



INTERIM REPORT 1-3/2018

GOOD DEVELOPMENT IN VOLUMES AND PRICES,
HEADWIND FROM CURRENCIES

HILLE KORHONEN
PRESIDENT AND CEO

MAY 9, 2018

A person with long brown hair, wearing a dark blue puffer jacket and a grey scarf, is seen from behind. They are carrying a large brown leather backpack and looking out over a body of water towards a range of snow-capped mountains under a cloudy sky. The scene is misty and atmospheric.

1. Q1 IN A NUTSHELL

**2. NOKIAN TYRES FINANCIAL
PERFORMANCE**

3. BUSINESS UNITS

4. MISSION

5. NOKIAN TYRES GOING FORWARD

Q1 IN A NUTSHELL

GOOD START OF THE YEAR

- Net sales improved in all market areas despite the negative currency effect
 - Net sales increased by 3.1% compared with Q1/2017 (9.3% with currency neutral exchange rates)
 - In Passenger Car Tyres sales volumes and prices in local currencies improved together with product mix
 - The summer tyre season did not start properly during Q1 due to weather conditions, which had an impact on equity-owned Vianor sales as well
 - In Heavy Tyres, especially sales of agricultural tyres and forestry tyres increased
- Operating profit increased compared with Q1/2017
 - Negative currency impact on Passenger Car tyres due to high share of Russian domestic sales from production volumes
 - Heavy Tyres and Vianor improved

A person with long brown hair, wearing a dark blue puffer jacket and a grey scarf, is seen from behind. They are carrying a large brown leather backpack and looking out over a body of water towards a range of snow-capped mountains under a cloudy sky.

1. Q1 IN A NUTSHELL

2. NOKIAN TYRES FINANCIAL PERFORMANCE

1. MARKET OVERVIEW
2. SUMMARY
3. GROUP OPERATING PROFIT
4. RAW MATERIAL COST DEVELOPMENT
5. TOTAL INVESTMENTS

3. BUSINESS UNITS

4. MISSION

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MARKET OVERVIEW 1-3/2018

Russia's growth continued

	the Nordic countries	Russia	Europe (incl. the Nordic countries)	North America
GDP growth E2018	+1.8%–+3.0%	+1.5%–2.0%	+2.5%	+2.9%
New car sales	-3%	+22%	+1%	+2%
Car tyre* sell-in	-5%	+10%	-5%	-4%
Heavy tyre segments **	➡	➡	➡	➡
Currency impact	●	●	-	●

*) premium and mid-segment

**) Nokian Tyres core product segments

SUMMARY 1-3/2018



Good development in volumes and prices, headwind from currencies

Key figures, EUR million	1-3/18	1-3/17	Change %	2017
Net sales	336.0	325.9	3.1	1,572.5
Operating profit	61.2	58.9	4.0	365.4
Operating profit %	18.2	18.1		23.2
Profit before tax	60.0	58.9	2.0	332.4
Profit for the period	46.6	45.3	2.8	221.4
Earnings per share, EUR	0.34	0.33		1.63
Equity ratio, %	79.1	74.5		78.2
Cash flow from operating activities	-18.3	-40.1		234.1
Gearing, %	-11.6	-16.4		-14.2
Interest-bearing net debt	-174.1	-253.4		-208.3
Capital expenditure	17.5	17.3	1.1	134.9

NOKIAN TYRES' PERFORMANCE 1-3/2018

Sales growth in all key markets, SOM increased

Sales & SOM	the Nordic countries	Russia	Other Europe	North America
Net sales	+2.8%	+4.8%	+1.7%	+5.4%
Car tyre sales pcs	+/-	+	+	+
Car tyre SOM	+	+	+	+

Profitability	
Currency effect to net sales, M€	-20.2
Raw material cost	+0.8%
Fixed costs (€)	
Car tyre ASP (€/pcs)	
Car tyre production volume (pcs)	+10%
Car tyre productivity (kg/mh)	+/-

Distribution	Units	Change 1-3/18 (pcs)
Vianor equity	193	-1
Vianor total	1,419	-47
NAD + N-Tyre	2,004	+22

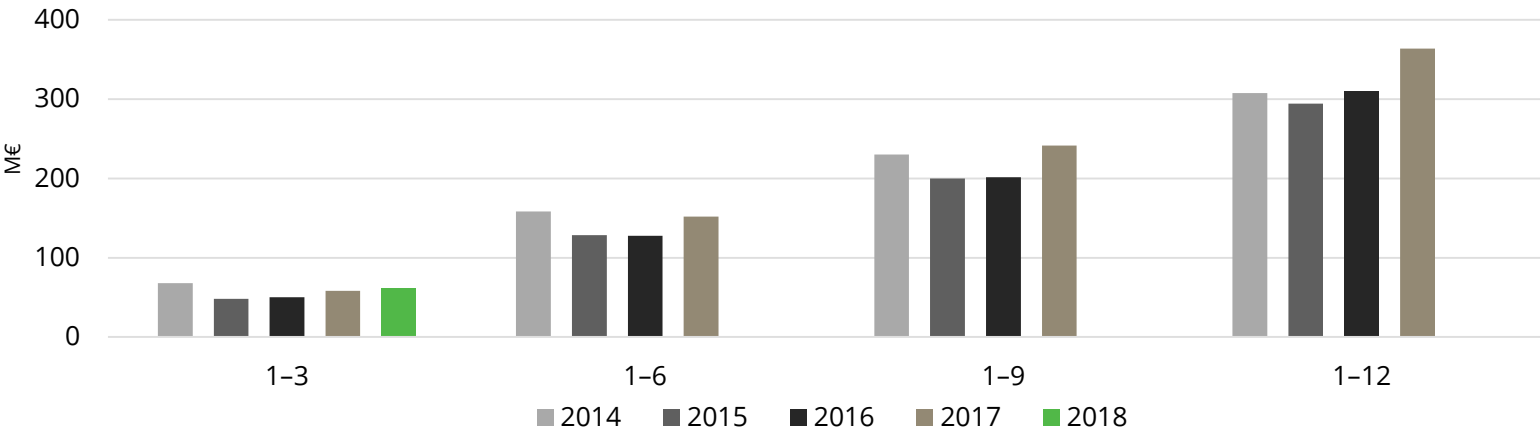
GROUP OPERATING PROFIT PER QUARTER 2014–Q1/2018

Increased slightly in Q1 year-over-year

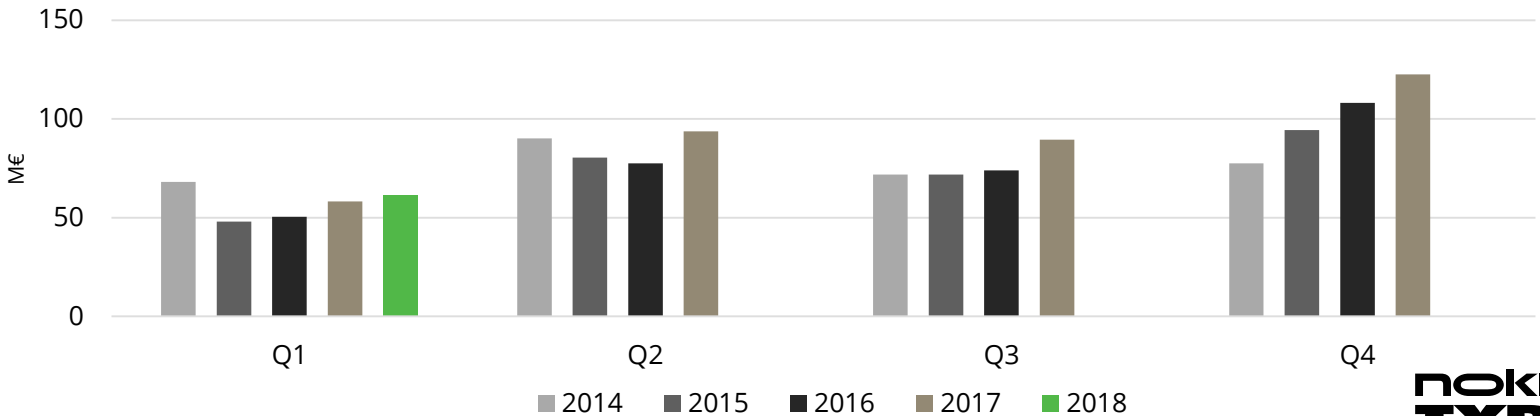
1–3/2018

- Net sales 336.0 M€ (325.9 M€), +3.1%
- EBIT 61.2 M€ (58.9 M€), +4.0%

CUMULATIVE OPERATING PROFIT PER REVIEW PERIOD



GROUP OPERATING PROFIT PER QUARTER



RAW MATERIAL COST DEVELOPMENT

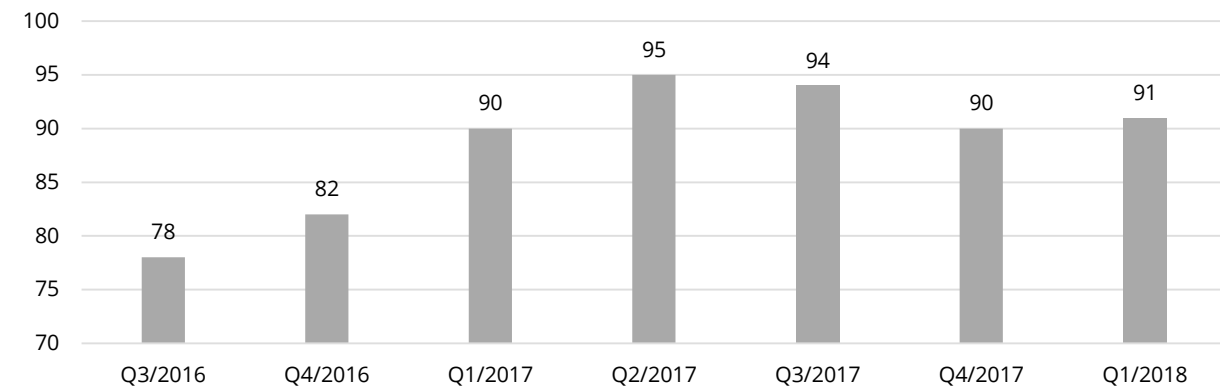
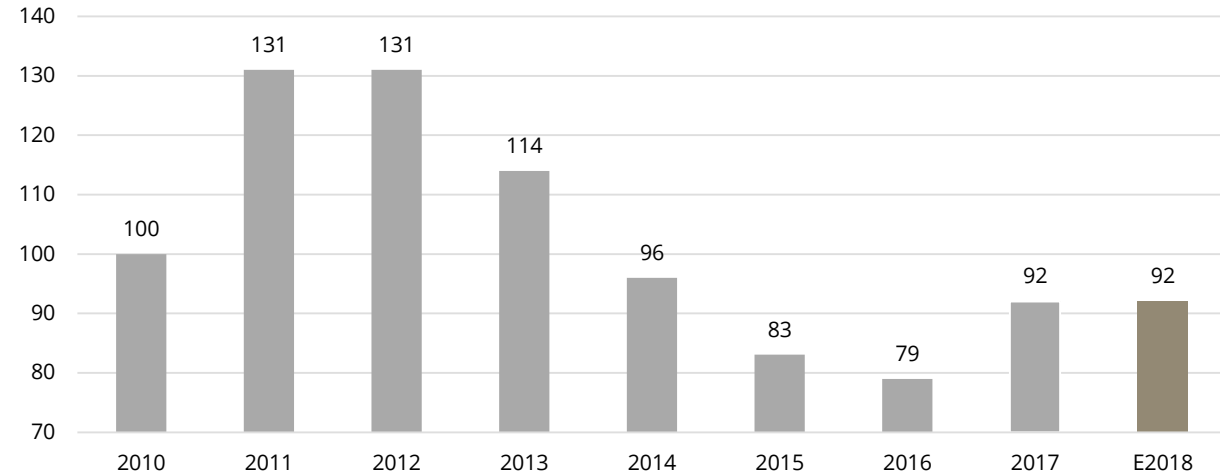
Increased slightly in Q1/2018

NOKIAN TYRES' RAW MATERIAL COSTS (€/KG)

- increased by 0.8% in Q1/2018 vs. Q1/2017
- increased by 0.6% in Q1/2018 vs. Q4/2017

> **Estimated to remain approximately at the same level in the full year 2018 compared with 2017.**

RAW MATERIAL COST DEVELOPMENT INDEX 2010-E2018



TOTAL INVESTMENTS 2018E: 260 M€

Investments 17.5 M€ in Q1/2018 (17.3 M€ in Q1/2017)

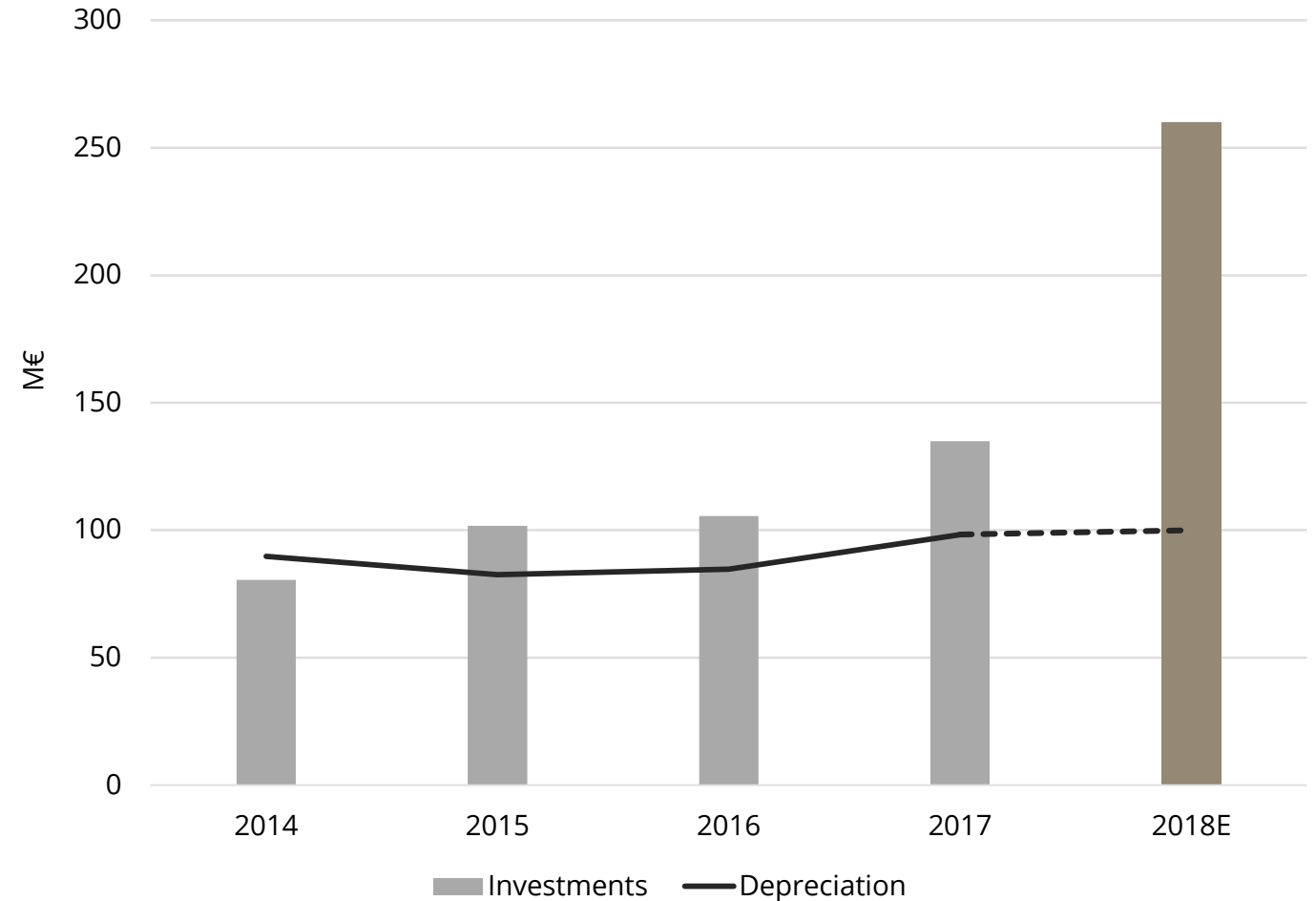
INVESTMENTS 2018E:

CONSTRUCTION WORK OF DAYTON
FACTORY (TN, USA): 110 MEUR

NOKIA FACTORY AND GLOBAL
DEVELOPMENT PROJECTS: 75 MEUR

RUSSIA: 40 MEUR

HEAVY TYRES, SALES COMPANIES
AND VIANOR CHAIN: 35 MEUR



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1. Q1 IN A NUTSHELL

**2. NOKIAN TYRES FINANCIAL
PERFORMANCE**

3. BUSINESS UNITS

- 1. GENERAL OVERVIEW
- 2. PASSENGER CAR TYRES
- 3. HEAVY TYRES
- 4. VIANOR

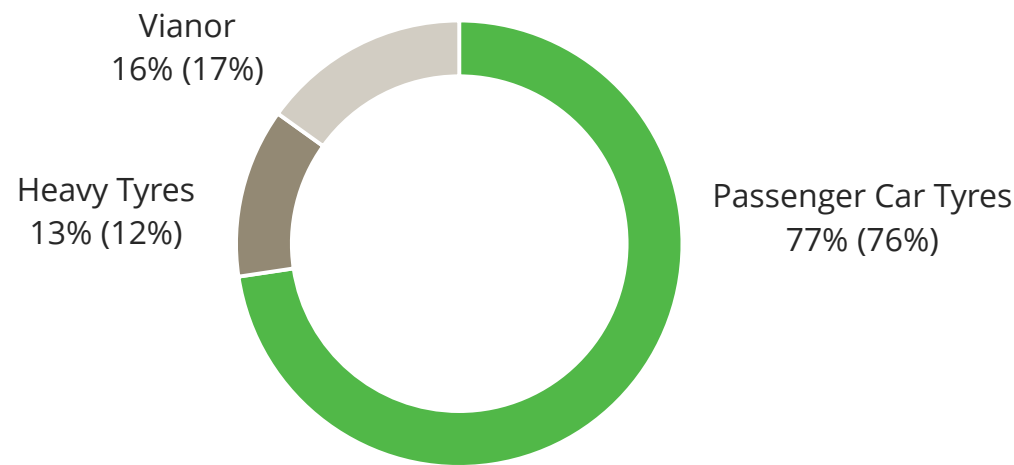
4. MISSION

5. NOKIAN TYRES GOING FORWARD

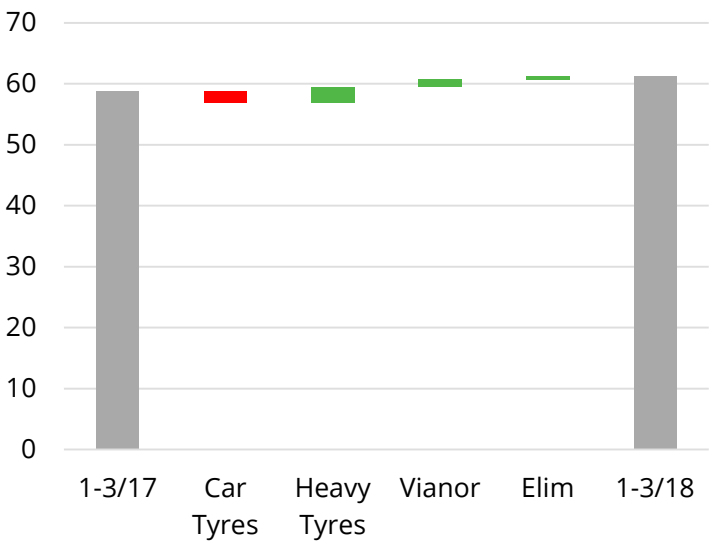
BUSINESS UNITS 2018

Passenger Car Tyres affected by currencies, Heavy Tyres performed well

NET SALES 336.0 M€



EBIT 61.2 M€
EBIT Bridge by Business Units



PASSENGER CAR TYRES

- Net sales: 259.1 M€; +4.5%
- EBIT: 74.0 M€; -2.5%
- EBIT margin: 28.6% (30.6%)

HEAVY TYRES

- Net sales: 43.1 M€; +8.3%
- EBIT: 8.3 M€; +45.6 %
- EBIT margin: 19.2% (14.3%)

VIANOR

- Net sales: 53.3 M€; -5.4%
- EBIT: -14.7 M€; +7.5%
- EBIT margin: -27.5% (-28.1%)

PASSENGER CAR TYRES

Sales growth continued and market share improved

PERFORMANCE IN 1-3/2018

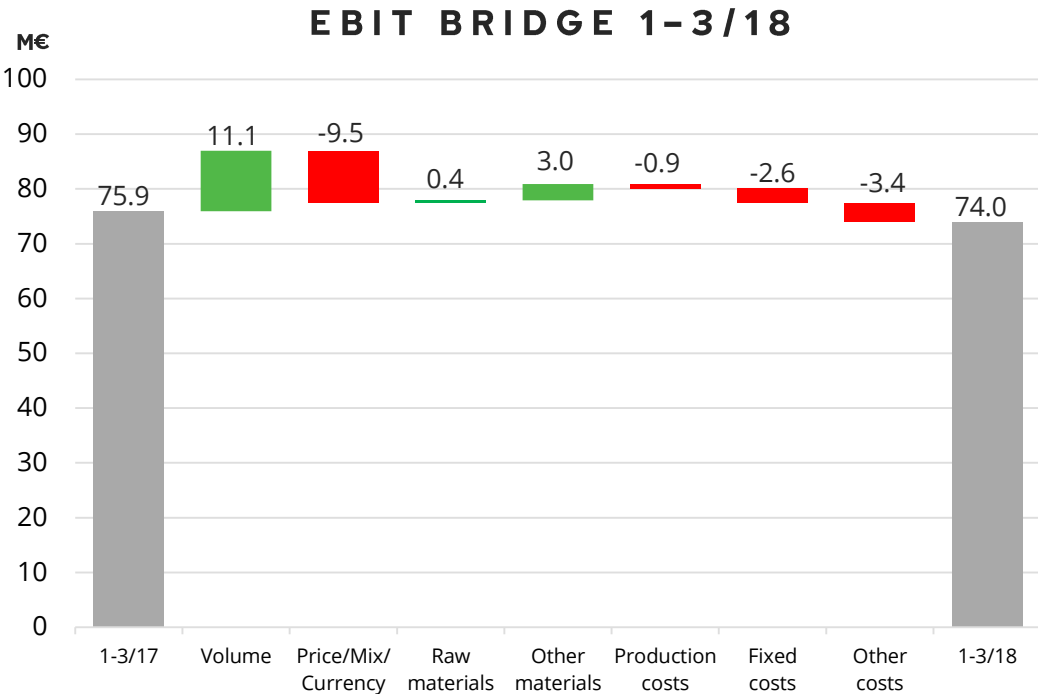
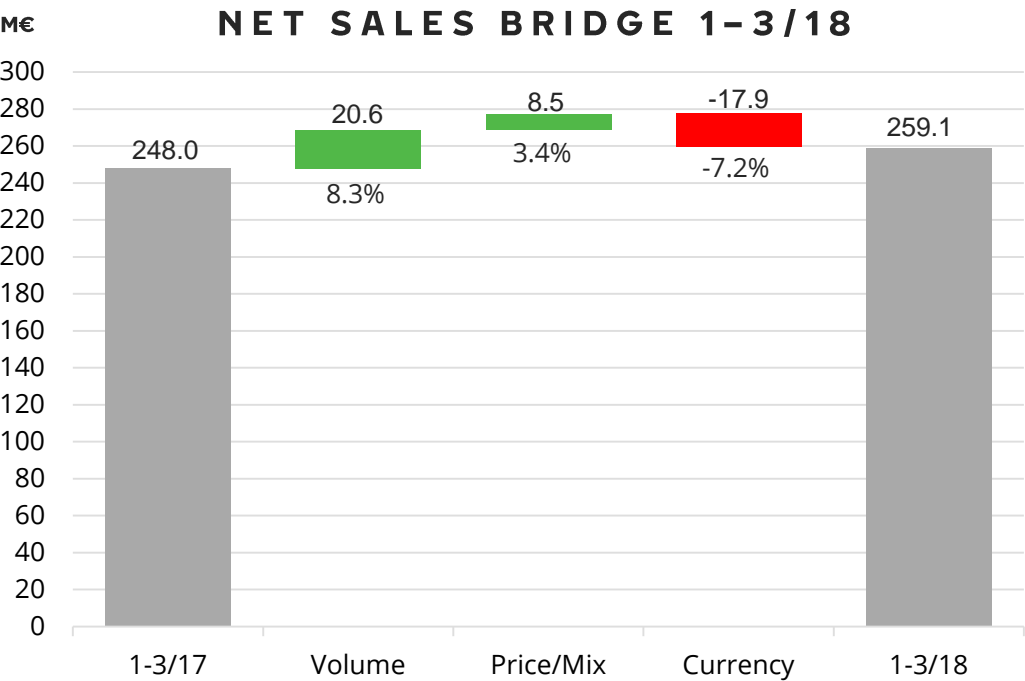
- Prices in local currencies and product mix improved, but ASP in euros decreased slightly due to a negative currency impact. The pricing environment is tough in all markets
- Russia's sales volume growth continued in Q1 and part of the sales were shifted to Q2 due to the complex product mix in production
- Operating profit was negatively impacted by the devalued Russian ruble, as the share of Russian domestic sales from production volumes was as high as 45%
- Nokian Tyres excelled in tyre tests
- The production output (pcs) increased by 10%

	1-3/18	1-3/17	Change %	2017
Net sales, M€	259.1	248.0	4.5	1,138.8
Operating profit, M€	74.0	75.9	-2.5	359.9
Operating profit, %	28.6	30.6		31.6



PASSENGER CAR TYRES

Net sales improved, operating profit decreased slightly



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, Russian and North American
- 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



HEAVY TYRES

Increased sales, operating profit and production volumes

PERFORMANCE IN 1-3/2018

- Demand was good in most of Nokian Heavy Tyres' core product groups in the western markets
- Sales increased in the Nordic countries and increased clearly in Other Europe
- Sales of agricultural tyres and forestry tyres increased in particular
- In North America and Russia, net sales were negatively affected by currency exchange rates
- The ASP increased slightly year-over-year
- Production output increased, productivity improved

	1-3/18	1-3/17	Change %	2017
Net sales, M€	43.1	39.8	8.3	172.3
Operating profit, M€	8.3	5.7	45.6	32.2
Operating profit, %	19.2	14.3		18.7



HEAVY TYRES – NEW PRODUCTS

Strong duration and premium stability

NOKIAN ARMOR GARD 2 RESOLVES THE KEY ISSUES OF URBAN EXCAVATION

- Nokian Heavy Tyres launches a new tyre with innovative features for urban excavation
- The new Nokian Armor Gard 2 is designed to start a new era of excavation work in city environments all over the world
- Nokian Armor Gard 2 presents better stability and improved lifetime compared to previous generation of Armor Gard tyres



VIANOR

Profit improvement program ongoing

PERFORMANCE IN 1-3/2018

- Net sales were affected mainly by the delayed summer tyre season
- The improvement in profitability was due to network optimization

Equity operations	1-3/18	1-3/17	Change%	2017
Net sales, M€	53.3	56.3	-5.4	339.4
Operating profit, M€	-14.7	-15.8	7.5	-5.8*
Operating profit, %	-27.5	-28.1		-1.7*
Equity service centers, pcs	193	208		194

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



A person with long brown hair, wearing a dark blue puffer jacket and a grey scarf, is seen from behind. They are carrying a large brown leather backpack and looking out over a body of water towards a range of snow-capped mountains under a cloudy sky. The scene is misty and atmospheric.

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5. NOKIAN TYRES GOING FORWARD

A dark-colored car is driving away on a two-lane asphalt road that curves to the left. The road is bordered by a metal guardrail on the right. In the background, there is a calm body of water, likely a fjord, with rolling hills and mountains under a soft, orange-hued sky at sunset or sunrise. The overall mood is peaceful and scenic.

NOKIAN TYRES IS A
LIFE DRIVEN
COMPANY.

OUR MISSION IS TO GIVE
PEACE OF MIND
UNDER ALL CONDITIONS.

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NOKIAN TYRES' ASSUMPTIONS

ASSUMPTIONS

- New car sales growth 2% in Europe
- New car sales in Russia to increase by 12–15%
- The demand for passenger car tyres in Central Europe, North America and the Nordic countries to show some growth. Demand in Russia (sell-in) to increase by 3–5%
- Raw material costs (€/kg) are estimated to remain approximately at the same level in 2018 compared with 2017
- The demand for Nokian Heavy Tyres' core products is estimated to remain healthy
- Nokian Tyres' financial position remains solid

OUTLOOK 2018

Positive outlook

OUTLOOK 2018

- Nokian Tyres' position is expected to improve 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.
- New flagship products will strengthen Nokian Tyres' position
- Profitability supported by efficient cost structure and productivity on the back of high share of Russian production

YEAR 2018 GUIDANCE (UNCHANGED)

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

**IT'S A
BEAUTIFUL**

**THANK
YOU!**

JOURNEY

**HALF YEAR FINANCIAL REPORT
JANUARY-JUNE 2018**

AUGUST 8, 2018

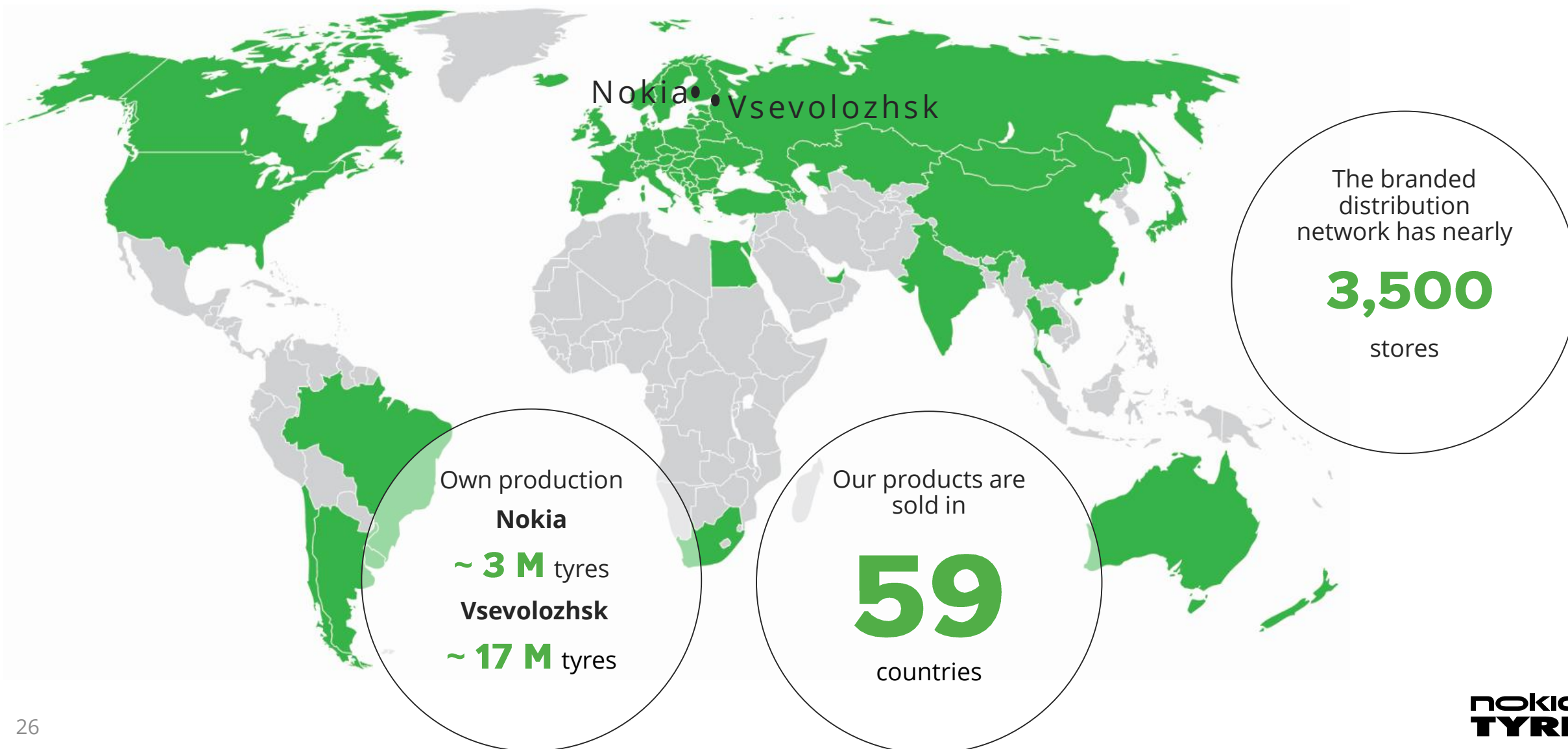
WWW.NOKIANTYRES.COM/INVESTORS

**nokian[®]
TYRES**

1. INTERNATIONAL GROUP
2. DAYTON FACTORY
3. BIGGEST SHAREHOLDERS
4. SHARE PRICE DEVELOPMENT
5. COMPETITOR COMPARISON
6. WINTER TYRE REGULATIONS
7. KEY FIGURES
8. RAW MATERIAL CONSUMPTION
9. GROUP EMPLOYEES

INTERNATIONAL GROUP

Own production and branded distribution network



THE BUILDING WORK OF NOKIAN TYRES' THIRD FACTORY STARTED IN NORTH AMERICA

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

- The new greenfield factory will be located in Dayton, Tennessee, USA
- The initial capacity will be four million tyres annually with potential to expand depending on future demand
- 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

DAYTON FACTORY NUMBERS

Sustainable modern production



FACTORY IN RHEA COUNTY

The new factory in Dayton (Rhea County), Tennessee, USA strengthens company's strategic growth. The factory allows us to improve production capabilities and customer service throughout our global operations.

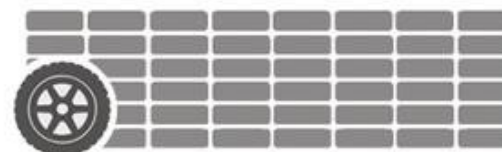


Our Dayton factory will concentrate on the production of passenger, SUV and light truck tyres that are sold exclusively or primarily in the North American market.



4 MILLION

TYRES PRODUCED ANNUALLY



WAREHOUSE CAPACITY

UP TO
600,000
TYRES



2017
GROUNDBREAKING



2020
GRAND OPENING

400

NEW NOKIAN TYRES'
EMPLOYEES

- QUALITY CONTROL
- LOGISTICS
- MIXING
- MANUFACTURING
- SHIPPING
- BUILDING SERVICES
- ADMINISTRATION

BIGGEST SHAREHOLDERS REGISTERED IN FINLAND AS OF MARCH 31, 2018

Biggest Shareholders registered in Finland		Number of shares	Share of capital %	Change from previous month
1	Varma Mutual Pension Insurance Company	3,772,007	2.7	0
2	Ilmarinen Mutual Pension Insurance Company	3,250,502	2.4	0
3	OP Investment Funds	1,313,748	1.0	-64,409
4	The State Pension Fund	1,100,000	0.8	0
5	Odin Norden	1,031,217	0.8	0
6	Schweizer Nationalbank	549,620	0.4	+46,376
7	Elo Pension Company	500,000	0.4	0
8	Svenska litteratursällskapet i Finland r.f.	494,700	0.4	0
9	Barry Staines Linoleum Oy	430,000	0.3	0
10	Åbo Akademi University Foundation	415,400	0.3	0
Biggest Shareholders total		12,857,194	9.5	
Foreign Shareholders ¹⁾		100,782,038	73.4	
Bridgestone Corporation ^{2,3)}		14,000,000	10.2	

1) Includes also shares registered in the name of a nominee

2) In the name of a nominee

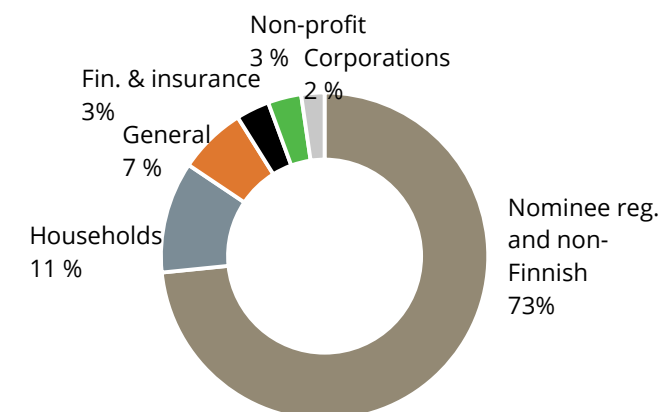
3) Ownership at the AGM registration day on April 10, 2018

Options, outstanding as of March 31, 2018

2013B: 975,466 pcs (40,671 in company's possession)

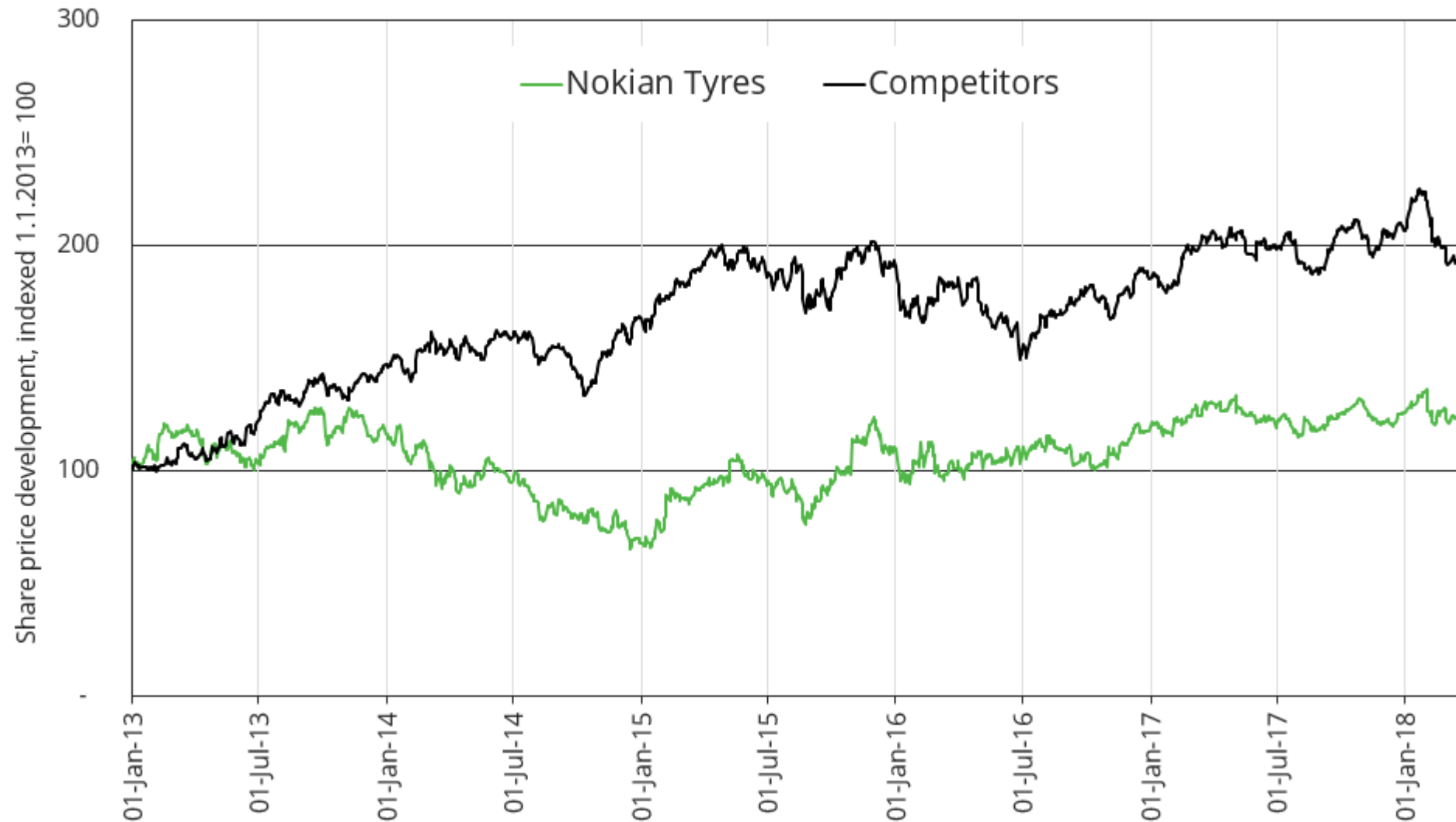
2013C: 1,047,265 pcs (136,005 in company's possession)

Division by Category as of March 31, 2018



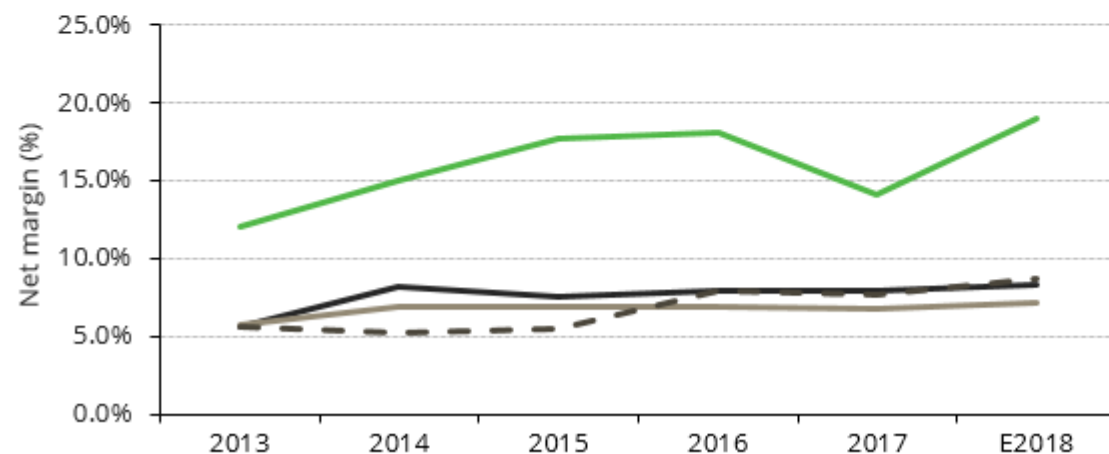
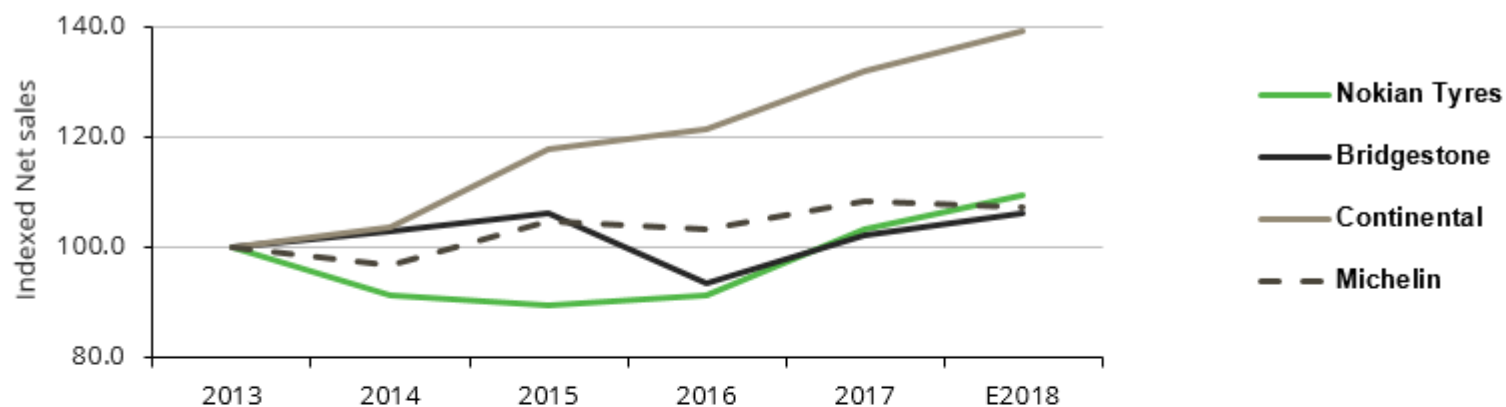
Total number of shares: 137,277,072

INDEXED SHARE PRICE DEVELOPMENT 2013–Q1/2018



NOKIAN TYRES - THE MOST PROFITABLE TYRE PRODUCER

Nokian Tyres' profitability has been clearly better than that of the main peers during the past 5 years. The better profitability protects the company profits during recessions and potential downturns.



Net margin E2018

Nokian Tyres	19.0%
Michelin	8.7%
Bridgestone	8.3%
Continental	7.2%

Source: Consensus estimates for the peers as per Thomson Reuters April 6, 2018.

E2018 FIGURES ARE BASED ON CONSENSUS ESTIMATES, NOT NOKIAN TYRES GUIDANCE.

WINTER TYRE REGULATIONS IN EUROPE AND RUSSIA

	Austria	Bosnia Herzegovina	Croatia	Czech Republic	Estonia	Finland	France	FYR of Macedonia	Germany	Hungary	Iceland	Italy	Latvia	Lithuania	Luxembourg	Montenegro	Norway	Poland	Portugal	Romania	Russian Federation	Serbia	Slovakia	Slovenia	Spain	Sweden	Switzerland	Turkey
Within a specified time frame		●	● 1)		●	●		●			●		●	●			● 3)				●	●	●	●				●
Within a specified time frame and during specified weather conditions	●		● 1)	● 2)					●						●	●				●						●		
When indicated by a road sign (winter tyre and/or snow chain)				● 2)			●			●		●						●	●						●		●	

Source: Nokian Tyres 03/2018

1) On major roads, regardless of weather conditions, on other roads, in wintry weather conditions

2) Both equally valid

3) Sufficient grip requirement; de facto mandatory winter tyres

WINTER TYRE REGULATIONS IN USA

	Alabama	Alaska	Arizona	Arkansas	California	Colorado	Connecticut	Delaware	Florida	Georgia	Hawaii	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri
Winter tyres are legally mandatory																									
Winter tyres are recommended		●				●	●	●				●	●	●	●				●	●	●	●	●		
Winter tyres are mandatory if there is a specific road sign						●																			
Studded tyres are permitted		●	●	●	●	●	●	●		●		●	(*)	●	●	●	●		●	(*)	●		(*)		●
	Montana	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	North Carolina	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington	West Virginia	Wisconsin	Wyoming
Winter tyres are legally mandatory																									
Winter tyres are recommended	●	●		●	●		●		●	●		●	●	●		●			●	●		●	●	●	●
Winter tyres are mandatory if there is a specific road sign																									
Studded tyres are permitted	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●		●

(*) The use is restricted on special use / special regions.

Source: Nokian Tyres 03/2018

WINTER TYRE REGULATIONS IN CANADA

	Alberta	British Columbia	Manitoba	New Brunswick	Newfoundland and Labrador	Northwest Territories	Nova Scotia	Nunavut	Ontario	Prince Edward Island	Quebec	Saskatchewan	Yukon
Winter tyres are legally mandatory													
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Source: Nokian Tyres 03/2018

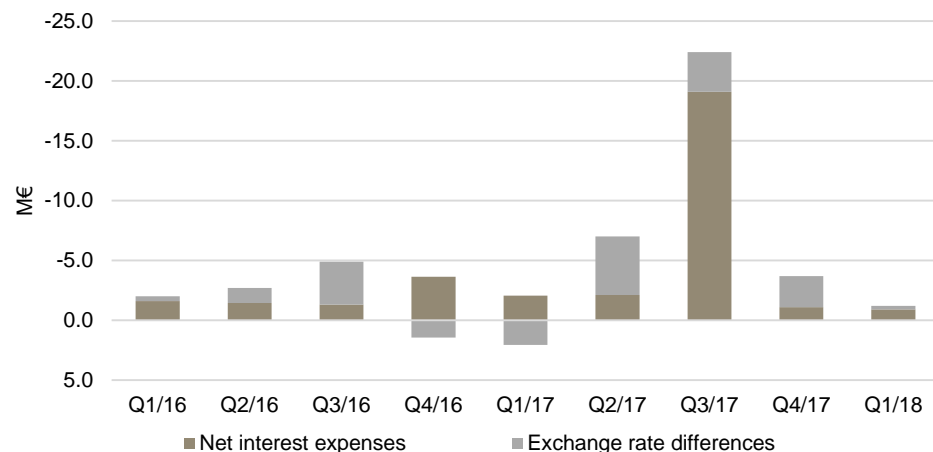
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Profit before tax	60.0	58.9	2.0	87.1	67.4	118.9	332.4
Profit for the period	46.6	45.3	2.8	71.1	10.2	94.7	221.4
Earnings per share, EUR	0.34	0.33		0.52	0.08	0.69	1.63
Equity ratio, %	79.1	74.5					78.2
Cash flow from operating activities	-18.3	-40.1		-5.9	-88.1	368.3	234.1
Gearing, %	-11.6	-16.4					-14.2
Interest-bearing net debt	-174.1	-253.4					-208.3
Capital expenditure	17.5	17.3	1.1	42.6	35.3	39.6	134.9

FINANCING: NET FINANCIAL EXPENSES AND INTEREST-BEARING DEBT

NET FINANCIAL EXPENSES PER QUARTER



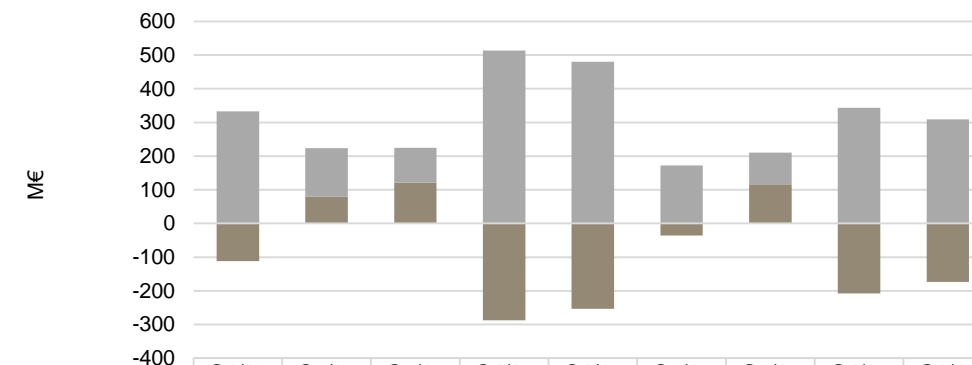
- = Expenses, + = Income

Exchange rate differences in net financial items (M€) Q1/2018

	RUB	NOK	SEK	USD	CAD	Other	Total
Underlying 1)	0.9	0.2	-2.8	-0.3	-1.0	0.0	-2.9
Hedging	-0.9	0.0	2.3	0.2	0.8	-0.1	2.3
Hedging cost	0.7	0.0	-0.1	-0.1	-0.1	-0.1	0.4
Total	0.8	0.3	-0.6	-0.1	-0.3	-0.3	-0.3

1) AP, AR, Internal loans/deposits

INTEREST-BEARING DEBT

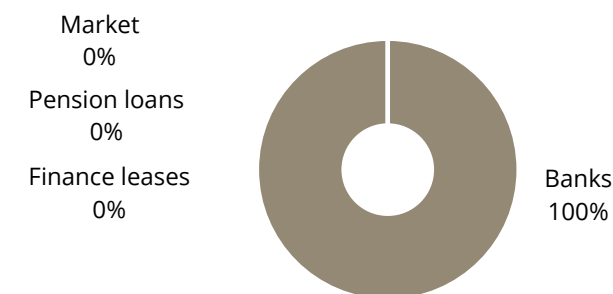


	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Cash and cash equivalents	333	144	103	513	480	172	94	343	309
Interest-bearing net debt	-112	80	121	-287	-253	-36	117	-208	-174

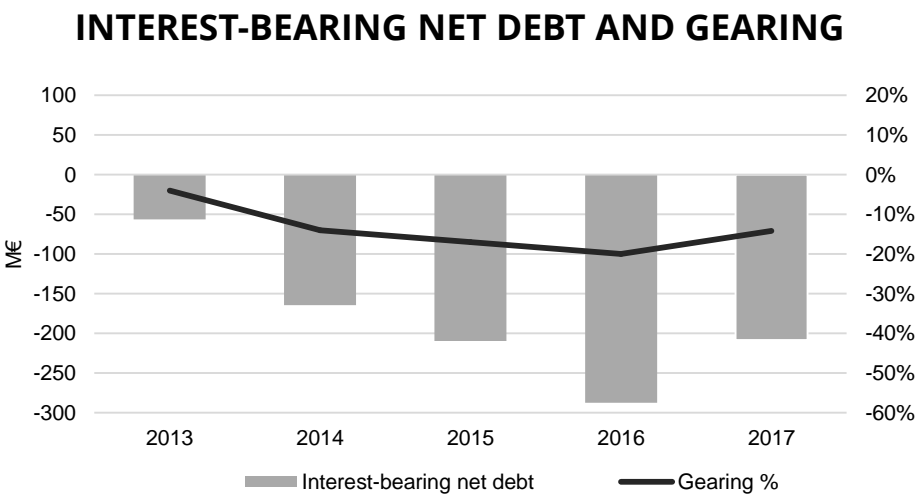
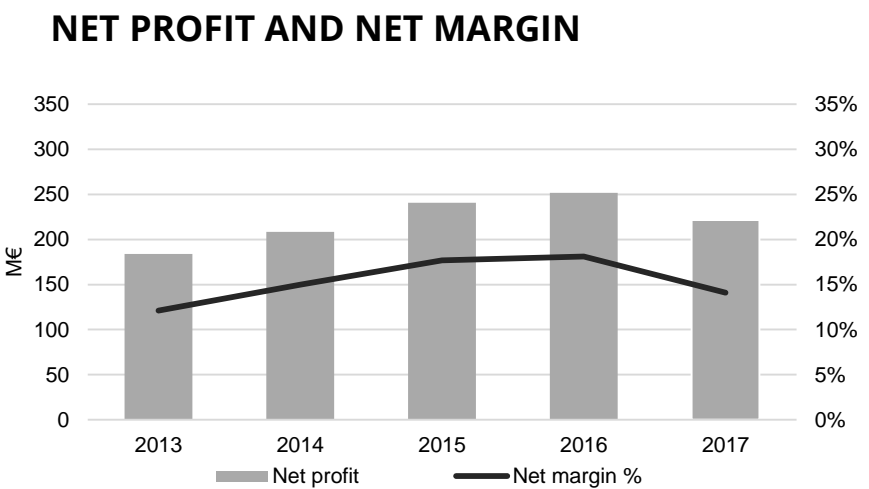
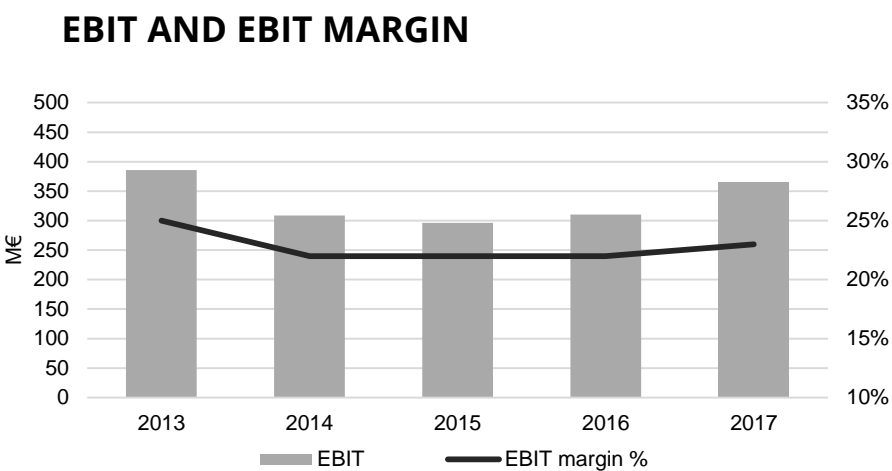
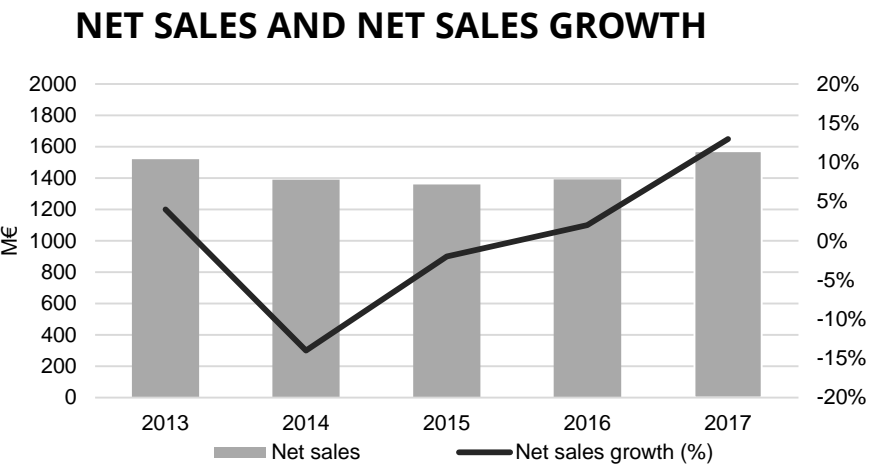
■ Interest-bearing net debt

■ Cash and cash equivalents

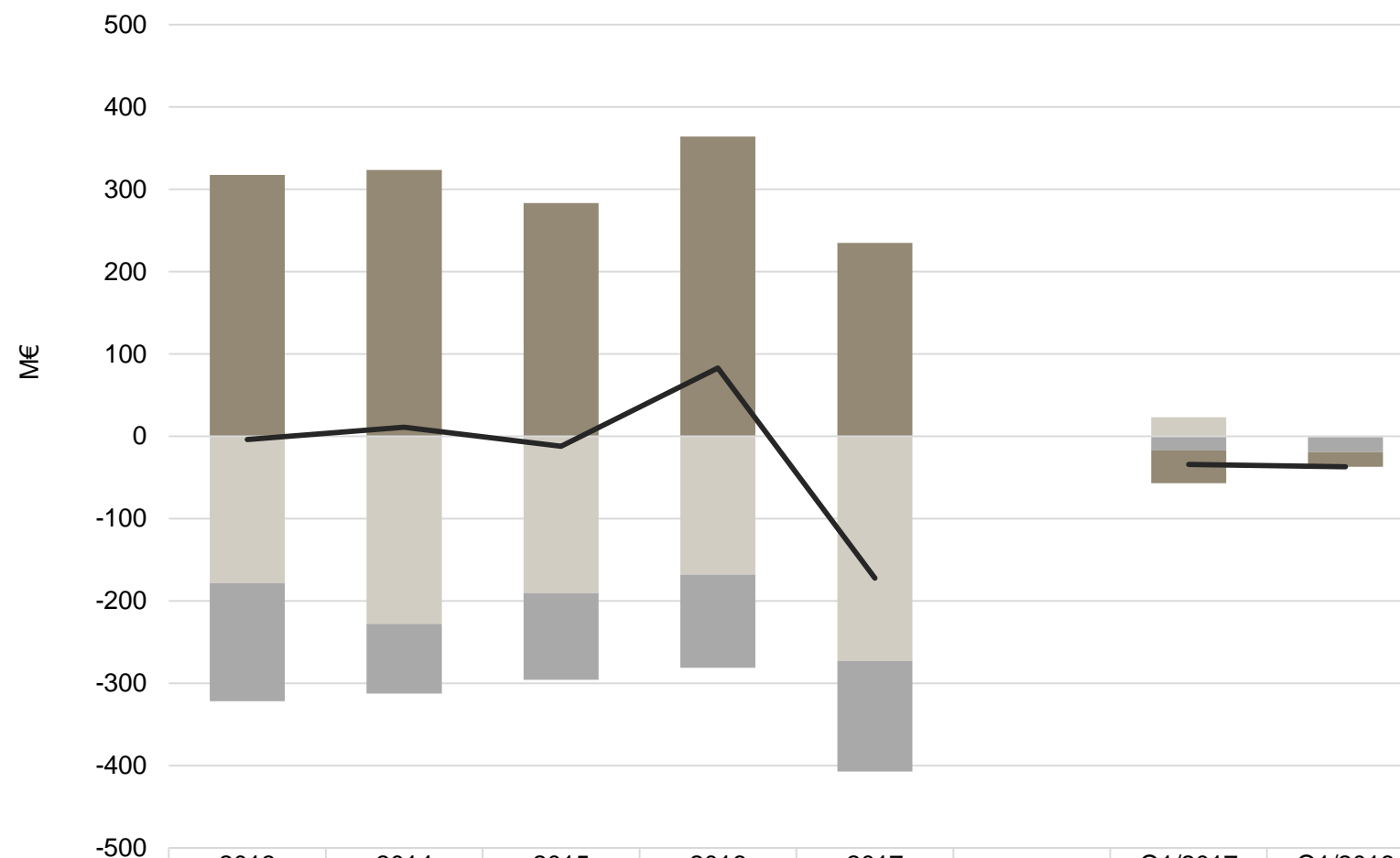
INTEREST-BEARING DEBT 134.9 M€ (March 31, 2018)



KEY FIGURES 2013–2017



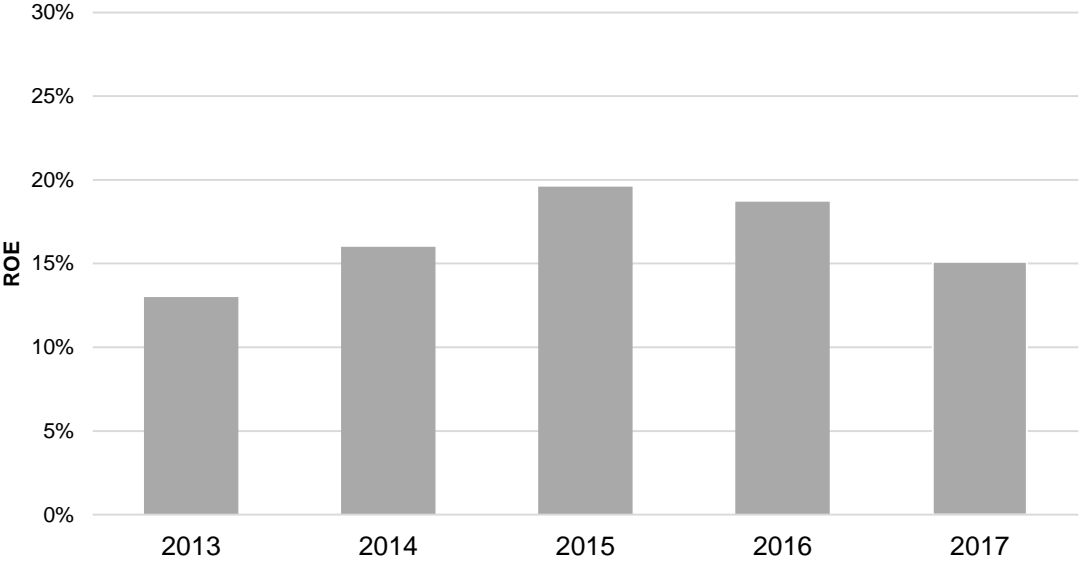
CASH FLOW FROM OPERATING ACTIVITIES 2013–Q1/2018



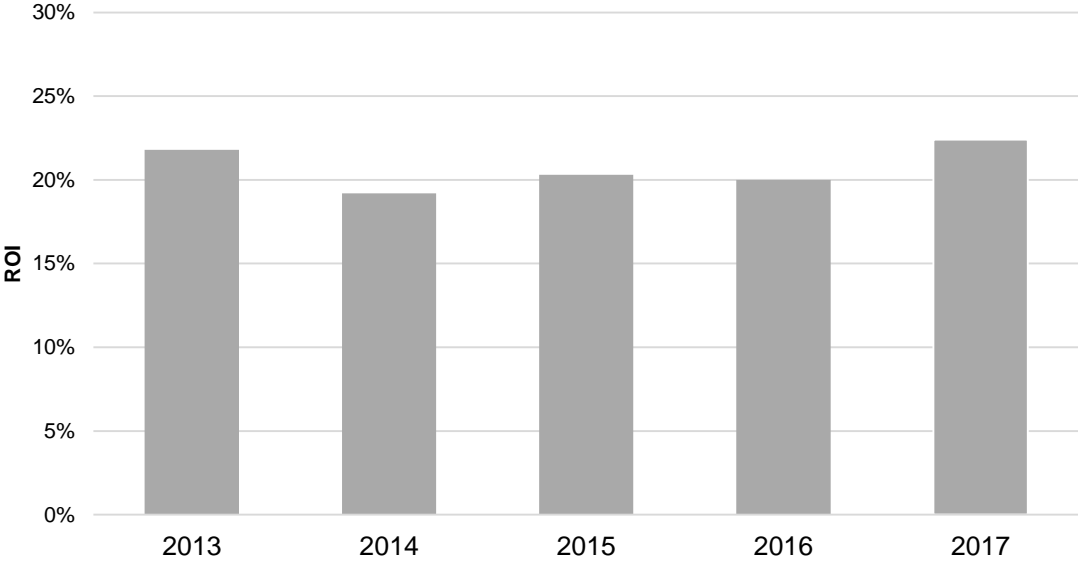
	2013	2014	2015	2016	2017		Q1/2017	Q1/2018
Cash flow from operating activities	318	323	283	364	235		-40	-18
Cash flow from investing activities	-143	-85	-105	-113	-134		-17	-18
Cash flow from financing activities	-178	-228	-190	-168	-273		23	-1
Change in cash and cash equivalents	-4	11	-12	83	-172		-34	-37

ROE AND ROI 2013-2017

RETURN ON EQUITY

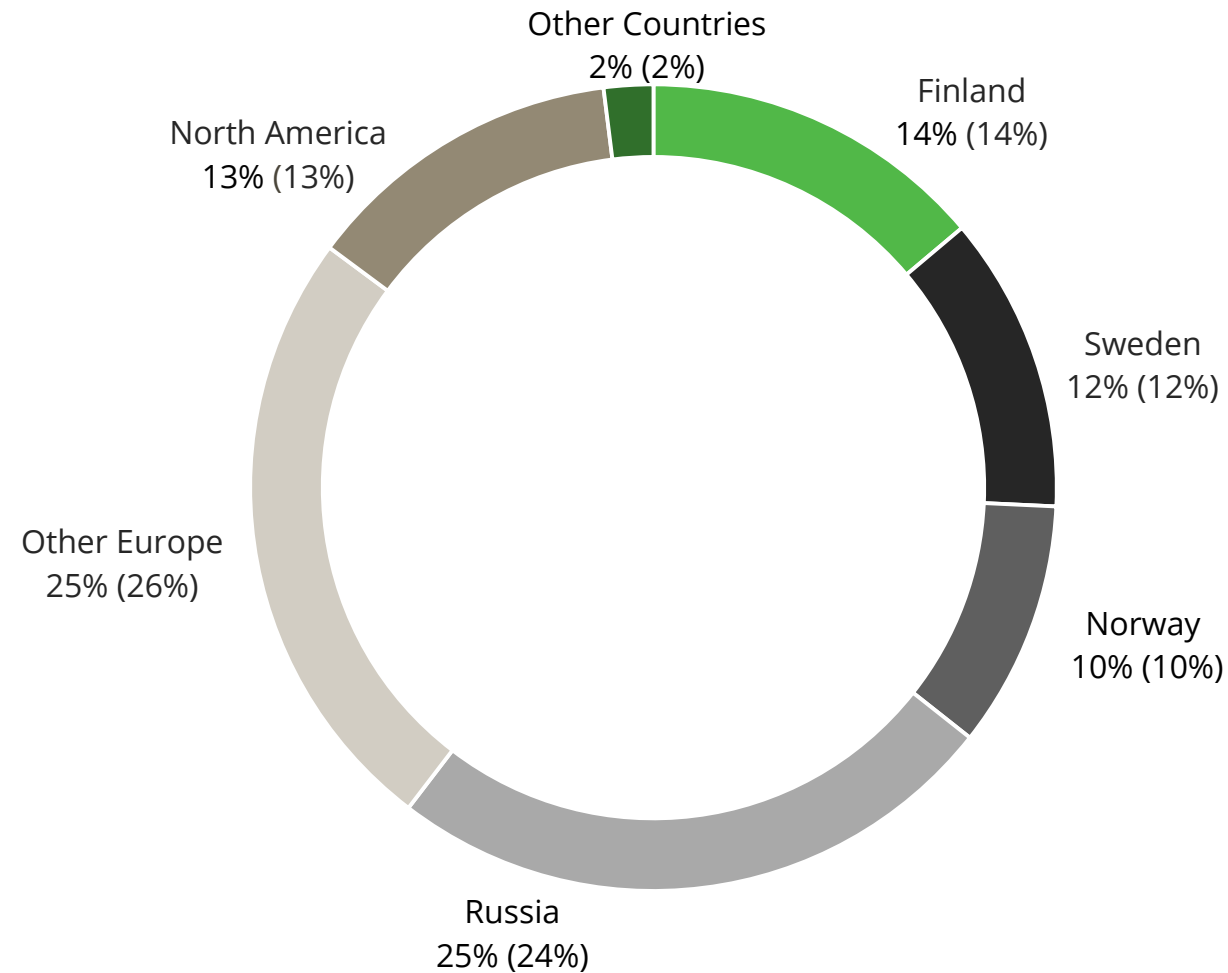


RETURN ON CAPITAL EMPLOYED



NET SALES BY MARKET AREA 1-3/2018

Solid performance in all main markets



NETWORK OPTIMIZATION PROGRESSED

Vianor, NAD, N-Tyre; -25 stores in 1-3/2018

VIANOR – 1,419 SERVICE CENTERS IN 25 COUNTRIES

- 193 equity and 1,226 partner
- Equity -1, partner -46 vs. year-end 2017
- **Largest tyre chain in the Nordic and Baltic countries:**
362 service centers (-12 vs. year-end 2017)
- **Largest tyre chain in Russia and CIS:**
585 service centers (-27 vs. year-end 2017)
- **Central Europe:**
399 service centers (+2 vs. year-end 2017)
- **USA:**
73 service centers (-10 vs. year-end 2017)

NOKIAN TYRES AUTHORIZED DEALERS (NAD) – 1,876 STORES

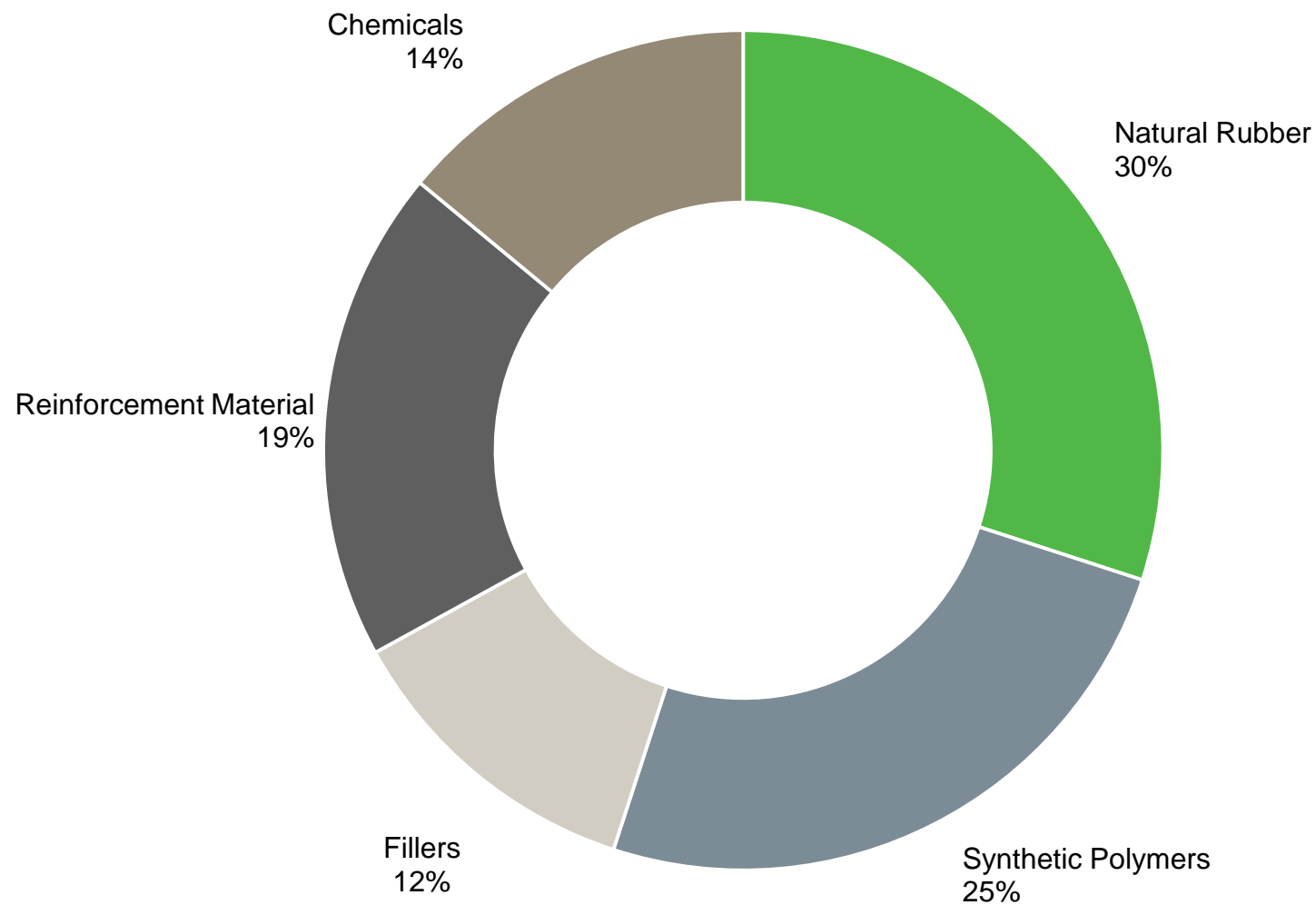
- in 22 European countries and China
- increase of 21 stores vs. year-end 2017

N-TYRE – 128 STORES

- in Russia, Kazakhstan and Belarus
- increase of 1 store vs. year-end 2017



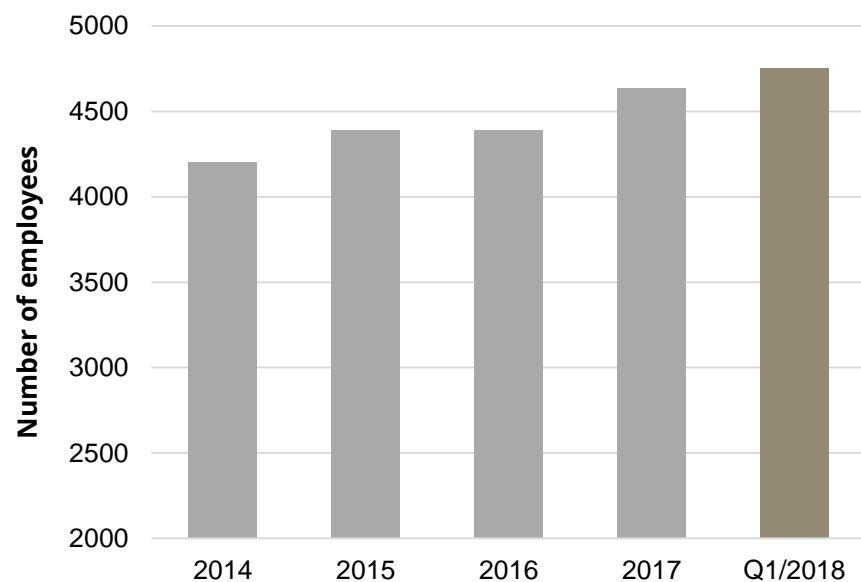
VALUE OF RAW MATERIAL CONSUMPTION (%)



Source: Nokian Tyres 03/2018

GROUP EMPLOYEES, MARCH 31, 2018

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



A perspective view from inside a dark, arched tunnel looking out onto a bright, sunny day. A paved road with a yellow center line leads out of the tunnel towards a range of jagged, snow-capped mountains under a blue sky with scattered clouds. The tunnel walls are made of dark stone or concrete, and the road is flanked by metal guardrails.

THANK YOU

HALF YEAR FINANCIAL REPORT 1-6/2018
August 8, 2018

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