

**TIKKURILA**



Interim Report | Q1 | January–March 2014

**Tikkurila Oyj**  
**Interim Report**

May 8, 2014 at 9:00 a.m. (CET+1)

**Tikkurila's Interim Report for January–March 2014**  
**– Strong start to the year**

**January–March 2014 highlights**

- Revenue for the first quarter increased by 2.2 percent to EUR 141.5 million (1–3/2013: EUR 138.4 million).
- Operating profit (EBIT) excluding non-recurring items was EUR 13.0 (10.1) million, i.e. 9.2 (7.3) percent of revenue.
- Operating profit (EBIT) was EUR 13.8 (10.2) million, i.e. 9.8 (7.4) percent of revenue.
- EPS was EUR 0.17 (0.15).

**Revenue and EBIT estimates for 2014 intact**

- Tikkurila expects its revenue and EBIT excluding non-recurring items for the financial year 2014 to remain at the 2013 level.

**Key figures**

(EUR million)

**Income statement**

	<b>1–3/2014</b>	<b>1–3/2013</b>	<b>Change %</b>	<b>1–12/2013</b>
Revenue	<b>141.5</b>	138.4	2.2%	653.0
Operating profit (EBIT), excluding non-recurring items	<b>13.0</b>	10.1	28.5%	72.6
Operating profit (EBIT) margin, excluding non-recurring items, %	<b>9.2%</b>	7.3%		11.1%
Operating profit (EBIT)	<b>13.8</b>	10.2	35.0%	71.5
Operating profit (EBIT) margin, %	<b>9.8%</b>	7.4%		10.9%
Profit before taxes	<b>11.8</b>	10.5	12.7%	67.0
Net profit	<b>7.3</b>	6.6	11.2%	50.1

**Other key indicators**

EPS, EUR	<b>0.17</b>	0.15	11.2%	1.14
ROCE, %, rolling	<b>25.4%</b>	22.6%		23.5%
Cash flow after capital expenditure	<b>-4.8</b>	-13.7	64.8%	66.9
Net interest-bearing debt at period-end	<b>53.8</b>	94.0	-42.8%	48.6
Gearing, %	<b>30.6%</b>	45.5%		23.4%
Equity ratio, %	<b>39.1%</b>	43.4%		50.1%
Personnel at period-end	<b>3,186</b>	3,231	-1.4%	3,133

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**Comments by Erkki Järvinen, President and CEO:**

“Our year got off to a good start, we achieved a strong result in the challenging market situation. Our profitability was improved by not only the increased revenue but also by the determined streamlining of our operations, improvement of productivity, and strict cost management.

Our euro-denominated revenue grew slightly from the comparison period despite the negative exchange rates development of the key currencies. The good development was based on higher sales volumes, favorable development of the sales mix, and the sales price increases implemented in Russia. Moreover, the early arrival of spring had a positive effect on demand.

The crisis in Ukraine increased uncertainty associated with economic development, and this resulted in considerable cuts in Russian growth forecasts. Despite the crisis, our sales volumes grew from the comparison period in Russia, as well. The majority of our paints sold in Russia are manufactured locally, and a considerable portion of raw materials is also procured from local suppliers. The ruble risks are especially associated with products exported from Finland to Russia and raw materials procured from the West.

We will continue to further develop our operations, and simultaneously we will increase investments in sales and marketing especially in Russia. Slight positive signs can be seen in the macroeconomic development in Sweden, Poland, and the Baltic countries. On the other hand, the exchange rates relevant to Tikkurila are generally expected to remain at a weak level, which will have a negative effect particularly on our revenue development also during the remainder of the year.”

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**Press Conference and webcast**

Tikkurila will hold a press conference regarding the Interim Report for January–March 2014 for the media and analysts today on May 8, 2014, at 12:00 p.m. (CET+1) in the Akseli Gallén-Kallela Cabinet at the Hotel Kämp, (address Pohjoisesplanadi 29, 00100 Helsinki). The conference will be held in Finnish language. Attendees will be served lunch at the conference premises starting at 11:30 (CET+1). The result will be presented by **Erkki Järvinen**, President and CEO, and **Jukka Havia**, CFO.

A live webcast, conducted in English, will be organized on May 8, 2014 at 3:00 p.m. The live webcast will be available at [www.tikkurilagroup.com](http://www.tikkurilagroup.com). The participants can also join a telephone conference that will be arranged in conjunction with the live webcast. The telephone conference details are set out below:

+358 9 2313 9201 (Finnish callers)

+44 20 7162 0077 (UK callers)

+1 334 323 6201 (US callers)

Participant code: 943094

An on-demand version of the webcast will be available at [www.tikkurilagroup.com/investors](http://www.tikkurilagroup.com/investors) later during the same day.

The Interim Report and presentation materials will be available before the event at [www.tikkurilagroup.com/investors](http://www.tikkurilagroup.com/investors).

Tikkurila will publish its Interim Report for January–June 2014 on Friday, July 25, 2014 at around 9:00 a.m. (CET+1).

**Tikkurila Oyj**

Erkki Järvinen, President and CEO

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

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## Tikkurila Oyj Interim Report January 1–March 31, 2014

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

Fluctuations in exchange rates in this Interim Report refer to the translation effect of the exchange rates.

In this report, all forward-looking statements in relation to the company or its business are based on the management judgment, and macroeconomic or general industry data are based on third-party sources.

If there are any discrepancies between the language versions of the Interim Report, the Finnish version shall prevail.

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

### Market Review

The recession in the euro region has ended, but growth continues to be fairly slow and country-specific differences are still extensive. Among Tikkurila's key markets, Sweden is expected to experience accelerated economic growth this year. Private consumption is expected to increase, thanks to the improving purchasing power. In Finland, the economic situation has continued to be challenging. Weak consumer confidence, increased unemployment, and weakened purchasing power are keeping private consumption at last year's level. In Poland, retail sales and construction showed positive signs. The economy is expected to grow reasonably well in the current year, driven by exports, private consumption, and investments. The early arrival of spring boosted paint sales in many markets at the beginning of the year.

The crisis in Ukraine has increased economic uncertainty in Russia and resulted in cuts in growth forecasts. The steeply weakened ruble has increased inflation expectations. Despite the crisis in Ukraine, consumer confidence remained unchanged in Russia during the first months of the year and retail sales grew, although more slowly than last year. Housing sales were also at a good level. The increased geopolitical risk and more expensive financing are expected to reflect negatively in private consumption and investments.

In 2013, Tikkurila's market share in decorative paints in Russia was approximately 18 percent (approximately 17 percent in 2012, volume, source: ChemCourier), in Sweden 37 percent (approximately 38 percent in 2012, value, source: SVEFF), in Finland more than 50 percent (more than 50 percent in 2012, value, source: VTY), and in Poland approximately 15 percent (approximately 15 percent in 2012, volume, source: IBP Research).

Among Tikkurila's key currencies, the Russian ruble weakened steeply and the Swedish krona weakened slightly from the comparison period. The exchange rate of the Polish zloty was at the comparison period level.

Raw material prices were at the comparison period level.

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## Financial Performance in January–March 2014

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

January–March (EUR million)	Revenue		Operating result (EBIT) excluding non-recurring items	
	1–3/2014	1–3/2013	1–3/2014	1–3/2013
SBU West	98.8	96.8	15.3	12.5
SBU East	42.6	41.6	-1.6	-1.5
Group common and eliminations	0.0	0.0	-0.7	-0.8
Consolidated Group	141.5	138.4	13.0	10.1

Tikkurila Group's **revenue** grew by 2 percent in the first quarter of 2014. Sales volumes took a slight upward turn, which increased revenue by 2 percent. Volumes grew in Russia, Sweden, Poland, and the Baltic countries among the key markets. Sales price increases and changes in the sales mix increased revenue by 6 percent. Exchange rate fluctuations reduced revenue by 6 percent, particularly due to the weakened Russian ruble.

**Operating profit (EBIT) excluding non-recurring items** totaled EUR 13.0 (10.1) million, which accounts for 9.2 (7.3) percent of revenue.

**Operating profit (EBIT)** totaled EUR 13.8 (10.2) million, equaling 9.8 (7.4) percent of revenue. The increase in revenue, streamlining of operations, and better productivity improved profitability. The weakening of the ruble had a negative impact on profitability. The impact of foreign exchange rate changes on EBIT is, however, lower than the impact on revenue.

The net financial expenses in January–March 2014 were EUR -2.0 (0.4) million. Profit before taxes was EUR 11.8 (10.5) million. Taxes totaled EUR 4.5 (3.9) million, equaling an effective tax rate of 38.0 (37.1) percent. Earnings per share were EUR 0.17 (0.15) in the review period.

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## Financial Performance by Reporting Segments

### SBU West

(EUR million)	1-3/2014	1-3/2013	Change %	1-12/2013
Revenue	98.8	96.8	2.1%	388.6
Operating result (EBIT), excluding non-recurring items	15.3	12.5	23.0%	50.9
Operating result (EBIT) margin, excluding non-recurring items, %	15.5%	12.9%		13.1%
Operating result (EBIT)	16.1	12.5	28.5%	50.4
Operating result (EBIT) margin, %	16.3%	12.9%		13.0%
Capital expenditure excluding acquisitions	1.8	1.1	62.9%	6.4

SBU West's first quarter revenue grew by 2 percent from the comparison period. The higher sales volumes increased revenue by one percent. Volume development was good in the Baltic countries, Poland, and Sweden due to the boosted macroeconomic situation and the early arrival of spring. In the Baltic countries, demand for the professional products in the Vivacolor brand, in particular, grew considerably. Sales price increases and changes in the sales mix increased SBU West's revenue by 3 percent. Exchange rate fluctuations, primarily the weakened Swedish krona, decreased revenue by 3 percent. Among the key markets, in Sweden revenue grew to EUR 38.0 (37.5) million in the tight competitive situation, in Finland revenue remained at last year's level, at EUR 30.1 (30.1) million, and in Poland revenue grew to EUR 14.2 (13.4) million.

SBU West's first quarter operating profit excluding non-recurring items increased and relative profitability improved considerably from the comparison period. Profitability was improved by increased revenue, streamlining of operations, and improved productivity. The non-recurring income (EUR 0.8 million) in the period under review was related to the divestment of a piece of real estate in Finland.

### SBU East

(EUR million)	1-3/2014	1-3/2013	Change %	1-12/2013
Revenue	42.6	41.6	2.5%	264.4
Operating profit (EBIT), excluding non-recurring items	-1.6	-1.5	-4.7%	24.7
Operating profit (EBIT) margin, excluding non-recurring items, %	-3.7%	-3.6%		9.3%
Operating profit (EBIT)	-1.6	-1.5	-6.1%	24.1
Operating profit (EBIT) margin, %	-3.7%	-3.6%		9.1%
Capital expenditure excluding acquisitions	1.0	1.5	-33.4%	6.8

SBU East's first quarter revenue grew by 3 percent from the comparison period. The higher sales volumes increased revenue by 5 percent. Volumes developed well in Russia and China. Sales price increases and changes in the sales mix increased SBU East's revenue by 12 percent. In Russia, the weakening of the ruble resulted in price increases at the end of last year and in the period under review. The importance of optimal pricing will be emphasized in the challenging market situation in Russia. The favorable development of the sales mix continued as the relative share of the Tikkurila brand in the total sales increased in Russia. Exchange rate fluctuations reduced revenue by 14 percent due to the steep weakening of currencies in Russia and in CIS countries. Revenue in Russia remained at last year's level, at EUR 31.9 (31.8) million.

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SBU East's first quarter operating loss excluding non-recurring items was at the comparison period level. Profitability was burdened by the weak currencies which affected raw materials costs and the costs of products exported to Russia. In Ukraine, sales developed favorably, but the crisis and weak currency clearly burdened profitability.

## Cash Flow, Financing Activities, and Financial Risk Management

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

Cash flow from operations in January–March totaled EUR -3.2 (-9.2) million. Net working capital totaled EUR 97.5 (112.7) million at the end of the review period. The net cash flow from the investing activities was EUR -1.6 (-4.5) million, when taking into account the acquisitions and divestments. Cash flow after capital expenditure totaled EUR -4.8 (-13.7) million at the end of the review period. Positive cash flow development was supported by the high level of profitability during the review period, by the low level of investments, and also by efficiency measures applied to working capital management. However, due to the economic uncertainty in Russia and in Ukraine, Tikkurila has decided to somewhat increase safety stocks of certain raw materials and finished goods to secure a high level of customer service.

Interest-bearing debt amounted to EUR 78.9 (106.5) million at the end of the review period, and net debt was EUR 53.8 (94.0) million. At the end of the review period, cash and cash equivalents amounted to EUR 25.0 (12.5) million, and short-term interest-bearing debt totaled EUR 18.4 (46.0) million, including the company's issued commercial papers for a total nominal amount of EUR 15.0 (43.5) million. Moreover, the Group had long-term interest-bearing debt totaling EUR 60.4 (60.6) million. At the end of March, the Group had a total of EUR 154.9 (155.7) million of unused committed credit facilities or credit limits.

During the first quarter of 2014, net financial expense was EUR -2.0 (0.4) million, of which interest expenses totaled EUR -0.2 (-0.3) million and other financing expenses EUR -0.6 (0.0) million. The average capital-weighted interest rate of interest-bearing debt was 1.7 (1.7) percent. The net profit was negatively affected by a total of EUR -1.2 (0.8) million based on the impact of realized and unrealized exchange rate differences recognized during the review period.

At the end of March, the equity ratio was 39.1 (43.4) percent, and gearing was 30.6 (45.5) percent. The Annual General Meeting of Tikkurila Oyj decided on March 25, 2014, to distribute EUR 35.3 million dividends based on 2013 results, which affects Group's financial position and which will increase the gearing from April 2014.

At the end of the review period, the nominal value of open foreign exchange rate forward agreements was EUR 92.7 (32.8) million and the corresponding market value was EUR -1.0 (0.0) million. On March 31, 2014, the average nominal hedge ratio, based on those non-euro currencies that have cost-efficient hedging instruments and that are not tied to euro, was about 50 percent. To manage exchange rate risks also other measures than hedging instruments are used; for example incoming and outgoing cash flows are matched, to the extent possible, by each currency.

## Capital Expenditure

In January–March 2014, the gross capital expenditure excluding acquisitions amounted to EUR 2.8 (2.6) million. No major single investments were carried out during the review period. Capital expenditures in the

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period under review were related to, among others, the optimization of production and warehousing as well as to the introduction of IT systems in different locations of the Group.

The Group's depreciation, amortization and impairment losses amounted to EUR 4.5 (5.2) million in January–March. The Group performs impairment tests in accordance with the IAS 36 standard.

## Research and Development

In January–March 2014, Tikkurila's research and development expenses totaled EUR 2.7 (2.7) million, corresponding to 1.9 (2.0) percent of revenue.

During the first quarter, the research and development function focused on the preparation work for product launches, harmonization of product portfolio, introducing tinting system in the Balkan area, as well as finding and introducing alternatives for certain raw materials.

## Human Resources

At the end of March 2014, the Tikkurila Group employed 3,186 (3,231) people. The average number of employees in January–March 2014 was 3,144 (3,216).

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

	Q1/ 2013	Q2/2013	Q3/2013	Q4/2013	Q1/2014
SBU West	1,535	1,670	1,552	1,537	<b>1,536</b>
SBU East	1,665	1,700	1,670	1,565	<b>1,621</b>
Group functions	31	30	31	31	<b>29</b>
Total	3,231	3,400	3,253	3,133	<b>3,186</b>

## Shares and Shareholders

At the end of March 2014, Tikkurila's share capital was EUR 35.0 million, and the total number of registered shares was 44,108,252. At the end of March 2014, Tikkurila held no treasury shares.

According to Euroclear Finland Oy's register, Tikkurila had a total of some 20,600 shareholders on March 31, 2014. A list of the largest shareholders registered in the book-entry account system is regularly updated and is available on Tikkurila's website at [www.tikkurilagroup.com/investors/share\\_information/shareholders](http://www.tikkurilagroup.com/investors/share_information/shareholders).

At the end of March, the closing price of Tikkurila's share was EUR 17.10. In January–March, the volume-weighted average share price was EUR 18.40, the highest price EUR 20.69, and the lowest EUR 16.78. At the end of March, the market value of Tikkurila Oyj's shares was EUR 754.3 million. During January–March, a total of 5.7 million Tikkurila shares, corresponding to approximately 13 percent of the number of registered shares, were traded on NASDAQ OMX Helsinki Ltd. The value of the traded volume was EUR 105.6 million.

## Share-based Commitment and Incentive Plan

In order to commit and motivate key personnel, the Board of Directors of Tikkurila Oyj decided on a share-based plan in February 2012. On March 31, 2014, there a total of nine key employees, selected by the Board

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of Directors, participating in the plan based on Board decisions and the conditions of the plan. In order to participate, each person has had to buy Tikkurila Oyj's shares from the market, and hold the shares. The maximum amount of shares under this plan has been individually defined for each participant.

For performance periods 2012-2014 and 2013-2015, which have already previously been agreed upon, the estimated total value of the plan totaled approximately EUR 2.6 million at the end of the review period.

The Board of Directors of Tikkurila Oyj decided on May 7, 2014, on the financial targets for the performance period 2014-2016. These targets are tied and set for the development of Group EBITDA and net debt during 2014-2016. Half of any payments of this plan will be in shares, and a half will be settled in cash. Share price changes as well as the terms and conditions of the plan will determine the value and corresponding liability in relation to the cash-settled portion.

### Changes in the management

Ilari Hyyrynen was appointed the new Head of Business Unit Russia as of February 12, 2014. Previously, Hyyrynen was the Head of Business Unit Poland.

Aleksander Truszczynski was appointed the Head of Business Unit Poland as of February 12, 2014. Previously, Truszczynski worked as the Finance Director of Business Unit Poland.

### Disclosure of changes in holdings

On January 8, 2014, Tikkurila Oyj received a notification, based on the Securities Markets Act, from Ilmarinen Mutual Pension Insurance Company. According to the notification, the holding of Ilmarinen Mutual Pension Insurance Company in shares of Tikkurila Oyj fell below the 1/10 (10%) threshold due to trades made on January 8, 2014. After these transactions the holding of Ilmarinen Mutual Pension Insurance Company in Tikkurila Oyj amounts to a total of 4,312,079 shares, which corresponds to 9.78 percent of the total amount of shares and voting rights in Tikkurila Oyj.

On February 5, 2014, Tikkurila Oyj received a notification, based on the Securities Markets Act, from FMR LLC. The holding of the entities controlled by FMR LLC in shares of Tikkurila Oyj exceeded the 1/20 (5%) threshold due to trades executed on February 4, 2014. The holding of the above mentioned entities in Tikkurila Oyj has amounted to a total of 3,414,085 shares, which corresponds to 7.74 percent of the total amount of shares, and to a total of 3,365,085 voting rights, which corresponds to 7.63 percent of the total amount of voting rights.

### Decisions of the Annual General Meeting

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

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

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

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

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

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

### **Chairman of the Tikkurila Board and Committee members**

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

### **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.

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Tikkurila's Financial Statements Release for the 2013 financial period describes the key short-term risk areas related to the development of the general macroeconomic situation, development of the exchange rates, changes in legislation or other regulations and competitive situation as well as potential changes in the value chain and product distribution. In addition to these, the political uncertainty in Ukraine and Russia has reflected negatively in the economic development in both countries after the release of the Financial Statements. If the situation in these areas were to polarize further and result in economic sanctions between, for example, the EU region and Russia, Tikkurila's business operations would experience considerable negative impacts, particularly in Russia.

Otherwise, no significant changes have taken place compared to the situation stated in the Financial Statement release.

Tikkurila's risk management principles can be viewed on Tikkurila's website at [www.tikkurilagroup.com](http://www.tikkurilagroup.com). Additional information on the short- and long-term risks of Tikkurila's business operations is published in the Corporate Governance Statement. More information on financial risks is provided in the Notes to the 2013 Consolidated Financial Statements.

## Outlook for 2014

Tikkurila reiterates its guidance for 2014.

The economic situation in Europe is expected to improve moderately in 2014. Considerable regional differences are forecasted between Tikkurila's different markets in private consumption and construction volumes in 2014, but overall growth is estimated to remain low. No considerable change is expected in the demand for Tikkurila's products compared to last year. Cost inflation is expected to continue, and investments in sales, marketing and innovation activities are forecasted to increase the fixed cost level. Raw material prices are forecasted to remain stable.

Tikkurila expects its revenue and EBIT excluding non-recurring items for the financial year 2014 to remain at the 2013 level.

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## Summary Financial Statements and Notes

This interim financial report is prepared in accordance with IAS 34 Interim Financial Reporting standard. The same accounting policies have been applied in this interim financial report as in the annual financial statements for 2013, with the exception of the following new or revised or amended standards and interpretations which have been applied from the beginning of 2014.

This interim financial report is unaudited.

As a result of rounding differences, the figures presented in the tables may not add up to the total.

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

- Amendments to IAS 32 Financial Instruments: Presentation–Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement–Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IAS 36 Impairment of Assets
- IFRIC 21 Levies: it covers the accounting for obligation and timing to recognize this liability. In the Group, this comprises mainly the real estate taxes, which were recognized in profit or loss in the review period instead to be deferred during the financial year. The negative effect of this was EUR 0.2 million in review period.

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

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	1-3/2014	1-3/2013	1-12/2013
<b>Revenue</b>	<b>141,466</b>	138,424	652,964
Other operating income	966	734	2,708
Expenses	-124,111	-123,727	-561,863
Depreciation, amortization and impairment losses	-4,509	-5,199	-22,341
<b>Operating profit</b>	<b>13,812</b>	10,232	71,468
Total financial income and expenses	-1,962	445	-4,289
Share of profit or loss of equity-accounted investees	-4	-168	-137
<b>Profit before taxes</b>	<b>11,846</b>	10,509	67,042
Income taxes	-4,500	-3,904	-16,969
<b>Net result for the period</b>	<b>7,346</b>	6,605	50,073
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements on defined benefit plans <sup>*)</sup>	-1,064	-	827
Income taxes relating to items that will not be reclassified to profit or loss	241	-	-177
<b>Total items that will not be reclassified to profit or loss</b>	<b>-823</b>	-	650
<b>Items that may be reclassified subsequently to profit or loss</b>			
Available-for-sale financial assets	138	24	249
Foreign currency translation differences for foreign operations <sup>**)</sup>	-3,530	1,204	-8,555
Income taxes relating to items that may be reclassified subsequently to profit or loss	-8	-10	183
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>-3,400</b>	1,218	-8,123
<b>Total comprehensive income for the period</b>	<b>3,123</b>	7,823	42,600
<b>Net result attributable to:</b>			
Owners of the parent	7,346	6,605	50,073
Non-controlling interest	-	-	-
<b>Net result for the period</b>	<b>7,346</b>	6,605	50,073
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	3,123	7,823	42,600
Non-controlling interest	-	-	-
<b>Total comprehensive income for the period</b>	<b>3,123</b>	7,823	42,600
<b>Earnings per share of the net profit attributable to owners of the parent</b>			
Basic earnings per share (EUR)	0.17	0.15	1.14
Diluted earnings per share (EUR)	0.17	0.15	1.13

\*) Changes in the discount rates of defined benefit pensions resulted in an increase of EUR 1.1 million in liabilities.

\*\*\*) Major share of the foreign currency translation differences was resulted from the translation of the Russian subsidiary's equity into euros as the Russian ruble weakened during the review period.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**EUR 1,000**

<b>ASSETS</b>	<b>Mar 31, 2014</b>	<b>Mar 31, 2013</b>	<b>Dec 31, 2013</b>
<b>Non-current assets</b>			
Goodwill	65,948	67,066	66,388
Other intangible assets	19,090	26,656	20,833
Property, plant and equipment	99,395	111,820	104,216
Equity-accounted investees	822	1,739	1,433
Available-for-sale financial assets	3,726	3,285	3,590
Non-current receivables	4,521	8,986	5,699
Deferred tax assets	8,580	9,751	8,612
<b>Total non-current assets</b>	<b>202,082</b>	<b>229,303</b>	<b>210,771</b>
<b>Current assets</b>			
Inventories	89,631	95,464	79,732
Interest-bearing receivables	1,011	701	617
Non-interest-bearing receivables	131,978	138,978	94,985
Cash and cash equivalents	25,036	12,503	29,171
Non-current assets held for sale	-	-	43
<b>Total current assets</b>	<b>247,656</b>	<b>247,646</b>	<b>204,548</b>
<b>Total assets</b>	<b>449,738</b>	<b>476,949</b>	<b>415,319</b>
<b>EQUITY AND LIABILITIES</b>	<b>Mar 31, 2014</b>	<b>Mar 31, 2013</b>	<b>Dec 31, 2013</b>
Share capital	35,000	35,000	35,000
Other reserves	42	359	42
Fair value reserve	2,233	1,833	2,122
Reserve for invested unrestricted equity	40,000	40,000	40,000
Translation differences	-19,959	-6,818	-16,448
Retained earnings	118,420	136,280	147,367
<b>Equity attributable to owners of the parent</b>	<b>175,736</b>	<b>206,654</b>	<b>208,083</b>
Non-controlling interest	-	-	-
<b>Total equity</b>	<b>175,736</b>	<b>206,654</b>	<b>208,083</b>
<b>Non-current liabilities</b>			
Interest-bearing non-current liabilities	60,432	60,575	60,283
Other non-current liabilities	72	1,334	949
Defined benefit pension and other long-term employee benefit liabilities	25,695	27,175	24,704
Provisions	654	907	720
Deferred tax liabilities	7,971	11,303	8,596
<b>Total non-current liabilities</b>	<b>94,824</b>	<b>101,294</b>	<b>95,252</b>
<b>Current liabilities</b>			
Interest-bearing current liabilities	18,427	45,956	17,509
Non-interest-bearing current liabilities	160,387	122,814	93,754
Provisions	364	231	321
Liabilities classified as held for sale	-	-	400
<b>Total current liabilities</b>	<b>179,178</b>	<b>169,001</b>	<b>111,984</b>
<b>Total equity and liabilities</b>	<b>449,738</b>	<b>476,949</b>	<b>415,319</b>

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CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS EUR 1,000	1-3/2014	1-3/2013	1-12/2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net result for the period	7,346	6,605	50,073
Adjustments for:			
Non-cash transactions	4,708	6,916	25,582
Interest and other financial expenses	2,380	666	5,668
Interest income and other financial income	-441	-1,111	-1,379
Income taxes	4,500	3,904	16,969
<b>Funds from operations before change in net working capital</b>	<b>18,493</b>	<b>16,980</b>	<b>96,913</b>
Change in net working capital	-16,901	-20,792	6,357
Interest and other financial expenses paid	-1,302	-937	-4,651
Interest and other financial income received	1,856	236	732
Income taxes paid	-5,325	-4,657	-20,125
<b>Total cash flow from operations</b>	<b>-3,179</b>	<b>-9,170</b>	<b>79,226</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Business combinations	-	-	-391
Other shares	-	-	-84
Other capital expenditure	-3,035	-5,307	-14,288
Proceeds from sale of assets	991	756	1,559
Non-current loan receivables decrease (+), increase (-)	400	4	533
Dividends received	-	-	375
<b>Net cash used in investing activities</b>	<b>-1,644</b>	<b>-4,547</b>	<b>-12,296</b>
<b>Cash flow before financing</b>	<b>-4,823</b>	<b>-13,717</b>	<b>66,930</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Non-current borrowings, increase (+), decrease (-)	-	-	-
Current financing, increase (+), decrease (-)	-110	10,225	-18,387
Dividends paid	-	-	-33,522
Other	-272	270	-1,152
<b>Net cash used in financing activities</b>	<b>-382</b>	<b>10,495</b>	<b>-53,061</b>
<b>Net change in cash and cash equivalents</b>	<b>-5,205</b>	<b>-3,222</b>	<b>13,869</b>
Cash and cash equivalents at the beginning of period	29,171	15,739	15,739
Effect of exchange rate fluctuations on cash held	-87	14	437
Cash and cash equivalents at the end of period	24,053	12,503	29,171
<b>Net change in cash and cash equivalents</b>	<b>-5,205</b>	<b>-3,222</b>	<b>13,869</b>

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**EUR 1,000**

	Equity attributable to the owners of the parent						Total	Non- control- ling interest	Total equity
	Share capital	Other reserves	Fair value reserve	Reserve for invested unrestrict ed equity	Translation differences	Retained earnings			
Equity at Jan 1, 2013	35,000	359	1,815	40,000	-8,018	129,753	198,909	-	198,909
Total comprehensive income for the period	-	-	18	-	1,200	6,605	7,823	-	7,823
Share-based compensation	-	-	-	-	-	95	95	-	95
Adjustment arising from hyperinflation	-	-	-	-	-	-173	-173	-	-173
Equity at Mar 31, 2013	35,000	359	1,833	40,000	-6,818	136,280	206,654	-	206,654
<b>Equity at Jan 1, 2014</b>	<b>35,000</b>	<b>42</b>	<b>2,122</b>	<b>40,000</b>	<b>-16,448</b>	<b>147,367</b>	<b>208,083</b>	<b>-</b>	<b>208,083</b>
Total comprehensive income for the period	-	-	111	-	-3,511	6,523	3,123	-	3,123
Share-based compensation	-	-	-	-	-	118	118	-	118
Adjustment arising from hyperinflation	-	-	-	-	-	-301	-301	-	-301
Dividends paid	-	-	-	-	-	-35,287	-35,287	-	-35,287
<b>Equity at Mar 31, 2014</b>	<b>35,000</b>	<b>42</b>	<b>2,233</b>	<b>40,000</b>	<b>-19,959</b>	<b>118,420</b>	<b>175,736</b>	<b>-</b>	<b>175,736</b>

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**REPORTABLE SEGMENTS**

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

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

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

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

<b>Revenue by segment</b> <b>EUR 1,000</b>	<b>1-3/2014</b>	1-3/2013	1-12/2013
SBU West	<b>98,819</b>	96,806	388,578
SBU East	<b>42,646</b>	41,618	264,387
<b>Total</b>	<b>141,466</b>	138,424	652,964

<b>EBIT by segment</b> <b>EUR 1,000</b>	<b>1-3/2014</b>	1-3/2013	1-12/2013
SBU West	<b>16,084</b>	12,516	50,370
SBU East	<b>-1,570</b>	-1,480	24,099
Tikkurila common	<b>-702</b>	-805	-3,001
Eliminations	<b>0</b>	0	0
<b>Total</b>	<b>13,812</b>	10,232	71,468

Non-allocated items:

Total financial income and expenses	<b>-1,962</b>	445	-4,289
Share of profit or loss of equity-accounted investees	<b>-4</b>	-168	-137
<b>Profit before taxes</b>	<b>11,846</b>	10,509	67,042

<b>Assets by segment</b> <b>EUR 1,000</b>	<b>Mar 31, 2014</b>	Mar 31, 2013	Dec 31, 2013
SBU West	<b>312,871</b>	314,947	287,334
SBU East	<b>137,082</b>	158,343	140,027
Assets, non-allocated to segments	<b>66,507</b>	83,641	44,407
Eliminations	<b>-66,722</b>	-79,982	-56,449
<b>Total assets</b>	<b>449,738</b>	476,949	415,319

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**Non-recurring items by segment**

<b>EUR 1,000</b>	<b>SBU West</b>	<b>SBU East</b>	<b>Total 1-3/2014</b>
Gain on sale of held for sale assets	775	-	775
<b>Total</b>	<b>775</b>	<b>-</b>	<b>775</b>

<b>EUR 1,000</b>	<b>SBU West</b>	<b>SBU East</b>	<b>Total 1-3/2013</b>
Personnel related	-413	-	-413
Divestments and restructuring of Group organization	-	20	20
Gain on sale of available-for-sale financial assets	478	-	478
<b>Total</b>	<b>65</b>	<b>20</b>	<b>85</b>

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

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<b>CHANGES IN PROPERTY, PLANT AND EQUIPMENT EUR 1,000</b>	<b>1-3/2014</b>	<b>1-3/2013</b>	<b>1-12/2013</b>
Carrying amount at the beginning of period	<b>104,216</b>	112,785	112,785
Additions	<b>2,545</b>	1,933	11,797
Business combinations	-	-	19
Disposals	<b>-68</b>	-32	-149
Depreciation, amortization and impairment losses	<b>-3,596</b>	-3,976	-16,702
Exchange rate differences and other changes	<b>-3,702</b>	1,110	-3,535
<b>Carrying amount at the end of period</b>	<b>99,395</b>	111,820	104,216

Tikkurila Group had contractual commitments for purchase of property, plant and equipment EUR 1.8 (0.9) million at the end of March 2014.

<b>CHANGES IN INTANGIBLE ASSETS EUR 1,000</b>	<b>1-3/2014</b>	<b>1-3/2013</b>	<b>1-12/2013</b>
Carrying amount at the beginning of period	<b>87,221</b>	93,892	93,892
Additions	<b>258</b>	647	1,270
Business combinations	-	-	111
Disposals	<b>-4</b>	-	-
Depreciation, amortization and impairment losses	<b>-913</b>	-1,223	-5,639
Exchange rate differences and other changes	<b>-1,524</b>	406	-2,413
<b>Carrying amount at the end of period</b>	<b>85,038</b>	93,722	87,221

Tikkurila Group had contractual commitments for intangible assets EUR 0.0 (0.2) million at the end of March 2014.

## INVENTORIES

Write-down of inventory for a total amount of EUR 0.9 (0.4) million was recognized until end of March 2014.

## CHANGES IN GROUP STRUCTURE

At the end of review period, Tikkurila sold its ownership, 45%, in Swedish associated company Happy Homes 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.

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**RELATED PARTY TRANSACTIONS**

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

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

**Related party transactions are presented below**

<b>EUR 1,000</b>	<b>1-3/2014</b>	<b>1-3/2013</b>	<b>1-12/2013</b>
<b>Joint ventures</b>			
Sales	<b>1,114</b>	1,046	4,917
Receivables	<b>488</b>	439	143
Liabilities	<b>44</b>	43	33
<b>Associates</b>			
Sales	<b>2,572</b>	4,589	14,529
Purchases	<b>162</b>	253	690
Receivables	-	5,597	2,092

**Share-based Commitment and Incentive Plan**

In order to commit and motivate key personnel, the Board of Directors of Tikkurila Oyj decided on a share-based plan in February 2012. On March 31, 2014, there a total of nine key employees, selected by the Board of Directors, participating in the plan based on Board decisions and the conditions of the plan. In order to participate, each person has had to buy Tikkurila Oyj's shares from the market, and hold the shares. The maximum amount of shares under this plan has been individually defined for each participant.

Based on the commitment and incentive plan, and stemming from both of the performance periods, 2012-2014 as well as the performance period 2013-2015, during the first quarter a total of EUR 0.0 (during the first quarter 2013: 0.2) million was recognized as personnel expenses in the Group income statement according to IFRS 2 standard. The estimated total value of the plan for the performance period of 2012-2014 totaled approximately EUR 2.2 million, and the total value for the performance period 2013-2015 about EUR 0.4 million, at the end of the review period. The total value will be expensed over a three-year period until when the time of payments will take place as per the terms and conditions of the plan. Half of the payments will be in shares, and a half will be settled in cash. Share price changes as well as the terms and conditions of the plan will determine the value and corresponding liability in relation to the cash-settled portion.

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

	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Other financial liabilities	Carrying amounts	Fair values
<b>Mar 31, 2014</b>						
<b>Non-current financial assets</b>						
Available-for-sale financial assets	-	-	3,726	-	3,726	3,726
Non-current receivables	-	4,355	-	-	4,355	4,355
<b>Current financial assets</b>						
Interest-bearing receivables	-	1,011	-	-	1,011	1,011
Derivatives	423	-	-	-	423	423
Cash equivalents	-	25,036	-	-	25,036	25,036
Trade and other non-interest-bearing receivables	-	119,961	-	-	119,961	119,961
<b>Total</b>	<b>423</b>	<b>150,363</b>	<b>3,726</b>	<b>-</b>	<b>154,512</b>	<b>154,512</b>
<b>Non-current financial liabilities</b>						
Non-current interest-bearing liabilities	-	-	-	60,432	60,432	60,515
<b>Current financial liabilities</b>						
Current interest-bearing liabilities	-	-	-	18,427	18,427	18,427
Derivatives	1,405	-	-	-	1,405	1,405
Trade payables	-	-	-	66,042	66,042	66,042
<b>Total</b>	<b>1,405</b>	<b>-</b>	<b>-</b>	<b>144,901</b>	<b>146,306</b>	<b>146,389</b>

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	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available- for-sale financial assets	Other financial liabilities	Carrying amounts	Fair values
<b>Mar 31, 2013</b>						
<b>Non-current financial assets</b>						
Available-for-sale financial assets	-	-	3,285	-	3,285	3,285
Non-current receivables	-	6,224	-	-	6,224	6,224
<b>Current financial assets</b>						
Interest-bearing receivables	-	701	-	-	701	701
Derivatives	358	-	-	-	358	358
Cash equivalents	-	12,503	-	-	12,503	12,503
Trade and other non- interest-bearing receivables	-	125,924	-	-	125,924	125,924
<b>Total</b>	<b>358</b>	<b>145,352</b>	<b>3,285</b>	<b>-</b>	<b>148,995</b>	<b>148,995</b>
<b>Non-current financial liabilities</b>						
Non-current interest-bearing liabilities	-	-	-	60,575	60,575	60,687
Contingent consideration	-	-	-	933	933	933
<b>Current financial liabilities</b>						
Current interest-bearing liabilities	-	-	-	45,956	45,956	45,956
Derivatives	362	-	-	-	362	362
Trade payables	-	-	-	60,566	60,566	60,566
<b>Total</b>	<b>362</b>	<b>-</b>	<b>-</b>	<b>168,030</b>	<b>168,392</b>	<b>168,504</b>

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

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**FAIR VALUE HIERARCHY**  
**EUR 1,000**

<b>Mar 31, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Recurring fair value measurements				
Available-for-sale financial assets	-	2,875	851	3,726
Derivatives (in assets)	-	423	-	423
Recurring fair value measurements				
Derivatives (in liabilities)	-	1,405	-	1,405
<b>Mar 31, 2013</b>				
Recurring fair value measurements				
Available-for-sale financial assets	-	2,512	773	3,285
Derivatives (in assets)	-	358	-	358
Recurring fair value measurements				
Derivatives (in liabilities)	-	362	-	362
Contingent consideration	-	-	933	933
<b>Dec 31, 2013</b>				
Recurring fair value measurements				
Available-for-sale financial assets	-	2,737	853	3,590
Derivatives (in assets)	-	478	-	478
Recurring fair value measurements				
Derivatives (in liabilities)	-	398	-	398

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

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

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

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**Reconciliation of Level 3 fair value measured financial assets and liabilities**

<b>Available-for-sale financial assets</b>	<b>Mar 31, 2014</b>	Mar 31, 2013	Dec 31, 2013
Carrying amount at Jan 1	853	776	776
Translation differences in other comprehensive income	-2	-3	-7
Acquisitions	-	-	84
Disposals	0	-	-
<b>Carrying amount at end of review period</b>	<b>851</b>	<b>773</b>	<b>853</b>

<b>Contingent consideration</b>	<b>Mar 31, 2014</b>	Mar 31, 2013	Dec 31, 2013
Carrying amount at Jan 1	-	902	902
Fair value change in other operating income, unrealized	-	-	-1,011
Fair value change due the discounting effect, unrealized, recognized in financial expenses	-	31	109
<b>Carrying amount at end of review period</b>	<b>-</b>	<b>933</b>	<b>-</b>

In review period, gain on available-for-sale financial assets in fair value hierarchy level 3 totaled EUR 7 thousand.

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

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KEY PERFORMANCE INDICATORS	1-3/2014/ Mar 31, 2014	1-3/2013/ Mar 31, 2013	1-12/2013/ Dec 31, 2013
Earnings per share / basic, EUR	0.17	0.15	1.14
Earnings per share / diluted, EUR	0.17	0.15	1.13
Cash flow from operations, EUR 1,000	-3,179	-9,170	79,226
Cash flow from operations / per share, EUR	-0.07	-0.21	1.80
Capital expenditure, EUR 1,000	3,035	5,307	14,763
of revenue %	2.1%	3.8%	2.3%
Shares (1,000), average	44,108	44,108	44,108
Shares (1,000), at the end of the reporting period	44,108	44,108	44,108
Weighted average number of shares, adjusted for dilutive effect (1,000) <sup>1)</sup>	44,206	44,204	44,212
Number of shares at the end of period, adjusted for dilutive effect (1,000) <sup>1)</sup>	44,202	44,214	44,225
Equity attributable to the owners of the parent / per share, EUR	3.98	4.69	4.72
Equity ratio, %	39.1%	43.4%	50.1%
Gearing, %	30.6%	45.5%	23.4%
Interest-bearing financial liabilities (net), EUR 1,000	53,823	94,028	48,621
Return on capital employed (ROCE), % p.a.	25.4%	22.6%	23.5%
Personnel (average)	3,144	3,216	3,262

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

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**DEFINITIONS OF KEY FIGURES****Earnings per share (EPS), basic**

Net profit of the period attributable to the owners of the parent  
 Shares on average

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**Earnings per share (EPS), diluted**

Net profit of the period attributable to the owners of the parent  
 Weighted average number of shares, adjusted for dilutive effect

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**Equity per share**

Equity attributable to the owners of the parent at the end of the reporting period  
 Number of shares at the end of the reporting period

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**Cash flow from operations / per share**

Cash flow from operations  
 Shares on average

---

**Equity ratio, %**

Total equity x 100  
 Total assets - advances received

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**Gearing, %**

Net interest-bearing financial liabilities x 100  
 Total equity

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**Interest-bearing financial liabilities (net)**

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

**Net working capital**

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

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

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

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\* average during the period

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

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## SEGMENT INFORMATION BY QUARTER

Revenue by segment EUR 1,000	1-3/2013	4-6/2013	7-9/2013	10-12/2013	1-3/2014
SBU West	96,806	118,053	105,485	68,234	98,819
SBU East	41,618	90,236	84,106	48,427	42,646
<b>Total</b>	<b>138,424</b>	<b>208,289</b>	<b>189,591</b>	<b>116,660</b>	<b>141,466</b>

EBIT by segment EUR 1,000	1-3/2013	4-6/2013	7-9/2013	10-12/2013	1-3/2014
SBU West	12,516	20,793	22,044	-4,983	16,084
SBU East	-1,480	13,405	11,699	475	-1,570
Tikkurila common	-805	-858	-664	-674	-702
Eliminations	0	0	0	0	0
<b>Total</b>	<b>10,232</b>	<b>33,339</b>	<b>33,080</b>	<b>-5,182</b>	<b>13,812</b>

## Non-allocated items:

Total financial income and expenses	445	-2,524	-1,595	-618	-1,962
Share of profit or loss of equity-accounted investees	-168	239	69	-276	-4
<b>Profit / loss before taxes</b>	<b>10,509</b>	<b>31,054</b>	<b>31,554</b>	<b>-6,076</b>	<b>11,846</b>

Assets by segment EUR 1,000	Mar 31, 2013	Jun 30, 2013	Sep 30, 2013	Dec 31, 2013	Mar 31, 2014
SBU West	314,947	323,150	309,068	287,334	312,871
SBU East	158,343	179,993	166,426	140,027	137,082
Assets, non-allocated to segments	83,641	89,061	45,873	44,407	66,507
Eliminations	-79,982	-75,832	-59,605	-56,449	-66,722
<b>Total assets</b>	<b>476,949</b>	<b>516,372</b>	<b>461,762</b>	<b>415,319</b>	<b>449,738</b>

Vantaa, May 7, 2014

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BOARD OF DIRECTORS

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