



FINANCIAL STATEMENT
RELEASE

2016





Tikkurila Oyj
Financial Statement Release
February 9, 2017 at 9:00 a.m. (CET+1)

Tikkurila's Financial Statement Release for January–December 2016 **– Encouraging signs of recovery on the market**

Full-year 2016 highlights

- Revenue decreased by 2.1 percent to EUR 572.0 million (2015: EUR 584.1 million).
- Adjusted operating profit was EUR 54.0 (58.9) million, i.e. 9.4 (10.1) percent of revenue.
- Operating profit (EBIT) was EUR 53.1 (61.7) million, i.e. 9.3 (10.6) percent of revenue.
- EPS was EUR 1.01 (0.94).
- Cash flow after capital expenditure was EUR 22.7 (32.6) million.

October–December 2016 highlights

- Revenue increased by 0.7 percent to EUR 104.2 million (10–12/2015: EUR 103.4 million).
- Adjusted operating result was EUR -10.6 (-11.1) million, i.e. -10.1 (-10.7) percent of revenue.
- Operating result (EBIT) was EUR -10.7 (-10.3) million, i.e. -10.3 (-9.9) percent of revenue.
- EPS was EUR -0.18 (-0.25).

Dividend proposal

- The Board proposes a dividend of EUR 0.80 (0.80) per share, which corresponds to about 79 (85) percent of the Group's 2016 earnings per share.

Revenue and operating profit estimates for 2017

- Tikkurila expects its revenue and adjusted operating profit for the financial year 2017 to increase from the 2016 level.

Key figures

(EUR million)	10–12/2016	10–12/2015	Change %	1–12/2016	1–12/2015	Change %
Income statement						
Revenue	104.2	103.4	0.7%	572.0	584.1	-2.1%
Adjusted operating result	-10.6	-11.1	4.5%	54.0	58.9	-8.3%
Adjusted operating result margin, %	-10.1%	-10.7%		9.4%	10.1%	
Operating result (EBIT)	-10.7	-10.3	-4.2%	53.1	61.7	-13.9%
Operating result (EBIT) margin, %	-10.3%	-9.9%		9.3%	10.6%	
Result before taxes	-8.8	-13.7	35.5%	57.4	52.8	8.7%
Net result for the period	-8.2	-11.0	25.6%	44.5	41.5	7.2%
Other key indicators						
EPS, EUR	-0.18	-0.25	25.6%	1.01	0.94	7.2%
ROCE, %, rolling	18.5%	22.2%		18.5%	22.2%	
Cash flow after capital expenditure	9.3	-1.6		22.7	32.6	-30.4%
Net interest-bearing debt at period-end				58.7	46.2	27.0%
Gearing, %				28.1%	23.7%	
Equity ratio, %				50.9%	51.1%	
Personnel at period-end				3,033	3,100	-2.2%

Comments by Erkki Järvinen, President and CEO:

“The revenue and operating result of the year’s last quarter were close to the level of the comparison period. Sales volumes developed well in Western markets, but the unfavorable development in exchange rates and higher cost level negatively impacted revenue and profitability.

Euro-denominated revenue for the entire year decreased by 2 percent, but grew in local currencies. The exchange rate development and divestments exerted a negative impact on revenue, totaling approximately EUR 28 million. Sales volumes grew in all key markets with the exception of Russia, where the decline in volume nevertheless clearly leveled out. China’s strong growth in business operations continued, and the sales network was again raised by over 100 sales outlets.

Relative profitability for the entire year deteriorated from 10.1 percent to 9.4 percent. This deterioration arose primarily as a result of our investments towards stimulating demand in the Western paint market and improving the customer experience, as well as in strengthening sales and marketing resources under harsh competitive circumstances.

The most difficult phase in Russia would appear to be over. We await a slightly easier situation for the current year, but we do not see signs of rapid improvement. Increase in local production and raw materials sourcing have proceeded as planned. The changes made have favorably impacted demand and profitability, and as a result we have been able to maintain our clear leadership in the market.

Our goal is to grow our business further in the coming years. Growth is being actively sought in various geographical areas and product groups. In addition, better service on the professional side is high on our priority list. In order to support our growth target, we have on the one hand adjusted the structure of the company and streamlined our operational modes in recent years and, on the other hand, increased resources supporting growth. We will continue to make our operations more efficient also during the current year.

The price and availability related uncertainties linked with raw materials and titanium dioxide in particular, have increased significantly during the past few days. We will do our utmost to mitigate this significant risk by activating our sourcing and product development.

We estimate positive volume development as well as revenue and adjusted operating profit to grow this year.”



Press Conference and webcast

Tikkurila will hold a press conference regarding the Financial Statement Release for 2016 for the media and analysts today on February 9, 2017, at 12:00 p.m. (CET+1) in the Paavo Nurmi 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 Financial Statement Release will be presented by **Erkki Järvinen**, and **Jukka Havia**, CFO.

A live webcast, conducted in English, will be organized on February 9, 2017, 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 7479 0404 (Finnish callers)
+44 330 336 9411 (UK callers)
+1 719 457 2086 (US callers)
Participant code: 7761517

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

The Financial Statement Release and presentation materials will be available before the event at www.tikkurilagroup.com/investors.

Tikkurila will publish the Business Review for January–March 2017 on Friday April 28, 2017, at around 9:00 a.m. (CET+1).

Tikkurila Oyj

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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 14 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 Financial Statement Release for January 1–December 31, 2016

This Financial Statement Release 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 and 2016. The figures presented in the Financial Statement Release are independently rounded.

Fluctuations in exchange rates in this Financial Statement Release 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 Financial Statement Release, 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, Serbia, Macedonia, and China. Furthermore, SBU East is responsible for the exports to more than 20 countries.

Market Review

With regard to the key economies of our operational area, the gross domestic products of Sweden and Poland are expected to have grown almost 3 percent in 2016. Finland's economic growth is anticipated to have remained under one percent. Russia's GDP is expected to have declined approximately one percent.

Sweden's economic growth was comprehensive in scope in 2016. However, growth in private consumption was rather modest given the circumstances. With regard to the continuation of strong economic growth, the increase in saving reflected an uncertain approach on the part of households. Sweden's paint market is anticipated to have slightly increased in 2016. According to Tikkurila's estimate, no significant changes occurred in the market share for decorative paints (market share in value in 2015: approximately 37 percent).

The constriction of Russia's economy slowed, but the market situation continued to be fairly difficult. Private consumption shrank due to consumers' weakened purchasing power and low confidence. Competition in the paint market remained tight, and active price campaigning continued. Low purchasing power resulted in a growing relative demand for paints of lower quality and price categories.

Finland's economy turned slightly towards growth after several years of decline, but was still lower than the average value of the Eurozone. Consumer confidence strengthened at the end of the year, clearly surpassing the long-term average value, and the construction of growth centers picked up. According to Tikkurila's estimate, no significant changes occurred in the market share for decorative paints (market share in value in 2015: more than 50 percent).

Poland's economic growth continued particularly due to strong private demand, although more slowly than in recent years. Unemployment was at a record low level and consumer confidence continued to strengthen over the course of the year. Many competitors continued their aggressive campaigns targeting distributors. Price competition was fierce in industrial products as well, whose demand was negatively affected by the decrease in public infrastructure-based projects and investments, particularly at the end of the year. Tikkurila's market share in decorative paints was approximately 15 percent in 2016 (market share in volume in 2015: approximately 16 percent).

Among Tikkurila's key currencies, the Russian ruble was clearly weaker in the period under review than the year before. The Polish zloty and the Swedish krona were also at a slightly weaker level. Also the tenge of Kazakhstan and the yuan of China depreciated.

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

Financial Performance in October–December 2016

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

October–December

(EUR million)	Revenue		Adjusted operating result	
	10–12/2016	10–12/2015	10–12/2016	10–12/2015
SBU West	67.2	68.0	-9.7	-8.5
SBU East	37.0	35.4	0.3	-1.5
Group common and eliminations	0.0	0.0	-1.2	-1.0
Consolidated Group	104.2	103.4	-10.6	-11.1

Tikkurila Group's **revenue** decreased by one percent in the last quarter of 2016. Higher sales volumes increased the Group's revenue by 4 percent. Exchange rate fluctuations reduced euro-denominated revenue by one percent. Sales price increases and changes in the sales mix did not have an impact on revenue.

Adjusted operating result totaled EUR -10.6 (-11.1) million, which accounts for -10.1 (-10.7) percent of revenue.

Operating result (EBIT) totaled EUR -10.7 (-10.3) million, equaling -10.3 (-9.9) percent of revenue.

The net financial income in October–December 2016 was EUR 1.8 (-3.5) million. Earnings per share were EUR -0.18 (-0.25) in the review period.

Financial Performance in 2016

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

January–December

(EUR million)	Revenue		Adjusted operating result	
	1–12/2016	1–12/2015	1–12/2016	1–12/2015
SBU West	395.2	395.3	45.3	50.5
SBU East	176.8	188.9	13.4	13.4
Group common and eliminations	0.0	-0.1	-4.6	-5.0
Consolidated Group	572.0	584.1	54.0	58.9

Tikkurila Group's **revenue** decreased by 2 percent in 2016. Exchange rate fluctuations reduced revenue by 4 percent. Higher sales volumes increased revenue by 2 percent. Sales price increases and changes in the sales mix increased revenue by one percent. Divestments decreased revenue by one percent.

Adjusted operating profit totaled EUR 54.0 (58.9) million, which accounts for 9.4 (10.1) percent of revenue. Profitability was weakened by higher sales and marketing costs.

Operating profit (EBIT) totaled EUR 53.1 (61.7) million, equaling 9.3 (10.6) percent of revenue.

The net financial income in January–December 2016 was EUR 3.9 (-9.3) million. The net financial income increased from the comparison period due to exchange rate differences related to the Russian ruble, in particular. Profit before taxes was EUR 57.4 (52.8) million. Taxes totaled EUR 12.9 (11.3) million, equaling an effective tax rate of 22.5 (21.4) percent. Earnings per share were EUR 1.01 (0.94) in the review period.

Financial Performance by Reporting Segments

SBU West

EUR million	10–12/2016	10–12/2015	Change %	1–12/2016	1–12/2015	Change %
Revenue	67.2	68.0	-1.3%	395.2	395.3	0.0%
Adjusted operating result	-9.7	-8.5	-14.1%	45.3	50.5	-10.3%
Adjusted operating result margin, %	-14.4%	-12.5%		11.5%	12.8%	
Operating result (EBIT)	-9.8	-7.9	-24.4%	45.1	53.2	-15.2%
Operating result (EBIT) margin, %	-14.6%	-11.6%		11.4%	13.5%	
Capital expenditure excluding acquisitions	7.4	5.1	44.9%	20.1	15.8	27.1%

Financial Performance in October–December 2016

SBU West's last quarter revenue remained close to the comparison period's level. Higher sales volumes increased revenue by 7 percent. Good volume development is explained on its part by the high deliveries in Finland and Poland, as preparations were made in the countries concerned to deploy a new enterprise resource planning (ERP) system during the last quarter. Changes in the sales mix and sales prices decreased revenue by 6 percent. Preparation for the deployment of the ERP system was in the background of this development, as well as an increase in the relative share sales of fillers and larger cans. Exchange rate fluctuations, primarily the weakened Swedish krona, decreased revenue by 3 percent. Among the key markets, in Sweden revenue decreased to EUR 25.7 (28.2) million, while in Finland revenue increased to EUR 12.8 (12.2) million, and in Poland revenue increased to EUR 13.3 (12.4) million.

Last quarter operating loss increased slightly from the comparison period. Profitability was weakened by changes in the sales mix and sales prices.

Financial Performance in 2016

SBU West's full-year revenue was at the comparison period's level. Higher sales volumes increased revenue by 3 percent. Sales volumes grew in all key markets. Changes in sales mix and sales prices decreased revenue by 2 percent. Exchange rate fluctuations, primarily the weakened Polish zloty and Swedish krona, decreased revenue by 2 percent. In Sweden, revenue decreased to EUR 149.9 (151.7) million, while in Finland revenue remained at the comparison period's level at EUR 98.1 (98.1) million, and in Poland revenue increased to EUR 70.4 (68.4) million.

SBU West's full-year operating profit and relative profitability decreased from the comparison period. Profitability was weakened by changes in sales mix and higher fixed cost level that was mainly caused by higher sales and marketing efforts.

SBU East

EUR million	10–12/2016	10–12/2015	Change %	1–12/2016	1–12/2015	Change %
Revenue	37.0	35.4	4.6%	176.8	188.9	-6.4%
Adjusted operating result	0.3	-1.5	121.5%	13.4	13.4	-0.3%
Adjusted operating result margin, %	0.9%	-4.3%		7.6%	7.1%	
Operating result (EBIT)	0.3	-1.3	125.7%	12.6	13.6	-7.0%
Operating result (EBIT) margin, %	0.9%	-3.7%		7.1%	7.2%	
Capital expenditure excluding acquisitions	1.3	1.1	9.7%	3.2	5.1	-37.8%

Financial Performance in October–December 2016

SBU East's last quarter revenue increased by 5 percent from the comparison period. Lower sales volumes decreased revenue by 4 percent. Sales price increases and changes in the sales mix increased revenue by 11 percent. Exchange rate fluctuations increased revenue by 3 percent. Revenue in Russia increased to EUR 25.6 (22.9) million.

Last quarter operating result turned positive due to a good sales structure and stringent cost control.

Financial Performance in 2016

SBU East's full-year revenue decreased by 6 percent from the comparison period. Exchange rate fluctuations reduced revenue by 8 percent mainly due to the weak Russian ruble. Sales price increases, carried out in Russia at the beginning of 2016 to offset the impact of the weakening ruble, and changes in the sales mix increased SBU East's revenue by 8 percent. Lower sales volumes decreased revenue by 2 percent. Sales volumes in China increased strongly from the comparison period. Sales volumes increased clearly also in Kazakhstan. In Russia, the sales volumes decreased slightly from the comparison period. Divestments decreased revenue by 4 percent. Revenue in Russia decreased to EUR 120.2 (128.4) million.

Full-year adjusted operating profit was at the comparison period's level and relative profitability improved slightly. Profitability was improved by the increases in sales prices and changes in sales mix, increased local production and improved productivity in Russia as well as the favorable development of the Chinese business operations.

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–December totaled EUR 42.8 (48.5) million. Cash flow was weakened by lower profitability and changes in net working capital. At the end of the review period, net working capital totaled EUR 89.1 (78.9) million. The growth in net working capital was primarily due to the increase in trade receivables as longer payment times were granted for selected key customers. Also the timing of sales at the end of the year and the changes in exchange rates affected the receivables balance. In addition, finished goods inventories reached a slightly higher level, due to preparations for the deployment of the new enterprise resource planning system in Poland at the turn of the year. The total of non-interest bearing liabilities was on the level of the previous turn of the year. The net cash flow from the investing activities was EUR -20.1 (-15.8) million, when taking into account the acquisitions and divestments. Cash flow after capital expenditure totaled EUR 22.7 (32.6) million at the end of the review period.

Interest-bearing debt amounted to EUR 77.2 (63.0) million at the end of the review period, and net debt was EUR 58.7 (46.2) million. At the end of the review period, cash and cash equivalents amounted to EUR 18.5 (16.8) million, and short-term interest-bearing debt totaled EUR 27.1 (12.8) million, including the company's issued commercial papers for a total nominal amount of EUR 25.0 (10.0) million. Moreover, the Group had long-term interest-bearing debt totaling EUR 50.1 (50.2) million. At the end of December, the Group had a total of EUR 109.4 (111.1) million of unused committed credit facilities or credit limits.

The Group's net financial expense was 3.9 (9.3) million positive, of which interest expenses totaled EUR -0.3 (-0.9) million and other financing expenses EUR -0.6 (-0.5) million. The average capital-weighted interest rate of interest-bearing debt was 0.8 (1.2) percent. The net profit was positively affected by a total of EUR 4.8 (-7.9) 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 denominated items. 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, involve operative measures such as the coordination of currency allocation of incoming and outgoing cash flows.

At the end of December, the equity ratio was 50.9 (51.1) percent, and gearing was 28.1 (23.7) percent.

Capital Expenditure

In 2016, the gross capital expenditure excluding acquisitions amounted to EUR 23.3 (20.9) million. Capital expenditures in the period under review were mainly related to the introduction of new IT systems in different locations of the Group. One of the most important on-going ICT investments is the deployment of enterprise resource planning system (ERP), which started in the Group phase by phase during the first half of 2016. On December 31, 2016, the prepayments and non-current assets under construction related to the ERP totaled EUR 14.8 million in the Group consolidated statement of financial position. The new ERP system was taken into use during 2016 in the Baltic countries, Finland, and Norway, and at the beginning of 2017 in Poland. The system will be in use in almost all Group's operating countries during the first half of 2017.

The Group's depreciation, amortization and impairment losses amounted to EUR 16.7 (17.3) million in 2016. The Group performs impairment tests in accordance with the IAS 36 standard.

Sales and Marketing

Tikkurila invests significant amounts of money and resources each year in marketing its products and services and strengthening its brands. Tikkurila continued to actively raise its profile and improve the user experience throughout 2016. Tikkurila Group's sales and marketing expenses, including personnel costs, were EUR 97.5 (92.6) million in 2016, which accounts for 17.0 (15.8) percent of its revenue.

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

Tikkurila aims to offer the best user experience. Tikkurila develops high-quality, user-friendly and environmentally sustainable solutions, and trains its stakeholders in the durable use of the products. Tikkurila invests in developing solutions that make selecting, buying and selling of paints easier, and supports its customers through every stage of their painting work to ensure successful and durable end results. Tikkurila's range of services includes color design and tinting services, painting advice, as well as expert consultation and training services. The skilled personnel guide the customers by providing them painting

advice and help with product and color selection. Through ideas and instructions offered in stores and in digital channels, Tikkurila inspires people to paint, helps them choose the right products, and gives advice on the safe use of the products.

Professional segment resources were, for instance, strengthened during the year, the creation of mutual concepts supporting international brands was intensified, the effectiveness of utilizing digital channels was improved, and a project aiming at improving the customer experience was taken forward. The most significant events of the year included, among other things, the expansion of the shop network by over 100 sales outlets and the launch of an interior decorating application utilizing virtual reality in China; the opening of an online shop in Poland; the introduction of a new-generation, water-borne wood stain and wood oil in Finland; the initiation of Alcro Paint Foundation (Färgfonden), which is concentrated on socially useful painting projects in Sweden; and the launch of the locally produced and renewed Tikkurila Euro series in Russia.

In Sweden, the focus during the year was on strengthening the positioning of brands and increasing the brand preference and willingness to recommend. In Russia, the emphasis was on product launches and renewals of the locally produced products, whereas in Finland we concentrated on enlarging the product offering to support growth. In Poland, the focus was on increasing the awareness of premium brands and developing store displays.

Research, Development and Innovation

In 2016, Tikkurila's research and development expenses totaled EUR 11.3 (2015: EUR 11.2 and 2014: EUR 10.7) million or 2.0 (2015: 1.9 and 2014: 1.7) percent of revenue. At the end of 2016, the unit employed 191 (184) people. Tikkurila's largest RDI units are located in Finland, Russia, Poland and Sweden.

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

In 2016, the focus of the RDI operations was on product launches, product safety matters, environmental friendliness of products, harmonization of formulas and the raw material portfolio, cost savings as well as identifying potential external partners. Important projects included the increase of local raw material procurement in Russia, the optimization of products intended for various conditions owing to the expansion of export activities, and response to the renewed Swan label (Nordic Ecolabel).

The year's most significant launches include, for instance, the FonteFacade coating system for the fiber cement board industry; Fontefire WF, a fire-retardant coating for wood products; and Valtti Plus Kesto, a water-borne stain intended for wood surfaces which provides excellent weather resistance unprecedented in the series of wall surface wood stain products.

Corporate Responsibility

For decades, Tikkurila has persistently developed and promoted high-quality, user-friendly surface treatment solutions that are safe for both people and the environment. The guiding principles of our operations are founded on the safety, quality, and durability of our products.

Tikkurila's Corporate Responsibility program "A Colorful Tomorrow" provides Tikkurila with a framework for responsible and sustainable business development. We aim to promote sustainable development and take environmental, financial and social aspects into account in our daily work as well as in our strategic business development. The priorities for our responsibility work are user experience, resources, and people.

Tikkurila reports the progress in its corporate responsibility matters annually. Tikkurila GRI 2016 Corporate Responsibility report describes key matters of responsibility in terms of Tikkurila's operations and outlines the progress in the different areas of corporate responsibility. The report is published in Finnish and English. The 2016 reporting applies the international GRI (Global Reporting Initiative) G4 guidelines.

Sustainable solutions

Customer interest in environmentally sound products that are also safe for health has increased due to the overall increased environmental awareness, changes in consumer habits, and legislative changes concerning the composition and safety of paints. Our customers want to choose products that have minimal environmental and health impacts in production and in use, and that are safe to use. Most of Tikkurila's paints are water-borne. In 2016, the share of water-borne products in production was 73.8 (73.5) percent.

Environmental investments and operating costs

In 2016, Tikkurila invested EUR 0.3 (0.7) million into environmental protection in its units, and environmental operating costs totaled EUR 1.6 (1.7) million. In 2016, the environmental investments reported by the sites included, for instance, measures regarding environmental safety; closing valves and lids for rain water sewers and equipment for leak prevention were acquired. Additionally, the investments included improvements in raw material warehousing, and development of building technology, related to e.g. lightning, more efficient use of water and air quality at work stations. The operating costs include, among other things, waste handling, waste water treatment and analyses as well as certification costs.

Personnel

At the end of 2016, Tikkurila employed 3,033 (2015: 3,100) people in 14 countries. The average number of employees in January-December 2016 was 3,112 (3,193).

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	Q3/2016	Q4/2016
SBU West	1,626	1,717	1,645	1,630	1,605	1,718	1,673	1,649
SBU East	1,558	1,553	1,515	1,441	1,494	1,409	1,400	1,353
Group functions	31	30	29	29	30	30	30	31
Total	3,215	3,300	3,189	3,100	3,129	3,157	3,103	3,033

Performance-based salaries and compensation paid in 2016 totaled EUR 81.4 (79.8) million.

Occupational health and safety

Tikkurila monitors the safety of the operations using the LTA1 accident frequency rating which indicates the number of accidents that cause absences lasting at least one day per one million working hours. In 2016, Tikkurila's accident frequency rate (LTA) was 2.7 (1.9).

Shares and Shareholders

At the end of 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 2016, Tikkurila held 2,461 treasury shares.



According to Euroclear Finland Oy's register, Tikkurila had a total of some 20,000 shareholders on December 31, 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 December, the closing price of Tikkurila's share was EUR 18.81. In January–December, the volume-weighted average share price was EUR 17.12, the lowest price EUR 14.29, and the highest price EUR 19.76. At the end of December, the market value of Tikkurila Oyj's shares was EUR 829.6 million. During January–December, a total of 11.9 million Tikkurila shares, corresponding to approximately 26.9 percent of the number of shares, were traded on NASDAQ OMX Helsinki Ltd. The value of the traded volume was EUR 203.3 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.

Tikkurila Board members and their interest parties held altogether 111,228 shares on December 31, 2016, which is about 0.3 percent of the share capital and votes in Tikkurila. Furthermore, Jari Paasikivi, the Chairman of the Tikkurila Board, acts as the President and CEO in Oras Invest Oy, which is the single largest shareholder in Tikkurila.

Tikkurila Management Board members and their interest parties held altogether 102,564 shares on December 31, 2016, which is about 0.2 percent of the share capital and votes. Up-to-date information concerning the holdings of Tikkurila statutory insiders is available at

http://www.tikkurilagroup.com/corporate_governance/insiders.

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

Corporate Governance Statement

Tikkurila will prepare a separate Corporate Governance Statement which follows the recommendations of the Finnish Corporate Governance Code for listed companies. It also covers some other central areas of corporate governance. The statement will be included in Tikkurila's Annual Review, but it will be published separately from the Board of Directors' Report. The statement will also be available on week 9 at

www.tikkurilagroup.com/investors.

Decisions of the Annual General Meeting and the Board of Directors

Matters relating to the Annual General Meeting

The Annual General Meeting of Tikkurila Oyj approved on April 6, 2016 the Financial Statements for 2015 and decided to discharge the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting approved a EUR 0.80 dividend per share for the financial year 2015. The rest was retained and carried further in the company's unrestricted equity. The dividend was paid to a shareholder who was registered in the company's shareholder register maintained by Euroclear Finland Ltd on the dividend record date, April 8, 2016. The dividend was paid on April 15, 2016.

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

The Annual General Meeting decided that the annual remuneration of the members of the Board of Directors will stay at the current level. The annual remuneration to the members of the Board of Directors will be as follows: EUR 64,000 for the Chairman, EUR 40,000 for the Vice Chairman and the Chairman of the Audit

Committee, and EUR 32,000 for other members of the Board of Directors. Approximately 40 percent of the annual remuneration will be paid in Tikkurila Oyj's shares acquired from the market and the rest in cash. The shares will be acquired directly on behalf of the Board members within two weeks from the release of the business review for January 1 - March 31, 2016. Furthermore, a meeting fee for each meeting of the Board and its Committees (excluding decisions without a meeting) will be paid to the members of the Board of Directors as follows: EUR 600 for meetings held in the home state of a member and EUR 1,200 for meetings held outside the home state of a member. If a member participates in a meeting via telephone or video connection the remuneration will be EUR 600. Travel expenses will be paid according to the travel policy of the company.

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

Amendment to section 3 of the Articles of Association and to the tasks for the Nomination Board

The Annual General Meeting decided to remove a statement in the company's Articles of Association on the election of the Chairman and Vice Chairman among the Board members by the Board of Directors. The purpose of the change is to enable the general meeting to elect the Chairman and Vice Chairman. In addition, the tasks of the Nomination Board will be amended so that the task of the Nomination Board will be to prepare and present a proposal for the election of Chairman, Vice Chairman and other members of the Board of Directors as well as for the remuneration of the said Board members. Previously the Nomination Board prepared the proposal concerning the members and remuneration of the Board of Directors.

Authorization to repurchase own shares and to decide on the issuance of shares

The Annual General Meeting authorized the Board of Directors to decide upon the repurchase of a maximum of 4,400,000 company's own shares. The shares may be repurchased to be used for financing or implementing possible mergers and acquisitions, developing the company's equity structure, improving the liquidity of the company's shares or to be used for the payment of the annual fees payable to the members of the Board of Directors or for implementing the share-based incentive programs of the company. The repurchase authorization will be valid until the end of the next Annual General Meeting, however, no longer than until June 30, 2017.

The Annual General Meeting authorized the Board of Directors to decide to transfer company's own shares held by the company or to issue new shares limited to a maximum of 4,400,000 shares. The company's own shares held by the company may be transferred and the new shares may be issued either against payment or without payment. The new shares may be issued and the company's own shares held by the company may be transferred to the company's shareholders in proportion to their current shareholdings in the company or deviating from the shareholders' pre-emptive right through a directed share issue, if the company has a weighty financial reason to do so, such as financing or implementing mergers and acquisitions, developing the company's equity structure, improving the liquidity of the company's shares, to be used for the payment of the annual fees payable to the members of the Board of Directors or for implementing the share-based incentive programs of the company. The authorization will be valid until the end of the next Annual General Meeting, however, no longer than until June 30, 2017.

Decisions by the Board of Directors

In its meeting held on April 6, 2016, the Board of Directors of Tikkurila elected from among its members Jari Paasikivi as Chairman and Petteri Walldén as Vice Chairman of the Board of Directors.

Eeva Ahdekivi was re-elected as Chairman and Riitta Mynttinen and Pia Rudengren as members of the Audit Committee. Jari Paasikivi was re-elected as Chairman and Harri Kerminen and Petteri Walldén as members of the Remuneration Committee.

Board of Directors' proposal for the distribution of profit

Tikkurila Oyj's distributable equity totaled EUR 161.5 million on December 31, 2016: reserve for invested unrestricted equity totaled EUR 40.0 million and retained earnings totaled EUR 121.5 million. The Board proposes to the Annual General Meeting that a dividend of EUR 0.80 per share will be distributed for the year ended on December 31, 2016, and that the rest be retained in the unrestricted equity. The proposed dividend totals about EUR 35.3 million, which corresponds to approximately 79 percent of the Group's net profit for 2016. It is proposed that the record date for the payment of the dividend will be April 6, 2017, and that the dividend will be paid on April 13, 2017.

Annual General Meeting 2017

The Annual General Meeting of Tikkurila Oyj will be held at 10:00 a.m. on Tuesday, April 4, 2017 at the Finlandia Hall (address: Mannerheimintie 13, 00100 Helsinki). The report of the Board of Directors and Financial Statements will be available on week 9 at www.tikkurilagroup.com.

Near-term risks and uncertainties

Tikkurila's business operations are affected by various strategic, operational, financial, and accident risks. Tikkurila endeavors to identify and evaluate risks and respond to them as proactively as possible and contain their possible adverse effects. The company anticipates the following to be central risks and uncertainties on the date of publishing this Financial Statement Release:

Macroeconomic situation in Russia and its neighboring regions

The decline of Russia's economy flattened out last year, and the economy is anticipated to even rise slightly during the current year. Russia's economy is highly dependent on the development of oil prices. If the price of oil were to decline from the current price level of over USD 50 per barrel, this would lead to a weaker economy and development in the purchasing power of consumers than predicted during the current year, which on its part would weaken demand for Tikkurila products and shift the demand towards lower price category products.

Credit loss risks

The availability of financing has weakened and interest rates are high in the developing markets, resulting in increased credit loss risks. Even though Tikkurila has not experienced considerable credit losses, counterparty risks will increase in the future and may hinder business operations or cause losses, although Tikkurila has a broad customer base.

Exchange rate development

Due to the international nature of Tikkurila's operations, the Group's income statement, balance sheet, and cash flow are subject to currency risks. The most significant currency risks will target the Russian ruble, Swedish krona and Polish zloty, which are the reporting currencies of Tikkurila's largest subsidiaries. Some of the Group's raw material purchases are directly or indirectly priced in US dollars. The dollar strengthened significantly during last year, and if this development continues, it may increase the Group's raw material costs. Furthermore, the company's equity will be subject to currency risks when the subsidiaries' foreign currency-denominated equity items are converted to euro and the euro-denominated consolidated balance sheet assets' values change with the exchange rates.

Risks related to raw materials

Tikkurila is dependent on the ability of its suppliers to deliver the raw materials needed for the production of paints. Pressures for price increase were noted during the latter half of 2016 in certain raw materials important for Tikkurila. Tikkurila believes that the prices for raw materials will continue to rise. It is possible that the Group is unable to transfer the rise in costs to its end product prices completely or without delays. There are significant availability and price development related uncertainties linked with titanium dioxide in 2017. Uncertainties linked with raw materials may have an impact on market share development, general competition situation or product range.

Risks related to the industry and operative activities

In the paint industry, competition has become increasingly fierce and the importance of price is highlighted amidst financial difficulties. For example, some companies in the construction industry or related fields have expanded their product range to paints as well in order to supplement their total range of services offered to professional customers, whose importance is increasing. In the future, this may impact the structure of Tikkurila's product portfolio and customer base, which in turn will affect profitability, for example.

The overall digitalization of society has accelerated, which may impact Tikkurila's logistics and product distribution channels in the future. It will also increase the opportunities available for end users of paint products to seek and select paint companies across geographical borders. Increased fluctuation in customer demand and better utilization of real-time information may also create needs to make structural changes in production technology and equipment in the future. Understanding customer needs will increase in importance in the future. Strong fluctuations in the business operations and a rapid technological change will pose additional challenges to the availability of skilled personnel and competence development. Securing and diversifying competence is essential for ensuring growth.

Tikkurila's risk management principles can be viewed on Tikkurila's website at www.tikkurilagroup.com. Additional information on the short- and long-term risks of Tikkurila's business operations will be published in the Corporate Governance Statement. More information on financial risks is provided in the Notes to the 2016 Consolidated Financial Statements.

Outlook for 2017

Among Tikkurila's key markets in Sweden and Poland, the fairly strong economic growth is expected to continue in 2017. The economies of Finland and Russia are also anticipated to grow slightly. Demand for paint is predicted to moderately increase in Tikkurila's operational area during the current year. The importance of the professional segment is growing, which affects the sales structure of the Tikkurila Group.

Raw material prices are expected to rise, but Tikkurila will aim to compensate for this impact by intensifying its raw material procurement, increasing local purchasing in Russia, and by increasing its sales prices. Furthermore, there are risks related to the availability of titanium dioxide.

Guidance for 2017

Tikkurila expects its revenue and adjusted operating profit for the financial year 2017 to increase from the 2016 level.



Summary Financial Statements and Notes

The annual financial statement figures of Tikkurila are audited. Auditors' report was issued on February 8, 2017. The financial information presented in this financial statement release is prepared in accordance with IAS 34 Interim Financial Reporting standard. As a result of rounding differences, the figures presented in the tables may not add up to the total. Quarterly information is unaudited.

The same accounting policies have been applied in this financial statement release 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.

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Revenue	104.2	103.4	572.0	584.1
Other operating income	0.7	0.8	2.5	4.8
Expenses	-111.2	-110.1	-504.7	-509.8
Depreciation, amortization and impairment losses	-4.4	-4.4	-16.7	-17.3
Operating result	-10.7	-10.3	53.1	61.7
Total financial income and expenses	1.8	-3.5	3.9	-9.3
Share of profit or loss of equity-accounted investees	0.0	0.1	0.3	0.4
Result before taxes	-8.8	-13.7	57.4	52.8
Income taxes	0.7	2.7	-12.9	-11.3
Net result for the period	-8.2	-11.0	44.5	41.5
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit plans	3.4	0.1	-0.4	0.3
Income taxes relating to items that will not be reclassified to profit or loss	-0.9	0.0	0.0	-0.1
Total items that will not be reclassified to profit or loss	2.5	0.1	-0.5	0.2
Items that may be reclassified subsequently to profit or loss				
Available-for-sale financial assets	-	-	-	-2.4
Foreign currency translation differences for foreign operations	2.8	-2.5	5.2	-2.1
Income taxes relating to items that may be reclassified subsequently to profit or loss	-	-0.1	-0.2	0.4
Total items that may be reclassified subsequently to profit or loss	2.8	-2.6	5.0	-4.0
Total comprehensive income for the period	-2.9	-13.4	49.0	37.7
Net result attributable to:				
Owners of the parent	-8.2	-11.0	44.5	41.5
Non-controlling interest	-	-	-	-
Net result for the period	-8.2	-11.0	44.5	41.5
Total comprehensive income attributable to:				
Owners of the parent	-2.9	-13.4	49.0	37.7
Non-controlling interest	-	-	-	-
Total comprehensive income for the period	-2.9	-13.4	49.0	37.7
Earnings per share of the net profit attributable to owners of the parent				
Basic earnings per share (EUR)	-0.18	-0.25	1.01	0.94
Diluted earnings per share (EUR)	-0.18	-0.25	1.01	0.94

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR million

ASSETS	Dec 31, 2016	Dec 31, 2015
Non-current assets		
Goodwill	72.3	71.9
Other intangible assets	30.7	19.4
Property, plant and equipment	87.5	89.4
Equity-accounted investees	0.7	0.8
Available-for-sale financial assets	0.8	1.1
Non-current receivables	7.3	2.9
Defined benefit pension and other long-term employee benefit assets	0.1	0.1
Deferred tax assets	7.3	6.7
Total non-current assets	206.8	192.3
Current assets		
Inventories	80.2	78.4
Interest-bearing receivables	0.9	0.6
Non-interest-bearing receivables	103.7	93.3
Cash and cash equivalents	18.5	16.8
Non-current assets held for sale	0.2	-
Total current assets	203.6	189.1
Total assets	410.3	381.4
EQUITY AND LIABILITIES	Dec 31, 2016	Dec 31, 2015
Share capital	35.0	35.0
Other reserves	0.0	0.0
Fair value reserve	-	-
Reserve for invested unrestricted equity	40.0	40.0
Treasury shares	0.0	0.0
Translation differences	-36.8	-41.8
Retained earnings	170.3	161.7
Equity attributable to owners of the parent	208.6	195.0
Non-controlling interest	-	-
Total equity	208.6	195.0
Non-current liabilities		
Interest-bearing non-current liabilities	50.1	50.2
Other non-current liabilities	0.0	0.1
Defined benefit pension and other long-term employee benefit liabilities	25.5	25.6
Provisions	0.5	0.6
Deferred tax liabilities	6.2	6.9
Total non-current liabilities	82.4	83.4
Current liabilities		
Interest-bearing current liabilities	27.1	12.8
Non-interest-bearing current liabilities	92.0	89.7
Provisions	0.3	0.5
Liabilities classified as held for sale	-	-
Total current liabilities	119.3	103.1
Total equity and liabilities	410.3	381.4


CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
CASH FLOW FROM OPERATING ACTIVITIES				
Net result for the period	-8.2	-11.0	44.5	41.5
Adjustments for:				
Non-cash transactions	6.3	3.4	20.7	15.5
Interest and other financial expenses	0.4	3.7	1.5	10.1
Interest income and other financial income	-2.2	-0.2	-5.5	-0.9
Income taxes	-0.7	-2.7	12.9	11.3
Funds from operations before change in net working capital	-4.4	-6.8	74.1	77.5
Change in net working capital	21.8	15.0	-15.4	-10.7
Interest and other financial expenses paid	0.3	-4.7	-2.0	-7.2
Interest and other financial income received	0.1	-0.4	0.3	0.4
Income taxes paid	-0.8	0.2	-14.1	-11.5
Total cash flow from operations	17.0	3.2	42.8	48.5
CASH FLOW FROM INVESTING ACTIVITIES				
Business combinations	-	-	-	0.2
Other capital expenditure	-8.4	-5.3	-21.3	-20.4
Proceeds from sale of assets	0.3	0.0	0.6	2.8
Loan receivables decrease (+), increase (-)	0.1	-	0.3	1.0
Dividends received	0.4	0.4	0.4	0.5
Net cash used in investing activities	-7.7	-4.8	-20.1	-15.8
Cash flow before financing	9.3	-1.6	22.7	32.6
CASH FLOW FROM FINANCING ACTIVITIES				
Non-current borrowings, increase (+), decrease (-)	-	-	-	-10.0
Current financing, increase (+), decrease (-)	-12.0	-33.7	14.1	0.3
Dividends paid	-	-	-35.3	-35.3
Acquisition of own shares	-	-	-	0.0
Other	-3.6	1.9	0.2	3.5
Net cash used in financing activities	-15.6	-31.9	-20.9	-41.5
Net change in cash and cash equivalents	-6.3	-33.4	1.8	-8.9
Cash and cash equivalents at the beginning of period	25.0	49.8	16.8	25.8
Effect of exchange rate fluctuations on cash held	0.2	-0.4	0.0	0.1
Cash and cash equivalents at the end of period	18.5	16.8	18.5	16.8
Net change in cash and cash equivalents	-6.3	-33.4	1.8	-8.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
EUR million

Equity attributable to the owners of the parent									Non-	Total
	Share capital	Other reserves	Fair value reserve	Reserve for invested unrestricted equity	Treasury shares	Translation differences	Retained earnings	Total	controlling interest	equity
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	-	-	-2.1	41.7	37.7	-	37.7
Share-based compensation	-	-	-	-	1.6	-	-1.4	0.3	-	0.3
Adjustment arising from hyperinflation	-	-	-	-	-	-	-0.3	-0.3	-	-0.3
Acquisition of treasury shares	-	-	-	-	0.0	-	-	0.0	-	0.0
Dividends paid	-	-	-	-	-	-	-35.3	-35.3	-	-35.3
Equity at Dec 31, 2015	35.0	0.0	-	40.0	0.0	-41.8	161.7	195.0	-	195.0
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	-	-	-	-	-	5.0	44.0	49.0	-	49.0
Share-based compensation	-	-	-	-	-	-	-0.1	-0.1	-	-0.1
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-35.3	-35.3	-	-35.3
Equity at Dec 31, 2016	35.0	0.0	-	40.0	0.0	-36.8	170.3	208.6	-	208.6

DISTRIBUTABLE EQUITY OF THE PARENT (FAS)
EUR million

	2016	2015
Reserve for invested unrestricted equity	40.0	40.0
Retained earnings	82.5	76.6
Net profit for the period	39.0	41.2
Total	161.5	157.8



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	10-12/2016	10-12/2015	1-12/2016	1-12/2015
EUR million				
SBU West	67.2	68.0	395.2	395.3
SBU East	37.0	35.4	176.8	188.9
Eliminations	0.0	0.0	0.0	-0.1
Total	104.2	103.4	572.0	584.1
Operating result (EBIT) by segment	10-12/2016	10-12/2015	1-12/2016	1-12/2015
EUR million				
SBU West	-9.8	-7.9	45.1	53.2
SBU East	0.3	-1.3	12.6	13.6
Tikkurila common	-1.2	-1.0	-4.6	-5.1
Eliminations	-	-	0.0	0.0
Total	-10.7	-10.3	53.1	61.7
Items affecting comparable operating result by segment	10-12/2016	10-12/2015	1-12/2016	1-12/2015
EUR million				
SBU West	-0.1	0.7	-0.1	2.8
SBU East	0.0	0.2	-0.8	0.2
Tikkurila common	-	-0.1	-	-0.1
Eliminations	-	-	-	-
Total	-0.1	0.8	-0.9	2.8
Adjusted operating result by segment	10-12/2016	10-12/2015	1-12/2016	1-12/2015
EUR million				
SBU West	-9.7	-8.5	45.3	50.5
SBU East	0.3	-1.5	13.4	13.4
Tikkurila common	-1.2	-1.0	-4.6	-5.0
Eliminations	-	-	0.0	0.0
Total	-10.6	-11.1	54.0	58.9
Non-allocated items:				
Total financial income and expenses	1.8	-3.5	3.9	-9.3
Share of profit or loss of equity-accounted investees	0.0	0.1	0.3	0.4
Result before taxes	-8.8	-13.7	57.4	52.8



21 (32)

Assets by segment	Dec 31, 2016	Dec 31, 2015
EUR million		
SBU West	319.9	306.4
SBU East	107.4	96.7
Assets, non-allocated to segments	31.3	46.3
Eliminations	-48.3	-68.0
Total assets	410.3	381.4

CHANGES IN PROPERTY, PLANT AND EQUIPMENT	1-12/2016	1-12/2015
EUR million		
Carrying amount at the beginning of period	89.4	90.3
Additions	10.2	15.6
Business combinations	-	-
Disposals	-1.7	-0.3
Depreciation, amortization and impairment losses	-13.4	-14.0
Exchange rate differences and other changes	3.1	-2.3
Carrying amount at the end of period	87.5	89.4

Tikkurila Group had contractual commitments for purchase of property, plant and equipment EUR 0.6 (0.6) million at the end of year 2016.

CHANGES IN INTANGIBLE ASSETS	1-12/2016	1-12/2015
EUR million		
Carrying amount at the beginning of period	91.3	90.8
Additions	13.0	5.1
Business combinations	-	-0.2
Disposals	-0.1	-
Depreciation, amortization and impairment losses	-3.3	-3.4
Exchange rate differences and other changes	2.1	-1.0
Carrying amount at the end of period	103.0	91.3

Tikkurila Group had contractual commitments for intangible assets EUR 2.8 (1.4) million at the end of year 2016.

INVENTORIES

Write-down of inventory for a total amount of EUR 2.9 (2.5) million was recognized until end of year 2016.

DISPOSAL OF GROUP COMPANIES

EUR million

Tikkurila sold in August 2016 the shares in its Swedish, dormant subsidiary, Färdigfärgat AB. The consideration was EUR 14 thousand from which EUR 10 thousand was received in cash at the closing. Remaining amount of consideration will be received within one year.

As of disposal a minor loss was recognized which turned into EUR 0.1 million gain as accumulated exchange rate differences were reclassified from equity to profit or loss.

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 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	1-12/2016	1-12/2015
Joint ventures		
Sales	5.6	5.8
Other operating income	0.9	0.9
Receivables	0.3	0.2
Liabilities	0.0	0.1

Share-based Commitment and Incentive Plans

Plan of 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 number of shares under this plan has been individually defined for each participant. On December 31, 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 in financial year 2016. In the comparison period 1-12/2015, a total of EUR 0.9 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 of 2016

In April 2016, the Board of Directors of Tikkurila Oyj decided on a new share-based incentive plan for the Group key employees. This plan consists of a performance share plan 2015–2019 and a matching share plan 2016–2018. On December 31, 2016, a total of about ten key employees selected by the Board participated in this new incentive plan.

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.



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. The Board of Directors will resolve on the details of the performance period 2017–2019 at the beginning of the performance period.

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 plan EUR 0.0 million was recognized during the year 2016 in personnel expenses.

COMMITMENTS AND CONTINGENT LIABILITIES	Dec 31, 2016	Dec 31, 2015
EUR million		
Mortgages given as collateral for liabilities in the statement of financial position		
Other loans	-	-
Mortgages given	0.1	0.1
Total loans	-	-
Total mortgages given	0.1	0.1
Contingent liabilities		
Guarantees		
On behalf of own commitments	0.7	0.4
On behalf of others	1.7	1.5
Other obligations of own behalf	7.3	0.0
Lease obligations	29.4	28.4
Total contingent liabilities	39.1	30.3

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

Dec 31, 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	-	-	0.8	-	0.8	0.8
Non-current receivables	-	6.9	-	-	6.9	6.9
Current financial assets						
Interest-bearing receivables	-	0.9	-	-	0.9	0.9
Cash equivalents	-	18.5	-	-	18.5	18.5
Trade and other non-interest-bearing receivables	-	89.2	-	-	89.2	89.2
Total	-	115.6	0.8	-	116.4	116.4
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	50.1	50.1	50.2
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	27.1	27.1	27.1
Trade payables	-	-	-	41.7	41.7	41.7
Total	-	-	-	118.9	118.9	119.0

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

Dec 31, 2016	Level 1	Level 2	Level 3	Total
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	Dec 31, 2016	Dec 31, 2015
Carrying amount at Jan 1	1.1	0.8
Translation differences in other comprehensive income	0.0	0.0
Change in valuation	0.0	0.0
Acquisitions	0.2	-
Disposals	-0.2	-
Other changes / transfers	-0.2	0.3
Carrying amount at end of review period	0.8	1.1

Available-for-sale financial assets in level 3 include unquoted shares that are measured at amortized cost or the cost less impairment. 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.

In year 2016, gain of EUR 45 thousand is recognized on available-for-sale financial assets in fair value hierarchy level 3 as well as loss on sale of EUR 44 thousand. In year 2015, total gain of EUR one thousand was recognized. Gains on sales of these assets are included in other operating income and loss is recognized in other operating expenses.

KEY PERFORMANCE INDICATORS	10-12/2016/ Dec 31, 2016	10-12/2015/ Dec 31, 2015	1-12/2016/ Dec 31, 2016	1-12/2015/ Dec 31, 2015
Earnings per share / basic, EUR	-0.18	-0.25	1.01	0.94
Earnings per share / diluted, EUR	-0.18	-0.25	1.01	0.94
Operating result (EBIT), EUR million	-10.7	-10.3	53.1	61.7
of revenue %	-10.3%	-9.9%	9.3%	10.6%
Adjusted operating result, EUR million	-10.6	-11.1	54.0	58.9
of revenue %	-10.1%	-10.7%	9.4%	10.1%
Cash flow from operations, EUR million	17.0	3.2	42.8	48.5
Cash flow from operations / per share, EUR	0.38	0.07	0.97	1.10
Capital expenditure, EUR million	8.4	5.3	21.3	20.2
of revenue %	8.1%	5.1%	3.7%	3.5%
Shares (1,000), average ^{*)}	44,106	44,106	44,106	44,093
Shares (1,000), at the end of the reporting period ^{*)}	44,106	44,106	44,106	44,106
Weighted average number of shares, adjusted for dilutive effect (1,000) ^{1)*)}	44,110	44,107	44,110	44,106
Number of shares at the end of period, adjusted for dilutive effect (1,000) ^{1)*)}	44,110	44,109	44,110	44,109
Equity attributable to the owners of the parent / per share, EUR	4.73	4.42	4.73	4.42
Equity ratio, %	50.9%	51.1%	50.9%	51.1%
Gearing, %	28.1%	23.7%	28.1%	23.7%
Interest-bearing financial liabilities (net), EUR million	58.7	46.2	58.7	46.2
Return on capital employed (ROCE), % p.a.	18.5%	22.2%	18.5%	22.2%
Personnel (average)	3,043	3,112	3,112	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 financial statement release 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 operating result

Group total	10-12/2016	10-12/2015	1-12/2016	1-12/2015
EUR million				
Divestments	0.0	-	-0.8	-
Personnel related	-	0.9	-	0.4
Gain on sale of available-for-sale financial assets	-	-	-	2.4
Impairment losses	-0.1	-0.1	-0.1	-0.1
Total	-0.1	0.8	-0.9	2.8
SBU West	10-12/2016	10-12/2015	1-12/2016	1-12/2015
EUR million				
Divestments	-	-	-	-
Personnel related	-	0.7	-	0.3
Gain on sale of available-for-sale financial assets	-	-	-	2.4
Impairment losses	-0.1	-	-0.1	-
Total	-0.1	0.7	-0.1	2.8
SBU East	10-12/2016	10-12/2015	1-12/2016	1-12/2015
EUR million				
Divestments	0.0	-	-0.8	-
Personnel related	-	0.3	-	0.2
Gain on sale of available-for-sale financial assets	-	-	-	-
Impairment losses	-	-0.1	0.0	-0.1
Total	0.0	0.2	-0.8	0.2
Tikkurila common	10-12/2016	10-12/2015	1-12/2016	1-12/2015
EUR million				
Divestments	-	-	-	-
Personnel related	-	-0.1	-	-0.1
Gain on sale of available-for-sale financial assets	-	-	-	-
Impairment losses	-	-	-	-
Total	-	-0.1	-	-0.1



29 (32)

Net debt	Dec 31, 2016	Dec 31, 2015
EUR million		
Interest-bearing non-current liabilities	50.1	50.2
Interest-bearing current liabilities	27.1	12.8
Interest-bearing liabilities, total	77.2	63.0
Cash and cash equivalents	18.5	16.8
Interest-bearing financial liabilities (net)	58.7	46.2
Return on capital employed (ROCE), %		
Operating result + share of profit or loss of equity-accounted investees ¹⁾	53.4	62.1
Capital employed ²⁾	289.1	279.8
Return on capital employed (ROCE), %	18.5%	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 result (EBIT)

Operating result 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 result

Operating result (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 result + 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 result and share of profit or loss of equity-accounted investees taken into account for a rolling twelve month period ending at the end of the review period

SEGMENT INFORMATION BY QUARTER

Revenue by segment EUR million	1-3/2015	4-6/2015	7-9/2015	10-12/2015	1-3/2016	4-6/2016	7-9/2016	10-12/2016
SBU West	102.2	116.3	108.7	68.0	99.6	123.5	104.9	67.2
SBU East	31.0	63.2	59.3	35.4	30.8	55.8	53.2	37.0
Eliminations	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total	133.2	179.5	168.0	103.4	130.4	179.3	158.0	104.2

Operating result (EBIT) by segment EUR million	1-3/2015	4-6/2015	7-9/2015	10-12/2015	1-3/2016	4-6/2016	7-9/2016	10-12/2016
SBU West	16.8	22.6	21.7	-7.9	14.3	22.2	18.5	-9.8
SBU East	0.1	9.8	5.0	-1.3	-0.7	6.8	6.1	0.3
Tikkurila common	-1.7	-1.5	-0.9	-1.0	-1.1	-1.4	-0.9	-1.2
Eliminations	-	-	0.0	-	0.0	0.0	-	-
Total	15.2	30.9	25.8	-10.3	12.5	27.6	23.7	-10.7

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

Adjusted operating result by segment EUR million	1-3/2015	4-6/2015	7-9/2015	10-12/2015	1-3/2016	4-6/2016	7-9/2016	10-12/2016
SBU West	16.9	20.2	21.9	-8.6	14.3	22.2	18.5	-9.7
SBU East	0.1	9.8	5.0	-1.5	-0.6	7.6	6.1	0.3
Tikkurila common	-1.7	-1.5	-0.9	-0.9	-1.1	-1.4	-0.9	-1.2
Eliminations	-	-	0.0	-	0.0	0.0	-	-
Total	15.3	28.6	26.0	-11.1	12.5	28.4	23.7	-10.6

Non-allocated items:								
Total financial income and expenses	2.1	-2.2	-5.7	-3.5	1.0	1.1	-0.1	1.8
Share of profit or loss of equity-accounted investees	0.1	0.1	0.1	0.1	0.0	0.2	0.1	0.0
Result before taxes	17.5	28.9	20.2	-13.7	13.6	28.9	23.7	-8.8



32 (32)

Assets by segment EUR million	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016
SBU West	323.5	341.4	329.4	306.4	337.1	360.2	342.0	319.9
SBU East	119.8	133.3	113.8	96.7	107.5	121.6	113.5	107.4
Assets, non-allocated to segments	83.8	107.9	83.5	46.3	107.3	120.2	43.1	31.3
Eliminations	-83.3	-98.3	-74.1	-68.0	-99.3	-76.6	-47.6	-48.3
Total assets	443.8	484.3	452.5	381.4	452.6	525.4	451.0	410.3

Vantaa, February 8, 2017

TIKKURILA OYJ
BOARD OF DIRECTORS