TIKKURILA

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Tikkurila Oyj
Financial Statement Release
February 10, 2015 at 9:00 a.m. (CET+1)

Tikkurila's Financial Statement Release for January−December 2014 – Volumes remained stable but the collapse of the ruble deepened the last quarter loss

Full-year 2014 highlights

- Revenue decreased by 5.3 percent to EUR 618.4 million (2013: EUR 653.0 million).
- Operating profit (EBIT) excluding non-recurring items was EUR 64.2 (72.6) million, i.e. 10.4 (11.1) percent of revenue.
- Operating profit (EBIT) was EUR 63.7 (71.5) million, i.e. 10.3 (10.9) percent of revenue.
- EPS was EUR 1.10 (1.14). Diluted EPS was EUR 1.09 (1.13).
- The Board proposes a dividend of EUR 0.80 (0.80) per share, which corresponds to about 73 (70) percent of the Group's 2014 earnings per share.
- Cash flow after capital expenditure was EUR 49.9 (66.9) million.

October–December 2014 highlights

- Revenue decreased by 10.5 percent to EUR 104.4 million (10–12/2013: EUR 116.7 million).
- Operating result (EBIT) excluding non-recurring items was EUR -13.2 (-4.2) million, i.e. -12.6 (-3.6) percent of revenue.
- Operating result (EBIT) was EUR -13.9 (-5.2) million, i.e. -13.3 (-4.4) percent of revenue.
- EPS was EUR -0.19 (-0.11).

Revenue and EBIT estimates for 2015

- Tikkurila expects its revenue and EBIT excluding non-recurring items for the financial year 2015 to be below the 2014 level.

Key figures (EUR million)	**10–12/2014**	10–12/2013	Change %	**1–12/2014**	1–12/2013	Change %
Income statement						
Revenue	**104.4**	116.7	-10.5%	**618.4**	653.0	-5.3%
Operating profit (EBIT), excluding non-recurring items	**-13.2**	-4.2	-211.3%	**64.2**	72.6	-11.6%
Operating profit (EBIT) margin, excluding non-recurring items, %	**-12.6%**	-3.6%		**10.4%**	11.1%	
Operating profit (EBIT)	**-13.9**	-5.2	-167.5%	**63.7**	71.5	-10.9%
Operating profit (EBIT) margin, %	**-13.3%**	-4.4%		**10.3%**	10.9%	
Profit before taxes	**-9.7**	-6.1	-58.9%	**63.3**	67.0	-5.6%
Net profit for the period	**-8.2**	-4.8	-69.6%	**48.3**	50.1	-3.6%
Other key indicators						
EPS, EUR	**-0.19**	-0.11	-69.9%	**1.10**	1.14	-3.5%
ROCE, %, rolling	**22.9%**	23.5%		**22.9%**	23.5%	
Cash flow after capital expenditure	**7.6**	11.4	-33.1%	**49.9**	66.9	-25.5%
Net interest-bearing debt at period-end				**47.4**	48.6	-2.6%
Gearing, %				**24.6%**	23.4%	
Equity ratio, %				**49.5%**	50.1%	
Personnel at period-end				**3,142**	3,133	0.3%

Comments by Erkki Järvinen, President and CEO:

“The market situation in Russia weakened over the year and became difficult in the last quarter due to the sharp decline in oil prices and the collapse of the ruble. From October to December, our revenue in the SBU East region declined by 25 percent mainly due to the weak currencies. There was only a slight reduction in sales volumes in Russia in the last quarter, because retailers built up their inventories at the end of the year in anticipation of price hikes. Our business development was more stable in our other markets even if the weakening Swedish krona had a negative impact on our euro-denominated revenue. The Group’s annual revenue declined by 5 percent, as the weak currencies directly reduced our reported revenue by more than EUR 50 million year on year.

The decline in revenue and the significant exchange rate fluctuations had a negative impact on profitability. Furthermore, the sales and marketing investments, which were higher than in the comparison period, increased our fixed costs. The clearly unprofitable last quarter weakened the entire year’s operating profit. Our operative EBIT margin was down to 10.4 percent from 11.1 percent in the previous year. Our good net income and cash flow, the latter of which continued to be strong despite acquisitions, kept our dividend distribution capability stable.

Predicting market development in the current year is challenging, but, at least in the short term, there are no signs of stabilization in the geopolitical situation in Ukraine, cancellation of economic sanctions, increase in oil prices, or strengthening of the ruble. We estimate that the uncertain economic situation and the consumers’ reduced purchasing power will decrease paint demand in Russia and increase the relative demand for lower price and quality grade products over the current year. In the EU region, we expect demand to remain close to last year’s level. Sales price increases will be moderate in all areas except for Russia, where we increased the prices of decorative paints in January. Despite the careful cost management, we will continue to seek growth in our operations. Tikkurila is a financially sound company, and our aim is to further strengthen our position in Russia as well as our other areas of operation, notwithstanding the difficult market situation."

Press Conference and webcast

Tikkurila will hold a press conference regarding the Financial Statement Release for 2014 for the media and analysts today on February 10, 2015, at 12:00 p.m. (CET+1) in the Akseli Gallén-Kallela Cabinet at the Hotel Kämp (address Pohjoisesplanadi 29, 00100 Helsinki). The conference will be held in Finnish language. Attendees will be served lunch at the conference premises starting at 11:30 (CET+1). The Financial Statement Release will be presented by **Erkki Järvinen**, and **Jukka Havia**, CFO.

A live webcast, conducted in English, will be organized on February 10, 2015, at 3:00 p.m. The live webcast will be available at www.tikkurilagroup.com. The participants can also join a telephone conference that will be arranged in conjunction with the live webcast. The telephone conference details are set out below:

+358 9 2313 9201 (Finnish callers)
+44 20 7162 0077 (UK callers)
+1 334 323 6201 (US callers)
Participant code: 950790

An on-demand version of the webcast will be available at www.tikkurilagroup.com/investors later during the same day.

The Financial Statement Release and presentation materials will be available before the event at www.tikkurilagroup.com/investors.

Tikkurila will publish the Interim Report for January−March 2015 on Wednesday April 29, 2015, at around 9:00 a.m. (CET+1).

Tikkurila Oyj
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Tikkurila is the leading paints and coatings professional in the Nordic region and Russia. With our roots in Finland, we now operate in 16 countries. Our high-quality products and extensive services ensure the best possible user experience in the market. Sustainable beauty since 1862.

www.tikkurilagroup.com

Tikkurila Oyj Financial Statement Release for January 1–December 31, 2014

This Financial Statement Release has been prepared in accordance with the IAS 34 standard and other valid regulations. The information disclosed is unaudited with the exception of full year figures for 2013 and 2014. The figures presented in the Financial Statement Release are independently rounded.

Fluctuations in exchange rates in this Financial Statement Release refer to the translation effect of the exchange rates.

In this report, 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.

If there are any discrepancies between the language versions of the Financial Statement Release, the Finnish version shall prevail.

As of January 1, 2014, Tikkurila’s business operations are organized in two reporting segments, or Strategic Business Units (SBU). Tikkurila’s reporting segments are SBU West and SBU East. SBU West consists of Sweden, Denmark, Norway, Finland, Poland, Germany, Estonia, Latvia, and Lithuania. SBU East consists of Russia, Central Asian countries, Ukraine, Belarus, Serbia, Macedonia, and China. Furthermore, SBU East is responsible for the exports to more than 20 countries.

Market Review

The market conditions in Russia and its neighboring areas were exceptionally difficult. All in all, financial growth in Tikkurila's area of operation remained weak.

Russia's market situation deteriorated towards the end of the year. The crisis in Ukraine, which began at the start of last year, increased uncertainty in the operating environment. Economic growth turned negative towards the end of the year following the economic sanctions and the collapse in the price of crude oil. The uncertain economic situation, together with the drop in consumer confidence and the weakened purchasing power, lowered the demand for paints and increased the relative market share of lower quality and price grade paints. According to Tikkurila’s estimate, its market share reduced slightly as a result of the increase in overall sales of the lower price and quality grade products (market share in volume in 2013: approximately 17 percent).

The Swedish economy was slow to recover. The increase in exports remained frail due to the weak economic situation in the euro zone. Construction volumes developed well, and consumer confidence strengthened slightly towards the end of the year, reaching higher than the long-term average. According to Tikkurila’s estimate, the overall market of Sweden’s decorative paints grew very little, but there was a clear increase in the demand for lower quality and price grade paints. According to Tikkurila’s estimate, its market share reduced slightly from last year as a result of the increase in the market share of lower category paints (market share in value in 2013: 37 percent).

The economic situation in Finland was weak. Consumer confidence, which is clearly below the long-term average, and the low construction and housing market activity reduced the sale of interior paints in particular. However, the sale of products directed at construction and renovation professionals developed favorably due to the increasingly competitive product range. The low investment level slightly weakened the sale of industrial coatings. Tikkurila estimates that there were no material changes in the market shares in 2014.

The Polish economy grew by over 3 percent last year mainly due to domestic demand. The crisis in Ukraine and the conditions in the euro zone had a negative impact on export volumes. The sale of construction paints grew, but the demand for consumer paints weakened. Many competitors exercised aggressive price campaigning. According to Tikkurila’s estimate, the decorative paint market weakened slightly last year. According to Tikkurila’s estimate, there were no significant changes to its market share (market share in volume in 2013: approximately 15 percent).

Of Tikkurila's key currencies, the Russian ruble was at the end of 2014 approximately 50 percent weaker than the year before. The Swedish krona also weakened. The exchange rate of the Polish zloty was close to the comparison period level.

The prices of raw materials were, on the whole, close to the comparison period level, although there were differences in the price development of individual raw materials.

Financial Performance in October–December 2014

Revenue and operating result by reporting segment in October–December are presented in the table below.

October–December (EUR million)	**Revenue**		**Operating result (EBIT) excluding non-recurring items**	
	10–12/2014	10–12/2013	**10–12/2014**	10–12/2013
SBU West	**68.3**	68.2	**-8.1**	-4.6
SBU East	**36.2**	48.4	**-4.9**	1.1
Group common and eliminations	**0.0**	0.0	**-0.1**	-0.7
Consolidated Group	**104.4**	116.7	**-13.2**	-4.2

Tikkurila Group's **revenue** decreased by 11 percent in the last quarter of 2014 due to the unfavorable exchange rate fluctuations. Exchange rate fluctuations reduced revenue by 17 percent, particularly due to the weakened Russian ruble, but also due to the weakened Swedish krona. Lower sales volumes decreased the Group revenue by one percent. Sales price increases and changes in the sales mix increased revenue by 6 percent. Acquisitions increased revenue by one percent.

Operating result (EBIT) excluding non-recurring items totaled EUR -13.2 (-4.2) million, which accounts for -12.6 (-3.6) percent of revenue.

Operating result (EBIT) totaled EUR -13.9 (-5.2) million, equaling -13.3 (-4.4) percent of revenue. Operating loss increased and relative profitability weakened clearly. Profitability was hampered particularly by the decline in revenue, weak Russian ruble, and fixed costs, which were on a higher level than in the comparison period. Sales mix development had a positive impact on profitability. Non-recurring items for the review period totaled EUR -0.7 (-0.9) million net.

The net financial income in October–December 2014 was EUR 4.1 (-0.6) million. The key cause for the clear change was the value variation in the forward exchange agreements, made in order to hedge against currency risks as the exchange rates changed significantly at the end of the 2014 financial period. Earnings per share were EUR -0.19 (-0.11) in the review period.

Financial Performance in 2014

Revenue and operating result by reporting segment in January–December are presented in the table below.

January–December (EUR million)	**Revenue**		**Operating result (EBIT) excluding non-recurring items**	
	1–12/2014	1–12/2013	**1–12/2014**	1–12/2013
SBU West	**382.5**	388.6	**45.8**	50.9
SBU East	**236.0**	264.4	**21.3**	24.7
Group common and eliminations	**0.0**	0.0	**-2.9**	-3.0
Consolidated Group	**618.4**	653.0	**64.2**	72.6

Tikkurila Group's **revenue** decreased by 5 percent in 2014. Exchange rate fluctuations reduced revenue by 8 percent, particularly due to the weakened Russian ruble and other currencies in the SBU East area. In addition, the Swedish krona decreased the euro-denominated revenue. Lower sales volumes decreased revenue by 2 percent. Sales price increases and changes in the sales mix increased revenue by 5 percent.

Operating profit (EBIT) excluding non-recurring items totaled EUR 64.2 (72.6) million, which accounts for 10.4 (11.1) percent of revenue.

Operating profit (EBIT) totaled EUR 63.7 (71.5) million, equaling 10.3 (10.9) percent of revenue. The decline in revenue and weakening of key currencies had a negative impact on profitability. Fixed costs were on previous year's level.

The net financial expenses in January–December 2014 were EUR 0.8 (4.3) million. Profit before taxes was EUR 63.3 (67.0) million. Taxes totaled EUR 15.0 (17.0) million, equaling an effective tax rate of 23.7 (25.3) percent. Earnings per share were EUR 1.10 (1.14) in the review period. Diluted earnings per share were EUR 1.09 (1.13).

Financial Performance by Reporting Segments

SBU West

EUR million	**10–12/2014**	10–12/2013	Change %	**1–12/2014**	1–12/2013	Change %
Revenue	**68.3**	68.2	0.1%	**382.5**	388.6	-1.6%
Operating result (EBIT), excluding non-recurring items	**-8.1**	-4.6	-75.4%	**45.8**	50.9	-10.1%
Operating result (EBIT) margin, excluding non-recurring items, %	**-11.9%**	-6.8%		**12.0%**	13.1%	
Operating result (EBIT)	**-7.3**	-5.0	-45.6%	**47.5**	50.4	-5.8%
Operating result (EBIT) margin, %	**-10.6%**	-7.3%		**12.4%**	13.0%	
Capital expenditure excluding acquisitions	**4.5**	2.8	61.7%	**10.8**	6.4	68.8%

Financial Performance in October–December 2014

SBU West's last quarter revenue remained at the comparison period's level. The higher sales volumes increased revenue by 2 percent. Exchange rate fluctuations, primarily the weakened Swedish krona, decreased revenue by 4 percent. Acquisitions increased revenue by one percent. Among the key markets, in Sweden revenue decreased to EUR 26.3 (27.8) million due to the exchange rate fluctuations, while in Finland revenue was at the comparison period's level at EUR 14.4 (14.1) million, and in Poland revenue grew to EUR 12.3 (11.8) million.

Last quarter profitability decreased from the comparison period. Profitability was weakened particularly by the increase in fixed costs, caused by the larger sales and marketing investments. The non-recurring income in the period under review was EUR 0.9 million net. The non-recurring income was related to the reduction of the fine by approximately EUR 1.7 million at the end of 2014; the fine was imposed on Tikkurila in Poland in 2010 for breach of competition law. The non-recurring expenses (EUR 0.8 million) were related to the impairment of individual intangible asset items.

Financial Performance in 2014

SBU West's revenue in 2014 decreased by 2 percent from the comparison period. Exchange rate fluctuations, primarily the weakened Swedish krona, decreased revenue by 2 percent. Sales volumes were at the comparison period's level. In Sweden, the full-year revenue was EUR 143.6 (151.3) million, in Finland EUR 101.3 (104.0) million, and in Poland EUR 63.9 (60.1) million.

Operating profit excluding non-recurring items decreased by 10 percent and relative profitability weakened. Profitability was reduced by weak currencies and the fixed costs that were higher than in the comparison period. The non-recurring income in the period under review was EUR 1.6 million net. The non-recurring income (EUR 3.7 million) in the period under review was related to the divestment of a piece of real estate and financial assets in Finland, as well as the reduction in the fine in Poland. The non-recurring expenses (EUR 2.1 million) were related to the restructuring of operations and impairment losses in Finland, Sweden, Poland, and Germany.

SBU East

EUR million	**10–12/2014**	10–12/2013	Change %	**1–12/2014**	1–12/2013	Change %
Revenue	**36.2**	48.4	-25.3%	**236.0**	264.4	-10.7%
Operating result (EBIT), excluding non-recurring items	**-4.9**	1.1		**21.3**	24.7	-13.7%
Operating result (EBIT) margin, excluding non-recurring items, %	**-13.7%**	2.2%		**9.0%**	9.3%	
Operating result (EBIT)	**-6.5**	0.5		**19.2**	24.1	-20.4%
Operating result (EBIT) margin, %	**-18.0%**	1.0%		**8.1%**	9.1%	
Capital expenditure excluding acquisitions	**1.8**	0.9	97.8%	**6.6**	6.8	-3.4%

Financial Performance in October–December 2014

SBU East's last quarter revenue decreased by 25 percent from the comparison period. Exchange rate fluctuations reduced revenue by 35 percent due to the steep weakening of the Russian ruble, in particular. The lower sales volumes decreased revenue by 5 percent. The reduction in sales volumes stabilized slightly compared to the third quarter as retailers increased their inventories at the end of the year in anticipation of price hikes. Sales price increases and changes in the sales mix increased SBU East's revenue by 14 percent. Revenue in Russia decreased to EUR 24.3 (36.2) million.

The operating profit was negative due to the steep weakening of the Russian and Ukrainian currencies. During the period under review, a non-recurring expense was recorded as an impairment loss of EUR 1.6 million in total for a land area in Ukraine.

Financial Performance in 2014

SBU East's full-year revenue decreased by 11 percent from the comparison period. Exchange rate fluctuations reduced revenue by 16 percent, particularly due to the weakened Russian ruble, but also the steep weakening of the Ukrainian hryvnia. The lower sales volumes decreased revenue by 7 percent. In Russia, the volume of purchased paint decreased, and demand for locally manufactured, affordable products increased. Sales price increases, carried out to offset the impact of the weakening ruble, and changes in the sales mix increased SBU East's revenue by 12 percent. The favorable development of the sales mix continued as the relative share of the higher-end brands of Tikkurila in the total sales increased in Russia. The full-year revenue in Russia decreased to EUR 175.7 (204.3) million.

Operating profit excluding non-recurring items decreased and relative profitability weakened slightly from the comparison period. Profitability was burdened by the decline in revenue, and weak currencies which affected raw materials costs and the costs of products exported to Russia.

Cash Flow, Financing Activities, and Financial Risk Management

Tikkurila's financial position and liquidity remained at a good level during the review period, and the gearing continued to trend down. Foreign exchanges rate changes resulted in significant negative translation difference in equity, primarily caused by the strong depreciation of the Russian ruble.

Cash flow from operations in January–December totaled EUR 75.9 (79.2) million. Net working capital totaled EUR 73.1 (81.1) million at the end of the review period. The net cash flow from the investing activities was EUR -26.1(-12.3) million, when taking into account the acquisitions and divestments. Cash flow after capital expenditure totaled EUR 49.9 (66.9) million at the end of the review period. Acquisitions conducted in 2014 weakened the cash flow by EUR 14.4 million in total.

Interest-bearing debt amounted to EUR 73.1 (77.8) million at the end of the review period, and net debt was EUR 47.4 (48.6) million. At the end of the review period, cash and cash equivalents amounted to EUR 25.8 (29.2) million, and short-term interest-bearing debt totaled EUR 12.8 (17.5) million, including the company's issued commercial papers for a total nominal amount of EUR 10.0 (15.0) million. Moreover, the Group had long-term interest-bearing debt totaling EUR 60.3 (60.3) million. At the end of December, the Group had a total of EUR 155.7 (155.9) million of unused committed credit facilities or credit limits.

The Group´s net financial expenses were EUR 0.8 (4.3) million, of which interest expenses totaled EUR 1.0 (1.2) million and other financing expenses EUR 4.0 (0.8) million. The average capital-weighted interest rate of interest-bearing debt was 1.6 (1.6) percent. The net profit was positively affected by a total of EUR 4.2 (-2.3) million based on the impact of realized and unrealized exchange rate differences recognized during the review period.

At the end of December, the equity ratio was 49.5 (50.1) percent, and gearing was 24.6 (23.4) percent.

At the end of the review period, the nominal value of open foreign exchange rate forward agreements was EUR 27.8 (71.6) million and the corresponding market value was EUR 3.2 (0.1) million. On December 31, 2014, the average nominal hedge ratio, based on those non-euro currencies that have cost-efficient hedging instruments and that are not tied to euro, was about 16 percent. At the end of 2014, the Board of Directors decided to change the exchange rate risk management so that the company will not carry out forward exchange agreements as of the beginning of the 2015 financial period or apply other financial instruments to hedge risks; instead, exchange rate risk management will, as applicable, involve operative measures such as the coordination of currency allocation of incoming and outgoing cash flows.

Capital Expenditure

In 2014, the gross capital expenditure excluding acquisitions amounted to EUR 17.3 (13.2) million. No major single investments were carried out during the review period. Capital expenditures in the period under review were related to, among others, the optimization of production and warehousing as well as to the introduction of IT systems in different locations of the Group.

The Group's depreciation, amortization and impairment losses amounted to EUR 21.0 (22.3) million in 2014. The Group performs impairment tests in accordance with the IAS 36 standard.

Acquisitions in the last quarter

On October 16, 2014, Tikkurila agreed on the acquisition of the business of ISO Paint Nordic A/S, which focuses on developing, manufacturing and selling energy-efficient and environmentally sustainable coatings. The acquisition will complement Tikkurila's professional product range, technologies and expertise in energy-efficient coating solutions and solutions which extend the life cycle of structures. ISO Paint Nordic is the market leader in its sector in Scandinavia. The revenue of the acquired business amounted to approximately EUR 7.5 million in 2013 and it had approximately 20 employees. The company has a modern and efficient production facility in Lunderskov, Denmark. The company's products are sold in about 20 countries. In addition to the Nordic countries, its main markets include Germany, France, Great Britain, the Netherlands, and Australia.

On November 3, 2014, Tikkurila agreed on the acquisition of a retail store in Sweden. In the acquisition, Tikkurila Sverige AB purchased the entire share capital of Täby Färg & Tapet AB. The retail store is located in Täby, north of Stockholm, and it sells paint, wall paper, accessories, and other decoration materials. The intention of the acquisition is to improve Tikkurila's position in the Great Stockholm area. The revenue of the acquired company totaled approximately EUR 3 million.

Sales and Marketing

Tikkurila invests significant amounts of money and resources each year in marketing its products and services and strengthening its brands. Tikkurila continued to actively raise its profile and improve the user experience throughout 2014. Tikkurila Group’s sales and marketing expenses, including personnel costs, were EUR 92.5 (90.9) million in 2014, which accounts for 15.0 (13.9) percent of its revenue.

In addition to its two international brands, Tikkurila and Beckers, Tikkurila has numerous local brands, of which the largest are Alcro, Teks, and Vivacolor. The emphasis of Tikkurila’s operations is on premium products, but due to the demand structure of certain markets, it also supplies some medium and economy segment products. According to external surveys, Tikkurila Group’s strategic brands are either the best known or among the best known paint brands in their respective market areas.

Tikkurila strengthened the management of its international brands by founding a group-level steering group for its Tikkurila brand at the end of 2013, and in 2014, a similar group was founded for the Beckers brand. The groups’ aim is to drive international sales growth for the brands, to ensure uniform brand communication in different countries, and to make internal operations more efficient. Local brand management was enhanced in Russia, among others.

Tikkurila aims to offer the best user experience. Tikkurila develops high-quality, user-friendly and environmentally sustainable solutions, and trains its stakeholders in the durable use of the products. Tikkurila invests in developing solutions that make selecting, buying and selling of paints easier, and supports its customers through every stage of their painting work to ensure successful and durable end results.

Tikkurila's range of services includes color design and tinting services, painting advice, as well as expert consultation and training services. The skilled personnel guide the customers by providing them painting advice and help with product and color selection. Through ideas and instructions offered in stores and on websites, Tikkurila inspires people to paint, helps them choose the right products, and gives advice on the safe use of the products.

Advice services close to the customer
Tikkurila continuously develops its customer service channels, providing customers with easy ways for communicating, giving feedback and making enquiries. From 2014, customers in Finland, Sweden, Russia and Poland have been able to contact the customer support via an online chat service during office hours. Customer support is close to where the clients are, and the online chat gives them an easy way to contact Tikkurila for painting guidance. Tikkurila has also built a stronger presence in social media.

Extensive training
Tikkurila provides training to its customers and retailers, as well as paint industry professionals and students, in the training centers located in nine countries. In 2014, new training centers were opened in Serbia and Macedonia. The main target groups are architects, design agencies, painting contractors, and retailers. Tikkurila wants to promote expertise, quality, durability and creativity in painting in the Balkan area.

Buying paint made easy
Tikkurila enhances the user experience of its customers and distributors by bringing to the market new solutions that facilitate the buying and selling of paints, as well as painting itself. Tikkurila helps paint retailers succeed in their business and make buying paint a pleasant experience.

In 2014, Tikkurila continued the launch of its novel shop-in-shop concept in Poland. The in-store concept showcasing Tikkurila's paint brand products was introduced by the end of 2014 in nearly 50 hardware or interior stores around Poland. The concept boosts paint sales; presents Tikkurila's wide range of products in a more comprehensive manner; highlights the unlimited possibilities and versatility of tinting, and demonstrates how light affects paint colors. Customers also benefit from tips and instructions on painting. Tikkurila also strengthened its foothold in China where it already has 250 Tikkurila brand stores operated by third parties. In Sweden, Tikkurila further improved its own store concept and developed a shop-in-shop concept for the Beckers brand in cooperation with the Bauhaus retail chain. Customer management was made more efficient in Russia. Meanwhile, the distribution channel structure did not see any considerable changes. In Russia, more than one-fifth of Tikkurila’s sales went to large construction material stores, to so called big box stores.

Research, Development and Innovation

In 2014, Tikkurila’s research and development expenses totaled EUR 10.7 (2013: EUR 10.5 and 2012: EUR 10.7) million or 1.7 (2013: 1.6 and 2012: 1.6) percent of revenue. At the end of 2014, the unit employed 179 (163) people. Tikkurila’s largest R&D units are located in Finland, Russia, Poland and Sweden.

Tikkurila’s RDI operation is responsible for creating new business opportunities, maintaining and renewing the product range as well as studying and adopting alternative raw materials. R&D operations are guided by customer needs as well as environmental and safety aspects and legislation.

In 2014, the focus of research and product development was on product launches; product safety aspects; eco-friendliness of products; the harmonization of the raw material portfolio, and cost savings. Over the year, research and product development concentrated on ensuring the availability of raw materials and safeguarding continued operations in the geopolitically unstable market areas, as well as the optimization of production between different sites in cooperation with the distribution chains.

Tikkurila formed an innovation team in 2012. The tasks of the innovation agents include, among other things, anticipating future trends, needs and opportunities as well as promoting a stronger culture of innovations and more efficient innovation processes within Tikkurila. In 2014, Tikkurila introduced a new application for innovation management. This tool allows the efficient and systematic handling of new ideas from employees, while also making the handling process and follow-up increasingly transparent. It also allows all Tikkurila employees to comment on and enrich each other's ideas. The roll-out of the system started at the beginning of 2015.

Last year’s key product launches for consumers and professionals included Alcro’s and Beckers’ renewed exterior paints; the quick-drying Alcro window frame paint; the first ever collection that combines wallpaper and paint, Tikkurila Duett, as well as the tintable blackboard paint, Tikkurila Liitu. Tikkurila’s new industrial products include the easy-to-apply Termasolid EZ 80 metal coating and the quick-drying pure brilliant white Dicco Crystal 30 interior surface treatment for the wood industry.

Corporate Responsibility

Tikkurila helps its customers achieve successful and durable end results. Tikkurila collaborates with its business partners, retailers and customers, and help consumers, construction and renovation professionals, and industrial customers make responsible and sustainable choices.

Tikkurila develops and manufactures high-quality and user-friendly solutions for surface treatment, which create the customers added value throughout the entire product life cycle. For decades, the principles of Tikkurila's operations have been quality, durability and safety.

Paint is a great and diverse product that makes the living environment more beautiful and increases well-being. Paint also protects the painted surfaces with a variety of functionalities and prolongs the life of the painted object. Tikkurila's products help create not only more colorful surfaces, but also increase the sustainability of the environment. The expert services and instructions enable customers to achieve end results which are technically functional, durable and as ecological as possible.

The stakeholders are showing an increasing interest in responsibility and environmentally sound products. Customers want to choose products that cause a minimal environmental impact in production and in use, and that are safe to use. People are increasingly concerned about well-being and health, as well as the state of the environment.

Responsibility priorities

Tikkurila has defined the key aspects of corporate responsibility and sustainable development in terms of the operations of the Tikkurila Group and its stakeholders based on information gathered from Group management, personnel and stakeholders. Information was collected by means of surveys and interviews in the summer of 2014. Furthermore, the results of Tikkurila's personnel survey and customer satisfaction surveys in the largest markets were analyzed, and the key global and business environment trends in terms of Tikkurila's business operations were taken into consideration. In the definition work, the company's entire value chain and product life cycle as well as the areas defined in the Corporate Responsibility Program were examined.

Responsibility will be integrated more closely into the operations, and it will be developed in close cooperation with the employees, customers, business partners and other stakeholders.

The following priorities were defined for Tikkurila's responsibility work for the coming years: user experience, resources and people. Each priority is divided into sub-areas and contains measures to be implemented in Tikkurila's operating countries and functions, as applicable.

User experience
We will increase our focus on supplier and customer cooperation, development of new user-friendly and functional solutions, as well as promotion of recycling and waste management.

Resources
We will further improve our production and resource efficiency, and pay increased attention to raw material choices and life cycle thinking in product development and the solutions we offer.

People
We will make sure that our operations are responsible, and have a focus on personnel well-being and open interaction, as well as on occupational health and safety in all the countries we operate in.

Tikkurila’s annual Corporate Responsibility report is a part of the Annual Report, and it is published in Finnish and English. Since 2010, Tikkurila has applied the international G3 guidelines issued by the Global Reporting Initiative (GRI) in its sustainability reporting.

Environment

Tikkurila aims to further improve its production and resource efficiency, and to pay increased attention to raw material choices and life cycle thinking in its product development and solutions. The environmental impact and other sustainability aspects of the products are considered throughout their entire life cycle – from raw material selection and product manufacture to the use of products and waste management.

The largest environmental impacts of paint during its life cycle result from the production of raw materials and packaging materials, energy consumption during product manufacture, emissions and wastes generated in manufacture, as well as the distribution of raw materials, packaging materials and finished products, compounds evaporating from the paint during painting and drying, and the disposal of paint waste.

Tikkurila aims to continuously minimize the environmental impact of its operations and products, for instance, by developing products that extend the service life of the painted item and allow for longer maintenance painting intervals. Furthermore, Tikkurila promotes the use of water-borne products, selects the options which burden the environment less, whenever it is technically and financially possible, and works to improve resource efficiency of production processes by minimizing loss and increasing the reuse of waste.

Paints are awarded with various eco-labels and classifications with the aim to increase knowledge of their environmental impacts and product characteristics, to help and guide consumers in their purchasing decisions, as well as to make consumption habits more environmentally sound. The eco-labels and classifications awarded to paints indicate the environmental impacts of products as well as their proven safety characteristics. In 2014, Tikkurila's products were awarded eco-labels in Scandinavia, Finland, and Poland.

Tikkurila has been investing in developing and promoting the use of water-borne products for decades. An increasing number of paints are water-borne, low-solvent, solvent-free or high solids products. In 2014, the share of water-borne products in production was 72.0 (71.6) percent.

The production, product safety, handling and marketing of paints are governed by a number of international regulations. One of the most significant changes in legislation in the EU region is the REACH regulation, which is European Union's directive on the registration, evaluation, authorizations and restriction of chemicals. REACH obligates manufacturers and importers of chemicals to assess the risks related to the use of the product and to provide end-users with the instructions on the safe use of chemicals. Tikkurila has ensured that all raw materials used in the EU region have been or will be registered by 2018 in accordance with the schedule specified in REACH.

The CLP directive (Classification, Labeling and Packaging) harmonizes the classification criteria of substances and compounds and the rules governing labeling and packaging. Along with the directive, the Globally Harmonized System of classification and labeling of chemicals (GHS) will be implemented. Tikkurila has been preparing for the new labeling and safety data sheet requirements of the CLP directive since 2013. The warning texts on the labels of Tikkurila's products manufactured and sold in the EU region will be replaced by June 2015.

The VOC directives define the maximum volume of VOC emissions in production and the maximum allowed amount of volatile compounds contained in paints. The purpose of the directives is to prevent or reduce the direct or indirect impact of volatile organic compound (VOC) emissions on the environment or people. The biocide directive governs the use of preservatives in paints.

In 2014, Tikkurila invested EUR 0.5 (0.3) million into environmental protection in its units, and environmental operating costs totaled EUR 2.0 (1.9) million. In 2014, the environmental investments included, among other things, process improvements in production, raw material warehousing, waste water and waste handling equipment as well as improvements to building technology. The operating costs include, among other things, waste handling, waste water treatment and analyses as well as certification costs.

Tikkurila's objective is to create independently audited and certified quality, environmental, and safety management systems for each of Tikkurila's production sites. Tikkurila's operations and operational systems are assessed in various reviews. In addition to external auditors and certification organizations, the Group HSE function sets the targets and audits the company's various sites, gives recommendations and follows up the local development work. The audits aim to promote the development of the environmental, occupational health and safety management operations. In 2014, the internal audits were performed at Tikkurila sites in Poland, Sweden, Germany, Serbia, Finland, and Russia.

Human Resources

At the end of 2014, the Tikkurila Group employed 3,142 (3,133) people. The average number of employees in January–December was 3,212 (3,262).

Tikkurila Group's number of employees at the end of each quarter is presented below split by SBU, starting from the first quarter of 2013.

	Q1/ 2013	Q2/2013	Q3/2013	Q4/2013	Q1/2014	Q2/2014	Q3/2014	**Q4/2014**
SBU West	1,535	1,670	1,552	1,537	1,536	1,683	1,587	**1,606**
SBU East	1,665	1,700	1,670	1,565	1,621	1,628	1,594	**1,505**
Group functions	31	30	31	31	29	29	31	**31**
Total	3,231	3,400	3,253	3,133	3,186	3,340	3,212	**3,142**

The company's own production has a significant effect on Tikkurila's personnel structure and amount. Approximately half of Tikkurila's personnel work in the supply chain (production, sourcing, logistics and HSEQ) and one-third in sales, marketing and technical support. Due to the seasonality fluctuation in the paint market, the number of personnel is highest during the outdoor painting season in the summer and lowest during the winter.

The share of temporary employments at the end of 2014 was 6.7 (7.8) percent and 37.7 (38.9) percent were blue-collar workers. 62.7 (62.5) percent of the personnel were men and 37.3 (37.5) percent women. The average age of the employees was 40.5 (39.9) years.

Performance-based salaries and compensation paid in 2014 totaled EUR 81.4 (82.7) million.

Personnel survey is an important leadership and development tool. The annual Tikkurila Beat survey measures employee well-being, competence and competence development, and motivation. In the 2014 personnel survey, 85.0 (2013: 83.9) percent of Tikkurila employees gave their feedback on the company, overall management, their own role, and the work of their own teams. Tikkurila Group's overall index was 462 (426), while the comparable average among the companies using the same survey tool was 381.

At group level, the results showed improvement in almost all the areas measured in the survey. Employees reported improvements in collaboration, both between teams and between colleagues, and that attention is being paid to identifying employee strengths and development needs, as well as to promoting well-being and work-life balance. The flow of information and the availability of training were reported to have improved from the previous years, but the results also show that we still need to improve in these areas.

Every team in Tikkurila will go through the results with their supervisor and discuss areas of day-to-day work or ways of working that need improving. The aim is to generate concrete, scheduled and measurable actions that will drive clear improvements in the performance.

Tikkurila invests great effort into the systematic development of the occupational safety practices and procedures. Both the management and personnel at Tikkurila are committed to safety, and the company has well-established safety management processes in place. The primary focus of the safety efforts is on preventive measures, such as risk assessments, safety training, safety talks and rounds, reporting of safety observations and safety-related communications, as well as internal and external audits.

Tikkurila monitors the safety of the operations using the LTA1 accident frequency rating which indicates the number of accidents that cause absences lasting at least one day per one million working hours. The aim is to continuously reduce the number of lost time accidents. In 2014, the number of lost time accidents was 2.9 (3.9) accidents per one million working hours.

Shares and Shareholders

At the end of 2014, Tikkurila's share capital was EUR 35.0 million, and the total number of registered shares was 44,108,252. At the end of 2014, Tikkurila held 79,500 treasury shares. The shares were acquired for implementing the share-based commitment and incentive plan.

According to Euroclear Finland Oy's register, Tikkurila had a total of some 21,700 shareholders on December 31, 2014. A list of the largest shareholders registered in the book-entry account system is regularly updated and is available on Tikkurila's website at www.tikkurilagroup.com/investors/share_information/shareholders.

At the end of December, the closing price of Tikkurila's share was EUR 14.49. In January–December, the volume-weighted average share price was EUR 17.66, the highest price EUR 20.71, and the lowest EUR 13.73. At the end of December, the market value of Tikkurila Oyj's shares was EUR 638.0 million. During January–December, a total of 14.8 million Tikkurila shares, corresponding to approximately 33.7 percent of the number of shares, were traded on NASDAQ OMX Helsinki Ltd. The value of the traded volume was EUR 261.8 million. Tikkurila's shares are traded also outside of NASDAQ OMX Helsinki, but the company does not have detailed statistics available on this external trading.

Tikkurila Board members and their interest parties held altogether 97,641 shares on December 31, 2014, which is about 0.2 percent of the share capital and votes in Tikkurila. Furthermore, Jari Paasikivi, the Chairman of the Tikkurila Board, acts as the President and CEO in Oras Invest Oy, which is the single largest shareholder in Tikkurila.

Tikkurila Management Board members and their interest parties held altogether 45,025 shares on December 31, 2014, which is about 0.1 percent of the share capital and votes. Up-to-date information concerning the holdings of Tikkurila statutory insiders is available at http://www.tikkurilagroup.com/corporate_governance/insiders.

Tikkurila is not aware of any valid shareholders' agreements regarding the ownership of Tikkurila shares and voting rights.

Corporate Governance Statement

Tikkurila will prepare a separate Corporate Governance Statement which follows the recommendations of the Finnish Corporate Governance Code for listed companies. It also covers some other central areas of corporate governance. The statement will be included in Tikkurila's Annual Report, but it will be published separately from the Board of Directors' Report. The statement will also be available on week 10 at www.tikkurilagroup.com/investors.

Decisions of the Annual General Meeting 2014 of Tikkurila

The Annual General Meeting of Tikkurila Oyj on March 25, 2014, approved the Financial Statements for 2013 and decided to discharge the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting approved a EUR 0.80 dividend per share for the financial year 2013. The rest were retained and carried further in the company's unrestricted equity. The dividend was paid to a shareholder who was registered in the company's shareholder register maintained by Euroclear Finland Ltd on the dividend record date, March 28, 2014. The dividend was paid on April 9, 2014.

The Annual General Meeting decided that the Board of Directors consists of seven members. Eeva Ahdekivi, Harri Kerminen, Riitta Mynttinen, Jari Paasikivi, Pia Rudengren, Aleksey Vlasov and Petteri Walldén were re-elected to the Board of Directors until the end of the next Annual General Meeting.

The Annual General Meeting decided that the remuneration to the members of the Board of Directors will stay at the previous level with the exception that the annual remuneration payable to the Chairman of the Audit Committee will be the same as payable to the Vice Chairman. The annual remuneration to the members of the Board of Directors will be as follows: EUR 57,000 for the Chairman, EUR 37,000 for the Vice Chairman and the Chairman of the Audit Committee, and EUR 31,000 for other members of the Board of Directors. Approximately 40 percent of the annual remuneration will be paid in Tikkurila Oyj's shares acquired from the market and the rest in cash. The shares will be acquired directly on behalf of the Board members within two weeks from the release of the interim report for January 1−March 31, 2014. Furthermore, a meeting fee for each meeting of the Board and its Committees (excluding decisions without a meeting) will be paid to the members of the Board of Directors as follows: EUR 600 for meetings held in the home state of a member and EUR 1,200 for meetings held outside the home state of a member. The remuneration paid for telephone or video meetings shall be EUR 600. Travel expenses will be paid according to the travel policy of the company.

The Annual General Meeting decided that the Auditor's fees will be paid against an invoice approved by the company. KPMG Oy Ab was re-elected as the company's auditor until the end of the next Annual General Meeting, with APA Toni Aaltonen nominated by KPMG as the principal auditor.

The Annual General Meeting authorized the Board of Directors to decide upon the repurchase of a maximum of 4,400,000 company's own shares. The shares may be repurchased to be used for financing or implementing possible mergers and acquisitions, developing the company's equity structure, improving the liquidity of the company's shares or to be used for the payment of the annual fees payable to the members of the Board of Directors or for implementing the share-based incentive programs of the company. The repurchase authorization will be valid until the end of the next Annual General Meeting, however, no longer than until June 30, 2015.

The Annual General Meeting authorized the Board of Directors to decide to transfer company's own shares held by the company or to issue new shares limited to a maximum of 4,400,000 shares. The company's own shares held by the company may be transferred and the new shares may be issued either against payment or without payment The new shares may be issued and the company's own shares held by the company may be transferred to the company's shareholders in proportion to their current shareholdings in the company or deviating from the shareholders' pre-emptive right through a directed share issue, if the company has a weighty financial reason to do so, such as financing or implementing mergers and acquisitions, developing the company's equity structure, improving the liquidity of the company's shares or to be used for the payment of the annual fees payable to the members of the Board of Directors. The authorization will be valid until the end of the next Annual General Meeting, however, no longer than until June 30, 2015.

Chairman of the Tikkurila Board and Committee members

In its meeting held on March 25, 2014, the Board of Directors of Tikkurila elected from among its members Jari Paasikivi as Chairman and Petteri Walldén as Vice Chairman of the Board of Directors. Eeva Ahdekivi was re-elected as Chairman and Riitta Mynttinen and Pia Rudengren as members of the Audit Committee. Jari Paasikivi was re-elected as Chairman and Harri Kerminen and Petteri Walldén as members of the Remuneration Committee.

Board of Directors' proposal for the distribution of profit

Tikkurila Oyj's distributable equity totaled EUR 151.9 million on December 31, 2014: reserve for invested unrestricted equity totaled EUR 40.0 million and retained earnings totaled EUR 111.9 million. The Board proposes to the Annual General Meeting that a dividend of EUR 0.80 per share will be distributed for the year ended on December 31, 2014, and that the rest be retained in the unrestricted equity. The proposed dividend totals about EUR 35.2 million, which corresponds to approximately 73 percent of the Group's net profit for 2014. It is proposed that the record date for the payment of the dividend will be March 27, 2015, and that the dividend will be paid on April 9, 2015.

Annual General Meeting 2015

The Annual General Meeting of Tikkurila Oyj will be held at 1:00 p.m. on Wednesday, March 25, 2015 at Lasipalatsi's Bio Rex (address: Mannerheimintie 22-24, 00100 Helsinki). The report of the Board of Directors and Financial Statements will be available on week 10 at www.tikkurilagroup.com.

Near-term risks and uncertainties

Tikkurila's business operations are affected by various strategic, operational, financial, and accident risks. Tikkurila endeavors to identify and evaluate risks and respond to them as proactively as possible and contain their possible adverse effects. The company anticipates the following to be central risks and uncertainties on the date of publishing this Financial Statement Release:

Geopolitical and macroeconomic situation in Russia and Ukraine

The geopolitical crisis that started in early 2014 and the economic sanctions that followed, together with the collapse of oil prices and the ruble, have reflected negatively on the development of the Ukrainian and Russian economies in particular. The crisis and the economic sanctions have also had a negative effect in the EU region. The geopolitical situation in Ukraine and Russia continues to be considerably unstable, and there are no signs of improvement. General economic development has an impact on factors that influence the demand for Tikkurila's products and services, such as the activity of new construction and renovation; the further polarization of the situation would lead to weaker than anticipated financial development in

Russia, which in turn could lead to a weakening demand for Tikkurila's products, or the transfer of demand to the lower quality and price grades. If the economic sanctions were to expand to include the raw materials used by the paint industry or the products it manufactures, this would have a negative impact on Tikkurila's business in the SBU East area, which in turn could cause impairment of assets to Tikkurila. In addition, the risk for bad debt has increased.

Exchange rate development

Due to the international nature of Tikkurila's operations, the Group's income statement, balance sheet, and cash flow are subject to currency risks. The most significant currency risks will target the Russian ruble, Swedish krona and Polish zloty, which are the reporting currencies of Tikkurila's largest subsidiaries. The Russian ruble to euro exchange rate weakened by 30 percent during 2014 compared to the 2013 average price, which has had and will continue to have a significant negative impact on Tikkurila's revenue and operating profit. If the steep decline of the ruble continues, this will have an adverse effect on Tikkurila's operations in Russia and, as a result, could weaken profitability. Some of the Group's raw material purchases are directly or indirectly priced in US dollars. The dollar has strengthened significantly over the last few months, and if this development continues, it may increase the Group's raw material costs. Furthermore, the company's equity will be subject to currency risks when the subsidiaries' foreign currency-denominated equity items are converted to euro and the euro-denominated consolidated balance sheet assets' values change with the exchange rates.

Competitive situation and changes in the value chain and product distribution

Competition in the paint industry has intensified in Tikkurila's main markets, and the same trend is likely to continue in the near future. Tikkurila's competitors include both large multinational paint industry companies and smaller local operators. For example, it is expected that competitors will grow their production capacity in Russia in 2015. The demand for lower quality and price category products seems to be increasing in both emerging and mature markets. It is also possible that new operators will enter the paint industry as suppliers or distribution channels potentially expand their operations. The competitive situation may result in additional costs, for example in sales promotion, slow down the development of Tikkurila's revenue, or impact sales prices. In addition, there may be changes in distribution channels which may have unfavorable effects on the structure of Tikkurila's sales or profitability. Possible changes in the product distribution of Tikkurila's sales may also have unfavorable effects on profitability or increase warranty risks or other risks related to products. The relative share of professionals in sales has grown in many of Tikkurila's operating countries, which may impact the Group's relative profitability or change the allocation of Tikkurila's resources.

Tikkurila's risk management principles can be viewed on Tikkurila's website at www.tikkurilagroup.com. Additional information on the short- and long-term risks of Tikkurila's business operations will be published in the Corporate Governance Statement. More information on financial risks is provided in the Notes to the 2014 Consolidated Financial Statements.

Outlook for 2015

The geopolitical tensions, low oil prices and the weak ruble will make a difficult operating environment for 2015. The Russian economy is anticipated to weaken considerably, and the EU region is expected to see a slow recovery. The demand for paint is anticipated to reduce in Russia, with a relative increase expected in the market share of the lower price and quality grade products. Demand in the EU region is expected to remain close to last year's level. Tikkurila will increase sales prices mainly in Russia to partly, not fully, compensate for the effects of the weak ruble. As in the previous years, Tikkurila will continue investing in sales and marketing in order to strengthen its market position. The level of costs is being continuously monitored.

Guidance for 2015

Tikkurila expects its revenue and EBIT excluding non-recurring items for the financial year 2015 to be below the 2014 level.

Summary Financial Statements and Notes

The annual financial statement figures of Tikkurila are audited. Auditors' report was issued on February 9, 2015. The financial information presented in this financial statement release is prepared in accordance with IAS 34 Interim Financial Reporting standard. As a result of rounding differences, the figures presented in the tables may not add up to the total. Quarterly information and interim reports are unaudited.

The following new or revised or amended standards and interpretations have been applied from January 1, 2014:

- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IAS 36 Impairment of Assets
- IFRIC 21 Levies: it covers the accounting for obligation and timing to recognize this liability. In the Group this comprises mainly the real estate taxes, which were recognized in profit or loss in the first quarter instead to be deferred during the financial year.

The Group’s view is that the adoption of the standards and interpretations above did not have any material effect on the financial statements of the reporting period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	10-12/2014	10-12/2013	1-12/2014	1-12/2013
Revenue	**104,431**	116,660	**618,406**	652,964
Other operating income	**2,482**	1,259	**5,979**	2,708
Expenses	**-113,993**	-116,238	**-539,653**	-561,863
Depreciation, amortization and impairment losses	**-6,784**	-6,863	**-21,029**	-22,341
Operating profit	**-13,864**	-5,182	**63,703**	71,468
Total financial income and expenses	**4,120**	-618	**-754**	-4,289
Share of profit or loss of equity-accounted investees	**88**	-276	**338**	-137
Profit before taxes	**-9,656**	-6,076	**63,287**	67,042
Income taxes	**1,440**	1,233	**-15,015**	-16,969
Net result for the period	**-8,216**	-4,843	**48,272**	50,073
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit plans	**504**	827	**-3,633**	827
Income taxes relating to items that will not be reclassified to profit or loss	**-116**	-177	**816**	-177
Total items that will not be reclassified to profit or loss	**388**	650	**-2,817**	650
Items that may be reclassified subsequently to profit or loss				
Available-for-sale financial assets	**420**	75	**-303**	249
Foreign currency translation differences for foreign operations	**-17,312**	-2,275	**-23,131**	-8,555
Income taxes relating to items that may be reclassified subsequently to profit or loss	**-62**	153	**27**	183
Total items that may be reclassified subsequently to profit or loss	**-16,954**	-2,047	**-23,407**	-8,123
Total comprehensive income for the period	**-24,782**	-6,240	**22,048**	42,600
Net result attributable to:				
Owners of the parent	**-8,216**	-4,843	**48,272**	50,073
Non-controlling interest	**-**	-	**-**	-
Net result for the period	**-8,216**	-4,843	**48,272**	50,073
Total comprehensive income attributable to:				
Owners of the parent	**-24,782**	-6,240	**22,048**	42,600
Non-controlling interest	**-**	-	**-**	-
Total comprehensive income for the period	**-24,782**	-6,240	**22,048**	42,600
Earnings per share of the net profit attributable to owners of the parent				
Basic earnings per share (EUR)	**-0.19**	-0.11	**1.10**	1.14
Diluted earnings per share (EUR)	**-0.19**	-0.11	**1.09**	1.13

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR 1,000

ASSETS	Dec 31, 2014	Dec 31, 2013
Non-current assets		
Goodwill	**72,459**	66,388
Other intangible assets	**18,363**	20,833
Property, plant and equipment	**90,348**	104,216
Equity-accounted investees	**812**	1,433
Available-for-sale financial assets	**3,240**	3,590
Non-current receivables	**4,261**	5,699
Deferred tax assets	**7,767**	8,612
Total non-current assets	**197,250**	210,771
Current assets		
Inventories	**73,690**	79,732
Interest-bearing receivables	**578**	617
Non-interest-bearing receivables	**92,515**	94,985
Cash and cash equivalents	**25,776**	29,171
Non-current assets held for sale	**-**	43
Total current assets	**192,559**	204,548
Total assets	**389,809**	415,319

EQUITY AND LIABILITIES	Dec 31, 2014	Dec 31, 2013
Share capital	**35,000**	35,000
Other reserves	**42**	42
Fair value reserve	**1,880**	2,122
Reserve for invested unrestricted equity	**40,000**	40,000
Treasury shares	**-1,606**	-
Translation differences	**-39,613**	-16,448
Retained earnings	**156,955**	147,367
Equity attributable to owners of the parent	**192,658**	208,083
Non-controlling interest	**-**	-
Total equity	**192,658**	208,083
Non-current liabilities		
Interest-bearing non-current liabilities	**60,346**	60,283
Other non-current liabilities	**38**	949
Defined benefit pension and other long-term employee benefit liabilities	**27,562**	24,704
Provisions	**451**	720
Deferred tax liabilities	**8,117**	8,596
Total non-current liabilities	**96,514**	95,252
Current liabilities		
Interest-bearing current liabilities	**12,789**	17,509
Non-interest-bearing current liabilities	**87,411**	93,754
Provisions	**437**	321
Liabilities classified as held for sale	**-**	400
Total current liabilities	**100,637**	111,984
Total equity and liabilities	**389,809**	415,319

CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS

EUR 1,000	10-12/2014	10-12/2013	1-12/2014	1-12/2013
CASH FLOW FROM OPERATING ACTIVITIES				
Net result for the period	**-8,216**	-4,843	**48,272**	50,073
Adjustments for:				
Non-cash transactions	**6,464**	6,255	**22,374**	25,582
Interest and other financial expenses	**355**	1,012	**6,424**	5,668
Interest income and other financial income	**-4,475**	-393	**-5,669**	-1,379
Income taxes	**-1,441**	-1,233	**15,015**	16,969
Funds from operations before change in net working capital	**-7,313**	798	**86,416**	96,913
Change in net working capital	**27,668**	17,260	**6,248**	6,357
Interest and other financial expenses paid	**-2,212**	-330	**-7,004**	-4,651
Interest and other financial income received	**8,534**	186	**9,572**	732
Income taxes paid	**-2,704**	-4,087	**-19,289**	-20,125
Total cash flow from operations	**23,973**	13,827	**75,943**	79,226
CASH FLOW FROM INVESTING ACTIVITIES				
Business combinations	**-12,121**	-391	**-14,401**	-391
Other shares	**-**	-84	**-**	-84
Other capital expenditure	**-5,380**	-2,811	**-16,346**	-14,288
Proceeds from sale of assets	**691**	496	**3,309**	1,559
Non-current loan receivables decrease (+), increase (-)	**182**	118	**957**	533
Dividends received	**293**	254	**405**	375
Net cash used in investing activities	**-16,335**	-2,418	**-26,076**	-12,296
Cash flow before financing	**7,638**	11,409	**49,867**	66,930
CASH FLOW FROM FINANCING ACTIVITIES				
Non-current borrowings, increase (+), decrease (-)	**-2,364**	-	**-2,364**	-
Current financing, increase (+), decrease (-)	**-20,232**	-9,985	**-5,871**	-18,387
Dividends paid	**-**	-	**-35,287**	-33,522
Acquisition of own shares	**-**	-	**-2,016**	-
Other	**-5,712**	33	**-7,629**	-1,152
Net cash used in financing activities	**-28,308**	-9,952	**-53,167**	-53,061
Net change in cash and cash equivalents	**-20,670**	1,457	**-3,300**	13,869
Cash and cash equivalents at the beginning of period	**46,982**	27,840	**29,171**	15,739
Effect of exchange rate fluctuations on cash held	**536**	126	**95**	437
Cash and cash equivalents at the end of period	**25,776**	29,171	**25,776**	29,171
Net change in cash and cash equivalents	**-20,670**	1,457	**-3,300**	13,869

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
EUR 1,000

	Equity attributable to the owners of the parent								Non-controlling interest	Total equity
	Share capital	Other reserves	Fair value reserve	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Total		
Equity at Jan 1, 2013	35,000	359	1,815	40,000	-	-8,018	129,753	198,909	-	198,909
Total comprehensive income for the period	-	-	307	-	-	-8,430	50,723	42,600	-	42,600
Reclassification	-	-317	-	-	-	-	317	-	-	-
Share-based compensation	-	-	-	-	-	-	412	412	-	412
Adjustment arising from hyper-inflation	-	-	-	-	-	-	-316	-316	-	-316
Dividends paid	-	-	-	-	-	-	-33,522	-33,522	-	-33,522
Equity at Dec 31, 2013	35,000	42	2,122	40,000	-	-16,448	147,367	208,083	-	208,083
Equity at Jan 1, 2014	**35,000**	**42**	**2,122**	**40,000**	**-**	**-16,448**	**147,367**	**208,083**	**-**	**208,083**
Total comprehensive income for the period	**-**	**-**	**-242**	**-**	**-**	**-23,165**	**45,455**	**22,048**	**-**	**22,048**
Share-based compensation	**-**	**-**	**-**	**-**	**410**	**-**	**100**	**510**	**-**	**510**
Adjustment arising from hyper-inflation	**-**	**-**	**-**	**-**	**-**	**-**	**-680**	**-680**	**-**	**-680**
Acquisition of treasury shares	**-**	**-**	**-**	**-**	**-2,016**	**-**	**-**	**-2,016**	**-**	**-2,016**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-35,287**	**-35,287**	**-**	**-35,287**
Equity at Dec 31, 2014	**35,000**	**42**	**1,880**	**40,000**	**-1,606**	**-39,613**	**156,955**	**192,658**	**-**	**192,658**

DISTRIBUTABLE EQUITY OF THE PARENT (FAS)
EUR 1,000

	2014	2013
Reserve for invested unrestricted equity *)	**40,000**	40,000
Retained earnings	**62,980**	57,611
Net profit for the period	**48,935**	42,672
Total	**151,915**	140,283

*) Reserve for invested unrestricted equity can be distributed as capital repayment. It cannot be distributed as dividends.

NEW IFRS STANDARDS

The Group will apply the following standards, interpretations and amendments as of January 1, 2015:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (effective for financial years beginning on or after July 1, 2014)
- Annual Improvements to IFRSs 2010-2011 and 2011-2013, December 2013 (effective for financial years beginning on or after July 1, 2014)

The Group estimates that these have no significant impact on the forthcoming financial statements.

In addition, Tikkurila applies the following new published standards and amendments as they are effective, if they have been endorsed by EU:

- Annual Improvements to IFRSs 2012-2014, September 2014 (effective for financial years beginning on or after January 1, 2016)
- Amendments to IAS 27 Equity Method in Separate Financial Statements (effective for financial years beginning on or after January 1, 2016)
- Amendments to IFRS 11 Joint Arrangements- Accounting for Acquisition of Interests in Joint Operations (effective for financial years beginning on or after January 1, 2016)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization (effective for financial years beginning on or after January 1, 2016)
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative (effective for financial years beginning on or after January 1, 2016)
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for financial years beginning on or after January 1, 2016)
- IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after January 1, 2017)
- IFRS 9 Financial Instruments (effective for financial years beginning on or after January 1, 2018)

The above mentioned standards and amendments the IFRS 15 Revenue from Contracts with Customer and IFRS 9 Financial Instruments will have an impact on Group's financial statements. The estimation of these impacts is ongoing.

REPORTABLE SEGMENTS

Tikkurila reports its business activities in two segments: SBU West and SBU East. Transactions related to the Group headquarters operations are presented in separate section called Tikkurila common.

The segment split is based on Tikkurila Group's strategy to be the leading provider of paint-related architectural solutions for consumers and professionals in the Nordic area as well as in Russia and other selected Eastern European countries. The segment definition is based on the differences in operating environments in the geographical areas, on valid legislation and regulations, and the management systems.

The evaluation of profitability and decision making concerning resource allocation are primarily based on operating profit of each segment. Segment assets are items on the statement of financial position that the segment employs in its business activities or which can reasonably be allocated to the segments.

Segments' revenue arises from the sales of various paints and related products that are sold to retailers, industrial customers and for professional use. Insignificant revenue is received from the sales of auxiliary services related to paints. Segments' revenue is presented based on the location of the customers, whereas reportable segment assets are presented according to the location of the assets. Inter-segment pricing is based on market prices. External revenue accumulates from a large number of customers.

Revenue by segment **EUR 1,000**	**10-12/2014**	10-12/2013	**1-12/2014**	1-12/2013
SBU West	**68,274**	68,234	**382,450**	388,578
SBU East	**36,157**	48,427	**235,983**	264,387
Eliminations	**0**	0	**-27**	0
Total	**104,431**	116,660	**618,406**	652,964

EBIT by segment **EUR 1,000**	**10-12/2014**	10-12/2013	**1-12/2014**	1-12/2013
SBU West	**-7,257**	-4,983	**47,451**	50,370
SBU East	**-6,496**	475	**19,174**	24,099
Tikkurila common	**-111**	-674	**-2,922**	-3,001
Eliminations	**0**	0	**0**	0
Total	**-13,864**	-5,182	**63,703**	71,468
Non-allocated items:				
Total financial income and expenses	**4,120**	-618	**-754**	-4,289
Share of profit or loss of equity-accounted investees	**88**	-276	**338**	-137
Profit before taxes	**-9,656**	-6,076	**63,287**	67,042

Assets by segment **EUR 1,000**	**Dec 31, 2014**	Dec 31, 2013
SBU West	**296,439**	287,334
SBU East	**97,410**	140,027
Assets, non-allocated to segments	**59,348**	44,407
Eliminations	**-63,388**	-56,449
Total assets	**389,809**	415,319

Non-recurring items by segment

EUR 1,000	SBU West	SBU East	Total 1-12/2014
Personnel related	-868	-	**-868**
Expenses related to dismantle of facilities	-68	-	**-68**
Gain on sale of held for sale assets	775	-	**775**
Gain on sale of available-for-sale financial assets	1,199	-	**1,199**
Decrease on accrual of fine, set on Tikkurila for breach of competition law in Poland	1,750	-	**1,750**
Impairment losses	-1,127	-2,117	**-3,244**
Total	**1,661**	**-2,117**	**-456**

EUR 1,000	SBU West	SBU East	Total 1-12/2013
Personnel related	-772	-188	**-960**
Divestments and restructuring of Group organization	-	20	**20**
Impairment losses	-257	-1,425	**-1,682**
Gain on sale of available-for-sale financial assets	478	-	**478**
Change in fair value of contingent consideration	-	1,011	**1,011**
Total	-551	-582	**-1,133**

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	1-12/2014	1-12/2013
Carrying amount at the beginning of period	**104,215**	112,785
Additions	**16,168**	11,797
Business combinations	**3,015**	19
Disposals	**-,405**	-,149
Depreciation, amortization and impairment losses	**-17,034**	-16,702
Exchange rate differences and other changes	**-15,611**	-3,535
Carrying amount at the end of period	**90,348**	104,215

Tikkurila Group had contractual commitments for purchase of property, plant and equipment EUR 3.9 (1.1) million at the end of December 2014.

CHANGES IN INTANGIBLE ASSETS

EUR 1,000	1-12/2014	1-12/2013
Carrying amount at the beginning of period	**87,221**	93,892
Additions	**1,135**	1,270
Business combinations	**13,720**	111
Disposals	**-4**	-
Depreciation, amortization and impairment losses	**-3,995**	-5,639
Exchange rate differences and other changes	**-7,255**	-2,413
Carrying amount at the end of period	**90,822**	87,221

Tikkurila Group had contractual commitments for intangible assets EUR 0.0 (0.0) million at the end of December 2014.

INVENTORIES

Write-down of inventory for a total amount of EUR 3.9 (2.7) million was recognized until end of December 2014.

BUSINESS COMBINATIONS
EUR 1,000

ISO Paint Group

SBU West carried out an acquisition in October 2014. In the acquisition, Tikkurila's business segment in Finland purchased the entire share capital of ISO Paint Group. The acquired Danish Group develops, manufactures and sells energy-efficient and environmentally sustainable coatings. The acquisition will complement Tikkurila's professional product range, technologies and expertise in energy-efficient coating solutions and solutions which extend the life cycle of structures. The purchase price was EUR 11.6 million and it was paid in cash at the acquisition.

The acquisition does not have a significant impact on the Group's consolidated statement of financial position, result or financial position.

Preliminary purchase price allocation of ISO Paint Group is disclosed in the following table

Total purchase consideration	
Fixed consideration paid at closing in October 2014	11,600
Total consideration	**11,600**

Recognized amounts of identifiable assets acquired and liabilities assumed

	Fair values recognized on business combination
Property, plant and equipment	2,829
Intangible assets	
Customer relations	2,713
Trademarks	1,961
Inventory	2,582
Trade and other receivables	643
Cash and cash equivalents	1,120
Total assets	**11,848**
Deferred tax liabilities	1,584
Interest-bearing non-current liabilities	2,450
Interest-bearing current liabilities	100
Trade and other payables	1,488
Total liabilities	**5,623**
Total identifiable net assets	**6,225**
Goodwill	5,375
Total	**11,600**
Acquisition-related costs	**190**

EUR 190 thousand of acquisition-related expenses were included in consolidated statement of comprehensive income in other operating expenses in review period. The acquired Group was consolidated with the Tikkurila Group starting from 31st of October 2014. The revenue included in the consolidated statement of comprehensive income since October 31, 2014 was EUR 0.2 million and net loss of EUR 0.8 million.

Goodwill has been recognized in acquisition, and it is linked to expected synergies, market and product expansion possibilities and know-how of the personnel joining the Group. Goodwill is not deductible for tax purposes.

At the acquisition date, the fair value of trade and other receivables is EUR 0.6 million. The gross contractual amount for these receivables is EUR 0.7 million, of which EUR 0.1 million is expected to be uncollectible.

If the acquisition of ISO Paint Group would have been carried out in the beginning of the year 2014, instead of October, 2014, Tikkurila's management estimates that it would have had roughly the following impact on Tikkurila Group's consolidated income statement:

- Revenue: Increase of around EUR 5.9 million
- Net result: Decrease of EUR 0.7 million

Täby Färg & Tapet AB

Tikkurila Sverige AB acquired the entire share capital of Täby Färg & Tapet AB. The acquired Swedish company is a paint shop for professionals. The purchase price was EUR 1.8 million and it was paid in cash at the acquisition.

The acquisition does not have a significant impact on the Group's consolidated statement of financial position, result or financial position.

Preliminary purchase price allocation of Täby Färg & Tapet AB is disclosed in the following table

Total purchase consideration	
Fixed consideration paid at closing in November 2014	1,842
Total consideration	**1,842**

Recognized amounts of identifiable assets acquired and liabilities assumed

	Fair values recognized on business combination
Property, plant and equipment	137
Intangible assets	
Customer relations	123
Inventory	665
Trade and other receivables	254
Cash and cash equivalents	201
Total assets	**1,381**
Deferred tax liabilities	110
Interest-bearing non-current liabilities	40
Trade and other payables	471
Total liabilities	**620**
Total identifiable net assets	**760**
Goodwill	1,081
Total	**1,842**
Acquisition-related costs	**29**

EUR 29 thousand of acquisition-related expenses were included in consolidated statement of comprehensive income in other operating expenses in review period. The acquired company was consolidated with the Tikkurila Group starting from 3rd of November 2014. The amount of revenue consolidated to the Group's consolidated statement of comprehensive income was EUR 0.5 million and net loss of EUR 0.2 million.

Goodwill has been recognized in acquisition, and it is linked to expected synergies regarding the strengthening in market position in the area. Goodwill is not deductible for tax purposes.

If the acquisition of Täby Färg & Tapet AB would have been carried out in the beginning of the year 2014, instead of November, 2014, Tikkurila's management estimates that it would have had roughly the following impact on Tikkurila Group's consolidated income statement:

- Revenue: Increase of around EUR 2.9 million
- Net result: Decrease of EUR 0.2 million

RELATED PARTY TRANSACTIONS

Parties are considered as each other's related parties if one party is able to control or has significant influence over financial and operating decision making of another party. Tikkurila Group has related party relationships with the parent company of the Group (Tikkurila Oyj), subsidiaries, associates and joint ventures.

Related parties include members of Board of Directors and the Group's Board of Management, CEO as well as their family members.

Related party transactions are presented below

EUR 1,000	**1-12/2014**	1-12/2013
Joint ventures		
Revenue	**5,212**	4,917
Other operating income	**894**	-
Receivables	**382**	143
Liabilities	**31**	33
Associates		
Sales	**2,451**	14,529
Purchases	**155**	690
Receivables	**-**	2,092

Share-based Commitment and Incentive Plan

In order to commit and motivate key personnel, the Board of Directors of Tikkurila Oyj decided on a new share-based plan in 2012, and it also selected key persons, each of which has a right to participate in this plan. In order to participate, each person has to buy Tikkurila Oyj's shares from the market. The maximum amount of shares under this plan has been individually defined for each participant.
On December 31, 2014, a total of nine key employees selected by the Board participated in the share-based plan.

Based on the commitment and incentive plan, and stemming from the performance periods, 2012-2014, 2013-2015 as well as the performance period 2014-2016, during the fourth quarter a total of EUR 0.5 (during the fourth quarter 2013: 0.4 increase in personnel expenses) million was recognized as decrease in personnel expenses in the Group income statement according to IFRS 2 standard. From the beginning of the review period, expenses totaling around EUR 0.7 (1.1) million have been booked. The estimated total value of the plan for the performance period of 2012–2014 totaled approximately EUR 2.4 million at the end of review period. The estimated total value for the performance period totaled 2013-2015 about EUR 0.0 million and total value for the performance period 2014-2016 about EUR 0.0 million, at the end of the review period. The total value will be expensed over a three-year period until when the time of payments will take place as per the terms and conditions of the plan. Half of the payments will be in shares, and a half will be settled in cash. Share price changes as well as the terms and conditions of the plan will determine the value and corresponding liability in relation to the cash-settled portion.

COMMITMENTS AND CONTINGENT LIABILITIES
EUR 1,000

	Dec 31, 2014	Dec 31, 2013
Mortgages given as collateral for liabilities in the statement of financial position		
Other loans	**32**	-
Mortgages given	**315**	102
Total loans	**32**	-
Total mortgages given	**315**	102
Contingent liabilities		
Guarantees		
On behalf of own commitments	**337**	204
On behalf of others	**1,833**	2,652
Other obligations of own behalf	**54**	168
Lease obligations	**30,166**	34,079
Total contingent liabilities	**32,390**	37,103

DERIVATIVE INSTRUMENTS
EUR 1,000

	Dec 31, 2014		Dec 31, 2013	
	Nominal value	Fair value	Nominal value	Fair value
Currency derivatives				
Currency forwards	**27,827**	**3,243**	71,572	80

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CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORIES
EUR 1,000

Dec 31, 2014	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Other financial liabilities	Carrying amounts	Fair values
Non-current financial assets						
Available-for-sale financial assets	-	-	3,240	-	3,240	3,240
Non-current receivables	-	4,114	-	-	4,114	4,114
Current financial assets						
Interest-bearing receivables	-	578	-	-	578	578
Derivatives	3,243	-	-	-	3,243	3,243
Cash equivalents	-	25,776	-	-	25,776	25,776
Trade and other non-interest-bearing receivables	-	73,625	-	-	73,625	73,625
Total	**3,243**	**104,093**	**3,240**	**-**	**110,576**	**110,576**
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	60,346	60,346	60,445
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	12,789	12,789	12,789
Derivatives	-	-	-	-	-	-
Trade payables	-	-	-	42,115	42,115	42,115
Total	**-**	**-**	**-**	**115,250**	**115,250**	**115,349**

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Dec 31, 2013	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Other financial liabilities	Carrying amounts	Fair values
Non-current financial assets						
Available-for-sale financial assets	-	-	3,590	-	3,590	3,590
Non-current receivables	-	5,513	-	-	5,513	5,513
Current financial assets						
Interest-bearing receivables	-	617	-	-	617	617
Derivatives	478	-	-	-	478	478
Cash equivalents	-	29,171	-	-	29,171	29,171
Trade and other non-interest-bearing receivables	-	80,555	-	-	80,555	80,555
Total	**478**	**115,856**	**3,590**	**-**	**119,924**	**119,924**
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	60,283	60,283	60,564
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	17,509	17,509	17,509
Derivatives	398	-	-	-	398	398
Trade payables	-	-	-	42,315	42,315	42,315
Total	**398**	**-**	**-**	**120,107**	**120,505**	**120,786**

FAIR VALUE HIERARCHY
EUR 1,000

Dec 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Available-for-sale financial assets	**-**	**2,400**	**840**	**3,240**
Derivatives (in assets)	**-**	**3,243**	**-**	**3,243**
Recurring fair value measurements				
Derivatives (in liabilities)	**-**	**-**	**-**	**0**
Dec 31, 2013				
Recurring fair value measurements				
Available-for-sale financial assets	-	2,737	853	3,590
Derivatives (in assets)	-	478	-	478
Recurring fair value measurements				
Derivatives (in liabilities)	-	398	-	398

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs)

Reconciliation of Level 3 fair value measured financial assets and liabilities

Available-for-sale financial assets	Dec 31, 2014	Dec 31, 2013
Carrying amount at Jan 1	**853**	776
Translation differences in other comprehensive income	**-12**	-7
Acquisitions	**-**	84
Disposals	**-1**	-
Carrying amount at end of review period	**840**	853

Contingent consideration	Dec 31, 2014	Dec 31, 2013
Carrying amount at Jan 1	**-**	902
Fair value change in other operating income, unrealized	**-**	-1,011
Fair value change due the discounting effect, unrealized, recognized in financial expenses	**-**	109
Carrying amount at end of review period	**-**	-

In the financial year, gain on available-for-sale financial assets in fair value hierarchy level 3 totaled EUR 19 (0.0) thousand.

Available-for-sale financial assets in level 3 include unquoted shares that are measured at amortized cost. These shares are of business supportive nature and personnel’s recreational activities related long-term investments that Tikkurila is not intending to sell. These shares have no quoted market price in an active market and their fair values cannot be measured reliably by using any valuation techniques. Therefore, according assessment of Tikkurila's management, the cost of shares is the best available estimate for fair value.

KEY PERFORMANCE INDICATORS	**10-12/2014/ Dec 31, 2014**	10-12/2013/ Dec 31, 2013	**1-12/2014/ Dec 31, 2014**	1-12/2013/ Dec 31, 2013
Earnings per share / basic, EUR	**-0.19**	-0.11	**1.10**	1.14
Earnings per share / diluted, EUR	**-0.19**	-0.11	**1.09**	1.13
Cash flow from operations, EUR 1,000	**23,973**	13,827	**75,943**	79,226
Cash flow from operations / per share, EUR	**0.54**	0.31	**1.72**	1.80
Capital expenditure, EUR 1,000	**17,501**	3,286	**30,747**	14,763
of revenue %	**16.8%**	2.8%	**5.0%**	2.3%
Shares (1,000), average *)	**44,015**	44,108	**44,054**	44,108
Shares (1,000), at the end of the reporting period *)	**44,029**	44,108	**44,029**	44,108
Weighted average number of shares, adjusted for dilutive effect (1,000) 1) *)	**44,134**	44,225	**44,177**	44,212
Number of shares at the end of period, adjusted for dilutive effect (1,000) 1) *)	**44,105**	44,225	**44,105**	44,225
Equity attributable to the owners of the parent / per share, EUR	**4,38**	4,72	**4,38**	4,72
Equity ratio, %	**49.5%**	50.1%	**49.5%**	50.1%
Gearing, %	**24.6%**	23.4%	**24.6%**	23.4%
Interest-bearing financial liabilities (net), EUR 1,000	**47,359**	48,621	**47,359**	48,621
Return on capital employed (ROCE), % p.a.	**22.9%**	23.5%	**22.9%**	23.5%
Personnel (average)	**3,155**	3,178	**3,212**	3,262

1) When calculating the dilution effect for the number of shares, it has been assumed that all the remuneration to be paid in shares would be issued as new shares, even though it is also possible that those shares might be acquired from the markets. Moreover, the number of shares adjusted for dilutive effect is based on estimates for Tikkurila Group's future financial performance, and its impact on the outcome of the share-based commitment and incentive plan.

*) Number of shares outstanding, treasury shares excluded

DEFINITIONS OF KEY FIGURES

Earnings per share (EPS), basic

$$\frac{\text{Net profit of the period attributable to the owners of the parent}}{\text{Shares on average}}$$

Earnings per share (EPS), diluted

$$\frac{\text{Net profit of the period attributable to the owners of the parent}}{\text{Weighted average number of shares, adjusted for dilutive effect}}$$

Equity per share

$$\frac{\text{Equity attributable to the owners of the parent at the end of the reporting period}}{\text{Number of shares at the end of the reporting period}}$$

Cash flow from operations / per share

$$\frac{\text{Cash flow from operations}}{\text{Shares on average}}$$

Equity ratio, %

$$\frac{\text{Total equity x 100}}{\text{Total assets - advances received}}$$

Gearing, %

$$\frac{\text{Net interest-bearing financial liabilities x 100}}{\text{Total equity}}$$

Interest-bearing financial liabilities (net)

Interest-bearing liabilities - money market investments - cash and cash equivalents

Net working capital

Inventories + interest-free receivables, excluding current tax assets, accrued interest income and other prepaid financial items - interest-free liabilities, excluding current tax liabilities, accrued interest expenses and other accrued financial items

Return on capital employed (ROCE), % p.a. **

$$\frac{\text{Operating profit + share of profit or loss of equity-accounted investees x 100}}{\text{(Net working capital + property, plant and equipment ready for use + intangible assets ready for use + investments in equity-accounted investees)*}}$$

* average during the period

** actual operating profit and share of profit or loss of associates taken into account for a rolling twelve month period ending at the end of the review period

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SEGMENT INFORMATION BY QUARTER

Revenue by segment EUR 1,000	1-3/2013	4-6/2013	7-9/2013	10-12/2013	1-3/2014	4-6/2014	7-9/2014	10-12/2014
SBU West	96,806	118,053	105,485	68,234	98,819	114,911	100,446	68,274
SBU East	41,618	90,236	84,106	48,427	42,646	78,026	79,152	36,157
Eliminations	0	0	0	0	0	-26	0	0
Total	138,424	208,289	189,591	116,660	141,466	192,912	179,598	104,431

EBIT by segment EUR 1,000	1-3/2013	4-6/2013	7-9/2013	10-12/2013	1-3/2014	4-6/2014	7-9/2014	10-12/2014
SBU West	12,516	20,793	22,044	-4,983	16,084	20,506	18,118	-7,257
SBU East	-1,480	13,405	11,699	475	-1,570	13,397	13,843	-6,496
Tikkurila common	-805	-858	-664	-674	-702	-1,430	-679	-111
Eliminations	0	0	0	0	0	0	0	0
Total	10,232	33,339	33,080	-5,182	13,812	32,473	31,282	-13,864
Non-allocated items:								
Total financial income and expenses	445	-2,524	-1,595	-618	-1,962	-2,226	-685	4,120
Share of profit or loss of equity-accounted investees	-168	239	69	-276	-4	132	122	88
Profit / loss before taxes	10,509	31,054	31,554	-6,076	11,846	30,378	30,719	-9,656

Assets by segment EUR 1,000	Mar 31, 2013	Jun 30, 2013	Sep 30, 2013	Dec 31, 2013	Mar 31, 2014	Jun 30, 2014	Sep 30, 2014	Dec 31, 2014
SBU West	314,947	323,150	309,068	287,334	312,871	322,791	307,299	296,439
SBU East	158,343	179,993	166,426	140,027	137,082	161,636	151,403	97,410
Assets, non-allocated to segments	83,641	89,061	45,873	44,407	66,507	89,531	77,662	59,348
Eliminations	-79,982	-75,832	-59,605	-56,449	-66,722	-87,056	-71,000	-63,388
Total assets	476,949	516,372	461,762	415,319	449,738	486,902	465,364	389,809

Vantaa, February 9, 2015

TIKKURILA OYJ
BOARD OF DIRECTORS