



TIKKURILA

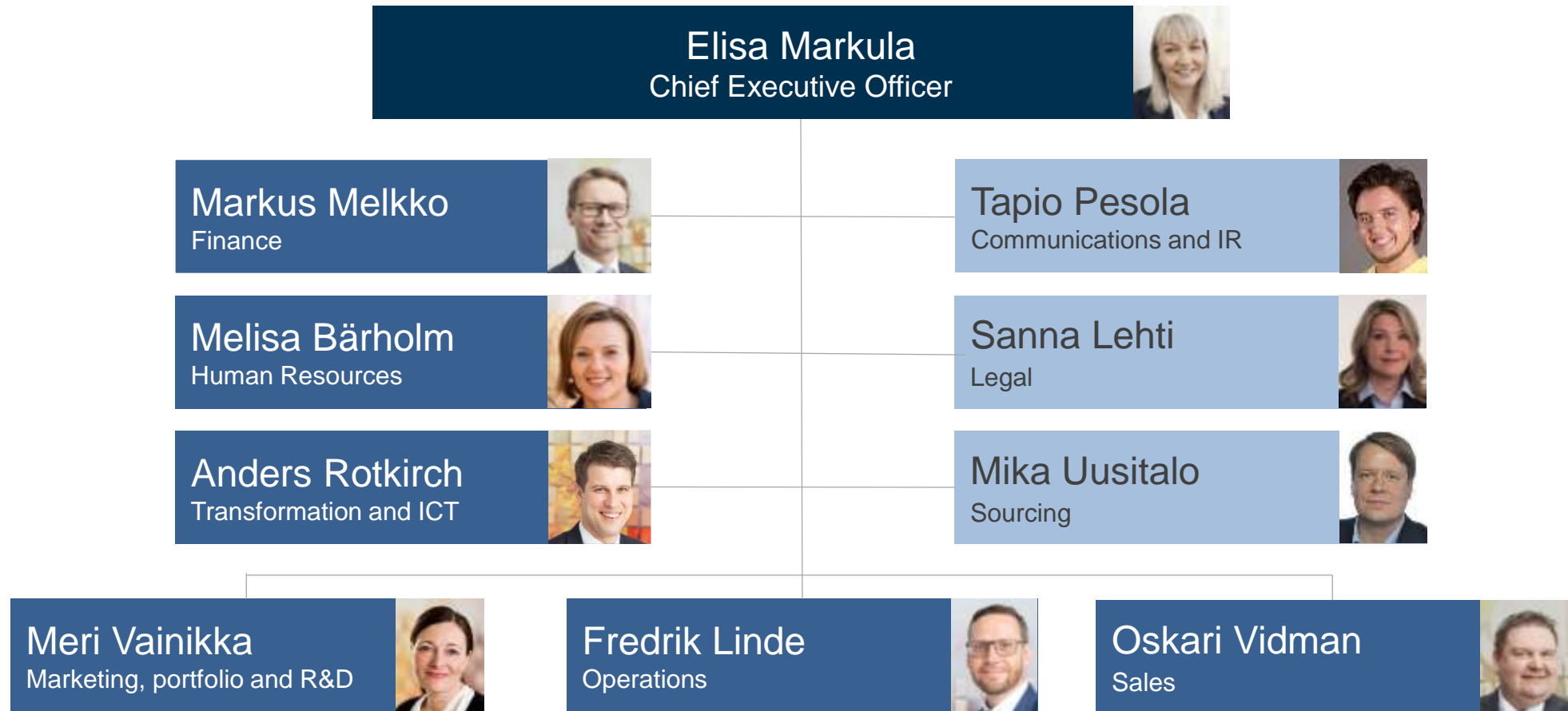
Building on our strong premium brands to maximize efficiency and organic growth

CAPITAL MARKETS DAY
5 JUNE 2019

Tikkurila Capital Markets Day

8:30	Registration and coffee	
9:00	Opening and welcome	Tapio Pesola, Director, IR & Communications
9:05	We maximize efficiency and accelerate organic growth	Elisa Markula, CEO
9:35	We focus on our strong brands	Meri Vainikka, SVP Offering
10.15	Q&A	
10.30	Break	
10:40	We are improving our performance in sales, operations and sourcing	Oskari Vidman, SVP Sales Fredrik Linde, SVP Operations Mika Uusitalo, VP Sourcing
11:10	We have a clear strategy to reach our financial targets – and progress is underway	Markus Melkko, CFO
11:30	Q&A	
11:45	Lunch	
12:30	Tikkurila factory Tour	Host: Petri Karhu, Operations
~ 13:15	End of the program	

New Tikkurila Management Team as of May 2019



Building on our strong premium brands to maximize efficiency and accelerate organic growth

Elisa Markula, CEO



Tikkurila is committed to creating value by improving efficiency and accelerating organic growth

This is Tikkurila

Market leader in North-Eastern Europe. Among TOP20 globally.

Well-known and preferred premium brands

Skillful employees with close to 160 years knowledge in surfaces

This is our strategy

INCREASING EFFICIENCY

ACCELERATING PROFITABLE GROWTH

CREATING A STRONG “ONE TIKKURILA” CULTURE

This is our target

Revenue Growth

Faster than home market growth

Profitability

EBIT > 12%

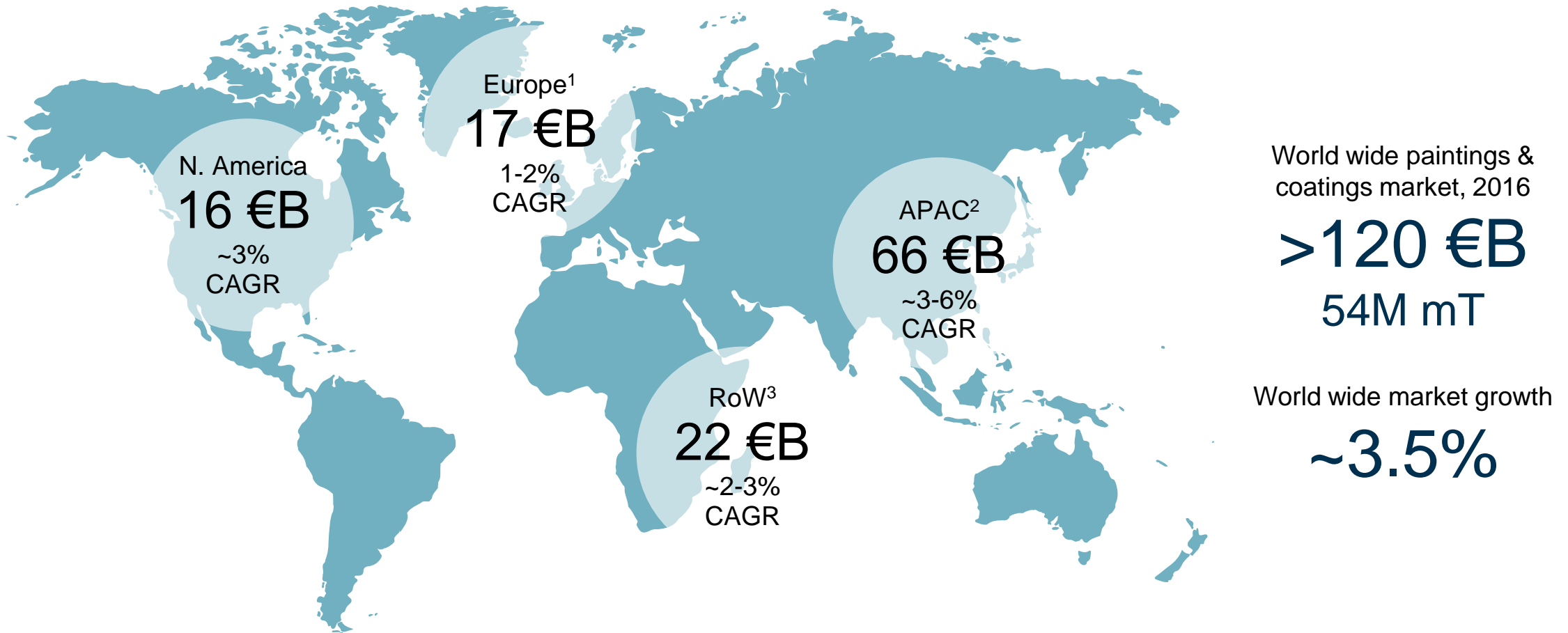
ROCE

> 20%

Gearing

< 70%

We operate in a large global market driven by stable structural growth



Note: Market size for 2016 and based on consumption; Compounded annual growth rate forecast 2017-2022 period. Revenue growth expected to be higher than volume growth due to shift to higher value-add coating products 1. Includes Western and Eastern Europe countries. 2. APAC, includes China, Oceania 3. Rest of World, including Saudi Arabia, Turkey, Mexico, Russia, Brazil and other smaller consumption countries. Source: IHS P&C market study, Axalta, investor presentations, Technavio

Changing operating environment: Urbanization, consolidation and customer needs drive the industry



Impact on painting industry:

Increasing need for **efficiency and sustainability**

Increasing need for **premium products and functional solutions**

Increasing need for **understanding the customer**

Tikkurila focuses on segments with low global consolidation

- There is a clear demand for strong local premium brands

Share of total market (%)
in value

~ 40 %

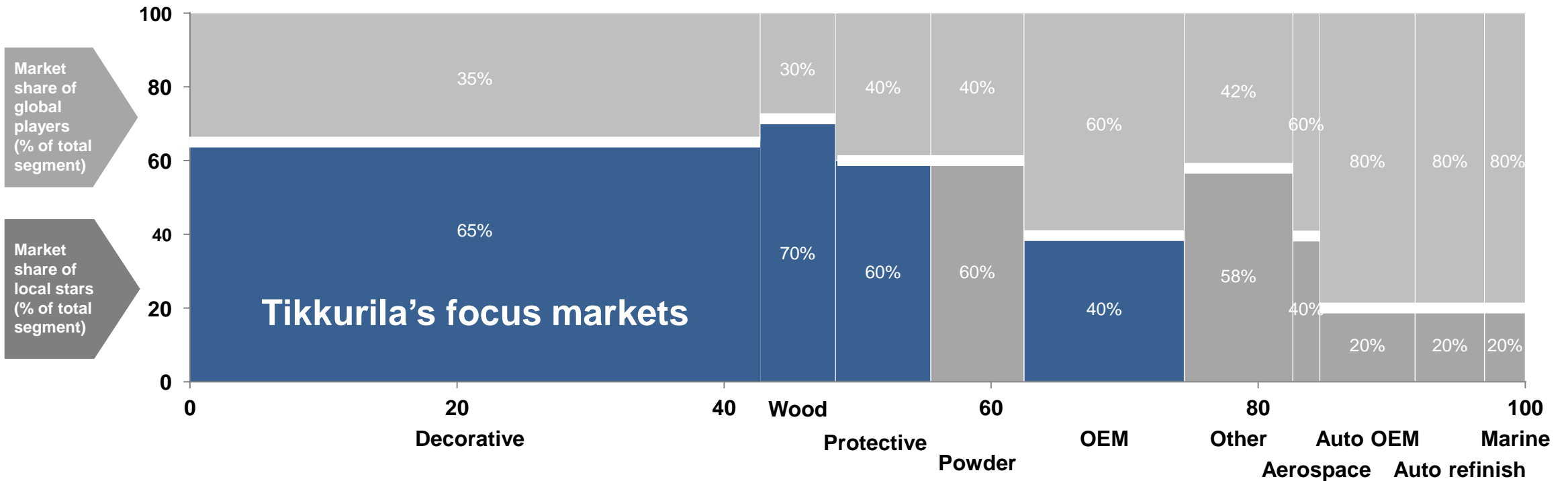
~ 40 %

~ 20 %

Decorative
- Low global consolidation

Industry
- Low global consolidation

Industry
- High global consolidation



Our regional focus is on North-Eastern Europe where we strengthened our position further in 2018



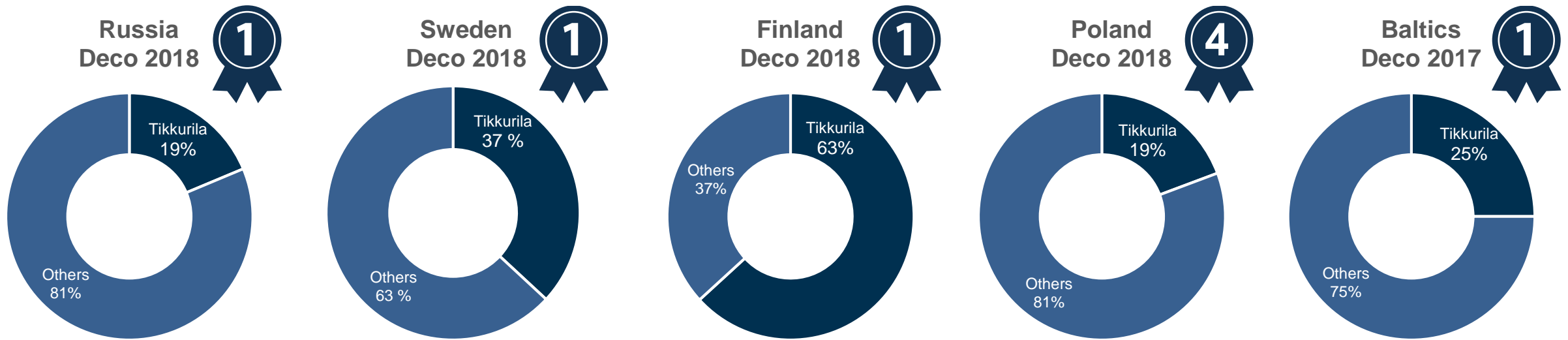
Rest of revenue comes from 30+ other countries where Tikkurila's products are also sold

Region	Deco and industry market growth in 2018	Tikkurila revenue growth in local currency in 2018
Russia	+2.4%	+5.3%
Poland	+2.2%	+10.4%
Sweden	+0.6%	+2.2%
Finland	+0.7%	+1.7%
Baltics	+0.5%	+5.7%



Source: The Association of the Finnish Paint Industry, SVEFF, Global Research and Data Services from UN; Chem Courier; CEPE; Markets and Markets; IPPIC; Tikkurila materials, BCG analysis

We are #1 in nearly all our main markets in decorative paints (value share)

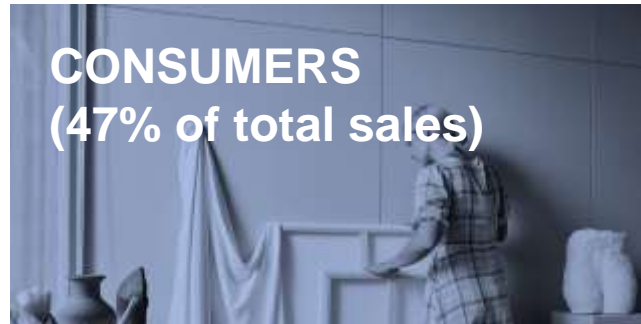


In the industry segments our market shares are ~15-17 % of industry per market

Source: Sources: BCG, VTU, SVEFF, Chem Courier, GFK, Tikkurila management estimate.

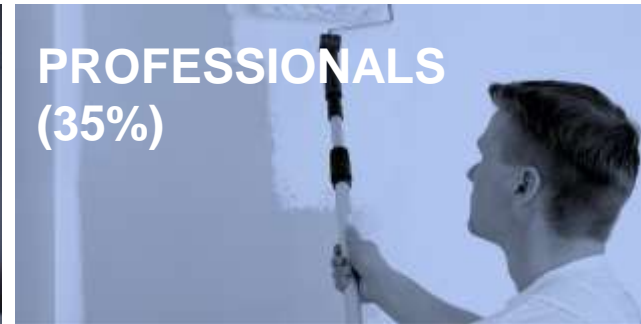
We offer premium solutions to all key customer segments

- Fastest growth expected in professionals and industry



CONSUMERS
(47% of total sales)

- Renovators
- Decorators
- Gardeners
- Home and garden builders



PROFESSIONALS
(35%)

- Contractors
- Designers and Architects
- Investors
- Other influencers



INDUSTRY
(18%)

- Wood industry
- OEM
- Protective coatings
- Other pre-treated surfaces

KEY TREND

Retail distribution shift

Seeking for efficiency

COMPETITIVENESS FACTORS

Differentiate through premium brands, functionality and sustainability

GROWTH DRIVERS

“Growth driven by premiumization”

“Grow through differentiated portfolio including services”

“Growth in selected segments”

Tikkurila's products are used in the most demanding projects



Olympic stadium
Helsinki, Finland



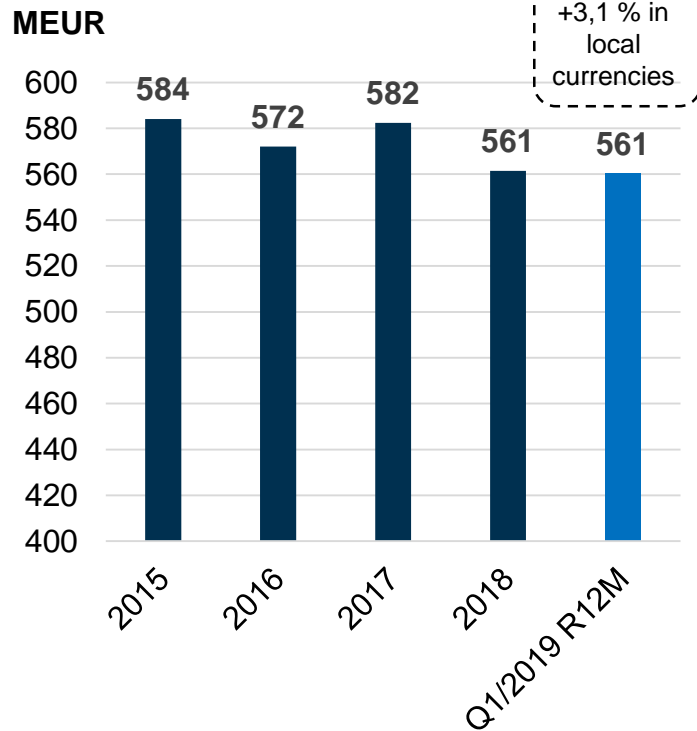
**Bogoroditce-
Irkutskaya Church**
Irkutsk, Russia



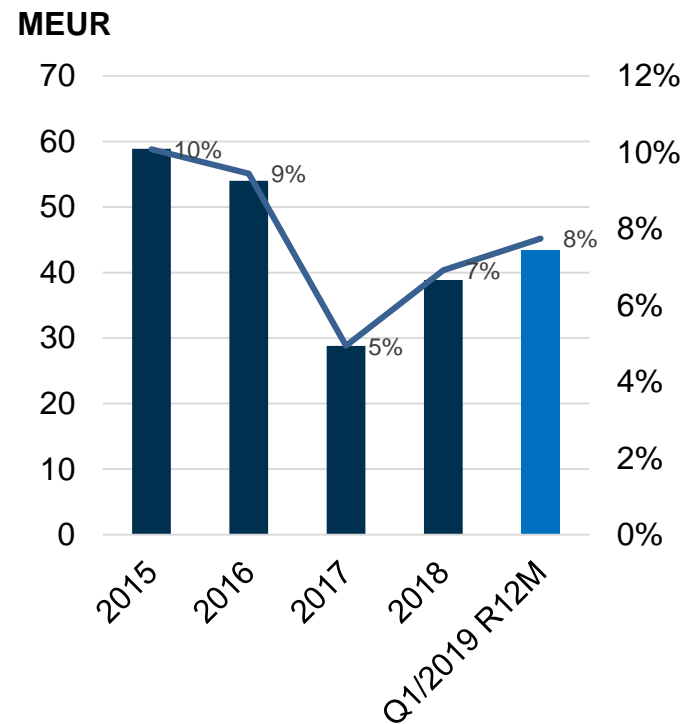
Indoor Ski hall
Lørenskog, Norway

Turn-around strategy execution is progressing as planned

Revenue



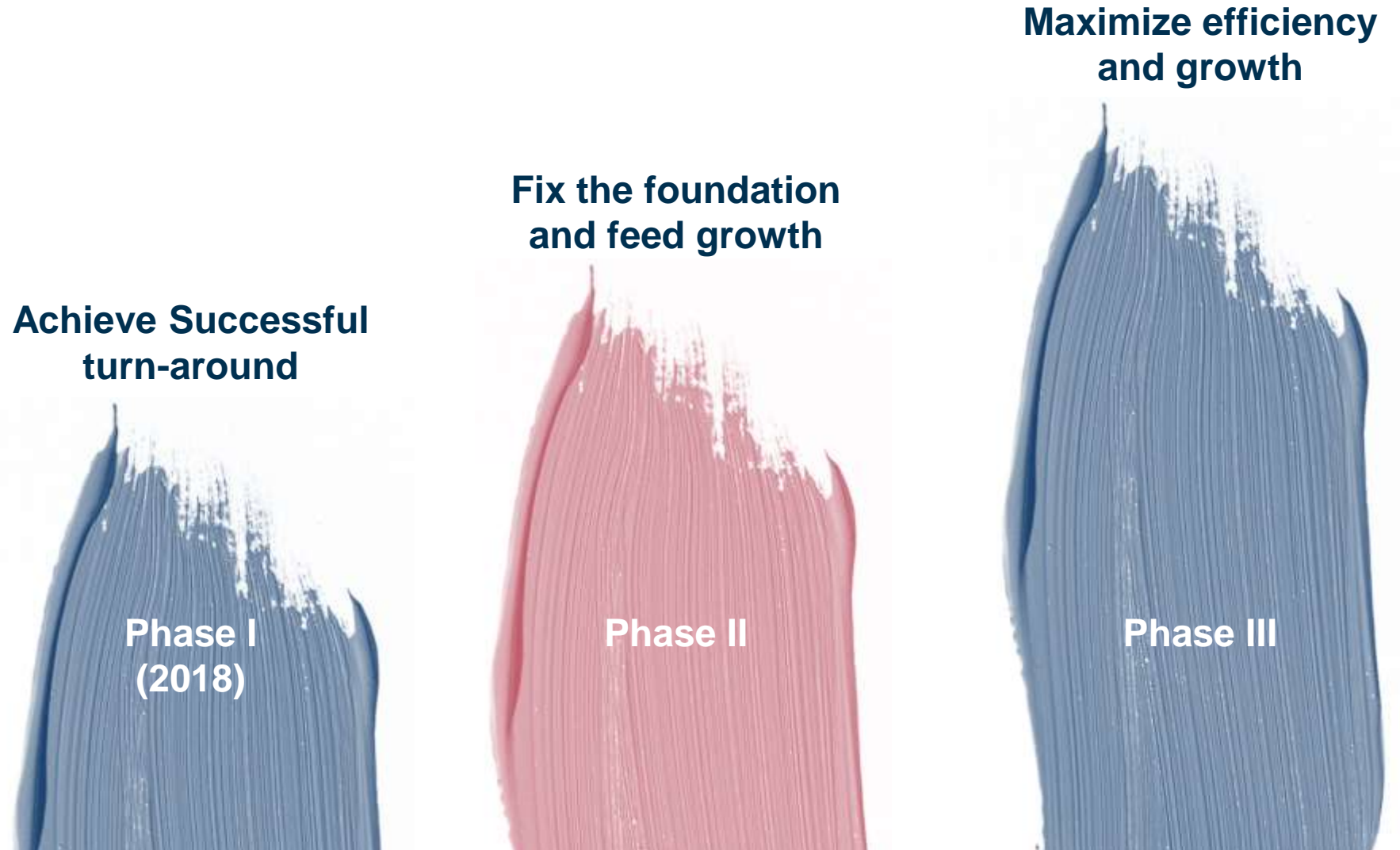
Adjusted operating profit



Key drivers for 2018 performance

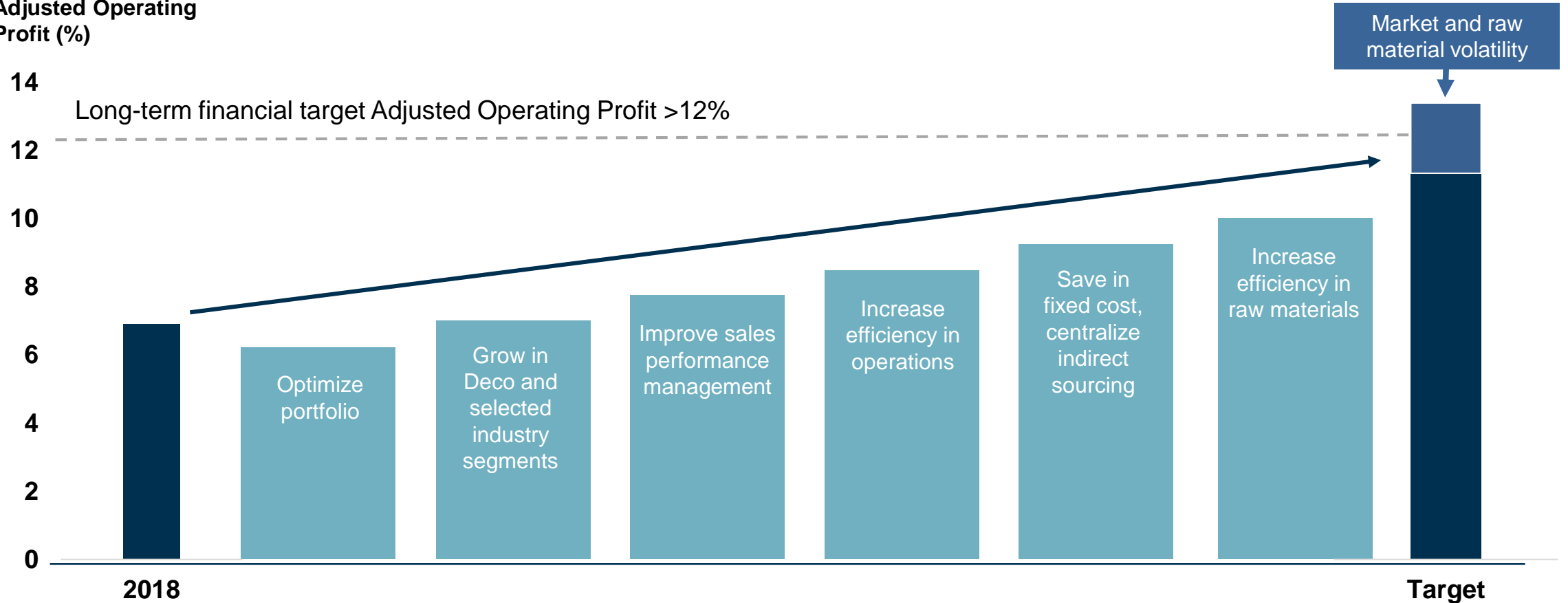
- ▲ Sales volumes increased
- ▲ Sales prices were raised
- ▲ Fixed expenses savings of 30 MEUR
- ▲ Cash flow and profitability
- ▼ Raw material price inflation
- ▼ Divestments effects to revenue -11.3 MEUR
- ▼ Currency effects -27.5 MEUR to revenue

Our long-term target is to achieve maximum efficiency and grow faster than the market



We have a concrete action plan to improve our performance in all key areas - Tikkurila has considerable potential to improve profitability

Adjusted Operating Profit (%)



We made significant progress in 2018, and have a proactive agenda for 2019

Actions to improve profitability and growth

	Achievements in 2018	2019-
Save in fixed cost, centralize indirect sourcing	Fixed expenses savings of EUR 30 million achieved in 2018. Numerous initiatives to manage net working capital more efficiently.	Savings fully visible in 2019. Further activities on working capital.
Optimize portfolio	Optimization of manufacturing formulas, raw materials and SKUs is underway at Tikkurila, the goal is to reduce the number of product titles by half by 2020.	Optimization will continue.
Increase efficiency in raw materials	Streamlining of both direct and indirect purchases. The targeted variable cost savings have to a large extent been offset by the continued increase of raw material costs in 2018.	Key focus area. Sales price increases to offset raw material hike 2018 and Q1/19.
Improve sales performance management	Revenue growth in local currencies 3.1% Several price increases. Deco market share grew in Poland, Sweden and Baltics.	Key focus area.
Increase efficiency in operations	Operations were divested in Balkan and Germany. Small production sites in Denmark and Russia were closed	Supply chain efficiency to be further improved.
Grow in Deco and selected industry segments	Revenue increased in all main markets (Finland, Sweden, Russia, Poland, Baltics) in local currencies. Market share in decorative paints remained strong in all market areas, increasing in Poland and Sweden.	Faster than market growth.

Most potential



Tikkurila is committed to creating value by improving efficiency and accelerating organic growth

This is Tikkurila

Market leader in North-Eastern Europe. Among TOP20 globally.

Well-known and preferred premium brands

Skillful employees with close to 160 years knowledge in surfaces

This is our strategy

INCREASING EFFICIENCY

ACCELERATING PROFITABLE GROWTH

CREATING A STRONG "ONE TIKKURILA" CULTURE

This is our target

Revenue Growth

Faster than home market growth

Profitability

EBIT > 12%

ROCE

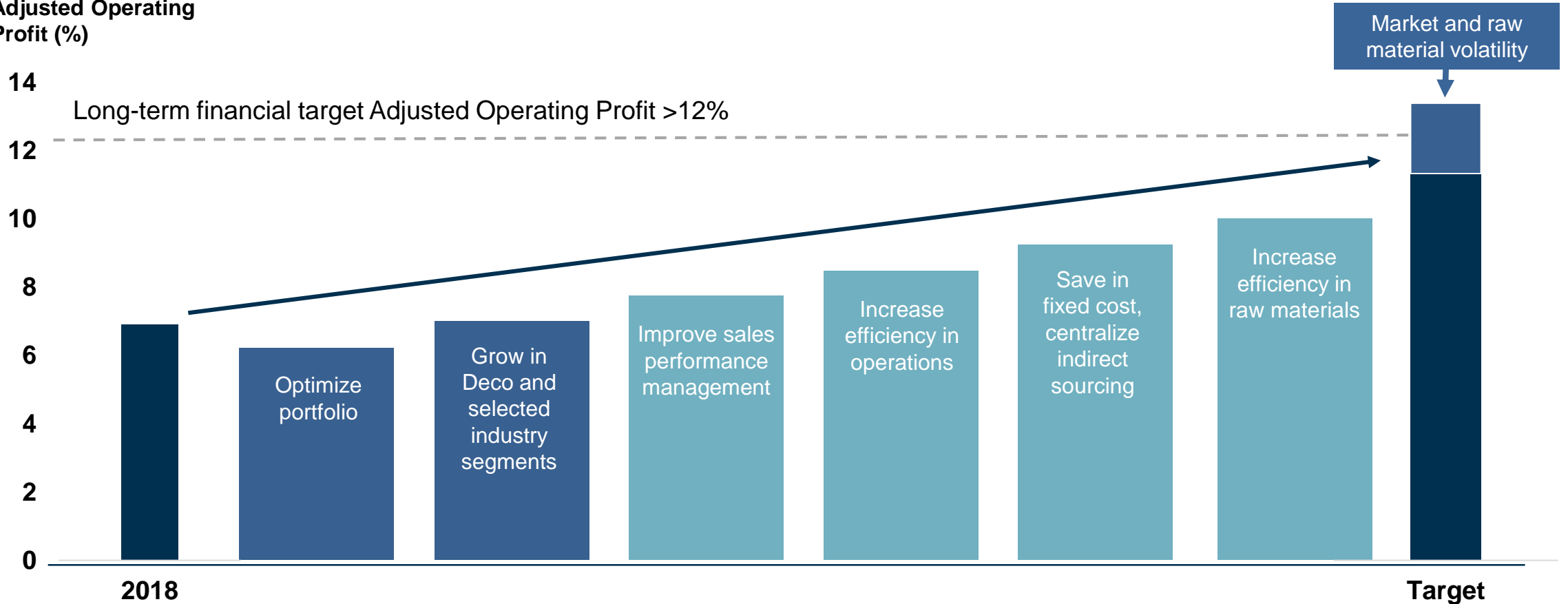
> 20%

Gearing

< 70%

We have a concrete action plan to improve our performance in all key areas - Tikkurila has considerable potential to improve profitability

Adjusted Operating Profit (%)



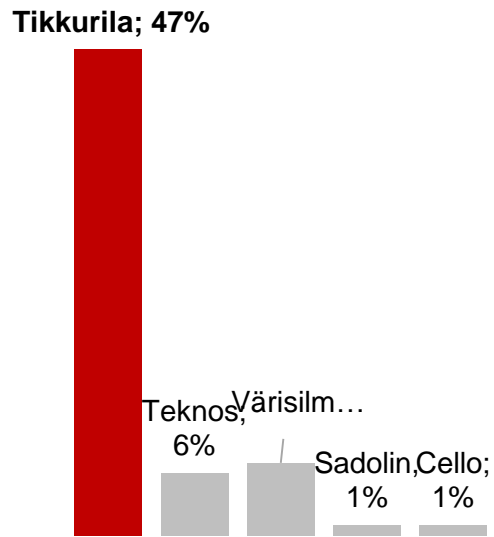
Focusing on our strong brands and product & service offering to increase profitable growth

Meri Vainikka, SVP, Offering

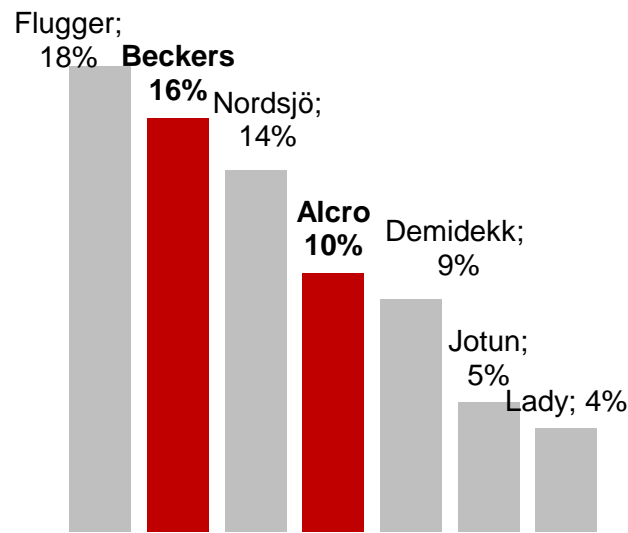
Tikkurila's premium brands are the most recommended and highly preferred by consumers in our key markets

Brand preference scores in big four markets*

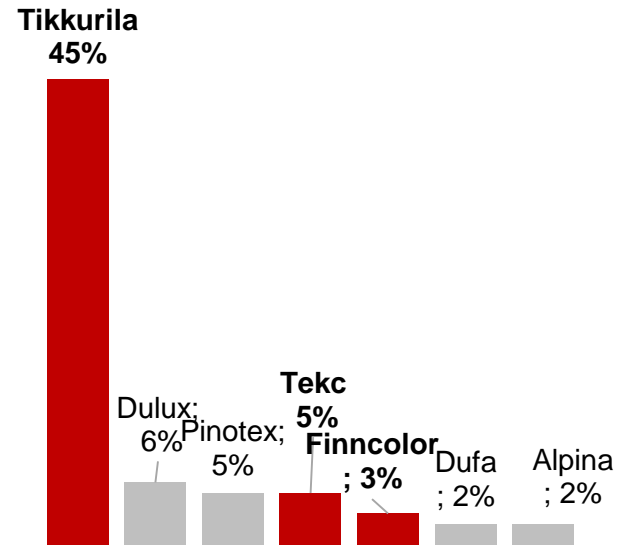
Finland



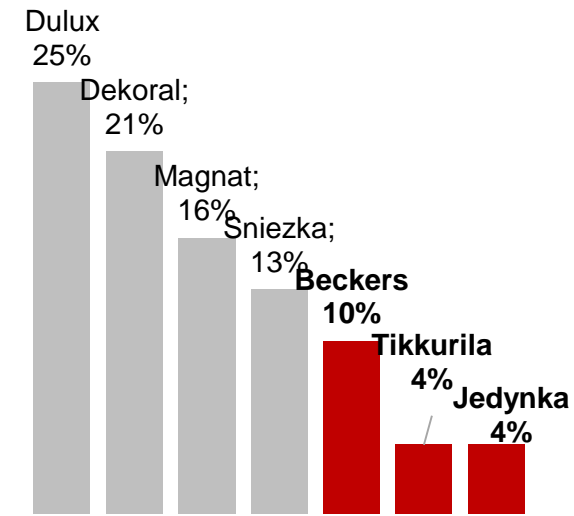
Sweden



Russia



Poland



NPS*



Tikkurila highest NPS score in market



Beckers highest NPS score in market



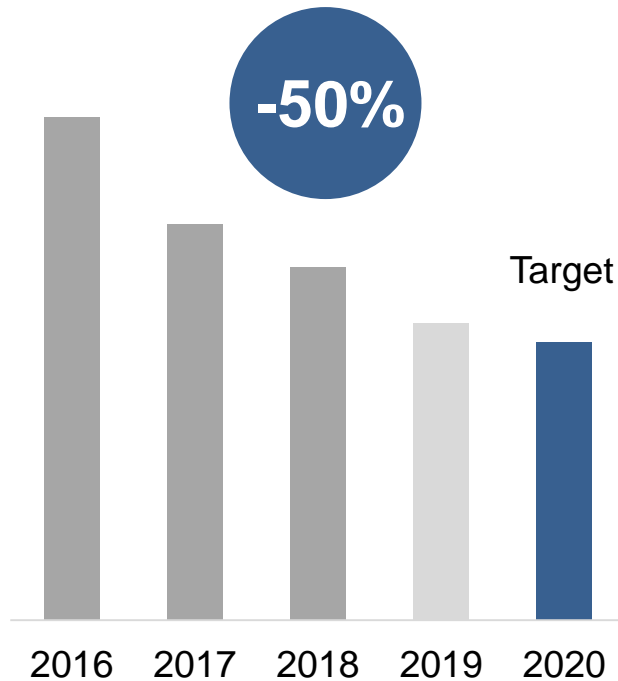
Tikkurila highest NPS score in market



Beckers highest NPS score in market

Focusing on our core premium brands enables faster growth

By decreasing the number of products...



... and by focusing on our key brands



We can:

Increase our pricing power

Accelerate our sales growth

Share of our premium brands in total volume increased from 50% to 60% in 2016-2018)

Sales volume of our premium brands increased by 15% in 2015-2018

We are strengthening our brand further in interior paints

An example of centrally driven "Colour of the year" campaign



We are shaping our portfolio to meet the changing demands

Key market trends

CONSUMERS



- Convenience, need for inspiration, use of digital channels
- Sustainability and safe choice
- Increasing price transparency through digital channels

PROFESSIONALS



- Volume growing due to urbanization & growing middle class
- Higher price sensitivity
- New generation painters want digital services and solutions
- Need for portfolios with sustainable & functional features

INDUSTRY



- Customers optimize efficiency in their own operations
- Industry consolidation leave space to local agile offering provider
- Lifecycle thinking, from pre-treated material to construction and to renovation
- Protective coatings stay local, and grow with construction growth
- International key accounts growing in OEM

Strategic portfolio focus areas

Increasing sustainability

Adding new functionalities

Introducing new services

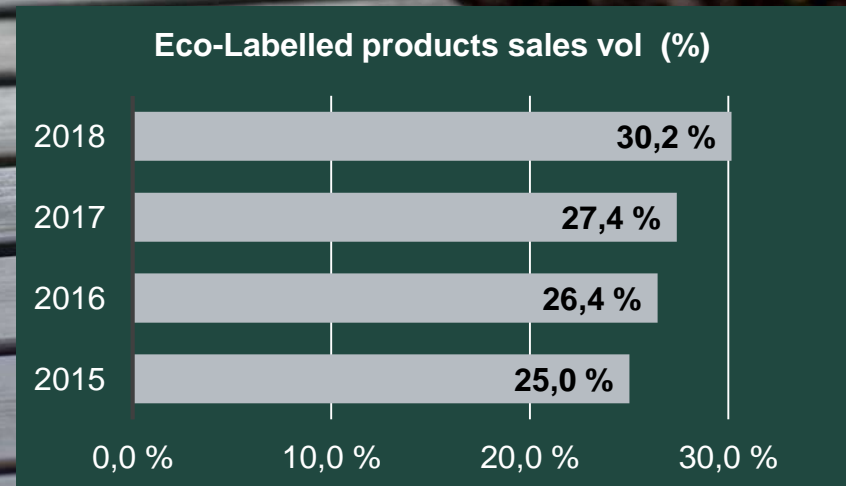
Tikkurila has the largest number of eco-labeled products in our market areas

77 %

of produced paints were water-borne (2018)

300+

Ecolabeled products* (2018)



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

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



Functional products are a key growth driver for premium brands



Problem solvers

Mold prevention, anti-condensation, noise-damping, encapsulation of asbestos, stain blocking properties, adhesion promoter



Safety & health aspects

Anti-static coating, Hygienic coating, Anti-Slip, Fire protection



Energy saving & environmental aspects

Energy saving by IR-reflective coating, "NOx eater", self-cleaning



Decorative & functional properties

Magnetic properties, chalkboard paint, glow in the dark

ClimateCooler roof coating enables the surface to reflect up to 80% of the sun's rays and keep the building cooler as well as reducing need for cooling and energy consumption



With water borne fire-retardant systems can increase living safety in wooden houses and buildings with wooden structures.



Fontefire water borne paint
Fontefire water borne clear lacquer

We have developed products for interior walls & ceilings when high hygiene level and high wear are needed



Odotus Väntrum 2

We are becoming more service-driven

Significance of **digital tools**
is increasing in all areas

**In-Store
Concepts**



**Tikkurila
Academy**



**Color
Services**



**Professional &
Technical Services**



Hotline



We are driving consumers from inspiration via internet to retail

CATEGORIZATION

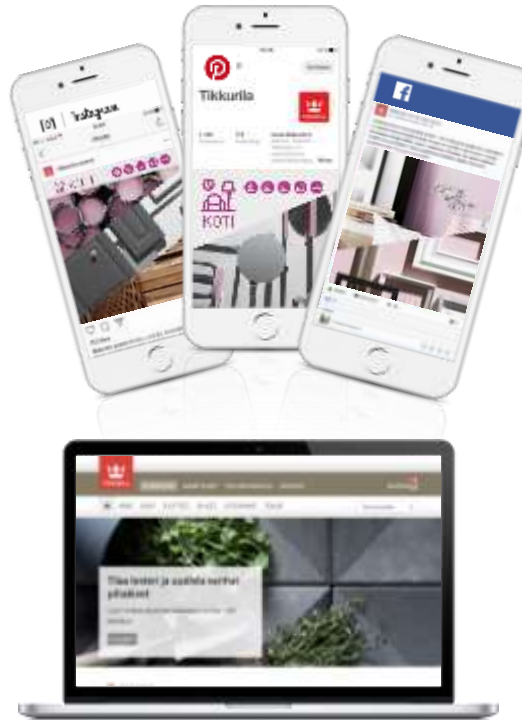


An example of a consumer journey management concept

BROCHURES



DIGITAL INSPIRATION AND GUIDANCE



CATEGORY MANAGEMENT SOLUTIONS



CAMPAIGN PACKAGES



Pro Club for small painting contractors

- A service concept that offers technical and business support
- Pro Club with well-defined service elements

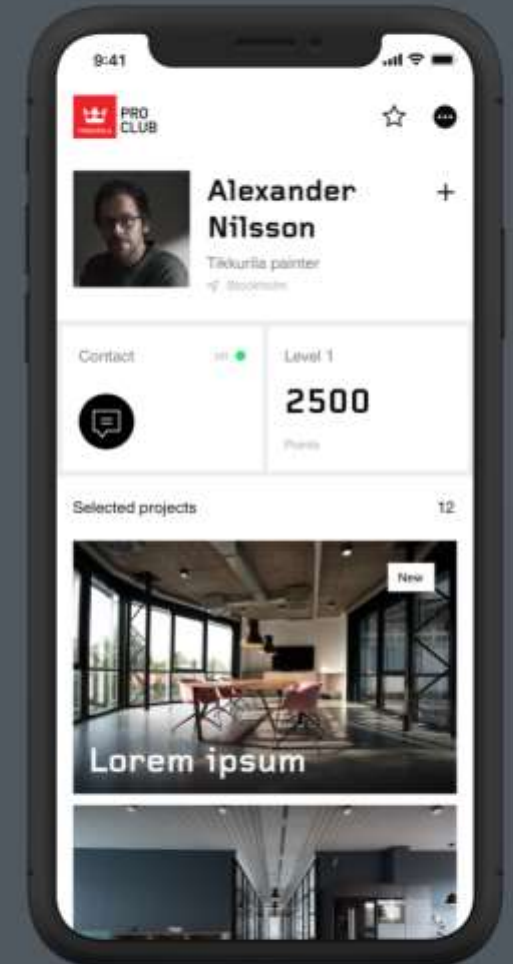


Available to the public

Create incentive to become a member. Aims for thought leadership and strengthening of Tikkurila's positioning and brand.

Available to Pro Club members only

Behind login barrier – exclusive community for professional painters.



How are we different from our competitors and will grow profitably?

Key actions 2018-2020

1

Knowing our customer to fasten their journey and to ease their work

- Consumer segment and journey-based marketing covering all touch points from digital to point-of-sales, usage and disposal
- Contractor segment and customer journey understanding and building e.g. pro-club servicing model on top of this knowledge
- Based on the understanding of the role of architects and designers in project buying influencers role, we introduce digital inbound marketing thought leadership campaigns to drive prospects into the consideration funnel and generate leads

2

Focusing our portfolio to sustainability, functionality and services

- Increasing investments on new product creation
- Introducing new products & systems for fire protection, clean air, mold protection, season extending
- Increasing the amount of eco-labelled products
- Focusing on water borne products in decorative portfolio
- Developing training, technical services and providing helping in colour selection and analyses supported by digital channel

3

Build premium brands even stronger

- Centralized marketing for key premium brands to build international 360 concepts efficiently and with high quality and measurable impact
- Renewing both Tikkurila and Beckers brands including packaging to drive preference, improve premium image and drive purchase
- Building sustainability into our brand communication in a meaningful way and premiumize our brand portfolio further

Questions & Answers

Tikkurila Capital Markets Day

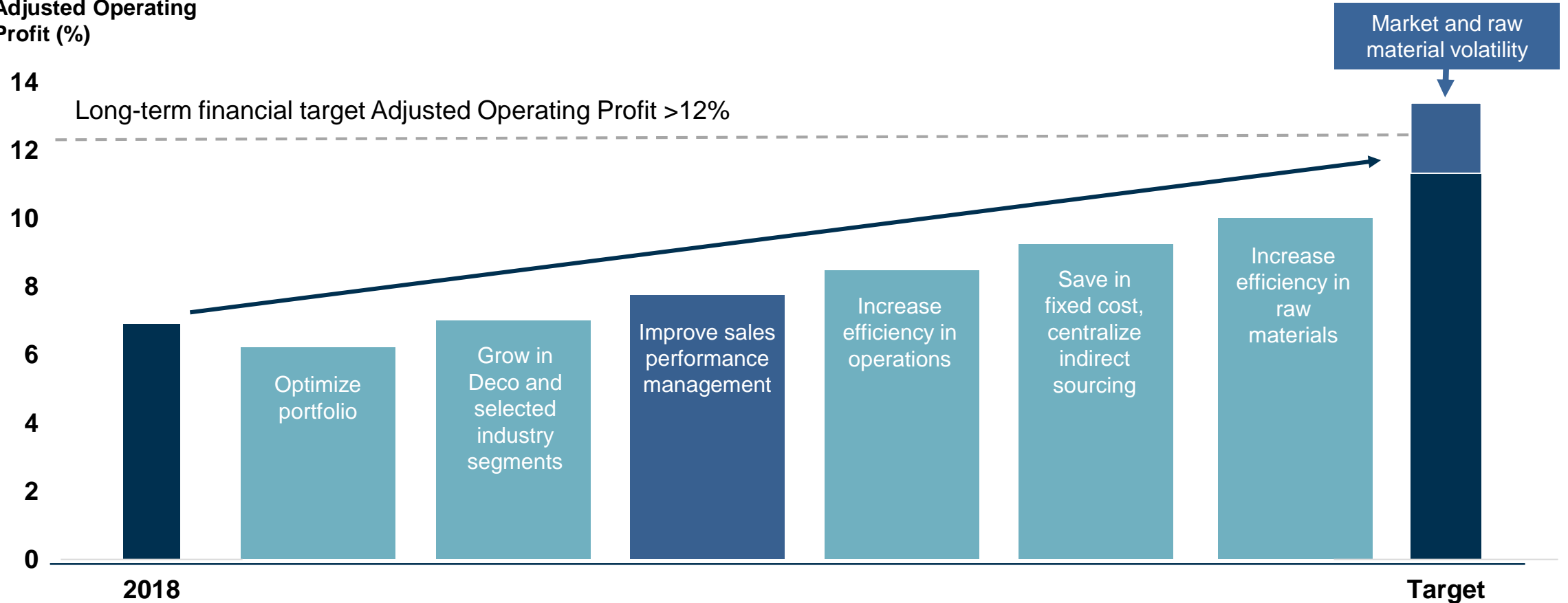
8:30	Registration and coffee	
9:00	Opening and welcome	Tapio Pesola, Director, IR & Communications
9:05	We maximize efficiency and accelerate organic growth	Elisa Markula, CEO
9:35	We focus on our strong brands	Meri Vainikka, SVP Offering
10.15	Q&A	
10.30	Break	
10:40	We are improving our performance in sales, operations and sourcing	Oskari Vidman, SVP Sales Fredrik Linde, SVP Operations Mika Uusitalo, VP Sourcing
11:10	We have a clear strategy to reach our financial targets – and progress is underway	Markus Melkko, CFO
11:30	Q&A	
11:45	Lunch	
12:30	Tikkurila factory Tour	Host: Petri Karhu, Operations
~ 13:15	End of the program	

We are improving our performance in sales, operations and sourcing

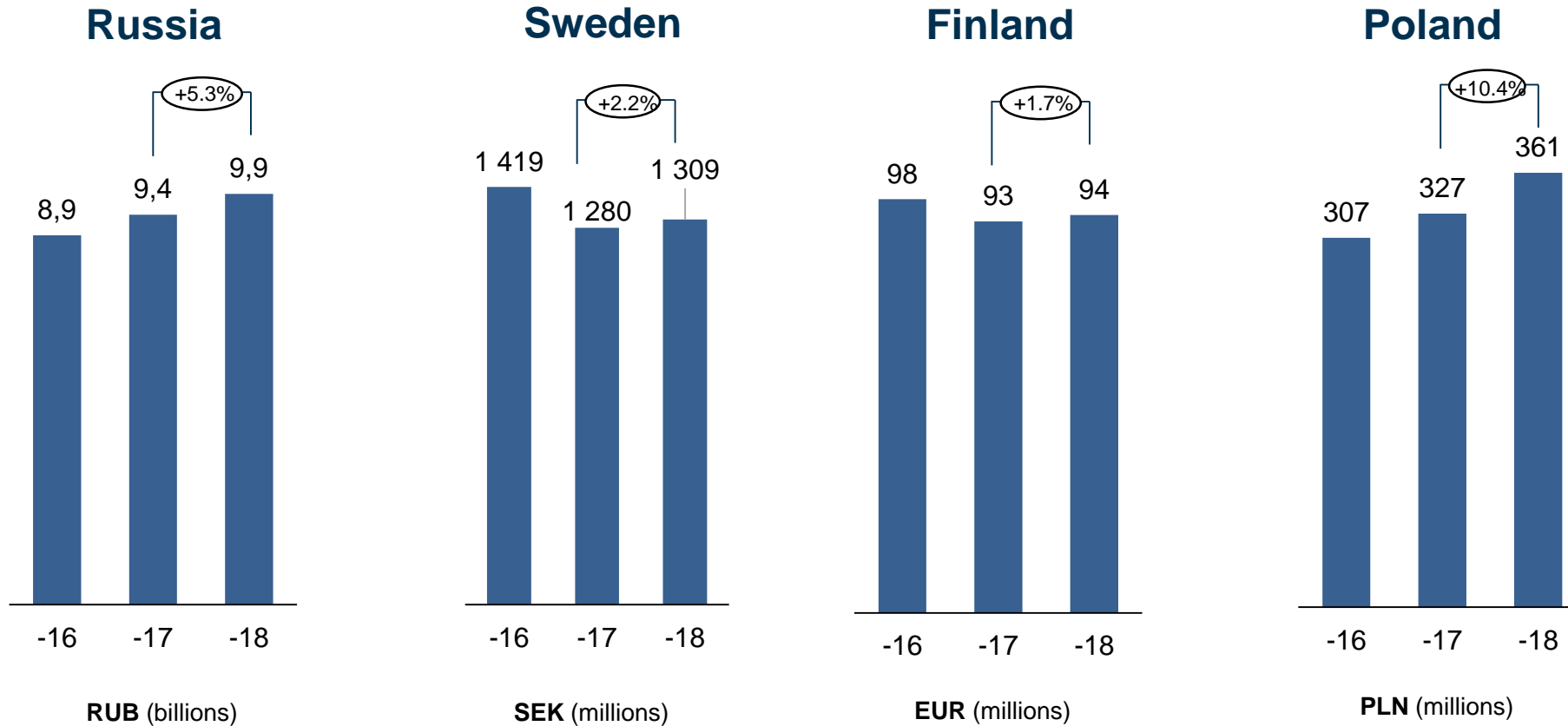
Oskari Vidman, Fredrik Linde and Mika Uusitalo

We see significant opportunities to improve our sales performance

Adjusted Operating Profit (%)



Our revenue increased by 3.1% in local currencies 2018



Tikkurila is in a good position to benefit from the changes in distribution

Tikkurila's decorative sales (% of total) by channel*

Key market trends:

New opportunities

33%	Big boxes E.g. K-Rauta, Bauhaus, Leroy Merlin	Big boxes" are increasing their market share	Seasonal channels
31%	Distributors	Distributors key partner to secure scale and availability, especially in Russia and Poland. Vital for industry and export	Discounters
29%	Specialized paint stores E.g. RTV, Happy Homes, Colorama	Specialized paint stores continue to be preferred by professionals, but are increasingly losing market share with consumers - personal customer service is a critical in maintaining competitive advantage	E-commerce
7%	Own stores Tikkurila's own retail stores for professional customers	Retains a niche position in direct selling to professionals	

*) Based on data for Russia, Sweden, Finland, Poland and the Baltics in 2018. Tikkurila has own retail stores in Sweden (10), Norway (6), Denmark (7). Own stores' share includes only sales in Sweden.

We see significant opportunities to improve our sales performance

Key actions 2018-2020

1 Improve our margin and overall profitability

- Design and roll-out smart pricing
- Simplify and streamline contracts and incentive structures cross different channels and segments
- Actively reviewing value chain route-to-market structure to meet market changes and secure competitive position

2 Improve effectiveness of sales management

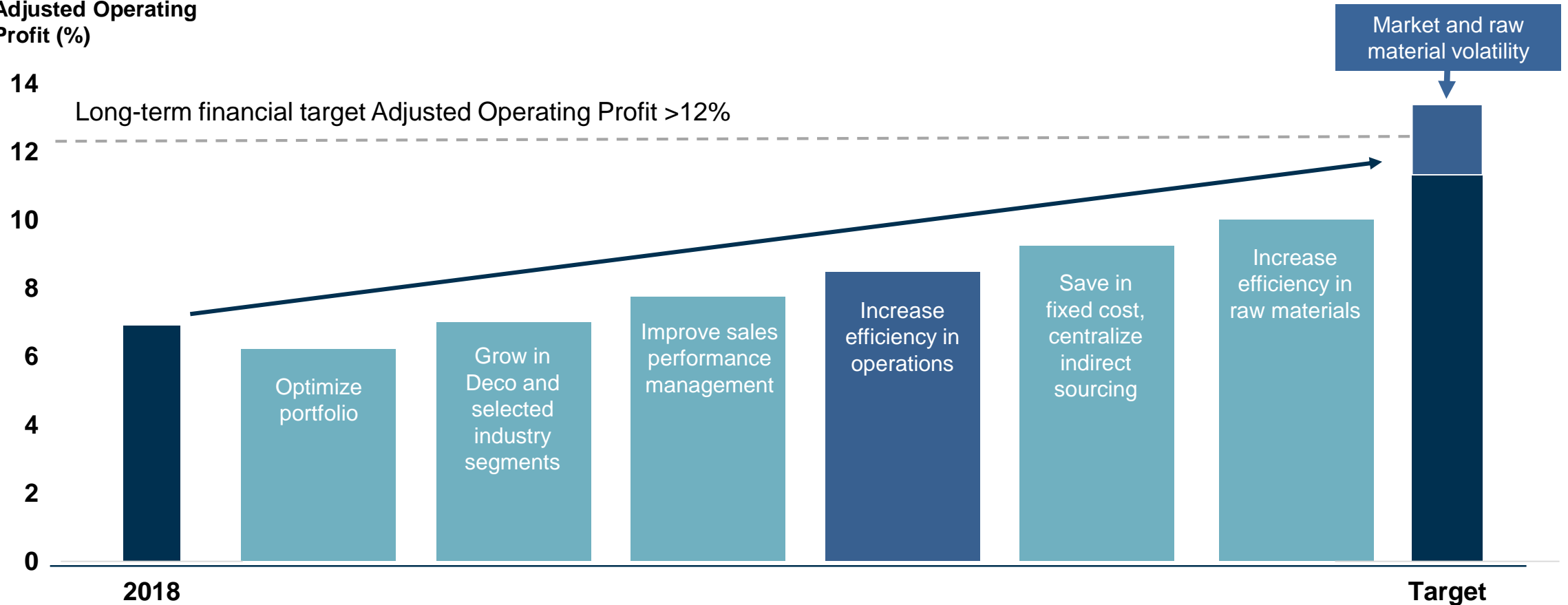
- Further integrate S&OP process
- Develop system and tools for managing success
- Stronger commercial performance culture
- Improve our commercial competencies in different levels

3 Win with winning retailers

- Strengthen our position to partnering with big boxes both local and internationally in our core markets
- Longer planning cycle with our key customers
- Maximize commercial potential together with our customers from trainings, sales support, services to increase value

We can significantly improve efficiency in operations

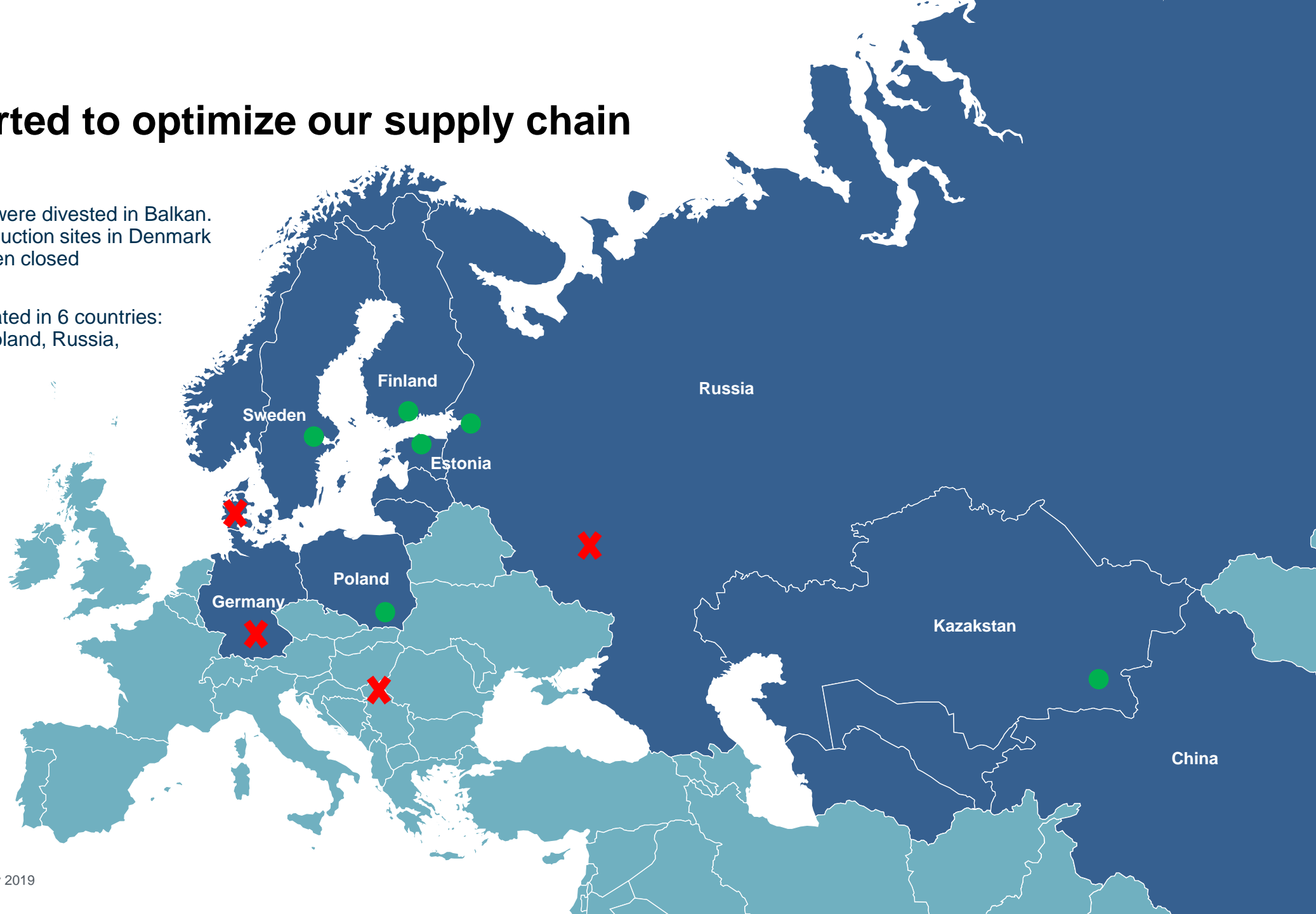
Adjusted Operating Profit (%)



We have started to optimize our supply chain

X In 2018, operations were divested in Balkan. Germany, small production sites in Denmark and Russia have been closed

● Production sites located in 6 countries: Finland, Sweden, Poland, Russia, Estonia, Kazakhstan



Critical factors impacting our long-term footprint



**New investment in
Russia re-evaluated**



**The relocation of
the factory in Finland**

We can significantly improve efficiency in operations through demand driven supply, supply chain redesign & efficient logistics

Key actions 2018-2020

1

Demand Driven Supply

Improved service with lower inventory

- Improved service capability by adjusting planning and production processes
- Sales & Operations Planning launched
- Reduced inventories through optimized buffering design
- Build relevant capacity
- Reduce demand variation

2

Supply Chain Network

Modernize for efficiency

- Closed smaller units, reallocated volumes internally
- Modernize to drive efficiency in factories
- Evaluate scenarios, choose preferred option, define where to build what
- Target Sustainable, Cost efficient, Reliable & Fast

3

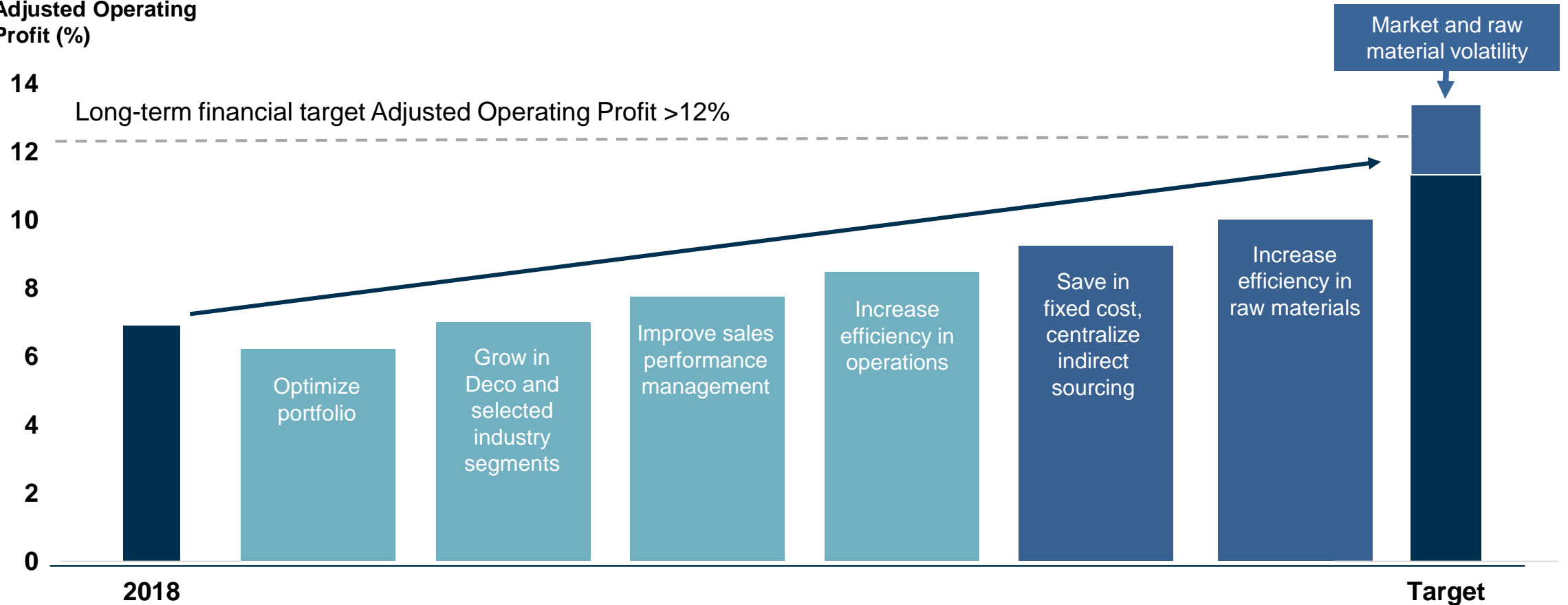
Efficient Logistics

Optimize in/outbound transportation

- Review transportation management, tenders & agreements
- Analysis of warehouse structure as part of Supply Chain network design
- Realize savings in Logistics - warehouse & transportation

We can significantly improve our sourcing efficiency

Adjusted Operating Profit (%)



Key material prices have started to stabilize after 2018 peak - volatility is the new normal

Price development of oil (Brent)
EUR/Tn 2017-2019



Price development of titanium dioxide
EUR/Tn 2017-2019



- The cost of raw materials and packaging materials corresponds to approximately half of Tikkurila's revenue.
- Due to recent supply disruptions (factory explosion in China) in the chemicals supply chain price increases for certain raw materials (e.g. biocides and pigments) have already materialized. Further price increases are still possible as there is a significant shortage in the market for these raw materials.
- Price increases and availability issues in certain biocides and pigments are estimated to continue at least until end of 2019.
- Additionally increases in prices of raw materials connected to oil prices, such as binders and solvents, are possible.
- Titanium dioxide market demand-supply balance is estimated to remain on a healthy level

We can significantly improve our sourcing efficiency

Key actions 2019-2020

1 **Material and services cost reduction**

- Establish strong material and services cost reduction activity pipeline and enhance pipeline execution capability
 - Identification and implementation of cross-site and country sourcing synergies
 - Aggressive reduction of indirect spend and steering spend to preferred supplier
-

2 **Cash flow improvement**

- Extension of payment terms to industry standard and benchmark levels
 - Implementation of alternative inbound supply models and ordering practices to reduce inventories
-

3 **Volatility and risk management**

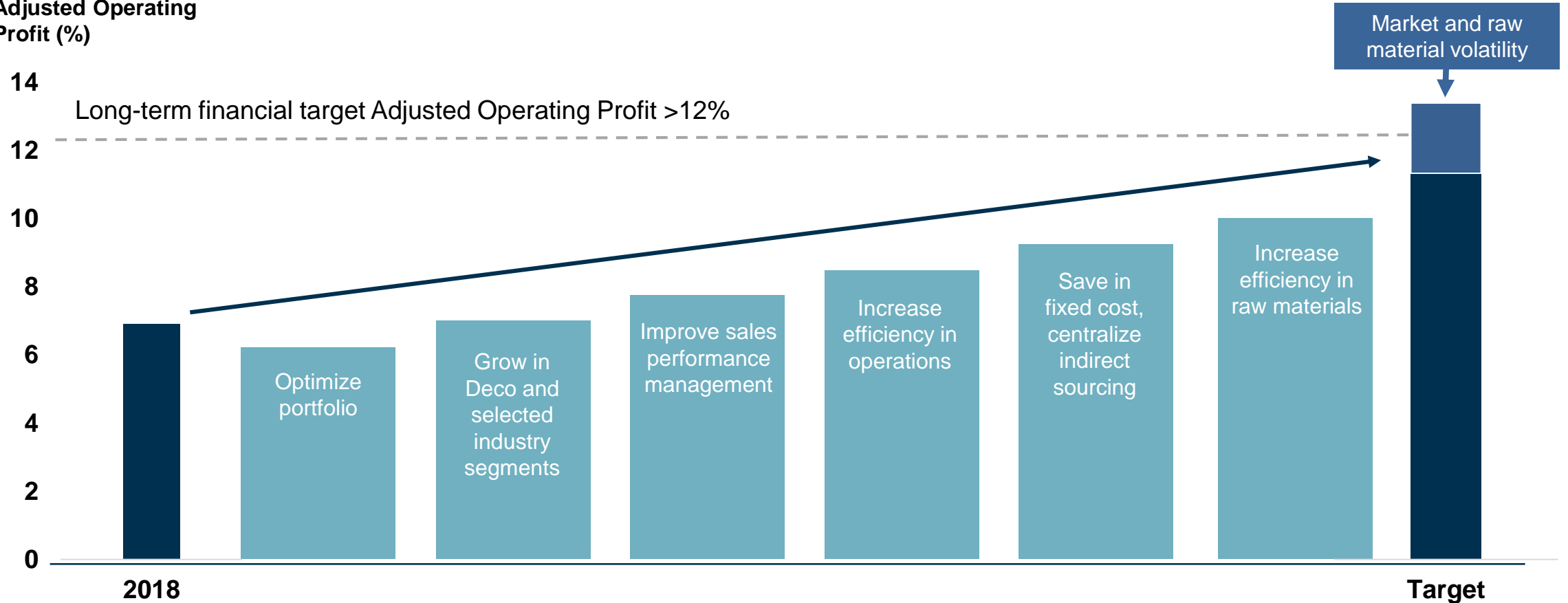
- Develop and implement a robust EBIT protection strategy for high risk raw materials
- Reduce single source exposure focusing on high risk raw materials
- Implement strong supplier management capability

We have a clear strategy to reach our financial targets – and progress is underway

Markus Melkko, CFO

We have a concrete action plan to improve our performance in all key areas - Tikkurila has considerable potential to improve profitability

Adjusted Operating Profit (%)



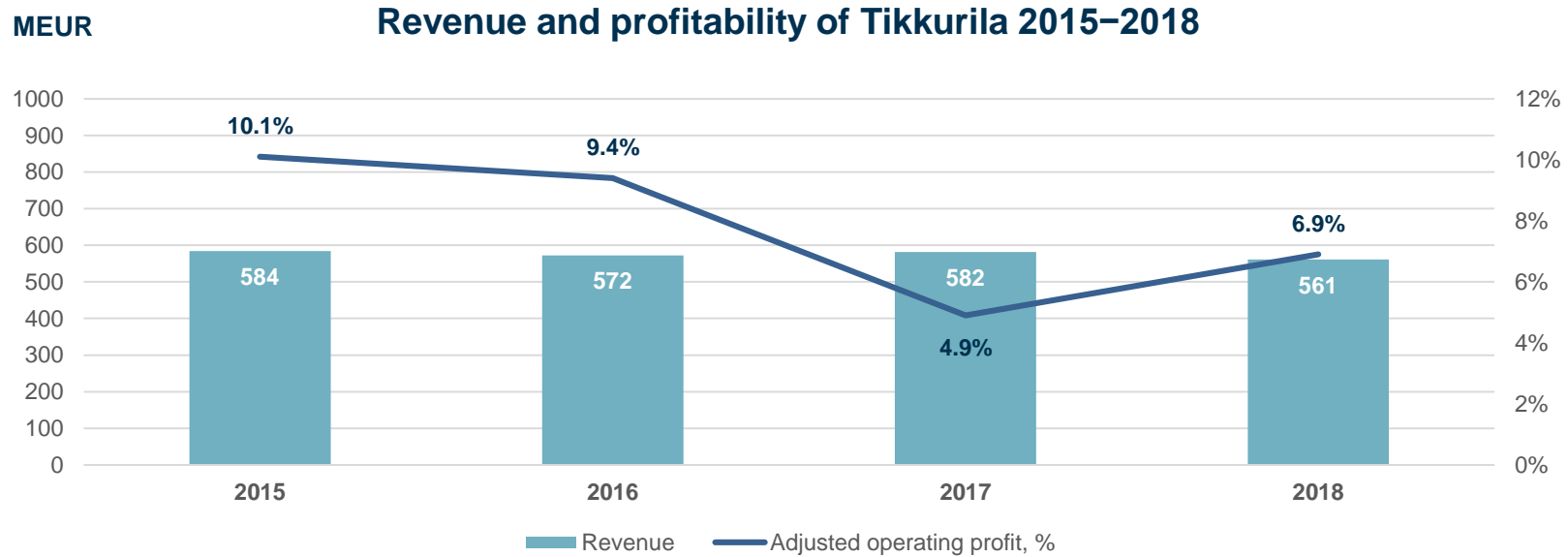
We have realistic long-term financial targets

	Target	2018
Revenue growth, %	Faster than market growth	-3.6%
Adjusted operating profit, %	Over 12%	6.9%
Return on capital employed (ROCE), %	Over 20%	9.3%
Gearing, %	Less than 70%	57%
Dividend, % of annual operative net income*	Over 40%	100%

* Operative net income means net profit for the period excluding non-recurring items and adjusted for tax effects. Any dividends to be paid in future years, their amount and the time of payment will depend on the Company's future earnings, financial condition, cash flows, investments, solvency, business cycle and other factors, which the Company's Board of Directors considers relevant.

We continue to focus on our key markets and premium brands

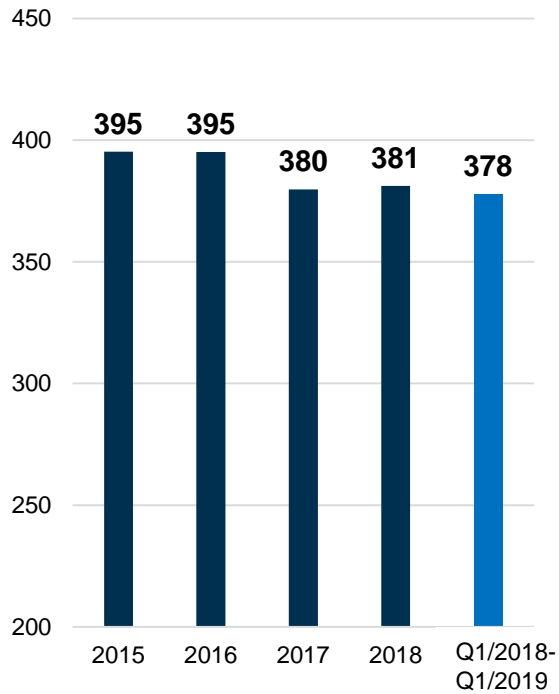
	2016	2017	2018	
Divestments	Ukraine and Belarus subsidiaries (Revenue -12 MEUR)	Serbia and Macedonia (Revenue -13 MEUR)	Germany closing (Revenue -7 MEUR)	The total effect of divestments in revenue -32 MEUR



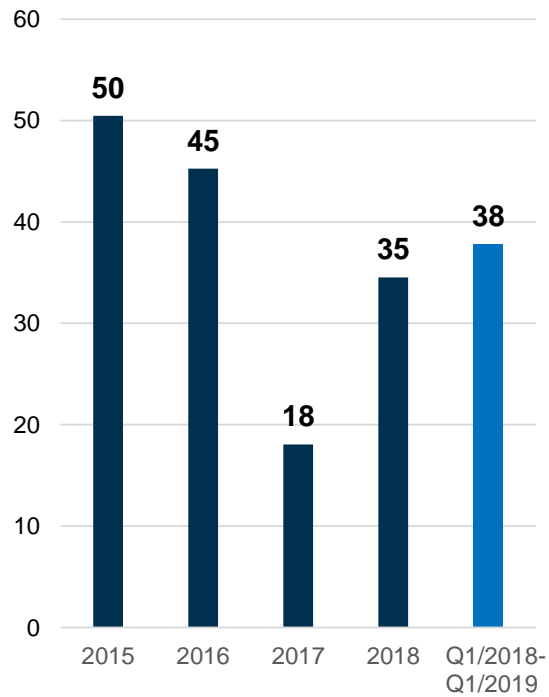
Both segments are recovering from 2017–2018 performance issues

SBU West

Revenue, MEUR

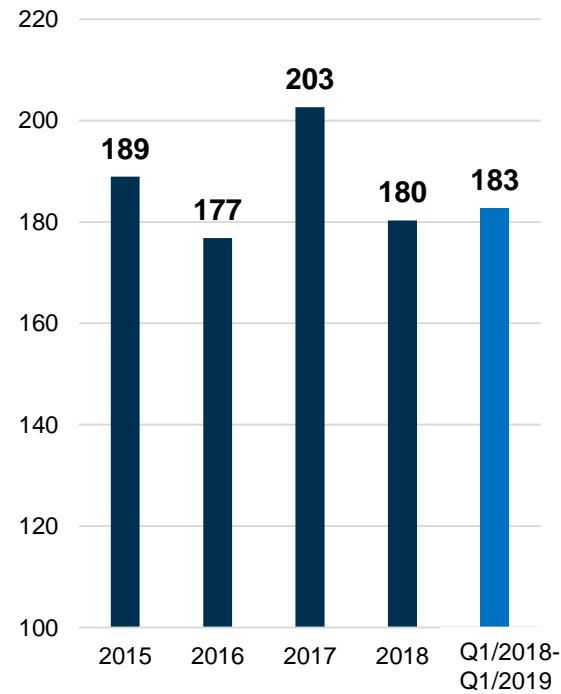


Adjusted Operating Profit, MEUR

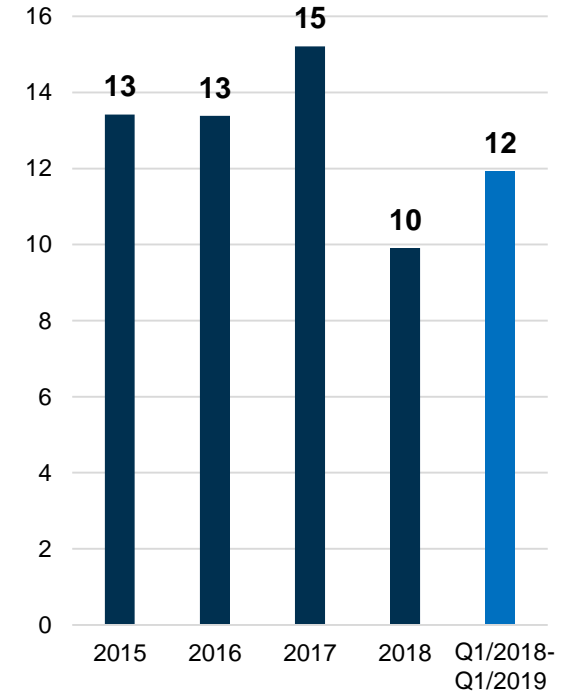


SBU East

Revenue, MEUR



Adjusted Operating Profit, MEUR

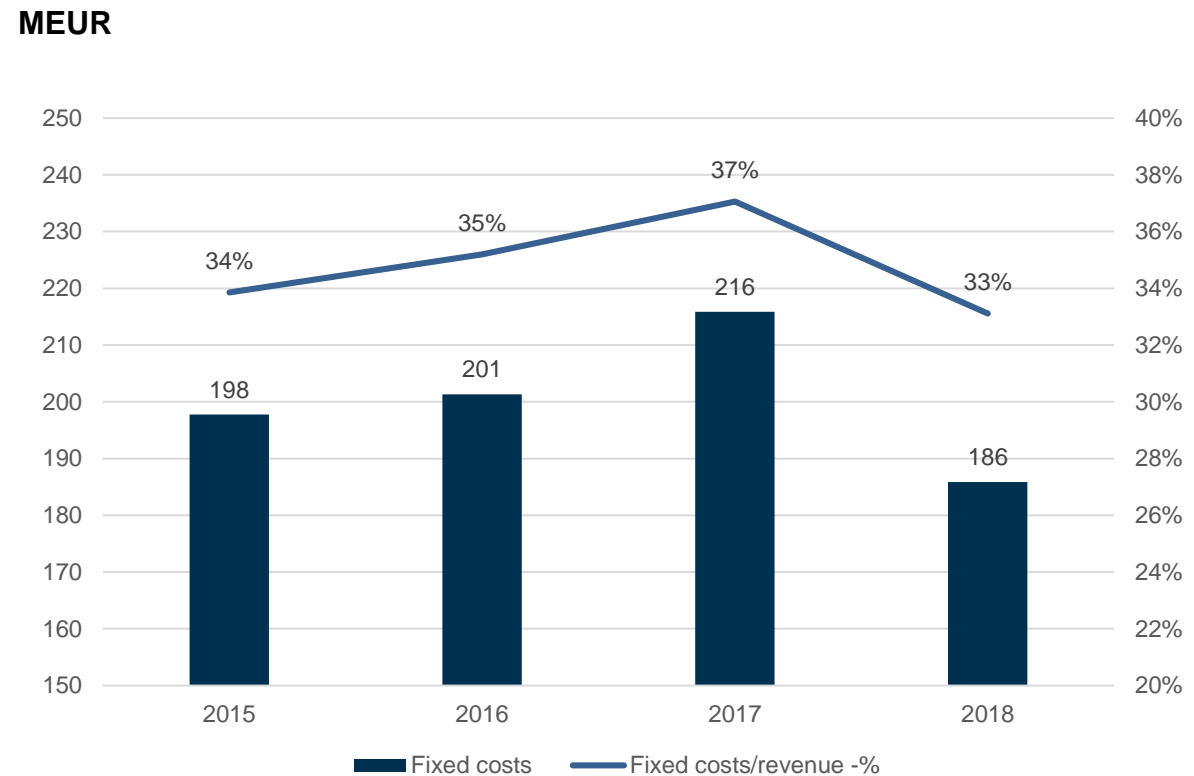


Group efficiency program is progressing well, cost-to-sales ratio improving

Tikkurila initiated in 2017 an Efficiency program to boost profitability targeting 30 MEUR saving

- ✓ Cost savings from optimizing the production network.
- ✓ Savings from other fixed expenses.
- ✓ Current run rate lower than in the previous year due to the efficiency program

Group fixed expenses

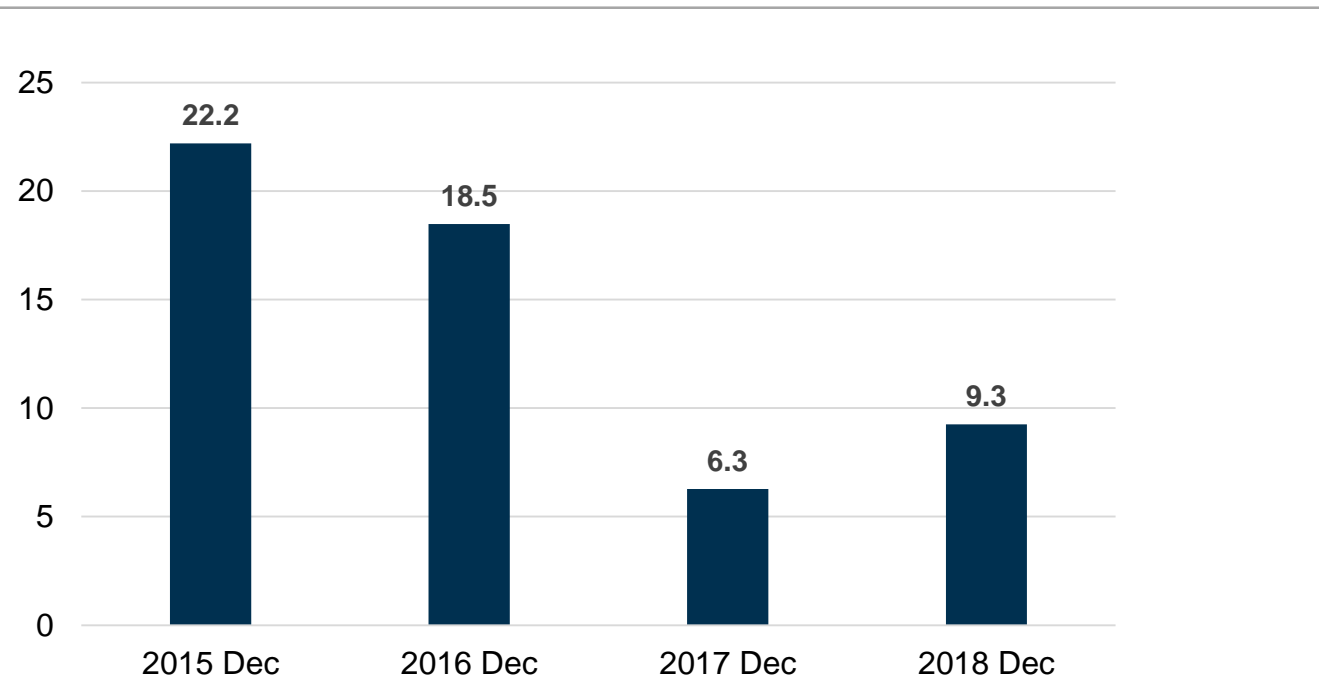


NOTE: 2018 fixed cost reduction incl. EUR 7m currency effect

Lower net working capital and better profitability key drivers for improved ROCE

- Capital employed peaked end-2017 / early 2018
- Decisive actions with net working capital and tight capital expenditure have helped reducing capital employed
- Profitability improvement has turned ROCE trend again towards the long-term goal on 20%

% Return on capital employed



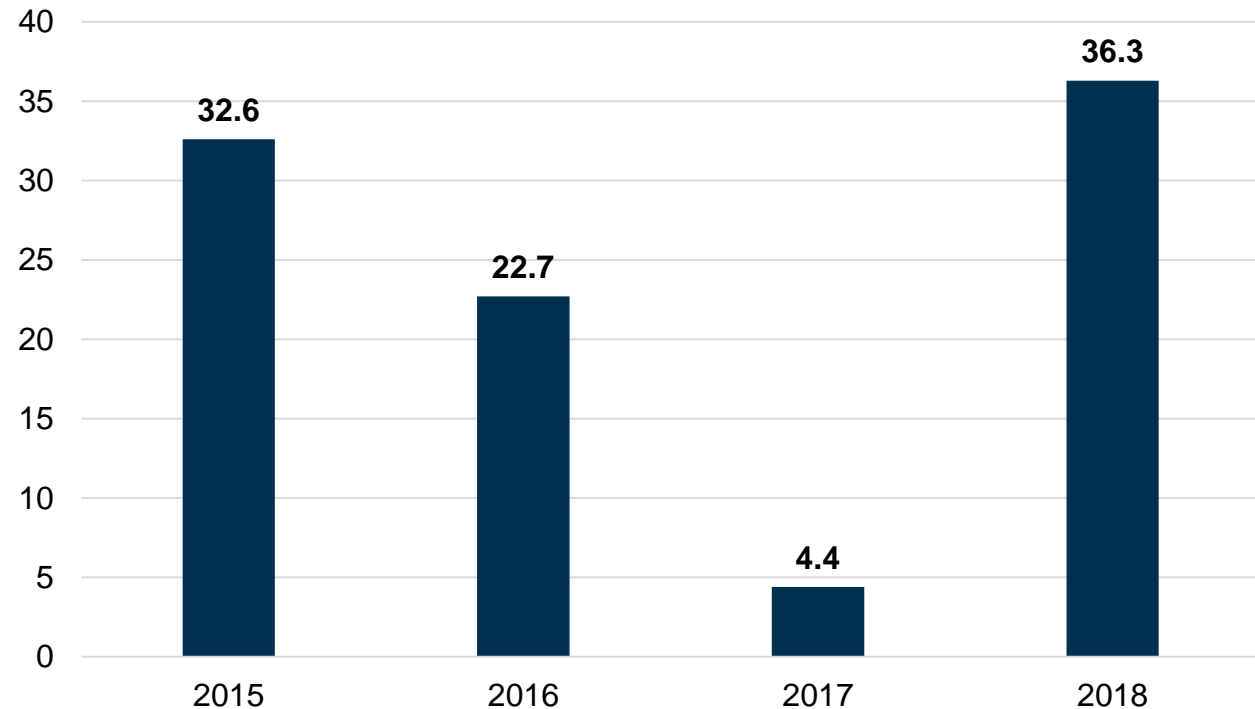
- $ROCE = \frac{\text{Operating result} + \text{share of profit or loss of equity-accounted investees (rolling 12 months)}}{\text{Capital employed (avg 12 months)}}$
- $\text{Capital employed} = \text{Net working capital} + \text{property, plant and equipment ready for use} + \text{intangible assets ready for use} + \text{investments in equity-accounted investees (averages 12 month)}$

Efficiency program actions have increased our cash flow

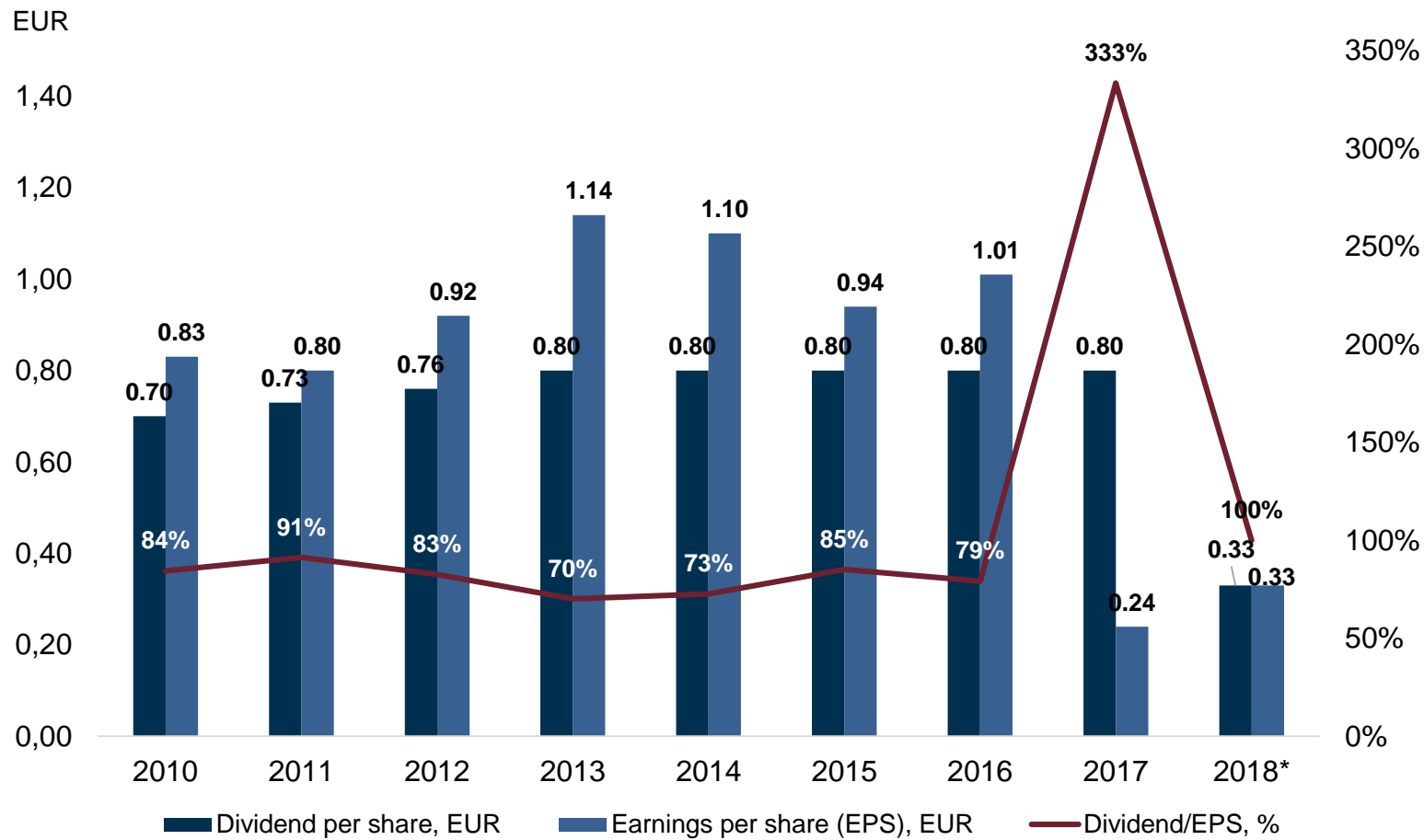
- Several actions improving net working capital
- Capital expenditure under tight scrutiny
- Improved profitability

Cash flow after capital expenditure

MEUR



Dividend Yield has Remained Strong Throughout the Years



Dividend policy

Tikkurila aims to distribute a dividend of at least **40 percent** of its annual operative net income. Operative net income means net profit for the period excluding non-recurring items and adjusted for tax effects.

Any dividends to be paid in future years, their amount and the time of payment will depend on the Company's future earnings, financial condition, cash flows, investments, solvency, business cycle and other factors, which the Company's Board of Directors considers relevant.

Questions & Answers



Tikkurila is committed to creating value by improving efficiency and accelerating organic growth

This is Tikkurila

Market leader in North-Eastern Europe. Among TOP20 globally.

Well-known and preferred premium brands

Skillful employees with close to 160 years knowledge in surfaces

This is our strategy

INCREASING EFFICIENCY

ACCELERATING PROFITABLE GROWTH

CREATING A STRONG "ONE TIKKURILA" CULTURE

This is our target

Revenue Growth

Faster than home market growth

Profitability

EBIT > 12%

ROCE

> 20%

Gearing

< 70%



TIKKURILA

Thank you!

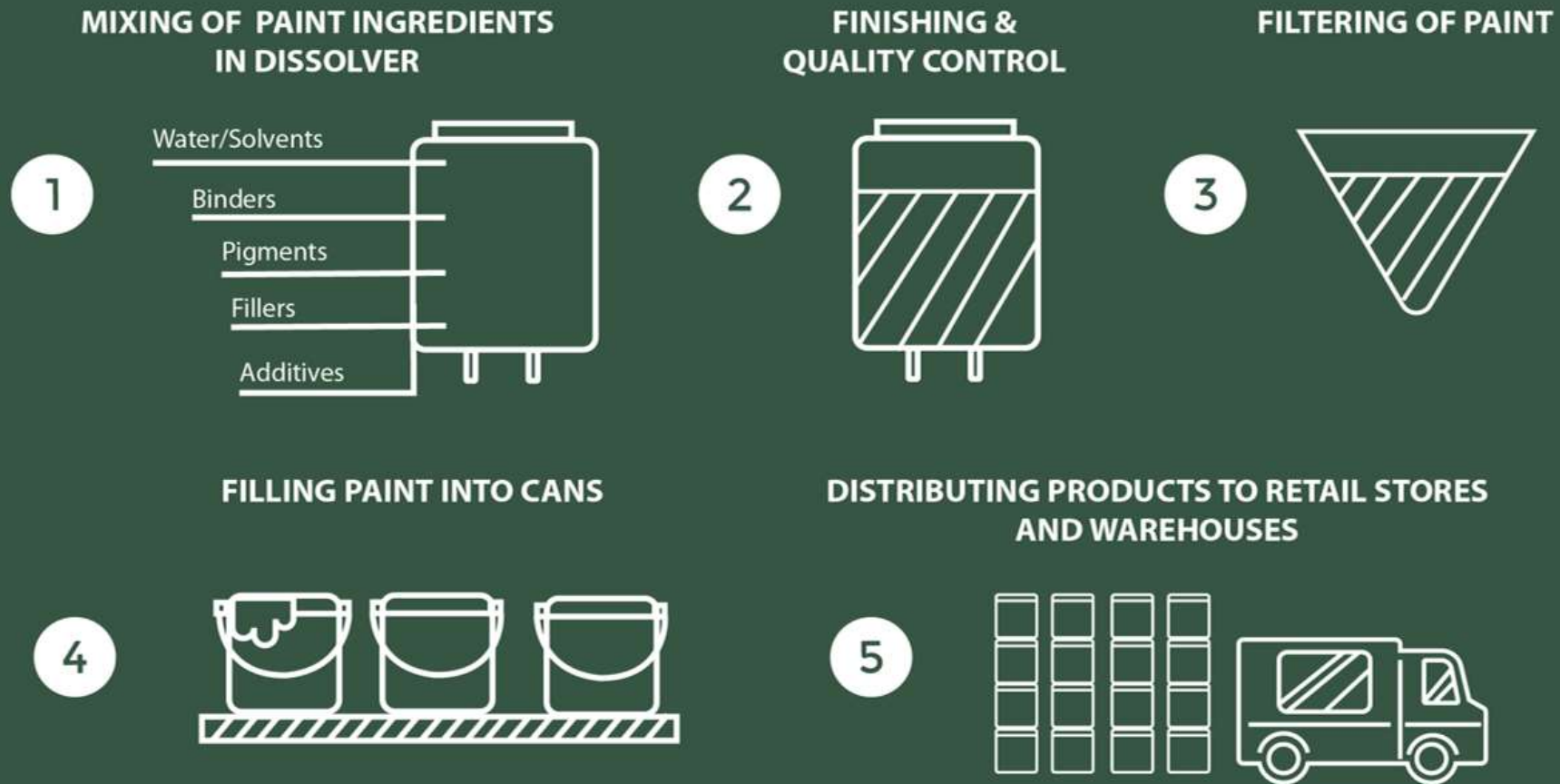
Site visit to Tikkurila's factory in Vantaa



Safety instructions:

- Safety glasses from the gate
- All phones should be switched off

Paint-making process





TIKKURILA

Thank you!

Speakers



Elisa Markula
CEO

- SVP, Paulig Group
- MD, Oy Gustav Paulig Ab
- Country Manager, LEGO
- Sales Director, Snellman



Meri Vainikka
SVP Offering

- Marketing & Communications Director, Tikkurila
- Marketing Director, Hartwall
- Marketing Manager, L'Oréal



Oskari Vidman
SVP Sales

- Chief P&M Officer, Cloetta Group
- Sales Director, Cloetta
- Head of Trade, BAT
- Country Manager, British American Tobacco



Mika Uusitalo
VP Sourcing

- Head of Operations Consulting, PwC
- Management Consultant, IBM
- Senior Project Manager, Tamro



Fredrik Linde
SVP Operations

- VP, Supply Chain Planning, Tikkurila
- General Manager, Kefa Drytech
- VP, Alcro-Beckers
- Director, AstraZeneca Sweden



Markus Melkko
CFO

- VP, Business Control, Tikkurila
- CFO, Unisport Saltex
- CFO, Ekokem Oyj

DISCLAIMER

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

Nothing in this presentation constitutes investment advice and this presentation shall not constitute an offer to sell or the solicitation of an offer to buy any securities or otherwise to engage in any investment activity.