2018

INTERIM REPORT JANUARY-MARCH 2018

May 9, 2018

Nokian Tyres plc Interim Report January−March 2018, May 9, 2018, 8:00 a.m.

Nokian Tyres plc Interim Report January−March 2018:
Good development in volumes and prices, headwind from currencies

January–March 2018

- Net sales increased by 3.1% to EUR 336.0 million (325.9 in 1–3/2017). Currency exchange rate changes affected net sales negatively by EUR 20.2 million compared with the rates in 1–3/2017. With currency neutral exchange rates, net sales would have increased by 9.3%.
- Operating profit increased by 4.0% to EUR 61.2 million (58.9). Operating profit percentage was 18.2% (18.1%).
- The profit for the period increased by 2.8% to EUR 46.6 million (45.3).
- Earnings per share were EUR 0.34 (0.33).
- Cash flow from operating activities was EUR -18.3 million (-40.1).

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

Key figures, EUR million

	1–3 /18	1–3 /17	Change %	4–6 /17	7–9 /17	10–12 /17	2017
Net sales	336.0	325.9	3.1	393.0	363.1	490.4	1,572.5
Operating profit	61.2	58.9	4.0	94.1	89.8	122.6	365.4
Operating profit %	18.2	18.1		24.0	24.7	25.0	23.2
Profit before tax	60.0	58.9	2.0	87.1	67.4	118.9	332.4
Profit for the period	46.6	45.3	2.8	71.1	10.2	94.7	221.4
Earnings per share, EUR	0.34	0.33		0.52	0.08	0.69	1.63
Equity ratio, %	79.1	74.5					78.2
Cash flow from operating activities	-18.3	-40.1		-5.9	-88.1	368.3	234.1
Gearing, %	-11.6	-16.4					-14.2
Interest-bearing net debt	-174.1	-253.4					-208.3
Capital expenditure	17.5	17.3	1.1	42.6	35.3	39.6	134.9

Hille Korhonen, President and CEO:

“Nokian Tyres had a good start of the year. Our net sales improved in all market areas despite the negative currency effect. Operating profit increased compared to first quarter in 2017.

In Passenger Car Tyres, sales volumes and prices in local currencies improved together with product mix. Sales growth continued and our market share improved in all market areas. The summer tyre season did not start properly during Q1 due to weather conditions, which had an impact on equity-owned Vianor sales as well. In Heavy Tyres, especially sales of agricultural tyres and forestry tyres increased.

In March 2018, we announced the modernized Nokian Tyres brand in order to support the company’s strategic growth areas of North America and Central Europe, where we are seeking profitable growth also outside the traditional winter tyre markets. The new brand reflects the company’s long history, sustainable way of working and Scandinavian values. The promise of *peace of mind under all conditions* is at the core of our values.

The construction work for Nokian Tyres’ third factory in Dayton, TN, has started in North America. Preparations for ensuring the successful start of the factory's operation are ongoing in various functions.

I am particularly proud of the Bronze Class distinction in the Auto Components category of the RobecoSAM Sustainability Yearbook 2018 as well as the Industry Mover award which we received during the quarter. We have worked many years to improve our corporate sustainability and intend to continue this development in the future.

This year, we are celebrating 120 years in business. Innovative products, a trusted brand, long-term customer relationships, and a commitment to serving customers have given us a strong position on the market.”

Market situation

	the Nordic countries	**Russia**	**Europe (incl. the Nordic countries)**	**North America**
GDP growth E2018	from +1.8% to +3.0%	approx. 1.5% to 2.0%	+2.5%	+2.9%
New car sales in 1–3/2018 y-o-y	-3%	+22%	+1%	+2%
Car tyre sell-in in 1–3/2018 y-o-y	-5%	+10%	-5%	-4%
Car tyre demand E2018	increase slightly	+3−5%	increase slightly	increase slightly

Russia

In Q1/2018, the Russian economy continued its recovery, maintaining similar growth rates as in the previous year: real GDP is estimated to have grown by 1.5−1.8% in Q1/2018 vs. Q1/2017. Uncertainty over further economic growth increased in April after the new spiral of international escalation and added US sanctions against Russia. Private consumption and accelerated growth of real wages and disposable income were the main drivers of the economy's growth. However, the retail turnover in Russia still shows quite moderate growth.

Sales of new cars in Russia are expected to grow by ~12−15% in 2018 compared with 2017, driven by improved economy, deferred demand and low comparison base – from the level of 1.6 million vehicles in 2017 up to 1.8 million vehicles in 2018. The total replacement tyre market sell-in in Russia is expected to grow by 3–5% in 2018 compared with 2017, with the winter tyre market growing faster than summer tyres. Both summer and winter tyre sell-in in Q1/2018 showed growth. The consumer sell-out season in Russia in Q1/2018 was quite buoyant in winter tyres but was delayed in summer tyres due to weather conditions.

JANUARY–MARCH 2018

Nokian Tyres Group recorded net sales of EUR 336.0 million (325.9), with an increase of 3.1% compared with Q1/2017. Currency exchange rates affected net sales negatively by EUR 20.2 million.

Net sales development by market area

	Growth%	% of total net sales in 1–3/2018	% of total net sales in 1–3/2017
Nordic countries	2.8	35.7	35.8
Russia	4.8	24.5	24.1
Other Europe	1.7	25.3	25.7
North America	5.4	12.9	12.6
Other countries	-9.2	1.6	1.8

Net sales development by business unit*

	Growth%	% of total net sales in 1–3/2018	% of total net sales in 1–3/2017
Passenger Car Tyres	4.5	77.1	76.1
Heavy Tyres	8.3	12.8	12.2
Vianor	-5.4	15.9	17.3
*including internal sales			

Raw material costs (EUR/kg) in manufacturing increased by 0.8% year-over-year and increased by 0.6% versus the fourth quarter of 2017. Fixed costs amounted to EUR 116.2 million (117.5), thereby accounting for 34.6% (36.0%) of net sales. Total salaries and wages were EUR 52.6 million (50.3).

Nokian Tyres Group's operating profit amounted to EUR 61.2 million (58.9), with an increase of 4.0% compared with Q1/2017. The operating profit was negatively affected by the IFRS 2 compliant accrual for share option and performance share plans of EUR 5.7 million (6.0). In Q1/2018, the expensed credit losses and provisions were EUR 0.0 million (-0.1).

Net financial expenses were EUR 1.2 million (0.0). Net interest expenses were EUR 0.9 million (2.1). Net financial expenses include a loss of EUR 0.3 million (a gain of EUR 2.1 million) due to exchange rate differences.

Profit before tax was EUR 60.0 million (58.9). The profit for the period amounted to EUR 46.6 million (45.3), and EPS was EUR 0.34 (0.33). The profit for the period increased by 2.8% compared with Q1/2017.

Cash flow from operating activities was EUR -18.3 million (-40.1).

Investments

Investments in the review period amounted to EUR 17.5 million (17.3). This comprises production investments in the Russian and Finnish factories, molds for new products, investments in the Dayton factory, and ICT and process development projects.

Financial position on March 31, 2018

	March 31, 2018	March 31, 2017
Cash and cash equivalents, M€	309.0	480.2
Interest-bearing financial liabilities, M€	134.9	226.8
of which current interest-bearing financial liabilities, M€	0.9	88.5
Interest-bearing net debt, M€	-174.1	-253.4
Unused credit limits*, M€	508.8	507.0
of which committed, M€	155.5	155.7
Gearing ratio, %	-11.6	-16.4
Equity ratio, %	79.1	74.5
* 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 outcome and estimate

The Group's tax rate was 22.5% (23.1%) in the review period. The tax rate is positively affected by tax incentives in Russia for current investments and further future investments. The latest agreed tax benefits and incentives for the factory came into force at the beginning of 2013 and, for the sales company, these were renewed in August 2016. The agreements will extend the validity of the benefits and incentives until approximately 2020. Due to the renewed agreement and changes in Russian legislation, the Group's estimated operational tax rate is expected to be 19% for 2018–2019.

The tax rate in the coming years will depend on the timetable and final outcome of the ongoing back tax disputes with the Finnish Tax Administration. The Group's corporate annual tax rate may rise as a result of these cases.

Personnel

	Q1/2018	Q1/2017
Group employees		
on average	4,647	4,422
at the end of the review period	4,750	4,577
in Finland, at the end of the review period	1,804	1,664
in Russia, at the end of the review period	1,545	1,418
Equity-owned Vianor employees, at the end of the review period	1,708	1,831

BUSINESS UNIT REVIEWS

Passenger Car Tyres

	1–3 /18	1–3 /17	Change %	4–6 /17	7–9 /17	10–12 /17	2017
Net sales, M€	259.1	248.0	4.5	276.4	276.2	338.3	1,138.8
Operating profit, M€	74.0	75.9	-2.5	84.8	98.3	100.9	359.9
Operating profit, %	28.6	30.6		30.7	35.6	29.8	31.6

Net sales of Nokian Passenger Car Tyres totaled EUR 259.1 million (248.0) in Q1/2018, up by 4.5% year-over-year. The ASP in euros decreased slightly due to a negative currency impact, although prices in local currencies and product mix improved year-over-year. Russia's sales volume growth continued in Q1, but due to the complex product mix in production and delayed summer tyre season, part of the sales were shifted to Q2.

In Q1/2018, the share of winter tyres in the sales mix was 41% (40%), the share of summer tyres was 43% (45%), and the share of All-Season tyres was 16% (15%).

Raw material costs (€/kg) were down by 0.5% year-over-year.

Operating profit was EUR 74.0 million (75.9). Operating profit was negatively impacted by the devalued Russian ruble, as the share of Russian domestic sales from production volumes was as high as 45%. Operating profit percentage was 28.6% (30.6%). The pricing environment is tough in all markets.

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

During the review period, capacity utilization increased year-over-year, and the production output (pcs) increased by 10%. Full year production capacity is expected to be in line with the demand. Productivity (kg/mh) remained at the same level year-over-year. In Q1/2018, 84% (85%) of Nokian passenger car tyres (pcs) were manufactured at the Russian factory.

Heavy Tyres

	1–3 /18	1–3 /17	Change %	4–6 /17	7–9 /17	10–12 /17	2017
Net sales, M€	43.1	39.8	8.3	44.0	42.1	46.5	172.3
Operating profit, M€	8.3	5.7	45.6	9.1	7.9	9.4	32.2
Operating profit, %	19.2	14.3		20.8	18.8	20.3	18.7

Net sales of Nokian Heavy Tyres totaled EUR 43.1 million (39.8) in Q1/2018, up by 8.3% year-over-year. Demand was good in most of Nokian Heavy Tyres' core product groups in the western markets. Sales increased in the Nordic countries and increased clearly in Other Europe. Sales of agricultural tyres and forestry tyres increased in particular. In North America and Russia, net sales were negatively affected by currency exchange rates. The ASP increased slightly year-over-year.

Operating profit was EUR 8.3 million (5.7). Operating profit percentage was 19.2% (14.3%). Operating profit increased clearly year-over-year due to the increased sales and production volumes and improved productivity.

Production output (metric tons) increased compared with Q1/2017. Investments in production technology and capacity continued.

Heavy Tyres is increasing its production capacity by 50% by investing a total of approximately EUR 70 million in its factory in Nokia, Finland, during the years 2018−2020. The aim is to increase the maximum capacity for heavy tyre production from approximately 20 million kg to 32 million kg.

Market situation

The global demand for special heavy tyres continued to be healthy in Q1/2018. The demand for OE forestry tyres remained strong. The increased use of wood and the good profitability of pulp manufacturers will also support the demand for forestry machines and tyres in the following quarters. During the review period the agricultural segment improved.

In Q1/2018, the sell-in of premium truck tyres was down in Europe by 6%, and down in the Nordic countries by 9%. In Russia, the demand for premium truck tyres decreased by 15% compared with Q1/2017. Truck tyre demand in 2018 is estimated to increase in all of Nokian Tyres' western markets; in Russia, demand is estimated to remain at the same level year-over-year.

Vianor

Equity operations

	1–3 /18	1–3 /17	Change %	4–6 /17	7–9 /17	10–12 /17	2017
Net sales, M€	53.3	56.3	-5.4	89.8	68.7	124.7	339.4
Operating profit, M€	-14.7	-15.8	7.5	4.0	-7.0	13.1	-5.8*
Operating profit, %	-27.5	-28.1		4.5	-10.3	10.5	-1.7*
Equity service centers, pcs	193	208					194

In 2017, non-recurring items amounted to EUR 1.8 million in total.
* Excluding non-recurring items: Operating profit EUR -4.0 million, operating profit percentage -1.2%.

Net sales totaled EUR 53.3 million (56.3) in Q1/2018, down by 5.4% year-over-year. Net sales were affected mainly by the delayed summer tyre season.

Operating profit was EUR -14.7 million (-15.8), up by 7.5% year-over-year. Operating profit percentage was -27.5% (-28.1%). The improvement in profitability was due to network optimization.

At the end of the review period, Vianor had 193 (208) equity-owned service centers in Finland, Sweden, Norway, and the USA.

Branded distribution network

Nokian Tyres’ branded distribution network includes the Vianor equity chain, Vianor partner chain, Nokian Tyres Authorized Dealers (NAD), and N-Tyre. Vianor chains operate in 25 countries.

In Nokian Tyres’ key markets, the size of the Vianor equity and partner chain decreased during Q1/2018 (compared with year-end 2017: equity -1, partner -46). At the end of the review period, the Vianor equity and partner network comprised 1,419 service centers in total, of which 1,226 were partners.

The Nokian Tyres Authorized Dealers (NAD) network expanded during the review period by 21 stores compared with year-end 2017, and now comprises 1,876 stores operating under contract in 22 European countries and China. N-Tyre, a Nokian Tyres partner network, is operating with 128 stores in Russia, Kazakhstan and Belarus and expanded during the review period by 1 store compared with year-end 2017.

SHARES AND SHAREHOLDERS

Stock options on the Nasdaq Helsinki Stock Exchange

The total number of stock options 2013B is 1,150,000. Each stock option 2013B entitles its holder to subscribe to one share in Nokian Tyres plc. The shares can be subscribed with the stock options 2013B during the period of May 1, 2016 to May 31, 2018. The present share subscription price with stock options 2013B is EUR 23.50/share. The dividends payable annually are deducted from the share subscription price.

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

Shares subscribed with option rights

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

Own shares

No share repurchases were made in the review period, and the company did not possess any own shares on March 31, 2018.

In 2014 and in 2017, Nokian Tyres entered into an agreement with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns the shares until the shares are given to the participants within the program. In accordance with IFRS, these repurchased shares, 300,000 in 2014 and 480,000 in 2017, have been reported as treasury shares in the Consolidated Statement of Financial Position. On March 31, 2018, the number of these shares was 303,086. This number of shares corresponded to 0.2% of the total shares and voting rights of the company.

Trading in shares

Nokian Tyres' share price was EUR 36.90 (39.14) at the end of the review period. The volume weighted average share price during the period was EUR 37.91 (36.91), the highest was EUR 41.26 (39.43) and the lowest was EUR 35.23 (34.24). A total of 33,059,415 shares were traded in Nasdaq Helsinki during the period (26,376,213), representing 24% (19%) of the company's overall share capital. 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 22,968,592 (24,675,355) shares during the review period. The company's market capitalization at the end of the period was EUR 5.066 billion (5.320 billion). The company had 40,428 (36,081) shareholders. The percentage of Finnish shareholders was 26.6% (23.4%), and 73.4% (76.6%) were non-Finnish holders and foreign shareholders registered in the nominee register. This figure includes Bridgestone's holdings of approximately 10.2% (ownership at the AGM registration day on April 10, 2018).

Changes in ownership

Nokian Tyres has received announcements from BlackRock, Inc. on January 19, 2018, on January 25, 2018, on February 27, 2018, on March 12, 2018, on March 23, 2018, and on March 29, 2018, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc as a result of a share transactions concluded on January 18, 2018, on January 24, 2018, on February 26, 2018, on March 9, 2018, on March 22, 2018, and on March 28, 2018.

Nokian Tyres has received announcements from BlackRock, Inc. on January 24, 2018, on February 20, 2018, on February 28, 2018, on March 19, 2018, and on March 26, 2018, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, fell below the level of 5% of the share capital in Nokian Tyres plc as a result of share transactions concluded on January 23, 2018, on February 19, 2018, on February 27, 2018, on March 16, 2018, and on March 23, 2018.

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

Managers' transactions

Nokian Tyres announced managers' transactions on February 20, 2018, on March 22, 2018, and on March 27, 2018. Read more at: www.nokiantyres.com/company/publications/releases/2018/managementTransactions/.

DECISIONS MADE AT THE ANNUAL GENERAL MEETING

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

Dividend

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

Members of the Board of Directors and Auditors

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

Authorized public accountants KPMG Oy Ab continue as auditors.

Remuneration of the Members of the Board of Directors

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

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

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

Authorizations

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

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

Chairman of the Board, Deputy Chairman of the Board, and Committees of the Board of Directors

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

STRATEGY

On March 16, 2018, Nokian Tyres published its Annual Review and Financial Review 2017 at annualreport2017.nokiantyres.com.

The Annual Review also included company's strategy review. Nokian Tyres is a life driven company. Our mission is to give *peace of mind under all conditions*. Our strategy focuses on differentiation, supporting profitable growth, and guiding us in the changing business environment while paving the way for future development.

Nokian Tyres' financial goals for 2016−2018 are as follows (at stable currency exchange rates):
1) Growing faster than the market: average annual sales growth of 4−5% at a minimum. 2) Healthy profitability: The best operating profit level in the industry, a minimum of 22%. 3) Good returns for our shareholders: dividend of at least 50% of net earnings.

Nokian Tyres' brand redesign supports the company's growth strategy

On March 6, 2018, Nokian Tyres announced that the company is modernizing its brand in response to changing consumer needs and in order to become more attractive in the company's strategic growth areas. The new brand reflects the company's long history, sustainable business and Scandinavian values. The promise of peace of mind under all conditions is at the core of Nokian Tyres' operations. The updated brand will make Nokian Tyres a more attractive choice especially in its growth markets of North America and Central Europe, where the company is seeking profitable growth also outside the traditional winter tyre markets.

Read more and watch the video of the new brand:
www.nokiantyres.com/company/news-article/nokian-tyres-brand-redesign-supports-the-company-s-growth-strategy/

Corporate social responsibility

Nokian Tyres published its Corporate Sustainability Report in March 2018. The Corporate Sustainability Report is available in Finnish and English on the company's website at www.nokiantyres.com/company/sustainability/. The report is the sixth GRI report from Nokian Tyres and, in the interests of quality assurance, it has now been externally assured for the third time.

In February 2018, Nokian Tyres was once again selected as one of the most sustainable companies in the world. The company received the Bronze Class distinction in the Auto Components category of the RobecoSAM Sustainability Yearbook 2018. In 2018, Nokian Tyres also received the Industry Mover award.

Nokian Tyres' excellent progress was already noticed in 2017 when the company significantly improved its performance in Dow Jones' sustainability assessment, scoring nearly twice as high as the industry average, and was rated as the most sustainable tyre manufacturer in the Dow Jones Sustainability World Index.

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

CHANGES IN MANAGEMENT

On January 5, 2018, Nokian Tyres announced that Ms. Tytti Bergman, M.Sc. (B.A.), age 48, has been appointed to the Nokian Tyres management team in the new position of SVP, People & Culture starting from April 16, 2018. Bergman will report to the President & CEO. Nokian Tyres' current VP, HR Tarja Kaipio will lead operational human resources and continue heading the further development of global HR processes and tools together with the HR organization.

On March 16, 2018, Nokian Tyres announced that Mark Earl, B.Sc., has been appointed to the Nokian Tyres management team as Vice President, Americas Business Area, starting May 1, 2018. He will report to the President & CEO Ms. Hille Korhonen. Mr. Earl's main responsibility is to implement Nokian Tyres' North American growth strategy through the Dayton, TN factory project, grow the distribution, and further build and strengthen the company's North American organization.

Nokian Tyres has also appointed Ms. Päivi Antola, MA, CEFA, to the Nokian Tyres management team as Vice President, Investor Relations & Corporate Communications starting in June 2018 at the latest. Antola will report to the President & CEO.

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

OTHER MATTERS

Nokian Tyres introduces new state-of-the-art products for its winter tyre range

On January 4, 2018, Nokian Tyres announced that the company introduces new state-of-the-art products for its winter tyre range; Nokian Hakkapeliitta R3, Nokian Hakkapeliitta R3 SUV, Nokian WR SUV 4 and Nokian WR G4. The versatile, high-quality winter tyre range of the world's northernmost tyre manufacturer is complemented as Nokian Tyres introduces four new product families: the Nordic non-studded Nokian Hakkapeliitta R3 and Nokian Hakkapeliitta R3 SUV winter tyres for the Nordic, Russian, and North American markets, the Nokian WR SUV 4 for the Central European market, and the Nokian WR G4 for the North American market.

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

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

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

MATTERS AFTER THE REVIEW PERIOD

Changes in ownership

Nokian Tyres has received an announcements from BlackRock, Inc. on April 20, 2018, on April 25, 2018, and on April 26, 2018, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc as a result of a share transactions concluded on April 19, 2018, on April 24, 2018, and on April 25, 2018.

Nokian Tyres has received announcements from BlackRock, Inc. on April 3, 2018, on April 19, 2018, and on April 24, 2018, 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 March 29, 2018, on April 18, 2018, and on April 23, 2018.

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

Nokian Tyres' CFO Anne Leskelä to resign

On April 4, 2018, Nokian Tyres announced that Ms. Anne Leskelä, Vice President, Finance and IR of Nokian Tyres plc has announced her resignation from the company. Leskelä continues in her position until the beginning of July 2018. The company has started the recruitment process for a new CFO.

Nokian Tyres plc: Managers' transactions

Nokian Tyres announced managers' transactions on April 16, 2018, and on April 18, 2018. Read more at: www.nokiantyres.com/company/publications/releases/2018/managementTransactions/.

RISKS, UNCERTAINTY, AND DISPUTES IN THE NEAR FUTURE

The positive development in the global economy is expected to continue in 2018, but political uncertainties may cause serious disruption and additional trade barriers, and affect the company's sales and credit risk. Brexit, as such, has practically no direct effect on Nokian Tyres' business.

In Q1/2018, the company's receivables increased year-over-year following the sales increase. The tyre inventories are at the planned level. The company follows the development of NWC very closely. At the end of the review period, Russian trade receivables accounted for 45% (47%) of the Group's total trade receivables.

Approximately 35% of the Group's sales in 2018 are estimated to be generated from Euro-denominated sales. The most important sales currencies in addition to the euro are the Russian ruble, the Swedish and Norwegian krona, and the US and Canadian dollar.

Nokian Tyres' other risks and uncertainty factors relate to the challenging pricing environment for tyres. As raw material prices rise, maintaining profitability will depend on the company's ability to raise tyre prices in line with the increasing raw material costs.

The company announced in February 2016 that its practices concerning tyre tests in the past have not always been in line with the sustainable approach of Nokian Tyres. The company emphasizes that its tyres have always been safe and that safety has never been compromised on. There are no court cases in process related to the matter.

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

More detailed information relating to the risks can be found at www.nokiantyres.com/annual-reports, Financial review 2017, on pages 47–52 and 76–77.

Tax disputes

Dispute concerning 2007–2011

In December 2013 and in January 2014, Nokian Tyres received reassessment decisions from the Tax Administration, according to which the company was obliged to pay a total of EUR 100.3 million in additional taxes with punitive tax increases and interest concerning the tax years 2007–2010. The company recorded the amount in full to the financial statement and result of the year 2013. The company considered the decisions unfounded and appealed against them by filing a claim for rectification with the Board of Adjustment.

In April 2015, the Board of Adjustment of the Finnish Tax Administration annulled the reassessment decision by the Tax Administration, according to which the company was obliged to pay EUR 100.3 million in additional taxes with punitive tax increases and interest concerning the tax years 2007–2010, and returned the matter to the Tax Administration for reprocessing. According to the Board of Adjustment, the Tax Administration neglected the obligation to hear the taxpayer. Because of the procedural fault by the Tax Administration, the Board of Adjustment annulled the decisions without considering the actual substance of the matter.

The company returned the total additional taxes of EUR 100.3 million from 2007–2010 in full to the financial statement and result for the first quarter of 2015.

In December 2015 and January 2016, the company received renewed reassessment decisions from the Tax Administration, according to which the company was obliged to pay EUR 94.1 million in additional taxes, of which EUR 62.8 million were additional taxes and EUR 31.3 million were punitive tax increases and interest. Previously, the Tax Administration had already set off EUR 43.1 million of the amount despite the stay of execution. The company paid the remaining amount in January 2016. The company still considers the decisions unfounded and appealed against them by filing a claim with the Board of Adjustment.

Based on the renewed reassessment decisions, the company recorded the total additional taxes of EUR 94.1 million in full as expenses in the financial statement and result for 2015.

In November 2016, the company announced that the Board of Adjustment of the Finnish Tax Administration held in force the reassessment decision from the Tax Administration related to additional taxes of EUR 62.8 million but reduced the amount of punitive tax increases and interest from EUR 31.3 million to EUR 26.4 million concerning the tax years 2007–2010. The company has paid the amount of EUR 89.2 million in full. The company considers the decision unfounded and appealed against it by filing a claim with the Administrative Court in January 2017.

In October 2017, the company received reassessment decisions from the Tax Administration concerning the tax year 2011, according to which the company is obliged to pay a total of EUR 59 million, of which EUR 39 million are additional taxes and EUR 20 million are punitive tax increases and interest. The company recorded the amount in full to the financial statement and result of Q3/2017. Payment was due in November 2017. The company considers the reassessment decision of the Tax Administration unfounded and appealed in November 2017 to the Board of Adjustment. If necessary, the company will continue the appeal process in the Administrative Court.

Years 2012 and onwards have not yet been tax audited by the Finnish Tax Administration, but the tax audit for the tax years 2012−2016 has started.

Dispute concerning the US subsidiary 2007–2013

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

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

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

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

Year 2014 and onwards are not subject to tax disputes due to changes in company's structure.

OUTLOOK FOR 2018

In 2018, the market demand for replacement car tyres is expected to show some growth in Central Europe, North America, and the Nordic countries. In Russia, the market is expected to continue growing, but the pace of the recovery is likely to be moderate.

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

The raw material costs are estimated to remain approximately at the same level in the full year 2018 compared with 2017.

Nokian Tyres retains a competitive advantage by manufacturing in Russia. 55% of the Russian production was exported in Q1/2018. The total annual capacity of the Vsevolozhsk factory is approximately 17 million tyres after the investments made in 2017.

The demand for Nokian Heavy Tyres' core products is estimated to remain healthy. Nokian Heavy Tyres' production capacity and delivery capability have improved and, therefore, the sales and EBIT are expected to increase year-over-year.

Vianor (equity-owned) is expected to increase sales, further develop the service business, and improve the operating result in the full year 2018. Vianor (partners) and Nokian Tyres' other partner channels, such as Nokian Tyres Authorized Dealers (NAD) and the N-Tyre network, will continue to expand.

Nokian Tyres' budget for total investments in 2018 is EUR 260 million (134.9), of which EUR 40 million will be invested in Russia. EUR 75 million is planned to be invested in the Nokia factory and global development projects. EUR 110 million is planned to be invested in the building work of the Dayton, TN factory. The balance goes to Heavy Tyres, sales companies, and the Vianor chain.

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

Nokia, May 9, 2018

Nokian Tyres plc
Board of Directors

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

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

The interim report figures are unaudited.

Adaption of IFRS 9 Financial Instruments

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

Classification of financial instruments

When recognizing a financial asset in its statement of financial position the Group classifies it into one of the IFRS 9 measurement categories:
- Amortized cost
- Fair value through other comprehensive income
- Fair value through profit or loss

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

All financial liabilities are classified as measured at amortized cost except for financial liabilities measured at fair value through profit or loss including e.g. derivatives that are liabilities.
At initial recognition all financial assets and liabilities are measured at its fair value taking into account any transaction costs. Financial assets and financial liabilities are subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss in accordance with the measurement category of the item.
Fair value changes of derivatives are recognized immediately in profit or loss unless the derivative is part of a hedging relationship when fair value changes are recognized according to the hedge accounting standards for hedging relationships.

Impairment of financial assets

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

Hedge accounting

Hedge accounting can be used to reduce the volatility in the income statement caused by the items measured at fair value through profit or loss. Hedge accounting eliminates the accounting asymmetry between the hedging instrument and the hedged item as it enables the foresaid to affect the income statement simultaneously. The Group may designate derivative financial instruments as hedging instruments to hedge the variability in cash flows that is attributable to changes in foreign exchange rates, interest rates and electricity prices. In addition, the Group may, if necessary, designate derivative financial instruments and other financial instruments as hedging instruments in hedges of foreign exchange risk on a net investment in a foreign operation.
The renewed guidance on the application of hedge accounting enables to designate an item as the hedged item in its entirety or only for a separately identifiable risk component. In Finland the Group can thus hedge separately the two components of electricity price risk, the system price and the area price difference, while earlier the hedged item was the combination of these components. Due to the electricity derivative market liquidity, mostly derivatives linked to the system price are used as hedging instruments. These derivatives will no longer cause hedge ineffectiveness, as their economic impact is exactly opposite to the system price component designated as the hedged item. Otherwise, the renewal of hedge accounting will have no material impact on the Group.

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

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

Amendments to IFRS 2 Share-based Payments

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

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

NOKIAN TYRES CONSOLIDATED INCOME STATEMENT		1-3/18	1-3/17	1-12/17	Change
Million euros					%
Net sales		336.0	325.9	1,572.5	3.1
Cost of sales		-184.8	-176.8	-838.8	-4.6
Gross profit		151.2	149.1	733.7	1.4
Other operating income		0.5	1.8	5.8	-73.1
Selling and marketing expenses		-70.8	-72.6	-294.3	2.5
Administration expenses		-12.4	-13.2	-52.7	5.6
Other operating expenses		-7.2	-6.3	-27.0	-14.1
Operating profit		61.2	58.9	365.4	4.0
Financial income		26.7	34.4	118.3	-22.3
Financial expenses		-27.9	-34.4	-151.3	18.9
Profit before tax		60.0	58.9	332.4	2.0
Tax expense	(1 (2 (3	-13.5	-13.6	-111.0	0.7
Profit for the period		46.6	45.3	221.4	2.8
Attributable to:					
Equity holders of the parent		46.6	45.3	221.4	
Non-controlling interest		-	-	-	
Earnings per share from the profit attributable to equity holders of the parent					
basic, euros		0.34	0.33	1.63	1.8
diluted, euros		0.34	0.33	1.61	1.8

CONSOLIDATED OTHER COMPREHENSIVE INCOME Million euros	1-3/18	1-3/17	1-12/17
Profit for the period	46.6	45.3	221.4
Other comprehensive income, items that may be reclassified subsequently			
to profit and loss, net of tax:			
Gains/Losses from hedge of net			
investments in foreign operations	-	-	-
Cash flow hedges	0.2	0.2	1.3
Translation differences			
on foreign operations (4	-11.7	39.9	-33.5
Total other comprehensive income			
for the period, net of tax	-11.4	40.1	-32.2
Total comprehensive income			
for the period	35.1	85.4	189.2
Total comprehensive income			
attributable to:			
Equity holders of the parent	35.1	85.4	189.2
Non-controlling interest	-	-	-

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

KEY RATIOS	31.3.18	31.3.17	31.12.17	Change %
Equity ratio, %	79.1	74.5	78.2	
Gearing, %	-11.6	-16.4	-14.2	
Equity per share, euro	11.01	11.38	10.74	-3.3
Interest-bearing net debt,				
mill. euros	-174.1	-253.4	-208.3	
Capital expenditure,				
mill. euros	17.5	17.3	134.9	
Depreciation, mill. euros	23.0	23.3	98.3	
Personnel, average	4,647	4,422	4,630	
Number of shares (million units)				
at the end of period	136.97	135.88	136.75	
in average	136.76	135.70	136.25	
in average, diluted	138.05	136.74	137.28	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION Million euros	31.3.18	31.3.17	31.12.17
Non-current assets			
Property, plant and equipment	541.8	557.2	554.1
Goodwill	82.3	86.6	83.3
Other intangible assets	34.8	36.1	35.6
Investments in associates	0.1	0.1	0.1
Non-current financial investments 1)	0.7	0.7	0.7
Other receivables	8.5	10.8	8.9
Deferred tax assets	12.0	15.7	9.2
Total non-current assets	680.3	707.3	691.9
Current assets			
Inventories	373.0	345.1	340.1
Trade receivables	464.0	443.1	432.9
Other receivables	77.7	101.2	69.0
Cash and cash equivalents	309.0	480.2	343.4
Total current assets	1,223.7	1,369.6	1,185.4
Total assets	1,904.0	2,076.9	1,877.4
Equity			
Share capital	25.4	25.4	25.4
Share premium	181.4	181.4	181.4
Treasury shares	-20.3	-6.7	-20.3
Translation reserve	-309.3	-224.2	-297.6
Fair value and hedging reserves	-1.6	-2.9	-1.8
Paid-up unrestricted equity reserve	204.2	169.3	203.9
Retained earnings	1,426.1	1,404.5	1,377.4
Non-controlling interest	-	-	-
Total equity	1,505.9	1,546.9	1,468.4
Non-current liabilities			
Deferred tax liabilities	33.4	55.4	30.4
Provisions	0.2	0.1	0.1
Interest-bearing financial liabilities	134.1	138.3	134.4
Other liabilities	0.3	1.2	0.4
Total non-current liabilities	168.0	195.1	165.3
Current liabilities			
Trade payables	76.0	84.7	72.8
Other current payables	149.0	158.0	165.7
Provisions	4.2	3.8	4.4
Interest-bearing financial liabilities	0.9	88.5	0.8
Total current liabilities	230.1	335.0	243.6
Total equity and liabilities	1,904.0	2,076.9	1,877.4

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS Million euros	1-3/18	1-3/17	1-12/17
Profit for the period	46.6	45.3	221.4
Adjustments for			
Depreciation, amortisation and impairment	23.0	23.3	98.4
Financial income and expenses	1.2	0.0	33.1
Gains and losses on sale of intangible assets, other changes	5.9	-6.9	5.9
Income Taxes	13.5	13.6	111.0
Cash flow before changes in working capital	90.1	75.3	469.8
Changes in working capital			
Current receivables, non-interest-bearing, increase (-) / decrease (+)	-46.6	-51.8	-69.0
Inventories, increase (-) / decrease (+)	-35.5	-36.5	-51.8
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	-13.6	4.6	47.9
Changes in working capital	-95.6	-83.8	-72.9
Financial items and taxes			
Interest and other financial items, received	0.6	0.7	2.6
Interest and other financial items, paid	-1.1	-21.4	-36.5
Dividens received	-	0.0	0.0
Income taxes paid	-12.2	-10.9	-128.9
Financial items and taxes	-12.8	-31.6	-162.7
Cash flow from operating activities (A)	-18.3	-40.1	234.1
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	-17.5	-17.3	-134.9
Proceeds from sale of property, plant and equipment and intangible assets	-0.2	0.6	1.4
Acquisitions of Group companies	-	-	-
Change in non-controlling interest	-	-	-
Acquisitions of other investments	0.0	0.0	0.0
Cash flows from investing activities (B)	-17.6	-16.7	-133.5
Cash flow from financing activities:			
Proceeds from issue of share capital	0.3	0.4	35.0
Purchase of treasury shares	-	-	-17.8
Change in current financial receivables, increase (-) / decrease (+)	-0.5	30.4	-16.2
Change in non-current financial receivables, increase (-) / decrease (+)	0.3	1.0	0.7
Change in current financial borrowings, increase (+) / decrease (-)	-1.0	-1.9	-78.4
Change in non-current financial borrowings, increase (+) / decrease (-)	0.2	-6.9	11.5
Dividens received	-	-	0.1
Dividends paid	-	-	-208.0
Cash flow from financing activities (C)	-0.8	23.1	-273.1
Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)	-36.7	-33.7	-172.5
Cash and cash equivalents at the beginning of the period	343.4	513.2	513.2
Effect of exchange rate fluctuations on cash held	2.2	0.6	2.7
Cash and cash equivalents at the end of the period	309.0	480.2	343.4

Based on the tax reassessment decisions on years 2007-2013 the financial items and taxes contain paid tax increases and punitive interest of EUR 77.5 million in 1-12/17.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Equity attributable to equity holders of the parent								
Million euros	A	B	C	D	E	F	G	H	I
Equity, 1 Jan 2017	25.4	181.4	-6.7	-264.1	-3.1	168.9	1,356.6	-	1,458.5
Profit for the period							45.3		45.3
Other comprehensive income, net of tax:									
Cash flow hedges					0.2				0.2
Net investment hedge									-
Translation differences				39.9					39.9
Total comprehensive income for the period				39.9	0.2	0.0	45.3		85.4
Dividends paid									-
Exercised warrants						0.4			0.4
Acquisition of treasury shares									-
Share-based payments							2.6		2.6
Total transactions with owners for the period						0.4	2.6		3.0
Equity, 31 Mar 2017	25.4	181.4	-6.7	-224.2	-2.9	169.3	1,404.5	-	1,546.9
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							46.6		46.6
Other comprehensive income, net of tax:									
Cash flow hedges					0.2				0.2
Net investment hedge									-
Translation differences				-11.7					-11.7
Total comprehensive income for the period				-11.7	0.2		46.6		35.1
Dividends paid									-
Exercised warrants						0.3			0.3
Acquisition of treasury shares									-
Share-based payments							5.7		5.7
Total transactions with owners for the period						0.3	5.7		6.0
Equity, 31 Mar 2018	25.4	181.4	-20.3	-309.3	-1.6	204.2	1,426.1	-	1,505.9

SEGMENT INFORMATION Million euros	1-3/18	1-3/17	1-12/17	Change %
Net sales				
Passenger car tyres	259.1	248.0	1,138.8	4.5
Heavy tyres	43.1	39.8	172.3	8.3
Vianor	53.3	56.3	339.4	-5.4
Other operations	1.4	1.9	11.2	-24.7
Eliminations	-20.9	-20.1	-89.3	-4.1
Total	336.0	325.9	1,572.5	3.1
Operating result				
Passenger car tyres	74.0	75.9	359.9	-2.5
Heavy tyres	8.3	5.7	32.2	45.6
Vianor	-14.7	-15.8	-5.8	7.5
Other operations	-4.4	-5.1	-23.7	13.8
Eliminations	-2.0	-1.8	2.8	-9.7
Total	61.2	58.9	365.4	4.0
Operating result, % of net sales				
Passenger car tyres	28.6	30.6	31.6	
Heavy tyres	19.2	14.3	18.7	
Vianor	-27.5	-28.1	-1.7	
Total	18.2	18.1	23.2	

CONTINGENT LIABILITIES Million euros	31.3.18	31.3.17	31.12.17
FOR OWN DEBT			
Mortgages	0.9	1.0	1.0
Pledged assets	4.7	4.6	4.6
ON BEHALF OF OTHER COMPANIES			
Guarantees	0.4	0.4	0.4
OTHER OWN COMMITMENTS			
Guarantees	13.1	10.9	10.3
Leasing and rent commitments	118.6	70.3	89.3
Purchase commitments	1.1	1.1	1.1

DERIVATIVE FINANCIAL INSTRUMENTS	31.3.18	31.3.17	31.12.17
Million euros			
INTEREST RATE DERIVATIVES			
Interest rate swaps			
Notional amount	100.0	100.0	100.0
Fair value	-1.1	-1.9	-1.3
FOREIGN CURRENCY DERIVATIVES			
Currency forwards			
Notional amount	402.8	503.9	387.2
Fair value	0.6	8.4	8.3
Currency options, purchased			
Notional amount	39.8	17.9	15.2
Fair value	0.6	0.3	0.1
Currency options, written			
Notional amount	61.2	35.8	30.5
Fair value	-0.3	-0.2	-0.2
Interest rate and currency swaps			
Notional amount	67.5	87.5	67.5
Fair value	11.9	8.6	10.8
ELECTRICITY DERIVATIVES			
Electricity forwards			
Notional amount	5.9	7.0	5.6
Fair value	0.5	-1.2	0.0

DEFINITIONS OF CONSOLIDATED KEY FINANCIAL INDICATORS

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

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

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

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

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

Equity per share, euro:
Equity attributable to equity holders of the parent / Adjusted number of shares on the reporting date excluding treasury shares

DEFINITION OF MARKETS

the Nordic countries: Finland, Norway, Sweden

Other Europe: Europe excl. Nordic

Russia

Americas incl. North America: Canada, USA

Other countries: All other countries

Core markets: the Nordic countries and Russia

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Nokian Tyres Interim Report for January−March 2018 was published on May 9, 2018 at 8.00. a.m.

The result presentation for analysts and media will be held on May 9, 2018 at 10.00 a.m. Finnish time at Hotel Kämp (address Pohjoisesplanadi 29, Helsinki). President and CEO Hille Korhonen will present the interim report and answer questions from the audience.

The presentation can be listened to via audiocast over the Internet at www.nokiantyres.com/resultinfo-Q1-2018 starting at 10 a.m. Finnish time.

The event can also be attended via conference call. Please dial in 5-10 minutes before the beginning of the event:

FI: +358981710495
UK: +442031940552
SE: +46856642702
US: +18557161597

An audio file of the event will be available on the company's website later same day.

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Half Year Financial Report January−June will be published on August 8, 2018. Releases and company information will be available at www.nokiantyres.com/company/investors/.

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Nokian Tyres plc

Päivi Antola, Vice President, IR and Communications

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