Contents

Oras Invest in brief .................................................. 1
MISSION .......................................................... 2
Oras Invest year 2014 ............................................. 3
Message from the CEO .......................................... 4
Oras Invest story ..................................................... 6
VISION ............................................................. 8
Values ............................................................... 9
Oras Invest strategy ............................................... 10
New Corporate Governance .................................. 11

Portfolio companies .............................................. 12
Oras Group .......................................................... 12
Uponor .............................................................. 14
Tikkurila ............................................................. 16
Kemira .............................................................. 18
LONG-TERM OBJECTIVES ..................................... 20

Summary of Financial Statements ......................... 22
Parent company income statement ..................... 22
Parent company balance sheet ......................... 23
Parent company cash flow statement ............. 24

Board of Directors ................................................ 26
Personnel ........................................................... 27
Corporate Governance ........................................ 28

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Oras Invest Ltd’s Annual Review and full Financial Report 2014 are available in PDF-format in English and Finnish on the company website orasinvest.fi
Oras Invest is a family-owned company with 70 years of industrial entrepreneurship tradition. Its current industrial holdings are Oras Group, Uponor, Kemira and Tikkurila. At the end of 2014 the net asset value of Oras Invest totaled EUR 732 million.

Oras Invest holdings

- **Oras Group**
  - **100%**
  - Since 1945

- **Uponor**
  - **23%**
  - Since 1999

- **Tikkurila**
  - **18%**
  - Since 2010

- **Kemira**
  - **18%**
  - Since 2007

Aggregate key figures 2014

- **NET SALES**
  - EUR **4.0** billion

- **EMPLOYEES**
  - **13,052** average number

- **OPERATING IN**
  - **40** countries
Oras Invest focuses its ownership in industrial companies, in which it has a substantial understanding of the industry, business characteristics and development potential.

We develop our companies through active Board work and close cooperation with the management. The aim is to create long-term sustainable value growth.
YEAR 2014 IN A NUTSHELL

The Corporate Governance model was renewed.

Our portfolio remained unchanged with strong focus on the building and water industries.

The net asset value was 732 million euro and TSR –6%.
Equity-to-assets ratio improved to 81% and gearing reduced to 23%.

Oras Invest key figures 2014

<table>
<thead>
<tr>
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<th>2014</th>
<th>2013</th>
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<tbody>
<tr>
<td>Net profit, EUR</td>
<td>27.7 million</td>
<td>27.4 million</td>
</tr>
<tr>
<td>Shareholders’ equity, EUR</td>
<td>511.1 million</td>
<td>485.0 million</td>
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<tr>
<td>Balance sheet total, EUR</td>
<td>630.6 million</td>
<td>635.6 million</td>
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<tr>
<td>Equity-to-assets ratio</td>
<td>81%</td>
<td>76%</td>
</tr>
<tr>
<td>Gearing</td>
<td>23%</td>
<td>30%</td>
</tr>
<tr>
<td>Net asset value (NAV), EUR</td>
<td>732 million</td>
<td>776 million</td>
</tr>
<tr>
<td>Total shareholder return (TSR)</td>
<td>–6%</td>
<td>26%</td>
</tr>
<tr>
<td>Debts-to-investments at market value ratio</td>
<td>14%</td>
<td>16%</td>
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Oras Group EBITDA x 8 – net debt, 2013 pro-forma new Oras Group
A YEAR OF INTEGRATION

Another turbulent year is behind us. Yet, our companies managed to steer through it in a stable manner. 2014 started amidst geopolitical uncertainty which continued throughout the year. The economic sanctions against Russia and the sharp decline of the Russian ruble have created difficult trading conditions in Russia for European businesses and especially many Finnish companies. In the second half of the year we witnessed a steep drop in the price of oil, leading to increased nervousness. Simultaneously, close to zero-level interest rates induced increased flow of money into equities and the subsequent bullish markets.

Our industrial portfolio and ownership remained unchanged in 2014. We continue with our strong focus on the building and water industries. Oras Group – the faucet company – has successfully integrated into one company with two strong brands: Oras and Hansa. Uponor – the plumbing and indoor climate solutions provider – had another year of robust growth in North America. Kemira – the global chemicals company serving customers in water-intensive industries – managed to grow organically despite divestments. For Tikkurila – the decorative paints company – especially the second half of 2014 was a challenge as approximately one third of the company’s sales are generated in Russia.

Solid performance and renewed structures
All our companies have the capability to quickly adjust to a changing market environment. This is well demonstrated by steady profit making ability even when the top lines have been under pressure.

Oras Group completed its first full year after the acquisition of Hansa with an excellent performance despite the additional burden of integration. Net sales for Oras Group totalled EUR 258.1 million (pro forma EUR 252.7 million). EBIT improved to EUR 24.6 million, 9.5% of net sales (pro forma EUR 22.1 million and 8.7%). The EBIT includes depreciation of intangible and tangible assets generated in the Hansa acquisition of EUR 3.2 million (0.8 million) and EUR 2.2 million non-recurring items (4.2). A strong cash-flow allowed an advance amortization of the acquisition loan, bringing Oras Group’s gearing down to 28.5% (53.4%). The structural integration of the Oras Group is complete and the work continues with the implementation of “Our Way Forward” – the strategy that will take the company further on the path of sustainable growth.
Uponor passed the one billion barrier with net sales of EUR 1,023.9 (906.0) million in 2014. EBIT also improved to EUR 63.4 (50.2) million, with a margin of 6.2% (5.5%). Uponor’s gearing came down to 27.6% (33.7%). Building Solutions North America reported strong growth and further geographical expansion. For Building Solutions Europe the year was flat, mainly driven by the weakened second half market conditions in Germany. Uponor Infra reported the first full year figures since the joint venture with the former KWH Pipe. The Infra unit’s integration synergy effects are starting to show despite weakened demand and lower volumes in Finland.

Kemira recorded net sales of EUR 2,136.7 (2,229.1) million in 2014. The decline in net sales was mainly due to the divestments of the coagulant business in Brazil, the formic acid business in Finland, and the distribution business in Denmark. Despite the decline in net sales, Kemira was able to achieve a 3% growth organically. Kemira’s EBITDA increased to EUR 252.9 (141.9) million. The EBIT margin remained at 7.4% (7.4%) and gearing increased to 42% (41%).

Tikkurila’s declining net sales, the weakened Russian ruble and increased fixed costs from sales and marketing efforts had a negative impact on its profitability. The decline in net sales was mainly due to the deteriorated market situation in Russia. Furthermore, the continuing crisis in Ukraine has increased uncertainty in Tikkurila’s operating environment. Tikkurila’s net sales were EUR 618.4 (653.0) million in 2014. EBIT declined to EUR 63.7 (71.5) million with a margin of 10.3% (11.0%) and gearing increased to 24.6% (23.4%).

Oras Invest’s profit for the reporting period was 27.7 (27.4) million euro. Our net asset value came down by 6% to 732 million euro (776) and the total shareholder return was –6% (26%). Our incoming dividend stream from 2014 will be approximately EUR 33 (32) million, in line with our expectations. We have further strengthened the balance sheet in accordance with our strategy. Oras Invest’s equity-to-assets ratio improved to 81% (76%) and gearing reduced to 23% (30%). Oras Invest’s corporate governance model has been redrawn. The new structure introduces the Owners Board, clarifies the roles of the company’s decision-making bodies and enhances the strategic role of the Board of Directors.

70 years of family business
As we embark on our 70th anniversary as a family company, our track record as a long-term industrial owner speaks for itself. Oras Group has been owned by the Paasikivi family since 1945, and we have been the largest owner of Uponor for 16 years. Another strategic milestone was reached eight years ago when we became the largest owner in Kemira, in which we have since then increased our ownership. We have been the main owner of Tikkurila for its entire life as a listed company since it was spun-off of Kemira 5 years ago. This track record proves our commitment to long-term industrial ownership and our consistency at it.

Our family’s story as entrepreneurs and industrial owners will be celebrated with the publication of an in-depth history book to be published in May 2015. Furthermore, anniversary celebrations will take place on all Oras Group sites throughout the year.

Going forward, we expect the market conditions in Europe to remain challenging. Our focus in 2015 will be on carefully monitoring industry development and transformation. The next industrial revolution is on our doorstep as digitalization merges the real and virtual worlds. In order to ensure sustainable growth paths and long-term value creation for our companies, we need to understand how the traditional industry dynamics link into the new trends.

I would like to express my warm thanks to each and every one of the 13,052 people working with our companies worldwide for enduring another turbulent year successfully. In addition, I would like to thank all of our board members for their support and foresight, and all of our partners for their trust and consistency.

March, 2015
Jari Paasikivi

We continue with our strong focus on the building and water industries.
President and CEO,
Jari Paasikivi
THE PIONEER ENTREPRENEUR

Our family business originated in 1945 in the small town of Rauma, on the West coast of Finland. The founders – Erkki and Irja Paasikivi and Kosti Oras – set up a small metal workshop in Irja’s father’s basement, right after the end of the Second World War. The company was named after Irja’s father, who helped out by financing the initial stages.

By the 1950’s, serial production was well under way – Erkki had managed to acquire a batch of surplus grenade shells from Ammus Oy. These were processed into radiator pipe connectors, establishing the combination of metal and water that became a hallmark of the company. The era between the 1950’s and 1970’s marked not only the growth of Oras, but also Finland’s growth as it rose from the ruins of the war.

By the end of the 1970’s, Oras was already well known as the manufacturer of the single-lever faucet. As a respected employer, it had brought a new industry to its local area and showed true entrepreneurial spirit. The first steps towards internationalization had been taken, not only in the form of exports, but more significantly by importing know-how and competence. With the help of a German partner, Erkki Paasikivi built Oras’ first foundry from scratch.

THE GROWTH, INTERNATIONALIZATION AND ACQUISITIONS

The 1980’s saw Oras expand and grow into the Nordic market leader and one of the largest faucet manufacturers in Europe. Together with the management, the owners developed a clear business idea for the company. Alongside innovative products, steady revenue growth and expansion into new markets ensured profitability and provided a solid platform for strategic acquisitions. Oras first acquired a faucet manufacturer in Germany, then its largest national competitor, followed by a Norwegian rival.

In 1995, Oras announced an ambitious growth-strategy, “Vision 2005”. The company intended to conquer the European markets and triple its revenue. Steps in this direction were taken based on advances in R&D, as Oras became the first European faucet manufacturer to introduce an electronic faucet. The company’s name and trademark had developed into a widely recognized and valued brand, associated with durability, innovation and attractive design. A further acquisition was made in Poland. The Vision, however, proved too complex to implement and the owners stepped back and took a broader look at the industry. At the same time, Fortum Oyj, the newly established energy giant, was seeking a new Finnish owner for its plastic pipe business.

INDUSTRIAL OWNER

Oras became the largest owner of Uponor in 1999, heralding the beginning of its era of industrial ownership. Pekka Paasikivi became Chairman of the Board of Uponor, introducing business-idea based thinking and a single-brand strategy. The owner’s approach was active and its commitment visible. Uponor’s shares had been purchased at a favorable time and the share price had consistently gained value, with the steadily growing dividend stream peaking in 2006. At the same time, the owners of Oras decided to organize the two industrial companies under a single holding unit.
Oras Invest was established to manage the family’s assets. From the outset, Oras Invest had a clear strategy: to become the largest owner of its publicly listed companies and a majority owner in its privately owned companies, based on a long-term commitment. At this point, the family’s third generation owners became active through board memberships.

By 2007, Oras Invest had become a household name in the HVAC and building material industries. The owners were ready to expand into a new industry. Following a comprehensive investigation, Kemira was identified as an interesting investment opportunity. Its involvement in global water chemistry and its subsidiary Tikkurila were among the decisive factors. Kemira’s main owner at the time, the Finnish State, was prepared to reduce its ownership sufficiently to allow Oras Invest to become the largest owner. Oras Invest saw a consolidation opportunity in Kemira and purchased the shares offered by the State. Operating in the water industry and making one quarter of its revenue in the building industry made Kemira a strategic fit with Oras Invest’s industrial portfolio. Soon after becoming Kemira’s largest owner, Oras Invest in accordance with the original plan added a fourth arm to its portfolio, when Tikkurila was spun off by Kemira, to form an independent publicly listed company. In 2013, the new Oras Group was created by Oras acquiring Hansa. The acquisition doubled the size of the company in terms of revenue and personnel.

Today, Oras Invest continues to be an active and committed long-term owner.
We aspire to be the most sought-after owner for industrial companies. The companies under our ownership are the best long-term performers in their industries. These companies also attract the most competent people and a committed owner base.
TAKING THE LONG VIEW, WITH SUSTAINABLE VALUES

**Good ownership** is a value and way of life understood by Oras Invest. It requires an honest, open and responsible approach, respect for work, and fair play. As an active industrial owner, we look beyond economic fluctuations.

**Vitality, commitment and endurance** form the basis for Oras Invest’s continuous, long-term value creation. We ensure that the companies we own are proactive and able to renew themselves. Our commitment to their long-term development is tangible. We put our competence and experience at our companies’ disposal.

**We take responsibility** for ensuring that our companies have solid ownership structures, as well as great Boards of Directors and CEOs. These are the basic prerequisites for solid value creation and constant improvement. A company will only be able to fulfil its social responsibility if it operates profitably on a solid base and creates value.

**ORAS INVEST VALUES**

**Ownership** cannot be claimed without an open and honest approach, respect for work and fair play. The responsibilities of ownership are greater than its privileges.

**By Vitality** we demonstrate our aim to develop the business by seeking re-generation and innovative ownership ideas.

**By Endurance** we state that there is continuity and competence in our work and we are driven by sustainable value creation.

**By Commitment** we simply express our long-term commitment to our companies and stakeholders; and to our family.
AN ACTIVE OWNER’S STRATEGY

Committed ownership, long-term development and value growth are permanent factors of our strategy. We look beyond economic trends and work in close cooperation with the other owners, management and all interest groups.

Our family business background has had a strong influence in defining the nature and objectives of our company as an industrial owner. We have built a long-term commitment to our companies and want to develop them in a determined manner. Our strategy is guided by constant value creation throughout economic fluctuations, and when necessary, bold moves and preparation for challenging times.

To us, active industrial ownership is long-term development of the companies we own. This also means continuous dialogue with the other owners of our companies and our closest stakeholders. We direct our earned dividends either on further investments in our current and new companies, or on strengthening our balance sheet.

We strive towards value growth, which requires active work by the Boards, and constructive cooperation with the management of our companies. It is necessary – not to mention beneficial to all shareholders and interest groups – for our Boards to have the ability to create a clear image of a company’s business idea, strategies, management, and risks.

In the case of listed companies, it is our goal to be the largest shareholder, while in the case of unlisted companies we aim for majority ownership.

We comply with good corporate governance. As an industrial owner, we are in a decision-making position and exert influence in general meetings of shareholders, Boards of Directors and committees. We participate in ensuring that the capital structures of our companies remain healthy, giving them strength for development and renewal, and for building a sustainable future.

In order to generate continuity in our industrial ownership, we monitor the signals regarding the outlook of our industrial sectors and fluctuations in the economy and the financial markets. We assess the development opportunities and value creation abilities of our companies, while also evaluating their management’s competences.
RENewed Corporate Governance

Generations shape companies and governance structures need to follow. Oras Invest Corporate Governance has been renewed to match the new structure and way of working as a family company. The owner’s aim and objective has been to set a clear Corporate Governance involving the build-up of an Owners Board and securing the nomination of a professional and independent Board of Directors. This formalizes the governing of our industrial ownership at all levels. The main purpose is to clarify the governance principles. The owners have made a clear distinction between family, owners, and the operative business; with the aim to separate governing and managing activities. A good owner structure, a professional Board of Directors, and competent management are necessary for the company’s future success.

The purpose of the Owners Board is to deal with the shareholder issues that are not subject to Annual General Meeting. The Owners Board includes two committees: the Nomination Committee and the Family Committee. The most important task of the Nomination Committee is to continuosly ensure the best possible composition of the Oras Invest Board of Directors. The Family Committee maintains and develops family activities and keeps our traditions as a family and company alive.

The Owners Board determines the vision and strategic intent of the owners and communicates them to the Oras Invest Board of Directors. The formation of the Owners Board allows the Board of Directors to concentrate on strategy work when all owner related matters are excluded from the board agenda. Communication and information flow between the Owners Board and the Board of Directors is continuous.
ORAS GROUP – A TRUE EUROPEAN CONTENDER IN THE FAUCET MARKET

Oras Group is a significant European provider of sanitary fittings: the market leader in the Nordics and a leading company in Continental Europe. Having doubled its size in the autumn of 2013 through the acquisition of Hansa, Oras Group is a true European contender. The company’s mission is to make the use of water easy and sustainable and its vision is to become the European leader of advanced sanitary fittings.

Overview of 2014

Net sales for Oras Group totalled EUR 258.1 million (pro forma EUR 252.7 million). The operating profit of the company was EUR 24.6 million, or 9.5% of net sales (pro forma EUR 22.1 million and 8.7%).

Despite a turbulent situation in the total market, Oras Group achieved sales growth in its key markets, especially in Germany and Finland. The development was very positive also in Denmark, Belgium and Czech Republic. Growth has been achieved in advanced products that add value to the market. In Norway the market situation was challenging.

The strategic fit between Oras and Hansa had been obvious as the overlap between the companies was small, but the fit seems to be even better than expected. Both brands, especially HANSA, have gained credibility through the new constellation.

2014 was a year of integration at Oras Group and the structural integration is now completed. Many common systems and tools are already in place, but the implementation continues in 2015.

Within the new constellation an extensive study on company culture was conducted before establishing company values for Oras Group, in order to build them on a solid foundation. The
new company values are: courage, fairness, effectiveness and openness. The Group will be strongly driven by these values, and significant effort will be made to enable the entire organization to live the company values and establish a common company culture.

In December Oras Group strategy “Our way forward 2015–2017” was presented to the personnel, followed by target setting across the Group. All functional strategies have been introduced and the implementation has already begun.

On a Group level the company operates two strong brands, HANSA and Oras, but with a single brand strategy per market. In product management the Group resources serve both brands. The assortment of advanced products of both brands has been expanded through rebranding and the initial response from the market has been encouraging. The results of the first Oras Group product development efforts will be presented in the spring of 2015.

Significant synergies have been identified and realized especially in purchasing, and at the same time the development of the logistics network has been started in order to fit the new constellation. Oras Group has four production sites – in Germany, Finland, Poland and Czech Republic. The strategic roles of each plant have been defined.

**Future outlook**

As in the previous years, no market growth is to be expected and consumer confidence remains low, leading to low predictability in the industry. The markets are fragmented in terms of distribution and price points. As price erosion continues in the low and medium priced products and simultaneously cost levels are increasing, streamlining must be built in all operations. Oras Group focuses on the part of the market that adds value to all stakeholders, instead of speeding up the price erosion.

The focus of Oras Group is in Europe and the company operates in strong partnership with selected professional customers.

While 2014 was a year of structural integration within Oras Group, efficient sales organizations are now in place and full focus will be on sales, with the aim to leverage the effectiveness of the Group to establish and strengthen the company’s position in the current markets. After the first full year as one Group, we can clearly state that Oras Group is a strong European contender.
Uponor is a leading provider of heating, cooling and plumbing systems for buildings internationally as well as a prominent provider of municipal pipe systems in Northern Europe. Uponor products are sold in approximately 100 countries. The Group's business is divided into three segments: Building Solutions – Europe, Building Solutions – North America, and Uponor Infra.

Overview of 2014

Uponor’s 2014 net sales amounted to €1,023.9 million, up 13.0% year on year. In comparable terms, i.e. adjusting for historic 2013 figures of the new Uponor Infra businesses, consolidated as of 1 July 2013, net sales grew by 2.0%. Operating profit improved to €63.4 million, up 26.3% from the previous year. The operating profit margin improved to 6.2% (5.5%) of net sales.

The company’s growth was strongest in Building Solutions – North America. In the U.S., in particular, Uponor was successful in growing net sales in both the residential and commercial markets, and in expanding its geographical presence. Building Solutions – Europe’s net sales declined but showed modest growth of 1.7% in local currency. A key reason for this flattish development was the weaker-than-anticipated market conditions in Germany, the single largest market area, in the latter part of the year, which impacted growth.

For the first time, Uponor Infra’s net sales for 2014 included a full 12 months of figures for the businesses that have been combined since the establishment of the joint-venture with
KWH Pipe on 1 July 2013. Reported growth from 2013 was therefore considerable, rising by 34.4%. Compared to the historic 2013 net sales levels achieved by the combined businesses, there was a decline of 2.2%, mainly driven by the impact of currency changes, but also due to plummeting demand in some key markets, such as Finland and Denmark, and a negative development in market share in Finland in particular.

In terms of business groups, net sales broke down as follows: Infrastructure Solutions 34%, Plumbing Solutions 39%, and Indoor Climate Solutions 27% of Group net sales.

In 2014, capital was allocated to new pipe technologies, such as the new seamless composite pipe and PEX pipe extrusion, which was mainly targeted at boosting production capacity and efficiency. In North America, the fifth expansion of the manufacturing facility in Minnesota was completed in the fourth quarter of 2014. As a result, new raw material handling capacity was introduced and manufacturing space grew by more than 1,600 square metres. Further, the idle production lines relocated from Europe to the U.S. in 2013, were taken into use.

In Central Europe, Uponor announced a plan to streamline its Central European distribution operations and close its distribution centre in Wettringen, north-western Germany. The new logistics centre, with a floor area of 15,500 m², in Hassfurt, Germany will be fully operational early in the second quarter of 2015. In the same connection, the manufacture of local heat distribution pipe systems was transferred to Hassfurt.

Uponor continued to roll out a range of new and upgraded products in several key markets. The most important novelties included the seamless aluminium composite pipe for plumbing applications, introduced in some European markets, and its further development – a composite pipe with a metallic look for surface installations.

**Outlook**

The economic outlook in Uponor’s key markets is likely to remain twofold in 2015: demand in North America, representing one fourth of Group net sales, is expected to remain lively and offer room for continued construction industry growth. The European markets, on the other hand, are expected to remain flat, although supported by growing confidence in a gradual revival of the European economy.

Uponor has focussed considerable effort in recent years on strengthening its foothold in key markets. This has been achieved through measures such as intensifying partnerships in the value chain and enhancing the product and services offering in order to fulfil the diversified needs of customers and partners on the road towards a more sustainable building industry. Internally, the company has consistently executed a programme involving the further development and harmonisation of operations, such as the supply and distribution of products, the streamlining of operations, and reducing the environmental footprint, while better serving the company’s customers.
Tikkurila is a leading Northern European paint industry professional known for its high-quality surface treatment products, expert services and strong brands. A solid quality, a culture of service, sustainable solutions and market leadership are among Tikkurila’s most important competitive advantages.

Tikkurila offers an extensive range of products for protecting and beautifying surfaces for consumers, construction professionals, as well as selected industrial customers. Tikkurila’s range of services includes, among others, color and tinting services, painting advice as well as expert and training services. Tikkurila aims to offer the best user experience. The company 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 main markets are Russia, Sweden, and Finland, where the company is the market leader in decorative paints. Tikkurila has production in nine countries, and the majority of the sales consists of premium products in the high quality and price grade. The single largest brand is Tikkurila, which generates more than half of the Group’s revenue.

Tikkurila was established in 1862, and its shares have been listed on NASDAQ OMX Helsinki since 2010.
Overview of 2014
The market situation weakened in Russia, which is the single biggest market of Tikkurila, over the year and became difficult in the last quarter due to the sharp decline in oil prices and the collapse of the ruble. The business development was more stable in our other markets even if the weakening Swedish krona had a negative impact on the euro-denominated revenue. The Group's annual revenue declined by 5 percent, as the weak currencies directly reduced the reported revenue by more than EUR 50 million year on year. The favorable development of the sales mix continued.

The decline in revenue and the significant exchange rate fluctuations had a negative impact on profitability. Furthermore, the sales and marketing investments, which were higher than in the comparison period, increased the fixed costs. The operative EBIT margin was down to 10.4 percent from 11.1 percent in the previous year. Good net income and cash flow, the latter of which continued to be strong despite acquisitions, kept the dividend distribution capability stable.

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

Net sales
EUR 618.4 million

the comparison period, increased the fixed costs. The operative EBIT margin was down to 10.4 percent from 11.1 percent in the previous year. Good net income and cash flow, the latter of which continued to be strong despite acquisitions, kept the dividend distribution capability stable.

Tikkurila in brief
Net sales: EUR 618.4 million
Operating profit excl. non-recurring items: EUR 64.2 million
Average number of personnel: 3,212
Chairman of the Board: Jari Paasikivi
CEO: Erkki Järvinen

Oras Invest Ltd’s holding in Tikkurila
Since 2010
Proportion of share capital: 18.1%
Proportion of voting rights: 18.1%
Market value of ownership: EUR 115 million
Kemira is a global chemicals company serving customers in water-intensive industries. We provide expertise, application know-how and chemicals that improve our customers’ water, energy and raw material efficiency. Our focus is on pulp & paper, oil & gas, mining and water treatment. In 2014, Kemira had annual revenue of EUR 2.1 billion and around 4,250 employees. Kemira shares are listed on the NASDAQ OMX Helsinki Ltd.

Overview of 2014

After the recent restructuring phase, Kemira turns a new chapter towards growth. This is enabled by clear strategic focus, customer-driven innovation, responsible business practices and engaged professionals.

Our strategic focus is clear: we provide application know-how and chemicals that improve our customers’ water, energy and raw material efficiency in water-intensive industries. In the past few years, we have restructured our organization and way of working towards more efficient and economical settings. Now Kemira’s restructuring has been largely accomplished and we can focus on reaching our mid-term financial targets: EUR 2.7 billion revenue and 15% operative EBITDA margin level by end of 2017. Our three segments have clear strategic objectives in driving these targets. We expect profitable, above-the-market growth from Paper and Oil & Mining, while the Municipal & Industrial segment focuses on ensuring the equally important cash generation.

In 2014, we reached EUR 2.1 billion (2.2) revenue with an improved operative EBITDA margin of 11.8% (11.3%). Kemira’s organic revenue growth in 2014 was 3%, which was within our guidance for 2014 (0–5%).
All our three segments delivered results well in line with their strategic objectives. Paper delivered 6% and Oil & Mining 15% organic growth, exceeding their respective market growth rates. Operative EBITDA margin in Municipal & Industrial improved and cash flow was solid. Importantly, M&I’s revenue recovered towards the end of the year.

During the year, we made good progress in expanding our Paper business geographically. In South America, we started pulp chemicals deliveries to the new Montes del Plata pulp mill in Uruguay. Kemira was also selected as a sodium chlorate supplier to Klabin’s new pulp mill in Brazil. In APAC, the ongoing ramp-up of our new manufacturing site in Nanjing, China supports growth in the region. In addition, we are doubling our revenue in the region with the acquisition of AkzoNobel’s paper chemical business. The AkzoNobel paper chemicals acquisition, which we are looking forward to closing in early 2015, further enhances our position in APAC and in the packaging, board and tissue applications. Successful integration of this business to our operations in 2015–2016 is a high priority large-scale project for us.

**Future outlook**

Looking forward, demand development for our products going into US shale operations – representing less than 50% of Oil & Mining revenue – is uncertain due to the steep drop in oil price. On the other hand, the present currency exchange rates, particularly the strengthened U.S. dollar, are expected to support our top line during 2015. Kemira will continue to focus on improving its profitability and reinforcing positive operative cash flow. The company will also continue to invest in order to secure future growth serving selected water intensive industries.

Kemira’s revenue in 2015 is expected to increase compared to 2014 and operative EBITDA in 2015 to remain approximately at the same level or increase compared to 2014. The outlook excludes the impact of AkzoNobel paper chemical business.

At closing, AkzoNobel paper chemical business is expected to add revenue more than EUR 200 million on an annualized basis.

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**FACTS & FIGURES**

**Distribution of the largest shareholders in Kemira at year-end 2014**

- Oras Invest Ltd: 18.2%
- Solidium Oy: 16.7%
- Varma Mutual Pension Insurance Company: 5.3%
- Ilmarinen Mutual Pension Insurance Company: 3.2%
- Kemira Oyj: 2.1%
- Others: 54.5%

**Kemira in brief**

Net sales: **EUR 2,136.7 million**

Operative EBITDA: **EUR 252.9 million**

Average number of personnel: **4,285**

Chairman of the Board: Jari Paasikivi

CEO: Jari Rosendal

Oras Invest Ltd’s holding in Kemira

Since 2007

Proportion of share capital: **18.2%**

Proportion of voting rights: **18.2%**

Market value of ownership: **EUR 280 million**
LONG-TERM OBJECTIVES

The total shareholder return is generated by the increase of net asset value and dividend yields. Oras Invest aims to reach total shareholder return in excess of the cost of capital over a business cycle.
The aggregate revenue of our companies was 4.0 billion, and they employed 13,052 people in 40 countries.

The aggregate contributions of our holdings in 2014

Revenue from customers
EUR 4,001 million

EUR 3,025 million
EUR 581 million
EUR 152 million
EUR 39 million

Suppliers of raw materials, goods & services

Employees

Society

Banks

Dividends
EUR 151 million to 70,748 shareholders
## PARENT COMPANY INCOME STATEMENT

<table>
<thead>
<tr>
<th>Oras Invest Ltd</th>
<th>1 Jan – 31 Dec 2014</th>
<th>1 Jan – 31 Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>649,596.00</td>
<td>949,998.00</td>
</tr>
<tr>
<td>Other operating income</td>
<td>6,800.55</td>
<td></td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>1,084,096.88</td>
<td>745,639.07</td>
</tr>
<tr>
<td>Depreciation</td>
<td>98,291.10</td>
<td>90,134.86</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>946,809.08</td>
<td>802,165.14</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>–1,472,800.51</strong></td>
<td><strong>–687,941.07</strong></td>
</tr>
<tr>
<td>Financial income and expenses</td>
<td>25,206,209.76</td>
<td>23,578,242.42</td>
</tr>
<tr>
<td><strong>Profit before extraordinary items</strong></td>
<td><strong>23,733,409.25</strong></td>
<td><strong>22,890,301.35</strong></td>
</tr>
<tr>
<td>Extraordinary items</td>
<td>4,000,000.00</td>
<td>4,600,000.00</td>
</tr>
<tr>
<td><strong>Profit before taxes</strong></td>
<td><strong>27,733,409.25</strong></td>
<td><strong>27,490,301.35</strong></td>
</tr>
<tr>
<td>Appropriations</td>
<td>1,888.20</td>
<td></td>
</tr>
<tr>
<td>Income taxes</td>
<td>–70,169.39</td>
<td>–121,851.63</td>
</tr>
<tr>
<td><strong>Profit for the financial period</strong></td>
<td><strong>27,663,239.86</strong></td>
<td><strong>27,370,337.92</strong></td>
</tr>
</tbody>
</table>
## PARENT COMPANY BALANCE SHEET

### Oras Invest Ltd

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2014</th>
<th>31 Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>17,208.38</td>
<td>32,816.53</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>1,028,620.42</td>
<td>489,350.61</td>
</tr>
<tr>
<td>Investments in Group companies</td>
<td>21,942,155.51</td>
<td>21,942,155.51</td>
</tr>
<tr>
<td>Other investments</td>
<td>605,460,504.44</td>
<td>605,460,504.44</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term receivables</td>
<td></td>
<td>4,823,677.58</td>
</tr>
<tr>
<td>Current receivables</td>
<td>2,138,537.75</td>
<td>2,755,283.44</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>49,840.75</td>
<td>53,389.46</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>628,448,488.75</td>
<td>627,924,827.09</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>6,520,500.00</td>
<td>6,520,500.00</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>476,930,239.54</td>
<td>451,059,616.62</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>27,663,239.86</td>
<td>27,370,337.92</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>60,000,000.00</td>
<td>78,445,483.98</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>59,522,887.85</td>
<td>72,161,239.05</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>630,636,867.25</td>
<td>635,557,177.57</td>
</tr>
</tbody>
</table>
### PARENT COMPANY CASH FLOW STATEMENT

**Oras Invest Ltd**  
(EUR 1,000)

<table>
<thead>
<tr>
<th></th>
<th>1 Jan – 31 Dec 2014</th>
<th>1 Jan – 31 Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOW FROM OPERATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before taxes and extraordinary items</td>
<td>23,733</td>
<td>22,890</td>
</tr>
<tr>
<td>Non-cash adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and impairment</td>
<td>98</td>
<td>90</td>
</tr>
<tr>
<td>Financial income and expense</td>
<td>–25,206</td>
<td>–23,578</td>
</tr>
<tr>
<td>Other adjustments</td>
<td>–7</td>
<td></td>
</tr>
<tr>
<td>Cash flow from operations before change in working capital</td>
<td>–1,382</td>
<td>–598</td>
</tr>
<tr>
<td>Change in trade and other non-interest bearing receivables (–/+)</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Change in trade and other non-interest bearing liabilities (+/–)</td>
<td>140</td>
<td>–150</td>
</tr>
<tr>
<td>Cash flow from operations before financial items and taxes</td>
<td>–1,242</td>
<td>–740</td>
</tr>
<tr>
<td>Interests paid and other financial items</td>
<td>–3,165</td>
<td>–4,041</td>
</tr>
<tr>
<td>Interests received</td>
<td>565</td>
<td>3</td>
</tr>
<tr>
<td>Dividends received</td>
<td>27,661</td>
<td>27,350</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>–107</td>
<td>–152</td>
</tr>
<tr>
<td><strong>Cash flow from operations</strong></td>
<td>23,712</td>
<td>22,420</td>
</tr>
</tbody>
</table>
### CASH FLOW FROM INVESTMENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>1 Jan – 31 Dec 2014</th>
<th>1 Jan – 31 Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in intangible and tangible assets</td>
<td>-622</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of intangible and tangible assets</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from investments</strong></td>
<td>-615</td>
<td>0</td>
</tr>
</tbody>
</table>

### CASH FLOW FROM FINANCING

<table>
<thead>
<tr>
<th>Description</th>
<th>1 Jan – 31 Dec 2014</th>
<th>1 Jan – 31 Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of non-current loans</td>
<td>75,000</td>
<td>-29,400</td>
</tr>
<tr>
<td>Repayment of non-current loans</td>
<td>-105,000</td>
<td></td>
</tr>
<tr>
<td>Increase of current loans</td>
<td>3,800</td>
<td>3,000</td>
</tr>
<tr>
<td>Repayment of current loans</td>
<td>-15</td>
<td></td>
</tr>
<tr>
<td>Group contribution</td>
<td>4,600</td>
<td>5,500</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-1,500</td>
<td>-1,499</td>
</tr>
<tr>
<td><strong>Cash flow from financing</strong></td>
<td>-23,100</td>
<td>-22,414</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>1 Jan – 31 Dec 2014</th>
<th>1 Jan – 31 Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net change in cash and cash equivalents</strong></td>
<td>-3</td>
<td>6</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>53</td>
<td>47</td>
</tr>
<tr>
<td>Cash and cash equivalents at 31 December</td>
<td>50</td>
<td>53</td>
</tr>
</tbody>
</table>
The Chairman of the Board

**Pekka Paasikivi**
b. 1944, Finnish citizen, B.Sc. (Eng)
Board memberships:
- Chairman of the Board, Oras Invest Ltd since 2004
- Member of the Board, Foundation of Economic Education since 2003
- Chairman of the Board, Kemira, 2007–2012
- Chairman of the Board, Uponor 1999–2008

**Kaj Paasikivi**
b. 1968, Finnish citizen, B.Sc. (Business Administration, Woodbury University), MBA (Helsinki School of Economics)
Board memberships:
- Vice Chairman of the Board, Oras Ltd 2013–2014
- Member of the Board, Oras Invest Ltd since 2010
- Chairman of the Board, NextStone since 2007
- Member of the Board, Oras Ltd 2006–2014

**Vesa Puttonen**
b. 1966, Finnish citizen, D.Sc. (Econ.), Professor of Finance, Aalto University since 2001
Board memberships:
- Chairman of the Board, Finnish Hockey League since 2013
- Member of the Board, Taaleritehdas since 2013
- Member of the Board, Suomi Mutual since 2013
- Member of the Board, Finnish Foundation for Share Promotion since 2011
- Member of the Board, Rocla since 2007
- Member of the Board, Oras Invest Ltd since 2006

**Dr. Frank Stangenberg-Haverkamp**
b. 1948, German citizen, University of Freiburg/Germany, M.Sc. (Econ.), Ph.D.
Board memberships:
- Chairman of the Executive Board, E. Merck KG, Darmstadt, Germany since 2014
- Member of the Board, Oras Invest Ltd since 2012
- Member of the Supervisory Board, M.A.X. Automation AG, Duesseldorf/Germany until Nov 5, 2013
- Chairman of the Board of Travel Asset Group Ltd., London/UK since 2007
- Chairman of the Supervisory Board, Fortas AG, Roesath/Germany since 2000

**Christoph Vitzthum**
b. 1969, Finnish citizen, M.Sc. (Econ)
President and CEO, Oy Karl Fazer Ab since 2013
Board memberships:
- Member of the Board, Oras Invest Ltd since 2013
- Member of the Board, NCC since 2010
PERSONNEL

President and CEO
Jari Paasikivi
b. 1954, Finnish citizen, M.Sc. (Econ)
Board Memberships:
– Chairman of the Board, Kemira since 2014
– Vice Chairman of the Board, Varma Mutual Pension Insurance Company since 2014
– Chairman of the Board, Oras Ltd since 2013
– Chairman of the Board, Technology Industries of Finland since 2013
– Member of the Board, Confederation of Finnish Industries since 2013
– Chairman of the Board, Tikkurila since 2010

COO
Annika Paasikivi
b. 1975, Finnish citizen, BA International Business (EBS London)
M.Sc. Global Politics (University of Southampton)
Board Memberships:
– Deputy Chair of the Board, Uponor since 2014
– Vice Chairman of the Board, Oras Ltd since 2014
– Member of the Board, Finow Ltd since 2007
– Member of the Board, Oras Invest Ltd, 2004–2011

CFO
Tuula Ylhäinen
b. 1955, Finnish citizen, M.Sc. (Econ.)

Executive Assistant
1.8.2014–9.3.2015
Riitta Johansson

Executive Assistant
9.3.2015–
Anniina Myllyperkiö

Ulf Mattsson
b. 1964, Swedish citizen, BSc in BA and Econ, PMD Harvard Business School.
Board Memberships:
– Chairman of the Board, AcadeMedia AB since 2010
– Chairman of the Board, Crem International AB since 2012
– Chairman of the Board, ItsLearning AS since 2013
– Chairman of the Board, Evidensia Djursjukvård Holding AB since 2014
– Chairman of the Board, Granngården AB since 2014
– Chairman of the Board, Musti ja Mirri OY since 2015
– Member of the Board, Sanitec OY (publ) since 2009
– Member of the Board, AddTech AB (publ) since 2012
– Member of the Board, Bactiguard Holding AB (publ) since 2012
– Member of the Board, StormGeo AS since 2014
– Member of the Board, Oras Invest Ltd, since 2014

Executive Assistant
1.8.2014–9.3.2015
Riitta Johansson

Executive Assistant
9.3.2015–
Anniina Myllyperkiö
COrporate Governance

O

oras Invest Ltd (the Company) is a private limited company registered in Finland. The company follows good corporate governance practices based on the Finnish Companies Act and the company’s Articles of Association.

The Company is the parent company of Oras Invest Group. In such capacity, it is responsible for the development of the management of the Group, prepares the Group’s financial reporting and supports the Group in financial, legal and management issues.

The Group consists of a number of independent subgroups and separate companies. Decisions regarding their operations are taken by each company’s own decision-making bodies. Oras Invest exercises its ownership through representatives elected by its board of directors in the decision making bodies of its subsidiaries, associated companies and other investments.

General Meeting of Shareholders
The highest decision-making authority in the Company is exercised by the shareholders at the General Meeting of shareholders. According to the Finnish Companies Act and the Articles of Association, the General Meeting of shareholders decides on the following issues:

– Amendments to the Articles of Association
– Adoption of the annual accounts
– Dividend distribution
– Appointment and remuneration of the Owners Board members
– Appointment of members of the Board of Directors and decision on their emoluments
– Appointment of the Company’s auditor and decision on audit fees

The General Meeting also elects the Chairman of the Board of Directors and the Vice-Chairman of the Board of Directors.

Owner’s Board
The Owners Board prepares all matters that are brought to be decided by the General Meeting and decides on all such owner matters which are not brought to the General Meeting. The Owners Board is responsible for the ownership steering of the Company and determines the long-term will and vision of the owners. The Owners Board works in close cooperation with the Company’s Board of Directors.

The Owners Board consists of four (4) to seven (7) members, who elect a chairperson among themselves. Members of the Owners Board are representatives of various ownership groups that are appointed annually at the General Meeting.

The Owners Board has a working order, which describes the role and functions of the Owners Board in detail. The Owners Board decides on the proposal for the appointment of members to the Company’s Board of Directors, which is brought to the Annual General Meeting.

Nomination Committee
The task of the Nomination Committee is to find the best possible members to the Board of Directors of the Company and to prepare the proposal regarding their remuneration.

The Owners Board elects a chairman for the Nomination Committee among its members; in addition to which the chairman of the Board of Directors will act as adviser to the Nomination Committee.

The Nomination Committee submits its proposal to the Owners Board, and the Owners Board decides on the proposal for appointment of members to the Board of Directors, to be brought to the Annual General Meeting. The Nomination Committee submits its proposal regarding matters related to remuneration to the Annual General Meeting.

The Board of Directors
In accordance with the Finnish Companies Act, the Board of Directors is responsible for the governing of the Company and the appropriate organisation of its operations. The Board’s main duty is to direct the Company’s strategy so as to advance the benefit of all shareholders in the long term, while taking into account the expectations of various stakeholders. The Board further monitors and supervises the executive management of the Company, and appoints and dismisses the Chief Executive Officer. The Board also oversees that the Company acts in accordance with its values.

Pursuant to the Articles of Association, the Board of Directors of the Company comprises a minimum of three (3) and a maximum of seven (7) members, appointed for a term starting at the close of the General Meeting at which they were appointed, and expiring
at the close of the following Annual General Meeting. Members of the Board of Directors can also be appointed mid-term, at Extraordinary General Meetings.

The Board of Directors shall be comprised of suitable members with the requisite skills and knowledge. At least two (2) independent members and at least one (1) owner must be appointed as members of the Board.

The Board evaluates its work on an annual basis and reports on this to the Nomination Committee.

**Chief Executive Officer**

The Chief Executive Officer (CEO) is appointed by the Board of Directors. The CEO plans and manages the Company’s operations and is responsible for its executive management in accordance with the instructions and orders given by the Board of Directors. It is the CEO’s duty to ensure that the Company’s accounts are in compliance with the law and its financial affairs have been arranged in a reliable manner.

**Salaries and Remuneration**

The Nomination Committee proposes the salaries and remuneration of members of the Board of Directors. The General Meeting of shareholders shall annually decide on the remuneration of members of the Board of Directors and the Owners Board. The Board of Directors decides on the CEO’s salary and benefits and confirms the salaries and benefits of the executive management.

**Supervision**

Pursuant to the Articles of Association, the Company has two auditors and a deputy auditor. The Board of Directors proposes auditors for election to the General Meeting which appoints them annually. The auditors provide the Company’s shareholders with the statutory auditor’s report. Auditors’ duties are regulated by statutory law and other sources.

Together with the Chief Executive Officer, the Board of Directors of the Company is responsible for arranging appropriate internal supervision. □