Annual Report | 2014

Content

Drive safely!

Our unique expertise creates the safest and best products and services for the everyday life. As a pioneer in the tyre industry, we want to be the best in everything we do!

Market leader in the Nordic countries and Russia

Nokian Tyres is the only tyre manufacturer in the world focusing on products and services that facilitate safe transport in Nordic conditions. Its innovative tyres for passenger cars, trucks, and heavy machinery are mainly marketed in areas that are home to snow, forest, and demanding driving conditions due to changing seasons. The company develops its products with an emphasis on sustainable safety and eco-friendliness throughout the products' life cycle.

Nokian Hakkapeliitta is the leading winter tyre brand in the Nordic countries and Russia. Nokian Tyres' position as the market and price leader stems from the company's key competitive advantages: a solid reputation for quality formed by decades of user experiences and independent test results, strong distribution network, and good logistics competence.

We mainly sell our products in the aftermarket. Our group includes the Vianor tyre retail chain, which offers wholesale and retail services in Nokian Tyres' primary markets. Nokian Tyres has factories in Finland and Russia. In 2005–2014, we invested more than €1 billion in our factories, whose productivity and product quality are by far the best in the industry.

In 2014, the company's revenue was approximately EUR 1,4 billion, and it employed 4,200 people at the end of the year. Nokian Tyres' stock is listed on the NASDAQ Helsinki.

Highlights of the year

30%

The new Nokian Hakkapeliitta R2 model for electric cars has the world's lowest rolling resistance for a winter tyre – up to 30% lower than its competitors.

93%

93% of users who posted a product review would recommend Nokian tyres to others.

50+ test wins

Nokian car tyres scored more than 50 test wins in the Nordic countries, Russia, and Central Europe

490 new stores

Our NAD network and the new N-Tyre chain grew by a total of 490 stores.

The difficult financial situation in Russia impacted us

We will return to growth through our strengthened product portfolio and extended distribution network

Dear reader,

Our activities last year were considerably affected by the financial situation in Russia. The weakened economy, a strong decline in oil prices, and the swift devaluation of the ruble led to a change in buyer behavior and a substantial decline in sales in Russia and the rest of the CIS. The financial uncertainty in the world is resuming; in addition to Russia, especially in Europe. The US is one of the few drivers of global growth, while China is seeking new ways to grow. Overall, Asia continues to retain substantial growth potential.

Despite the weak market, we strengthened our market leadership in Russia. The delivery volumes remained nearly at the previous year's level. However, the decline in the euro value of sales was substantial. We were able to compensate this by improving our market position in Central Europe and especially in North America. The Central European market was negatively affected by the record-breaking winter temperatures. In the Nordic countries, our year was once again successful.

The average price of our products fell due to changes in the value of a number of currencies and the development of the sales mix in Russia and the CIS. On the other hand, the devaluation of the ruble helped us in terms of costs, as did the significant decrease in the prices of raw materials. However, the latter made pricing globally more challenging, and was one factor that pulled our Average Selling Price downwards. In total, our production remained at the previous year's level and the productivity of our factories continued to increase.

Our profits fell, but we still remained profitable and produced strong cash flow. The company has no net liabilities and it has a strong balance. The quality of our activities is at a good level, and I know we can continue to improve our market positions in 2015.

Looking forward, stronger than ever

The challenges we have faced have only strengthened our determination to move forward. Our product range continues to receive praise from the press and our customers, our distribution network continues to grow and our own organization further develops every day. We believe in strong growth in North America and Central Europe, while strengthening our positions in the difficult Russian and CIS markets and holding our strong position in the Nordic countries.

Our products dominated the winter tyre tests in the automotive media, securing nearly all of the most important test wins in the Nordic countries and Russia. Additionally, I want to emphasize the Central European winter tyre tests; success in these tests paves the way for increasing our awareness and sales in these markets. Our new summer tyre range also increasingly scored test wins in our core markets and in Central Europe in the spring of 2014.

In September 2014, Nokian Tyres introduced five new SUV summer tyres and renewed its van tyre range. In December, we launched a winter tyre for electric cars, the world's first with an A class rolling resistance rating. The private and professional users of our products are enjoying safer driving than ever before. At the same time, their driving comfort is at a high level and less energy is being consumed. Our product range is now better than ever. This year, this will be seen in our customer satisfaction, sales, and market shares.

We continued expanding our distribution network in 2014 by opening 149 new Vianor outlets; the total number grew to 1,355 establishments in 27 countries. In Russia, the Nokian Tyres' distribution partner network consists of 3,600 tyre and vehicle dealerships. Our new and lighter partnership model, the Nokian Tyres Authorized Dealer (NAD) also grew; a total of 869 cooperation contracts have been signed in Europe and China. The number of Vianor and NAD outlets will continue to grow in 2015. In Russia and Kazakhstan, we have launched the N-Tyre chain totaling 53 sales outlets. Strong distribution is one of our most important competitive advantages.

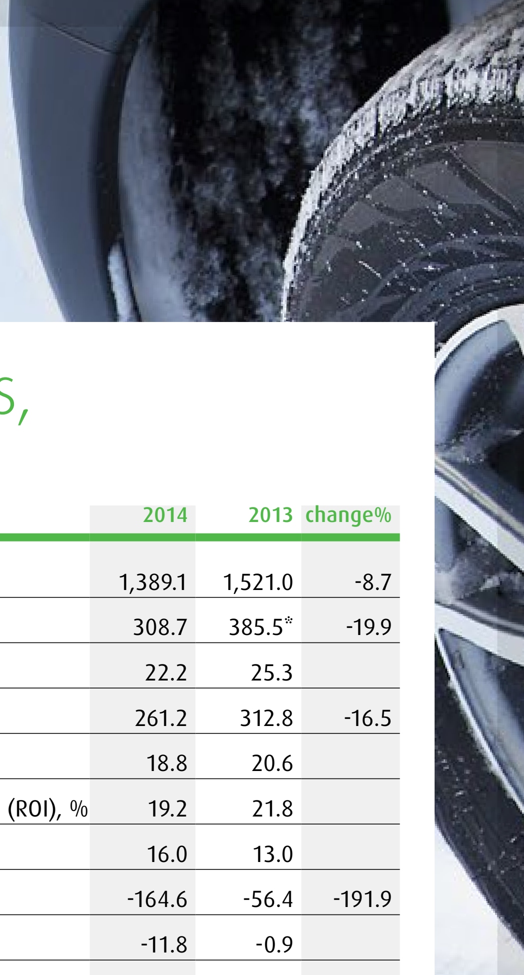
The Vianor stores owned by our group achieved nearly EUR 315 million in revenue and turned a profit. Gradually, we will be increasing the share of car service in our activities, which will allow us to even out the workload over the year. Excellent customer service combined with professional skill will support our growth and profitability improvement into the future.

The heavy tyres market, which is very important to us, had a positive year. Especially the forest segment grew, and we were able to strengthen our position. The winter tyre legislation is improving and it now covers heavy traffic in many of our target countries. In Finland and Russia, however, the legislators still have some work to do. The revenue and profitability of our heavy tyres business unit improved commendably during the second half of the year, since we were able to start utilizing our new machine investments and increase our production volumes.

Capacity increases were not required for passenger car tyres, which allowed us to keep investments at a low level. This improved our cash flow. We are also prepared to respond to market growth by quickly increasing production without making large investments.

In times of financial uncertainty, it is especially important to focus on the key issues: our customers and the further development of our personnel. I wish to thank all of our customers for their faith in us, and for the excitement that they have expressed toward our extended product range. I also want to thank our personnel for their excellent efforts in this challenging environment. We will continue our work in the Hakkapeliitta spirit and in very close cooperation with our customers. This, and the continuous improvement of our competence and activities, will ensure that our success story continues.

Ari Lehtoranta



The plunge of the ruble weakened revenue

Positive development on the Western markets

Nokian Tyres improved its market share in all the main markets. The company has the strongest brand, price position, and distribution in its core markets, the Nordic countries and Russia.

The year 2014

The company's car tyre sales volumes followed the 2013 level, and the market share improved in all the main markets. In general, the Western markets are developing positively, and Nokian Tyres grew clearly in North America. In the East, the Russian and Ukrainian crisis, the strong decline in oil prices, and the depreciation of local currencies in relation to the global currencies caused financial difficulties in Russia and the CIS countries. The business environment was challenging, and the revenue of Nokian Tyres decreased 8.7% as a result of the devaluation of sales currencies, consumers' shift towards cheaper segment B tyres in Russia, and price reductions due to lower raw material costs. The currencies' negative impact on our revenue was nearly EUR 100 million.

The business of Vianor and Heavy Tyres developed positively. The company's distribution network expanded as planned.

Profitability decreased but remained on a fairly good level, with the operating profit percentage at 22.2%. A 16.5% decrease in raw material costs provided a benefit of EUR 64 million compared to the previous year. Margins were further supported by decreased fixed costs and improved productivity.

Nokian Tyres had a strong cash flow of EUR 458.3 million. The company has a strong balance and it had no net liabilities at the end of the year. The dividend remained at €1.45 per share.

Nokian Tyres made significant improvements to its product offering by introducing five new SUV summer tyres and renewing its van tyre range. The company's products had a record year in magazine tests with more than 50 wins in summer and winter tyre tests in the Nordic countries, Russia, and Central Europe. The high quality of the company's products is generally recognized, which supports the positive development of its price position.

Key figures, IFRS

EUR million	2014	2013	change%
Net sales	1,389.1	1,521.0	-8.7
Operating profit	308.7	385.5*	-19.9
% net sales	22.2	25.3	
Profit before tax	261.2	312.8	-16.5
% of net sale	18.8	20.6	
Return on capital employed (ROI), %	19.2	21.8	
Return on equity (ROE), %	16.0	13.0	
Interest bearing net debt	-164.6	-56.4	-191.9
% of net sales	-11.8	-0.9	
Gross investments	80.6	125.6	-35.8
% of net sales	5.8	8.3	
Net cash flow from operating activities	323.4	317.6	1.8
Earnings/share, EUR	1.56	1.39	12.9
Cash flow per share (CFPS), EUR	2.43	2.39	1.4
Shareholders equity per share, EUR	9.07	10.45	-13.1
Equity ratio, %	67.5	67.6	
Personnel, average during the year	4,272	4,194	

*) Incl. bad debt provision of 14.3 M€

Hakkapeliitta Way – Road to success

We exist, so that our customers could have the world's safest and best-quality tyres. Our values are the basic foundations for all activities, and the focusing strategy provides a direction for the choices that we make. The values and strategy become the goals that we aim at, and that will continue to bring us international growth and success. We build success together by working hard and developing all our operations and products.

Our strategic focus

1. Northern conditions

We are the only tyre manufacturer in the world focusing on customer needs and products specific to northern conditions. We market our products in regions where there are snow, forests and demanding driving conditions caused by changing seasons.

2. Narrow product segments

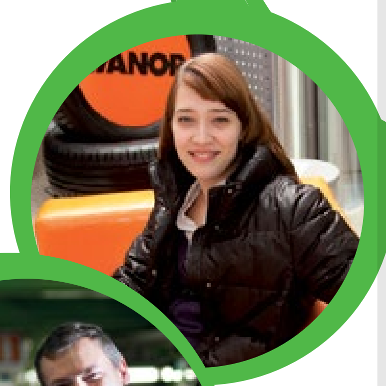
Our special expertise in northern conditions creates added value for our customers. We utilise our special competence in narrow product segments like passenger car winter tyres and forestry tyres. Our other main products include light truck and SUV tyres, winter tyres for trucks as well as harbour and mining machinery tyres.

3. Replacement markets

All our Nokian-branded passenger car tyres and approximately 60% of our heavy tyres are sold in replacement markets through special tyre outlets, car dealers and other companies engaged in the tyre trade.

4. Efficient distribution

The Vianor chain is spearheading the growth of our company. Direct contact with the consumer gives us valuable information about the wishes and needs of end-users. Efficient distribution ensures successful season management as well as management of possible risks. We want the users of our products and services to be the most satisfied customers in the world.



Key strategic objectives

Our focusing strategy creates goals that enable our company to be the best in the industry.

Number one in premium tyres in core markets

- We are the market leader in premium tyres in the Nordic countries, Russia and other CIS countries
- We are the forerunner in our core products and we have a globally strong position in niche segments

The best processes

- Our key processes and our business network are efficient and represent the cutting edge in the industry
- Our organization is lean and fixed costs grow slower than sales
- We uphold the principles of the responsible citizen in all of our activities

Personnel satisfaction

- Nokian Tyres is a respected and attractive employer
- Our personnel are highly skilled and motivated
- Our personnel have the desire to continuously develop their personal skills and our company

Customer satisfaction

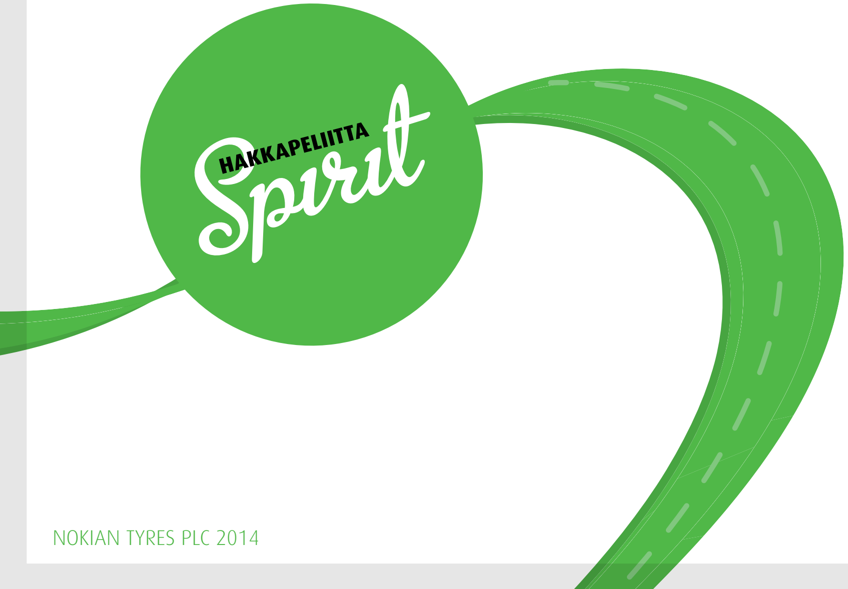
- We know the end users of our tyres, their needs and wishes. We offer our customers only the best
- We have the industry's best services, the highest customer satisfaction and loyalty

Shareholder satisfaction

- We are the most profitable tyre manufacturer and tyre distributor in the industry with good share price development and dividend policy
- We grow our company and profits through increasing sales, expanding distribution, strong pricing position and high productivity

Values guide and support our strategy

Our company culture is called "Hakkapeliitta Spirit" which includes the following values:



Team spirit = Will to fight

We work in an atmosphere of genuine joy and action. We work as a team, relying on each other and supporting each other, offering constructive feedback when needed. We embrace differences, and we also encourage our team members to individually pursue winning performances.

Entrepreneurship = Will to win

We thirst for profit, we are quick and brave. We set ambitious objectives and perform our work with persistence and perseverance. We are dynamic and punctual, and we always make customer satisfaction our first priority.

Inventiveness = Will to survive

We have the skill to survive and excel, even in the most challenging circumstances. Our competence is based on creativity and inquisitiveness, and the nerve to question the status quo. We are driven by a will to learn, develop and create something new.

Sustainability

Present in our everyday work

The cornerstones for our actions are the high quality, safety, and eco-friendliness of our products as well as the responsible development of our company in all areas of business. For us, responsibility means creating safe and eco-friendly products, using state-of-the-art processes, profitable growth of our company, and the well-being and safety of our personnel.

In 2014, we further developed our Corporate Sustainability Report in accordance with the GRI (Global Reporting Initiative) guidelines and published the renewed report on our website. Regular reporting further increases the transparency and openness of our operation, and offers a good channel to track our activities and the effects of our actions on the outside world.

Responsibility through value-based management

Throughout our company history, environmental and safety aspects have been at the core of our product development, manufacture, and marketing. We take care of our personnel, customers, the economy, and environment while focusing on the safety and quality of our products. In addition to adhering to the laws and regulations, we have tried to exceed the requirements set for our activities by doing things better than required, and by simultaneously setting an example for the other companies in the tyre industry.

We have grouped the areas of our responsibility under five categories, which describe the main themes of managing and developing responsibility in our company

- **Hakkapeliitta Way** is the theme for the principles of responsibility that are seen throughout our operations. It is connected to our company's strategic goals and vision.
- **World on Wheels** comprises our work on product safety and quality as well as our impact on traffic safety and the future of the rubber industry via expert organizations.
- **Economy** focuses on the economic impacts of our operations.
- **People** form the community around us: our employees and subcontractors around the world.
- **Planet** describes our environmental footprint.

Read more about value-based management and what is important to us!
http://bit.ly/17MjaRA

Top quality is everyone's business

EHSQ issues – such as quality management, environmental protection, well-being at work, safety management, and protecting property – are managed at the group level in our company. We use managed, effective, and carefully monitored development, procurement, and production processes for ensuring the high quality of our products. We all want to perform our duties as well as possible and contribute to the premium quality of our products and services.

In 2014, we continued our efforts to improve the quality of our products and operations even further. For example, we improved the traceability of individual tyres from the raw materials used until when the tyres are shipped out. Our objective is to record all the information that there is about a tyre and its production stages thereby improving quality assurance. We use different surveys to track and anticipate the needs of our customers, and we want to provide each one an excellent customer and user experience from every aspect.

Safer work and a healthier environment

We aim at managing the environmental impact of our products throughout their life cycle and addressing the safety and quality aspects of our operations in a comprehensive and systematic manner. We strongly focus on the eco-friendliness of our products and processes. In line with the product life cycle approach, we pay attention to the environmental aspects all the way from raw material purchases to the utilization of used tyres. A good example of improving our operations is the incineration plant that we installed in our Nokia factory at the end of the year for processing VOC emissions. The incineration plant processes VOC emissions from the manufacture of heavy tyres and retreading materials, which significantly reduces emissions into the atmosphere.

We promote both product and occupational safety through risk management, continuous improvement of our processes, and new investments. In 2014, we continued to successfully reduce the amount of occupational accidents: accident frequency decreased by 15% throughout the group compared to the previous year. We clearly communicate and discuss safety visibly, which has made our personnel more active, for example in reporting deviations at earlier stages. In the fall, the management carried out its first safety walk in our Nokia factory, making safety observations and talking to employees about attitudes toward safety. In the future, the management will carry out regular safety walks in our factories in Nokia and Vsevolozhsk. We will continue to develop our safety culture throughout the group in 2015. We build our company's success in a responsible way together with our more than 4,000 employees internationally.

Read more about our environmental and responsibility matters in our Corporate Sustainability Report online!
http://bit.ly/1EmdBq3

Good leadership improves well-being and gives a competitive edge

Employee well-being, excellent performance and successful business require good leadership that is aimed at creating a result-oriented and positive working community. We at Nokian Tyres use systematic leadership to promote the competence development, well-being, and equal treatment of our committed, motivated, and professional staff.

During 2014, we clarified human resource management and put more emphasis on supervisor work and communication. The results from our Drive personnel survey acted as the basis for our development work, and our goal is to achieve a working community that is even more functional and safer than before and that has a higher will to win.

For more information about our leadership, well-being, innovation activities, and other personnel issues, please see our online corporate sustainability report.
http://bit.ly/1EmdBq3

Read more about our unique Hakkapeliitta culture.
http://bit.ly/1a3w4wm

Working to improve activities and well-being

The renewed personnel survey achieved a response rate of 80%, which also tells us that our staff wants to actively participate in the development of our working community. The results indicate that commitment, leadership, and performance in our company are at a higher level than in the other reference organizations. Our staff thought that the values and goals of our company are worth aiming for, and that our corporate social responsibility issues are well managed. It is also important for business that our staff strongly believes in our products and services and considers them to be of high quality. The results also show that they were willing to recommend our company as an employer.

The internal inspection of communications processes and clarifying leadership were selected as areas for improvement. We want to take these actions in order to ensure that leadership and supervisor work are of high quality and suited to our needs. At the end of the year, we started a development project for leadership and supervisor work; it will define good leadership in our company at the level of principles and practical activities.

Well-being in our company consists of four areas: the physical, mental, cognitive, and social. We firmly believe that by developing our leadership and activities, and by advancing the different issues, we can increase security, commitment, productivity, and well-being. The internal entrepreneurship, collaborative understanding, and activity among our personnel all serve to support competence development, profitable growth, and strategic implementation. In our company, everyone has an opportunity for further growth and personal development.

Business in the tyre industry

The value of global tyre sales is nearly USD 190 billion. We have seen the strongest growth in the markets for winter tyres, summer tyres with a high speed rating, and SUV tyres. There is a statutory obligation to use winter tyres in the Nordic countries and, in recent years, similar regulations have spread to new geographical areas.

The key factors that affect the consumer sales of passenger car tyres are the sales volumes of new cars, development of purchasing power, and consumer confidence. Winter tyre sales are also affected by the weather conditions: the more wintery and slippery the conditions, the greater the need for new winter tyres. Tyre manufacturers' sales to distributors are also affected by the distributors' remaining tyre stock and the price of financing.

The demand for heavy and truck tyres varies in cycles that follow the trends of machinery manufacture and businesses' general investments.

Tyre seasons are critical for succeeding in Nordic conditions

One special characteristic of Nokian Tyres' core market is that the sales of passenger car tyres are strongly built around two seasons. We sell most of our summer tyres to consumers a few weeks before and after Easter. Consumer sales of winter tyres peak between September and November depending on the weather conditions: we sell some 30% of our winter tyres in the first 10 days after the first snowfall. Predicting sales and production several months in advance is a demanding task, as tyre manufacturers typically offer more than a thousand different combinations of tyre models and sizes. Our extensive distribution network and effective logistics and information systems play a key role during the busy peak seasons.

High utilization and productivity support profitability

Due to logistics and other business reasons, tyre manufacturers usually establish local factories in their most significant markets. Payroll and energy costs vary by country but raw material costs are generally on the same level globally. The most important raw materials include natural rubber, synthetic rubber, filler substances (such as soot), plies and cables, and various chemicals.

As tyre manufacturers have high fixed costs, profitability requires optimal utilization of the full production capacity while minimizing interruptions. For tyre manufacturers, continuous improvement of profitability through investments and process developments is a prerequisite for success.

A strong brand guarantees a high price position

The tyres on the market are divided into two or three segments by their price depending on the market. The manufacturers of premium or segment A tyres emphasize the improved road safety, comfort, and environmental aspects of higher quality in their marketing and communication, whereas segment B tyres are only manufactured for consumers looking for the lowest purchase price. Distributors typically offer their customers alternatives from all the price ranges.

In the tyre industry, the regional market leader is usually also the price leader. Pricing power is increased by a strong brand, product reputation, reliability of distribution, and success in objective tyre tests by the automotive media.

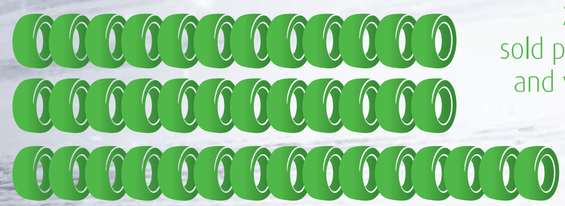
Select markets for special products

Russia

Potential as well as risks

Russia is a large market with an estimated 2.5 million new cars and 39 million car and van tyres sold in 2014. The factors that affect tyre demand especially in Russia are GDP development, which follows the price of oil, and the interest rates for car financing. The Russian economy was in turmoil in 2014 due to the crisis in Ukraine and Crimea and the strong decline in oil prices, which resulted in zero GDP growth. The weakened household purchasing power caused a shift of sales from premium products to segment B tyres.

Winter tyres make up two thirds of aftermarket tyre sales. There is no winter tyre legislation in Russia, but the climate conditions in Nokian Tyres' operating region warrant the use of winter tyres during the winter months. Nokian Tyres is the market leader and largest manufacturer of segment A and B tyres in Russia. Our total sales in Russia and the CIS countries in 2014 amounted to EUR 386.7 million, or 26% of the total sales of the Nokian Tyres Group. Fluctuation of the ruble exchange rates made it challenging for Nokian Tyres and other international companies to secure and optimize their financial result.

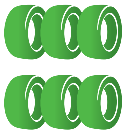


39 mill.
sold passenger and van tyres per year

Nokian Tyres has an extensive distribution network in Russia. By the end of 2014, the Hakka Guarantee network and other retail partners who work closely with Nokian Tyres in Russia comprised of 3,600 tyre retailers, Vianor outlets, car dealerships, and online stores.

The company's strong brands, expanding distribution network, and the location of its factories behind Russian tariff walls give Nokian Tyres a significant competitive edge on the market.

The Nordic countries
Stable development continued

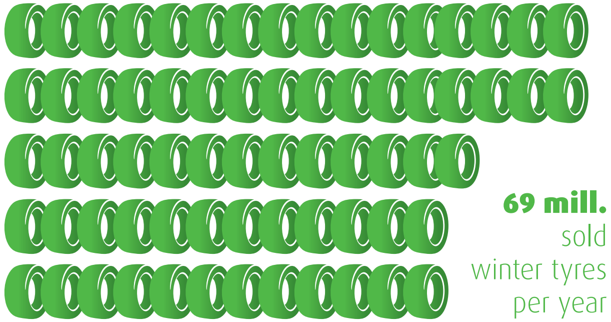


6 mill. sold winter tyres per year

Approximately 10 million car and van tyres are sold each year in Finland, Sweden, and Norway. Some 6 million of these are winter tyres. Generally, the market grows 1–3% per year, and there are approximately 80 competing brands. The legislation in these countries requires the use of winter tyres during the winter months.

The Nordic countries accounted for approximately 40% of Nokian Tyres' sales in 2014. Nokian Tyres is the market and price leader and the only local manufacturer in the region. The company has an extensive distribution network, including its own Vianor tyre chain that comprises 294 outlets.

Central Europe
The largest winter tyre market



69 mill. sold winter tyres per year

Approximately 230 million car and van tyres were sold in 2014 in the European market, excluding the Nordic countries. Central Europe is globally the largest winter tyre market – 12 times larger compared to the Nordic countries. Approximately 69 million winter tyres were sold in this region, and the winter tyre segment is growing faster than the total market.

The expanding tyre markets and the adoption of winter tyre legislation in more countries have made Central Europe one of the most important growth areas for Nokian Tyres. Nokian Tyres tailors its products to suit the needs of consumers in different markets. Our summer tyres and non-studded winter tyres that are designed for the Central and Eastern European winter conditions are considerably different from the products that we sell in our core markets. We sell tyres to 32 European countries in addition to the Nordic countries, Russia, and the CIS countries. Central Europe accounted for some 24% of Nokian Tyres' sales in 2014.

The Ejpovice logistics and service center serves the main markets around the clock. The expansion of the retail channel was spearheaded by Vianor, with a total of 288 partner outlets in the area by the end of 2014. The Nokian Tyres Authorized Dealer (NAD) network comprises 811 outlets in 14 European countries.

North America
Focusing on the winter tyre niche

In North America, Nokian Tyres focuses on Canada and the US snowbelt region. There, the market potential for winter tyres is twofold compared to the Nordic countries. Canadian winter tyre legislation supports the growth of demand.

The Vianor chain has 69 outlets in New England.

Nokian Tyres has a strong brand and a solid reputation for quality in the North American regions where winter tyres are used. In select areas, we make exclusive agreements with distributors. The Vianor chain has 69 outlets in New England.

Nokian Passenger Car Tyres

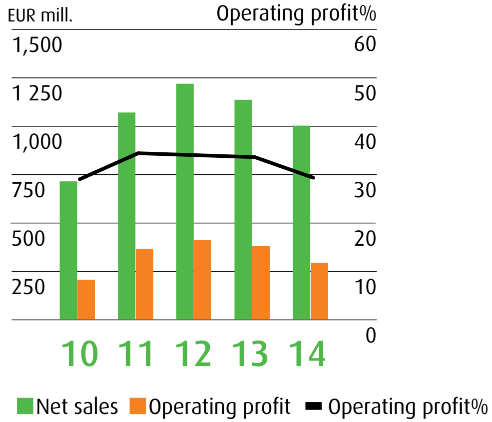
Premium tyres carefully tailored for customers' needs

The Nokian Passenger Car Tyres unit develops, manufactures, and markets summer and winter tyres for passenger cars and delivery trucks as well as SUVs. The key products are studded and non-studded winter tyres and SUV tyres. These are the fastest growing product segments in the tyre industry, and also with the highest prices. Nokian Tyres' most important brands are Nokian Hakkapeliitta, Nokian Hakka, and Nokian Nordman.

Product development takes place mainly in Finland. Tyres are produced in the company's own factories in Nokia, Finland and Vsevolozhsk, Russia and sold in the aftermarket. Our main markets are the Nordic countries, Russia and the other CIS countries, the rest of Europe, and North America.

NOKIAN PASSENGER CAR TYRES

Net sales, Operating profit and Operating profit%



	2010	2011	2012	2013	2014
Net sales	714.7	1,071.1	1,220.1	1,137.0	1,003.2
Operating profit	205.5	365.1	410.8	378.5	292.2
Operating profit%	28.8	34.1	33.7	33.3	29.1

The problems between Russia and Ukraine affected our 2014 revenue, but we strengthened our market position even further

The revenue of Nokian Passenger Car Tyres grew in the Nordic countries and Central Europe, amounting to more than €1 billion. Tyre sales volumes followed the previous year's level, but our revenue suffered from the strong devaluation of the currencies in Russia and the CIS countries, and from the Ukrainian crisis.

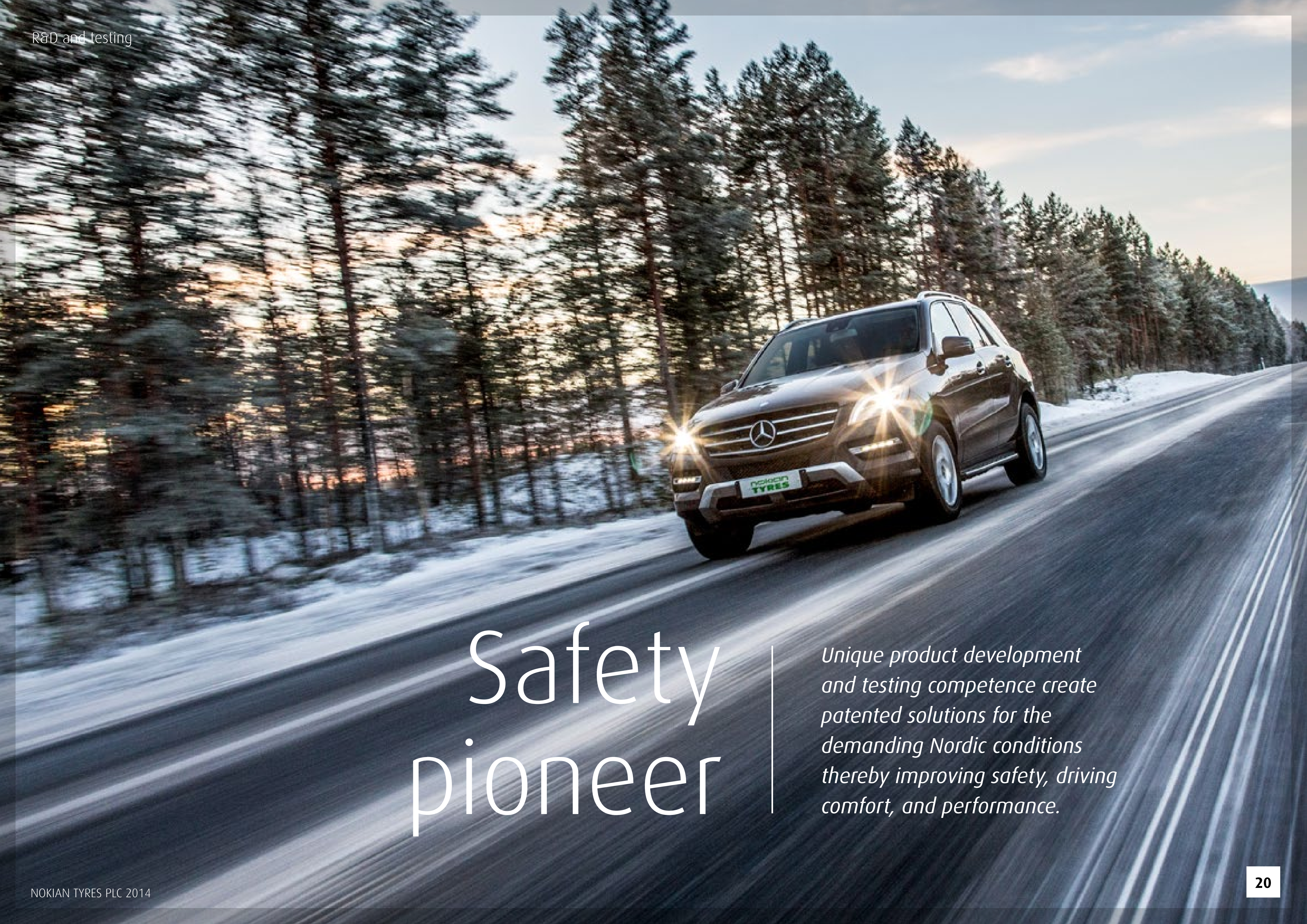
Nokian Tyres is the market and price leader in the Nordic countries, Russia and the CIS countries. Its business is growing in the Central European and North American premium market. In 2014, we grew our market share in all our main markets. Winter tyres amounted to 79% of the unit's 2014 sales volume.

The combined annual output of our Finnish and Russian factories exceeded 20 million tyres, with shift arrangements. In 2014, we did not utilize our full production capacity but, compared to the previous year, we improved our production volume (pc) and productivity (kg/mh) by 4.3% and 5.1%, respectively. In 2014, 80% (82%) of Nokian car tyres (pcs) were manufactured in our Russian factories.

With more than 50 test wins, our product range is more competitive than ever

In the fall of 2014, our products dominated the winter tyre tests in the automotive media, scoring numerous test wins in the Nordic countries and Russia. Our Nordic winter tyre, the Nokian Hakkapeliitta 8, took first place in practically every test that it participated in. The success that Nokian Tyres achieved in Central European winter tyre tests is especially noteworthy. Our new summer tyre range scored several test wins in motoring magazines both in our core markets and Central Europe in the spring of 2014. All in all, Nokian Tyres' products gained more than 50 test wins in 2014. In our consumer ratings, our products received an average score of 4.6 (out of 5.0), and 93% of consumers who wrote reviews recommended Nokian-branded tyres.

In September 2014, Nokian Tyres introduced five new SUV summer tyres and renewed its van tyre range. With our special products tailored for SUVs, we are targeting the fast-growing segment in our main markets in the Nordic countries, Central Europe, and Russia.



Safety pioneer

Unique product development and testing competence create patented solutions for the demanding Nordic conditions thereby improving safety, driving comfort, and performance.

Sustainable safety

In the company that invented the winter tyre, product development is guided by the principle of sustainable safety: the safety characteristics of a tyre must remain nearly unchanged throughout its service life. Sustainable safety also includes developing eco-friendly products and production technologies.

The quality, durability, and eco-friendliness of our products are based on careful structural development and testing. Our state-of-the-art testing machines allow for an even more effective comparison of the characteristics of rubber compounds, tread patterns, and tyre structures.

Adding canola oil to rubber compounds improves the tear strength of winter tyres and provides more grip on snow and ice. In summer tyres, we use pine tree oil to improve wear resistance. Using natural materials and developing eco-friendly products that reduce fuel consumption, noise, and harmful emissions are important aspects of our R&D operations also in the future. Combining safety with driving comfort while also cutting fuel costs is a challenging task.

In 2014, "Nordic" winter tyres with excellent grip on ice made up more than half (56%) of our winter tyre range. The proportion of tyres that reduce fuel consumption through ultra-low rolling resistance was 76%. A total of 89% of our summer tyre products were in the very high wet grip category. Our top tyres in terms of low rolling resistance and high wet grip correspond to categories A, B, and C in the EU tyre label system.

Tailored with high precision

Nokian Tyres is known for the high quality, safety, and eco-friendliness of its products, which are carefully tailored to different markets and diverse, demanding conditions. Product development carefully follows the movements and changes of consumer needs and tries to anticipate the users' wishes. We spend more than half of our R&D resources on testing our products.

We also renew our comprehensive product range quickly: new products make up at least 25% of our annual revenue. New products help the company to strengthen its position and maintain the desired pricing and profit margins in a highly competitive market.

We work closely with the leading car manufacturers. More than 20 quality brands have selected Nokian Tyres' products in their winter tyre program. Testing collaboration with contractors plays a key role in the development of Nokian special tyres.

We spend more than

50%

of our R&D resources on testing our products

Testing under extreme conditions

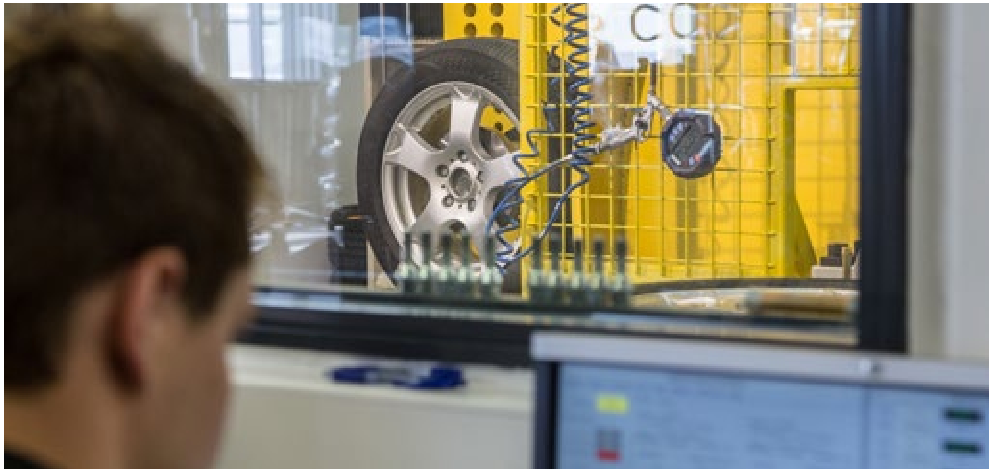
We test our products under authentic conditions around the world. In our own test laboratory in Ivalo, Finnish Lapland we develop test winner tyres that consumers around the world can rely on. Creating a test-winning tyre requires immense expertise and millions of test kilometers.

We annually expand our Ivalo Testing Center "White Hell", which simulates the extreme winter driving conditions from November to May, day and night. Our versatile testing center in Nokia provides flexible and unique conditions for utilizing high-speed photography and testing the slush-planing properties of tyres, for example.

To achieve comprehensive results, we also test our tyres on several international tracks. In addition to our own tests, taxi businesses from the Nordic countries also take part in durability testing and the development of new tyre models. The development of an entirely new passenger car tyre takes 2 to 4 years.

Read more: bit.ly/1EV9SRy

We test more than
20,000
winter tyres
in Ivalo throughout the winter season.



Continuous renewal

Continual investments in new products, versatile testing, and advanced instruments enable the company to develop test-winning products with unique innovations year after year. One of our newest inventions is the Nokian Aramid Sidewall technology, which provides SUV tyres with added protection against impacts and cuts.

Intensive laboratory and field testing, a thorough understanding of the seasons together with the elements and characteristics of our products all work to serve the ultimate goal of product development – road safety in demanding and varying conditions.

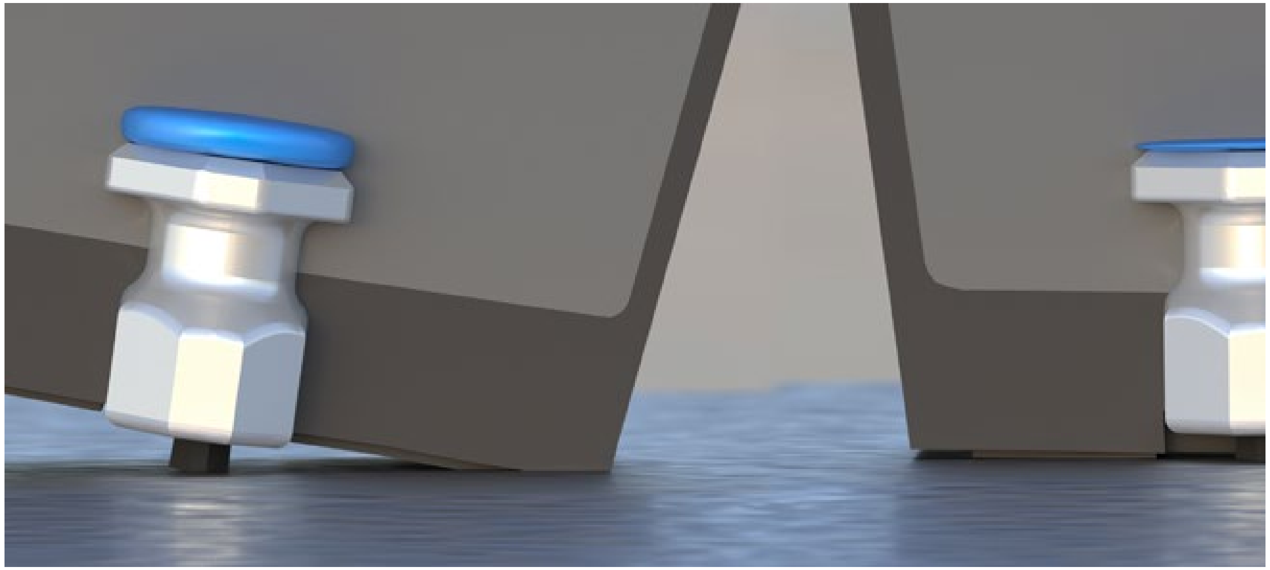
Read more: bit.ly/1KIqLxq

Tailored safety for varying conditions

Different markets require their own tailored products and precision innovations.

As a winter tyre pioneer, we expanded our comprehensive winter product range with new special products. The new studded Nokian Hakkapeliitta 8 SUV represents the new Hakkapeliitta winter tyre generation that tackles the extremes of Nordic winter with completely new innovations. The state-of-the-art stud technology provides never before seen grip on ice and snow. Our new van tyres, the studded Nokian Hakkapeliitta C3 and non-studded Nokian CR3 provide winter grip and driving comfort for demanding professional use.

Another interesting addition is the robust Nokian Hakkapeliitta LT2 AT35 special tyre. The experts of extreme conditions, Nokian Tyres and Arctic Trucks teamed up enabling special 4x4 vehicle owners to handle the most demanding winter conditions in the world. The new Nokian Hakkapeliitta LT2 AT35 is the largest Hakkapeliitta winter tyre designed for heavy-duty 4x4 vehicles. In the future, you might encounter this giant Hakkapeliitta in the regions near the North or South Pole.



The new summer tyre range is built to last

In the spring of 2015, Nokian Tyres offers a wider summer tyre range than ever before. The company launched 8 new premium summer tyres for its core markets in the fall of 2014. We introduced three new products to the Nokian Hakka summer tyre family, which is tailored for rough roads and the varying Northern summer. Nokian Hakka Black SUV and Nokian Hakka Blue SUV are designed for varied use on sports utility vehicles.

With the precise handling and unique durability of the sporty Nokian Hakka Black SUV, drivers of powerful SUVs can enjoy the full performance of their vehicle with exceptional driving comfort.

The new Nokian Hakka Blue SUV is a comfortable charmer and a high performer that cuts fuel costs. It is the right choice for the driver who values safe and powerful performance but wants to enjoy the features of his or her SUV on dirt roads and urban environments alike. The sturdy Nokian Hakka C2 van tyre brings controlled stability and durability for heavier loads.

Nokian zLine SUV and Nokian Line SUV targeted especially for Central European markets are convincing performers with a comfortable driving feel. The new Nokian cLine van tyre provides durability and safety for demanding professional use.

- View the video of Nokian Hakka Black SUV: http://youtu.be/u00rU28qq98
- View the video of Nokian Hakka Blue SUV: http://youtu.be/JS8tJoBGlvo
- View the video of Nokian zLine SUV: http://youtu.be/sYHyUmczeS4
- View the video of Nokian Line SUV : http://youtu.be/kOD9prmIPEQ

Special products for demanding heavy use

The versatile Nokian Rotiiva AT Plus is especially designed for heavy-duty use on light trucks and pick-ups. For light trucks, large SUVs, and pick-ups, we developed the Nokian Rotiiva HT, which performs reliably on asphalt as well as gravel.

The world's first winter tyre for tractor contracting, Nokian Hakkapeliitta TRI is a unique winter specialist. This special product by Nokian Heavy Tyres provides superior traction and winter grip for snow clearing and heavy-duty contracting.

Nokian Hakka Truck 844 is designed for all-season long and medium distance transport, and it provides excellent grip even under winter conditions. It is the first trailer tyre of this size (385/55R22.5) on the market that has both the M+S label and the snowflake symbol, which indicates official winter tyre approval.

The new Nokian NTR 52 front tyre is a reliable performer even as the kilometers add up. The new structure and tread compound give the new tyre excellent durability and high grip under main road conditions. The tyre is designed for trucks and buses for medium and long distance use, and it meets the EURO 6 load carrying capacity requirements. Nokian NTR 52 also has the M+S label, and it is well suited for all-season use.

Nokian truck tyres

View the video: http://youtu.be/iX54JZNF3Rc

Hakkapeliitta Test Experience

View the video: http://youtu.be/SSGI1MIr5F4

Nokian Hakkapeliitta TRI – Innovations to beat winter

View the video: http://youtu.be/vr3nFdmUJSM

Green winter tyre technology for electric cars

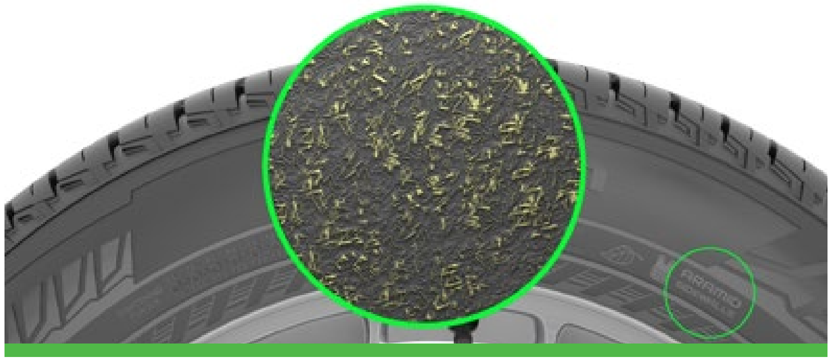
The most energy efficient winter tyre model in the automotive industry

Nokian Tyres developed the world's first winter tyre with an A class rolling resistance rating. The new Nokian Hakkapeliitta R2 is a non-studded winter tyre designed for BMW's unique i3 electric car. The genuine Hakkapeliitta winter tyre is tailored for the Nordic winter, and it combines ultra-low rolling resistance with excellent grip and driving comfort. With the Nokian Hakkapeliitta R2, electric car drivers can enjoy up to 30% lower rolling resistance compared to other winter tyres on the market. The new model is the world's first winter tyre to achieve an A class rolling resistance rating in the EU tyre label system. Low rolling resistance saves energy, thereby extending the range of the car.

Read more: http://bit.ly/12Q0kog

Top innovations

Peace of mind, precision, and safety



Improved durability

ARAMID SIDEWALLS

Nokian Aramid Sidewall technology

The test-winning Nokian Hakkapeliitta 8 SUV winter tyre features the unique Nokian Aramid Sidewall techno-logy, which is now also used in the sidewall compound of new SUV tyres. The sidewall compound contains the extremely strong aramid staple fiber and provides exceptional protection against wear and cuts. The same material is utilized by the aerospace and defense industries. The aramid fiber stiffens and reinforces the sidewall to withstand external impacts and pressing against the wheel flange.

Nokian Hakkapeliitta 8 SUV | **Nokian Hakka Black SUV** | **Nokian Hakka Blue SUV**
Nokian zLine SUV | **Nokian Line SUV**

Learn more about the Nokian Aramid Sidewall concept: http://youtu.be/N5LvBke-UqY

View the video: http://youtu.be/AtA3xCcYc4A

Better winter grip and driving comfort

Nokian Eco Stud 8 concept

A new-generation, multi-faceted anchor stud, flange design that reduces stud impact, and the patented Eco Stud cushion that improves the operation of the stud and softens the road contact.

- 190 studs (size 205/55 R16) with computer-optimized stud distribution.
- A single stud weighs under 1 g.
- On average, 12% lower road wear effect than required by the Nordic stud legislation.

Nokian Hakkapeliitta 8 | **Nokian Hakkapeliitta 8 SUV**

Nokian Eco Stud 8 concept: http://bit.ly/1uzDpg2

First-class winter grip, more precise handling

Nokian Cryo Crystal concept
Grip on ice is improved with diamond-tough crystal-like grip particles in the rubber compound that grab onto the driving surface.

Nokian Hakkapeliitta 8 SUV
Nokian Hakkapeliitta R2
Nokian Hakkapeliitta R2 SUV
Nokian Hakkapeliitta CR3

Improved range, excellent winter grip

Nokian Intelligent eSilica rubber compound
The rubber compound we use in electric car tyres performs well over an extended temperature range, maximizing low rolling resistance and winter grip. Together with the silica particles, the molecular chains of the tread compound form a strong, yet flexible combination. The sipes, or grooves, on the symmetrical tread model work actively regardless of variations in grip level and temperature.

Nokian Hakkapeliitta R2 – BMW i3 ja BMW i8

Safety on wet roads

Blade groove
Aggressive blade grooves cut through the ribs in the center area, effectively storing water and guiding it towards the longitudinal grooves.

Nokian Hakka Black SUV
Nokian zLine SUV

Effective anti-aquaplaning

Trumpet grooves
The shoulder areas have trumpet grooves, bullet-type indentations that store water from between the tyre and the road, accelerating its flow from the main grooves towards the transverse grooves and maximizing grip even on wet roads.

Nokian Hakka Blue SUV
Nokian Line SUV

A tyre technology pioneer

1898
Suomen Gummitehdas Osakeyhtiö is established.

1932
Passenger car tyre production starts in Nokia.

1934
"Kelirengas", the first winter tyre in the world.

1936
The legendary Hakkapeliitta winter tyre is born.

2014
The Hakkapeliitta winter tyre range expands. The studded Nokian Hakkapeliitta 8 SUV and the van tyres Nokian Hakkapeliitta C3 and Nokian Hakkapeliitta CR3.

2014
The world's first winter tyre with retractable studs. Nokian Hakkapeliitta concept tyre.

2014
New Nokian Hakkapeliitta R2 – the world's first winter tyre with an A class rolling resistance rating designed for electric cars.

First since 1934

Already in 1934, Nokian Tyres developed and manufactured the world's first winter tyre to match the winter frost. Two years later, the Northern winter witnessed the birth of Nokian Hakkapeliitta, the legendary snow road champion designed for passenger cars.

The Kelirengas was designed for trucks; together with buses, they formed most of the road traffic in the 1930s. The strong tread made the Kelirengas a winter tyre, as its transverse grooves gripped the snow like a cog wheel. The tread pattern was loose and it could clean itself well while driving, which in turn improved the grip. The entire concept of the tyre was based on a good grip surface. As the advertisement stated, "braking is more effective, and sliding sideways in corners and turns is entirely eliminated".

Kelirengas. World's first winter tyre in 1934.

Nokian Hakkapeliitta 8.
Multiple test winner in 2014.

80 years since the invention of the winter tyre: Nokian Kelirengas mastered safe turns in snowy weather

http://bit.ly/18fIVem

This is how the winter tyre has changed – comparing the world's first winter tyre to the state-of-the-art non-studded winter tyre

http://bit.ly/17MuahV

Keeping busy

Aiming for the high utilization of production capacity and improved productivity

Nokian Tyres' production facilities are located in Finland and Russia. Product development and the manufacture of prototypes and test batches take place in Nokia, in connection with the company's head office. The Nokia factory manufactures passenger car tyres, heavy tyres, and retreading materials for truck tyres.

The state-of-the-art factory in Vsevolozhsk, near St. Petersburg, manufactured approximately 80% of company's passenger car tyres. From Vsevolozhsk, tyres are supplied to more than 40 countries making Nokian Tyres the largest exporter of consumer goods in Russia. The company's investments in the Russian production facilities exceed 800 million.

The annualized capacity of the Finnish and Russian factories amounts to over 20 million tyres, with shift arrangements. The company is capable of responding to market growth by quickly increasing production without making large investments. In 2014 the capacity was not fully utilized, but production output (pcs) increased by 4.3% and productivity (kg/mh) improved by 5.1% year-over-year.

In Russia, the production costs of tyres are clearly lower than in Finland or other Western countries. The operation in Russia has been supported by tax agreements based on the amount of investments and the location of the factory behind tariff walls.

In addition to its own production facilities, the company uses contract manufacturing in factories whose level of quality meets Nokian Tyres' high standards. In 2014, contract manufacturing accounted for approximately 3% of the company's total tyre sales.

over 20 mill.

Production both in Nokia and Vsevolozhsk in 2014 was over 20 million tyres.

We focus on the customer

The main markets of Nokian Tyres are served by the group's own sales companies or a representative with its own sales organization. Our typical customers include regional tyre wholesalers, tyre retail chains, car dealership chains and, as the latest addition, online stores. As the sale of Nokian-branded tyres is important for our customers' business, they are willing and well prepared to support and build the Nokian brand.

Everyday interaction and joint development projects as well as surveys and interviews keep us in touch with our customers' needs. Most of their wishes are related to the different stages of our partnership processes, such as logistics or marketing and product support. Nokian Tyres' strength is in its flat organization and its ability to quickly respond to customer needs and changes in the market. We have personal, long-lasting relationships with many of our customers, reinforced by a sense of belonging to the same Hakkapeliitta family.

Developing the consumer relationship strengthens the brand

For the purposes of product development and improving quality, it is important for tyre manufacturers and developers to learn about actual user experiences and receive feedback from the end users. In recent years, the spread of social media has significantly improved the possibilities of directly contacting consumers. As online services become increasingly community oriented, consumers are clearly more committed to brands and more willing to share product recommendations.

Valuing retail experts

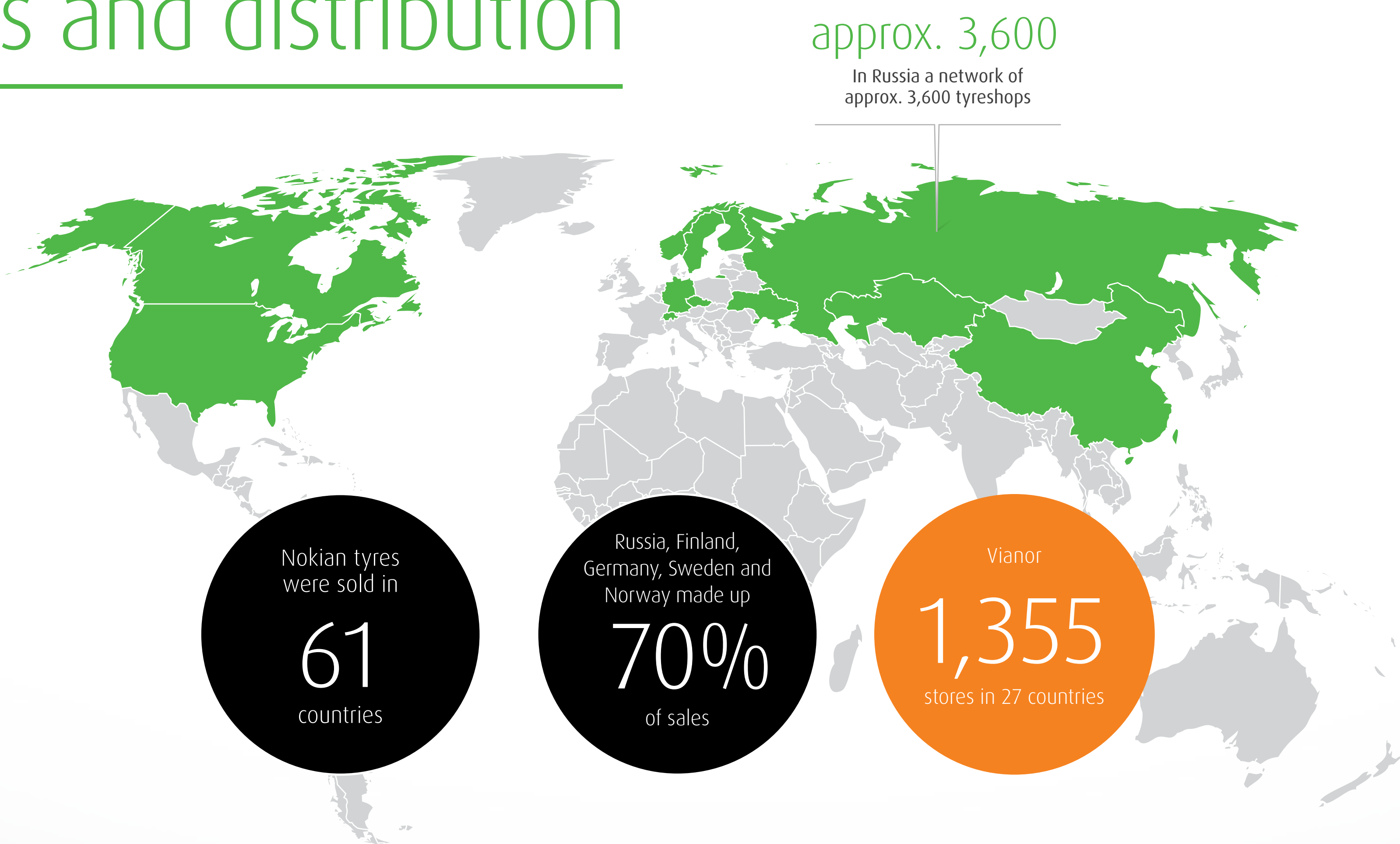
Consumers often find tyre purchase to be complicated and difficult. Studies of buyer behavior show that tyre salespersons have a crucial role in the buying decision process. It is, therefore, very important for both tyre manufacturers and consumers that the salespersons are professionals who know their products thoroughly and can help consumers choose the right product for their needs. In addition to training sessions and personal guidance, Nokian Tyres has developed an online learning system that enables tyre retailers around the world to improve their competence any time, anywhere. Furthermore, our technical customer service helps and advises distributors, consumers, professional users, and other interest groups in the selection and use of tyres as well as in problematic situations.

facebook.com/nokiantyres | youtube.com/NokianTyresCom | twitter.com/nokiantyrescom | linkedin.com/company/nokian-tyres-plc

We are part of your everyday life

We are part of your everyday life in all weathers and on all roads. Our job is to help people reach their destination safely. Through social media, our customers' satisfaction, user experiences, and the feelings associated with driving are communicated around the world. Safe driving lets you feel the joy of skiing trips in the winter, the relief of avoiding dangers in traffic, and the comfort of your morning commute even in difficult weather conditions. Time after time, successful journeys on our tyres earn us the trust of our customers. That trust is put to the test when it is time to replace your worn tyres with a new set. That is when you want to take a look at Instagram, Twitter, Facebook, or YouTube to see how the other moms and dads feel about driving on Nokian tyres.

Sales and distribution



Target markets

In 2014, Nokian tyres were sold in 61 countries. Russia, Finland, Germany, Sweden, and Norway made up 70% of our product sales.

Vianor

A total of 1,355 outlets in 27 countries (189 own outlets and 1,166 franchising and partner outlets). 329 outlets in the Nordic and Baltic countries, 633 in Russia and the CIS countries, 294 in Central and Eastern Europe, and 69 in the United States.

Nokian Tyres Authorized Dealers

In the review period, our Nokian Tyres Authorized Dealer (NAD) partner network grew by 437 contracts and now totals 869 locations in 14 Central European countries and China.

Russia

The Hakka Guarantee retailers and other retail partners who work closely with Nokian Tyres in Russia form a network of some 3,600 locations, including tyre retailers, Vianor outlets, car dealerships, and online stores. Furthermore, our new N-Tyre partner network comprises 53 outlets in Russia and Kazakhstan.

Vianor

The most comfortable way to buy Nokian Hakkapeliittas?

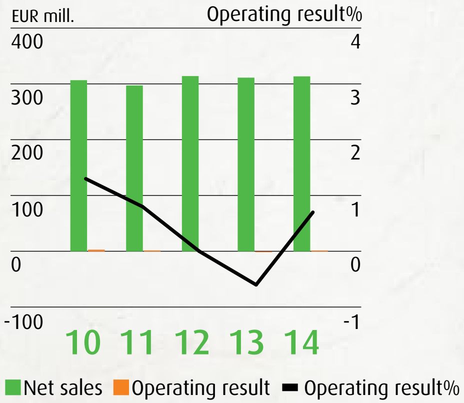
Vianor offers tyres for all common vehicles: passenger cars, vans, trucks, and heavy machinery. In addition to Nokian-branded tyres, the chain sells other leading tyre brands and a variety of motoring products, such as rims, batteries, and shock absorbers.

Apart from retail sales, Vianor conducts wholesale and fleet customer sales. The heavy seasonal fluctuations in tyre retail sales poses challenges for the year-round profitability of traditional tyre outlets. Therefore, Vianor's services include tyre changes and mounting as well as oil changes, car servicing, and tyre storage, depending on the location. The goal is to make servicing a more significant part of Vianor's growth and profitability.

The Vianor tyre chain operates in markets that are strategically important to Nokian Tyres, where it builds a foundation for permanent market shares for the group's products. In 2014, Vianor offered the best network for the wholesale and retail of Nokian Tyres' products in the group's core markets. Vianor also improved its winter tyre market share and continued to grow its service sales. Developing the outlets' operating model from tyre sales toward full car servicing was continued with investments and local acquisitions of car service shops. By the end of 2014, the chain had purchased a total of 56 businesses and integrated their car servicing operations into existing Vianor outlets.

VIANOR

Net sales, Operating result and Operating result%



	2010	2011	2012	2013	2014
Net sales	307.9	298.4	315.3	312.5	314.8
Operating result	4.0	2.3	0.0	-1.8	2.1
Operating result%	1.3	0.8	0.0	-0.6	0.7

Nokian Heavy Tyres

The leader in forestry tyres

Nokian Heavy Tyres focuses on high-quality special tyres. The key product groups are forestry tyres, harbor and mining tyres, special agricultural tyres, a variety of industrial tyres as well as truck tyres and retreading materials for demanding conditions. The unique qualities of the products grow out of the knowledge of extreme operating conditions and respect for nature. The core products are manufactured in Nokia, Finland. In addition to the Nordic countries, the main markets include Central and Southern Europe, the USA and Canada, and Russia and the CIS countries.

Since the 1960s, Nokian Heavy Tyres has designed special tyres for forestry machines that use the Nordic CTL (Cut-to-length) method. Today, it is the global market leader in this field with over 50% market share. On average, sales to OEMs have accounted for approximately 40% of the unit's revenue. The customers of Nokian Heavy Tyres value the functionality and overall cost efficiency of tyres. For them, low operating costs per hour are more important than a low purchase price of tyres.

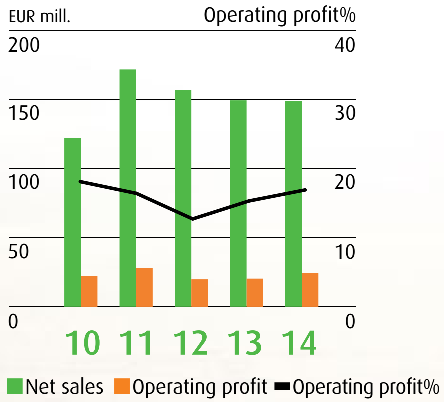
The high-quality truck tyres are developed in Finland and manufactured as outsourced contract manufacturing in factories whose level of quality meets Nokian Tyres' high standards. Retreading materials, which are mainly used in truck tyres and machinery tyres, are manufactured at our factory in Nokia. A restructuring of the Heavy Tyres operation to include also the Truck Tyre business unit was done in the end of 2013 and the new organization became effective from the beginning of 2014, creating synergies in all operations.

In 2014, the revenue of Nokian Heavy Tyres was nearly EUR 150 million and operating profit was about EUR 25 million. In some product groups, demand exceeded Nokian Heavy Tyres' supply capacity. Total sales volume remained at the previous year's level, but the sales of forestry tyres grew by 15%. The changes in the currency exchange rates decreased our sales in euros. Due to the challenging pricing environment, the average price fell when compared to the previous year. Lower raw material costs and improved productivity supported our margins, and lower fixed costs improved profitability.

The production output (tonnes) in 2014 was up by 19.8% year-over-year. The production utilization rate was increased to over 90% during 2014. The factory modernization and automation have already opened bottlenecks, as well as improved product quality, flexibility, and productivity.

NOKIAN HEAVY TYRES

Net sales, Operating profit and Operating profit%



	2010	2011	2012	2013	2014
Net sales	122.2	172.1	157.3	149.7	149.1
Operating profit	22.0	28.2	19.9	20.4	24.6
Operating profit%	18.1	16.4	12.7	13.6	16.5

Management

Read QR Code with your smart phone or look at details of Management at http://bit.ly/1AZddb1

BACK ROW

Esa Eronen
Born 1957
Vice President, Production Service.
Technology Engineer.
With the company since 1988.

Antti-Jussi Tähtinen
Born 1965
Vice President, Marketing & Communications.
Master of Arts.
With the company since 2005.

MIDDLE ROW

Heikki Mattsson
Born 1960
Vice President, ICT.
With the company since 2010.

Ville Nurmi
Born 1971
Vice President, Human Resources
Doctor of Education.
With the company since 2014.

Andrei Pantioukhov
Born 1972
Russian operations,
General Manager, Vice President.
MBA.
With the company since 2004.

Alexej von Bagh
Born 1968
Vice President, CEO of Vianor.
Master of Science (Eng.).
With the company since 1995.

Pontus Stenberg
Born 1966
Vice President, Nokian Heavy Tyres.
Master of Economic Sciences.
With the company since 2010.

Teppo Huovila
Born 1963
Vice President, Quality.
Master of Science, MBA.
With the company since 1989.

FRONT ROW

Rami Helminen
Born 1966
Vice President, Passenger Car Tyres.
Master of Economic Sciences.
With the company since 1990.

Anne Leskelä
Born 1962
Vice President, Finance and Control & IR.
Master of Economic Sciences.
With the company since 1997.

Hannu Teininen
Born 1960
Vice President, Sales and Logistics.
Engineer, MBA.
With the company since 1984.

Ari Lehtoranta
Born 1963
President and CEO from 1 October, 2014
M.Sc. Telecommunications.
With the company since September, 2014

Manu Salmi
Born 1975
Vice President, Procurement.
Master of Military Sciences, M.Sc. Economics.
With the company since 2001.

Board of Directors

Year of birth: 1961.
Licentiate of Science (Technology).
President and CEO, Alko Inc.
Member of the Board since 2006.
Member of the Nomination and Remuneration Committee.
Independent of the company.
Shares: 6,568 pcs.

Hille Korhonen

Year of birth: 1963.
Doctor of Science (Economics), Master of Science (Economics).
CEO, Varma Mutual Pension Insurance Company. Member of the Board since 2012. Member of the Audit Committee.
Independent of the company.
Shares: 1,899 pcs.

Risto Murto

Year of birth: 1948.
Master of Science (Engineering).
Member of the Board since 2005 and Chairman. Chairman of the Nomination and Remuneration Committee.
Independent of the company.
Shares: 15,737 pcs.

Petteri Walldén

Year of birth: 1953.
Master of Science (Economics).
Member of the Board since 2014.
Chairman of the Audit committee.
Independent of the company.
Shares: 697 pcs.

Raimo Lind

Year of birth: 1953.
Master of Laws.
Member of the Board since 1999.
Member of the Nomination and Remuneration Committee.
Independent of the company.
Shares: 8,196 pcs.

Hannu Penttilä

Year of birth: 1954.
Bachelor of Science in Economics.
Member of the Board since 2002.
Shares: 0 pcs.
Bonds with warrants: 2010B 90,000; 2010C 90 000; 2013A 60 000; 2013B 40.

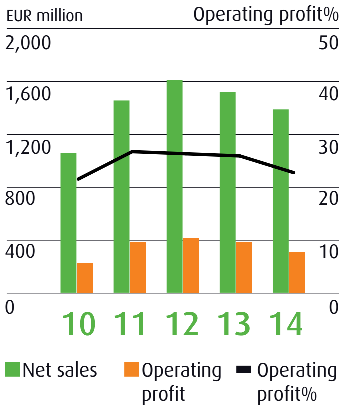
Kim Gran

Year of birth: 1976.
Master of Economics.
Co-Founder and Chairwoman, KoppiCatch Ltd.
Member of the Board since 2014.
Member of the Audit Committee.
Independent of the company.
Shares: 697 pcs.

Inka Mero

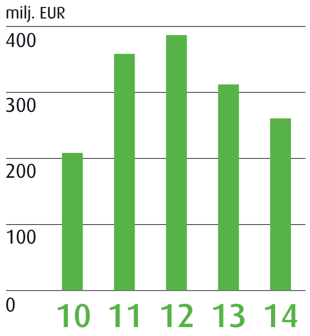
Read QR Code with your smart phone or look at all details of Board of Directors at http://bit.ly/1LGW24k

Net sales, Operating profit and Operating profit%



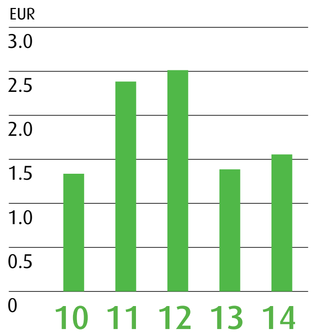
	2010	2011	2012	2013	2014
Net sales	1,058.1	1,456.8	1,612.4	1,521.0	1,389.1
Operating profit	222.2	380.1	415.0	385.5	308.7
Operating profit%	21.0	26.1	25.7	25.3	22.2

Profit before tax



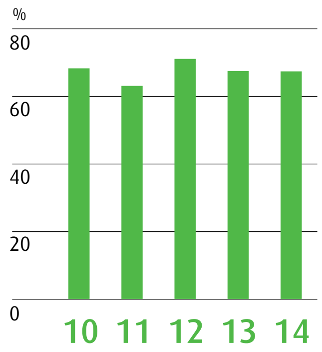
	2010	2011	2012	2013	2014
EUR million	208.8	359.2	387.7	312.8	261.2

Earnings per share



	2010	2011	2012	2013	2014
EUR	1.34	2.39	2.52	1.39	1.56

Equity ratio



	2010	2011	2012	2013	2014
%	68.4	63.2	71.2	67.6	67.5

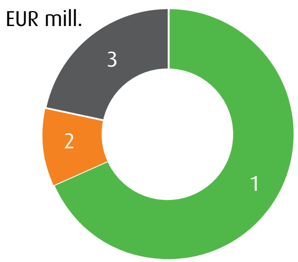
Net sales by market area

Share of group's sales %

	2013	2014
1. Finland	14%	15%
2. Sweden	11%	13%
3. Norway	11%	12%
4. Russia and CIS	34%	26%
5. Other Europe	22%	24%
6. North America	7%	9%

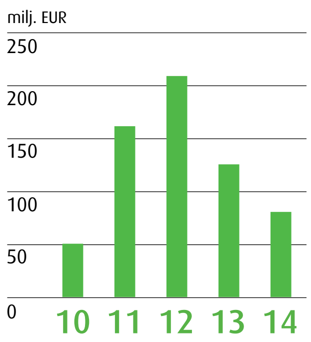
Net sales by business unit

Share of group's sales, %



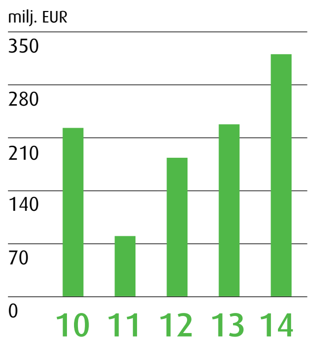
	2013	2014
1. Passenger Car Tyres	71%	68%
2. Heavy Tyres	9%	10%
3. Vianor	20%	22%

Gross investment



	2010	2011	2012	2013	2014
EUR million	50.5	161.7	209.2	125.6	80.6

Cash flow from operations



	2010	2011	2012	2013	2014
EUR million	318.8	114.1	262.3	325.6	458.3

Gearing

	2010	2011	2012	2013	2014
%	0,1	-0,3	-4,5	-4,1	-13,6

EUR million | 1.1.–31.12.	Notes	2014	2013
Net sales	(1)	**1,389.1**	1,521.0
Cost of sales	(3)(6)(7)	**-769.6**	-819.9
Gross profit		**619.5**	701.0
Other operating income	(4)	**3.4**	3.9
Selling and marketing expenses	(6)(7)	**-246.5**	-249.1
Administration expenses	(6)(7)	**-34.5**	-36.6
Other operating expenses	(5)(6)(7)	**-33.2**	-33.8
Operating profit		**308.7**	385.5
Financial income	(8)	**268.4**	104.3
Financial expenses [1]	(9)	**-315.9**	-177.0
Profit before tax		**261,2**	312.8
Tax expense [2] [3]	(10)	**-52.8**	-129.1
Profit for the period		**208.4**	183.7
Attributable to:			
Equity holders of the parent		**208.4**	183.7
Non-controlling interest		**0.0**	0.1
Earnings per share (EPS) for the profit attributable to the equity holders of the parent:	(11)		
Basic, euros		**1.56**	1.39
Diluted, euros		**1.56**	1.39

EUR million | 1.1.–31.12.	Notes	2014	2013
CONSOLIDATED OTHER COMPREHENSIVE INCOME			
Result for the period		**208.4**	183.7
Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax			
Gains/Losses from hedge of net investment in foreign operations	(10)	**0.0**	-1.9
Cash flow hedges	(10)	**1.9**	0.8
Translation differences on foreign operations [4]		**-202.1**	-65.6
Total other comprehensive income for the period,net of tax		**-204.0**	-66.7
Total comprehensive income for the period		**4.4**	117.0
Total comprehensive income attributable to:			
Equity holders of the parent		**4.4**	117.1
Non-controlling interest		**0.0**	0.1

1) Financial expenses in 2014 contain EUR 1.6 million expensed punitive interest for tax reassessment decisions on years 2008-2012 and in 2013 EUR 20.2 million on years 2007–2010.

2) Tax expense in 2014 contains EUR 9.4 million expensed additional taxes with punitive tax increases for tax reassessment decisions on years 2008–2012 and in 2013 EUR 80.1 million on years 2007–2010.

3) Otherwise tax expense in the consolidated income statement is based on the taxable result for the period.

4) Since the beginning of this year the Group has internal loans that are recognised as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates".
The impact on year 2014 is EUR -10.0 million.

EUR million | 31.12.	Notes	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	(12)(13)	**502.8**	683.8
Goodwill	(2)(14)	**73.3**	69.9
Other intangible assets	(14)	**19.8**	24.7
Investments in associates	(16)	**0.1**	0.1
Available-for-sale financial assets	(16)	**0.3**	0.3
Other receivables	(15)(17)	**10.0**	11.3
Deferred tax assets	(18)	**9.1**	8.8
		615.4	798.8
Current assets			
Inventories	(19)	**288.3**	322.1
Trade and other receivables	(20)(29)	**444.6**	503.5
Current tax assets		**8.9**	13.8
Cash and cash equivalents	(21)	**439.9**	424.6
		1,181.6	1,264.1
Total assets	(1)	**1,797.0**	2,062.9

EUR million | 31.12.	Notes	2014	2013
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	(22)(23)		
Share capital		**25.4**	25.4
Share premium		**181.4**	181.4
Treasury shares		**-8.6**	-
Translation reserve		**-202.0**	-128.5
Fair value and hedging reserves		**-2.6**	-0.7
Paid-up unrestricted equity reserve		**100.3**	97.1
Retained earnings		**1,114.5**	1,217.9
		1,208.5	1,392.5
Non-controlling interest		**-**	0.2
Total equity		**1,208.5**	1,392.8
Liabilities			
Non-current liabilities	(24)		
Deferred tax liabilities	(18)	**26.7**	36.1
Provisions	(25)	**0.1**	0.1
Interest-bearing financial liabilities	(26)(27)(29)	**274.7**	185.8
Other liabilities		**5.1**	3.5
		306.5	225.4
Current liabilities			
Trade and other payables	(28)	**259.9**	255.2
Current tax liabilities		**18.7**	4.0
Provisions	(25)	**2.8**	3.1
Interest-bearing financial liabilities	(26)(27)(29)	**0.6**	182.4
		282.0	444.7
Total liabilities	(1)	**588.5**	670.1
Total equity and liabilities		**1,797.0**	2,062.9

EUR million | 1.1.-31.12.	Notes	2014	2013
Cash flows from operating activities:			
Cash receipts from sales		**1,348.9**	1,469.9
Cash paid for operating activities		**-870.9**	-1,045.5
Cash generated from operations		**477.9**	424.3
Interest paid		**-69.8**	-56.3
Interest received		**3.3**	3.4
Dividends received		**0.0**	0.0
Income taxes paid		**-88.2**	-53.9
Net cash from operating activities (A)		**323.4**	317.6
Cash flow from investing activities:			
Acquisitions of property, plant and equipment and intangible assets		**-81.7**	-151.8
Proceeds from sale of property, plant and equipment and intangible assets		**3.2**	11.2
Acquisitions of Group companies, net of cash acquired	(2)	**-5.8**	-2.7
Change in Non-controlling interest		**-0.3**	0.0
Net cash used in investing activities (B)		**-84.7**	-143.4
Cash flow from financing activities:			
Proceeds from issue of share capital	(22)	**2.6**	17.8
Purchase of treasury shares		**-8.6**	-
Change in current financial receivables		**-8.0**	-1.2
Change in non-current financial receivables		**-3.4**	3.8
Change in financial current borrowings		**62.2**	-39.5
Change in financial non-current borrowings		**-79.6**	32.8
Dividens received		**0.4**	-
Dividends paid		**-193.4**	-191.9
Net cash from financing activities (C)		**-227.7**	-178.1
Net increase in cash and cash equivalents (A+B+C)		**11.0**	-4.0
Cash and cash equivalents at the beginning of the period		**424.6**	430.3
Effect of exchange rate fluctuations on cash held		**4.3**	-1.8
Cash and cash equivalents at the end of the period	(21)	**439.9**	424.6
		11.0	-4.0

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 in 2014 contain these set-offs by the Tax Administration in total of EUR 34.2 million.

Annual General Meeting 2015

The Annual General Meeting of Nokian Tyres plc will be held at Tampere-talo, in Tampere, Finland; address Yliopistonkatu 55 on Wednesday 8 April 2015, starting at 4 p.m. Registration of attendants and the distribution of ballots will begin at 3 p.m.

Shareholders registered by no later than 25 March 2015 in the company's shareholder register, which is maintained by Euroclear Oy are entitled to attend the Annual General Meeting.

The Annual Report, including the company's annual accounts, the Report of the Board of Directors and the Auditors Report is available on the company's website no later than week 12, 2015.

Read more:
www.nokiantyres.com/annualgeneralmeeting2015

Dividend payment

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.45 per share be paid for the financial year 2014. The record date for the dividend payment will be 10 April 2015 and the dividend payment date 23 April 2015, provided that the Board's proposal is approved.

Share register

Shareholders are requested to notify any changes in their contact information to the bookentry register in which they have a bookentry securities account.

Financial reports

Nokian Tyres will publish financial information in Finnish and in English as follows:

- Interim Report for three months on 8 May 2015
- Interim Report for six months on 7 August 2015
- Interim Report for nine months on 30 October 2015
- Financial Statements Bulletin 2014 on 5 February 2016
- Annual Report 2015 on March 2016

Nokian Tyres publishes its Interim Reports, Financial Statements Bulletin and Annual Report at **www.nokiantyres.com/company/investors/**

Principles of investor relations

The goal of Nokian Tyres' investor relations is to regularly and consistently provide the stock market with essential, correct, sufficient and up-to-date information used to determine the share value. The operations are based on equality, openness, accuracy and good service.

The Management of Nokian Tyres is strongly committed to serving the capital markets. The company's President & CEO and CFO are the main parties dealing with and answering questions from analysts and investors.

Nokian Tyres adopts a three-week period of silence before the publication of financial information and a six week period of silence before the publication of the Financial Statements Bulletin.

Analyst and investor meetings are mainly held both in Finland and abroad in conjunction with the publication of the company's financial results. At other times analysts and investors are mainly answered by phone or email.

Questions from analysts and investors:
Ari Lehtoranta, President and CEO
tel. +358 10 401 7733
email: ir@nokiantyres.com

Anne Leskelä, CFO, Investor Relations
tel. +358 10 401 7481
email: ir@nokiantyres.com

Request for meetings and visits:
Raija Kivimäki, Assistant to President and CEO
tel. +358 10 401 7438
email: ir@nokiantyres.com
Fax: +358 10 401 7378

Investor information:
Antti-Jussi Tähtinen, Vice President, Marketing and Communications
tel. +358 10 401 7940
email: info@nokiantyres.com

Anne Aittoniemi, Communications & IPR Specialist
tel. +358 10 401 7641
email: info@nokiantyres.com
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Address:
Nokian Tyres plc
P.O. Box 20 (Visiting address: Pirkkalaistie 7)
FI-37101 Nokia

Nokian Tyres' share price development 1 January 2010 – 31 December 2014

Annual Report and Financial Review 2014

Nokian Tyres Annual Report and Financial Statements Bulletin/Financial Review 2014 are available only in electronic form on the company's web site. Electronic Annual Report, above mentioned reports as well as contact details including analysts can be read from **www.nokiantyres.com/company/investors/**

www.nokiantyres.com

nokian TYRES

Financial review | 2014

Financial review 2014

This report is a translation.
The original, which is in Finnish, is the authoritative version.

Consolidated key financial indicators

Figures in EUR million unless otherwise indicated	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net sales	1,389.1	1,521.0	1,612.4	1,456.8	1,058.1	798.5	1,080.9	1,025.0	835.9	686.5
growth, %	-8.7%	-5.7%	10.7%	37.7%	32.5%	-26.1%	5.5%	22.6%	21.8%	13.8%
Operating margin (EBITDA)	398.5	479.0	496.9	451.7	291.5	164.0	303.1	281.1	193.9	151.4
Depreciation and amortisation	89.8	93.5	81.9	71.6	69.4	61.9	56.2	47.1	40.8	35.6
Operating profit (EBIT)	308.7	385.5	415.0	380.1	222.2	102.0	247.0	234.0	153.1	115.8
% of net sales	22.2%	25.3%	25.7%	26.1%	21.0%	12.8%	22.8%	22.8%	18.3%	16.9%
Profit before tax	261.2	312.8	387.7	359.2	208.8	73.5	173.8	213.8	139.3	112.6
% of net sales	18.8%	20.6%	24.0%	24.7%	19.7%	9.2%	16.1%	20.9%	16.7%	16.4%
Return on equity, %	16.0%	13.0%	25.2%	29.1%	20.0%	7.6%	18.8%	26.6%	20.9%	22.2%
Return on capital employed, %	19.2%	21.8%	24.3%	27.4%	19.9%	9.4%	22.9%	27.8%	22.7%	21.4%
Total assets	1,797.0	2,062.9	2,019.6	1,875.9	1,371.6	1,221.9	1,420.4	1,155.4	884.7	797.4
Interest-bearing net debt	-164.6	-56.4	-65.2	-3.6	0.7	263.7	319.0	102.0	126.9	119.5
Equity ratio, %	67.5%	67.6%	71.2%	63.2%	68.4%	62.0%	54.8%	61.8%	63.0%	59.1%
Gearing, %	-13.6%	-4.1%	-4.5%	-0.3%	0.1%	34.8%	41.0%	14.3%	22.8%	25.4%
Net cash from operating activities	323.4	317.6	388.7	232.9	327.2	194.2	18.4	169.9	106.6	30.2
Capital expenditure	80.6	125.6	209.2	161.7	50.5	86.5	181.2	117.1	97.0	119.6
% of net sales	5.8%	8.3%	13.0%	11.1%	4.8%	10.8%	16.8%	11.4%	11.6%	17.4%
R&D expenditure	16.6	16.1	16.9	15.1	12.7	12.0	12.5	11.5	9.0	9.3
% of net sales	1.2%	1.1%	1.0%	1.0%	1.2%	1.5%	1.2%	1.1%	1.1%	1.4%
Dividends (proposal)	193.5	193.3	191.9	156.6	83.8	50.7	49.9	62.3	38.0	27.9
Personnel, average during the year	4,272	4,194	4,083	3,866	3,338	3,503	3,812	3,462	3,234	3,041

Per share data

Figures in EUR million unless otherwise indicated	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Earnings per share, EUR	1.56	1.39	2.52	2.39	1.34	0.47	1.12	1.37	0.88	0.70
growth, %	12.9%	-45.0%	5.4%	78.7%	186.9%	-58.4%	-18.3%	55.7%	27.0%	1.2%
Earnings per share (diluted), EUR	1.56	1.39	2.46	2.32	1.32	0.49	1.10	1.31	0.86	0.68
growth, %	12.9%	-43.5%	5.8%	75.8%	168.2%	-55.4%	-15.6%	52.6%	26.9%	1.6%
Cash flow per share, EUR	2.43	2.39	2.96	1.80	2.58	1.56	0.15	1.38	0.88	0.26
growth, %	1.4%	-19.2%	64.2%	-30.1%	66.0%	953.2%	-89.3%	57.7%	243.7%	-51.8%
Dividend per share, EUR (proposal)	1.45	1.45	1.45	1.20	0.65	0.40	0.40	0.50	0.31	0.23
Dividend pay out ratio, % (proposal)	92.9%	105.2%	58.0%	50.7%	49.4%	87.0%	35.7%	36.9%	35.4%	33.8%
Equity per share, EUR	9.07	10.45	10.89	9.15	7.34	6.07	6.20	5.76	4.56	3.89
P/E ratio	13.0	25.2	11.9	10.4	20.5	36.4	7.0	17.5	17.6	15.3
Dividend yield, % (proposal)	7.1%	4.2%	4.8%	4.8%	2.4%	2.4%	5.1%	2.1%	2.0%	2.2%
Market capitalisation 31 December	2,702.0	4,647.7	3,971.9	3,224.7	3,505.4	2,122.5	987.5	2,974.9	1,893.9	1,288.6
Adjusted number of shares during the year										
average, million units	133.16	132.65	131.24	129.12	126.75	124.85	124.61	122.95	121.63	118.57
diluted, million units	135.10	137.62	137.39	135.70	132.96	129.76	131.47	129.09	125.15	121.96
Number of shares 31 December, million units	133.17	133.29	131.96	129.61	127.70	124.85	124.85	123.70	122.03	121.00
Number of shares entitled to a dividend, million units	133.47	133.34	132.32	130.50	128.85	126.69	124.85	124.63	122.65	121.09

Consolidated key financial indicators

Definitions

Return on equity, % =	Profit for the period x 100 / Total equity (average)
Return on capital employed, % =	Profit before tax + interest and other financial expenses x 100 / Total assets - non-interest-bearing debt (average)
Equity ratio, % =	Total equity x 100 / Total assets - advances received
Gearing, % =	Interest-bearing net debt x 100 / Total equity
Earnings per share, euro =	Profit for the period attributable to the equity holders of the parent / Average adjusted number of shares[1] during the year
Earnings per share (diluted[2]), euro =	Profit for the period attributable to the equity holders of the parent / Average adjusted and diluted[2] number[1] of shares during the year
Cash flow per share, euro =	Cash flow from operations / Average adjusted number of shares[1] during the year
Dividend per share, euro =	Dividend for the year / Number of shares entitled to a dividend
Dividend pay-out ratio, % =	Dividend for the year x 100 / Net profit
Equity per share, euro =	Equity attributable to equity holders of the parent / Adjusted number of shares[1] on the balance sheet date
P/E ratio =	Share price, 31 December / Earnings per share
Dividend yield, % =	Dividend per share / Share price, 31 December

[1] without treasury shares
[2] the share options affect the dilution as the average share market price for the financial year exceeds the defined subscription price

Nokian Tyres Net sales decreased by 8.7% to EUR 1,389.1 million (EUR 1,521.0 million in 2013). Currency rate changes cut Net sales by EUR 99.9 million compared with the rates in 2013. Operating profit was down by 19.9% to EUR 308.7 million (385.5). Operating profit percentage was 22.2% (25.3%). Profit for the period increased by 13.4% amounting to EUR 208.4 million (183.7). Earnings per share were up by 12.9% to EUR 1.56 (EUR 1.39). Cash flow from operations was EUR 458.3 million (325.6). The Board of director proposes a dividend of EUR 1.45 (EUR 1.45) per share.

Ari Lehtoranta, President and CEO:

"The drastic oil price drop combined with further weakening of Russian and CIS currencies and economies had a negative impact on our sales and thus on our financial performance. Our teams, however, were able to strengthen our market position in all markets and continue to improve our operational efficiency. This together with higher than estimated material cost reductions helped us to deliver good financial results. I am especially happy for the record strong cash flow.

Currency rate changes cut our full year Net sales directly by EUR 99.9 million, which together with the product mix change and price pressure caused our Operating profit to drop by 3.1 percentage points. Thanks to the declining raw material cost, improved productivity and running a tight ship, our profitability remained on a good 22% EBIT level.

Our distribution network continues to grow; the current number of Vianor stores is 1,355 and the NAD network has already grown to 869 stores. Additionally, we have launched a new N-Tyre partner concept in Russia and 53 stores are already in operation. The competitiveness of our product portfolio is in great shape; we have been winning the majority of professional tests not only with our winter tyres but also increasingly with our summer tyres. Our Heavy Tyres and Vianor business units continued to improve their profitability.

Even if the market development visibility in Russia and CIS is very poor at the moment, we remain confident about our future. We start 2015 with a strong balance sheet, better than ever product range, constantly expanding distribution and a well performing organization."

Market situation

The geopolitical turmoil hurt the global economic growth in 2014. 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 showed growth in the beginning of 2014, but hit by the Ukraine conflict, the growth slowed down. 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 2014 by 8% year-over-year. The market volume of car tyres showed a decrease of 1% compared to 2013. No considerable change in tyre demand is visible going into 2015. The Nordic countries area is estimated to show slow but comparatively stable development with a full year 2015 GDP growth of 2%.

In Europe the sales of new cars increased in 2014 by 6% year-over-year. Premium car tyre sell-in to distributors increased by 2% compared to 2013. Tyre demand is estimated to show growth in Central Europe in 2015. The pricing pressure is, however, tight.

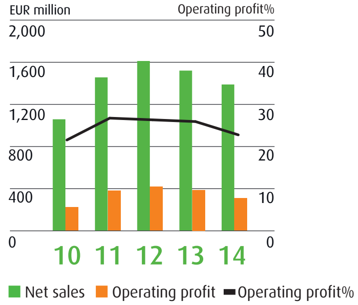
Russia's economy and consumer markets continued to deteriorate due to the falling oil price resulting in significant devaluation of the Russian Rouble (over 60% against EUR). The fundamental weakness of the economy was further reinforced by the impact of the Ukraine conflict and US / EU sanctions against Russia. The consumer spending has been held back by the devalued Rouble combined with high inflation and interest rates. Russia's full year 2015 GDP growth estimates vary currently between -3% and -8%.

The sales of new cars in 2014 in Russia decreased by 10.3% compared to 2013. The car sales improved in December due to consumers actively investing their rapidly devaluing savings at still 'old' prices, but the overall trend continues to be negative. New car sales are estimated to decline by 20–25% in 2015 vs. 2014, in the basic scenario. However, the car park is growing every year by some 1 million units.

In 2014 the sell-in volume for A and B segment tyres in Russia is estimated to have decreased by 3–5%. 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 Russia. In the year-turn the tyre manufacturers have announced gradual price increases of 10–20% for year 2015, but the final outcome depends on how the Rouble exchange rate develops during the year. The overall pricing environment in Russia remains tight.

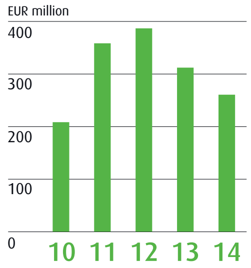
The demand for special heavy tyres varied strongly between product and market areas. OE forestry tyre demand was strong in 2014. The increasing use of wood and good profitability of pulp manufacturers will support forestry machine and tyre demand also in 2015.

Net sales, operating profit and operating profit%



	2010	2011	2012	2013	2014
Net sales	1,058.1	1,456.8	1,612.4	1,521.0	1,389.1
Operating profit	222.2	380.1	415.0	385.5	308.7
Operating profit%	21.0	26.1	25.7	25.3	22.2

Profit before tax



	2010	2011	2012	2013	2014
EUR million	208.8	359.2	387.7	312.8	261.2

Truck tyre demand improved in 2014; in Europe the sell-in of premium truck tyres was up by 4%, and in the Nordic countries the demand increased by 14% year-over-year. However, the premium truck tyre demand in Russia decreased by 6% compared to 2013. The truck tyre demand in 2015 is estimated to be on the same level than 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 prices continued through 2014. The raw material cost (€/kg) for Nokian Tyres was down 16.5% in 2014 year-over-year, savings of approximately EUR 64 million. The raw material cost is estimated to decrease by 5% in full year 2015, providing a tailwind of EUR 15 million versus 2014.

January-December 2014

Nokian Tyres Group recorded Net sales of EUR 1,389.1 million (2013: 1,521.0; 2012: 1,612.4), showing a decrease of 8.7% compared with 2013. Currency rate changes cut Net sales by EUR 99.9 million. In the Nordic countries sales increased by 1.2% representing 40.3% (35.8%) of the group's total sales. Sales in Russia decreased by 30.1%. Russia and CIS consolidated sales were down by 33.0% and formed 25.5% (34.2%) of the group's total sales. In Other Europe sales decreased by 2.0% year-over-year representing 24.4% (22.4%) of the group's total sales. In North America sales increased by 16.8% and were 9.1% (7.0%) of the group's total sales.

Sales of Passenger Car Tyres were down by 11.8% representing 68.4% (71.1%) of the group's total sales. Heavy Tyres' sales decreased by 0.4% and were 10.2% (9.4%) of the group's total sales. Vianor's sales increased by 0.7% forming 21.5% (19.5%) of the group's total sales.

Raw material cost (EUR/kg) in manufacturing decreased by 16.5% year-over-year. Fixed costs amounted to EUR 400.0 million (410.0), accounting for 28.8% (27.0%) of Net sales. Total salaries and wages were EUR 195.4 million (2013: 189.6; 2012: 197.1).

Nokian Tyres Group's Operating profit amounted to EUR 308.7 million (2013: 385.5; 2012: 415.0). The Operating profit was affected by the IFRS 2 -compliant option scheme write-off of EUR 9.6 million (13.2) and expensed credit losses and provisions of EUR 8.8 million (14.3). Operating profit percentage was 22.2% (2013: 25.3%; 2012: 25.7%).

Net financial expenses were EUR 47.5 million (72.7). Net interest expenses were EUR 16.7 million (38.5). Net financial expenses include EUR 30.8 million (34.2) of exchange rate differences.

Profit before tax was EUR 261.2 million (312.8). Profit for the period amounted to EUR 208.4 million (183.7), and EPS were EUR 1.56 (EUR 1.39).

Return on net assets (RONA, rolling 12 months) was 18.3% (20.2%). Return on equity was 16.0% (2013: 13.0%; 2012: 25.2%). Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow from operations) improved by EUR 132.6 million and was EUR 458.3 million (325.6).

The Group employed an average of 4,272 (2013: 4,194; 2012: 4,083) people, and 4,204 (2013: 4,170; 2012: 4,039) at the end of the year. The equity-owned Vianor tyre chain employed 1,508 (2013: 1,480; 2012: 1,362) people and Russian operations 1,326 (2013: 1,319; 2012: 1,252) people at the end of the year.

Research & Development

The goal of Nokian Tyres is for new products to account for at least 25% of annual Net sales. The development of a brand-new passenger car tyre takes 2 to 4 years. Approximately one-half of R&D investments are allocated to product testing. Nokian Tyres R&D costs in 2014 totalled approximately EUR 16.6 million (2013: 16.1; 2012: 16.9), which is 1.2% (2013: 1.1%: 2012: 1.0%) of the Group's net sales.

Investments

Investments in the review period amounted to EUR 80.6 million (125.6). This comprised of production investments in the Russian and Finnish factories, moulds for new products and the Vianor expansion projects.

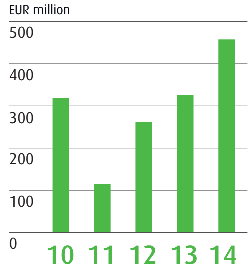
Financial position on 31 December 2014

Gearing ratio was -13.6% (-4.1%). Interest-bearing net debt amounted to EUR -164.6 million (-56.4). Equity ratio was 67.5% (2013: 67.6%; 2012: 71.2%).

The Group's interest-bearing liabilities totalled EUR 275.2 million (368.1) of which current interest-bearing liabilities amounted to EUR 0.6 million (182.3). The average interest rate of interest-bearing liabilities was 3.6% (4.7%). Convertible bond of EUR 150 million, issued 2007, matured on 27 June 2014. Cash and cash equivalents amounted to EUR 439.9 million (424.6).

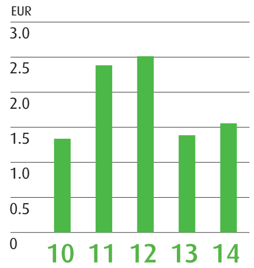
At the end of 2014 the company had unused credit limits amounting to EUR 606.5 million (656.6) of which EUR 255.7 million

Cash flow from operations



	2010	2011	2012	2013	2014
EUR million	318.8	114.1	262.3	325.6	458.3

Earnings per share



	2010	2011	2012	2013	2014
EUR	1.34	2.39	2.52	1.39	1.56

(305.8) were committed. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, and subsidiaries in distribution chains, and thus control the typical seasonality in the Group's cash flow due to changes in the working capital.

Group's Total comprehensive income was negatively affected by translation differences on foreign operations by EUR 202.1 million. Total comprehensive income for the period amounted to EUR 4.4 million.

Tax rate

The Group's tax rate was 20.2% (41.3%) in 2014. Tax rate excluding the additional taxes was 16.4%. The tax rate was positively affected by tax incentives in Russia based on present investments and further investment-related incentive agreements. The new agreed tax benefits and incentives came into force in the beginning of 2013. The agreement will prolong the benefits and incentives until approximately 2020.

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

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

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

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

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

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

BUSINESS UNIT REVIEWS

Passenger Car Tyres

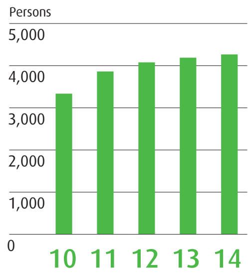
The sales volume of Nokian car tyres was on par with the volume of 2013. Net sales dropped 11.8% due to currency devaluations, a weaker mix and price changes. Sales in Russia and CIS declined clearly due to a weaker sales mix, lower ASP and lower volumes in line with general market changes triggered by uncertainty and the Russian-Ukrainian crisis. While the sales were on the previous year's level in the Nordic countries and in Central Europe, sales growth was strong in North America. The company's market share and profitability improved in the Nordic countries, Central Europe and North America. The market share was up also in Russia/CIS.

The Average Selling Price decreased due to currency devaluations, a weaker sales mix and the price pressure still prevailing in all markets. For the most part the ASP drop results from the currency impact and secondly from the mix impact. A small part comes from price reductions, which reflect the tight competitive situation and reductions in material costs partly passing through to tyre prices. Winter tyres represented 79% (79%) of sales volume, but the share of mid segment tyres increased clearly.

Raw material costs (€/kg) were down by 17% year-over-year, which together with improved productivity and lower fixed costs supported margins.

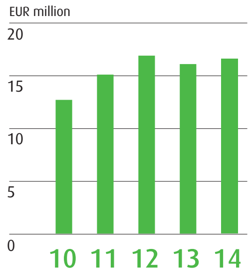
In autumns 2013 and 2014 Nokian tyres dominated the winter tyre tests with several victories in Nordic and Russian car magazines. Particularly noteworthy were the Central European winter tyre test results, which were a success for Nokian Tyres. The new Nokian summer tyre range also won several car magazines' tests in the core markets and in Central Europe in spring 2014. In September 2014 Nokian Tyres introduced five new SUV summer tyres and a renewed

Average number of personnel



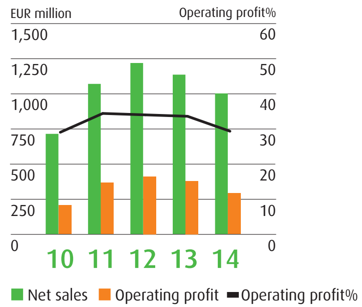
	2010	2011	2012	2013	2014
Persons	3,338	3,866	4,083	4,194	4,272

R&D expenses



	2010	2011	2012	2013	2014
EUR million	12.7	15.1	16.9	16.1	16.6

Nokian Passenger Car Tyres Net sales, Operating profit and Operating profit%



	2010	2011	2012	2013	2014
Net sales	714.7	1,071.1	1,220.1	1,137.0	1,003.2
Operating profit	205.5	365.1	410.8	378.5	292.2
Operating profit%	28.8	34.1	33.7	33.3	29.1

van tyre selection. These special products that are tailored for the growing SUV segment are aimed at the company's main markets in the Nordic countries, Central Europe, and Russia.

The annualized capacity of the Finnish and Russian factories amounts to over 20 million tyres, with shift arrangements. In 2014 the capacity was not fully utilized, but production output (pcs) increased by 4.3% and productivity (kg/mh) improved by 5.1% year-over-year. In 2014, 80% (82%) of Nokian car tyres (pcs) were manufactured in the Russian factory.

Heavy Tyres

Demand exceeded Nokian Heavy Tyres' delivery capacity in some product groups in 2014. Total sales were on par with 2013, with forestry tyre sales up by 15%. Negative currency effect cut sales in euros. Average Selling Price decreased year-over-year due to a challenging pricing environment.

Margins were supported by lower raw material cost and improved productivity. Fixed cost decreased, thus improving profitability.

The production output (tonnes) in 2014 was up by 19.8% year-over-year, but in the first half of the year it was not enough to meet the higher demand. A ramp-up of the production utilization rate from year-turn 65% to in excess of 90% has been completed during 2014. The factory modernization and automation have already opened bottlenecks, as well as improved product quality, flexibility, and productivity.

For Nokian truck tyres the Nordic countries and Russia continued to be the top markets by sales value. A restructuring of the Heavy Tyres operation to include also the Truck Tyre business unit was done in the end of 2013 and the new organization became effective from the beginning of 2014, creating synergies in all operations.

Vianor

Equity-owned operations

At the end of the review period Vianor had 189 (183) 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. Net sales improved slightly year-over-year despite some unfavourable currency effect from SEK and NOK against the EUR. The strongest sales growth was recorded in car services and car spare parts. In local currencies Norway showed the strongest sales growth among target countries. Retail sales formed 52% of Vianor's total sales.

Vianor's investments decreased year-over-year. At the end of 2014 trade receivables and inventories were below previous year. Operating result improved and was positive.

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 2014 a total of 56 car service operations have been acquired and integrated with existing Vianor stores in the Nordic countries. Service sales increased by 6%, including car service sales growth of 23%. Results of a continuous customer satisfaction survey improved year-over-year.

Franchising and partner operations

Vianor expanded the retail network in Nokian Tyres' key markets by 149 stores during 2014. At the end of 2014 the Vianor network comprised of totally 1,355 stores of which 1,166 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 franchise model, Nokian Tyres Authorized Dealers (NAD), expanded in 2014 by 437 stores totalling 869 stores contracted in 14 Central European countries and China. N-Tyre, a new Nokian Tyres partner network, is operating with 53 stores in Russia and Kazakhstan.

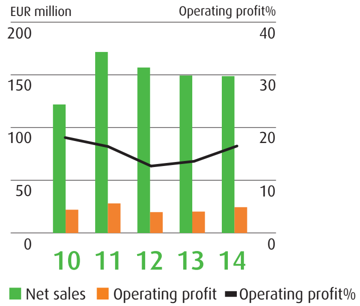
Russia and the CIS countries

Nokian Tyres' sales in 2014 in Russia decreased year-over-year by 30.1% to EUR 363.4 million (520.1). Sales in the CIS countries (excluding Russia) were EUR 23.2 million (56.6), Ukrainian sales being hit hard by the crisis situation. Consolidated sales in Russia and CIS decreased by 33.0% to EUR 386.7 million (576.7). The decrease of sales value relates mostly to currencies weakening significantly against the Euro.

Nokian Tyres managed to further improve its market share in A and B segments in Russia, but it was achieved by increasing sales of B-segment products, resulting in a weaker product mix and ASP.

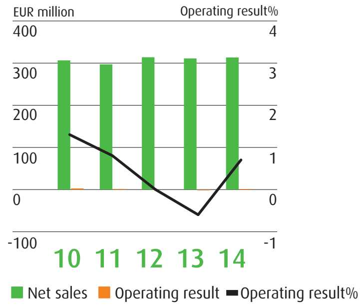
The distribution network was extended by signing additional distribution agreements and expanding the Vianor network by 42 stores. There were a total of 663 Vianor stores in 368 cities in Russia and CIS countries at the end of 2014. The Hakka Guarantee network and other retail partners working closely with Nokian Tyres in Russia comprised of 3,600 tyre stores, Vianor shops, car dealers, and web shops. During 2014, Nokian Tyres launched a new franchising concept of a tyre shop – N-Tyre, with the total amount of opened

Nokian Heavy Tyres Net sales, Operating profit and Operating profit%



	2010	2011	2012	2013	2014
Net sales	122.2	172.1	157.3	149.7	149.1
Operating profit	22.2	28.2	19.9	20.4	24.6
Operating profit%	18.1	16.4	12.7	13.6	16.5

Vianor Net sales, Operating result and Operating result%



	2010	2011	2012	2013	2014
Net sales	307.9	298.4	315.3	312.5	314.8
Operating result	4.0	2.3	0.0	-1.8	2.1
Operating result%	1.3	0.8	0.0	-0.6	0.7

shops reaching 53 by year-end. 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 provides 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.

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.

OTHER MATTERS

1. Stock options on the NASDAQ Helsinki Stock Exchange

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

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

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

2. Shares subscribed with option rights

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

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

After 15 May 2014 registered new shares a total of 65,222 Nokian Tyres plc's shares have been subscribed with the 2010A option rights. These option rights are attached to the Nokian Tyres plc's Option Program of 2010. The subscription time with the 2010A option rights ended on 31 May 2014. New shares have been registered into the Trade Register on 20 August 2014, as of which date the new shares have established shareholder rights. The share capital will not increase with subscriptions made by 2010 option rights. The entire subscription price of EUR 873,322.58 was entered in the invested unrestricted equity reserve. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 133,470,833 shares.

3. Authorizations

Year 2013 Annual General Meeting of Shareholders authorized the Board of Directors to resolve to repurchase a maximum of 300,000 shares in the Company by using funds in the unrestricted shareholders' equity to be used for share based incentive plan for the Group key employees. It was proposed that the authorization be effective until the 2014 Annual General Meeting of Shareholders, however, at most until 11 October 2014.

4. Own shares

No share repurchases were made in 2014, and the company did not possess any own shares on 31 December 2014.

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.

5. Trading of shares

The Nokian Tyres' share price was EUR 20.29 (EUR 34.87) at the end of the review period. The volume weighted average share price during the period was EUR 26.74 (EUR 34.11), the highest EUR 36.19 (EUR 38.72) and the lowest EUR 18.82 (EUR 29.85). A total of 216,446,904 shares were traded during the period (127,823,377), representing 162% (96%) of the company's overall share capital. The company's market value at the end of the period amounted EUR 2.708 billion (EUR 4.648 billion). The amount of shareholders was 50,142 (32,306). The percentage of Finnish shareholders was 39.1% (35.7%) and 60.9% (64.3%) were foreign shareholders registered in the nominee register. This figure includes Bridgestone's ownership of approximately 15%.

6. Changes in ownership

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

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

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

Nokian Tyres has received a notification from Sprucegrove Investment Management Ltd. on 22 December 2014, according to which the total holding of Sprucegrove Investment Management Ltd. in Nokian Tyres plc exceeded 5% and rose to 5.04% as a result of a share transaction concluded on 19 December 2014.

7. Decisions made at the Annual General Meeting

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

7.1. Dividend

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

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

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

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

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

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

Nokian Tyres plc is qualified to the OMX GES Sustainability Finland 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.

10. Forming of the new Heavy Tyres profit centre as of 1st January 2014
Nokian Tyres integrated the Heavy Tyres and Truck Tyres profit centers and formed a new profit centre as of 1st January 2014. The integration of two business units' resources, operations and management is expected to improve sales and profitability. The new unit employs about 280 people in Nokia, Finland.

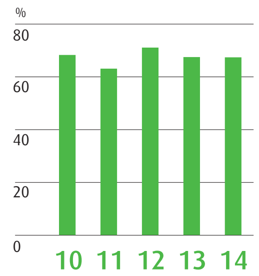
11. New financial guidance on 3 April 2014
With a Stock exchange release on 3 April 2014 Nokian Tyres announced that in 2014, Net sales and Operating profit are to decline compared to 2013. It was explained that the clearly devalued Rouble has hurt Russian economy and the purchasing power of Russian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

12. Ari Lehtoranta appointed new President and CEO of Nokian Tyres
The Board of Directors of Nokian Tyres announced on 27 May 2014 that it has appointed Mr. Ari Lehtoranta, 51, M.Sc. (Eng.), as the new President and Chief Executive Officer of Nokian Tyres plc. He started in Nokian Tyres on 1 September 2014 and as President and CEO on 1 October 2014.

Nokian Tyres' former President and CEO Kim Gran continued in his position until 30 September 2014 and then used his option to retire. Gran had been leading the company since 1 September 2000. He continues as a member of the Board of Directors of Nokian Tyres.

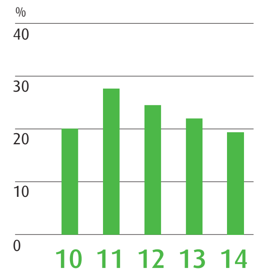
13. Nokian Tyres introduced five new SUV summer tyres and a renewed van tyre selection on 1st September 2014
The company is growing its product selection by five new SUV tyres. Its ever-expanding SUV product selection is the most modern on the market, utilising aramid fibre that is also employed by the aviation and military industries. The extremely strong sidewall structure

Equity ratio



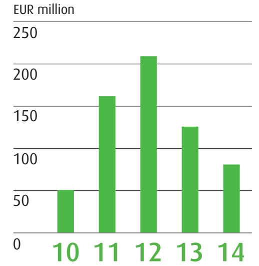
	2010	2011	2012	2013	2014
%	68.4	63.2	71.2	67.6	67.5

Return on net assets ROI



	2010	2011	2012	2013	2014
%	19.9	27.4	24.3	21.8	19.2

Gross investment



	2010	2011	2012	2013	2014
EUR million	50.5	161.7	209.2	125.6	80.6

provides much-needed durability and safety for demanding road conditions and unexpected situations.

Combined with precise handling, the unique durability provides exceptional driving pleasure to drivers of powerful SUVs. These special products that are tailored for the growing SUV segment are aimed at the company's main markets in the Nordic countries, Central Europe, and Russia.

14. Adjustments to production in the Finnish factory

The statutory negotiations at Nokian Tyres' Finnish factory concerning workers and staff in car tyre production, maintenance and quality departments ended on 9 October 2014. Adjustments to production capacity utilization as well as cost savings will be achieved mainly with temporary lay-offs and transfers to new positions. In addition, a pension plan for two employees comes into effect.

The car tyre production will be cut through temporary lay-offs by not more than 21 production days during 2014, and by a maximum of 38 production days in 2015, subject to the market situation.

The Nokian Tyres' Finnish factory has approximately 570 workers and staff in the car tyre production.

15. State-of-the-art green winter tyre technology for electric cars: The world's first winter tyre with an A energy rating by Nokian Tyres

On 11 December 2014 Nokian Tyres announced that it has developed the most energy efficient winter tyre model in the automotive industry. The new Nokian Hakkapeliitta R2 is a genuine non-studded winter tyre designed for BMW's unique i3 electric car, and it combines extremely low rolling resistance, first-class grip, and exceptional driving comfort. According to tests, the Nokian Hakkapeliitta R2 can reduce the rolling resistance of electric vehicles even 30%. The energy savings gained from the lower rolling resistance increase the vehicle's range.

According to the EU tyre label, the rolling resistance of the new model is in class A; this has not been achieved by any winter tyre before. The rolling resistance of competitors is in class C and E.

Corporate Governance statement

A separate corporate Governance Statement has been issued and published in connection with the publishing of the Report by the Board of Directors. Statement is available on pages 60–64 in this report as well as on the company's website www.nokiantyres.com.

Risk management

The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of strategic goals and ensures business continuance. Risk management is not allocated to a separate organization; its tasks follow the general distribution of responsibilities adopted in the organization and other business activities.

The risks are classified as strategic, operational, financial, and hazard risks. The risk management process aims to identify and evaluate the risks, and to plan and implement the practical measures for each risk.

Strategic risks are related to customer relationships, political risks, country risks, R&D, investments, and company acquisitions.

Operational risks are related to shortcomings or failures in Nokian Tyres' processes, personnel actions, or systems, or to external events, such as the unpredictable rulings of judicial systems or the authorities, or changes in raw material prices.

Financial risks are related to fluctuations in interest rate and currency markets, refinancing, and counterparty risks. The financial risks of the Group are managed by the parent company treasury, whose operations follow the Board-approved financial risk policy.

Hazard risks can lead to injuries, property damage, production outages, environmental impacts, or liabilities to third parties. These risks are managed with a Group-wide insurance program.

Risks, uncertainty and disputes in the near future

The consolidated sales in Russia and the CIS formed 26% of the group's total sales in 2014. Due to the oil price levelling off, high interest rates, slow investments, and the prolonged Ukrainian crisis, the economic growth in Russia is expected to be weak in 2015: current GDP growth estimates vary between –3% and –8%. Approximately 80% of Nokian Tyres' current production of car tyres take place in Russia. To date, the economic sanctions that the United States and EU have imposed against Russia have had little to no effect directly on Nokian Tyres' business. Indirect effects have gradually emerged in the form of weaker consumer purchasing power and the product mix shifting toward cheaper products in Russia and Ukraine. An escalation or prolongation of the Ukrainian crisis and additional sanctions could have further negative effects on the company's sales and results. All in all, the economic uncertainties may further weaken the future demand for tyres and increase the credit risk.

The company's receivables decreased in 2014. The tyre inventories are on a planned level. The company follows the development of NWC very closely. At the end of 2014, the Russian trade receivables accounted for 33.0% (35.6%) of the Group's total trade receivables.

Around 40% of the Group's revenue 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, and the US dollar.

Nokian Tyres' other risks and uncertainty factors relate to the challenging pricing environment of tyres. Maintaining profitability in case of rising raw material prices depends on the company's ability to increase tyre prices in line with the increasing raw material costs.

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

Nokian Tyres U.S. Finance Oy, a fully-owned subsidiary of Nokian Tyres plc, received in April 2014 a reassessment decision from the Finnish Tax Administration, according to which the company is obliged to pay EUR 11.0 million of additional taxes, punitive tax increases, and interests, for the tax years 2008 to 2012. Of this amount, EUR 7.9 million are additional taxes and EUR 3.1 million are punitive tax increases and interests. The company has recorded them in full in the financial statement and result of 2014.

Nokian Tyres considers the decisions by the Tax Administration to be incorrect and has appealed against them by submitting a claim for rectification to the Board of Adjustment. If necessary, the Company will continue the appeal process in the Administrative Court. Furthermore, the Company will, if needed, initiate a process with the competent authorities to negotiate on the elimination of double taxation. The Company has initiated a separate process for determining the legitimacy of the procedures used in the tax audit by Tax Administration and the tax inspectors.

Personnel

The activity, initiative, and internal entrepreneurship of our personnel support developing competence, improving productivity, and implementing the strategy throughout the group.

In our company, everyone has an opportunity for further personal growth and development. We support internal job rotation with internal recruitment and resource surveys. Our principle for developing competence is that 70% takes place through on-the-job learning, 20% through learning from others, and 10% through traditional training. Our investments in the development of competence include language training, vocational degrees, tailored training, and network training, among others. One tool for developing competence is Hakkapeliitta eAcademy, our online training portal, which we expanded in 2014. In addition to training sessions, we support well-being at work through diverse sports and club activities, personnel events, supporting inventiveness, and enabling individual working time arrangements.

Managers have an important role in reaching the company's goals as well as building the company culture and supporting well-being at work. In 2014, we renewed our performance appraisal process and prepared the principles of management for our group, which will be implemented in 2015.

We work closely with occupational health care services and insurance companies for supporting and improving the working ability of our personnel. We implemented a new model of well-being at work in 2014. The change aims to improve well-being throughout our company and to draw attention to management practices and other general issues for further improving the atmosphere and motivating our employees.

Environmental protection and safety

At Nokian Tyres, the management of environmental, health, and safety issues (EHS) is assigned to Quality and Process Development. The goals of EHS management include accident prevention in all areas of operation, uninterrupted production, and good corporate citizenship. When developing our operations, we apply best practices and advanced solutions while taking into account both economic factors and human values. Nokian Tyres promotes safety through risk management, continuous improvement of processes, and new investments.

Our factories in Nokia and Vsevolozhsk as well as our Swedish sales company Nokian Däck are certified to the ISO 14001 environmental management system standard and the ISO 9001 quality management system standard. In 2013, our factories obtained the ISO ISO/TS 16949 certification of the automotive industry.

The long-term development of safety and environmental aspects make Nokian Tyres a pioneer of the tyre industry. Our products feature advanced solutions that improve the rolling resistance of tyres (thereby reducing fuel consumption and CO2 emissions) or soil compaction in farming and forestry. In addition, we were the first tyre manufacturer in the world to discontinue the use of high aromatic oils in our rubber compounds already in 2005. We set an example that sped up the use of purified low-aromatic oils in tyre production in Europe. As of 2010, the import and export of all tyres containing HA oils have been prohibited in the EU.

The outset for our environmental protection is the lifecycle approach: we take responsibility for the environmental effects of our products throughout their lifespan. Nokian Tyres strongly focuses on the eco-friendliness of its products and processes. We are also a co-owner of Finnish Tyre Recycling Ltd, a company for the collection and utilization of used tyres in Finland.

We reduced the environmental impact of our production compared to the previous year. Our production facilities focused on the recycling of waste, bringing the utilization rate up to 99% in our Nokia factory and 83% in our Vsevolozhsk facilities. The production of Nokian Heavy Tyres continued the project for reducing VOC emissions. The commissioning of a new incineration plant is scheduled for the spring of 2015.

Throughout the year, we focused our efforts on investigating accidents and near miss reports and arranging induction training, instruction and guidance. The number of accidents in the group decreased compared to the previous year and our campaigns had a positive impact on safety culture: we improved the reporting rate of near misses and reduced the accident frequency. We carried out our safety reviews as planned and made significant efforts in terms of the investigation of accidents. One new initiative that contributed to a better safety culture was reporting all accidents to the management team.

The company will publish a separate Corporate Social Responsibility Report in March 2015.

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 countries 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 Rouble 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 core markets: Nordic countries, Russia and CIS, Central Europe and North America. In western markets the sales volume (pcs) growth of Nokian Tyres is expected to outperform the tyre market growth. In Russia and CIS the company's sales volume is expected to decline. Nokian Tyres' Net sales are expected to decrease due to weakened demand and currency in Russia. 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 Roubles and export sales in Euros has improved along with the Rouble 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.

Raw material cost is estimated to decrease by 5%. This is not enough to fully compensate for the weaker market conditions in Russia and CIS.

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.

Financial guidance

In 2015, with stable exchange rates, Net sales and Operating profit are to decline slightly compared to 2014. First quarter Operating profit will be significantly below last year, as a delayed start of winter tyre sales in Russia will result in sales shifting to the following quarters.

The proposal for the use of profits by the Board of Directors
The distributable funds in the Parent company total EUR 519.1 million. The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:

A dividend of	1.45 EUR/share
be paid out,totalling	EUR 193.5 million
retained in equity	EUR 325.6 million
Total	EUR 519.1 million

No material changes have taken place in the financial position of the company since the end of the financial year. The liquidity of the company is good, and the proposed distribution of profits does not compromise the financial standing of the company, as perceived by the Board of Directors.

Nokia, 5 February 2015
Nokian Tyres plc, Board of Directors

EUR million | 1.1.–31.12.	Notes	2014	2013
Net sales	(1)	**1,389.1**	1,521.0
Cost of sales	(3)(6)(7)	**-769.6**	-819.9
Gross profit		**619.5**	701.0
Other operating income	(4)	**3.4**	3.9
Selling and marketing expenses	(6)(7)	**-246.5**	-249.1
Administration expenses	(6)(7)	**-34.5**	-36.6
Other operating expenses	(5)(6)(7)	**-33.2**	-33.8
Operating profit		**308.7**	385.5
Financial income	(8)	**268.4**	104.3
Financial expenses [1]	(9)	**-315.9**	-177.0
Profit before tax		**261.2**	312.8
Tax expense [2][3]	(10)	**-52.8**	-129.1
Profit for the period		**208.4**	183.7
Attributable to:			
Equity holders of the parent		**208.4**	183.7
Non-controlling interest		**0.0**	0.1
Earnings per share (EPS) for the profit attributable to the equity holders of the parent:	(11)		
Basic, euros		**1.56**	1.39
Diluted, euros		**1.56**	1.39

EUR million | 1.1.–31.12.	Notes	2014	2013
CONSOLIDATED OTHER COMPREHENSIVE INCOME			
Result for the period		**208.4**	183.7
Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax			
Gains/Losses from hedge of net investment in foreign operations	(10)	**0.0**	-1.9
Cash flow hedges	(10)	**-1.9**	0.8
Translation differences on foreign operations [4]		**-202.1**	-65.6
Total other comprehensive income for the period, net of tax		**-204.0**	-66.7
Total comprehensive income for the period		**4.4**	117.0
Total comprehensive income attributable to:			
Equity holders of the parent		**4.4**	117.1
Non-controlling interest		**0.0**	0.1

1) Financial expenses in 2014 contain EUR 1.6 million expensed punitive interest for tax reassessment decisions on years 2008-2012 and in 2013 EUR 20.2 million on years 2007–2010.
2) Tax expense in 2014 contains EUR 9.4 million expensed additional taxes with punitive tax increases for tax reassessment decisions on years 2008–2012 and in 2013 EUR 80.1 million on years 2007–2010.
3) Otherwise tax expense in the consolidated income statement is based on the taxable result for the period.
4) Since the beginning of this year the Group has internal loans that are recognised as net investments in foreign operations in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". The impact on year 2014 is EUR -10.0 million.

EUR million | 31.12.	Notes	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	(12)(13)	**502.8**	683.8
Goodwill	(2)(14)	**73.3**	69.9
Other intangible assets	(14)	**19.8**	24.7
Investments in associates	(16)	**0.1**	0.1
Available-for-sale financial assets	(16)	**0.3**	0.3
Other receivables	(15)(17)	**10.0**	11.3
Deferred tax assets	(18)	**9.1**	8.8
		615.4	798.8
Current assets			
Inventories	(19)	**288.3**	322.1
Trade and other receivables	(20)(29)	**444.6**	503.5
Current tax assets		**8.9**	13.8
Cash and cash equivalents	(21)	**439.9**	424.6
		1,181.6	1,264.1
Total assets	(1)	**1,797.0**	2,062.9

EUR million | 31.12.	Notes	2014	2013
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	(22)(23)		
Share capital		**25.4**	25.4
Share premium		**181.4**	181.4
Treasury shares		**-8.6**	-
Translation reserve		**-202.0**	-128.5
Fair value and hedging reserves		**-2.6**	-0.7
Paid-up unrestricted equity reserve		**100.3**	97.1
Retained earnings		**1,114.5**	1,217.9
		1,208.5	1,392.5
Non-controlling interest		**-**	0.2
Total equity		**1,208.5**	1,392.8
Liabilities			
Non-current liabilities	(24)		
Deferred tax liabilities	(18)	**26.7**	36.1
Provisions	(25)	**0.1**	0.1
Interest-bearing financial liabilities	(26)(27)(29)	**274.7**	185.8
Other liabilities		**5.1**	3.5
		306.5	225.4
Current liabilities			
Trade and other payables	(28)	**259.9**	255.2
Current tax liabilities		**18.7**	4.0
Provisions	(25)	**2.8**	3.1
Interest-bearing financial liabilities	(26)(27)(29)	**0.6**	182.4
		282.0	444.7
Total liabilities	(1)	**588.5**	670.1
Total equity and liabilities		**1,797.0**	2,062.9

EUR million | 1.1.–31.12.	Notes	2014	2013
Cash flows from operating activities:			
Cash receipts from sales		1,348.9	1,469.9
Cash paid for operating activities		-870.9	-1,045.5
Cash generated from operations		477.9	424.3
Interest paid		-69.8	-56.3
Interest received		3.3	3.4
Dividends received		0.0	0.0
Income taxes paid		-88.2	-53.9
Net cash from operating activities (A)		323.4	317.6
Cash flow from investing activities:			
Acquisitions of property, plant and equipment and intangible assets		-81.7	-151.8
Proceeds from sale of property, plant and equipment and intangible assets		3.2	11.2
Acquisitions of Group companies, net of cash acquired	(2)	-5.8	-2.7
Change in Non-controlling interest		-0.3	0.0
Net cash used in investing activities (B)		-84.7	-143.4
Cash flow from financing activities:			
Proceeds from issue of share capital	(22)	2.6	17.8
Purchase of treasury shares		-8.6	-
Change in current financial receivables		-8.0	-1.2
Change in non-current financial receivables		-3.4	3.8
Change in financial current borrowings		62.2	-39.5
Change in financial non-current borrowings		-79.6	32.8
Dividens received		0.4	-
Dividends paid		-193.4	-191.9
Net cash from financing activities (C)		-227.7	-178.1
Net increase in cash and cash equivalents (A+B+C)		11.0	-4.0
Cash and cash equivalents at the beginning of the period		424.6	430.3
Effect of exchange rate fluctuations on cash held		4.3	-1.8
Cash and cash equivalents at the end of the period	(21)	439.9	424.6
		11.0	-4.0

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 in 2014 contain these set-offs by the Tax Administration in total of EUR 34.2 million.

		Equity attributable to equity holders of the parent								
EUR million	Notes	Share capital	Share premium	Treasury shares	Translation reserve	Fair value and hedging reserves	Paid-up unrestricted equity reserve	Retained earnings	Non-controlling interest	Total equity
Equity, 1 Jan 2013		25.4	181.4	-	-61.0	-1.5	79.3	1,213.2	0.3	1,437.2
Profit for the period								183.8	-0.1	183.7
Other comprehensive income, net of tax:										
Cash flow hedges						0.8				0.8
Net investment hedge					-1.9					-1.9
Translation differences					-65.6					-65.6
Total comprehensive income for the period					-67.5	0.8		183.8	-0.1	117.0
Dividends paid	(22)							-191.9		-191.9
Exercised warrants	(22)						17.8			17.8
Share-based payments	(23)							12.9		12.9
Total transactions with owners for the period							17.8	-179.1		-161.3
Equity, 31 Dec 2013		25.4	181.4	-	-128.5	-0.7	97.1	1,217.9	0.2	1,392.8
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								**208.4**		**208.4**
Other comprehensive income, net of tax:								**0.2**	**-0.2**	**0.0**
Cash flow hedges						**-1.9**				**-1.9**
Net investment hedge										**0.0**
Translation differences					**-73.5**			**-128.7**		**-202.2**
Total comprehensive income for the period					**-73.5**	**-1.9**		**79.9**	**-0.2**	**4.4**
Dividends paid	(22)							**-193.4**		**-193.4**
Acquisition of treasury shares				**-8.6**						**-8.6**
Exercised warrants	(22)						**2.6**			**2.6**
Share-based payments	(23)							**9.9**		**9.9**
Total transactions with owners for the period				**-8.6**			**2.6**	**-183.5**		**-189.5**
Changes in the shareholding of subsidiaries							**0.7**			**0.7**
Acquisition of non-controlling interests, with no impact on control								**0.2**		**0.2**
Equity, 31 Dec 2014		**25.4**	**181.4**	**-8.6**	**-202.0**	**-2.6**	**100.3**	**1,114.5**	**-**	**1,208.5**

Accounting policies for the consolidated financial statements

Basic information

Nokian Tyres Plc is a Finnish public corporation founded in accordance with the Finnish laws and domiciled in the city of Nokia. The shares of Nokian Tyres Plc have been quoted on the NASDAQ Helsinki Oy since 1995.

Nokian Tyres Group develops and manufactures summer and winter tyres for passenger cars and vans, and special tyres for heavy machinery. The Group also manufactures retreading materials and retreads tyres. The largest and most extensive tyre retail chain in the Nordic countries, Vianor, is also a part of the Group. The core business areas in the Group are Passenger Car Tyres, Heavy Tyres and Vianor.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2014. International Financial Reporting Standards refer to the standards and related interpretations to be applied within the Community as provided in the Finnish Accounting Act and the provisions issued on the basis of this Act, and in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. Notes to the consolidated financial statements also comply with the Finnish accounting and corporate laws.

The information in the financial statements is presented in millions of euro and is prepared under the historical cost convention except as disclosed in the following accounting policies.

Revised standards and interpretations

The Group has adopted new and revised standards and interpretations enforced in the EU during the period, the new standards on consolidation (IFRS 10, IFRS 11 and IFRS 12) being the most substantial ones. The changes had no material impact on the result, the financial position or the other information presented in the financial statements of the Group for the period.

IFRS are under constant development. Other new standards, interpretations or their amendments have also been published but they are not yet in force and the Group will not apply them before they are enforced. The Group will adopt each standard and interpretation on the effective date or from the beginning of the following financial period.

The most significant future changes will have the following impact:

- IFRS 15 – Revenue from Contracts with Customers
  The Group is still assessing the impacts of the standard, and tentatively estimates that the new standard will not have a material impact on the future financial statements of the Group.
- IFRS 9 – Financial Instruments and subsequent amendments
  The Group is still assessing the impacts of the standard on the future financial statements of the Group.

The Group estimates that the other published improvements or amendments will not have a material impact on the result, financial position or other disclosures of the future financial statements of the Group.

Use of estimates

The preparation of financial statements in compliance with IFRS requires the use of estimates and assumptions that affect the amount of assets and liabilities shown in the statement of financial position at the time of preparation, the presentation of contingent assets and liabilities in the financial statements, and the amount of revenues and expenses during the reporting period. Estimates have been used e.g. to determine the amount of items reported in the financial statements, to measure assets, to test goodwill and other assets for impairment, and for the future use of deferred tax assets. Since the estimates are based on the best current assessments of the management, the final figures may deviate from those used in the financial statements.

Key sources of estimation uncertainty relate to the country risk in the Russian business environment. The uncertainty of the Russian economy is due to the oil price levelling off, high interest rates, slow investments, and the prolonged Ukraine crisis, and the growth is expected to be weak in 2015. So far trade barriers by USA and the EU against Russia have to date had little to no effect on Nokian Tyres' operations, but a further escalation or prolongation of the Ukrainian crisis and additional trade barriers may add negative effects on the company's sales and results. All in all the economic uncertainties may further weaken future demand for tyres and increase credit risk. Other sources of uncertainty relate to the challenging pricing environment of tyres in line with price development of raw materials.

Principles of consolidation

The consolidated financial statements include the financial statements of the parent company Nokian Tyres Plc as well as all subsidiaries in which the Parent company owns, directly or indirectly, more than 50% of the voting rights or in which the Parent company otherwise exercises control. Control exists when the Group through participation in an investee is exposed or entitled to its variable returns and is able to affect the returns through exercising power over the investee.

Associated companies in which the Group has 20 to 50% of the voting rights and in which it exercises significant influence but not control, have been consolidated using the equity method. If the Group's share of the associated company's losses exceeds its holding in the associated company, the carrying amount will be recorded in the balance sheet at nil value and losses in excess of that value will be ignored unless the Group has obligations towards the associated companies. Investments in associates include the carrying amount of the investment in an associated company according to the equity method, and possible other non-current investments in the associated company, which are, in substance, part of a net investment in the associated company.

A joint arrangement refers to a contractual undertaking, in which the Group has agreed to share control over material financial and business principles with one or more parties. A joint arrangement is either a joint operation or a joint venture. In a joint venture the Group holds rights to the net assets of the arrangement whereas in a joint operation the Group holds rights to the assets and carries obligations on the liabilities of the arrangement. Nokianvirran Energia Oy is a joint operation as the parties share control according to a specific Mankala-principle where the company is not intended to make profit while the parties have agreed to utilize the total output. Nokianvirran Energia Oy is accounted for as a Group company using the proportionate consolidation method on each row according to the 32.3% shareholding.

Acquired subsidiaries have been consolidated using the acquisition method, according to which the acquired company's assets and liabilities are measured at fair value on the date of acquisition. The cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Acquisition-related costs, except for the costs to issue debt or equity securities, are expensed. Possible contingent consideration is measured at fair value on the date of acquisition and is classified as a liability. Contingent consideration classified as a liability is measured at fair value on each reporting date and the following gain or loss is recognized in the income statement. Under IFRS goodwill is not amortised but is tested annually for impairment. Subsidiaries acquired during the financial year have been consolidated from the acquisition date and those divested until the divestment date.

All internal transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated while preparing the consolidated financial statements.

Profit for the period is attributed to the owners of the Parent company and to the non-controlling interests. Moreover, non-controlling interests are disclosed as a separate item under the consolidated equity.

Foreign currency items

Transactions in foreign currencies have been recorded at the exchange rates effective on the transaction date. In the statement of financial position all items in foreign currencies unsettled on the reporting date are measured at the European Central Bank's closing exchange rate. The quotations of the relevant central bank are applied if the European Central Bank does not quote a specific currency. Foreign exchange gains and losses related to business operations and financing activities have been recorded under financial income and expenses.

Foreign Group companies

The statements of financial position of foreign subsidiaries have been translated into euro using the European Central Bank's closing rates, and the income statements using the average rate for the period. Translation differences arising from the subsidiaries' income statements and statements of financial position have been recorded under other comprehensive income as a separate item. Translation differences arising from the elimination of foreign company acquisition cost and from the profits and losses incurred after the acquisition have been recorded under other comprehensive income as a separate item.

The Group hedges its investments in significant foreign Group companies with foreign currency loans or derivative contracts to minimise the impact of exchange rate fluctuations on other comprehensive income. The foreign exchange gains and losses arising from this hedging are booked in their net amount under other comprehensive income. When a subsidiary is divested fully or in part, the related accumulated translation differences are brought from equity to the income statement and entered as a gain or loss on the sale.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and other current investments, such as commercial papers and bank deposits.

Financial assets

Based on IAS 39, financial assets have been classified as follows: financial assets at fair value through profit and loss, available-for-sale financial assets, and loans and receivables.

Financial assets at fair value through profit and loss include liquid current investments, such as commercial papers, and derivative assets to which hedge accounting is not applied.

Loans and receivables include non-derivative assets with fixed or determinable payments that are not quoted in an active market. In the Group, this category includes trade receivables and other loan receivables resulting from commercial activities and cash funds and other current investments, such as bank deposits. Loans and other receivables have been measured at amortised cost less any write-downs, and in the statement of financial position they are included in current or non-current receivables, depending on their maturity.

Available-for-sale financial assets include quoted and unquoted shares. Quoted shares are measured at fair value, which is the share bid price on the reporting date. Changes in fair value are recognised in other comprehensive income until the financial asset is sold or divested, at which time the changes in fair value are transferred to profit and loss. Impairments are recorded in profit and loss. Unquoted shares are measured at cost if the fair value cannot be reliably determined.

Financial liabilities

Financial liabilities have been classified as follows: financial liabilities at fair value through profit and loss and financial liabilities measured at amortised cost.

Financial liabilities at fair value through profit and loss include derivative liabilities to which hedge accounting is not applied.

In the Group, loans are measured at fair value on the basis of the consideration received in connection with the original recognition, after which the loans are recorded at amortised cost using the effective interest rate method. Bank overdrafts are included in current liabilities in the statement of financial position.

The fair value of the liability portion of a convertible bond is determined at the original recognition using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until maturity of the bonds, unless it has been converted, redeemed, purchased or cancelled prior to that. The remainder of the proceeds is allocated to the conversion option. This is recognised in equity and deferred tax liabilities.

Derivative instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate, foreign currency and electricity price risk exposures. Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value. Publicly quoted market prices and rates, as well as generally used measurement models, are used to define the fair value of derivatives. The information and assumptions used in the measurement models are based on verifiable market prices and values. The fair value of derivatives expiring within a year is presented in the statement of financial position under current receivables or liabilities, and of those with longer maturity under non-current receivables or liabilities.

Hedge accounting is not applied to the derivatives used to hedge cash flows from the Group's business operations in foreign currencies. Changes in fair value of derivatives to which hedge accounting is not applied are recognised immediately in profit and loss as financing items.

The Group applies IAS 39 compliant hedge accounting to hedges of the exposure to variability in cash flows that is attributable to an interest rate risk associated with recognised non-current liabilities and to hedges of net investments in foreign operations and to hedges to manage electricity price risk. To meet all the hedge accounting criteria, at the inception of these hedges the Group designates and documents the hedging relationship between the hedged item and the hedging instrument including effectiveness measurement methods and the hedging strategy in accordance with the Group's risk management policy. The Group aims to choose hedging instruments that create no ineffective portion.

Hedge accounting is applied in cash flow hedging in connection with interest rate swaps, by which floating rate liabilities have been changed to fixed rate liabilities. The effective portion of the change in the fair value of the interest rate swaps is recognised in other comprehensive income and any remaining ineffective portion recognised in the income statement. The gains and losses recognised in other comprehensive income are transferred to financial items in the income statement when the hedged item affects the income statement.

The Group applies hedge accounting to certain currency derivatives and currency loans that are used to hedge the net foreign currency investments in foreign subsidiaries. Changes in fair value of the currency derivatives meeting the hedge accounting criteria are recognised in other comprehensive income except for the potential ineffective portion and the time value of currency options, which are recognised in the income statement. Correspondingly, the foreign exchange gains and losses on foreign currency loans taken out for hedging purposes are recorded under other comprehensive income and interest expenses under financial items in the income statement.

The Group's forecast electricity purchases in Finland are hedged with electricity derivatives to which hedge accounting is applied. The effective portion of the fair value change of the electricity derivatives is recognised in other comprehensive income and the ineffective portion in the income statement under other operating income or expenses. The gains and losses recognised in other comprehensive income are transferred to cost of sales in the income statement when the hedged item affects the income statement.

Income recognition

Income from the sale of products is recognised when the significant risks and rewards connected with ownership of the goods, as well as the right of possession and effective control, have been transferred to the buyer and payment is probable. This is also the case when a customer separately requests that the assignment of goods be deferred. Revenue from services is recognised once the services have been rendered. Generally, sales are recognised upon delivery in accordance with the contractual terms and conditions. To calculate the net sales, sales revenue is adjusted with indirect taxes and discounts.

Research and development costs

Research costs are recorded as other operating expenses for the financial period in which they incurred. Development costs are capitalised once certain criteria associated with commercial and technical feasibility have been met. Capitalised development costs primarily comprising materials, supplies and direct labour costs, as well as related overheads, are amortised systematically over their expected useful life. The amortisation period is 3–5 years.

Government grants

Grants received from governments or other parties are recognised adjustments to related expenses in the income statement for the period. Grants received for the acquisition of property, plant and equipment reduce the acquisition cost.

Operating profit

The Group has defined operating profit as follows: operating profit is the net sum of net sales plus other operating income less cost of sales, selling and marketing expenses, administration expenses and other operating expenses. Operating profit does not include exchange rate gains or losses.

Borrowing costs

The borrowing costs of items included in property, plant and equipment or other intangible assets, and requiring a substantial construction period, are capitalised for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses for the period in which they incurred.

Income taxes

The tax expense of the Group include taxes based on the profit or loss for the period or dividend distribution of the Group companies, as well as change in deferred tax, and adjustment of taxes from prior periods. The penalty interests on those are recorded as financial expenses. The tax impact of items recorded directly in equity or other comprehensive income is correspondingly recognised directly in equity or in other comprehensive income. The share of associated companies' profit or loss is shown in the income statement calculated from the net result, and thereby includes the impact of taxes. Deferred taxes are measured with tax rates enacted by the reporting date, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities. The most significant temporary differences arise from the amortisation and depreciation differences of intangible assets and property, plant and equipment, measuring the net assets of business combinations at fair value, measuring available-for-sale financial assets and hedging instruments at fair value, internal profits in inventory and other provisions, appropriations and unused tax losses. Deferred tax liabilities will also be recognised from the subsidiaries' non-distributed retained earnings if profit distribution is likely and will result in tax consequences. Deferred tax assets relating to the temporary differences is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised before expiration. Deferred taxes are not recorded on goodwill that is not deductible for tax purposes.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the equity holders of the parent for the period by the weighted average number of shares outstanding during the period. The average number of treasury shares has been deducted from the number of shares outstanding.

For the calculation of the diluted earnings per share the diluting impact of all potentially diluting share conversions have been taken into account. The Group has two diluting instruments: share options and convertible bonds. The dilution of share options has been computed using the treasury stock method. In dilution, the denominator includes the shares obtained through the assumed conversion of the options, and the repurchase of treasury shares at the average market price during the period with the funds generated by the conversion. The assumed conversion of options is not taken into account for the calculation of earnings per share if the effective share subscription price defined for the options exceeds the average market price for the period. The convertible bonds are assumed to have been traded for company shares after the issue.

Property, plant and equipment

The values of property, plant and equipment acquired by the Group companies are based on their costs. The assets of acquired subsidiaries are measured at fair value on the date of acquisition. Depreciation is calculated on a straight-line basis from the original acquisition cost, based on the expected useful life. Depreciation includes any impairment losses.

In the statement of financial position, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The borrowing costs of items included in property, plant and equipment, and requiring a substantial construction period, are capitalised for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses in the period they incurred.

Depreciation is based on the following expected useful lives:

Buildings	20–40 years
Machinery and equipment	4–20 years
Other tangible assets	10–40 years

Land is not depreciated.

The expected useful lives are reviewed at each reporting date, and if they differ materially from previous estimates, the depreciation schedules are changed accordingly.

Regular maintenance and repair costs are recognised as expenses for period. Expenses incurred from significant modernisation or improvement projects are recorded in the statement of financial position if the company gains future economic benefits in excess of the originally assessed standard of performance of the existing asset. Modernisation and improvement projects are depreciated on a straight-line basis over their useful lives. Gains and losses from the divestment and disposal of property, plant and equipment are determined as the difference of the net disposal proceeds and the carrying amounts. Sales gains and losses are included in operating profit in the income statement.

Goodwill and other intangible assets

Goodwill arising from business combinations is recognised as the amount by which the aggregate of the transferred consideration, any non-controlling interest in the acquiree and any previously held interest exceeds the fair value of the net assets acquired. Goodwill is not amortised but is tested for impairment annually and whenever an indication of possible impairment exists.

Other intangible assets include customer relationships, capitalised development costs, patents, copyrights, licences and software. Intangible rights acquired in business combinations are measured at fair value and amortised on a straight-line basis over their useful lives. Other intangible assets are measured at cost and amortised on a straight-line basis over their useful lives. An intangible asset is only recorded in the statement of financial position if it is probable that the expected future economic benefits that are attributable to the asset will flow to the company and cost can be measured reliably. Subsequent expenses related to the assets are only recorded in the statement of financial position if the company gains future economic benefits in excess of the originally assessed standard of performance of the existing asset; otherwise, costs are recognised as expenses at the time of occurrence.

In the statement of financial position, intangible assets are recorded at cost less accumulated amortisation and impairment losses. The borrowing costs of items included in other intangible assets, and requiring a substantial construction period, are capitalised for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses in the period they incurred. The amortisation schedule for intangible assets is 3–10 years.

Impairment

At reporting date the Group shall assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset in question is estimated. Goodwill and intangible assets not yet available for use are tested for impairment at least annually. To assess impairment, the Group's assets are allocated to cash-generating units on the smallest group that is largely independent of other units and the cash flows of which can be separated.

The recoverable amount is the higher of fair value of the asset less costs to sell and a value in use. As a rule, value in use is based on the discounted future cash flows that the corresponding asset or the cash-generating unit can derive. The impairment recognised in the income statement is the amount by which the carrying amount of the asset exceeds the corresponding recoverable amount, and in the statement of financial position it is allocated first to reduce the carrying amount of any goodwill of the unit and then pro rata against the other assets. An impairment loss recognised in prior periods will be reversed if the estimates used to determine the recoverable amount change. However, a reversal of impairment loss shall not exceed the carrying amount that would have been determined in the statement of financial position without the recognised impairment loss in prior periods. Impairment loss on goodwill is not reversed under any circumstances.

Leasing agreements

Leasing agreements are classified as either finance leases or operating leases. Leasing agreements by which the risks and benefits associated with the ownership of an asset are substantially transferred to the lessee company represent finance leases.

<u>The Group as a lessee</u>

Assets held under finance leases, less depreciation, are included in intangible assets and property, plant and equipment and the obligations resulting from the lease in financial liabilities. Lease payments resulting from finance leases are apportioned between finance charges and the reduction of the outstanding liability. Charges paid under operating leases are recognised as expenses in the income statement.

Finance leases have been recorded in the statement of financial position in the amount equalling the fair value of the leased property or, if lower, present value of minimum lease payments, each determined at the inception of the lease. The assets are depreciated consistent with assets that are owned and any impairment losses are recorded. Depreciation is carried out over the useful life or a shorter lease term.

<u>The Group as a lessor</u>

Assets held under finance leases have been recorded in the statement of financial position as receivables at amount equal to the net investment in the lease. Lease income resulting from finance leases are recorded in the income statement with constant periodic rate of return on the lessor's net investment in the finance lease. Assets held under leases other than finance leases are included in intangible assets and property, plant and equipment in the statement of financial position. These are depreciated over their useful lives, consistent with assets in the company's own use. Lease income is recorded in the income statement on a straight-line basis over the lease term.

Inventories

Inventories are measured at the lower of cost or the net realisable value. Cost is primarily determined in accordance with standard cost accounting, which corresponds to the cost calculated in accordance with the FIFO (first-in, first-out) method. The cost of finished goods and work in progress includes raw material purchase costs, direct manufacturing wages, other direct manufacturing costs, and a share of production overheads, borrowing costs excluded. Net realisable value is the estimated sales price in ordinary activities less the costs associated with the completion of the product and the estimated necessary costs incurred to make the sale of the product.

Trade receivables

Trade receivables in the statement of financial position are carried at the original invoice value (and those in foreign currencies are measured at the closing rate of the European Central Bank) less doubtful receivables and credits for returned goods. Doubtful receivables are based on the case-by-case assessment of outstanding trade receivables as well as on historical experience of the portion the Group will not receive under the original terms and conditions.

Actual and estimated credit losses are recorded as other operating expenses in the income statement.

Dividend

The dividend proposed by the Board of Directors at the Annual General Meeting has not been recognised in the financial statements. Dividends are only accounted for on the basis of the decision of the Annual General Meeting.

Equity

The acquisition cost of treasury shares repurchased by the Group is recognised as a deduction in equity. The consideration received for the treasury shares when sold, net of transaction costs and tax, is included in equity.

Provisions

A provision is entered into the statement of financial position if the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions may be related to the reorganisation of activities, unprofitable agreements, environmental obligations, trials and tax risks. Warranty provisions include the cost of product replacement during the warranty period. Provisions constitute best estimates at the balance sheet date and are based on past experience of the level of warranty expenses.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by realization of an uncertain future event not totally controllable by the Group. A contingent liability is also defined as a present obligation that probably will not require the settlement of the obligation, or cannot be measured reliably. A contingent liability is disclosed in the notes to the consolidated financial statements.

Correspondingly, a contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by realization of an uncertain future event not totally controllable by the Group. In case an inflow of economic benefits is probable, a contingent asset is disclosed in the notes to the consolidated financial statements.

Employee benefits

Pension liabilities

The Group companies have several pension schemes in different countries based on local conditions and practices. These pension arrangements are classified as either defined contribution plans or defined benefit plans. Payments for defined contribution plans are recorded as expenses in the income statement for the period they relate to. All of the material pension arrangements in the Group are defined contribution plans.

Share-based payments

Share options are measured at fair value on the grant date and expensed on a straight-line basis over the vesting period. Corresponding amounts are recorded as an increase in equity. The expense determined on the grant date is based on the Group's estimate of the number of options that are assumed to vest at the end of the vesting period. The Black & Scholes' option pricing model is used to determine the fair value of options. The impact of non-market-based conditions (such as profitability and a certain profit growth target) is not included in the fair value of the option; instead, it is taken into account in the final number of options that are assumed to vest at the end of the vesting period. The Group updates the assumption of the final number on each reporting date. Changes in the estimates are recognised in the income statement.

When options are exercised, the payments received on the basis of share subscriptions (adjusted with any transaction costs) are recorded in paid-up unrestricted equity reserve (2010 and 2013 options).

Performance shares are measured at fair value on the grant date and are expensed on a straight-line basis over the vesting period. The equity-settled amounts are recorded as an increase in equity. The expense determined on the grant date is based on the Group's estimate of the number of shares that are assumed to vest at the end of the vesting period. The impact of non-market-based conditions (such as net sales and operating profit) is not included in the fair value of the share; instead, it is taken into account in the final number of shares that are assumed to vest at the end of the vesting period. The Group updates the assumption of the final number on each reporting date. The fair values of cash-settled amounts are similarly updated on each reporting date and recorded as a liability. Changes in the estimates of both the equity and cash-settled amounts are recognised in the income statement.

Other option and incentive schemes

No other option and incentive schemes were in use during 2014.

Non-current assets held for sale and discontinued operations

A non-current asset, or a group of disposable items, is classified as being held for sale if the amount corresponding to its carrying amount will primarily be generated from the sale of the asset instead of being generated from the continued use of the asset. Non-current assets held for sale, and assets related to discontinued operations, are measured at their carrying amounts, or the lower fair value less costs to sell , if the amount corresponding to its carrying amount will primarily be generated from the sale of the asset and if the sales transaction is most likely to take place.

A discontinued operation is a part of the entity that has been divested or classified as being held for sale and represents a separate core business area or a geographic operating area.

The Group's financial statements for 2014 and 2013 do not include any non-current assets held for sale or any discontinued operations.

1. Segment information

The Group's management team is the chief operating decision maker. The segment information is presented in respect of the business and geographical segments. Business segments are based on the internal organization and financial reporting structure.

The business segments comprise of entities with assets and operating activities providing products and services. The segments are managed as separate entities.

Pricing of inter-segment transactions is based on current market prices and the terms of evaluating profitability and resources allocated to segments are based on profit before interests and taxes.

Segment assets and liabilities include items directly attributable to a segment and items that can be allocated on a reasonable basis. The unallocated items contain tax and financial items together with joint Group resource items. Capital expenditure comprises of additions to intangible assets and property, plant and equipment used in more than one period.

Business segments:

Passenger Car Tyres -profit centre covers the development and production of summer and winter tyres for cars and vans.

Heavy Tyres -profit centre comprises tyres for forestry machinery, special tyres for agricultural machinery, tractors and industrial machinery as well as retreading and truck tyre business.

Vianor -tyre chain sells car and van tyres as well as truck tyres. In addition to Nokian brand, Vianor sells other leading tyre brands and other automotive products and services.

Other operations contain business development and Group management unallocated to the segments.

Eliminations consist of eliminations between different business segments.

Notes concerning geographical segments

The business segments are operating in seven geographic regions: Finland, Sweden, Norway, Russia and the CIS, the rest of Europe, North America and the rest of the world.

In presenting information on the basis of geographical segments, segment revenue is based on the location of the customers and segment assets are based on the location of the assets.

Operating segments

2014 EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations	Eliminations	Group
Net sales from external customers	941.2	121.5	313.8	12.6	0.0	1,389.1
Services			69.3			69.3
Sales of goods	941.2	121.5	244.4	12.6	0.0	1,319.8
Inter-segment net sales	62.0	27.6	1.0	0.9	-91.5	
Net sales	1,003.2	149.1	314.8	13.5	-91.5	1,389.1
Operating result	292.2	24.6	2.1	-7.7	-2.5	308.7
% of net sales	29.1%	16.5%	0.7%	-56.5%		22.2%
Financial income and expenses						-47.5
Profit before tax						261.2
Tax expense						-52.8
Profit for the period						208.4
Assets	1,004.0	117.2	164.2	10.5	-7.1	1,288.8
Unallocated assets						508.2
Total assets						1,797.0
Liabilities	98.2	15.0	43.7	2.9	6.1	165.9
Unallocated liabilities						422.6
Total liabilities						588.5
Capital expenditure	57.9	11.7	11.0	0.0	0.0	80.6
Depreciation and amortisation	76.3	6.9	6.6	0.0	0.0	89.8
Other non-cash expenses	15.2	2.1	1.1	2.2	0.0	20.6

2013 EUR million						
Net sales from external customers	1,073.3	122.9	311.6	13.2	0.0	1,521.0
Services			65.4			65.4
Sales of goods	1,073.3	122.9	246.2	13.2	0.0	1,455.6
Inter-segment net sales	63.7	26.9	0.9	0.9	-92.3	
Net sales	1,137.0	149.7	312.5	14.1	-92.3	1,521.0
Operating result	378.5	20.4	-1.8	-13.1	1.5	385.5
% of net sales	33.3%	13.6%	-0.6%	-93.0%		25.3%
Financial income and expenses						-72.7
Profit before tax						312.8
Tax expense						-129.1
Profit for the period						183.7
Assets	1,315.9	116.8	155.5	5.6	-11.9	1,582.0
Unallocated assets						481.0
Total assets						2,062.9
Liabilities	98.2	15.0	43.7	2.9	-6.1	153.7
Unallocated liabilities						516.4
Total liabilities						670.1
Capital expenditure	108.9	4.3	12.4	0.0	0.0	125.6
Depreciation and amortisation	79.7	6.8	6.9	0.0	0.0	93.5
Other non-cash expenses	19.7	2.9	1.7	3.1	0.0	27.3

Geographical information
2014

EUR million	Finland	Sweden	Norway	Russia and the CIS	the rest of Europe	North America	the rest of the world	Group
Net sales	**213.4**	**182.0**	**168.7**	**350.3**	**333.5**	**130.5**	**10.7**	**1,389.1**
Services	**24.8**	**20.9**	**20.0**	**0.4**	**1.3**	**1.9**		**69.3**
Sales of goods	**188.6**	**161.1**	**148.7**	**350.0**	**332.2**	**128.6**	**10.7**	**1,319.8**
Assets	**420.1**	**96.8**	**57.4**	**507.7**	**112.1**	**73.3**	**1.2**	**1,268.6**
Unallocated assets								**528.3**
Total assets								**1,797.0**
Capital expenditure	**48.6**	**1.3**	**2.1**	**27.5**	**0.4**	**0.7**	**0.0**	**80.6**

2013

EUR million	Finland	Sweden	Norway	Russia and the CIS	the rest of Europe	North America	the rest of the world	Group
Net sales	214.6	179.0	164.7	500.9	342.0	108.5	11.2	1,521.0
Services	22.3	20.6	19.1	0.3	1.2	1.9		65.4
Sales of goods	192.2	158.4	145.7	500.6	340.9	106.6	11.2	1,455.6
Assets	409.5	95.9	58.9	792.4	136.8	57.6	1.9	1,553.1
Unallocated assets								509.8
Total assets								2,062.9
Capital expenditure	33.5	3.9	3.9	83.6	0.3	0.3	0.0	125.6

2. Acquisitions

Acquisitions and other changes in 2014

In 2014 the Group still executed only minor acquisitions.

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

In November the Group acquired 32.3% shareholding in the Finnish Nokianvirran Energia Oy.

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

EUR million	2014
Purchase consideration	
Consideration paid in cash	**7.7**
Contingent consideration liability	**1.3**
Total consideration	**9.0**

The Group is committed to pay contingent considerations of total EUR 1.7 million in case the net sales and operating profits of the acquired businesses within the next three years after the acquisition year exceed the targets set for each (total net sales EUR 31.7 million and total operating profits EUR 6.7 million).

Recognised amounts of identifiable assets acquired and liabilities assumed:

EUR million	Notes	2014
Property, plant and equipment	(12)	3.8
Inventories		0.9
Trade and other receivables		0.3
Cash and cash equivalents		0.0
Total Assets		5.0
Deferred tax liabilities	(18)	0.0
Financial Liabilities		-0.1
Trade and other payables		-0.2
Total Liabilities		-0.3
Total identifiable net assets		4.6
Composition of goodwill in the acquisition		
Consideration transferred		9.0
Total identifiable net assets		-4.6
Goodwill	(14)	4.3
Consideration paid in cash		7.7
Cash and cash equivalents in the subsidiaries acquired		0.0
Net cash outflow		7.7

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. The shareholding in Nokianvirran Energia Oy is aimed at cost-effective energy supply.

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totalling EUR 0.0 million, are included in the consolidated income statement. The actual acquisition dates and the nature of the operations taken into account the effect of the acquisitions on the consolidated net sales and profit is not material even if they were combined as of the beginning of the financial year.

The acquisition related costs of EUR 0,0 million have been recorded as selling and marketing expenses. There were no other transactions recognised separately from these acquisitions. The consideration has been transferredin cash and no significant contingent consideration arrangements were included. No non-controlling interest remained in the acquiree. The identifiable asset acquired and liabilities assumed are recorded 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.

Additionally in Finland Vianor acquired the full ownership in Kumielo Oy on 1 January 2015. The total consideration paid in cash was EUR 6.3 million. Vianor acquired EUR 0.4 million of property, plant and equipment, EUR 2.2 million of inventories, EUR 1.0 million of receivables, EUR 0.6 million of cash and cash equivalents and a total of EUR 1.7 million in liabilities. Goodwill amounted to appr. EUR 3.7 million. As the acquisition of Kumielo Oy took place close to the approval date of the financial statements of the Group, all this infromation is preliminary.

Acquisitions in 2013

Vianor-chain have expanded through several minor business combinations in Finland, Sweden and Switzerland during the reported period. EUR 2.8 million of the consideration was paid in cash and EUR 1,3 million was comprised of a contingent consideration

EUR million	2013
Purchase consideration	
Consideration paid in cash	2.8
Contingent consideration liability	1.3
Total consideration	4.0

The Group is committed to pay contingent considerations of total EUR 2.1 million in case the net sales and operating profits of the acquired businesses within the next three years after the acquisition year exceed the targets set for each (total net sales EUR 38.5 million and total operating profits EUR 8.5 million).

Recognised amounts of identifiable assets acquired and liabilities assumed:

EUR million	Notes	2013
Property, plant and equipment	(12)	1.7
Inventories		0.5
Trade and other receivables		0.2
Cash and cash equivalents		0.3
Total Assets		2.6
Deferred tax liabilities	(18)	-0.1
Financial Liabilities		-0.6
Trade and other payables		-0.2
Total Liabilities		-0.9
Total identifiable net assets		1.7
Composition of goodwill in the acquisition		
Consideration transferred		4.0
Total identifiable net assets		-1.7
Goodwill	(14)	2.3
Consideration paid in cash		2.8
Cash and cash equivalents in the subsidiaries acquired		-0.3
Net cash outflow		2.5

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

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totalling EUR 0.1 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 acquisitions on the consolidated net sales and profit is not material even if they were combined as of the beginning of the financial year.

The acquisition related costs of EUR 0,0 million have been recorded as selling and marketing expenses. There were no other transactions recognised separately from these acquisitions. No non-controlling interest remained in the acquiree. The identifiable asset acquired and liabilities assumed are recorded 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.

3. Cost of sales

EUR million	2014	2013
Raw materials	401.3	378.5
Goods purchased for resale	123.5	172.9
Wages and social security contributions on goods sold	46.7	45.1
Other costs	123.6	102.9
Depreciation of production	68.2	72.5
Sales freights	40.1	40.8
Change in inventories	-33.8	7.2
Total	769.6	819.9

4. Other operating income

EUR million	2014	2013
Gains on sale of property, plant and equipment	1.2	2.3
Other income	2.3	1.6
Total	3.4	3.9

5. Other operating expenses

EUR million	2014	2013
Losses on sale of property, plant and equipment and other disposals	0.3	0.1
Research and development costs	16.6	16.1
Quality control	2.6	2.3
Expensed credit losses and provisions	8.8	14.3
Other expenses	5.0	1.0
Total	33.2	33.8

Other operating expenses include the ineffective portion of the electricity derivatives used as cash flow hedges amounting to EUR 0.8 million (EUR 1.5 million in 2013).

6. Depreciation, amortisation and impairment losses

No impairment losses have been recorded during 2014 or 2013.

EUR million	2014	2013
Depreciation and amortisation by asset category		
Intangible rights	6.8	4.8
Other intangible assets	1.6	1.7
Buildings	11.6	10.2
Machinery and equipment	68.5	74.9
Other tangible assets	1.4	2.0
Total	89.8	93.5
Depreciation and amortisation by function		
Production	68.2	72.5
Selling and marketing	14.1	13.2
Administration	5.5	5.7
Other depreciation and amortisation	2.0	2.2
Total	89.8	93.5

7. Employee benefit expenses

EUR million	2014	2013
Wages and salaries	154.9	150.7
Pension contributions - defined contribution plans	23.8	23.4
Share-based payments	9.6	13.2
Other social security contributions	17.8	18.9
Total	206.1	206.2

Information on the employee benefits and loans of the key management personnel is presented in note 34 Related party transactions.

persons	2014	2013
Number of personnel, average		
Production	1 775	1 890
Selling and marketing	2 253	2 037
Others	244	267
Total	4 272	4 194

8. Financial income

EUR million	2014	2013
Interest income on loans and receivables	1.0	0.8
Dividend income on available-for-sale financial assets	0.0	0.0
Exchange rate gains and changes in fair value		
Loans and receivables	89.4	42.6
Foreign currency derivatives held for trading	175.7	58.4
Other financial income	2.4	2.6
Total	268.4	104.3

9. Financial expenses

EUR million	2014	2013
Interest expense on financial liabilities measured at amortised cost	-17.5	-17.3
Interest expense on interest rate derivatives		
Designated as hedges	-0.3	-1.2
Held for trading	-0.1	0.0
Exchange rate losses and changes in fair value		
Loans and receivables	-203.6	-100.8
Foreign currency derivatives held for trading	-92.3	-34.3
Other financial expenses	-2.1	-23.4
Total	-315.9	-177.0

Financial expenses include EUR 4.8 million (EUR 9.5 million in 2013) in calculatory non-cash expenses related to the convertible bonds.

Other financial expenses in 2014 include EUR 1.6 million (EUR 20.2 million in 2013) penalty interests related to additional taxes.

10. Tax expense

EUR million	2014	2013
Current tax expense	-47.2	-54.5
Adjustment for prior periods	-8.5	-79.5
Change in deferred tax	2.8	5.0
Total	-52.8	-129.1

The reconciliation of tax expense recognised in the income statement and tax expense using the domestic corporate tax rate (2014: 20.0%, 2013: 24.5%):

EUR million	2014	2013
Profit before tax	261.2	312.8
Tax expense using the domestic corporate tax rate	-52.2	-76.6
Effect of deviant tax rates in foreign subsidiaries	16.5	35.2
Tax exempt revenues and non-deductible expenses	-3.7	-5.1
Utilised prior losses with unrecognised tax benefits	0.2	1.4
Losses on which no deferred tax benefits recognised	-5.4	-1.2
Effect of the change in Finnish corporate tax rate (20%) on deferred tax	-	-3.3
Adjustment for prior periods	-8.5	-79.5
Other items	0.2	0.1
Tax expense	-52.8	-129.1

Income tax relating to components of other comprehensive income:

	2014		
EUR million	Before tax amount	Tax benefit	Net of tax amount
Net investment hedge	0.0	0.0	0.0
Cash flow hedges	-2.3	0.4	-1.9
Translation differences on foreign operations	-202.1		-202.1
	-204.4	0.4	-204.0

	2013		
EUR million	Before tax amount	Tax benefit	Net of tax amount
Net investment hedge	-2.5	0.6	-1.9
Cash flow hedges	1.0	-0.3	0.8
Translation differences on foreign operations	-65.6		-65.6
	-67.1	0.4	-66.7

11. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the period by the weighted average number of shares outstanding during the period. The average weighted number of shares used for the calculation of diluted EPS takes into consideration the dilutive effect of the options outstanding during the period and the convertible bond loan.

EUR million	2014	2013
Profit attributable to the equity holders of the parent	208.4	183.8
Interest on the convertible bond (adjusted with taxes)	3.8	7.2
Profit for the period to calculate the diluted earnings per share	212.2	191.0
Shares, 1,000 pcs		
Weighted average number of shares	133,163	132,652
Dilutive effect of the options	62	956
Convertible bonds traded for company shares	1,878	4,009
Diluted weighted average number of shares	135,103	137,616
Earnings per share, euros		
Basic	1.56	1.39
Diluted	1.56	1.39

12. Property, plant and equipment

EUR million	Land property	Buildings	Machinery and equipment	Other tangible assets	Advances and fixed assets under construction	Total
Accumulated cost, 1 Jan 2013	5.1	291.5	861.6	17.0	66.4	1,241.6
Increase	0.8	23.3	28.7	0.6	104.5	158.0
Acquisitions through business combinations		1.2	1.1			2.3
Decrease	0.0	-0.1	-32.0	-0.2	-1.3	-33.6
Transfers between items	0.1	9.1	46.9	4.3	-62.8	-2.4
Other changes		-0.4		0.0		-0.4
Exchange differences	-0.1	-22.7	-48.5	-1.5	-8.2	-81.0
Accumulated cost, 31 Dec 2013	5.9	301.9	857.9	20.2	98.6	1,284.6
Accum. Depreciation, 1 Jan 2013		-63.9	-472.3	-12.8		-549.0
Depreciation for the period		-10.2	-74.9	-2.0		-87.0
Decrease		0.0	10.9	0.1		11.0
Other changes				0.0		0.0
Exchange differences		3.3	20.0	1.0		24.3
Accum. Depreciation, 31 Dec 2013		-70.8	-516.3	-13.7		-600.8
Carrying amount, 31 Dec 2013	5.9	231.1	341.6	6.6	98.6	683.8
Accumulated cost, 1 Jan 2014	5.9	301.9	857.9	20.2	98.6	1,284.6
Increase	0.0	1.2	32.2	0.5	59.6	93.6
Acquisitions through business combinations		0.1	0.9			1.0
Decrease	-0.1	-0.5	-24.4	-0.2	-1.2	-26.4
Transfers between items	1.2	21.6	69.2	0.3	-95.5	-3.2
Other changes			-0.1			-0.1
Exchange differences	-4.1	-74.3	-161.2	-4.1	-18.6	-262.2
Accumulated cost, 31 Dec 2014	3.0	250.0	774.7	16.8	42.9	1,087.4
Accum. Depreciation, 1 Jan 2014		-70.8	-516.3	-13.7		-600.8
Depreciation for the period		-11.6	-68.5	-1.4		-81.5
Decrease		0.0	2.3	0.1		2.4
Other changes		0.2	6.7		0.3	7.1
Exchange differences	3.4	13.0	69.2	2.9		88.4
Accum. Depreciation, 31 Dec 2014	3.4	-69.2	-506.7	-12.1		-584.6
Carrying amount, 31 Dec 2014	6.4	180.7	267.9	4.7	43.2	502.8

13. Finance leases

EUR million	Buildings	Machinery and equipment
Accumulated cost, 1 Jan 2013	7.7	4.4
Decrease/Increase	-	-0.7
Accum. depreciation	-6.4	-3.5
Carrying amount, 31 Dec 2013	1.3	0.2
Accumulated cost, 1 Jan 2014	7.7	4.4
Decrease/Increase	-	-4.3
Accum. depreciation	-6.9	0.0
Carrying amount, 31 Dec 2014	0.8	0.1

14. Intangible assets

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated cost, 1 Jan 2013	67.9	43.9	19.2	131.0
Increase		1.5	0.9	2.4
Acquisitions through business combinations	3.8			3.8
Decrease	0.0			0.0
Transfers between items		2.4		2.4
Other changes		0.3	0.3	0.6
Exchange differences	-1.8	0.0	-1.3	-3.1
Accumulated cost, 31 Dec 2013	69.8	48.1	19.2	137.1
Accum. Depreciation, 1 Jan 2013		-27.6	-9.1	-36.7
Depreciation for the period		-4.8	-1.7	-6.5
Decrease			0.0	0.0
Other changes		0.4		0.4
Exchange differences			0.3	0.3
Accum. Depreciation, 31 Dec 2013	-	-32.0	-10.5	-42.5
Carrying amount, 31 Dec 2013	69.8	16.1	8.6	94.6
Accumulated cost, 1 Jan 2014	**69.8**	**48.1**	**19.2**	**137.1**
Increase		**0.3**	**0.7**	**0.9**
Acquisitions through business combinations	**3.8**			**3.8**
Decrease			**-0.6**	**-0.6**
Transfers between items		**3.2**		**3.2**
Other changes	**0.4**	**0.0**		**0.4**
Exchange differences	**-0.8**	**-0.1**	**-3.5**	**-4.4**
Accumulated cost, 31 Dec 2014	**73.3**	**51.4**	**15.8**	**140.4**
Accum. Depreciation, 1 Jan 2014		**-32.0**	**-10.5**	**-42.5**
Depreciation for the period		**-6.8**	**-1.6**	**-8.4**
Decrease			**0.1**	**0.1**
Other changes		**2.0**		**2.0**
Exchange differences		**0.0**	**1.4**	**1.3**
Accum. Depreciation, 31 Dec 2014	**-**	**-36.8**	**-10.6**	**-47.4**
Carrying amount, 31 Dec 2014	**73.3**	**14.6**	**5.2**	**93.1**

Impairment tests for goodwill

Goodwill has been allocated to the Group's cash-generating units that have been defined according to the business organisation.

Allocation of goodwill

EUR million	
Passenger Car Tyres	**46.7**
Vianor	**26.6**
Total goodwill	**73.3**

The recoverable amount of a cash-generating unit is based on calculations of the value in use. The cash flow forecasts used in these calculations are based on five-year financial plans approved by the management. The estimated sales and production volumes are based on the current condition and scope of the existing assets. The key assumptions used in the plans include product selection, country-specific sales distribution, margin on products, and their past actual outcomes. Assumptions are also based on commonly used growth, demand and price forecasts provided by market research institutes.

The discount rate used is the weighted average cost of capital (WACC) before taxes defined for the Group. The calculation components are risk-free rate of return, market risk premium, industry-specific beta co-efficient, borrowing cost and the capital structure at market value at the time of testing. The discount rate used for Passenger Car Tyres is 7.9% (9.8% in 2013) and for Vianor is 7.2-11.8% (8.7-11.8% in 2013) varying through country locations. Future cash flows after the forecast period approved by the management have been capitalised as a terminal value using a steady 2% growth rate and discounted with the discount rate specified above.

The testing indicated no need to recognise impairment losses. In Vianor the calculations indicated that the recoverable amount exceeded the carrying value by EUR 43 million (EUR 28 million in 2013). Of the key assumptions, Vianor is the most sensitive to actual realisation of gross margin levels based on demand forecasts. A lag of mere 0.8%-units from the gross margin target levels in future years might lead to a need for impairment. The recoverable amount in Passenger Car Tyres significantly (well over 100%) exceeds the carrrying amount of the cash-generating unit, and small sales margin or sales volume changes have no effect on the impairment testing results. A possible impairment would require e.g. an annual decrease above 20% in net sales or a weakening of the present gross margin level permanently over 50%.

15. Carrying amounts and fair values of financial assets and liabilities

		2014				2013			
		Carrying amount	Fair value			Carrying amount	Fair value		
EUR million	Note		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial assets									
Financial assets at fair value through profit or loss									
Derivatives held for trading	(30)	**19.2**	-	**19.2**	-	5.3	-	5.3	-
Money market instruments	(21)	-	-	-	-	-	-	-	-
Loans and receivables									
Other non-current receivables	(17)	**10.0**	-	**7.0**	-	11.3	-	14.3	-
Trade and other receivables	(20)	**355.2**	-	**355.8**	-	408.3	-	407.7	-
Cash in hand and at bank	(21)	**439.9**	-	**439.9**	-	424.6	-	424.6	-
Available-for-sale financial assets									
Unquoted shares	(16)	**0.3**	-	-	**0.3**	0.3	-	-	0.3
Derivative financial instruments designated as hedges	(30)	**0.3**	-	**0.3**	-	0.1	-	0.1	-
Total financial assets		**824.9**	-	**822.2**	**0.3**	849.9	-	852.0	0.3
Financial liabilities									
Financial liabilities at fair value through profit or loss									
Derivatives held for trading	(30)	**13.8**	-	**13.8**	-	1.8	-	1.8	-
Financial liabilities measured at amortised cost									
Interest-bearing financial liabilities	(26)	**275.2**	-	**279.8**	-	368.2	-	375.8	-
Trade and other payables	(28)	**63.9**	-	**63.9**	-	65.8	-	65.8	-
Derivative financial instruments designated as hedges	(30)	**4.8**	-	**4.8**	-	2.9	-	2.9	-
Total financial liabilities		**357.7**	-	**362.3**	-	438.7	-	446.3	-

The carrying amount of financial assets corresponds to the maximum exposure to the credit risk on the reporting date.

Fair value measurements have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

All financial assets and liabilities at fair value 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.

Financial assets and liabilities not measured at fair value but for which the fair value can be measured are categorised in Level 2 and Level 3 in the fair value hierarchy. Level 2 includes loans and receivables and financial liabilities measured at amortised cost. Their fair values are based on the future cash flows that are discounted with market interest rates on the reporting date.

Level 3 includes unquoted shares for which the cost is assessed to represent the fair value.

There were no transfers between different levels during the financial year.

16. Investments in associates and available-for-sale financial assets

EUR million	Investments in associates	Unquoted shares
Accumulated cost, 1 Jan 2014	**0.1**	**0.3**
Decrease/Increase	**-**	**0.0**
Accumulated cost, 31 Dec 2014	**0.1**	**0.3**
Carrying amount, 31 Dec 2014	**0.1**	**0.3**
Carrying amount, 31 Dec 2013	0.1	0.3

17. Other non-current receivables

EUR million	2014	2013
Loan receivables	**10.0**	9.1
Finance lease receivables	**0.0**	2.2
Total	**10.0**	11.3

Maturing of finance lease receivables

EUR million	2014	2013
Finance lease receivables - gross invest		
In less than 1 year	**5.4**	0.4
In 1 to 5 years	**-**	4.8
In over 5 years	**-**	0.0
	5.4	5.1
Finance lease receivables - net invest		
In less than 1 year	**5.3**	0.4
In 1 to 5 years	**-**	4.5
In over 5 years	**-**	-
	5.3	4.8
Future finance lease income	**0.1**	0.3
Finance lease receivables	**5.3**	4.8

On 31 December 2014 the Group's finance lease receivables relating to Vianor outlets amounted to EUR 5.3 million (EUR 4.8 million in 2013). In 2014 the amount of contingent rents were EUR 0.0 million (EUR 0.0 million in 2013). The unguaranteed residual values to the benefit of the lessor is EUR 2.9 million (EUR 2.6 million in 2013).

18. Deferred tax assets and liabilities

EUR million	31 Dec 2012	Recognised in income statement	Recognised in other comprehen-sive income	Net exchange differences	Acquisitions/ disposals of subsidiaries	31 Dec 2013
Deferred tax assets						
Intercompany profit in inventory	14.1	-4.1				10.1
Provisions	0.3	-0.1				0.3
Tax losses carried forward	1.3	-1.1		0.0		0.2
Cash flow hedges	0.5		-0.3			0.2
Other items	5.0	4.1		0.0		9.1
Total	21.2	-1.1	-0.3	0.0		19.8
Deferred tax assets offset against deferred tax liabilities	-15.8	4.8				-11.0
Deferred tax assets	5.4	3.7	-0.3	0.0		8.8
Deferred tax liabilities						
Property, plant and equipment and intangible assets	24.6	-1.1		-0.8		22.8
Untaxed reserves	1.1	-0.4		0.0		0.7
Convertible bond	1.3	-1.0				0.3
Undistributed earnings in subsidiaries	22.9	-1.6				21.3
Other items	0.9	1.2		0.0	0.0	2.1
Total	50.7	-2.9	-	-0.8	0.0	47.1
Deferred tax liabilities offset against deferred tax assets	-15.8	4.8				-11.0
Deferred tax liabilities	34.9	1.9	-	-0.8	0.0	36.1

EUR million	31 Dec 2013	Recognised in income statement	Recognised in other comprehen-sive income	Net exchange differences	Acquisitions/ disposals of subsidiaries	**31 Dec 2014**
Deferred tax assets						
Intercompany profit in inventory	10.1	0.3				10.4
Provisions	0.3	0.0				0.3
Tax losses carried forward	0.2	-0.1				0.1
Cash flow hedges	0.2		0.4			0.6
Other items	9.1	0.7		0.0		9.8
Total	19.8	1.0	0.4	0.0		21.2
Deferred tax assets offset against deferred tax liabilities	-11.0	-1.1				-12.1
Deferred tax assets	8.8	-0.1	0.4	0.0		9.1
Deferred tax liabilities						
Property, plant and equipment and intangible assets	22.8	-4.3		-0.8		17.6
Untaxed reserves	0.7	0.0				0.7
Convertible bond	0.3	-0.2				0.1
Undistributed earnings in subsidiaries	21.3	-1.1				20.2
Other items	2.1	-1.9				0.2
Total	47.1	-7.5	-	-0.8	0.0	38.8
Deferred tax liabilities offset against deferred tax assets	-11.0	-1.1				-12.1
Deferred tax liabilities	36.1	-8.6	-	-0.8	0.0	26.7

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

On 31 December 2014 the Group had carry forward losses for EUR 3.5 million (EUR 3.0 million in 2013), on which no deferred tax asset was recognised. It is not probable that future taxable profit will be available to offset these losses before they expire by 2021.

The Group has utilised previously unrecognised tax losses from prior periods with EUR 0.9 million in 2014 (EUR 1.5 million in 2013).

No deferred tax liability was recognised on the undistributed earnings, EUR 51.0 million in 2014 (EUR 42.7 million in 2013), of foreign subsidiaries as the earnings have been invested permanently to the countries in question.

19. Inventories

EUR million	2014	2013
Raw materials and supplies	100.2	136.3
Work in progress	7.0	6.7
Finished goods	181.0	179.0
Total	288.3	322.1

Annually an additional expense is recognised in the carrying amounts of all separate inventory items to avoid them exceeding their maximum probable net realisable values. In 2014 EUR 0.9 million expense was recognised to decrease the carrying amount of the inventories to reflect the net realisable value (EUR 0.9 million in 2013).

20. Trade and other receivables

EUR million	2014	2013
Trade receivables	351.0	404.8
Loan receivables	4.2	3.5
Accrued revenues and deferred expenses	47.1	29.0
Derivative financial instruments		
Designated as hedges	0.0	0.0
Measured at fair value through profit or loss	4.2	5.1
Other receivables	38.1	61.1
Total	444.6	503.5

The carrying amount of trade and other receivables corresponds to the maximum exposure to the credit risk on the reporting date. The carrying amount of trade and other receivables is a reasonable approximation of their fair value.

The balance amount of recognised losses is EUR 21.6 million (EUR 30.4 million in 2013). The Group recognised expenses for losses on trade receivables worth EUR 8.8 million in 2014 (EUR 14.3 million in 2013).

Significant items under accrued revenues and deferred expenses

EUR million	2014	2013
Annual discounts, purchases	2.1	1.9
Financial items	25.8	13.7
Social payments	6.3	3.5
Insurances	0.4	0.6
Customs duties	0.0	3.1
Payments in transit	2.8	2.5
Other items	9.8	3.8
Total	47.1	29.0

Significant items under other receivables

EUR million	2014	2013
VAT receivables	36.8	57.8
Other items	1.2	3.3
Total	38.0	61.1

21. Cash and cash equivalents

EUR million	2014	2013
Cash in hand and at bank	439.9	424.6
Bank deposits	-	-
Money market instruments	-	-
Total	439.9	424.6

22. Equity

Reconciliation of the number of shares

EUR million	Number of shares (1,000 pcs)	Share capital	Share premium	Paid-up unrestricted equity reserve	Treasury shares	Total
1 Jan 2013	131,957	25.4	181.4	79.3	-	286.1
Exercised warrants	1,330	-	-	17.8	-	17.8
Acquisition of treasury shares	-	-	-	-	-	-
31 Dec 2013	133,287	25.4	181.4	97.1	-	303.9
1 Jan 2014	**133,287**	**25.4**	**181.4**	**97.1**	**-**	**303.9**
Exercised warrants	**184**	**-**	**-**	**2.5**	**-**	**2.5**
Acquisition of treasury shares	**-300**	**-**	**-**	**-**	**-8.6**	**-8.6**
Other changes	**-**	**-**	**-**	**0.7**	**-**	**0.7**
31 Dec 2014	**133,171**	**25.4**	**181.4**	**100.3**	**-8.6**	**298.5**

The nominal value of shares was abolished in 2008, hence no maximum share capital of the Group exists anymore. All outstanding shares have been paid for in full.

Below is a description of the reserves within equity:

Share premium
Before the nominal value of shares was abolished, the amount exceeding the nominal value of shares received by the company in connection with share issue and share subscription were recognised in share premius.

Translation reserve
Translation reserve includes the differences arising from the translation of the foreign subsidiaries' financial statements. The gains and losses from the net investments in foreign units and hedging those net investments are also included in translation reserve once the requirements of hedge accounting have been met.

Fair value and hedging reserves
The fair value and hedging reserves comprises of two sub-funds: the fair value reserves for available-for-sale financial assets, and the hedging fund for changes in the fair values of derivative instruments used for cash flow hedging.

Paid-up unrestricted equity reserve
After the nominal value of shares was abolished, the entire share subscription made by option rigts are entered in the paid-up unrestricted reserve.

Treasury shares
The Group or the Parent company themselves do not directly hold any treasury shares.

The Group has entered into an agreement with a third-party service provider concerning administration and hedging of the share-based incentive program for key personnel. As a part of this agreement, the service provider purchases and administers shares for hedging the underlying cash flow risk and implementing the program. The third party owns the shares until the shares are given to the participants within the program. Despite the legal form of the hedging arrangement, it has been accounted for as if the share purchases had been conducted directly by the Group. During the period, a total number of 300,000 shares was acquired. At the end of the period the total number of shares was 300,000, which corresponds 0.2 per cent of all shares of the Company.

Dividends
After the balance sheet date, the Board of Directors proposed that a dividend of EUR 1.45 per share be paid (EUR 1.45 in 2013).

Specification of the distributable funds
The distributable funds on 31 December 2014 total EUR 519.1 million (EUR 412.8 million on 31 December 2013) and are based on the balance of the Parent company and the Finnish legislation.

23. Share-based payments

Share option plans

Share option plan 2010 directed at personnel
The Annual General Meeting in 2010 decided to issue a share option plan, as a part of the Group's incentive scheme, to employees of the Group or persons recruited to the Group at a later stage. The Board issued the shares in spring 2010 (2010A warrants), 2011 (2010B warrants) and 2012 (2010C warrants).

The share options were granted to the personnel employed by or in the service of the Nokian Tyres Group and to Direnic Oy, a wholly owned subsidiary of Nokian Tyres. Should a share option holder cease to be employed by or in the service of the Nokian Tyres Group before the warrants become exercisable, for any other reason than the death of the employee, or the statutory retirement of the employee in compliance with the employment contract, or the retirement of the employee otherwise determined by the company, the holder shall without delay and compensation offer to Nokian Tyres or its order the share options for which the share subscription period under the terms and conditions had not begun at the last day of such holder's employment or service.

Share option plan 2013 directed at personnel
The Annual General Meeting in 2013 decided to issue a share option plan, as a part of the Group's incentive scheme, to employees of the Group or persons recruited to the Group at a later stage. The Board's intention is to issue shares in spring 2013 (2013A warrants), 2014 (2013B warrants) and 2015 (2013C warrants).

The share options are granted to the personnel employed by or in the service of the Nokian Tyres Group and to Direnic Oy, a wholly owned subsidiary of Nokian Tyres. Should a share option holder cease to be employed by or in the service of the Nokian Tyres Group before the warrants become exercisable, for any other reason than the death of the employee, or the statutory retirement of the employee in compliance with the employment contract, or the retirement of the employee otherwise determined by the company, the holder shall without delay and compensation offer to Nokian Tyres or its order the share options for which the share subscription period under the terms and conditions had not begun at the last day of such holder's employment or service.

The following tables present more specific information on the share option plans.

	2010 warrants			2013 warrants		
BASIC INFORMATION	2010A	2010B	2010C	2013A	2013B	Total
Annual General Meeting date	8 April 2010	8 April 2010	8 April 2010	11 April 2013	11 April 2013	
Initial amount of options, pcs	1,320,000	1,340,000	1,340,000	1,150,000	1,150,000	6,300,000
Shares to subscribe per option, pcs	1	1	1	1	1	
Initial exercise price, EUR	18.14	32.90	35.30	32.26	29.54	
Dividend adjustment	yes	yes	yes	yes	yes	
Current exercise price, EUR	-	28.80	32.40	30.81	29.54	
Initial allocation date	5 May 2010	5 May 2011	8 May 2012	29 April 2013	5 May 2014	
Vesting date	1 May 2012	1 May 2013	1 May 2014	1 May 2015	1 May 2016	
Expiration date	31 May 2014	31 May 2015	31 May 2016	31 May 2017	31 May 2018	
Maximum contractual life, years	4.1	4.1	4.1	4.1	4.1	4.1 *
Remaining contractual life, years	0,0	0.4	1.4	2.4	3.4	1.5 *
Participants at the end of period	expired	1,667	2,653	3,162	3,484	
Method of settlement	in equity					
Vesting condition	employment requirement until the vesting date					

* Weighted average

TRANSACTIONS DURING THE PERIOD	2010 warrants 2010A	2010B	2010C	2013 warrants 2013A	2013B	Exercise price, weighted average, €	Total
1 January 2014							
At the beginning of the period (pcs)							
outstanding	188,605	1,213,070	1,245,870	1,067,766	0	29.80	3,715,311
reserve	77,789	126,890	94,130	82,234	0	26.98	381,043
Changes during the period (pcs)							
Granted during the period	0	40,000	40,000	102,388	1,068,935	29.71	1,251,323
Forfeited during the period	0	0	16,480	47,630	16,750	30.87	80,860
Exercised during the period	153,918	160	0			13.41	154,078
Weighted average exercise price during the exercise period, €	13.96	29.53	0.00			23.85	
Weighted average share price during the excercise period, € *	30.59	26.75	24.95			24.16	
Expired during the period	112,476					13.39	112,476
31 December 2014							
At the end of the period (pcs)							
exercised	1,207,524	200	0			13.39	1,207,724
outstanding	0	1,252,910	1,269,390	1,122,524	1,052,185	30.42	4,697,009
vested & outstanding	0	1,252,910	1,269,390			30.61	2,522,300
reserve	0	86,890	70,610	27,476	97,815	30.15	282,791

* The weighted average price of the Nokian Tyres plc share during the period that the option in question was exercisable in 2014.

Measurement of fair value

The fair value of share options is determined with Black-Scholes option pricing model. The fair value of the options is determined at the grant date and recognised as expense in employee benefits until vesting. The decision date by the Board of Directors is the grant date.

Main assumptions for Black-Scholes model to options granted during the period	2010B	2010C	2013A	2013B
Share price at grant, EUR	24.82	24.82	27.61	26.45
Share price at reporting date, EUR	20.29	20.29	20.29	20.29
Exercise price, EUR	28.80	32.40	30.81	29.54
Expected volatility, % *		36.00	35.00	32.90
Option life, years	0.4	1.4	2.4	3.4
Risk-free interest rate, %		0.35	0.40	0.37
Expected dividends, EUR	0.00	0.00	0.00	0.00
Fair market value per option at grant, EUR	1.55	2.00	4.77	5.85
Total fair value 31 Dec 2014, EUR	0.0	0.0	0.0	0.0

* The determination of expected volatility was based on the historical volatility of the share using monthly observations over corresponding remaining option life.

EUR million	2014	2013
Impact on period profits and financial position		
Expense recognised for the period	**9.6**	13.2
Expense recognised for the period, equity-settled	**9.6**	13.2
Liability for cash-settlements on 31 December	-	-

Performance share plans

Performance share plan directed at key employees

In 2013 the Board approved a new share based incentive plan for the key employees of the Group. The plan is intended to combine the objectives of the shareholders and the key employees in order to increase the value of the Group, to commit the key employees to the Group, and to offer them a competitive incentive plan based on earning the Nokian Tyres's shares. The plan includes three earning periods, calendar years 2013, 2014 and 2015. The Board will decide on the performance criteria and their targets for the plan at the beginning of each earning period. The performance shares are granted to the key employees of the Nokian Tyres Group. In general no performance shares will be released, if the key employee's employment or service ends before the end of earning period. The performance shares may not be transferred during an approximately two-year restriction period established for the shares.

The following tables present more specific information on the performance share plans.

BASIC INFORMATION	Performance Share Plan 2013 Earning period 2013	2014	Total
Issuing date	5 February 2013	5 February 2013	
Annual General Meeting date	11 April 2013	11 April 2013	
Initial amount of shares, pcs	100,000	100,000	200,000
Dividend adjustment	no	no	
Initial allocation date	29 April 2013	6 May 2014	
Beginning of earning period	1 January 2013	1 January 2014	
End of earning period	31 December 2013	31 December 2014	
End of restriction period	31 December 2016	31 December 2017	
Vesting conditions	Net sales & operating profit	Net sales & operating profit	
Maximum contractual life, years	3.7	3.7	3.7 *
Remaining contractual life, years	2.0	3.0	3.0 *
Participants at the end of period	37	38	
Method of settlement	in equity & cash	in equity & cash	

* Weighted average

TRANSACTIONS DURING THE PERIOD	2013	2014	Total
1 January 2014			
At the beginning of the period (pcs), outstanding	90,700	0	90,700
Changes during the period (pcs)			
Granted during the period	0	93,200	93,200
Forfeited during the period	1,300	0	1,300
Expired during the period	89,400	0	89,400
31 December 2014			
At the end of the period (pcs), outstanding	0	93,200	93,200

Measurement of fair value

Inputs to the fair value determination of the performance shares expensed during the financial year 2014 are listed in the below table as weighted average values. The total fair value of the performance shares is based on the company's estimate on 31 December 2014 as to the number of shares to be eventually vesting.

Earning period 2014	
Share price at grant, EUR	**28.11**
Share price at reporting date, EUR	**20.29**
Expected dividends, EUR	**0.00**
Fair market value per share at grant, EUR	**24.11**
Total fair value 31 Dec 2014, EUR million	**1.9**

EUR million	2014	2013
Impact on period profits and financial position		
Expense for the period	**0.0**	0.0
Expense for the period, equity-settled	**0.0**	0.0
Liability for cash-settlements on 31 December	**0.0**	0.0

24. Pension liabilities

All material pension arrangements in the Group are defined contribution plans.

25. Provisions

EUR million	Warranty provision	Restructuring provision	Total
1 Jan 2014	3.2	0.1	3.3
Provisions made	2.9	0.1	3.0
Provisions used	-3.2	-0.1	-3.4
31 Dec 2014	2.8	0.1	2.9

EUR million	2014	2013
Non-current provisions	0.1	0.1
Current provisions	2.8	3.2

Warranty provision
The goods are sold with a normal warranty period. Additionally, a Hakka Guarantee warranty has been established in certain markets for certain products to compensate tyre damages not covered by the normal warranty, one year after the purchase and to a certain wear limit. Damaged goods will be repaired at the cost of the company or replaced with a corresponding product. The provisions are based on the sales and statistical compensation volumes of the tyres sold under these warranties. The warranty provisions are expected to be utilised within one year.

Restructuring provision
Due to the economic uncertainty, in 2011, 2012 and 2014 the annual production volume in Passenger Car Tyres and Heavy Tyres -units at the Nokia factory was adjusted to meet the reduced order stock with lay-offs in various periods, personnel cuts and pension arrangements.

Out of the cost impacts of these adjustment measures EUR 0.7 million have been expensed in 2011 and 2012 and EUR 0.0 million in 2014. The still unrealised estimated costs of the liability components for the probable continued allowances to the dismissed, collected by the Unemployment Insurance Fund in due course, have been recorded both as current and non-current provisions. The remaining provision is expected to be utilised evenly between years 2015–2017.

26. Interest-bearing financial liabilities

EUR million	2014	2013
Non-current		
Loans from financial institutions and pension loans	124.5	35.3
Bond loans	149.6	149.5
Finance lease liabilities	0.5	1.0
	274.7	185.8
Current		
Commercial papers	-	-
Convertible bond loans	-	179.8
Current portion of non-current loans from financial institutions and pension loans	-	2.0
Current portion of finance lease liabilities	0.6	0.7
	0.6	182.4

Interest-bearing financial liabilities by currency

EUR million	2014	2013
Currency		
EUR	253.1	332.9
RUB	22.1	35.3
Total	275.2	368.2

Effective interest rates for interest-bearing financial liabilities

EUR million	2014 Without hedges	2014 With hedges
Loans from financial institutions and pension loans	3.0%	3.5%
Bond loans	3.4%	3.4%
Convertible bond loans	-	-
Finance lease liabilities	7.2%	7.2%
Commercial papers	-	-
Total	3.2%	3.4%

EUR million	2013 Without hedges	2013 With hedges
Loans from financial institutions and pension loans	7.3%	7.3%
Bond loans	3.4%	3.4%
Convertible bond loans	5.6%	5.6%
Finance lease liabilities	7.1%	7.1%
Commercial papers	-	-
Total	4.7%	4.7%

See note 15 for the fair values of the interest-bearing financial liabilities.

27. Maturing of finance lease liabilities

EUR million	2014	2013
Minimum lease payments		
In less than 1 year	0.6	0.8
In 1 to 5 years	0.5	1.1
In over 5 years	0.0	0.0
	1.2	1.8
Present value of minimum lease payments		
In less than 1 year	0.6	0.8
In 1 to 5 years	0.5	1.0
In over 5 years	0.0	0.0
	1.2	1.8
Future finance charges	0.0	0.0
Total of minimum lease payments	1.2	1.8

On 31 December 2014 the Group's finance leases relating to warehouses, machinery and equipment amounted to EUR 0.9 million (EUR 1.5 million 31 December 2013) and they were included in property, plant and equipment. In 2014 the amount of contingent lease payments were EUR +0.1 million (EUR +0.1 million in 2013). 89% of the finance lease payments are bound to the three-month Euribor rate.

28. Trade and other payables

EUR million	2014	2013
Trade payables	63.9	65.8
Accrued expenses and deferred revenues	57.6	60.9
Advance payments	5.4	3.8
Derivative financial instruments		
Designated as hedges	2.0	2.0
Measured at fair value through profit or loss	18.6	1.7
Other liabilities	112.5	121.0
Total	259.9	255.2

The carrying amount of trade and other payables is a reasonable approximation of their fair value.

Other liabilities contain EUR 66,0 million for tax reassessment decisions on years 2007–2010.

Significant items under accrued expenses and deferred revenues

EUR million	2014	2013
Wages, salaries and social security contributions	24.6	26.9
Annual discounts, sales	24.9	15.3
Financial items	3.2	0.7
Commissions	1.3	1.3
Goods received and not invoiced	0.7	1.0
Other items	2.8	15.7
Total	57.6	60.9

29. Financial risk management

The objective of financial risk management is to protect the Group's planned profit development from adverse movements in financial markets. The principles and targets of financial risk management are defined in the Group's financial policy, which is updated and approved by the Board. Financing activities and financial risk management are centralized to the parent company Group Treasury, which enters into financing and hedging transactions with external counterparties and acts as a primary counterparty to business units in financing activities, like funding, foreign exchange transactions and cash management. The Group Credit Committee is responsible for the credit policy and makes the credit decisions that have a significant impact on the credit exposure.

Foreign currency risk

The Nokian Tyres Group consists of the parent company in Finland, separate sales companies in Russia, Sweden, Norway, the USA, Canada, Czech Republic, Switzerland, Ukraine, Kazakhstan, Belarus and China, the tyre chain companies in Finland, Sweden, Norway, Russia, Switzerland and the USA, and the tyre plants located in Nokia, Finland and Vsevolozhsk, Russia.

Transaction risk

According to the Group's financial policy, transactions between the parent company and the Group companies are primarily carried out in the local currency of the Group company in question and therefore transaction risk is carried by the parent company and there is no significant currency risk in the foreign Group companies. Exceptions to this main rule are the Group companies which have non-home currency items due to the nature of the business activities. In that case transactions between the parent company and the Group company are carried out in a currency suitable for the Group currency exposure. The parent company manages transaction risk in these Group companies and implements required hedging transactions for hedging the currency exposure of the Group company according to the Group hedging principles. Hedging principles are not applied to the currency exposure of Ukrainian and Belarusian subsidiaries. Transactions between Ukrainian subsidiary and the parent company are carried out in EUR and Belarusian subsidiary and the parent company in RUB as UAH and BYR are non-convertible currencies.

The open foreign currency exposure of the parent company and the Group companies with non-home currency items comprises of the foreign currency denominated receivables and payables in the statement of financial position and the foreign currency denominated binding purchase and sales contracts (transaction exposure). For risk management purposes, estimated currency cash flows are added to the open foreign currency exposure so that the overall foreign currency risk exposure horizon covers the next 12 months (budget exposure). According to the Group's financial policy the significant transaction exposure in every currency pair is hedged, although 20% over-hedging or under-hedging is allowed if a +/- 10% change in the exchange rate does not create over EUR 1 million impact on the income statement. However, a simultaneous +/- 10% change in all the Group exposure currencies against EUR must not create over a EUR 5 million impact on the income statement. Exceptions to the main rule are non-convertible currencies, which do not have active hedging market available. The budget exposure is hedged according to the market situation and the hedge ratio can be 70% of the budget exposure at maximum. As hedging instruments, currency forwards, currency options and cross-currency swaps are used.

Transaction risk EUR million	31 Dec 2014								31 Dec 2013							
Functional currency	EUR	EUR	EUR	EUR	EUR	CZK	UAH	RUB	EUR	EUR	EUR	EUR	EUR	CZK	UAH	RUB
Foreign currency	KZT	NOK	RUB	SEK	USD	EUR	EUR	EUR	KZT	NOK	RUB	SEK	USD	EUR	EUR	EUR
Trade receivables	0.0	14.3	18.7	20.6	19.7	75.9	0.4	65.6	0.1	14.5	31.8	24.9	13.5	103.0	0.2	69.6
Loans and receivables	0.0	27.0	108.2	51.7	3.2	18.5	0.1	0.0	24.6	27.9	167.4	51.2	1.7	2.2	0.1	0.0
Total currency income	0.0	41.2	126.9	72.3	22.9	94.4	0.5	65.6	24.8	42.3	199.1	76.1	15.1	105.2	0.3	69.6
Trade payables	0.0	0.0	-0.1	0.0	-0.5	-38.8	-3.6	-2.7	0.0	0.0	-0.1	0.0	-0.4	-54.2	-5.1	-1.8
Borrowings	0.0	-23.4	-30.4	0.0	-31.3	-66.5	-4.3	-60.0	0.0	-22.1	-90.5	0.0	-27.2	-59.4	-23.3	-64.0
Total currency expenditure	0.0	-23.4	-30.5	0.0	-31.8	-105.3	-7.9	-62.7	0.0	-22.1	-90.6	0.0	-27.6	-113.6	-28.4	-65.8
Foreign exchange derivatives	0.0	-17.7	-99.5	-71.9	7.6	7.0	0.0	0.0	-21.8	-19.1	-99.3	-71.1	8.8	8.0	0.0	0.0
Binding sales contracts	0.0	1.9	0.9	2.3	0.7	27.2	0.0	0.0	0.0	2.2	0.3	2.1	0.8	29.5	0.0	0.0
Binding purchase contracts	0.0	0.0	0.0	0.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0	0.0	0.0	0.0
Future interest items	2.2	0.6	8.9	0.6	0.0	-0.5	-0.1	-0.6	0.7	0.7	10.3	0.9	0.0	-0.2	-0.1	-1.2
Net exposure	2.2	2.6	6.8	3.4	-1.4	23.3	-7.5	2.9	3.7	4.1	19.8	8.0	-3.9	29.1	-28.2	3.8

Translation risk

In financial statements the statements of financial position of the foreign subsidiaries are translated into euro using the European Central Bank's closing rates and the impacts of the exchange rate fluctuations from the foreign net investments are recorded as translation differences in other comprehensive income. Following the Group's financial policy, the main foreign net investments can be hedged with non-current currency loans and currency forwards. In general the hedge ratio varies between 50 and 75% of the reported equity. However, the hedge ratio relating to the Russian subsidiaries may be as low as 25% based on the Board decision. The foreign net investments are monitored quarterly. In 2014 the Group has not hedged its investments in significant foreign Group companies. Group's total comprehensive income was negatively affected by translation differences on foreign operations by EUR 202.1 million.

Translation risk	**31 Dec 2014**			31 Dec 2013		
EUR million	Net investment	Hedge	Hedge ratio	Net investment	Hedge	Hedge ratio
Currency of net investment						
NOK	**26.9**	**0.0**	**0%**	25.5	0.0	0%
RUB	**374.3**	**0.0**	**0%**	627.7	0.0	0%
SEK	**15.4**	**0.0**	**0%**	16.3	0.0	0%
USD	**89.5**	**0.0**	**0%**	76.7	0.0	0%

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the base currency against the quote currency, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of financial assets and liabilities and the Group's equity due to changes in the fair value of hedges of net investments in foreign operations. The simultaneous and opposite impact of the translation difference of the net investment is not taken into account in the table. A reasonably possible change is assumed to be a 10% base currency appreciation or depreciation against the quote currency. A change of a different magnitude can also be estimated fairly accurately because the sensitivity is nearly linear.

	31 Dec 2014				31 Dec 2013			
	Base currency				Base currency			
	10% stronger		10% weaker		10% stronger		10% weaker	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Base currency/Quote currency								
EUR/CZK	**-0.4**	**0.0**	**0.4**	**0.0**	0.0	0.0	0.0	0.0
EUR/KZT	**0.0**	**0.0**	**0.0**	**0.0**	-0.4	0.0	0.4	0.0
EUR/NOK	**0.0**	**0.0**	**0.0**	**0.0**	-0.1	0.0	0.1	0.0
EUR/RUB	**0.6**	**0.0**	**-0.6**	**0.0**	-8.0	0.0	6.8	0.0
EUR/SEK	**-0.1**	**0.0**	**0.1**	**0.0**	-0.6	0.0	0.6	0.0
EUR/UAH	**-0.7**	**0.0**	**0.7**	**0.0**	-2.8	0.0	2.8	0.0
EUR/USD	**0.1**	**0.0**	**-0.1**	**0.0**	0.4	0.0	-0.4	0.0

Interest rate risk

The interest rate risk of the Group consists mainly of borrowing, which is split between floating and fixed rate instruments. On the reporting date the floating rate interest-bearing financial liabilities amounted to EUR 125.5 million (EUR 38.8 million in 2013) and the fixed rate interest-bearing liabilities EUR 149.7 million (EUR 329.4 million in 2013). The Group's policy aims to have at least 50% of the non-current financial liabilities in fixed rate instruments. Interest rate risk is managed by using interest rate derivatives. On the reporting date the portion of the non-current fixed rate interest-bearing financial liabilities was 54% (80% in 2013) and the average fixing period of the interest-bearing financial liabilities was 20 months (18 months in 2013) including the interest rate derivatives. The Group uses interest rate derivatives as cash flow hedges and hedge accounting is mainly applied for those derivatives.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings and interest rate hedges measured at fair value through profit or loss and the Group's equity due to changes in the fair value of cash flow hedges. A reasonably possible change is assumed to be a 1%-point increase or decrease of the market interest rates. A change of a different magnitude can also be estimated fairly accurately because the sensitivity is nearly linear.

	31 Dec 2014				31 Dec 2013			
	Interest rate				Interest rate			
	1%-point higher		1%-point lower		1%-point higher		1%-point lower	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Impact of interest rate change	**0.3**	**4.4**	**-0.3**	**-4.4**	0.3	0.0	0.1	0.0

Electricity price risk

The Group purchases electricity in Finland at market price from the Nordic electricity exchange and this leads to an electricity price exposure. Annually around 100 GWh of electricity is procured. According to the procurement policy electricity purchases are hedged with electricity derivatives within the limits set by the pre-defined hedge ratios for the coming five year period. On the reporting date the electricity derivatives amounted to 250 GWh (290 GWh in 2013).

Sensitivity analysis for electricity price risk

The following table demonstrates the sensitivity to a reasonably possible change in electricity price, with all other variables held constant, of the Group's profit before tax and equity due to changes in the fair value of the electricity derivatives. A reasonably possible change is assumed to be a 5 EUR/MWh increase or decrease of the electricity market prices. A change of a different magnitude can also be estimated fairly accurately because the sensitivity is nearly linear.

	31 Dec 2014				31 Dec 2013			
	Electricity price				Electricity price			
	5 EUR/MWh higher		5 EUR/MWh lower		5 EUR/MWh higher		5 EUR/MWh lower	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Impact of electricity price change	**0.4**	**0.9**	**-0.4**	**-0.9**	0.8	0.4	-0.8	-0.4

Liquidity and funding risk

In accordance with the Group's financial policy, the Group Treasury is responsible for maintaining the Group's liquidity, efficient cash management and sufficient sources of funding. The committed credit limits cover all funding needs, like outstanding commercial papers, other current loans, working capital changes arising from operative business and investments.

Refinancing risk is reduced by split maturity structure of loans and credit limits. As a back-up liquidity reserve the Group has a EUR 100 million multicurrency revolving credit facility up to 2016 and its arrangement fee is recorded under financial expenses over the contract period. The Group has a EUR 350 million domestic commercial paper program. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, subsidiaries in distribution chains and thus to control the typical seasonality in the Group's cash flows. A EUR 150 million convertible loan, which was traded on the Euro MTF market of Luxembourg, was repaid in June 2014.A EUR 150 million five-year domestic bond is due in 2017. The bond carries an annual coupon of 3.25% and an effective yield of 3.30%.

The Group reports the main financial covenants to creditors quarterly. If the Group does not satisfy the requirements set in financial covenants, creditor may demand accelerated repayment of the credits. In 2014 the Group has met all the requirements set in the financial covenants. Financial covenants are mainly linked to equity ratio. Management monitors regularly that the covenant requirements are met. Agreements relating to financing contain terms and conditions upon which the agreement may terminate, if control in the company changes as a result of a public tender offer.

On the reporting date the Group's liquidity in cash and cash equivalents was EUR 439.9 million (EUR 424.6 million in 2013). At the end of the year the Group's available current credit limits were EUR 356.5 million (EUR 356.6 million in 2013), out of which the committed limits were EUR 5.7 million (EUR 5.8 million in 2013). The available committed non-current credits amounted to EUR 250.0 million (EUR 300.0 million in 2013).

The Group's interest-bearing financial liabilities totalled EUR 275.2 million, compared to the year before figure of EUR 368.2 million. Around 92% of the interest-bearing financial liabilities were in EUR. The average interest rate of interest-bearing financial liabilities was 3.4%. Current interest-bearing financial liabilities, including the portion of non-current financial liabilities maturing within the next 12 months, amounted to EUR 0.6 million (EUR 182.4 million in 2013).

Contractual maturities of financial liabilities

	2014							
		Contractual maturities*						
EUR million	Carrying amount	2015	2016	2017	2018	2019	2020–	Total
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Floating rate loans	124.5	-3.8	-24.5	-0.9	-0.9	-102.8	0.0	-132.9
Convertible bond loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond loans	149.6	-4.9	-4.9	-154.9	0.0	0.0	0.0	-164.6
Commercial papers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finance lease liabilities	1.1	-0.6	-0.5	0.0	0.0	0.0	0.0	-1.2
Trade and other payables	63.9	-63.9	0.0	0.0	0.0	0.0	0.0	-63.9
Bank overdraft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial liabilities								
Interest rate derivatives								
Designated as hedges	2.2	-0.6	-0.6	-0.5	-0.4	-0.1	0.0	-2.2
Measured at fair value through profit or loss	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1
Foreign currency derivatives								
Designated as hedges								
Cashflow out	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cashflow in	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Measured at fair value through profit or loss								
Cashflow out	13.7	-342.2	-36.3	-35.8	-3.3	-37.4	0.0	-454.9
Cashflow in	-19.2	325.4	32.1	32.1	1.1	48.6	0.0	439.3
Electricity derivatives								
Designated as hedges	2.3	-1.0	-0.6	-0.4	-0.3	0.0	0.0	-2.3
Total	338.2	-91.6	-35.3	-160.4	-3.8	-91.7	0.0	-382.8

* The figures are undiscounted and include both the finance charges and the repayments.

Contractual maturities of financial liabilities

EUR million	2013							
		Contractual maturities*						
	Carrying amount	2014	2015	2016	2017	2018	2019–	Total
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Floating rate loans	37.3	-4.7	-2.7	-36.4	0.0	0.0	0.0	-43.8
Convertible bond loans	179.8	-184.5	0.0	0.0	0.0	0.0	0.0	-184.5
Bond loans	149.5	-4.9	-4.9	-4.9	-154.9	0.0	0.0	-169.5
Commercial papers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finance lease liabilities	1.7	-0.8	-0.6	-0.5	0.0	0.0	0.0	-1.9
Trade and other payables	65.8	-65.8	0.0	0.0	0.0	0.0	0.0	-65.8
Bank overdraft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial liabilities								
Interest rate derivatives								
Designated as hedges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Measured at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign currency derivatives								
Designated as hedges								
Cashflow out	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cashflow in	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Measured at fair value through profit or loss								
Cashflow out	1.7	-489.9	-38.6	-38.6	-38.6	0.0	0.0	-605.6
Cashflow in	-5.2	488.7	37.8	37.9	38.0	0.0	0.0	602.4
Electricity derivatives								
Designated as hedges	2.8	-1.0	-0.7	-0.5	-0.3	-0.2	0.0	-2.8
Total	433.2	-263.0	-9.7	-42.9	-155.8	-0.2	0.0	-471.5

* The figures are undiscounted and include both the finance charges and the repayments.

Credit Risk

The Group is exposed to credit risk from customers' trade receivables and also from deposits and derivative transactions with different banks and financial institutions.

The principles of customers' credit risk management are documented in the Group's credit risk policy. The Group Credit Committee makes all the significant credit decisions. Credit analysis and payment history collected by credit information companies are used for evaluating credit worthiness. The credit status of the customers is reviewed at the Group companies regularly according to the Group credit risk policy principles. In addition, the country risk is monitored constantly and credits are limited in countries where political or economical environment is unstable. Bank guarantees, documentary credits and specific payment terms are used in controlling the credit risk in trade receivables. Payment programs, which customer is committed to, are always agreed upon for past due receivables. Significant items of trade receivables are evaluated both counterparty specifically and in a portfolio level in order to identify possible impairment. There are no over 15% customer or country risk concentrations in trade receivables, other than the Russian customers' share of about 33% (about 36% in 2013) on the reporting date.

The credit risk in financial transactions is controlled by doing business only with banks and financial institutions with high credit ratings. In investments the Group's placements are current and funds are invested only in solid domestic listed companies or public institutions. The Board approves credit risk limits for banks and financial institutions annually.

The aging of trade receivables

EUR million	2014	2013
Not past due	281.2	291.8
Past due less than 30 days	52.1	80.8
Past due between 30 and 90 days	4.3	3.8
Past due more than 90 days	13.4	28.4
Total	351.0	404.8

Capital management

The Group's objective of managing capital is to secure with an efficient capital structure the Group's access to capital markets at all times despite of the seasonal nature of the business. The Group monitors its capital structure on the basis of Net debt to EBITDA ratio and Equity ratio. Equity ratio has to be at least at the level of 30% in accordance with the financial covenants. Equity ratio is calculated as a ratio of total equity to total assets excluding advances received.

Net debt / EBITDA

EUR million	2014	2013
Average interest-bearing liabilities	339.0	414.9
Less: Average liquid funds	236.5	236.3
Average net debt	102.5	178.6
Operating profit	308.7	385.5
Add: Depreciations and amortisations	89.8	93.5
EBITDA	398.5	479.0
Average net debt / EBITDA	0.26	0.37

Equity ratio

EUR million	2014	2013
Equity attributable to equity holders of the parent	1,208.5	1,392.5
Add: Non-controlling interest	0.0	0.2
Total equity	1,208.5	1,392.8
Total assets	1,797.0	2,062.9
Less: Advances received	5.4	3.1
Adjusted total assets	1,791.6	2,059.8
Equity ratio	67.5%	67.6%

30. Fair values of derivative financial instruments

EUR million	2014 Notional amount	2014 Fair value Assets	2014 Fair value Liabilities	2013 Notional amount	2013 Fair value Assets	2013 Fair value Liabilities
Derivatives measured at fair value through profit or loss						
Foreign currency derivatives						
Currency forwards	**303.8**	**4.2**	**13.5**	225.8	2.7	0.8
Currency options, purchased	**-**	**-**	**-**	110.3	2.4	-
Currency options, written	**-**	**-**	**-**	110.3	-	0.9
Interest rate and currency swaps	**67.5**	**15.1**	**0.2**	20.0	0.1	-
Interest rate derivatives						
Interest rate swaps	**0.0**	**0.0**	**0.1**	0.0	0.1	0.2
Derivatives designated as cash flow hedges						
Interest rate derivatives						
Interest rate swaps	**100.0**	**0.3**	**2.5**	-	-	-
Electricity derivatives						
Electricity forwards	**10.0**	**0.0**	**2.3**	12.3	0.1	2.9

Derivatives are maturing within the next 12 months excluding the interest rate and currency swaps, interest rate swaps and electricity forwards.

The fair value of forward exchange contracts is measured using the forward rates on the reporting date. The fair value of currency options is calculated using an option valuation model.

The fair values of interest rate and currency swaps and interest rate derivatives are determined as the present value of the future cash flows based on market interest rates on the reporting date.

The fair value of electricity derivatives is based on quoted market prices in active markets on the reporting date.

31. Operating lease commitments

EUR million	2014	2013
The Group as a lessee		
Non-cancellable minimum operating lease payments		
In less than 1 year	**18.3**	18.1
In 1 to 5 years	**33.2**	41.1
In over 5 years	**2.4**	4.2
	53.9	63.3

The Group leases office and warehouse spaces and retail outlets under various non-cancellable operating leases. The terms of the leases vary from few years to 15 years. The most significat agreements from the financial reporting point of view are Vianor retail outlets and warehouses located at Nokia that the Group acquired in the end of year 2013. The rents of these warehouses were bound to the three-month Euribor rate and agreements included purchase options.

The income statement in 2014 contains EUR 33.0 million expenses for operating lease agreements (EUR 33.8 million in 2013).

The Group as a lessor

Vianor has conventional lease contracts for truck tyre frames and treads with short lease periods. These do not involve options for purchase nor lease period extentions.

The leasing income is not material.

32. Contingent liabilities and assets and contractual commitments

EUR million	2014	2013
For own debt		
Mortgages	1.0	1.1
Pledged assets	4.7	0.2
Other own commitments		
Guarantees	4.6	3.3
Contractual commitments	2.0	2.0

33. Disputes, litigations and risks in the near future

The Finnish Tax Administration has made tax reassessments on the Group transfer pricing concerning years 2007–2012 demanding in excess of EUR 110 million of additional taxes with punitive tax increases and interests. The Company has recorded the total amounts in full in the financial statements and the results of years 2013 and 2014. Nokian Tyres considers the decisions to be incorrect and has appealled against them by leaving claims for rectification to the Board of Adjustment. If necessary, the Company will continue the appeal processes in the Administrative Court. The Company will also, if needed, start a process with the competent authorities to negotiate for the elimination of the double taxation. Additionally the Company has initiated a separate process to determine the legality of the procedures used in the tax audit by Tax Administration and tax inspectors in its enitirety. The disputes are expected to last for several years.

The Group has no other pending disputes and litigations expexcted to have material effect on the consolidated financial statements.

Russia and CIS consolidated sales formed 26% of the group's total sales in 2014. Due to the oil price levelling off, high interest rates, slow investments, and the prolonged Ukraine crisis, the growth in Russia is expected to be weak in 2015, with GDP growth estimated currently from -3% to -8%. Roughly 80% of present Nokian production volume of car tyres is in Russia. So far trade barriers by USA and the EU against Russia have to date had little to no effect on Nokian Tyres' operations in Russia. The indirect effects have gradually emerged in the form of weaker consumer purchasing power, and the product mix shifting to cheaper products in Russia and Ukraine. An escalation or prolongation of the Ukrainian crisis and additional trade barriers may have further negative effects on the company's sales and results. All in all the economic uncertainties may further weaken future demand for tyres and increase credit risk.

34. Related party transactions

Parent and Group company relations:

	Domicile	Country	Group holding%	Voting rights%	Parent company holding%
Parent company					
Nokian Tyres plc	Nokia	Finland			
Group companies					
Nokian Heavy Tyres Ltd.	Nokia	Finland	100	100	100
Nokian Däck AB		Sweden	100	100	100
Nokian Dekk AS		Norway	100	100	100
Nokian Reifen GmbH		Germany	100	100	100
Nokian Reifen AG		Switzerland	100	100	100
Nokian Tyres S.A.R.L.		Luxembourg	100	100	100
Nokian Tyres US Holdings Inc.		USA	100	100	100
Nokian Tyres US Finance Oy	Nokia	Finland	100	100	
Nokian Tyres Inc.		USA	100	100	
Nokian Tyres Canada Inc.		Canada	100	100	100
Nokian Tyres s.r.o.		Czech Rep.	100	100	100
TOV Nokian Shina		Ukraine	100	100	100
TOO Nokian Tyres		Kazakhstan	100	100	100
OOO Nokian Shina	Vsevolozhsk	Russia	100	100	100
TAA Nokian Shina Belarus		Belarus	100	100	99
Nokian Renkaat Holding Oy	Nokia	Finland	100	100	99
OOO Nokian Tyres	Vsevolozhsk	Russia	100	100	
OOO Hakkapeliitta Village	Vsevolozhsk	Russia	100	100	
Nokian Tyres Trading (Shanghai) Co Ltd		China	100	100	
NT Tyre Machinery Oy	Nokia	Finland	100	100	100
Direnic Oy	Nokia	Finland	100	100	100
Hakka Invest Oy	Nokia	Finland	100	100	100
OOO Hakka Invest	Vsevolozhsk	Russia	100	100	
Koy Nokian Nosturikatu 18	Nokia	Finland	100	100	100
Koy Nokian Rengaskatu 4	Nokia	Finland	100	100	100
Nokianvirran Energia Oy	Nokia	Suomi	32.3	32.3	32.3
Vianor Holding Oy	Nokia	Finland	100	100	100
Vianor Oy	Lappeenranta	Finland	100	100	
Vianor Russia Holding Oy	Nokia	Finland	100	100	
OOO Vianor SPb	St. Petersburg	Russia	100	100	
Posiber Oy	Nokia	Finland	100	100	
Vianor AB		Sweden	100	100	
Nordicwheels AB		Sweden	100	100	
Vianor AS		Norway	100	100	
Vianor AG		Switzerland	100	100	
Vianor Inc.		USA	100	100	
Associated companies					
Sammaliston Sauna Oy	Nokia	Finland	33	33	33

Not combined due to the company characteristics and minor significance.

Nokianvirran Energia Oy is a joint operation with three parties that supplies production steam for the tyre plant in Nokia. The parties share control according to a specific Mankala-principle where the company is not intended to make profit while the parties have agreed to utilize the total output. The company is accounted for as a Group company.using the proportionate consolidation method on each row according to the 32.3% shareholding.

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

Transactions and outstanding balances with parties having significant influence

1,000 euros	2014	2013
Key management personnel		
Employee benefit expenses		
Short-term employee benefits	3,570.1	3,023.5
Post-employment benefits	920.5	1,441.4
Termination benefits	-	-
Share-based payments	2,673.4	3,612.1
Total	7,164.1	8,077.0
Remunerations		
Kim Gran, President 1 January – 30 September 2014 (also a member of the Board of Directors)	645.4	751.7
of which incentives for the reported period	75.5	104.0
of which incentive correction for the previous period	1.0	-11.7
Ari Lehtoranta, President 1 October – 31 December 2014	267.6	-
of which incentives for the reported period	100.0	-
Members of the Board of Directors		
Petteri Walldén	86.6	84.8
Kim Gran	10.6	-
Hille Korhonen	46.6	44.8
Raimo Lind	34.8	-
Inka Mero	34.8	-
Risto Murto	46.0	46.6
Hannu Penttilä	46.6	46.0
Prior members of the Board of Directors		
Aleksey Vlasov	10.0	43.0
Benoit Raulin	-	10.0
Total	316.0	275.2
No incentives were paid to the members of the Board of Directors.		
Other key management personnel	2,273.3	1,996.1
of which incentives	294.5	199.4

No special pension commitments have been granted to the members of the Board of Directors and no statutory pension expense incurs. In 2014 the statutory pension expense for President Gran was EUR 119 thousand and the expense for supplementary pension plan was EUR 818 thousand.

In 2014 the statutory pension expense for President Lehtoranta was EUR 49 thousand and the expense for supplementary pension plan was EUR 33 thousand. The agreed plan retirement age is 63 years. The annual account deposits for the pension capital redemption contract have been pledged to guarantee the recognized pension plan commitment. The contract is a defined contribution plan.

The Group has a loan receivable of EUR 87 thousand (EUR 278 thousand on 31 December 2013) from a VP in the other key management personnel of the company. No interest is charged and no collateral has been placed on the loan. The remaining loan balance will be paid back in March 2015. No other loans, guarantees or collaterals have been granted to the related parties.

In 2014 the Presidents and other key management personnel were granted a total of 361,740 share options and 67,500 performance shares (in 2013 a total of 260,200 share options and 69,400 performance shares). The terms for performance share plan for the key management personnel and share option plans are equal to the plan terms directed at other personnel. On 31 December 2014 the key management personnel held 67,500 performance shares and 1,248,940 share options, with 737,500 exercisable (on 31 December 2013 63,700 performance shares and 894,700 share options, with 325,000 exercisable).

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

35. Events after the reporting date

No events have occurred after the reporting date affecting the financial statements significantly.

Parent Company Income Statement, FAS

EUR million | 1.1.–31.12.	Notes	2014	2013
Net sales	(1)	671.6	653.1
Cost of sales	(2)(3)	-576.6	-578.6
Gross profit		95.0	74.5
Selling and marketing expenses	(2)(3)	-28.1	-26.7
Administration expenses	(2)(3)(4)	-16.1	-16.8
Other operating expenses	(2)(3)	-18.0	-15.3
Other operating income		0.4	0.3
Operating profit		33.2	16.1
Financial income and expenses	(5)	285.7	213.4
Profit before extraordinary items		318.9	229.5
Extraordinary income and expenses	(6)	0.0	-6.1
Profit before appropriations and tax		318.9	223.4
Change in accumulated depreciation in excess of plan	(7)	-0.4	8.5
Income tax	(8)	-13.2	-92.4
Profit for the period		305.3	139.5

Parent Company Balance Sheet, FAS

EUR million | 31.12.	Notes	2014	2013
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	(9)	13.6	14.3
Tangible assets	(9)	120.8	117.8
Shares in Group companies	(10)	132.0	131.3
Investments in associates	(10)	1.2	0.1
Shares in other companies	(10)	0.2	0.2
Total non-current assets		267.8	263.7
Current assets			
Inventories	(11)	121.9	137.8
Non-current receivables	(12)	312.9	281.9
Current receivables	(13)	353.1	440.0
Cash and cash equivalents		418.2	401.5
Total current assets		1,206.1	1,261.1
		1,473.9	1,524.8
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	(14)		
Share capital		25.4	25.4
Share premium		182.5	182.5
Treasury shares		-8.2	-
Paid up unrestricted equity fund		99.6	97.1
Retained earnings		122.3	176.2
Profit for the period		305.3	139.5
Total shareholders' equity		727.0	620.7
Untaxed reserves and provisions			
Accumulated depreciation in excess of plan	(9)	35.8	35.5
Liabilities			
Non-current liabilities	(15)	252.4	150.0
Current liabilities	(16)	458.6	718.7
Total liabilities		711.0	868.7
		1,473.9	1,524.8

EUR million | 1.1.–31.12.	2014	2013
Cash flows from operating activities:		
Cash receipts from sales	687.1	684.8
Cash paid for operating activities	-575.3	-656.0
Cash generated from operations	111.9	28.8
Interest paid	23.5	-23.0
Interest received	38.2	28.8
Dividends received	289.0	252.8
Income taxes paid	-41.7	-27.2
Cash flow before extraordinary items	421.0	260.1
Net cash from operating activities (A)	421.0	260.1
Cash flows from investing activities:		
Acquisitions of property, plant and equipment and intangible assets	-31.3	-11.4
Proceeds from sale of property, plant and equipment and intangible assets	4.4	0.3
Other investments	-1.1	-
Acquisition of Group companies	-0.7	-3.5
Net cash used in investing activities (B)	-28.7	-14.6
Cash flows from financing activities:		
Proceeds from issue of share capital	2.5	17.8
Purchase of treasury shares	-8.6	-
Change in current financial receivables	66.8	112.8
Change in non-current financial receivables	-88.7	-224.4
Change in financial current borrowings	-249.8	62.3
Change in financial non-current borrowings	101.6	-10.9
Group contributions paid	-6.1	-6.6
Dividends paid	-193.3	-191.9
Net cash used financing activities (C)	-375.5	-240.9
Net increase in cash and cash equivalents (A+B+C)	-16.7	-4.6
Cash and cash equivalents at the beginning of the period	401.5	406.1
Cash and cash equivalents at the end of the period	418.2	401.5
	16.7	-4.6

Accounting policies for the parent company

General

The financial statements of Nokian Tyres plc, domiciled in the city of Nokia, have been prepared according to the Finnish Accounting Standards (FAS).

Inventory valuation

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in - first out (FIFO) basis. In addition to the direct costs, an appropriate proportion of production overheads is included in the value of finished goods.

Fixed assets and depreciation

Fixed assets are stated in the balance sheets at cost less depreciation according to plan. The accumulated difference between the total depreciation charged to the income statement and depreciation according to plan is shown as a separate item in untaxed reserves.

Depreciations according to plan are calculated on the basis of the estimated useful life of the assets using the straight line method.

The depreciation times are as follows:

Intangible assets............ 3–10 years
Buildings............ 20–40 years
Machinery and equipment............ 4–20 years
Other tangible assets............ 10–40 years

Land property, as well as investments in shares, are not regularly depreciated.

Research and development

Research and development costs are charged to the other operating expenses in the income statement in the year in which they are incurred. Certain significant development costs with useful life over three years are capitalised and are amortised on a systematic basis over their expected useful lives. The amortisation period is between three and five years.

Pensions and coverage of pension liabilities

Pension contributions are based on periodic actuarial calculations and are charged to the income statement.

In Finland the pension schemes are funded through payments to a pension insurance company.

Equity

The acquisition cost of treasury shares repurchased by the Group is recognised as a deduction in equity. The consideration received for the treasury shares when sold, net of transaction costs and tax, is included in equity.

Foreign currency items

Transactions in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. At the end of the accounting period unsettled balances on foreign currency transactions and forward exchange contracts are valued at the rates published by the European Central Bank as on the financial statement date.

All foreign currency exchange gains and losses are entered under financial income and expenses.

Direct taxes

The income statement includes direct taxes based on the taxable profit and the change in deferred tax arising from temporary differences. The untaxed reserves are shown in full in the balance sheet, and the deferred tax liability is not recorded.

The deferred tax liability and assets are recorded as separate items and are based on the prevailing corporate tax rate.

1. Net sales by segments and market areas

EUR million	2014	2013
Passenger Car Tyres	**532.5**	519.0
Heavy Tyres	**139.1**	132.7
Other	**0.0**	1.4
Total	**671.6**	653.1
Finland	**132.7**	130.6
Other Nordic countries	**161.9**	170.7
Baltic countries and Russia	**51.6**	50.0
Other European countries	**216.5**	214.4
North America	**95.3**	73.7
Other countries	**13.6**	13.6
Total	**671.6**	653.1

2. Wages, salaries and social expenses

EUR million	2014	2013
Wages and salaries	**43.9**	40.7
Pension contributions	**9.0**	8.6
Other social expenses	**3.0**	2.6
Total	**55.9**	51.9
Remuneration of the members of the Board of the Directors and the President on accrual basis	**1.2**	1.0
of which incentives	**0.2**	0.1

No special pension commitments have been granted to the members of the Board. The agreed retirement age of the President is 63 years. See also Notes to Consolidated Financial Statements, note 34 Related party transactions.

Personnel, average during the year		
Production	**609**	624
Selling and marketing	**68**	74
Others	**192**	183
Total	**869**	881

3. Depreciation

EUR million	2014	2013
Depreciation according to plan by asset category		
Intangible assets	**4.1**	4.7
Buildings	**1.9**	1.9
Machinery and equipment	**19.5**	20.1
Other tangible assets	**0.0**	0.0
Total	**25.5**	26.7
Depreciation by function		
Production	**19.8**	20.6
Selling and marketing	**0.2**	0.3
Administration	**4.0**	4.5
Other operating depreciation	**1.5**	1.3
Total	**25.5**	26.7

4. Auditors' fees

EUR million	2014	2013
Authorised public accountants KPMG Oy Ab		
Auditing	**0.1**	0.1
Tax consulting	**0.2**	0.1
Other services	**0.1**	0.1
Total	**0.4**	0.3

5. Financial income and expenses

EUR million	2014	2013
Dividend income		
From the Group companies	**289.0**	252.8
From others	**0.0**	0.0
Total	**289.0**	252.8
Interest income, non-current		
From the Group companies	**16.8**	3.3
From others	**0.0**	0.1
Total	**16.8**	3.3
Other interest and financial income		
From the Group companies	**13.7**	25.6
From others	**1.3**	0.3
Total	**15.0**	26.0
Exchange rate differences (net)	**-22.7**	-31.7
Interest and other financial expenses		
To the Group companies	**-2.6**	-3.7
To others	**-10.4**	-9.3
Other financial expenses	**0.6**	-23.9
Total	**-12.4**	-37.0
Total financial income and expenses	**285.7**	213.4

Other financial expenses in 2014 include EUR 1.6 million penalty interests related to additional taxes (EUR 20.2 million in 2013)

6. Extraordinary items

EUR million	2014	2013
Extraordinary expenses, granted group contributions	**0.0**	-6.1
Total	**0.0**	-6.1

7. Appropriations

EUR million	2014	2013
Change in accumulated depreciation in excess of plan		
Intangible assets	0.2	0.6
Buildings	-0.2	-0.2
Machinery and equipment	0.3	8.1
Other tangible assets	0.1	0.0
Total	0.4	8.5

8. Income tax

EUR million	2014	2013
Direct tax for the year	-13.1	-12.3
Direct tax from previous years	-0.1	-80.1
Change in deferred tax	0.0	0.0
Total	-13.2	-92.4

9. Fixed assets

	Intangible assets		**Tangible assets**				
EUR million	Intangible rights	Other intangible rights	Land property	Buildings	Machinery and equipment	Other tangible assets	Advances and fixed assets under construction
Accumulated cost, 1 Jan 2014	44.6	3.3	0.7	67.6	360.9	3.7	7.4
Increase	0.2				27.1		15.1
Decrease	0.0				-16.9		
Transfer between items	3.2			0.1	12.8	0.0	-16.1
Accumulated cost, 31 Dec 2014	48.0	3.3	0.7	67.7	383.9	3.8	6.4
Accum. depr. acc. to plan 1 Jan 2014	-31.1	-2.5		-27.5	-291.5	-3.5	
Accum. depr. on disposals	0.0				2.3		
Depreciations for the period	-3.9	-0.2		-1.9	-19.5	0.0	
Accum. depr. acc.to plan , 31 Dec 2014	-35.0	-2.7		-29.5	-308.6	-3.5	
Carrying amount, 31 Dec 2014	12.9	0.7	0.7	38.3	75.2	0.2	6.4
Carrying amount, 31 Dec 2013	13.5	0.9	0.7	40.1	69.4	0.2	7.4
Accum. depreciation in excess of plan, 31 Dec 2014	2.2	0.1	-	17.8	16.2	-0.4	
Accum. depreciation in excess of plan, 31 Dec 2013	2.0	0.1	-	18.0	15.9	-0.5	

10. Investments

EUR million	Shares in Group companies	Investments in associates	Shares in other companies
Accumulated cost, 1 Jan 2014	131.3	0.1	0.2
Decrease	-	-	0.0
Increase	0.7	1.1	-
Accumulated cost, 31 Dec 2014	132.0	1.2	0.2
Carrying amount, 31 Dec 2014	132.0	1.2	0.2
Carrying amount, 31 Dec 2013	131.3	0.1	0.2

11. Inventories

EUR million	2014	2013
Raw materials and supplies	61.0	79.7
Work in progress	3.4	2.4
Finished goods	57.5	55.7
Total	121.9	137.8

12. Non-current receivables

EUR million	2014	2013
Loan receivables from the Group companies	292.9	281.7
Loan receivables from others	20.1	0.2
Total long-term receivables	312.9	281.9

The members of the Board of Directors and the President have not been granted loans.

13. Current receivables

EUR million	2014	2013
Receivables from the Group companies		
Trade receivables	121.6	136.4
Loan receivables	160.1	227.6
Accrued revenues and deferred expenses	23.4	18.6
Total	305.1	382.6
Trade receivables	26.9	27.8
Other receivables	4.4	6.8
Accrued revenues and deferred expenses	16.7	22.8
Total	48.0	57.4
Total short-term receivables	353.1	440.0
Significant items under accrued revenues and deferred expenses		
Financial items	12.0	9.8
Taxes	2.8	13.1
Social payments	5.4	3.0
Capital expenditure in Russian factory	7.9	6.8
Goods and services rendered and not invoiced, subsidiary	11.1	6.0
Other items	0.9	2.7
Total	40.0	41.4

14. Shareholders' equity

EUR million	2014	2013
Restricted shareholders' equity		
Share capital, 1 Jan	25.4	25.4
Emissions	-	-
Share capital, 31 Dec	25.4	25.4
Share issue premium, 1 Jan	182.5	182.5
Emission gains	-	-
Share issue premium, 31 Dec	182.5	182.5
Total restricted shareholders' equity	207.9	207.9
Non-restricted shareholders' equity		
Paid-up unrestricted equity reserve, 1 Jan	97.1	79.3
Emission gains	2.5	17.8
Paid-up unrestricted equity reserve, 31 Dec	99.6	97.1
Retained earnings, 1 Jan	315.7	368.0
Dividends to shareholders	-193.3	-191.9
Retained earnings, 31 Dec	122.3	176.2
Treasury shares	-8.2	-
Profit for the period	305.3	139.5
Total non-restricted shareholders' equity	519.1	412.8
Total shareholders' equity	727.0	620.7
Specification of the distributable funds, 31 Dec		
Retained earnings	122.3	176.2
Omat osakkeet	-8.2	-
Paid-up unrestricted equity reserve	99.6	97.1
Profit for the period	305.3	139.5
Distributable funds, 31 Dec	519.1	412.8

The Group or the Parent company themselves do not directly hold any treasury shares.

The Company has entered into an agreement with a third-party service provider concerning administration and hedging of the share-based incentive program for key personnel. As part of this agreement, the service provider purchases and administers shares for hedging the underlying cash flow risk and implementing the program. The third party owns the shares until the shares are given to the participants within the program. Despite the legal form of the hedging arrangement, it has been accounted for as if the share purchases had been conducted directly by the Company. During the period, a total number of 300,000 shares was acquired. At the end of the period the total number of shares held was 300,000, which corresponds 0.2% of all shares of the Company.

15. Non-current liabilities

EUR million	2014	2013
Interest-bearing		
Bonds	**150.0**	150.0
Loans from financial institutions	**102.4**	0.0
Pension premium loans	**0.0**	0.0
Total non-current liabilities	**252.4**	150.0
Bonds	**150.0**	150.0

The notional amount of the bond due in 2017 is EUR 150 million and the annually payable coupon is 3.25%.

16. Current liabilities

EUR million	2014	2013
Interest-bearing		
Liabilities to the Group companies		
Finance loans	**244.1**	309.5
Commercial papers	**-**	-
Convertible bond loans	**-**	181.9
Loans from financial institutions	**-**	1.8
Pension premium loans	**-**	0.0
Total	**-**	183.7
Total interest-bearing liabilities	**244.1**	493.3
Non-interest-bearing		
Liabilities to the Group companies		
Trade payables	**65.0**	58.7
Accrued expenses and deferred revenues	**0.5**	9.2
Total	**65.5**	67.9
Trade payables	**25.6**	29.0
Liabilities to the others	**68.1**	103.2
Accrued expenses and deferred revenues	**55.2**	25.3
Total	**148.9**	157.5
Total non-interest-bearing liabilities	**214.5**	225.4
Total current liabilities	**458.6**	718.7

Other liabilities contain EUR 66.0 million for tax reassessment decisions on years 2007–2010 (2013: EUR 100.3 million). The change has been set off with Company's other tax refunds by the Finnish Tax Administration.

EUR million	2014	2013
Significant items under accrued expenses and deferred revenues		
Wages and salaries	**10.0**	8.8
Annual discounts, sales	**8.7**	7.4
Taxes	**5.6**	0.0
Financial items	**23.7**	4.0
Commissions	**2.4**	2.3
Goods received and not invoiced	**0.4**	1.4
Warranty commitments	**0.8**	0.7
Goods and services received and not invoiced, subsidiary	**0.6**	0.2
Group contributions	**0.0**	6.1
Other items	**3.6**	3.7
Total	**55.8**	34.5

17. Contingent liabilities

EUR million	2014	2013
For own debt		
Pledged assets	0.0	-
On behalf of Group companies and investments in associates		
Guarantees	50.2	59.2
The amount of debts and commitments mortgaged for total EUR 47.7 million (2013: EUR 56.6 million).		
On behalf of other companies		
Guarantees	0.2	0.2
Other own commitments		
Guarantees	9.7	8.0
Leasing and rent commitments		
Payments due in 2015/2014	3.7	4.7
Payments due in subsequent years	6.4	9.7

18. Derivative financial instruments

EUR million	2014	2013
Interest rate derivatives		
Interest rate swaps		
Notional amount	100.0	0.0
Fair value	-2.3	0.0
Foreign currency derivatives		
Currency forwards		
Notional amount	408.7	318.7
Fair value	-9.0	1.7
Currency options, purchased		
Notional amount	-	110.3
Fair value	-	2.4
Currency options, written		
Notional amount	-	110.3
Fair value	-	-0.9
Interest rate and currency swaps		
Notional amount	67.5	20.0
Fair value	14.9	0.1
Electricity derivatives		
Electricity forwards		
Notional amount	10.0	12.3
Fair value	-2.3	-2.8

The fair value of forward exchange contracts is measured using the forward rates on the reporting date. The fair value of currency options is calculated using an option valuation model.

The fair value of interest rate derivatives is determined as the present value of the future cash flows based on market interest rates on the reporting date.

The fair value of electricity derivatives is based on quoted market prices in active markets on the reporting date.

19. Environmental commitments and expenses

Expenses relating to environment are included to production costs. The company has duly attended to environmental commitments and has no information on material environmental liabilities.

In addition to the environmental aspects presented in the Annual Report, Nokian Tyres issued a Corporate Social Responsibility Report in summer 2014.

Share capital and shares

Nokian Tyres' share was quoted on the main list of the NASDAQ Helsinki Oy (Helsinki Stock Exchange until 2007) for the first time on June 1, 1995. The company has one class of shares, each share entitling the holder to one vote at the Annual General Meeting and carrying equal rights to dividend. On December 31, 2014, the number of shares entitled to dividend was 133,470,833.

Share price development and trading volume in 2014

At the end of 2014, the price of Nokian Tyres' share was EUR 20.29, showing a decrease of 41.8% on the previous year's closing price of EUR 34.87. At its highest, Nokian Tyres' share was quoted at EUR 36.19 in 2014 (EUR 38.72 in 2013) and EUR 18.82 (EUR 29.85) at its lowest. During the year, a total of 216,446,904 (127,823,377) Nokian Tyres' shares were traded on the NASDAQ Helsinki Oy. At the end of the year, the market capitalization of the share capital was EUR 2,708,123,202 (EUR 4,647,721,038).

On December 31, 2014, the number of shares was 133,470,833.

Dividend policy

The dividend policy adopted by the company's Board of Directors is to propose to the Annual General Meeting a dividend that reflects the company's profit development. In the past five years (2009–2013), dividends paid to shareholders have represented approximately 70% of the year's net profit. The company plans to continue to distribute at least 35% of net profits in dividends.

Board authorizations

The Annual General Meeting on April 12, 2012 authorized the Board of Directors to make a decision to offer no more than 25,000,000 shares through a share issue, or by granting special rights under chapter 10 section 1 of the Finnish Companies Act that entitle to shares (including convertible bonds) on one or more occasions. The Board may decide to issue new shares or shares held by the company. The maximum number of shares included in the authorization accounts for approximately 19% of the company's entire share capital.

The authorization includes the right to issue shares or special rights through private offering, in other words to deviate from the shareholders' pre-emptive right subject to provisions of the law.

Under the authorization, the Board of Directors is entitled to decide on the terms and conditions of a share issue, or the granting of special rights under chapter 10, section 1 of the Finnish Companies Act, including the recipients of shares or special rights entitling to shares, and the compensation to be paid. This authorization was given to be exercised for purposes determined by the Board of Directors.

The subscription price of new shares shall be recognized under paid-up unrestricted equity reserve. The consideration payable for Company's own shares shall be recognized under paid-up unrestricted equity reserve. The authorization is effective for five years from the decision made at the Annual General Meeting. This authorization invalidates all other Board authorizations regarding share issues and convertible bonds.

The Annual General Meeting of Shareholders on April 11, 2013 authorized the Board of Directors to resolve to repurchase a maximum of 300,000 shares in the Company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponds 0.2 per cent of all shares of the Company.

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

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

Stock options 2010 directed at personnel

The Annual General Meeting held on April 8, 2010 decided to issue stock options to the personnel of the Nokian Tyres Group and the wholly owned subsidiary of Nokian Tyres plc. A deviation was made from the shareholders' pre-emptive subscription right because the stock options are designed to be part of the Group's incentive and commitment program. The purpose of the stock options is to encourage the personnel to work on a long-term basis to increase shareholder value.

The number of stock options is 4,000,000. A total of 1,320,000 stock options will be marked with the symbol 2010A, 1,340,000 with the symbol 2010B, and 1,340,000 with the symbol 2010C. According to the original subscription terms, the stock options entitle the subscription of a maximum of 4,000,000 Nokian Tyres plc's new shares or existing shares held by the company. The Board's intention was to distribute the stock options in spring 2010 (2010A stock options), 2011 (2010B stock options), and 2012 (2010C stock options).

The original share subscription price for stock options 2010A was the average price of a Nokian Tyres plc share weighted by the share trading volume on NASDAQ Helsinki Oy between April 1 and April 30, 2010, i.e., EUR 18.14. For stock options 2010B, the original share subscription price is the average price of a Nokian Tyres plc share weighted by the share trading volume on NASDAQ Helsinki Oy between April 1 and April 30, 2011, i.e. EUR 32.90 and for stock options 2010C, the original share subscription price is the average price of a Nokian Tyres plc share weighted by the share trading volume on the NASDAQ Helsinki Oy between April 1 and April 30, 2012, i.e. EUR 35.30.

Should the company distribute dividends or similar assets from reserves of unrestricted equity, from the shares subscription price of the stock options shall be deducted the amount of the dividend or the amount of distributable unrestricted equity decided after the beginning of the period for determination of the share subscription price but before share subscription, as per the dividend record date or the record date of the repayment of equity. After April 8, 2014, the subscription price was EUR 13.39 for stock options 2010A, EUR 28.80 for stock options 2010B, and EUR 32.40 for stock options 2010C.

The share subscription period is

May 1, 2012 – May 31, 2014 for stock options 2010A
May 1, 2013 – May 31, 2015 for stock options 2010B
May 1, 2014 – May 31, 2016 for stock options 2010C.

As a result of the subscriptions with the 2010 stock options the number of shares may be increased by a maximum of 4,000,000 new shares. The share subscription price shall be credited to the paid-up unrestricted equity reserve. A share ownership plan shall be incorporated with the 2010 stock options, obliging the Group's senior management to acquire the Company's shares with a proportion of the income gained from the stock options.

Stock options 2013 directed at personnel

The Annual General Meeting held on April 11, 2013 decided to issue stock options to the personnel of the Nokian Tyres Group and the wholly owned subsidiary of Nokian Tyres plc. A deviation was made from the shareholders' pre-emptive subscription right because the stock options are designed to be part of the Group's incentive and commitment program. The purpose of the stock options is to encourage the personnel to work on a long-term basis to increase shareholder value.

The maximum total number of stock options issued will be 3,450,000 and they will be issued gratuitously. Of the stock options, 1,150,000 are marked with the symbol 2013A, 1,150,000 are marked with the symbol 2013B, and 1,150,000 are marked with the symbol 2013C. The stock options entitle their owners to subscribe for a maximum total of 3,450,000 new shares in the Company or existing shares held by the Company. The stock options now issued can be exchanged for shares constituting a maximum total of 2.5% of all of the Company's shares and votes of the shares, after the potential share subscription, if new shares are issued in the share subscription.

The share subscription price for stock option 2013A is the trade volume weighted average quotation of the Company's share on NASDAQ Helsinki Oy between January 1 and April 30, 2013 i.e. EUR 32.26, for stock option 2013B, the trade volume weighted average quotation of the share on NASDAQ Helsinki Oy between January 1 and April 30, 2014 i.e. EUR 29.54, and for stock option 2013C, the trade volume weighted average quotation of the share on NASDAQ Helsinki Oy between January 1 and April 30, 2015. The share subscription price will be credited to the reserve for invested unrestricted equity.

Should the company distribute dividends or similar assets from reserves of unrestricted equity, from the shares subscription price of the stock options shall be deducted the amount of the dividend or the amount of distributable unrestricted equity decided after the beginning of the period for determination of the share subscription price but before share subscription, as per the dividend record date or the record date of the repayment of equity. After April 8, 2014, the subscription price for stock options 2013A was EUR 30.81 and stock options 2013B was EUR 29.54.

The share subscription period is

May 1, 2015 – May 31, 2017 for stock options 2013A
May 1, 2016 – May 31, 2018 for stock options 2013B
May 1, 2017 – May 31, 2019 for stock options 2013C.

As a result of the subscriptions with the 2013 stock options the number of shares may be increased by a maximum of 3,450,000 new shares. The share subscription price shall be credited to the paid-up unrestricted equity reserve. A share ownership plan shall be incorporated with the 2013 stock options, obliging the Group's senior management to acquire the Company's shares with a proportion of the income gained from the stock options.

Stock options listed on the main list of NASDAQ Helsinki Oy

Nokian Tyres' 2010A stock options for the option scheme 2010 were listed on NASDAQ Helsinki Oy main list as of May 1, 2012. At their highest, the 2010A stock options were quoted at EUR 21.00 and at their lowest at EUR 13.00. The trade volume for the 2010A stock options on NASDAQ Helsinki Oy was 107,071 during the year.

Nokian Tyres' 2010B stock options for the option scheme 2010 were listed on NASDAQ Helsinki Oy main list as of May 1, 2013. At their highest, the 2010B stock options were quoted at EUR 6.89 and at their lowest at EUR 0.15. The trade volume for the 2010B stock options on NASDAQ Helsinki Oy was 598,219 during the year.

Nokian Tyres' 2010C stock options for the option scheme 2010 were listed on NASDAQ Helsinki Oy main list as of May 1, 2014. At their highest, the 2010C stock options were quoted at EUR 3.55 and at their lowest at EUR 0.85. The trade volume for the 2010C stock options on NASDAQ Helsinki Oy was 237,033 during the year.

Management shareholding

On December 31, 2014, Nokian Tyres' Board members and the President and CEO held a total of 33,794 Nokian Tyres' shares, a total of 260,000 Nokian Tyres' publicly traded stock options, and a total of 140,000 stock options that were not publicly traded in 2014. The shares and publicly traded stock options represent 0.2% of the total number of votes.

Convertible bond loan for Finnish and international institutional investors

On June 20, 2007, the Board of Directors of Nokian Tyres announced the issue of a convertible bond totaling EUR 130.4 million and maturing in 2014 and, on the basis of the authorization granted by the Annual General Meeting on April 3, 2007, issued bonds to institutional investors, deviating from the pre-emptive rights of the company's shareholders. The bonds were issued to finance investments in accordance with the company's investment strategy, to refinance existing financing facilities, and for general corporate purposes. The bonds were issued in principal amounts of EUR 100,000 and at 100% in their principal amount, and they will not bear interest during the loan period. The loan will be redeemed when it finally expires for an amount producing an annual yield of 3.0%, or for 123% of the loan principal, unless it has previously been converted, redeemed, purchased or cancelled.

On July 17, 2007, Nokian Tyres announced that Nomura International plc, the Joint Lead Manager of the Nokian Tyres plc's convertible bonds due 2014 offering, had fully exercised the EUR 19.6 million overallotment option granted to it by Nokian Tyres plc. Subsequent to the exercise of the over-allotment option, the total amount of the convertible bond is EUR 150 million.

The trading of the loan on the Euro MTF market of Luxembourg commenced on July 17, 2007. The company issued a Listing Document in Luxembourg concerning the listing of the loan (and its terms) on July 17, 2007. The new shares issued in conjunction with converting the loan will be listed on the NASDAQ Helsinki Oy.

The loan expired on June 27, 2014.

Eurobond

On June 12, 2012, Nokian Tyres plc issued a EUR 150 million five-year Eurobond under its 2012 established EUR 500 million Euro Domestic Note Issuance Program (MTN). The bond is listed in NASDAQ Helsinki Oy and it carries an annual coupon of 3.25%. The bond issue was oversubscribed with a total order book of approximately EUR 224 million with more than 40 investors participating. The proceeds of the offering will be used for general corporate and refinancing purposes. Danske Bank A/S acted as bookrunner for the transaction.

Share identification

ISIN code....................FI0009005318
Trading code....................NRE1V
Currency....................Euro

Changes in the ownership of nominee-registered shareholders in 2014

December 23, 2014

Nokian Tyres received a notification from Sprucegrove Investment Management Ltd. on December 22, 2014, according to which the total holding of Sprucegrove Investment Management Ltd. in Nokian Tyres plc exceeded 5% and is now 5.04% as a result of a share transaction concluded on December 19, 2014.

July 25, 2014

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

May 16, 2014

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

February 20, 2014

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

Number of shares on 31 Dec. 2014

Number of shares	Number of shareholders	Percentage of shares	Number of shares	% of shares
1–100	19,928	39.7	1,129,120	0.8
101–500	19,949	39.8	5,314,127	4.0
501–1,000	5,141	10.3	4,016,890	3.0
1,001–5,000	4,337	8.6	9,218,822	6.9
5,001–10,000	458	0.9	3,341,684	2.5
10,001–50,000	254	0.5	5,211,680	3.9
50,001–100,000	32	0.1	2,244,161	1.7
100,001–500,000	29	0.1	7,520,878	5.6
500,001–	14	0.0	95,473,471	71.5
Total	**50,142**	**100.0**	**133,470,833**	**100.0**

Major shareholders on 31 Dec. 2014

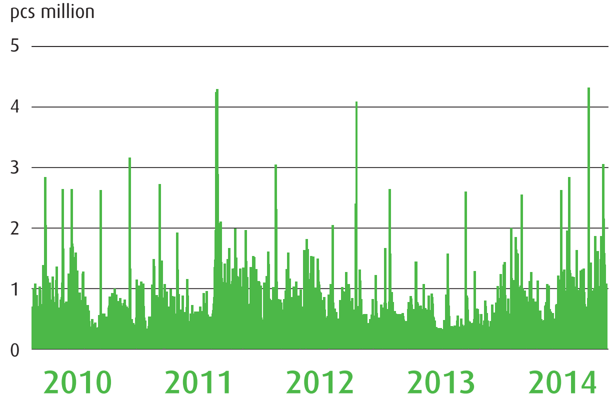
Major Domestic Shareholders	Number of shares	% of shares
Varma Mutual Pension Insurance Company	9,000,000	6.7
Ilmarinen Mutual Pension Insurance Company	3,148,947	2.4
Elo Pension Company	1,450,000	1.1
Mandatum Life Insurance Company Limited	1,286,546	1.0
Odin Norden	1,077,511	0.8
The State Pension Fund	900,000	0.7
Svenska litteratursällskapet i Finland r.f.	857,200	0.6
Schweizer Nationalbank	667,403	0.5
Nordea Allemansfond Alfa	651,597	0.5
Kaleva Mutual Insurance Company	448,348	0.3
Major Shareholders total	**19,487,552**	**14.6**
Foreign Shareholders [1]	81,219,152	60.9
Bridgestone Corporation [2]	20,000,000	15.0

[1] Includes also shares registered in the name of a nominee
[2] In the name of a nominee.

Breakdown by shareholder category on 31 Dec. 2014

	Number of shares	% of shares
Nominee registered and non-Finnish holders	81,219,152	60.9
Households	21,844,299	16.4
General Government	15,503,273	11.6
Financial and insurance corporations	5,336,648	4.0
Non-profit institutions	4,719,777	3.5
Corporations	4,847,684	3.6
Total	**133,470,833**	**100.0**

Nokian Tyres' share trading volumes on NASDAQ Helsinki 1 Jan. 2010 – 31 Dec. 2014



Nokian Tyres' share price development 1 Jan. 2010 – 31 Dec. 2014

Signatures for the financial statements and the report by the Board of Directors

Nokia, 5 February 2015

Petteri Walldén

Kim Gran

Hille Korhonen

Raimo Lind

Inka Mero

Risto Murto

Hannu Penttilä

Auditor's report

To the Annual General Meeting of Nokian Tyres plc
We have audited the accounting records, the financial statements,the report of the Board of Directors, and the administration of Nokian Tyres plc for the year ended December 31, 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal contro relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors
In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions
We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 26 February 2015
KPMG OY AB

Jari Härmälä
Authorized Public Accountant

Corporate Governance Statement

Nokian Tyres plc (hereinafter "the company") complies with the rules and regulations of its Articles of Association and the Finnish Companies Act, as well as those published by NASDAQ Helsinki Oy ("The Helsinki Stock Exchange") concerning listed companies. The company also complies with the Finnish Corporate Governance Code 2010 approved by the Securities Market Association that became effective October 1, 2010. The code document is available on the Internet at http://cgfinland.fi/en/.

The company's corporate governance is based on the entity comprised of the Annual General Meeting, the Board of Directors, the President and the Group Management Team, the above-mentioned laws and regulations, and the Group's policies, instructions and practices. The company's Board of Directors has accepted the report concerning corporate governance. According to the company's auditors, the report and the related descriptions of internal reporting controls and risk management are in compliance with the actual reporting process.

Annual General Meeting

The highest decision-making power in the company is held by the Annual General Meeting, whose tasks and procedures are outlined in the Limited Liabilities Companies Act and the company's Articles of Association. The Annual General Meeting decides on such matters as the confirmation of the company's annual accounts, profit distribution, and discharging the Board of Directors and the President from liability. The Annual General Meeting elects the members of the Board of Directors and auditors and determines their fees. In addition, the Annual General Meeting can make decisions concerning for example amendments to the Articles of Association, share issues, granting warrants, and acquisition of the company's own shares.

An extraordinary general meeting is summoned whenever the Board considers this to be necessary or if an auditor or a group of shareholders with a holding of a total of at least one-tenth of the entire stock requires it in writing in order to address a certain issue.

The Annual General Meeting is held by the end of May of each year on a date determined by the Board of Directors, either at the company's registered place of business or in the city of Tampere or Helsinki.

The Articles of Association state that the invitation to the Annual General Meeting must be published in one daily newspaper distributed nationwide and one distributed in the Tampere region. In addition, the company publishes the invitation to the Annual General Meeting as a stock exchange release and on its website.

The Annual General Meeting for 2014 took place on April 8, 2014 in the Tampere Hall, Tampere. The meeting confirmed the consolidated financial statements and discharged the Board members and the President from liability for the fiscal year 2013. All documents related to the Annual General Meeting are available on the Internet at www.nokiantyres.com/company/investors/.

Shareholder's rights

According to the law, shareholders are entitled to subject matters belonging to the Annual General Meeting's scope of power to be addressed at the meeting. This requires that the shareholder submits the requirement to the Board of Directors in writing, far enough in advance so that the matter can be added to the agenda on the invitation.

Shareholders registered in the company's shareholder register by the date specified on the invitation to the Annual General Meeting, 8 days before the meeting (the record date), are entitled to attend the Annual General Meeting. Shareholders can also authorize a proxy to act on their behalf in the Annual General Meeting. Owners of administratively registered shares can be temporarily added to the shareholder register in order to make them eligible to attend the Annual General Meeting.

In the Annual General Meeting, shareholders are entitled to use the entire amount of votes they own on the record date. Shareholders have the right to present questions regarding issues on the General Annual Meeting's agenda. In addition, shareholders are entitled to suggest draft resolutions concerning matters belonging to the scope of power of the Annual General Meeting and included on its agenda.

Board of Directors

The Board is responsible for corporate governance and the appropriate conduct of ordinary activities. The Board holds the general juridical power in company-related issues that do not belong to the scope of power of other corporate governance bodies as stipulated in applicable laws and the Articles of Association. The policies and key tasks of the Board are defined in the Limited Liability Companies Act, the Articles of Association, and the Board's working order. The key tasks include:

- Consolidated financial statements and interim reports
- Proposals to the Annual General Meeting
- Appointing and dismissing the President and CEO
- Organization of financial control.

In addition, the Board deals with, and decides on, matters of principle, as well as issues that carry financial and business significance, such as:

- Group and profit centre strategies
- The Group's action, budget, and investment plans
- The Group's risk management and reporting procedures
- Decisions concerning the structure and organization of the Group
- Significant individual investments, acquisitions, divestments, and reorganizations
- The Group's insurance and financing policies
- Reward and incentive scheme for Group management
- Appointing Board committees
- Monitoring and evaluating the actions of the President.

The company has a separate Audit Committee and a Nomination and Remuneration Committee.

Nokian Tyres' President and CEO is in charge of ensuring that the Board members have necessary and sufficient information on the company's operations.

The Board assesses its activities and operating methods by carrying out a self-evaluation once a year.

Composition of the Board

The Board of Directors shall comprise such a number of members and feature such a composition that it is capable of efficiently carrying out its tasks. The elected Board members must be qualified for the task and able to allocate enough time for the Board duties.

According to the Articles of Association of Nokian Tyres, the Board of Directors comprises no fewer than three and no more than eight members. Members of the Board are elected at the Annual General Meeting. The Board members' term of office terminates at the end of the first Annual General Meeting following the elections.

Remunerations payable to Board members are confirmed at the Annual General Meeting. The Board of Directors appoints a chairman from among its members at the first constituent meeting following the Annual General Meeting. The chairman presides until the end of the following Annual General Meeting. The Board meetings usually take place in Helsinki. The Board visits yearly the main units of the group and holds its meetings at these locations. When necessary, telephone conferences can also be arranged. The Vice President responsible for finance and control and other Group Management Team members as well as internal auditor participate in the Board meetings when necessary. The auditor participates in the annual meeting dealing with financial statements and auditing plan. The Group General Counsel is the secretary of the Board.

The Board met 8 times in 2014, with an attendance as follows:

Petteri Walldén, Chairman	8/8	100%
Kim Gran	7/8	88%
Hille Korhonen	8/8	100%
Raimo Lind (starting April 8, 2014)	6/6	100%
Inka Mero (starting April 8, 2014)	6/6	100%
Risto Murto	8/8	100%
Hannu Penttilä	8/8	100%
Aleksey Vlasov (until April 8, 2014)	0/2	0%

In 2014 the company's Board comprised the following members:

Petteri Walldén, Chairman (b. 1948)
Member of the Board since 2005. Chairman of the Nomination and Remuniration Committee.
Education: Master of Science (Engineering).
Key experience: President and CEO: 2007–2010 Alteams Oy, 2001–2005 Onninen Oy, 1996–2001 Ensto Oy, 1990–1996 Nokia Kaapeli Oy and 1987–1990 Sako Oy
Key positions of trust: Vice Chairman of the Board: Tikkurila;
Member of the Board: Kuusakoski Group Oy, SE Mäkinen Logistics Oy, Staffpoing Holding Oy and Teleste Oyj
Fee per year: EUR 80,000 of which 1,394 pcs as share (EUR 39,984)
Meeting fee (EUR 600 per attended meeting): The Board meetings EUR 4,800, the Nomination and Remuneration Committee EUR 1,800.
Holding on 31 Dec. 2014: 15,737

Kim Gran (b. 1954)
Member of the Board since 2002.
Full-time position: President & CEO of Nokian Tyres until 30 September, 2014.
Education: Bachelor of Science in Economics.
Key experience: 2000–2014 President and CEO, Nokian Tyres plc, 1995–2000 Vice President, Nokian Tyres, Car and Van tyres; 1992–1995 Managing Director, Pechiney Cebal, Corby, UK; 1988–1995 Managing Director, Cebal-Printal, Devizes, UK; 1987–1988 Marketing Director, Printal Oy, Hanko, Finland; 1985–1987 Director, Gran-Transport Ltd, Turku, Finland; 1982–1985 Marketing Manager, A. Ahlström; 1980–1982 Purchasing Manager, A. Ahlström;
Key positions of trust: Chairman of the Board: Rubber Manufacturer's Association;
Vice Chairman of the Board: YIT plc; Member of the Board: Finnish-Russian Chamber of Commerce (FRCC), Ilmarinen and SSAB
Fee per year: EUR 21,312 of which 471 pcs as share (EUR 10,339)
Meeting fee (EUR 600 per attended meeting): The Board meetings EUR 600. Mr. Gran did not receive a separate fee for his Board work as the acting President and CEO (until 30 September 2014).
Holding on 31 Dec. 2014: 0
Stock options on 31 Dec. 2014: 2010B 90,000, 2010C 90,000 , 2013A 60,000 and 2013B 40

Hille Korhonen (b. 1961)
Member of the Board since 2006. Member of the Nomination and Remuneration Committee.
Full-time position: President and CEO, Alko Inc.
Education: Licentiate of Science (Tehcnology).
Key experience: 2008–2012 Fiskars Corporation, Vice President, Operations; 2003–2009 Iittala Group, Group Director, Operations; 1996–2003 Nokia Corporation, management duties for logistics; 1993–1996 Outokumpu Copper Plc, Manager, Logistics and Marketing Development
Key positions of trust: Member of the Board: Finnish Commerce and Lassila&Tikanoja
Member of the Supervisory Board: Ilmarinen Mutual Pension Insurance Company
Fee per year: EUR 46,600 of which 697 pcs as share (EUR 19,992)
Meeting fee (EUR 600 per attended meeting): The Board meetings EUR 4,800, the Nomination and Remuneration Committee EUR 1,800.
Holding on 31 Dec. 2014: 6,568

Raimo Lind (b. 1953)
Member of the Board since 2014. Chairman of the Audit Committee.
Education: Master of Science (Economics)
Key experience: Wärtsilä, Senior Executive Vice President and deputy to the CEO 2005–2013, CFO 1998–2013 Tamrock; Coal division president, Service division president, CFO 1992–1997 Scantrailer, Managing Director, 1990–1991 Wärtsilä, Service division, Vice president, Wärtsilä Singapore Ltd, MD, Diesel division, VP Group Controller 1976–1989
Key positions of trust: Chairman of the Board: Elisa Plc; Member of the Board: Capman Credit and HiQ AB
Fee per year: EUR 40,000 of which 697 pcs as share (EUR 19,992)
Meeting fee (EUR 600 per attended meeting): The Board meetings EUR 3,600, the Audit Committee EUR 1,200.
Holding on 31 Dec. 2014: 697

Inka Mero (b. 1976)
Member of the Board since 2014. Member of the Audit Committee
Full-time position: Co-Founder and Chairwoman, KoppiCatch Ltd
Education: Master of Economics
Key experience: 2008- Co-Founder and Chairwoman, KoppiCatch Oy; 2006–2008 CEO, Playforia Oy
2005–2006 Director, Nokia Plc; 2001–2005 VP Sales and Marketing, Digia Plc; 1996–2001 Investment Manager, Sonera Corporation
Key positions of trust: Chairman of the Board: IndoorAtlas Oy and KoppiCatch Oy
Member of the Board: Klevu Oy, Staffpoint Holding Oy and Startup-Sauna Foundation
Fee per year: EUR 40,000 of which 697 pcs as share (EUR 19,992)
Meeting fee (EUR 600 per attended meeting): The Board meetings EUR 3,600, the Audit Committee EUR 1,200
Holding on 31 Dec. 2014: 697

Risto Murto (b. 1963)
Member of the Board since 2012. Member of the Audit Committee.
Full-time position: CEO, Varma Mutual Pension Insurance Company
Education: Doctor of Science (Economics), Master of Science (Economics).
Key experience: Vice president, Varma Mutual Pension Insurance Company 2010-2013; Director, investments, Varma Mutual Pension Insurance Company 2006-2010; Managing Director, Opstock Ltd. 2000 – 2005; Head of Equities and Research, Opstock Ltd. 1997–2000
Key positions of trust: Vice Chairman of the Board: Kaleva Mutual Life Insurance, Oulu University and The Finnish Pension Alliance TELA
Member of the Board: Wärtsilä and Federation of Finnish Financial Services FFI
Fee per year: EUR 40,000 of which 697 pcs as share (EUR 19,992)
Meeting fee (EUR 600 per attended meeting): The Board meetings EUR 4,800, the Audit Committee EUR 1,200.
Holding on 31 Dec. 2014: 1,899

Hannu Penttilä (b. 1953)
Member of the Board since 1999. Member of the Nomination and Remuneration Committee
Education: Master of Laws.
Key experience: Stockmann plc: 2001–2014 Vice President Stockmann plc: 1994–2001 Executive Vice President; 1992–2001 Director, Department Store Division; 1986–1991 Director, Helsinki Department Store; 1985–1986 Manager, Tapiola Department Store; 1978–1984 Company lawyer; 1976–1978 Ministry of Labour, inspector, junior ministerial secretary

Key positions of trust: Member of the Board: HC Ässät Pori Oy
Fee per year: EUR 40,000 of which 697 pcs as share (EUR 19,992)
Meeting fee (EUR 600 per attended meeting): The Board meetings EUR 4,800, the Nomination and Remuneration Committee EUR 1,800.
Holding on 31 Dec. 2014: 8,196

Independence of the Board members

The Board members are independent of the company. All Board members are independent of any major shareholders of the company.

Committees of the Board

From among its members, the Board of Directors appoints a chairman and the members for the committees annually at its first constituent meeting following the Annual General Meeting. Each committee must include no fewer than three members with the competence and expertise necessary for working in the committee. The members of the Audit Committee must be independent of the company, and at least one member must be independent of any major shareholders. The majority of the members of the Nomination and Remuneration Committee must be independent of the company. The President and CEO or another member of the company management cannot act as a member of the Nomination and Remuneration Committee.

Audit Committee

The Audit Committee assists the Board of Directors in its regulatory duties and reports to the Board. The committee has no independent decision-making power; the Board makes collective decisions and is responsible for carrying out the tasks assigned to the committee.

Raimo Lind (Chairman), Inka Mero, and Risto Murto were members of the Audit Committee in 2014.

According to the working order specified by the Board, the committee supervises that bookkeeping, financial administration, financing, internal auditing, audit of the accounts, and risk management are appropriately arranged in the company. The committee follows the reporting process for financial statements as well as any significant changes in the recording principles and the items valued in the balance sheet. Furthermore, the committee processes the general description of the mechanisms of internal auditing and risk management of the financial reporting process, which forms part of the Corporate Governance Statement. The committee follows the statutory auditing of the financial statement and the consolidated financial statements and assesses the independence of the statutory auditor. The committee prepares the draft resolution for selecting the auditor.

The committee assembled 2 times in 2014. The attendance rate was 100%. All committee members are independent of the company and of any major shareholders of the company.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established to add improve the efficiency of the Board's work. The committee assists the Board by preparing matters subject to decision by the Board and reports to the Board. The committee has no independent decision-making power; the Board makes collective decisions and is responsible for carrying out the tasks assigned to the committee.

Hille Korhonen, Risto Murto, Hannu Penttilä, and Petteri Walldén (Chairman), were members of the Nomination and Remuneration Committee in 2014.

The committee prepares the Board's proposal to the Annual General Meeting on the members to be appointed to the Board of Directors and the remuneration paid to the Board members. In addition, the committee prepares a proposal to the Board on the company's President and CEO as well as the salary and other incentives paid to the President and CEO. The Nomination and Remuneration Committee also submits a proposal to the Board on the allocation and criteria of employee stock options and other incentives.

The committee assembled 3 times in 2014. The attendance rate was 100%. All committee members are independent of the company and of any major shareholders of the company.

President and CEO

The President and CEO manages the Group's business operations and implements the current corporate governance in accordance with the instructions and guidelines provided by the Board of Directors. With regard to the extent and quality of the company operations, the President and CEO may only undertake unusual or extensive actions as authorized by the Board of Directors. The President and CEO is in charge of ensuring that the company accounting follows statutory requirements and that asset management is arranged reliably. Kim Gran, Bachelor of Science in Economics, was the President and CEO between September 1, 2000 and September 30, 2014. Ari Lehtoranta, Master of Science in Telecommunications, has been the President and CEO as of October 1, 2014.

Other management

The Group's management team assists the President and CEO in operative management. In compliance with the Group's meeting practice, the Management Workshop convenes once a month, and it is attended by the President and CEO, the profit center Vice Presidents, the service center Vice Presidents, the Vice President for Russian operations, and the Internal Auditor (CAE). The Group's Management Team is introduced in more detail at www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/

Salaries and remunerations 2014

Remuneration of the Board members

Remunerations payable to Board members are confirmed at the Annual General Meeting. In 2014, remunerations to Board members totaled EUR 336,712 (EUR 240,000), including 5,350 (3,859) Nokian Tyres' shares worth EUR 150,281 (EUR 119,884). In addition, the committee and Board members, excluding the President and CEO, received meeting fees totaling EUR 36,000 (25,200) for attended meetings. Board members are not included in the company's option scheme or performance share plan. The President and CEO does not receive separate remuneration for participating in Board meetings, but the President and CEO is covered by the option schemes and performance share plan.

Remuneration of the President and CEO

The Board of Directors makes decisions concerning the President and CEO's salary and other benefits. The compensation package includes the basic salary, fringe benefits, pension scheme, and performance related bonus scheme, which is based on the Group's profitability and growth. The bonus cannot exceed 100% of President and CEO's annual base salary.

In 2014, the annual salary of Kim Gran, President and CEO (until September 30, 2014), was EUR 568,822. The share of fringe benefits in the salary was EUR 13,680. In addition, the President and CEO received annual bonuses in a total of EUR 104,998.

In 2014, the annual salary of Ari Lehtoranta, President and CEO (as of October 1, 2014), was EUR 167,597. The share of fringe benefits in the salary was EUR 2,055.

According to a written agreement, the President and CEO's age of retirement is 63 years. The pension will be determined on the basis of the Employees Pensions Act and an additional supplemental defined benefit plan pension insurance policy taken out by the company. The fee paid in 2014 was EUR 44,000.

The President and CEO's period of notice is 6 months. If the agreement is terminated by the company, the President and CEO is entitled to a compensation corresponding to 18 months' salary and other benefits, in addition to the notice period's salary.

Management's incentive systems

The Nomination and Remuneration Committee's proposal for the salaries and benefits of managerial employees, as well as for the employee incentive scheme, is subject to the Board's approval.

Management rewards are based on a monthly remuneration determined by the competence classification of the tasks and on a separate annual bonus. The annual bonus is determined on the basis of the Group's EBIT and the achievement of the KPIs set for different functions. The function specific KPIs consist of several factors including profitable growth, cash flow, and the efficiency of operative process. At maximum, the annual bonus can correspondent to 25–30% of a person's annual salary.

The Group has also created an option scheme covering all personnel and a performance share plan for key employees, which aim to provide long-term incentives and built commitment to the company.

Mechanisms of internal control, internal audit, and risk management

The Group's internal control mechanisms are in place in order to ensure that the financial reports released by the company contain the essential, correct information on the Group's financial position. The Group has defined Group-level instructions and policies for the key operative units specified below in order to ensure efficient and profitable company operations.

The business activities of the Nokian Tyres Group are divided into two areas: the manufacturing business and the tyre chain. The manufacturing business consists of profit centers, which are Passenger Car Tyres, Heavy Tyres (the Nokian Heavy Tyres profit center was incorporated into an independent company as of January 1, 2006), and Other Business. Each profit center is responsible for its business area and its financial performance, risk management, balance sheet, and investments, supported by the different service functions. The Group's sales companies are a part of the sales function and serve as product distribution channels in local markets. The tyre chain is organized into a separate sub-group, whose parent company is Vianor Holding Oy, fully owned by the parent company Nokian Tyres plc. The tyre outlets operating in different countries are part of the sub-group.

The Managing Directors of the company's subsidiaries are responsible for the daily operations and administration of their companies. They report to the company's Vice President responsible for Sales and Logistics, while the Managing Directors of the Vianor chain report to the director of the Vianor profit center.

The Board of Directors is responsible for the functionality of the internal control mechanisms, which are managed by the company management and implemented throughout the organization. Internal control is not a separate function; it is an integral part of all activities at all levels of the Group. Operative company management bears the main responsibility for operational control. Every supervisor is obliged to ensure sufficient control over the activities belonging to his/her responsibility and to continuously monitor the functionality of the control mechanisms. The Vice President responsible for finance and control is responsible for organizing financial administration and reporting processes and the internal control thereof. The parent company's Finance and Control unit is responsible for internal and external accounting; its tasks also include producing financial information concerning the business areas and ensuring the accuracy of this information.

The preparation process of the consolidated financial statements (IFRS), the related control measures, as well as the task descriptions and areas of responsibility related to the reporting process have been defined. The parent company's Finance and Control unit is in charge of consolidating the business areas' figures to produce Group-level financial information. Under the parent company's Finance and Control unit's supervision, each legal Group company produces its own information in compliance with the instructions provided and in line with local legislation. The revenue and operating profit of the Group and business units are analyzed, and the consolidated profit is compared with the management's assessment of business development and information on operative systems. The Group Finance and Control unit is centrally responsible for the interpretation and application of financial reporting standards, and also for monitoring compliance with these standards.

Effective internal control requires sufficient, timely, and reliable information in order for the company management to be able to monitor the achievement of targets and the efficiency of the control mechanisms. This refers to financial information, as well as other kinds of information received through IT systems and other internal and external channels. Financial administration and other instructions are shared on the intranet for those who need them, and financial administration provides training with regard to these instructions when necessary. There is continuous communication with the business units. The company's financial performance is internally monitored by means of monthly reporting complemented with rolling prognoses. The profit is communicated to company personnel immediately after releasing the official stock exchange releases.

The Internal Auditing in Nokian Tyres Group makes assessments and audits on the efficiency of risk management, internal control, and governance processes. Internal Auditing is an independent and objective function, which aims to help the organization to achieve its targets. The Internal Audit function in the Group is managed by the Internal Auditor (CAE), who works under the Board of Directors and the President and CEO. The Internal Audit function of the Group is planned to be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

In 2014, the internal audit focused, among other things, on assessing the operation and risks of various country organizations, compliance with corporate governance instructions, corporate social responsibility, information security matters, and some misconduct risks. Since May, the Internal Audit function has primarily reported to the Tax Inspection Committee, which was established at the time. The Internal Audit function in Vianor focuses on guiding the outlets and ensuring conformity to the Vianor activity system, and it reports to the Internal Auditor of the Group and the Managing Directors of the country units.

Risk management

The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of strategic goals and ensures business continuance. The Group's risk management policy focuses on managing the risks pertaining to business opportunities as well as those affecting the achievement of the Group's goals in the changing operating environment.

The risks are classified as strategic, operational, financial, and hazard risks. Strategic risks are related to customer relationships, competitors' actions, political risks, country risks, brand, R&D, and investments. Operational risks arise as a consequence of shortcomings or failures in the company's internal processes, personnel actions, or systems or external events, such as the legislation, unpredictable rulings of judicial systems or the authorities, or changes in raw material prices. Financial risks (Note 29) are related to fluctuations in interest rate and currency markets, refunding, and counterparty risks. Hazard risks can lead to injuries, property damage, production outages, environmental impacts, or liabilities to third parties.

The most significant risks related to Nokian Tyres' business are the country risks related to the Russian business environment, reputation risks, product and R&D risks, production outage risks, currency risks, and governance and data administration risks. Due to the company's product strategy, interruption risks that are related to marketing and logistics may have a significant impact especially on peak season sales.

The risk management process aims to identify and evaluate risks, and to plan and implement practical measures for each one. Such measures may include, for example, avoiding the risk, reducing it in different ways or transferring the risk through insurances or contracts. Control functions and actions mean securing or backing up procedures applied to reduce risks and ensure the completion of risk management measures.

Risk management is not allocated to a separate organization; its tasks follow the general distribution of responsibilities adopted in the organization and other business activities. The main risks detected in risk surveys are reported to the company's Board of Directors once a year.

Insider issues

Nokian Tyres complies with the guidelines for insider trading drawn up by NASDAQ Helsinki, as well as the standard 5.3 issued by the Financial Supervisory Authority (Declarations of insider holdings and insider registers), which the company has supplemented with its own insider regulations.

In the guidelines for insiders issued by NASDAQ Helsinki, an insider with a duty to declare refers to:

1. The company's Board members, President and CEO, auditor, and the representative of the authorized public accountants acting as the principal auditor, and

2. Other members of the company's top management who have regular access to insider information and who are authorized to make decisions regarding the company's future development and the organization of business activities. The company has assigned all its top management members in this category of insiders with a duty to declare.

In the guidelines for insiders issued by NASDAQ Helsinki, company specific insiders refer to

1. Persons employed by the company or working for the company under another type of contract who, owing to their position or the nature of their work have regular access to insider information and who the company has defined as insiders (so-called permanent company-specific insiders). In this group, the company has included management assistants, people in the communications department responsible for distributing stock exchange and financial information, and key people in the finance department.

2. Persons employed by the company under an employment contract or other contract and have access to insider information, or persons temporarily included in the project specific register (so-called project-specific insiders). A project is a confidentially-prepared, uniquely identifiable collection of topics or an arrangement that includes insider information and which, if realized, may essentially affect the value of the company's publicly traded securities. The Financial Supervisory Authority is entitled to have access to information pertaining to the management of the company's project-specific insider information.

Duty to declare, insider registers and trading prohibition

The Securities Market Act imposes a duty to declare to the company's insiders with a duty to declare and requires that the company maintain a public register of its insiders with a duty to declare. The law requires that the company keeps a non-public, company-specific register of company-specific insiders. In the guidelines for insiders issued by NASDAQ Helsinki, insiders with a duty to declare and permanent company-specific insiders are jointly called permanent insiders.

Permanent insiders must time their trading in securities issued by the company in such a way that it does not erode confidence in the securities markets. Insiders are not allowed to trade the company's securities in the 30 days preceding the publication of interim reports and financial statement bulletins. This period may be extended if necessary. In addition to permanent insiders, the restriction on trading applies to their spouses, individuals of legal incapacity under their trusteeship, and associations in which they exercise authority. The trading prohibition applies to project-specific insiders until the termination or publication of the project.

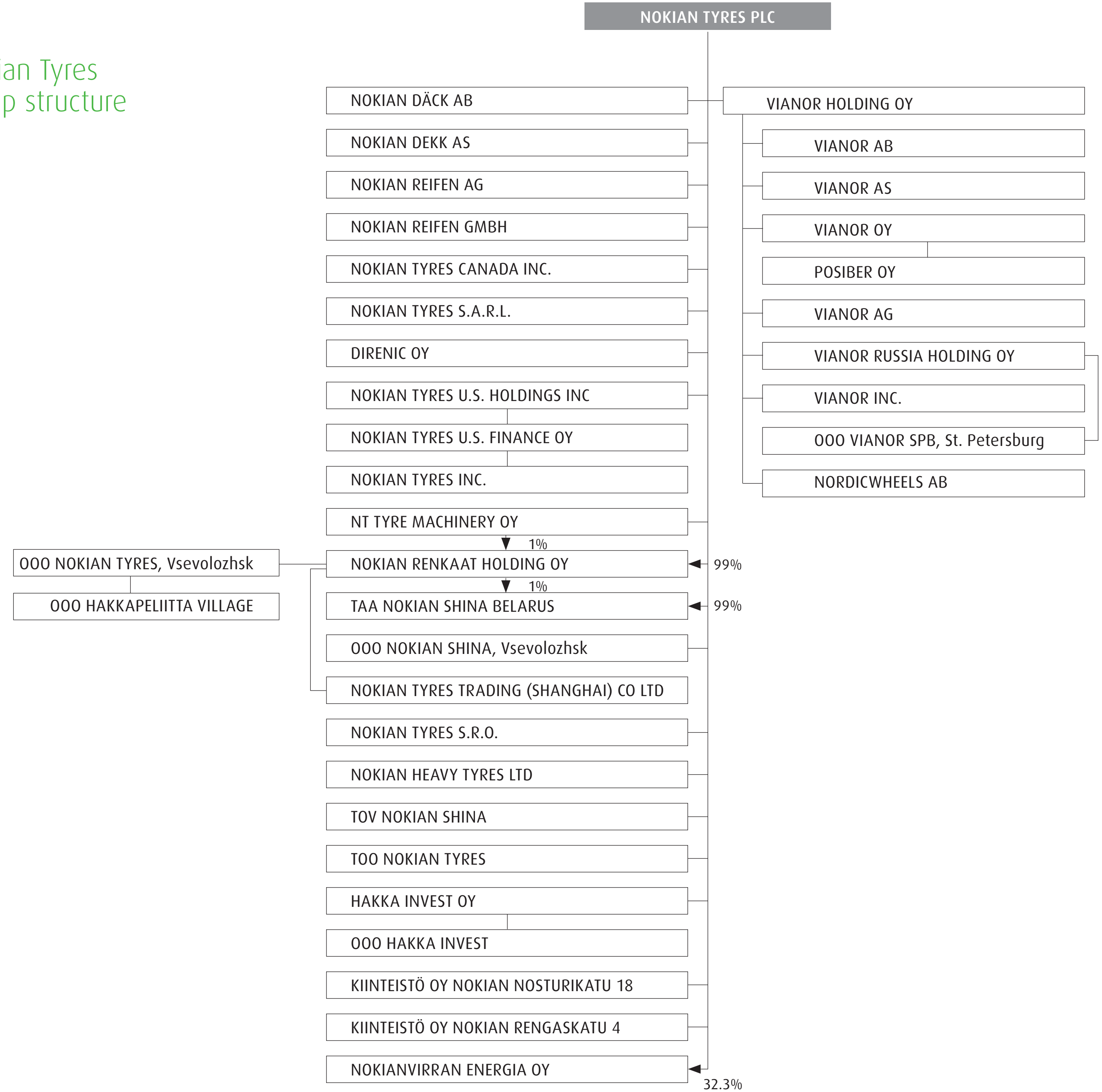
Management of insider issues

Nokian Tyres maintains its insider register in the Euroclear Finland's SIRE system. The company has appointed a person to manage the tasks related to insider trading. The company also has an insider registrar, who deals with the practical tasks related to the insider register. The company annually reviews the basic information and trading covered by the duty to declare of the insiders with a duty to declare. Based on the review, the company prepares an annual report including the date and results of the review.

Audit

The auditor elected at the Annual General Meeting is KPMG Oy Ab, authorized public accountants, with Mr. Jari Härmälä, Authorized Public Accountant, acting as the auditor with principal responsibility. In addition to his duties under the valid regulations, he reports all audit findings to the Group's management. The Group's audit fees in 2014 amounted to EUR 435,000 (EUR 494,000). The fees paid to the authorized public accountants for other services totaled EUR 266,000 (EUR 238,000).

Nokian Tyres group structure



Annual General Meeting 2015

The Annual General Meeting of Nokian Tyres plc will be held at Tampere-talo, in Tampere, Finland; address Yliopistonkatu 55 on Wednesday 8 April 2015, starting at 4 p.m. Registration of attendants and the distribution of ballots will begin at 3 p.m.

Shareholders registered by no later than 25 March 2015 in the company's shareholder register, which is maintained by Euroclear Oy are entitled to attend the Annual General Meeting.

The Annual Report, including the company's annual accounts, the Report of the Board of Directors and the Auditors Report is available on the company's website no later than week 12, 2015. Read more at **www.nokiantyres.com/annualgeneralmeeting2015**

Dividend payment

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.45 per share be paid for the financial year 2014. The record date for the dividend payment will be 10 April 2015 and the dividend payment date 23 April 2015, provided that the Board's proposal is approved.

Share register

Shareholders are requested to notify any changes in their contact information to the bookentry register in which they have a bookentry securities account.

Financial reports

Nokian Tyres will publish financial information in Finnish and in English as follows:

- Interim Report for three months on 8 May 2015
- Interim Report for six months on 7 August 2015
- Interim Report for nine months on 30 October 2015
- Financial Statements Bulletin 2014 on 5 February 2016
- Annual Report 2015 on March 2016

Nokian Tyres publishes its Interim Reports, Financial Statements Bulletin and Annual Report on the internet at **www.nokiantyres.com/company/investors/**

Principles of investor relations

The goal of Nokian Tyres' investor relations is to regularly and consistently provide the stock market with essential, correct, sufficient and up-to-date information used to determine the share value. The operations are based on equality, openness, accuracy and good service.

The Management of Nokian Tyres is strongly committed to serving the capital markets. The company's President & CEO and CFO are the main parties dealing with and answering questions from analysts and investors.

Nokian Tyres adopts a three-week period of silence before the publication of financial information and a six week period of silence before the publication of the Financial Statements Bulletin.

Analyst and investor meetings are mainly held both in Finland and abroad in conjunction with the publication of the company's financial results. At other times analysts and investors are mainly answered by phone or email.

Questions from analysts and investors:

Ari Lehtoranta, President and CEO
tel. +358 10 401 7733 | email: ir@nokiantyres.com

Anne Leskelä, CFO, Investor Relations
tel. +358 10 401 7481 | email: ir@nokiantyres.com

Request for meetings and visits:

Raija Kivimäki, Assistant to President and CEO
tel. +358 10 401 7438 | email: ir@nokiantyres.com
Fax: +358 10 401 7378

Investor information:

Antti-Jussi Tähtinen, Vice President, Marketing and Communications
tel. +358 10 401 7940 | email: info@nokiantyres.com

Anne Aittoniemi, Communications & IPR Specialist
tel. +358 10 401 7641 | email: info@nokiantyres.com
Fax: +358 10 401 7799

Address:

Nokian Tyres plc,
P.O. Box 20 (Visiting address: Pirkkalaistie 7),
FI-37101 Nokia

Stock exchange releases in 2014

In 2014 Nokian Tyres published a total of 27 stock exchange releases. Short summaries of the most significant releases are given below. All releases can be read from Nokian Tyres' web pages.

21.01. Nokian Tyres received EUR 73.3 million additional payable tax in Finland regarding years 2008–2010; the company will make a complaint against the decision
22.01. 80 years since the invention of the winter tyre: The inventor of the world's first winter tyre introduces new Hakkapeliitta winter tyres for SUVs and vans
07.02. Nokian Tyres plc Financial Statement Bulletin 2013: Improved market shares and solid margins in challenging conditions
07.02. Proposals by the Board of Directors of Nokian Tyres plc to the Annual General Meeting
03.04. Nokian Tyres: Net sales and Operating profit to decline in 2014 compared to 2013
08.04. Nokian Tyres Annual General Meeting, decisions
08.04. Decisions of the organisational meeting of Nokian Tyres plc's Board of Directors
07.05. Nokian Tyres plc Interim Report January-March 2014: Position improving in all markets – devaluations penalize sales
27.05. Ari Lehtoranta appointed new President and CEO of Nokian Tyres
08.08. Nokian Tyres plc Interim Report January-June 2014: Strong growth in western markets – headwind in Russia
17.09. Nokian Tyres to adjust production output
09.10. Statutory negotiations at Nokian Tyres' Finnish factory ended
31.10. Nokian Tyres plc Interim Report January-September 2014: Economic situation in Russia and CIS impacts results - performance in western markets improved

Annual Report and Financial Review 2014

Nokian Tyres Annual Report and Financial Statements Bulletin/ Financial Review 2014 are available only in electronic form on the company web site. Electronic Annual Report, above mentioned reports as well as contact details including analysts can be read from **www.nokiantyres.com/company/investors/**

www.nokiantyres.com