



2016

Interim report
January–September 2016

November 1, 2016



Nokian Tyres plc Interim report November 1, 2016, 8.00 a.m.

**Nokian Tyres plc Interim report January–September 2016:
Market share, net sales and profitability improved in Q3 year-over-year. Markets in general flat,
Russia stabilizing.**

July–September 2016

- Net sales increased by 2.0% to EUR 317.2 million (311.0 in 7–9/2015).
- Operating profit increased by 2.4% to EUR 74.1 million (72.4). Operating profit percentage was 23.3% (23.3%).
- The profit for the period increased by 2.9% to EUR 59.4 million (57.7).
- Earnings per share were EUR 0.44 (0.43).
- Cash flow from operating activities improved and was EUR -52.5 million (-109.8).

January–September 2016

- Net sales decreased by 0.8% to EUR 930.5 million (937.9 in 1–9/2015). Currency exchange rate changes affected net sales negatively by EUR 34.0 million compared with the rates in 1–9/2015.
- Operating profit increased by 0.4% to EUR 202.0 million (201.2). Operating profit percentage was 21.7% (21.5%).
- The profit for the period decreased by 37.6% to EUR 160.6 million (257.5). In Q1/2015, the company returned the 2007–2010 total additional taxes and punitive interest of EUR 100.3 million to the financial result based on the annulment decision made by the Board of Adjustment of Finnish Tax Administration. Excluding the tax decision, the profit for the period increased by 2.1% compared to 1–9/2015.
- Earnings per share were EUR 1.19 (1.93).
- Cash flow from operating activities was EUR -92.5 million (-115.5), which was affected by the payment of EUR 51.0 million in additional taxes with punitive tax increases and interest concerning the tax years 2007–2010. The company paid the amount in January 2016.

Financial guidance (reiterated)

In 2016, with the current exchange rates, net sales and operating profit are expected to remain at the same level compared to 2015.

Key figures, EUR million

	7–9 /16	7–9 /15	Change %	1–9 /16	1–9 /15	Change %	2015
Net sales	317.2	311.0	2.0	930.5	937.9	-0.8	1,360.1
Operating profit	74.1	72.4	2.4	202.0	201.2	0.4	296.0
Operating profit %	23.3	23.3		21.7	21.5		21.8
Profit before tax	69.2	64.6	7.1	192.4	201.3	-4.4	274.2
Profit for the period	59.4	57.7	2.9	160.6	257.5	-37.6	240.7
Earnings per share, EUR	0.44	0.43	2.2	1.19	1.93	-38.2	1.80
Equity ratio, %				71.9	71.3		70.8
Cash flow from operating activities	-52.5	-109.8		-92.5	-115.5		283.4
Gearing, %				9.3	14.0		-16.9
Interest-bearing net debt				121.0	182.6		-209.7
Capital expenditure	30.0	24.5	22.6	74.4	72.7	2.4	101.7

Ari Lehtoranta, President and CEO:

“In the third quarter of 2016, the tyre markets have been quite stable, almost flat. The winter tyre season continued shifting towards the fourth quarter. The summer tyre season in Russia was a positive surprise and one of the first weak signs of the economic situation stabilizing. Russia and CIS sales even grew slightly, but the market remains at low level and there is no rapid growth yet in sight.

Our production volumes were higher than last year, and productivity continued to develop positively. Raw material costs started to increase, as forecasted, but we still benefitted from our lower production costs. The cash flow was clearly better compared to last year. We have also managed to increase our market share in our target areas despite all the challenges.

The third quarter net sales in Passenger car tyres went up slightly from last year, and so did the operating profit. ASP remained almost flat this quarter, as the negative impact from currencies was at its smallest in a long time.

The weak markets pose a challenge to Heavy Tyres. Only the forest segment continues to perform well. However, we have decided to continue making the necessary investments for the future and, therefore, the operating profit has declined slightly. Vianor’s net sales increased slightly, but profitability was impacted by the tough pricing environment.

The growth of our branded distribution network was positive. The number of Vianor, NAD, and N-Tyre outlets in our network grew by 141 in Q3/2016. Currently, the network includes 3,079 stores in total.

We launched some exciting products during the quarter, and our products continued to perform very well in magazine tests. Our product portfolio is again slightly stronger than before.

High customer satisfaction, an excellent organization and the world’s safest tyres lay a solid foundation for future growth. I will continue to work proudly and at full speed until the end of this year to make another great year for Nokian Tyres.”

Market situation

The global recovery continues. The world economy continues to expand at a pace that is moderate compared to the pre-crisis level, but may be normal given the current conditions. The rate of growth is estimated to be slightly higher in 2017 and 2018. It is estimated that the global GDP will grow by 3.0% in 2016. The GDP growth estimates for the Nordic countries are from +0.8% to +3.0%, for Europe (including the Nordics) +1.5%, and for the US +1.5%. In Russia, the GDP decline is expected to be slightly over 1%.

In Europe, the sales of new cars increased in 1–9/2016 by 8% year-over-year. Car tyre sell-in to distributors was up 1% year-over-year, with winter tyre demand increasing by 2%. Overall, tyre demand is estimated to grow slightly year-over-year in Central Europe in 2016. The pricing pressure is high, however.

In the Nordic countries, new car sales increased in 1–9/2016 by 8% year-over-year. The market volume of car tyres showed a decrease of 1% vs. 1–9/2015. For the full year of 2016, car tyre demand is estimated to remain at the same level year-over-year.

In the US, the estimated new car sales were up by 0.3% in 1–9/2016 vs. 1–9/2015. The market volume of car tyres was down by 2.6% year-over-year. For the full year of 2016, car tyre demand is estimated to remain at the same level year-over-year.

In Russia, the sales of new cars in 1–9/2016 continued to decline: January–September showed a decline of 14% and September was down by 11% vs. the same period last year. For the whole year, the decline is likely to be slightly over 10% vs. 2015. Overall, tyre market sell-in is expected to decline by 10 – 15%. Russia's economic decline has slowed down but has not turned into growth yet. The Russian consumers' purchasing power remains at a low level.

The global demand for special heavy tyres continued to vary strongly between product and market areas in January–September 2016. OE forestry tyre demand remained strong. The increased use of wood and the good profitability of pulp manufacturers will also support forestry machine and tyre demand during the following quarters.

In January–September 2016, the sell-in of premium truck tyres was up by 1% in Europe, while in the Nordic countries demand was down by 4%. In Russia, the demand for premium truck tyres increased by 30% compared to 1–9/2015. Truck tyre demand in 2016 is estimated to show some increase or to remain at the same level as in the previous year in all of Nokian Tyres' western markets; in Russia, demand is expected to remain weak even though there was growth in 1–9/2016.

Raw materials

The raw material costs are estimated to increase in the last part of 2016 but remain below the 2015 levels. Nokian Tyres' raw material costs (EUR/kg) were down by 7.7% in 1–9/2016 year-over-year. The raw material costs are estimated to decrease by approximately 6% in the full year of 2016, providing a tailwind of approximately EUR 17 million versus 2015.

JULY–SEPTEMBER 2016

Nokian Tyres Group recorded net sales of EUR 317.2 million (311.0), with an increase of 2.0% compared with Q3/2015. Currency exchange rate changes affected net sales negatively by EUR 1.9 million. In the Nordic countries, sales increased by 2.1% year-over-year. The sales in Russia decreased by 2.1%. The consolidated sales in Russia and the CIS increased by 3.1%. In Other Europe, sales were up by 7.6%, and in North America, sales decreased by 10.2%.

The raw material costs (EUR/kg) in manufacturing increased by 1.8% year-over-year and increased by 0.6% versus the second quarter of 2016. Fixed costs amounted to EUR 98.5 million (95.0), thereby accounting for 31.1% (30.6%) of net sales.

Nokian Tyres Group's operating profit amounted to EUR 74.1 million (72.4), with an increase of 2.4% compared with Q3/2015. The operating profit was negatively affected by the recognition of credit losses and provisions of EUR 0.8 million (3.9).

Net financial expenses were EUR 4.9 million (7.8). Net interest expenses were EUR 1.3 million (6.0). In Q3/2015, financial expenses included a EUR 2.7 million premium related to Nokian Tyres' voluntary buy-back of a company bond maturing in 2017 amounting to EUR 62.3 million. Net financial expenses include EUR 3.6 million (1.8) of exchange rate differences.

Profit before tax was EUR 69.2 million (64.6). The profit for the period amounted to EUR 59.4 million (57.7), and EPS were EUR 0.44 (0.43).

Cash flow from operating activities was EUR -52.5 million (-109.8).

JANUARY–SEPTEMBER 2016

Nokian Tyres Group recorded net sales of EUR 930.5 million (937.9), with a decrease of 0.8% compared with 1–9/2015. Currency exchange rates affected net sales negatively by EUR 34.0 million.

Net sales development by market area

	Growth%	% of total sales in 1–9/2016	% of total sales in 1–9/2015
Nordic countries	2.3	42.5	41.0
Russia and the CIS	-23.2	13.5	17.4
Other Europe	12.6	31.6	27.7
North America	-13.6	11.5	13.1

Net sales development by business unit

	Growth%	% of total sales in 1–9/2016	% of total sales in 1–9/2015
Passenger Car Tyres	-1.2	67.3	67.7
Heavy Tyres	0.1	11.5	11.4
Vianor	0.8	21.2	20.9

The raw material costs (EUR/kg) in manufacturing decreased by 7.7% year-over-year. Fixed costs amounted to EUR 297.8 million (289.7), thereby accounting for 32.0% (30.9%) of net sales. Total salaries and wages were EUR 139.8 million (142.2).

Nokian Tyres Group's operating profit amounted to EUR 202.0 million (201.2), with an increase of 0.4% compared with 1–9/2015. The operating profit was negatively affected by the IFRS 2-compliant accrual for share option and performance share plans of EUR 8.3 million (6.9) and expensed credit losses and provisions of EUR 11.3 million (6.4).

Net financial expenses were EUR 9.6 million (-0.1). Net interest expenses were EUR 4.4 million (-10.3). In Q3/2015, financial expenses included a EUR 2.7 million premium related to Nokian Tyres' voluntary buy-back of a company bond maturing in 2017 amounting to EUR 62.3 million. In Q1/2015, the financial expenses were adjusted with a EUR 20.2 million reversal of interest on back tax as the reassessment decisions on the years 2007–2010 were annulled and returned to the Tax Administration for reprocessing. In Q4/2015, net interest expenses included EUR 19.2 million penalty in interest based on the renewed reassessment decisions from the Tax Administration received in December 2015 and January 2016. The net effect of the above described tax decisions was EUR 1.0 million positive for the full financial year 2015. Net financial expenses include EUR 5.2 million (10.1) of exchange rate differences.

Profit before tax was EUR 192.4 million (201.3). The profit for the period amounted to EUR 160.6 million (257.5), and the EPS were EUR 1.19 (1.93). In Q1/2015, the tax expense was adjusted by EUR 80.1 million as the tax reassessment decisions on the years 2007–2010 were annulled and returned to the Tax Administration for reprocessing. In Q4/2015, the tax expense was again adjusted by EUR 74.9 million based on the renewed reassessment decisions received in December 2015 and January 2016. In total in Q1/2015, based on the annulment decision made by the Board of Adjustment of Finnish Tax Administration, the company returned total additional taxes and punitive interest of EUR 100.3 million to the financial result, and in Q4/2015, based on the renewed reassessment decisions, the company recorded total additional taxes and punitive interest of EUR 94.1 million to the financial result. The net effect of the above described tax decisions was EUR 6.2 million positive for the full financial year 2015. Tax disputes are thoroughly described in the section "Tax rate". Excluding the tax decision, the profit for the period increased by 2.1% compared to 1–9/2015.

Cash flow from operating activities EUR -92.5 million (-115.5) was affected by the payment of EUR 51.0 million in additional taxes with punitive tax increases and interest concerning the tax years 2007–2010. The company paid the amount in January 2016. The company received the reassessment decisions of EUR 94.1 million in December 2015 and in January 2016. Previously, the Tax Administration had already set off EUR 43.1 million of the amount despite the stay of execution.

Investments

Investments in the review period amounted to EUR 74.4 million (72.7). This comprises production investments in the Russian and Finnish factories, molds for new products, ICT and process development projects and the Vianor expansion projects.

Financial position on September 30, 2016

The gearing ratio was 9.3% (14.0%). Interest-bearing net debt amounted to EUR 121.0 million (182.6). Equity ratio was 71.9% (71.3%).

The Group's interest-bearing liabilities totaled EUR 224.1 million (250.6), of which the current interest-bearing liabilities amounted to EUR 89.3 million (51.9). The average interest rate for interest-bearing liabilities was 3.2% (3.0%). Cash and cash equivalents amounted to EUR 103.2 million (68.0).

At the end of the review period, the company had unused credit limits amounting to EUR 508.6 million (477.1), of which EUR 155.7 million (155.6) were committed. The current credit limits and the commercial paper program are used to finance inventories, trade receivables and subsidiaries in distribution chains, thereby controlling the typical seasonality in the Group's cash flow.

Tax rate

Dispute concerning 2007–2010

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

The Company returned the 2007–2010 total additional taxes of EUR 100.3 million in full to the financial statement and result for the first quarter of 2015. The Company had recorded the same amounts as expenses in full in the financial statement and result for 2013.

In December 2015 and January 2016, the Company received renewed reassessment decisions from the Tax Administration, according to which the Company was obliged to pay EUR 94.1 million in additional taxes with punitive tax increases and interest concerning the tax years 2007–2010. The company paid the amount in January 2016. The total sum demanded by the tax authorities was EUR 94.1 million, of which EUR 62.8 million were additional taxes and EUR 31.3 million were punitive tax increases and interest. The Company considers the decision unfounded and appealed against it by filing a claim with the Board of Adjustment.

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

Dispute concerning the US subsidiary 2008–2012

Nokian Tyres U.S. Finance Oy, a subsidiary of Nokian Tyres plc (ownership 100% of the shares), received a reassessment decision from the Finnish Tax Administration, according to which the company is obliged to pay EUR 11.0 million in additional taxes with punitive tax increases and interest concerning the tax years 2008 to 2012. EUR 7.9 million of this are additional taxes and EUR 3.1 million are punitive tax increases and interest. The company recorded them in full in the financial statement and result for Q1/2014.

The 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 by Nokian Tyres Group in North America, completely ignoring the business rationale and corresponding precedent rulings presented by the company.

Nokian Tyres U.S. Finance Oy considered the reassessment decision of the Tax Administration unfounded and filed a claim for rectification with the Board of Adjustment. If necessary, the company will continue the appeal process in the Administrative Court.

Tax rate outcome and estimate

The Group's tax rate was 16.6% (-27.9% (13.2% excluding the annulment of additional taxes)) in the review period. The tax rate was positively affected by tax incentives in Russia for current investments and further future investments. The latest agreed tax benefits and incentives for the factory came into force at the beginning of 2013 and, for the sales company, these were renewed in August 2016. The agreement will extend the benefits and incentives until approximately 2020.

The tax rate in the coming years will depend on the timetable and final outcome of the ongoing back tax disputes with the Finnish Tax Administration. The Group's corporate annual tax rate may rise from its medium-term average of 17% as a result of these cases.

Personnel

In January–September 2016 the Group employed, on average, 4,368 (4,372) people, and 4,354 (4,364) at the end of the review period. In Finland, the Group employed 1,626 (1,795) people at the end of the review period, and 1,362 (1,336) people in Russia. The equity-owned Vianor tyre chain employed 1,724 (1,614) people at the end of the review period.

BUSINESS UNIT REVIEWS

Passenger Car Tyres

	7-9 /16	7-9 /15	Change %	1-9 /16	1-9 /15	Change %	2015
Net sales, M€	234.6	226.3	3.7	667.1	675.0	-1.2	951.5
Operating profit, M€	84.4	75.6	11.7	211.4	205.3	3.0	285.5
Operating profit, %	36.0	33.4		31.7	30.4		30.0

Net sales of Nokian Passenger Car Tyres totaled EUR 667.1 million (675.0) in 1–9/2016, down by 1.2% year-over-year. Operating profit was EUR 211.4 million (205.3). Operating profit percentage was 31.7% (30.4%).

Net sales declined slightly during the review period mainly due to the clearly decreased sales in Russia, the expected decline in North American sales, and negative currency impacts. In Other Europe sales increased whereas the Nordic countries were stable. In most countries, the volumes were up. In Europe, the trend of sales shifting towards the consumer season has continued. Nokian Tyres' summer tyre sales continued to increase in all key markets.

In 1–9/2016, the Average Selling Price in euros decreased slightly. The share of winter tyres in the sales mix was 66% (69%), the share of summer tyres was 24% (21%) and the share of All-Season tyres was 10% (10%). Some price reductions have taken place in a few countries, which reflects the tight competitive situation and reductions in material costs partly passing through to tyre prices. Price pressure continues to be high.

Raw material costs (€/kg) were down by 7.7% year-over-year, which, together with improved productivity, supported the margins.

During the review period, Nokian Tyres won the esteemed Tire technology of the year 2016 award with the Nokian Hakkapeliitta R2 winter tyre. The products also succeeded well in tests: the Nokian Hakkapeliitta 8, for example, won the tyre tests of the Finnish Tuulilasi magazine, Swedish Auto Motor och Sport, Russian Za Rulem and Autoreview, and reached the shared first place in the winter tyre test of the Finnish magazine Tekniikan Maaailma. The Nokian Hakkapeliitta R2 won the tyre test of Swedish Auto Motor och Sport, was ranked second in the non-studded winter tyre test of Tekniikan Maaailma, and Swedish Vi Bilägare rated the tyre as a very good choice for Nordic winter. The Nokian Weatherproof was the clear winner in the German ACE's all season tyre test. In addition, the Nokian WR D4 achieved second place in the German Autozeitung and Auto Motor und Sport tyre tests. Read more: www.nokiantyres.com/test-success/. A flow of product launches with new innovations – improving safety, comfort and eco-friendly driving – continued in the review period. For example, the Nokian Hakka Blue 2 summer tyre, Nokian Rockproof – a strong special tyre, and Nokian zLine all season were introduced during the review period.

In the review period, the capacity was not fully utilized, but the production output (pcs) increased by 5%. Productivity (kg/mh) improved by 3% year-over-year. In 1–9/2016, 86% (80%) of Nokian passenger car tyres (pcs) were manufactured in the Russian factory.

Heavy Tyres

	7-9 /16	7-9 /15	Change %	1-9 /16	1-9 /15	Change %	2015
Net sales, M€	37.3	37.9	-1.6	113.6	113.5	0.1	155.3
Operating profit, M€	6.0	7.8	-22.6	21.0	22.1	-4.6	28.7
Operating profit, %	16.2	20.6		18.5	19.4		18.5

Net sales of Nokian Heavy Tyres totaled EUR 113.6 million (113.5) in 1–9/2016, up by 0.1% year-over-year. Operating profit was EUR 21.0 million (22.1). Operating profit percentage was 18.5% (19.4%).

In the Western markets, demand was moderate in most of Nokian Heavy Tyres' core product groups. Sales of forestry tyres were strong. Sales remained at a good level in the Nordic countries and increased in Russia. In Other Europe, sales declined due to decreased Agri sales, whereas in North America sales increased slightly. The operating profit decreased slightly year-over-year due to the decreased average selling prices and higher level of marketing activities, even though raw material cost savings supported profitability.

In 1–9/2016, the Average Selling Price decreased year-over-year due to a challenging pricing environment, a bigger share of OE sales and the product mix. During the review period, sales volumes of the company's own production increased year-over-year. Productivity increased.

Production output (metric tons) increased vs. 1–9/2015, and continuous investments into production technology improved productivity.

Vianor

Equity-owned operations

	7-9 /16	7-9 /15	Change %	1-9 /16	1-9 /15	Change %	2015
Net sales, M€	66.7	66.4	0.4	209.9	208.2	0.8	327.6
Operating profit, M€	-6.7 *	-6.0	-11.0	-15.9 **	-12.9	-22.4	-1.9
Operating profit, %	-10.0 *	-9.1		-7.6 **	-6.2		-0.6

* Excluding non-recurring items: Operating profit EUR -5.7 million, operating profit percentage -8.5%.

** Excluding non-recurring items: Operating profit EUR -14.9 million, operating profit percentage -7.1%.

Net sales totaled EUR 209.9 million (208.2) in 1–9/2016, up by 0.8% year-over-year. Operating profit was EUR -15.9 million (-12.9). Operating profit percentage was -7.6% (-6.2%). Non-recurring items amounting to EUR 1 million include the write-off of an ICT development project.

In 1–9/2016, Net sales increased in the Nordic countries year-over-year. Car tyre sales increased slightly, whereas truck and heavy tyre sales decreased slightly. Service sales increased by 2.8%. Retail sales comprised 52% of Vianor's total sales. Profitability was impacted negatively by the tough pricing environment.

Vianor outlets are being developed towards one-stop shops, where the customer can get tyres, tyre services and car services. At the end of the review period, Vianor had 206 (197) equity-owned stores in Finland, Sweden, Norway, USA, Switzerland, and Russia.

Retail network operations

Nokian Tyres' retail network includes Vianor's equity-owned chain, Vianor's partner chains, Nokian Tyres Authorized Dealers (NAD), and N-Tyre.

In Nokian Tyres' key markets, the total number of Vianor outlets has increased by 19 stores during 1–9/2016 (equity +8, partner +11). At the end of the review period, the Vianor network comprised 1,494 stores in total, of which 1,288 were partners. Vianor operates in 26 countries; most extensively in the Nordic countries, Russia, and Ukraine. The expansion of the partner network will continue.

A softer partner model, Nokian Tyres Authorized Dealers (NAD), has expanded in the review period by 225 stores and comprises 1,464 stores under contract in 19 European countries and China. N-Tyre, a Nokian Tyres partner network, is operating with 121 stores in Russia and the CIS, and it has expanded in the review period by 19 stores.

OTHER MATTERS

1. Stock options on the Nasdaq Helsinki Stock Exchange

The total number of stock options 2010C was 1,340,000. Each stock option 2010C entitled its holder to subscribe to one share in Nokian Tyres plc. The shares were subscribed with the stock options 2010C during the period of May 1, 2014 to May 31, 2016.

The total number of stock options 2013A is 1,150,000. Each stock option 2013A entitles its holder to subscribe to one share in Nokian Tyres plc. The shares can be subscribed with the stock options 2013A during the period of May 1, 2015 to May 31, 2017. The present share subscription price with stock options 2013A is EUR 27.86/share. The dividends payable annually are deducted from the share subscription price.

The total number of stock options 2013B is 1,150,000. Each stock option 2013B entitles its holder to subscribe to one share in Nokian Tyres plc. The shares can be subscribed with the stock options 2013B during the period of May 1, 2016 to May 31, 2018. The present share subscription price with stock options 2013B is EUR 26.59/share. The dividends payable annually are deducted from the share subscription price.

2. Authorizations

In 2012, the Annual General Meeting authorized the Board of Directors to make a decision to offer no more than 25,000,000 shares through a share issue. The authorization is effective for five years from that decision.

In 2016, the Annual General Meeting authorized the Board of Directors to decide on the repurchase of a maximum of 5,000,000 the company's own shares. The authorization is effective at most until October 12, 2017.

3. Own shares

No share repurchases were made in the review period, and the company did not possess any own shares on September 30, 2016.

In 2014, Nokian Tyres entered into an agreement with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns the shares until the shares are given to the participants within the program. In accordance with IFRS, these repurchased 300,000 shares have been reported as treasury shares in the Consolidated Statement of Financial Position. This number of shares corresponds to 0.2% of the total shares and voting rights of the company.

4. Trading in shares

Nokian Tyres' share price was EUR 32.45 (28.91) at the end of the review period. The volume weighted average share price during the period was EUR 31.39 (26.81), the highest was EUR 34.99 (32.48) and the lowest was EUR 27.48 (19.23). A total of 107,458,243 shares were traded in Nasdaq Helsinki during the period (155,019,206), representing 79% (115%) of the company's overall share capital. Nokian Tyres' shares are also traded on alternative exchanges, such as Chi-X, Turquoise, and BATS. The total trading volume on these alternative exchanges was 101,999,333 shares during the review period. The company's market capitalization at the end of the period was EUR 4.410 billion (3.894 billion). The company had 36,310 (42,473) shareholders. The percentage of Finnish shareholders was 23.4% (31.2%) and 76.6% (68.8%) were non-Finnish holders and foreign shareholders registered in the nominee register. This figure includes Bridgestone's holding of approximately 14.7%.

5. Changes in ownership

Nokian Tyres has received announcements from BlackRock, Inc. on January 11, 2016, on January 15, 2016, on January 22, 2016, on February 16, 2016, on March 4, 2016, on March 9, 2016, on March 10,

2016, on March 14, 2016, on March 18, 2016, on April 22, 2016, on May 2, 2016, and on May 3, 2016, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of a share transactions concluded on January 8, 2016, on January 14, 2016, on January 21, 2016, on February 15, 2016, on March 3, 2016, on March 8, 2016, on March 9, 2016, on March 11, 2016, on March 17, 2016, on April 21, 2016, on April 29, 2016, and on May 2, 2016.

Nokian Tyres has received announcements from BlackRock, Inc. on January 14, 2016, on January 21, 2016, on January 25, 2016, on February 18, 2016, on March 7, 2016, on March 11, 2016, on March 16, 2016, on March 21, 2016, on March 23, 2016, and on April 25, 2016, according to which the holdings of the mutual funds managed by BlackRock, or indirect holding in Nokian Tyres shares, fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on January 13, 2016, on January 20, 2016, on January 22, 2016, on February 17, 2016, on March 4, 2016, on March 10, 2016, on March 15, 2016, on March 18, 2016, on March 22, 2016, and on April 22, 2016.

Nokian Tyres has received an announcement from Sprucegrove Investment Management Ltd. on February 26, 2016 and a revised announcement on March 1, 2016, according to which the holdings of the mutual funds managed by Sprucegrove Investment Management Ltd. fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on February 25, 2016. According to Nokian Tyres, the holdings of the funds have fallen below the level of 5% already previously due to Nokian Tyres increasing its total number of shares during 2015.

Nokian Tyres has received an announcement from The Capital Group Companies, Inc. on March 24, 2016, according to which the holdings of the mutual funds managed by The Capital Group Companies, Inc. fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on March 23, 2016.

Nokian Tyres has received an announcement from The Capital Group Companies, Inc. on June 9, 2016, according to which the holdings of the mutual funds managed by The Capital Group Companies, Inc. exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on June 8, 2016.

Nokian Tyres has received an announcement from The Income Fund of America (IFA) on September 15, 2016, according to which the shares owned by The Income Fund of America exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on September 14, 2016.

More detailed information on flagging can be found at <http://www.nokiantyres.com/company/investors/share/flagging-notifications/>.

6. Decisions made at the Annual General Meeting

On April 12, 2016, the Annual General Meeting of Nokian Tyres approved the financial statements for 2015 and discharged the Board of Directors and the President and CEO from liability.

6.1 Dividend

The meeting decided that a dividend of EUR 1.50 per share be paid for the period ending on December 31, 2015. It was decided to pay the dividend to the shareholders included in the shareholder list maintained by Euroclear Finland Ltd on the record date of April 14, 2016. The dividend payment date was April 28, 2016.

6.2. Members of the Board of Directors and Auditor

The meeting decided that the Board of Directors has seven members. The existing members Hille Korhonen, Tapio Kuula, Raimo Lind, Inka Mero and Petteri Walldén were elected to continue on the Board of Directors. Mr. Heikki Allonen and Ms. Veronica Lindholm were elected as new members of the Board.

Authorized public accountants KPMG Oy Ab continue as auditors.

6.3. Remuneration of the Members of the Board of Directors to remain unchanged

The meeting decided that the fee paid to the Chairman of the Board is EUR 80,000 per year, while the remuneration to the Board members is set at EUR 40,000 per year. The Members of the Board are also granted a fee of EUR 600 for every Board meeting and Committee meeting attended. Travel expenses will be compensated in accordance with the company's travel policy.

In accordance with current practice, 50% of the annual fee is paid in cash and 50% in company shares. It was decided that, in the period of April 13 to April 30, 2016, Nokian Tyres plc shares in the amount of EUR 40,000 be purchased on the stock exchange on behalf of the Chairman of the Board and shares in the amount of EUR 20,000 on behalf of each Board member. Therefore, the final remuneration paid to the Board members is tied to the company's share performance.

7. Chairman of the Board and Committees of the Board of Directors

In the Board meeting on April 12, 2016, Petteri Walldén was elected chairman of the Board. The members of the Personnel and Remuneration Committee are Tapio Kuula (chairman), Hille Korhonen and Petteri Walldén. The members of the Audit Committee are Raimo Lind (chairman), Heikki Allonen and Inka Mero.

8. Corporate social responsibility

Nokian Tyres published its Corporate Sustainability Report in April 2016. The Corporate Sustainability Report is available in Finnish and English on the company's website at www.nokiantyres.com/company/sustainability/. The report is based on the international, widely adopted GRI G4 guidelines that divide sustainability into three main groups (financial, environmental, and social sustainability and their different subgroups). Product safety and quality, as well as profitable growth, good HR management, and environmental issues are important for the development of sustainable business operations at Nokian Tyres. The report is the third GRI report from Nokian Tyres and, in the interests of quality assurance, it has now been externally assured for the first time.

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

The new biomass power plant in Nokia started its operations in April 2016. The plant reduces the use of fossil fuels and increases the use of local energy sources. Nokian Tyres is one of three partners. The total investment was EUR 42 million. According to initial calculations, the proportion of renewable energy sources could increase from the current 40% to approximately 70%, thereby significantly decreasing the Nokia factory's greenhouse gas emissions in the future.

Nokian Tyres received good grades for corporate responsibility

Nokian Tyres has received consistently good results in the global Dow Jones Sustainability Index. The evaluations review the corporate responsibility of the companies' operations from 18 different perspectives, including environmental affairs, human rights, accountability in the procurement chain, and safety in the workplace. In the 2016 evaluation, Nokian Tyres was graded above average for its sector in almost all of the 18 sub-areas. The evaluation is carried out by a Swiss company named RobecoSam.

9. Nokian Tyres participating in UN Global Compact initiative

On January 11, 2016, Nokian Tyres announced that it has signed the United Nations' Global Compact initiative and is registered as a supporting member of the initiative as of December 23, 2015. Signing the initiative further strengthens the Group's commitment to profitable business and responsible methods.

10. Changes in operational structure and management team

On January 20, 2016, Nokian Tyres announced that it is going to change its operational structure and responsibilities in the management team in order to strengthen the Company's further expansion and to improve distribution and the development and harmonization of processes.

Nokian Tyres' Management team as of April 1, 2016

Ari Lehtoranta, President and CEO

Alexej von Bagh, Process Development

Esa Eronen, Supply Operations

Teppo Huovila, Quality, Sustainability and ICT

Anna Hyvönen, Vianor and Partner Distribution

Anne Leskelä, Finance & IR

Ville Nurmi, Human Resources

Andrei Pantioukhov, Executive Vice President, General Manager of Russian Operations

Juha Pirhonen, Research and Development

Manu Salmi, Heavy Tyres

Pontus Stenberg, Sales

Antti-Jussi Tähtinen, Marketing and Communications

11. Agreement on work time flexibility supports preserving the role of the Nokia factory

On January 29, 2016, Nokian Tyres announced that it has signed an agreement in the Nokia factory on work time flexibility in the coming years. The agreement improves flexibility in production and supports the competitiveness of the company. The agreement also supports maintaining a significant role for the Nokia factory in the future, in terms of both tyre production and the development of new products and production methods. During the agreement period, there will be no temporary or permanent layoffs due to financial or production-related reasons at the factory. The agreement is in effect until June 30, 2018.

12. Nokian Hakkapeliitta R2 winter tyre wins the Tire technology of the year 2016 award

On February 18, 2016, Nokian Tyres announced that it has won the esteemed Tire technology of the year 2016 award with the Nokian Hakkapeliitta R2 winter tyre.

13. Nokian Tyres' incentive scheme to be updated

On February 24, 2016, Nokian Tyres announced that the Board of Directors of Nokian Tyres plc has decided to update the Group's incentive schemes. The update aims to clarify and improve the schemes, and to offer a competitive reward system for all personnel. Nokian Tyres has decided to launch a new share-based incentive scheme for a group of key personnel and a new profit-sharing bonus scheme for all other personnel. The incentive scheme has long focused on options, which are due to expire in 2019.

14. Test tyre policies and processes in Nokian Tyres

On February 29, 2016, Nokian Tyres published a stock exchange release concerning the company's test tyre policies and processes. In the February 24 issue of the newspaper Kauppalehti, the company disclosed that its practices concerning tyre tests in the past have not always been in line with the sustainable approach of Nokian Tyres. Although the practices have substantially improved over the years, the company decided to launch an investigation into the matter in the autumn of 2015. Following the investigation, Nokian Tyres has ensured that any possible improper practices related to testing have been rectified. At the same time, the company has completed a review of its practices in order to increase openness and transparency in all activities. Learn more: <http://www.nokiantyres.com/testtyre-faq/>.

15. Nokian Tyres introduced a new winter product for Central Europe

On March 21, 2016, Nokian Tyres announced that it is adding a new winter tyre to its product selection for varying Central European winter weather. The sporty new Nokian WR A4 winter tyre combines high-performance handling and reliable winter grip in an optimal way. The new Nokian WR A4 complements

Nokian Tyres' Central European winter tyre selection, which is one the widest and most modern in the business.

16. Nokian Tyres signed a EUR 100 million Revolving Credit Facility

On May 12, 2016, Nokian Tyres announced that it has signed a EUR 100 million Revolving Credit Facility for 5 years with an international bank syndicate. The Facility will be used for refinancing the existing EUR 100 million Multicurrency Revolving Credit Facility that was signed March 31, 2011 as well as for general corporate purposes.

17. Nomination to Nokian Tyres' management team

On May 18, 2016, Nokian Tyres announced that Timo Tervolin has been appointed as Vice President, Strategy and Corporate Development and a member of Nokian Tyres' management team. His responsibilities include leading the company's strategy process and strategic programs, mergers and acquisitions, and monitoring the markets and competition. Timo Tervolin joined Nokian Tyres on June 6, 2016 and reports to the President and CEO.

18. Nomination to Nokian Tyres' management team

On July 1, 2016, Nokian Tyres announced that Tarja Kaipio has been appointed as Vice President, Human Resources and member of the management team of Nokian Tyres plc as of August 8, 2016. She will be responsible for human resources functions and will report to the President and CEO.

More detailed information on management team can be found at <https://www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/>.

19. Nokian Tyres plc: Shares subscribed with option rights

On August 18, 2016, Nokian Tyres announced that after May 16, 2016, registered new shares, a total of 1,219,996 Nokian Tyres plc's shares have been subscribed with the 2010C option rights, a total of 40 shares with the 2013A option rights, and a total of 145 shares with the 2013B option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 135,911,395 shares.

20. Nokian Tyres introduced new products

On September 9, 2016, Nokian Tyres introduced new products: the Nokian Hakka Blue 2 summer tyre, and Nokian Rockproof – a new, strong special tyre.

21. Nokian Tyres constructs an all-new technology center in Spain

On September 20, 2016, Nokian Tyres announced that it constructs a new technology center in Spain, in Santa Cruz de la Zarza. This development center will be located south of Madrid, and it will span approximately 300 hectares. In the future, it will be especially used for testing summer tyres with high speed ratings as well as the characteristics of winter tyres. The final construction of the center will be finished in late 2019, but the first stage will be completed already during 2017. The value of the investment is approximately EUR 16 million. Construction is scheduled to begin in early 2017.

22. Nokian Tyres' President and CEO to change

On September 27, 2016, Nokian Tyres announced that the President and CEO Ari Lehtoranta has resigned from his position in order to pursue new opportunities outside of Nokian Tyres. He continues in his present position until the end of 2016. The company's Board of Directors will start the recruitment process to select a new President and CEO for the company. Read more: <https://www.nokiantyres.com/company/news-article/nokian-tyres-president-and-ceo-to-change/>.

RISKS, UNCERTAINTY, AND DISPUTES IN THE NEAR FUTURE

The global recovery continues. The world economy continues to expand at a pace that is moderate compared to the pre-crisis level, but may be normal given the current conditions. The rate of growth is estimated to be slightly higher in 2017 and 2018. The growth in Russia is expected to be negative with a full year 2016 GDP decline estimate of slightly over 1%. An escalation of the Ukraine crisis could cause serious disruption, additional trade barriers, and a slowdown of economic development in Russia, the CIS, and Finland. All in all, the uncertainties may weaken future demand for tyres and increase the credit risk. Brexit as such has practically no effect on Nokian Tyres' business.

The company's receivables declined compared to the previous year. The tyre inventories are at the planned level. The company follows the development of NWC very closely. At the end of the review period, Russian trade receivables accounted for 28% (30%) of the Group's total trade receivables. The collecting environment in Russia remains very tough.

Approximately 40% of the Group's net sales in 2016 are estimated to be generated from Euro-denominated sales. The most important sales currencies in addition to the euro are the Russian ruble, the Swedish and Norwegian krona, and the US and Canadian dollar.

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

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

More detailed information relating to the risks can be found at <http://www.nokiantyres.com/annual-reports>, Financial review 2015, on pages 42–47 and 66–67.

Tax disputes

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

OUTLOOK FOR 2016

The global recovery continues. The world economy continues to expand at a pace that is moderate compared to the pre-crisis level, but may be normal given the current conditions. The rate of growth is estimated to be slightly higher in 2017 and 2018. It is estimated that the global GDP will grow by 3.0% in 2016. The GDP growth estimates for the Nordic countries are from +0.8% to +3.0%, for Europe (including the Nordics) +1.5%, and for the US +1.5%. In Russia, the GDP decline is expected to be slightly over 1%.

In 2016, market demand for replacement car tyres is expected to show growth in Central Europe, North America, and the Nordic countries. In Russia and the CIS, the overall uncertainty will decrease tyre demand in 2016.

The company's replacement tyre market position (sell-in) is expected to improve in 2016 in all key markets. In Russia, the company expects to retain its market leader position in the A + B segments.

The raw material cost is estimated to decrease approximately 6% in 2016 versus 2015. The pricing environment for 2016 remains challenging for all tyre categories.

Nokian Tyres continues to gain competitive advantages by manufacturing in Russia. Approximately 76% of the Russian production was exported in 1–9/2016, and the margin between production costs in rubles and export sales in euros has improved along with the devaluation of the ruble. If there is an upturn in demand, Nokian Tyres' car tyre production capacity in Russia offers an inbuilt capability to increase output rapidly without capex in order to meet market growth.

Demand in Nokian Heavy Tyres' core products is estimated to remain healthy. Nokian Heavy Tyres' delivery capability has improved and, therefore, the sales and EBIT are expected to remain at a good level in 2016.

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

Nokian Tyres' estimate for total investments in 2016 is EUR 110 million (102).

Financial guidance (reiterated)

In 2016, with the current exchange rates, net sales and operating profit are expected to remain at the same level compared to 2015.

Nokia, November 1, 2016

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 always involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Therefore, future results may even differ significantly from the results expressed in, or implied by, the forward-looking statements.

This Interim Report has been prepared in accordance with IFRS compliant recognition and measurement principles and the same accounting policies as in the most recent annual financial statements, but it has not been prepared in compliance with all requirements set out in IAS 34 'Interim Financial Reporting'.

The interim report figures are unaudited.

**NOKIAN TYRES
CONSOLIDATED**

INCOME STATEMENT	7-9/16	7-9/15	1-9/16	1-9/15	Last 12 months	1-12/15	Change %
Million euros							
Net sales	317.2	311.0	930.5	937.9	1,352.7	1,360.1	-0.8
Cost of sales	-166.9	-162.3	-488.1	-510.1	-711.7	-733.7	4.3
Gross profit	150.3	148.8	442.4	427.7	641.1	626.4	3.4
Other operating income	0.4	1.4	2.5	3.4	2.8	3.7	-26.5
Selling and marketing expenses	-60.4	-59.3	-186.5	-181.0	-261.7	-256.2	-3.0
Administration expenses	-9.9	-8.6	-28.9	-25.1	-39.1	-35.3	-15.2
Other operating expenses	-6.3	-10.0	-27.5	-23.9	-46.2	-42.6	-15.2
Operating profit	74.1	72.4	202.0	201.2	296.8	296.0	0.4
Financial income	15.2	48.6	91.8	136.8	155.4	200.9	-32.9
Financial expenses (1	-20.1	-56.4	-101.4	-136.6	-130.3	-222.7	25.8
Profit before tax	69.2	64.6	192.4	201.3	265.3	274.2	-4.4
Tax expense (2 (3	-9.8	-6.9	-31.8	56.2	-121.5	-33.5	-156.7
Profit for the period	59.4	57.7	160.6	257.5	143.8	240.7	-37.6
Attributable to:							
Equity holders of the parent	59.4	57.7	160.6	257.5	143.8	240.7	
Non-controlling interest	-	-	-	-	-	-	
Earnings per share from the profit attributable to equity holders of the parent							
basic, euros	0.44	0.43	1.19	1.93		1.80	-38.2
diluted, euros	0.44	0.43	1.19	1.93		1.80	-38.5

CONSOLIDATED OTHER COMPREHENSIVE INCOME	7-9/16	7-9/15	1-9/16	1-9/15	1-12/15
Million euros					
Profit for the period	59.4	57.7	160.6	257.5	240.7
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	0.0	0.0	0.0	0.0
Cash flow hedges	0.8	-0.8	0.0	-1.5	-0.3
Translation differences on foreign operations 4)	8.2	-74.3	65.0	-8.8	-55.2
Total other comprehensive income for the period, net of tax	9.0	-75.0	65.0	-10.4	-55.5
Total comprehensive income for the period	68.4	-17.3	225.5	247.2	185.2
Total comprehensive income attributable to:					
Equity holders of the parent	68.4	-17.3	225.5	247.2	185.2
Non-controlling interest	-	-	-	-	-

- 1) Financial expenses in 1-9/15 and 1-12/15 have been adjusted with EUR 20.2 million reversal of interests on back taxes as the tax reassessment decisions on years 2007-2010 were annulled and returned to the Tax Administration for reprocessing. Additionally financial expenses in 1-12/15 contain EUR 19.2 million expensed punitive interest for reprocessed tax reassessment decisions on years 2007-2010. These decrease financial expenses in 1-12/15 with 1.0 million net.
- 2) Tax expense in 1-9/15 have been adjusted with EUR 80.1 million as the tax reassessment decisions on years 2007-2010 were annulled and returned to the Tax Administrator for reprocessing. Additionally tax expense in 1-12/15 contains EUR 74.9 million expensed additional taxes with punitive tax increases for reprocessed tax reassessment decisions on years 2007-2010. These decrease tax expense in 1-12/2015 with EUR 5.2 million net.
- 3) Otherwise tax expense in the consolidated income statement is based on the taxable results for the period.
- 4) Since the beginning of year 2014 the Group has internal loans that are recognized as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". The impact in 1-9/16 is EUR -2.3 million, in 1-9/15 EUR -8.9 million and 1-12/15 EUR -13.7 million.

KEY RATIOS	30.9.16	30.9.15	31.12.15	Change %
Equity ratio, %	71.9	71.3	70.8	
Gearing, %	9.3	14.0	-16.9	
Equity per share, euro	9.64	9.68	9.24	-0.5
Interest-bearing net debt, mill. euros	121.0	182.6	-209.7	
Capital expenditure, mill. euros	74.4	72.7	101.7	
Depreciation, mill. euros	60.7	63.1	82.6	
Personnel, average	4,369	4,372	4,421	
Number of shares (million units) at the end of period	135.61	134.39	134.39	
in average	134.59	133.37	133.63	
in average, diluted	135.27	133.42	133.74	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30.9.16	30.9.15	31.12.15
Million euros			
Non-current assets			
Property, plant and equipment	528.6	503.0	485.0
Goodwill	83.0	78.2	79.2
Other intangible assets	19.5	17.1	19.4
Investments in associates	0.1	0.1	0.1
Available-for-sale financial assets	0.3	0.3	0.3
Other receivables	9.7	9.7	8.8
Deferred tax assets	11.4	9.8	7.5
Total non-current assets	652.6	618.3	600.2
Current assets			
Inventories	337.8	321.2	271.3
Trade receivables	608.3	652.5	356.9
Other receivables	116.1	166.9	97.1
Cash and cash equivalents	103.2	68.0	429.3
Total current assets	1,165.3	1,208.7	1,154.6
Total assets	1,818.0	1,827.0	1,754.8
Equity			
Share capital	25.4	25.4	25.4
Share premium	181.4	181.4	181.4
Treasury shares	-8.6	-8.6	-8.6
Translation reserve	-320.9	-339.5	-385.9
Fair value and hedging reserves	-2.9	-4.1	-2.9
Paid-up unrestricted equity reserve	168.9	133.0	133.0
Retained earnings	1,263.9	1,313.8	1,299.2
Non-controlling interest	-	-	-
Total equity	1,307.3	1,301.4	1,241.6
Non-current liabilities			
Deferred tax liabilities	40.9	24.6	25.7
Provisions	0.2	0.5	0.5
Interest-bearing financial liabilities	134.9	198.7	199.7
Other liabilities	1.8	4.4	2.1
Total non-current liabilities	177.7	228.3	228.0
Current liabilities			
Trade payables	85.0	78.1	55.7
Other current payables	155.9	164.2	206.7
Provisions	2.9	3.2	2.8
Interest-bearing financial liabilities	89.3	51.9	19.9
Total current liabilities	333.1	297.3	285.1
Total equity and liabilities	1,818.0	1,827.0	1,754.8

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	1-9/16	1-9/15	1-12/15
Million euros			
Profit for the period	160.6	257.5	240.7
Adjustments for			
Depreciation, amortisation and impairment	72.6	69.5	100.4
Financial income and expenses	9.6	-0.1	21.8
Gains and losses on sale of intangible assets, other changes	-6.5	-7.9	-10.5
Income Taxes	31.8	-56.2	33.5
Cash flow before changes in working capital	268.1	262.8	385.8
Changes in working capital			
Current receivables, non-interest-bearing, increase (-) / decrease (+)	-244.1	-316.1	-27.6
Inventories, increase (-) / decrease (+)	-55.3	-36.5	8.2
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	33.3	37.4	4.0
Changes in working capital	-266.1	-315.3	-15.4
Financial items and taxes			
Interest and other financial items, received	2.5	2.4	2.9
Interest and other financial items, paid	-26.0	-31.5	-49.8
Dividens received	0.0	0.0	0.0
Income taxes paid	-71.0	-34.0	-40.0
Financial items and taxes	-94.5	-63.1	-87.0
Cash flow from operating activities (A)	-92.5	-115.5	283.4
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	-74.4	-69.6	-100.0
Proceeds from sale of property, plant and equipment and intangible assets	0.3	1.0	1.4
Acquisitions of Group companies	0.0	-6.9	-6.7
Change in non-controlling interest	-	-	-
Acquisitions of other investments	0.0	0.0	0.0
Cash flows from investing activities (B)	-74.2	-75.4	-105.3
Cash flow from financing activities:			
Proceeds from issue of share capital	35.9	33.4	33.3
Purchase of treasury shares	-	-	-
Change in current financial receivables, increase (-) / decrease (+)	19.1	-16.4	-6.0
Change in non-current financial receivables, increase (-) / decrease (+)	-0.5	0.3	0.4
Change in current financial borrowings, increase (+) / decrease (-)	63.3	70.6	48.5
Change in non-current financial borrowings, increase (+) / decrease (-)	-75.7	-76.2	-73.4
Dividens received	0.5	-	0.4
Dividends paid	-202.0	-193.5	-193.5
Cash flow from financing activities (C)	-159.5	-181.8	-190.2
Change in cash and cash equivalents (A+B+C)	-326.1	-372.7	-12.2
Cash and cash equivalents at the beginning of the period	429.3	439.9	439.9
Effect of exchange rate fluctuations on cash held	0.0	0.9	1.6
Cash and cash equivalents at the end of the period	103.2	68.0	429.3

Based on the annulled and later renewed tax reassessment decisions on years 2007-2010 the financial items and taxes contain paid tax increases of EUR 51.0 million in 1-9/16, EUR 6.1 million in 1-9/15 and EUR 6.1 million in 1-12/15.

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

Million euros	Equity attributable to equity holders of the parent								
	A	B	C	D	E	F	G	H	I
Equity, 1 Jan 2015	25.4	181.4	-8.6	-330.7	-2.6	100.3	1,243.2	-	1,208.4
Profit for the period							257.5		257.5
Other comprehensive income, net of tax:									
Cash flow hedges					-1.5				-1.5
Net investment hedge									
Translation differences				-8.8					-8.8
Total comprehensive income for the period				-8.8	-1.5		257.5		247.2
Dividends paid							-193.5		-193.5
Exercised warrants						33.4			33.4
Acquisition of treasury shares									
Share-based payments							6.7		6.7
Total transactions with owners for the period						33.4	-186.8		-153.4
Changes in the shareholding of group companies						-0.7			-0.7
Equity, 30 Sep 2015	25.4	181.4	-8.6	-339.5	-4.1	133.0	1,313.8	-	1,301.4
Equity, 1 Jan 2016	25.4	181.4	-8.6	-385.9	-2.9	133.0	1,299.2	-	1,241.6
Profit for the period							160.6		160.6
Other comprehensive income, net of tax:									
Cash flow hedges					0.0				0.0
Net investment hedge									
Translation differences				65.0					65.0
Total comprehensive income for the period				65.0	0.0		160.6		225.5
Dividends paid							-201.6		-201.6
Exercised warrants						35.9			35.9
Acquisition of treasury shares									
Share-based payments							5.7		5.7
Total transactions with owners for the period						35.9	-195.9		-159.9
Equity, 30 Sep 2016	25.4	181.4	-8.6	-320.9	-2.9	168.9	1,263.9	-	1,307.3

SEGMENT INFORMATION	7-9/16	7-9/15	1-9/16	1-9/15	1-12/15	Change %
Million euros						
Net sales						
Passenger car tyres	234.6	226.3	667.1	675.0	951.5	-1.2
Heavy tyres	37.3	37.9	113.6	113.5	155.3	0.1
Vianor	66.7	66.4	209.9	208.2	327.6	0.8
Other operations	2.9	3.6	8.8	10.4	15.4	-15.5
Eliminations	-24.3	-23.1	-69.0	-69.3	-89.7	0.5
Total	317.2	311.0	930.5	937.9	1,360.1	-0.8
Operating result						
Passenger car tyres	84.4	75.6	211.4	205.3	285.5	3.0
Heavy tyres	6.0	7.8	21.0	22.1	28.7	-4.6
Vianor	-6.7	-6.0	-15.9	-12.9	-1.9	-22.4
Other operations	-1.8	-2.2	-7.8	-6.3	-13.9	-22.5
Eliminations	-7.9	-2.8	-6.8	-6.9	-2.5	1.4
Total	74.1	72.4	202.0	201.2	296.0	0.4
Operating result, % of net sales						
Passenger car tyres	36.0	33.4	31.7	30.4	30.0	
Heavy tyres	16.2	20.6	18.5	19.4	18.5	
Vianor	-10.0	-9.1	-7.6	-6.2	-0.6	
Total	23.3	23.3	21.7	21.5	21.8	
CONTINGENT LIABILITIES	30.9.16	30.9.15	31.12.15			
Million euros						
FOR OWN DEBT						
Mortgages	0.6	1.0	1.0			
Pledged assets	4.7	4.7	4.8			
ON BEHALF OF OTHER COMPANIES						
Guarantees	0.4	-	0.4			
OTHER OWN COMMITMENTS						
Guarantees	9.4	5.1	5.2			
Leasing and rent commitments	71.8	66.3	82.6			
Purchase commitments	1.6	1.6	1.6			

DERIVATIVE FINANCIAL INSTRUMENTS	30.9.16	30.9.15	31.12.15
Million euros			

INTEREST RATE DERIVATIVES

Interest rate swaps			
Notional amount	100.0	160.0	100.0
Fair value	-2.7	-2.2	-2.4

FOREIGN CURRENCY DERIVATIVES

Currency forwards			
Notional amount	415.7	349.7	497.9
Fair value	0.2	7.9	-6.6
Currency options, purchased			
Notional amount	13.6	11.9	-
Fair value	0.2	1.2	-
Currency options, written			
Notional amount	27.2	23.8	-
Fair value	-0.1	-0.3	-
Interest rate and currency swaps			
Notional amount	87.5	87.5	87.5
Fair value	21.0	23.8	19.8

ELECTRICITY DERIVATIVES

Electricity forwards			
Notional amount	7.5	6.4	7.0
Fair value	-1.5	-2.9	-3.0

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 the 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, Netherlands, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Switzerland, Turkey, United Kingdom.

North America: Canada, USA.

Core markets: Nordic countries, Russia and the CIS.

Nokian Tyres plc

Antti-Jussi Tähtinen, Vice President, Marketing and Communications

Further information: Mr. Ari Lehtoranta, President and CEO, tel: +358 10 401 7733

Distribution: Nasdaq Helsinki, media, www.nokiantyres.com

Press and analyst meetings

The result presentation for analysts and media will be held in Hotel Kämp in Helsinki on November 1, 2016 at 10:00 a.m. Finnish time. An audio broadcast of the presentation can be listened to online starting at 10 a.m. at: www.nokiantyres.com/resultinfo-Q3-2016.

The event can also be attended via a conference call. Please dial in 5–10 minutes before the beginning of the event: FI +358 9 8171 0495, UK +44 20 31940552, SE +46 85 664 2702, US +1 855 7161597.

The stock exchange release and presentation material will be available before the event from <https://www.nokiantyres.com/company/investors/>.

An audio recording of the event will be available on the company's website later on the same day.

Nokian Tyres result 2016 will be published on February 2, 2017. Releases and company information will be available at: <https://www.nokiantyres.com/company/investors/>.