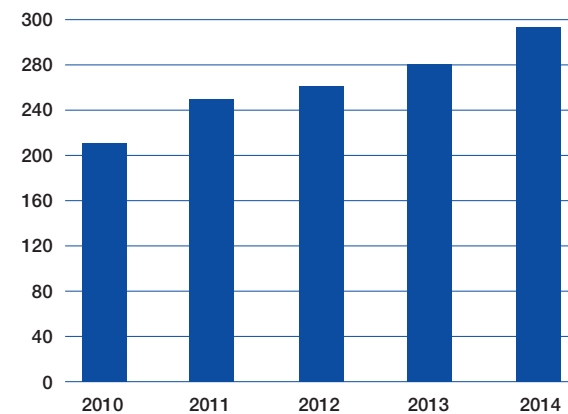
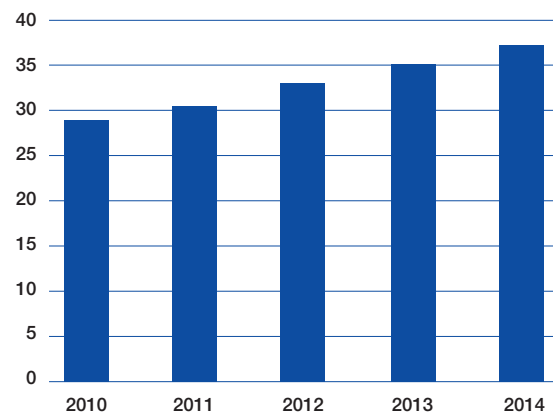


The Teknos Group in Figures

Net Sales, EUR million



EBITD, EUR million



Review

	2014	2013	2012	2011	2010
Net Sales, EUR million (continuing structure)	295	280	262	247	215
EBITD, EUR million (continuing structure)	37,1	35	33	31	28
Personnel	1 200	1 090	1 032	993	870
Solvency ratio % ^{*)}	40%	35.1%	38.6%	38.5%	40.2%

^{*)} Solvency ratio includes subordinated loans and a minority interest.

Teknos is one of Europe's leading suppliers of industrial coatings, with a strong position in retail and architectural coatings.

Teknos has production in seven countries: Finland, Sweden, Denmark, Germany, Poland, Russia, and China. In addition, Teknos has companies in 17 countries and exports to more than 20 countries via a well-established network of dealers.

Teknos was established in 1948 and is one of Finland's largest family-owned businesses.

2014 in Brief

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CEO's Review

Teknos sales continued to grow faster than the general economy during 2014. Teknos Group's turnover was EUR 295 million. The growth in 2014 net sales was approximately +5%. The sales of Teknos' paints continued to be on a fairly good level in spite of the fact that Europe is struggling with the economic recession and there has been no significant growth in terms of demand on the market. In the Central Eastern European and Baltic market, demand was on the slightly improved level. Teknos China, on the other hand, has continued to see strong growth in 2014 and our sales in China have grown over 50%.

The beginning of 2014 was not as good as the second half of the year. Positive development also continued in EBITD, which improved in 2014 with the same +5% speed as the turnover, compared to the previous year. EBITD result was EUR 37,1 million, which equals 12,6% of turnover. EBITD growth was mainly due to effective control of costs and our ability to grow the sales in this uncertain economic climate. The average number of personnel was 1 200.

All of the segments – architectural coatings, industrial wood, metal wet paints and speciality coatings all showed sales growth. Powder coatings remained almost on last year's level in net sales, but improved in profitability EBITD despite the

slight sales reduction. All segments improved their financial performance. Sales growth in metal coatings continued to be particularly good. In the majority of countries where Teknos operates, our sales and EBITD increased, and we believe that we won some market share. The sales growth was especially good in China, Baltic states, Germany, Denmark and UK.

Plant projects in St. Petersburg and Gdynia

The plant project in St Petersburg is progressing well. We have installed equipment and pipes at the plant in the end of 2014. The actual commissioning of the plant and the certification of the final production and environmental certificates will take place in first quarter of 2015, during which production will start. The plant project has progressed according to plans as well as on budget and schedule. The opening ceremony of the factory is planned for summer 2015.

The renovation project of the Polish plant was completed in the autumn 2014 and in January 2015, we have held an opening ceremony for our personnel and customers. Now we have a plant in Gdynia worth showing off, complete with new, state-of-the-art research and product development facilities. This investment will substantially improve the efficiency of our operations, our customer service and technical service capabilities.

Global reach, local presence

In late October 2013 we acquired the Danish Burcharths Farve & Lakfabrik's paints business, with the company's operations transferred under the Teknos banner in the spring 2014. This acquisition went according to the plan, and the transfer of operations to the Vamdrup plant occurred without problems. The implementation has also started in Poland's Gdynia factory and during the next stage we will kick off a system implementation project in Teknos Estonia and other Teknos' companies. This year we have also started a development project concerning Teknos Group's shared intranet system.

In the Teknos strategy, we define ourselves as a coatings provider who wants to serve our customers with value added solutions, and we also invest heavily in the local technical service. Our way of doing business is customer-oriented. We want to serve customers locally, and for this reason we invest in our local sales offices and competence centres by recruiting more staff and strengthening their operations. Year 2014 growth proved that the new strategy works out well and we are able to boost our growth according to the strategy.

During year 2014 Teknos established two new companies, SIA Teknos in Latvia and UAB Teknos in Lithuania. Moreover we have established a sales office in India to strengthen our presence in Asia market as well.

ERP goes global

We also continue to roll out the Teknos Group new ERP system to new group companies. In 2014, the new IFS-ERP system started operation successfully in Germany and Teknos Poland, Warsaw. The implementation has also started in Poland's Gdynia factory and during the next stage we will kick off a system implementation project in Teknos Estonia and other Teknos' companies. This year we have also started a development project concerning Teknos Group's shared intranet system.

CLP reform

The EU's CLP reform (Classification of Labelling and Packaging) entered into force in summer 2015. Due to the reform we have carried out a great deal of preparations, while also posing challenges to the IT system that produces our labels, packaging and transportation information. Over the first half of 2015 we will be successively switching over to the new CLP labeling and modified safety data sheets – even though the products will remain the same.

People Process Training and Employee Opinion Survey

In 2014 we have also started People Process Training project, in which one of the objectives is improvement of appraisal discussion model. We have upgraded our old employee opinion survey to a more

global electronic personnel survey. During 2014 we made first survey with the new system in Finland and Denmark with good results. New employee opinion survey will cover the entire Teknos Group during next year.

Innovations and product novelties

Beautiful design surfaces, corrosion protection, fire protection or antimicrobial emulsion paint – there is hardly a coating requirement which Teknos does not have a solution for. We have continuously invested in our R&D in order to offer modern, environmentally-friendly surface treatment solutions and experienced strong development in each of our product segments. In 2014 we have launched a lot of new products including both upgraded versions of our old products and newcomers.

For the demands of wood industry we have developed a primer for exterior claddings, TEKNOL 3881 as well as exterior high performance know sealer, ANTI STAIN AQUA 5210. Moreover we have an upgraded version of our versatile wood-alu topcoat, AQUATOP 2012 and new water borne UV products like TEKNOLUX AQUA 1429 and 1728. Also we are currently developing a new clear intumescent paint for interior use, TEKNOSAFE 2467.

As an ideal choice for the automotive industry heavy duty vehicles and other lines of industry with comparable de-

mands when it comes to performance and appearance, we have launched new fully glossy polyurethane paint, TEKNODUR 100. It is developed for surfaces where high gloss, excellent colour and gloss retention as well as scratch resistance are required.

For the needs of DIY painters there is a new special paint, KIRJO Tile, which is developed for maintenance painting of old concrete tile roofs.

Besides research and development of our products we are also investing in harmonization of our tinting systems. As one of the first results of this harmonization, our Wedevåg products can today be tinted with Teknos' TEKNOCOLOR tinting system.

Future challenges

Our future challenge is to keep our sales in Europe, Russia, and China growing. We will put our efforts into local sales and local technical service in accordance with our customer-oriented way of doing business. As Teknos Group, we are also big enough to adequately invest in R&D and find new business opportunities.

Pekka Rantamäki, CEO

