



Sustainable beauty since 1862

Finnish Private Investors at Vantaa on May 22, 2017
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Disclaimer

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



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Tikkurila in brief



TIKKURILA

Tikkurila is the leading paints and coatings professional in the Nordic region and Russia. With our roots in Finland, we now operate in 14 countries. Our high-quality products and extensive services ensure the best possible user experience in the market. Sustainable beauty since 1862.

Revenue EUR 572 million

Adjusted operating profit EUR 54 million
(9.4% of revenue)

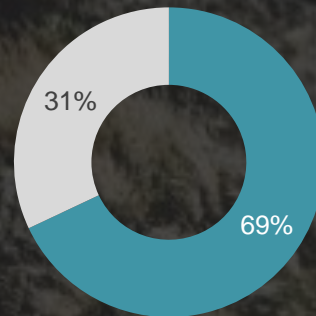
More than 3,000 employees

Production in nine countries

Products available in over 40 countries

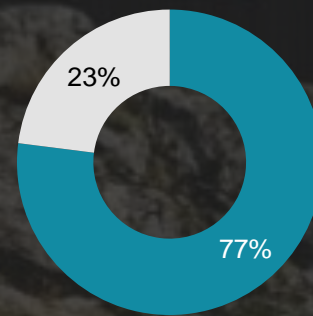
Leading market position in main markets

Revenue by segment



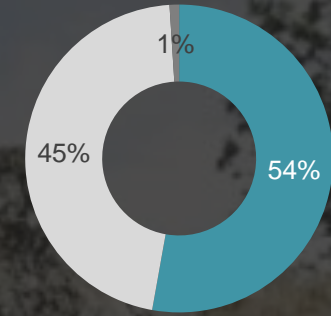
■ West ■ East

Operating profit* by segment



■ SBU West ■ SBU East

Personnel by segment



■ West ■ East ■ Group

* Adjusted, excl. Group items

Our locations



Production units in 9 countries
 Sales units in 14 countries
 Training centers in 11 countries

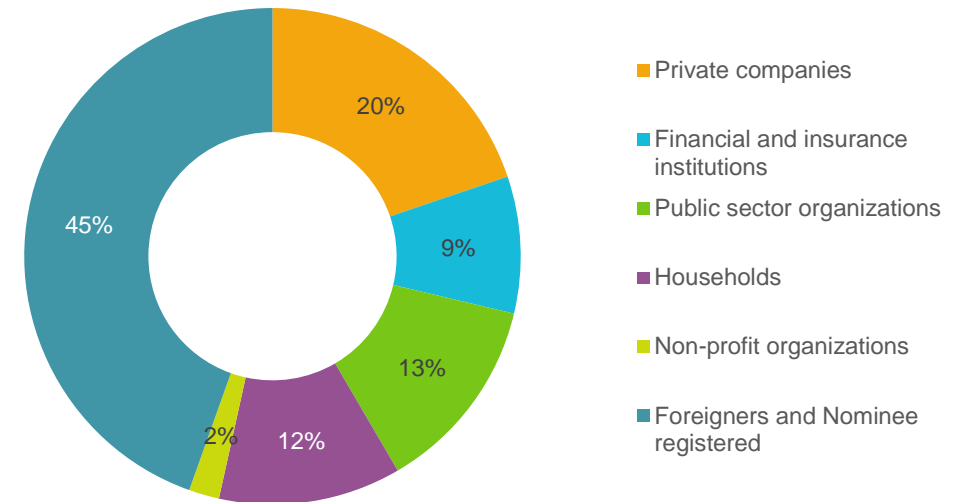
- Production, distribution center, sales
- Distribution center, sales
- Training center



Tikkurila's ownership at the end of December 2016

- Number of shareholders ~20,000
- Foreign ownership in Tikkurila has increased
- Largest shareholders: Oras Invest Oy (18.1%), Varma (5.7%), and Ilmarinen (5.6%)

Tikkurila's ownership structure on December 30, 2016





Strategy

Trends affecting Tikkurila's business operations



URBANIZATION



DIGITALIZATION



RISE OF THE
MIDDLE CLASS



EXHAUSTING
NATURAL
RESOURCES



CHANGES IN
CONSUMPTION
BEHAVIOR



CLIMATE CHANGE

- Functional products that improve energy efficiency of buildings and address construction problems.
- Low-emission and high-quality products that are safe for both health and the environment.
- Understanding and analyzing the customer needs.
- Mapping the business opportunities brought by digitalization.
- Resource efficiency and opportunities of circular economy in own operations.
- Increasing the use of renewable raw materials.

Our end-customers



50%*

Consumers (DIY)



35%*

Professional painters



15%

Industry

*Tikkurila estimate



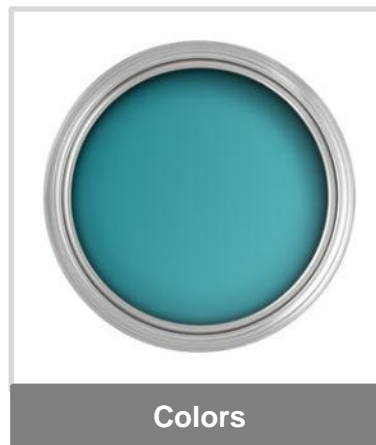
We help our customers to succeed in surface protection and decoration



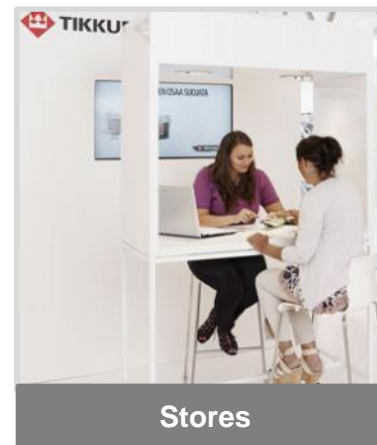
Inspiration



Ideas



Colors



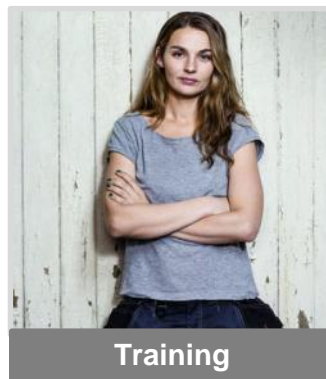
Stores



Helpline



Internet



Training

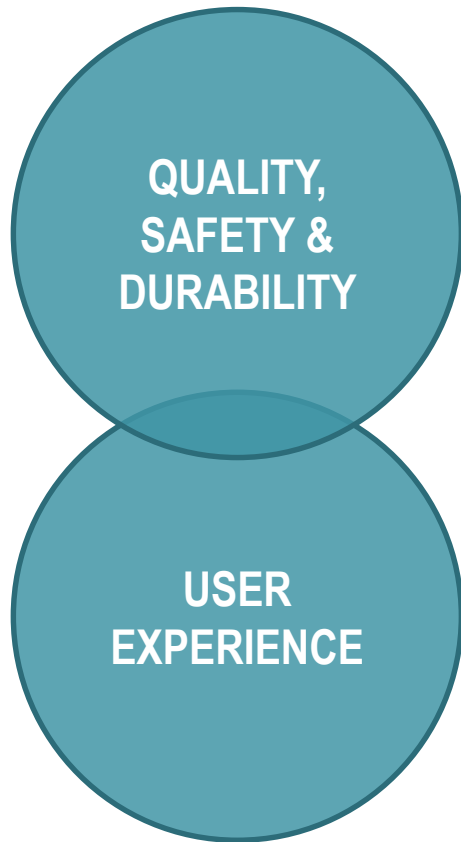


Designer Pool
Contractor Pool



Professional
services

Sustainability principles



- Long service life of surfaces
- High product and user safety
- Water-borne and low-emission products
- Eco-labels and allergy labels
- Sustainable packaging solutions
- Training and advice services
- Good partner with retail and customers
- Supplier management and raw material traceability
- Resource-efficient and certified supply chain
- Ethical business operations
- Active in the local communities



Tikkurila strategy

KEY SUCCESS FACTORS

- Brands
 - Services
 - Innovations
 - Know-how
 - Sustainability
- = **Best end-user experience**

LONG-TERM FINANCIAL TARGETS

- Revenue EUR 1 billion
- Adjusted operating profit >12%
- ROCE >20%
- Gearing <70%

STRATEGIC PRIORITY AREAS



GROWTH

Growth Initiatives
Other organic growth
Joint ventures and M&As



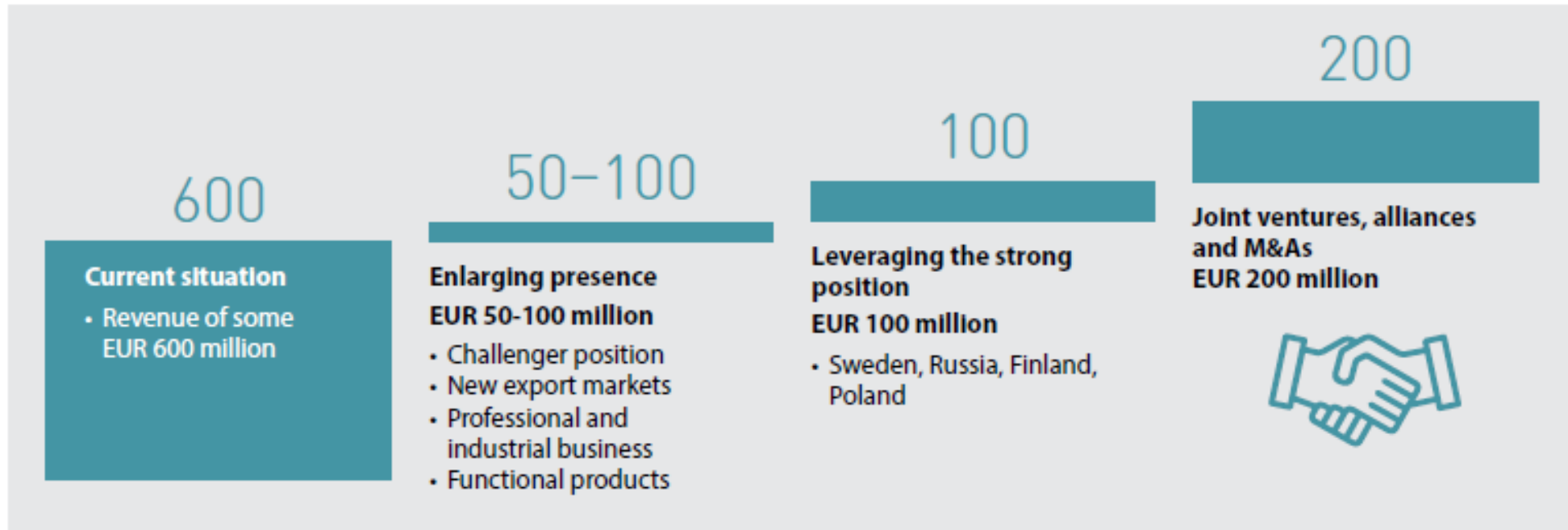
AGILITY

Efficiency and flexibility
Complexity reduction
Harmonization
LEAN



Long-term growth avenues

LONG-TERM GROWTH AVENUES



Proceeding of strategic projects in 2016

- Stepping up the use of local manufacturing and local raw materials in Russia
- Opening of more than 100 new sales outlets in China
- Reinforcing the industrial and professional segment skills and resources
- Investing in functional solutions (external certificates and customer references)
- Gaining new export customers e.g. in the Middle East and Western Europe
- Harmonizing interior products in the Western business segment
- Starting the roll-out of new enterprise resource planning (ERP) system
- Changing operating model in Ukraine and Belarus

Tikkurila as an investment

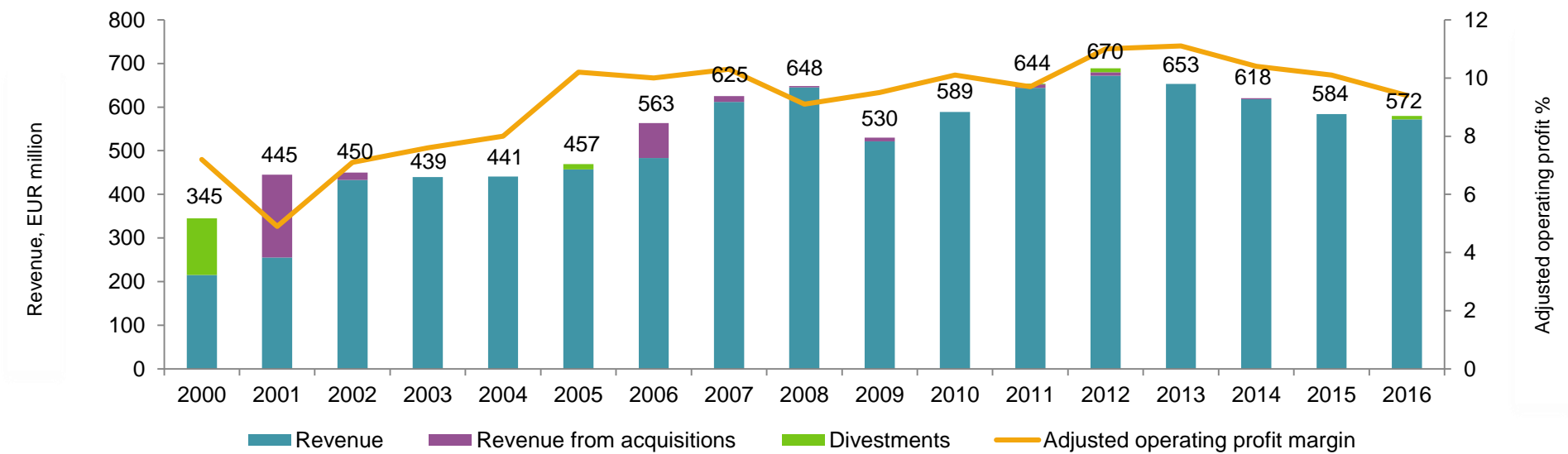


Long term financial development

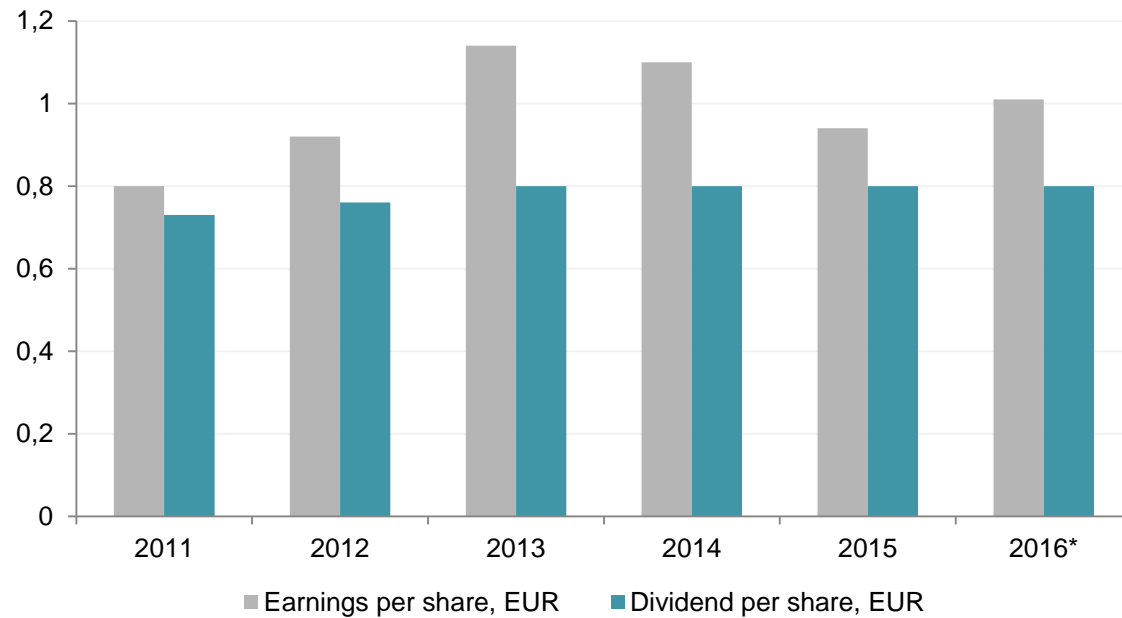
Development of sales and profitability 2000–2016

Major acquisitions and divestments

| | | | |
|---|---|--|--|
| <p>Sale of tinting business in 2000 (Revenue ~MEUR 130)</p> | <p>Acquisition of Alcro-Beckers in 2001 (Revenue ~MEUR 190)</p> | <p>Acquisition of Kraski Teks in 2006 (Revenue ~MEUR 80)</p> | <p>Acquisition of Zorka Color in 2011 (Revenue ~MEUR 16)</p> |
|---|---|--|--|



Stable dividend outflow



*Board of Directors' proposal for the Annual General Meeting

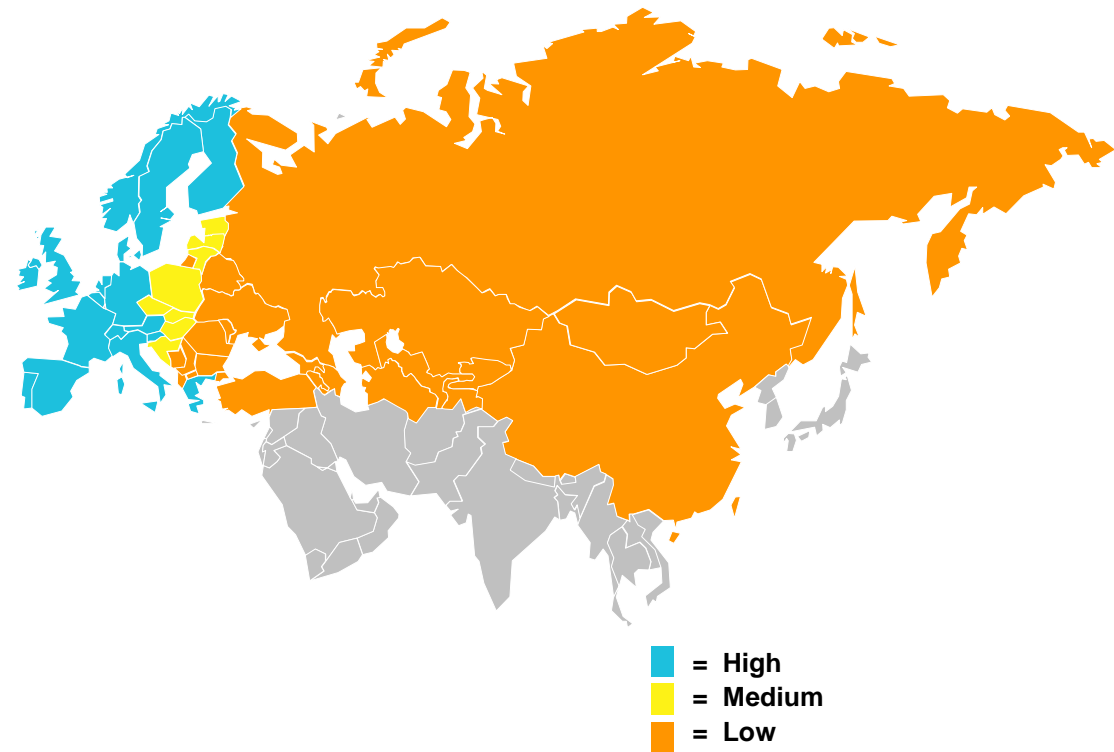
- Dividend policy: Target is to pay at least 40 % of annual adjusted net income as dividends
- Historical dividends have corresponded to approximately 70-90% of the adjusted net income

Paint consumption and demand structure

Factors impacting paint demand

- Living standards
 - Local habits and painting methods
 - Construction styles and available materials
 - Trends in interior decoration, colors etc.
 - Level of activity in new construction, renovation and industry
 - Functional paints
- Markets in Western Europe mature, growth opportunities in areas with increasing income per household
- Tikkurila has an established presence in areas with expected growth in consumption per capita and increasing demand for premium products

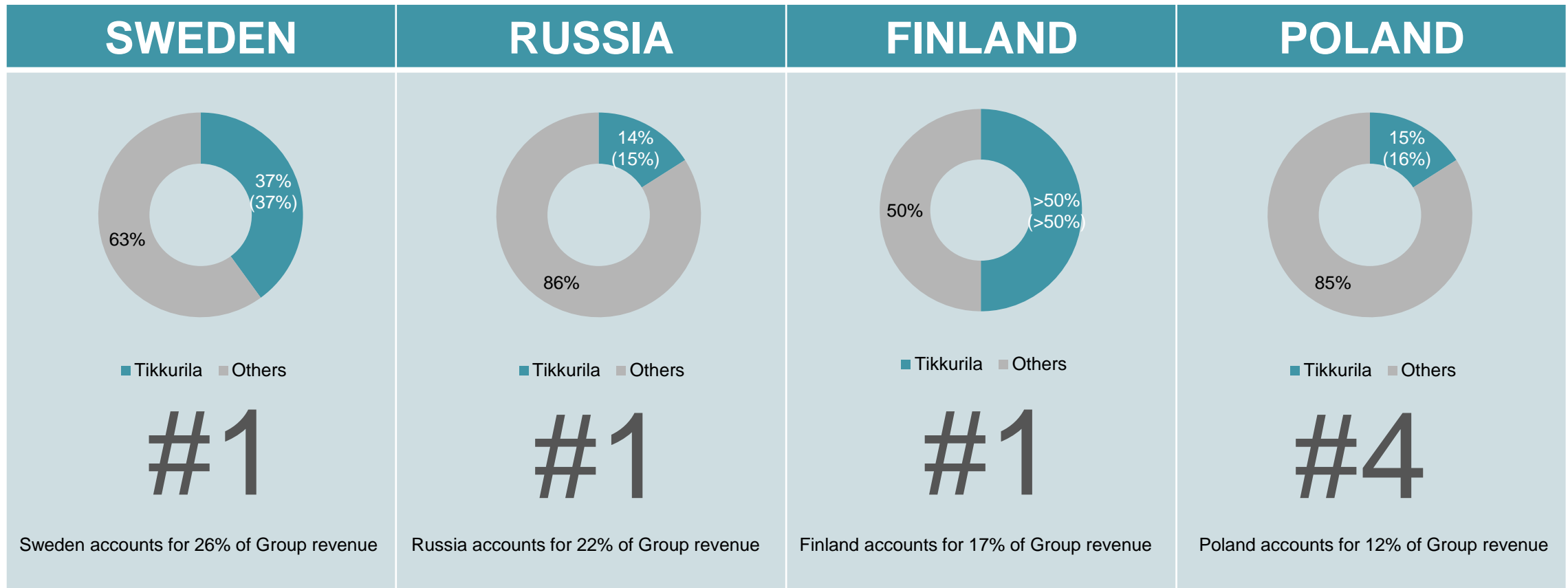
Estimated paint consumption per capita*



* Paint consumption source: Management estimates, IPPIC

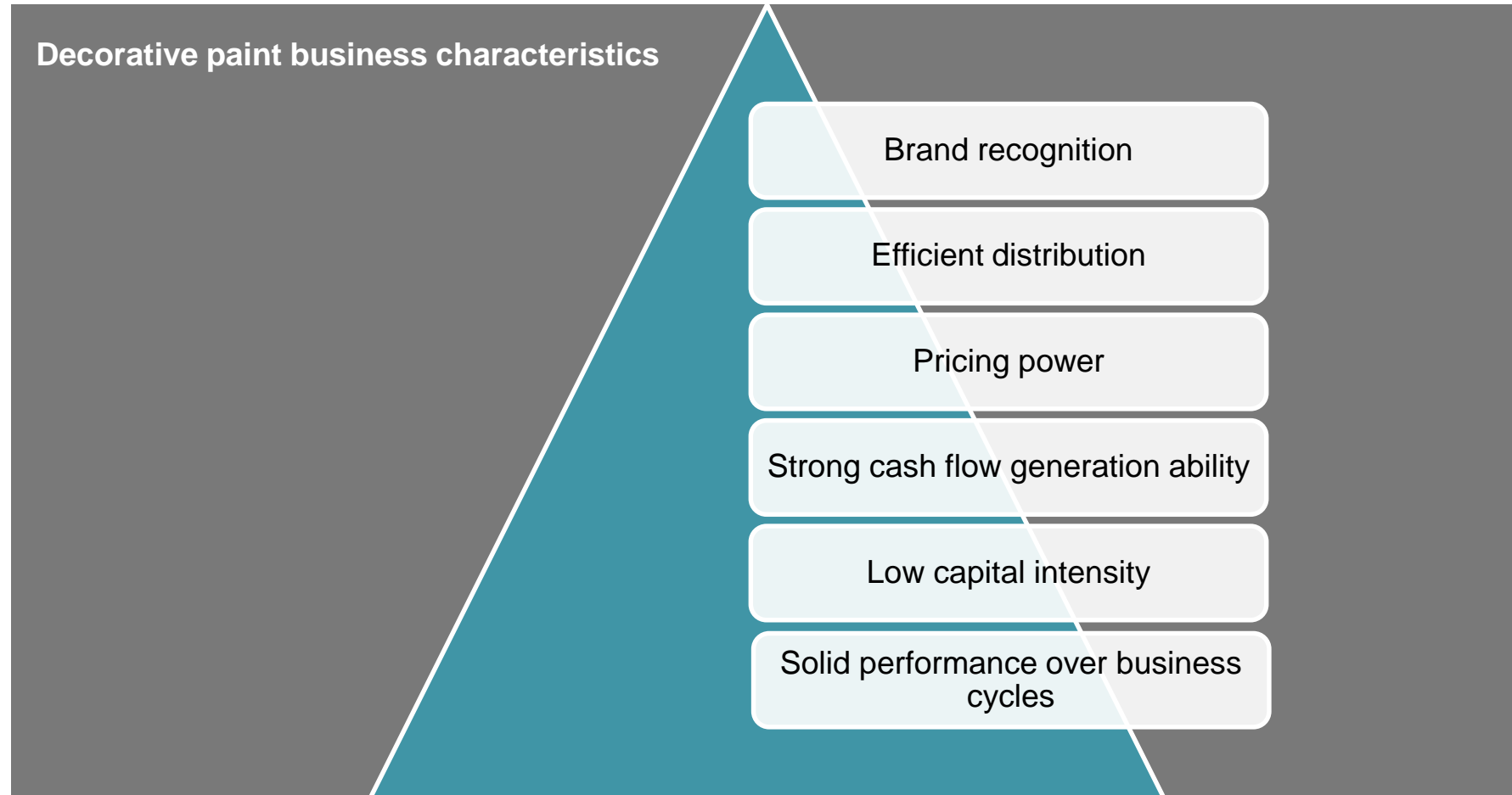


Tikkurila market shares in decorative paints in key markets in 2016



Source: SVEFF (Sweden, value), Chem-Courier (Russia, volume), Association of Finnish Paint Industry (Finland, value), IBP Research (Poland, volume)

Market leader position enables solid business performance





THE POWER OF COLORS