TIKKURILA

INTERIM REPORT | Q3 | JANUARY–SEPTEMBER 2014

Tikkurila Oyj
Interim Report
November 6, 2014 at 9:00 a.m. (CET+1)

Tikkurila's Interim Report for January−September 2014
– Solid profitability, weak economic situation puts pressure on revenue

July–September 2014 highlights
- Revenue for the third quarter decreased by 5.3 percent to EUR 179.6 million (7–9/2013: EUR 189.6 million).
- Operating profit (EBIT) excluding non-recurring items was EUR 32.1 (33.3) million, i.e. 17.9 (17.6) percent of revenue.
- Operating profit (EBIT) was EUR 31.3 (33.1) million, i.e. 17.4 (17.4) percent of revenue.
- EPS was EUR 0.55 (0.55).

January–September 2014 highlights
- Revenue decreased by 4.2 percent to EUR 514.0 million (1–9/2013: EUR 536.3 million).
- Operating profit (EBIT) excluding non-recurring items was EUR 77.4 (76.8) million, i.e. 15.0 (14.3) percent of revenue.
- Operating profit (EBIT) was EUR 77.6 (76.7) million, i.e. 15.1 (14.3) percent of revenue.
- EPS was EUR 1.28 (1.25).

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)	**7–9/2014**	7–9/2013	Change %	**1–9/2014**	1–9/2013	Change %	1–12/2013
Income statement							
Revenue	**179.6**	189.6	-5.3%	**514.0**	536.3	-4.2%	653.0
Operating profit (EBIT), excluding non-recurring items	**32.1**	33.3	-3.7%	**77.4**	76.8	0.7%	72.6
Operating profit (EBIT) margin, excluding non-recurring items, %	**17.9%**	17.6%		**15.0%**	14.3%		11.1%
Operating profit (EBIT)	**31.3**	33.1	-5.4%	**77.6**	76.7	1.2%	71.5
Operating profit (EBIT) margin, %	**17.4%**	17.4%		**15.1%**	14.3%		10.9%
Profit before taxes	**30.7**	31.6	-2.6%	**72.9**	73.1	-0.2%	67.0
Net profit for the period	**24.3**	24.4	-0.8%	**56.5**	54.9	2.9%	50.1
Other key indicators							
EPS, EUR	**0.55**	0.55	-0.6%	**1.28**	1.25	3.0%	1.14
ROCE, %, rolling	**25.5%**	23.7%		**25.5%**	23.7%		23.5%
Cash flow after capital expenditure	**54.1**	64.9	-16.6%	**42.2**	55.5	-23.9%	66.9
Net interest-bearing debt at period-end				**46.1**	60.1	-23.3%	48.6
Gearing, %				**21.2%**	28.0%		23.4%
Equity ratio, %				**46.8%**	46.4%		50.1%
Personnel at period-end				**3,212**	3,253	-1.3%	3,133

Comments by Erkki Järvinen, President and CEO:

“As expected, the market situation continued to be challenging in the third quarter. The overall economic activity is still weakening in Russia and Finland, where the low consumer confidence and the decline in construction reduced our sales volumes. Our other key markets in Sweden, Poland and the Baltic countries performed somewhat better. Regardless of the tough market conditions, we had quite good sales of higher priced quality products in all markets, which is an evidence of the strength of our brands and services.

Weak currencies continued to put additional pressure on revenue growth. Linked to the weak economic growth and to the recent decline in oil price, Russian ruble has been depreciating for more than a year, the development escalating during the last months, which has led to a sizable negative translation effect in our income statement. We have been able to partially offset the ruble impact by operational actions.

Our third quarter revenue was close to last year's level as a result of the favorable development of the sales mix. Operating profit excluding non-recurring items decreased slightly in absolute terms, but in relative terms profitability remained at a record high level due to the positive sales mix development, streamlining of operations, and cost savings. We continued and will continue our marketing investments and other commercial activities aimed at accelerating demand. During the review period, the international launch of the new Tikkurila brand logo and packaging was also carried out.

Our operating profit for the first nine months of the year was at a higher level than in the comparison period despite the slight dip in revenue. We can be satisfied with the improvement of our relative profitability, although revenue did not develop as expected. The weaker trend in our key currencies is likely to continue during the remainder of the year.

Tikkurila acquired the Danish ISO Paint Nordic in October. The acquisition will complement our professional product range and our technological expertise in energy-efficient coating solutions and solutions which extend the life cycle of structures. The acquisition will also support our strategy of profitable growth, since we expect the demand for energy-efficient and eco-efficient solutions to grow.”

Press Conference and webcast

Tikkurila will hold a press conference regarding its January–September 2014 Interim Report for the media and analysts today on November 6, 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**, and **Jukka Havia**, CFO.

A live webcast, conducted in English, will be organized on November 6, 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: 948477

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 Financial Statement Release for January−December 2014 on Tuesday February 10, 2015, at around 9:00 a.m. (CET+1).

Tikkurila Oyj
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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.

www.tikkurilagroup.com

Tikkurila Oyj Interim Report for January 1–September 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

The weak economic situation continued in the third quarter. Low consumer confidence and construction activity had a negative impact on the sales of decorative paints. Demand for industrial coatings suffered due to the low investment level.

In Russia, the economic situation weakened further. Poor predictability of demand continued, and paint discount campaign increased. Consumers prefer products which are manufactured locally and affordable. In Finland, the dim economic outlook was reflected in the demand for paints. Consumer confidence continued to decline and was clearly below the long-term average. The activity in construction and home sales was low. In Sweden, consumer and retail confidence which had strengthened at the end of the review period, in particular, reflected positively on paint demand. Strong growth continued in residential construction as well. In Poland, the outlook weakened slightly in the third quarter after a strong beginning of the year, due to the crisis in Ukraine. Many competitors continued their aggressive price campaigns in Poland.

Among Tikkurila's key currencies, the Russian ruble steeply weakened compared to 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 in aggregate at the comparison period level.

Financial Performance in July–September 2014

Revenue and operating result by reporting segment in July–September are presented in the table below.

July–September (EUR million)	Revenue		Operating result (EBIT) excluding non-recurring items	
	7–9/2014	7–9/2013	**7–9/2014**	7–9/2013
SBU West	**100.4**	105.5	**18.4**	22.3
SBU East	**79.2**	84.1	**14.4**	11.7
Group common and eliminations	**0.0**	0.0	**-0.7**	-0.7
Consolidated Group	**179.6**	189.6	**32.1**	33.3

Tikkurila Group's **revenue** decreased by 5 percent in the third quarter of 2014. Due to the uncertain economic situation in Russia, the sales volumes took a downward turn. The aggregate sales volume decline for consolidated Group decreased revenue by 5 percent. 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, but also due to the weakened Swedish krona.

Operating profit (EBIT) excluding non-recurring items totaled EUR 32.1 (33.3) million, which accounts for 17.9 (17.6) percent of revenue.

Operating profit (EBIT) totaled EUR 31.3 (33.1) million, equaling 17.4 (17.4) percent of revenue. Operating profit decreased slightly and relative profitability remained at the comparison period's level. The streamlining of operations, better productivity, cost savings, and favorable development of the sales mix improved profitability. The decline in revenue had a negative impact on profitability.

The net financial expenses in July–September 2014 were EUR 0.7 (1.6) million. Profit before taxes was EUR 30.7 (31.6) million. Taxes totaled EUR 6.5 (7.1) million, equaling an effective tax rate of 21.0 (22.5) percent. Earnings per share were EUR 0.55 (0.55) in the review period.

Financial Performance in January–September 2014

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

January–September (EUR million)	Revenue		Operating result (EBIT) excluding non-recurring items	
	1–9/2014	1–9/2013	**1–9/2014**	1–9/2013
SBU West	**314.2**	320.3	**53.9**	55.6
SBU East	**199.8**	216.0	**26.2**	23.6
Group common and eliminations	**0.0**	0.0	**-2.8**	-2.3
Consolidated Group	**514.0**	536.3	**77.4**	76.8

Tikkurila Group's **revenue** decreased by 4 percent in January–September 2014. Lower sales volumes decreased revenue by 3 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 77.4 (76.8) million, which accounts for 15.0 (14.3) percent of revenue.

Operating profit (EBIT) totaled EUR 77.6 (76.7) million, equaling 15.1 (14.3) 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–September 2014 were EUR 4.9 (3.7) million. Profit before taxes was EUR 72.9 (73.1) million. Taxes totaled EUR 16.5 (18.2) million, equaling an effective tax rate of 22.6 (24.9) percent. Earnings per share were EUR 1.28 (1.25) in the review period.

Financial Performance by Reporting Segments

SBU West

EUR million	**7–9/2014**	7–9/2013	Change %	**1–9/2014**	1–9/2013	Change %	1–12/2013
Revenue	**100.4**	105.5	-4.8%	**314.2**	320.3	-1.9%	388.6
Operating profit (EBIT), excluding non-recurring items	**18.4**	22.3	-17.6%	**53.9**	55.6	-2.9%	50.9
Operating profit (EBIT) margin, excluding non-recurring items, %	**18.3%**	21.1%		**17.2%**	17.3%		13.1%
Operating profit (EBIT)	**18.1**	22.0	-17.8%	**54.7**	55.4	-1.2%	50.4
Operating profit (EBIT) margin, %	**18.0%**	20.9%		**17.4%**	17.3%		13.0%
Capital expenditure excluding acquisitions	**1.8**	0.9	87.6%	**6.2**	3.6	74.4%	6.4

Financial Performance in July–September 2014

SBU West's third quarter revenue declined by 5 percent. The lower sales volumes decreased revenue by 2 percent due to the weak development in Finland, in particular. 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 2 percent. Among the key markets, in Sweden revenue decreased to EUR 37.2 (40.3) million mainly due to the exchange rate fluctuations, while in Finland revenue decreased to EUR 24.3 (26.5) million due to weak sales volume development, and in Poland revenue grew to EUR 18.8 (17.8) million.

SBU West's third quarter relative profitability decreased from the comparison period. Decline in revenue and higher sales and marketing investments had a negative impact on the operating profit.

Financial Performance in January–September 2014

SBU West's revenue in January–September decreased by 2 percent from the comparison period due to exchange rates. Exchange rate fluctuations, primarily the weakened Swedish krona, decreased revenue by 3 percent. Sales volumes were at the comparison period's level. Acquisitions increased revenue slightly.

SBU West's relative profitability in January–September was at the comparison period's level. The non-recurring income (EUR 2.0 million) in the period under review was mainly related to the divestment of a real estate and financial assets in Finland, and non-recurring expenses (EUR 1.2 million) were related to the restructuring of operations and impairment losses in Sweden, Poland, and Germany.

SBU East

EUR million	**7–9/2014**	7–9/2013	Change %	**1–9/2014**	1–9/2013	Change %	1–12/2013
Revenue	**79.2**	84.1	-5.9%	**199.8**	216.0	-7.5%	264.4
Operating profit (EBIT), excluding non-recurring items	**14.4**	11.7	23.1%	**26.2**	23.6	11.1%	24.7
Operating profit (EBIT) margin, excluding non-recurring items, %	**18.2%**	13.9%		**13.1%**	10.9%		9.3%
Operating profit (EBIT)	**13.8**	11.7	18.3%	**25.7**	23.6	8.7%	24.1
Operating profit (EBIT) margin, %	**17.5%**	13.9%		**12.8%**	10.9%		9.1%
Capital expenditure excluding acquisitions	**2.1**	2.5	-14.0%	**4.7**	5.9	-19.3%	6.8

Financial Performance in July–September 2014

SBU East's third quarter revenue decreased by 6 percent from the comparison period. The lower sales volumes decreased revenue by 10 percent. In Russia, the volume of purchased paint decreased, and demand for locally manufactured, affordable products increased. Sales price increases and changes in the sales mix increased SBU East's revenue by 15 percent. The favorable development of the sales mix continued as the relative share of the higher-end brands of Tikkurila in the total sales increased in Russia. Exchange rate fluctuations reduced revenue by 11 percent due to the steep weakening of the Russian ruble. Revenue in Russia decreased to EUR 59.8 (65.3) million.

SBU East's third quarter operating profit excluding non-recurring items increased and relative profitability improved clearly from the comparison period. Profitability was improved by favorable sales mix development, higher productivity, and cost savings. An impairment of approximately EUR 0.6 million was recognized on a real estate located in Russia during the review period.

Financial Performance in January–September 2014

SBU East's revenue in January–September decreased by 8 percent from the comparison period. The lower sales volumes decreased revenue by 7 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 13 percent. Exchange rate fluctuations reduced revenue by 13 percent due to the steep weakening of the Russian ruble.

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

Cash Flow, Financing Activities, and Financial Risk Management

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

Cash flow from operations in January–September totaled EUR 52.0 (65.4) million. Net working capital totaled EUR 99.4 (100.1) million at the end of the review period. The net cash flow from the investing activities was EUR -9.7 (-9.9) million, when taking into account the acquisitions and divestments. Cash flow after capital expenditure totaled EUR 42.2 (55.5) million at the end of the review period. Cash flow was decreased by changes in the working capital.

Interest-bearing debt amounted to EUR 92.9 (87.9) million at the end of the review period, and net debt was EUR 46.1 (60.1) million. At the end of the review period, cash and cash equivalents amounted to EUR 46.8 (27.8) million, and short-term interest-bearing debt totaled EUR 32.5 (27.6) million, including the company's issued commercial papers for a total nominal amount of EUR 30.0 (25.0) million. Moreover, the Group had long-term interest-bearing debt totaling EUR 60.4 (60.4) million. At the end of September, the Group had a total of EUR 155.8 (155.7) million of unused committed credit facilities or credit limits.

The Group´s net financial expenses were EUR 4.9 (3.7) million, of which interest expenses totaled EUR 0.9 (1.0) million and other financing expenses EUR 3.0 (0.6) 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 1.0 (2.1) million based on the impact of realized and unrealized exchange rate differences recognized during the review period.

At the end of September, the equity ratio was 46.8 (46.4) percent, and gearing was 21.2 (28.0) percent.

At the end of the review period, the nominal value of open foreign exchange rate forward agreements was EUR 83.2 (40.1) million and the corresponding market value was EUR 1.1 (0.3) million. On September 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–September 2014, the gross capital expenditure excluding acquisitions amounted to EUR 11.0 (9.4) million. No major single investments were carried out during the review period.

The Group's depreciation, amortization and impairment losses amounted to EUR 14.2 (15.5) million in January−September. The Group performs impairment tests in accordance with the IAS 36 standard.

Events after Reporting Period

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

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

Research and Development

In January–September 2014, Tikkurila's research and development expenses totaled EUR 7.8 (7.9) million, corresponding to 1.5 (1.5) percent of revenue.

Human Resources

At the end of September 2014, the Tikkurila Group employed 3,212 (3,253) people. The average number of employees in January–September was 3,232 (3,290).

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

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

Shares and Shareholders

At the end of September 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 September 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 20,600 shareholders on September 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 September, the closing price of Tikkurila's share was EUR 16.52. In January–September, the volume-weighted average share price was EUR 18.39, the highest price EUR 20.71, and the lowest EUR 16.40. At the end of September, the market value of Tikkurila Oyj's shares was EUR 728.7 million. During January–September, a total of 11.1 million Tikkurila shares, corresponding to approximately 25.1 percent of the number of registered shares, were traded on NASDAQ OMX Helsinki Ltd. The value of the traded volume was EUR 203.2 million.

Disclosure of changes in holdings

Tikkurila Oyj received a notification, based on the Securities Markets Act, from Prudential plc on August 6, 2014. According to the announcement, the holding of Prudential plc and its subsidiaries (M&G Group Limited, M&G Limited, M&G Investment Management Limited, and M&G Securities Limited) in shares of Tikkurila Oyj exceeded the 1/20 (5%) threshold due to trades executed on August 5, 2014. After these transactions the holding of Prudential plc and its subsidiaries in Tikkurila Oyj amounts to a total of 2,300,000 shares, which corresponds to 5.21 percent of the total amount of shares and voting rights in Tikkurila Oyj.

Near-term risks and uncertainties

Tikkurila's business operations are affected by various strategic, operational, financial, and accident risks. Tikkurila endeavors to identify and evaluate risks and respond to them as proactively as possible and contain their possible adverse effects.

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

For the last months of 2014, the economic growth is expected to be weak in Tikkurila's key market areas. 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 reiterates its guidance for 2014.

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

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	7-9/2014	7-9/2013	1-9/2014	1-9/2013	1-12/2013
Revenue	**179,598**	189,591	**513,975**	536,304	652,964
Other operating income	**1,753**	222	**3,497**	1,449	2,708
Expenses	**-144,977**	-151,666	**-425,660**	-445,625	-561,863
Depreciation, amortization and impairment losses	**-5,092**	-5,067	**-14,245**	-15,478	-22,341
Operating profit	**31,282**	33,080	**77,567**	76,650	71,468
Total financial income and expenses	**-685**	-1,595	**-4,874**	-3,671	-4,289
Share of profit or loss of equity-accounted investees	**122**	69	**250**	139	-137
Profit before taxes	**30,719**	31,554	**72,943**	73,118	67,042
Income taxes	**-6,463**	-7,108	**-16,455**	-18,202	-16,969
Net result for the period	**24,256**	24,446	**56,488**	54,916	50,073
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefit plans	**-3,018**	**-**	**-4,137**	-	827
Income taxes relating to items that will not be reclassified to profit or loss	**675**	**-**	**932**	-	-177
Total items that will not be reclassified to profit or loss	**-2,343**	**-**	**-3,205**	-	650
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets	**-443**	-25	**-723**	174	249
Foreign currency translation differences for foreign operations	**-3,840**	-587	**-5,819**	-6,280	-8,555
Income taxes relating to items that may be reclassified subsequently to profit or loss	**6**	74	**89**	30	183
Total items that may be reclassified subsequently to profit or loss	**-4,277**	-538	**-6,453**	-6,076	-8,123
Total comprehensive income for the period	**17,636**	23,908	**46,830**	48,840	42,600
Net result attributable to:					
Owners of the parent	**24,256**	24,446	**56,488**	54,916	50,073
Non-controlling interest	**-**	-	**-**	-	-
Net result for the period	**24,256**	24,446	**56,488**	54,916	50,073
Total comprehensive income attributable to:					
Owners of the parent	**17,636**	23,908	**46,830**	48,840	42,600
Non-controlling interest	**-**	-	**-**	-	-
Total comprehensive income for the period	**17,636**	23,908	**46,830**	48,840	42,600
Earnings per share of the net profit attributable to owners of the parent					
Basic earnings per share (EUR)	**0.55**	0.55	**1.28**	1.25	1.14
Diluted earnings per share (EUR)	**0.55**	0.55	**1.28**	1.24	1.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR 1,000

ASSETS	Sep 30, 2014	Sep 30, 2013	Dec 31, 2013
Non-current assets			
Goodwill	**67,545**	66,508	66,388
Other intangible assets	**18,410**	23,222	20,833
Property, plant and equipment	**97,367**	107,063	104,216
Equity-accounted investees	**1,055**	1,981	1,433
Available-for-sale financial assets	**2,827**	3,515	3,590
Non-current receivables	**4,341**	6,377	5,699
Deferred tax assets	**9,531**	10,461	8,612
Total non-current assets	**201,076**	219,127	210,771
Current assets			
Inventories	**82,302**	82,710	79,732
Interest-bearing receivables	**1,097**	241	617
Non-interest-bearing receivables	**134,074**	131,844	94,985
Cash and cash equivalents	**46,815**	27,840	29,171
Non-current assets held for sale	**-**	-	43
Total current assets	**264,288**	242,635	204,548
Total assets	**465,364**	461,762	415,319

EQUITY AND LIABILITIES	Sep 30, 2014	Sep 30, 2013	Dec 31, 2013
Share capital	**35,000**	35,000	35,000
Other reserves	**42**	82	42
Fair value reserve	**1,544**	1,946	2,122
Reserve for invested unrestricted equity	**40,000**	40,000	40,000
Treasury shares	**-2,016**	-	-
Translation differences	**-22,323**	-14,225	-16,448
Retained earnings	**165,397**	151,442	147,367
Equity attributable to owners of the parent	**217,644**	214,245	208,083
Non-controlling interest	**-**	-	-
Total equity	**217,644**	214,245	208,083
Non-current liabilities			
Interest-bearing non-current liabilities	**60,375**	60,354	60,283
Other non-current liabilities	**349**	1,732	949
Defined benefit pension and other long-term employee benefit liabilities	**28,779**	26,741	24,704
Provisions	**453**	819	720
Deferred tax liabilities	**7,705**	10,028	8,596
Total non-current liabilities	**97,661**	99,674	95,252
Current liabilities			
Interest-bearing current liabilities	**32,524**	27,562	17,509
Non-interest-bearing current liabilities	**117,058**	120,013	93,754
Provisions	**477**	268	321
Liabilities classified as held for sale	**-**	-	400
Total current liabilities	**150,059**	147,843	111,984
Total equity and liabilities	**465,364**	461,762	415,319

CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS

EUR 1,000	**7-9/2014**	7-9/2013	**1-9/2014**	1-9/2013	1-12/2013
CASH FLOW FROM OPERATING ACTIVITIES					
Net result for the period	**24,256**	24,446	**56,488**	54,916	50,073
Adjustments for:					
Non-cash transactions	**5,802**	6,471	**15,910**	19,327	25,582
Interest and other financial expenses	**924**	1,833	**6,069**	4,656	5,668
Interest income and other financial income	**-237**	-241	**-1,194**	-986	-1,379
Income taxes	**6,464**	7,109	**16,456**	18,202	16,969
Funds from operations before change in net working capital	**37,209**	39,618	**93,729**	96,115	96,913
Change in net working capital	**28,518**	37,460	**-21,420**	-10,903	6,357
Interest and other financial expenses paid	**-2,054**	-1,818	**-4,792**	-4,321	-4,651
Interest and other financial income received	**380**	196	**1,038**	546	732
Income taxes paid	**-6,518**	-7,087	**-16,585**	-16,038	-20,125
Total cash flow from operations	**57,535**	68,369	**51,970**	65,399	79,226
CASH FLOW FROM INVESTING ACTIVITIES					
Business combinations	**-13**	-	**-2,280**	-	-391
Other shares	**-**	-	**-**	-	-84
Other capital expenditure	**-4,264**	-3,683	**-10,966**	-11,477	-14,288
Proceeds from sale of assets	**838**	198	**2,618**	1,063	1,559
Non-current loan receivables decrease (+), increase (-)	**-**	1	**775**	415	533
Dividends received	**-**	-	**112**	121	375
Net cash used in investing activities	**-3,439**	-3,484	**-9,741**	-9,878	-12,296
Cash flow before financing	**54,096**	64,885	**42,229**	55,521	66,930
CASH FLOW FROM FINANCING ACTIVITIES					
Non-current borrowings, increase (+), decrease (-)	**-**	-	**-**	-	-
Current financing, increase (+), decrease (-)	**-23,166**	-57,377	**14,361**	-8,402	-18,387
Dividends paid	**-**	-	**-35,287**	-33,522	-33,522
Acquisition of own shares	**-236**	-	**-2,016**	-	-
Other	**-2,837**	423	**-1,917**	-1,185	-1,152
Net cash used in financing activities	**-26,239**	-56,954	**-24,859**	-43,109	-53,061
Net change in cash and cash equivalents	**27,857**	7,931	**17,370**	12,412	13,869
Cash and cash equivalents at the beginning of period	**18,988**	19,779	**29,171**	15,739	15,739
Effect of exchange rate fluctuations on cash held	**-137**	-130	**-441**	311	437
Cash and cash equivalents at the end of period	**46,982**	27,840	**46,982**	27,840	29,171
Net change in cash and cash equivalents	**27,857**	7,931	**17,370**	12,412	13,869

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
EUR 1,000

	Equity attributable to the owners of the parent								Non-controlling interest	Total equity
	Share capital	Other reserves	Fair value reserve	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Total		
Equity at Jan 1, 2013	35,000	359	1,815	40,000	-	-8,018	129,753	198,909	-	198,909
Total comprehensive income for the period	-	-	131	-	-	-6,207	54,916	48,840	-	48,840
Reclassification	-	-277	-	-	-	-	277	-	-	-
Share-based compensation	-	-	-	-	-	-	268	268	-	268
Adjustment arising from hyper-inflation	-	-	-	-	-	-	-250	-250	-	-250
Dividends paid	-	-	-	-	-	-	-33,522	-33,522	-	-33,522
Equity at Sep 30, 2013	35,000	82	1,946	40,000	-	-14,225	151,442	214,245	-	214,245
Equity at Jan 1, 2014	**35,000**	**42**	**2,122**	**40,000**	**-**	**-16,448**	**147,367**	**208,083**	**-**	**208,083**
Total comprehensive income for the period	**-**	**-**	**-578**	**-**	**-**	**-5,875**	**53,283**	**46,830**	**-**	**46,830**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**-**	**659**	**659**	**-**	**659**
Adjustment arising from hyper-inflation	**-**	**-**	**-**	**-**	**-**	**-**	**-625**	**-625**	**-**	**-625**
Acquisition of treasury shares	**-**	**-**	**-**	**-**	**-2,016**	**-**	**-**	**-2,016**	**-**	**-2,016**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-35,287**	**-35,287**	**-**	**-35,287**
Equity at Sep 30, 2014	**35,000**	**42**	**1,544**	**40,000**	**-2,016**	**-22,323**	**165,397**	**217,644**	**-**	**217,644**

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	**7-9/2014**	7-9/2013	**1-9/2014**	1-9/2013	1-12/2013
SBU West	**100,446**	105,485	**314,176**	320,344	388,578
SBU East	**79,152**	84,106	**199,825**	215,960	264,387
Eliminations	**0**	0	**-26**	0	0
Total	**179,598**	189,591	**513,975**	536,304	652,964

EBIT by segment EUR 1,000	**7-9/2014**	7-9/2013	**1-9/2014**	1-9/2013	1-12/2013
SBU West	**18,118**	22,044	**54,708**	55,353	50,370
SBU East	**13,843**	11,699	**25,670**	23,624	24,099
Tikkurila common	**-679**	-664	**-2,811**	-2,327	-3,001
Eliminations	**0**	0	**0**	0	0
Total	**31,282**	33,080	**77,567**	76,650	71,468
Non-allocated items:					
Total financial income and expenses	**-685**	-1,595	**-4,874**	-3,671	-4,289
Share of profit or loss of equity-accounted investees	**122**	69	**250**	139	-137
Profit before taxes	**30,719**	31,554	**72,943**	73,118	67,042

Assets by segment EUR 1,000	**Sep 30, 2014**	Sep 30, 2013	Dec 31, 2013
SBU West	**307,299**	309,068	287,334
SBU East	**151,403**	166,426	140,027
Assets, non-allocated to segments	**77,662**	45,873	44,407
Eliminations	**-71,000**	-59,605	-56,449
Total assets	**465,364**	461,762	415,319

Non-recurring items by segment

EUR 1,000	SBU West	SBU East	**Total 1-9/2014**
Personnel related	-873	-	**-873**
Gain on sale of held for sale assets	775	-	**775**
Gain on sale of available-for-sale financial assets	1,199	-	**1,199**
Impairment losses	-322	-564	**-886**
Total	**779**	**-564**	**215**

EUR 1,000	SBU West	SBU East	**Total 1-9/2013**
Personnel related	-687	-	**-687**
Divestments and restructuring of Group organization	-	20	**20**
Gain on sale of available-for-sale financial assets	478	-	**478**
Total	-209	20	**-189**

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

CHANGES IN PROPERTY, PLANT AND EQUIPMENT EUR 1,000	**1-9/2014**	1-9/2013	1-12/2013
Carrying amount at the beginning of period	**104,216**	112,785	112,785
Additions	**10,199**	8,215	11,797
Business combinations	**51**	-	19
Disposals	**-292**	-84	-149
Depreciation, amortization and impairment losses	**-11,722**	-11,935	-16,702
Exchange rate differences and other changes	**-5,085**	-1,918	-3,535
Carrying amount at the end of period	**97,367**	107,063	104,216

Tikkurila Group had contractual commitments for purchase of property, plant and equipment for a total of EUR 6.0 (1.8) million at the end of September 2014.

CHANGES IN INTANGIBLE ASSETS EUR 1,000	**1-9/2014**	1-9/2013	1-12/2013
Carrying amount at the beginning of period	**87,221**	93,892	93,892
Additions	**769**	1,141	1,270
Business combinations	**2,466**	-	111
Disposals	**-4**	-	-
Depreciation, amortization and impairment losses	**-2,522**	-3,543	-5,639
Exchange rate differences and other changes	**-1,975**	-1,760	-2,413
Carrying amount at the end of the period	**85,955**	89,730	87,221

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

INVENTORIES

Write-down of inventory for a total amount of EUR 1.7 (1.7) million was recognized until end of September 2014.

BUSINESS COMBINATIONS
EUR 1,000

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

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

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

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

Recognized amounts of identifiable assets acquired and liabilities assumed

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

EUR 58 thousand of acquisition-related expenses were included in consolidated statement of comprehensive income in other operating expenses in review period. Goodwill has been recognized in acquisition, and it is linked to expected synergies. Goodwill is not deductible for tax purposes.

If the acquisition of KEFA Drytech AB would have been carried out in the beginning of the year 2014, instead of June, 2014, Tikkurila's management 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 also include the 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	**1-9/2014**	1-9/2013	1-12/2013
Joint ventures			
Revenue	**4,130**	3,924	4,917
Other operating income	**697**	-	-
Receivables	**493**	441	143
Liabilities	**66**	61	33
Associates			
Sales	**2,517**	13,027	14,529
Purchases	**159**	789	690
Receivables	**-**	3,446	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 and 2014-2016, during the third quarter a total of EUR 0.4 (during the third 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 1.1 (0.7) million have been recognized. The estimated total value of the plan for the performance period of 2012–2014 totaled approximately EUR 2.5 million at the end of review period. The total value for the performance period 2013-2015 was about EUR 0.9 million and the total value for the performance period 2014-2016 was about EUR 0.9 million at the end of the review period. The total value will be expensed over a three-year period until when the time of payments will take place as per the terms and conditions of the plan. Half of the payments will be in shares, and a half will be settled in cash. Share price changes as well as the terms and conditions of the plan will determine the value and corresponding liability in relation to the cash-settled portion.

COMMITMENTS AND CONTINGENT LIABILITIES EUR 1,000	**Sep 30, 2014**	Sep 30, 2013	Dec 31, 2013
Mortgages given as collateral for liabilities in the statement of financial position			
Other loans	**-**	-	-
Mortgages given	**102**	102	102
Total loans	**-**	-	-
Total mortgages given	**102**	102	102
Contingent liabilities			
Guarantees			
On behalf of own commitments	**288**	249	204
On behalf of others	**2,222**	2,958	2,652
Other obligations of own behalf	**98**	195	168
Lease obligations	**32,660**	34,115	34,079
Total contingent liabilities	**35,268**	37,517	37,103

DERIVATIVE INSTRUMENTS EUR 1,000	**Sep 30, 2014**		Sep 30, 2013		Dec 31, 2013	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Currency derivatives						
Currency forwards	**83,249**	**1,099**	40,093	292	71,572	80

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

Sep 30, 2014	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Other financial liabilities	Carrying amounts	Fair values
Non-current financial assets						
Available-for-sale financial assets	-	-	2,827	-	2,827	2,827
Non-current receivables	-	4,195	-	-	4,195	4,195
Current financial assets						
Interest-bearing receivables	-	1,097	-	-	1,097	1,097
Derivatives	1,245	-	-	-	1,245	1,245
Cash equivalents	-	46,815	-	-	46,815	46,815
Trade and other non-interest-bearing receivables	-	122,389	-	-	122,389	122,389
Total	**1,245**	**174,496**	**2,827**	**-**	**178,568**	**178,568**
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	60,375	60,375	60,483
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	32,524	32,524	32,524
Derivatives	146	-	-	-	146	146
Trade payables	-	-	-	56,872	56,872	56,872
Total	**146**	**-**	**-**	**149,771**	**149,917**	**150,025**

Sep 30, 2013	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Other financial liabilities	Carrying amounts	Fair values
Non-current financial assets						
Available-for-sale financial assets	-	-	3,515	-	3,515	3,515
Non-current receivables	-	6,171	-	-	6,171	6,171
Current financial assets						
Interest-bearing receivables	-	241	-	-	241	241
Derivatives	489	-	-	-	489	489
Cash equivalents	-	27,840	-	-	27,840	27,840
Trade and other non-interest-bearing receivables	-	122,066	-	-	122,066	122,066
Total	**489**	**156,318**	**3,515**	**-**	**160,322**	**160,322**
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	60,354	60,354	60,536
Contingent consideration	-	-	-	994	994	994
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	27,562	27,562	27,562
Derivatives	197	-	-	-	197	197
Trade payables	-	-	-	53,175	53,175	53,175
Total	**197**	**-**	**-**	**142,085**	**142,282**	**142,464**

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

FAIR VALUE HIERARCHY
EUR 1,000

Sep 30, 2014	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Available-for-sale financial assets	**-**	**1,980**	**847**	**2,827**
Derivatives (in assets)	**-**	**1,245**	**-**	**1,245**
Recurring fair value measurements				
Derivatives (in liabilities)	**-**	**146**	**-**	**146**
Sep 30, 2013				
Recurring fair value measurements				
Available-for-sale financial assets	-	2,662	853	3,515
Derivatives (in assets)	-	489	-	489
Recurring fair value measurements				
Derivatives (in liabilities)	-	197	-	197
Contingent consideration	-	-	994	994
Dec 31, 2013				
Recurring fair value measurements				
Available-for-sale financial assets	-	2,737	853	3,590
Derivatives (in assets)	-	478	-	478
Recurring fair value measurements				
Derivatives (in liabilities)	-	398	-	398

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

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

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

Reconciliation of Level 3 fair value measured financial assets and liabilities

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

Contingent consideration	**Sep 30, 2014**	Sep 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	**-**	92	109
Carrying amount at end of review period	**-**	994	-

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 to the assessment by Tikkurila's management, the cost of shares is the best available estimate for fair value.

KEY PERFORMANCE INDICATORS	**7-9/2014/ Sep 30, 2014**	7-9/2013/ Sep 30, 2013	**1-9/2014/ Sep 30, 2014**	1-9/2013/ Sep 30, 2013	1-12/2013/ Dec 31, 2013
Earnings per share / basic, EUR	**0.55**	0.55	**1.28**	1.25	1.14
Earnings per share / diluted, EUR	**0.55**	0.55	**1.28**	1.24	1.13
Cash flow from operations, EUR 1,000	**57,535**	68,369	**51,970**	65,399	79,226
Cash flow from operations / per share, EUR	**1.31**	1.55	**1.18**	1.48	1.80
Capital expenditure, EUR 1,000	**4,277**	3,683	**13,246**	11,477	14,763
of revenue %	**2.4%**	1.9%	**2.6%**	2.1%	2.3%
Shares (1,000), average *)	**44,008**	44,108	**44,068**	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) *)	**44,150**	44,206	**44,191**	44,208	44,212
Number of shares at the end of period, adjusted for dilutive effect (1,000) 1) *)	**44,150**	44,206	**44,150**	44,206	44,225
Equity attributable to the owners of the parent / per share, EUR	**4.95**	4.86	**4.95**	4.86	4.72
Equity ratio, %	**46.8%**	46.4%	**46.8%**	46.4%	50.1%
Gearing, %	**21.2%**	28.0%	**21.2%**	28.0%	23.4%
Interest-bearing financial liabilities (net), EUR 1,000	**46,084**	60,076	**46,084**	60,076	48,621
Return on capital employed (ROCE), % p.a.	**25.5%**	23.7%	**25.5%**	23.7%	23.5%
Personnel (average)	**3,268**	3,321	**3,232**	3,290	3,262

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

*) Number of shares outstanding, treasury shares excluded

DEFINITIONS OF KEY FIGURES

Earnings per share (EPS), basic

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

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

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

Cash flow from operations / per share

Cash flow from operations
Shares on average

Equity ratio, %

Total equity x 100
Total assets - advances received

Gearing, %

Net interest-bearing financial liabilities x 100
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. **

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)*

* average during the period

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

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SEGMENT INFORMATION BY QUARTER

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

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

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

Vantaa, November 5, 2014

TIKKURILA OYJ
BOARD OF DIRECTORS