

Nokian Tyres plc Financial Statement Release 2018, February 5, 2019, 2:00 p.m.

Nokian Tyres plc Financial Statement Release 2018: Good performance with strong growth in Russia and North America, headwind from currencies

October–December 2018

- Net sales decreased by 3.4% to EUR 473.6 million (490.4 in 10–12/2017). With comparable currencies, net sales decreased by 1.0%.
- Operating profit decreased to EUR 117.2 million (122.6), negatively impacted by currencies.
- Profit for the period was EUR 96.0 million (94.7).
- Earnings per share increased to EUR 0.70 (0.69).
- Cash flow from operating activities was EUR 460.0 million (368.3).

January–December 2018

- Net sales increased by 1.5% to EUR 1,595.6 million (1,572.5 in 2017). With comparable currencies, net sales increased by 5.7%.
- Operating profit increased to EUR 372.4 million (365.4), negatively impacted by currencies.
- Profit for the period was EUR 295.2 million (221.4. In 2017, profit was negatively impacted by EUR 59 million in additional taxes and interest related to tax year 2011).
- Earnings per share increased to EUR 2.15 (1.63).
- Cash flow from operating activities was EUR 536.9 million (234.1). Cash flow in 2018 and in 2017 was impacted by the tax disputes concerning the years 2007–2011, more information on page 19.
- The Board of Directors proposes a dividend of EUR 1.58 (1.56) per share.

Guidance

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

Key figures, EUR million

| | 10–12 /18 | 10–12 /17 | Change % | CC* Change % | 2018 | 2017 | Change % | CC* Change % |
|--|--------------|--------------|-------------|--------------------|----------------|---------|-------------|--------------------|
| Net sales | 473.6 | 490.4 | -3.4 | -1.0 | 1,595.6 | 1,572.5 | 1.5 | 5.7 |
| Operating profit | 117.2 | 122.6 | | | 372.4 | 365.4 | | |
| Operating profit % | 24.7 | 25.0 | | | 23.3 | 23.2 | | |
| Profit before tax | 113.5 | 118.9 | | | 361.7 | 332.4 | | |
| Profit for the period | 96.0 | 94.7 | | | 295.2 | 221.4 | | |
| Earnings per share, EUR | 0.70 | 0.69 | | | 2.15 | 1.63 | | |
| ROCE, % | | | | | 23.3 | 22.4 | | |
| Equity ratio, % | | | | | 71.0 | 78.2 | | |
| Cash flow from operating activities | 460.0 | 368.3 | | | 536.9 | 234.1 | | |
| Gearing, % | | | | | -21.2 | -14.2 | | |
| Interest-bearing net debt | | | | | -315.2 | -208.3 | | |
| Capital expenditure | 112.3 | 39.6 | | | 226.5 | 134.9 | | |

* Comparable currencies

Hille Korhonen, President and CEO:

“In 2018, we made good progress especially in Russia and North America. With comparable currencies, Nokian Tyres’ net sales increased by 5.7%. The growth was driven by Passenger Car Tyres, despite the negative impact of a delayed summer and lower new car sales in Sweden and Norway. Operating profit increased, although the negative currency impact was significant.

The construction work at our new US factory as well as Heavy Tyres’ capacity increase in Finland are proceeding as planned. The test center project in Spain is ongoing and on schedule. All these investments will be major assets to us as we have now entered our next phase of growth. We are aiming at doubling our sales in North America and growing our sales by 50% in Central Europe in the next 5 years, as well as maintaining our market leader positions in the Nordics and Russia.

The tire market in Central Europe got highly competitive in 2018. At the end of 2018, we split Business Area Europe into two separate Business Areas, Central Europe and Nordics, in order to have even more focus on these regions. Utilization rate of increased capacity in Finland is planned to be adjusted as the Central European car tire market is not as robust as we estimated a year ago.

In November, we published our new financial targets for 2019–2021. Our targets are as follows: growing faster than the market, healthy profitability, and dividend above 50% of net earnings. These targets will guide us in reaching our strategic ambitions.

Nokian Tyres is a life driven company, facilitating safe driving. As people drive home in their everyday lives, we offer peace of mind in all conditions. Our mission is powerful, giving all of us at Nokian Tyres a high purpose for our work, every day. I would like to thank our customers, employees, and other stakeholders for another successful year in 2018. We have an impressive 120 year history and are committed to continue building on our success together in years to come.”

Market situation

| | the Nordic countries | Russia | Europe (incl. the Nordic countries) | North America |
|---|----------------------|--------------------------|-------------------------------------|-------------------|
| New car sales in 2018 y-o-y | -5% | +13% | -0% | +0% |
| Car tire sell-in in 2018 y-o-y | +2% | from +8% to +10% | +3% | +3% |
| GDP growth E2019 | from +1.8% to +2.7% | from +1.3% to +1.7% | +1.8% | +2.5% |
| Car tire demand E2019 (management estimate) | increase slightly | increase | increase slightly | increase slightly |
| Heavy tire segments* (management estimate) | increase | at previous year's level | increase | increase |

* Nokian Tyres' core product segments

OCTOBER–DECEMBER 2018

Nokian Tyres Group's net sales in October–December 2018 decreased by 3.4% and amounted to EUR 473.6 million (October–December 2017: 490.4). With comparable currencies, net sales decreased by 1.0%. Solid growth in North America and Russia was offset by a decline in Central Europe. The winter season started late in Central Europe and the Nordic countries. Currency exchange rates affected net sales negatively by EUR 11.9 million.

Net sales by market area

| | M€ 10–12/18 | M€ 10–12/17 | Change % | CC* Change % | % of total net sales in 10–12/18 | % of total net sales in 10–12/17 |
|------------------|----------------|----------------|-------------|--------------------|--|--|
| Nordic countries | 205.0 | 212.2 | -3.4 | -0.6 | 43.3 | 43.3 |
| Russia | 85.0 | 89.0 | -4.5 | 7.6 | 18.0 | 18.2 |
| Other Europe | 117.1 | 130.6 | -10.4 | -10.0 | 24.7 | 26.6 |
| North America | 58.5 | 49.2 | 18.9 | 16.6 | 12.4 | 10.0 |
| Other countries | 8.0 | 9.4 | -14.6 | -13.3 | 1.7 | 1.9 |

* Comparable currencies

Net sales by business unit**

| | M€ 10–12/18 | M€ 10–12/17 | Change % | CC* Change % | % of total net sales in 10–12/18 | % of total net sales in 10–12/17 |
|---------------------|----------------|----------------|-------------|--------------------|--|--|
| Passenger Car Tyres | 316.8 | 338.3 | -6.3 | -3.4 | 66.9 | 69.0 |
| Heavy Tyres | 53.0 | 46.5 | 14.1 | 15.1 | 11.2 | 9.5 |
| Vianor | 122.3 | 124.7 | -1.9 | -0.4 | 25.8 | 25.4 |

**including internal sales

* Comparable currencies

Raw material costs (EUR/kg) in manufacturing increased by 4.6% year-over-year, and increased by 4.4% from the third quarter of 2018.

Operating profit amounted to EUR 117.2 million (122.6).

Operating profit by business unit

| | M€ 10–12/18 | M€ 10–12/17 |
|-----------------------------------|----------------|----------------|
| Passenger Car Tyres | 96.5 | 100.9 |
| Heavy Tyres | 9.6 | 9.4 |
| Vianor | 11.7 | 13.1 |
| Other operations and eliminations | -0.6 | -0.9 |
| Total | 117.2 | 122.6 |

Net financial expenses were EUR 3.7 million (3.6), including net interest expenses of EUR 0.9 million (1.1). Net financial expenses include an expense of EUR 2.8 million (2.6) due to exchange rate differences. Profit before tax was EUR 113.5 million (118.9) and taxes were EUR -17.5 million (-24.2). Profit for the period amounted to EUR 96.0 million (94.7), and earnings per share were EUR 0.70 (0.69).

Cash flow

In October–December 2018, cash flow from operating activities was EUR 460.0 million (368.3; including the payment of EUR 59 million concerning the tax dispute related to tax year 2011). Working capital decreased by EUR 334.8 million (292.6). Inventories decreased by EUR 14.9 million (35.9) and receivables decreased by EUR 304.7 million (257.9). Payables increased by EUR 15.3 million (decreased by EUR 1.3 million).

JANUARY–DECEMBER 2018

The Nokian Tyres Group's net sales in 2018 increased by 1.5% and were EUR 1,595.6 million (2017: 1,572.5; 2016: 1,391.2). With comparable currencies, net sales increased by 5.7%, driven by Russia and North America. Currency exchange rates affected net sales negatively by EUR 67.2 million.

Net sales by market area

| | M€ 2018 | M€ 2017 | Change % | CC* Change % | % of total net sales in 2018 | % of total net sales in 2017 |
|------------------|--------------------|--------------------|---------------------|-----------------------------|---|---|
| Nordic countries | 629.3 | 625.2 | 0.6 | 3.5 | 39.4 | 39.8 |
| Russia | 305.5 | 305.2 | 0.1 | 14.7 | 19.1 | 19.4 |
| Other Europe | 436.9 | 440.8 | -0.9 | 0.6 | 27.4 | 28.0 |
| North America | 194.5 | 172.0 | 13.1 | 17.0 | 12.2 | 10.9 |
| Other countries | 29.5 | 29.2 | 0.7 | 6.9 | 1.8 | 1.9 |

*Comparable currencies

Net sales by business unit**

| | M€ 2018 | M€ 2017 | Change % | CC* Change % | % of total net sales in 2018 | % of total net sales in 2017 |
|---------------------|--------------------|--------------------|---------------------|-----------------------------|---|---|
| Passenger Car Tyres | 1,150.8 | 1,138.8 | 1.0 | 6.1 | 72.1 | 72.4 |
| Heavy Tyres | 187.7 | 172.3 | 8.9 | 10.7 | 11.8 | 11.0 |
| Vianor | 337.2 | 339.4 | -0.6 | 1.9 | 21.1 | 21.6 |

**including internal sales

*Comparable currencies

Raw material costs (EUR/kg) in manufacturing decreased by 1.0% compared to the previous year, positively impacted by currencies.

Operating profit amounted to EUR 372.4 million (2017: 365.4; 2016: 310.5). Operating profit percentage was 23.3% (2017: 23.2%; 2016: 22.3%).

Operating profit by business unit

| | M€ 2018 | M€ 2017 |
|-----------------------------------|--------------------|--------------------|
| Passenger Car Tyres | 356.5 | 359.9 |
| Heavy Tyres | 28.6 | 32.2 |
| Vianor | 1.6 | -5.8 |
| Other operations and eliminations | -14.3 | -20.9 |
| Total | 372.4 | 365.4 |

Net financial expenses were EUR 10.7 million (33.0), including net interest expenses of EUR 3.0 million (24.3; including EUR 18.3 million in interest related to tax disputes). Net financial expenses include an expense of EUR 7.7 million (8.7) due to exchange rate differences. Profit before tax was EUR 361.7 million (332.4) and taxes were EUR -66.5 million (-111.0). Profit for the period amounted to EUR 295.2 million (221.4), and earnings per share were EUR 2.15 (1.63). In 2017, profit was penalized by additional taxes and interest of EUR 59 million and EUR 3.1 million in interest related to the tax disputes.

Return on equity was 20.0% (2017: 15.1%; 2016: 18.7%).

Guidance given for 2018

In Nokian Tyres' financial statement bulletin for 2017 published in February 2018, the company published the following outlook for the year:

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

In the January–September 2018 interim report published in October 2018, the guidance was updated as follows:

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

Cash flow

In 2018, cash flow from operating activities was EUR 536.9 million (234.1; affected by payments totaling EUR 77.5 million related to tax disputes).

Working capital decreased by EUR 132.4 million (increased by EUR 72.9 million). Inventories increased by EUR 41.8 million (51.8) and receivables increased by EUR 11.0 million (69.0). Payables increased by EUR 185.3 million (47.9). The Finnish Tax Administration returned the previously paid EUR 148 million in additional taxes and interest to the company in June 2018. The Tax Recipient Services Unit has applied for permission to appeal.

Investments

Investments in 2018 amounted to EUR 226.5 million (134.9). This comprises the construction of the new US factory, production investments in the Russian and Finnish factories, molds for new products, and ICT and process development projects. Depreciations totaled EUR 93.4 million (98.3).

In 2018, the construction of the new US factory progressed in line with plan. Equipment installations started in all building areas. The commercial production is expected to commence in early 2020.

Financial position on December 31, 2018

| | December 31, 2018 | December 31, 2017 |
|---|----------------------|----------------------|
| Cash and cash equivalents, M€ | 447.5 | 343.4 |
| Interest-bearing financial liabilities, M€ | 132.3 | 135.2 |
| of which current interest-bearing financial liabilities, M€ | 126.0 | 0.8 |
| Interest-bearing net debt, M€ | -315.2 | -208.3 |
| Unused credit limits*, M€ | 558.8 | 508.9 |
| of which committed, M€ | 205.5 | 155.6 |
| Gearing ratio, % | -21.2 | -14.2 |
| Equity ratio, % | 71.0 | 78.2 |
| * The current credit limits and the commercial paper program are used to finance inventories, trade receivables, and subsidiaries in distribution chains, thereby controlling the typical seasonality in the Group's cash flow. | | |

Tax rate

The Group's tax rate in 2018 was 18.4% (33.4%; tax rate without tax disputes was 19.2%). The tax rate is positively affected by tax incentives in Russia which are valid until approximately 2022. The Group's estimated operational tax rate is expected to be at the level of 19% for 2019.

The tax rate in the coming years will depend on the timetable and final outcome of the ongoing tax disputes with the Finnish Tax Administration. The Group's corporate annual tax rate may rise as a result of these cases. For further information on the ongoing tax disputes, please see page 19.

Personnel

In 2018, the key focus areas in Human Resources management were global rewarding development and providing support to the implementation of Nokian Tyres' new operating model.

| | 2018 | 2017 | 2016 |
|---|-------|-------|-------|
| Group employees | | | |
| on average | 4,790 | 4,630 | 4,433 |
| at the end of the year | 4,719 | 4,635 | 4,392 |
| in Finland, at the end of the year | 1,769 | 1,724 | 1,616 |
| in Russia, at the end of the year | 1,574 | 1,503 | 1,368 |
| Vianor (own) employees, at the end of the review period | 1,563 | 1,660 | 1,742 |

Salaries, incentives, and other related costs in 2018 totaled EUR 228.9 million (2017: 224.7; 2016: 219.0).

Research & Development

In 2018, Nokian Tyres introduced several new tire models. Approximately 50% of R&D investments are allocated to product testing. Nokian Tyres' R&D costs in 2018 totaled approximately EUR 20.8 million (2017: 21.8; 2016: 20.3), which is 5.8% (2017: 5.8%; 2016: 5.6%) of the Group's operating expenses.

To support the testing of new tires, Nokian Tyres launched the construction project of a new testing center in Spain in 2018. The first test tracks will be completed in 2019, and the testing center is expected to be fully in operation in 2020.

Sales and distribution

Good availability and precise, quick deliveries especially during season are increasingly important parts of a successful tire retail experience. Nokian Tyres is continuously developing the logistics systems and retailer network in order to ensure efficient distribution.

Nokian Tyres' distribution network consists of Nokian Tyres' own Vianor service centers and service centers run by partners, the Nokian Tyres Authorized Dealer (NAD) partners, the N-Tyre retailers, and other tire and vehicle retailers as well as online stores. At the end of 2018, the number of stores was as follows:

- Vianor: 1,318 (1,466) service centers in total, of which 1,130 (1,272) partners
- NAD: 2,162 (1,855) stores
- N-Tyre: 127 (127) stores

BUSINESS UNIT REVIEWS

Passenger Car Tyres

| | 10–12 /18 | 10–12 /17 | Change % | CC* Change % | 2018 | 2017 | Change % | CC* Change % |
|----------------------|--------------|--------------|-------------|--------------------|----------------|---------|-------------|--------------------|
| Net sales, M€ | 316.8 | 338.3 | -6.3 | -3.4 | 1,150.8 | 1,138.8 | 1.0 | 6.1 |
| Operating profit, M€ | 96.5 | 100.9 | | | 356.5 | 359.9 | | |
| Operating profit, % | 30.5 | 29.8 | | | 31.0 | 31.6 | | |

* Comparable currencies

In 2018, net sales of Nokian Passenger Car Tyres totaled EUR 1,150.8 million (1,138.8). With comparable currencies, net sales increased by 6.1%. The growth was driven by higher sales volumes and price/mix with comparable currencies. Average Sales Price with comparable currencies increased slightly. Net sales in July–December were negatively impacted by high inventory levels of summer tires in Russia and lower new car sales in Sweden and Norway. Summer tire inventories are also at a high level in Central Europe. Winter season started late in Central Europe and the Nordic countries.

In 2018, the share of winter tires of sales was 69% (69%), the share of summer tires was 21% (21%), and the share of all season tires was 10% (10%).

Operating profit was EUR 356.5 million (359.9). Operating profit was negatively impacted by currencies and lower volumes in the second half of the year. Raw material costs (€/kg) were down by 1.7% year-over-year, positively impacted by currencies. In order to support further growth, the company is investing in sales and marketing in Central Europe and North America, and building scalable business platforms.

During the review period, capacity utilization increased year-over-year, and the production output (pcs) increased by 6%. In 2018, 84% (85%) of Nokian passenger car tires (pcs) were manufactured in Russia.

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

In May, Nokian Tyres introduced a tire scanning technology SnapScan. SnapScan allows people to find out the condition of their tires free of charge. Nokian Tyres aims to improve road safety and build a comprehensive network of SnapScan stations. Read more at: www.nokiantyres.com/snapskan

Market situation in Russia

In 2019, sales of new cars in Russia are expected to grow by approximately 8–12% compared with 2018, driven by deferred demand but restricted by stagnating real incomes. The total replacement tire market sell-in in Russia is expected to grow by 5–7% in 2019 compared with 2018, with the winter tire sell-in growing and the summer tire sell-in declining due to high carry-over stocks.

Heavy Tyres

| | 10–12 /18 | 10–12 /17 | Change % | CC* Change % | 2018 | 2017 | Change % | CC* Change % |
|-------------------------|--------------|--------------|-------------|--------------------|--------------|-------|-------------|--------------------|
| Net sales, M€ | 53.0 | 46.5 | 14.1 | 15.1 | 187.7 | 172.3 | 8.9 | 10.7 |
| Operating profit, M€ | 9.6 | 9.4 | | | 28.6 | 32.2 | | |
| Operating profit, % | 18.0 | 20.3 | | | 15.2 | 18.7 | | |

* Comparable currencies

In 2018, net sales of Nokian Heavy Tyres totaled EUR 187.7 million (172.3). With comparable currencies, net sales increased by 10.7%. Demand was good in Nokian Heavy Tyres' core product groups. Sales of agricultural tires and forestry tires increased in particular.

Operating profit was EUR 28.6 million (32.2). The decrease is due to the negative currency impact, inventory valuation, and increased costs related to the ongoing ramp-up of new production capacity.

Production output (metric tons) increased slightly compared with the previous year.

Heavy Tyres is increasing its production capacity by 50% by investing a total of approximately EUR 70 million in the factory in Finland during the years 2018–2020. The aim is to increase the maximum capacity for heavy tire production from approximately 20 million kg to 32 million kg. As part of this investment, Heavy Tyres is building a new research and development center. The R&D center will accelerate the testing phase of new tire models. The investments started in April–June 2018, and the project is proceeding in line with plan.

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

Vianor, own operations

| | 10–12 /18 | 10–12 /17 | Change % | CC* Change % | 2018 | 2017 | Change % | CC* Change % |
|--|----------------------|----------------------|---------------------|-----------------------------|--------------|-------------|---------------------|-----------------------------|
| Net sales, M€ | 122.3 | 124.7 | -1.9 | -0.4 | 337.2 | 339.4 | -0.6 | 1.9 |
| Operating profit, M€ | 11.7 | 13.1 | | | 1.6 | -5.8 | | |
| Operating profit, % | 9.6 | 10.5 | | | 0.5 | -1.7 | | |
| Own service centers, pcs, at period end | 188 | | | | 188 | 194 | | |

* Comparable currencies

In 2018, net sales totaled EUR 337.2 million (339.4). With comparable currencies, net sales increased by 1.9%.

Operating profit was EUR 1.6 million (-5.8). The improvement was driven by increased operational efficiency, and better sales management.

At the end of the review period, Vianor had 188 (194) own service centers in Finland, Sweden, Norway, and the USA.

CORPORATE GOVERNANCE

In its decision-making and administration, Nokian Tyres adheres to the Finnish Limited Liability Companies Act, the Finnish Securities Markets Act and the rules issued by Nasdaq Helsinki Ltd, Nokian Tyres' Articles of Association, and the Finnish Corporate Governance Code 2015 for listed companies. Nokian Tyres complies with the code without exceptions. The code is published at www.cgfinland.fi/en/.

The Corporate Governance Statement has been prepared pursuant to the Finnish Corporate Governance Code 2015 for listed companies and the Securities Markets Act (Chapter 7, Section 7) and it is issued separately from the Board of Directors' report. The Board of Directors has reviewed the Corporate Governance Statement, and the auditor KPMG has verified that the Statement has been issued and that the description of the main features of the internal control and risk management systems relating to the financial reporting process is consistent with the financial statements.

CHANGES IN MANAGEMENT

In April, Ms. Tytti Bergman started as SVP, People & Culture and a member of the Management Team.

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

In May, Mr. Mark Earl started as Vice President, Americas Business Area and a member of the Management Team. Ms. Päivi Antola started as Vice President, Investor Relations & Corporate Communications and a member of the Management Team.

In July, Mr. Teemu Kangas-Kärki started as Nokian Tyres' Chief Financial Officer (CFO) and a member of the Management Team.

In October, Mr. Jukka Kasi started as Vice President, Products and Technologies and a member of the Management Team.

In December, Nokian Tyres announced that the company is separating Business Area Europe into two business areas: Business Area Central Europe and Business Area Nordics. Anna Hyvönen, SVP, Vianor and member of Nokian Tyres' Management Team, was appointed SVP, Nordics and Vianor, with the additional responsibility for Nokian Tyres Nordics. Pontus Stenberg, SVP, Europe and member of Nokian Tyres' Management Team, left the company to pursue his career outside of Nokian Tyres. Hannu Liitsola, Managing Director, Central Europe, was appointed interim Head of Business Area, Central Europe.

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

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

SHARES AND SHAREHOLDERS

At the end of December 2018, the number of shares was 138,065,719.

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 was effective until the Annual General Meeting of 2018.

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 was effective until the Annual General Meeting of 2018.

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 invalidated all other Board authorizations regarding share issues and special rights.

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

The Board did not utilize the authorizations in 2018.

Stock options on the Nasdaq Helsinki Stock Exchange

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

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

Shares subscribed with option rights

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

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

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

On November 13, 2018, Nokian Tyres announced that after the registrations of new shares on August 21, 2018, a total of 25,462 shares in Nokian Tyres plc had been subscribed with the 2013C option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 138,065,719 shares.

Own shares

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

Nokian Tyres has an agreement from 2017 with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns Nokian Tyres shares related to the incentive program until the shares are given to the participants of the program. In accordance with IFRS, these repurchased shares, 480,000 in 2017, have been reported as treasury shares in the Consolidated Statement of Financial Position. On December 31, 2018, the number of these shares was 278,083. This number of shares corresponded to 0.2% of the total shares and voting rights in the company.

Trading in shares

A total of 137,669,465 (117,227,947) Nokian Tyres' shares were traded in Nasdaq Helsinki in 2018, representing 100% (85%) of the company's overall share capital. The average daily volume in 2018 was 550,678 shares (467,044). 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 106,076,128 (83,293,139) shares in 2018.

Nokian Tyres' share price was EUR 26.82 (37.80) at the end of 2018. The volume weighted average share price in 2018 was EUR 33.79 (37.25), the highest was EUR 41.26 (41.95) and the lowest was EUR 26.35 (34.24). The company's market capitalization at the end of 2018 was EUR 3.7 billion (5.2 billion).

At the end of the year, the company had 47,007 (39,028) registered shareholders. The percentage of Finnish shareholders was 28.7% (25.5%), and 71.3% (74.5%) were non-Finnish holders and foreign shareholders registered in the nominee register. Public sector entities owned 6.4% (6.0%), financial and insurance corporations 4.6% (3.2%), households 12.1% (10.6%), non-profit institutions 3.3% (3.2%), and private companies 2.3% (2.4%).

Major shareholders, December 31, 2018 (does not include nominee registrations)

| | Number of shares | % of share capital |
|---|------------------|--------------------|
| 1. Varma Mutual Pension Insurance Company | 3,772,007 | 2.7 |
| 2. Ilmarinen Mutual Pension Insurance Company | 3,040,088 | 2.2 |
| 3. The State Pension Fund | 1,150,000 | 0.8 |
| 4. Odin Norden | 1,016,559 | 0.7 |
| 5. Mandatum Life Insurance Company Limited | 749,711 | 0.5 |
| 6. Nordea Bank ABP | 660,659 | 0.5 |
| 7. Nordea | 577,366 | 0.4 |
| 8. Schweizer Nationalbank | 530,789 | 0.4 |
| 9. OP Investment Funds | 508,046 | 0.4 |
| 10. Svenska litteratursällskapet i Finland r.f. | 501,470 | 0.4 |

Changes in ownership

Nokian Tyres has received notifications from BlackRock, Inc. on January 19, January 25, February 27, March 12, March 23, March 29, April 20, April 25, April 26, May 21, June 18, June 28, August 24, September 13, October 1, October 12, November 5, November 26, November 29, December 6, December 11, and December 12, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc as a result of a share transactions concluded on January 18, January 24, February 26, March 9, March 22, March 28, April 19, April 24, April 25, May 16, May 21, June 15, June 27, August 23, September 11, September 28, October 11, November 2, November 23, November 28, December 5, December 10, and December 11.

Nokian Tyres has received notifications from BlackRock, Inc. on January 24, February 20, February 28, March 19, March 26, April 3, April 19, April 24, June 19, June 29, September 5, September 17, October 3, November 6, November 22, November 30, and December 7, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, fell below the level of 5% of the share capital in Nokian Tyres plc as a result of share transactions concluded on January 23, February 19, February 27, March 16, March 23, March 29, April 18, April 23, June 18, June 28, September 4, September 13, October 2, November 5, November 21, November 29, and December 6.

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

Nokian Tyres has received a notification from Bridgestone Corporation on November 13, according to which the direct holding in Nokian Tyres shares fell below level of 10% of the share capital in Nokian Tyres plc as a result of share transactions concluded on November 12.

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

Shareholdings of the Board of Directors, President and CEO, and Management Team on December 31, 2018

| Board of Directors | Number of shares |
|------------------------------|------------------|
| Petteri Walldén, chairman | 20,865 |
| Kari Jordan, deputy chairman | 1,011 |
| Heikki Allonen, member | 1,867 |
| Raimo Lind, member | 3,862 |
| Veronica Lindholm, member | 1,867 |
| Inka Mero, member | 3,260 |
| George Rietbergen, member | 1,204 |
| Pekka Vauramo, member | 674 |
| Total | 34,610 |

| President and CEO | Number of shares | Stock options 2013 2013C |
|---------------------------------|------------------|--------------------------|
| Hille Korhonen, President & CEO | 40,308 | 0 |

| Management Team | Number of shares | Stock options 2013 2013C |
|---|------------------|--------------------------|
| Päivi Antola, IR & Corporate Communications | 0 | 0 |
| Tytti Bergman, People & Culture | 50 | 0 |
| Mark Earl, Americas | 0 | 0 |
| Esa Eronen, Supply Chain & Sustainability | 16,541 | 0 |
| Anna Hyvönen, Nordics & Vianor | 19,117 | 0 |
| Teemu Kangas-Kärki, Finance | 0 | 0 |
| Jukka Kasi, Products & Technologies | 0 | 0 |
| Andrei Pantioukhov, Russia & Asia | 63,588 | 0 |
| Manu Salmi, Nokian Heavy Tyres | 24,003 | 15,000 |
| Timo Tervolin, Strategy & M&A | 8,865 | 0 |
| Susanna Tusa, Legal & Compliance | 5,507 | 4,000 |
| Antti-Jussi Tähtinen, Marketing | 14,555 | 0 |
| Frans Westerlund, IT & Processes | 2,775 | 0 |
| Total | 155,001 | 19,000 |

On December 31, 2018, Nokian Tyres' Board members and the President and CEO held a total of 74,918 Nokian Tyres shares. The shares represent 0.05% of the total number of votes. The Board members and the President and CEO did not hold Nokian Tyres' stock options.

Managers' transactions

Nokian Tyres announced managers' transactions on February 20, 2018, on March 22, 2018, on March 27, 2018, on April 16, 2018, on April 18, 2018, on May 15, 2018, on May 22, 2018, on May 31, 2018, on August 23, 2018, and on September 3, 2018. Read more at:

www.nokiantyres.com/company/publications/releases/2018/managementTransactions/.

DECISIONS MADE AT THE ANNUAL GENERAL MEETING

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

Dividend

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

Members of the Board of Directors and Auditors

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

Audit firm KPMG Oy Ab continue as auditors.

Remuneration of the Members of the Board of Directors

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

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

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

Authorizations

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

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

BOARD OF DIRECTORS' WORKING ARRANGEMENTS

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

CORPORATE SUSTAINABILITY

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

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

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

Nokian Tyres will publish a Corporate Sustainability Report in March 2019.

PERFORMANCE SHARE PLAN: PERFORMANCE PERIOD 2018 AND REALIZATION OF PERFORMANCE PERIOD 2017

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

The rewards paid in 2018, based on the achievement of the performance criteria of the performance period 2017, corresponded to a total of 519,000 shares in Nokian Tyres plc, including also the proportion to be paid in cash. The rewards were paid in 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 were paid in September 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.

FINANCIAL TARGETS FOR 2019–2021

On November 12, 2018, Nokian Tyres announced financial targets for 2019–2021. In line with the strategy update earlier in 2018, Nokian Tyres has entered the next phase of growth and is looking for faster growth especially in North America and Central Europe.

Nokian Tyres' new financial targets are:

- **Growing faster than the market:** CAGR above 5% with comparable currencies
- **Healthy profitability:** EBIT at the level of 22%
- **Good returns for our shareholders:** Dividend above 50% of net earnings

The financial targets will guide the company in reaching its six strategic ambitions, which were set in early 2018:

1. We are the market leader in selected segments in the Nordic countries and Russia
2. We increase our sales by 50% in Central Europe in five years
3. We double our sales in North America in five years
4. Our tires are available in all major winter tire markets
5. We increase the EBITDA of Vianor (own) to +3% by the end of 2019
6. We increase the sales of Heavy Tyres by 50% in four years

SIGNIFICANT RISKS AND UNCERTAINTIES, AND ONGOING DISPUTES

Nokian Tyres' business and financial performance may be affected by several uncertainties. The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of strategic goals and ensures continuity of business. The Group's risk management policy focuses on managing both the risks pertaining to business opportunities and the risks affecting the achievement of the Group's goals in the changing operating environment. The risk management process aims to identify and evaluate the risks, and to plan and implement the practical measures for each risk. Nokian Tyres has detailed the overall business risks and risk management in the 2018 Corporate Governance Statement.

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

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

The risk analysis conducted in 2018 also focused special attention on corporate social responsibility risks, the most significant of which are related to the company's reputation and product quality. Analyses and projects related to information security, data protection, and customer information were a special focus area.

Tax disputes

Dispute concerning 2007–2011

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

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

Background of the Administrative court ruling:

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

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

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

Background of the Tax Administration's decision:

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

Dispute concerning the US subsidiary 2007–2013

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 a total of EUR 18.5 million in additional taxes, with tax increases and interest concerning the tax years 2007–2013. Of this amount, EUR 11.0 million were additional taxes and EUR 7.5 million were tax increases and interest. The company recorded them in full in the financial statements and results for 2013, 2014, and 2017.

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

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

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

MATTERS AFTER THE REVIEW PERIOD

Changes in ownership

Nokian Tyres has received a notification from BlackRock, Inc. on January 7, 2019, and January 11, 2019 according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on January 4, 2019, and January 10, 2019

Nokian Tyres has received notifications from BlackRock, Inc. on January 2, 2019, January 8, 2019, January 22, 2019, and January 29, 2019, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, fell below the level of 5% of the share capital in Nokian Tyres plc as a result of share transactions concluded on December 31, 2018, January 7, 2019, January 21, 2019, and January 28, 2019.

Nokian Tyres has received a notification from Janus Henderson Group plc on January 17, 2019, according to which the indirect holding in Nokian Tyres shares fell below the level of 5% of the share capital in Nokian Tyres plc as a result of share transactions concluded on January 16, 2019.

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

ASSUMPTIONS FOR 2019

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

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

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

Raw material costs (€/kg) are estimated to increase slightly in 2019 compared with 2018.

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

GUIDANCE FOR 2019

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

The proposal for the use of profits by Board of Directors

The distributable funds in the Parent company total EUR 683.0 million.

The Board of Directors proposes to the Annual General Meeting that the distributable funds are to be used as follows:

| | |
|-----------------------|-------------------|
| A dividend of | 1.58 EUR/share |
| be paid out, totaling | EUR 218.6 million |
| retained in equity | EUR 464.4 million |
| Total | EUR 683.0 million |

No material changes have taken place in the financial position of the company since the end of the financial year. The liquidity of the company is good, and the proposed distribution of profits does not compromise the financial standing of the company as perceived by the Board of Directors.

Nokia, February 5, 2019

Nokian Tyres plc
Board of Directors

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

This financial statements release has been prepared in accordance with IAS 34 Interim Reports standard. The company has adopted certain new or revised IFRS standards and IFRIC interpretations at the beginning of the financial period as described in the Financial Statements 2017. However, the adaptation of these new or amended standards has not yet had an effect on the reported figures in practice. On the other respects, the same accounting policies have been followed as in the previous Financial Statements.

The figures in the financial statements release are unaudited.

Amendments to IFRS 2 Share-based Payments

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

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

IFRS 16 Leases

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

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

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

The currently reported lease commitments at the end of 2018 amounted to EUR 159.3 million. IFRS 16 requires significant management estimates, for example regarding the use of extension options on the lease terms and the final assumptions made will affect the reported figures. Although these estimates are based on the management's best knowledge of current situation, actual results may differ from these estimates.

Adaption of IFRS 9 Financial Instruments

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

Classification of financial instruments

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

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

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

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

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

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

Impairment of financial assets

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

Hedge accounting

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

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

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

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

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

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

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 | - |

NOKIAN TYRES
CONSOLIDATED

| INCOME STATEMENT | 10-12/18 | 10-12/17 | 1-12/18 | 1-12/17 | Change % |
|---|---------------|----------|----------------|---------|-------------|
| Million euros | | | | | |
| Net sales | 473.6 | 490.4 | 1,595.6 | 1,572.5 | 1.5 |
| Cost of sales | -254.6 | -263.3 | -865.5 | -838.8 | -3.2 |
| Gross profit | 219.0 | 227.1 | 730.2 | 733.7 | -0.5 |
| Other operating income | 0.6 | 1.3 | 2.5 | 5.8 | -56.3 |
| Selling and marketing expenses | -82.1 | -84.8 | -286.4 | -294.3 | 2.7 |
| Administration expenses | -12.7 | -13.4 | -47.9 | -52.7 | 9.1 |
| Other operating expenses | -7.6 | -7.6 | -25.9 | -27.0 | 4.1 |
| Operating profit | 117.2 | 122.6 | 372.4 | 365.4 | 1.9 |
| Financial income | 20.5 | 31.6 | 83.3 | 118.3 | -29.6 |
| Financial expenses (1) | -24.1 | -35.3 | -94.0 | -151.3 | 37.9 |
| Profit before tax | 113.5 | 118.9 | 361.7 | 332.4 | 8.8 |
| Tax expense (2 (3) | -17.5 | -24.2 | -66.5 | -111.0 | 40.1 |
| Profit for the period | 96.0 | 94.7 | 295.2 | 221.4 | 33.4 |
| Attributable to: | | | | | |
| Equity holders of the parent | 96.0 | 94.7 | 295.2 | 221.4 | |
| Non-controlling interest | - | - | - | - | |
| Earnings per share from the profit attributable to equity holders of the parent | | | | | |
| basic, euros | 0.70 | 0.69 | 2.15 | 1.63 | 32.4 |
| diluted, euros | 0.70 | 0.69 | 2.14 | 1.61 | 32.5 |

| CONSOLIDATED OTHER COMPREHENSIVE INCOME | 10-12/18 | 10-12/17 | 1-12/18 | 1-12/17 |
|---|-----------------|----------|----------------|---------|
| Million euros | | | | |
| Profit for the period | 96.0 | 94.7 | 295.2 | 221.4 |
| Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax: | | | | |
| Gains/Losses from hedge of net investments in foreign operations | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow hedges | 0.0 | 0.3 | 1.3 | 1.3 |
| Translation differences on foreign operations 4) | -12.1 | -9.5 | -67.8 | -33.5 |
| Total other comprehensive income for the period, net of tax | -12.1 | -9.3 | -66.6 | -32.2 |
| Total comprehensive income for the period | 83.8 | 85.4 | 228.7 | 189.2 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the parent | 83.8 | 85.4 | 228.7 | 189.2 |
| Non-controlling interest | - | - | - | - |

1) Financial expenses in 1-12/17 contain EUR 15.2 million expensed 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 back taxes with increases for tax reassessment decisions on year 2011.

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

4) Since the beginning of year 2014 the Group had internal loans that were recognised as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". The impact in 1-12/17 EUR 0.2 million. These internal loans have been converted to equity in the subsidiaries.

| KEY RATIOS | 31.12.18 | 31.12.17 | Change % |
|--|-----------------|----------|----------|
| Equity ratio, % | 71.0 | 78.2 | |
| Gearing, % | -21.2 | -14.2 | |
| Equity per share, euro | 10.79 | 10.74 | 0.4 |
| Interest-bearing net debt, mill. euros | -315.2 | -208.3 | |
| Capital expenditure, mill. euros | 226.5 | 134.9 | |
| Depreciation, mill. euros | 93.4 | 98.3 | |
| Personnel, average | 4,790 | 4,630 | |
| Number of shares (million units) at the end of period | 137.79 | 136.75 | |
| in average | 137.26 | 136.25 | |
| in average, diluted | 138.14 | 137.28 | |

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**
31.12.18
31.12.17

| Million euros | | |
|--|----------------|---------|
| Non-current assets | | |
| Property, plant and equipment | 647.3 | 554.1 |
| Goodwill | 83.6 | 83.3 |
| Other intangible assets | 33.6 | 35.6 |
| Investments in associates | 0.1 | 0.1 |
| Non-current financial investments 1) | 0.7 | 0.7 |
| Other receivables | 7.3 | 8.9 |
| Deferred tax assets | 9.3 | 9.2 |
| Total non-current assets | 781.8 | 691.9 |
| Current assets | | |
| Inventories | 369.2 | 340.1 |
| Trade receivables | 409.5 | 432.9 |
| Other receivables | 71.9 | 56.8 |
| Current tax assets | 13.0 | 12.3 |
| Cash and cash equivalents | 447.5 | 343.4 |
| Total current assets | 1,311.0 | 1,185.4 |
| Total assets | 2,092.9 | 1,877.4 |
| Equity | | |
| Share capital | 25.4 | 25.4 |
| Share premium | 181.4 | 181.4 |
| Treasury shares | -11.4 | -20.3 |
| Translation reserve | -365.4 | -297.6 |
| Fair value and hedging reserves | -0.6 | -1.8 |
| Paid-up unrestricted equity reserve | 222.6 | 203.9 |
| Retained earnings | 1,434.1 | 1,377.4 |
| Non-controlling interest | - | - |
| Total equity | 1,486.1 | 1,468.4 |
| Non-current liabilities | | |
| Deferred tax liabilities | 32.5 | 30.4 |
| Provisions | 0.0 | 0.1 |
| Interest-bearing financial liabilities | 6.3 | 134.4 |
| Other liabilities | 0.5 | 0.4 |
| Total non-current liabilities | 39.3 | 165.3 |
| Current liabilities | | |
| Trade payables | 111.0 | 72.8 |
| Other current payables | 319.6 | 158.7 |
| Current tax liabilities | 6.5 | 6.9 |
| Provisions | 4.4 | 4.4 |
| Interest-bearing financial liabilities | 126.0 | 0.8 |
| Total current liabilities | 567.4 | 243.6 |
| Total equity and liabilities | 2,092.9 | 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 | 1-12/18 | 1-12/17 |
|---|----------------|----------------|
| Million euros | | |
| Profit for the period | 295.2 | 221.4 |
| Adjustments for | | |
| Depreciation, amortisation and impairment | 93.4 | 98.4 |
| Financial income and expenses | 10.7 | 33.1 |
| Gains and losses on sale of intangible assets, other changes | 11.8 | 5.9 |
| Income Taxes | 66.5 | 111.0 |
| Cash flow before changes in working capital | 477.6 | 469.8 |
| Changes in working capital | | |
| Current receivables, non-interest-bearing, increase (-) / decrease (+) | -11.0 | -69.0 |
| Inventories, increase (-) / decrease (+) | -41.8 | -51.8 |
| Current liabilities, non-interest-bearing, increase (+) / decrease (-) | 185.3 | 47.9 |
| Changes in working capital | 132.4 | -72.9 |
| Financial items and taxes | | |
| Interest and other financial items, received | 2.2 | 2.6 |
| Interest and other financial items, paid | -12.4 | -36.1 |
| Dividens received | 0.0 | -0.0 |
| Income taxes paid | -63.0 | -128.9 |
| Financial items and taxes | -73.2 | -162.3 |
| Cash flow from operating activities (A) | 536.9 | 234.6 |
| Cash flows from investing activities | | |
| Acquisitions of property, plant and equipment and intangible assets | -226.5 | -134.9 |
| Proceeds from sale of property, plant and equipment and intangible assets | 0.3 | 1.7 |
| Acquisitions of Group companies | -0.9 | -0.3 |
| Change in non-controlling interest | - | - |
| Acquisitions of other investments | 0.0 | 0.0 |
| Cash flows from investing activities (B) | -227.1 | -133.5 |
| Cash flow from financing activities: | | |
| Proceeds from issue of share capital | 18.7 | 35.0 |
| Purchase of treasury shares | - | -17.8 |
| Change in current financial receivables, increase (-) / decrease (+) | -9.0 | -16.2 |
| Change in non-current financial receivables, increase (-) / decrease (+) | 0.5 | 0.7 |
| Change in current financial borrowings, increase (+) / decrease (-) | 123.5 | -78.4 |
| Change in non-current financial borrowings, increase (+) / decrease (-) | -125.1 | 11.5 |
| Dividens received | 0.5 | 0.1 |
| Dividends paid | -214.2 | -208.0 |
| Cash flow from financing activities (C) | -205.1 | -273.1 |
| Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C) | 104.7 | -172.0 |
| Cash and cash equivalents at the beginning of the period | 343.4 | 513.2 |
| Effect of exchange rate fluctuations on cash held | 0.7 | -2.2 |
| Cash and cash equivalents at the end of the period | 447.5 | 343.4 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

| Million euros | Equity attributable to equity holders of the parent | | | | | | | | |
|--|---|--------------|--------------|---------------|-------------|--------------|----------------|----------|----------------|
| | 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 | | | | | | | 221.4 | | 221.4 |
| Other comprehensive income, net of tax: | | | | | | | | | |
| Cash flow hedges | | | | | 1.3 | | | | 1.3 |
| Net investment hedge | | | | | | | | | - |
| Translation differences | | | | -33.5 | | | | | -33.5 |
| Total comprehensive income for the period | | | | -33.5 | 1.3 | 0.0 | 221.4 | | 189.2 |
| Dividends paid | | | | | | | -208.0 | | -208.0 |
| Exercised warrants | | | | | | 35.0 | | | 35.0 |
| Acquisition of treasury shares | | | -17.8 | | | | | | -17.8 |
| Share-based payments | | | 4.2 | | | | 7.4 | | 11.5 |
| Total transactions with owners for the period | | | -13.6 | | | 35.0 | -200.6 | | -179.3 |
| Equity, 31 Dec 2017 | 25.4 | 181.4 | -20.3 | -297.6 | -1.8 | 203.9 | 1,377.4 | - | 1,468.4 |
| Equity, 31 Dec 2017 | 25.4 | 181.4 | -20.3 | -297.6 | -1.8 | 203.9 | 1,377.4 | - | 1,468.4 |
| Change in accounting principles (IFRS 2) | | | | | | | 6.1 | | 6.1 |
| Change in accounting principles (IFRS 9) | | | | | | | -9.6 | | -9.6 |
| Equity, 1 Jan 2018 | 25.4 | 181.4 | -20.3 | -297.6 | -1.8 | 203.9 | 1,373.8 | - | 1,464.8 |
| Profit for the period | | | | | | | 295.2 | | 295.2 |
| Other comprehensive income, net of tax: | | | | | | | | | |
| Cash flow hedges | | | | | 1.3 | | | | 1.3 |
| Net investment hedge | | | | | | | | | - |
| Translation differences | | | | -67.8 | | | | | -67.8 |
| Total comprehensive income for the period | | | | -67.8 | 1.3 | | 295.2 | | 228.7 |
| Dividends paid | | | | | | | -214.2 | | -214.2 |
| Exercised warrants | | | | | | 18.7 | | | 18.7 |
| Acquisition of treasury shares | | | | | | | | | - |
| Share-based payments | | | 8.9 | | | | -20.7 | | -11.8 |
| Total transactions with owners for the period | | | 8.9 | | | 18.7 | -234.9 | | -207.3 |
| Equity, 31 Dec 2018 | 25.4 | 181.4 | -11.4 | -365.4 | -0.6 | 222.6 | 1,434.2 | - | 1,486.1 |

| SEGMENT INFORMATION | 10-12/18 | 10-12/17 | 1-12/18 | 1-12/17 | Change % |
|---|-----------------|-----------------|----------------|----------------|---------------------|
| Million euros | | | | | |
| Net sales | | | | | |
| Passenger car tyres | 316.8 | 338.3 | 1,150.8 | 1,138.8 | 1.0 |
| Heavy tyres | 53.0 | 46.5 | 187.7 | 172.3 | 8.9 |
| Vianor | 122.3 | 124.7 | 337.2 | 339.4 | -0.6 |
| Other operations | 4.4 | 3.9 | 10.5 | 11.2 | -6.5 |
| Eliminations | -23.0 | -22.9 | -90.6 | -89.3 | -1.4 |
| Total | 473.6 | 490.4 | 1,595.6 | 1,572.5 | 1.5 |
| Operating result | | | | | |
| Passenger car tyres | 96.5 | 100.9 | 356.5 | 359.9 | -1.0 |
| Heavy tyres | 9.6 | 9.4 | 28.6 | 32.2 | -11.3 |
| Vianor | 11.7 | 13.1 | 1.6 | -5.8 | 127.7 |
| Other operations | -5.1 | -8.1 | -13.3 | -23.7 | 43.8 |
| Eliminations | 4.5 | 7.2 | -1.0 | 2.8 | -134.6 |
| Total | 117.2 | 122.6 | 372.4 | 365.4 | 1.9 |
| Operating result, % of net sales | | | | | |
| Passenger car tyres | 30.5 | 29.8 | 31.0 | 31.6 | |
| Heavy tyres | 18.0 | 20.3 | 15.2 | 18.7 | |
| Vianor | 9.6 | 10.5 | 0.5 | -1.7 | |
| Total | 24.7 | 25.0 | 23.3 | 23.2 | |
| NET SALES BY MARKET AREA | 10-12/18 | 10-12/17 | 1-12/18 | 1-12/17 | Change % |
| Million euros | | | | | |
| Nordic | 205.0 | 212.2 | 629.3 | 625.2 | 0.6 |
| Russia | 85.0 | 89.0 | 305.5 | 305.2 | 0.1 |
| Other Europe | 117.1 | 130.6 | 436.9 | 440.8 | -0.9 |
| North America | 58.5 | 49.2 | 194.5 | 172.0 | 13.1 |
| Other | 8.0 | 9.4 | 29.5 | 29.2 | 0.7 |

| CHANGES IN PROPERTY, PLANT AND EQUIPMENT | 31.12.18 | 31.12.17 |
|---|-----------------|-----------------|
| Million euros | | |
| Opening balance | 554.1 | 542.3 |
| Capital expenditure | 226.5 | 134.9 |
| Decrease | -13.8 | -2.4 |
| Depreciation for the period | -93.4 | -98.3 |
| Exchange differences | -26.1 | -22.4 |
| Closing balance | 647.3 | 554.1 |

| CONTINGENT LIABILITIES | 31.12.18 | 31.12.17 |
|-------------------------------------|-----------------|----------|
| Million euros | | |
| FOR OWN DEBT | | |
| Mortgages | 0.9 | 1.0 |
| Pledged assets | 4.7 | 4.6 |
| ON BEHALF OF OTHER COMPANIES | | |
| Guarantees | 0.4 | 0.4 |
| OTHER OWN COMMITMENTS | | |
| Guarantees | 27.7 | 10.3 |
| Leasing and rent commitments | 159.3 | 89.3 |
| Purchase commitments | 29.9 | 1.1 |

**CARRYING AMOUNTS AND FAIR
VALUES OF FINANCIAL ASSETS
AND LIABILITIES**

| | 31.12.18 | | 31.12.17 | |
|--|----------------------------|-----------------------|--------------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Million euros | | | | |
| FINANCIAL ASSETS | | | | |
| Fair value through profit or loss | | | | |
| Derivatives held | | | | |
| for trading | 5.5 | 5.5 | 9.5 | 9.5 |
| Derivatives designated as hedges* | 23.4 | 23.4 | 12.8 | 12.8 |
| Amortized cost | | | | |
| Other non-current receivables | 7.3 | 6.1 | 8.9 | 8.3 |
| Trade and other receivables | 409.9 | 410.5 | 433.4 | 434.0 |
| Money market instruments | 83.0 | 83.0 | 30.0 | 30.0 |
| Bank deposits | - | - | 14.4 | 14.4 |
| Cash in hand and at bank | 364.4 | 364.4 | 299.1 | 299.1 |
| Fair value through other comprehensive income | | | | |
| Unquoted shares | 0.7 | 0.7 | 0.7 | 0.7 |
| Total financial assets | 894.3 | 893.6 | 808.8 | 808.8 |
| FINANCIAL LIABILITIES | | | | |
| Fair value through profit or loss | | | | |
| Derivatives held | | | | |
| for trading | 9.9 | 9.9 | 1.2 | 1.2 |
| Derivatives designated as hedges* | 3.9 | 3.9 | 3.2 | 3.2 |
| Amortized cost | | | | |
| Interest-bearing financial liabilities | 132.3 | 133.1 | 135.2 | 136.0 |
| Trade and other payables | 111.0 | 111.0 | 72.8 | 72.8 |
| Total financial liabilities | 257.1 | 257.8 | 212.4 | 213.2 |

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

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

DERIVATIVE FINANCIAL

| INSTRUMENTS | 31.12.18 | 31.12.17 |
|-------------------------------------|-----------------|-----------------|
| Million euros | | |
| INTEREST RATE DERIVATIVES | | |
| Interest rate swaps | | |
| Notional amount | 200.0 | 100.0 |
| Fair value | -1.6 | -1.3 |
| FOREIGN CURRENCY DERIVATIVES | | |
| Currency forwards | | |
| Notional amount | 420.0 | 387.2 |
| Fair value | -4.5 | 8.3 |
| Currency options, purchased | | |
| Notional amount | 27.5 | 15.2 |
| Fair value | 0.3 | 0.1 |
| Currency options, written | | |
| Notional amount | 37.6 | 30.5 |
| Fair value | -0.2 | -0.2 |
| Interest rate and currency swaps | | |
| Notional amount | 86.0 | 67.5 |
| Fair value | 18.1 | 10.8 |
| ELECTRICITY DERIVATIVES | | |
| Electricity forwards | | |
| Notional amount | 4.8 | 5.6 |
| Fair value | 2.9 | 0.0 |

BUSINESS COMBINATIONS

On December 31, 2018 Vianor AS acquired Dekksenteret Forde AS. This acquisition has minor impact on group accounts.

Recognized amounts of identifiable assets acquired and liabilities assumed:

| | |
|--|------------|
| Property, plant and equipment | 0.0 |
| Inventories | 0.1 |
| Trade and other receivables | 0.2 |
| Cash and cash equivalents | 0.1 |
| Total Assets | 0.5 |
| Deferred tax liabilities | - |
| Financial liabilities | - |
| Trade and other payables | 0.3 |
| Total liabilities | 0.3 |
| Total identifiable net assets | 0.1 |
| Composition of goodwill in the acquisition | |
| Consideration transferred | 1.0 |
| Total identifiable net assets | 0.1 |
| Goodwill | 0.9 |
| Consideration paid in cash | 1.0 |
| Cash and cash equivalents in the subsidiaries acquired | 0.1 |
| Net cash outflow | 0.9 |

The expectations relating to the growth in sales through increased customer base, and the future expectations on improved market area coverage and sales increase resulted in the recognition of goodwill.

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totaling EUR 0.0 million, are included in the consolidated income statement. The actual acquisition dates and the nature of the operations taken into account the effect of the acquisition on the consolidated net sales and profit is not material even if they all were combined as of the beginning of the financial year.

The acquisition related costs of EUR 0.0 million have been recorded as selling and marketing expenses. There were no other transactions recognised separately from these acquisitions. The consideration has been transferred in cash and no significant contingent consideration arrangements were included. No non-controlling interest remained in the acquiree. The identifiable assets acquired and liabilities assumed are recognised in fair value. Goodwill is measured as the excess of the consideration transferred over the total identifiable net assets. None of the goodwill recognised is deductible for income tax purposes.

DEFINITIONS OF CONSOLIDATED KEY FINANCIAL INDICATORS

Earnings per share, euro:

Profit for the period attributable to the equity holders of the parent / Average adjusted number of shares during the period excluding treasury shares

Earnings per share (diluted), euro:

Profit for the period attributable to the equity holders of the parent / Average adjusted and diluted number of shares during the period excluding treasury shares

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

Equity ratio, %:

Total equity x 100 / (Total assets - advances received)

Gearing, %:

Interest-bearing net debt x 100 / Total equity

Equity per share, euro:

Equity attributable to equity holders of the parent / Adjusted number of shares on the reporting date excluding treasury shares

DEFINITION OF MARKETS

the Nordic countries: Finland, Norway, Sweden

Other Europe: Europe excl. the Nordic countries

Russia

Americas incl. North America: Canada, USA

Other countries: All other countries

Core markets: the Nordic countries and Russia