



TIKKURILA

Profitability increased clearly in Q2/2020

TIKKURILA OYJ, HALF YEAR FINANCIAL REPORT

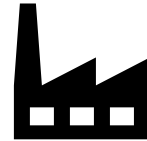


How did the Covid-19 impact Tikkurila?

Overall, Tikkurila's second quarter was strong, despite Covid-19.



Demand fluctuated rapidly
between April-June



**Tikkurila remained
fully operational***

Exceptionally
high sales in
consumer
driven by DIY
business

**Professional
and industry**
businesses
were impacted,
still less than
expected



**Continued focus on
health & safety of
employees, customers
and partners**

HYVÄ
OLLA
KOTONA



The "Stay at home" impact boosted consumer sales towards the end of the quarter, and Tikkurila's marketing efforts were focused to support the trend.

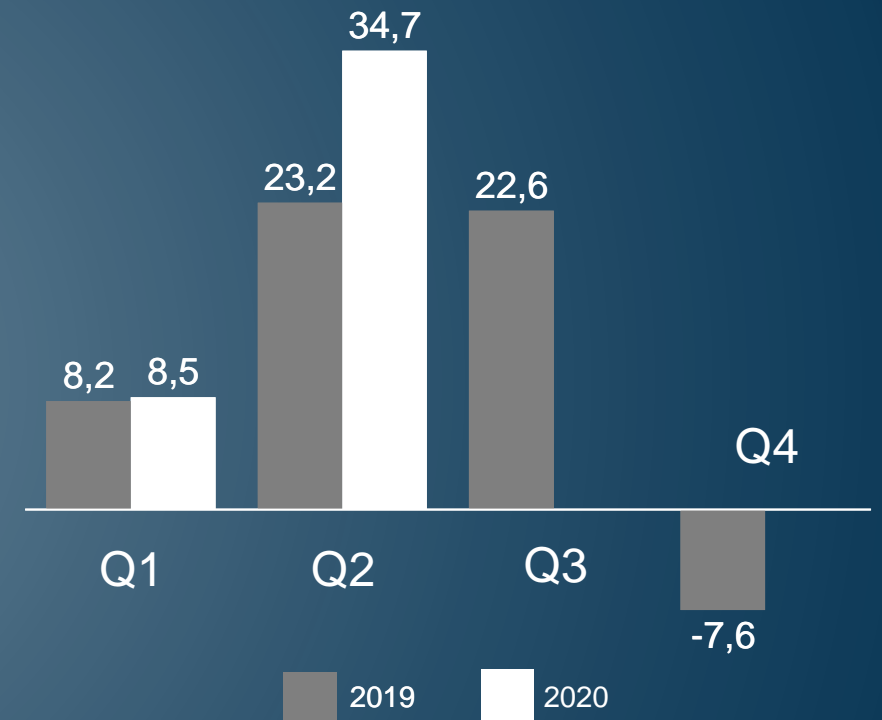
Key financial takeaways from Q2/2020

- **Revenue increased by +1.3%, and by +4.6% in comparable currencies**
 - Strong growth in Finland, Sweden and Poland
 - Decline in Russia was due to stricter and longer local Covid-19 restrictions
 - In June, revenue was in strong growth in all main markets: +24%, also Russia in clear double-digit growth

- **Adjusted operating result clearly improved to EUR 34.7 million (23.2)**
 - Positive price/mix development
 - Continued efficiency actions and temporary savings contributed

- **Liquidity and funding position is good**
 - Interest-bearing net liabilities improved to EUR 96.9 million (151.8)
 - Operative cash flow improved

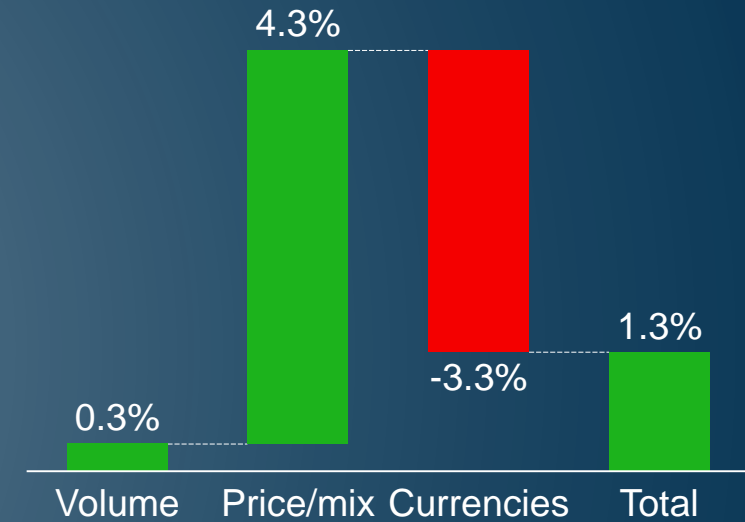
Adjusted operating profit (EUR million)



Key figures – Tikkurila Group

EUR million	4-6/2020	4-6/2019	Change%	1-6/2020	1-6/2019	Change%	1-12/2019
Revenue	171.8	169.7	+1.3%	304.8	298.8	+2.0%	563.8
Comparable revenue growth ¹⁾			+4.6%			+4.2%	+1.4%
Operating result (EBIT)	33.1	21.2	+56.2%	41.7	29.1	+43.3%	43.9
Operating result margin, %	19.3%	12.5%		13.7%	9.7%		7.8%
Adjusted operating result	34.7	23.2	+49.2%	43.2	31.4	+37.6%	46.4
Adjusted operating result margin, %	20.2%	13.7%		14.2%	10.5%		8.2%
Net result for the period	27.0	16.1	+67.5%	30.8	23.5	+30.9%	33.2
Earnings per share (EPS), EUR*	0.61	0.37	+67.6%	0.70	0.53	+30.9%	0.75
Interest-bearing net liabilities at period-end				96.9	151.8	-36.2%	78.4
Cash and cash equivalents				100.8	34.2	+194.9%	47.0
Gearing, %				55.8%	94.2%		45.6%
ROCE, %				20.5%	12.2%		15.4%
Cash flow after capital expenditure	11.4	-12.0	+194.9%	-5.9	-30.1	+80.2%	52.7

The effects of various factors on revenue, Q2/20 vs Q2/19

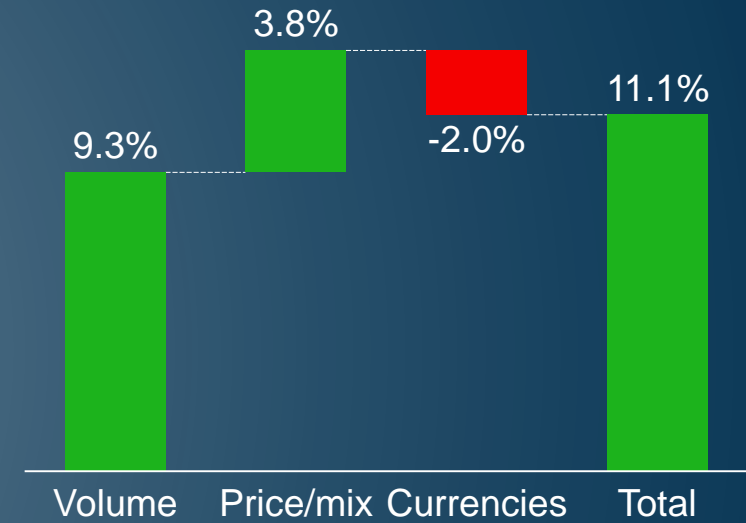


1) Comparable revenue excludes currency effects, divestments and closures.

Key figures – SBU West

EUR million	4-6/2020	4-6/2019	Change %	1-6/2020	1-6/2019	Change %	1-12/2019
Revenue	119.4	107.5	+11.1%	216.4	204.7	+5.7%	370.0
Comparable revenue growth ¹⁾			+13.1%			+7.3%	
Revenue in Sweden	38.2	35.3	+8.3%	69.2	66.5	+4.1%	118.7
Revenue in Finland	33.5	28.4	+17.9%	61.1	55.0	+11.1%	91.1
Revenue in Poland	25.7	23.7	+8.5%	47.1	47.3	-0.2%	89.4
Adjusted operating result	25.3	14.8	+70.8%	35.7	25.4	+40.4%	30.7
Adjusted operating result margin, %	21.1%	13.7%		16.5%	12.4%		8.3%

The effects of various factors on revenue, Q2/20 vs Q2/19



Highlights from April–June (Q2)

- In **Sweden** (revenue +8%), increase in all segments (consumer, professional, industry). Growth was driven by increasing consumer DIY demand, especially for exterior paints.
- **Finland** (revenue +18%) had the fastest growth with revenue increasing in consumer and industry businesses. The recovery driven by consumer DIY demand especially for exterior paints was strong in Finland.
- In **Poland** (revenue +9%), revenue increased in decorative paints, offsetting the slight decline in industry paints.
- Weak currencies had a negative impact of EUR -2 million to revenue in SBU West.

1) Comparable revenue excludes currency effects, divestments and closures.

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

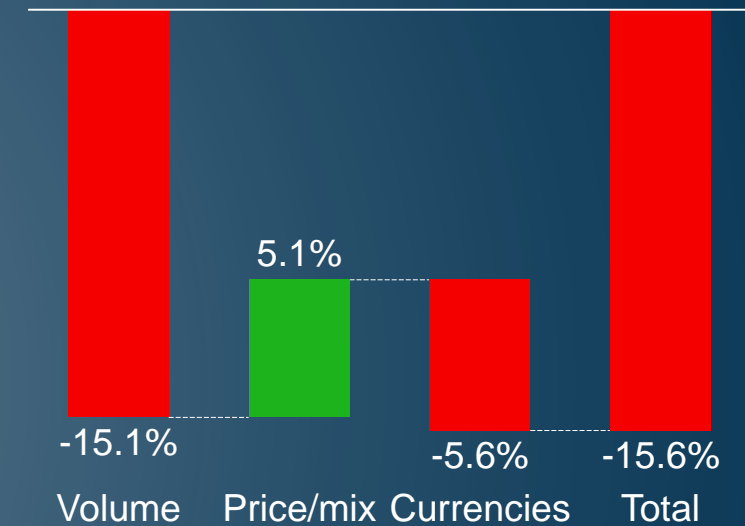
Key figures – SBU East

EUR million	4-6/2020	4-6/2019	Change %	1-6/2020	1-6/2019	Change %	1-12/2019
Revenue	52.4	62.2	-15.6%	88.5	94.1	-6.0%	193.8
Comparable revenue growth ¹⁾			-10.0%			-2.7%	
Revenue in Russia	39.1	47.3	-17.3%	66.8	69.1	-3.3%	143.6
Adjusted operating result	11.0	9.8	+12.1%	10.0	9.1	+10.1%	22.0
Adjusted operating result margin, %	20.9%	15.7%		11.3%	9.7%		11.4%

Highlights from April–June (Q2)

- In **Russia** (revenue -17%), revenue decreased reflecting the severity and long duration of the national Covid-19 lockdown. Decline in April-May was due to curfews in major cities, while June grew in double-digit.
 - Most of the retail stores were closed until end of May
 - Local Russian factories were closed for 10 days in early April
 - The strong comparison period in 2019, during which decorative paints sales had increased ahead of price increases
 - The weak Russian Ruble
- Due to Covid-19 impacts revenue declined also in **China**, where our exposure is limited

The effects of various factors on revenue, Q2/20 vs Q2/19



1) Comparable revenue excludes currency effects, divestments and closures.

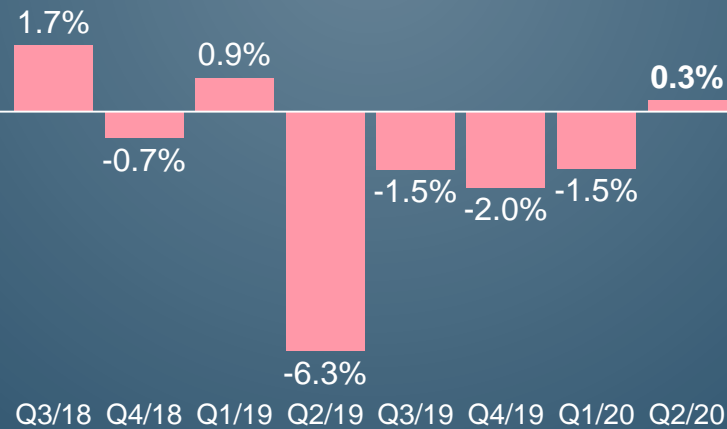
SBU East consists of Russia, Central Asian countries, and China. Furthermore, SBU East is responsible for the exports to more than 30 countries. The figures on the graph have been independently rounded, which should be taken into account when calculating total figures.

Value continues to drive Tikkurila's revenue, while currencies had a clear negative impact

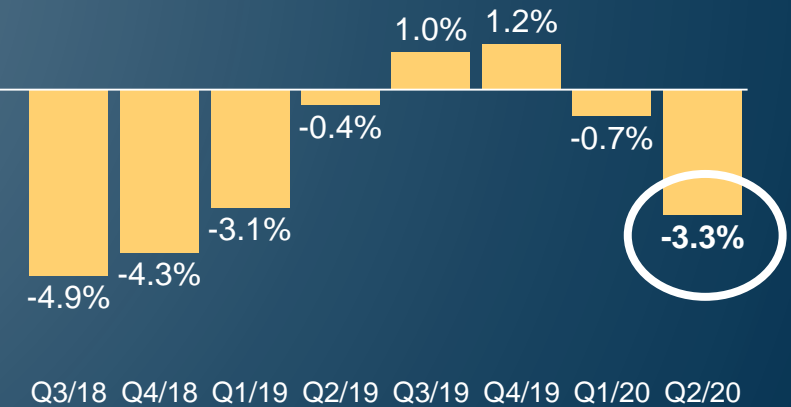
Impact of price/mix on revenue



Impact of volume on revenue

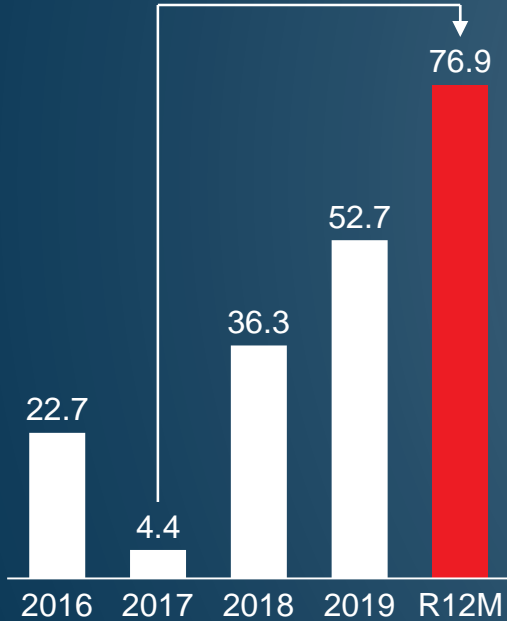


Impact of currencies on revenue

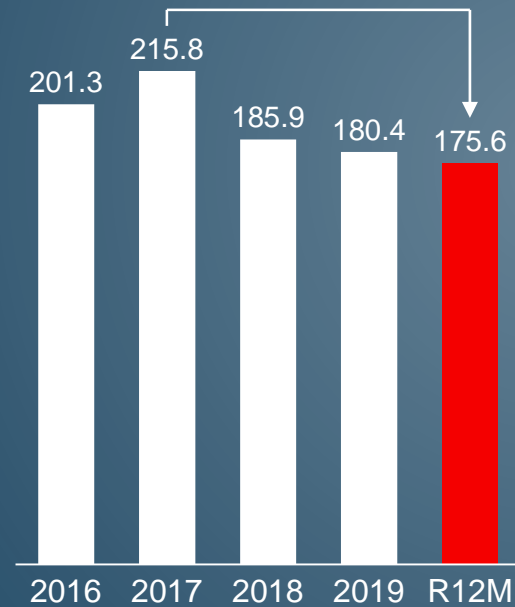


Key indicators continued to develop positively

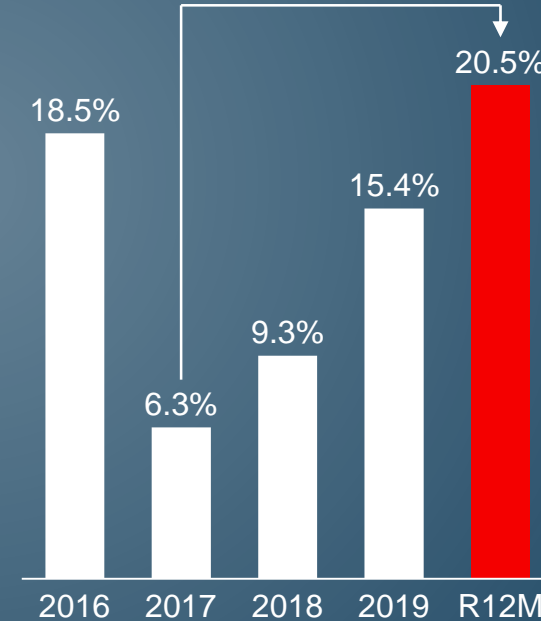
Cash flow after capital expenditure
EUR million, Rolling 12m



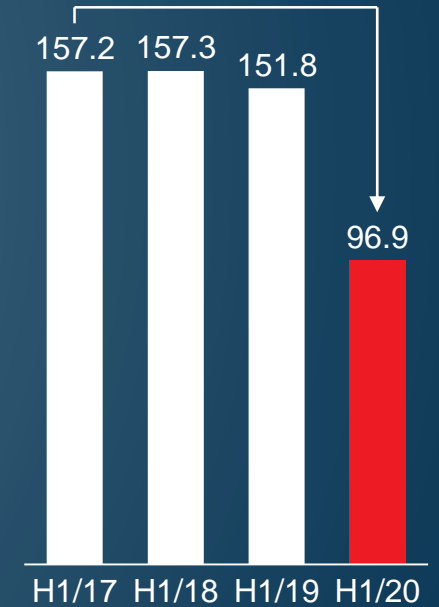
Fixed costs
EUR million
Rolling 12m



ROCE
%
Rolling 12m

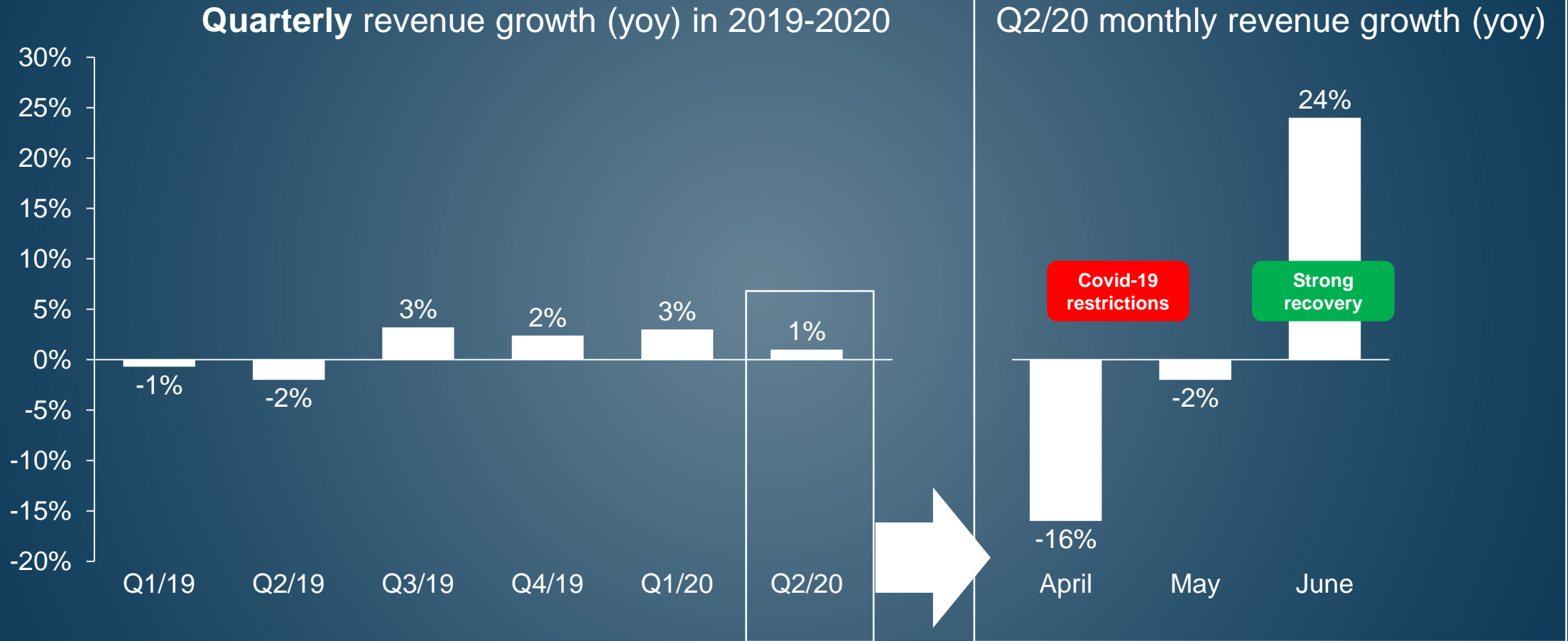


Net interest-bearing liabilities
EUR million



2016-2018 excluding IFRS 16,
2019-2020 including IFRS 16

Demand clearly recovered after the initial Covid-19 related decline



In the end of Q2 (June), recovery was strong in all core markets



Q2 revenue,
growth, %

-17%

+8%

+18%

+8%

June, revenue
growth, %

Double-digit

Double-digit

Double-digit

Double-digit

Differing trends in end-customer segments

83% of revenue*

17% of revenue*

Consumers

Professional

Industry



- ↑ Consumers spent more time and money at home: **DIY growth**
- ↑ **Online activity and ecommerce**
- ↑ **Restrictions currently eased** in our core markets

- ↑ Professional business **also recovered in June**, in most core markets
- ↓ **Mobility of professional painters** within and across borders

- ↓ Weak macroeconomic development has decreased demand in the **metal industry**
- ↑ More local **wood industry** has remained in growth

Visibility forward remains weak

- Extraordinary demand in consumer paints expected to normalize



Demand expected to continue to fluctuate



Consumer demand expected to normalize after extraordinary Q2



New construction projects impacted by uncertainty



Will there be a second Covid-19 wave ?

Macroeconomic uncertainty expected to impact especially our B2B business

Forecasted* GDP decline in 2020



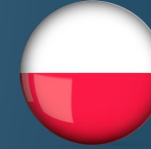
-6%



-6%



-5%



-5%

*Sources for GDP growth rates: Russia (World Bank, June 2020, Global Economic Prospects), Finland, Poland and Sweden (European Commission, Summer 2020 Economic Forecast, 7 July 2020)

Tikkurila restores profitability guidance for 2020 following a strong first half year

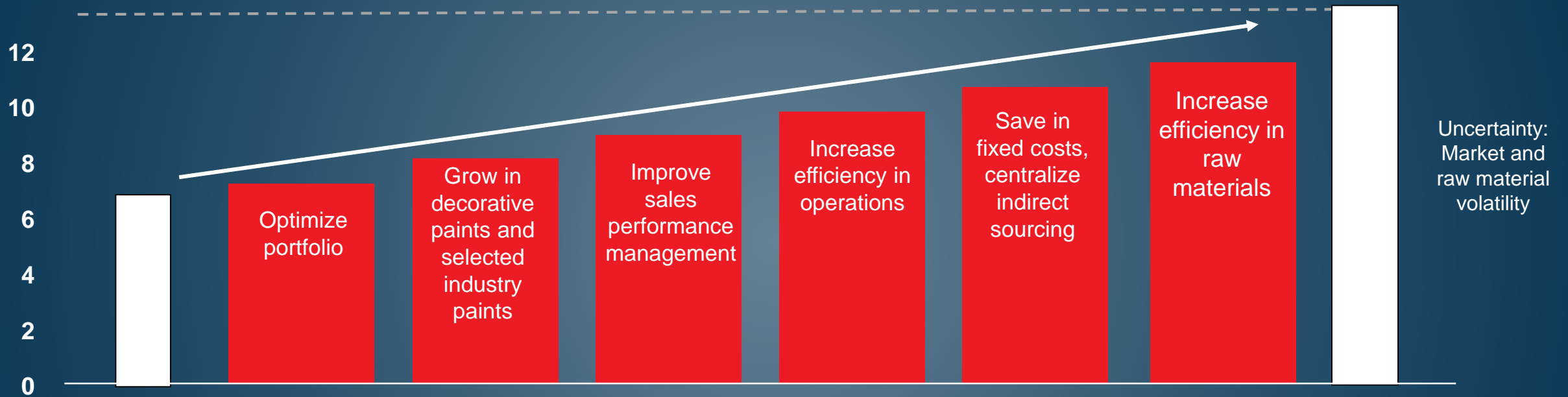
- **Adjusted operating result is expected to continue to improve (2019: EUR 46.4 million)**
- **Due to expected fluctuations in demand in all segments, Tikkurila will not give guidance for the revenue for 2020.**

Assumptions behind the guidance

- Tikkurila withdrew its guidance for 2020 on 27 March 2020 due to increased uncertainty and weakened visibility, as the global coronavirus pandemic (Covid-19) and the related local restrictions were rapidly changing Tikkurila's business environment.
- During the second quarter, demand fluctuated rapidly and significantly in Tikkurila's core markets but, overall, the quarter was strong. The various impacts of Covid-19 on Tikkurila during the second quarter have been described in more detail under relevant segments of this half year financial report.
- However, uncertainties remain concerning the development of demand for paint as well as the general macroeconomic development. Tikkurila expects demand for decorative paints to normalize after the exceptionally strong ending of the second quarter. Also, even if the recovery was also visible in the professional and industry paints at period-end, these businesses are expected to continue to be impacted by the forecasted negative GDP development in all key markets. In decorative paints, customers place their orders at a relatively short notice. Thus, any forecasting can only be done based on current demand and visibility remains weak.

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

Adjusted operating profit,
% of revenue



<p>Portfolio</p> <ul style="list-style-type: none"> Tikkurila continued to reduce complexity, targeting a 50% reduction in sales articles by the end of this year, compared to 2016. Target will be achieved by the end of this year. 	<p>Growth</p> <ul style="list-style-type: none"> New product's share of revenue increased. Marketing campaigns refocused in all markets to support the recovery of demand. 	<p>Sales</p> <ul style="list-style-type: none"> Focus premium products and mix. Price increases continued as planned. Active margin management in each business. Sales split in two: West and East divisions. 	<p>Operations</p> <ul style="list-style-type: none"> As announced on 29 April 2020, a small solvent-borne industrial paint production unit to be closed in St. Petersburg, as Tikkurila continues to focus on water-borne paints 	<p>Fixed costs</p> <ul style="list-style-type: none"> From cost reduction to active cost management. Successful implementation of temporary savings related to the Covid-19 pandemic. 	<p>Raw materials</p> <ul style="list-style-type: none"> Successful negotiations with raw material and packaging suppliers, as the company continued to seek for cost savings in sourcing.
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Sales function split in Division West & Division East to increase the efficiency and focus in leading sales



Oskari Vidman
SVP, Sales, Division West



Roman Ivashko
SVP, Sales, Division East



Tikkurila's production units

“Tikkurila awarded a silver rating from EcoVadis: Tikkurila is among the top 9% of companies in this industry.”

SILVER

**2020
ecovadis**

**CSR
Rating**

Thank you!
Questions?

