TIKKURILA

Half year financial report

January–June 2019

Tikkurila Oyj
Half year financial report
August 8, 2019 at 9:00 a.m. (CET+1)

Tikkurila Half year financial report for January−June 2019

Profitability improvement continued

- Adjusted operating profit increased by 25% in H1

April–June 2019 highlights

- Revenue for the second quarter decreased by 2.3 percent to EUR 169.7 (173.7) million. Excluding currency effects and divestments revenue decreased by 1.5 percent.
- Adjusted operating profit increased by 7.8 percent to EUR 23.2 (21.5) million and was 13.7 (12.4) percent of revenue.
- Operating profit (EBIT) was EUR 21.2 (21.2) million, and 12.5 (12.2) percent of revenue.
- EPS was EUR 0.37 (0.35).

January–June 2019 highlights

- Revenue decreased by 1.7 percent to EUR 298.8 (303.8) million. Excluding currency effects and divestments revenue increased by 1.1 percent.
- Adjusted operating profit increased by 24.9 percent to EUR 31.4 (25.1) million and was 10.5 (8.3) percent of revenue.
- Operating profit (EBIT) increased to EUR 29.1 (21.1) million and was 9.7 (7.0) percent of revenue.
- EPS was EUR 0.53 (0.30).

Guidance for 2019 remains unchanged

- Tikkurila's revenue is expected to remain at the same level as in 2018 and the adjusted operating profit will continue to improve.

Elisa Markula CEO:

During the second quarter, the successful implementation of price increases, improved sales mix and cost savings continued to increase Tikkurila's profitability. Adjusted operating profit increased during the whole first half of the year. Our cash flow from operations also continues to improve, driven by favorable development in profitability and a lower level of net working capital.

Tikkurila is focusing on premium brands, and prioritizing value over volume. The softening economic environment is currently not offering much tailwind, but in local currencies our revenue increased during the first half of the year, despite decreasing volumes. Revenue increased in SBU East, while it decreased in SBU West, with clear country-specific differences.

"Tikkurila's adjusted operating profit increased during the whole first half of the year."

In Russia and Poland, growth is fueled by the increasing demand for premium products, which is positively reflected in our sales mix. In more mature markets, such as Sweden and Finland, we are seeing softer development in general market demand. In all countries, we have further increased sales prices, but this has not yet fully compensated for the recent significant raw material inflation. Combined, the price increases and positive development in our sales mix partly offset decreased volumes.

As announced in our Capital Markets Day on June 5, Tikkurila has a concrete action plan to improve performance in all key areas. In addition to further optimizing our offering and production, we have now started to increase efficiency in sales as well as in direct and indirect sourcing. We also remain focused on fixed costs.

Tikkurila is moving in the right direction. Our target is to achieve an adjusted operating profit margin above 12 percent. That said, it's important to understand that we are still in the early days of our margin recovery and growth initiatives.

Key figures

(EUR million)	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	1–12/2018
Income statement							
Revenue	**169.7**	173.7	-2.3%	**298.8**	303.8	-1.7%	561.5
Adjusted operating profit	**23.2**	21.5	7.8%	**31.4**	25.1	24.9%	38.8
Adjusted operating profit margin, %	**13.7%**	12.4%		**10.5%**	8.3%		6.9%
Operating profit (EBIT)	**21.2**	21.2	0.2%	**29.1**	21.1	37.6%	26.5
Operating profit (EBIT) margin, %	**12.5%**	12.2%		**9.7%**	7.0%		4.7%
Profit before taxes	**20.9**	19.5	7.1%	**30.6**	18.2	68.4%	21.0
Net profit for the period	**16.1**	15.4	4.9%	**23.5**	13.3	77.4%	14.6
Other key indicators							
EPS, EUR	**0.37**	0.35	4.9%	**0.53**	0.30	77.4%	0.33
ROCE, %, rolling	**12.2%**	5.0%		**12.2%**	5.0%		9.3%
Cash flow after capital expenditure	**-12.0**	-6.5	-85.8%	**-30.1**	-52.1	42.3%	36.3
Net interest-bearing debt at period-end				**151.8**	157.3	-3.5%	85.5
Gearing, %				**94.2%**	104.6%		57.0%
Equity ratio, %				**30.4%**	28.1%		37.6%
Personnel at period-end				**2,846**	3,030	-6.1%	2,717

Press conference and webcast

CEO Elisa Markula and CFO Markus Melkko will present Tikkurila's Half year financial report for January−June 2019 in Finnish for the media and analysts at Tapahtumatalo Bank's cabinet 24-25 (Unioninkatu 20, Helsinki) today August 8, 2019 at 12:00 (CET +1). Lunch will be available from 11:30 a.m.

A webcast for investors and analysts will be held in English on the same day at 3:00 p.m. To participate, please click on the link:

- https://qsb.webcast.fi/t/tikkurila/tikkurila_2019_0808_q2/

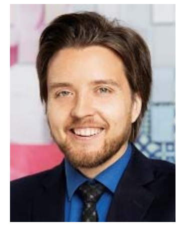
You can also participate in the telephone conference by calling one of the following numbers:

- +358 (0)9 7479 0360 (Finland)
- +44 (0)330 336 9104 (UK)
- +1 323-794-2095 (US)
- +46 (0)8 5033 6573 (Sweden)
- +43 (0)1 9289 265 (Austria)
- +33 (0)1 76 77 22 73 (France)

Participant code: 231415

An on-demand version of the webcast will be available on our webpage later the same day. The report and related presentation material will be available before the press conference at http://www.tikkurilagroup.com/investors.

For further information, please contact:



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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 2,700 dedicated professionals share the joy of building a vivid future through surfaces that make a difference. In 2018, our revenue totaled EUR 562 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 for January 1 – June 30, 2019

This report has been prepared in accordance with the IAS 34 standard and other valid regulations. The information disclosed is unaudited except for full year figures for 2018. The figures presented in the report are independently rounded. Figures in brackets refer to the corresponding period in the previous year, unless otherwise stated.

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 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 report, the Finnish version shall prevail.

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 Asia, and China. Furthermore, SBU East is responsible for the exports to more than 20 other countries.

Financial performance

Financial performance in April–June 2019 (Q2)

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

April–June (Q2)
(EUR million)

	Revenue		**Change %**	**Adjusted operating result**		**Change %**
	4–6/2019	4–6/2018		**4–6/2019**	4–6/2018	
SBU West	**107.5**	115.1	-6.5%	**14.8**	16.2	-9.0%
SBU East	**62.2**	58.7	5.9%	**9.8**	6.8	42.9%
Group common and eliminations	**0.0**	0.0	75.0%	**-1.3**	-1.6	13.9%
Consolidated Group	**169.7**	173.7	-2.3%	**23.2**	21.5	7.8%

Tikkurila Group's **revenue** decreased by 2.3% (decreased by 1.5% excluding currency effects and divestments) compared to the previous year.

Adjusted operating profit increased to EUR 23.2 (21.5) million and was 13.7 (12.4) percent of revenue. Profitability improved due to increased sales prices and improved sales mix, lower fixed costs, and continued strict cost control in general.

Operating profit (EBIT) was at the previous year's level at EUR 21.2 (21.2) million and was 12.5 (12.2) percent of revenue. The cancellation of the Russian greenfield factory investment (announced on April 25, 2019) had a EUR -1.8 million negative effect on operating profit.

The net financial expenses in April–June 2019 were EUR -0.4 (-1.8) million. Profit before taxes was EUR 20.9 (19.5) million. Taxes totaled EUR 4.7 (4.1) million, equaling an effective tax rate of 22.7 (21.1) percent. Earnings per share (EPS) were EUR 0.37 (0.35) for the review period.

Financial performance in January–June 2019 (H1)

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

January–June (H1) (EUR million)	Revenue		Change %	Adjusted operating result		Change %
	1–6/2019	1–6/2018		**1–6/2019**	1–6/2018	
SBU West	**204.7**	215.5	-5.0%	**25.4**	23.5	8.0%
SBU East	**94.1**	88.3	6.6%	**9.1**	4.1	119.6%
Group common and eliminations	**0.0**	0.0	50.0%	**-3.1**	-2.5	-22.6%
Consolidated Group	**298.8**	303.8	-1.7%	**31.4**	25.1	24.9%

Tikkurila Group's **revenue** decreased by 1.7% (increased by 1.1% excluding currency effects and divestments) compared to the previous year.

The effects of various factors on revenue for January–June 2019:
- Lower sales volumes had an effect of -3.1%. Volume decreased especially in Sweden and Finland.
- The positive combined effect of sales price increases and the development of the sales and product mix was 4.3%.
- The divestment of business operations in the Balkans and the closure of German operations had a combined effect of -0.7%.
- Exchange rate fluctuations had an effect of -2.0%, mainly driven by Russian Ruble and Swedish Krona.

Adjusted operating profit increased to EUR 31.4 (25.1) million and was 10.5 (8.3) percent of revenue. Profitability improved due to increased sales prices and improved sales mix, as well as due to a lower level of fixed expenses compared to the previous year.

Operating profit (EBIT) increased to EUR 29.1 (21.1) million and was 9.7 (7.0) percent of revenue. The items affecting comparability were mainly related to the cancellation of the Russian greenfield factory investment (announced on April 25, 2019) which had a EUR -1.8 million negative effect on operating profit.

The net financial expenses in January–June 2019 were EUR 1.4 (-3.1) million. Profit before taxes was EUR 30.6 (18.2) million. Taxes totaled EUR 7.1 (4.9) million, equaling an effective tax rate of 23.2 (27.1) percent. Earnings per share were EUR 0.53 (0.30) in the review period.

Financial performance by reporting segments

SBU West

EUR million	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	1–12/2018
Revenue	**107.5**	115.1	-6.5%	**204.7**	215.5	-5.0%	381.2
Adjusted operating profit	**14.8**	16.2	-9.0%	**25.4**	23.5	8.0%	34.5
Adjusted operating profit margin, %	**13.7%**	14.1%		**12.4%**	10.9%		9.1%
Operating profit (EBIT)	**14.8**	16.1	-7.8%	**25.3**	19.4	30.5%	22.7
Operating profit (EBIT) margin, %	**13.8%**	14.0%		**12.4%**	9.0%		6.0%
Capital expenditure excluding acquisitions				**5.8**	3.2	78.3%	5.9

Financial performance in April–June 2019 (Q2)

SBU West's revenue decreased by 6.5% (decreased by 5.3% excluding currency effects) compared to the previous year.

Second quarter revenues of the key countries:

- Revenue in Sweden decreased by 6.0 % to EUR 35.3 (37.5) million
- Revenue in Finland decreased by 7.6% to EUR 28.4 (30.8) million
- Revenue in Poland decreased by 2.5% to EUR 23.7 (24.3) million

Financial performance in January–June 2019 (H1)

SBU West's revenue decreased by 5.0% (decreased by 2.2% excluding currency effects and divestments and closures) compared to the previous year.

The effects of various factors on revenue for January–June 2019:

- Lower sales volumes had an effect of -4.7%. Volumes decreased especially in Sweden and Finland.
- The positive combined effect of sales price increases and the development of the sales and product mix was 2.5%.
- The closure of German operations had a combined effect of -1.0%.
- Exchange rate fluctuations had an effect of -1.8%, mainly driven by Swedish Krona.

January–June revenues of the key countries:

- Revenue in Sweden decreased by 9.1% to EUR 66.5 (73.2) million
- Revenue in Finland decreased by 4.6% to EUR 55.0 (57.7) million
- Revenue in Poland increased by 3.9% to EUR 47.3 (45.5) million

Revenue in Finland and Sweden decreased in part due to lower than expected market demand especially in exterior paints, which lead to less replenishment sales during the beginning of the high season. This failed to compensate for lower pre-season sales, especially in Sweden.

In Sweden, revenue decline was additionally driven by currency fluctuation, tightening competition and changes in sales management. The shift from traditional paint retailers to DIY stores (“big boxes”) continued. While new distribution deals with DIY stores were signed, actual sales ramp-up has started slower than anticipated.

In Finland, revenue decline has been additionally impacted by the continued consolidation among industry customers, and general offshoring of industrial production.

In Poland, good revenue growth continued and the positive development in sales mix continued as the share of premium products increased. In the second quarter, revenue growth was negatively impacted by slow industry demand, and soft performance in DIY sales following price increases at the end of the previous quarter.

The profitability of SBU West was improved in January–June due to price increases, changes in product mix, and tight cost control of fixed expenses.

SBU East

EUR million	4–6/2019	4–6/2018	Change %	1–6/2019	1–6/2018	Change %	1–12/2018
Revenue	**62.2**	58.7	5.9%	**94.1**	88.3	6.6%	180.3
Adjusted operating profit	**9.8**	6.8	42.9%	**9.1**	4.1	119.6%	9.9
Adjusted operating profit margin, %	**15.7%**	11.7%		**9.7%**	4.7%		5.5%
Operating profit (EBIT)	**7.7**	6.7	15.9%	**7.0**	4.2	65.8%	9.4
Operating profit (EBIT) margin, %	**12.4%**	11.3%		**7.5%**	4.8%		5.2%
Capital expenditure excluding acquisitions				**1.8**	3.1	-42.3%	4.5

Financial performance in April–June 2019 (Q2)

SBU East's revenue increased by 5.9% (increased by 4.7% excluding currency effects) compared to the previous year.

Second quarter revenue of the key countries:

- Revenue in Russia increased by 4.3% to EUR 47.3 (45.3) million

Financial performance in January–June 2019 (H1)

SBU East's revenue increased by 6.6% (increased by 9.0% excluding currency effects and divestments) compared to the previous year.

The effects of various factors on revenue for January–June:

- Higher sales volumes had an effect of 0.7%.
- The positive combined effect of sales price increases and favorable development of the sales and product mix was 8.5%.
- Divestment of the Balkan business operations -0.2%
- Exchange rate fluctuations had an effect of -2.3%

January–June revenues of the key countries:

- Revenue in Russia increased by 4.2% to EUR 69.1 (66.3) million

In Russia, revenue was in good growth and the share of premium products of sales continued to increase.

The profitability of SBU East improved in January–June especially due to higher revenue driven by a favorable sale mix with an increasing share of premium products and tight cost control. An adjustment of EUR -1.8 million related to the cancelled Russian greenfield project (announced on April 25, 2019) was excluded from the adjusted operating profit.

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 -25.4 (-44.3) million. Cash flow from operations was improved by favorable development in profitability and a lower level of net working capital. In addition, the adoption of the IFRS 16 standard had a positive effect of EUR 3.8 million on the cash flow from operating activities as the lease liability payments are presented in cash flow from financing activities and only the share of interest payments on lease liability is presented in cash flow from operating activities. In the comparison year, the whole amount of lease payments was presented in the cash flow from operating activities. At the end of the review period, net working capital totaled EUR 148.1 (156.1) million. The decrease in net working capital was primarily due to a lower level of inventories and decline in trade receivable balances. The net cash flow from investing activities was EUR -4.6 (-7.8) million, when taking into account acquisitions and divestments. Cash flow after capital expenditure totaled EUR -30.1 (-52.1) million at the end of the review period.

Interest-bearing debt amounted to EUR 186.0 (190.5) million at the end of the review period, of which EUR 23.2 million was lease liabilities. Due to adoption of the IFRS 16 -standard, lease liabilities related to right-of-use assets, increased the Group's interest-bearing debt compared to previous year. In the comparison year, the total of future minimum lease payments under non-cancellable operating leases were reported in contingent liabilities (IAS 17). Comparison year figures are not restated.

Net debt was EUR 151.8 (157.3) million, and net debt excluding IFRS 16 -standard impact was EUR 128.6 million. At the end of the review period, cash and cash equivalents amounted to EUR 34.2 (33.3) million. Short-term interest-bearing debt totaled EUR 119.7 (140.5) million, including the company's issued commercial papers for a total nominal amount of EUR 112.8 (117.8) million, and short-term lease liability of EUR 6.9 million. Moreover, the Group had long-term interest-bearing debt totaling EUR 66.3 (50.0) million including lease liability of EUR 16.4 million. At the end of June, the Group had a total of EUR 110.2 (88.7) million of unused committed credit facilities or credit limits.

The Group´s net financial expense was EUR 1.4 (-3.1) million positive, of which net interest expenses totaled EUR -0.6 (-0.2) million including interest expenses related to lease liabilities EUR -0.6 million, and other financing expenses EUR -0.2 (-0.4) million. The average capital-weighted interest rate of interest-bearing debt was 1.2 (0.8) percent. The net profit was positively affected by a total of EUR 2.1 (-2.6) million based on the impact of realized and unrealized exchange rate differences recognized during the review period. The main positive impact was related to the Russian ruble and Polish zloty denominated items. According to the decision of the 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 30.4 (28.1) percent and gearing was 94.2 (104.6) percent. Gearing excluding lease liabilities was 79.8 percent. Tikkurila's financing arrangement includes a covenant that is based on the Group's gearing. However, the adoption of the IFRS 16 standard has no effect on financing covenants.

Progress of the strategy action plan

Tikkurila is on track with the extensive transformation program initiated in 2017 to boost profitability and efficiency. Tikkurila focuses on value and profitability over volume. For this purpose, Tikkurila focuses on the company's key premium brands and products, as well as the increased sustainability and functionality of its offering.

In June 2019, Tikkurila further elaborated the company's goals at the Capital Markets Day (CMD, https://www.tikkurilagroup.com/investorsir-calendar/capital-markets-day). At the CMD, Tikkurila management also outlined the company's action plan to improve performance in six focus areas:

- Optimize portfolio
- Grow in decorative paints and selected industry segments
- Improve sales performance management
- Increase efficiency in operations
- Save in fixed costs, centralize indirect sourcing
- Increase efficiency in raw materials

Examples of key activities during January–June

During the first half of the year 2019, positive development continued with regard to fixed expenses. Tikkurila's rolling 12-month fixed costs for the period ending on June 30, 2019 had decreased by nearly EUR 35 million compared to the levels of the full year 2017. Fixed costs continued to decline and were 30.4 percent of revenue in H1/2019 (32.8% in H1/2018, and 36.1% in H1/2017). Excluding the impact of IFRS16, fixed costs were 31.8 percent of revenue in H1/2019.

Tikkurila has continued to reduce complexity by decreasing the number of manufacturing formulas, raw materials and sales articles (SKU). By 2020, the goal is to reduce the number of SKUs by 50 percent compared to 2016, including the impact of the divestment of business operations. It has already been decided that the number of SKUs will be reduced by 1,000 during this year alone, bringing the total cumulative reduction to around 40 percent by the end of the year 2019. Efficiencies are also sought after in marketing, where group wide marketing campaigns have been implemented with success.

Implementation of the action plan continues in all six areas.

Capital Expenditure

In January–June 2019, gross capital expenditure excluding acquisitions amounted to EUR 7.5 (6.3) million, of which EUR 2.2 million are IFRS 16 related investments in right-of-use-assets. The Russian factory investment was cancelled in April (Announced on April 25, 2019) and accrued costs were written down during the review period.

The Group's depreciation, amortization and impairment losses amounted to EUR 12.1 (8.8) million in January–June, including EUR 4.1 million depreciation on right-of-use assets. The Group performs impairment tests in accordance with the IAS 36 standard.

Research, Development and Innovation

In January–June 2019, Tikkurila research and development expenses totaled EUR 4.9 (EUR 5.1) million, or 1.6 percent of revenue (1.7%).

Human Resources and company management

At the end of June 2019, the Tikkurila Group employed 2,846 (3,030) people. The average number of employees in January–June was 2,760 (2,963). The decrease was driven by divestments, as well as restructuring during the previous year.

Tikkurila Group's number of employees at the end of each quarter is presented below split by SBU, starting from the first quarter of 2018.

	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019
SBU West	1,675	1,754	1,624	1,583	1,575	1,701
SBU East	1,265	1,261	1,225	1,121	1,133	1,130
Group functions	12	15	14	13	15	15
Total	2,952	3,030	2,863	2,717	2,723	2,846

Tikkurila Management Team

At the end of the quarter, the Tikkurila Management Team consisted of the following members:

- Elisa Markula, President and CEO
- Melisa Bärholm, Senior Vice President, Human Resources
- Fredrik Linde, Senior Vice President, Operations
- Markus Melkko, CFO
- Anders Rotkirch, Senior Vice President, Transformation and ICT
- Meri Vainikka, Senior Vice President, Offering
- Oskari Vidman, Senior Vice President, Sales (as of May 2, 2019)

Shares and Shareholders

At the end of June 2019, 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 2019, Tikkurila held 2,461 treasury shares.

According to Euroclear Finland Oy's register, Tikkurila had a total of 18,814 shareholders on June 30, 2019. 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 14.80. In January–June, the volume-weighted average share price was EUR 14.10, the lowest price EUR 12.00, and the highest price EUR 15.58. At the end of June, the market value of Tikkurila Oyj's shares was EUR 652.8 million. During January–June, a total of 2.1 million Tikkurila shares, corresponding to approximately 4.8 percent of the number of shares, were traded on Nasdaq Helsinki Ltd. The value of the traded volume was EUR 30.1 million. Tikkurila's shares are traded also outside of Nasdaq Helsinki, but the company does not have detailed statistics available on this external trading.

Major shareholder notifications

The holding of the funds and accounts managed by portfolio managers under the control of Marathon Asset Management LLP in shares of Tikkurila Oyj decreased below the 1/20 (5%) threshold due to trades executed on May 3, 2019. The holding of the above-mentioned entities in Tikkurila Oyj amounted to a total of 2,204,281 shares, which corresponds to 4.997 percent of the total amount of shares and voting rights.

Members of the Nomination Board

On May 31, 2019, the shareholders' Nomination Board of Tikkurila Oyj was appointed. The members of the Nomination Board are:

- Annika Paasikivi, President & CEO, Oras Invest Ltd
- Reima Rytsölä, Deputy CEO, Investments, Varma Mutual Pension Insurance Company
- Annika Ekman, Head of Direct Equity Investments, Ilmarinen Mutual Pension Insurance Company
- Jari Paasikivi, Chairman of the Board of Directors, Tikkurila Oyj (expert member of the Nomination Board)

On April 30, 2019, 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.

Annual General Meeting

The Annual General Meeting of Tikkurila Oyj was held on April 11, 2019. The meeting approved the Financial Statements for 2018 and the members of the Board of Directors and the President and CEO were discharged from liability.

The Annual General Meeting approved a EUR 0.33 dividend per share for the financial year 2018. The rest will be retained and carried further in the company's unrestricted equity. The dividend is to be paid in two tranches. The first tranche of EUR 0.165 per share was paid on April 24, 2019 to a shareholder who was registered in the company's shareholder register maintained by Euroclear Finland Ltd on the dividend record date, April 15, 2019. The second tranche EUR 0.165 per share will be paid in November 2019. 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 28, 2019 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 30, 2019 and the dividend payment date November 6, 2019 at the earliest.

The Annual General Meeting decided that the Board of Directors consists of six members. Jari Paasikivi, Riitta Mynttinen, Catherine Sahlgren, Petteri Walldén and Heikki Westerlund were re-elected and Lars Peter Lindfors was elected as a new member of the Board of Directors until the end of the next Annual General Meeting. Jari Paasikivi was re-elected as Chairman and Petteri Walldén as Vice Chairman of the Board of Directors.

All members of the Board are independent of the company and, except for Jari Paasikivi, all are independent of major shareholders.

Members of the Audit Committee and the Remuneration Committee were elected from among the Board members. Heikki Westerlund was elected as the Chair of the Audit Committee and Riitta Mynttinen and Lars Peter Lindfors were elected as members of the Audit Committee. Jari Paasikivi was elected as the Chair of the Remuneration Committee and Petteri Walldén and Riitta Mynttinen were elected as members of the Remuneration Committee.

The AGM approved all proposals made by the Board of Directors as described in the Notice to the AGM published on March 4, 2019. The resolutions of the AGM can be found in Tikkurila's stock exchange release of April 11, 2019.

Near-term risks and uncertainties

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

Tikkurila's Financial Statement release for the 2018 financial year described the short-term risks related to industry, raw material availability and price trend, and operations. Tikkurila's risk management principles can be viewed on Tikkurila's website at http://www.tikkurilagroup.com/investors. More information on financial risks is provided in the Notes to the 2018 Consolidated Financial Statements.

Market review

Economic growth has slowed down in Tikkurila's key markets. Volatility in the exchange rates has continued. Raw material prices remain at a historically high level, following the inflation during recent years.

In the paint and coatings markets, markets are developing differently according to their maturity and general economic development. As per Tikkurila's key markets, in Russia and Poland, growth is fueled by the increasing demand for premium products. In more mature markets, such as Sweden and Finland, paint market growth overall is moderate. In all markets, there is continued slow transition on-going, as consumer are increasingly utilizing professional painters – a shift from Do- It- Yourself (DYIY) to Do- It For- Me (DIFM). Over time, this is expected to drive the growth of professional and industry sales, which affects the sales mix, and in certain markets, the sales channels as well. Consolidation in the paint market, as well as in the suppliers' and retailers' side is expected to continue.

During the first quarter, Tikkurila's market share in decorative paints increased in Russia and Poland, while decreased in Sweden. In Finland the company's market position improved slightly.

Of the currencies relevant to Tikkurila's business areas, the Swedish krona has continued to weaken. The Russian ruble has recovered from last year. The Polish zloty has been relatively stable.

Overall, Tikkurila is the market leader in most of the key markets where the company operates, and it is well-positioned to provide its customers with high-quality goods and services in all subsegments of its business. The company will continue to systematically implement the action plan of the strategy program, as well as continue strict cost control, active pricing initiatives and further actions to improve cost competitiveness.

Paint market data based on Q1/2019 data from VTY (Finland), SVEFF (Sweden), Chem Courier (Russia), and GFK (Poland).

Guidance for 2019

Tikkurila's revenue is expected to remain at the same level as in 2018 and the adjusted operating profit will continue to improve.

Events after the reporting period

No material changes regarding the company's business or financial position have materialized after the end of the quarter.

Vantaa, August 8, 2019

TIKKURILA OYJ

BOARD OF DIRECTORS

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 2018, with the exception of new or revised or amended standards and interpretations which have been applied from the beginning of 2019.

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.

IFRS 16 Leases (effective for financial years beginning on or after January 1, 2019)

The standard’s requirement is that the lessees recognize a right-of-use asset and a lease liability at lease commencement for all leases. Tikkurila applied, at the date of initial application, the simplified approach and comparative information was not restated. In measurement of a right-of-use asset the Group chose the option where the lease liability equals to the right-of-use asset. For some lease agreements, prepaid rent which was already paid at the time of initial application was included in the value of a right-of-use asset and therefore the lease liability recognized on such lease agreement was less than the value of the recognized right-of-use asset.

The IFRS 16 standard includes practical expedients for short-term lease agreements with lease term up to 12 months or less, and for lease contracts related to low value assets. Tikkurila has applied these exemptions and thus has not recognized in its consolidated statement of financial position any right-of-use asset nor lease liability on such lease agreements. Lease expenses of agreements falling into category of exceptions are recognized as expense over the lease term.

According IFRS 16 standard, the lease liability and the right-of-use asset of the leased object are calculated by discounting future minimum lease payments. The discount rate to be primarily used is the internal interest rate of the lease contract if the interest rate can be easily determined. If that is not easily determined the incremental borrowing rate of the lessee will be used. In Tikkurila Group, the remaining lease liability at the time of initial application has been recognized at the present value calculated by using as discount rate Tikkurila’s incremental borrowing rate. The Group’s external funding has been centralized in parent company’s finance department, which is acting as an internal bank for Group companies. The incremental borrowing rate to be used for each subsidiary in their lease contracts has been centrally defined by the Group. Denominated currency of subsidiaries and lease term of the contracts are affecting the defined, used discount rates.

The lease term is a lease’s non-cancellable term, lease period. The lease extension options included in the leases are added to the lease term if it is reasonably certain that they will be used. For the time being lease contracts, in which lessor has no termination option without consent of the lessee and in which termination would cause significant costs, the judgment is used in the estimation of the lease term. In such cases, the maximum lease term used is Tikkurila's strategic period, 5 years. Similar judgment is used in the contracts in which lessor has termination option, without significant sanctions, but which contracts are essential to Tikkurila's business, the termination would result in significant costs for Tikkurila, and the contracts have continued for several years. In these cases, the likelihood of one-sided termination is estimated to be low. The Tikkurila Group's most significant leases relate to business premises (offices and shops), cars and right-of-use of land area.

The lease liability is re-measured if the cash flow under the original terms of the lease changes. Tikkurila's contracts, especially for business premises, include variable rents that are mainly tied to the changes of the consumer price index. The lease liability is re-measured when the change in the index in question causes a change in cash flow. The corresponding adjustment is recognized for the right-of-use asset value. Estimates of the length of the lease term of premises, and the possible use of an option to continue lease term, have a significant impact on Tikkurila's consolidated statement of financial position.

At the time of initial application of IFRS 16, lease liability of EUR 24.0 million and right-of-use asset of EUR 24.8 million were recognized in Tikkurila Group consolidated statement of financial position. In addition to that, the Group had committed to a lease that was not yet started at time of initial application of the IFRS 16. From that lease agreement originated lease liability and a right-of-use asset of EUR 1.1 million are not included in the amounts above stated opening balances. At the time of the initial adoption the weighted average incremental borrowing rate for lease liability was 4.2%.

Due to adoption of the IFRS 16 Leases standard, the Group’s interest-bearing net debt at the time of initial application at January 1, 2019 increased from EUR 85.5 million to EUR 109.6 million. The Group’s gearing increased from 57.0% to 73.0% and equity ratio decreased slightly. In comparison year, the total of future minimum lease payments under non-cancellable operating leases were reported in contingent liabilities (IAS 17). Comparison year figures are not restated.

Tikkurila’s financing arrangement includes a covenant that is based on Tikkurila Group’s gearing. However, the adoption of IFRS 16 standard has no effect on financing covenants.

The adoption of IFRS 16 has no significant effect on financial year 2019 operating result, EBIT of Tikkurila. Due to the adoption of the IFRS 16 standard the whole year 2019 depreciations are estimated to increase by approximately EUR 8.0 million and correspondingly fixed expenses to decrease on yearly level by approximately EUR 8.1 million and the effect to operating result is approximately EUR 0.1 million positive. Interest expenses will increase on yearly level by approximately EUR 1.1 million. The adoption of standard will have on yearly level a positive effect on EBITDA (operating result + depreciation, amortizations and impairment losses) of EUR 8.1 million. The adoption of IFRS 16 will have a positive effect on cash flow from operating activities as lease liability payments are presented in cash flow from financing activities and only the share of interest payments on lease liability is presented in cash flow from operating activities. Previously the whole amount of lease payments was presented in cash flow from operating activities.

In the following table is presented the adjustments and reclassifications to Tikkurila Group opening balances at January 1, 2019 originated from application of IFRS 16 standard.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

ASSETS	**Dec 31, 2018**	**Adjustment**	**Jan 1, 2019**
Non-current assets			
Goodwill	69.8		69.8
Other intangible assets	21.0		21.0
Property, plant and equipment	70.9	-0.2	70.7
Right-of-use assets	-	24.8	24.8
Equity-accounted investees	0.4		0.4
Other investments	0.7		0.7
Non-current receivables	8.9		8.9
Defined benefit pension and other long-term employee benefit assets	-		-
Deferred tax assets	8.1		8.1
Total non-current assets	**179.8**	**24.6**	**204.4**
Current assets			
Inventories	78.8		78.8
Interest-bearing receivables	1.0		1.0
Non-interest-bearing receivables	103.3	-0.6	102.7
Cash and cash equivalents	35.5		35.5
Non-current assets held for sale	1.6		1.6
Total current assets	**220.2**	**-0.6**	**219.6**
Total assets	**400.0**	**24.0**	**424.0**

EQUITY AND LIABILITIES	**Dec 31, 2018**	**Adjustment**	**Jan 1, 2019**
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	-46.0		-46.0
Retained earnings	121.1	0.0	121.1
Equity attributable to owners of the parent	**150.1**	**0.0**	**150.1**
Non-controlling interest	-	-	-
Total equity	**150.1**	**0.0**	**150.1**

	Dec 31, 2018	Adjustment	Jan 1, 2019
Non-current liabilities			
Interest-bearing non-current liabilities	50.0	17.8	67.8
Other non-current liabilities	0.1		0.1
Defined benefit pension and other long-term employee benefit liabilities	26.1		26.1
Provisions	0.6		0.6
Deferred tax liabilities	3.9		3.9
Total non-current liabilities	**80.7**	**17.8**	**98.5**
Current liabilities			
Interest-bearing current liabilities	71.0	6.3	77.3
Non-interest-bearing current liabilities	96.0		96.0
Provisions	2.2		2.2
Liabilities classified as held for sale	-		-
Total current liabilities	**169.1**	**6.3**	**175.4**
Total equity and liabilities	**400.0**	**24.0**	**424.0**
Interest-bearing financial liabilities (net), EUR million	85.5	24.0	109.6
Gearing, %	57.0%		73.0%
Equity ratio, %	37.6%		35.4%

Effects of IFRS 16 in half year financial report June 30, 2019

Due to IFRS 16 other operating expenses decreased by EUR 4.1 million. Depreciations and amortizations in review period amounted to a total of EUR 12.1 million including depreciations from right-of-use assets EUR 4.1 million. The standard had a positive effect of EUR 0.0 million on operating result of January- June period. Interest expenses January-June amounted to a total of EUR 1.0 million and included EUR 0.6 million interest expenses of lease liabilities. The adoption of IFRS 16 standard had a positive effect of EUR 3.8 million to the cash flow from operating activities in January-June.

The Group's interest-bearing financial liabilities (net) amounted to EUR 151.8 million including lease liabilities a total of EUR 23.2 million. Lease liabilities are included in interest-bearing non-current liabilities and interest-bearing current liabilities in consolidated statement of financial position. Gearing percentage without effect from lease liabilities is 79.8%.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Revenue	**169.7**	173.7	**298.8**	303.8	561.5
Other operating income	**0.6**	1.2	**1.2**	1.9	10.0
Expenses	**-143.0**	-149.4	**-258.8**	-275.8	-523.4
Depreciation, amortization and impairment losses	**-6.0**	-4.4	**-12.1**	-8.8	-21.6
Operating profit	**21.2**	21.2	**29.1**	21.1	26.5
Total financial income and expenses	**-0.4**	-1.8	**1.4**	-3.1	-5.8
Share of profit or loss of equity-accounted investees	**0.1**	0.1	**0.2**	0.2	0.3
Profit before taxes	**20.9**	19.5	**30.6**	18.2	21.0
Income taxes	**-4.7**	-4.1	**-7.1**	-4.9	-6.5
Net result for the period	**16.1**	15.4	**23.5**	13.3	14.6
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Changes of equity investments at fair value through other comprehensive income	**0.0**	-	**0.0**	-	0.1
Remeasurements on defined benefit plans	**-2.6**	-1.2	**-3.4**	-1.2	-0.2
Income taxes relating to items that will not be reclassified to profit or loss	**0.6**	0.3	**0.7**	0.3	0.0
Total items that will not be reclassified to profit or loss	**-2.0**	-1.0	**-2.7**	-0.9	-0.1
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations	**0.9**	-2.5	**4.5**	-4.2	-6.6
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	**0.9**	-2.5	**4.5**	-4.2	-6.6
Total comprehensive income for the period	**15.0**	11.9	**25.3**	8.2	7.8
Net result attributable to:					
Owners of the parent	**16.1**	15.4	**23.5**	13.3	14.6
Non-controlling interest	**-**	-	**-**	-	-
Net result for the period	**16.1**	15.4	**23.5**	13.3	14.6

	4-6/2019	4-6/2018	**1-6/2019**	1-6/2018	1-12/2018
Total comprehensive income attributable to:					
Owners of the parent	**15.0**	11.9	**25.3**	8.2	7.8
Non-controlling interest	**-**	-	**-**	-	-
Total comprehensive income for the period	**15.0**	11.9	**25.3**	8.2	7.8
Earnings per share of the net profit attributable to owners of the parent					
Basic earnings per share (EUR)	**0.37**	0.35	**0.53**	0.30	0.33
Diluted earnings per share (EUR)	**0.37**	0.35	**0.53**	0.30	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR million

ASSETS	**Jun 30, 2019**	Jun 30, 2018	Dec 31, 2018
Non-current assets			
Goodwill	**70.1**	71.6	69.8
Other intangible assets	**19.5**	23.7	21.0
Property, plant and equipment	**69.7**	76.9	70.9
Right-of -use assets	**23.3**	-	-
Equity-accounted investees	**0.5**	0.6	0.4
Other investments	**0.7**	0.7	0.7
Non-current receivables	**7.6**	8.8	8.9
Defined benefit pension and other long-term employee benefit assets	**-**	0.0	-
Deferred tax assets	**10.8**	10.3	8.1
Total non-current assets	**202.4**	192.7	179.8
Current assets			
Inventories	**89.5**	95.7	78.8
Interest-bearing receivables	**1.4**	0.9	1.0
Non-interest-bearing receivables	**201.3**	212.6	103.3
Cash and cash equivalents	**34.2**	33.3	35.5
Non-current assets held for sale	**1.6**	1.5	1.6
Total current assets	**327.9**	344.1	220.2
Total assets	**530.3**	536.7	400.0

EQUITY AND LIABILITIES	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Share capital	**35.0**	35.0	35.0
Other reserves	**0.0**	0.0	0.0
Fair value reserve	**0.0**	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	**-41.5**	-43.5	-46.0
Retained earnings	**127.6**	118.9	121.1
Equity attributable to owners of the parent	**161.1**	150.4	150.1
Non-controlling interest	**-**	-	-
Total equity	**161.1**	150.4	150.1
Non-current liabilities			
Interest-bearing non-current liabilities	**66.3**	50.0	50.0
Other non-current liabilities	**0.0**	0.0	0.1
Defined benefit pension and other long-term employee benefit liabilities	**28.0**	26.9	26.1
Provisions	**1.6**	0.5	0.6
Deferred tax liabilities	**3.7**	4.5	3.9
Total non-current liabilities	**99.6**	81.9	80.7
Current liabilities			
Interest-bearing current liabilities	**119.7**	140.5	71.0
Non-interest-bearing current liabilities	**148.8**	160.8	96.0
Provisions	**1.1**	3.2	2.2
Liabilities classified as held for sale	**-**	-	-
Total current liabilities	**269.6**	304.4	169.1
Total equity and liabilities	**530.3**	536.7	400.0

CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
CASH FLOW FROM OPERATING ACTIVITIES					
Net result for the period	**16.1**	15.4	**23.5**	13.3	14.6
Adjustments for:					
Non-cash transactions	**8.6**	5.2	**15.1**	14.8	30.3
Interest and other financial expenses	**0.6**	2.0	**1.2**	3.6	6.8
Interest income and other financial income	**-0.2**	-0.2	**-2.6**	-0.5	-1.0
Income taxes	**4.7**	4.1	**7.1**	4.9	6.5
Funds from operations before change in net working capital	**29.9**	26.5	**44.3**	36.1	57.1
Change in net working capital	**-34.6**	-24.0	**-65.0**	-68.7	1.5
Interest and other financial expenses paid	**-0.8**	-1.7	**-1.2**	-2.8	-6.0
Interest and other financial income received	**0.3**	0.3	**2.4**	0.3	0.6
Income taxes paid	**-4.2**	-5.1	**-6.0**	-9.2	-5.6
Total cash flow from operations	**-9.3**	-4.0	**-25.4**	-44.3	47.6
CASH FLOW FROM INVESTING ACTIVITIES					
Business combinations	**-**	-	**-**	-	-
Other capital expenditure	**-3.1**	-3.2	**-5.2**	-7.6	-12.2
Proceeds from sale of assets	**0.4**	0.7	**0.6**	-0.2	0.6
Loan receivables decrease (+), increase (-)	**-**	-	**-**	-	-0.1
Dividends received	**0.0**	0.0	**0.0**	0.0	0.4
Net cash used in investing activities	**-2.7**	-2.5	**-4.6**	-7.8	-11.3
Cash flow before financing	**-12.0**	-6.5	**-30.1**	-52.1	36.3

	4-6/2019	4-6/2018	**1-6/2019**	1-6/2018	1-12/2018
CASH FLOW FROM FINANCING ACTIVITIES					
Non-current borrowings, increase (+), decrease (-)	**-**	-	**-**	-	-
Current financing, increase (+), decrease (-)	**38.9**	45.3	**41.9**	83.5	14.0
Payments of lease liabilities	**-1.9**	-	**-3.8**	-	-
Dividends paid	**-7.3**	-17.6	**-7.3**	-17.6	-35.3
Acquisition of own shares	**-**	-	**-**	-	-
Other	**-**	-	**-**	-	-
Net cash used in financing activities	**29.7**	27.7	**30.8**	65.9	-21.3
Net change in cash and cash equivalents	**17.7**	21.2	**0.8**	13.8	15.0
Cash and cash equivalents at the beginning of period	**17.1**	11.4	**35.5**	16.9	16.9
Effect of exchange rate fluctuations on cash held	**0.7**	-0.6	**2.1**	-1.3	-2.3
Cash and cash equivalents transferred in assets held for sale	**-**	-	**-**	-1.3	-1.3
Cash and cash equivalents at the end of period	**34.2**	33.3	**34.2**	33.3	35.5
Net change in cash and cash equivalents	**17.7**	21.2	**0.8**	13.8	15.0

Cash flows on leases, IFRS 16	**4-6/2019**	**1-6/2019**
Interest on lease liabilities, in cash flow from operating activities	-0.3	-0.6
Payments on lease liabilities, in cash flow from financing activities	-1.9	-3.8
Total cash flows on leases	**-2.3**	**-4.4**
Cash flow from operating activities	**-9.3**	**-25.4**
Interest on lease liabilities	0.3	0.6
Cash outflow on lease expenses	-2.3	-4.4
Cash flow from operating activities excluding impact of IFRS 16	**-11.2**	**-29.3**
Cash flow from financing activities	**29.7**	**30.8**
Payments on lease liabilities	1.9	3.8
Cash flow from financing activities excluding impact of IFRS 16	**31.7**	**34.7**

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 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
Equity at Dec 31, 2018	**35.0**	**0.0**	**0.0**	**40.0**	**0.0**	**-46.0**	**121.1**	**150.1**	**-**	**150.1**
Change in accounting principles, IFRS 16	-	-	-	-	-	-	0.0	0.0	-	0.0
Equity at Jan 1, 2019	**35.0**	**0.0**	**0.0**	**40.0**	**0.0**	**-46.0**	**121.1**	**150.1**	**-**	**150.1**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**4.5**	**20.8**	**25.3**	**-**	**25.3**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**-**	**0.3**	**0.3**	**-**	**0.3**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-14.6**	**-14.6**	**-**	**-14.6**
Equity at Jun 30, 2019	**35.0**	**0.0**	**0.0**	**40.0**	**0.0**	**-41.5**	**127.6**	**161.1**	**-**	**161.1**

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	**4-6/2019**	4-6/2018	**1-6/2019**	1-6/2018	1-12/2018
EUR million					
SBU West	**107.5**	115.1	**204.7**	215.5	381.2
SBU East	**62.2**	58.7	**94.1**	88.3	180.3
Eliminations	**0.0**	0.0	**0.0**	0.0	0.0
Total	**169.7**	173.7	**298.8**	303.8	561.5

EBIT by segment	**4-6/2019**	4-6/2018	**1-6/2019**	1-6/2018	1-12/2018
EUR million					
SBU West	**14.8**	16.1	**25.3**	19.4	22.7
SBU East	**7.7**	6.7	**7.0**	4.2	9.4
Tikkurila common	**-1.3**	-1.6	**-3.3**	-2.5	-5.6
Eliminations	**0.0**	-	**0.0**	-	-
Total	**21.2**	21.2	**29.1**	21.1	26.5

Items affecting comparable EBIT by segment	**4-6/2019**	4-6/2018	**1-6/2019**	1-6/2018	1-12/2018
EUR million					
SBU West	**0.0**	-0.2	**-0.1**	-4.1	-11.8
SBU East	**-2.1**	-0.2	**-2.1**	0.1	-0.5
Tikkurila common	**0.0**	-	**-0.2**	-	-
Eliminations	**-**	-	**-**	-	-
Total	**-2.0**	-0.4	**-2.3**	-4.0	-12.3

Adjusted operating profit by segment	**4-6/2019**	4-6/2018	**1-6/2019**	1-6/2018	1-12/2018
EUR million					
SBU West	**14.8**	16.2	**25.4**	23.5	34.5
SBU East	**9.8**	6.8	**9.1**	4.1	9.9
Tikkurila common	**-1.3**	-1.6	**-3.1**	-2.5	-5.6
Eliminations	**0.0**	-	**0.0**	-	-
Total	**23.2**	21.5	**31.4**	25.1	38.8

Non-allocated items:					
Total financial income and expenses	**-0.4**	-1.8	**1.4**	-3.1	-5.8
Share of profit or loss of equity-accounted investees	**0.1**	0.1	**0.2**	0.2	0.3
Profit before taxes	**20.9**	19.5	**30.6**	18.2	21.0

Revenue by product group and by segment	**1-6/2019**		1-6/2018	
EUR million	**Decorative paints**	**Industrial coatings**	Decorative paints	Industrial coatings
SBU West	**172.4**	**32.3**	180.6	34.9
SBU East	**79.3**	**14.8**	74.6	13.7
Eliminations	**-**	**-**	0.0	0.0
Total	**251.7**	**47.1**	255.2	48.6

Assets by segment	**Jun 30, 2019**	Jun 30, 2018	Dec 31, 2018
EUR million			
SBU West	**363.2**	355.7	298.3
SBU East	**91.4**	98.5	67.6
Assets, non-allocated to segments	**96.5**	107.4	50.0
Eliminations	**-20.8**	-24.8	-15.9
Total assets	**530.3**	536.7	400.0

CHANGES IN PROPERTY, PLANT AND EQUIPMENT **EUR million**	**1-6/2019**	1-6/2018	1-12/2018
Carrying amount at the beginning of period	**70.9**	81.2	81.2
Additions	**4.5**	6.2	10.2
Business combinations	**-**	-	-
Disposals	**0.0**	0.0	-0.1
Depreciation, amortization and impairment losses	**-5.9**	-6.2	-15.1
Exchange rate differences and other changes	**0.2**	-4.2	-5.3
Carrying amount at the end of period	**69.7**	76.9	70.9

Tikkurila Group had contractual commitments for purchase of property, plant and equipment EUR 1.9 (1.5) million at the end of review period.

CHANGES IN INTANGIBLE ASSETS **EUR million**	**1-6/2019**	1-6/2018	1-12/2018
Carrying amount at the beginning of period	**90.8**	98.4	98.4
Additions	**0.8**	0.1	0.2
Business combinations	**-**	-	-
Disposals	**-**	0.0	-0.1
Depreciation, amortization and impairment losses	**-2.1**	-2.5	-6.5
Exchange rate differences and other changes	**0.1**	-0.7	-1.3
Carrying amount at the end of period	**89.6**	95.3	90.8

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

CHANGES IN RIGHT-OF-USE ASSETS **EUR million**	**1-6/2019**	1-6/2018	1-12/2018
Adoption of IFRS 16	**24.8**	-	-
Carrying amount at the beginning of period	**-**	-	-
Additions	**2.2**	-	-
Disposals	**0.0**	-	-
Depreciation, amortization and impairment losses	**-4.1**	-	-
Exchange rate differences and other changes	**0.5**	-	-
Carrying amount at the end of period	**23.3**	-	-

INVENTORIES

Write-down of inventory for a total amount of EUR 1.6 (3.8) 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 Tikkurila Management Team, CEO, their family members and controlled entities.

Related party transactions:

EUR million

Joint ventures	**1-6/2019**	1-6/2018	1-12/2018
Sales	**2.5**	2.5	5.0
Other operating income	**0.5**	0.5	1.0
Receivables	**0.8**	0.7	0.4
Liabilities	**0.1**	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 performance share plan 2015–2019 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 is 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 periods 2015-2017 or 2016-2018, as the criteria defined for the period were not reached.

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 2017-2019 will amount to a maximum of 8,000 Tikkurila Oyj shares. The reward to be paid on the basis of vesting period 2016-2018 amounted to a maximum of 4,000 Tikkurila Oyj shares but the criteria for reward payment were not fulfilled.

In June 2018, the Board of Directors of Tikkurila Oyj decided on 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. In December 2018, the Board of Directors of Tikkurila Oyj decided to change the terms of performance share plan 2018-2022 so that part of the reward for the performance period 2019-2021 will be a time-based reward and the number of the participants of the plan will be increased.

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.

The rewards to be paid on the basis of the performance period 2019-2021 will amount to an approximate maximum total of 130,000 Tikkurila Oyj shares. The potential reward of the plan will be based on the Tikkurila Group´s average EBITDA-based intrinsic values for 2019-2021. Approximately 20 key employees, including the members of the Management Team, belong to the target group of the plan during the performance period 2019-2021.

Share plan 2018-2019 includes one performance period, calendar years 2018-2019 and the potential reward will 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 0.3 (0.0) million was recognized during the first half of financial year 2019 in personnel expenses.

COMMITMENTS AND CONTINGENT LIABILITIES	**Jun 30, 2019**	Jun 30, 2018	Dec 31, 2018
EUR million			
Mortgages given as collateral for liabilities in the statement of financial position			
Other loans	**-**	-	-
Mortgages given	**-**	0.1	0.1
Total loans	**-**	-	-
Total mortgages given	**-**	0.1	0.1
Contingent liabilities			
Guarantees			
On behalf of own commitments	**0.5**	0.4	0.4
On behalf of others	**1.2**	1.3	1.3
Other obligations of own behalf	**8.4**	8.0	0.1
Lease obligations	**1.7**	28.7	31.0
Total contingent liabilities	**11.8**	38.4	32.8

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

EUR million

Jun 30, 2019	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	-	6.1	-	6.1	6.1
Current financial assets					
Interest-bearing receivables	-	1.4	-	1.4	1.4
Cash equivalents	-	34.2	-	34.2	34.2
Trade and other non-interest-bearing receivables	-	186.8	-	186.8	186.8
Total	**-**	**228.5**	**0.7**	**229.2**	**229.2**
Non-current financial liabilities					
Non-current interest-bearing liabilities	-	66.3	-	66.3	66.4
Current financial liabilities					
Current interest-bearing liabilities	-	119.7	-	119.7	119.7
Trade payables	-	65.6	-	65.6	65.6
Total	**-**	**251.6**	**-**	**251.6**	**251.6**

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**

Dec 31, 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	-	8.5	-	8.5	8.5
Current financial assets					
Interest-bearing receivables	-	1.0	-	1.0	1.0
Cash equivalents	-	35.5	-	35.5	35.5
Trade and other non-interest-bearing receivables	-	84.7	-	84.7	84.7
Total	**-**	**129.7**	**0.7**	**130.4**	**130.4**
Non-current financial liabilities					
Non-current interest-bearing liabilities	-	50.0	-	50.0	50.0
Current financial liabilities					
Current interest-bearing liabilities	-	71.0	-	71.0	71.0
Trade payables	-	46.3	-	46.3	46.3
Total	**-**	**167.3**	**-**	**167.3**	**167.4**

FAIR VALUE HIERARCHY

EUR million

Jun 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Other investments	**-**	**-**	**0.7**	**0.7**
Jun 30, 2018				
Recurring fair value measurements				
Other investments	-	-	0.7	0.7
Dec 31, 2018				
Recurring fair value measurements				
Other investments	-	-	0.7	0.7

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, 2019**	Jun 30, 2018	Dec 31, 2018
Carrying amount at Jan 1	**0.7**	0.8	0.8
Translation differences in other comprehensive income	**0.0**	0.0	0.0
Change in valuation	**-**	-	-
Disposals	**0.0**	-	0.0
Other changes / transfers	**-**	-	-
Carrying amount at end of review period	**0.7**	0.7	0.7

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.

Tikkurila has classified these equity instruments as fair value through other comprehensive income. Dividends on these investments are recognized in profit or loss but possible impairment losses will not be recognized in profit or loss nor the gains or losses on disposal.

KEY PERFORMANCE INDICATORS	**4-6/2019/ Jun 30, 2019**	4-6/2018/ Jun 30, 2018	**1-6/2019/ Jun 30, 2019**	1-6/2018/ Jun 30, 2018	1-12/2018/ Dec 31, 2018
Earnings per share / basic, EUR	**0.37**	0.35	**0.53**	0.30	0.33
Earnings per share / diluted, EUR	**0.37**	0.35	**0.53**	0.30	0.33
Operating profit (EBIT), EUR million	**21.2**	21.2	**29.1**	21.1	26.5
of revenue %	**12.5%**	12.2%	**9.7%**	7.0%	4.7%
Adjusted operating profit, EUR million	**23.2**	21.5	**31.4**	25.1	38.8
of revenue %	**13.7%**	12.4%	**10.5%**	8.3%	6.9%
Cash flow from operations, EUR million	**-9.3**	-4.0	**-25.4**	-44.3	47.6
Cash flow from operations / per share, EUR	**-0.21**	-0.09	**-0.58**	-1.00	1.08
Capital expenditure, EUR million	**3.1**	3.2	**5.2**	7.6	12.2
of revenue %	**1.8%**	1.8%	**1.8%**	2.5%	2.2%
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)] [*)]	**44,193**	44,115	**44,174**	44,114	44,121
Number of shares at the end of period, adjusted for dilutive effect (1,000) [1)] [*)]	**44,193**	44,164	**44,193**	44,164	44,131
Equity attributable to the owners of the parent / per share, EUR	**3.65**	3.41	**3.65**	3.41	3.40
Equity ratio, %	**30.4%**	28.1%	**30.4%**	28.1%	37.6%
Gearing, %	**94.2%**	104.6%	**94.2%**	104.6%	57.0%
Interest-bearing financial liabilities (net), EUR million	**151.8**	157.3	**151.8**	157.3	85.5
Return on capital employed (ROCE), % p.a.	**12.2%**	5.0%	**12.2%**	5.0%	9.3%
Personnel (average)	**2,805**	2,994	**2,760**	2,963	2,908

[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 this report are presented some alternative key figures in addition to commonly presented IFRS –performance measure. Benefits considered to be achieved with these are better comparability of financial performance between review periods and possibility to describe more wide-ranged the financial development of businesses.

Items affecting comparable EBIT

Group total **EUR million**	**4-6/2019**	4-6/2018	**1-6/2019**	1-6/2018	1-12/2018
Divestments, changes in Group structure	**-**	0.0	**-**	-1.0	-2.0
Personnel related	**-0.2**	-0.4	**-0.5**	-3.0	-6.9
Costs on withdrawn Russian factory investment	**-1.8**	-	**-1.8**	-	-
Impairment losses	**-**	-	**-**	-	-3.4
Total	**-2.0**	-0.4	**-2.3**	-4.0	-12.3

SBU West **EUR million**	**4-6/2019**	4-6/2018	**1-6/2019**	1-6/2018	1-12/2018
Divestments, changes in Group structure	**-**	0.0	**-**	-1.4	-2.3
Personnel related	**0.0**	-0.2	**-0.1**	-2.7	-6.1
Impairment losses	**-**	-	**-**	-	-3.4
Total	**0.0**	-0.2	**-0.1**	-4.1	-11.8

SBU East **EUR million**	**4-6/2019**	4-6/2018	**1-6/2019**	1-6/2018	1-12/2018
Divestments, changes in Group structure	**-**	0.0	**-**	0.3	0.3
Personnel related	**-0.3**	-0.2	**-0.3**	-0.2	-0.8
Costs on withdrawn Russian factory investment	**-1.8**	-	**-1.8**	-	-
Impairment losses	**-**	-	**-**	-	-
Total	**-2.1**	-0.2	**-2.1**	0.1	-0.5

Tikkurila common **EUR million**	**4-6/2019**	4-6/2018	**1-6/2019**	1-6/2018	1-12/2018
Divestments, changes in Group structure	**-**	-	**-**	-	-
Personnel related	**0.0**	-	**-0.2**	-	-
Impairment losses	**-**	-	**-**	-	-
Total	**0.0**	-	**-0.2**	-	-

Net debt	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
EUR million			
Interest-bearing non-current liabilities	**66.3**	50.0	50.0
Interest-bearing current liabilities	**119.7**	140.5	71.0
Interest-bearing liabilities, total	**186.0**	190.5	121.0
Cash and cash equivalents	**34.2**	33.3	35.5
Interest-bearing financial liabilities (net)	**151.8**	157.3	85.5

Return on capital employed (ROCE), %			
Operating result + share of profit or loss of equity-accounted investees [1]	**34.8**	15.5	26.8
Capital employed [2]	**286.1**	306.8	289.8
Return on capital employed (ROCE), %	**12.2%**	5.0%	9.3%

[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 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

Capital employed
Net working capital + intangible assets ready for use + property, plant and equipment ready for use+ right-of-use assets + equity-accounted investees

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

$$\frac{\text{Operating result + share of profit or loss of equity-accounted investees x 100}}{\text{Capital employed **}}$$

* 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
** 12 months, in average

SEGMENT INFORMATION BY QUARTER

Revenue by segment	1-3/2018	4-6/2018	7-9/2018	10-12/2018	1-3/2019	4-6/2019
EUR million						
SBU West	100.5	115.1	97.7	67.9	97.2	107.5
SBU East	29.6	58.7	54.4	37.6	32.0	62.2
Eliminations	-	0.0	-	-	-	0.0
Total	130.1	173.7	152.2	105.5	129.1	169.7

EBIT by segment	1-3/2018	4-6/2018	7-9/2018	10-12/2018	1-3/2019	4-6/2019
EUR million						
SBU West	3.4	16.1	9.6	-6.3	10.5	14.8
SBU East	-2.4	6.7	5.2	-0.1	-0.7	7.7
Tikkurila common	-1.0	-1.6	-0.8	-2.2	-2.0	-1.3
Eliminations	-	-	-	-	-	0.0
Total	0.0	21.2	14.0	-8.6	7.9	21.2

Items affecting comparable EBIT by segment	1-3/2018	4-6/2018	7-9/2018	10-12/2018	1-3/2019	4-6/2019
EUR million						
SBU West	-3.9	-0.2	-4.6	-3.1	-0.1	0.0
SBU East	0.3	-0.2	-0.5	-0.1	0.0	-2.1
Tikkurila common	-	-	-0.1	0.1	-0.2	0.0
Eliminations	-	-	-	-	-	-
Total	-3.6	-0.4	-5.2	-3.1	-0.3	-2.0

Adjusted operating result by segment	1-3/2018	4-6/2018	7-9/2018	10-12/2018	1-3/2019	4-6/2019
EUR million						
SBU West	7.3	16.2	14.2	-3.2	10.6	14.8
SBU East	-2.7	6.8	5.7	0.0	-0.7	9.8
Tikkurila common	-1.0	-1.6	-0.8	-2.3	-1.8	-1.3
Eliminations	-	-	-	-	-	-
Total	3.6	21.5	19.2	-5.5	8.2	23.2
Non-allocated items:						
Total financial income and expenses	-1.3	-1.8	-1.3	-1.3	1.8	-0.4
Share of profit or loss of equity-accounted investees	0.1	0.1	0.1	0.0	0.1	0.1
Profit / loss before taxes	-1.3	19.5	12.8	-9.9	9.7	20.9

Assets by segment	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019
EUR million						
SBU West	342.6	355.7	329.1	298.3	350.5	363.2
SBU East	74.9	98.5	84.0	67.6	80.6	91.4
Assets, non-allocated to segments	79.2	107.4	53.4	50.0	52.7	96.5
Eliminations	-25.0	-24.8	-15.1	-15.9	-13.4	-20.8
Total assets	471.7	536.7	451.4	400.0	470.3	530.3