Nokian Tyres plc Financial Statement Bulletin 2013 7 February 2014, 8 a.m.

Nokian Tyres plc Financial Statement Bulletin 2013:
Improved market shares and solid margins in challenging conditions

10-12/2013
Nokian Tyres Group's Net sales in the fourth quarter were EUR 411.8 million (EUR 446.4 million in 10-12/2012). Operating profit amounted to EUR 93.2 million (111.8), including expensed credit losses and provisions of EUR 8.4 million (0.4). Result for the period was EUR -36.4 million (88.3), due to the additional taxes of EUR 100.3 million in Finland from years 2007-2010. Earnings per share amounted to EUR -0.28 (EUR 0.67).

1-12/2013
Nokian Tyres Group's Net sales decreased by 5.7% to EUR 1,521.0 million (EUR 1,612.4 million in 2012). Operating profit was down by 7.1% to EUR 385.5 million (415.0), including expensed credit losses and provisions of EUR 14.3 million (5.3). Profit for the period amounted to EUR 183.7 million (330.9), penalized by exceptional additional taxes of EUR 100.3 million in Finland from years 2007-2010. Earnings per share amounted to EUR 1.39 (EUR 2.52). Cash flow from operations was EUR 325.6 million (EUR 262.3 million). The Board of Directors proposes a dividend of EUR 1.45 (EUR 1.45) per share.

Outlook
The market demand for replacement car tyres is expected to show growth in the Nordic countries and in Central Europe in 2014. In Russia relatively low GDP growth and flat car sales still limit growth in tyre demand. Heavy industrial tyre demand in Nokian core products is expected to improve clearly. The pricing environment for 2014 remains tight for all tyre categories.

Nokian Tyres sales are expected to show growth in 2014, with a slow start in Q1. Sales in all target markets, Nordic countries, Central Europe, North America and Russia & CIS are expected to grow in 2014. Some growth is targeted in all core product groups. Margins will be supported by easing of raw material costs (€/kg) by 16% in Q1/2014 year-over-year and 5% in full year 2014, providing a tailwind of EUR 22 million versus 2013.

Financial guidance
In 2014, the company is positioned to show growth in Net sales and Operating profit.

Key figures, EUR million

	10-12/13	10-12/12	Change%	2013	2012	Change%
Net sales	411.8	446.4	-7.7	1,521.0	1,612.4	-5.7
Operating profit	93.2*	111.8	-16.6	385.5*	415.0	-7.1
Profit before tax	57.7	104.2	-44.7	312.8	387.7	-19.3
Result for the period	-36.4**	88.3	-141.2	183.7**	330.9	-44.5
Earnings per share, EUR	-0.28	0.67	-141.3	1.39	2.52	-45.0
Equity ratio, %				67.6	71.2	
Cash flow from operations	515.9	552.0	-6.5	325.6	262.3	24.2
RONA,% (roll. 12 months)				20.2	23.0	
Gearing, %				-4.1	-4.5	

*) Incl. bad debt provision of 8.4 m€ in Q4, (full year 14.3 m€)

**) Incl. additional tax of 100.3 m€ in Q4

Kim Gran, President and CEO:

“Nokian Tyres’ strong market leader position in Russia and Nordic countries improved further in 2013 and we managed again to increase both market share and our distribution footprint. The newly launched Nokian Hakkapeliitta 8 winter tyre set new standards for winter tyres and helped us to maintain price leadership, to improve sales mix and to book good growth in the premium segment. Despite the headwind from the markets in 2013 we maintained a reasonably good level of profitability and provided strong cash flow. The company is debt free with a strong balance sheet, which gives us a good platform to create further growth and improve owner value. In 2014 we see signs of recovery, especially in Central Europe, and we aim to grow our top line and to provide healthy margins on the back of our renewed successful product lines, expanding distribution, efficient industrial structure and decreasing raw material cost.

Nokian Tyres’ sales in the Nordic countries were again solid, and our already strong market position was further improved by clear growth especially in Sweden. Our market share improved to an all-time high 37% of winter tyres in the Nordic region. Our sales growth in Russia took a breath, even though we managed again to grow winter tyre sales clearly in a weaker market. One of our highlights was a clear improvement in our CE sales. The expansion of our distribution network in CE is starting to pay dividends with sales volumes increasing faster than the average market demand. We showed clear growth in Germany, Poland and France.

Our sales mix was strong securing an almost flat ASP (€/kg) of -1.1% in a challenging market. Our margins were good while the result was being pulled in two directions: a strong tailwind from material cost was challenged by the unfavourable exchange rate of the Russian Rouble and a tough pricing environment. A reasonable utilization rate and an increased share of Russian production compensated for the increased depreciation and marketing costs.

We continued to develop and improve productivity and our industrial structure. In Q1 we commissioned another line (line 12) in the Russian factory and followed up in Q2 with installation of line 13. This took the annualized capacity in Russia to more than 15 million tyres by end of 2013. We have an inbuilt capability to increase our output rapidly without capex to meet market growth.

Expanding our distribution network continued as we opened 169 new Vianor stores in 2013, now totalling 1,206 stores in 27 countries. In Russia Nokian dealership programs now include nearly 3,300 tyre stores and car dealers. A new softer partner franchise model Nokian Authorized Dealer (NAD) has also been rolled out with 432 shops contracted in Europe and China.

Our net profit was hit hard in Q4 by exchange rate changes and by additional taxes of EUR 100.3 million in Finland. We strongly disagree with the tax decision, which we consider to be in conflict with legislation and tax agreements. We will appeal against this decision in all instances necessary, and trust that the decision will be revised.

We are looking into the future with confidence. With the expanded product range combined with the overwhelming test victories in all core markets in 2013, our product offering is the best we have ever had. Our market geography is showing signs of improving demand and our tyre chains Vianor and NAD are to be expanded further, offering us a good base to increase sales in 2014. Lower material cost and a higher share of Russian production will support our profitability.”

Market situation

The global economy has showed signs of improvement since late 2013. The global GDP growth in 2013 was modest but is expected to turn to a growth of 3.5-4.0% in 2014. USA seems to be the growth engine with shale energy, improved industrial investments, competitiveness of companies and consumer confidence giving fuel for GDP growth. The economy in China is believed to remain solid with an estimated GDP growth of 7.5% in 2014. During the summer 2013 the European economy turned to growth after 18 months of recession. Growth in Europe is still fragile but the outlook is turning more optimistic in the beginning of 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 oil price levelling off, and higher interest rates, the growth in Russia has been slowing down with full year 2013 GDP growth estimated at 1.3% and growth for 2014 projected as 2.5-3.0%.

In Russia consumer confidence has been on a relatively healthy level in 2013, but consumer spending has been held back by increased interest rates and the uncertainty relating to the global economic turmoil. The sales of new cars in 2013 in Russia decreased by 5%, while foreign brands, representing some 80% of total, were down 3% compared to 2012. In 2013 demand for premium tyres decreased compared to 2012 by approximately 9%, slightly for winter tyres and clearly for summer tyres. Tyre prices decreased in the mid class B-segment, due to price pressure from the Japanese suppliers. Both car and tyre demand are estimated to be flat in Russia in 2014 versus 2013.

In Europe the weak economy had a clear negative effect on consumer confidence and spending. In 2013 the sales of new cars dropped by 1.7% year-over-year. However, the car sales turned to growth and were up in all months September to December. Replacement car tyre sales decreased by 1%, with winter tyre sell-in to distributors down by 5% compared to 2012. Consumer sales for tyres turned to growth during summer months and demand for winter tyres picked up in H2 due to seasonality and pent up demand. There has been pricing pressure both in the premium and economy tyre segments in Central Europe and sell-in prices of the tyre industry declined during H1/2013. The price rot seems to have stopped during H2 but there is still little evidence of price increases. Inventory levels in distribution are lower than a year ago and tyre demand is estimated to show growth in Europe in 2014.

In the Nordic countries the new car sales decreased by 2.6% in 2013 year-over-year. The market volume of car tyres showed a decrease of 2%, with winter tyre sell-in being on par with year 2012. Both sales of new cars and tyre demand are estimated to grow in 2014.

The demand for speciality heavy tyres remained comparatively weak in 2013. Forestry tyres and radial industrial tyre demand has turned back to growth in H2/2013 and are estimated to continue to improve in 2014. Demand for mining machinery tyres decreased along with the weakening prices of metals and have stabilized.

In 2013 there was a recovery in truck tyre demand. In Europe the demand for premium truck tyres was up by 8%, and in Russia the demand increased by 3% year-over-year. In the Nordic countries the recovery was postponed with demand still down by 3%. The recovery is expected to continue on all Nokian key markets in 2014.

Raw materials

Tyre industry raw material prices continued to decrease in 2013, and the tailwind is expected to continue into H1/2014. The raw material cost (€/kg) for Nokian Tyres was down 12.9% in 2013 year-over-year. The raw material cost is estimated to decrease by 16% in Q1/2014 versus Q1/2013 and to decrease 5% in full year 2014, providing a tailwind of EUR 22 million versus 2013.

October-December 2013

In the fourth quarter Nokian Tyres Group recorded Net sales of EUR 411.8 million (446.4), showing a decrease of 7.7% compared with Q4/2012. In the Nordic countries sales were up by 0.6%. Sales in Russia decreased by 20.1%. Russia and CIS consolidated sales were down by 21.5%. In Other Europe sales increased by 12.7% year-over-year. In North America sales increased by 3.2%.

Raw material cost (EUR/kg) in manufacturing decreased in the fourth quarter by 15.4% year-over-year and decreased by 2.1% versus the third quarter of 2013. Fixed costs amounted to EUR 112.8 million (112.5), accounting for 27.4% (25.2%) of Net sales.

Nokian Tyres Group's Operating profit amounted to EUR 93.2 million (111.8). The Operating profit was negatively affected by expensed credit losses and provisions of EUR 8.4 million (0.4) and a bonus of EUR 2.0 million (2.3) for personnel and management.

Net financial expenses were EUR 35.6 million (7.6). Net interest expenses were EUR 25.3 million (4.2) including EUR 20.2 million penalty interests related to additional taxes and EUR 2.5 million (2.3) in non-cash expenses related to convertible bonds. Net Financial expenses include EUR 10.3 million (3.3) of exchange rate differences of which EUR 5.6 million was related to internal lending in Rouble.

Profit before tax was EUR 57.7 million (104.2), including EUR 20.2 million penalty interests related to additional taxes. Result for the period was EUR -36.4 million (88.3), and EPS were EUR -0.28 (EUR 0.67), penalized by additional taxes of EUR 100.3 million in Finland, including punitive tax increases and interests.

Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow from operations) was EUR 515.9 million (552.0).

January-December 2013

Nokian Tyres Group recorded Net sales of EUR 1,521.0 million (1,612.4), showing a decrease of 5.7% compared with 2012. In the Nordic countries sales increased by 1.5% representing 35.8% (34.4%) of the group’s total sales. Sales in Russia decreased by 7.6%. Russia and CIS consolidated sales were down by 4.9% and formed 34.2% (35.1%) of the group’s total sales. In Other Europe sales were down by 4.0% year-over-year representing 22.4% (22.8%) of the group’s total sales. In North America sales increased by 0.1% and were 7.0% (6.9%) of the group’s total sales.

Sales of Passenger car tyres were down by 6.8% representing 71.1% (72.1%) of the group’s total sales. Heavy tyres’ sales decreased by 8.4% and were 6.0% (6.2%) of the group’s total sales. Vianor’s sales decreased by 0.9% forming 19.5% (18.6%) of the group’s total sales. The sales of Other operations were up by 2.2% representing 3.4% (3.1%) of the group’s total sales.

Raw material cost (EUR/kg) in manufacturing decreased by 12.9% year-over-year. Fixed costs amounted to EUR 410.0 million (389.2), accounting for 27.0% (24.1%) of Net sales. Total salaries and wages were EUR 189.6 million (197.1).

Nokian Tyres Group's Operating profit amounted to EUR 385.5 million (415.0). The Operating profit was negatively affected by the IFRS 2 -compliant option scheme write-off of EUR 13.2 million (11.8) and expensed credit losses and provisions of EUR 14.3 million (5.3).

Net financial expenses were EUR 72.7 million (27.3). Net interest expenses were EUR 38.5 million (15.5) including EUR 20.2 million penalty interests related to additional taxes and EUR 9.5 million (9.0) in non-cash expenses related to convertible bonds. Net Financial expenses include EUR 34.2 million (11.8) of exchange rate differences of which EUR 17.7 million was related to internal lending in Rouble.

Profit before tax was EUR 312.8 million (387.7), including EUR 20.2 million penalty interests related to additional taxes. Profit for the period amounted to EUR 183.7 million (330.9), and EPS were EUR 1.39 (EUR 2.52), penalized by additional taxes of EUR 100.3 million in Finland, including punitive tax increases and interests.

Return on net assets (RONA, rolling 12 months) was 20.2% (23.0%). Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow from operations) was EUR 325.6 million (262.3).

The Group employed an average of 4,194 (4,083) people, and 4,170 (4,039) at the end of the year. The equity-owned Vianor tyre chain employed 1,480 (1,362) people and Russian operations 1,319 (1,252) people at the end of the year.

Exchange rate differences

Net Financial expenses include EUR 34.2 million (11.8) of exchange rate differences of which EUR 17.7 million is related to internal RUB-nominated loans granted by the Finnish parent company to Russian subsidiaries.

Investments

Investments in 2013 amounted to EUR 125.6 million (209.2). This comprises of production investments in the Russian and Finnish factories, moulds for new products and the Vianor expansion projects.

Financial position on 31 December 2013

Gearing ratio was -4.1% (-4.5%). Interest-bearing net debt amounted to EUR -56.4 million (-65.2). Equity ratio was 67.6% (71.2%).

The Group’s interest-bearing liabilities totalled EUR 368.1 million (365.1) of which current interest-bearing liabilities amounted to EUR 182.3 million (42.0). The average interest rate of interest-bearing liabilities was 4.7% (4.5%). The average interest rate of interest-bearing liabilities was 2.4% (2.3%) with calculatory non-cash expenses related to the convertible bond eliminated. Cash and cash equivalents amounted to EUR 424.6 million (430.3).

At the end of 2013 the company had unused credit limits amounting to EUR 656.6 million (656.8) of which EUR 305.8 million (306.0) 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

In 2013 the Group’s tax rate was 41.3% (14.7%). The exceptional tax rate is caused by a reassessment decision from the Tax Administration in Finland, according to which the Company recorded the 2007-2010 total additional taxes of EUR 100.3 million, including punitive tax increases and interests, to the financial statement and result of year 2013.

The tax rate is positively affected by tax incentives in Russia based on present investments and further investment-related incentive agreements. The authorities’ final approvals of the new factory building in Russia took place at the end of 2012 and the new agreed tax benefits and incentives came into force in the beginning of January 2013. The agreement will prolong the benefits and incentives until approximately 2020.

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

PASSENGER CAR TYRES

	10-12/13	10-12/12	Change%	2013	2012	Change%
Net sales, m€	271.6	304.2	-10.7	1,137.0	1,220.1	-6.8
Operating profit, m€	75.3	94.1	-20.1	378.5	410.8	-7.8
Op.profit excl. expensed credit losses and provisions, m€	82.4	94.1		389.4	415.0	
Operating profit, %	27.7	30.9		33.3	33.7	
Op.profit excl. expensed credit losses and provisions, %	30.3	30.9		34.2	34.0	
RONA,% (roll.12 m.)				28.2	32.5	

10-12/2013

Net sales of Nokian Passenger Car Tyres were EUR 271.6 million (304.2). Operating profit was EUR 75.3 million (94.1). Operating profit percentage was 27.7% (30.9%). Excluding the expensed credit losses and provisions, Operating profit was EUR 82.4 million (94.1) and Operating profit percentage 30.3% (30.9%).

Sales and Operating profit were down compared to Q4/2012, caused by the unfavourable exchange rate development of the Russian Rouble and a black winter season limiting sales. A major expensed credit loss and provision was booked relating to a German wholesaler insolvency proceedings.

1-12/2013

Net sales of Nokian Passenger Car Tyres totalled EUR 1,137.0 million (1,220.1), down by 6.8% compared to 2012. Operating profit amounted to EUR 378.5 million (410.8). Operating profit percentage was 33.3% (33.7%). Excluding the expensed credit losses and provisions, Operating profit was EUR 389.4 million (415.0) and Operating profit percentage 34.2% (34.0%). The negative sales growth related mainly to Nokian Tyres ending contract manufacturing of tyres to Bridgestone in H1 and the unfavourable exchange rate development of the Russian Rouble in H2.

Nokian Tyres is the market and price leader in Nordic countries and Russia & CIS and a growing premium player in CE. The company continued to win market share in Russia & CIS and the company is the clear market leader in the premium and mid segment winter tyres. In the Nordic countries and CE the company continued to gain market share during 2013, especially in winter tyres as well as in SUV winter and summer tyres.

The Average Selling Price (€/kg) was down by 1.4% compared with 2012 although the share of mid segment tyres increased and the pricing environment for tyres was tight. Winter tyres represented 79% (74%) of the company’s sales volume in 2013, which improved mix and supported ASP.

Raw material costs (€/kg) were down 13% year-over-year, which supported margins.

A major overhaul of key winter product offering, altogether five new product ranges, was done in 2013. The biggest launch ever included the new generation of studded Nokian Hakkapeliitta 8, non-studded Hakkapeliitta R2 and Hakkapeliitta R2 SUV targeting further growth in core markets. In addition to the Nordic product range, Nokian Tyres also introduced two new winter tyres for the Central European and North American markets: Nokian WR G3 and Nokian WR SUV 3.

The new Nokian Hakkapeliitta 8 has dominated the winter tyre tests with victories in practically all car magazines. Also the Central European winter tyre test results have been a success for Nokian Tyres with test wins in key markets. The new summer tyre range with the spearhead products Nokian Hakka Black, Nokian Hakka Blue, Nokian Hakka Green and Nokian Line won several car magazines’ tests in the core markets and in Central Europe in 2012-2013.

Fixed costs increased due to the commissioning of the new factory in Russia which increased depreciation and due to increased marketing costs relating to the launch of new products. Cash flow improved due to lower finished goods inventory and investments.

The production capacity increased with commissioning of a new line (12) in Russia in March. Yet another line (13) in Russia was installed in Q2. The company did not utilize full capacity in 2013 due to soft demand. Productivity (kg/mh), however, improved year-over-year. In 2013, 80% of Nokian car tyres (pcs) were manufactured in the Russian factories.

In 2014 the focus is to increase sales more than average market growth in all targeted car and SUV tyre markets, to improve price position with the newly launched products, to expand distribution further and to improve productivity and utilization of capacities.

HEAVY TYRES

	10-12/13	10-12/12	Change%	2013	2012	Change%
Net sales, m€	25.1	25.9	-2.8	95.7	104.4	-8.4
Operating profit, m€	2.7	1.4	91.2	10.3	11.3	-9.3
Operating profit, %	10.8	5.5		10.7	10.8	
RONA,% (roll.12 m.)				12.1	12.5	

The net sales of Nokian Heavy Tyres totalled EUR 95.7 million (104.4), down by 8.4% year-over-year. Operating profit was EUR 10.3 million (11.3), and the Operating profit percentage 10.7% (10.8%).

Nokian Heavy Tyres' sales decreased due to generally weak demand in special heavy tyres and slowing down of machine building in Europe in most of the heavy end use product groups. However, forestry tyre order book started to grow during the last quarter of 2013. Average Selling Price remained on the same level year-over-year despite a challenging market situation. Margins were supported by lower raw material cost and improved productivity.

The production volume was cut by reducing working days to match a lower demand and to control the inventory level. In 2013 the production output (tonnes) decreased by 11%. The low utilization rate with a higher share of fixed costs penalized the profits.

An investment program has been in progress to modernize the factory, to open bottlenecks in production and to increase radial tyre output. The upgrade of the factory will be completed in the beginning of 2014. The structural changes in manufacturing have already reduced manning and improved product quality, flexibility, and productivity in 2013.

A restructuring of the Heavy tyres operation to include also the Truck tyre profit center was done in Q4 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.

Truck Tyres

Net sales of Nokian Truck Tyres were EUR 54.0 million (52.9), up by 2.2% compared to 2012. Operating profit was EUR 10.1 million (8.6). Cash flow improved and was on a healthy level.

Net sales improved although the truck tyre market was challenging in the Nordic countries with overall tyre industry sales down by 3%. In the core markets, Nordic countries and Russia, Nokian Tyres' market share increased due to an improved product range in both premium and standard tyres.

The Truck tyre division has been integrated to the Heavy tyres division from the beginning of 2014.

THE NEW PROFIT CENTRE AS OF 1 JAN 2014 (Heavy tyres and Truck tyres combined)

Pro Forma Heavy Tyres

	10-12/13	10-12/12	Change%	2013	2012	Change%
Net sales, m€	40.0	40.5	-1.2	149.7	157.3	-4.8
Operating profit, m€	5.6	3.9	42.2	20.4	19.9	2.3
Operating profit, %	13.9	9.7		13.6	12.7	
RONA, % (roll. 12 m.)				17.7	15.9	

The outlook going into 2014 is improving with demand in core Heavy tyre as well as Truck tyre product groups estimated to grow in OEM and the replacement market. The focus is to increase sales especially in forestry, radial heavy tyres and truck winter tyres and to improve productivity clearly.

VIANOR

Equity-owned operations

	10-12/13	10-12/12	Change%	2013	2012	Change%
Net sales, m€	117.2	121.3	-3.3	312.5	315.3	-0.9
Operating result, m€	12.8	11.8	8.7	-1.8	0.0	
Operating result, %	10.9	9.7		-0.6	0.0	
RONA, % (roll.12 m.)				-1.1	0.0	

At the end of 2013 Vianor had 183 (182) equity-owned stores in Finland, Sweden, Norway, USA, Switzerland and Russia. Vianor's Net sales amounted to EUR 312.5 million (315.3), down by 0.9% compared with 2012. Operating result was EUR -1.8 million (0.0) and the Operating result percentage was -0.6% (0.0%).

Vianor succeeded in its strategic task of expanding distribution and setting market prices for Nokian products and was able to win winter tyre market shares in a challenging market situation. Operating result was negative in 2013 due to the "black winter" without snow continuing over the year-turn in the Nordic countries, which resulted in winter tyre consumer sales partly shifting from Q4/2013 to Q1/2014. The service revenues continued to increase in 2013.

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 2013 a total of 45 car service operations had been acquired and integrated to existing Vianor stores, which has increased service sales and caused some consolidation costs.

The projects concerning the expansion of the network, improving consumer tyre sales and developing car services business have proceeded as planned.

Franchising and partner operations

Vianor expanded the shop network in Nokian Tyres' key markets by 169 stores during 2013. At the end of the year the Vianor network operates in 27 countries and is comprised of totally 1,206 stores of which 1,023 were partners. 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 Nokian Authorized Dealer (NAD) has been rolled out with first 432 shops contracted in Europe and China. The target is to add 4-5 new countries and double the amount of NADs by the end of 2014.

RUSSIA AND THE CIS COUNTRIES

Nokian Tyres’ sales in Russia decreased year-over-year by 7.6% to EUR 520.1 million (563.0). Sales in CIS countries (excluding Russia) increased to EUR 56.6 million (43.7). Consolidated sales in Russia and CIS decreased by 4.9% to EUR 576.7 million (606.7). The decrease in sales relate mainly to weakening of the Russian Rouble. The Operating profit and margin of the Russian as well as CIS entities improved compared to the previous year.

Nokian winter tyre sales increased clearly with a growing share of mid-price segment tyres, despite a decrease of new car sales in Russia. Nokian winter tyre market shares improved clearly and the company strengthened its market leader position. 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 88 stores. There were a total of 621 Vianor stores in 363 cities in Russia and CIS countries at the end of 2013. The Hakka Guarantee network and other retail partners working closely with Nokian Tyres in Russia comprised nearly 3,300 tyre stores, Vianor shops, car dealers, and web shops. Nokian Tyres’ e-commerce development proceeded according to plans.

The second line (line 12) in the new factory became on stream in Q1/2013, increasing annual capacity in the Russian factories to approximately 14 million tyres. Capacity and productivity increased further as line 13 installation was completed in Q2/2013. The completion of line 13 increased the annualized capacity to in excess of 15 million tyres by end 2013.

Due to oil price levelling off, and higher interest rates, the growth in Russia has been slowing down with full year 2013 GDP growth estimated at 1.3% and growth for 2014 projected as 2.5-3.0%. In Russia consumer confidence has been on a relatively healthy level in 2013, but consumer spending has been held back by increased interest rates and the uncertainty relating to the global economic turmoil. The sales of new cars in 2013 in Russia decreased by 5%, while foreign brands, representing some 80% of total, were down 3% compared to 2012. In 2013 demand for premium tyres decreased compared to 2012 by approximately 9%, slightly for winter tyres and clearly for summer tyres. Tyre prices decreased in the mid class B-segment, due to price pressure from the Japanese suppliers. Both car and tyre demand are estimated to be flat in Russia in 2014 versus 2013.

By Russia joining WTO, the tyre duties will go down gradually; duty of car and van tyres is expected to decrease from 18% in 2013 to 16% in 2014 and gradually to 10% in 4 years.

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, and Nokian Tyres targets to outperform the market also in 2014.

A re-organization in the Ukraine, Kazakhstan and Belarus sales companies have been completed in 2013 and the clear sales increase which commenced in all CIS countries is targeted to continue in 2014.

OTHER MATTERS

1. Stock options on the NASDAQ OMX Helsinki Stock Exchange

The total number of stock options 2010A is 1,320,000. Each stock option 2010A entitles its holder to subscribe for one Nokian Tyres plc share. The shares can be subscribed with the stock options 2010A during 1 May 2012 - 31 May 2014. In the aggregate, the stock options 2010A entitle their holders to subscribe for 1,320,000 shares. The present share subscription price with stock options 2010A is EUR 14.84/share. The dividends payable annually shall be 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 30.25/share. The dividends payable annually shall be deducted from the share subscription price.

2. Shares subscribed with option rights

After 17 December 2012 registered new shares a total of 116,427 Nokian Tyres plc's shares have been subscribed with the 2007C option rights and 248,376 with the 2010A option rights. These option rights are attached to the Nokian Tyres plc's Option Programs of 2007 and 2010. New shares have been registered into the Trade Register on 19 February 2013, as of which date the new shares have established shareholder rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 132,321,930 shares.

After 19 February 2013 registered new shares a total of 160,246 Nokian Tyres plc's shares have been subscribed with the 2007C option rights and 127,320 with the 2010A option rights. These option rights are attached to the Nokian Tyres plc's Option Programs of 2007 and 2010. The subscription time with the 2007C option rights ended on 31 March 2013. New shares have been registered into the Trade Register on 14 May 2013, as of which date the new shares have established shareholder rights.
As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 132,609,496 shares.

After 14 May 2013 registered new shares a total of 464,130 Nokian Tyres plc's shares have been subscribed with the 2010A option rights and 40 with the 2010B option rights. These option rights are attached to the Nokian Tyres plc's Option Program of 2010. New shares have been registered into the Trade Register on 22 August 2013, as of which date the new shares have established shareholder rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 133,073,666 shares.

After 22 August 2013 registered new shares a total of 206,775 Nokian Tyres plc's shares have been subscribed with the 2010A option rights. These option rights are attached to the Nokian Tyres plc's Option Program of 2010. New shares have been registered into the Trade Register on 13 November 2013, as of which date the new shares have established shareholder rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 133,280,441 shares.

After 13 November 2013 registered new shares a total of 6 655 Nokian Tyres plc's shares have been subscribed with the 2010A option rights. These option rights are attached to the Nokian Tyres plc's Option Program of 2010. New shares have been registered into the Trade Register on 13 December 2013, as of which date the new shares have established shareholder rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 133,287,096 shares.

3. Share price development

The Nokian Tyres' share price was EUR 34.87 (EUR 30.10) at the end of the review period. The volume weighted average share price during the period was EUR 34.11 (EUR 31.92), the highest EUR 38.72 (EUR 38.20) and the lowest EUR 29.85 (EUR 24.84). A total of 127,823,377 shares were traded during the period (186,898,418), representing 96% (142%) of the company's overall share capital. The company's market value at the end of the period amounted EUR 4.648 billion (EUR 3.972 billion).

The company's percentage of Finnish shareholders was 35.7% (38.9%) and 64.3% (61.1%) were foreign shareholders registered in the nominee register. This figure includes Bridgestone Corporation's ownership of approximately 15%.

4. Decisions made at the Annual General Meeting

On 11 April 2013, Nokian Tyres Annual General Meeting accepted the financial statements for 2012 and discharged the Board of Directors and the President and CEO from liability.

The meeting decided that a dividend of EUR 1.45 per share shall be paid for the period ending on 31 December, 2012. The dividend shall be paid to shareholders included in the shareholder list maintained by Euroclear Finland Ltd on the record date of 16 April 2013. The dividend payment date was decided to be 26 April 2013.

4.1. Members of the Board of Directors and Auditor

The meeting decided that the Board of Directors has six members. Current members Kim Gran, Hille Korhonen, Risto Murto, Hannu Penttilä, Aleksey Vlasov and Petteri Walldén will continue in the Nokian Tyres' Board of Directors. Authorised public accountants KPMG Oy Ab continue as auditors.

4.2. 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 and the Nomination and Remuneration Committee are also granted an attendance fee of EUR 600 per meeting.

In addition, 50% of the annual fee be paid in cash and 50% in company shares, such that in the period from 12 April to 30 April 2013, 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.

4.3. Issue of stock options

The Board of Directors decided that stock options will be issued by the General Meeting of Shareholders to the personnel of the Nokian Tyres Group as well as to a wholly owned subsidiary of Nokian Tyres plc.

The Company has a weighty financial reason for the issue of stock options, since the stock options are intended to form part of the incentive and commitment program for the personnel. The purpose of the stock options is to encourage the personnel to work on a long-term basis to increase shareholder value. The purpose of the stock options is also to commit the personnel to the Company.

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 percent 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 period for stock options 2013A, will be 1 May 2015 - 31 May 2017, for stock options 2013B, 1 May 2016 - 31 May 2018 and for stock options 2013C, 1 May 2017 - 31 May 2019.

The share subscription price for stock option 2013A is the trade volume weighted average quotation of the Company's share on NASDAQ OMX Helsinki Ltd. during 1 January - 30 April 2013, for stock option 2013B, the trade volume weighted average quotation of the share on NASDAQ OMX Helsinki Ltd. during 1 January - 30 April 2014, and for stock option 2013C, the trade volume weighted average quotation of the share on NASDAQ OMX Helsinki Ltd. during 1 January - 30 April 2015. The share subscription price will be credited to the reserve for invested unrestricted equity.

The Board of Directors will decide on the distribution of stock options annually in spring 2013, 2014 and 2015.

A share ownership plan shall be incorporated with 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.

Terms and conditions of the Stock options and the Share ownership plan are presented in the appendix of the press release dated 11 April 2013.

4.4. Authorizing the Board of Directors to resolve to repurchase treasury shares

The Annual General Meeting of Shareholders authorized the Board of Directors to resolve to repurchase a maximum of 300,000 shares in the Company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponds 0.2 per cent of all shares of the Company.

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 Board decides how treasury shares will be repurchased. Treasury shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase).

The authorization will be used for purposes determined by the Board of Directors, among other things, for the Company's incentive plans.

The authorization be effective until the next Annual General Meeting of Shareholders, however, at most until 11 October 2014.

5. Corporate social responsibility

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.

Nokian Tyres published its Corporate Responsibility Report in June, 2013.

6. Changes in ownership

Nokian Tyres plc received an announcement from Bridgestone Europe NV and Bridgestone Corporation on 2nd May 2013, according to which Bridgestone Europe NV has concluded an agreement with Bridgestone Corporation to transfer Bridgestone Europe NV's shares in the capital of Nokian Tyres plc to Bridgestone Corporation on 7th May 2013. This agreement decreases the ownership of Bridgestone Europe NV under the level of 5% of the share capital in Nokian Tyres plc and increases the ownership of Bridgestone Corporation over the level of 15% of the share capital in Nokian Tyres plc.

7. Integrating Heavy and Truck Tyres profit centres as of 1st January 2014

On 23 September 2013 Nokian Tyres announced the decision to integrate Heavy Tyres and Truck Tyres profit centers and form 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.

Pontus Stenberg, the current Director of Nokian Truck Tyres, was appointed Director of the new profit centre. For the transition period, Pontus Stenberg was appointed also as Director of Heavy Tyres as of 1st October 2013.

8. A new guidance for 2013 on 4 October

With a stock exchange release on 4 October 2013 Nokian Tyres announced that in 2013, Net sales and Operating profit are estimated show some decline compared to 2012. The unfavorable currency exchange rate development of Russian Rouble during 2013 was estimated to generate a negative effect of approximately EUR 25 million on Net sales and approximately EUR 14 million on Operating profit of Nokian Tyres Group in full year 2013.

In the same release the company stated that Nokian Tyres has booked excellent test results and victories in all major magazines with its new winter tyre Nokian Hakkapeliitta 8 and increased its market shares in all core markets.

9. EUR 26.9 million additional payable tax in Finland concerning year 2007

Nokian Tyres plc received on 30 Dec 2013 a reassessment decision from the Tax Administration, according to which the Company is obliged to pay EUR 26.9 million additional taxes with punitive tax increases and interests concerning tax year 2007.

10. Matters after the review period

10.1. A total of EUR 100.3 million additional payable tax in Finland regarding years 2007-2010; the company will make a complaint against the decision

On 21 January 2014 Nokian Tyres plc announced that it has received a reassessment decision from the Tax Administration, according to which the Company is obliged to pay EUR 73.3 million additional taxes with punitive tax increases and interests concerning tax years 2008-2010.

Nokian Tyres plc had previously announced on 30 Dec 2013 that the Company received a reassessment decision from the Tax Administration, according to which the Company is obliged to pay EUR 26.9 million additional taxes with punitive tax increases and interests concerning tax year 2007.

The Company has recorded the 2007-2010 total additional taxes with punitive tax increases and interests of EUR 100.3 million in full to the financial statement and result of year 2013. Of the total sum, EUR 67.1 million are additional taxes and EUR 33.1 million punitive tax increases and interests.

The Tax Administration's ruling does not affect the company's dividend distribution. The Board of Directors will propose to the Annual General Meeting that the dividend per share for the year 2013 would be at least on the previous year’s level.

The Company considers the reassessment decision of the Tax Administration as unfounded and is going to appeal 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.

10.2. 80 years since the invention of the winter tyre: The inventor of the world's first winter tyre introduces new Hakkapeliitta winter tyres for SUVs and vans

Nokian Tyres announced on 22 Jan 2014 that the company strengthens its winter tyre selection for Northern conditions by introducing three new products in its Hakkapeliitta winter tyre range which is intended for the company's core markets. Together with the product launch, the world's northernmost tyre manufacturer is celebrating the 80th anniversary of the winter tyre.

The studded Nokian Hakkapeliitta 8 SUV, tailor-made for the ever-growing sports utility vehicle segment, and the Nokian Hakkapeliitta C3 and Nokian Hakkapeliitta CR3, developed for use on vans and delivery vehicles, continue the advance of the latest generation of Hakkapeliittas. All of the Hakkapeliitta products are aimed at the company’s core markets in the Nordic countries and Russia. The tyres will start shipping to retailers in early 2014.

In addition to the Nokian Hakkapeliittas, the champions of the world's most demanding winter weather, Nokian Tyres is also supplementing its Nokian Nordman family and introducing the durable Nokian Nordman 5 and Nokian Nordman 5 SUV studded tyres for the B market segment.

RISKS, UNCERTAINTY AND DISPUTES IN THE NEAR FUTURE

The global economy has showed signs of improvement during the last few months. In Nokian Tyres' core markets the Nordic countries continue to show slow but comparatively stable development, while in Russia the growth rate has been slowing down. 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 2013 Russian trade receivables accounted for 35.6% 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. An efficient ramp-up of new production lines in Russia will depend on the success of recruiting and retaining work force in a tightening labour market.

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. Nokian Tyres considers the reassessment decision of the Tax Administration to be incorrect and is going to appeal against it 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 is considering to initiate 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 showed signs of improvement since late 2013. The global GDP growth in 2013 was modest but is expected to turn to a growth of 3.5-4.0% in 2014. During the summer 2013 the European economy started to grow after 18 months of recession. Growth in Europe is still fragile and uncertainty prevails, but the outlook is turning more optimistic in the beginning of 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%. In Russia GDP growth for 2014 is projected as 2.5-3.0%.

The market demand for replacement car tyres is expected to show growth in the Nordic countries and in Central Europe in 2014. In Russia relatively low GDP growth and flat car sales still limit growth in tyre demand. Heavy industrial tyre demand in Nokian core products is expected to improve clearly.

Nokian Tyres sales are expected to show growth in 2014, with a slow start in Q1. Sales in all target markets, Nordic countries, Central Europe, North America and Russia & CIS are expected to grow in 2014. Some growth is targeted in all core product groups.

The pricing environment for 2014 remains tight for all tyre categories. Margins will be supported by easing of raw material costs (€/kg) by 16% in Q1/2014 year-over-year and 5% in full year 2014, providing a tailwind of EUR 22 million versus 2013.

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

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 Hakkapeliitta products give Nokian Tyres opportunities to strengthen its market leadership in the core markets and to show growth in 2014.

Financial guidance

In 2014, the company is positioned to show growth in Net sales and Operating profit.

INVESTMENTS IN 2014

Nokian Tyres' budget for total investments in 2014 is EUR 116 million (125.6). EUR 42 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, 7 February 2014

Nokian Tyres plc

Board of Directors

***

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 financial statements bulletin 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 2012. However, the adaptation 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 2012.

The figures in the financial statements bulletin are unaudited.

CONSOLIDATED INCOME STATEMENT Million euros	10-12/13	10-12/12	1-12/13	1-12/12	Change %
Net sales	411,8	446,4	1 521,0	1 612,4	-5,7
Cost of sales	-223,5	-248,8	-819,9	-900,7	9,0
Gross profit	188,4	197,6	701,0	711,7	-1,5
Other operating income	1,3	0,7	3,9	1,9	
Selling and marketing expenses	-71,9	-71,1	-249,1	-238,5	-4,4
Administration expenses	-9,7	-10,2	-36,6	-34,7	-5,4
Other operating expenses	-14,9	-5,2	-33,8	-25,4	-33,1
Operating profit	93,2	111,8	385,5	415,0	-7,1
Financial income	36,4	12,1	104,3	89,8	16,2
Financial expenses (1	-71,9	-19,7	-177,0	-117,1	-51,2
Profit before tax	57,7	104,2	312,8	387,7	-19,3
Tax expense (2 (3	-94,1	-15,9	-129,1	-56,8	-127,1
Profit for the period	-36,4	88,3	183,7	330,9	-44,5
Attributable to:					
Equity holders of the parent	-36,4	88,3	183,8	330,9	
Non-controlling interest	0,0	0,0	-0,1	0,0	
Earnings per share from the profit attributable to equity holders of the parent					
basic, euros	-0,28	0,67	1,39	2,52	-45,0
diluted, euros	-0,30	0,66	1,39	2,46	-43,5

CONSOLIDATED OTHER COMPREHENSIVE INCOME Million euros	10-12/13	10-12/12	1-12/13	1-12/12
Profit for the period	-36.4	88.3	183.7	330.9
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	-0.5	-1.9	-13.4
Cash flow hedges	0.5	0.2	0.8	0.5
Translation differences on foreign operations	-20.5	-3.9	-65.6	33.9
Total other comprehensive income for the period, net of tax	-20.0	-4.2	-66.7	21.0
Total comprehensive income for the period	-56.4	84.1	117.0	351.9
Total comprehensive income attributable to:				
Equity holders of the parent	-56.4	84.1	117.1	351.9
Non-controlling interest	0.0	0.0	-0.1	0.1

1) Financial expenses in 10-12/13 and 1-12/13 contain EUR 20.2 million expensed punitive interests for tax reassessment decisions on years 2007-2010.
2) Tax expense in 10-12/13 and 1-12/13 contains EUR 80.1 million expensed additional taxes with punitive tax increases for tax reassessment decisions on years 2007-2010.
3) Otherwise tax expense in the consolidated income statement is based on the taxable result for the period.

KEY RATIOS	31.12.13	31.12.12	Change %
Equity ratio, %	67.6	71.2	
Gearing, %	-4.1	-4.5	
Equity per share, euro	10.45	10.89	-4.1
Interest-bearing net debt, mill. euros	-56.4	-65.2	
Capital expenditure, mill. euros	125.6	209.2	
Depreciation, mill. euros	93.5	81.9	
Personnel, average	4,194	4,083	
Number of shares (million units)			
at the end of period	133.29	131.96	
in average	132.65	131.24	
in average, diluted	137.62	137.39	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION Million euros	31.12.2013	31.12.2012
Non-current assets		
Property, plant and equipment	683.8	692.5
Goodwill	69.9	67.9
Other intangible assets	24.7	26.4
Investments in associates	0.1	0.1
Available-for-sale financial assets	0.3	0.3
Other receivables	11.3	18.2
Deferred tax assets	8.8	5.4
Total non-current assets	798.8	810.8
Current assets		
Inventories	322.1	314.9
Trade receivables	404.8	375.7
Other receivables	98.8	75.6
Current tax assets	13.8	12.3
Cash and cash equivalents	424.6	430.3
Total current assets	1,264.1	1,208.9
Equity		
Share capital	25.4	25.4
Share premium	181.4	181.4
Translation reserve	-128.5	-61.0
Fair value and hedging reserves	-0.7	-1.5
Paid-up unrestricted equity reserve	97.1	79.3
Retained earnings	1,217.9	1,213.2
Non-controlling interest	0.2	0.3
Total equity	1,392.8	1,437.2
Non-current liabilities		
Deferred tax liabilities	36.1	34.9
Provisions	0.1	0.1
Interest bearing financial liabilities	185.8	323.1
Other liabilities	3.5	3.5
Total non-current liabilities	225.4	361.7
Current liabilities		
Trade payables	65.8	75.5
Other current payables	189.4	85.7
Current tax liabilities	4.0	13.2
Provisions	3.1	4.3
Interest-bearing financial liabilities	182.4	42.0
Total current liabilities	444.7	220.8
Total assets	2,062.9	2,019.6

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	1-12/13	1-12/12
Cash flows from operating activities:		
Cash generated from operations	424.4	486.6
Financial items and taxes	-106.9	-97.9
Net cash from operating activities	317.6	388.7
Cash flows from investing activities:		
Net cash used in investing activities	-143.4	-203.4
Cash flows from financing activities:		
Proceeds from issue of share capital	17.8	43.9
Change in current financial receivables and debt	-40.7	-233.7
Change in non-current financial receivables and debt	36.6	126.5
Dividends paid	-191.9	-156.6
Net cash from financing activities	-178.1	-219.9
Net change in cash and cash equivalents	-4.0	-34.5
Cash and cash equivalents at the beginning of the period	430.3	464.5
Effect of exchange rate changes	-1.8	0.3
Cash and cash equivalents at the end of the period	424.6	430.3
	-4.0	-34.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Equity attributable to equity holders of the parent							
Million euros	A	B	C	D	E	F	G	H
Equity, Jan 1st 2012	25.4	181.4	-81.5	-2.0	35.4	1,027.2	0.3	1,186.1
Profit for the period						330.9	0.0	330.9
Other comprehensive income, net of tax:								
Cash flow hedges				0.5				0.5
Net investment hedge			-13.4					-13.4
Translation differences			33.9				0.0	33.9
Total comprehensive income for the period			20.5	0.5		330.9	0.1	351.9
Dividends paid						-156.6		-156.6
Exercised warrants					43.9			43.9
Share-based payments						11.8		11.8
Total transactions with owners for the period					43.9	-144.8		-100.9
Change in non-controlling interest							0.3	1,437.2
Equity, Dec 31th 2012	25.4	181.4	-61.0	-1.5	79.3	1,213.2	0.3	1,437.2
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						183.8	-0.1	183.7
Other comprehensive income, net of tax:								
Cash flow hedges				0.8				0.8
Net investment hedge			-1.9					-1.9
Translation differences			-65.6					-65.6
Total comprehensive income for the period			-67.5	0.8		183.8	-0.1	117.0
Dividends paid						-191.9		-191.9
Exercised warrants					17.8			17.8
Share-based payments						12.9		12.9
Total transactions with owners for the period					17.8	-179.1		-161.3
Equity, Dec 31th 2013	25.4	181.4	-128.5	-0.7	97.1	1,217.9	0.2	1,392.8

SEGMENT INFORMATION

Million euros	10-12/13	10-12/12	1-12/13	1-12/12	Change %
Net sales					
Passenger car tyres	271.6	304.2	1137.0	1220.1	-6.8
Heavy tyres	25.1	25.9	95.7	104.4	-8.4
Vianor	117.2	121.3	312.5	315.3	-0.9
Other operations	19.1	19.4	68.1	66.7	2.2
Eliminations	-21.2	-24.4	-92.3	-94.1	1.9
Total	411.8	446.4	1,521.0	1,612.4	-5.7
Operating result					
Passenger car tyres	75.3	94.1	378.5	410.8	-7.8
Heavy tyres	2.7	1.4	10.3	11.3	-9.3
Vianor	12.8	11.8	-1.8	0.0	-4450.8
Other operations	-3.5	-2.9	-3.0	-5.5	45.5
Eliminations	6.0	7.3	1.5	-1.6	190.8
Total	93.2	111.8	385.5	415.0	-7.1
Operating result, % of net sales					
Passenger car tyres	27.7	30.9	33.3	33.7	
Heavy tyres	10.8	5.5	10.7	10.8	
Vianor	10.9	9.7	-0.6	0.0	
Total	22.6	25.0	25.3	25.7	
Cash Flow II					
Passenger car tyres	460.3	491.9	297.1	258.4	14.9
Heavy tyres	11.0	18.4	15.0	8.2	83.0
Vianor	31.1	30.5	7.4	-1.4	634.1
Total	515.9	552.0	325.6	262.3	24.2

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

Million euros	31.12.13	31.12.12
Opening balance	692,5	560,4
Capital expenditure	155,2	202,3
Decrease	-22,6	-8,3
Depreciation for the period	-85,1	-75,4
Exchange differences	-56,3	13,6
Closing balance	683,8	692,5

CONTINGENT LIABILITIES Million euros	31.12.13	31.12.12
FOR OWN DEBT		
Mortgages	1,1	1,1
Pledged assets	0,2	0,2
Guarantees		
The amount of debts with security		
ON BEHALF OF OTHER COMPANIES		
Guarantees		
OTHER OWN COMMITMENTS		
Guarantees	3,3	3,4
Leasing and rent commitments	63,3	84,8
Purchase commitments	2,0	3,0

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES	31.12.13		31.12.12	
Million euros	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Derivatives held for trading	5.3	5.3	1.8	1.8
Money market instruments	-	-	41.5	41.5
Loans and receivables				
Other non-current receivables	11.3	14.3	18.1	20.3
Trade and other receivables	408.3	407.7	378.5	378.9
Cash in hand and at bank	424.6	424.6	388.8	388.8
Available-for-sale financial assets				
Unquoted shares	0.3	0.3	0.3	0.3
Derivative financial instruments designated as hedges	0.1	0.1	0.7	0.7
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss				
Derivatives held for trading	1.8	1.8	1.5	1.5
Financial liabilities measured at amortised cost				
Interest-bearing financial liabilities	368.2	375.8	365.1	379.7
Trade and other payables	65.8	65.8	75.5	75.5
Derivative financial instruments designated as hedges	2.9	2.9	5.9	5.9

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	31.12.13	31.12.12
INTEREST RATE DERIVATIVES		
Interest rate swaps		
Notional amount	0.0	40.1
Fair value	0.0	-1.3
FOREIGN CURRENCY DERIVATIVES		
Currency forwards		
Notional amount	225.8	538.4
Fair value	1.9	-1.3
Currency options, purchased		
Notional amount	110.3	9.5
Fair value	2.4	0.1
Currency options, written		
Notional amount	110.3	19.1
Fair value	-0.9	-0.1
Interest rate and currency swaps		
Notional amount	20.0	20.0
Fair value	0.1	-0.2
ELECTRICITY DERIVATIVES		
Electricity forwards		
Notional amount	12.3	13.3
Fair value	-2.8	-1.9

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.
Bridgestone Group is no longer considered as a related party.

Transactions and outstanding balances with parties having significant influence

Million euros	1-12/13	1-12/12
Key management personnel		
Total employee benefit expenses	8.1	7.7
Of which share-based payments	3.6	3.4

In 2013 the President and other key management personnel were granted a total of 260,200 share options and 69,400 performance shares (in 2012 a total of 375,040 share options). The terms for performance share plan for the key management personnel and share option plans are equal to the plan terms directed at other personnel. On 31 December 2013 the key management personnel held 63,700 performance shares and 894,700 share options, with 325,000 excercisable (on 31 December 2012 994,000 share options, with 258,000 excercisable).

No performance 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 Norway during the reported period.

Recognised amounts of identifiable assets acquired and liabilities assumed:

Property, plant and equipment	1.7
Inventories	0.5
Trade and other receivables	0.2
Cash and cash equivalents	0.3
Total Assets	2.6
Deferred tax liabilities	-0.1
Financial liabilities	-0.6
Trade and other payables	-0.2
Total liabilities	-0.9
Total identifiable net assets	1.7

Composition of goodwill in the acquisition

Consideration transferred	4.0
Total identifiable net assets	-1.7
Goodwill	2.3
Consideration paid in cash	2.8
Cash and cash equivalents in the subsidiaries acquired	-0.3
Net cash outflow	2.5

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

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

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

DEFINITIONS OF SALES AREAS

Nordic countries: Finland, Norway, Sweden.

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

Other Europe: Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Kosovo, 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.

*****

Nokian Tyres plc

Antti-Jussi Tähtinen, Vice President, Marketing and Communications

Further information: Mr. Kim Gran, President and CEO, tel: +358 10 401 7336

Distribution: NASDAQ OMX, media, www.nokiantyres.com

*****

Nokian Tyres Financial Statement Bulletin 2013 was published on Friday 7 Feb 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/resultinfo2013

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 +44 (0)20 7162 0077. Conference id: 940132.

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 1-3/2014 will be published on Wednesday 7 May, 2014. Releases and company information will be found from http://www.nokiantyres.com