

Nokian Tyres plc Interim Report 8 May 2015, 8 a.m.

Nokian Tyres plc Interim Report January-March 2015: Growth in the west – Russia remains challenging

January-March 2015

- Net sales decreased by 9.8% to EUR 281.3 million (EUR 311.9 million in Q1/2014). Currency rate changes cut Net sales by EUR 29.1 million compared with the rates in Q1/2014.
- Operating profit was down by 29.4% to EUR 48.3 million (68.4). Operating profit percentage was 17.2% (21.9%).
- Profit for the period increased by 249.3% amounting to EUR 135.3 million (38.7). The company returned the 2007-2010 total additional taxes and punitive interests of EUR 100.3 million to the financial result based on the annulment decision made by the Board of Adjustment of Finnish Tax Administration.
- Earnings per share were up by 249.5% to EUR 1.02 (EUR 0.29).

Full year financial guidance reiterated

In 2015, with current exchange rates, Net sales and Operating profit are to decline slightly compared to 2014.

Key figures, EUR million:

	Q1/15	Q1/14	Change%	Q2/14	Q3/14	Q4/14	2014
Net sales	281.3	311.9	-9.8	369.5	327.7	380.0	1,389.1
Operating profit	48.3	68.4	-29.4	90.7	72.1	77.5	308.7
Operating profit, %	17.2	21.9		24.5	22.0	20.4	22.2
Profit before tax	63.5	55.9	13.6	78.6	61.7	65.0	261.2
Profit for the period	135.3	38.7	249.3	66.1	53.4	50.1	208.4
Earnings per share, EUR	1.02	0.29	249.5	0.50	0.40	0.37	1.56
Equity ratio, %	71.7	66.8					67.5
Cash flow from operations	-59.7	-3.7	-1,494.3	-21.8	-95.3	579.1	458.3
RONA,% (roll. 12 months)	17.6	20.1					18.3
Gearing, %	-8.0	-1.3					-13.6

Ari Lehtoranta, President and CEO:

“The end of the year 2014 was very volatile in Russia. Oil price, Ruble valuation and purchasing behaviour changed on a daily basis following the slightest moves in geopolitical and economic environment. The situation has somewhat stabilized and our first quarter has gone according to our plans. Biggest negative impacts have come from currency valuations and delay in the start of the winter tyre sales in Russia. While the whole market has gone down in Russia and CIS, we have been able to improve market share, volumes and margins in all other markets. This is due to our competitive product portfolio, expanding distribution, improved productivity and excellent people.

Currency rate changes cut our Net sales by EUR 29.1 million. Local price changes and increasing success in SUV tyres compensated part of the drop. Together with the raw material cost gone down by 15%, these helped us to maintain a reasonable Operating profit level of 17.2%. According to the tax decision by Board of Adjustments, we returned the 2007-2010 total additional taxes of EUR 100.3 million to the financial result, which improved our Net profit accordingly.

Our distribution network keeps on growing; the current number of Vianor stores is 1,371, the NAD network has already grown to 930 stores and the new N-Tyre partner concept has 67 stores in operation. The competitiveness of our product portfolio continues to improve; we have launched new winter tyres and All-Weather tyres for Central Europe and North America, and the magazine test success has remained on good level. Our Heavy Tyres and Vianor business units increased their sales and Heavy Tyres also its profitability. Vianor’s decline in profitability is explained by the seasonality.

Even if the market development visibility in Russia and CIS is still poor at the moment, we remain confident about our future. We reiterate our guidance for the year and feel positive about the growth opportunities for the future.”

Market situation

USA has continued to be the growth engine with supportive monetary policy, improved industrial production and strong employment ratio giving fuel for growth. The European economy shows some new promise as in January 2015 the ECB announced to begin a 1.2 trillion-euro quantitative easing program, which is expected to improve the economic activity in the area. Even though many of the emerging economies are currently weak and geopolitical risks have remained, the global GDP is estimated to grow by 3.8% in 2015.

In the Nordic countries the new car sales increased in Q1/2015 by 4% year-over-year. The market volume of car tyres showed an increase of 9% compared to Q1/2014. However, no considerable change in tyre demand is visible in the Nordic countries for full year 2015.

In Europe the sales of new cars increased in the first quarter by 8% year-over-year. Car tyre sell-in to distributors was up by 2% compared to Q1/2014. Tyre demand is estimated to show growth in Central Europe in 2015. The pricing pressure is, however, tight.

In the USA the new car sales was up by 6% in Q1/2015 vs. Q1/2014. Car tyre demand in North America is expected to grow by 3.5% in 2015 year-over-year.

Russia's economy and consumer markets deteriorated in 2014 due to the falling oil price resulting in significant devaluation of the Russian Ruble (over 60% against EUR). The consumers' purchasing power has significantly decreased also due to high inflation and interest rates. In the first quarter of 2015 the economy saw a rebound with some increase in oil price and strengthening of the Ruble. However, the fundamental weakness of the economy and the impact of the Ukraine conflict and US / EU sanctions against Russia have not disappeared, which leaves little room for further improvement of the economy in 2015. Russia's full year 2015 GDP growth estimates vary currently between -3% and -8%.

The sales of new cars in Q1/2015 in Russia decreased by 36% year-over-year, reflecting car price increases and extremely high levels of interest and poor availability of car loans. New car sales are estimated to decline by 20-25% in 2015 vs. 2014, in the basic scenario. However, the car park is still growing also this year.

In Q1/2015 the sell-in volume for A and B segment tyres in Russia is estimated to have decreased by 20%. The mid class B-segment tyres' increasing share of total market has weakened the product mix, which combined with the devaluation of the Ruble has resulted in lower Average Selling Prices in Euros in Russia. In the year-turn the tyre manufacturers announced price increases of 5-10%. Further price increases are unlikely provided that the Ruble remains at its current relatively high level for the next couple of months. The overall pricing environment in Russia remains tight.

The demand for special heavy tyres varied strongly between product and market areas, but the overall sentiment in the business is positive. OE forestry tyre demand continued to be strong in the first quarter. Although there are some signs of the demand having passed its peak, the increased use of wood and good profitability of pulp manufacturers will support forestry machine and tyre demand also during the rest of 2015. Agricultural tyres also have a solid outlook for 2015.

Truck tyre demand in the first quarter varied between areas; in Europe the sell-in of premium truck tyres was down by 1%, but in the Nordic countries the demand increased by 17% year-over-year. The premium truck tyre demand in Russia decreased by 3% compared to Q1/2014. The truck tyre demand in 2015 is estimated to be on the same level than in the previous year in all Nokian Tyres' western markets; in Russia the demand is expected to decline.

Raw materials

The tailwind from tyre industry raw material costs continued, but an upturn is expected to take place in the second half of 2015. The raw material cost (€/kg) for Nokian Tyres was down 15.4% in Q1/2015 year-over-year. The raw material cost is estimated to decrease by 5% in full year 2015, providing a tailwind of EUR 15 million versus 2014.

JANUARY-MARCH 2015

Nokian Tyres Group recorded Net sales of EUR 281.3 million (311.9), showing a decrease of 9.8% compared with Q1/2014. Currency rate changes cut Net sales by EUR 29.1 million.

Gross sales development by market areas

	Growth%	% of total sales in Q1/2015	% of total sales in Q1/2014
Nordic countries	6.8	38.7	32.2
Russia and CIS	-43.4	26.7	41.9
Other Europe	5.6	20.5	17.3
North America	49.0	13.7	8.1

Net sales development by business units

	Growth%	% of total sales in Q1/2015	% of total sales in Q1/2014
Passenger Car Tyres	-15.9	69.1	74.6
Heavy Tyres	8.8	12.5	10.4
Vianor	11.2	18.3	15.0

Fixed costs amounted to EUR 94.4 million (99.6), accounting for 33.6% (31.9%) of Net sales. Total salaries and wages were EUR 44.9 million (47.5).

Nokian Tyres Group's Operating profit amounted to EUR 48.3 million (68.4). The Operating profit was negatively affected by the IFRS 2 -compliant option scheme accrual of EUR 1.9 million (3.3) and expensed credit losses and provisions of EUR 1.8 million (1.7).

Net financial expenses were EUR -15.3 million (12.5). Net interest expenses were EUR -17.7 million (5.5). Financial expenses have been adjusted with EUR 20.2 million reversal of interest on back tax as the reassessment decision on years 2007-2010 were annulled and returned to the Tax Administration for reprocessing. Net financial expenses include EUR -3.2 million (-7.0) of exchange rate differences.

Profit before tax was EUR 63.5 million (55.9). Profit for the period amounted to 135.3 million (38.7), and EPS were EUR 1.02 (EUR 0.29). Tax expense has been adjusted with EUR 80.1 million as the tax reassessment decisions on years 2007-2010 were annulled and returned to the Tax Administration for reprocessing.

Return on net assets (RONA, rolling 12 months) was 17.6% (20.1%). Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow from operations) was EUR -59.7 million (-3.7).

Investments

Investments in the review period amounted to EUR 21.9 million (17.1). This comprises of production investments in the Russian and Finnish factories, moulds for new products and the Vianor expansion projects.

Financial position on 31 March 2015

Gearing ratio was -8.0% (-1.3%). Interest-bearing net debt amounted to EUR -112.6 million (-17.7). Equity ratio was 71.7% (66.8%).

The Group's interest-bearing liabilities totalled EUR 285.7 million (367.7) of which current interest-bearing liabilities amounted to EUR 0.0 million (184.6). The average interest rate of interest-bearing liabilities was 3.9% (4.7%). Cash and cash equivalents amounted to EUR 398.3 million (385.4).

At the end of the review period the company had unused credit limits amounting to EUR 607.3 million (656.7) of which EUR 255.7 million (305.9) were committed. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, subsidiaries in distribution chains and thus control the typical seasonality in the Group's cash flow due to changes in the working capital.

Tax rate

Dispute of 2007-2010

The Board of Adjustment of Finnish Tax Administration annulled the reassessment decision from the Tax Administration, according to which the Company was obliged to pay EUR 100.3 million additional taxes with punitive tax increases and interests concerning tax years 2007-2010 and returned the matter back 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 of 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 of first quarter result 2015. The Company had recorded the same amounts as expenses in full to the financial statement and result of year 2013. The Company also expects the Tax Administration to return immediately EUR 43.1 million it has already set off despite the stay of execution.

Dispute of U.S subsidiary 2008-2012

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

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

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

Tax rate outcome and estimate

Due to the annulment of additional taxes, the Group's tax rate was -113.1% (30.7%) in the review period. Tax rate excluding the annulment of additional taxes was 19.1%. The tax rate was positively affected by tax incentives in Russia based on present investments and further investment-related incentive agreements. The new agreed tax benefits and incentives came into force in the beginning of 2013. The agreement will prolong the benefits and incentives until approximately 2020.

The tax rate going forward will depend on the timetable and final result of the ongoing back tax disputes with the Finnish Tax Administration. Group's corporate annual tax rate may rise from present 17 % as a result of these cases.

Personnel

The Group employed an average of 4,264 (4,151) people, and 4,361 (4,176) at the end of the review period. The equity-owned Vianor tyre chain employed 1,635 (1,496) people and Russian operations 1,319 (1,345) people at the end of the review period.

BUSINESS UNIT REVIEWS

Passenger Car Tyres

	Q1/15	Q1/14	Change%	Q2/14	Q3/14	Q4/14	2014
Net sales, M€	207.6	246.9	-15.9	273.7	244.7	237.9	1,003.2
Operating profit, M€	60.1	80.0	-25.0	83.4	73.3	55.4	292.2
Operating profit, %	28.9	32.4		30.5	30.0	23.3	29.1
RONA, % (roll.12 m.)	23.0	27.6					23.5

Net sales dropped mainly due to Ruble devaluation and a clearly lower sales volume in Russia. Sales volume increased in all other main market areas. The strongest volume growth took place in North America, further boosted by a weaker US Dollar. The company's market share improved in Central Europe and North America.

The Average Selling Price decreased mainly due to currency rate devaluations. The sales mix was also negatively affected by the share of winter tyres in the mix decreasing to 58% (62%). Minor price reductions have taken place in some countries, which reflects the tight competitive situation and reductions in material costs partly passing through to tyre prices. Local price increases in Russia, however, supported the ASP development. The sales mix and price changes overall contributed positively to the ASP. Of product groups especially premium summer segment contributed well to the mix.

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

In autumn 2014 Nokian tyres dominated the winter tyre tests with several victories in Nordic and Russian car magazines. Particularly noteworthy were the Central European winter tyre test results, which were a success for Nokian Tyres. The new Nokian summer tyre range also won several car magazines' tests in Central Europe in spring 2015. Constant launches of products with new innovations - improving the safety, comfort and ecological driving - have supported the brand image and price position of Nokian Tyres.

In the first quarter the capacity was not fully utilized, and production output (pcs) decreased by 12%. Productivity (kg/mh) improved by 5% year-over-year. In Q1/2015, 80% (77%) of Nokian car tyres (pcs) were manufactured in the Russian factory.

Heavy Tyres

	Q1/15	Q1/14	Change%	Q2/14	Q3/14	Q4/14	2014
Net sales, M€	37.6	34.6	8.8	36.7	36.9	41.0	149.1
Operating profit, M€	6.7	4.5	50.1	5.4	6.9	7.8	24.6
Operating profit, %	17.9	12.9		14.8	18.8	18.9	16.5
RONA, % (roll.12 m.)	25.5	18.2					22.9

Demand remained on a good level in the western markets in Nokian Heavy Tyres' core product groups. The unit's delivery capacity improved year-over-year, resulting in higher Net sales. Forestry tyre sales were up by 14%, and agricultural tyre sales showed positive development. Among market areas North America showed the strongest sales growth and outlook for the rest of the year. Russia and CIS sales were penalized by the currency devaluations against the Euro.

Average Selling Price decreased slightly year-over-year due to a challenging pricing environment, especially in truck tyres. Operating profit, however, improved significantly on the back of increased sales volume and decreased fixed costs. Margins were supported by lower raw material cost and improved productivity.

The production output (tonnes) in Q1/2015 was up by 34% year-over-year on the back of the factory modernization and automation in 2014. Increased delivery capacity will support sales throughout 2015.

Vianor

Equity-owned operations

	Q1/15	Q1/14	Change%	Q2/14	Q3/14	Q4/14	2014
Net sales, M€	55.0	49.5	11.2	81.0	66.7	117.5	314.8
Operating result, M€	-12.6	-12.0	-5.0	5.0	-4.1	13.1	2.1
Operating result, %	-22.9	-24.2		6.2	-6.2	11.2	0.7
RONA, % (roll.12 m.)	0.9	1.3					1.2

At the end of the review period Vianor had 195 (186) equity-owned stores in Finland, Sweden, Norway, USA, Switzerland and Russia.

Vianor succeeded in its strategic task of expanding distribution and was able to win market shares in a challenging market situation. The spring season with high summer tyre consumer sales started already in March in the Nordic countries, which supported sales in Q1. Service sales increased by 9.4%, including car service sales growth of 13.4%. Retail sales formed 48% of Vianor's total sales. Operating result was seasonally negative in Q1, and weakened slightly year-over-year due to increased costs from an expanded store network.

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 the review period a total of 59 car service operations have been acquired and integrated with existing Vianor stores in the Nordic countries.

Franchising and partner operations

Vianor expanded the retail network in Nokian Tyres' key markets by 16 stores during Q1/2015. At the end of the review period the Vianor network comprised of totally 1,371 stores of which 1,176 were partners. Vianor operates in 27 countries; most extensively in the Nordic countries, Russia and Ukraine. Nokian Tyres' market shares have improved as a result of the expansion in each respective country. Expanding the partner franchise network will continue.

A softer partner model, Nokian Tyres Authorized Dealers (NAD), expanded in Q1/2015 by 61 stores totalling 930 stores contracted in 14 European countries and China. N-Tyre, a new Nokian Tyres partner network, is operating with 67 stores in Russia and Kazakhstan.

SPECIAL REVIEWS

Russia and the CIS countries

Nokian Tyres' sales in Russia decreased year-over-year by 45.4% to EUR 76.8 million (140.7). Sales in CIS countries (excluding Russia) were EUR 3.9 million (2.0), still low due to the Ukrainian crisis situation. Consolidated sales in Russia and CIS decreased by 43.4% to EUR 80.7 million (142.7).

The decrease of the sales value relates strongly to local currencies that were clearly weaker against the Euro than in Q1/2014. Nokian Tyres also lost some sales volume and market share in Russia, due to a late start of winter tyres' pre-season deliveries and consumers' shifting towards cheaper brands. The same reason resulted in a weaker product mix and ASP. Double-digit price increases in Rubles were made in early 2015, but this does not fully compensate for the currency devaluation effects. The pricing environment has remained somewhat uncertain and the pricing pressure will remain tight throughout 2015.

The distribution network was extended by signing additional distribution agreements and expanding the Vianor network. There were a total of 666 Vianor stores in 383 cities in Russia and CIS countries at the end of the review period. The Hakka Guarantee network and other retail partners working closely with Nokian Tyres in Russia comprised of 3,600 tyre stores, Vianor shops, car dealers, and web shops. The new N-Tyre network included 67 stores in Russia and Kazakhstan at the end of Q1. The new concept enables more retail partners to develop close cooperation with Nokian Tyres, as it implies somewhat softer requirements towards the format, setup and equipment of a tyre shop compared to the flagship Vianor chain.

The Nokian Tyres plant located in Russia inside the customs borders combined with strong brands and an expanding distribution provide a significant competitive edge on the market. Nokian Tyres will continue to target outperforming the market in Russia also in 2015, but the current market situation implies declined sales volume against the clearly falling market.

54% of the sales volume from the Nokian Tyres' Russian factory was exported. This supports the company's margins, as the production costs are mainly in Rubles and the sales mainly in Euros.

By Russia joining WTO, tyre duties will go down gradually; import duty of car and van tyres has decreased from 18% to 16% in September 2014 and the official target is 10% in 2017. This will have some positive impact on the competitors that depend on importing tyres to Russia.

OTHER MATTERS

1. Stock options on the NASDAQ Helsinki Stock Exchange

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 27.35/share. The dividends payable annually shall be deducted from the share subscription price.

The total number of stock options 2010C is 1,340,000. Each stock option 2010C entitles its holder to subscribe for one Nokian Tyres plc share. The shares can be subscribed with the stock options 2010C during 1 May 2014 - 31 May 2016. In the aggregate, the stock options 2010C entitle their holders to subscribe for 1,340,000 shares. The present share subscription price with stock options 2010C is EUR 30.95/share. The dividends payable annually shall be deducted from the share subscription price.

2. Authorizations

The Board of Directors has no special authorizations effective in 2015.

3. Own shares

No share repurchases were made in the review period, and the company did not possess any own shares on 31 March 2015.

Nokian Tyres has 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. According to the IFRS these repurchased 300,000 shares have been reported as treasury shares in the Consolidated Statement of Financial Position. This number of shares corresponds 0.2% of the total shares and voting rights of the company.

4. Trading of shares

The Nokian Tyres' share price was EUR 27.85 (EUR 29.35) at the end of the review period. The volume weighted average share price during the period was EUR 24.94 (EUR 31.43), the highest EUR 28.23 (EUR 36.19) and the lowest EUR 19.23 (EUR 27.36). A total of 68,078,058 shares were traded during the period (50,172,785), representing 51% (38%) of the company's overall share capital. The company's market value at the end of the period amounted EUR 3.717 billion (EUR 3.914 billion). The amount of shareholders was 48,389 (37,823). The percentage of Finnish shareholders was 34.4% (37.4%) and 65.6% (62.6%) were foreign shareholders registered in the nominee register. This figure includes Bridgestone's ownership of approximately 15%.

5. Changes in ownership

Nokian Tyres received a notification from The Capital Group Companies Inc. on 23 February 2015, according to which the total holding of The Capital Group Companies Inc. in Nokian Tyres plc fell below 5 percent as a result of a share transaction concluded on 20 February 2015.

Nokian Tyres received an announcement from BlackRock Inc. on 23 March 2015, according to which the holdings of the mutual funds managed by BlackRock exceeded level of 5% of the share capital in Nokian Tyres plc, as a result of a share transactions concluded on 20 March 2015. BlackRock held on deal date a total of 6,790,650 Nokian Tyres' shares representing 5.09% of company's 133,470,833 shares and voting rights.

6. Decisions made at the Annual General Meeting

On 8 April 2015, Nokian Tyres Annual General Meeting accepted the financial statements for 2014 and discharged the Board of Directors and the President and CEO from liability.

6.1 Dividend

The meeting decided that a dividend of EUR 1.45 per share shall be paid for the period ending on 31 December, 2014. The dividend was decided to be paid to shareholders included in the shareholder list maintained by Euroclear Finland Ltd on the record date of 10 April 2015. The dividend payment date was decided to be 23 April 2015.

6.2. Members of the Board of Directors and Auditor

The meeting decided that the Board of Directors has six members. Current members Hille Korhonen, Raimo Lind, Inka Mero, Hannu Penttilä and Petteri Walldén were elected to continue in the Board of Directors. New member was chosen to the Board: Mr Tapio Kuula.

Authorised public accountants KPMG Oy Ab continue as auditors.

6.3. Remuneration of the Members of the Board of Directors remained unchanged

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. Members of the Board will also be granted a fee of EUR 600 for every Board meeting and Committee meeting attended.

According to the existing practices, 50% of the annual fee be paid in cash and 50% in company shares, such that in the period from 9 April to 30 April 2015, EUR 40,000 worth of Nokian Tyres plc shares was decided to 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.

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

In the Board meeting on 8 April 2015 Petteri Walldén was elected chairman of the Board. The members of the Nomination and Remuneration committee are Petteri Walldén (chairman), Hille Korhonen and Hannu Penttilä. The members of the Audit committee are Raimo Lind (chairman), Inka Mero and Tapio Kuula.

8. Corporate social responsibility

Nokian Tyres published its Corporate Sustainability Report in March 2015. The report, implemented according to the revised GRI G4 guidelines, has been published as a web version at www.nokiantyres.com/company/sustainability. In addition to product safety and quality, profitable growth, good HR management, and environmental issues are important for the development of sustainable business operations in Nokian Tyres.

Nokian Tyres plc is qualified to the OMX GES Sustainability Finland GI 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 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 in cooperation with GES Investment Services.

9. Nokian Tyres introduced new winter products for Central Europe

On 16 February Nokian Tyres announced that it is adding five new tyres to its product selection for varying Central European winter weather. The new Nokian WR D4 passenger car tyre, the Nokian WR C3 for versatile use on vans, and the Nokian Weatherproof product family that demonstrates the All-Weather concept, improve the company's competitive strength especially in Central Europe.

Central Europe is the world's largest market area for winter tyres. Approximately 70 million winter tyres were sold in 2014 and the winter tyre segment is growing faster than the overall market. As the tyre

markets expand and winter tyre legislation becomes more common, Central Europe has become one of Nokian Tyres' most important areas for growth.

RISKS, UNCERTAINTY AND DISPUTES IN THE NEAR FUTURE

The growth in Russia is expected to be negative with full year GDP growth around -3 %...-8% due to low oil price, high interest rates, slow investments, and the Ukraine crisis. An escalation of the Ukraine crisis could cause a serious disruption, additional trade barriers and further slowdown of economic development in Russia, CIS and Finland. All in all the 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 the planned level. The company follows the development of NWC very closely. At the end of the review period the Russian trade receivables accounted for 44% (51%) of the Group's total trade receivables.

Around 40% of the Group's Net sales in 2015 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, the US and the Canadian Dollar.

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.

More detailed information related to financial risks can be found at <http://www.nokiantyres.com/annual-reports>, Financial review 2014, pages 40-45.

Tax disputes

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

OUTLOOK FOR 2015

In January 2015, the ECB announced to begin 1.2 trillion-euro quantitative easing program, which is expected to improve the economic activity in Europe. Even though many of the emerging economies are currently weak and geopolitical risks have remained, the global GDP is estimated to grow by 3.8% in 2015.

The Nordic area is estimated to show slow but comparatively stable development with a full year 2015 GDP growth of 2%. In Russia the consumer spending has been held back by the devalued Ruble combined with high inflation and interest rates. Full year 2015 GDP growth estimates for Russia vary currently between -3% and -8%.

In 2015 market demand for replacement car tyres is expected to show growth in Central Europe and North America, and to be on the previous year's level in the Nordic countries. In Russia and CIS the overall uncertainty will decrease tyre demand in 2015.

The company's market position is expected to improve in 2015 in all markets. In Russia and CIS the company's sales volume is expected to decline, but less than the overall market. Nokian Tyres' Net sales are expected to decrease due to weakened demand and currency in Russia. Raw material cost is estimated to decrease by 5%. The pricing environment for 2015 remains tight for all tyre categories.

Nokian Tyres continues to have competitive advantages from having manufacturing inside Russia. Of the Russian production approximately 60% is exported and the margin between production costs in Rubles and export sales in Euros has improved along with the Ruble devaluation. In the case of demand upturn, Nokian Tyres' car tyre production capacity in Russia offers an inbuilt capability to increase output rapidly without capex, to meet market growth.

Heavy tyre demand in Nokian core products is estimated to remain healthy. Nokian Heavy Tyres' delivery capability has improved, and therefore sales and EBIT are expected to continue to gradually improve.

Vianor is expected to continue expanding its retail network, to increase sales, to develop service business further and to show a positive Operating result in full year 2015. Other Nokian Tyres' partner networks, like Nokian Tyres Authorized Dealers (NAD) and N-Tyre network, will continue expanding.

Nokian Tyres' estimate for total investments in 2015 is EUR 100 million (80.6).

The competitiveness of Nokian Tyres' product offering is very strong. The number of magazine test wins is at highest level and a series of successful launches of new innovative products has resulted in a wider portfolio than ever before. A strong position in the core markets, an expanding distribution channel, and an improved cost structure combined with new test winner products give Nokian Tyres opportunities to strengthen its market leadership in the core markets and to provide healthy margins and a strong cash flow also in 2015.

Full year financial guidance reiterated

In 2015, with current exchange rates, Net sales and Operating profit are to decline slightly compared to 2014.

Nokia, 8 May 2015

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 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	1-3/15	1-3/14	1-12/14	Change %
Million euros				
Net sales	281.3	311.9	1,389.1	-9.8
Cost of sales	-158.5	-169.2	-769.6	6.3
Gross profit	122.8	142.7	619.5	-14.0
Other operating income	0.8	1.1	3.4	-31.4
Selling and marketing expenses	-58.5	-59.1	-246.5	1.1
Administration expenses	-8.9	-9.0	-34.5	0.3
Other operating expenses	-7.8	-7.4	-33.2	-6.6
Operating profit	48.3	68.4	308.7	-29.4
Financial income	61.1	40.4	268.4	51.4
Financial expenses (1	-45.9	-52.8	-315.9	13.2
Profit before tax	63.5	55.9	261.2	13.6
Tax expense (2 (3	71.8	-17.2	-52.8	518.0
Profit for the period	135.3	38.7	208.4	249.3
Attributable to:				
Equity holders of the parent	135.3	38.8	208.4	
Non-controlling interest	-	0.0	0.0	
Earnings per share from the profit attributable to equity holders of the parent				
basic, euros	1.02	0.29	1.56	249.5
diluted, euros	1.02	0.30	1.56	243.2

CONSOLIDATED OTHER COMPREHENSIVE INCOME	1-3/15	1-3/14	1-12/14
Million euros			
Profit for the period	135.3	38.7	208.4
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
Cash flow hedges	-2.7	-0.3	-1.9
Translation differences on foreign operations 4)	70.1	-45.2	-202.1
Total other comprehensive income for the period, net of tax	67.4	-45.5	-204.0
Total comprehensive income for the period	202.7	-6.8	4.4
Total comprehensive income attributable to:			
Equity holders of the parent	202.7	-6.7	4.4
Non-controlling interest	-	0.0	0.0

- 1) Financial expenses in 1-3/15 have been adjusted with EUR 20.2 million reversals of interests on back taxes as the tax reassessment decisions on years 2007-2010 were annulled and returned to the Tax Administration for reprocessing. Financial expenses in 1-3/14 and 1-12/14 contain EUR 1.6 million expensed punitive interest for tax reassessment decisions on years 2008-2012 of a group company.
- 2) Tax expense in 1-3/15 has been adjusted with EUR 80.1 million as the tax reassessment decisions on years 2007-2010 were annulled and returned to the Tax Administration for reprocessing. Tax expense in 1-3/14 and 1-12/14 contain EUR 9.4 million expensed additional taxes with punitive tax increases for tax reassessment decisions on years 2008-2012 of a group company.
- 3) Otherwise tax expense in the consolidated income statement is based on the taxable result for the period.
- 4) Since the beginning of year 2014 the Group has internal loans that are recognized as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". The impact in 1-3/15 is EUR -3.3 million and in 1-3/14 EUR -6.2 million and 1-12/14 EUR -10.0 million.

KEY RATIOS	31.3.15	31.3.14	31.12.14	Change %
Equity ratio, %	71.7	66.8	67.5	
Gearing, %	-8.0	-1.3	-13.6	
Equity per share, euro	10.61	10.38	9.07	14.4
Interest-bearing net debt, mill. euros	-112.6	-17.7	-164.6	
Capital expenditure, mill. euros	21.9	17.1	80.6	
Depreciation, mill. euros	20.7	23.3	89.8	
Personnel, average	4,264	4,151	4,272	
Number of shares (million units)				
at the end of period	133.17	133.04	133.17	
in average	133.17	133.27	133.16	
in average, diluted	133.17	137.42	135.10	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.3.15	31.3.14	31.12.14
Million euros			
Non-current assets			
Property, plant and equipment	546.3	643.9	502.8
Goodwill	78.7	70.8	73.3
Other intangible assets	18.7	23.1	19.8
Investments in associates	0.1	0.1	0.1
Available-for-sale financial assets	0.3	0.3	0.3
Other receivables	11.8	8.9	10.0
Deferred tax assets	7.5	4.9	9.1
Total non-current assets	663.5	751.9	615.4
Current assets			
Inventories	332.3	336.3	288.3
Trade receivables	424.3	496.1	351.0
Other receivables	156.0	101.5	102.4
Cash and cash equivalents	398.3	385.4	439.9
Total current assets	1,311.0	1,319.4	1,181.6
Total assets	1,974.4	2,071.2	1,797.0
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	-169.8	-173.7	-202.0
Fair value and hedging reserves	-5.3	-1.0	-2.6
Paid-up unrestricted equity reserve	100.3	97.9	100.3
Retained earnings	1,289.6	1,260.1	1,114.5
Non-controlling interest	-	0.2	-
Total equity	1,413.0	1,381.7	1,208.5
Non-current liabilities			
Deferred tax liabilities	27.9	41.7	26.7
Provisions	0.1	0.1	0.1
Interest-bearing financial liabilities	285.7	183.2	274.7
Other liabilities	8.6	3.7	5.1
Total non-current liabilities	322.3	228.6	306.5
Current liabilities			
Trade payables	87.9	82.3	63.9
Other current payables	148.1	190.9	214.7
Provisions	3.2	3.2	2.8
Interest-bearing financial liabilities	0.0	184.6	0.6
Total current liabilities	239.1	460.9	282.0
Total equity and liabilities	1,974.4	2,071.2	1,797.0

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	1-3/15	1-3/14	1-12/14
Million euros			
Profit for the period	135.3	38.7	208.4
Adjustments for			
Depreciation, amortisation and impairment	22.5	24.6	98.6
Financial income and expenses	-15.3	12.5	47.5
Gains and losses on sale of intangible assets, other changes	-2.2	-3.5	-11.0
Income Taxes	-71.8	17.2	52.8
Cash flow before changes in working capital	68.6	89.4	396.3
Changes in working capital			
Current receivables, non-interest-bearing, increase (-) / decrease (+)	-37.4	-106.9	24.5
Inventories, increase (-) / decrease (+)	-29.7	-16.6	18.7
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	-4.1	25.5	38.4
Changes in working capital	-71.2	-98.0	81.6
Financial items and taxes			
Interest and other financial items, received	0.7	1.0	3.3
Interest and other financial items, paid	-3.2	-12.3	-69.8
Dividens received	0.0	0.0	0.0
Income taxes paid	-11.8	-3.9	-88.2
Financial items and taxes	-14.2	-15.2	-154.6
Cash flow from operating activities (A)	-16.8	-23.8	323.4
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	-21.9	-17.1	-81.7
Proceeds from sale of property, plant and equipment and intangible assets	0.2	0.2	3.2
Acquisitions of Group companies	-0.1	-0.5	-5.8
Change in non-controlling interest	0.0	0.0	-0.3
Acquisitions of other investments	0.0	0.0	0.0
Cash flows from investing activities (B)	-21.8	-17.5	-84.7
Cash flow from financing activities:			
Proceeds from issue of share capital	0.0	0.9	2.6
Purchase of treasury shares	0.0	0.0	-8.6
Change in current financial receivables, increase (-) / decrease (+)	6.8	-1.0	-8.0
Change in non-current financial receivables, increase (-) / decrease (+)	0.0	1.6	-3.4
Change in current financial borrowings, increase (+) / decrease (-)	-15.7	5.6	62.2
Change in non-current financial borrowings, increase (+) / decrease (-)	7.0	-4.0	-79.6
Dividens received	0.0	0.0	0.4
Dividends paid	0.0	0.0	-193.4
Cash flow from financing activities (C)	-2.0	3.0	-227.7
Change in cash and cash equivalents (A+B+C)	-40.5	-38.3	11.0
Cash and cash equivalents at the beginning of the period	439.9	424.6	424.6
Effect of exchange rate fluctuations on cash held	-1.0	-0.9	4.3
Cash and cash equivalents at the end of the period	398.3	385.4	439.9

The company has received a stay of execution from the Finnish Tax Administration for the collection of the tax increases based on the tax reassessment decisions on years 2007-2010. In spite of this stay of execution the Finnish Tax Administration has taken funds in accordance with these aforesaid decisions from company's tax account setting off company's other tax refunds. Financial items and taxes contain these set-offs by the Tax Administration in 1-3/15 EUR 3.4 million, in 1-3/14 EUR 4.1 million and in 1-12/14 EUR 34.2 million.

On 17 March 2015 the Board of Adjustment annulled the reassessment decisions in question and returned the assessments to the Tax Administration for reprocessing. The Tax Administration has yet to refund these set-offs, but has discontinued with additional ones.

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 2014	25.4	181.4	-	-128.5	-0.7	97.1	1,217.9	0.2	1,392.8
Profit for the period							38.8	0.0	38.8
Other comprehensive income, net of tax:									
Cash flow hedges					-0.3				-0.3
Net investment hedge									0.0
Translation differences				-45.2					-45.2
Total comprehensive income for the period				-45.2	-0.3	0.0	38.8	0.0	-6.7
Dividends paid							0.0		0.0
Exercised warrants						0.9			0.9
Acquisition of treasury shares			-8.6						-8.6
Share-based payments							3.3		3.3
Total transactions with owners for the period						0.0	3.3		3.3
Equity, 31 Mar 2014	25.4	181.4	-8.6	-173.7	-1.0	97.9	1,260.1	0.2	1,381.7
Equity, 1 Jan 2015	25.4	181.4	-8.6	-202.0	-2.6	100.3	1,114.5	-	1,208.5
Profit for the period							135.3		135.3
Other comprehensive income, net of tax:									
Cash flow hedges					-2.7				-2.7
Net investment hedge									0.0
Translation differences				32.2			37.9		70.1
Total comprehensive income for the period				32.2	-2.7	0.0	173.2		202.7
Dividends paid									0.0
Exercised warrants									0.0
Acquisition of treasury shares									0.0
Share-based payments							1.9		1.9
Total transactions with owners for the period							1.9		1.9
Equity, 31 Mar 2015	25.4	181.4	-8.6	-169.8	-5.3	100.3	1,289.6	-	1,413.0

SEGMENT INFORMATION	1-3/15	1-3/14	1-12/14	Change
Million euros				%
Net sales				
Passenger car tyres	207.6	246.9	1,003.2	-15.9
Heavy tyres	37.6	34.6	149.1	8.8
Vianor	55.0	49.5	314.8	11.2
Other operations	2.9	1.6	13.5	85.1
Eliminations	-21.8	-20.6	-91.5	-5.9
Total	281.3	311.9	1,389.1	-9.8
Operating result				
Passenger car tyres	60.1	80.0	292.2	-25.0
Heavy tyres	6.7	4.5	24.6	50.1
Vianor	-12.6	-12.0	2.1	-5.0
Other operations	-2.7	-3.1	-9.4	11.6
Eliminations	-3.2	-1.1	-0.7	-194.0
Total	48.3	68.4	308.7	-29.4
Operating result, % of net sales				
Passenger car tyres	28.9	32.4	29.1	
Heavy tyres	17.9	12.9	16.5	
Vianor	-22.9	-24.2	0.7	
Total	17.2	21.9	22.2	
Cash Flow II				
Passenger car tyres	-47.7	6.4	443.4	-850.5
Heavy tyres	7.0	1.0	28.8	588.8
Vianor	-12.9	-12.4	-8.7	-4.3
Total	-59.7	-3.7	458.3	-1,494.3

CONTINGENT LIABILITIES	31.3.15	31.3.14	31.12.14
Million euros			

FOR OWN DEBT			
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Mortgages	1.0	1.1	1.0
Pledged assets	4.7	0.2	4.7
Guarantees			

OTHER OWN COMMITMENTS			
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Guarantees	4.6	3.2	4.6
Leasing and rent commitments	54.4	58.9	53.7
Purchase commitments	2.0	2.0	2.0

DERIVATIVE FINANCIAL INSTRUMENTS	31.3.15	31.3.14	31.12.14
Million euros			
INTEREST RATE DERIVATIVES			
Interest rate swaps			
Notional amount	100.0	0.0	100.0
Fair value	-2.5	-0.1	-2.3
FOREIGN CURRENCY DERIVATIVES			
Currency forwards			
Notional amount	247.4	556.9	303.8
Fair value	-8.6	-0.9	-9.4
Currency options, purchased			
Notional amount	-	13.1	-
Fair value	-	0.1	-
Currency options, written			
Notional amount	-	13.1	-
Fair value	-	-0.1	-
Interest rate and currency swaps			
Notional amount	87.5	20.0	67.5
Fair value	9.7	3.6	14.9
ELECTRICITY DERIVATIVES			
Electricity forwards			
Notional amount	9.0	11.2	10.0
Fair value	-2.4	-3.3	-2.3

DEFINITIONS OF CONSOLIDATED KEY FINANCIAL INDICATORS

Earnings per share, euro:

Profit for the period attributable to the equity holders of the parent / Average adjusted number of shares during the period excluding treasury shares

Earnings per share (diluted), euro:

Profit for the period attributable to the equity holders of the parent / Average adjusted and diluted number of shares during the period excluding treasury shares

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

Equity ratio, %:

Total equity x 100 / (Total assets - advances received)

Gearing, %:

Interest-bearing net debt x 100 / Total equity

Equity per share, euro:

Equity attributable to equity holders of the parent / Adjusted number of shares on the reporting date excluding treasury shares

DEFINITIONS OF SALES AREAS

Nordic countries: Finland, Norway, Sweden.

Russia and CIS:

Russia, Armenia, Belarus, Georgia, Kazakhstan, Moldova, Ukraine.

Other Europe:

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

North America: Canada, USA.

Core markets: Nordic countries, Russia and CIS.

Nokian Tyres plc

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Nokian Tyres Interim Report January-March 2015 was published on Friday 8 May, 2015 at 8.00 a.m. Finnish time.

The result presentation for analysts and media will be held in Hotel Kämp in Helsinki on 8 May at 10.00 a.m Finnish time. The presentation can be listened through audiocast via internet at www.nokiantyres.com/resultinfo-Q1-2015

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 FI +358 9 8171 0495, UK +44 20 31940552 or US +1 855 7161597

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

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

Nokian Tyres interim report January-June 2015 will be published on 7 August, 2015.

Releases and company information will be found from www.nokiantyres.com