FINANCIAL STATEMENTS 2014

TIKKURILA GROUP FINANCIAL STATEMENTS 2014

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REVIEW OF THE BOARD OF DIRECTORS

MARKET REVIEW

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

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

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

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

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

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

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

FINANCIAL PERFORMANCE IN 2014

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

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

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

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

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

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

The Group's key performance indicators and share performance indicators for the financial year 2014 as well as for 2013 and 2012 are presented in the Group's consolidated financial statements on pages 8–9.

FINANCIAL PERFORMANCE BY REPORTING SEGMENTS

SBU WEST

(EUR million)	1–12/2014	1–12/2013	Change %
Revenue	**382.5**	388.6	-1.6%
Operating result (EBIT), excluding non-recurring items	**45.8**	50.9	-10.1%
Operating result (EBIT) margin, excluding non-recurring items, %	**12.0%**	13.1%	
Operating result (EBIT)	**47.5**	50.4	-5.8%
Operating result (EBIT) margin, %	**12.4%**	13.0%	
Capital expenditure excluding acquisitions	**10.8**	6.4	68.8%

FINANCIAL PERFORMANCE IN 2014

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

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

SBU EAST

(EUR million)	1–12/2014	1–12/2013	Change %
Revenue	236.0	264.4	-10.7%
Operating result (EBIT), excluding non-recurring items	21.3	24.7	-13.7%
Operating result (EBIT) margin, excluding non-recurring items, %	9.0%	9.3%	
Operating result (EBIT)	19.2	24.1	-20.4%
Operating result (EBIT) margin, %	8.1%	9.1%	
Capital expenditure excluding acquisitions	6.6	6.8	-3.4%

FINANCIAL PERFORMANCE IN 2014

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

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

CASH FLOW, FINANCING ACTIVITIES, AND FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

CAPITAL EXPENDITURE

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

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

ACQUISITIONS IN THE LAST QUARTER

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

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

SALES AND MARKETING

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

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

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

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

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

ADVICE SERVICES CLOSE TO THE CUSTOMER

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

EXTENSIVE TRAINING

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

BUYING PAINT MADE EASY

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

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

RESEARCH, DEVELOPMENT AND INNOVATION

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

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

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

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

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

CORPORATE RESPONSIBILITY

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

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

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

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

RESPONSIBILITY PRIORITIES

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

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

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

USER EXPERIENCE

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

RESOURCES

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

PEOPLE

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

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

ENVIRONMENT

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

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

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

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

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

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

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

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

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

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

HUMAN RESOURCES

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

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

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

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

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

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

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

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

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

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

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

SHARES AND SHAREHOLDERS

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

DECISIONS OF THE ANNUAL GENERAL MEETING 2014 OF TIKKURILA

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

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

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

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

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

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

CHAIRMAN OF THE TIKKURILA BOARD AND COMMITTEE MEMBERS

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

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

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

ANNUAL GENERAL MEETING 2015

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

GENERAL INFORMATION ON RISKS

Tikkurila's business involves a number of risks, some of which could be of substantial nature. As the Group's business operations are divided into several geographical areas and into diverse product and customer segments, the amount, likelihood and impacts of various risks may vary between the Group's business units. The materialization of such risks may have a major adverse effect on Tikkurila's business, financial position or results of operations.

Tikkurila has risks of various character, such as strategic risks, operational risks, financial risks and hazard risks. Risks are assessed and managed according to the type and characteristics of each risk. In Tikkurila's view the main risks are among strategic and operational risks, but all categories present risks that may have significant impact on Tikkurila's business.

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

NEAR-TERM RISKS AND UNCERTAINTIES

The company anticipates the following to be central risks and uncertainties on the date of publishing this review of the Board of Directors:

GEOPOLITICAL AND MACROECONOMIC SITUATION IN RUSSIA AND UKRAINE

The geopolitical crisis that started in early 2014 and the economic sanctions that followed, together with the collapse of oil prices and the ruble, have reflected negatively on the development of the Ukrainian and Russian economies in particular. The crisis and the economic sanctions have also had a negative effect in the EU region. The geopolitical situation in Ukraine and Russia continues to be considerably unstable, and there are no signs of improvement. General economic development has an impact on factors that influence the demand for Tikkurila's products and services, such as the activity of new construction and renovation; the further polarization of the situation would lead to weaker than anticipated financial development in Russia, which in turn could lead to a weakening demand for Tikkurila's products, or the transfer of demand to the lower quality and price grades. If the economic sanctions were to expand to include the raw materials used by the paint industry or the products it manufactures, this would have a negative impact on Tikkurila's business in the SBU East area, which in turn could cause impairment of assets to Tikkurila. In addition, the risk for bad debt has increased.

EXCHANGE RATE DEVELOPMENT

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

COMPETITIVE SITUATION AND CHANGES IN THE VALUE CHAIN AND PRODUCT DISTRIBUTION

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

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

OUTLOOK FOR 2015

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

GUIDANCE FOR 2015

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

GROUP KEY FIGURES

KEY PERFORMANCE INDICATORS (EUR thousand)	2014	2013	2012
STATEMENT OF COMPREHENSIVE INCOME AND PROFITABILITY			
Revenue	**618,406**	652,964	670,439
Foreign operations	**517,090**	548,955	562,532
Operating profit	**63,703**	71,468	66,328
% of revenue	**10.3**	10.9	9.9
Share of profit or loss of equity-accounted investees	**338**	-137	316
Financial expenses (net)	**754**	4,289	7,380
% of revenue	**0.1**	0.7	1.1
Interest cover	**112.4**	21.9	12.4
Profit before tax	**63,287**	67,042	59,264
% of revenue	**10.2**	10.3	8.8
Net profit for the period	**48,272**	50,073	40,665
Return on investment (ROI), %	**32.5**	26.6	24.9
Return on equity (ROE), %	**24.1**	24.6	20.8
Return on capital employed (ROCE), %	**22.9**	23.5	21.0
Research and development expenses	**10,670**	10,483	10,742
% of revenue	**1.7**	1.6	1.6

CASH FLOWS	2014	2013	2012
Cash flow from operations	**75,943**	79,226	65,777
Disposals of businesses, PPE* and intangible assets	**2,056**	1,064	710
Capital expenditure	**30,747**	14,763	16,827
% of revenue	**5.0**	2.3	2.5
Cash flow after capital expenditure	**49,867**	66,930	50,257
Cash flow return on investment (CFROI), %	**24.4**	24.2	19.8

STATEMENT OF FINANCIAL POSITION AND SOLVENCY	2014	2013	2012
Non-current assets	**197,250**	210,771	230,460
Shareholders' equity (attributable to the owners of the parent)	**192,658**	208,083	198,909
Shareholders' equity including non-controlling interest	**192,658**	208,083	198,909
Liabilities	**197,151**	207,236	234,439
Total assets	**389,809**	415,319	433,348
Interest-bearing financial liabilities	**73,135**	77,792	96,553
Interest-bearing net liabilities	**47,359**	48,621	80,814
Equity ratio, %	**49.5**	50.1	45.9
Gearing %	**24.6**	23.4	40.6
Interest-bearing financial liabilities (net) / EBITDA	**0.6**	0.5	0.9

PERSONNEL	2014	2013	2012
Personnel (average)	**3,212**	3,262	3,422
of whom in Finland	**612**	607	641

EXCHANGE RATES		2014	2013	2012
Key exchange rates (Dec 31)				
Russian Ruble	EUR/RUB	**72.3370**	45.3246	40.3295
Swedish Krona	EUR/SEK	**9.3930**	8.8591	8.5820
Polish Zloty	EUR/PLN	**4.2732**	4.1543	4.0740

* Property, plant and equipment

SHARE PERFORMANCE INDICATORS	2014	2013	2012
Earnings per share, EUR, basic	**1.10**	1.14	0.92
Earnings per share, EUR, diluted	**1.09**	1.13	0.92
Dividend per share, EUR [1]	**0.80**	0.80	0.76
Dividend payout ratio, % [1]	**73.0**	70.5	82.4
Dividend yield, % [1]	**5.5**	4.0	5.2
Equity attributable to owners of the parent per share, EUR	**4.38**	4.72	4.51
Weighted average number of shares (1,000)	**44,054**	44,108	44,108
Number of shares at the end of period (1,000)	**44,029**	44,108	44,108
Weighted average number of shares, adjusted for dilutive effect (1,000)	**44,177**	44,212	44,179
Number of shares at the end of period, adjusted for dilutive effect (1,000)	**44,105**	44,225	44,218
Equity attributable to owners of the parent, EUR thousand	**192,658**	208,083	198,909
Price per earnings per share (P/E) ratio	**13.2**	17.5	16.0
Share price, end of period, EUR	**14.49**	19.90	14.72
Share price, year high, EUR	**20.71**	20.90	15.45
Share price, year low, EUR	**13.73**	14.77	12.89
Share price, volume-weighted year average, EUR	**17.66**	17.12	14.13
Market capitalization at the end of period, EUR million	**638.0**	877.8	649.3
Number of shares traded (1,000)	**14,826**	12,379	11,806
%, of weighted average number of shares	**33.7**	28.1	26.8

[1] The dividend 2014 is the Board of Directors' proposal to Annual General Meeting to be held on March 25, 2015.

DEFINITIONS OF KEY FIGURES

OPERATING PROFIT (LOSS), %

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

INTEREST-BEARING NET LIABILITIES

Interest-bearing liabilities - cash and cash equivalents

EQUITY RATIO, %

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

GEARING, %

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

INTEREST COVER

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

RETURN ON INVESTMENT (ROI), %

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

RETURN ON EQUITY (ROE), %

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

CASH FLOW RETURN ON INVESTMENT (CFROI), %

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

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

RETURN ON CAPITAL EMPLOYED (ROCE), %

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

INTEREST-BEARING FINANCIAL LIABILITIES (NET) / EBITDA

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

NET WORKING CAPITAL

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

DIVIDEND YIELD

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

PRICE / EARNINGS RATIO (P/E)

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

EQUITY PER SHARE

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

EARNINGS PER SHARE (EPS), BASIC

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

EARNINGS PER SHARE (EPS), DILUTED

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

DIVIDEND PAYOUT RATIO

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

SHARE PRICE, VOLUME-WEIGHTED YEAR AVERAGE

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

MARKET CAPITALIZATION AT THE END OF PERIOD

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

SHARE TURNOVER, %

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

NUMBER OF SHARES AT THE END OF PERIOD

Number of shares issued - treasury shares

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

(EUR thousand)	Note	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013
Revenue		**618,406**	652,964
Other operating income	7	**5,979**	2,708
Change in inventories of finished goods and work in progress		**-4,071**	-1,848
Materials and services		**-303,101**	-323,076
Personnel expenses	8	**-106,459**	-109,175
Depreciation, amortization and impairment losses	9	**-21,029**	-22,341
Other operating expenses	10	**-126,022**	-127,764
Operating profit		**63,703**	71,468
Financial income	12	**25,588**	6,050
Financial expenses	12	**-26,342**	-10,339
Share of profit or loss of equity-accounted investees	18	**338**	-137
Profit before tax		**63,287**	67,042
Income tax	13	**-15,015**	-16,969
Net profit for the period		**48,272**	50,073
Other comprehensive income	26		
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit plans		**-3,633**	827
Income taxes relating to items that will not be reclassified to profit or loss		**816**	-177
Total items that will not be reclassified to profit or loss		**-2,817**	650
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets		**-303**	249
Foreign currency translation differences for foreign operations		**-23,131**	-8,555
Income taxes relating to items that may be reclassified subsequently to profit or loss		**27**	183
Total items that may be reclassified subsequently to profit or loss		**-23,407**	-8,123
Total comprehensive income for the period		**22,048**	42,600

(EUR thousand)	Note	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013
Net profit attributable to:			
Owners of the parent		48,272	50,073
Non-controlling interest		-	-
Net profit for the period		48,272	50,073
Total comprehensive income attributable to:			
Owners of the parent		22,048	42,600
Non-controlling interest		-	-
Total comprehensive income for the period		22,048	42,600
Earnings per share of the net profit attributable to owners of the parent			
Basic earnings per share (EUR)	14	1.10	1.14
Diluted earnings per share (EUR)	14	1.09	1.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

(EUR thousand)	Note	Dec 31, 2014	Dec 31, 2013
ASSETS			
Non-current assets			
Goodwill	16, 17	72,459	66,388
Other intangible assets	16	18,363	20,833
Property, plant and equipment	15	90,348	104,216
Equity-accounted investees	18	812	1,433
Available-for-sale financial assets	20	3,240	3,590
Non-current receivables	21	4,261	5,699
Deferred tax assets	25	7,767	8,612
Total non-current assets		197,250	210,771
Current assets			
Inventories	19	73,690	79,732
Interest-bearing current assets	22	578	617
Trade and other non-interest-bearing receivables	23	87,167	92,579
Current tax assets		5,348	2,406
Cash and cash equivalents	24	25,776	29,171
Non-current assets held for sale	6	-	43
Total current assets		192,559	204,548
Total assets		389,809	415,319

(EUR thousand)	Note	Dec 31, 2014	Dec 31, 2013
EQUITY AND LIABILITIES			
Equity			
Share capital	26	35,000	35,000
Other reserves	26	42	42
Fair value reserve	26	1,880	2,122
Reserve for invested unrestricted equity	26	40,000	40,000
Treasury shares	26	-1,606	-
Translation differences	26	-39,613	-16,448
Retained earnings		156,955	147,367
Equity attributable to owners of the parent		192,658	208,083
Non-controlling interest		-	-
Total equity		192,658	208,083
Non-current liabilities			
Interest-bearing non-current liabilities	27	60,346	60,283
Other non-current liabilities	29	38	949
Defined benefit pension and other long-term employee benefit liabilities	30	27,562	24,704
Provisions	31	451	720
Deferred tax liabilities	25	8,117	8,596
Total non-current liabilities		96,514	95,252
Current liabilities			
Interest-bearing current liabilities	28	12,789	17,509
Trade and other non-interest-bearing payables	30	85,828	91,597
Provisions	31	437	321
Current tax liabilities		1,583	2,157
Liabilities classified as held for sale	6	-	400
Total current liabilities		100,637	111,984
Total equity and liabilities		389,809	415,319

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

(EUR thousand)	Note	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		48,272	50,073
Adjustments for:			
Non-cash transactions			
Depreciation, amortization and impairment		21,029	22,341
Employee pension benefits		-775	-901
Change in provisions		-362	-54
Gain on sale of PPE* and intangible assets		-2,144	-684
Loss on sale of PPE* and intangible assets		158	44
Other items		4,806	4,699
Dividend income		-112	-121
Interest expenses and other financial expenses		6,424	3,408
Interest income and other financial income		-1,312	-1,258
Share of profit or loss of equity-accounted investees		-338	137
Exchange rate differences of financing		-4,245	2,260
Income tax for the period		15,015	16,969
Funds from operations before change in net working capital		86,416	96,913
Change in net working capital			
Change in inventories		6,797	2,947
Change in trade and other receivables		7,490	5,496
Change in trade and other payables		-8,039	-2,086
Change in net working capital		6,248	6,357
Interest and other financial expenses paid		-7,004	-4,651
Interest and other financial income received		9,572	732
Income tax paid		-19,289	-20,125
Total cash flow from operations		75,943	79,226
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of businesses, net of cash acquired	5	-14,401	-391
Acquisition of other shares		-	-84
Acquisition of property, plant and equipment		-15,211	-13,018
Acquisition of intangible assets		-1,135	-1,270
Disposal of associates		439	-
Disposal of subsidiaries and businesses, net of cash disposed of	5	734	363
Proceeds from sale of available-for-sale financial assets		1,253	495
Proceeds from sale of property, plant and equipment		879	701
Proceeds from sale of intangible assets		4	-
Change in non-current loan receivables, decrease (+)		957	533
Change in non-current loan receivables, increase (-)		-	-
Dividends received		405	375
Net cash used in investing activities		-26,076	-12,296
Cash flow before financing		49,867	66,930

* Property, plant and equipment

(EUR thousand)	Note	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013
CASH FLOW FROM FINANCING ACTIVITIES			
Change in non-current borrowings, increase (+)		-	-
Change in non-current borrowings, decrease (-)		-2,364	-
Current financing, increase (+)		77,862	144,753
Current financing, decrease (-)		-83,167	-162,517
Finance lease (-)		-566	-623
Dividends paid		-35,287	-33,522
Acquisition of own shares		-2,016	-
Other		-7,629	-1,152
Net cash used in financing activities		-53,167	-53,061
Net change in cash and cash equivalents		-3,300	13,869
Cash and cash equivalents at Jan 1	24	29,171	15,739
Effect of exchange rate fluctuations on cash held		95	437
Cash and cash equivalents at Dec 31	24	25,776	29,171
Net change in cash and cash equivalents		-3,300	13,869

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

(EUR thousand)	Note	Share capital	Other reserves	Fair value reserve	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity at Jan 1, 2013		35,000	359	1,815	40,000	-	-8,018	129,753	198,909	-	198,909
Total comprehensive income for the period	26	-	-	307	-	-	-8,430	50,723	42,600	-	42,600
Reclassification		-	-317	-	-	-	-	317	-	-	-
Adjustment arising from hyperinflation		-	-	-	-	-	-	-316	-316	-	-316
Share-based compensation		-	-	-	-	-	-	412	412	-	412
Dividends paid		-	-	-	-	-	-	-33,522	-33,522	-	-33,522
Equity at Dec 31, 2013		35,000	42	2,122	40,000	-	-16,448	147,367	208,083	-	208,083
Equity at Jan 1, 2014		35,000	42	2,122	40,000	-	-16,448	147,367	208,083	-	208,083
Total comprehensive income for the period	26	-	-	-242	-	-	-23,165	45,455	22,048	-	22,048
Adjustment arising from hyperinflation		-	-	-	-	-	-	-680	-680	-	-680
Share-based compensation		-	-	-	-	410	-	100	510	-	510
Acquisition of treasury shares		-	-	-	-	-2,016	-	-	-2,016	-	-2,016
Dividends paid		-	-	-	-	-	-	-35,287	-35,287	-	-35,287
Equity at Dec 31, 2014		35,000	42	1,880	40,000	-1,606	-39,613	156,955	192,658	-	192,658

DISTRIBUTABLE EQUITY OF THE PARENT (FAS)

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

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

1. Accounting policies for the consolidated financial statements

BASIC INFORMATION

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

Tikkurila provides consumers and professionals with user-friendly and sustainable solutions for surface protection and decoration. Tikkurila is a strong regional company, whose aim is to be the leading provider of paint-related architectural solutions for consumers and professionals in the Nordic area as well as in Russia and other selected Eastern European countries. Tikkurila Group has organized its business operations into two strategic business units defined geographically: SBU West and SBU East. In the 2014 financial year, Tikkurila Group's revenue amounted to EUR 618.4 million and the average number of personnel was 3,212. The Group operates in 16 countries and has production facilities in 9 countries.

The Board of Directors of Tikkurila Oyj has approved the financial statements for publication at its meeting of February 9, 2015. In accordance with the Finnish Limited Liability Companies Act, the shareholders can approve or reject the financial statements or make a decision on altering the financial statements in the Annual General Meeting arranged after its publication. A copy of the financial statements and annual report is available from the company's headquarters at Kuninkaalantie 1, 01300 Vantaa and at www.tikkurilagroup.com.

BASIS OF PREPARATION

Tikkurila Oyj's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as with the related SIC and IFRIC Interpretations, in force as at December 31, 2014. International Financial Reporting Standards are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also comply with the Finnish Accounting Act and Ordinance and the Finnish Limited Liability Companies Act. Tikkurila Oyj prepared its first IFRS accordant financial statements for the financial year 2008.

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

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

Tikkurila Group has applied the following new and revised standards and interpretations since January 1, 2014, which affect the reported data or data that will be reported in the future:

- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective on financial years beginning on or after January 1, 2014). Amendments clarify existing application issues relating to the offsetting requirements as well as increase the application guidance for offsetting. This amendment had not any significant effect on the Group's financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment entities* (effective for financial years beginning on or after January 1, 2014). Under the amendments, an investment entity is required to measure its interests in subsidiaries at the fair value through profit or loss in accordance with IFRS 9 Financial instruments or IAS 39 Financial Instruments: Recognition and Measurements, rather than consolidate subsidiaries. This had not any effect on Group's financial statements.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (effective for financial years beginning on or after January 1, 2014). Amendment consists of applying the hedge accounting in such situations where a derivative is novated to a central counterparty. As a result of this amendment, the hedge accounting can be continued providing certain criteria are met. This had not any effect on Group's financial statements.

- Amendments to IAS 36 *Impairment of Assets* (effective for financial years beginning on or after January 1, 2014). Amendment clarifies disclosure of information about the recoverable amount of impaired assets if the amount is based on fair value less costs of disposal. This had not any significant effect on the Group's financial statements.

- IFRIC 21 *Levies* (effective for financial years beginning on or after January 1, 2014). Accounting for an obligation to pay a levy is covered in this interpretation. The interpretation addresses what the obligation event is and when should a liability be recognized. In Tikkurila Group, this comprises mainly the real estate taxes. Regarding these the timing of recognition of obligation and corresponding expense was brought forward in the financial year. This interpretation had not any significant effect on the Group's financial statements.

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

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

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

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the parent company, Tikkurila Oyj and all subsidiaries which are controlled by the Group. The goodwill of business combinations, that have taken place prior to 2003, corresponds with the book value of the accounting standards previously adopted by the Group. On the closing date, December 31, 2014, the Group consisted of 26 companies including the parent company and the Group had investment in one joint venture. The Group disposed its ownership in associate in financial year 2014.

SUBSIDIARIES

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

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

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

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

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

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

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

Acquisitions made prior to January 1, 2010 have been treated according to regulations valid at the time.

ASSOCIATES

Associates are companies over which the Group exercises significant influence but not control, generally accompanying a shareholding of between 20–50 percent of the voting rights. Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognized at cost and thereafter adjusted for the post-acquisition change in the Group's share of the company's net assets. The goodwill generated from the acquisition of associates is included in the carrying amount of the investments. In financial year 2013 one associate was included in Tikkurila Group. During financial year 2014 Tikkurila disposed its investment in associate. Associate was accounted for using the equity method until the date of disposal. No goodwill was included in this investment in associate.

The Group's share of its associates' profits or losses is recognized in proportion to the Group's holdings and presented in the statement of comprehensive income in line "Share of profit or loss of equity-accounted investees", after operating profit and financial items. The Group's share of associates' other comprehensive income is recognized as a line item in Group's other comprehensive income. Tikkurila's associate did not have any of these items during the financial years 2014 and 2013. When the Group's share of losses in an associate exceeds its interest in the associate, the Group does not recognize further losses, unless it has committed to settle the obligations on behalf of the associate.

JOINT ARRANGEMENTS

The Group has applied standard IFRS 11 as of January 1, 2013. A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is contractually agreed sharing of control according to which the decisions about the relevant activities require the unanimous consent of the parties sharing contol. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each party. A joint venture is an arrangement in which the Group has rights to the net assets of the arrangement instead in joint operation the Group has rights to its assets and obligations for its liabilities. The Group is involved in one joint arrangement, which the Group has classified as a joint venture. While assessing the classification, the Group considered the structure of the arrangement, the legal form, the terms agreed by parties and other facts and circumstances.

JOINT VENTURES

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

TRANSLATION OF FOREIGN CURRENCY ITEMS

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

FOREIGN CURRENCY TRANSACTIONS

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

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

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

TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

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

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

Since January 1, 2003, the fair value allocations made to the carrying amounts of the assets and liabilities of the acquired foreign entities and goodwill arising on these acquisitions are treated as assets and liabilities of the foreign entities and are translated into euros at the closing rate.

INDEX ACCOUNTING

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

Conversion factor used	
2014	1.16
2013	1.14

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

In 2014 financial statements the monetary items are not restated with index, as they are translated into euro by using the exchange rate of Belarus ruble at the end of the reporting period. Other non-monetary items in the statement of financial position are restated with the index. The index conversion factor used to items of statement of comprehensive income is the index value at the end of the reporting period divided by the average of the monthly indexes during the financial year 2014. As a result of index restated effect on net monetary position, the gain or loss is recognized in financial items.

REVENUE RECOGNITION

Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership of the goods and control have been transferred to the buyer. In general, revenue is recognized at the time of delivery of the goods in compliance with the contract terms. Revenue from the services rendered is recognized in the period when the service has been performed. There are no such long-term projects in the Group for which the revenue would be recognized using the percentage-of-completion (POC) method.

Tikkurila's revenue mainly consists of selling different types of paints to retailers, industry and professional use. Revenue is also in a small extent generated from selling paint related services and equipment.

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

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

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

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

PENSION OBLIGATIONS

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

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

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

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

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

OTHER LONG-TERM EMPLOYEE BENEFITS

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

SHARE-BASED PAYMENTS

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

Tikkurila Oyj's Board of Directors decided in February 2012 to establish a share-based commitment and incentive plan, which originally included a total of ten participants selected by the Board, but where at the end of financial year 2014 included nine participants.

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

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

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

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

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

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

CURRENT TAXES AND DEFERRED TAXES

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

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

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

INTANGIBLE ASSETS

GOODWILL

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

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

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

Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment at least annually. The test is carried out more frequently if there are indications of impairment of goodwill. Possible impairment losses are immediately recognized through profit or loss. For the testing purpose goodwill has been allocated to cash-generating units or, in case of an associate, the goodwill is included in the carrying amount of the associate in question. Tikkurila's cash-generating units (CGU) are Area East, Area Scandinavia, Area Finland, Area Central Europe ja Area South-East Europe. In financial year 2013 these were SBU East, SBU Scandinavia, SBU Finland and SBU Central Eastern Europe. This change is related to changes in Segment reporting.

RESEARCH AND DEVELOPMENT COSTS

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

The Group's development costs fulfilling the capitalization criteria will be capitalized. There have not been such development costs during the financial year 2014 nor 2013. Development costs previously recognized as an expense are not capitalized in a subsequent period.

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

OTHER INTANGIBLE ASSETS

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

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

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

Brands	10–20 years
Customer relationships	5–10 years
Marketing channels	5 years
Software	5–8 years

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

Buildings and constructions	10–40 years
Machinery and equipment	3–15 years

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

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

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

LEASES

THE GROUP AS LESSEE

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

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

THE GROUP AS LESSOR

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

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

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

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

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

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

INVENTORIES

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

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FINANCIAL ASSETS

A financial asset is recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets are included in the original cost, unless the financial asset is recognized at fair value through profit or loss. All purchases and sales of financial assets are recognized or derecognized using trade date accounting. The Group derecognizes financial assets when it has lost its right to receive the cash flows or when it has transferred substantially all the risks and rewards to an external party.

For subsequent measurement the Group's financial assets are classified based on their purpose of use as follows: financial assets at fair value through profit or loss, loans and receivables (granted by the Group) and available-for-sale financial assets. Financial assets are classified at initial recognition based on their purpose of use.

In the statement of financial position, investments with maturity over 12 months are included in non-current assets and investments with maturity date within 12 months in current assets.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Tikkurila classifies in this category such financial assets that are classified as held for trading. This category comprises those derivative instruments that are not guarantees and which do not meet the hedge accounting criteria. The Group has not applied hedge accounting, so all derivative agreements are classified as financial assets at fair value through profit or loss. Other financial assets at fair value through profit or loss include current money market investments. In the statement of financial position these are included in the Group's cash and cash equivalents.

Financial assets at fair value through profit or loss are measured at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value changes, both realized and unrealized, are recognized in profit or loss in financial items in the period in which they arise.

Derivative assets in the category are presented under current accrued income and deferred expenses and derivative liabilities under accrued expenses and deferred income in the statement of financial position. Open derivative agreements are valued at fair value at the end of each reporting period. The fair value of derivative agreements in public trading is determined using the market prices of the day at the end of reporting period. All of Tikkurila's derivative agreements are subject to public trading. Forward exchange contracts are valued using the forward exchange market rates at the end of reporting date.

More information about derivative agreements in Note 33.

LOANS AND OTHER RECEIVABLES

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

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

The available-for-sale financial assets in Tikkurila Group mainly comprise the business supportive nature unlisted shares that are measured at cost as their fair values could not be measured reliably. The measurement of the shares for which the reliable fair value information has been available in the market, the Group has recognized the change in fair value at the end of every reporting period. The change in fair value has been recognized in other comprehensive income, net of tax and presented in the financial statements in equity under the fair value reserve.

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

CASH AND CASH EQUIVALENTS

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

IMPAIRMENT OF FINANCIAL ASSETS

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

The impairment loss on trade receivables is recognized if there is objective evidence that a receivable will not be fully recovered. Objective evidence on impairment of trade and other receivables include, amongst others, significant financial difficulties of the debtor, and the neglect of payment due dates and payments. An impairment loss from trade receivables is recognized in consolidated statement of comprehensive income under other operating expenses.

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

FINANCIAL LIABILITIES

A financial liability is recognized initially at fair value. In the case of a financial liability measured at amortized cost, directly attributable transaction costs are included in the original cost. Tikkurila classifies financial liabilities either as financial liabilities at fair value through profit or loss or other liabilities (financial liabilities measured at amortized cost). Financial liabilities are classified as current if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. The Group removes a financial liability (or a part of it) from its statement of financial position only when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. All purchases or sales of financial liabilities are recognized or derecognized using trade date accounting.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include derivatives not fulfilling the criteria set for hedge accounting. Financial liabilities at fair value through profit or loss are measured at fair value. Fair value changes, both realized and unrealized, are recognized in profit or loss in the period in which they arise and they are included in financial income or financial expenses. In the statement of financial position, derivative receivables and liabilities are shown under accrued income and deferred expenses and accrued expenses and deferred income. More information about derivatives is stated in Note 33.

OTHER FINANCIAL LIABILITIES

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

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset under IAS 23 Borrowing costs, are capitalized as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that incurs in connection with the borrowing of funds. Tikkurila Group has not had such acquired assets with capitalized borrowing costs in the financial years 2014 or 2013.

PROVISIONS AND CONTINGENT LIABILITIES

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

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

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

RELATED PARTY TRANSACTIONS

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

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

SEGMENT REPORTING

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

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

GOVERNMENT GRANTS

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

OPERATING PROFIT

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

NON-RECURRING ITEMS

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

EQUITY

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

ADOPTING NEW AND AMENDED IFRS STANDARDS AND INTERPRETATIONS

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

New standards, amendments and interpretations approved in the EU

- *Annual Improvements to IFRSs 2011–2013*, December 2013 (effective for financial years beginning on or after July 1, 2014). The annual improvements include amendments to four standards. This is not expected to have any significant impact on the Group's forthcoming financial statements.

- *Annual Improvements to IFRSs 2010–2012*, December 2013 (effective for financial years beginning on or after July 1, 2014). The annual improvements include amendments to seven standards. This is not expected to have any significant impact on the Group's forthcoming financial statements.

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

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

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

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

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

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

- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization* (effective for financial years beginning on or after January 1, 2016). The amendments to IAS 16 prohibit companies from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce presumption that revenue-based method of amortization is inappropriate. However, with the exception the revenue may be basis for amortization if the revenue and the consumption of the economic benefits of the intangible assets are highly correlated. This will not have any impact on the Group's forthcoming financial statements.

- *IFRS 14 Regulatory Deferral Accounts* (effective for financial years beginning on or after January 1, 2016). The new standard specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities. This standard is available only to first-time adopters.

- Amendments to IFRS 11 *Joint Arrangements- Accounting for Acquisition of Interests in Joint Operations* (effective for financial years beginning on or after January 1, 2016). The amendments require business combination accounting to be applied to acquisition of interest in joint operations that constitutes a business. This is not expected to have any impact on Group's forthcoming financial statements.

- Amendments to IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for financial years beginning on or after January 1, 2016). The amendments present guidance for accounting when it is a sale of assets or contribution between a parent and its associate or joint venture. If a transaction involves a business according the definition of IFRS 3, the full gain or loss resulting from it is recognized. If a transaction involves assets that do not constitute a business, the gain or loss is recognized in the parent's profit or loss only to the extent of the unrelated investors' interest in that associate or joint venture. This is not expected to have impact on Group's forthcoming financial statements.

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

- IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after January 1, 2017). The new standard on revenue recognition replaces IAS 11 *Construction contracts,* IAS 18 *Revenue* and related interpretations. Revenue is recognized when a customer obtains control of a good or service. This may take place on over time or at a point in time. The core principal is that company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled. There is introduced a 5-step approach to revenue recognition and measurement in standard. The new standard will increase disclosures required. The impact of the standard on Group's forthcoming financial statements is being assessed.

2. Critical accounting estimates requiring management's judgment

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

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

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

IMPAIRMENT OF ASSETS AND ESTIMATES RELATED TO VALUATION OF ASSETS

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

In financial year 2014 impairment losses recognized on property, plant and equipment were related to land area located in Ukraine, real estate located in Russia, buildings and machinery located in Germany, Poland and Finland. Impairment losses of intangible assets were related to software in financial year 2014. In financial year 2013 impairment losses recognized on intangible assets were related intangible rights acquired in business combination of Tikkurila Zorka. Impairment losses on property, plant and equipment were related to machinery and equipment located in Tikkurila's production facility in Serbia as well as the carrying amount of property, plant and equipment located in Finland was decreased due the changes in range of products. The impairments have been presented in the Note 9. Depreciation, amortization and impairment losses.

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

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

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

The management also uses estimates when determining the useful life of property, plant and equipment and intangible assets for Tikkurila Group. If the useful life differs from the original estimate the annual amortization, depreciation is adjusted or impairment is recorded.

As Tikkurila has business and assets in Ukraine and Russia, where during the financial year 2014 geopolitical and financial situation became worse, and as the local currencies strongly and rapidly devaluated at the end of the year, Tikkurila has applied updated forecasts and assumptions when carrying out the impairment testing for the relevant cash-generating unit at the end of 2014. The revised assumptions have been based on the available information at the time of testing, but in case there would be adverse changes to underlying assumptions or to the future performance of the business or to the general business environment, then in the coming financial periods the asset values might have to be impaired. Therefore, the management will constantly monitor the situation, and will regularly analyze various scenarios and their sensitivities.

BUSINESS COMBINATIONS

In business combinations the net identifiable assets of the acquired companies are measured at fair value. Taking into account Tikkurila Group's geographical operating area and the nature of its operations, it is possible that the fair value of the acquired companies or business operations and the related assets and liabilities cannot be reliably determined and that the value determination involves a lot of estimated items. In the case of a major acquisition, the estimated fair values of property, plant and equipment and intangible assets acquired and their estimated useful lives may have a significant effect on Tikkurila's result and statement of financial position. The net assets acquired in business combinations during the current and previous financial year are disclosed in Note 4 Business combinations and disposals of businesses. During 2014 Tikkurila made altogether three acquisitions, for which it paid a total of EUR 15.8 million as cash purchase considerations and as a consequence of these acquisitions the Group allocated as non-current assets EUR 8.2 million in goodwill and EUR 5.5 million in other intangible assets.

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

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

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

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

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

PROVISIONS

A provision is recognized when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. A provision can be recognized when the amount of the obligation can be determined reliably. Recognizing provisions requires the management's estimates, since the precise euro amount of obligations related to provisions is not known when preparing the financial statements. If the management estimates that no probable payment obligation arises the item is presented as a contingent liability in the financial statements. On the closing date, December 31, 2014, the provisions amounted to EUR 0.9 million. The corresponding figure in the 2013 financial statements was EUR 1.0 million. Provisions have been described in Note 31.

INCOME TAXES

For the recognition of deferred tax assets on tax losses and other items, management assesses the probability of a future taxable profit against which tax assets can be utilized. The Group has subsidiaries in several countries with different types of tax regulations. Estimating the total amount of income taxes at Group level requires significant consideration. Actual profits may differ from the forecasts and, in such case, the change will affect the taxes in future periods. The amount of deferred tax assets in the 2014 financial statements was EUR 7.8 million and the amount of confirmed tax losses carried forward from prior periods for which no deferred tax asset has been recognized was EUR 9.1 million.

PENSION OBLIGATIONS

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

3. Segment information

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

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

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

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

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

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

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

Reportable segments 2013 (EUR thousand)	SBU West	SBU East	Tikkurila common	Elimination	Total
External revenue	388,578	264,387	-	-	652,964
Depreciation, amortization and impairment losses	11,774	10,567	-	-	22,341
Operating profit (loss)	50,370	24,099	-3,001	-	71,468
Non-allocated items					
Financial income					6,050
Financial expenses					-10,339
Share of profit or loss of equity-accounted investees					-137
Profit before tax					67,042
Segment assets	287,334	140,027	44,407	-56,449	415,319
Investments in equity-accounted investees					1,433
Capital expenditure	6,368	6,784	-	-	13,151

SBU West consists of Sweden, Denmark, Norway, Finland, Poland, Germany, Estonia, Latvia and Lithuania.
SBU East consists of Russia, Central Asian countries, Ukraine, Belarus, Serbia, Macedonia, and China. Furthermore SBU East is responsible for the exports to approximately 20 countries.

PERSONNEL BY SEGMENTS DURING THE PERIOD, AVERAGE

	2014	2013
SBU West	**1,595**	1,574
SBU East	**1,587**	1,658
Tikkurila common	**30**	30
Total	**3,212**	3,262

REVENUE BY DESTINATION

(EUR thousand)	**2014**	2013
Russia	**175,681**	204,346
Sweden	**143,556**	151,319
Finland	**101,316**	104,009
Poland	**63,940**	60,149
Other countries	**133,913**	133,141
Total	**618,406**	652,964

REVENUE BY PRODUCT GROUP

(EUR thousand)	2014	2013
Decorative paints	515,941	548,936
Industrial coatings	102,466	104,028
Total	618,406	652,964

NON-CURRENT ASSETS BY GEOGRAPHICAL LOCATION *)

(EUR thousand)	2014	2013
Russia	32,108	52,256
Sweden	85,231	85,337
Finland	23,591	24,182
Poland	12,500	11,304
Other countries	28,552	19,791
Total	181,982	192,870

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

4. Business combinations and disposals of businesses

ACQUISITIONS 2014

KEFA DRYTECH AB

SBU West carried out an acquisition on June 2014. In the acquisition, Tikkurila's business segments in Sweden and Finland purchased the entire share capital of KEFA Drytech AB and acquired some other business related intangible assets. The acquired Swedish company manufactures and offers a wide range of products for protecting surfaces. The acquisition 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 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. Preliminary purchase price allocation of KEFA Drytech AB is disclosed in the following table.

TOTAL PURCHASE CONSIDERATION

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

RECOGNIZED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

(EUR thousand)	Fair values recognized on business combination
Property, plant and equipment	51
Intangible assets	
Customer relations	348
Trademarks	381
Deferred tax assets	46
Inventory	240
Trade and other receivables	316
Cash and cash equivalents	93
Total assets	1,475
Deferred tax liabilities	148
Provisions	209
Interest-bearing current liabilities	276
Trade and other payables	206
Total liabilities	839

(EUR thousand)	Fair values recognized on business combination
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. The acquired company was consolidated into Tikkurila Group since June 30, 2014. The amount of revenue consolidated to the Group's consolidated statement of comprehensive income was EUR 0.8 million and net profit EUR 0.1 million.

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

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

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

ISO PAINT GROUP

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

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

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

TOTAL PURCHASE CONSIDERATION

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

RECOGNIZED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

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

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

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

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

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

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

TÄBY FÄRG & TAPET AB

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

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

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

TOTAL PURCHASE CONSIDERATION

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

RECOGNIZED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

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

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

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

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

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

ACQUISITIONS 2013

Tikkurila's Scandinavian business segment carried out an acquisition in Sweden on October 14, 2013. In the acquisition, Tikkurila Sverige AB purchased the entire share capital of Färgservice i Malmö AB. The acquired company is a retail paint shop in Malmö. The purpose of the acquisition is to improve the distribution of Tikkurila's paint products to professional customers. The purchase price was EUR 505 thousands and it was paid in cash. The acquisition did not have a significant impact on the Group's consolidated statement of financial position, result or financial position. The acquired company was consolidated into Tikkurila Group starting from the last quarter of 2013.

Purchase price allocation of Färgservice i Malmö AB is disclosed in the following table.

TOTAL PURCHASE CONSIDERATION

(EUR thousand)	
Consideration paid at closing in October 2013	505
Total consideration	**505**

RECOGNIZED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

(EUR thousand)	Fair values recognized on business combination
Property, plant and equipment	18
Intangible assets	
Customer relations	50
Inventory	265
Trade and other receivables	210
Cash and cash equivalents	114
Total assets	**657**
Deferred tax liabilities	23
Trade and other payables	190
Total liabilities	**213**
Total identifiable net assets	**444**
Goodwill	61
Total	**505**
Acquisition-related costs	**4**

EUR 4 thousand of acquisition-related expenses were included in consolidated statement of comprehensive income in other operating expenses in year 2013.

Minor amount of goodwill has been recognized, and it is linked to expected synergies to be achieved regarding distribution. Goodwill is not deductible for tax purposes.

If the acquisition of Färgservice i Malmö AB would have been carried out in the beginning of the year 2013, instead of middle of October, 2013, Tikkurila's management estimates that it would have had roughly the following impact on Tikkurila Group's consolidated income statement for January-December 2013:

- Revenue: Increase of round EUR 400 thousand
- Net profit: Increase of EUR 37 thousand

The revenue in the consolidated statement of comprehensive income 2013, included revenue of acquired business since middle of October, 2013 amounting EUR 276 thousand and net loss of EUR 49 thousand.

DISPOSALS 2014

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

DISPOSALS 2013

There were no disposals during the financial period 2013.

5. Supplementary cash flow information from business combinations and disposals of businesses

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND BUSINESSES

(EUR thousand)	2014	2013
Acquisition of businesses		
Total purchase consideration	15,815	505
Cash and cash equivalents at acquisition date	-1,414	-114
Cash outflow on acquisition net of cash acquired	14,401	391
Proceeds from the disposals of businesses and subsidiaries		
Proceeds from the disposals	-	-
Cash inflow from the previous years' disposals	734	363
Cash inflow	734	363

(EUR thousand)	2014	2013
Assets and liabilities disposed of		
PPE* and intangible assets	-	-
Goodwill	-	-
Deferred tax assets	-	-
Interest-bearing receivables	-	-
Inventory	-	-
Trade receivables and other interest-free receivables	-	-
Cash and cash equivalents	-	-
Total assets	-	-
Deferred tax liabilities	-	-
Interest-bearing liabilities	-	-
Trade and other payables	-	-
Total liabilities	-	-
Total net assets and liabilities of disposed subsidiaries and businesses	-	-
Loss on disposals in equity	-	-
Total	-	-

* Property, plant and equipment

6. Non-current assets held for sale

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

At year-end 2013, assets held for sale comprised land area and buildings located in Inkoo area in Finland. The carrying amount of assets was compared to the sales price offer derived from the real estate markets. The sales price estimation is higher of the carrying amounts and thus assets are measured at their carrying amounts.

Non-current assets held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

(EUR thousand)	2014	2013
Non-current assets held for sale		
Property plant and equipment	-	43
Total	-	43
Liabilities classified as held for sale		
Trade and other payables	-	400
Total	-	400

7. Other operating income

(EUR thousand)	2014	2013
Gains on sale of non-current assets	926	206
Change in fair value of contingent consideration	-	1,011
Gains on sale of available-for-sale financial assets	1,218	478
Insurance compensation	216	264
Rental income	323	409
Decrease on accrual of fine, set on Tikkurila for breach of competition law in Poland	1,750	-
Income on services provided to joint venture	923	-
Other income from operations	623	340
Total	5,979	2,708

Gains on sales of non-current assets in 2014 consists of a sale of a recreational real estate and minority part include gains on sales of machinery and equipment.
In 2013 gains on sale of non-current assets consist mainly of sales of machinery and equipment.
In financial year 2013, change in fair value of contingent consideration was related to acquisition of the business of the Serbian company, Zorka Color.
Rental income is received mainly from leasing of premises in years 2014 and 2013.

8. Personnel expenses

(EUR thousand)	2014	2013
Remuneration of the Board of Directors of Tikkurila Oyj and Managing Directors of Tikkurila Group companies	-3,091	-3,117
Wages and salaries	-78,290	-79,590
Share-based payments	-678	-1,103
Pension expenses for defined contribution plans	-11,080	-11,654
Pension expenses for defined benefit plans	-1,378	-1,547
Other personnel expenses	-11,942	-12,164
Total	-106,459	-109,175

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

Personnel, average	2014	2013
Personnel in Finland, average	612	607
Personnel outside Finland, average	2,600	2,655
Total	3,212	3,262
Personnel at year-end	3,142	3,133

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

9. Depreciation, amortization and impairment losses

(EUR thousand)	2014	2013
Depreciation and amortization		
Intangible assets	-3,383	-4,628
Property, plant and equipment		
Buildings and constructions	-3,506	-4,108
Machinery and equipment	-9,868	-10,738
Other property, plant and equipment	-1,027	-1,185
Total	-17,785	-20,659
Impairment losses		
Intangible assets		
Goodwill	-	-
Other intangible assets	-612	-1,011
Property, plant and equipment		
Land and water	-1,627	-296
Machinery and equipment	-37	-375
Buildings and constructions	-968	-
Total	-3,244	-1,682
Total depreciation, amortization and impairment losses	-21,029	-22,341

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

In financial year 2013 impairment losses recognized on intangible assets were related intangible rights acquired in business combination of Tikkurila Zorka. Impairment losses on property, plant and equipment were related to machinery and equipment located in Tikkurila's production facility in Serbia as well as the carrying amount of property, plant and equipment located in Finland was decreased due the changes in range of products.

10. Other operating expenses

(EUR thousand)	2014	2013
Rents	-12,793	-12,954
Other voluntary personnel expenses	-4,544	-4,378
Sales and marketing	-28,119	-28,547
Repair and maintenance	-8,616	-9,361
IT and communication	-5,131	-5,386
Freights for goods sold	-17,400	-18,987
Professional fees	-3,708	-3,032
Transportation and travel	-9,449	-10,905
Energy, heating and water	-5,259	-5,859
Insurances excl. personnel insurances	-944	-1,028
Office expenses	-2,232	-1,394
Representation and membership fees	-2,754	-2,274
External services	-14,491	-13,850
Authority fees and environmental tax	-1,608	-1,912
Credit losses	-1,617	-1,805
Other expenses	-7,357	-6,092
Total	-126,022	-127,764

(EUR thousand)	2014	2013
Audit fees [1]:		
KPMG	-412	-404
Other audit firms	-59	-92
Tax advisory, KPMG	-59	-38
Tax advisory, other audit firms	-7	-22
Other services, KPMG	-129	-45
Other services, other audit firms	-48	-25
Total	-714	-626

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

NON-RECURRING ITEMS IN FINANCIAL STATEMENTS

(EUR thousand)	2014	2013
Expenses		
Wages and salaries	-503	-561
Other personnel expenses	-185	-91
Defined benefit and contribution pension expenses	-180	-260
Other	-68	-48
Impairment losses:		
Other intangible assets	-612	-1,011
Property, plant and equipment	-2,632	-671
Total	-4,180	-2,642
Income		
Other operating income	3,724	1,509
Total	3,724	1,509
Total non-recurring items	-456	-1,133

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

In financial year 2013 the non-recurring items were related to implementation of the streamlining program started in Group at the end of 2011. In addition, the impairment loss was recognized on intangible rights acquired in business combination of Zorka Color, the carrying amount of machinery and equipment located in Tikkurila's production facility in Serbia as well as the carrying amount of property, plant and equipment located in Finland were decreased.

Non-recurring items in other operating income mainly include profit originating from sales of available-for-sale financial assets and the change in fair value of contingent consideration in 2013.

11. Research and development expenses

(EUR thousand)	2014	2013
Research and development expenses total	-10,670	-10,483

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

12. Financial income and expenses

(EUR thousand)	2014	2013
Financial income		
Dividend income from available-for-sale financial assets	112	121
Interest income from loans and other receivables	493	743
Interest income from assets at fair value through profit or loss	0	50
Other interest income	29	24
Exchange rate gains		
Exchange rate gains from financial assets at fair value through profit or loss	21,495	2,316
Exchange rate gains from loans and other receivables	2,341	980
Exchange rate gains from financial liabilities measured at amortized cost	328	1,375
Other financial income	40	-
Gain on net monetary position	750	441
Total	25,588	6,050
Financial expenses		
Interest expenses from financial liabilities measured at amortized cost	-1,571	-1,934
Interest expenses from financial liabilities at fair value through profit or loss	-3,864	-504
Other interest expenses	-3	-6
Exchange rate losses		
Exchange rate losses from financial liabilities at fair value through profit or loss	-4,176	-817
Exchange rate losses from loans and other receivables	-10,266	-4,685
Exchange rate losses from financial liabilities measured at amortized cost	-5,476	-1,430
Other financial expenses	-986	-963
Total	-26,342	-10,339
Total financial income and expenses	-754	-4,289

	2014	2013
Net financial expenses as a percentage of revenue	0.1	0.7
Net interests as a percentage of revenue	0.8	0.2

Exchange rate gains and losses in financing items (EUR thousand)	2014	2013
Realized	9,029	-1,297
Unrealized	-4,783	-964
Total	4,246	-2,261

Exchange rate gains and losses in operating profit (EUR thousand)	2014	2013
Revenue	269	176
Materials and services	-6,390	-2,695
Total	-6,121	-2,519

13. Income taxes

(EUR thousand)	2014	2013
Current income tax charge	-16,545	-19,607
Adjustments for prior years	1,006	-250
Deferred taxes	524	2,888
Total	-15,015	-16,969

(EUR thousand)	2014	2013
Income taxes recognized in other comprehensive income		
Items that will not be reclassified to profit or loss		
Deferred taxes		
Remeasurements on defined benefit plans	816	-177
Total tax items that will not be reclassified to profit or loss	816	-177
Items that may be reclassified subsequently to profit or loss		
Deferred taxes		
Available-for-sale financial assets, fair value changes	61	58
Net investment in foreign operations	59	87
Current taxes		
Net investment in foreign operations	-93	38
Total tax items that may be reclassified subsequently to profit or loss	27	183
Total income taxes recognized in other comprehensive income	843	6

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

(EUR thousand)	2014	2013
Tax at parent's tax rate	-12,657	-16,425
Effect of different tax rates in foreign subsidiaries	-639	1,020
Tax-exempt income	684	402
Non-deductible expenditure	-1,137	-1,097
Effect of changes in tax rates	15	-61
Used tax losses, previously unrecognized	161	251
Current year losses for which no deferred tax asset was recognized	-2,031	-751
Taxes from previous financial years	1,006	-250
Changes of deferred taxes related to previous years and current year temporary difference which no deferred taxes were recognized	-126	639
Effect of result of equity-accounted investees	74	-30
Non-credited foreign withholding taxes	-249	-556
Other items	-116	-111
Total taxes in the statement of comprehensive income	-15,015	-16,969

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

The Finnish corporate income tax rate decreased from 24.5% to 20% as of January 2014. In financial statements 2013 the Finnish deferred taxes were measured by using the substantially enacted corporate tax rate (20%). The Ukrainian tax rate decreased from 19% to 18% as of January 2014. In financial statements 2013, deferred taxes were measured by using the tax rate of 18%. During the year 2013 tax rate decreased in Ukraine from 21% to 19%.

The Norwegian corporate income tax rate decreased from 28% to 27% as of January 2014 as well as corporate tax rate in Denmark decreased from 25% to 24.5% as of January 2014. In recognizing of deferred taxes regarding these both countries, the substantially enacted corporate tax rates were applied in financial statements 2013.

14. Earnings per share

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

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

	2014	2013
Profit for the period attributable to the owners of the parent, EUR thousand	**48,272**	50,073
Weighted average number of ordinary shares (1,000)	**44,054**	44,108
Basic earnings per share (EUR / share)	**1.10**	1.14
Profit for the period attributable to the owners of the parent, EUR thousand	**48,272**	50,073
Weighted average number of ordinary shares (1,000)	**44,054**	44,108
Effect of share-based incentive plan (1,000)	**122**	104
Weighted average number of ordinary shares, adjusted for dilutive effect (1,000)	**44,177**	44,212
Diluted earnings per share (EUR / share)	**1.09**	1.13

Tikkurila Oyj has one class of shares that has no nominal value. The number of registered shares was 44,108,252 at end of the reporting period 2014, at the end of year 2013 44,108,252. The Group held 79,500 treasury shares on December 31, 2014. At the end of year 2013, the Group held no treasury shares.

15. Property, plant and equipment

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

(EUR thousand)	Land and water	Buildings and constructions	Machinery and equipment	Other property, plant and equipment*	Prepayments and non-current assets under construction	2013 Total
Acquisition cost at Jan 1, 2013	8,154	125,042	186,576	9,577	5,282	**334,630**
Acquisition through business combinations	-	-	15	4	-	**19**
Other increases	379	1,173	5,777	786	3,682	**11,797**
Other decreases	-322	-13,698	-6,457	-841	-	**-21,318**
Transfer to held for sale assets	-30	-127	-6	-6	-	**-169**
Other changes	-	-240	34	1	-334	**-539**
Reclassifications	32	3,754	1,394	198	-3,165	**2,213**
Exchange rate differences	-191	-3,758	-4,097	-862	-454	**-9,362**
Cost at Dec 31, 2013	**8,022**	**112,146**	**183,236**	**8,857**	**5,011**	317,271
Accumulated depreciation and impairment losses at Jan 1, 2013	-78	-77,543	-138,629	-5,595	-	**-221,845**
Accumulated depreciation relating to decreases and transfers	322	13,692	6,348	807	-	**21,169**
Depreciation during the financial year	-	-4,108	-10,738	-1,185	-	**-16,031**
Impairment losses	-296	-	-375	-	-	**-671**
Transfer to held for sale assets	-	114	6	6	-	**126**
Other changes	-	-	-8	-	-	**-8**
Reclassifications	-26	26	-92	55	-	**-37**
Exchange rate differences	9	1,023	2,732	477	-	**4,241**
Accumulated depreciation and impairment losses at Dec 31, 2013	**-69**	**-66,796**	**-140,756**	**-5,435**	**-**	-213,056
Net carrying amount at Jan 1, 2013	**8,076**	**47,499**	**47,946**	**3,982**	**5,282**	112,785
Net carrying amount at Dec 31, 2013	**7,952**	**45,350**	**42,479**	**3,423**	**5,011**	104,215

*Other property, plant and equipment include for example shelters, improvements on leasehold premises and pavements.
Contractual commitments for the acquisition of property, plant and equipment is disclosed in Note 36 Commitments and contingent liabilities.

Prepayments and non-current assets under construction comprise as biggest separate projects a project aiming to widen the product range manufactured in Russia, EUR 0.5 million, and a project of re-organizing the logistic function EUR 0.6 million. Other projects in process relate to maintenance and upgrading of buildings and production technology.

During the financial year 2013, the Group received a grant for an amount of PLN 1.0 million corresponding about EUR 0.2 million. Grant was received from Polish government for modernization of building used in research and development activities in Poland. The grant is deducted of an acquisition value of the modernization investment. There were no unfulfilled conditions nor other contingencies attached to the grant.

ASSETS LEASED UNDER FINANCE LEASES

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

(EUR thousand)	Machinery and equipment	Motor vehicles	Total
Dec 31, 2014			
Acquisition cost	1,247	932	**2,179**
Accumulated depreciation	513	554	**1,067**
Net carrying amount	**734**	**378**	**1,112**
Dec 31, 2013			
Acquisition cost	924	1,665	**2,589**
Accumulated depreciation	480	946	**1,426**
Net carrying amount	**444**	**719**	1,163

16. Intangible assets

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

(EUR thousand)	Goodwill	Other intangible assets	Prepayments	2013 Total
Acquisition cost at Jan 1, 2013	69,094	61,994	3,642	134,730
Acquisition through business combinations	61	50	-	111
Other increases	-	669	601	1,270
Other decreases	-	-2,003	-	-2,003
Reclassifications	-	3,937	-3,899	38
Exchange rate differences	-660	-1,935	-185	-2,780
Cost at Dec 31, 2013	68,495	62,712	159	131,366
Accumulated amortization and impairment losses at Jan 1, 2013	-2,123	-38,714	-	-40,837
Accumulated amortization relating to decreases and transfers	-	2,003	-	2,003
Amortization during the financial year	-	-4,628	-	-4,628
Impairment losses	-	-1,011	-	-1,011
Exchange rate differences	16	312	-	328
Accumulated amortization and impairment losses at Dec 31, 2013	-2,107	-42,039	-	-44,146
Net carrying amount at Jan 1, 2013	66,971	23,280	3,642	93,892
Net carrying amount at Dec 31, 2013	66,388	20,674	159	87,221

The carrying amounts of equity-accounted investees in 2014 or 2013 did not include goodwill. The Group did not have intangible assets with indefinite useful lives in 2014 or earlier financial periods.

Other intangible assets include trademarks and -names acquired in business combinations in total of EUR 11.0 million (2013: EUR 14.2 million), as well as marketing channels and customer connections acquired in business combinations in total of EUR 3.8 million (2013: EUR 1.0 million). Other intangible assets include also carrying amount of software in total of EUR 3.2 million (2013: EUR 5.4 million).

There are no capitalized development costs in Tikkurila Group.

17. Impairment test

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

Reporting structure was changed from the beginning of year 2014 from four operating segments to two reporting segments which consist of five separate operating area. In impairment testing the cash-generating units were in year 2013 the reported four segments and in 2014 the five operating areas. The change in reporting structure has no effect on the organization of Tikkurila's business operations. The new reporting structure supports better developing the business operations, implementing the growth strategy, and taking EU legislation into consideration.

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

Cash-generating units:	2014	
(EUR thousand)	Carrying amount	of which Goodwill
Finland	**29,040**	**-**
Scandinavia	**115,048**	**69,097**
East	**59,272**	**3,362**
Central Europe	**34,849**	**-**
South-East Europe	**15,316**	**-**

Cash-generating units:	2013	
(EUR thousand)	Carrying amount	of which Goodwill
Finland	31,431	-
Scandinavia	96,935	60,998
East	92,160	5,391
Central Eastern Europe	48,148	-

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

The discount rate used varies between 7.2% - 25.3% depending on the cash-generating unit in 2014. The discount rates are defined as WACC (weighted average cost of capital) which reflects the total cost of equity and debt while taking the specific risks involving the assets into consideration.

The cash flows and discount rates are determined before taxes.

SIGNIFICANT ASSUMPTIONS AND SENSITIVITY ANALYSIS OF THE IMPAIRMENT TESTS

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

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

In 2013 impairment test, the pace of the growth of revenue was expected to stabilize relatively the most during the forecasting period from 2014 to 2016 for the areas of SBU Finland and SBU Scandinavia, compared to the development in the previous year made three year forecast. The most of the growth of revenue was still expected for the areas SBU East and SBU Central Eastern Europe. The greatest growth was expected in SBU East area. The raw material prices were expected to remain on the same level in 2014 as they were in prior year. In year 2013 the raw material prices decreased slightly compared to the prices in 2012. As per the latest strategy streamlining, cutting out overlapping and harmonization of group activities as well as thorough expense control were expected to maintain Group's competitiveness and to improve profitability.

The values of the key assumptions related to discount rates are defined separately for each cash-generating unit and each testing period in order to reflect the corresponding market information. The discount rates have changed mainly due to the changes in the main assumptions of WACC, which are risk free interest rate, capital structure and Beta coefficient. The increase of discount rate in the operating areas East and South-East Europe from the year 2013 to year 2014 was mainly caused by the inrease of the risk free interest rate. The average market-based ratio between equity and liabilities of benchmark companies and the branch is considered as capital structure.

The chart below shows the estimated parameters used in testing during the three-year forecasting period and for the terminal period in 2014 by the cash generating units in the year.

	Scandinavia 2014	East 2014	Central Europe 2014	South-East Europe 2014	Finland 2014
Estimate parameters used					
Relative operating profit before depreciation, amortization and impairment, average (EBITDA), %	**14.2**	**13.0**	**13.9**	**13.7**	**12.3**
Discount rate, pre-tax, %	**7.2**	**24.9**	**10.4**	**25.3**	**7.2**
Growth post forecast period, %	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
The amount at which the recoverable amount exceeds the carrying amount, EUR thousands	**219,752**	**10,234**	**74,122**	**7,304**	**81,529**

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

	Scandinavia 2014	East 2014	Central Europe 2014	South-East Europe 2014	Finland 2014
Change in key assumptions					
Change in the relative operating profit before depreciation, amortization and impairment, average (EBITDA %), % -units	**-7.7**	**-1.5**	**-6.7**	**-3.8**	**-5.0**
Change in pre-tax discount rate, % -units	**11.4**	**3.3**	**16.1**	**10.6**	**14.2**
Change in growth post forecast period, % -units	**-21.7**	**-6.4**	**-40.3**	**-33.8**	**-28.4**

The chart below shows the estimated parameters used in testing during the three-year forecasting period and for the terminal period in 2013 by the cash generating units in the year.

	Scandinavia 2013	East 2013	Central Eastern Europe 2013	Finland 2013
Estimate parameters used				
Relative operating profit before depreciation, amortization and impairment, average (EBITDA), %	14.6	13.7	12.0	11.7
Discount rate, pre-tax, %	9.5	18.0	12.9	8.8
Growth post forecast period, %	0.0	0.0	0.0	0.0
The amount at which the recoverable amount exceeds the carrying amount, EUR thousands	191,757	94,859	39,930	72,582

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

	Scandinavia 2013	East 2013	Central Eastern Europe 2013	Finland 2013
Change in key assumptions				
Change in the relative operating profit before depreciation, amortization and impairment, average (EBITDA %), % -units	-8.2	-5.7	-3.6	-5.8
Change in pre-tax discount rate, % -units	15.6	15.8	8.4	16.4
Change in growth post forecast period, % -units	-41.8	-60.8	-15.8	-41.9

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

18. Equity-accounted investees

(EUR thousand)	2014	2013
Carrying amount at Jan 1	1,433	1,859
Share of profit or loss of equity-accounted investees	338	-137
Dividends	-293	-254
Disposals	-587	-
Other comprehensive income	-10	20
Exchange rate differences and other changes	-69	-55
Carrying amount at Dec 31	812	1,433

ASSOCIATES

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

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

In year 2013, there were no changes in ownership of associates.

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

SUMMARIZED FINANCIAL INFORMATION OF ASSOCIATE:

(EUR thousand)	2014	2013
Non-current assets	-	1,108
Current assets	-	9,765
Total assets	-	10,873
Non-current liabilities	-	-
Current liabilities	-	9,446
Total liabilities	-	9,446
Net assets	-	1,427
Group's share of net assets in year 2013 (45%)	-	642
Revenue	11,864	54,037
Profit for the period	-93	-899
Other comprehensive income	-	-
Total comprehensive income for the period	-93	-899
Group's share of total comprehensive income for the period (45%)	-42	-405

(EUR thousand)	2014	2013
Group's share of net assets at Jan 1	642	1,070
Group's share of net profit	-42	-405
Translation differences	-13	-23
Disposals	-587	-
Carrying amount at Dec 31	-	642

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

JOINT VENTURES

Alcro Parti AB is the only joint arrangement in which the Group participates. The Group has 50 percent of ownership interest and voting rights in Alcro Parti AB. In year 2014 or 2013, there were no changes in ownership in joint arrangements.

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

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

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

SUMMARIZED FINANCIAL INFORMATION OF JOINT VENTURE:

(EUR thousand)	2014	2013
Non-current assets	1,254	1,302
Current assets excluding cash and cash equivalents	672	680
Cash and cash equivalents	796	384
Total assets	2,722	2,366
Non-current financial liabilities	-	-
Other non-current liabilities	499	481
Current financial liabilities excluding trade payables	-	-
Other current liabilities including trade payables	599	303
Total liabilities	1,098	784
Net assets	1,624	1,582
Group's share of net assets (50%)	812	791
Revenue	8,604	8,064
Depreciation and amortization	-	-
Interest income	14	23
Interest expenses	-	-
Income taxes	-232	-154
Profit for the period	760	535
Other comprehensive income	-20	40
Total comprehensive income for the period	740	575
Group's share of total comprehensive income for the period	370	288
Dividends received by Group	293	254
Personnel during the period, average	8	8

(EUR thousand)	2014	2013
Group's share of net assets at Jan 1	791	789
Group share of net profit	380	268
Dividends received	-293	-254
Other comprehensive income	-10	20
Translation differences	-56	-32
Carrying amount at Dec 31	812	791

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

19. Inventories

(EUR thousand)	2014	2013
Materials and supplies	20,251	22,228
Work in progress	2,647	1,020
Finished goods	50,720	56,418
Prepayments	72	66
Total	73,690	79,732

Inventory write-downs amounting to EUR 3.9 million (EUR 2.7 million) were recognized during the financial period. Write-down of inventory is recognized as expense if carrying amount exceeds net realizable value. The valuation of inventories at end of each review period requires to some extent management estimates. Based on Group's internal instructions and on operative information, subsidiary and Group management use judgment when assessing the need and amount of write-downs, since mostly there are no explicit methods in assessing the fair value of the inventories.

The amount of write-downs of inventories to net realizable value and all losses in inventories are recognized as an expense in the consolidated statement of comprehensive income under "Materials and services" and "Change in inventories of finished goods and work in progress". During the financial year 2014 reversals of inventory write-down amounting to EUR 1.2 million were recognized (EUR 0.3 million). The amount of cost recognized as expense was EUR 307.2 million (EUR 324.9 million) and it is presented in the consolidated statement of comprehensive income, line-items "Materials and services" and "Change in inventories of finished goods and work in progress".

Carrying amount of inventories carried at fair value less costs to sell in year 2014 was EUR 705 thousand (EUR 540 thousand).

20. Available-for-sale financial assets

(EUR thousand)	2014	2013
Carrying amount at Jan 1	3,590	3,281
Additions	-	84
Disposals	-1,186	-17
Change in valuation	848	249
Exchange rate differences	-12	-7
Carrying amount at Dec 31	3,240	3,590

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

Shares of Ekokem are quoted in OTC-list and that information is used to determine their fair value. Unrealized fair value changes are recognized in other comprehensive income, net of tax and these are included in fair value reserve in equity. These shares are recognized in fair value hierarchy level 2 (Note 32).

No impairment losses were recognized for available-for-sale financial assets during the years 2014 or 2013.

In year 2014 gains on sale of available-for-sale financial assets amounted to EUR 1,218 (478) thousand. Losses were recognized neither in year 2014 nor 2013. Gains or losses on the sales of these assets are included in other operating income or expense.

21. Non-current receivables

(EUR thousand)	2014	2013
Loan receivables	2,986	4,418
Prepayments	147	186
Other receivables	1,125	1,089
Finance lease receivables	3	6
Total non-current assets	4,261	5,699
Prepayments		
Pre-rent of the production site in Serbia	-	42
Other prepayments	147	144
Total prepayments	147	186
Other receivables		
Trade receivables and hire-purchases	1,022	956
Other non-current non-interest-bearing receivables	103	133
Total other receivables	1,125	1,089

(EUR thousand)	2014	2013
Finance lease receivables - maturity		
Within one year	3	3
After one year and not later than five years	3	6
Later than five years	-	-
Total	6	9

(EUR thousand)	2014	2013
Finance lease receivables - present value of the minimum lease payments		
Within one year	**3**	3
After one year and not later than five years	**3**	6
Later than five years	**-**	-
Total	**6**	9
Unearned finance income	**0**	0
Total finance lease receivables	**6**	9

22. Current interest-bearing receivables

(EUR thousand)	2014	2013
Finance lease receivables	**3**	3
Loan receivables	**575**	614
Total interest-bearing receivables	**578**	617

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

23. Trade and other non-interest-bearing receivables

(EUR thousand)	2014	2013
Trade receivables	**73,576**	80,360
Accrued income and deferred expenses	**9,697**	8,601
Other receivables	**3,894**	3,618
Total current non-interest-bearing receivables	**87,167**	92,579

To define the fair value of trade receivables the management estimates as per customer specific indications the need and amount of impairment.
Tikkurila Group sells certain trade receivables to a financing company. The credit risks and contractual rights relating these financial assets are transferred to the financing company at the time of the sale. Arrangement fees are recognized as financial expenses.
Other receivables include VAT receivables amounting to EUR 3.3 million (EUR 3.0 million).

(EUR thousand)	2014	2013
Accrued income and deferred expenses		
Items related to net revenue and purchases	**1,912**	2,945
Employee benefit expenses	**846**	740
Insurances	**532**	359
Leases	**1,646**	2,247
Interests	**48**	32
Derivatives	**3,243**	478
Other	**1,470**	1,800
Total	**9,697**	8,601

24. Cash and cash equivalents

(EUR thousand)	2014	2013
Cash	**25,771**	28,177
Cash equivalents (bank deposits and money market investments, maturity less than 3 months)	**5**	994
Total cash and cash equivalents	**25,776**	29,171

(EUR thousand)	2014	2013
Cash and cash equivalents according to cash flow:		
Cash	25,771	28,177
Cash equivalents (bank deposits and money market investments, maturity less than 3 months)	5	994
Bank overdrafts	-	-
Total cash and cash equivalents	25,776	29,171

25. Deferred tax assets and liabilities

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

								Balance at Dec 31, 2013		
2013 (EUR thousand)	Net balance at Jan 1, 2013	Translation differences	Recognized in profit or loss	Recognized in OCI	Acquisitions / disposals	Transfer to held for sale	Other changes and transfers	Net	Deferred tax assets	Deferred tax liabilities
Carry forward tax losses	44	2	71	-	-	-	15	132	132	-
Defined benefit pension plans	1,539	-61	-41	-172	-	-	-	1,265	1,265	-
Provisions	149	1	32	-	-	-	-	182	182	-
Inventory profit	816	-61	116	-	-	-	-	871	871	-
Cumulative depreciation difference	-4,314	131	948	-	-	-	-	-3,235	812	-4,048
Available-for-sale financial assets	-589	-	-	58	-	-	-	-531	-	-531
Fair value measurement of PPE* and intangible asset in business combinations	-3,864	341	494	-	-23	-	-	-3,052	-	-3,052
Other temporary differences	3,384	-354	1,268	87	-	-	-	4,385	5,350	-965
Net tax liabilities (assets)	-2,836	-1	2,888	-27	-23	-	15	16	8,612	-8,596

* Property, plant and equipment

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

The Group subsidiaries had tax losses carried forward of EUR 18.9 million at December 31, 2014 (EUR 7.9 million) for which no deferred tax asset was recognized. The unlimited right to carry forward the tax losses concerns 43 (13) percent of the tax losses. Tax losses with the limited right expire in 2015–2024. Deferred tax assets are only recognized at estimated realizable amounts, i.e. to the extent that it is probable that taxable profit will be available in the future, against which temporary differences can be utilized.

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

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

26. Capital and reserves

	Number registered shares (1,000)	Treasury shares (1,000)	Number of shares outstanding (1,000)
Total at January 1, 2013	44,108	-	44,108
Total at December 31, 2013	**44,108**	**-**	**44,108**
Acquisition of treasury shares	-	-100	-
Disposal of treasury shares as part of Tikkurila's share-based incentive plan	-	21	-
Total at December 31, 2014	**44,108**	**-80**	**44,029**

Tikkurila Oyj has one class of shares, and each share entitles its holder to one vote at the General Meetings and to an equal amount of dividend. The share has no nominal value. The share capital was EUR 35 million at December 31, 2014 (EUR 35 million) and it is fully paid. On December 2014, the number of shares was 44,108,252 including 79,500 treasury shares. At the end of year 2013, number of shares was 44,108,252. The Group held no treasury shares on December 31, 2013.

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

FAIR VALUE RESERVE

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

RESERVE FOR INVESTED UNRESTRICTED EQUITY

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

TREASURY SHARES

The treasury share reserve comprises the cost of the Tikkurila Oyj's shares held by the Group. At the end of 2013, Tikkurila held no treasury shares.

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

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

OTHER RESERVES

Other reserves include the funded portion of retained earnings.

TRANSLATION RESERVE

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

DIVIDENDS

Dividend of EUR 0.80 per share, totaled EUR 35,287 thousand, was distributed in year 2014. In year 2013, dividend of EUR 0.76 per share, totaled EUR 33,522 thousand was distributed. After the respective reporting date, The Board of Directors proposes that a dividend of EUR 0.80 per share, totaled EUR 35,223 thousand, will be distributed of the year 2014. Total amount informed here is calculated for number of shares outstanding as end of financial year 2014.

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

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

(EUR thousand)	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interest	Total
Other comprehensive income 2013						
Items that will not be reclassified to profit or loss:						
Remeasurements on defined benefit plans	-	-	802	802	-	802
Equity-accounted investees' share of remeasurements on defined benefit plans	-	-	25	25	-	25
Income taxes relating to items that will not be reclassified to profit or loss	-	-	-172	-172	-	-172
Income taxes relating to items of equity-accounted investees that will not be reclassified to profit or loss	-	-	-5	-5	-	-5
Total items that will not be reclassified to profit and loss, net of tax	-	-	650	650	-	650
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	-	-8,533	-	-8,533	-	-8,533
Foreign currency translation differences for equity-accounted investees	-	-22	-	-22	-	-22
Income taxes on net investment to foreign subsidiary	-	125	-	125	-	125
Available-for-sale financial assets, fair value changes	650	-	-	650	-	650
Available-for-sale financial assets - fair value change reclassified to profit or loss	-401	-	-	-401	-	-401
Deferred taxes on fair value changes of available-for-sale financial assets	58	-	-	58	-	58
Total items that may be reclassified subsequently to profit or loss, net of tax	307	-8,430	-	-8,123	-	-8,123
Other comprehensive income 2013, net of tax	307	-8,430	650	-7,473	-	-7,473

27. Non-current interest-bearing liabilities

(EUR thousand)	2014	2013
Loans from financial institutions	59,901	59,656
Finance lease liabilities	445	627
Total non-current interest-bearing liabilities	60,346	60,283

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

(EUR thousand)	2014	2013
Finance lease liabilities - total minimum lease payments		
Within one year	566	587
After one year and not later than five years	491	672
Later than five years	-	25
Total	1,057	1,284
Finance lease liabilities - present value of the minimum lease payments		
Within one year	522	535
After one year and not later than five years	445	605
Later than five years	-	22
Total	967	1,161
Future finance charges	90	122
Total finance lease liabilities	1,057	1,284

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

28. Current interest-bearing liabilities

(EUR thousand)	2014	2013
Loans from financial institutions	2,293	2,036
Commercial paper program	9,972	14,936
Finance lease liabilities	522	535
Other interest-bearing current liabilities	2	2
Total interest-bearing current liabilities	12,789	17,509

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

AVERAGE INTEREST RATE AND CURRENCY DISTRIBUTION OF INTEREST-BEARING LIABILITIES

Average interest rate for current and non-current loans in year 2014 was 1.6% (1.6%). *)

Interest-bearing liabilities by currency (in euro):

(EUR thousand)	2014	2013
EUR	70,326	75,467
CNY	2,256	2,036
Other	553	289
Total	73,135	77,792

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

29. Trade and other non-interest-bearing payables

(EUR thousand)	2014	2013
Non-current accrued expenses and deferred income	38	949
Total other non-current liabilities	38	949
Trade payables	42,115	42,315
Other non-interest-bearing payables	5,138	5,691
Prepayments	888	195
Accrued expenses and deferred income	37,687	43,396
Total current non-interest-bearing payables	**85,828**	91,597

(EUR thousand)	2014	2013
Accrued expenses and deferred income		
Share-based payments	835	949
Employee benefit expenses	14,238	14,214
Items related to revenue and purchases	20,373	24,557
Interests	214	247
Derivatives	-	398
Other	2,065	3,980
Total	**37,725**	44,345

(EUR thousand)	2014	2013
Net liabilities		
Interest-bearing non-current liabilities	60,346	60,283
Interest-bearing current liabilities	12,789	17,509
Cash and cash equivalents		
Cash	-25,771	-28,177
Cash equivalents (bank deposits, money market investments, maturity less than 3 months)	-5	-994
Total	**47,359**	48,621

30. Pension obligations and other long-term employee benefits

PENSION OBLIGATIONS

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

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

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

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

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

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

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

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

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

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

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

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

(EUR thousand)	2014	2013
Defined benefit pension obligations	23,975	21,308
Other long-term employee benefits including social costs	3,587	3,396
Pension obligations and other long-term employee benefits	27,562	24,704
Defined benefit pension obligations		
Items recognized in the statement of financial position:		
Present value of funded obligations	2,489	2,236
Present value of unfunded obligations including Swedish payroll tax liability	23,695	21,071
Fair value of plan assets	-2,209	-1,999
Net defined benefit liability	23,975	21,308

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
(EUR thousand)	2014	2013	2014	2013	2014	2013
Balance at Jan 1	22,442	24,495	-1,999	-1,955	20,443	22,540
Included in profit or loss: [1)]						
Current service cost	564	688	-	-	564	688
Interest expense / (income)	871	859	-83	-74	788	785
Administrative expenses	-	-	5	5	5	5
	1,435	1,547	-78	-69	1,357	1,478
Included in other comprehensive income: [2)]						
Remeasurements loss (gain):						
Actuarial loss (gain) arising from						
Experience adjustment	-395	208	-	-	-395	208
Demographic assumptions	41	93	-	-	41	93
Financial assumptions	3,461	-1,906	-	-	3,461	-1,906
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-137	7	-137	7
Effect of movements in exchange rates	-1,279	-954	168	258	-1,111	-696
	1,828	-2,559	31	265	1,859	-2,294
Other:						
Contributions paid by						
Employer	-	-	-203	-276	-203	-276
Payments from the plans:						
Benefits payments	-967	-985	40	36	-927	-949
Obligations transfers and other changes	-42	-56	-	-	-42	-56
Balance at Dec 31	24,696	22,442	-2,209	-1,999	22,487	20,443

[1)] In addition, the Swedish payroll tax related defined benefit pension is included as expenses of defined benefit pensions EUR 22 thousand (EUR 69 thousand) in profit or loss.
[2)] Loss of EUR 651 thousand (loss of EUR 796 thousand) on Swedish payroll tax is recognized in other comprehensive income.

In addition, actuarial loss of EUR 10 thousand (actuarial gains EUR 20 thousand), net of tax, is recognized in other comprehensive income regarding equity-accounted investees.

(EUR thousand)	2014	2013
Remeasurements on defined benefit plans in other comprehensive income		
Actuarial gains (-) / losses (+) on defined benefit pension obligations, including actuarial gains and losses on Swedish payroll tax	**3,757**	-809
Return on plan assets, excluding amounts included in interest expense/(income)	**-137**	7
Change in income taxes related to remeasurements for defined benefit plans	**-813**	172
Actuarial gains / losses recognized from equity-accounted investees, net of tax	**10**	-20
Total	**2,817**	-650
Plan assets include		
Assets in insurance companies *	**2,209**	1,999
Total	**2,209**	1,999

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

The Group expects to pay EUR 1.1 million of contributions into the defined benefit plans during the year 2015.

The significant actuarial assumptions	2014	2013
Discount rate	**1.6–2.8%**	2.8–4.0%
Inflation	**1.5–2.0%**	1.8–2.0%
Forthcoming increases in wages and salaries	**2.5–2.8%**	3.0–3.8%
Forthcoming increases in pensions	**0.0–2.0%**	0.6–2.0%

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

The Group's major plan is the defined benefit pension plan in Sweden. The present value of this pension obligation at the end of financial year was EUR 21,020 thousand (EUR 19,102 thousand). In addition, the value of the payroll tax related to this defined benefit obligation was EUR 1,488 thousand (EUR 865 thousand) at year-end 2014. The most significant actuarial assumptions regarding this plan were as following: discount rate 2.75% (4.0%), forthcoming increases in salaries 2.5% (3.0%) as well as life expectancy. The life expectancy for a 65 year-old woman is 25 years and for a 65 year-old man 23 years.

At December 31, 2014, the weighted-average duration of the defined benefit pension obligation was 22.6 years (2013: 23.6 years).

SENSITIVITY ANALYSIS:

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

	Impact on defined benefit obligation			
Effect in thousands of euro	**Dec 31, 2014**		Dec 31, 2013	
Change in assumption	**Increase**	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**-1,834**	**2,081**	-1,572	1,709
Sensitivity analyses regarding life expectancy on Group's most significant plan, Swedish defined benefit pension plan	**One year increase**	**One year decrease**	One year increase	One year decrease
Change in life expectancy	**781**	**-778**	692	-691

OTHER LONG-TERM EMPLOYEE BENEFITS

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

Benefits are determined by using the Projected Unit Credit Method according the actuarial calculations prepared annually by qualified actuaries. Possibly arising actuarial gains and losses are recognized in profit or loss, in personnel expenses.

(EUR thousand)	2014	2013
Other long-term employee benefits		
Items recognized in the statement of financial position:		
Present value of long-service benefit plan	**2,893**	2,739
Social costs	**694**	657
Liability of long-service benefit plan including social costs	**3,587**	3,396

(EUR thousand)	2014	2013
Balance		
Other long-service benefit obligation at Jan 1	**2,739**	3,113
Included in profit or loss:		
Current service cost	**206**	307
Interest cost	**68**	80
Actuarial (gains) / losses arising from		
Experience adjustment	**-2**	-573
Demographic assumptions	**-**	-
Financial assumptions	**197**	-
	469	-187
Other:		
Payments from the plans:		
Benefits payments	**-315**	-188
Long-service benefit obligation at Dec 31	**2,893**	2,739

	2014	2013
Actuarial assumptions		
Discount rate	**1.2%**	2.7%
Inflation	**2.0%**	2.0%
Forthcoming increases in wages and salaries	**1.5%**	1.9%
Employee turnover	**3.0%**	3.0%

Tikkurila Oyj expects to pay EUR 333 thousand of contributions into the long-service benefit plan during the year 2015.

At December 31, 2014, the weighted-average duration of the long-service benefit obligation was 7 years (2013: 7 years).

SENSITIVITY ANALYSIS:

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

	Impact on long-service benefit plan obligation			
Effect in thousands of euro	Dec 31, 2014		Dec 31, 2013	
Change in assumption	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	**-96**	**103**	-86	90
Salary growth rate (0.5% movement)	**101**	**-96**	91	-87

31. Provisions

(EUR thousand)	Restructuring	Other provisions	2014 Total
2014			
Non-current provisions			
Balance at Jan 1, 2014	314	406	**720**
Exchange rate differences	-	-14	**-14**
Provisions made during the period	-	116	**116**
Provisions used during the period	-	-58	**-58**
Provisions reversed during the period	-	-14	**-14**
Reclassifications	-299	-	**-299**
Non-current provisions at Dec 31, 2014	**15**	**436**	**451**

(EUR thousand)	Restructuring	Other provisions	2014 Total
Current provisions			
Balance at Jan 1, 2014	292	29	**321**
Exchange rate differences	-	-2	**-2**
Provisions made during the period	-	25	**25**
Provisions used during the period	-355	-	**-355**
Provisions reversed during the period	-42	-18	**-60**
Acquisitions	-	209	**209**
Reclassifications	299	-	**299**
Current provisions at Dec 31, 2014	**194**	**243**	**437**

(EUR thousand)	Restructuring	Other provisions	2013 Total
2013			
Non-current provisions			
Balance at Jan 1, 2013	446	478	924
Exchange rate differences	-	-7	-7
Provisions made during the period	-	11	11
Reclassifications	-132	-76	-208
Non-current provisions at Dec 31, 2013	314	406	720
Current provisions			
Balance at Jan 1, 2013	160	11	171
Provisions made during the period	-	53	53
Provisions used during the period	-	-111	-111
Reclassifications	132	76	208
Current provisions at Dec 31, 2013	292	29	321

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

RESTRUCTURING PROVISIONS

At the beginning of year 2012, restructuring provision was recognized in Tikkurila Group as a result of ended co-operation negotiations related to Tikkurila's Finnish site. For majority of this provision the accurate timing of realization is not known, but major part is presented as current provisions.

Restructuring provision regarding the co-operation negotiations related to Tikkurila's Finnish site was recognized in year 2009. The provision amounted to EUR 106 thousand at the end of year 2014. The majority of this provision is estimated to be used mainly during the year 2015.

OTHER PROVISIONS

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

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

32. Carrying amounts and fair values of financial assets and financial liabilities by categories

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

(EUR thousand)	Note	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Other financial liabilities	Total carrying amounts	Fair value level 1	Fair value level 2	Fair value level 3	Total fair values
2013										
Financial assets measured at fair value										
Non-current financial assets										
Available-for-sale financial assets	20	-	-	3,590	-	3,590	-	2,737	853	3,590
Current financial assets										
Derivatives	23, 33	478	-	-	-	478	-	478	-	478
		478	-	3,590	-	4,068				
Financial assets not measured at fair value										
Non-current receivables	21									
Loan receivables		-	4,418	-	-	4,418	-	4,418	-	4,418
Finance lease receivables		-	6	-	-	6	-	6	-	6
Other receivables		-	1,089	-	-	1,089	-	1,089	-	1,089
Current financial assets										
Interest-bearing receivables	22	-	617	-	-	617				
Cash equivalents	24	-	29,171	-	-	29,171				
Trade and other non-interest-bearing receivables	23	-	80,555	-	-	80,555				
		-	115,856	-	-	115,856				
Financial liabilities measured at fair value										
Current financial liabilities										
Derivatives	29, 33	398	-	-	-	398	-	398	-	398
		398	-	-	-	398				
Financial liabilities not measured at fair value										
Non-current financial liabilities										
Finance lease liabilities	27	-	-	-	627	627	-	627	-	627
Loans from financial institutions	27	-	-	-	59,656	59,656	-	59,937	-	59,937
Current financial liabilities										
Current interest-bearing liabilities	28	-	-	-	17,509	17,509				
Trade payables	29	-	-	-	42,315	42,315				
		-	-	-	120,107	120,107				

Fair values for non-current liabilities are based on discounted contractual cash flows. Interest rates used for discounting are the interest rates the Group would have to pay for similar loans at the end of reporting period. The interest rate is based on a risk free interest rate and a company specific credit risk premium. The discount rate used is 1.22%. In year 2013 the discount rate used was 1.79%.

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

Available-for-sale financial assets are mostly investments in shares with no quoted market price in an active market and their fair values cannot be measured reliably by using any valuation techniques. Therefore according assessment of Tikkurila's management, the cost of shares is the best available estimate for fair value. In addition, available-for-sale financial assets include shares that are quoted in OTC-list. These shares are measured at fair value in each reporting period. The fair value changes are recognized in other comprehensive income net of tax, and they are included in fair value reserve in equity until the assets are disposed, at which time the cumulative gain or loss is reclassified from equity in profit or loss as a reclassification item.

FAIR VALUE HIERARCHY LEVELS

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: is for inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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

(EUR thousand)	2014	2013
	Available-for-sale financial assets	Available-for-sale financial assets
Carrying amount at Jan 1	**853**	776
Translation differences in other comprehensive income	**-12**	-7
Acquisitions	**-**	84
Disposals	**-1**	-
Carrying amount at Dec 31	**840**	853

In year 2014, gain on available-for-sale financial assets in fair value hierarchy level 3 totaled EUR 19 thousand. In year 2013, no gain nor loss on sales of available-for-sale financial assets on level 3 were recognized. Gains on sales of these assets are included in other operating income and loss is recognized in other operating expenses.

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

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include shares of Ekokem Oy Ab, classified in level 2. The measurement of fair value of these shares is based on broker quotes, quoted prices in OTC-list. Markets for these shares are not considered to be so active, that these shares could be included in level 1.

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

FORWARD EXCHANGE CONTRACTS

Fair values of forward exchange contracts are based on quoted market data for similar instruments with similar maturity at the end of reporting period.

CONTINGENT CONSIDERATION

In financial year 2013, Tikkurila Group had a contingent earn-out liability based on the acquisition carried out in 2011. The amount of the earn-out liability was depending on the financial results of the target company in financial year 2014. The fair value of the contingent liability was regularly reassessed using income approach. The estimated amount of the contingent liability is based on: a) the formula defined in transaction documentation, which has been applied as it has been written, and b) the estimated 2014 values of the input parameters of the formula.

Already at the end of financial year 2013, fair value of contingent earn-out was estimated to be EUR 0.

When evaluating the future financial performance of the acquired business Tikkurila management applied various future scenarios, of which a probability-weighted average has been calculated. In estimating the future financial performance for example the following are taken into account: general economic situation and outlook, like GDP and consumer confidence development, since they are correlating with sales of paint products; furthermore, competitive situation, foreign exchange rate changes, development of raw material and other expenses, previous performance of the business both in absolute terms and also vis-à-vis pre-set targets, as well as currently ongoing or planned development projects valid for the business.

The estimated nominal earn-out is discounted into net present value by using target company specific weighted average cost of capital.

33. Derivative instruments

Majority of derivative instruments of the Group will provide economic hedge, even though they do not qualify the hedge accounting under IAS 39. Derivative instruments are measured at fair value and changes of fair values are recognized immediately in profit or loss.

Tikkurila primarily hedges its net currency position with currency derivatives. As hedge accounting is not applied, changes in the fair values are immediately recognized in profit or loss under financial items.

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

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

FAIR VALUES AND NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

2014 (EUR thousand)	Positive fair value	Negative fair value	Fair value, net	Nominal values
Currency derivatives				
Currency forwards	**3,243**	**-**	**3,243**	**27,827**

2013 (EUR thousand)	Positive fair value	Negative fair value	Fair value, net	Nominal values
Currency derivatives				
Currency forwards	478	-398	80	71,572

Derivative instruments in the statement of comprehensive income (EUR thousand)	**2014**	2013
Financial income	**21,495**	2,366
Financial expenses	**-8,040**	-1,321

Derivative instruments in the statement of financial position (EUR thousand)	**2014**	2013
Accrued income and deferred expenses	**3,243**	478
Accrued expenses and deferred income	**-**	398

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

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

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

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

Dec 31, 2013 (EUR thousand)	Gross and net amounts of financial instruments in the statement of financial position	Instruments, subject to enforceable master netting arrangements	Net
Financial assets			
Accrued income and deferred expenses			
Currency derivatives	478	-188	290
Financial liabilities			
Accrued expenses and deferred income			
Currency derivatives	398	-296	102

34. Financial risk management

TIKKURILA GROUP'S BUSINESS FROM THE FINANCIAL RISK POINT OF VIEW

INTERNATIONAL NATURE OF THE BUSINESS

Tikkurila operates in a geographically wide area with sales in about 40 countries. Due to special features of each geographical area, the business is exposed to various financial risks and, up to a certain extent, to restrictions set by local legislation. Because major part of the Group revenue is generated outside the euro area, foreign exchange rate risks have a significant impact on Tikkurila's revenue, result and statement of financial position, as well as on consolidated euro cash flows.

SEASONALITY

Since the sale of paints and other products of the Group typically correlates with GDP development, changes in general economic development have an impact on Tikkurila's business. Tikkurila's sales are exposed to intra-year seasonality: usually, the second and third quarters have the most significant influence on sales volume and profitability, which also impacts the timing of operative cash flows. The peak period of outdoor painting during summer months causes this seasonality especially in the Nordic countries, where weather conditions make it difficult to carry out painting or even fully prevent painting during winter time.

In addition to intra-year seasonality, construction with its related services, which is one of the essential customer segments for Tikkurila, is by nature sensitive to economic conditions. These fluctuations are softened to a certain extent by the fact that Tikkurila's revenue is largely driven by maintenance and renovation activity. In addition, home decoration by consumers is not very sensitive to economic conditions although general economic development and customer confidence on economic development have an impact on it.

Due to seasonality, the year-end statement of financial position is not equal to an average statement of financial position, among others in relation to net working capital and cash, which has to be taken into account when analyzing items on the consolidated statement of financial position and financial risks.

THE OBJECTIVE AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

Financial risk management targets to lower the fluctuations in profitability and to increase the predictability of the business. Tikkurila Oyj's treasury acts as an internal bank for Group companies offering both short- and long-term funding, taking deposits and being responsible for Group cash management. The treasury is responsible for executing external financial transactions and subsidiaries are conducting their financial operations with parent company's treasury unless local law or other constraints prohibit it. The following countries in which the Group operates, have local exchange control regulations that restrict the cash deposit abroad: Belarus, China, Ukraine, Macedonia and Serbia. At the year-end 2014 cash and cash equivalents held by those entities amounted to EUR 2,769 (3,617) thousand. During financial year 2014 restrictions related to financing, currency exchange and capital flows increased especially in Ukraine, where the central bank set numerous new regulations that makes it more difficult to carry out international financial transactions. Moreover, in 2014 the European Union and the United States set sanctions against Russia, which is a significant market area for Tikkurila; these sanctions can in the future have adverse effects on Tikkurila's business or they can make it more difficult to repatriate capital from Russia to Finland or they can have a negative impact on the financial position of Tikkurila's local customers or suppliers.

The objective of financial risk management is to hedge, according to the pre-defined principles, Group's cash flow, statement of financial position and net profit from the adverse impact and fluctuations caused by financial risks. The aim is to keep the creditworthiness of Tikkurila Oyj at a good level. Tikkurila's financing and financial risk management is controlled by policies accepted by the Board of Directors. The operative organization manages financial risks based on these authorizations and policies. Treasury department regularly reports the most important financial risks to the Tikkurila Management Board and to the Board of Directors of the parent company.

FINANCIAL INSTRUMENTS AND THEIR SIGNIFICANCE AND TREATMENT

The most significant items in Tikkurila's statement of financial position December 31, 2014 were the various components of net working capital, cash and interest-bearing liabilities. Counterparty risks related to trade receivables and cash are central, and the creditworthiness and diversification of counterparties are key elements for managing the risk. Currency forwards are used to hedge foreign exchange rate risks. The aim is to partly hedge the net risk position based on the hedging policy defined by the Board of Directors. Tikkurila does not apply the IFRS hedge accounting. The treatment of financial instruments is described in more detail in "Accounting policies for the consolidated financial statements". The Group has not used any commodity derivatives during 2014 or 2013.

FOREIGN EXCHANGE RATE RISKS

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

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

The key methods used for managing exchange rate risks are:

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

Because the Group has not applied hedge accounting, the financial result of derivatives, which hedge business cash flows, is partially shown in different lines of the statement of comprehensive income (below EBIT) than exchange rate gains and losses of hedged cash flows (above EBIT or in the statement of financial position).

The changes of foreign exchange rates may have a significant indirect effect on the relative competitiveness of Tikkurila's competitors; therefore, it might have a negative impact on Tikkurila Group.

TRANSACTION RISKS

During 2014 and 2013 about 80% of Tikkurila's revenue was generated outside the euro area, so foreign exchange rate changes have a significant impact on Tikkurila's consolidated euro-denominated revenue. At net profit level, the foreign exchange rate risks are reduced as expenses are mostly denominated in the same currency as revenue. The major impact of foreign exchange rate risks is reflected on cash flows and statement of financial position items which are denominated in other currencies than the functional currency of each Group company. The most important intra-group transactions that create exchange rate risks are business transactions between Group companies and loans and deposits between Group companies and Tikkurila Oyj. Transaction risks are followed and managed mainly for a 12-month period because the reliability of longer forecasts is weak. Group companies report their 12-month currency exposures monthly, and the parent company's treasury consolidates Group's net currency exposure.

Transaction risks are hedged by matching currency denominated income and expenses (they also include flows resulting from currency clauses present in commercial agreements). The remaining estimated 12-month net risk position is hedged by foreign exchange rate forward agreements. The Board of Directors approved new financial risk management policy in December 2011. According to the policy the average hedge ratio of net exposure shall be 50%. At the end of year 2014, the hedge ratio, based on the estimated future 12 months net flows, was about 16% (39%). At the end of 2014 the Board of Directors decided that in the future Tikkurila will not use currency forwards for hedging purposes, and therefore the amount of hedges at the year 2014 is lower than previously, and the outstanding forward agreements will be fully closed in the first months of 2015.

The Group purchases raw materials from several international suppliers and it can at least partly affect which currency is used at purchase contracts, or contracts might include currency clauses or similar conditions. In some countries, the Group has a possibility to change sales prices if exchange rates change; although these changes are partly discretionary or require negotiations with customers.

(EUR thousand)

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

(EUR thousand)

Transaction risk position	USD	SEK	NOK	DKK	PLN	RSD	RUB	BYR	UAH	Other
Dec 31, 2013										
Bank accounts	-	-15,658	239	-	-	-	-	-	-	-151
Loans and deposits	-	-	-2,054	2,815	-1,265	18,100	13,679	4,460	8,919	712
Trade receivables and payables	-787	1,803	1,140	1,145	2,965	-3,005	11,986	1,270	5,774	1,404
Estimated currency flow	-10,118	17,206	22,463	9,577	28,103	1,314	98,742	2,154	8,818	12,341
Currency forwards	5,003	-8,794	-11,311	-	-13,994	-	-32,043	-	-	-
Open position	-5,902	-5,443	10,477	13,537	15,809	16,409	92,364	7,884	23,511	14,306

During 2013 the Company did re-evaluate certain factors in its sales agreements and in the agreement logic with its customers in situations where ruble denominated sales prices in Russia can de facto be increased when ruble depreciates. Company has applied from 2013 more conservative model, and based on that the nominal amount of ruble risk has notionally been increased, even though the Company still has at least partially ability to eliminate the effect of changes in ruble exchange rate via commercial actions, and although the underlying business has not significantly changed. During 2013 company somewhat revised its approach and has since applied more prudent method in evaluating of currency clauses present in the commercial agreements which resulted in changes in estimated currency flows of some currencies (zloty, hryvna, us dollar).

Transaction risk position is a sum of currency denominated items in the statement of financial position, 12-month estimated currency flow and countervalue of these items expressed in functional currency of a subsidiary.

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

The impact of currency rate changes to profit before tax based on items in statement of financial position December 31, 2014:

	2014					2013				
(EUR thousand)	RUB	SEK	RSD	UAH	NOK	RUB	SEK	RSD	UAH	NOK
Impact of 10% weakening of currency	-1,112	1,828	-1,331	-1,625	275	579	2,059	-1,372	-1,336	1,090
Impact of 10% strengthening of currency	1,359	-2,107	1,627	1,987	-336	-709	-2,516	1,677	1,633	-1,332

TRANSLATION RISKS

In addition to translation risks affecting income statements when the currency denominated income statements are converted into euro, also Tikkurila's equity is exposed to foreign exchange rate risk arising from net investments made to subsidiaries outside the euro area. According to the financial management policy accepted by the Board of Directors in December 2011 translation risks are not hedged. Translation differences arising from converting subsidiaries' equity are recognized in equity in translation differences.

NET INVESTMENTS MADE IN FOREIGN CURRENCIES

(EUR thousand)	RUB	SEK	PLN	Other
Dec 31, 2014				
Equity	28,850	32,422	24,707	-2,086
Impact of 10% strengthening of currencies on equity	3,206	3,602	2,745	-232
Impact of 10% weakening of currencies on equity	-2,623	-2,947	-2,246	190
	RUB	SEK	PLN	Other
Dec 31, 2013				
Equity	45,789	34,273	27,011	4,935
Impact of 10% strengthening of currencies on equity	5,088	3,808	3,001	548
Impact of 10% weakening of currencies on equity	-4,163	-3,116	-2,456	-449

INTEREST RATE RISKS

Tikkurila Group had following interest-bearing assets and liabilities during 2014 and/or 2013:

Interest-bearing assets:
- cash
- time deposits
- interest-bearing receivables
- interest-bearing receivables in relation to divestments

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

Tikkurila's interest-bearing net debt is exposed to cash flow risk. The business cycle of Tikkurila follows in principle the overall economic development; therefore the business cash flow is stronger when the economic cycle is strong and typically also interest rates are higher. On the other hand, when the economic cycle weakens and interest rates are lower, the cash flow is also weaker. Therefore, the duration of interest-bearing liabilities is kept short so that the cash flow and interest rate change follow the same cycle. According the financial management policy, approved in December 2011, Tikkurila does not use any interest rate derivatives to hedge interest rate risks.

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

(EUR thousand)	**Dec 31, 2014**	Dec 31, 2013
Fixed rate		
Financial assets *	**1,355**	1,415
Financial liabilities	**-13,234**	-18,136
Net	**-11,879**	-16,721
Floating rate		
Financial assets	**2,212**	3,626
Financial liabilities	**-59,901**	-59,656
Net	**-57,689**	-56,030

* Excluding cash

IMPACT OF CHANGE OF INTEREST RATES ON TIKKURILA'S RESULT

Based on EUR 47.4 (48.6) million net debt position on December 31, 2014, the impact of each one percentage point increase in interest rates to next financial year's profit before tax would be EUR -0.6 (-0.6) million. The sensitivity analysis is based on an assumption that the interest rate changes will happen at the beginning of the year and that the changes are parallel over the yield curve. In addition, it is assumed that the net debt position remains unchanged and the impact of foreign exchange rates would be zero. Current loans are assumed to be renewed at due dates. Regarding non-current loans with floating interest rates, the effect of the interest rate change is taken into account from the date of rate fixing. Net debt includes cash and cash equivalents, but the interest rates on cash are expected to remain unchanged or any changes to take place only after the next financial year. Because of the seasonality of Tikkurila's business, the year-end net debt level is not typical for entire year, so interest rate sensitivity changes during the year. If the average net debt in 2015 would be at the average level of 2014, calculated as the average of actual month-end balances, and consequently equal about EUR 66 million, then applying the abovementioned assumptions and principles one percentage point increase in interest rates would increase Group's interest expense in 2015 by about EUR 0.8 million. And interest rate decrease by one percentage point would decrease the interest expense accordingly by the same amount.

Changes in interest rates may have an impact on Group's net result through the impairment test carried out according the IAS 36. One significant component of the discount rate used in impairment testing is a risk free interest rate. The sensitivity analysis of the discount rate is disclosed in Note 17. In addition the changes in interest rates will effect on defined benefit pension obligation, Group's obligation on long-service benefit plan as well as on equity. The sensitivity analyses on these are disclosed in Note 30. The interest-risk free rate is the component of the weighted average cost of capital (WACC) used in acquisitions when the liabilities assumed and assets acquired are measured at their acquisition-date fair value.

CREDIT RISKS

Credit risk is a risk that occurs when a counterpart fails to meet its obligations, so credit risks are counterparty risks. At Tikkurila, the most significant items that are exposed to credit risk are trade receivables, short-term investments and cash.

The principles of managing credit risk of trade receivables are defined in the credit risk policy. The management of credit risk of trade receivables is decentralized to business units, but the parent company's treasury unit monitors the risk. Tikkurila's large and geographically divergent clientele reduces concentration of credit risk, although some decorative paint retail chains have a relatively large influence. Credit risks related to trade receivables are managed by customer credit limits that take the prior sales history and creditworthiness of a customer into account. New customers are credit risk rated prior to sales.

Tikkurila uses advance payments and credit insurances to relevant extent to reduce credit risks.

Advance payments are used in Russia where about 12% (17%) of revenue in 2014 took place using advance payments.

Credit insurance is used in Poland where about 84% (76%) of trade receivable as of December 31, 2014 was insured. According to terms of the insurance Tikkurila is entitled to get 90% of the nominal amount, if the customer is not able to pay the invoice.

In Finland, Tikkurila reduced the credit risk by selling part of the receivables to a financing company on a non-recourse basis.

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

The carrying amounts of the financial assets correspond to their maximum credit risk.

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

(EUR thousand)	Note	Dec 31, 2014	Dec 31, 2013
Available-for-sale financial assets	20	**3,240**	3,590
Financial assets at fair value through profit or loss	23, 33	**3,243**	478
Loans and other receivables	21, 22, 23, 24	**104,093**	115,856
Total		**110,576**	119,924

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

(EUR thousand)	Dec 31, 2014	Dec 31, 2013
EUR	**29,199**	24,420
SEK	**21,508**	24,741
RUB	**18,853**	24,931
PLN	**14,839**	19,493
DKK	**4,089**	3,945
RSD	**4,592**	5,327
UAH	**1,792**	2,902
Other	**9,221**	10,097
Total	**104,093**	115,856

Movement of allowance for impairment of trade receivables

(EUR thousand)	Dec 31, 2014	Dec 31, 2013
Balance at beginning of year	**9,862**	9,864
Exchange rate differences	**-1,178**	-351
Additions	**2,235**	2,370
Realized	**-4,169**	-1,029
Decreases	**-806**	-992
Total	**5,944**	9,862

The ageing of loans and other receivables at December 31:

(EUR thousand)	Carrying amount Dec 31, 2014	Carrying amount Dec 31, 2013
Not past due	**96,646**	106,089
Past due 0–90 days	**5,475**	5,577
Past due 91–180 days	**1,399**	2,239
Past due 181–365 days	**563**	1,422
Past due over 365 days	**10**	529
Total	**104,093**	115,856

The Group recognizes impairment loss on receivables when there is objective evidence that a financial asset or group of financial assets is impaired. The debtor's significant financial difficulties, payment delays and neglect can be considered as such objective evidence. Tikkurila recognized a credit loss of EUR 1.6 (1.8) million on past due loans and other receivables during the financial year 2014.

There was no impairment losses recognized on receivables from the associate in year 2014. In financial year 2013 these amounted to EUR 0.2 million. There was no impairment loss on receivables from joint ventures during the financial year 2014 or 2013.

LIQUIDITY RISKS

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

Tikkurila manages liquidity risk mainly by loan arrangements and committed credit facilities and by selling part of the receivables to a financing company. The surplus liquidity is kept on bank accounts or invested to highly liquid short-term instruments.

The new EUR 180 million loan arrangement, which was signed in September 2011 with three banks, is divided to a EUR 60 million term loan with 5 year maturity and a EUR 120 million revolving credit facility which has three year maturity. The revolving credit facility included an option to extend the maturity for additional two years at banks' discretion. In September 2013, the Company utilized the option and agreed on a one-year extension to the loan period, thus EUR 120 million revolving credit facility matures in September 2015, and this maturing facility will be re-negotiated and rearranged to relevant extent with same type of structure during 2015. In October 2011 Tikkurila signed also a EUR 25 million bilateral revolving credit facility. The loans have covenants which are linked to gearing and net debt to EBITDA -ratio. Gearing can be at maximum 1.30 and net debt to EBITDA ratio can be at maximum 3.50. When calculating these figures, the net debt is the average of the net debt from four preceding quarters, and EBITDA is the sum of the four preceding quarter EBITDA. If Tikkurila breaches these covenants, the loan will fall due immediately unless the lenders give a waiver. According to the arrangement, the consent from the borrowers is also needed for any significant investments or acquisitions. In addition to these facilities, Tikkurila has signed a commercial paper frame agreement, which has a EUR 100 million nominal capacity between 1 to 364 days.

At the end of 2014, Tikkurila had unused a EUR 145 (145) million revolving credit facility and EUR 11 (10) million committed credit facilities. A total of EUR 10 (15) million of commercial papers were issued at the end of the year. At the end of reporting period the amount of cash in bank accounts was EUR 26 (29) million.

The Group uses rolling cash flow estimates to manage liquidity risks. In addition, the funding is split into several different funding sources (equity, debt), different instruments, different maturities to reduce refunding risk, and if needed to several currencies and counterparties.

The operative business units use various netting and pooling arrangements in order to make sure that funds are transferred efficiently and the Group has a good visibility over cash flows. This is not yet possible in all areas where the Group is operating, mainly in SBU East.

Contractual maturities of liabilities at December 31, 2014:

(EUR thousand)

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

(EUR thousand)

Dec 31, 2013	Carrying amount	Contractual cash flows	2014	2015	2016	2017	2018	>2018
Loans from financial institutions	61,692	64,628	2,902	863	60,863	-	-	-
Commercial papers	14,936	15,000	15,000	-	-	-	-	-
Other interest-bearing liabilities	2	2	2	-	-	-	-	-
Finance lease liabilities	1,161	1,284	587	364	147	122	40	25
Trade payables	42,315	42,315	42,315	-	-	-	-	-
Guarantees	3,024	3,024	3,024	-	-	-	-	-
Total	123,130	126,252	63,829	1,227	61,010	122	40	25
Maturity of derivative financial assets / liabilities								
Currency forwards								
inflow	61,219	61,219	61,219	-	-	-	-	-
outflow	-61,139	-61,139	-61,139	-	-	-	-	-
Total	80	80	80	-	-	-	-	-

The figures are undiscounted.

PRICE RISK OF LONG-TERM INVESTMENTS

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

In addition to Ekokem shares, the Group holds a small number of unlisted shares that are measured at amortized cost. These shares are of business supportive nature, related to personnel's recreational activities and environment maintenance related long-term investments that Tikkurila is not intending to sell. These shares have no quoted market price in an active market and their fair values cannot be measured reliably as the change range for reasonable measurement is significant, and the probabilities of various measurements cannot be reasonably estimated.

CAPITAL MANAGEMENT

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

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

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

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

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

The Board of Directors of Tikkurila Oyj has given a guideline for dividend distribution. The targeted dividend payout should be 40% of annual net profit excluding the impact of non-recurring items. The Board of Directors proposes to the annual general meeting, which will be held on March 25, 2015, that Tikkurila would pay EUR 0.80 per share dividend, which is about 73% of Group's 2014 net profit, excluding non-recurring items, net of tax.

(EUR thousand)	**Dec 31, 2014**	Dec 31, 2013
Equity	**192,658**	208,083
Non-controlling interest	**-**	-
Total	**192,658**	208,083
Non-current interest-bearing liabilities	**60,346**	60,283
Current interest-bearing	**12,789**	17,509
Cash and cash equivalents	**25,776**	29,171
Net debt	**47,359**	48,621
Gearing, %	**24.6%**	23.4%
Equity ratio, %	**49.5%**	50.1%
EBITDA	**84,732**	93,809
Net debt/EBITDA	**0.56**	0.52
Capital employed		
Goodwill	**72,459**	66,388
Investments in associates and joint ventures	**812**	1,433
Property, plant and equipment and intangible assets	**108,711**	125,049
Net working capital	**73,108**	81,093
Total capital employed	**255,090**	273,963

35. Operating leases

GROUP AS LESSEE

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

(EUR thousand)	**2014**	2013
Within one year	**10,565**	10,454
After one year and not later than five years	**11,223**	14,152
Later than five years	**8,378**	9,473
Total	**30,166**	34,079

GROUP AS LESSOR

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

(EUR thousand)	2014	2013
Within one year	799	947
After one year and not later than five years	1,524	1,161
Later than five years	527	899
Total	2,850	3,007

36. Commitments and contingent liabilities

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

CONTRACTUAL COMMITMENTS:

Tikkurila Group had contractual commitments in relation to the purchase of property, plant and equipment total of EUR 3.9 million (EUR 1.1 million in 2013) at the end of financial year 2014.

Contractual commitments for purchase of intangible assets totaled EUR 0.0 million (EUR 0.0 million) at the end of year 2014.

OTHER COMMITMENTS AND PENDING LITIGATIONS

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

If there would be changes in the operational circumstances, or there would be an accident causing environmental pollution, or if the company would decide to close-down or transfer a production facility, this might lead to obligations to clean-up or rehabilitate of the land. Moreover, if any changes by authorities into environmental laws and regulations would cause more obligations to the Group these could have a material adverse effect on Group's financial result.

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

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

As the timing and amount of these potential obligations are uncertain, management estimates are applied.

The products and services of Tikkurila Group are sold to external companies specializing in wholesale or retail trade and also, especially in industrial and professional products, in certain markets direct to end-users of Tikkurila's products. Group companies have various - frame, delivery and other - agreements with its customers. At the end of financial year 2014, Tikkurila Group companies had customer agreements, which are valid beyond December 31, 2014, and which have terms and conditions creating binding commitments to Tikkurila. To major extent the commitments granted for discounts, costs or guarantees are contingent. The agreements require customers to buy Tikkurila's products and are based on the amount or value of orders made by the customers in the future. In certain cases, however, there are commitments for Tikkurila Group companies to provide certain services or to participate in customers' sales promotion activities without direct link to deliveries of Tikkurila products.

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

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

If the transaction would be reversed, Tikkurila has also committed, subject to certain limitations, to compensate Skanska for costs related to preparing the property for further development.

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

37. Share-based payments

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

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

during financial year 2014

shares	'000 EUR
5,366	102

during financial year 2013

shares	'000 EUR
6,233	100

SHARE-BASED COMMITMENT AND INCENTIVE PLAN OF MANAGEMENT

RESOLUTION OF THE BOARD OF DIRECTORS IN FEBRUARY 2012

In order to commit and motivate key personnel, the Board of Directors of Tikkurila Oyj decided in February 2012 on a new share-based plan. Previously the company did not have any share-based remuneration for management.

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

On December 31, 2014, a total of nine key employees selected by the Board participated in the share-based plan.

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

MAXIMUM AMOUNT OF SHARES FOR EACH PARTICIPANT

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

RESTRICTED SHARE REWARD (ONLY APPLIES TO PERFORMANCE PERIOD 2012–2014)

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

PERFORMANCE-BASED SHARE AWARD (APPLIES TO ALL THREE PERFORMANCE PERIODS: 2012–2014, 2013–2015 AND 2014–2016)

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

OWNERSHIP OBLIGATION

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

OTHER KEY TERMS

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

SHARES PURCHASED BY PARTICIPANTS

PURCHASED SHARES BY PARTICIPANTS, HOLDINGS AS OF DECEMBER 31, 2014 (TO THE EXTENT THE SHAREHOLDINGS ARE RELATED TO THIS SHARE-BASED PLAN)

On December 31, 2014 the purchased shares under the commitment and incentive plan's performance periods 2012–2014, 2013–2015 and 2014–2016 were the following:

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

BOOKKEEPING VALUE OF THE PLAN'S 2012–2014 PERFORMANCE PERIOD

Based on the previously mentioned shareholdings and on the terms of the share-based commitment and incentive plan, the maximum total value of rewards, when taking into account both restricted share rewards and performance-based share rewards but while not taking into account the cap set by each participants' gross salary levels, corresponds to the value of 205,000 Tikkurila shares, of which about half will be paid in cash and about half in shares.

Based on the terms of the share-based commitment and incentive plan and of its performance period 2012–2014, and on expected future financial performance, on Tikkurila Oyj share price on December 31, 2014, and assuming that every participant in the plan would be employed by Tikkurila Group and would also keep all their purchased shares, the aggregate bookkeeping value of the performance period 2012–2014 was about EUR 2.4 million on December 31, 2014 (EUR 2.6 million on December 31, 2013). For this tranche a total of EUR 0.8 million (2013: 1.0 million) was booked during 2014 as personnel expenses and EUR -0.1 (-0.1) million as deferred taxes into the consolidated statement of comprehensive income, which resulted in EUR 0.7 (0.9) million negative impact on 2014 net profit. Correspondingly, if underlying assumptions would not change, and participants' shareholdings and employment would stay intact, and moreover Tikkurila's share price would be flat at the level of December 31, 2014, closing price, then the estimated impact of this tranche on full-year 2015 personnel expenses would be about EUR 0.2 million, and post-tax impact on Group's net profit would be about EUR 0.1 million, negative impact. There were about EUR 0.8 (0.9) million non-interest bearing liability and EUR 0.2 (0.2) million deferred tax asset on the December 31 Group consolidated statement of financial position related to this share-based plan's this tranche. The Group's total commitment regarding this performance period, taking into account the shares surrendered and cash paid in accordance with this plan, totaled EUR 1.9 million on December 31, 2014.

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

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

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

Based on the terms of the share-based commitment and incentive plan and of its performance period 2013–2015, and on expected future financial performance, on Tikkurila Oyj share price on December 31, 2014, and assuming that every participant in the plan would be employed by Tikkurila Group and would also keep all their purchased shares, the aggregate bookkeeping value of the performance period 2013–2015 was EUR 0.0 million on December 31, 2014 (EUR 0.5 million on December 31, 2013). For this tranche a total of EUR -0.1 (0.1) million was booked during 2014 as personnel expenses and EUR 0.0 (-0.0) million as deferred taxes into the consolidated statement of comprehensive income, which resulted in EUR 0.1 million positive impact on 2014 net profit (EUR 0.1 million negative impact on 2013 net profit). Correspondingly, if underlying assumptions would not change, and participants' shareholdings and employment would stay intact, and moreover Tikkurila's share price would be flat at the level of December 31, 2014, closing price, then the estimated impact of this tranche on full-year 2015 personnel expenses would be EUR 0.0 million, and post-tax impact on Group's net profit would be about EUR 0.0 million. There were about EUR 0.0 (0.1) million non-interest bearing liability and EUR 0.0 (0.0) million deferred tax asset on December 31 Group consolidated statement of financial position related to this share-based plan's this tranche.

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

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

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

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

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

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

(EUR million)	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Aggregate bookkeeping value			
Performance period 2012–2014	**2.4**	2.6	2.4
Performance period 2013–2015	**0.0**	0.5	-
Performance period 2014–2016	**0.0**	-	-
Total	**2.4**	3.0	2.4

(EUR million)	2012–2014	2014	2013	2012
Personnel expenses recognized (excluding the impact of deferred taxes)				
Performance period 2012–2014	**2.3**	**0.8**	1.0	0.5
Performance period 2013–2015	**0.0**	**-0.1**	0.1	-
Performance period 2014–2016	**0.0**	**0.0**	-	-
Total	**2.3**	**0.7**	1.1	0.5

PAYMENTS BASED ON THE PLAN

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

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

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

POTENTIAL FUTURE SHARE-BASED INCENTIVE PLANS

The Remuneration Committee of the Board of Directors will prepare, and the Board will separately decide on any other potential future share-based commitment and incentive plans. On February 10, 2015, at the time of publishing the 2014 Financial Statements Release, the Board of Directors of Tikkurila Oyj had not made any decision for any new share-based remuneration.

CALL OPTIONS GRANTED TO KEY EMPLOYEES OF A SWEDISH SUBSIDIARY

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

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

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

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

Consequently, in financial year 2014 a total of EUR 12 thousand IFRS2 based personnel expenses were recognized, and the calculated total gross value of this arrangement is about EUR 116 thousand.

38. Related parties

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

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

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

Related party transactions are presented below:

(EUR thousand)	Revenue	Other operating income	Purchases	Receivables	Liabilities
2014					
Associates	**2,451**	**-**	**155**	**-**	**-**
Joint ventures	**5,212**	**894**	**-**	**382**	**31**

(EUR thousand)	Revenue	Other operating income	Purchases	Receivables	Liabilities
2013					
Associates	14,529	-	690	2,092	-
Joint ventures	4,917	-	-	143	33

The dividends received from joint ventures amounted to EUR 293 thousand (EUR 254 thousand) during the financial year.

LOANS, GUARANTEES AND OTHER COLLATERALS GRANTED TO RELATED PARTIES

No loans, guarantees or other collaterals have been granted to the management in 2014 or 2013.

(EUR thousand)	2014	2013
Management employee benefits [1]		
Wages, salaries and other short-term employee benefits	**1,523**	1,543
Post-employment benefits	**245**	240
Share-based incentive plan	**631**	639
Total	**2,399**	2,422

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

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

EXECUTIVE REMUNERATION

(EUR thousand)	2014	2013
CEO		
Erkki Järvinen		
Fixed salary (fringe benefits included)	**445**	441
Bonuses	**31**	53
Share-based incentive plan	**279**	236
Total	**755**	730
Voluntary, supplementary pension payments	**64**	61
Statutory pension expenses	**83**	84
Other Management Board members		
Fixed salary (fringe benefits included)	**700**	666
Bonuses	**38**	67
Share-based incentive plan	**352**	402
Total	**1,090**	1,135
Statutory pension expenses	**98**	95

(EUR thousand)	2014	2013
Board compensation		
Board members *)		
Jari Paasikivi, Chairman of the Board	64	65
Petteri Walldén, Vice chairman of the Board	44	44
Eeva Ahdekivi, member of the Board	44	40
Pia Rudengren, member of the Board	41	45
Riitta Mynttinen, member of the Board	42	44
Harri Kerminen, member of the Board	38	39
Aleksey Vlasov, member of the Board	36	39
Total	310	316

*) 40 percent of the annual fee, excluding meeting fees, of the Board members was paid in Tikkurila Oyj's shares. This was total of EUR 102 (100) thousand in year 2014. This is included in figures presented above.

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

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

The retirement age of the other Management Board members is between 63 - 65 years.

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

Tikkurila Group had a management bonus scheme for 2013, approved on December 3, 2012 by Board of Directors of Tikkurila Oyj. Participants were the members of the Tikkurila Management Board, employees on the management team level of business units and functions, managing directors of the companies belonging to the Tikkurila Group as well as selected managers and experts in specific positions in companies belonging to the Tikkurila Group. Number of participants was altogether 107 persons in year 2013. Bonus criteria consist of the 2013 Tikkurila Group revenue growth, business cash flow and operative EBIT as well as function, region, company or team specific targets or individual targets. The bonuses to CEO and other Management board members, on accrual basis, amounted to EUR 120 thousand in 2013. These bonuses were paid in March 2014.

Share holdings of Tikkurila Board of Directors and Management Board are stated in page 84, Shares and shareholders.

39. Group's ownership in shares and participations

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

Subsidiaries	**City of domicile**	**Country of domicile**	**Tikkurila Group's ownership and voting shares %**	**Parent company's ownership and voting shares %**
2014				
Tikkurila Drytech AB [1]	Flen	Sweden	**100**	-
Tikkurila Norge A/S	Oslo	Norway	**100**	-
Tikkurila Danmark A/S	Brönby	Denmark	**100**	-
ISO Paint Holding A/S	Lunderskov	Denmark	**100**	**100**
ISO Paint Nordic A/S	Lunderskov	Denmark	**100**	-
Paint Factory Equipment A/S	Lunderskov	Denmark	**100**	-
Tikkurila GmbH	Ansbach	Germany	**100**	**100**

Subsidiaries	City of domicile	Country of domicile	Tikkurila Group's ownership and voting shares %	Parent company's ownership and voting shares %
2013				
AS Tikkurila	Tallinn	Estonia	100	100
UAB Tikkurila	Vilnius	Lithuania	100	100
OOO Tikkurila	St. Petersburg	Russia	100	100
SIA Tikkurila	Riga	Latvia	100	100
Färdigfärgat AB	Stockholm	Sweden	100	100
Tikkurila (China) Paints Co., Ltd	Beijing	Republic of China	100	100
Dickursby Holding AB	Stockholm	Sweden	100	100
OOO Gamma Industrial Coatings	St. Petersburg	Russia	100	-
IP Tikkurila	Minsk	Belarus	100	100
TOO Tikkurila	Almaty	Kazakhstan	100	100
TOV Tikkurila	Kiev	Ukraine	100	99
Isanta LLC	Kiev	Ukraine	100	-
Tikkurila Polska S.A.	Debica	Poland	100	100
Tikkurila Zorka d.o.o.	Sabac	Serbia	100	100
Tikkurila dooel	Skopje	Macedonia	100	-
Tikkurila Sverige AB	Stockholm	Sweden	100	100
Färgservice i Malmö AB	Malmö	Sweden	100	-
Tikkurila Norge A/S	Oslo	Norway	100	-
Tikkurila Danmark A/S	Brönby	Denmark	100	-
Tikkurila GmbH	Ansbach	Germany	100	-

[1] Former KEFA Drytech AB.

Joint ventures	City of domicile	Country of domicile	Tikkurila Group's ownership and voting shares %	Parent company's ownership and voting shares %
2014				
Alcro Parti AB	**Stockholm**	**Sweden**	**50**	-
2013				
Alcro Parti AB	Stockholm	Sweden	50	-

Associates	City of domicile	Country of domicile	Tikkurila Group's ownership and voting shares %	Parent company's ownership and voting shares %
2014				
Happy Homes i Sverige AB	**Stockholm**	**Sweden**	-	-
2013				
Happy Homes i Sverige AB	Stockholm	Sweden	45	-

40. Changes in Group structure

CHANGES IN THE GROUP STRUCTURE DURING 2014

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

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

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

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

CHANGES IN COMPANY NAMES:

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

CHANGES IN THE GROUP STRUCTURE DURING 2013

Tikkurila completed a liquidation of its Dutch subsidiary, Tikkurila Coatings B.V., in February 2013.
Tikkurila Sverige AB, a subsidiary to Tikkurila Oyj, completed an acquisition of a store for consumers, Färgservice i Malmö AB, on October 14, 2013.

CHANGES IN COMPANY NAMES:

Former name:	New name:
Tikkurila AB	Färdigfärgat AB
Pigrol Farben GmbH	Tikkurila GmbH

41. Events after the end of reporting period

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

TIKKURILA OYJ INCOME STATEMENT (FAS)

(EUR thousand)	Note	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013
Revenue	2	**210,061**	214,036
Change in inventories of finished goods and work in progress	4	**390**	471
Other operating income	3	**2,193**	819
Materials and services	4	**-108,468**	-109,904
Personnel expenses	5	**-37,017**	-36,835
Depreciation, amortization and impairment losses	7	**-4,661**	-5,677
Other operating expenses	4, 6	**-35,959**	-32,023
Operating profit		**26,539**	30,887
Financial income and expenses	8	**30,377**	19,167
Profit before extraordinary items, appropriations and taxes		**56,916**	50,053
Profit before appropriations and taxes		**56,916**	50,053
Appropriations	7, 9	**-61**	694
Income tax	10	**-7,920**	-8,075
Net profit for the period		**48,935**	42,672

TIKKURILA OYJ BALANCE SHEET (FAS)

(EUR thousand)	Note	Dec 31, 2014	Dec 31, 2013
ASSETS			
Non-current assets	11		
Intangible assets		**2,163**	2,813
Tangible assets		**20,996**	20,968
Investments			
Holdings in Group companies		**181,005**	170,025
Other shares and holdings		**600**	634
Total investments		**181,605**	170,659
Total non-current assets		**204,764**	194,439
Current assets			
Inventories	12	**24,992**	24,901
Non-current receivables	13	**20,251**	29,064
Current receivables	13	**52,405**	53,324
Cash and cash equivalents		**15,345**	13,584
Total current assets		**112,994**	120,873
Total assets		**317,758**	315,312

(EUR thousand)	Note	Dec 31, 2014	Dec 31, 2013
EQUITY AND LIABILITIES			
Equity	14		
Share capital		35,000	35,000
Reserve for invested unrestricted equity		40,000	40,000
Retained earnings		62,980	57,611
Net profit for the period		48,935	42,672
Total equity		186,915	175,283
Appropriations	15	5,035	4,974
Provisions	16	209	607
Liabilities	17		
Non-current liabilities		60,000	60,000
Current liabilities		65,599	74,448
Total liabilities		125,599	134,448
Total equity and liabilities		317,758	315,312

TIKKURILA OYJ CASH FLOW (FAS)

(EUR thousand)	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before extraordinary items	56,916	50,053
Adjustments:		
Unrealized exchange gains and losses	-1,227	692
Depreciation, amortization and impairment losses	4,661	5,677
Interest income	-4,446	-3,904
Interest expenses	5,396	2,356
Dividend income	-31,287	-34,191
Other adjustments	-2,372	-478
Write-down of non-current assets	1,030	4,461
Write-down of loan and trade receivables	11,881	9,500
Other financial items	-8,658	1,919
Total funds from operating activities before change in net working capital	31,895	36,085
Change in net working capital		
Change in inventories	-92	-124
Change in current receivables	6,843	-8,293
Change in interest-free current liabilities	1,934	-1,244
Change in net working capital, total	8,685	-9,662
Interest and other financial expenses paid	-6,339	-5,030
Interest and other financial income received	11,700	3,861
Income taxes paid	-7,931	-6,859
Dividends received	21,197	30,729
Total cash flow from operating activities	59,207	49,125

(EUR thousand)	Jan 1 - Dec 31, 2014	Jan 1 - Dec 31, 2013
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of tangible and intangible assets	-4,082	-1,622
Investments in Group companies	-12,011	-
Proceeds from sales of other shares	1,233	895
Proceeds from sales of Group companies	-	1,348
Change in non-current loan receivables increase (-), decrease (+)	3,776	3,637
Proceeds from sales of tangible and intangible assets	417	-
Dividends received	112	120
Net cash used in investing activities	-10,555	4,379
Cash flow before financing	48,652	53,504
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in non-current loans	-	-
Decrease in non-current loans	0	-
Change in current financing increase (+)	126,301	189,530
Change in current financing decrease (-)	-135,889	-204,631
Acquisition of own shares	-2,016	-
Dividends paid	-35,287	-33,522
Net cash used in financing activities	-46,891	-48,623
Net change in cash and cash equivalents	1,762	4,881
Cash and cash equivalents at Dec 31	15,345	13,584
Cash and cash equivalents at Jan 1	13,584	8,703
Change in cash and cash equivalents	1,762	4,881

1. Summary of significant accounting policies - Tikkurila Oyj

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

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

FOREIGN CURRENCY TRANSACTIONS

In the day-to-day accounting, Tikkurila Oyj translates foreign currency transactions into its functional currency at the exchange rates quoted on the transaction date. In preparation of financial statements monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate of end of reporting period.

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

FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES

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

Investments in commercial papers are measured at fair value.

SHARE-BASED INCENTIVE PLAN FOR THE PERSONNEL

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

REVENUE RECOGNITION

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

INCOME TAXES

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

DEFERRED TAXES

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

NON-CURRENT ASSETS AND DEPRECIATION AND AMORTIZATION

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

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

buildings and constructions	8–25 years
machinery and equipment	3–15 years
intangible assets	5–10 years

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

INVENTORIES

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

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

RESEARCH AND DEVELOPMENT COSTS

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

LEASE

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

2. Revenue

	2014	2013
Revenue by geographical segment, % of total revenue	%	%
Finland	48	49
Other EU countries	24	22
Other Europe	23	25
Other countries	5	5
Revenue by geographical segment, total	100	100

3. Other operating income

(EUR thousand)	2014	2013
Gains on sale of non-current assets	775	19
Gains on sale of shares	1,199	478
Other income from operations	220	321
Other operating income, total	2,193	819

4. Other operating expenses

(EUR thousand)	2014	2013
Change in inventories of finished goods and work in progress	390	471
Materials and services		
Materials and supplies		
Purchases during the financial year	-107,234	-108,834
Change in inventories of materials and supplies	-299	-347
External services	-936	-724
Total materials and services	-108,468	-109,904
Personnel expenses	-37,017	-36,835
Rents	-1,498	-1,513
Loss on sales of non-current assets	0	-
Other expenses and expense reimbursement *)	-34,460	-30,511
Total other operating expenses	-181,053	-178,291

*) The amount includes a write-down of EUR 3,067 (0) thousand of trade receivables from subsidiaries.

5. Personnel expenses and number of personnel

(EUR thousand)	2014	2013
Wages and salaries	-29,660	-29,530
Pension expenses	-5,701	-5,587
Other personnel expenses	-1,657	-1,718
Total personnel expenses	-37,017	-36,835
Management remunerations		
Members of the Board of Directors, CEO and other Management Board members	-2,016	-1,946

The disclosures about remuneration differ between Tikkurila Group (applying IFRS) and parent company Tikkurila Oyj (applying Finnish Accounting Standards) due to differences in accounting and valuation principles especially in relation to share-based payments.

ACCRUAL BASED REMUNERATION OF CEO AND MANAGEMENT BOARD

In the following table remuneration of CEO is presented on accrual basis in year 2013 and 2014.

(EUR thousand)	2014	2013
CEO		
Fixed salary, fringe benefits included	-445	-441
Bonuses	-31	-53
Share-based incentive plan	-235	-152
Total	-711	-646
Voluntary, supplementary pension payments	-64	-61
Statutory pension expenses	-83	-84

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

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

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

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

(EUR thousand)	2014	2013
Other Management Board members [1]		
Fixed salary, fringe benefits included	-700	-666
Bonuses	-38	-67
Share-based incentive plan	-257	-251
Total	-996	-984
Statutory pension expenses	-98	-95
Statutory pension is a defined contribution plan.		

[1] EUR 181 thousand is not included in income statement line wages and salaries in year 2014. The comparison year EUR 174 thousand was not included in wages and salaries.

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

REMUNERATION OF MEMBERS OF BOARD OF DIRECTORS *)

(EUR thousand)	2014	2013
Jari Paasikivi	-64	-65
Petteri Walldén	-44	-44
Harri Kerminen	-38	-39
Pia Rudengren	-41	-45
Eeva Ahdekivi	-44	-40
Riitta Mynttinen	-42	-44
Aleksey Vlasov	-36	-39
Total	-310	-316

*) 40 percent of the annual fee of the Board members was paid in Tikkurila Oyj's shares. This was total of EUR 102 (100) thousand in year 2014. This is included in figures presented above.

LOANS TO RELATED PARTIES

No related parties held loans from the Company in 2014 or in 2013.

Number of personnel	2014	2013
Average number of white-collar employees	364	355
Average number of blue-collar employees	248	252
Personnel (average)	612	607

6. Auditor's fees

(EUR thousand)	2014	2013
KPMG Oy Ab, Authorized Public Accountants		
Audit fees	-147	-159
Tax consultancy	-14	-9
Other auditings	-26	-40
Other fees	-1	-12
Other audit firms		
Other fees	-4	-31
Auditing fees, total	-191	-251

7. Depreciation, amortization and impairment losses

(EUR thousand)	2014	2013
Depreciation according to plan and impairment losses		
Intangible asset		
Other capitalized expenditure	-874	-1,377
Impairment losses of intangible assets	-613	-57
Tangible assets		
Impairment losses of land and water	-	-323
Buildings and constructions	-1,010	-1,406
Impairment losses of buildings and constructions	-136	-49
Machinery and equipment	-2,013	-2,238
Impairment losses of machinery and equipment	0	-200
Other tangible assets	-14	-27
Total depreciation, amortization and impairment losses	-4,661	-5,677
Change in depreciation difference		
Intangible assets	-2	0
Other capitalized expenditure	28	600
Buildings and constructions	217	-483
Machinery and equipment	-318	555
Other tangible assets	14	22
Total	-61	694

8. Financial income and expenses

(EUR thousand)	2014	2013
Financial income		
Dividend income		
Dividend income from Group companies	31,175	34,071
Dividend income from others	112	120
Total dividend income	31,287	34,191
Interest income		
Interest income from non-current investments from others	0	0
Interest income from current investments from Group companies	4,362	3,678
Interest income from current investments from others	84	226
Total interest income	4,446	3,904
Other financial income		
Other financial income from Group companies	104	106
Total other financial income	104	106
Exchange gains		
Exchange gains from Group companies	1,602	109
Exchange gains from others	21,946	3,164
Total exchange gains	23,548	3,272
Total financial income	59,385	41,473
Write-down of non-current investments		
From holdings in subsidiaries	-1,030	-4,461
Total write-down of non-current investments	-1,030	-4,461

(EUR thousand)	2014	2013
Financial expenses		
Interest expenses		
Interest expenses to Group companies	-281	-397
Interest expenses to others	-5,115	-1,959
Total interest expenses	-5,396	-2,356
Other financial expenses		
Other financial expenses to Group companies *)	-8,814	-9,500
Other financial expenses to others	-718	-860
Total other financial expenses	-9,531	-10,360
Exchange losses		
Exchange losses to Group companies	-8,699	-3,285
Exchange losses to others	-4,351	-1,845
Total exchange losses	-13,050	-5,130
Total financial expenses	-27,978	-17,845
Total financial income and expenses	30,377	19,167

*) A write-down of subsidiary loan receivables of EUR 8,814 (9,500) thousand

EUR 19,427 thousand is recognized in exchange gains from others in financial income regarding derivatives.
EUR 4,176 thousand is recognized in exchange loss to others in financial expenses regarding derivatives.

(EUR thousand)	2014	2013
Exchange gains and losses		
Realized	9,271	-1,165
Unrealized	1,227	-692
Total exchange gains and losses	10,498	-1,857

9. Change in appropriations

(EUR thousand)	2014	2013
Change in depreciation difference	-61	694
Total change in appropriations	-61	694

10. Income taxes

(EUR thousand)	2014	2013
Income tax for current year	-7,810	-8,182
Income tax for previous years	-8	23
Change in deferred taxes	-103	84
Total income taxes	-7,920	-8,075

11. Non-current assets

INTANGIBLE ASSETS

(EUR thousand)	2014	2013
Goodwill		
Acquisition cost at beginning of year	10,291	10,291
Acquisition cost at year end	10,291	10,291
Accumulated amortization at beginning of year	-10,291	-10,291
Accumulated amortization at year end	-10,291	-10,291
Carrying amount at year end	-	-
Other capitalized expenditure		
Acquisition cost at beginning of year	10,831	9,650
Increase	628	2,087
Decrease	-1,529	-905
Acquisition cost at year end	9,930	10,831
Accumulated amortization at beginning of year	-8,060	-7,531
Accumulated amortization related to decrease	1,529	905
Impairment loss	-613	-57
Amortization during the financial year	-874	-1,377
Accumulated amortization and impairment losses at year end	-8,017	-8,060
Carrying amount at year end	1,913	2,772
Advance payments and assets under construction		
Acquisition cost at beginning of year	41	2,153
Change during the year	209	-2,111
Carrying amount at year end	250	41
Total intangible assets	2,163	2,813

TANGIBLE ASSETS

(EUR thousand)	2014	2013
Land and water		
Acquisition cost at beginning of year	1,667	1,990
Decrease	-30	-
Impairment loss	-	-323
Carrying amount at year end	1,637	1,667
Buildings and constructions		
Acquisition cost at beginning of year	22,625	35,081
Increase	1,298	1,117
Decrease	-1,564	-13,572
Acquisition cost at year end	22,359	22,625
Accumulated depreciation at beginning of year	-16,197	-28,314
Accumulated depreciation related to decrease	1,551	13,572
Depreciation during the financial year	-1,010	-1,406
Impairment loss	-136	-49
Accumulated depreciation and impairment losses at year end	-15,793	-16,197
Carrying amount at year end	6,566	6,427

(EUR thousand)	2014	2013
Machinery and equipment		
Acquisition cost at beginning of year	41,386	55,918
Increase	2,085	510
Decrease	-1,794	-15,043
Transfers	-	1
Acquisition cost at year end	41,676	41,386
Accumulated depreciation at beginning of year	-28,944	-41,547
Accumulated depreciation related to decrease	1,794	15,041
Depreciation during the financial year	-2,013	-2,238
Impairment loss	0	-200
Accumulated depreciation and impairment losses at year end	-29,162	-28,944
Carrying amount at year end	12,514	12,442

The carrying amount of production machinery and equipment was EUR 11,424 thousand (EUR 11,548 thousand).
Accelerate depreciations of EUR 439 thousand has been done on production investments.

(EUR thousand)	2014	2013
Other tangible assets		
Acquisition cost at beginning of year	938	1,094
Decrease	-45	-156
Acquisition cost at year end	893	938
Accumulated depreciation at beginning of year	-779	-909
Accumulated depreciation related to decrease	45	156
Depreciation during the financial year	-14	-27
Accumulated depreciation at year end	-749	-779
Carrying amount at year end	144	159
Advance payments and assets under construction		
Acquisition cost at beginning of year	273	253
Change during the year	-138	21
Carrying amount at year end	135	273
Total tangible assets	20,997	20,968

INVESTMENTS

(EUR thousand)	2014	2013
Holdings in Group companies		
Acquisition cost at beginning of year	170,025	175,834
Increase	12,011	-
Write-down	-1,030	-4,461
Decrease	0	-1,348
Carrying amount at year end	181,005	170,025
Other shares and holdings		
Acquisition cost at beginning of year	634	651
Decrease	-34	-17
Carrying amount at year end	600	634
Total investments	181,605	170,659

12. Inventories

(EUR thousand)	2014	2013
Materials and supplies	**8,696**	8,994
Work in progress	**1,725**	190
Finished goods	**14,572**	15,717
Total inventories	**24,992**	24,901

13. Receivables

(EUR thousand)	2014	2013
Non-current receivables		
Non-current interest-bearing receivables		
Loan receivables from Group companies	**18,689**	26,081
Loan receivables from others	**1,350**	2,669
Total non-current interest-bearing receivables	**20,039**	28,750
Deferred tax assets	**212**	315
Total non-current receivables	**20,251**	29,064
Current receivables		
Current interest-bearing receivables		
Current interest-bearing receivables from others	**2,211**	1,357
Current interest-bearing receivables from Group companies	**22,468**	16,893
Total current interest-bearing receivables	**24,679**	18,250
Current interest-free receivables		
Loan receivables from others	**81**	255
Other current receivables from others	**26**	22
Trade receivables		
Trade receivables from Group companies	**14,766**	20,832
Trade receivables from others	**3,764**	7,911
Total trade receivables	**18,530**	28,743
Deferred expenses and accrued income		
Deferred expenses and accrued income from Group companies	**3,846**	3,020
Deferred expenses and accrued income from others	**5,244**	3,034
Total deferred expenses and accrued income	**9,090**	6,054
Total current interest-free receivables	**27,727**	35,074
Total current receivables	**52,405**	53,324
Total receivables	**72,656**	82,388
Deferred expenses and accrued income		
Interest income	**1,063**	458
Derivatives	**3,243**	498
Insurances	**105**	49
Personnel related	**256**	585
Purchases	**1,386**	994
IT services	**2,687**	3,217
Others	**349**	254
Total deferred expenses and accrued income	**9,090**	6,054

14. Equity

(EUR thousand)	2014	2013
Share capital at January 1	35,000	35,000
Share capital at December 31	35,000	35,000
Total restricted equity	35,000	35,000
Reserve for invested unrestricted equity at January 1 *)	40,000	40,000
Reserve for invested unrestricted equity at December 31	40,000	40,000
Retained earnings at January 1	100,283	91,133
Dividends	-35,287	-33,522
Share-based compensation	-410	-
Acquistion of treasury shares	-2,016	-
Transfer of treasury shares to participants of share-based incentive plan	410	-
Retained earnings at December 31	62,980	57,611
Net profit for the period	48,935	42,672
Retained earnings and net profit for the period at December 31	111,915	100,283
Total unrestricted equity	151,915	140,283
Total equity at December 31	186,915	175,283
Distributable funds at December 31		
Reserve for invested unrestricted equity	40,000	40,000
Retained earnings	100,283	91,133
Dividends	-35,287	-33,522
Share-based compensation	-410	-
Acquisition of treasury shares	-2,016	-
Transfer of treasury shares to participants of share-based incentive plan	410	-
Net profit for the financial year	48,935	42,672
Distributable funds	151,915	140,283

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

	EUR '000	Number of shares
Changes in treasury shares		
Acquisition cost / Number of pieces at January 1	0	0
Change	1,606	79,500
Carrying amount / Number of pieces at December 31	1,606	79,500

15. Appropriations

(EUR thousand)	2014	2013
Depreciation difference		
Accumulated depreciation difference per asset		
Buildings and constructions	-2,491	-2,274
Machinery and equipment	7,147	6,830
Other tangible assets	32	46
Other capitalized expenditure	339	367
Intangible rights	7	5
Total accumulated depreciation difference	5,035	4,974

(EUR thousand)	2014	2013
Change in depreciation difference		
Depreciation difference at January 1	4,974	5,667
Change in depreciation difference in income statement	61	-694
Depreciation difference at December 31	5,035	4,974

16. Provisions

(EUR thousand)	2014	2013
Other provisions	209	607

17. Liabilities

(EUR thousand)	2014	2013
Non-current liabilities		
Loans from financial institutions	60,000	60,000
Other non-current liabilities to Group companies	-	0
Total non-current liabilities	60,000	60,000
Maturity of non-current liabilities		
Maturity		
2016 (2015)	60,000	-
2017 (2016)	-	60,000
2018 (2017)	-	-
2019 (2018)	-	-
2020 (2019)	-	-
Total non-current liabilities	60,000	60,000

(EUR thousand)	2014	2013
Current liabilities		
Current interest-bearing liabilities		
Other interest-bearing liabilities		
Other interest-bearing liabilities to Group companies	21,391	26,015
Other interest-bearing liabilities to others	9,972	14,936
Total other interest-bearing liabilities	31,363	40,951
Total current interest-bearing liabilities	31,363	40,951

(EUR thousand)	2014	2013
Current interest-free liabilities		
Trade payables		
Trade payables to Group companies	828	595
Trade payables to others	15,118	12,980
Total trade payables	15,946	13,575
Accrued expenses and deferred income		
Accrued expenses and deferred income to Group companies	27	4
Accrued expenses and deferred income to others	17,027	18,509
Total accrued expenses and deferred income	17,054	18,514
Other interest-free liabilities to others	1,236	1,408
Total current interest-free liabilities	34,236	33,497
Total current liabilities	65,599	74,448

(EUR thousand)	2014	2013
Accrued expenses and deferred income		
Personnel expenses	6,799	7,176
Related to sales	7,626	8,438
Interest	216	251
Income taxes	1,297	1,659
Derivatives	-	398
Other	1,116	592
Total accrued expenses and deferred income	17,054	18,514

18. Contingent liabilities

(EUR thousand)	2014	2013
Lease liabilities		
Maturity within one year	1,253	1,092
Maturity later than one year	1,192	1,110
Total lease liabilities	2,446	2,202
Other contingent liabilities		
Material contractual commitment for acquisition of tangible assets	232	270
Guarantees		
On own behalf	30	38
On behalf of Group companies	20,529	21,818
Total guarantees	20,559	21,856

In addition, Tikkurila Oyj has personnel's years in service related commitments, which are not mandatory but are rather established by a pattern of past practice, and share-based incentive plan commitments. These together are approximately EUR 4.5 (4.1) million.

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

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

19. Derivative instruments

(EUR thousand)	2014 Nominal value	2014 Fair value	2013 Nominal value	2013 Fair value
Currency derivatives				
Currency forwards	27,827	3,243	71,572	80

SHARES AND SHAREHOLDERS

SHARES AND SHARE CAPITAL

At the end of 2014, Tikkurila's share capital was EUR 35.0 million, from a total of 44,108,252 registered shares. Tikkurila has one share series, and each share entitles its holder to one vote at the General Meeting and to an equal amount of dividend. Tikkurila's shares are registered in the Finnish book-entry system. At the end of 2014, Tikkurila held 79,500 treasury shares. The shares were acquired for implementing the share-based commitment and incentive plan.

BOARD AUTHORIZATIONS

On March 25, 2014, the Annual General Meeting authorized the Board of Directors of Tikkurila to decide on the repurchase of the company's own shares and the share issue.

AUTHORIZATION TO REPURCHASE THE COMPANY'S OWN SHARES

The Annual General Meeting authorized the Board of Directors to decide upon the repurchase of a maximum of 4,400,000 company's own shares with assets pertaining to the company's unrestricted equity in one or more tranches. The proposed maximum amount of the authorization corresponds to approximately 10 percent of all the shares in the company.

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

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

The shares may be repurchased to be used for financing or implementing possible mergers and acquisitions, developing the company's equity structure, improving the liquidity of the company's shares or to be used for the payment of the annual fees payable to the members of the Board of Directors or for implementing the share-based incentive programs of the company. For the aforementioned purposes, the company may retain, transfer further or cancel the shares. The Board of Directors decides upon other terms related to repurchase of shares.

The repurchase authorization will be valid until the end of the next Annual General Meeting, however, no longer than until June 30, 2015. In 2014, a total of 100,000 Tikkurila shares were acquired for implementing the company's share-based commitment and incentive program.

AUTHORIZATION TO ISSUE SHARES

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

The company's own shares held by the company may be transferred and the new shares may be issued either against payment or without payment. The new shares may be issued and the company's own shares held by the company may be transferred to the company's shareholders in proportion to their current shareholdings in the company or deviating from the shareholders' pre-emptive right through a directed share issue, if the company has a weighty financial reason to do so, such as financing or implementing mergers and acquisitions, developing the company's equity structure, improving the liquidity of the company's shares or to be used for the payment of the annual fees payable to the members of the Board of Directors. Upon the issuance of the new shares, the subscription price of the new shares shall be recorded to the invested unrestricted equity reserves. In case of a transfer of the company's own shares, the price payable for the shares shall be recorded to the invested unrestricted equity reserves.

The Board of Directors will decide upon other terms related to share issues. The authorization will be valid until the end of the next Annual General Meeting, however, no longer than until June 30, 2015. As of December 31, 2014, the Board of Directors had not exercised this authorization.

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

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

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

The Board of Directors will decide upon other terms related to share issues. The authorization will be valid for five (5) years from the decision. On December 2, 2014, a total of 20,500 Tikkurila shares were transferred to the nine key persons of Tikkurila.

MARKET CAPITALIZATION AND TRADING

The trading of Tikkurila Oyj's shares began on NASDAQ OMX Helsinki on March 26, 2010.

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

HOLDINGS OF TIKKURILA'S BOARD OF DIRECTORS AND MANAGEMENT BOARD

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

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

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

SHARE-BASED INCENTIVE PLANS

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

The new share-based plan includes three performance periods: financial years 2012–2014, 2013–2015 and 2014–2016. The Board of Directors of the company will decide on the performance criteria of the plan and their targets at the beginning of each performance period. The prerequisite for the participation in the plan and the receipt of reward provides that a key employee purchases Tikkurila's shares from the market in accordance with the terms and conditions of the plan.

The potential reward from the performance period 2012–2014 is based on the Tikkurila Group's Operative Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Net Debt. Furthermore, a key employee will have a possibility to earn a reward, which is tied to the validity of employment or service relationship. The amount of rewards depends on the number of purchased shares and the fulfillment of the performance criteria. Rewards will be paid in 2014 and 2015 partly in the company's shares and partly in cash. No reward will be paid if a key employee's employment or service contract terminates before the reward payment.

The target group of the share-based plan consists of nine key employees. The rewards to be paid on the basis of the performance period 2012–2014 correspond to the value of a maximum total of approximately 220,000 Tikkurila Oyj shares (including also the proportion to be paid in cash).

The potential reward from the performance period 2013–2015 is based on the Tikkurila Group's Operative Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Net Debt. Any key employee participating in the plan has the possibility to earn a reward only in case the employment or service contract continues at least up until spring 2016 and subject to that he/her still owns the shares originally purchased at the time of reward payment. The amount of rewards depends on the number of purchased shares and the fulfillment of the performance criteria. Rewards will be paid in spring 2016 partly in the company's shares and partly in cash.

DIVIDEND POLICY

According to Tikkurila's dividend policy, Tikkurila aims to distribute a dividend of at least 40 percent of its annual operative net income. Operative net income means net profit for the period excluding non-recurring items and adjusted for tax effects.

The Board of Directors proposes to the Annual General Meeting to be held on March 25, 2015, that a dividend of EUR 0.80 per share will be distributed for the year ended on December 31, 2014. The proposed dividend corresponds to approximately 73 percent of operative net income.

SHAREHOLDERS

According to Euroclear Finland Oy's register, Tikkurila had approximately 21,700 shareholders on December 31, 2014, the largest single shareholder being Oras Invest Oy with 18.1 percent. A list of the largest shareholders is updated regularly on Tikkurila's website at www.tikkurilagroup.com/investors/share_information/shareholders.

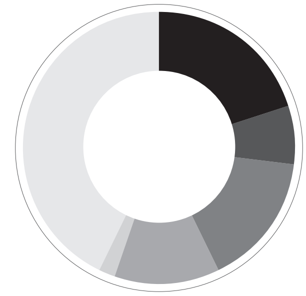
DISCLOSURE OF CHANGES IN HOLDINGS IN 2014

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

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

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.

Breakdown by shareholder category on December 31, 2014



20.1%	Private companies
7.1%	Financial and insurance institutions
15.8%	Public sector organizations
12.3%	Households
2.1%	Non-profit organizations
42.6%	Foreigners and Nominee registered

Tikkurila's largest shareholders on December 31, 2014

		Number of shares	% of share capital
1	Oras Invest Oy	7,969,552	18.1
2	Ilmarinen Mutual Pension Insurance Company	3,860,000	8.8
3	Varma Mutual Pension Insurance Company	2,493,525	5.7
4	Mandatum Life Insurance Company Ltd.	1,577,079	3.6
5	Kaleva Mutual Insurance Company	650,000	1.5
6	ODIN Finland	573,388	1.3
7	The State Pension Fund	507,000	1.2
8	Fondita Nordic Mid Cap	250,000	0.6
9	Paasikivi Pekka	195,241	0.4
10	Sijoitusrahasto Evli Suomi Pienyhtiöt	168,497	0.4
	10 largest registered shareholders total	**18,244,282**	**41.4**
	Nominee registered shares	18,081,059	41.0
	Other shares	7,782,911	17.6
	Total	**44,108,252**	**100.0**

Breakdown of share ownership on December 31, 2014

Number of shares	Shareholders	% of shareholders	Total number of shares and votes	% of share capital and voting rights
1–100	11,123	51.4	526,147	1.2
101–1,000	9,574	44.2	2,987,955	6.8
1,001–10,000	884	4.1	2,138,510	4.9
10,001–100,000	64	0.3	2,023,144	4.6
100,001–1,000,000	8	0.0	2,649,554	6.0
over 1,000,000	6	0.0	33,782,942	76.6
Total	**21,659**	**100.0**	**44,108,252**	**100.0**

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable funds of Tikkurila Oyj, the parent of Tikkurila Group, are EUR 151,915,372.25 of which EUR 48,934,930.84 represents the net profit for the financial year.

The Board of Directors proposes to the Annual General Meeting that EUR 0.80 per share will be distributed as dividend from the net profit for the year and from retained earnings. The total dividend would amount to EUR 35,223,001.60. EUR 116,692,370.65 would be left in distributable funds.

The financial position of the company has not materially changed after the end of the financial year, and it is the Board of Directors' opinion, that the proposed distribution of funds does not compromise the company's liquidity.

Vantaa, February 9, 2015

Jari Paasikivi
Chairman of the Board

Petteri Walldén
Vice Chairman of the Board

Pia Rudengren
Member of the Board

Eeva Ahdekivi
Member of the Board

Riitta Mynttinen
Member of the Board

Aleksey Vlasov
Member of the Board

Harri Kerminen
Member of the Board

Erkki Järvinen
CEO

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF TIKKURILA OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Tikkurila Oyj for the year ended 31 December 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Vantaa, 9 February 2015

KPMG OY AB

Toni Aaltonen
Authorized Public Accountant

Contact information
Minna Avellan, Manager, Investor Relations
+358 40 533 7932
minna.avellan@tikkurila.com

Tikkurila's Annual Report and Corporate Responsibility Report for 2014 can be found at
www.tikkurilagroup.com/annualreport_2014

TIKKURILA