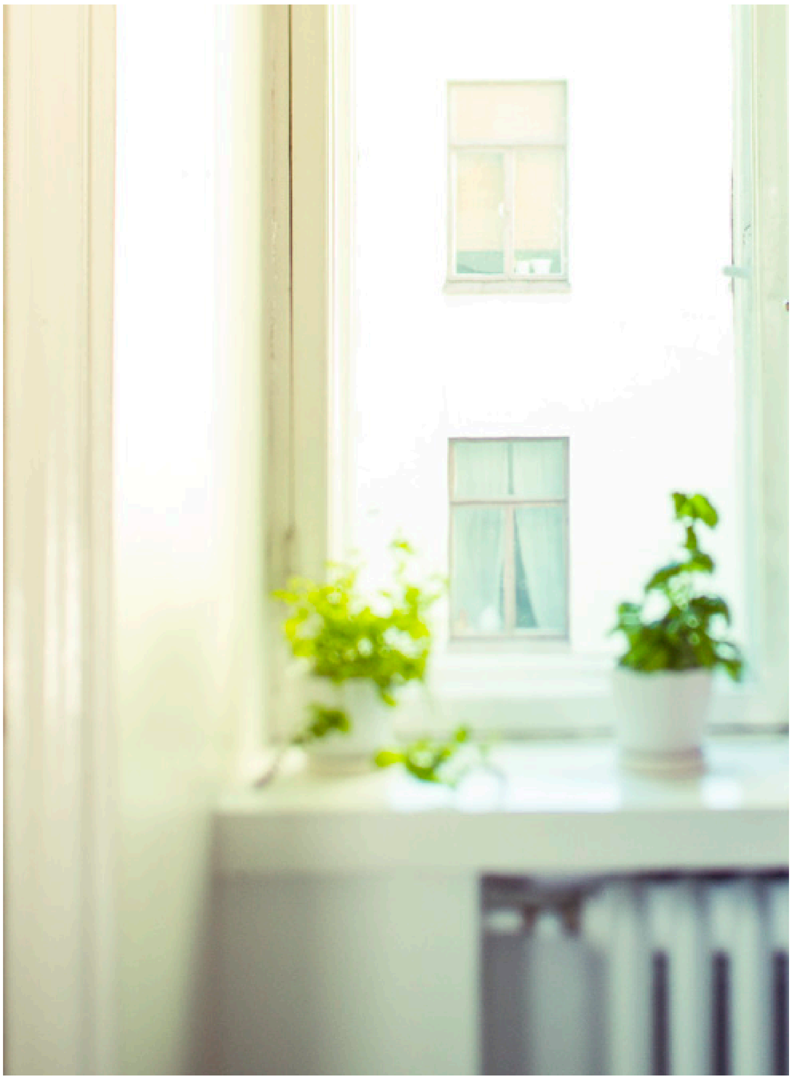


TIKKURILA

FINANCIAL STATEMENTS 2015

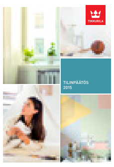
Tikkurila is a leading Northern European paint industry professional known for its strong brands, high-quality surface treatment products and expert services, which ensure the best possible user experience in the market.

Our largest markets are Sweden, Russia, Finland, Poland and the Baltic countries. We have production in ten countries, and we are the leading decorative paint company in all our main markets. On the whole, our products are available in 40 countries.

In 2015, Tikkurila's revenue totaled EUR 584 million, and it had 3,100 employees. Our headquarters is located in Vantaa, Finland. Tikkurila was established in 1862, and our shares have been listed on NASDAQ OMX Helsinki since 2010.

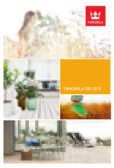
Content

Tikkurila Annual Review 2015



Financial Statements 2015

The report provides an overview of Tikkurila's business operations and includes Financial Statements and the Corporate Governance Statement for 2015.



Tikkurila GRI 2015

The Corporate Responsibility report introduces Tikkurila's sustainability approach and the reported Global Reporting Initiative (GRI) G4 disclosures for the reporting period 2015.

Sustainable beauty since 1862

WE OFFER an extensive range of products for protecting and decorating surfaces for consumers, construction and renovation professionals, designers, as well as selected industrial customers. Consumers account for approximately half of our business, but the share of professionals is on the rise. Our range of services includes, among others, color and tinting services, painting advice as well as expert and training services. We support our customers in all stages of painting in order to ensure a successful result.

CONSUMERS	PROFESSIONAL PAINTERS AND DESIGNERS	INDUSTRY	SERVICES
Comprehensive home interior and exterior surface treatment products Wallpapers	Comprehensive surface treatment products for masonry surfaces, wood façades and concrete floors, effect and decorative paints Functional coatings	Durable products and solutions to protect steel structures, machinery and equipment Paints and lacquers for wood industry Floor coatings for demanding environments Functional coatings for line application	Ideas, work instructions and methods online Personal painting advice and technical support over the phone, online, on site and on production lines Color cards, color design and tinting service Training events On-site visits, inspections and analysis services Contacts with other professionals in the industry

OUR BUSINESS operations are organized into two reporting segments, or Strategic Business Units (SBU). The business units, based on a geographical division, are SBU West and SBU East.

The SBU West's markets are Sweden, Denmark, Norway, Finland, Poland, Germany, Estonia, Latvia and Lithuania. Main brands in the area include Tikkurila, Beckers, Alcro and Vivacolor. Our products are distributed through building supply stores, independent paint retailers, wholesalers, Tikkurila's professional stores and directly to customers.

The SBU East's markets are Russia, Central Asian countries, Ukraine, Belarus, Serbia, Macedonia and China; SBU East is also in charge of imports to more than 20 countries. Main brands in the area include Tikkurila and Teks. Our products are distributed through building supply stores, independent paint retailers, wholesalers and directly to customers.

Our business model puts emphasis on strong brands generated through high-quality and long-term product development and considerable marketing investments. In addition to strong brands, important factors in our operations include an effective and extensive distribution network, diverse services and an efficient supply chain. In the value chain, we operate between raw material suppliers and distribution channels, i.e. retailers.

Operating environment

PAINTS and coatings are used for a variety of applications, including the protection and decoration of structures, buildings and different kinds of products. The paint market structure and consumption patterns vary between geographical areas.

The growth in paint consumption has historically correlated with an increase in the standard of living, which has an effect on both consumption volume and quality. In Europe, consumption is stable but low. In terms of Russia, the oil price has a considerable effect on general economic development and purchasing power.

The main factors and market trends affecting the demand for paints and coatings are:

- General economic development (GDP)
- Activity on construction and renovation markets
- Activity level for home sales
- Employment situation and consumer confidence
- Improving standard of living and rise of middle class
- Increasing environmental awareness
- Importance of home interior decoration and refurbishing
- Industrial activity level (industrial coatings)

Strategy

TIKKURILA is a leading Northern European paint industry professional known for its high-quality surface treatment products, expert services and strong brands. Our aim is to ensure the best possible user experience in the market. Strong brands, a culture of service, sustainable solutions and market leadership are among our most important competitive advantages.

Focus as well as profitable and versatile growth are the cornerstones of our strategy.

Tikkurila's focus is on carefully selected customers, certain geographical areas and its own strong brands.

- Tikkurila serves consumers and paint industry professionals, including selected industrial sectors.
- Tikkurila operates in the Nordic countries, Russia and other selected Eastern European and Central Asian countries.
- Tikkurila invests in its own strong brands and focuses on the higher price and quality grade paints.

Our objective is to grow profitably. We look for versatile growth in different product groups and geographical areas. The focus is on organic growth generated by strong brands. Furthermore, we take into consideration the possibility of focused acquisitions and alliances. Improving user experience is a strong priority for all our operations. We work to strengthen our market share in our current markets of the paint business and look for growth in those markets, in particular, where our market share is still small. In the short-term, the significance of mature markets is emphasized, while, in the long term, a substantial proportion of Tikkurila's growth is expected to come from the developing markets such as Russia. We are also considering expanding to product categories which will supplement our current range of products.

In volatile markets, the flexibility of production is important for both customer services and profitability. Combining high service performance and efficient production is the main objective for our production. In addition to flexible production, efficiency is also sought through other intra-Group activities, such as the harmonization of raw materials, formulas, products and packaging.

Sustainable development

OUR PRODUCTS have helped customers protect and decorate surfaces and spaces for over 150 years. We develop and manufacture high-quality and user-friendly solutions for surface treatment, which bring our customers added value throughout the product life cycle. For decades, the principles of our operations have been quality, durability and safety, as well as helping customers achieve successful end results.

Tikkurila's updated Corporate Responsibility program, "A Colorful Tomorrow", provides Tikkurila with a framework for responsible and sustainable business development. The priorities of responsibility work are user experience, resources and people.

Customer interest in environmentally sound products has grown due to the overall increase in environmental awareness and legislative changes concerning the composition and safety of paints. We guide our customers to make sustainable choices and instruct them in matters regarding the selection, use and disposal of paint. A high-quality paint selected correctly can have a crucial effect on prolonging the life of a surface and, hence, reducing the impact on the environment.

We drive sustainable beauty, and provide colorful experiences using the limited resources of nature and society in a sustainable manner. We aim to continuously minimize the environmental impact of our operations and products, for instance, by developing products that extend the service life of a painted item and allow for longer maintenance painting intervals. The environmental impact and other sustainability aspects of our products are considered throughout their life cycle – from raw material selection and product manufacture to the use of products and waste management.

Year 2015 highlights

THE MARKET conditions were two-fold in Tikkurila's operating area. Among our large markets, the economies in Sweden and Poland grew steadily. In Russia, the situation continued to be exceptionally difficult. The economic situation was weak in Finland as well.

Tikkurila's revenue decreased from the comparison period mainly due to weak currencies. Operating profit (EBIT) excluding non-recurring items decreased but the relative profitability remained at the comparison period level.

SBU West's revenue increased from the comparison period and profitability improved. SBU East's revenue decreased clearly particularly due to weak exchange rates but also due to lower sales volumes. Operating profit decreased from the comparison period as well. Profitability was burdened by the decline in revenue, and weak currencies which affected the purchasing prices of raw materials and paints exported to Russia.

In 2015, the focus of the Research, Development and Innovation (RDI) operations was on the development of new functionalities, product launches, product safety matters, environmental friendliness of products, harmonization of formulas and the raw material portfolio, cost savings as well as identifying potential external partners. Ensuring the availability of raw materials and implementing measures to secure the operations in geopolitically unstable market areas played a central role.

The quality of Tikkurila's products was once again recognized in external tests. Consumer products did very well in tests performed on products for wooden exteriors in Sweden, and this boosted the sales of our exterior products. Pinja Protect S, designed for the wood industry, became the world's first product for the wood industry that meets the requirements of the Nordic Swan eco-label. We also introduced functional products through acquisitions and proprietary product development, such as the antibacterial Argentum 20 interior wall paint. For the metal industry, we introduced the Fontefire ST 60 fire protection paint for metal surfaces. For the fiber cement board industry, we launched the FonteFacade coating system.

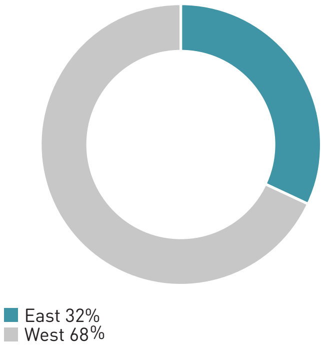
Strong sales and marketing investments were continued. In the challenging markets in Russia and Finland, the focus during the year was on tactical measures and sales promotion at the store level. In Sweden, we concentrated on strengthening the positioning of brands, whereas in Poland the focus was on increasing the awareness of premium brands and developing store displays, in particular.

Tikkurila's Corporate Responsibility program has been updated in 2015. The A Colorful Tomorrow program provides Tikkurila with a framework for responsible and sustainable business development. The priorities for our responsibility work for the coming years are 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.

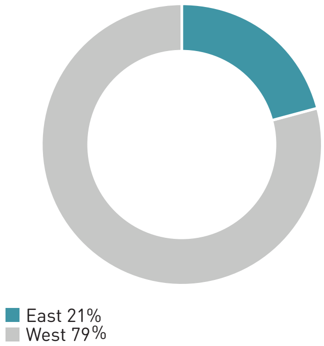
Key figures

EUR million	2015	2014
Revenue	**584.1**	618.4
Operating profit (EBIT), excluding non-recurring items	**58.9**	64.2
Operating profit (EBIT) margin, excluding non-recurring items, %	**10.1%**	10.4%
Operating profit (EBIT)	**61.7**	63.7
Operating profit (EBIT) margin, %	**10.6%**	10.3%
Profit before tax	**52.8**	63.3
Net profit	**41.5**	48.3
Earnings per share, EUR	**0.94**	1.10
Return on capital employed (ROCE), %, rolling	**22.2%**	22.9 %
Cash flow after capital expenditure	**32.6**	49.9
Net interest-bearing debt at period-end	**46.2**	47.4
Gearing, %	**23.7%**	24.6%
Equity ratio, %	**51.1 %**	49.5%
Personnel at period-end	**3,100**	3,142
Lost time accidents (LTA)	**1.9**	2.9
Share of water-borne products in production	**73.5**	72.0

Revenue by segment



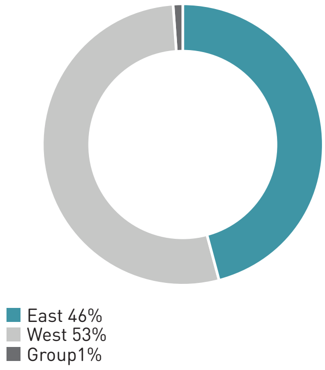
Operating profit* by segment



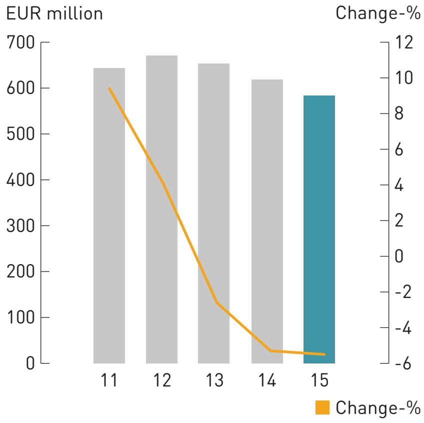
* excl. non-recurring and Group items

Personnel by segment

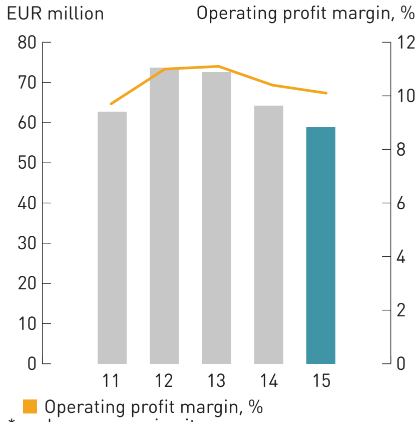
At year-end, %



Revenue

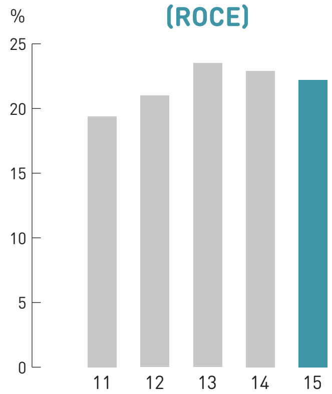


Operating profit*

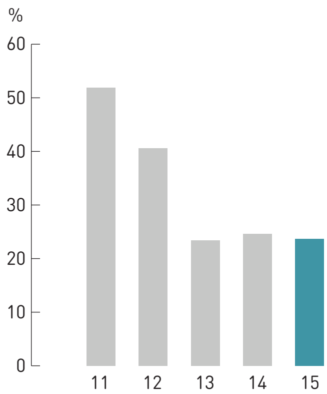


* excl. non-recurring items

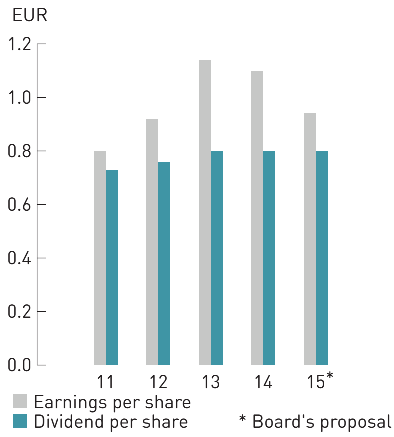
Return on capital employed (ROCE)



Gearing



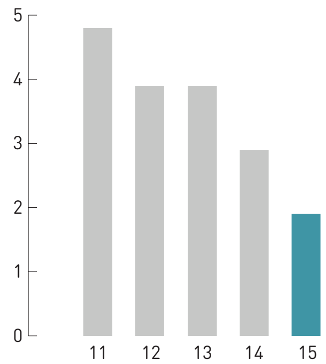
Dividend



* Board's proposal

Lost time accidents (LTA)

Per million working hours



From the CEO

The year 2015 was conflicted. We made good progress in the West, but the difficult market situation and the persistent weakening of currencies in the East resulted in a slight drop in revenue. We streamlined and adapted our procedures on many fronts in order to be able to invest in improving our customers' experience. We did not compromise on product and service development or on sales and marketing.

THE TURBULENT market situation of recent years has changed our geographic footprint. Russia's contribution to our group's revenue has dropped from the more than 30% it was a few years ago to just over 20%. This dramatic change in the market has forced us to quickly adapt and refocus our business in order to maintain and strengthen our competitiveness. Our growth in the East has been rapidly replaced by steady progress in the West – at least for now. Western markets accounted for more than two thirds of our revenue and the majority of our profits last year. Among our best Western markets were Sweden and Poland, the former of which became our single biggest market and accounted for more than a quarter of our revenue.

Tikkurila's biggest strength lies not only in our presence in several different markets but also in our adaptability, which enables us to maintain a healthy level of profitability despite economic fluctuations. Our relative profitability has remained stable and relatively healthy in recent years, at around 10–11%.

In the long term, we still also believe firmly in the growth potential of the East. This is evidenced by our sizable investments in our business and strengthening our market position in Russia and nearby regions. In order to control our costs, we intend to increase local manufacturing and raw material sourcing in Russia.

The prerequisite of sustainable growth and development is to take environmental, economic and social considerations into account in our daily work as well as in our strategic business development. The cornerstones of our business are quality, durability and safety, as well as helping our customers achieve the best possible end results. We updated our corporate responsibility program in 2015, which provides Tikkurila a framework for sustainable and responsible business.

Climate change and its effects on the environment and societies remain among the biggest challenges worldwide. The importance of energy efficiency and clean air continues to grow. We are striving to genuinely improve our living environment and provide our customers with solutions for promoting energy efficiency and better construction engineering. In the future, we intend to invest more and more in functional products.

Inspired and motivated personnel are the foundation of our success. We support their well-being and give them a safe working environment. The group's lost time accident (LTA) rate in 2015 was the lowest in history, which is evidence of Tikkurila's entire personnel's strong commitment to promoting safety.

"Tikkurila's biggest strength lies not only in our presence in several different markets but also in our adaptability."

We have a challenging year behind us. Our personnel have worked extremely hard in difficult circumstances. They deserve a lot of praise for that! I would also like to thank our customers, partners and shareholders for the trust they have shown in us.

Erkki Järvinen
President and CEO

Proceeding of strategic efforts

Our objective is to grow profitably. We look for versatile growth in different product groups and geographical areas. The focus is on organic growth generated by strong brands. Improving user experience is a strong priority for all our operations. The following is an account of the progress of our strategic projects during 2015.

Growth projects

Our business in China grew considerably. We extended the network of retailers selling exclusively Tikkurila's brands by a hundred new stores. At the end of 2015, there were approximately 350 Tikkurila stores operated by third parties in China. Our product portfolio also grew from the previous year. Tikkurila's biggest strengths in China include the high quality and product safety associated with the Nordic Countries, which are communicated by the allergy and asthma labels and environmental labels on our products.

Tikkurila extended its production network by opening a new production unit in Almaty, Kazakhstan. The unit produces a limited range of water-borne decorative paints for the local market, and pilots a new kind of production concept developed by Tikkurila. The concept enables Tikkurila to launch production in new markets quickly, and it is characterized by relatively small and flexible unit sizes.

We launched a development program at the beginning of 2015, which aims to help us increase our business with professionals and the industrial sector considerably in the coming years. We are looking for growth in functional products, the industrial sector, construction paints, and services in particular. Among the most important new products launched for professionals included our range of functional Drytech products, Tikkurila ClimateCooler, and the FonteFacade coating system for the fiber cement board industry. We also developed a new concept called Pro Club during the year, which will be launched in Finland at the beginning of 2016.

We continued to make use of our business acquisitions from 2014. The new businesses allowed us to extend our range of functional products to areas such as energy efficiency and anti-condensation. Our priorities in 2015 included internal training relating to new products, further testing of products, and re-branding. Tikkurila also launched a number of new functional products, such as the Argentum 20, a special topcoat paint for facilities where a high standard of hygiene is critical and the Fontefire ST 60, an intumescent coating for metal surfaces.

Functional products also play a crucial role in our efforts to find business opportunities in new markets. Among the trade exhibitions that we attended during the year was the biggest construction industry event in the Middle East, which was held in Dubai. We see the Middle East as a potential market for Tikkurila ClimateCooler, which is our solution for increasing energy efficiency by reducing the need for air-conditioning, and other specialist products.

Other organic growth

Our biggest markets grew very differently. The relatively strong economies of Sweden and Poland helped boost our business. Our investments allowed us to strengthen our market share in both countries. The challenging economic situation in Finland also affected the demand for paint, which nevertheless remained close to the comparison period's level. The situation in Russia grew increasingly difficult over the year, due to the low price of oil and the weak ruble. Measured in comparable currencies, our Russian revenue remained on par with the comparison period, but the weak exchange rate caused our revenue to drop by approximately one quarter.

Mergers, acquisitions and alliances

No prospects of mergers or acquisitions that meet Tikkurila's criteria can be found in the current operating environment at the moment. Tikkurila's most recent business acquisitions were conducted in 2014.

Efforts to increase flexibility

We adjusted the number of personnel in Finland to match the current volume of our business in Russia and Finland. Restructuring was also used to increase flexibility in order to respond to the highly seasonal nature of our business.

In Russia, the number of production personnel was adjusted to match the current volume of our business. A major structural reform has been implemented in Russia in recent years, which has shifted the focus of our business to commercial and product development know-how. The number of production and administrative personnel has consequently been cut.

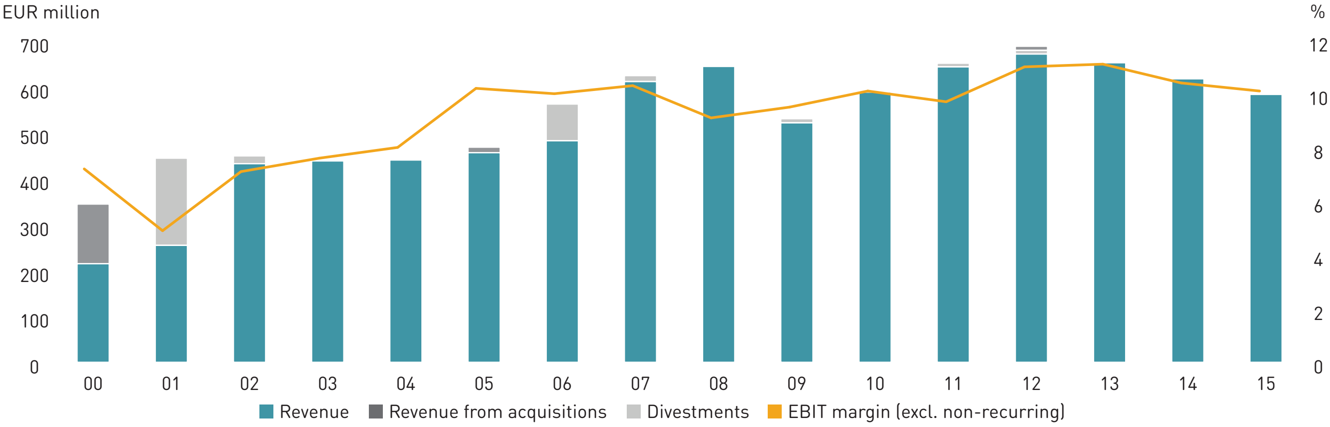
Measures to boost efficiency were implemented at the warehouse of our Nykvarn factory in Sweden. We also began to plan the reallocation of the operations of our small production facility in Flen into group's other production units.

In Poland, our focus was on improving the transparency of our distribution network. Integration of our operational systems allows us to monitor the progress of retailers' inventory levels and sales more efficiently. We also moved our Polish warehouse to the production facilities.

The harmonization of our raw material and product portfolio continued. The first stage is to build a shared raw material portfolio for interior wall and ceiling products in Finland, Estonia, Poland, and Sweden.

We extended our Lean training program to new countries, such as Germany and Kazakhstan. Our defect rates in production and shipments developed favorably, and our service level remained excellent despite the volatility of the market. Inventory turnover slowed down mostly due to contingency planning relating to potential sanctions in Russia.

Tikkurila's long-term revenue and profitability development



Tikkurila Group Financial Statements 2015

CONTENTS

Review of the Board of Directors for 2015

MARKET REVIEW

The market conditions were two-fold in Tikkurila's operating area. Among our large markets, the economies in Sweden and Poland grew steadily. In Russia, the situation continued to be exceptionally difficult. The economic situation was weak in Finland as well.

The market situation was difficult in Russia throughout the year. The price of crude oil, already at a low level, continued to decline at the end of the year, which weakened the Russian ruble further. The inflation level was high and private consumption shrank considerably due to the weaker purchasing power of consumers and low consumer confidence. Demand for construction materials and supplies also declined year-on-year. In the paint market, competition continued to be fierce and regional price campaigns became increasingly common. The low purchasing power resulted in a growing relative demand for lower quality and price grade paints. Management estimates that Tikkurila grew its market share in the premium segment of decorative paints and thus its total market share in value.

The economy in Sweden grew strongly during the year. Confidence in the development of the economy is strong in all sectors. Growth in the paint market was weak during the first months of the year, but demand picked up considerably in the autumn, boosted by the good weather for painting and the general economic situation. The competitive situation was challenging and big box stores increased their share of paint sales. According to the estimate by the management, Tikkurila strengthened its market share slightly in decorative paints (the market share in value in 2014: approximately 37 percent).

In Finland, the economic situation was challenging. The sales of consumer and industrial products were slightly weakened by consumer confidence, which was clearly below the long-term average, the weak construction and housing sales activity, as well as the low investment level. For Tikkurila, the sales of products for construction and renovation professionals however developed favorably. According to Tikkurila's estimate, there were no significant changes in the market shares of decorative paints during the year (market share in value in 2014: more than 50 percent).

The strong economic growth in Poland continued last year, mainly as a result of private demand but also due to growth in exports. However, the general economic atmosphere in Poland was weakened by the uncertain political situation and external factors causing uncertainty, such as the decrease in raw material prices. Consumer confidence, in particular, weakened further at the end of the year. Many competitors continued their aggressive price campaigns targeting distributors. Price competition was fierce in industrial products as well. Tikkurila's market share in decorative paints strengthened to approximately 16 percent (the market share in volume in 2014: approximately 15 percent).

Among Tikkurila's key currencies, the Russian ruble was clearly weaker in the period under review than the year before. The Swedish krona was also at a slightly weaker level. The exchange rate of the Polish zloty was near 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 2015

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

January–December EUR million	Revenue **1–12/2015**	1–12/2014	Operating result (EBIT) excluding non-recurring items **1–12/2015**	1–12/2014
SBU West	**395.3**	382.5	**50.5**	45.8
SBU East	**188.9**	236.0	**13.4**	21.3
Group common and eliminations	**-0.1**	0.0	**-5.0**	-2.9
Consolidated Group	**584.1**	618.4	**58.9**	64.2

Tikkurila Group's **revenue** decreased by 6 percent in 2015. Exchange rate fluctuations reduced revenue by 9 percent, particularly due to the weakened Russian ruble but also due to the weakened Swedish krona. Lower sales volumes decreased revenue by 2 percent. Sales price increases and changes in the sales mix increased revenue by 4 percent. Acquisitions increased revenue by 2 percent.

Operating profit (EBIT) excluding non-recurring items totaled EUR 58.9 (64.2) million, which accounts for 10.1 (10.4) percent of revenue.

Operating profit (EBIT) totaled EUR 61.7 (63.7) million, equaling 10.6 (10.3) percent of revenue. The decrease in revenue weakened profitability. Cost management was strict. However, strong sales and marketing investments were continued, and the relative share of sales and marketing costs of revenue increased. Prices of raw materials were slightly higher than in the comparison period due to the unfavorable exchange rate development.

The net financial expenses in January–December 2015 were EUR -9.3 (-0.8) million. The net financial expenses increased from the comparison period due to exchange rate differences related to the Russia ruble, in particular. Profit before taxes was EUR 52.8 (63.3) million. Taxes totaled EUR 11.3 (15.0) million, equaling an effective tax rate of 21.4 (23.7) percent. Earnings per share were EUR 0.94 (1.10) in the review period.

The Group's key performance indicators and share performance indicators for the financial year 2015 as well as for 2014 and 2013 are presented in the Group's consolidated financial statements on pages 19-20.

FINANCIAL PERFORMANCE BY REPORTING SEGMENTS

SBU WEST

EUR million	1–12/2015	1–12/2014	Change %
Revenue	**395.3**	382.5	3.3%
Operating result (EBIT), excluding non-recurring items	**50.5**	45.8	10.2%
Operating result (EBIT) margin, excluding non-recurring items, %	**12.8%**	12.0%	
Operating result (EBIT)	**53.2**	47.5	12.2%
Operating result (EBIT) margin, %	**13.5%**	12.4%	
Capital expenditure excluding acquisitions	**15.8**	10.8	47.4%

FINANCIAL PERFORMANCE IN 2015

SBU West's full-year revenue increased by 3 percent from the comparison period. The higher sales volumes increased revenue by 3 percent due to favorable development in Sweden, Poland, and the Baltic countries. Exchange rate fluctuations, primarily the weakened Swedish krona, decreased revenue by 2 percent. Acquisitions increased revenue by 3 percent. In Sweden, revenue increased to EUR 151.7 (143.6) million, while in Finland revenue decreased to EUR 98.1 (101.3) million, and in Poland revenue increased to EUR 68.4 (63.9) million.

Full-year profitability improved. The increase in revenue had a favorable impact on profitability. Production efficiency improved and cost management was strict. Sales and marketing investments increased slightly from the comparison period. The non-recurring income for the review period amounted to EUR 2.8 million net and was associated with the capital gain from financial assets available for sale in Finland, the changes in personnel benefits based on the length of employment relationships, as well as restructuring expenses in Sweden and Finland.

SBU EAST

EUR million	1–12/2015	1–12/2014	Change %
Revenue	**188.9**	236.0	-19.9%
Operating result (EBIT), excluding non-recurring items	**13.4**	21.3	-37.0%
Operating result (EBIT) margin, excluding non-recurring items, %	**7.1%**	9.0%	
Operating result (EBIT)	**13.6**	19.2	-29.2%
Operating result (EBIT) margin, %	**7.2%**	8.1%	
Capital expenditure excluding acquisitions	**5.1**	6.6	-22.1%

FINANCIAL PERFORMANCE IN 2015

SBU East's full-year revenue decreased by 20 percent from the comparison period. Exchange rate fluctuations reduced revenue by 22 percent due to the weak Russian ruble, in particular. The lower sales volumes decreased revenue by 11 percent due to the weak development in Russia and its adjacent countries. Sales volumes in China increased strongly from the comparison period. 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. Acquisitions increased revenue by one percent. Revenue in Russia decreased to EUR 128.4 (175.7) million.

Full-year operating profit decreased from the comparison period. Profitability was burdened by the decline in revenue, and weak currencies which affected the purchasing prices of raw materials and paints 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.

Cash flow from operations in January–December totaled EUR 48.5 (75.9) million. Cash flow was weakened by lower profitability and changes in net working capital. On the closing date, trade receivables were at a higher level than in the previous year due to the differences in the timing of sales. In addition, inventory levels were deliberately increased on certain markets in order to secure the service level. At the end of the review period, net working capital totaled EUR 78.9 (73.1) million. The net cash flow from the investing activities was EUR -15.8 (-26.1) million, when taking into account the acquisitions and divestments. Cash flow after capital expenditure totaled EUR 32.6 (49.9) million at the end of the review period.

Interest-bearing debt amounted to EUR 63.0 (73.1) million at the end of the review period, and net debt was EUR 46.2 (47.4) million. At the end of the review period, cash and cash equivalents amounted to EUR 16.8 (25.8) million, and short-term interest-bearing debt totaled EUR 12.8 (12.8) million, including the company's issued commercial papers for a total nominal amount of EUR 10.0 (10.0) million. Moreover, the Group had long-term interest-bearing debt totaling EUR 50.2 (60.3) million. At the end of December, the Group had a total of EUR 111.1 (155.7) million of unused committed credit facilities or credit limits.

The Group´s net financial expense was EUR 9.3 (0.8) million, of which interest expenses totaled EUR 0.9 (1.0) million and other financing expenses EUR 0.5 (4.0) million. The average capital-weighted interest rate of interest-bearing debt was 1.2 (1.6) percent. The net profit was negatively affected by a total of EUR 7.9 (4.2 positively affected) million based on the impact of realized and unrealized exchange rate differences recognized during the review period. The main negative impact was related to the Russian ruble. 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. At the end of the review period, Tikkurila had no open foreign exchange rate forward agreements. At the comparison period, the nominal value of open foreign exchange rate forward agreements was EUR 27.8 million and the corresponding market value was EUR 3.2 million.

At the end of December, the equity ratio was 51.1 (49.5) percent, and gearing was 23.7 (24.6) percent.

In June 2015, Tikkurila Group signed the new EUR 150 million long-term credit facility and term loan agreement with three banks. This new loan arrangement replaced the loan arrangement EUR 180 million signed in September 2011 as well as the EUR 25 million revolving credit facility agreed in October 2011.

The new debt credit facility consists of EUR 100 million five-year revolving credit facility and EUR 50 million term loan, which matures in January 2021. The financial agreement includes one financial covenant, which is based on Tikkurila Group's net gearing and which sets the ratio of net liabilities to equity to a maximum of 1.30.

In October 2015, Tikkurila Oyj signed a new commercial paper frame agreement with a nominal value of EUR 150 million. Based on this new program, Tikkurila Oyj can issue unsecured debt with a maturity of less than one year. This replaced the previous EUR 100 million commercial paper program.

CAPITAL EXPENDITURE

In 2015, the gross capital expenditure excluding acquisitions amounted to EUR 20.9 (17.3) million. 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. One of the most important on-going ICT investments is the deployment of enterprise resource planning system (ERP), which will start in the Group phase by phase during the first year-half of 2016. On December 31, 2015, the prepayments and non-current assets under construction related to the ERP totaled EUR 3.4 million in the Group consolidated statement of financial position.

The Group's depreciation, amortization and impairment losses amounted to EUR 17.3 (21.0) million in 2015. The Group performs impairment tests in accordance with the IAS 36 standard.

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 2015. Tikkurila Group's sales and marketing expenses, including personnel costs, were EUR 92.6 (92.5) million in 2015, which accounts for 15.8 (15.0) 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 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.

The major events during the year included, among others, growing the store network by 100 stores in China, revamping the Tikkurila brand website and renewing product packaging in different countries, launching the new Color Up! color design program, rebranding the functional products obtained through acquisitions, as well as the design reform of the Alcro brand in Sweden and the brand reform of the Tikkurila Euro series in Russia.

In the challenging markets in Russia and Finland, the focus during the year was on tactical measures and sales promotion at the store level. In Sweden, we concentrated on strengthening the positioning of brands, whereas in Poland the focus was on increasing the awareness of premium brands and developing store displays, in particular.

RESEARCH, DEVELOPMENT AND INNOVATION

In 2015, Tikkurila's research and development expenses totaled EUR 11.2 (2014: EUR 10.7 and 2013: EUR 10.5) million or 1.9 (2014: 1.7 and 2013: 1.6) percent of revenue. At the end of 2015, the unit employed 184 (179) 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 2015, the focus of the RDI operations was on the development of new functionalities, product launches, product safety matters, environmental friendliness of products, harmonization of formulas and the raw material portfolio, cost savings as well as identifying potential external partners. Ensuring the availability of raw materials and implementing measures to secure the operations in geopolitically unstable market areas, as well as optimizing production between different units together with the supply chain also played a central role. The difficult situation in Russia increased local raw materials purchasing and local manufacturing.

The quality of Tikkurila's products was once again recognized in external tests. Consumer products did very well in tests performed on products for wooden exteriors in Sweden, and this boosted the sales of our exterior products. Pinja Protect S, designed for the wood industry, became the world's first product for the wood industry that meets the requirements of the Nordic Swan eco-label. We also introduced functional products through acquisitions and proprietary product development, such as the antibacterial Argentum 20 interior wall paint. For the metal industry, we introduced the Fontefire ST 60 fire protection paint for metal surfaces. For the fiber cement board industry, we launched the FonteFacade coating system.

CORPORATE RESPONSIBILITY

Tikkurila provides its customers with high-quality, user-friendly and environmentally sustainable solutions for surface protection and decoration. We have been manufacturing high-quality paints for more than 150 years. Already for decades, the principles of our products and operations have been quality, durability and safety, as well as helping customers to achieve successful end results.

Corporate responsibility and sustainable development play a significant role in our business development, supporting our growth objectives and strengthening our market position. We aim to promote sustainable development and take environmental, financial and social aspects into account in our daily work as well as in our strategic business development. We want to make sure that our operations are responsible and that we work with business partners sharing similar values.

The Tikkurila Corporate Responsibility program has been updated in 2015. A Colorful Tomorrow program provides Tikkurila with a framework for responsible and sustainable business development. The priorities for Tikkurila's responsibility work for the coming years are 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

Helping our customers achieve successful and durable end results is at the core of our business. We develop and promote environmentally sustainable and safe solutions and train our customers in the use of our products. Moreover, we introduce solutions that make selecting, buying and selling of paints as well as painting itself easier.

With active collaboration with our business partners, retailers and customers, we aim to enhance the quality of painting, sustainable use of our products, product and user safety, as well as the knowledge of surface treatment. Our focus will increasingly be on cooperation with suppliers and customers, on developing functional and user-friendly products, and on introducing solutions that extend the life cycle of surfaces. We will also pay attention to recycling and waste management.

Resources

We drive sustainable beauty by using the limited resources of nature and society in a sustainable manner. We aim to continuously minimize the environmental impact of our operations and products, for instance, by developing products that extend the service life of the painted item and allow for longer maintenance painting intervals. The environmental impact and other sustainability aspects of our products are considered throughout their entire life cycle – from raw material selection and product manufacture to the use of products and waste management. Quality, health, safety and functionality aspects are guiding our raw material choices and product development. We also work to further improve resource efficiency of production processes by minimizing loss and increasing the reuse of waste.

People

We are pioneers of sustainable painting, surface treatment and use of colors, and we do it responsibly. We want to be a sought-after employer, a reliable tax payer, and a responsible and active neighbor in the communities in which we operate. We act in accordance with legislation and adhere to high ethical values and our Code of Conduct as well as internationally acknowledged standards for human rights and labor practices in all markets where we operate. We also aim to ensure that our business partners operate accordingly.

For a business to be successful, it needs a competent, thriving and motivated workforce. We take care of our employees, their well-being, occupational health and safety in all of our operating countries. We inspire our people to develop their skills, participate and innovate, and we also encourage them to engage in dialogue and close cooperation with both internal and external stakeholders.

Tikkurila reports the progress in its corporate responsibility matters annually. Tikkurila GRI 2015 Corporate Responsibility report describes key matters of responsibility in terms of Tikkurila's operations and outlines the progress in the different areas of corporate responsibility. The report is published in Finnish and English. The 2015 reporting applies the international GRI (Global Reporting Initiative) G4 guidelines.

ENVIRONMENT

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, we promote the use of water-borne products, and select the options which burden the environment less, whenever it is technically and financially possible. We also work to develop our production processes and improve resource efficiency of production units to reduce environmental impacts of production, minimize loss and increase the reuse of waste.

The main environmental impacts of paint during its life cycle result from raw materials and packaging materials production, 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 (VOC emissions) from the paint during painting and drying, and the disposal of paint waste. The quality of the product affects the environmental impact of the product. The better the qualities that the painted surface offers, the less maintenance is needed and the longer the maintenance painting interval is.

Sustainable solutions

Customer interest in environmentally sound products has increased due to the overall increased environmental awareness, and legislative changes concerning the composition and safety of paints. Customers want to choose products that have minimal environmental impact in production and in use, and that are safe to use.

Products which burden the environment as little as possible are a key element in our strategy, and we have been investing in developing and promoting the use of water-borne products for years already. An increasing number of paints are water-borne or solvent-free. In 2015, the share of water-borne products in production was 73.5 (72.0) percent.

Water-borne paints are a better choice for both the health and the environment. The environmental impact of water-borne paint is smaller than that of solvent-borne paint, especially in the application stage, since mainly water evaporates from water-borne paint. The benefits of water-borne paints include ease of use, odorlessness and fast drying times.

Paints are awarded with various eco-labels and classifications with the aim to increase the knowledge of their environmental and health 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. Tikkurila Group's different paint brands have been awarded several official and local eco-labels and product-specific classifications. In all, the number of Tikkurila's eco-labeled paints is counted in the hundreds.

Functional products

Tikkurila's product range includes several paints and coatings that deliver some specific functionality. These products can, for example, be used to create more energy-efficient or fire-resistant surfaces, or achieve surfaces that are extremely wear-resistant and washable. Some of the other functionalities of our products include anti-bacterial and self-cleaning effects. These functional properties can be achieved through different types of additives and binders.

We believe that there will be an increase in demand for functional products, in particular for solutions that help improve energy and eco efficiency and humidity control. In 2015, Tikkurila introduced solutions, for example, to humidity, mold, noise and asbestos problems.

Paint industry regulation

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 were 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 2015, Tikkurila invested EUR 0.7 (0.5) million into environmental protection in its units, and environmental operating costs totaled EUR 2.2 (2.0) million. In 2015, the environmental investments included, among other things, improvements in raw material warehousing, waste water and waste handling equipment and improvements to building technology, e.g. related to heating, ventilation, lightning and more efficient use of water. 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 2015, the internal audits were performed at Tikkurila sites in Poland, Serbia, Denmark and Russia.

PERSONNEL

At the end of December 2015, the Tikkurila Group employed 3,100 (3,142) people. The average number of employees in January–December was 3,193 (3,212).

Tikkurila Group's number of employees at the end of each quarter is presented below split by SBU, starting from the first quarter of 2014.

	Q1/2014	Q2/2014	Q3/2014	Q4/2014	**Q1/2015**	**Q2/2015**	**Q3/2015**	**Q4/2015**
SBU West	1,536	1,683	1,587	1,606	**1,626**	**1,717**	**1,645**	**1,630**
SBU East	1,621	1,628	1,594	1,505	**1,558**	**1,553**	**1,515**	**1,441**
Group functions	29	29	31	31	**31**	**30**	**29**	**29**
Total	3,186	3,340	3,212	3,142	**3,215**	**3,300**	**3,189**	**3,100**

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.

The share of temporary employments at the end of 2014 was 9.9 (6.7) percent and 35.5 (37.7) percent were blue-collar workers. 65.0 (62.7) percent of the personnel were men and 35.0 (37.3) percent women. The average age of the employees was 40.8 (40.5) years.

In 2015, Tikkurila Group recruited 565 new employees, and 638 persons left the company. The most common reason for termination of employment was expiration of temporary employment. 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.

A total of 41 employment contracts were terminated in Finland due to financial or production related reasons. In October 2015, Tikkurila concluded the co-operation negotiations which concerned the entire Tikkurila Oyj personnel of approximately 600 in Finland. As a result of the negotiations, a total of 41 people working in various functions of the company were dismissed. Of those dismissed, 16 were white-collar and 25 blue-collar workers.

Performance-based salaries and compensation paid in 2015 totaled EUR 79.8 (81.4) million.

Occupational health and safety

The safety work at Tikkurila focuses 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. We want to ensure a safe workplace for all Tikkurila employees.

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. In 2015, Tikkurila's accident frequency rate (LTA) was 1.9 (2.9), which is the lowest in the history of Tikkurila Group. The biggest improvements were made in safety work at the Vantaa site.

SUPPLIER MANAGEMENT

Tikkurila offers high-quality, safe and sustainable solutions to its customers. This sets high standards to the co-operation between Tikkurila and its suppliers, to all purchased raw materials, other goods and services. It is of utmost importance to us that our business partners also operate responsibly. Our aim is to ensure that our partners operate in accordance with our Code of Conduct and fulfil our quality, safety and responsibility requirements. We only co-operate with suppliers that have been approved by our principles for supplier collaboration and make a group-level agreement with our most significant suppliers.

Raw materials for paint production as well as packaging materials are Tikkurila's main purchases. On the group-level, Tikkurila has approximately 500 local and international raw material and packaging material suppliers. More than 90 percent of the raw materials and packaging materials for Tikkurila's units in the EU are bought from the EU region. In Russia, more than 60 percent of all raw materials and packaging materials are bought from local suppliers. More than a third of Tikkurila's raw material and packaging material purchases are covered by a group-level agreement.

The aim of Tikkurila's sourcing is to ensure smooth co-operation with suppliers and to guarantee precise deliveries with right quantities and quality. Sourcing works in close co-operation with R&D in the selection of raw materials and suppliers. Tikkurila's principles for supplier collaboration define our expectations with regards to quality, safety and the environment as well as to procurement matters from the selection and assessment of suppliers to the continuous improvement of the co-operation. Tikkurila monitors and assesses the supplier collaboration on regular basis through an evaluation process.

Since 2013, Tikkurila has systematically audited its suppliers. Between 2013 and 2015, we have audited 29 suppliers concentrating on the suppliers' order, delivery and production processes, quality control measures, environmental and safety aspects as well as the suppliers' social responsibility and ethical business practices. Furthermore, we discuss with them the principles of our Code of Conduct and our Corporate Responsibility program.

Our aim is to continuously develop our own procurement processes and practices as well as the co-operation with our goods and services providers. In 2015, we have trained our sourcing personnel, developed our internal processes and reporting and improved the traceability of our raw materials. In 2016, we will concentrate on cost-efficiency as well as developing our reporting and the traceability of raw materials, making our evaluation and auditing processes more efficient and work on our co-operation with our business partners.

SHARES AND SHAREHOLDERS

At the end of 2015, Tikkurila's share capital was EUR 35.0 million, and the total number of registered shares was 44,108,252. At the end of 2015, Tikkurila held 2,461 treasury shares.

According to Euroclear Finland Oy's register, Tikkurila had a total of some 20,500 shareholders on December 31, 2015. 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 16.11. In January–December, the volume-weighted average share price was EUR 16.94, the lowest price EUR 14.15, and the highest price EUR 19.50. At the end of December, the market value of Tikkurila Oyj's shares was EUR 710.5 million. During January–December, a total of 11.4 million Tikkurila shares, corresponding to approximately 25.9 percent of the number of shares, were traded on NASDAQ OMX Helsinki Ltd. The value of the traded volume was EUR 193.7 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 100,450 shares on December 31, 2015, 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 102,564 shares on December 31, 2015, which is about 0.2 percent of the share capital and votes. Up-to-date information concerning the holdings of Tikkurila statutory insiders is available at 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 9 at www.tikkurilagroup.com/investors.

DECISIONS OF THE ANNUAL GENERAL MEETING

Matters relating to the Annual General Meeting

The Annual General Meeting of Tikkurila Oyj approved on March 25, 2015, the Financial Statements for 2014 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 2014. 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 27, 2015. The dividend was paid on April 9, 2015.

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

The Annual General Meeting decided that the annual remuneration of the members of the Board of Directors will be slightly increased. The annual remuneration to the members of the Board of Directors will be as follows: EUR 64,000 for the Chairman, EUR 40,000 for the Vice Chairman and the Chairman of the Audit Committee, and EUR 32,000 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, 2015. 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. If a member participates in a meeting via telephone or video connection the remuneration will 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.

Authorization to repurchase own shares and to decide on the issuance of shares

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, 2016.

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, 2016.

Decisions by the Board of Directors

In its meeting held on March 25, 2015, 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 157.8 million on December 31, 2015: reserve for invested unrestricted equity totaled EUR 40.0 million and retained earnings totaled EUR 117.8 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, 2015, and that the rest be retained in the unrestricted equity. The proposed dividend totals about EUR 35.3 million, which corresponds to approximately 85 percent of the Group's net profit for 2015. It is proposed that the record date for the payment of the dividend will be April 8, 2016, and that the dividend will be paid on April 15, 2016.

ANNUAL GENERAL MEETING 2016

The Annual General Meeting of Tikkurila Oyj will be held at 1:00 p.m. on Wednesday, April 6, 2016 at the Finlandia Hall (address: Mannerheimintie 13, 00100 Helsinki). The report of the Board of Directors and Financial Statements will be available on week 9 at www.tikkurilagroup.com.

EVENTS AFTER THE REVIEW PERIOD

On January 14, 2016, Tikkurila Oyj received a notification, based on the Securities Markets Act, from Prudential Plc. According to the notification, the holding of Prudential Plc and its subsidiaries (M&G Group Limited, M&G Limited, M&G Investment Management Limited, and M&G Securities Limited) in shares of Tikkurila Oyj fell below the 1/20 (5%) threshold on January 13, 2016. After these transactions the holding of Prudential Plc and its subsidiaries in Tikkurila Oyj amounts to a total of 2,122,074 shares, which corresponds to 4.81 percent of the total amount of shares in Tikkurila Oyj and to a total of 1,613,512 voting rights, which corresponds to 3.66 percent of the total amount of votes in Tikkurila Oyj.

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:

Macroeconomic situation in Russia and its neighboring regions

The Russian economy shrank considerably last year. The situation continues to be uncertain in Russia, and the country's economy is expected to continue to shrink slightly during the current year due to the low price of oil and the economic sanctions, among others. If the price of oil remains at the current level of approximately USD 30 per barrel or decreases even further, the Russian economy may shrink even more than forecasted. In Russia, consumers' purchasing power has weakened, demand for Tikkurila's products has decreased and the focus of demand is shifting to lower price grade products. This kind of development may intensify if the weak economic situation prolongs. The development in Russia is also reflected in its neighboring regions and Ukraine, in particular. Thus far, the sanctions issued by the USA and the European Union on Russia have not had a considerable direct impact on Tikkurila's operations, but they may result in Tikkurila having to change its production and logistics structures in order to ensure competitiveness. In addition, the availability of financing has weakened and interest rates are high in the eastern markets, resulting in increased credit loss risks. Even though Tikkurila did not experience considerable credit losses, counterparty risks will increase in importance in the future and may hinder business operations or cause losses, although Tikkurila has a broad customer base.

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 exchange rate of the Russian ruble against the euro weakened by a third during 2015 compared to the average rate in 2014 and by approximately 60 percent compared to the average rate in 2013. This has had and will continue to have a considerable 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 strengthened significantly during last year, 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.

Risks related to the industry and operative activities

In the paint industry, competition has become increasingly fierce and the importance of price is highlighted amidst financial difficulties. For example, some companies in the construction industry or related fields have expanded their product range to paints as well in order to supplement their total range of services offered to professional customers, whose importance is increasing. In the future, this may impact the structure of Tikkurila's product portfolio and customer base, which in turn will affect profitability, for example. Tikkurila's sales volumes in SBU East and in the lower price grade products, in particular, have been declining for several years due to both the general economic situation and the tightening competition. This has had a negative impact on revenue and profitability and may weaken the development of operative efficiency and productivity in the future.

The overall digitization of society has accelerated, which may impact Tikkurila's logistics and product distribution channels in the future. It will also increase the opportunities available for end users of paint products to seek and select paint companies across geographical borders. Increased fluctuation in customer demand and better utilization of real-time information may also create needs to make structural changes in production technology and equipment in the future. Understanding customer needs will increase in importance in the future. Strong fluctuations in the business operations and a rapid technological change will pose additional challenges to the availability of skilled personnel and competence development. Securing and diversifying competence is essential for ensuring growth.

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 2015 Consolidated Financial Statements.

OUTLOOK FOR 2016

Growth in the EU region is forecasted to be steady but fairly low. The importance of the Western markets, particularly Sweden and Poland, is expected to increase further. The weak economic situation in Russia and the low level of ruble will make the operating environment difficult in 2016. In Russia, paint demand is expected to decrease and the relative market share of the lower price and quality grade products is expected to grow. Tikkurila is planning to increase its prices primarily in Russia, as well as to increase local manufacturing and raw material purchasing. Sales and marketing investments will continue in the previous years' manner in order to strengthen the market position. At the same time, increased operational efficiency and cost savings will be actively sought in all operations.

GUIDANCE FOR 2016

Tikkurila expects its revenue for the financial year 2016, with exchange rates as of the publication date of the financial statement release, to be at the same level as in 2015. EBIT excluding non-recurring items is expected to stay at 2015 level.

Group key figures

KEY PERFORMANCE INDICATORS

STATEMENT OF COMPREHENSIVE INCOME AND PROFITABILITY	2015	2014	2013
Revenue, EUR thousand	**584,112**	618,406	652,964
Foreign operations, EUR thousand	**485,972**	517,090	548,955
Operating profit, EUR thousand	**61,685**	63,703	71,468
% of revenue	**10.6**	10.3	10.9
Share of profit or loss of equity-accounted investees, EUR thousand	**398**	338	-137
Financial expenses (net), EUR thousand	**9,272**	754	4,289
% of revenue	**1.6**	0.1	0.7
Interest cover	**8.5**	112.4	21.9
Profit before tax, EUR thousand	**52,812**	63,287	67,042
% of revenue	**9.0**	10.2	10.3
Net profit for the period, EUR thousand	**41,493**	48,272	50,073
Return on investment (ROI), %	**25.8**	32.5	26.6
Return on equity (ROE), %	**21.4**	24.1	24.6
Return on capital employed (ROCE), %	**22.2**	22.9	23.5
Research and development expenses, EUR thousand	**11,245**	10,670	10,483
% of revenue	**1.9**	1.7	1.6

CASH FLOWS			
Cash flow from operations, EUR thousand	**48,490**	75,943	79,226
Disposals of businesses, PPE* and intangible assets, EUR thousand	**348**	2,056	1,064
Capital expenditure, EUR thousand	**20,193**	30,747	14,763
% of revenue	**3.5**	5.0	2.3
Cash flow after capital expenditure, EUR thousand	**32,648**	49,867	66,930
Cash flow return on investment (CFROI), %	**16.3**	24.4	24.2

STATEMENT OF FINANCIAL POSITION AND SOLVENCY			
Non-current assets, EUR thousand	**192,345**	197,250	210,771
Shareholders' equity (attributable to the owners of the parent), EUR thousand	**194,969**	192,658	208,083
Shareholders' equity including non-controlling interest, EUR thousand	**194,969**	192,658	208,083
Liabilities, EUR thousand	**186,472**	197,151	207,236
Total assets, EUR thousand	**381,441**	389,809	415,319
Interest-bearing financial liabilities, EUR thousand	**62,994**	73,135	77,792
Interest-bearing net liabilities, EUR thousand	**46,206**	47,359	48,621
Equity ratio, %	**51.1**	49.5	50.1
Gearing %	**23.7**	24.6	23.4
Interest-bearing financial liabilities (net) / EBITDA	**0.6**	0.6	0.5

PERSONNEL			
Personnel (average)	**3,193**	3,212	3,262
of whom in Finland	**607**	612	607

EXCHANGE RATES				
Key exchange rates (Dec 31)				
Russian Ruble	EUR/RUB	**80.6763**	72.3370	45.3246
Swedish Krona	EUR/SEK	**9.1895**	9.3930	8.8591
Polish Zloty	EUR/PLN	**4.2639**	4.2732	4.1543

SHARE PERFORMANCE INDICATORS			
Earnings per share, EUR, basic	**0.94**	1.10	1.14
Earnings per share, EUR, diluted	**0.94**	1.09	1.13
Dividend per share, EUR [1]	**0.80**	0.80	0.80
Dividend payout ratio, % [1]	**85.0**	73.0	70.5
Dividend yield, % [1]	**5.0**	5.5	4.0
Equity attributable to owners of the parent per share, EUR	**4.42**	4.38	4.72

* Property, plant and equipment [1] The dividend 2015 is the Board of Directors' proposal to Annual General Meeting to be held on April 6, 2016.

	2015	2014	2013
Weighted average number of shares (1,000)	**44,093**	44,054	44,108
Number of shares at the end of period (1,000)	**44,106**	44,029	44,108
Weighted average number of shares, adjusted for dilutive effect (1,000)	**44,106**	44,177	44,212
Number of shares at the end of period, adjusted for dilutive effect (1,000)	**44,109**	44,105	44,225
Equity attributable to owners of the parent, EUR thousand	**194,969**	192,658	208,083
Price per earnings per share (P/E) ratio	**17.1**	13.2	17.5
Share price, end of period, EUR	**16.11**	14.49	19.90
Share price, year high, EUR	**19.50**	20.71	20.90
Share price, year low, EUR	**14.15**	13.73	14.77
Share price, volume-weighted year average, EUR	**16.94**	17.66	17.12
Market capitalization at the end of period, EUR million	**710.5**	638.0	877.8
Number of shares traded (1,000)	**11,432**	14,826	12,379
%, of weighted average number of shares	**25.9**	33.7	28.1

Definitions of key figures

OPERATING PROFIT (LOSS), %

$$\frac{\text{Operating profit (loss)}}{\text{Revenue}} \times 100$$

INTEREST-BEARING NET LIABILITIES

Interest-bearing liabilities - cash and cash equivalents

EQUITY RATIO, %

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

GEARING, %

$$\frac{\text{Interest-bearing financial liabilities (net)}}{\text{Total equity}} \times 100$$

INTEREST COVER

$$\frac{\text{Operating profit + depreciation, amortization and impairment losses}}{\text{Financial expenses (net)}}$$

RETURN ON INVESTMENT (ROI), %

$$\frac{\text{(Profit before tax + interest and other financial expenses)}}{\text{(Total equity + interest-bearing liabilities)*}} \times 100$$

RETURN ON EQUITY (ROE), %

$$\frac{\text{Net profit for the period}}{\text{Total equity *}} \times 100$$

CASH FLOW RETURN ON INVESTMENT (CFROI), %

$$\frac{\text{Cash flow from operations}}{\text{(Total assets - non-interest-bearing liabilities)*}} \times 100$$

RETURN ON CAPITAL EMPLOYED (ROCE), %

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

* Average of January 1, and end of the year
** Average during the period

DIVIDEND YIELD

$$\frac{\text{Dividend per share}}{\text{Share price at end of the period}} \times 100$$

PRICE / EARNINGS RATIO (P/E)

$$\frac{\text{Share price at the end of period}}{\text{Earnings per share (EPS)}}$$

EQUITY PER SHARE

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

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

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

DIVIDEND PAYOUT RATIO

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

SHARE PRICE, VOLUME-WEIGHTED YEAR AVERAGE

$$\frac{\text{EUR amount traded during the period}}{\text{Number of shares traded during the period}}$$

MARKET CAPITALIZATION AT THE END OF PERIOD

Number of shares at the end of period x share price, end of period

SHARE TURNOVER, %

$$\frac{\text{Number of shares traded during the period}}{\text{Weighted average number of shares}} \times 100$$

NUMBER OF SHARES AT THE END OF PERIOD

Number of shares issued - treasury shares

INTEREST-BEARING FINANCIAL LIABILITIES (NET) / EBITDA

$$\frac{\text{Interest-bearing financial liabilities (net)}}{\text{Operating profit + depreciation, amortization and impairment losses}}$$

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

Consolidated statement of comprehensive income (IFRS)

EUR thousand	Note	**Jan 1 - Dec 31, 2015**	Jan 1 - Dec 31, 2014
Revenue		**584,112**	618,406
Other operating income	7	**4,752**	5,979
Change in inventories of finished goods and work in progress		**2,247**	-4,071
Materials and services		**-289,053**	-303,101
Personnel expenses	8	**-104,599**	-106,459
Depreciation, amortization and impairment losses	9	**-17,332**	-21,029
Other operating expenses	10	**-118,442**	-126,022
Operating profit		**61,685**	63,703
Financial income	12	**5,425**	25,588
Financial expenses	12	**-14,696**	-26,342
Share of profit or loss of equity-accounted investees	18	**398**	338
Profit before tax		**52,812**	63,287
Income tax	13	**-11,319**	-15,015
Net profit for the period		**41,493**	48,272
Other comprehensive income	26		
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit plans		**291**	-3,633
Income taxes relating to items that will not be reclassified to profit or loss		**-86**	816
Total items that will not be reclassified to profit or loss		**205**	-2,817
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets		**-2,350**	-303
Foreign currency translation differences for foreign operations		**-2,111**	-23,131
Income taxes relating to items that may be reclassified subsequently to profit or loss		**438**	27
Total items that may be reclassified subsequently to profit or loss		**-4,023**	-23,407
Total comprehensive income for the period		**37,675**	22,048
Net profit attributable to:			
Owners of the parent		**41,493**	48,272
Non-controlling interest		**-**	-
Net profit for the period		**41,493**	48,272
Total comprehensive income attributable to:			
Owners of the parent		**37,675**	22,048
Non-controlling interest		**-**	-
Total comprehensive income for the period		**37,675**	22,048
Earnings per share of the net profit attributable to owners of the parent			
Basic earnings per share (EUR)	14	**0.94**	1.10
Diluted earnings per share (EUR)	14	**0.94**	1.09

Consolidated statement of financial position (IFRS)

ASSETS			
EUR thousand	Note	**Dec 31, 2015**	Dec 31, 2014
Non-current assets			
Goodwill	16, 17	**71,925**	72,459
Other intangible assets	16	**19,395**	18,363
Property, plant and equipment	15	**89,397**	90,348
Equity-accounted investees	18	**816**	812
Available-for-sale financial assets	20	**1,095**	3,240
Non-current receivables	21	**2,924**	4,261
Defined benefit pension and other long-term employee benefit assets	30	**52**	-
Deferred tax assets	25	**6,741**	7,767
Total non-current assets		**192,345**	197,250
Current assets			
Inventories	19	**78,395**	73,690
Interest-bearing current assets	22	**610**	578
Trade and other non-interest-bearing receivables	23	**88,299**	87,167
Current tax assets		**5,004**	5,348
Cash and cash equivalents	24	**16,788**	25,776
Non-current assets held for sale	6	**-**	-
Total current assets		**189,096**	192,559
Total assets		**381,441**	389,809

EQUITY AND LIABILITIES			
EUR thousand	Note	**Dec 31, 2015**	Dec 31, 2014
Equity			
Share capital	26	**35,000**	35,000
Other reserves	26	**42**	42
Fair value reserve	26	**-**	1,880
Reserve for invested unrestricted equity	26	**40,000**	40,000
Treasury shares	26	**-42**	-1,606
Translation differences	26	**-41,756**	-39,613
Retained earnings		**161,725**	156,955
Equity attributable to owners of the parent		**194,969**	192,658
Non-controlling interest		**-**	-
Total equity		**194,969**	192,658
Non-current liabilities			
Interest-bearing non-current liabilities	27	**50,161**	60,346
Other non-current liabilities	29	**103**	38
Defined benefit pension and other long-term employee benefit liabilities	30	**25,581**	27,562
Provisions	31	**581**	451
Deferred tax liabilities	25	**6,940**	8,117
Total non-current liabilities		**83,366**	96,514
Current liabilities			
Interest-bearing current liabilities	28	**12,832**	12,789
Trade and other non-interest-bearing payables	29	**89,172**	85,828
Provisions	31	**536**	437
Current tax liabilities		**566**	1,583
Liabilities classified as held for sale	6	**-**	-
Total current liabilities		**103,106**	100,637
Total equity and liabilities		**381,441**	389,809

Consolidated statement of cash flows (IFRS)

CASH FLOW FROM OPERATING ACTIVITIES

EUR thousand	Note	**Jan 1 - Dec 31, 2015**	Jan 1 - Dec 31, 2014
Net profit for the period		**41,493**	48,272
Adjustments for:			
Non-cash transactions			
Depreciation, amortization and impairment		**17,332**	21,029
Employee pension benefits		**-1,742**	-775
Change in provisions		**229**	-362
Gain on sale of PPE* and intangible assets		**-2,568**	-2,144
Loss on sale of PPE* and intangible assets		**80**	158
Other items		**2,521**	4,806
Dividend income		**-96**	-112
Interest expenses and other financial expenses		**2,226**	6,424
Interest income and other financial income		**-760**	-1,312
Share of profit or loss of equity-accounted investees		**-398**	-338
Exchange rate differences of financing		**7,902**	-4,245
Income tax for the period		**11,319**	15,015
Funds from operations before change in net working capital		**77,538**	86,416
Change in net working capital			
Change in inventories		**-8,464**	6,797
Change in trade and other receivables		**-6,691**	7,490
Change in trade and other payables		**4,411**	-8,039
Change in net working capital		**-10,744**	6,248
Interest and other financial expenses paid		**-7,211**	-7,004
Interest and other financial income received		**360**	9,572
Income tax paid		**-11,453**	-19,289
Total cash flow from operations		**48,490**	75,943
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of businesses, net of cash acquired	5	**208**	-14,401
Acquisition of property, plant and equipment		**-15,513**	-15,211
Acquisition of intangible assets		**-4,888**	-1,135
Disposal of associates		**-**	439
Disposal of subsidiaries, net of cash disposed of	5	**50**	734
Proceeds from sale of available-for-sale financial assets		**2,490**	1,253
Proceeds from sale of property, plant and equipment		**298**	879
Proceeds from sale of intangible assets		**-**	4
Repayments of non-current loan receivables (+)		**1,003**	957
Dividends received		**510**	405
Net cash used in investing activities		**-15,842**	-26,076
Cash flow before financing		**32,648**	49,867

* Property, plant and equipment

CASH FLOW FROM FINANCING ACTIVITIES

EUR thousand	Note	**Jan 1 - Dec 31, 2015**	Jan 1 - Dec 31, 2014
Proceeds from non-current borrowings (+)		**50,000**	-
Repayments of non-current borrowings (-)		**-60,000**	-2,364
Current financing, increase (+)		**137,198**	77,862
Current financing, decrease (-)		**-136,336**	-83,167
Payment of finance lease liabilities (-)		**-530**	-566
Dividends paid		**-35,285**	-35,287
Acquisition of own shares		**-43**	-2,016
Other		**3,452**	-7,629
Net cash used in financing activities		**-41,544**	-53,167
Net change in cash and cash equivalents		**-8,896**	-3,300
Cash and cash equivalents at Jan 1	24	**25,776**	29,171
Effect of exchange rate fluctuations on cash held		**92**	95
Cash and cash equivalents at Dec 31	24	**16,788**	25,776
Net change in cash and cash equivalents		**-8,896**	-3,300

Reconciliation of cash and cash equivalents is disclosed in Note 24 Cash and cash equivalents.

Consolidated statement of changes in equity

EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

EUR thousand	Note	Share capital	Other reserves	Fair value reserve	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
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	26	-	-	-242	-	-	-23,165	45,455	22,048	-	22,048
Adjustment arising from hyperinflation		-	-	-	-	-	-	-680	-680	-	-680
Share-based compensation		-	-	-	-	410	-	100	510	-	510
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
Equity at Jan 1, 2015		**35,000**	**42**	**1,880**	**40,000**	**-1,606**	**-39,613**	**156,955**	**192,658**	**-**	**192,658**
Total comprehensive income for the period	**26**	**-**	**-**	**-1,880**	**-**	**-**	**-2,143**	**41,698**	**37,675**	**-**	**37,675**
Adjustment arising from hyperinflation		**-**	**-**	**-**	**-**	**-**	**-**	**-293**	**-293**	**-**	**-293**
Share-based compensation		**-**	**-**	**-**	**-**	**1,607**	**-**	**-1,350**	**257**	**-**	**257**
Acquisition of treasury shares		**-**	**-**	**-**	**-**	**-43**	**-**	**-**	**-43**	**-**	**-43**
Dividends paid		**-**	**-**	**-**	**-**	**-**	**-**	**-35,285**	**-35,285**	**-**	**-35,285**
Equity at Dec 31, 2015		**35,000**	**42**	**-**	**40,000**	**-42**	**-41,756**	**161,725**	**194,969**	**-**	**194,969**

DISTRIBUTABLE EQUITY OF THE PARENT (FAS)

EUR thousand	**2015**	2014
Reserve for invested unrestricted equity	**40,000**	40,000
Retained earnings	**76,588**	62,980
Net profit for the period	**41,236**	48,935
Total	**157,824**	151,915

1. ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

BASIC INFORMATION

Tikkurila Oyj is a Finnish public limited company domiciled in Vantaa and the registered address is Kuninkaalantie 1, FI-01300 Vantaa, Finland. Tikkurila Oyj is the parent company of Tikkurila Group. Tikkurila's share is listed on NASDAQ OMX Helsinki since March 26, 2010.

Tikkurila provides consumers and professionals with user-friendly and sustainable solutions for surface protection and decoration. Tikkurila is a strong regional company, whose aim is to be the leading provider of paint-related architectural solutions for consumers and professionals in the Nordic area and Russia. Tikkurila Group has organized its business operations into two strategic business units defined geographically: SBU West and SBU East. In the 2015 financial year, Tikkurila Group's revenue amounted to EUR 584.1 million and the average number of personnel was 3,193. The Group operates in 16 countries and has production facilities in 10 countries.

The Board of Directors of Tikkurila Oyj has approved the financial statements for publication at its meeting of February 8, 2016. In accordance with the Finnish Limited Liability Companies Act, the shareholders can approve or reject the financial statements or make a decision on altering the financial statements in the Annual General Meeting arranged after its publication. A copy of the financial statements and annual report is available from the company's headquarters at Kuninkaalantie 1, 01300 Vantaa and at www.tikkurilagroup.com.

BASIS OF PREPARATION

Tikkurila Oyj's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as with the related SIC and IFRIC Interpretations, in force as at December 31, 2015. International Financial Reporting Standards are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also comply with the Finnish Accounting Act and Ordinance and the Finnish Limited Liability Companies Act. Tikkurila Oyj prepared its first IFRS accordant financial statements for the financial year 2008.

The consolidated financial statements are prepared under the historical cost convention except for the financial liabilities and assets recognized at fair value through profit or loss, available-for-sale financial assets and assets and liabilities classified as held for sale in accordance with IFRS 5 at the closing date. In addition, the Group has applied in accordance with IAS 29, the index adjusted historical cost less accumulated depreciations of non-monetary items reported by its subsidiary in Belarus. These were adjusted by the change in general price index from the date of acquisition to the end of reporting period.

The functional and presentation currency of the parent company, Tikkurila Oyj, is euro, which is also the presentation currency of the consolidated financial statements. All financial information presented in euros has been rounded to the nearest thousands, except when otherwise indicated. Due to rounding differences, the figures in the tables do not necessarily match the total of the table when added up. The financial year of the parent and subsidiaries is the calendar year ending December 31.

Tikkurila Group has applied the following new and revised standards and interpretations since January 1, 2015, which affect the reported data or data that will be reported in the future:

- Amendments to IAS 19 Employee benefits -Defined Benefit Plans: Employee Contributions (effective for financial years beginning on or after July 1, 2014). Amendment permits the contributions from employees or third parties that are independent of the number of years of service, to be recognized as reduction of the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. If the amount of contribution depends on the number of years of service, then contributions are required to be attributed to periods of service using the plan's contribution formula or a straight-line basis. This had not any effect on the Group's financial statements.

- Annual Improvements to IFRSs 2010-2012 and 2011-2013 (effective for financial years beginning on or after July 1, 2014). These annual improvements include amendments to total of nine standards. These had not any significant effect on the Group's financial statements.

Preparation of the consolidated financial statements in accordance with IFRS standards requires the Group management to use estimates and assumptions. These affect the amount of assets and liabilities at the time the consolidated statement of financial position is prepared, the amount of revenues and expenses for the reporting period and the amount of contingent assets and liabilities. It is possible that the actual figures differ from the estimates used in the financial statements.

In addition, the Group management uses its judgment in applying the accounting principles for the consolidated financial statements and in choosing the applicable accounting policies, if IFRS allow alternative methods.

The critical accounting estimates and judgments are described in more detail in Note 2 to the consolidated financial statements.

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the parent company, Tikkurila Oyj and all subsidiaries which are controlled by the Group. The goodwill of business combinations, that have taken place prior to 2003, corresponds with the book value of the accounting standards previously adopted by the Group. On the closing date, December 31, 2015, the Group consisted of 24 companies including the parent company and the Group had investment in one joint venture. The Group disposed its ownership in associate during the financial year 2014, thus not having any ownership in associates in financial year 2015.

Subsidiaries

The consolidated financial statements include the parent and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The power comprises the rights to direct the relevant activities. Companies acquired or established during the accounting period are fully consolidated from when the Group has gained control over the company until the date that such control ceases. The Group's subsidiaries are disclosed in Note 39.

All intra-group transactions, receivables, liabilities and unrealized gains and intra-group profit distribution between Group companies are eliminated. Unrealized losses are not eliminated when the loss is due to impairment.

The acquisition method is used to eliminate intra-Group shareholdings. The consideration transferred in business combination and the identifiable assets and liabilities of the acquired company are valued at fair value at the time of the acquisition. All acquisition related costs are immediately recognized as expense. If the costs related to the acquisition include costs from issuing debt instruments or equity securities these are treated in accordance with the requirements of IAS 32 and IAS 39. Any possible additional purchase price (contingent consideration) is valued at fair value at the time of acquisition and is classified either as liability or equity. Contingent consideration classified as liability is valued at fair value at the end of each reporting period and the loss or profit generated from it, is recognized through profit or loss.

Non-controlling interests in business combination are valued either at fair value or at the amount that corresponds with the non-controlling interest's proportionate share of the identifiable net assets of the acquired business. The choice of valuation principle to be adopted is made separately for each acquisition.

In business combinations carried out in stages, the previously held equity interest is valued at fair value and the resulting gain or loss is recognized through profit or loss.

The profit or loss and the total comprehensive income for that period attributable to the owners of the parent company and non-controlling interest are presented in the statement of comprehensive income. The portion of equity attributable to non-controlling interest is stated as an individual item under equity in the statement of financial position. Total comprehensive income is attributable to the owners of the parent and to the non-controlling interest even if this results in the non-controlling interests having a negative balance.

Changes in the holding of Group subsidiaries that do not result in loss of control are accounted for as equity transactions. If the Group loses control in the subsidiary, the remaining investment is valued at fair value on the day the control is lost and the difference is recognized through profit or loss.

Associates

Associates are companies over which the Group exercises significant influence but not control, generally accompanying a shareholding of between 20-50 percent of the voting rights. Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognized at cost and thereafter adjusted for the post-acquisition change in the Group's share of the company's net assets. The goodwill generated from the acquisition of associates is included in the carrying amount of the investments. During financial year 2014 Tikkurila disposed its investment in associate. Associate was accounted for using the equity method until the date of disposal. No goodwill was included in this investment in associate.

The Group's share of its associates' profits or losses is recognized in proportion to the Group's holdings and presented in the statement of comprehensive income in line "Share of profit or loss of equity-accounted investees", after operating profit and financial items. The Group's share of changes of associates' other comprehensive income items is recognized in Group's other comprehensive income. Tikkurila's associate did not have any of these items. When the Group's share of losses in an associate exceeds its interest in the associate, the Group does not recognize further losses, unless it has committed to settle the obligations on behalf of the associate.

Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is contractually agreed sharing of control according to which the decisions about the relevant activities require the unanimous consent of the parties sharing contol. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each party. A joint venture is an arrangement in which the Group has rights to the net assets of the arrangement instead in joint operation the Group has rights to its assets and obligations for its liabilities. The Group is involved in one joint arrangement, which the Group has classified as a joint venture. While assessing the classification, the Group considered the structure of the arrangement, the legal form, the terms agreed by parties and other facts and circumstances.

Joint ventures

A joint venture is an arrangement where the Group has joint control with other parties and whereby parties have rights to the net assets of the arrangement. Joint ventures are accounted for using equity method. The Group's interest in joint venture, Alcro Parti AB, is initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses. The Group's share of profit or loss of joint venture is recognized in statement of consolidated comprehensive income line "Share of profit or loss of equity-accounted investees". The carrying amount of investment in joint venture is also adjusted with the Group's share of changes in joint venture's other comprehensive income. These items comprise remeasurements on defined benefit plans. No goodwill is included in this investment of joint venture.

TRANSLATION OF FOREIGN CURRENCY ITEMS

Items included in the financial statements of the Group's subsidiaries are measured in the currency of the financial environment in which each subsidiary primarily operates (functional currency). The Group's consolidated financial statements are presented in euro, which is the parent company's functional currency.

Foreign currency transactions

In their day-to-day accounting, Group companies translate foreign currency transactions into their functional currency at the exchange rates quoted on the transaction date. In preparation of financial statements monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Certain intra-group loan agreements are treated as part of the net investments because remittance has not been planned to carry out and it is not likely in the foreseeable future to receive remittance on them. Exchange rate differences related to such agreements are recognized in other comprehensive income and accumulated exchange rate differences are presented under equity in translation difference, net of tax, until the foreign subsidiary is disposed in full or part.

Exchange rate differences resulting from transactions denominated in foreign currencies and from the translation of monetary items are recognized in profit or loss. Exchange rate differences arising from operation-related items are accounted for as adjustments to sales and purchases. Foreign exchange gains and losses arising from financial items are included in financial income and expenses. Until the year-end 2014, the Group made currency forwards to hedge financing transactions and the Group's overall foreign currency position, foreign exchange rate differences associated with these are stated as well under financial income and expenses. The Group does not apply hedge accounting to manage risks related to financing transactions.

Translation of financial statements of foreign subsidiaries

In preparation of the consolidated financial statements the income and expenses as well as cash flow items of the foreign entities are translated to euro using average exchange rates for the period. Their statements of financial position are translated using the exchange rates at the end of the reporting period (closing rate). Resulting exchange differences are recognized in other comprehensive income and are included in equity in accumulated translation differences.

The exchange rate differences accumulated in equity are transferred to profit or loss as a reclassification adjustment as part of the gain or loss on disposal when the foreign entity is disposed of, totally or in part.

The fair value allocations made to the carrying amounts of the assets and liabilities of the acquired foreign entities and goodwill arising on these acquisitions are treated as assets and liabilities of the foreign entities and are translated into euros at the closing rate.

INDEX ACCOUNTING

Belarus has been classified as a hyperinflationary economy since December 2011. In accordance with standard IAS 29 Financial Reporting in Hyperinflationary Economies, the financial statement of the Group's subsidiary located in Belarus, IP Tikkurila, was restated. IP Tikkurila's financial statements are restated by using the general price index published by the national statistic committee of Republic Belarus. The values used in index accounting are:

Conversion factor used	
2015	1.11
2014	1.16

The components of the owners' equity, excluding retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arisen. Non-monetary items are restated. This restated cost or cost less depreciations is determined by adjusting its historical cost and accumulated depreciation with the change in a general price index from the date of acquisition to the end of reporting period.

In 2015 financial statements the monetary items are not restated with index, as they are translated into euro by using the exchange rate of Belarus ruble at the end of the reporting period. Other non-monetary items in the statement of financial position are restated with the index. The index conversion factor used to items of statement of comprehensive income is the index value at the end of the financial year divided by the average of the monthly indexes during the year. As a result of index restated effect on net monetary position, the gain or loss is recognized in financial items.

REVENUE RECOGNITION

Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership of the goods and control have been transferred to the buyer. In general, revenue is recognized at the time of delivery of the goods in compliance with the contract terms. The Group has as well consignment stock arrangements with some selected distributors in SBU East. In these cases the revenue is recognized as goods are taken out of the stock, distributor sells goods to its customer. Revenue from the services rendered is recognized in the period when the service has been performed. There are no such long-term projects in the Group for which the revenue would be recognized using the percentage-of-completion (POC) method.

Tikkurila's revenue mainly consists of selling different types of paints, coatings and fillers to retailers, industry and professional use. Revenue is also in a small extent generated from selling paint related services and equipment. The Group has own paint shops located in Sweden, Norway and Denmark, which primary customers consist on professionals.

Revenue includes the total invoicing value of products sold and services rendered less, as adjusting items, sales tax, discounts, rebates and foreign exchange differences arising from trade receivables.

Rent income is recognized in profit or loss in a straight-line method for the leasing period.

Tikkurila's paint production and marketing are based on extensive utilization of tinting. Tikkurila delivers the tinting machines needed for this to the retailers. Retailers often either lease or buy the machines from Tikkurila. The income from the sold tinting machines is recognized in revenue. The rent income from leased tinting machines, which agreements have been classified as operating leases, is included in revenue and is recognized in a straight-line method for the leasing period.

Dividends are recognized as income when the right to dividends has developed. The Group does not have considerable dividend income.

PENSION OBLIGATIONS

The Group has various pension plans in accordance with the local conditions and practices of the countries in which it operates. Pension plans are funded through contributions to insurance companies.

Pension plans are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the employees the benefits in question. All other plans not meeting the above criteria are classified as defined benefit plans. Contributions made to defined contribution pension plans are recognized in profit or loss in the periods during which services are rendered by employees.

In the Group, obligations under defined benefit plans are calculated separately for each plan. The amount recognized in the statement of financial position is the present value of the defined benefit obligation at the end of reporting period less the fair value of plan assets. Pension benefits are determined by using the Projected Unit Credit Method and resulting pension costs are recognized as expenses over the employee's service period, using actuarial calculations prepared annually by qualified actuaries. The rate used to discount the present value of post-employment benefit obligations is determined by reference to market yields on high quality corporate bonds or government bonds that have maturity dates approximating to the terms of the obligations and that are denominated in the currency in which the benefits will be paid.

Current service cost and net interest on the net defined benefit liability (asset) are recognized in profit or loss and presented in personnel expenses. Remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income in the period in which they arise. Remeasurements comprise actuarial gains and losses, the return on plan assets, excluding amounts included in net interest, and the effect of the asset ceiling, excluding amounts included in net interest. Those shall not be reclassified to profit or loss in subsequent periods.

If the plan is amended or curtailed, resulting past service cost is recognized in profit or loss at the earlier of the following dates: when the plan amendment or curtailment occurs or when the related restructuring costs or termination benefits are recognized.

OTHER LONG-TERM EMPLOYEE BENEFITS

Group's obligation related to long-service benefit plan is defined annually by applying the same method as used in calculation of defined benefit pension obligations. The service cost, net interest on net defined benefit liability and remeasurements of the net defined benefit liability are recognized in personnel expenses in profit or loss.

SHARE-BASED PAYMENTS

Based on the decisions of the Annual General Meetings, altogether 40% of the annual fixed remuneration of the members of the Board of Directors has been paid in Tikkurila Oyj shares. These shares granted for the Board members are recognized as an expense in the consolidated income statement based on the fair value of the shares at the time of the purchase of those shares.

Tikkurila Oyj's Board of Directors decided in February 2012 to establish a share-based commitment and incentive plan, in which had total of nine participants at the end of financial year 2015.

Plan includes three performance periods. The Board of Directors of Tikkurila Oyj will decide on the performance criteria of the plan and their targets at the beginning of each performance period. One precondition of the plan is that each participant acquires a certain amount of Tikkurila Oyj shares from the market at his/her own money and own risk.

A combination of shares and cash will be used for the remuneration, and the shares can be either acquired from the market or alternatively, the company can use any treasury shares it holds. The total amount of the remuneration is based on estimates of the future financial performance of the Group, and therefore, the estimated total remuneration will be updated when the forecasts will change. Moreover, the cash-settled portion will be revalued at the end of each review period to reflect the share price at that date. The valuation of the share-settled portion is based on the share price, adjusted for estimated future dividends, at the time of the acquisition of the shares each participant has made to become eligible for the plan. When estimating the deferred taxes in relation to the share-based plan, the main principle has been to take the impact of the cash-settled portion into account immediately with applying the current Finnish corporate income tax rate, whereas the potential deferred tax impact of the share-settled portion has not been recognized at the initial stage. The estimated total expense of this plan is booked as equal instalments over the period from the time of purchase of the shares of each participant until the estimate time of paying the remuneration.

A key employee participating in the plan has the possibility to earn a reward only in case the employment or service contract continues at least up until the payment dates defined in the terms and conditions of the plan and subject to that he/she still owns the shares originally purchased at the time of reward payment.

More information about share-based incentive plan is disclosed in Note 37 to the consolidated financial statements.

During 2014 Tikkurila Oyj's subsidiary Tikkurila Sverige AB made an acquisition, in conjunction with which two key employees of the acquired entity were granted call options to acquire a maximum of 9% of the acquired company's all shares. For this arrangement IFRS2 standard (Share-based Payments) has been applied so that the granted call options have been value based on Black & Scholes formula. The calculated total value of the options is expensed from the grant date until the first possible exercise date as equal installments.

More details of this option arrangement are found in Note 37.

CURRENT TAXES AND DEFERRED TAXES

The Group's tax expense comprises current tax of the Group companies calculated on the taxable profit for the period determined in accordance with the local tax rules, adjustments for the prior years' current tax and the change in deferred taxes. For transactions and other events recognized in profit or loss, any related tax effects are also recognized in profit or loss. For transactions and other events recognized outside profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognized either in other comprehensive income or directly in equity, respectively. The current tax charge in separate countries is calculated on the basis of the tax rate enacted at the reporting period.

Deferred tax assets and deferred tax liabilities are provided in the consolidated financial statements for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred taxes are neither accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction affects neither accounting result nor taxable profit or loss. Deferred tax assets are only recognized at estimated realizable amounts, i.e. to the extent that it is probable that taxable profit will be available in the future, against which temporary differences can be utilized. The tax rates in force on the date of the preparation of the financial statements, or adopted by the statement of the financial position date for the following financial year (substantively enacted by the end of the reporting period), are used in calculating deferred tax assets and liabilities. Deferred taxes have been recognized for undistributed earnings of foreign subsidiaries only if such distribution is probable within foreseeable future causing tax implications.

The most significant temporary differences arise from depreciations and amortizations of property, plant and equipment and intangible assets, defined benefit pension plans and from measuring the net assets at fair value in business combinations.

INTANGIBLE ASSETS

Goodwill

The goodwill generated in business combinations carried out after January 1, 2010, is recognized at the amount with which the consideration transferred, the share of non-controlling interest of the acquired entity and the previously purchased share combined exceed the fair value of the Group's share of acquired net assets.

Acquisitions carried out between January 1, 2003 and December 31, 2009 have been accounted for in accordance with previously effective IFRS 3 Business Combination -standard. In this case the difference between the cost of an acquisition over the fair value of the net assets acquired, calculated in proportion to the Group's holdings, determined at the date of acquisition is partly allocated to the identifiable assets and liabilities. Resulting excess is recorded as goodwill.

The acquisitions occurred prior to January 1, 2003 have been accounted for in accordance with regulations valid at the time. Goodwill that has been generated from acquisitions prior to January 1, 2003 has been recognized in the financial statements using the exchange rate at the time of the acquisition.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment at least annually. The test is carried out more frequently if there are indications of impairment of goodwill. Possible impairment losses are immediately recognized through profit or loss. For the testing purpose goodwill has been allocated to cash-generating units or, in case of an associate, the goodwill is included in the carrying amount of the associate in question. Tikkurila's cash-generating units (CGU) are Area East, Area Scandinavia, Area Finland, Area Central Europe ja Area South-East Europe.

Research and development costs

Tikkurila's research and development is considerably steered by environmental and safety aspects. A majority of research and development is connected with replacing solvent-borne paints with water-borne or low-solvent products. In addition, research and development is directed at new possible raw materials in paint production and researching of new and existing product formulas and product recipes. Research costs are recognized through profit or loss.

The Group's development costs fulfilling the capitalization criteria will be capitalized. There have not been such development costs during the financial year 2015 nor 2014. Development costs previously recognized as an expense are not capitalized in a subsequent period.

If the capitalization criteria are fulfilled, development costs are presented in other intangible assets and are to be amortized on a straight-line basis over their useful life of a maximum of eight years.

Salary costs and other directly attributable costs of the Group's employees working on the development of Enterprise resource planning system have been capitalized as part of the software cost in financial year 2015.

OTHER INTANGIBLE ASSETS

An intangible asset is initially capitalized in the statement of financial position at cost if the cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. Tikkurila's other intangible assets comprise, among others, software as well as brands, product names, marketing channels and customer relationships acquired through business combinations.

Intangible assets separated from goodwill, recognized in connection with acquisitions are recognized at fair value at the time of the acquisition.

Other intangible assets that have finite useful lives are carried at historical cost less accumulated amortization and accumulated impairment losses. They are amortized on a straight-line basis over their known or estimated useful lives. The amortization periods generally applied by the Group are:

• Brands	10 - 20 years
• Customer relationships	4 - 10 years
• Marketing channels	5 years
• Software	5 - 8 years

The amortization of intangible assets ends when the asset is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Gains and losses on sales and disposals are included in other operating income and in other operating expenses, respectively.

Borrowing costs are capitalized at the acquisition cost of the intangible asset if the asset meets the conditions of IAS 23 Borrowing Costs. In 2015, Tikkurila capitalized borrowing costs as part of the ERP costs. In 2014, Tikkurila did not have these types of intangible asset items.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at historical cost less cumulative depreciation and any impairment losses. If an item of property, plant and equipment consists of parts with different useful lives, each part is accounted for as a separate asset. In those cases the cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item and any remaining carrying amount of the replaced part is derecognized. Repair and maintenance costs are recognized in profit or loss as incurred.

Items of property, plant and equipment in acquired subsidiaries are recognized at fair value on the acquisition date.

Depreciation is calculated using the straight-line method based on the assets' estimated useful lives. Land is not depreciated. The depreciation periods generally applied by the Group are:

• Buildings and constructions	10 - 40 years
• Machinery and equipment	3 - 15 years

The depreciation of property, plant and equipment ends when it is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Gains and losses on sales and disposals are included in other operating income and in other operating expenses, respectively.

Borrowing costs are capitalized at the acquisition cost of property, plant and equipment if the asset meets the conditions of IAS 23 Borrowing Costs. In year 2015 or 2014, Tikkurila did not have these types of asset items.

LEASES

The Group as lessee

Leases of property, plant and equipment in which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are initially recognized in the statement of financial position at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. These assets are presented as part of the Group's property, plant and equipment and related finance lease liabilities are included in the interest-bearing financial liabilities. The finance lease rent paid, is divided into finance charge and liability repayment over the lease period. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation made on the leased assets and the finance charge related to the finance lease obligations are recognized in profit or loss. Depreciation is allocated over the shorter of the useful life of the asset and the lease term.

Leases in which the lessor retains the risks and rewards incidental to the ownership are accounted for as operating leases. Payments made under operating leases are recognized in profit and loss on a straight-line basis over the lease period.

The Group as lessor

Assets leased out by the Group under leases where substantially all the risks and rewards incidental to ownership are transferred to the lessee, are accounted for as finance leases. They are recognized as receivables at the amount equal to the Group's net investment in the leases. Finance income is recognized over the lease term so as to reflect a constant periodic rate of return on the net investment outstanding.

Assets leased under operating leases are included in the Group's property, plant and equipment. They are depreciated over their useful lives as Group' comparable property, plant and equipment in own use. Rental income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset (or a disposal group) as well as assets and liabilities associated with a discontinued operation are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The recognition criteria are considered to be met when: a sale is highly probable, the asset (or a disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary, the management is committed to the plan to sell the asset and the sale is expected to take place within one year from the date of classification.

As from classification date a non-current asset (or a disposal group) held for sale is generally measured at the lower of its carrying amount and fair value less costs to sell. Depreciating on these assets discontinues at the time of classification. Assets classified as held for sale, disposal groups, items recognized in other comprehensive income associated with the assets classified as held for sale as well as liabilities included in the disposal group are presented separately in the statement of financial position.

A discontinued operation is a component of the Group's business that has been disposed of or is held for sale. It represents a separate major line of business or geographical area of operations. The profit or loss of a discontinued operation is reported separately in the consolidated statement of comprehensive income.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The carrying amounts of the Group's non-current assets are reviewed at the end of each reporting period to determine whether there is any indication for impairment. If an indication for impairment exists, the recoverable amount of the asset or the cash-generating unit is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Annual impairment tests are always carried out for goodwill and intangible assets with indefinite useful lives, or intangible assets not yet available for use. Tikkurila has no intangible assets with indefinite useful lives.

An impairment loss is recognized, whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are immediately recognized in profit or loss. An impairment loss recognized in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. If there has been a positive change in the estimates used to determine an asset's recoverable amount since the last impairment loss was recognized, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognized. An impairment loss for goodwill is never reversed.

If the recoverable amount cannot be determined for individual asset items, the impairment is tested at the cash-generating unit level that is mainly independent of other units and whose cash flows can be separated and are mainly independent from the cash flows of other similar units. When testing annually the goodwill, which Tikkurila carries out each year during the fourth quarter and on the closing date for possible acquisitions carried out after this, the test is carried out at operating area level disclosed in Note 17. Goodwill impairment is tested by comparing the unit's recoverable amount with its carrying amount. The recoverable amount is defined as its value in use, which consists of the discounted future cash flows to the unit. The discount rate used is defined as WACC (the weighted average cost of capital), determined before taxes.

Paint demand typically varies in line with gross domestic product development which means that general economic trends affect paint demand. The costs related to Tikkurila's production are caused by raw materials, packaging materials, energy and wages. Changes in raw material prices affect the Group's profitability and accumulated cash flow. Tikkurila competes with a number of local, regional and international paint manufacturers. If competition tightens as a result of new players entering the market or changes in the market structure it can affect the Group's cash flows. The company management follows general economic development, changes in markets prices and changes in the competitive situation and analyzes their affect on the business operation and the value of assets. More detailed information on impairment testing in Note 17.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. The cost of ready purchased products consists of the purchase cost including direct transportation, processing and other costs. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct production costs and related appropriate production overheads and fixed general costs based on normal operating capacity. Cost is determined using the first-in, first-out (FIFO) method or the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The inventory acquired in connection with a business combination is valued at fair value.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset and a financial liability is recognized initially at fair value. Directly attributable transaction costs are included in the original cost, unless it is financial asset or liability recognized at fair value through profit or loss. All purchases and sales of financial assets and liabilities are recognized or derecognized using trade date accounting. Financial assets and liabilities of Tikkurila Group have been classified at initial recognition based on their purpose of use as financial assets and liabilities at fair value through profit or loss, loans and other receivables, available-for-sale financial assets and other financial liabilities (measured at amortized cost).

The Group derecognizes financial assets when it has lost its right to receive the cash flows or when it has transferred substantially all the risks and rewards to an external party. In the statement of financial position, investments with maturity over 12 months are included in non-current assets and investments with maturity date within 12 months in current assets. The Group removes a financial liability (or a part of it) from its statement of financial position only when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. Financial liabilities are classified as current if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

FINANCIAL ASSETS

Financial assets at fair value through profit or loss

Tikkurila classifies in this category such financial assets that are classified as held for trading. This category comprises those derivative instruments which are not guarantees and which do not meet the hedge accounting criteria. In Tikkurila Group all derivative agreements are classified as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing market participants in an arm's length transaction. The fair value of derivative agreements in public trading is determined using the market prices of the day at the end of reporting period. All of Tikkurila's derivative agreements, forward exchange contracts, are subject to public trading and forward exchange contracts are measured using the forward exchange market rates at the end of reporting date.

Derivative assets are presented under current accrued income and deferred expenses in the statement of financial position. Fair value changes, both realized and unrealized, are recognized in profit or loss in financial items in the period in which they arise. More information about derivative agreements in Note 33.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not hold them for trading or designate them as available-for-sale upon initial recognition. The most important individual item of the Group under this category is trade receivables. Loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

The Group has some trade receivables with maturity date greater than one year. These are discounted and the interest income of these is recognized in financial items as interest income based on the passage of time.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any other category. Available-for-sale financial assets are measured at fair value if it is considered that the fair value can be determined reliably. In such cases the unrealized fair value changes are recognized in other comprehensive income, net of tax. The gains and losses accumulated in equity in fair value reserve are transferred to profit or loss as a reclassification adjustment when the instrument is disposed of or when it is determined to be impaired so that an impairment loss is to be recognized.

The available-for-sale financial assets in Tikkurila Group mainly comprise the business supportive nature unlisted shares, for which fair values cannot be measured reliably and are thus measured at cost or at cost less impairment. The measurement of the shares for which the reliable fair value information has been available in the market, the Group has recognized the change in fair value at the end of every reporting period.

Available-for-sale financial assets are included in non-current assets.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, short-term highly liquid investments, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value, as well as bank overdrafts. Items classified as cash and cash equivalents have a maximum maturity of three months from the date of purchase. Bank overdrafts are presented in consolidated statement of financial position within current interest-bearing financial liabilities.

Impairment of financial assets
The Group assess at the end of each reporting period whether there is any objective evidence that a single financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The debtor's significant financial difficulties, payment delays and neglect can be considered as such objective evidence.

The impairment loss on trade receivables is recognized if there is objective evidence that a receivable will not be fully recovered. Objective evidence on impairment of trade and other receivables include, amongst others, significant financial difficulties of the debtor, and the neglect of payment due dates and payments. To define possible impairment of its trade receivables, the Group has group wide guidelines that are based on the overdue time of receivables. An impairment loss from trade receivables is recognized in consolidated statement of comprehensive income under other operating expenses. If a payment is later received from the impaired trade receivable, this received amount is recognized in profit or loss as a deduction other operating expense.

The impairment of the financial assets measured at amortized cost is determined by the difference in the present value between the carrying amount of the financial asset and the discounted future cash flows. Original effective interest rate is used in discounting. For items measured at fair value, the fair value determines the amount of impairment. The impairment losses on financial assets are recognized through profit or loss on financial items.

FINANCIAL LIABILITIES

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include derivatives not fulfilling the criteria set for hedge accounting. Financial liabilities at fair value through profit or loss are measured at fair value. Fair value changes, both realized and unrealized, are recognized in profit or loss in the period in which they arise and they are included in financial income or financial expenses. In the statement of financial position, derivative liabilities are shown under accrued expenses and deferred income. During the financial year 2014 and 2015, the Group has used currency forwards. According the decision made at the year-end 2014, the Group has decided not to enter into new derivative agreements. More information about derivatives is stated in Note 33.

Other financial liabilities
This category includes e.g. the Group's non-current and current interest-bearing financial liabilities and trade payables. Other financial liabilities are measured fair value based on the consideration received when the loan is withdrawn including the transaction costs. Later the liabilities are measured at amortized cost using the effective interest rate method.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset under IAS 23 Borrowing costs, are capitalized as part of the cost of that asset. Tikkurila Group has not had such acquired assets with capitalized borrowing costs in the financial years 2014. In financial year 2015, the development and construction of enterprise resourcing planning system qualified such asset and the borrowing costs are included as part of the cost. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that incurs in connection with the borrowing of funds.

PROVISIONS AND CONTINGENTLIABILITIES
A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be determined reliably. A restructuring provision is recognized only if a detailed and appropriate plan has been prepared for it and the plan's implementation has begun or it has been notified to those whom the restructuring concerns.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the time value of money is material, provisions will be discounted. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognized as a separate asset, but only when receipt of the compensation is virtually certain.

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the entity. Existing obligation that probably does not require a settlement or which amount cannot be reliably measured, is also considered a contingent liability. Contingent liabilities are disclosed in the notes to the consolidated financial statements.

RELATED PARTY TRANSACTIONS
Tikkurila Group's related parties include the parent company to the Group, Tikkurila Oyj, subsidiaries and associates as well as joint ventures. Related parties also include Tikkurila Oyj's members of the Board of Directors and Group's Board of Management, CEO and their family members.

Tikkurila follows the same commercial terms in its business with associates, joint ventures and other related parties as with third parties. The related party transactions are presented in the Note 38.

SEGMENT REPORTING
The Group uses in its internal and external reporting the geographically based business model and it has matrix organization. The geographical area based strategic business units ("SBU") of the organization structure are SBU West and SBU East.

Business operations that do not belong to the above mentioned segments and that are costs by nature and are related to the Group's and parent company's administration, are presented under the item "Tikkurila Common".

GOVERNMENT GRANTS
Tikkurila recognizes the government grants received for property, plant and equipment as deduction of the carrying amount of these assets. Grants are recognized when it is reasonable assurance that Group will comply the conditions attached to grants and it is reasonable assurance that grants will be received. The grants are recognized in profit or loss over the life of the asset as reduced depreciation expense. Individual subsidies of expense compensation type, for instance related to training that have been granted by institutions under public law or their related parties are treated as cost adjustments.

OPERATING PROFIT

IAS 1 Presentation of Financial Statements does not specify the concept of operating profit. Tikkurila Group has defined it as follows: operating profit is the net amount that comprises of the revenue added with other operating income and deducted by purchase cost adjusted with change in inventories of finished goods and work in progress, personnel expenses, depreciation, amortization and possible impairment losses and other operating expenses.

NON-RECURRING ITEMS

Tikkurila Group states separately non-recurring items in its consolidated statement of other comprehensive income. These are uncommon, non-recurring and significant items related to the company's normal operations. Such items include for instance received insurance compensations and their adjustments, received or paid penalties or their adjustments, or items related to business reorganizations such as items related to personnel dismissals or items related to the strategic based changes in organization structure as well as impairments of non-current assets and gains or losses on disposal of assets.

EQUITY

Ordinary shares are presented as equity. The expenses relating an issue or acquisition of equity instruments are presented as a deductible item of equity. If own shares are reacquired, the acquisition cost including the direct costs related to the acquisition is deducted from equity. The dividend distribution proposal made by the Board of Directors to the AGM is not recorded in the financial statements before the company's shareholders have confirmed it at the AGM.

ADOPTING NEW AND AMENDED IFRS STANDARDS AND INTERPRETATIONS

The IASB has issued the following new standards, interpretations and their amendments that Tikkurila Group has not yet adopted. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

New standards, amendments and interpretations approved in the EU

- Annual Improvements to IFRSs 2012-2014, September 2014 (effective for financial years beginning on or after January 1, 2016). The annual improvements include amendments to four standards. This is not expected to have any significant impact on the Group's forthcoming financial statements.

- Amendments to IAS 27 Equity Method in Separate Financial Statements (effective for financial years beginning on or after January 1, 2016). The amendments allow to use the equity method for accounting of subsidiaries, joint ventures and associates in separate financial statements prepared according the IFRS. This will not have any impact on the Group's forthcoming financial statements.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants (effective for financial years beginning on or after January 1, 2016). The bearer plants are to be accounted in accordance with IAS 16 and thus can be measured using either the cost model or the revaluation model, instead of measuring them at fair value. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41 e.g. measured at fair value less costs to sell. This will not have any impact on the Group's forthcoming financial statements.

- 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). The amendments to IAS 16 prohibit companies from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce presumption that revenue-based method of amortization is inappropriate. However, with the exception the revenue may be basis for amortization if the revenue and the consumption of the economic benefits of the intangible assets are highly correlated. This will not have any impact on the Group's forthcoming financial statements.

- 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). The amendments require business combination accounting to be applied to acquisition of interest in joint operations that constitutes a business. This is not expected to have any impact on Group's forthcoming financial statements.

- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative (effective for financial years beginning on or after January 1, 2016). Amendments aim to improve the guidance for presentation and disclosure requirements. It is stated that materiality is to be considered when assessing the disclosure requirements and subtotals in statements. Presentation of items of other comprehensive income arising from equity-accounted investments e.g. associates and joint ventures should be presented in aggregate as single line items based on whether or not items will be subsequently reclassified to profit or loss. This is not expected to have any significant impact on Group's forthcoming financial statements.

Amended standards, new standards and interpretations that have not yet been approved to be applied in the EU

- IFRS 9 Financial Instruments (effective for financial years beginning on or after January 1, 2018). The new standard replaces current standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments. The standard comprises three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through profit or loss. The classification depends on the company's business model and on the characteristics of cash flows based on agreement. The standard includes also a new expected credit loss model for calculating impairment on financial assets. According the new standard requirements for recognition and measurement of financial liabilities remain intact except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The guidance of hedge accounting included in IFRS 9 continues to distinguish three types of hedge accounting: cash flow hedges, fair value and net investment hedges. The requirement and definition of highly effective in accordance with current IAS 39 is replaced with the requirement of economic relationship between the hedging instrument and the hedged item. According to guidance the hedge ratio should reflect the actual quantity of hedging instrument in line with risk management practices in a company. The impact of the standard on Group's forthcoming financial statements is being assessed.

- 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 date to be later determined by the IASB). The amendments present guidance for accounting when it is a sale of assets or contribution between a parent and its associate or joint venture. If a transaction involves a business according the definition of IFRS 3, the full gain or loss resulting from it is recognized. If a transaction involves assets that do not constitute a business, the gain or loss is recognized in the parent's profit or loss only to the extent of the unrelated investors' interest in that associate or joint venture. This is not expected to have impact on Group's forthcoming financial statements.

- IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after January 1, 2018). The new standard on revenue recognition replaces IAS 11 Construction contracts, IAS 18 Revenue and related interpretations. Revenue is recognized when a customer obtains control of a good or service. This may take place on over time or at a point in time. The core principal is that company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled. There is introduced a 5-step approach to revenue recognition and measurement in standard. The new standard will increase disclosures required. The Group has analyzed IFRS 15 impact on some specific cases and continues this analysis further on year 2016.

2. CRITICAL ACCOUNTING ESTIMATES REQUIRING MANAGEMENT'S JUDGMENT

The preparation of financial statements requires management to make future estimates and assumptions. Actual results may differ from these estimates and assumptions. In addition, management uses judgment in applying the accounting principles and in choosing the applicable accounting policies, if IFRSs allow alternative methods. These estimates and assumptions and their application affect the income and expenses of the financial period and the result of the financial period, the assets and liabilities reported in the closing date and the contingent assets and liabilities presented in the notes. Revisions to accounting estimates and assumptions are recognized in the period in which the estimates and assumptions are revised and in all subsequent periods.

The estimates made in context of the preparation of financial statements are based on management's best judgment at the end of the reporting period. These judgments are made on the grounds of prior experiences and the most probable future assumptions at the end of the reporting period. Assumptions have been made for example of the effects that the economical development concerning the Group's line of business has on sale and cost level. The realization of the estimates and assumptions are continuously monitored. The categories that have either the highest estimated impact or uncertainty are presented below.

By the time of the publication of the financial statements the Group is not aware of such major sources of estimation uncertainty at the end of the reporting period nor of such key assumptions concerning the future that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

IMPAIRMENT OF ASSETS AND ESTIMATES RELATED TO VALUATION OF ASSETS

The impairment test of goodwill and other assets involves determining future cash flows which, with regard to the most significant assumptions, are based on gross margin levels, discount rates and the projected time period, as well as the growth rate assumptions for the time after the time period which affects the so-called terminal value. Major adverse developments in cash flows and individual components of discount rate, such as interest rate levels, risk premiums or financial structure, may lead to the recognition of an impairment loss. The sensitivity analysis connected to impairment testing is presented in Note 17 to the consolidated financial statements.

In financial year 2015 impairment losses recognized on property, plant and equipment were related to land area located in Ukraine. In financial year 2014 impairment losses were related to real estate located in Russia, as well as to buildings and machinery located in Germany, Poland and Finland. Impairment losses of intangible assets in financial year 2014 were related to software. The impairments have been presented in the Note 9. Depreciation, amortization and impairment losses.

In impairment testing the management has to estimate the indication of impairment using both external sources (like market reports, cost development, interest rate levels) and internal sources (like obsolete inventories, decisions on changes to the product selection). When analysing these sources and information and making conclusions, estimates are used.

Valuation of inventory requires some management assessment. Inventories are valued at the lower of cost or net realizable value. When determining the net realizable value the estimated selling price less the estimated direct costs needed to complete the sale and estimated costs required to finish the product are defined. When the carrying amount of inventory exceeds the net realization value an impairment of inventory is recognized.

Impairment is recognized for trade receivables if the management estimates that the carrying amount of the receivable does not correspond with its fair value. Indications of a possible impairment of trade receivables include the debtor's considerable financial difficulties, delayed payments and neglected payments.

The management also uses estimates when determining the useful life of property, plant and equipment and intangible assets for Tikkurila Group. If the useful life differs from the original estimate the annual amortization, depreciation is adjusted or impairment is recorded. Major part of Group's tangible non-current assets are linked to the buildings, machinery and equipment of the paint factories. In case Tikkurila would decide to close down some of the production facilities, or alternatively to refocus its production operations, the depreciation plans will be revised and potentially also the assets have to be revalued. In addition, these type of restructuring activities might lead to rehabilitation or other liabilities in the future.

Tikkurila has significant business and assets in Russia and its adjacent countries. The geopolitical and economic situation has deteriorated in these countries from 2014, and at the same time the local currencies have strongly depreciated against euro, which has influenced business risks, euro countervalues of Tikkurila's assets, and also the expected future cash flows. Moreover, in certain countries more restrictions have been introduced, via sanctions and limitations on trade and financial flows, which has not so far had a direct adverse impact on Group's business, but which in the future can further limit Tikkurila's business opportunities in these geographies. Tikkurila has applied updated forecasts and assumptions when carrying out the impairment testing for the relevant cash-generating unit at the end of 2015. The revised assumptions have been based on the available information at the time of testing, but in case there would be adverse changes to underlying assumptions or to the future performance of the business or to the general business environment, then in the coming financial periods the asset values might have to be impaired. Therefore, the management will constantly monitor the situation, and will regularly analyze various scenarios and their sensitivities.

BUSINESS COMBINATIONS

In business combinations the net identifiable assets of the acquired companies are measured at fair value. Taking into account Tikkurila Group's geographical operating area and the nature of its operations, it is possible that the fair value of the acquired companies or business operations and the related assets and liabilities cannot be reliably determined and that the value determination involves a lot of estimated items. In the case of a major acquisition, the estimated fair values of property, plant and equipment and intangible assets acquired and their estimated useful lives may have a significant effect on Tikkurila's result and statement of financial position. The net assets acquired in business combinations during the current and previous financial year are disclosed in Note 4 Business combinations and disposals of businesses. In financial year 2015 Tikkurila had no acquisitions. During 2014 Tikkurila made altogether three acquisitions, for which it paid a total of EUR 15.8 million as cash purchase considerations and as a consequence of these acquisitions the Group allocated as non-current assets EUR 8.2 million in goodwill and EUR 5.5 million in other intangible assets.

When evaluating the possible contingent consideration of the business operations acquired the Tikkurila Group management has to use estimations and assumptions on the future financial performance of the business operations acquired. If the assumptions as per which the contingent consideration has been valued at fair value at the time of acquisition change, these changes are recognized in profit or loss at the time of review. The contingent consideration is discounted to the present value at time of review using the target company specific WACC (weighted average cost of capital). The components arising from the changes in discount rate factors are recognized in Group in financing items.

If the Group plans to divest a business operation or sell some asset items, the management has to use consideration in determining the timing when the criteria according IFRS 5 are fulfilled and based on that asset, assets to be classified as non-current assets held for sale. In context of classification, the Group management use its estimation in order to assess the amount of possible impairment loss to be recognized if the carrying amount is above the fair value less costs to sell.

INCOME ADJUSTMENTS OR EXPENSES THAT ARE CONTINGENT UPON FINANCIAL RESULTS OR OTHER TARGETS

Tikkurila sells its products and services, especially in decorative paint business, mainly to external companies that are specialized in wholesale or retail trade. Often there are various frame, co-operation or delivery agreements where the parties have agreed on discounts, credits or other benefits that are tied to the volume or value of the deliveries or sales of certain product groups and that are granted afterwards. At the end of the reporting period the Group does not have actual periodic information of all the agreed performance criteria of all the customers, and hence also estimates are applied in accruing the relevant discounts or expenses.

A significant part of the employees of the Tikkurila Group have as part of their remuneration package a performance-based variable salary component, which is tied to pre-set financial and operational targets. When recognizing the expenses related to these bonus and other contingent rewards, judgement and estimates have to be partially applied, since the actual data on underlying performance criteria are not fully available at the time of the closing of the accounts. Moreover, the Group has had a share-based commitment and incentive plan since 2012 for selected Group management personnel. The expenses of this plan are recognized according to the IFRS 2 standard. Both the fulfillment of the share-based plan's target criteria and the development of Tikkurila's share price, which are basis for determining the final rewards, if any, will only be known after each performance period has ended; therefore estimates have to be used at the end of the reporting period to recognize expenses and other bookkeeping entries. Moreover, the final amount of share-based remuneration under the 2012 plan is always decided by the Tikkurila Oyj's Board of Directors based on its judgment, which may cause the final remuneration to deviate from the earlier estimates.

PROVISIONS

A provision is recognized when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. A provision can be recognized when the amount of the obligation can be determined reliably. Recognizing provisions requires the management's estimates, since the precise euro amount of obligations related to provisions is not known when preparing the financial statements. If the management estimates that no probable payment obligation arises the item is presented as a contingent liability in the financial statements. On the closing date, December 31, 2015, the provisions amounted to EUR 1.1 million. The corresponding figure in the 2014 financial statements was EUR 0.9 million. Provisions have been described in Note 31.

INCOME TAXES

For the recognition of deferred tax assets on tax losses and other items, management assesses the probability of a future taxable profit against which tax assets can be utilized. The Group has subsidiaries in several countries with different types of tax regulations. Estimating the total amount of income taxes at Group level requires significant consideration. Actual profits may differ from the forecasts and, in such case, the change will affect the taxes in future periods. The amount of deferred tax assets in the 2015 financial statements was EUR 6.7 million and the amount of confirmed tax losses carried forward from prior periods for which no deferred tax asset has been recognized was EUR 14.1 million.

PENSION OBLIGATIONS

In connection with the Group's defined benefit pension plans, the management has to estimate the liability (or receivable) recognized in the statement of financial position so that several estimates have to be made in terms of the present value calculation applied and to determine actuarial items. Assumptions include the discount rates used to measure assets and liabilities related to the plans, wage increase assumptions and life expectations. Some of the estimates used in the calculation are based on information from external actuaries. The actual outcome may differ from the original estimates and assumptions and these remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income in the period in which they arise. In Note 30 there is disclosed the sensitivity analysis regarding the change in discount rate and it's effect on the Group's defined benefit obligation.

3. SEGMENT INFORMATION

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.

In Tikkurila Group the chief operating decision maker, which is responsible for allocating the resources to the operating segments, has been identified as Tikkurila Management Board.

The Group's revenue from transactions with any single external customer does not exceed 10 percent of Tikkurila Group's total revenue.

REPORTABLE SEGMENTS 2015 EUR thousand	**SBU West**	**SBU East**	**Tikkurila common**	**Elimination**	**Total**
External revenue	**395,257**	**188,914**	**-**	**-59**	**584,112**
Depreciation, amortization and impairment losses	**10,329**	**6,840**	**163**	**-**	**17,332**
Operating profit (loss)	**53,234**	**13,572**	**-5,119**	**-2**	**61,685**
Non-allocated items					
Financial income					**5,425**
Financial expenses					**-14,696**
Share of profit or loss of equity-accounted investees					**398**
Profit before tax					**52,812**
Segment assets	**306,446**	**96,715**	**46,285**	**-68,005**	**381,441**
Investments in equity-accounted investees					**816**
Capital expenditure	**15,842**	**5,101**	**-**	**-**	**20,944**

REPORTABLE SEGMENTS 2014 EUR thousand	SBU West	SBU East	Tikkurila common	Elimination	Total
External revenue	382,450	235,983	-	-27	618,406
Depreciation, amortization and impairment losses	11,305	9,725	-	-	21,029
Operating profit (loss)	47,451	19,174	-2,922	-	63,703
Non-allocated items					
Financial income					25,588
Financial expenses					-26,342
Share of profit or loss of equity-accounted investees					338
Profit before tax					63,287
Segment assets	296,439	97,410	59,348	-63,388	389,809
Investments in equity-accounted investees					812
Capital expenditure	10,750	6,552	-	-	17,303

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 approximately 20 countries.

PERSONNEL BY SEGMENTS DURING THE PERIOD, AVERAGE

	2015	2014
SBU West	**1,648**	1,595
SBU East	**1,516**	1,587
Tikkurila common	**30**	30
Total	**3,193**	3,212

REVENUE BY DESTINATION

EUR thousand	2015	2014
Russia	**128,448**	175,681
Sweden	**151,678**	143,556
Finland	**98,140**	101,316
Poland	**68,417**	63,940
Other countries	**137,428**	133,913
Total	**584,112**	618,406

REVENUE BY PRODUCT GROUP

EUR thousand	2015	2014
Decorative paints	**486,447**	515,941
Industrial coatings	**97,665**	102,466
Total	**584,112**	618,406

NON-CURRENT ASSETS BY GEOGRAPHICAL LOCATION *)

EUR thousand	2015	2014
Russia	**27,720**	32,108
Sweden	**84,328**	85,231
Finland	**27,068**	23,591
Poland	**15,596**	12,500
Other countries	**26,821**	28,552
Total	**181,533**	181,982

*) Non-current assets consist of property, plant and equipment, intangible assets and investments in equity-accounted investees.

4. BUSINESS COMBINATIONS AND DISPOSALS OF BUSINESSES

ACQUISITIONS 2015

There were no acquisitions during the financial year 2015.

The purchase price of the acquisition of ISO Paint Group, acquisition carried out in October 2014, was adjusted according to the share purchase agreement. Therefore the total consideration transferred at the acquisition date was decreased by EUR 0.2 million - as well as the amount of goodwill recognized at the acquisition. The consideration was received in cash and it is presented in consolidated statement of cash flows in line business combinations.

ADJUSTED ACQUISITION COST

TOTAL PURCHASE CONSIDERATION

EUR thousand	
Fixed consideration paid at closing in October 2014	11,600
Consideration received in May 2015	-208
Total consideration	**11,392**
Goodwill	**5,167**

ACQUISITIONS 2014

KEFA DRYTECH AB

SBU West carried out an acquisition on June 2014. In the acquisition, Tikkurila's business segments in Sweden and Finland purchased the entire share capital of KEFA Drytech AB and acquired some other business related intangible assets. The acquired Swedish company manufactures and offers a wide range of products for protecting surfaces. The acquisition strengthened supporting technology for Tikkurila's product offering. Acquisition aimed to commercialize this technology in separate geographical business areas of Tikkurila. The purchase price was about EUR 2.4 million, of which majority was paid in cash at the acquisition. EUR 6 thousand, recognized in liabilities at closing, was paid during the third quarter. The purchase price adjustment of EUR 7 thousand was made and thus the total consideration increased compared to previously announced. Adjustments are presented in the purchase price allocation table below.

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

Purchase price allocation of KEFA Drytech AB is disclosed in the following table.

TOTAL PURCHASE CONSIDERATION

EUR thousand	
Fixed consideration paid at closing in June 2014	2,360
Purchase consideration paid in September 2014	13
Total consideration	**2,373**

RECOGNIZED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

EUR thousand	Fair values recognized on business combination
Property, plant and equipment	51
Intangible assets	
Customer relations	348
Trademarks	381
Deferred tax assets	46
Inventory	240
Trade and other receivables	316
Cash and cash equivalents	93
Total assets	**1,475**
Deferred tax liabilities	148
Provisions	209
Interest-bearing current liabilities	276
Trade and other payables	206
Total liabilities	**839**
Total identifiable net assets	**636**
Goodwill	1,737
Total	**2,373**
Acquisition-related costs	**58**

EUR 58 thousand of acquisition-related expenses were included in consolidated statement of comprehensive income in other operating expenses in financial year 2014.

Goodwill was recognized in acquisition, and it was linked to expected synergies regarding the expected future growth benefiting expanded product range and know-how of the personnel. Goodwill is not deductible for tax purposes.

If the acquisition of KEFA Drytech AB would have been carried out in the beginning of the year 2014, instead of June, 2014, Tikkurila's management estimated that it would have had roughly the following impact on Tikkurila Group's consolidated income statement:

- Revenue: Increase of round EUR 1.1 million
- Net result: Increase of EUR 0.0 million

The consolidated statement of comprehensive income 2014 included revenue of KEFA Drytech AB as of the time of acquisition amounting to EUR 0.8 million and net profit EUR 0.1 million.

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 complemented 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 did 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

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

RECOGNIZED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

EUR thousand	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.

Goodwill was recognized in acquisition, and it was linked to the 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 was EUR 0.6 million. The gross contractual amount for these receivables was EUR 0.7 million, of which EUR 0.1 million was 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 estimated 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

The consolidated statement of comprehensive income 2014 included revenue as of the time of acquisition EUR 0.2 million and net loss EUR 0.8 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 did not have a significant impact on the Group's consolidated statement of financial position, result or financial position.

Purchase price allocation of Täby Färg & Tapet AB is disclosed in the following table.

TOTAL PURCHASE CONSIDERATION

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

RECOGNIZED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

EUR thousand	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.

Goodwill was recognized in acquisition, and it was 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 estimated 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

The amount of revenue consolidated to the Group's consolidated statement of comprehensive income was EUR 0.5 million and net loss EUR 0.2 million in year 2014 as per acquisition.

DISPOSALS 2015

There were no disposals during the financial period 2015.

DISPOSALS 2014

At the end of March, Tikkurila sold its ownership, 45%, in Swedish associated company Happy Homes i Sverige AB. The cash flow effect of disposal was EUR 0.4 million. The loss on disposal, EUR 0.1 million, was recognized in other operating expenses.

5. SUPPLEMENTARY CASH FLOW INFORMATION FROM BUSINESS COMBINATIONS AND DISPOSAL OF BUSINESSES

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND BUSINESSES

EUR thousand	**2015**	2014
Acquisition of businesses		
Total purchase consideration	**-**	15,815
Cash and cash equivalents at acquisition date	**-**	-1,414
Returned share of consideration from the previous years' acquisitions	**-208**	-
Cash outflow on acquisition net of cash acquired	**-208**	14,401
Proceeds from the disposals of businesses and subsidiaries		
Cash inflow from the previous years' disposals	**50**	734
Cash inflow	**50**	734

6. NON-CURRENT ASSETS HELD FOR SALE

There were no assets held for sale at the year-end 2015 or 2014.

7. OTHER OPERATING INCOME

EUR thousand	2015	2014
Gains on sale of non-current assets	**128**	926
Gains on sale of available-for-sale financial assets	**2,441**	1,218
Insurance compensation	**201**	216
Rental income	**311**	323
Decrease on accrual of fine, set on Tikkurila for breach of competition law in Poland	**-**	1,750
Income on services provided to joint venture	**971**	923
Other income from operations	**700**	623
Total	**4,752**	5,979

In 2015 gains on sale of non-current assets consist mainly of sales of machinery and equipment. Gains on sales of non-current assets in 2014 consists of a sale of a recreational real estate and minority part include gains on sales of machinery and equipment.

In financial year 2015 the gain on sale of available-for-sale financial assets EUR 2.4 million was resulted on sale of Ekokem Oyj shares, the corresponding amount was EUR 1.2 million in financial year 2014. At the end of financial year 2015, the Group has no Ekokem Oyj shares in its possession.

Rental income is received mainly from leasing of premises in years 2015 and 2014.

8. PERSONNEL EXPENSES

EUR thousand	2015	2014
Wages and salaries	**-79,797**	-81,381
Share-based payments	**-1,005**	-678
Pension expenses for defined contribution plans	**-10,294**	-11,080
Pension expenses for defined benefit plans	**-1,267**	-1,378
Other personnel expenses	**-12,236**	-11,942
Total	**-104,599**	-106,459

Remuneration of Board of Directors and CEO of Tikkurila Oyj are disclosed in Note 38 Related parties.
Pension expenses for defined benefit plans are disclosed in Note 30 Pension obligations and other long-term employee benefits.

Personnel, average	2015	2014
Personnel in Finland, average	**607**	612
Personnel outside Finland, average	**2,586**	2,600
Total	**3,193**	3,212
Personnel at year-end	**3,100**	3,142

Group's personnel by segments is disclosed in Note 3 Segment information.

9. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

EUR thousand	2015	2014
Depreciation and amortization		
Intangible assets	**-3,369**	-3,383
Property, plant and equipment		
Buildings and constructions	**-3,084**	-3,506
Machinery and equipment	**-9,915**	-9,868
Other property, plant and equipment	**-893**	-1,027
Total	**-17,260**	-17,785
Impairment losses		
Intangible assets		
Other intangible assets	**-**	-612
Property, plant and equipment		
Land and water	**-72**	-1,627
Machinery and equipment	**-**	-37
Buildings and constructions	**-**	-968
Total	**-72**	-3,244
Total depreciation, amortization and impairment losses	**-17,332**	-21,029

In financial year 2015 impairment losses were recognized on land area in Ukraine.

In financial year 2014 impairment losses recognized on intangible assets were related to software. Impairment losses on property, plant and equipment were related to land area in Ukraine, real estate located in Russia and buildings and machinery located in Poland, Germany and Finland.

10. OTHER OPERATING EXPENSES

EUR thousand	2015	2014
Rents	**-12,738**	-12,793
Other voluntary personnel expenses	**-4,372**	-4,544
Sales and marketing	**-26,061**	-28,119
Repair and maintenance	**-8,513**	-8,616
IT and communication	**-5,044**	-5,131
Freights for goods sold	**-16,736**	-17,400
Professional fees	**-3,715**	-3,708
Transportation and travel	**-8,336**	-9,449
Energy, heating and water	**-4,804**	-5,259
Insurances excl. personnel insurances	**-1,102**	-944
Office expenses	**-1,891**	-2,232
Representation and membership fees	**-2,480**	-2,754
External services	**-14,581**	-14,491
Authority fees and environmental tax	**-1,381**	-1,608
Credit losses	**-1,770**	-1,617
Other expenses	**-4,918**	-7,357
Total	**-118,442**	-126,022
Audit fees[1)]:		
KPMG	**-431**	-412
Other audit firms	**-67**	-59
Tax advisory, KPMG	**-64**	-59
Tax advisory, other audit firms	**-2**	-7
Other services, KPMG	**-61**	-129
Other services, other audit firms	**-28**	-48
Total	**-653**	-714

[1)] Includes possibly invoiced out-of-the-pocket fees, like travelling expenses.

NON-RECURRING ITEMS IN FINANCIAL STATEMENTS

EUR thousand	**2015**	2014
Expenses		
Wages and salaries	**507**	-503
Other personnel expenses	**-196**	-185
Defined benefit and contribution pension expenses	**122**	-180
Other	**-6**	-68
Impairment losses:		
Other intangible assets	**-**	-612
Property, plant and equipment	**-72**	-2,632
Total	**355**	-4,180
Income		
Other operating income	**2,440**	3,724
Total	**2,440**	3,724
Total non-recurring items	**2,795**	-456

In financial year 2015, the non-recurring expenses are related to restructuring of operations in Finland and Sweden, as well as the impairment of the value of land area in Ukraine. In addition, the adjustment of personnel expenses due to the curtailment of long-service employee benefits, is presented as reduction of non-recurring expenses. Non-recurring items in other operating income comprises a gain on sale of available-for-sale financial assets EUR 2.4 million.

In financial year 2014, the non-recurring expenses were related to restructuring of operations and impairments in Sweden, Poland, Germany and Finland. The Group recognized impairment losses on a real estate located in Russia as well as impaired the value of land area in Ukraine. Non-recurring items in other operating income comprised the decrease on an accrual of fine, set on Tikkurila for breach of competition law in Poland in 2010 EUR 1.8 million, gain on sale of available-for-sale financial assets EUR 1.2 million and gain on sale of held for sale assets EUR 0.8 million.

11. RESEARCH AND DEVELOPMENT EXPENSES

EUR thousand	**2015**	2014
Research and development expenses total	**-11,245**	-10,670

Research and development expenses consist mainly of wages and salaries and other employee benefits.

12. FINANCIAL INCOME AND EXPENSES

EUR thousand	**2015**	2014
Financial income		
Dividend income from available-for-sale financial assets	**96**	112
Interest income from loans and other receivables	**324**	493
Other interest income	**18**	29
Exchange rate gains		
Exchange rate gains from financial assets at fair value through profit or loss	**443**	21,495
Exchange rate gains from loans and other receivables	**3,955**	2,341
Exchange rate gains from financial liabilities measured at amortized cost	**171**	328
Other financial income	**12**	40
Gain on net monetary position	**406**	750
Total	**5,425**	25,588

EUR thousand	**2015**	2014
Financial expenses		
Interest expenses from financial liabilities measured at amortized cost	**-1,217**	-1,571
Interest expenses from financial liabilities at fair value through profit or loss	**-144**	-3,864
Capitalized borrowing costs	**12**	-
Other interest expenses	**-1**	-3
Exchange rate losses		
Exchange rate losses from financial liabilities at fair value through profit or loss	**-318**	-4,176
Exchange rate losses from loans and other receivables	**-11,625**	-10,266
Exchange rate losses from financial liabilities measured at amortized cost	**-528**	-5,476
Other financial expenses	**-852**	-986
Impairment loss on available-for-sale financial assets	**-24**	-
Total	**-14,696**	-26,342
Total financial income and expenses	**-9,272**	-754

	2015	2014
Net financial expenses as a percentage of revenue	**1.6**	0.1
Net interests as a percentage of revenue	**0.2**	0.8

EUR thousand	**2015**	2014
Exchange rate gains and losses in financing items		
Realized	**-7,676**	9,029
Unrealized	**-226**	-4,783
Total	**-7,902**	4,246
Exchange rate gains and losses in operating profit		
Revenue	**104**	269
Materials and services	**-2,749**	-6,390
Total	**-2,645**	-6,121

At the end of year 2014 the Board of Directors of Tikkurila decided not to carry out in the future forward exchange agreements. From the beginning of financial year 2015, Tikkurila did not carry out any more derivative agreements and as a result of this amounts recognized on fair value through profit or loss items are less than in comparison year.

In June 2015, Tikkurila Group signed the new EUR 150 million long-term credit facility and term loan agreement with three banks and thus the transaction costs related to previous credit facility EUR 0.1 million was recognized immediately in profit or loss.

13. INCOME TAXES

EUR thousand	**2015**	2014
Current income tax charge	**-10,954**	-16,545
Adjustments for prior years	**174**	1,006
Deferred taxes	**-539**	524
Total	**-11,319**	-15,015
Income taxes recognized in other comprehensive income		
Items that will not be reclassified to profit or loss		
Deferred taxes		
Remeasurements on defined benefit plans	**-86**	816
Total tax items that will not be reclassified to profit or loss	**-86**	816
Items that may be reclassified subsequently to profit or loss		
Deferred taxes		
Available-for-sale financial assets, fair value changes	**470**	61
Net investment in foreign operations	**201**	59
Current taxes		
Net investment in foreign operations	**-233**	-93
Total tax items that may be reclassified subsequently to profit or loss	**438**	27
Total income taxes recognized in other comprehensive income	**352**	843

Reconciliation of taxes calculated according to the enacted tax rate with taxes in the statement of comprehensive income:

EUR thousand	**2015**	2014
Tax at parent's tax rate	**-10,563**	-12,657
Effect of different tax rates in foreign subsidiaries	**-333**	-639
Tax-exempt income	**171**	684
Non-deductible expenditure	**-1,015**	-1,137
Effect of changes in tax rates	**27**	15
Used tax losses, previously unrecognized	**19**	161
Current year losses for which no deferred tax asset was recognized	**-986**	-2,031
Taxes from previous financial years	**174**	1,006
Changes of deferred taxes related to previous years and current year temporary difference which no deferred taxes were recognized	**980**	-126
Effect of result of equity-accounted investees	**88**	74
Non-credited foreign withholding taxes	**-225**	-249
Other items	**344**	-116
Total taxes in the statement of comprehensive income	**-11,319**	-15,015

As of January 2016, the enacted corporate tax rate is 22% in Denmark. In financial statements 2015 the tax rate of 22% is applied to measure deferred taxes. As of January 2016, the Norwegian corporate income tax rate decreased to 25%. In financial statements 2015 the Norwegian deferred taxes are measured by using the substantially enacted corporate tax rate (25%).

The Danish corporate income tax rate decreased from 24.5% to 23.5% as of January 2015. In financial statements 2014, the Danish deferred taxes were mainly measured by using 23.5% corporate tax rate, regarding some items deferred taxes were measured by using the tax rate 22% effective as of January 2016. The Estonian corporate income tax rate decreased from 21% to 20% as of January 2015. In financial statements 2014 the tax rate of 20% was applied to measure deferred taxes.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the parent company and a weighted average number of ordinary shares outstanding.

When calculating the dilution effect, it has been assumed that the payments under the performance periods 2012-2014, 2013-2015 and 2014-2016 of the share-based commitment and incentive plan would be paid at the estimated level based on the terms and conditions of the plan, which might not be the final outcome, and that all the remuneration to be paid in shares would be based on new shares issued, even though it is also possible that those shares might be bought from the markets. Shares transferred to participants as per performance period 2012-2014 were acquired from the markets.

	2015	2014
Profit for the period attributable to the owners of the parent, EUR thousand	**41,493**	48,272
Weighted average number of ordinary shares (1,000)	**44,093**	44,054
Basic earnings per share (EUR / share)	**0.94**	1.10
Profit for the period attributable to the owners of the parent, EUR thousand	**41,493**	48,272
Weighted average number of ordinary shares (1,000)	**44,093**	44,054
Effect of share-based incentive plan (1,000)	**14**	122
Weighted average number of ordinary shares, adjusted for dilutive effect (1,000)	**44,106**	44,177
Diluted earnings per share (EUR / share)	**0.94**	1.09

Tikkurila Oyj has one class of shares that has no nominal value. The number of registered shares was 44,108,252 at end of the reporting period 2015, at the end of year 2014 44,108,252. The Group held 2,461 treasury shares on December 31, 2015. At the end of year 2014, the Group held 79,500 treasury shares.

15. PROPERTY, PLANT AND EQUIPMENT

EUR thousand	Land and water	Buildings and constructions	Machinery and equipment	Other property, plant and equipment*	Prepayments and non-current assets under construction	2015 Total
Acquisition cost at Jan 1, 2015	7,420	105,061	180,372	6,895	3,667	**303,414**
Other increases	233	4,138	6,704	753	3,748	**15,575**
Other decreases	-	-352	-1,781	-381	-	**-2,514**
Other changes	-	-2	83	-3	-23	**56**
Reclassifications	8	1,062	2,410	310	-3,791	**-2**
Exchange rate differences	-511	-1,448	-1,706	-600	-314	**-4,579**
Cost at Dec 31, 2015	**7,150**	**108,459**	**186,082**	**6,974**	**3,287**	**311,951**
Accumulated depreciation and impairment losses at Jan 1, 2015	-1,369	-66,670	-140,530	-4,498	**-**	**-213,067**
Accumulated depreciation relating to decreases and transfers	-	335	1,547	350	-	**2,232**
Depreciation during the financial year	-	-3,084	-9,915	-893	-	**-13,892**
Impairment losses	-72	-	-	-	-	**-72**
Exchange rate differences	358	406	1,084	396	-	**2,244**
Accumulated depreciation and impairment losses at Dec 31, 2015	**-1,083**	**-69,013**	**-147,814**	**-4,645**	**-**	**-222,555**
Net carrying amount at Jan 1, 2015	**6,051**	**38,391**	**39,842**	**2,397**	**3,667**	**90,348**
Net carrying amount at Dec 31, 2015	**6,067**	**39,446**	**38,268**	**2,329**	**3,287**	**89,397**

EUR thousand	Land and water	Buildings and constructions	Machinery and equipment	Other property, plant and equipment*	Prepayments and non-current assets under construction	2014 Total
Acquisition cost at Jan 1, 2014	8,022	112,146	183,236	8,857	5,011	**317,271**
Acquisition through business combinations	124	1,822	1,068	1	-	**3,015**
Other increases	33	1,778	7,691	961	5,705	**16,168**
Other decreases	-	-1,446	-3,937	-245	-	**-5,628**
Other changes	-	1	-2	-1	-16	**-18**
Reclassifications	458	1,992	2,641	243	-5,336	**-2**
Exchange rate differences	-1,217	-11,232	-10,325	-2,921	-1,697	**-27,392**
Cost at Dec 31, 2014	**7,420**	**105,061**	**180,372**	**6,895**	**3,667**	**303,414**
Accumulated depreciation and impairment losses at Jan 1, 2014	-69	-66,796	-140,756	-5,435	-	**-213,056**
Accumulated depreciation relating to decreases and transfers	-	1,446	3,560	218	-	**5,224**
Depreciation during the financial year	-	-3,506	-9,868	-1,027	-	**-14,402**
Impairment losses	-1,627	-968	-37	-	-	**-2,632**
Exchange rate differences	327	3,154	6,572	1,746	-	**11,799**
Accumulated depreciation and impairment losses at Dec 31, 2014	**-1,369**	**-66,670**	**-140,530**	**-4,498**	**-**	**-213,067**
Net carrying amount at Jan 1, 2014	**7,952**	**45,350**	**42,479**	**3,423**	**5,011**	**104,215**
Net carrying amount at Dec 31, 2014	**6,051**	**38,391**	**39,842**	**2,397**	**3,667**	**90,348**

* Other property, plant and equipment include for example shelters, improvements on leasehold premises and pavements.

Contractual commitments for the acquisition of property, plant and equipment is disclosed in Note 36 Commitments and contingent liabilities.

In financial year 2015 the majority of the prepayments and non-current assets comprised the projects related to buildings located in Poland, Russia and Finland.

At the end of the financial year 2014 prepayments and non-current assets under construction comprised as biggest separate projects a project aiming to widen the product range manufactured in Russia, EUR 0.5 million, and a project of re-organizing the logistic function EUR 0.6 million. Other projects in process related to maintenance and upgrading of buildings and production technology.

ASSETS LEASED UNDER FINANCE LEASES

Property, plant and equipment include assets leased under finance lease as follows:

EUR thousand	Machinery and equipment	Motor vehicles	**Total**
Dec 31, 2015			
Acquisition cost	1,305	690	**1,995**
Accumulated depreciation	776	500	**1,276**
Net carrying amount	**529**	**190**	**718**

Dec 31, 2014			
Acquisition cost	1,247	932	**2,179**
Accumulated depreciation	513	554	**1,067**
Net carrying amount	**734**	**378**	**1,112**

16. INTANGIBLE ASSETS

EUR thousand	Goodwill	Other intangible assets	Prepayments and non-current assets under construction	**2015 Total**
Acquisition cost at Jan 1, 2015	71,074	61,698	299	**133,071**
Acquisition through business combinations	-208	-	-	**-208**
Other increases	-	66	5,040	**5,106**
Other decreases	-	-344	-	**-344**
Other changes	-	2	-2	**-**
Reclassifications	-	937	-935	**2**
Exchange rate differences	-326	-729	-6	**-1,061**
Cost at Dec 31, 2015	**70,540**	**61,630**	**4,396**	**136,566**
Accumulated amortization and impairment losses at Jan 1, 2015	1,385	-43,635	-	**-42,250**
Accumulated amortization relating to decreases and transfers	-	344	-	**344**
Amortization during the financial year	-	-3,369	-	**-3,369**
Exchange rate differences	-	28	-	**28**
Accumulated amortization and impairment losses at Dec 31, 2015	**1,385**	**-46,632**	**-**	**-45,247**
Net carrying amount at Jan 1, 2015	**72,459**	**18,064**	**299**	**90,822**
Net carrying amount at Dec 31, 2015	**71,925**	**14,999**	**4,396**	**91,320**

EUR thousand	Goodwill	Other intangible assets	Prepayments and non-current assets under construction	2014 Total
Acquisition cost at Jan 1, 2014	68,495	62,712	159	**131,366**
Acquisition through business combinations	8,193	5,527	-	**13,720**
Other increases	-	153	982	**1,135**
Other decreases	-3,416	-1,550	-	**-4,966**
Reclassifications	-	815	-813	**2**
Exchange rate differences	-2,198	-5,959	-29	**-8,186**
Cost at Dec 31, 2014	**71,074**	**61,698**	**299**	**133,071**
Accumulated amortization and impairment losses at Jan 1, 2014	-2,107	-42,039	-	**-44,146**
Accumulated amortization relating to decreases and transfers	3,416	1,547	-	**4,963**
Amortization during the financial year	-	-3,383	-	**-3,383**
Impairment losses	-	-612	-	**-612**
Exchange rate differences	76	852	-	**928**
Accumulated amortization and impairment losses at Dec 31, 2014	**1,385**	**-43,635**	**-**	**-42,250**
Net carrying amount at Jan 1, 2014	**66,388**	**20,674**	**159**	**87,221**
Net carrying amount at Dec 31, 2014	**72,459**	**18,064**	**299**	**90,822**

The carrying amounts of equity-accounted investees in 2015 or 2014 did not include goodwill. The Group did not have intangible assets with indefinite useful lives in 2015 or earlier financial periods.

Other intangible assets include trademarks and -names acquired in business combinations in total of EUR 9.1 million (2014: EUR 11.0 million), as well as marketing channels and customer connections acquired in business combinations in total of EUR 2.9 million (2014: EUR 3.8 million). Other intangible assets include also carrying amount of software in total of EUR 3.0 million (2014: EUR 3.2 million).

The amount of capitalized borrowing costs amounted to EUR 12 thousand in 2015. The average interest rate of external borrowings for each month was applied as the capitalization rate. The average rate for the capitalized borrowing costs was 1.03% in 2015.

In financial year 2015, prepayments and assets under construction comprise EUR 3.4 million of development cost of the enterprise resource planning capitalized during the financial year. In financial year 2014 there were no capitalized development costs in Tikkurila Group.

17. IMPAIRMENT TEST

Goodwill is tested for impairment annually and always when there is an indication that goodwill or any other asset may be impaired. Impairment tests are performed by comparing the carrying amounts of those cash-generating units (CGU) that include goodwill with their expected recoverable amounts. An impairment loss is recognized if the recoverable amount of the cash-generating unit is less than its carrying amount. The recoverable amount is measured at value in use by discounting the estimated future cash flows using the Discounted Cash Flow (DCF) method.

Tikkurila reports its business activities in two segments: SBU West and SBU East. In impairment testing the cash-generating units have been determined based on geographic area and operational logic within the segments so that there are altogether five cash-generating units. At the end of financial year, goodwill has been allocated to the following cash-generating units: Scandinavia and East.

The carrying amounts of the tested units and goodwill are presented below:

Cash-generating units: EUR thousand	**2015 Carrying amount,**	**of which Goodwill**	2014 Carrying amount,	of which Goodwill
Finland	**31,870**	**-**	29,040	-
Scandinavia	**109,663**	**68,938**	115,048	69,097
East	**59,455**	**2,987**	59,272	3,362
Central Europe	**39,860**	**-**	34,849	-
South-East Europe	**18,462**	**-**	15,316	-

Annually, at the end of the summer season, during the strategy process, Tikkurila Management Board and the Board of Directors define the objectives for the next years. In setting objectives the management's judgment takes a central stage. The strategic analysis takes into account information from external sources that relates to the future and past development of the macroeconomic conditions, demand of paints, clients and competitors in the geographical areas. The cash flow forecasts over a three-year period for each cash-generating unit are compiled based on this process. In case of significant changes in any operating areas after the annual strategic analysis cash flows can be re-evaluated later on near the end of the financial year. Capital expenditures for expansion investments have not been taken into account in these estimates. The terminal value is the net present value of the third year's estimate of the forecast period, and it has been extrapolated by using zero nominal growth rate.

The discount rate used in 2015 varied between 7.3% - 22.3% depending on the cash-generating unit. The discount rates are defined as WACC (weighted average cost of capital) which reflects the total cost of equity and debt while taking into consideration the specific risks related to the assets.

The cash flows and discount rates are determined before taxes.

SIGNIFICANT ASSUMPTIONS AND SENSITIVITY ANALYSIS OF THE IMPAIRMENT TESTS

The forecasted cash flows used in impairment tests reflect the Tikkurila management's perception of the development in sales, costs and net working capital during the three-year forecast period. The significant assumptions used in the impairment tests relate thus to the development of sales and profitability, measured by EBITDA (operating profit before depreciations, amortizations and impairment losses). The significant assumptions relating to the discount rate are risk-free interest, capital structure and beta coefficient, which reflects the risk levels.

In 2015 impairment test, in the forecasting period from 2016 to 2018, the revenue is expected to significantly slow down for the operating area East compared to the revenue forecasts used in 2014 for the years from 2015 to 2017. In the forecasting for the years from 2016 to 2018, for operating area South-East Europe is estimated the highest relative revenue growth when for all other operating areas' is estimated only slight yearly relative growth. The raw material prices, on average, stayed quite stable during 2015, even though there were differences between individual raw material components. This raw material price level is expected to remain the same in 2016, if no major negative changes will occur in the macroeconomic environment. However, there have been cost cutting actions implemented in 2015 that will positively contribute to cost competitiveness in 2016, and moreover, the Group pursues to maintain and improve profitability by means of strict expense control and by improving efficiency. To decrease the negative impacts of the weak currencies in operating area East, the Group aims to increase the local production and sourcing of raw materials.

In 2014 impairment test, in the forecasting period from 2015 to 2017, the growth of revenue was expected to continue for the operating area East from a significantly lower level than the level of revenue forecasted in 2013 for the years from 2014 to 2016. In the forecasting for years from 2015 to 2017, operating area East was estimated to reach the level of revenue in year 2014 only at the end of that forecasted period. The level of revenue for operating areas Finland, Scandinavia and Central Europe was estimated to be almost the same during the whole forecasted period. The raw material prices were expected to remain on the same level in 2015 as they were in prior year. In year 2014 raw material prices decreased a bit compared to the year 2013. The increasing uncertainty in the operating area East was caused by the market circumstances, which became significantly more difficult, and in 2014 flared up crisis in Ukraine reflected negatively on profitability of the area.

The values of the key assumptions related to discount rates are defined separately for each cash-generating unit and each testing period in order to reflect the corresponding market information. The discount rates have changed mainly due to the changes in the main assumptions of WACC, which are risk free interest rate, capital structure and Beta coefficient. The decrease of discount rate in the operating areas East and South-East Europe from the year 2014 to year 2015 was mainly caused by the decrease of the risk free interest rate. The average market-based ratio between equity and liabilities of benchmark companies and the branch is considered as capital structure.

The chart below shows the estimated parameters used in testing during the three-year forecasting period and for the terminal period by the cash generating units in the year:

	Scandinavia		East		Central Europe		South-East Europe		Finland	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Estimate parameters used										
Relative operating profit before depreciation, amortization and impairment, average (EBITDA), %	**17.1**	14.2	**16.5**	13.0	**13.9**	13.9	**14.2**	13.7	**16.9**	12.3
Discount rate, pre-tax, %	**7.5**	7.2	**20.7**	24.9	**11.2**	10.4	**22.3**	25.3	**7.3**	7.2
Growth post forecast period, %	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0
The amount at which the recoverable amount exceeds the carrying amount, EUR thousands	**283,116**	219,752	**19,723**	10,234	**67,931**	74,122	**10,831**	7,304	**166,312**	81,529

The sensitivity analysis was performed for growth, profitability and discount rate and its results are shown in the chart below:

	Scandinavia		East		Central Europe		South-East Europe		Finland	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Change in key assumptions										
Change in the relative operating profit before depreciation, amortization and impairment, average (EBITDA %), % -units	**-10.3**	-7.7	**-2.7**	-1.5	**-6.6**	-6.7	**-4.8**	-3.8	**-11.4**	-5.0
Change in pre-tax discount rate, % -units	**15.7**	11.4	**5.6**	3.3	**15.2**	16.1	**11.6**	10.6	**27.2**	14.2
Change in growth post forecast period, % -units	**-38.5**	-21.7	**-11.6**	-6.4	**-39.0**	-40.3	**-36.1**	-33.8	**-168.3**	-28.4

The sensitivity analysis chart above presents the changes in the key assumptions that would cause the net present value of the cash-generating unit to be equal to its carrying amount – assuming no changes in the other assumptions. For example, which amount of change in the discount rate (per percentage unit) would incur the recoverable amount of the assets to be equal to its carrying amount, assuming that other components remain unchanged. Respectively, for example, it also presents when a change in a single percentage unit relating the operating profit before depreciation, amortization and impairment or the growth post forecast period would incur the recoverable amount to be equal to the carrying amount.

18. EQUITY-ACCOUNTED INVESTEES

EUR thousand	**2015**	2014
Carrying amount at Jan 1	**812**	1,433
Share of profit or loss of equity-accounted investees	**398**	338
Dividends	**-414**	-293
Disposals	**-**	-587
Other comprehensive income	**-5**	-10
Exchange rate differences and other changes	**25**	-69
Carrying amount at Dec 31	**816**	812

ASSOCIATES

During year 2015 the Group did not have ownership in any associate company.

In year 2014 the Group sold its ownership, 45 percent of the shares, in Happy Homes i Sverige AB. The Group had ownership in only one associate and it operates in Sweden. The company was accounted for using the equity method until the date of disposal. Regarding financial year 2014, the summarized financial information table below is including comprehensive income items of associate until the date of disposal. The impact of disposal on Group's consolidated statement of comprehensive income and cash flow is disclosed in Note 4.

Happy Homes i Sverige AB is a private incorporated company and there is no quoted market price available.

Happy Homes i Sverige AB handled, in co-operation with contract suppliers and chosen partners in paint business for chain shops common purchases and marketing as well as arranged business specific training. The strategic goal for the investment in associate was to increase the coverage and sales through over a hundred chain shops.

SUMMARIZED FINANCIAL INFORMATION OF ASSOCIATE:

EUR thousand	**2015**	2014
Revenue	-	11,864
Profit for the period	-	-93
Other comprehensive income	-	-
Total comprehensive income for the period	-	-93
Group's share of total comprehensive income for the period (45%)	-	-42
Group's share of net assets at Jan 1	-	642
Group's share of net profit	-	-42
Translation differences	-	-13
Disposals	-	-587
Carrying amount at Dec 31	-	-

Transactions with associate are disclosed in Note 38 Related parties.

JOINT VENTURES

Alcro Parti AB is the only joint arrangement in which the Group participates. The Group has 50 percent of ownership interest and voting rights in Alcro Parti AB. In year 2015 or 2014, there were no changes in ownership in joint arrangements.

Alcro Parti AB exercises direct sales towards construction, industrial, cleaning and handicrafts companies as well as towards municipals in Sweden in Stockholm, Gothenburg and Malmö cities. The company has complete sets of merchandise for painting, protecting and cleaning. The strategic goal is to reach those earlier mentioned customer groups.

The Group's joint arrangement is an incorporated company, a separate vehicle, in which the Group has a joint control with another investor. The Group and the other investor have as per the concluded arrangement rights to Alcro Parti AB's net assets. Therefore the company has been classified as a joint venture and is accounted for using the equity method. The summarized financial information of Alcro Parti AB is presented, as included in its own financial statements, adjusted for differences in accounting policies between the Group and the company.

Alcro Parti AB is a private incorporated company so there is no quoted price available.

SUMMARIZED FINANCIAL INFORMATION OF JOINT VENTURE:

EUR thousand	**2015**	2014
Non-current assets	**1,290**	1,254
Current assets excluding cash and cash equivalents	**691**	672
Cash and cash equivalents	**767**	796
Total assets	**2,748**	2,722
Non-current financial liabilities	**-**	-
Other non-current liabilities	**558**	499
Current financial liabilities excluding trade payables	**-**	-
Other current liabilities including trade payables	**557**	599
Total liabilities	**1,115**	1,098
Net assets	**1,633**	1,624
Group's share of net assets (50%)	**816**	812
Revenue	**9,125**	8,604
Depreciation and amortization	**-**	-
Interest income	**3**	14
Interest expenses	**-**	-
Income taxes	**-228**	-232
Profit for the period	**797**	760
Other comprehensive income	**-10**	-20
Total comprehensive income for the period	**787**	740
Group's share of total comprehensive income for the period	**393**	370
Dividends received by Group	**414**	293
Personnel during the period, average	**8**	8

EUR thousand	**2015**	2014
Group's share of net assets at Jan 1	**812**	791
Group share of net profit	**398**	380
Dividends received	**-414**	-293
Other comprehensive income	**-5**	-10
Translation differences	**24**	-56
Carrying amount at Dec 31	**816**	812

Balances and transactions with joint venture are disclosed in Note 38 Related parties.

19. INVENTORIES

EUR thousand	**2015**	2014
Materials and supplies	**21,913**	20,251
Work in progress	**2,570**	2,647
Finished goods	**53,045**	50,720
Prepayments	**868**	72
Total	**78,395**	73,690

Inventory write-downs amounting to EUR 2.5 million (EUR 3.9 million) were recognized during the financial period. Write-down of inventory is recognized as expense if carrying amount exceeds net realizable value. The valuation of inventories at end of each review period requires to some extent management estimates. Based on Group's internal instructions and on operative information, subsidiary and Group management use judgment when assessing the need and amount of write-downs, since mostly there are no explicit methods in assessing the fair value of the inventories.

The amount of write-downs of inventories to net realizable value and all losses in inventories are recognized as an expense in the consolidated statement of comprehensive income under "Materials and services" and "Change in inventories of finished goods and work in progress". During the financial year 2015 also reversals of inventory write-down amounting to EUR 1.3 million were recognized (EUR 1.2 million).

The amount of cost recognized as expense was EUR 286.8 million (EUR 307.2 million) and it is presented in the consolidated statement of comprehensive income, line-items "Materials and services" and "Change in inventories of finished goods and work in progress".

Carrying amount of inventories carried at fair value less costs to sell in year 2015 was EUR 519 thousand (EUR 705 thousand).

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR thousand	**2015**	2014
Carrying amount at Jan 1	**3,240**	3,590
Disposals	**-2,490**	-1,186
Change in valuation	**66**	848
Other changes / Transfers	**278**	-
Exchange rate differences	**1**	-12
Carrying amount at Dec 31	**1,095**	3,240

Available-for-sale financial assets include mainly unquoted shares that are measured at cost or at cost less impairment. These shares are of business supportive nature, related to personnel's recreational activities and environment maintenance 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.

Shares of Ekokem were quoted in OTC-list and that information was used to determine their fair value. These shares have been recognized in fair value hierarchy level 2 (Note 32). Unrealized fair value changes have been recognized in other comprehensive income, net of tax and these have been included in fair value reserve in equity. The Group has sold all shares of Ekokem during year 2015.

In financial year 2015, an impairment loss of EUR 24 thousand was recognized in financial costs for available-for-sale financial assets. No impairment losses were recognized for available-for-sale financial assets during the year 2014.

In year 2015 gains on sale of available-for-sale financial assets amounted to EUR 2,441 (1,218) thousand. Losses were recognized neither in year 2015 nor 2014. Gains or losses on the sales of these assets are included in other operating income or expense.

21. NON-CURRENT RECEIVABLES

EUR thousand	**2015**	2014
Loan receivables	**1,155**	2,986
Prepayments	**136**	147
Accrued income and deferred expenses	**322**	-
Other receivables	**1,311**	1,125
Finance lease receivables	**-**	3
Total non-current assets	**2,924**	4,261
Other receivables		
Trade receivables and hire-purchases	**1,171**	1,022
Other non-current non-interest-bearing receivables	**140**	103
Total other receivables	**1,311**	1,125

Finance lease receivables - maturity	**2015**	2014
Within one year	**-**	3
After one year and not later than five years	**-**	3
Later than five years	**-**	-
Total	**-**	6

Finance lease receivables - present value of the minimum lease payments	2015	2014
Within one year	-	3
After one year and not later than five years	-	3
Later than five years	-	-
Total	-	6
Unearned finance income	-	0
Total finance lease receivables	-	6

22. CURRENT INTEREST-BEARING RECEIVABLES

EUR thousand	2015	2014
Finance lease receivables	-	3
Loan receivables	**610**	575
Total interest-bearing receivables	**610**	578

Non-current portion and maturities of the finance lease receivables are disclosed in Note 21 Non-current receivables.

23. TRADE AND OTHER NON-INTEREST-BEARING RECEIVABLES

EUR thousand	2015	2014
Trade receivables	**76,817**	73,576
Accrued income and deferred expenses	**6,474**	9,697
Other receivables	**5,008**	3,894
Total current non-interest-bearing receivables	**88,299**	87,167

To define the fair value of trade receivables the management estimates as per customer specific indications the need and amount of impairment.

During the financial year 2015 and 2014, the Group has sold certain trade receivables to a financing company. The credit risks and contractual rights relating these financial assets were transferred to the financing company at the time of the sale. Arrangement fees were recognized as financial expenses. At the end of year 2015, the Group ceased to use factoring arrangement.

Other receivables include VAT receivables amounting to EUR 3.8 million (EUR 3.3 million).

EUR thousand	2015	2014
Accrued income and deferred expenses		
Items related to net revenue and purchases	**2,369**	1,912
Employee benefit expenses	**347**	846
Insurances	**368**	532
Leases	**1,446**	1,646
Interests	**6**	48
Derivatives	-	3,243
Other	**2,260**	1,470
Total	**6,796**	9,697

24. CASH AND CASH EQUIVALENTS

EUR thousand	2015	2014
Cash	**16,695**	25,771
Cash equivalents (bank deposits, maturity less than 3 months)	**93**	5
Total cash and cash equivalents	**16,788**	25,776

EUR thousand	**2015**	2014
Cash and cash equivalents according to cash flow:		
Cash	**16,695**	25,771
Cash equivalents (bank deposits, maturity less than 3 months)	**93**	5
Bank overdrafts	**-**	-
Total cash and cash equivalents	**16,788**	25,776

25. DEFERRED TAX ASSETS AND LIABILITIES

2015 EUR thousand	Net balance at Jan 1, 2015	Translation differences	Recognized in profit or loss	Recognized in OCI	Acquisitions / disposals	Transfer to held for sale	Other changes and transfers	**Balance at Dec 31, 2015** **Net**	**Deferred tax assets**	**Deferred tax liabilities**
Carry forward tax losses	277	-65	-55	-	-	-	-	**157**	**157**	**-**
Defined benefit pension plans	1,982	30	56	-88	-	-	-	**1,980**	**1,980**	**-**
Provisions	168	-	48	-	-	-	-	**216**	**216**	**-**
Inventory profit	719	-36	-19	-	-	-	-	**664**	**664**	**-**
Cumulative depreciation difference	-3,003	7	129	-	-	-	-	**-2,867**	**636**	**-3,503**
Available-for-sale financial assets	-470	-	-	470	-	-	-	**-**	**-**	**-**
Fair value measurement of PPE* and intangible asset in business combinations	-3,081	129	536	-	-	-	-	**-2,416**	**-**	**-2,416**
Other temporary differences	3,058	41	-1,233	201	-	-	-	**2,067**	**3,088**	**-1,021**
Net tax liabilities (assets)	-350	106	-539	583	-	-	-	**-200**	**6,741**	**-6,940**

2014 EUR thousand	Net balance at Jan 1, 2014	Translation differences	Recognized in profit or loss	Recognized in OCI	Acquisitions / disposals	Transfer to held for sale	Other changes and transfers	Balance at Dec 31, 2014 Net	Deferred tax assets	Deferred tax liabilities
Carry forward tax losses	132	19	126	-	-	-	-	277	277	-
Defined benefit pension plans	1,265	-70	-26	813	-	-	-	1,982	1,982	-
Provisions	182	-3	-57	-	46	-	-	168	168	-
Inventory profit	871	-165	13	-	-	-	-	719	719	-
Cumulative depreciation difference	-3,235	260	369	-	-397	-	-	-3,003	733	-3,736
Available-for-sale financial assets	-531	-	-	61	-	-	-	-470	-	-470
Fair value measurement of PPE* and intangible asset in business combinations	-3,052	965	451	-	-1,445	-	-	-3,081	-	-3,081
Other temporary differences	4,385	-1,034	-352	59	-	-	-	3,058	3,888	-830
Net tax liabilities (assets)	16	-27	524	933	-1,796	-	-	-350	7,767	-8,117

* Property, plant and equipment

For the recognition of deferred tax assets on tax losses and other items, management assesses the probability of a future taxable profit against which tax assets can be utilized, even though in advance no certain information is available. The Group has subsidiaries in several countries with different types of tax regulations, which can also change in the future. Estimating the total amount of income taxes at Group level requires significant consideration. Actual profits may differ from the forecasts and, in such case the change will affect the taxes in future periods.

The Group subsidiaries had tax losses carried forward of EUR 19.3 million at December 31, 2015 (EUR 18.9 million) for which no deferred tax asset was recognized. The unlimited right to carry forward the tax losses concerns 47 (43) percent of the tax losses. Tax losses with the limited right expire in 2016-2025. Deferred tax assets are only recognized at estimated realizable amounts, i.e. to the extent that it is probable that taxable profit will be available in the future, against which deferred tax assets can be utilized.

Deferred tax liability has been recognized on undistributed earnings of the Group's subsidiaries up to that part of which tax effect the Group estimates to be probable within foreseeable future due earnings distribution.

However, from the majority of the undistributed earnings of foreign subsidiaries no deferred tax liability has been recognized as the major part of such earnings can be transferred to the owner without any tax consequences or the timing of distribution of the earnings is in the control of the Group and such distribution is not probable within foreseeable future.

26. CAPITAL AND RESERVES

	Number registered shares (1,000)	Treasury shares (1,000)	Number of shares outstanding (1,000)
Total at January 1, 2014	44,108	-	44,108
Acquisition of treasury shares	-	-100	-
Disposal of treasury shares as part of Tikkurila's share-based incentive plan	-	21	-
Total at December 31, 2014	**44,108**	**-80**	**44,029**
Acquisition of treasury shares	-	-3	-
Disposal of treasury shares as part of Tikkurila's share-based incentive plan	-	80	-
Total at December 31, 2015	**44,108**	**-2**	**44,106**

Tikkurila Oyj has one class of shares, and each share entitles its holder to one vote at the General Meetings and to an equal amount of dividend. The share has no nominal value. The share capital was EUR 35 million at December 31, 2015 (EUR 35 million) and it is fully paid. On December 31, 2015, the number of shares was 44,108,252 including 2,461 treasury shares. At the end of year 2014, number of shares was 44,108,252 including 79,500 treasury shares.

Earnings per share are presented in context of the consolidated statement of comprehensive income and in Note 14 Earnings per share.

FAIR VALUE RESERVE

Fair value reserve includes accumulated fair value changes of available-for-sale financial assets until the assets are derecognized or impaired.

RESERVE FOR INVESTED UNRESTRICTED EQUITY

Reserve for invested unrestricted equity includes other investments of equity nature and that part of the subscription price that is not specifically recognized in share capital.

TREASURY SHARES

The treasury share reserve comprises the cost of the Tikkurila Oyj's shares held by the Group.

During February 2015, Tikkurila purchased a total of 2,500 of the company's own shares through public trading, which represent 0.01% of all shares. The total purchase price paid for the shares was EUR 43 thousand.

On March 3, 2015, Tikkurila Oyj disposed of a total of 79,539 treasury shares without any consideration, according to share-based commitment and incentive plan.

At the year-end 2015, Tikkurila Oyj held 2,461 treasury shares, equaling a total cost of EUR 42 thousand. Treasury shares represented 0.01% of the share capital and aggregate voting power of all shares.

During May - June 2014, Tikkurila purchased a total of 100,000 of the company's own shares through public trading, which represent 0.23% of all shares. The total purchase price paid for the shares was EUR 2,016 thousand.

On December 2, 2014, Tikkurila Oyj disposed of a total of 20,500 treasury shares without any consideration, according to share-based commitment and incentive plan. At the year-end 2014, Tikkurila Oyj held 79,500 treasury shares, equaling a total cost of EUR 1,606 thousand. Treasury shares represented 0.18% of the share capital and aggregate voting power of all shares.

OTHER RESERVES

Other reserves include the funded portion of retained earnings.

TRANSLATION RESERVE

Translation reserve includes the foreign exchange rate differences arising from the translations of the financial statements of foreign operations.

DIVIDENDS

Dividend of EUR 0.80 per share, totaled EUR 35,285 thousand, was distributed in year 2015. In year 2014, dividend of EUR 0.80 per share, totaled EUR 35,287 thousand was distributed. After the respective reporting date, The Board of Directors proposes that a dividend of EUR 0.80 per share, totaled EUR 35,285 thousand, will be distributed of the year 2015. Total amount informed here is calculated for number of shares outstanding as end of financial year 2015.

EUR thousand	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interest	**Total**
Other comprehensive income 2015						
Items that will not be reclassified to profit or loss:						
Remeasurements on defined benefit plans	-	-	298	298	-	**298**
Equity-accounted investees' share of remeasurements on defined benefit plans	-	-	-7	-7	-	**-7**
Income taxes relating to items that will not be reclassified to profit or loss	-	-	-88	-88	-	**-88**
Income taxes relating to items of equity-accounted investees that will not be reclassified to profit or loss	-	-	2	2	-	**2**
Total items that will not be reclassified to profit and loss, net of tax	**-**	**-**	**205**	**205**	**-**	**205**
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	-	-2,094	-	-2,094	-	**-2,094**
Foreign currency translation differences for equity-accounted investees	-	-17	-	-17	-	**-17**
Income taxes on net investment to foreign subsidiary	-	-32	-	-32	-	**-32**
Available-for-sale financial assets, fair value changes	90	-	-	90	-	**90**
Available-for-sale financial assets - fair value change reclassified to profit or loss	-2,440	-	-	-2,440	-	**-2,440**
Deferred taxes on fair value changes of available-for-sale financial assets	470	-	-	470	-	**470**
Total items that may be reclassified subsequently to profit or loss, net of tax	**-1,880**	**-2,143**	**-**	**-4,023**	**-**	**-4,023**
Other comprehensive income 2015, net of tax	**-1,880**	**-2,143**	**205**	**-3,818**	**-**	**-3,818**

EUR thousand	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interest	Total
Other comprehensive income 2014						
Items that will not be reclassified to profit or loss:						
Remeasurements on defined benefit plans	-	-	-3,620	-3,620	-	-3,620
Equity-accounted investees' share of remeasurements on defined benefit plans	-	-	-13	-13	-	-13
Income taxes relating to items that will not be reclassified to profit or loss	-	-	813	813	-	813
Income taxes relating to items of equity-accounted investees that will not be reclassified to profit or loss	-	-	3	3	-	3
Total items that will not be reclassified to profit and loss, net of tax	-	-	-2,817	-2,817	-	-2,817

EUR thousand	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interest	Total
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	-	-23,077	-	-23,077	-	-23,077
Foreign currency translation differences for equity-accounted investees	-	-54	-	-54	-	-54
Income taxes on net investment to foreign subsidiary	-	-34	-	-34	-	-34
Available-for-sale financial assets, fair value changes	848	-	-	848	-	848
Available-for-sale financial assets - fair value change reclassified to profit or loss	-1,151	-	-	-1,151	-	-1,151
Deferred taxes on fair value changes of available-for-sale financial assets	61	-	-	61	-	61
Total items that may be reclassified subsequently to profit or loss, net of tax	-242	-23,165	-	-23,407	-	-23,407
Other comprehensive income 2014, net of tax	-242	-23,165	-2,817	-26,224	-	-26,224

27. NON-CURRENT INTEREST-BEARING LIABILITIES

EUR thousand	**2015**	2014
Loans from financial institutions	**49,835**	59,901
Finance lease liabilities	**326**	445
Total non-current interest-bearing liabilities	**50,161**	60,346
Liabilities that matures later than five years		
Loans from financial institutions	**49,835**	-

The maturity analysis and currency risk of non-current borrowings are disclosed in Note 34 Financial risk management.

EUR thousand	**2015**	2014
Finance lease liabilities - total minimum lease payments		
Within one year	**367**	566
After one year and not later than five years	**357**	491
Later than five years	**-**	-
Total	**724**	1,057
Finance lease liabilities - present value of the minimum lease payments		
Within one year	**339**	522
After one year and not later than five years	**327**	445
Later than five years	**-**	-
Total	**666**	967
Future finance charges	**58**	90
Total finance lease liabilities	**724**	1,057

The Group has leased mainly cars and other machinery and equipment under finance leases.
Some of the contracts include renewal or extension options.

28. CURRENT INTEREST-BEARING LIABILITIES

EUR thousand	2015	2014
Loans from financial institutions	2,514	2,293
Commercial paper program	9,979	9,972
Finance lease liabilities	339	522
Other interest-bearing current liabilities	-	2
Total interest-bearing current liabilities	**12,832**	12,789

Specification of non-current and current portion of finance lease liabilities is disclosed in Note 27 Non-current interest-bearing liabilities.

AVERAGE INTEREST RATE AND CURRENCY DISTRIBUTION OF INTEREST-BEARING LIABILITIES

Average interest rate for current and non-current loans in year 2015 was 1.2% (1.6%). *)

Interest-bearing liabilities by currency (in euro):

EUR thousand	2015	2014
EUR	60,214	70,326
CNY	2,514	2,256
Other	265	553
Total	**62,993**	73,135

*) Include interest expenses of loans and transaction costs attributable to withdrawal.

29. TRADE AND OTHER NON-INTEREST-BEARING PAYABLES

EUR thousand	2015	2014
Non-current accrued expenses and deferred income	-	38
Other non-current interest-free liabilities	103	-
Total other non-current liabilities	**103**	38
Trade payables	42,160	42,115
Other non-interest-bearing payables	4,309	5,138
Prepayments	153	888
Accrued expenses and deferred income	42,550	37,687
Total current non-interest-bearing payables	**89,172**	85,828
Accrued expenses and deferred income		
Share-based payments	668	835
Employee benefit expenses	15,904	14,238
Items related to revenue and purchases	23,689	20,373
Interests	2	214
Other	2,287	2,065
Total	**42,550**	37,725
Net liabilities		
Interest-bearing non-current liabilities	50,161	60,346
Interest-bearing current liabilities	12,832	12,789
Cash and cash equivalents		
Cash	-16,695	-25,771
Cash equivalents (bank deposits, maturity less than 3 months)	-93	-5
Total	**46,206**	47,359

30. PENSION OBLIGATIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

PENSION OBLIGATIONS

Tikkurila Group has various pension plans in accordance with the local conditions and practices of the countries in which it operates. These pension plans are mainly defined contribution plans.

Tikkurila Group has defined benefit pension plans in Sweden, Norway and in Germany. The most significant plan in Tikkurila is the Swedish defined benefit pension plan. The benefits of the defined benefit pension plans vary by countries - mainly the benefits are related to the pension level. The above mentioned plans, Norwegian pension plan as well as the pension plan in Germany are closed for new members.

In defined benefit pension plans the amount of pension is determined based on certain factors such as salary and years of service. Tikkurila Management is required to make estimates as defining the assumptions for calculation of defined benefit obligations. Assumptions as such are including the estimates of level of future salary increases as well as rates of employee turnover.

Tikkurila Group's Swedish subsidiaries have pension benefit plans in Swedish insurance company Alecta. The pensions funded in Alecta are determined as defined benefit pension plans according to IAS 19. However, as Alecta cannot provide the required information in order to calculate the pension obligation; the Group's pensions funded in Alecta are accounted for as defined contribution plans and those expenses are included in defined contribution pension cost in the consolidated financial statements.

The majority of the accrued pension benefits handled in Alecta is lacking the information of the distribution between employers. The entire vested pension benefit is instead recorded under the most recent employer. Therefore Alecta is unable to make an exact allocation of assets and contributions to each employer. In case the deficit or surplus arises in the plan, there is no set of rules available how this should be handled. Currently the possible losses are covered by Alecta's collective capital.

The monthly premium paid is calculated per insured person and per type of the pension benefit. The premium is calculated with Alecta's assumptions about interest rates, longevity, operating costs and returns. The premium is calculated based on each person's current pensionable salary.

Actuarial methods and assumptions used by Alecta differ from those used in the valuation of defined benefit pensions in accordance with IAS 19.

The Swedish defined benefit pension plan is recognized in the consolidated statement of financial position to which is combined credit insurance from PRI (Pensions Tjänst AB). The pension scheme (ITP 2) covers white-collar employees born 1978 or earlier. Within the scheme the employer pledges a predetermined pension level on lifelong basis to employees involved. The pension level is in relation to final salary. The plan does not officially include any guaranteed promise on index-linking, in practice the disbursed pensions have been linked to inflation since scheme was established. The default pension payment starts at age 65, retiring age.

The pension benefits are established by different percentages in different salary intervals. The salary intervals are established in relation of income base amount, which is determined once a year by the Swedish government.

The plan guarantees pensions to employees in case an employer does not fulfill its commitments. PRI monitors the participants in the scheme and may require additional guarantees, pledges or increased premiums in case the risks are increased for example due the insolvency of the participants.

The plan exposes the Group to various risks. The high inflation will increase the obligation as the benefits have been in practice linked to inflation. The trend of salary levels has a significant effect, the higher salary increases, would lead to increase in obligation, as the pensions are set in relation to final salary. The plan provides pensions for life of the members and therefore increase in life expectancy would result increase in defined benefit obligation. The above mentioned risk for insolvency of the participant may result an increase in obligation of the companies involved in the plan.

The following tables show the impact of defined benefit plans on the Group's consolidated statement of comprehensive income and consolidated statement of financial position.

EUR thousand	**2015**	2014
Defined benefit pension obligations (net)	**24,349**	23,975
Other long-term employee benefits including social costs	**1,180**	3,587
Pension obligations and other long-term employee benefits	**25,529**	27,562

Defined benefit pension obligations

Items recognized in the statement of financial position:		
Present value of funded obligations	**1,880**	2,489
Present value of unfunded obligations including Swedish payroll tax liability	**24,401**	23,695
Fair value of plan assets	**-1,932**	-2,209
Net defined benefit liability	**24,349**	23,975

EUR thousand	Defined benefit obligation 2015	2014	Fair value of plan assets 2015	2014	Net defined benefit liability (asset) 2015	2014
Balance at Jan 1	**24,696**	22,442	**-2,209**	-1,999	**22,487**	20,443
Included in profit or loss: [1]						
Current service cost	**600**	564	**-**	-	**600**	564
Interest expense / (income)	**663**	871	**-52**	-83	**611**	788
Administrative expenses	**-**	-	**6**	5	**6**	5
	1,263	1,435	**-46**	-78	**1,217**	1,357
Included in other comprehensive income: [2]						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from						
Experience adjustment	**-441**	-395	**-**	-	**-441**	-395
Demographic assumptions	**-**	41	**-**	-	**-**	41
Financial assumptions	**-102**	3,461	**-**	-	**-102**	3,461
Return on plan assets, excluding amounts included in interest expense/(income)	**-**	-	**262**	-137	**262**	-137
Effect of movements in exchange rates	**318**	-1,279	**137**	168	**455**	-1,111
	-225	1,828	**399**	31	**174**	1,859
Other:						
Contributions paid by						
Employer	**-**	-	**-137**	-203	**-137**	-203
Payments from the plans:						
Benefits payments	**-990**	-967	**61**	40	**-929**	-927
Obligations transfers and other changes	**-18**	-42	**-**	-	**-18**	-42
Balance at Dec 31	**24,726**	24,696	**-1,932**	-2,209	**22,794**	22,487

[1] In addition, the Swedish payroll tax related defined benefit pension is included as expenses of defined benefit pensions EUR 50 thousand (EUR 22 thousand) in profit or loss.

[2] Gain of EUR 17 thousand (loss of EUR 651 thousand) on Swedish payroll tax is recognized in other comprehensive income.

In addition, actuarial loss of EUR 5 thousand (actuarial loss EUR 10 thousand), net of tax, is recognized in other comprehensive income regarding equity-accounted investees.

EUR thousand	2015	2014
Remeasurements on defined benefit plans in other comprehensive income		
Actuarial gains (-) / losses (+) on defined benefit pension obligations, including actuarial gains and losses on Swedish payroll tax	**-560**	3,757
Return on plan assets, excluding amounts included in interest expense/(income)	**262**	-137
Change in income taxes related to remeasurements for defined benefit plans	**88**	-813
Actuarial gains / losses recognized from equity-accounted investees, net of tax	**5**	10
Total	**-205**	2,817
Plan assets include		
Assets in insurance companies *	**1,932**	2,209
Total	**1,932**	2,209

* Plan assets funded in insurance companies are included in the investment capital of the insurance company. The liability of the investment risk at issue is also carried by the insurance company. Individual analysis of distribution of plan assets is therefore not available

The Group expects to pay EUR 1.1 million of contributions into the defined benefit plans during the year 2016.

The significant actuarial assumptions	2015	2014
Discount rate	**1.3-2.8%**	1.6-2.8%
Inflation	**1.5-2.0%**	1.5-2.0%
Forthcoming increases in wages and salaries	**2.5%**	2.5-2.8%
Forthcoming increases in pensions	**0.0-2.0%**	0.0-2.0%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

The Group's major plan is the defined benefit pension plan in Sweden. The present value of this pension obligation at the end of financial year was EUR 21,663 thousand (EUR 21,020 thousand). In addition, the value of the payroll tax related to this defined benefit obligation was EUR 1,556 thousand (EUR 1,488 thousand) at year-end 2015. The most significant actuarial assumptions regarding this plan were as following: discount rate 2.75% (2.75%), forthcoming increases in salaries 2.5% (2.5%) as well as life expectancy. The life expectancy for a 65 year-old woman is 25 years and for a 65 year-old man 23 years.

At December 31, 2015, the weighted-average duration of the defined benefit pension obligation was 15.4 years (2014: 22.6 years).

SENSITIVITY ANALYSIS:

Sensitivity analysis presented below is based on a change in one assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognized in the statement of financial position (projected unit credit method).

	Impact on defined benefit obligation			
Effect in thousands of euro	**Dec 31, 2015**		Dec 31, 2014	
Change in assumption	**Increase**	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**-2,239**	**2,541**	-1,834	2,081
Sensitivity analyses regarding life expectancy on Group's most significant plan, Swedish defined benefit pension plan	**One year increase**	**One year decrease**	One year increase	One year decrease
One year change in life expectancy	**1,006**	**-1,001**	781	-778

OTHER LONG-TERM EMPLOYEE BENEFITS

The parent company of the Group, Tikkurila Oyj, has a long-service benefit plan according to which an employee has a right to a compensated absence or right to a certain amount of money or a gift given after certain years of service time.

Since the beginning of the year 2016 the terms of the long-service benefit plan have been changed. According the re-vised terms, employee has a right to compensated absence and a right to a gift when retiring from the company service, in case the terms of number of years of service have been fulfilled. Curtailment of the plan is considered in actuarial calculations of the year 2015 and effect of the curtailment has been recognized as deduction of personnel expenses in profit or loss. Benefits are determined by using the Projected Unit Credit Method according the actuarial calculations prepared annually by qualified actuaries. Possibly arising actuarial gains and losses are recognized in profit or loss, in personnel expenses.

EUR thousand	2015	2014
Other long-term employee benefits		
Items recognized in the statement of financial position:		
Present value of long-service benefit plan	**944**	2,893
Social costs	**236**	694
Liability of long-service benefit plan including social costs	**1,180**	3,587
Balance		
Other long-service benefit obligation at Jan 1	**2,893**	2,739
Included in profit or loss:		
Current service cost	**217**	206
Interest cost	**35**	68
Actuarial losses (gains) arising from		
Experience adjustment	**-42**	-2
Demographic assumptions	**84**	-
Financial assumptions	**-27**	197
Curtailment of other long-service benefit plan	**-1,891**	-
	-1,624	469

EUR thousand	**2015**	2014
Other:		
Payments from the plans:		
Benefits payments	**-325**	-315
Long-service benefit obligation at Dec 31	**944**	2,893

	2015	2014
Actuarial assumptions		
Discount rate	**1.3%**	1.2%
Inflation	**1.1%**	2.0%
Forthcoming increases in wages and salaries	**1.5%**	1.5%
Employee turnover	**3.0%**	3.0%

Tikkurila Oyj expects to pay EUR 105 thousand of contributions into the long-service benefit plan during the year 2016.

At December 31, 2015, the weighted-average duration of the long-service benefit obligation was 8 years (2014: 7 years).

SENSITIVITY ANALYSIS:

Sensitivity analysis presented below is based on a change in one assumption while holding all other assumptions constant.
When calculating the sensitivity of the long-service benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the liability recognized within the statement of financial position (projected unit credit method).

	Impact on long-service benefit plan obligation			
Effect in thousands of euro	**Dec 31, 2015**		Dec 31, 2014	
Change in assumption	**Increase**	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**-35**	**37**	-96	103
Salary growth rate (0.5% movement)	**34**	**-32**	101	-96

31. PROVISIONS

EUR thousand	Restructuring	Other provisions	**2015 Total**
2015			
Non-current provisions			
Balance at Jan 1, 2015	15	436	**451**
Exchange rate differences	-	1	**1**
Provisions made during the period	213	1	**214**
Provisions used during the period	-5	-15	**-20**
Reclassifications	-65	-	**-65**
Non-current provisions at Dec 31, 2015	158	423	**581**
Current provisions			
Balance at Jan 1, 2015	194	243	**437**
Provisions made during the period	-	100	**100**
Provisions used during the period	-25	-	**-25**
Provisions reversed during the period	-14	-28	**-42**
Reclassifications	65	-	**65**
Current provisions at Dec 31, 2015	220	316	**536**

EUR thousand	Restructuring	Other provisions	2014 Total
2014			
Non-current provisions			
Balance at Jan 1, 2014	314	406	720
Exchange rate differences	-	-14	-14
Provisions made during the period	-	116	116
Provisions used during the period	-	-58	-58
Provisions reversed during the period	-	-14	-14
Reclassifications	-299	-	-299
Non-current provisions at Dec 31, 2014	15	436	451
Current provisions			
Balance at Jan 1, 2014	292	29	321
Exchange rate differences	-	-2	-2
Provisions made during the period	-	25	25
Provisions used during the period	-355	-	-355
Provisions reversed during the period	-42	-18	-60
Acquisitions	-	209	209
Reclassifications	299	-	299
Current provisions at Dec 31, 2014	194	243	437

Recognizing provisions requires the management's estimates, since the precise euro amount of obligations related to provisions is not known when preparing the financial statements. If the management estimates that no probable payment obligation arises, the item is presented as a contingent liability in the financial statements.

RESTRUCTURING PROVISIONS

In October 2015, Tikkurila concluded the co-operation negotiations related to Tikkurila's Finnish site. As of result of the negotiations total of 41 persons were dismissed. At the end of financial year 2015, restructuring provision amounted to EUR 213 thousand, from which the EUR 55 thousand is estimated to utilize within the 12 months.

Restructuring provisions recognized as of result of the co-operation negotiations related to Tikkurila's Finnish site in year 2012, amounted to EUR 59 thousand at the end of financial year 2015. The accurate timing of realization is uncertain, but the total amount is presented as current provisions.

At year-end there was not any restructuring provision recognized as of result of the co-operation negotiations related to Tikkurila's Finnish site in year 2009.

OTHER PROVISIONS

Other provisions arise from retirement one-time payments to employees by the company at the time of retirement. Such provision is in Serbia, Macedonia and Poland. The amount of payment equals approximately two - three month salary of the person at the time of retirement. These plans are based on legal requirements in above mentioned countries. Company has no future obligations related to these plans after payment is settled. This provision includes also jubilee provision. The jubilee provision is established by pattern of past practice.

In addition, other provision comprises the provision related to dispute of commercial agreement as the Group recognized the assumed liabilities in business combination, provision recognized due the single pension obligation as well as minor amount of warranty provision.

32. CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORIES

EUR thousand	Note	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Other financial liabilities	**Total carrying amounts**	Fair value level 1	Fair value level 2	Fair value level 3	**Total fair values**
2015										
Financial assets measured at fair value										
Non-current financial assets										
Available-for-sale financial assets	20	-	-	1,095	-	**1,095**	-	-	1,095	**1,095**
		-	**-**	**1,095**	**-**	**1,095**				
Financial assets not measured at fair value										
Non-current receivables	21									
Loan receivables		-	1,155	-	-	**1,155**	-	1,155	-	**1,155**
Finance lease receivables		-	-	-	-	**-**	-	-	-	**-**
Other receivables		-	1,311	-	-	**1,311**	-	1,311	-	**1,311**
Current financial assets										
Interest-bearing receivables	22	-	610	-	-	**610**				
Cash equivalents	24	-	16,788	-	-	**16,788**				
Trade and other non-interest-bearing receivables	23	-	76,872	-	-	**76,872**				
		-	**96,736**	**-**	**-**	**96,736**				
Financial liabilities not measured at fair value										
Non-current financial liabilities										
Finance lease liabilities	27	-	-	-	326	**326**	-	326	-	**326**
Loans from financial institutions	27	-	-	-	49,835	**49,835**	-	49,916	-	**49,916**
Current financial liabilities										
Current interest-bearing liabilities	28	-	-	-	12,832	**12,832**				
Trade payables	29	-	-	-	42,160	**42,160**				
		-	**-**	**-**	**105,153**	**105,153**				

EUR thousand	Note	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Other financial liabilities	Total carrying amounts	Fair value level 1	Fair value level 2	Fair value level 3	Total fair values
2014										
Financial assets measured at fair value										
Non-current financial assets										
Available-for-sale financial assets	20	-	-	3,240	-	3,240	-	2,400	840	3,240
Current financial assets										
Derivatives	23,33	3,243	-	-	-	3,243	-	3,243	-	3,243
		3,243	-	3,240	-	6,483				
Financial assets not measured at fair value										
Non-current receivables	21									
Loan receivables		-	2,986	-	-	2,986	-	2,983	-	2,983
Finance lease receivables		-	3	-	-	3	-	3	-	3
Other receivables		-	1,125	-	-	1,125	-	1,125	-	1,125
Current financial assets										
Interest-bearing receivables	22	-	578	-	-	578				
Cash equivalents	24	-	25,776	-	-	25,776				
Trade and other non-interest-bearing receivables	23	-	73,625	-	-	73,625				
		-	104,093	-	-	104,093				
Financial liabilities measured at fair value										
Current financial liabilities										
Derivatives	29,33	-	-	-	-	-	-	-	-	-
		-	-	-	-	-				
Financial liabilities not measured at fair value										
Non-current financial liabilities										
Finance lease liabilities	27	-	-	-	445	445	-	445	-	445
Loans from financial institutions	27	-	-	-	59,901	59,901	-	60,000	-	60,000
Current financial liabilities										
Current interest-bearing liabilities	28	-	-	-	12,789	12,789				
Trade payables	29	-	-	-	42,115	42,115				
		-	-	-	115,250	115,250				

Fair values for non-current liabilities are based on discounted contractual cash flows. Interest rates used for discounting are the interest rates the Group would have to pay for similar loans at the end of reporting period. The interest rate is based on a risk free interest rate and a company specific credit risk premium. The discount rate used is 1.08%. In year 2014 the discount rate used was 1.22%.

Fair values for non-current assets as well as current financial assets and liabilities correspond to the carrying amount as the effect of discounting is immaterial.

Available-for-sale financial assets are mostly investments in shares with 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 or the cost less impairment, is the best available estimate for fair value. In addition, available-for-sale financial assets has included shares that are quoted in OTC-list. These shares are measured at fair value in each reporting period. The fair value changes are recognized in other comprehensive income net of tax, and they are included in fair value reserve in equity until the assets are disposed, at which time the cumulative gain or loss is reclassified from equity in profit or loss as a reclassification item. The Group has sold these shares during the financial year 2015.

FAIR VALUE HIERARCHY LEVELS

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

RECONCILIATION OF LEVEL 3 AVAILABLE-FOR-SALE FINANCIAL ASSETS AND LIABILITIES

EUR thousand	**2015**	2014
	Available-for-sale financial assets	Available-for-sale financial assets
Carrying amount at Jan 1	**840**	853
Translation differences in other comprehensive income	**1**	-12
Change in valuation	**-24**	-
Other changes / Transfers	**278**	-
Disposals	**0**	-1
Carrying amount at Dec 31	**1,095**	840

In year 2015, gain of EUR one thousand is recognized on available-for-sale financial assets in fair value hierarchy level 3 were recognized. In year 2014, total gain of EUR 19 thousand was recognized. Gains on sales of these assets are included in other operating income and loss is recognized in other operating expenses.

In financial year 2015, the impairment loss of EUR 14 thousand is recognized on real estate investment classified in level 3. Estimated amount of impairment loss is based on the real estate market prices in that specific area. In addition, EUR 10 thousand was recognized as impairment loss of other shares due the liquidation of the company.

MEASUREMENTS OF FAIR VALUES - VALUATION TECHNIQUES USED IN MEASURING LEVEL 2 AND LEVEL 3 FAIR VALUES

AVAILABLE-FOR-SALE FINANCIAL ASSETS

During the year 2015, the Group sold all its shares of Ekokem. These shares were the only available-for sale financial assets in Group's position classified in level 2, thus Tikkurila Group held no assets classified in level 2 nor level 1 at the end of the financial year 2015.

The measurement of fair value of these shares were based on broker quotes, quoted prices in OTC-list. Markets for these shares were not considered to be so active, that these shares could have been included in level 1.

Other available-for-sale financial assets, classified in level 3, are mainly unquoted shares that are measured at cost or at cost less impairment if value has impaired below the cost. These shares are of business supportive nature, related to personnel's recreational activities and are considered as 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, in most cases the cost of shares is the best available estimate for fair value.

FORWARD EXCHANGE CONTRACTS

Fair values of forward exchange contracts are based on quoted market data for similar instruments with similar maturity at the end of reporting period. Tikkurila Group had no unsettled forward exchange contracts at the end of year 2015.

33. DERIVATIVE INSTRUMENTS

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.

In the comparison year, Tikkurila primarily hedged its net currency position with currency derivatives. Majority of derivative instruments of the Group provided economic hedge, even though they did not qualify the hedge accounting under IAS 39. Derivative instruments were measured at fair value and changes of fair values were recognized immediately in profit or loss under financial items.

Derivative liabilities has been presented in the statement of financial position in "Accrued expenses and deferred income" and the derivative receivables has been presented in "Accrued income and deferred expenses".

Valuation methods of derivative instruments are presented in the Accounting policies for the consolidated financial statement.

FAIR VALUES AND NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR thousand				
2015	Positive fair value	Negative fair value	Fair value, net	Nominal values
Currency derivatives				
Currency forwards	-	-	-	-

2014	Positive fair value	Negative fair value	Fair value, net	Nominal values
Currency derivatives				
Currency forwards	3,243	-	3,243	27,827

EUR thousand	**2015**	2014
Derivative instruments in the statement of comprehensive income		
Financial income	**443**	21,495
Financial expenses	**-462**	-8,040
Derivative instruments in the statement of financial position		
Accrued income and deferred expenses	**-**	3,243
Accrued expenses and deferred income	**-**	-

The Group had derivative arrangements that were subject to enforceable master netting arrangements. These arrangements were related to currency forwards agreed with the financial institutions acting as counterparty.

The Group had also derivative arrangements that are under ISDA master netting agreements. The derivative assets and liabilities cannot be offset in the consolidated statement of financial position, as the ISDA agreements do not meet the criteria for offsetting.

The Group does not have any currently legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of future events such a default on financial obligations.

EUR thousand	Gross and net amounts of financial instruments in the statement of financial position	Instruments, subject to enforceable master netting arrangements	Net
Dec 31, 2015			
Financial assets			
Accrued income and deferred expenses			
Currency derivatives	-	-	-
Financial liabilities			
Accrued expenses and deferred income			
Currency derivatives	-	-	-

EUR thousand	Gross and net amounts of financial instruments in the statement of financial position	Instruments, subject to enforceable master netting arrangements	Net
Dec 31, 2014			
Financial assets			
Accrued income and deferred expenses			
Currency derivatives	3,243	-2,542	701
Financial liabilities			
Accrued expenses and deferred income			
Currency derivatives	-	-	-

34. FINANCIAL RISK MANAGEMENT

THE OBJECTIVE AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The objective of financial risk management is to hedge, according to the pre-defined principles, Group's cash flow, statement of financial position and net profit from the adverse impact and fluctuations caused by financial risks as well as to increase the predictability of the business. The aim is to keep the liquidity and creditworthiness of Tikkurila Group at a good level in all market circumstances.

Tikkurila's financing and financial risk management is controlled by policies accepted by the Board of Directors. The operative organization manages financial risks based on these authorizations and policies. The Group's finance organization regularly reports the most important financial risks to the Tikkurila Management Board and to the Board of Directors of the parent company.

Tikkurila Oyj's finance department acts as an internal bank for Group companies offering both short- and long-term funding, taking deposits and being responsible for Group cash management. The finance department is responsible for executing external financial transactions and subsidiaries are conducting their financial operations with parent company's finance department unless local law or other constraints prohibit it or unless the decision is made, and it is approved by the Group's management, to deviate above mentioned general practice.

The following countries in which the Group operates, have local exchange control regulations that restrict the cash deposit abroad: Belarus, China, Ukraine, Macedonia and Serbia. At the year-end 2015 cash and cash equivalents held by those entities amounted to EUR 2,358 (2,769) thousand. In recent years, especially the central bank of Ukraine has set numerous restrictions related to financing, currency exchange and capital flows that makes it more difficult to carry out international financial transactions. Moreover, in years 2015 and 2014 the European Union and the United States have set sanctions against Russia, which is a significant market area for Tikkurila. These sanctions can have adverse effects on Tikkurila's business, or they can make it more difficult to repatriate capital from Russia to Finland or they can have a negative impact on the financial position of Tikkurila's local customers or suppliers.

FINANCIAL INSTRUMENTS AND THEIR SIGNIFICANCE AND TREATMENT

From the financial risk point of view the most significant items in Tikkurila's statement of financial position December 31, 2015 were the various components of net working capital, cash and interest-bearing liabilities. Counterparty risks related to trade receivables and cash are central, and the creditworthiness and diversification of counterparties are key elements for managing the risk.

Since the sale of paints and other products of the Group typically correlates with GDP development, changes in general economic development have an impact on Tikkurila's business. Tikkurila's sales are exposed to intra-year seasonality: usually, the second and third quarters have the most significant influence on sales volume and profitability, which also impacts the timing of operative cash flows. In addition to intra-year seasonality, construction with its related services, which is one of the essential customer segments for Tikkurila, is by nature sensitive to economic conditions.

Due to seasonality, the year-end statement of financial position is not equal to an average statement of financial position, among others in relation to net working capital and cash, which has to be taken into account when analyzing items on the consolidated statement of financial position and financial risks. The treatment of financial instruments is described in more detail in "Accounting policies for the consolidated financial statements".

FOREIGN EXCHANGE RATE RISKS

Major part of the Group's business is outside the euro area, foreign exchange rate risks have a significant impact on Tikkurila's revenue, result and statement of financial position, as well as on consolidated euro cash flows. In financial year 2015 especially the changes of currency rates in states within SBU East had significant impact on the Group's result. The currencies of these areas are heavily correlated with the crude oil price fluctuations and thus had significant changes in their currency values. In addition, the certain states have let their currency freely float in financial year 2015. As per decision of the Board of Directors Tikkurila Group does not carry out any forward agreements. For these reasons the Group result is sensitive to the currency exchange fluctuations currently and in the future within SBU East as well in SBU West.

The fluctuation of foreign exchange rates impacts the Tikkurila Group from various angles:

- currency denominated cash flows; and
- conversion of subsidiaries' currency-denominated financial statements into euro in Group reporting, which impacts both income statement and statement of financial position; and
- value of non-euro investments.

The key methods used for managing exchange rate risks are:

- matching of consolidated cash inflows and outflows in each currency; and
- diversification, i.e. using different currencies as currency pairs do not correlate perfectly with each other; and
- use of currency clauses in both purchase and sales contracts

According the financial risk management policy approved in December 2014, Tikkurila Oyj has not carried out forward exchange agreements during the financial year 2015. In comparison year 2014, the financial result of derivatives, which hedge business cash flows, has partially shown in different lines of the statement of comprehensive income (below EBIT) than exchange rate gains and losses of hedged cash flows (above EBIT or in the statement of financial position).

TRANSACTION RISKS

During 2015 and 2014 about 75% of Tikkurila's revenue was generated outside the euro area, so foreign exchange rate changes have a significant impact on Tikkurila's consolidated euro-denominated revenue. At net profit level, the foreign exchange rate risks are reduced as expenses are mostly denominated in the same currency as revenue. The major impact of foreign exchange rate risks is reflected on cash flows and statement of financial position items, which are denominated in other currencies than the functional currency of each Group company. The most important intra-group transactions that create exchange rate risks are business transactions between Group companies and loans and deposits between Group companies and Tikkurila Oyj. Transaction risks are monitored in respect of existing balance sheet items. Previously the Group was hedging net risk position by foreign currency derivatives and therefore the Group companies reported their estimated future12-month currency exposures monthly.

Transaction risks are hedged by matching currency denominated income and expenses, they also include flows resulting from currency clauses present in commercial agreements. The Board of Directors approved new financial risk management policy in December 2014, in which it was decided not to use currency forwards for hedging purposes. Thus the hedge ratio at the end of the year 2014 was about 16% and the last of the outstanding forward agreements were fully closed in the first months of 2015.

The Group purchases raw materials and packing materials from several international suppliers in other than Tikkurila Group companies' functional currencies and thus exposes the Group to foreign exchange rate risk. Tikkurila can at least partly affect which currency is used at purchase contracts, or contracts might include currency clauses or similar conditions. In some countries, the Group has a possibility to change sales prices if exchange rates change; although these changes are partly discretionary or require negotiations with customers.

EUR thousand

Transaction risk position	USD	SEK	NOK	DKK	PLN	RSD	RUB	BYR	UAH	Other
Dec 31, 2015										
Bank accounts	275	-17,104	7	-396	-67	-900	58	-	-	-293
Loans and deposits	-	-	413	1,715	-	15,980	20,812	5,660	11,298	3,427
Trade receivables and payables	-31	4,187	-62	1,036	2,414	-73	4,706	997	4,237	3,696
Open position	244	-12,917	358	2,355	2,347	15,007	25,576	6,657	15,535	6,830

EUR thousand

Transaction risk position	USD	SEK	NOK	DKK	PLN	RSD	RUB	BYR	UAH	Other
Dec 31, 2014										
Bank accounts	81	-13,849	2	-139	-8	-	43	-	-24	-110
Loans and deposits	-	-	-1,088	4,163	-2,112	18,100	16,174	5,660	10,131	941
Trade receivables and payables	-398	1,799	1,208	1,264	2,417	-3,456	2,879	541	7,778	5,423
Estimated currency flow	-6,887	26,558	12,818	3,770	36,922	2,460	84,424	1,474	9,900	6,853
Currency forwards	1,647	-6,919	-3,148	-	-9,106	-	-6,863	-	-	-
Open position	-5,557	7,589	9,792	9,058	28,113	17,104	96,657	7,675	27,785	13,107

Transaction risk position is a sum of currency denominated items in the statement of financial position and countervalue of these items expressed in functional currency of a subsidiary. In the table above, the transaction risk position in year 2014 also included 12-month estimated currency flow.

When analyzing items on the consolidated statement of financial position and financial risks, it has to be taken into account, that the year-end statement of financial position is not equal to an average statement of financial position.

The impact of currency rate changes to profit before tax based on items in statement of financial position December 31, 2015:

	2015					2014				
EUR thousand	**RUB**	**SEK**	**RSD**	**UAH**	**BYR**	RUB	SEK	RSD	UAH	BYR
Impact of 10% weakening of currency	**-2,325**	**1,174**	**-1,364**	**-1,412**	**-605**	-1,112	1,828	-1,331	-1,625	-563
Impact of 10% strengthening of currency	**2,841**	**-1,435**	**1,667**	**1,726**	**739**	1,359	-2,107	1,627	1,987	689

TRANSLATION RISKS

In addition to translation risks affecting income statements when the currency denominated income statements are converted into euro, also Tikkurila's equity is exposed to foreign exchange rate risk arising from net investments made to subsidiaries outside the euro area. According to the financial management policy accepted by the Board of Directors in December 2014 translation risks are not hedged. Translation differences arising from converting subsidiaries' equity are recognized in equity in translation differences.

NET INVESTMENTS MADE IN FOREIGN CURRENCIES

EUR thousand	RUB	SEK	PLN	Other
Dec 31, 2015				
Equity	23,071	30,743	25,883	2,834
Impact of 10% strengthening of currencies on equity	2,563	3,416	2,876	315
Impact of 10% weakening of currencies on equity	-2,097	-2,795	-2,353	-258

EUR thousand	RUB	SEK	PLN	Other
Dec 31, 2014				
Equity	28,850	32,422	24,707	-2,086
Impact of 10% strengthening of currencies on equity	3,206	3,602	2,745	-232
Impact of 10% weakening of currencies on equity	-2,623	-2,947	-2,246	190

INTEREST RATE RISKS

Tikkurila Group had following interest-bearing assets and liabilities during 2015 and/or 2014:

Interest-bearing assets:

- cash
- time deposits
- interest-bearing receivables
- interest-bearing receivables in relation to divestments

Interest-bearing debt:

- leasing and installment funding
- committed overdraft facilities
- commercial papers issued by Tikkurila Oyj
- revolving credit facility
- term loans
- other interest-bearing debt

Tikkurila's interest-bearing net debt is exposed to cash flow risk. The business cycle of Tikkurila follows in principle the overall economic development; therefore the business cash flow is stronger when the economic cycle is strong and typically also interest rates are higher. On the other hand, when the economic cycle weakens and interest rates are lower, the cash flow is also weaker. Therefore, the duration of interest-bearing liabilities is kept short so that the cash flow and interest rate change follow the same cycle. According the financial risk management policy, Tikkurila does not use any interest rate derivatives to hedge interest rate risks.

The share of fixed and floating rate assets and liabilities is presented in the following table. The financial instrument has been defined as a fixed when the interest rate is fixed for whole duration of the instrument regardless of whether the instrument is short- or long-term.

EUR thousand	**Dec 31, 2015**	Dec 31, 2014
Fixed rate		
Financial assets *	**1,221**	1,355
Financial liabilities	**-13,158**	-13,234
Net	**-11,937**	-11,879
Floating rate		
Financial assets	**544**	2,212
Financial liabilities	**-49,835**	-59,901
Net	**-49,291**	-57,689

* Excluding cash

IMPACT OF CHANGE OF INTEREST RATES ON TIKKURILA'S RESULT

Based on EUR 46.2 (47.4) million net debt position on December 31, 2015, the impact of each one percentage point increase in interest rates to next financial year's profit before tax would be EUR -0.3 (-0.6) million. The sensitivity analysis is based on an assumption that the interest rate changes will happen at the beginning of the year and that the changes are parallel over the yield curve. In addition, it is assumed that the net debt position remains unchanged and the impact of foreign exchange rates would be zero. Current loans are assumed to be renewed at due dates. Regarding non-current loans with floating interest rates, the effect of the interest rate change is taken into account from the date of rate fixing. Net debt includes cash and cash equivalents, but the interest rates on cash are expected to remain unchanged or any changes to take place only after the next financial year. Because of the seasonality of Tikkurila's business, the year-end net debt level is not typical for entire year, so interest rate sensitivity changes during the year. If the average net debt in 2016 would be at the average level of 2015, calculated as the average of actual month-end balances, and consequently equal about EUR 68 million, then applying the abovementioned assumptions and principles one percentage point increase in interest rates would increase Group's interest expense in 2016 by about EUR 0.5 million. And interest rate decrease by one percentage point would decrease the interest expense accordingly by the same amount.

Change in interest rates in respect of impairment testing, amount of defined benefit pension obligation and in respect of acquisition as the liabilities assumed and assets acquired are measured at their acquisition-date fair value, are disclosed in respective notes.

CREDIT RISKS

Credit risk is a risk that occurs when a counterpart fails to meet its obligations, so credit risks are counterparty risks. At Tikkurila, the most significant items that are exposed to credit risk are trade receivables, short-term investments and cash. The management of credit risk of trade receivables is decentralized to business units, but the Group's finance function monitors the risk. Tikkurila's large and geographically divergent clientele reduces concentration of credit risk, although some decorative paint retail chains have a relatively large influence. Credit risks related to trade receivables are managed by customer credit limits that take the prior sales history and creditworthiness of a customer into account. New customers are credit risk rated prior to sales. Tikkurila uses advance payments and credit insurances to relevant extent to reduce credit risks.

Advance payments are used in Russia where about 9% (12%) of revenue in 2015 took place using advance payments.

Credit insurance is used in Poland where about 82% (84%) of trade receivable as of December 31, 2015 was insured. According to terms of the insurance Tikkurila is entitled to get 90% of the nominal amount, if the customer is not able to pay the invoice. In Finland, until the financial year-end 2015, Tikkurila Oyj sold part of its receivables on a non-recourse basis to a financing company. However, at the end of financial year 2015, it was decided to give up this practice.

Credit risks related to short-term investments and cash are controlled by principles defined by the Board of Directors. Tikkurila manages these counterparty risks by diversifying its excess liquidity into numerous counterparties and by investing surplus liquidity in high-quality short-term interest-bearing tradeable securities and in bank deposits, as defined in the internal policy determined by the Board of Directors. Investment-related credit risk is mainly centralized to Tikkurila Oyj as subsidiaries deposit their surplus liquidity to the parent company. The carrying amounts of the financial assets correspond to their maximum credit risk.

The maximum credit risk relating financial assets at the end of reporting period is presented below:

EUR thousand	Note	**Dec 31, 2015**	Dec 31, 2014
Available-for-sale financial assets	20	**1,095**	3,240
Financial assets at fair value through profit or loss	23,33	**-**	3,243
Loans and other receivables	21, 22, 23, 24	**96,736**	104,093
Total		**97,831**	110,576

Loans and other receivables by currency in euros at December 31:

EUR thousand	**Dec 31, 2015**	Dec 31, 2014
EUR	**25,219**	29,199
SEK	**19,987**	21,508
RUB	**21,319**	18,853
PLN	**13,354**	14,839
DKK	**4,233**	4,089
RSD	**2,718**	4,592
UAH	**1,387**	1,792
Other	**8,519**	9,221
Total	**96,736**	104,093

The increase in rouble denominated receivables was caused by change in timing of sales, which according to management estimate does not create any special risks as the receivables are diversified across various counterparties. However, in Russia and in its adjacent countries economic development has been poor recently, and hence future credit risks might be higher or the deterioration of the situation can also cause decline in sales volumes or in profitability. To manage risks for example credit risk control and customer agreements' content will be further developed in the future.

Movement of allowance for impairment of trade receivables

EUR thousand	**Dec 31, 2015**	Dec 31, 2014
Balance at beginning of year	**5,944**	9,862
Exchange rate differences	**-408**	-1,178
Additions	**1,967**	2,235
Realized	**-1,564**	-4,169
Decreases	**-701**	-806
Total	**5,238**	5,944

The ageing of loans and other receivables at December 31:

EUR thousand	**Carrying amount Dec 31, 2015**	Carrying amount Dec 31, 2014
Not past due	**89,463**	96,646
Past due 0 - 90 days	**5,429**	5,475
Past due 91 - 180 days	**1,176**	1,399
Past due 181 - 365 days	**541**	563
Past due over 365 days	**127**	10
Total	**96,736**	104,093

The Group recognizes impairment loss on receivables when there is objective evidence that a financial asset or group of financial assets is impaired. The debtor's significant financial difficulties, payment delays and neglect can be considered as such objective evidence. Tikkurila recognized a credit loss of EUR 1.8 (1.6) million on past due trade and other receivables during the financial year 2015.

There were no impairment losses recognized on receivables from the associate in year 2014 when the Group still had ownership in associate.

There was no impairment loss on receivables from joint ventures during the financial year 2015 or 2014.

LIQUIDITY RISKS

Tikkurila's business is characterized by annual seasonality which varies somewhat in different geographical areas and which is the strongest in the Nordic countries due to outdoor painting season in summer. Need for working capital increases typically until the end of summer, when most of the cash flows related to outdoor paints are received. This creates challenges to liquidity management.

Tikkurila manages liquidity risk mainly by loan arrangements and committed credit facilities. The surplus liquidity is kept on bank accounts or invested to highly liquid short-term instruments.

In June 2015, Tikkurila Group signed the new EUR 150 million long-term credit facility and term loan agreement with three banks. This new loan agreement replaced the loan arrangement EUR 180 million signed in September 2011 as well as the EUR 25 million revolving credit facility agreed in October 2011. The new debt credit facility consists of EUR 100 million five-year revolving credit facility and EUR 50 million term loan, which matures in January 2021. This EUR 100 million revolving credit facility includes an option to extend the maturity as total for additional two years at banks' consent. The loans have one financial covenant, which is based on Tikkurila Group's net gearing and it is reviewed on last day of each calendar quarter. This covenant sets the ratio of net liabilities to equity to a maximum of 1.30. If Tikkurila breaches this covenant, the loan will fall due immediately unless the lenders give a waiwer.

In addition to these facilities, Tikkurila signed in October 2015 a new commercial paper frame agreement with a nominal value of EUR 150 million. Based on this new program, Tikkurila Oyj can issue unsecured debt with a maturity of less than one year. This replaced the previously effective EUR 100 million commercial paper program.

At the end of 2015, Tikkurila had unused a EUR 100 (145) million revolving credit facility and EUR 11 (11) million committed credit facilities. A total of EUR 10 (10) million of commercial papers were issued at the end of the year. At the end of reporting period the amount of cash in bank accounts was EUR 17 (26) million.

The Group uses rolling cash flow estimates to manage liquidity risks. In addition, the funding is split into several different funding sources (equity, debt), different instruments, different maturities to reduce refunding risk, and if needed to several currencies and counterparties. The operative business units use various netting and pooling arrangements in order to make sure that funds are transferred efficiently and the Group has a good visibility over cash flows. This is not yet possible in all areas where the Group is operating, mainly in SBU East.

Contractual maturities of liabilities at December 31, 2015:

EUR thousand

Dec 31, 2015	Carrying amount	Contractual cash flows	2016	2017	2018	2019	2020	>2020
Loans from financial institutions	52,349	54,928	3,023	381	381	381	381	50,381
Commercial papers	9,979	10,000	10,000	-	-	-	-	-
Other liabilities	103	103	-	103	-	-	-	-
Finance lease liabilities	666	723	367	205	84	43	23	-
Trade payables	42,160	42,160	42,160	-	-	-	-	-
Guarantees	1,971	1,971	1,971	-	-	-	-	-
Total	**107,228**	**109,885**	**57,521**	**689**	**465**	**424**	**404**	**50,381**
Maturity of derivative financial assets / liabilities								
Currency forwards								
inflow	-	-	-	-	-	-	-	-
outflow	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

EUR thousand

Dec 31, 2014	Carrying amount	Contractual cash flows	2015	2016	2017	2018	2019	>2019
Loans from financial institutions	62,194	63,772	3,039	60,733	-	-	-	-
Commercial papers	9,972	10,000	10,000	-	-	-	-	-
Other interest-bearing liabilities	2	2	2	-	-	-	-	-
Finance lease liabilities	967	1,056	566	295	136	45	14	-
Trade payables	42,115	42,115	42,115	-	-	-	-	-
Guarantees	2,224	2,224	2,224	-	-	-	-	-
Total	117,474	119,169	57,946	61,028	136	45	14	-
Maturity of derivative financial assets / liabilities								
Currency forwards								
inflow	27,632	27,632	27,632	-	-	-	-	-
outflow	-24,389	-24,389	-24,389	-	-	-	-	-
Total	3,243	3,243	3,243	-	-	-	-	-

The figures are undiscounted.

PRICE RISK OF LONG-TERM INVESTMENTS

In year 2015 Tikkurila Oyj has sold the shares of Ekokem Oyj in its possession. These were valued at fair value at the end of reporting period. Shares were classified as available-for-sale so their unrealized fair value change, net of tax, was booked to other comprehensive income.

The Group holds a small number of unlisted shares that are measured at amortized cost. These shares are of business supportive nature, related to personnel's recreational activities and environment maintenance 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 as the change range for reasonable measurement is significant, and the probabilities of various measurements cannot be reasonably estimated.

CAPITAL MANAGEMENT

The aim of capital management is to secure that Tikkurila has adequate capital for conducting its business both in the short-term and long-term, taking into consideration the risk factors in the operational environment, e.g. risk related to availability and price of funding. In addition, the capital management is linked to growth targets, possible changes in new businesses and in geographical split, and maintaining the flexibility to react to the changes in competitive environment. When analyzing the need for and management of capital, demands from external interest groups are taken into account, such as owners' requirements for profit distribution and requirements of authorities or restrictions related to equity ratio of Group companies.

Tikkurila's primary funding source is the cash flow generated from operations. If the cash flow from operations and existing financing facilities were not sufficient, the Group has various possibilities to obtain funding: among others, debt capital from financial institutions or by issuing interest-bearing securities, equity funding from existing and/or new owners, working capital management and sale of assets.

The Board of Directors of Tikkurila Oyj has set long-term targets for the Group's gearing and return for capital employed (ROCE-%): gearing shall be below 70% and return for capital employed shall be above 20%.

Loan agreements of Tikkurila Oyj have covenants linked to capital structure. If these covenants are breached Tikkurila has to pay back the loans immediately unless the lenders give a waiver. These covenants are explained in more detail in paragraph "Liquidity risk".

When Tikkurila Group analyzes possible investment targets one key evaluation criteria is the net present value of discounted cash flows. The interest rate used in these calculations is based on the weighted average cost of capital (WACC), which is affected among other things by the capital structure.

The Board of Directors of Tikkurila Oyj has given a guideline for dividend distribution. The targeted dividend payout should be 40% of annual net profit excluding the impact of non-recurring items. The Board of Directors proposes to the annual general meeting, which will be held on April 6, 2016, that Tikkurila would pay EUR 0.80 per share dividend, which is about 90% of Group's 2015 net profit, excluding non-recurring items, net of tax.

EUR thousand	**Dec 31, 2015**	Dec 31, 2014
Equity	**194,969**	192,658
Non-controlling interest	**-**	-
Total	**194,969**	192,658
Non-current interest-bearing liabilities	**50,161**	60,346
Current interest-bearing liabilities	**12,832**	12,789
Cash and cash equivalents	**16,788**	25,776
Net debt	**46,206**	47,359
Gearing, %	**23.7%**	24.6%
Equity ratio, %	**51.1%**	49.5%
EBITDA	**79,017**	84,732
Net debt/EBITDA	**0.58**	0.56
Capital employed		
Goodwill	**71,925**	72,459
Investments in associates and joint ventures	**816**	812
Property, plant and equipment and intangible assets	**108,792**	108,711
Net working capital	**78,924**	73,108
Total capital employed	**260,457**	255,090

35. OPERATING LEASES

GROUP AS LESSEE

Lease payments are of premises, facilities, land, advertising space and warehouses. Lease payments for facilities and fixture include trucks, vehicles and equipment for transportation and lifting. Lease terms vary from one country to another and renewal options are possible.
Non-cancellable operating lease rentals are payable as follows:

EUR thousand	**2015**	2014
Within one year	**10,361**	10,565
After one year and not later than five years	**10,447**	11,223
Later than five years	**7,546**	8,378
Total	**28,354**	30,166

GROUP AS LESSOR

Lease payments are mainly received from re-leasing of own and rental premises.
Non-cancellable operating lease rentals are receivable as follows:

EUR thousand	**2015**	2014
Within one year	**525**	799
After one year and not later than five years	**673**	1,524
Later than five years	**619**	527
Total	**1,817**	2,850

36. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	**2015**	2014
Mortgages given as collateral for liabilities in the statement of financial position		
Other loans	**-**	32
Mortgages given	**102**	315
Total loans	**-**	32
Total mortgages given	**102**	315
Contingent liabilities		
Guarantees		
On behalf of own commitments	**413**	337
On behalf of others	**1,539**	1,833
Other obligations on own behalf	**19**	54
Rent obligations	**28,354**	30,166
Total contingent liabilities	**30,325**	32,390

CONTRACTUAL COMMITMENTS:

Tikkurila Group had contractual commitments in relation to the purchase of property, plant and equipment total of EUR 0.6 million (EUR 3.9 million in 2014) at the end of financial year 2015. Contractual commitments for purchase of intangible assets totaled EUR 1.4 million (EUR 0.0 million) at the end of year 2015.

OTHER COMMITMENTS AND PENDING LITIGATIONS

In paint manufacturing processes hazardous materials, chemicals and numerous compounds are used. Therefore, a risk of contamination of the environment due to an accident cannot be totally excluded, even though Tikkurila complies with laws, regulations and safety standards, as well as with its own internal safety protocols, in its operations and in the construction, operation and maintenance of its production facilities.

If there would be changes in the current operational circumstances, or there would be an accident causing environmental damages, or if the company would decide to close down or transfer a production facility, this might lead to obligations to clean up or rehabilitate the land. Moreover, if any changes by authorities into environmental laws and regulations would cause more obligations to the Group these could have a material adverse effect on Group's result. Some Group's facilities are located on or are utilizing leased land or rented buildings, whose lease liabilities might change or might have to be paid in advance, in case there are external regulatory, land usage or operational permit changes or if the company itself will decide to adjust its operations. Moreover, additional investment requirements might arise in the future due to changes linked to production facilities, laboratories or warehousing facilities and equipment, or adjacent requirements like fire safety.

According to Tikkurila's management assumptions and estimates, at the end of the reporting period, there were no such changes in operational circumstances that would, due the result of a past event, have caused outflows of economic benefits from the Group. Therefore, no such obligations related to environmental obligations were recognized.

Tikkurila has granted its customers certain guarantees related to its products in connection to its supply agreements. In case based on these, it would be probable that obligation to be settled would require an outflow of economic benefits and the reliable estimate of the amount could be made, these obligations would be recognized accordingly either in Provisions or in Accrued expenses and deferred income. As the timing and amount of these potential obligations are uncertain, management estimates are applied.

The products and services of Tikkurila Group are sold to external companies specializing in wholesale or retail trade and also, especially in industrial and professional products, in certain markets direct to end-users of Tikkurila's products. Group companies have various - frame, delivery and other - agreements with its customers. At the end of financial year 2015, Tikkurila Group companies had customer agreements, which are valid beyond December 31, 2015, and which have terms and conditions creating binding commitments to Tikkurila. To major extent the commitments granted for discounts, costs or guarantees are contingent. The agreements require customers to buy Tikkurila's products and are based on the amount or value of orders made by the customers in the future. In certain cases, however, there are commitments for Tikkurila Group companies to provide certain services or to participate in customers' sales promotion activities without direct link to deliveries of Tikkurila products.

Tikkurila Oyj is defendant in a claim raised at district court of Vantaa. Counterparty requires a total of about EUR 0.1 million for damages.

Tikkurila Oyj is defendant in a claim, which is uncompleted at a Court of Arbitration on the date of financial statements December 31, 2015. The former supplier of the company has raised a claim for damages as a total of about EUR 0.5 million. The arbitral tribunal has given its award at the beginning of February 2016. According to the award Tikkurila Oyj has no liability towards the claimant.

In year 2006 Tikkurila divested its subsidiary Lövholmsgränd 12 AB to Skanska Nya Hem AB. The divested entity owned a land plot and buildings on Lövholmen in Stockholm. The final sales price was tied to the amount of square meters (so-called BTA) for which the buyer will get permit to build on the property. In 2006 a preliminary purchase price was received and related capital gain was recognized as income. According to the original terms of the transaction, if the actual amount of BTAs will be in excess of or below the pre-agreed range, there will be an adjustment of the purchase price, either upwards or downwards. The lower limit of BTAs in the pre-agreed range was set so that currently the risk of any downward adjustment is considered to be small.

As the process of getting building permits on the land has been delayed by the City of Stockholm, the parties decided in 2013 to prolong the original agreement regarding the finalization of the transaction to 31 December 2019. According to the revised terms, if at the end of 2019 there will be no final town plan regarding BTAs for the land area in question, Skanska has the option either to finalize the transaction with the preliminary purchase price without any right to adjustment or to cancel the transaction and let Tikkurila buy the property back at the preliminary transaction price. If the transaction would be reversed, Tikkurila has also committed, subject to certain limitations, to compensate Skanska for costs related to preparing the property for further development.

Tikkurila Oyj has announced to donate the interior paints for the new children hospital in Helsinki. The construction work of children hospital has been started on August 2014 and this project is estimated to be completed in year 2017. According the Tikkurila management estimation the cost of this commitment is approximately EUR 150 thousand. However this estimate will be more accurate near to completion date.

37. SHARE-BASED PAYMENTS

SHARE-BASED REMUNERATION OF THE BOARD OF DIRECTORS OF TIKKURILA OYJ

Based on the resolution of the Annual General Meeting, Tikkurila Oyj acquired from the market company's shares for the members of the Board of Directors to partially (about 40% of the fixed annual remuneration) pay Board members fees as following:

during financial year 2015	
shares	'000 EUR
5,080	96

during financial year 2014	
shares	'000 EUR
5,366	102

In 2014 there were altogether seven and in 2015 six Board members to whom the shares were granted.

SHARE-BASED COMMITMENT AND INCENTIVE PLAN OF MANAGEMENT

Resolution of the Board of Directors in February 2012, and basic information about the plan

In order to commit and motivate key personnel, the Board of Directors of Tikkurila Oyj decided in February 2012 on a share-based plan. In the share-based plan decided in 2012 there are three performance periods: financial years 2012-2014, 2013-2015 and 2014-2016. The Board of Directors of the company decides on the performance criteria of the plan and their targets at the beginning of each performance period. The prerequisite for participation in the plan and receipt of reward provides that a key employee has purchased from the market and owns Tikkurila's shares in accordance with the terms and conditions of the plan. The potential performance-based share rewards from all three performance periods are based on the Tikkurila Group's operative earnings before interest, taxes, depreciation and amortization (EBITDA) and net debt. The amount of rewards depends on the number of purchased shares, validity of the employment or service relationship and the fulfillment of the performance criteria during each performance period. Rewards will be paid after each performance period partly in the company's shares and partly in cash. No reward will be paid if a key employee's employment or service contract terminates before the reward payment. Furthermore, participants earned in December 2014 from the performance period 2012-2014 a restricted share reward, which was tied to the validity of employment or service relationship. On December 31, 2015, a total of nine key employees selected by the Board participated in the share-based plan.

KEY TERMS AND FINANCIAL TARGETS OF THE PERFORMANCE REWARDING OF THE PLAN

Maximum amount of shares for each participant

The Board of Directors shall decide the maximum number of the company's shares to be purchased by each participant in order to be able to participate in the plan. Each participant acquires the Tikkurila Oyj shares from the market at his/her own money and own risk. The prerequisite for participation in the plan and for reward payment is that a participant purchases Tikkurila Oyj shares from the market prior to January 1, 2013. Reward shall be paid only to the extent the participant still owns purchased shares upon reward payment.

Restricted share reward (only applied to performance period 2012-2014)

If a participant still owns the purchased shares and a participant's employment or service is in force upon reward payment, the participant shall, as restricted share reward, receive in December 2014 the value of one share for one purchased share purchased before January 1, 2013. This reward was paid in December 2014 so that about one half was paid in shares and about one half in cash.

Performance-based share award (applies to all three performance periods: 2012-2014, 2013-2015 and 2014-2016)

A participant shall, besides restricted share reward, have a possibility to earn shares as reward from a performance period for achieving targets established for the performance criteria of the performance period. The Board of Directors decides on the performance criteria for the performance-based share reward and on targets to be established for the performance criteria separately for each performance period. Achieving the targets established for the performance criteria shall determine the proportion out of the maximum reward that shall be paid to a participant. The Board of Directors shall be entitled to adjust the targets established for the performance criteria in case of substantial extraordinary events during a performance period. The reward shall be paid so that about one half is paid in shares and about one half in cash. For each of the performance periods the financial targets are the Group operative EBITDA and net debt, in relation to a pre-set scale; these scales differ between the three performance periods.

Ownership obligation

The participant shall have to undertake not to sell shares he or she has received as reward on the basis of the plan, the value of which corresponds to at least his or her annual gross salary, until the end of his or her employment or service.

Other key terms

No reward shall be paid to a participant, if he or she has sold the purchased shares or his or her employment or service contract terminates before the reward payment. During each performance period, the maximum amount of performance-based share reward is the value of four shares for each purchased share. The maximum amount of share reward to be paid to a participant during one year shall, however, always be the participant's monthly gross salary of the month preceding the payment, multiplied by twenty-four.

SHARES PURCHASED BY PARTICIPANTS

Purchased shares by participants, holdings as of December 31, 2015 (to the extent the shareholdings are related to this share-based plan)

On December 31, 2015 the purchased shares under the commitment and incentive plan's performance periods 2013-2015 and 2014-2016 were the following:

Position	Number of persons	Shares	% of maximum
President and CEO of Tikkurila Oyj	1	14,000	100%
Other members of Tikkurila Management Board	4	16,000	100%
Other persons	4	11,000	100%
Total	**9**	**41,000**	**100%**

THE FINAL VALUE OF THE PLAN'S 2012-2014 PERFORMANCE PERIOD

Based on the abovementioned shareholdings and on the terms of the share-based commitment and incentive plan, the final total value of rewards at the end of performance period totaled EUR 3.1 million (the aggregated bookkeeping value EUR 2.4 million on December 31, 2014). For this tranche a total of EUR 0.8 million (2014: 0.8 million) was booked during 2015 as personnel expenses and EUR 0.3 (-0.1) million as income taxes into the consolidated statement of comprehensive income, which resulted in EUR 0.5 (0.7) million negative impact on 2015 net profit.

BOOKKEEPING VALUE OF THE PLAN'S 2013-2015 PERFORMANCE PERIOD

Based on the abovementioned shareholdings and on the terms of the share-based commitment and incentive plan, the maximum total value of rewards, when taking into account the performance-based share rewards but while not taking into account the cap set by each participants' gross salary levels, corresponded originally to the maximum value of 164,000 Tikkurila shares, of which about half will be paid in cash and about half in shares.

Based on the terms of the share-based commitment and incentive plan and of its performance period 2013-2015, and on expected future financial performance, on Tikkurila Oyj share price on December 31, 2015, and assuming that every participant in the plan would be employed by Tikkurila Group and would also keep all their purchased shares, the aggregate bookkeeping value of the performance period 2013-2015 is EUR 0.1 million on December 31, 2015 (EUR 0.0 million on December 31, 2014). For this tranche a total of EUR 0.1 (-0.1) million was booked during 2015 as personnel expenses and EUR 0.0 (0.0) million as deferred taxes into the consolidated statement of comprehensive income, which resulted in EUR 0.1 million negative impact on 2015 net profit (EUR 0.1 million positive impact on 2014 net profit). There were about EUR 0.1 (0.0) million non-interest bearing liability and EUR 0.0 (0.0) million deferred tax asset on the December 31 Group consolidated statement of financial position related to this share-based plan's this tranche.

BOOKKEEPING VALUE OF THE PLAN'S 2014-2016 PERFORMANCE PERIOD

Based on the abovementioned shareholdings and on the terms of the share-based commitment and incentive plan, the maximum total value of rewards, when taking into account the performance-based share rewards but while not taking into account the cap set by each participants' gross salary levels, corresponded originally to the maximum value of 164,000 Tikkurila shares, of which about half will be paid in cash and about half in shares.

Based on the terms of the share-based commitment and incentive plan and of its performance period 2014-2016, and on expected future financial performance, on Tikkurila Oyj share price on December 31, 2015, and assuming that every participant in the plan would be employed by Tikkurila Group and would also keep all their purchased shares, the aggregate bookkeeping value of the performance period 2014-2016 is EUR 0.0 (0.0) million on December 31, 2015. For this tranche no personnel expenses and no deferred taxes were recognized into the 2015 or 2014 consolidated statement of comprehensive income. Correspondingly, if underlying assumptions would not change, and participants' shareholdings and employment would stay intact, and moreover Tikkurila's share price would be flat at the level of December 31, 2015, closing price, then the estimated impact of this tranche on full-year 2016 personnel expenses would be EUR 0.0 million, and post-tax impact on Group's net profit would be EUR 0.0 million. There were no non-interest bearing liability and no deferred tax asset on the December 31 Group consolidated statement of financial position related to this share-based plan's this tranche.

The aggregate bookkeeping value of the share-based plan changes whenever the underlying parameters change. Therefore, for example, when the share price of Tikkurila Oyj changes, the cash-settled portion of the awards changes affecting the corresponding liability and expense bookings, and moreover, the value of the performance-based share awards changes when the future financial forecasts are updated. The final value is determined only at the end of the performance period.

SUMMARY OF THE BOOKKEEPING TOTAL VALUE AND PERSONNEL EXPENSES OF THE SHARE-BASED PLAN

EUR million	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	**Dec 31, 2015**	time of payment
Aggregate bookkeeping value					
Performance period 2012-2014	2.4	2.6	2.4	**3.1**	12/2014 and 3/2015
Performance period 2013-2015	-	0.5	0.0	**0.1**	Q1/2016
Performance period 2014-2016	-	-	0.0	**0.0**	
Total	2.4	3.0	2.4	**3.2**	

EUR million	2012	2013	2014	**2015**	2012-2015
Personnel expenses recognized (excluding the impact of deferred taxes)					
Performance period 2012-2014	0.5	1.0	0.8	**0.8**	3.1
Performance period 2013-2015	-	0.1	-0.1	**0.1**	0.1
Performance period 2014-2016	-	-	0.0	**0.0**	0.0
Total	0.5	1.1	0.7	**0.9**	3.2

PAYMENTS BASED ON THE PLAN

Based on the performance period 2012-2014, in December 2014 participants were paid the so-called restricted share award (so-called commitment shares). About half of the total restricted share award was paid in shares, and the transferred shares were split in the following way:

2014 Position	Persons	Shares	Gross value of shares, IFRS, EUR '000	Gross value of cash remuneration, IFRS, EUR '000	Gross reward total, IFRS, EUR '000
President and CEO of Tikkurila Oyj	1	7,000	86	112	198
Other members of Tikkurila Management Board	4	8,000	99	90	189
Other persons	4	5,500	80	79	159
Total	**9**	**20,500**	**265**	**281**	**546**

Based on the performance period 2012-2014, during the first half year 2015 participants were paid according the following split based on so-called performance shares:

2015 Position	Persons	Shares	Gross value of shares, IFRS, EUR '000	Gross value of cash remuneration, IFRS, EUR '000	Gross reward total, IFRS, EUR '000
President and CEO of Tikkurila Oyj	1	25,539	314	505	819
Other members of Tikkurila Management Board	4	32,000	396	569	965
Other persons	4	22,000	323	449	772
Total	**9**	**79,539**	**1,033**	**1,524**	**2,557**

Company acquired the shares, which were transferred to the plan's participants, from the market.

POTENTIAL FUTURE SHARE-BASED INCENTIVE PLANS

The Remuneration Committee of the Board of Directors will prepare, and the Board will separately decide on any other potential future share-based commitment and incentive plans. On February 9, 2016, at the time of publishing the 2015 Financial Statements Release, the Board of Directors of Tikkurila Oyj had not made any decision for any new share-based remuneration.

CALL OPTIONS GRANTED TO KEY EMPLOYEES OF A SWEDISH SUBSIDIARY

In November 2014, Tikkurila Oyj's Swedish subsidiary Tikkurila Sverige AB acquired all the shares of Täby Färg & Tapet AB. In conjunction with this transaction the parties also agreed on a share option arrangement, where two key employees of Täby Färg & Tapet AB were granted call options for shares in Täby Färg & Tapet AB. Key terms of this option arrangement are the following:

- with the granted call options the option holders can acquire a total maximum of 9.00% of shares of Täby Färg & Tapet AB from Tikkurila Sverige AB so that each of the option holders has the right to buy a total maximum of 4.50% of the shares in Täby Färg & Tapet AB
- call options were granted in November 2014, and they vest from March 1, 2016 until December 31, 2020 so that each year the options can be exercised during a period that starts when the Annual General Meeting deciding on previous year's financial statements ends and that ends on the last day in September
- the exercise price of the call options is depending on the time of exercise as well as the financial statements of the preceding financial year; as a basic principle the purchase price of the shares to be acquired by the call options is always tied to the EBITDA of the preceding financial year and mainly also to the development of retained earnings' total amount

When valuing the call options, Black & Scholes model has been applied, and the key underlying assumptions at the time of valuation were:

- time period starts on November 3, 2014 (grant date) and ends on September 30, 2020 (latest exercise date), which leads to total time of about 5.9 years
- volatility is at 25% p.a.
- interest rate is based on the interest of Swedish government bonds, i.e. at about 0.6% p.a.
- options' exercise price has been assumed to be determined by the estimated 2015 EBITDA applying the formulas defined in the agreement
- the fair value of underlying shares at the inception has been derived from the acquisition that Tikkurila Sverige AB made

Consequently, in financial year 2015 a total of EUR 74 (12) thousand IFRS2 based personnel expenses were recognized, and the calculated total gross value of this arrangement is about EUR 118 (116) thousand.

38. RELATED PARTIES

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

The terms and conditions of related party transactions are determined on an arm's length basis. Related party companies are disclosed in Note 39 Group's ownership in shares and participations.

Related party transactions are presented below:

EUR thousand	Revenue	Other operating income	Purchases	Receivables	Liabilities
2015					
Associates	-	-	-	-	-
Joint ventures	**5,817**	**932**	-	**239**	**62**
2014					
Associates	2,451	-	155	-	-
Joint ventures	5,212	894	-	382	31

The dividends received from joint ventures amounted to EUR 414 thousand (EUR 293 thousand) during the financial year.

LOANS, GUARANTEES AND OTHER COLLATERALS GRANTED TO RELATED PARTIES

No loans, guarantees or other collaterals have been granted to the management in 2015 or 2014.

EUR thousand	**2015**	2014
Management employee benefits [1]		
Wages, salaries and other short-term employee benefits	**1,832**	1,523
Post-employment benefits	**283**	245
Share-based incentive plan	**643**	631
Total	**2,758**	2,399

[1] Includes remuneration paid to members of the Management Board (including CEO) and members of the Board of Directors.
Post-employment benefits include both the statutory pension payments and voluntary, supplementary pension payments and are separately disclosed in following tables. Both pension plans are defined contribution plans.

Remunerations presented in this note are on accrual basis.
Share-based incentive plan is disclosed in Note 37.
The disclosures about remuneration differ between Tikkurila Group (applying IFRS) and parent company Tikkurila Oyj (applying Finnish Accounting Standards) due to differences in accounting and valuation principles especially in relation to share-based payments.

EXECUTIVE REMUNERATION

EUR thousand	**2015**	2014
CEO		
Erkki Järvinen		
Fixed salary (fringe benefits included)	**445**	445
Bonuses	**145**	31
Share-based incentive plan	**351**	279
Total	**941**	755
Voluntary, supplementary pension payments	**67**	64
Statutory pension expenses	**99**	83
Other Management Board members		
Fixed salary (fringe benefits included)	**720**	700
Bonuses	**195**	38
Share-based incentive plan	**292**	352
Total	**1,207**	1,090
Statutory pension expenses	**117**	98
Board compensation		
Board members *)		
Jari Paasikivi, Chairman of the Board	**76**	64
Petteri Walldén, Vice chairman of the Board	**51**	44
Eeva Ahdekivi, member of the Board	**53**	44
Pia Rudengren, member of the Board	**52**	41
Riitta Mynttinen, member of the Board	**52**	42
Harri Kerminen, member of the Board	**43**	38
Aleksey Vlasov, member of the Board until March 25, 2015	**-**	36
Total	**327**	310

*) 40 percent of the annual fee, excluding meeting fees, of the Board members was paid in Tikkurila Oyj's shares. This was total of EUR 96 (102) thousand in year 2015. This is included in figures presented above.

The CEO's period of notice is 6 months. In the event the company would give notice to the CEO, he will receive an additional remuneration equaling 12 month salary. The CEO has the right to terminate his employment with 6 month period of notice.

The age of retirement for the CEO is 63 years. CEO has the supplementary pension insurance, as defined contribution plan. The aimed level of pension remuneration for the CEO would correspond 65 percent of the salary used in pension calculation, which is the base salary of year 2009. Supplementary pension is held by insurance company. The Group has no obligations in relation to this supplementary pension after employment ends.

The retirement age of the other Management Board members is around 65 years. The Finnish legislation change of Employees Pension Act (TyEL) will enter into force as of January 1, 2017 and according to this the lowest retirement age varies, is dependent on the employee's year of birth.

The Board of Directors of Tikkurila Group decided on February 9, 2015 the criteria for annual management bonus scheme for the financial year 2015 for the Group top management. Bonus criteria consist of the 2015 Tikkurila Group revenue and operative EBIT. At the same time Group management decided to emphasize local bonus targets for other management and personnel.

On November 6, 2013 the Board of Directors approved the criteria for annual management bonus scheme for the financial year 2014. Bonus criteria consist of the 2014 Tikkurila Group revenue growth, business cash flow and operative EBIT as well as function, region, company or team specific targets. In addition, the criteria can include individual targets.

Share holdings of Tikkurila Board of Directors and Management Board are stated in page 97, Shares and shareholders.

39. GROUP'S OWNERSHIP IN SHARES AND PARTICIPATIONS

Subsidiaries	City of domicile	Country of domicile	Tikkurila Group's ownership and voting shares %	Parent company's ownership and voting shares %
2015				
AS Tikkurila	Tallinn	Estonia	100	100
UAB Tikkurila	Vilnius	Lithuania	100	100
OOO Tikkurila	St. Petersburg	Russia	100	100
SIA Tikkurila	Riga	Latvia	100	100
Färdigfärgat AB	Stockholm	Sweden	100	100
Tikkurila (China) Paints Co., Ltd	Beijing	Republic of China	100	100
Dickursby Holding AB	Stockholm	Sweden	100	100
OOO Gamma Industrial Coatings	St. Petersburg	Russia	100	-
IP Tikkurila	Minsk	Belarus	100	100
TOO Tikkurila	Almaty	Kazakhstan	100	100
TOV Tikkurila	Kiev	Ukraine	100	99
Isanta LLC	Kiev	Ukraine	100	-
Tikkurila Polska S.A.	Debica	Poland	100	100
Tikkurila d.o.o.	Sabac	Serbia	100	100
Tikkurila dooel	Skopje	Macedonia	100	100
Tikkurila Sverige AB	Stockholm	Sweden	100	100
Färgservice i Malmö AB	Malmö	Sweden	100	-
Täby Färg & Tapet AB	Täby	Sweden	100	-
Tikkurila Drytech AB	Flen	Sweden	100	-
Tikkurila Norge A/S	Oslo	Norway	100	-
Tikkurila Danmark A/S	Brönby	Denmark	100	-
ISO Paint Nordic A/S	Lunderskov	Denmark	100	100
Tikkurila GmbH	Ansbach	Germany	100	100

Subsidiaries	City of domicile	Country of domicile	Tikkurila Group's ownership and voting shares %	Parent company's ownership and voting shares %
2014				
AS Tikkurila	Tallinn	Estonia	100	100
UAB Tikkurila	Vilnius	Lithuania	100	100
OOO Tikkurila	St. Petersburg	Russia	100	100
SIA Tikkurila	Riga	Latvia	100	100
Färdigfärgat AB	Stockholm	Sweden	100	100
Tikkurila (China) Paints Co., Ltd	Beijing	Republic of China	100	100
Dickursby Holding AB	Stockholm	Sweden	100	100
OOO Gamma Industrial Coatings	St. Petersburg	Russia	100	-
IP Tikkurila	Minsk	Belarus	100	100
TOO Tikkurila	Almaty	Kazakhstan	100	100
TOV Tikkurila	Kiev	Ukraine	100	99
Isanta LLC	Kiev	Ukraine	100	-
Tikkurila Polska S.A.	Debica	Poland	100	100
Tikkurila Zorka d.o.o.	Sabac	Serbia	100	100
Tikkurila dooel	Skopje	Macedonia	100	-
Tikkurila Sverige AB	Stockholm	Sweden	100	100
Färgservice i Malmö AB	Malmö	Sweden	100	-
Täby Färg & Tapet AB	Täby	Sweden	100	-
Tikkurila Drytech AB	Flen	Sweden	100	-
Tikkurila Norge A/S	Oslo	Norway	100	-
Tikkurila Danmark A/S	Brönby	Denmark	100	-
ISO Paint Holding A/S	Lunderskov	Denmark	100	100
ISO Paint Nordic A/S	Lunderskov	Denmark	100	-
Paint Factory Equipment A/S	Lunderskov	Denmark	100	-
Tikkurila GmbH	Ansbach	Germany	100	100

Joint ventures	City of domicile	Country of domicile	Tikkurila Group's ownership and voting shares %	Parent company's ownership and voting shares %
2015				
Alcro Parti AB	Stockholm	Sweden	50	-
2014				
Alcro Parti AB	Stockholm	Sweden	50	-

40. CHANGES IN GROUP STRUCTURE

CHANGES IN THE GROUP STRUCTURE DURING 2015

In November, ISO Paint Holding A/S, ISO Paint Nordic A/S and Paint Factory Equipment A/S merged. ISO Paint Nordic A/S continues after merger.

CHANGES IN COMPANY NAMES:

Former name:	New name:
Tikkurila Zorka d.o.o.	Tikkurila d.o.o.

CHANGES IN THE GROUP STRUCTURE DURING 2014

In March, Tikkurila Sverige AB sold its ownership in Swedish associated company Happy Homes i Sverige AB.

In June, Tikkurila Sverige AB acquired the share capital of the Swedish company KEFA Drytech AB. In December 2014, name of the company was changed to Tikkurila Drytech AB. Company develops and manufactures various surface treatment products.

In October, Tikkurila Oyj acquired the Danish ISO Paint Holding A/S and its entirely owned subsidiaries ISO Paint Nordic A/S and Paint Factory Equipment A/S. ISO Paint Nordic focuses on developing, manufacturing and selling energy-efficient and environmentally sustainable coatings.

In November, Tikkurila Sverige AB acquired the entire share capital of Täby Färg & Tapet AB. Company engages the retail sale in Täby, north of Stockholm. The retail store offers for sale paint, wall paper, accessories, and other decoration materials.

CHANGES IN COMPANY NAMES:

Former name:	New name:
KEFA Drytech AB	Tikkurila Drytech AB

41. EVENTS AFTER THE END OF REPORTING PERIOD

There have been no significant events after the end of reporting period.

Tikkurila Oyj Income statement (FAS)

EUR thousand	Note	**Jan 1 - Dec 31, 2015**	Jan 1 - Dec 31, 2014
Revenue	2	**191,282**	210,061
Change in inventories of finished goods and work in progress	4	**1,033**	390
Other operating income	3	**18,997**	2,193
Materials and services	4	**-103,170**	-108,468
Personnel expenses	5	**-39,022**	-37,017
Depreciation, amortization and impairment losses	7	**-3,589**	-4,661
Other operating expenses	4,6	**-42,454**	-35,959
Operating profit		**23,077**	26,539
Financial income and expenses	8	**21,996**	30,377
Profit before extraordinary items, appropriations and taxes		**45,073**	56,916
Profit before appropriations and taxes		**45,073**	56,916
Appropriations	7,9	**91**	-61
Income tax	10	**-3,928**	-7,920
Net profit for the period		**41,236**	48,935

Tikkurila Oyj Balance sheet (FAS)

EUR thousand	Note	**Dec 31, 2015**	Dec 31, 2014
ASSETS			
Non-current assets	11		
Intangible assets		**6,347**	2,163
Tangible assets		**20,347**	20,996
Investments			
Holdings in Group companies		**181,847**	181,005
Other shares and holdings		**540**	600
Total investments		**182,387**	181,605
Total non-current assets		**209,080**	204,764
Current assets			
Inventories	12	**26,053**	24,992
Non-current receivables	13	**3,279**	21,282
Current receivables	13	**70,733**	51,374
Cash and cash equivalents		**6,635**	15,345
Total current assets		**106,701**	112,994
Total assets		**315,781**	317,758
EQUITY AND LIABILITIES			
Equity	14		
Share capital		**35,000**	35,000
Reserve for invested unrestricted equity		**40,000**	40,000
Retained earnings		**76,588**	62,980
Net profit for the period		**41,236**	48,935
Total equity		**192,824**	186,915
Appropriations	15	**4,944**	5,035
Provisions	16	**478**	209
Liabilities	17		
Non-current liabilities		**50,103**	60,000
Current liabilities		**67,432**	65,599
Total liabilities		**117,535**	125,599
Total equity and liabilities		**315,781**	317,758

Tikkurila Oyj Cash flow (FAS)

EUR thousand	Jan 1 - Dec 31, 2015	Jan 1 - Dec 31, 2014
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before extraordinary items	**45,073**	56,916
Adjustments:		
Unrealized exchange gains and losses	**-1,453**	-1,227
Depreciation, amortization and impairment losses	**3,589**	4,661
Interest income	**-6,553**	-4,446
Interest expenses	**1,129**	5,396
Dividend income	**-30,839**	-31,287
Other adjustments	**-2,180**	-2,372
Write-down of non-current assets	**-**	1,030
Write-down of loan and trade receivables	**7,815**	11,881
Other financial items	**7,920**	-8,658
Funds from operating activities before change in net working capital	**24,502**	31,895
Change in net working capital		
Change in inventories	**-1,061**	-92
Change in current receivables	**-6,934**	6,843
Change in interest-free current liabilities	**3,252**	1,934
Change in net working capital, total	**-4,743**	8,685
Interest and other financial expenses paid	**-2,326**	-6,339
Interest and other financial income received	**2,660**	11,700
Income taxes paid	**-5,871**	-7,931
Dividends received	**26,818**	21,197
Total cash flow from operating activities	**41,040**	59,207
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of tangible and intangible assets	**-7,189**	-4,082
Investments in Group companies	**-842**	-12,011
Proceeds from sales of other shares	**2,490**	1,233
Change in loan receivables	**744**	3,776
Proceeds from sales of tangible and intangible assets	**7**	417
Dividends received	**96**	112
Net cash used in investing activities	**-4,694**	-10,555
Cash flow before financing	**36,346**	48,652
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in non-current loans (+)	**50,000**	-
Decrease in non-current loans (-)	**-60,000**	0
Change in current financing increase (+)	**177,406**	126,301
Change in current financing decrease (-)	**-177,135**	-135,889
Acquisition of own shares	**-43**	-2,016
Dividends paid	**-35,285**	-35,287
Net cash used in financing activities	**-45,056**	-46,891
Net change in cash and cash equivalents	**-8,710**	1,762
Cash and cash equivalents at Dec 31	**6,635**	15,345
Cash and cash equivalents at Jan 1	**15,345**	13,584
Change in cash and cash equivalents	**-8,710**	1,762

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - TIKKURILA OYJ

Tikkurila Oyj is a Finnish public limited company which share is listed on NASDAQ OMX Helsinki since March 26, 2010. Tikkurila Oyj domiciled in Vantaa and the registered address is Kuninkaalantie 1, FI-01300 Vantaa, Finland. Tikkurila Oyj is the parent company of Tikkurila Group.

Tikkurila Oyj's financial statements are prepared in accordance with the Finnish Accounting Act and Ordinance and the Finnish Limited Liability Companies Act.

FOREIGN CURRENCY TRANSACTIONS

In the day-to-day accounting, Tikkurila Oyj translates foreign currency transactions into its functional currency at the exchange rates quoted on the transaction date.

In preparation of financial statements monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate of end of reporting period.

Exchange rate differences arising from trade receivables are accounted for as adjustments to sales and those arising from trade payables to purchases. Exchange rate differences arising from financing transactions are accounted for in financial income and expenses.

FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES

Financial assets and financial liabilities except derivatives are measured at amortized cost, less any impairment losses. Derivative agreements are recognized at fair value and the changes of fair values are presented in financing items. The principles for accounting and valuing methods have been stated in consolidated accounting policies.

The Board of Directors of Tikkurila Oyj approved new financial risk management policy in December 2014, in which it was decided not to use currency forwards for hedging purposes. The outstanding forward agreements at the year-end 2014 were fully closed in the first months of 2015.

SHARE-BASED INCENTIVE PLAN FOR THE PERSONNEL

The treatment of the share-based incentive plan has been described in the accounting principles for the consolidated financial statements. In the parent company, the share-based payments are recorded as an expense in the amounts of the payments to be made.

REVENUE RECOGNITION

Revenue includes the total invoicing value of products sold and services rendered less, as adjusting items, sales tax, discounts, rebates and foreign exchange differences from trade receivable.

INCOME TAXES

Tax expense in income statement comprises current tax of the company calculated on the taxable profit for the period determined in accordance with the local tax rules, final taxes from previous years and the change in deferred taxes.

DEFERRED TAXES

Deferred taxes are determined on the basis of temporary differences between the financial statement and tax bases of assets and liabilities. Deferred taxes are determined using tax rates that have been enacted at the balance sheet date and are expected to apply next year.

NON-CURRENT ASSETS AND DEPRECIATION AND AMORTIZATION

Non-current assets are recognized in the balance sheet at historical acquisition cost less accumulative depreciations, amortizations and impairments.

Depreciation and amortization are calculated using the straight-line method based on the assets' estimated useful lives of the original cost.

Depreciation periods:	
buildings and constructions	8 - 25 years
machinery and equipment	3 - 15 years
intangible assets	5 - 10 years

Accumulated appropriations include accumulated depreciation difference between depreciations for tax purposes and depreciations according the plan. In balance sheet this is presented under appropriations in equity and liabilities.

INVENTORIES

Tikkurila Oyj's inventories are stated at the lower of cost and net realizable value.

Inventory cost is determined using the weighted average cost method. The cost of finished goods comprises direct costs, production costs and related appropriate production and supply overheads and fixed general costs and production and supply related non-current assets' planned depreciations and amortizations and insurance expenses.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs have been expensed. Development costs have not been capitalized as they do not fulfill the capitalization criteria. Development costs previously recognized as an expense are not capitalized in a subsequent period. If the capitalization criteria are fulfilled, development costs are presented in Intangible assets and are to be amortized on a straight-line basis over their useful life of a maximum of eight years.

The salary costs and other directly attributable costs of the company´s employees working on the development of the Enterprise resource planning system have been capitalized as part of the software cost in financial year 2015.

LEASE

Leases have been accounted for rent expenses. Unpaid leasing payments have been stated in contingent liabilities in financial statements.

COMPARABILITY OF FINANCIAL YEAR 2015 TO FINANCIAL YEAR 2014

The share of exports to east comprises a significant amount of company's revenue. Weak economic situation in Russia and depreciated value of Russian ruble had a negative impact on Tikkurila Oyj's revenue.

From the beginning of financial year 2015, Tikkurila Oyj has, in relation to intercompany transactions, used as invoicing currency each subsidiary's functional currency, whenever possible. As a result of this, the exchange rate differences on trade receivables have increased compared to financial year 2014.

The amount of other operating income has increased compared to previous year. This was a result from intercompany service charges and considerations of and for the grant of the licenses to utilize business concepts.

Co-operation negotiations were concluded in October 2015. As a result of the negotiations, a total of 41 persons were dismissed and EUR 1.8 million was recognized as non-recurring expenses in personnel expenses in financial year 2015.

In year 2014, the financial income and expenses included amounts arising from forward currency agreements. From the beginning of financial year 2015, Tikkurila did not carry out any more derivative agreements and as a result of this an amount recognized on derivatives is lower than in comparison year.

2. REVENUE

	2015	2014
Revenue by geographical segment, % of total revenue	**%**	%
Finland	**51**	48
Other EU countries	**25**	24
Other Europe	**20**	23
Other countries	**5**	5
Revenue by geographical segment, total	**100**	100

3. OTHER OPERATING INCOME

EUR thousand	2015	2014
Gains on sale of non-current assets	**7**	775
Gains on sale of shares	**2,440**	1,199
Other income from operations	**16,551**	220
Other operating income, total	**18,997**	2,193

Other income from operations include intercompany service charges and considerations of and for the grant of the licenses to utilize business concepts as total of EUR 16.2 million.

4. OTHER OPERATING EXPENSES

EUR thousand	2015	2014
Change in inventories of finished goods and work in progress	**1,033**	390
Materials and services		
Materials and supplies		
Purchases during the financial year	**-102,314**	-107,234
Change in inventories of materials and supplies	**28**	-299
External services	**-883**	-936
Total materials and services	**-103,170**	-108,468
Personnel expenses	**-39,022**	-37,017
Rents	**-1,560**	-1,598
Loss on sales of non-current assets	**-**	0
Other expenses and expense reimbursement *)	**-40,894**	-34,361
Total other operating expenses	**-183,613**	-181,053

*) In financial year 2014, the amount includes a write-down of EUR 3,067 thousand of trade receivables from subsidiaries.

5. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

EUR thousand	2015	2014
Wages and salaries	**-31,146**	-29,660
Pension expenses	**-5,739**	-5,701
Other personnel expenses	**-2,137**	-1,657
Total personnel expenses	**-39,022**	-37,017

In financial year 2015, personnel expenses include EUR 1.8 million non-recurring expenses as a result of the personnel reduction of the co-operation negotiations.

Management remunerations		
Members of the Board of Directors, CEO and other Management Board members	**-3,349**	-2,016

The disclosures about remuneration differ between Tikkurila Group (applying IFRS) and parent company Tikkurila Oyj (applying Finnish Accounting Standards) due to differences in accounting and valuation principles especially in relation to share-based payments. In bookkeeping of Tikkurila Oyj (FAS) the personnel expenses arisen from the share-based incentive plan paid as a part of the remuneration for CEO and other Management Board members, have been recognized in the period when the shares have been transferred to participants. Whereas in the Group according the IFRS, those expenses have been accrued for a longer period, in about a three-year period. The valuation of the shares in Tikkurila Oyj bookkeeping and in remuneration specifications is based on the share price at the time of the transfer, whereas the valuation in accordance with IFRS is based on the share price value at the beginning of the vesting period of the plan and for example the effect of the estimated future dividends is taken into account as well.

Details from share-based commitment and incentive plan of management can be found from notes to the consolidated financial statements in Note 37.

ACCRUAL BASED REMUNERATION OF CEO AND MANAGEMENT BOARD

In the following table remuneration of CEO is presented on accrual basis in year 2015 and 2014.

EUR thousand	**2015**	2014
CEO		
Fixed salary, fringe benefits included	**-445**	-445
Bonuses	**-145**	-31
Share-based incentive plan	**-740**	-235
Total	**-1,330**	-711
Voluntary, supplementary pension payments	**-67**	-64
Statutory pension expenses	**-99**	-83

Amount of share-based incentive plan include payments settled in shares. The value of share-settled payments is disclosed as fair value of shares at the date of disposal.

The CEO's period of notice is 6 months. In the event the company would give notice to the CEO, he will receive an additional remuneration equaling 12 month salary.

The CEO has the right to terminate his employment with 6 month period of notice.

The age of retirement for the CEO is 63 years. CEO has a supplementary pension insurance as defined contribution plan. The aimed level of pension remuneration for the CEO would correspond 65 percent of the salary used in pension calculation, which is the base salary of year 2009. Supplementary pension is held by insurance company. Statutory pension plan is a defined contribution plan.

EUR thousand	**2015**	2014
Other Management Board members [1)]		
Fixed salary, fringe benefits included	**-720**	-700
Bonuses	**-195**	-38
Share-based incentive plan	**-778**	-257
Total	**-1,692**	-996
Statutory pension expenses	**-117**	-98
Statutory pension is a defined contribution plan.		

[1)] EUR 218 thousand is not included in income statement line wages and salaries in year 2015. The comparison year EUR 181 thousand was not included in wages and salaries.

Amount of share-based incentive plan include payments settled in shares. The value of share-settled payments is disclosed as fair value of shares at the date of disposal.

REMUNERATION OF MEMBERS OF BOARD OF DIRECTORS [*)]

EUR thousand	**2015**	2014
Jari Paasikivi	**-76**	-64
Petteri Walldén	**-51**	-44
Harri Kerminen	**-43**	-38
Pia Rudengren	**-52**	-41
Eeva Ahdekivi	**-53**	-44
Riitta Mynttinen	**-52**	-42
Aleksey Vlasov member of the Board until March 25, 2015	**-**	-36
Total	**-327**	-310

[*)] 40 percent of the annual fee of the Board members was paid in Tikkurila Oyj's shares. This was total of EUR 97 (102) thousand in year 2015. This is included in figures presented above.

LOANS TO RELATED PARTIES

No related parties held loans from the Company in 2015 or in 2014.

Number of personnel	**2015**	2014
Average number of white-collar employees	**373**	364
Average number of blue-collar employees	**234**	248
Personnel (average)	**607**	612

6. AUDITOR'S FEES

EUR thousand	**2015**	2014
KPMG Oy Ab, Authorized Public Accountants		
Audit fees	**-161**	-147
Tax consultancy	**-35**	-14
Other auditings	**-27**	-26
Other fees	**-**	-1
Other audit firms		
Other fees	**-22**	-4
Auditing fees, total	**-245**	-191

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

EUR thousand	**2015**	2014
Depreciation according to plan and impairment losses		
Intangible asset		
Other capitalized expenditure	**-688**	-874
Impairment losses of intangible assets	**-3**	-613
Tangible assets		
Buildings and constructions	**-879**	-1,010
Impairment losses of buildings and constructions	**-**	-136
Machinery and equipment	**-1,988**	-2,013
Impairment losses of machinery and equipment	**-17**	0
Other tangible assets	**-5**	-14
Other investments		
Impairment losses of other shares and holdings	**-10**	-
Total depreciation, amortization and impairment losses	**-3,589**	-4,661
Change in depreciation difference		
Intangible assets	**-**	-2
Other capitalized expenditure	**3**	28
Buildings and constructions	**132**	217
Machinery and equipment	**-47**	-318
Other tangible assets	**3**	14
Total	**91**	-61

8. FINANCIAL INCOME AND EXPENSES

EUR thousand	2015	2014
Financial income		
Dividend income		
Dividend income from Group companies	**30,743**	31,175
Dividend income from others	**96**	112
Total dividend income	**30,839**	31,287
Interest income		
Interest income from non-current investments from others	**-**	0
Interest income from current investments from Group companies	**6,522**	4,362
Interest income from current investments from others	**31**	84
Total interest income	**6,553**	4,446
Other financial income		
Other financial income from Group companies	**98**	104
Total other financial income	**98**	104
Exchange gains		
Exchange gains from Group companies	**3,553**	1,602
Exchange gains from others	**1,507**	21,946
Total exchange gains	**5,060**	23,548
Total financial income	**42,550**	59,385
Write-down of non-current investments		
From holdings in subsidiaries	**-**	-1,030
Total write-down of non-current investments	**-**	-1,030
Financial expenses		
Interest expenses		
Interest expenses to Group companies	**-148**	-281
Interest expenses to others	**-982**	-5,115
Total interest expenses	**-1,129**	-5,396
Other financial expenses		
Other financial expenses to Group companies *)	**-7,800**	-8,814
Other financial expenses to others	**-632**	-718
Total other financial expenses	**-8,432**	-9,531
Exchange losses		
Exchange losses to Group companies	**-8,826**	-8,699
Exchange losses to others	**-2,167**	-4,351
Total exchange losses	**-10,993**	-13,050
Total financial expenses	**-20,554**	-27,978
Total financial income and expenses	**21,996**	30,377

*) A write-down of subsidiary loan receivables of EUR 7,800 (8,814) thousand

Interest expenses others in financial expenses contain EUR 12 thousand capitalized interest expenses.

At the end of year 2014 the Board of Directors of Tikkurila decided not to carry out in the future forward exchange agreements. In financial year 2015 EUR 443 thousand is recognized in exchange gains from other in financial income regarding the derivatives and EUR 318 thousand in exchange losses to others in financial expenses regarding derivatives. Respectively in comparison year, EUR 21,495 thousand is recognized in exchange gains from others in financial income regarding derivatives and EUR 4,176 thousand is recognized in exchange loss to others in financial expenses regarding derivatives.

Furthermore, the invoicing currency basics for goods and service sales between separate Group companies have been changed during the financial year 2015. Because of these reasons the bookkeeping effects of the currency exchange rates differ from year to year in financial years 2014 and 2015. The impact of exchange rate differences on net result of Tikkurila Oyj has increased.

EUR thousand	2015	2014
Exchange gains and losses		
Realized	**-7,387**	9,271
Unrealized	**1,453**	1,227
Total exchange gains and losses	**-5,933**	10,498

9 CHANGE IN APPROPRIATIONS

EUR thousand	2015	2014
Change in depreciation difference	**91**	-61
Total change in appropriations	**91**	-61

10 INCOME TAXES

EUR thousand	2015	2014
Income tax for current year	**-4,412**	-7,810
Income tax for previous years	**586**	-8
Change in deferred taxes	**-102**	-103
Total income taxes	**-3,928**	-7,920

11. NON-CURRENT ASSETS

INTANGIBLE ASSETS

EUR thousand	2015	2014
Goodwill		
Acquisition cost at beginning of year	**10,291**	10,291
Acquisition cost at year end	**10,291**	10,291
Accumulated amortization at beginning of year	**-10,291**	-10,291
Accumulated amortization at year end	**-10,291**	-10,291
Carrying amount at year end	**-**	-
Other capitalized expenditure		
Acquisition cost at beginning of year	**9,930**	10,831
Increase	**850**	628
Decrease	**-202**	-1,529
Acquisition cost at year end	**10,578**	9,930
Accumulated amortization at beginning of year	**-8,017**	-8,060
Accumulated amortization related to decrease	**202**	1,529
Impairment loss	**-3**	-613
Amortization during the financial year	**-688**	-874
Accumulated amortization and impairment losses at year end	**-8,506**	-8,017
Carrying amount at year end	**2,072**	1,913
Advance payments and assets under construction		
Acquisition cost at beginning of year	**250**	41
Change during the year	**4,025**	209
Carrying amount at year end	**4,275**	250
Total intangible assets	**6,347**	2,163

Advance payments and assets under construction comprise EUR 3,370 thousand of development expenses of the enterprise resource planning and EUR 12 thousand of capitalized interest expenses related to the same ERP's acquisition value.

TANGIBLE ASSETS

EUR thousand	2015	2014
Land and water		
Acquisition cost at beginning of year	**1,637**	1,667
Decrease	**0**	-30
Carrying amount at year end	**1,637**	1,637
Buildings and constructions		
Acquisition cost at beginning of year	**22,359**	22,625
Increase	**664**	1,298
Decrease	**-**	-1,564
Acquisition cost at year end	**23,023**	22,359
Accumulated depreciation at beginning of year	**-15,793**	-16,197
Accumulated depreciation related to decrease	**-**	1,551
Depreciation during the financial year	**-879**	-1,010
Impairment loss	**-**	-136
Accumulated depreciation and impairment losses at year end	**-16,672**	-15,793
Carrying amount at year end	**6,352**	6,566
Machinery and equipment		
Acquisition cost at beginning of year	**41,676**	41,386
Increase	**1,332**	2,085
Decrease	**-24**	-1,794
Acquisition cost at year end	**42,984**	41,676
Accumulated depreciation at beginning of year	**-29,162**	-28,944
Accumulated depreciation related to decrease	**24**	1,794
Depreciation during the financial year	**-1,988**	-2,013
Impairment loss	**-17**	-0
Accumulated depreciation and impairment losses at year end	**-31,143**	-29,162
Carrying amount at year end	**11,841**	12,514

The carrying amount of production machinery and equipment was EUR 10,708 thousand (EUR 11,424 thousand).
Accelerate depreciations of EUR 397 (439) thousand has been done on production investments.

EUR thousand	2015	2014
Other tangible assets		
Acquisition cost at beginning of year	**893**	938
Increase	**65**	-
Decrease	**-**	-45
Acquisition cost at year end	**958**	893
Accumulated depreciation at beginning of year	**-749**	-779
Accumulated depreciation related to decrease	**-**	45
Depreciation during the financial year	**-5**	-14
Accumulated depreciation at year end	**-754**	-749
Carrying amount at year end	**204**	144
Advance payments and assets under construction		
Acquisition cost at beginning of year	**135**	273
Change during the year	**178**	-138
Carrying amount at year end	**313**	135
Total tangible assets	**20,347**	20,997

INVESTMENTS

EUR thousand	**2015**	2014
Holdings in Group companies		
Acquisition cost at beginning of year	**181,005**	170,025
Increase	**842**	12,011
Write-down	**-**	-1,030
Decrease	**-**	0
Carrying amount at year end	**181,847**	181,005
Other shares and holdings		
Acquisition cost at beginning of year	**600**	634
Write-down	**-10**	-
Decrease	**-50**	-34
Carrying amount at year end	**540**	600
Total investments	**182,387**	181,605

12. INVENTORIES

EUR thousand	**2015**	2014
Materials and supplies	**8,723**	8,696
Work in progress	**1,694**	1,725
Finished goods	**15,636**	14,572
Total inventories	**26,053**	24,992

13. RECEIVABLES

EUR thousand	**2015**	2014
Non-current receivables		
Non-current interest-bearing receivables		
Loan receivables from Group companies	**1,386**	18,689
Loan receivables from others	**-**	1,231
Total non-current interest-bearing receivables	**1,386**	19,920
Non-current interest-free receivables		
Trade receivables from others	**1,267**	1,031
Deferred expenses and accrued income from others	**454**	-
Other receivables from others	**62**	119
Total non-current interest-free receivables	**1,783**	1,150
Deferred tax assets	**110**	212
Total non-current receivables	**3,279**	21,282
Current receivables		
Current interest-bearing receivables		
Current interest-bearing receivables from others	**1,924**	2,211
Current interest-bearing receivables from Group companies	**36,672**	22,468
Total current interest-bearing receivables	**38,595**	24,679
Current interest-free receivables		
Loan receivables from others	**57**	81
Other current receivables from others	**27**	26

EUR thousand	2015	2014
Trade receivables		
Trade receivables from Group companies	**17,266**	14,766
Trade receivables from others	**9,105**	2,733
Total trade receivables	**26,371**	17,498
Deferred expenses and accrued income		
Deferred expenses and accrued income from Group companies	**2,370**	3,846
Deferred expenses and accrued income from others	**3,313**	5,244
Total deferred expenses and accrued income	**5,683**	9,090
Total current interest-free receivables	**32,138**	26,695
Total current receivables	**70,733**	51,374
Total receivables	**74,012**	72,656
Deferred expenses and accrued income		
Interest income	**2,362**	1,063
Derivatives	**-**	3,243
Insurances	**974**	-
Personnel related	**107**	105
Purchases	**236**	256
Income taxes	**273**	1,386
IT services	**1,353**	2,687
Others	**832**	349
Total deferred expenses and accrued income	**6,137**	9,090

Deferred expenses and accrued income "Others" includes withdrawal costs of a loan EUR 494 thousand.
These expenses have been accrued for the period of repayment schedule.

14. EQUITY

EUR thousand	2015	2014
Share capital at January 1	**35,000**	35,000
Share capital at December 31	**35,000**	35,000
Total restricted equity	**35,000**	35,000
Reserve for invested unrestricted equity at January 1	**40,000**	40,000
Reserve for invested unrestricted equity at December 31	**40,000**	40,000
Retained earnings at January 1	**111,915**	100,283
Dividends	**-35,285**	-35,287
Share-based compensation	**-1,606**	-410
Acquistion of treasury shares	**-43**	-2,016
Transfer of treasury shares to participants of share-based incentive plan	**1,606**	410
Retained earnings at December 31	**76,588**	62,980
Net profit for the period	**41,236**	48,935
Retained earnings and net profit for the period at December 31	**117,824**	111,915
Total unrestricted equity	**157,824**	151,915
Total equity at December 31	**192,824**	186,915

EUR thousand	2015	2014
Distributable funds at December 31		
Reserve for invested unrestricted equity	**40,000**	40,000
Retained earnings	**111,915**	100,283
Dividends	**-35,285**	-35,287
Share-based compensation	**-1,606**	-410
Acquisition of treasury shares	**-43**	-2,016
Transfer of treasury shares to participants of share-based incentive plan	**1,606**	410
Net profit for the financial year	**41,236**	48,935
Distributable funds	**157,824**	151,915

Changes in treasury shares	**EUR '000**	Number of shares
Acquisition cost / Number of pieces at January 1	**-**	-
Change	**1,606**	79,500
Carrying amount / Number of pieces at December 31, 2014	**1,606**	79,500

Changes in treasury shares	**EUR '000**	Number of shares
Acquisition cost / Number of pieces at January 1	**1,606**	79,500
Change	**-1,563**	-77,039
Carrying amount / Number of pieces at December 31, 2015	**42**	2,461

15. APPROPRIATIONS

EUR thousand	2015	2014
Depreciation difference		
Accumulated depreciation difference per asset		
Buildings and constructions	**-2,623**	-2,491
Machinery and equipment	**7,194**	7,147
Other tangible assets	**30**	32
Other capitalized expenditure	**336**	339
Intangible rights	**7**	7
Total accumulated depreciation difference	**4,944**	5,035
Change in depreciation difference		
Depreciation difference at January 1	**5,035**	4,974
Change in depreciation difference in income statement	**-91**	61
Depreciation difference at December 31	**4,944**	5,035

16. PROVISIONS

EUR thousand	2015	2014
Other provisions	**478**	209

17. LIABILITIES

EUR thousand	2015	2014
Non-current liabilities		
Loans from financial institutions	**50,000**	60,000
Other non-current liabilities to others	**103**	-
Total non-current liabilities	**50,103**	60,000

EUR thousand	**2015**	2014
Maturity of non-current liabilities		
Maturity		
2017 (2016)	**103**	60,000
2018 (2017)	**-**	-
2019 (2018)	**-**	-
2020 (2019)	**-**	-
2021 (2020)	**50,000**	-
Total non-current liabilities	**50,103**	60,000
Loans that will fall due after 5 years or later		
Loans from financial institutions	**50,000**	-
Total	**50,000**	**-**
Current liabilities		
Current interest-bearing liabilities		
Other interest-bearing liabilities		
Other interest-bearing liabilities to Group companies	**21,656**	21,391
Other interest-bearing liabilities to others	**9,979**	9,972
Total other interest-bearing liabilities	**31,635**	31,363
Total current interest-bearing liabilities	**31,635**	31,363
Current interest-free liabilities		
Trade payables		
Trade payables to Group companies	**1,514**	828
Trade payables to others	**13,581**	15,118
Total trade payables	**15,094**	15,946
Accrued expenses and deferred income		
Accrued expenses and deferred income to Group companies	**1,176**	27
Accrued expenses and deferred income to others	**18,397**	17,027
Total accrued expenses and deferred income	**19,574**	17,054
Other interest-free liabilities to others	**1,129**	1,236
Total current interest-free liabilities	**35,797**	34,236
Total current liabilities	**67,432**	65,599
Accrued expenses and deferred income		
Personnel expenses	**7,918**	6,799
Related to sales	**10,224**	7,626
Interest	**3**	216
Income taxes	**-**	1,297
Other	**1,429**	1,116
Total accrued expenses and deferred income	**19,574**	17,054

18. CONTINGENT LIABILITIES

EUR thousand	**2015**	2014
Lease liabilities		
Maturity within one year	**956**	1,253
Maturity later than one year	**1,356**	1,192
Total lease liabilities	**2,312**	2,446
Other contingent liabilities		
Material contractual commitment for acquisition of tangible and intangible assets	**1,442**	232

Increase in commitments compared to previous year are related to on-going development project of ERP.

Guarantees		
On own behalf	**165**	30
On behalf of Group companies	**22,711**	20,529
Total guarantees	**22,875**	20,559

In addition, Tikkurila Oyj has personnel's years in service related commitments, which are not mandatory but are rather established by a pattern of past practice, and share-based incentive plan commitments. These together are approximately EUR 1.2 (4.5) million.

As part of the co-operation negotiations, the terms of the long-service benefit plan were changed as of Jan 1, 2016. As of the result, the compensations paid based on the time in service were decreased considerably and thus the commitments of the company were lower than in comparison year.

Tikkurila Oyj is defendant in a claim, which is uncompleted at a Court of Arbitration on the date of financial statements December 31, 2015. The former supplier of the company has raised a claim for damages as a total of about EUR 0.5 million. The arbitral tribunal has given its award at the beginning of February 2016. According to the award Tikkurila Oyj has no liability towards the claimant.

Tikkurila Oyj is defendant in a claim raised at district court of Vantaa. Counterparty requires a total of about EUR 0.1 million for damages.

In year 2006, the subsidiary of Tikkurila Oyj, Tikkurila Sverige AB, sold its subsidiary to Skanska Nya Hem AB. The divested entity owned a land plot and buildings in Stockholm. According to the revised terms, if at the end of 2019 there will be no final town plan regarding BTAs for the land area in question, Skanska has the option either to finalize the transaction with the preliminary purchase price without any right to adjustment or to cancel the transaction and let Tikkurila Sverige AB buy the property back at the preliminary transaction price. If the transaction would be reversed, Tikkurila Sverige AB has also committed, subject to certain limitations, to compensate Skanska for costs related to preparing the property for further development. Tikkurila Oyj has given guarantee on behalf of Tikkurila Sverige AB.

Tikkurila Oyj has announced to donate the interior paints for the new children hospital in Helsinki. The construction work of children hospital has been started on August 2014 and this project is estimated to be completed in year 2017. According the Tikkurila management estimation the cost of commitment is approximately EUR 150 thousand. However this estimate will be more accurate near to completion date.

19. DERIVATIVE INSTRUMENTS

	2015		2014	
EUR thousand	**Nominal value**	**Fair value**	Nominal value	Fair value
Currency derivatives				
Currency forwards	-	-	27,827	3,243

Shares and shareholders

SHARES AND SHARE CAPITAL

At the end of 2015, Tikkurila's share capital was EUR 35.0 million, from a total of 44,108,252 registered shares. Tikkurila has one share series, and each share entitles its holder to one vote at the General Meeting and to an equal amount of dividend. Tikkurila's shares are registered in the Finnish book-entry system. At the end of 2015, Tikkurila held 2,461 treasury shares.

BOARD AUTHORIZATIONS

On March 25, 2015, the Annual General Meeting authorized the Board of Directors of Tikkurila to decide on the repurchase of the company's own shares and the share issue.

AUTHORIZATION TO REPURCHASE THE COMPANY'S OWN SHARES

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 with assets pertaining to the company's unrestricted equity in one or more tranches. The proposed maximum amount of the authorization corresponds to approximately 10 percent of all the shares in the company.

The company's own shares will be repurchased through public trading, due to which the repurchase will take place in directed manner, i.e. not in proportion to the shareholdings of the shareholders. The shares will be repurchased in public trading on the NASDAQ OMX Helsinki Ltd at the market price quoted at the time of the repurchase. The shares will be repurchased and paid in accordance with the rules of NASDAQ OMX Helsinki Ltd and Euroclear Finland Ltd.

The consideration payable for the repurchase of the shares shall be based on the market price of the company's share in public trading. The minimum consideration of the repurchase of the company's own shares is the lowest market price of the share quoted in public trading during the authorization period and, correspondingly, the maximum price is the highest market price of the share quoted in public trading during the authorization period.

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. For the aforementioned purposes, the company may retain, transfer further or cancel the shares. The Board of Directors would decide upon other terms related to repurchase of shares.

The repurchase authorization will be valid until the end of the next Annual General Meeting, however, no longer than until June 30, 2016. In 2015, a total of 2,500 Tikkurila shares were acquired for implementing the company's share-based commitment and incentive program.

AUTHORIZATION TO ISSUE SHARES

The Annual General Meeting authorized the Board of Directors to decide to transfer the company's own shares held by the company or to issue new shares in one or more tranches limited to a maximum of 4,400,000 shares. The proposed maximum aggregate amount of the authorization corresponds to approximately 10 percent of all the shares in the company.

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 in deviation 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 settling the payment of the annual fees payable to the members of the Board of Directors. Upon the issuance of the new shares, the subscription price of the new shares shall be recorded to the invested unrestricted equity reserves. In case of a transfer of the company's own shares, the price payable for the shares shall be recorded to the invested unrestricted equity reserves.

The Board of Directors will decide upon other terms and conditions related to the share issues. The authorization will be valid until the end of the next Annual General Meeting, however, no longer than until June 30, 2016. As of December 31, 2015, the Board of Directors had not exercised this authorization.

AUTHORIZATION TO DECIDE ON THE SHARE ISSUE RELATED TO THE IMPLEMENTATION OF THE SHARE-BASED COMMITMENT AND INCENTIVE PROGRAM

The Annual General Meeting on March 28, 2012, authorized the Board of Directors to decide to transfer Company's own shares held by the company or to issue new shares in one or more tranches limited to a maximum of 440,000 shares, deviating from the shareholders' pre-emptive subscription right, to the Company's key persons as part of the share-based commitment and incentive program released on February 16, 2012. The proposed maximum aggregate amount of the authorization corresponds to approximately one percent of all the existing shares in the company.

The company's own shares held by the company may be transferred and the new shares may be issued without payment to the key persons who have purchased the company's shares in accordance with the terms of the share-based commitment and incentive program decided by the Board of Directors and released by the company on February 16, 2012. The implementation of the share-based commitment and incentive program constitutes a weighty financial reason for the company to deviate from the shareholders' pre-emptive subscription right.

The Board of Directors will decide upon other terms related to share issues. The authorization will be valid for five (5) years from the decision. On March 3, 2015, a total of 79,539 Tikkurila shares were transferred to the nine key persons of Tikkurila.

MARKET CAPITALIZATION AND TRADING

The trading of Tikkurila Oyj's shares began on NASDAQ OMX Helsinki on March 26, 2010.

At the end of December, the closing price of Tikkurila's share was EUR 16.11. In January–December, the volume-weighted average share price was EUR 16.94, the lowest price EUR 14.15, and the highest price EUR 19.50. At the end of December, the market value of Tikkurila Oyj's shares was EUR 710.5 million. During January–December, a total of 11.4 million Tikkurila shares, corresponding to approximately 25.9 percent of the number of shares, were traded on NASDAQ OMX Helsinki Ltd. The value of the traded volume was EUR 193.7 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.

HOLDINGS OF TIKKURILA'S BOARD OF DIRECTORS AND MANAGEMENT BOARD

Tikkurila Board members and their interest parties held altogether 100,450 shares on December 31, 2015, 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 102,564 shares on December 31, 2015, which is about 0.2 percent of the share capital and votes. Up-to-date information concerning the holdings of Tikkurila statutory insiders is available at www.tikkurilagroup.com/corporate_governance/insiders.

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

SHARE-BASED INCENTIVE PLANS

In order to commit and motivate key personnel, the Board of Directors of Tikkurila Oyj decided on a 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, 2015, a total of nine key employees selected by the Board participated in the share-based plan.

The final value of the plan for the performance period of 2012–2014 totaled EUR 3.1 million at the end of the performance period. In financial year 2015, the EUR 0.8 (0.8) million was recognized in personnel expenses based on this performance period.

Based on the commitment and incentive plan, and stemming from the performance periods 2013-2015 and 2014–2016, a total of EUR 0.1 (0.0) million personnel expenses were recognized in financial year 2015.

The estimated total value for the performance periods 2013–2015 and 2014–2016 totaled EUR 0.1 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. About half of the payments will be in shares, and about 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.

DIVIDEND POLICY

According to Tikkurila's dividend policy, Tikkurila aims to distribute a dividend of at least 40 percent of its annual operative net income. Operative net income means net profit for the period excluding non-recurring items and adjusted for tax effects.

The Board of Directors proposes to the Annual General Meeting to be held on April 6, 2016, that a dividend of EUR 0.80 per share will be distributed for the year ended on December 31, 2015. The proposed dividend corresponds to approximately 90% percent of operative net income.

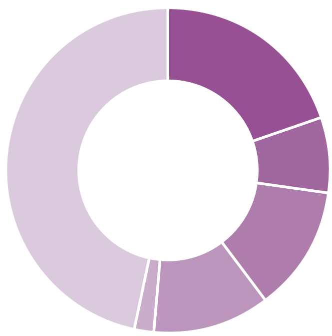
SHAREHOLDERS

According to Euroclear Finland Oy's register, Tikkurila had approximately 20,500 shareholders on December 31, 2015, the largest single shareholder being Oras Invest Oy with 18.1 percent. A list of the largest shareholders is updated regularly on Tikkurila's website at www.tikkurilagroup.com/investors/share_information/shareholders.

DISCLOSURE OF CHANGES IN HOLDINGS IN 2015

Tikkurila Oyj received a notification, based on the Securities Markets Act, from Prudential Plc on March 18, 2015. According to the announcement, the holding of Prudential Plc and its subsidiaries (M&G Group Limited, M&G Limited, M&G Investment Management Limited, and M&G Securities Limited) in shares of Tikkurila Oyj fell below the 1/20 (5%) threshold due to trades executed on March 17, 2015. After these transactions the holding of Prudential Plc and its subsidiaries in Tikkurila Oyj amounted to a total of 2,037,628 shares, which corresponds to 4.62 percent of the total amount of shares and voting rights in Tikkurila Oyj.

Breakdown by shareholder category on December 31, 2015



19.8% Private companies
7.5% Financial and insurance institutions
12.6% Public sector organizations
11.7% Households
1.8% Non-profit organizations
46.7% Foreigners and Nominee registered

Tikkurila's largest shareholders on December 31, 2015

		Number of shares	% of share capital
1	Oras Invest Oy	7,969,552	18.1
2	Varma Mutual Pension Insurance Company	2,493,525	5.7
3	Ilmarinen Mutual Pension Insurance Company	2,458,938	5.6
4	Mandatum Life Insurance Company Ltd.	1,577,079	3.6
5	ODIN Finland	677,501	1.5
6	Kaleva Mutual Insurance Company	650,000	1.5
7	The State Pension Fund	507,000	1.2
8	Nordea Nordic Small Cap Fund	455,000	1.0
9	Paasikivi Pekka	195,241	0.4
10	Evli Finnish Small Cap Fund	111,733	0.3
	10 largest registered shareholders total	**14,636,631**	**33.2**
	Nominee registered shares	19,806,428	44.9
	Other shares	9,665,193	21.9
	Total	**44,108,252**	**100.0**

Breakdown of share ownership on December 31, 2015

Number of shares	Shareholders	% of shareholders	Total number of shares and votes	% of share capital and voting rights
1–100	10,652	52.0	500,463	1.1
101–1,000	8,945	43.7	2,815,759	6.4
1,001–10,000	803	3.9	1,921,179	4.4
10,001–100,000	64	0.3	1,908,009	4.3
100,001–1,000,000	8	0.0	2,829,512	6.4
over 1,000,000	6	0.0	34,133,330	77.4
Total	**20,478**	**100.0**	**44,108,252**	**100.0**

Board of Directors' proposal for the distribution of profits

The distributable funds of Tikkurila Oyj, the parent of Tikkurila Group, are EUR 157,823,561.12 of which EUR 41,235,752.42 represents the net profit for the financial year.

The Board of Directors proposes to the Annual General Meeting that EUR 0.80 per share will be distributed as dividend from the net profit for the year. The total dividend would amount to EUR 35,284,632.80. EUR 122,538,928.32 would be left in distributable funds.

The financial position of the company has not materially changed after the end of the financial year, and it is the Board of Directors' opinion, that the proposed distribution of funds does not compromise the company's liquidity.

Vantaa, February 8, 2016

Jari Paasikivi
Chairman of the Board

Petteri Walldén
Vice Chairman of the Board

Pia Rudengren
Member of the Board

Eeva Ahdekivi
Member of the Board

Riitta Mynttinen
Member of the Board

Harri Kerminen
Member of the Board

Erkki Järvinen
CEO

Auditor's report

TO THE ANNUAL GENERAL MEETING OF TIKKURILA OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Tikkurila Oyj for the year ended 31 December 2015. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Vantaa, 8 February 2016

KPMG OY AB

Toni Aaltonen
Authorized Public Accountant

Corporate Governance Statement 2015

Tikkurila Oyj (later referred to also as "Tikkurila" or "Group" both in relation to Tikkurila Oyj and the Group it forms) has prepared this corporate governance statement based on existing legislation and regulations. This corporate governance statement is issued separately from the Board of Directors' report, and is also available on the website www.tikkurilagroup.com, as well as is included in the 2015 Annual Review.

General Principles and Framework

Tikkurila's governance principles and decision-making processes are based on:

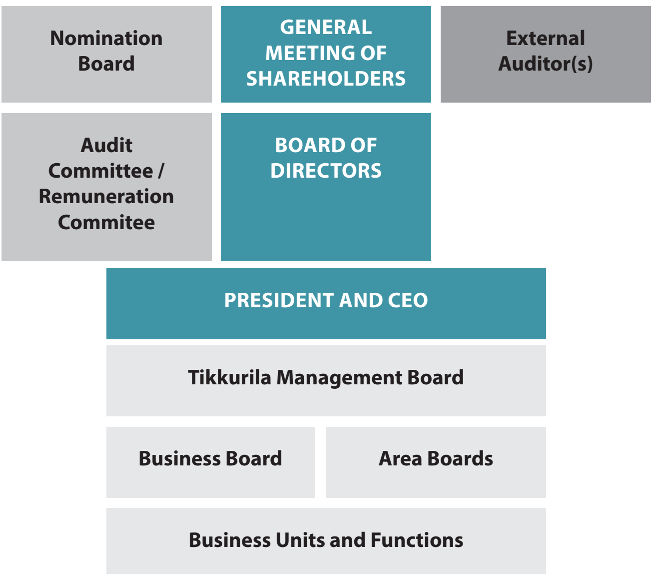
- Finnish Companies Act;
- Finnish Securities Market Act;
- Finnish Corporate Governance Code;
- Articles of Association of Tikkurila;
- standards issued by the Finnish Financial Supervision Authority;
- rules and regulations of Nasdaq Helsinki;
- Helsinki Takeover Code, issued by the Securities Market Association; and
- other legislation or regulations applicable to the Group's business.

Information about the governance practices of the Group is also available on the corporate website of Tikkurila.

As the Group's business is either directly or indirectly dependent on markets outside of the domicile of Tikkurila Oyj, relevant local (i.e. non-Finnish) laws and regulations are also taken into account in the Group's operations. Furthermore, the Group has issued a number of internal policies and guidelines where governance aspects are taken into account or instructed.

Overview of Tikkurila's Governing Bodies

The following diagram summarizes the key governing bodies of Tikkurila:



The main duties of the Group's governing bodies are to major extent defined by the Finnish Companies Act.

Annual General Meeting of Shareholders (AGM)

The Annual General Meeting is the supreme decision-making body of Tikkurila Oyj, and the tasks of the AGM are based on and defined in the Finnish Companies Act, Tikkurila's Articles of Association and any other relevant regulations. As stipulated by the Companies Act, the Annual General Meeting shall be held once a year, at the latest before the end of June. The AGM resolves on e.g.:

- the adoption of the financial statements of the previous financial year;
- the use of profit as stated by the adopted and audited financial statements;
- the number of members on the Board of Directors;
- the election of members of the Board of Directors;
- the remuneration of the members of the Board of Directors;
- the election of the Auditor;
- the compensation to be paid to the Auditor;
- the discharging from liability of the members of the Board and the President and CEO;
- any proposals by the Board of Directors or by the shareholders or group of shareholders related to e.g. authorizations granted to the Board, share buy-backs or granting of special rights related to shares; and
- any changes in the Articles of Association.

Tikkurila Oyj has one class of shares; therefore, all shares have equal voting rights at the General Meetings of shareholders. More detailed information on the process of the Annual General Meetings can be found in the Tikkurila's Articles of Association, which are available on the company's web page, www.tikkurilagroup.com/corporate_governance/articles_of_association/.

The decisions of the shareholders' meeting during 2015 are presented in the 2015 Board of Directors' report, and all the meeting materials and decisions are published on the company's web page. The Annual General Meeting in 2016 will be held on April 6, 2016.

Nomination Board

Tikkurila has a Nomination Board consisting of shareholders or representatives of shareholders to prepare and present annually a proposal for the next Annual General Meeting concerning the composition and remuneration of the Board of Directors. Representatives of the three largest shareholders are elected to the Nomination Board. In addition, the Chairman of the Board of Directors of the company shall act as an expert member of the Nomination Board.

The Nomination Board was convened so that each of Tikkurila's three largest shareholders registered as shareholders in the shareholders' register maintained by Euroclear Finland Ltd were requested to appoint one member to the Nomination Board. In addition, the Chairman of the Board of Directors of Tikkurila acts as an expert member of the Nomination Board.

During 2015 the members of the Nomination Board were: Pekka Paasikivi, Chairman of the Board of Directors of Oras Invest Oy; Timo Ritakallio, President and CEO of Ilmarinen Mutual Pension Insurance Company; and Reima Rytsölä, Executive Vice President, Investments, of Varma Mutual Pension Insurance Company. The fourth member of the Nomination Board was Jari Paasikivi, the Chairman of the Board of Directors of Tikkurila Oyj.

During 2015, the Nomination Board met twice, and the attendance rate was 100 percent.

Board of Directors

The duties and responsibilities of the Board of Directors are governed by the Finnish Companies Act and other relevant legislation. The Board of Directors oversees the management and business operations of Tikkurila. The main duties of the Board include:

- to approve the strategy of the Group;
- to decide on long-term financial and operational goals;
- to approve business plans;
- to decide on any major corporate restructuring, merger, acquisition or divestment;
- to decide on major investments as well as major expenses, commitments and internal policies;
- to decide on key funding and risk management issues and related pledges and commitments;
- to approve or confirm the appointment and remuneration of the Group management;
- to appoint and dismiss the Group President and CEO, and to confirm the appointment of the members of the Tikkurila Management Board;
- to monitor and evaluate the performance of the Group President and CEO;
- to ensure the adequacy of planning, information and control systems, as well as the handling of financial reporting and risk management;
- to make proposals for, including but not limited to proposing the dividend payout, and to convene the Annual General Meeting;
- to oversee that the Group's policies are applied; and
- to ensure that the supervision of the accounting and financial matters, and any audits thereby, are properly organized.

The Board of Directors represents all the shareholders and shall always work to the best advantage of the Group and all the shareholders of Tikkurila Oyj.

In accordance with the Articles of Association, the Board of Directors of Tikkurila Oyj comprises 3–7 members elected by the Annual General Meeting for a term that lasts until the end of the next Annual General Meeting. The Board of Directors elects the Chairman and the Vice Chairman within its members immediately after the Annual General Meeting of the Shareholders. The Board is convened by the Chairman. The Board of Directors has a quorum when more than half of its members attend the meeting. The President and CEO, as well the CFO, of the Group attend the Board meetings presenting the issues being discussed or decided upon, and the Group Vice President, Legal Affairs, acts as the Secretary of the Board.

During the financial year 2015, Tikkurila Oyj's Board of Directors had the following six members for the full year: Jari Paasikivi (Chairman), Petteri Walldén (Vice Chairman), Eeva Ahdekivi, Riitta Mynttinen, Pia Rudengren and Harri Kerminen. Furthermore, Aleksey Vlasov was a member of the Board until March 25, 2015.

All of the Board members are independent of the company, and other members than Jari Paasikivi are also independent of major shareholders. Chairman of the Board, Jari Paasikivi, is the CEO of Oras Invest Oy, and hence he is not independent of the key shareholders, since Oras Invest Oy owns about 18 percent of Tikkurila Oyj's shares.

During 2015, the Board of Directors continued to restructure Group's operations in difficult market conditions, in e.g. Russia, to ensure profitability and to find new sources of growth.

In order to ensure the effectiveness of the Board of Directors' work, the Board annually conducts a self-evaluation, the results of which are used to develop the working methods of the Board, as well as to enhance the cooperation between the Board and the President and CEO.

During 2015, the Board had 9 (2014: 12) meetings, and the average attendance rate was 98 (89) percent.

Remuneration of the Board of Directors

The Annual General Meeting decided on March 2015 on the remuneration to be paid to the members of the Board. According to that decision, the Board remuneration in 2015 was the following:

- Chairman of the Board, EUR 64,000 per year;
- Deputy Chairman of the Board and Chairman of the Audit Committee, EUR 40,000 per year; and
- other members of the Board, EUR 32,000 per year.

The annual remuneration of the Board members was paid as a combination of shares and cash so that 40 percent of the annual remuneration was paid as shares acquired from the market, and 60 percent was paid in cash.

In addition, a meeting-specific fee was paid for the amount of:

- EUR 600 per meeting held in country of residence of member; and
- EUR 1,200 per meeting held outside country of residence of memeber.

Moreover, EUR 600 was decided to be paid per telephone or video meeting. The meeting-specific fee was also paid for any committee meetings. Members' travel expenses related to meetings were compensated in accordance with Tikkurila's Group travel policy. The meeting-specific fees were paid in cash.

There were no employment relationships or service contracts between the Board members and Tikkurila.

Audit Committee

In 2015, Eeva Ahdekivi was the Chairman of the Audit Committee, and the members of the Committee were Pia Rudengren and Riitta Mynttinen.

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and Tikkurila's process for monitoring compliance with laws and regulations and the Tikkurila Code of Conduct as well as other internal policies.

The Audit Committee of Tikkurila does not have any executive power. The Audit Committee is responsible for preparing and handling issues, such as:

- to assess and oversee the preparation of financial statements and

interim reports, and to review the results of the impairment testing of the assets;
- to assess risks and to review risk management policies and actions;
- to evaluate Tikkurila's compliance with laws, regulations and Tikkurila's internal Code of Conduct financial reporting principles as well as corporate social responsibility initiatives;
- to confirm audit plans for both external audit and internal audit;
- to prepare the election of auditors; and
- to review the corporate governance statement.

During 2015, the Audit Committee met 5 (2014: 5) times. The attendance rate was 100 (100) percent. The Group's CFO Jukka Havia acted as the Secretary of the Committee, and Tikkurila's principal auditor Toni Aaltonen was present in the meetings and presented reports to Audit Committee. In addition, Tikkurila's internal auditor reported audit findings to the Audit Committee.

In financial year 2015, the Audit Committee oversaw and edited the Group interim reports before Board meetings, discussed results guidance and guidelines related to it, reviewed internal and external audit reports and audit plans as well as prepared the election of Auditor, presented to the Annual General Meeting 2015. The Audit Committee also continued the work started in 2011 in relation to the assessment and management of risks. For example, the Audit Committee prepared the reorganization of, and confirmed the focus areas for, the internal audit activities.

Remuneration Committee

In March 2012 the Board of Directors of Tikkurila Oyj established the Remuneration Committee to discuss and propose remuneration of Tikkurila's Group management. In 2015 Jari Paasikivi was the Chairman of the Remuneration Committee, and Petteri Walldén and Harri Kerminen were the other members of the Committee. During 2015 the Remuneration Committee met 3 (5) times, and the average attendance rate was 100 (93) percent.

President and CEO

The Board of Directors appoints the President and CEO and decides upon his/her remuneration and other benefits. The President and CEO is in charge of the day-to-day management of the company and the Group it forms. The President and CEO's responsibilities are based on the Finnish Companies Act, the Finnish Corporate Governance Code and the guidance and authorization given by the Board of Directors.

Erkki Järvinen has been the President and CEO of Tikkurila since January 2009. The President and CEO's duties include managing the business according to the instructions issued by the Board of Directors, presenting the matters to be dealt with in the Board of Directors' meeting, implementing the matters resolved by the Board of Directors and other issues determined in the Companies Act.

Tikkurila Management Board

The Tikkurila Management Board is chaired by the President and CEO, and it assists the CEO in the management and development of Tikkurila.

From 2012 the composition of Tikkurila Management Board has been the following:

- Erkki Järvinen, President and CEO (Chairman)
- Jukka Havia, Chief Financial Officer, also acting as the Chairman of Nordic Area Board (Finland, Sweden, Norway, Denmark)
- Janno Paju, Chief Commercial Officer, also acting as the Chairman of Business Board
- Petri Miettinen, Group Vice President, Supply Chain & HSEQ, also acting as the Chairman of Area Boards for Russia, Central Asia and China
- Kenneth Sundberg, Group Vice President, RD&I, also acting as the Chairman of Area Boards for Poland, Baltics and Germany

The President and CEO proposes the appointment of the Tikkurila Management Board members, and the Board of Directors approves the appointments as well as approves the remuneration for the members of the Management Board.

Tikkurila has operations in multiple countries, and hence also has a large number of legal entities in various countries. The President and CEO is the decision-maker for any major decisions, which do not require the Board of Directors' resolution.

The heads of regional business units have from summer 2015 reported to internal operative decision making units, so-called Area Boards, where the Group management has both direct participation and decision making authority in the key strategic decisions up until preset limits. Business Board prepares commercial issues at the Group level for the Tikkurila Management Board in relation to sales, marketing, product portfolio management and brand management.

Remuneration of the management members reporting directly to the President and CEO

The Board of Directors decides the remuneration as well as key employment terms for all group management members that directly report to the President and CEO.

Remuneration of the President and CEO in 2015

The gross salary expenses that were recognized during the financial year 2015 and 2014, on accruals basis, in the group accounting in relation to the remuneration of Erkki Järvinen, the President and CEO of Tikkurila Oyj, are presented in the chart at the bottom of this page.

For financial year 2016 the annual cash-based bonus may not exceed 58.33 percent of CEO's annual salary.

Gross salary expenses of the President and CEO	**2015**		**2014**	
Fixed salary	**EUR 430,877.65**	**73%**	431,225.46 euroa	91%
Fringe benefits	**EUR 13,735.17**	**2%**	13,339.29 euroa	3%
Bonuses	**EUR 145,388.39**	**25%**	30,923.55 euroa	6%
Salaries total	**EUR 590,001.21**	**100%**	475,488.30 euroa	100%

In addition to the abovementioned items, the President and CEO Erkki Järvinen is entitled to retire at the age of 63 and has a defined contribution-based supplementary pension plan. In 2015, the cost of the supplementary pension was EUR 67,005.00 (2014: EUR 63,814.00). The pension is based on a defined contribution scheme.

Moreover, he belongs to the share-based commitment and incentive plan, decided by the Board in 2012, for which for his part in 2015 an IFRS-based expense of EUR 350,956.19 (279,450.70) was recognized in Group IFRS accounts in addition to the figures in the prior mentioned table. Based on this plan, in December 2014 Erkki Järvinen was granted 7,000 Tikkurila Oyj shares and in March 2015 altogether 25,539 shares. In total during years 2012 – 2015 Erkki Järvinen was granted 32,539 shares and paid EUR 619,287.00 in cash-based compensation via the share-based plan. At the end 2015, based on plan's conditions, it is assumed that the further share-based and cash-based compensations during coming financial years total EUR 39,000.

The President and CEO was a member of the 2015 annual cash-based management bonus scheme and the share-based commitment and incentive plan introduced in 2012. The content of these incentive systems is described in more detail in the "Cash-based Annual Bonus Scheme" and "Share-based Commitment and Incentive Plans 2012-2014, 2013-2013 and 2014-2016".

A six-month period of notice applies to the President and CEO. In addition, the President and CEO will receive a severance pay equaling his 12-month salary if the company terminates his agreement.

Remuneration of the Tikkurila Management Board in 2015

Tikkurila Management Board members were included in the 2015 annual cash-based management bonus scheme, and in the share-based commitment and incentive plan, which was established in 2012. The content of these incentive systems is described in more detail in the "Cash-based Annual Bonus Scheme" and "Share-based Commitment and Incentive Plans 2012-2014, 2013-2013 and 2014-2016".

Cash-based Annual Bonus Scheme

On February 9, 2015, the Board of Directors of Tikkurila Oyj approved the principles for the annual cash-based bonus scheme for 2015 for the members of the Tikkurila Management Board. Bonus criteria consisted of the 2015 Tikkurila Group revenue growth and operative EBIT. Furthermore, there were bonus schemes in 2015 for other management personnel and for local key employees based on locally agreed targets.

Share-based Commitment and Incentive Plan: performance periods 2012-2014, 2013-2015 and 2014-2016

In order to commit and motivate key personnel, the Board of Directors of Tikkurila Oyj decided on a share-based plan on February 15, 2012. This plan includes three performance periods. The Board of Directors of the company will decide on the performance criteria of the plan and their targets at the beginning of each performance period. The prerequisite for participation in the plan and receipt of reward provides that a key employee purchases Tikkurila's shares from the market in accordance with the terms and conditions of the plan.

The reward from the performance period 2012–2014 is based on the Tikkurila Group's Operative Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Net Debt during 2012-2014. Any key employee participating in the plan has the possibility to earn a reward only in case the employment or service contract continues at least up until spring 2015 and subject to that he/she still owns the shares originally purchased at the time of reward payment. The amount of rewards depends on the number of purchased shares and the fulfillment of the performance criteria. Rewards were partially paid in December 2014 and partially in spring 2015. Roughly half of the compensation was paid in company's shares and another half in cash.

The potential reward from the performance period 2013–2015 is based on the Tikkurila Group's Operative Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Net Debt during

Remuneration of the members of the Board of Directors and Tikkurila Management Board in 2015, gross, in EUR million

accruals basis, i.e. not presented on cash basis • figures rounded to 0.1 million

Board of Directors	persons	Fees, Tikkurila Oyj shares	Fees, cash	**Total Fees**
Chairman	1	0.0	0.1	**0.1**
Other Board members, total	**5**	0.1	0.1	**0.2**
Board of Directors, total	**6**	**0.1**	**0.2**	**0.3**

Tikkurila Management Board	persons	Fixed Salary	Fringe Benefits	**Subtotal, Fixed Remuneration**	Annual Bonus	Share-Based Remuneration*	**Subtotal, Variable Remuneration**	Additional Pension	**Total Remuneration**
President and CEO	1	0.4	0.0	**0.4**	0.1	0.4	**0.5**	0.1	**1.0**
Other management board members, total	4	0.7	0.1	**0.8**	0.2	0.3	**0.5**	0.0	**1.2**
Tikkurila Management Board, total	**5**	**1.1**	**0.1**	**1.2**	**0.3**	**0.7**	**1.0**	**0.1**	**2.2**

* IFRS 2 standard based annual personnel expense as recognized in 2015 Group income statement

2013-2015. Any key employee participating in the plan has the possibility to earn a reward only in case the employment or service contract continues at least up until spring 2016 and subject to that he/she still owns the shares originally purchased at the time of reward payment. The amount of rewards depends on the number of purchased shares and the fulfillment of the performance criteria. Rewards will be paid in spring 2016 partly in the company's shares and partly in cash.

The potential reward from the performance period 2014–2016 is based on the Tikkurila Group's Operative Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Net Debt during 2014-2016. Any key employee participating in the plan has the possibility to earn a reward only in case the employment or service contract continues at least up until spring 2017 and subject to that he/she still owns the shares originally purchased at the time of reward payment. The amount of rewards depends on the number of purchased shares and the fulfillment of the performance criteria. Rewards will be paid in spring 2017 partly in the company's shares and partly in cash.

The target group of the share-based plan currently consists of nine key employees, which are members of the Group management or significant business area management. The key persons were chosen by the Board of Directors. With effect from the second quarter of 2012, Tikkurila has recorded personnel expenses into the Group income statement according to the IFRS 2 standard and according to the share purchases conducted by each of the participants.

Additional information about the share-based commitment and incentive plan, and its financial impact, is available in the note 37 included in the 2015 consolidated financial statements. For this plan, during the financial year 2015 a total of about EUR 0.9 million (2014: EUR 0.7 million) was recognized as personnel expenses in the Group income statement, and at the end of 2015 the total cumulative bookkeeping value of the plan amounted to about EUR 3.2 million (31.12.2014: EUR 2.4 million).

Based on this share-based plan, in December 2014 altogether 20,500 Tikkurila Oyj shares were paid to the nine participants of the plan and in March 2015 a total of 79,539 shares were paid. In addition to the shares, also cash compensation was paid to the participants.

Auditor (Statutory Audit)

According to the Articles of Association of Tikkurila Oyj, Tikkurila has one ordinary auditor that shall be an auditing firm approved by the Finnish Central Chamber of Commerce. For the financial year 2015, KPMG Oy Ab was re-elected as an auditor.

The Audit Committee of the Board prepares the election process of auditors. The aggregate duration of the principal auditor cannot exceed seven years. The current principal auditor, Toni Aaltonen from KPMG Oy Ab, has started in the role of the principal auditor in 2012.

The auditor has a statutory responsibility to audit Tikkurila Oyj's accounting (based on Finnish accounting legislation), the Tikkurila Group's consolidated accounts (based on IFRS), the Board of Directors' report, financial statements with all notes, as well as the administration of the company. Tikkurila's financial year is equal to the calendar year. The auditor primarily reports via the Audit Committee but also takes part in at least one Board meeting. When the corporate governance statement is issued as a separate report, the auditor shall check that the statement has been issued and that the description of the main features of the internal control and risk management systems in relation to the financial reporting process is consistent with the financial statements.

The auditor is elected by the Annual General Meeting for one year's term of service. The auditor reports to the Board of Directors at least once a year, and participates in Audit Committee meetings.

During 2015 the Group had a total of EUR 431 thousand (2014: EUR 412 thousand) audit related expenses and EUR 125 (188) thousand expenses for other services provided by KPMG, the Auditor of Tikkurila. The non-audit expenses in 2014 were mainly linked to the acquisitions the Group carried out. During the financial year 2015, the Group companies had additional audit services from other audit companies than KPMG for a total of EUR 67 (59) thousand, and non-audit services for EUR 30 (55) thousand.

Internal Control

Tikkurila maintains an internal control system, the purpose of which is:

- to safeguard the value of its assets; and
- to ensure the effectiveness and efficiency of its operations, including
  - the reliability of financial and operational reporting;
  - compliance with applicable regulations, policies and practices; and
  - consistency of its operations with set objectives.

Internal control is an integral part of all Tikkurila's operations and covers all levels of the company. The entire personnel of the company is responsible for internal control, and its effectiveness is monitored by managers as part of operational management.

The main components of internal control are:

- management and organizational culture;
- risk assessment;
- control activities;
- reporting and communication; and
- monitoring and auditing.

Tikkurila's Values, Code of Conduct and group-level policies provide the basis for corporate governance and internal control in the company. Every employee has the right and duty to report, anonymously if needed, to the Group's Compliance Officer or Group Internal Audit any violations of the law and the Code of Conduct.

Financial Reporting Process

Every Tikkurila Group subsidiary reports on a monthly basis income statement, balance sheet, cash flow statement and future forecast in accordance with IFRS principles and based on pre-set reporting model, Group finance manual and timetable. Moreover, each subsidiary reports additional notes to the income statement and balance sheet, as well as their off-balance sheet liabilities, at the end of each quarter. The parent company consolidates all subsidiary reports and generates consolidated and segment reporting, which is the basis for monthly reporting to the Board of Directors and to the Group management.

Subsidiaries' reporting timetable is followed on a daily basis. Local and group controllers are responsible for ensuring that reporting is timely and correct. In addition, Group's analytics center, which is independent of business units and functions, analyzes historical and forward-looking reporting e.g. between reporting entities, compared to historical development and in relation to pre-set budgets or other targets.

Group management and business unit management regularly visits the business units. The financial reporting of each Group company is one part of top management reporting, and hence under regular follow-up.

Internal Control Activities during 2015

Internal control aims at organizing structures that enhance compliance throughout the Group and support achieving business objectives. Business practices are based on Tikkurila Code of Conduct and other more specific policies.

As examples of the practical implementation of internal control activities during 2015, the following issues can be highlighted:

- internal control organization visited two business units carrying out analysis and enhancing dialogue and local management knowledge to implement internal control measures in day-to-day activities with special focus on sales processes, cash flow management and sourcing processes;
- in one subsidiary activities were developed and personnel trained in the use of existing applications;
- to decrease internal process risks, the revised segregation of duties matrices and related control practices were implemented in two business units; and
- special attention was paid to the practical implementation of recommendations of internal audit and external audit.

In the near-team at least the following areas are planned to be emphasized in internal control organization:

- the segregation of duties activities will be further enhanced, and
- the Group's current ERP applications will be checked to ensure harmonious reporting and forecasting practices as well as efficient utilization of business intelligence in subsidiaries' decision making.

Internal Audit

The internal audit provides independent appraisal and assurance for the review of operations within the Group in order to support the management and the Board of Directors in fulfilling their oversight responsibilities. The Audit Committee has confirmed the Internal Audit Charter for Tikkurila. The purpose is to evaluate and contribute to the improvement of risk management, control and governance systems in the Group. The internal audit function has complete and unrestricted access to all activities of Tikkurila. Internal audit focuses on both regular business unit auditing as well as business process audits. Annual internal audit plans are based on assessment of each topic's importance and risks for the Tikkurila Group.

The internal audit function regularly reports to the Audit Committee of the Board. Internal audit plans and findings are also subject to regular review with the external auditors during the course of the year.

From the beginning of 2011, Tikkurila has had its own internal audit function, including an in-house internal auditor, who was, to the required extent, been helped by third-party experts to carry out the internal audit activities. Also internal resources have been utilized in carrying out certain internal audit tasks. At the end of 2015 the Board of Directors decided to change the internal audit so that an external expert organization was selected to carry out the major part of internal audit activities as an outsourced service in the future. However, the Group will still have an internal resource responsible for internal audit actions.

Internal Audit Activities during 2015

During 2015, the internal audit function carried out a cross-country process-based audit linked to the implementation of new Group ERP application and related processes. In addition, two country-specific audits were carried out and follow-up activities were carried out on the implementation status of the previous audit recommendations.

In 2012 group-wide implementation of so-called whistle blowing application was carried out. Via that internet-accessible software any employee or external partner can anonymously report any suspected violations. During 2015 a few reports were received via the application, but not significant violations were found out.

Plan for Internal Audit Activities during 2016

Based on the internal audit plan confirmed by the Audit Committee, in 2016 the target is to audit cybersecurity related themes, implementation process of new Group ERP solution, as well as to start actions to audit processes in relation to environmental issues and in certain geographies also sales processes. Furthermore, three country-specific audits are planned to cover the functions and operations relevant in these country organizations. Internal audit function will also continue to follow up the implementation of the last years' audit recommendations.

Risks

Tikkurila's business involves a number of risks, some of which could be of substantial nature. As the Group's business operations are divided into several geographical areas and into diverse product and customer segments, the amount, likelihood and impacts of various risks may vary between the Group's business units. The materialization of such risks may have a major adverse effect on Tikkurila's business, financial position or results of operations.

Tikkurila has risks of various character, such as strategic risks, operational risks, financial risks and hazard risks. Risks are assessed and managed according to the type and characteristics of each risk. In Tikkurila's view the main risks are among strategic and operational risks, but all categories present risks that may have significant impact on Tikkurila's business.

In order to illustrate the relevant risks to Tikkurila, and based on certain simplified assumptions, the following chart outlines some key risks identified by the Board of Directors based on the situation prevailing at the end of 2015. Risks are split by their most relevant time horizon, even though most of them have both short-term and long-term implications, and there is also a rough probability assessment attached to the table presented on the next page.

Risks linked to general economic situation

During the last years, the macroeconomic situation has remained very challenging in Finland, in Russia and in countries adjacent to Russia, which had led to decreasing demand for Tikkurila's products. Also the purchasing power of consumers has declined, and moreover, demand is switching towards lower priced products.

In 2015 and in the beginning of 2016 the currencies relevant to Tikkurila's business areas have fluctuated significantly, and also depreciated against euro, which has had and still might have an adverse impact on Group's revenue, profitability and cash flows. On the other hand, the relative share of Russia and SBU East of the Group revenue has decreased to a major extent. Furthermore, both the United States and the European Union have issued various sanctions against Russia, which further deteriorated the business environment. Even though sanctions have so far not had any considerable direct impact on Tikkurila's business, they can force Tikkurila to change its production and logistics set-up to ensure competitiveness. In the eastern markets the availability of financing has in general become tighter and interest rates have stayed at high levels, which has increased credit risks. Tikkurila has not experienced any major bad debt losses, but still in the future counterparty risks might be enhanced and cause losses, even though Tikkurila has diversified customer base. Tikkurila's own financial position has stayed very good. In the short term, commodity market prices have been stabilized, and to some extent also declined, but there have been availability related problems in certain raw material categories.

Risks linked to the industry and Tikkurila's operational activities

Digitalization has accelerated, which can in the future affect Tikkurila's logistics and distribution structures. Moreover, it will provide additional opportunities for the end-users of paint products to carry out tender processes across geographical borders. Advances in technological development might have a considerable impact on the use of various construction materials and thereby coatings solutions; hence, paint demand can decline, the magnitude and structure of Tikkurila's sales may change, and finally, there might be consequences for Tikkurila's technology investments. The increasing volatility in customer demand, combined with real-time data utilization, might cause needs to make structural changes in Tikkurila's production technology and equipment. It will be crucial to understand end customer needs better in the future. In the paint industry competition has intensified, and the importance of sales price is emphasized in dire financial conditions. Furthermore, private label products launched by retailers are competing for the same end customers as the traditional paint manufacturers' brands. Certain companies operating in construction-related industries have expanded into paint products to have more extensive offering for professional customers whose role is increasing. These aspects could affect Tikkurila's product and customer portfolio, and hence have an adverse impact on profitability. Based on both general market situation and on intensified competition Tikkurila's sales volumes have declined already for a few years, especially in SBU East and within the lower price categories, which has had a negative impact on revenue and profitability, and which in addition can in future further deteriorate the development of operational efficiency and productivity. Large-scale volatility and fast technological change also create additional challenges to recruit competent personnel and to develop the know-how within the Group. To ensure relevant competencies and to diversify the talent base are essential to ensure future growth.

There is also information about relevant risks for Tikkurila in the 2015 Board of Directors' report.

Risk Management

The goal of risk management is to identify risks that may hinder the company from achieving its business objectives. A risk can be defined as any uncertainty that affects Tikkurila's business and its ability to reach results.

Tikkurila endeavors to identify, analyze, evaluate and treat risks systematically and proactively. Tikkurila's objective is to reach the desired aggregate risk level and ensure the continuity of operations.

Tikkurila's Board of Directors defines the main principles of Tikkurila's risk management and approves the Group's risk management policy, and the Audit Committee assists the Board in risk management supervision. The business units and functions are responsible for identifying, reporting and monitoring the risks involved in their activities and for the related risk management.

Risk probability assessment

ESTIMATED PROBABILITY	SHORT-TERM	LONG-TERM
HIGH	• Russia and adjacent areas • Macroeconomic and foreign exchange rate development • Intensifying competition	• Innovations in material technology, and their impact on various surfaces • Value chain integration, and changes in distribution structure and channels • New entrants into the industry • Digitalization
LOW	• Commodity market development • Financial markets development and credit risks • The impact of lower sales volumes on productivity and efficiency	• Refinancing • Adverse changes in product mix, and potential increase of the share of private labels

TIME HORIZON

In Tikkurila, business units and functions perform overall risk management in conformity with risk self-assessment methodology, where risk registers are used as well. Third-party advisors are used in risk assessment or risk management development to relevant extent. Current risks are regularly reported, both internally to the management and the Board, and as part of Tikkurila's external reporting. The reports summarize the nature of the risk and its perceived probability and impact.

Some risk management measures are performed centrally in order to generate cost benefits and ensure a sufficient level of protection. These include insurance cover for certain risks, such as general third party and product liability, cargo, property damage and business interruption insurance for major production sites, as well as the management of financial risks. Major investment and acquisition risks are assessed by the Management Board and Tikkurila Oyj's Board.

The responsibility for the implementation of the Group's risk management activities lies with the President and CEO as well as the Tikkurila Management Board. The Board of Directors is responsible for approving key policies and principles of risk management processes. The Board of Directors and the Audit Committee approve and follow up the reporting procedures, and monitor the adequacy, appropriateness and effectiveness of the Group's business and administrative processes.

Risk Management Activities during 2015

During 2015, the Group continued its risk management activities based on previous years' decisions. Difficult market conditions were met particularly in the SBU East area; for example the volatility of foreign exchange rate was very high. To manage these risks the group has, inter alia, decreased the share of imports and made contingency plans to mitigate potential consequences of the sanctions imposed against Russia. At the Group level also numerous actions have been carried to increase efficiency and to adjust operations in order to have better flexibility and lower reliance in single counterparties. In addition, the group management was fine-tuned to speed up decision making.

Plan for Risk Management Activities during 2016

In 2016 the target is to primarily focus on identifying and managing intangible risks, as the operating environment is becoming more and more digital by nature and the importance of brands is increasing. Moreover, recruiting knowledgeable employees, as well as further developing the knowhow of all the current employees, is crucial. The aim is also to develop the quality of operations in all parts of the Group, and to further speed up the implementation of actions and to shorten lead times in production and in product launches.

Management of Insider Issues

As provided by the Finnish Securities Markets Act, Tikkurila Oyj's insiders consist of insiders subject to disclosure requirements, permanent company-specific insiders and project-specific insiders.

On the basis of their position, Tikkurila's insiders subject to disclosure requirements comprise Board members, the Managing Director, members of the Management Board and the responsible auditor representing the independent firm of public accountants. Tikkurila Oyj's permanent company-specific insiders comprise certain other persons separately specified by the Group Vice President, Legal, and approved by the President and CEO of Tikkurila.

Tikkurila Oyj complies with the Insider Guidelines issued by the Nasdaq OMX Helsinki Ltd, according to which insiders should trade in company shares at a time when the marketplace has the fullest possible information on circumstances influencing the value of the company's share. Accordingly, and based on the resolution of the Board of Directors, Tikkurila's permanent insiders may not trade company's securities during the period that starts at the end of a reporting period and lasts until the publication of the following interim report or financial statement bulletin.

Silent Period

Tikkurila observes a silent period (closed window) before it publishes financial statements release, half-yearly report and business reviews. The silent period begins when the reporting period in question ends and continues until the financial statement release, half-yearly report or business review for the period in question has been published. During the silent period, Tikkurila's spokespersons are not available for meetings with capital market representatives and may not discuss Tikkurila's performance or market development.

Guidance

Tikkurila gives guidance in the form of an official outlook statement published in financial statements release, the review of the Board of Directors and half-yearly report. Tikkurila will provide outlook statements only for a period for which the company has a reasonable visibility. The outlook includes management's descriptive estimate on revenue and profitability. The estimate may also include other elements. No other forward-looking statements or answers to questions concerning the future performance are given unless the company decides to update the guidance and publish a stock exchange release regarding the update. Any such updates are published without undue delay.

Communications

Tikkurila is committed to transparency, which means that we communicate in a proactive, open, credible, consistent, unbiased and timely manner.

Tikkurila's shares are listed on the Nasdaq Helsinki stock exchange. Tikkurila will strictly adhere to all regulatory disclosure requirements for listed companies. Tikkurila complies with the Finnish Corporate Governance Code ("Corporate Governance Code") issued by the Finnish Securities Market Association. In addition, Tikkurila's internal policies, such as Corporate Responsibility and Code of Conduct, guide communication activities.

The aim of Tikkurila communications is to support the correct valuation of the company shares by providing the markets with sufficient information on financial position, strategy and objectives. The Board of Directors has approved the disclosure policy that defines the guidelines in communications to financial markets and investors and other parties. The Tikkurila web site contains all information made public according to the disclosure requirements for listed companies.

Application of the Finnish Corporate Governance Code

The Finnish Corporate Governance Code, which came into force on October 1, 2010, has altogether 55 recommendations. The Code also has the so-called "comply or explain" principle. Tikkurila fully complies with the recommendations in the Code. On October 1, 2015, revised Governance Code was accepted by the Finnish Securities Market Association. This revised code comes into force for financial year 2016, where after Tikkurila applies the revised recommendations.

More detailed information on the members of the Board of Directors and of the Tikkurila Management Board

Information on the members of the Board of Directors

Jari Paasikivi
Born 1954, M.Sc. (Econ.)
CEO, Oras Invest Ltd, since 2006

Chairman of the Board since 2010, Member of the Board since 2008
Chairman of the Remuneration Committee since 2012
Expert member of the Nomination Board since 2011
Independent of the company, not independent of a significant shareholder
Finnish citizen
Tikkurila shares on Dec 31, 2015: 76,149 (Dec 31, 2014: 74,794)

Career history
- President and Chief Executive Officer, Oras Ltd, 2002-2007
- Managing Director, Oras Ltd, 1994-2001
- Plant Director, Oras Ltd, 1989-1994

Positions of trust
- Kemira Oyj, Member of the Board of Directors since 2012, Chairman of the Board of Directors since 2014
- Kemira Oyj, Member of the Nomination Committee since 2009
- Oras Ltd, Member of the Board of Directors since 1982, Chairman of the Board of Directors since 2013
- Varma Mutual Pension Insurance Company, Member and Vice Chairman of the Board of Directors since 2014
- Federation of Finnish Technology Industries, Member of the Board of Directors 2006-2015, Chairman of the Board of Directors 2012-2015
- Confederation of Finnish Industries (EK), Member of the Board of Directors 2013-2015

Petteri Walldén
Born 1948, M.Sc. (Eng.)

Vice Chairman of the Board since 2010, Member of the Board since 2008
Member of the Remuneration Committee since 2012
Independent Board member
Finnish citizen
Tikkurila shares on Dec 31, 2015: 6,972 (Dec 31, 2014: 6,125)

Career history
- President & CEO, Alteams Oy, 2007-2010
- President & CEO, Onninen Oy, 2001-2005
- President & CEO, Ensto Ltd, 1996-2001
- President, Nokia Cables, 1990-1996
- President & CEO, Sako Ltd, 1987-1990

Positions of trust
- Ledil Oy, Chairman of the Board of Directors since 2015
- Savonlinna Opera Festival Patrons' Association, Chairman of the Board of Directors since 2015
- Savonlinna Opera Festival Ltd., Chairman of the Board of Directors since 2015
- Efla Oy, Member of the Board of Directors since 2014
- Staffpoint Holding Oy, Member of the Board of Directors since 2012
- Teleste Corporation, Member of the Board of Directors since 2009
- Kuusakoski Group Oy, Member of the Board of Directors since 2007
- Nokian Tyres plc., Chairman of the Board of Directors since 2006
- SE Mäkinen Logistics Ltd, Member of the Board of Directors since 1996

Eeva Ahdekivi
Born 1966, M. Sc. (Econ.)
Managing Director, Hartwall Capital Oy Ab, since 2015

Member of the Board since 2009
Chairman of the Audit Committee since 2010
Independent Board member
Finnish citizen
Tikkurila shares on Dec 31, 2015: 6,150 (Dec 31, 2014: 5,303)

Career history
- Investment Director, Solidium Ltd, 2009-2015
- Senior Financial Specialist, Government Ownership Steering Department of the Prime Minister's Office, 2007-2009
- Director, Pohjola Asset Management Ltd, 2004-2006
- Partner, Conventum Oyj, 1997-2003
- Director, Merita Corporate Finance Oy, 1995-1997

Positions of trust
- John Nurminen Foundation, Member of the Board of Directors since 2014

Riitta Mynttinen
Born 1960, Chemical Engineer (B.Sc.), MBA

Member of the Board since 2011
Member of the Audit Committee since 2012
Independent Board member
Finnish citizen
Tikkurila shares on Dec 31, 2015: 3,718 (Dec 31, 2014: 3,041)

Career history
- Vice President, Minerals Technologies Inc., 2005-2014
- Director, Rohm and Haas Company, 1998-2005
- Director, Ferro Corporation, 1996-1998
- Manager, Rohm and Haas Company, 1987-1996
- Research Chemist, NIF, 1986-1987
- Research Chemist, Tikkurila OY, 1984-1986

Positions of trust
- Okmetic Oyj, Member of the Board of Directors since 2015
- Mint of Finland, Member of the Board of Directors since 2010

Pia Rudengren
Born 1965, M.Sc. (BA & Econ.)

Member of the Board since 2009
Member of the Audit Committee since 2010
Independent Board member
Swedish citizen
Tikkurila shares on Dec 31, 2015: 4,491 (Dec 31, 2014: 3,814)

Career history
- Executive Vice President, W Capital Management AB, 2001-2005
- Chief Financial Officer, Member of the Management Group,Investor AB, 1998-2001

Positions of trust
- Kappahl AB, Member of the Board of Directors since 2013
- Social Initiative Norden AB, Member of the Board of Directors since 2008, Chairman of the Board of Directors since 2011
- Swedbank AB, Member of the Board of Directors since 2009
- Duni AB, Member of the Board of Directors since 2007

Harri Kerminen
Born 1951, M.Sc. (Eng.), MBA

Member of the Board since 2012
Member of the Remuneration Committee since 2012
Independent Board member
Finnish citizen
Tikkurila shares on Dec 31, 2015: 2,970 (Dec 31, 2014: 2,293)

Career history
- President and CEO, Kemira Oyj, 2008-2012
- President, Kemira Pulp & Paper business area of Kemira Oyj, 2006-2007
- President, Kemira Specialty business area, 2000–2006
- Managing Director, Kemira Pigments Oy, 2002–2003
- Vice President, Human Resources, Kemira Chemicals Oy, 1996–2000
- Manager, Oulu plant of Kemira Oyj, 1994–1996
- Production Manager, Kemira Kemi AB, 1990
- Project Manager, plant construction projects in Finland, Sweden, Belgium and the US, Kemira Oy/Kemira Oyj, 1989–1994

Positions of trust
- Spinverse Group, Chairman of the Board of Directors since 2015
- SK Spice Holdings S.A.R.L, Member of the Board of Directors since 2015
- LUT, Lappeenranta University of Technology, Member of the Advisory Board since 2015
- Harjavalta Oy, Member of the Board of Directors since 2014
- Magsort Oy, Chairman of the Board of Directors since 2014
- Metgen Oy, Chairman of the Board of Directors since 2012
- Normet Oy, Member of the Board of Directors since 2012
- Finnair Oyj, Member of the Board of Directors since 2011, Vice Chairman of the Board of Directors since 2012

Aleksey Vlasov, member of the Board until 25.3.2015
Born 1957, Medical Doctor
First Vice President, Geotech Holding, Moscow, since 2008

Member of the Board 2012 - 2015
Independent Board member
Russian citizen

Career history
- Deputy General Director, JSC Gazprom (Mezhregiongaz), Moscow, 2003–2008
- Director, Russian Technology Fund, St. Petersburg, 1995–2003
- Founder and Marketing Director, Association of Foreign Economic Cooperation "Nauka-Services", St. Petersburg, 1987–1995

Information on the members of the Tikkurila Management Board

Erkki Järvinen
Born 1960, M.Sc. (Econ.)
President and CEO since 2009

Chairman of the Management Board since 2009
Finnish citizen
Joined Tikkurila in 2009
Tikkurila shares on Dec 31, 2015: 46,539 (Dec 31, 2014: 21,000)

Career history
- President and CEO, Rautakirja Corporation, 2001-2008
- Senior Vice President, Kiosk Operations, Rautakirja Corporation, 1997-2001
- Vice President, Marketing (Nordic), Vaasamills Ltd, 1991-1996
- Managing Director, Siljans Knäcke AB, 1995-1996
- Marketing Manager, Vaasamills Ltd, 1990-1991
- Product Manager, Marketing Manager, Fazer Bakeries, Oy Karl Fazer Ab, 1984-1990

Positions of trust
- YIT Oyj, Member of the Board of Directors since 2013
- Snellman Ltd, Member (Vice Chairman) of the Board of Directors since 2011
- East Office of Finnish Industries Ltd, Member of the Board of Directors since 2011
- CEPE (European Council of Paint, Printing Ink and Artists' Colours Industry), Member of the Board of Directors since 2013
- Association of Finnish Paint Industry, Member of the Board of Directors since 2009
- Chemical Industry Federation of Finland, Member of the Board of Directors since 2009
- Association of Finnish Advertisers, Member of the Board of Directors since 2009
- Helsinki Chamber of Commerce, Member of the Board of Directors since 2013
- Helsinki Chamber of Commerce, Vantaa Regional Office, Member of the Board of Directors since 2010, Chairman of the Board of Directors since 2013
- Confederation of Finnish Industries (EK) in Helsinki, Member of the Regional Offices since 2011
- Economic Information Office, Member of the Board of Directors since 2007

Jukka Havia
Born 1968, M. Sc. (Econ.)
Chief Financial Officer (CFO) since 2010

Member of the Management Board since 2010
Finnish citizen
Joined Tikkurila in 2010
Tikkurila shares on Dec 31, 2015: 14,000 (Dec 31, 2014: 6,000)

Career history

- Deputy Chief Executive Officer, Ruukki Group plc., 2008-2010
- Chief Financial Officer, Ruukki Group plc., 2005-2008
- Director of Finance, Student Union of the Helsinki School of Economics, 2001-2005
- Managing Director, KY-Palvelu Oy, 2001-2005

- Financial Director, RSL Com Finland Oy, 1997-2001
- Controller, Oy Canon Ab, 1995-1997

Positions of trust
- Leipurin Oyj, Member of the Board of Directors since 2014
- Student Union of Aalto University, Member of the Finance Committee since 2010

Janno Paju
Born 1971, Degree in Economics
Chief Commercial Officer since 2012

Member of the Management Board since 2000
Estonian citizen
Joined Tikkurila in 1993
Tikkurila shares on Dec 31, 2015: 14,025 (Dec 31, 2014: 6,025)

Career history
- Senior Vice President, SBU East, Tikkurila Oy, 2009-2011
- Group Vice President, Deco Eastern Europe business area, Tikkurila Oy, 2004-2009
- President, Tikkurila Polska S.A., 2000-2004
- Vice President, Commerce, Tikkurila-Baltcolor Sp.z.o.o., 1998-2000

Petri Miettinen
Born 1968, M.Sc. (Econ.)
Senior Vice President, Supply Chain Management & HSEQ since 2007

Member of the Management Board since 2007
Finnish citizen
Joined Tikkurila in 2007
Tikkurila shares on Dec 31, 2015: 14,000 (Dec 31, 2014: 6,000)

Career history
- Vice President, Sourcing and Logistics, Marine business, ABB, 2002-2007
- Vice President, controlling (in addition to normal duties), Marine business, ABB, 2003-2004
- Business Controller, Marine business, ABB, 2000-2002
- Controller, Project Manager, Electric Machine business, ABB, 1997-2000

Positions of trust
- Finnish Association of Purchasing and Logistics (LOGY), Member of the Board since 2014

Kenneth Sundberg
Born 1965, M.Sc. (Eng.), Doctor of Technology
Senior Vice President, Research, Development and Innovation (RDI) since 2010

Member of the Management Board since 2010
Finnish citizen
Joined Tikkurila in 2010
Tikkurila shares on Dec 31, 2015: 14,000 (Dec 31, 2014: 6,000)

Career history
- Head of Innovation Center Paper, Ciba, 2007-2009
- Managing Director, Top Analytica Ltd., 2006-2007
- Head R&D, Sizing and Starch, Ciba Specialty Chemicals Oy, 2004-2006
- Research Manager, Specialty group, Raisio Chemicals Oy, 2002-2004

Positions of trust
- Finnish Wood Research Oy, Member of the Board of Directors 2014-2015
- Åbo Akademi Process Chemistry Center (ÅAU), Member of the Industrial Advisory Board 2005-2015

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