



TIKKURILA

# Half year financial report

January–June 2021

Tikkurila's half year financial report for January–June 2021

## Tikkurila's revenue grew, profitability remained at a good level

Tikkurila Oyj

Half year financial report

July 23, 2021 at 9.30 a.m. (EEST)

### April–June 2021 highlights

- Revenue increased by 7.4 percent to EUR 184.5 (171.8) million. Comparable revenue increased by 9.1 percent, excluding currency effects.
- Operating result (EBIT) decreased by 52.4 percent to EUR 15.8 (33.1) million and was 8.5 (19.3) percent of revenue. Operating profit was affected by costs related to PPG's tender offer, a total of EUR 11.4 million in the second quarter of 2021.
- Adjusted operating result decreased by 21.5 percent to EUR 27.2 (34.7) million and was 14.8 (20.2) percent of revenue.
- EPS decreased by 55.0 percent to EUR 0.28 (0.61).
- The voluntary recommended cash tender offer for all the shares in Tikkurila Oyj by PPG Industries, Inc. was completed on June 10, 2021. As of June 30, 2021, PPG Finland Oy, an indirectly wholly owned subsidiary of PPG Industries, Inc., owns 97.3 percent of all shares and votes in Tikkurila Oyj. The right and obligation of PPG Finland Oy to redeem minority shares have been registered with the Finnish Trade Register on June 14, 2021.

### January–June 2021 highlights

- Revenue increased by 8.3 percent to EUR 329.9 (304.8) million. Comparable revenue increased by 10.7 percent, excluding currency effects.
- Operating result (EBIT) decreased by 23.5 percent to EUR 31.9 (41.7) million and was 9.7 (13.7) percent of revenue. Operating profit was affected by costs related to PPG's tender offer, a total of EUR 12.9 million in the first half of the year.
- Adjusted operating result increased by 3.7 percent to EUR 44.8 (43.2) million and was 13.6 (14.2) percent of revenue.
- EPS amounted to EUR 0.58 (0.70).

### Guidance for 2021

Due to the tender offer for all the shares in Tikkurila Oyj completed by PPG Industries, Inc. on June 10, 2021, Tikkurila will not give guidance for 2021. Consequently, the previous guidance given in the Q1 Business Review on April 28, 2021 is not in force.

## Markus Melkko, Interim CEO & CFO:

During the second quarter Tikkurila's financial performance remained solid, and strong demand for our quality brands continued. Revenue increased by 7% and revenue without currency effect increased by 9%. The adjusted operating result decreased by -21% compared to the record high Q2/2020. The adjusted operating margin during the second quarter of 2021 was close to 15 percent.



During the first half of the year, the global paint industry has experienced an unprecedented raw material disruption, which has further escalated during the second quarter. The raw material and packaging inflation impacted our cost basis, and the simultaneous raw material supply issues impacted our ability to serve our customers.

In the first half of the year 2021, revenue increased by 8% (11% excluding currency effects) and adjusted operating result increased by 4% compared to the first half of 2020. Due to PPG's tender offer transaction operating result includes EUR 12.9 million costs, which are treated as items affecting comparability. These costs were advisory costs and costs related to employee incentives.

Tikkurila experienced good revenue growth in decorative paints in both interior and exterior paints. Revenue grew in all key geographies, except in Finland, where the second quarter revenue was slightly below the comparison period. Industrial paint revenue grew in both metal and wood paints against the comparison period.

Despite the varying Covid-19 restrictions in Tikkurila's operating countries, we have remained fully operational also during the second quarter.

We expect that raw material inflation and some supply constraints will continue during the second half of 2021. We will maintain focus on serving our customers to the best of our capabilities under the supply constraints, while maintaining our profitability with smart margin management and targeted pricing changes to offset inflation.

On June 10, 2021, PPG Industries, Inc. completed its voluntary cash tender offer. As of June 30, 2021, PPG Industries, Inc., through its wholly owned subsidiaries, owned 97.3% of Tikkurila Oyj shares and votes. PPG has commenced redemption proceedings, as defined under Finnish Companies Act, to redeem the minority shares.

## Key figures for the Group

EUR million	4-6/2021	4-6/2020	Change %	1-6/2021	1-6/2020	Change %	1-12/2020
Revenue	184.5	171.8	+7.4%	329.9	304.8	+8.3%	582.0
Comparable revenue growth <sup>1)</sup>		15.6	+9.1%		32.7	+10.7%	
Operating result (EBIT)	15.8	33.1	-52.4%	31.9	41.7	-23.5%	61.1
Operating result (EBIT) margin, %	8.5%	19.3%	-10.7%-p*	9.7%	13.7%	-4.0%-p*	10.5%
Adjusted operating result	27.2	34.7	-21.5%	44.8	43.2	+3.7%	63.8
Adjusted operating result margin, %	14.8%	20.2%	-5.4%-p*	13.6%	14.2%	-0.6%-p*	11.0%
Result before taxes	15.5	34.3	-54.8%	32.1	39.1	-18.1%	54.9
Net result for the period	12.2	27.0	-55.0%	25.7	30.8	-16.6%	43.1
Earnings per share (EPS), EUR	0.28	0.61	-55.0%	0.58	0.70	-16.6%	0.98
Interest-bearing net liabilities (at period-end)				58.4	96.9	-39.7%	12.1
Total equity (at period-end)				204.8	173.8	+17.9%	181.4
Total assets (at period-end)				523.2	561.8	-6.9%	441.6
Equity ratio, %				39.2%	30.9%		41.1%
Gearing, %				28.5%	55.8%		6.7%
ROCE, %, rolling				21.0%	20.5%		24.0%
Cash flow after capital expenditure	-7.9	11.4	-169.4%	-40.1	-5.9	-575.0%	92.0

<sup>1)</sup> Comparable revenue excluding currency effects.

\* Percentage points.

## **Tikkurila Oyj Half year financial report January 1 – June 30, 2021**

This report has been prepared in accordance with the IAS 34 standard and other valid regulations. The information disclosed is unaudited except for full year figures for 2020. The figures presented in the report are independently rounded. Figures in brackets refer to the corresponding period in the previous year, unless otherwise stated.

Fluctuations in exchange rates in this report refer to the translation effect of the exchange rates.

In this report, all forward-looking statements in relation to the company or its business are based on management judgment, and macroeconomic or general industry data are based on third-party sources.

If there are any discrepancies between the language versions of the report, the Finnish version shall prevail.

Tikkurila's reporting segments are SBU West and SBU East. SBU West consists of Sweden, Denmark, Norway, Finland, Poland, Estonia, Latvia, and Lithuania. SBU East consists of Russia, Central Asia, and China. Furthermore, SBU East is responsible for exports to more than 30 other countries. From 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 the German subsidiary are still reported in SBU West.

## Financial performance

### April–June 2021 (Q2)

EUR million	Revenue			Operating result (EBIT)			Adjusted operating result		
	4-6/2021	4-6/2020	Change %	4-6/2021	4-6/2020	Change %	4-6/2021	4-6/2020	Change %
Consolidated Group	184.5	171.8	+7.4%	15.8	33.1	-52.4%	27.2	34.7	-21.5%
Comparable revenue growth <sup>*)</sup>		15.6	+9.1%						
SBU West	125.1	119.4	+4.8%	18.0	25.0	-28.1%	18.8	25.3	-25.5%
Comparable revenue growth <sup>*)</sup>		3.3	+2.8%						
SBU East	59.4	52.4	+13.3%	9.9	9.7	+2.2%	10.2	11.0	-7.3%
Comparable revenue growth <sup>*)</sup>		12.2	+23.2%						
Group common and eliminations	0.0	-0.1	+201.3%	-12.1	-1.6	-679.2%	-1.7	-1.6	-12.5%

<sup>\*)</sup> Comparable revenue excluding currency effects.

### January–June 2021 (H1)

EUR million	Revenue			Operating result (EBIT)			Adjusted operating result		
	1-6/2021	1-6/2020	Change %	1-6/2021	1-6/2020	Change %	1-6/2021	1-6/2020	Change %
Consolidated Group	329.9	304.8	+8.3%	31.9	41.7	-23.5%	44.8	43.2	+3.7%
Comparable revenue growth <sup>*)</sup>		32.7	+10.7%						
SBU West	232.2	216.4	+7.3%	33.1	35.4	-6.4%	34.2	35.7	-4.1%
Comparable revenue growth <sup>*)</sup>		12.6	+5.8%						
SBU East	97.7	88.5	+10.5%	13.4	8.7	+53.4%	13.7	10.0	+37.2%
Comparable revenue growth <sup>*)</sup>		20.1	+22.7%						
Group common and eliminations	0.0	-0.1	+200.8%	-14.6	-2.5	-490.8%	-3.1	-2.5	-26.6%

<sup>\*)</sup> Comparable revenue excluding currency effects.

### OVERVIEW OF 4–6/2021 (Q2)

**Tikkurila's revenue in April-June 2021 was EUR 184.5 (171.8) million, an increase of 7.4 percent from the previous year. In comparable terms, revenue increased by 9.1 percent.**

The demand for **decorative paints** remained high. The sales of quality products, such as Tikkurila, Alcro and Beckers<sup>1)</sup>, increased and price/mix impact was positive.

**Industrial paints** revenue increased both in metal and wood industrial paints.

**Currencies** had a negative impact on revenue growth. The weakening Russian Ruble cut the reported revenue growth in SBU East, while in local currency revenue growth was stronger. In SBU West, the weakening Polish Zloty had a minor negative impact on revenue. However, the

strengthening Swedish Krona partly compensated the negative impacts from the Russian Ruble and Polish Zloty.

**Operating result** decreased mainly due to one-off costs related to PPG's tender offer transaction. In addition to this, normalized spending in 2021, adding back Covid-19 related temporary savings, as well as raw material inflation and supply issues impacted profitability. Items affecting comparability amounted to EUR 11.4 million and were related to PPG Industries, Inc.'s tender offer.

Adjusted operating result was EUR 27.2 million, down 21.5%.

Earnings per share (EPS) were EUR 0.28 (0.61).

## OVERVIEW OF 1–6/2021 (H1)

**Tikkurila's revenue in January–June was EUR 329.9 (304.8) million, an increase of 8.3 percent from the previous year. In comparable terms, revenue increased by 10.7 percent.**

Revenue grew both in SBU West and in SBU East. Compared to the corresponding period a year ago certain customer volumes were phased more in the first quarter, which impacted financial performance in the first quarter more positively than in the second quarter.

**Operating result** decreased, mainly driven by one-off costs related to PPG's tender offer transaction (EUR 12.9 million). Fixed expense spending normalized in 2021, i.e. adding back temporary savings related to Covid-19 during the comparison period, also raw material inflation and supply issues impacted profitability from Q2 onwards.

<sup>1)</sup> Tikkurila uses the Beckers brand only in its decorative paints in Scandinavian countries as well as in some parts of Eastern Europe under a license from Aktiebolaget Wilh. Becker, obtained in conjunction with its acquisition of Alcro-Beckers AB in 2001.

## Effects of various factors on revenue for the Group

	4–6 (Q2)		1–6 (H1)	
	EUR million	%	EUR million	%
<b>Revenue in 2020</b>	171.8		304.8	
Volume	9.1	+5.3%	22.1	+7.3%
Price/mix	6.4	+3.7%	10.6	+3.5%
Currencies	-2.8	-1.6%	-7.5	-2.5%
Divestments and closures	-0.0	-0.0%	-0.0	-0.0%
<b>Revenue in 2021</b>	184.5	+7.4%	329.9	+8.3%

## Financial performance by reporting segments

### SBU West

EUR million	4-6/2021	4-6/2020	Change %	1-6/2021	1-6/2020	Change %	1-12/2020
Revenue	125.1	119.4	+4.8%	232.2	216.4	+7.3%	398.0
Comparable revenue growth <sup>1)</sup>		3.3	+2.8%		12.6	+5.8%	
Operating result (EBIT)	18.0	25.0	-28.1%	33.1	35.4	-6.4%	49.0
Operating result (EBIT) margin, %	14.4%	20.9%	-6.6%-p*	14.3%	16.4%	-2.1%-p*	12.3%
Adjusted operating result	18.8	25.3	-25.5%	34.2	35.7	-4.1%	49.2
Adjusted operating result margin, %	15.0%	21.1%	-6.1%-p*	14.7%	16.5%	-1.8%-p*	12.4%
Capital expenditure	2.6	3.4	-23.0%	8.2	6.0	+35.7%	11.7

<sup>1)</sup> Comparable revenue excludes currency effects.

\* Percentage points.

### Revenue in key countries

EUR million	4-6/2021	4-6/2020	Change %	1-6/2021	1-6/2020	Change %	1-12/2020
Sweden	41.8	38.2	+9.4%	78.7	69.2	+13.3%	131.3
Finland	32.4	33.5	-3.5%	61.5	61.1	+0.6%	97.9
Poland	28.4	25.7	+10.3%	52.6	47.1	+11.5%	92.6

### OVERVIEW OF 4–6/2021 (Q2), SBU WEST

**SBU West's revenue during the second quarter was EUR 125.1 (119.4) million, an increase of 4.8 percent from the previous year. In comparable terms, revenue increased by 2.8 percent.**

**Operating result** decreased, as the positive development with volumes and price/mix were offset by raw material inflation and supply issues as well as by normalized fixed expense spending. In 2020, the second quarter performance was exceptionally good, with strong mix driven by DIY (Do-it-yourself) consumer demand marking a record high comparison period in Tikkurila's history. Items affecting comparability relate to PPG's tender offer transaction.

In **Sweden**, revenue increased across all businesses (consumer, professional, industrial). Growth was driven by increasing demand for both exterior and interior paints. The strengthening Swedish Krona had a positive impact on revenue.



In **Finland**, revenue was solid, but decreased slightly against an exceptionally high comparison period.

In **Poland**, revenue increased both in decorative and industrial paints. The weak Polish Zloty had a minor negative impact on revenue.

#### **OVERVIEW OF 1–6/2021 (H1), SBU WEST**

**SBU West’s revenue in January–June was EUR 232.2 (216.4) million, an increase of 7.3 percent from the previous year. In comparable terms, revenue increased by 5.8 percent.**

Operating result decreased by 6.4 percent to EUR 33.1 million (35.4). Items affecting comparability relate to PPG’s tender offer transaction.

#### **Effects of various factors on revenue in SBU West**

	4-6 (Q2)		1-6 (H1)	
	EUR million	%	EUR million	%
<b>Revenue in 2020</b>	119.4		216.4	
Volume	2.5	+2.1%	9.6	+4.4%
Price/mix	0.8	+0.7%	3.0	+1.4%
Currencies	2.4	+2.0%	3.3	+1.5%
Divestments	-	-	-	-
<b>Revenue in 2021</b>	125.1	+4.8%	232.2	+7.3%

## SBU East

EUR million	4-6/2021	4-6/2020	Change %	1-6/2021	1-6/2020	Change %	1-12/2020
Revenue	59.4	52.4	+13.3%	97.7	88.5	+10.5%	184.1
Comparable revenue growth <sup>1)</sup>		12.2	+23.2%		20.1	+22.7%	
Operating result (EBIT)	9.9	9.7	+2.2%	13.4	8.7	+53.4%	20.4
Operating result (EBIT) margin, %	16.6%	18.4%	-1.8%-p*	13.7%	9.9%	+3.8%-p*	11.1%
Adjusted operating result	10.2	11.0	-7.3%	13.7	10.0	+37.2%	21.8
Adjusted operating result margin, %	17.1%	20.9%	-3.8%-p*	14.1%	11.3%	+2.7%-p*	11.8%
Capital expenditure	1.3	0.3	+296.0%	1.7	0.5	+235.2%	2.0

1) Comparable revenue excluding currency effects.

\* Percentage points.

### Revenue in key countries

EUR million	4-6/2021	4-6/2020	Change %	1-6/2021	1-6/2020	Change %	1-12/2020
Russia	41.7	39.1	+6.7%	67.7	66.8	+1.4%	133.6

### OVERVIEW OF 4–6/2021 (Q2), SBU EAST

**SBU East's revenue in Q2/2021 was EUR 59.4 (52.4) million, an increase of 13.3 percent from the previous year. In comparable terms, revenue increased by 23.2 percent.**

In **Russia** (SBU East), despite the weakened Russian Ruble, the euro-denominated revenue increased driven by good demand both in interior and exterior decorative paints. Industrial paint revenue declined due to the strategic decision made in Q2/2020 to close down a small production unit in Russia. Revenue in local currency was strong. Sales mix continued to develop positively, as demand for our brands increased.

**Operating result** increased, driven by a continuous focus on value over volume, despite raw material inflation and availability issues. Items affecting comparability relate to PPG's tender offer transaction.

### OVERVIEW OF 1–6/2020 (H1), SBU EAST

**SBU East's revenue in January–June was EUR 97.7 (88.5) million, an increase of 10.5 percent from the previous year. In comparable terms, revenue increased by 22.7 percent.**

**Operating result** increased, driven by a continuous focus on value over volume. Items affecting comparability relate to PPG's tender offer transaction.

**Effects of various factors on revenue in SBU East**

	4-6 (Q2)		1-6 (H1)	
	EUR million	%	EUR million	%
<b>Revenue in 2020</b>	52.4		88.5	
Volume	6.6	+12.5%	12.5	+14.1%
Price/mix	5.6	+10.7%	7.6	+8.6%
Currencies	-5.2	-9.9%	-10.8	-12.2%
Divestments	-0.0	-0.0%	-0.0	-0.0%
<b>Revenue in 2021</b>	59.4	+13.3%	97.7	+10.5%

## Cash flow, financing activities, and financial risk management

Tikkurila's liquidity and funding position has remained at a good level throughout the review period.

Cash flow from operations in January–June totaled EUR -38.0 (-2.0) million. Cash flow from operations decreased mainly due to lower profitability driven by one-off items related to the PPG tender offer.

Costs related to PPG's tender offer recognized in profit or loss amounted to EUR 12.9 million. In addition, EUR 5.3 million (gross) was recorded directly to equity for the share-based incentive plans. Items related to PPG's tender offer impacted negatively on the Group's cash flow by approximately EUR 12 million in the review period. In addition, around EUR 6 million costs related to the tender offer will have an adverse impact on the Group's cash flow in second half of the year.

The decrease in net working capital during January-June was primarily due to a favorable development in payables. At the end of the review period, net working capital totaled EUR 122.2 (130.4) million. The net cash flow from investing activities was EUR -2.1 (-3.9) million, when taking acquisitions and divestments into account. Cash flow after capital expenditure totaled EUR -40.1 (-5.9) million at the end of the review period.

Interest-bearing liabilities amounted to EUR 121.9 (197.7) million at the end of the review period, of which EUR 20.0 (20.1) million were lease liabilities. As a consequence of the completion of PPG's tender offer, Tikkurila Group informed the lenders that it will voluntarily terminate its EUR 160 million credit facility agreement during Q3 and pay off the utilized amount. From Q3 onwards, Tikkurila Group's funding and liquidity reserves will be provided by the parent group, PPG Industries, Inc., as well as other short-term liquidity instruments, including commercial papers.

Interest-bearing net liabilities were EUR 58.4 (96.9) million, and interest-bearing net liabilities excluding lease liabilities were EUR 38.3 (76.8) million. At the end of the review period, cash and cash equivalents amounted to EUR 63.5 (100.8) million. Short-term interest-bearing debt totaled EUR 108.6 (125.2) million, including the company's issued commercial papers for a total nominal amount of EUR 41.9 (77.8) million, and short-term lease liability of EUR 6.7 (7.4) million. Moreover, the Group had long-term interest-bearing debt totaling EUR 13.3 (72.5) million including lease liability of EUR 13.3 (12.7) million. Following a voluntary decision to terminate the EUR 160 million term loan and credit facility agreement during Q3, the EUR 59.9 million Term Loan has been presented in short-term interest-bearing debt at the end of this review period. At the end of June, the Group had a total of EUR 107.0 (110.0) million of unused committed credit facilities or credit limits including a EUR 100 million unused credit facility, which will be terminated during Q3.

The Group's net financial expense was EUR 0.0 (-2.7) million, of which net interest expenses totaled EUR -0.5 (-0.8) million including interest expenses related to lease liabilities EUR -0.5 (-0.6) million, and other financing expenses EUR -0.2 (-0.2) million. The average capital-weighted interest rate of interest-bearing debt was 1.7 (1.3) percent. The net profit was positively affected by a total of EUR 0.7 (-1.7) million based on the impact of realized and unrealized exchange rate differences recognized during the review period. The main positive impact was related to the Russian Ruble. According to the decision of Tikkurila Board of Directors the Tikkurila Group does not carry out forward exchange agreements or apply other financial instruments to hedge risks; instead, exchange rate risk management will involve operative measures such as the coordination of currency allocation of incoming and outgoing cash flows.

At the end of June, the equity ratio was 39.2 (30.9) percent and gearing 28.5 (55.8) percent. Gearing excluding lease liabilities was 18.7 (44.2) percent. Tikkurila's financing arrangement includes a covenant that is based on the Group's gearing.

## Capital Expenditure

In January–June, gross capital expenditure amounted to EUR 9.9 (6.5) million, of which EUR 6.7 (2.6) million are related to investments in right-of-use assets.

The Group's depreciation, amortization and impairment losses in January-June amounted to EUR 11.8 (13.0) million, including EUR 3.9 (3.9) million depreciation on right-of-use assets.

The Group performs impairment tests in accordance with the IAS 36 standard.

## Research, Development and Innovation

Tikkurila's research and development expenses were EUR 5.6 (4.8) million, which accounts for 1.7 (1.6) percent of revenue.

## Human Resources and company management

At the end of June, the Tikkurila Group employed 2,615 (2,789) people. The average number of employees in January–June was 2,522 (2,698).

Tikkurila Group's number of employees at the end of each quarter is presented below split by SBU, starting from the first quarter of 2020.

	Q1/2020	Q2/2020	Q3/2020	Q4/2020	Q1/2021	Q2/2021
SBU West	1,583	1,706	1,594	1,576	1,620	1,732
SBU East	1,085	1,066	954	829	869	866
Group functions	17	17	18	17	17	17
Total	2,685	2,789	2,566	2,422	2,506	2,615

## Tikkurila Management Team

At the end of the reporting period, the Tikkurila Management Team consisted of the following members:

- Markus Melkko, Interim CEO from June 14, 2021 onwards, CFO
- Elisa Markula, President and CEO until June 14, 2021
- Melisa Bärholm, Senior Vice President, Human Resources
- Fredrik Linde, Senior Vice President, Operations
- Anders Rotkirch, Senior Vice President, Transformation and ICT
- Meri Vainikka, Senior Vice President, Offering
- Oskari Vidman, Senior Vice President, Sales West Division
- Roman Ivashko, Senior Vice President, Sales East Division

## Changes in CEO responsibilities as of June 14, 2021

Tikkurila announced on June 13, 2021 that Elisa Markula, President and CEO had notified Tikkurila of her decision to resign to take a CEO position at another company. On June 14, 2021, Tikkurila announced that the Board of Directors had named Markus Melkko as interim CEO of Tikkurila, effective on June 14, 2021, in addition to his current responsibilities as Tikkurila's chief financial officer (CFO). Markus Melkko joined Tikkurila in 2019 and has served as its CFO and a member of

the management team. Elisa Markula will continue to serve Tikkurila as an Executive Advisor until July 31, 2021.

### **Nomination Board and their proposals to the Annual General Meeting**

The Nomination Board of Tikkurila Oy is responsible for preparing and presenting proposals to the Annual General Meeting for the number, composition, the chairman and vice chairman as well as remuneration of the Board of Directors.

On 4 September 2020, the Shareholders' Nomination Board of Tikkurila Oyj was appointed. The Nomination Board consisted of three largest shareholders of Tikkurila Oyj on April 30. Tikkurila's three largest shareholders on April 30, 2020 in the shareholders' register maintained by Euroclear Finland Ltd were Oras Invest Ltd, Varma Mutual Pension Insurance Company and Mandatum Life Insurance Company Ltd.

The members of the Nomination Board of September 4, 2020, were:

- Annika Paasikivi, President & CEO, Oras Invest Ltd
- Hanna Kaskela, Director, Responsible Investment (Varma Mutual Pension Insurance Company)
- Patrick Lapveteläinen, CIO (Sampo plc), Chairman of the Board of Directors (Mandatum Life)
- Jari Paasikivi, Chairman of the Board of Directors, Tikkurila Oyj (expert member of the Nomination Board)

Annika Paasikivi was elected as the Chairman of the Nomination Board.

On January 29, 2021, the Nomination Board published its proposals to the Annual General Meeting that the number of Board members would be seven and that the present members Lars Peter Lindfors, Riitta Mynttinen, Jari Paasikivi, Andrey Pantyukhov, Catherine Sahlgren, Petteri Walldén and Heikki Westerlund would be re-elected, and that Jari Paasikivi would be elected as the Chairman and Petteri Walldén as the Vice Chairman of the Board of Directors. Further, the Nomination Board proposed that the remuneration of the members of the Board of Directors would remain unchanged.

The proposals are available on the stock exchange release also available on Tikkurila's webpage [www.tikkurilagroup.com](http://www.tikkurilagroup.com), under Media.

On May 10, 2021, Tikkurila announced the members of the Shareholders' Nomination Board as well as their proposals to the AGM to be held in June 2021. The three largest shareholders in Tikkurila, on the basis of the Company's shareholding on 30 April, 2021, having right to appoint a representative to the Nomination Board were Oras Invest Ltd, PPG Industries, Inc. and Ilmarinen Mutual Pension Insurance Company. The members of the Nomination Board were:

- Annika Paasikivi, President & CEO (Oras Invest Ltd)
- Joseph Gette, Assistant General Counsel (PPG Industries, Inc.)
- Annika Ekman, Head of Direct Equity Investments (Ilmarinen Mutual Pension Insurance Company)

The expert member of the Nomination Board was Jari Paasikivi, the Chairman of the Board of Directors of Tikkurila Oyj. Annika Paasikivi served as the chair of the Nomination Board.

The Nomination Board made proposals to the annual general meeting and resolved to make two separate proposals for Board composition and compensation. The ordinary proposal on Board composition and compensation would cover time from the annual general meeting until the earlier of (a) the end of next year's annual general meeting or (b) such time that PPG Industries, Inc. and its subsidiaries have obtained more than ninety (90) percent of all the shares and voting rights

attached to the shares of Tikkurila and the subsequent registration of PPG Industries, Inc. or its subsidiary's right and obligation to redeem minority shares with the Finnish Trade Register. The second proposal on Board composition proposed to appoint conditionally new board members so that such appointments would become effective upon PPG Industries, Inc. having obtained more than ninety (90) percent of all shares and voting rights attached to the shares of Tikkurila and the subsequent registration of PPG Industries, Inc.'s or its subsidiary's right and obligation to redeem minority shares with the Finnish Trade Register.

The proposals and other details related to the proposals were published at full in a stock exchange release on May 10, 2021. The stock exchange release is also available on Tikkurila's website [www.tikkurilagroup.com](http://www.tikkurilagroup.com) under Media.

## Shares and Shareholders

At the end of June 2021, Tikkurila's share capital was EUR 35.0 million, and a total number of registered shares was 44,108,252. At the end of the reporting period, Tikkurila held 2,371 treasury shares.

According to Euroclear Finland Oy's register, Tikkurila had 4,477 (18,806) shareholders on June 30, 2021. A list of the largest shareholders registered in the book-entry system is updated on Tikkurila's website at <https://www.tikkurilagroup.com/shareholders>.

At the end of June, the closing price of Tikkurila's share was EUR 34.05. In January–June, the volume-weighted average share price was EUR 33.65 the lowest price EUR 24.75, and the highest price EUR 34.35. At the end of June, the market value of Tikkurila Oyj's shares was EUR 1,502 million. During January–June, a total of 110,174,679 Tikkurila shares, corresponding to approximately 229 percent of the number of shares, were traded on Nasdaq Helsinki Ltd. The value of the traded volume was EUR 3,404 million. The figures include transactions related to the tender offer by PPG Industries, Inc. for all shares in Tikkurila Oyj, completed on June 10, 2021.

### Shareholding of PPG Industries, Inc. increased above 90 percent

On June 11, 2021, PPG Industries, Inc. notified Tikkurila Oyj that its indirect shareholding in all shares and votes in Tikkurila Oyj had exceeded 90 percent and was 97.1 percent of all shares and votes in Tikkurila Oyj. According to the notifications, PPG Industries, Inc. informed that PPG Finland Oy's ownership in Tikkurila Oyj was on June 10, 2021 a total of 42,823,852 shares, corresponding to 97.1 percent of all shares in Tikkurila Oyj.

The right and obligation of PPG Finland Oy to redeem minority shares in Tikkurila Oyj was registered with the Finnish Trade Register on June 14, 2021.

### Major shareholder notifications

Tikkurila received the following major shareholder notifications during the first half of 2021:

**On January 8, 2021** Lannebo Fonder AB's holding in Tikkurila decreased to 4.08 percent. The holding of the funds and accounts managed by Lannebo Fonder AB in shares of Tikkurila Oyj decreased below the 5% threshold due to trades executed on January 7, 2021.

**On January 13, 2021** J.P. Morgan Chase & Co.'s indirect holding in Tikkurila increased to 5.21 percent as a consequence of trades executed on January 8, 2021. Shares owned by the funds managed by J.P. Morgan Chase & Co. were 96,335, corresponding to 0.22 percent, and financial instruments according to SMA 9:6 (equity swap) corresponding to 2,202,912 shares, 4.99 percent of all shares in Tikkurila.

**On January 15, 2021** J.P. Morgan Chase & Co.'s indirect holding in Tikkurila decreased below 5 percent. The indirect holding of the funds and accounts managed by J.P. Morgan Chase & Co. in shares and financial instruments of Tikkurila Oyj fell below the 5 percent threshold, as a consequence of trades executed on January 12, 2021.

**On January 19, 2021** Sand Grove Capital Management's holding in Tikkurila increased to 5.06 percent to 2,230,000 shares due to trades executed on January 18, 2021.

**On January 27 and 28, 2021** FMR LLC's indirect holding in Tikkurila had fallen below 5 percent. The total indirect holding of the funds and accounts managed by FMR LLC in shares of Tikkurila Oyj after the notification was 4.94 percent, as a consequence of trades executed on 26 and 27 January 2021.

**On February 4, 2021** Tikkurila received a notification from PPG Industries, Inc. regarding share purchase agreements corresponding to an acquisition of 9.32% of shares in Tikkurila, and the pending acquisition of 20.01% of shares in Tikkurila owned by Oras Invest Oy, the completion of which was subject to the receipt of certain regulatory approvals. On February 8, Tikkurila received a notification from PPG Industries, Inc. about a change in shareholding that exceeded 5 percent and was 9.32 percent of all Tikkurila's shares.

**On February 9, 2021** the holding of the funds and accounts managed by Sand Grove Capital Management in shares of Tikkurila decreased to 0 percent due to trades executed on February 8, 2021.

**On February 11, 2021** the indirect holding of the funds and accounts managed by J.P. Morgan Chase & Co. in shares and financial instruments of Tikkurila Oyj increased above the 5 percent threshold and was 6.01 percent as a consequence of trades executed on February 8, 2021.

**On March 1, 2021** the holding of the funds and accounts managed by Glazer Capital, LLC through cash-settled financial instruments increased above 5 percent to 5.29 percent as a consequence of trades executed on February 25, 2021.

**On March 5, 2021** the indirect holding of the funds and accounts managed by DWS Investment GmbH in shares of Tikkurila Oyj increased above 5 percent to 5.18 percent as a consequence of trades executed on March 2, 2021.

**On March 8, 2021** the indirect holding of the funds and accounts managed by J.P. Morgan Chase & Co. in shares and financial instruments of Tikkurila Oyj had decreased below the 5 percent threshold to 4.94 percent, as a consequence of trades executed on March 4, 2021.

**On March 10, 2021** the indirect holding of the funds and accounts managed by DWS Investment GmbH in shares of Tikkurila Oyj decreased below 5 percent as a consequence of trades executed on March 8, 2021.

**On March 15, 2021** the indirect holding of the funds and accounts managed by Morgan Stanley in shares and financial instruments of Tikkurila Oyj increased above 5 percent to 5.18 percent, as a consequence of trades executed on March 10, 2021.

**On March 22, 2021** the indirect holding of the funds and accounts managed by Morgan Stanley in shares and financial instruments of Tikkurila Oyj decreased below the 5 percent threshold to 4.93 percent, as a consequence of trades executed on March 18, 2021.



**On April 1, 2021** the indirect holding of the funds and accounts managed by J.P. Morgan Chase & Co. in shares and financial instruments of Tikkurila Oyj increased above the 5 percent threshold to 6.13 percent as a consequence of trades executed on March 29, 2021.

**On April 8, 2021** the indirect holding of the funds and accounts managed by UBS Group AG in shares of Tikkurila Oyj exceeded 5 percent to 5.09 percent as a consequence of trades executed on April 7, 2021.

**On April 13, 2021** the indirect holding of the funds and accounts managed by UBS Group AG in shares of Tikkurila Oyj decreased below 5 percent as a consequence of trades executed on April 9, 2021.

**On April 21, 2021** the indirect holding of the funds and accounts managed by UBS Group AG in shares of Tikkurila Oyj had increased above 5 percent to 5.43 percent as a consequence of trades executed on April 20, 2021.

**On May 5, 2021** the indirect holding of the funds and accounts managed by UBS Group AG in shares of Tikkurila Oyj decreased below 5 percent as a consequence of trades executed on May 4, 2021.

**On May 26, 2021** the indirect holding of the funds and accounts managed by UBS Group AG in shares of Tikkurila Oyj increased above 5 percent to 5.49 percent as a consequence of trades executed on May 24, 2021.

**On May 28, 2021** the indirect holding of the funds and accounts managed by UBS Group AG in shares of Tikkurila Oyj decreased below 5 percent as a consequence of trades executed on May 27, 2021.

**On May 31, 2021** the indirect holding of the funds and accounts managed by UBS Group AG in shares of Tikkurila Oyj increased above 5 percent to 5.69% as a consequence of trades executed on May 28, 2021.

**On June 11, 2021** Tikkurila received a notification from PPG Industries, Inc. that the indirect holding of PPG Industries, Inc. (PPG Finland Oy) increased above 90 percent to 97.1 percent as a consequence of completion of the tender offer on June 10, 2021. The notifications are available on related stock exchange releases and also on Tikkurila's website under Media.

**On June 11, 2021** the indirect holding of the funds and accounts managed by UBS Group AG in shares of Tikkurila Oyj decreased below 5 percent.

**On June 11, 2021** Tikkurila received a notification from Oras Invest Oy according to which the shareholding of Oras Invest Oy in the shares of Tikkurila Oyj decreased below 20 percent. After the notification, Oras Invest owned no shares in Tikkurila Oyj.

**On June 14, 2021** the indirect holding of the funds and accounts managed by J.P. Morgan Chase & Co. in shares and financial instruments of Tikkurila Oyj decreased below the 5 percent threshold.

All flagging notifications are available on the website of Tikkurila Group under Media.

## **Decisions of the Annual General Meeting**

Tikkurila Oyj's Annual General Meeting was held on June 10, 2021 in Vantaa, Finland. The Annual General Meeting approved the Financial Statements for 2020, discharged the members of the Board of Directors and the CEO from liability for the 2020 financial year and adopted the Remuneration Report.

The Annual General Meeting decided on the composition of the Board of Directors and their remuneration, the election of the auditor and its remuneration, the conditional resolutions relating

to the Board of Directors and the disbandment of the Nomination Board, authorized the Board of Directors to decide on the repurchase of the Company's own shares as well as authorized the Board of Directors to decide on the issuance of shares.

The Annual General Meeting decided that no dividend would be paid for the financial period ended on December 31, 2020.

The Annual General Meeting decided that the annual remuneration of the members of the Board of Directors would stay at the current level. The annual remuneration to the members of the Board of Directors would be as follows: EUR 64,000 for the Chairman, EUR 40,000 for the Vice Chairman and the Chairman of the Audit Committee, and EUR 32,000 for other members of the Board of Directors. The annual remuneration was paid fully in cash. Furthermore, a meeting fee for each meeting of the Board and its Committees (excluding decisions without a meeting) would be paid to the members of the Board of Directors as follows: EUR 600 for meetings held in the home state of a member and EUR 1,200 for meetings held outside the home state of a member. If a member participated in a meeting via telephone or video connection the remuneration would be EUR 600. Travel expenses would be paid according to the travel policy of the Company.

The Annual General Meeting decided that the Board of Directors would consist of seven members. Lars Peter Lindfors, Riitta Mynttinen, Jari Paasikivi, Andrey Pantyukhov, Catherine Sahlgren, Petteri Walldén and Heikki Westerlund were re-elected as members until the right and obligation of PPG Industries, Inc. to redeem minority shares of Tikkurila Oyj had been registered with the Finnish Trade Register on or about 14 June 2021. Jari Paasikivi was elected as Chairman and Petteri Walldén as Vice Chairman of the Board of Directors. All members of the Board were independent of the Company and, except for Jari Paasikivi, all were independent of major shareholders.

Authorised public accountants Ernst & Young Finland Oy continues as Company's auditor for a term expiring at the end of the next Annual General Meeting and APA Antti Suominen continues as the responsible auditor. Auditors' fees shall be paid against invoices approved by the Company.

The Annual General Meeting decided to elect Michael McGarry, Timothy Knavish, Laura Alvarez, Emmanuelle Guérin, Steven Pocock, Rocco Semeraro and Ramaprasad Vadlamannati as new members of the Board of Directors, and to elect Michael McGarry as the Chairman and Timothy Knavish as the Vice Chairman of the Board of Directors, for a term commencing on the registration of the right and obligation of PPG Industries, Inc. or of its subsidiary to redeem minority shares with the Finnish Trade Register on or about 14 June 2021, and ending at the closure of the next Annual General Meeting. Additionally, the Annual General Meeting decided that there would not be any remuneration for the members of the Board of Directors whose term will commence upon the registration of the right and obligation of PPG Industries, Inc. or of its subsidiary to redeem minority shares with the Finnish Trade Register.

The Annual General Meeting decided to disband the Nomination Board, such resolution being conditional and becoming effective upon the registration of the right and obligation of PPG Industries, Inc. or its subsidiary to redeem minority shares with the Finnish Trade Register.

### **Authorization to repurchase own shares and to decide on the issuance of shares**

The Annual General Meeting of June 10, 2021 authorized the Board of Directors to decide upon the repurchase of a maximum of 4,400,000 of the Company's shares. The shares may be repurchased to be used for financing or implementing possible mergers and acquisitions, developing the Company's equity structure, improving the liquidity of the Company's shares or to be used for the payment of the annual fees payable to the members of the Board of Directors or for implementing the share-based incentive programs of the Company. The repurchase authorization

will be valid until the end of the next Annual General Meeting, however, no longer than until June 30, 2022.

The Annual General Meeting authorized the Board of Directors to decide to transfer the Company's own shares held by the Company or to issue new shares limited to a maximum of 4,400,000 shares. The Company's own shares held by the Company may be transferred and the new shares may be issued either against payment or without payment. The new shares may be issued and the Company's own shares held by the Company may be transferred to the Company's shareholders in proportion to their current shareholdings in the Company or in deviation from the shareholders' pre-emptive right through a directed share issue, if the Company has a weighty financial reason to do so, such as financing or implementing mergers and acquisitions, developing the Company's equity structure, improving the liquidity of the Company's shares, settling the payment of the annual fees payable to the members of the Board of Directors or implementing the share-based incentive programs of the Company. The authorization will be valid until the end of the next Annual General Meeting, however, no longer than until June 30, 2022.

The minutes of the Annual General Meeting are available on Tikkurila's website [www.tikkurilagroup.com/Annual General Meeting under AGM2021](http://www.tikkurilagroup.com/Annual%20General%20Meeting%20under%20AGM2021).

## **Composition of Tikkurila's Board of Directors as of June 14**

Tikkurila announced on 14 June 2021 that PPG Finland Oy, an indirectly fully owned subsidiary of PPG Industries, Inc., had informed Tikkurila that it held more than 90 percent of all the issued and outstanding shares and voting rights of Tikkurila Oyj, and, that the right and obligation of PPG Finland Oy to redeem minority shares in Tikkurila Oyj was registered with the Finnish Trade Register on June 14, 2021. Therefore, the term of office of the new members of the Board of Directors mentioned below commenced on June 14, 2021. Consequently, the term of office of the members of the Board of Directors elected by the Annual General Meeting until the right and obligation of PPG Industries, Inc. or of its subsidiary to redeem minority shares has been registered, had ended.

The members of the Board of Directors as of June 14, 2021 are, according to the decision by the Annual General Meeting, as follows: Michael McGarry, Timothy Knavish, Laura Alvarez, Emmanuelle Guérin, Steven Pocock, Rocco Semeraro and Ramaprasad Vadlamannati. Michael McGarry was elected as the Chairman and Timothy Knavish as the Vice Chairman of the Board of Directors, for a term commencing on the registration of the right and obligation of PPG Industries, Inc. or of its subsidiary to redeem minority shares with the Finnish Trade Register, and ending at the closure of the next Annual General Meeting. None of the members of the Board of Directors are independent of the largest shareholder of Tikkurila Oyj.

### *Nomination Board*

Annual General Meeting also decided to disband the Nomination Board, such resolution being conditional and becoming effective upon the registration of the right and obligation of PPG Industries, Inc. or its subsidiary to redeem minority shares with the Finnish Trade Register. As the right and obligation of PPG Finland Oy to redeem minority shares had been registered with the Finnish Trade Register, on June 14, 2021, the Nomination Board of Tikkurila Oyj was disbanded.

### *Audit Committee*

Upon the commencement of the term of office of the new Board of Directors, Tikkurila Oyj's previous Audit Committee's term of office also ended. At the time of the publication of this release there is no separate committee established. The Board of Directors carry jointly all duties of Audit Committee.

## **Tender Offer by PPG Industries, Inc. completed on June 10, 2021**

On January 15, PPG Industries, Inc. commenced a Tender Offer for all issued and outstanding shares in Tikkurila Oyj. The Tender Offer commenced based on the combination agreement, which was announced on December 18, 2020, and amended on January 5, 2021, pursuant to which PPG Industries, Inc. would make a voluntary recommended public cash tender offer for all the issued and outstanding shares in the Company that are not held by the Company or any of its subsidiaries. The Offer Price was amended to EUR 27.75 per share by PPG Industries, Inc. on January 5, 2021 (previously EUR 25.00 per share), and to EUR 34.00 per share on February 4, 2021.

Other than the receipt of necessary regulatory approvals, the tender offer was subject to customary conditions to completion set out in the tender offer document, including the valid acceptance of the tender offer with respect to shares representing, together with shares otherwise held by PPG and any of its subsidiaries, more than 66.7% of the shares and voting rights in Tikkurila.

The members of the Board of Directors of the Company, who participated in the decision-making, unanimously decided to recommend that the shareholders of the Company accept the Tender Offer.

Certain major shareholders of Tikkurila, i.e. Oras Invest Oy, Varma Mutual Pension Insurance Company, Mandatum Life Insurance Company Limited and Kaleva Mutual Insurance Company, representing in the aggregate approximately 29.39 percent of the shares and votes in the Company, irrevocably undertook to accept the Tender Offer, subject to certain customary conditions.

### *Regulatory approvals*

On March 11, 2021, PPG Industries, Inc. announced that it had received European Commission approval for the acquisition of all Tikkurila Oyj's shares. On March 25, 2021, PPG announced that it had received approval from the Ministry of Economic Affairs and Employment of Finland for the acquisition of all Tikkurila's shares. On April 14, 2021, PPG Industries, Inc. announced that it had received approval of the competition authority of the republic of Kazakhstan for its public tender offer for all the shares in Tikkurila and extended the offer period. The tender offer period was extended on March 15, March 26 and April 14. On May 10, 2021, PPG announced that it had extended the offer period until further notice.

On May 21, 2021, PPG announced that it had received approval from the Federal Antimonopoly Service of Russia for the completion of the Tender Offer and, consequently, it had received all necessary regulatory approvals for the completion of the Tender Offer. PPG also informed that the offer period would expire on June 4, 2021.

### *Results of the tender offer*

The preliminary results for the tender offer were published on June 7, 2021, according to which PPG had received 97.1 percent of all shares of Tikkurila Oyj. According to the final results of the Tender Offer, published on June 9, 2021, PPG announced that it had received 38,711,646 shares validly tendered and accepted in the tender offer, which together with the total of 4,112,206 shares previously acquired by the offeror on February 5, 2021 from Varma Mutual Pension Insurance Company, Mandatum Life Insurance Company Limited and Kaleva Mutual Insurance Company, represented approximately 97.1 percent of all the shares and voting rights carried by the shares in Tikkurila. The final results confirmed that the minimum acceptance condition had been fulfilled and as all other conditions to completion of the tender

offer had been fulfilled, the Offeror announced on June 9, 2021 that it completes the Tender Offer in accordance with its terms and conditions.

The offer price was paid to each shareholder of Tikkurila who had validly accepted, and not validly withdrawn, the tender offer in accordance with the terms and conditions of the Tender Offer, on June 10, 2021.

In connection with the completion of the tender offer, the offeror announced it intended to transfer all shares it owns and will acquire in the tender offer to its indirectly wholly owned subsidiary, PPG Finland Oy.

According to the major shareholder notifications on June 11, 2021, PPG Finland's ownership of shares and voting rights carried by the shares in Tikkurila had increased to approximately 97.1 percent. PPG Finland's ownership was registered in the shareholders' register of Tikkurila, and PPG Finland therefore informed Tikkurila that it held more than 90 percent of all the shares and voting rights carried by the shares in Tikkurila, and that PPG Finland therefore had the right and the obligation under chapter 18, Section 1 of the Finnish Companies Act to redeem the shares held by the other shareholders of Tikkurila at a fair price.

PPG Finland announced that it would apply for the shares in Tikkurila to be delisted from Nasdaq Helsinki Ltd as soon as permitted and reasonably practicable under applicable laws and regulations and the rules of Nasdaq Helsinki.

#### *Redemption proceedings*

On June 11, 2021, PPG Finland announced that it decided to exercise its redemption right pursuant to the Finnish Companies Act and to redeem all the shares held by any other remaining shareholders in Tikkurila. To implement the redemption of the remaining shares, PPG Finland announced that it would initiate arbitration proceedings as soon as possible as provided in the Finnish Companies Act. In such redemption proceedings, PPG Finland demanded that the redemption price for the remaining shares be set at EUR 34.00 per share, which corresponds to the consideration paid by the offeror in the tender offer in accordance with the terms and conditions of the tender offer.

The right and obligation of PPG Finland Oy to redeem minority shares in Tikkurila Oyj was registered with the Finnish Trade Register on June 14, 2021.

On June 23, 2021, PPG announced that it had been notified about an appointment of a trustee to look after the interests of Tikkurila's minority shareholders during the redemption process.

More information regarding the tender offer by PPG Industries Inc. can be found on the related stock exchange releases.

### **Near-term risks and uncertainties**

Tikkurila's business operations are affected by various strategic, operational, financial, and hazard risks. Tikkurila endeavors to identify and evaluate risks and respond to them as proactively as possible and contain their possible adverse effects.

Tikkurila's Financial Statement release for financial year 2020 describes the other near-term risks related to industry, raw material availability and price trend, and operations.

For Tikkurila, uncertainties related to the Covid-19 pandemic are mainly related to the timing, extent and duration of the impacts, which local regulations may have on mobility of people, customer demand, production and suppliers. A further escalation of the Covid-19 pandemic in the Group's core geographies could have adverse impacts on Tikkurila's operations, sales, supply chain or availability of financing. On the other hand, there could also continue to be positive impacts on customer demand due to increased time spent at home.

During the first half of 2021 the global paint industry experienced an unprecedented raw material disruption, which has further escalated during the second quarter. The raw material and packaging material prices have simultaneously increased. The raw material supply issues have impacted our ability to serve our customers. The unprecedented inflation and raw material supply constraints are likely to continue in the second half of the year. We target pricing changes to offset the accelerating cost inflation.

Tikkurila's risk management principles can be viewed on Tikkurila's website at [www.tikkurilagroup.com/investorgovernance/risk-management](http://www.tikkurilagroup.com/investorgovernance/risk-management).

## **Market review and impact of Covid-19**

Similar to 2020, Covid-19 has continued to support demand for decorative paints as consumers increasingly focus on home improvement activities. In industrial paints, the impacts vary significantly between various segments of the paint industry, as well as regionally.

For Tikkurila, uncertainties regarding the possible new waves of Covid-19 infections, particularly regarding the delta variant, continue, which might impact customer demand, production and suppliers. We expect less lock-downs due to improving vaccination coverage. In general, the visibility in the market is short as customers place their orders at a relatively short notice.

The pandemic changed the dynamics of the decorative paints market: during the lockdowns, consumers have turned into Do-It-Yourself (DIY) from Do-It-For-Me (DIFM), but we expect that DIFM will again grow when travel mobility increases. Travel restrictions have already been removed in some countries to a certain extent.

## Share-based incentive plans and one-time costs related to the Tender Offer

Regarding the share-based incentive plans, as informed earlier, the Board of Directors made a decision in December 2020, pursuant to the combination agreement made with PPG Industries Inc. that the Company would resolve, in case the tender offer is completed and the transaction is closed, settle in cash all outstanding awards to be paid for the performance periods under the share-based incentive plan. Tikkurila's share-based incentive plans were terminated and settled in cash at closing of PPG's tender offer on June 10, 2021. The change in settlement as cash had a material one-time negative impact on the result (EUR -2.9m) in first half of the year 2021 as well as a negative one-time impact on the group's equity (EUR - 4.2m, net of tax).

Regarding the tender offer and transaction, there have been other material one-off cost items related to advisory costs of the tender offer (-EUR 8.4m).

Both the cash settlement of the share-based incentive plans and the advisory costs have been treated as items affecting comparability for the financial year 2021.

## Development of Tikkurila's land area in Vantaa, Finland

The development of the use of land area owned by Tikkurila Oyj and located in Vantaa Finland, has progressed according to plan. As informed earlier, Tikkurila Oyj plans to relocate its Finnish business operations and to develop the land area of the company's current facilities. The development in phases and its planning are made in cooperation with the city planning of Vantaa.

## Events after the reporting period

There were no events after the reporting period.

## Conference call

Tikkurila will not arrange a conference call for analysts and media regarding the company's half year financial report 2021.

## Contact information

Markus Melkko  
Interim CEO, CFO

All contacts are handled via CEO Office, tel. +358 44 314 1381

Tikkurila IR & Communications  
[communications.Tikkurila@tikkurila.com](mailto:communications.Tikkurila@tikkurila.com).

July 22, 2021

TIKKURILA OYJ

BOARD OF DIRECTORS

## Summary Financial Statements and Notes

This half year financial report is prepared in accordance with IAS 34 Interim Financial Reporting standard. The same accounting policies have been applied in this half year financial report as in the annual financial statements for 2020, with the exception of new or revised or amended standards and interpretations which have been applied from the beginning of 2021.

This half year financial report is unaudited.

As a result of rounding differences, the figures presented in the tables may not add up to the total.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
<b>Revenue</b>	<b>184.5</b>	171.8	<b>329.9</b>	304.8	582.0
Other operating income	<b>0.5</b>	0.5	<b>1.1</b>	1.3	2.7
Expenses	<b>-163.4</b>	-132.1	<b>-287.4</b>	-251.4	-499.1
Depreciation, amortization and impairment losses	<b>-5.9</b>	-7.2	<b>-11.8</b>	-13.0	-24.4
<b>Operating result</b>	<b>15.8</b>	33.1	<b>31.9</b>	41.7	61.1
Total financial income and expenses	<b>-0.4</b>	1.0	<b>0.0</b>	-2.7	-6.6
Share of profit or loss of equity-accounted investees	<b>0.1</b>	0.1	<b>0.2</b>	0.2	0.4
<b>Result before taxes</b>	<b>15.5</b>	34.3	<b>32.1</b>	39.1	54.9
Income taxes	<b>-3.3</b>	-7.3	<b>-6.4</b>	-8.3	-11.8
<b>Net result for the period</b>	<b>12.2</b>	27.0	<b>25.7</b>	30.8	43.1
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Changes of equity investments at fair value through other comprehensive income	<b>0.1</b>	-	<b>0.3</b>	-	0.2
Remeasurements on defined benefit plans	<b>0.3</b>	-2.2	<b>2.0</b>	0.3	-0.5
Income taxes relating to items that will not be reclassified to profit or loss	<b>-0.1</b>	0.5	<b>-0.4</b>	-0.1	-0.1
<b>Total items that will not be reclassified to profit or loss</b>	<b>0.3</b>	-1.7	<b>1.8</b>	0.2	-0.4
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations	<b>2.3</b>	3.9	<b>2.8</b>	-7.4	-13.0
Income taxes relating to items that may be reclassified subsequently to profit or loss	-	-	-	-	-
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>2.3</b>	3.9	<b>2.8</b>	-7.4	-13.0
<b>Total comprehensive income for the period</b>	<b>14.8</b>	29.2	<b>30.3</b>	23.7	29.7



**Net result attributable to:**

Owners of the parent	<b>12.2</b>	27.0	<b>25.7</b>	30.8	43.1
Non-controlling interest	-	-	-	-	-
<b>Net result for the period</b>	<b>12.2</b>	27.0	<b>25.7</b>	30.8	43.1

**Total comprehensive income attributable to:**

Owners of the parent	<b>14.8</b>	29.2	<b>30.3</b>	23.7	29.7
Non-controlling interest	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>14.8</b>	29.2	<b>30.3</b>	23.7	29.7

**Earnings per share of the net result attributable to owners of the parent**

Basic earnings per share (EUR)	<b>0.28</b>	0.61	<b>0.58</b>	0.70	0.98
Diluted earnings per share (EUR)	<b>0.27</b>	0.61	<b>0.58</b>	0.70	0.97

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

EUR million

	<b>Jun 30, 2021</b>	Jun 30, 2020	Dec 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	<b>69.2</b>	69.3	69.1
Other intangible assets	<b>10.8</b>	15.6	13.5
Property, plant and equipment	<b>58.8</b>	63.9	60.1
Right-of-use assets	<b>19.6</b>	19.5	16.8
Equity-accounted investees	<b>0.1</b>	0.5	0.3
Other investments	<b>0.2</b>	0.7	0.7
Non-current receivables	<b>5.6</b>	6.4	5.7
Defined benefit pension and other long-term employee benefit assets	<b>0.2</b>	-	0.1
Deferred tax assets	<b>10.7</b>	10.7	10.7
<b>Total non-current assets</b>	<b>175.1</b>	186.6	177.0
<b>Current assets</b>			
Inventories	<b>81.0</b>	78.9	80.4
Interest-bearing receivables	<b>1.4</b>	1.1	1.6
Trade and other non-interest-bearing receivables	<b>198.5</b>	188.4	88.3
Current tax assets	<b>2.5</b>	4.7	1.1
Cash and cash equivalents	<b>63.5</b>	100.8	92.0
Non-current assets held for sale	<b>1.2</b>	1.2	1.2
<b>Total current assets</b>	<b>348.1</b>	375.2	264.6
<b>Total assets</b>	<b>523.2</b>	561.8	441.6

	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
<b>EQUITY AND LIABILITIES</b>			
Share capital	35.0	35.0	35.0
Other reserves	0.0	0.0	0.0
Fair value reserve	0.0	0.0	0.1
Reserve for invested unrestricted equity	40.0	40.0	40.0
Treasury shares	0.0	0.0	0.0
Translation differences	-50.7	-47.9	-53.5
Retained earnings	180.5	146.6	159.7
<b>Equity attributable to owners of the parent</b>	<b>204.8</b>	<b>173.8</b>	<b>181.4</b>
Non-controlling interest	-	-	-
<b>Total equity</b>	<b>204.8</b>	<b>173.8</b>	<b>181.4</b>
<b>Non-current liabilities</b>			
Interest-bearing non-current liabilities	13.3	72.5	70.1
Other non-current liabilities	0.0	0.0	0.2
Defined benefit pension and other long-term employee benefit liabilities	28.2	28.2	30.4
Provisions	1.6	1.6	1.7
Deferred tax liabilities	2.8	3.2	3.1
<b>Total non-current liabilities</b>	<b>46.0</b>	<b>105.6</b>	<b>105.6</b>
<b>Current liabilities</b>			
Interest-bearing current liabilities	108.6	125.2	34.0
Trade and other non-interest-bearing payables	159.8	151.3	115.3
Provisions	0.4	1.6	0.4
Current tax liabilities	3.7	4.3	5.0
Liabilities classified as held for sale	-	-	-
<b>Total current liabilities</b>	<b>272.5</b>	<b>282.4</b>	<b>154.7</b>
<b>Total equity and liabilities</b>	<b>523.2</b>	<b>561.8</b>	<b>441.6</b>

**CONSOLIDATED FINANCIAL STATEMENT  
OF CASH FLOWS**

EUR million

4-6/2021 4-6/2020 1-6/2021 1-6/2020 1-12/2020

**CASH FLOW FROM OPERATING  
ACTIVITIES**

Net result for the period	12.2	27.0	25.7	30.8	43.1
Adjustments for:					
Non-cash transactions*)	-0.4	9.2	5.2	15.9	33.1
Interest and other financial expenses	0.6	-0.9	0.4	3.1	7.3
Interest income and other financial income	-0.2	-0.2	-0.4	-0.4	-0.7
Income taxes	3.3	7.3	6.4	8.3	11.8
<b>Funds from operations before change in net working capital</b>	<b>15.5</b>	<b>42.5</b>	<b>37.3</b>	<b>57.8</b>	<b>94.6</b>
Change in net working capital	-19.2	-27.1	-66.0	-52.7	13.0
Interest and other financial expenses paid	-0.8	-0.3	-1.1	-1.2	-3.8
Interest and other financial income received	0.1	0.2	0.2	0.3	0.4
Income taxes paid	-2.4	-1.8	-8.4	-6.1	-6.6
<b>Total cash flow from operations</b>	<b>-6.8</b>	<b>13.4</b>	<b>-38.0</b>	<b>-2.0</b>	<b>97.6</b>

**CASH FLOW FROM INVESTING ACTIVITIES**

Business combinations	-	-	-	-	-
Other capital expenditure	-2.0	-2.0	-4.0	-4.4	-8.1
Proceeds from sale of assets	0.5	0.0	1.1	0.5	2.0
Loan receivables decrease (+), increase (-)	0.0	-	0.4	-	-
Dividends received	0.4	0.0	0.4	0.0	0.4
<b>Net cash used in investing activities</b>	<b>-1.1</b>	<b>-2.0</b>	<b>-2.1</b>	<b>-3.9</b>	<b>-5.7</b>
<b>Cash flow before financing</b>	<b>-7.9</b>	<b>11.4</b>	<b>-40.1</b>	<b>-5.9</b>	<b>92.0</b>

**CASH FLOW FROM FINANCING ACTIVITIES**

Non-current borrowings, increase (+), decrease (-)	-	-	-	-	-
Current financing, increase (+), decrease (-)	35.0	31.0	15.0	74.9	-16.0
Payments of lease liabilities	-2.0	-1.8	-3.9	-3.7	-7.5
Dividends paid	-	-9.9	-	-9.9	-22.0
Acquisition of own shares	-	-0.2	-	-0.2	-0.2
Other	-	-	-	-	-
<b>Net cash used in financing activities</b>	<b>33.0</b>	<b>19.0</b>	<b>11.1</b>	<b>61.0</b>	<b>-45.7</b>

<b>Net change in cash and cash equivalents</b>	<b>25.0</b>	<b>30.4</b>	<b>-29.0</b>	<b>55.1</b>	<b>46.2</b>
--	-------------	-------------	--------------	-------------	-------------

Cash and cash equivalents at the beginning of period	37.9	70.5	92.0	47.0	47.0
Effect of exchange rate fluctuations on cash held	-0.6	0.1	-0.5	1.3	1.3
Cash and cash equivalents at the end of period	63.6	100.8	63.5	100.8	92.0
<b>Net change in cash and cash equivalents</b>	<b>25.0</b>	<b>30.4</b>	<b>-29.0</b>	<b>55.1</b>	<b>46.2</b>

\*) In review period, this includes the adjustment for the payment of share-based incentive plans, totaled EUR -8.3 million.

<b>Cash flows on leases, IFRS 16</b>	<b>4-6/2021</b>	4-6/2020	<b>1-6/2021</b>	1-6/2020	1-12/2020
Interest on lease liabilities, in cash flow from operating activities	-0.2	-0.2	-0.5	-0.5	-0.9
Payments on lease liabilities, in cash flow from financing activities	-2.0	-1.8	-3.9	-3.7	-7.5
<b>Total cash flows on leases</b>	<b>-2.2</b>	<b>-2.0</b>	<b>-4.4</b>	<b>-4.2</b>	<b>-8.3</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million

Equity attributable to the owners of the parent

Non-contr  
ol-  
ling  
inter-  
est

Total  
equity

	Share capital	Other reserves	Fair value reserve	Reserve for invested un-restricted equity	Treasury shares	Trans-lation differ-ences	Retained earnings	Total		
Equity at Jan 1, 2020	35.0	0.0	0.0	40.0	0.0	-40.5	137.4	171.9	-	171.9
Total comprehensive income for the period	-	-	-	-	-	-7.4	31.1	23.7	-	23.7
Acquisition of treasury shares	-	-	-	-	-0.2	-	-	-0.2	-	-0.2
Share-based compensation, net of tax	-	-	-	-	0.2	-	0.2	0.4	-	0.4
Dividends paid	-	-	-	-	-	-	-22.0	-22.0	-	-22.0
<b>Equity at Jun 30, 2020</b>	<b>35.0</b>	<b>0.0</b>	<b>0.0</b>	<b>40.0</b>	<b>0.0</b>	<b>-47.9</b>	<b>146.6</b>	<b>173.8</b>	<b>-</b>	<b>173.8</b>
<b>Equity at Jan 1, 2021</b>	<b>35.0</b>	<b>0.0</b>	<b>0.1</b>	<b>40.0</b>	<b>0.0</b>	<b>-53.5</b>	<b>159.7</b>	<b>181.4</b>	<b>-</b>	<b>181.4</b>
Total comprehensive income for the period	-	-	-0.1	-	-	4.4	26.0	30.3	-	30.3
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based compensation, net of tax	-	-	-	-	-	-	-6.9	-6.9	-	-6.9
Dividends paid	-	-	-	-	-	-	-	-	-	-
<b>Equity at Jun 30, 2021</b>	<b>35.0</b>	<b>0.0</b>	<b>0.0</b>	<b>40.0</b>	<b>0.0</b>	<b>-49.1</b>	<b>178.9</b>	<b>204.8</b>	<b>-</b>	<b>204.8</b>

## REPORTABLE SEGMENTS

Tikkurila reports its business activities in two segments: SBU West and SBU East. Transactions related to the Group headquarters operations are presented in a separate section called Tikkurila common.

The segment split is based on Tikkurila Group's strategy to be the leading provider of paint-related architectural solutions for consumers and professionals in the Nordic area as well as in Russia and other selected Eastern European countries. The segment definition is based on the differences in operating environments in the geographical areas, on valid legislation and regulations, and the management systems.

The evaluation of profitability and decision making concerning resource allocation are primarily based on operating result of each segment. Segment assets are items on the statement of financial position that the segment employs in its business activities or which can reasonably be allocated to the segments.

Segment revenue arises from the sales of various paints and related products that are sold to retailers, industrial customers and for professional use. Insignificant revenue is received from the sales of auxiliary services related to paints. Segment revenue is presented based on the location of the customers, whereas segment assets are presented according to the location of the assets. Inter-segment pricing is based on market prices. External revenue accumulates from a large number of customers.

<b>Revenue by segment</b>	<b>4-6/2021</b>	4-6/2020	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>					
SBU West	<b>125.1</b>	119.4	<b>232.2</b>	216.4	398.0
SBU East	<b>59.4</b>	52.4	<b>97.7</b>	88.5	184.1
Eliminations	<b>0.0</b>	-0.1	-	-0.1	-0.1
<b>Total</b>	<b>184.5</b>	171.8	<b>329.9</b>	304.8	582.0

<b>EBIT by segment</b>	<b>4-6/2021</b>	4-6/2020	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>					
SBU West	<b>18.0</b>	25.0	<b>33.1</b>	35.4	49.0
SBU East	<b>9.9</b>	9.7	<b>13.4</b>	8.7	20.4
Tikkurila common	<b>-12.1</b>	-1.6	<b>-14.6</b>	-2.5	-8.3
Eliminations	-	-	-	-	-
<b>Total</b>	<b>15.8</b>	33.1	<b>31.9</b>	41.7	61.1

<b>Items affecting comparable EBIT by segment</b>	<b>4-6/2021</b>	4-6/2020	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>					
SBU West	<b>-0.8</b>	-0.2	<b>-1.1</b>	-0.2	-0.2
SBU East	<b>-0.3</b>	-1.3	<b>-0.4</b>	-1.3	-1.4
Tikkurila common	<b>-10.3</b>	-	<b>-11.5</b>	-	-1.1
Eliminations	-	-	-	-	-
<b>Total</b>	<b>-11.4</b>	-1.5	<b>-12.9</b>	-1.5	-2.7

<b>Adjusted operating result by segment</b>	<b>4-6/2021</b>	4-6/2020	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>					
SBU West	<b>18.8</b>	25.3	<b>34.2</b>	35.7	49.2
SBU East	<b>10.2</b>	11.0	<b>13.7</b>	10.0	21.8
Tikkurila common	<b>-1.7</b>	-1.6	<b>-3.1</b>	-2.5	-7.2
Eliminations	-	-	-	-	-
<b>Total</b>	<b>27.2</b>	34.7	<b>44.8</b>	43.2	63.8
Non-allocated items:					
Total financial income and expenses	<b>-0.4</b>	1.0	<b>0.0</b>	-2.7	-6.6
Share of profit or loss of equity-accounted investees	<b>0.1</b>	0.1	<b>0.2</b>	0.2	0.4
<b>Result before taxes</b>	<b>15.5</b>	34.3	<b>32.1</b>	39.1	54.9

<b>Revenue by product group and by segment</b>	<b>4-6/2021</b>		4-6/2020	
	<b>Decorative paints</b>	<b>Industrial coatings</b>	Decorative paints	Industrial coatings
<b>EUR million</b>				
SBU West	<b>104.4</b>	<b>20.7</b>	102.8	16.6
SBU East	<b>50.5</b>	<b>8.9</b>	45.4	7.0
Eliminations	-	-	-0.1	-
<b>Total</b>	<b>154.9</b>	<b>29.6</b>	148.2	23.7

<b>Revenue by product group and by segment</b>	<b>1-6/2021</b>		1-6/2020	
	<b>Decorative paints</b>	<b>Industrial coatings</b>	Decorative paints	Industrial coatings
<b>EUR million</b>				
SBU West	<b>194.7</b>	<b>37.6</b>	183.7	32.6
SBU East	<b>82.8</b>	<b>14.9</b>	74.4	14.1
Eliminations	-	-	-0.1	-
<b>Total</b>	<b>277.5</b>	<b>52.4</b>	258.0	46.7

<b>Assets by segment</b>	<b>Jun 30, 2021</b>	Jun 30, 2020	Dec 31, 2020
<b>EUR million</b>			
SBU West	<b>430.2</b>	396.0	372.7
SBU East	<b>106.1</b>	97.8	87.0
Assets, non-allocated to segments	<b>20.7</b>	104.8	5.3
Eliminations	<b>-33.8</b>	-36.8	-23.3
<b>Total assets</b>	<b>523.2</b>	561.8	441.6

<b>CHANGES IN PROPERTY, PLANT AND EQUIPMENT</b>	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>			
Carrying amount at the beginning of period	<b>60.1</b>	69.3	69.3
Additions	<b>3.1</b>	3.4	7.9
Business combinations	-	-	-
Disposals	<b>-0.0</b>	-0.2	-1.2
Depreciation, amortization and impairment losses	<b>-5.1</b>	-5.9	-11.4
Exchange rate differences and other changes	<b>0.7</b>	-2.7	-4.5
<b>Carrying amount at the end of period</b>	<b>58.8</b>	63.9	60.1

Tikkurila Group had contractual commitments for purchase of property, plant and equipment EUR 1.7 (0.7) million at the end of review period.

<b>CHANGES IN INTANGIBLE ASSETS</b>	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>			
Carrying amount at the beginning of period	<b>82.6</b>	88.4	88.4
Additions	<b>0.0</b>	0.5	1.0
Business combinations	-	-	-
Disposals	-	-	-
Depreciation, amortization and impairment losses	<b>-2.8</b>	-3.2	-5.3
Exchange rate differences and other changes	<b>0.2</b>	-0.9	-1.5
<b>Carrying amount at the end of period</b>	<b>80.0</b>	84.9	82.6

Tikkurila Group had contractual commitments for intangible assets EUR 0.0 (0.0) million at the end of review period.

<b>CHANGES IN RIGHT-OF-USE ASSETS</b>	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>			
Carrying amount at the beginning of period	<b>16.8</b>	22.2	22.2
Additions	<b>6.7</b>	2.6	4.8
Disposals	<b>-0.1</b>	-0.6	-1.8
Depreciation, amortization and impairment losses	<b>-3.9</b>	-3.9	-7.7
Exchange rate differences and other changes	<b>0.1</b>	-0.8	-0.8
<b>Carrying amount at the end of period</b>	<b>19.6</b>	19.5	16.8

## INVENTORIES

Write-down of inventory for a total amount of EUR 1.9 (2.6) million was recognized until the end of the review period.

## RELATED PARTY TRANSACTIONS

Parties are considered related parties if one party is able to control or has significant influence over financial and operating decision making of another party. Tikkurila Group has related party relationships with the parent company of the Tikkurila Group (Tikkurila Oyj), subsidiaries and joint ventures. In addition, related parties include the parent company of Tikkurila Oyj, PPG Finland Oy, and other companies in the PPG Group. Tikkurila Group has been part of the PPG Group since June 10, 2021. Tikkurila Group did not have any significant transactions with other PPG companies.

Related parties include members of Board of Directors and the Group's Board of Management, CEO, their family members and controlled entities as well as Country Sales directors and members of the board of directors in significant subsidiaries, and other single directors and managers who control or exercise significant influence in making financial and operational decisions in Tikkurila or in the relevant significant subsidiary.

### Related party transactions:

EUR million

Joint ventures	1-6/2021	1-6/2020	1-12/2020
Sales	2.8	2.6	5.5
Other operating income	0.5	0.5	1.0
Receivables	0.8	0.8	0.5
Liabilities	0.1	0.1	0.0

### Share-based Commitment and Incentive Plans

The Group's share-based incentive plans are disclosed in note 35 of consolidated financial statements 2020.

In June 2018, the Board of Directors of Tikkurila Oyj decided on a share-based incentive plan for Group key employees, a share plan 2018-2022. The share plan 2018-2022 includes three performance periods, calendar years 2018-2020, 2019-2021 and 2020-2022. The potential rewards from the plan were to be paid partly in cash and partly in shares of Tikkurila Oyj. The payment of the reward is conditioned upon a participant being employed at the time of the payment. The rewards to be paid on the basis of the performance periods would be based on the Tikkurila Group's average EBITDA and net debt based intrinsic value for the corresponding performance period. The details are decided separately for each performance period. Additionally, in accordance with the decision of the Board of Directors of Tikkurila Oyj in December 2018, a part of the reward for the performance period 2019-2021 is a time-based reward and the number of the participants of the plan was increased. The first tranche of the time-based reward was paid in June 2020 and a total of 13,590 shares were transferred to 20 participants. The second tranche of the time-based reward was originally scheduled to be paid in year 2022.

In December 2019, the Board of Directors of Tikkurila Oyj decided on the details of the performance period 2020-2022. The rewards to be paid on the basis of the performance period 2020-2022 would amount to an approximate maximum total of 160,000 Tikkurila Oyj shares. The potential reward of the plan would be based on the Tikkurila Group's average EBITDA and net debt-based intrinsic values for 2020-2022. Approximately 20 key employees, including the members of the Management Team, belong to the target group of the plan. This performance period had no time-based reward.

According to Tikkurila Oyj Board of Directors' decision in December 2020, in case PPG's voluntary tender offer was completed, and the transaction closed, Tikkurila Oyj would settle in cash all outstanding rewards for performance periods in accordance with the terms and conditions of each Performance Share Plan.



In February 2021, Tikkurila Oyj Board of Directors decided that the reward of performance period 2018-2020 of the share-based incentive plan 2018-2022 was paid in cash in March. When the tender offer was completed with PPG Industries, Inc. on June 10, 2021, all outstanding performance periods, 2019-2021 and 2020-2022 of the share-based incentive plan 2018-2022, were cancelled and rewards were settled in cash.

The cancellation of the share-based plan and change in settlement as cash had a material one-time negative impact on the result (EUR -2.9 million) for the financial year 2021 as well as a negative one-time impact on the group's equity (EUR -4.2 million, net of tax).

Based on these share-based incentive plans EUR 0.8 (0.6) million was recognized in Group's personnel expenses and EUR 2.9 million in items affecting comparability during the first half of financial year 2021.

<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>	<b>Jun 30,</b>	Jun 30,	Dec 31,
<b>EUR million</b>	<b>2021</b>	2020	2020
<b>Mortgages given as collateral for liabilities in the statement of financial position</b>			
Other loans	-	-	-
Mortgages given	-	-	-
<b>Total loans</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total mortgages given</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Contingent liabilities</b>			
Guarantees			
On behalf of own commitments	<b>0.3</b>	0.3	0.3
On behalf of others	<b>1.1</b>	1.3	1.3
Other obligations of own behalf	-	-	-
Lease obligations	<b>0.0</b>	-	0.0
<b>Total contingent liabilities</b>	<b>1.4</b>	1.6	1.6

**CARRYING AMOUNTS AND FAIR VALUES  
OF FINANCIAL ASSETS AND FINANCIAL  
LIABILITIES BY CATEGORIES**  
EUR million

	Fair value through profit or loss items	Amortized cost items	Fair value through other comprehensive income items	Carrying amounts	Fair values
<b>Jun 30, 2021</b>					
<b>Non-current financial assets</b>					
Other investments	-	-	0.2	0.2	0.2
Non-current receivables	-	3.7	-	3.7	3.7
<b>Current financial assets</b>					
Interest-bearing receivables	-	1.4	-	1.4	1.4
Cash equivalents	-	63.5	-	63.5	63.5
Trade and other non-interest-bearing receivables	-	191.2	-	191.2	191.2
<b>Total</b>	<b>-</b>	<b>259.8</b>	<b>0.2</b>	<b>260.0</b>	<b>260.0</b>
<b>Non-current financial liabilities</b>					
Non-current interest-bearing liabilities	-	13.3	-	13.3	13.3
<b>Current financial liabilities</b>					
Current interest-bearing liabilities	-	108.6	-	108.6	108.7
Trade payables	-	65.8	-	65.8	65.8
<b>Total</b>	<b>-</b>	<b>187.6</b>	<b>-</b>	<b>187.6</b>	<b>187.8</b>
<b>Jun 30, 2020</b>					
<b>Non-current financial assets</b>					
Other investments	-	-	0.7	0.7	0.7
Non-current receivables	-	4.7	-	4.7	4.7
<b>Current financial assets</b>					
Interest-bearing receivables	-	1.1	-	1.1	1.1
Cash equivalents	-	100.8	-	100.8	100.8
Trade and other non-interest-bearing receivables	-	183.3	-	183.3	183.3
<b>Total</b>	<b>-</b>	<b>289.9</b>	<b>0.7</b>	<b>290.6</b>	<b>290.6</b>
<b>Non-current financial liabilities</b>					
Non-current interest-bearing liabilities	-	72.5	-	72.5	72.7
<b>Current financial liabilities</b>					
Current interest-bearing liabilities	-	125.2	-	125.2	125.2
Trade payables	-	56.6	-	56.6	56.6
<b>Total</b>	<b>-</b>	<b>254.3</b>	<b>-</b>	<b>254.3</b>	<b>254.4</b>

	Fair value through profit or loss items	Amortized cost items	Fair value through other comprehensive income items	Carrying amounts	Fair values
<b>Dec 31, 2020</b>					
<b>Non-current financial assets</b>					
Other investments	-	-	0.7	0.7	0.7
Non-current receivables	-	4.1	-	4.1	4.1
<b>Current financial assets</b>					
Interest-bearing receivables	-	1.6	-	1.6	1.6
Cash equivalents	-	92.0	-	92.0	92.0
Trade and other non-interest-bearing receivables	-	79.5	-	79.5	79.5
<b>Total</b>	<b>-</b>	<b>177.1</b>	<b>0.7</b>	<b>177.9</b>	<b>177.9</b>
<b>Non-current financial liabilities</b>					
Non-current interest-bearing liabilities	-	70.1	-	70.1	70.3
<b>Current financial liabilities</b>					
Current interest-bearing liabilities	-	34.0	-	34.0	34.0
Trade payables	-	48.7	-	48.7	48.7
<b>Total</b>	<b>-</b>	<b>152.8</b>	<b>-</b>	<b>152.8</b>	<b>152.9</b>

#### FAIR VALUE HIERARCHY

EUR million

<b>Jun 30, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Recurring fair value measurements				
Other investments	-	-	0.2	0.2
Jun 30, 2020				
Recurring fair value measurements				
Other investments	-	-	0.7	0.7
Dec 31, 2020				
Recurring fair value measurements				
Other investments	-	-	0.7	0.7

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

### Reconciliation of Level 3 fair value measured financial assets and liabilities

	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
<b>Other investments</b>			
Carrying amount at Jan 1	0.7	0.7	0.7
Translation differences in other comprehensive income	0.0	0.0	0.0
Change in valuation	-	-	0.1
Disposals	-0.5	-	-0.1
Other changes / transfers	-	-	-
<b>Carrying amount at end of review period</b>	<b>0.2</b>	<b>0.7</b>	<b>0.7</b>

Other investments in level 3 include unquoted shares that are measured at cost or at cost less impairment if value has been impaired below the cost. These shares are of a business supportive nature and personnel's recreational activities related long-term investments that Tikkurila is not intending to sell. These shares have no quoted market price in an active market and their fair values cannot be measured reliably by using any valuation techniques. Therefore, according to assessment of Tikkurila's management, in most cases the cost of shares is the best available estimate for fair value.

Tikkurila has classified these equity instruments as fair value through other comprehensive income. Dividends on these investments are recognized in profit or loss but possible impairment losses will not be recognized in profit or loss nor the gains or losses on disposal.

KEY PERFORMANCE INDICATORS	4-6/2021/ Jun 30, 2021	4-6/2020/ Jun 30, 2020	1-6/2021/ Jun 30, 2021	1-6/2020/ Jun 30, 2020	1-12/2020/ Dec 31, 2020
Earnings per share / basic, EUR	<b>0.28</b>	0.61	<b>0.58</b>	0.70	0.98
Earnings per share / diluted, EUR	<b>0.27</b>	0.61	<b>0.58</b>	0.70	0.97
Operating result (EBIT), EUR million	<b>15.8</b>	33.1	<b>31.9</b>	41.7	61.1
of revenue %	<b>8.5%</b>	19.3%	<b>9.7%</b>	13.7%	10.5%
Adjusted operating result, EUR million	<b>27.2</b>	34.7	<b>44.8</b>	43.2	63.8
of revenue %	<b>14.8%</b>	20.2%	<b>13.6%</b>	14.2%	11.0%
Cash flow from operations, EUR million	<b>-6.8</b>	13.4	<b>-38.0</b>	-2.0	97.6
Cash flow from operations / per share, EUR	<b>-0.15</b>	0.30	<b>-0.86</b>	-0.05	2.21
Capital expenditure, EUR million	<b>2.0</b>	2.0	<b>4.0</b>	4.4	8.1
of revenue %	<b>1.1%</b>	1.2%	<b>1.2%</b>	1.4%	1.4%
Shares (1,000), average *)	<b>44,106</b>	44,101	<b>44,106</b>	44,104	44,105
Shares (1,000), at the end of the reporting period *)	<b>44,106</b>	44,106	<b>44,106</b>	44,106	44,106
Weighted average number of shares, adjusted for dilutive effect (1,000) <sup>1)*)</sup>	<b>44,218</b>	44,267	<b>44,275</b>	44,233	44,286
Number of shares at the end of period, adjusted for dilutive effect (1,000) <sup>1)*)</sup>	<b>44,106</b>	44,258	<b>44,106</b>	44,258	44,348
Equity attributable to the owners of the parent / per share, EUR	<b>4.64</b>	3.94	<b>4.64</b>	3.94	4.11
Equity ratio, %	<b>39.2%</b>	30.9%	<b>39.2%</b>	30.9%	41.1%
Gearing, %	<b>28.5%</b>	55.8%	<b>28.5%</b>	55.8%	6.7%
Interest-bearing net liabilities, EUR million	<b>58.4</b>	96.9	<b>58.4</b>	96.9	12.1
Return on capital employed (ROCE), % p.a.	<b>21.0%</b>	20.5%	<b>21.0%</b>	20.5%	24.0%
Personnel (average)	<b>2,565</b>	2,737	<b>2,522</b>	2,698	2,628

1) When calculating the dilution effect for the number of shares, it has been assumed that all the remuneration to be paid in shares would be issued as new shares, even though it is also possible that those shares might be acquired from the markets. Moreover, the number of shares adjusted for dilutive effect is based on estimates for Tikkurila Group's future financial performance, and its impact on the outcome of the share-based commitment and incentive plan.

\*) Number of shares outstanding, treasury shares excluded.

## COMPONENTS FOR ALTERNATIVE KEY FIGURES

Based on the Tikkurila Management decision in this report are presented some alternative key figures in addition to commonly presented IFRS performance measure. Benefits considered to be achieved with these are better comparability of financial performance between review periods and possibility to describe more wide-ranged the financial development of businesses.

Reconciliation of adjusted operating result to EBIT.

<b>EBIT by segment</b>	<b>4-6/2021</b>	4-6/2020	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>					
SBU West	<b>18.0</b>	25.0	<b>33.1</b>	35.4	49.0
SBU East	<b>9.9</b>	9.7	<b>13.4</b>	8.7	20.4
Tikkurila common	<b>-12.1</b>	-1.6	<b>-14.6</b>	-2.5	-8.3
Eliminations	-	-	-	-	-
<b>Total</b>	<b>15.8</b>	33.1	<b>31.9</b>	41.7	61.1

Items affecting comparable EBIT by segment	<b>4-6/2021</b>	4-6/2020	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>					
SBU West	<b>-0.8</b>	-0.2	<b>-1.1</b>	-0.2	-0.2
SBU East	<b>-0.3</b>	-1.3	<b>-0.4</b>	-1.3	-1.4
Tikkurila common	<b>-10.3</b>	-	<b>-11.5</b>	-	-1.1
Eliminations	-	-	-	-	-
<b>Total</b>	<b>-11.4</b>	-1.5	<b>-12.9</b>	-1.5	-2.7

<b>Adjusted operating result by segment</b>	<b>4-6/2021</b>	4-6/2020	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>					
SBU West	<b>18.8</b>	25.3	<b>34.2</b>	35.7	49.2
SBU East	<b>10.2</b>	11.0	<b>13.7</b>	10.0	21.8
Tikkurila common	<b>-1.7</b>	-1.6	<b>-3.1</b>	-2.5	-7.2
Eliminations	-	-	-	-	-
<b>Total</b>	<b>27.2</b>	34.7	<b>44.8</b>	43.2	63.8

### Items affecting comparable EBIT

<b>Group total</b>	<b>4-6/2021</b>	4-6/2020	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>					
Divestments, changes in Group structure	-	-0.1	-	-0.1	0.0
Costs related to public tender offer	<b>-7.9</b>	-	<b>-8.4</b>	-	-0.9
Personnel related *)	<b>-3.6</b>	-0.1	<b>-4.5</b>	-0.1	-0.5
Impairment losses	-	-1.4	-	-1.4	-1.3
<b>Total</b>	<b>-11.4</b>	-1.5	<b>-12.9</b>	-1.5	-2.7

<b>SBU West</b>	<b>4-6/2021</b>	4-6/2020	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>					
Divestments, changes in Group structure	-	-	-	-	0.0
Costs related to public tender offer	-	-	-	-	-
Personnel related *)	<b>-0.8</b>	-	<b>-1.1</b>	-	0.0
Impairment losses	-	-0.2	-	-0.2	-0.2
<b>Total</b>	<b>-0.8</b>	-0.2	<b>-1.1</b>	-0.2	-0.2

<b>SBU East</b>	<b>4-6/2021</b>	4-6/2020	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>					
Divestments, changes in Group structure	-	-0.1	-	-0.1	0.0
Costs related to public tender offer	-	-	-	-	-
Personnel related *)	<b>-0.3</b>	-0.1	<b>-0.4</b>	-0.1	-0.2
Impairment losses	-	-1.2	-	-1.2	-1.1
<b>Total</b>	<b>-0.3</b>	-1.3	<b>-0.4</b>	-1.3	-1.4

<b>Tikkurila common</b>	<b>4-6/2021</b>	4-6/2020	<b>1-6/2021</b>	1-6/2020	1-12/2020
<b>EUR million</b>					
Divestments, changes in Group structure	-	-	-	-	-
Costs related to public tender offer	<b>-7.9</b>	-	<b>-8.4</b>	-	-0.9
Personnel related *)	<b>-2.5</b>	-	<b>-3.1</b>	-	-0.2
Impairment losses	-	-	-	-	-
<b>Total</b>	<b>-10.3</b>	-	<b>-11.5</b>	-	-1.1

\*) Related to public tender offer in year 2021

	<b>Jun 30, 2021</b>	Jun 30, 2020	Dec 31, 2020
<b>Interest-bearing net liabilities</b>			
<b>EUR million</b>			
Interest-bearing non-current liabilities	<b>13.3</b>	72.5	70.1
Interest-bearing current liabilities	<b>108.6</b>	125.2	34.0
<b>Interest-bearing liabilities, total</b>	<b>121.9</b>	197.7	104.1
Cash and cash equivalents	<b>63.5</b>	100.8	92.0
<b>Interest-bearing net liabilities</b>	<b>58.4</b>	96.9	12.1
<b>Net working capital</b>			
Inventories	<b>81.0</b>	78.9	80.4
Non-current receivables	<b>5.6</b>	6.4	5.7
Excluding loan receivables and financing items in receivables	<b>-3.1</b>	-4.3	-3.4
Current trade receivables and other non-interest-bearing receivables	<b>198.5</b>	188.4	88.3
Excluding interest and other financing items in receivables	<b>-0.1</b>	-0.2	-0.1
Other non-current liabilities	<b>0.0</b>	0.0	0.2
Current trade payables and other non-interest-bearing payables	<b>159.8</b>	151.3	115.3
Excluding interest and other financing liabilities	<b>-0.1</b>	-12.4	-0.2
<b>Net working capital</b>	<b>122.2</b>	130.4	55.6
<b>Return on capital employed (ROCE), %</b>			
Operating result + share of profit or loss of equity-accounted investees <sup>1)</sup>	<b>51.7</b>	56.8	61.5
Capital employed <sup>2)</sup>	<b>245.7</b>	276.4	256.6
<b>Return on capital employed (ROCE), %</b>	<b>21.0%</b>	20.5%	24.0%

<sup>1)</sup> from a rolling 12-month period

<sup>2)</sup> 12 months, in average



## DEFINITIONS OF KEY FIGURES

### Earnings per share (EPS), basic

Net result of the period attributable to the owners of the parent

---

Shares on average

### Earnings per share (EPS), diluted

Net result of the period attributable to the owners of the parent

---

Weighted average number of shares, adjusted for dilutive effect

### Equity per share

Equity attributable to the owners of the parent at the end of the reporting period

---

Number of shares at the end of the reporting period

### Cash flow from operations / per share

Cash flow from operations

---

Shares on average

### Equity ratio, %

Total equity x 100

---

Total assets - advances received

### Gearing, %

Interest-bearing net liabilities x 100

---

Total equity

### Comparable revenue

Revenue converted with exchange rates of comparison year excluding effects of acquisitions, divestments and closures.

### Operating result (EBIT)

Operating result is the net amount that comprises of the revenue added with other operating income and deducted by purchase cost adjusted with change in inventories of finished goods and work in progress, personnel expenses, depreciation, amortization and possible impairment losses and other operating expenses.

### Items affecting comparability

Items affecting comparability are items related to business reorganizations, the strategic based changes in organization structure, impairments of non-current assets and gains or losses on disposal of assets. In accordance with Tikkurila Board of Directors' judgement, significant insurance compensations, depending on their nature, may be included in items affecting comparability.

### Adjusted operating result

Operating result (EBIT) - items affecting comparability.

### Interest-bearing net liabilities

Interest-bearing liabilities - money market investments - cash and cash equivalents.

## Gross capital expenditure

Increases in intangible assets, property, plant and equipment, right-of-use assets as well as increases in other shares and equity-accounted investees.

## Net working capital

Inventories + interest-free receivables, excluding current tax assets, accrued interest income and other prepaid financial items - interest-free liabilities, excluding current tax liabilities, accrued interest expenses and other accrued financial items.

## Capital employed

Net working capital + intangible assets ready for use + property, plant and equipment ready for use+ right-of-use assets + equity-accounted investees.

## Return on capital employed (ROCE), % p.a. \*

Operating result + share of profit or loss of equity-accounted investees x 100

Capital employed \*\*

\* actual operating result and share of profit or loss of equity-accounted investees taken into account for a rolling twelve-month period ending at the end of the review period

\*\* 12 months, in average

## SEGMENT INFORMATION BY QUARTER

Revenue by segment	1-3/2020	4-6/2020	7-9/2020	10-12/2020	1-3/2021	4-6/2021
<b>EUR million</b>						
SBU West	96.9	119.4	106.7	74.9	107.1	125.1
SBU East	36.0	52.4	57.6	38.0	38.3	59.4
Eliminations	-	-0.1	0.0	0.0	-	0.0
<b>Total</b>	<b>133.0</b>	<b>171.8</b>	<b>164.3</b>	<b>112.8</b>	<b>145.4</b>	<b>184.5</b>

EBIT by segment	1-3/2020	4-6/2020	7-9/2020	10-12/2020	1-3/2021	4-6/2021
<b>EUR million</b>						
SBU West	10.4	25.0	19.6	-6.1	15.2	18.0
SBU East	-0.9	9.7	10.0	1.7	3.5	9.9
Tikkurila common	-0.9	-1.6	-2.4	-3.4	-2.6	-12.1
Eliminations	-	-	-	-	-	-
<b>Total</b>	<b>8.5</b>	<b>33.1</b>	<b>27.3</b>	<b>-7.8</b>	<b>16.1</b>	<b>15.8</b>

Items affecting comparable EBIT by segment	1-3/2020	4-6/2020	7-9/2020	10-12/2020	1-3/2021	4-6/2021
<b>EUR million</b>						
SBU West	-	-0.2	0.0	0.0	-0.2	-0.8
SBU East	-	-1.3	-0.1	0.0	-0.1	-0.3
Tikkurila common	-	-	-	-1.1	-1.2	-10.3
Eliminations	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-1.5</b>	<b>-0.1</b>	<b>-1.1</b>	<b>-1.5</b>	<b>-11.4</b>

<b>Adjusted operating result by segment</b>	1-3/2020	4-6/2020	7-9/2020	10-12/2020	1-3/2021	4-6/2021
<b>EUR million</b>						
SBU West	10.4	25.3	19.6	-6.1	15.4	18.8
SBU East	-0.9	11.0	10.1	1.7	3.6	10.2
Tikkurila common	-0.9	-1.6	-2.4	-2.3	-1.4	-1.7
Eliminations	-	-	-	-	-	-
<b>Total</b>	<b>8.5</b>	<b>34.7</b>	<b>27.3</b>	<b>-6.7</b>	<b>17.6</b>	<b>27.2</b>

Non-allocated items:						
Total financial income and expenses	-3.8	1.0	-3.5	-0.3	0.4	-0.4
Share of profit or loss of equity-accounted investees	0.1	0.1	0.1	0.1	0.1	0.1
<b>Profit / loss before taxes</b>	<b>4.8</b>	<b>34.3</b>	<b>23.9</b>	<b>-8.1</b>	<b>16.6</b>	<b>15.5</b>

<b>Assets by segment</b>	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021
<b>EUR million</b>						
SBU West	364.0	396.0	393.2	372.7	357.2	430.2
SBU East	84.2	97.8	82.7	87.0	90.9	106.1
Assets, non-allocated to segments	67.8	104.8	32.6	5.3	27.0	20.7
Eliminations	-29.5	-36.8	-25.9	-23.3	-21.1	-33.8
<b>Total assets</b>	<b>486.5</b>	<b>561.8</b>	<b>482.6</b>	<b>441.6</b>	<b>454.0</b>	<b>523.2</b>