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Nokian Tyres plc Interim Report January-June 2014:
Strong growth in western markets – headwind in Russia

4-6/2014

Nokian Tyres Group's Net sales decreased by 11.8% to EUR 369.5 million (EUR 419.1 million in 4-6/2013). Operating profit was EUR 90.7 million (120.2). Profit for the period amounted to EUR 66.1 million (85.6). Earnings per share amounted to EUR 0.50 (EUR 0.65).

1-6/2014

Nokian Tyres Group's Net sales decreased by 9.4% to EUR 681.5 million (EUR 752.2 million in 1-6/2013). Currency rate changes cut Net sales by EUR 51.2 million compared with the rates in the corresponding period in 2013. Operating profit was EUR 159.1 million (196.6). Profit for the period amounted to EUR 104.8 million (149.2). Earnings per share amounted to EUR 0.79 (EUR 1.13).

Outlook

The market demand for replacement car tyres is expected to continue to show growth in the Nordic countries, Central Europe and North America in H2/2014. In Russia and CIS the overall uncertainty, the Ukrainian crisis, and the clearly devalued currencies have hurt the economies, thus weakening growth in GDP, sales of new cars and tyre demand. Heavy industrial tyre demand is recovering in Nokian core products and is expected to continue to improve. The pricing environment for 2014 remains tight for all tyre categories.

The sales volume of Nokian Tyres is expected to show growth and the market position to improve in 2014 in the Nordic countries, Central Europe and North America. In Russia and CIS the company's sales volume is expected to decline. Nokian Tyres' Net sales are expected to decrease due to currency devaluations combined with weaker sales mix and ASP. Nokian Tyres continues to have competitive advantages from having manufacturing inside Russia. Of the Russian production 55% is exported and the margin between production costs in Roubles and export sales in Euros has improved. A decline of raw material costs is estimated to provide a tailwind of EUR 50 million full year 2014 supporting profitability. However, this is not enough to fully compensate for the weaker market conditions in Russia and CIS in 2014.

Financial guidance (unchanged)

In 2014, Net sales and Operating profit are to decline compared to 2013.

Key figures, EUR million

	4-6/14	4-6/13	Change%	1-6/14	1-6/13	Change%	2013
Net sales	369.5	419.1	-11.8	681.5	752.2	-9.4	1,521.0
Operating profit	90.7	120.2	-24.6	159.1	196.6	-19.1	385.5
Operating profit, %	24.5	28.7		23.3	26.1		25.3
Profit before tax	78.6	98.8	-20.4	134.6	171.7	-21.6	312.8
Profit for the period	66.1	85.6	-22.8	104.8	149.2	-29.8	183.7
Earnings per share, EUR	0.50	0.65	-23.4	0.79	1.13	-30.2	1.39
Equity ratio, %				67.6	67.6		67.6
Cash flow from operations	-21.8	-0.9		-25.5	-96.0	73.4	325.6
RONA,% (roll. 12 months)				18.9	21.1		20.2
Gearing, %				18.0	22.4		-4.1

Kim Gran, President and CEO:

“Nokian Tyres performed well in all markets in relation to market conditions. As strong positives we recorded healthy growth in the Nordic countries, Central Europe and North America where sales, profitability and market shares improved. The markets in Russia and CIS, on the other hand, proved to be more challenging than estimated as a result of the Russia/Ukraine crisis escalating, devaluations and slow economies with a clear drop in sales value as a consequence. Reductions in input costs, raw materials, improved productivity and good development in the West were not enough to compensate for the negatives in Russia/CIS. Despite lower sales value and margins we maintained a reasonably good level of profitability and improved cash flow. The company has a strong balance sheet, which together with inbuilt capacity reserves gives us a good platform to further develop our business and provide healthy cash flows. The company is positioned to outperform local market development in its main market areas in 2014 and the future.

While our passenger car tyre sales volume grew by 4%, we lost Net sales of over EUR 50 million due to devalued currencies, especially the Russian Rouble. However, growth in summer tyre sales and good preseason sales of winter tyres in the Nordic countries, Central Europe and North America secured a reasonably good top line for us in the first semester. Our passenger car tyre sales excluding Russia/CIS showed growth of 20% and our market shares improved again in all our western market areas. The expansion of our sales network is now starting to pay dividends in CE, where we managed to double our sales volume growth in relation to market growth.

The pricing in all markets remains tight for all year 2014. In the first semester our ASP was hit by currency rate effects and an increase in the share of mid-segment winter tyres sales in Russia. We were, however, able to defend profitability with the help of a strong tailwind from material cost and lower production costs in Russia. A high share of Russian production from the highly automated factory improved productivity.

We continue to develop our growth engine and expand our distribution network spearheaded by Vianor and a softer partner franchise model, Nokian Tyres Authorized Dealer (NAD). We added 54 Vianor shops during the first half and the network consists presently of 1,260 stores in 27 countries. The NAD network grew by 240 outlets in H1 to 672 shops contracted in Italy, Germany, Ukraine, China, Denmark France, Czech Republic and Bulgaria. In Russia our dealership programs include over 3,600 tyre stores and car dealers.

In 2014 we see a recovery in our western markets in Central Europe, Nordic countries and North America. We aim to continue to improve our market position and to provide healthy margins on the back of our renewed successful product lines, expanding distribution, efficient industrial structure and decreasing raw material cost. Despite the recent negative development we remain confident that also Russia, as history has taught us, will kick back to healthy growth in due course. As the recovery may take a while, we take decisive actions this year to maximize our sales and to defend our position in the Russian market.”

Market situation

The global economy has been improving, after some hiccups in the first quarter, driven by the recovery in advanced economies. USA is the growth engine with shale energy, improved industrial investments, competitiveness of companies and consumers' light debt loads giving fuel for growth. The economy in China is believed to remain solid with an estimated GDP growth of 7.4% in 2014. The European economy has turned to slow growth. European unemployment has passed its peak and consumer confidence has been improving in recent months. Thus, even though many of the emerging economies are currently weak and geopolitical risks have increased, the global GDP growth is expected to be 3.4% in 2014.

In Nokian Tyres' core markets the Nordic countries continue to show slow but comparatively stable development with a full year 2014 GDP growth estimate of 2 %. Due to the oil price levelling off, high interest rates, slow investments, and the prolonged Ukraine crisis, the growth in Russia is expected to be weak with full year 2014 GDP growth estimated currently at 0%.

In Russia the consumer spending has been held back by the devalued Rouble combined with high inflation and interest rates. The sales of new cars in H1/2014 in Russia decreased by 7.6% compared to H1/2013. Car sales are estimated to decline 10-15% in 2014. In the review period the sell-in volume for A and B segment tyres in Russia decreased and the full year 2014 tyre market volume is estimated to decline by 5-10%. Sales of mid class B-segment tyres increases proportionally weakening total market mix, which combined with the devaluation results in lower average sales prices in Russia. Some price increases in Roubles have been announced in the premium segment by the tyre industry in H1/2014, however not enough to compensate for the effect of the devaluation.

In Europe the sales of new cars increased in H1/2014 by 6.5% year-over-year. An improved economic outlook and an increased consumer demand have turned tyre sales to growth. Replacement car tyre sell-in to distributors increased by 8%, with winter tyres up by 22% compared to H1/2013. Inventory levels in distribution are lower than a year ago and tyre demand is estimated to show healthy growth in Central Europe in 2014. The pricing pressure has, however, tightened in both the premium and the economy tyre segments in Central Europe.

In the Nordic countries the new car sales increased by 11% in H1/2014 year-over-year. The market volume of car tyres showed a decrease of 1%, with winter tyre sell-in dropping by 2% compared to H1/2013. Both sales of new cars and tyre demand are estimated to grow in full year 2014.

The demand for speciality heavy tyres has started to recover. Forestry tyre and radial industrial tyre demand have turned back to growth and are expected to continue improving in H2/2014. The manufacturers' delivery times have become longer in some product groups.

Truck tyre demand has been recovering during the last 12 months. In H1/2014 in Europe the demand for premium truck tyres was up by 10%, and in the Nordic countries the demand was up by 15% year-over-year. However, the demand in Russia decreased by 18%. The recovery is expected to continue in all Nokian Tyres' western markets in 2014.

Raw materials

The tailwind from tyre industry raw material prices is expected to continue in 2014. The raw material cost (€/kg) for Nokian Tyres was down 15.6% in H1/2014 year-over-year, supporting Gross margin by approximately EUR 32.9 million. The raw material cost is estimated to decrease by 8% in H2/2014 versus H2/2013 and to decrease by 12.5% in full year 2014, providing a tailwind of approximately EUR 50 million versus 2013.

April-June 2014

Nokian Tyres Group recorded Net sales of EUR 369.5 million (419.1), showing a decrease of 11.8% compared with Q2/2013. In the Nordic countries sales decreased by 5.1% year-over-year. Sales in Russia decreased by 43.6%. Russia and CIS consolidated sales dropped by 44.2%. In Other Europe sales were up by 14.4% and in North America sales increased by 29.6%.

Raw material cost (EUR/kg) in manufacturing decreased by 12.1% year-over-year and increased by 2.1% versus the first quarter of 2014. Fixed costs amounted to EUR 96.7 million (101.8), accounting for 26.2% (24.3%) of Net sales.

Nokian Tyres Group's Operating profit amounted to EUR 90.7 million (120.2). The Operating profit was negatively affected by expensed credit losses and provisions of EUR 1.9 million (3.3).

Net financial expenses were EUR 12.1 million (21.4). Net interest expenses were EUR 3.6 million (3.9). Net financial expenses include EUR 8.5 million (17.5) of exchange rate differences.

Profit before tax was EUR 78.6 million (98.8). Profit for the period amounted to 66.1 million (85.6), and EPS were EUR 0.50 (EUR 0.65).

Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow from operations) was EUR -21.8 million (-0.9).

January-June 2014

Nokian Tyres Group recorded Net sales of EUR 681.5 million (752.2), showing a decrease of 9.4% compared with 1-6/2013. Currency rate changes cut Net sales by EUR 51.2 million. In the Nordic countries sales increased by 1.1% representing 34.8% (31.1%) of the group’s total sales. Sales in Russia decreased by 31.4%. Russia and CIS consolidated sales were down by 33.3% and formed 31.9% (43.3%) of the group’s total sales. In Other Europe sales were up by 16.1% year-over-year representing 22.9% (17.9%) of the group’s total sales. In North America sales increased by 24.0% and were 9.8% (7.2%) of the group’s total sales.

Sales of Passenger Car Tyres were down by 12.0% representing 72.1% (74.7%) of the group’s total sales. Heavy Tyres’ sales increased by 2.0% and were 9.9% (8.8%) of the group’s total sales. Vianor’s sales increased by 0.4% forming 18.1% (16.4%) of the group’s total sales.

Raw material cost (EUR/kg) in manufacturing decreased by 15.6% year-over-year. Fixed costs amounted to EUR 197.1 million (202.2), accounting for 28.9% (26.9%) of Net sales. Total salaries and wages were EUR 95.6 million (93.0).

Nokian Tyres Group's Operating profit amounted to EUR 159.1 million (196.6). The Operating profit was negatively affected by the IFRS 2 -compliant option scheme write-off of EUR 5.6 million (7.0) and expensed credit losses and provisions of EUR 3.6 million (3.4).

Net financial expenses were EUR 24.5 million (24.9). Net interest expenses were EUR 9.1 million (7.8) including EUR 1.6 million penalty interests related to additional taxes. Net financial expenses include EUR 15.5 million (17.1) of exchange rate differences.

Profit before tax was EUR 134.6 million (171.7). Profit for the period amounted to EUR 104.8 million (149.2), and EPS were EUR 0.79 (EUR 1.13).

Return on net assets (RONA, rolling 12 months) was 18.9% (21.1%). Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow from operations) was EUR -25.5 million (-96.0).

The Group employed an average of 4,224 (4,138) people, and 4,222 (4,184) at the end of the period. The equity-owned Vianor tyre chain employed 1,499 (1,489) people and Russian operations 1,323 (1,309) people at the end of the period.

Investments

Investments in the review period amounted to EUR 36.0 million (88.8). This comprises of production investments in the Russian and Finnish factories, moulds for new products and the Vianor expansion projects.

Financial position on 30 June 2014

Gearing ratio was 18.0% (22.4%). Interest-bearing net debt amounted to EUR 229.9 million (307.2). Equity ratio was 67.6% (67.6%).

The Group’s interest-bearing liabilities totalled EUR 297.7 million (422.3) of which current interest-bearing liabilities amounted to EUR 10.5 million (234.9). The average interest rate of interest-bearing liabilities was 3.4% (4.2%). Convertible bond of EUR 150 million, issued 2007, matured on 27 June 2014. Cash and cash equivalents amounted to EUR 67.8 million (115.1).

At the end of the review period the company had unused credit limits amounting to EUR 596.8 million (616.7) of which EUR 256.0 million (305.9) were committed. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, subsidiaries in distribution chains and thus control the typical seasonality in the Group’s cash flow due to changes in the working capital.

Tax rate

Nokian Tyres U.S. Finance Oy, a subsidiary of Nokian Tyres plc (ownership 100% of shares), received in April 2014 a reassessment decision from the Finnish Tax Administration, according to which the company is obliged to pay EUR 11.0 million additional taxes with punitive tax increases and interests concerning tax years from 2008 to 2012. From the amount EUR 7.9 million is additional taxes and EUR 3.1 million punitive tax increases and interests. The company has recorded them in full to the financial statement and result of year 2014.

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

Nokian Tyres U.S. Finance Oy considers the reassessment decision of the Tax Administration as unfounded and has appealed against it by leaving the claim for rectification to the Board of Adjustment and, if necessary, the company will continue the appeal process in the Administrative Court.

Due to the additional taxes, the Group’s tax rate was 22.1% (13.1%) in the review period. Tax rate excluding the additional taxes was 15.1%. The tax rate was positively affected by tax incentives in Russia based on present investments and further investment-related incentive agreements. The new agreed tax benefits and incentives came into force in the beginning of 2013. The agreement will prolong the benefits and incentives until approximately 2020.

Nokian Tyres Group has another pending dispute with the Finnish Tax Administration about EUR 100.3 million of additional taxes with punitive tax increases and interests, concerning years 2007-2010. The Company has recorded the total sum in full in the financial statement and result of year 2013.

Nokian Tyres’ viewpoint is expected to get support from a recent ruling in Finland. In a different company’s case the Finnish Supreme Administrative Court issued on 3 July 2014 a ruling, which includes an opposite view on transfer pricing compared to the interpretation of the Finnish Tax Administration. In the ruling it is clear that the interpretation of the Finnish legislation could not be extended on the basis of the OECD Transfer Pricing Guidelines.

The estimated tax rate going forward will depend on the timetable and final result of the appeal processes against the Finnish Tax Administration. If the claim to the Administrative Court does not lead to annulment of the tax decisions, the Group's corporate tax rate is expected to rise in the next 5 years, from the previously announced 17 per cent to a maximum of 22 per cent.

PASSENGER CAR TYRES

	4-6/14	4-6/13	Change%	1-6/14	1-6/13	Change%	2013
Net sales, m€	273.7	317.9	-13.9	520.6	591.6	-12.0	1,137.0
Operating profit, m€	83.4	114.6	-27.2	163.5	207.0	-21.0	378.5
Operating profit, %	30.5	36.0		31.4	35.0		33.3
RONA,% (roll.12 m.)				25.6	29.4		28.2

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The Net sales of Nokian Passenger Car Tyres were EUR 273.7 million (317.9). Operating profit amounted to EUR 83.4 million (114.6). Operating profit percentage was 30.5% (36.0%).

Nokian car tyres' sales volume was flat compared to Q2/2013 but the sales value decreased mainly due to currency devaluations as well as weaker mix and ASP in Russia and CIS. Lower raw material costs and reduced fixed costs secured a reasonable EBIT level.

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The Net sales of Nokian Passenger Car Tyres totalled EUR 520.6 million (591.6), down by 12.0% from the corresponding period a year earlier. Operating profit amounted to EUR 163.5 million (207.0). Operating profit percentage was 31.4% (35.0%).

The global sales volume of Nokian car tyres increased by 4% in H1/2014 year-over-year. The sales value dropped 12% due to currency devaluations and a weaker mix. Sales in Russia and CIS declined clearly due to a weaker sales mix and lower volumes in line with general market changes triggered by uncertainty and the Russian-Ukrainian crisis. Passenger car tyre sales excluding Russia/CIS showed growth of 20% and the company's market share improved in the Nordic countries, Central Europe and North America. The market share was flat in Russia/CIS.

The Average Selling Price decreased due to a weaker sales mix and the price pressure still prevailing in all markets. Winter tyres represented 74.5% (72.5%) of sales volume. The share of mid segment tyres and sales to CE increased clearly.

Raw material costs (€/kg) were down by 16% year-over-year, which together with improved productivity and lower fixed costs supported margins.

The new summer tyre range with the spearhead products Nokian Hakka Blue, Nokian Hakka Green, Nokian Line and Nokian Z SUV won several car magazines' tests in the core markets and in Central Europe in spring 2014. A major overhaul of key winter product offering, altogether five new product ranges, was done in 2013. In autumn 2013 Nokian tyres dominated the winter tyre tests with several victories in Nordic and Russian car magazines, which is expected to boost winter tyre sales in 2014. Also the Central European winter tyre test results were a success for Nokian Tyres with test wins in key markets.

Cash flow improved due to lower investments and finished goods inventory. The amount of trade receivables was flat year-over year.

In the review period 79% of Nokian car tyres (pcs) were manufactured in the Russian factories. Production output (pcs) increased in H1/2014 by 7.2% and productivity (kg/mh) improved by 4.4% year-over-year.

The target for 2014 is to increase sales volume (pcs) in all western markets, to win market share in Russia, the Nordic countries and Central Europe with new products, to expand distribution further and to improve productivity and the utilization of capacities.

HEAVY TYRES

	4-6/14	4-6/13	Change%	1-6/14	1-6/13	Change%	2013
Net sales, m€	36.7	36.7	0.0	71.3	69.6	2.0	149.7
Operating profit, m€	5.4	4.6	18.6	9.9	8.6	14.9	20.4
Operating profit, %	14.8	12.5		13.9	12.3		13.6
RONA,% (roll.12 m.)				19.3	15.1		17.7

The Net sales of Nokian Heavy Tyres totalled EUR 71.3 million (69.6), up by 2.0% year-over-year. Operating profit increased to EUR 9.9 million (8.6), and the Operating profit percentage improved to 13.9% (12.3%).

Heavy machinery tyres

The demand is recovering in most of the heavy tyre product groups. The order book of Nokian Heavy Tyres is healthy and the demand exceeded delivery capacity in some product groups in H1. Sales were up 6% in H1/2014 year-over-year, with forestry tyre sales up by 26%. Average Selling Price decreased by 1% in the review period year-over-year due to a challenging pricing environment. Margins were supported by lower raw material cost and improved productivity.

The production output (tonnes) was up in H1/2014 by 12% year-over-year, but it was not enough to meet the higher demand. A ramp-up of the production utilization rate from year-turn 65% to in excess of 90% is in progress to be completed during Q3/2014. The modernization and increase in radial manufacturing capacity has already opened bottlenecks, reduced manning and improved product quality, flexibility, and productivity.

Truck tyres and retreading materials

In the review period the sales of Nokian truck tyres decreased 5% year-over-year. Overall demand and sales showed healthy growth in Norway, Finland, Czech Republic, Poland and Croatia. In Russia and CIS the sales declined due to the uncertainty.

A restructuring of the Heavy Tyres operation to include also the Truck tyre profit center was done in the end of 2013 and the new organization has become effective from the beginning of 2014. Synergies are expected to materialize both in sales and in fixed costs already in 2014.

The demand in Nokian core heavy tyres as well as truck tyres are estimated to grow in OEM and in the replacement market in 2014. The focus is to increase sales especially in forestry, radial heavy tyres and truck winter tyres, to increase production output, and to improve productivity.

VIANOR

Equity-owned operations

	4-6/14	4-6/13	Change%	1-6/14	1-6/13	Change%	2013
Net sales, m€	81.0	86.4	-6.2	130.5	130.0	0.4	312.5
Operating result, m€	5.0	6.0	-16.0	-6.9	-9.9	29.9	-1.8
Operating result, %	6.2	7.0		-5.3	-7.6		-0.6
RONA,% (roll.12 m.)				0.7	-1.5		-1.1

At the end of the review period Vianor had 186 (183) equity-owned stores in Finland, Sweden, Norway, USA, Switzerland and Russia. Vianor's Net sales amounted to EUR 130.5 million (130.0), up by 0.4% compared with H1/2013. Operating result was EUR -6.9 million (-9.9) and the Operating result percentage was -5.3% (-7.6%).

Vianor succeeded in its strategic task of expanding distribution and setting market prices for Nokian products and was able to win market shares in a challenging market situation. Net sales were flat year-over-year with some unfavourable currency effect from SEK and NOK against the EUR. The strongest sales growth was recorded in car services, truck tyres and car spare parts. Operating result improved but was seasonally negative in H1, as expected.

The gradual change of operating model from tyre sales to full car service in the stores continues with investments and local acquisitions of car service shops. At the end of H1/2014 a total of 51 car service operations have been acquired in the Nordic countries and integrated with existing Vianor stores. Service sales increased by 6%, including car service sales growth of 27%.

The expansion of the network, increasing consumer tyre sales and the development of service sales are proceeding as planned.

Franchising and partner operations

Vianor expanded the retail network in Nokian Tyres' key markets by 54 stores during H1/2014. At the end of the review period the Vianor network comprised of totally 1,260 stores of which 1,074 were partners. Vianor operates in 27 countries; most extensively in the Nordic countries, Russia and Ukraine. Nokian Tyres' market shares improved as a result of the expansion in each respective country. Expanding the partner franchise network will continue according to plans; the target is to have 1,340 Vianor stores by the end of 2014.

A new softer partner franchise model initiated in 2012, Nokian Tyres Authorized Dealers (NAD), expanded in H1/2014 by 240 stores totalling 672 stores contracted in Italy, Germany, Ukraine, China, Denmark, France, Czech republic and Bulgaria. The target of the expansion is to reach 900 NAD stores by the end of 2014.

RUSSIA AND THE CIS COUNTRIES

Nokian Tyres' sales in Russia decreased year-over-year by 31.4% to EUR 230.9 million (336.4). Sales in CIS countries (excluding Russia) were EUR 6.9 million (20.3). Consolidated sales in Russia and CIS decreased by 33.3% to EUR 237.8 million (356.7). The sales volume (pcs) in Russia was down year-over-year. The decrease in sales value relates mostly to the weakening of the Russian Rouble against the Euro, and an increase in the mid-segment share of winter tyres. The Average Selling Price in Roubles decreased due to a weaker sales mix and a tightened pricing pressure. The Operating profit and margin of the Russian entity were strong.

Nokian winter tyre sales volume (pcs) in Russia decreased by 5% with a growing share of mid-price segment tyres. Summer tyre sales were down due to distributors' carry-over stocks from two consecutive weak summer tyre consumer seasons in 2012-2013. Payments of customers' trade receivables and governmental tax incentives came in as planned.

The distribution network was extended by signing additional distribution agreements and expanding the Vianor network by 13 stores. There were a total of 634 Vianor stores in 367 cities in Russia and CIS countries at the end of the review period. The Hakka Guarantee network and other retail partners working closely with Nokian Tyres in Russia comprised of over 3,600 tyre stores, Vianor shops, car dealers, and web shops. Nokian Tyres' e-commerce development proceeded according to plans.

The 13 production lines in the Russian factories equals to an annualized capacity of over 15 million tyres with current shift arrangements. Production output and productivity increased in H1/2014 year-over-year.

The Nokian Tyres plant located in Russia inside the customs borders combined with strong brands and an expanding distribution provides a significant competitive edge on the market. Nokian Tyres will continue to target outperforming the market in Russia in 2014, but in the current market situation this implies flat or slightly declined sales volume against the clearly falling market. The weaker Rouble will have a clear negative impact on reported sales in Euros.

Russian market

Due to the oil price levelling off, interest rates, slow investments, and the prolonged Ukraine crisis, the growth in Russia is expected to be weak with full year 2014 GDP growth estimated currently at 0%. In Russia the consumer spending has been held back by the devalued Rouble combined with high inflation and interest rates.

The sales of new cars in H1/2014 in Russia decreased by 7.6% compared to H1/2013. Car sales are estimated to decline 10-15% in 2014. The car park, however, continues to expand also in 2014 with 0.8-1.0 million pieces.

In the review period the sell-in volume for A and B segment tyres in Russia decreased year-over-year, and the full year 2014 tyre market volume is estimated to decline by 5-10%. Sales of mid class B-segment tyres increases proportionally weakening total market mix, which combined with the devaluation results in lower average sales prices in Russia. Some price increases in Roubles were announced by the tyre industry in H1/2014, however not enough to compensate for the effect of the devaluation.

By Russia joining WTO, the tyre duties will go down gradually; duty of car and van tyres is expected to decrease from 18% to 16% in 2014 and gradually to 10% in 2017.

OTHER MATTERS

1. Stock options on the NASDAQ OMX Helsinki Stock Exchange

The total number of stock options 2010A was 1,320,000. Each stock option 2010A entitled its holder to subscribe for one Nokian Tyres plc share. It was possible to subscribe shares with the stock options 2010A during 1 May 2012 - 31 May 2014. In the aggregate, the stock options 2010A entitled their holders to subscribe for 1,320,000 shares. The last share subscription price with stock options 2010A was EUR 13.39/share. The dividends payable annually were deducted from the share subscription price.

The total number of stock options 2010B is 1,340,000. Each stock option 2010B entitles its holder to subscribe for one Nokian Tyres plc share. The shares can be subscribed with the stock options 2010B during 1 May 2013 - 31 May 2015. In the aggregate, the stock options 2010B entitle their holders to subscribe for 1,340,000 shares. The present share subscription price with stock options 2010B is EUR 28.80/share. The dividends payable annually shall be deducted from the share subscription price.

The total number of stock options 2010C is 1,340,000. Each stock option 2010C entitles its holder to subscribe for one Nokian Tyres plc share. The shares can be subscribed with the stock options 2010C during 1 May 2014 - 31 May 2016. In the aggregate, the stock options 2010C entitle their holders to subscribe for 1,340,000 shares. The present share subscription price with stock options 2010C is EUR 32.40/share. The dividends payable annually shall be deducted from the share subscription price.

2. Shares subscribed with option rights

After 13 December 2013 registered new shares a total of 57,595 Nokian Tyres plc's shares have been subscribed with the 2010A option rights and 40 shares with the 2010B option rights. New shares have been registered into the Trade Register on 19 February 2014, as of which date the new shares have established shareholder rights. The share capital will not increase with subscriptions made by 2010 option rights. The entire subscription price of EUR 855,919.80 is entered in the invested unrestricted equity reserve. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 133,344,731 shares.

After 19 February 2014 registered new shares a total of 60 760 Nokian Tyres plc's shares have been subscribed with the 2010A option rights and 120 shares with the 2010B option rights. New shares have been registered into the Trade Register on 15 May 2014, as of which date the new shares have established shareholder rights. The share capital will not increase with subscriptions made by 2010 option rights. The entire subscription price of EUR 818,808.65 is entered in the invested unrestricted equity reserve. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 133,405,611 shares.

3. Share price development

The Nokian Tyres' share price was EUR 28.50 (EUR 31.31) at the end of the review period. The volume weighted average share price during the period was EUR 30.49 (EUR 33.05), the highest EUR 36.19 (EUR 36.63) and the lowest EUR 26.53 (EUR 29.85). A total of 92,321,628 shares were traded during the period (73,565,503), representing 69% (56%) of the company's overall share capital. The company's market value at the end of the period amounted EUR 3.802 billion (EUR 4.143 billion). The percentage of Finnish shareholders was 37.8% (37.8%) and 62.2% (62.2%) were foreign shareholders registered in the nominee register. This figure includes Bridgestone's ownership of approximately 15%.

4. Decisions made at the Annual General Meeting

On 8 April 2014, Nokian Tyres Annual General Meeting accepted the financial statements for 2013 and discharged the Board of Directors and the President and CEO from liability.

4.1.Dividend

The meeting decided that a dividend of EUR 1.45 per share shall be paid for the period ending on 31 December, 2013. The dividend was paid to shareholders included in the shareholder list maintained by Euroclear Finland Ltd on the record date of 11 April 2014. The dividend payment date was decided to be 25 April 2014.

4.2. Members of the Board of Directors and Auditor

The meeting decided that the Board of Directors has seven members. Current members Kim Gran, Hille Korhonen, Risto Murto, Hannu Penttilä and Petteri Walldén will continue in the Board of Directors. Two new members were chosen to the Board: Mr Raimo Lind and Ms Inka Mero. Authorised public accountants KPMG Oy Ab continue as auditors.

4.3. Remuneration of the Members of the Board of Directors

The meeting decided that the fee paid to the Chairman of the Board is EUR 80,000 per year, while that paid to Board members is set at EUR 40,000 per year. With the exception of the President and CEO, members of the Board are also granted an attendance fee of EUR 600 per Board or committee meeting.

In addition, 50% of the annual fee be paid in cash and 50% in company shares, such that in the period from 9 April to 30 April 2014, EUR 40,000 worth of Nokian Tyres plc shares will be purchased at the stock exchange on behalf of the Chairman of the Board and EUR 20,000 worth of shares on behalf of each Board member. This means that the final remuneration paid to Board members is tied to the company’s share performance. No separate compensation will be paid to the President and CEO for Board work.

5. Committees of the Board of Directors

In the Board meeting on 8 April 2014 the members for two committees were decided. The members of the Nomination and Remuneration committee are Petteri Wallden (chairman), Hille Korhonen and Hannu Penttilä. The members of the Audit committee are Raimo Lind (chairman), Inka Mero and Risto Murto.

6. Corporate social responsibility

Nokian Tyres published its Corporate Sustainability Report on June 2014. The renewed report, which was implemented according to the revised GRI G4 guidelines, has been published as a web version at www.nokiantyres.com/company/sustainability. In addition to product safety and quality, profitable growth, good HR management, and environmental issues are important for the development of sustainable business operations in Nokian Tyres.

Nokian Tyres plc is qualified to the OMX GES Sustainability Finland index. The index is designed to provide investors with a liquid, objective and reliable benchmark for responsible investment. The benchmark index comprises of the 40 leading NASDAQ OMX Helsinki listed companies in terms of sustainability. The index criteria are based upon international guidelines for environmental, social and governance (ESG) issues. The index is calculated by NASDAQ OMX in cooperation with GES Investment Services.

7. Forming of the new Heavy Tyres profit centre as of 1st January 2014

Nokian Tyres integrated the Heavy Tyres and Truck Tyres profit centers and formed a new profit centre as of 1st January 2014. The combined Net sales of the two profit centres were approximately EUR 150 million in 2013 and they employ about 280 people in Nokia, Finland. The integration of two small business units’ resources, operations and management is expected to improve sales and profitability.

8. Changes in ownership

Nokian Tyres received a notification from EuroPacific Growth Fund on 19 February 2014, according to which the total holding of EuroPacific Growth Fund in Nokian Tyres plc exceeded 5% as a result of a share transaction concluded on 18 February 2014.

Nokian Tyres received an announcement from Bridgestone Corporation on 16 May 2014, according to which Bridgestone's ownership of Nokian Tyres plc decreased below the level of 15%. As a result of the registration of shares subscribed with the 2010A and 2010B option rights on 15 May 2014, the number of Nokian Tyres' shares increased to 133,405,611. After the increase, the ownership of Bridgestone Corporation (20,000,000 shares) decreased below the level of 15% to 14.99% of shares and voting rights.

9. New financial guidance on 3 April 2014

With a Stock exchange release on 3 April 2014 Nokian Tyres announced that in 2014, Net sales and Operating profit are to decline compared to 2013. It was explained that the clearly devalued Rouble has hurt Russian economy and the purchasing power of Russian consumers, thus weakening tyre demand and Nokian Tyres' sales in Russia. Nokian Tyres estimated growth in 2014 in all its western markets: Nordic countries, Central Europe and North America.

10. Ari Lehtoranta appointed new President and CEO of Nokian Tyres

The Board of Directors of Nokian Tyres announced on 27 May 2014 that it has appointed Mr. Ari Lehtoranta, 51, M.Sc. (Eng.), as the new President and Chief Executive Officer of Nokian Tyres plc. He will start in Nokian Tyres on 1 September 2014 and as President and CEO on 1 October 2014. Lehtoranta is currently employed by Kone Corporation as Executive Vice President, Central and North Europe.

Nokian Tyres' current President and CEO Kim Gran will continue in his position until 30 September 2014 and will then use his option to retire. Gran has been leading the company since 1 September 2000. He will continue in the Board of Directors of Nokian Tyres.

11. Matters after the review period

Nokian Tyres received a notification from EuroPacific Growth Fund on 25 July 2014, according to which the total holding of EuroPacific Growth Fund in Nokian Tyres plc fell below 5% as a result of a share transaction concluded on 23 July 2014.

RISKS, UNCERTAINTY AND DISPUTES IN THE NEAR FUTURE

Russia and CIS consolidated sales formed 31.9% of the group’s total sales in H1/2014. Due to the oil price levelling off, high interest rates, slow investments, and the prolonged Ukraine crisis, the growth in Russia is expected to be weak with full year 2014 GDP growth estimated currently at 0%. About 80% of present Nokian production volume of car tyres is in Russia. Trade barriers by USA and EU against Russia have to date had little to no effect on Nokian Tyres’ operations. An escalation or prolongation of the Ukrainian crisis and additional barriers may have negative effects on sales and results. All in all the economic uncertainties may weaken future demand for tyres and increase credit risk.

The company’s receivables increased in the review period due to seasonality and business model. Tyre inventories are on a planned level. The company follows the development of NWC very closely. At the end of the review period the Russian trade receivables accounted for 49% (48%) of the Group’s total trade receivables.

Around 35% of the Group’s Net sales in 2014 are estimated to be generated from Euro-denominated sales. The most important sales currencies in addition to the Euro are the Russian Rouble, the Swedish and Norwegian Krona, the US Dollar and the Ukrainian Hryvnia.

Nokian Tyres’ other risks and uncertainty factors relate to the challenging pricing environment of tyres. The maintaining of profitability in case of rising raw material prices depends on the company’s ability to raise tyre prices in line with the increasing raw material cost.

Tax disputes

Nokian Tyres Group has a pending dispute with the Finnish Tax Administration about EUR 100.3 million of additional taxes with punitive tax increases and interests, concerning years 2007-2010. The Company has recorded the total sum in full in the financial statement and the result of year 2013. The Company has applied for and received a stay of execution from the Finnish Tax Administration and therefore additional taxes are not paid.

Nokian Tyres U.S. Finance Oy, a subsidiary of Nokian Tyres plc (ownership 100% of shares), received in April 2014 a reassessment decision from the Finnish Tax Administration, according to which the company is obliged to pay EUR 11.0 million additional taxes with punitive tax increases and interests concerning tax years from 2008 to 2012. From the amount EUR 7.9 million is additional taxes and EUR 3.1 million punitive tax increases and interests. The company has recorded them in full to the financial statement and result of year 2014.

Nokian Tyres considers the reassessment decisions of the Tax Administration to be incorrect and has appealed against them by leaving the claim for rectification to the Board of Adjustment. If necessary, the Company will continue the appeal process in 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. 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.

OUTLOOK FOR 2014

The global economy has been improving, after some hiccups in the first quarter, driven by the recovery in advanced economies. The European economy has turned to slow growth with no major country in recession. European unemployment has passed its peak and consumer confidence has been improving in recent months. Thus, even though many of the emerging economies are currently weak and geopolitical risks have increased, the global GDP growth is expected to be 3.4% in 2014.

In Nokian Tyres' core markets the Nordic countries continue to show slow but comparatively stable development with a full year 2014 GDP growth estimate of 2%. The growth in Russia is expected to be weak with full year 2014 GDP growth estimated currently at 0%.

The market demand for replacement car tyres is expected to continue to show growth in the Nordic countries, Central Europe and North America in H2/2014. In Russia and CIS the overall uncertainty, the Ukrainian crisis, and the clearly devalued currencies have hurt the economy, thus weakening growth in GDP, sales of new cars and tyre demand.

The sales volume of Nokian Tyres is expected to show growth and the market position to improve in 2014 in the Nordic countries, Central Europe and North America. In Russia and CIS the company's sales volume is expected to decline. Nokian Tyres' Net sales are expected to decrease due to currency devaluations combined with weaker sales mix and ASP. Nokian Tyres continues to have competitive advantages from having manufacturing inside Russia. Of the Russian production 55% is exported and the margin between production costs in Roubles and export sales in Euros has improved.

The pricing environment for 2014 remains tight for all tyre categories. The raw material cost is estimated to decrease by 8% in H2/2014 versus H2/2013, and to decrease 12.5% in full year 2014, providing a tailwind of approximately EUR 50 million versus 2013. However, this is not enough to fully compensate for the weaker market conditions in Russia and CIS in 2014.

Nokian Tyres' growing car tyre production capacity in Russia and a rebuilt heavy tyre production in Finland offer growth potential and productivity gains, and a cut of fixed costs in 2014 supports profitability. There is an inbuilt capability to increase output rapidly without capex to meet market growth.

Heavy industrial tyre demand is recovering in Nokian core products and sales and EBIT are expected to continue to gradually improve.

Vianor is expected to add 140 stores to the retail network in 2014 and to reach 1,340 stores, increase sales, develop service business further and to show a positive Operating result in full year 2014.

A strong position in the core markets, an expanding distribution channel, and an improved cost structure with majority of production inside duty borders of Russia and CIS combined with new test winner products give Nokian Tyres opportunities to strengthen its market leadership in the core markets and to provide healthy margins and a strong cash flow also in 2014.

Financial guidance (unchanged)

In 2014, Net sales and Operating profit are to decline compared to 2013.

INVESTMENTS IN 2014

Nokian Tyres' estimate for total investments in 2014 is EUR 103 million (125.6). Approximately EUR 26 million will be invested in Russia. The balance comprises of investments in Nokia plant (automation, moulds, ICT, R&D), Heavy tyres and sales companies including Vianor chain.

Nokia, 8 August 2014

Nokian Tyres plc

Board of Directors

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

This Interim Report has been prepared in accordance with IAS 34 Interim Reports standard. The company has adopted certain new or revised IFRS standards and IFRIC interpretations at the beginning of the financial period as described in the Financial Statements 2013. However, the adaption of these new or amended standards has not yet had an effect on the reported figures in practice. On the other respects, the same accounting policies have been followed as in the Financial Statements 2013.

Nokian Tyres 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 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 Nokian Tyres. During the period, a total number of 300,000 shares was acquired. At the end of the period the total number of shares was 300,000.

The interim report figures are unaudited.

NOKIAN TYRES
CONSOLIDATED

INCOME STATEMENT Million euros	4-6/14	4-6/13	1-6/14	1-6/13	Last 12 months	1-12/13	Change %
Net sales	369.5	419.1	681.5	752.2	1,450.3	1,521.0	-9.4
Cost of sales	-206.3	-221.0	-375.5	-405.9	-789.5	-819.9	7.5
Gross profit	163.2	198.0	305.9	346.2	660.7	701.0	-11.6
Other operating income	0.9	0.6	2.0	1.7	4.2	3.9	15.8
Selling and marketing expenses	-57.7	-61.6	-116.9	-120.7	-245.2	-249.1	3.2
Administration expenses	-9.1	-9.3	-18.0	-18.3	-36.3	-36.6	1.5
Other operating expenses	-6.6	-7.5	-14.0	-12.4	-35.4	-33.8	-12.8
Operating profit	90.7	120.2	159.1	196.6	348.0	385.5	-19.1
Financial income	31.5	20.6	71.9	38.9	137.3	104.3	84.7
Financial expenses (1	-43.6	-42.0	-96.4	-63.8	-209.6	-177.0	-51.1
Profit before tax	78.6	98.8	134.6	171.7	275.7	312.8	-21.6
Tax expense (2 (3	-12.6	-13.2	-29.7	-22.5	-136.3	-129.1	-32.4
Profit for the period	66.1	85.6	104.8	149.2	139.3	183.7	-29.8
Attributable to:							
Equity holders of the parent	66.1	85.6	104.8	149.3	139.4	183.8	
Non-controlling interest	0.0	0.0	0.0	-0.1	0.0	-0.1	
Earnings per share from the profit attributable to equity holders of the parent							
basic, euros	0.50	0.65	0.79	1.13		1.39	-30.2
diluted, euros	0.50	0.64	0.79	1.11		1.39	-28.5

CONSOLIDATED OTHER COMPREHENSIVE INCOME	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
Million euros					
Profit for the period	66.1	85.6	104.8	149.2	183.7
Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax:					
Gains/Losses from hedge of net investments in foreign operations	0.0	3.0	0.0	-1.9	-1.9
Cash flow hedges	0.2	-0.2	-0.8	-0.4	0.8
Translation differences on foreign operations 4)	22.5	-45.2	-22.8	-32.1	-65.6
Total other comprehensive income for the period, net of tax	22.7	-42.4	-23.5	-34.5	-66.7
Total comprehensive income for the period	88.8	43.2	81.3	114.7	117.0
Total comprehensive income attributable to:					
Equity holders of the parent	88.7	43.1	81.3	114.7	117.1
Non-controlling interest	0.1	0.1	0.0	0.0	-0.1

1) Financial expenses in 1-6/14 contain EUR 1.6 million expensed punitive interest for tax reassessment decisions on years 2008-2012 and in 1-12/13 EUR 20.2 million on years 2007-2010.
2) Tax expense in 1-6/14 contains EUR 9.4 million expensed additional taxes with punitive tax increases for tax reassessment decisions on years 2008-2012 and in 1-12/13 EUR 80.1 million on years 2007-2010.
3) Otherwise tax expense in the consolidated income statement is based on the taxable result for the period.
4) Since the beginning of this year 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".

KEY RATIOS	30.6.14	30.6.13	31.12.13	Change %
Equity ratio, %	67.6	67.6	67.6	
Gearing, %	18.0	22.4	-4.1	
Equity per share, euro	9.62	10.36	10.45	-7.2
Interest-bearing net debt, mill. euros	229.9	307.2	-56.4	
Capital expenditure, mill. euros	36.0	88.8	125.6	
Depreciation, mill. euros	46.3	47.7	93.5	
Personnel, average	4,224	4,138	4,194	
Number of shares (million units)				
at the end of period	133.11	132.61	133.29	
in average	133.17	132.30	132.65	
in average, diluted	137.08	137.71	137.62	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION Million euros	30.6.14	30.6.13	31.12.13
Non-current assets			
Property, plant and equipment	661.2	698.9	683.8
Goodwill	71.1	68.9	69.9
Other intangible assets	23.8	26.3	24.7
Investments in associates	0.1	0.1	0.1
Available-for-sale financial assets	0.3	0.3	0.3
Other receivables	15.6	13.4	11.3
Deferred tax assets	10.7	10.0	8.8
Total non-current assets	782.7	817.7	798.8
Current assets			
Inventories	318.5	338.1	322.1
Trade receivables	656.4	652.5	404.8
Other receivables	80.7	112.5	112.6
Cash and cash equivalents	67.8	115.1	424.6
Total current assets	1,123.4	1,218.2	1,264.1
Equity			
Share capital	25.4	25.4	25.4
Share premium	181.4	181.4	181.4
Treasury shares	-8.6	-	-
Translation reserve	-151.3	-76.4	-128.5
Fair value and hedging reserves	-1.4	-1.9	-0.7
Paid-up unrestricted equity reserve	98.8	87.0	97.1
Retained earnings	1,135.7	1,158.0	1,217.9
Non-controlling interest	0.0	0.3	0.2
Total equity	1,280.0	1,373.8	1,392.8
Non-current liabilities			
Deferred tax liabilities	28.6	25.7	36.1
Provisions	0.1	0.1	0.1
Interest bearing financial liabilities	287.2	187.3	185.8
Other liabilities	4.0	4.3	3.5
Total non-current liabilities	319.9	217.4	225.4
Current liabilities			
Trade payables	70.0	101.2	65.8
Other current payables	222.6	104.3	193.4
Provisions	3.2	4.3	3.1
Interest-bearing financial liabilities	10.5	234.9	182.4
Total current liabilities	306.3	444.7	444.7
Total assets	1,906.1	2,035.9	2,062.9

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 Million euros	1-6/14	1-6/13	1-12/13
Cash flows from operating activities:			
Cash generated from operations	4.0	-44.9	424.4
Financial items and taxes	-67.6	-52.9	-106.9
Net cash from operating activities	-63.5	-97.8	317.6
Cash flows from investing activities:			
Net cash used in investing activities	-39.2	-87.1	-143.4
Cash flows from financing activities:			
Proceeds from issue of share capital	1.7	7.7	17.8
Change in current financial receivables and debt	13.6	-0.6	-40.7
Change in non-current financial receivables and debt	-77.0	55.1	36.6
Dividends paid	-193.4	-191.9	-191.9
Net cash from financing activities	-255.1	-129.7	-178.1
Net change in cash and cash equivalents	-357.9	-314.5	-4.0
Cash and cash equivalents at the beginning of the period	424.6	430.3	430.3
Effect of exchange rate changes	1.0	-0.7	-1.8
Cash and cash equivalents at the end of the period	67.8	115.1	424.6
	-357.9	-314.5	-4.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Equity attributable to equity holders of the parent								
Million euros	A	B	C	D	E	F	G	H	I
Equity, Jan 1st 2013	25.4	181.4	-	-61.0	-1.5	79.3	1,213.2	0.3	1,437.2
Profit for the period							149.3	-0.1	149.2
Other comprehensive income, net of tax:									
Cash flow hedges					-0.4				-0.4
Net investment hedge				-1.9					-1.9
Translation differences				-13.4			-18.7	0.0	-32.1
Total comprehensive income for the period				-15.4	-0.4		130.6	-0.1	114.7
Dividends paid							-191.9		-191.9
Exercised warrants						7.7			7.7
Share-based payments							6.1		6.1
Total transactions with owners for the period						7.7	-185.7		-178.0
Equity, Jun 30th 2013	25.4	181.4	-	-76.4	-1.9	87.0	1,158.0	0.3	1,373.8
Equity, Jan 1st 2014	25.4	181.4	-	-128.5	-0.7	97.1	1,217.9	0.2	1,392.8
Profit for the period							104.8		104.8
Other comprehensive income, net of tax:							0.2	-0.2	0.0
Cash flow hedges					-0.8				-0.8
Net investment hedge				0.0					0.0
Translation differences				-22.8					-22.8
Total comprehensive income for the period				-22.8	-0.8		105.0	-0.2	81.3
Dividends paid							-193.4		-193.4
Exercised warrants						1.7			1.7
Acquisition of treasury shares			-8.6						-8.6
Share-based payments							5.9		5.9
Total transactions with owners for the period						1.7	-187.4	0.0	-185.7
Changes in the shareholding of subsidiaries									
Acquisition of non-controlling interests, with no impact on control							0.2		0.2
Equity, Jun 30th 2014	25.4	181.4	-8.6	-151.3	-1.4	98.8	1,135.7	0.0	1,280.0

SEGMENT INFORMATION

Million euros	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13	Change %
Net sales						
Passenger car tyres	273.7	317.9	520.6	591.6	1,137.0	-12.0
Heavy tyres	36.7	36.7	71.3	69.9	149.7	2.0
Vianor	81.0	86.4	130.5	130.0	312.5	0.4
Other operations	2.7	4.0	4.3	6.1	14.1	-30.4
Eliminations	-24.6	-25.9	-45.2	-45.5	-92.3	0.6
Total	369.5	419.1	681.5	752.2	1,521.0	-9.4
Operating result						
Passenger car tyres	83.4	114.6	163.5	207.0	378.5	-21.0
Heavy tyres	5.4	4.6	9.9	8.6	20.4	14.9
Vianor	5.0	6.0	-6.9	-9.9	-1.8	29.9
Other operations	-0.8	-1.6	-3.9	-5.6	-13.1	30.8
Eliminations	-2.4	-3.4	-3.5	-3.5	1.5	1.7
Total	90.7	120.2	159.1	196.6	385.5	-19.1
Operating result, % of net sales						
Passenger car tyres	30.5	36.0	31.4	35.0	33.3	
Heavy tyres	14.8	12.5	13.9	12.3	13.6	
Vianor	6.2	7.0	-5.3	-7.6	-0.6	
Total	24.5	28.7	23.3	26.1	25.3	
Cash Flow II						
Passenger car tyres	-22.7	-8.7	-16.4	-91.8	297.1	82.1
Heavy tyres	6.2	5.1	7.2	3.3	28.4	118.8
Vianor	1.8	2.1	-10.6	-8.5	7.4	-25.0
Total	-21.8	-0.9	-25.5	-96.0	325.6	73.4

Nokian Tyres integrated the Heavy Tyres and Truck Tyres profit centers and formed a new profit centre called Heavy Tyres as of 1st January 2014.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

Million euros	30.6.14	30.6.13	31.12.13
Opening balance	683.8	692.5	692.5
Capital expenditure	39.7	92.7	155.2
Decrease	-7.2	-12.3	-22.6
Depreciation for the period	-43.1	-44.0	-85.1
Exchange differences	-12.0	-30.0	-56.3
Closing balance	661.2	698.9	683.8

CONTINGENT LIABILITIES

Million euros	30.6.14	30.6.13	31.12.13
FOR OWN DEBT			
Mortgages	1.0	1.1	1.1
Pledged assets	0.2	0.2	0.2
OTHER OWN COMMITMENTS			
Guarantees	3.2	3.4	3.3
Leasing and rent commitments	53.6	80.7	63.3
Purchase commitments	2.0	2.0	2.0

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES	30.6.14		30.6.13		31.12.13	
Million euros	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS						
Financial assets at fair value through profit or loss						
Derivatives held for trading	4.7	4.7	15.6	15.6	5.3	5.3
Money market instruments	-	-	-	-	-	-
Loans and receivables						
Other non-current receivables	15.5	19.7	13.3	14.9	11.3	14.3
Trade and other receivables	660.8	660.0	656.3	656.9	408.3	407.7
Cash in hand and at bank	67.8	67.8	115.1	115.1	424.6	424.6
Available-for-sale financial assets						
Unquoted shares	0.3	0.3	0.3	0.3	0.3	0.3
Derivative financial instruments designated as hedges	2.1	2.1	0.3	0.3	0.1	0.1
FINANCIAL LIABILITIES						
Financial liabilities at fair value through profit or loss						
Derivatives held for trading	11.9	11.9	7.6	7.6	1.8	1.8
Financial liabilities measured at amortised cost						
Interest-bearing financial liabilities	297.7	307.9	422.3	431.5	368.2	375.8
Trade and other payables	70.0	70.0	101.2	101.2	65.8	65.8
Derivative financial instruments designated as hedges	5.4	5.4	3.8	3.8	2.9	2.9

All fair value measurements 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. There has been no transfers between the different levels in the fair value hierarchy.

DERIVATIVE FINANCIAL INSTRUMENTS Million euros	30.6.14	30.6.13	31.12.13
INTEREST RATE DERIVATIVES			
Interest rate swaps			
Notional amount	130.0	69.2	0.0
Fair value	-0.9	-0.8	0.0
FOREIGN CURRENCY DERIVATIVES			
Currency forwards			
Notional amount	533.9	347.4	225.8
Fair value	-9.7	3.3	1.9
Currency options, purchased			
Notional amount	24.8	299.4	110.3
Fair value	0.2	9.7	2.4
Currency options, written			
Notional amount	44.4	454.6	110.3
Fair value	-0.2	-6.5	-0.9
Interest rate and currency swaps			
Notional amount	20.0	20.0	20.0
Fair value	2.5	1.4	0.1
ELECTRICITY DERIVATIVES			
Electricity forwards			
Notional amount	11.3	12.9	12.3
Fair value	-2.5	-2.7	-2.8

RELATED PARTY TRANSACTIONS

The Group has related party relationships with 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

Key management personnel	1-6/14	1-6/13	1-12/13
Total employee benefit expenses	3.7	4.2	8.1
Of which share-based payments	1.6	2.2	3.6

The Group has a loan recaivable of EUR 136 thousand from a VP in the other key management personnel of the company. No interest is charged and no collateral has been placed on the loan. The remaining loan balance will be paid back in March 2015.

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

During 1 January and 30 June 2014 the President and other key management personnel were granted a total of 67,500 shares and 201,740 share options (during

1 January and 30 June 2013 69,400 shares and 250,020 share options). The share option plan terms for the key management personnel are equal to the share options directed at other personnel. On 30 June 2014 the key management personnel held 67,500 shares and 1,088,940 share options, with 657,500 exercisable (on 30 June 2013 69,400 shares and 1,057,494 share options, with 432,294 exercisable).

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

BUSINESS COMBINATIONS

Vianor-chain have expanded further through several minor business combinations in Finland, Sweden and the USA during the reported period.

Additionally, on 14 April 2014 the Group bought out the minority shareholding in the Chinese subsidiary Nokian Tyres Trading (Shanghai) Co Ltd and now holds the total stock. The Group held majority and exercised control prior to the acquisition and the company has already been consolidated as a group company before.

Recognised amounts of identifiable assets acquired and liabilities assumed:

Property, plant and equipment	0.5
Inventories	2.5
Trade and other receivables	0.3
Cash and cash equivalents	0.0
Total Assets	3.2
Deferred tax liabilities	0.0
Financial liabilities	0.0
Trade and other payables	0.0
Total liabilities	0.0
Total identifiable net assets	3.2
Composition of goodwill in the acquisition	
Consideration transferred	4.6
Total identifiable net assets	3.2
Goodwill	1.4
Consideration paid in cash	3.5
Cash and cash equivalents in the subsidiaries acquired	0.0
Net cash outflow	3.5

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 0.0 million, are included in the consolidated income statement. The actual acquisition dates and the nature of the operations taken into account the effect of the acquisition on the consolidated net sales and profit is not material even if they were combined as of the beginning of the financial year.

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

Goodwill is measured as the excess of the consideration transferred over the total identifiable net assets. None of the goodwill recognised is deductible for income tax purposes.

DEFINITIONS OF CONSOLIDATED KEY FINANCIAL INDICATORS

Earnings per share, euro:
Profit for the period attributable to the equity holders of the parent / Average adjusted number of shares during the period excluding treasury shares

Earnings per share (diluted), euro:
Profit for the period attributable to the equity holders of the parent / Average adjusted and diluted number of shares during the period excluding treasury shares

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

Equity ratio, %:
Total equity x 100 / (Total assets - advances received)

Gearing, %:
Interest-bearing net debt x 100 / Total equity

Equity per share, euro:
Equity attributable to equity holders of the parent / Adjusted number of shares on the reporting date excluding treasury shares

DEFINITIONS OF SALES AREAS

Nordic countries: Finland, Norway, Sweden.

Russia and CIS:
Russia, Armenia, Belarus, Georgia, Kazakhstan, Moldova, Ukraine.

Other Europe:
Albania, Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, The Former Yugoslav Republic of Macedonia, Montenegro, Netherlands, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Switzerland, Turkey, United Kingdom.

North America: Canada, USA.

Core markets: Nordic countries, Russia and CIS.

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Nokian Tyres plc

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Nokian Tyres Interim Report January-June was published on Friday 8 August 2014 at 8.00 a.m. Finnish time.

The result presentation to analysts and media will be held in Hotel Kämp in Helsinki at 10.00 a.m. Finnish time. The presentation can be listened through audiocast via internet at http://www.nokiantyres.com/resultinfoq22014

To be able to ask questions during the event you can participate in the conference call. Please dial in 5-10 minutes before the beginning of the event:

Finland: +358 9 8171 0465
UK: +44 203 194 0550
US Toll free: +1 855 269 2605

Stock exchange release and presentation material will be available before the event from http://www.nokiantyres.com/ir-calendar

After the event the audio recording can be downloaded from the same page.

Nokian Tyres interim report January-September will be published on Friday 31 October, 2014. Releases and company information will be found from http://www.nokiantyres.com