

TIKKURILA



Interim report | Q2 | January–June 2014

Tikkurila Oyj
Interim Report

July 25, 2014 at 9:00 a.m. (CET+1)

Tikkurila's Interim Report for January–June 2014
– Good profitability despite weak demand in Russia

April–June 2014 highlights

- Revenue for the second quarter decreased by 7.4 percent to EUR 192.9 million (4–6/2013: EUR 208.3 million).
- Operating profit (EBIT) excluding non-recurring items was EUR 32.2 (33.4) million, i.e. 16.7 (16.0) percent of revenue.
- Operating profit (EBIT) was EUR 32.5 (33.3) million, i.e. 16.8 (16.0) percent of revenue.
- EPS was EUR 0.56 (0.54).

January–June 2014 highlights

- Revenue decreased by 3.6 percent to EUR 334.4 million (1–6/2013: EUR 346.7 million).
- Operating profit (EBIT) excluding non-recurring items was EUR 45.3 (43.5) million, i.e. 13.5 (12.6) percent of revenue.
- Operating profit (EBIT) was EUR 46.3 (43.6) million, i.e. 13.8 (12.6) percent of revenue.
- EPS was EUR 0.73 (0.69).

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)	4–6/2014	4–6/2013	Change %	1–6/2014	1–6/2013	Change %	1–12/2013
Income statement							
Revenue	192.9	208.3	-7.4%	334.4	346.7	-3.6%	653.0
Operating profit (EBIT), excluding non-recurring items	32.2	33.4	-3.4%	45.3	43.5	4.0%	72.6
Operating profit (EBIT) margin, excluding non-recurring items, %	16.7%	16.0%		13.5%	12.6%		11.1%
Operating profit (EBIT)	32.5	33.3	-2.6%	46.3	43.6	6.2%	71.5
Operating profit (EBIT) margin, %	16.8%	16.0%		13.8%	12.6%		10.9%
Profit before taxes	30.4	31.1	-2.2%	42.2	41.6	1.6%	67.0
Net profit for the period	24.9	23.9	4.3%	32.2	30.5	5.8%	50.1
Other key indicators							
EPS, EUR	0.56	0.54	4.3%	0.73	0.69	5.8%	1.14
ROCE, %, rolling	25.7%	22.9%		25.7%	22.9%		23.5%
Cash flow after capital expenditure	-7.0	4.4		-11.9	-9.4	-26.7%	66.9
Net interest-bearing debt at period-end				97.0	125.6	22.8%	48.6
Gearing, %				48.5%	66.0%		23.4%
Equity ratio, %				41.1%	36.9%		50.1%
Personnel at period-end				3,338	3,400	-1.8%	3,133

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Comments by Erkki Järvinen, President and CEO:

“Our financial performance continued to be good in the second quarter of the year despite the market challenges, but the weak Russian ruble, in particular, decreased our euro-denominated revenue. The growing uncertainty related to economic development in Russia was increasingly reflected in consumer behavior regardless of the fact that consumer confidence indicators have shown some positive development recently. Based on our estimate, the volume growth in the Russian decorative paints market will be very low this year. It would also appear that the relative demand for paints in the lower quality and price grades has increased in the entire paint market in Russia, at least temporarily. For Tikkurila, the postponed purchasing decisions lead to lower sales volumes in Russia during the second quarter compared to the same period last year. However, the sales of our higher quality and price grades continued to be at a reasonably good level.

The economic situation in the EU region also continued to be fairly weak, and no significant improvement is in sight in the overall economic situation. Our sales volume grew slightly in SBU West where the development of the operations in Poland and the Baltic countries, in particular, continued to be good. The weakening Swedish krona reduced our euro-denominated revenue in SBU West.

Despite the decline in revenue, we improved our relative profitability through the streamlining of operations, improved productivity, cost savings, and favorable development of the sales mix. The continuous improvement of our operations will generate desired results in the future as well. Growing revenue organically is challenging in the current market situation, but we will continue the measures to reach our growth objective. At the end of the period under review, we completed a small acquisition in Sweden, which will strengthen our surface treatment competence aimed at professionals, in particular. Our objective is to commercialize the acquired technology in all our geographical areas of operation.”

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Press Conference and webcast

Tikkurila will hold a press conference regarding its January–June 2014 Interim Report for the media and analysts today on July 25, 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 Interim Report will be presented by **Erkki Järvinen**. **Ilari Hyyrynen**, Director of Tikkurila's Russian operations, will also attend the press conference.

A live webcast, conducted in English, will be organized on July 25, 2014, at 3:00 p.m. The live webcast will be available at www.tikkurilagroup.com. The participants can also join a telephone conference that will be arranged in conjunction with the live webcast. The telephone conference details are set out below:

+358 9 2313 9201 (Finnish callers)
+44 20 7162 0077 (UK callers)
+1 334 323 6201 (US callers)
Participant code: 945654

An on-demand version of the webcast will be available at 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.

Tikkurila will publish its Interim Report for January–September 2014 on Thursday November 6, 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–June 30, 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

There were no significant changes in the overall economic situation during the second quarter. The economic development continued to be weak in Tikkurila's area of operation. The uncertainty related to economic development in Russia increased, which manifested as reduced sales and increased demand for economical products. Predictability weakened and there were considerable monthly fluctuations in consumer behavior. In Finland, the economic outlook continued to be dim and confidence indicators were still below the long-term averages. The economic development in Sweden is better than in other EU countries, but weak growth in exports is slowing it down. In Sweden, positive signs were visible in construction, among others. The construction starts of new homes was at a historically high level. In Poland, the situation remained cautiously optimistic and consumer confidence continued to strengthen. In the Nordic countries, the cold and rainy weather reflected in the sales of exterior paints at the end of the period under review.

Among Tikkurila's key currencies, the Russian ruble weakened steeply from the comparison period. Also the Swedish krona has weakened. 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 April–June 2014

Revenue and operating result by reporting segment in April–June are presented in the table below.

April–June (EUR million)	Revenue		Operating result (EBIT) excluding non-recurring items	
	4–6/2014	4–6/2013	4–6/2014	4–6/2013
	SBU West	114.9	118.1	20.3
SBU East	78.0	90.2	13.4	13.4
Group common and eliminations	0.0	0.0	-1.4	-0.9
Consolidated Group	192.9	208.3	32.2	33.4

Tikkurila Group's **revenue** decreased by 7 percent in the second quarter of 2014. Due to the uncertain economic situation in Russia, the sales volumes took a downward turn, which decreased revenue by 4 percent. Sales price increases and changes in the sales mix increased revenue by 4 percent. Exchange rate fluctuations reduced revenue by 8 percent, particularly due to the weakened Russian ruble, but also due to the weakened Swedish krona.

Operating profit (EBIT) excluding non-recurring items totaled EUR 32.2 (33.4) million, which accounts for 16.7 (16.0) percent of revenue.

Operating profit (EBIT) totaled EUR 32.5 (33.3) million, equaling 16.8 (16.0) percent of revenue. Despite the decline in revenue, the operating profit remained close to the comparison period level and relative profitability improved slightly. The streamlining of operations, better productivity, and cost savings improved profitability. The decline in revenue had a negative impact on profitability.

The net financial expenses in April–June 2014 were EUR 2.2 (2.5) million. Profit before taxes was EUR 30.4 (31.1) million. Taxes totaled EUR 5.5 (7.2) million, equaling an effective tax rate of 18.1 (23.1) percent. During the second quarter, EUR 0.9 million tax refund was received, which reduced the effective tax rate. Earnings per share were EUR 0.56 (0.54) in the review period.

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Financial Performance in January–June 2014

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

January–June (EUR million)	Revenue		Operating result (EBIT) excluding non-recurring items	
	1–6/2014	1–6/2013	1–6/2014	1–6/2013
SBU West	213.7	214.9	35.6	33.3
SBU East	120.7	131.9	11.8	11.9
Group common and eliminations	0.0	0.0	-2.1	-1.7
Consolidated Group	334.4	346.7	45.3	43.5

Tikkurila Group's **revenue** decreased by 4 percent in January–June 2014. Lower sales volumes decreased revenue by one percent. Sales price increases and changes in the sales mix increased revenue by 5 percent. Exchange rate fluctuations reduced revenue by 7 percent, particularly due to the weakened Russian ruble.

Operating profit (EBIT) excluding non-recurring items totaled EUR 45.3 (43.5) million, which accounts for 13.5 (12.6) percent of revenue.

Operating profit (EBIT) totaled EUR 46.3 (43.6) million, equaling 13.8 (12.6) percent of revenue. The streamlining of operations, better productivity, cost savings, and favorable development of the sales mix improved profitability. The decline in revenue and weakening of key currencies had a negative impact on profitability.

The net financial expenses in January–June 2014 were EUR 4.2 (2.1) million. Profit before taxes was EUR 42.2 (41.6) million. Taxes totaled EUR 10.0 (11.1) million, equaling an effective tax rate of 23.7 (26.7) percent. Earnings per share were EUR 0.73 (0.69) in the review period.

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Financial Performance by Reporting Segments

SBU West

EUR million	4–6/2014	4–6/2013	Change %	1–6/2014	1–6/2013	Change %	1–12/2013
Revenue	114.9	118.1	-2.7%	213.7	214.9	-0.5%	388.6
Operating profit (EBIT), excluding non-recurring items	20.3	20.8	-2.7%	35.6	33.3	6.9%	50.9
Operating profit (EBIT) margin, excluding non- recurring items, %	17.6%	17.6%		16.6%	15.5%		13.1%
Operating profit (EBIT)	20.5	20.8	-1.4%	36.6	33.3	9.9%	50.4
Operating profit (EBIT) margin, %	17.8%	17.6%		17.1%	15.5%		13.0%
Capital expenditure excluding acquisitions	2.5	1.5	65.3%	4.3	2.6	64.3%	6.4

Financial Performance in April–June 2014

SBU West's second quarter revenue declined by 3 percent. The higher sales volumes increased revenue by one percent. Volume development was good particularly in the Baltic countries, and Poland. Changes in the sales mix and sales prices decreased SBU West's revenue by one percent. Exchange rate fluctuations, primarily the weakened Swedish krona, decreased revenue by 3 percent. Among the key markets, in Sweden revenue decreased to EUR 42.1 (45.8) million due to the exchange rate fluctuations, in Finland revenue remained close to the last year's level, at EUR 32.5 (33.4) million, and in Poland revenue grew to EUR 18.7 (17.1) million.

SBU West's second quarter relative profitability was at the comparison period's level. Decline in revenue had a negative impact on the operating profit. Profitability was improved by the streamlining of operations, and improved productivity.

In June, the business units in Sweden and Finland acquired the share capital of the Swedish company KEFA Drytech AB. KEFA Drytech develops and manufactures various surface treatment products. In particular, the acquisition will strengthen Tikkurila's range of professional products and competence in functional surface treatment. KEFA Drytech's revenue was less than EUR 2 million in 2013.

Financial Performance in January–June 2014

SBU West's revenue in January–June decreased by one percent from the comparison period. The higher sales volumes increased revenue by one percent. Sales price increases and changes in the sales mix increased SBU West's revenue by one percent. Sales mix developed favorably particularly in Poland, where the relative share of Tikkurila and Beckers brands of sales increased. Exchange rate fluctuations, primarily the weakened Swedish krona, decreased revenue by 3 percent.

SBU West's operating profit excluding non-recurring items in January–June increased and relative profitability improved from the comparison period. Profitability was improved by streamlining of operations, improved productivity, and favorable sales mix development. The non-recurring income (EUR 1.0 million net) in the period under review was mainly related to the divestment of a piece of real estate and financial assets in Finland.

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SBU East

EUR million	4–6/2014	4–6/2013	Change %	1–6/2014	1–6/2013	Change %	1–12/2013
Revenue	78.0	90.2	-13.5%	120.7	131.9	-8.5%	264.4
Operating profit (EBIT), excluding non-recurring items	13.4	13.4	-0.1%	11.8	11.9	-0.7%	24.7
Operating profit (EBIT) margin, excluding non-recurring items, %	17.2%	14.9%		9.8%	9.0%		9.3%
Operating profit (EBIT)	13.4	13.4	-0.1%	11.8	11.9	-0.8%	24.1
Operating profit (EBIT) margin, %	17.2%	14.9%		9.8%	9.0%		9.1%
Capital expenditure excluding acquisitions	1.6	1.9	-15.7%	2.6	3.4	-23.2%	6.8

Financial Performance in April–June 2014

SBU East's second quarter revenue decreased by 14 percent from the comparison period. The lower sales volumes decreased revenue by 10 percent. Volumes decreased primarily in Russia where consumers postponed their purchasing decisions due to the weakened economic outlook. According to Tikkurila's estimate, local manufacturers concentrating on the lower quality and price grades grew their market share by volume slightly. Sales price increases and changes in the sales mix increased SBU East's revenue by 10 percent. 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 higher-end brands of Tikkurila in the total sales increased in Russia. Exchange rate fluctuations reduced revenue by 14 percent due to the steep weakening of the Russian ruble. Revenue in Russia decreased to EUR 59.7 (71.0) million.

SBU East's second quarter operating profit excluding non-recurring items was at the comparison period level and relative profitability improved clearly. Profitability was burdened by the decline in revenue, higher sales and marketing expenses, and weak currencies which affected variable costs. Profitability was improved by favorable sales mix development, and higher productivity.

Financial Performance in January–June 2014

SBU East's revenue in January–June decreased by 8 percent from the comparison period. The lower sales volumes decreased revenue by 5 percent. Sales price increases, carried out at the beginning of the year to offset the impact of the weakening ruble, and changes in the sales mix increased SBU East's revenue by 11 percent. Exchange rate fluctuations reduced revenue by 14 percent due to the steep weakening of the Russian ruble.

SBU East's operating profit excluding non-recurring items in January–June was at the comparison period level. Profitability was burdened by the decline in revenue, and weak currencies which affected raw materials costs and the costs of products exported to Russia. Profitability was improved by favorable sales mix development, and higher productivity.

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Cash Flow, Financing Activities, and Financial Risk Management

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

Cash flow from operations in January–June totaled EUR -5.6 (-3.0) million. Net working capital totaled EUR 128.6 (138.1) million at the end of the review period. The net cash flow from the investing activities was EUR -6.3 (-6.4) million, when taking into account the acquisitions and divestments. Cash flow after capital expenditure totaled EUR -11.9 (-9.4) million at the end of the review period. The acquisition of KEFA Drytech AB in June 2014 decreased the cash flow. The purchase price was EUR 2.4 million.

Interest-bearing debt amounted to EUR 116.0 (145.7) million at the end of the review period, and net debt was EUR 97.0 (125.6) million. At the end of the review period, cash and cash equivalents amounted to EUR 19.0 (20.2) million, and short-term interest-bearing debt totaled EUR 55.6 (85.2) million, including the company's issued commercial papers for a total nominal amount of EUR 53.0 (82.5) million. Moreover, the Group had long-term interest-bearing debt totaling EUR 60.4 (60.5) million. At the end of June, the Group had a total of EUR 155.8 (155.1) million of unused committed credit facilities or credit limits.

The Group's net financial expenses were EUR 4.2 (2.1) million, of which interest expenses totaled EUR 0.5 (0.7) million and other financing expenses EUR 1.7 (0.2) million. The average capital-weighted interest rate of interest-bearing debt was 1.6 (1.5) percent. The net profit was negatively affected by a total of EUR 2.0 (1.2) million based on the impact of realized and unrealized exchange rate differences recognized during the review period.

At the end of June, the equity ratio was 41.1 (36.9) percent, and gearing was 48.5 (66.0) percent.

At the end of the review period, the nominal value of open foreign exchange rate forward agreements was EUR 95.6 (31.4) million and the corresponding market value was EUR -2.1 (0.8) million. On June 30, 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–June 2014, the gross capital expenditure excluding acquisitions amounted to EUR 6.9 (6.0) million. No major single investments were carried out during the review period.

The Group's depreciation, amortization and impairment losses amounted to EUR 9.2 (10.4) million in January–June. The Group performs impairment tests in accordance with the IAS 36 standard.

Mergers and acquisitions

In June, SBU West completed an acquisition in which the business units in Finland and Sweden purchased the entire share capital of KEFA Drytech AB as well as other intangible asset items which belong to its business operations. The acquired Swedish company manufactures and offers an extensive range of products used for surface protection. The acquisition complements the technology that supports Tikkurila's product range. The objective is to commercialize this competence in Tikkurila's different geographical areas of operation. The transaction price was approximately EUR 2.4 million, of which the majority was paid in

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cash when the transaction was completed. A small portion of the sales price has been recognized as liability which will be paid during the financial period.

The acquisition does not have a significant impact on the Group's result, balance sheet or financial position. The acquired company was consolidated with the Tikkurila Group starting from June 30, 2014.

Research and Development

In January–June 2014, Tikkurila's research and development expenses totaled EUR 5.5 (5.6) million, corresponding to 1.7 (1.6) percent of revenue.

Human Resources

At the end of June 2014, the Tikkurila Group employed 3,338 (3,400) people. The average number of employees in January–June was 3,214 (3,275).

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

	Q1/ 2013	Q2/2013	Q3/2013	Q4/2013	Q1/2014	Q2/2014
SBU West	1,535	1,670	1,552	1,537	1,536	1,681
SBU East	1,665	1,700	1,670	1,565	1,621	1,628
Group functions	31	30	31	31	29	29
Total	3,231	3,400	3,253	3,133	3,186	3,338

Shares and Shareholders

At the end of June 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 June 2014, Tikkurila held 100,000 treasury shares. The shares were acquired for implementing the share-based commitment and incentive plan.

According to Euroclear Finland Oy's register, Tikkurila had a total of some 20,300 shareholders on June 30, 2014. A list of the largest shareholders registered in the book-entry account system is regularly updated and is available on Tikkurila's website at www.tikkurilagroup.com/investors/share_information/shareholders.

At the end of June, the closing price of Tikkurila's share was EUR 20.00. In January–June, the volume-weighted average share price was EUR 18.51, the highest price EUR 20.71, and the lowest EUR 16.78. At the end of June, the market value of Tikkurila Oyj's shares was EUR 882.2 million. During January–June, a total of 8.3 million Tikkurila shares, corresponding to approximately 18.8 percent of the number of registered shares, were traded on NASDAQ OMX Helsinki Ltd. The value of the traded volume was EUR 153.7 million.

Members of the Nomination Board

On June 10, 2014, Tikkurila Oyj's three largest registered shareholders on May 31, 2014, named their representatives for Tikkurila's Nomination Board. The members of the Nomination Board are Pekka Paasikivi, Chairman of the Board of Directors of Oras Invest Oy; Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company; and Reima Rytsölä, Chief Investment Officer of Varma Mutual Pension

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Insurance Company. The fourth member of the Nomination Board is Jari Paasikivi, the Chairman of the Board of Directors of Tikkurila Oyj, who acts as an expert member.

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.

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 more extensive economic sanctions towards Russia, Tikkurila's business operations would experience considerable negative impacts.

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. 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 first quarter instead to be deferred during the financial year.

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Revenue	192,912	208,289	334,377	346,712	652,964
Other operating income	778	493	1,744	1,226	2,708
Expenses	-156,573	-170,231	-280,683	-293,956	-561,863
Depreciation, amortization and impairment losses	-4,644	-5,212	-9,153	-10,411	-22,341
Operating profit	32,473	33,339	46,285	43,571	71,468
Total financial income and expenses	-2,226	-2,524	-4,189	-2,078	-4,289
Share of profit or loss of equity-accounted investees	132	239	128	70	-137
Profit before taxes	30,378	31,054	42,224	41,563	67,042
Income taxes ^{*)}	-5,493	-7,189	-9,992	-11,093	-16,969
Net result for the period	24,886	23,865	32,232	30,470	50,073
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefit plans	-55	-	-1,119	-	827
Income taxes relating to items that will not be reclassified to profit or loss	16	-	257	-	-177
Total items that will not be reclassified to profit or loss	-39	-	-862	-	650
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets	-418	175	-280	199	249
Foreign currency translation differences for foreign operations	1,551	-6,897	-1,979	-5,693	-8,555
Income taxes relating to items that may be reclassified subsequently to profit or loss	91	-34	83	-44	183
Total items that may be reclassified subsequently to profit or loss	1,224	-6,756	-2,176	-5,538	-8,123
Total comprehensive income for the period	26,071	17,109	29,194	24,932	42,600
Net result attributable to:					
Owners of the parent	24,886	23,865	32,232	30,470	50,073
Non-controlling interest	-	-	-	-	-
Net result for the period	24,886	23,865	32,232	30,470	50,073
Total comprehensive income attributable to:					
Owners of the parent	26,071	17,109	29,194	24,932	42,600
Non-controlling interest	-	-	-	-	-
Total comprehensive income for the period	26,071	17,109	29,194	24,932	42,600
Earnings per share of the net profit attributable to owners of the parent					
Basic earnings per share (EUR)	0.56	0.54	0.73	0.69	1.14
Diluted earnings per share (EUR)	0.56	0.54	0.73	0.69	1.13

*) During the second quarter, EUR 0.9 million tax refund was received, which reduced the effective tax rate.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR 1,000

ASSETS	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
Non-current assets			
Goodwill	67,875	66,641	66,388
Other intangible assets	19,964	24,537	20,833
Property, plant and equipment	100,147	108,290	104,216
Equity-accounted investees	930	1,887	1,433
Available-for-sale financial assets	3,288	3,534	3,590
Non-current receivables	4,236	6,417	5,699
Deferred tax assets	9,847	10,150	8,612
Total non-current assets	206,287	221,456	210,771
Current assets			
Inventories	89,715	92,133	79,732
Interest-bearing receivables	1,095	377	617
Non-interest-bearing receivables	170,817	182,227	94,985
Cash and cash equivalents	18,988	20,179	29,171
Non-current assets held for sale	-	-	43
Total current assets	280,615	294,916	204,548
Total assets	486,902	516,372	415,319
EQUITY AND LIABILITIES	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
Share capital	35,000	35,000	35,000
Other reserves	42	359	42
Fair value reserve	1,898	1,965	2,122
Reserve for invested unrestricted equity	40,000	40,000	40,000
Treasury shares	-2,016	-	-
Translation differences	-18,400	-13,706	-16,448
Retained earnings	143,309	126,660	147,367
Equity attributable to owners of the parent	199,833	190,278	208,083
Non-controlling interest	-	-	-
Total equity	199,833	190,278	208,083
Non-current liabilities			
Interest-bearing non-current liabilities	60,377	60,495	60,283
Other non-current liabilities	267	1,505	949
Defined benefit pension and other long-term employee benefit liabilities	25,461	26,301	24,704
Provisions	597	928	720
Deferred tax liabilities	8,065	10,072	8,596
Total non-current liabilities	94,767	99,301	95,252
Current liabilities			
Interest-bearing current liabilities	55,581	85,248	17,509
Non-interest-bearing current liabilities	136,141	141,378	93,754
Provisions	580	167	321
Liabilities classified as held for sale	-	-	400
Total current liabilities	192,302	226,793	111,984
Total equity and liabilities	486,902	516,372	415,319

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CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS

EUR 1,000	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
CASH FLOW FROM OPERATING ACTIVITIES					
Net result for the period	24,886	23,865	32,232	30,470	50,073
Adjustments for:					
Non-cash transactions	5,400	5,940	10,108	12,856	25,582
Interest and other financial expenses	2,765	2,157	5,145	2,823	5,668
Interest income and other financial income	-516	366	-957	-745	-1,379
Income taxes	5,492	7,189	9,992	11,093	16,969
Funds from operations before change in net working capital	38,027	39,517	56,520	56,497	96,913
Change in net working capital	-33,037	-27,571	-49,938	-48,363	6,357
Interest and other financial expenses paid	-1,436	-1,566	-2,738	-2,503	-4,651
Interest and other financial income received	-1,198	114	658	350	732
Income taxes paid	-4,742	-4,294	-10,067	-8,951	-20,125
Total cash flow from operations	-2,386	6,200	-5,565	-2,970	79,226
CASH FLOW FROM INVESTING ACTIVITIES					
Business combinations	-2,267	-	-2,267	-	-391
Other shares	-	-	-	-	-84
Other capital expenditure	-3,667	-2,487	-6,702	-7,794	-14,288
Proceeds from sale of assets	789	109	1,780	865	1,559
Non-current loan receivables decrease (+), increase (-)	375	410	775	414	533
Dividends received	112	121	112	121	375
Net cash used in investing activities	-4,658	-1,847	-6,302	-6,394	-12,296
Cash flow before financing	-7,044	4,353	-11,867	-9,364	66,930
CASH FLOW FROM FINANCING ACTIVITIES					
Non-current borrowings, increase (+), decrease (-)	-	-	-	-	-
Current financing, increase (+), decrease (-)	37,637	38,750	37,527	48,975	-18,387
Dividends paid	-35,287	-33,522	-35,287	-33,522	-33,522
Acquisition of own shares	-1,780	-	-1,780	-	-
Other	1,192	-1,878	920	-1,608	-1,152
Net cash used in financing activities	1,762	3,350	1,380	13,845	-53,061
Net change in cash and cash equivalents	-5,282	7,703	-10,487	4,481	13,869
Cash and cash equivalents at the beginning of period	24,053	12,503	29,171	15,739	15,739
Effect of exchange rate fluctuations on cash held	-217	427	-304	441	437
Cash and cash equivalents at the end of period	18,988	19,779	18,988	19,779	29,171
Net change in cash and cash equivalents	-5,282	7,703	-10,487	4,481	13,869

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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 reser- ves	Fair value reserve	Reserve for invested unrestrict- ed equity	Treasury shares	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 comprehe- nsive income for the period	-	-	150	-	-	-5,688	30,470	24,932	-	24,932
Share- based compen- sation	-	-	-	-	-	-	193	193	-	193
Adjustment arising from hyper- inflation	-	-	-	-	-	-	-234	-234	-	-234
Dividends paid	-	-	-	-	-	-	-33,522	-33,522	-	-33,522
Equity at Jun 30, 2013	35,000	359	1,965	40,000	-	-13,706	126,660	190,278	-	190,278
Equity at Jan 1, 2014	35,000	42	2,122	40,000	-	-16,448	147,367	208,083	-	208,083
Total comprehe- nsive income for the period	-	-	-224	-	-	-1,952	31,370	29,194	-	29,194
Share- based compen- sation	-	-	-	-	-	-	348	348	-	348
Adjustment arising from hyper- inflation	-	-	-	-	-	-	-489	-489	-	-489
Acquisition of treasury shares	-	-	-	-	-2,016	-	-	-2,016	-	-2,016
Dividends paid	-	-	-	-	-	-	-35,287	-35,287	-	-35,287
Equity at Jun 30, 2014	35,000	42	1,898	40,000	-2,016	-18,400	143,309	199,833	-	199,833

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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.

Revenue by segment EUR 1,000	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
SBU West	114,911	118,053	213,731	214,859	388,578
SBU East	78,026	90,236	120,672	131,854	264,387
Eliminations	-26	0	-26	0	0
Total	192,912	208,289	334,377	346,712	652,964

EBIT by segment EUR 1,000	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
SBU West	20,506	20,793	36,590	33,309	50,370
SBU East	13,397	13,405	11,827	11,925	24,099
Tikkurila common	-1,430	-858	-2,132	-1,663	-3,001
Eliminations	0	0	0	0	0
Total	32,473	33,339	46,285	43,571	71,468

Non-allocated items:

Total financial income and expenses	-2,226	-2,524	-4,189	-2,078	-4,289
Share of profit or loss of equity-accounted investees	132	239	128	70	-137
Profit before taxes	30,378	31,054	42,224	41,563	67,042

Assets by segment EUR 1,000	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
SBU West	322,791	323,150	287,334
SBU East	161,636	179,993	140,027
Assets, non-allocated to segments	89,531	89,061	44,407
Eliminations	-87,056	-75,832	-56,449
Total assets	486,902	516,372	415,319

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Non-recurring items by segment

EUR 1,000	SBU West	SBU East	Total 1-6/2014
Gain on sale of held for sale assets	775	-	775
Gain on sale of available-for-sale financial assets	566	-	566
Impairment losses	-322	-	-322
Total	1,019	-	1,019

EUR 1,000	SBU West	SBU East	Total 1-6/2013
Personnel related	-442	-	-442
Divestments and restructuring of Group organization	-	20	20
Gain on sale of available-for-sale financial assets	478	-	478
Total	36	20	56

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

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CHANGES IN PROPERTY, PLANT AND EQUIPMENT EUR 1,000	1-6/2014	1-6/2013	1-12/2013
Carrying amount at the beginning of period	104,216	112,785	112,785
Additions	6,404	4,996	11,797
Business combinations	51	-	19
Disposals	-241	-48	-149
Depreciation, amortization and impairment losses	-7,502	-8,038	-16,702
Exchange rate differences and other changes	-2,781	-1,405	-3,535
Carrying amount at the end of period	100,147	108,290	104,216

Tikkurila Group had contractual commitments for purchase of property, plant and equipment EUR 2.5 (0.6) million at the end of June 2014.

CHANGES IN INTANGIBLE ASSETS EUR 1,000	1-6/2014	1-6/2013	1-12/2013
Carrying amount at the beginning of period	87,221	93,892	93,892
Additions	537	951	1,270
Business combinations	2,459	-	111
Disposals	-4	-	-
Depreciation, amortization and impairment losses	-1,652	-2,374	-5,639
Exchange rate differences and other changes	-722	-1,291	-2,413
Carrying amount at the end of period	87,839	91,178	87,221

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

INVENTORIES

Write-down of inventory for a total amount of EUR 1.5 (1.0) million was recognized until end of June 2014.

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BUSINESS COMBINATIONS
EUR 1,000

In June, SBU West completed an acquisition in which the business units in Finland and Sweden purchased the entire share capital of KEFA Drytech AB as well as other intangible asset items which belong to its business operations. The acquired Swedish company manufactures and offers an extensive range of products used for surface protection. The acquisition complements the technology that supports Tikkurila's product range. The objective is to commercialize this competence in Tikkurila's different geographical areas of operation. The transaction price was approximately EUR 2.4 million, of which the majority was paid in cash when the transaction was completed. A small portion of the sales price has been recognized as liability which will be paid during the financial period.

The acquisition does not have a significant impact on the Group's result, balance sheet or financial position. The acquired company was consolidated with the Tikkurila Group starting from June 30, 2014.

Preliminary purchase price allocation of KEFA Drytech AB is disclosed in the following table

Total purchase consideration	
Fixed consideration paid at closing in June 2014	2,360
Purchase consideration in liabilities	6
Total consideration	2,366

Recognized amounts of identifiable assets acquired and liabilities assumed

	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	1,730
Total	2,366
Acquisition-related costs	58

EUR 58 thousand of acquisition-related expenses were included in consolidated statement of comprehensive income in other operating expenses in review period.

Goodwill has been recognized in acquisition, and it is linked to expected synergies. Goodwill is not deductible for tax purposes.

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

- Revenue: Increase of around EUR 1.1 million
- Net profit: Increase of EUR 0.0 million

RELATED PARTY TRANSACTIONS

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

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

Related party transactions are presented below

EUR 1,000	1-6/2014	1-6/2013	1-12/2013
Joint ventures			
Sales	2,625	2,473	4,917
Receivables	556	490	143
Liabilities	78	61	33
Associates			
Sales	2,508	8,757	14,529
Purchases	158	516	690
Receivables	-	8,154	2,092

Share-based Commitment and Incentive Plan

In order to commit and motivate key personnel, the Board of Directors of Tikkurila Oyj decided on a new share-based plan in 2012, and it also selected ten 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.

Based on the commitment and incentive plan, and stemming from the performance periods, 2012-2014, 2013-2015 as well as the performance period 2014-2016, during the second quarter a total of EUR 0.7 (during the second quarter 2013: 0.3) million was recognized as personnel expenses in the Group income statement according to IFRS 2 standard. From the beginning of the review period, expenses totaling around EUR 0.7 (0.5) million have been booked. The estimated total value of the plan for the performance period of 2012-2014 totaled approximately EUR 2.4 million at the end of review period. The total value for the performance period 2013-2015 totaled about EUR 1.0 million and total value for the performance period 2014-2016 about EUR 1.0 million, at the end of the review period. The total value will be expensed over a three-year period until when the time of payments will take place as per the terms and conditions of the plan. Half of the payments will be in shares, and a half will be settled in cash. Share price changes as well as the terms and conditions of the plan will determine the value and corresponding liability in relation to the cash-settled portion.

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COMMITMENTS AND CONTINGENT LIABILITIES
EUR 1,000

Jun 30, 2014 Jun 30, 2013 Dec 31, 2013

Mortgages given as collateral for liabilities in the statement of financial position

Loans from financial institutions	163	-	-
Mortgages given	1,039	-	-
Other loans	-	-	-
Mortgages given	102	102	102
Total loans	163	-	-
Total mortgages given	1,141	102	102

Contingent liabilities

Guarantees			
On behalf of own commitments	202	350	204
On behalf of others	2,276	2,979	2,652
Other obligations of own behalf	125	214	168
Lease obligations	33,027	36,287	34,079
Total contingent liabilities	35,630	39,830	37,103

DERIVATIVE INSTRUMENTS
EUR 1,000

Jun 30, 2014

Jun 30, 2013

Dec 31, 2013

	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Currency derivatives						
Currency forwards	95,622	-2,120	31,436	844	71,572	80

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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
Jun 30, 2014						
Non-current financial assets						
Available-for-sale financial assets	-	-	3,287	-	3,287	3,287
Non-current receivables	-	4,090	-	-	4,090	4,090
Current financial assets						
Interest-bearing receivables	-	1,095	-	-	1,095	1,095
Derivatives	330	-	-	-	330	330
Cash equivalents	-	18,988	-	-	18,988	18,988
Trade and other non-interest-bearing receivables	-	160,827	-	-	160,827	160,827
Total	330	185,000	3,287	-	188,617	188,617
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	60,377	60,377	60,520
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	55,580	55,580	55,580
Derivatives	2,450	-	-	-	2,450	2,450
Trade payables	-	-	-	66,655	66,655	66,655
Total	2,450	-	-	182,612	185,062	185,205

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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
Jun 30, 2013						
Non-current financial assets						
Available-for-sale financial assets	-	-	3,534	-	3,534	3,534
Non-current receivables	-	6,186	-	-	6,186	6,186
Current financial assets						
Interest-bearing receivables	-	377	-	-	377	377
Derivatives	977	-	-	-	977	977
Cash equivalents	-	20,179	-	-	20,179	20,179
Trade and other non-interest-bearing receivables	-	170,207	-	-	170,207	170,207
Total	977	196,949	3,534	-	201,460	201,460
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	60,495	60,495	60,694
Contingent consideration	-	-	-	958	958	958
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	84,849	84,849	84,849
Derivatives	133	-	-	-	133	133
Trade payables	-	-	-	71,761	71,761	71,761
Total	133	-	-	218,063	218,196	218,395

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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
Dec 31, 2013						
Non-current financial assets						
Available-for-sale financial assets	-	-	3,590	-	3,590	3,590
Non-current receivables	-	5,513	-	-	5,513	5,513
Current financial assets						
Interest-bearing receivables	-	617	-	-	617	617
Derivatives	478	-	-	-	478	478
Cash equivalents	-	29,171	-	-	29,171	29,171
Trade and other non-interest-bearing receivables	-	80,555	-	-	80,555	80,555
Total	478	115,856	3,590	-	119,924	119,924
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	60,283	60,283	60,564
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	17,509	17,509	17,509
Derivatives	398	-	-	-	398	398
Trade payables	-	-	-	42,315	42,315	42,315
Total	398	-	-	120,107	120,505	120,786

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FAIR VALUE HIERARCHY
EUR 1,000

Jun 30, 2014	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Available-for-sale financial assets	-	2,440	847	3,287
Derivatives (in assets)	-	330	-	330
Recurring fair value measurements				
Derivatives (in liabilities)	-	2,450	-	2,450
Jun 30, 2013				
Recurring fair value measurements				
Available-for-sale financial assets	-	2,687	847	3,534
Derivatives (in assets)	-	977	-	977
Recurring fair value measurements				
Derivatives (in liabilities)	-	133	-	133
Contingent consideration	-	-	958	958
Dec 31, 2013				
Recurring fair value measurements				
Available-for-sale financial assets	-	2,737	853	3,590
Derivatives (in assets)	-	478	-	478
Recurring fair value measurements				
Derivatives (in liabilities)	-	398	-	398

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

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

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

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Reconciliation of Level 3 fair value measured financial assets and liabilities

Available-for-sale financial assets	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
Carrying amount at Jan 1	853	776	776
Translation differences in other comprehensive income	-5	-14	-7
Acquisitions	-	85	84
Disposals	-1	-	-
Carrying amount at end of review period	847	847	853

Contingent consideration	Jun 30, 2014	Jun 30, 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	-	56	109
Carrying amount at end of review period	-	958	-

In review period, gain on available-for-sale financial assets in fair value hierarchy level 3 totaled EUR 19 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

	4-6/2014/ Jun 30, 2014	4-6/2013/ Jun 30, 2013	1-6/2014/ Jun 30, 2014	1-6/2013/ Jun 30, 2013	1-12/2013/ Dec 31, 2013
Earnings per share / basic, EUR	0.56	0.54	0.73	0.69	1.14
Earnings per share / diluted, EUR	0.56	0.54	0.73	0.69	1.13
Cash flow from operations, EUR 1,000	-2,386	6,200	-5,565	-2,970	79,226
Cash flow from operations / per share, EUR	-0.05	0.14	-0.13	-0.07	1.80
Capital expenditure, EUR 1,000	5,934	2,487	8,969	7,794	14,763
of revenue %	3.1%	1.2%	2.7%	2.2%	2.3%
Shares (1,000), average ^{*)}	44,088	44,108	44,098	44,108	44,108
Shares (1,000), at the end of the reporting period ^{*)}	44,008	44,108	44,008	44,108	44,108
Weighted average number of shares, adjusted for dilutive effect (1,000) ^{1) *)}	44,218	44,214	44,212	44,209	44,212
Number of shares at the end of period, adjusted for dilutive effect (1,000) ^{1) *)}	44,150	44,214	44,150	44,214	44,225
Equity attributable to the owners of the parent / per share, EUR	4.54	4.31	4.54	4.31	4.72
Equity ratio, %	41.1%	36.9%	41.1%	36.9%	50.1%
Gearing, %	48.5%	66.0%	48.5%	66.0%	23.4%
Interest-bearing financial liabilities (net), EUR 1,000	96,970	125,564	96,970	125,564	48,621
Return on capital employed (ROCE), % p.a.	25.7%	22.9%	25.7%	22.9%	23.5%
Personnel,(average)	3,283	3,333	3,214	3,275	3,262

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

*) Number of shares outstanding, treasury shares excluded

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

$$\frac{\text{Net profit of the period attributable to the owners of the parent}}{\text{Shares on average}}$$
Earnings per share (EPS), diluted

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

$$\frac{\text{Equity attributable to the owners of the parent at the end of the reporting period}}{\text{Number of shares at the end of the reporting period}}$$
Cash flow from operations / per share

$$\frac{\text{Cash flow from operations}}{\text{Shares on average}}$$
Equity ratio, %

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

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

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

Net working capital

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

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

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

* average during the period

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

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SEGMENT INFORMATION BY QUARTER

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

EBIT by segment EUR 1,000	1-3/2013	4-6/2013	7-9/2013	10-12/2013	1-3/2014	4-6/2014
SBU West	12,516	20,793	22,044	-4,983	16,084	20,506
SBU East	-1,480	13,405	11,699	475	-1,570	13,397
Tikkurila common	-805	-858	-664	-674	-702	-1,430
Eliminations	0	0	0	0	0	0
Total	10,232	33,339	33,080	-5,182	13,812	32,473

Non-allocated items:

Total financial income and expenses	445	-2,524	-1,595	-618	-1,962	-2,226
Share of profit or loss of equity-accounted investees	-168	239	69	-276	-4	132
Profit / loss before taxes	10,509	31,054	31,554	-6,076	11,846	30,378

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

Vantaa, July 24, 2014

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