

Tikkurila Analyst Day 2015 Paint business in Finland

Arto Lehtinen, Vice President, Finland August 25, 2015



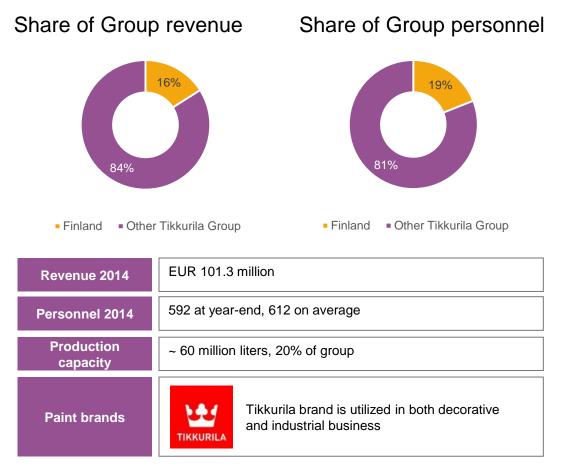
Our history dates back to 1862



Development in Finland 1862 Tikkurila founded (originally an oil press) 1919 Industrial production of paints and lacquers began 1930 Customer training started 1958 Color card development and color advisory service started 1970 Monicolor tinting system launched 1975 Monicolor plant taken into use 2000 Maalilinja paint helpline opened Customer training center Paletti opened 2003 Listing on the Stock Exchange 2010 2010 Tikkurila ProHouse concept for wooden houses launched 2012 Retail concept launched



Tikkurila in Finland at a glance





Tikkurila facilities in Vantaa Finland

Finnish business operations and headquarter functions



Finnish paint market

Facts about the Finnish paint market

Paint market

Value of the paint market approximately EUR 230 million

Market split between decorative paints and industrial coatings 55/45

Consumption ~11 liters per capita

Market growth has been moderate for the last 10 years (~1% yearly value growth)

Market characteristics

People are very interested in interior design and take care of their homes

Harsh climate and plenty of wooden buildings that require constant maintenance

Premium products dominate the market

Professional painters account for clearly less than half of the total market

Hardware stores and big boxes dominate the market

Paints are tinted at the-point-of-sale

Change forces

Economic development (GDP)

Construction and housing market activity

Consumer confidence

Changing construction materials and habits of building

Increasing demand for professional services (role of professional painters increasing)

Growing environmental awareness and expectations

Increasing demand for solutions instead of products

Structural changes of the retail market

Slowly growing private label/economy brand market

Share of paint in wall surface treatment in Finland Interior materials ■ Paint Other materials Exterior materials ■ Paint Other materials Source: Tikkurila estimates



Characteristics of Tikkurila's business in Finland



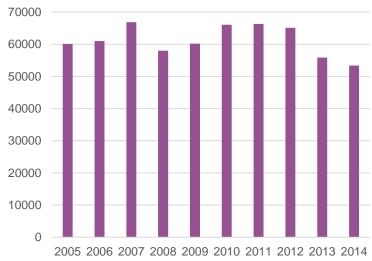


Weak economic situation in Finland, not too much light at the end of the tunnel

Consumer confidence



Housing market activity, sales of old housing (units)



Granted permits and started buildings, mil. m³, moving annual total

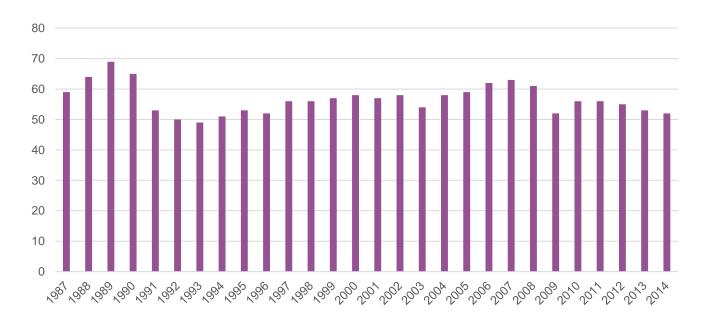


Source: Statistics Finland



Weak macro-economic situation is reflected on paint demand

Development of paint sales in Finland, million liters



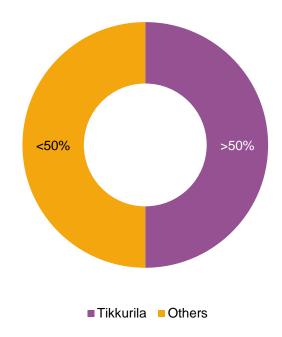
Source: Association of Finnish Paint Industry (VTY)

- Volume of the Finnish paint market has been declining during the past few years. The value of the paint market has been stable.
- The downward trend is due to the weak macro-economic situation and steadily declining industrial activity.



Tikkurila is the market leader in Finland in decorative paints

Tikkurila's market share in decorative paints



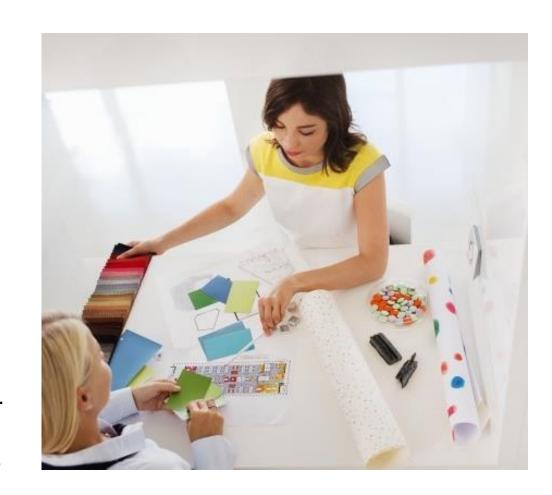
- Market shares have been quite stable in Finland over the years.
- Tikkurila is the clear market leader in decorative paints with over 50% market share (volume and value).
- According to Tikkurila estimates, around 5–10% of total paint sales in Finland is not included in the official statistics.

Source: Association of Finnish Paint Industry (Finland, value)



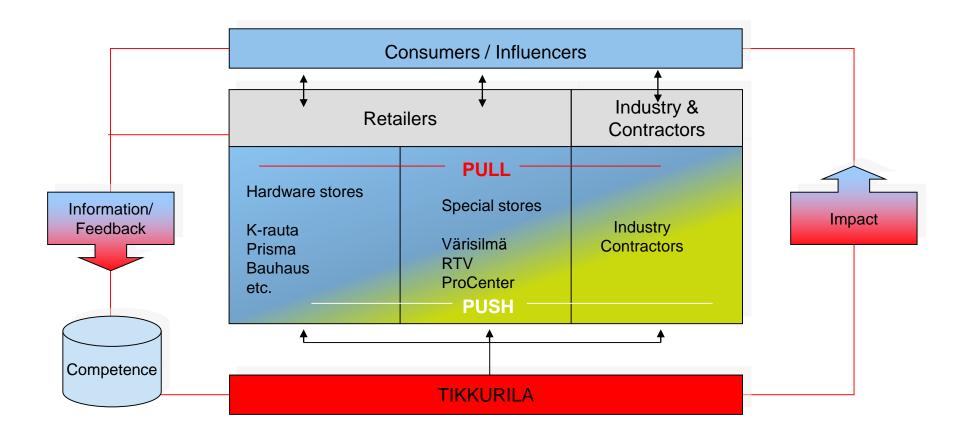
Role of the market leader

- Boosting the entire paint market
 - by inspiring people to paint.
- Developing the paint business as a whole
 - by continuously developing and offering new, innovative products
 - by offering a broad range of customer services (retail, professional painters, consumers).
- Making it easy to buy paint
 - by helping to make the right decisions
 - by developing retail concepts
 - by securing a broad availability of products and services.
- Providing our partners with a strong, well-known and reliable brand.





Market mechanism





Competition strategy



Close to customer

We want to have the best knowledge of the needs and requirements of our customers.



Product and service leadership

We want to lead the way and make sure that our products and service concepts meet the expectations of the markets better than those of our competitors.



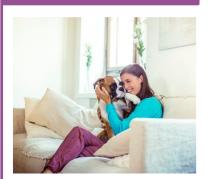
Operational excellence

Our professional operations help our customers to improve their service level and logistic efficiency.



Customer advantages

Consumer



We offer easy solutions throughout the painting process.

Retail



We help retailers to succeed in their business.

Industry



We offer costefficient and sustainable solutions for industrial processes.

Professionals



We help professional painters to improve their competitive edge.

Influencers



We offer innovative, sustainable solutions and services for projects.



Consumer's paint purchase journey



- Ads and campaigns
- Social media and online story telling
- Finding ideas online
- Looking for product options
- Choosing the color: Color Up
- Call or chat for guidance

- Who could help me: Professional & Interior Designer Search
- How much paint do I need: Paint Calculator
- Instructions online, applications
- Finding a retailer

- Talking to a sales person
- Tinting
- Painting tools
- In-store materials
- Training of retail personnel

- Instructions online, applications
- Tips for a successful & durable end-result
- Call or chat for quidance



Tikkurila has an extremely high brand awareness

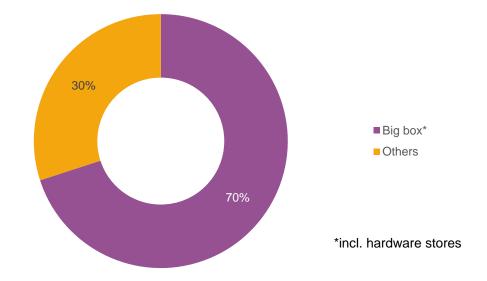
- Unlike in other markets, Tikkurila is pursuing a monobrand strategy in Finland.
- Premium products have traditionally dominated the market, but the economy segment has recently emerged.
- Tikkurila's leading market position is based on highquality products, extensive services, and constant investments in brand building.
- Tikkurila's aided brand awareness in Finland is over 95%.





Deep partnerships with retailers are of crucial importance

Tikkurila's distribution structure in Finland



In Finland, there are approx. 600 retail outlets selling paint. Tikkurila's products are sold in 80% of the outlets.

- Creating added value to consumers
- Strongest brands and comprehensive marketing support
- Active product and service development
- Training for retailers' personnel
- Developing the category together with retailers



Buying paint made easy

- Bringing new solutions to the market that facilitate buying and selling paints, as well as painting itself.
- Helping paint retailers succeed in their business and make buying paint a pleasant experience.
- In-store concepts boost paint sales, display a wide range of products, and tips and instructions on painting, highlight the unlimited possibilities and versatility of tinting, and demonstrate the impact of light on color.



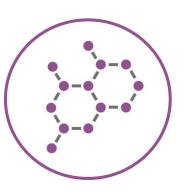


Production of Tikkurila decorative paints in Finland



50%

of all paint production is exported



100

different raw materials in use



100

different paint formulas



600

sales items



70%

of all paint production is water-borne

- Efficient production of white and transparent base paints
- Fully automated production
- No significant capital expenditure needs in the near future



Conclusions and near-term focus areas

- The Finnish paint market is not expected to grow in the coming years due to the weak macro-economic situation.
- Tikkurila's goal is to maintain its strong market share in decorative paints and increase our presence both in the professional and industrial segments.





A&Q