



**ANNUAL REVIEW  
2017**

**nokian<sup>®</sup>  
TYRES**



# PEACE OF MIND

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**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.**

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

# HIGHLIGHTS OF THE YEAR

**243**

OUR TEAM  
GREW BY 243  
PROFESSIONALS

NET SALES GREW BY

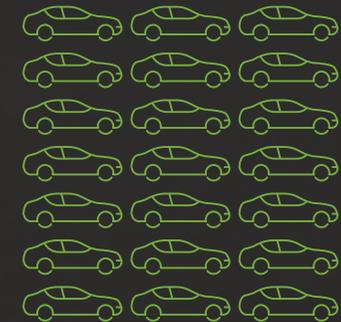
**13%**

**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.

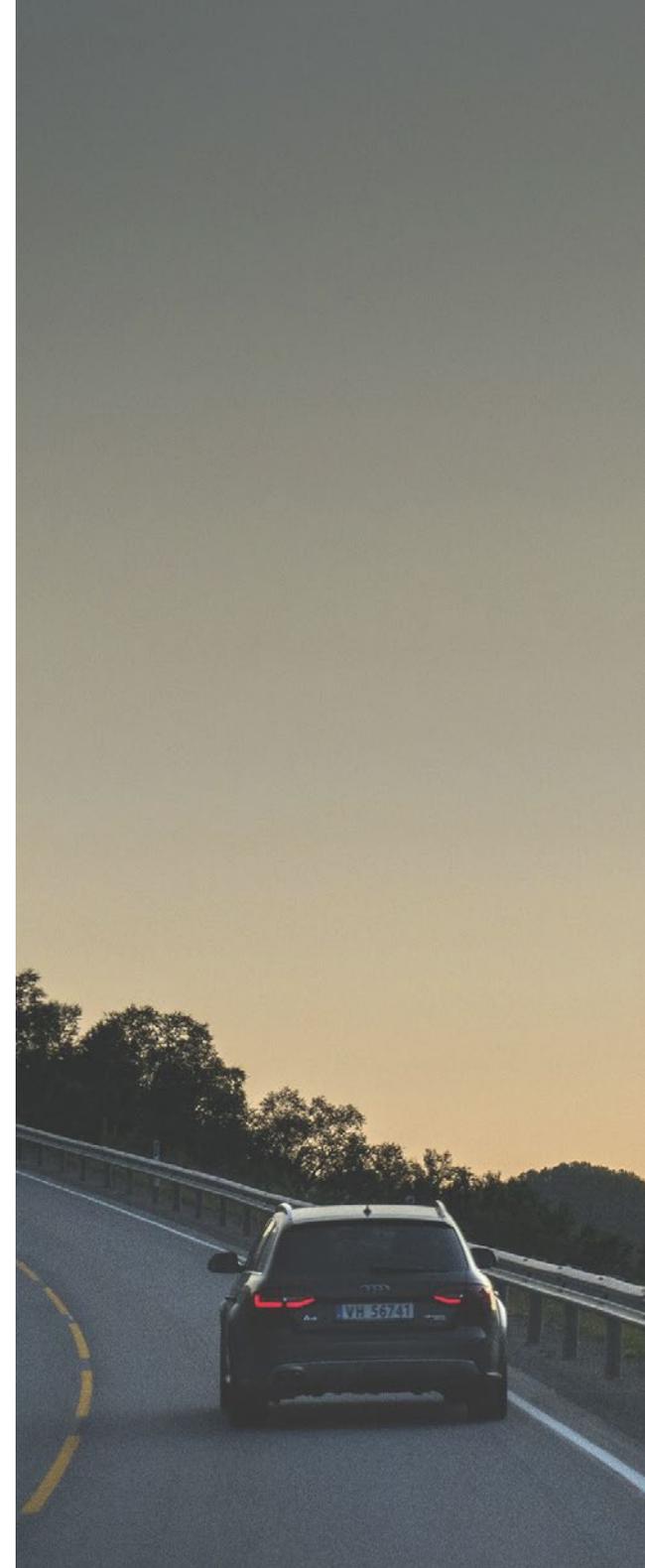
I would like to thank our customers, personnel, and other stakeholders for the year 2017. Our inspiring teamwork enabled us to achieve excellent results, and we are committed to continue building our success together in the coming years.

**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

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**“ 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.

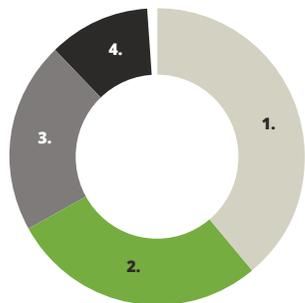
## MORE FOCUS ON THE GROWING MARKETS IN CENTRAL EUROPE

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.

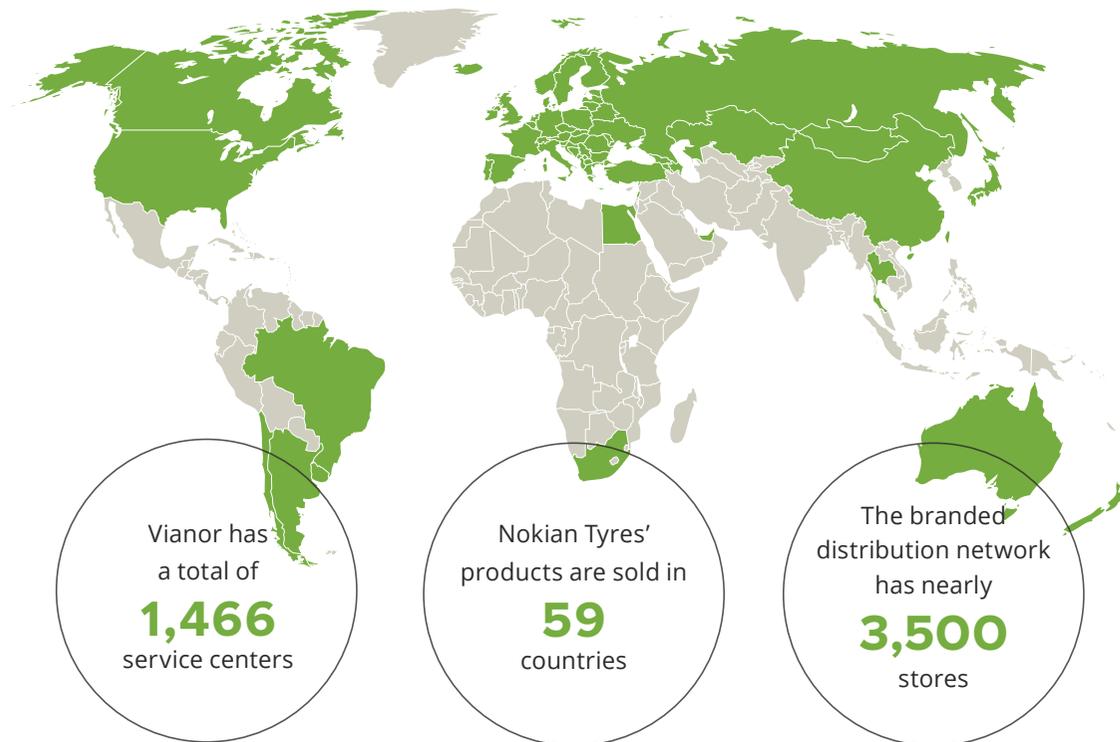
NET SALES BY MARKET AREA, %



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

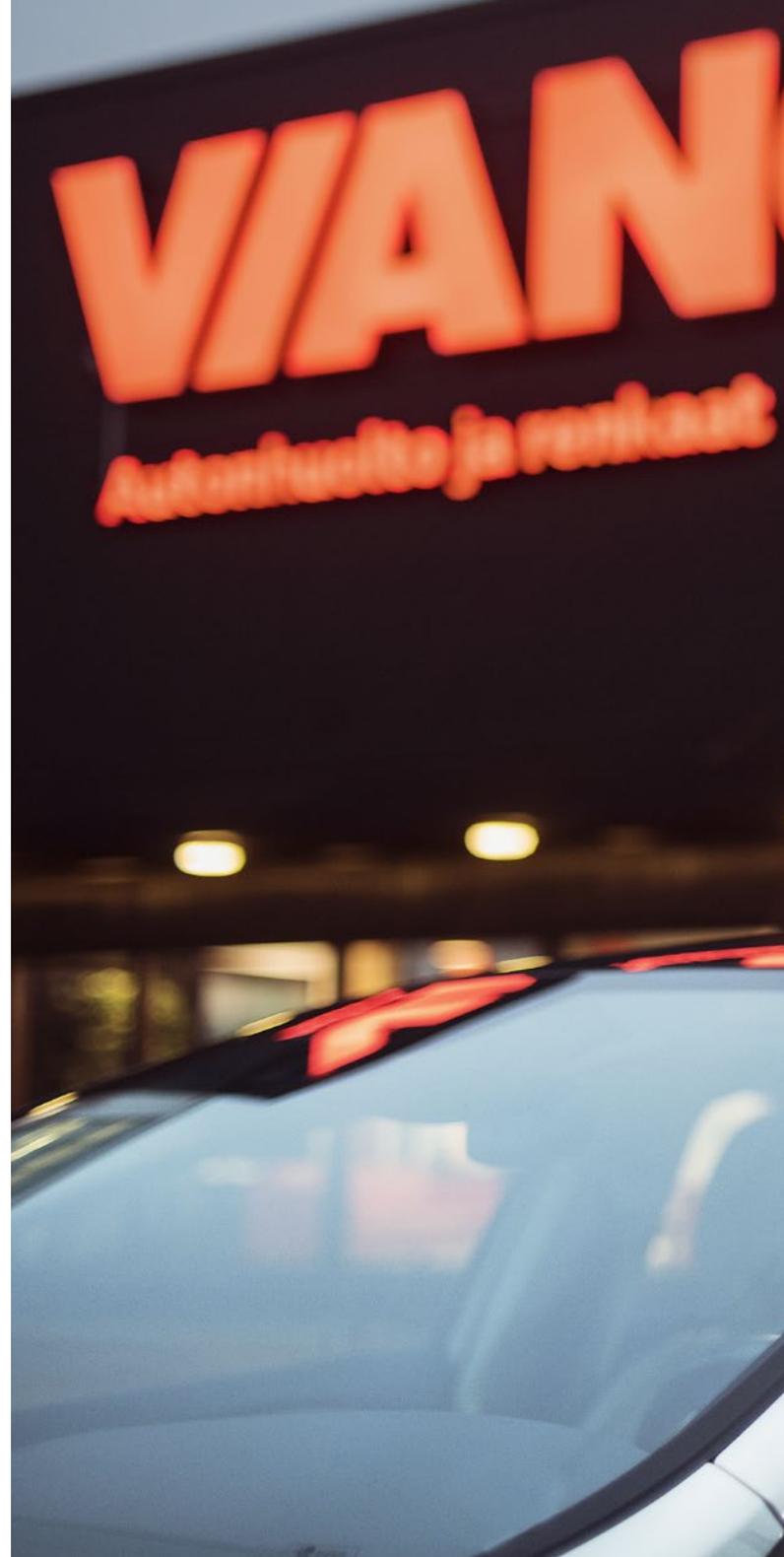
developing quality instead of quantity. The aim is to ensure future success by optimizing the network and improving the customer experience. A brand refresh was implemented during the year. This supports the Premium Customer Journey development program that was already started during the previous year 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

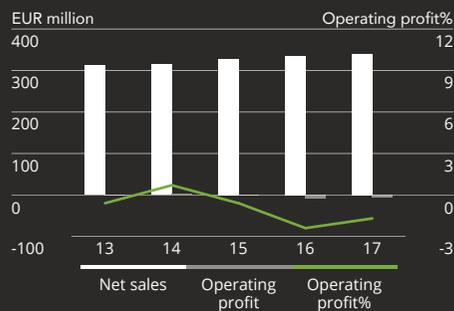
SnapSkan is a new, free service developed by Nokian Tyres. It is designed to make drivers aware of the condition of their tyres and the effect of tyres on road safety as well as to affect people's driving behavior. Furthermore, the service helps Nokian Tyres differentiate from the competition as a genuinely 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%



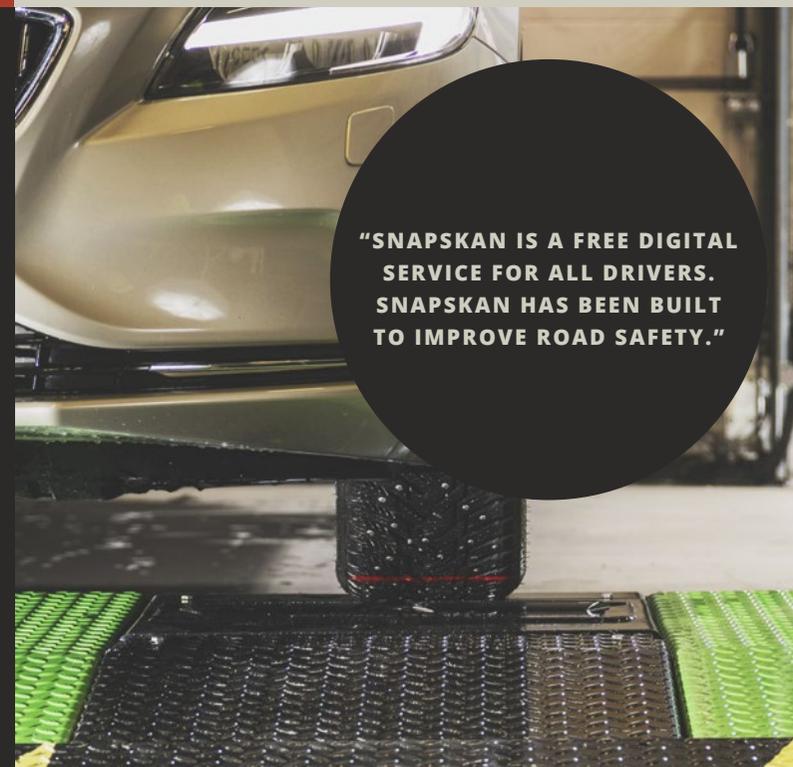
	2013	2014	2015	2016	2017
Net sales	312.5	314.8	327.6	334.8	339.4
Operating profit	-1.8	2.1	-1.9	-8.1*	-5.8**
Operating profit%	-0.6	0.7	-0.6	-2.4*	-1.7**

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



An aerial photograph of a multi-lane highway interchange in a winter, snow-covered landscape. The roads are dark against the white snow. In the background, there are trees and a body of water under a cloudy sky. A quote is overlaid on the right side of the image.

**“ 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**

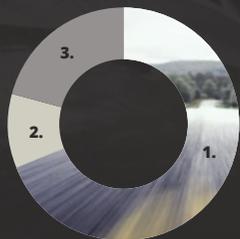
In May, we reported that we are investing approximately USD 360 million in a new factory in North America. Construction work started according to schedule in September and the intention is to manufacture the first tyres in 2020. The factory, distribution center, and storage facilities in Tennessee will 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.



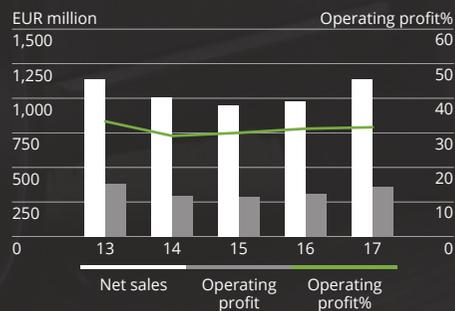
## NET SALES BY BUSINESS UNIT, %



	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 Hakkapeliitka 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.

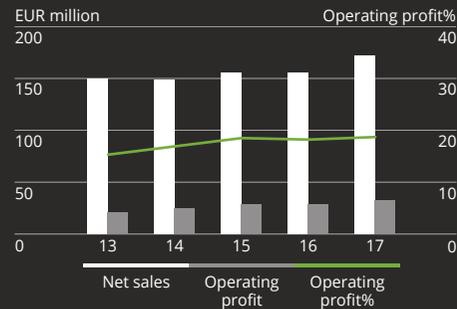


**NEW PRODUCTS**

- 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

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“ 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.”**

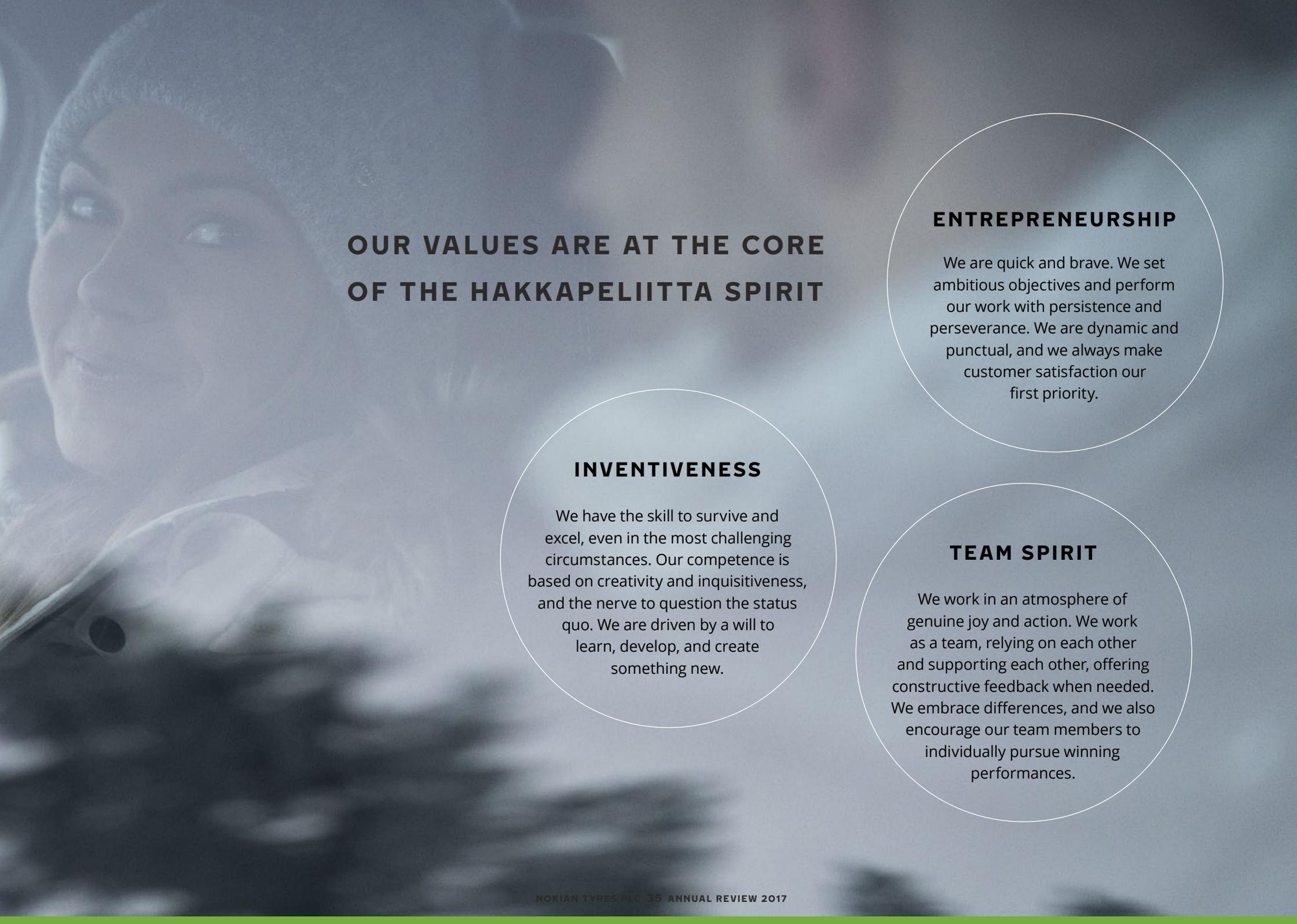
**Marju Grabovci, Global Product Manager**

## **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.

A woman wearing a dark winter hat and a light-colored jacket is looking out of a car window. The background is a blurred, snowy landscape. The text is overlaid on this image.

## 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.

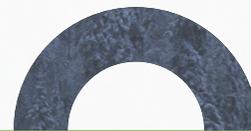
We emphasize the eco-friendliness of our products.



### ECONOMY

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

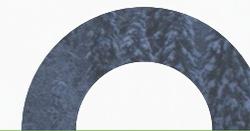
We want our customers to be highly satisfied with our products and services.



### 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](http://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](http://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

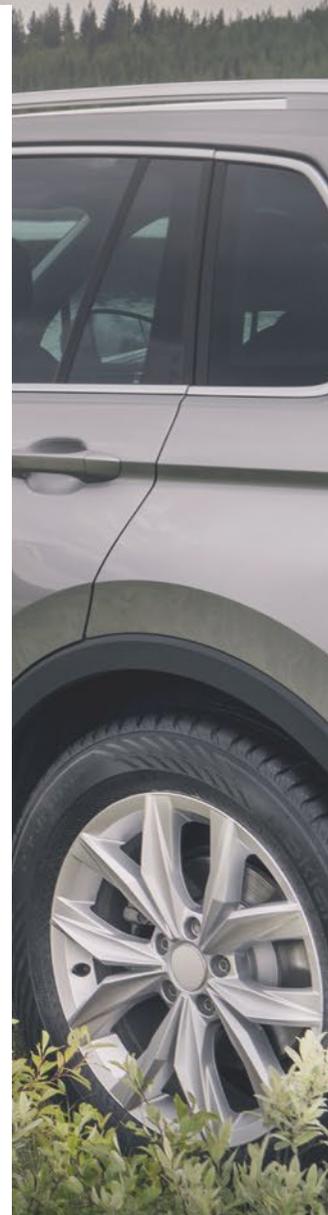
of growth, we have continued to improve our competitiveness by increasing our global delivery capacity, expanding our product offering, and developing the customer focus of our activities and services.

## **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<sup>®</sup>**  
**TYRES**



[WWW.NOKIANTYRES.COM](http://WWW.NOKIANTYRES.COM)

An aerial photograph of a winding road through a forested, mountainous landscape. A small car is visible on the road. A large circular graphic is overlaid on the image, containing a person standing in a field looking out at a mountain range. The text 'FINANCIAL REVIEW 2017' is centered within the inner circle of this graphic.

**FINANCIAL  
REVIEW 2017**

**nokian<sup>®</sup>  
TYRES**

# FINANCIAL REVIEW 2017

## Financial Statements 2017

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This report is a translation.

The original, which is in Finnish, is the authoritative version.

**CONSOLIDATED KEY  
FINANCIAL INDICATORS**

Figures in EUR million unless otherwise indicated	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net sales	1,572.5	1,391.2	1,360.1	1,389.1	1,521.0	1,612.4	1,456.8	1,058.1	798.5	1,080.9
growth, %	13.0%	2.3%	-2.1%	-8.7%	-5.7%	10.7%	37.7%	32.5%	-26.1%	5.5%
Operating margin (EBITDA)	463.7	395.2	378.6	398.5	479.0	496.9	451.7	291.5	164.0	303.1
Depreciation and amortisation	98.3	84.7	82.6	89.8	93.5	81.9	71.6	69.4	61.9	56.2
Operating profit (EBIT)	365.4	310.5	296.0	308.7	385.5	415.0	380.1	222.2	102.0	247.0
% of net sales	23.2%	22.3%	21.8%	22.2%	25.3%	25.7%	26.1%	21.0%	12.8%	22.8%
Profit before tax	332.4	298.7	274.2	261.2	312.8	387.7	359.2	208.8	73.5	173.8
% of net sales	21.1%	21.5%	20.2%	18.8%	20.6%	24.0%	24.7%	19.7%	9.2%	16.1%
Return on equity, %	15.1%	18.7%	19.6%	16.0%	13.0%	25.2%	29.1%	20.0%	7.6%	18.8%
Return on capital employed, %	22.4%	19.9%	20.3%	19.2%	21.8%	24.3%	27.4%	19.9%	9.4%	22.9%
Total assets	1,877.4	1,975.7	1,754.8	1,797.0	2,062.9	2,019.6	1,875.9	1,371.6	1,221.9	1,420.4
Interest-bearing net debt	-208.3	-287.4	-209.7	-164.6	-56.4	-65.2	-3.6	0.7	263.7	319.0
Equity ratio, %	78.2%	73.8%	70.8%	67.5%	67.6%	71.2%	63.2%	68.4%	62.0%	54.8%
Gearing, %	-14.2%	-19.7%	-16.9%	-13.6%	-4.1%	-4.5%	-0.3%	0.1%	34.8%	41.0%
Net cash from operating activities	234.1	364.4	283.4	323.4	317.6	388.7	232.9	327.2	194.2	18.4
Capital expenditure	134.9	105.6	101.7	80.6	125.6	209.2	161.7	50.5	86.5	181.2
% of net sales	8.6%	7.6%	7.5%	5.8%	8.3%	13.0%	11.1%	4.8%	10.8%	16.8%
R&D expenditure	21.8	20.3	18.7	16.6	16.1	16.9	15.1	12.7	12.0	12.5
% of net sales	1.4%	1.5%	1.4%	1.2%	1.1%	1.0%	1.0%	1.2%	1.5%	1.2%
Dividends (proposal)	214.2	208.0	202.0	193.5	193.3	191.9	156.6	83.8	50.7	49.9
Personnel, average during the year	4,630	4,433	4,421	4,272	4,194	4,083	3,866	3,338	3,503	3,812

**PER SHARE DATA**

Figures in EUR million unless otherwise indicated	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Earnings per share, EUR	1.63	1.87	1.80	1.56	1.39	2.52	2.39	1.34	0.47	1.12
growth, %	-13.0%	3.6%	15.1%	12.9%	-45.0%	5.4%	78.7%	186.9%	-58.4%	-18.3%
Earnings per share (diluted), EUR	1.61	1.86	1.80	1.56	1.39	2.46	2.32	1.32	0.49	1.10
growth, %	-13.2%	3.2%	15.0%	12.9%	-43.5%	5.8%	75.8%	168.2%	-55.4%	-15.6%
Cash flow per share, EUR	1.72	2.70	2.12	2.43	2.39	2.96	1.80	2.58	1.56	0.15
growth, %	-36.3%	27.4%	-12.7%	1.4%	-19.2%	64.2%	-30.1%	66.0%	953.2%	-89.3%
Dividend per share, EUR (proposal)	1.56	1.53	1.50	1.45	1.45	1.45	1.20	0.65	0.40	0.40
Dividend pay out ratio, % (proposal)	96.7%	82.6%	83.9%	92.9%	105.2%	58.0%	50.7%	49.4%	87.0%	35.7%
Equity per share, EUR	10.74	10.75	9.24	9.07	10.45	10.89	9.15	7.34	6.07	6.20
P/E ratio	23.3	19.0	18.4	13.0	25.2	11.9	10.4	20.5	36.4	7.0
Dividend yield, % (proposal)	4.1%	4.3%	4.5%	7.1%	4.2%	4.8%	4.8%	2.4%	2.4%	5.1%
Market capitalisation 31 December	5,188.7	4,805.7	4,448.3	2,702.0	4,647.7	3,971.9	3,224.7	3,505.4	2,122.5	987.5
Adjusted number of shares during the year, average, million units	136.25	134.86	133.63	133.16	132.65	131.24	129.12	126.75	124.85	124.61
diluted, million units	137.28	135.56	133.74	135.10	137.62	137.39	135.70	132.96	129.76	131.47
Number of shares 31 December, million units	136.75	135.68	134.39	133.17	133.29	131.96	129.61	127.70	124.85	124.85
Number of shares entitled to a dividend, million units	137.28	135.93	134.69	133.47	133.34	132.32	130.50	128.85	126.69	124.85

**CONSOLIDATED KEY  
FINANCIAL INDICATORS**

**Definitions**

Return on equity, % =	$\frac{\text{Profit for the period} \times 100}{\text{Total equity (average)}}$
Return on capital employed, % =	$\frac{\text{Profit before tax} + \text{interest and other financial expenses} \times 100}{\text{Total assets} - \text{non-interest-bearing debt (average)}}$
Equity ratio, % =	$\frac{\text{Total equity} \times 100}{\text{Total assets} - \text{advances received}}$
Gearing, % =	$\frac{\text{Interest-bearing net debt} \times 100}{\text{Total equity}}$
Earnings per share, EUR =	$\frac{\text{Profit for the period attributable to the equity holders of the parent}}{\text{Average adjusted number of shares}^1 \text{ during the year}}$
Earnings per share (diluted <sup>2</sup> ), EUR =	$\frac{\text{Profit for the period attributable to the equity holders of the parent}}{\text{Average adjusted and diluted}^2 \text{ number}^1 \text{ of shares during the year}}$
Cash flow per share, EUR =	$\frac{\text{Cash flow from operations}}{\text{Average adjusted number of shares}^1 \text{ during the year}}$
Dividend per share, EUR =	$\frac{\text{Dividend for the year}}{\text{Number of shares entitled to a dividend}}$
Dividend pay-out ratio, % =	$\frac{\text{Dividend for the year} \times 100}{\text{Net profit}}$
Equity per share, EUR =	$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Adjusted number of shares}^1 \text{ on the balance sheet date}}$
P/E ratio =	$\frac{\text{Share price, 31 December}}{\text{Earnings per share}}$
Dividend yield, % =	$\frac{\text{Dividend per share}}{\text{Share price, 31 December}}$

<sup>1</sup> without treasury shares

<sup>2</sup> the share options affect the dilution as the average share market price for the financial year exceeds the defined subscription price

REPORT BY THE BOARD OF DIRECTORS 2017

Net sales increased by 13.0% to EUR 1,572.5 million (1,391.2 in 2016). Currency exchange rate changes affected net sales positively by EUR 21.7 million compared with the rates in 2016.

Operating profit increased by 17.7% to EUR 365.4 million (310.5). Operating profit percentage was 23.2% (22.3%).

The profit for the period decreased by 12.1% to EUR 221.4 million (251.8). In Q3/2017, profit included additional taxes and punitive interest of EUR 59 million related to tax year 2011.

Earnings per share were EUR 1.63 (1.87).

Cash flow from operating activities was EUR 234.1 million (364.4) and was affected by the payment of EUR 59 million in additional taxes with punitive tax increases and interest concerning the tax dispute related to tax year 2011. The company paid the amount in November 2017. Cash flow from operating activities was also affected by the payment of EUR 18.5 million in additional taxes with punitive tax increases and interest concerning the tax dispute of Nokian Tyres U.S. Finance Oy and the years 2007–2013. The company paid the amount in August 2017.

The Board of Directors proposes a dividend of EUR 1.56 (1.53) per share.

**Hille Korhonen, President and CEO:**

“Our year 2017 was successful in all aspects. Positive news and new initiatives stimulated our year, and we demonstrated strong performance in all of our main markets. These achievements are the result of determined work, and significant successes in several areas indicate our commitment to our strategy and goals.

The Passenger Car Tyres business unit performed well in 2017. Net sales increased in all markets. Market growth was exceeded in Russia due to our competitive product portfolio, price positioning and supply capability. Sales and marketing investments and new products generated sales growth in Other Europe and North America. We responded to the growing demand by increasing in a timely manner the production volumes at both factories and by commissioning a new production line at the Russian factory. Operating profit increased year-over-year. In Q4/2017, raw material costs decreased slightly compared with Q3/2017. We estimate that raw material costs will remain approximately at the same level for the full year 2018 compared with 2017.

In November 2017 we renewed an important local labor agreement for year 2018 at our Nokia factory regarding flexible working hours for the

passenger car tyre personnel. The goal of the agreement is to prepare for the company's growth, build flexibility for future seasons, and ensure employment for the duration of the agreement. The agreement further strengthens the role of the Nokia factory as a competitive center for expertise and production.

Heavy Tyres increased its sales, operating profit, production volume, and productivity in 2017. All market areas showed growth. Sales of agricultural tyres and forestry tyres increased, in particular. In December 2017, we announced that we are increasing Heavy Tyres' production capacity by 50% by investing a total of approximately EUR 70 million in its factory in Nokia over the following three years. At the same time, we signed an agreement that encourages our heavy tyres personnel to increase production flexibility by means of multi-skilling. The aim of the investment is to further support our own growth as well as our customers' growth.

Vianor's (own equity) net sales increased slightly due to the challenging retail market situation in the Nordic countries. However, the profitability improvement program progressed according to plan. Our branded distribution network, including Vianor, NAD, and N-Tyre stores, grew by 346 stores in 2017.

In December 2017, we announced that we are accelerating profitable growth, customer orientation and innovative future solutions by renewing our leadership and operational model. The purpose of this change is also to create a market-focused and scalable structure and to increase efficiency through global functions and processes.

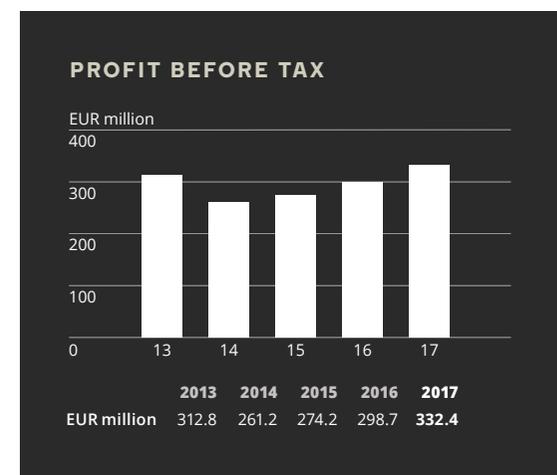
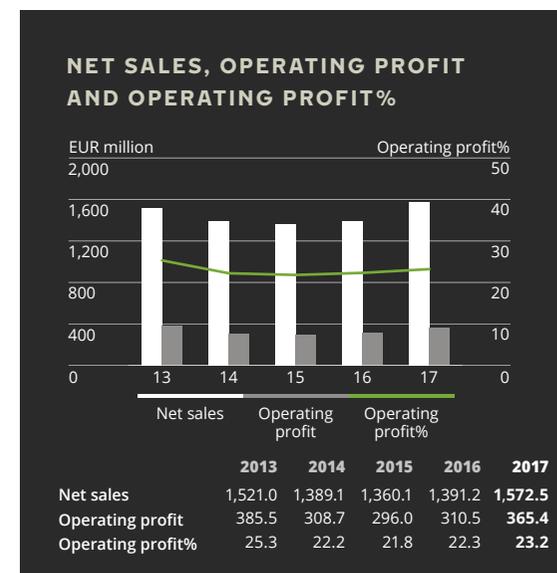
Nokian Tyres is in great shape, and we are ready for the construction work of our Dayton factory. High customer satisfaction, a new global structure, our safe and eco-friendly products, and competent personnel create an excellent ground for future growth. We are definitely on the right track and well positioned to further improve our sales and operations.”

**Market situation**

The positive development in global economy is expected to continue in 2018. As we entered 2018, all regions were showing positive development. The global GDP is estimated to grow by 3.8% in 2018 (3.7% in 2017). The GDP growth estimates for the Nordic countries range from +1.9% to +3.0%, whereas for Europe (including the Nordic countries) the number is +2.1% and for the US it is +2.6%. In Russia, GDP is forecasted to grow by approximately 1.5% to 2.0% in 2018.

Raw material prices demonstrated fast growth at the beginning of the year, but the growth levelled off towards the year-end. The global tyre industry responded to the growing raw material prices by announcing price increases. This resulted in a very challenging pricing environment in 2017.

In Europe, sales of new cars increased in 2017 by 3% year-over-year. Car tyre sell-in to distributors increased 3% year-over-year, with winter tyre



## REPORT BY THE BOARD OF DIRECTORS 2017

demand increasing by 3%. Overall, tyre demand is estimated to increase slightly year-over-year in 2018.

In the Nordic countries, new car sales increased in 2017 by 2% year-over-year. The market volume of car tyres decreased by 6%. For the full year 2018, car tyre demand is estimated to increase slightly year-over-year.

In North America, the estimated new car sales were down in 2017 by 1% year-over-year. The market volume of car tyres increased by 1% year-over-year. However, demand for winter tyres increased by 3%. For the full year 2018, car tyre demand is estimated to increase slightly year-over-year.

In the full year 2017, the Russian economy started growing again after a prolonged recession. Real GDP is estimated to have grown by 1.4–1.8% in 2017. However, private consumption remains quite weak after a 15% decline in 2015–2016. Along with consumers' real income, it gradually started recovering in 2017, but the improvement is unlikely to be rapid. This development is reflected in the retail turnover in Russia, which shows quite moderate signs of growth. In 2017, sales of new cars increased by 12% compared with 2016, with growth starting only in March, picking up since June and finishing the year with a 14% increase in December vs. the same month in 2016. Sales of new cars in Russia are expected to grow by approximately 12–15% in 2018 compared with 2017, driven by the improved economy, deferred demand and low comparison base – from the level of 1.6 million vehicles in 2017 up to 1.8 million in 2018. The total replacement tyre market sell-in in Russia is expected to grow by 3–5% in 2018 compared with 2017, with the winter tyre market growing by 7–9% and summer declining by 2–3%. Both summer and winter tyre sell-in for the 2017 season showed growth, backed by low carry-over stocks from 2016. The consumer sell-out season in Russia remained flat in summer tyres compared with 2016 and showed some growth in winter tyres.

The global demand for special heavy tyres continued to be healthy in 2017. The demand for OE forestry tyres remained strong. The increased use of wood and the good profitability of pulp manufacturers will also support the demand for forestry machines and tyres in the following quarters. During the review period the agricultural segment improved.

In 2017, the sell-in of premium truck tyres was at the same level in Europe, and was up in the Nordic countries by 1%. In Russia, the demand for premium truck tyres decreased by 5% compared with 2016. Truck tyre demand in 2018 is estimated to increase in all of Nokian Tyres' Western markets; in Russia, demand is estimated to remain at the same level year-over-year.

In 2017, the global GDP is estimated to have grown by 3.7%. The GDP growth estimates for Nordic countries were 1.9–3.2%, and for Europe

(including the Nordic countries) the estimate was 2.4%. The GDP in USA grew by 2.3%. In Russia, the GDP is estimated to have grown by 1.4%–1.8% in 2017.

### Raw materials

Nokian Tyres' raw material costs (EUR/kg) increased by 17.5% in 2017 year-over-year. The raw material costs are estimated to remain approximately at the same level in the full year 2018 compared with 2017.

## REVIEW JANUARY–DECEMBER 2017

Nokian Tyres Group recorded net sales of EUR 1,572.5 million (2016: 1,391.2; 2015: 1,360.1), with an increase of 13.0% compared with 2016. Currency exchange rates affected net sales positively by EUR 21.7 million. In the Nordic countries, sales increased by 4.6% and represented 39.8% (43.1%) of the Group's total sales. In Russia and CIS, consolidated sales increased by 46.4% and formed 20.7% (16.0%) of the Group's total sales. In Other Europe, sales increased by 8.0% and represented 27.9% (29.3%) of the Group's total sales. In North America, sales increased by 15.2% and were 10.9% (10.8%) of the Group's total sales.

Net sales of Passenger Car Tyres were up by 16.1%, representing 69.0% (66.7%) of the Group's net sales. Heavy Tyres' net sales were up by 11.0% and were 10.4% (10.6%) of the Group's net sales. Vianor's net sales increased by 1.4%, forming 20.6% (22.8%) of the Group's net sales.

Raw material costs (EUR/kg) in manufacturing increased by 17.5% year-over-year. Fixed costs amounted to EUR 473.3 million (431.0), thereby accounting for 30.1% (31.0%) of net sales. Total salaries and wages were EUR 215.2 million (2016: 197.6; 2015: 197.1).

Nokian Tyres Group's operating profit amounted to EUR 365.4 million (2016: 310.5; 2015: 296.0), with an increase of 17.7% compared with 2016. The operating profit was negatively affected by the IFRS 2 compliant accrual for share option and performance share plans of EUR 16.1 million (15.0). In 2017, the expensed credit losses and provisions were EUR 0.2 million (18.6). Operating profit percentage was 23.2% (2016: 22.3%; 2015: 21.8%).

Net financial expenses were EUR 33.0 million (11.8). Net interest expenses were EUR 24.3 million (8.0) including EUR 15.2 million in penalty interest related to tax year 2011 and EUR 3.1 million in penalty interest related to Nokian Tyres U.S. Finance Oy. Net financial expenses include a loss of EUR 8.7 million (a loss of EUR 3.8 million) due to exchange rate differences.



### NET SALES BY MARKET AREA, %



### NET SALES BY BUSINESS UNIT, %



Profit before tax was EUR 332.4 million (298.7). The profit for the period amounted to EUR 221.4 million (251.8), and EPS were EUR 1.63 (1.87). In Q3/2017, profit was penalized by the additional taxes of EUR 59 million in Finland, including punitive tax increases and interest based on the reassessment decisions from the Tax Administration related to the tax dispute for 2011 received in October 2017 and EUR 3.1 million in penalty interest related to Nokian Tyres U.S. Finance Oy and the years 2007–2013. The profit for the period decreased by 12.1% compared with 2016.

Return on equity was 15.1% (2016: 18.7%; 2015: 19.6%). Cash flow from operating activities was EUR 234.1 million (364.4), and was affected by the payment of EUR 59 million in additional taxes with punitive tax increases and interest concerning the tax dispute related to tax year 2011. The company paid the amount in November 2017. Cash flow from operating activities was also affected by the payment of EUR 18.5 million in additional taxes with punitive tax increases and interest concerning the tax dispute of Nokian Tyres U.S. Finance Oy and the years 2007–2013. The company paid the amount in August 2017. In 2016, cash flow from operating activities was affected by the payment of EUR 46.1 million in additional taxes with punitive tax increases and interest concerning the tax years 2007–2010.

In 2017 the Group employed, on average, 4,630 (2016: 4,433; 2015: 4,421) people and 4,635 (2016: 4,392; 2015: 4,389) people at the end of the review period. At the end of the review period, the Group employed 1,724 (2016: 1,616; 2015: 1,732) people in Finland, and 1,503 (2016: 1,368; 2015: 1,327) people in Russia. The equity-owned Vianor tyre retail chain employed 1,660 (2016: 1,742; 2015: 1,681) people at the end of the review period.

### Research & Development

The goal of Nokian Tyres is for new products to account for at least 25% of annual net sales. The development of a brand-new passenger car tyre takes 2 to 4 years. Approximately one half of R&D investments are allocated to product testing. Group's R&D costs in 2017 totalled approximately EUR 21.8 million (2016: 20.3; 2015: 18.7), which is 1.4% (2016: 1.5%; 2015: 1.4%) of the Group's net sales.

### Investments

Investments in the review period amounted to EUR 134.9 million (105.6). This comprises production investments in the Russian and Finnish factories, molds for new products, investments in the Dayton factory, and ICT and process development projects.

### Financial position on December 31, 2017

The gearing ratio was -14.2% (-19.7%). Interest-bearing net debt amounted to EUR -208.3 million (-287.4). Equity ratio was 78.2% (73.8%).

The Group's interest-bearing liabilities totaled EUR 135.2 million (225.8), of which the current interest-bearing liabilities amounted to EUR 0.8 million (88.8). The average interest rate for interest-bearing liabilities was 2.7% (3.1%). Cash and cash equivalents amounted to EUR 343.4 million (513.2).

At the end of the review period, the company had unused credit limits amounting to EUR 508.9 million (508.7), of which EUR 155.6 million (155.7) were committed. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, and subsidiaries in distribution chains, thereby controlling the typical seasonality in the Group's cash flow.

The Group's total comprehensive income was negatively affected by translation differences for foreign operations by EUR 33.5 million (positively 121.8). The total comprehensive income for the period amounted to EUR 189.2 million (373.4).

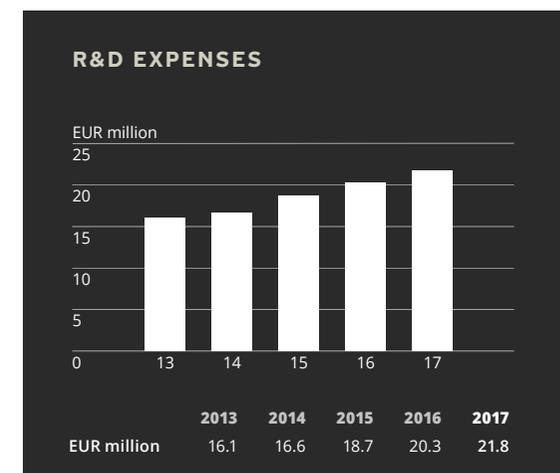
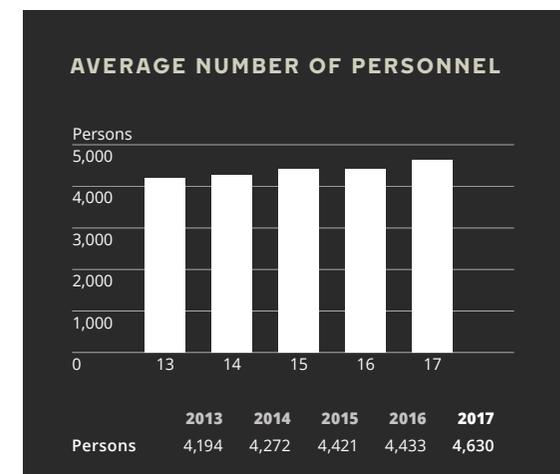
### TAX RATE

#### Dispute concerning 2007–2011

In December 2013 and in January 2014, Nokian Tyres received reassessment decisions from the Tax Administration, according to which the company was obliged to pay a total of EUR 100.3 million in additional taxes with punitive tax increases and interest concerning the tax years 2007–2010. The company recorded the amount in full to the financial statement and result of the year 2013. The company considered the decisions unfounded and appealed against them by filing a claim for rectification with the Board of Adjustment.

In April 2015, the Board of Adjustment of the Finnish Tax Administration annulled the reassessment decision by the Tax Administration, according to which the company was obliged to pay EUR 100.3 million in additional taxes with punitive tax increases and interest concerning the tax years 2007–2010, and returned the matter to the Tax Administration for reprocessing. According to the Board of Adjustment, the Tax Administration neglected the obligation to hear the taxpayer. Because of the procedural fault by the Tax Administration, the Board of Adjustment annulled the decisions without considering the actual substance of the matter.

The company returned the total additional taxes of EUR 100.3 million from 2007–2010 in full to the financial statement and result for the first quarter of 2015.



## REPORT BY THE BOARD OF DIRECTORS 2017

In December 2015 and January 2016, the company received renewed reassessment decisions from the Tax Administration, according to which the company was obliged to pay EUR 94.1 million in additional taxes, of which EUR 62.8 million were additional taxes and EUR 31.3 million were punitive tax increases and interest. Previously, the Tax Administration had already set off EUR 43.1 million of the amount despite the stay of execution. The company paid the remaining amount in January 2016. The company still considers the decisions unfounded and appealed against them by filing a claim with the Board of Adjustment.

Based on the renewed reassessment decisions, the company recorded the total additional taxes of EUR 94.1 million in full as expenses in the financial statement and result for 2015.

In November 2016, the company announced that the Board of Adjustment of the Finnish Tax Administration held in force the reassessment decision from the Tax Administration related to additional taxes of EUR 62.8 million but reduced the amount of punitive tax increases and interest from EUR 31.3 million to EUR 26.4 million concerning the tax years 2007–2010. The company has paid the amount of EUR 89.2 million in full. The company considers the decision unfounded and appealed against it by filing a claim with the Administrative Court in January 2017.

In October 2017, the company received reassessment decisions from the Tax Administration concerning tax year 2011, according to which the company is obliged to pay a total EUR 59 million, of which EUR 39 million are additional taxes and EUR 20 million are punitive tax increases and interest. The company recorded the amount in full to the financial statement and result of Q3/2017. Payment was paid in November 2017. The company considers the reassessment decision of the Tax Administration unfounded and appealed in November 2017 to the Board of Adjustment. If necessary, the company will continue the appeal process in the Administrative Court.

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

### Dispute concerning the US subsidiary 2007–2013

Nokian Tyres U.S. Finance Oy, a subsidiary of Nokian Tyres plc (ownership: 100% of the shares), received reassessment decisions from the Finnish Tax Administration in 2013 and 2014. According to the reassessment decisions, and with interest until the actual payment in August 2017, the company was obliged to pay in total EUR 18.5 million in additional taxes with punitive tax increases and interest concerning the

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

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

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

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

Year 2014 and onwards are not subject to tax disputes due to changes in company's structure.

### Tax rate outcome and estimate

The Group's tax rate was 33.4% (15.7%) in the review period. Tax rate without tax disputes was 19.2%. The tax rate is positively affected by tax incentives in Russia for current investments and further future investments. The latest agreed tax benefits and incentives for the factory came into force at the beginning of 2013 and, for the sales company, these were renewed in August 2016. The agreements will extend the validity of the benefits and incentives until approximately 2020. Due to the renewed agreement and changes in Russian legislation, the Group's estimated tax rate is expected to be 19% for 2018–2019.

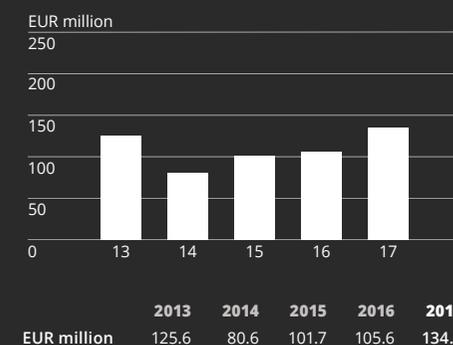
The tax rate in the coming years will depend on the timetable and final outcome of the ongoing back tax disputes with the Finnish Tax Administration. The Group's corporate annual tax rate may rise as a result of these cases.

## BUSINESS UNIT REVIEWS

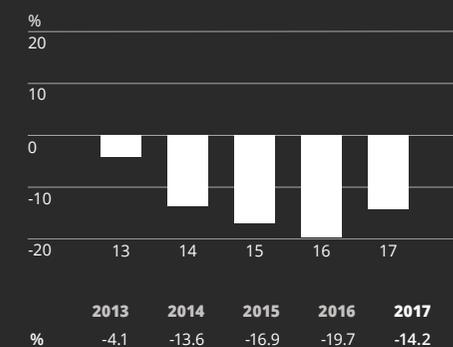
### PASSENGER CAR TYRES

Net sales of Nokian Passenger Car Tyres totaled EUR 1,138.8 million (981.1) in 2017, up by 16.1% year-over-year. Operating profit was EUR 359.9 million (305.8). Operating profit percentage was 31.6% (31.2%).

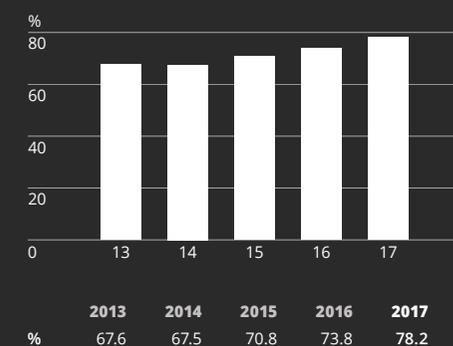
## GROSS INVESTMENTS



## GEARING



## EQUITY RATIO



Net sales increased during the review period, due to a significant net sales increase in Russia and good growth in Other Europe and North America. Market growth was exceeded in Russia due to a competitive product portfolio, price positioning and supply capability. Sales and marketing investments and new products generated sales growth in Other Europe and North America both in winter and All-Season segments. In all markets areas, net sales increased year-over-year. Operating profit increased year-over-year. Sales in Other Europe grew in Q4/17 driven by good winter season.

In 2017, the ASP in euros increased due to price increases, a positive currency impact and an improved product mix. The share of winter tyres in the sales mix was 69% (67%), the share of summer tyres was 21% (24%), and the share of All-Season tyres was 10% (9%). Increased sales of All-Season tyres strengthen our position in North America and Other Europe. Price increases were implemented during 2017 in all markets.

Raw material costs (€/kg) were up by 17.7% year-over-year. Improved productivity supported the margins.

Nokian Tyres excelled in tyre tests, with several wins in car magazine tests all over the world. Read more at: [www.nokiantyres.com/test-success/](http://www.nokiantyres.com/test-success/). A flow of product launches with new innovations – improving safety, comfort, and eco-friendly driving – continued in the review period. For example, the Nokian Hakkapeliitta 9, Nokian Hakkapeliitta 9 SUV, Nokian Nordman 7, and Nokian Nordman 7 SUV were introduced in January 2017. The key markets for these products are the Nordic countries, Russia, and North America. The Nokian Hakkapeliitta 44 was launched in February 2017; it is used in the harshest environments of the world, such as on glaciers, the Antarctica, and in the northern part of Eurasia. In September 2017, Nokian Tyres launched new members for the Nokian Hakka summer tyre family – the Nokian Hakka Black 2, Nokian Hakka Black 2 SUV, and Nokian Hakka Blue 2 SUV. The key markets for these products are the Nordic countries and Russia. We also launched the Nokian eNTYRE C/S, an All-Season tyre designed for CUVs and SUVs and developed for the North American market. The new products have been received well by the markets. In December 2017, Nokian Tyres announced that the company strengthens its cooperation with car manufacturers in Central Europe. The BMW Group has approved the Nokian WR D4 winter tyre to be sold in its dealerships.

During the review period, capacity utilization increased year-over-year, and the production output (pcs) increased by 15%. In Q3/2017, a new production line at the Vsevolozhsk factory was gradually taken into use. The company also increased production at the Nokia factory with the current shift pattern. Productivity (kg/mh) improved by 3% year-

over-year. In 2017, 85% (86%) of Nokian passenger car tyres (pcs) were manufactured at the Russian factory.

### HEAVY TYRES

Net sales of Nokian Heavy Tyres totaled EUR 172.3 million (155.3) in 2017, up by 11.0% year-over-year. Operating profit was EUR 32.2 million (28.2). Operating profit percentage was 18.7% (18.2%).

In the review period, demand was good in most of Nokian Heavy Tyres' core product groups in the Western markets. All market areas showed growth. Sales increased clearly in North America and increased in Other Europe and the Nordic countries. In Russia, sales increased partly due to currency effects. Sales of agricultural tyres and forestry tyres increased in particular. New product sales developed well and increased the full year net sales. Operating profit increased year-over-year due to the increased sales and production volumes and improved productivity.

In 2017, the ASP increased slightly year-over-year mainly due to price increases and an improved product mix. Price increases related to higher material costs were implemented in all markets during 2017. During the review period, sales volumes of the company's own production increased year-over-year. Productivity increased slightly year-over-year.

Production output (metric tons) increased compared with 2016. Investments in production technology and capacity continued.

In December 2017, Nokian Tyres announced that Heavy Tyres is increasing its production capacity by 50% by investing a total of approximately EUR 70 million in its factory in Nokia, Finland, over the following three years. The aim is to increase the maximum capacity for heavy tyre production from approximately 20 million kg to 32 million kg.

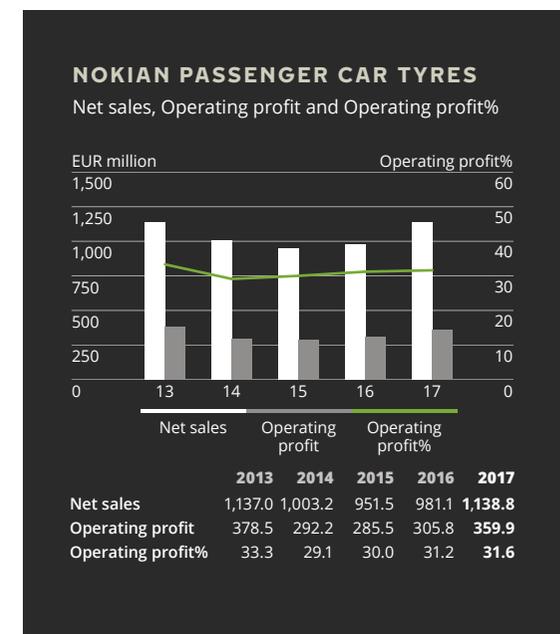
### VIANOR

Net sales totaled EUR 339.4 million (334.8) in 2017, up by 1.4% year-over-year. Operating profit was EUR -5.8 million (-8.1). Operating profit percentage was -1.7% (-2.4%).

In 2017, net sales increased slightly year-over-year. Nordic countries' retail business environment was very challenging in terms of tough competition landscape. This has been leading to a complex pricing environment. The profit improvement program, including the network optimization, progressed according to plan. At the end of the review period, Vianor had 194 (212) equity service centers in Finland, Sweden, Norway, and the USA.

### Branded distribution network

Nokian Tyres' branded distribution network includes the Vianor equity



chain, Vianor partner chain, Nokian Tyres Authorized Dealers (NAD), and N-Tyre. Vianor chains operate in 26 countries.

In Nokian Tyres' key markets, the size of the Vianor equity and partner chain decreased during 2017 (compared with year-end 2016: equity -18, partner -17). At the end of the review period, the Vianor equity and partner network comprised 1,466 service centers in total, of which 1,272 were partners.

The Nokian Tyres Authorized Dealers (NAD) network expanded during the review period by 374 stores compared with year-end 2016, and now comprises 1,855 stores operating under contract in 21 European countries and China. N-Tyre, a Nokian Tyres partner network, is operating with 127 stores in Russia and the CIS and expanded during the review period by 7 stores compared with year-end 2016.

## OTHER MATTERS

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

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

The total number of stock options 2013B is 1,150,000. Each stock option 2013B entitles its holder to subscribe to one share in Nokian Tyres plc. The shares can be subscribed with the stock options 2013B during the period of May 1, 2016 to May 31, 2018. The present share subscription price with stock options 2013B is EUR 25.06/share. The dividends payable annually are deducted from the share subscription price.

The total number of stock options 2013C is 1,150,000. Each stock option 2013C entitles its holder to subscribe to one share in Nokian Tyres plc. The shares can be subscribed with the stock options 2013C during the period of May 1, 2017 to May 31, 2019. The present share subscription price with stock options 2013C is EUR 21.39/share. The dividends payable annually are deducted from the share subscription price.

### 2. Shares subscribed with option rights

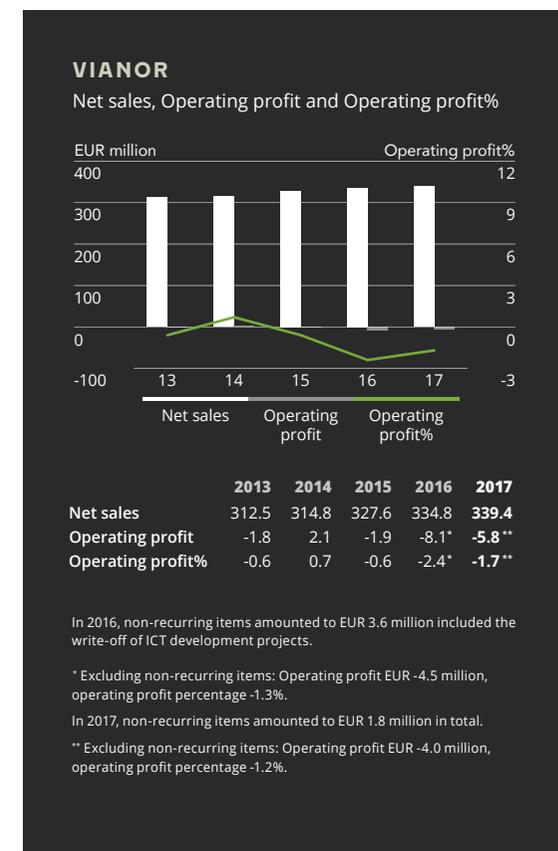
After November 10, 2016 registered new shares a total of 14,146 Nokian Tyres plc's shares were subscribed with the 2013A option rights and a total of 80 shares with the 2013B option rights. These option rights are attached to the Nokian Tyres plc's Option Program of 2013. The new shares were registered into the Trade Register on February 9,

2017, as of which date the new shares established shareholder rights. The share capital will not increase with subscriptions made by 2013 option rights. The entire subscription price of EUR 396,234.76 was entered in the invested unrestricted equity reserve. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 135,925,921 shares. The shares have been traded on the Nasdaq Helsinki Ltd together with the old shares as of February 10, 2017.

After February 9, 2017 registered new shares a total of 371,314 Nokian Tyres plc's shares were subscribed with the 2013A option rights and a total of 18,399 shares with the 2013B option rights. These option rights are attached to the Nokian Tyres plc's Option Program of 2013. The new shares were registered into the Trade Register on May 11, 2017, as of which date the new shares established shareholder rights. The share capital will not increase with subscriptions made by 2013 option rights. The entire subscription price of EUR 10,238,862.86 was entered in the invested unrestricted equity reserve. As a result of the share subscriptions, the number of Nokian Tyres plc shares will increase to 136,315,634 shares. The shares have been traded on the Nasdaq Helsinki Ltd together with the old shares as of May 12, 2017.

After May 11, 2017 registered new shares a total of 693,053 Nokian Tyres plc's shares were subscribed with the 2013A option rights, a total of 7,062 shares with the 2013B option rights and a total of 52,026 shares with the 2013C option rights. These option rights are attached to the Nokian Tyres plc's Option Program of 2013. The new shares were registered into the Trade Register on August 16, 2017, as of which date the new shares established shareholder rights. The share capital will not increase with subscriptions made by 2013 option rights. The entire subscription price of EUR 19,537,895.35 was entered in the invested unrestricted equity reserve. As a result of the share subscriptions, the number of Nokian Tyres plc shares will increase to 137,067,775 shares. The shares have been traded on the Nasdaq Helsinki Ltd together with the old shares as of August 17, 2017.

After August 16, 2017 registered new shares a total of 84,222 Nokian Tyres plc's shares were subscribed with the 2013B option rights and a total of 49,377 shares with the 2013C option rights. These option rights are attached to the Nokian Tyres plc's Option Program of 2013. The new shares were registered into the Trade Register on November 9, 2017, as of which date the new shares will establish shareholder rights. The share capital will not increase with subscriptions made by 2013 option rights. The entire subscription price of EUR 3,166,777.35 was entered in the invested unrestricted equity reserve. As a result of the



share subscriptions, the number of Nokian Tyres plc shares will increase to 137,201,374 shares. The shares have been traded on the Nasdaq Helsinki Ltd together with the old shares as of November 10, 2017.

After November 9, 2017 registered new shares a total of 60,358 Nokian Tyres plc's shares were been subscribed with the 2013B option rights and a total of 4,850 shares with the 2013C option rights. These option rights are attached to the Nokian Tyres plc's Option Program of 2013. The new shares were registered into the Trade Register on December 21, 2017, as of which date the new shares will establish shareholder rights. The share capital will not increase with subscriptions made by 2013 option rights. The entire subscription price of EUR 1,616,312.98 was entered in the invested unrestricted equity reserve. As a result of the share subscriptions, the number of Nokian Tyres plc shares will increase to 137,266,582 shares. The shares have been traded on the Nasdaq Helsinki Ltd together with the old shares as of December 22, 2017.

### 3. Authorizations

In 2017, the Annual General Meeting authorized the Board of Directors to make a decision to offer no more than 25,000,000 shares through a share issue, or by granting special rights under Chapter 10, Section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The authorization is effective for two years from the decision.

In 2017, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 5,000,000 shares in the company by using the funds in the unrestricted shareholders' equity. The authorization is effective until the next Annual General Meeting, however, at most until October 10, 2018.

### 4. Own shares

No share repurchases were made in the review period, and the company did not possess any own shares on December 31, 2017.

In 2014 and in 2017, Nokian Tyres entered into an agreement with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns the shares until the shares are given to the participants within the program. In accordance with IFRS, these repurchased shares, 300,000 in 2014 and 480,000 in 2017, have been reported as treasury shares in the Consolidated Statement of Financial Position. On December 31, 2017, the number of these shares was 521,331. This number of shares corresponded to 0.4% of the total shares and voting rights of the company.

### 5. Trading in shares

Nokian Tyres' share price was EUR 37.80 (35.42) at the end of the review period. The volume weighted average share price during the period was EUR 37.25 (31.75), the highest was EUR 41.95 (36.74) and the lowest was EUR 34.24 (27.48). A total of 117,227,947 shares were traded in Nasdaq Helsinki during the period (138,561,065), representing 85% (102%) of the company's overall share capital. Nokian Tyres' shares are also traded on alternative exchanges, such as BATS CXE, Turquoise, and BATS BXE. The total trading volume on these alternative exchanges was 83,293,139 (127,537,938) shares during the review period. The company's market capitalization at the end of the period was EUR 5.189 billion (4.814 billion). The company had 39,028 (35,483) shareholders. The percentage of Finnish shareholders was 25.5% (23.1%), and 74.5% (76.9%) were non-Finnish holders and foreign shareholders registered in the nominee register. This figure includes Bridgestone's holding of approximately 14.6% (ownership at the AGM registration day on April 10, 2017).

### 6. Changes in ownership

Nokian Tyres has received announcements from BlackRock, Inc. on November 16, 2017, and on December 18, 2017, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of a share transactions concluded on November 15, 2017, and on December 15, 2017.

Nokian Tyres has received announcements from BlackRock, Inc. on November 15, 2017, on November 17, 2017, and on December 28, 2017, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on November 14, 2017, on November 16, 2017, and on December 27, 2017.

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

### 7. Decisions made at the Annual General Meeting

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

### 7.1. Dividend

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

### 7.2. Change to the Articles of Association

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

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

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

Authorized public accountants KPMG Oy Ab continue as auditors.

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

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

50% of the annual fee is paid in cash and 50% in company shares to the effect that, during the period from April 11 to April 30, 2017, EUR 40,000 worth of Nokian Tyres plc shares were purchased at the stock exchange on behalf of the Chairman of the Board, EUR 30,000 worth of Nokian Tyres plc shares were purchased at the stock exchange on behalf of the Deputy Chairman of the Board and Chairman of the Audit committee, and EUR 20,000 worth of shares were purchased on behalf of each Board Member.

The company is liable to pay any asset transfer tax which may arise

from the acquisition of shares. Each member of the Board will receive a meeting fee of EUR 600 per attended meeting. If a Board member's habitual residence is outside Finland, the meeting fee is EUR 1,200 per attended meeting. Travel expenses will be compensated for in accordance with the company's travel policy.

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

In the Board meeting on April 10, 2017, Petteri Walldén was elected Chairman of the Board and Tapio Kuula was elected Deputy Chairman of the Board. The Board elected Tapio Kuula (Chairman), Veronica Lindholm, and Petteri Walldén as members of the Personnel and Remuneration Committee. The Board elected Raimo Lind (Chairman), Heikki Allonen, Inka Mero, and George Rietbergen as members of the Audit Committee.

On November 14, 2017, Nokian Tyres announced that the following changes have been made to Nokian Tyres plc's Board of Directors due to the passing of Deputy Chairman Tapio Kuula.

Nokian Tyres' Board of Directors continues with six members until the next Annual General meeting that will be held on 10 April 2018. The current members of the Board of Directors are Petteri Walldén (Chairman), Heikki Allonen, Raimo Lind, Veronica Lindholm, Inka Mero and George Rietbergen. For the remaining term of office, Nokian Tyres' Board of Directors has elected, from among its members, Raimo Lind as its new Deputy Chairman of the Board and Petteri Walldén (Chairman), Raimo Lind and Veronica Lindholm as members of the Personnel and Remuneration Committee. Raimo Lind (Chairman), Heikki Allonen, Inka Mero and George Rietbergen continue as members of the Audit Committee.

### **9. Corporate social responsibility**

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

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

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

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

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

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

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

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

On February 2, 2017, Nokian Tyres announced that the potential reward

from the performance period 2017 will be based on the Nokian Tyres Group's net sales and operating profit. The rewards to be paid on the basis of the performance period 2017 correspond to an approximate maximum total of 540,000 shares in Nokian Tyres plc, also including the proportion to be paid in cash. During the performance period 2017, the Plan is targeted towards approximately 200 key employees, including the members of the Group's Management Team. The potential reward from the performance period 2017 will be paid partly in the company's shares and partly in cash in 2018. The shares paid as a reward may not be transferred during an approximately one-year restriction period established for the shares. For shares paid on the basis of the performance period 2017, the restriction period will end on March 31, 2019.

The rewards to be paid in 2017, on the basis of the achievement of the required performance levels set for the performance criteria of the performance period 2016, correspond to a total of 402,875 Nokian Tyres plc shares, also including the proportion to be paid in cash. The Plan was targeted towards 182 key employees, including the members of the Group's Management Team. The shares paid as a reward may not be transferred during an approximately one-year restriction period established for the shares. For shares paid on the basis of the performance period 2016, the restriction period will end on March 31, 2018. The members of the Group's Management Team must hold 25% of the received gross shares until the member's shareholding in the company equals the member's fixed gross annual salary.

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

Nokian Tyres announced managers' transactions on February 8, 2017; February 10, 2017; March 7, 2017; March 10, 2017; March 24, 2017; March 27, 2017; April 13, 2017; and November 1, 2017.

**Read more at:** [www.nokiantyres.com/company/publications/releases/2017/managementTransactions/](http://www.nokiantyres.com/company/publications/releases/2017/managementTransactions/).

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

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

On May 11, 2017, Nokian Tyres announced that, after the registration of new shares on February 9, 2017, a total of 371,314 Nokian Tyres plc's shares

have been subscribed with the 2013A option rights, and a total of 18,399 shares with the 2013B option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares will increase to 136,315,634 shares.

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

On November 9, 2017, Nokian Tyres announced that, after the registration of new shares on August 16, 2017, a total of 84,222 Nokian Tyres plc's shares have been subscribed with the 2013B option rights, and a total of 49,377 shares with the 2013C option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares will increase to 137,201,374 shares.

On December 21, 2017, Nokian Tyres announced that, after the registration of new shares on November 9, 2017, a total of 60,358 Nokian Tyres plc's shares have been subscribed with the 2013B option rights, and a total of 4,850 shares with the 2013C option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares will increase to 137,266,582 shares.

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

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

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

On April 19, 2017, Nokian Tyres announced that Mr. Frans Westerlund has been appointed Vice President, CIO and Processes. He will join Nokian Tyres plc as a member of the management team on August 1, 2017. Mr. Westerlund will report to the President and CEO. Mr. Teppo

Huovila, the current Vice President for Quality, Sustainability and ICT, will continue in the company's management team as Vice President, Quality and Sustainability. Process development is currently part of Mr. Timo Tervolin's responsibilities. He will continue in the company's management team as Vice President, Strategy and Corporate Development.

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

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

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

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

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

**Read more at: [www.nokiantyres.com/daytonfactory](http://www.nokiantyres.com/daytonfactory)**

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

On October 3, 2017, Nokian Tyres announced that the company has received a tax reassessment decision from the Tax Administration, according to which the company is obliged to pay EUR 59 million in additional taxes with punitive tax increases and interest concerning the tax year 2011. Payment is due in November 2017. The total sum demanded by the tax authorities

is EUR 59 million, of which EUR 39 million are additional taxes and EUR 20 million are punitive tax increases and interest. The company will record the 2011 total additional taxes of EUR 59 million in full to the financial statement and result of Q3/2017. The Tax Administration's ruling does not affect the company's dividend distribution. The company considers the reassessment decision of the Tax Administration as unfounded and is going to appeal to the Board of Adjustment and, if necessary, the company will continue the appeal process in the Administrative Court. If needed, the company will also require the competent authorities to negotiate on the elimination of the double taxation.

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

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

### **21. Changes in Nokian Tyres' Board of Directors and its Committees**

On November 14, 2017, Nokian Tyres announced that the following changes have been made to Nokian Tyres plc's Board of Directors due to the passing of Deputy Chairman Tapio Kuula.

Nokian Tyres' Board of Directors continues with six members until the next Annual General meeting that will be held on 10 April 2018. The current members of the Board of Directors are Petteri Walldén (Chairman), Heikki Allonen, Raimo Lind, Veronica Lindholm, Inka Mero, and George Rietbergen. For the remaining term of office, Nokian Tyres' Board of Directors has elected, from among its members, Raimo Lind as its new Deputy Chairman of the Board, and Petteri Walldén (Chairman), Raimo Lind, and Veronica Lindholm as members of the Personnel and Remuneration Committee. Raimo Lind (Chairman), Heikki Allonen, Inka Mero, and George Rietbergen continue as members of the Audit Committee.

### **22. Nokian Tyres renews agreement on flexible working times and hires permanent employees in Nokia**

On November 17, 2017, Nokian Tyres announced that the company has signed an important local agreement on flexible working hours for its personnel in 2018. At the same time, the company is moving more than 30 passenger car tyres employees and 15 heavy tyres employees

from fixed-term contracts to permanent employment. The goal of the agreement is to prepare for the company's growth, build flexibility for future seasons and ensure employment for the duration of the agreement. The agreement further strengthens the role of the Nokia factory as a competitive center for expertise and production. This year, Nokian Tyres has invested dozens of millions of euros in the Nokia site and hired a total of more than 170 new employees.

### **23. Nokian Tyres is renewing its leadership and operational model to support global business**

On December 4, 2017, Nokian Tyres announced that the company is accelerating profitable growth, customer orientation and innovative future solutions by renewing its leadership and operational model. The purpose of this change is also to create a scalable structure and to increase efficiency through global functions and processes. The new organization structure will be valid starting from January 1, 2018. Nokian Tyres' business unit structure will remain unchanged, consisting of Passenger Car Tyres, Nokian Heavy Tyres and Vianor. Company's external reporting model will continue to include business units and geographical areas.

#### **Nokian Tyres' management team from 1 January 2018 onwards:**

Hille Korhonen, President and CEO  
Andrei Pantioukhov, Executive Vice President, Russia and Asia business area  
Pontus Stenberg, Europe business area  
Tommi Heinonen, Americas business area  
Pontus Stenberg, interim, Products and Technologies unit  
Manu Salmi, Nokian Heavy Tyres business unit  
Anna Hyvönen, Vianor business unit  
Anne Leskelä, Finance & IR  
Esa Eronen, Supply Chain & Sustainability  
Antti-Jussi Tähtinen, Marketing & Communications  
Tarja Kaipio, HR  
Frans Westerlund, IT & Processes  
Susanna Tusa, Legal & Compliance  
Timo Tervolin, Strategy & M&A

Read more at: [www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/](http://www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/)

### **24. Nokian Tyres strengthens its cooperation with car manufacturers in Central Europe**

On December 5, 2017, Nokian Tyres announced that the BMW Group

has approved the Nokian WR D4 winter tyre as original equipment for the BMW X1. The Nokian WR D4 is a new-generation winter tyre developed by Nokian Tyres for Central European weather conditions. It provides excellent grip and comfortable handling even at high speeds. The tyre meets the BMW Group's strict requirements and is both a safe and stylish choice for drivers who value quality.

### **25. Nokian Heavy Tyres to increase its production capacity by 50%, investing EUR 70 million in Nokia**

On December 22, 2017, Nokian Tyres announced that Nokian Heavy Tyres Ltd, part of the Nokian Tyres group, is increasing its production capacity by 50% by investing a total of approximately EUR 70 million in its factory in Nokia over the following three years. With the capacity increase, approximately 50 new people will be hired for the production of heavy tyres. The aim is to increase the maximum capacity for heavy tyre production from approximately 20 million kg to 32 million kg. Nokian Heavy Tyres Ltd has also signed an agreement with the local labor union on increasing competitiveness through flexibility. The agreement motivates the personnel to develop multiple skills. This agreement remains in force until the end of 2020.

## **CORPORATE GOVERNANCE STATEMENT**

A separate Corporate Governance Statement, including a Remuneration Statement, has been issued and published in connection with the publishing of the Report by the Board of Directors. The statements are available on pages 72-79 of this report as well as on the company's website at [www.nokiantyres.com/company/investors/corporate-governance/](http://www.nokiantyres.com/company/investors/corporate-governance/).

## **RISK MANAGEMENT**

The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of strategic goals and ensures continuity of business. The Group's risk management policy focuses on managing both the risks pertaining to business opportunities and the risks affecting the achievement of the Group's goals in the changing operating environment.

The risks are classified as strategic, operational, financial, and hazard risks. Strategic risks are related to customer relationships, competitors'

actions, political risks, country risks, brand, R&D, and investments. Operational risks arise as a consequence of shortcomings or failures in the Company's internal processes, actions by its personnel or systems, or external events, such as legislative changes, unpredictable rulings by judicial systems or authorities, or changes in raw material prices. Financial risks (Note 29) are related to fluctuations in interest rate and currency markets, refinancing, and counterparty and receivables risks. Hazard risks may lead to injuries, property damage, production outages, environmental impacts, or liabilities to third parties

The most significant risks related to Nokian Tyres' business are the country risks related to the Russian business environment, reputation risks, tax risks (especially in Finland), risks related to products and product development, production outage risks, currency and receivable risks, risks related to Corporate Governance, and information security and data administration risks. Due to the company's product strategy, interruption risks that are related to marketing and logistics may especially have a significant impact on peak season sales. The performed risk analysis paid special attention to risks within the area of corporate social responsibility, the most significant of which were the risks related to reputation and product quality. Analyses and projects related to information security, data protection and customers' background information were a special focus area.

The risk management process aims to identify and evaluate the risks, and to plan and implement the practical measures for each risk. Among other things, such measures may include avoiding the risk, reducing it in different ways, or transferring the risk through insurance or agreements. Control functions and actions are control or back-up procedures applied to reduce risks and ensure the completion of risk management measures.

Risk management is not allocated to a separate organization; its tasks follow the general distribution of responsibilities adopted elsewhere in the organization and its business activities. The company's Board of Directors discusses the most significant risks annually in connection with the strategic process.

### **Risks, uncertainty, and disputes in the near future**

The positive development in global economy is expected to continue in 2018, but political uncertainties could cause serious disruption and additional trade barriers, and affect the company's sales and credit risk. Brexit, as such, has practically no direct effect on Nokian Tyres' business.

In 2017, the company's receivables increased year-over-year

following the sales increase. The tyre inventories are at the planned level. The company follows the development of NWC very closely. At the end of the review period, Russian trade receivables accounted for 35% (37%) of the Group's total trade receivables.

Approximately 35% of the Group's sales in 2018 are estimated to be generated from Euro-denominated sales. The most important sales currencies in addition to the euro are the Russian ruble, the Swedish and Norwegian krona, and the US and Canadian dollar.

Nokian Tyres' other risks and uncertainty factors relate to the challenging pricing environment for tyres. As raw material prices rise, maintaining profitability will depend on the company's ability to raise tyre prices in line with the increasing raw material costs.

The company announced in February 2016 that its practices concerning tyre tests in the past have not always been in line with the sustainable approach of Nokian Tyres. The company emphasizes that its tyres have always been safe and that safety has never been compromised on. There are no court cases in process related to the matter.

In May 2017, the Finnish Financial Supervisory Authority filed a request for investigation with the National Bureau of Investigation regarding possible securities market offences in relation to the magazine tyre testing case. The company has been made aware that the National Bureau of Investigation has initiated a preliminary investigation into the matter.

More detailed information relating to the risks can be found at [www.nokiantyres.com/annual-reports](http://www.nokiantyres.com/annual-reports), Financial review 2017, on pages 47–52 and 76–77.

**Tax disputes**

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

**NON-FINANCIAL REPORTING STATEMENT**

Nokian Tyres is the world's northernmost tyre manufacturer that promotes and facilitates safe transport under all conditions, while respecting environmental values. The company's products, which are designed and manufactured for different conditions, offer reliability, performance, and peace of mind. For more than 80 years, Nokian Hakkapeliitta has been the leading winter tyre brand in the Nordic countries and Russia.

In addition to the Passenger Car Tyres unit, the group includes

Nokian Heavy Tyres, which focuses on special tyres for the heavy industry, and the Vianor tyre chain, which conducts wholesale and retail sales in Nokian Tyres' main markets. In 2017, the company's net sales were EUR 1.6 billion and it employed on average 4,630 people. Nokian Tyres' share is listed on Nasdaq Helsinki.

The company has factories in Nokia and Russia, and it is currently constructing a new factory in the United States. Nokian Tyres' products were sold in 59 countries. The key markets are the Nordic countries and Russia, where the company is the market leader in premium tyres. Central Europe and North America are other important markets for the company in terms of profitable growth.

The risk management policy adopted by Nokian Tyres' Board of Directors supports achieving the company's strategic goals and ensuring business continuity. You can read more about the company's risk management under "Risk Management" in the Report by the Board of Directors and in the Corporate Governance Statement.

**Corporate Sustainability at Nokian Tyres**

At the end of 2015, Nokian Tyres joined the United Nations Global Compact (UNGC) initiative as a supporting member. The initiative's ten principles cover the areas of Human Rights, Labor, Environment, and Anti-Corruption measures. The purpose of the voluntary initiative is to guide companies in integrating the principles as part of their business. Joining the UN Global Compact initiative is a significant milestone in the company's international sustainability development work. Signing the initiative further strengthened the group's commitment to conducting profitable business in a sustainable way.

The company's selection into Dow Jones' DJSI World index for sustainability in September 2017 may be considered as one of the results of this long-term development. The overall assessment received by Nokian Tyres in the evaluation for 2017 was significantly higher than in the previous year, and the company's points were nearly twice as high as the average for its field of business. Nokian Tyres' score of 78 points was only one point away from the world's highest score in the Automobiles & Components sector. The Dow Jones Sustainability Index (DJSI) is an annual sustainability assessment for large publicly traded companies, performed by the Swiss RobecoSAM.

**Sustainability management**

At Nokian Tyres, sustainability is managed in a systematic manner, developing both operations and culture. The company takes into

account the entire product lifecycle and all of the business functions, and it aims to go beyond the minimums required by the law and applicable standards. Sustainability management is emphasized in all of the company's functions and supply chains. Nokian Tyres wants to be the most sustainable and ethical tyre company and an industry pioneer.

The company's sustainability functions are led by a member of the group's management team who is ultimately responsible for meeting the goals of corporate sustainability. All supervisors' duties include day-to-day leadership of sustainability. Larger topics and guidelines are discussed by the management team and, if necessary, by the Board of Directors.



Diagram: Leadership and direction of corporate sustainability within the Nokian Tyres group

**Five areas of corporate sustainability**

Nokian Tyres has divided corporate sustainability into five clear categories:

1. Hakkapeliitta Way – sustainable business
2. World on wheels – product liability
3. Economy
4. People
5. Planet

**HAKKAPELIITTA WAY – SUSTAINABLE BUSINESS**

*Indicator: All of our major natural rubber processors (at least 80% of our natural rubber purchasing volume) have been audited by 2020.*

The Hakkapeliitta Way category comprises five sustainability principles in the Nokian Tyres group that are connected with the company's strategy and ways of working:

■ **Transparent and comprehensive reporting:** Nokian Tyres follows the statutory requirements and the rules of the stock exchange on the publicity of information that is relevant to our business. It also follows the principle of transparency in line with the Global Reporting Initiative guidelines. The company aims at meeting all of its stakeholders' reasonable requirements.

■ **Business ethics and compliance with the laws and regulations:** Business is guided by the Ethics Guidelines approved by the Board of Directors. They specify the ethical principles for our business, instructions for ethics questions, and a code of conduct. The company follows the law and the group's internal guidelines and respects the spirit of the law in every country of operation. The company's guidelines and leadership descriptions for human rights and anti-corruption activities are included in Nokian Tyres' Ethics Guidelines that states the company does not approve of any type of corruption, such as giving or receiving bribes, blackmail, or abuse of a public office.

SUSTAINABILITY MANAGEMENT

**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**



In addition to the categories of sustainability at Nokian Tyres, the figure visualizes the essential principles, commitments, and guidelines.

### ■ **Responsible purchasing of raw materials, goods, and services:**

Nokian Tyres follows the UN Global Compact principles as well as its own ethical principles, which also address the issues of responsibility in the purchasing chain. The company requires all of its material suppliers to adhere to its Supplier Code of Conduct and to have an ISO 9001 certified quality management system in place. Its goal also is for all suppliers to have valid ISO 14001 environmental certification. The raw materials for tyres come from all over the world, and all suppliers are committed to the company's purchase terms that require compliance with international human rights, labor rights, and anti-corruption measures. In order to improve the sustainability of the purchasing chain, Nokian Tyres started partnering with an external auditor in 2016. The goal is to have all of Nokian Tyres' major natural rubber processors (at least 80% of our natural rubber purchasing volume) audited by 2020. A total of four sites were audited in 2017. Audits enable companies to improve occupational safety and operations as well as ensuring that the requirements set by Nokian Tyres are met in the best possible manner.

■ **Good corporate citizenship:** Nokian Tyres is committed to supporting good corporate citizenship, sustainable development, and continuous improvement. The company wants to take care of its stakeholders, financial standing, and environment as well as to produce premium products and offer first rate service.

■ **Active stakeholder engagement:** Active stakeholder engagement helps the company to better understand its stakeholders' expectations. Different stakeholders may have conflicting expectations for operations. This poses a challenge in active stakeholder engagement and communication.

## WORLD ON WHEELS

*Indicator: A decrease in CO2 emissions from traffic by 500 million kg by reducing the rolling resistance of the product range by 7% from 2013 → 2020.*

As a tyre manufacturer, Nokian Tyres is responsible for the user safety of its products. Product liability, therefore, comprises a significant part of the company's corporate sustainability. Nokian Tyres may be considered a pioneer in the tyre industry due to the long-term development of

sustainability and environmental matters. The company has developed advanced solutions for its products, when considering e.g. the rolling resistance of tyres (fuel consumption, carbon dioxide emissions) or the ground compression caused by tyres in agriculture and forestry.

In 2015, the company set a target to reduce the rolling resistance of its product range by 7% by 2020 (compared to the 2013 baseline), resulting in a decrease of 500 million kg in CO2 emissions from traffic during the target period. Company has made good progress with this target, clearly ahead of schedule. The proportion of tyres that reduce fuel consumption through ultra-low rolling resistance was 89.6% in 2017 (87% in 2016), which translates to an annual decrease of approximately 100 million kg in CO2 emissions.

In line with its strategy, Nokian Tyres actively looks for and tests renewable raw materials. For example, in connection with the testing center currently under construction in Spain, the company supports the local university's project that is among the first in Europe to study growing guayule, intended as a replacement for natural rubber.

## ECONOMY

*Indicator: Continuously improving customer satisfaction – by one percentage point, at a minimum, in the annual customer satisfaction index.*

Financial success and the ability to create value for our stakeholders lay the foundation for Nokian Tyres' financial responsibility. Business must be profitable so that the company is able to offer security, work, and well-being for its personnel, and also consider investors, customers, and other stakeholders. The strategic goal is to grow faster than the market and to be the world's most profitable tyre company.

Nokian Tyres wants the dealers and users of its products to be the most satisfied customers in the tyre industry. Long customer relationships based on trust provide both parties with opportunities for improvement and success. The company aims at continuously improving customer satisfaction – by one percentage point, at a minimum, in the annual customer satisfaction index. In 2017, overall customer satisfaction was up by 2.6%, being 8.27 on a scale of 0 to 10 (8.06 in 2016). The customer satisfaction survey was carried out over the phone on 14 markets and 264 customers responded.

## PEOPLE

*Indicator: Occupational health and safety: 70% improvement in the LT1F accident frequency tracking from 2015 → 2020.*

The company's principles in all operations are fair treatment and respecting human rights when dealing with its personnel or other stakeholders. This principle of equality and non-discrimination is an essential part of the company's operations, and the management of diversity is based on the concept of equality and equal prerequisites for work. Diversity is also important in terms of the company's success, since people with different backgrounds and competences play a key role in the development of the company as well as new innovative solutions. A group-wide human rights impact assessment was started in 2017 and it will continue in 2018. Furthermore, the group updated its Ethics Guidelines in spring 2017.

### **Motivated personnel through goal-oriented HR management**

Nokian Tyres is an internationally growing business that builds the implementation and management of its strategy on strong corporate culture. Good management and supervisor work support the development of the competence, well-being, and equal treatment of the company's motivated and professional staff. Leadership aims at top results based on the Hakkapeliitta culture, which is built around the entrepreneurship, working together, and inventiveness of the personnel.

Internal job rotation, on-the-job learning, and training solutions are used to support personnel development. The Hakkapeliitta eAcademy training portal provides a group-wide, flexible e-learning environment. The eAcademy training portal was renewed in 2017. Personal People Reviews have a key role in personnel development. The People Reviews focus on managing performance and personal goals and development. In 2017, a total of 83.4% of our personnel took part in a People Review (86.0% in 2016).

The development of supervision and management plays a key role. For the development of supervision, Nokian Tyres uses the 360° supervisor assessment as well as the Hakkapeliitta Leader simulation game. The principles of leadership are bound to the supervisors' 360 assessments. When the company rearranged its organization at the end of the year, the group supervisors were offered coaching in change leadership and communication.

The personnel satisfaction survey allows the company to actively receive feedback from the personnel concerning areas for improvement.

In the survey performed in 2017, 91.3% responded (88.7% in 2016). The personnel considered that the quality of the company's products and services is excellent and that its values are clear and worth aspiring to. The company also received thanks for the free expression of opinions, valuing work, and clarity of goals. The identified areas for improvement were especially focused on supervisor work, participation, and information transfer. Furthermore, the group arranged a virtual workshop where the personnel could actively participate in brainstorming ideas for the company's future success and sharing their expertise. The results from both studies sent a clear message regarding the importance of working together and the development of common processes, activity models, and the working environment.

### Safety culture is developed together

A safe and comfortable working environment is integral for our operations. Occupational safety is promoted through risk management, continuous improvement of processes, and new investments. The company's goal is to make operations even safer and aim for zero accidents. In 2017, the positive development of the decreasing number of accidents continued. Accident frequency (LT1F) was 7.4 in 2017. In 2016, accident frequency was measured with the LT3F indicator, and the ratio was 7.4. Compared to 2015, every other injury has been managed to prevent in Nokian Tyres.

Close cooperation and completed improvements with occupational health care allowed for preventive management of working ability. Management of working ability is a part of daily supervisor work. In 2017, the positive development continued as the amount of absences due to illness declined. Well-being at work is supported by, for example, a comprehensive selection of physical exercise, versatile group activities and personnel events.

Committed and competent personnel and a safe working environment enable business growth and internationalization also in the future.

## PLANET

*Indicator: We will utilize 100% of our production waste and take no production waste to landfills; Nokia 2016, Vsevolozhsk 2020.*

At Nokian Tyres, environmental and chemical safety and the coordination of sustainability belong to the Quality and Sustainability

department. Its goals are accident prevention in all areas of operation, uninterrupted production, sustainable operation, and good corporate citizenship. When developing functions, the company applies best practices and advanced solutions while taking into account human factors and financial circumstances. Nokian Tyres promotes safety through risk management, continuous improvement of processes, and new investments. The group's policy environmental policy, safety policy, and quality policy and the Ethics Guidelines for suppliers were updated in 2017.

The factories in Nokia and Vsevolozhsk and the Swedish sales company Nokian Däck AB are certified pursuant to the international ISO 14001 environmental management system standard and the ISO 9001 quality system standard. The company has held ISO/TS 16949 approval for the automotive industry since 2013.

Nokian Tyres emphasizes the eco-friendliness of its products and processes. A lifespan approach is the starting point for environmental protection: the company takes responsibility for the environmental effects of its products throughout their lifespan. The company is also a shareholder in Suomen Rengaskierrätys Oy, which centrally manages the collection and reuse of used tyres in Finland. In Finland, nearly 100% of decommissioned tyres are recycled, and in Europe, the degree of recycling is approx. 95%. In Russia, Nokian Tyres has been actively participating in discussions for improving tyre recycling. Together with some other major tyre manufacturers, the company has established the Eco tyre association that manages tyre recycling for actors in the tyre industry. Its activities started in 2017.

The environmental impacts of production were reduced compared to the previous year. A new incineration plant for reducing VOC emissions was commissioned in Nokia in February 2015. In 2017, VOC emissions were down in relation to production approx. 13% compared to the previous year, but they are still above the level required by the EC directive. In 2017, special attention was paid to energy efficiency improvement, chemicals safety and sustainability work across different fields of business. The preparation work related to the environmental and chemical safety of the Dayton factory, currently being planned, started in late 2017. At the production facilities, emphasis remained on reusing waste, and the utilization degree of waste was 100% at the Nokia factory and 89% at the Vsevolozhsk factory. The new biomass power plant started in Nokia in April 2016. The plant reduce the use of fossil fuels and increase the use of local energy sources.

## OUTLOOK FOR 2018

The positive development in global economy is expected to continue in 2018. As we entered 2018, all regions were showing positive development. The global GDP is estimated to grow by 3.8% in 2018 (3.7% in 2017). The GDP growth estimates for the Nordic countries range from +1.9% to +3.0%, whereas for Europe (including the Nordic countries) the number is +2.1% and for the US +2.6%. In Russia, GDP is forecasted to grow by approximately 1.5% to 2.0% in 2018.

In 2018, the market demand for replacement car tyres is expected to show some growth in Central Europe, North America, and the Nordic countries. In Russia, the market is expected to continue growing, but the pace of the recovery is likely to be moderate.

The company's replacement tyre market position (sell-in) is expected to improve in 2018 in all key markets. In Russia, the company expects to retain and further strengthen its market leader position in the A+B segments in 2018.

The raw material costs are estimated to remain approximately at the same level in the full year 2018 compared with 2017.

Nokian Tyres retains a competitive advantage by manufacturing in Russia. 64% of the Russian production was exported in 2017. In 2017, Nokian Tyres invested in the expansion of the Vsevolozhsk factory capacity and further improvements in the automation of production. As a result of these investments, the total annual nominal capacity of the Vsevolozhsk factory increased from 15.5 million tyres to 17 million tyres by the end of Q3/2017.

The demand for Nokian Heavy Tyres' core products is estimated to remain healthy. Nokian Heavy Tyres' production capacity and delivery capability have improved and, therefore, the sales and EBIT are expected to increase year-over-year.

Vianor (equity-owned) is expected to increase sales, further develop the service business, and improve the operating result in the full year 2018. Vianor (partners) and Nokian Tyres' other partner channels, such as Nokian Tyres Authorized Dealers (NAD) and the N-Tyre network, will continue to expand.

Nokian Tyres' budget for total investments in 2018 is EUR 260 million (134.9), of which EUR 40 million will be invested in Russia. EUR 75 million is planned to be invested in the Nokia factory and global development projects. EUR 110 million is planned to be invested in the building work of the Dayton factory. The balance goes to Heavy Tyres, sales companies, and the Vianor chain.

## **FINANCIAL GUIDANCE**

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

## **THE PROPOSAL FOR THE USE OF PROFITS BY BOARD OF DIRECTORS**

The distributable funds in the Parent company total EUR 658.0 million.

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

A dividend of .....	1.56 EUR/share
be paid out, totaling.....	EUR 214.2 million
retained in equity .....	EUR 443.8 million
Total .....	EUR 658.0 million

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

Nokia, February 2, 2018

Nokian Tyres plc  
Board of Directors

## CONSOLIDATED INCOME STATEMENT, IFRS

EUR million   1.1. – 31.12.	Notes	2017	2016
<b>Net sales</b>	(1)	<b>1,572.5</b>	1,391.2
Cost of sales	(3)(6)(7)	-838.8	-724.2
<b>Gross profit</b>		<b>733.7</b>	667.0
Other operating income	(4)	5.8	3.9
Selling and marketing expenses	(6)(7)	-294.3	-267.6
Administration expenses	(6)(7)	-52.7	-49.4
Other operating expenses	(5)(6)(7)	-27.0	-43.4
<b>Operating profit</b>		<b>365.4</b>	310.5
Financial income	(8)	118.3	140.1
Financial expenses <sup>(1)</sup>	(9)	-151.3	-151.8
<b>Profit before tax</b>		<b>332.4</b>	298.7
Tax expense <sup>(2,3)</sup>	(10)	-111.0	-46.9
<b>Profit for the period</b>		<b>221.4</b>	251.8
Attributable to:			
<b>Equity holders of the parent</b>		<b>221.4</b>	251.8
<b>Non-controlling interest</b>		-	-
<b>Earnings per share (EPS) for the profit attributable to the equity holders of the parent:</b>	(11)		
Basic, euros		<b>1.63</b>	1.87
Diluted, euros		<b>1.61</b>	1.86

EUR million   1.1. – 31.12.	Notes	2017	2016
<b>CONSOLIDATED OTHER COMPREHENSIVE INCOME</b>			
<b>Result for the period</b>		<b>221.4</b>	251.8
<b>Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax</b>			
Gains/Losses from hedge of net investment in foreign operations	(10)	0.0	0.0
Cash flow hedges	(10)	1.3	-0.3
Translation differences on foreign operations <sup>(4)</sup>		-33.5	121.8
Total other comprehensive income for the period, net of tax		-32.2	121.6
<b>Total comprehensive income for the period</b>		<b>189.2</b>	373.4
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		<b>189.2</b>	373.4
Non-controlling interest		-	-

1) Financial expenses in 2017 contain EUR 15.2 million expensed punitive interest for tax reassessment decisions on year 2011. Additionally financial expenses in 2017 contain EUR 3.1 million expensed interest for tax reassessment decisions on years 2007–2013 of a group company.

2) Tax expense in 2017 contains EUR 43.7 million expensed additional taxes with punitive increases for tax reassessment decisions on year 2011. Tax expense in 2016 has been adjusted with EUR 4.9 million according to the tax reassessment decision on years 2007–2010 by the Board of Adjustment.

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

4) Since the beginning of year 2014 the Group has internal loans that are recognised as net investments in foreign operations in accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”. The impact in 2017 is EUR 0.2 million and was in 2016 EUR -1.3 million. These internal loans have now been converted to equity in the subsidiaries.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million   31.12.	Notes	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(12)(13)	554.1	542.3
Goodwill	(2)(14)	83.3	86.5
Other intangible assets	(14)	35.6	37.1
Investments in associates	(16)	0.1	0.1
Available-for-sale financial assets	(16)	0.7	0.7
Other receivables	(15)(17)	8.9	10.4
Deferred tax assets	(18)	9.2	12.4
		<b>691.9</b>	<b>689.5</b>
<b>Current assets</b>			
Inventories	(19)	340.1	304.3
Trade and other receivables	(20)(29)	489.6	452.6
Current tax assets		12.3	16.1
Cash and cash equivalents	(21)	343.4	513.2
		<b>1,185.4</b>	<b>1,286.2</b>
<b>Total assets</b>	(1)	<b>1,877.4</b>	<b>1,975.7</b>

EUR million   31.12.	Notes	2017	2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent (22)(23)</b>			
Share capital		25.4	25.4
Share premium		181.4	181.4
Treasury shares		-20.3	-6.7
Translation reserve		-297.6	-264.1
Fair value and hedging reserves		-1.8	-3.1
Paid-up unrestricted equity reserve		203.9	168.9
Retained earnings		1,377.4	1,356.6
		<b>1,468.4</b>	<b>1,458.4</b>
<b>Non-controlling interest</b>			
		-	-
<b>Total equity</b>		<b>1,468.4</b>	<b>1,458.4</b>
<b>Liabilities</b>			
<b>Non-current liabilities (24)</b>			
Deferred tax liabilities	(18)	30.4	50.6
Provisions	(25)	0.1	0.1
Interest-bearing financial liabilities	(26)(27)(29)	134.4	137.0
Other liabilities		0.4	1.0
		<b>165.3</b>	<b>188.8</b>
<b>Current liabilities</b>			
Trade and other payables	(28)	231.5	219.4
Current tax liabilities		6.9	16.8
Provisions	(25)	4.4	3.5
Interest-bearing financial liabilities	(26)(27)(29)	0.8	88.8
		<b>243.6</b>	<b>328.5</b>
<b>Total liabilities</b>	(1)	<b>409.0</b>	<b>517.2</b>
<b>Total equity and liabilities</b>		<b>1,877.4</b>	<b>1,975.7</b>

Changes in net working capital arising from operative business are partly covered by EUR 350 million domestic commercial paper programme.

## CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR million   1.1. – 31.12.	2017	2016
<b>Profit for the period</b>	<b>221.4</b>	<b>251.8</b>
<b>Adjustments for</b>		
Depreciation, amortisation and impairment	98.4	100.5
Financial income and expenses	33.1	11.8
Gains and losses on sale of intangible assets, other changes	5.9	-7.9
Income Taxes	111.0	46.9
<b>Cash flow before changes in working capital</b>	<b>469.8</b>	<b>403.2</b>
<b>Changes in working capital</b>		
Current receivables, non-interest-bearing, increase (-) / decrease (+)	-69.0	46.3
Inventories, increase (-) / decrease (+)	-51.8	-9.8
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	47.9	6.5
<b>Changes in working capital</b>	<b>-72.9</b>	<b>43.0</b>
<b>Financial items and taxes</b>		
Interest and other financial items, received	2.6	15.5
Interest and other financial items, paid	-36.5	-27.8
Dividens received	0.0	0.0
Income taxes paid	-128.9	-69.4
<b>Financial items and taxes</b>	<b>-162.3</b>	<b>-81.7</b>
<b>Cash flow from operating activities (A)</b>	<b>234.1</b>	<b>364.4</b>
<b>Cash flows from investing activities</b>		
Acquisitions of property, plant and equipment and intangible assets	-134.9	-101.5
Proceeds from sale of property, plant and equipment and intangible assets	1.7	0.6
Acquisitions of Group companies	-0.3	-11.7
Change in non-controlling interest	-	-
Acquisitions of other investments	0.0	-0.4
<b>Cash flows from investing activities (B)</b>	<b>-133.5</b>	<b>-113.0</b>

EUR million   1.1. – 31.12.	2017	2016
<b>Cash flow from financing activities:</b>		
Proceeds from issue of share capital	35.0	35.9
Purchase of treasury shares	-17.8	-
Change in current financial receivables, increase (-) / decrease (+)	-16.2	28.6
Change in non-current financial receivables, increase (-) / decrease (+)	0.7	5.1
Change in current financial borrowings, increase (+) / decrease (-)	-78.4	48.9
Change in non-current financial borrowings, increase (+) / decrease (-)	11.5	-85.1
Dividens received	0.1	0.5
Dividends paid	-208.0	-202.0
<b>Cash flow from financing activities (C)</b>	<b>-273.1</b>	<b>-168.1</b>
<b>Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)</b>	<b>-172.0</b>	<b>83.2</b>
Cash and cash equivalents at the beginning of the period	513.2	429.3
Effect of exchange rate fluctuations on cash held	-2.2	0.8
Cash and cash equivalents at the end of the period	343.4	513.2

Based on the tax reassessment decisions on years 2007–2013 the financial items and taxes contain paid tax increases and punitive interest of EUR 77.5 million in 1–12/17. Additionally based on the annulled and later renewed tax reassessment decisions on years 2007–2010 the financial items and taxes contain paid tax increases of EUR 51.0 million in 1–12/16. Additionally in 1–12/16 the Tax Administration refunded EUR 4.9 million tax increases according to the latest decision of the Board of Adjustment.

Groups financial borrowings were at the beginning of the year 1.1.2017 total EUR 225.8 million and at the end of the year EUR 135.2 million. Changes affecting cash flow were EUR -66.9 million and non-cash changes were EUR -23.7 million.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS**

<b>Equity attributable to equity holders of the parent</b>										
EUR million	Notes	Share capital	Share premium	Treasury shares	Translation reserve	Fair value and hedging reserves	Paid-up unrestricted equity reserve	Retained earnings	Non-controlling interest	Total equity
<b>Equity, 1 Jan 2016</b>		25.4	181.4	-8.6	-385.9	-2.9	133.0	1,299.2	-	1,241.6
Profit for the period								251.8		251.8
Other comprehensive income, net of tax:										
Cash flow hedges						-0.3				-0.3
Net investment hedge										-
Translation differences					121.8					121.8
Total comprehensive income for the period					121.8	-0.3		251.8		373.4
Dividends paid	(22)							-201.6		-201.6
Exercised warrants	(22)						35.9			35.9
Acquisition of treasury shares										-
Share-based payments	(23)			1.9				7.2		9.1
Total transactions with owners for the period							35.9	-194.4		-158.5
<b>Equity, 31 Dec 2016</b>		25.4	181.4	-6.7	-264.1	-3.1	168.9	1,356.6	-	1,458.5
<b>Equity, 1 Jan 2017</b>		25.4	181.4	-6.7	-264.1	-3.1	168.9	1,356.6	-	1,458.5
Profit for the period								221.4		221.4
Other comprehensive income, net of tax:										
Cash flow hedges						1.3				1.3
Net investment hedge										-
Translation differences					-33.5					-33.5
Total comprehensive income for the period					-33.5	1.3		221.4		189.2
Dividends paid	(22)							-208.0		-208.0
Exercised warrants	(22)						35.0			35.0
Acquisition of treasury shares				-17.8						-17.8
Share-based payments	(23)			4.2				7.4		11.5
Total transactions with owners for the period				-13.6			35.0	-200.6		-179.3
<b>Equity, 31 Dec 2017</b>		25.4	181.4	-20.3	-297.6	-1.8	203.9	1,377.4	-	1,468.4

### ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

#### Basic information

Nokian Tyres Plc is a Finnish public corporation founded in accordance with the Finnish laws and domiciled in the city of Nokia. The shares of Nokian Tyres Plc have been quoted on the Nasdaq Helsinki Oyj since 1995.

Nokian Tyres Group develops and manufactures summer and winter tyres for passenger cars and vans, and special tyres for heavy machinery. The Group also manufactures retreading materials and retreads tyres. The largest and most extensive tyre retail chain in the Nordic countries, Vianor, is also a part of the Group. The core business areas in the Group are Passenger Car Tyres, Heavy Tyres and Vianor.

#### Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2017. International Financial Reporting Standards refer to the standards and related interpretations to be applied within the Community as provided in the Finnish Accounting Act and the provisions issued on the basis of this Act, and in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. Notes to the consolidated financial statements also comply with the Finnish accounting and corporate laws.

The information in the financial statements is presented in millions of euro and is prepared under the historical cost convention except as disclosed in the following accounting policies.

#### Revised standards and interpretations

The Group has adopted new and revised standards and interpretations enforced in the EU during the period. The changes had no material impact on the result, the financial position or the other information presented in the financial statements of the Group for the period.

IFRS are under constant development. Other new standards, interpretations or their amendments have also been published but they are not yet in force and the Group will not apply them before they are enforced. The Group will adopt each standard and interpretation on the effective date or from the beginning of the following financial period.

The most significant future changes will have the following impact:

#### ■ IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers will be effective for financial years beginning on or after 1 January 2018. The new standard replaces current IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements. The impacts of IFRS 15 on Nokian Tyres' consolidated financial statements have been assessed as follows:

Key concepts of IFRS 15 have been analysed for different revenue streams and based on that a preliminary survey has been conducted on the standard and its differences to the current reporting practices, and possible needs for adjustments. The Group business activity primarily comprises of the trade in consumer discretionary with conventional delivery chains in diverse lengths. Rebates and other variable considerations are tracked while defining the transaction price. Sale of services and goods form separate performance obligations. For the time being services generate only a minor share of the net sales.

According to the performed surveys the expected impacts in the Group are limited with the current business operations. Any possible adjustment needs to contracts and thresholds for revenue recognition are assessed to be minimal. In the future as the share of the service business and complexity within is expected to increase the Group will emphasize system development and contract management in relation to revenue recognition. The renewed instruction on agent/principal is assessed not to change present handling of the commissions payable to distributors.

Timeline for implementing and the transition options to be used are as follows: the Group intends to implement the standard fully retrospectively with no special relieves applied.

At the same time amendments to IFRS 15 - *Clarifications to IFRS 15 Revenue from Contracts with Customers* (not yet endorsed for use by the European Union as of 31 December 2016) are expected to be effective. The impact assessment of the clarifications has been included in the IFRS 15 impact assessment described above.

#### ■ IFRS 9 – *Financial Instruments*

IFRS 9 will apply for annual periods beginning on or after 1 January 2018. The new standard replaces the current IAS 39 – Financial Instruments: Recognition and Measurement standard and related interpretations. IFRS 9 includes renewed guidance on the classification and measurement of financial instruments, the recognition of expected credit losses and the application of hedge accounting.

The Group has analyzed the effects of the adoption of IFRS 9 and expects them to have no material effect on the result, financial position or other disclosures of the Group's future financial statements. There will be minor changes in the classification of financial instruments and the ineffectiveness of hedging instruments used in hedge accounting is expected to decrease. The change in the impairment of financial assets mainly concerns the recognition of credit losses related to trade receivables. The Group follows the simplified approach whereby the impairment recognized in trade receivables corresponds to lifetime expected credit losses for trade receivables.

#### ■ IFRS 16 – *Leases*

The Group is assessing the impact of the standard, and tentatively estimates that the new standard will have some impact on the future financial statements of the Group.

The standard will primarily affect the accounting for the Group's operating leases. At the reporting date, the Group has non-cancellable operating lease commitments of EUR 89 million. This amount includes payments for short-term and low value leases which will be recognized on a straight-line basis as an expense in profit and loss. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date is for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The Group estimates that the other published improvements or amendments will not have a material impact on the result, financial position or other disclosures of the future financial statements of the Group.

### Use of estimates

The preparation of financial statements in compliance with IFRS requires the use of estimates and assumptions that affect the amount of assets and liabilities shown in the statement of financial position at the time of preparation, the presentation of contingent assets and liabilities in the financial statements, and the amount of revenues and expenses during the reporting period. Estimates have been used e.g. to determine the amount of items reported in the financial statements, to measure assets, to test goodwill and other assets for impairment, and for the future use of deferred tax assets. Since the estimates are based on the best current assessments of the management, the final figures may deviate from those used in the financial statements.

Key sources of estimation uncertainty still relate to the country risk in the Russian business environment. Though the positive development in global economy is expected to continue in 2018, political uncertainties could cause serious disruption and additional trade barriers, and affect the company's sales and credit risk. Brexit, as such, has practically no effect on Nokian Tyres' business. Other sources of uncertainty relate to the challenging pricing environment of tyres in line with price development of raw materials.

### Principles of consolidation

The consolidated financial statements include the financial statements of the parent company Nokian Tyres Plc as well as all subsidiaries in which the Parent company owns, directly or indirectly, more than 50% of the voting rights or in which the Parent company otherwise exercises control. Control exists when the Group through participation in an investee is exposed or entitled to its variable returns and is able to affect the returns through exercising power over the investee.

Associated companies in which the Group has 20 to 50% of the voting rights and in which it exercises significant influence but not control, have been consolidated using the equity method. If the Group's share of the associated company's losses exceeds its holding in the associated company, the carrying amount will be recorded in the balance sheet at nil value and losses in excess of that value will be ignored unless the Group has obligations towards the associated companies. Investments in associates include the carrying amount of the investment in an associated company according to the equity method, and possible other non-current investments in the associated company, which are, in substance, part of a net investment in the associated company.

A joint arrangement refers to a contractual undertaking, in which the Group has agreed to share control over material financial and business principles with one or more parties. A joint arrangement is either a joint operation or a joint venture. In a joint venture the Group holds rights to the net assets of the arrangement whereas in a joint operation the Group holds rights to the assets and carries obligations on the liabilities of the arrangement. Nokianvirran Energia Oy is a joint operation as the parties share control according to a specific Mankala-principle where the company is not intended to make profit while the parties have agreed to utilize the total output. Nokianvirran Energia Oy is accounted for as a Group company using the proportionate consolidation method on each row according to the 32.3% shareholding.

Acquired subsidiaries have been consolidated using the acquisition method, according to which the acquired company's assets and liabilities are measured at fair value on the date of acquisition. The cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Acquisition-related costs, except for the costs to issue debt or equity securities, are expensed. Possible contingent consideration is measured at fair value on the date of acquisition and is classified as a liability. Contingent consideration classified as a liability is measured at fair value on each reporting date and the following gain or loss is recognized in the income statement. Under IFRS goodwill is not amortised but is tested annually for impairment. Subsidiaries acquired during the financial year have been consolidated from the acquisition date and those divested until the divestment date.

All internal transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated while preparing the consolidated financial statements.

Profit for the period is attributed to the owners of the Parent company and to the non-controlling interests. Moreover, non-controlling interests are disclosed as a separate item under the consolidated equity.

### Foreign currency items

Transactions in foreign currencies have been recorded at the exchange rates effective on the transaction date. In the statement of financial position all items in foreign currencies unsettled on the reporting date are measured at the European Central Bank's closing exchange rate. The quotations of the relevant central bank are applied if the European Central Bank does not quote a specific currency. Foreign exchange

gains and losses related to business operations and financing activities have been recorded under financial income and expenses.

### Foreign Group companies

The statements of financial position of foreign subsidiaries have been translated into euro using the European Central Bank's closing rates, and the income statements using the average rate for the period. Translation differences arising from the subsidiaries' income statements and statements of financial position have been recorded under other comprehensive income and in the translation reserve within equity as a separate item. Translation differences arising from the elimination of foreign company acquisition cost and from the profits and losses incurred after the acquisition have been recorded under other comprehensive income as a separate item and in the translation reserve within equity. If settlement of a loan to a foreign operation is neither planned nor likely to occur in the foreseeable future, then the loan is considered as a net investment in a foreign operation and the foreign exchange gains and losses arising on the item are recognized in other comprehensive income and accumulated in the translation reserve within equity.

When a subsidiary is divested fully or in part, the related accumulated translation differences are brought from equity to the income statement and entered as a gain or loss on the sale.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand and other current investments, such as commercial papers and bank deposits.

### Financial assets

Financial assets have been classified as follows: financial assets at fair value through profit and loss, available-for-sale financial assets, and loans and receivables.

Financial assets at fair value through profit and loss include liquid current investments, such as commercial papers, and derivative assets to which hedge accounting is not applied.

Loans and receivables include non-derivative assets with fixed or determinable payments that are not quoted in an active market. In the Group, this category includes trade receivables and other loan receivables resulting from commercial activities and cash funds and other current investments, such as bank deposits. Loans and other receivables have been measured at amortised cost less any write-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

downs, and in the statement of financial position they are included in current or non-current receivables, depending on their maturity.

Available-for-sale financial assets include quoted and unquoted shares. Quoted shares are measured at fair value, which is the share bid price on the reporting date. Changes in fair value are recognised in other comprehensive income until the financial asset is sold or divested, at which time the changes in fair value are transferred to profit and loss. Impairments are recorded in profit and loss. Unquoted shares are measured at cost if the fair value cannot be reliably determined.

### Financial liabilities

Financial liabilities have been classified as follows: financial liabilities at fair value through profit and loss and financial liabilities measured at amortised cost.

Financial liabilities at fair value through profit and loss include derivative liabilities to which hedge accounting is not applied.

In the Group, loans are measured at fair value on the basis of the consideration received in connection with the original recognition, after which the loans are recorded at amortised cost using the effective interest rate method. Bank overdrafts are included in current liabilities in the statement of financial position.

### Derivative instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate, foreign currency and electricity price risk exposures. Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value and fair values are presented in the statement of financial position under current receivables or liabilities. Publicly quoted market prices and rates, as well as generally used measurement models, are used to define the fair value of derivatives. The information and assumptions used in the measurement models are based on verifiable market prices and values.

Hedge accounting is not applied to the derivatives used to hedge cash flows from the Group's business operations in foreign currencies. Changes in fair value of derivatives to which hedge accounting is not applied are recognised immediately in profit and loss as financing items.

The Group applies IAS 39 compliant hedge accounting to hedges of the exposure to variability in cash flows that is attributable to an interest rate risk associated with recognised non-current liabilities and to hedges to manage electricity price risk. To meet all the hedge accounting criteria, at the inception of these hedges the Group designates and

documents the hedging relationship between the hedged item and the hedging instrument including effectiveness measurement methods and the hedging strategy in accordance with the Group's risk management policy. The Group aims to choose hedging instruments that create no ineffective portion.

Hedge accounting is applied in cash flow hedging in connection with interest rate swaps, by which floating rate liabilities have been changed to fixed rate liabilities. The effective portion of the change in the fair value of the interest rate swaps is recognised in other comprehensive income and any remaining ineffective portion recognised in the income statement. The gains and losses recognised in other comprehensive income are transferred to financial items in the income statement when the hedged item affects the income statement.

The Group applies hedge accounting to certain currency derivatives and currency loans. Changes in fair value of the currency derivatives meeting the hedge accounting criteria are recognised in other comprehensive income except for the potential ineffective portion and the time value of currency options, which are recognised in the income statement. Correspondingly, the foreign exchange gains and losses on foreign currency loans taken out for hedging purposes are recorded under other comprehensive income and interest expenses under financial items in the income statement.

The Group's forecast electricity purchases in Finland are hedged with electricity derivatives to which hedge accounting is applied. The effective portion of the fair value change of the electricity derivatives is recognised in other comprehensive income and the ineffective portion in the income statement under other operating income or expenses. The gains and losses recognised in other comprehensive income are transferred to cost of sales in the income statement when the hedged item affects the income statement.

### Income recognition

Income from the sale of products is recognised when the significant risks and rewards connected with ownership of the goods, as well as the right of possession and effective control, have been transferred to the buyer and payment is probable. This is also the case when a customer separately requests that the assignment of goods be deferred. Revenue from services is recognised once the services have been rendered. Generally, sales are recognised upon delivery in accordance with the contractual terms and conditions. To calculate the net sales, sales revenue is adjusted with indirect taxes and discounts.

### Research and development costs

Research costs are recorded as other operating expenses for the financial period in which they incurred. Development costs are capitalised once certain criteria associated with commercial and technical feasibility have been met. Capitalised development costs primarily comprising materials, supplies and direct labour costs, as well as related overheads, are amortised systematically over their expected useful life. The amortisation period is 3–5 years.

### Government grants

Grants received from governments or other parties are recognised adjustments to related expenses in the income statement for the period. Grants received for the acquisition of property, plant and equipment reduce the acquisition cost.

### Operating profit

The Group has defined operating profit as follows: operating profit is the net sum of net sales plus other operating income less cost of sales, selling and marketing expenses, administration expenses and other operating expenses. Operating profit does not include exchange rate gains or losses.

### Borrowing costs

The borrowing costs of items included in property, plant and equipment or other intangible assets, and requiring a substantial construction period, are capitalised for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses for the period in which they incurred.

### Income taxes

The tax expense of the Group include taxes based on the profit or loss for the period or dividend distribution of the Group companies, as well as change in deferred tax, and adjustment of taxes from prior periods. The penalty interests on those are recorded as financial expenses. The tax impact of items recorded directly in equity or other comprehensive income is correspondingly recognised directly in equity or in other comprehensive income. The share of associated companies' profit or loss is shown in the income statement calculated from the net result, and thereby includes the impact of taxes. Deferred taxes are measured with tax rates enacted by the reporting date, to reflect the net tax effects of all temporary differences between the financial reporting

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

and tax bases of assets and liabilities. The most significant temporary differences arise from the amortisation and depreciation differences of intangible assets and property, plant and equipment, measuring the net assets of business combinations at fair value, measuring available-for-sale financial assets and hedging instruments at fair value, internal profits in inventory and other provisions, appropriations and unused tax losses. Deferred tax liabilities will also be recognised from the subsidiaries' non-distributed retained earnings if profit distribution is likely and will result in tax consequences. Deferred tax assets relating to the temporary differences is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised before expiration. Deferred taxes are not recorded on goodwill that is not deductible for tax purposes.

### Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the equity holders of the parent for the period by the weighted average number of shares outstanding during the period. The average number of treasury shares has been deducted from the number of shares outstanding.

For the calculation of the diluted earnings per share the diluting impact of all potentially diluting share conversions have been taken into account. The Group has share options and previously also convertible bonds as diluting instruments. The dilution of share options has been computed using the treasury stock method. In dilution, the denominator includes the shares obtained through the assumed conversion of the options, and the repurchase of treasury shares at the average market price during the period with the funds generated by the conversion. The assumed conversion of options is not taken into account for the calculation of earnings per share if the effective share subscription price defined for the options exceeds the average market price for the period. The convertible bonds are assumed to have been traded for company shares after the issue.

### Property, plant and equipment

The values of property, plant and equipment acquired by the Group companies are based on their costs. The assets of acquired subsidiaries are measured at fair value on the date of acquisition. Depreciation is calculated on a straight-line basis from the original acquisition cost, based on the expected useful life. Depreciation includes any impairment losses.

In the statement of financial position, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The borrowing costs of items included in property, plant and equipment, and requiring a substantial construction period, are capitalised for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses in the period they incurred.

Depreciation is based on the following expected useful lives:

Buildings .....	20–40 years
Machinery and equipment .....	4–20 years
Other tangible assets .....	10–40 years
Land is not depreciated.	

The expected useful lives are reviewed at each reporting date, and if they differ materially from previous estimates, the depreciation schedules are changed accordingly.

Regular maintenance and repair costs are recognised as expenses for period. Expenses incurred from significant modernisation or improvement projects are recorded in the statement of financial position if the company gains future economic benefits in excess of the originally assessed standard of performance of the existing asset. Modernisation and improvement projects are depreciated on a straight-line basis over their useful lives. Gains and losses from the divestment and disposal of property, plant and equipment are determined as the difference of the net disposal proceeds and the carrying amounts. Sales gains and losses are included in operating profit in the income statement.

### Goodwill and other intangible assets

Goodwill arising from business combinations is recognised as the amount by which the aggregate of the transferred consideration, any non-controlling interest in the acquiree and any previously held interest exceeds the fair value of the net assets acquired. Goodwill is not amortised but is tested for impairment annually and whenever an indication of possible impairment exists.

Other intangible assets include customer relationships, capitalised development costs, patents, copyrights, licences and software. Intangible rights acquired in business combinations are measured at fair value and amortised on a straight-line basis over their useful lives. Other intangible assets are measured at cost and amortised on a straight-line basis over their useful lives. An intangible asset is

only recorded in the statement of financial position if it is probable that the expected future economic benefits that are attributable to the asset will flow to the company and cost can be measured reliably. Subsequent expenses related to the assets are only recorded in the statement of financial position if the company gains future economic benefits in excess of the originally assessed standard of performance of the existing asset; otherwise, costs are recognised as expenses at the time of occurrence.

In the statement of financial position, intangible assets are recorded at cost less accumulated amortisation and impairment losses. The borrowing costs of items included in other intangible assets, and requiring a substantial construction period, are capitalised for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses in the period they incurred. The amortisation schedule for intangible assets is 3–10 years.

### Impairment

At reporting date the Group shall assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset in question is estimated. Goodwill and intangible assets not yet available for use are tested for impairment at least annually. To assess impairment, the Group's assets are allocated to cash-generating units on the smallest group that is largely independent of other units and the cash flows of which can be separated.

The recoverable amount is the higher of fair value of the asset less costs to sell and a value in use. As a rule, value in use is based on the discounted future cash flows that the corresponding asset or the cash-generating unit can derive. The impairment recognised in the income statement is the amount by which the carrying amount of the asset exceeds the corresponding recoverable amount, and in the statement of financial position it is allocated first to reduce the carrying amount of any goodwill of the unit and then pro rata against the other assets. An impairment loss recognised in prior periods will be reversed if the estimates used to determine the recoverable amount change. However, a reversal of impairment loss shall not exceed the carrying amount that would have been determined in the statement of financial position without the recognised impairment loss in prior periods. Impairment loss on goodwill is not reversed under any circumstances.

### Leasing agreements

Leasing agreements are classified as either finance leases or operating

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

leases. Leasing agreements by which the risks and benefits associated with the ownership of an asset are substantially transferred to the lessee company represent finance leases.

### The Group as a lessee

Assets held under finance leases, less depreciation, are included in intangible assets and property, plant and equipment and the obligations resulting from the lease in financial liabilities. Lease payments resulting from finance leases are apportioned between finance charges and the reduction of the outstanding liability. Charges paid under operating leases are recognised as expenses in the income statement.

Finance leases have been recorded in the statement of financial position in the amount equalling the fair value of the leased property or, if lower, present value of minimum lease payments, each determined at the inception of the lease. The assets are depreciated consistent with assets that are owned and any impairment losses are recorded. Depreciation is carried out over the useful life or a shorter lease term.

### The Group as a lessor

Assets held under finance leases have been recorded in the statement of financial position as receivables at amount equal to the net investment in the lease. Lease income resulting from finance leases are recorded in the income statement with constant periodic rate of return on the lessor's net investment in the finance lease. Assets held under leases other than finance leases are included in intangible assets and property, plant and equipment in the statement of financial position. These are depreciated over their useful lives, consistent with assets in the company's own use. Lease income is recorded in the income statement on a straight-line basis over the lease term.

### **Inventories**

Inventories are measured at the lower of cost or the net realisable value. Cost is primarily determined in accordance with standard cost accounting, which corresponds to the cost calculated in accordance with the FIFO (first-in, first-out) method. The cost of finished goods and work in progress includes raw material purchase costs, direct manufacturing wages, other direct manufacturing costs, and a share of production overheads, borrowing costs excluded. Net realisable value is the estimated sales price in ordinary activities less the costs associated with the completion of the product and the estimated necessary costs incurred to make the sale of the product.

### **Trade receivables**

Trade receivables in the statement of financial position are carried at the original invoice value (and those in foreign currencies are measured at the closing rate of the European Central Bank) less doubtful receivables and credits for returned goods. Doubtful receivables are based on the case-by-case assessment of outstanding trade receivables as well as on historical experience of the portion the Group will not receive under the original terms and conditions.

Actual and estimated credit losses are recorded as other operating expenses in the income statement.

### **Dividend**

The dividend proposed by the Board of Directors at the Annual General Meeting has not been recognised in the financial statements. Dividends are only accounted for on the basis of the decision of the Annual General Meeting.

### **Equity**

The acquisition cost of treasury shares repurchased by the Group is recognised as a deduction in equity. The consideration received for the treasury shares when sold, net of transaction costs and tax, is included in equity.

### **Provisions**

A provision is entered into the statement of financial position if the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions may be related to the reorganisation of activities, unprofitable agreements, environmental obligations, trials and tax risks. Warranty provisions include the cost of product replacement during the warranty period. Provisions constitute best estimates at the balance sheet date and are based on past experience of the level of warranty expenses.

### **Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by realization of an uncertain future event not totally controllable by the Group. A contingent liability is also defined as a present obligation that probably will not require the settlement of the obligation, or cannot be measured reliably.

A contingent liability is disclosed in the notes to the consolidated financial statements.

Correspondingly, a contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by realization of an uncertain future event not totally controllable by the Group. In case an inflow of economic benefits is probable, a contingent asset is disclosed in the notes to the consolidated financial statements.

### **Employee benefits**

#### Pension liabilities

The Group companies have several pension schemes in different countries based on local conditions and practices. These pension arrangements are classified as either defined contribution plans or defined benefit plans. Payments for defined contribution plans are recorded as expenses in the income statement for the period they relate to. All of the material pension arrangements in the Group are defined contribution plans.

#### Share-based payments

Share options are measured at fair value on the grant date and expensed on a straight-line basis over the vesting period. Corresponding amounts are recorded as an increase in equity. The expense determined on the grant date is based on the Group's estimate of the number of options that are assumed to vest at the end of the vesting period. The Black & Scholes' option pricing model is used to determine the fair value of options. The impact of non-market-based conditions (such as profitability and a certain profit growth target) is not included in the fair value of the option; instead, it is taken into account in the final number of options that are assumed to vest at the end of the vesting period. The Group updates the assumption of the final number on each reporting date. Changes in the estimates are recognised in the income statement.

When options are exercised, the payments received on the basis of share subscriptions (adjusted with any transaction costs) are recorded in paid-up unrestricted equity reserve.

Performance shares are measured at fair value on the grant date and are expensed on a straight-line basis over the vesting period. The equity-settled amounts are recorded as an increase in equity. The expense determined on the grant date is based on the Group's estimate of the number of shares that are assumed to vest at the end of the vesting period. The impact of non-market-based conditions (such as

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

net sales and operating profit) is not included in the fair value of the share; instead, it is taken into account in the final number of shares that are assumed to vest at the end of the vesting period. The Group updates the assumption of the final number on each reporting date. The fair values of cash-settled amounts are similarly updated on each reporting date and recorded as a liability. Changes in the estimates of both the equity and cash-settled amounts are recognised in the income statement.

### Other option and incentive schemes

No other option and incentive schemes were in use during 2017.

### **Non-current assets held for sale and discontinued operations**

A non-current asset, or a group of disposable items, is classified as being held for sale if the amount corresponding to its carrying amount will primarily be generated from the sale of the asset instead of being generated from the continued use of the asset. Non-current assets held for sale, and assets related to discontinued operations, are measured at their carrying amounts, or the lower fair value less costs to sell, if the amount corresponding to its carrying amount will primarily be generated from the sale of the asset and if the sales transaction is most likely to take place.

A discontinued operation is a part of the entity that has been divested or classified as being held for sale and represents a separate core business area or a geographic operating area.

The Group's financial statements for 2017 and 2016 do not include any non-current assets held for sale or any discontinued operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. SEGMENT INFORMATION

The Group's management team is the chief operating decision maker. The segment information is presented in respect of the business and geographical segments. Business segments are based on the internal organization and financial reporting structure.

The business segments comprise of entities with assets and operating activities providing products and services. The segments are managed as separate entities.

Pricing of inter-segment transactions is based on current market prices and the terms of evaluating profitability and resources allocated to segments are based on profit before interests and taxes.

Segment assets and liabilities include items directly attributable to a segment and items that can be allocated on a reasonable basis. The unallocated items contain tax and financial items together with joint Group resource items. Capital expenditure comprises of additions to intangible assets and property, plant and equipment used in more than one period.

#### Business segments

**Passenger Car Tyres** –business unit covers the development and production of summer and winter tyres for cars and vans.

**Heavy Tyres** – business unit comprises tyres for forestry machinery, special tyres for agricultural machinery, tractors and industrial machinery as well as retreading and truck tyre business.

**Vianor** –tyre chain sells car and van tyres as well as truck tyres. In addition to Nokian brand, Vianor sells other leading tyre brands and other automotive products and services.

**Other operations** contain business development and Group management unallocated to the segments.

**Eliminations** consist of eliminations between different business segments.

#### Notes concerning geographical segments

The business segments are operating in seven geographic regions: Finland, Sweden, Norway, Russia and the CIS, the rest of Europe, North America and the rest of the world.

In presenting information on the basis of geographical segments, segment revenue is based on the location of the customers and segment assets are based on the location of the assets.

#### Operating segments

2017	Passenger	Heavy		Other		
EUR million	Car Tyres	Tyres	Vianor	operations	Eliminations	Group
Net sales from external customers	1,076.6	146.6	338.6	10.6	0.0	1,572.5
Services			118.5			118.5
Sales of goods	1,076.6	146.6	220.1	10.6	0.0	1,453.9
Inter-segment net sales	62.3	25.7	0.7	0.6	-89.3	
Net sales	1,138.8	172.3	339.4	11.2	-89.3	1,572.5
Operating result	359.9	32.2	-5.8	-23.7	2.8	365.4
% of net sales	31.6%	18.7%	-1.7%	-210.8%		23.2%
Financial income and expenses						-33.0
Profit before tax						332.4
Tax expense						-111.0
Profit for the period						221.4
Assets	1,166.3	134.6	163.3	21.4	-7.4	1,478.3
Unallocated assets						399.1
Total assets						1,877.4
Liabilities	155.8	26.8	46.6	3.9	0.2	233.2
Unallocated liabilities						175.7
Total liabilities						409.0
Capital expenditure	117.1	11.6	6.2	0.1	0.0	134.9
Depreciation and amortisation	79.4	9.0	8.9	0.9	0.0	98.3
Other non-cash expenses	6.2	0.8	0.9	1.3	0.0	9.1

2016	Passenger	Heavy		Other		
EUR million	Car Tyres	Tyres	Vianor	Operations	Eliminations	Group
Net sales from external customers	915.8	128.3	334.0	13.0	0.0	1,391.2
Services			79.4			79.4
Sales of goods	915.8	128.3	254.6	13.0	0.0	1,311.7
Inter-segment net sales	65.3	27.0	0.8	0.7	-93.8	
Net sales	981.1	155.3	334.8	13.7	-93.8	1,391.2
Operating result	305.8	28.2	-8.1	-14.5	-1.0	310.5
% of net sales	31.2%	18.2%	-2.4%	-105.5%		22.3%
Financial income and expenses						-11.8
Profit before tax						298.7
Tax expense						-46.9
Profit for the period						251.8
Assets	1,071.2	115.9	180.6	31.4	-7.8	1,391.4
Unallocated assets						584.3
Total assets						1,975.7
Liabilities	127.6	26.8	46.6	5.3	-3.2	203.0
Unallocated liabilities						314.2
Total liabilities						517.2
Capital expenditure	71.5	8.2	21.8	4.0	0.0	105.6
Depreciation and amortisation	69.1	8.6	6.4	0.7	0.0	84.7
Other non-cash expenses	23.6	2.0	4.5	1.5	0.0	31.7

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Geographical information

2017

EUR million	Finland	Sweden	Norway	Russia and the CIS	the rest of Europe	North America	the rest of the world	Group
Net sales	221.5	214.3	189.4	325.5	438.6	172.0	11.1	1,572.5
Services	30.4	58.2	26.7	0.0	0.9	2.4		118.5
Sales of goods	191.1	156.2	162.7	325.5	437.7	169.6	11.1	1,453.9
Assets	444.9	91.6	53.3	568.5	159.4	96.8	2.4	1,416.9
Unallocated assets								460.5
Total assets								1,877.4
Capital expenditure	57.8	1.4	3.1	65.3	1.1	6.2	0.0	134.9

2016

EUR million	Finland	Sweden	Norway	Russia and the CIS	the rest of Europe	North America	the rest of the world	Group
Net sales	220.2	200.8	178.8	223.1	407.5	149.8	11.0	1,391.2
Services	30.5	21.2	23.6	0.2	1.6	2.4		79.4
Sales of goods	189.8	179.5	155.3	222.9	405.9	147.5	11.0	1,311.7
Assets	432.9	86.0	54.4	561.7	119.8	85.7	3.1	1,343.7
Unallocated assets								632.0
Total assets								1,975.7
Capital expenditure	55.5	7.4	5.1	36.3	0.7	0.5	0.0	105.6

## 2. ACQUISITIONS

### Acquisitions and other changes in 2017

On September 29 2017 the Group acquired the studding operations from Nokian Nasta Oy through an asset deal.

This acquisition has minor impact on group accounts.

EUR million	2017
Purchase consideration	
Consideration paid in cash	0.3
Contingent consideration liability	-
<b>Total consideration</b>	<b>0.3</b>

Recognised amounts of identifiable assets acquired and liabilities assumed:

EUR million	Note	2017
Property, plant and equipment	(12)	0.5
Inventories		-
Trade and other receivables		-
Cash and cash equivalents		-
<b>Total Assets</b>		<b>0.5</b>
Deferred tax liabilities	(18)	-
Financial Liabilities		-
Trade and other payables		0.1
<b>Total Liabilities</b>		<b>0.1</b>
<b>Total identifiable net assets</b>		<b>0.3</b>
Composition of goodwill in the acquisition		
Consideration transferred		0.3
<b>Total identifiable net assets</b>		<b>0.3</b>
Goodwill	(14)	0.0
Consideration paid in cash		0.3
Cash and cash equivalents in the subsidiaries acquired		-
<b>Net cash outflow</b>		<b>0.3</b>

The actual acquisition dates and the nature of the operations taken into account the effect of the acquisitions on the consolidated net sales and profit is not material even if they all were combined as of the beginning of the financial year.

The acquisition related costs of EUR 0.0 million have been recorded as cost of sales expenses. There were no other transactions recognised separately from these acquisitions. The consideration has been transferred in cash and no significant contingent consideration arrangements were included. No non-controlling interest remained in the acquiree. The identifiable asset acquired and liabilities assumed are recorded in fair value.

### Acquisitions and other changes in 2016

Vianor-chain has expanded further through several minor business combinations in Finland, Sweden, Norway and USA.

EUR million	2016
Purchase consideration	
Consideration paid in cash	12.8
Contingent consideration liability	0.1
<b>Total consideration</b>	<b>12.9</b>

The Group is committed to pay contingent considerations of total EUR 0.1 million in case the net sales and operating profits of the acquired businesses within the next three years after the acquisition year exceed the targets set for each (total net sales EUR 0.3 million and total operating profits EUR 0.1 million).

Recognised amounts of identifiable assets acquired and liabilities assumed:

EUR million	Note	2016
Property, plant and equipment	(12)	3.8
Inventories		2.8
Trade and other receivables		1.2
Cash and cash equivalents		1.0
<b>Total Assets</b>		<b>8.7</b>
Deferred tax liabilities	(18)	0.3
Financial Liabilities		2.1
Trade and other payables		0.3
<b>Total Liabilities</b>		<b>2.7</b>
<b>Total identifiable net assets</b>		<b>6.0</b>
Composition of goodwill in the acquisition		
Consideration transferred		12.9
<b>Total identifiable net assets</b>		<b>6.0</b>
Goodwill	(14)	6.9
Consideration paid in cash		12.8
Cash and cash equivalents in the subsidiaries acquired		1.0
<b>Net cash outflow</b>		<b>11.7</b>

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

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totalling EUR 0.4 million, are included in the consolidated income statement. The actual acquisition dates and the nature of the operations taken into account the effect of the acquisitions on the consolidated net sales and profit is not material even if they all were combined as of the beginning of the financial year.

The acquisition related costs of EUR 0.0 million have been recorded as selling and marketing expenses. There were no other transactions recognised separately from these acquisitions. The consideration has been transferred in cash and no significant contingent consideration arrangements were included. No non-controlling interest remained in

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

the acquiree. The identifiable asset acquired and liabilities assumed are recorded in fair value. Goodwill is measured as the excess of the consideration transferred over the total identifiable net assets. None of the goodwill recognised is deductible for income tax purposes.

### 3. COST OF SALES

EUR million	2017	2016
Raw materials	355.6	321.2
Goods purchased for resale	217.5	122.2
Wages and social security contributions on goods sold	43.8	37.7
Other costs	63.4	100.0
Depreciation of production	69.3	63.1
Sales freights	53.4	46.9
Change in inventories	35.8	33.0
Total	838.8	724.2

### 4. OTHER OPERATING INCOME

EUR million	2017	2016
Gains on sale of property, plant and equipment	1.7	0.7
Other income	4.1	3.2
Total	5.8	3.9

### 5. OTHER OPERATING EXPENSES

EUR million	2017	2016
Losses on sale of property, plant and equipment and other disposals	0.3	0.0
Research and development costs	21.8	20.3
Quality control	3.0	2.9
Expensed credit losses and provisions	1.4	19.0
Other expenses	0.5	1.2
Total	27.0	43.4

Other operating expenses include the ineffective portion of the electricity derivatives used as cash flow hedges amounting to EUR 0.2 million (EUR -0.6 million in 2016).

### 6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

EUR million	2017	2016
<b>Depreciation and amortisation by asset category</b>		
Intangible rights	10.4	5.3
Other intangible assets	1.9	1.7
Buildings	12.3	9.8
Machinery and equipment	72.3	66.5
Other tangible assets	1.3	1.4
Total	98.3	84.7

#### Impairment losses by asset category

Other intangible assets	-	3.6
Goodwill	1.4	-
Total	1.4	3.6

#### Depreciation and amortisation by function

Production	69.3	63.1
Selling and marketing	14.0	12.6
Administration	11.6	6.9
Other depreciation and amortisation	3.4	2.0
Total	98.3	84.7

#### Impairment losses by function

Selling and marketing	1.4	-
Administration	-	3.6
Total	1.4	3.6

### 7. EMPLOYEE BENEFIT EXPENSES

EUR million	2017	2016
Wages and salaries	164.8	160.5
Pension contributions - defined contribution plans	25.4	23.4
Share-based payments	16.1	15.0
Other social security contributions	18.3	20.2
Total	224.7	219.0

Information on the employee benefits and loans of the key management personnel is presented in note 34 Related party transactions.

Persons	2017	2016
<b>Number of personnel, average</b>		
Production	1,917	1,825
Selling and marketing	2,483	2,392
Others	230	216
Total	4,630	4,433

### 8. FINANCIAL INCOME

EUR million	2017	2016
Interest income on loans and receivables	2.6	2.5
Dividend income on available-for-sale financial assets	0.0	0.0
Exchange rate gains and changes in fair value		
Loans and receivables	22.8	31.4
Foreign currency derivatives held for trading	92.8	105.6
Other financial income	0.1	0.5
Total	118.3	140.1

## 9. FINANCIAL EXPENSES

EUR million	2017	2016
Interest expense on financial liabilities measured at amortised cost	-5.4	-6.6
Interest expense on interest rate derivatives		
Designated as hedges	-0.9	-0.6
Exchange rate losses and changes in fair value		
Loans and receivables	-61.5	-33.0
Foreign currency derivatives held for trading	-62.8	-107.9
Other financial expenses	-20.7	-3.9
<b>Total</b>	<b>-151.3</b>	<b>-151.8</b>

Financial expenses in 2017 contain EUR 15.2 million expensed punitive interest for tax reassessment decisions on year 2011. Additionally financial expenses 2017 contain EUR 3.1 million expensed interest for tax reassessment decisions on years 2007–2013 of a group company.

## 10. TAX EXPENSE

EUR million	2017	2016
Current tax expense	-71.5	-46.1
Adjustment for prior periods	-42.1	2.8
Change in deferred tax	2.6	-3.6
<b>Total</b>	<b>-111.0</b>	<b>-46.9</b>

The reconciliation of tax expense recognised in the income statement and tax expense using the domestic corporate tax rate (2017: 20.0%, 2016: 20.0%):

EUR million	2017	2016
Profit before tax	332.4	298.7
Tax expense using the domestic corporate tax rate	-66.5	-59.7
Effect of deviant tax rates in foreign subsidiaries	2.2	7.0
Tax exempt revenues and non-deductible expenses	-6.9	-1.1
Losses on which no deferred tax benefits recognised	1.6	-1.0
Adjustment for prior periods	-42.1	7.8
Other items	0.6	0.1
<b>Tax expense</b>	<b>-111.0</b>	<b>-46.9</b>

Income tax relating to components of other comprehensive income:

EUR million	2017		
	Before tax amount	Tax benefit	Net of tax amount
Cash flow hedges	1.6	-0.3	1.3
Translation differences on foreign operations	-33.5		-33.5
	<b>-31.9</b>	<b>-0.3</b>	<b>-32.2</b>

EUR million	2016		
	Before tax amount	Tax benefit	Net of tax amount
Cash flow hedges	-0.3	0.1	-0.3
Translation differences on foreign operations	121.8		121.8
	<b>121.5</b>	<b>0.1</b>	<b>121.6</b>

## 11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss for the period by the weighted average number of shares outstanding during the period. The average weighted number of shares used for the calculation of diluted EPS takes into consideration the dilutive effect of the options outstanding during the period.

EUR million	2017	2016
<b>Profit attributable to the equity holders of the parent</b>	<b>221.4</b>	<b>251.8</b>
Profit for the period to calculate the diluted earnings per share	221.4	251.8
<b>Shares, 1,000 pcs</b>		
Weighted average number of shares	136,253	134,855
Dilutive effect of the options	1,024	707
Diluted weighted average number of shares	137,277	135,562
<b>Earnings per share, euros</b>		
Basic	1.63	1.87
Diluted	1.61	1.86

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### 12. PROPERTY, PLANT AND EQUIPMENT

EUR million	Land property	Buildings	Machinery and equipment	Other tangible assets	Advances and fixed assets under construction	Total
Accumulated cost, 1 Jan 2016	7.5	238.6	795.2	16.8	53.0	1,111.2
Increase	0.3	13.3	34.3	1.2	57.0	106.2
Acquisitions through business combinations						0.0
Decrease	-0.1	-0.1	-6.3	-0.3	-13.6	-20.4
Transfers between items		7.3	36.8	0.1	-44.2	0.0
Other changes		1.8	1.3	-1.7	-12.6	-11.1
Exchange differences	0.4	30.6	72.0	1.7	4.3	109.0
Accumulated cost, 31 Dec 2016	8.2	291.5	933.3	17.9	43.9	1,294.8
Accum. depreciation, 1 Jan 2016	0.0	-69.4	-543.9	-12.8		-626.2
Depreciation for the period		-9.8	-67.3	-1.4		-78.6
Decrease			1.8	0.2		2.0
Other changes		-2.0	-1.5	1.5		-2.0
Exchange differences		-7.3	-39.1	-1.4		-47.8
Accum. depreciation, 31 Dec 2016	0.0	-88.6	-649.9	-13.9		-752.4
Carrying amount, 31 Dec 2016	8.2	202.9	283.4	3.9	43.9	542.3
Accumulated cost, 1 Jan 2017	8.2	291.5	933.3	17.9	43.9	1,294.8
Increase	0.0	3.0	41.4	1.3	81.2	126.9
Acquisitions through business combinations						0.0
Decrease	-0.2	-1.5	-7.4	-0.2	0.0	-9.4
Transfers between items		1.2	56.2	0.5	-57.9	0.0
Other changes		0.0	-1.2	-0.4	0.0	-1.6
Exchange differences	-0.2	-12.3	-30.7	-1.2	-3.6	-48.0
Accumulated cost, 31 Dec 2017	7.8	281.9	991.7	17.8	63.6	1,362.7
Accum. depreciation, 1 Jan 2017	0.0	-88.6	-649.9	-13.9		-752.4
Depreciation for the period		-12.3	-72.3	-1.3		-85.9
Decrease			3.1	0.2		3.3
Other changes		0.0	0.9	0.3		1.2
Exchange differences		5.0	19.3	1.0		25.3
Accum. depreciation, 31 Dec 2017	0.0	-95.9	-698.9	-13.7		-808.6
Carrying amount, 31 Dec 2017	7.7	185.9	292.8	4.1	63.6	554.1

### 13. FINANCE LEASES

EUR million	Buildings	Machinery and equipment
Accumulated cost, 1 Jan 2016	-	0.1
Decrease/Increase	-	-0.1
Accum. depreciation	-	-
Carrying amount, 31 Dec 2016	-	-
Accumulated cost, 1 Jan 2017	-	-
Decrease/Increase	-	-
Accum. depreciation	-	-
Carrying amount, 31 Dec 2017	-	-

14. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets	Total	EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated cost, 1 Jan 2016	79.2	52.8	17.3	149.2	Accumulated cost, 1 Jan 2017	86.5	74.1	21.4	182.0
Increase		21.3	2.4	23.7	Increase		9.4	1.2	10.5
Acquisitions through business combinations	7.5			7.5	Acquisitions through business combinations	0.8			0.8
Decrease				-	Decrease			0.0	0.0
Transfers between items			0.0	0.0	Transfers between items			0.7	0.7
Other changes				-	Other changes				-
Exchange differences	-0.2		1.8	1.6	Exchange differences	-2.8	0.0	-0.9	-3.7
Accumulated cost, 31 Dec 2016	86.5	74.1	21.4	182.0	Accumulated cost, 31 Dec 2017	84.6	83.4	22.4	190.4
Accum. depreciation, 1 Jan 2016		-39.0	-11.7	-50.7	Accum. depreciation, 1 Jan 2017		-44.3	-14.1	-58.4
Decrease		-5.3	-1.7	-7.0	Decrease		-10.4	-1.9	-12.3
Other changes				-	Impairment	-1.4			-1.4
Exchange differences			-0.9	-0.9	Decrease				-
Accum. depreciation, 31 Dec 2016	-	-44.3	-14.1	-58.4	Other changes				-
Carrying amount, 31 Dec 2016	86.5	29.8	7.3	123.6	Exchange differences	0.1	0.0	0.5	0.6
					Accum. depreciation, 31 Dec 2017	-1.3	-54.7	-15.5	-71.5
					Carrying amount, 31 Dec 2017	83.3	28.7	6.9	118.9

Impairment losses

In 2017 Vianor recorded impairment losses of total EUR 1.4 million on other intangible assets. The losses were caused by an impairment of goodwill due the profit improvement program and the network optimization and are reported in selling and marketing expenses.

In 2016 Vianor recorded impairment losses of total EUR 3.6 million on other intangible assets. The impairments were caused by few ICT-project execution failures and operational cancellations. These projects are fully recognized as losses. which are reported in administration expenses.

Impairment tests for goodwill

Goodwill has been allocated to the Group's cash-generating units that have been defined according to the business organization.

Allocation of goodwill

EUR million	
Passenger Car Tyres	68.5
Vianor	14.8
<b>Total goodwill</b>	<b>83.3</b>

The recoverable amount of a cash-generating unit is based on calculations of the value in use. The cash flow forecasts used in these calculations are based on five-year financial plans approved by the management. The estimated sales and production volumes are based on the current condition and scope of the existing assets. The key assumptions used in the plans include product selection, country-specific sales distribution, margin on products, and their past actual outcomes. Assumptions are also based on commonly used growth, demand and price forecasts provided by market research institutes.

The discount rate used is the weighted average cost of capital (WACC)

before taxes defined for the Group. The calculation components are risk-free rate of return, market risk premium, industry-specific beta co-efficient, borrowing cost and the capital structure at market value at the time of testing. The discount rate used for Passenger Car Tyres is 6.2% (5.4% in 2016) and for Vianor is 5.7-7.2% (4.8-9.1% in 2016) varying through country locations. Future cash flows after the forecast period approved by the management have been capitalised as a terminal value using a steady 2% growth rate and discounted with the discount rate specified above.

The testing indicated no need to recognise impairment losses. In Vianor the calculations indicated that the recoverable amount exceeded the carrying value by EUR 25 million (EUR 57 million in 2016). Of the key assumptions, Vianor is the most sensitive to actual realisation of gross margin levels based on demand forecasts. A lag of mere 0.9%-units from the gross margin target levels in future years might lead to a need for impairment. The recoverable amount in Passenger Car Tyres significantly (well over 100%) exceeds the carrying amount of the cash-generating unit, and small sales margin or sales volume changes have no effect on the impairment testing results. A possible impairment would require e.g. an annual decrease above 20% in net sales or a weakening of the present gross margin level permanently over 50%.

15. CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR million	Note	2017			2016				
		Carrying amount	Fair value			Carrying amount	Fair value		
			Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Financial assets</b>									
Financial assets at fair value through profit or loss									
Derivatives held for trading	(30)	9.5	-	9.5	-	17.6	-	17.6	-
Money market instruments	(21)	30.0	-	30.0	-	16.0	-	16.0	-
Loans and receivables									
Other non-current receivables	(17)	8.9	-	8.3	-	10.4	-	8.6	-
Trade and other receivables	(20)	433.4	-	434.0	-	375.1	-	375.8	-
Bank deposits	(21)	14.4	-	14.4	-	-	-	-	-
Cash in hand and at bank	(21)	299.1	-	299.1	-	497.3	-	497.3	-
Available-for-sale financial assets									
Unquoted shares	(16)	0.7	-	-	0.7	0.7	-	-	0.7
Derivative financial instruments designated as hedges	(30)	12.8	-	12.8	-	9.8	-	9.8	-
<b>Total financial assets</b>		<b>808.8</b>	<b>-</b>	<b>808.0</b>	<b>0.7</b>	<b>926.8</b>	<b>-</b>	<b>925.0</b>	<b>0.7</b>
<b>Financial liabilities</b>									
Financial liabilities at fair value through profit or loss									
Derivatives held for trading	(30)	1.2	-	1.2	-	9.4	-	9.4	-
Financial liabilities measured at amortised cost									
Interest-bearing financial liabilities	(26)	135.2	-	136.0	-	225.8	-	228.5	-
Trade and other payables	(28)	72.8	-	72.8	-	78.0	-	78.0	-
Derivative financial instruments designated as hedges	(30)	3.2	-	3.2	-	6.9	-	6.9	-
<b>Total financial liabilities</b>		<b>212.4</b>	<b>-</b>	<b>213.2</b>	<b>-</b>	<b>320.1</b>	<b>-</b>	<b>322.7</b>	<b>-</b>

The carrying amount of financial assets corresponds to the maximum exposure to the credit risk on the reporting date.

Fair value measurements have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

All financial assets and liabilities at fair value have been classified to Level 2 in the fair value hierarchy. Level 2 includes Group's derivative financial instruments and money market investments. To establish the fair value of these instruments the Group uses generally accepted valuation models with inputs based on observable market data.

Financial assets and liabilities not measured at fair value but for which the fair value can be measured are categorised in Level 2 and Level 3 in the fair value hierarchy. Level 2 includes loans and receivables and financial liabilities measured at amortised cost. Their fair values are based on the future cash flows that are discounted with market interest rates on the reporting date. Level 3 includes unquoted shares for which the cost is assessed to represent the fair value.

There were no transfers between different levels during the financial year.

**16. INVESTMENTS IN ASSOCIATES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS**

EUR million	Investments in associates	Unquoted shares
Accumulated cost, 1 Jan 2017	0.1	0.3
Decrease/Increase	-	-
Accumulated cost, 31 Dec 2017	0.1	0.3
Carrying amount, 31 Dec 2017	0.1	0.3
Carrying amount, 31 Dec 2016	0.1	0.7

**17. OTHER NON-CURRENT RECEIVABLES**

EUR million	2017	2016
Loan receivables	8.9	10.4
Total	8.9	10.4

18. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	31 Dec 2015	Recognised in income statement	Recognised in other comprehensive income	Net exchange differences	Acquisitions/disposals of subsidiaries	31 Dec 2016
<b>Deferred tax assets</b>						
Intercompany profit in inventory	13.0	0.4				13.4
Provisions	0.4	0.4				0.8
Tax losses carried forward	0.0	0.0				0.0
Cash flow hedges	0.1		-0.3			-0.3
Other items	9.2	4.3		0.2		13.7
<b>Total</b>	<b>22.8</b>	<b>5.0</b>	<b>-0.3</b>	<b>0.2</b>		<b>27.7</b>
Deferred tax assets offset against deferred tax liabilities	-15.3	0.0				-15.3
<b>Deferred tax assets</b>	<b>7.5</b>	<b>5.0</b>	<b>-0.3</b>	<b>0.2</b>		<b>12.4</b>
<b>Deferred tax liabilities</b>						
Property, plant and equipment and intangible assets	17.4	1.0		-0.1		18.3
Untaxed reserves	0.6	-0.1				0.6
Undistributed earnings in subsidiaries	21.2	8.6				29.8
Other items	1.9	15.4				17.3
<b>Total</b>	<b>41.1</b>	<b>25.0</b>	<b>-</b>	<b>-0.1</b>	<b>-</b>	<b>65.9</b>
Deferred tax liabilities offset against deferred tax assets	-15.3	0.0				-15.3
<b>Deferred tax liabilities</b>	<b>25.7</b>	<b>25.0</b>	<b>-</b>	<b>-0.1</b>	<b>-</b>	<b>50.6</b>

EUR million	31 Dec 2016	Recognised in income statement	Recognised in other comprehensive income	Net exchange differences	Acquisitions/disposals of subsidiaries	31 Dec 2017
<b>Deferred tax assets</b>						
Intercompany profit in inventory	13.4	-0.1				13.2
Provisions	0.8	0.2				0.9
Tax losses carried forward	0.0	-0.3				-0.3
Cash flow hedges	-0.3		0.0			-0.3
Other items	13.7	-2.0		0.2		12.0
<b>Total</b>	<b>27.7</b>	<b>-2.3</b>	<b>0.0</b>	<b>0.2</b>	<b>-</b>	<b>25.7</b>
Deferred tax assets offset against deferred tax liabilities	-15.3	-1.2				-16.5
<b>Deferred tax assets</b>	<b>12.4</b>	<b>-3.4</b>	<b>0.0</b>	<b>0.2</b>	<b>-</b>	<b>9.2</b>
<b>Deferred tax liabilities</b>						
Property, plant and equipment and intangible assets	18.3	-1.0				17.3
Untaxed reserves	0.6	-0.2		0.1		0.5
Undistributed earnings in subsidiaries	29.8	-2.5				27.3
Other items	17.3	-15.4				1.9
<b>Total</b>	<b>65.9</b>	<b>-19.2</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>46.9</b>
Deferred tax liabilities offset against deferred tax assets	-15.3	-1.2				-16.5
<b>Deferred tax liabilities</b>	<b>50.6</b>	<b>-20.3</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>30.4</b>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

On 31 December 2017 the Group had carry forward losses for EUR 9.1 million (EUR 4.4 million in 2016), on which no deferred tax asset was recognised. It is not probable that future taxable profit will be available to offset these losses before they expire by 2025.

The Group has utilised previously unrecognised tax losses from prior periods with EUR 0.0 million in 2017 (EUR 0.0 million in 2016).

No deferred tax liability was recognised on the undistributed earnings, EUR 52.8 million in 2017 (EUR 44.5 million in 2016), of foreign subsidiaries as the earnings have been invested permanently to the countries in question.

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### 19. INVENTORIES

EUR million	2017	2016
Raw materials and supplies	115.8	103.1
Work in progress	6.6	6.9
Finished goods	217.7	194.3
<b>Total</b>	<b>340.1</b>	304.3

Annually an additional expense is recognised in the carrying amounts of all separate inventory items to avoid them exceeding their maximum probable net realisable values. In 2017 EUR 0.7 million expense was recognised to decrease the carrying amount of the inventories to reflect the net realisable value (EUR 0.0 million in 2016).

### 20. TRADE AND OTHER RECEIVABLES

EUR million	2017	2016
Trade receivables	432.9	374.3
Loan receivables	0.5	0.8
Accrued revenues and deferred expenses	14.9	22.0
Derivative financial instruments		
Designated as hedges	12.9	10.0
Measured at fair value through profit or loss	10.2	17.7
Other receivables	18.1	27.8
<b>Total</b>	<b>489.6</b>	452.6

The carrying amount of trade and other receivables corresponds to the maximum exposure to the credit risk on the reporting date.

The carrying amount of trade and other receivables is a reasonable approximation of their fair value.

The balance amount of recognised losses is EUR 43.4 million (EUR 58.6 million in 2016).

The Group recognised expenses for losses on trade receivables worth EUR 0.2 million in 2017 (EUR 18.6 million in 2016).

#### Significant items under accrued revenues and deferred expenses

EUR million	2017	2016
Annual discounts, purchases	3.3	1.9
Financial items	0.4	3.6
Social security contributions	2.9	5.3
Insurances	0.3	0.2
Payments in transit	-	2.1
Other items	8.2	8.9
<b>Total</b>	<b>14.9</b>	22.0

#### Significant items under other receivables

EUR million	2017	2016
VAT receivables	13.3	24.1
Advance payments	4.8	3.6
<b>Total</b>	<b>18.1</b>	27.8

### 21. CASH AND CASH EQUIVALENTS

EUR million	2017	2016
Cash in hand and at bank	299.1	497.3
Bank deposits	14.4	-
Money market instruments	30.0	16.0
<b>Total</b>	<b>343.4</b>	513.2

## 22. EQUITY

### Reconciliation of the number of shares

EUR million	Number of shares (1,000 pcs)	Share capital	Share premium	Paid-up unrestricted equity reserve	Treasury shares	Total
1 Jan 2016	134,391	25.4	181.4	133.0	-8.6	331.2
Exercised warrants	1,221	-	-	35.9	-	35.9
Acquisition/conveyance of treasury shares	67	-	-	-	-	-
Other changes	-	-	-	-	1.9	1.9
31 Dec 2016	135,679	25.4	181.4	168.9	-6.7	369.1
1 Jan 2017	135,679	25.4	181.4	168.9	-6.7	369.1
Exercised warrants	1,355	-	-	35.0	-	35.0
Acquisition/conveyance of treasury shares	-289	-	-	-	-17.8	-17.8
Other changes	-	-	-	-	4.2	4.2
31 Dec 2017	136,745	25.4	181.4	203.9	-20.3	390.4

The nominal value of shares was abolished in 2008, hence no maximum share capital of the Group exists anymore. All outstanding shares have been paid for in full.

#### Below is a description of the reserves within equity:

##### Share premium

Before the nominal value of shares was abolished, the amount exceeding the nominal value of shares received by the company in connection with share issue and share subscription were recognised in share premium.

##### Translation reserve

Translation reserve includes the differences arising from the translation of the foreign subsidiaries' financial statements. The gains and losses from the net investments in foreign units and hedging those net investments are also included in translation reserve once the requirements of hedge accounting have been met.

##### Fair value and hedging reserves

The fair value and hedging reserves comprises of two sub-funds: the fair value reserves for available-for-sale financial assets, and the hedging fund for changes in the fair values of derivative instruments used for cash flow hedging.

##### Paid-up unrestricted equity reserve

After the nominal value of shares was abolished, the entire share subscription made by option rights are entered in the paid-up unrestricted reserve.

##### Treasury shares

The Group or the Parent company themselves do not directly hold any treasury shares.

The Group has entered into an agreement with a third-party service provider concerning administration and hedging of the share-based incentive program for key personnel. As a part of this agreement, the

service provider purchases and administers shares for hedging the underlying cash flow risk and implementing the program. The third party owns the shares until the shares are given to the participants within the program. Despite the legal form of the hedging arrangement, it has been accounted for as if the share purchases had been conducted directly by the Group. In 2014 and in 2017, respectively 300,000 and 480,000 shares were acquired. At the end of financial year 2017 the total number of shares was 521,331 (2016: 232,792), which corresponds 0.4% (0.2%) of all shares of the Company.

##### Dividends

After the balance sheet date, the Board of Directors proposed that a dividend of EUR 1.56 per share be paid (EUR 1.53 in 2016).

##### Specification of the distributable funds

The distributable funds on 31 December 2017 total EUR 658.0 million (EUR 608.6 million on 31 December 2016) and are based on the balance of the Parent company and the Finnish legislation.

## 23. SHARE-BASED PAYMENTS

### Share option plans

#### Share option plan 2013 directed at personnel

The Annual General Meeting in 2013 decided to issue a share option plan, as a part of the Group's incentive scheme, to employees of the Group or persons recruited to the Group at a later stage. The Board issued the shares in spring 2013 (2013A warrants), 2014 (2013B warrants) and 2015 (2013C warrants).

The share options were granted to the personnel employed by or in the service of the Nokian Tyres Group and to Direnic Oy, a wholly owned subsidiary of Nokian Tyres. Should a share option holder cease to be employed by or in the service of the Nokian Tyres Group before

the warrants become exercisable, for any other reason than the death of the employee, or the statutory retirement of the employee in compliance with the employment contract, or the retirement of the employee otherwise determined by the company, the holder shall without delay and compensation offer to Nokian Tyres or its order the share options for which the share subscription period under the terms and conditions had not begun at the last day of such holder's employment or service.

The following tables present more specific information on the share option plans.

BASIC INFORMATION	2013 warrants			Total
	2013A	2013B	2013C	
Annual General Meeting date	11 April 2013	11 April 2013	11 April 2013	
Initial amount of options, pcs	1,150,000	1,150,000	1,150,000	6,130,000
Shares to subscribe per option, pcs	1	1	1	
Initial exercise price, EUR	32.26	29.54	24.42	
Dividend adjustment	yes	yes	yes	
Current exercise price, EUR	26.33	25.06	21.39	
Initial allocation date	29 April 2013	5 May 2014	7 May 2015	
Vesting date	1 May 2015	1 May 2016	1 May 2017	
Expiration date	31 May 2017	31 May 2018	31 May 2019	
Maximum contractual life, years	4.1	4.1	4.1	4.1*
Remaining contractual life, years	0.0	0.4	1.4	0.6*
Participants at the end of period	193	663	1,284	
Method of settlement	in equity			
Vesting condition	employment requirement until the vesting date			

\*Weighted average

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

TRANSACTIONS DURING THE PERIOD	2013 warrants			Exercise price, weighted average, €	Total
	2013A	2013B	2013C		
1 January 2017					
At the beginning of the period (pcs)					
outstanding	1,090,044	1,110,564	1,042,455	24.31	3,243,063
reserve	59,496	39,251	107,545	23.51	206,292
Changes during the period (pcs)					
Granted during the period	0	0	0		
Forfeited during the period	0	1,070	28,460	23.50	29,530
Exercised during the period	1,078,513	173,919	102,535	25.79	1,354,967
Weighted average exercise price during the exercise period, €	26.75	25.48	21.81		
Weighted average share price during the exercise period, € *	37.45	37.23	37.25		
Expired during the period	71,027	0	0	26.33	71,027
31 Dec 2017					
At the end of the period (pcs)					
exercised	1,078,973	174,104	102,535	25.79	1,355,612
outstanding	0	935,575	911,460	23.25	1,847,035
vested & outstanding	0	935,575	911,460	23.25	1,847,035
reserve	0	40,321	136,005	22.23	176,326

\*The weighted average price of the Nokian Tyres plc share during the period that the option in question was exercisable in 2017.

EUR million	2017	2016
<b>Impact on period profits and financial position</b>		
Expense recognised for the period	1.8	5.6
Expense recognised for the period, equity-settled	1.8	5.6
Liability for cash-settlements on 31 December	-	-

## Performance share plans

### Performance share plan 2013 directed at key employees

In 2013 the Board approved a new share based incentive plan for the key employees of the Group. The plan was intended to combine the objectives of the shareholders and the key employees in order to increase the value of the Group, to commit the key employees to the Group, and to offer them a competitive incentive plan based on earning the Nokian Tyres's shares. The plan included three earning

periods, calendar years 2013, 2014 and 2015. The Board decided on the performance criteria and their targets for the plan at the beginning of each earning period.

The performance shares were granted to the key employees of the Nokian Tyres Group. In general no performance shares were released, if the key employee's employment or service ended before the delivery point of the shares. The performance shares may not be transferred during an approximately two-year restriction period established for the shares.

BASIC INFORMATION	PSP 2013	PSP 2016		Total
	Earning period 2015	Earning period 2016	Earning period 2017	
Issuing date	5 February 2013	23 February 2016	23 February 2016	
Annual General Meeting date	11 April 2013	12 April 2016	12 April 2016	
Initial amount of shares, pcs	200,000	515,000	540,000	1,255,000
Dividend adjustment	no	no	no	
Initial allocation date	7 May 2015	23 February 2016	31 January 2017	
Beginning of earning period	1 January 2015	1 January 2016	1 January 2017	
End of earning period	31 December 2015	31 December 2016	31 December 2017	
End of restriction period	31 December 2018	31 March 2018	31 March 2019	
Vesting conditions	Net sales & operating profit	Net sales & operating profit	Net sales & operating profit	
Maximum contractual life, years	3.7	2.1	2.2	2.6*
Remaining contractual life, years	1.0	0.2	1.2	0.8*
Participants at the end of period	36	180	200	
Method of settlement	in equity & cash	in equity & cash	in equity & cash	
TRANSACTIONS DURING THE PERIOD				
1 January 2017				
At the beginning of the period (pcs) outstanding	164,000	420,575	0	584,575
Changes during the period (pcs)				
Granted during the period	0	0	523,200	523,200
Forfeited during the period	0	23,400	4,100	27,500
Earned during the period (gross)	0	361,540		361,540
Delivered during the period (net)	0	189,382		189,382
31 December 2017				
At the end of the period (pcs) outstanding	164,000	397,175	519,100	1,080,275

### Performance share plan 2016 directed at key employees

In 2016 the Board approved a new share based incentive plan for the key employees of the Group. The plan is intended to combine the objectives of the shareholders and the key employees in order to increase the value of the Group, to commit the key employees to the Group, and to offer them a competitive incentive plan based on earning the Nokian Tyres's shares. The plan includes three earning periods, calendar years 2016, 2017 and 2018. The Board will decide on the performance criteria and their targets for the plan at the beginning of each earning period.

The performance shares are granted to the key employees of the Nokian Tyres Group. In general no performance shares will be released, if the key employee's employment or service ends before the end of the restriction period. The performance shares may not be transferred during an approximately one-year restriction period established for the shares. The members of the Group's Management Team must hold 25% of the received gross shares until the member's shareholding in the Company equals the member's fixed gross annual salary.

The following tables present more specific information on the performance share plans.

### Measurement of fair value

Inputs to the fair value determination of the performance shares expensed during the financial year 2017 are listed in the below table as weighted average values. The total fair value of the performance shares is based on the company's estimate on 31 December 2017 as to the number of shares to be eventually vesting.

### Earning period 2017

Share price at grant, EUR	34.83
Share price at reporting date, EUR	37.80
Expected dividends, EUR	1.55
Fair market value per share at grant, EUR	33.28
Total fair value 31 December 2017, EUR million	17.4

EUR million	2017	2016
<b>Impact on period profits and financial position</b>		
Expense for the period	14.3	9.4
Expense for the period, equity-settled	5.6	4.2
Liability for cash-settlements on 31 December	6.1	4.4

## 24. PENSION LIABILITIES

All material pension arrangements in the Group are defined contribution plans.

## 25. PROVISIONS

EUR million	Warranty provision	Restructuring provision	Total
1 Jan 2017	3.5	0.1	3.6
Provisions made	2.1	-	2.1
Provisions used	-1.1	-0.0	-1.1
31 Dec 2017	4.4	0.1	4.6

EUR million	2017	2016
Non-current provisions	-	0.1
Current provisions	4.5	3.5

### Warranty provision

The goods are sold with a normal warranty period. Additionally, a Hakka Guarantee warranty has been established in certain markets for certain products to compensate tyre damages not covered by the normal warranty, one year after the purchase and to a certain wear limit. Damaged goods will be repaired at the cost of the company or replaced with a corresponding product. The provisions are based on the sales and statistical compensation volumes of the tyres sold under these warranties. The warranty provisions are expected to be utilised within 1 year.

### Restructuring provision

Due to the economic uncertainty, in 2015 the annual production volume in Passenger Car Tyres and Heavy Tyres -units at the Nokia factory was adjusted to meet the reduced order stock with lay-offs in various periods, personnel cuts and pension arrangements.

Out of the cost impacts of these adjustment measures EUR 0.2 million have been expensed in 2015. The still unrealised estimated costs of the liability components for the probable continued allowances to the dismissed, collected by the Unemployment Insurance Fund in due course, have been recorded both as current and non-current provisions. The remaining provision is expected to be utilised evenly between years 2017-2018.

## 26. INTEREST-BEARING FINANCIAL LIABILITIES

EUR million	2017	2016
<b>Non-current</b>		
Loans from financial institutions and pension loans	134.4	137.0
	134.4	137.0
<b>Current</b>		
Commercial papers	-	-
Bond loans	-	87.7
Current portion of non-current loans from financial institutions and pension loans	0.8	1.1
Current portion of finance lease liabilities	-	0.0
	0.8	88.8

### Interest-bearing financial liabilities by currency

EUR million	2017	2016
<b>Currency</b>		
EUR	112.1	200.9
RUB	23.1	24.9
Total	135.2	225.8

## Effective interest rates for interest-bearing financial liabilities

	2017	
	Without hedges	With hedges
Loans from financial institutions and pension loans	2.0%	2.7%
Bond loans	-	-
Finance lease liabilities	-	-
Commercial papers	-	-
Total	2.0%	2.7%
	2016	
	Without hedges	With hedges
Loans from financial institutions and pension loans	2.3%	3.0%
Bond loans	3.4%	3.4%
Finance lease liabilities	4.5%	4.5%
Commercial papers	-	-
Total	2.7%	3.1%

See note 15 for the fair values of the interest-bearing financial liabilities.

## 27. MATURING OF FINANCE LEASE LIABILITIES

The Group have no finance lease liabilities on 31 December 2017. On 31 December 2016 the Group's finance leases relating to machinery and equipment amounted to EUR 0.0 million and they were included in property, plant and equipment. In 2016 the amount of contingent lease payments were EUR +0.0 million.

## 28. TRADE AND OTHER PAYABLES

EUR million	2017	2016
Trade payables	72.8	78.0
Accrued expenses and deferred revenues	124.6	92.6
Advance payments	0.8	0.6
Derivative financial instruments		
Designated as hedges	3.8	6.9
Measured at fair value through profit or loss	2.0	9.5
Other liabilities	27.6	31.9
Total	231.5	219.4

The carrying amount of trade and other payables is a reasonable approximation of their fair value.

### Significant items under accrued expenses and deferred revenues

EUR million	2017	2016
Wages, salaries and social security contributions	37.3	36.5
Annual discounts, sales	54.2	33.4
Financial items	0.0	1.6
Commissions	5.6	4.7
Share-based payments	5.7	4.4
Goods received and not invoiced	1.9	0.6
Marketing expenses	8.4	2.4
Warranties	5.3	2.0
Other items	6.2	7.0
Total	124.6	92.6

## 29. FINANCIAL RISK MANAGEMENT

The objective of financial risk management is to protect the Group's planned profit development from adverse movements in financial markets. The principles and targets of financial risk management are defined in the Group's financial policy, which is updated and approved by the Board. Financing activities and financial risk management are centralized to the parent company Group Treasury, which enters into financing and hedging transactions with external counterparties and acts as a primary counterparty to business units in financing activities, like funding, foreign exchange transactions and cash management. The Group Credit Committee is responsible for the credit policy and makes the credit decisions that have a significant impact on the credit exposure.

### Foreign currency risk

The Nokian Tyres Group consists of the parent company in Finland, separate sales companies in Russia, Sweden, Norway, the USA, Canada, Czech Republic, Switzerland, Ukraine, Kazakhstan, Belarus and China, the tyre chain companies in Finland, Sweden, Norway and the USA,

and the tyre plants located in Nokia, Finland and Vsevolozhsk, Russia.

### Transaction risk

According to the Group's financial policy, transactions between the parent company and the Group companies are primarily carried out in the local currency of the Group company in question and therefore transaction risk is carried by the parent company and there is no significant currency risk in the foreign Group companies. Exceptions to this main rule are the Group companies which have non-home currency items due to the nature of the business activities. In that case transactions between the parent company and the Group company are carried out in a currency suitable for the Group currency exposure. The parent company manages transaction risk in these Group companies and implements required hedging transactions for hedging the currency exposure of the Group company according to the Group hedging principles.

Hedging principles are not applied to the currency exposures of the Ukrainian and Belarusian subsidiaries. Transactions between the Ukrainian subsidiary and the parent company are carried out in EUR and between the Belarusian subsidiary and the parent company in RUB as UAH and BYN are non-convertible currencies.

The open foreign currency exposure of the parent company and the Group companies with non-home currency items comprises of the foreign currency denominated receivables and payables in the statement of financial position and the foreign currency denominated binding purchase and sales contracts (transaction exposure). For risk management purposes, estimated currency cash flows are added to the open foreign currency exposure so that the overall foreign currency risk exposure horizon covers the next 12 months (budget exposure). According to the Group's financial policy the significant transaction exposure in every currency pair is hedged, although 20% over-hedging or under-hedging is allowed if a +/- 10% change in the exchange rate does not create over EUR 1 million impact on the income statement. However, a simultaneous +/- 10% change in all the Group exposure currencies against EUR must not create over a EUR 5 million impact on the income statement. Exceptions to the main rule are non-convertible currencies, which do not have active hedging markets available. The budget exposure is hedged according to the market situation and the hedge ratio can be 70% of the budget exposure at maximum. As hedging instruments, currency forwards, currency options and cross-currency swaps are used.

### Transaction risk

EUR million

	31 Dec 2017								31 Dec 2016							
	EUR	EUR	EUR	EUR	EUR	CZK	UAH	RUB	EUR	EUR	EUR	EUR	EUR	CZK	UAH	RUB
Functional currency	EUR	EUR	EUR	EUR	EUR	CZK	UAH	RUB	EUR	EUR	EUR	EUR	EUR	CZK	UAH	RUB
Foreign currency	CAD	NOK	RUB	SEK	USD	EUR	EUR	EUR	CAD	NOK	RUB	SEK	USD	EUR	EUR	EUR
Trade receivables	11.3	20.6	24.0	26.9	24.8	92.3	0.0	68.3	7.8	16.0	19.7	27.8	21.0	81.0	0.0	50.5
Loans and receivables	6.6	35.7	123.4	54.5	10.2	59.9	0.0	0.0	10.3	36.0	118.5	55.3	9.9	4.6	0.0	0.0
Total currency income	17.8	56.3	147.4	81.3	35.0	152.2	0.0	68.3	18.1	52.0	138.2	83.2	30.9	85.7	0.0	50.5
Trade payables	0.0	0.0	-0.1	0.0	-0.7	-52.6	0.0	-7.2	0.0	0.0	-0.1	0.0	-0.5	-46.2	0.0	-5.4
Borrowings	0.0	-39.3	-180.6	-0.1	-20.1	-121.3	-6.9	-72.0	0.0	-35.5	-241.4	-9.8	-20.8	-37.0	-6.9	-45.0
Total currency expenditure	0.0	-39.3	-180.6	-0.1	-20.7	-173.9	-7.0	-79.2	0.0	-35.5	-241.5	-9.8	-21.3	-83.1	-6.9	-50.4
Foreign exchange derivatives	-13.3	-12.7	32.1	-70.6	-12.5	19.7	0.0	0.0	-15.5	-14.3	101.4	-70.7	-9.5	-12.6	0.0	0.0
Binding sales contracts	3.8	3.3	1.1	2.4	5.0	51.1	0.0	0.0	4.3	2.1	2.4	2.1	3.9	33.4	0.0	0.0
Binding purchase contracts	0.0	0.0	0.0	0.0	-2.8	-41.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.3	-27.4	0.0	0.0
Future interest items	0.0	0.6	-0.7	0.4	0.1	-0.2	0.0	-0.5	0.0	0.5	-4.4	0.3	0.1	-0.4	0.0	-0.3
Net exposure	8.4	8.1	-0.6	13.5	4.1	8.1	-7.0	-10.9	7.0	4.8	-3.9	5.2	0.9	-3.9	-7.0	0.2

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Translation risk

In financial statements the statements of financial position of the foreign subsidiaries are translated into euro using the European Central Bank's closing rates and the impacts of the exchange rate fluctuations from the foreign net investments are recorded as translation differences in other comprehensive income and in the translation reserve within equity. In 2017 the internal loans which were earlier considered as a net investment in a foreign operation according to IAS21 'The Effects of Changes in Foreign Exchange Rates' were converted to equity in the subsidiary in Kazakhstan. The net investments in foreign subsidiaries are not hedged based on the Board decision in 2013.

Group's total comprehensive income was negatively affected by translation differences on foreign operations by EUR -33.5 million (EUR 121.8 in 2016) of which EUR 0.2 million (EUR -1.3 million in 2016) was recorded on internal loans recognised as net investment in foreign operation.

The accumulated translation differences from a foreign subsidiary recorded in the translation reserve within equity through other comprehensive income are brought from equity to the income statement and entered as a gain or loss on the sale if a subsidiary is divested fully or in part.

### Sensitivity analysis for foreign currency risk

The next table demonstrates the sensitivity to a reasonably possible change in the base currency against the quote currency, with all other variables held constant, of the Group's profit before tax and equity due to changes in the fair value of financial assets and liabilities. A reasonably possible change is assumed to be a 10% base currency appreciation or depreciation against the quote currency. A change of a different magnitude can also be estimated fairly accurately because the sensitivity is nearly linear.

Translation risk EUR million	31 Dec 2017			31 Dec 2016		
	Net investment	Hedge	Hedge ratio	Net investment	Hedge	Hedge ratio
<b>Currency of net investment</b>						
CZK	39.4	-	-%	19.9	-	-%
KZT*	1.7	-	-%	2.4	-	-%
NOK	39.1	-	-%	37.3	-	-%
RUB	560.5	-	-%	635.6	-	-%
SEK	14.2	-	-%	14.8	-	-%
UAH	2.7	-	-%	4.0	-	-%
USD	96.9	-	-%	100.9	-	-%

\* The figure includes a loan denominated in KZT given to the Kazakhstani subsidiary TOO Nokian Tyres which is considered as a net investment in a foreign operation. The loan was converted to equity in 2017.

EUR million	31 Dec 2017				31 Dec 2016			
	Base currency		Base currency		Base currency		Base currency	
	10% stronger	10% weaker						
	Income statement	Equity						
<b>Base currency /</b>								
<b>Quote currency</b>								
EUR/CZK	-0.4	-	0.4	-	-1.0	-	1.0	-
EUR/KZT	0.0	-	0.0	-	0.0	-	0.0	-
EUR/NOK	-0.9	-	0.5	-	-0.2	-	0.2	-
EUR/RUB	-1.0	-	1.0	-	0.2	-	-0.2	-
EUR/SEK	-1.2	-	0.3	-	-0.3	-	0.3	-
EUR/UAH	-0.7	-	0.7	-	-0.7	-	0.7	-
EUR/USD	-0,2	-	0,2	-	0,0	-	0,0	-

### Interest rate risk

The interest rate risk of the Group consists mainly of borrowing, which is split between floating and fixed rate instruments. On the reporting date the floating rate interest-bearing financial liabilities amounted to EUR 28.6 million (EUR 31.0 million in 2016) and the fixed rate interest-bearing liabilities EUR 106.6 million (EUR 194.8 million in 2016) including the interest rate derivatives. The Group's policy aims to have at least 50% of the non-current financial liabilities in fixed rate instruments. Interest rate risk is managed by using interest rate derivatives. On the reporting date the portion of the non-current fixed rate interest-bearing financial liabilities was 79% (78% in 2016) and the average fixing period of the interest-bearing financial liabilities was 17 months (21 months in 2016) including the interest rate derivatives. The Group uses interest rate derivatives as cash flow hedges and hedge accounting is mainly applied for those derivatives.

### Electricity price risk

The Group purchases electricity in Finland at market price from the Nordic electricity exchange and this leads to an electricity price exposure. Annually around 90 GWh of electricity is procured. According to the procurement policy electricity purchases are hedged with electricity derivatives within the limits set by the pre-defined hedge ratios for the coming five year period. On the reporting date the electricity derivatives amounted to 210 GWh (260 GWh in 2016).

### Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings and interest rate hedges measured at fair value through

profit or loss and the Group's equity due to changes in the fair value of cash flow hedges. A reasonably possible change is assumed to be a 1%-point increase or decrease of the market interest rates. A change of a different magnitude can also be estimated fairly accurately because the sensitivity is nearly linear.

EUR million	31 Dec 2017				31 Dec 2016			
	Interest rate				Interest rate			
	1%-point higher		1%-point lower		1%-point higher		1%-point lower	
	Income statement	Equity						
Impact of interest rate change	-1.3	1.6	1.3	-1.6	-1.2	2.7	1.2	-2.7

### Sensitivity analysis for electricity price risk

The following table demonstrates the sensitivity to a reasonably possible change in electricity price, with all other variables held constant, of the Group's profit before tax and equity due to changes in the fair value of the

electricity derivatives. A reasonably possible change is assumed to be a 5 EUR/MWh increase or decrease of the electricity market prices. A change of a different magnitude can also be estimated fairly accurately because the sensitivity is nearly linear.

EUR million	31 Dec 2017				31 Dec 2016			
	Electricity price				Electricity price			
	5 EUR/MWh higher		5 EUR/MWh lower		5 EUR/MWh higher		5 EUR/MWh lower	
	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Impact of electricity price change	0.0	1.0	0.0	-1.0	0.4	0.9	-0.4	-0.9

### Liquidity and funding risk

In accordance with the Group's financial policy, the Group Treasury is responsible for maintaining the Group's liquidity, efficient cash management and sufficient sources of funding. The committed credit limits cover all funding needs, like outstanding commercial papers, other current loans, working capital changes arising from operative business and investments.

Refinancing risk is reduced by split maturity structure of loans and credit limits. The Group has a EUR 100 million revolving credit facility with an international bank syndicate due in 2021 unless a 2-year extension option will be executed. Additionally, there is a EUR 350 million domestic commercial paper program available. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, subsidiaries in distribution chains and thus to control the typical seasonality in the Group's cash flows.

The Group reports the main financial covenants to creditors quarterly. If the Group does not satisfy the requirements set in financial covenants, creditor may demand accelerated repayment of the credits. In 2017 the Group has met all the requirements set in the financial covenants. Financial covenants are mainly linked to equity ratio. Management monitors regularly that the covenant requirements are met. Agreements relating to financing contain terms and conditions upon which the agreement may terminate, if control in the company changes as a result of a public tender offer.

On the reporting date the Group's liquidity in cash and cash equivalents was EUR 343.4 million (EUR 513.2 million in 2016). At the end of the year the Group's credit limits available were EUR 508.9 million (EUR 506.6 million in 2016), out of which the committed limits were EUR 155.6 million (EUR 155.7 million in 2016). The available committed non-current credits amounted to EUR 150.0 million (EUR 150.0 million in 2016).

The Group's interest-bearing financial liabilities totalled EUR 135.2 million, compared to the year before figure of EUR 225.8 million. Around 83% of the interest-bearing financial liabilities were in EUR. The average interest rate of interest-bearing financial liabilities was 2.7%. Current interest-bearing financial liabilities, including the portion of non-current financial liabilities maturing within the next 12 months, amounted to EUR 0.8 million (EUR 88.8 million in 2016).

### Contractual maturities of financial liabilities

EUR million	Carrying amount	2017					2023–	Total
		Contractual maturities*						
		2018	2019	2020	2021	2022		
<b>Non-derivative financial liabilities</b>								
Loans from financial institutions and pension loans								
Fixed rate loans	6.6	-0.7	-0.7	-0.7	-0.6	-0.6	-4.3	-7.6
Floating rate loans	128.6	-2.8	-129.5	0.0	0.0	0.0	0.0	-132.3
Bond loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial papers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finance lease liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade and other payables	72.8	-72.8	0.0	0.0	0.0	0.0	0.0	-72.8
Bank overdraft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Derivative financial liabilities</b>								
Interest rate derivatives								
Designated as hedges	1.3	-0.9	-0.3	0.0	0.0	0.0	0.0	-1.3
Measured at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign currency derivatives								
Designated as hedges								
Cashflow out	1.5	-4.5	-61.9	0.0	0.0	0.0	0.0	-66.4
Cashflow in	-12.2	0.9	68.6	0.0	0.0	0.0	0.0	69.5
Measured at fair value through profit or loss								
Cashflow out	1.2	-382.4	0.0	0.0	0.0	0.0	0.0	-382.4
Cashflow in	-9.5	391.5	0.0	0.0	0.0	0.0	0.0	391.5
Electricity derivatives								
Designated as hedges	0.0	-0.3	0.1	0.2	0.1	0.0	0.0	0.0
<b>Total</b>	<b>190.2</b>	<b>-72.0</b>	<b>-123.7</b>	<b>-0.5</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-4.3</b>	<b>-201.8</b>

\*The figures are undiscounted and include both the finance charges and the repayments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contractual maturities of financial liabilities EUR million	Carrying amount	2016						Total
		Contractual maturities*						
		2017	2018	2019	2020	2021	2022–	
<b>Non-derivative financial liabilities</b>								
Loans from financial institutions and pension loans								
Fixed rate loans	7.1	-0.7	-0.7	-0.7	-0.7	-0.6	-4.9	-8.3
Floating rate loans	130.7	-3.3	-3.3	-131.6	0.0	0.0	0.0	-138.3
Bond loans	87.7	-90.5	0.0	0.0	0.0	0.0	0.0	-90.5
Commercial papers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finance lease liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade and other payables	78.0	-78.0	0.0	0.0	0.0	0.0	0.0	-78.0
Bank overdraft	0.3	-0.3	0.0	0.0	0.0	0.0	0.0	-0.3
<b>Derivative financial liabilities</b>								
Interest rate derivatives								
Designated as hedges	2.2	-0.9	-0.9	-0.3	0.0	0.0	0.0	-2.2
Measured at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign currency derivatives								
Designated as hedges								
Cashflow out	3.7	-6.3	-5.5	-67.3	0.0	0.0	0.0	-79.1
Cashflow in	-9.5	0.9	1.0	68.6	0.0	0.0	0.0	70.5
Measured at fair value through profit or loss								
Cashflow out	9.4	-562.6	0.0	0.0	0.0	0.0	0.0	-562.6
Cashflow in	-17.6	568.6	0.0	0.0	0.0	0.0	0.0	568.6
Electricity derivatives								
Designated as hedges	0.7	-0.3	-0.3	-0.1	0.0	0.0	0.0	-0.7
<b>Total</b>	<b>292.7</b>	<b>-173.4</b>	<b>-9.8</b>	<b>-131.4</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-4.9</b>	<b>-320.9</b>

\*The figures are undiscounted and include both the finance charges and the repayments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Credit Risk

The Group is exposed to credit risk from customers' trade receivables and also from deposits and derivative transactions with different banks and financial institutions.

The principles of customers' credit risk management are documented in the Group's credit risk policy. The Group Credit Committee makes all the significant credit decisions. Credit analysis and payment history collected by credit information companies are used for evaluating credit worthiness. The credit status of the customers is reviewed at the Group companies regularly according to the Group credit risk policy principles. In addition, the country risk is monitored constantly and credits are limited in countries where political or economical environment is unstable. Bank guarantees, documentary credits and specific payment terms are used in controlling the credit risk in trade receivables. Payment programs, which customer is committed to, are always agreed upon for past due receivables. Significant items of trade receivables are evaluated both counterparty specifically and in a portfolio level in order to identify possible impairment. There are no over 15% customer or country risk concentrations in trade receivables, other than the Russian customers' share of 35% (37% in 2016) on the reporting date.

The credit risk in financial transactions is controlled by doing business only with banks and financial institutions with high credit ratings. In investments the Group's placements are current and funds are invested only in solid domestic listed companies, public institutions or non-listed domestic companies which meet the criteria set by the investment policy. The Board approves the investment policy for financial instruments annually.

### The aging of trade receivables

EUR million	2017	2016
Not past due	361.5	318.7
Past due less than 30 days	57.0	39.6
Past due between 30 and 90 days	0.0	3.7
Past due more than 90 days	14.4	12.3
Total	432.9	374.3

### Capital Management

The Group's objective of managing capital is to secure with an efficient capital structure the Group's access to capital markets at all times despite of the seasonal nature of the business. The Group monitors its capital structure on the basis of Net debt to EBITDA ratio and Equity ratio. Equity ratio has to be at least at the level of 30% in accordance with the financial covenants. Equity ratio is calculated as a ratio of total equity to total assets excluding advances received.

### Capital management

EUR million	2017	2016
Average interest-bearing liabilities	177.3	223.9
Less: Average liquid funds	272.5	273.5
Average net debt	-95.2	-49.7
Operating profit	365.4	310.5
Add: Depreciations and amortisations	94.8	84.7
EBITDA	460.2	395.2
Average net debt / EBITDA	-0.21	-0.13

### Equity ratio

EUR million	2017	2016
Equity attributable to equity holders of the parent	1,468.4	1,458.5
Add: Non-controlling interest	0.0	0.0
Total equity	1,468.4	1,458.5
Total assets	1,877.4	1,975.7
Less: Advances received	0.8	0.6
Adjusted total assets	1,876.6	1,975.2
Equity ratio	78.2%	73.8%

### 30. FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	2017			2016		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
<b>Derivatives measured at fair value through profit or loss</b>						
<b>Foreign currency derivatives</b>						
Currency forwards	387.2	9.4	1.1	545.3	17.6	9.3
Currency options, purchased	15.2	0.1	-	-	-	-
Currency options, written	30.5	-	0.2	-	-	-
Interest rate and currency swaps	-	-	-	20.0	0.0	0.0
<b>Derivatives designated as cash flow hedges</b>						
<b>Foreign currency derivatives</b>						
Interest rate and currency swaps	67.5	12.2	1.5	67.5	9.5	3.7
<b>Interest rate derivatives</b>						
Interest rate swaps	100.0	-	1.3	100.0	0.0	2.2
<b>Electricity derivatives</b>						
Electricity forwards	5.6	0.5	0.5	7.7	0.3	1.0

Derivatives are maturing within the next 12 months excluding the interest rate and currency swaps, interest rate swaps and electricity forwards.

The fair value of forward exchange contracts is measured using the forward rates on the reporting date. The fair value of currency options is calculated using an option valuation model.

The fair values of interest rate and currency swaps and interest rate derivatives are determined as the present value of the future cash flows based on market interest rates on the reporting date.

The fair value of electricity derivatives is based on quoted market prices in active markets on the reporting date.

### 31. OPERATING LEASE COMMITMENTS

EUR million	2017	2016
<b>The Group as a lessee</b>		
Non-cancellable minimum operating lease payments		
In less than 1 year	21.7	20.3
In 1 to 5 years	53.6	49.8
In over 5 years	14.0	1.1
	<b>89.3</b>	71.2

The Group leases office and warehouse spaces and retail outlets under various non-cancellable operating leases. The terms of the leases vary from few years to 15 years. The most significant agreements from the financial reporting point of view are Vianor retail outlets.

The income statement in 2017 contains EUR 58.4 million expenses for operating lease agreements (EUR 55.2 million in 2016).

#### The Group as a lessor

Vianor has conventional lease contracts for truck tyre frames and treads with short lease periods. These do not involve options for purchase nor lease period extensions. The leasing income is not material.

### 32. CONTINGENT LIABILITIES AND ASSETS AND CONTRACTUAL COMMITMENTS

EUR million	2017	2016
<b>For own debt</b>		
Mortgages	1.0	1.0
Pledged assets	4.6	4.7
<b>On behalf of other companies</b>		
Guarantees	0.4	0.4
<b>Other own commitments</b>		
Guarantees	10.3	10.9
Contractual commitments	1.1	-

### 33. DISPUTES, LITIGATIONS AND RISKS IN THE NEAR FUTURE

The Finnish Tax Administration has made tax reassessments on the Group transfer pricing concerning years 2007–2012 demanding in excess of EUR 166 million of additional taxes with punitive tax increases and interests. The Company has recorded the total amounts as is in the financial statements and the results of years 2013, 2014, 2015, 2016 and 2017, and even the most recent amounts have been paid in 2017. The Company considers the decisions to be incorrect and has appealed against them by leaving a claim to the Administrative Court. The Company will also, if needed, start a process with the competent authorities to negotiate for the elimination of the double taxation. Additionally the Company has initiated a separate process to determine the legality of the procedures used in the tax audit by Tax Administration and tax inspectors in its entirety. The disputes are expected to last for several years.

The company announced in February 2016 that its practices concerning tyre tests in the past have not always been in line with the sustainable approach of Nokian Tyres. The company emphasizes that its tyres have always been safe and that safety has never been compromised on. There are no court cases in process related to the matter. In May 2017, the Finnish Financial Supervisory Authority filed a request for investigation with the National Bureau of Investigation regarding possible securities market offences in relation to the magazine tyre testing case. The National Bureau of Investigation has launched a preliminary investigation into the matter.

Additionally, the Group has some other pending business related disputes and court cases, which are expected to have no material effect on the consolidated financial statements.

The positive development in global economy is expected to continue in 2018, but political uncertainties could cause serious disruption and additional trade barriers, and affect the company's sales and credit risk. Brexit, as such, has practically no effect on Nokian Tyres' business. Other sources of uncertainty relate to the challenging pricing environment of tyres in line with price development of raw materials.

### 34. RELATED PARTY TRANSACTIONS

Parent and Group company relations:

	Domicile	Country	Group holding %	Voting rights%	Parent compan holding%
<b>Parent company</b>					
Nokian Tyres plc	Nokia	Finland			
<b>Group companies</b>					
Nokian Heavy Tyres Ltd.	Nokia	Finland	100	100	100
Nokian Däck AB		Sweden	100	100	100
Nokian Dekk AS		Norway	100	100	100
Nokian Tyres GmbH		Germany	100	100	100
Nokian Tyres AG		Switzerland	100	100	100
Nokian Tyres U.S. Holdings Inc.		USA	100	100	100
Nokian Tyres Inc		USA	100	100	
Nokian Tyres U.S. Operations LLC		USA	100	100	
Nokian Tyres Canada Inc.		Canada	100	100	100
Nokian Tyres s.r.o.		Czech Rep.	100	100	100
TOV Nokian Shina		Ukraine	100	100	100
TOO Nokian Tyres		Kazakhstan	100	100	100
OOO Nokian Shina	Vsevolozhsk	Russia	100	100	100
TAA Nokian Shina Belarus		Belarus	100	100	100
Nokian Tyres Holding Oy	Nokia	Finland	100	100	99
OOO Nokian Tyres	Vsevolozhsk	Russia	100	100	
OOO Hakkapeliitta Village	Vsevolozhsk	Russia	100	100	
Nokian Tyres Trading (Shanghai) Co Ltd		China	100	100	
NT Tyre Machinery Oy	Nokia	Finland	100	100	100
Direnica Oy	Nokia	Finland	100	100	100
Hakka Invest Oy	Nokia	Finland	100	100	100
OOO Hakka Invest	Vsevolozhsk	Russia	100	100	
Koy Nokian Nosturikatu 18	Nokia	Finland	100	100	100
Koy Nokian Rengaskatu 4	Nokia	Finland	100	100	100
Nokian Tyres Spain S.L.U.		Spain	100	100	100
Nokianvirran Energia Oy	Nokia	Finland	32.3	32.3	32.3
Vianor Holding Oy	Nokia	Finland	100	100	100
Vianor Oy	Lappeenranta	Finland	100	100	
Vianor Russia Holding Oy	Nokia	Finland	100	100	
Vianor Fleet Solution Oy	Nokia	Finland	100	100	
Posiber Oy	Nokia	Finland	100	100	
Vianor AB		Sweden	100	100	
Nordicwheels AB		Sweden	100	100	
Vianor AS		Norway	100	100	
Dekkspecialisten AS		Norway	100	100	
Vianor AG		Switzerland	100	100	
Vianor Inc.		USA	100	100	
<b>Associated companies</b>					
Sammaliston Sauna Oy	Nokia	Finland	33	33	33

Nokianvirran Energia Oy is a joint operation with three parties that supplies production steam for the tyre plant in Nokia. The parties share control according to a specific Mankala-principle where the company is not intended to make profit while the parties have agreed to utilize the total output. The company is accounted for as a Group company using the proportionate consolidation method on each row according to the 32.3% shareholding.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The related parties of the Group consist of members of the Board of Directors, the President, other key management personnel, and close members of their families.

### Transactions and outstanding balances with parties having significant influence

1,000 euros	2017	2016
<b>Key management personnel</b>		
<b>Employee benefit expenses</b>		
Short-term employee benefits	4,587.4	4,842.1
Post-employment benefits	91.1	-162.3
Termination benefits	109.9	112.0
Share-based payments	8,141.4	6,170.3
<b>Total</b>	<b>12,929.8</b>	<b>10,962.1</b>
<b>Remunerations</b>		
Hille Korhonen, President 1 June – 31 December 2017	720.2	-
of which incentives for the reported period	308.7	-
Andrei Pantioukhov, President 1 January – 31 May 2017	125.0	-
of which incentives for the reported period	-	-
Ari Lehtoranta, President	-	1,484.7
of which incentives for the reported period	-	731.2
<b>Members of the Board of Directors</b>		
Petteri Walldén	93.8	91.4
Heikki Allonen	53.8	36.0
Raimo Lind	74.4	50.8
Veronica Lindholm	52.0	33.0
Inka Mero	53.2	50.2
George Rietbergen	46.8	-
<b>Prior members of the Board of Directors</b>		
Hille Korhonen	3.0	51.4
Tapio Kuula	85.2	49.6
Hannu Penttilä	-	16.0
<b>Total</b>	<b>462.2</b>	<b>378.4</b>
No incentives were paid to the members of the Board of Directors.		
<b>Other key management personnel</b>		
of which incentives for the reported period	1,162.6	987.7

No special pension commitments have been granted to the members of the Board of Directors and no statutory pension expense incurs. In 2017 the statutory pension expense for President Korhonen was EUR 126 thousand and President Pantioukhov 22 thousand euros (in 2016 for President Lehtoranta EUR 270 thousand) and the expense for supplementary pension plan was EUR 77 thousand (in 2016 due to the resignation of Lehtoranta all pension deposits for the supplementary pension plan was returned and hence the reversed expense was EUR 176 thousand). The agreed plan retirement age is 65 years. The annual account deposits for the pension capital redemption contract have been pledged to guarantee the recognized pension plan commitment. The contract is a defined contribution plan.

No loans, guarantees or collaterals have been granted to the related parties.

Shares and share options granted to the President and other key management personnel. The share option plan terms for the key management are equal to the share options directed at other personnel.

	2017	2016
<b>Granted (pcs)</b>		
Shares	301,000	303,875
Share options	-	48,025
<b>Held (pcs)</b>		
Shares	415,323	362,442
Share options	205,125	334,325
Exercisable	205,125	168,900

No performance shares nor share options have been granted to the members of the Board of Directors.

## 35. EVENTS AFTER THE REPORTING DATE

No events have occurred after the reporting date affecting the financial statements significantly.

**PARENT COMPANY INCOME STATEMENT, FAS**

EUR million   1.1. – 31.12.	Notes	2017	2016
<b>Net sales</b>	(1)	<b>686.2</b>	651.8
Cost of sales	(2)(3)	-538.9	-507.2
<b>Gross profit</b>		<b>147.3</b>	144.6
Selling and marketing expenses	(2)(3)	-28.9	-28.5
Administration expenses	(2)(3)(4)	-29.2	-24.8
Other operating expenses	(2)(3)	-22.7	-17.6
Other operating income		0.8	0.3
<b>Operating profit</b>		<b>67.2</b>	74.1
Financial income and expenses	(5)	253.4	138.8
<b>Profit before appropriations and tax</b>		<b>320.6</b>	212.9
Change in accumulated depreciation in excess of plan	(6)	-0.2	0.4
Income tax	(7)	-85.8	-16.5
<b>Profit for the period</b>		<b>234.7</b>	196.7

**PARENT COMPANY BALANCE SHEET, FAS**

EUR million   31.12.	Notes	2017	2016
<b>ASSETS</b>			
<b>Fixed assets and other non-current assets</b>			
Intangible assets	(8)	14.9	16.1
Tangible assets	(8)	138.8	131.5
Shares in Group companies	(9)	149.6	133.0
Investments in associates	(9)	4.3	4.3
Shares in other companies	(9)	0.6	0.6
Total non-current assets		308.1	285.4
<b>Current assets</b>			
Inventories	(10)	90.5	91.5
Non-current receivables	(11)	232.8	274.1
Current receivables	(12)	503.0	367.6
Cash and cash equivalents		307.8	482.9
Total current assets		1,134.1	1,216.1
		1,442.3	1,501.6
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>	(13)		
Share capital		25.4	25.4
Share premium		182.5	182.5
Treasury shares		-19.0	-5.4
Paid up unrestricted equity fund		203.9	169.0
Retained earnings		238.4	248.3
Profit for the period		234.7	196.7
Total shareholders' equity		866.0	816.5
<b>Untaxed reserves and provisions</b>			
Accumulated depreciation in excess of plan	(8)	37.0	36.8
<b>Liabilities</b>			
Non-current liabilities	(14)	102.5	102.5
Current liabilities	(15)	436.8	545.7
Total liabilities		539.3	648.2
		1,442.3	1,501.6

## PARENT COMPANY STATEMENT OF CASH FLOWS, FAS

EUR million   1.1. – 31.12.	2017	2016
<b>Profit for the period</b>	<b>234.7</b>	<b>196.7</b>
<b>Adjustments for</b>		
Depreciation, amortisation and impairment	26.3	27.7
Financial income and expenses	-253.4	-138.8
Gains and losses on sale of intangible assets, other changes	0.0	0.0
Income Taxes	85.8	16.5
<b>Cash flow before changes in working capital</b>	<b>93.4</b>	<b>102.1</b>
<b>Changes in working capital</b>		
Current receivables, non-interest-bearing, increase (-) / decrease (+)	-138.4	28.5
Inventories, increase (-) / decrease (+)	1.0	5.9
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	-9.9	80.6
<b>Changes in working capital</b>	<b>-147.2</b>	<b>114.9</b>
<b>Financial items and taxes</b>		
Interest and other financial items, received	18.4	20.8
Interest and other financial items, paid	-33.3	-18.5
Dividens received	274.3	138.9
Income taxes paid	-89.5	-67.0
<b>Financial items and taxes</b>	<b>169.9</b>	<b>74.2</b>
<b>Cash flow from operating activities (A)</b>	<b>116.0</b>	<b>291.2</b>
<b>Cash flows from investing activities</b>		
Acquisitions of property, plant and equipment and intangible assets	-34.5	-32.9
Proceeds from sale of property, plant and equipment and intangible assets	0.0	0.0
Acquisitions of Group companies	0.0	0.0
Acquisitions of other investments	-16.6	-2.7
<b>Cash flows from investing activities (B)</b>	<b>-51.0</b>	<b>-35.6</b>

EUR million   1.1. – 31.12.	2017	2016
<b>Cash flow from financing activities:</b>		
Proceeds from issue of share capital	35.0	35.9
Purchase of treasury shares	-17.8	0.0
Change in current financial receivables, increase (-) / decrease (+)	4.8	0.0
Change in non-current financial receivables, increase (-) / decrease (+)	41.3	-10.7
Change in current financial borrowings, increase (+) / decrease (-)	-95.3	80.6
Change in non-current financial borrowings, increase (+) / decrease (-)	-0.1	-87.9
Dividens received	0.0	0.0
Dividends paid	-208.0	-202.6
<b>Cash flow from financing activities (C)</b>	<b>-240.0</b>	<b>-184.6</b>
<b>Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)</b>	<b>-175.1</b>	<b>71.0</b>
Cash and cash equivalents at the beginning of the period	482.9	411.9
Cash and cash equivalents at the end of the period	307.8	482.9

Based on the tax reassessment decisions the financial items and taxes contain paid tax increases and punitive interest of EUR 77.5 million in 2017. Additionally based on the annulled and later renewed tax reassessment decisions on years 2007–2010 the financial items and taxes contain paid tax increases of EUR 51.0 million in 2016. Additionally in 2016 the Tax Administration refunded EUR 4.9 million tax increases according to the latest decision of the Board of Adjustment.

## ACCOUNTING POLICIES FOR THE PARENT COMPANY

### General

The financial statements of Nokian Tyres plc, domiciled in the city of Nokia, have been prepared according to the Finnish Accounting Standards (FAS).

### Inventory valuation

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in - first out (FIFO) basis. In addition to the direct costs, an appropriate proportion of production overheads is included in the value of finished goods.

### Fixed assets and depreciation

Fixed assets are stated in the balance sheets at cost less depreciation according to plan. The accumulated difference between the total depreciation charged to the income statement and depreciation according to plan is shown as a separate item in untaxed reserves. Depreciations according to plan are calculated on the basis of the estimated useful life of the assets using the straight line method.

The depreciation times are as follows:

Intangible assets.....	3–10 years
Buildings.....	20–40 years
Machinery and equipment .....	4–20 years
Other tangible assets.....	10–40 years

Land property, as well as investments in shares, are not regularly depreciated.

### Research and development

Research and development costs are charged to the other operating expenses in the income statement in the year in which they are incurred. Certain significant development costs with useful life over three years are capitalised and are amortised on a systematic basis over their expected useful lives. The amortisation period is between three and five years.

### Pensions and coverage of pension liabilities

Pension contributions are based on periodic actuarial calculations and are charged to the income statement.

In Finland the pension schemes are funded through payments to a pension insurance company.

### Equity

The acquisition cost of treasury shares repurchased by the Group is recognised as a deduction in equity. The consideration received for the treasury shares when sold, net of transaction costs and tax, is included in equity.

### Foreign currency items

Transactions in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. At the end of the accounting period unsettled balances on foreign currency transactions and forward exchange contracts are valued at the rates published by the European Central Bank as on the financial statement date.

All foreign currency exchange gains and losses are entered under financial income and expenses.

### Direct taxes

The income statement includes direct taxes based on the taxable profit and the change in deferred tax arising from temporary differences. The untaxed reserves are shown in full in the balance sheet, and the deferred tax liability is not recorded.

The deferred tax liability and assets are recorded as separate items and are based on the prevailing corporate tax rate.

## NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 1. NET SALES BY SEGMENTS AND MARKET AREAS

EUR million	2017	2016
Passenger Car Tyres	514.6	505.2
Heavy Tyres	171.6	146.6
Other	0.0	0.0
<b>Total</b>	<b>686.2</b>	<b>651.8</b>
Finland	127.0	124.7
Other Nordic countries	191.1	182.3
Baltic countries and Russia	40.9	32.1
Other European countries	195.2	208.4
North America	120.4	93.9
Other countries	11.6	10.4
<b>Total</b>	<b>686.2</b>	<b>651.8</b>

### 2. WAGES, SALARIES AND SOCIAL EXPENSES

EUR million	2017	2016
Wages and salaries	49.8	40.6
Pension contributions	8.0	7.2
Other social expenses	2.2	3.0
<b>Total</b>	<b>60.0</b>	<b>50.7</b>
Remuneration of the members of the Board of the Directors and the President on accrual basis	1.3	2.3
of which incentives	0.3	1.2

No special pension commitments have been granted to the members of the Board.

The agreed retirement age of the President is 65 years. See also Notes to Consolidated Financial Statements, note 34 Related party transactions.

#### Personnel, average during the year

Production	486	463
Selling and marketing	80	73
Others	196	183
<b>Total</b>	<b>762</b>	<b>719</b>

### 3. DEPRECIATION

EUR million	2017	2016
<b>Depreciation according to plan by asset category</b>		
Intangible assets	5.4	4.9
Buildings	2.2	2.1
Machinery and equipment	21.1	21.1
Other tangible assets	0.1	0.1
<b>Total</b>	<b>28.7</b>	<b>28.1</b>
<b>Depreciation by function</b>		
Production	20.5	20.8
Selling and marketing	0.5	0.2
Administration	5.5	5.1
Other operating depreciation	2.3	2.0
<b>Total</b>	<b>28.7</b>	<b>28.1</b>

### 4. AUDITORS' FEES

EUR million	2017	2016
Authorized public accountants KPMG Oy Ab		
Auditing	0.1	0.1
Tax consulting	0.4	0.2
Other services	0.3	0.1
<b>Total</b>	<b>0.8</b>	<b>0.5</b>

### 5. FINANCIAL INCOME AND EXPENSES

EUR million	2017	2016
<b>Dividend income</b>		
From the Group companies	274.3	138.5
From others	0.0	0.0
<b>Total</b>	<b>274.3</b>	<b>138.5</b>
<b>Interest income, non-current</b>		
From the Group companies	14.5	17.3
From others	0.0	0.0
<b>Total</b>	<b>14.5</b>	<b>17.3</b>
<b>Other interest and financial income</b>		
From the Group companies	3.5	2.8
From others	0.4	0.7
<b>Total</b>	<b>3.9</b>	<b>3.5</b>
Exchange rate differences (net)	-6.9	-1.5
<b>Interest and other financial expenses</b>		
To the Group companies	-10.3	-14.0
To others	-21.7	-4.5
Other financial expenses	-0.5	-0.6
<b>Total</b>	<b>-32.4</b>	<b>-19.0</b>
<b>Total financial income and expenses</b>	<b>253.4</b>	<b>138.8</b>

## NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 6. APPROPRIATIONS

EUR million	2017	2016
<b>Change in accumulated depreciation in excess of plan</b>		
Intangible assets	-0.5	0.3
Buildings	-0.4	-0.3
Machinery and equipment	1.0	-0.4
Other tangible assets	0.1	0.0
<b>Total</b>	<b>0.2</b>	<b>-0.4</b>

### 7. INCOME TAX

EUR million	2017	2016
Direct tax for the year	-26.6	-21.5
Direct tax from previous years	-59.2	5.0
Change in deferred tax	-	-
<b>Total</b>	<b>-85.8</b>	<b>-16.5</b>

### 8. FIXED ASSETS

EUR million	Intangible assets		Land property	Tangible assets			Advances and fixed assets under construction
	Intangible rights	Other intangible rights		Buildings	Machinery and equipment	Other tangible assets	
Accumulated cost, 1 Jan 2017	56.8	3.7	0.7	69.9	421.3	4.3	15.1
Increase	0.6				29.5	0.0	30.0
Decrease	-10.0	-0.1			-29.9	-0.1	
Transfer between items	7.1	0.0		2.8	17.1	0.9	-27.9
Accumulated cost, 31 Dec 2017	54.5	3.6	0.7	72.7	438.0	5.1	17.1
Accum. depr. acc. to plan 1 Jan 2017	-41.3	-3.0		-33.5	-342.6	-3.6	
Accum. depr. on disposals	6.5	0.1			8.2	0.1	
Depreciations for the period	-5.3	-0.2		-2.2	-21.1	-0.1	
Accum. depr. acc. to plan 31 Dec 2017	-40.1	-3.1		-35.7	-355.5	-3.6	
Carrying amount, 31 Dec 2017	14.4	0.5	0.7	37.0	82.5	1.5	17.1
Carrying amount, 31 Dec 2016	15.5	0.6	0.7	36.4	78.7	0.6	15.1
Accum. depreciation in excess of plan, 31 Dec 2017	2.3	0.1	-	12.6	17.9	-0.3	
Accum. depreciation in excess of plan, 31 Dec 2016	2.8	0.1	-	12.8	16.9	-0.4	

### 9. INVESTMENTS

EUR million	Shares in Group companies	Investments in associates	Shares in other companies
Accumulated cost, 1 Jan 2017	133.0	4.3	0.6
Decrease	-	-	0.0
Increase	16.6	-	-
Accumulated cost, 31 Dec 2017	149.6	4.3	0.6
Carrying amount, 31 Dec 2017	149.6	4.3	0.6
Carrying amount, 31 Dec 2016	133.0	4.3	0.6

## NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 10. INVENTORIES

EUR million	2017	2016
Raw materials and supplies	56.3	47.1
Work in progress	2.7	3.0
Finished goods	31.4	41.4
Total	90.5	91.5

### 11. NON-CURRENT RECEIVABLES

EUR million	2017	2016
Loan receivables from the Group companies	232.7	274.0
Loan receivables from others	0.2	0.2
Total long-term receivables	232.8	274.1

The members of the Board of Directors and the President have not been granted loans.

### 12. CURRENT RECEIVABLES

EUR million	2017	2016
<b>Receivables from the Group companies</b>		
Trade receivables	138.8	129.1
Loan receivables	276.7	152.6
Accrued revenues and deferred expenses	16.6	14.9
Total	432.2	296.6
Trade receivables	37.2	29.7
Other receivables	5.1	5.3
Accrued revenues and deferred expenses	28.6	35.9
Total	70.8	71.0
Total short-term receivables	503.0	367.6
<b>Significant items under accrued revenues and deferred expenses</b>		
Financial items	23.5	32.0
Social payments	1.6	4.7
Capital expenditure in Russian factory	0.3	0.1
Goods and services rendered and not invoiced, subsidiary	11.7	9.7
Other items	8.2	4.3
Total	45.2	50.8

### 13. SHAREHOLDERS' EQUITY

EUR million	2017	2016
<b>Restricted shareholders' equity</b>		
Share capital, 1 January	25.4	25.4
Emissions	-	-
Share capital, 31 December	25.4	25.4
Share issue premium, 1 January	182.5	182.5
Emission gains	-	-
Share issue premium, 31 December	182.5	182.5
<b>Total restricted shareholders' equity</b>	<b>207.9</b>	<b>207.9</b>
<b>Non-restricted shareholders' equity</b>		
Paid-up unrestricted equity reserve, 1 January	169.0	133.0
Emission gains	35.0	35.9
Paid-up unrestricted equity reserve, 31 December	203.9	169.0
Retained earnings, 1 January	445.0	450.3
Dividends to shareholders	-206.5	-202.0
Retained earnings, 31 December	238.4	248.3
Treasury shares	-19.0	-5.4
Profit for the period	234.7	196.7
<b>Total non-restricted shareholders' equity</b>	<b>658.0</b>	<b>608.6</b>
<b>Total shareholders' equity</b>	<b>866</b>	<b>816.5</b>
<b>Specification of the distributable funds, 31 December</b>		
Retained earnings	238.4	248.3
Treasury shares	-19.0	-5.4
Paid-up unrestricted equity reserve	203.9	169.0
Profit for the period	234.7	196.7
<b>Distributable funds, 31 December</b>	<b>658.0</b>	<b>608.6</b>

## NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

The Group or the Parent company themselves do not directly hold any treasury shares.

The Company has entered into an agreement with a third-party service provider concerning administration and hedging of the share-based incentive program for key personnel. As a part of this agreement, the service provider purchases and administers shares for hedging the underlying cash flow risk and implementing the program. The third party owns the shares until the shares are given to the participants within the program. Despite the legal form of the hedging arrangement, it has been accounted for as if the share purchases had been conducted directly by the Company. During 2014, a total number of 300,000 shares was acquired and in 2017 a total number of 480,00 additional shares was acquired. At the end of 2017 the total number of shares held was 521,331 (2016: 232,792), which corresponds 0.4% (2016: 0.2%) of all shares of the Company.

### 14. NON-CURRENT LIABILITIES

EUR million	2017	2016
<b>Interest-bearing</b>		
Loans from financial institutions	102.4	102.4
<b>Total</b>	<b>102.4</b>	<b>102.4</b>
<b>Non-interest-bearing</b>		
Accrued expenses and deferred revenues	0.1	0.1
<b>Total</b>	<b>0.1</b>	<b>0.1</b>
<b>Total non-current liabilities</b>	<b>102.5</b>	<b>102.5</b>

### 15. CURRENT LIABILITIES

EUR million	2017	2016
<b>Interest-bearing</b>		
Liabilities to the Group companies		
Finance loans	324.0	336.5
<b>Bonds</b>	<b>-</b>	<b>87.7</b>
<b>Total</b>	<b>324.0</b>	<b>424.2</b>

The original notional amount of the bond due in 2017 was EUR 150 million and the annually payable coupon was 3.25%. In September 2015 the Company bought back bonds with a notional amount of EUR 62.3 million.

<b>Non-interest-bearing</b>		
Liabilities to the Group companies		
Trade payables	50.3	41.4
Accrued expenses and deferred revenues	2.4	8.9
<b>Total</b>	<b>52.8</b>	<b>50.3</b>
Trade payables	26.3	26.0
Liabilities to the others	2.1	2.1
Accrued expenses and deferred revenues	31.7	43.0
<b>Total</b>	<b>60.0</b>	<b>71.1</b>
<b>Total non-interest-bearing liabilities</b>	<b>112.8</b>	<b>121.5</b>
<b>Total current liabilities</b>	<b>436.8</b>	<b>545.7</b>

#### Significant items under accrued expenses and deferred revenues

Wages, salaries and social security contributions	11.9	11.2
Annual discounts, sales	5.7	4.3
Taxes	0.7	4.5
Financial items	4.2	15.3
Commissions	5.2	4.3
Goods received and not invoiced	1.5	0.6
Warranty commitments	0.9	0.9
Other items	1.5	1.9
<b>Total</b>	<b>31.7</b>	<b>43.0</b>

### 16. CONTINGENT LIABILITIES

EUR million	2017	2016
<b>On behalf of Group companies and investments in associates</b>		
Guarantees	55.4	81.4
The amount of debts and commitments mortgaged for total EUR 51.8 million (2016: EUR 78.5 million).		
<b>On behalf of other companies</b>		
Guarantees	0.1	0.2
<b>Other own commitments</b>		
Guarantees	30.7	29.9
Leasing and rent commitments		
Payments due in 2018/2017	2.5	4.0
Payments due in subsequent years	2.7	8.2

## 17. DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	2017	2016
<b>Interest rate derivatives</b>		
Interest rate swaps		
Notional amount	100.0	100.0
Fair value	-1.3	-2.2
<b>Foreign currency derivatives</b>		
Currency forwards		
Notional amount	413.0	585.8
Fair value	8.3	8.2
<b>Currency options, purchased</b>		
Notional amount	15.2	-
Fair value	0.1	-
<b>Currency options, written</b>		
Notional amount	30.5	-
Fair value	-0.2	-
<b>Interest rate and currency swaps</b>		
Notional amount	67.5	87.5
Fair value	10.8	5.8
<b>Electricity derivatives</b>		
Electricity forwards		
Notional amount	5.6	7.7
Fair value	0.0	-0.7

Unrealised fair value changes of interest rate and electricity derivatives are not recognised in profit and loss. The interest rate swap hedges the future interest payments of a loan from a financial institution and the electricity forwards hedge the future electricity purchase prices in Finland. The contractual terms of these derivatives and the hedged items are congruent. The cash flows of the interest rate swap will occur during the next two years and the cash flows of the electricity forwards during the next four years.

The fair value of forward exchange contracts is measured using the forward rates on the reporting date. The fair value of currency options is calculated using an option valuation model.

The fair values of interest rate and currency swaps and interest rate derivatives are determined as the present value of the future cash flows based on market interest rates on the reporting date.

The fair value of electricity derivatives is based on quoted market prices in active markets on the reporting date.

## 18. ENVIRONMENTAL COMMITMENTS AND EXPENSES

Expenses relating to environment are included to production costs. The company has duly attended to environmental commitments and has no information on material environmental liabilities. In addition to the environmental aspects presented in the Annual Report, Nokian Tyres issued a Corporate Social Responsibility Report in spring 2017.

INFORMATION ON NOKIAN TYRES' SHARE

Share data

Market	Nasdaq Helsinki
Listing date	June 1, 1995
Currency	euro
ISIN	FI0009005318
Symbol	NRE1V
Reuters symbol	NRE1V.HE
Bloomberg symbol	NRE1V:FH
Industry	OMXH Large Caps
Sector	Consumer goods
Industry	Automobiles and parts
Number of shares, December 31, 2017	137,266,582

Share capital and shares

Nokian Tyres' share was quoted on the main list of Nasdaq Helsinki (Helsinki Stock Exchange until 2007) for the first time on June 1, 1995. The company has one class of shares, each share entitling the shareholder to one vote and carrying equal rights to a dividend. On December 31, 2017, the number of shares entitled to a dividend was 137,266,582.

In 2017, Nokian Tyres' share was included in the Dow Jones DJSI World sustainability index and the OMG GES Sustainability Finland GI index as well as the STOXX Global ESG Leaders and FTSE4Good indexes. **Read more:** [www.nokiantyres.com/company/investors/share/share-information/](http://www.nokiantyres.com/company/investors/share/share-information/)

Share price development and trading volume in 2017

At the end of 2017, Nokian Tyres' share was quoted at EUR 37.80, showing an increase of approx. 6.7% on the previous year's closing price of EUR 35.42. At its highest, Nokian Tyres' share was quoted at EUR 41.95 in 2017 (EUR 36.74 in 2016) and EUR 34.24 (EUR 27.48) at its lowest. During the year, a total of 117,227,947 (138,561,065) Nokian Tyres' shares were traded on Nasdaq Helsinki. At the end of the year, the market capitalization of the share capital was EUR 5.189 billion (4.814).

Nokian Tyres' shares are also traded on alternative platforms, such as Bats CXE, Turquoise and BATS BXE. A total of 83,293,139 (127,537,938) Nokian Tyres' shares were traded on these alternative platforms during 2017.

On December 31, 2017, the number of shares was 137,266,582. **Read more:** [www.nokiantyres.com/company/investors/share/share-performance/](http://www.nokiantyres.com/company/investors/share/share-performance/)

Dividend policy

The dividend policy adopted by the company's Board of Directors is to propose to the Annual General Meeting a dividend that reflects the company's profit development. The dividend policy was updated in 2015.

Nokian Tyres' dividend policy for 2016–2018 is as follows: the company's target is to provide steady or higher absolute dividend per share throughout 2016–2018 (despite the investments in the third factory). The company aims to distribute at least 50% of net profits in dividends.

FINANCIAL TARGETS 2016–2018 \*

Faster than market growth with healthy profitability

<b>Faster than the market growth</b>	Our target is to achieve an average annual growth that is higher than our target market growth. This means we aim at growing organically faster than the tyre replacement market. With the present market outlook this would result to minimum 4–5% average annual sales growth for the period 2016–2018.
<b>Healthy Profitability</b>	We target to maintain our industry leading operating profit level of minimum 22%.
<b>Good Shareholder Return</b>	Our target is to provide steady or higher absolute dividend per share throughout 2016–2018 (despite the investments in the third factory). Dividend policy: Company targets to distribute at least 50% of net profits in dividends.

\*with stable exchange rates

BOARD AUTHORIZATIONS

Authorizing the Board to decide on the repurchase the company's own shares

On April 10, 2017, Nokian Tyres' AGM of Shareholders authorized the Board of Directors to resolve to repurchase a maximum of 5,000,000 shares in the Company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponds to 3.7% of all shares of the Company.

The shares may be repurchased in order to improve the capital structure of the Company, to carry out acquisitions or other arrangements related to the Company's business, to be transferred for other purposes, to be cancelled, to be used for the Company's incentive plans or if, according to the Board of Directors' understanding, it is in the interest of the shareholders.

The price paid for the shares repurchased under the authorization shall be based on the market price of the Company's share in public trading. The minimum price to be paid would be the lowest market price of the share quoted in public trading during the authorization period and the maximum price the highest market price quoted during the authorization period.

The Company's own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase).

The authorization will be effective until the next Annual General Meeting of Shareholders, however, at most until October 10, 2018.

Authorizing the Board to decide on a share issue

On April 10, 2017, Nokian Tyres' AGM of Shareholders authorized the Board of Directors to make a decision to offer no more than 25,000,000 shares through a share issue, or by granting special rights under chapter 10 section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions.

The Board may decide to issue new shares or shares held by the company. The maximum number of shares included in the proposed authorization accounts for approximately 18.4% of the company's shares. The authorization includes the right to issue shares or special rights through private offering, in other words to deviate from the shareholders' pre-emptive right subject to provisions of the law.

Under the authorization, the Board of Directors will be entitled to decide on the terms and conditions of a share issue, or the granting of special rights under chapter 10, section 1 of the Finnish Limited Liability

## INFORMATION ON NOKIAN TYRES' SHARE

Companies Act, including the recipients of shares or special rights entitling to shares, and the compensation to be paid. It is proposed that this authorization be exercised for purposes determined by the Board of Directors. The subscription price of new shares shall be recognized under unrestricted equity reserve. The consideration payable for the Company's own shares shall be recognized under unrestricted equity reserve.

The authorization will be effective for two years from the decision made at the Annual General Meeting. This authorization will invalidate all other Board authorizations regarding share issues and convertible bonds.

### Stock options 2013 directed at personnel

The Annual General Meeting held on April 11, 2013 decided to issue stock options to the personnel of the Nokian Tyres Group and the wholly owned subsidiary of Nokian Tyres plc. A deviation was made from the shareholders' pre-emptive subscription right because the stock options are designed to be part of the Group's incentive and commitment program.

The purpose of the stock options is to encourage the personnel to work on a long-term basis to increase shareholder value. The maximum total number of stock options issued will be 3,450,000 and they will be issued gratuitously. Of the stock options, 1,150,000 are marked with the symbol 2013A, 1,150,000 are marked with the symbol 2013B, and 1,150,000 are marked with the symbol 2013C. The stock options entitle their owners to subscribe for a maximum total of 3,450,000 new shares in the Company or existing shares held by the Company. The stock options now issued can be exchanged for shares constituting a maximum total of 2.5% of all of the Company's shares and votes of the shares, after the potential share subscription, if new shares are issued in the share subscription.

The share subscription price for stock option 2013A is the trade volume weighted average quotation of the Company's share on Nasdaq Helsinki between January 1 and April 30, 2013, i.e. EUR 32.26, for stock option 2013B, the trade volume weighted average quotation of the share on Nasdaq Helsinki between January 1 and April 30, 2014, i.e. EUR 29.54, and for stock option 2013C, the trade volume weighted average quotation of the share on Nasdaq Helsinki between January 1 and April 30, 2015, i.e. EUR 24.42. The share subscription price will be credited to the reserve for invested unrestricted equity.

If the company distributes dividends or similar assets from the reserves of unrestricted equity, the amount of the dividend or distributable unrestricted equity shall be deducted from the share's

subscription price of the stock options and decided after the beginning of the period for the determination of the share subscription price but before share subscription, as per the dividend record date or the record date of the repayment of equity. The current subscription prices are EUR 25.06 per share for stock options 2013B and EUR 21.39 per share for stock options 2013C.

The share subscription period:

May 1, 2015–May 31, 2017 for stock options 2013A

May 1, 2016–May 31, 2018 for stock options 2013B

May 1, 2017–May 31, 2019 for stock options 2013C.

As a result of the subscriptions with the 2013 stock options, the number of shares in Nokian Tyres plc may increase by a maximum of 3,450,000 new shares. The share subscription price shall be credited to the paid-up unrestricted equity reserve. A share ownership plan is incorporated into the 2013 stock options, obliging the Group's senior management to acquire the Company's shares with a proportion of the income gained from the stock options.

**Read more:** [www.nokiantyres.com/company/investors/share/stock-options/](http://www.nokiantyres.com/company/investors/share/stock-options/)

### Stock options listed on the main list of Nasdaq Helsinki Oy

Nokian Tyres' 2013A stock options for the option scheme 2013 were listed on Nasdaq Helsinki's main list as of May 4, 2015. At their highest, the 2013A stock options were quoted at EUR 13.99 and at their lowest at EUR 6.82. The trade volume was 283,042 during the year.

Nokian Tyres' 2013B stock options for the option scheme 2013 were listed on Nasdaq Helsinki's main list as of May 2, 2016. At their highest, the 2013B stock options were quoted at EUR 16.61 and at their lowest at EUR 8.72. The trade volume was 399,930 during the year.

Nokian Tyres' 2013C stock options for the option scheme 2013 were listed on Nasdaq Helsinki's main list as of May 2, 2017. At their highest, the 2013C stock options were quoted at EUR 20.48 and at their lowest at EUR 13.15. The trade volume was 534,320 during the year.

**Read more:** [www.nokiantyres.com/company/investors/share/stock-options/](http://www.nokiantyres.com/company/investors/share/stock-options/)

### Share rewards plan 2016

In the spring of 2016, the Board of Nokian Tyres plc decided to update the Group's incentive schemes. The update aimed to clarify and

improve the schemes and to offer a competitive rewards system for all personnel.

The purpose of Nokian Tyres' new share-based incentive system is to harmonize the goals of the owners and key personnel in order to increase the value of the company in the long term, and to commit key personnel to the company. The share rewards system covers some 5% of the Group's personnel, including the management team members.

The share rewards system has three one-year earning periods, the calendar years 2016, 2017, and 2018. The Company's board will decide on the system's earnings criteria and the goals set for each criterion at the beginning of the earnings period. As a rule, the reward is not paid if the key person's employment is terminated before the reward is due. Shares that are offered as a reward cannot be handed over during the limitation period of approximately one year. A member of the Group's management team must own 25% of the gross total number of shares earned through the system, up to the point where the total value of their share ownership is equal to their gross annual salary. They must own this number of shares for as long as they are involved in the Group's management team. The possible reward will be paid partially as shares in the company and partially as money. The monetary reward is intended to cover the taxes and taxlike charges incurred on the key person.

### Earnings period 2016

The system's reward for the earnings period of 2016 was based on the Group's net sales and operating profit.

The rewards to be paid in 2017, on the basis of the achievement of the required performance levels set for the performance criteria of the performance period 2016, corresponded to a total of 402,875 shares in Nokian Tyres plc, including also the proportion to be paid in cash. The Plan was directed at 182 key employees, including the members of the Group's Management Team. The shares paid as reward may not be transferred during an approximately one-year restriction period established for the shares. For shares paid on the basis of the performance period 2016, the restriction period will end on March 31, 2018.

### Earnings period 2017

The potential reward from the performance period 2017 was based on the Group's net sales and operating profit.

The rewards to be paid in 2018, on the basis of the achievement of the required performance levels set for the performance criteria of the

## INFORMATION ON NOKIAN TYRES' SHARE

performance period 2017, corresponded to a total of 519,000 shares in Nokian Tyres plc, including also the proportion to be paid in cash. The Plan was directed at 201 key employees, including the members of the Group's Management Team. The shares paid as reward may not be transferred during an approximately one-year restriction period established for the shares. For shares paid on the basis of the performance period 2017, the restriction period will end on March 31, 2019.

### Earnings period 2018

The potential reward from the performance period 2018 will be based on the Nokian Tyres Group's net sales and operating profit.

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

### Management shareholding

On December 31, 2017, Nokian Tyres' Board members and the President and CEO held a total of 35,797 Nokian Tyres' shares. On December 31, 2017, Nokian Tyres' Board members and the President and CEO did not hold Nokian Tyres' publicly traded stock options. The shares represent 0.03% of the total number of votes.

### Changes in the ownership of nominee-registered shareholders in 2017

Nokian Tyres has received announcements from BlackRock, Inc. on November 16, 2017, and on December 18, 2017, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of a share transactions concluded on November 15, 2017, and on December 15, 2017.

Nokian Tyres has received announcements from BlackRock, Inc. on November 15, 2017, on November 17, 2017, and on December 28, 2017, according to which the holdings of the mutual funds managed

by BlackRock, or indirect holding in Nokian Tyres shares, fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on November 14, 2017, on November 16, 2017, and on December 27, 2017.

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

## INFORMATION ON NOKIAN TYRES' SHARE

### NUMBER OF SHAREHOLDERS ON DECEMBER 31, 2017

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of shares
1 – 100	17,996	46.1	923,997	0.7
101 – 500	14,308	36.7	3,713,500	2.7
501 – 1,000	3,429	8.8	2,666,778	1.9
1,001 – 5,000	2,767	7.1	5,788,276	4.2
5,001 – 10,000	273	0.7	1,974,141	1.4
10,001 – 50,000	193	0.5	3,849,117	2.8
50,001 – 100,000	24	0.1	1,590,732	1.2
100,001 – 500,000	27	0.1	6,790,247	4.9
500,001 –	11	0.0	109,969,794	80.1
<b>Total</b>	<b>39,028</b>	<b>100.0</b>	<b>137,266,582</b>	<b>100.0</b>

### BIGGEST SHAREHOLDERS REGISTERED IN FINLAND ON DECEMBER 31, 2017

Biggest Shareholders registered in Finland	Number of shares	Share of capital %
Varma Mutual Pension Insurance Company	3,772,007	2.7
Ilmarinen Mutual Pension Insurance Company	2,944,035	2.1
OP Investment Funds	1,152,900	0.8
Odin Norden	1,031,217	0.8
The State Pension Fund	773,000	0.6
Evli Europe Fund	598,391	0.4
Nordea	562,581	0.4
Eam Nre1v Holding Oy	521,877	0.4
Schweizer Nationalbank	518,921	0.4
Svenska litteratursällskapet i Finland r.f.	494,700	0.4
<b>Total</b>	<b>12,369,629</b>	<b>9.0</b>
Foreign Shareholders <sup>1)</sup>	102,315,820	74.5
Bridgestone Corporation <sup>2,3)</sup>	20,000,000	14.6

<sup>1)</sup> Includes also shares registered in the name of a nominee

<sup>2)</sup> In the name of a nominee

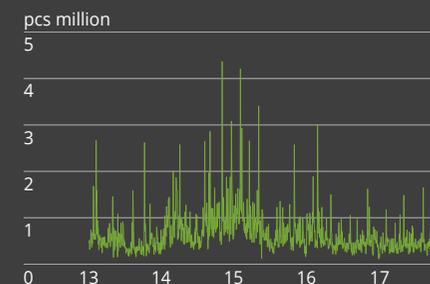
<sup>3)</sup> Ownership at the AGM registration day on April 10, 2017

Read more: [www.nokiantyres.com/company/investors/share/major-shareholders/](http://www.nokiantyres.com/company/investors/share/major-shareholders/)

### SHAREHOLDER STRUCTURE ON DECEMBER 31, 2017

	Number of shares	% of share capital
Nominee registered and non-Finnish holders	102,315,820	74.5
Households	14,563,224	10.6
General Government	8,278,359	6.0
Financial and insurance corporations	4,407,498	3.2
Non-profit institutions	4,438,827	3.2
Corporations	3,262,854	2.4
<b>Total</b>	<b>137,266,582</b>	<b>100.0</b>

### SHARE TRADING VOLUMES ON NASDAQ HELSINKI JAN 1, 2013–DEC 31, 2017



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



Read more: [www.nokiantyres.com/company/investors/share/share-performance/](http://www.nokiantyres.com/company/investors/share/share-performance/)

## SIGNATURES

### Signatures for the financial statements and the report by the Board of Directors

Nokia, 2 February 2018

Petteri Walldén

Heikki Allonen

Raimo Lind

Hille Korhonen, President and CEO

Veronica Lindholm

Inka Mero

George Rietbergen

## AUDITOR'S REPORT

To the Annual General Meeting of Nokian Tyres Plc

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Nokian Tyres Plc (business identity code 0680006-8) for the year ended 31 December, 2017. The financial statements comprise the consolidated income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

#### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services

that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in the notes to the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

## AUDITOR'S REPORT

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT	THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p align="center"><b>Revenue recognition and impairment of trade receivables</b> (Refer to Accounting policies for the consolidated financial statements, note 20 and 29)</p>		<p align="center"><b>Income tax issues</b> (Refer to Accounting policies for the consolidated financial statements, note 10 and 33)</p>	
<ul style="list-style-type: none"> <li>■ The aggregate amount of trade receivables amounted to EUR 432.9 million in the consolidated statement of financial position as at 31 December 2017.</li> <li>■ The industry is marked by seasonal sales and long credit periods granted to clients.</li> <li>■ The amount of credit losses recorded in previous years` financial statement has been higher than previously.</li> </ul>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>■ We assessed and tested internal controls over recording sales transactions and recognising related revenues, maintaining customer data as well as over the approval practices related to price changes, among others.</li> <li>■ We assessed the Group's credit control process and considered the related instructions and other documentation, both on Group level and in Group companies.</li> <li>■ We evaluated credit risk and the level of credit losses recorded based on the information on Group's trade receivables and customers.</li> </ul>	<ul style="list-style-type: none"> <li>■ The Group has been subject to a tax audit concerning the tax years 2007–2011. As a result the parent company has been obliged to pay significant additional taxes mainly regarding transfer pricing in the intra-group sales between Finland and Russia. The company believes that the additional tax assessment made by the Finnish Tax Administration is unfounded. The tax rectification process started may take several years.</li> <li>■ The Group's effective tax rate is low mainly due to tax incentives received in Russia.</li> </ul>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>■ Together with KPMG tax specialists we obtained an understanding of the decisions made by the Finnish Tax Administration and the related claims submitted by the company. We also evaluated the appropriateness of the related accounting principles the accuracy and adequacy of the disclosures given in the financial statements.</li> <li>■ We gained an understanding of the agreements entered into with the Russian tax authority related to tax incentives in Russia. We also evaluated the appropriateness of the accounting principles applied in respect tax incentives as well as assessed the calculations made in connection with the year-end financial statements.</li> </ul>
<p align="center"><b>Foreign currency risks</b> (Refer to Accounting policies for the consolidated financial statements notes 1 and 29)</p>			
<ul style="list-style-type: none"> <li>■ A significant part of the Group's operations are derived from Russia, and the exchange rate between Euro and Rouble may fluctuate significantly.</li> <li>■ The Group has invested heavily in Russia by building a production plant. In the Russian subsidiaries there is a significant amount of equity and the euro-denominated value of the equity may fluctuate substantially following the development of Rouble exchange rate.</li> </ul>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>■ We obtained an understanding of the centralised Group Treasury and the methods and policies used by financial management to manage exchange rate risks.</li> <li>■ We evaluated the appropriateness of measurement of items denominated in foreign currencies in the financial statements.</li> </ul>		

### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and

perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit

and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Reporting Requirements

#### Information on our audit engagement

Nokian Tyres Plc has become a PIE entity on 1 June 1995. KPMG Oy Ab has been auditor during all the years the company has been a PIE entity.

#### Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also

## AUDITOR'S REPORT

includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Other opinions**

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the distributable funds shown in the Financial Statements is in compliance with the Limited Liability Companies Act. We support that the Members of Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki 26 February 2018

KPMG Oy Ab

**Lasse Holopainen**

**Authorised Public Accountant**

## CORPORATE GOVERNANCE STATEMENT

### I Introduction

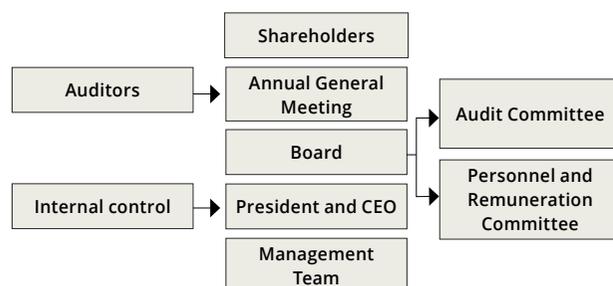
Nokian Tyres plc (hereinafter referred to as the "Company") complies with the recommendation concerning the Corporate Governance for Finnish listed companies (Corporate Governance 2015) that came into force on January 1, 2016, and the company has not departed from the recommendations in the said code. The code document is available in its entirety at [www.cgfinland.fi/en/](http://www.cgfinland.fi/en/). The Company follows the Finnish Limited Liability Companies Act, the Finnish Securities Markets Act, the Acts on auditing and accounting, EU-level regulations, the Nasdaq Helsinki rules and the regulations, and instructions from the Financial Supervisory Authority.

The Company publishes its Corporate Governance Statement as a separate document and as part of the annual report. The statement also includes a Report of the Salaries and Remuneration.

The Company's corporate governance is based on the annual general meeting, the Articles of Association, the Board of Directors, the President and CEO, the group's management team, the legislation and regulations mentioned above as well as the group's policies, procedures, and practices. The Board of Directors has approved the Corporate Governance Statement. The Company's auditors verify that the statement and its related descriptions of the internal reporting controls and risk management correspond to the financial reporting process. The statement will not be updated during the financial period; however, up-to-date information will be updated on the Company's website at [www.nokiantyres.com/company/investors/](http://www.nokiantyres.com/company/investors/).

### II Descriptions concerning governance

#### Nokian Tyres' administrative organization



### Annual General Meeting and Articles of Association

The Company's highest decision-making power is held by the Annual General Meeting, whose tasks and procedures are outlined in the Limited Liability Companies Act and the Articles of Association. The Annual General Meeting decides on such matters as the confirmation of the company's annual accounts, profit distribution, and discharging the Board of Directors and the President from liability. The Annual General Meeting elects the members of the Board of Directors and the auditor and determines their remuneration. In addition, the Annual General Meeting can make decisions on questions such as amendments to the Articles of Association, share issues, granting warrants, and acquisition of the company's own shares.

An extraordinary general meeting is summoned whenever the Board considers this to be necessary or if an auditor or a group of shareholders with a holding of a total of at least one-tenth of the entire stock requires it in writing in order to address a particular issue.

The Annual General Meeting is held by the end of May of each year on a date determined by the Board of Directors, either at the Company's registered place of business or in the city of Tampere or Helsinki. The Articles of Association state that the invitation to the Annual General Meeting must be published in one daily newspaper distributed nationwide and one distributed in the Tampere region. In addition, the Company publishes the invitation to the Annual General Meeting as a stock exchange release and on its website. The invitation lists the agenda of the meeting. The Board's proposals to the meeting are available on the Company's website before the meeting.

The Company's Articles of Association are available on the Company's website at [www.nokiantyres.com/company/investors/](http://www.nokiantyres.com/company/investors/).

The Annual General Meeting for 2017 took place on April 10, 2017 at the Tampere Hall in Tampere. The meeting confirmed the consolidated financial statements and discharged the Board members and the President for liability for the fiscal year 2016. All of the documents related to the Annual General Meeting are available on the Internet at [www.nokiantyres.com/company/investors/](http://www.nokiantyres.com/company/investors/).

The Annual General Meeting for 2018 will take place on April 10, 2018 at 4 pm in Tampere.

#### Shareholder's rights

According to law, shareholders are entitled to subject matters belonging to the Annual General Meeting's scope of power to be addressed at the meeting. This requires that the shareholder submit the requirement to

the Board of Directors in writing, far enough in advance that the matter can be added to the agenda on the invitation.

Shareholders registered in the company's shareholder register by the date specified on the invitation to the Annual General Meeting, 8 days before the meeting (the record date), are entitled to attend the Annual General Meeting. Shareholders can also authorize a proxy to act on their behalf at the Annual General Meeting. Owners of administratively registered shares can be temporarily added to the shareholder register in order to make them eligible to attend the Annual General Meeting.

At the Annual General Meeting, shareholders are entitled to use the entire number of votes that they own on the record date. Shareholders have the right to present questions regarding issues on the General Annual Meeting's agenda. In addition, shareholders are entitled to suggest draft resolutions concerning those matters belonging to the scope of power of the Annual General Meeting and included on its agenda.

#### Board of Directors

The Board is responsible for corporate governance and the appropriate conduct of ordinary activities pursuant to the Limited Liability Companies Act and other regulations. The board holds the general authority in company-related issues, unless other company bodies have the authority under the applicable legislation or articles of association. The policies and key tasks of the Board are defined in the Limited Liability Companies Act, the Articles of Association, and the Board's rules of procedure. The key tasks include:

- Consolidated financial statements, half year report, interim reports
- Proposals to the Annual General Meeting
- Appointing and dismissing the President and CEO
- Organization of financial control.

In addition, the Board deals with, and decides on, matters of principle, as well as issues that carry financial and business significance, such as:

- Group and business unit strategies
- The Group's action, budget, and investment plans
- The Group's risk management and reporting procedures
- Decisions concerning the structure and organization of the Group
- Significant individual investments, acquisitions, divestments, and reorganizations
- The Group's insurance and financing policies
- Reward and incentive schemes for the Group's management
- Appointing Board committees
- Monitoring and evaluating the actions of the President and CEO.

## CORPORATE GOVERNANCE STATEMENT

The Company has a separate Audit Committee and a Personnel and Remuneration Committee.

The President and CEO of Nokian Tyres is in charge of ensuring that the Board members have necessary and sufficient information on the Company's operations.

The Board assesses its activities and operating methods by carrying out a self-evaluation once a year. Members of the Board will not participate in making a decision where the law states they must be disqualified due to a conflict of interest.

### Composition of the Board

According to the Articles of Association of Nokian Tyres, the Board of Directors comprises no fewer than four and no more than eight members. The number of Board members and the composition of the Board shall be such that the Board is capable of efficiently carrying out its tasks, while taking account of the requirements set by the Company's operations and its stage of development. The elected Board members must be qualified for the task and able to allocate enough time for the Board duties. The proposal regarding the composition of the Board for the Annual General Meeting is prepared by the Personnel and Remuneration Committee. The Board shall have no fewer than two representatives from both genders. This goal has been met in the current Board. The principles concerning the selection of the Board and its diversity are shown on the Company's website at [www.nokiantyres.com/company/investors/](http://www.nokiantyres.com/company/investors/).

Members of the Board are elected at the Annual General Meeting for a one-year term of office that begins after the closing of the Annual General Meeting and ends at the end of the next Annual General Meeting. The Board of Directors appoints a Chairman and a Vice Chairman from among its members. The remuneration payable to the Board members is also confirmed at the Annual General Meeting.

The Board will decide on the committees and their chairpersons and members each year during the constituent meeting. In 2017, the Personnel and Remuneration Committee and the Audit Committee were operational.

The Board meetings usually take place in Helsinki. The Board also visits the main units of the Group and holds its meetings at these locations. When necessary, telephone conferences can also be arranged. The Vice President responsible for finance and control and other Group Management Team members as well as the internal auditor participate in the Board meetings, when necessary. The auditor participates in the annual meeting dealing with financial statements and

auditing plan. The Group General Counsel is the secretary of the Board.

### Information on the Board members

The Annual General Meeting on April 10, 2017 elected 7 members. Heikki Allonen, Tapio Kuula, Raimo Lind, Veronica Lindholm, Inka Mero, and Petteri Walldén were re-elected. George Rietbergen was elected as a new member. In addition to the people listed above, Hille Korhonen, who became the Company's President and CEO on June 1, 2017, was also a member of the Board until April 10, 2017.

### Petteri Walldén, Chairman of the Board (b. 1948)

Member of the Board since 2005. Member and Chairman (from November 14, 2017 onward) of the Personnel and Remuneration Committee.

Education: Master of Science (Engineering).

Key experience:

2007–2010 Alteams Oy, President and CEO;  
2001–2005 Onninen Oy, President and CEO;  
1996–2001 Ensto Oy, President and CEO;  
1990–1996 Nokia Kaapeli Oy, President and CEO;  
1987–1990 Sako Oy, President and CEO.

Key positions of trust:

Chairman of the Board: Savonlinna Opera Festival, Componenta Oyj  
Vice Chairman of the Board: Tikkurila Oyj  
Member of the Board: Efla Oy, Kuusakoski Group Oy.

### Heikki Allonen (b. 1954)

Member of the Board since 2016. Member of the Audit Committee.

Education: Master of Science (Engineering).

Full-time position: Hemmings Oy Ab, President and CEO

Key experience:

2016– Hemmings Oy Ab, President and CEO  
2008–2016 Patria Oyj, President and CEO;  
2004–2008 Fiskars Oyj, President and CEO;  
2001–2004 SRV Oyj, President and CEO;  
1992–2001 Wärtsilä Oy (Metra Oy Ab), Member of the Board;  
1991–1992 Metra Oy Ab, VP of Development;  
1986–1991 Oy Lohja Ab, VP/Assistant VP of Corporate Planning.

Key positions of trust:

Vice Chairman of the Board: VR Group Oy  
Member of the Board and Chairman of the Audit Committee: Detection

Technology Oyj

Member of the Board: Savox Oy Ab

### Hille Korhonen (b. 1961)

Member of the Board from 2006 to 2017, until April 10, 2017.

Member of the Personnel and Remuneration Committee.

Education: Licentiate of Science (Technology).

Full-time position: President and CEO, Nokian Tyres plc (since June 1, 2017)

### Tapio Kuula (1957–2017)

Member of the Board between 2015 and 11/2017. Chairman of the Personnel and Remuneration Committee until 11/2017.

Education: M.Sc. (Econ), M.Sc. (Electrical Engineering), B.Sc. (Econ).

Honorary Doctor in Technology (Lappeenranta University of Technology)

Key experience:

2009–2015 Fortum Corporation, President and CEO;  
2000–2009 Fortum Power and Heat Oy, President;  
2005–2009 Fortum Corporation, Senior Vice President;  
2000–2005 Fortum Corporation, President, Power and Heat Sector;  
1999–2000 Fortum Power and Heat Oy, Senior Executive Vice President;  
1997–1998 Imatran Voima Oy, Executive Vice President, member of the Management team and the Board;  
1996–1997 Imatran Voima Oy, Director, Distribution;  
1995–1996 Länsivoima Oyj, Deputy Managing Director;  
1993–1996 Jyllinkosken Sähkö Oyj, Managing Director;  
1989–1993 Koillis-Pohjan Sähkö Oy, Managing Director;  
1988–1989 Energy Utility of the City of Seinäjoki, Managing Director;  
1986–1988 Stuart Edgar Ltd. (G A Serlachius) UK, System Development Manager;  
1984–1986 G A Serlachius, System Development Manager;  
1980–1984 Koillis-Pohjan Sähkö Oy, Research Manager.

Key positions of trust:

Co-chairman: Northern Dimension Business Council  
Member of the Board: Fortum Corporation

### Raimo Lind (b. 1953)

Member of the Board since 2014. Vice Chairman (since November 14, 2017). Chairman of the Audit Committee. Member of the Personnel and Remuneration Committee (since November 14, 2017).

Education: Master of Science (Economics).

## CORPORATE GOVERNANCE STATEMENT

### Key experience:

2005–2013 Wärtsilä Oyj Abp, CFO, Senior Executive Vice President and deputy to the CEO;

1998–2004 Wärtsilä Oyj Abp, CFO;

1992–1997 Tamrock, President of Coal Division, President of Service Division, CFO;

1990–1991 Scantrailer Oy, Managing Director;

1976–1989 Wärtsilä Oyj Abp, Service Division, Vice President; Wärtsilä Singapore Ltd, Managing Director; Wärtsilä Diesel Division, VP Group Controller.

### Key positions of trust:

Chairman of the Board: Elisa Oyj, Nest Capital

Member of the Board: HiQ AB

### Veronica Lindholm (b. 1970)

Member of the Board since 2016. Member of the Personnel and Remuneration Committee.

Education: Master of Science (Economics).

Full-time position: Finnkino Oy, Managing Director

### Key experience:

2015– Finnkino Oy, Managing Director;

2013–2015 Mondelez Finland, Managing Director;

2009–2013 Walt Disney Company Nordic, VP, Chief Marketing Officer;

2008–2009 Walt Disney Studios, Head of Digital Distribution EMEA;

2000–2008 Walt Disney International Nordic, Marketing Director.

### Key positions of trust:

Chairman of the Board: Forum Cinemas SIA and Forum Cinemas UAB

Member of the Board: Service Sector Employers PALTA and the Finnish Chamber of Films

Member of the Supervisory Board: Forum Cinemas AS

### Inka Mero (b. 1976)

Member of the Board since 2014. Member of the Audit Committee.

Education: Master of Science (Economics).

Full-time position: Co-founder and Chairman, Pivot5 Oy

### Key experience:

2016– Pivot5 Oy, Co-founder and Chairman;

2008– KoppiCatch Oy, Co-founder and Chairman;

2006–2008 Playforia Oy, CEO;

2005–2006 Nokia Corporation, Director;

2001–2005 Digia Oyj, VP, Sales and Marketing;

1996–2001 Sonera Oyj, Investment Manager.

### Key positions of trust:

Chairman of the Board: KoppiCatch Oy, Pivot5 Oy

Member of the Board: Fiskars Oyj, YIT Oyj

### George Rietbergen (b. 1964)

Member of the Board since 2017. Member of the Audit Committee.

Education: Master of Business Administration

Full-time position: Partner of 5Square Committed Capital

### Key experience:

2017– 5Square Committed Capital, Partner;

2016 Nokian Tyres plc, Advisor to the board;

2015–2016 Arriva Netherlands, COO;

2013–2015 Goodyear Dunlop, Group Managing Director, DACH, Germany;

2012–2013 Goodyear Dunlop, Vice President, Commercial Tires, EMEA Belgium;

2010–2012 Goodyear Dunlop, Group Managing Director, UK & Ireland UK;

2005–2010 Goodyear Dunlop, General Manager, Benelux Netherlands;

2002–2005 Goodyear Dunlop, Director, Retail, EMEA Netherlands;

2001–2002 Goodyear Dunlop, Director, E-Business and Retail Business, EMEA Netherlands;

1999–2001 KLM Royal Airlines, Director of E-Business.

### Independence of the Board members

The Board members are independent of the company. All Board members are independent of all major shareholders of the company.

### The Board members' ownership of Nokian Tyres

Nokian Tyres holdings of the current Board members and persons closely associated	Number of shares, December 31, 2017
Petteri Walldén, chairman	19,517
Heikki Allonen, member	1,193
Raimo Lind, member	2,851
Veronica Lindholm, member	1,193
Inka Mero, member	2,586
George Rietbergen, member	530
<b>Total</b>	<b>27,870</b>

### The Board members' attendance at meetings

The Board met 17 times in 2017.

Attendance at meetings by the Company's Board members in 2017	Attendance/ meetings
Petteri Walldén, chairman	17/17
Heikki Allonen, member	17/17
Hille Korhonen, member until April 10, 2017	3/6
Tapio Kuula, member until 11/2017	12/14
Raimo Lind, member	17/17
Veronica Lindholm, member	16/17
Inka Mero, member	17/17
George Rietbergen, member since April 10, 2017	11/11

### Committees of the Board

The Board appoints its committees annually at its first constituent meeting following the Annual General Meeting. The Board chooses the members and chairman for the committees from among its members. Each committee must include no fewer than three members having the competence and expertise necessary for working in the committee. The members of the Audit Committee must be independent of the company, and at least one member must be independent of all major shareholders. The majority of the members of the Personnel and Remuneration Committee must be independent of the company. The President and CEO and the other members of the company management cannot act as members of the Personnel and Remuneration Committee.

### Personnel and Remuneration Committee

The committee prepares the Board's proposal to the Annual General Meeting on the members to be appointed to the Board of Directors and the remuneration to be paid to the Board members. In addition, the committee prepares a proposal to the Board on the company's President and CEO and on the salary and other incentives paid to the President and CEO. The Personnel and Remuneration Committee also submits a proposal to the Board on the allocation and criteria of employee stock options, share rewards and other incentives. The committee has no independent decision-making power; collective decisions are made by the Board, which is responsible for carrying out the tasks assigned to the committee.

In 2017, the members of the Personnel and Remuneration committee were Petteri Walldén (Chairman from November 14, 2017), Hille Korhonen (until April 10, 2017), Tapio Kuula (Chairman until 11/2017), Veronica

## CORPORATE GOVERNANCE STATEMENT

Lindholm, and Raimo Lind (member from November 14, 2017).

The committee assembled 5 times.

All committee members are independent of the company and of all major shareholders.

### Audit Committee

The Audit Committee assists the Board of Directors in its regulatory duties and reports to the Board. The committee has no independent decision making power; collective decisions are made by the Board, which is responsible for carrying out the tasks assigned to the committee.

According to the rules of procedure specified by the Board, the committee controls that bookkeeping, financial administration, financing, internal auditing, audit of the accounts, and risk management are appropriately arranged in the Company. The committee follows the reporting process for financial statements as well as any significant changes in the recording principles and the items valued in the balance sheet. The committee also processes the general description of the mechanisms of internal auditing and risk management of the financial reporting process, which forms part of the Corporate Governance Statement. The committee follows the statutory auditing of the financial statement and the consolidated financial statements and assesses the independence of the statutory auditor. The committee prepares the draft resolution on selecting the auditor.

In 2017, the members of the Audit Committee were Raimo Lind (Chairman), Inka Mero, Heikki Allonen, and George Rietbergen (from April 10, 2017). The Company's chief auditor participates in the committee's meetings.

The committee assembled 5 times in 2017.

All committee members are independent of the company and of all major shareholders of the company.

### The attendance of Board members at committee meetings in 2017

	Personnel and Remuneration Committee	Audit Committee
Petteri Walldén	5/5	
Heikki Allonen		5/5
Hille Korhonen (until April 10, 2017)	1/2	
Tapio Kuula (until 11/2017)	4/4	
Raimo Lind*	1/1	5/5
Veronica Lindholm (from April 10, 2017)	3/3	
Inka Mero		4/5
George Rietbergen		3/4

\* Member of the Personnel and Remuneration Committee since November 14, 2017

### President and CEO and his/her duties

The President and CEO manages the Group's business operations and implements the current corporate governance in accordance with the instructions and guidelines provided by the Board of Directors and the Limited Liability Companies Act. With regard to the extent and quality of the Company's operations, the President and CEO may only undertake unusual or extensive actions when authorized to do so by the Board of Directors. The President and CEO is in charge of ensuring that the company accounting follows the statutory requirements and that asset management is arranged reliably. The President and CEO is elected by the Board of Directors. Andrei Panthiukhov, MBA, was the company's Interim President and CEO between January 1, 2017 and May 31, 2017. Hille Korhonen, Lic. Sc. (Tech.) started as the company's President and CEO on June 1, 2017.

### Hille Korhonen (b. 1961)

Education: Licentiate of Science (Technology).

Full-time position: President and CEO, since June 1, 2017.

Key experience:

2013–5/2017 Alko Inc, President & CEO;

2008–2012 Fiskars Oyj Abp, Vice President, Operations;

2003–2007 Iittala, Group Director, Operations;

1996–2003 Nokia Corporation, management duties for logistics;

1993–1996 Outokumpu Copper Plc, Manager, Logistics and Marketing Development.

Key positions of trust:

Member of the Board: Ilmarinen Mutual Pension Insurance Company

### Other management

The Group's management team is responsible for assisting the President and CEO in preparing the Company's strategy and in operative management, and for discussing matters that involve substantial financial or other impacts, such as corporate transactions and organization changes. In accordance with the Group's meeting practices, a Management Workshop assembles once per month. In addition to the President and CEO, the workshop is attended by the Vice Presidents of the business unit and service function, the Vice President for Russian operations and the chief audit executive (CAE). More detailed information concerning the management team is available at [www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/](http://www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/).

Nokian Tyres holdings of the President and CEO and persons closely associated December 31, 2017	Number of shares	Stock options	Stock options
		2013 2013B	2013 2013C
Hille Korhonen, President & CEO	7,927	-	-

Nokian Tyres holdings of the Group's management team and persons closely associated December 31, 2017	Number of shares	Stock options	Stock options
		2013 2013B	2013 2013C
Esa Eronen, VP, Supply Operations	14,977	15,000	15,000
Teppo Huovila, VP, Quality and Sustainability	10,510	-	6,700
Anna Hyvönen, Managing Director, Vianor and Partner Distribution	9,553	-	-
Tarja Kaipio, VP, Human Resources	-	-	3,400
Anne Leskelä, VP, Finance and IR	15,325	20,000	20,000
Andrei Pantoukhov, EVP, General Manager of Russian operations*	37,900	20,000	30,000
Juha Pirhonen, VP, Research and Development	4,898	19,200	15,325
Manu Salmi, VP, Nokian Heavy Tyres	12,439	-	15,000
Pontus Stenberg, VP, Sales	12,177	7,500	15,000
Timo Tervolin, VP, Strategy and Corporate Development	2,627	-	-
Antti-Jussi Tähtinen, VP, Marketing and Communications	7,617	10,000	10,000
Franz Westerlund, VP, CIO and Processes	-	-	-

\* The Company's interim President & CEO between January 1, 2017 and May 31, 2017

### III Descriptions of mechanisms of internal control and risk management

#### Internal control

The purpose of the Group's internal control mechanisms is to ensure that the financial reports released by the company contain essentially correct information on the Group's financial position. The group has defined group-level instructions and policies for the key operative units specified below in order to ensure efficient and profitable Company operations.

The business activities of the Group are divided into two areas: the manufacturing business and the tyre retail chain. The manufacturing business consists of business units, which are Passenger Car Tyres, Heavy Tyres (the Nokian Heavy Tyres business unit was incorporated as an independent company as of January 1, 2006), and Other Business. Each business unit is responsible for its business area and its financial performance, risk management, balance sheet and investments, supported by the different service functions. The Group's sales companies are a part of the sales function and serve as product distribution channels in local markets. The tyre retail chain is organized into a sub-group. Its parent company is Vianor Holding Oy, 100% owned by the parent company Nokian Tyres plc. The tyre outlets operating in different countries are part of the sub-group.

The Managing Directors of the company's subsidiaries are responsible for the daily operations and administration of their companies. They report to the company's Vice President responsible for Sales, while the Managing Directors of the Vianor chain report to the director of the Vianor business unit.

The Board of Directors is responsible for the functionality of the internal control mechanisms, which are managed by the company management and implemented throughout the organization. Internal control is not a separate function; it is an integral part of all activities of the Group at all levels. Operative company management bears the main responsibility for operational control. Every supervisor is obliged to ensure sufficient control over the activities belonging to his or her responsibility and to continuously monitor the functionality of the control mechanisms. The Vice President responsible for finance and control is responsible for organizing financial administration and reporting processes and the internal control thereof. The parent company's Finance and Control unit is responsible for internal and external accounting; its tasks also include producing financial information concerning the business areas and ensuring the accuracy of this information.

The preparation process of the consolidated financial statements (IFRS), the related control measures, and the task descriptions and areas of responsibility related to the reporting process are defined. The Company's Finance and Control unit is in charge of consolidating the business areas' figures to produce Group-level financial information. Each legally separate Group company produces its own information in compliance with the instructions provided and in line with local legislation. The net sales and operating profit of the Group and business units are analyzed and the consolidated profit is compared with the management's assessment of business development and the information received from operative systems. The Group's Finance and Control unit is centrally responsible for the interpretation and application of financial reporting standards as well as for monitoring compliance with these standards.

Effective internal control requires sufficient, timely, and reliable information in order for the Company management to be able to monitor the achievement of targets and the efficiency of the control mechanisms. This refers to financial information as well as other kinds of information received through IT systems and other internal and external channels. The instructions on financial administration and other matters are shared on the Company's intranet for all of those who need them, and training is organized for personnel with regard to these instructions when necessary. Communication with the business units is continuous. The Company's financial performance is internally monitored by means of monthly reporting complemented with rolling forecasts. The financial results are communicated to Company personnel immediately after the official stock exchange releases have been published.

#### Whistleblowing

The company has defined internal and external processes allowing whistleblowing by all relevant parties. External whistleblowers can use the email address [whistleblow@nokiantyres.com](mailto:whistleblow@nokiantyres.com).

#### Communications

The goal of Nokian Tyres' investor relations is to regularly and consistently provide the stock market with essential, correct, sufficient, and up-to-date information that is subsequently used to determine the share value. The operations are based on equality, openness, accuracy, and good service.

#### Risk management

The Group has adopted a risk management policy, approved by the

Board of Directors, which supports the achievement of strategic goals and ensures continuity of business. The Group's risk management policy focuses on managing both the risks pertaining to business opportunities and the risks affecting the achievement of the Group's goals in the changing operating environment.

The risks are classified as strategic, operational, financial, and hazard risks. Strategic risks are related to customer relationships, competitors' actions, political risks, country risks, brand, R&D, and investments. Operational risks arise as a consequence of shortcomings or failures in the Company's internal processes, actions by its personnel or systems, or external events, such as legislative changes, unpredictable rulings by judicial systems or authorities, or changes in raw material prices. Financial risks (Note 29) are related to fluctuations in interest rate and currency markets, refinancing, and counterparty and receivables risks. Hazard risks may lead to injuries, property damage, production outages, environmental impacts, or liabilities to third parties.

The most significant risks related to Nokian Tyres' business are the country risks related to the Russian business environment, reputation risks, tax risks (especially in Finland), risks related to products and product development, production outage risks, currency and receivable risks, risks related to Corporate Governance, and information security and data administration risks. Due to the company's product strategy, interruption risks that are related to marketing and logistics may especially have a significant impact on peak season sales. The performed risk analysis paid special attention to risks within the area of corporate social responsibility, the most significant of which were the risks related to reputation and product quality. Analyses and projects related to information security, data protection and customers' background information were a special focus area.

The risk management process aims to identify and evaluate the risks, and to plan and implement the practical measures for each risk. Among other things, such measures may include avoiding the risk, reducing it in different ways, or transferring the risk through insurance or agreements. Control functions and actions are control or back-up procedures applied to reduce risks and ensure the completion of risk management measures.

Risk management is not allocated to a separate organization; its tasks follow the general distribution of responsibilities adopted elsewhere in the organization and its business activities. The company's Board of Directors discusses the most significant risks annually in connection with the strategic process.

### IV Other information provided

#### Internal audit

The Group's internal audit carries out assessments and audits on the efficiency of risk management, internal control, and corporate governance processes. Internal audit is an independent and objective function whose aim is to help the organization to achieve its goals. The Internal Audit function in the Group is managed by the Chief Audit Executive (CAE), who works under the Board of Directors and the President and CEO. The Internal Audit function of the Group is planned to be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. An external auditor performed an assessment of the group's Internal Audit in the spring of 2015. The focus areas for internal audit are approved by the Board of Directors each year. The CAE reports on their findings and the agreed further actions to the Audit Committee and the Board of Directors.

In 2017, Internal Audit focused on assessing, among other things, the operations and risks of various country organizations, corporate governance arrangements, risk management arrangements and instructions, corporate sustainability and information security matters as well as specific misconduct risks and cases, including the Black Donuts case where Nokian Tyres was the complainant. The Internal Audit function at Vianor focuses on guiding the outlets and ensuring conformity to the Vianor activity management system. It reports to the Internal Auditor of the Group and the Managing Directors of the country units.

#### Decision-making concerning related party transactions

The Company assesses and follows business transactions made with its related parties and maintains a list of parties that are considered related parties. The Company has defined practices for business with related parties. As a rule, related party transactions are prohibited; however, if related party transactions cannot be avoided, the instructions are to report them to the nearest supervisor. If the monetary value of the transaction is substantial, it will be reported to the Company's General Counsel and Internal Auditor.

The Company only has related party transactions that are a part of normal business, and the information regarding them is provided in the annual report and the notes to the financial statements.

#### Insider issues

The Company complies with the guidelines for insider trading drawn up by

Nasdaq Helsinki. Furthermore, the company has drawn up separate insider trading guidelines that have been approved by the Board of Directors.

The Company draws up a separate list of people in executive positions and their related entities. In 2017, the Company's Board members, President and CEO, Business Unit managers, Vice President responsible for finance and control, the General Manager for Nokian Tyres Russia, the Vice President, of Sales of Passenger Car Tyres, and the Vice President of Production were considered persons in executive positions with regard to the Market Abuse Regulation.

Pursuant to the Market Abuse Regulation, a list of permanent insiders may be established and maintained regarding persons who have continuous access to all insider information concerning the company. The Company does not maintain a separate list of permanent insiders; instead, all persons involved in insider projects are added to the project-specific insider lists. A project refers to an identifiable entity of activities or arrangement that is being confidentially prepared by the Company, which the Company considers to be insider information, and the publication of which the Company has decided to delay. Those entered into the project-specific list of insiders are notified of their entry and the duties it entails, as well as the termination of the list's maintenance. Separate instructions are available for the establishment of a project-specific list of insiders.

The Company maintains a project-specific list of insiders either manually within the Company or in a digital system maintained by Euroclear Finland Oy.

The Company's General Counsel is responsible for insider matters. The assistant of the Vice President responsible for finance and control is responsible for maintaining the list of insiders. The General Counsel is responsible for managing the trading limitations and the duty to declare business transactions. The Vice President responsible for finance and control acts as the deputy to both the General Counsel and the assistant as regards insider issues.

The insider representative supervises the trading and duty to declare of the persons holding executive positions and their related entities. The insider representative will check the information to be declared from the persons holding executive positions and their related entities at least once per year.

Persons holding executive positions within the Company and permanent insiders are not allowed to trade in the Company's securities for 30 days before the publication of the Company's financial statement report, half year report, or interim report ("closed window"). The same applies to persons who participate in the preparation, drawing up, and/

or publication of the Company's financial reports. The prohibition on trading mentioned hereinabove also applies to persons who process the reporting and forecasts of the Nokian Tyres Group and those who have access to group-level financial figures through different systems.

Those included in the project-specific insider lists are prohibited from trading in the Company's securities until the termination or publication of the project.

#### Audit

The auditor has an important role as a controlling body appointed by the shareholders. The audits give shareholders an independent opinion on how the financial statements and report by the Board of Directors of the Company have been drawn up and the accounting and administration of the Company have been managed. The auditor elected at the Annual General Meeting is KPMG Oy Ab, authorized public accountants, with Lasse Holopainen, Authorized Public Accountant, acting as the auditor with principal responsibility. In addition to his duties under the valid regulations, he reports all audit findings to the Group's management.

The Group's audit fees in 2017 amounted to EUR 406,000 (2016: EUR 437,000). The fees paid to the authorized public accountants for other services totaled EUR 1,009,000 (EUR 739,000).

### SALARIES AND REMUNERATIONS 2017

#### A. Decision-making mechanism for remuneration

Each year, the Annual General Meeting decides on the remuneration payable to the Board members on the basis of a proposal drawn up by the Personnel and Remuneration Committee.

The Board of Directors makes decisions concerning the salary, benefits, and long-term incentives of the President and CEO as well as the rest of the management team. In addition to the President and CEO's short-term incentive system, the Board also decides on the maximum level of the management team's short-term incentive system. The Personnel and Remuneration Committee prepares the above-mentioned matters for the Board to decide on, while using external experts when necessary. The President and CEO decides on the goals for the management team's short-term incentive system.

In 2017, the Annual General Meeting authorized the Board of Directors to make a decision to offer no more than 25,000,000 shares through a share issue. The authorization is effective for two years

## CORPORATE GOVERNANCE STATEMENT

from that decision. In 2017, the Annual General Meeting authorized the Board of Directors to decide on the repurchase of a maximum of 5,000,000 of the company's own shares using funds from the Company's unrestricted equity. This authorization is valid until the next Annual General Meeting, but however at most until October 10, 2018. The Board may also use these shares as incentives.

### B. General principles for remuneration

#### Remuneration of the Board members

The Board members receive an annual fee and a meeting fee for the meetings of the Board and its committees. Travel costs are compensated for according to the company's travel policy. 50% of the annual fee is paid in cash and 50% is paid in shares in the company that are purchased for the Board members in April following the Annual General Meeting. The company is responsible for any asset transfer tax.

The Annual General Meeting in 2017 decided on the following fees for Board members:

- Annual fee for chairman, EUR 80,000
- Annual fee for vice chairman and for the chairman of the Audit Committee, EUR 60,000
- Annual fee for member, EUR 40,000
- Meeting fee EUR 600/attended meeting/person, or if the member of the board is living outside of Finland, EUR 1,200/attended meeting/person.

Board members are not included in the company's option and share issue programs.

#### Remuneration for the President and CEO

The Board of Directors makes decisions concerning the salary and other benefits of the President and CEO.

The compensation package includes the basic salary, fringe benefits, the performance-related short-term bonus scheme, and the share-based long-term incentives.

Hille Korhonen was appointed as the President and CEO as from June 1, 2017. The annual base salary for the CEO has been set at EUR 693,000. Before Hille Korhonen's nomination, Andrei Pantioukhov served as the interim President and CEO from Jan 1, 2017 until May 31, 2017.

#### Short-term and long-term incentive systems

The President and CEO's short-term performance-related bonus is

based on the Group's profitability and net sales, and it may amount to a maximum of 100% of the annual salary. The target period is one year and the bonus is paid out once per year following the performance period.

The President and CEO's long-term incentive consists of share incentive plans. The key goals for the share incentive plans in force at any given time can be found under Long-term incentive plans for key personnel. The maximum opportunities for remuneration are set forth in Table 1.

#### Pensions and information regarding the termination of the employment relationship

The President and CEO Hille Korhonen's pension and retirement age are defined in accordance with the Finnish Employees' Pension Act (65 years). Furthermore, she is entitled to a defined contribution pension insurance where the contribution equals 20% of her fixed annual salary. The amount paid in 2017 was EUR 77,000.

The President and CEO's period of notice is 6 months. If the agreement is terminated by the company, the President and CEO is entitled to compensation corresponding to 12 months' salary and other benefits, in addition to the notice period's salary.

#### The management team

The Board approves the salaries and benefits of managerial employees and the employee incentive scheme on the basis of a proposal by the Personnel and Remuneration Committee.

Remuneration for the management consists of a monthly base salary and fringe benefits, such as phone and car benefits, an annual bonus based on separately defined performance criteria, and a share-based long-term incentive plan.

The annual bonus is based on the Group's operating profit and the achievement of the KPIs set for different functions. The function specific KPIs consist of several factors including profitable growth, net

sales, and the efficiency of the operative process. The maximum annual bonus corresponds to 40–50% of a person's annual salary. The annual bonus is paid out once per year following the earning period.

The Group has a share rewards system for key personnel (see Incentive plans for key personnel) that is intended to provide long-term incentives and build commitment toward the company. The maximum limits for the remuneration are set forth in Table 1.

The salaries of the management team members (excluding the President and CEO) were in total EUR 1,951,793 in 2017, and the annual bonuses amounted to a total of EUR 604,213.

#### Pensions and information regarding the termination of the employment relationship

The management team members have no separate pension arrangements.

A management team member's period of notice is 6 months when terminated by the company and 3 months when terminated by the management team member. If the employment is terminated due to a reason attributable to the company, the management team member is entitled to compensation corresponding to 12 months' salary and other benefits.

#### Incentive plans for key personnel

##### Option scheme 2013

The Annual General Meeting held in 2013 decided on the issue of stock options as part of the Group's incentive and commitment system for personnel. The system also covers persons employed or recruited by the Group at a later date. The Board distributed the options in the spring of 2013 (options 2013A), 2014 (2013B), and 2015 (2013C).

**Table 1. Maximum limits for the bonuses under the short-term and long-term incentive plans**

	Short-term incentive scheme	Long-term incentive schemes	
	Performance based bonus scheme 2017 and 2018,%*	Share-based incentive plan 2016 (maximum)	
		Earnings period 2016	Earnings period 2017
President and CEO	100%	70,000	70,000
Other management team	44%**	216,875	225,000

\* The maximum limits are presented as percentages of the fixed earnings for the target period (year)

\*\* Other members of the Management team on average

## CORPORATE GOVERNANCE STATEMENT

### Share rewards plan 2016

In the spring of 2016, the Board of Nokian Tyres plc decided to update the Group's incentive schemes. The update aims to clarify and improve the schemes and to offer a competitive rewards system for all personnel.

The purpose of Nokian Tyres' new share-based incentive system is to harmonize the goals of the owners and key personnel in order to increase the value of the company in the long term, and to commit key personnel to the company. The share rewards system covers some 5% of the Group's personnel, including the management team members.

The share rewards system has three one-year earnings periods for the calendar years 2016, 2017, and 2018. The company's Board will decide separately on each earnings period for the system and set the

earning criteria, and the goals for each criterion, at the beginning of the earnings period. The system's possible reward for the earnings period of 2017 is based on the Group's operating profit and net sales. The rewards paid for the earnings period of 2017 correspond to a maximum of 540,000 shares in Nokian Tyres plc, including the monetary reward.

The possible reward from the earnings period of 2017 will be paid in 2018, partially as shares in the company and partially as money. The monetary reward is intended to cover the taxes and tax-like charges incurred on the key person. As a rule, the reward is not paid if the key person's employment is terminated before the reward is due. Shares that are offered as a reward cannot be handed over during the limitation period of approximately one year.

A member of the Group's management team must own 25% of the gross total number of shares earned through the system, up to the point where the total value of their share ownership is equal to their gross annual salary. They must own this number of shares for as long as they are involved in the Group's management team.

### C. Remuneration statement

#### Board of Directors

The remuneration paid to the Board members, the number of shares purchased, and the meeting fees for the Board and the committees are presented in the table below.

**Table 2. Remuneration paid to the Board members in 2017 (cash basis)**

Position on the Board		Fixed annual fee, €****	Meeting remuneration fees, €	Committee meeting remuneration fees, €	Total remuneration fees, €	Shares acquired with a fixed annual fee, number of shares	Share holdings of the Board, number of shares
Petteri Walldén	chairman and chairman of the Personnel and Remuneration Committee	80,000	10,800	3,000	93,800	1,061	19,517
Heikki Allonen	member	40,000	10,800	3,000	53,800	530	1,193
Hille Korhonen*	member	40,000	2,400	600	43,000	-	board membership has ended
Tapio Kuula**	chairman of the Personnel and Remuneration Committee	60,000	7,800	2,400	70,200	795	board membership has ended
Raimo Lind	vice chairman, chairman of the Audit Committee	60,000	10,800	3,600	74,400	795	2,851
Veronica Lindholm	member	40,000	10,200	1,800	52,000	530	1,193
Inka Mero	member	40,000	10,800	2,400	53,200	530	2,586
George Rietbergen***	member	40,000	13,200	3,600	56,800	530	530
<b>Total</b>		<b>400,000</b>	<b>76,800</b>	<b>20,400</b>	<b>497,200</b>	<b>4,771</b>	<b>27,870</b>

\* member until April 10, 2017

\*\* member until November 7, 2017

\*\*\* member since April 10, 2017

\*\*\*\* 50% of the annual remuneration to be paid in cash and 50% in company shares

### President and CEO and management team

**Table 3: Salaries and financial benefits paid to the President and CEO and the company's other management team members in 2017 (cash basis)**

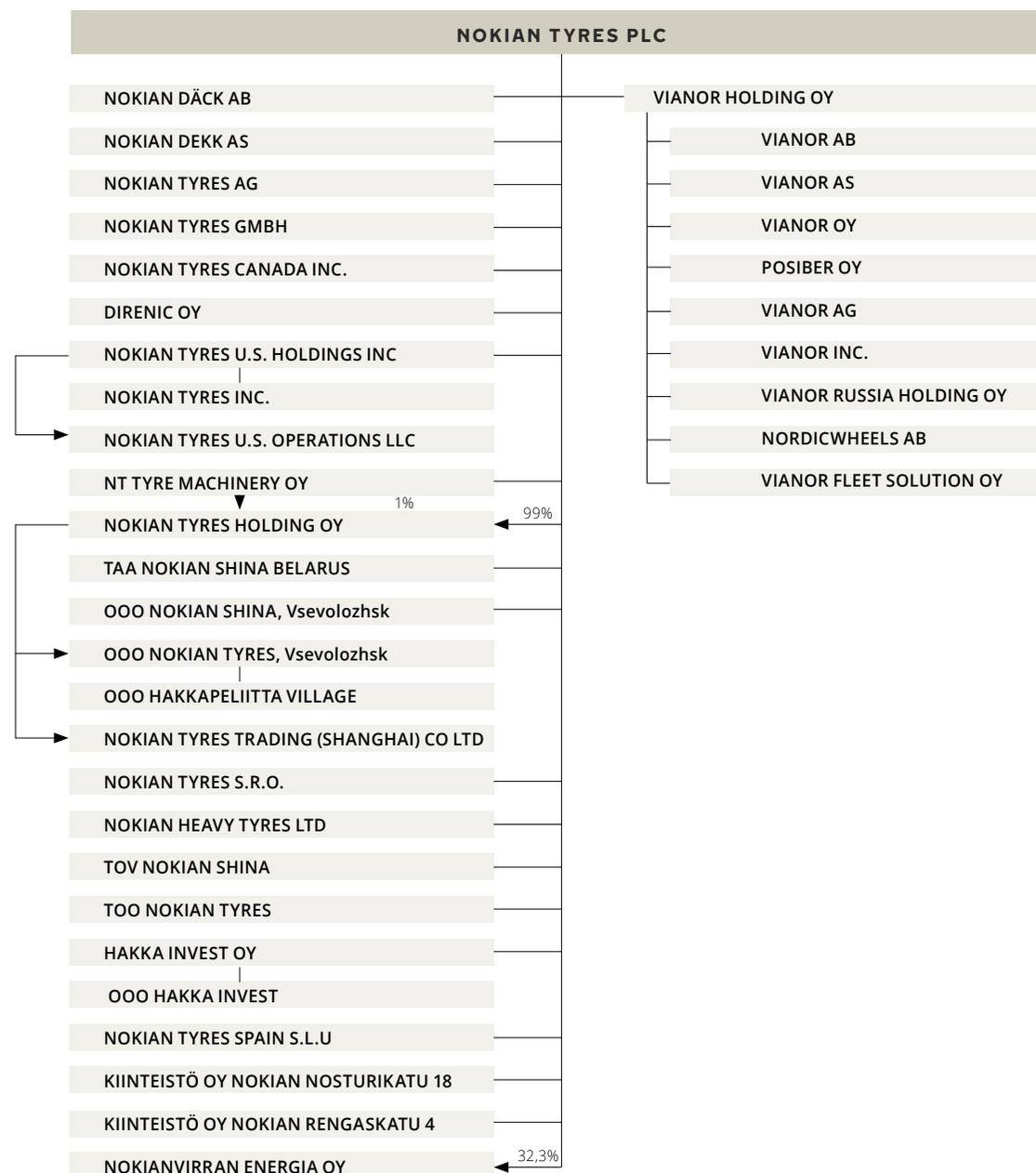
	Annual salary, € (including fringe benefits)	Performance based bonuses, € (year 2016)	Signing fees, €	Severance package, €	Total value of share-based bonus, €* €*	Total, €	Share-based bonus paid in shares, number of shares
President and CEO	411,540	0	0	0	0	411,540	0
Interim CEO**	235,940	0	0	0	0	235,940	0
Previous President and CEO ***	0	646,229	0	0	0	646,229	0
Other members of the management team	1,951,793	604,213	0	109,908	6,277,524	8,943,438	89,103

\* According to the stock exchange price of the assignment date of March 23, 2017, the payment for the earnings period of 2016 in the share-based bonus system

\*\* Andrei Pantioukhov, Jan 1, 2017–May 31, 2017

\*\*\* Ari Lehtoranta, bonus based on 2016 performance

## NOKIAN TYRES GROUP STRUCTURE



### INVESTOR INFORMATION AND INVESTOR RELATIONS

#### Annual General Meeting 2018

The Annual General Meeting of Nokian Tyres plc will be held at Tampere-talo in Tampere, Finland, street address Yliopistonkatu 55, on Tuesday April 10, 2018, starting at 4 p.m. Registration of attendants, the distribution of ballots and a coffee service will begin at 2 p.m.

Shareholders registered no later than March 27, 2018 in the company's shareholder register, which is maintained by Euroclear Finland Oy, are entitled to attend the Annual General Meeting.

The 2017 Annual Review, Financial Review, Corporate Governance Statement, and Remuneration Statement will be available in electronic form at the Company's website. The Financial Review includes the Financial Statements as well as the Report by the Board of Directors and the Auditors' Report. The Report by the Board of Directors also includes a Non-Financial Reporting Statement.

Read more at

[www.nokiantyres.com/annualgeneralmeeting2018](http://www.nokiantyres.com/annualgeneralmeeting2018)

[www.nokiantyres.com/company/investors/](http://www.nokiantyres.com/company/investors/)

#### Dividend payment

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.56 per share be paid for the financial year 2017. The record date for the dividend payment will be April 12, 2018 and the dividend payment date will be April 25, 2018, provided that the Board's proposal is approved.

#### Share register

Shareholders are requested to notify any changes in their contact information to the book entry register in which they have a book entry securities account.

#### Financial reports

Nokian Tyres will publish financial information in Finnish and in English as follows:

- Interim Report for three months on May 9, 2018
- Half year Report for six months on August 8, 2018
- Interim Report for nine months on October 31, 2018

Nokian Tyres publishes its Financial Reports and Annual Report on the internet at [www.nokiantyres.com/company/investors/](http://www.nokiantyres.com/company/investors/)

#### Principles of investor relations

The goal of the company's investor relations is to regularly and consistently provide the stock market with essential, correct, sufficient and up-to-date information used to determine Nokian Tyres' share value. The operations are based on equality, openness, accuracy, and good service.

The company's management is strongly committed to serving the capital market. The company's President & CEO and CFO are the main parties dealing with and answering questions from analysts and investors. Nokian Tyres adopts at least a four-week period of silence before the publication of financial information and at least a six-week period of silence before the publication of the Financial Statements Release.

Analyst and investor meetings are held both in Finland and abroad mainly in conjunction with the publication of the company's financial results. At other times, questions from analysts and investors are mainly answered by phone or email.

Read more about the company's insider policy:

[www.nokiantyres.com/company/investors/corporate-governance/insider-issues/](http://www.nokiantyres.com/company/investors/corporate-governance/insider-issues/)

#### Analysts

Contact information for analysts following Nokian Tyres is available on the investor website. Nokian Tyres is not responsible for any comments or assessments provided by the analysts.

Read more:

[www.nokiantyres.com/company/nokian-tyres-as-an-investment/analysts/](http://www.nokiantyres.com/company/nokian-tyres-as-an-investment/analysts/)

#### Contact information

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##### Address:

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FI-37101 Nokia

### STOCK EXCHANGE RELEASES IN 2017

In 2017, Nokian Tyres published in total 48 stock exchange releases, of which 19 releases of managers' transactions and 5 flagging notifications. In addition, the company published press releases, product releases and company releases. The titles of the most significant stock exchange releases are given below. All of the 2017 releases as well as previous years' releases can be found on the Nokian Tyres website at [www.nokiantyres.com/company/publications/releases/](http://www.nokiantyres.com/company/publications/releases/).

January 3	Nokian Tyres introduces new flagship products for its winter tyre range
February 2	Nokian Tyres plc Financial Statement Release 2016: Strong performance in challenging market environment
February 2	Proposals by the Board of Directors of Nokian Tyres plc to the Annual General Meeting
February 2	Nokian Tyres plc Performance Share Plan; performance period 2017 and realization of performance period 2016
February 9	Nokian Tyres plc: Shares subscribed with option rights
March 17	Nokian Tyres Annual Report and Sustainability Report 2016 published
March 17	Notice to the Annual General Meeting
March 28	Hille Korhonen appointed President and CEO of Nokian Tyres plc
March 28	Proposals by the Board of Directors of Nokian Tyres plc to the Annual General Meeting; change to proposal number 4
April 10	Nokian Tyres plc Annual General Meeting, decisions
April 10	Decisions of the organizational meeting of Nokian Tyres plc's Board of Directors
April 19	Nokian Tyres applies for listing of stock options 2013C
May 3	Nokian Tyres' Board of Directors has made a principal decision to invest in a greenfield factory in the USA
May 3	Nokian Tyres plc Interim Report January–March 2017: Strong start of the year and good prospects for steady growth
May 11	Nokian Tyres plc: Shares subscribed with option rights
August 8	Nokian Tyres plc Half Year Financial Report January–June 2017: Strong first half of the year with solid full year expectations
August 16	Nokian Tyres plc: Shares subscribed with option rights
October 3	Nokian Tyres received EUR 59 million additional payable tax in Finland regarding year 2011; the company will appeal the decision
November 1	Nokian Tyres plc: Interim Report January–September 2017: Strong performance with solid full year expectations
November 1	Nokian Tyres' financial calendar and Annual General Meeting in 2018
November 9	Nokian Tyres plc: Shares subscribed with option rights
November 14	Changes in Nokian Tyres' Board of Directors and its Committees
December 4	Nokian Tyres is renewing its leadership and operational model to support global business
December 21	Nokian Tyres plc: Shares subscribed with option rights

#### Annual Review and Financial Review 2017

The 2017 Annual Review, Financial Review, Corporate Governance Statement, and Remuneration Statement will be available in electronic form on the Company's website. The Financial Review includes the Financial Statements as well as the Report by the Board of Directors and the Auditors' Report. The Report by the Board of Directors also includes a Non-Financial Reporting Statement.

Read more at [www.nokiantyres.com/company/investors/](http://www.nokiantyres.com/company/investors/)

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