



2017

Interim Report  
January–September 2017

November 1, 2017



Nokian Tyres plc Interim Report January–September 2017, November 1, 2017, 8:00 a.m.

## Nokian Tyres plc Interim Report January–September 2017: Strong performance with solid full year expectations

### July–September 2017

- Net sales increased by 14.5% to EUR 363.1 million (317.2 in 7–9/2016). Currency exchange rate changes affected net sales negatively by EUR 0.2 million compared with the rates in 7–9/2016.
- Operating profit increased by 21.3% to EUR 89.8 million (74.1). Operating profit percentage was 24.7% (23.3%).
- The profit for the period decreased by 82.8% to EUR 10.2 million (59.4) and included additional taxes and punitive interest of EUR 59 million related to tax year 2011.
- Earnings per share were EUR 0.08 (0.44).
- Cash flow from operating activities was EUR -88.1 million (-52.5).

### January–September 2017

- Net sales increased by 16.3% to EUR 1,082.0 million (930.5 in 1–9/2016). Currency exchange rate changes affected net sales positively by EUR 32.0 million compared with the rates in 1–9/2016.
- Operating profit increased by 20.2% to EUR 242.8 million (202.0). Operating profit percentage was 22.4% (21.7%).
- The profit for the period decreased by 21.1% to EUR 126.7 million (160.6). In Q3/2017, profit included additional taxes and punitive interest of EUR 59 million related to tax year 2011.
- Earnings per share were EUR 0.93 (1.19).
- Cash flow from operating activities was EUR -134.1 million (-92.5).

### Financial guidance (reiterated)

In 2017, with the current exchange rates, net sales and operating profit are expected to grow by at least 10% compared to 2016.

### Key figures, EUR million

	7–9 /17	7–9 /16	Change %	1–9 /17	1–9 /16	Change %	2016
Net sales	363.1	317.2	14.5	1,082.0	930.5	16.3	1,391.2
Operating profit	89.8	74.1	21.3	242.8	202.0	20.2	310.5
Operating profit %	24.7	23.3		22.4	21.7		22.3
Profit before tax	67.4	69.2	-2.5	213.4	192.4	10.9	298.7
Profit for the period	10.2	59.4	-82.8	126.7	160.6	-21.1	251.8
Earnings per share, EUR	0.08	0.44	-83.0	0.93	1.19	-21.9	1.87
Equity ratio, %				71.3	71.9		73.8
Cash flow from operating activities	-88.1	-52.5		-134.1	-92.5		364.4
Gearing, %				8.5	9.3		-19.7
Interest-bearing net debt				116.6	121.0		-287.4
Capital expenditure	35.3	30.0	17.6	95.3	74.4	28.0	105.6

**Hille Korhonen, President and CEO:**

“In January–September 2017, Nokian Tyres demonstrated strong performance in all of its main markets. Our net sales and operating profit improved.

The Passenger Car Tyres business unit showed strong growth during 1–9/2017. Net sales increased in all markets. Operating profit increased clearly year-over-year. In Europe, the trend of sales shifting towards the consumer season has continued. We have been responding to the growing demand by increasing the production volumes at both factories and by building a new production line at the Russian factory. The new line has now been taken into use. In Q3/2017, raw material costs decreased slightly compared with Q2/2017. We estimate that raw material costs will increase by approximately 20% for the full year 2017 compared with 2016. We have implemented the necessary price increases in all markets, and the effect is already visible. We have continued to build the foundation for future growth by launching new products for all our markets.

Heavy Tyres increased its sales, operating profit and production volume. All product segments and market areas showed growth. In particular, sales of agricultural tyres were strong.

Vianor’s (own equity) net sales increased slightly but were affected by the tough pricing environment. The profitability improvement program is proceeding according to plan. Our branded distribution network, including Vianor, NAD, and N-Tyre stores, grew by 232 stores during 1–9/2017.

In September, we held a groundbreaking ceremony in Dayton (Tennessee, USA) to celebrate the beginning of the building work of our third factory. The new factory will be our first manufacturing facility in North America. The site will also house a distribution facility with a storage capacity of 600,000 tyres. Construction is scheduled to begin in early 2018, and production is planned to begin in 2020. Our ambition is to double our sales within North America in the next five years. Our goal is to lead the tyre industry in sustainable manufacturing as well as to make sure that our company is the employer of choice within the greater communities it serves.

In October, we received a tax reassessment decision from the Tax Administration regarding tax year 2011. We consider the reassessment decision of the Tax Administration to be unfounded and we are going to appeal to the Board of Adjustment and, if necessary, continue the appeal process in the Administrative Court.

Our employees have done a great job in improving all aspects of sustainability in our company. Our determination to be a sustainability pioneer in the tyre industry is demonstrated by our safe and eco-friendly products, as well as our inclusion in DJSI World. We are definitely on the right track, and the conditions are great for further improving our operations.”

## Market situation

The economic recovery continues in company's main markets. For 2017 and 2018, growth is expected in all regions. The global GDP is estimated to grow by 3.6% in 2017. The GDP growth estimates for the Nordic countries range from +1.9% to +3.3%, whereas for Europe (including the Nordic countries) the number is +2.1% and for the US +2.1%. In Russia, GDP is forecasted to grow by approximately 1.5% to 2.2% in 2017.

Raw material prices demonstrated fast growth at the beginning of the year, but this growth has levelled off. The global tyre industry responded to the growing raw material prices by announcing price increases. However, the actual price increases are to be seen after the winter tyre season.

In Europe, sales of new cars increased in January–September 2017 by 4% year-over-year. Car tyre sell-in to distributors was down 1% year-over-year, with winter tyre demand increasing by 2%. Overall, tyre demand is estimated to remain at the same level year-over-year in 2017.

In the Nordic countries, new car sales increased in January–September 2017 by 2% year-over-year. The market volume of car tyres decreased by 8%. For the full year 2017, car tyre demand is estimated to decrease slightly year-over-year.

In North America, the estimated new car sales were down by 1% in 1–9/2017 compared with 1–9/2016. The market volume of car tyres was flat year-over-year. However, demand for winter tyres increased by 4%. For the full year 2017, car tyre demand is estimated to increase slightly year-over-year.

In the first three quarters of 2017, the Russian economy started growing again after a prolonged recession. Real GDP is estimated to have grown by 1.5% in 1–9/2017, and the growth forecasts for the full year 2017 are in the range of 1.5–2.2%. However, private consumption remains quite weak after a 15% decline in 2015–2016. It gradually starts recovering in 2017, but the improvement is unlikely to be rapid. This development is reflected in the retail turnover in Russia, which shows only marginal signs of growth. Sales of new cars in Russia are expected to grow by 11–13% compared with 2016, driven by improved economy, deferred demand and low comparison base. After the first nine months of 2017, sales of new cars increased by 11% compared with the same period in 2016, with growth starting only in March, picking up since June and reaching almost 18% in September vs. the same month in 2016. The total replacement tyre market sell-in in Russia is expected to grow by ~15% in 2017 compared with 2016. Both summer and winter tyre sell-in for the 2017 season showed growth, backed by low carry-over stocks from 2016. The consumer sell-out season in Russia remained flat in summer tyres compared with H1/2016, negatively affected by weather conditions, and is expected to grow in winter tyres, depending on the dynamics of the winter season.

The global demand for special heavy tyres continued to be healthy in January–September 2017. 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 also has showed improvement.

In January–September 2017, the sell-in of premium truck tyres was up by 2% in Europe, and in the Nordic countries up by 3%. In Russia, the demand for premium truck tyres decreased by 6% compared with 1–9/2016. Truck tyre demand in 2017 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.

## Raw materials

Nokian Tyres' raw material costs (EUR/kg) were up by 20.2% in 1–9/2017 year-over-year. The raw material costs are estimated to increase by approximately 20% in the full year 2017, leading to a headwind of approximately EUR 60 million compared with 2016.

### JULY–SEPTEMBER 2017

Nokian Tyres Group recorded net sales of EUR 363.1 million (317.2), with an increase of 14.5% compared with Q3/2016. Currency exchange rates affected net sales negatively by EUR 0.2 million. In the Nordic countries, sales increased by 10.0% year-over-year. The sales in Russia increased by 100.1%. The consolidated sales in Russia and the CIS increased by 91.1%. In Other Europe, sales were down by 1.9% and, in North America, sales increased by 35.8%.

The raw material costs (EUR/kg) in manufacturing increased by 20.0% year-over-year and decreased by 1.1% compared with Q2/2017. Fixed costs amounted to EUR 109.2 million (98.5), thereby accounting for 30.1% (31.1%) of net sales.

Nokian Tyres Group's operating profit amounted to EUR 89.8 million (74.1), with an increase of 21.3% compared with Q3/2016. The operating profit was negatively affected by the IFRS 2 compliant accrual for share option and performance share plans of EUR 4.0 million (2.5). In Q3/2017, the expensed credit losses and provisions were EUR -0.6 million (0.8).

Net financial expenses were EUR 22.4 million (4.9). Net interest expenses were EUR 19.1 million (1.3) including EUR 15.2 million in penalty interest related to tax year 2011 and EUR 3.1 million in penalty interest related to Nokian Tyres U.S. Finance Oy. Net financial expenses include a loss of EUR 3.3 million (a loss of EUR 3.6 million) due to exchange rate differences.

Profit before tax was EUR 67.4 million (69.2). The profit for the period amounted to EUR 10.2 million (59.4), and EPS were EUR 0.08 (0.44). In Q3/2017, profit was penalized by the additional taxes of EUR 59 million in Finland, including punitive tax increases and interest based on the reassessment decisions from the Tax Administration related to the tax dispute for 2011 received in October 2017, and EUR 3.1 million in penalty interest related to Nokian Tyres U.S. Finance Oy and years 2007–2013.

Cash flow from operating activities was EUR -88.1 million (-52.5), and was affected by the payment of EUR 18.5 million in additional taxes with punitive tax increases and interest concerning the tax dispute of the Nokian Tyres U.S. Finance Oy and the years 2007–2013. The company paid the amount in August 2017.

### JANUARY–SEPTEMBER 2017

Nokian Tyres Group recorded net sales of EUR 1,082.0 million (930.5), with an increase of 16.3% compared with 1–9/2016. Currency exchange rates affected net sales positively by EUR 32.0 million.

#### Net sales development by market area

	Growth%	% of total net sales in 1–9/2017	% of total net sales in 1–9/2016
Nordic countries	5.6	38.2	42.5
Russia and the CIS	85.9	21.4	13.5
Other Europe	5.5	28.3	31.6
North America	16.5	11.4	11.5

#### Net sales development by business unit

	Growth%	% of total net sales in 1–9/2017	% of total net sales in 1–9/2016
Passenger Car Tyres	20.0	70.2	67.3
Heavy Tyres	10.8	11.0	11.5
Vianor	2.3	18.8	21.2

Raw material costs (EUR/kg) in manufacturing increased by 20.2% year-over-year. Fixed costs amounted to EUR 341.4 million (297.8), thereby accounting for 31.5% (32.0%) of net sales. Total salaries and wages were EUR 159.3 million (139.8).

Nokian Tyres Group's operating profit amounted to EUR 242.8 million (202.0), with an increase of 20.2% compared with 1–9/2016. The operating profit was negatively affected by the IFRS 2 compliant accrual for share option and performance share plans of EUR 12.2 million (8.3). In 1–9/2017, the expensed credit losses and provisions were EUR -0.5 million (11.3).

Net financial expenses were EUR 29.4 million (9.6). Net interest expenses were EUR 23.3 million (4.4) including EUR 15.2 million in penalty interest related to tax year 2011 and EUR 3.1 million in penalty interest related to Nokian Tyres U.S. Finance Oy. Net financial expenses include a loss of EUR 6.1 million (a loss of EUR 5.2 million) due to exchange rate differences.

Profit before tax was EUR 213.4 million (192.4). The profit for the period amounted to EUR 126.7 million (160.6), and EPS were EUR 0.93 (1.19). In Q3/2017, profit was penalized by the additional taxes of EUR 59 million in Finland, including punitive tax increases and interest based on the reassessment decisions from the Tax Administration related to the tax dispute for 2011 received in October 2017 and EUR 3.1 million in penalty interest related to Nokian Tyres U.S. Finance Oy and the years 2007–2013. The profit for the period decreased by 21.1% compared with 1–9/2016.

Cash flow from operating activities was EUR -134.1 million (-92.5), and was affected by the payment of EUR 18.5 million in additional taxes with punitive tax increases and interest concerning the tax dispute of Nokian Tyres U.S. Finance Oy and the years 2007–2013. The company paid the amount in August 2017. In Q1/2016, cash flow from operating activities was affected by the payment of EUR 51.0 million in additional taxes with punitive tax increases and interest concerning the tax years 2007–2010. The company paid the amount in January 2016. The company received the reassessment decisions of EUR 94.1 million in December 2015 and January 2016. Previously, the Tax Administration had already set off EUR 43.1 million of the amount despite the stay of execution.

## Investments

Investments in the review period amounted to EUR 95.3 million (74.4). This comprises production investments in the Russian and Finnish factories, molds for new products, ICT and process development projects, and the Vianor expansion projects.

## Financial position on September 30, 2017

The gearing ratio was 8.5% (9.3%). Interest-bearing net debt amounted to EUR 116.6 million (121.0). Equity ratio was 71.3% (71.9%).

The Group's interest-bearing liabilities totaled EUR 210.7 million (224.1), of which the current interest-bearing liabilities amounted to EUR 75.8 million (89.3). The average interest rate for interest-bearing liabilities was 1.9% (3.2%). Cash and cash equivalents amounted to EUR 94.1 million (103.2).

At the end of the review period, the company had unused credit limits amounting to EUR 431.9 million (508.6), of which EUR 155.6 million (155.7) were committed. 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

### 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 tax year 2011, according to which the company is obliged to pay a total 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 is due in November 2017. The company considers the reassessment decision of the Tax Administration unfounded and is going to appeal to the Board of Adjustment and, if necessary, the company will continue the appeal process in the Administrative Court.

Year 2012 and onwards have not been tax audited by the Finnish Tax Administration.

### **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 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. EUR 11.0 million of this amount were additional taxes and EUR 7.5 million were punitive tax increases and interest. The company recorded them in full in the financial statement and result 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 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.

## **Tax rate outcome and estimate**

The Group's tax rate was 40.7% (16.6%) in the review period. Tax rate without tax disputes was 18.6%. 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 tax rate is expected to be 19% for 2017–2019.

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**

In 1–9/2017 the Group employed, on average, 4,553 (4,368) people and 4,609 (4,354) people at the end of the review period. At the end of the review period, the Group employed 1,721 (1,626) people in Finland, and 1,490 (1,362) people in Russia. The equity-owned Vianor tyre retail chain employed 1,684 (1,724) people at the end of the review period.



## BUSINESS UNIT REVIEWS

### Passenger Car Tyres

	7-9 /17	7-9 /16	Change %	1-9 /17	1-9 /16	Change %	2016
Net sales, M€	276.2	234.6	17.7	800.6	667.1	20.0	981.1
Operating profit, M€	98.3	84.4	16.5	259.0	211.4	22.5	305.8
Operating profit, %	35.6	36.0		32.4	31.7		31.2

Net sales of Nokian Passenger Car Tyres totaled EUR 800.6 million (667.1) in 1–9/2017, up by 20.0% year-over-year. Operating profit was EUR 259.0 million (211.4). Operating profit percentage was 32.4% (31.7%).

Net sales increased clearly during the review period, mainly due to a significant net sales increase in Russia. In North America and Other Europe, net sales increased year-over-year. In the Nordic countries, net sales increased slightly. In most countries, the volumes were up. In Europe, the trend of sales shifting towards the consumer season has continued. Winter tyre sell-in was very strong in Russia.

In 1–9/2017, the ASP in euros increased due to price increases, a positive currency impact and an improved product mix. The share of winter tyres in the sales mix was 66% (66%), the share of summer tyres was 23% (24%), and the share of All-Season tyres was 11% (10%). Increased sales of All-Season tyres strengthen our position in North America and Other Europe. Price increases have been implemented in all markets, and the effect is already visible.

Raw material costs (€/kg) were up by 20.5% year-over-year. Improved productivity supported the margins.

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/](http://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 9, Nokian Hakkapeliitta 9 SUV, Nokian Nordman 7, and Nokian Nordman 7 SUV were introduced in January 2017. The key markets for these products are in the Nordic countries, Russia, and North America. The Nokian Hakkapeliitta 44 was launched in February 2017; it is used in the harshest environments of the world, such as glaciers, Antarctica, and the northern part of Eurasia. In September 2017, Nokian Tyres launched new members for the Nokian Hakka summer tyre family – the Nokian Hakka Black 2, Nokian Hakka Black 2 SUV and Nokian Hakka Blue 2 SUV. The key markets for these products are the Nordic countries and Russia. We also launched the Nokian eNTYRE C/S, an All-Season tyre designed for CUVs and SUVs and developed for the North American market. The new products have been received well by the markets.

During the review period, capacity utilization increased year-over-year, and the production output (pcs) increased by 12%. In Q3/2017, a new production line at the Vsevolozhsk factory was taken into use. The company increased production at the Nokia factory with the current shift pattern. Productivity (kg/mh) improved by 2% year-over-year. In 1–9/2017, 85% (86%) of Nokian passenger car tyres (pcs) were manufactured at the Russian factory.

## Heavy Tyres

	7-9 /17	7-9 /16	Change %	1-9 /17	1-9 /16	Change %	2016
Net sales, M€	42.1	37.3	12.9	125.9	113.6	10.8	155.3
Operating profit, M€	7.9	6.0	31.3	22.8	21.0	8.1	28.2
Operating profit, %	18.8	16.2		18.1	18.5		18.2

Net sales of Nokian Heavy Tyres totaled EUR 125.9 million (113.6) in 1–9/2017, up by 10.8% year-over-year. Operating profit was EUR 22.8 million (21.0). Operating profit percentage was 18.1% (18.5%).

In January–September 2017, demand was good in most of Nokian Heavy Tyres' core product groups in the Western markets. All product segments and market areas showed growth. In particular, sales of agricultural tyres were strong. Sales increased clearly in North America and increased in Other Europe and the Nordic countries. In Russia, sales increased mainly due to currency effects. New product sales developed well. The operating profit increased year-over-year due to the increased sales and production volumes, and improved productivity.

In January–September 2017, the ASP increased slightly year-over-year mainly due to price increases, currency effects and an improved product mix. Price increases related to higher material costs have been implemented in all markets, and the effects started to realize in Q3. During the review period, sales volumes of the company's own production increased year-over-year. Productivity increased slightly year-over-year.

Production output (metric tons) increased compared with 1–9/2016. Investments in production technology continued.

## Vianor

### Equity operations

	7–9 /17	7–9 /16	Change %	1–9 /17	1–9 /16	Change %	2016
Net sales, M€	68.7	66.7	2.9	214.7	209.9	2.3	334.8
Operating profit, M€	-7.0	-6.7**	-5.5	-18.9*	-15.9***	-19.1	-8.1
Operating profit, %	-10.3	-10.0**		-8.8*	-7.6***		-2.4
Equity stores, pcs				196	206		212

\* Excluding non-recurring items: Operating profit EUR -17.2 million, operating profit percentage -8.0%.

\*\* Excluding non-recurring items: Operating profit EUR -5.7 million, operating profit percentage -8.5%.

\*\*\* Excluding non-recurring items: Operating profit EUR -14.9 million, operating profit percentage -7.1%.

Net sales totaled EUR 214.7 million (209.9) in 1–9/2017, up by 2.3% year-over-year. Operating profit was EUR -18.9 million (-15.9). Operating profit percentage was -8.8% (-7.6%).

In January–September 2017, net sales increased slightly year-over-year but were affected by the tough pricing environment. The retail business environment continued to be very challenging in the Nordic countries. The profit improvement program, including the network optimization, progressed according to plan. At the end of the review period, Vianor had 196 (206) equity stores 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 26 countries.

In Nokian Tyres' key markets, the size of the Vianor equity and partner chain decreased during 1–9/2017 (compared with year-end 2016: equity -16, partner +1). At the end of the review period, the Vianor equity and partner network comprised 1,486 stores in total, of which 1,290 were partners.

The Nokian Tyres Authorized Dealers (NAD) network expanded during the review period by 242 stores compared with year-end 2016, and now comprises 1,723 stores operating under contract in 21 European countries and China. N-Tyre, a Nokian Tyres partner network, is operating with 125 stores in Russia and the CIS and expanded during the review period by 5 stores compared with year-end 2016.

## OTHER MATTERS

### 1. Stock options on the Nasdaq Helsinki Stock Exchange

The total number of stock options 2013A was 1,150,000. Each stock option 2013A entitled its holder to subscribe to one share in Nokian Tyres plc. The shares were subscribed with the stock options 2013A during the period of May 1, 2015 to May 31, 2017.

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 25.06/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 21.39/share. The dividends payable annually are deducted from the share subscription price.

### 2. Authorizations

In 2017, 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 is effective for two years from the decision.

In 2017, 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 the funds in the unrestricted shareholders' equity. The authorization is effective until the next Annual General Meeting, however, at most until October 10, 2018.

### 3. Own shares

No share repurchases were made in the review period, and the company did not possess any own shares on September 30, 2017.

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 September 30, 2017, the number of these shares was 521,331. This number of shares corresponded to 0.4% of the total shares and voting rights of the company.

### 4. Trading in shares

Nokian Tyres' share price was EUR 37.63 (32.45) at the end of the review period. The volume weighted average share price during the period was EUR 37.00 (31.39), the highest was EUR 40.20 (34.99) and the lowest was EUR 34.24 (27.48). A total of 83,925,393 shares were traded in Nasdaq Helsinki during the period (107,458,243), representing 61% (79%) 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 68,449,936 (101,999,333) shares during the review period. The company's market capitalization at the end of the period was EUR 5.158 billion (4.410 billion). The company had 37,978 (36,310) shareholders. The percentage of Finnish shareholders was 24.6% (23.4%), and 75.4% (76.6%) were non-Finnish holders and foreign shareholders registered in the nominee register. This figure includes Bridgestone's holding of approximately 14.6%.

## 5. Changes in ownership

Nokian Tyres did not receive any flagging notifications during the review period.

Detailed information on flagging can be found at [www.nokiantyres.com/company/investors/share/flagging-notifications/](http://www.nokiantyres.com/company/investors/share/flagging-notifications/).

## 6. Decisions made at the Annual General Meeting

On April 10, 2017, the Annual General Meeting of Nokian Tyres approved the Financial Statements for 2016 and discharged the members of the Board of Directors and the President and CEO from liability for the 2016 financial year.

### 6.1. Dividend

The meeting decided that a dividend of EUR 1.53 per share should be paid for the period ending on December 31, 2016. The dividend payment date was April 27, 2017, and the dividend was paid to the shareholders included in the shareholder list maintained by Euroclear Finland Ltd on the record date of April 12, 2017.

### 6.2. Change to the Articles of Association

The meeting confirmed the new proposed wording for Article 4: The Company's administration and proper organization of operations shall be the responsibility of the Board of Directors, consisting of a minimum of four and a maximum of eight members, in accordance with the decision made by the General Meeting of the Shareholders. The term of office of the members of the Board of Directors ends at the closing of the first Annual General Meeting following the election. The Board of Directors shall elect a Chairman and a Deputy Chairman from among its members until the closing of the next Annual General Meeting.

### 6.3. Members of the Board of Directors and Auditors

The meeting decided that the Board of Directors has seven members. Of the current members, Heikki Allonen, Tapio Kuula, Raimo Lind, Veronica Lindholm, Inka Mero, and Petteri Walldén will continue in the Board of Directors. Mr. George Rietbergen was elected as a new member of the Board.

Authorized public accountants KPMG Oy Ab continue as auditors.

### 6.4. Remuneration of the Members of the Board of Directors

The meeting decided that the monthly fee paid to the Chairman of the Board is EUR 6,667, or EUR 80,000 per year, the monthly fee paid to the Deputy Chairman of the Board and to the Chairman of the Audit Committee is EUR 5,000, or EUR 60,000 per year, and the monthly fee paid to Members of the Board is EUR 3,333, or EUR 40,000 per year.

50% of the annual fee is paid in cash and 50% in Company shares to the effect that, in the period from April 11 to April 30, 2017, EUR 40,000 worth of Nokian Tyres plc shares were purchased at the stock exchange on behalf of the Chairman of the Board, EUR 30,000 worth of Nokian Tyres plc shares were purchased at the stock exchange on behalf of the Deputy Chairman of the Board and Chairman of the Audit committee, and EUR 20,000 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. Each member of the Board will receive a meeting fee of EUR 600 per attended meeting. If a Board member's habitual residence is outside Finland, the meeting fee is EUR 1,200 per attended meeting. Travel expenses will be compensated for in accordance with the company's travel policy.

## **7. Chairman of the Board, Deputy Chairman of the Board, and Committees of the Board of Directors**

In the Board meeting on April 10, 2017, Petteri Walldén was elected Chairman of the Board and Tapio Kuula was elected Deputy Chairman of the Board. The Board elected Tapio Kuula (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 George Rietbergen as members of the Audit Committee.

## **8. Corporate social responsibility**

Nokian Tyres published its Corporate Sustainability Report in March 2017. The Corporate Sustainability Report is available in Finnish and English on the company's website at [www.nokiantyres.com/company/sustainability/](http://www.nokiantyres.com/company/sustainability/). The report is based on the international, widely adopted GRI G4 guidelines that divide sustainability into three main groups (financial, environmental, and social sustainability and their different subgroups). Product safety and quality, as well as profitable growth, good HR management, and environmental issues are important for the development of sustainable business operations at Nokian Tyres. The report is the fifth GRI report from Nokian Tyres and, in the interests of quality assurance, it has now been externally assured for the second time.

Nokian Tyres plc is included in the OMX GES Sustainability Finland GI index. The index is designed to provide investors with a liquid, objective, and reliable benchmark for responsible investments. The benchmark index comprises the 40 leading Nasdaq Helsinki listed companies in terms of sustainability. The index criteria are based on international guidelines for environmental, social, and governance (ESG) issues. The index is calculated by Nasdaq in cooperation with GES Investment Services. Nokian Tyres is also included in the STOXX Global ESG Leaders indices, and is a constituent of the FTSE4Good Index.

In September 2017, Nokian Tyres was selected for Dow Jones' DJSI World sustainability index. With a total sustainability score nearly twice as high as the industry average in the Auto Components sector, Nokian Tyres significantly improved its results in the 2017 assessment. Nokian Tyres' score of 78 points was only one point behind the industry's best company globally. The Dow Jones Sustainability Index (DJSI) is an annual sustainability assessment of large publicly traded companies by the Swiss RobecoSAM.

## **9. Nokian Tyres introduces new flagship products for its winter tyre range: the Nokian Hakkapeliitta 9 and Nokian Hakkapeliitta 9 SUV utilize unique stud technology**

On January 3, 2017, Nokian Tyres announced that Nokian Tyres renews its studded tyre range by launching its new flagship products: the Nokian Hakkapeliitta 9, for passenger cars, and the Nokian Hakkapeliitta 9 SUV for sports utility vehicles. In addition to the Nokian Hakkapeliitta winter tyres, the company is also introducing the new studded Nokian Nordman 7 and Nokian Nordman 7 SUV winter tyres. The Nokian Nordman product family offers an alternative to the premium products in terms of the price–quality ratio and supplements Nokian Tyres' product range for different consumer groups. Key markets for both product families are the Nordic countries, Russia, and North America.

## **10. Changes in Nokian Tyres' management team**

On January 18, 2017, Nokian Tyres announced that Mr. Timo Tervolin, Vice President, Strategy and Corporate Development, will take over the responsibility for the global Process Development in Nokian Tyres as of February 1, 2017. Mr. Alexej von Bagh, the current Vice President, Process Development will move outside the company.

## **11. Nokian Tyres plc Performance Share Plan: performance period 2017 and realization of performance period 2016**

On February 2, 2017, Nokian Tyres announced that the potential reward from the performance period 2017 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 2017 correspond to an approximate maximum total of

540,000 Nokian Tyres plc shares, also including the proportion to be paid in cash. During the performance period 2017, the Plan is targeted towards approximately 200 key employees, including the members of the Group's Management Team. The potential reward from the performance period 2017 will be paid partly in the company's shares and partly in cash in 2018. The shares paid as a 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 rewards to be paid in 2017, on the basis of the achievement of the required performance levels set for the performance criteria of the performance period 2016, correspond to a total of 402,875 Nokian Tyres plc shares, also including the proportion to be paid in cash. The Plan was targeted towards 182 key employees, including the members of the Group's Management Team. The shares paid as a 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 2016, the restriction period will end on March 31, 2018. 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.

## **12. Nokian Tyres plc: Managers' transactions**

Nokian Tyres announced managers' transactions on February 8, 2017; February 10, 2017; March 7, 2017; March 10, 2017; March 24, 2017; March 27, 2017; and April 13, 2017. Read more at: [www.nokiantyres.com/company/publications/releases/2017/managementTransactions/](http://www.nokiantyres.com/company/publications/releases/2017/managementTransactions/).

## **13. Nokian Tyres plc: Shares subscribed with option rights**

On February 9, 2017, Nokian Tyres announced that, after the registration of new shares on November 10, 2016, a total of 14,146 Nokian Tyres plc's shares have been subscribed with the 2013A option rights and a total of 80 shares with the 2013B option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares will increase to 135,925,921 shares.

On May 11, 2017, Nokian Tyres announced that, after the registration of new shares on February 9, 2017, a total of 371,314 Nokian Tyres plc's shares have been subscribed with the 2013A option rights, and a total of 18,399 shares with the 2013B option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares will increase to 136,315,634 shares.

On August 16, 2017, Nokian Tyres announced that, after the registration of new shares on May 11, 2017, a total of 693,053 Nokian Tyres plc's shares have been subscribed with the 2013A option rights, a total of 7,062 shares with the 2013B option rights, and a total of 52,026 shares with the 2013C option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares will increase to 137,067,775 shares.

## **14. Hille Korhonen appointed President and CEO of Nokian Tyres plc**

On March 28, 2017, Nokian Tyres announced that the Board of Directors of Nokian Tyres plc has appointed Licentiate of Science (Technology) Hille Korhonen (born 1961) as the new President and Chief Executive Officer of Nokian Tyres plc. She will start at Nokian Tyres on June 1, 2017. Hille Korhonen has more than 20 years of experience in international consumer business and leading global industrial operations. Andrei Pantioukhov has acted as Interim President and CEO since January 2017, and will continue in this role until Korhonen assumes her duties as CEO. As of June 1, 2017, Mr. Pantioukhov will continue as the Executive Vice President of Nokian Tyres plc, General Manager, Russian operations and a member of the Group's management team.

## **15. Nomination to Nokian Tyres' management team**

On April 19, 2017, Nokian Tyres announced that Mr. Frans Westerlund has been appointed Vice President, CIO and Processes. He will join Nokian Tyres plc as a member of the management team on August 1, 2017. Mr. Westerlund will report to the President and CEO. Mr. Teppo Huovila, the current Vice President for Quality, Sustainability and ICT, will continue in the company's management team as Vice President, Quality and Sustainability. Process development is currently part of Mr. Timo Tervolin's responsibilities. He will continue in the company's management team as Vice President, Strategy and



Corporate Development. Read more at: [www.nokiantyres.com/company/news-article/nomination-to-nokian-tyres-management-team-3/](http://www.nokiantyres.com/company/news-article/nomination-to-nokian-tyres-management-team-3/).

### **16. Nokian Tyres' Board of Directors has made a principal decision to invest in a greenfield factory in the USA**

On May 3, 2017, Nokian Tyres announced that Nokian Tyres' Board of Directors has made a principal decision on the investment in the third factory and authorized the management of the company to sign a Letter of Intent with the respective authorities in the USA. The new greenfield factory will be located in Dayton (Rhea County), Tennessee, USA. The annual capacity of the factory will be 4 million tyres with potential to expand in the future. The site will also house a distribution facility with a storage capacity of 600,000 tyres. The total amount of the investment at this phase is approximately USD 360 million. Construction is scheduled to begin in early 2018 and the first tyres are to be produced in 2020.

### **17. The building work of Nokian Tyres' third factory starts in North America**

On September 20, 2017, Nokian Tyres held a groundbreaking ceremony to celebrate the beginning of the building work of the company's third factory. The new factory will be the company's first manufacturing facility in North America. The new greenfield factory will be located in Dayton (Rhea County), Tennessee, USA. During the ceremony, President & CEO Hille Korhonen reaffirmed the company's ambition to doubling sales in the next five years within North America. Nokian Tyres' goal is to lead the tyre industry in sustainable manufacturing as well as to make sure the company is the employer of choice within the greater communities it serves. Read more at: [www.nokiantyres.com/daytonfactory](http://www.nokiantyres.com/daytonfactory)

## **MATTERS AFTER THE REVIEW PERIOD**

### **18. Nokian Tyres received EUR 59 million additional payable tax in Finland regarding year 2011; the company will appeal the decision**

On October 3, 2017, Nokian Tyres announced that the company has received a tax reassessment decision from the Tax Administration, according to which the company is obliged to pay EUR 59 million in additional taxes with punitive tax increases and interest concerning tax year 2011. Payment is due in November 2017. The total sum demanded by the tax authorities is EUR 59 million, of which EUR 39 million are additional taxes and EUR 20 million are punitive tax increases and interest. The company will record the 2011 total additional taxes of EUR 59 million in full to the financial statement and result of Q3/2017. The Tax Administration's ruling does not affect the company's dividend distribution. The company considers the reassessment decision of the Tax Administration as unfounded and is going to appeal to the Board of Adjustment and, if necessary, the company will continue the appeal process in the Administrative Court. If needed, the company will also require the competent authorities to negotiate on the elimination of the double taxation.

### **19. Nokian Tyres' Hakkapeliitta 9 selected for Popular Science Best of What's New Award**

On October 19, 2017, Nokian Tyres announced that the world's largest science and technology magazine Popular Science has selected Nokian Tyres' Hakkapeliitta 9 for its 2017 Best of What's New Award. Recipients of this award must have a product or technology representing a significant step forward in its category.

## **RISKS, UNCERTAINTY, AND DISPUTES IN THE NEAR FUTURE**

The economic recovery is expected to continue in company's main markets, but political uncertainties could 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 January–September 2017, 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 33% (28%) of the Group's total trade receivables.

Approximately 40% of the Group's net sales in 2017 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.

More detailed information relating to the risks can be found at [www.nokiantyres.com/annual-reports](http://www.nokiantyres.com/annual-reports), Financial review 2016, on pages 43–48 and 72–73.

### **Tax disputes**

Nokian Tyres Group has pending disputes with the Finnish Tax Administration. They are described earlier in this report under "Tax rate".

## OUTLOOK FOR 2017

The economic recovery continues in company's main markets. For 2017 and 2018, growth is expected in all regions. The global GDP is estimated to grow by 3.6% in 2017. The GDP growth estimates for the Nordic countries range from +1.9% to +3.3%, whereas for Europe (including the Nordic countries) the number is +2.1% and for the US +2.1%. In Russia, GDP is forecasted to grow by approximately 1.5% to 2.2% in 2017.

In 2017, the market demand for replacement car tyres is expected to show growth in North America and remain at the same level in Central Europe and the Nordic countries. In Russia, the market is expected to return to growth, 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 2017 in all key markets. In Russia, the company expects to retain and further strengthen its market leader position in the A+B segments in 2017.

Raw material costs are estimated to increase by approximately 20% in 2017 compared with 2016. Price increases have been implemented in all markets, and the effect is already visible.

Nokian Tyres retains a competitive advantage by manufacturing in Russia. 66% of the Russian production was exported in 1–9/2017. In 2017, Nokian Tyres invested in the expansion of the Vsevolozhsk factory capacity and further improvements in the automation of production. As a result of these investments, the total annual nominal capacity of the Vsevolozhsk factory increased from 15.5 million tyres to 17 million tyres by the end of Q3/2017.

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 2017. 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 2017 is EUR 150 million (105.6), of which EUR 55 million will be invested in Russia. EUR 78 million is planned to be invested in the Nokia factory and global development projects and the balance goes to Heavy Tyres, sales companies, and the Vianor chain.

### Financial guidance (reiterated)

In 2017, with the current exchange rates, net sales and operating profit are expected to grow by at least 10% compared to 2016.

Nokia, November 1, 2017

Nokian Tyres plc  
Board of Directors

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The above-said information 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	7-9/17	7-9/16	1-9/17	1-9/16	1-12/16	Change %
Million euros						
Net sales	363.1	317.2	1,082.0	930.5	1,391.2	16.3
Cost of sales	-189.2	-166.9	-575.5	-488.1	-724.2	-17.9
Gross profit	174.0	150.3	506.6	442.4	667.0	14.5
Other operating income	1.4	0.4	4.5	2.5	3.9	81.7
Selling and marketing expenses	-66.0	-60.4	-209.4	-186.5	-267.6	-12.3
Administration expenses	-12.7	-9.9	-39.3	-28.9	-49.4	-36.2
Other operating expenses	-6.9	-6.3	-19.5	-27.5	-43.4	29.3
Operating profit	89.8	74.1	242.8	202.0	310.5	20.2
Financial income	25.6	15.2	86.7	91.8	140.1	-5.6
Financial expenses (1)	-48.1	-20.1	-116.1	-101.4	-151.8	-14.4
Profit before tax	67.4	69.2	213.4	192.4	298.7	10.9
Tax expense (2 (3	-57.2	-9.8	-86.8	-31.8	-46.9	-172.5
Profit for the period	10.2	59.4	126.7	160.6	251.8	-21.1
Attributable to:						
Equity holders of the parent	10.2	59.4	126.7	160.6	251.8	
Non-controlling interest	-	-	-	-	-	
Earnings per share from the profit attributable to equity holders of the parent						
basic, euros	0.08	0.44	0.93	1.19	1.87	-21.9
diluted, euros	0.07	0.44	0.92	1.19	1.86	-22.2

CONSOLIDATED OTHER COMPREHENSIVE  
INCOME

	7-9/17	7-9/16	1-9/17	1-9/16	1-12/16
Million euros					
Profit for the period	10.2	59.4	126.7	160.6	251.8
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	0.1	0.8	1.0	0.0	-0.3
Translation differences on foreign operations 4)	-5.2	8.2	-24.0	65.0	121.8
Total other comprehensive income for the period, net of tax	-5.1	9.0	-23.0	65.0	121.6
Total comprehensive income for the period	5.1	68.4	103.7	225.5	373.4
Total comprehensive income attributable to:					
Equity holders of the parent	5.1	68.4	103.7	225.5	373.4
Non-controlling interest	-	-	-	-	-

1) Financial expenses in 7-9/17 and 1-9/17 contain EUR 15.2 million expensed punitive interest for tax reassessment decisions on year 2011. Additionally financial expenses 7-9/17 and 1-9/17 contain EUR 3.1 million expensed interest for tax reassessment decisions on years 2007-2013 of a group company.

2) Tax expense in 7-9/17 and 1-9/17 contains EUR 43.7 million expensed additional taxes with punitive increases for reprocessed tax reassessment decisions on year 2011. Tax expense in 1-12/16 has been adjusted with EUR 4.9 million according to the tax reassessment decision on years 2007-2010 by the Board of Adjustment.

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 has internal loans that are recognised as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". The impact in 1-9/17 is EUR 0.2 million, 1-9/16 EUR -2.3 million and 1-12/16 EUR -1.3 million. These internal loans have now been converted to equity in the subsidiaries.

KEY RATIOS	30.9.17	30.9.16	31.12.16	Change %
Equity ratio, %	71.3	71.9	73.8	
Gearing, %	8.5	9.3	-19.7	
Equity per share, euro	10.10	9.64	10.75	4.8
Interest-bearing net debt, mill. euros	116.6	121.0	-287.4	
Capital expenditure, mill. euros	95.3	74.4	105.6	
Depreciation, mill. euros	71.4	60.7	84.7	
Personnel, average	4,553	4,369	4,433	
Number of shares (million units)				
at the end of period	136.27	135.61	135.68	
in average	135.96	134.59	134.86	
in average, diluted	137.08	135.27	135.56	

CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION

	30.9.17	30.9.16	31.12.16
Million euros			
<b>Non-current assets</b>			
Property, plant and equipment	545.1	528.6	542.3
Goodwill	84.1	83.0	86.5
Other intangible assets	38.8	19.5	37.1
Investments in associates	0.1	0.1	0.1
Available-for-sale financial assets	0.7	0.3	0.7
Other receivables	9.3	9.7	10.4
Deferred tax assets	10.4	11.4	12.4
<b>Total non-current assets</b>	<b>688.5</b>	<b>652.6</b>	<b>689.5</b>
<b>Current assets</b>			
Inventories	379.1	337.8	304.3
Trade receivables	695.4	608.3	374.3
Other receivables	75.4	116.1	94.4
Cash and cash equivalents	94.1	103.2	513.2
<b>Total current assets</b>	<b>1,244.0</b>	<b>1,165.3</b>	<b>1,286.2</b>
<b>Total assets</b>	<b>1,932.5</b>	<b>1,818.0</b>	<b>1,975.7</b>
<b>Equity</b>			
Share capital	25.4	25.4	25.4
Share premium	181.4	181.4	181.4
Treasury shares	-20.3	-8.6	-6.7
Translation reserve	-288.1	-320.9	-264.1
Fair value and hedging reserves	-2.1	-2.9	-3.1
Paid-up unrestricted equity reserve	199.1	168.9	168.9
Retained earnings	1,280.9	1,263.9	1,356.6
Non-controlling interest	-	-	-
<b>Total equity</b>	<b>1,376.4</b>	<b>1,307.3</b>	<b>1,458.5</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	23.3	40.9	50.6
Provisions	0.1	0.2	0.1
Interest-bearing financial liabilities	134.8	134.9	137.0
Other liabilities	0.3	1.8	1.0
<b>Total non-current liabilities</b>	<b>158.5</b>	<b>177.7</b>	<b>188.8</b>
<b>Current liabilities</b>			
Trade payables	88.7	85.0	78.0
Other current payables	229.4	155.9	158.2
Provisions	3.6	2.9	3.5
Interest-bearing financial liabilities	75.8	89.3	88.8
<b>Total current liabilities</b>	<b>397.6</b>	<b>333.1</b>	<b>328.5</b>
<b>Total equity and liabilities</b>	<b>1,932.5</b>	<b>1,818.0</b>	<b>1,975.7</b>

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	1-9/17	1-9/16	1-12/16
Million euros			
Profit for the period	126.7	160.6	251.8
Adjustments for			
Depreciation, amortisation and impairment	70.9	72.6	100.5
Financial income and expenses	29.4	9.6	11.8
Gains and losses on sale of intangible assets, other changes	4.3	-6.5	-7.9
Income Taxes	86.8	31.8	46.9
Cash flow before changes in working capital	318.0	268.1	403.2
Changes in working capital			
Current receivables, non-interest-bearing, increase (-) / decrease (+)	-326.9	-244.1	46.3
Inventories, increase (-) / decrease (+)	-87.7	-55.3	-9.8
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	49.2	33.3	6.5
Changes in working capital	-365.5	-266.1	43.0
Financial items and taxes			
Interest and other financial items, received	2.0	2.5	15.5
Interest and other financial items, paid	-24.2	-26.0	-27.8
Dividens received	0.0	-0.0	0.0
Income taxes paid	-64.4	-71.0	-69.4
Financial items and taxes	-86.7	-94.5	-81.7
Cash flow from operating activities (A)	-134.1	-92.5	364.4
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	-95.3	-74.4	-101.5
Proceeds from sale of property, plant and equipment and intangible assets	1.3	0.3	0.6
Acquisitions of Group companies	0.0	-	-11.7
Change in non-controlling interest	-	-	-
Acquisitions of other investments	0.0	0.0	-0.4
Cash flows from investing activities (B)	-93.9	-74.2	-113.0
Cash flow from financing activities:			
Proceeds from issue of share capital	30.2	35.9	35.9
Purchase of treasury shares	-17.8	-	-
Change in current financial receivables, increase (-) / decrease (+)	-7.7	19.1	28.6
Change in non-current financial receivables, increase (-) / decrease (+)	0.5	-0.5	5.1
Change in current financial borrowings, increase (+) / decrease (-)	3.9	63.3	48.9
Change in non-current financial borrowings, increase (+) / decrease (-)	5.9	-75.7	-85.1
Dividens received	0.1	0.5	0.5
Dividends paid	-208.0	-202.0	-202.0
Cash flow from financing activities ( C)	-192.9	-159.5	-168.1
Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)	-421.0	-326.1	83.2
Cash and cash equivalents at the beginning of the period	513.2	429.3	429.3
Effect of exchange rate fluctuations on cash held	-1.8	0.0	0.8
Cash and cash equivalents at the end of the period	94.1	103.2	513.2

Based on the annulled and later renewed tax reassessment decisions on years 2007-2013 of a group company the financial items and taxes contain paid tax increases and punitive interest of EUR 18.5 million in 1-9/17. Additionally based on the annulled and later renewed tax reassessment decisions on years 2007-2010 the financial items and taxes contain paid tax increases of EUR 51.0 million in 1-9/16. Additionally in 1-12/16 the Tax Administration refunded EUR 4.9 million tax increases according to the latest decision of the Board of Adjustment.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Million euros	Equity attributable to equity holders of the parent								
	A	B	C	D	E	F	G	H	I
Equity, 1 Jan 2016	25.4	181.4	-8.6	-385.9	-2.9	133.0	1,299.2	-	1,241.6
Profit for the period							160.6		160.6
Other comprehensive income, net of tax:									
Cash flow hedges					0.0				0.0
Net investment hedge									
Translation differences				65.0					65.0
Total comprehensive income for the period				65.0	0.0		160.6		225.5
Dividends paid							-201.6		-201.6
Exercised warrants						35.9			35.9
Acquisition of treasury shares									
Share-based payments							5.7		5.7
Total transactions with owners for the period						35.9	-195.9		-159.9
Equity, 30 Sep 2016	25.4	181.4	-8.6	-320.9	-2.9	168.9	1,263.9	-	1,307.3
Equity, 1 Jan 2017	25.4	181.4	-6.7	-264.1	-3.1	168.9	1,356.6	-	1,458.5
Profit for the period							126.7		126.7
Other comprehensive income, net of tax:									
Cash flow hedges					1.0				1.0
Net investment hedge									-
Translation differences				-24.0					-24.0
Total comprehensive income for the period				-24.0	1.0		126.7		103.7
Dividends paid							-208.0		-208.0
Exercised warrants						30.2			30.2
Acquisition of treasury shares			-17.8						-17.8
Share-based payments			4.2				5.6		9.8
Total transactions with owners for the period			-13.6			30.2	-202.4		-185.8
Equity, 30 Sep 2017	25.4	181.4	-20.3	-288.1	-2.1	199.1	1,280.9	-	1,376.4

SEGMENT INFORMATION	7-9/17	7-9/16	1-9/17	1-9/16	1-12/16	Change %
Million euros						
Net sales						
Passenger car tyres	276.2	234.6	800.6	667.1	981.1	20.0
Heavy tyres	42.1	37.3	125.9	113.6	155.3	10.8
Vianor	68.7	66.7	214.7	209.9	334.8	2.3
Other operations	2.3	2.9	7.3	8.8	13.7	-17.1
Eliminations	-26.1	-24.3	-66.4	-69.0	-93.8	3.7
Total	363.1	317.2	1,082.0	930.5	1,391.2	16.3
Operating result						
Passenger car tyres	98.3	84.4	259.0	211.4	305.8	22.5
Heavy tyres	7.9	6.0	22.8	21.0	28.2	8.1
Vianor	-7.0	-6.7	-18.9	-15.9	-8.1	-19.1
Other operations	-4.9	-1.8	-15.6	-7.8	-14.6	-100.8
Eliminations	-4.4	-7.9	-4.5	-6.8	-0.8	34.0
Total	89.8	74.1	242.8	202.0	310.5	20.2
Operating result, % of net sales						
Passenger car tyres	35.6	36.0	32.4	31.7	31.2	
Heavy tyres	18.8	16.2	18.1	18.5	18.2	
Vianor	-10.3	-10.0	-8.8	-7.6	-2.4	
Total	24.7	23.3	22.4	21.7	22.3	
CONTINGENT LIABILITIES	30.9.17	30.9.16	31.12.16			
Million euros						
FOR OWN DEBT						
Mortgages	1.0	0.6	1.0			
Pledged assets	4.7	4.7	4.7			
ON BEHALF OF OTHER COMPANIES						
Guarantees	0.4	0.4	0.4			
OTHER OWN COMMITMENTS						
Guarantees	12.2	9.4	10.9			
Leasing and rent commitments	70.2	71.8	71.2			
Purchase commitments	1.1	1.6	-			

## DERIVATIVE FINANCIAL

INSTRUMENTS	30.9.17	30.9.16	31.12.16
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Million euros

## INTEREST RATE DERIVATIVES

Interest rate swaps

Notional amount	100.0	100.0	100.0
Fair value	-1.5	-2.7	-2.2

## FOREIGN CURRENCY DERIVATIVES

Currency forwards

Notional amount	306.3	415.7	545.3
Fair value	1.3	0.2	8.2

Currency options, purchased

Notional amount	26.1	13.6	-
Fair value	0.4	0.2	-

Currency options, written

Notional amount	59.1	27.2	-
Fair value	-0.2	-0.1	-

Interest rate and currency swaps

Notional amount	87.5	87.5	87.5
Fair value	18.0	21.0	5.8

## ELECTRICITY DERIVATIVES

Electricity forwards

Notional amount	6.2	7.5	7.7
Fair value	-0.2	-1.5	-0.7

## 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

## DEFINITIONS OF SALES AREAS

Nordic countries: Finland, Norway, Sweden.

Russia and the CIS:

Russia, Armenia, Belarus, Georgia, Kazakhstan, Moldova, Ukraine.

Other Europe:

Albania, Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, The Former Yugoslav Republic of Macedonia, Netherlands, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Switzerland, Turkey, United Kingdom.

North America: Canada, USA.

Core markets: Nordic countries, Russia and the CIS.

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Nokian Tyres published its Interim Report for January–September 2017 on November 1, 2017 at 8.00 a.m. Finnish time.

The result presentation for analysts and media will be held on November 1, 2017 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 as an audiocast over the Internet at [www.nokiantyres.com/resultinfo-Q3-2017](http://www.nokiantyres.com/resultinfo-Q3-2017) starting at 10 a.m.

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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The Financial Statement Bulletin 2017 will be published on February 2, 2018. Releases and company information will be available at: [www.nokiantyres.com/company/investors/](http://www.nokiantyres.com/company/investors/).

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Nokian Tyres plc

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