Nokian Tyres plc Interim Report January−September 2018, October 31, 2018, 8:00 a.m.

Nokian Tyres plc Interim Report January−September 2018:
Growth in all main markets. Negative impact from currencies, guidance updated.

July–September 2018

- Net sales decreased by 1.7% to EUR 356.9 million (363.1 in 7–9/2017). With comparable currencies, net sales increased by 1.2%.
- Operating profit decreased to EUR 85.9 million (89.8) negatively impacted by currencies.
- Profit for the period was EUR 65.2 million (10.2; including EUR 59 million in additional taxes and interest related to tax year 2011).
- Earnings per share rose to EUR 0.48 (0.08).
- Cash flow from operating activities was EUR -73.7 million (-88.1).
- Guidance updated.

January–September 2018

- Net sales increased by 3.7% to EUR 1,122.0 million (1,082.0 in 1–9/2017). With comparable currencies, net sales increased by 8.7%.
- Operating profit increased to EUR 255.2 million (242.8).
- Profit for the period was EUR 199.3 million (126.7. In Q3/2017, profit included EUR 59 million in additional taxes and interest related to tax year 2011).
- Earnings per share rose to EUR 1.45 (0.93).
- Cash flow from operating activities was EUR 76.9 million (-134.1). In relation to the tax disputes concerning the years 2007−2011, the Finnish Tax Administration returned the previously paid EUR 148 million in additional taxes and interest to the company in June 2018.

Guidance updated

In 2018, net sales and operating profit are expected to be at the same level or slightly higher compared with 2017 due to continued negative currency impact.

Earlier guidance from February 2, 2018

In 2018, with the current exchange rates, net sales and operating profit are expected to grow compared with 2017.

Key figures, EUR million

	7–9 /18	7–9 /17	Change %	CC* Change %	1–9 /18	1–9 /17	Change %	CC* Change %	2017
Net sales	**356.9**	363.1	-1.7	1.2	**1,122.0**	1,082.0	3.7	8.7	1,572.5
Operating profit	**85.9**	89.8			**255.2**	242.8			365.4
Operating profit %	**24.1**	24.7			**22.7**	22.4			23.2
Profit before tax	**82.8**	67.4			**248.2**	213.4			332.4
Profit for the period	**65.2**	10.2			**199.3**	126.7			221.4
Earnings per share, EUR	**0.48**	0.08			**1.45**	0.93			1.63
Equity ratio, %					**70.5**	71.3			78.2
Cash flow from operating activities	**-73.7**	-88.1			**76.9**	-134.1			234.1
Gearing, %					**1.8**	8.5			-14.2
Interest-bearing net debt					**25.8**	116.6			-208.3
Capital expenditure	**49.4**	35.3			**114.2**	95.3			134.9

* Comparable currencies

Hille Korhonen, President and CEO:

“In January−September 2018, our performance was good and we grew faster than the market. With comparable currencies, net sales increased by 8.7%. Operating profit increased slightly compared to the first nine months of 2017, despite a significant negative currency impact. Net sales in July−September were negatively impacted by high inventory levels of summer tires in Russia and lower new car sales in Sweden and Norway.

The construction work at our new US factory in Dayton, Tennessee, is proceeding as planned, and commercial production is planned to begin in 2020. The test center project in Spain is ongoing and on schedule. Both the US factory and the Spanish test center will be major assets to us as we are focusing on our next stage of growth. We are aiming at doubling our sales in North America and growing our sales by 50% in Central Europe in the next 5 years, as well as maintaining our market leader positions in the Nordics and Russia. In line with our strategic target to grow in Central Europe, we had two major product launches in October, launching two new summer tires for the Central European markets: the Nokian Powerproof and the Nokian Wetproof.

Sustainability is an important part of our strategy, and I am particularly proud to announce that we were again included in Dow Jones’ DJSI World sustainability index. Our company was also selected for the more strictly defined DJSI Europe index.”

Market situation

	the Nordic countries	Russia	Europe (incl. the Nordic countries)	North America
New car sales in 1–9/2018 y-o-y	+1%	+15%	+2%	+0%
Car tire sell-in in 1–9/2018 y-o-y	+3%	+8%	+1%	+3%
GDP growth E2018	from +1.0% to +3.0%	from +1.5% to +2.0%	+2.0%	+4.2%
Car tire demand E2018 (management estimate)	increase slightly	increase slightly	increase slightly	increase slightly
Heavy tire segments* (management estimate)	increase	at previous year's level	increase	increase

* Nokian Tyres' core product segments

JULY–SEPTEMBER 2018

Nokian Tyres Group’s net sales in July−September 2018 decreased by 1.7% and amounted to EUR 356.9 million (July−September 2017: 363.1). Solid growth in North America and Central Europe was offset by a decline in Russia and the Nordics. With comparable currencies, net sales increased by 1.2 %. Currency exchange rates affected net sales negatively by EUR 10.5 million.

Net sales by market area

	M€ 7−9/18	M€ 7−9/17	Change %	CC Change %	% of total net sales in 7–9/18	% of total net sales in 7–9/17
Nordic countries	**139.8**	145.2	-3.7	-0.8	**39.2**	40.0
Russia	**41.4**	50.5	-18.2	-7.5	**11.6**	13.9
Other Europe	**121.4**	119.2	1.9	2.6	**34.0**	32.8
North America	**44.5**	41.4	7.5	8.2	**12.5**	11.4
Other countries	**9.8**	6.9	43.2	46.6	**2.8**	1.9

Net sales by business unit*

	M€ 7−9/18	M€ 7−9/17	Change %	CC Change %	% of total net sales in 7–9/18	% of total net sales in 7–9/17
Passenger Car Tyres	**265.9**	276.2	-3.7	-0.7	**74.5**	76.0
Heavy Tyres	**45.1**	42.1	7.0	9.0	**12.6**	11.6
Vianor	**68.6**	68.7	0.0	2.9	**19.2**	18.9
*including internal sales						

Raw material costs (EUR/kg) in manufacturing decreased by 3.7% year-over-year positively impacted by currencies and increased by 0.7% from the second quarter of 2018.

Operating profit amounted to EUR 85.9 million (89.8).

Operating profit by business unit

	M€ 7–9/18	M€ 7–9/17	M€ 2017
Passenger Car Tyres	**91.5**	98.3	359.9
Heavy Tyres	**5.9**	7.9	32.2
Vianor	**-5.4**	-7.0	-5.8
Other operations and eliminations	**-6.0**	-9.4	-20.9
Total	**85.9**	89.8	365.4

Net financial expenses were EUR 3.2 million (22.4), including net interest expenses of EUR 0.7 million (19.1; including EUR 15.2 million in interest related to tax year 2011 and EUR 3.1 million in interest related to Nokian Tyres US subsidiary). Net financial expenses include an expense of EUR 2.5 million (expense of EUR 3.3 million) due to exchange rate differences. Profit before tax was EUR 82.8 million (67.4) and taxes were EUR -17.6 million (-57.2). Profit for the period amounted to EUR 65.2 million (10.2), and earnings per share were EUR 0.48 (0.08). In January−September 2017, profit was negatively impacted by the additional taxes of EUR 59 million in Finland, including tax increases and interest based on the reassessment decisions from the Tax Administration related to the tax dispute for 2011 received in October 2017, and EUR 3.1 million in interest related to Nokian Tyres US subsidiary and the years 2007−2013.

JANUARY–SEPTEMBER 2018

Nokian Tyres Group's net sales in January−September 2018 increased by 3.7% and were EUR 1,122.0 million (January−September 2017: 1,082.0). With comparable currencies, net sales increased by 8.7%, with growth in all main markets. Currency exchange rates affected net sales negatively by EUR 54.3 million.

Net sales by market area

	M€ 1−9/18	**M€ 1−9/17**	**Change %**	**CC Change %**	**% of total net sales in 1–9/18**	**% of total net sales in 1–9/17**
Nordic countries	**424.3**	413.0	2.7	4.7	**37.8**	38.2
Russia	**220.4**	216.2	2.0	17.1	**19.6**	20.0
Other Europe	**319.9**	310.1	3.1	4.6	**28.5**	28.7
North America	**136.0**	122.8	10.7	16.9	**12.1**	11.4
Other countries	**21.5**	19.9	7.9	15.4	**1.9**	1.8

Net sales by business unit*

	M€ 1−9/18	**M€ 1−9/17**	**Change %**	**CC Change %**	**% of total net sales in 1–9/18**	**% of total net sales in 1–9/17**
Passenger Car Tyres	**834.0**	800.6	4.2	10.0	**74.3**	74.0
Heavy Tyres	**134.7**	125.9	7.0	9.2	**12.0**	11.6
Vianor	**214.9**	214.7	0.1	3.2	**19.2**	19.8
*including internal sales						

Raw material costs (EUR/kg) in manufacturing decreased by 2.9% year-over-year positively impacted by currencies.

Operating profit amounted to EUR 255.2 million (242.8).

Operating profit by business unit

	M€ 1–9/18	**M€ 1–9/17**	**M€ 2017**
Passenger Car Tyres	**260.0**	259.0	359.9
Heavy Tyres	**19.0**	22.8	32.2
Vianor	**-10.1**	-18.9	-5.8
Other operations and eliminations	**-13.7**	-20.1	-20.9
Total	**255.2**	242.8	365.4

Net financial expenses were EUR 7.0 million (29.4), including net interest expenses of EUR 2.1 million (23.3; including EUR 15.2 million in interest related to tax year 2011 and EUR 3.1 million in interest related to Nokian Tyres US subsidiary). Net financial expenses include an expense of EUR 4.9 million (expense of EUR 6.1 million) due to exchange rate differences. Profit before tax was EUR 248.2 million (213.4) and taxes were EUR -48.9 million (86.8). Profit for the period amounted to EUR 199.3 million (126.7), and earnings per share were EUR 1.45 (0.93). In January−September 2017, profit was penalized by the additional taxes of EUR 59 million in Finland, including tax increases and interest based on the reassessment decisions from the Tax Administration related to the tax dispute for 2011 received in October 2017, and EUR 3.1 million in interest related to Nokian Tyres' US subsidiary and the years 2007−2013.

Cash flow

In January−September 2018, cash flow from operating activities was EUR 76.9 million (-134.1; affected by the payment of EUR 18.5 million in additional taxes with tax increases and interest concerning the tax dispute regarding Nokian Tyres' US subsidiary and the years 2007–2013. The company paid the amount in August 2017.). Working capital increased by EUR 202.3 million (increase of EUR 365.5 million). Inventories increased by EUR 56.6 million (87.7) and receivables increased by EUR 315.7 million (326.9). Payables increased by EUR 170.0 million (49.2). In relation to the tax disputes concerning 2007−2011, the Finnish Tax Administration returned the previously paid EUR 148 million in additional taxes and interest to the company in June 2018. The Tax Recipient Services Unit applied for permission to appeal in July 2018.

Investments

Investments in January−September 2018 amounted to EUR 114.2 million (95.3). This comprises production investments in the Russian and Finnish factories, molds for new products, construction of the new US factory, and ICT and process development projects. Depreciation totaled EUR 69.0 million (71.4).

Financial position on September 30, 2018

	September 30, 2018	**September 30, 2017**
Cash and cash equivalents, M€	**107.6**	94.1
Interest-bearing financial liabilities, M€	**133.4**	210.7
of which current interest-bearing financial liabilities, M€	**124.3**	75.8
Interest-bearing net debt, M€	**25.8**	116.6
Unused credit limits*, M€	**558.7**	431.9
of which committed, M€	**205.5**	155.6
Gearing ratio, %	**1.8**	8.5
Equity ratio, %	**70.5**	71.3

* The current credit limits and the commercial paper program are used to finance inventories, trade receivables, and subsidiaries in distribution chains, thereby controlling the typical seasonality in the Group's cash flow.

Tax rate

The Group's tax rate was 20.0% (40.7%; tax rate without tax disputes was 18.6%) during the review period. The tax rate is positively affected by tax incentives in Russia for current investments and further future investments which are valid until approximately 2020. The Group's estimated operational tax rate is expected to be 19% for 2018–2019.

The tax rate in the coming years will depend on the timetable and final outcome of the ongoing tax disputes with the Finnish Tax Administration. The Group's corporate annual tax rate may rise as a result of these cases. For further information on the ongoing tax disputes, please see page 15.

Personnel

	1−9 /18	**1−9 /17**
Group employees		
on average	**4,728**	4,553
at the end of the review period	**4,800**	4,609
in Finland, at the end of the review period	**1,823**	1,721
in Russia, at the end of the review period	**1,590**	1,490
Vianor (own) employees, at the end of the review period	**1,656**	1,684

BUSINESS UNIT REVIEWS

Passenger Car Tyres

	7–9 /18	7–9 /17	Change %	CC Change %	1–9 /18	1–9 /17	Change %	CC Change %	2017
Net sales, M€	**265.9**	276.2	-3.7	-0.7	**834.0**	800.6	4.2	10.0	1,138.8
Operating profit, M€	**91.5**	98.3			**260.0**	259.0			359.9
Operating profit, %	**34.4**	35.6			**31.2**	32.4			31.6

In January−September 2018, net sales of Nokian Passenger Car Tyres totaled EUR 834.0 million (800.6). With comparable currencies, net sales increased by 10.0%. The growth was driven by higher sales volumes and price/mix with comparable currencies. ASP with comparable currencies increased slightly. Net sales in July−September were negatively impacted by high inventory levels of summer tires in Russia and lower new car sales in Sweden and Norway. Summer tire inventories are at high level also in Central Europe.

In January−September 2018, the share of winter tires in the sales mix was 68% (66%), the share of summer tires was 21% (23%), and the share of all season tires was 11% (11%).

Operating profit was EUR 260.0 million (259.0). Operating profit was negatively impacted by currencies and slightly lower volumes in Q3. Raw material costs (€/kg) were down by 3.4% year-over-year, including the currency effect. In order to support further growth, the company is investing in sales and marketing in Central Europe and North America and building scalable business platforms.

During the review period, capacity utilization increased year-over-year, and the production output (pcs) increased by 8%. In June 2018, Nokian Tyres announced that the company is further increasing its production capacity for passenger car tires in Finland by approximately 1 million tires by starting to run the factory six days a week at the latest in the beginning of 2019. Nokian Tyres' passenger car tire production in Finland is currently running five days a week. With the capacity increase, more than 80 new people will be hired for passenger car tire production in Finland. At the end of 2017, the company increased capacity in Russia from 15.5 million to 17 million tires. In January-September 2018, 84% (85%) of Nokian passenger car tires (pcs) were manufactured in Russia.

Nokian Tyres excelled in tire tests, with several successes in car magazine tests all over the world. For more information, see: www.nokiantyres.com/test-success/. A flow of product launches with new innovations – improving safety, comfort, and eco-friendly driving – continued in the review period. For example, the Nordic non-studded Nokian Hakkapeliitta R3 and R3 SUV winter tires for the Nordic, Russian, and North American markets, the Nokian WR SUV 4 for the Central European markets, and the Nokian WR G4 for the North American markets were introduced in January 2018. The Nokian Powerproof and the Nokian Wetproof summer tires for the Central European markets were introduced in October 2018.

Market situation in Russia

In 2018, sales of new cars in Russia is expected to grow by approximately 12−15% compared with 2017, driven by the improved economy, deferred demand and low comparison base – from the level of 1.6 million vehicles in 2017 to over 1.8 million vehicles in 2018. The total replacement tire market sell-in in Russia is expected to grow by 3–5% in 2018 compared with 2017, with the winter tire market growing faster than the summer tire market. The summer sell-out season was delayed and weak, resulting in higher inventory levels in distribution.

Heavy Tyres

	7–9 /18	7–9 /17	Change %	CC Change %	1–9 /18	1–9 /17	Change %	CC Change %	2017
Net sales, M€	**45.1**	42.1	7.0	9.0	**134.7**	125.9	7.0	9.2	172.3
Operating profit, M€	**5.9**	7.9			**19.0**	22.8			32.2
Operating profit, %	**13.0**	18.8			**14.1**	18.1			18.7

In January−September 2018, net sales of Nokian Heavy Tyres totaled EUR 134.7 million (125.9). With comparable currencies, net sales increased by 9.2%. Demand was good in Nokian Heavy Tyres' core product groups. Sales of agricultural tires and forestry tires increased in particular.

Operating profit was EUR 19.0 million (22.8). The decrease is due to the negative currency impact, inventory valuation, and increased costs related to the ongoing ramp-up of new production capacity.

Production output (metric tons) increased slightly compared with January−September 2017.

Heavy Tyres is increasing its production capacity by 50% by investing a total of approximately EUR 70 million in the factory in Finland during the years 2018−2020. The aim is to increase the maximum capacity for heavy tire production from approximately 20 million kg to 32 million kg. The investments started in April−June 2018, and the project is proceeding according to plan.

A flow of product launches with new innovations continued in the review period. For example, the Nokian Armor Gard 2 for urban excavation was introduced in March 2018, and the Nokian Tractor King for the heaviest of machinery and the most difficult terrain in forestry, earthmoving and road construction was introduced in June 2018. The Nokian Hakkapeliitta Truck T winter tire, the Nokian R-Truck tire for demanding use, and the Nokian MPT Agile 2 off-road tire for versatile use were introduced in August 2018.

Vianor, own operations

	7–9 /18	7–9 /17	Change %	CC Change %	1–9 /18	1–9 /17	Change %	CC Change %	2017
Net sales, M€	**68.6**	68.7	0.0	2.9	**214.9**	214.7	0.1	3.2	339.4
Operating profit, M€	**-5.4**	-7.0			**-10.1**	-18.9			-5.8
Operating profit, %	**-7.9**	-10.3			**-4.7**	-8.8			-1.7
Own service centers, pcs, at period end					**191**	196			194

In January−September 2018, net sales were at previous year's level and totaled EUR 214.9 million (214.7). With comparable currencies, net sales increased by 3.2%.

Operating profit was EUR -10.1 million (-18.9). The improvement was driven by increased operational efficiency and sales management.

At the end of the review period, Vianor had 191 (196) own service centers in Finland, Sweden, Norway, and the USA.

SHARES AND SHAREHOLDERS

At the end of September 2018, the number of shares was 138,040,257.

Stock options on the Nasdaq Helsinki Stock Exchange

The share subscription period for stock options 2013B ended in May 2018. The total number of stock options 2013B was 1,150,000. Each stock option 2013B entitled its holder to subscribe to one share in Nokian Tyres plc. The shares with the stock options 2013B were subscribed during the period of May 1, 2016 to May 31, 2018.

The total number of stock options 2013C is 1,150,000. Each stock option 2013C entitles its holder to subscribe to one share in Nokian Tyres plc. The shares can be subscribed with the stock options 2013C during the period of May 1, 2017 to May 31, 2019. The current share subscription price with stock options 2013C is EUR 19.83/share. The dividends payable annually are deducted from the share subscription price.

Shares subscribed with option rights

On February 8, 2018, Nokian Tyres announced that after the registrations of new shares on December 21, 2017, a total of 10,370 shares in Nokian Tyres plc had been subscribed with the 2013B option rights and a total of 120 shares with the 2013C option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 137,277,072 shares.

On May 22, 2018, Nokian Tyres announced that after the registrations of new shares on February 8, 2018, a total of 206,882 shares in Nokian Tyres plc had been subscribed with the 2013B option rights and a total of 706 shares with the 2013C option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 137,484,660 shares.

On August 21, 2018, Nokian Tyres announced that after the registrations of new shares on May 22, 2018, a total of 553,277 shares in Nokian Tyres plc had been subscribed with the 2013B option rights and a total of 2,320 shares with the 2013C option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 138,040,257 shares.

Own shares

No share repurchases were made during the review period, and the company did not possess any own shares on September 30, 2018.

In 2014 and in 2017, Nokian Tyres entered into an agreement with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns the shares until the shares are given to the participants of the program. In accordance with IFRS, these repurchased shares, 300,000 in 2014 and 480,000 in 2017, have been reported as treasury shares in the Consolidated Statement of Financial Position. On September 30, 2018, the number of these shares was 276,494. This number of shares corresponded to 0.2% of the total shares and voting rights of the company.

Trading in shares

A total of 98,088,467 (83,925,393) Nokian Tyres’ shares were traded in Nasdaq Helsinki during the period, representing 71% (61%) of the company’s overall share capital. The average daily volume in January–September 2018 was 518,987 shares (444,050). Nokian Tyres’ shares are also traded on alternative exchanges, such as BATS CXE, Turquoise, and BATS BXE. The total trading volume on these alternative exchanges was 74,470,425 (68,449,936) shares during the review period.

Nokian Tyres’ share price was EUR 35.29 (37.63) at the end of the review period. The volume weighted average share price during the period was EUR 35.70 (37.00), the highest was EUR 41.26 (40.20) and the lowest was EUR 31.02 (34.24). The company’s market capitalization at the end of the period was EUR 4.9 billion (5.2 billion).

At the end of the review period, the company had 43,683 (37,978) registered shareholders. The percentage of Finnish shareholders was 27.9% (24.6%), and 72.1% (75.4%) were non-Finnish holders and foreign shareholders registered in the nominee register. This figure includes Bridgestone's holdings of approximately 10.1% (ownership on the AGM registration day of April 10, 2018).

Changes in ownership

Nokian Tyres has received notifications from BlackRock, Inc. on January 19, January 25, February 27, March 12, March 23, March 29, April 20, April 25, April 26, May 21, June 18, June 28, August 24, and September 13, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc as a result of a share transactions concluded on January 18, January 24, February 26, March 9, March 22, March 28, April 19, April 24, April 25, May 16, May 21, June 15, June 27, August 23, and September 11.

Nokian Tyres has received notifications from BlackRock, Inc. on January 24, February 20, February 28, March 19, March 26, April 3, April 19, April 24, June 19, June 29, September 5, and September 17, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, fell below the level of 5% of the share capital in Nokian Tyres plc as a result of share transactions concluded on January 23, February 19, February 27, March 16, March 23, March 29, April 18, April 23, June 18, June 28, September 4, and September 13.

Nokian Tyres has received a notification from Janus Henderson Group plc on July 2, according to which the indirect holding in Nokian Tyres shares reached the level of 5% of the share capital in Nokian Tyres plc as a result of share transactions concluded on June 29.

Detailed information on notifications of change in shareholding can be found at www.nokiantyres.com/company/investors/share/flagging-notifications/.

Managers' transactions

Nokian Tyres announced managers' transactions on February 20, 2018, on March 22, 2018, on March 27, 2018, on April 16, 2018, on April 18, 2018, on May 15, 2018, on May 22, 2018, on May 31, 2018, on August 23, 2018, and on September 3, 2018. Read more at: www.nokiantyres.com/company/publications/releases/2018/managementTransactions/.

DECISIONS MADE AT THE ANNUAL GENERAL MEETING

On April 10, 2018, the Annual General Meeting of Nokian Tyres approved the Financial Statements for 2017 and discharged the members of the Board of Directors and the President and CEO from liability for the 2017 financial year.

Dividend

The meeting decided that a dividend of EUR 1.56 per share shall be paid for the period ending on December 31, 2017. The dividend payment date was April 25, 2018, and the dividend was paid to shareholders included in the shareholder list maintained by Euroclear Finland Ltd on the record date of April 12, 2018.

Members of the Board of Directors and Auditors

The meeting decided that the Board of Directors has eight members. The current members Heikki Allonen, Raimo Lind, Veronica Lindholm, Inka Mero, George Rietbergen and Petteri Walldén will continue on the Board of Directors. Mr. Kari Jordan and Mr. Pekka Vauramo were elected as new members of the Board.

Authorized public accountants KPMG Oy Ab continue as auditors.

Remuneration of the Members of the Board of Directors

The meeting decided that the monthly fee paid to the Chairman of the Board shall be EUR 7,500 (or EUR 90,000 per year), the monthly fee paid to the Deputy Chairman of the Board and to the Chairman of the Audit Committee shall be EUR 5,625 (or EUR 67,500 per year), and the monthly fee paid to Members of the Board shall be EUR 3,750 (or EUR 45,000 per year).

50% of the annual fee is to be paid in cash and 50% in company shares, to the effect that during the period from April 11 to April 30, 2018, EUR 45,000 worth of shares in Nokian Tyres plc were purchased at the stock exchange on behalf of the Chairman of the Board, EUR 33,750 worth of shares in Nokian Tyres plc were purchased at the stock exchange on behalf of the Deputy Chairman of the Board and Chairman of the Audit committee, and EUR 22,500 worth of shares were purchased on behalf of each Board Member.

The company is liable to pay any asset transfer tax which may arise from the acquisition of shares. Furthermore, each member of the Board will receive EUR 600 for meetings held in their home country and EUR 1,200 for meetings held outside their home country. If a member participates in a meeting via telephone or video connection, the remuneration will be EUR 600. Travel expenses will be compensated in accordance with the company’s travel policy.

Authorizations

In 2018, the Annual General Meeting authorized the Board of Directors to make a decision to offer no more than 25,000,000 shares through a share issue, or by granting special rights under chapter 10, section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The authorization will be effective until the next Annual General Meeting of Shareholders, however at most until June 30, 2019. This authorization will invalidate all other Board authorizations regarding share issues and special rights.

In 2018, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 5,000,000 shares in the Company by using funds in the unrestricted shareholders’ equity. The proposed number of shares corresponds to 3.6% of all shares in the Company. The authorization will be effective until the next Annual General Meeting of Shareholders, however at most until June 30, 2019.

BOARD OF DIRECTORS’ WORKING ARRANGEMENTS

In the Board meeting on April 10, 2018, Petteri Walldén was elected Chairman of the Board and Kari Jordan was elected Deputy Chairman of the Board. The Board elected Kari Jordan (Chairman), Veronica Lindholm, and Petteri Walldén as members of the Personnel and Remuneration Committee. The Board elected Raimo Lind (Chairman), Heikki Allonen, Inka Mero, and Pekka Vauramo as members of the Audit Committee.

CORPORATE SUSTAINABILITY

Nokian Tyres published its Corporate Sustainability Report in March 2018. The Corporate Sustainability Report is available in Finnish and English on the company’s website at www.nokiantyres.com/company/sustainability/. The report is the sixth GRI report from Nokian Tyres and it has been externally assured by KPMG.

In February 2018, Nokian Tyres received a Bronze Class distinction in the Auto Components category of the RobecoSAM Sustainability Yearbook 2018. Nokian Tyres also received the Industry Mover award.

In May 2018, Nokian Tyres joined the Science Based Targets initiative with the aim of setting more precise climate targets that are assessed and approved by an external organization. The new climate goals will be linked to the company’s value chain as well as the environmental impacts of its products.

In September 2018, Nokian Tyres was again included in Dow Jones’ DJSI World sustainability index. The company was also selected for the more strictly defined DJSI Europe index. In 20 out of the 21 criteria of the 2018 assessment, the company scored higher than the average of the global Auto Components sector.

Nokian Tyres is included in the OMX GES Sustainability Finland GI index, the STOXX Global ESG Leaders indices, and it is a constituent of the FTSE4Good Index.

CHANGES IN MANAGEMENT

In January, Nokian Tyres announced that Ms. Tytti Bergman has been appointed to the Nokian Tyres management team in the new position of SVP, People & Culture starting from April 16, 2018. Nokian Tyres' VP, HR Tarja Kaipio will lead operational human resources and continue heading the further development of global HR processes and tools together with the HR organization.

In March, Nokian Tyres announced that Mark Earl has been appointed to the Nokian Tyres management team as Vice President, Americas Business Area, starting May 1, 2018. Mr. Earl's main responsibility is to implement Nokian Tyres' North American growth strategy through the Dayton, TN factory project, grow the distribution, and further build and strengthen the company's North American organization.

In March, Nokian Tyres appointed Ms. Päivi Antola to the Nokian Tyres management team as Vice President, Investor Relations & Corporate Communications, starting May 3, 2018.

In April, Nokian Tyres announced the resignation of Ms. Anne Leskelä, Vice President, Finance and IR from the company. Leskelä continued in her position until the beginning of July 2018.

In June, Nokian Tyres appointed Mr. Teemu Kangas-Kärki as Nokian Tyres' Chief Financial Officer (CFO). He started on July 16, 2018. Simultaneously, Nokian Tyres appointed Mr. Jukka Kasi as Vice President, Products and Technologies, starting October 1, 2018. Both Kangas-Kärki and Kasi belong to Nokian Tyres' management team.

Ms. Bergman, Mr. Earl, Ms. Antola, Mr. Kangas-Kärki, and Mr. Kasi all report to the President & CEO.

Detailed information on management can be found at www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/

OTHER MATTERS

Nokian Tyres plc Performance Share Plan; performance period 2018 and realization of performance period 2017

On February 2, 2018, Nokian Tyres announced that the potential reward from the performance period 2018 will be based on the Nokian Tyres Group´s net sales and operating profit. The rewards to be paid on the basis of the performance period 2018 correspond to an approximate maximum total of 560,000 shares in Nokian Tyres plc, including also the proportion to be paid in cash. During the performance period 2018, the Plan is directed at approximately 230 key employees, including the members of the Group's Management Team. The potential reward from the performance period 2018 will be paid partly as shares in the Company and partly in cash in 2019. The shares paid as reward may not be transferred during an approximately one-year restriction period established for the shares. For shares paid on the basis of the performance period 2018, the restriction period will end on March 31, 2020.

The rewards to be paid in 2018, based on the achievement of the performance criteria of the performance period 2017, correspond to a total of 519,000 shares in Nokian Tyres plc, including also the proportion to be paid in cash. The rewards were paid by the end of March 2018. For the key employees who have joined the Plan during the performance period 2017, including the President and CEO of Nokian Tyres plc and a member of the Group´s Management Team, the rewards will be paid by the end of August 2018. The Plan was directed to 201 key employees, including the members of the Group's Management Team. The shares paid as reward may not be transferred during an approximately one-year restriction period established for the shares. For shares paid on the basis of the performance period 2017, the restriction period will end on March 31, 2019. The members of the Group's Management Team must hold 25% of the received gross shares until the member's shareholding in the Company equals the member's fixed gross annual salary.

Nokian Tyres improves road safety with its revolutionary tire scanning technology

On May 16, 2018, Nokian Tyres announced that the company improves road safety with its revolutionary tire scanning technology, SnapSkan. SnapSkan allows people to find out the condition of their tires completely free of charge. Nokian Tyres aims to improve road safety and build a comprehensive global network of SnapSkan stations to provide the service to as many drivers as possible.

Read more at: www.nokiantyres.com/snapskan

Nokian Tyres starts the construction of a new testing center in Spain

On May 25, 2018, Nokian Tyres announced that the company has launched the construction of a new testing center in Santa Cruz de la Zarza, Spain. The first test tracks will be completed next year, and the testing center is expected to be fully operational in 2020. The total investment is estimated to be EUR 60 million in the next three years.

MATTERS AFTER THE REVIEW PERIOD

Changes in ownership

Nokian Tyres has received notifications from BlackRock, Inc. on October 1 and October 12, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres' shares, exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of a share transactions concluded on September 28 and October 11.

Nokian Tyres has received a notification from BlackRock, Inc. on October 3, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres' shares, fell below the level of 5% of the share capital in Nokian Tyres plc as a result of share transactions concluded on October 2.

Detailed information on notifications of change in shareholding can be found at www.nokiantyres.com/company/investors/share/flagging-notifications/.

SIGNIFICANT SHORT-TERM RISKS AND UNCERTAINTIES, AND ONGOING DISPUTES

Nokian Tyres' business, net sales, and financial performance may be affected by several uncertainties. Nokian Tyres has detailed the overall business risks and risk management in its Financial Review for 2017.

The most significant risks related to Nokian Tyres' business are the country risks related to the Russian business environment, reputation risks, tax risks (especially in Finland), risks related to products and product development, production outage risks, currency and receivable risks, and risks related to information security and data administration risks. Due to the company's product strategy, interruption risks that are related to marketing and logistics may especially have a significant impact on peak season sales.

The positive development in the global economy is expected to continue in 2018, but political uncertainties may cause serious disruption and additional trade barriers and affect the company's sales and credit risk.

Nokian Tyres operates globally, and approximately 35% of the Group's sales in 2018 are estimated to be generated from euro-denominated sales. The most important sales currencies in addition to the euro are the Russian ruble, the Swedish and Norwegian krona, and the US and Canadian dollar. Weakening of these currencies relative to the euro may have a material impact on the reported financial figures.

In May 2017, the Finnish Financial Supervisory Authority filed a request for investigation with the National Bureau of Investigation regarding possible securities market offences. The National Bureau of Investigation has initiated a preliminary investigation into the matter.

Tax disputes

Dispute concerning 2007–2011

Administrative Court ruling in the tax dispute case 2007–2010 positive for the company

In May 2018, the company received the ruling of the Administrative Court in the tax dispute concerning the years 2007–2010. The Administrative Court overturned the tax reassessment decisions of EUR 89.2 million of the Board of Adjustment completely and ordered the Tax Administration to pay Nokian Tyres' legal costs to the amount of EUR 40,000. The company has recorded the tax reassessment decisions in full to the financial statement and result in earlier years. The company received back the previously paid EUR 89.2 million in additional taxes and interest in June 2018. The Tax Recipient Services Unit applied for permission to appeal in July 2018. Adjustments to the financial reporting will be done when the ruling is final.

Background of the Administrative court ruling:

The Large Taxpayers' Office carried out a transfer pricing tax audit regarding the tax years 2007–2011 during 2012–2013, investigating if the intercompany transactions between Nokian Tyres plc and its subsidiaries were at arm's length. The Company paid a total of EUR 89.2 million in additional taxes and tax increases concerning the tax years 2007–2010 based on tax reassessment decisions from the Tax Administration and filed an appeal concerning them with the Administrative Court in January 2017.

Tax Administration's decision in the appeal concerning the tax year 2011 positive for the company

In June 2018, the company received the reassessment decision from the Tax Administration concerning the tax year 2011. The Tax Administration approved the appeal Nokian Tyres made in November 2017, and the Tax Administration returned the previously paid EUR 59 million in additional taxes and interest to the company in June 2018. The company has recorded the tax reassessment decision in full to the financial statement and result in earlier years. The Tax Recipient Services Unit applied for permission to appeal in July 2018. Adjustments to the financial reporting will be done when the decision is final.

Background of the Tax Administration's decision:

In October 2017, Nokian Tyres received a reassessment decision from the Tax Administration concerning the tax year 2011, according to which the company was obliged to pay a total of EUR 59 million, of which EUR 39 million were additional taxes and EUR 20 million were tax increases and interest. The company recorded the amount in full to the financial statement and result of Q3/2017 and paid in Q4/2017. The company considered the reassessment decision of the Tax Administration unfounded and appealed to the Board of Adjustment in November 2017.

Dispute concerning the US subsidiary 2007–2013

Nokian Tyres U.S. Finance Oy, a subsidiary of Nokian Tyres plc (ownership: 100% of the shares), received reassessment decisions from the Finnish Tax Administration in 2013 and 2014. According to the reassessment decisions, and with interest until the actual payment in August 2017, the company was obliged to pay in total EUR 18.5 million in additional taxes with tax increases and interest concerning the tax years 2007–2013. Of this amount, EUR 11.0 million were additional taxes and EUR 7.5 million were tax increases and interest. The company recorded them in full in the financial statements and results for 2013, 2014, and 2017.

The Large Taxpayers' Office carried out a tax audit concerning the Finnish Business Tax Act, where the Tax Administration raised an issue regarding the restructuring of the sales company and acquisitions by the Nokian Tyres Group in North America, completely ignoring the business rationale and corresponding precedent rulings presented by the company.

Nokian Tyres U.S. Finance Oy considered the reassessment decision of the Tax Administration unfounded and filed a claim for rectification with the Board of Adjustment.

In June 2017, the Board of Adjustment rejected the company's claim for rectification. The company considers the decision unfounded and appealed against it by filing a claim with the Administrative Court in July 2017. The company has paid the amount of EUR 18.5 million in full in August 2017.

ASSUMPTIONS AND GUIDANCE FOR 2018

In 2018, the market demand for replacement car tires is expected to show some growth.

The company's replacement tire market position (sell-in) is expected to improve in 2018 in all key markets. In Russia, the company expects to retain and further strengthen its market leader position in the A+B segments in 2018.

Raw material costs (€/kg) are estimated to decrease slightly in 2018 compared with 2017, positively impacted by currencies.

Nokian Tyres retains a competitive advantage by manufacturing in Russia. 62% of the Russian production was exported in January−September 2018. The total annual capacity of the Vsevolozhsk factory is approximately 17 million tires.

The demand for Nokian Heavy Tyres' core products is estimated to remain healthy. Nokian Heavy Tyres' production capacity and delivery capability have improved. Net sales are expected to increase in 2018 while EBIT is expected to decline mainly due to currencies.

Vianor (own) is expected to increase sales (comparable currencies) and improve the operating result in 2018. Vianor (partners) and Nokian Tyres' other partner channels, such as Nokian Tyres Authorized Dealers (NAD) and the N-Tyre network, will continue to expand.

Guidance updated

In 2018, net sales and operating profit are expected to be at the same level or slightly higher compared with 2017 due to continued negative currency impact.

Earlier guidance from February 2, 2018

In 2018, with the current exchange rates, net sales and operating profit are expected to grow compared with 2017.

Nokia, October 31, 2018

Nokian Tyres plc
Board of Directors

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The information hereinabove contains forward-looking statements relating to future events or future financial performance of the company. In some cases, such forward-looking statements can be identified by terminology such as "may", "will", "could", "expect", "anticipate", "believe", "estimate", "predict" or other comparable terminology. Such statements are based on the current expectations, known factors, decisions, and plans of the management of Nokian Tyres. Forward-looking statements always involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Therefore, future results may even differ significantly from the results expressed in, or implied by, the forward-looking statements.

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This Interim Report has been prepared in accordance with IFRS compliant recognition and measurement principles and the same accounting policies as in the most recent annual financial statements, but it has not been prepared in compliance with all requirements set out in IAS 34 'Interim Financial Reporting'.

The interim report figures are unaudited.

Amendments to IFRS 2 Share-based Payments

The amendment concerns incentive schemes with net settlement features to cover withholding tax obligations and where the employer has an obligation to withhold tax from the received benefit on the share-based payment. The previous standard requires the entity to divide the payment in to equity-settled component and a cash-settled component. According to the new standard, all compensation costs will be recognized based on the entire scheme being an equity-settled payment. The withholding tax paid by the Group is recognized directly in equity.

The Group's financial statements 2017 included a EUR 6.1 million short-term liability relating to cash-settled component. Due to the amendment, this portion has been adjusted in the opening balance sheet from the liabilities to equity's retained earnings.

IFRS 16 Leases

The new standard will be effective from 1 January 2019 onwards and will replace the previous standard IAS 17. Nokian Tyres plans to apply the simplified approach.

Nokian Tyres plans to use the exemption provided by the standard not to account lease liability for leases which have a lease term of 12 months or less and not to account lease liability for leases in which the underlying asset is not material to Nokian Tyres. The majority of leases recognized as Right-of-use assets under IFRS 16 are comprised of real estate of Vianor chain and warehouses.

Based on the preliminary impact analysis on the financial statements Nokian Tyres expects the standard to have an impact both in the balance sheet and key figures which are based on the balance sheet, such as gearing. Nokian Tyres has continued with gathering and validating reported lease commitments and will continue to do so in order to be ready by 1 January, 2019 to implement the new standard.

The currently reported lease commitments at the end of Q3 2018 amounted to 151.2 million euros. IFRS 16 requires significant management estimates, for example regarding the use of extension options on the lease terms and the final assumptions made will affect the reported figures. Although these estimates are based on the management’s best knowledge of current situation, actual results may differ from these estimates.

Adaption of IFRS 9 Financial Instruments

The Group adopted IFRS 9 – Financial Instruments standard on January 1, 2018. The new standard replaced the IAS 39 – Financial Instruments: Recognition and Measurement standard and related interpretations. IFRS 9 includes renewed guidance on the classification and measurement of financial instruments, the recognition of expected credit losses, and the application of hedge accounting.

Classification of financial instruments

When recognizing a financial asset in its statement of financial position the Group classifies it into one of the IFRS 9 measurement categories:

- Amortized cost
- Fair value through other comprehensive income
- Fair value through profit or loss

The classification is based on the business model for managing the asset and the contractual cash flow characteristics of the asset.

All financial liabilities are classified as measured at amortized cost except for financial liabilities measured at fair value through profit or loss including e.g. derivatives that are liabilities.

At initial recognition all financial assets and liabilities are measured at its fair value taking into account any transaction costs. Financial assets and financial liabilities are subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss in accordance with the measurement category of the item.

Fair value changes of derivatives are recognized immediately in profit or loss unless the derivative is part of a hedging relationship when fair value changes are recognized according to the hedge accounting standards for hedging relationships.

Impairment of financial assets

The application of IFRS 9 changed the approach how impairment of financial asset is recognized. At each reporting date instead of incurred credit losses the Group recognizes a loss allowance for expected credit losses on a financial asset that is not measured at fair value through profit or loss. Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. When measuring expected credit losses the Group reviews actual credit losses, current conditions and forecasts of future economic conditions. For the Group, the change in impairment of financial assets mainly concerns the recognition of credit losses related to trade receivables. A loss allowance on trade receivables is recognized in profit or loss as they are measured at amortized cost. The Group follows the simplified approach whereby the impairment recognized in trade receivables corresponds to lifetime expected credit losses for trade receivables. The Group recognized the difference of the expected credit losses (IFRS 9) and incurred credit losses (IAS 39) of EUR -9.6 million as an adjustment to trade receivables and retained earnings at the date of initial application of this new approach, on January 1, 2018.

Hedge accounting

Hedge accounting can be used to reduce the volatility in the income statement caused by the items measured at fair value through profit or loss. Hedge accounting eliminates the accounting asymmetry between the hedging instrument and the hedged item as it enables the foresaid to affect the income statement simultaneously. The Group may designate derivative financial instruments as hedging instruments to hedge the variability in cash flows that is attributable to changes in foreign exchange rates, interest rates and electricity prices. In addition, the Group may, if necessary, designate derivative financial instruments and other financial instruments as hedging instruments in hedges of foreign exchange risk on a net investment in a foreign operation.

The renewed guidance on the application of hedge accounting enables to designate an item as the hedged item in its entirety or only for a separately identifiable risk component. In Finland the Group can thus hedge separately the two components of electricity price risk, the system price and the area price difference, while earlier the hedged item was the combination of these components. Due to the electricity derivative market liquidity, mostly derivatives linked to the system price are used as hedging instruments. These derivatives will no longer cause hedge ineffectiveness, as their economic impact is exactly opposite to the system price component designated as the hedged item. Otherwise, the renewal of hedge accounting will have no material impact on the Group.

The following tables show the measurement categories and carrying amounts of the financial assets and financial liabilities in accordance with IAS 39 and IFRS 9 at the date of initial application of the new standard, on January 1, 2018.

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Measurement category	
	Original under IAS 39	**New under IFRS 9**
Financial assets		
Derivatives held for trading	Financial assets at fair value through profit or loss	Fair value through profit or loss
Derivatives designated as hedges	Financial assets at fair value through profit or loss*	Fair value through profit or loss*
Money market instruments	Financial assets at fair value through profit or loss	Amortised cost
Other non-current receivables	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Bank deposits	Loans and receivables	Amortised cost
Cash in hand and at bank	Loans and receivables	Amortised cost
Unquoted shares	Available-for-sale financial assets	Fair value through other comprehensive income
Financial liabilities		
Derivatives held for trading	Financial liabilities at fair value through profit or loss	Fair value through profit or loss
Derivatives designated as hedges	Financial liabilities at fair value through profit or loss*	Fair value through profit or loss*
Interest-bearing financial liabilities	Financial liabilities measured at amortised cost	Amortised cost
Trade and other payables	Financial liabilities measured at amortised cost	Amortised cost

* Fair value changes are recognised according to the hedge accounting standards for hedging relationships.

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

Million euros	1.1.2018 Carrying amount Original under IAS 39	New under IFRS 9	Difference
Financial assets			
Derivatives held for trading	9.5	9.5	-
Derivatives designated as hedges	12.8	12.8	-
Money market instruments	30.0	30.0	-
Other non-current receivables	8.9	8.9	-
Trade and other receivables	433.4	423.8	-9.6
Bank deposits	14.4	14.4	-
Cash in hand and at bank	299.1	299.1	-
Unquoted shares	0.7	0.7	-
Total financial assets	808.8	799.2	-9.6
Financial liabilities			
Derivatives held for trading	1.2	1.2	-
Derivatives designated as hedges	3.2	3.2	-
Interest-bearing financial liabilities	135.2	135.2	-
Trade and other payables	72.8	72.8	-
Total financial liabilities	212.4	212.4	-

NOKIAN TYRES
CONSOLIDATED

INCOME STATEMENT	**7-9/18**	7-9/17	**1-9/18**	1-9/17	Change %	1-12/17
Million euros						
Net sales	**356.9**	363.1	**1,122.0**	1,082.0	3.7	1,572.5
Cost of sales	**-194.7**	-189.2	**-610.9**	-575.5	-6.1	-838.8
Gross profit	**162.2**	174.0	**511.2**	506.6	0.9	733.7
Other operating income	**1.0**	1.4	**1.9**	4.5	-58.1	5.8
Selling and marketing expenses	**-62.8**	-66.0	**-204.3**	-209.4	2.5	-294.3
Administration expenses	**-10.0**	-12.7	**-35.2**	-39.3	10.5	-52.7
Other operating expenses	**-4.4**	-6.9	**-18.3**	-19.5	5.8	-27.0
Operating profit	**85.9**	89.8	**255.2**	242.8	5.1	365.4
Financial income	**15.4**	25.6	**62.9**	86.7	-27.5	118.3
Financial expenses (1	**-18.6**	-48.1	**-69.9**	-116.1	39.8	-151.3
Profit before tax	**82.8**	67.4	**248.2**	213.4	16.3	332.4
Tax expense (2 (3	**-17.6**	-57.2	**-48.9**	-86.8	43.6	-111.0
Profit for the period	**65.2**	10.2	**199.3**	126.7	57.3	221.4
Attributable to:						
Equity holders of the parent	**65.2**	10.2	**199.3**	126.7		221.4
Non-controlling interest	**-**	-	**-**	-		-
Earnings per share from the profit attributable to equity holders of the parent						
basic, euros	**0.48**	0.08	**1.45**	0.93	55.9	1.63
diluted, euros	**0.48**	0.07	**1.44**	0.92	56.3	1.61

CONSOLIDATED OTHER COMPREHENSIVE INCOME	7-9/18	7-9/17	1-9/18	1-9/17	1-12/17
Million euros					
Profit for the period	**65.2**	10.2	**199.3**	126.7	221.4
Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax:					
Gains/Losses from hedge of net investments in foreign operations	**0.0**	0.0	**0.0**	0.0	0.0
Cash flow hedges	**-0.1**	0.1	**1.3**	1.0	1.3
Translation differences on foreign operations (4	**-27.9**	-5.2	**-55.7**	-24.0	-33.5
Total other comprehensive income for the period, net of tax	**-28.0**	-5.1	**-54.4**	-23.0	-32.2
Total comprehensive income for the period	**37.2**	5.1	**144.8**	103.7	189.2
Total comprehensive income attributable to:					
Equity holders of the parent	**37.2**	5.1	**144.8**	103.7	189.2
Non-controlling interest	**-**	-	**-**	-	-

1) Financial expenses in 7-9/17, 1-9/17 and 1-12/17 contain EUR 15.2 million expensed interest for tax reassessment decisions on year 2011. Additionally financial expenses 7-9/17, 1-9/17 and 1-12/17 contain EUR 3.1 million expensed interest for tax reassessment decisions on years 2007-2013 of a group company.
2) Tax expense in 7-9/17, 1-9/17 and 1-12/17 contains EUR 43.7 million expensed additional taxes with increases for tax reassessment decisions on year 2011.
3) Otherwise tax expense in the consolidated income statement is based on the taxable result for the period.
4) Since the beginning of year 2014 the Group had internal loans that were recognised as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". The impact in 1-9/17 was EUR 0.2 million and 1-12/17 EUR 0.2 million. These internal loans have been converted to equity in the subsidiaries.

KEY RATIOS	30.9.18	30.9.17	Change %	31.12.17
Equity ratio, %	**70.5**	71.3		78.2
Gearing, %	**1.8**	8.5		-14.2
Equity per share, euro	**10.26**	10.10	1.6	10.74
Interest-bearing net debt, mill. euros	**25.8**	116.6		-208.3
Capital expenditure, mill. euros	**114.2**	95.3		134.9
Depreciation, mill. euros	**69.0**	71.4		98.3
Personnel, average	**4,728**	4,553		4,630
Number of shares (million units)				
at the end of period	**137.76**	136.27		136.75
in average	**137.09**	135.96		136.25
in average, diluted	**138.14**	137.08		137.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30.9.18	30.9.17	31.12.17
Million euros			
Non-current assets			
Property, plant and equipment	**571.0**	545.1	554.1
Goodwill	**81.1**	84.1	83.3
Other intangible assets	**35.7**	38.8	35.6
Investments in associates	**0.1**	0.1	0.1
Non-current financial investments 1)	**0.7**	0.7	0.7
Other receivables	**7.7**	9.3	8.9
Deferred tax assets	**8.4**	10.4	9.2
Total non-current assets	**704.7**	688.5	691.9
Current assets			
Inventories	**389.4**	379.1	340.1
Trade receivables	**717.3**	695.4	432.9
Other receivables	**85.9**	75.4	69.0
Cash and cash equivalents	**107.6**	94.1	343.4
Total current assets	**1,300.2**	1,244.0	1,185.4
Total assets	**2,007.4**	1,932.5	1,877.4
Equity			
Share capital	**25.4**	25.4	25.4
Share premium	**181.4**	181.4	181.4
Treasury shares	**-11.4**	-20.3	-20.3
Translation reserve	**-353.3**	-288.1	-297.6
Fair value and hedging reserves	**-0.5**	-2.1	-1.8
Paid-up unrestricted equity reserve	**222.1**	199.1	203.9
Retained earnings	**1,349.9**	1,280.9	1,377.4
Non-controlling interest	**-**	-	-
Total equity	**1,413.5**	1,376.4	1,468.4
Non-current liabilities			
Deferred tax liabilities	**27.2**	23.3	30.4
Provisions	**0.0**	0.1	0.1
Interest-bearing financial liabilities	**9.1**	134.8	134.4
Other liabilities	**0.6**	0.3	0.4
Total non-current liabilities	**36.9**	158.5	165.3
Current liabilities			
Trade payables	**75.4**	88.7	72.8
Other current payables	**352.3**	229.4	165.7
Provisions	**5.0**	3.6	4.4
Interest-bearing financial liabilities	**124.3**	75.8	0.8
Total current liabilities	**556.9**	397.6	243.6
Total equity and liabilities	**2,007.4**	1,932.5	1,877.4

1) With the adaption of IFRS 9 the previous term "Available-for-sale financial assets" has been changed to "Non-current financial investments". No other changes regarding the asset class have been made.

Changes in net working capital arising from operative business are partly covered by EUR 350 million domestic commercial paper programme.

CONSOLIDATED STATEMENT OF CASH FLOWS	1-9/18	1-9/17	1-12/17
Million euros			
Profit for the period	**199.3**	126.7	221.4
Adjustments for			
Depreciation, amortisation and impairment	**69.0**	70.9	98.4
Financial income and expenses	**7.0**	29.4	33.1
Gains and losses on sale of intangible assets, other changes	**10.0**	4.3	5.9
Income Taxes	**48.9**	86.8	111.0
Cash flow before changes in working capital	**334.2**	318.0	469.8
Changes in working capital			
Current receivables, non-interest-bearing, increase (-) / decrease (+)	**-315.7**	-326.9	-69.0
Inventories, increase (-) / decrease (+)	**-56.6**	-87.7	-51.8
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	**170.0**	49.2	47.9
Changes in working capital	**-202.3**	-365.5	-72.9
Financial items and taxes			
Interest and other financial items, received	**1.7**	2.0	2.6
Interest and other financial items, paid	**-0.2**	-24.2	-36.1
Dividens received	**0.0**	-0.0	0.0
Income taxes paid	**-56.5**	-64.4	-128.9
Financial items and taxes	**-54.9**	-86.7	-162.3
Cash flow from operating activities (A)	**76.9**	-134.1	234.6
Cash flow from investing activities			
Acquisitions of property, plant and equipment and intangible assets	**-114.2**	-95.3	-134.9
Proceeds from sale of property, plant and equipment and intangible assets	**0.2**	1.3	1.7
Acquisitions of Group companies	**-**	-	-0.3
Change in non-controlling interest	**-**	-	-
Acquisitions of other investments	**0.0**	0.0	0.0
Cash flow from investing activities (B)	**-114.1**	-93.9	-133.5
Cash flow from financing activities			
Proceeds from issue of share capital	**18.2**	30.2	35.0
Purchase of treasury shares	**0.0**	-17.8	-17.8
Change in current financial receivables, increase (-) / decrease (+)	**-9.5**	-7.7	-16.2
Change in non-current financial receivables, increase (-) / decrease (+)	**0.4**	0.5	0.7
Change in current financial borrowings, increase (+) / decrease (-)	**128.5**	3.9	-78.4
Change in non-current financial borrowings, increase (+) / decrease (-)	**-123.8**	5.9	11.5
Dividens received	**0.5**	0.1	0.1
Dividends paid	**-214.2**	-208.0	-208.0
Cash flow from financing activities (C)	**-199.9**	-192.9	-273.1
Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)	**-237.0**	-421.0	-172.0
Cash and cash equivalents at the beginning of the period	**343.4**	513.2	513.2
Effect of exchange rate fluctuations on cash held	**-1.2**	-1.8	-2.2
Cash and cash equivalents at the end of the period	**107.6**	94.1	343.4

Based on the annulled and later renewed tax reassessment decisions on years 2007-2013 of a group company the financial items and taxes contain paid tax increases and interest of EUR 18.5 million in and 1-9/17. Changes in working capital 1-9/18 include EUR 59.0 million based on the tax reassessment decision on year 2011 and EUR 89.2 million based on the tax reassessment decision on years 2007-2013. Based on the tax reassessment decisions on years 2007-2013 the financial items and taxes contain paid tax increases and interest of EUR 77.5 million in 1-12/17.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share capital
B = Share premium
C = Treasury shares
D = Translation reserve
E = Fair value and hedging reserves
F = Paid-up unrestricted equity reserve
G = Retained earnings
H = Non-controlling interest
I = Total equity

				Equity attributable to equity holders of the parent					
Million euros	A	B	C	D	E	F	G	H	I
Equity, 1 Jan 2017	25.4	181.4	-6.7	-264.1	-3.1	168.9	1,356.6	-	1,458.5
Profit for the period							126.7		126.7
Other comprehensive income, net of tax:									
Cash flow hedges					1.0				1.0
Net investment hedge									-
Translation differences				-24.0					-24.0
Total comprehensive income for the period				-24.0	1.0		126.7		103.7
Dividends paid							-208.0		-208.0
Exercised warrants						30.2			30.2
Acquisition of treasury shares			-17.8						-17.8
Share-based payments			4.2				5.6		9.8
Total transactions with owners for the period			-13.6			30.2	-202.4		-185.8
Equity, 30 Sep 2017	25.4	181.4	-20.3	-288.1	-2.1	199.1	1,280.9	-	1,376.4
Equity, 31 Dec 2017	**25.4**	**181.4**	**-20.3**	**-297.6**	**-1.8**	**203.9**	**1,377.4**	**-**	**1,468.4**
Change in accounting principles (IFRS 2)							6.1		6.1
Change in accounting principles (IFRS 9)							-9.6		-9.6
Equity, 1 Jan 2018	**25.4**	**181.4**	**-20.3**	**-297.6**	**-1.8**	**203.9**	**1,373.8**	**-**	**1,464.8**
Profit for the period							199.3		199.3
Other comprehensive income, net of tax:									
Cash flow hedges					1.3				1.3
Net investment hedge									-
Translation differences				-55.7					-55.7
Total comprehensive income for the period				-55.7	1.3		199.3		144.8
Dividends paid							-214.2		-214.2
Exercised warrants						18.2			18.2
Acquisition of treasury shares									-
Share-based payments			8.9				-9.0		-0.1
Total transactions with owners for the period			8.9			18.2	-223.2		-196.1
Equity, 30 Sep 2018	**25.4**	**181.4**	**-11.4**	**-353.3**	**-0.5**	**222.1**	**1,349.9**	**-**	**1,413.5**

SEGMENT INFORMATION	7-9/18	7-9/17	1-9/18	1-9/17	Change %	1-12/17
Million euros						
Net sales						
Passenger car tyres	**265.9**	276.2	**834.0**	800.6	4.2	1,138.8
Heavy tyres	**45.1**	42.1	**134.7**	125.9	7.0	172.3
Vianor	**68.6**	68.7	**214.9**	214.7	0.1	339.4
Other operations	**2.2**	2.3	**6.1**	7.3	-17.0	11.2
Eliminations	**-24.9**	-26.1	**-67.6**	-66.4	-1.8	-89.3
Total	**356.9**	363.1	**1,122.0**	1,082.0	3.7	1,572.5
Operating result						
Passenger car tyres	**91.5**	98.3	**260.0**	259.0	0.4	359.9
Heavy tyres	**5.9**	7.9	**19.0**	22.8	-16.5	32.2
Vianor	**-5.4**	-7.0	**-10.1**	-18.9	46.5	-5.8
Other operations	**-2.2**	-4.9	**-8.2**	-15.6	47.1	-23.7
Eliminations	**-3.8**	-4.4	**-5.4**	-4.5	-21.2	2.8
Total	**85.9**	89.8	**255.2**	242.8	5.1	365.4
Operating result, % of net sales						
Passenger car tyres	**34.4**	35.6	**31.2**	32.4		31.6
Heavy tyres	**13.0**	18.8	**14.1**	18.1		18.7
Vianor	**-7.9**	-10.3	**-4.7**	-8.8		-1.7
Total	**24.1**	24.7	**22.7**	22.4		23.2

NET SALES BY MARKET AREA	7-9/18	7-9/17	1-9/18	1-9/17	Change %	1-12/17
Million euros						
Nordic	**139.8**	145.2	**424.3**	413.0	2.7	625.7
Russia	**41.4**	50.5	**220.4**	216.2	2.0	325.7
Other Europe	**121.4**	119.2	**319.9**	310.1	3.1	438.9
North America	**44.5**	41.4	**136.0**	122.8	10.7	172.1
Other	**9.8**	6.9	**21.5**	19.9	7.9	11.1

CONTINGENT LIABILITIES	30.9.18	30.9.17	31.12.17
Million euros			
FOR OWN DEBT			
Mortgages	**0.9**	1.0	1.0
Pledged assets	**4.7**	4.7	4.6
ON BEHALF OF OTHER COMPANIES			
Guarantees	**0.4**	0.4	0.4
OTHER OWN COMMITMENTS			
Guarantees	**25.5**	12.2	10.3
Leasing and rent commitments	**151.2**	70.2	89.3
Purchase commitments	**29.6**	1.1	1.1

DERIVATIVE FINANCIAL INSTRUMENTS	30.9.18	30.9.17	31.12.17
Million euros			
INTEREST RATE DERIVATIVES			
Interest rate swaps			
Notional amount	**100.0**	100.0	100.0
Fair value	**-0.6**	-1.5	-1.3
FOREIGN CURRENCY DERIVATIVES			
Currency forwards			
Notional amount	**380.7**	306.3	387.2
Fair value	**-1.7**	1.3	8.3
Currency options, purchased			
Notional amount	**23.8**	26.1	15.2
Fair value	**0.1**	0.4	0.1
Currency options, written			
Notional amount	**44.1**	59.1	30.5
Fair value	**-0.3**	-0.2	-0.2
Interest rate and currency swaps			
Notional amount	**67.5**	87.5	67.5
Fair value	**15.0**	18.0	10.8
ELECTRICITY DERIVATIVES			
Electricity forwards			
Notional amount	**5.3**	6.2	5.6
Fair value	**2.1**	-0.2	0.0

DEFINITIONS OF CONSOLIDATED KEY FINANCIAL INDICATORS

Earnings per share, euro:
Profit for the period attributable to the equity holders of the parent / Average adjusted number of shares during the period excluding treasury shares

Earnings per share (diluted), euro:
Profit for the period attributable to the equity holders of the parent / Average adjusted and diluted number of shares during the period excluding treasury shares

The share options affect the dilution as the average share market price for the period exceeds the defined subscription price.

Equity ratio, %:
Total equity x 100 / (Total assets - advances received)

Gearing, %:
Interest-bearing net debt x 100 / Total equity

Equity per share, euro:
Equity attributable to equity holders of the parent / Adjusted

number of shares on the reporting date excluding treasury shares

DEFINITION OF MARKETS

the Nordic countries: Finland, Norway, Sweden

Other Europe: Europe excl. the Nordic countries

Russia

Americas incl. North America: Canada, USA

Other countries: All other countries

Core markets: the Nordic countries and Russia