

Nokian Tyres plc Half Year Financial Report January–June 2019, August 6, 2019, 2:00 p.m.

Nokian Tyres plc Half Year Financial Report January–June 2019: Strategic journey continues despite a challenging European market

April–June 2019

- Net sales decreased by 2.3% to EUR 419.1 million (429.1 in 4–6/2018). With comparable currencies, net sales decreased by 2.6%.
- Operating profit decreased to EUR 94.1 million (108.0), with no significant currency impact.
- Profit for the period was EUR 73.0 million (87.5).
- Earnings per share decreased to EUR 0.53 (0.63).
- Cash flow from operating activities was EUR -20.8 million (169.0; positively impacted by EUR 148 million due to the rulings on the tax disputes).

January–June 2019

- Net sales decreased by 0.3% to EUR 762.8 million (765.2 in 1–6/2018). With comparable currencies, net sales increased by 0.2%.
- Operating profit decreased to EUR 148.0 million (169.3), negatively impacted by currencies.
- Profit for the period was EUR 267.6 million (134.1) and was positively impacted by EUR 149.6 million related to the rulings on the tax disputes concerning the years 2007–2011.
- Earnings per share increased to EUR 1.94 (0.97) and were positively impacted by EUR 1.08 related to the rulings on the tax disputes.
- Cash flow from operating activities was EUR -89.8 million (150.6; positively impacted by EUR 148 million due to the rulings on the tax disputes).

Guidance for 2019 (updated on June 14, 2019)

In 2019, net sales with comparable currencies are expected to be slightly higher and operating profit to be lower compared to 2018. In line with Nokian Tyres' updated 2018 strategy, the company is targeting further growth in Russia, Central Europe, and North America. As a result of ongoing investment programs to support the growth, operating profit in 2019 will include significant additional operating costs.

Hille Korhonen, President and CEO:

“In the first half of the year, our net sales with comparable currencies were slightly higher than in the same period last year. The progress we made in Heavy Tyres and Vianor was offset by lower net sales in Passenger Car Tyres. The drop in the passenger car tire sales volumes, mainly in Central Europe, had a negative impact on our operating profit. In addition, the result was impacted by currencies and higher material and production costs.

In H1/2019, the development in the car and tire sector continued to be weak in Europe. The competitive landscape in the Central European replacement car tire market is tight due to weakness in the OE segment, as there is a high supply of tires in the market. We expect short-term weakness in sales volume growth in Central Europe to continue during the remainder of the year. There is also some level of uncertainty in the Russian market.

Despite market uncertainties, we will continue to pursue our growth agenda going forward. Our focus is on executing our strategic projects, especially the US factory ramp-up. During the first half, we invested EUR 148 million including the US factory, testing center in Spain and Heavy Tyres capacity increase. In the US, in line with the original schedule, we reached a significant milestone by producing the first test tire in the new factory in summer. Commercial production is expected to start in early 2020.

In Spain, the construction work of our new testing center is proceeding on schedule. The center enables year-round testing of summer, winter, and all season tires, and it is the largest single investment in

testing in Nokian Tyres' history. A good example of our strong R&D and testing capabilities are the new Central European summer tires, which are showing a good commercial success.

In Heavy Tyres, the project to increase the production capacity of the factory in Finland by 50% and more than double the number of new products is well underway. A new R&D center, which is being built as part of the investment to accelerate the testing phase of new tire models, will be completed this year.”

Key figures, EUR million

	4–6 /19	4–6 /18	Change %	CC* Change %	1–6 /19	1–6 /18	Change %	CC* Change %	2018
Net sales	419.1	429.1	-2.3%	-2.6%	762.8	765.2	-0.3%	0.2%	1,595.6
Operating profit	94.1	108.0			148.0	169.3			372.4
Operating profit %	22.4%	25.2%			19.4%	22.1%			23.3%
Profit before tax	88.9	105.4			179.5	165.4			361.7
Profit for the period	73.0	87.5			267.6	134.1			295.2
Earnings per share, EUR **	0.53	0.63			1.94	0.97			2.15
ROCE, % ***					20.4%	25.3%			23.3%
Equity ratio, %					70.5%	70.5%			71.0%
Cash flow from operating activities	-20.8	169.0			-89.8	150.6			536.9
Gearing, %					15.7	-7.2			-21.2%
Interest-bearing net debt					252.0	-99.6			-315.2
Capital expenditure	93.7	47.4			148.0	64.9			226.5

* Comparable currencies

** EPS 1-6/19 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 0.86

*** Rolling 12 months

IFRS 16 Leases

The new IFRS 16 standard became effective on 1 January 2019 onwards and replaced the previous standard IAS 17. Nokian Tyres chose 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 Vianor chain real estate and warehouses.

The IFRS 16 standard had a minor impact on the H1 income statement (EBIT impact EUR +1.3 million, net income impact EUR -0.8 million). Interest-bearing net debt on June 30, 2019 increased by EUR 126.1 million and assets by EUR 125.3 million due to the recognition of right-of-use assets.

Market situation

	the Nordic countries	Russia	Europe (incl. the Nordic countries)	North America
New car sales in 1-6/2019 y-o-y	-18%	-2%	-3%	-3%
Car tire sell-in in 1-6/2019 y-o-y	-4%	-1%	-2%	+5%
Car tire demand E2019 (management estimate)	at previous year's level	increase slightly	at previous year's level	at previous year's level
Heavy tire segments* E2019 (management estimate)	at previous year's level	at previous year's level	at previous year's level	at previous year's level

* Nokian Tyres' core product segments

APRIL–JUNE 2019

Nokian Tyres Group's net sales in April–June 2019 decreased by 2.3% and amounted to EUR 419.1 million (April–June 2018: 429.1). With comparable currencies, net sales decreased by 2.6%. Currency exchange rates affected net sales positively by EUR 1.3 million.

Net sales by geographical area

	M€ 4–6/19	M€ 4–6/18	Change %	CC* Change %	M€ 2018
Nordic countries	162.2	163.7	-0.9%	0.5%	629.3
Russia	94.5	96.5	-2.1%	-3.9%	305.5
Other Europe	101.2	114.8	-11.8%	-11.6%	436.9
North America	54.5	47.7	14.3%	10.5%	194.5
Other countries	6.6	6.4	2.8%	8.5%	29.5
Total	419.1	429.1	-2.3%	-2.6%	1,595.6

* Comparable currencies

Net sales by business unit

	M€ 4–6/19	M€ 4–6/18	Change %	CC* Change %	M€ 2018
Passenger Car Tyres	300.2	309.0	-2.8%	-3.3%	1,150.8
Heavy Tyres	47.8	46.5	2.8%	2.6%	187.7
Vianor	89.8	93.0	-3.5%	-0.9%	337.2
Other operations and eliminations	-18.6	-19.3	3.6%		-80.1
Total	419.1	429.1	-2.3%	-2.6%	1,595.6

* Comparable currencies

Raw material unit costs (EUR/kg) in manufacturing increased by 5.8% year-over-year, negatively impacted by currencies, and decreased by 2.4% compared to the first quarter of 2019.

Nokian Tyres Group's operating profit amounted to EUR 94.1 million (108.0).

Operating profit by business unit

	M€ 4–6/19	M€ 4–6/18	M€ 2018
Passenger Car Tyres	79.9	94.5	356.5
Heavy Tyres	8.3	4.9	28.6
Vianor	9.4	10.0	1.6
Other operations and eliminations	-3.5	-1.3	-14.3
Total	94.1	108.0	372.4

Net financial expenses were EUR 5.2 million (2.7), including net interest expenses of EUR 1.5 million (0.5). Net financial expenses include an expense of EUR 3.7 million (2.2) due to exchange rate differences. Profit before tax was EUR 88.9 million (105.4) and taxes were EUR -15.9 million (-17.9). Profit for the period amounted to EUR 73.0 million (87.5), and earnings per share were EUR 0.53 (0.63).

Cash flow

In April–June 2019, cash flow from operating activities was EUR -20.8 million (169.0). Working capital increased by EUR 112.2 million (decreased by 58.2). Inventories decreased by EUR 3.7 million (2.5) and receivables increased by EUR 139.0 million (125.9). Payables increased by EUR 23.0 million (181.6, positively impacted by EUR 148 million due to the rulings on the tax disputes).

JANUARY–JUNE 2019

Nokian Tyres Group's net sales in January–June 2019 decreased by 0.3% and amounted to EUR 762.8 million (January–June 2018: 765.2). With comparable currencies, net sales increased by 0.2%. Currency exchange rates affected net sales negatively by EUR 3.7 million.

Net sales by geographical area

	M€ 1–6/19	M€ 1–6/18	Change %	CC* Change %	M€ 2018
Nordic countries	289.5	283.7	2.0%	3.6%	629.3
Russia	183.4	178.8	2.5%	4.4%	305.5
Other Europe	180.5	200.0	-9.7%	-9.6%	436.9
North America	97.8	91.0	7.5%	3.0%	194.5
Other countries	11.6	11.7	-0.7%	6.1%	29.5
Total	762.8	765.2	-0.3%	0.2%	1,595.6

* Comparable currencies

Net sales by business unit

	M€ 1–6/19	M€ 1–6/18	Change %	CC* Change %	M€ 2018
Passenger Car Tyres	556.5	568.0	-2.0%	-1.5%	1,150.8
Heavy Tyres	96.1	89.6	7.2%	7.2%	187.7
Vianor	146.7	146.2	0.3%	1.4%	337.2
Other operations and eliminations	-36.5	-38.8	5.8%		-80.1
Total	762.8	765.2	-0.3%	0.2%	1,595.6

* Comparable currencies

Raw material unit costs (EUR/kg) in manufacturing increased by 6.7% year-over-year, negatively impacted by currencies.

Operating profit amounted to EUR 148.0 million (169.3).

Operating profit by business unit

	M€ 1–6/19	M€ 1–6/18	M€ 2018
Passenger Car Tyres	143.1	168.5	356.5
Heavy Tyres	17.3	13.2	28.6
Vianor	-2.6	-4.7	1.6
Other operations and eliminations	-9.8	-7.6	-14.3
Total	148.0	169.3	372.4

Net financial income was EUR 31.5 million (net financial expenses 3.9), including net interest income of EUR 32.5 million (net interest expenses 1.4). Net financial income includes a return of EUR 35.9 million related to the rulings on the tax disputes. Net financial income includes an expense of EUR 0.9 million (expenses 2.4) due to exchange rate differences. Profit before tax was EUR 179.5 million (165.4) and taxes were EUR 88.1 million (-31.4). Profit for the period amounted to EUR 267.6 million (134.1), which was positively impacted by EUR 149.6 million related to the final rulings on the tax disputes. Earnings per share were EUR 1.94 (0.97), positively impacted by EUR 1.08 related to the tax disputes.

Cash flow

In January–June 2019, cash flow from operating activities was EUR -89.8 million (150.6). Working capital increased by EUR 410.2 million (37.5). Inventories increased by EUR 19.7 million (increased by 32.9) and receivables increased by EUR 223.4 million (172.5). Payables decreased by EUR 167.1 million (increased by 168.0; impacted by EUR 148 million related to the rulings on the tax disputes).

Investments

Investments in January–June 2019 amounted to EUR 148.0 million (64.9). This comprises the construction of the new US factory, the testing center in Spain, production investments in the Russian and Finnish factories, molds for new products, and ICT and process development projects. Depreciations totaled EUR 61.3 million (45.8). The increase is mainly due to the new IFRS 16 standard.

Financial position on June 30, 2019

	June 30, 2019	June 30, 2018	December 31, 2018
Cash and cash equivalents, M€	109.3	234.0	447.5
Interest-bearing financial liabilities, M€	361.3	134.4	132.3
of which current interest-bearing financial liabilities, M€	116.1	124.8	126.0
Interest-bearing net debt, M€	252.0	-99.6	-315.2
Unused credit limits*, M€	458.7	558.7	558.8
of which committed, M€	205.5	205.5	205.5
Gearing ratio, %	15.7%	-7.2%	-21.2%
Equity ratio, %	70.5%	70.5%	71.0%
* 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 in January–June 2019 was -49.1% (19.0%). The adjusted tax rate excluding a tax refund of EUR 113.7 million concerning the tax disputes from 2007–2011 was 17.8%. The tax rate is positively affected by tax incentives in Russia, which are valid until approximately 2022. The Group's estimated operational tax rate is expected to be at a level of 19% for 2019 (excl. positive tax rulings concerning the years 2007–2011).

Personnel

	1–6/19	1–6/18	2018
Group employees			
on average	4,816	4,728	4,790
at the end of the review period	4,880	4,706	4,719
in Finland, at the end of the review period	1,793	1,757	1,769
in Russia, at the end of the review period	1,615	1,566	1,574
in North America, at the end of the review period	262	198	191
Vianor (own) employees, at the end of the review period	1,593	1,615	1,563

Nokian Tyres' headcount reporting systems have been unified globally as of January 2019, 2018 headcount figures have not been restated.

BUSINESS UNIT REVIEWS

Passenger Car Tyres

	4–6 /19	4–6 /18	Change %	CC* Change %	1–6 /19	1–6 /18	Change %	CC* Change %	2018
Net sales, M€	300.2	309.0	-2.8%	-3.3%	556.5	568.0	-2.0%	-1.5%	1,150.8
Operating profit, M€	79.9	94.5			143.1	168.5			356.5
Operating profit, %	26.6%	30.6%			25.7%	29.7%			31.0%

* Comparable currencies

April–June 2019

In April–June 2019, net sales of Passenger Car Tyres totaled EUR 300.2 million (309.0). With comparable currencies, net sales decreased by 3.3%. Average Sales Price with comparable currencies increased slightly due to both mix and prices.

Operating profit was EUR 79.9 million (94.5). Operating profit decreased due to the highly competitive tire market in Central Europe, lower volumes and higher material costs. Fixed costs increased due to the US factory ramp-up.

January–June 2019

In January–June 2019, net sales of Passenger Car Tyres totaled EUR 556.5 million (568.0). With comparable currencies, net sales decreased by 1.5%. Average Sales Price with comparable currencies increased slightly due to both mix and prices.

Car tire sell-in in the Nordics and Central Europe declined due to softness in the car and tire market in Europe. Summer tire inventories are at a high level in Central Europe. In Russia, summer tire inventories have decreased compared to last year, but their current level is still somewhat higher than normal.

In January–June 2019, the share of winter tires of sales was 68% (61%), the share of summer tires was 22% (27%), and the share of all season tires was 10% (12%).

Operating profit was EUR 143.1 million (168.5). Operating profit decreased due to lower volumes, higher material costs and currencies.

During the review period, capacity utilization decreased year-over-year to be in line with the market demand. Production output (pcs) decreased by 3.8%. In January–June 2019, 83% (85%) of passenger car tires (pcs) were manufactured in Russia.

Nokian Tyres' products achieved success in several car magazine tests. 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 Nokian Hakkapeliitta LT3 winter tire for the Nordic, North American, Russian, and Central European markets was introduced in January 2019. In February 2019, Nokian Tyres launched its Nokian Hakka summer tire range on the Japanese market. The Nokian WR Snowproof winter tire, designed especially for Central European markets, was introduced in March 2019.

Market situation in Russia

In 2019, the sales of new cars in Russia are expected to be in the range of -5–0% compared to 2018, driven by sluggish economy and stagnating real incomes. The total replacement tire market sell-in in Russia in 2019 is expected to be in the range of 0–3% compared to 2018, with the winter tire sell-in growing and the summer tire sell-in declining due to high carry-over stocks from the previous year.

Heavy Tyres

	4–6 /19	4–6 /18	Change %	CC* Change %	1–6 /19	1–6 /18	Change %	CC* Change %	2018
Net sales, M€	47.8	46.5	2.8%	2.6%	96.1	89.6	7.2%	7.2%	187.7
Operating profit, M€	8.3	4.9			17.3	13.2			28.6
Operating profit, %	17.4%	10.5%			18.0%	14.7%			15.2%

* Comparable currencies

April–June 2019

In April–June 2019, net sales of Nokian Heavy Tyres totaled EUR 47.8 million (46.5). With comparable currencies, net sales increased by 2.6%.

Operating profit was EUR 8.3 million (4.9). Operating profit increased due to the sales growth and inventory valuations that had a negative impact on the previous year's operating profit.

January–June 2019

In January–June 2019, net sales of Nokian Heavy Tyres totaled EUR 96.1 million (89.6). With comparable currencies, net sales increased by 7.2%. Demand was good in Nokian Heavy Tyres' core product groups. Sales of agricultural tires and forestry tires increased, in particular.

Operating profit was EUR 17.3 million (13.2). Operating profit increased due to the sales growth and inventory valuations that had a negative impact on the previous year's operating profit.

A flow of product launches with new innovations continued in 2019. For example, new sizes for the Nokian Tractor King and Nokian Hakkapeliitta Truck F2 XL winter tire for trucks as well as the latest addition to the Nokian Noktop tire retreading material range, the Nokian Noktop 75 Super, were introduced in March. New sizes for the Nokian R-Truck and Nokian E-Truck as well as the Nokian Ground Kare, a special excavator tire, were introduced in May. New sizes for the Nokian HTS G2 port and terminal tires were launched in June.

Vianor, own operations

	4–6	4–6	Change	CC*	1–6	1–6	Change	CC*	2018
	/19	/18	%	Change	/19	/18	%	Change	
				%				%	
Net sales, M€	89.8	93.0	-3.5%	-0.9%	146.7	146.2	0.3%	1.4%	337.2
Operating profit, M€	9.4	10.0			-2.6	-4.7			1.6
Operating profit, %	10.4%	10.7%			-1.8%	-3.2%			0.5%
Own service centers, pcs, at period end	188	193							188

* Comparable currencies

April–June 2019

In April–June 2019, net sales totaled EUR 89.8 million (93.0). With comparable currencies, net sales decreased by 0.9%.

Operating profit was EUR 9.4 million (10.0).

January–June 2019

In January–June 2019, net sales totaled EUR 146.7 million (146.2). With comparable currencies, net sales increased by 1.4%.

Operating profit was EUR -2.6 million (-4.7). The improvement was driven by increased operational efficiency and better sales management.

At the end of the review period, Vianor had 188 (193) own service centers in Finland, Sweden, Norway, and the USA.

SHARES AND SHAREHOLDERS

At the end of June 2019, the number of shares was 138,099,435.

In May, Nokian Tyres changed its trading code (stock symbol) on Nasdaq Helsinki to TYRES. The change became effective at the start of trading on May 20, 2019.

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 was effective until the next Annual General Meeting of Shareholders, however at most until June 30, 2019. This authorization invalidated 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 authorization was effective until the next Annual General Meeting of Shareholders, however at most until June 30, 2019.

The Board did not utilize the authorizations in January–June 2019.

Stock options on the Nasdaq Helsinki Stock Exchange

The share subscription period for stock option 2013C ended in May 2019. The total number of stock options 2013C was 1,150,000. Each stock option 2013C entitled its holder to subscribe to one share in Nokian Tyres plc. The shares with the stock options 2013C were subscribed during the period from May 1, 2017 to May 31, 2019.

Shares subscribed with option rights

On February 19, 2019, Nokian Tyres announced that, following the registrations of new shares on November 13, 2018, a total of 1,180 shares in Nokian Tyres plc had been subscribed with the 2013C stock option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 138,066,899 shares.

On May 22, 2019, Nokian Tyres announced that, following the registration of new shares on February 19, 2019, a total of 32,536 shares in Nokian Tyres plc had been subscribed with the 2013C stock option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 138,099,435 shares.

Own shares

No share repurchases were made during the review period, and the company did not possess any own shares on June 30, 2019.

Nokian Tyres has an agreement from 2017 with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns Nokian Tyres' shares related to the incentive program until the shares are given to the participants of the program. In accordance with IFRS, these repurchased shares, 480,000 in 2017, have been reported as treasury shares in the Consolidated Statement of Financial Position. On June 30, 2019, the number of these shares was 215,188. This number of shares corresponded to 0.16% of the total shares and voting rights in the company.

Trading in shares

A total of 91,803,281 (68,613,683) Nokian Tyres' shares were traded in Nasdaq Helsinki during the period, representing 66% (50%) of the company's overall share capital. The average daily volume during the period was 746,368 shares (553,336). 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 55,904,312 (52,024,934) shares during the review period.

Nokian Tyres' share price was EUR 27.46 (33.84) at the end of the review period. The volume weighted average share price during the period was EUR 28.99 (35.78), the highest was EUR 32.44 (41.26) and the lowest was EUR 24.92 (31.02). The company's market capitalization at the end of the period was EUR 3.8 billion (4.7 billion).

At the end of the period, the company had 51,348 (43,179) registered shareholders. The percentage of Finnish shareholders was 34.1% (27.8%), and 65.9% (72.2%) were non-Finnish holders and foreign shareholders registered in the nominee register. Public sector entities owned 10.6% (6.8%), financial and insurance corporations 4.8% (3.5%), households 12.9% (11.5%), non-profit institutions 3.5% (3.4%), and private companies 2.4% (2.6%).

Changes in ownership

Nokian Tyres received notifications from BlackRock, Inc. on January 7, January 11, February 8, February 15, April 24, May 7, May 9, May 10, May 20, May 29, May 31, June 13, and June 19 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 share transactions concluded on January 4, January 10, February 7, February 14, April 23, May 6, May 8, May 9, May 17, May 28, May 30, June 12, and June 18.

Nokian Tyres received notifications from BlackRock, Inc. on January 2, January 8, January 22, January 29, March 18, April 25, May 8, May 17, May 27, May 30, June 3, June 11, and June 27 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 December 31, January 7, January 21, January 28, March 15, April 24, May 7, May 16, May 24, May 29, May 31, June 10, and June 25.

Nokian Tyres received a notification from Janus Henderson Group plc on January 17, according to which the 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 16.

Nokian Tyres received a notification from The Income Fund of America ("IFA") on February 7, according to which the direct 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 February 6.

Nokian Tyres received a notification from Solidium Oy on March 19, according to which the direct holding in Nokian Tyres shares exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on March 18.

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 22, March 4, March 7, March 8, April 1, April 8, and April 16. Read more at: www.nokiantyres.com/company/publications/releases/2019/managementTransactions/

DECISIONS MADE AT THE ANNUAL GENERAL MEETING

On April 9, 2019, the Annual General Meeting of Nokian Tyres approved the Financial Statements for 2018 and discharged the members of the Board of Directors and the President and CEO from liability for the 2018 financial year.

Dividend

The meeting decided that a dividend of EUR 1.58 per share shall be paid for the period ending on December 31, 2018. The dividend payment date was April 24, 2019, and the dividend was paid to shareholders included in the shareholder list maintained by Euroclear Finland Ltd on the record date of April 11, 2019.

Members of the Board of Directors and Auditors

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

The audit firm KPMG Oy Ab will 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 in the period from April 10 to April 30, 2019, EUR 45,000 worth of shares in Nokian Tyres plc were purchased on the stock exchange on behalf of the Chairman of the Board, EUR 33,750 worth of shares in Nokian Tyres plc were purchased on 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 other members of the Board.

The company is liable to pay any asset transfer taxes which may arise from the acquisition of the company 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 a video connection, the remuneration will be EUR 600. Travel expenses will be compensated in accordance with the company's travel policy.

Authorizations

In 2019, 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 at the time of the proposal. The authorization will be effective until the next Annual General Meeting of Shareholders, however at most until June 30, 2020.

Amendments of the articles of association

In 2019, the Annual General Meeting resolved to amend Articles 8, 9, and 11 of the articles of association as follows:

§8 Auditor

The company shall have one auditor which must be an auditing firm authorized by the Finnish Patent and Registration Office. The auditor's term of office expires at the end of the first Annual General Meeting following the election.

§9 Notice of General Meeting

The notice of a General Meeting shall be published on the company's website, no earlier than three months before the record date referred to in the Finnish Limited Liability Companies Act and no later than three weeks before the General Meeting. The notice must, however, be delivered no later than nine days before the record date of the General Meeting.

§11 Annual General Meeting

The Annual General Meeting shall be held annually on a day fixed by the Board of Directors, by the end of May. The Meeting shall be held either at the company's registered place of business or in either the city of Tampere or Helsinki, as decided by the Board of Directors.

The Annual General Meeting shall review:

1. the financial statements, which include the consolidated financial statements, and annual report;
2. the auditor's report;

shall resolve:

3. the adoption of the financial statements;
4. the use of the profit shown on the balance sheet;

5. granting discharge from personal liability to the members of the Board of Directors and the Managing Director;
6. the remuneration payable to the members of the Board of Directors and the auditor;
7. the number of the members of the Board of Directors;

shall elect:

8. the members of the Board of Directors;
9. an auditor; and

shall deal with:

10. any other matters mentioned in the notice of the meeting.

BOARD OF DIRECTORS' WORKING ARRANGEMENTS

In the Board meeting on April 9, 2019, 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 2019. The Corporate Sustainability Report is available in Finnish and English on the company's website at www.nokiantyres.com/company/sustainability/.

In February 2019, Nokian Tyres received a Silver Class distinction in the RobecoSAM Sustainability Yearbook 2019.

In March 2019, Nokian Tyres joined the Global Platform for Sustainable Natural Rubber. GPSNR is an independent platform designed to improve the socio-economic and environmental performance of the natural rubber value chain.

CHANGES IN MANAGEMENT

In May 2019, Nokian Tyres announced that Mr. Bahri Kurter had been appointed to the Nokian Tyres management team in the position of SVP, Central Europe. He started in June 2019. Kurter reports to the President and CEO Hille Korhonen.

Detailed information on management can be found at

www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/

OTHER MATTERS

PERFORMANCE SHARE PLAN: PERFORMANCE SHARE PLAN 2019, RESTRICTED SHARE PLAN 2019 AND REALIZATION OF PERFORMANCE PERIOD 2018

On February 5, 2019, Nokian Tyres announced that the Board of Directors of Nokian Tyres plc has decided on a new share-based long-term incentive scheme for the Company's management and selected key employees. The decision includes a Performance Share Plan (hereinafter also referred to as "PSP 2019") as the main structure, and a Restricted Share Plan ("RSP 2019") as a complementary structure for specific situations. The purpose of the share-based incentive scheme is to harmonize the goals of the Company's shareholders and key personnel in order to increase the value of the Company in the long term and to commit key personnel to the Company and its strategic targets.

Performance Share Plan 2019

The Performance Share Plan consists of annually commencing individual three-year Performance Periods, followed by the payment of the potential share reward to the participants. The commencement of each individual Performance Period is subject to a separate Board approval.

The first Performance Period (PSP 2019–2021) commenced as of the beginning of 2019, and the potential share rewards thereunder will be paid in the first half of 2022, provided that the performance criteria set by the Board of Directors are achieved. The potential reward will be paid partly in shares in Nokian Tyres plc and partly in cash. The cash portion of the reward is intended to cover the taxes arising from the paid reward. Approximately 200 individuals are eligible to participate in PSP 2019–2021, including the members of Nokian Tyres' Management Team. The possible rewards paid based on the Performance Period of 2019–2021 correspond approximately to a maximum of 535,000 gross shares.

In addition to the 3-year performance period (PSP 2019–2021), a separate one-time, two-year performance period (PSP 2019–2020) commenced in 2019 in order to bridge the previous two-year PSP 2018 and the three-year PSP 2019–2021. The potential share rewards thereunder will be paid in the first half of 2021, provided that the performance criteria set by the Board of Directors are achieved. Approximately 210 individuals are eligible to participate in PSP 2019–2020, including the members of Nokian Tyres' Management Team. The possible rewards paid based on the Performance Period of 2019–2020 correspond approximately to a maximum of 580,000 gross shares.

The potential share rewards payable under the PSP 2019–2020 and PSP 2019–2021 are based on the Company's Earnings Per Share (EPS) growth % and Return on Capital Employed (ROCE).

Restricted Share Plan 2019

The purpose of the Restricted Share Plan (RSP 2019–2021) is to serve as a complementary tool for individually selected key employees of Nokian Tyres in specific situations. It consists of annually commencing individual Restricted Share Plans, each with a three-year retention period after which the share rewards granted within the plan will be paid to the participants.

The commencement of each individual plan is subject to a separate Board approval.

A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Nokian Tyres continues until the payment date of the reward. The potential reward will be paid partly in shares in Nokian Tyres plc and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward.

The first plan (RSP 2019–2021) within the Restricted Share Plan structure commenced as of the beginning of 2019, and the potential share reward thereunder will be paid in the first half of 2022. The possible rewards paid based on RSP 2019–2021 correspond approximately to a maximum of 70,000 gross shares.

Other terms

Nokian Tyres applies a share ownership policy to the members of Nokian Tyres' Management Team. According to this policy, each member of the Management Team is expected to retain in his/her ownership at least 25% of the shares received under the share-based incentive programs of the Company until the value of his/her share ownership in the Company corresponds to at least his/her annual gross base salary.

The Board of Directors anticipates that no new shares will be issued based on the share-based incentive scheme and that the scheme will, therefore, have no dilutive effect on the registered number of the Company's shares.

Realization of Performance Period 2018

The rewards to be paid in 2019, on the basis of the achievement of the previous share-incentive plan's performance period 2018, correspond to a total of 146,000 Nokian Tyres plc shares including also the proportion to be paid in cash. The rewards were paid by the end of March 2019. For the key employees who have joined the Plan during the performance period 2018, including 5 members of the Group's Management Team, the rewards will be paid by the end of August 2019. The plan was directed to 233 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 2018, the restriction period will end on March 31, 2020.

SIGNIFICANT RISKS AND UNCERTAINTIES, AND ONGOING DISPUTES

Nokian Tyres' business and financial performance may be affected by several uncertainties. The Group has adopted a risk management policy, approved by the Board of Directors, which supports the

achievement of strategic goals and ensures business continuity. The Group's risk management policy focuses on managing both the risks pertaining to business opportunities and the risks affecting the achievement of the Group's goals in the changing operating environment. The risk management process aims to identify and evaluate the risks and to plan and implement the practical measures for each risk. Nokian Tyres has detailed the overall business risks and risk management in the 2018 Corporate Governance Statement.

For example, the following risks could potentially have an impact on Nokian Tyres' business:

- Nokian Tyres is subject to risks related to consumer confidence and macroeconomic and geopolitical conditions. Political uncertainties may cause serious disruption and additional trade barriers and affect the company's sales and credit risk. Economic downturns may increase trade customers' payment problems and Nokian Tyres may need to recognize impairment of trade receivables.
- The tire wholesale and retail landscape is evolving to meet changing consumer needs. New technologies are fueling this with increasing digitalization. A failure to adapt to the changes in the sales channel could have an adverse effect on Nokian Tyres' financial performance.
- Nokian Tyres' success is dependent on its ability to innovate and develop new products and services that appeal to its customers and consumers. Despite extensive testing of its products, product quality issues and failure to meet demands of performance and safety could harm Nokian Tyres' reputation and have an adverse effect on its financial performance.
- Nokian Tyres' production facilities are located in Finland and Russia. Any unexpected production or delivery breaks at these facilities would have a negative impact on the company's business. A new factory is under construction in the US in order to diversify the manufacturing footprint. Interruptions in logistics could have a significant impact on peak season sales.
- Significant fluctuations in raw material prices may impact margins. Nokian Tyres sources natural rubber from producers in countries such as Indonesia and Malaysia. Although Nokian Tyres has policies such as the Supplier Code of Conduct and established processes to monitor the working conditions, it cannot fully control the actions of its suppliers. The violation of laws, regulations or standards by raw material producers, or their divergence from practices generally accepted as ethical in the European Union or the international community, could have a material adverse effect on Nokian Tyres' reputation.
- Foreign exchange risk consists of transaction risk and translation risk. The most significant currency risks arise from the Russian ruble, the Swedish and Norwegian krona, and the US and Canadian dollar. Approximately 60% of the Group's sales are generated outside of the euro-zone.
- In May 2017, the Finnish Financial Supervisory Authority filed a request for investigation with the National Bureau of Investigation regarding possible securities market offences. In March 2019, the police moved the suspicions of securities markets offences to consideration of charges. The suspects have denied any involvement in criminal activity.

Tax disputes

Dispute concerning 2007–2011

Administrative Court's final ruling on the tax dispute concerning the years 2007–2010

In March 2019, the Supreme Administrative Court rejected an application for leave to appeal from the Tax Recipients' Legal Services Unit in Nokian Tyres' 2007–2010 tax dispute. The decision of the Administrative Court in May 2018 is thus final and the tax dispute for the tax years 2007–2010 is completed. Adjustments to the financial reporting were done during the first quarter of 2019. The decision of the Supreme Administrative Court had no cash flow impact, as the Tax Administration returned the additional taxes paid by the company already in 2018.

Background of the tax dispute:

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

Tax Administration's final decision in the appeal concerning the tax year 2011

In March 2019, Nokian Tyres announced that the Supreme Administrative Court had rejected an application for leave to appeal from the Tax Recipients' Legal Services Unit in Nokian Tyres' 2007–2010 tax dispute. As a result of the decision of the Supreme Administrative Court, the Tax Recipients' Legal Services Unit withdrew their appeal concerning Nokian Tyres' tax year 2011 and the positive decision taken by the Tax Administration in 2018 is thus final.

Adjustments to the financial reporting concerning tax year 2011 were done during the first quarter of 2019. The decision had no cash flow impact in 2019, as the Tax Administration returned the additional taxes paid by the company already in 2018.

Background of the tax dispute:

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 in the financial statement and result for Q3/2017 and paid it 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

In May 2019, Nokian Tyres U.S. Finance Oy, a subsidiary of Nokian Tyres plc (ownership: 100% of the shares), received a negative ruling from the Hämeenlinna Administrative Court regarding the company's appeal against a reassessment of EUR 18.5 million concerning the 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 has paid and recorded them in full in the financial statements and results for 2013, 2014, and 2017. The company considers the decision unfounded and will appeal against it by filing a claim with the Supreme Administrative Court.

MATTERS AFTER THE REVIEW PERIOD

Changes in ownership

Nokian Tyres has received a notification from BlackRock, Inc. on July 18 and August 1, 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 July 17 and July 31.

Nokian Tyres has received a notification from BlackRock, Inc. on July 25, according to which the total holding in Nokian Tyres shares exceeded the level of 5% of the share capital in Nokian Tyres plc as a result of share transactions concluded on July 24.

Nokian Tyres has received a notification from The Capital Group Companies, Inc. on July 25, according to which the holdings of the mutual funds managed by The Capital Group Companies, Inc. fell below the level of 5% of the share capital in Nokian Tyres plc as a result of share transactions concluded on July 23.

Nokian Tyres has received a notification from BlackRock, Inc. on July 29, 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 share transactions concluded on July 26.

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

Nokian Heavy Tyres Ltd acquires a Finnish heavy equipment wheel company Levvpyörä Oy

In line with Nokian Heavy Tyres growth strategy, the company is acquiring a Finnish heavy equipment wheel company Levvpyörä Oy. With its two business lines, wheels and steel structures, Levvpyörä serves several original equipment (OE) manufacturers and aftermarket customers (AM) in forestry, agriculture and earthmoving applications. Annual net sales of Levvpyörä is approximately EUR 18 million.

More information at <https://www.nokiantyres.com/company/news-article/nokian-heavy-tyres-ltd-acquires-a-finnish-heavy-equipment-wheel-company-levvpyora-oy/>

ASSUMPTIONS FOR 2019

In 2019, the market demand for replacement car tires is expected to increase slightly or be at the previous year's level. The company's replacement tire market position (sell-in) is expected to improve in 2019.

The demand for Nokian Heavy Tyres' core products is estimated to remain healthy.

Vianor (partners) and Nokian Tyres' other branded distribution, such as Nokian Tyres Authorized Dealers (NAD) and the N-Tyre network, will continue to expand.

Raw material unit costs are estimated to increase in 2019 compared with 2018.

As a result of ongoing investment programs to support Nokian Tyres' growth, operating profit in 2019 will include significant additional operating costs compared to the previous year, driven especially by the US factory ramp-up, Heavy Tyres capacity expansion in Finland and the construction of the testing center in Spain.

GUIDANCE FOR 2019

Due to the weakened car demand and continuously soft car tire market especially in Central Europe, Nokian Tyres plc lowered its earlier guidance for the full year 2019 on June 14, 2019. The company expects short-term weakness in sales volume growth in Central Europe to continue during the remainder of the year.

Updated guidance from June 14, 2019:

In 2019, net sales with comparable currencies are expected to be slightly higher and operating profit to be lower compared to 2018. In line with Nokian Tyres' updated 2018 strategy, the company is targeting further growth in Russia, Central Europe, and North America. As a result of ongoing investment programs to support the growth, operating profit in 2019 will include significant additional operating costs.

Earlier guidance from May 8, 2019:

In 2019, net sales with comparable currencies are expected to grow and operating profit to be approximately at the level of 2018. In line with Nokian Tyres' updated 2018 strategy, the company is targeting further growth in Russia, Central Europe, and North America. As a result of ongoing investment programs to support the growth, operating profit in 2019 will include significant additional operating costs.

Helsinki, August 6, 2019

Nokian Tyres plc
Board of Directors

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.

This Half Year Financial Report has been prepared in accordance with IAS 34 Interim Reports standard. The company has adopted certain new or revised IFRS standards and IFRIC interpretations at the beginning of the financial period as described in the Financial Statements 2018. In other respects, the same accounting policies have been followed as in the Financial Statements 2018.

The Half Year report figures are unaudited.

NOKIAN TYRES CONSOLIDATED						
INCOME STATEMENT	4-6/19	4-6/18	1-6/19	1-6/18	1-12/18	Change %
Million euros						
Net sales	419.1	429.1	762.8	765.2	1,595.6	-2.3
Cost of sales	-228.6	-231.3	-430.2	-416.1	-865.5	1.1
Gross profit	190.5	197.8	332.6	349.0	730.2	-3.7
Other operating income	0.2	0.4	0.8	0.9	2.5	-41.5
Selling and marketing expenses	-73.2	-70.7	-143.3	-141.5	-286.4	-3.5
Administration expenses	-15.6	-12.7	-26.9	-25.2	-47.9	-22.5
Other operating expenses	-7.8	-6.7	-15.2	-13.9	-25.9	-17.2
Operating profit	94.1	108.0	148.0	169.3	372.4	-12.9
Financial income	11.0	20.7	30.1	47.4	83.3	-46.9
Financial expenses (1)	-16.2	-23.4	1.4	-51.3	-94.0	30.7
Profit before tax	88.9	105.4	179.5	165.4	361.7	-15.7
Tax expense (2) (3)	-15.9	-17.9	88.1	-31.4	-66.5	11.2
Profit for the period	73.0	87.5	267.6	134.1	295.2	-16.6
Attributable to:						
Equity holders of the parent	73.0	87.5	267.6	134.1	295.2	
Non-controlling interest	-	-	-	-	-	
Earnings per share from the profit attributable to equity holders of the parent						
basic, euros	0.53	0.63	1.94	0.97	2.15	-16.4
diluted, euros	0.53	0.64	1.94	0.97	2.14	-17.2

CONSOLIDATED OTHER COMPREHENSIVE

INCOME	4-6/19	4-6/18	1-6/19	1-6/18	1-12/18
Million euros					
Profit for the period	73.0	87.5	267.6	134.1	295.2
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	-	-	-	-	-
Cash flow hedges	-1.3	1.2	-3.1	1.4	1.3
Translation differences on foreign operations	-0.8	-16.1	57.9	-27.8	-67.8
Total other comprehensive income for the period, net of tax	-2.0	-15.0	54.8	-26.4	-66.6
Total comprehensive income for the period	71.0	72.5	322.4	107.7	228.7
Total comprehensive income attributable to:					
Equity holders of the parent	71.0	72.5	322.4	107.7	228.7
Non-controlling interest	-	-	-	-	-

1) Financial expenses 1-6/19 contain returned EUR 34.4 million punitive interest related to tax disputes that were booked in previous fiscal years based on tax reassessment decisions. Additionally financial expenses 1-6/19 contain a gain of EUR 1.4 million of interest from returned taxes.

2) Tax expense 1-6/19 contain returned EUR 115.2 million additional taxes and punitive increases that were booked in previous fiscal years based on tax reassessment decisions.

3) Otherwise tax expense in the consolidated income statement is based on the taxable result for the period.

KEY RATIOS	30.6.19	30.6.18	31.12.18	Change %
Equity ratio, %	70.5	70.5	71.0	
Gearing, %	15.7	-7.2	-21.2	
Equity per share, euro	11.67	10.04	10.79	16.2
Interest-bearing net debt, mill. euros	252.0	-99.6	-315.2	
Capital expenditure, mill. euros	148.0	64.9	226.5	
Depreciation, mill. euros	61.3	45.8	93.4	
Personnel, average	4,816	4,728	4,790	
Number of shares (million units)				
at the end of period	137.88	137.17	137.79	
in average	137.83	137.67	137.26	
in average, diluted	138.17	138.01	138.14	

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

	30.6.19	30.6.18	31.12.18
Million euros			
Non-current assets			
Property, plant and equipment	774.2	555.5	647.3
Goodwill	83.3	82.6	83.6
Other intangible assets	38.6	36.6	33.6
Investments in associates	0.1	0.1	0.1
Right of use assets	125.3	-	-
Non-current financial investments	0.7	0.7	0.7
Other receivables	8.0	8.2	7.3
Deferred tax assets	13.5	10.1	9.3
Total non-current assets	1,043.6	693.7	781.8
Current assets			
Inventories	401.0	367.7	369.2
Trade receivables	642.1	575.7	409.5
Other receivables	89.1	83.9	84.8
Cash and cash equivalents	109.3	234.0	447.5
Total current assets	1,241.4	1,261.3	1,311.0
Total assets	2,285.1	1,955.0	2,092.9
Equity			
Share capital	25.4	25.4	25.4
Share premium	181.4	181.4	181.4
Treasury shares	-9.3	-12.9	-11.4
Translation reserve	-307.5	-325.4	-365.4
Fair value and hedging reserves	-3.6	-0.4	-0.6
Paid-up unrestricted equity reserve	238.2	222.1	222.6
Retained earnings	1,484.8	1,287.2	1,434.1
Non-controlling interest	-	-	-
Total equity	1,609.3	1,377.4	1,486.1
Non-current liabilities			
Deferred tax liabilities	29.7	29.6	32.5
Provisions	0.0	0.0	0.0
Interest-bearing liabilities	245.2	9.6	6.3
Other liabilities	0.7	0.5	0.5
Total non-current liabilities	275.5	39.7	39.3
Current liabilities			
Trade payables	83.0	75.0	111.0
Other current payables	196.6	333.1	326.1
Provisions	4.5	5.0	4.4
Interest-bearing liabilities	116.1	124.8	126.0
Total current liabilities	400.2	537.9	567.4
Total equity and liabilities	2,285.1	1,955.0	2,092.9

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	1-6/19	1-6/18	1-12/18
Million euros			
Profit for the period	267.6	134.1	295.2
Adjustments for			
Depreciation, amortisation and impairment	61.3	45.8	93.4
Financial income and expenses	-31.5	3.9	10.7
Gains and losses on sale of intangible assets, other changes	6.1	8.1	11.8
Income Taxes	-88.1	31.4	66.5
Cash flow before changes in working capital	215.4	223.2	477.6
Changes in working capital			
Current receivables, non-interest-bearing, increase (-) / decrease (+)	-223.4	-172.5	-11.0
Inventories, increase (-) / decrease (+)	-19.7	-32.9	-41.8
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	-167.1	168.0	185.3
Changes in working capital	-410.2	-37.5	132.4
Financial items and taxes			
Interest and other financial items, received	2.8	1.1	2.2
Interest and other financial items, paid	26.4	1.3	-12.4
Dividends received	0.0	0.0	0.0
Income taxes paid	75.7	-37.6	-63.0
Financial items and taxes	104.9	-35.1	-73.2
Cash flow from operating activities (A)	-89.8	150.6	536.9
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	-148.0	-64.9	-226.5
Proceeds from sale of property, plant and equipment and intangible assets	0.2	0.0	0.3
Acquisitions of Group companies	-	-	-0.9
Change in non-controlling interest	-	-	-
Acquisitions of other investments	0.0	0.0	0.0
Cash flows from investing activities (B)	-147.8	-64.9	-227.1
Cash flow from financing activities:			
Proceeds from issue of share capital	15.6	18.2	18.7
Purchase of treasury shares	-	-	-
Change in current financial receivables, increase (-) / decrease (+)	5.1	-5.3	-9.0
Change in non-current financial receivables, increase (-) / decrease (+)	0.1	0.3	0.5
Change in current financial borrowings, increase (+) / decrease (-)	-21.6	128.4	123.5
Change in non-current financial borrowings, increase (+) / decrease (-)	127.9	-123.4	-125.1
Payment of lease liabilities	-11.6	-	-
Dividends received	0.3	0.5	0.5
Dividends paid	-218.6	-214.2	-214.2
Cash flow from financing activities (C)	-102.6	-195.5	-205.1
Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)	-340.2	-109.7	104.7
Cash and cash equivalents at the beginning of the period	447.5	343.4	343.4
Effect of exchange rate fluctuations on cash held	2.0	-0.2	-0.7
Cash and cash equivalents at the end of the period	109.3	234.0	447.5

Implementation of IFRS 16 has resulted in increased cash flow from operating activities of EUR 11.6 million, which is equivalent to negative cash flow from financial activities as payment on leases debt. Changes in working capital 1-6/18 and 1-12/18 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.

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

Million euros	Equity attributable to equity holders of the parent								
	A	B	C	D	E	F	G	H	I
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							134.1		134.1
Other comprehensive income, net of tax:									
Cash flow hedges					1.4				1.4
Net investment hedge									-
Translation differences				-27.8					-27.8
Total comprehensive income for the period				-27.8	1.4		134.1		107.7
Dividends paid							-214.2		-214.2
Exercised warrants						18.2			18.2
Acquisition of treasury shares									-
Share-based payments			7.4				-6.5		0.9
Total transactions with owners for the period			7.4			18.2	-220.6		-195.0
Equity, 30 Jun 2018	25.4	181.4	-12.9	-325.4	-0.4	222.1	1,287.2	-	1,377.4
Equity, 1 Jan 2019	25.4	181.4	-11.4	-365.4	-0.6	222.6	1,434.2	-	1,486.1
Profit for the period							267.6		267.6
Other comprehensive income, net of tax:									
Cash flow hedges					-3.1				-3.1
Net investment hedge									0.0
Translation differences				57.9					57.9
Total comprehensive income for the period				57.9	-3.1		267.6		322.4
Dividends paid							-218.6		
Exercised warrants						15.6			15.6
Acquisition of treasury shares									
Share-based payments			2.1				1.6		3.7
Total transactions with owners for the period			2.1			15.6	-217.0		-199.3
Equity, 30 Jun 2019	25.4	181.4	-9.3	-307.5	-3.6	238.2	1,484.8	-	1,609.4

SEGMENT INFORMATION	4-6/19	4-6/18	1-6/19	1-6/18	1-12/18	Change %
Million euros						
Net sales						
Passenger car tyres	300.2	309.0	556.5	568.0	1,150.8	-2.8
Heavy tyres	47.8	46.5	96.1	89.6	187.7	2.8
Vianor	89.8	93.0	146.7	146.2	337.2	-3.5
Other operations	2.5	2.5	4.2	3.9	10.5	3.4
Eliminations	-21.2	-21.8	-40.7	-42.7	-90.6	2.8
Total	419.1	429.1	762.8	765.2	1,595.6	-2.3
Operating result						
Passenger car tyres	79.9	94.5	143.1	168.5	356.5	-15.4
Heavy tyres	8.3	4.9	17.3	13.2	28.6	70.5
Vianor	9.4	10.0	-2.6	-4.7	1.6	-6.0
Other operations	-5.1	-1.6	-9.6	-6.0	-13.3	-211.3
Eliminations	1.5	0.3	-0.3	-1.6	-1.0	352.9
Total	94.1	108.0	148.0	169.3	372.4	-12.9
Operating result, % of net sales						
Passenger car tyres	26.6	30.6	25.7	29.7	31.0	
Heavy tyres	17.4	10.5	18.0	14.7	15.2	
Vianor	10.4	10.7	-1.8	-3.2	0.5	
Total	22.4	25.2	19.4	22.1	23.3	
NET SALES BY GEOGRAPHICAL AREA	4-6/19	4-6/18	1-6/19	1-6/18	1-12/18	Change %
Million euros						
Nordic	162.2	163.7	289.5	283.7	629.3	-0.9
Russia	94.5	96.5	183.4	178.8	305.5	-2.1
Other Europe	101.2	114.8	180.5	200.0	436.9	-11.8
North America	54.5	47.7	97.8	91.0	194.5	14.3
Other	6.6	6.4	11.6	11.7	29.5	2.8
Total	419.1	429.1	762.8	765.2	1,595.6	
CHANGES IN PROPERTY, PLANT AND EQUIPMENT	30.6.19	30.6.18	31.12.18			
Million euros						
Opening balance	647.3	554.1	554.1			
Capital expenditure	145.0	64.9	226.5			
Decrease	-8.2	-1.3	-13.8			
Depreciation for the period	-41.7	-45.8	-93.4			
Exchange differences	31.8	-16.4	-26.1			
Closing balance	774.2	555.5	647.3			

CONTINGENT LIABILITIES	30.6.19	30.6.18	31.12.18
Million euros			
For own debt			
Mortgages	0.9	0.9	0.9
Pledged assets	4.7	4.7	4.7
On behalf of Group companies			
Guarantees	0.4	0.4	0.4
Other own commitments			
Guarantees	29.9	15.9	27.7
Leasing and rent commitments	22.8	156.5	159.3
Purchase commitments	29.0	26.3	29.9

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	30.6.19		30.6.18		31.12.18	
Million euros	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS						
Fair value through profit or loss						
Derivatives held for trading	1.5	1.5	3.2	3.2	5.5	5.5
Derivatives designated as hedges*	14.7	14.7	16.0	16.0	23.4	23.4
Amortized cost						
Other non-current receivables	8.0	6.7	8.2	7.6	7.3	6.1
Trade and other receivables	642.6	643.1	576.2	576.9	409.9	410.5
Money market instruments	-	-	56.5	56.5	83.0	83.0
Bank deposits	-	-	-	-	-	-
Cash in hand and at bank	109.3	109.3	177.5	177.5	364.4	364.4
Fair value through other comprehensive income						
Unquoted shares	0.7	0.7	0.7	0.7	0.7	0.7
Total financial assets	776.8	776.0	838.3	838.4	894.3	893.6
FINANCIAL LIABILITIES						
Fair value through profit or loss						
Derivatives held for trading	4.4	4.4	4.0	4.0	9.9	9.9
Derivatives designated as hedges*	6.8	6.8	1.5	1.5	3.9	3.9
Amortized cost						
Interest-bearing financial liabilities	235.2	237.8	134.4	135.1	132.3	133.1
Trade and other payables	83.0	83.0	75.0	75.0	111.0	111.0
Total financial liabilities	329.4	332.0	214.9	215.6	257.1	257.8

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

All items measured at fair value through profit or loss have been classified to Level 2 in the fair value hierarchy and items include Group's derivative financial instruments. To establish the fair value of these instruments the Group uses generally accepted valuation models with inputs based on observable market data. There has been no transfers between the different levels in the fair value hierarchy.

DERIVATIVE FINANCIAL INSTRUMENTS	30.6.19	30.6.18	31.12.18
Million euros			
INTEREST RATE DERIVATIVES			
Interest rate swaps			
Notional amount	100.0	100.0	200.0
Fair value	-4.0	-0.8	-1.6
FOREIGN CURRENCY DERIVATIVES			
Currency forwards			
Notional amount	495.0	386.9	420.0
Fair value	-2.9	-0.7	-4.5
Currency options, purchased			
Notional amount	5.2	25.7	27.5
Fair value	0.1	0.1	0.3
Currency options, written			
Notional amount	10.3	25.7	37.6
Fair value	-0.1	-0.3	-0.2
Interest rate and currency swaps			
Notional amount	86.0	67.5	86.0
Fair value	10.4	13.1	18.1
ELECTRICITY DERIVATIVES			
Electricity forwards			
Notional amount	4.4	5.9	4.8
Fair value	1.4	2.2	2.9
BUSINESS COMBINATIONS			

No new business combinations has been executed during the period.

IFRS 16 Leases

The new standard became effective on 1 January 2019 onwards and replaced the previous standard IAS 17. Nokian Tyres chose to apply the simplified approach.

Nokian Tyres chose 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 Vianor chain real estate and warehouses.

ADDITIONS TO GROUP BALANCE SHEET	1.1.2019
Assets	
Right to use	137.7
Total increased value assets	137.7
Liability	
Non-current liability	
Lease liability	119.9
Current liability	
Lease liability	17.8
Total Increased liabilities	137.7

Below is a summary of the effects of the treatment of leases in accordance with IFRS 16 for the period so far this year.

Balance sheet effects	30.6.2019	
Fixed assets		
Right to use	125.3	
Total	125.3	
Equity & Liability		
Non-current liability	110.9	
Current liability	15.2	
Total	126.1	
P&L effects	4-6/19	1-6/19
Depreciations	-7.4	-14.4
Finance costs	-1.0	-2.1
Total	-8.4	-16.5

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

Average net debt to EBITDA:

(Average interest-bearing liabilities - average liquid funds)
/ (Operating profit + Depreciations and amortisations)

DEFINITION OF AREAS

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