Nokian Tyres plc Interim Report January−September 2019, October 30, 2019, 2:00 p.m.

Nokian Tyres plc Interim Report January−September 2019:
Strategic journey continues despite softness in the market

July–September 2019

- Net sales were EUR 357.3 million (356.9 in 7−9/2018). With comparable currencies, net sales decreased by 1.2%.
- Operating profit was EUR 67.5 million (85.9), with no significant currency impact.
- Profit for the period was EUR 51.1 million (65.2).
- Earnings per share were EUR 0.37 (0.48).
- Cash flow from operating activities was EUR -88.7 million (-73.7).

January–September 2019

- Net sales were EUR 1,120.1 million (1,122.0 in 1−9/2018). With comparable currencies, net sales decreased by 0.3%.
- Operating profit was EUR 215.5 million (255.2), negatively impacted by currencies.
- Profit for the period was EUR 318.8 million (199.3), positively impacted by EUR 149.6 million related to the rulings on the tax disputes concerning the years 2007−2011.
- Earnings per share were EUR 2.31 (1.45), positively impacted by EUR 1.08 related to the rulings on the tax disputes.
- Cash flow from operating activities was EUR -178.5 million (76.9; positively impacted by EUR 148 million due to the rulings on the tax disputes).

Guidance for 2019 (updated October 22)

In 2019, net sales with comparable currencies are expected to be approximately at the level of 2018 and operating profit margin to be approximately at the level of 20%. 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 January-September 2019, our net sales with comparable currencies were at the previous year's level. The good progress in Heavy Tyres and Vianor continued, while net sales in Passenger Car Tyres decreased as the car and tire market in Europe continued to be soft. This together with higher material and expansion costs impacted our profitability negatively. In Russia, the market has turned weak, which is a clear change compared to our expectations in the beginning of the year. It is expected that markets will remain soft in 2020.

Regardless of the headwind in the market, we focus on executing our strategy. In October, we reached a significant milestone when we celebrated the opening of our US factory in Dayton, Tennessee. We are extremely excited about the opportunities the new facility provides us to further expand our presence in North America. We will start the commercial tire production in US in January 2020. In addition, the construction of our new testing center in Spain and the project to increase Heavy Tyres' capacity are proceeding according to plan.

In September, we received great recognition for our sustainability achievements when Nokian Tyres was again selected in the DJSI World index and also in the more strictly defined DJSI Europe index. I'm also very pleased with the occupational safety development, especially in the Heavy Tyres business, which has been an entire year with no occupational accidents leading to absence. We want Nokian Tyres to be seen as a sustainability benchmark in the industry and these results prove that we are on the right track."

Key figures, EUR million

	7–9 /19	7–9 /18	Change %	CC* Change %	1–9 /19	1–9 /18	Change %	CC* Change %	2018
Net sales	**357.3**	356.9	0.1%	-1.2%	**1,120.1**	1,122.0	-0.2%	-0.3%	1,595.6
Operating profit	**67.5**	85.9			**215.5**	255.2			372.4
Operating profit %	**18.9%**	24.1%			**19.2%**	22.7%			23.3%
Profit before tax	**62.1**	82.8			**241.7**	248.2			361.7
Profit for the period	**51.1**	65.2			**318.8**	199.3			295.2
Earnings per share, EUR **	**0.37**	0.48			**2.31**	1.45			2.15
ROCE, % ***					**17.9%**	24.2%			23.3%
Equity ratio, %					**66.3%**	70.5%			71.0%
Cash flow from operating activities	**-88.7**	-73.7			**-178.5**	76.9			536.9
Gearing, %					**25.0**	1.8			-21.2%
Interest-bearing net debt					**422.6**	25.8			-315.2
Capital expenditure	**88.1**	49.4			**236.1**	114.2			226.5

* Comparable currencies
** EPS 1-9/19 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 1.23
*** 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 Q3 income statement (EBIT impact EUR +1.8 million, net income impact EUR -1.2 million). Interest-bearing net debt on September 30, 2019 increased by EUR 118.0 million and assets by EUR 116.8 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 1−9/2019 y-o-y	-9%	-2%	-2%	-2%
Car tire sell-in in 1−9/2019 y-o-y	-3%	-2%	-3%	+3%
Car tire demand E2019 (management estimate)	decrease slightly	decrease slightly	decrease slightly	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

JULY–SEPTEMBER 2019

Net sales in July−September 2019 increased by 0.1% and amounted to EUR 357.3 million (July−September 2018: 356.9). With comparable currencies, net sales decreased by 1.2%. Currency exchange rates affected net sales positively by EUR 4.6 million.

Net sales by geographical area

	M€ 7−9/19	M€ 7−9/18	Change %	CC* Change %	M€ 2018
Nordic countries	**145.4**	139.8	4.0%	5.8%	629.3
Russia	**47.0**	41.4	13.6%	3.8%	305.5
Other Europe	**115.1**	121.4	-5.2%	-6.4%	436.9
North America	**42.4**	44.5	-4.7%	-8.8%	194.5
Other countries	**7.4**	9.8	-24.7%	-25.3%	29.5
Total	**357.3**	356.9	0.1%	-1.2%	1,595.6

* Comparable currencies

Net sales by business unit

	M€ 7−9/19	M€ 7−9/18	Change %	CC* Change %	M€ 2018
Passenger Car Tyres	**259.5**	265.9	-2.4%	-4.3%	1,150.8
Heavy Tyres	**52.2**	45.1	15.7%	15.8%	187.7
Vianor	**69.7**	68.6	1.5%	3.0%	337.2
Other operations and eliminations	**-24.1**	-22.7	-5.8%		-80.1
Total	**357.3**	356.9	0.1%	-1.2%	1,595.6

* Comparable currencies

Raw material unit costs (EUR/kg) in manufacturing increased by 6.4% year-over-year, negatively impacted by currencies, and increased by 0.6% compared to the first half of 2019.

Operating profit amounted to EUR 67.5 million (85.9).

Operating profit by business unit

	M€ 7–9/19	M€ 7–9/18	M€ 2018
Passenger Car Tyres	**68.2**	91.5	356.5
Heavy Tyres	**8.3**	5.9	28.6
Vianor	**-3.8**	-5.4	1.6
Other operations and eliminations	**-5.2**	-6.0	-14.3
Total	**67.5**	85.9	372.4

Net financial expenses were EUR 5.3 million (3.2), including net interest expenses of EUR 1.6 million (0.7). Net financial expenses include an expense of EUR 3.7 million (2.5) due to exchange rate differences. Profit before tax was EUR 62.1 million (82.8) and taxes were EUR -11.0 million (-17.6). Profit for the period amounted to EUR 51.1 million (65.2), and earnings per share were EUR 0.37 (0.48).

Cash flow

In July−September 2019, cash flow from operating activities was EUR -88.7 million (-73.7). Working capital increased by EUR 177.7 million (164.9). Inventories increased by EUR 40.7 million (23.7) and receivables increased by EUR 164.8 million (143.1). Payables increased by EUR 27.8 million (2.0).

JANUARY–SEPTEMBER 2019

Net sales in January−September 2019 decreased by 0.2% and amounted to EUR 1,120.1 million (January−September 2018: 1,122.0). With comparable currencies, net sales decreased by 0.3%. Currency exchange rates affected net sales positively by EUR 0.9 million.

Net sales by geographical area

	M€ 1−9/19	M€ 1−9/18	Change %	CC* Change %	M€ 2018
Nordic countries	**434.9**	424.3	2.5%	4.1%	629.3
Russia	**230.4**	220.4	4.5%	4.3%	305.5
Other Europe	**295.6**	319.9	-7.6%	-8.4%	436.9
North America	**140.2**	136.0	3.1%	-1.3%	194.5
Other countries	**19.1**	21.5	-11.2%	-8.5%	29.5
Total	**1,120.1**	1,122.0	-0.2%	-0.3%	1,595.6

* Comparable currencies

Net sales by business unit

	M€ 1−9/19	M€ 1−9/18	Change %	CC* Change %	M€ 2018
Passenger Car Tyres	**816.0**	834.0	-2.2%	-2.4%	1,150.8
Heavy Tyres	**148.2**	134.7	10.0%	10.0%	187.7
Vianor	**216.4**	214.9	0.7%	1.9%	337.2
Other operations and eliminations	**-60.6**	-61.5	1.6%		-80.1
Total	**1,120.1**	1,122.0	-0.2%	-0.3%	1,595.6

* Comparable currencies

Raw material unit costs (EUR/kg) in manufacturing increased by 5.8% year-over-year, negatively impacted by currencies.

Operating profit amounted to EUR 215.5 million (255.2).

Operating profit by business unit

	M€ 1–9/19	M€ 1–9/18	M€ 2018
Passenger Car Tyres	**211.3**	260.0	356.5
Heavy Tyres	**25.6**	19.0	28.6
Vianor	**-6.4**	-10.1	1.6
Other operations and eliminations	**-15.0**	-13.7	-14.3
Total	**215.5**	255.2	372.4

Net financial income was EUR 26.2 million (net financial expenses 7.0), including net interest income of EUR 30.8 million (net interest expenses 2.1). 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 4.6 million (expenses 4.9) due to exchange rate differences. Profit before tax was EUR 241.7 million (248.2) and taxes were EUR 77.1 million (-48.9). Profit for the period amounted to EUR 318.8 million (199.3), which was positively impacted by EUR 149.6 million related to the final rulings on the tax disputes. Earnings per share were EUR 2.31 (1.45), positively impacted by EUR 1.08 related to the tax disputes.

Cash flow

In January−September 2019, cash flow from operating activities was EUR -178.5 million (76.9). Working capital increased by EUR 587.5 million (202.3). Inventories increased by EUR 60.4 million (56.6) and receivables increased by EUR 388.2 million (315.7). Payables decreased by EUR 139.3 million (increased by 170.0; impacted by EUR 148 million related to the rulings on the tax disputes).

Investments

Investments in January−September 2019 amounted to EUR 236.1 million (114.2). 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. All strategic projects are proceeding in line with the plan. Depreciations totaled EUR 92.4 million (69.0). The increase is mainly due to the new IFRS 16 standard.

Financial position on September 30, 2019

	September 30, 2019	**September 30, 2018**	**December 31, 2018**
Cash and cash equivalents, M€	**92.7**	107.6	447.5
Interest-bearing financial liabilities, M€	**515.3**	133.4	132.3
of which current interest-bearing financial liabilities, M€	**277.6**	124.3	126.0
Interest-bearing net debt, M€	**422.6**	25.8	-315.2
Unused credit limits*, M€	**298.7**	558.7	558.8
of which committed, M€	**205.5**	205.5	205.5
Gearing ratio, %	**25.0%**	1.8%	-21.2%
Equity ratio, %	**66.3%**	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

Tax rate in January−September 2019 was -31.3% (20.0%). The adjusted tax rate excluding a tax refund of EUR 113.7 million concerning the tax disputes from 2007−2011 was 15.2%. The tax rate is positively affected by tax incentives in Russia, which are valid until approximately 2020−2022. The 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

	1–9/19	**1–9/18**	**2018**
Group employees			
on average	**4,870**	4,728	4,790
at the end of the review period	**5,120**	4,800	4,719
in Finland, at the end of the review period	**1,976**	1,823	1,769
in Russia, at the end of the review period	**1,607**	1,590	1,574
in North America, at the end of the review period	**296**	213	191
Vianor (own) employees, at the end of the review period	**1,741**	1,656	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

	7–9 /19	7–9 /18	Change %	CC* Change %	1–9 /19	1–9 /18	Change %	CC* Change %	2018
Net sales, M€	**259.5**	265.9	-2.4%	-4.3%	**816.0**	834.0	-2.2%	-2.4%	1,150.8
Operating profit, M€	**68.2**	91.5			**211.3**	260.0			356.5
Operating profit, %	**26.3%**	34.4%			**25.9%**	31.2%			31.0%

* Comparable currencies

July−September 2019

In July−September 2019, net sales of Passenger Car Tyres totaled EUR 259.5 million (265.9). With comparable currencies, net sales decreased by 4.3% due to lower volumes. Average Sales Price with comparable currencies increased due to improved sales mix.

Operating profit was EUR 68.2 million (91.5). Operating profit decreased due to lower volumes, higher material and expansion costs and pricing pressure in Central Europe.

January−September 2019

In January−September 2019, net sales of Passenger Car Tyres totaled EUR 816.0 million (834.0). With comparable currencies, net sales decreased by 2.4% due to lower volumes. Average Sales Price with comparable currencies increased due to improved sales mix.

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 in Central Europe are on a lower level than in the previous year. In Russia, summer tire inventories have decreased compared to the previous year, but their current level after the season is still higher than normal. Winter tire inventory in distribution in Russia is clearly higher than in the previous year.

In January−September 2019, the share of winter tires of sales was 73% (68%), the share of summer tires was 17% (21%), and the share of all season tires was 10% (11%).

Operating profit was EUR 211.3 million (260.0). Operating profit decreased due to lower volumes, higher material and expansion costs and pricing pressure in Central Europe.

During the review period, capacity utilization was adjusted to be in line with the market demand. Production output (pcs) decreased by 4.4.% year-over-year. In January−September 2019, 83% (84%) 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. For Central European markets, Nokian Tyres introduced the Nokian WR Snowproof winter tire in March and two new premium SUV summer tires, Nokian Powerproof SUV and Nokian Wetproof SUV, in September.

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 slightly decline compared to 2018, with the winter tire sell-in flat at best and the summer tire sell-in declining due to high carry-over stocks from the previous year.

Heavy Tyres

	7–9 /19	7–9 /18	Change %	CC* Change %	1–9 /19	1–9 /18	Change %	CC* Change %	2018
Net sales, M€	**52.2**	45.1	15.7%	15.8%	**148.2**	134.7	10.0%	10.0%	187.7
Operating profit, M€	**8.3**	5.9			**25.6**	19.0			28.6
Operating profit, %	**15.9%**	13.0%			**17.3%**	14.1%			15.2%

* Comparable currencies

July−September 2019

In July−September 2019, net sales of Heavy Tyres totaled EUR 52.2 million (45.1). With comparable currencies, net sales increased by 15.8%, driven by new product launches and improved availability.

Operating profit was EUR 8.3 million (5.9). Operating profit increased due to the sales growth, production capacity increase that supported better availability, and inventory valuations that had a negative impact on the previous year's operating profit.

January−September 2019

In January−September 2019, net sales of Heavy Tyres totaled EUR 148.2 million (134.7). With comparable currencies, net sales increased by 10.0%. Demand was good in Heavy Tyres' core product groups.

Operating profit was EUR 25.6 million (19.0). Operating profit increased due to the sales growth, production capacity increase that supported better availability, and inventory valuations that had a negative impact on the previous year's operating profit.

In August, Nokian Heavy Tyres Ltd. acquired Levypyörä Oy, a Finnish heavy equipment wheel company, with annual net sales of approximately EUR 18 million, of which about 30% has been sales to Nokian Tyres. The acquisition had no material impact on Nokian Tyres' financial results in January−September 2019.

A flow of product launches with new innovations continued in 2019. For example, a new retreading material, Nokian Noktop 75 Super, was added to the Nokian Noktop range in March, a special excavator tire, Nokian Ground Kare, was introduced in May and in September the company launched the Nokian Ground King, a new multi-purpose contracting tire. Several new tire sizes were added to the existing ranges for tractors, trucks, trailers, mining as well as port and terminal tires. Nokian Tyres Intuitu, the digital tire monitoring system to provide drivers with real-time data on their tires, was launched in September.

Vianor, own operations

	7–9 /19	7–9 /18	Change %	CC* Change %	1–9 /19	1–9 /18	Change %	CC* Change %	2018
Net sales, M€	**69.7**	68.6	1.5%	3.0%	**216.4**	214.9	0.7%	1.9%	337.2
Operating profit, M€	**-3.8**	-5.4			**-6.4**	-10.1			1.6
Operating profit, %	**-5.5%**	-7.9%			**-3.0%**	-4.7%			0.5%
Number of own service centers at period end	**189**	191							188

* Comparable currencies

July−September 2019

In July−September 2019, net sales of Vianor totaled EUR 69.7 million (68.6). With comparable currencies, net sales increased by 3.0%.

Operating profit was EUR -3.8 million (-5.4).

January−September 2019

In January−September 2019, net sales totaled EUR 216.4 million (214.9). With comparable currencies, net sales increased by 1.9%.

Operating profit was EUR -6.4 million (-10.1). The improvement was driven by increased operational efficiency and better sales management.

At the end of the review period, Vianor had 189 (191) own service centers in Finland, Sweden, Norway, and the USA.

SHARES AND SHAREHOLDERS

At the end of September 2019, the number of shares was 138,921,750.

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 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.

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 June 30, 2019.

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 June 30, 2019.

The Board did not utilize the authorizations in January−September 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 registration 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.

On August 20, 2019, Nokian Tyres announced that, following the registration of new shares on May 22, 2019, a total of 822,315 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 138,921,750 shares.

Own shares

No share repurchases were made during the review period, and the company did not possess any own shares on September 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 September 30, 2019, the number of these shares was 196,710. This number of shares corresponded to 0.14% of the total shares and voting rights in the company.

Trading in shares

A total of 132,234,213 (98,088,467) Nokian Tyres' shares were traded in Nasdaq Helsinki during the review period, representing 95% (71%) of the company's overall share capital. The average daily volume during the period was 699,652 shares (518,987). 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 80,816,289 (74,470,425) shares during the review period.

Nokian Tyres' share price was EUR 25.88 (35.29) at the end of the review period. The volume weighted average share price during the period was EUR 28.15 (35.70), the highest was EUR 32.44 (41.26) and the lowest was EUR 24.17 (31.02). The company's market capitalization at the end of the period was EUR 3.6 billion (4.9 billion).

At the end of the period, the company had 53,316 (43,683) registered shareholders. The percentage of Finnish shareholders was 34.3% (27.9%), and 65.7% (72.1%) were non-Finnish holders and foreign shareholders registered in the nominee register. Public sector entities owned 10.3% (6.8%), financial and insurance corporations 4.6% (4.2%), households 13.4% (11.5%), non-profit institutions 3.5% (3.3%), and private companies 2.6% (2.2%).

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, June 19, July 25, July 29, August 23, September 6, September 13, and September 23 according to which the holdings of the mutual funds managed by BlackRock, Inc., 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, June 18, July 24, July 26, August 22, September 5, September 12, and September 20.

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, June 27, July 18, August 1, August 9, August 26, September 18, and September 20 according to which the holdings of the mutual funds managed by BlackRock, Inc., 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, June 25, July 17, July 31, August 8, August 23, September 17, and September 19.

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.

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.

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, April 16, and September 4. 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 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.

In September 2019, Nokian Tyres was selected in Dow Jones' DJSI World sustainability index for the third year in a row. The company was also selected in the more strictly defined DJSI Europe index. In 20 out of the 21 criteria of the 2019 assessment, the company scored higher than the average of the global Auto Components sector.

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 paid in 2019, on the basis of the achievement of the previous share-incentive plan’s performance period 2018, corresponded to a total of 146,000 Nokian Tyres plc shares including also the proportion paid in cash. The rewards were paid in 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 were paid in September 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.

CHANGES IN GROUP STRUCTURE

In August 2019, Nokian Heavy Tyres acquired Levypyörä Oy, a Finnish heavy equipment wheel company, with annual net sales of approximately EUR 18 million, of which about 30% has been sales to Nokian Tyres. With its two business lines, wheels and steel structures, Levypyörä serves several original equipment (OE) manufacturers and aftermarket customers (AM) in forestry, agriculture and earthmoving applications. Levypyörä is being integrated into Nokian Heavy Tyres Ltd. The acquisition had no material impact on Nokian Tyres’ financial results in January–September 2019.

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

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 received a notification from BlackRock, Inc. on October 4, according to which the holdings of the mutual funds managed by BlackRock, Inc., 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 October 3.

Nokian Tyres received a notification from BlackRock, Inc. on October 9, according to which the holdings of the mutual funds managed by BlackRock, Inc., 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 8.

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

ASSUMPTIONS FOR 2019

In 2019, the market demand for replacement car tires is expected to decrease 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 develop.

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 weakened car and tire markets, Nokian Tyres plc lowered its earlier guidance for the full year 2019 on October 22, 2019. The company expects markets to remain soft, and Nokian Tyres continues to adjust capacity in its factories accordingly.

Updated guidance from October 22, 2019:

In 2019, net sales with comparable currencies are expected to be approximately at the level of 2018 and operating profit margin to be approximately at the level of 20%. 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 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 February 5, 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, October 30, 2019

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.

NOKIAN TYRES CONSOLIDATED INCOME STATEMENT	**7-9/19**	7-9/18	**1-9/19**	1-9/18	1-12/18	Change %
Million euros						
Net sales	**357.3**	356.9	**1,120.1**	1,122.0	1,595.6	0.1
Cost of sales	**-204.2**	-194.7	**-634.4**	-610.9	-865.5	-4.8
Gross profit	**153.1**	162.2	**485.7**	511.2	730.2	-5.6
Other operating income	**0.2**	1.0	**1.0**	1.9	2.5	-80.7
Selling and marketing expenses	**-66.8**	-62.8	**-210.1**	-204.3	-286.4	-6.5
Administration expenses	**-11.0**	-10.0	**-37.9**	-35.2	-47.9	-9.3
Other operating expenses	**-8.0**	-4.4	**-23.2**	-18.3	-25.9	-80.8
Operating profit	**67.5**	85.9	**215.5**	255.2	372.4	-21.5
Financial income	**15.1**	15.4	**45.2**	62.9	83.3	-2.0
Financial expenses (1	**-20.5**	-18.6	**-19.0**	-69.9	-94.0	-10.0
Profit before tax	**62.1**	82.8	**241.7**	248.2	361.7	-24.9
Tax expense (2 (3	**-11.0**	-17.6	**77.1**	-48.9	-66.5	37.5
Profit for the period	**51.1**	65.2	**318.8**	199.3	295.2	-21.6
Attributable to:						
Equity holders of the parent	**51.1**	65.2	**318.8**	199.3	295.2	
Non-controlling interest	**-**	-	**-**	-	-	
Earnings per share from the profit attributable to equity holders of the parent						
basic, euros	**0.37**	0.48	**2.31**	1.45	2.15	-23.2
diluted, euros	**0.37**	0.48	**2.31**	1.44	2.14	-22.2

CONSOLIDATED OTHER COMPREHENSIVE INCOME	7-9/19	7-9/18	1-9/19	1-9/18	1-12/18
Million euros					
Profit for the period	**51.1**	65.2	**318.8**	199.3	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	**-**	0.0	**-**	0.0	-
Cash flow hedges	**-0.7**	-0.1	**-3.8**	1.3	1.3
Translation differences on foreign operations	**26.4**	-27.9	**84.3**	-55.7	-67.8
Total other comprehensive income for the period, net of tax	**25.7**	-28.0	**80.5**	-54.4	-66.6
Total comprehensive income for the period	**76.8**	37.2	**399.3**	144.8	228.7
Total comprehensive income attributable to:					
Equity holders of the parent	**76.8**	37.2	**399.3**	144.8	228.7
Non-controlling interest	**-**	-	**-**	-	-

1) Financial expenses 1-9/19 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 financail expenses 1-9/19 contain a gain of EUR 1.4 million of interest from returned taxes.
2) Tax expense 1-9/19 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	30.9.19	30.9.18	31.12.18	Change %
Equity ratio, %	**66.3**	70.5	71.0	
Gearing, %	**25.0**	1.8	-21.2	
Equity per share, euro	**12.17**	10.26	10.79	18.6
Interest-bearing net debt, mill. euros	**422.6**	25.8	-315.2	
Capital expenditure, mill. euros	**236.1**	114.2	226.5	
Depreciation, mill. euros	**92.4**	69.0	93.4	
Personnel, average	**4,870**	4,728	4,790	
Number of shares (million units)				
at the end of period	**138.73**	137.76	137.79	
in average	**137.98**	137.09	137.26	
in average, diluted	**138.27**	138.14	138.14	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**30.9.19**	30.9.18	31.12.18
Million euros			
Non-current assets			
Property, plant and equipment	**851.3**	571.0	647.3
Goodwill	**83.9**	81.1	83.6
Other intangible assets	**36.6**	35.7	33.6
Investments in associates	**0.1**	0.1	0.1
Right of use assets	**116.8**	-	-
Non-current financial investments	**0.9**	0.7	0.7
Other receivables	**7.9**	7.7	7.3
Deferred tax assets	**13.3**	8.4	9.3
Total non-current assets	**1,110.7**	704.7	781.8
Current assets			
Inventories	**446.4**	389.4	369.2
Trade receivables	**804.4**	717.3	409.5
Other receivables	**92.2**	88.4	84.8
Cash and cash equivalents	**92.7**	107.6	447.5
Total current assets	**1,435.7**	1,302.6	1,311.0
Total assets	**2,546.4**	2,007.4	2,092.9
Equity			
Share capital	**25.4**	25.4	25.4
Share premium	**181.4**	181.4	181.4
Treasury shares	**-7.9**	-11.4	-11.4
Translation reserve	**-281.2**	-353.3	-365.4
Fair value and hedging reserves	**-4.3**	-0.5	-0.6
Paid-up unrestricted equity reserve	**238.2**	222.1	222.6
Retained earnings	**1,536.1**	1,349.9	1,434.1
Non-controlling interest	**-**	-	-
Total equity	**1,687.7**	1,413.5	1,486.1
Non-current liabilities			
Deferred tax liabilities	**28.2**	27.2	32.5
Provisions	**0.0**	0.0	0.0
Interest-bearing liabilities	**237.6**	9.1	6.3
Other liabilities	**0.7**	0.6	0.5
Total non-current liabilities	**266.6**	36.9	39.3
Current liabilities			
Trade payables	**100.1**	75.4	111.0
Other current payables	**209.0**	352.3	326.1
Provisions	**5.3**	5.0	4.4
Interest-bearing liabilities	**277.6**	124.3	126.0
Total current liabilities	**592.1**	556.9	567.4
Total equity and liabilities	**2,546.4**	2,007.4	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	1-9/19	1-9/18	1-12/18
Million euros			
Profit for the period	**318.8**	199.3	295.2
Adjustments for			
Depreciation, amortisation and impairment	**92.4**	69.0	93.4
Financial income and expenses	**-26.2**	7.0	10.7
Gains and losses on sale of intangible assets, other changes	**8.4**	10.0	11.8
Income Taxes	**-77.1**	48.9	66.5
Cash flow before changes in working capital	**316.3**	334.2	477.6
Changes in working capital			
Current receivables, non-interest-bearing, increase (-) / decrease (+)	**-388.2**	-315.7	-11.0
Inventories, increase (-) / decrease (+)	**-60.4**	-56.6	-41.8
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	**-139.3**	170.0	185.3
Changes in working capital	**-587.9**	-202.3	132.4
Financial items and taxes			
Interest and other financial items, received	**3.4**	1.7	2.2
Interest and other financial items, paid	**24.8**	-0.2	-12.4
Dividens received	**0.0**	0.0	0.0
Income taxes paid	**64.8**	-56.5	-63.0
Financial items and taxes	**93.1**	-54.9	-73.2
Cash flow from operating activities (A)	**-178.5**	76.9	536.9
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	**-224.6**	-114.2	-226.5
Proceeds from sale of property, plant and equipment and intangible assets	**0.4**	0.2	0.3
Acquisitions of Group companies	**-9.5**	-	-0.9
Change in non-controlling interest	**-**	-	-
Acquisitions of other investments	**0.0**	0.0	0.0
Cash flows from investing activities (B)	**-233.8**	-114.1	-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 (+)	**5.3**	-9.5	-9.0
Change in non-current financial receivables, increase (-) / decrease (+)	**0.4**	0.4	0.5
Change in current financial borrowings, increase (+) / decrease (-)	**142.3**	128.5	123.5
Change in non-current financial borrowings, increase (+) / decrease (-)	**127.8**	-123.8	-125.1
Payment of lease liabilities	**-19.6**	-	-
Dividends received	**0.3**	0.5	0.5
Dividends paid	**-218.1**	-214.2	-214.2
Cash flow from financing activities (C)	**54.2**	-199.9	-205.1
Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)	**-358.1**	-237.0	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	**3.3**	-1.2	-0.7
Cash and cash equivalents at the end of the period	**92.7**	107.6	447.5

Implementation of IFRS 16 has resulted in increased cash flow from operating activities of EUR 19.6 million, which is equivalent to negative cash flow from financial activities as payment of lease liabilities.
Changes in working capital 1-9/18 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

				Equity attributable to equity holders of the parent					
Million euros	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							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
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							318.8		318.8
Other comprehensive income, net of tax:									
Cash flow hedges					-3.8				-3.8
Net investment hedge									
Translation differences				84.3					84.3
Total comprehensive income for the period				84.3	-3.8		318.8		399.3
Dividends paid							-218.1		
Exercised warrants						15.6			15.6
Acquisition of treasury shares									
Share-based payments			3.5				1.2		5.3
Total transactions with owners for the period			3.5			15.6	-216.4		-197.2
Equity, 30 Sep 2019	**25.4**	**181.4**	**-7.9**	**-281.2**	**-4.3**	**238.2**	**1,536.1**	**-**	**1,688.2**

SEGMENT INFORMATION	7-9/19	7-9/18	1-9/19	1-9/18	1-12/18	Change %
Million euros						
Net sales						
Passenger car tyres	**259.5**	265.9	**816.0**	834.0	1,150.8	-2.4
Heavy tyres	**52.2**	45.1	**148.2**	134.7	187.7	15.7
Vianor	**69.7**	68.6	**216.4**	214.9	337.2	1.5
Other operations	**2.1**	2.2	**6.3**	6.1	10.5	-1.9
Eliminations	**-26.2**	-24.9	**-66.9**	-67.6	-90.6	-5.1
Total	**357.3**	356.9	**1,120.1**	1,122.0	1,595.6	0.1
Operating result						
Passenger car tyres	**68.2**	91.5	**211.3**	260.0	356.5	-25.5
Heavy tyres	**8.3**	5.9	**25.6**	19.0	28.6	41.4
Vianor	**-3.8**	-5.4	**-6.4**	-10.1	1.6	29.3
Other operations	**-0.6**	-2.2	**-10.2**	-8.2	-13.3	72.6
Eliminations	**-4.6**	-3.8	**-4.8**	-5.4	-1.0	-19.7
Total	**67.5**	85.9	**215.5**	255.2	372.4	-21.5
Operating result, % of net sales						
Passenger car tyres	**26.3**	34.4	**25.9**	31.2	31.0	
Heavy tyres	**15.9**	13.0	**17.3**	14.1	15.2	
Vianor	**-5.5**	-7.9	**-3.0**	-4.7	0.5	
Total	**18.9**	24.1	**19.2**	22.7	23.3	

NET SALES BY GEOGRAPHICAL AREA	7-9/19	7-9/18	1-9/19	1-9/18	1-12/18	Change %
Million euros						
Nordic	**145.4**	139.8	**434.9**	424.3	629.3	4.0
Russia	**47.0**	41.4	**230.4**	220.4	305.5	13.6
Other Europe	**115.1**	121.4	**295.6**	319.9	436.9	-5.2
North America	**42.4**	44.5	**140.2**	136.0	194.5	-4.7
Other	**7.4**	9.8	**19.1**	21.5	29.5	-24.7
Total	**357.3**	356.9	**1,120.1**	1,122.0	1,595.6	

CONTINGENT LIABILITIES	30.9.19	30.9.18	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	**30.0**	25.5	27.7
Leasing and rent commitments	**22.4**	151.2	159.3
Purchase commitments	**30.3**	29.6	29.9

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	**-4.6**	-0.6	-1.6
FOREIGN CURRENCY DERIVATIVES			
Currency forwards			
Notional amount	**380.5**	380.7	420.0
Fair value	**-6.2**	-1.7	-4.5
Currency options, purchased			
Notional amount	**5.1**	23.8	27.5
Fair value	**0.0**	0.1	0.3
Currency options, written			
Notional amount	**10.1**	44.1	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	**9.4**	15.0	18.1
ELECTRICITY DERIVATIVES			
Electricity forwards			
Notional amount	**4.0**	5.3	4.8
Fair value	**1.4**	2.1	2.9

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 modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated.
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	**30.9.2019**
Fixed assets	
Right to use	116.8
Total	**116.8**
Equity & Liability	
Non-current liability	103.5
Current liability	14.5
Total	**118.0**

P&L effects	**7-9/19**	**1-9/19**
Depreciations	-7.2	-21.6
Finance costs	-1.0	-3.1
Total	**-8.2**	**-24.7**

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