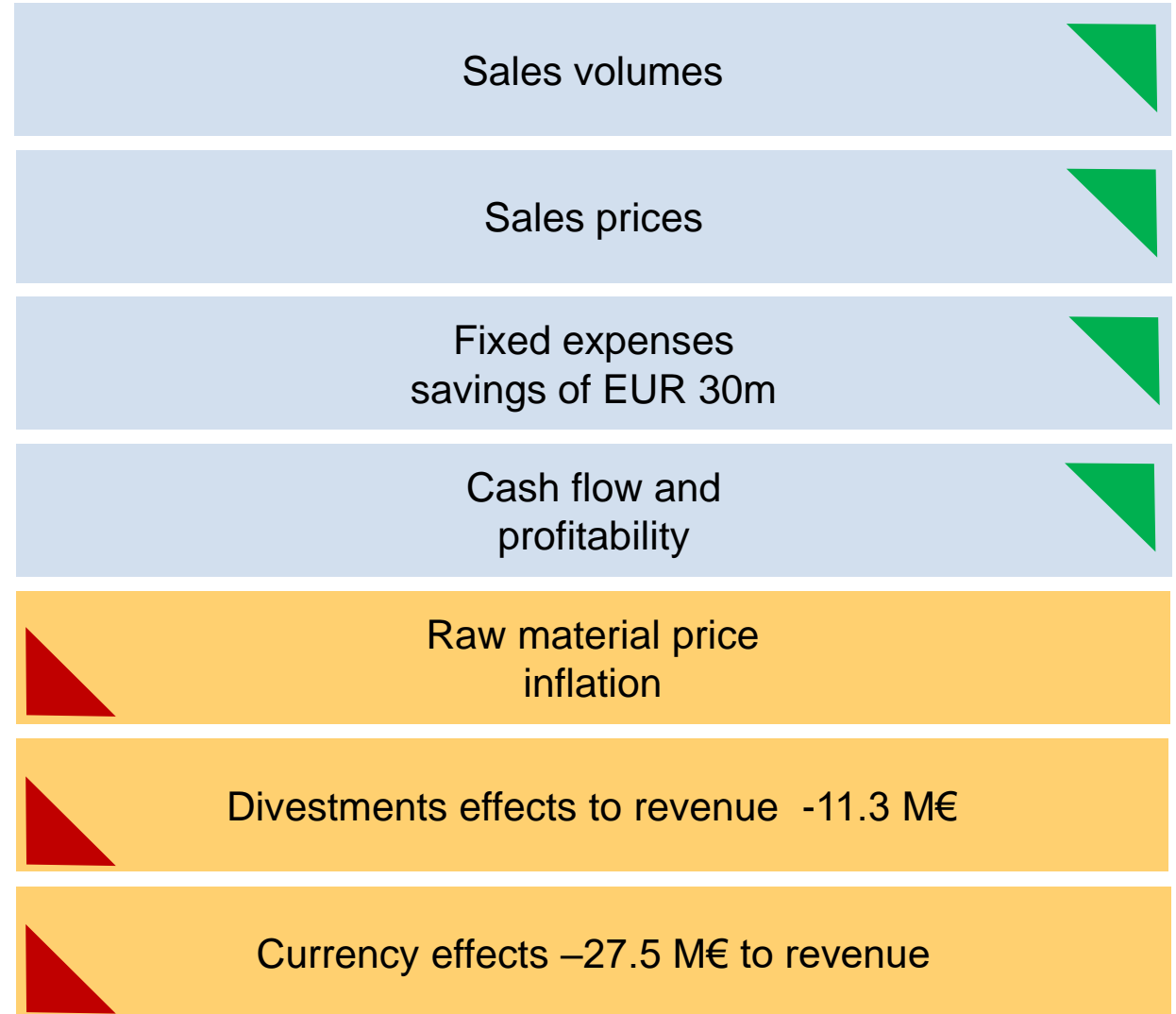


EUR million	2018	2017	Change, %
Revenue	561.5	582.4	-3.6%
Adjusted operating profit*	38.8	28.8	+34.9%
EPS, EUR	0.33	0.24	+36.9%

**Adjusted operating profit excluding non-recurring items.*

Highlights in 2018

- Sales volumes increased in all of the main markets, especially in Poland.
- Sales price increases were not enough to compensate for effects of the continued raw material inflation.
- Fixed expenses savings of EUR 30 million were achieved.
- Raw material price increases continued.
- Weakened Swedish krone and Russian ruble as well as the divestment in the Balkan had a combined negative effect of EUR 38.8 million on revenue.



Key figures in 2018

- Profitability improved, strict fixed expenses savings of EUR 30 million offset increased raw material prices and adverse currency effects.
- Result for the financial year was EUR 14.6 (10.7) million.
- Cash flow clearly improved thanks to the better operating result as well as improved net working capital and lower income taxes paid.
- Gearing weakened and was 57.0 % (50.2 %)

EUR million	2018	2017	Change %
Revenue	561.5	582.4	-3.6%
Adjusted operating result	38.8	28.8	34.9%
Adjusted operating result, %	6.9%	4.9%	
Operating result (EBIT)	26.5	19.3	37.4%
Operating result (EBIT), %	4.7%	3.3%	
EPS, EUR	0.33	0.24	37.5%
Result for the period	14.6	10.7	36.9%
ROCE, % rolling	9.3%	6.3%	
Cash flow after capital expenditure	36.3	4.4	720%
Net interest-bearing debt at period-end	85.5	90.1	-5.1%
Gearing, %	57.0%	50.2%	
Equity ratio, %	37.6%	42.0%	
Personnel at period-end	2,717	3,037	-10.5%

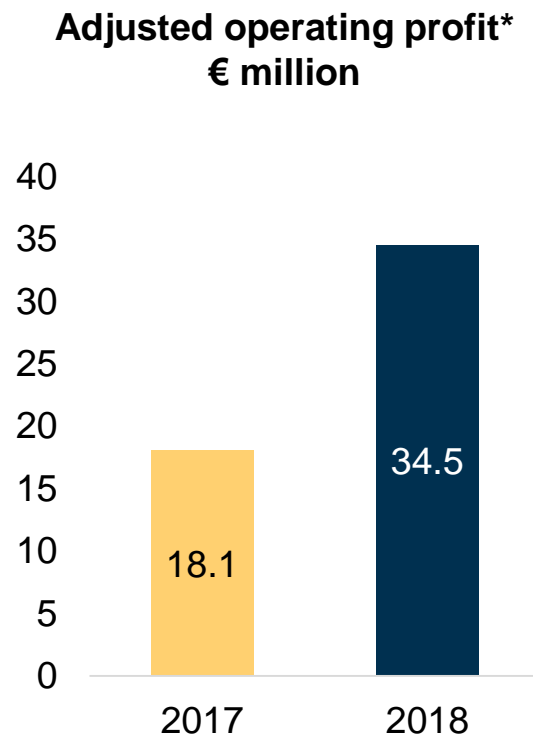
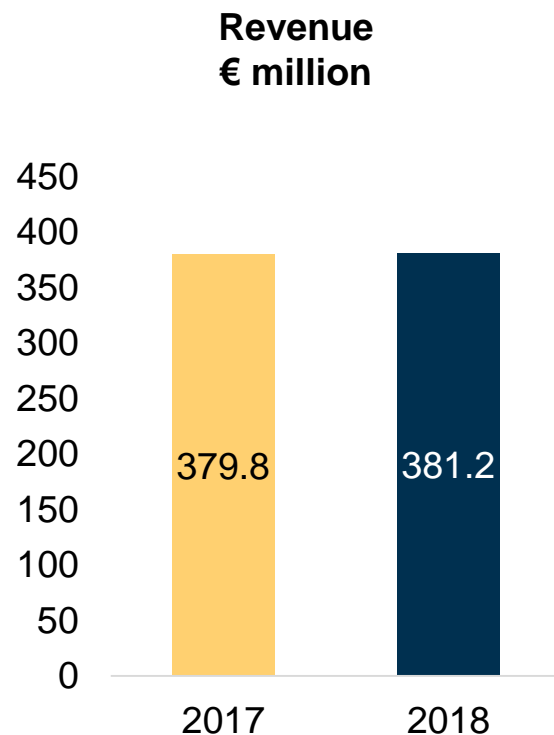
Tikkurila's business units SBU West and SBU East



Products available in more than 40 countries

SBU West's operating profit improved

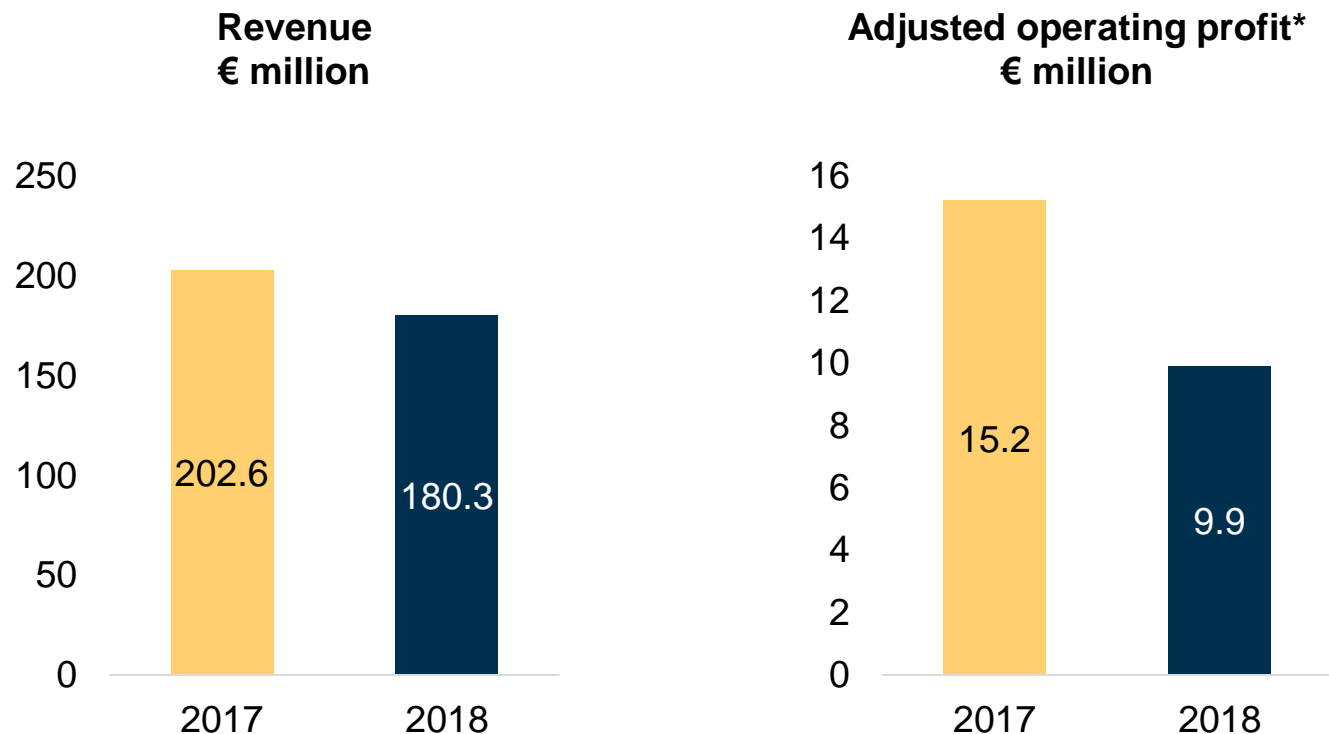
- SBU West's euro-denominated revenue increased by 0.4% from the comparison period while increased by +3.0% excluding currency effects.
 - Higher sales volumes (+3%) eliminated the impact of exchange rate fluctuation
- Despite sales price increases the indirect costs were clearly higher than in the corresponding period a year ago due to raw material price increase.
- Profitability improved by a lower fixed expense level.



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

SBU East burdened by exchange rate fluctuation and divestments

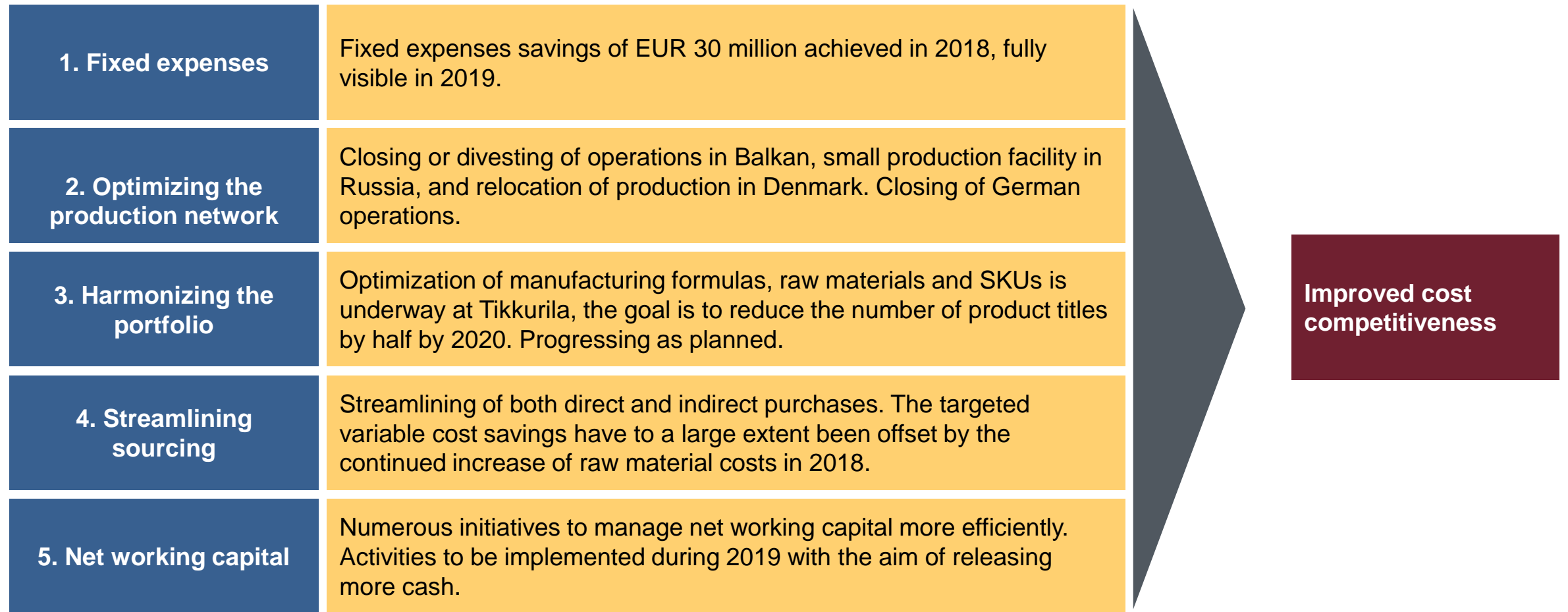
- SBU East's euro-denominated revenue decreased by 11% from the comparison period, however, excluding currency effects and divestments the revenue increased by 3.2%.
- Sales mix developed favorably due to the shift to premium products from economy segment products.
- Despite sales price increases profitability of SBU East weakened due to the higher raw material cost level.



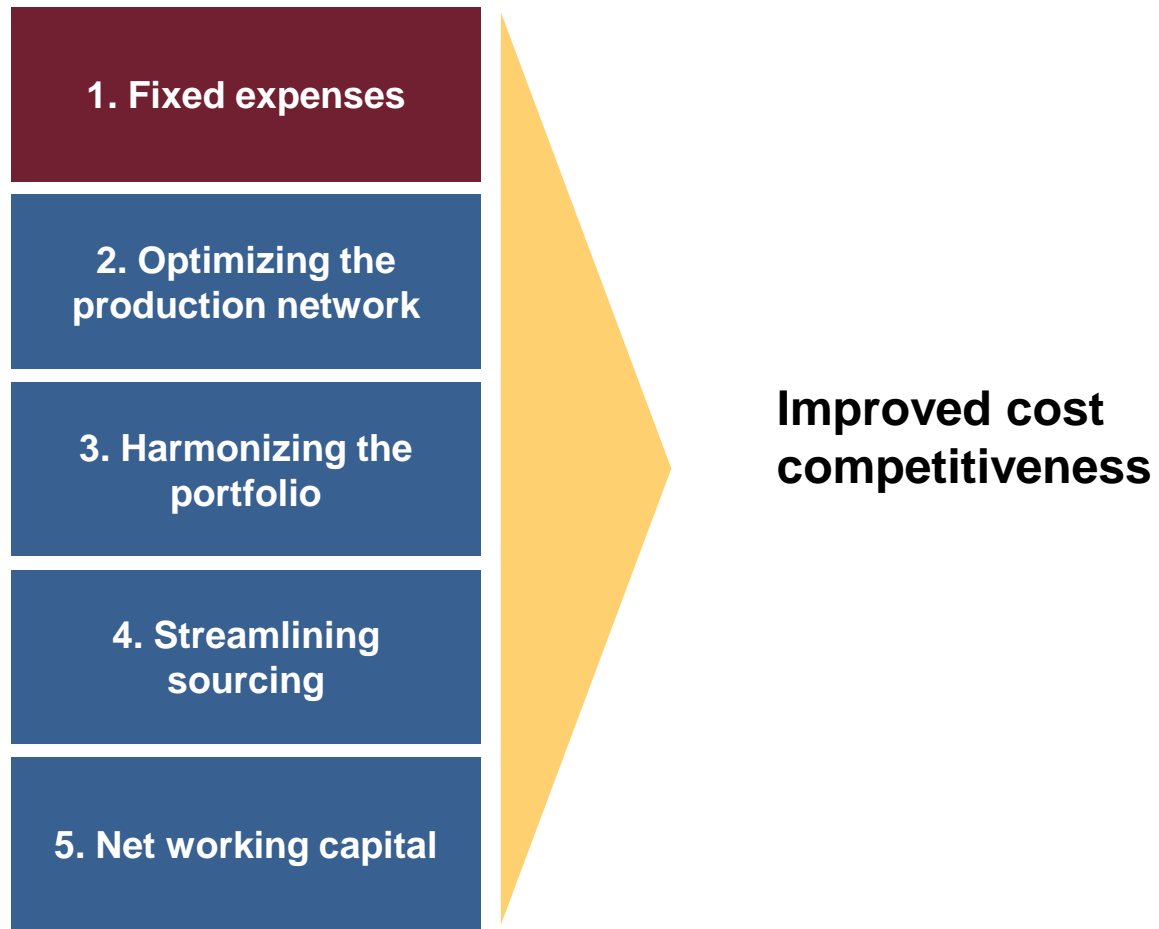
SBU East consists of Russia, Central Asian countries, and China. Furthermore, SBU East is responsible for the exports to more than 30 countries.

Tikkurila's efficiency program of EUR 30 million

Tikkurila's efficiency program of EUR 30 million

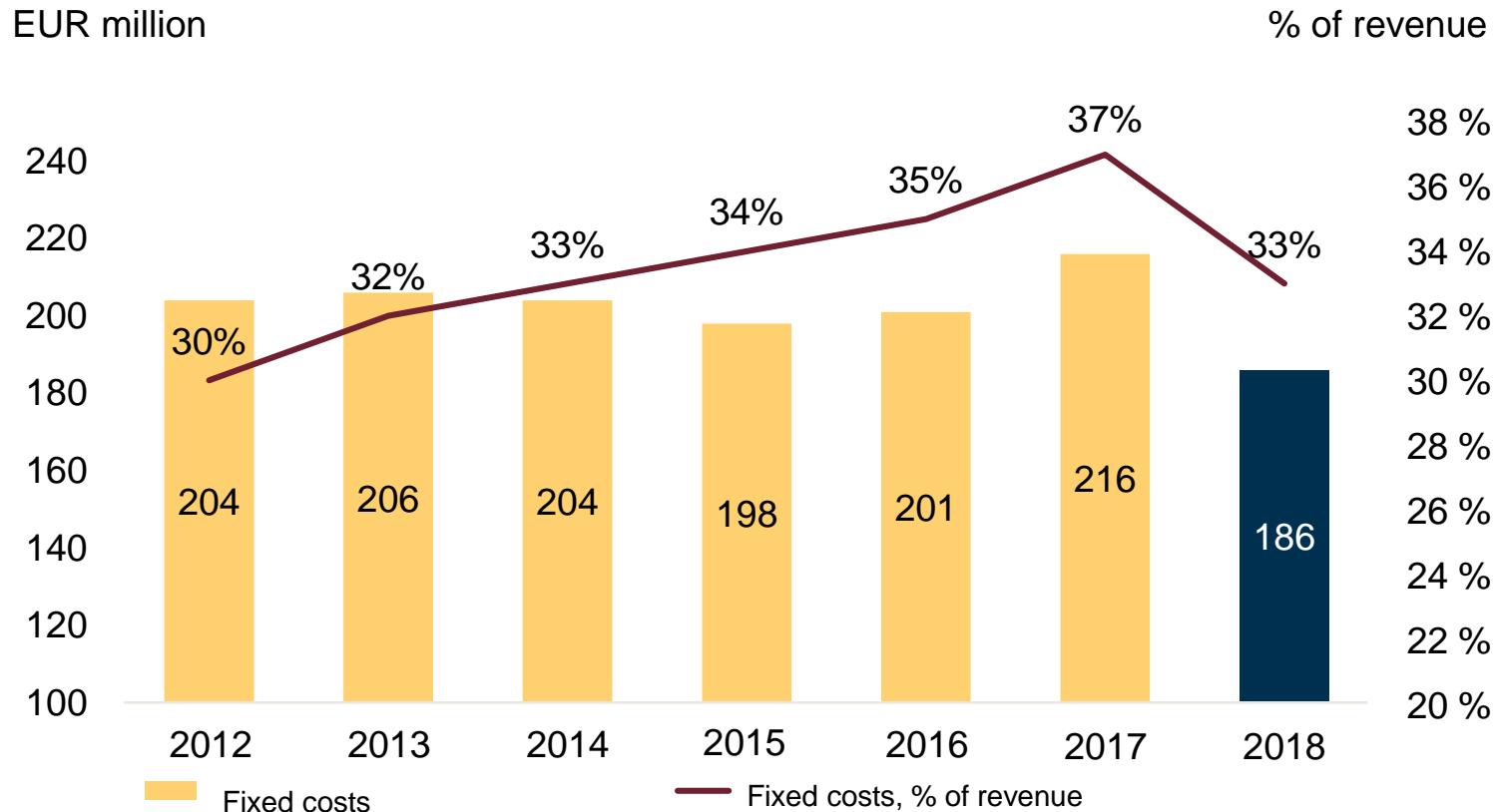


Tikkurila's efficiency program of EUR 30 million



1. Fixed expenses savings of EUR 30 million (compared to 2017), proportion of revenue decreased

Fixed expenses of Tikkurila and savings from the efficiency program



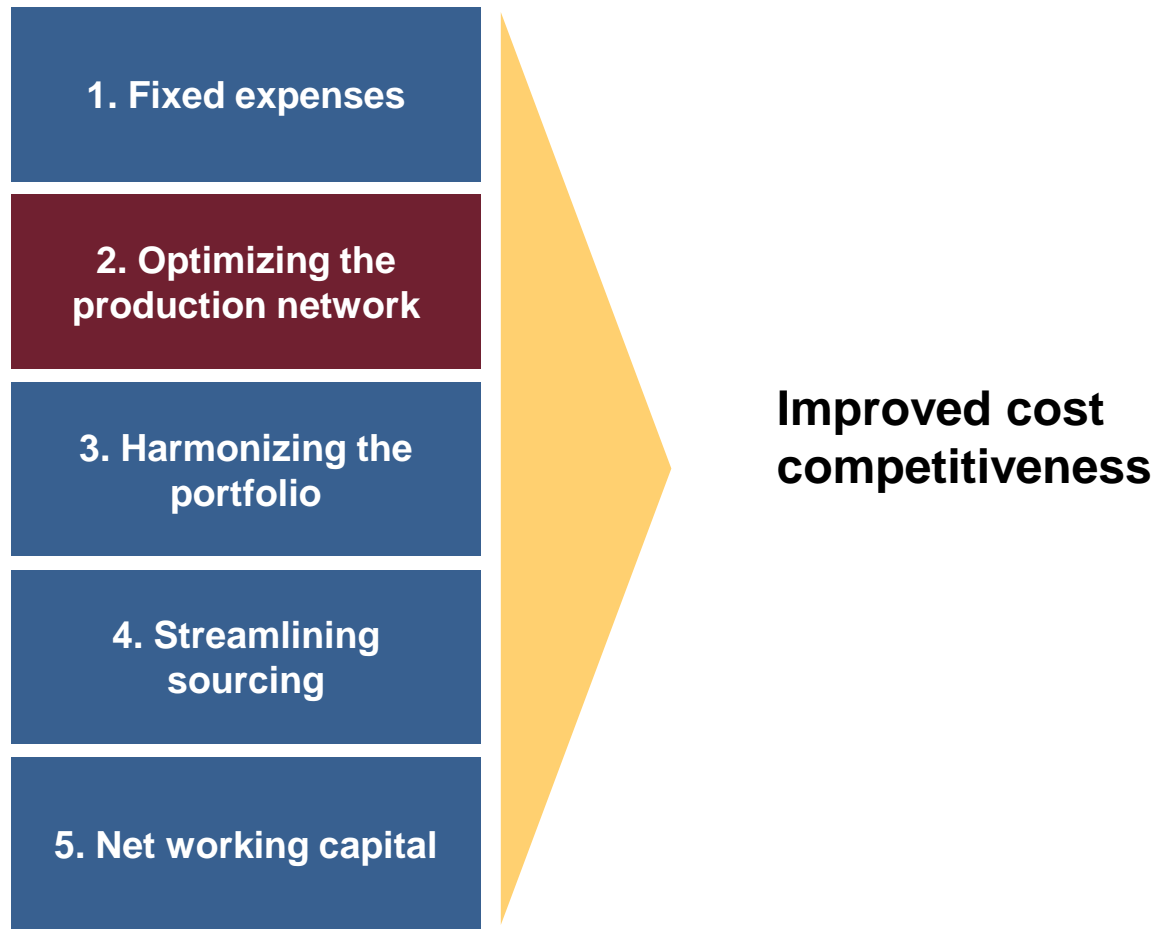
Approximately EUR 30 million fixed expenses savings achieved in 2018*. Savings will be fully visible in 2019.

Cost savings from optimizing the production network.

Savings from other fixed expenses.

* Including currency effect of EUR 7 million.

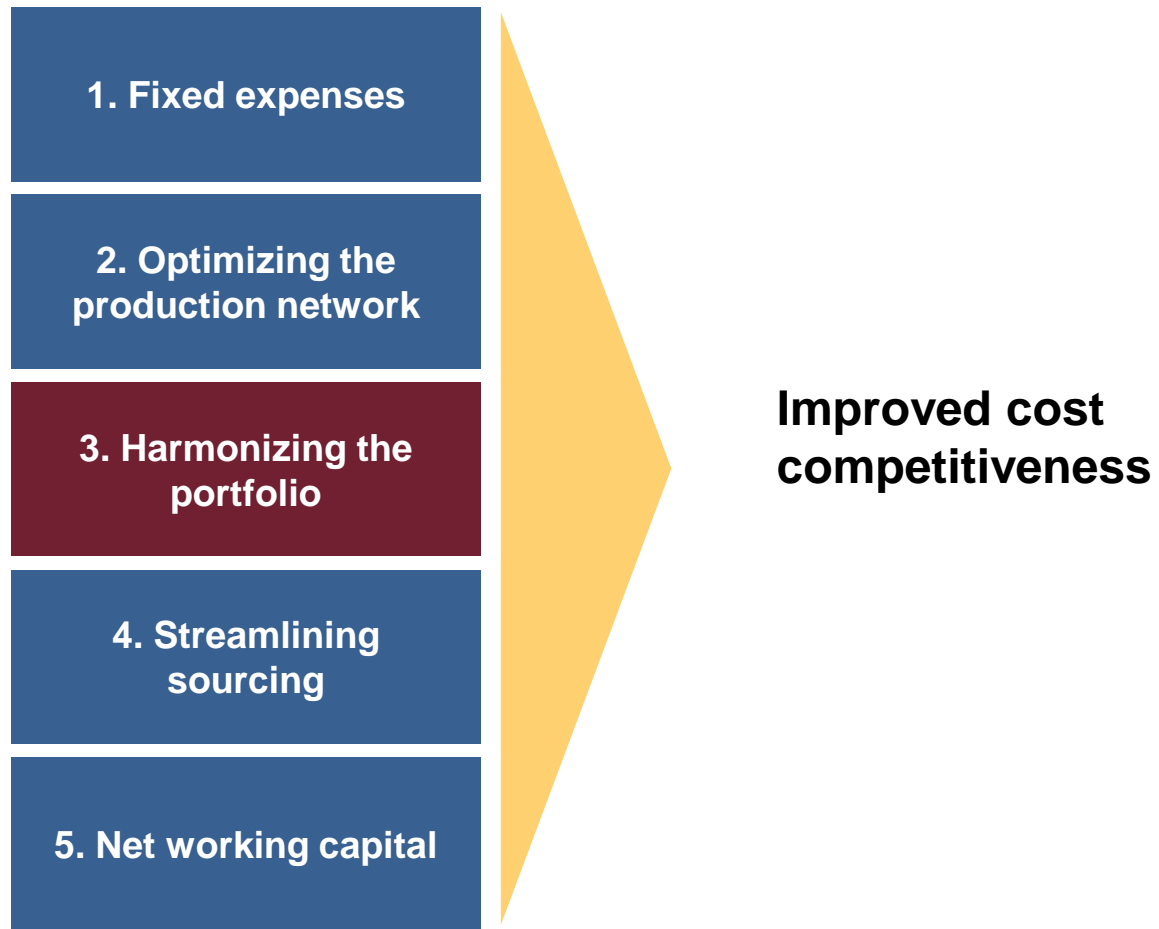
Tikkurila's efficiency program of EUR 30 million



2. Optimization of production and logistics sites



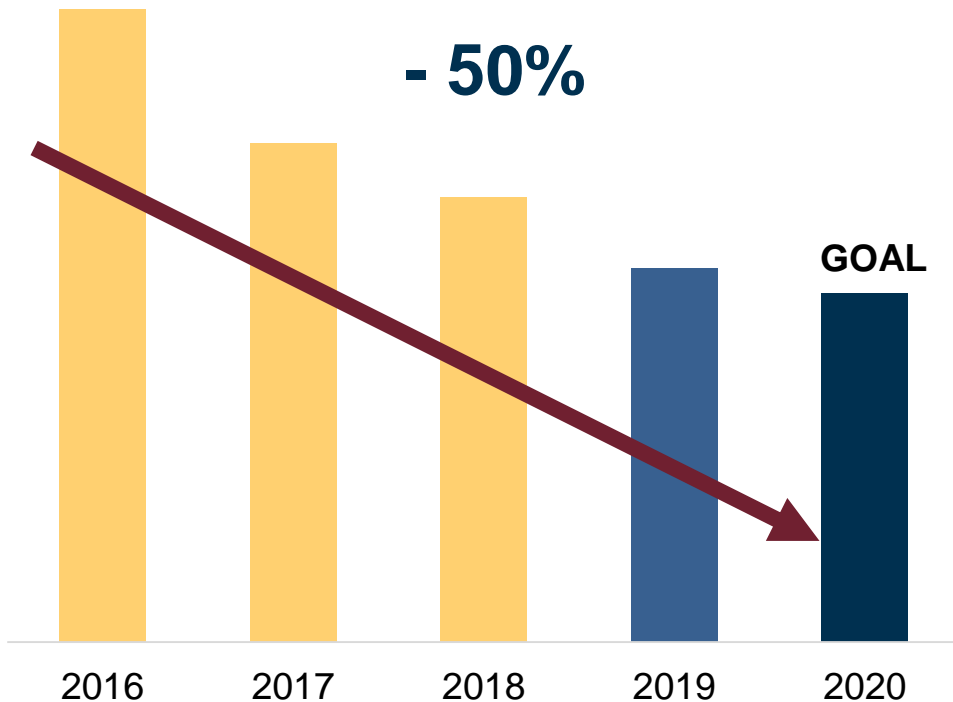
Tikkurila's efficiency program of EUR 30 million



3. Harmonizing product 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.

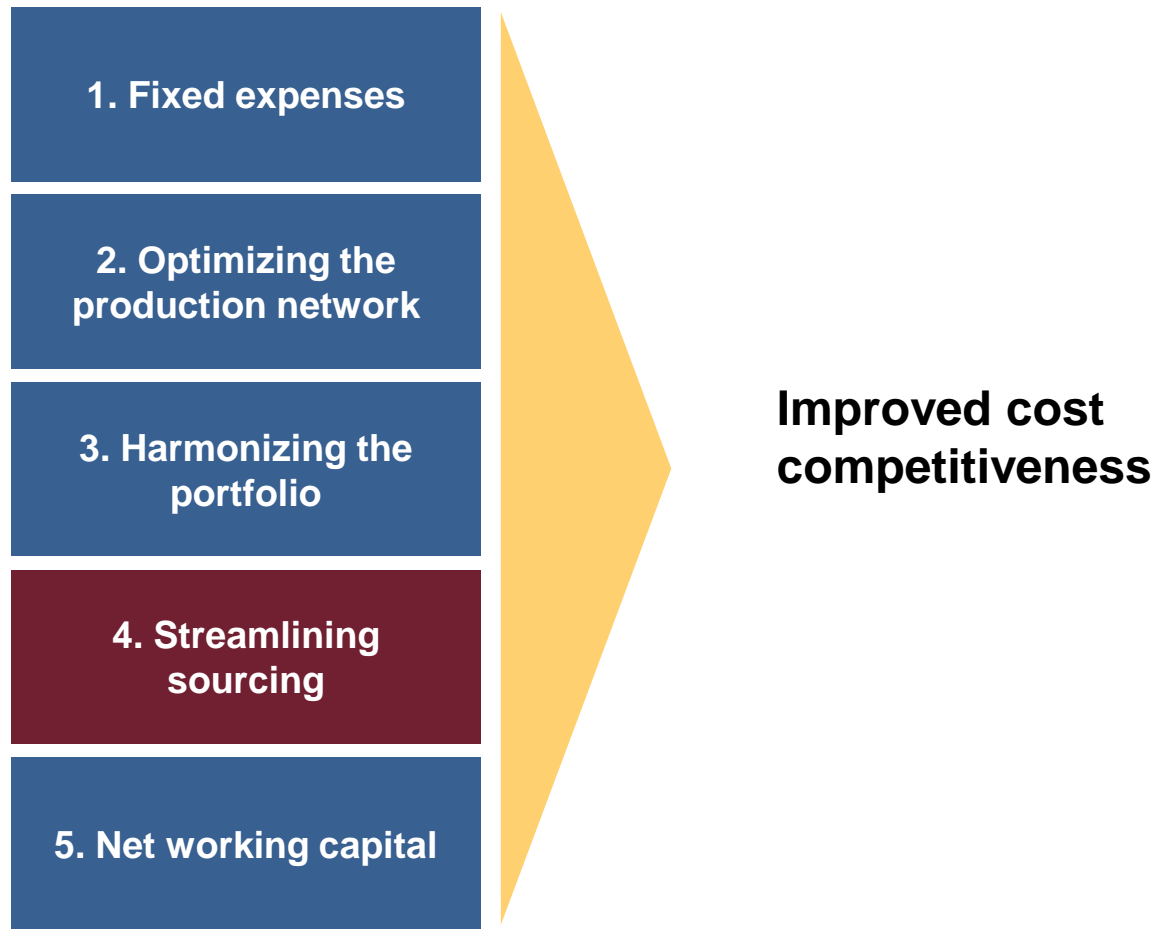
The goal is to reduce the number of product titles by half by 2020



Focus on premium brands



Tikkurila's efficiency program of EUR 30 million

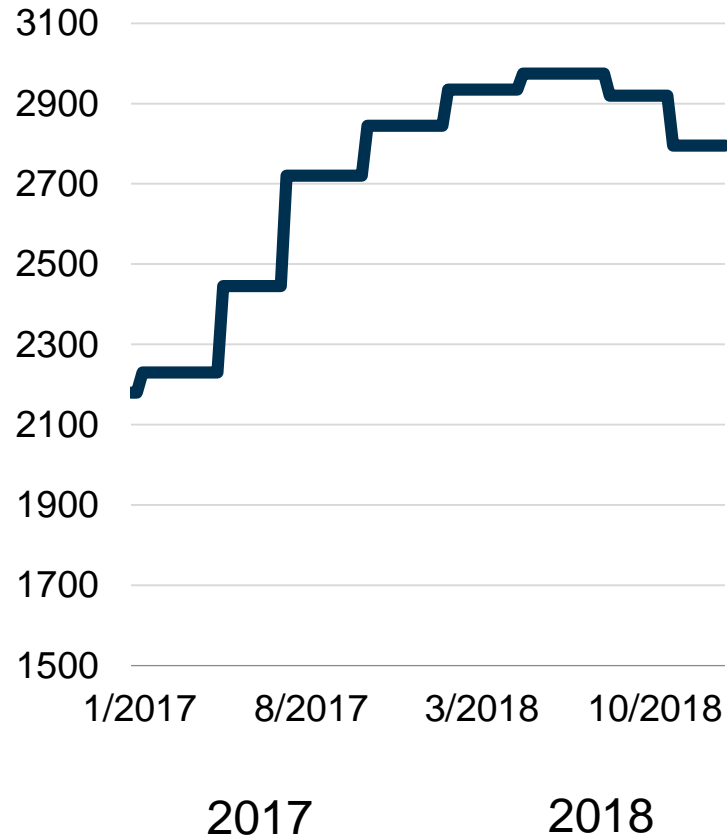


4. Streamlining of sourcing and development of raw material prices in 2018

Price development of oil (Brent), EUR/tn
2017-2018

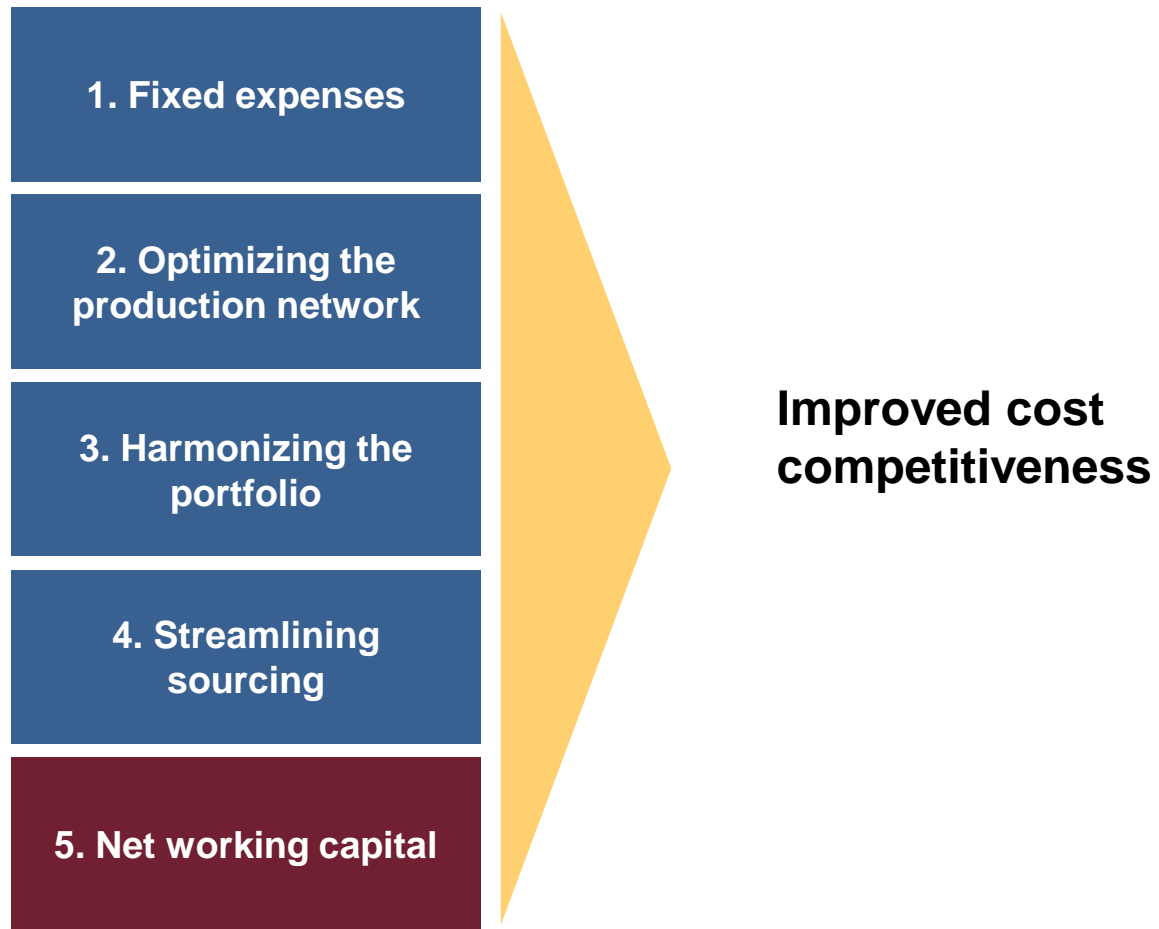


Price development of titanium dioxide,
EUR/tn
2017-2018



- The cost of raw materials and packaging materials corresponds to approximately half of Tikkurila's revenue.
- The targeted variable cost savings have to a large extent been offset by the continued increase of raw material costs in 2018. The increase in raw material prices started already in 2017.
- Raw material inflation continued until the end of 2018.
- The prices of raw materials continued to rise, in particular the prices of raw materials connected to oil prices, such as binders and solvents. Rise in the titanium dioxide prices seems to be stabilizing.
- Indirect purchasing has been centralized.

Tikkurila's efficiency program of EUR 30 million



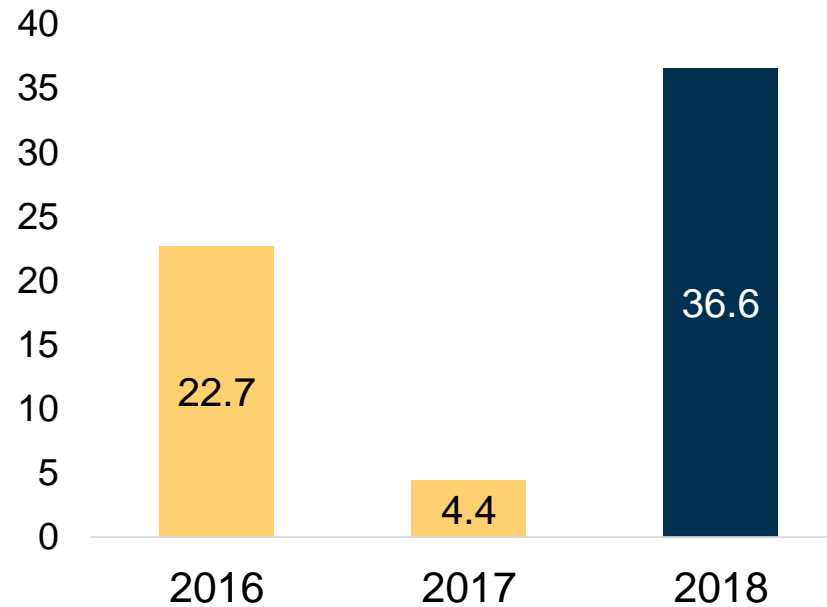
5. Efficiency on net working capital improved cash flow

Net working capital decreased by 10% mainly due to the lower inventory levels and was EUR 81 million on 31 Dec 2018.

Several actions improving net working capital are ongoing.

Cash flow improved significantly.

Cash flow after investments,
EUR million



How to ensure future growth?

Tikkurila is entering “Into the New” – targeting growth and efficiency

FOCUS AREAS:

1. EFFICIENCY

- Improved cost competitiveness

2. PROFITABLE GROWTH

- Exceeding market growth

3. COMMON CULTURE

- Good leadership and internal communications
- Continuous improvement



STRATEGY

- Changes in operating environment
- Market positioning
- Strategic choices

Renewed strategy to be published in Q2/2019

WHY: We create Nordic quality surfaces that have a difference

VALUES: We are professional, trustworthy and innovative.

Tikkurila's focus areas in 2019

1. EFFICIENCY

- Tikkurila's efficiency program of EUR 30 million continues
 - Strict cost control in fixed costs
 - Portfolio harmonization
 - Efficiency in sourcing and transferring raw material costs further to sales prices
 - Efficiency in net working capital, diminishing the amount of waste and inventory level optimization

2. PROFITABLE GROWTH

- Greater than market growth
- New products on all markets
- Implementing of CRM system

3. COMMON CULTURE

- Good leadership and internal communications
- Redefining the content of Tikkurila's values
- Continuous development of Tikkurila's management system and communications
- Continuous improvement



TIKKURILA

**We create Nordic, sustainable quality surfaces that
have a difference**

A person is painting a wooden deck with a brush. The brush has a yellow handle and a grey head. The person's hands are visible, and they are wearing a blue shirt. The background shows green plants and a wooden path.

We create Nordic, sustainable quality surfaces that have a difference

77 %
of produced
paints
were water-borne
(2018)

300+
Ecolabeled
products*
(2018)

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

Environmental friendly Vivacolor in the Baltic countries



Tikkurila's first bio-based product introduced in Sweden: lower carbon footprint and packaged in recycled plastic can – Alcro A1



Tikkurila Finngard Clean for demanding conditions





TIKKURILA

Creating products for demanding construction projects

Modernization of Helsinki Olympic stadium in 2016-2019 with Tikkurila's professional and industrial products

- **exterior wooden cladding**
(Ultra Pro Plus 30 + Ultra Classic)
- **wooden lathwork of the stadion canopy**
(Pinja Priming Oil + Pinja Wood Stain)
- **concrete floors**
(Temafloor PU Flex + Fontefloor EP 100)
- **old and new exterior walls of concrete**
(Finngard product family)



Quality that tests time and weather conditions

Indoor ski hall in Norway



Norway indoor ski hall
EPPUR 200/2 Temacoat Primer
+ Temathane PC 50



TEMATHANE
PC 80

Polyurethane paint



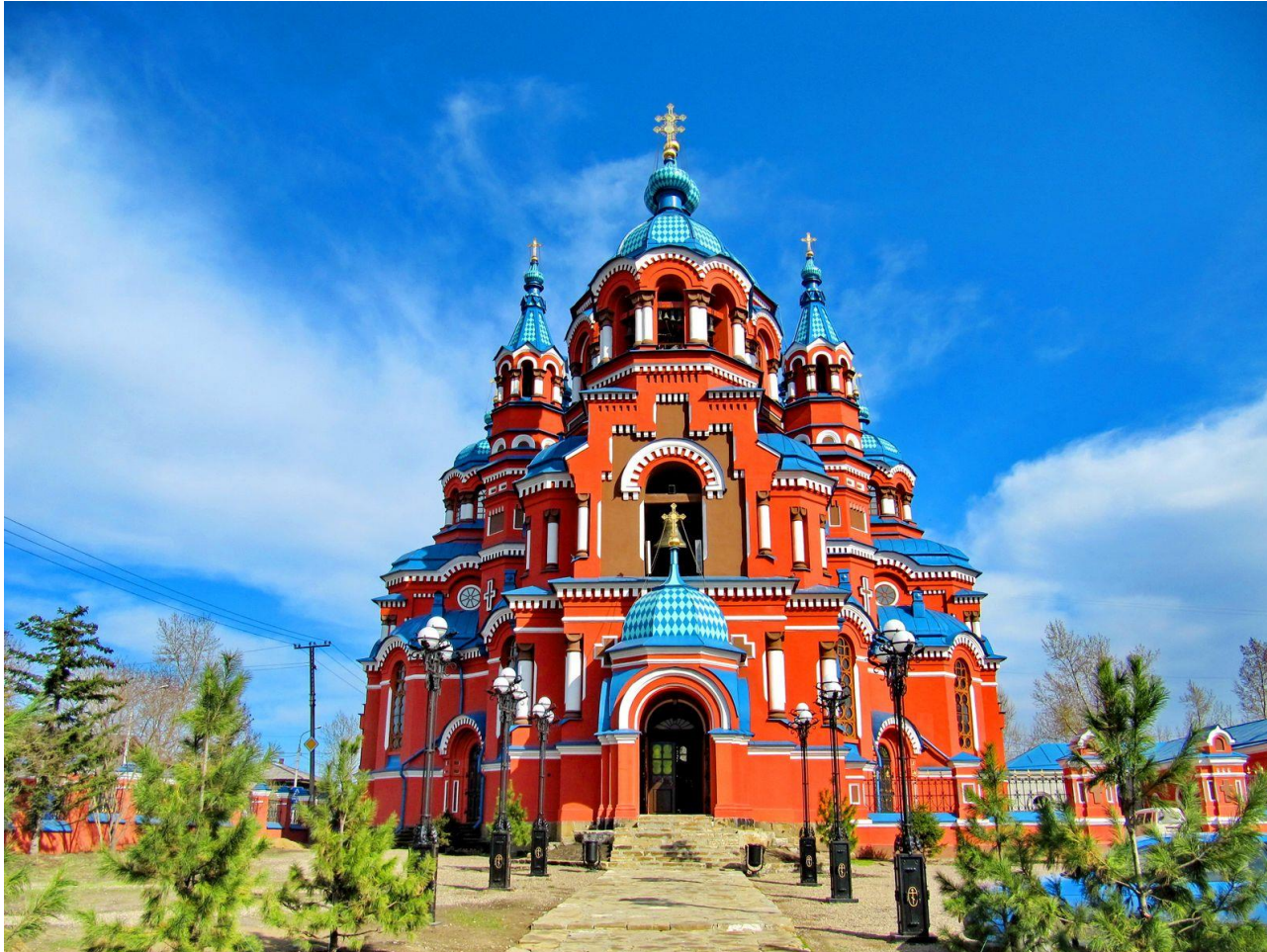
Products are used in demanding industrial applications such as bridge constructions, where superior resistance is needed



Jännevirta bridge in Finland,
built in 2018.



Products and expertise for special buildings



Russia, Irkutsk
Tikkurila Novasil and
Panssarimaali



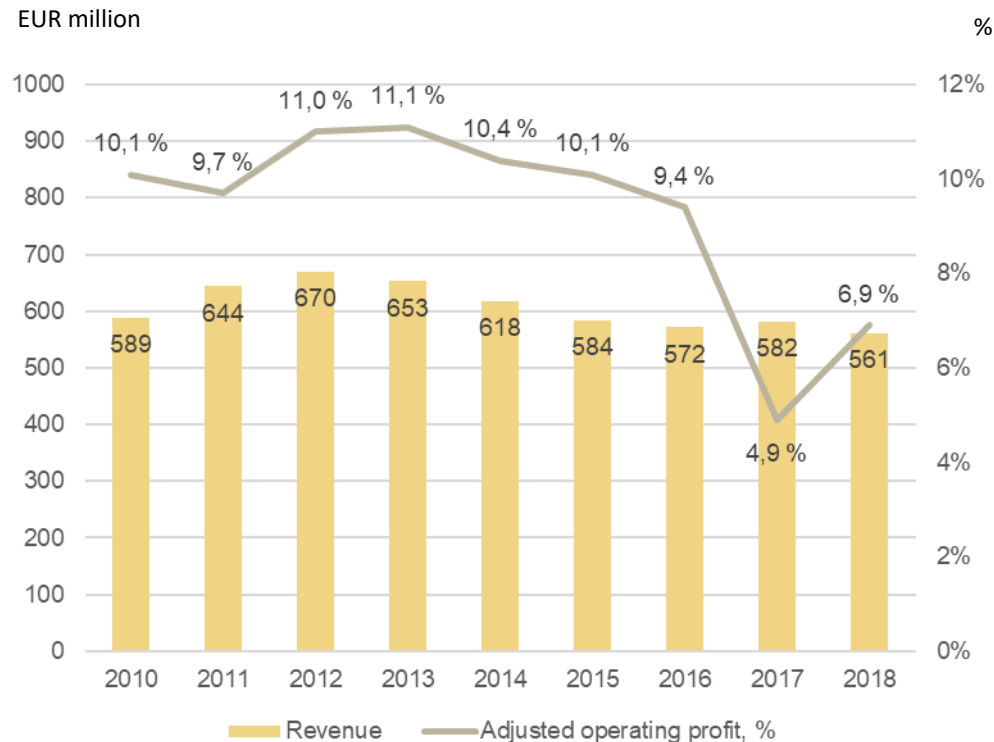


TIKKURILA

Outlook

Outlook for 2019

Revenue and profitability of Tikkurila 2010–2018



Outlook and guidance for 2019

Outlook for 2019

- Economic growth is estimated to be modest during 2019 in Tikkurila's key markets. Overall, consumer confidence in Tikkurila's main markets is still expected to be at a good level. Volatility in the exchange rates is expected to continue.
- In the paint and coatings markets, the share of professional and business-to-business customers will continue to steadily increase, which affects the sales mix, and in certain markets, the sales channels as well. Consolidation in the paint market, as well as in the suppliers' and retailers' side is expected to continue. However, the rapid raw material and packaging material cost inflation should stabilize.
- Tikkurila will continue to systematically implement the efficiency program with strict cost control, active pricing and further actions to improve cost competitiveness. Tikkurila will share renewed growth strategy iduring the first half of 2019. Tikkurila is well positioned to provide its customers with high-quality goods and services in all subsegments where the company operates.

Guidance for 2019

- Tikkurila's revenue is expected to remain at the same level as in 2018 and the adjusted operating profit will continue to improve.

Thank you!



K319

Flamingo

TIKKURILA
COLOR OF THE YEAR
2019

#COLORNOW2019

