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NOKIAN TYRES PLC FINANCIAL STATEMENTS BULLETIN 2009: Solid result and improved cash flow in a tough market

Net sales of Nokian Tyres Group amounted to EUR 798.5 million (2008: EUR 1,080.9 million), down by 26.1% compared to 2008. Operating result was EUR 102.0 million (EUR 247.0 million). Earnings per share were EUR 0.47 (EUR 1.12), and result for the period was EUR 58.3 million (EUR 139.9 million). Cash flow from operations improved to EUR 123.1 million (EUR 9.5 million). The Board of Directors proposes a dividend of EUR 0.40 (EUR 0.40) per share.

Outlook and guidance for 2010:
In 2010, the company is positioned to improve net sales and operating result compared to 2009.

Key figures, EUR million:

	10-12/09	10-12/08	1-12/09	1-12/08
Net sales	247.7	267.7	798.5	1,080.9
Operating result	40.8	46.5	102.0	247.0
Result before tax	46.7	-12.2	73.5	173.8
Result for the period	29.2	-11.6	58.3	139.9
Earnings per share, EUR	0.23	-0.09	0.47	1.12
Equity ratio, %			62.0	54.8
Cash flow from operations, (Cash Flow II)	249.2	298.2	123.1	9.5
RONA, % (rolling 12 months)			8.4	20.5
Gearing, %			34.8	41.0

Kim Gran, President and CEO:
“Eventually, after taking decisive action in a tough market we achieved quite satisfactory results in 2009. The launch of our new winter tyre, Hakkapeliitta 7, has been a great success and has helped us to maintain healthy prices and strengthen our market leader position on our core markets. Prices were increased on all core markets to compensate for devaluations but did not fully cover the changes in sales and market mix. The Vianor chain was expanded by 116 shops and now consists of over 600 outlets.

The streamlining measures aiming at a lighter cost structure and full utilization of a lower cost production in the Russian plant were implemented as planned. Our actions will have a strong impact on our results for years to come. Manufacturing operations booked improved results and margins in the fourth quarter year-over-year signalling that actions taken in 2009 are starting to have a positive effect.

Our target was to provide strong cash flow and eliminate receivable risk. Cash flow from operations improved by EUR 113.6 million year-over-year due to cost cuts, lower investments, inventories and reduced trade receivables. Investments were cut by EUR 94.7 million and inventories by EUR 90.9 million year-over-year. At the end of 2009, current receivables were EUR 72.7 million lower than a year before. Wages and salaries were cut by EUR 44.6 million and fixed costs excluding salaries by EUR 24.2 million compared to 2008.

We have already set our minds to return to the growth track, expecting that in 2010 we will have a good possibility to increase our sales, instead of merely focusing on cost savings. Sales will be supported by a slowly recovering economy on our core markets and our distributors' quite moderate carry-over stocks after this winter.

Russian and Nordic markets have stabilized and are showing early signs of growth. In spite of some encouraging signals, we will still base our actions on a gradual rather than a rapid recovery.

A strong growing distribution, good seasonal logistics, an improved cost structure with production inside duty borders of Russia and CIS and new products will give us a good chance to strengthen our market leadership in the core markets and to return to profitable growth in 2010."

Market situation

The sharp downturn in the global economy that started in late 2008 continued during 2009, although the second half of the year showed some positive signs. The aftermarket sales volume for passenger car tyres in 2009 declined in the Nordic countries by an estimated 10% year-over-year. Tyre deliveries shrank drastically in Russia and the CIS countries, trailing the declining economy and reduced car sales.

As car manufacture volumes decreased significantly, there was an excess supply of summer tyres which resulted in price erosion of some volume sizes. USA introduced a duty program in September 2009 for the next three years (35%,30%,25%) for car tyres manufactured in China. This is expected to put further pressure on economy segment summer tyre prices on all non-US markets.

Prices for winter tyres have resisted the general price erosion better than summer tyres. In early 2009, tyre manufacturers implemented price increases in order to offset the currency devaluation in Russia, Ukraine, Sweden and Norway. Despite some sales of carry-over stocks from 2008, prices mainly increased in local currencies. In Russia the pricing environment was relatively unstable during 2009 due to capitalizing of carry-over stocks by both manufacturers and dealers.

An early start of winter tyre consumer sales and true winter with heavy snowfall in all Europe, Russia and CIS have cut inventory levels and present good opportunities for sales growth in 2010.

Raw material prices dropped significantly at the end of 2008 and the first half of 2009 but carry-over stocks and contracts penalized tyre industry results early 2009. Raw material suppliers' requests for price increases intensified during the second half of 2009.

Especially the price of natural rubber has been increasing rapidly in the turn of the year, having some negative effects on industry profits in the second half of 2010.

At the end of the year, the heavy tyres demand started to recover supported by some increase in forest and mining machine manufacture. The slight increase derives from the somewhat improved demand and prices of pulp, sawmill products and metals.

The truck tyre market declined in Europe by roughly 30%, and the demand for special heavy tyres shrank to less than half of the previous year. Overall, the market environment has become more competitive in all tyre categories.

October–December 2009

In the fourth quarter of 2009 Nokian Tyres Group recorded net sales of EUR 247.7 million (267.7), showing a decrease of 7.5% on the corresponding period a year earlier. Sales decreased in the Nordic countries by 12.4%. In Russia and the other CIS countries sales were up by 24.7%. In North America sales were down by 6.0%. In Central and Eastern Europe sales grew by 13.9%.

Raw material cost (euro/kg) in manufacturing in the fourth quarter was down by 30% year-over-year and down by 4% versus the third quarter of 2009. Fixed costs were EUR 77.6 million (88.3), accounting for 31.4% (33.0%) of net sales.

Nokian Tyres Group’s operating result was EUR 40.8 million (46.5). This was negatively affected by the IFRS 2 -compliant option scheme write-off of EUR 2.8 million (5.1) and expensed credit losses and provisions of EUR 3.1 million (1.0).

Net financial income was EUR 6.0 million (-58.6). Financial expenses include EUR 1.9 million (1.9) in non-cash expenses related to convertible bonds. Net financial income include EUR 6.8 million (-51.7) of exchange rate differences. Since 1.1.2009 exchange rate differences contain interest rate differential from foreign currency derivatives. Comparison information is modified accordingly.

Result before tax was EUR 46.7 million (-12.2). Result for the period amounted to EUR 29.2 million (-11.6), and Earnings per share were EUR 0.23 (EUR -0.09).

Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow II) was EUR 249.2 million (298.2).

January–December 2009

Nokian Tyres Group’s net sales in January-December totalled EUR 798.5 million (1,080.9), signifying a 26.1% year-over-year decrease. In the Nordic countries sales decreased by 18.9% representing 45.4% (41.8%) of the group’s total sales. In Russia and CIS sales fell by 55.0% and formed 20.3% (33.6%) of the group’s total sales. In Central and Eastern Europe sales were up by 3.6% year-over-year representing 23.4% (17.0%) of the group’s total sales. In North America sales grew by 6.0% and was 10.5% (7.4%) of the group’s total sales.

Sales of passenger car tyres were down by 28.9% representing 60.0% (62.8%) of the group’s total sales. Heavy tyres’ sales declined by 48.8% and were 5.7% (8.3%) of the group’s total sales. Vianor’s sales fell by 11.4% forming 31.1% (26.1%) of the group’s total sales. The sales of Other operations was down by 14.5% representing 3.2% (2.8%) of the group’s total sales.

Raw material cost (eur/kg) decreased by 9% year-over-year. Fixed costs amounted to EUR 276.6 million (309.6), accounting for 34.6% (28.6%) of net sales. Total salaries and wages were EUR 131.0 million (175.5) representing a saving of EUR 44.6 million year-over-year.

Nokian Tyres Group’s operating result was EUR 102.0 million (247.0). This was negatively affected by the IFRS 2 -compliant option scheme write-off of EUR 11.8 million (18.6) and expensed credit losses and provisions of EUR 7.1 million (6.4).

Net financial expenses were EUR 28.6 million (73.2). Net Interest expenses were EUR 14.8 million (21.7) including EUR 7.6 million (7.3) in non-cash expenses related to convertible bonds. Net financial expenses include EUR 13.8 million (51.5) of exchange rate differences of which EUR -10.3 million (-2.0) were born in the first quarter of the year due to exceptionally high hedging costs related to Russian rouble and Kazakhstan tenge. Since 1.1.2009 exchange rate differences contain interest rate differential from foreign currency derivatives. Comparison information is modified accordingly.

Result before tax was EUR 73.5 million (173.8). Result for the period amounted to EUR 58.3 million (139.9), and EPS were EUR 0.47 (EUR 1.12).

Return on net assets (RONA, rolling 12 months) was 8.4% (20.5%). Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow II) was EUR 123.1 million (9.5).

The Group employed an average of 3,503 (3,812) people, and 3,292 (3,784) at the end of the period. The Vianor tyre chain employed 1,388 (1,440) people and Russian operations 640 (684) people at the end of the period.

Financial position by December 31, 2009

Gearing ratio was 34.8% (41.0%). Interest-bearing net debt amounted to EUR 263.7 million (319.0). Equity ratio was 62.0% (54.8%).

The Group's interest-bearing liabilities totalled EUR 326.2 million (432.3) of which current interest-bearing liabilities amounted to EUR 72.4 million (37.8). The average interest rate of interest-bearing liabilities was 4.45% (4.46%). The average interest rate of interest-bearing liabilities was 2.16% (2.76%) with calculatory non-cash expenses related to the convertible bond eliminated.

At the end of the review period the company had unused credit limits amounting to EUR 456.1 million of which EUR 185.4 million were committed. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, subsidiaries in distribution chains and thus control the typical seasonality in the Group's cash flow due to changes in the working capital.

The multicurrency revolving credit facility of EUR 180 million due April 2010 was refinanced and signed in the last quarter of 2009.

Tax rate

The Group's tax rate is effected by tax relieves in Russia. The tax relieves are valid for as long as the company accrues tax on yields corresponding to the amount of the Russian investment, and for two years thereafter.

PASSENGER CAR TYRES

	10-12/09	10-12/08	Change%	1-12/09	1-12/08	Change%
Net sales, m€	135.6	143.9	-5.7	527.3	741.6	-28.9
Operating result, m€	28.2	28.4	-0.6	106.2	230.0	-53.8
Operating result, %	20.8	19.7		20.1	31.0	
RONA, % (rolling 12 months)				11.7	26.6	

The net sales of Nokian passenger car tyres in January-December totalled EUR 527.3 million (741.6), down by 28.9% from the previous year. Operating result was EUR 106.2 million (230.0) and the operating result percentage was 20.1% (31.0%).

The year-over-year car tyre sales deficit was mainly due to significantly weaker sales in Russia and CIS, which derives from the collapse of car sales, customers' high winter tyre inventories and lack of financing. Sales grew in North America and also in Central and Eastern Europe. Winter tyre market share improved in the Nordic countries, North America and in Central and Eastern Europe. The new spearhead product of "Nordic studded tyres", Nokian Hakkapeliitta 7, won practically all car magazine tests in the Nordic countries and in Russia, which improved sales in the winter season.

Decreased sales in Russia and CIS together with a reduced share of winter tyres resulted in a weaker sales mix and a lower average price. The currency devaluations in core markets, affecting some 60% of total sales, weakened profits. The implemented price increases improved summer tyre prices but a weaker country and product mix reduced the winter tyre average price.

The sharply weakened demand in the turn of 2008-2009 required immediate actions to change the industrial structure of the company. In order to decrease structural fixed costs, actions to adjust production were implemented and by the end of the year the inventories were reduced clearly below previous year's level. Trade receivables and investments decreased significantly year-over-year. The increased proportion of less expensive production in Russia and decreasing raw material prices became gradually visible in the financial result.

The cash flow of passenger car tyres in 2009 improved significantly due to the restructuring of operations, personnel adjustments, reduced inventory levels, investment cuts and cost-cutting program including all cost types.

The focus for 2010 will be on regaining sales growth in Russia and CIS, which is supported by successful collecting of Nokian Tyres' receivables and the meltdown of the distributors' inventories in 2009. The new car sales of the foreign brands in Russia are estimated to grow by 10-25%. Other targets for 2010 are utilizing new sales opportunities in the western markets, optimizing tyre price levels and controlling the working capital.

HEAVY TYRES

	10-12/09	10-12/08	Change%	1-12/09	1-12/08	Change%
Net sales, m€	15.3	19.9	-23.3	50.1	97.7	-48.8
Operating result, m€	2.2	2.2	1.8	0.0	17.7	-99.9
Operating result, %	14.7	11.1		0.0	18.1	
RONA, % (rolling 12 months)				0.0	25.9	

The January–December net sales of Nokian Heavy Tyres totalled EUR 50.1 million (97.7), down by 48.8% year-over-year. Operating result was EUR 0.0 million (17.7), and the operating result percentage was 0.0% (18.1%). The financial performance suffered from weak sales volumes and drastic production cuts taken due to weak demand and carry-over stock from 2008.

Heavy tyres sales decreased in all product categories. Although the average price increased slightly due to the sales mix, the market has become more competitive. Exceptionally low volumes of machine manufacture cut the demand for forestry tyres. The demand for harbour and mining tyres, as well as for various special machinery tyres decreased by more than 50% due to the slowdown in the global economy. Orders, however, started to recover gradually from the end of the second quarter on, due to customers' low inventories and some regaining of trust on the markets.

The positive effects of the production cuts that were initiated in late 2008 and continued all 2009, were fully visible at the second half of the year. Fixed costs were reduced according to plan. Inventories decreased significantly and reached the target level. Low tyre inventory has enabled some increase in production volumes, which together with a decreased raw material cost started to improve productivity and profitability. As a result the operating result of Q4/2009 improved compared to the corresponding period a year earlier. In 2009, cash flow was clearly positive.

In 2010 Nokian Heavy Tyres focuses on bringing in new customers, speeding up the development process for new products as well as launching new logistics and customer service concepts.

VIANOR

Equity-owned operations

	10-12/09	10-12/08	Change%	1-12/09	1-12/08	Change%
Net sales, m€	104.5	116.5	-10.3	273.2	308.3	-11.4
Operating result, m€	7.9	11.1	-29.4	-3.0	4.4	-166.5
Operating result, %	7.5	9.6		-1.1	1.4	
RONA, % (rolling 12 months)				-3.2	3.0	

Vianor's net sales in January-December were EUR 273.2 million (308.3), down by 11.4% on the previous year. Operating result was EUR -3.0 million (4.4), and the operating result percentage was -1.1% (1.4%).

In 2009, low demand in all customer segments cut Vianor's sales and operating result. Vianor continued its structural cost adjustment measures, which included shutting down non-profitable outlets and making personnel cuts. The stock levels were reduced and optimised for the most profitable product groups. Cash flow improved to previous year and was clearly positive, due to reduced fixed costs and stock levels.

Franchising and partner operations

During 2009 Vianor managed to further expand the franchise and partner network on Nokian Tyres' core markets by 116 outlets. In the fourth quarter, the network grew with 38 outlets and Vianor started operations in Georgia and in Bulgaria. At the end of the review period, Vianor operated in 19 countries; most extensively in the Nordic countries, in Russia and in Ukraine. The global Vianor network comprised of 623 outlets of which 453 were partners and 170 equity-owned. Market shares improved as a result of the expansion.

In 2010 focus will be on improving sales and market shares, developing the fast fit services business, maintaining tyre prices as well as improving cost efficiency. Expanding the partner franchise network will continue according to earlier plans; target is to have more than 700 outlets by the end of 2010.

OTHER OPERATIONS

Truck tyres

The January–December net sales of Nokian truck tyres were EUR 28.5 million (33.4), down by 14.5% compared to the previous year. Nokian increased its market share in the European market which declined roughly 30%. Nokian truck tyres sales were expanded to new market regions in Eastern Europe. Contract manufacturing volumes were reduced and the inventory levels cut to the target.

In 2010 the focus will be on utilizing the stronger winter product range, especially the Nokian Hakkapeliitta Truck tyres for Nordic conditions. The product range will be extended with new tyre sizes during the year. Expansion to new market areas in Eastern Europe will continue.

RUSSIA AND THE CIS COUNTRIES

Nokian Tyres’ sales in Russia and the CIS countries totalled EUR 172.1 million (382.4) in the review period. This entails a 55.0% decrease from the previous year. Sales in Russia were EUR 116.7 million (309.8). Sales in CIS (excluding Russia) were EUR 55.4 million (72.6). Nokian Tyres’ sales declined due to lower demand, customers’ high carry-over inventories and their lack of financing. Some market share was lost due to consumers trading down to cheaper brands, but Nokian maintains its position as the market leader in the A-segment of premium branded tyres.

The distribution network was extended by signing additional distribution agreements and expanding the Vianor network. The Vianor tyre chain expanded by 28 outlets in Q4/2009 and there were a total of 353 Vianor franchising outlets in Russia and the other CIS countries at the end of the review period.

Six out of seven production lines of the Russian plant were operating with limited capacity. A significant share of the production was exported due to the decline in demand in Russia. New mixing machines were installed, and a storage extension was taken in use. The fully completed production process creates logistics and raw material cost savings compared to 2008. The Hakkapeliitta Village with 4 houses and 167 flats was completed. Flats will be sold at cost to employees in 2010 after the completion of the ownership rights registration.

Overall, the Russian economy seems to have adapted to the new reality and, for the most part, stabilized. Russian economy declined at an estimated real GDP growth of -7.9% year-over-year at the end of the review period. Consumer purchasing power was lower in 2009 versus 2008 but it is expected to improve from 2010 onwards. Key to growth is availability of financing. Consumer credit in the housing sector with interest rates of 12-14% has re-emerged in the second half of 2009 indicating improvement into other consumable sectors in the future. For the next years 2010-2014 GDP growth is estimated to average over 4% a year.

Car sales, the main driver for premium tyres, decreased by 49% in 2009 compared to 2008. A recovery of car sales with some growth starting in 2010 and gaining momentum in 2011–2012 is presently forecasted.

The devaluation of the Rouble against major currencies exceeded 20% from late 2008 to 2009. Backed by the oil price the Russian Rouble has stabilized against the Euro.

The good market potential has not disappeared; there is still strong underlying consumer demand. The Nokian Tyres plant located in Russia, inside the customs borders (duty 20% for imported tyres), combined with an expanding Vianor chain provides a significant competitive edge on the market.

INVESTMENTS

Investments in the fourth quarter amounted to EUR 9.6 million (67.0). The company’s total investments in 2009 were EUR 86.5 million (181.2). EUR 51.2 million (121.0) was spent on completing projects started in 2008 in the Russian plant. The remainder comprised of production investments in the Nokia plant, moulds for new products and Vianor expansion projects.

OTHER MATTERS

1. Stock options on the NASDAQ OMX Helsinki Stock Exchange

The Board of Directors of Nokian Tyres plc applied for listing of the stock options 2007A on the NASDAQ OMX Helsinki Ltd. The listing was commenced on 1 March 2009.

The total number of stock options 2007A is 2,250,000. Each stock option 2007A entitles its holder to subscribe for one Nokian Tyres plc share. The shares can be subscribed with the stock options 2007A during 1 March 2009 - 31 March 2011. In the aggregate, the stock options 2007A entitle their holders to subscribe for 2,250,000 shares. The present share subscription price with stock options 2007A is EUR 16.08/share. The dividends payable annually will be deducted from the share subscription price.

2. Shares subscribed with option rights

After December 9, 2008 registered increase in share capital a total of 400 Nokian Tyres plc’s shares have been subscribed with the 2004B option rights and 200 shares with 2004C option rights. These option rights are attached to the Nokian Tyres plc’s Option Programs of 2004. An increase in share capital totalling 120 euros was entered into the Trade Register on February 25, 2009. The shares are traded on the NASDAQ OMX Helsinki Ltd together with the old shares as of February 26, 2009. After the increase, the number of Nokian Tyres shares was 124,846,590 and the share capital was EUR 24,969,318.

After February 25, 2009 registered increase in share capital a total of 1,900 Nokian Tyres plc’s shares have been subscribed with the 2004B option rights. These option rights are attached to the Nokian Tyres plc’s Option Programs of 2004. An increase in share capital totalling 380 euros was entered into the Trade Register on May 25, 2009. The shares are traded on the NASDAQ OMX Helsinki Ltd together with the old shares as of May 26, 2009. After the increase, the number of Nokian Tyres shares was 124,848,490 and the share capital was EUR 24,969,698.00.

After May 25, 2009 registered increase in share capital a total of 400 Nokian Tyres plc’s shares have been subscribed with the 2004C option rights. These option rights are attached to the Nokian Tyres plc’s Option Programs of 2004. An increase in share capital totalling 80 euros was entered into the Trade Register on August 20, 2009. The shares are traded on the NASDAQ OMX Helsinki Ltd together with the old shares as of August 21, 2009. After the increase, the number of Nokian Tyres shares was 124,848,890 and the share capital was EUR 24,969,778.00.

After August 20, 2009 registered increase in share capital a total of 300 Nokian Tyres plc’s shares have been subscribed with the 2004C option rights and 300 with the 2007A option rights. These option rights are attached to the Nokian Tyres plc’s Option Programs of 2004 and 2007. An increase in share capital relating to 2004C option rights and totalling 60 euros was entered into the Trade Register on November 17, 2009. The share capital will not increase with subscriptions made by 2007A option rights. The sum, corresponding to earlier nominal value, were entered into the reserve for invested unrestricted equity. The shares are traded on the NASDAQ OMX Helsinki Ltd together with the old shares as of November 18, 2009. After the increase, the number of Nokian Tyres shares was 124,849,490 and the share capital was EUR 24,969,838.00.

After November 17, 2009 registered increase in share capital a total of 1 900 Nokian Tyres plc’s shares have been subscribed with the 2004C option rights. These option rights are attached to the Nokian Tyres plc’s Option Programs of 2004. An increase in share capital relating to 2004C option rights totalling 380 euros was entered into the Trade Register on December 15, 2009. The shares are traded on the NASDAQ OMX Helsinki Ltd together with the old shares as of December 16, 2009. After the increase, the number of Nokian Tyres shares is 124,851,390 and the share capital is EUR 24,970,218.00.

3. Share price development

The Nokian Tyres’ share price was EUR 17.00 (EUR 7.91) at the end of the review period. The average share price during the period was EUR 12.60 (EUR 21.11), the highest EUR 18.85 (EUR 33.73) and the lowest

EUR 7.00 (EUR 7.17). A total of 222,305,175 (309,290,887) shares were traded during the period, representing 178% (248%) of the company's overall share capital. The company’s market value at the end of the period amounted EUR 2.122 billion (EUR 0.987 billion). The company’s percentage of Finnish shareholders was 37.8% (41.0%) and 62.2% (59.0%) were foreign shareholders registered in the nominee register. This figure includes Bridgestone's ownership of approximately 16%.

4. Decisions made at the Annual General Meeting

The Annual General Meeting of Nokian Tyres held on April 2, 2009 accepted the profit and loss statement for 2008 and discharged the Board of Directors and the President from liability. The final dividend was set at EUR 0.40 per share. The matching date was April 7, 2009 and the payment date April 21, 2009.

4.1 Board of Directors and auditor

The number of Board members was set at seven. Kim Gran, Hille Korhonen, Hannu Penttilä, Aleksey Vlasov, Petteri Walldén and Kai Öistämö will continue as Board members. Yasuhiko Tanokashira was elected as a new member of the Board. In a meeting held after the Annual General Meeting, Petteri Walldén was elected Chairman of the Board. Authorised public accountants KPMG Oy Ab continue as auditors.

4.2 Remuneration of the Board members

The Annual General Meeting decided that the monthly fee paid to the Chairman of the Board would be EUR 5,833, or EUR 70,000 per year, while that paid to Board members was set at EUR 2,917 or EUR 35,000 per year. It was also decided that each member of the Committee will receive a meeting fee of EUR 500 for each Committee meeting attended.

In addition, it was decided that, according to the existing practices, 60% of the annual fee be paid in cash and 40% in company shares, such that in the period from April 3 to April 30, 2009, EUR 28,000 worth of Nokian Tyres plc shares will be purchased at the stock exchange on behalf of the Chairman of the Board and EUR 14,000 worth of shares on behalf of each Board member. This decision 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.

5. Changes in share ownership

On November 10, 2009, Nokian Tyres received an announcement from BlackRock, Inc., according to which the ownership of Black Rock Investment Management (UK) Limited had increased above the level of 5% of the share capital in Nokian Tyres plc as a result of a share transaction concluded on November 9, 2009. Black Rock Investment Management (UK) Limited then held a total of 6,270,634 Nokian Tyres’ shares representing 5.02% of company’s 124,848,890 shares and voting rights.

6. Adjustment measures and cost-cutting programme

At the turn of the year, Nokian Tyres initiated measures to adjust its production and structure, the goal being to improve productivity and achieve annual cost savings of approximately EUR 50 million. The company informed about the statutory negotiations decisions related to adjustment issues in stock exchange releases on Nov 19 and Dec 19, 2008, as well as Jan 20 and Mar 9, 2009.

The production of Nokia plant was changed from a continuous three-shift seven-day model to a five-day (discontinued) three-shift model. As a result of the adjustments, the annual production capacity of Nokian passenger car tyres at the Nokia plant decreased from the previous 6 million to approximately 4 million tyres.

Vianor adjusted its structure and costs by shutting down non-profitable outlets and making personnel cuts. In 2009 the total group personnel reduced by 492 employees. Lay-offs were carried out in all business units according to the cost-cutting programme.
The company recorded a saving of EUR 68.8 million year-over-year exceeding the set targets; EUR 44.6 million was saved in labour and EUR 24.2 million in fixed (excluding labour) costs.

RISKS, UNCERTAINTY FACTORS AND DISPUTES IN THE NEAR FUTURE

The Group’s short term risks are derived from continuing uncertainty about the recovery rate of the world economy and the effect on the tyre markets’ demand and sales volume in 2010.

In terms of exchange rate risks, the main risk facing Nokian Tyres in the near future is related to the development of the Ukrainian hryvnia.

A little over 35% of the Group’s net sales are generated from euro-denominated sales. The most important sales currencies in addition to the euro are the Russian rouble, the US dollar, the Swedish and Norwegian krona and the Ukrainian hryvnia.

Nokian Tyres’ other risks and uncertainty factors in the near future concern the shortage of financing for customers especially in Russia and CIS, the success of sales in the key markets and the development of the financial markets. Special attention has been drawn to securing customer payments. Russian trade receivables account for around 23% of the Group’s total trade receivables. The amount of overdue trade receivables in Russia and CIS is back to normal level and incoming payments are in line with the agreements.

Nokian Tyres has certain pending legal proceedings and litigations in some countries. At this moment, the company does not expect these proceedings to have any material impact on the performance or future outlook.

OUTLOOK FOR 2010

The level of tyre demand seems to have stabilized and signs of a slow recovery can be seen. Tyre inventories are on a low level on all markets. The receivables and risks are back to normal on Nokian Tyres’ core markets. Currencies on Nokian core markets (excl. Ukraine) have stabilized since early 2009 and show signs of strengthening.

The share of Nordic, Russian and CIS sales in the sales portfolio is estimated to increase in 2010. This will have a positive effect on sales mix and prices.

The recovery of profitability and productivity at Nokian Tyres is supported by the increasing share of Russian production and implemented structural changes and cost cuts. Raw material cost in 2010 is estimated to increase by 6% compared to 2009.

The tyre pricing environment is expected to be challenging in Nokian Tyres’ core markets. Price increases are difficult to implement despite the increasing raw material prices.

A strong expanding distribution, good seasonal logistics, an improved cost structure with majority of production inside duty borders of Russia and CIS as well as new products will give Nokian Tyres a good chance to strengthen its market leadership in the core markets and to return to profitable growth in 2010.

Outlook and guidance for 2010:
In 2010, the company is positioned to improve net sales and operating result compared to 2009.

INVESTMENTS IN 2010

Nokian Tyres’ total investments in 2010 will be approximately EUR 50 million (2009: EUR 86.5 million). About EUR 20 million will be spent on moulds and equipment for new products and EUR 15 million (2009: EUR 51.2 million) on the Russian plant’s operations.

Nokia, February 11, 2010

Nokian Tyres plc

Board of Directors

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

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This financial statements bulletin has been prepared in accordance with IFRS compliant recognition and measurement principles.
Since 1.1.2009 the Group has applied amendment to the IAS 1 'Presentation of Financial Statements' affecting the disclosure of the consolidated income statement and statement of changes in equity. In addition, the Group has adopted new IFRS 8 'Operating Segments' affecting the disclosure of the notes to the consolidated financial statements. Otherwise this interim report has been prepared in accordance with the same accounting policies as in the most recent annual financial statements, but it has not been prepared in compliance with all requirements set out in IAS 34 'Interim Financial Reporting'.

NOKIAN TYRES
CONSOLIDATED INCOME STATEMENT

Million euros	10-12/09	10-12/08	1-12/09	1-12/08	Change %
Net sales	247.7	267.7	798.5	1,080.9	-26.1
Cost of sales	-143.4	-152.3	-478.0	-588.1	-18.7
Gross profit	104.2	115.4	320.4	492.7	-35.0
Other operating income	1.0	1.2	2.2	2.2	0.2
Selling and marketing expenses	-49.7	-55.5	-174.1	-198.8	-12.4
Administration expenses	-6.5	-9.6	-24.5	-27.4	-10.8
Other operating expenses	-8.3	-5.2	-22.1	-21.8	1.5
Operating profit	40.8	46.5	102.0	247.0	-58.7
Financial income	23.6	83.9	97.1	111.1	-12.6
Financial expenses	-17.7	-142.6	-125.7	-184.3	-31.8
Result before tax	46.7	-12.2	73.5	173.8	-57.7
Tax expense (1	-17.5	0.6	-15.2	-33.9	-55.1
Result for the period	29.2	-11.6	58.3	139.9	-58.3
Attributable to:					
Equity holders of the parent	29.2	-11.6	58.3	139.9	
Minority interest	0.0	0.0	0.0	0.0	
Earnings per share from the profit attributable to equity holders of the parent					
basic, euros	0.23	-0.09	0.47	1.12	-58.4
diluted, euros	0.24	-0.07	0.49	1.10	-55.4

CONSOLIDATED OTHER COMPREHENSIVE INCOME Million euros	10-12/09	10-12/08	1-12/09	1-12/08
Result for the period	29.2	-11.6	58.3	139.9
Other comprehensive income, net of tax:				
Gains/Losses from hedge of net investments in foreign operations	-10.1	5.3	-24.4	6.2
Interest rate swaps	0.1	-0.2	0.1	-0.1
Translation differences on foreign operations (2	13.0	-43.7	-12.8	-46.4
Total other comprehensive income for the period, net of tax	3.0	-38.6	-37.0	-40.3
Total comprehensive income for the period	32.3	-50.2	21.2	99.6
Total comprehensive income attributable to:				
Equity holders of the parent	32.3	-50.2	21.2	99.6
Minority interest	0.0	0.0	0.0	0.0

1) Tax expense in the consolidated income statement is based on the taxable result for the period.
2) 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'.

KEY RATIOS	31.12.09	31.12.08	Change %
Equity ratio. %	62.0	54.8	
Gearing. %	34.8	41.0	
Equity per share, euro	6.07	6.20	-2.2
Interest-bearing net debt, mill. euros	263.7	319.0	
Capital expenditure, mill. euros	86.5	181.2	
Depreciation and amortisations, mill. euros	61.9	56.2	
Personnel, average	3,503	3,812	
Number of shares (million units)			
at the end of period	124.85	124.85	
in average	124.85	124.61	
in average, diluted	129.76	131.47	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION Million euros	31.12.09	31.12.08
Non-current assets		
Property, plant and equipment	507.6	499.8
Goodwill	55.0	53.9
Other intangible assets	19.2	19.0
Investments in associates	0.1	0.1
Available-for-sale financial assets	0.2	0.2
Other receivables	9.9	11.6
Deferred tax assets	28.7	20.3
Total non-current assets	620.7	604.9
Current assets		
Inventories	200.0	290.9
Trade receivables	248.0	268.4
Other receivables	90.7	143.0
Cash and cash equivalents	62.5	113.2
Total current assets	601.2	815.5
Equity		
Share capital	25.0	25.0
Share premium	155.2	155.2
Translation reserve	-90.2	-53.0
Fair value and hedging reserves	0.0	-0.1
Retained earnings	667.6	647.6
Minority interest	0.0	2.7
Total equity	757.6	777.3
Non-current liabilities		
Deferred tax liabilities	29.4	27.6
Provisions	1.4	1.1
Interest-bearing liabilities	253.8	394.5
Other liabilities	2.1	2.1
Total non-current liabilities	286.7	425.3
Current liabilities		
Trade payables	33.8	79.0
Other current payables	70.7	99.9
Provisions	0.7	1.1
Interest-bearing liabilities	72.4	37.8
Total current liabilities	177.6	217.8
Total assets	1,221.9	1,420.4

CONSOLIDATED STATEMENT OF CASH FLOWS Million euros	1-12/09	1-12/08
Cash flows from operating activities:		
Cash generated from operations	228.5	201.1
Financial items and taxes	-34.3	-182.7
Net cash from operating activities	194.2	18.4
Cash flows from investing activities:		
Net cash used in investing activities	-92.8	-177.2
Cash flows from financing activities:		
Proceeds from issue of share capital	0.1	6.4
Change in current financial receivables and debt	-117.2	25.1
Change in non-current financial receivables and debt	15.4	147.5
Dividends paid	-49.9	-62.3
Net cash from financing activities	-151.7	116.7
Net change in cash and cash equivalents	-50.2	-42.1
Cash and cash equivalents at the beginning of the period	113.2	158.1
Effect of exchange rate changes	-0.5	-2.8
Cash and cash equivalents at the end of the period	62.5	113.2
	-50.2	-42.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Million euros

	Share capital	Share premium	Translation reserve	Fair value and hedging reserves	Retained earnings	Minority interest	Tot.
Equity, Jan 1st 2008	24.7	149.0	-12.8	0.0	551.9	0.0	712.8
Dividends paid					-62.3		-62.3
Exercised warrants	0.2	6.2					6.4
Share-based payments					18.7		18.7
Other changes					-0.6		-0.6
Total comprehensive income for the period			-40.2	-0.1	139.9		99.6
Change in minority interest						2.7	2.7
Equity, Dec 31st 2008	25.0	155.2	-53.0	-0.1	647.6	2.7	777.3
Equity, Jan 1st 2009	25.0	155.2	-53.0	-0.1	647.6	2.7	777.3
Dividends paid					-49.9		-49.9
Exercised warrants	0.0	0.0					0.0
Share-based payments					11.8		11.8
Total comprehensive income for the period			-37.2	0.1	58.3		21.2
Change in minority interest						-2.7	-2.7
Equity, Dec 31st 2009	25.0	155.2	-90.2	0.0	667.6	0.0	757.6

SEGMENT INFORMATION

The segment information is reported according to the business segments. Segments are based on the internal profit centre organisation and financial reporting structure. The segments comprise of entities with products and services subject to marketing strategies, distribution channels, risks and returns that are different from those of other segments. They are also managed separately.

Application of IFRS 8 has not changed the reported business segments of the Group as the segment information has been based on financial reporting structure also before where the measurement principles are in accordance with IFRS standards.

Pricing of the inter-segment transactions reflect current market prices. Evaluation of profitability and decisions on resource allocation are based on operating result of each segment.

Segments are:

Passenger Car Tyres -profit centre develops, produces and obtains revenues from sales of summer and winter tyres for cars and vans.

Heavy Tyres -profit centre obtains its revenues from tyres for forestry machinery, special tyres for agricultural machinery and industrial machinery.

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

Other operations include Truck Tyre business. In addition, Other operations
contain business development and Group management unallocated to the segments.

Million euros	10-12/09	10-12/08	1-12/09	1-12/08	Change %
Net sales					
Passenger car tyres	135.6	143.9	527.3	741.6	-28.9
Heavy tyres	15.3	19.9	50.1	97.7	-48.8
Vianor	104.5	116.5	273.2	308.3	-11.4
Other operations	9.3	8.9	28.5	33.4	-14.5
Eliminations	-17.0	-21.5	-80.7	-100.2	
Total	247.7	267.7	798.5	1,080.9	-26.1
Operating result					
Passenger car tyres	28.2	28.4	106.2	230.0	-53.8
Heavy tyres	2.2	2.2	0.0	17.7	- 99.9
Vianor	7.9	11.1	-3.0	4.4	-166.5
Other operations	-2.2	-1.9	-5.0	-6.4	21.9
Eliminations	4.7	6.6	3.7	1.2	
Total	40.8	46.5	102.0	247.0	-58.7
Operating result, % of net sales					
Passenger car tyres	20.8	19.7	20.1	31.0	
Heavy tyres	14.7	11.1	0.0	18.1	
Vianor	7.5	9.6	-1.1	1.4	
Total	16.5	17.4	12.8	22.8	
Cash Flow II					
Passenger car tyres	212.0	241.8	109.9	-2.3	4,802.0
Heavy tyres	6.3	18.5	5.7	10.6	-46.1
Vianor	26.2	31.8	7.6	1.4	441.7
Group total	249.2	298.2	123.1	9.5	1,195.0

CONTINGENT LIABILITIES Million euros	31.12.09	31.12.08
FOR OWN DEBT		
Mortgages	0.9	0.9
Pledged assets	35.8	37.4
OTHER OWN COMMITMENTS		
Guarantees	5.5	2.1
Leasing and rent commitments	101.1	104.9
Purchase commitments of property, plant and equipment	3.4	1.5

DERIVATIVES Million euros	31.12.09	31.12.08
INTEREST RATE DERIVATIVES		
Interest rate swaps		
Notional amount	3.9	14.4
Fair value	0.0	-0.1
FOREIGN CURRENCY DERIVATIVES		
Currency forwards		
Notional amount	427.2	396.5
Fair value	-7.1	24.4
Currency options, purchased		
Notional amount	3.9	5.0
Fair value	0.0	0.5
Currency options, written		
Notional amount	3.9	10.1
Fair value	-0.1	-0.3

The fair value of interest rate derivatives is defined by cash flows due to contracts. Interest rate swaps are wholly designated as cash flow hedges and their changes in fair value relating to the effective portion of the hedge is recognised in equity and the potential ineffective portion is recognised in the income statement.

The fair value of forward exchange contracts is calculated at the forward rates on the reporting date on the basis of cash flows arising from contracts. The fair value of currency options is calculated using the Garman-Kohlhagen option valuation model.

Foreign currency derivatives are only used to hedge the Group's net exposure. The changes in fair value of foreign currency derivatives are reported in the income statement excluding the foreign currency derivatives that are hedging the foreign currency denominated net investment in a foreign subsidiary. Hedge accounting is applied for those hedges and for hedges meeting the hedge accounting criteria the changes in fair value are wholly deferred in equity except for the potential ineffective portion and the time value of currency options. which are recognised in the income statement.

The notional amount of foreign currency derivatives is the euro equivalent of the contracts' currency denominated amount on the reporting date.

DEFINITIONS OF CONSOLIDATED KEY FINANCIAL INDICATORS

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

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

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

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

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

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

Operating margin:
Operating result, % of net sales

DEFINITIONS OF SALES AREAS

Nordic countries: Finland, Norway, Sweden.

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

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

North America: Canada, USA.

Nokian Tyres plc

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Nokian Tyres plc will publish year 2009 result on Thursday February 11, 2010 at 8.00 am Finnish time.

The result presentation to analysts and media will be held in Helsinki at 10.00 am Finnish time. The presentation can be listened through audiocast via internet at http://www.nokiantyres.com/resultinfo2009

To be able to ask questions during the event you can participate in the conference call. Please dial in 5-10 minutes before the beginning of the event: +44 (0)20 7162 0025. Password: Nokian Tyres

Stock exchange release and presentation material will be available before the event from http://www.nokiantyres.com/ir-calendar
After the event the audio recording can be downloaded from the same page.

Nokian Tyres interim result Q1/2010 will be published on May 6th, 2010. Releases and company information will be found from http://www.nokiantyres.com