HALF YEAR FINANCIAL REPORT 1–6/2018

STRONG SALES GROWTH WITH NCREASED OPERATING PROFIT

AUGUST 8, 2018

HILLE KORHONEN
PRESIDENT AND CEO



GOOD FIRST HALF OF THE YEAR - GROWTH IN ALL MAIN MARKETS

- Net sales EUR 765.2 million (718.9), +12.5% with comparable currencies.
 - Growth in all main markets, good development in volumes and prices.
 - In Passenger Car Tyres, growth was driven by sales volumes and prices particularly during the second quarter with increased market shares.
 - In Heavy Tyres, especially sales of agricultural tyres and forestry tyres performed well.
- Operating profit EUR 169.3 million (153.0).
 - Improvement driven by strong performance in Passenger Car Tyres and Vianor.
 - Raw material costs EUR/kg -2.6%
- Full year <u>guidance</u> for 2018 unchanged.



MARKET OVERVIEW AND NOKIAN TYRES PERFORMANCE 1-6/2018

Russian market continued growing, we strengthened position in all markets

The Nordic countries	
New car sales	+11%
Car tyre sell-in	+2%
Heavy tyre segments *	
Nokian Tyres sales & SOM	
Car tyre sales, pcs	+
Car tyre SOM	+

Europe (incl. the Nordic countrie	es)
New car sales	+3%
Car tyre sell-in	+1%
Heavy tyre segments *	
Nokian Tyres sales & SOM (Other Europe, excl. the Nordic countries)	
Car tyre sales, pcs	+
Car tyre SOM	+

Russia	
New car sales	+18%
Car tyre sell-in	+10%
Heavy tyre segments *	→
Nokian Tyres sales & SOM	
Car tyre sales, pcs	+
Car tyre SOM	+

North America	
New car sales	+2%
Car tyre sell-in	+2%
Heavy tyre segments *	
Nokian Tyres sales & SOM	
Car tyre sales, pcs	+
Car tyre SOM	+



KEY FIGURES 1-6/2018

Key figures, EUR million	4-6 /18	4-6 /17	Change %	CC* Change %	1–6 /18	1–6 /17	Change %	CC* Change %	2017
Net sales	429.1	393.0	9.2	15.1	765.2	718.9	6.4	12.5	1,572.5
Operating profit	108.0	94.1			169.3	153.0			365.4
Operating profit %	25.2	24.0			22.1	21.3			23.2
Profit before tax	105.4	87.1			165.4	146.0			332.4
Profit for the period	87.5	71.1			134.1	116.4			221.4
Earnings per share, EUR	0.63	0.52			0.97	0.86			1.63
Equity ratio, %					70.5	76.4			78.2
Cash flow from operating activities	169.0	-5.9			150.6	-46.0			234.1
Gearing, %					-7.2	-2.6			-14.2
Interest-bearing net debt					-99.6	-36.0			-208.3
Capital expenditure	47.4	42.6			64.9	60.0			134.9

^{*} Comparable currencies



PASSENGER CAR TYRES

Sales +15.5%, market shares improved

	4-6 /18	4-6 /17	Change %	1–6 /18	1–6 /17	Change %	CC Change %	2017
Net sales, M€	309.0	276.4	11.8	568.0	524.4	8.3	15.5	1,138.8
Operating profit, M€	94.5	84.8		168.5	160.7			359.9
Operating profit, %	30.6	30.7		29.7	30.6			31.6

- Growth driven by sales volumes (+14.2%) and prices (price/mix +1.3%) especially during Q2 with increased market shares. Currency -7.2%.
- Operating profit increased driven by volumes and prices. Raw material costs -3.1%. Investment into scalable business platforms ongoing to support further growth.
- Increased share of production in Finland to meet the growing demand.
 - 85% (86) of passenger car tyres were manufactured in Russia in H1.
 - Production capacity in Finland will be increased further by approximately
 1 million tyres: production will run six days a week at the latest in the beginning of
 2019.
- Production output (pcs) +13%.



HEAVY TYRES

Sales +9.3%, good demand in core product groups

	4-6 /18	4-6 /17	Change %	1–6 /18	1–6 /17	Change %	CC Change %	2017
Net sales, M€	46.5	44.0	5.8	89.6	83.8	7.0	9.3	172.3
Operating profit, M€	4.9	9.1		13.2	14.8			32.2
Operating profit, %	10.5	20.8		14.7	17.7			18.7

- Sales of agricultural tyres and forestry tyres increased in particular.
- Operating profit decreased due to the negative currency impact, inventory valuation and increased costs related to the ongoing ramp-up of new production capacity.
- Production capacity in Finland will be increased by 50% in 2018–2020.
 Total investment EUR 70 million, started in Q2.



VIANOR

Profitability improving in line with plan

Own operations	4–6 /18	4-6 /17	Change %	1–6 /18	1–6 /17	Change %	CC Change %	2017
Net sales, M€	93.0	89.8	3.6	146.2	146.1	0.1	3.4	339.4
Operating profit, M€	10.0	4.0		-4.7	-11.8			-5.8
Operating profit, %	10.7	4.5		-3.2	-8.1			-1.7
Own service centers, pcs, at period end	193	205						194

- Net sales increased by 3.4%.
- The improvement in profitability was driven by network optimization and increased operational efficiency.





OUR ASSUMPTIONS FOR 2018

- In 2018, the market demand for replacement car tyres is expected to show some growth.
- The company's replacement tyre market position (sell-in) is expected to improve in 2018 in all key markets. In Russia, the company expects to retain and further strengthen its market leader position in the A+B segments in 2018.
- Raw material costs (€/kg) are estimated to remain approximately at the same level in 2018 compared with 2017.
- Nokian Tyres retains a competitive advantage by manufacturing in Russia. 56% of the Russian production was exported in January–June 2018. The total annual capacity of the Vsevolozhsk factory is approximately 17 million tyres.
- 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, sales and EBIT are expected to increase year-over-year.
- Vianor (own) is expected to increase sales (comparable currencies), further develop the service business, and improve the operating result in the full year 2018.



AND PARTY OF THE P

GUIDANCE FOR 2018

- UNCHANGED

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





PASSENGER CAR TYRES – NEW PRODUCTS

Peace of mind under all conditions

FOUR NEW NOKIAN HAKKAPELIITTA AND NOKIAN WR WINTER TYRE PRODUCT FAMILIES

- Nordic non-studded Nokian Hakkapeliitta R3 and R3 SUV winter tyres for the Nordic, Russia and North America
- Nokian WR SUV 4 for varying Central European winter weather and higher speeds
- Nokian WR G4 all weather tyre for safe driving in every season in North American market



NOKIAN TYRES EXCELLED IN TYRE TESTS

Several wins in car magazine tests all over the world

2018 summer, for example:

- Nokian Hakka Green 2 winner in Russia (Auto Review and Za Rulem)
- Nokian Hakka Blue 2 SUV winner in Ukraine (Auto Centre), in Norway (auto, motor og sport) and in Sweden (auto, motor & sport)
- Nokian Hakka Black 2 shared 1st place in Ukraine (Auto Centre)

2017 winter, for example:

- Nokian Hakkapeliitta 9 winner in Finland (Tuulilasi), in Sweden (auto, motor & sport and Vi Bilägare), in Norway (auto, motor og sport) and in Russia (Za Rulem)
- Nokian Hakkapeliitta R2 winner in Sweden (auto, motor & sport and Vi Bilägare), in Norway (auto, motor og sport), in Russia (Za Rulem) and shared 1st place in Ukraine (AutoCentre)
- Nokian Hakkapeliitta R2 SUV winner in Finland (Tuulilasi) and in Russia (AutoReview)
- Nokian WR D4 winner in Sweden (Teknikens Värld) and in Norway (auto, motor og sport)



HEAVY TYRES - NEW PRODUCTS

Strong duration and premium stability

NOKIAN TRACTOR KING - REVOLUTIONARY FROM SURFACE TO CORE

 Tractor tyre for the heaviest of machinery and the most difficult terrain in forestry, earthmoving and road construction

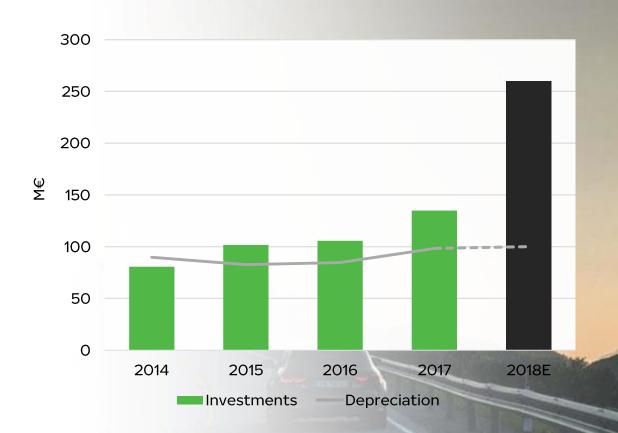
NOKIAN ARMOR GARD 2 RESOLVES
THE KEY ISSUES OF URBAN EXCAVATION

- Designed to start a new era of excavation work in city environments all over the world
- Better stability and improved lifetime



WE ARE INVESTING TO SUPPORT OUR FUTURE GROWTH

- Construction work of Dayton factory (TN, US)
- Russian automated warehouse
- Heavy Tyres production expansion
- Testing center in Spain





FACTORY CONSTRUCTION IN DAYTON, US IS PROGRESSING WELL

OUR AMBITION IS TO DOUBLE SALES IN NORTH AMERICA IN THE NEXT FIVE YEARS

- The initial capacity will be four million tyres annually with potential to expand
- The site will also house a distribution facility with a storage capacity of 600,000 tyres
- Production is planned to begin in 2020 about one million tyres
- While the Dayton factory will serve North American customers more efficiently, it will also release capacity from other factories to serve other growth markets
- Total investment USD 360 million in years 2018-2021

www.nokiantyres.com/daytonfactory/



CONSTRUCTION PROJECT OF THE NEW TESTING CENTER IN SPAIN STARTED

- The 300 hectare testing area will have 10+ test tracks
- Allows year-round testing of summer, all season and winter tyres
- First test tracks will be completed next year, fully operational in 2020
- The project will employ about 200 people during construction and up to 40 new positions once complete
- Total investment EUR 60 million in the next three years



OUR FOCUS IN H2 AND BEYOND IS CLEAR

We will further strenghten our position in home and growth markets (CE, NA) for passenger car tyres.

We will grow Nokian Heavy Tyres in a profitable manner.

We continue to improve Vianor's profitability.

THROUGH

- Expanding distribution and implementing dealer services
- Implementing our renewed brand story
- Investing in new product lines, testing capabilities (Spain), and in our factories
- Building shared business platforms
- Creating a unified team with a shared mission

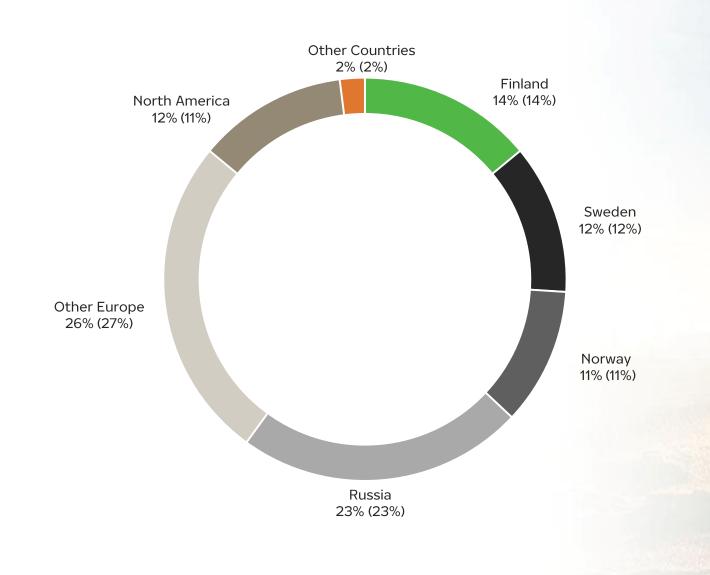






APPENDIX

NET SALES BY MARKET AREA 1-6/2018



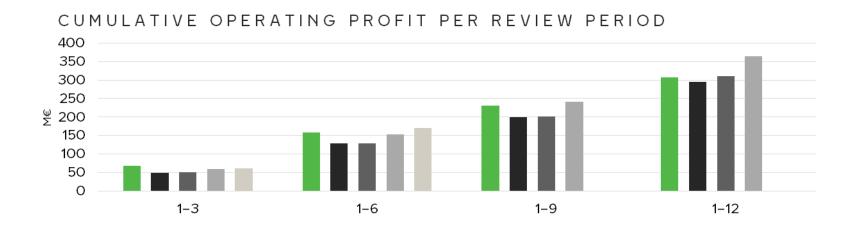
GROUP OPERATING PROFIT PER QUARTER 2014-H1/2018

1-6/2018

- Net sales 765.2 M€ (718.9 M€), +6.4%
- Operating profit 169.3 M€ (153.0 M€)

4-6/2018

- Net sales 429.1 M€ (393.0 M€), +9.2%
- Operating profit 108.0 M€ (94.1 M€)







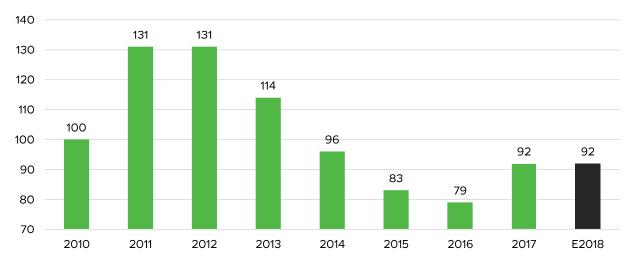
RAW MATERIAL COST DEVELOPMENT

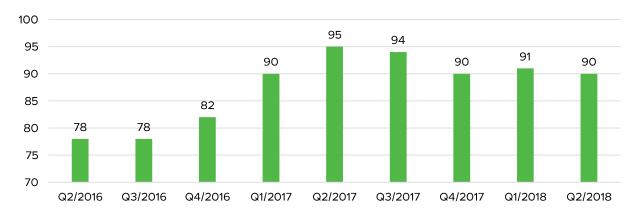
Decreased slightly in H1

RAW MATERIAL COSTS (€/KG)

- decreased by 2.6% in H1/2018 vs. H1/2017
- decreased by 1.1% in Q2/2018 vs. Q1/2018
- Estimated to remain approximately at the same level in the full year 2018 compared with 2017.

RAW MATERIAL COST DEVELOPMENT INDEX 2010-E2018







APPENDIX VALUE OF RAW MATERIAL CONSUMPTION (%) IN 1-6/2018 Chemicals 14% Natural Rubber 30% Reinforcement Material 19%

Synthetic Polymers

nokicin[®] **TYRES**

24%

Fillers

13%

APPENDIX

NETWORK DEVELOPMENT PROGRESSED

USA

PORTUGAL

Vianor, NAD, N-Tyre; -5 stores in 1-6/2018

N-TYRE VIANOR

NAD

VIANOR – 1,397 SERVICE CENTERS IN 25 COUNTRIES

- 193 equity and 1,204 partner
- Equity -1, partner -68 vs. year-end 2017
- Largest tyre chain in the Nordic and Baltic countries:
 369 service centers (-5 vs. year-end 2017)
- Largest tyre chain in Russia and CIS: 555 service centers (-57 vs. year-end 2017)
- Central Europe: 400 service centers (+3 vs. year-end 2017)
- USA: 73 service centers (-10 vs. year-end 2017)

NOKIAN TYRES AUTHORIZED DEALERS (NAD) - 1,936 STORES

- in 23 European countries and China
- increase of 81 stores vs. year-end 2017

N-TYRE - 120 STORES

- in Russia, Kazakhstan and Belarus
- decrease of 7 stores vs. year-end 2017



IT'S A BEAUTIFUL JOURNEY

Disclaimer

Statements in this presentation, which are not historical facts, such as expectations, anticipations, beliefs and estimates, are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties which may cause actual results to materially differ from those expressed in such forward-looking statements. Nokian Tyres assumes no responsibility to update any of the forward-looking statements contained herein. No representation or warranty, express or implied, is made or given by or on behalf of Nokian Tyres or its employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this presentation.

