



TIKKURILA

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

CAPITAL MARKETS DAY
5 JUNE 2019



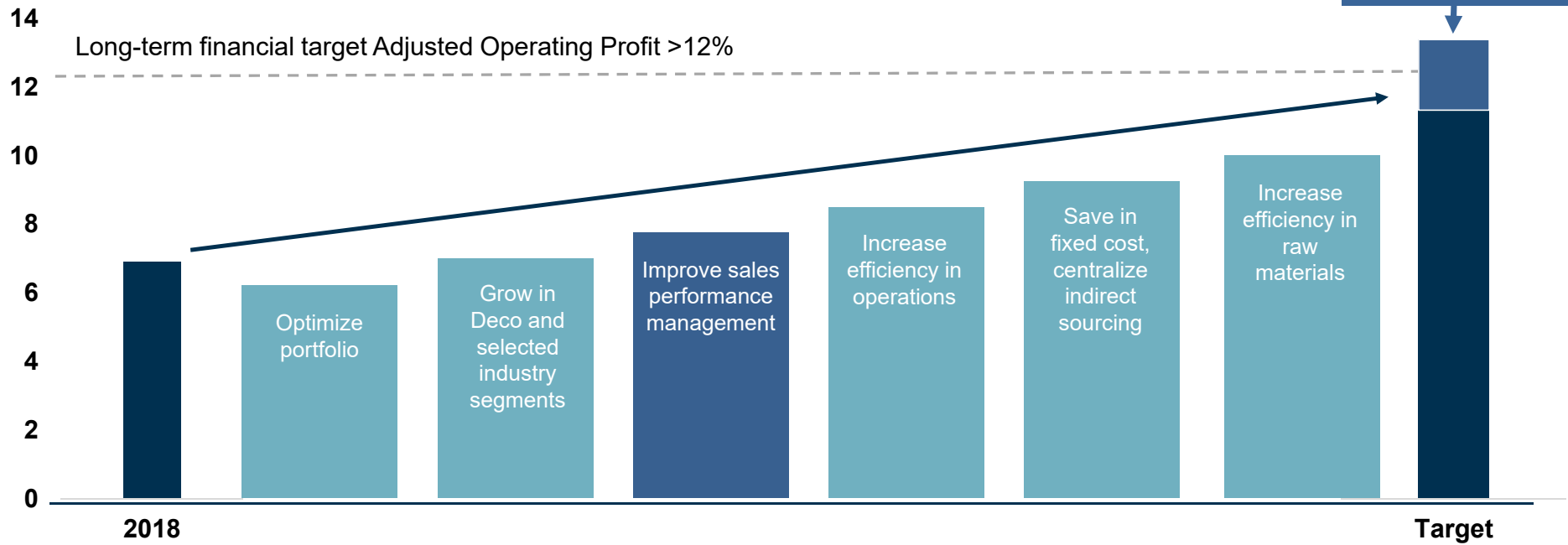
We are improving our performance in sales, operations and sourcing

Oskari Vidman, Fredrik Linde and Mika Uusitalo



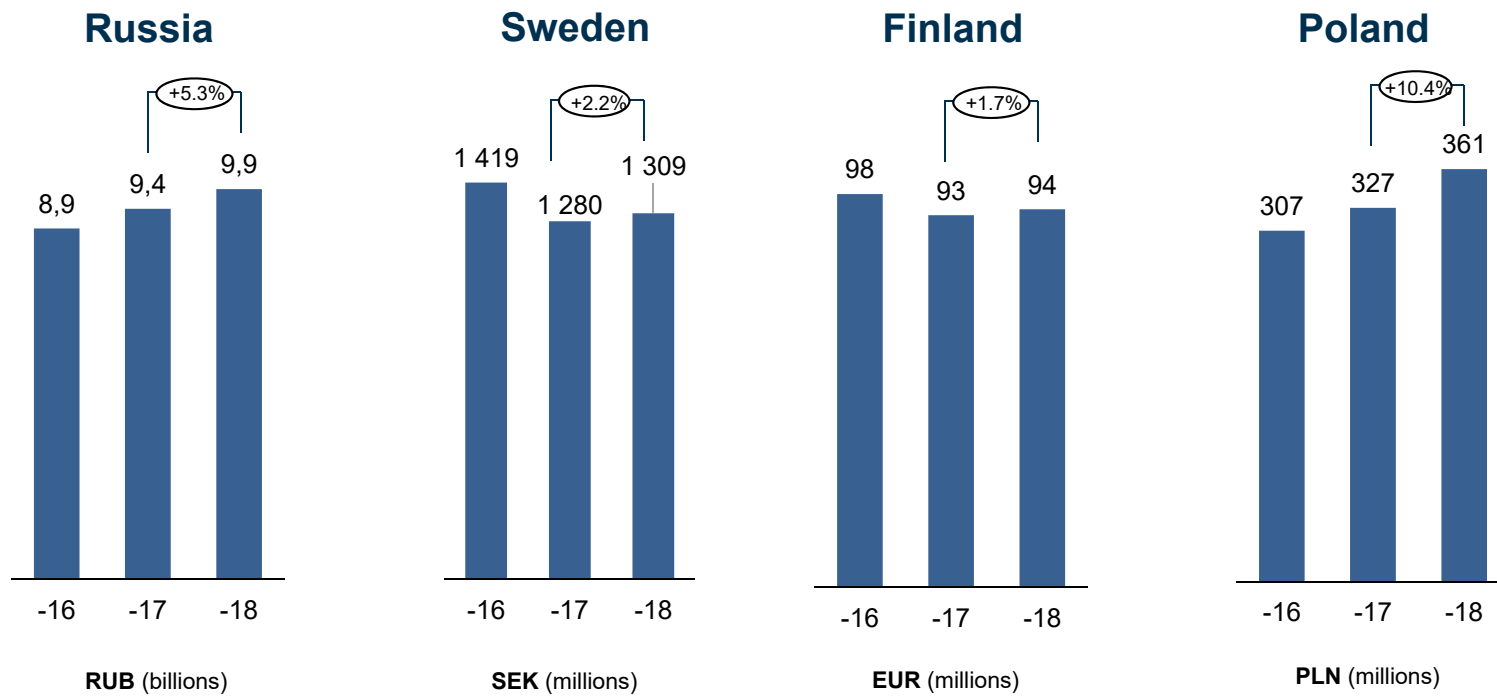
We see significant opportunities to improve our sales performance

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

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
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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
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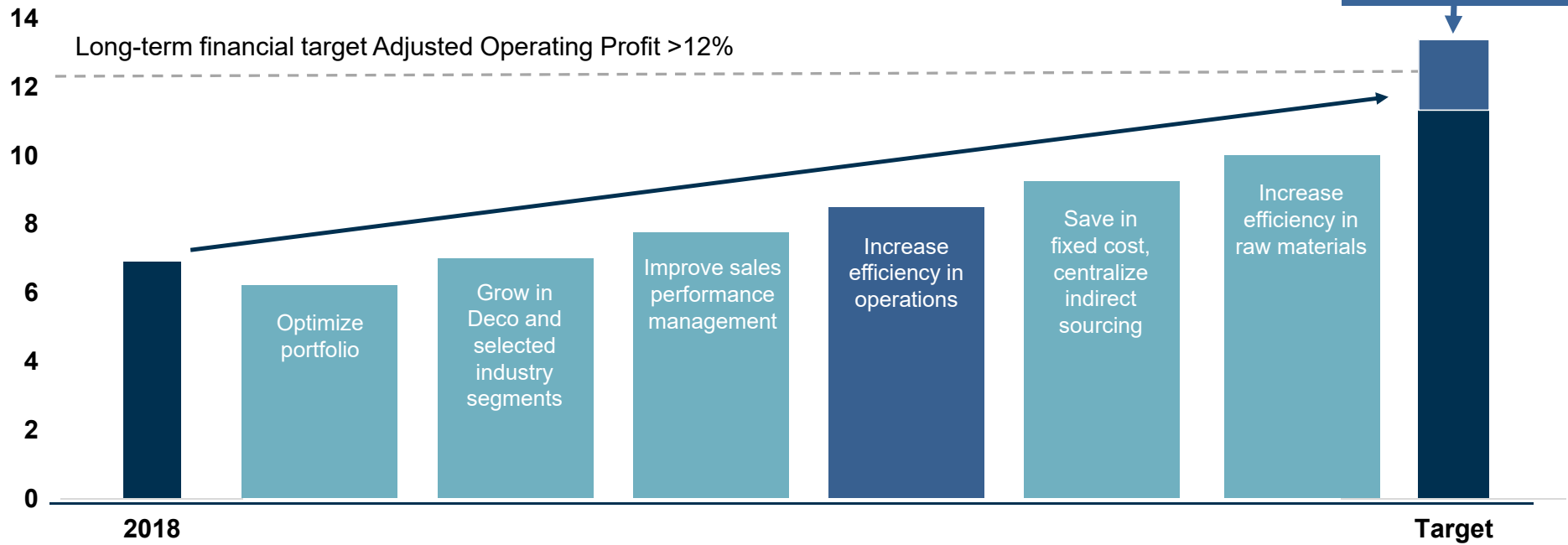
3 Win with winning retailers

- 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 (%)





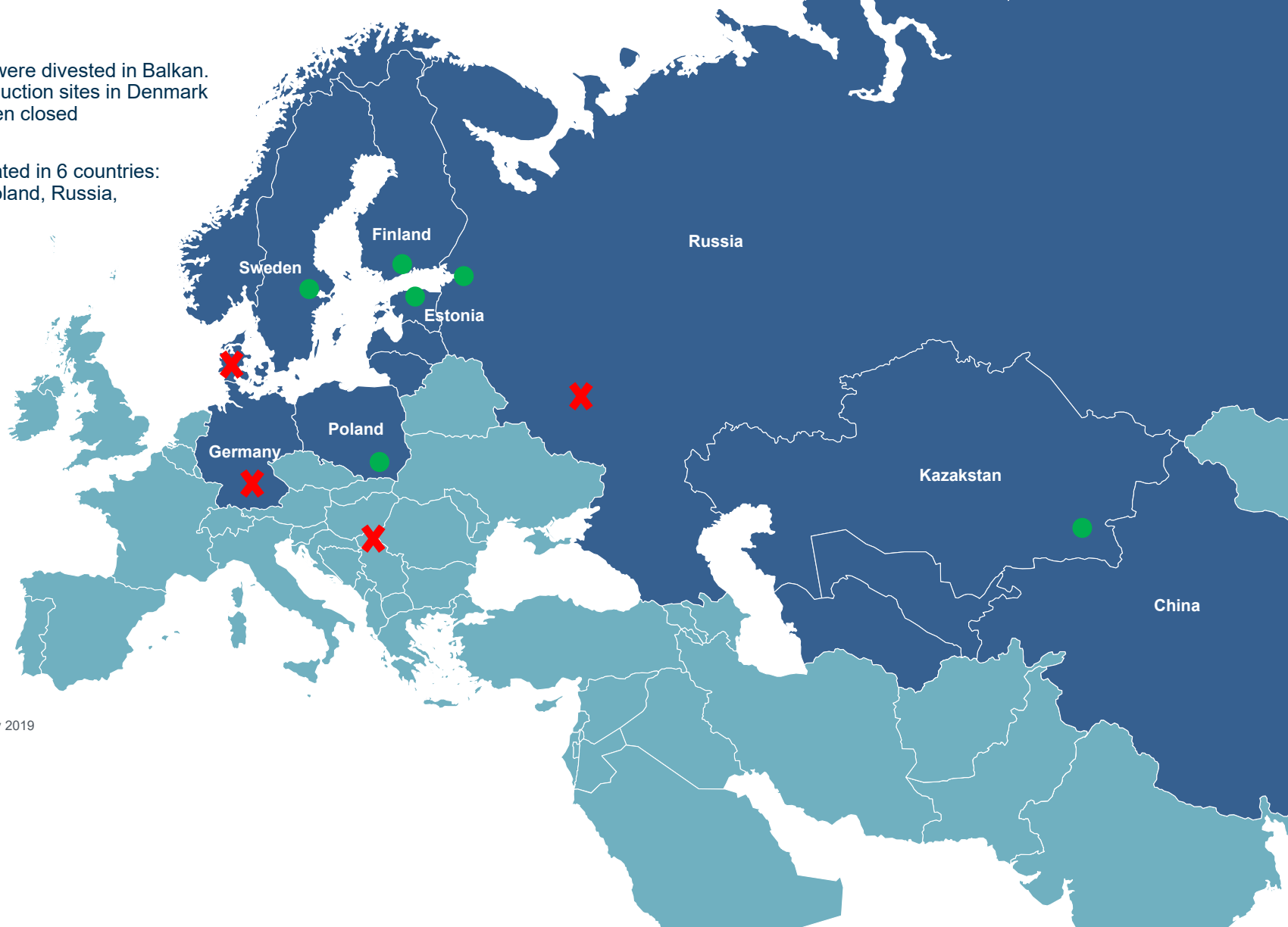
We have started to optimize our supply chain



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

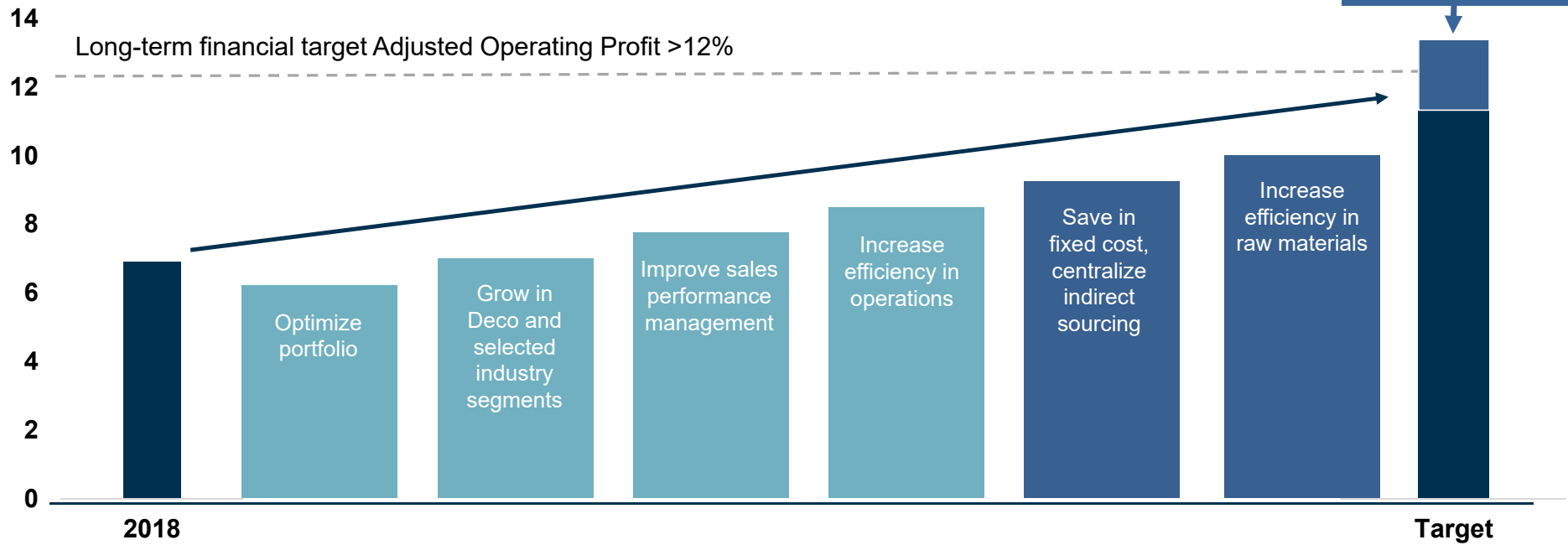
Optimize in/outbound transportation

- 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



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



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