TIKKURILA

FINANCIAL STATEMENT RELEASE 2017

Tikkurila Oyj
Financial Statement Release
February 13, 2018 at 9:00 a.m. (CET+1)

Tikkurila's Financial Statement Release for January−December 2017 – Declining profitability, restructuring continues

Full-year 2017 highlights

- Revenue increased by 1.8 percent to EUR 582.4 million (2016: EUR 572.0 million).
- Adjusted operating profit was EUR 28.8 (54.0) million, i.e. 4.9 (9.4) percent of revenue.
- Operating profit (EBIT) was EUR 19.3 (53.1) million, i.e. 3.3 (9.3) percent of revenue.
- EPS was EUR 0.24 (1.01).
- Cash flow after capital expenditure was EUR 4.4 (22.7) million.

October–December 2017 highlights

- Revenue decreased by 1.9 percent to EUR 102.2 million (10–12/2016: EUR 104.2 million).
- Adjusted operating result was EUR -18.3 (-10.6) million, i.e. -17.9 (-10.1) percent of revenue.
- Operating result (EBIT) was EUR -26.5 (-10.7) million, i.e. -25.9 (-10.3) percent of revenue.
- EPS was EUR -0.53 (-0.18).

Dividend proposal

- The Board proposes a dividend of EUR 0.80 (0.80) per share, which corresponds to about 331 (79) percent of the Group's 2017 earnings per share. It is proposed that the dividend will be paid in two equal tranches.

Guidance for 2018

- Tikkurila's revenue is expected to remain at last year's level and adjusted operating profit to improve.

Key figures (EUR million)	**10–12/2017**	10–12/2016	Change %	**1–12/2017**	1–12/2016	Change %
Income statement						
Revenue	**102.2**	104.2	-1.9%	**582.4**	572.0	1.8%
Adjusted operating result	**-18.3**	-10.6	-72.9%	**28.8**	54.0	-46.7%
Adjusted operating result margin, %	**-17.9%**	-10.1%		**4.9%**	9.4%	
Operating result (EBIT)	**-26.5**	-10.7	-147.7%	**19.3**	53.1	-63.6%
Operating result (EBIT) margin, %	**-25.9%**	-10.3%		**3.3%**	9.3%	
Result before taxes	**-27.2**	-8.8	-207.6%	**16.6**	57.4	-71.0%
Net result for the period	**-23.4**	-8.2	-187.3%	**10.7**	44.5	-76.0%
Other key indicators						
EPS, EUR	**-0.53**	-0.18	-187.3%	**0.24**	1.01	-76.0%
ROCE, %, rolling	**6.3%**	18.5%		**6.3%**	18.5%	
Cash flow after capital expenditure	**11.0**	9.3	19.0%	**4.4**	22.7	-80.5%
Net interest-bearing debt at period-end				**90.1**	58.7	53.5%
Gearing, %				**50.2%**	28.1%	
Equity ratio, %				**42.0%**	50.9%	
Personnel at period-end				**3,037**	3,033	0.1%

Comments by Jukka Havia, Interim President and CEO:

“Last year Tikkurila's profitability was particularly weak due to high cost level, which was caused on the one hand by the cost of the deployment of the new ERP system, and on the other hand, by the significant increase in the raw material and packaging material prices. Our operations were also affected by one of our key raw material provider's factory being destroyed in a fire in January, and some other problems with availability. The deployment of the ERP system caused problems that had a negative impact on our operations especially in Sweden. Last year, we increased our sales prices in several market areas, but this only partially offset the increased costs.

Our revenue was at the comparison period's level. Due to the problems with the deployment of the ERP system and the availability of raw materials, we were not able to fully meet market demand. Hence, we estimate to have lost some market share in Sweden and Finland. In Poland, we continued on our steady development path. Our business operations also developed favorably in Russia, where the stronger exchange rate of the ruble had a positive impact.

In the autumn of 2017, we launched an extensive program to boost profitability with the aim of achieving savings of at least EUR 30 million and improving our cost competitiveness. As part of the program, we announced the divestment of our unprofitable business operations in the Balkan area. We are preparing further actions to optimize our future production and logistics network in all our operating countries. Based on this we have, for instance, decided to close down the production facilities in southwestern Russia and in Germany by the end of 2018. In addition, we have changed our organization model. As a result, decision-making and business development are now handled more at the group level.

In late 2017, our strategy was updated for the new five-year term 2018-2022. We are committed to improving the overall user experience of our customers and our internal efficiency. We are creating value through our customer promise: ‘Nordic quality from start to finish’.

The market outlook for 2018 is relatively good, although uncertainty has increased in the Swedish housing market in recent months. Economic growth is anticipated for our key markets and consumer confidence is strong. The identified problems with the deployment of the ERP system have been mostly resolved. The main challenge is that raw material and packaging material prices are estimated to continue rising during 2018. In order to compensate for increased costs, we will continue to increase our sales prices and take further actions to boost profitability. In 2018, our focus will be on improving profitability and enhancing the reliability of deliveries.”

Press Conference and webcast

Tikkurila will hold a press conference regarding the Financial Statement Release for 2017 for the media and analysts today on February 13, 2018, 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 Financial Statement Release will be presented by **Jukka Havia**, Interim President and CEO, CFO.

A live webcast, conducted in English, will be organized on February 13, 2018, at 3:00 p.m. (CET+1). 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 0361 (Finnish callers)
+44 330 336 9105 (UK callers)
+1 646 828 8156 (US callers)
Participant code: 7399588

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 2018 on Wednesday April 25, 2018, at around 9:00 a.m. (CET+1).

Tikkurila Oyj
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Sustainable Nordicness
Tikkurila is a leading Nordic paint company with expertise that spans decades. We develop premium products and services that provide our customers with quality that will stand the test of time and weather. We operate in around ten countries and our 3,000 dedicated professionals share the joy of building a vivid future through surfaces that make a difference. In 2017, our revenue totaled EUR 582 million. The company is listed on Nasdaq Helsinki. Nordic quality from start to finish since 1862.

www.tikkurilagroup.com

Tikkurila Oyj Financial Statement Release for January 1–December 31, 2017

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 2016 and 2017. 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 (until January 31, 2018), Macedonia (until January 31, 2018), and China. Furthermore, SBU East is responsible for the exports to more than 20 countries.

Market Review

The key economies in Tikkurila's operating area grew by approximately 2-3 percent in 2017.

Economic growth and consumer confidence remained strong and comprehensive in Sweden. Export benefited from the weak Swedish krona and the strengthening of the European Economic Area. However, the behavior of households was fairly cautious, and there was only modest growth in private consumption. The most significant uncertainty factors were related to the housing market's pricing trends. Development in the Swedish paint market is estimated to have been quite steady. The share of professional painters from overall demand continued to grow due to the strong market for new construction. According to Tikkurila's estimate, the company lost some of its market share in decorative paints due to delivery problems (the market share value in 2016: approximately 37 percent).

In Russia, the market situation stabilized and the economy took a slight upward trend after some difficult years. Retail was on a growth path and consumer confidence clearly became stronger. Real earnings remained at the previous level. In the paint market, competition continued to be fierce and price campaigns were actively implemented. The shift of demand to lower price and quality categories seems to be winding down. Tikkurila estimates that no significant changes have occurred in market shares.

The Finnish economy is now clearly on a growth path after a downward trend of several years. Consumer confidence is stronger and reached a record high at the end of 2017. The construction at growth centers remained active. The share of professional painters from overall demand continued to grow due to the strong market for new construction. According to Tikkurila's estimate, the company lost some of its market share in decorative paints due to delivery problems (the market share in value in 2016: more than 50 percent).

Poland's economy continued its strong growth. Retail grew, salaries increased and the unemployment rate declined. Consumer confidence is at a record-high level. Many competitors continued their aggressive campaigns targeting distributors as well as consumers. Price competition was fierce in industrial products as well, the demand of which was negatively affected by the low level of public infrastructure-based projects and investments as well as problems with labor supply. Tikkurila's market share in decorative paints remained stable (the market share in volume in 2016: approximately 15 percent).

Amongst Tikkurila's key currencies, the Russian ruble was stronger during the period under review compared to the previous year. The Polish zloty was slightly stronger and the Swedish krona weaker.

The raw material and packaging material prices were clearly higher compared to the comparison period's level. The price of titanium dioxide rose by more than 30 percent along with the increased demand and decreased supply. The rise in the oil price also raised the price of solvents and solvent-borne binders. Additionally, the lack in monomers caused the price of water-borne binders to rise. Steel price trends raised the price of metal packaging.

Financial Performance in October–December 2017

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

October–December				
(EUR million)		**Revenue**		**Adjusted operating result**
	10–12/2017	10–12/2016	**10–12/2017**	10–12/2016
SBU West	**61.3**	67.2	**-18.4**	-9.7
SBU East	**40.9**	37.0	**1.1**	0.3
Group common and eliminations	**0.0**	0.0	**-1.0**	-1.2
Consolidated Group	**102.2**	104.2	**-18.3**	-10.6

Tikkurila Group's **revenue** decreased by 2 percent in the last quarter of 2017. Higher sales volumes increased the Group's revenue by 4 percent. Sales price increases and changes in the sales mix decreased revenue by 5 percent. The poor development was due to ERP-related problems and refunds paid to customers in Sweden. Exchange rate fluctuations did not have an impact on revenue.

Adjusted operating result totaled EUR -18.3 (-10.6) million, which accounts for -17.9 (-10.1) percent of revenue. The weak level of the adjusted operating profit was affected by expenses and problems related to the introduction of the new ERP system particularly in Sweden, rise of the raw material and packaging material costs that accelerated towards the year-end as well as delays in sales price increases.

Operating result (EBIT) totaled EUR -26.5 (-10.7) million, equaling -25.9 (-10.3) percent of revenue. Items affecting comparability totaled EUR -8.2 million, the majority of which were related to the divestment of the Balkan business operations.

The net financial expenses in October–December 2017 were EUR 0.7 (1.8 positive) million. Earnings per share were EUR -0.53 (-0.18) in the review period.

Financial Performance in 2017

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

January–December				
(EUR million)		**Revenue**		**Adjusted operating result**
	1–12/2017	1–12/2016	**1–12/2017**	1–12/2016
SBU West	**379.8**	395.2	**18.1**	45.3
SBU East	**202.6**	176.8	**15.2**	13.4
Group common and eliminations	**0.0**	0.0	**-4.5**	-4.6
Consolidated Group	**582.4**	572.0	**28.8**	54.0

Tikkurila Group's **revenue** increased by 2 percent in 2017. Higher sales volumes increased revenue by one percent. Tikkurila was not able to meet the market demand in full in the Nordic countries due to delivery problems. Sales volumes grew in other parts of the Group. Exchange rate fluctuations increased revenue by 3 percent. Changes in sales prices and in the sales mix decreased revenue by one percent. Divestments decreased revenue by one percent.

Adjusted operating profit totaled EUR 28.8 (54.0) million, which accounts for 4.9 (9.4) percent of revenue. Profitability was weakened by the costs being higher than in the comparison period, which was related to the introduction of the new ERP system and the increased costs of raw materials and packaging materials. The direct costs of the introduction of the new ERP system, including depreciation, were EUR 10.4 million in 2017. Some indirect costs were also incurred due to, for example, the addition of work shifts and work resources, additional logistics costs as well as customer refunds in Sweden caused by delivery problems. The introduction of the ERP system and, to some extent, the problems with the availability of raw materials, especially titanium dioxide, are the reasons why Tikkurila was also not able to fully meet the market demand in Sweden and Finland in particular.

Operating profit (EBIT) totaled EUR 19.3 (53.1) million, equaling 3.3 (9.3) percent of revenue. Items affecting comparability were approximately EUR -9.5 million during the review period. As part of the profitability boosting program, Tikkurila reorganized its operations to a certain extent and divested its business operations in the Balkan area. Expenses and impairments affecting comparability were mainly related to the Balkan divestment.

The net financial expenses in January–December 2017 were EUR 2.9 (3.9 positive) million. The net financial expenses increased from the comparison period due to exchange rate differences related to the Russian ruble, in particular. Profit before taxes was EUR 16.6 (57.4) million. Taxes totaled EUR 6.0 (12.9) million, equaling an effective tax rate of 35.9 (22.5) percent. Effective tax rate was increased by higher non-deductible expenditures and losses of subsidiaries from which deferred tax assets were not recognized. Earnings per share were EUR 0.24 (1.01) in the review period.

Financial Performance by Reporting Segments

SBU West

EUR million	**10–12/2017**	10–12/2016	Change %	**1–12/2017**	1–12/2016	Change %
Revenue	**61.3**	67.2	-8.7%	**379.8**	395.2	-3.9%
Adjusted operating result	**-18.4**	-9.7	-89.7%	**18.1**	45.3	-60.1%
Adjusted operating result margin, %	**-30.0%**	-14.4%		**4.8%**	11.5%	
Operating result (EBIT)	**-19.8**	-9.8	-101.1%	**16.2**	45.1	-64.0%
Operating result (EBIT) margin, %	**-32.3%**	-14.6%		**4.3%**	11.4%	
Capital expenditure excluding acquisitions	**4.3**	7.4	-41.4%	**11.0**	20.1	-45.5%

Financial Performance in October–December 2017

SBU West's last quarter revenue declined by 9 percent. Changes in the sales prices and sales mix decreased revenue by 8 percent. The poor development was due to ERP-related problems and refunds paid to customers in Sweden. Lower sales volumes decreased revenue by one percent. In Sweden, revenue decreased to EUR 18.8 (25.7) million, while in Finland revenue decreased to EUR 11.9 (12.8) million, and in Poland revenue increased to EUR 15.1 (13.3) million.

Last quarter's increased operating loss was affected by decline in revenue, expenses and problems related to the introduction of the new ERP system, rise of the raw material and packaging material costs that accelerated towards the year-end as well as delays in sales price increases.

Financial Performance in 2017

SBU West's full-year revenue declined by 4 percent. Changes in sales prices and sales mix decreased revenue by 3 percent. Sales volumes and exchange rate fluctuations had no material impact on revenue. In Sweden, revenue decreased to EUR 132.8 (149.9) million, while in Finland revenue decreased to EUR 92.8 (98.1) million, and in Poland revenue increased to EUR 76.8 (70.4) million.

SBU West's operating profit was negatively impacted by decline in revenue, expenses and problems related to the introduction of the new ERP system, rise of the raw material and packaging material costs as well as delays in sales price increases.

SBU East

EUR million	10–12/2017	10–12/2016	Change %	1–12/2017	1–12/2016	Change %
Revenue	**40.9**	37.0	10.6%	**202.6**	176.8	14.6%
Adjusted operating result	**1.1**	0.3	221.9%	**15.2**	13.4	13.7%
Adjusted operating result margin, %	**2.6%**	0.9%		**7.5%**	7.6%	
Operating result (EBIT)	**-5.9**	0.3		**8.2**	12.6	-35.0%
Operating result (EBIT) margin, %	**-14.3%**	0.9%		**4.1%**	7.1%	
Capital expenditure excluding acquisitions	**1.3**	1.3	2.2%	**3.6**	3.2	14.1%

Financial Performance in October–December 2017

SBU East's last quarter revenue increased by 11 percent from the comparison period. Higher sales volumes increased revenue by 13 percent. Exchange rate fluctuations decreased revenue by 2 percent. Revenue in Russia increased to EUR 27.2 (25.6) million.

Adjusted operating profit was positively affected by the increase in revenue. Items affecting comparability were EUR -6.9 million during the review period and they were mainly related to the divestment of the Balkan business operations.

Financial Performance in 2017

SBU East's full-year revenue increased by 15 percent from the comparison period. Exchange rate fluctuations, mainly the stronger Russian ruble, increased revenue by 9 percent. Sales price increases and changes in the sales mix increased SBU East's revenue by 6 percent. Higher sales volumes increased revenue by 3 percent. Sales volumes grew in Russia and particularly in China. Divestments of Ukraine and Belarus decreased revenue by 2 percent. Revenue in Russia increased to EUR 143.4 (120.2) million.

Adjusted operating profit was positively affected by the increase in revenue. Profitability improved in Russia, but declined in China due to clearly 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–December totaled EUR 18.1 (42.8) 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 89.7 (89.1) million. Comparing to the previous year-end the inventories for both raw materials and finished goods were higher due to higher prices and also higher buffer stocks to secure availability, while the increase in trade payables offset this, and hence the total balance did not change. The net cash flow from the investing activities was EUR -13.7 (-20.1) million, when taking into account acquisitions and divestments. Cash flow after capital expenditure totaled EUR 4.4 (22.7) million at the end of the review period.

Interest-bearing debt amounted to EUR 107.0 (77.2) million at the end of the review period, and net debt was EUR 90.1 (58.7) million. At the end of the review period, cash and cash equivalents amounted to EUR 17.0 (18.5) million, and short-term interest-bearing debt totaled EUR 57.0 (27.1) million, including the company's issued commercial papers for a total nominal amount of EUR 55.0 (25.0) million. Moreover, the Group had long-term interest-bearing debt totaling EUR 50.1 (50.1) million. At the end of December, the Group had a total of EUR 109.2 (109.4) million of unused committed credit facilities or credit limits.

The Group´s net financial expenses were EUR 2.9 (3.9 positive) million, of which interest expenses totaled EUR 0.0 (-0.3) million and other financing expenses EUR -0.5 (-0.6) million. The average capital-weighted interest rate of interest-bearing debt was 0.8 (0.8) percent. The net profit affected by a total of EUR -2.4 (4.8) 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 December, the equity ratio was 42.0 (50.9) percent, and gearing was 50.2 (28.1) percent.

Capital Expenditure

In 2017, the gross capital expenditure excluding acquisitions amounted to EUR 14.6 (23.3) million. There were no significant single investments during the review period. Investments were mainly maintenance investments.

The Group’s depreciation, amortization and impairment losses amounted to EUR 20.4 (16.7) million in 2017. The Group performs impairment tests in accordance with the IAS 36 standard.

Tikkurila’s updated strategy: Nordic quality from start to finish

Tikkurila has updated its strategy. During the next five years, our focus will be on improving the customer experience in surface treatment. We want to stand out even more by providing a successful end-result to our customers, and to make this more clearly our competitive edge. Understanding our customers’ needs will guide all our operations in the future. In order to achieve this, we will strengthen our market and customer insight. Customer experience is contributed throughout our operations, covering everything from product and service development and innovation, the supply chain to the shops, communication and marketing. We create added value through our customer promise **“Nordic quality from start to finish”** i.e. we want to offer the best customer experience in surface treatment.

Our vision is **”Surfaces that make a difference”**. We not only want to offer products that protect and decorate surfaces but also to develop more solutions and materials to make our customers’ work easier and more efficient. Tikkurila want to answer customers' needs about more durable, functional and environmentally friendly surfaces.

Tikkurila's target is profitable growth. The Group is undergoing an extensive program to boost profitability and cost competitiveness. Improved cost competitiveness will support Tikkurila's growth efforts.

We have defined three focus areas for the five-year strategy period:

Segment-specific customer journeys. We divide our three main customer segments – consumers, professionals and industrial customers – into smaller target groups and study the decision-making processes of each group, right from the idea or need to the decision and purchase. Each customer segment has its own growth strategy.

Creation of a harmonized portfolio. We will unify our portfolios for each customer segment throughout our operating area.

More efficient use of resources. We will improve our cost competitiveness and overall operational quality. We will optimize our production and logistics network, and increase productivity.

Program to boost profitability

In 2017, Tikkurila initiated an extensive program to boost profitability. The program is aimed at generating at least EUR 30 million in savings. Improved cost competitiveness will support Tikkurila in seeking new growth opportunities.

Reorganization

The goal of the reorganization measures relating to the program for boosting profitability is to clarify the decision-making process and responsibilities while eliminating overlaps. Tikkurila Group's Management Board was renewed in May 2017 and a transition was made to a centrally driven function-based organization structure. The positions of country director and sales director were combined in all the countries in which Tikkurila has operations, and in the process, new country managers were appointed for Sweden, Finland and Poland. In addition, the development of the company's key processes was started in early 2018 in order to ensure the achievement of strategic goals.

Structural changes

Structural changes related to the profitability boosting program aim at increasing efficiency by divesting and optimizing the business operations.

Decisions that have been taken to close down and divest business operations:

- Discontinuation of manufacturing and warehousing operations in Stary Oskol in southwestern Russia and move of the unit's production to our St. Petersburg site during 2018.
- Sale of the entire share capital of the subsidiaries in Serbia and Macedonia to the local management of Tikkurila. Tikkurila's Balkan business operations have been unprofitable for a long time. The combined revenue of the two companies to be sold was approximately EUR 13 million in 2016, and the number of employees was around 130. The transaction was closed on January 31, 2018. Tikkurila will continue export to the area.
- Discontinuation of German business operations, even though Tikkurila will continue export to the area in selected segments.

Plans to optimize production:

- Tikkurila is planning to construct a new factory in the St. Petersburg area in Russia. Design of the facility is under way and construction is scheduled to begin late 2018. The production is set to commence in 2020.

Portfolio optimization:

- A project to optimize and harmonize portfolio is currently under way in Tikkurila. The aim is to significantly reduce the number of formulations, raw materials and SKUs (stock keeping unit) during the next years.

Costs related to the profitability boosting program

In 2017, the program resulted in a total of approximately EUR 7 million impairments and sales losses as well as in approximately EUR 2.5 million other expenses.

The announced measures planned for 2018 are estimated to result in significant expenses. Other expenses are subject to possible upcoming decisions.

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 2017. Tikkurila Group's sales and marketing expenses, including personnel costs, were EUR 97.5 (97.5) million in 2017, which accounts for 16.7 (17.0) 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.

In 2017, Tikkurila launched a reorganization process to introduce a function-driven model for Sales and Marketing. Marketing is part of the Offering function and sales have their own Sales function. The process also included combining the positions of country director and sales director. In the new organization model, local units are more strongly supported in the marketing of international brands (Tikkurila and Beckers) with an increasing share of communications and concepts being developed at the group level. Additionally, Tikkurila built up the resources for understanding the markets and customers with the aim of supporting future business development and creation of marketing strategies.

The actions taken during 2017 include developing the Core marketing communications concept to make the consumer-customers' shopping experience more fluent, clarifying and strengthening the product portfolio by launching new products, and making the utilization of guiding and inspiring contents in various markets more efficient. The highlights of 2017 include, for example, launching the Tikkurila Facade 760 exterior color collection for professional customers, starting the selling of A4-size color samples online in Finland, strengthening the sales resources in Russia, opening a showroom in Poland, launching a next generation water-borne wood oil, and revamping stores in the Baltic countries. In honor of Finland's 100 years of independence, Tikkurila donated murals to several locations in Finland and compiled the colors of 4,000 Finnish houses into a map in cooperation with Finnish people.

In 2017, the focus was on strengthening the Alcro brand positioning through multi-channel responsibility communications and on Beckers product and packaging renewal in Sweden, portfolio development through launching local professional and consumer products in Russia, communicating about color expertise and launching the Core store concept in Finland, and increasing awareness of premium brands through inspiring concepts in Poland.

Research and development

In 2017, Tikkurila's research and development expenses totaled EUR 10.9 (2016: 11.3 and 2015: 11.2) million or 1.9 (2016: 2.0 and 2015: 1.9) percent of revenue. At the end of 2017, the unit employed 193 (191) people. Tikkurila's largest R&D units are located in Finland, Russia, Poland and Sweden.

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

In 2017, R&D was integrated into the Offering function. Product development functions were also centralized in the process. Once the reorganization is complete, product development sites will be located in Finland, Poland, Russia, Sweden, Estonia and Denmark. The focus of R&D operations was on product launches, product safety matters, environmental friendliness of products, harmonization of formulas and the raw material portfolio, cost savings, securing the supply of raw materials as well as identifying potential external partners. Key projects included securing the supply of titanium dioxide, improving product safety and optimizing production formulas.

In terms of product launches, among the year's highlights were the launch of the Innovatint color tinting software, the revised Facade 760 color card and Facade tinting system, as well as the strengthening of the flooring portfolio for both wooden and concrete floors.

Personnel

At the end of 2017, Tikkurila employed 3,037 (3,033) people in 14 countries. The average number of employees in January-December 2017 was 3,107 (3,112).

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	Q3/2017	**Q4/2017**
SBU West	1,605	1,718	1,673	1,649	1,693	1,804	1,676	**1,659**
SBU East	1,494	1,409	1,400	1,353	1,383	1,393	1,364	**1,367**
Group functions	30	30	30	31	32	31	26	**11**
Total	3,129	3,157	3,103	3,033	3,108	3,228	3,066	**3,037**

Performance-based salaries and compensation paid in 2017 totaled EUR 86.3 (81.4) million.

Shares and Shareholders

At the end of 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 2017, 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, 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 December, the closing price of Tikkurila's share was EUR 17.81. In January–December, the volume-weighted average share price was EUR 17.69, the lowest price EUR 15.32, and the highest price EUR 19.67. At the end of December, the market value of Tikkurila Oyj's shares was EUR 785.5 million. During January–December, a total of 16.3 million Tikkurila shares, corresponding to approximately 36.8 percent of the number of shares, were traded on NASDAQ OMX Helsinki Ltd. The value of the traded volume was EUR 287.4 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 111,173 shares on December 31, 2017, 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's Interim President and CEO and his interest parties held altogether 14,000 shares on December 31, 2017, which is about 0.03 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.

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

Tikkurila Oyj received a notification, based on the Securities Markets Act, from Intrinsic Value Investors (IVI) LLP on August 8, 2017. The holding of the funds and accounts managed by Intrinsic Value Investors (IVI) LLP in shares of Tikkurila Oyj exceeded the 1/20 (5%) threshold due to trades executed on August 7, 2017.

The indirect holding of Intrinsic Value Investors (IVI) LLP in Tikkurila Oyj amounted to a total of 2,372,000 shares, which corresponds to 5.4 percent of the total amount of shares and voting rights.

Tikkurila Oyj received a notification, based on the Securities Markets Act, from Bestinver Gestion, S.A. SGIIC on August 9, 2017. The holding of the funds and accounts managed by Bestinver Gestion, S.A. SGIIC in shares of Tikkurila Oyj exceeded the 1/20 (5%) threshold due to trades executed on August 7, 2017. The indirect holding of Bestinver Gestion, S.A. SGIIC in Tikkurila Oyj amounted to a total of 2,430,469 shares, which corresponds to 5.5 percent of the total amount of 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 4, 2017, the Financial Statements for 2016 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 2016. The rest were retained and carried further in the company's unrestricted equity. The dividend was paid to a shareholder who is registered in the company's shareholder register maintained by Euroclear Finland Ltd on the dividend record date, April 6, 2017. The dividend was paid on April 13, 2017.

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.

Furthermore, Jari Paasikivi was re-elected as Chairman and Petter Walldén as Vice Chairman of the Board of Directors.

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, 2017. 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.

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, 2018.

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 in deviation 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, settling the payment of the annual fees payable to the members of the Board of Directors or 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, 2018.

Decisions by the Board of Directors

Pia Rudengren was elected as Chairman and Eeva Ahdekivi and Riitta Mynttinen 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 161.3 million on December 31, 2017: reserve for invested unrestricted equity totaled EUR 40.0 million and retained earnings totaled EUR 86.2 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, 2017, and that the rest be retained in the unrestricted equity. The proposed dividend totals about EUR 35.3 million, which corresponds to approximately 331 percent of the Group's net profit for 2017.

Due to the seasonality of the business, Tikkurila will, from now on, pay the dividend in two tranches. The payment of the dividend for the financial year 2017 will take place as follows: the first tranche of EUR 0.40 per share will be paid to a shareholder which is recorded at the record date for the payment of dividend on April 16, 2018 at the Company’s shareholder register maintained by Euroclear Finland Oy. The proposed date of payment is April 23, 2018. The second tranche EUR 0.40 per share will be paid in November 2018. The second tranche will be paid to a shareholder who is recorded at the record date for the payment of dividend at the Company’s shareholder register maintained by Euroclear Finland Oy. The Board of Directors will decide at the meeting scheduled for October 25, 2018 the record date and the payment date for the second tranche. According to the current rules of the Finnish book-entry system the record date would then be October 29, 2018 and the dividend payment date earliest November 5, 2018.

Annual General Meeting 2018

The Annual General Meeting of Tikkurila Oyj is planned to be held at 10:00 a.m. on Thursday, April 12, 2018 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.

Changes in Tikkurila management

On September 21, 2017, Tikkurila Oyj's Board of Directors has decided that Erkki Järvinen will leave his position as the President and CEO of the company. Tikkurila's Board of Directors has appointed CFO Jukka Havia as Tikkurila's interim President and CEO starting from September 21, 2017.

Events after reporting period

On January 26, 2018, the Nomination Board of Tikkurila proposed to the Annual General Meeting, which is planned to be held on April 12, 2018, that the number of Board members would be seven and that of the present members Harri Kerminen, Riitta Mynttinen, Jari Paasikivi, Pia Rudengren, and Petteri Walldén would be re-elected and that Catherine Sahlgren and Heikki Westerlund would be elected as new members. All the nominees have given their consent to the position. Catherine Sahlgren, M.Sc. Business Administration and Economics, born in 1962, is the CEO of Teknikmagasinet, which is a Swedish-based retail company selling consumer electronics and gadgets. Her current Board memberships include Future and Arkitektkopia. She is a Swedish citizen and resides in Sweden. Heikki Westerlund, M.Sc. (Economics), born in 1966, made a long career in CapMan Plc, a Nordic private equity company, acting previously as the CEO. His current Board memberships include Orion Oyj (Chairman of the Board) and Espoo Big Band r.y. He is a Finnish citizen and resides in Finland. The Nomination Board proposes to the Annual General Meeting that the remuneration of the members of the Board of Directors would stay at the current level.

In December 2017, Tikkurila entered into an agreement to sell the entire share capital of the subsidiaries in Serbia and Macedonia to the local management of Tikkurila. The transaction was closed on January 31, 2018. Tikkurila will continue export to the area.

On February 12, 2018, Tikkurila decided to discontinue the German business operations. Tikkurila will continue export to the area in selected segments.

On February 12, 2018, the Board of Directors of Tikkurila Group appointed Elisa Markula (born 1966, M.Sc. Econ.) President and CEO of Tikkurila Group. She will start in the position on May 12, 2018, at the latest. Elisa Markula joins Tikkurila from Paulig Group where she has worked since 2010 as Director of Paulig Group Coffee Business. Markula is also a member of the Paulig Group Management Team. She has versatile experience in consumer business and branded goods. Prior to Paulig, she has worked at Lego, Snellman, SCA and Fazer, among others. She is a member of the Board of Directors of Olvi Oyj.

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 considers the following risks to represent main near-term uncertainties on the date of publishing this Financial Statement Release:

Raw material risks

Tikkurila is dependent on the ability of its suppliers to provide it with the raw materials needed to manufacture paints. The prices of many raw materials and packaging materials that are vital to Tikkurila's operations increased significantly in 2017 and the Group was not able to fully meet and transfer the increased costs to its end product prices without delays; this led to weakened profitability. The availability of raw materials also presented challenges due to, for example, the destruction of Venator's (formerly Huntsman) titanium dioxide factory in Pori in early 2017. Tikkurila believes that pressure to increase will also continue to be on raw material and packaging material prices in 2018 as well as in the possibility that the Group cannot fully meet or transfer the increased costs to its end product prices without delay. Furthermore, the availability of many key raw materials is estimated to remain challenging, which may result in the lack of products as well as the loss of sales or additional costs associated with it.

Uncertainty relating to raw materials may have an effect on profitability, market share trends, product offering or competition in general.

Operational and reorganization risks

In 2017, Tikkurila deployed a new Enterprise Resource Planning system (ERP), which caused major disruptions to the Group's delivery capacity and invoicing especially in Sweden. Due to the disruptions, and in part also due to the lack of raw materials, Tikkurila was not able to deliver all the products ordered, products were not delivered on time, invoices were not sent on all products or invoicing was not done on time, which all led to the loss of sales or additional costs. Although most of the problems with the ERP system have now been resolved, it is possible that problems will also occur during 2018. The plan is to continue the deployment of the new ERP system in China during the first half of 2018 and in Russia during the second half of 2018, and this will create costs. Problems in the deployment process may have serious negative effects on Tikkurila's business operations.

In 2017, Tikkurila launched an extensive program to boost profitability with the aim of achieving savings of at least EUR 30 million. As part of the program, Tikkurila began to implement the reorganization of its functions with the aim of clarifying decision-making and responsibilities and eliminating overlaps, and thus improving cost competitiveness. If the goals of the program for boosting profitability and the reorganization cannot be implemented according to plan, the intended cost savings or targets for improving competitiveness may not be achieved in full. Furthermore, not being able to successfully implement the program's measures as planned may have serious negative effects on Tikkurila's business operations.

Risk of credit loss

Despite being able to avoid major credit losses, in the future, the importance of counterparty risks will be emphasized and may hinder Tikkurila's business operations or cause losses even though Tikkurila has a broad customer base in most markets. The strong growth of Tikkurila's business operations in China and, on the other hand, the fairly concentrated customer base in several markets have increased the risk of major credit losses.

Exchange rate development

Tikkurila's international operations create currency risks for the Group's income statement, balance sheet and cash flow. The most important currency risks are related to the Russian ruble, the Swedish krona and the Polish zloty. Some of the Group's raw material purchases are directly or indirectly priced in U.S. dollars. In recent months, the U.S. dollar has weakened in relation to the euro. If this trend continues, it may have a stabilizing effect on the pressure of raw material costs linked to the U.S. dollar to increase. Furthermore, the company's equity will be subject to currency risks when the subsidiaries' foreign currency-denominated equity items are converted into euros and the euro-denominated consolidated balance sheets' asset values change with the exchange rates.

Risks related to the industry and operative activities

In the paint industry, competition has become increasingly fierce and M&A activity is high, which will change the competitive landscape and the relative competitiveness of companies. The importance of price is highlighted in certain segments. 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. In addition, particularly the large-scale retail customers of Tikkurila have started to decrease the number of their suppliers and have intensified their tender processes. This development may result in lower sales margins or lower sales or total discontinuation of sales to certain customers if Tikkurila will not be able to provide a competitive offering.

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 Board of Directors' review. More information on financial risks is provided in the Notes to the 2017 Consolidated Financial Statements.

Outlook for 2018

The market outlook for the current year is relatively good, although uncertainty has increased in the Swedish housing market in recent months. Economic growth is anticipated to continue in Tikkurila's key markets and consumer confidence is high. The identified problems with the deployment of the ERP system have mostly been resolved, and inventory levels have been significantly raised in order to ensure deliveries.

The prices of raw materials and packaging materials are anticipated to continue rising throughout the year. Some challenges with availability may also still occur. In order to compensate for increased costs, Tikkurila will continue to raise its sales prices and to take action to boost profitability.

The ongoing organizational and structural change may cause indirect costs or otherwise negatively affect the company's operations.

Guidance for 2018

Tikkurila's revenue is expected to remain at last year's level and adjusted operating profit to improve.

Summary Financial Statements and Notes

The annual financial statement figures of Tikkurila are audited. Auditors' report was issued on February 12, 2018. 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 2016, with the exception of new or revised or amended standards and interpretations which have been applied from the beginning of 2017.

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. The Group will apply this standard retrospectively with the cumulative effect of the initial date being adjusted to opening balance of retained earnings and comparison period’s information is not adjusted.

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; in 2017 and earlier years a part of these payments to a customer has been recognized in other operating expenses. In financial year 2017 such sales promotion expenses amounted to EUR 3.3 million. This will have no impact on operating profit, instead the revenue will decrease, and respectively other operating expenses will decrease as well.

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 material 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. Because of this EUR 1.2 million will be recognized in the

Group as adjustment to retained earnings net of tax. The adjustment is due to allocation of transaction price to paint sales and it will be entered as income in coming financial periods.

According to Tikkurila's assessment IFRS 15 will not have significant impact on Group revenue nor operating result on Group's forthcoming financial statements.

IFRS 9 Financial Instruments (effective for financial years beginning on or after January 1, 2018)

The new standard replaces current standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments. The standard comprises three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through profit or loss. The classification depends on the company's business model and on the characteristics of cash flows based on agreement. The standard includes also a new expected credit loss model for calculating impairment on financial assets.

According to the new standard, the requirements for recognition and measurement of financial liabilities remain almost intact except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The guidance for hedge accounting included in IFRS 9 continues to distinguish three types of hedge accounting: cash flow hedges, fair value and net investment hedges. The requirement and strick definition of highly effective in accordance with current IAS 39 is replaced with the requirement of economic relationship between the hedging instrument and the hedged item. According to guidance the hedge ratio should reflect the actual quantity of hedging instrument in line with risk management practices in a company.

As assessed the impacts with the current structure of the financial assets the accounting and classification of available for sale financial assets will change. These equity instruments are long-term nature investments that the Group is not intending to sell. These all will be classified as fair value through OCI. Received dividends will be recognized in profit or loss, but possible impairment losses would not be recognized in profit or loss nor the gains or losses on disposal would be reclassified to profit or loss. Available for sale financial assets amounted to EUR 0.8 million in consolidated statement of financial position at the end of the financial year 2017.

There are no impacts resulting from the application of standard to financial liabilities. The Group has no such financial assets at the end of financial year 2017 that would be classified as fair value through profit or loss. The Group's trade receivables, classified and measured at amortized cost in accordance IFRS 9, consist the most of the Group's financial assets. The impairment model to recognize the lifetime expected credit loss will be applied to all trade receivables. The Group has applied the group wide guidelines that are based on the overdue time of trade receivables when measuring the loss allowance. As applying IFRS 9 standard, this model is changed as following: the loss allowance is recognized for all trade receivables also in time categories not due, overdue 1-90 days as well as 90-180 days in accordance with the percentages defined to separate geographical areas in which Group operates. Historical losses and customers' behavior of geographical area in question are impacting to the percentages defined. In accordance to these calculations, Group will recognize an adjustment of EUR -1.1 million in retained earnings and trade receivables as of January 1, 2018.

The Group applies expected credit loss model also to its loan receivables. Estimated amount of loss allowance equals to 12-month expected credit losses, as there is no significant increase in credit risk involved in these. As resulting, the Group will recognize and adjustment of EUR -0.2 million in retained earnings and loan receivables as of January 1, 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME EUR million	**10-12/2017**	10-12/2016	**1-12/2017**	1-12/2016
Revenue	**102.2**	104.2	**582.4**	572.0
Other operating income	**1.5**	0.7	**3.6**	2.5
Expenses	**-124.4**	-111.2	**-546.3**	-504.7
Depreciation, amortization and impairment losses	**-5.8**	-4.4	**-20.4**	-16.7
Operating profit	**-26.5**	-10.7	**19.3**	53.1
Total financial income and expenses	**-0.7**	1.8	**-2.9**	3.9
Share of profit or loss of equity-accounted investees	**0.0**	0.0	**0.2**	0.3
Profit before taxes	**-27.2**	-8.8	**16.6**	57.4
Income taxes	**3.8**	0.7	**-6.0**	-12.9
Net result for the period	**-23.4**	-8.2	**10.7**	44.5
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit plans	**-0.9**	3.4	**-2.4**	-0.4
Income taxes relating to items that will not be reclassified to profit or loss	**0.2**	-0.9	**0.5**	0.0
Total items that will not be reclassified to profit or loss	**-0.7**	2.5	**-1.9**	-0.5
Items that may be reclassified subsequently to profit or loss				
Available-for-sale financial assets	**-**	-	**0.0**	-
Foreign currency translation differences for foreign operations	**0.1**	2.8	**-2.6**	5.2
Income taxes relating to items that may be reclassified subsequently to profit or loss	**-**	-	**-**	-0.2
Total items that may be reclassified subsequently to profit or loss	**0.1**	2.8	**-2.6**	5.0
Total comprehensive income for the period	**-24.0**	-2.9	**6.2**	49.0
Net result attributable to:				
Owners of the parent	**-23.4**	-8.2	**10.7**	44.5
Non-controlling interest	**-**	-	**-**	-
Net result for the period	**-23.4**	-8.2	**10.7**	44.5
Total comprehensive income attributable to:				
Owners of the parent	**-24.0**	-2.9	**6.2**	49.0
Non-controlling interest	**-**	-	**-**	-
Total comprehensive income for the period	**-24.0**	-2.9	**6.2**	49.0
Earnings per share of the net profit attributable to owners of the parent				
Basic earnings per share (EUR)	**-0.53**	-0.18	**0.24**	1.01
Diluted earnings per share (EUR)	**-0.53**	-0.18	**0.24**	1.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR million

ASSETS	Dec 31, 2017	Dec 31, 2016
Non-current assets		
Goodwill	**72.0**	72.3
Other intangible assets	**26.5**	30.7
Property, plant and equipment	**81.2**	87.5
Equity-accounted investees	**0.5**	0.7
Available-for-sale financial assets	**0.8**	0.8
Non-current receivables	**7.5**	7.3
Defined benefit pension and other long-term employee benefit assets	**0.0**	0.1
Deferred tax assets	**8.2**	7.3
Total non-current assets	**196.6**	206.8
Current assets		
Inventories	**96.0**	80.2
Interest-bearing receivables	**0.7**	0.9
Non-interest-bearing receivables	**108.2**	103.7
Cash and cash equivalents	**17.0**	18.5
Non-current assets held for sale	**9.3**	0.2
Total current assets	**231.2**	203.6
Total assets	**427.7**	410.3

EQUITY AND LIABILITIES	Dec 31, 2017	Dec 31, 2016
Share capital	**35.0**	35.0
Other reserves	**0.0**	0.0
Fair value reserve	**0.0**	-
Reserve for invested unrestricted equity	**40.0**	40.0
Treasury shares	**0.0**	0.0
Translation differences	**-39.3**	-36.8
Retained earnings	**143.9**	170.3
Equity attributable to owners of the parent	**179.5**	208.6
Non-controlling interest	**-**	-
Total equity	**179.5**	208.6
Non-current liabilities		
Interest-bearing non-current liabilities	**50.1**	50.1
Other non-current liabilities	**0.1**	0.0
Defined benefit pension and other long-term employee benefit liabilities	**27.1**	25.5
Provisions	**0.5**	0.5
Deferred tax liabilities	**5.0**	6.2
Total non-current liabilities	**82.8**	82.4
Current liabilities		
Interest-bearing current liabilities	**57.0**	27.1
Non-interest-bearing current liabilities	**106.8**	92.0
Provisions	**0.6**	0.3
Liabilities classified as held for sale	**1.0**	-
Total current liabilities	**165.4**	119.3
Total equity and liabilities	**427.7**	410.3

CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS EUR million	**10-12/2017**	10-12/2016	**1-12/2017**	1-12/2016
CASH FLOW FROM OPERATING ACTIVITIES				
Net result for the period	**-23.4**	-8.2	**10.7**	44.5
Adjustments for:				
Non-cash transactions	**8.7**	6.3	**28.1**	20.7
Interest and other financial expenses	**0.9**	0.4	**3.9**	1.5
Interest income and other financial income	**-0.2**	-2.2	**-1.0**	-5.5
Income taxes	**-3.8**	-0.7	**6.0**	12.9
Funds from operations before change in net working capital	**-17.8**	-4.4	**47.6**	74.1
Change in net working capital	**32.6**	21.8	**-13.9**	-15.4
Interest and other financial expenses paid	**-0.7**	0.3	**-3.5**	-2.0
Interest and other financial income received	**0.1**	0.1	**0.7**	0.3
Income taxes paid	**0.3**	-0.8	**-12.8**	-14.1
Total cash flow from operations	**14.5**	17.0	**18.1**	42.8
CASH FLOW FROM INVESTING ACTIVITIES				
Business combinations	**-**	-	**-**	-
Other capital expenditure	**-3.9**	-8.4	**-15.2**	-21.3
Proceeds from sale of assets	**0.0**	0.3	**1.4**	0.6
Loan receivables decrease (+), increase (-)	**0.0**	0.1	**-0.2**	0.3
Dividends received	**0.4**	0.4	**0.4**	0.4
Net cash used in investing activities	**-3.5**	-7.7	**-13.7**	-20.1
Cash flow before financing	**11.0**	9.3	**4.4**	22.7
CASH FLOW FROM FINANCING ACTIVITIES				
Non-current borrowings, increase (+), decrease (-)	**-**	-	**-**	-
Current financing, increase (+), decrease (-)	**-15.9**	-12.0	**29.7**	14.1
Dividends paid	**-**	-	**-35.3**	-35.3
Acquisition of own shares	**-**	-	**-**	-
Other	**-**	-3.6	**-**	0.2
Net cash used in financing activities	**-15.9**	-15.6	**-5.6**	-20.9
Net change in cash and cash equivalents	**-4.9**	-6.3	**-1.2**	1.8
Cash and cash equivalents at the beginning of period	**23.1**	25.0	**18.5**	16.8
Effect of exchange rate fluctuations on cash held	**0.0**	0.2	**-0.8**	0.0
Effect of exchange rate fluctuations on cash held	**1.3**	-	**1.3**	0.0
Cash and cash equivalents at the end of period	**16.9**	-	**16.9**	18.5
Net change in cash and cash equivalents	**-4.9**	-6.3	**-1.2**	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	-	-	-	-	-	5.0	44.0	49.0	-	49.0
Share-based compensation	-	-	-	-	-	-	-0.1	-0.1	-	-0.1
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
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	**-**	**-**	**0.0**	**-**	**-**	**-2.6**	**8.8**	**6.2**	**-**	**6.2**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**-**	**0.0**	**0.0**	**-**	**0.0**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-35.3**	**-35.3**	**-**	**-35.3**
Equity at Dec 31, 2017	**35.0**	**0.0**	**0.0**	**40.0**	**0.0**	**-39.3**	**143.9**	**179.5**	**-**	**179.5**

DISTRIBUTABLE EQUITY OF THE PARENT (FAS)
EUR million

	2017	2016
Reserve for invested unrestricted equity	**40.0**	40.0
Retained earnings	**86.2**	82.5
Net profit for the period	**35.0**	39.0
Total	**161.3**	161.5

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	**10-12/2017**	10-12/2016	**1-12/2017**	1-12/2016
EUR million				
SBU West	**61.3**	67.2	**379.8**	395.2
SBU East	**40.9**	37.0	**202.6**	176.8
Eliminations	**0.0**	0.0	**0.0**	0.0
Total	**102.2**	104.2	**582.4**	572.0

EBIT by segment	**10-12/2017**	10-12/2016	**1-12/2017**	1-12/2016
EUR million				
SBU West	**-19.8**	-9.8	**16.2**	45.1
SBU East	**-5.9**	0.3	**8.2**	12.6
Tikkurila common	**-0.8**	-1.2	**-5.1**	-4.6
Eliminations	**0.0**	-	**0.0**	0.0
Total	**-26.5**	-10.7	**19.3**	53.1

Items affecting comparable EBIT by segment	**10-12/2017**	10-12/2016	**1-12/2017**	1-12/2016
EUR million				
SBU West	**-1.4**	-0.1	**-1.8**	-0.1
SBU East	**-6.9**	0.0	**-7.0**	-0.8
Tikkurila common	**0.1**	-	**-0.6**	-
Eliminations	**-**	-	**-**	-
Total	**-8.2**	-0.1	**-9.5**	-0.9

Adjusted operating profit by segment	**10-12/2017**	10-12/2016	**1-12/2017**	1-12/2016
EUR million				
SBU West	**-18.4**	-9.7	**18.1**	45.3
SBU East	**1.1**	0.3	**15.2**	13.4
Tikkurila common	**-1.0**	-1.2	**-4.5**	-4.6
Eliminations	**0.0**	-	**0.0**	0.0
Total	**-18.3**	-10.6	**28.8**	54.0

Non-allocated items:				
Total financial income and expenses	**-0.7**	1.8	**-2.9**	3.9
Share of profit or loss of equity-accounted investees	**0.0**	0.0	**0.2**	0.3
Profit before taxes	**-27.2**	-8.8	**16.6**	57.4

Assets by segment **EUR million**	**Dec 31, 2017**	Dec 31, 2016
SBU West	**321.4**	319.9
SBU East	**81.8**	107.4
Assets, non-allocated to segments	**54.8**	31.3
Eliminations	**-30.2**	-48.3
Total assets	**427.7**	410.3

CHANGES IN PROPERTY, PLANT AND EQUIPMENT **EUR million**	**1-12/2017**	1-12/2016
Carrying amount at the beginning of period	**87.5**	89.4
Additions	**12.1**	10.2
Business combinations	**-**	-
Disposals	**-0.1**	-1.7
Depreciation, amortization and impairment losses	**-14.2**	-13.4
Exchange rate differences and other changes	**-4.2**	3.1
Carrying amount at the end of period	**81.2**	87.5

Tikkurila Group had contractual commitments for purchase of property, plant and equipment EUR 0.9 (0.6) million at the end of review period.

CHANGES IN INTANGIBLE ASSETS **EUR million**	**1-12/2017**	1-12/2016
Carrying amount at the beginning of period	**103.0**	91.3
Additions	**2.5**	13.0
Business combinations	**-**	-
Disposals	**0.0**	-0.1
Depreciation, amortization and impairment losses	**-6.2**	-3.3
Exchange rate differences and other changes	**-0.8**	2.1
Carrying amount at the end of period	**98.4**	103.0

Tikkurila Group had contractual commitments for intangible assets EUR 0.0 (2.8) million at the end of review peiod.

INVENTORIES

Write-down of inventory for a total amount of EUR 6.7 (2.9) 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

Joint ventures	**1-12/2017**	1-12/2016
Sales	**5.3**	5.6
Other operating income	**1.0**	0.9
Receivables	**2.0**	0.3
Liabilities	**0.0**	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 December 31, 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 and net debt 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.

In each Matching Share Plan there is one vesting period, calendar years 2016-2018 and 2017-2019. The rewards from the plans 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 these share-based incentive plans EUR 0.0 (0.0) million was recognized during the financial year 2017 in personnel expenses.

COMMITMENTS AND CONTINGENT LIABILITIES **EUR million**	**Dec 31, 2017**	Dec 31, 2016
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	**0.6**	0.7
On behalf of others	**1.3**	1.7
Other obligations of own behalf	**6.5**	7.3
Lease obligations	**35.2**	29.4
Total contingent liabilities	**43.6**	39.1

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

Dec 31, 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	0.8
Non-current receivables	-	7.1	-	-	7.1	7.1
Current financial assets						
Interest-bearing receivables	-	0.7	-	-	0.7	0.7
Cash equivalents	-	17.0	-	-	17.0	17.0
Trade and other non-interest-bearing receivables	-	88.1	-	-	88.1	88.1
Total	**-**	**112.8**	**0.8**	**-**	**113.6**	**113.6**
Non-current financial liabilities						
Non-current interest-bearing liabilities	-	-	-	50.1	50.1	50.2
Current financial liabilities						
Current interest-bearing liabilities	-	-	-	57.0	57.0	57.0
Trade payables	-	-	-	51.5	51.5	51.5
Total	**-**	**-**	**-**	**158.5**	**158.5**	**158.6**

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**

FAIR VALUE HIERARCHY
EUR million

Dec 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Available-for-sale financial assets	**-**	**-**	**0.8**	**0.8**
Dec 31, 2016				
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	**Dec 31, 2017**	Dec 31, 2016
Carrying amount at Jan 1	**0.8**	1.1
Translation differences in other comprehensive income	**0.0**	0.0
Change in valuation	**0.0**	0.0
Acquisitions	**-**	0.2
Disposals	**-0.1**	-0.2
Other changes / transfers	**0.0**	-0.2
Carrying amount at end of review period	**0.8**	0.8

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

In financial year 2017 gains on sale of available-for-sale financial assets, hierarchy level 3, amounted to EUR 0 thousand and losses on sale amounted to EUR 0 thousand. In financial year 2016 gains on sale of available-for-sale financial assets, hierarchy level 3, amounted to EUR 45 thousand and losses on sale amounted to EUR 44 thousand. Gains or losses on the sales of these assets are included in other operating income or expense.

KEY PERFORMANCE INDICATORS	**10-12/2017 Dec 31, 2017**	10-12/2016 Dec 31, 2016	**1-12/2017 Dec 31, 2017**	1-12/2016 Dec 31, 2016
Earnings per share / basic, EUR	**-0.53**	-0.18	**0.24**	1.01
Earnings per share / diluted, EUR	**-0.53**	-0.18	**0.24**	1.01
Operating profit (EBIT), EUR million	**-26.5**	-10.7	**19.3**	53.1
of revenue %	**-25.9%**	-10.3%	**3.3%**	9.3%
Adjusted operating profit, EUR million	**-18.3**	-10.6	**28.8**	54.0
of revenue %	**-17.9%**	-10.1%	**4.9%**	9.4%
Cash flow from operations, EUR million	**14.5**	17.0	**18.1**	42.8
Cash flow from operations / per share, EUR	**0.33**	0.38	**0.41**	0.97
Capital expenditure, EUR million	**3.9**	8.4	**15.2**	21.3
of revenue %	**3.8%**	8.1%	**2.6%**	3.7%
Shares (1,000), average *)	**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
Weighted average number of shares, adjusted for dilutive effect (1,000) 1) *)	**44,112**	44,110	**44,111**	44,110
Number of shares at the end of period, adjusted for dilutive effect (1,000) 1) *)	**44,112**	44,110	**44,112**	44,110
Equity attributable to the owners of the parent / per share, EUR	**4.07**	4.73	**4.07**	4.73
Equity ratio, %	**42.0%**	50.9%	**42.0%**	50.9%
Gearing, %	**50.2%**	28.1%	**50.2%**	28.1%
Interest-bearing financial liabilities (net), EUR million	**90.1**	58.7	**90.1**	58.7
Return on capital employed (ROCE), % p.a.	**6.3%**	18.5%	**6.3%**	18.5%
Personnel (average)	**3,046**	3,043	**3,107**	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

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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 EBIT

Group total EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Divestments	**-5.6**	0.0	**-5.6**	-0.8
Personnel related	**-1.2**	-	**-2.5**	-
Insurance compensation for personal injury	**-0.2**	-	**-0.2**	-
Impairment losses	**-1.2**	-0.1	**-1.2**	-0.1
Total	**-8.2**	-0.1	**-9.5**	-0.9

SBU West EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Divestments	**-**	-	**-**	-
Personnel related	**-1.2**	-	**-1.6**	-
Insurance compensation for personal injury	**-0.2**	-	**-0.2**	-
Impairment losses	**-**	-0.1	**-**	-0.1
Total	**-1.4**	-0.1	**-1.8**	-0.1

SBU East EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Divestments	**-5.6**	0.0	**-5.6**	-0.8
Personnel related	**-0.1**	-	**-0.2**	-
Insurance compensation for personal injury	**-**	-	**-**	-
Impairment losses	**-1.2**	-	**-1.2**	0.0
Total	**-6.9**	0.0	**-7.0**	-0.8

Tikkurila common EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Divestments	**-**	-	**-**	-
Personnel related	**0.1**	-	**-0.6**	-
Insurance compensation for personal injury	**-**	-	**-**	-
Impairment losses	**-**	-	**-**	-
Total	**0.1**	-	**-0.6**	-

Net debt **EUR million**	**Dec 31, 2017**	Dec 31, 2016
Interest-bearing non-current liabilities	**50.1**	50.1
Interest-bearing current liabilities	**57.0**	27.1
Interest-bearing liabilities, total	**107.0**	77.2
Cash and cash equivalents	**17.0**	18.5
Interest-bearing financial liabilities (net)	**90.1**	58.7

Return on capital employed (ROCE), %		
Operating result + share of profit or loss of equity-accounted investees [1)]	**19.5**	53.4
Capital employed [2)]	**311.4**	289.1
Return on capital employed (ROCE), %	**6.3%**	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

SEGMENT INFORMATION BY QUARTER

Revenue by segment **EUR million**	1-3/2016	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017	7-9/2017	10-12/2017
SBU West	99.6	123.5	104.9	67.2	99.0	118.0	101.6	61.3
SBU East	30.8	55.8	53.2	37.0	38.1	65.2	58.4	40.9
Eliminations	0.0	0.0	0.0	0.0	-	-	0.0	0.0
Total	130.4	179.3	158.0	104.2	137.1	183.2	159.9	102.2

EBIT by segment **EUR million**	1-3/2016	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017	7-9/2017	10-12/2017
SBU West	14.3	22.2	18.5	-9.8	7.1	15.5	13.4	-19.8
SBU East	-0.7	6.8	6.1	0.3	-1.0	6.4	8.7	-5.9
Tikkurila common	-1.1	-1.4	-0.9	-1.2	-0.8	-2.0	-1.4	-0.8
Eliminations	0.0	0.0	-	-	-	-	0.0	0.0
Total	12.5	27.6	23.7	-10.7	5.2	20.0	20.6	-26.5

Items affecting comparable EBIT by segment **EUR million**	1-3/2016	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017	7-9/2017	10-12/2017
SBU West	-	-	-	-0.1	-	-	-0.5	-1.4
SBU East	0.0	-0.8	0.0	0.0	-	-	-0.1	-6.9
Tikkurila common	-	-	-	-	-	-	-0.7	0.1
Eliminations	-	-	-	-	-	-	-	-
Total	0.0	-0.8	0.0	-0.1	-	-	-1.3	-8.2

Adjusted operating result by segment **EUR million**	1-3/2016	4-6/2016	7-9/2016	10-12/2016	1-3/2017	4-6/2017	7-9/2017	10-12/2017
SBU West	14.3	22.2	18.5	-9.7	7.1	15.5	13.8	-18.4
SBU East	-0.6	7.6	6.1	0.3	-1.0	6.4	8.7	1.1
Tikkurila common	-1.1	-1.4	-0.9	-1.2	-0.8	-2.0	-0.7	-1.0
Eliminations	0.0	0.0	-	-	-	-	0.0	0.0
Total	12.5	28.4	23.7	-10.6	5.2	20.0	21.9	-18.3

Non-allocated items:								
Total financial income and expenses	1.0	1.1	-0.1	1.8	2.1	-3.7	-0.6	-0.7
Share of profit or loss of equity-accounted investees	0.0	0.2	0.1	0.0	0.0	0.1	0.1	0.0
Profit / loss before taxes	13.6	28.9	23.7	-8.8	7.3	16.4	20.1	-27.2

Assets by segment **EUR million**	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017
SBU West	337.1	360.2	342.0	319.9	346.7	359.9	355.5	321.4
SBU East	107.5	121.6	113.5	107.4	112.1	112.6	96.6	81.8
Assets, non-allocated to segments	107.3	120.2	43.1	31.3	76.7	129.3	69.8	54.8
Eliminations	-99.3	-76.6	-47.6	-48.3	-49.3	-59.0	-48.8	-30.2
Total assets	452.6	525.4	451.0	410.3	486.1	542.8	473.1	427.7

Vantaa, February 12, 2018

TIKKURILA OYJ
BOARD OF DIRECTORS