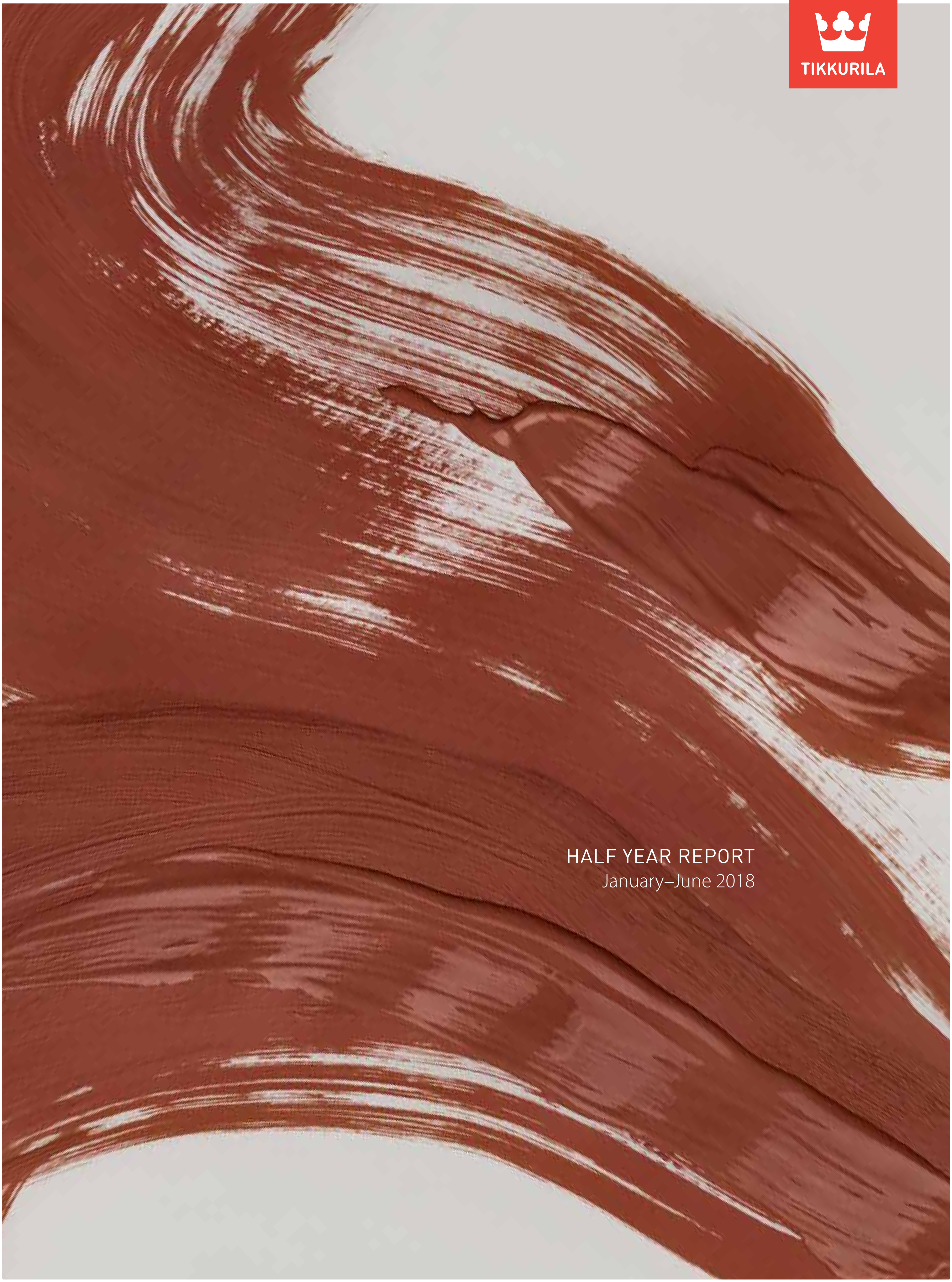
TIKKURILA



HALF YEAR REPORT
January–June 2018

Tikkurila Oyj
Half year financial report
August 3, 2018 at 9:00 a.m. (CET+1)

Tikkurila's half year financial report for January−June 2018

- **Sales volumes and operating profit growing in the second quarter despite the headwind from currencies and raw material inflation. Cost reductions are on track.**

April–June 2018 highlights

- Revenue for the second quarter decreased by 5.1 percent to EUR 173.7 million (4–6/2017: EUR 183.2 million). Revenue grew by 3.1 percent, excluding currency effects and divestments.
- Adjusted operating profit was EUR 21.5 (20.0) million, i.e. 12.4 (10.9) percent of revenue.
- Operating profit (EBIT) was EUR 21.2 (20.0) million, i.e. 12.2 (10.9) percent of revenue.
- EPS was EUR 0.35 (0.28).

January–June 2018 highlights

- Revenue decreased by 5.1 percent to EUR 303.8 million (1–6/2017: EUR 320.2 million). Revenue grew by 1.6 percent, excluding currency effects and divestments.
- Adjusted operating profit was EUR 25.1 (25.2) million, i.e. 8.3 (7.9) percent of revenue.
- Operating profit (EBIT) was EUR 21.1 (25.2) million, i.e. 7.0 (7.9) percent of revenue.
- EPS was EUR 0.30 (0.41).

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)	4–6/2018	4–6/2017	Change %	1–6/2018	1–6/2017	Change %	1–12/2017
Income statement							
Revenue	**173.7**	183.2	-5.1%	**303.8**	320.2	-5.1%	582.4
Adjusted operating profit	**21.5**	20.0	7.8%	**25.1**	25.2	-0.2%	28.8
Adjusted operating profit margin, %	**12.4%**	10.9%		**8.3%**	7.9%		4.9%
Operating profit (EBIT)	**21.2**	20.0	6.0%	**21.1**	25.2	-16.1%	19.3
Operating profit (EBIT) margin, %	**12.2%**	10.9%		**7.0%**	7.9%		3.3%
Profit before taxes	**19.5**	16.4	18.7%	**18.2**	23.7	-23.4%	16.6
Net profit for the period	**15.4**	12.5	22.9%	**13.3**	18.1	-26.7%	10.7
Other key indicators							
EPS, EUR	**0.35**	0.28	22.9%	**0.30**	0.41	-26.7%	0.24
ROCE, %, rolling	**5.0%**	12.9%		**5.0%**	12.9%		6.3%
Cash flow after capital expenditure	**-6.5**	-33.4	80.6%	**-52.1**	-63.9	18.5%	4.4
Net interest-bearing debt at period-end				**157.3**	157.2	0.0%	90.1
Gearing, %				**104.6%**	83.3%		50.2%
Equity ratio, %				**28.1%**	34.8%		42.0%
Personnel at period-end				**3,030**	3,228	-6.1%	3,037

Comments by Elisa Markula, CEO:

“Our euro-denominated revenue decreased in the second quarter, but by excluding currency effects and divestments the comparable growth was 3 percent. Sales volumes grew in all key markets, thanks to our sales efforts, positive economic trends, and the improved reliability of deliveries.

Profitability improved due to higher sales volumes and reduced fixed expenses, but profitability did not reach the targeted level. We increased our sales prices, but not sufficiently to compensate for the increased raw material costs.

A year ago, we launched an extensive efficiency program to boost profitability and cost competitiveness. The minimum savings target for the program was set at EUR 30 million. Within the framework of the efficiency program, we have so far moved to a more centralized organizational model, discontinued and divested unprofitable business operations, decided to close down certain small production units, and begun streamlining and simplifying the product portfolio. At an annual level, the savings impact of the measures taken thus far is roughly EUR 10 million. Furthermore, we are aiming to achieve savings of approximately EUR 20 million by streamlining sourcing, optimizing the production network, and reducing fixed expenses. Headcount reductions are planned for areas in which overlaps and opportunities to streamline operations have been identified. The reductions will take place during the current year. The effects of the EUR 30 million saved through the program will be visible during 2019.

As for this year, we will continue to boost sales and raise sales prices in all markets. Raw material prices are estimated to continue to increase throughout 2018. We estimate that our revenue will remain at the previous year’s level, and our adjusted operating profit will improve. Our long-term goal is to ensure the realization of Tikkurila’s vision, ’Surfaces that make a difference’, and define the related strategic choices, particularly with regard to building outstanding customer experiences and making sustainability the center of all our operations and concrete added value to our customers. Our short-term goal is to focus on strengthening the position of our brands and improving operational efficiency through several transformation projects.”

Press Conference and webcast

Tikkurila will hold a press conference regarding the half year financial report for January–June 2018 for the media and analysts today on August 3, 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 half year financial report will be presented by **Elisa Markula**, CEO, and **Jukka Havia**, CFO.

A live webcast, conducted in English, will be organized on August 3, 2018, 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 0361 (Finnish callers)
+44 (0)330 336 9105 (UK callers)
+1 929-477-0448 (US callers)
Participant code: 8165234

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 2018 on Friday October 26, 2018, at around 9:00 a.m. (CET+1).

Tikkurila Oyj
Elisa Markula, CEO

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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 half year financial report January 1 – June 30, 2018

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 2017. 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, 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 Finland, Poland, and Sweden. Economic growth is also expected for Russia, but at a slower pace than in Tikkurila's other key markets.

In Sweden, the economic situation remains strong, but economic growth and construction are forecast to slow down this year. The weak Swedish krona was good for exports and drew additional investment, but construction was reduced by the drop in housing prices. Private consumption continued to grow, but households' trust in the economy has been declining since the beginning of the year. Not knowing whether housing prices will continue to fall is a major cause of uncertainty. Finland's strong economic growth will continue this year, boosted by exports and private consumption. Construction is peaking, but the number of building permits granted is falling. In Poland, the economy remained highly active and competition was tight The Russian economy is growing slowly. The increase in oil prices has helped to rebuild trust in the economy, which is reflected in both private consumption and investment activity. On the other hand, prospects are weakened by the uncertainty associated with oil price trends and international sanctions.

Of the currencies relevant to Tikkurila's business areas, the Russian ruble and the Swedish krona were markedly weaker during the period under review than in the comparison period. The Polish zloty was also at a slightly weaker level.

Raw-material inflation continued during the period under review, leading to clearly higher raw-material costs compared to the comparison period. For this reason, we will keep raising prices during the rest of the year.

Financial Performance in April–June 2018

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	
	4–6/2018	4–6/2017	**4–6/2018**	4–6/2017
SBU West	**115.1**	118.0	**16.2**	15.5
SBU East	**58.7**	65.2	**6.8**	6.4
Group common and eliminations	**0.0**	0.0	**-1.6**	-2.0
Consolidated Group	**173.7**	183.2	**21.5**	20.0

Tikkurila Group's euro-denominated **revenue** decreased by -5% but increased by +3%, excluding currency effects and divestments. Unfavorable exchange rate fluctuations had an effect on revenue of -6%, higher sales volumes an effect of +5%, and sales price increases and the unfavorable development in the sales mix a combined effect of -2%. The sales mix weakened in West but improved in East. The divestment of business operations in the Balkans had an effect on revenue of -2%.

Adjusted operating profit totaled EUR 21.5 (20.0) million, which accounts for 12.4 (10.9) percent of revenue. Profitability improved because of lower fixed expenses than in the previous year, which was mainly due to lower ERP implementation costs, exchange rate fluctuations and strict cost control in general. Other operating income includes EUR 0.5 million insurance compensation linked to raw material sourcing.

Operating profit (EBIT) totaled EUR 21.2 (20.0) million, equaling 12.2 (10.9) percent of revenue.

The net financial expenses in April–June 2018 were EUR -1.8 (-3.7) million. Profit before taxes was EUR 19.5 (16.4) million. Taxes totaled EUR 4.1 (3.9) million, equaling an effective tax rate of 21.1 (23.9) percent. Earnings per share were EUR 0.35 (0.28) in the review period.

Financial Performance in January–June 2018

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	
	1–6/2018	1–6/2017	**1–6/2018**	1–6/2017
SBU West	**215.5**	216.9	**23.5**	22.6
SBU East	**88.3**	103.3	**4.1**	5.4
Group common and eliminations	**0.0**	-	**-2.5**	-2.8
Consolidated Group	**303.8**	320.2	**25.1**	25.2

Tikkurila Group’s euro-denominated **revenue** fell by -5% but increased by +2%, excluding currency effects and divestments. Unfavorable exchange rate fluctuations had an effect on revenue of -5%, higher sales volumes had an effect of +1%, and the divestment of business operations in the Balkans an effect of -2%.

Adjusted operating profit totaled EUR 25.1 (25.2) million, equaling 8.3 (7.9) percent of revenue.

The level of fixed expenses was clearly lower than in the comparison period but the higher level of raw material costs had an adverse impact on margins and profitability.

Operating profit (EBIT) totaled EUR 21.1 (25.2) million, equaling 7.0 (7.9) percent of revenue. The items effecting comparability in the review period were mainly related to the discontinuation of the German business operations.

The net financial expenses in January–June 2018 were EUR -3.1 (-1.6) million. Profit before taxes was EUR 18.2 (23.7) million. Taxes totaled EUR 4.9 (5.7) million, equaling an effective tax rate of 27.1 (23.8) percent. Earnings per share were EUR 0.30 (0.41) in the review period.

Financial Performance by Reporting Segments

SBU West

EUR million	**4–6/2018**	4–6/2017	Change %	**1–6/2018**	1–6/2017	Change %	1–12/2017
Revenue	**115.1**	118.0	-2.5%	**215.5**	216.9	-0.6%	379.8
Adjusted operating profit	**16.2**	15.5	4.5%	**23.5**	22.6	4.1%	18.1
Adjusted operating profit margin, %	**14.1%**	13.2%		**10.9%**	10.4%		4.8%
Operating profit (EBIT)	**16.1**	15.5	3.3%	**19.4**	22.6	-14.1%	16.2
Operating profit (EBIT) margin, %	**14.0%**	13.2%		**9.0%**	10.4%		4.3%
Capital expenditure excluding acquisitions	**1.7**	2.3	-27.1%	**3.2**	4.1	-22.1%	11.0

Financial Performance in April–June 2018

SBU West's euro-denominated revenue decreased by -2% from the comparison period while remained stable in comparable currencies. The effects of various factors on revenue for the second quarter:

- Higher sales volumes +5%. Sales volumes developed favorably in Sweden, Finland and Estonia
- Adverse currency effect -3%
- The combined effect of sales price increases and the unfavorable development of the sales mix was -5%. The unfavorable sales mix was due to distribution channel changes in Sweden and growth in the relative share of professional and industry customers. Sales prices were raised in all key markets in the first half of the year, but these were insufficient to compensate for raw material inflation.

Second quarter revenues of the key countries:

- Sweden EUR 37.5 (42.0) million, Finland EUR 30.8 (29.8) million, Poland EUR 24.3 (22.9) million

The improved second quarter profitability of SBU West was caused by lower fixed expenses. The fixed expense level was decreased by the lower headcount in Sweden and clearly lower costs related to the introduction of the ERP system.

Financial Performance in January–June 2018

SBU West's euro-denominated revenue decreased by -1% from the comparison period while increased by +2% in comparable currencies. The effects of various factors on revenue for January-June:

- Higher sales volumes +3%
- Adverse currency effect -2%
- The combined effect of sales prices increases and the unfavorable development of the sales mix -2%

January-June revenues of the key countries:

- Sweden EUR 73.2 (78.6) million, Finland EUR 57.7 (58.2) million, Poland EUR 45.5 (39.4) million

The January-June profitability of SBU West was improved by lower fixed expense level. Variable costs were clearly higher than in the comparison period due to increased raw material costs.

SBU East

EUR million	**4–6/2018**	4–6/2017	Change %	**1–6/2018**	1–6/2017	Change %	1–12/2017
Revenue	**58.7**	65.2	-10.0%	**88.3**	103.3	-14.5%	202.6
Adjusted operating profit	**6.8**	6.4	6.3%	**4.1**	5.4	-23.6%	15.2
Adjusted operating profit margin, %	**11.7%**	9.9%		**4.7%**	5.2%		7.5%
Operating profit (EBIT)	**6.7**	6.4	3.5%	**4.2**	5.4	-21.6%	8.2
Operating profit (EBIT) margin, %	**11.3%**	9.9%		**4.8%**	5.2%		4.1%
Capital expenditure excluding acquisitions	**1.5**	0.5	169.0%	**3.1**	1.2	158.0%	3.6

Financial Performance in April–June 2018

SBU East's euro-denominated revenue decreased by -10% from the comparison period while increased by +8%, excluding currency effects and divestments. The effects of various factors on revenue for the second quarter:

- Higher sales volumes +4%. Sales volumes developed favorably in Russia and Central Asia
- Adverse currency effect -12%
- Sales price increases and favorable sales mix +4%. In Russia, the relative share of premium products of sales increased. During the first half of the year, sales prices were increased in all key markets but the increases were not enough to compensate for raw material inflation.
- Divestment of the Balkan business operations -6%

Second quarter revenues of the key countries:

- Russia EUR 45.3 (47.7) million

The profitability of SBU East during the second quarter improved despite the robust raw material cost increase. Increased sales volumes, hikes in sales prices and favorable sales mix development had a positive effect on profitability.

Financial Performance in January–June 2018

SBU East's euro-denominated revenue decreased by -15% from the comparison period while grew by +2%, excluding currency effects and divestments. The effects of various factors on revenue for January-June:

- Lower sales volumes -3%. Sales volume development was poor in the first quarter of the year due to the consolidation of retail chains in Russia, in particular
- Adverse currency effect -10%
- Sales price increases and favorable sales mix +4%
- Divestment of the Balkan business operations -6%

January-June revenues of the key countries:

- Russia EUR 66.3 (73.8) million

The profitability of SBU East in January–June deteriorated due to the higher raw material 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.

Cash flow from operations in January–June totaled EUR -44.3 (-57.2) million. In the review period, the cash flow was improved by lower fixed expense level caused by the decreased ERP system implementation costs and lower level of net working capital. At the end of the review period, net working capital totaled EUR 156.1 (172.7) million. The decrease in net working capital was primarily due to the increase in trade payables and decline in trade receivable balances, which was affected by resolved challenges in Sweden. In addition, the weakening of Russian ruble and Swedish krona from the comparison period lowered the level of receivables. The net cash flow from the investing activities was EUR -7.8 (-6.7) million, when taking into account acquisitions and divestments. Cash flow after capital expenditure totaled EUR -52.1 (-63.9) million at the end of the review period.

Interest-bearing debt amounted to EUR 190.5 (185.2) million at the end of the review period, and net debt was EUR 157.3 (157.2) million. At the end of the review period, cash and cash equivalents amounted to EUR 33.3 (28.0) million, and short-term interest-bearing debt totaled EUR 140.5 (135.1) million, including the company's issued commercial papers for a total nominal amount of EUR 117.8 (133.0) million. Moreover, the Group had long-term interest-bearing debt totaling EUR 50.0 (50.1) million. At the end of June, the Group had a total of EUR 88.7 (109.0) million of unused committed credit facilities or credit limits.

The Group´s net financial expense was EUR -3.1 (-1.6) million, of which interest expenses totaled EUR -0.2 (0.1) million and other financing expenses EUR -0.4 (-0.2) million. The average capital-weighted interest rate of interest-bearing debt was 0.8 (0.7) percent. The net profit was negatively affected by a total of EUR -2.6 (-1.4) 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 and Swedish krona 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 28.1 (34.8) percent, and gearing was 104.6 (83.3) percent. Equity ratio was lower due to decreased equity which was negatively affected by the adverse result development during the past couple of years.

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. The program to boost profitability includes five initiatives:

1. Fixed expenses

As the result of divesting and closing down certain business operations and sites as well as other planned headcount reductions, Tikkurila estimates that its personnel will be reduced by 15 percent, i.e. by 500 employees, compared to the end of 2017. Divestments and closing down of businesses and sites will result in a reduction of 250 employees. In addition, Tikkurila plans to make headcount reductions for areas in which overlaps and opportunities to streamline operations have been identified. The estimated additional Group-wide headcount reduction need is 250 positions. The reductions are planned for 2018.

Tikkurila will begin the processes relating to the planned headcount reductions in the forthcoming weeks. Different procedures and schedules will be used depending on the country in question.

With regard to other fixed expenses, strict cost discipline will be executed at Tikkurila.

2. Optimizing the production network

Tikkurila has implemented several measures relating to optimizing production and logistics, and more are planned for the future. The factory project in Russia is progressing according to schedule.

3. Harmonizing the portfolio

A portfolio optimization project is underway at Tikkurila, aimed at significantly reducing the amounts of manufacturing formulas, raw materials and SKUs during the forthcoming years. The goal is to reduce the number of SKUs by half by 2020, including the divestment of business operations.

4. Streamlining sourcing

We have added a new key function to Tikkurila Management Board as of the beginning of June: sourcing. Raw materials and packaging materials account for approximately half of Tikkurila's revenue, and it has many opportunities to streamline both direct and indirect purchases. Other goals include reducing committed capital and seeking alternative raw materials and suppliers to boost competitiveness. All indirect purchasing will be centralized into a Group-level function. This will be done to achieve annual savings of 5-10 percent.

5. Sales management

The efficiency of sales management will be improved by introducing digital sales monitoring and management solutions, and through the automation of services.

Costs and benefits of the efficiency program

In financial year 2018, the costs arising from restructuring, optimization of the production network, and planned headcount reductions, are estimated to amount to approximately EUR 10 million. The costs will have an impact on comparability, and their effect is not included in the adjusted operating result. This estimate also includes the costs of closing down the operations in Germany, which was announced in the first quarter.

The annual savings impact of the measures taken thus far is roughly EUR 10 million. In addition, EUR 20 million in annual savings are being sought through future measures. The effects of the EUR 30 million saved through the program will be visible during 2019.

Capital Expenditure

In January–June 2018, gross capital expenditure excluding acquisitions amounted to EUR 6.3 (5.3) million. The rise in capital expenditure relates to the Russian factory investment which is in planning phase.

The Group's depreciation, amortization and impairment losses amounted to EUR 8.8 (9.8) million in January–June. The Group performs impairment tests in accordance with the IAS 36 standard.

Research, Development and Innovation

In January–June 2018, Tikkurila's research and development expenses totaled EUR 5.1 (6.1) million, equaling 1.7 (1.9) percent of revenue.

Human Resources

At the end of June 2018, the Tikkurila Group employed 3,030 (3,228) people. The average number of employees in January–June was 2,962 (3,119).

Tikkurila Group's number of employees at the end of each quarter is presented below split by SBU, starting from the first quarter of 2017.

	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	**Q2/2018**
SBU West	1,693	1,804	1,676	1,659	1,675	**1,754**
SBU East	1,383	1,393	1,364	1,367	1,265	**1,261**
Group functions	32	31	26	11	12	**15**
Total	3,108	3,228	3,066	3,037	2,952	**3,030**

Shares and Shareholders

At the end of June 2018, 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 2018, Tikkurila held 2,461 treasury shares.

According to Euroclear Finland Oy's register, Tikkurila had a total of some 20,240 shareholders on June 30, 2018. 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 14.70. In January–June, the volume-weighted average share price was EUR 17.84, the lowest price EUR 13.52, and the highest price EUR 18.96. At the end of June, the market value of Tikkurila Oyj's shares was EUR 648.4 million. During January–June, a total of 5.2 million Tikkurila shares, corresponding to approximately 11.7 percent of the number of shares, were traded on NASDAQ OMX Helsinki Ltd. The value of the traded volume was EUR 82.6 million. Tikkurila's shares are traded also outside of NASDAQ OMX Helsinki, but the company does not have detailed statistics available on this external trading.

The Board of Directors of Tikkurila resolved on new performance share plans

On June 26, 2018, the Board of Directors of Tikkurila Oyj approved two new share-based incentive plans for the Group key employees. The aim of the new plans is to align the objectives of the shareholders and the key employees to execute Company's strategic transformation in the short-term and increase the value of the Company in the long-term, as well as to retain the key employees at the Company, and to offer them a competitive reward plan based on earning and accumulating the Company's shares.

Share plan 2018-2022

The plan includes three performance periods, calendar years 2018-2020, 2019-2021 and 2020-2022. The potential rewards from the plan will be paid partly in the Company's shares and partly in cash in 2021, 2022 and 2023. The cash proportion is to cover taxes and tax-related costs arising from the reward to the participants. Payment of the reward is conditional to that a participant is employed at the time of the payment. The reward amounts earned through the plan will be capped if the limits set by the Board of Directors for the payable reward are reached.

A participant must hold a minimum of 50 percent of the net number of shares received on the basis of the plan, until his or her total shareholding in the Company equals the value of his or her annual gross salary. Such number of shares must be held as long as the participant's employment or service in a group company continues.

Approximately 10 key employees, including the members of the Management Team, belong to the target group of the plan during the performance period 2018-2020.The potential reward of the plan from the performance period 2018-2020 will be based on the Tikkurila Group's average EBITDA- and net debt- based intrinsic values for 2018-2020. The rewards to be paid on the basis of the performance period 2018-2020 will amount to an approximate maximum total of 130,000 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.

Share plan 2018-2019

The plan includes one performance period, calendar years 2018-2019. The potential reward from the plan will accrue in cash and will be paid partly in the Company's shares and partly in cash in 2020. The cash proportion is to cover taxes and tax-related costs arising from the reward to the participants. Payment of the reward is conditional to that a participant is employed at the time of the payment.

Approximately 30 key employees, including the members of the Management Team, belong to the target group of the plan. The potential reward of the plan will be based to the cumulative revenue and adjusted EBIT from the performance period 2018-2019. The calculable aggregate value of the plan, including portions in shares and in cash, will amount to an approximate maximum of EUR 3.2 million.

Members of the Nomination Board

On June 19, 2018, the shareholders’ Nomination Board of Tikkurila Oyj was appointed. 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)

On May 31, 2018, Tikkurila’s three largest registered shareholders were Oras Invest Oy, Varma Mutual Pension Insurance Company and Mandatum Life Insurance Company Ltd. Mandatum Life Insurance Company did not wish to use its right to appoint a member to the Nomination Board, and thus the right was passed on to the next largest shareholder which was Ilmarinen Mutual Pension Insurance Company.

Changes in Tikkurila Management Board

Elisa Markula, new President and CEO of Tikkurila Oyj, assumed her duties on April 12, 2018. The Board of Directors of Tikkurila Oyj appointed Elisa Markula President and CEO of Tikkurila Oyj on February 12, 2018. She joined Tikkurila from Paulig Group where she has worked since 2010 as Director of Paulig Group Coffee Business.

Fredrik Linde (born 1971, M.Sc., Eng, eMBA) was appointed Senior Vice President, Operations, and a member of the Tikkurila Management Team. Operations include product care, production, logistics and HSE (Health, Safety and Environment). Linde has worked at Tikkurila since 2009, being previously responsible for supply chain planning (2017-2018) and leading Scandinavian supply chain (2009-2017). During 1998-2009, Linde held several production and HSE-related leadership positions at AstraZeneca in Sweden.

Petri Miettinen (born 1968, M.Sc., Econ.) Senior Vice President, Operations, was appointed Senior Vice President, Sourcing. He will continue as a member of the Tikkurila Management Team. Previously, Sourcing has been a part of Operations but as of June 1, 2018, it will be separated as its own function including direct and indirect sourcing. Miettinen has worked at Tikkurila and been a member of the Management Team since 2007.

Janno Paju, Senior Vice President, Sales, and a member of the Tikkurila Management Team, left the company on May 7, 2018. CEO Elisa Markula will be leading Tikkurila's Sales function until the successor to Janno Paju will be appointed.

Events after the review period

On 13 July 2018, Tikkurila received information on the result of arbitration proceedings, according to which the counterparty was ordered to pay Tikkurila compensation of approximately EUR 0.7 million.

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 2017 financial period describes the key short-term risk areas related to the raw material availability and price trend, reorganization, credit losses, exchange rate development and 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. 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 housing market. Economic growth is anticipated to continue in Tikkurila's key markets and consumer confidence is high. The importance of professional segment is on the rise which will affect the sales split of the Tikkurila Group. 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 during the remainder of 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.

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

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 2017, with the exception of new or revised or amended standards and interpretations which have been applied from the beginning of 2018.

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.

From the beginning of 2018 Tikkurila Group has applied the following new and revised standards and amendments: IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and amendments to standard IFRS 2 Share-based payments. The impacts resulting from the application of these new, revised or amended standards, change the Group's opening balances as presented in the following table.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR million

ASSETS	Dec 31, 2017	Adjustment	Jan 1, 2018
Non-current assets			
Goodwill	72.0		72.0
Other intangible assets	26.5		26.5
Property, plant and equipment	81.2		81.2
Equity-accounted investees	0.5		0.5
Other investments	0.8		0.8
Non-current receivables	7.5	-0.2	7.3
Defined benefit pension and other long-term employee benefit assets	0.0		0.0
Deferred tax assets	8.2	0.5	8.7
Total non-current assets	**196.6**	**0.3**	**196.9**
Current assets			
Inventories	96.0		96.0
Interest-bearing receivables	0.7	0.0	0.6
Non-interest-bearing receivables	108.2	-1.1	107.1
Cash and cash equivalents	17.0		17.0
Non-current assets held for sale	9.3		9.3
Total current assets	**231.2**	**-1.1**	**230.0**
Total assets	**427.7**	**-0.8**	**426.9**
EQUITY AND LIABILITIES			
Share capital	35.0		35.0
Other reserves	0.0		0.0
Fair value reserve	0.0		0.0
Reserve for invested unrestricted equity	40.0		40.0
Treasury shares	0.0		0.0
Translation differences	-39.3		-39.3
Retained earnings	143.9	-2.1	141.8
Equity attributable to owners of the parent	**179.5**	**-2.1**	**177.4**
Non-controlling interest	-	-	-
Total equity	**179.5**	**-2.1**	**177.4**
Non-current liabilities			
Interest-bearing non-current liabilities	50.1		50.1
Other non-current liabilities	0.1	0.0	0.1
Defined benefit pension and other long-term employee benefit liabilities	27.1		27.1
Provisions	0.5		0.5
Deferred tax liabilities	5.0		5.0
Total non-current liabilities	**82.8**	**0.0**	**82.8**
Current liabilities			
Interest-bearing current liabilities	57.0		57.0
Non-interest-bearing current liabilities	106.8	1.3	108.1
Provisions	0.6		0.6
Liabilities classified as held for sale	1.0		1.0
Total current liabilities	**165.4**	**1.3**	**166.7**
Total equity and liabilities	**427.7**	**-0.8**	**426.9**

Amendments to IFRS 2 Share-based payments (effective for financial years beginning on or after January 1, 2018)
The Group has adopted amendments to IFRS 2 as of January 1, 2018. Amendments clarify that share-based payment transactions with a net settlement feature for withholding tax obligation should be classified as equity-settled in its entirety providing that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Some of Tikkurila's share-based payment plans have net settlement features. Thus, the Group recognized cash-settled payments directly as adjustment to the opening balance of retained earnings 2018. This impacted EUR 0.0 million to Group's retained earnings as of Jan 1, 2018.

Application of standard IFRS 15 Revenue from Contracts with Customers
The standard replaced IAS 11 Construction contracts, IAS 18 Revenue and related interpretations. As per IFRS 15 standard's 5-step model there are the following steps: contracts with customers are identified, separate performance obligations in the contracts are identified, transaction price is determined, the transaction price is allocated to all identified performance obligations in the contract on relative stand-alone prices, and revenue is recognized when the performance obligation is satisfied.

The Group has applied this new 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. The impact of IFRS 15 standard was analyzed by going through customer contracts and different contract structures and by documenting impact of sales practices.

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, in Sweden, Norway, and Denmark the Group has its own paint shops serving primarily professional customers. Revenue is generated also to a limited extent by selling paint related services and equipment.

In general, the revenue is recognized on selling the goods i.e. the performance obligations are satisfied, when the products are delivered to the customer in compliance with the contract terms. Customer specific delivery terms in purchase orders and/or frame agreements identify the point of time when the control is transferred to the customer. Application of IFRS 15 standard did not change this point of time of revenue recognition.

Warranties related to Tikkurila products are typically assurance-type warranties. They provide the customer with the assurance that the product is according to agreed standards and it will function as promised when the product is applied to surfaces it is intended to and the work stages described in the application details of the product data sheet have been followed. These warranties are not separate performance obligations which means that any obligations to these warranties are recognized in accordance with IAS 37 and are disclosed in provisions or in accrued expenses.

In customer contracts certain promises are granted on training services and on participating in sales promotion actions. The offered training services closely relate to products that Tikkurila delivers. The training is offered to wholesale customers and retailers with information on how to use Tikkurila products, and to ensure that products are used for surfaces they are intended. Typically, training is arranged by Tikkurila personnel. This kind of training is not a separate performance obligation.

In frame contracts and in shop-level contracts Tikkurila has granted certain commitments to its customers in relation to marketing and sales promotion actions. Tikkurila supplies its customers with brochures, product instructions and other marketing material which support distributors in selling Tikkurila products. Some agreements also contain obligations for Tikkurila to participate together with the customer in financing of defined and specified sales promotion actions. Such items are recognized as sales and marketing expenses. When sales promotion expenses that Tikkurila compensates to customers are not considered as a payment for distinct services purchased from a customer and no specified marketing actions have been defined, the consideration payable to the customer will be recognized, after adoption of IFRS 15 standard, as an adjustment to revenue. In financial year 2017 such items included in the Group's other operating expenses totaled approximately EUR 3.3 million. In the half year financial report 2018 these items decreased revenue by about EUR 1.6 million. This change has no impact on operating profit.

Tikkurila's business is based on extensive utilization of tinting, and hence Tikkurila provides often to its retailers the tinting machines needed for this. These tinting machines and some other marketing supporting by-products have been considered as separate performance obligations. As there are volume discounts on future paint sales agreed in the customer contracts in relation to these support products, therefore the transaction price has been allocated between support product in question and paint sales. As per the allocation of transaction price a total of EUR 1.0 million has been adjusted in retained earnings, net of tax. This adjustment is recognized because transaction price has been allocated to future paint sales, and that will be entered as income in the future financial years. The estimated amount of this adjustment stated in the financial statements 2017 was EUR 1.2 million and it was re-defined afterwards. In the figures of the half year report 2018, this change in method effected revenue around EUR 0.0 million.

The payment terms of Tikkurila Group customers vary depending on geographical location and customer-specific terms and conditions. Furthermore, in customer contracts, there are afterwards granted discounts, credits that are tied to volume and/or value of the deliveries or sales volumes of specified product groups. There are also in certain contracts penalty clauses related to on-time deliveries and supply chain reliability. The impact of the variable consideration on the transaction price requires estimation at point of time of the revenue recognition. Tikkurila has several contracts with similar characteristics and estimation of the variable consideration is updated at the end of every reporting period. In estimating the variable consideration, Tikkurila Group companies utilize experience on realization of different types of discounts on similar characteristics contracts combined with historical information on individual customer deliveries.

IFRS 9 Financial Instruments (effective for financial years beginning on or after January 1, 2018)
The new standard replaced 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 other comprehensive income 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 an expected credit loss model for calculating impairment on financial assets.

According to the IFRS 9 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. In the guidance for hedge accounting, included in IFRS 9, the types of hedge accounting are cash flow hedges, fair value hedges and net investment hedges. The requirement and strict definition of highly effective in accordance with 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.

At the adoption of IFRS 9, on January 1, 2018, the changes in classification of financial instruments have been disclosed in the following table. Tikkurila Group's loans and other receivables are continued to be measured at amortized cost because the cash flows arising from these items consist payments of principal and interest, and Tikkurila Group intends to hold these financial assets until to maturity.

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 whole lifetime expected credit loss will be recognized of trade receivables. The Group has followed group wide guidelines to calculate credit loss. The guidelines are based on time categories when the trade receivables have fallen due. As applying IFRS 9 the guidelines have been 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. For instance, historical losses and customers' payment behavior in geographical area in question are impacting to the percentages defined. As per the new expected credit loss model, Group recognized an adjustment of EUR -1.1 million in retained earnings and trade receivables as of January 1, 2018.

When assessed the impact of IFRS 9 standard to other financial assets the Group applies the general expected credit loss model in which estimated amount of loss allowance equals to 12-month expected credit losses, if there is no significant increase in credit risk since the initial recognition. This resulted that Group recognized EUR -0.2 million adjustment in retained earnings and loan receivables as of January 1, 2018. The estimated credit loss amount of loan receivables is based on 12 month expected credit loss because no considerable increase in credit risk relates to these loan receivables.

In accordance with IFRS 9 standard, the equity investments can be classified either as fair value through other comprehensive income or fair value through profit or loss. This election of classification can be done for every equity investment separately. Tikkurila Group's available for sale financial assets include equity investments, which are long-term nature investments that the Group is not intending to sell, and which Tikkurila Group has accounted for and classified as fair value through other comprehensive income. Therefore, received dividends will be recognized in profit or loss, but possible impairment losses will not be recognized in profit or loss nor the gains or losses on disposal will be reclassified to profit or loss.

There are no impacts resulting from the application of standard to financial liabilities.

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Reclassification of financial instruments on adoption of IFRS 9 and impacts on the Group's statement of financial position January 1, 2018

EUR million	Measurement category		Carrying amount		
Non-current financial assets	**Original (IAS 39)**	**New (IFRS 9)**	**IAS 39**	**IFRS 9**	**Change**
Available-for-sale-financial assets - unquoted shares	Available-for-sale-financial assets	Fair value through other comprehensive income	0.8	0.8	-
Loan receivables	Loans and other receivables (amortized cost)	Amortized cost	5.7	5.5	-0.2
Other receivables	Loans and other receivables (amortized cost)	Amortized cost	1.4	1.4	-
Current financial assets					
Interest-bearing receivables	Loans and other receivables (amortized cost)	Amortized cost	0.7	0.6	0.0
Cash equivalents	Loans and other receivables (amortized cost)	Amortized cost	17.0	17.0	-
Trade and other non-interest-bearing receivables	Loans and other receivables (amortized cost)	Amortized cost	88.1	87.0	-1.1
Total financial assets			**113.6**	**112.2**	**-1.3**
Non-current financial liabilities					
Finance lease liabilities	Other financial liabilities (amortized cost)	Amortized cost	0.2	0.2	-
Loans from financial institutions	Other financial liabilities (amortized cost)	Amortized cost	49.9	49.9	-
Current financial liabilities					
Current interest-bearing liabilities	Other financial liabilities (amortized cost)	Amortized cost	57.0	57.0	-
Trade payables	Other financial liabilities (amortized cost)	Amortized cost	51.5	51.5	-
Total financial liabilities			**158.5**	**158.5**	**-**

IFRS 16 Leases (effective for financial years beginning on or after January 1, 2019)
The new standard requires lessees to recognize a right-of-use asset and a lease liability at lease commencement for leases. There are two exceptions available, for short-term or low value items e.g. lease term is 12 months or less, or asset value is USD 5,000 or less. In these exceptions accounting treatment is similar than the current accounting for operating leases. The lessor accounting remains mostly similar to current IAS 17 accounting. A lessee can apply IFRS 16 either by a full retrospectively or a modified retrospectively approach. In latter approach it is not required to restate the comparative information, the cumulative effect of applying IFRS 16 is presented as an adjustment to opening retained earnings.

In the context of analysis of lease agreements, started in 2017, the Group's most significant lease agreements, that in accordance with IFRS 16 are to be recognized in consolidated statement of financial position, relate to office and business premises (offices and shops) as well as cars. The Group has continued analyzing its lease agreements in financial year 2018.

The Group will apply, at the date of initial application, the simplified approach and comparative information will not be restated. In measurement of a right-of-use asset the Group will likely choose the option where the lease liability equals to the right-of-use asset. The recognition and measurement of the exemptions for short-term leases and leases for which underlying asset is of low value will be applied.

This standard will have a significant impact on the Group's financial statement. Right-of-use assets and lease liabilities to be recognized on the consolidated statement of financial position are estimated to be around EUR 16-20 million.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	4-6/2018	4-6/2017	1-6/2018	1-6/2017	1-12/2017
Revenue	**173.7**	183.2	**303.8**	320.2	582.4
Other operating income	**1.2**	0.9	**1.9**	1.4	3.6
Expenses	**-149.4**	-159.3	**-275.8**	-286.6	-546.3
Depreciation, amortization and impairment losses	**-4.4**	-4.8	**-8.8**	-9.8	-20.4
Operating profit	**21.2**	20.0	**21.1**	25.2	19.3
Total financial income and expenses	**-1.8**	-3.7	**-3.1**	-1.6	-2.9
Share of profit or loss of equity-accounted investees	**0.1**	0.1	**0.2**	0.1	0.2
Profit before taxes	**19.5**	16.4	**18.2**	23.7	16.6
Income taxes	**-4.1**	-3.9	**-4.9**	-5.7	-6.0
Net result for the period	**15.4**	12.5	**13.3**	18.1	10.7
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements on defined benefit plans	**-1.2**	-1.0	**-1.2**	-1.5	-2.4
Income taxes relating to items that will not be reclassified to profit or loss	**0.3**	0.2	**0.3**	0.3	0.5
Total items that will not be reclassified to profit or loss	**-1.0**	-0.8	**-0.9**	-1.1	-1.9
Items that may be reclassified subsequently to profit or loss					
Other investments	**-**	-	**-**	-	0.0
Foreign currency translation differences for foreign operations	**-2.5**	-5.2	**-4.2**	-1.6	-2.6
Income taxes relating to items that may be reclassified subsequently to profit or loss	**-**	-	**-**	-	-
Total items that may be reclassified subsequently to profit or loss	**-2.5**	-5.2	**-4.2**	-1.6	-2.6
Total comprehensive income for the period	**11.9**	6.6	**8.2**	15.3	6.2
Net result attributable to:					
Owners of the parent	**15.4**	12.5	**13.3**	18.1	10.7
Non-controlling interest	**-**	-	**-**	-	-
Net result for the period	**15.4**	12.5	**13.3**	18.1	10.7
Total comprehensive income attributable to:					
Owners of the parent	**11.9**	6.6	**8.2**	15.3	6.2
Non-controlling interest	**-**	-	**-**	-	-
Total comprehensive income for the period	**11.9**	6.6	**8.2**	15.3	6.2
Earnings per share of the net profit attributable to owners of the parent					
Basic earnings per share (EUR)	**0.35**	0.28	**0.30**	0.41	0.24
Diluted earnings per share (EUR)	**0.35**	0.28	**0.30**	0.41	0.24

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR million

ASSETS	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Non-current assets			
Goodwill	**71.6**	72.1	72.0
Other intangible assets	**23.7**	28.7	26.5
Property, plant and equipment	**76.9**	84.2	81.2
Equity-accounted investees	**0.6**	0.8	0.5
Other investments	**0.7**	0.8	0.8
Non-current receivables	**8.8**	7.2	7.5
Defined benefit pension and other long-term employee benefit assets	**0.0**	0.1	0.0
Deferred tax assets	**10.3**	8.9	8.2
Total non-current assets	**192.7**	202.8	196.6
Current assets			
Inventories	**95.7**	86.4	96.0
Interest-bearing receivables	**0.9**	0.6	0.7
Non-interest-bearing receivables	**212.6**	224.9	108.2
Cash and cash equivalents	**33.3**	28.0	17.0
Non-current assets held for sale	**1.5**	0.0	9.3
Total current assets	**344.1**	340.0	231.2
Total assets	**536.7**	542.8	427.7

EQUITY AND LIABILITIES	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Share capital	**35.0**	35.0	35.0
Other reserves	**0.0**	0.0	0.0
Fair value reserve	**0.0**	-	0.0
Reserve for invested unrestricted equity	**40.0**	40.0	40.0
Treasury shares	**0.0**	0.0	0.0
Translation differences	**-43.5**	-38.4	-39.3
Retained earnings	**118.9**	152.0	143.9
Equity attributable to owners of the parent	**150.4**	188.6	179.5
Non-controlling interest	**-**	-	-
Total equity	**150.4**	188.6	179.5
Non-current liabilities			
Interest-bearing non-current liabilities	**50.0**	50.1	50.1
Other non-current liabilities	**0.0**	0.0	0.1
Defined benefit pension and other long-term employee benefit liabilities	**26.9**	26.9	27.1
Provisions	**0.5**	0.5	0.5
Deferred tax liabilities	**4.5**	5.5	5.0
Total non-current liabilities	**81.9**	83.0	82.8
Current liabilities			
Interest-bearing current liabilities	**140.5**	135.1	57.0
Non-interest-bearing current liabilities	**160.8**	135.7	106.8
Provisions	**3.2**	0.3	0.6
Liabilities classified as held for sale	**-**	-	1.0
Total current liabilities	**304.4**	271.2	165.4
Total equity and liabilities	**536.7**	542.8	427.7

CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS

EUR million	4-6/2018	4-6/2017	1-6/2018	1-6/2017	1-12/2017
CASH FLOW FROM OPERATING ACTIVITIES					
Net result for the period	**15.4**	12.5	**13.3**	18.1	10.7
Adjustments for:					
Non-cash transactions	**5.2**	7.2	**14.8**	12.9	28.1
Interest and other financial expenses	**2.0**	1.9	**3.6**	2.2	3.9
Interest income and other financial income	**-0.2**	1.8	**-0.5**	-0.6	-1.0
Income taxes	**4.1**	3.9	**4.9**	5.7	6.0
Funds from operations before change in net working capital	**26.5**	27.4	**36.1**	38.2	47.6
Change in net working capital	**-24.0**	-52.4	**-68.7**	-86.1	-13.9
Interest and other financial expenses paid	**-1.7**	-2.0	**-2.8**	-1.9	-3.5
Interest and other financial income received	**0.3**	0.3	**0.3**	0.5	0.7
Income taxes paid	**-5.1**	-5.0	**-9.2**	-7.9	-12.8
Total cash flow from operations	**-4.0**	-31.7	**-44.3**	-57.2	18.1
CASH FLOW FROM INVESTING ACTIVITIES					
Business combinations	**-**	-	**-**	-	-
Other capital expenditure	**-3.2**	-2.3	**-7.6**	-7.8	-15.2
Proceeds from sale of assets	**0.7**	0.9	**-0.2**	1.3	1.4
Loan receivables decrease (+), increase (-)	**-**	-0.2	**-**	-0.2	-0.2
Dividends received	**0.0**	0.0	**0.0**	0.0	0.4
Net cash used in investing activities	**-2.5**	-1.6	**-7.8**	-6.7	-13.7
Cash flow before financing	**-6.5**	-33.4	**-52.1**	-63.9	4.4
CASH FLOW FROM FINANCING ACTIVITIES					
Non-current borrowings, increase (+), decrease (-)	**-**	-	**-**	-	-
Current financing, increase (+), decrease (-)	**45.3**	70.7	**83.5**	107.5	29.7
Dividends paid	**-17.6**	-35.3	**-17.6**	-35.3	-35.3
Acquisition of own shares	**-**	-	**-**	-	-
Other	**-**	0.0	**-**	0.0	-
Net cash used in financing activities	**27.7**	35.4	**65.9**	72.2	-5.6
Net change in cash and cash equivalents	**21.2**	2.1	**13.8**	8.3	-1.2
Cash and cash equivalents at the beginning of period	**11.4**	24.8	**16.9**	18.5	18.5
Effect of exchange rate fluctuations on cash held	**-0.6**	-1.1	**-1.3**	-1.2	-0.8
Cash and cash equivalents transferred in assets held for sale	**-**	-	**-1.3**	-	1.3
Cash and cash equivalents at the end of period	**33.3**	28.0	**33.3**	28.0	16.9
Net change in cash and cash equivalents	**21.2**	2.1	**13.8**	8.3	-1.2

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, 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	-	-	-	-	-	-	-	-	-	-
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
Equity at Dec 31, 2017	**35.0**	**0.0**	**0.0**	**40.0**	**0.0**	**-39.3**	**143.9**	**179.5**	**-**	**179.5**
Change in accounting principles, IFRS 9, IFRS 15 and IFRS 2	**-**	**-**	**-**	**-**	**-**	**-**	**-2.1**	**-2.1**	**-**	**-2.1**
Equity at Jan 1, 2018	**35.0**	**0.0**	**0.0**	**40.0**	**0.0**	**-39.3**	**141.8**	**177.4**	**-**	**177.4**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-4.2**	**12.4**	**8.2**	**-**	**8.2**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**-**	**0.0**	**0.0**	**-**	**0.0**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-35.3**	**-35.3**	**-**	**-35.3**
Equity at Jun 30, 2018	**35.0**	**0.0**	**0.0**	**40.0**	**0.0**	**-43.5**	**118.9**	**150.4**	**-**	**150.4**

REPORTABLE SEGMENTS

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

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

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

Segments' revenue arises from the sales of various paints and related products that are sold to retailers, industrial customers and for professional use. Insignificant revenue is received from the sales of auxiliary services related to paints. Segments' revenue is presented based on the location of the customers, whereas 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	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
EUR million					
SBU West	**115.1**	118.0	**215.5**	216.9	379.8
SBU East	**58.7**	65.2	**88.3**	103.3	202.6
Eliminations	**0.0**	-	**0.0**	-	0.0
Total	**173.7**	183.2	**303.8**	320.2	582.4

EBIT by segment	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
EUR million					
SBU West	**16.1**	15.5	**19.4**	22.6	16.2
SBU East	**6.7**	6.4	**4.2**	5.4	8.2
Tikkurila common	**-1.6**	-2.0	**-2.5**	-2.8	-5.1
Eliminations	**-**	-	**-**	-	0.0
Total	**21.2**	20.0	**21.1**	25.2	19.3

Items affecting comparable EBIT by segment	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
EUR million					
SBU West	**-0.2**	-	**-4.1**	-	-1.8
SBU East	**-0.2**	-	**0.1**	-	-7.0
Tikkurila common	**-**	-	**-**	-	-0.6
Eliminations	**-**	-	**-**	-	-
Total	**-0.4**	-	**-4.0**	-	-9.5

Adjusted operating profit by segment	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
EUR million					
SBU West	**16.2**	15.5	**23.5**	22.6	18.1
SBU East	**6.8**	6.4	**4.1**	5.4	15.2
Tikkurila common	**-1.6**	-2.0	**-2.5**	-2.8	-4.5
Eliminations	**-**	-	**-**	-	0.0
Total	**21.5**	20.0	**25.1**	25.2	28.8

Non-allocated items:					
Total financial income and expenses	**-1.8**	-3.7	**-3.1**	-1.6	-2.9
Share of profit or loss of equity-accounted investees	**0.1**	0.1	**0.2**	0.1	0.2
Profit before taxes	**19.5**	16.4	**18.2**	23.7	16.6

Assets by segment EUR million	**Jun 30, 2018**	Jun 30, 2017	Dec 31, 2017
SBU West	**355.7**	359.9	321.4
SBU East	**98.5**	112.6	81.8
Assets, non-allocated to segments	**107.4**	129.3	54.8
Eliminations	**-24.8**	-59.0	-30.2
Total assets	**536.7**	542.8	427.7

CHANGES IN PROPERTY, PLANT AND EQUIPMENT **EUR million**	**1-6/2018**	1-6/2017	1-12/2017
Carrying amount at the beginning of period	**81.2**	87.5	87.5
Additions	**6.2**	4.4	12.1
Business combinations	**-**	-	-
Disposals	**0.0**	-0.1	-0.1
Depreciation, amortization and impairment losses	**-6.2**	-7.2	-14.2
Exchange rate differences and other changes	**-4.2**	-0.5	-4.2
Carrying amount at the end of period	**76.9**	84.2	81.2

Tikkurila Group had contractual commitments for purchase of property, plant and equipment EUR 1.5 (1.0) million at the end of review period.

CHANGES IN INTANGIBLE ASSETS **EUR million**	**1-6/2018**	1-6/2017	1-12/2017
Carrying amount at the beginning of period	**98.4**	103.0	103.0
Additions	**0.1**	0.9	2.5
Business combinations	**-**	-	-
Disposals	**0.0**	-	0.0
Depreciation, amortization and impairment losses	**-2.5**	-2.6	-6.2
Exchange rate differences and other changes	**-0.7**	-0.5	-0.8
Carrying amount at the end of period	**95.3**	100.8	98.4

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

INVENTORIES

Write-down of inventory for a total amount of EUR 3.8 (1.5) million was recognized until end of review period.

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DISPOSAL OF GROUP COMPANIES
EUR million

On January 31, 2018, Tikkurila has concluded the divestment of its subsidiaries in Serbia and Macedonia to Tikkurila's local management. The disposed companies continue business in names Gudmark Group d.o.o. Sabac (Serbia) and Gudmark Group DOOEL Skopje (Macedonia). Gudmark Group continues as a distributor of Tikkurila branded products in the Balkan area. Both of these companies were consolidated to Group until the end of January 2018.

The aggregate consideration is EUR 0.1 million. Furthermore, an interest-bearing six-year vendor loan arrangement totaling EUR 2.1 million was agreed. Tikkurila has received as pledge the shares of Gudmark Group d.o.o. Sabac company to secure this receivable.

This divestment resulted in a total of EUR 5.5 million loss in the Group. From this loss EUR 5.6 million was recognized in the financial year 2017 and after finalized the sale, EUR 0.1 million was recognized as a decrease of loss on sale in financial year 2018. Furthermore, in financial year 2018 in operating EBIT the loss was decreased by EUR 0.2 million as the accumulated exchange rate differences were reclassified from equity to profit or loss. Thus, this divestment resulted in a positive impact of EUR 0.4 million in operating EBIT in financial year 2018.

The combined revenue of Serbian and Macedonian companies was approximately EUR 13 million in 2016, and the number of employees totaled 130.

Proceeds from the disposal	
Total proceeds	0.1
Proceeds at receivables	-
Cash and cash equivalents in disposed companies	-1.0
Net cash effect	**-0.9**

Assets and liabilities disposed of	
PPE** and intangible assets	2.7
Deferred tax assets	0.0
Interest-bearing receivables	-
Inventory	2.1
Trade receivables and other interest-free receivables	3.0
Non-current assets held for sale	0.0
Cash and cash equivalents	1.0
Total assets	**8.7**
Deferred tax liabilities	-
Interest-bearing liabilities	2.1
Trade and other payables	1.1
Total liabilities	**3.2**
Total net assets and liabilities of disposal	**5.5**
Loss on disposal before accumulated exchange rate differences	-5.5
Total	**0.0**

** Property, plant and equipment

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	**1-6/2018**	1-6/2017	1-12/2017
Sales	**2.5**	2.3	5.3
Other operating income	**0.5**	0.4	1.0
Receivables	**0.7**	1.7	2.0
Liabilities	**0.0**	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.

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. No payments were made from performance period 2015-2017, as the intrinsic value for the period of plan did not reach in advance set level.

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.

In June 2018, the Board of Directors of Tikkurila Oyj decided two new share-based incentive plans for Group key employees; share plan 2018-2022 and share plan 2018-2019. Share plan 2018-2022 includes three performance periods, calendar years 2018-2020, 2019-2021 and 2020-2022. The potential rewards from the plan will be paid partly in cash and partly in shares of Tikkurila Oyj. Payment of the reward is conditional to that a participant is employed at the time of the payment.

The rewards to be paid on the basis of the performance period 2018-2020 will amount to an approximate maximum total of 130,000 Tikkurila Oyj shares. The potential reward of the plan from the performance period 2018-2020 will be based on the Tikkurila Group's average EBITDA and net debt based intrinsic values for 2018-2020. The target group of performance period 2018-2020 includes approximately 10 key employees, including the members of the Management Board.

Share plan 2018-2019 includes one performance period, calendar years 2018-2019 and the potential reward be paid partly in cash and partly in shares of Tikkurila Oyj. Payment of the rewards is conditional to that a participant is employed at the time of the payment. Approximately 30 key employees, including the members of the Management Board, belong to the target group of the plan. The potential reward of the plan will be based to the cumulative revenue and adjusted EBIT from the performance period 2018-2019. The calculated aggregate value of the plan will amount to an approximate maximum of EUR 3.2 million.

Based on these share-based incentive plans EUR 0.0 (0.0) million was recognized during the first half of financial year 2018 in personnel expenses.

COMMITMENTS AND CONTINGENT LIABILITIES EUR million	**Jun 30, 2018**	Jun 30, 2017	Dec 31, 2017
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	**0.4**	0.6	0.6
On behalf of others	**1.3**	1.4	1.3
Other obligations of own behalf	**8.0**	16.1	6.5
Lease obligations	**28.7**	40.3	35.2
Total contingent liabilities	**38.4**	58.4	43.6

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

Jun 30, 2018	Fair value through profit or loss items	Amortized cost items	Fair value through other comprehensive income items	Carrying amounts	Fair values
Non-current financial assets					
Other investments	-	-	0.7	0.7	0.7
Non-current receivables	-	8.4	-	8.4	8.4
Current financial assets					
Interest-bearing receivables	-	0.9	-	0.9	0.9
Cash equivalents	-	33.3	-	33.3	33.3
Trade and other non-interest-bearing receivables	-	193.1	-	193.1	193.1
Total	**-**	**235.7**	**0.7**	**236.4**	**236.4**
Non-current financial liabilities					
Non-current interest-bearing liabilities	-	50.0	-	50.0	50.1
Current financial liabilities					
Current interest-bearing liabilities	-	140.5	-	140.5	140.5
Trade payables	-	71.3	-	71.3	71.3
Total	**-**	**261.8**	**-**	**261.8**	**261.9**

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	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**	**-**	**247.2**	**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**

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**

FAIR VALUE HIERARCHY
EUR million

Jun 30, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Other investments	**-**	**-**	**0.7**	**0.7**
Jun 30, 2017				
Recurring fair value measurements				
Other investments	-	-	0.8	0.8
Dec 31, 2017				
Recurring fair value measurements				
Other investments	-	-	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

Other investments	**Jun 30,2018**	Jun 30,2017	Dec 31, 2017
Carrying amount at Jan 1	**0.8**	0.8	0.8
Translation differences in other comprehensive income	**0.0**	0.0	0.0
Change in valuation	**-**	-	0.0
Acquisitions	**-**	-	-
Disposals	**-**	-0.1	-0.1
Other changes / transfers	**-**	0.0	0.0
Carrying amount at end of review period	**0.7**	0.8	0.8

Other investments 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.

KEY PERFORMANCE INDICATORS	**4-6/2018 Jun 30,2018**	4-6/2017 Jun 30,2017	**1-6/2018 Jun 30,2018**	1-6/2017 Jun 30,2017	1-12/2017 Dec 31, 2017
Earnings per share / basic, EUR	**0.35**	0.28	**0.30**	0.41	0.24
Earnings per share / diluted, EUR	**0.35**	0.28	**0.30**	0.41	0.24
Operating profit (EBIT), EUR million	**21.2**	20.0	**21.1**	25.2	19.3
of revenue %	**12.2%**	10.9%	**7.0%**	7.9%	3.3%
Adjusted operating profit, EUR million	**21.5**	20.0	**25.1**	25.2	28.8
of revenue %	**12.4%**	10.9%	**8.3%**	7.9%	4.9%
Cash flow from operations, EUR million	**-4.0**	-31.7	**-44.3**	-57.2	18.1
Cash flow from operations / per share, EUR	**-0.09**	-0.72	**-1.00**	-1.30	0.41
Capital expenditure, EUR million	**3.2**	2.3	**7.6**	7.8	15.2
of revenue %	**1.8%**	1.3%	**2.5%**	2.4%	2.6%
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) *)	**44,114**	44,110	**44,113**	44,110	44,111
Number of shares at the end of period, adjusted for dilutive effect (1,000) 1) *)	**44,150**	44,147	**44,150**	44,147	44,112
Equity attributable to the owners of the parent / per share, EUR	**3.41**	4.28	**3.41**	4.28	4.07
Equity ratio, %	**28.1%**	34.8%	**28.1%**	34.8%	42.0%
Gearing, %	**104.6%**	83.3%	**104.6%**	83.3%	50.2%
Interest-bearing financial liabilities (net), EUR million	**157.3**	157.2	**157.3**	157.2	90.1
Return on capital employed (ROCE), % p.a.	**5.0%**	12.9%	**5.0%**	12.9%	6.3%
Personnel (average)	**2,994**	3,155	**2,962**	3,119	3,107

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 EBIT

Group total	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
EUR million					
Divestments, changes in Group structure	**0.0**	-	**-1.0**	-	-5.6
Personnel related	**-0.4**	-	**-3.0**	-	-2.5
Insurance compensation for personal injury	**-**	-	**-**	-	-0.2
Impairment losses	**-**	-	**-**	-	-1.2
Total	**-0.4**	-	**-4.0**	-	-9.5

SBU West	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
EUR million					
Divestments, changes in Group structure	**0.0**	-	**-1.4**	-	-
Personnel related	**-0.2**	-	**-2.7**	-	-1.6
Insurance compensation for personal injury	**-**	-	**-**	-	-0.2
Impairment losses	**-**	-	**-**	-	-
Total	**-0.2**	-	**-4.1**	-	-1.8

SBU East	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
EUR million					
Divestments, changes in Group structure	**0.0**	-	**0.3**	-	-5.6
Personnel related	**-0.2**	-	**-0.2**	-	-0.2
Insurance compensation for personal injury	**-**	-	**-**	-	-
Impairment losses	**-**	-	**-**	-	-1.2
Total	**-0.2**	-	**0.1**	-	-7.0

Tikkurila common	**4-6/2018**	4-6/2017	**1-6/2018**	1-6/2017	1-12/2017
EUR million					
Divestments, changes in Group structure	**-**	-	**-**	-	-
Personnel related	**-**	-	**-**	-	-0.6
Insurance compensation for personal injury	**-**	-	**-**	-	-
Impairment losses	**-**	-	**-**	-	-
Total	**-**	-	**-**	-	-0.6

Net debt EUR million	Jun 30,2018	Jun 30,2017	Dec 31, 2017
Interest-bearing non-current liabilities	**50.0**	50.1	50.1
Interest-bearing current liabilities	**140.5**	135.1	57.0
Interest-bearing liabilities, total	**190.5**	185.2	107.0
Cash and cash equivalents	**33.3**	28.0	17.0
Interest-bearing financial liabilities (net)	**157.3**	157.2	90.1

Return on capital employed (ROCE), %			
Operating result + share of profit or loss of equity-accounted investees [1)]	**15.5**	38.5	19.5
Capital employed [2)]	**306.8**	298.2	311.4
Return on capital employed (ROCE), %	**5.0%**	12.9%	6.3%

[1)] from a rolling 12 month period

[2)] 12 months, in average

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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 business restructuring, strategic changes in organization structure, impairments of non-current assets and gains or losses on disposal of these 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. *

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

* 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
** average during the period

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SEGMENT INFORMATION BY QUARTER

Revenue by segment	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018	4-6/2018
EUR million						
SBU West	99.0	118.0	101.6	61.3	100.5	115.1
SBU East	38.1	65.2	58.4	40.9	29.6	58.7
Eliminations	-	-	0.0	0.0	-	0.0
Total	137.1	183.2	159.9	102.2	130.1	173.7

EBIT by segment	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018	4-6/2018
EUR million						
SBU West	7.1	15.5	13.4	-19.8	3.4	16.1
SBU East	-1.0	6.4	8.7	-5.9	-2.4	6.7
Tikkurila common	-0.8	-2.0	-1.4	-0.8	-1.0	-1.6
Eliminations	-	-	0.0	0.0	-	-
Total	5.2	20.0	20.6	-26.5	0.0	21.2

Items affecting comparable EBIT by segment	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018	4-6/2018
EUR million						
SBU West	-	-	-0.5	-1.4	-3.9	-0.2
SBU East	-	-	-0.1	-6.9	0.3	-0.2
Tikkurila common	-	-	-0.7	0.1	-	-
Eliminations	-	-	-	-	-	-
Total	-	-	-1.3	-8.2	-3.6	-0.4

Adjusted operating result by segment	1-3/2017	4-6/2017	7-9/2017	10-12/2017	1-3/2018	4-6/2018
EUR million						
SBU West	7.1	15.5	13.8	-18.4	7.3	16.2
SBU East	-1.0	6.4	8.7	1.1	-2.7	6.8
Tikkurila common	-0.8	-2.0	-0.7	-1.0	-1.0	-1.6
Eliminations	-	-	0.0	0.0	-	-
Total	5.2	20.0	21.9	-18.3	3.6	21.5
Non-allocated items:						
Total financial income and expenses	2.1	-3.7	-0.6	-0.7	-1.3	-1.8
Share of profit or loss of equity-accounted investees	0.0	0.1	0.1	0.0	0.1	0.1
Profit / loss before taxes	7.3	16.4	20.1	-27.2	-1.3	19.5

Assets by segment	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
EUR million						
SBU West	346.7	359.9	355.5	321.4	342.6	355.7
SBU East	112.1	112.6	96.6	81.8	74.9	98.5
Assets, non-allocated to segments	76.7	129.3	69.8	54.8	79.2	107.4
Eliminations	-49.3	-59.0	-48.8	-30.2	-25.0	-24.8
Total assets	486.1	542.8	473.1	427.7	471.7	536.7

Vantaa, August 2, 2018

TIKKURILA OYJ
BOARD OF DIRECTORS