



**Tikkurila in Russia**  
**Carnegie Field trip**  
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**TIKKURILA**

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# Tikkurila in brief



# Tikkurila in brief

## Tikkurila in a nutshell

### Customers:

Consumers and professionals

### Market position:

Leading market position in decorative paints in Finland, Sweden, Russia and the Baltic countries, one of the leading in Poland

### Market area:

Northern Europe, Central Eastern Europe, Russia and other CIS countries, Ukraine

### Products and services:

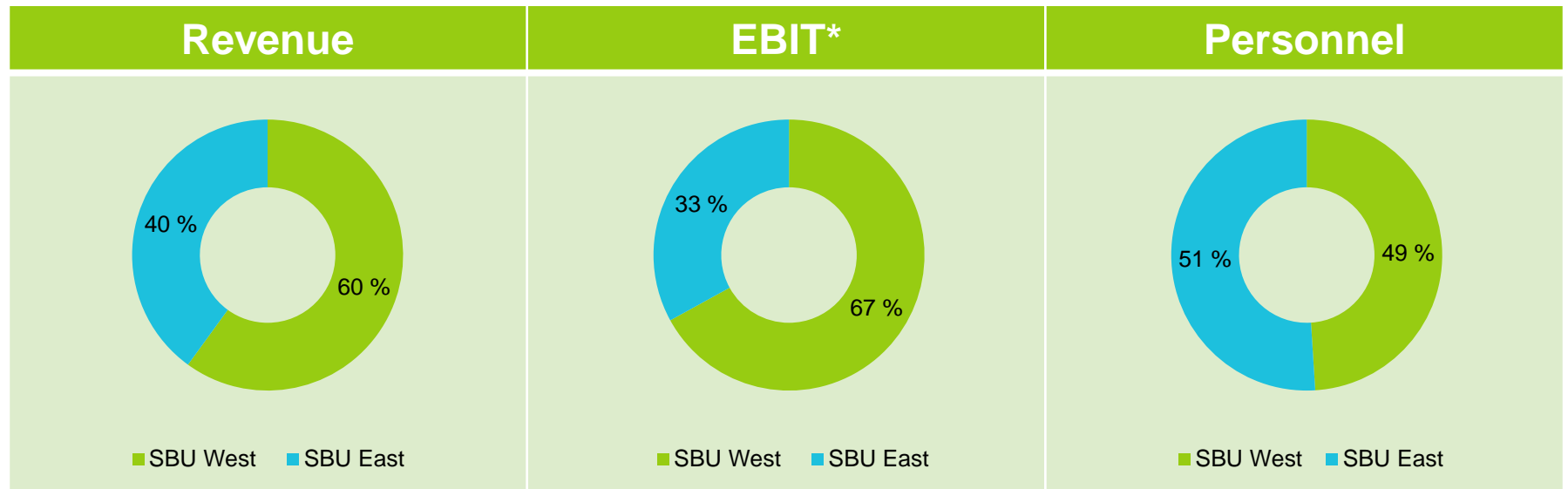
Decorative paints, industrial wood and metal coatings, customer training, comprehensive advisory service (e.g. Customer hotline), Designer and Contractor Pool etc.

## Tikkurila's locations



# Tikkurila 2013

For 150 years already, Tikkurila has provided consumers and professionals with user-friendly and sustainable solutions for surface protection and decoration. Tikkurila wants to be the leading paint company in the Nordic area as well as in Russia and other selected Eastern European countries.  
– Tikkurila inspires you to color your life.



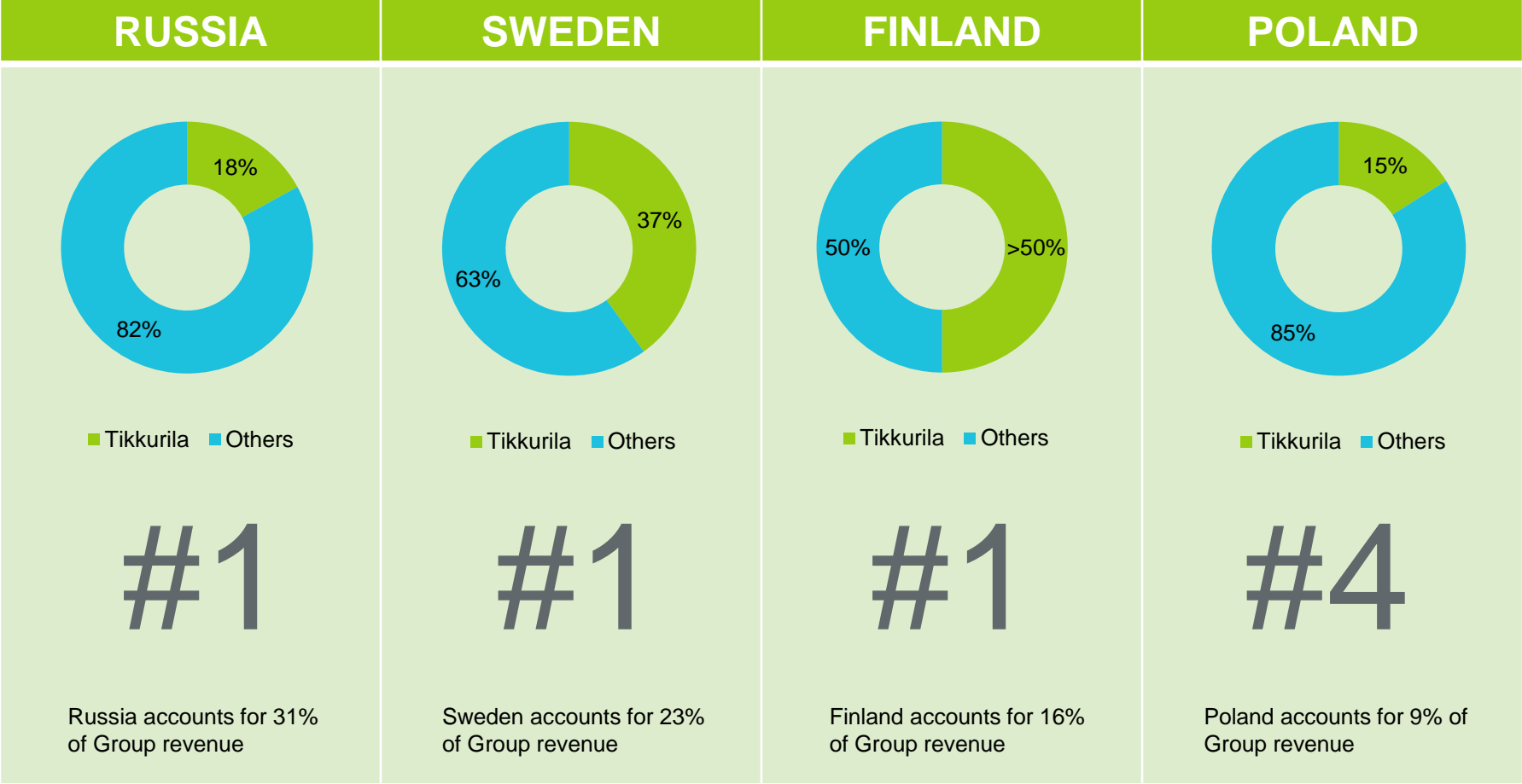
Revenue EUR 653 million

EBIT\* EUR 73 million

Personnel 3,133

\*Excl. non-recurring and Group items

# Tikkurila market shares and positions in decorative paints in key markets in 2013



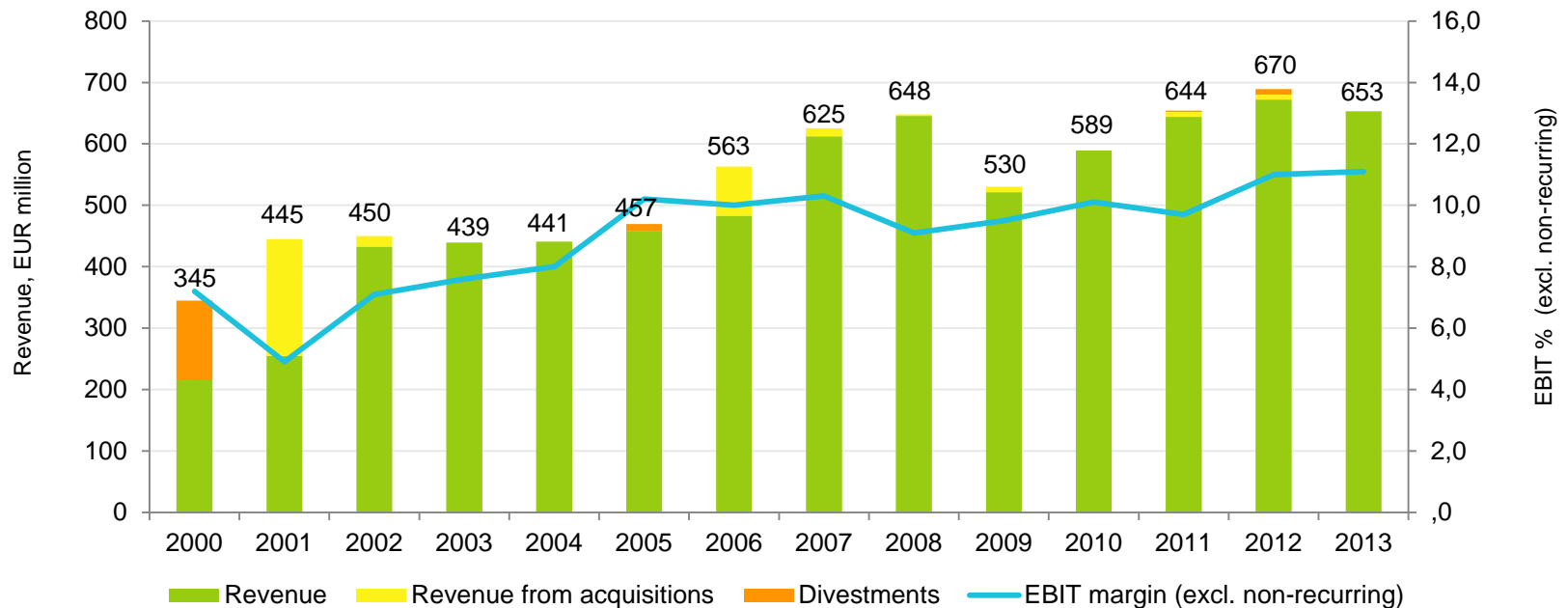
Source: Chem-Courier (Russia, volume), SVEFF (Sweden, value), Association of Finnish Paint Industry (Finland, value), IBP Research (Poland, volume)

# Long term financial development

## Development of sales and profitability 2000–2013

### 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 Tekes in 2006 (Revenue ~MEUR 80)</p>	<p>Acquisition of Zorka Color in 2011 (Revenue ~MEUR 16)</p>
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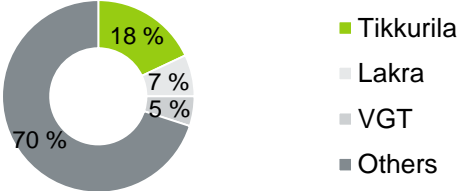




## Tikkurila in Russia



# Tikkurila in Russia

2013 revenue	EUR 204 million, 31% of Group
Brands	 <p>FINNCOLOR  <b>TIKKURILA</b>      <b>ТЕКС</b>      PREMIUM → ECONOMY</p>
Production	<p>Production sites in St. Petersburg (3) and Stary Oskol</p> <p>Majority of the products sold in the area are produced locally, Tikkurila brand is also exported from Finland</p>
Raw materials	<p>Approximately half of the raw materials used in the production in Russia is sourced from local suppliers</p>
Retail	<p>Tikkurila's coverage is around 65% of the retail outlets in the Golden Cities</p>
Market position in decorative paints	 <ul style="list-style-type: none"> <li>■ Tikkurila</li> <li>■ Lakra</li> <li>■ VGT</li> <li>■ Others</li> </ul> <p>Source: Chem-Courier, 2014 (volume)</p>



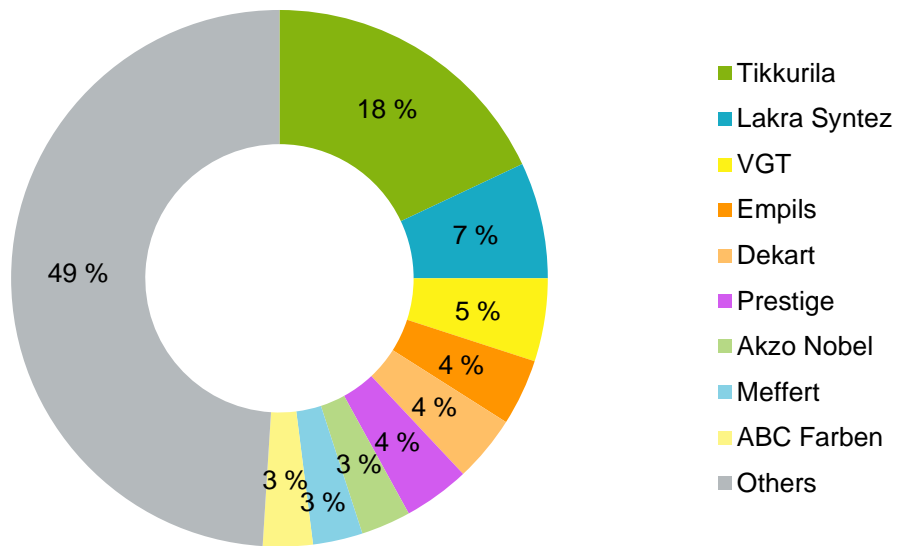
# Good coverage of operations



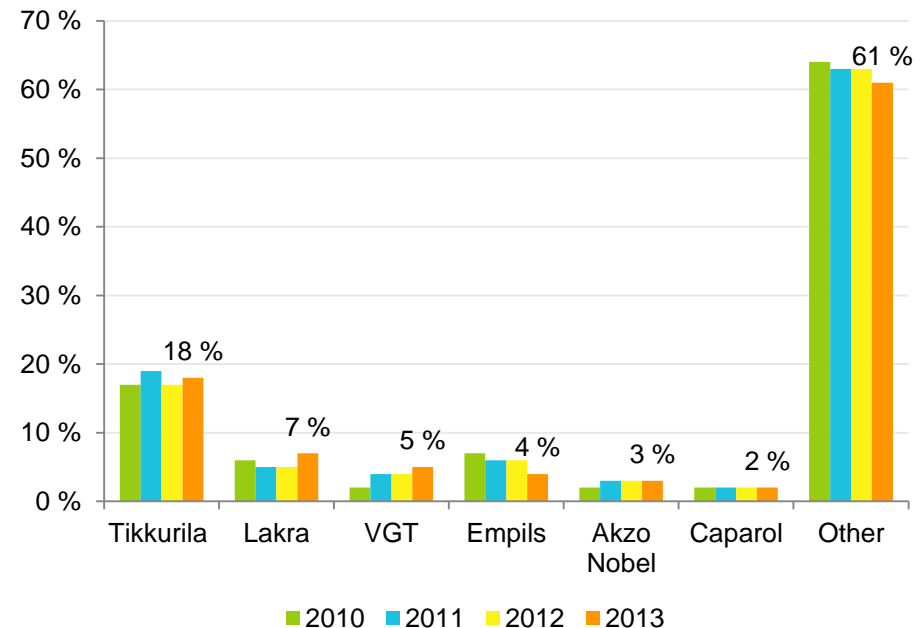
- Tikkurila sales function has regional structure with more than 200 employees
- Tikkurila has established long term partnerships with local customers
- Tikkurila's office and warehouse network has been expanded in 2012 and 2013

# Russian paint market is fragmented, bigger players are slowly gaining market share

Russian decorative paint market shares in 2013

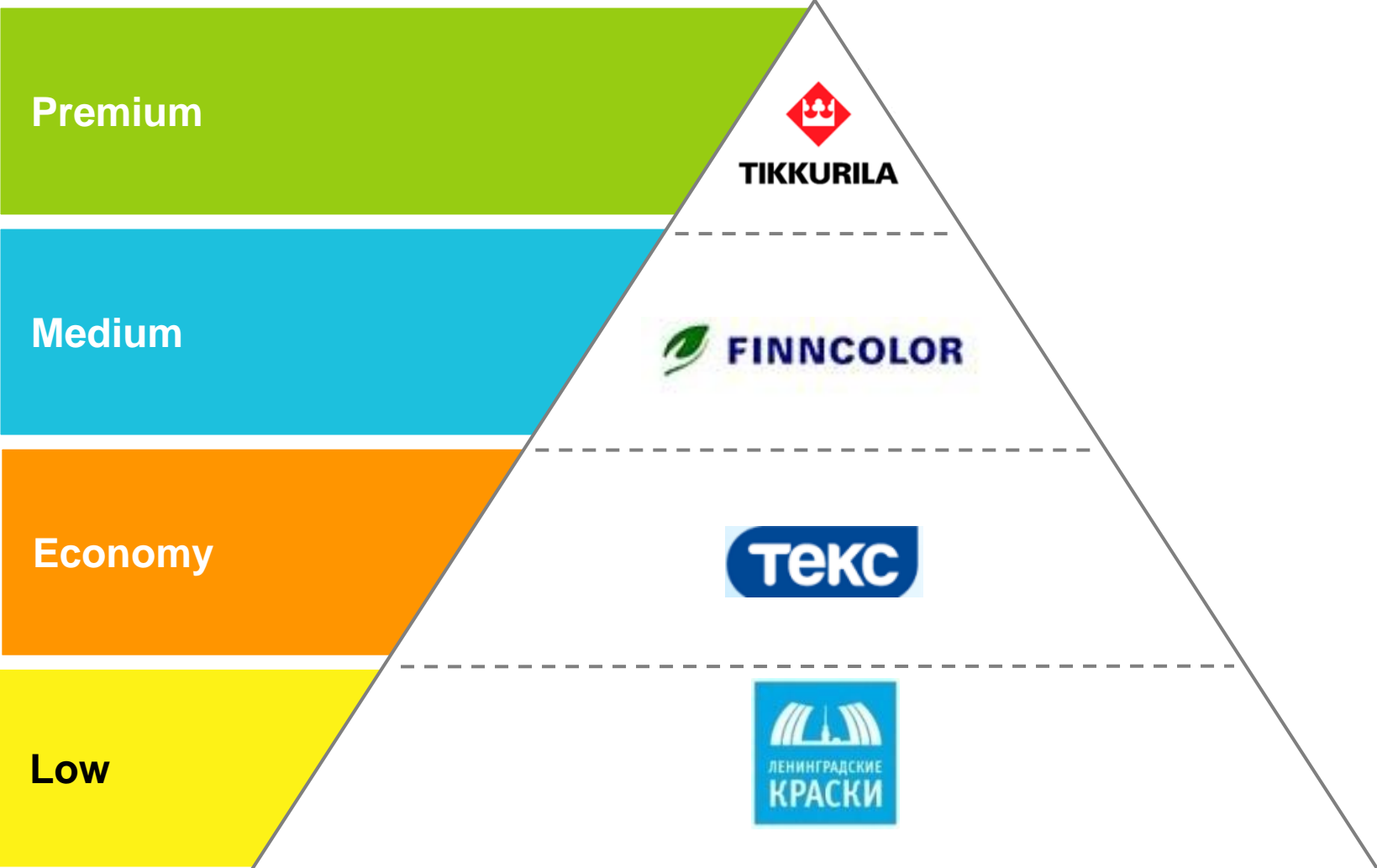


Market share development in Russia in 2010–2013

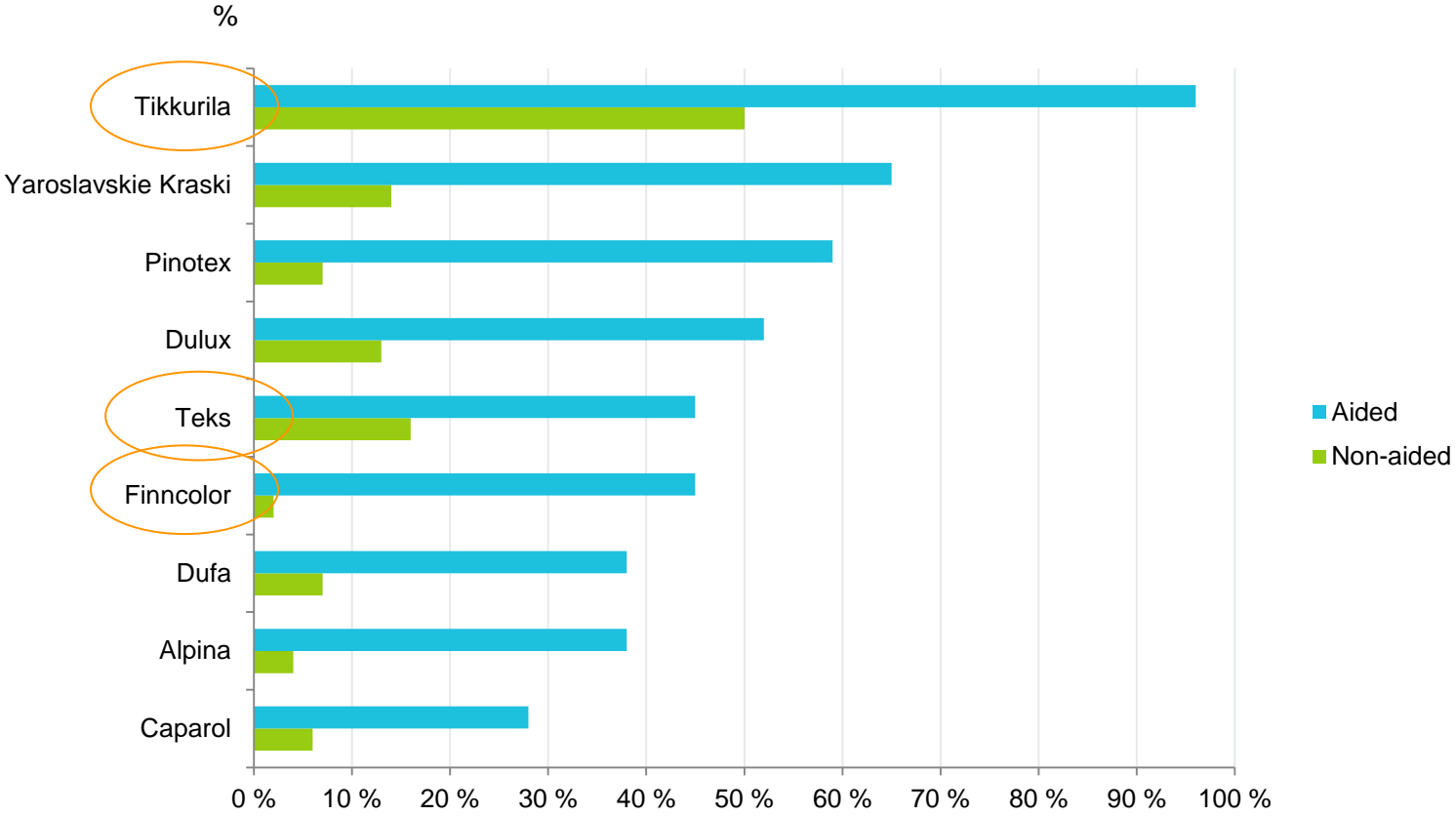


Source: Chem-Courier 2014 (volume)

# Tikkurila brand positioning in Russia



# Tikkurila is the most well-known paint brand in Russia

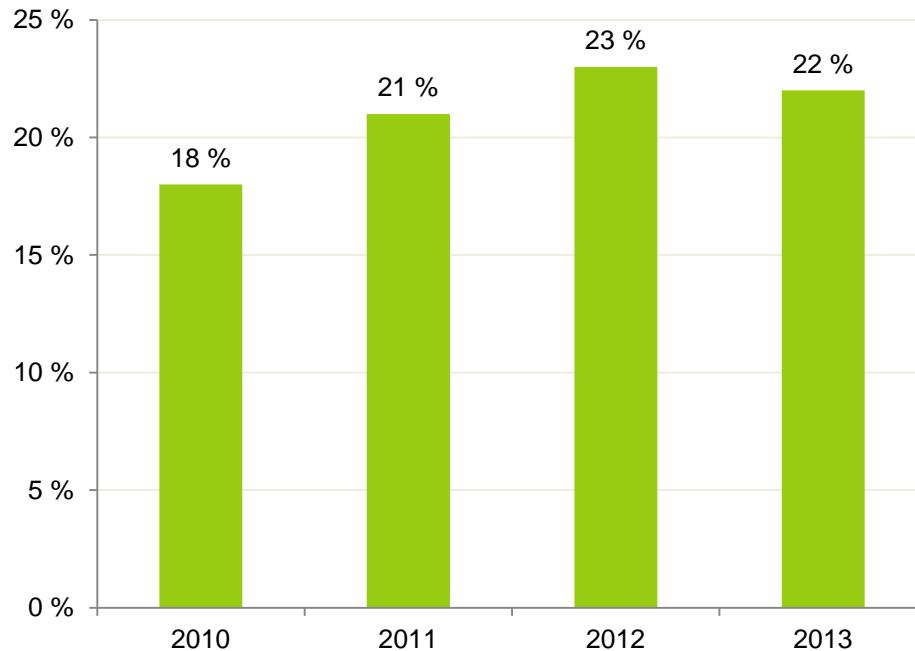


Brand awareness in Russia  
\*Source: Gfk consumer research (Russia 2012)



# Tikkurila aims at diversifying its distribution in Russia

Big boxes' share of Tikkurila sales in Russia



- Big boxes are increasing their market share slowly
- Majority of Tikkurila sales go through distributors but their relative share is decreasing
- Tikkurila aims at balanced development of different distribution channels

# More active role in distribution to support growth

## Tikkurila's new paint shop concepts

### Color Studio



- For consumers and designers
- Brand offering: Tikkurila
- First shop opened in St. Petersburg in May 2013

### Profe Shop



- For small-scale construction professionals
- Brand offering: Tikkurila, Finncolor, Teks and Tikkurila Coatings
- First shop opened in St. Petersburg in May 2013

# Macro environment and conclusions



# Macro environment is challenging

- GDP grew by 1.3% in 2013 (3.4% in 2012)
- Slowdown was driven by low investments and weak net exports
- Consumption has held up quite well
- GDP growth estimate for 2014 is close to zero



Source: Rosstat, several sources

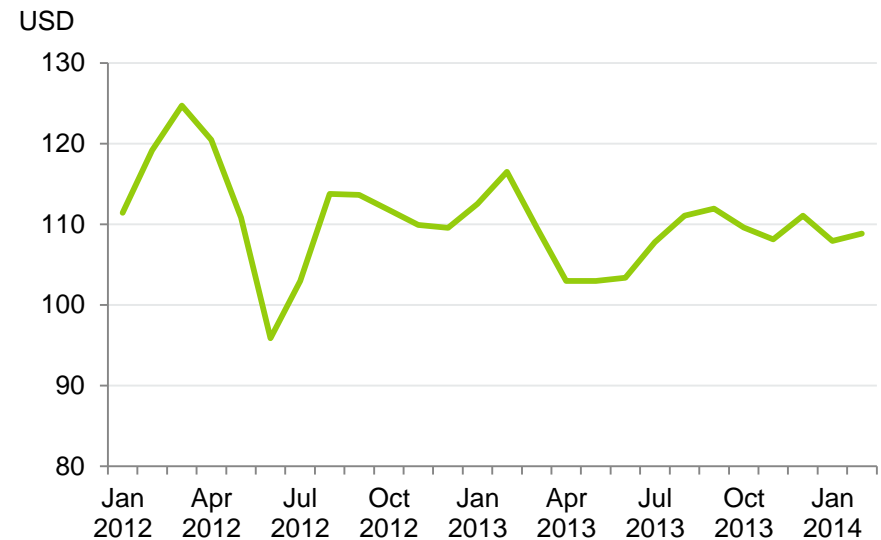
# Major headwinds from foreign exchange rates

## Euro ruble exchange rate



- Ruble exchange rate has been weakening

## Oil price development



- Oil price has held up pretty well



# Thus far the impacts of the Ukrainian crisis on Tikkurila have been limited

- General economic uncertainty has increased and growth estimates have been revised downwards
- Depreciation of the ruble decreases the euro-denominated revenue of Tikkurila
- Thus far the crisis has not had a significant impact on paint sales
- Part of Tikkurila's products sold and raw materials used in the production in Russia are exported from the EU countries. Possible economic sanctions would have a significant negative impact on Tikkurila's business operations

Tikkurila's locations in Russia and adjacent markets

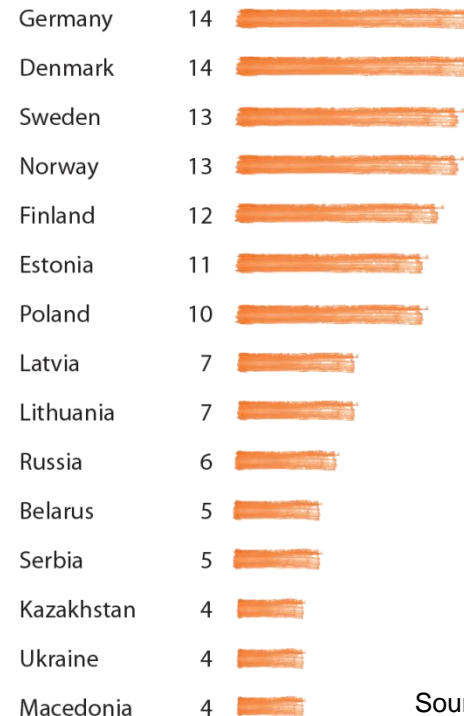


# Development of the operations in Russia

- Improving service level after the implementation of the ERP system last year
- Changes in the distribution structure continued
- Sales of the Tikkurila brand has developed well, some challenges faced with the TEKS brand
- Importance of optimal pricing is emphasized
- Sales & Marketing investments will be increased during the remainder of the year

In the long run, the rise of the middle class increases paint consumption and boosts quality consciousness

Paint consumption on Tikkurila's markets, liters per capita



Source: Tikkurila, market data

**Thank you!**

