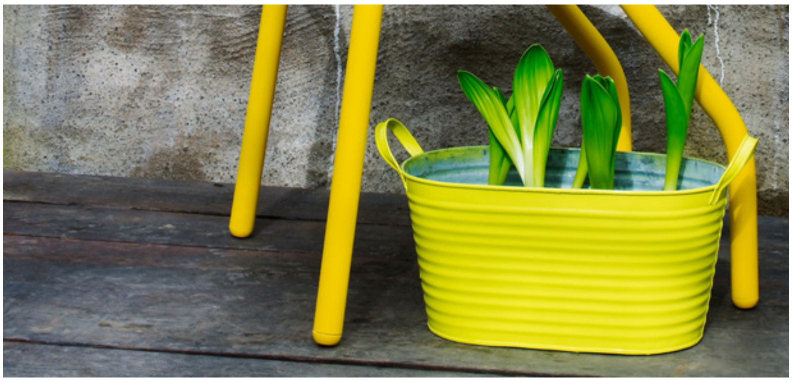
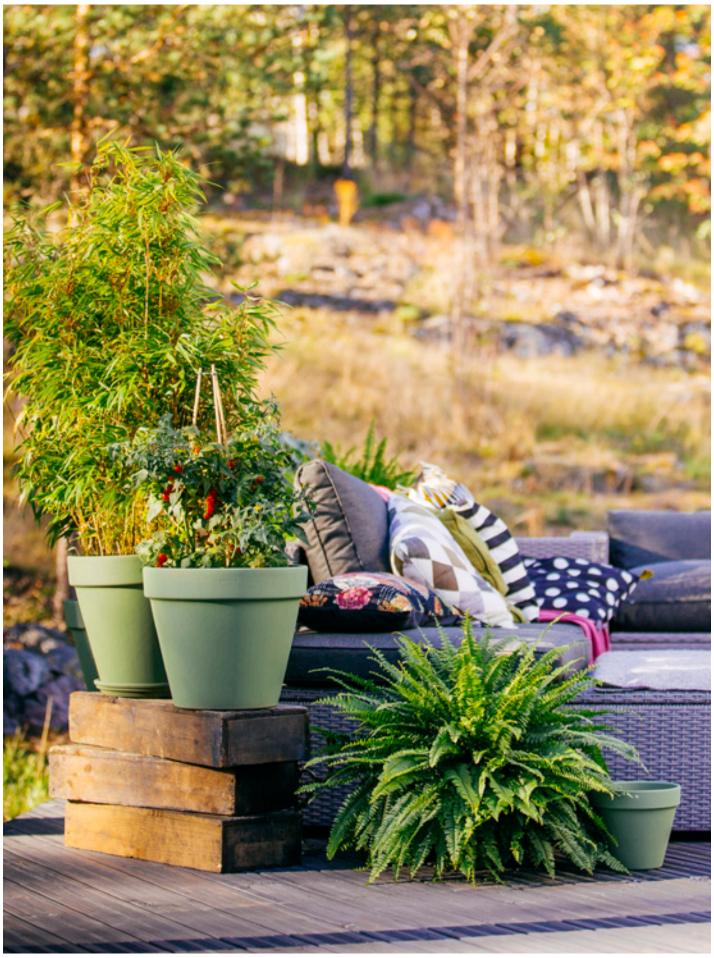
TIKKURILA

HALF YEAR REPORT
JANUARY-JUNE 2016





Tikkurila Oyj
Half year financial report
August 4, 2016 at 9:00 a.m. (CET+1)

Tikkurila's half year financial report for January−June 2016
– Demand clearly up, but unfavorable exchange rates eroded revenue growth

April–June 2016 highlights
- Revenue for the second quarter totaled EUR 179.3 million (4–6/2015: EUR 179.5 million).
- Adjusted operating profit was EUR 28.4 (28.6) million, i.e. 15.8 (15.9) percent of revenue.
- Operating profit (EBIT) was EUR 27.6 (30.9) million, i.e. 15.4 (17.2) percent of revenue.
- EPS was EUR 0.54 (0.52).

January–June 2016 highlights
- Revenue totaled EUR 309.8 million (1–6/2015: EUR 312.7 million).
- Adjusted operating profit was EUR 40.9 (43.9) million, i.e. 13.2 (14.0) percent of revenue.
- Operating profit (EBIT) was EUR 40.1 (46.2) million, i.e. 13.0 (14.8) percent of revenue.
- EPS was EUR 0.77 (0.82).

Revenue and EBIT estimates for 2016 intact
- Tikkurila expects its revenue for the financial year 2016, with exchange rates as of the publication date of the financial statement release, to be at the same level as in 2015. Adjusted operating profit is expected to stay at 2015 level.

Key figures (EUR million)	**4–6/2016**	4–6/2015	Change %	**1–6/2016**	1–6/2015	Change %	1–12/2015
Income statement							
Revenue	**179.3**	179.5	-0.1%	**309.8**	312.7	-0.9%	584.1
Adjusted operating profit	**28.4**	28.6	-0.8%	**40.9**	43.9	-6.9%	58.9
Adjusted operating profit margin, %	**15.8%**	15.9%		**13.2%**	14.0%		10.1%
Operating profit (EBIT)	**27.6**	30.9	-10.8%	**40.1**	46.2	-13.1%	61.7
Operating profit (EBIT) margin, %	**15.4%**	17.2%		**13.0%**	14.8%		10.6%
Profit before taxes	**28.9**	28.9	0.2%	**42.5**	46.3	-8.3%	52.8
Net profit for the period	**23.9**	23.0	4.0%	**33.9**	36.3	-6.8%	41.5
Other key indicators							
EPS, EUR	**0.54**	0.52	3.9%	**0.77**	0.82	-6.8%	0.94
ROCE, %, rolling	**19.6%**	22.8%		**19.6%**	22.8%		22.2%
Cash flow after capital expenditure	**-23.2**	-7.2	-220.8%	**-56.7**	-20.8	-172.3%	32.6
Net interest-bearing debt at period-end				**135.2**	101.8	32.8%	46.2
Gearing, %				**70.2%**	51.4%		23.7%
Equity ratio, %				**36.6%**	40.9%		51.1%
Personnel at period-end				**3,154**	3,300	-4.4%	3,100

Due to European Securities and Markets Authority's (ESMA) guidelines on Alternative Performance Measures, effective from July 3, 2016, the performance measure "operating profit (EBIT) excluding non-recurring items" is replaced with "adjusted operating profit". Adjusted items affecting comparability are defined in the table section of this half year financial report.

Comments by Erkki Järvinen, President and CEO:

“Our sales volumes developed really well in the second quarter, especially in the west. This growth derives from suitable weather conditions in the spring, pre-season orders of paints in the first quarter that were delivered in the second, successful product launches, and an upswing in construction in Finland. Volumes grew in the east, too, as China continued to grow steadily, with demand also picking up a little in Russia.

Second-quarter revenue increased markedly at comparable exchange rates thanks to higher demand and a product price hike in Russia. However, reported revenue remained at the comparison period's level because of weak currencies, especially the Russian ruble. The exchange rates had a negative effect of some EUR 15 million on the second-quarter euro-denominated revenue.

Our Q2 profitability was at the same level as a year ago. Sales and marketing expenses were clearly higher than a year ago because of the efforts put into the western markets. We will continue our efforts to improve user experience and to boost our market position. Full-year sales and marketing expenses will be close to those a year ago.

We are not expecting any major changes in the market in the second half of the year. The western market seems to continue to be stable, whereas in Russia and its neighboring regions the weak currency and low purchase power of the consumers continue to make things difficult.”

Press Conference and webcast

Tikkurila will hold a press conference regarding the half year financial report for January–June 2016 for the media and analysts today on August 4, 2016, at 12:00 p.m. (CET+1) in the Akseli Gallen-Kallela Cabinet at the Hotel Kämp (address Pohjoisesplanadi 29, 00100 Helsinki). The conference will be held in Finnish language. Attendees will be served lunch at the conference premises starting at 11:30 a.m. (CET+1). The half year financial report will be presented by **Erkki Järvinen**, President and CEO, and **Jukka Havia**, CFO. The event will also be participated by **Ilari Hyyrynen**, Head of Tikkurila's Russian operations.

A live webcast, conducted in English, will be organized on August 4, 2016, at 3:00 p.m. The live webcast will be available at www.tikkurilagroup.com. The participants can also join a telephone conference that will be arranged in conjunction with the live webcast. The telephone conference details are set out below:

+358 9 6937 9543 (Finnish callers)
+44 20 3427 1906 (UK callers)
+1 646 254 3360 (US callers)
Participant code: 7024857

An on-demand version of the webcast will be available at www.tikkurilagroup.com/investors later during the same day.

The half year financial report and presentation materials will be available before the event at www.tikkurilagroup.com/investors.

Tikkurila will publish the business review for January−September 2016 on Friday October 28, 2016, at around 9:00 a.m. (CET+1).

Tikkurila Oyj
Erkki Järvinen, President and CEO

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Tikkurila is the leading paints and coatings professional in the Nordic region and Russia. With our roots in Finland, we now operate in 16 countries. Our high-quality products and extensive services ensure the best possible user experience in the market. Sustainable beauty since 1862.

www.tikkurilagroup.com

Tikkurila Oyj half year financial report January 1 – June 30, 2016

This half year financial report has been prepared in accordance with the IAS 34 standard and other valid regulations. The information disclosed is unaudited with the exception of full year figures for 2015. The figures presented in the half year financial report are independently rounded.

Fluctuations in exchange rates in this report refer to the translation effect of the exchange rates.

In this report, all forward-looking statements in relation to the company or its business are based on the management judgment, and macroeconomic or general industry data are based on third-party sources.

If there are any discrepancies between the language versions of the half year financial report, the Finnish version shall prevail.

As of January 1, 2014, Tikkurila's business operations are organized in two reporting segments, or Strategic Business Units (SBU). Tikkurila's reporting segments are SBU West and SBU East. SBU West consists of Sweden, Denmark, Norway, Finland, Poland, Germany, Estonia, Latvia, and Lithuania. SBU East consists of Russia, Central Asian countries, Ukraine, Belarus, Serbia, Macedonia, and China. Furthermore, SBU East is responsible for the exports to more than 20 countries.

Market Review

Market development continued two-fold in Tikkurila's operating area. Development was stable in the west, whereas in Russia and its neighboring regions the situation was still difficult despite some improvement.

Sweden continued to enjoy strong economic growth. Swedish consumers were nevertheless rather pessimistic about the general economic outlook although more confident about the personal finances. Finnish consumers' confidence improved in the review period above the long-term average. Construction industry volumes have also grown clearly in the past 12 months, and property sales have picked up, too. Competition in Poland was tight and the unusually hot early summer had a negative effect on paint sales.

No major changes took place in the Russian economy during the review period. The overall economic situation improved somewhat but the economy was still contracting. Competition in the paint market was tight, involving active price campaigns.

Among Tikkurila's key currencies, the Russian ruble was clearly weaker in the period under review than the year before. The Polish zloty was also at a slightly weaker level. The exchange rate of the Swedish krona was near 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 April–June 2016

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

April–June (EUR million)	Revenue		Adjusted operating result	
	4–6/2016	4–6/2015	**4–6/2016**	4–6/2015
SBU West	**123.5**	116.3	**22.2**	20.2
SBU East	**55.8**	63.2	**7.6**	9.8
Group common and eliminations	**0.0**	-0.1	**-1.4**	-1.5
Consolidated Group	**179.3**	179.5	**28.4**	28.6

Tikkurila Group's **revenue** was at the comparison period's level in the second quarter of 2016. The higher sales volumes increased the revenue by 7 percent due to the favorable development in the western operating area, in particular. Sales price increases and changes in the sales mix increased revenue by 2 percent. Exchange rate fluctuations reduced euro-denominated revenue by 8 percent, particularly due to the weakened Russian ruble, but also due to the weakened Polish zloty. Divestment of the Ukrainian and Belarussian subsidiaries decreased the revenue by one percent.

Adjusted operating profit totaled EUR 28.4 (28.6) million, which accounts for 15.8 (15.9) percent of revenue. Marketing expenses were clearly higher than in the comparison period.

Operating profit (EBIT) totaled EUR 27.6 (30.9) million, equaling 15.4 (17.2) percent of revenue. The non-recurring items in the period under review were EUR -0.8 (2.3) million. They were related to the divestment of the Ukrainian and Belarussian subsidiaries.

The net financial income in April–June 2016 were EUR 1.1 (-2.2) million. Profit before taxes was EUR 28.9 (28.9) million. Taxes totaled EUR 5.0 (5.9) million, equaling an effective tax rate of 17.3 (20.4) percent. Earnings per share were EUR 0.54 (0.52) in the review period.

Financial Performance in January–June 2016

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

January–June (EUR million)	Revenue		Adjusted operating result	
	1–6/2016	1–6/2015	**1–6/2016**	1–6/2015
SBU West	**223.1**	218.5	**36.4**	37.2
SBU East	**86.7**	94.3	**7.0**	9.9
Group common and eliminations	**0.0**	-0.1	**-2.5**	-3.2
Consolidated Group	**309.8**	312.7	**40.9**	43.9

Tikkurila Group's **revenue** decreased by one percent in January–June 2016. The higher sales volumes increased revenue by 3 percent. Sales price increases and changes in the sales mix increased revenue by 2 percent. Exchange rate fluctuations reduced revenue by 5 percent, particularly due to the weakened Russian ruble. Divestments decreased revenue by one percent.

Adjusted operating profit totaled EUR 40.9 (43.9) million, which accounts for 13.2 (14.0) percent of revenue. Profitability was lower than in the comparison period owing to higher expenses related to sales and marketing.

Operating profit (EBIT) totaled EUR 40.1 (46.2) million, equaling 13.0 (14.8) percent of revenue.

The net financial income in January–June 2016 was EUR 2.2 (-0.1) million. Profit before taxes was EUR 42.5 (46.3) million. Taxes totaled EUR 8.6 (10.0) million, equaling an effective tax rate of 20.3 (21.6) percent. Earnings per share were EUR 0.77 (0.82) in the review period.

Financial Performance by Reporting Segments

SBU West

EUR million	**4–6/2016**	4–6/2015	Change %	**1–6/2016**	1–6/2015	Change %	1–12/2015
Revenue	**123.5**	116.3	6.2%	**223.1**	218.5	2.1%	395.3
Adjusted operating profit	**22.2**	20.2	9.6%	**36.4**	37.2	-1.9%	50.5
Adjusted operating profit margin, %	**17.9%**	17.4%		**16.3%**	17.0%		12.8%
Operating profit (EBIT)	**22.2**	22.6	-1.8%	**36.4**	39.4	-7.5%	53.2
Operating profit (EBIT) margin, %	**17.9%**	19.4%		**16.3%**	18.0%		13.5%
Capital expenditure excluding acquisitions	**4.9**	4.3	13.9%	**7.9**	7.1	11.7%	15.8

Financial Performance in April–June 2016

SBU West's second quarter revenue increased by 6 percent from the comparison period. The higher sales volumes increased revenue by 9 percent. Sales volumes increased particularly in Finland but also in Scandinavia and the Baltic countries. The reason for higher sales volumes is explained by better weather conditions in the spring, deliveries of pre-season sales later than a year ago, and the reviving construction industry. Exchange rate fluctuations, primarily the weakened Polish zloty and Norwegian krona, decreased revenue by 2 percent. Changes in the sales mix brought the revenue down by one percent as the share of fillers and larger cans increased. Among the key markets, in Sweden revenue increased to EUR 46.4 (42.8) million, while in Finland revenue grew to EUR 33.9 (30.0) million, and in Poland revenue reduced to EUR 19.4 (20.6) million.

SBU West’s second quarter profitability improved from the comparison period’s level. Increase in revenue had a positive impact on profitability. The level of fixed costs was slightly higher than in the comparison period due to the increased investments in sales and marketing particularly in Sweden, but also in Finland and Poland.

Financial Performance in January–June 2016

SBU West's revenue in January–June increased by 2 percent from the comparison period. The higher sales volumes increased revenue by 4 percent. Exchange rate fluctuations decreased revenue by one percent. Sales price increases and changes in the sales mix did not have an impact on revenue.

SBU West's operating profit and relative profitability in January–June decreased from the comparison period. Profitability was eroded by the higher fixed costs than in the comparison period; these were mostly caused by higher sales and marketing investments.

SBU East

EUR million	**4–6/2016**	4–6/2015	Change %	**1–6/2016**	1–6/2015	Change %	1–12/2015
Revenue	**55.8**	63.2	-11.7%	**86.7**	94.3	-8.1%	188.9
Adjusted operating profit	**7.6**	9.8	-22.5%	**7.0**	9.9	-29.9%	13.4
Adjusted operating profit margin, %	**13.6%**	15.5%		**8.0%**	10.5%		7.1%
Operating profit (EBIT)	**6.8**	9.8	-30.3%	**6.2**	9.9	-37.7%	13.6
Operating profit (EBIT) margin, %	**12.3%**	15.5%		**7.1%**	10.5%		7.2%
Capital expenditure excluding acquisitions	**0.7**	0.7	8.1%	**1.2**	1.9	-38.1%	5.1

Financial Performance in April–June 2016

SBU East's second quarter revenue decreased by 12 percent from the comparison period. Exchange rate fluctuations reduced revenue by 20 percent due to the weak Russian ruble, in particular.
The higher sales volumes increased revenue by 2 percent. Sales volumes grew significantly in China. Sales volumes increased slightly also in Russia. Sales price increases, carried out in Russia late last year and during this year to partly offset the impact of the weakening ruble, and changes in the sales mix increased SBU East's revenue by 9 percent. Divestment of the Ukrainian and Belarussian subsidiaries decreased revenue by 2 percent. Revenue in Russia decreased to EUR 38.5 (44.6) million.

SBU East’s profitability weakened in the second quarter. Profitability was burdened by the decline in revenue, and weak currencies which affected the purchasing prices of raw materials exported to Russia.

Financial Performance in January–June 2016

SBU East's revenue in January–June decreased by 8 percent from the comparison period. Exchange rate fluctuations reduced revenue by 15 percent due to the weak Russian ruble, in particular. The higher sales volumes increased revenue by one percent. Sales price increases and changes in the sales mix increased SBU East's revenue by 8 percent. Divestments decreased revenue by 2 percent.

SBU East's operating profit in January–June decreased from the comparison period. Profitability was burdened by the decline in revenue, and weak currencies which affected the purchasing prices of raw materials 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.

Cash flow from operations in January–June totaled EUR -48.0 (-14.8) million. Cash flow was weakened by lower profitability and changes in net working capital. On the closing date, trade receivables were at a higher level than in the previous year mainly due to the discontinuation of using factoring financing. This has only seasonal effect and will even out by the end of the year. At the end of the review period, net working capital totaled EUR 160.4 (136.0) million. The net cash flow from the investing activities was EUR -8.7 (-6.0) million, when taking into account the acquisitions and divestments. Cash flow after capital expenditure totaled EUR -56.7 (-20.8) million at the end of the review period.

Interest-bearing debt amounted to EUR 171.0 (126.6) million at the end of the review period, and net debt was EUR 135.2 (101.8) million. At the end of the review period, cash and cash equivalents amounted to EUR 35.9 (24.8) million, and short-term interest-bearing debt totaled EUR 120.9 (76.4) million, including the company's issued commercial papers for a total nominal amount of EUR 118.5 (70.0) million. Moreover, the Group had long-term interest-bearing debt totaling EUR 50.1 (50.2) million. At the end of June, the Group had a total of EUR 110.9 (109.1) million of unused committed credit facilities or credit limits.

The Group´s net financial expense was EUR 2.2 (-0.1) million positive, of which interest expenses totaled EUR -0.2 (-0.5) million and other financing expenses EUR -0.3 (-0.1) million. The average capital-weighted interest rate of interest-bearing debt was 0.8 (1.4) percent. The net profit was positively affected by a total of EUR 2.7 (0.6) million based on the impact of realized and unrealized exchange rate differences recognized during the review period. The main positive impact was related to the Russian ruble. 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.

At the end of June, the equity ratio was 36.6 (40.9) percent, and gearing was 70.2 (51.4) percent.

Capital Expenditure

In January–June 2016, gross capital expenditure excluding acquisitions amounted to EUR 9.2 (9.1) million. Investments in the period under review were mainly related to the implementation of new IT applications throughout the Group.

The Group's depreciation, amortization and impairment losses amounted to EUR 8.1 (8.7) million in January–June. The Group performs impairment tests in accordance with the IAS 36 standard.

Research, Development and Innovation

In January–June 2016, Tikkurila's research and development expenses totaled EUR 5.9 (6.0) million, equaling 1.9 (1.9) percent of revenue.

Human Resources

At the end of June 2016, the Tikkurila Group employed 3,154 (3,300) people. The average number of employees in January–June was 3,134 (3,212).

Tikkurila Group's number of employees at the end of each quarter is presented below split by SBU, starting from the first quarter of 2015.

	Q1/2015	Q2/2015	Q3/2015	Q4/2015	Q1/2016	**Q2/2016**
SBU West	1,626	1,717	1,645	1,630	1,605	**1,717**
SBU East	1,558	1,553	1,515	1,441	1,494	**1,407**
Group functions	31	30	29	29	30	**30**
Total	3,215	3,300	3,189	3,100	3,129	**3,154**

Shares and Shareholders

At the end of June 2016, Tikkurila's share capital was EUR 35.0 million, and the total number of registered shares was 44,108,252. At the end of June 2016, Tikkurila held 2,461 treasury shares.

According to Euroclear Finland Oy's register, Tikkurila had a total of some 20,600 shareholders on June 30, 2016. A list of the largest shareholders registered in the book-entry account system is regularly updated and is available on Tikkurila's website at www.tikkurilagroup.com/investors/share_information/shareholders.

At the end of June, the closing price of Tikkurila's share was EUR 16.26. In January–June, the volume-weighted average share price was EUR 15.46, the lowest price EUR 14.29, and the highest price EUR 16.43. At the end of June, the market value of Tikkurila Oyj's shares was EUR 717.2 million. During January–June, a total of 4.6 million Tikkurila shares, corresponding to approximately 10.5 percent of the number of shares, were traded on NASDAQ OMX Helsinki Ltd. The value of the traded volume was EUR 71.3 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.

The Board of Directors of Tikkurila resolved on a new share-based incentive program

In April 2016, the Board of Directors of Tikkurila Oyj approved a new share-based incentive program for the Group key employees. The new program consists of a Performance Share Plan 2015−2019 and a Matching Share Plan 2016−2018. The aim of the new program is to combine the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, to bind the key employees to the Company, and to offer them competitive reward plans based on earning and accumulating the Company's shares.

Performance Share Plan 2015−2019

The Performance Share Plan includes three performance periods, calendar years 2015−2017, 2016−2018 and 2017−2019. Approximately 10 key employees, including the members of the Management Board, belong to the target group of the performance periods 2015−2017 and 2016−2018.

The potential reward of the plan from the performance periods 2015−2017 and 2016−2018 will be based on the Tikkurila Group's average EBITDA-based intrinsic values 2015−2017 and 2016−2018, respectively. The rewards to be paid on the basis of the performance periods 2015−2017 and 2016−2018 will amount to an approximate maximum total of 250,000 Tikkurila Oyj shares. In addition, the Company will pay taxes and tax-related costs arising from the reward to the participants in connection with the reward payment. The Board of Directors will resolve on the details of the performance period 2017−2019 at the beginning of the performance period.

The potential reward from the plan will be paid partly in the Company's shares and partly in cash in 2018, 2019 and 2020. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participants. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment. The reward amounts to be earned through the plan will be capped if the limits set by the Board of Directors for the payable reward of a performance period are reached.

Matching Share Plan 2016−2018

The Matching Share Plan includes one vesting period, calendar years 2016−2018. The prerequisite for receiving reward on the basis of this plan is that a person participating in the plan acquires the Company's shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuance of participant's employment or service upon reward payment. The reward from the plan will be paid partly in the Company's shares and partly in cash in 2019.

The Matching Share Plan is directed to selected key employees determined by the Board of Directors, who have not participated in the share-based plan launched in 2012.

The rewards to be paid on the basis of the vesting period 2016-2018 will amount to a maximum total of 4,000 Tikkurila Oyj shares. In addition, the Company will pay taxes and tax-related costs arising from the reward to the participants in connection with the reward payment.

Financial targets

In June 2016, Tikkurila's Board of Directors decided to adhere to the financial targets defined for the Group in 2012 but extend the period of time over which their realization is measured. The primary underlying reason for this decision is the Russian market situation which took a turn for the worse soon after the targets were set. The realization of the targets were initially going to be assessed after a five-year period (2013−2017) in 2018. The targets are now set for a longer period, which will be specified in closer detail, if necessary, after market outlooks have become clearer.

Tikkurila's long-term financial targets are the following:

Revenue: Revenue EUR 1 billion
Relative profitability: Adjusted operating profit margin over 12 percent
Return on capital: Return on capital employed (ROCE) calculated with adjusted operating profit over 20 percent
Balance Sheet structure: Gearing less than 70 percent

Major shareholder notifications

Tikkurila received a notification, based on the Securities Markets Act, from Threadneedle Asset Management Holdings Limited on May 27, 2016. The holding of Ameriprise Financial Inc's holding companies (Threadneedle Asset Management Limited, Columbia Wanger Asset Management, LLC and Columbia Management Investment Advisers, LLC) in shares of Tikkurila Oyj fell below the 1/20 (5%) threshold due to trades executed on May 27, 2016. The holding of the above mentioned company in Tikkurila Oyj has amounted to a total of 2,112,430 shares, which corresponds to 4.8 percent of the total amount of shares and votes in Tikkurila Oyj.

Members of the Nomination Board

On June 8, 2016, Tikkurila Oyj's three largest registered shareholders on May 31, 2016, named their representatives for Tikkurila's Nomination Board. The members of the Nomination Board are Pekka Paasikivi, Chairman of the Board of Directors of Oras Invest Oy; Timo Ritakallio, President and CEO of Ilmarinen Mutual Pension Insurance Company; and Reima Rytsölä, Executive Vice President, Investments of Varma Mutual Pension Insurance Company. The fourth member of the Nomination Board is Jari Paasikivi, the Chairman of the Board of Directors of Tikkurila Oyj, who acts as an expert member.

Mergers, acquisitions and divestments

In June 2016, Tikkurila concluded the divestment of its subsidiaries in Ukraine and Belarus. The companies were transferred to OÜ FarbaHouse, a company established by Tikkurila's local management. The new company will continue the distribution of Tikkurila's products in both countries. The combined revenue of the two companies to be sold was approximately EUR 12 million in 2015, and the number of employees totaled 90. The total consideration for the sold shares is approximately EUR 6.8 million, consisting of cash consideration and an interest-bearing seven-year vendor loan arrangement. As a consequence, the transaction does not have a substantial impact on Tikkurila Group's 2016 second quarter net result. With the transaction, Tikkurila aims to streamline and develop its operations in Ukraine and Belarus.

Near-term risks and uncertainties

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

Tikkurila's Financial Statements Release for the 2015 financial period describes the key short-term risk areas related to the macroeconomic situation in Russia and its neighboring regions, exchange rate development as well as competitive situation and changes caused by the digitalization. No significant changes have taken place compared to the situation stated in the Financial Statement release.

Tikkurila's risk management principles can be viewed on Tikkurila's website at www.tikkurilagroup.com. Additional information on the short- and long-term risks of Tikkurila's business operations has been published in the Corporate Governance Statement. More information on financial risks is provided in the Notes to the 2015 Consolidated Financial Statements.

Outlook for 2016

Growth in the EU region is forecasted to be steady but fairly low. The importance of the Western markets, particularly Sweden and Poland, is expected to increase further. The weak economic situation in Russia and the low level of ruble will make the operating environment difficult in 2016. In Russia, paint demand is expected to decrease and the relative market share of the lower price and quality grade products is expected to grow. Tikkurila is planning to increase its prices primarily in Russia, as well as to increase local manufacturing and raw material purchasing. Sales and marketing investments will continue in the previous years' manner in order to strengthen the market position. At the same time, increased operational efficiency and cost savings will be actively sought in all operations.

Guidance for 2016

Tikkurila expects its revenue for the financial year 2016, with exchange rates as of the publication date of the financial statement release, to be at the same level as in 2015. Adjusted operating profit is expected to stay at 2015 level.

Summary Financial Statements and Notes

This half year financial report is prepared in accordance with IAS 34 Interim Financial Reporting standard. The same accounting policies have been applied in this half year report as in the annual financial statements for 2015, with the exception of new or revised or amended standards and interpretations which have been applied from the beginning of 2016.

This half year financial report is unaudited.

As a result of rounding differences, the figures presented in the tables may not add up to the total.

The Group’s view is that the adoption of the IFRS and IFRIC changes did not have any material effect on the financial statements of the reporting period.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	**4-6/2016**	4-6/2015	**1-6/2016**	1-6/2015	1-12/2015
Revenue	**179.3**	179.5	**309.8**	312.7	584.1
Other operating income	**0.5**	2.9	**1.1**	3.5	4.8
Expenses	**-148.2**	-147.0	**-262.7**	-261.3	-509.8
Depreciation, amortization and impairment losses	**-4.1**	-4.5	**-8.1**	-8.7	-17.3
Operating profit	**27.6**	30.9	**40.1**	46.2	61.7
Total financial income and expenses	**1.1**	-2.2	**2.2**	-0.1	-9.3
Share of profit or loss of equity-accounted investees	**0.2**	0.1	**0.2**	0.2	0.4
Profit before taxes	**28.9**	28.9	**42.5**	46.3	52.8
Income taxes	**-5.0**	-5.9	**-8.6**	-10.0	-11.3
Net result for the period	**23.9**	23.0	**33.9**	36.3	41.5
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefit plans	**-2.0**	2.4	**-3.3**	-1.1	0.3
Income taxes relating to items that will not be reclassified to profit or loss	**0.4**	-0.5	**0.7**	0.2	-0.1
Total items that will not be reclassified to profit or loss	**-1.5**	1.8	**-2.6**	-0.9	0.2
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets	**-**	-2.4	**-**	-2.4	-2.4
Foreign currency translation differences for foreign operations	**0.1**	0.4	**1.5**	7.4	-2.1
Income taxes relating to items that may be reclassified subsequently to profit or loss	**-0.3**	0.6	**-0.2**	0.4	0.4
Total items that may be reclassified subsequently to profit or loss	**-0.3**	-1.4	**1.4**	5.4	-4.0
Total comprehensive income for the period	**22.1**	23.5	**32.7**	40.9	37.7
Net result attributable to:					
Owners of the parent	**23.9**	23.0	**33.9**	36.3	41.5
Non-controlling interest	**-**	-	**-**	-	-
Net result for the period	**23.9**	23.0	**33.9**	36.3	41.5
Total comprehensive income attributable to:					
Owners of the parent	**22.1**	23.5	**32.7**	40.9	37.7
Non-controlling interest	**-**	-	**-**	-	-
Total comprehensive income for the period	**22.1**	23.5	**32.7**	40.9	37.7
Earnings per share of the net profit attributable to owners of the parent					
Basic earnings per share (EUR)	**0.54**	0.52	**0.77**	0.82	0.94
Diluted earnings per share (EUR)	**0.54**	0.52	**0.77**	0.82	0.94

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR million

ASSETS	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Non-current assets			
Goodwill	**72.1**	72.8	71.9
Other intangible assets	**23.8**	19.9	19.4
Property, plant and equipment	**86.8**	94.2	89.4
Equity-accounted investees	**1.0**	1.0	0.8
Available-for-sale financial assets	**1.2**	0.8	1.1
Non-current receivables	**7.1**	3.9	2.9
Defined benefit pension and other long-term employee benefit assets	**-**	-	0.1
Deferred tax assets	**9.1**	8.8	6.7
Total non-current assets	**201.1**	201.4	192.3
Current assets			
Inventories	**84.7**	84.4	78.4
Interest-bearing receivables	**1.1**	0.8	0.6
Non-interest-bearing receivables	**202.6**	172.6	93.3
Cash and cash equivalents	**35.9**	24.8	16.8
Non-current assets held for sale	**-**	0.3	-
Total current assets	**324.3**	282.9	189.1
Total assets	**525.4**	484.3	381.4

EQUITY AND LIABILITIES	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Share capital	**35.0**	35.0	35.0
Other reserves	**0.0**	0.0	0.0
Fair value reserve	**-**	-	-
Reserve for invested unrestricted equity	**40.0**	40.0	40.0
Treasury shares	**0.0**	0.0	0.0
Translation differences	**-40.4**	-32.3	-41.8
Retained earnings	**157.8**	155.4	161.7
Equity attributable to owners of the parent	**192.4**	198.1	195.0
Non-controlling interest	**-**	-	-
Total equity	**192.4**	198.1	195.0
Non-current liabilities			
Interest-bearing non-current liabilities	**50.1**	50.2	50.2
Other non-current liabilities	**0.0**	0.1	0.1
Defined benefit pension and other long-term employee benefit liabilities	**28.5**	29.1	25.6
Provisions	**0.5**	0.4	0.6
Deferred tax liabilities	**6.4**	7.8	6.9
Total non-current liabilities	**85.5**	87.6	83.4
Current liabilities			
Interest-bearing current liabilities	**120.9**	76.4	12.8
Non-interest-bearing current liabilities	**126.0**	121.7	89.7
Provisions	**0.6**	0.5	0.5
Liabilities classified as held for sale	**-**	-	-
Total current liabilities	**247.5**	198.7	103.1
Total equity and liabilities	**525.4**	484.3	381.4

CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS

EUR million	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
CASH FLOW FROM OPERATING ACTIVITIES					
Net result for the period	**23.9**	23.0	**33.9**	36.3	41.5
Adjustments for:					
Non-cash transactions	**5.2**	2.7	**9.7**	7.0	15.5
Interest and other financial expenses	**0.4**	0.7	**0.7**	1.3	10.1
Interest income and other financial income	**-1.5**	1.5	**-2.9**	-1.2	-0.9
Income taxes	**5.0**	5.9	**8.6**	10.0	11.3
Funds from operations before change in net working capital	**33.0**	33.8	**50.1**	53.3	77.5
Change in net working capital	**-46.7**	-34.1	**-87.4**	-60.5	-10.7
Interest and other financial expenses paid	**1.5**	-1.0	**-1.9**	-2.0	-7.2
Interest and other financial income received	**0.1**	1.5	**0.1**	1.7	0.4
Income taxes paid	**-5.8**	-5.1	**-8.9**	-7.4	-11.5
Total cash flow from operations	**-18.0**	-4.9	**-48.0**	-14.8	48.5
CASH FLOW FROM INVESTING ACTIVITIES					
Business combinations	**-**	0.2	**-**	0.2	0.2
Other capital expenditure	**-4.8**	-5.2	**-8.6**	-9.6	-20.4
Proceeds from sale of assets	**-0.5**	2.6	**-0.3**	2.7	2.8
Loan receivables decrease (+), increase (-)	**0.1**	0.0	**0.1**	0.6	1.0
Dividends received	**0.0**	0.1	**0.0**	0.1	0.5
Net cash used in investing activities	**-5.2**	-2.3	**-8.7**	-6.0	-15.8
Cash flow before financing	**-23.2**	-7.2	**-56.7**	-20.8	32.6
CASH FLOW FROM FINANCING ACTIVITIES					
Non-current borrowings, increase (+), decrease (-)	**-**	-10.0	**-**	-10.0	-10.0
Current financing, increase (+), decrease (-)	**73.3**	59.8	**108.1**	59.7	0.3
Dividends paid	**-35.3**	-35.3	**-35.3**	-35.3	-35.3
Acquisition of own shares	**-**	-	**-**	0.0	0.0
Other	**-1.1**	-1.7	**2.6**	1.9	3.5
Net cash used in financing activities	**36.9**	12.8	**75.4**	16.3	-41.5
Net change in cash and cash equivalents	**13.7**	5.6	**18.6**	-4.5	-8.9
Cash and cash equivalents at the beginning of period	**22.3**	16.1	**16.8**	25.8	25.8
Effect of exchange rate fluctuations on cash held	**0.1**	0.4	**-0.5**	0.0	0.1
Cash and cash equivalents at the end of period	**35.9**	21.2	**35.9**	21.2	16.8
Net change in cash and cash equivalents	**13.7**	5.6	**18.6**	-4.5	-8.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
EUR million

	Equity attributable to the owners of the parent								Non-controlling interest	Total equity
	Share capital	Other reserves	Fair value reserve	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Total		
Equity at Jan 1, 2015	35.0	0.0	1.9	40.0	-1.6	-39.6	157.0	192.7	-	192.7
Total comprehensive income for the period	-	-	-1.9	-	-	7.3	35.5	40.9	-	40.9
Share-based compensation	-	-	-	-	1.6	-	-1.4	0.2	-	0.2
Acquisition of treasury shares	-	-	-	-	0.0	-	-	0.0	-	0.0
Adjustment arising from hyperinflation	-	-	-	-	-	-	-0.3	-0.3	-	-0.3
Dividends paid	-	-	-	-	-	-	-35.3	-35.3	-	-35.3
Equity at Jun 30, 2015	35.0	0.0	--	40.0	0.0	-32.3	155.4	198.1	-	198.1
Equity at Jan 1, 2016	**35.0**	**0.0**	**-**	**40.0**	**0.0**	**-41.8**	**161.7**	**195.0**	**-**	**195.0**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**1.4**	**31.3**	**32.7**	**-**	**32.7**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**-**	**0.0**	**0.0**	**-**	**0.0**
Acquisition of treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-35.3**	**-35.3**	**-**	**-35.3**
Equity at Jun 30, 2016	**35.0**	**0.0**	**-**	**40.0**	**0.0**	**-40.4**	**157.8**	**192.4**	**-**	**192.4**

REPORTABLE SEGMENTS

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

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

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

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

Revenue by segment	**4-6/2016**	4-6/2015	**1-6/2016**	1-6/2015	1-12/2015
EUR million					
SBU West	**123.5**	116.3	**223.1**	218.5	395.3
SBU East	**55.8**	63.2	**86.7**	94.3	188.9
Eliminations	**0.0**	-0.1	**0.0**	-0.1	-0.1
Total	**179.3**	179.5	**309.8**	312.7	584.1

EBIT by segment	**4-6/2016**	4-6/2015	**1-6/2016**	1-6/2015	1-12/2015
EUR million					
SBU West	**22.2**	22.6	**36.4**	39.4	53.2
SBU East	**6.8**	9.8	**6.2**	9.9	13.6
Tikkurila common	**-1.4**	-1.5	**-2.5**	-3.2	-5.1
Eliminations	**0.0**	0.0	**0.0**	0.0	0.0
Total	**27.6**	30.9	**40.1**	46.2	61.7

Items affecting comparable EBIT by segment	**4-6/2016**	4-6/2015	**1-6/2016**	1-6/2015	1-12/2015
EUR million					
SBU West	**-**	2.3	**-**	2.3	2.8
SBU East	**-0.8**	-	**-0.8**	-	0.2
Tikkurila common	**-**	-	**-**	-	-0.1
Eliminations	**-**	-	**-**	-	-
Total	**-0.8**	2.3	**-0.8**	2.3	2.8

Adjusted operating result by segment	**4-6/2016**	4-6/2015	**1-6/2016**	1-6/2015	1-12/2015
EUR million					
SBU West	**22.2**	20.2	**36.4**	37.2	50.5
SBU East	**7.6**	9.8	**7.0**	9.9	13.4
Tikkurila common	**-1.4**	-1.5	**-2.5**	-3.2	-5.0
Eliminations	**0.0**	0.0	**0.0**	0.0	0.0
Total	**28.4**	28.6	**40.9**	43.9	58.9

Non-allocated items:					
Total financial income and expenses	**1.1**	-2.2	**2.2**	-0.1	-9.3
Share of profit or loss of equity-accounted investees	**0.2**	0.1	**0.2**	0.2	0.4
Profit before taxes	**28.9**	28.9	**42.5**	46.3	52.8

Assets by segment	**Jun 30, 2016**	Jun 30, 2015	Dec 31, 2015
EUR million			
SBU West	**360.2**	341.4	306.4
SBU East	**121.6**	133.3	96.7
Assets, non-allocated to segments	**120.2**	107.9	46.3
Eliminations	**-76.6**	-98.3	-68.0
Total assets	**525.4**	484.3	381.4

CHANGES IN PROPERTY, PLANT AND EQUIPMENT **EUR million**	**1-6/2016**	1-6/2015	1-12/2015
Carrying amount at the beginning of period	**89.4**	90.3	90.3
Additions	**3.8**	7.1	15.6
Business combinations	**-**	-	-
Disposals	**-1.0**	-0.1	-0.3
Depreciation, amortization and impairment losses	**-6.5**	-7.0	-14.0
Exchange rate differences and other changes	**1.1**	3.9	-2.3
Carrying amount at the end of period	**86.8**	94.2	89.4

Tikkurila Group had contractual commitments for purchase of property, plant and equipment EUR 1.0 (2.3) million at the end of June 2016.

CHANGES IN INTANGIBLE ASSETS **EUR million**	**1-6/2016**	1-6/2015	1-12/2015
Carrying amount at the beginning of period	**91.3**	90.8	90.8
Additions	**5.2**	2.0	5.1
Business combinations	**-**	-0.2	-0.2
Disposals	**-0.1**	-	-
Depreciation, amortization and impairment losses	**-1.5**	-1.7	-3.4
Exchange rate differences and other changes	**1.0**	1.8	-1.0
Carrying amount at the end of period	**95.9**	92.7	91.3

Tikkurila Group had contractual commitments for intangible assets EUR 1.5 (3.2) million at the end of June 2016.

INVENTORIES

Write-down of inventory for a total amount of EUR 0.9 (0.7) million was recognized until end of June 2016.

DISPOSAL OF GROUP COMPANIES

EUR million

In June 2016, Tikkurila has concluded the divestment of its subsidiaries in Ukraine and Belarus together with receivables from these companies to OÜ FarbaHouse, a company established by Tikkurila's local management. Both of these companies were consolidated to Group until the end of May 2016.

The aggregate consideration is EUR 6.8 million, from which EUR 0.1 million was received as cash at the closing. Remaining consideration of EUR 6.8 million, an interest-bearing vendor loan, will be received within seven years. The vendor loan fair value corresponds to EUR 4.7 million at the date of closing. Tikkurila has received as pledge the shares of OÜ FarbaHouse -company to secure this receivable.

Due to the disposal EUR 1.4 million loss was realized in the Group. In operating EBIT, the loss was decreased by EUR 0.6 million as the accumulated exchange rate differences were reclassified from equity to profit or loss, resulting to EUR 0.8 million loss on disposal in EBIT. The total impact on disposal resulted EUR 0.1 million loss as net of taxes.

The combined revenue of Ukrainian and Belarussian companies was approximately EUR 12 million in 2015, and the number of employees totaled 90.

Proceeds from the disposal	
Total proceeds	4.7
Recognized as receivable at the date of disposal *	-4.7
Cash and cash equivalents in disposed companies	-0.6
Net cash effect	**-0.6**

* The value of the receivable is EUR 6.8 million, fair value of EUR 4.7 million at the date of closing. EUR 2.1 million is recognized as interest income based on the passage of time.

Assets and liabilities disposed of	
PPE** and intangible assets	0.9
Deferred tax assets	0.0
Interest-bearing receivables	16.7
Inventory	2.9
Trade receivables and other interest-free receivables	9.6
Cash and cash equivalents	0.6
Total assets	**30.7**
Deferred tax liabilities	0.0
Interest-bearing liabilities	16.7
Trade and other payables	7.9
Total liabilities	**24.6**
Total net assets and liabilities of disposal	**6.1**
Loss on disposal before accumulated exchange rate differences and income taxes	-1.4
Total	**4.7**

** Property, plant and equipment

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RELATED PARTY TRANSACTIONS

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

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

Related party transactions: **EUR million**	**1-6/2016**	1-6/2015	1-12/2015
Joint ventures			
Sales	**2.9**	2.9	5.8
Other operating income	**0.5**	0.4	0.9
Receivables	**0.8**	0.6	0.2
Liabilities	**0.1**	0.1	0.1

Share-based Commitment and Incentive Plans

Plan for 2012
In order to commit and motivate key personnel, the Board of Directors of Tikkurila Oyj decided on a share-based plan in 2012, and it also selected key persons, each of which has a right to participate in this plan. In order to participate, each person has to buy Tikkurila Oyj's shares from the market. The maximum amount of shares under this plan has been individually defined for each participant. On June 30, 2016, a total of nine key employees selected by the Board participated in the share-based plan.

Based on the commitment and incentive plan, and stemming from the performance periods 2013–2015 and 2014–2016, no personnel expenses were recognized during the first half of the year 2016. In the comparison period 1-6/2015, a total of EUR 0.8 million was recognized as personnel expenses in the Group income statement. The estimated total value for the performance period 2014–2016 totaled EUR 0.0 million at the end of the review period.

Plan for 2016
In April 2016, the Board of Directors of Tikkurila Oyj decided on a new share-based incentive program for the Group key employees. This program consists of a performance share plan 2015–2019 and a matching share plan 2016–2018. On June 30, 2016, a total of ten key employees selected by the Board participated in this new incentive program.

The performance share plan has three performance periods, 2015–2017, 2016–2018 and 2017–2019. The potential reward from the plan will be paid partly in cash and partly in shares of Tikkurila Oyj.

Based on the decision of the Board of Directors the rewards to be paid on the performance period 2015-2017 will amount to an approximate maximum total of 208,000 shares to be given to nine key employees and based on the performance period 2016-2018 an approximate maximum total of 224,000 shares to ten key employees.

The matching share plan includes one vesting period 2016–2018 and the reward from the plan will be paid partly in shares and partly in cash. The rewards to be paid on the basis of this will amount to a maximum of 4,000 Tikkurila Oyj shares.

Based on this new share-based incentive program EUR 0.0 million was recognized during the first half of 2016 in personnel expenses.

COMMITMENTS AND CONTINGENT LIABILITIES EUR million	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Mortgages given as collateral for liabilities in the statement of financial position			
Loans from financial institutions	**-**	-	-
Mortgages given	**-**	0.2	-
Other loans	**-**	-	-
Mortgages given	**0.1**	0.1	0.1
Total loans	**-**	-	-
Total mortgages given	**0.1**	0.3	0.1
Contingent liabilities			
Guarantees			
On behalf of own commitments	**0.6**	0.4	0.4
On behalf of others	**1.8**	1.8	1.5
Other obligations of own behalf	**0.0**	0.0	0.0
Lease obligations	**29.4**	30.0	28.4
Total contingent liabilities	**31.9**	32.3	30.3

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORIES
EUR million

Jun 30, 2016	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Other financial liabilities	Carrying amounts	Fair values
Non-current financial assets						
Available-for-sale financial assets	-	-	1.2	-	1.2	1.2
Non-current receivables	-	6.6	-	-	6.6	6.6
Current financial assets						
Interest-bearing receivables	-	1.1	-	-	1.1	1.1
Cash equivalents	-	35.9	-	-	35.9	35.9
Trade and other non-interest-bearing receivables	-	190.9	-	-	190.9	190.9
Total	**-**	**234.5**	**1.2**	**-**	**235.7**	**235.7**
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	50.1	50.1	50.0
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	120.9	120.9	120.9
Trade payables	-	-	-	64.6	64.6	64.6
Total	**-**	**-**	**-**	**235.6**	**235.6**	**235.5**

Jun 30, 2015	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Other financial liabilities	Carrying amounts	Fair values
Non-current financial assets						
Available-for-sale financial assets	-	-	0.8	-	0.8	0.8
Non-current receivables	-	3.2	-	-	3.2	3.2
Current financial assets						
Interest-bearing receivables	-	0.8	-	-	0.8	0.8
Cash equivalents	-	24.8	-	-	24.8	24.8
Trade and other non-interest-bearing receivables	-	162.2	-	-	162.2	162.2
Total	**-**	**191.0**	**0.8**	**-**	**191.8**	**191.8**
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	50.2	50.2	50.2
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	76.4	76.4	76.4
Trade payables	-	-	-	61.0	61.0	61.0
Total	**-**	**-**	**-**	**187.6**	**187.6**	**187.7**

Dec 31, 2015	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Other financial liabilities	Carrying amounts	Fair values
Non-current financial assets						
Available-for-sale financial assets	-	-	1.1	-	1.1	1.1
Non-current receivables	-	2.5	-	-	2.5	2.5
Current financial assets						
Interest-bearing receivables	-	0.6	-	-	0.6	0.6
Cash equivalents	-	16.8	-	-	16.8	16.8
Trade and other non-interest-bearing receivables	-	76.9	-	-	76.9	76.9
Total	**-**	**96.7**	**1.1**	**-**	**97.8**	**97.8**
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	50.2	50.2	50.2
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	12.8	12.8	12.8
Trade payables	-	-	-	42.2	42.2	42.2
Total	**-**	**-**	**-**	**105.2**	**105.2**	**105.2**

FAIR VALUE HIERARCHY
EUR million

Jun 30, 2016	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Available-for-sale financial assets	**-**	**-**	**1.2**	**1.2**
Jun 30, 2015				
Recurring fair value measurements				
Available-for-sale financial assets	-	-	0.8	0.8
Dec 31, 2015				
Recurring fair value measurements				
Available-for-sale financial assets	-	-	1.1	1.1

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

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

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

Reconciliation of Level 3 fair value measured financial assets and liabilities

Available-for-sale financial assets	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Carrying amount at Jan 1	**1.1**	0.8	0.8
Translation differences in other comprehensive income	**0.0**	0.0	0.0
Change in valuation	**-**	-	0.0
Acquisitions	**0.2**	-	-
Disposals	**0.0**	-	-
Other changes / transfers	**-**	-	0.3
Carrying amount at end of review period	**1.2**	0.8	1.1

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

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KEY PERFORMANCE INDICATORS	**4-6/2016/ Jun 30, 2016**	4-6/2015/ Jun 30, 2015	**1-6/2016/ Jun 30, 2016**	1-6/2015/ Jun 30, 2015	1-12/2015/ Dec 31, 2015
Earnings per share / basic, EUR	**0.54**	0.52	**0.77**	0.82	0.94
Earnings per share / diluted, EUR	**0.54**	0.52	**0.77**	0.82	0.94
Operating profit (EBIT), EUR million	**27.6**	30.9	**40.1**	46.2	61.7
of revenue %	**15.4%**	17.2%	**13.0%**	14.8%	10.6%
Adjusted operating profit, EUR million	**28.4**	28.6	**40.9**	43.9	58.9
of revenue %	**15.8%**	15.9%	**13.2%**	14.0%	10.1%
Cash flow from operations, EUR million	**-18.0**	-4.9	**-48.0**	-14.8	48.5
Cash flow from operations / per share, EUR	**-0.41**	-0.11	**-1.09**	-0.34	1.10
Capital expenditure, EUR million	**4.8**	5.0	**8.6**	9.4	20.2
of revenue %	**2.7%**	2.8%	**2.8%**	3.0%	3.5%
Shares (1,000), average [*)]	**44,106**	44,106	**44,106**	44,080	44,093
Shares (1,000), at the end of the reporting period [*)]	**44,106**	44,106	**44,106**	44,106	44,106
Weighted average number of shares, adjusted for dilutive effect (1,000) [1) *)]	**44,133**	44,106	**44,120**	44,106	44,106
Number of shares at the end of period, adjusted for dilutive effect (1,000) [1) *)]	**44,214**	44,106	**44,214**	44,106	44,109
Equity attributable to the owners of the parent / per share, EUR	**4.36**	4.49	**4.36**	4.49	4.42
Equity ratio, %	**36.6%**	40.9%	**36.6%**	40.9%	51.1%
Gearing, %	**70.2%**	51.4%	**70.2%**	51.4%	23.7%
Interest-bearing financial liabilities (net), EUR million	**135.2**	101.8	**135.2**	101.8	46.2
Return on capital employed (ROCE), % p.a.	**19.6%**	22.8%	**19.6%**	22.8%	22.2%
Personnel (average)	**3,172**	3,252	**3,134**	3,212	3,193

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

[*)] Number of shares outstanding, treasury shares excluded

COMPONENTS FOR ALTERNATIVE KEY FIGURES

Based on the Tikkurila Management decision in half-yearly report are presented some alternative key figures in addition to commonly presented IFRS -performance measure. Benefits considered to be achieved with these are better comparability of financial performance between review periods and possibility to describe more wide-ranged the financial development of businesses.

Items affecting comparable EBIT

Group total **EUR million**	**4-6/2016**	4-6/2015	**1-6/2016**	1-6/2015	1-12/2015
Divestments	**-0.8**	-	**-0.8**	-	-
Personnel related	**-**	-0.1	**-**	-0.2	0.4
Gain on sale of available-for-sale financial assets	**-**	2.4	**-**	2.4	2.4
Impairment losses	**-**	-	**0.0**	-	-0.1
Total	**-0.8**	2.3	**-0.8**	2.3	2.8

SBU West **EUR million**	**4-6/2016**	4-6/2015	**1-6/2016**	1-6/2015	1-12/2015
Divestments	**-**	-	**-**	-	-
Personnel related	**-**	-0.1	**-**	-0.2	0.3
Gain on sale of available-for-sale financial assets	**-**	2.4	**-**	2.4	2.4
Impairment losses	**-**	-	**-**	-	-
Total	**-**	2.3	**-**	2.3	2.8

SBU East **EUR million**	**4-6/2016**	4-6/2015	**1-6/2016**	1-6/2015	1-12/2015
Divestments	**-0.8**	-	**-0.8**	-	-
Personnel related	**-**	-	**-**	-	0.2
Gain on sale of available-for-sale financial assets	**-**	-	**-**	-	-
Impairment losses	**-**	-	**0.0**	-	-0.1
Total	**-0.8**	-	**-0.8**	-	0.2

Tikkurila common **EUR million**	**4-6/2016**	4-6/2015	**1-6/2016**	1-6/2015	1-12/2015
Divestments	**-**	-	**-**	-	-
Personnel related	**-**	-	**-**	-	-0.1
Gain on sale of available-for-sale financial assets	**-**	-	**-**	-	-
Impairment losses	**-**	-	**-**	-	-
Total	**-**	-	**-**	-	-0.1

Net debt EUR million	1-6/2016/ Jun 30, 2016	1-6/2015/ Jun 30, 2015	1-12/2015/ Dec 31, 2015
Interest-bearing non-current liabilities	**50.1**	50.2	50.2
Interest-bearing current liabilities	**120.9**	76.4	12.8
Interest-bearing liabilities, total	**171.0**	126.6	63.0
Cash and cash equivalents	**35.9**	24.8	16.8
Interest-bearing financial liabilities (net)	**135.2**	101.8	46.2

Return on capital employed (ROCE), %			
Operating profit + share of profit or loss of equity-accounted investees [1)]	**56.0**	64.0	62.1
Capital employed [2)]	**285.3**	281.2	279.8
Return on capital employed (ROCE), %	**19.6%**	22.8%	22.2%

[1)] from a rolling 12 month period
[2)] 12 months, in average

DEFINITIONS OF KEY FIGURES

Earnings per share (EPS), basic

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

Earnings per share (EPS), diluted

Net profit of the period attributable to the owners of the parent
/ Weighted average number of shares, adjusted for dilutive effect

Equity per share

Equity attributable to the owners of the parent at the end of the reporting period
/ Number of shares at the end of the reporting period

Cash flow from operations / per share

Cash flow from operations
/ Shares on average

Equity ratio, %

Total equity x 100
/ Total assets - advances received

Gearing, %

Net interest-bearing financial liabilities x 100
/ Total equity

Operating profit (EBIT)

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.

Items affecting comparability
Items affecting comparability are items related to insurance compensations, penalties, items related to business reorganizations, the strategic based changes in organization structure, impairments of non-current assets and gains or losses on disposal of assets.

Adjusted operating profit
Operating profit (EBIT) - items affecting comparability

Interest-bearing financial liabilities (net)
Interest-bearing liabilities - money market investments - cash and cash equivalents

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

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

Operating profit + share of profit or loss of equity-accounted investees x 100

(Net working capital + property, plant and equipment ready for use + intangible assets ready for use + investments in equity-accounted investees)*

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

SEGMENT INFORMATION BY QUARTER

Revenue by segment	1-3/2015	4-6/2015	7-9/2015	10-12/2015	1-3/2016	4-6/2016
EUR million						
SBU West	102.2	116.3	108.7	68.0	99.6	123.5
SBU East	31.0	63.2	59.3	35.4	30.8	55.8
Eliminations	0.0	-0.1	0.0	0.0	0.0	0.0
Total	133.2	179.5	168.0	103.4	130.4	179.3

EBIT by segment	1-3/2015	4-6/2015	7-9/2015	10-12/2015	1-3/2016	4-6/2016
EUR million						
SBU West	16.8	22.6	21.7	-7.9	14.3	22.2
SBU East	0.1	9.8	5.0	-1.3	-0.7	6.8
Tikkurila common	-1.7	-1.5	-0.9	-1.0	-1.1	-1.4
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0
Total	15.2	30.9	25.8	-10.3	12.5	27.6

Items affecting comparable EBIT by segment	1-3/2015	4-6/2015	7-9/2015	10-12/2015	1-3/2016	4-6/2016
EUR million						
SBU West	-0.1	2.3	-0.2	0.7	-	-
SBU East	-	-	-0.1	0.2	0.0	-0.8
Tikkurila common	-	-	-	-0.1	-	-
Eliminations	-	-	-	-	-	-
Total	-0.1	2.3	-0.3	0.8	0.0	-0.8

Adjusted operating result by segment	1-3/2015	4-6/2015	7-9/2015	10-12/2015	1-3/2016	4-6/2016
EUR million						
SBU West	16.9	20.2	21.9	-8.6	14.3	22.2
SBU East	0.1	9.8	5.0	-1.5	-0.6	7.6
Tikkurila common	-1.7	-1.5	-0.9	-0.9	-1.1	-1.4
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0
Total	15.3	28.6	26.0	-11.1	12.5	28.4
Non-allocated items:						
Total financial income and expenses	2.1	-2.2	-5.7	-3.5	1.0	1.1
Share of profit or loss of equity-accounted investees	0.1	0.1	0.1	0.1	0.0	0.2
Profit / loss before taxes	17.5	28.9	20.2	-13.7	13.6	28.9

Assets by segment	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016
EUR million						
SBU West	323.5	341.4	329.4	306.4	337.1	360.2
SBU East	119.8	133.3	113.8	96.7	107.5	121.6
Assets, non-allocated to segments	83.8	107.9	83.5	46.3	107.3	120.2
Eliminations	-83.3	-98.3	-74.1	-68.0	-99.3	-76.6
Total assets	443.8	484.3	452.5	381.4	452.6	525.4

Vantaa, August 3, 2016

TIKKURILA OYJ
BOARD OF DIRECTORS