HALF YEAR REPORT JANUARY-JUNE 2017

TIKKURILA

Tikkurila Oyj
Half year financial report
August 4, 2017 at 9:00 a.m. (CET+1)

Tikkurila's half year financial report for January−June 2017 – Revenue stable, program to boost profitability initiated

April–June 2017 highlights

- Revenue for the second quarter totaled EUR 183.2 million (4–6/2016: EUR 179.3 million).
- Adjusted operating profit was EUR 20.0 (28.4) million, i.e. 10.9 (15.8) percent of revenue.
- Operating profit (EBIT) was EUR 20.0 (27.6) million, i.e. 10.9 (15.4) percent of revenue.
- EPS was EUR 0.28 (0.54).

January–June 2017 highlights

- Revenue totaled EUR 320.2 million (1–6/2016: EUR 309.8 million).
- Adjusted operating profit was EUR 25.2 (40.9) million, i.e. 7.9 (13.2) percent of revenue.
- Operating profit (EBIT) was EUR 25.2 (40.1) million, i.e. 7.9 (13.0) percent of revenue.
- EPS was EUR 0.41 (0.77).

Revenue and EBIT estimates for 2017 (updated on July 13, 2017)

- Tikkurila expects its revenue to remain at last year’s level and adjusted operating profit for the financial year 2017 to remain below the 2016 level.

Key figures (EUR million)	**4–6/2017**	4–6/2016	Change %	**1–6/2017**	1–6/2016	Change %	1–12/2016
Income statement							
Revenue	**183.2**	179.3	2.1%	**320.2**	309.8	3.4%	572.0
Adjusted operating profit	**20.0**	28.4	-29.6%	**25.2**	40.9	-38.4%	54.0
Adjusted operating profit margin, %	**10.9%**	15.8%		**7.9%**	13.2%		9.4%
Operating profit (EBIT)	**20.0**	27.6	-27.7%	**25.2**	40.1	-37.2%	53.1
Operating profit (EBIT) margin, %	**10.9%**	15.4%		**7.9%**	13.0%		9.3%
Profit before taxes	**16.4**	28.9	-43.2%	**23.7**	42.5	-44.1%	57.4
Net profit for the period	**12.5**	23.9	-47.7%	**18.1**	33.9	-46.6%	44.5
Other key indicators							
EPS, EUR	**0.28**	0.54	-47.7%	**0.41**	0.77	-46.6%	1.01
ROCE, %, rolling	**12.9%**	19.6%		**12.9%**	19.6%		18.5%
Cash flow after capital expenditure	**-33.4**	-23.2	-44.0%	**-63.9**	-56.7	-12.7%	22.7
Net interest-bearing debt at period-end				**157.2**	135.2	16.3%	58.7
Gearing, %				**83.3%**	70.2%		28.1%
Equity ratio, %				**34.8%**	36.6%		50.9%
Personnel at period-end				**3,228**	3,157	2.2%	3,033

Comments by Erkki Järvinen, President and CEO:

“The operating profit for the second quarter came well short of our expectations. Our sales volumes were lower than anticipated due to poor weather conditions, as well as the problems with the availability of raw materials and the new ERP system in Sweden and Finland. Higher raw material prices, the introduction of the new ERP system, and investments in sales promotion also significantly increased costs.

Raising revenue is still high on our list of priorities. Our focus is on bringing operations to the normal level and restoring our excellent supply chain reliability. We will also be strengthening our competitiveness regarding new construction and services offered to professionals and industrial customers, which will also balance the seasonal nature of our operations. Due to raw material cost pressure, we will continue selective sales price increases.

We have initiated an extensive program to boost profitability. The program is aimed at generating at least EUR 30 million in savings. As part of this program, a study on our future production network has been started. We will also continue the previously launched organizational and structural transformation, which is aimed at clarifying decision-making and responsibilities and eliminating overlaps. Improved cost competitiveness will support Tikkurila in seeking new growth opportunities.”

Press Conference and webcast

Tikkurila will hold a press conference regarding the half year financial report for January–June 2017 for the media and analysts today on August 4, 2017, 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.

A live webcast, conducted in English, will be organized on August 4, 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 (0)9 7479 0404 (Finnish callers)
+44 (0)33 0336 9411 (UK callers)
+1 719 325 2202 (US callers)
Participant code: 5196100

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 2017 on Thursday October 26, 2017, 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 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 half year financial report January 1 – June 30, 2017

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 2016. 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, Serbia, Macedonia, and China. Furthermore, SBU East is responsible for the exports to more than 20 countries.

Market Review

The economic situation in Tikkurila’s key markets remained strong in Sweden and Poland, and improved in Finland and Russia. In Sweden, the relative share of lower priced products from total sales in the market grew. The market share of Tikkurila's decorative paints fell slightly in Sweden during the first quarter due to supply chain problems. Finland is regaining economic strength. The construction of business and office premises and apartment blocks remained vibrant, increasing the demand for products for professional use in particular. Despite high consumer confidence, so far growth has remained low in the construction of detached houses. The market share of Tikkurila's decorative paints decreased slightly in Finland during the first quarter due to supply chain problems. In Poland, the economy remained highly active and competition was tight.

In Russia, the operating environment continued to be challenging despite the country’s economic growth. Purchasing power weakened and price competition in the paint industry continued. According to Chem-Courier, the market share of Tikkurila's decorative paints grew to 18 percent during the first quarter of 2017 (Q1/2016: 14 percent). In Tikkurila's view, the way that the market share statistics are compiled is rather uncertain, so therefore, in the future, the market share data on the Russian paint market published by Tikkurila will be based on the management's evaluation.

Of the currencies relevant to Tikkurila's business areas, the Russian ruble was clearly stronger in the period under review than a year before. The Polish zloty was also at a slightly stronger level. The Swedish krona weakened compared to the comparison period.

Significant upward pricing pressure has been imposed on raw material prices – especially for titanium dioxide.

TIKKURILA OYJ

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Financial Performance in April–June 2017

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	
	4–6/2017	4–6/2016	**4–6/2017**	4–6/2016
SBU West	**118.0**	123.5	**15.5**	22.2
SBU East	**65.2**	55.8	**6.4**	7.6
Group common and eliminations	**0.0**	0.0	**-2.0**	-1.4
Consolidated Group	**183.2**	179.3	**20.0**	28.4

Tikkurila Group's **revenue** increased by 2 percent in the second quarter of 2017. Lower sales volumes decreased revenue by 4 percent. The reasons for lower volumes were problems relating to the introduction of the new ERP system, lack of raw materials, and poor weather conditions. Sales price increases and changes in the sales mix increased revenue by 4 percent. Sales prices were raised in Russia in early 2017, and in Finland in June. Due to the strengthening of the Russian ruble, changes in the exchange rates increased the euro-denominated revenue by 3 percent. The sales of the subsidiaries in Ukraine and Belarus decreased revenue by one percent.

Adjusted operating profit totaled EUR 20.0 (28.4) million, which accounts for 10.9 (15.8) percent of revenue. Profitability was weakened by decreased sales volumes and the costs being higher than in the comparison period. The costs were higher on account of the increased raw material prices and the direct and indirect costs arising from the introduction of the new ERP system.

Operating profit (EBIT) totaled EUR 20.0 (27.6) million, equaling 10.9 (15.4) percent of revenue.

The net financial expenses in April–June 2017 were EUR -3.7 (1.1) million. Profit before taxes was EUR 16.4 (28.9) million. Taxes totaled EUR 3.9 (5.0) million, equaling an effective tax rate of 23.9 (17.3) percent. Earnings per share were EUR 0.28 (0.54) in the review period.

Financial Performance in January–June 2017

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	
	1–6/2017	1–6/2016	**1–6/2017**	1–6/2016
SBU West	**216.9**	223.1	**22.6**	36.4
SBU East	**103.3**	86.7	**5.4**	7.0
Group common and eliminations	**0.0**	0.0	**-2.8**	-2.5
Consolidated Group	**320.2**	309.8	**25.2**	40.9

Tikkurila Group's **revenue** increased by 3 percent in January–June 2017. Higher sales volumes increased revenue by one percent. Exchange rate fluctuations increased revenue by 4 percent. Divestments decreased revenue by one percent.

Adjusted operating profit totaled EUR 25.2 (40.9) million, equaling 7.9 (13.2) percent of revenue. Profitability was weakened by the costs being higher than in the comparison period, which was related to the implementation of the new ERP system, the higher level of raw material and packaging material prices and the sales investments being higher than in the comparison period.

Operating profit (EBIT) totaled EUR 25.2 (40.1) million, equaling 7.9 (13.0) percent of revenue.

The net financial expenses in January–June 2017 were EUR -1.6 (2.2) million. Profit before taxes was EUR 23.7 (42.5) million. Taxes totaled EUR 5.7 (8.6) million, equaling an effective tax rate of 23.8 (20.3) percent. Earnings per share were EUR 0.41 (0.77) in the review period.

Financial Performance by Reporting Segments

SBU West

EUR million	**4–6/2017**	4–6/2016	Change %	**1–6/2017**	1–6/2016	Change %	1–12/2016
Revenue	**118.0**	123.5	-4.5%	**216.9**	223.1	-2.8%	395.2
Adjusted operating profit	**15.5**	22.2	-29.9%	**22.6**	36.4	-38.0%	45.3
Adjusted operating profit margin, %	**13.2%**	17.9%		**10.4%**	16.3%		11.5%
Operating profit (EBIT)	**15.5**	22.2	-29.9%	**22.6**	36.4	-38.0%	45.1
Operating profit (EBIT) margin, %	**13.2%**	17.9%		**10.4%**	16.3%		11.4%
Capital expenditure excluding acquisitions	**2.3**	4.9	-52.6%	**4.1**	7.9	-47.9%	20.1

Financial Performance in April–June 2017

SBU West's second quarter revenue decreased by 5 percent from the comparison period. Lower sales volumes decreased revenue by 4 percent. The decreased sales volumes were caused by poor weather conditions, lack of raw materials, and the introduction of the new ERP system. Sales volumes decreased in Sweden and Finland, but improved well in Poland and the Baltic countries. Changes in the exchange rates, primarily the weakened Swedish krona, decreased revenue by one percent. Changes in the sales mix and prices increased revenue by one percent. The prices of decorative paints were raised in Finland during June. In Sweden revenue decreased to EUR 42.0 (46.4) million, while in Finland revenue decreased to EUR 29.8 (33.9) million, and in Poland revenue grew to EUR 22.9 (19.4) million.

The weakened second quarter profitability of SBU West was caused by decreased revenue and higher cost level. The cost level was increased by the increase in raw material prices, and the direct and indirect costs of the introduction of the new ERP system.

Financial Performance in January–June 2017

SBU West's revenue in January–June decreased by 3 percent from the comparison period. Higher sales volumes increased revenue by one percent. Changes in sales prices and in the sales mix decreased revenue by 3 percent. Exchange rate fluctuations decreased revenue by one percent.

The profitability of SBU West was weakened by decreased revenue and higher cost level.

SBU East

EUR million	**4–6/2017**	4–6/2016	Change %	**1–6/2017**	1–6/2016	Change %	1–12/2016
Revenue	**65.2**	55.8	16.8%	**103.3**	86.7	19.2%	176.8
Adjusted operating profit	**6.4**	7.6	-15.4%	**5.4**	7.0	-22.1%	13.4
Adjusted operating profit margin, %	**9.9%**	13.6%		**5.2%**	8.0%		7.6%
Operating profit (EBIT)	**6.4**	6.8	-6.0%	**5.4**	6.2	-12.4%	12.6
Operating profit (EBIT) margin, %	**9.9%**	12.3%		**5.2%**	7.1%		7.1%
Capital expenditure excluding acquisitions	**0.5**	0.7	-24.4%	**1.2**	1.2	-1.5%	3.2

Financial Performance in April–June 2017

SBU East's second quarter revenue increased by 17 percent from the comparison period. Changes in the exchange rates, especially the stronger Russian ruble, increased revenue by 14 percent. The sales price increases implemented in Russia in early 2017 and changes in the sales mix increased the revenue of SBU East by 10 percent. The relative share of Tikkurila's premium products from total sales in Russia grew, whereas in China, the sales mix was temporarily weakened by issues with availability related to Finland. Lower sales volumes decreased revenue by 3 percent. In Russia, volumes were reduced by weather conditions, weakened purchasing power and issues with availability related to Finland. The sales of the subsidiaries in Ukraine and Belarus decreased revenue by 4 percent. Revenue in Russia increased to EUR 47.7 (38.5) million.

The profitability of SBU East during the second quarter deteriorated due to the higher cost level and China's weakened sales mix. The cost level was raised by higher raw material prices, the implementation of the new ERP system, increased freight costs, credit losses, and investments in sales promotion.

Financial Performance in January–June 2017

SBU East's revenue in January–June increased by 19 percent from the comparison period. Exchange rate fluctuations, mainly the strengthened Russian ruble, increased revenue by 18 percent. Sales price increases and changes in the sales mix increased SBU East's revenue by 6 percent. Higher sales volumes increased revenue by one percent. Divestments decreased revenue by 5 percent.

The profitability of SBU East in January–June deteriorated due to the higher cost level.

Cash Flow, Financing Activities, and Financial Risk Management

Tikkurila's financial position and liquidity remained at a good level during the review period although the lower cash flow from operations has increased the amount of short-term interest-bearing debt.

Cash flow from operations in January–June totaled EUR -57.2 (-48.0) million. Cash flow was weakened by lower profitability and costs related to implementation of new ERP. At the end of the review period, net working capital totaled EUR 172.7 (160.4) million. The growth in net working capital was primarily due to the increase in trade receivables as longer payment times were granted for selected customers. Also, the challenges related to invoicing in Sweden and partly also the changes in exchange rates, e.g. the strengthening of the Russian ruble and Polish zloty from the comparison period, affected the receivable balances. The total of non-interest-bearing liabilities was on a higher level than in the comparison period. The net cash flow from the investing activities was EUR -6.7 (-8.7) million, when taking into account acquisitions and divestments. Cash flow after capital expenditure totaled EUR -63.9 (-56.7) million at the end of the review period.

Interest-bearing debt amounted to EUR 185.2 (171.0) million at the end of the review period, and net debt was EUR 157.2 (135.2) million. At the end of the review period, cash and cash equivalents amounted to EUR 28.0 (35.9) million, and short-term interest-bearing debt totaled EUR 135.1 (120.9) million, including the company’s issued commercial papers for a total nominal amount of EUR 133.0 (118.3) million. Moreover, the Group had long-term interest-bearing debt totaling EUR 50.1 (50.1) million. At the end of June, the Group had a total of EUR 109.0 (110.9) million of unused committed credit facilities or credit limits.

The Group´s net financial expense was EUR -1.6 (2.2 positive) million, of which interest income totaled EUR 0.1 (-0.2) million and other financing expenses EUR -0.2 (-0.3) million. The average capital-weighted interest rate of interest-bearing debt was 0.7 (0.8) percent. The net profit was negatively affected by a total of EUR -1.4 (2.7) million based on the impact of realized and unrealized exchange rate differences recognized during the review period. The main negative impact was related to the Russian ruble denominated items. According to the decision of Tikkurila Board of Directors the company will not carry out forward exchange agreements 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 June, the equity ratio was 34.8 (36.6) percent, and gearing was 83.3 (70.2) percent.

Capital Expenditure

In January–June 2017, gross capital expenditure excluding acquisitions amounted to EUR 5.3 (9.2) million. There were no significant single investments in the period under review.

The Group’s depreciation, amortization and impairment losses amounted to EUR 9.8 (8.1) million in January–June. The Group performs impairment tests in accordance with the IAS 36 standard.

Research, Development and Innovation

In January–June 2017, Tikkurila’s research and development expenses totaled EUR 6.1 (5.9) million, equaling 1.9 (1.9) percent of revenue.

Human Resources

At the end of June 2017, the Tikkurila Group employed 3,228 (3,157) people. The average number of employees in January–June was 3,119 (3,134).

Tikkurila Group’s number of employees at the end of each quarter is presented below split by SBU, starting from the first quarter of 2016.

	Q1/2016	Q2/2016	Q3/2016	Q4/2016	Q1/2017	**Q2/2017**
SBU West	1,605	1,718	1,673	1,649	1,693	**1,804**
SBU East	1,494	1,409	1,400	1,353	1,383	**1,393**
Group functions	30	30	30	31	32	**31**
Total	3,129	3,157	3,103	3,033	3,108	**3,228**

Shares and Shareholders

At the end of June 2017, 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 2017, Tikkurila held 2,461 treasury shares.

According to Euroclear Finland Oy's register, Tikkurila had a total of some 19,900 shareholders on June 30, 2017. 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 18.93. In January–June, the volume-weighted average share price was EUR 18.55, the lowest price EUR 17.34, and the highest price EUR 19.67. At the end of June, the market value of Tikkurila Oyj's shares was EUR 834.9 million. During January–June, a total of 6.7 million Tikkurila shares, corresponding to approximately 15.1 percent of the number of shares, were traded on NASDAQ OMX Helsinki Ltd. The value of the traded volume was EUR 123.5 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.

Resolutions of the Board of Directors of Tikkurila regarding share-based incentive program 2015-2019

The Board of Directors of Tikkurila Oyj resolved on details of the performance period 2017-2019 of the share-based incentive program 2015-2019 and a matching share plan 2017-2019 for the selected Group key employees.

Performance Period 2017-2019

Approximately 10 key employees, including the members of the Management Board, belong to the target group of the performance period 2017-2019.

The potential reward from the performance period 2017-2019 will be based on the Tikkurila Group's average EBITDA and net debt based intrinsic value 2017-2019. The rewards to be paid on the basis of the performance period 2017-2019 will amount to an approximate maximum total of 120,000 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 potential reward from the performance period will be paid partly in the Company's shares and partly in cash in 2020. 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 2017-2019

The aim of the matching share plan 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 plan based on acquiring, receiving and accumulating the Company's shares.

The matching share plan includes one vesting period, calendar years 2017-2019. The prerequisite for receiving reward on the basis of this plan is that a person participating in the plan acquires the Company's shares, or addresses previously owned freely transferable shares for the plan, 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 2020.

The matching share plan is directed only to selected new key employees determined by the Board of Directors. The rewards to be paid on the basis of the vesting period will amount to an approximate maximum total of 8,000 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.

Major shareholder notifications

Tikkurila received a notification, based on the Securities Markets Act, from Ilmarinen Mutual Pension Insurance Company on May 5, 2017. Ilmarinen Mutual Pension Insurance Company's holding in shares of Tikkurila Oyj fell below the 1/20 (5%) threshold due to trades made on May 5, 2017. The holding of Ilmarinen Mutual Pension Insurance Company in Tikkurila Oyj will amount to 1,758,938 shares, which corresponds to 3.99 percent of the total amount of shares and votes in Tikkurila Oyj.

Tikkurila Oyj received a notification, based on the Securities Markets Act, from FMR LLC on May 12, 2017. The holding of the entities controlled by FMR LLC in shares of Tikkurila Oyj has exceeded the 1/10 (10%) threshold due to trades executed on May 11, 2017. The holding of the above mentioned entities in Tikkurila Oyj has amounted to a total of 4,416,425 shares, which corresponds to 10.01 percent of the total amount of shares, and to a total of 4,359,525 voting rights, which corresponds to 9.88 percent of the total amount of voting rights.

Tikkurila Oyj received a notification, based on the Securities Markets Act, from FMR LLC on May 17, 2017. The holding of the entities controlled by FMR LLC in shares of Tikkurila Oyj fell below the 1/10 (10%) threshold due to trades executed on May 16, 2017. The holding of the above mentioned entities in Tikkurila Oyj will amount to a total of 4,410,825 shares, which corresponds to 9.99 percent of the total amount of shares, and to a total of 4,353,925 voting rights, which corresponds to 9.87 percent of the total amount of voting rights.

Tikkurila Oyj received a notification, based on the Securities Markets Act, from Marathon Asset Management LLP on June 16, 2017. The holding of the funds and accounts managed by portfolio managers under the control of Marathon Asset Management LLP in shares of Tikkurila Oyj has exceeded the 1/20 (5%) threshold due to trades executed on June 15, 2017. The holding of the above mentioned entities in Tikkurila Oyj has amounted to a total of 2,205,510 shares, which corresponds to 5.0 percent of the total amount of shares and voting rights. Marathon Asset Management LLP also manages 1,015,115 shares in Tikkurila Oyj for which clients have retained the right to vote, which is included in the total specified below in the Breakdown of holdings:

Custodian
Bank of New York Mellon 896,415
Brown Brothers Harriman 245,816
JP Morgan Chase 105,414
Northern Trust 775,953
State Street Bank & Trust
Company, Boston 1,197,027
Total 3,220,625

Members of the Nomination Board

Tikkurila Oyj's three largest registered shareholders on May 31, 2017, have appointed their representatives for Tikkurila Nomination Board. The members of the Nomination Board are:

- Annika Paasikivi, Chief Operating Officer, Oras Invest Oy
- Reima Rytsölä, Executive Vice President, Investments, Varma Mutual Pension Insurance Company
- Mikko Mursula, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company
- Jari Paasikivi, Chairman of the Board of Directors, Tikkurila Oyj (expert member of the Nomination Board)

Changes in Tikkurila Management Board

As of May 1, 2017, Tikkurila Management Board consists of the following persons and responsibility areas:

Meri Vainikka (born 1971, M.Sc., Econ.) will be appointed as Senior Vice President, Offering, and as a member of the Management Board. Vainikka will be responsible for Research, Development and Innovations, product portfolio and marketing. Vainikka joined Tikkurila in January 2017, assuming responsibility for marketing and communications in BU Finland. She transferred to Tikkurila from Hartwall, where she had held various marketing positions since 2012, most recently as Marketing Director for Non-Alcohol drinks. Vainikka has also held marketing positions at L'Oreal and Mars.

Melisa Bärholm (born 1967, M.Sc., Psychology) will be appointed as Senior Vice President, Human Resources, and as a member of the Management Board. Bärholm joined Tikkurila in January 2017, assuming responsibility for HR in BU Finland. Bärholm's previous positions include HR Director at Suunto and Rovio.

Janno Paju (born 1971, Degree in Economics) will continue as a member of the Management Board. As Senior Vice President, Sales, he will be responsible for sales, Tikkurila Group's key accounts and sales support. Paju joined Tikkurila in 1993 and has been a member of the Management Board since 2000. He was previously the Chief Commercial Officer of Tikkurila Group.

Petri Miettinen (born 1968, M.Sc., Econ.) will continue as a member of the Management Board responsible for operations (Senior Vice President, Operations). Operations include product care, procurement, production, logistics and HSE (Health, Safety, Environment). Miettinen has worked at Tikkurila and been a member of the Management Board since 2007. Previously, he was responsible for the Supply Chain Management and HSEQ.

Jukka Havia (born 1968, M.Sc., Econ.) will continue as a member of the Management Board responsible for finance and administration (Chief Financial Officer). Havia has worked at Tikkurila and been a member of the Management Board since 2010.

The above mentioned persons report to Erkki Järvinen, President and CEO and the Chairman of the Management Board. The purpose of reorganizing Tikkurila Group's operations is to improve our cost competitiveness by clarifying decision-making and responsibilities, and by eliminating overlapping operations.

Tikkurila plans to build new factory in Russia

In order to support growth, Tkkurila is planning to invest in a new factory in Russia. The factory will be located in Greenstate Industrial Park, two kilometers south of St. Petersburg. The annual capacity of the factory will be 30 million liters with an expansion possibility in the future. The new site will also include a Research, Development and Innovation (RDI) center as well as extensive warehouse premises for raw materials and finished goods with railway connection, which will improve and enhance the efficiency of Tikkurila's distribution facilities. The total investment amount will be around EUR 30-35 million depending on the final set-up. Design of the facility will start immediately and construction is scheduled to begin late next year. The production is set to commence in 2020.

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 2016 financial period describes the key short-term risk areas related to the macroeconomic situation in Russia and its neighboring regions, credit loss risks, exchange rate development, risks related to raw materials as well as risks related to the industry and operative activities. 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 2016 Consolidated Financial Statements.

Program to boost profitability

Tikkurila has initiated an extensive program to boost profitability. The program is aimed at generating at least EUR 30 million in savings. As part of this program, a study on the future production network has been started. The previously launched organizational and structural transformation will be continued. The aim is to clarify decision-making and responsibilities and eliminate overlaps. Improved cost competitiveness will support Tikkurila in seeking new growth opportunities.

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.

The problems related to the introduction of the new ERP system and the availability of raw materials meant that Tikkurila could not fully meet market demand during the first half of 2017. The problems related to the ERP system has been solved to a large extent but they will still affect our operations in the second half.

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.

Additional costs will be generated by restructuring activities and the introduction of the new ERP system.

Guidance for 2017 (updated on July 13, 2017)

Tikkurila expects its revenue to remain at last year's level and adjusted operating profit for the financial year 2017 to remain below the 2016 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 financial report as in the annual financial statements for 2016, with the exception of new or revised or amended standards and interpretations which have been applied from the beginning of 2017.

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.

Application of IFRS 15 Revenue from contracts with customers

Standard is adopted on January 1, 2018. Analyzing impacts of IFRS 15 and assessing customer agreements have been continued in the Group during the financial year 2017. The work has been performed by going through different types of customer contracts including different set-ups of agreements as well as by documenting impacts on current sales practices on a more detailed level in co-operation with external consultants.

Tikkurila’s revenue mainly consists of selling of decorative paints, coatings and fillers to construction supply stores, hardware store chains and retailers which sell Tikkurila’s products to consumers and professional painters. Industrial coatings are sold either directly to end customers or through retailer network. In addition, the Group has its own paint shops located in Sweden, Norway and Denmark, which primary serve professional customers. Revenue is generated also in a small extent from selling paint related services and equipment.

In general, the revenue is recognized on selling goods i.e. the performance obligations are satisfied, when the goods are delivered to a customer in compliance with the contract terms. Delivery terms stated in purchase orders and/or in frame agreements identify the point of time when control is transferred to a customer. In accordance with the present assessment applying IFRS 15 will not change the point of time when the revenue is recognized.

Typically, in customer agreements, there are afterwards granted discounts, credits that are tied to volume and/or value of the deliveries or sales volumes of specified product groups. The impact of the variable consideration on the transaction price requires estimation at point of time of the revenue recognition.

In customer contracts, there are commitments also on marketing and sales promotion actions. If, and when sales promotion expenses, consideration payable to a customer, are not considered as a payment for distinct services purchased from a customer, those will be recognized as a reduction of revenue as applying IFRS 15; currently a part of these payments to a customer has been recognized in other operating expenses.

As continuing further IFRS 15 analysis after publishing the 2016 financial statement release, an interpretation in relation to selected support products to paints was slightly modified. On the contrary to the previous conclusion, these specified support products were concluded to be separately identified and fulfilling the separate performance obligation criteria. These contracts include rights on sales based discounts granted to customers, that are to be allocated based on a stand-alone selling price to paints and support products in accordance with IFRS 15.

According to Tikkurila’s assessment IFRS 15 will not have significant impact on Group revenue nor operating result.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Revenue	**183.2**	179.3	**320.2**	309.8	572.0
Other operating income	**0.9**	0.5	**1.4**	1.1	2.5
Expenses	**-159.3**	-148.2	**-286.6**	-262.7	-504.7
Depreciation, amortization and impairment losses	**-4.8**	-4.1	**-9.8**	-8.1	-16.7
Operating result	**20.0**	27.6	**25.2**	40.1	53.1
Total financial income and expenses	**-3.7**	1.1	**-1.6**	2.2	3.9
Share of profit or loss of equity-accounted investees	**0.1**	0.2	**0.1**	0.2	0.3
Result before taxes	**16.4**	28.9	**23.7**	42.5	57.4
Income taxes	**-3.9**	-5.0	**-5.7**	-8.6	-12.9
Net result for the period	**12.5**	23.9	**18.1**	33.9	44.5
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefit plans	**-1.0**	-2.0	**-1.5**	-3.3	-0.4
Income taxes relating to items that will not be reclassified to profit or loss	**0.2**	0.4	**0.3**	0.7	0.0
Total items that will not be reclassified to profit or loss	**-0.8**	-1.5	**-1.1**	-2.6	-0.5
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets	**-**	-	**-**	-	-
Foreign currency translation differences for foreign operations	**-5.2**	0.1	**-1.6**	1.5	5.2
Income taxes relating to items that may be reclassified subsequently to profit or loss	**-**	-0.3	**-**	-0.2	-0.2
Total items that may be reclassified subsequently to profit or loss	**-5.2**	-0.3	**-1.6**	1.4	5.0
Total comprehensive income for the period	**6.6**	22.1	**15.3**	32.7	49.0
Net result attributable to:					
Owners of the parent	**12.5**	23.9	**18.1**	33.9	44.5
Non-controlling interest	**-**	-	**-**	-	-
Net result for the period	**12.5**	23.9	**18.1**	33.9	44.5

Total comprehensive income attributable to:					
Owners of the parent	**6.6**	22.1	**15.3**	32.7	49.0
Non-controlling interest	**-**	-	**-**	-	-
Total comprehensive income for the period	**6.6**	22.1	**15.3**	32.7	49.0
Earnings per share of the net profit attributable to owners of the parent					
Basic earnings per share (EUR)	**0.28**	0.54	**0.41**	0.77	1.01
Diluted earnings per share (EUR)	**0.28**	0.54	**0.41**	0.77	1.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR million

ASSETS	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Non-current assets			
Goodwill	**72.1**	72.1	72.3
Other intangible assets	**28.7**	23.8	30.7
Property, plant and equipment	**84.2**	86.8	87.5
Equity-accounted investees	**0.8**	1.0	0.7
Available-for-sale financial assets	**0.8**	1.2	0.8
Non-current receivables	**7.2**	7.1	7.3
Defined benefit pension and other long-term employee benefit assets	**0.1**	-	0.1
Deferred tax assets	**8.9**	9.1	7.3
Total non-current assets	**202.8**	201.1	206.8
Current assets			
Inventories	**86.4**	84.7	80.2
Interest-bearing receivables	**0.6**	1.1	0.9
Non-interest-bearing receivables	**224.9**	202.6	103.7
Cash and cash equivalents	**28.0**	35.9	18.5
Non-current assets held for sale	**0.0**	-	0.2
Total current assets	**340.0**	324.3	203.6
Total assets	**542.8**	525.4	410.3

EQUITY AND LIABILITIES	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
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	**-38.4**	-40.4	-36.8
Retained earnings	**152.0**	157.8	170.3
Equity attributable to owners of the parent	**188.6**	192.4	208.6
Non-controlling interest	-	-	-
Total equity	**188.6**	192.4	208.6
Non-current liabilities			
Interest-bearing non-current liabilities	**50.1**	50.1	50.1
Other non-current liabilities	**0.0**	0.0	0.0
Defined benefit pension and other long-term employee benefit liabilities	**26.9**	28.5	25.5
Provisions	**0.5**	0.5	0.5
Deferred tax liabilities	**5.5**	6.4	6.2
Total non-current liabilities	**83.0**	85.5	82.4

Current liabilities			
Interest-bearing current liabilities	**135.1**	120.9	27.1
Non-interest-bearing current liabilities	**135.7**	126.0	92.0
Provisions	**0.3**	0.6	0.3
Liabilities classified as held for sale	**-**	-	-
Total current liabilities	**271.2**	247.5	119.3
Total equity and liabilities	**542.8**	525.4	410.3

CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
CASH FLOW FROM OPERATING ACTIVITIES					
Net result for the period	**12.5**	23.9	**18.1**	33.9	44.5
Adjustments for:					
Non-cash transactions	**7.2**	5.2	**12.9**	9.7	20.7
Interest and other financial expenses	**1.9**	0.4	**2.2**	0.7	1.5
Interest income and other financial income	**1.8**	-1.5	**-0.6**	-2.9	-5.5
Income taxes	**3.9**	5.0	**5.7**	8.6	12.9
Funds from operations before change in net working capital	**27.4**	33.0	**38.2**	50.1	74.1
Change in net working capital	**-52.4**	-46.7	**-86.1**	-87.4	-15.4
Interest and other financial expenses paid	**-2.0**	1.5	**-1.9**	-1.9	-2.0
Interest and other financial income received	**0.3**	0.1	**0.5**	0.1	0.3
Income taxes paid	**-5.0**	-5.8	**-7.9**	-8.9	-14.1
Total cash flow from operations	**-31.7**	-18.0	**-57.2**	-48.0	42.8
CASH FLOW FROM INVESTING ACTIVITIES					
Business combinations	**-**	-	**-**	-	-
Other capital expenditure	**-2.3**	-4.8	**-7.8**	-8.6	-21.3
Proceeds from sale of assets	**0.9**	-0.5	**1.3**	-0.3	0.6
Loan receivables decrease (+), increase (-)	**-0.2**	0.1	**-0.2**	0.1	0.3
Dividends received	**0.0**	0.0	**0.0**	0.0	0.4
Net cash used in investing activities	**-1.6**	-5.2	**-6.7**	-8.7	-20.1
Cash flow before financing	**-33.4**	-23.2	**-63.9**	-56.7	22.7
CASH FLOW FROM FINANCING ACTIVITIES					
Non-current borrowings, increase (+), decrease (-)	**-**	-	**-**	-	-
Current financing, increase (+), decrease (-)	**70.7**	73.3	**107.5**	108.1	14.1
Dividends paid	**-35.3**	-35.3	**-35.3**	-35.3	-35.3
Acquisition of own shares	**-**	-	**-**	-	-
Other	**0.0**	-1.1	**0.0**	2.6	0.2
Net cash used in financing activities	**35.4**	36.9	**72.2**	75.4	-20.9
Net change in cash and cash equivalents	**2.1**	13.7	**8.3**	18.6	1.8
Cash and cash equivalents at the beginning of period	**24.8**	22.3	**18.5**	16.8	16.8
Effect of exchange rate fluctuations on cash held	**-1.1**	0.1	**-1.2**	-0.5	0.0
Cash and cash equivalents at the end of period	**28.0**	35.9	**28.0**	35.9	18.5
Net change in cash and cash equivalents	**2.1**	13.7	**8.3**	18.6	1.8

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, 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
Equity at Jan 1, 2017	**35.0**	**0.0**	**-**	**40.0**	**0.0**	**-36.8**	**170.3**	**208.6**	**-**	**208.6**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-1.6**	**16.9**	**15.3**	**-**	**15.3**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Acquisition of treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-35.3**	**-35.3**	**-**	**-35.3**
Equity at Jun 30, 2017	**35.0**	**0.0**	**-**	**40.0**	**0.0**	**-38.4**	**152.0**	**188.6**	**-**	**188.6**

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 segments' 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	**4-6/2017**	4-6/2016	**1-6/2017**	1-6/2016	1-12/2016
EUR million					
SBU West	**118.0**	123.5	**216.9**	223.1	395.2
SBU East	**65.2**	55.8	**103.3**	86.7	176.8
Eliminations	**-**	0.0	**-**	0.0	0.0
Total	**183.2**	179.3	**320.2**	309.8	572.0

Operating result (EBIT) by segment	**4-6/2017**	4-6/2016	**1-6/2017**	1-6/2016	1-12/2016
EUR million					
SBU West	**15.5**	22.2	**22.6**	36.4	45.1
SBU East	**6.4**	6.8	**5.4**	6.2	12.6
Tikkurila common	**-2.0**	-1.4	**-2.8**	-2.5	-4.6
Eliminations	**-**	0.0	**-**	0.0	0.0
Total	**20.0**	27.6	**25.2**	40.1	53.1

Items affecting comparable operating result by segment	**4-6/2017**	4-6/2016	**1-6/2017**	1-6/2016	1-12/2016
EUR million					
SBU West	**-**	-	**-**	-	-0.1
SBU East	**-**	-0.8	**-**	-0.8	-0.8
Tikkurila common	**-**	-	**-**	-	-
Eliminations	**-**	-	**-**	-	-
Total	**-**	-0.8	**-**	-0.8	-0.9

Adjusted operating result by segment	**4-6/2017**	4-6/2016	**1-6/2017**	1-6/2016	1-12/2016
EUR million					
SBU West	**15.5**	22.2	**22.6**	36.4	45.3
SBU East	**6.4**	7.6	**5.4**	7.0	13.4
Tikkurila common	**-2.0**	-1.4	**-2.8**	-2.5	-4.6
Eliminations	**-**	0.0	**-**	0.0	0.0
Total	**20.0**	28.4	**25.2**	40.9	54.0

Non-allocated items:					
Total financial income and expenses	**-3.7**	1.1	**-1.6**	2.2	3.9
Share of profit or loss of equity-accounted investees	**0.1**	0.2	**0.1**	0.2	0.3
Result before taxes	**16.4**	28.9	**23.7**	42.5	57.4

Assets by segment **EUR million**	**Jun 30, 2017**	Jun 30, 2016	Dec 31, 2016
SBU West	**359.9**	360.2	319.9
SBU East	**112.6**	121.6	107.4
Assets, non-allocated to segments	**129.3**	120.2	31.3
Eliminations	**-59.0**	-76.6	-48.3
Total assets	**542.8**	525.4	410.3

CHANGES IN PROPERTY, PLANT AND EQUIPMENT EUR million	**1-6/2017**	1-6/2016	1-12/2016
Carrying amount at the beginning of period	**87.5**	89.4	89.4
Additions	**4.4**	3.8	10.2
Business combinations	**-**	-	-
Disposals	**-0.1**	-1.0	-1.7
Depreciation, amortization and impairment losses	**-7.2**	-6.5	-13.4
Exchange rate differences and other changes	**-0.5**	1.1	3.1
Carrying amount at the end of period	**84.2**	86.8	87.5

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

CHANGES IN INTANGIBLE ASSETS EUR million	**1-6/2017**	1-6/2016	1-12/2016
Carrying amount at the beginning of period	**103.0**	91.3	91.3
Additions	**0.9**	5.2	13.0
Business combinations	**-**	-	-
Disposals	**-**	-0.1	-0.1
Depreciation, amortization and impairment losses	**-2.6**	-1.5	-3.3
Exchange rate differences and other changes	**-0.5**	1.0	2.1
Carrying amount at the end of period	**100.8**	95.9	103.0

Tikkurila Group had contractual commitments for intangible assets EUR 0.0 (1.5) million at the end of review peiod.

INVENTORIES

Write-down of inventory for a total amount of EUR 1.5 (0.9) million was recognized until end of review period.

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	1-6/2017	1-6/2016	1-12/2016
Joint ventures			
Sales	**2.3**	2.9	5.6
Other operating income	**0.4**	0.5	0.9
Receivables	**1.7**	0.8	0.3
Liabilities	**0.0**	0.1	0.0

Share-based Commitment and Incentive Plans

In April 2016, the Board of Directors of Tikkurila Oyj decided on a 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. In May 2017, the Board of Directors resolved on details of the performance period 2017-2019 and in addition decided on a matching share plan 2017-2019 for the selected Group key employees.

On June 30, 2017, a total of about ten key employees, including the members of the Management Board, selected by the Board participated in 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 reward will be based on the Tikkurila Group's average EBITDA-based intrinsic values 2015-2017 and 2016-2018.

The rewards to be paid on the basis of the performance period 2017-2019 will amount to an approximate maximum total of 120,000 Tikkurila Oyj shares and the rewards will be based on the Tikkurila Group's average EBITDA and net debt based intrinsic value 2017-2019.

The matching share plan includes two vesting periods 2016–2018 and 2017-2019 and the rewards from the plan will be paid partly in shares and partly in cash. The rewards to be paid on the basis of the vesting period 2016-2018 will amount to a maximum of 4,000 Tikkurila Oyj shares and on the basis of vesting period 2017-2019 a maximum of 8,000 Tikkurila Oyj shares.

Based on this share-based incentive plan EUR 0.0 (0.0) million was recognized during the first half year 2017 in personnel expenses.

COMMITMENTS AND CONTINGENT LIABILITIES EUR million	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Mortgages given as collateral for liabilities in the statement of financial position			
Other loans	**-**	-	-
Mortgages given	**0.1**	0.1	0.1
Total loans	**-**	-	-
Total mortgages given	**0.1**	0.1	0.1
Contingent liabilities			
Guarantees			
On behalf of own commitments	**0.6**	0.6	0.7
On behalf of others	**1.4**	1.8	1.7
Other obligations of own behalf	**16.1**	0.0	7.3
Lease obligations	**40.3**	29.4	29.4
Total contingent liabilities	**58.4**	31.9	39.1

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

EUR million

Jun 30, 2017	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
Non-current receivables	-	6.7	-	-	6.7	6.7
Current financial assets						
Interest-bearing receivables	-	0.6	-	-	0.6	0.6
Cash equivalents	-	28.0	-	-	28.0	28.0
Trade and other non-interest-bearing receivables	-	211.1	-	-	211.1	211.1
Total	**-**	**246.5**	**0.8**	**-**	**246.5**	**247.3**
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	50.1	50.1	50.2
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	135.1	135.1	135.1
Trade payables	-	-	-	59.3	59.3	59.3
Total	**-**	**-**	**-**	**244.5**	**244.5**	**244.6**

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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	50.2
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**	**235.8**

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**

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FAIR VALUE HIERARCHY
EUR million

Jun 30, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Available-for-sale financial assets	**-**	**-**	**0.8**	**0.8**
Jun 30, 2016	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Available-for-sale financial assets	-	-	1.2	1.2
Dec 31, 2016	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Available-for-sale financial assets	-	-	0.8	0.8

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, 2017**	Jun 30, 2016	Dec 31, 2016
Carrying amount at Jan 1	**0.8**	1.1	1.1
Translation differences in other comprehensive income	**0.0**	0.0	0.0
Change in valuation	**-**	-	0.0
Acquisitions	**-**	0.2	0.2
Disposals	**-0.1**	0.0	-0.2
Other changes / transfers	**0.0**	-	-0.2
Carrying amount at end of review period	**0.8**	1.2	0.8

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.

KEY PERFORMANCE INDICATORS	**4-6/2017/ Jun 30, 2017**	4-6/2016/ Jun 30, 2016	**1-6/2017/ Jun 30, 2017**	1-6/2016/ Jun 30, 2016	1-12/2016/ Dec 31, 2016
Earnings per share / basic, EUR	**0.28**	0.54	**0.41**	0.77	1.01
Earnings per share / diluted, EUR	**0.28**	0.54	**0.41**	0.77	1.01
Operating result (EBIT), EUR million	**20.0**	27.6	**25.2**	40.1	53.1
of revenue %	**10.9%**	15.4%	**7.9%**	13.0%	9.3%
Adjusted operating result, EUR million	**20.0**	28.4	**25.2**	40.9	54.0
of revenue %	**10.9%**	15.8%	**7.9%**	13.2%	9.4%
Cash flow from operations, EUR million	**-31.7**	-18.0	**-57.2**	-48.0	42.8
Cash flow from operations / per share, EUR	**-0.72**	-0.41	**-1.30**	-1.09	0.97
Capital expenditure, EUR million	**2.3**	4.8	**7.8**	8.6	21.3
of revenue %	**1.3%**	2.7%	**2.4%**	2.8%	3.7%
Shares (1,000), average *)	**44,106**	44,106	**44,106**	44,106	44,106
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) *)	**44,110**	44,107	**44,110**	44,107	44,110
Number of shares at the end of period, adjusted for dilutive effect (1,000) 1) *)	**44,147**	44,114	**44,147**	44,114	44,110
Equity attributable to the owners of the parent / per share, EUR	**4.28**	4.36	**4.28**	4.36	4.73
Equity ratio, %	**34.8%**	36.6%	**34.8%**	36.6%	50.9%
Gearing, %	**83.3%**	70.2%	**83.3%**	70.2%	28.1%
Interest-bearing financial liabilities (net), EUR million	**157.2**	135.2	**157.2**	135.2	58.7
Return on capital employed (ROCE), % p.a.	**12.9%**	19.6%	**12.9%**	19.6%	18.5%
Personnel (average)	**3,155**	3,173	**3,119**	3,134	3,112

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 **EUR million**	**4-6/2017**	4-6/2016	**1-6/2017**	1-6/2016	1-12/2016
Divestments	**-**	-0.8	**-**	-0.8	-0.8
Personnel related	**-**	-	**-**	-	-
Gain on sale of available-for-sale financial assets	**-**	-	**-**	-	-
Impairment losses	**-**	0.0	**-**	0.0	-0.1
Total	**-**	-0.8	**-**	-0.8	-0.9

SBU West **EUR million**	**4-6/2017**	4-6/2016	**1-6/2017**	1-6/2016	1-12/2016
Divestments	**-**	-	**-**	-	-
Personnel related	**-**	-	**-**	-	-
Gain on sale of available-for-sale financial assets	**-**	-	**-**	-	-
Impairment losses	**-**	-	**-**	-	-0.1
Total	**-**	-	**-**	-	-0.1

SBU East **EUR million**	**4-6/2017**	4-6/2016	**1-6/2017**	1-6/2016	1-12/2016
Divestments	**-**	-0.8	**-**	-0.8	-0.8
Personnel related	**-**	-	**-**	-	-
Gain on sale of available-for-sale financial assets	**-**	-	**-**	-	-
Impairment losses	**-**	0.0	**-**	0.0	0.0
Total	**-**	-0.8	**-**	-0.8	-0.8

Tikkurila common **EUR million**	**4-6/2017**	4-6/2016	**1-6/2017**	1-6/2016	1-12/2016
Divestments	**-**	-	**-**	-	-
Personnel related	**-**	-	**-**	-	-
Gain on sale of available-for-sale financial assets	**-**	-	**-**	-	-
Impairment losses	**-**	-	**-**	-	-
Total	**-**	-	**-**	-	-

Net debt EUR million	**1-6/2017/ Jun 30, 2017**	1-6/2016/ Jun 30, 2016	1-12/2016/ Dec 31, 2016
Interest-bearing non-current liabilities	**50.1**	50.1	50.1
Interest-bearing current liabilities	**135.1**	120.9	27.1
Interest-bearing liabilities, total	**185.2**	171.0	77.2
Cash and cash equivalents	**28.0**	35.9	18.5
Interest-bearing financial liabilities (net)	**157.2**	135.2	58.7

Return on capital employed (ROCE), %			
Operating result + share of profit or loss of equity-accounted investees [1]	**38.5**	56.0	53.4
Capital employed [2]	**298.2**	285.3	289.1
Return on capital employed (ROCE), %	**12.9%**	19.6%	18.5%

[1] from a rolling 12 month period

[2] 12 months, in average

DEFINITIONS OF KEY FIGURES

Earnings per share (EPS), basic

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

Earnings per share (EPS), diluted

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

Equity per share

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

Cash flow from operations / per share

$$\frac{\text{Cash flow from operations}}{\text{Shares on average}}$$

Equity ratio, %

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

Gearing, %

$$\frac{\text{Net interest-bearing financial liabilities x 100}}{\text{Total equity}}$$

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. **

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

* 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

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SEGMENT INFORMATION BY QUARTER

Revenue by segment	1-3/2016	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017
EUR million						
SBU West	99.6	123.5	104.9	67.2	99.0	118.0
SBU East	30.8	55.8	53.2	37.0	38.1	65.2
Eliminations	0.0	0.0	0.0	0.0	-	-
Total	130.4	179.3	158.0	104.2	137.1	183.2

Operating result (EBIT) by segment	1-3/2016	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017
EUR million						
SBU West	14.3	22.2	18.5	-9.8	7.1	15.5
SBU East	-0.7	6.8	6.1	0.3	-1.0	6.4
Tikkurila common	-1.1	-1.4	-0.9	-1.2	-0.8	-2.0
Eliminations	0.0	0.0	-	-	-	-
Total	12.5	27.6	23.7	-10.7	5.2	20.0

Items affecting comparable operating result by segment	1-3/2016	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017
EUR million						
SBU West	-	-	-	-0.1	-	-
SBU East	0.0	-0.8	0.0	0.0	-	-
Tikkurila common	-	-	-	-	-	-
Eliminations	-	-	-	-	-	-
Total	0.0	-0.8	0.0	-0.1	-	-

Adjusted operating result by segment	1-3/2016	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017
EUR million						
SBU West	14.3	22.2	18.5	-9.7	7.1	15.5
SBU East	-0.6	7.6	6.1	0.3	-1.0	6.4
Tikkurila common	-1.1	-1.4	-0.9	-1.2	-0.8	-2.0
Eliminations	0.0	0.0	-	-	-	0.0
Total	12.5	28.4	23.7	-10.6	5.2	20.0
Non-allocated items:						
Total financial income and expenses	1.0	1.1	-0.1	1.8	2.1	-3.7
Share of profit or loss of equity-accounted investees	0.0	0.2	0.1	0.0	0.0	0.1
Result before taxes	13.6	28.9	23.7	-8.8	7.3	16.4

Assets by segment **EUR million**	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017
SBU West	337.1	360.2	342.0	319.9	346.7	359.9
SBU East	107.5	121.6	113.5	107.4	112.1	112.6
Assets, non-allocated to segments	107.3	120.2	43.1	31.3	76.7	129.3
Eliminations	-99.3	-76.6	-47.6	-48.3	-49.3	-59.0
Total assets	452.6	525.4	451.0	410.3	486.1	542.8

Vantaa, August 3, 2017

TIKKURILA OYJ
BOARD OF DIRECTORS