Nokian Tyres plc Interim Report 7 August 2015, 8 a.m.

Nokian Tyres plc Interim Report January-June 2015:
Delayed start of the winter tyre sales in Central Europe and Russia as well as deeper retail slump in Russia weakened volumes – clear improvement in mix

April-June 2015
- Net sales decreased by 6.5% to EUR 345.5 million (EUR 369.5 million in 4-6/2014). Currency rate changes cut Net sales by EUR 8.9 million compared with the rates in 4-6/2014.
- Operating profit was down by 11.2% to EUR 80.6 million (90.7). Operating profit percentage was 23.3% (24.5%).
- Profit for the period decreased by 2.4% amounting to EUR 64.5 million (66.1).
- Earnings per share were down by 2.4% to EUR 0.48 (EUR 0.50).

January-June 2015
- Net sales decreased by 8.0% to EUR 626.8 million (EUR 681.5 million in 1-6/2014). Currency rate changes cut Net sales by EUR 38.0 million compared with the rates in 1-6/2014.
- Operating profit was down by 19.0% to EUR 128.8 million (159.1). Operating profit percentage was 20.6% (23.3%).
- Profit for the period increased by 90.6% amounting to EUR 199.8 million (104.8). In Q1 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 90.6% to EUR 1.50 (EUR 0.79).

Full year financial guidance (updated)
In 2015, with current exchange rates, Net sales is to decline slightly compared to 2014 and Operating profit is estimated to be approximately EUR 270-295 million. (Previous guidance on 8 May 2015:
In 2015, with current exchange rates, Net sales and Operating profit are to decline slightly compared to 2014.)

Key figures, EUR million:

	4-6/15	4-6/14	Change%	1-6/15	1-6/14	Change%	2014
Net sales	345.5	369.5	-6.5	626.8	681.5	-8.0	1,389.1
Operating profit	80.6	90.7	-11.2	128.8	159.1	-19.0	308.7
Operating profit, %	23.3	24.5		20.6	23.3		22.2
Profit before tax	73.2	78.6	-6.9	136.7	134.6	+1.6	261.2
Profit for the period	64.5	66.1	-2.4	199.8	104.8	+90.6	208.4
Earnings per share, EUR	0.48	0.50	-2.4	1.50	0.79	+90.6	1.56
Equity ratio, %				70.4	67.6		67.5
Cash flow from operations	-13.0	-21.8	+40.2	-72.7	-25.5	-185.2	458.3
RONA,% (roll. 12 months)				17.0	18.9		18.3
Gearing, %				6.9	18.0		-13.6

Ari Lehtoranta, President and CEO:

“Russia has been able to avoid the worst case economic scenarios and the confidence in the market is gradually returning. However, the situation is very volatile and in most retail segments the volumes and ASPs have been very low, especially in the second quarter. In new car and tyre sales, Russian market has been lower than we expected, and the tyre purchasing has moved more towards lower B and C segments.

This year we have seen a clear timing shift in winter tyre pre-sales start compared to earlier years, not only in Russia but also in most of the Europe. The whole tyre market has grown this year in Europe +2%, but winter tyre deliveries are 11% below H1/2014 levels. We believe this will balance in second half, but the sell-in market volumes are now more dependent on a good winter season.

In Central Europe our sales declined due to the delay of the winter tyre pre-sales and also due to lower deliveries to few bigger customers with higher inventories. We estimate our market share growth to continue in coming quarters.

In North America our performance has been excellent. We have gained market share in our core segments and exceeded market growth now already for several quarters, achieving sales increase of 26.8% versus the first half-year of 2014.

Currency rate changes cut our Net sales by EUR 38.0 million compared with the rates in H1/2014. This and the negative impact of lower volumes in Russia/CIS and Central Europe were partially compensated by productivity improvements, continued growth of premium summer tyres sales, better product mix, raw material cost decline, growth in North America and good performance in Heavy Tyres. All this lead to an Operating profit level of 20.6% (23.3%) in the first half-year.

Vianor has proceeded as planned this year. Our distribution network growth continued as planned. We added 213 new outlets to our branded distribution network and the current number of Vianor stores is 1,390 and the NAD/N-Tyre network has already grown to over 1,000 stores.

Our Heavy Tyres business unit continued on its track to increase the sales and profitability, and reached already a good Operating profit level of 18.9% in the review period.

Since our estimate of the Russian market in 2015 has changed, the risk level of our forecast has increased. We therefore update our guidance: Net sales for the full year is to decline slightly compared to 2014 and Operating profit is estimated to be approximately EUR 270-295 million.

The competitiveness of our product portfolio is very strong and improving, the performance of the organisation is on a very good level, the productivity increases, and the distribution network keeps growing. After stabilization of the Russian/CIS markets, we are confident that we will be able to deliver sales growth in coming years maintaining our excellent profitability levels, good cash flow and solid dividends.”

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. Also Europe shows decent growth, as the ECB's quantitative easing program has improved the economic activity in the area, and the weakened euro has supported the export industry. Even though many of the emerging economies are currently weak and geopolitical risks have remained, the global GDP is estimated to grow by 3.5% in 2015.

In the Nordic countries the new car sales increased in H1/2015 by 6% year-over-year. The market volume of car tyres showed an increase of 9% compared to H1/2014, but for full year 2015 the increase is expected to be lower.

In Europe the sales of new cars increased in the first half by 8% year-over-year. Car tyre sell-in to distributors was up by 2% compared to H1/2014, with winter tyre demand decreasing by 11%. Tyre demand is estimated to grow in Central Europe in 2015. The pricing pressure is, however, tight.

In the USA the estimated new car sales were up by 4% vs. H1/2014. The market volume of car tyres was flat compared with H1/2014, due to specific reasons related to punitive import duties for Chinese tyre suppliers. Car tyre demand in North America is expected to grow by 3% in 2015 year-over-year.

Russia's economy and consumer markets remained weak in H1/2015. Decline in Russia's economy accelerated in Q2 - GDP is estimated to have declined by 4.7% (vs. 2.2% in Q1). Overall GDP decline in H1/2015 is estimated at approximately 3.5% versus the same period of 2014. Inflation continued to be high (8.5% since the beginning of the year), resulting in the cut of real wages of up to 10%. Russian consumers' purchasing power clearly weakened and consumer confidence remained at a very low level (comparable to 2009), albeit in Q2 it slightly improved versus Q1. As a result, consumers are holding back their spending: retail turnover shrank in Jan – May 2015 by 8% (in comparable prices) compared with the same period of 2014.

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 -5%.

The sales of new cars in H1/2015 in Russia decreased by 36% year-over-year (-30% in June vs. June 2014), reflecting weak purchasing power and consumer confidence, as well as car price increases and high levels of interest rates. New car sales are forecast to decline by over 30% in 2015 vs. 2014. However, the car park is still growing also this year.

In H1/2015 the sell-in volume for A and B segment tyres in Russia is estimated to have decreased by 15-20%. Shift of demand towards cheaper B and C segments continued. Tyre manufacturers have carried out announced price increases of 5-12% in the local currency, partly compensating the ruble devaluation. Some tyre manufacturers chose to pursue a more aggressive pricing policy, buying market share. The overall pricing environment in Russia remains tight in 2015, and further price increases seem unlikely with current exchange rates.

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 half. The increased use of wood and good profitability of pulp manufacturers will support forestry machine and tyre demand also during the rest of 2015.

In the first half-year in Europe the sell-in of premium truck tyres was up by 2%, and in the Nordic countries the demand increased by 11% year-over-year. North America also showed growth. In Russia, however, the premium truck tyre demand decreased by 16% compared to H1/2014. The truck tyre demand in 2015 is estimated to show some increase or 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 14.8% in H1/2015 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.

APRIL-JUNE 2015

Nokian Tyres Group recorded Net sales of EUR 345.5 million (369.5), showing a decrease of 6.5% compared with Q2/2014. Currency rate changes cut Net sales by EUR 8.9 million. In the Nordic countries sales increased by 5.1% year-over-year. Sales in Russia decreased by 29.1%. Russia and CIS consolidated sales dropped by 28.6%. In Other Europe sales were down by 13.7% and in North America sales increased by 13.2%.

Raw material cost (EUR/kg) in manufacturing decreased by 14.2% year-over-year and increased by 3.0% versus the first quarter of 2015. Fixed costs amounted to EUR 100.2 million (96.7), accounting for 29.0% (26.2%) of Net sales.

Nokian Tyres Group's Operating profit amounted to EUR 80.6 million (90.7). The Operating profit was negatively affected by expensed credit losses and provisions of EUR 0.8 million (1.9).

Net financial expenses were EUR 7.4 million (12.1). Net interest expenses were EUR 2.1 million (3.6). Net financial expenses include EUR 5.2 million (8.5) of exchange rate differences.

Profit before tax was EUR 73.2 million (78.6). Profit for the period amounted to 64.5 million (66.1), and EPS were EUR 0.48 (EUR 0.50).

Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow from operations) was EUR -13.0 million (-21.8).

JANUARY-JUNE 2015

Nokian Tyres Group recorded Net sales of EUR 626.8 million (681.5), showing a decrease of 8.0% compared with 1-6/2014. Currency rate changes cut Net sales by EUR 38.0 million.

Gross sales development by market areas

	Growth%	% of total sales in 1-6/2015	% of total sales in 1-6/2014
Nordic countries	+5.8	40.4	34.8
Russia and CIS	-37.5	21.9	31.9
Other Europe	-7.0	23.4	22.9
North America	+26.8	13.7	9.8

Net sales development by business units

	Growth%	% of total sales in 1-6/2015	% of total sales in 1-6/2014
Passenger Car Tyres	-13.8	67.4	72.1
Heavy Tyres	+6.1	11.4	9.9
Vianor	+8.6	21.3	18.1

Raw material cost (EUR/kg) in manufacturing decreased by 14.8% year-over-year. Fixed costs amounted to EUR 194.6 million (197.1), accounting for 31.0% (28.9%) of Net sales. Total salaries and wages were EUR 103.1 million (95.6).

Nokian Tyres Group's Operating profit amounted to EUR 128.8 million (159.1). The Operating profit was negatively affected by the IFRS 2 -compliant option scheme accrual of EUR 4.0 million (5.6) and expensed credit losses and provisions of EUR 2.6 million (3.6).

Net financial expenses were EUR -7.9 million (24.5). Net interest expenses were EUR -16.3 million (9.1). 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 8.4 million (15.5) of exchange rate differences.

Profit before tax was EUR 136.7 million (134.6). Profit for the period amounted to 199.8 million (104.8), and EPS were EUR 1.50 (EUR 0.79). 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 17.0% (18.9%). Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow from operations) was EUR -72.7 million (-25.5).

Investments

Investments in the review period amounted to EUR 48.2 million (36.0). This comprises of production investments in the Russian and Finnish factories, moulds for new products and the Vianor expansion projects.

Financial position on 30 June 2015

Gearing ratio was 6.9% (18.0%). Interest-bearing net debt amounted to EUR 91.1 million (229.9). Equity ratio was 70.4% (67.6%).

The Group’s interest-bearing liabilities totalled EUR 295.7 million (297.7) of which current interest-bearing liabilities amounted to EUR 10.0 million (10.5). The average interest rate of interest-bearing liabilities was 3.5% (3.4%). Cash and cash equivalents amounted to EUR 204.6 million (67.8).

At the end of the review period the company had unused credit limits amounting to EUR 497.2 million (596.8) of which EUR 155.7 million (256.0) were committed. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, subsidiaries in distribution chains and thus control the typical seasonality in the Group’s cash flow due to changes in the working capital.

Tax rate

Dispute of 2007-2010

In April 2015 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 -46.1% (22.1%) in the review period. Tax rate excluding the annulment of additional taxes was 14.6%. 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 4,361 (4,224) people, and 4,393 (4,222) at the end of the review period. The equity-owned Vianor tyre chain employed 1,628 (1,499) people and Russian operations 1,346 (1,323) people at the end of the review period.

BUSINESS UNIT REVIEWS

Passenger Car Tyres

	4-6/15	4-6/14	Change%	1-6/15	1-6/14	Change%	2014
Net sales, M€	241.2	273.7	-11.9	448.8	520.6	-13.8	1,003.2
Operating profit, M€	69.6	83.4	-16.6	129.7	163.5	-20.7	292.2
Operating profit, %	28.9	30.5		28.9	31.4		29.1
RONA, % (roll.12 m.)				22.8	25.6		23.5

Net sales dropped mainly due to a clearly lower sales volume in Russia and the Ruble devaluation. Sales increased and market share improved clearly in North America, further boosted by stronger USD and CAD against the euro. Sales were flat in the Nordic countries. In Other Europe sales were down as winter tyre sales have continued the trend of sales shifting towards the consumer winter season. Nokian summer tyre sales increased in all key markets.

In the first half-year the Average Selling Price in euros decreased due to currency rate devaluations. The share of winter tyres in the sales mix was 65% (75%), but the overall sales mix development was positive, as the share of premium tyres in the winter segment increased and successful SUV tyre sales improved the summer tyre mix. Local price increases in Russia supported the ASP development. Minor price reductions have taken place in some countries, which reflect the tight competitive situation and reductions in material costs partly passing through to tyre prices.

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

Last autumn 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 half-year the capacity was not fully utilized, and production output (pcs) decreased by 10%. Productivity (kg/mh) improved by 6% year-over-year. In H1/2015, 81% (79%) of Nokian car tyres (pcs) were manufactured in the Russian factory.

Heavy Tyres

	4-6/15	4-6/14	Change%	1-6/15	1-6/14	Change%	2014
Net sales, M€	38.0	36.7	+3.6	75.6	71.3	+6.1	149.1
Operating profit, M€	7.5	5.4	+39.1	14.3	9.9	+44.1	24.6
Operating profit, %	19.8	14.8		18.9	13.9		16.5
RONA, % (roll.12 m.)				27.7	19.3		22.9

Demand remained on a good level in the western markets in most of Nokian Heavy Tyres' core product groups. The delivery capacity improved year-over-year, resulting in higher Net sales. Forestry tyre sales increased by 14% and truck tyre sales picked up with stronger Q2. North America showed the strongest sales growth and outlook for the rest of the year. Also the Nordic countries and Other Europe showed growth. Russia and CIS sales were penalized by weak economies and currency devaluations against the euro.

Average Selling Price decreased slightly year-over-year due to a challenging pricing environment. Operating profit, however, improved clearly 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 H1/2015 was up by 18% year-over-year on the back of the factory modernization and automation in 2014.

Vianor

Equity-owned operations

	4-6/15	4-6/14	Change%	1-6/15	1-6/14	Change%	2014
Net sales, M€	86.7	81.0	+7.0	141.7	130.5	+8.6	314.8
Operating result, M€	5.7	5.0	+12.1	-6.9	-6.9	+0.2	2.1
Operating result, %	6.5	6.2		-4.9	-5.3		0.7
RONA, % (roll.12 m.)				1.2	0.7		1.2

At the end of the review period Vianor had 197 (186) equity-owned stores in Finland, Sweden, Norway, USA, Switzerland and Russia.

Net sales grew in the Nordic countries, Norway showing the strongest development. Car tyre and heavy tyre sales increased, whereas truck tyre sales decreased slightly. Service sales increased by 8%, including car service sales growth of 10%. Retail sales formed 54% of Vianor's total sales. Operating result improved slightly but was seasonally negative in H1.

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 61 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 35 stores during H1/2015. At the end of the review period the Vianor network comprised of totally 1,390 stores of which 1,193 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 H1/2015 by 157 stores totalling 1,026 stores contracted in 15 European countries and China. N-Tyre, a new Nokian Tyres partner network, is operating with 74 stores in Russia and Kazakhstan.

SPECIAL REVIEWS

Russia and the CIS countries

Nokian Tyres' sales in Russia decreased year-over-year by 39.1% to EUR 140.7 million (230.9). Sales in CIS countries (excluding Russia) were EUR 7.8 million (6.9), still low due to the Ukrainian crisis situation. Consolidated sales in Russia and CIS decreased by 37.5% to EUR 148.6 million (237.8).

Nokian Tyres lost sales volume and market share in Russia, due to the weak economy and consumers shifting towards cheaper segments and brands. The sales value decreased clearly also due to the ruble devaluation against the euro. Double-digit price increases in rubles were made in early 2015, but this does not fully compensate for the currency devaluation effects. However, Nokian Tyres' product mix and ASP in the local currency clearly improved due to restructuring of the winter tyre range and launch of new SUV models in the B segment. Nokian Tyres maintained its market leader position in the premium segment.

The distribution network was extended by signing additional distribution agreements and expanding the Vianor network. There were a total of 667 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 3,611 tyre stores, Vianor shops, car dealers, and web shops. The N-Tyre network - a more flexible partner concept - included 74 stores in Russia and Kazakhstan at the end of H1.

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. However, in the current market situation Nokian Tyres estimates declined sales volume in the clearly falling market in 2015.

In the review period 63% 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.

After Russia joining WTO, tyre import duties will go down gradually; the duties have already gradually decreased from 20% to 16%, and the official target is 10% in 2017.

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.

The total number of stock options 2013A is 1,150,000. Each stock option 2013A entitles its holder to subscribe for one Nokian Tyres plc share. The shares can be subscribed with the stock options 2013A during 1 May 2015 - 31 May 2017. In the aggregate, the stock options 2013A entitle their holders to subscribe for 1,150,000 shares. The present share subscription price with stock options 2013A is EUR 29.36/share. The dividends payable annually shall be 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 will be effective for five years from that decision.

3. Own shares

No share repurchases were made in the review period, and the company did not possess any own shares on 30 June 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 28.11 (EUR 28.50) at the end of the review period. The volume weighted average share price during the period was EUR 26.87 (EUR 30.49), the highest EUR 32.48 (EUR 36.19) and the lowest EUR 19.23 (EUR 26.53). A total of 117,039,487 shares were traded during the period (92,321,628), representing 88% (69%) of the company's overall share capital. The company's market value at the end of the period amounted EUR 3.752 billion (EUR 3.802 billion).The amount of shareholders was 42,368 (39,013). The percentage of Finnish shareholders was 30.8% (37.8%) and 69.2% (62.2%) 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.

Nokian Tyres has received a notification from Varma Mutual Pension Insurance Company on 27 May 2015, according to which the total holding of Varma in Nokian Tyres plc fell below 5 percent as a result of a share transaction concluded on 26 May 2015.

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. Board of Adjustment annulled the reassessment decision against Nokian Tyres plc concerning tax years 2007-2010

On 7 April 2015 Nokian Tyres announced that the Board of Adjustment had annulled the reassessment decision from the Tax Administration, and that the Company would return the 2007-2010 total additional taxes of EUR 100.3 million in full to the financial statement and result of first quarter result 2015.

10. Nokian Tyres plc's key employees' incentive plan year 2015 and realization 2013-2014

On 29 May 2015 Nokian Tyres announced that the targets set for performance periods 2013-2014 under the share based incentive plan were not met. Therefore no reward to the key employees has been paid related to years 2013-2014.

Rewards from performance period 2015 will be paid partly in the Company's shares and partly in cash in 2017. The rewards to be paid on the basis of the performance period 2015 correspond to an approximate maximum total of 160,000 Nokian Tyres plc shares and including also the proportion to be paid in cash. The Plan is directed to approximately 40 people.

11. Nokian Tyres introduced new winter products for Central Europe

On 16 February 2015 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.

12. The launch of world's first AA class winter tyre in terms of wet grip and fuel efficiency

On 12 May 2015 Nokian Tyres announced that it will in the autumn of 2015 offer European SUV drivers the world's first winter tyre that achieves the best possible class A in wet grip and fuel efficiency of the EU tyre label. The revolutionary Nokian WR SUV 3 winter tyre, in size 265/50 R19 V, can reduce braking distances by up to 18 meters on wet roads and save fuel by up to 0.6 l/100 km.

RISKS, UNCERTAINTY AND DISPUTES IN THE NEAR FUTURE

The growth in Russia is expected to be negative with full year GDP growth around -3%...-5% 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 41% (49%) 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 risks can be found at http://www.nokiantyres.com/annual-reports, Financial review 2014, pages 40-45 and 63-64.

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

The European economy shows decent growth, as the ECB's quantitative easing program has improved the economic activity in the area, and the weakened euro has supported the export industry. The Nordic area is estimated to show slow but comparatively stable development with a full year 2015 GDP growth of 1-2%. 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 -5%. North America has kept on showing positive economic development, especially in Q2/2015.

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

The company's replacement tyre market position is expected to improve in 2015 in North America, Nordic countries and Other Europe. In Russia the market leader position in premium segment remains.

Raw material cost is estimated to decrease by 5% in 2015 versus 2014. 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 over 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.

Demand in Nokian Heavy Tyres' 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 in 2015.

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 position in the core markets and to provide healthy margins and a strong cash flow also in 2015.

Full year financial guidance (updated)

In 2015, with current exchange rates, Net sales is to decline slightly compared to 2014 and Operating profit is estimated to be approximately EUR 270-295 million. (Previous guidance on 8 May 2015:
In 2015, with current exchange rates, Net sales and Operating profit are to decline slightly compared to 2014.)

Nokia, 7 August 2015

Nokian Tyres plc
Board of Directors

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

This Interim Report has been prepared in accordance with IAS 34 Interim Reports standard.
The company has adopted certain new or revised IFRS standards and IFRIC interpretations at the beginning of the financial period as described in the Financial Statements 2014. However, the adaption of these new or amended standards has not yet had an effect on the reported figures in practice. In other respects, the same accounting policies have been followed as in the Financial Statements 2014.

The interim report figures are unaudited.

NOKIAN TYRES
CONSOLIDATED

INCOME STATEMENT Million euros	4-6/15	4-6/14	1-6/15	1-6/14	Last 12 months	1-12/14	Change %
Net sales	345.5	369.5	626.8	681.5	1,334.5	1,389.1	-8.0
Cost of sales	-189.3	-206.3	-347.9	-375.5	-742.0	-769.6	7.4
Gross profit	156.2	163.2	279.0	305.9	592.5	619.5	-8.8
Other operating income	1.2	0.9	1.9	2.0	3.4	3.4	-4.1
Selling and marketing expenses	-63.3	-57.7	-121.7	-116.9	-251.4	-246.5	-4.2
Administration expenses	-7.5	-9.1	-16.4	-18.0	-32.9	-34.5	8.9
Other operating expenses	-6.1	-6.6	-13.9	-14.0	-33.1	-33.2	0.6
Operating profit	80.6	90.7	128.8	159.1	278.5	308.7	-19.0
Financial income	27.0	31.5	88.2	71.9	284.7	268.4	22.7
Financial expenses (1	-34.4	-43.6	-80.3	-96.4	-299.8	-315.9	16.7
Profit before tax	73.2	78.6	136.7	134.6	263.4	261.2	1.6
Tax expense (2 (3	-8.7	-12.6	63.1	-29.7	40.0	-52.8	312.2
Profit for the period	64.5	66.1	199.8	104.8	303.4	208.4	90.6
Attributable to:							
Equity holders of the parent	64.5	66.1	199.8	104.8	303.4	208.4	
Non-controlling interest	-	0.0	-	0.0	0.0	0.0	
Earnings per share from the profit attributable to equity holders of the parent							
basic, euros	0.48	0.50	1.50	0.79		1.56	90.6
diluted, euros	0.48	0.50	1.50	0.79		1.56	89.3

CONSOLIDATED OTHER COMPREHENSIVE INCOME	4-6/15	4-6/14	1-6/15	1-6/14	1-12/14
Million euros					
Profit for the period	64.5	66.1	199.8	104.8	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	0.0	0.0
Cash flow hedges	1.9	0.2	-0.8	-0.8	-1.9
Translation differences					
on foreign operations 4)	-4.7	22.5	65.4	-22.8	-202.1
Total other comprehensive income					
for the period, net of tax	-2.7	22.7	64.7	-23.5	-204.0
Total comprehensive income					
for the period	61.8	88.8	264.5	81.3	4.4
Total comprehensive income					
attributable to:					
Equity holders of the parent	61.8	88.7	264.5	81.3	4.4
Non-controlling interest	-	0.1	-	0.0	0.0

1) Financial expenses in 1-6/15 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. Financial expenses in 1-6/14 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 1-6/15 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 1-6/14 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 recognised as net investments in foreign operations in accordance with IAS 21 " The Effects of Changes in Foreign Exchange Rates". The impact in 1-6/15 is EUR -1.7 million and in 1-6/14 EUR -7.3 million and 1-12/14 EUR -10.0 million.

KEY RATIOS	30.6.15	30.6.14	31.12.14	Change %
Equity ratio, %	70.4	67.6	67.5	
Gearing, %	6.9	18.0	-13.6	
Equity per share, euro	9.89	9.62	9.07	6.0
Interest-bearing net debt, mill. euros	91.1	229.9	-164.6	
Capital expenditure, mill. euros	48.2	36.0	80.6	
Depreciation, mill. euros	42.3	46.3	89.8	
Personnel, average	4,361	4,224	4,272	
Number of shares (million units)				
at the end of period	133.17	133.11	133.17	
in average	133.17	133.17	133.16	
in average, diluted	133.21	137.08	135.10	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Million euros	30.6.15	30.6.14	31.12.14
Non-current assets			
Property, plant and equipment	547.0	661.2	502.8
Goodwill	79.3	71.1	73.3
Other intangible assets	18.6	23.8	19.8
Investments in associates	0.1	0.1	0.1
Available-for-sale financial assets	0.3	0.3	0.3
Other receivables	11.6	15.6	10.0
Deferred tax assets	6.8	10.7	9.1
Total non-current assets	663.8	782.7	615.4
Current assets			
Inventories	317.0	318.5	288.3
Trade receivables	533.2	656.4	351.0
Other receivables	154.6	80.7	102.4
Cash and cash equivalents	204.6	67.8	439.9
Total current assets	1,209.4	1,123.4	1,181.6
Total assets	1,873.2	1,906.1	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	-265.3	-151.3	-330.7
Fair value and hedging reserves	-3.3	-1.4	-2.6
Paid-up unrestricted equity reserve	133.7	98.8	100.3
Retained earnings	1,253.4	1,135.7	1,243.2
Non-controlling interest	-	0.0	-
Total equity	1,316.6	1,280.0	1,208.5
Non-current liabilities			
Deferred tax liabilities	26.5	28.6	26.7
Provisions	0.1	0.1	0.1
Interest bearing financial liabilities	285.7	287.2	274.7
Other liabilities	7.7	4.0	5.1
Total non-current liabilities	320.0	319.9	306.5
Current liabilities			
Trade payables	73.3	70.0	63.9
Other current payables	150.0	222.6	214.7
Provisions	3.3	3.2	2.8
Interest-bearing financial liabilities	10.0	10.5	0.6
Total current liabilities	236.6	306.3	282.0
Total assets	1,873.2	1,906.1	1,797.0

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

The presentation of translation differences has been adjusted from the 2014 financial statements by presenting all translation differences in translation reserve. The adjustment is EUR -128.7 million and the adjusted translation reserve is EUR -330.7 million. The adjustment is made between translation reserve and retained earnings and has no effect on total equity.

CONSOLIDATED STATEMENT OF CASH FLOWS Million euros	1-6/15	1-6/14	1-12/14
Profit for the period	199.8	104.8	208.4
Adjustments for			
Depreciation, amortisation and impairment	44.9	46.3	98.6
Financial income and expenses	-7.9	24.5	47.5
Gains and losses on sale of intangible assets, other changes	-4.3	-0.7	-11.0
Income Taxes	-63.1	29.7	52.8
Cash flow before changes in working capital	169.5	204.7	396.3
Changes in working capital			
Current receivables, non-interest-bearing, increase (-) / decrease (+)	-164.3	-246.3	24.5
Inventories, increase (-) / decrease (+)	-15.7	7.2	18.7
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	16.7	38.4	38.4
Changes in working capital	-163.2	-200.7	81.6
Financial items and taxes			
Interest and other financial items, received	1.8	2.1	3.3
Interest and other financial items, paid	1.8	-45.5	-69.8
Dividens received	0.0	0.4	0.0
Income taxes paid	-15.7	-24.6	-88.2
Financial items and taxes	-12.0	-67.6	-154.6
Cash flow from operating activities (A)	-5.7	-63.5	323.4
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	-48.2	-36.0	-81.7
Proceeds from sale of property, plant and equipment and intangible assets	0.4	0.7	3.2
Acquisitions of Group companies	0.1	-3.8	-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)	-47.7	-39.2	-84.7
Cash flow from financing activities:			
Proceeds from issue of share capital	33.4	1.7	2.6
Purchase of treasury shares	0.0	-8.6	-8.6
Change in current financial receivables, increase (-) / decrease (+)	-21.4	-0.7	-8.0
Change in non-current financial receivables, increase (-) / decrease (+)	0.2	3.2	-3.4
Change in current financial borrowings, increase (+) / decrease (-)	-6.3	14.3	62.2
Change in non-current financial borrowings, increase (+) / decrease (-)	6.9	-71.6	-79.6
Dividens received	0.0	-193.4	0.4
Dividends paid	-193.5	0.0	-193.4
Cash flow from financing activities (C)	-180.8	-255.1	-227.7
Change in cash and cash equivalents (A+B+C)	-234.2	-357.9	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	1.0	4.3
Cash and cash equivalents at the end of the period	204.6	67.8	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 1-6/15 EUR 6.1 million, in 1-6/14 EUR 19.4 million and in 1-12/14 EUR 37.0 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

	Equity attributable to equity holders of the parent								
Million euros	A	B	C	D	E	F	G	H	I
Equity, Jan 1st 2014	25.4	181.4	-	-128.5	-0.7	97.1	1,217.9	0.2	1,392.8
Profit for the period							104.8		104.8
Other comprehensive income, net of tax:							0.2	-0.2	0.0
Cash flow hedges					-0.8				-0.8
Net investment hedge				0.0					0.0
Translation differences				-22.8					-22.8
Total comprehensive income for the period				-22.8	-0.8		105.0	-0.2	81.3
Dividends paid							-193.4		-193.4
Exercised warrants						1.7			1.7
Acquisition of treasury shares			-8.6						-8.6
Share-based payments							5.9		5.9
Total transactions with owners for the period						1.7	-187.4	0.0	-185.7
Changes in the shareholding of subsidiaries									
Acquisition of non-controlling interests, with no impact on control							0.2		0.2
Equity, Jun 30th 2014	25.4	181.4	-8.6	-151.3	-1.4	98.8	1,135.7	0.0	1,280.0
Equity, Jan 1st 2015	25.4	181.4	-8.6	-330.7	-2.6	100.3	1,243.2	-	1,208.5
Profit for the period							199.8		199.8
Other comprehensive income, net of tax:									
Cash flow hedges					-0.8				-0.8
Net investment hedge									0.0
Translation differences				65.4					65.4
Total comprehensive income for the period				65.4	-0.8	0.0	199.8		264.5
Dividends paid							-193.5		-193.5
Exercised warrants						33.4			33.4
Acquisition of treasury shares									0.0
Share-based payments							4.0		4.0
Total transactions with owners for the period							-189.6		-189.6
Equity, Jun 30th 2015	25.4	181.4	-8.6	-265.3	-3.3	133.7	1,253.4	-	1,316.6

The presentation of translation differences has been adjusted from the 2014 financial statements by presenting all translation differences in translation reserve. The adjustment is EUR -128.7 million and the adjusted translation reserve is EUR -330.7 million. The adjustment is made between translation reserve and retained earnings and has no effect on total equity.

SEGMENT INFORMATION

Million euros	4-6/15	4-6/14	1-6/15	1-6/14	1-12/14	Change %
Net sales						
Passenger car tyres	241.2	273.7	448.8	520.6	1,003.2	-13.8
Heavy tyres	38.0	36.7	75.6	71.3	149.1	6.1
Vianor	86.7	81.0	141.7	130.5	314.8	8.6
Other operations	4.0	2.7	6.9	4.3	13.5	60.9
Eliminations	-24.4	-24.6	-46.2	-45.2	-91.5	-2.2
Total	345.5	369.5	626.8	681.5	1,389.1	-8.0
Operating result						
Passenger car tyres	69.6	83.4	129.7	163.5	292.2	-20.7
Heavy tyres	7.5	5.4	14.3	9.9	24.6	44.1
Vianor	5.7	5.0	-6.9	-6.9	2.1	0.2
Other operations	-1.4	-0.8	-4.1	-3.9	-9.4	-5.3
Eliminations	-0.9	-2.4	-4.1	-3.5	-0.7	-18.5
Total	80.6	90.7	128.8	159.1	308.7	-19.0
Operating result, % of net sales						
Passenger car tyres	28.9	30.5	28.9	31.4	29.1	
Heavy tyres	19.8	14.8	18.9	13.9	16.5	
Vianor	6.5	6.2	-4.9	-5.3	0.7	
Total	23.3	24.5	20.6	23.3	22.2	
Cash Flow II						
Passenger car tyres	-11.1	-22.7	-58.7	-16.4	443.4	-258.4
Heavy tyres	11.4	6.2	18.5	7.2	28.8	156.7
Vianor	-8.5	1.8	-21.4	-10.6	-8.7	-102.1
Total	-13.0	-21.8	-72.7	-25.5	458.3	-185.2

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

Million euros	30.6.15	30.6.14	31.12.14
Opening balance	502.8	683.8	683.8
Capital expenditure	47.1	39.7	88.2
Decrease	-10.0	-7.2	-15.0
Depreciation for the period	-38.5	-43.1	-80.1
Exchange differences	45.6	-12.0	-174.0
Closing balance	547.0	661.2	502.8

CONTINGENT LIABILITIES

Million euros	30.6.15	30.6.14	31.12.14
FOR OWN DEBT			
Mortgages	1.0	1.0	1.0
Pledged assets	4.7	0.2	4.7
OTHER OWN COMMITMENTS			
Guarantees	5.2	3.2	4.6
Leasing and rent commitments	62.9	53.6	53.7
Purchase commitments	2.0	2.0	2.0

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Million euros	30.6.15 Carrying amount	Fair value	30.6.14 Carrying amount	Fair value	31.12.14 Carrying amount	Fair value
FINANCIAL ASSETS						
Financial assets at fair value through profit or loss						
Derivatives held for trading	12.0	12.0	4.7	4.7	19.2	19.2
Money market instruments	-	-	-	-	-	-
Loans and receivables						
Other non-current receivables	11.6	8.1	15.5	19.7	10.0	7.0
Trade and other receivables	537.0	537.5	660.8	660.0	355.2	355.8
Cash in hand and at bank	204.6	204.6	67.8	67.8	439.9	439.9
Available-for-sale financial assets						
Unquoted shares	0.3	0.3	0.3	0.3	0.3	0.3
Derivative financial instruments designated as hedges	9.7	9.7	2.1	2.1	0.3	0.3
Total financial assets	775.3	772.3	751.2	754.6	824.9	822.5
FINANCIAL LIABILITIES						
Financial liabilities at fair value through profit or loss						
Derivatives held for trading	1.9	1.9	11.9	11.9	13.8	13.8
Financial liabilities measured at amortised cost						
Interest-bearing financial liabilities	295.7	300.8	297.7	307.9	275.2	279.8
Trade and other payables	73.3	73.3	70.0	70.0	63.9	63.9
Derivative financial instruments designated as hedges	9.0	9.0	5.4	5.4	4.8	4.8
Total financial liabilities	379.9	385.0	385.1	395.3	357.7	362.3

All fair value measurements have been classified to Level 2 in the fair value hierarchy. Level 2 includes Group's derivative financial instruments and money market investments. To establish the fair value of these instruments the Group uses generally accepted valuation models with inputs based on observable market data. There has been no transfers between the different levels in the fair value hierarchy.

DERIVATIVE FINANCIAL INSTRUMENTS	30.6.15	30.6.14	31.12.14
Million euros			
INTEREST RATE DERIVATIVES			
Interest rate swaps			
Notional amount	130.0	130.0	100.0
Fair value	-1.8	-0.9	-2.3
FOREIGN CURRENCY DERIVATIVES			
Currency forwards			
Notional amount	286.1	533.9	303.8
Fair value	3.0	-9.7	-9.4
Currency options, purchased			
Notional amount	7.2	24.8	-
Fair value	0.3	0.2	-
Currency options, written			
Notional amount	14.5	44.4	-
Fair value	0.0	-0.2	-
Interest rate and currency swaps			
Notional amount	87.5	20.0	67.5
Fair value	11.7	2.5	14.9
ELECTRICITY DERIVATIVES			
Electricity forwards			
Notional amount	8.1	11.3	10.0
Fair value	-2.4	-2.5	-2.3

RELATED PARTY TRANSACTIONS

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

Transactions and outstanding balances with parties having significant influence

Key management personnel	1-6/15	1-6/14	1-12/14
Total employee benefit expenses	2.7	3.7	7.2
Of which share-based payments	1.0	1.6	2.7

The loan receivable from a VP in the other key management personnel of the company was paid back in its entirety in March 2015

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

During 1 January and 30 June 2015 the President and other key management personnel were granted a total of 128,600 shares and 233,400 share options (during 1 January and 30 June 2014 67,500 shares and 201,740 share options). The share option plan terms for the key management personnel are equal to the share options directed at other personnel. On 30 June 2015 the key management personnel held 128,600 shares and 921,300 share options, with 456,200 exercisable (on 30 June 2014 67,500 shares and 1,088,940 share options, with 657,500 exercisable).

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

BUSINESS COMBINATIONS

Vianor-chain have expanded further through several minor business combinations in Finland (including Kumielo Oy from 1 January 2015).

Recognised amounts of identifiable assets acquired and liabilities assumed:

Property, plant and equipment	0.4
Inventories	1.5
Trade and other receivables	0.9
Cash and cash equivalents	0.4
Total Assets	3.3
Deferred tax liabilities	0.0
Financial liabilities	0.0
Trade and other payables	0.9
Total liabilities	0.9
Total identifiable net assets	2.4

Composition of goodwill in the acquisition

Consideration transferred	6.9
Total identifiable net assets	2.4
Goodwill	4.5
Consideration paid in cash	6.5
Cash and cash equivalents in the subsidiaries acquired	-0.4
Net cash outflow	6.0

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

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totalling EUR 0.3 million, are included in the consolidated income statement. The actual acquisition dates and the nature of the operations taken into account the effect of the acquisition on the consolidated net sales and profit is not material even if they all were combined as of the beginning of the financial year.

The acquisition related costs of EUR 0,0 million have been recorded as selling and marketing expenses. There were no other transactions recognised separately from these acquisitions. The consideration has been transferred in cash and no significant contingent consideration arrangements were included. No non-controlling interest remained in the acquiree. The identifiable assets acquired and liabilities assumed are recognised in fair value.
Goodwill is measured as the excess of the consideration transferred over the total identifiable net assets. None of the goodwill recognised is deductible for income tax purposes.

DEFINITIONS OF CONSOLIDATED KEY FINANCIAL INDICATORS

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

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

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

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

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

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

DEFINITIONS OF SALES AREAS

Nordic countries: Finland, Norway, Sweden.

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

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

North America: Canada, USA.

Core markets: Nordic countries, Russia and CIS.

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Nokian Tyres plc

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Nokian Tyres Interim Report January-June 2015 was published on Friday 7 August, 2015 at 8.00 a.m. Finnish time.

The result presentation for analysts and media will be held in Hotel Kämp in Helsinki on 7 August at 10.00 a.m Finnish time. The presentation can be listened through audiocast via internet at www.nokiantyres.com/resultinfo-Q2-2015

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 20 319 40552 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-September 2015 will be published on 30 October, 2015.

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