



**ANNUAL REVIEW
2017**

**nokian[®]
TYRES**

PEACE OF MIND



**Our high-quality tyres offer reliability,
performance, and peace of mind from winter
blizzards to heavy summer rain. We make
good on our promise on the road, every day.**

CONTENTS

Nokian Tyres in brief _____	5	World on wheels _____	24
Key figures and highlights for 2017 _____	6	Passenger Car Tyres _____	26
Review by the President & CEO _____	8	Nokian Heavy Tyres _____	28
Business environment and trends _____	10	Product development and testing _____	30
Strategy _____	12	Working responsibly _____	32
Close to the customer _____	16	Hakkapeliitta Spirit _____	34
Consumers _____	18	Sustainability _____	36
Customers _____	19	Personnel _____	40
Market areas _____	20	Board of Directors _____	42
Sales and distribution _____	21	Management Team _____	43
Vianor _____	22	Why invest in Nokian Tyres _____	44

This report is a translation. The original Finnish is the authoritative version.

PEACE OF MIND FROM THE WORLD'S NORTHERNMOST TYRE MANUFACTURER

As an expert in demanding conditions, we have spent decades promoting and facilitating safe driving in winter storms and summer rains alike. Today, our unique expertise can be felt in people's everyday lives as the safest, highest-quality products as well as services that offer comprehensive peace of mind.

We develop high-quality innovative tyres for passenger cars, trucks, and heavy machinery, while aiming for sustainable safety and eco-friendliness throughout the product life cycle. In addition to sustainable product development and products, we care for the environment, people, and the high quality of our operations. Sustainability is an essential part of our business.

Nokian Hakkapeliitta has been the leading winter tyre brand for over 80 years. Our position as the market and price leader in the Nordic countries and Russia is established by our key competitive advantages: a quality image based on state-of-the-art technology, safety, and genuine user experience,

a strong distribution network, expertise in logistics, and innovative personnel. Central Europe and North America are also important markets for us in terms of profitable growth.

Vianor, which is a part of our group, is a chain of service centers focusing on motoring and tyre services; its mission is to maintain Nokian Tyres' market share and to support its brand in the Nordic countries. Our own factories are located in Finland and Russia. The new factory under construction in the United States will be completed in 2020. Between 2007 and 2017, we have invested more than EUR 1 billion in our factories, and the facilities represent the absolute best in the industry in terms of productivity and quality.

In 2017, our net sales were approximately EUR 1.6 billion, and we employed approximately 4,600 people at the end of the year. Nokian Tyres' stock is listed on Nasdaq Helsinki.

KEY FIGURES 2017

EUR million	2017	2016	change%
Net sales	1,572.5	1,391.2	13.0
Operating profit	365.4	310.5	17.7
% of net sales	23.2	22.3	
Profit before tax	332.4	298.7	11.3
% of net sales	21.1	21.5	
Return on capital employed (ROI), %	22.4	19.9	
Return on equity (ROE), %	15.1	18.7	
Interest bearing net debt	-208.3	-287.4	27.5
% of net sales	-13.2	-20.7	
Gross investments	134.9	105.6	27.8
% of net sales	8.6	7.6	
Net cash flow from operating activities	234.1	364.4	-35.6
Earnings per share (EPS), EUR	1.63	1.87	-13.0
Cash flow per share (CFPS), EUR	1.72	2.70	-36.3
Shareholders equity per share, EUR	10.74	10.75	-0.1
Equity ratio, %	78.2	73.8	
Personnel, average during the year	4,630	4,433	

HIGHLIGHTS OF THE YEAR

243

OUR TEAM
GREW BY 243
PROFESSIONALS

NET SALES GREW BY

13%

346

NEW VIANOR,
NAD, AND N-TYRE
STORES

36%

WE AIMED FOR A 20%
DECREASE IN CO2
EMISSIONS FROM OUR
FACTORIES' PRODUCTION
BETWEEN 2013 AND
2020, BUT THE ACTUAL
REDUCTION BY THE
END OF 2017 WAS AN
ASTONISHING 36%



THE LEADING SCIENCE MAGAZINE POPULAR SCIENCE
HONORED THE NOKIAN HAKKAPELIITTA 9 WITH THE
BEST OF WHAT'S NEW AWARD

**NEW
FACTORY**

WE STARTED THE
CONSTRUCTION OF
A NEW FACTORY IN
THE UNITED STATES



CUSTOMER SATISFACTION
WAS UP BY

2.6%

**THE AVERAGE
7% REDUCTION
OF THE ROLLING
RESISTANCE
OF OUR TYRES SOLD
IN 2017 WILL REDUCE
CO2 EMISSIONS EACH
YEAR BY AS MUCH AS**

NOKIAN HEAVY TYRES REPORTED THAT IT
IS INCREASING PRODUCTION CAPACITY BY

50%

**THE MOST SUSTAINABLE
TYRE MANUFACTURER
IN THE DJSI WORLD INDEX**

54,000

PASSENGER CARS
CREATE ANNUALLY

GROWING TOGETHER WITH OUR CUSTOMERS

Last year was one of financial success, positive news and developments. We achieved strong performance across all of our main markets, successfully launched new products, implemented price increases in different market areas, and increased production volumes. Our achievements in 2017 were the result of our employees' determined efforts, and commitment to working together, achieving our goals with Hakkapeliitta Spirit.

The sales of our Passenger Car Tyres unit grew thanks to the progress made in sales and marketing in Central Europe and North America as well as the introduction of new products for all regions. In Russia we exceeded the market growth thanks to our competitive product portfolio, price positioning and supply capability. For production, both of our factories met the growing demand in a timely and efficient manner. The renewal of the Hourly working agreement for 2018 as well as investments in the production of passenger car tyres and heavy tyres strengthened the Nokia factory's role as a competitive production and development center. The Russian factory produced its one hundred millionth tyre and commissioned a new production line last fall.

Nokian Heavy Tyres set records in productivity, production, and sales alike. Sales were especially strong in agricultural tyres, while forestry tyre sales continued to grow. We saw good development in market areas, with remarkable 30% growth in North America. At the end of the year, we announced an investment of EUR 70 million, increasing production capacity for heavy tyres by 50% in Nokia. At the same time, we signed a competitiveness agreement with our personnel that encourages employee multi-skilling in order to increase production flexibility. The aim of the production capacity investment is to support our own growth while helping our customers grow.

Vianor's net sales growth was modest due to a downturn in the Nordic tyre market, particularly in Finland. However, the profitability improvement program proceeded according to plan, continuing into this year. Our goal is to turn Vianor, an equity-owned subsidiary, into a profitable company. In 2017, we also grew our branded distribution network by 346 new Vianor, NAD, and N-Tyre stores.

Strategic projects are proceeding

One of our strategic goals is to double our sales in North America by 2022. We have extensive experience in the North American market, and our goal is to grow alongside our current customers as well as attract new customers. Our new Dayton, TN factory supports our North America strategy by expanding the product selection and increasing our overall manufacturing and storage capacity for North America. In the fall of 2017 we held a groundbreaking ceremony in Dayton while progress continues toward completion in 2020 with a focus on eco-friendliness, efficiency, employee well-being and a sense of community within the area.

Supporting the growth and business of our customers is also a strategic focus area in Central Europe. In 2017, as part of these efforts, we launched a digital B2B application in the region that allows our customers to interact with us 24/7 through a single online channel. The new digital service enables customers to order products, download marketing materials, complete training, and contact our customer service. In 2018, we will expand this service to our other main markets.

Our product innovations and their performance under all conditions helps to grow our market shares in Central Europe as well as North America. In 2017, we launched over 20 new products to supplement our passenger car and heavy tyre ranges. Our new Nokian Hakkapeliitta 9 winter tyre received special attention when Popular Science, the world's leading science and technology magazine, honored it with the 2017 Best of What's New Award.

Our strong winter tyre expertise is built on innovativeness as well as on relentless testing performed around the world and at the true home of winter tyres – Ivalo, Finland. At over 700 hectares it is the world's largest winter tyre

testing site. Our investments in 2017 allow for even more versatile testing. The new outdoor test track is over one kilometer long and up to 40 meters wide, and it is suited for testing heavy tyres as well as passenger car tyres.

In 2019, we will boost our year-round product development activities as we will begin testing our range of summer, All-Season, and winter tyres at our new testing and technology center in Spain. This location will feature a state-of-the-art technology and training center that will be used for customer events and trainings.

Sustainability strengthens our business

Sustainability is an integral part of our company, and it is visible across the product life cycle – from raw material purchasing via factories and Vianor service centers to the consumer. In 2017, we were honored for our inclusion in the DJSI World sustainability index. This demonstrates our success in the field of sustainability and shows our employee commitment. The best part is that we were ranked as the leading tyre company within our category.

Sustainability requires actions across all fields. One of our sustainability goals for 2020 was to reduce the rolling resistance of our tyres by 7%, thereby reducing CO2 emissions from traffic by 500 million kg. This goal was met in 2017, three years ahead of schedule, as well as the goal to reduce CO2 emissions from production by 20%. Furthermore, in our Nokia factory, 100% of production waste is already being recycled and in our Russian factory we achieved the recycling rate of nearly 90% in 2017. Another one of our key sustainability initiatives was supporting the construction of a test plantation for the cultivation of guayule plant in Santa Cruz de la Zarza,

where we are building our new testing and technology center. Our goal is to study the utilization of high-quality natural rubber in the manufacture of our tyres.

We promoted sustainability across our company by updating and implementing our ethical guidelines and providing sustainability online training for our personnel in the Hakkapeliitta eAcademy.

I am convinced that the importance of sustainability will continue to grow, based on both the needs of stakeholders as well as companies' own desire to improve their operations and products. We have worked many years to improve our corporate sustainability and intend to continue this development in the future.

We are responding to the changing business environment

Nokian Tyres has a strong and well-known brand in the Nordic countries and Russia, where we are especially known for our innovative tyres, carefully developed for extreme winter conditions and safe travel regardless of the weather. From a brand perspective, we are in an excellent position to grow in other strategic market areas. With the target of growth, we reviewed our brand strategy in latter half of 2017 to better enable growth in the premium summer and All-Season categories alongside our core competence of winter tyres, and to offer comprehensive peace of mind for consumers as reflected in our Scandinavian values.

High-quality products are our number one priority. In order to maintain our pioneering position, we are also investing in services that make it even easier for consumers to take care of everything related to tyres.

Our brand evolution can be seen in our redesigned Scandinavian brand image and stronger value-based brand behavior that support our mission of peace of mind in all conditions and our sales, especially in our growth markets.

In December 2017, we communicated that we are accelerating profitable growth, customer orientation, and innovative future solutions by updating our leadership and operating model. This change will reinforce our market-driven approach, create a structure that supports our future growth, and increase the efficiency of our operations through global functions and common processes. With these changes, we want to maintain our flexible and innovative way of working and our ability to quickly react to changes in the operating environment.

Nokian Tyres is a valued company, and our work on sustainability, along with our updates of the organizational structure, strategy, and brand, create added value for our shareholders and other stakeholders.

The changes that we are implementing with our committed personnel lay a strong foundation for our future success. Our strong expertise, desire to develop our company, new opportunities, and growth targets push us to improve our results in the future.

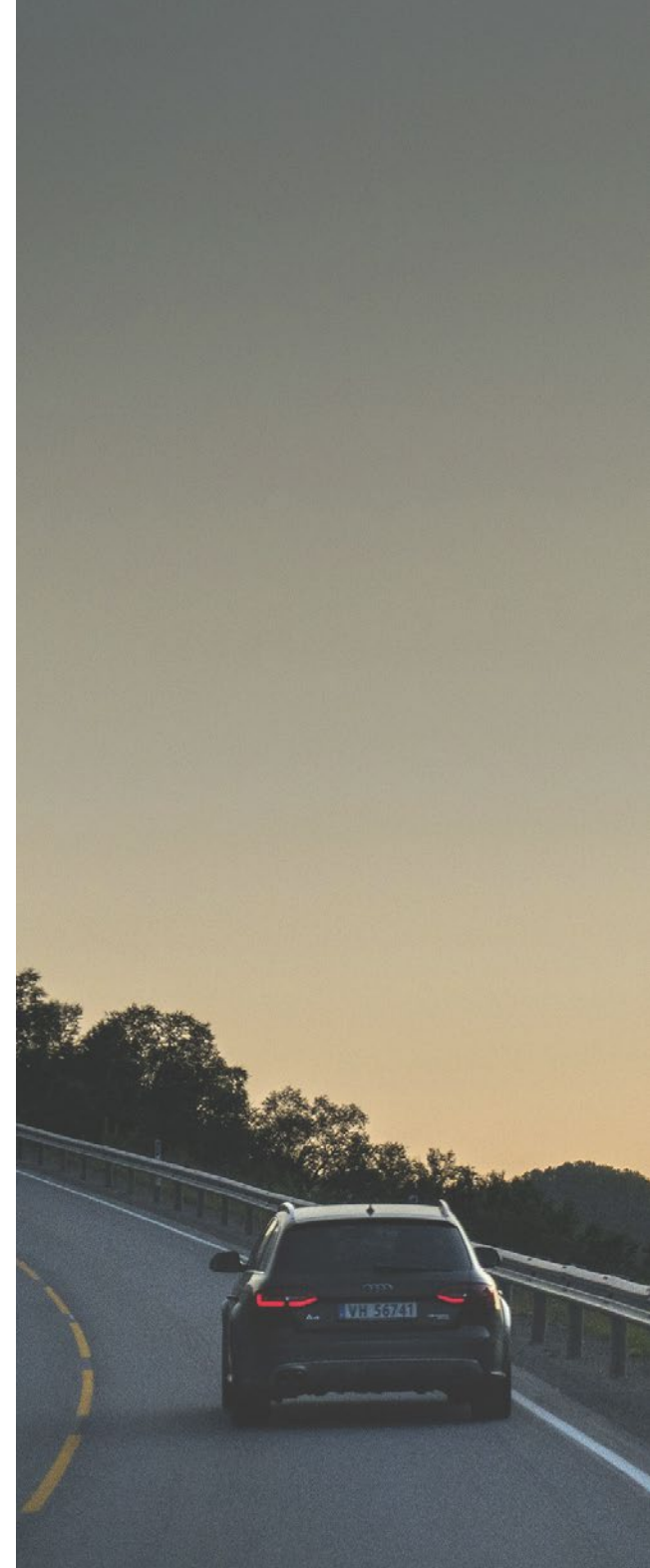
I would like to thank our customers, personnel, and other stakeholders for the year 2017. Our inspiring teamwork enabled us to achieve excellent results, and we are committed to continue building our success together in the coming years.

Hille Korhonen



A CHANGING OPERATING ENVIRONMENT OFFERS NEW OPPORTUNITIES

The business environment in the car and tyre industry is changing through new business models, consumer behavior, and increased competition made possible by digitalization and new technologies. New business models in the car industry, tyre manufacturing, and retail offer us several opportunities for creating new business.



TRENDS AFFECTING THE CAR INDUSTRY

HOW THESE TRENDS ARE SEEN IN THE TYRE INDUSTRY

HOW WE ACT

Growth of the SUV and crossover segments

- Demand for larger, more profitable tyres will continue to grow.

- We have the leading selection of safe winter tyres in large sizes. We are also focusing on the development of a competitive selection of summer tyres and All-Season tyres.

Evolving role of car manufacturers

- Premium vehicle brands will strengthen their position in the selection of original equipment tyres.
- The role of manufacturer approvals will also grow on the replacement tyre market.

- We will continue and strengthen our cooperation with car manufacturers.

Digitalization & Shared mobility

- Online retail sales of tyres will increase.
- Electric cars, self-driving cars, and digital innovations in the tyre industry will increase.
- Car sharing services and the use of mobility services with a monthly fee will grow in the long term.

- We support our partners' business both online and in stores and offer first-class digital solutions for supporting sales.
- We will increase the selection of safe tyres with a low rolling resistance designed for electric and hybrid vehicles.
- We create new forms of cooperation between car manufacturers, retailers, and technology companies in order to remain pioneers in the tyre industry.
- We develop new, smart solutions for products and services.

Sustainability & Security

- People are making more and more choices in support of sustainable development by purchasing sustainable and safe high-quality products from companies whose values they can relate to.

- We ensure that our products are safe, sustainable, and of high quality.
- As a good corporate citizen, we care about the environment and people, base our way of thinking on circular economy, and come up with innovative solutions in order to promote sustainable development in the tyre industry.

Climate change

- The demand for All-Season and All-Weather tyres will increase due to the varying weather conditions brought about by climate change.
- The use of non-studded tyres will become more commonplace even in the southern parts of the Nordic countries.

- Our expertise in demanding conditions gives us a good starting point for expanding our selection and developing tyres that work under all conditions.
- We are focusing even more on product development. We are developing a more extensive selection of non-studded winter tyres and All-Season tyres.

STRATEGY GUIDES OUR CHOICES

**Nokian Tyres is a life driven company.
Our mission is to give you peace
of mind in all conditions.**

Our strategy helps to differentiate ourselves, supports profitable growth, and guides us in the changing business environment while paving the way for future development.

OUR DIFFERENTIATORS

**SAFEST TYRES
FOR ALL
CONDITIONS**

**CONSUMER-TRUSTED
PREMIUM BRAND**

**PREFERRED
PARTNER FOR
CUSTOMERS**

**FORERUNNER IN
SELECTED SPECIALTY
TYRE PRODUCTS**

**RESPONSIVE
AND EFFICIENT
SUPPLY CHAIN**

**HIGH-PERFORMING
ENGAGED TEAM**

OUR AMBITION

**WE ARE THE MARKET LEADER IN SELECTED
SEGMENTS IN THE NORDIC COUNTRIES AND RUSSIA**

**WE INCREASE OUR SALES BY 50%
IN CENTRAL EUROPE IN FIVE YEARS**

**WE DOUBLE OUR SALES IN
NORTH AMERICA IN FIVE YEARS**

**OUR TYRES ARE AVAILABLE IN ALL
MAJOR WINTER TYRE MARKETS**

**WE INCREASE THE EBITDA OF EQUITY-OWNED
VIANOR TO +3% BY THE END OF 2019**

**WE INCREASE THE SALES OF HEAVY TYRES
BY 50% IN FOUR YEARS**

FINANCIAL GOALS 2016–2018*

**GROWING FASTER THAN THE MARKET:
AVERAGE ANNUAL SALES GROWTH
OF 4–5% AT A MINIMUM**

**HEALTHY PROFITABILITY:
THE BEST OPERATING PROFIT LEVEL IN
THE INDUSTRY, A MINIMUM OF 22%**

**GOOD RETURNS FOR OUR SHAREHOLDERS:
DIVIDEND OF AT LEAST 50% OF NET
EARNINGS**

*at stable currency exchange rates

SAFEST TYRES FOR ALL CONDITIONS

We operate within the premium passenger car tyre segment and focus on the replacement tyre market. We offer the world's best winter tyres on all major winter tyre markets. As pioneers in challenging conditions, we can successfully expand into other segments. Our competitive summer tyres, All-Season tyres, and All-Weather tyres take safety to a new level under all conditions.

CONSUMER-TRUSTED PREMIUM BRAND

Our Scandinavian heritage speaks to consumers who value sustainable business and products as well as pioneering technology and services. Our innovations for promoting sustainable development within the tyre industry build trust and strengthen our quality image. We make good on our promise on the road, as our high-quality tyres offer reliability, performance, and peace of mind from winter blizzards to heavy summer rain.

PREFERRED PARTNER FOR CUSTOMERS

We support our customers' business by means of controlled distribution, shared development of business models, and an offer of effortless cooperation at all levels. Vianor's mission is to maintain Nokian Tyres' market share and to support its brand in the Nordic countries. Our own retail chain helps in the development of concepts improving our customers' sales and provides deeper insight into our customers' business and consumer needs.

FORERUNNER IN SELECTED SPECIALTY TYRE PRODUCTS

In the development and manufacture of heavy special tyres, we focus on carefully selected segments with high profit margins, such as tyres intended for forestry, agriculture, and material handling. Our premium tyres feature unique solutions that support the business of our end users, and we sell them on both the replacement and original equipment markets. We ensure the functionality of our tyres by also serving our customers under genuine conditions of use.

RESPONSIVE AND EFFICIENT SUPPLY CHAIN

We have the most efficient factories in the industry. The high level of automation ensures our capacity for first-class quality. Our customer-oriented delivery chain ensures excellent customer service capability even during high season.

HIGH-PERFORMING ENGAGED TEAM

Our open and participatory company and leadership culture ensures that we work, develop, and achieve great results together. Our motivated and committed personnel have a continuous desire to develop their personal competence as well as our company as a whole.



OUR STRATEGIC FOCUS AREAS FOR 2017-2022

Our goal is to be the market leader in the Nordic countries and Russia and to maintain profitable growth in our other main markets: over a five-year period, we will grow our sales by 50% in Central Europe and double our sales in North America. Over the long term, we want to be a significant player on all other winter tyre markets as well.

In order to reach our goals, we are concentrating on the following focus areas.

We are investing in North America

- + We will be starting production at our factory in Dayton, TN in 2020.
- + We will be increasing brand awareness and improving the availability of our tyres.

We are investing in new product lines in order to support profitable growth in North America and Central Europe

- + We are continuing our investments in product development and testing by building a new testing and technology center in Spain.
- + We are developing next-generation summer tyres and All-Season tyres.

We support our customers' business and develop new business models

- + We will introduce advanced B2B and B2C solutions that make it easier to conduct business with us.
- + We will develop the Vianor and NAD concepts further and expand them into new markets.
- + As digitalization revolutionizes mobility, we will build cooperation with car manufacturers and resellers as well as technology companies.

We will make Vianor's business profitable

- + We will increase the EBITDA of equity-owned Vianor to +3% by the end of 2019.

We will grow the Nokian Heavy Tyres unit's business in a profitable manner

- + We will increase the sales of heavy tyres by 50% within four years.
- + We will increase the production capacity in order to support our customers' growth goals and to meet the growing demand.

We will create a unified team with a shared vision

- + With our new leadership and operating model, we are reinforcing an international common way of working based on best practices and supporting competence development.
- + We retain our ability to make quick decisions and remain agile, innovative, and close to the customer.



CLOSE TO THE CUSTOMER



“ I did not expect to find a company with such similar values behind my tyre choice. I have been delighted by the inspiring and friendly Nokian Tyres people.”

Jonathan Garland, Madison, USA

“You can never spend too much on shoes or tyres, since they are the only two things that keep you connected to the ground.”

Jonathan Garland



LOVE AT FIRST MILE

JON SWEARS BY NOKIAN TYRES

Jonathan Garland is a driver who steers clear of the beaten path. Whenever the opportunity arises, Jon from Madison, Wisconsin packs his family in the car and heads toward adventure. Nokian All-Weather tyres always take the family man wherever he wants, regardless of the weather or route selection.

For the father of two with a love of nature and the outdoor life, the car is not only an everyday tool – it is also the key to adventure. The Subaru Outback takes the active family from the main roads all the way to demanding off-road sections. Jon is not afraid to test the capabilities of his vehicle in Madison's varying winter weather. Choosing new tyres was an important decision for a man who wishes to achieve a lot with his vehicle.

– A wise person once said: “You can never spend too much on shoes or tyres, since they are the only two things that keep you connected to the ground.” As a father, I can compromise on the tuning of my car, but never on my family's safety. I set off to find the best possible tyres.

Unbelievable driving experience

Jon discovered Nokian Tyres based on a tip from his mechanic in the Subaru community. High quality materials and tested durability convinced him to purchase the Nokian WR G3 tyres. This was the right choice, as the difference was like night and day compared to his previous tyres.

– I immediately fell in love with the new tyres. The car's steering and handling improved immediately and, best of all, the tyre noise disappeared completely. The car feels perfect to drive. I feel totally confident and secure behind the wheel, regardless of the weather or driving surface.

News of his successful tyre choice has traveled far. An interest in car tuning has made Jon a popular Subaru influencer on social media. On his Instagram account, Jon has nothing but praise for Nokian Tyres' motivated attitude and immediate service.

– I did not expect to find a company with such similar values

behind my tyre choice. I have been delighted by the inspiring and friendly Nokian Tyres people.

The keen outdoors enthusiast is impressed by Nokian Tyres' commitment to promoting ecological values within the tyre industry. In the future, Jon aims to supplement the Subaru's tyre selection with a set of Nokian Hakkapeliitta winter tyres. Off-road tyres are also a future dream for him.

– After everything I have experienced, I am more than convinced that Nokian Tyres has the right tyre for my car, regardless of the desired destination.

QUALITY PRODUCTS THAT DRIVERS LOVE

Trust in the durability of our tyres is earned with each successful trip. We are endlessly fascinated by driver safety and smooth driving. We promote mobility through new state-of-the-art quality

products and services that facilitate everyday life. In 2017, we strengthened our product portfolio and product availability and ensured that our solutions and services exceed expectations.

“NAVIGATE NORTH” SPEEDS UP TYRE SALES IN CENTRAL EUROPE

Seven days, 7,000 kilometers, heading north – the super-popular Navigate North car orienteering competition, sponsored since 2015 by Nokian Tyres and De Klok, its importer in the Benelux countries, promotes safe winter driving and tyre sales in Central Europe. Each team is equipped with the world’s best winter tyres as they head for the northernmost parts of Europe.



In January, 50 SUVs start from the Netherlands toward the unknown north. The local news and social media allow thousands of people in the Benelux countries to follow as the teams make their way through snow and ice for a good cause. Each year, many of the teams raise tens of thousands of euros for charity.

– Safety is the overall theme of the entire Navigate North contest; it extends from the arrangements and rules to all of the event partners. Nokian Tyres supports the competition by ensuring that the teams stay on the road and everyone gets home safely, says Teemu Tirronen, who is the Managing Director for Nokian Tyres Germany and also responsible for the Benelux region.

A common DNA

Teemu knows what he is talking about. He has already taken part in the competition three times with Sales Manager Zvonko Tkauz from the Dutch importer partner De Klok. Together, the two of them have spent extensive periods of time inside a car. The long rides have given them time to plan projects together.

– When starting my first competition, I did not know what to

expect since I had never spent that long inside a car with anyone other than my wife. Of course, I already knew Teemu from a long time ago, but 24 hours inside the same car for a week took its toll. We were like an old couple; sometimes, we would argue about the route choices – and then be laughing the next minute. It was an experience like no other, Zvonko says.

Boosting summer tyre sales

The next competition further strengthened the duo’s cooperation, not to mention the customer relationship. The most rewarding part of the Navigate North cooperation, however, has been the recognition from the participants. After each competition, many of them have come to say that they no longer want to use any other tyre brands than Nokian Tyres.

– Navigate North can be clearly seen in De Klok’s growing sales figures for summer and winter tyres for passenger cars. Positive experiences and word of mouth have resulted in contacts from businesses, even transport companies, wanting to switch from other brands to Nokian Tyres, Zvonko says.

STRONG WIN-WIN PARTNERSHIPS

Our cooperation with dealers and importers is based on innovation and win-win thinking. We do not hesitate to do what we promise, and we will support the business growth of our clients and partners in the long term. As a flexible partner, we will quickly react to rapidly changing market situations and customer needs. In 2017, we developed our digital retailer services to be even more comprehensive and strengthened our cooperation by arranging new types of events, among other things.

“A driving competition for seven days and 7,000 kilometers, driving on snow and ice 24/7 together with your business partner? With Nokian Tyres, I wouldn’t hesitate for a minute!”

Zvonko Tkauz, Sales Manager, De Klok

FOUR STRONG REGIONS

The global tyre market grew in 2017. The strongest growth was seen in SUV tyres and summer tyres with a high speed rating. Out of Nokian Tyres' main markets, Russia saw the strongest increase in demand. The sales of passenger car tyres are mostly affected by the sale of new vehicles, the development of buying power, and general consumer confidence in the economy.

GOOD POSITION RETAINED IN THE NORDIC COUNTRIES

Approximately 12 million car and van tyres are estimated to be sold each year in Finland, Sweden, and Norway, of which about half are winter tyres. In 2017, the passenger car tyre market shrunk by 6% in the Nordic countries, even though sales of new cars grew by 2%. Nokian Tyres is the only Nordic tyre manufacturer and retained its stable market leadership within the region. In 2017, Nordic countries comprised nearly 40% of our net sales.

THE RUSSIAN MARKET IS RECOVERING

As the overall economy improved and private consumption slowly started picking up, sales of new cars grew by 12% in Russia in 2017. The sell-in of summer and winter tyres also grew. Nokian Tyres was able to meet the high demand through local manufacturing and grew much faster than the market. The share of Russia and CIS grew to nearly 21% of our net sales. Nokian Tyres is the largest tyre manufacturer in Russia and the market leader for A and B segment tyres.

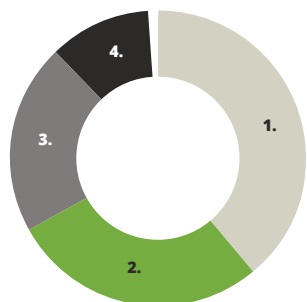
MORE FOCUS ON THE GROWING MARKETS IN CENTRAL EUROPE

Central Europe is a growth market for Nokian Tyres. Approximately 260 million passenger car and van tyres are sold each year on the European market (excluding the Nordic countries). The region is also the world's largest winter tyre market. In 2017, the overall tyre market in Central Europe grew moderately. We were able to increase our sales in Other Europe through sales and marketing investments and new products, in particular. In 2017, Other Europe comprised nearly 28% of our net sales.

BUILDING FOR GROWTH IN NORTH AMERICA

The United States is the world's largest market for vehicles. The sales of SUVs and pickups, in particular, are growing and increasing the demand for tyres. However, the overall tyre market growth is slow. Nearly 260 million tyres are sold each year in the US and Canada. North America is one of the growth markets for Nokian Tyres. In recent years, our focus has been on Canada and the US snowbelt, which are also our strongest regions. Our goal is to expand our product offering and sales especially in All-Season tyres and across a more extensive geographical area. In 2017, North America accounted for nearly 11% of our net sales.

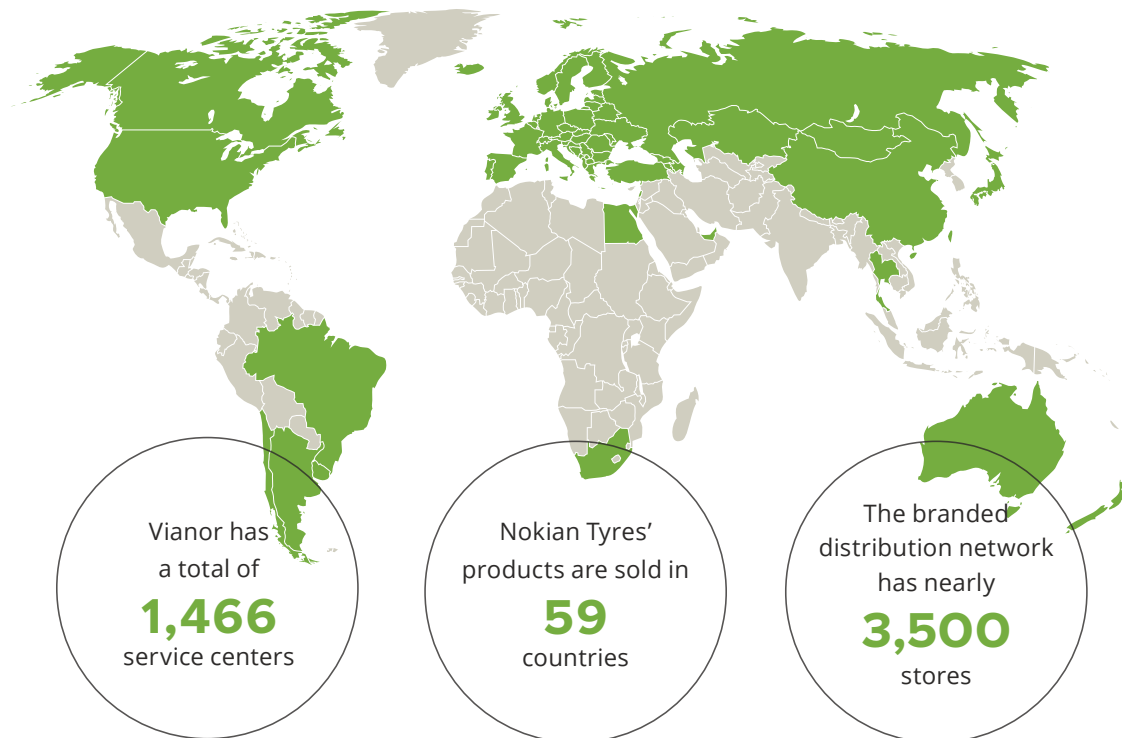
NET SALES BY MARKET AREA, %



1. Nordic countries 40%
2. Other Europe 28%
3. Russia and the CIS countries 21%
4. North America 11%

EXTENSIVE DISTRIBUTION NETWORK DRIVES BRAND AWARENESS

Good availability and precise, quick deliveries are increasingly important parts of a successful tyre retail experience. We are continuously developing our logistics systems and retailer network in order to ensure efficient distribution.



Nokian Tyres has customers around the world. Our own sales companies in the main markets and an extensive retailer network ensure the availability of our products and a first-class customer experience.

Our comprehensive distribution network consists both of Nokian Tyres' equity-owned Vianor service centers and service centers run by partners, the Nokian Tyres Authorized Dealer (NAD) partners, the N-Tyre retailers, and other tyre and vehicle retailers as well as online stores. The customer information available through the network offers an opportunity for improving customer insight and customer loyalty. Committed retailers gain access to Nokian Tyres' strong brand and innovative state-of-the-art products that grow their business.

VIANOR

- **1,466** service centers in **26** countries (194 owned by the group, 1,272 partners)
- The number of centers decreased by **35** in 2017
- The largest tyre retail chain in the Nordic countries, the Baltic states, Russia, and the CIS countries; also operates in North America and Central Europe

NOKIAN TYRES AUTHORIZED DEALERS (NAD)

- **1,855** stores in **21** European countries and China
- The network grew by **374** stores in 2017

N-TYRE NETWORK

- **127** stores in Russia and the CIS countries
- The network grew by **7** stores in 2017

SUSTAINABLE TYRE SALES AND CARING FOR YOUR VEHICLE

Vianor is a chain of service centers specializing in car maintenance and tyre services. The service centers and online stores serve both consumers and corporate customers. Following years of rapid growth, Vianor is now focusing on developing quality instead of quantity.

Vianor is a chain specializing in car maintenance and tyre services that comprises a network of nearly 1,500 service centers in 26 countries. Most of our centers are located in the Nordic countries, Russia, and Eastern Europe. We also have service centers in Central Europe and on the East Coast of the United States. In the Nordic Countries as well as in the US, the network consists of both equity-owned centers as well as service centers that are run by partners. In all other parts of the world, our partners offer the service. Our strength is our expertise in challenging driving conditions that stems from our Nordic roots. Our mission is to offer a strong, high-quality distribution route and to maximize Nokian Tyres' market share on the home markets.

Market share goals were met in the Nordic countries

In 2017, the Nokian Tyres' equity-owned Vianor business unit was able to retain its market share well. Growth in net sales was slowed down by the poor market development across the industry, tough competition, and the effect of new competitors focusing on online sales.

Focusing on service and the customer experience

Following years of rapid growth, Vianor is now focusing on

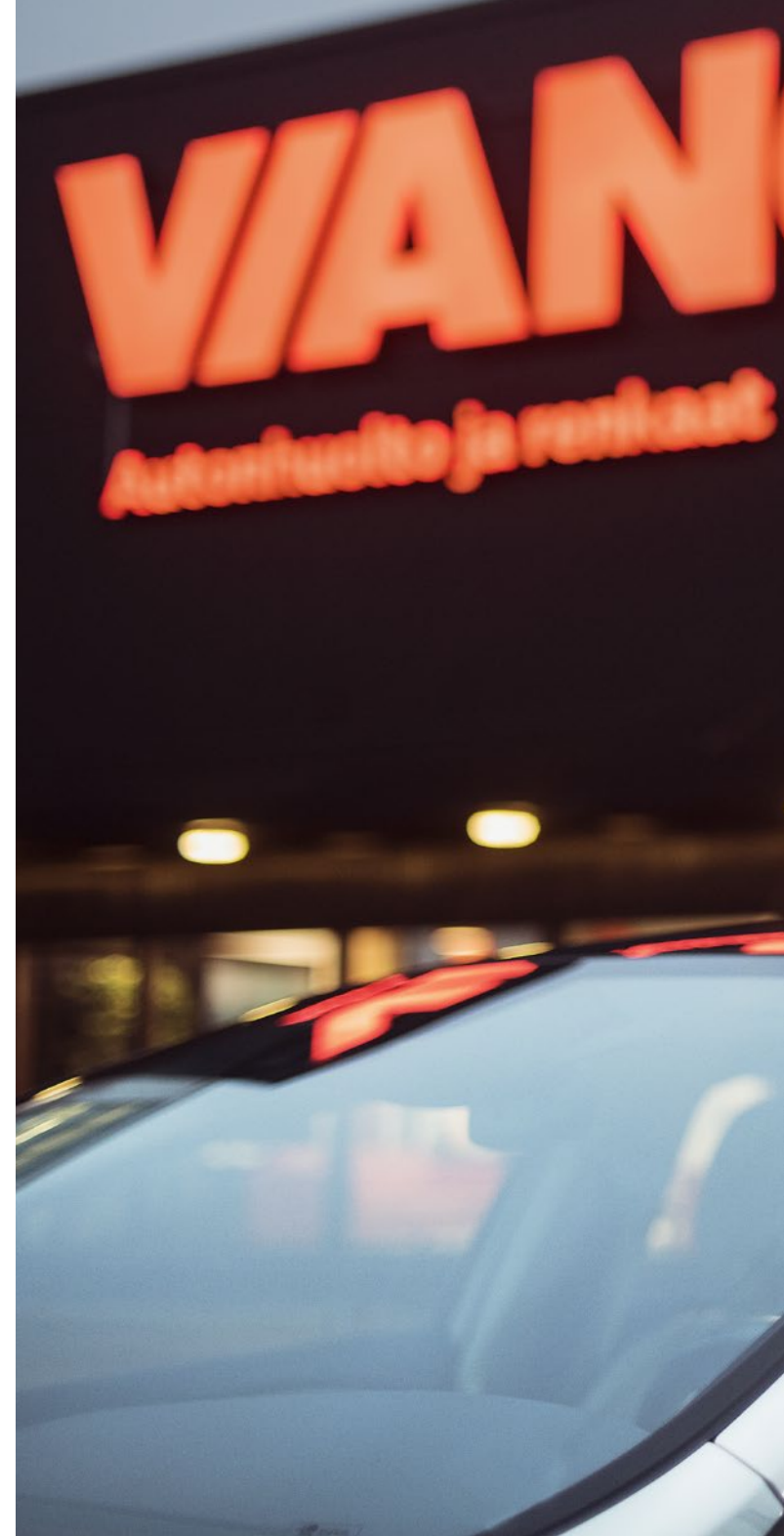
developing quality instead of quantity. The aim is to ensure future success by optimizing the network and improving the customer experience. A brand refresh was implemented during the year. This supports the Premium Customer Journey development program that was already started during the previous year and aims at delivering a better personnel and customer experience. By developing our activities, we can meet changing consumption and customer behavior in both consumer and B2B relationships.

Safety and quality are the main themes

Efforts to improve occupational safety have been fruitful and the number of accidents has reduced significantly. With high-quality services, we offer our customers peace of mind and safe kilometers. Safety will remain a priority in 2018.

Our own retail chain supports Nokian Tyres' strategy

In addition to ensuring our market share, an equity-owned high-quality retail chain offers Nokian Tyres a good testing environment for new products and services. Furthermore, the customer information accumulated by Vianor offers an opportunity for better customer insight and loyalty.



OR



SNAPSKAN IMPROVES ROAD SAFETY

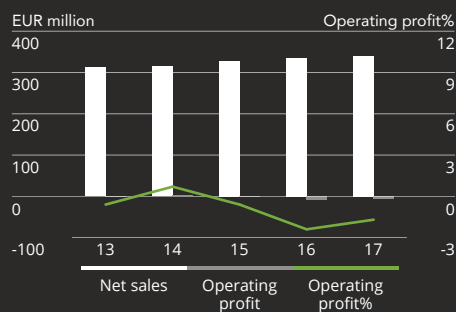
SnapSkan is a new, free service developed by Nokian Tyres. It is designed to make drivers aware of the condition of their tyres and the effect of tyres on road safety as well as to affect people's driving behavior. Furthermore, the service helps Nokian Tyres differentiate from the competition as a genuinely responsible tyre manufacturer that offers a free-of-charge service at locations frequented by drivers.

SnapSkan is based on state-of-the-art technology and a simple consumer user interface, and it is built in cooperation with Vianor. The tread depth of a car's tyres is measured automatically when driving over a ramp. It can also be measured with a handheld scanner at Vianor's service centers. Drivers can order their own report on their smartphone with a free SMS message. The report indicates the remaining tread on the tyres and its impact on road safety.

The service is currently in use in Finland, and the aim is to expand it to other countries.

VIANOR

Net sales, Operating profit and Operating profit%



	2013	2014	2015	2016	2017
Net sales	312.5	314.8	327.6	334.8	339.4
Operating profit	-1.8	2.1	-1.9	-8.1*	-5.8**
Operating profit%	-0.6	0.7	-0.6	-2.4*	-1.7**

In 2016, non-recurring items amounted to EUR 3.6 million and included the write-off of ICT development projects.

* Excluding non-recurring items: Operating profit EUR -4.5 million, operating profit percentage -1.3%.

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%.



"SNAPSKAN IS A FREE DIGITAL SERVICE FOR ALL DRIVERS. SNAPSKAN HAS BEEN BUILT TO IMPROVE ROAD SAFETY."

WORLD ON WHEELS





“ As car technology develops, the expectations for more versatile tyre features are also growing. In the future, tyres may feature sensor technology that allows the driver to receive information on changes in the road surface and weather, for example. As tyre engineers, we dream that the characteristics of future tyres could also be adjusted according to the weather.”

Mikko Liukkula, Development Manager

STABLE PATH TO GROWTH

Nokian Tyres' Passenger Car Tyres unit develops and manufactures high-quality summer and winter tyres for passenger cars, vans, and SUVs. In 2017, the unit's business grew strongly across all the main markets. Russia was the biggest contributor to growth.

Demand for passenger car tyres remained good in 2017. The tyre market in Russia picked up following a long recession and grew substantially faster than anticipated. Demand grew slightly in North America and Central Europe but weakened in the Nordic Countries. The growth in car sales had a positive impact on the tyre market.

Good performance across all markets

We took advantage of the favorable market developments, and our Passenger Car Tyres business grew strongly all year long across all of our main markets. The growth was mainly driven by Russia and the CIS countries with an increase in net sales of 46.4%. Business also developed favorably in North America where we achieved a new sales record.

Healthy profitability

Raw material cost pressure and a challenging pricing environment affected margins and forced us to perform price increases across all markets during the year. These increases had a positive effect on profitability. The improved product selection and production efficiency also improved profitability.

More production capacity for the increasing demand

In 2017, we continued to invest in the development of our sales

and distribution network and the improvement of availability. We responded to the growing tyre demand by increasing production volumes by 15% at our factories in Finland and Russia and by investing in a new production line in Russia. The combined annual nominal capacity of our factories is over 20 million tyres.

New factory supports the growth goals in North America

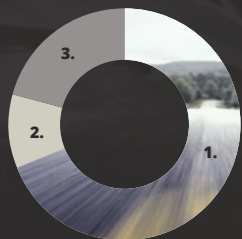
In May, we reported that we are investing approximately USD 360 million in a new factory in North America. Construction work started according to schedule in September and the intention is to manufacture the first tyres in 2020. The factory, distribution center, and storage facilities in Tennessee will support our growth goals and commitment to customers in North America. Our goal is to double our sales in North America by 2022.

New products strengthen the market position

The new premium products launched by the Passenger Car Tyres unit in 2017 were well received by the market. The products excelled in tests by international tyre magazines, creating positive brand awareness and strengthening the company's position on the key markets. An enhanced product selection and investments in the sales and distribution network create a strong platform for growth.



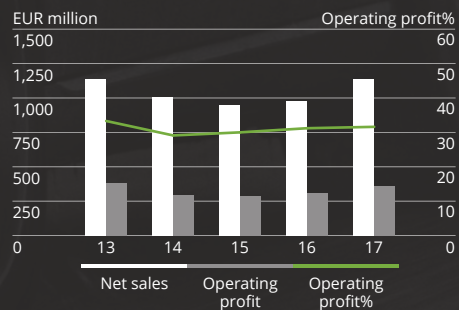
NET SALES BY BUSINESS UNIT, %



	2016	2017
1. Passenger Car Tyres	67	69
2. Heavy Tyres	11	10
3. Vianor	23	21

PASSENGER CAR TYRES

Net sales, Operating profit and Operating profit%



	2013	2014	2015	2016	2017
Net sales	1,137.0	1,003.2	951.5	981.1	1,138.8
Operating profit	378.5	292.2	285.5	305.8	359.9
Operating profit%	33.3	29.1	30.0	31.2	31.6

NEW PRODUCTS

THE NOKIAN HAKKAPELIITTA 9 AND HAKKAPELIITTA 9 SUV winter tyres are the latest additions to the Nokian Hakkapeliitta product family, which is already over 80 years old. The innovative winter tyre was developed for the varying Northern winter conditions and it is the first tyre in the world to feature patented double stud technology.

THE NOKIAN eNTYRE C/S All-Season tyre brings driving comfort, safety, and durability to North American roads. Suitable for all-year use on SUVs and crossovers.

THE NEW NOKIAN HAKKA BLACK 2 AND HAKKA BLACK 2 SUV summer tyres ensure balanced and precise road contact on Northern roads. The new sturdy **NOKIAN HAKKA BLUE 2 SUV** offers excellent wet grip and safe driving from summer to late fall.

NOKIAN HAKKAPELIITTA 9
NOKIAN HAKKAPELIITTA 9 SUV
NOKIAN eNTYRE C/S
NOKIAN HAKKA BLACK 2
NOKIAN HAKKA BLACK 2 SUV



Q2 | 2017

NOKIAN TYRES ANNOUNCED THAT IT IS BUILDING A NEW FACTORY IN NORTH AMERICA

Q3 | 2017

NEW PRODUCTION LINE COMMISSIONED IN RUSSIA

THE PIONEER IN SPECIAL TYRES STRENGTHENED ITS POSITION

Nokian Heavy Tyres develops and manufactures special tyres for the heavy industry. In 2017, the business unit improved sales and profit with support from new product innovations and positive market development.

In 2017, demand for heavy special tyres grew globally. In the Western markets, the demand was good in most of Nokian Heavy Tyres' core product groups: forestry tyres, agricultural tyres, machine tyres, harbor tyres, and mining tyres. The net sales of Nokian Heavy Tyres grew by 11% year-over-year. The operating profit, production volumes and productivity also improved.

Demand grew across most product groups

Demand for OEM forestry tyres remained strong and was supported by the strong growth of the forestry industry. Globally, Nokian Heavy Tyres is the leading manufacturer of CTL forestry tyres and it also retained its stable position in 2017. The company expects the forestry sector to continue growing in 2018.

Demand for agricultural tyres grew especially in Europe and North America. Nokian Heavy Tyres invested in product development and

introduced several tyres suited for heavy agricultural and earthmoving applications. Demand for premium truck tyres remained stable in Europe and the Nordic countries but decreased in Russia.

Additional capacity enables sales growth

The company eliminated production bottlenecks by increasing production capacity at the Nokia factory and investing in production automation. The additional capacity will be fully commissioned in early 2018, providing a strong foundation for Heavy Tyres' continued business growth in 2018.

In December, Nokian Heavy Tyres announced a new investment plan, amounting to approximately EUR 70 million, which will increase the capacity of the Nokia factory by 50% within the next three years. With the additional capacity, we especially intend to meet the demand for agricultural and forestry tyres. At the same time, an agreement was signed to encourage employee multi-skilling in order to increase flexibility.

Systematic efforts to improve safety created visible results. Last year, Nokian Heavy Tyres was able to reduce accidents leading to absence at the Nokia factory by 80%.

More sales from competitive new products

Raw material costs increased in 2017. Nokian Heavy Tyres countered the challenging situation by implementing price increases and introducing several new products. The sales of new products developed well and increased the net sales for the full year. The average selling price increased slightly year-over-year, mainly due to the price increases and improved product selection.

Cooperation with machine manufacturers guarantees safe and functional products

Nokian Heavy Tyres continued working in close cooperation with machine manufacturers and other partners in order to improve the functionality and safety of their equipment. Product safety and sustainability have become even more important factors in product development. As a profitable and strong global manufacturer, Nokian Heavy Tyres can quickly react to the changing needs of its customers and develop its operations in a sustainable manner.

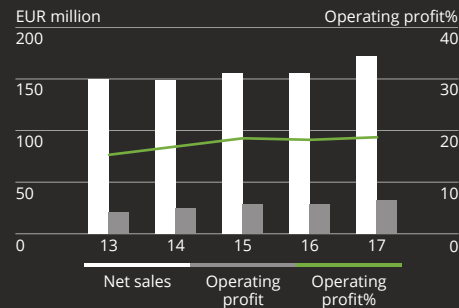


NEW PRODUCTS

- HAKKAPELIITTA CITY BUS** – tyre for city buses
- NOKIAN HAKKA TRUCK STEER** – All-Season tyre for freight and bus traffic
- NOKIAN HAKKAPELIITTA TRUCK F2** – front tyre for trucks and buses
- NOKIAN E-TRUCK** – All-Season tyre range for trucks and buses
- CT TRAILER TYRES** – 4 new products for agricultural machinery and heavy equipment
- NOKIAN CONCEPT TYRE** – tractor tyre
- NOKIAN HTS G2** – harbor tyre
- ARMOR GARD 2** – excavator tyre

NOKIAN HEAVY TYRES

Net sales, Operating profit and Operating profit%



	2013	2014	2015	2016	2017
Net sales	149.7	149.1	155.3	155.3	172.3
Operating profit	20.4	24.6	28.7	28.2	32.2
Operating profit%	13.6	16.5	18.5	18.2	18.7

CONCEPT TYRE SIMPLIFIES WORK AT FARMS

A new concept tyre embodies Nokian Heavy Tyres' efforts in developing products for agricultural use. The Nokian Concept Tyre, presented at Agritechnica 2017, allows for more versatile and cost-effective use of tractors and other farm equipment at farms undergoing a transitional period. The durable and versatile tyre has a pioneering tread pattern that improves mobility under varying conditions as well as an innovative structure that allows for heavier loads, among other things.

NORTHERN KNOW-HOW FOR THE GLOBAL MARKET

Relentless product development and the world's best testing expertise are the basis of our innovations.

This results in solutions that promote safety, driving comfort, and eco-friendliness around the world.

Our unique product development is based on know-how accumulated during over 80 years in the business and the constant search for better solutions. Safety is the main goal of our development, which is guided by the principles of sustainability, innovation, and eco-friendliness. The quality, durability, and eco-friendliness of our products are a result of careful research, structural development, and testing.

New Products and Technologies unit responds to global demand

Excellent problem-solving abilities and relentless development have made our company a pioneer in the tyre industry. We are developing our ability to innovate by means of constant renewal. From the beginning of 2018 onwards, we are moving the functions of Product Management and Product Development under a new unit. The new Products and Technologies unit creates growth by speeding up the development of innovative, competitive, and profitable tyre technology solutions for all key markets. Closer cooperation between product development and product management reinforces our company's position as an innovation

leader for future products and solutions promoting driving comfort. This reform ensures that our product portfolio meets the needs of different markets and the expectations of each user group.

Future tyres from person to person

In the future, smart traffic technology and bio-based materials will revolutionize the vehicle industry. In the coming decades, tyres will remain an essential part of the safety and eco-friendliness of driving, since tyres are the only point of contact with the driving surface. Measures for reducing rolling resistance are important, since tyre use amounts to up to 80% of their total carbon footprint. Our company has met these challenges with effective product development processes where we utilize the latest digital technologies and innovative materials successfully reducing rolling resistance, for example. High-quality customization and comprehensive testing allow these results to be seen and felt in the everyday lives of drivers as improved safety and efficiency.



WHITE HELL EXPANDED – EVEN STRONGER WINTER SAFETY

Our winter tyres are tested under the most demanding conditions. Our White Hell testing center in Ivalo, Finland is the world's largest and most versatile winter tyre testing area. Established in 1986, the 700-hectare testing center is used to simulate the extremes of winter driving and to defy the grip limits from November to May, day and night. Close cooperation with the automotive industry is an important part of our field testing. On the 30 test tracks in the area, our test drivers and self-driving cars test the performance and grip of the tyres under all extreme conditions and according to the test programs of the leading car manufacturers.

In 2017, we expanded the testing center with a testing platform, service hall, and meeting room built on the shore of lake Pilverijärvi. The track, which is over one kilometer long and up to 40 meters wide, is the largest testing platform in White Hell in terms of surface area, and it allows for even more versatile testing of our passenger car tyres and heavy special tyres.

THE AURORA INTELLIGENT ROAD IS USED TO TEST THE WORLD'S BEST WINTER TYRES

In the future, smart traffic technologies and autonomous driving solutions will revolutionize the entire vehicle industry. Nokian Tyres is promoting the development of smart traffic under arctic conditions. The Aurora intelligent road, located in Muonio, Finland and managed by the Finnish government, is the world's best test road for autonomous driving under winter conditions. The 10-kilometer road is equipped with modern probe and sensor technology and state-of-the-art communications connections. Our company is participating in the project as a technology pioneer partner, investigating the demands of smart traffic on the tyre industry. As the world's northernmost tyre manufacturer, we want to ensure that future tyre technology works under the most demanding conditions without compromising on safety.

“NOKIAN TYRES IS AMONG THE FIRST IN EUROPE TO EXPERIMENT WITH GROWING ECOLOGICAL LATEX.”

TESTING AND TECHNOLOGY CENTER IN SPAIN REINFORCES OUR POSITION ON THE SUMMER TYRE MARKET

We will be opening a new testing and technology center for summer and winter tyres in Santa Cruz de la Zarza, Spain, during 2019. The testing and technology center, spanning some 300 hectares and located south of Madrid, will allow for all-year product development and testing of summer and winter tyres with high speed ratings on more than ten tracks. An oval track of over 7 kilometers in length will be built around the area, allowing for testing tyres at speeds of up to 300 kilometers per hour. As part of the development of future tyres, we established a test plantation for cultivating guayule in Santa Cruz de la Zarza in 2017, in cooperation with the local university. The guayule bush, native to barren deserts, is a source of high-quality natural rubber. In the future, we aim to utilize even eco-friendlier raw materials in tyre manufacturing.

WORKING RESPONSIBLY





“The best parts of my work are the participatory culture and professional colleagues: together, we feel inspired to develop ourselves and the company, and to advance toward new successes. The significance of our work is also important; after all, we are a life-driven, sustainable company.”

Maxim Pimenov, Quality and Tyre Technology Expert



“Hakkapeliitta Spirit means exceeding yourself, achieving top performance, helping your friends, working together, and celebrating successes. It is seen in many ways in our everyday interactions and it is genuinely present in everything we do. Still, it remains difficult to put it all into words. Hakkapeliitta Spirit makes you do more; it comes back to you and feels good. And the best part is that it’s impossible to imitate.”

Marju Grabovci, Global Product Manager

STRONG VALUES GUIDE OUR ACTIVITIES

We at Nokian Tyres are joined together by a belief in working with others and an ability to create new things and develop our activities. We trust in discovering things together and rolling up our sleeves to get the job done. We take care of each other, the environment, and safe mobility under all conditions. We call our unique company culture the Hakkapeliitta Spirit.

Hakkapeliitta Spirit comprises our values, goals, leadership, and everyday work. Without solid values and value leadership, we could not achieve success or our goals for profitable growth.

In 2018, we will be starting value discussions with our personnel with the aim of creating an even more harmonized company culture and ensuring closer international cooperation. The discussions will be held at international supervisor events as well as in local teams and online game environments alike. By reflecting our values on our future needs and committing to them together, we will be able to better answer the needs of a changing world and to react to the trends that are changing our operating environment.



**OUR VALUES ARE AT THE CORE
OF THE HAKKAPELIITTA SPIRIT**

INVENTIVENESS

We have the skill to survive and excel, even in the most challenging circumstances. Our competence is based on creativity and inquisitiveness, and the nerve to question the status quo. We are driven by a will to learn, develop, and create something new.

ENTREPRENEURSHIP

We are quick and brave. We set ambitious objectives and perform our work with persistence and perseverance. We are dynamic and punctual, and we always make customer satisfaction our first priority.

TEAM SPIRIT

We work in an atmosphere of genuine joy and action. We work as a team, relying on each other and supporting each other, offering constructive feedback when needed. We embrace differences, and we also encourage our team members to individually pursue winning performances.

IMPROVEMENTS IN ALL AREAS OF SUSTAINABILITY

Sustainability is a natural part of our business: sustainable product development, safe and eco-friendly products, and high standards of quality in what we do. We have worked in the long term for corporate sustainability in order to improve our company's operations and the entire tyre industry. Our work was verified in 2017 when Nokian Tyres was selected for the Dow Jones Sustainability World index (DJSI).

We want to be the most responsible and ethical tyre company and an industry pioneer. We ensure that our activities do not harm the environment or people. Our tyres are easy on the environment and, even under challenging conditions, they will help you reach your destination. Our business must be profitable so that we are able to offer security, work, and well-being for our personnel, while also considering investors, customers, and other stakeholders. Sustainability is an essential part of our daily work and leadership, which is guided by the group strategy.

We take into account the entire product life cycle and all of our business functions, and we strive to go beyond the minimums required by the law and applicable standards. We emphasize the management of sustainability in all of our functions and our supply chains. We believe that the importance of sustainability will continue to grow, based on both the needs of stakeholders as well as companies' own desire to improve their operations and products.

Systematic management of sustainability improves our operations and company culture

Our strategy also guides our choices in terms of sustainability. All supervisors' duties include day-to-day leadership of corporate sustainability. The main task of the Corporate Sustainability working group is to design and promote measures for better sustainability. The head of each unit is responsible for implementing the measures according to their unit strategy. Larger topics and guidelines are discussed by the management team and, if necessary, by the Board of Directors.

We have divided our company's corporate sustainability into five clear categories: Hakkapeliitta Way describes our approach and covers the principles that guide our work across the group. The four areas of operational sustainability management, on the other hand, describe our corporate sustainability in relation to our products, the economy, people, and environment.



VALUES, STRATEGY, AND GOALS

Sustainability is part of our company's culture, strategy, and goals. We manage our sustainability in five areas.

HAKKAPELIITTA WAY

The principles that guide our operations throughout the group

- Transparent and comprehensive reporting
- Conducting business ethically, in compliance with laws and regulations
- Sustainable purchasing from raw materials to services
- Good corporate citizenship
- Active partnership with stakeholders
- ▶ Our group's business is guided by our Ethical Guidelines, whistleblowing policy; Environment, Safety, and Quality policy; purchasing and communication policy, GRI reporting, and the UN Global Compact initiative.

AREAS OF OPERATIONAL SUSTAINABILITY MANAGEMENT



WORLD ON WHEELS

We develop and manufacture eco-friendly, safe, and high-quality tyres that reach their destination safely even under demanding conditions.

We emphasize the eco-friendliness of our products.



ECONOMY

Through profitable growth, we enable the further development of our operations and ensure financial security, work, and well-being for our stakeholders.

We want our customers to be highly satisfied with our products and services.



PEOPLE

We develop and maintain a company culture that promotes fair and equal treatment, caring, and respect.

We guarantee a safe working environment for our employees and partners.



PLANET

We ensure that our actions do not harm the environment or people; instead, our objective is promoting well-being in general.

We are a tyre industry pioneer in environmental aspects.

SUCCESS AND NEW DEVELOPMENT NEEDS

For each area of corporate sustainability, we have set goals that provide clear guidelines for our operations. In 2017, we also planned a new road map that provides more detailed guidance for our work on corporate sustainability. We completed the projects of our previous road map successfully in 2017. We have set our sustainability goals and road map goals for 2020.

The road map projects are guided by the Corporate Sustainability working group, which comprises experts from various units. Among other things, our development tasks involve the development of our supply chain, products, and services as well as human rights, risk management, the environment, and value creation. We track the completion of the processes on a monthly basis.

CORPORATE SUSTAINABILITY MILESTONES IN 2017

OUR SELECTION FOR THE DJSI WORLD INDEX

In terms of corporate sustainability, 2017 was a year of success, topped off by our inclusion in Dow Jones' Sustainability World index (DJSI). With a total sustainability score nearly twice as high as the industry average, we significantly improved our results in the assessment. We were the best tyre manufacturer in the index, and our score was only one point behind the best company in the Auto Components sector.

DRIVING SUSTAINABILITY IN THE SUPPLY CHAIN

As part of our efforts for improving supply chain sustainability, we have set a goal to audit all of our major rubber processor partners (at least 80% of our natural rubber purchasing volume) by 2020. In 2017, we audited four natural rubber processors together with an external auditor. For our company, the audits guarantee that our requirements are followed in the best possible way, and they provide an opportunity for the audited companies to improve their activities and occupational safety.

NO PRODUCTION WASTE GOES TO LANDFILLS

Our goal for 2020 is that no waste generated in production is taken to a landfill. We aim for a 100% utilization rate. In 2016 and 2017, 100% of factory waste was sent to utilization in Nokia. In Vsevolozhsk, 89% of waste was utilized (86% in 2016).

33%

In 2017, we made an effort to develop our company's safety culture and managed to improve the accident frequency rate by 33% year over year.

2.6%

Overall customer satisfaction was up by 2.6%.

7%

We had set a goal for 2020 to reduce the rolling resistance of our product range by 7% compared to the 2013 baseline, creating an annual decrease of 500 million kg in CO2 emissions from traffic, and reached this target in good time.

Plans for 2018

In the coming year, our corporate sustainability work will focus on the factory that we are constructing in the United States. We are planning to make our factory in Dayton, TN a pioneer in sustainability, as well.

We will also focus on safety improvements concerning our personnel and products, continue auditing our processing partners in purchasing, and create a consistent business culture for our company. All in all, we will continue our work on the corporate sustainability tasks and projects in all areas.

We have worked in the long term for corporate sustainability and intend to continue this development in the future as well. As a responsible tyre company, we want to set an example for the entire industry.

For more information, see our sustainability report at www.nokiantyres.com/sustainability

SUSTAINABLE TYRE DEVELOPMENT

Careful laboratory testing, solid expertise in chemistry, and an open mind to new compounds – we ensure the technical quality of our premium tyres by testing and studying each raw material used in tyre production and by continuously improving our rubber compounds. Development Manager Harri Myllymaa and Material Manager Anne Ojala boldly use their experience and inventiveness in the development of our safe and eco-friendly tyres. Together with their teams, they further the introduction of bio-based raw materials and ways of reducing our tyres' rolling resistance.



– It is exciting to create something new and, here, you get to do that every day. Our work involves the constant development of the compounds, applying our knowledge, seeking new raw materials, and using them in completely new ways. In our production, we only use raw materials that have been carefully approved by our laboratory, Harri Myllymaa says.

According to Harri and Anne, sustainability has become increasingly important over the years. Green choices guide all of the decisions made in the department and, in particular, future development efforts. In addition to its own development and quality assurance, the company actively follows the development of environmental and safety regulations in Finland and the international market.

– Our team is responsible for anticipating how

future legislation and the quality classification of tyres affect the use of raw materials. We do not use any toxic raw materials and we are constantly striving to replace synthetic raw materials with bio-based ones, Anne Ojala explains.

Close collaboration for a lower rolling resistance

Uncompromising development has been successful. As one of the first companies in the world, we have introduced to the market more new products that utilize bio-based raw materials and minimize the environmental impacts during use. In 2015, we launched the world's first winter tyre with the EU tyre label's best class AA rating. Last year, the proportion of tyres that reduce fuel consumption through ultra-low rolling resistance was up to 90% of our tyre range.

Materials development works in close collaboration with the other product development units in order to improve the rolling resistance category of all products. Our company aimed to reduce the rolling resistance of our products by 7% by 2020, creating a decrease of 500 million kg in CO₂ emissions from traffic. We met this goal already in 2017, well ahead of target.

– Our job is very interesting because the work on lowering the rolling resistance is becoming increasingly harder. It is not just about changing one raw material. The challenge is being able to combine the different areas in chemistry and finding new combinations of characteristics, Harri says.

Aiming for a fully bio-based tyre

Bio-based raw materials are changing the entire tyre industry globally. Together with her team,

Anne actively looks for, studies, and tests new bio-based raw materials in all of the raw material categories. The criteria are tight because the new raw materials must guarantee the tyre's safety, durability, and driving comfort characteristics in all possible driving scenarios.

– A change in raw materials must not degrade the properties of rubber compounds in any way. It is great that new raw material combinations often yield positive effects. For example, the new bio-based softener that we are using in last year's new winter products improves the tyres' safety characteristics, Anne says.

We do our work with an open mind and patience. New bio-based raw materials are sought from sources around the world and developed in joint projects with universities and research centers in various countries.

A MOTIVATED TEAM ACHIEVES TOP RESULTS



Our open and participatory company and leadership culture ensure that our working environment remains inspiring. Together, we are developing a results-driven working community where engaged employees are committed to their work as well as to building the success of our company.

“Our work has a special purpose. At Nokian Tyres, everyone is doing their part in promoting safe driving in any weather. This motivates me to do my best every day.”

Kalle Mikkonen, Development Technician

The purpose of goal-oriented HR management is to ensure the competence, well-being, and equal treatment of our committed, motivated, and professional personnel. Supervisors implement our company and leadership culture in our common everyday work in a natural and consistent way.

In 2017, the key focus areas were supervisor work and improving of leadership, strengthening the safety culture and taking steps toward global leadership practices.

In 2018, with the continuing internationalization and the new operational model, we will continue to focus on people leadership, supervisor work, and the development of global operational models.

How we succeeded in 2017

- Accident frequency was down by 33% from the previous year.
- Trainings were used to influence supervisor work, the leadership culture, well-being at work, and occupational safety as well as for committing the personnel and maintaining unified leadership practices.
- 91.3% of our global personnel responded to the Drive! personnel survey (in 2016, the response rate was 88.7%).
- Sustainability became an even more important part of our company culture; 55% of our personnel took the online course on sustainability in 2017.

What we will work on in 2018

- Based on our new operational model, we will be harmonizing practices with a focus on improving leadership as well as global processes and practices, including recruiting, induction, performance leadership, and compensation.
- We will reduce the number of accidents by 30% compared to 2017. We will focus on personnel competence development, supervisor work, and various corrective actions.
- We will encourage our personnel to make safety observations; the goal is to have, on average, two safety observations per employee.
- We will be commissioning a global HR data system that supports the development and implementation of harmonized, equal, and transparent management practices within our group.
- We are creating and implementing global framework for defining and evaluating jobs.

Our personnel's ambition, shared development of ideas, active participation, and caring attitude all support the development of competence, profitable growth, sustainability, and the implementation of our strategy. At Nokian Tyres, everyone has an opportunity to grow and learn.



**BOARD OF DIRECTORS
JANUARY 1, 2018**



PETTERI WALLDÉN

b. 1948

Master of Science (Engineering)
Member of the Board since 2005, Chairman of the Board
Chairman of the Personnel and Remuneration Committee
Independent of the company
Shares: 19,517



RAIMO LIND

b. 1953

Master of Science (Economics)
Member of the Board since 2014, Deputy Chairman
Chairman of the Audit Committee
Member of the Personnel and Remuneration Committee
Independent of the company
Shares: 2,851



HEIKKI ALLONEN

b. 1954

Master of Science
President and CEO, Hemmings Oy Ab
Member of the Board since 2016
Member of the Audit Committee
Independent of the company
Shares: 1,193



VERONICA LINDHOLM

b. 1970

Master of Economics
CEO, Finnino Oy
Member of the Board since 2016
Member of the Personnel and Remuneration Committee
Independent of the company
Shares: 1,193



INKA MERO

b. 1976

Master of Economics
Co-Founder and Chairman, Pivot5 Oy
Member of the Board since 2014
Member of the Audit Committee
Independent of the company
Shares: 2,586



GEORGE RIETBERGEN

b. 1964

Master, Business Administration
Partner of 5Square Committed Capital
Member of the Board since 2017
Member of the Audit Committee
Independent of the company
Shares: 530

See the details for the Board of
Directors at
[www.nokiantyres.com/
board-of-directors](http://www.nokiantyres.com/board-of-directors)

MANAGEMENT TEAM
JANUARY 1, 2018



HILLE KORHONEN
b. 1961
President and CEO
Licentiate of Science (Technology)
Member of the Board 2006-04/2017 and
President and CEO since 06/2017



ANDREI PANTIOUKHOV
b. 1972
Executive Vice President,
Russia and Asia business area
MBA
With the company since 2004 and
Interim President and CEO 01-05/2017



ESA ERONEN
b. 1957
Supply Chain and Sustainability
Technology Engineer
With the company since 1988



TOMMI HEINONEN
b. 1976
Americas business area
Bachelor of Science (Economics)
With the company since 2000 and
a member of the management team since 01/2018



ANNA HYVÖNEN
b. 1968
Vianor business unit
Licentiate of Science (Technology)
With the company since 2016



TARJA KAIPIO
b. 1962
Human Resources
Master of Psychology
With the company since 2016



ANNE LESKELÄ
b. 1962
Finance and IR
Master of Economic Sciences
With the company since 1997



MANU SALMI
b. 1975
Nokian Heavy Tyres business unit
Master of Military Sciences,
Master of Economic Sciences, MBA
With the company since 2001



PONTUS STENBERG
b. 1966
Europe business area
(interim) Products and Technologies unit
Master of Economic Sciences
With the company since 2010



TIMO TERVOLIN
b. 1977
Strategy and M&A
Master of Economic Sciences,
Master of Science
With the company since 2016



SUSANNA TUSA
b. 1972
Legal and Compliance
Master of International Business Law
With the company since 2007 and
a member of the management team since 01/2018



ANTTI-JUSSI TÄHTINEN
b. 1965
Marketing and Communications
Master of Arts
With the company since 2005



FRANS WESTERLUND
b. 1966
IT and Processes
Master of Economic Sciences
With the company since 08/2017

Members of the management team until December 31, 2017

TEPPO HUOVILA
b. 1963
Quality and Sustainability
Master of Science, MBA
With the company since 1989

JUHA PIRHONEN
b. 1963
Research and Development
Master of Science
With the company since 1991

See the details for the management at www.nokiantyres.com/management

SUSTAINABLE INVESTMENTS

Nokian Tyres' ability to generate value for shareholders and other stakeholders is based on profitable growth and a strong position within the selected business areas. Our strengths include innovative, pioneering products, a trusted brand, lasting customer relationships, and the most efficient and flexible production facilities in the industry. Healthy profitability and faster-than-market growth are made possible by our competent and motivated personnel and satisfied customers.

DISTRIBUTED RISK

Global operation on two different end markets (passenger car tyres and heavy special tyres for the industry) and our own Vianor network provide stability. The different business functions in various markets balance the geographical risk and the seasonal nature of the passenger car tyre business.

STRONG MARKET POSITION

We are a strong player in selected markets. Our goal is to be the market leader in the Nordic countries and Russia and to maintain profitable growth in our other main markets: over a five-year period, we will grow our sales by 50% in Central Europe and double our sales in North America. In the long term, we want to be a significant actor on all winter tyre markets.

TARGETED GROWTH PROJECTS

We are aiming to grow faster than the market with strategically selected projects. In addition to investing in markets and areas

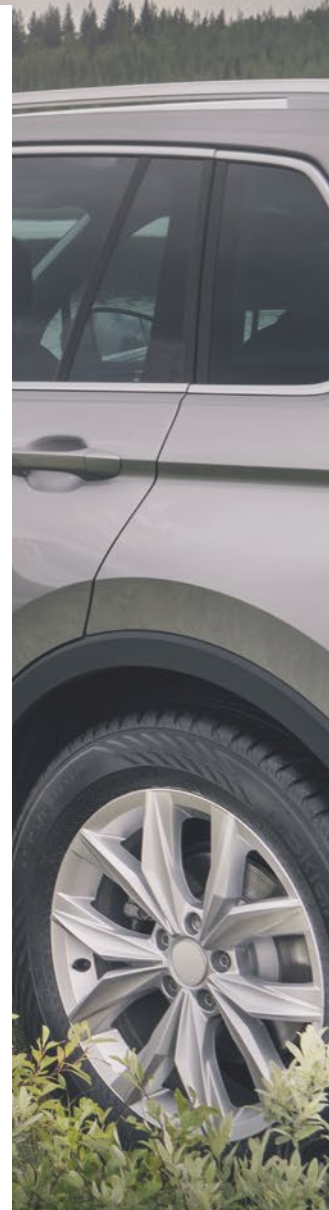
of growth, we have continued to improve our competitiveness by increasing our global delivery capacity, expanding our product offering, and developing the customer focus of our activities and services.

TRENDS SUPPORTING GROWTH

Global megatrends create new, interesting opportunities for growth. Digitalization, changes in mobility, and increased attention to safety increase the demand for responsible actors such as Nokian Tyres and enable new types of business models.

SUSTAINABLE AND FINANCIALLY STRONG

Our good business results and solid financial foundation provide us with excellent opportunities for developing sustainable business, implementing selected growth projects and paying good dividends. We continue to work systematically toward top results. Nokian Tyres was the most sustainable tyre manufacturer in the DJSI sustainability index in 2017.



AVERAGE
ANNUAL SALES GROWTH
OF A MINIMUM OF

4-5%

50%

MINIMUM
DIVIDEND

22%

AT A MINIMUM, BEST
OPERATING PROFIT
LEVEL IN THE
INDUSTRY

SHARE PRICE DEVELOPMENT ON
NASDAQ HELSINKI
JAN 1, 2013-DEC 31, 2017



FINANCIAL GOALS FOR 2016-2018*

PROFITABLE GROWTH FASTER THAN THE MARKET

Growing faster than the market: Average annual sales growth of 4-5% in 2016-2018

Our goal is to reach an average annual growth that is higher than the growth on the target market. This means that our aim is to organically outgrow the tyre replacement market. With the current market outlook, this would result in an average annual growth in sales of 4-5% for the period of 2016-2018.

Healthy profitability: EBIT > 22%

The aim is to maintain the best operating profit level in the industry, a minimum of 22%.

Good returns for our shareholders - dividend at least 50%

Our goal is to offer stable or higher absolute dividend per share in 2016-2018 (despite the investments in the third factory). Dividend policy: The company aims to pay out at least 50% of its net earnings as dividends.

*at stable currency exchange rates

nokian[®]
TYRES



WWW.NOKIANTYRES.COM