

# *Hakkapeliitta*



1936 *75* 2011

**nokian**  
HAKKAPELIITTA

Nokian Tyres plc

Result 2010

9 February, 2011

**Strong results –  
profitable growth back on track**

Mr. Kim Gran  
President and CEO  
Nokian Tyres plc

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## GENERAL OVERVIEW OF 2010

*Strong results, profitable growth back on track*

Key figures	10-12/10	10-12/09	Change (%)	1-12/10	1-12/09	Change (%)
Net Sales	368.7	247.7	48.9 %	1 058.1	798.5	32.5 %
Operating result	91.8	40.8	125.1 %	222.2	102.0	117.8 %
Margin (%)	24.9 %	16.5 %		21.0 %	12.8 %	
Result before tax	86.4	46.7	84.8 %	208.8	73.5	184.3 %
Result for the period	62.6	29.2	114.1 %	169.7	58.3	191.3 %
Margin (%)	17.0 %	11.8 %		16.0 %	7.3 %	
EPS (EUR)	0.49	0.23	110.3 %	1.34	0.47	186.9 %
RONA (%), rolling 12 months				17.8	8.4	
Cash flow from operations	358.1	249.2	43.7 %	318.8	123.1	159.0 %
Gearing (%)				0.1	34.8	

### Summary

- Nokian Tyres back on a profitable growth track on improving markets
- Nokian Tyres' market shares up in Nordic, Russia & CIS and CE
- Net sales 1,058.1 m€, up 32.5%
- Operating profit 222.2 m€, more than doubled
- Pre-tax profit nearly tripled to 208.8 m€
- Cash flow from operations 318.8 m€ all-time high due to improved NWC rotation
- Car tyre ASP improved 5% compensating raw material cost increases
- Capacity ramp-up in Russia, restructuring and better capacity utilization improved productivity
- Vianor expanded by 148 to 771 stores

Board proposes a dividend of 0.65€ per share

### Outlook: Profitable growth

- Strong overall demand and order book
- Retailers' low inventories drive sales growth
- Further tyre price increases & mix improvement
- Raw material cost estimated to go up 25-28% in 2011
- Capacity increasing:  
Lines 9&10 to be installed in Russia in 2011
- Profitability supported by
  - Improved cost structure
  - Higher sales volume, better mix and ASP
  - Increasing share of Russian production  
→ productivity up
- Year 2011 estimates:
  - The company is positioned to provide strong sales growth and to improve operating profit compared to 2010

## GENERAL OVERVIEW OF 2010

*Market overview: Clear improvement in the business environment*

### Car tyres

#### **Tyre market volumes improved clearly**

- Economies in the Nordic countries and Russia improved, consumer confidence and car sales picked up
- Demand grew in all Nokian Tyres' core markets
- Distributors' credit capability improved
- Distributors' low inventory levels boosted sales

### Heavy tyres

#### **Machinery and equipment production on the rise**

- Demand and prices of pulp, sawmill products, metals and food increased
- Production of forestry and other machinery started to recover rapidly
- Tyre demand improved clearly in all product groups
- Demand exceeded supply in some product groups and sizes

### Raw materials & tyre prices

#### **Raw material prices increased rapidly**

- Raw material prices have increased significantly from mid 2009 to end of 2010  
→ Tyre industry increased prices in summer and autumn 2010, further increases following in Q4/2010 and early 2011

### Currencies

#### **Favourable development of currency exchange rates**

- Currencies on Nokian Tyres' core markets were stronger against the Euro in 2010 vs. 2009

## GENERAL OVERVIEW OF 2010

*Nokian Tyres performance: Strong sales, improved profitability*

### Sales and market position

#### Volumes and market shares up

- + Sales grew in all profit centres
- + Strong winter tyre and forestry tyre sales
- + Car tyres' market share improved in Nordic countries, CE and in Russia
- + Test victories of Nokian summer and winter tyres boosted sales
- + Heavy tyre sales and orders improved significantly

### Profitability and cash flow

#### Price increases to offset increased raw material cost

- + Raw material cost still relatively low in H1/2010, increasing since Q3/2010
- + Price increases implemented, car tyre ASP up by 5%
- + Profitability supported by higher sales volume, improved sales mix and increasing share of Russian production
- + Moderate growth of fixed costs improved margins
- + NWC rotation improved, Cash flow from operations all-time high 318.8 m€

### Production

#### Productivity boost from increased production volumes

- + Higher utilization of capacity and growing share of Russian production
- + 8<sup>th</sup> production line taken into use in Russian factory in Q3/2010, lines 9&10 to be installed in Q2-Q3/2011
- Demand exceeded supply capacity in H2/2010

### Distribution

#### New Vianor shops

- + Vianor expanded to 771 stores in 20 countries; increase by 148 stores in 2010



## INDEX

1. General overview of 2010
2. **Nokian Tyres financial performance**
  - Operating result per quarter
  - Gross sales by market area
  - Raw material cost development
  - Development of key financials
  - RONA and EVA
  - Capex
  - Cash flow
3. Profit centres (incl. Russian operations)
4. Other markets
5. Nokian Tyres going forward
6. Appendixes



## FINANCIAL PERFORMANCE

### Group operating result per quarter 2006-2010

#### 2010

Net sales 1,058.1 m€

(798.5 m€), +32.5%

EBIT 222.2 m€

(102.0 m€), +117.8%

#### 10-12/2010

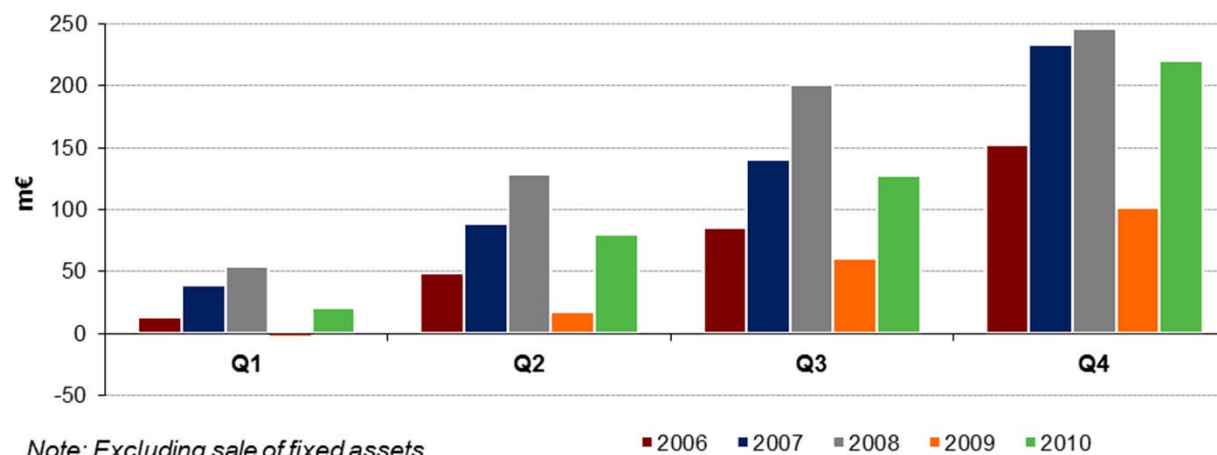
Net sales 368.7 m€

(247.7 m€), +48.9%

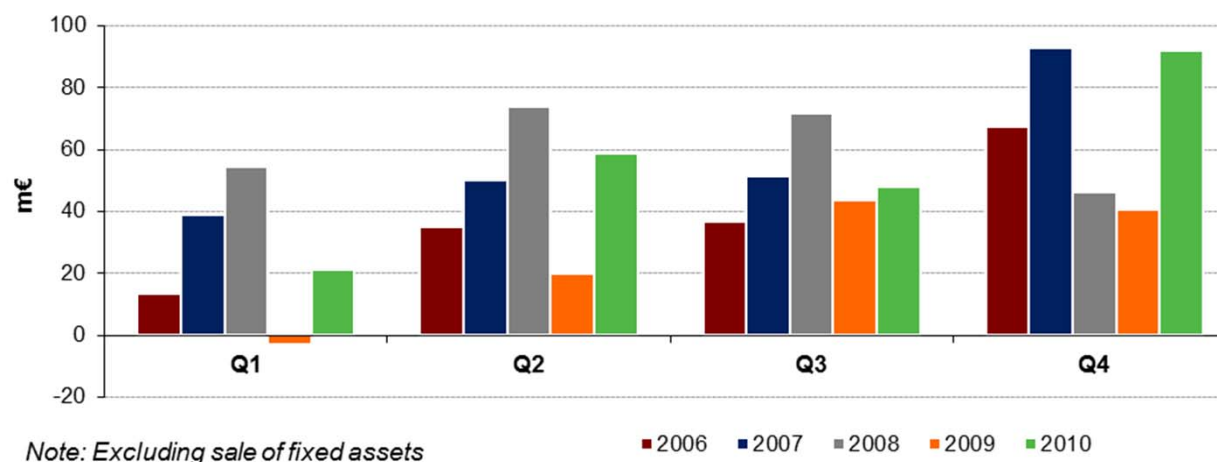
EBIT 91.8 m€

(40.8 m€), +125.1%

Cumulative operating result per quarter (m€)



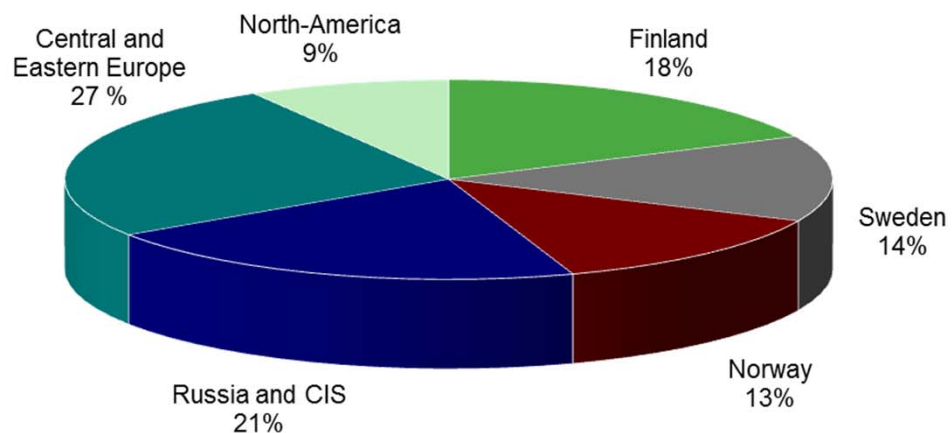
Group operating result per quarter (m€)



# FINANCIAL PERFORMANCE

## Gross sales by market area 2010

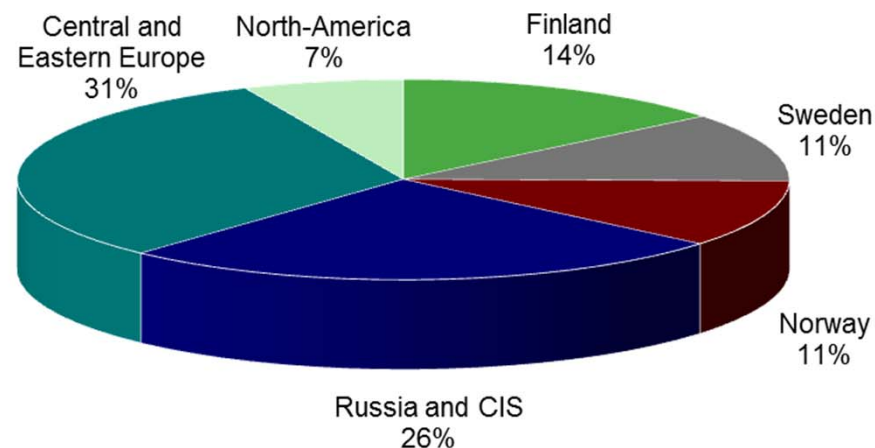
**Sales of Nokian Tyres Group: 1,121.2 m€, +32.2%**



### Sales development in euros

- Nordic countries +29.1%
- Russia and CIS +34.7%
  - Russia: +78.0%
- Central and Eastern Europe +43.8%
- North America +9.5%

**Sales of Manufacturing Units: 905.3 m€, +36.4%**

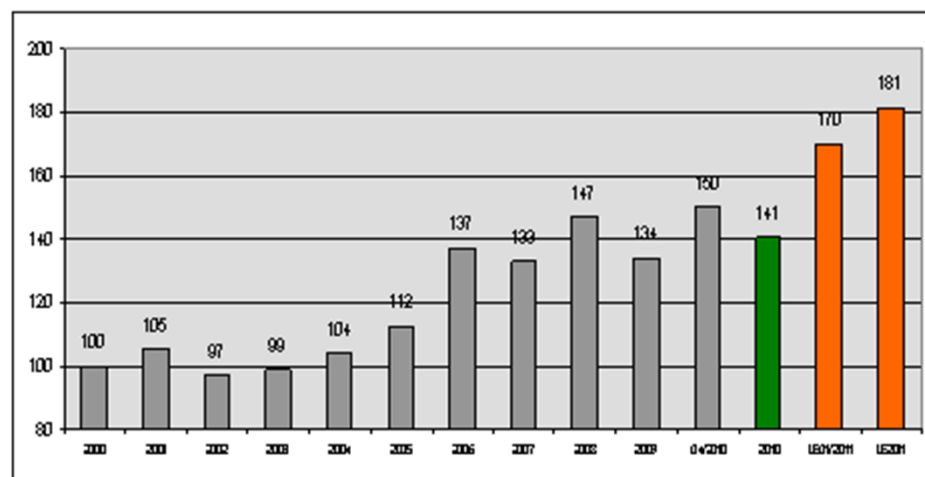


### Sales development in euros

- Nordic countries +38.7%
- Russia and CIS +35.0%
  - Russia: +78.7%
- Central and Eastern Europe +48.7%
- North America -5.7%



Raw material cost development index 2000-E2011



Nokian Tyres raw material cost (EUR/kg)

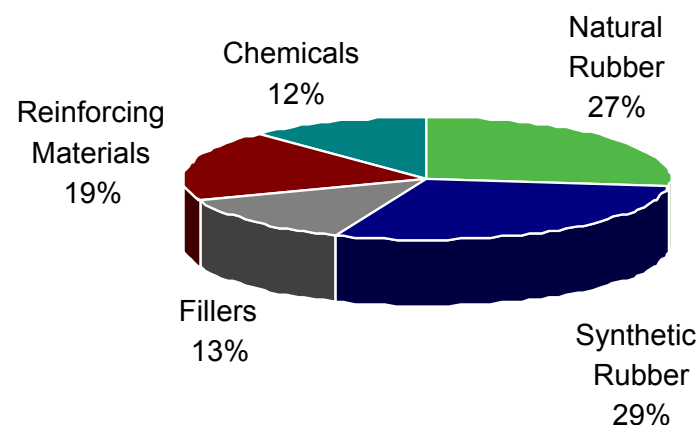
### Raw material cost

- increased by 5% in 2010 vs. 2009
- increased by 30% in Q4/2010 vs. Q4/2009
- increased by 18% in H2/2010 vs. H1/2010

### Raw material cost is estimated to increase by

- 13% in Q1/2011 vs. Q4/2010
- 44% in Q1/2011 vs. Q1/2010
- 25-28% in 2011 vs. 2010

Value of raw material consumption (%)

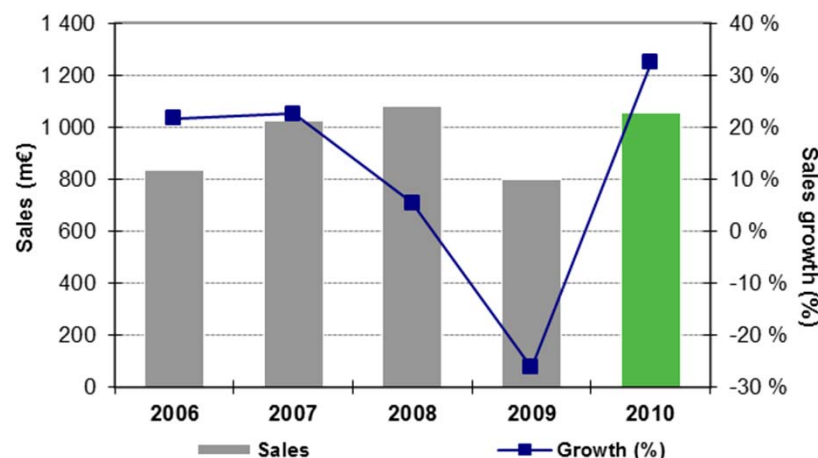


**In order to maintain material margin +7% in ASP required in 2011 vs. 2010**

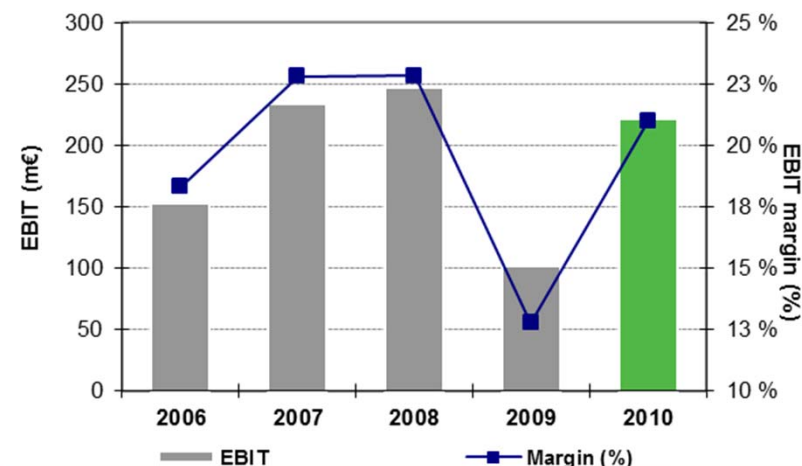
## FINANCIAL PERFORMANCE

### Development of key financials 2006-2010

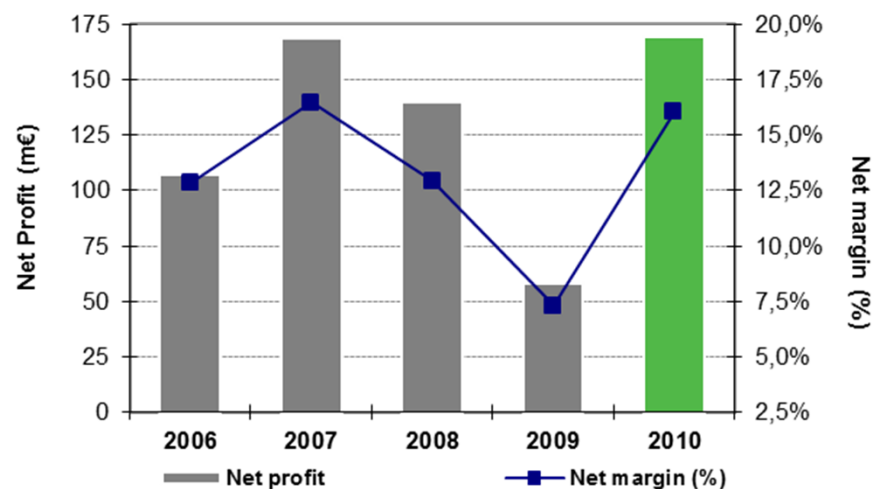
Net sales (m€) and Net sales growth (%)



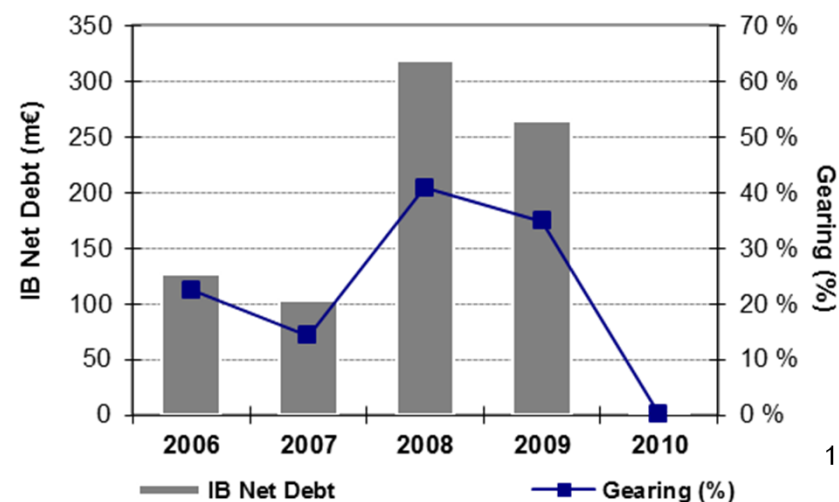
EBIT (m€) and EBIT margin (%)



Net profit (m€) and net margin (%)



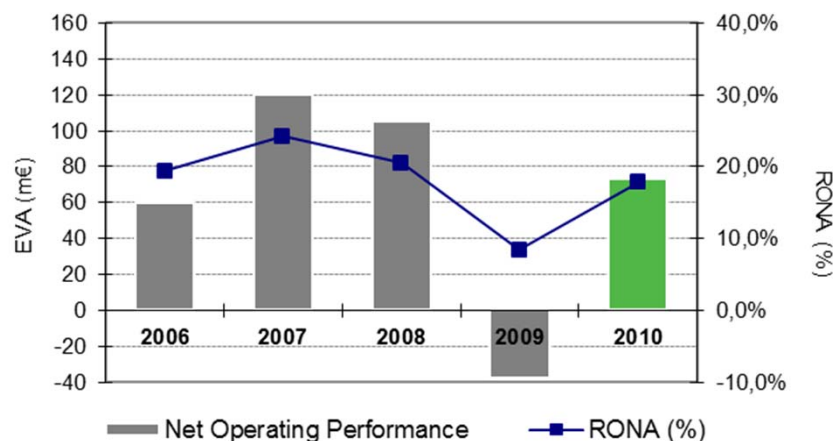
Interest bearing net debt (m€) and gearing (%)



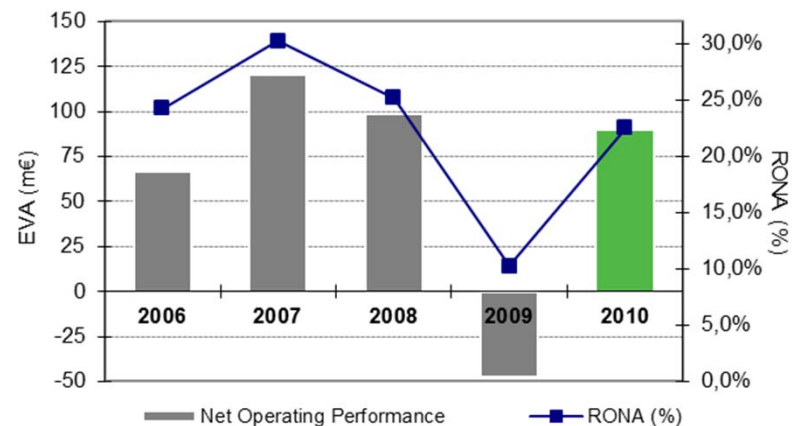
## FINANCIAL PERFORMANCE

*RONA (%) and net operating performance (EVA) <sup>1)</sup> 2006-2010*

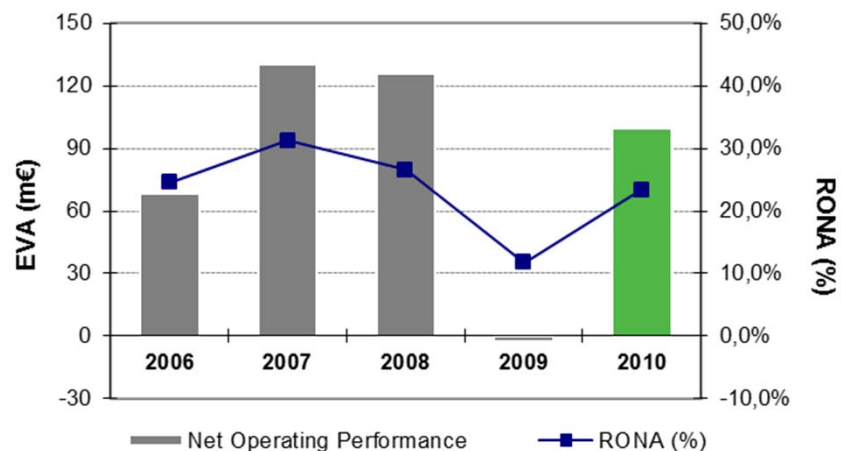
Group EVA (m€) and RONA (%)



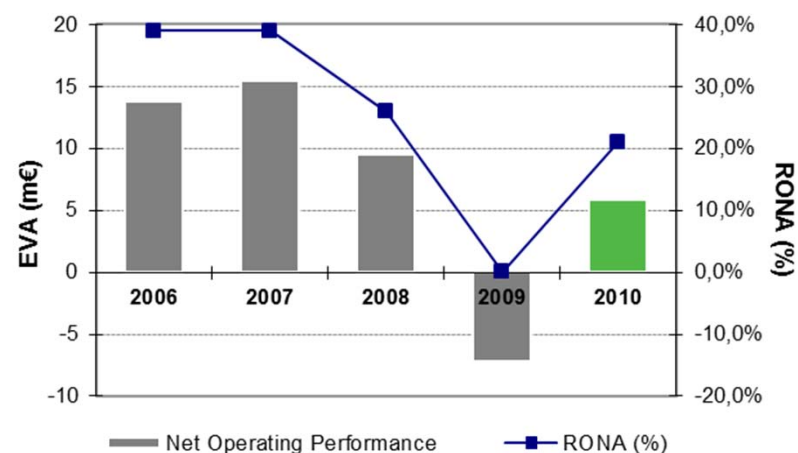
Manufacturing EVA (m€) and RONA (%)



Car and Van Tyres EVA (m€) and RONA (%)



Heavy Tyres EVA (m€) and RONA (%)



<sup>1)</sup> EVA is calculated based on 12% interest on capital employed.

## FINANCIAL PERFORMANCE

**Capex 2010 → Adjusted to maximize cash flow and utilize existing capacities**

**Capex 2011 → Significant investment to secure strong profitable growth**

### Investments in 2010

- Q4/2010: 19.8 m€ (9.6 m€)
- 2010: 50.5 m€ (86.5 m€)

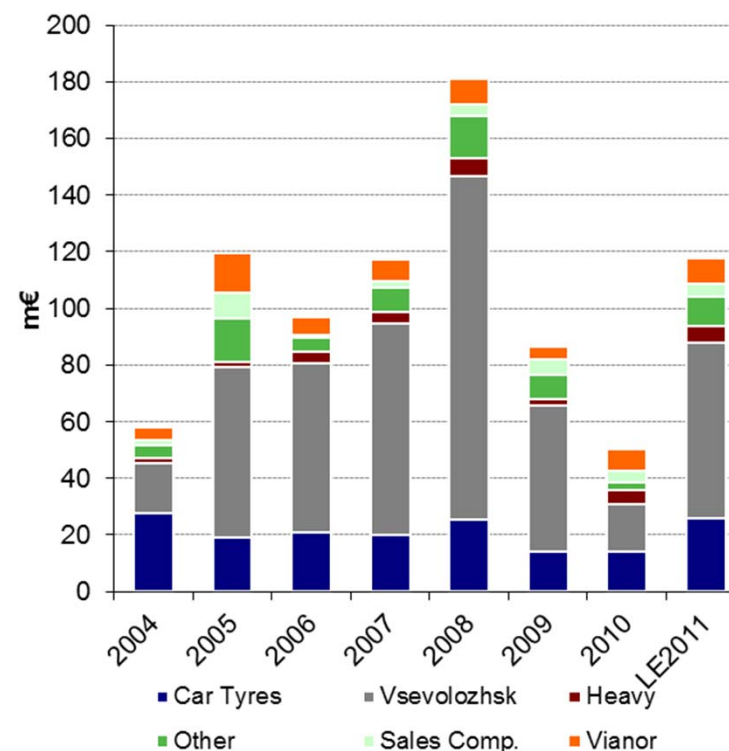
### Russia

- Capacity ramp-up and investments
  - Lines 7-8 completed with start-up in 2010
  - Lines 9-10 ordered for installation and start-up in Q2-Q3/2011

### Estimated investments for 2011

- Approximately 117 m€
  - Investments in Russia: 62 m€
  - Moulds for new products 26m€
  - ICT and production bottlenecks 14 m€
  - Vianor chain 9 m€

Nokian Tyres Capital expenditures (m€)

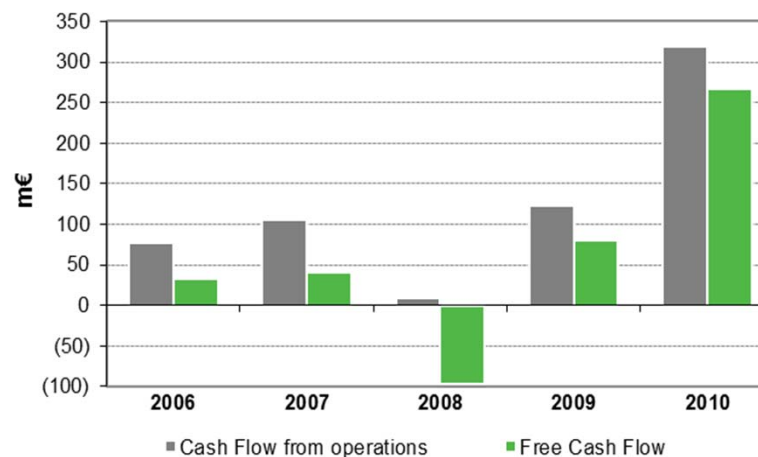


## FINANCIAL PERFORMANCE

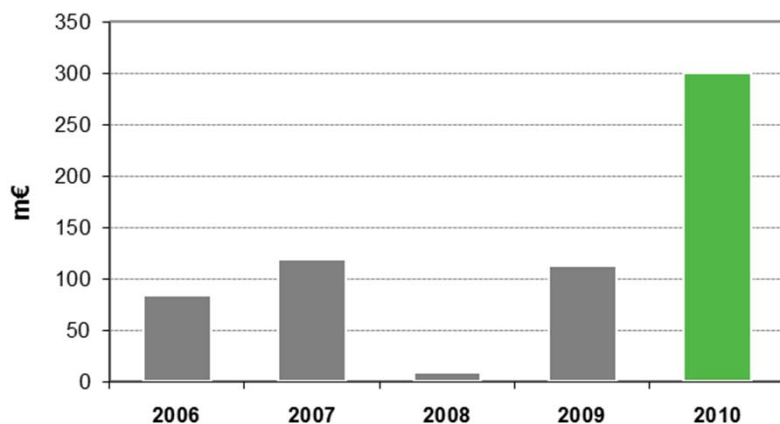
### *Group Operating Cash Flow and Free Cash Flow 2006-2010*

- Both the Cash flow from operations and the Free cash flow all-time high in 2010
- Cash flow from operations: 318.8 m€ in 2010
  - Inventories' and Trade receivables rotation days improved
  - Russian receivables 24% (23%) of total at year end

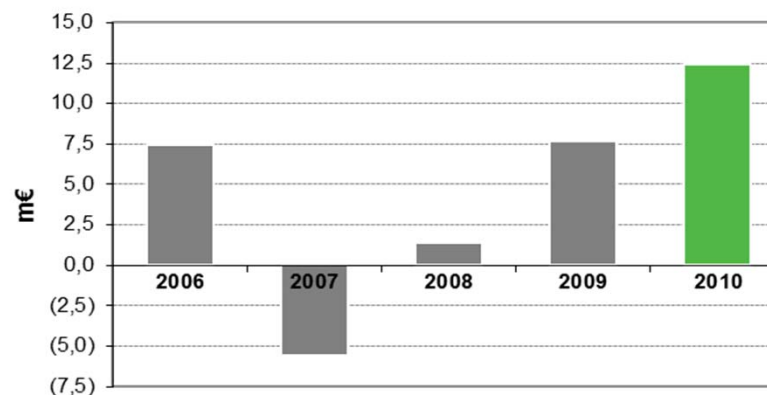
**Group Cash flow from operations and Free Cash flow**



**Manufacturing Cash flow from operations**



**Vianor Cash flow from operations**



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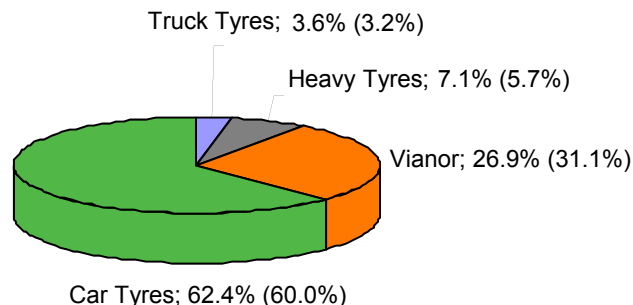




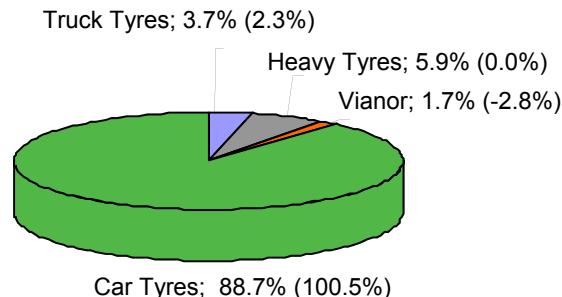
## PROFIT CENTRES

### General overview of 2010

**Net sales 1,058.1 m€ +32.5%**



**EBIT 222.2 m€ +117.8%**



#### Passenger Car Tyres

- **Net sales:** 714.7 m€ ; +35.5%
- **EBIT:** 205.5 m€; +94.5%
- **EBIT margin:** 28.8% (20.1%)
- **Key products:** studded and non-studded winter tyres, high-speed summer tyres
- **Key markets:** Nordic countries, Russia and CIS countries, Central & Eastern Europe, North America

#### YEAR 2011

- Capacity ramp-up: increase production and productivity
- Increase sales and market shares in core markets, Russia and Nordic countries
- Increase prices to offset the growing raw material cost
- Improve sales mix and ASP

#### Heavy Tyres

- **Net sales:** 81.0 m€ ; +61.8%
- **EBIT:** 13.7 m€; +76,435.9%
- **EBIT margin:** 16.9% (0.0%)
- **Key products:** tyres for forestry, industrial and agricultural machinery

#### YEAR 2011

- Improve production volumes and productivity
- Increase prices to offset the growing raw material cost
- Expand the distribution network
- Add service centres

#### Truck Tyres

- **Net sales:** 41.2 m€; +44.3%
- **Key products:** truck tyres and retreading materials

#### Vianor

- **Net sales:** 307.9 m€; +12.7%
- **EBIT:** 4.0 m€; +233.7%
- **EBIT margin:** 1.3% (-1.1%)
- 771 stores in 20 countries in Nokian Tyres' core markets

#### YEAR 2011

- Improve sales and market shares
- Continue to expand the network and the number of partners to 900 stores
- Increase service sales

## PROFIT CENTRES

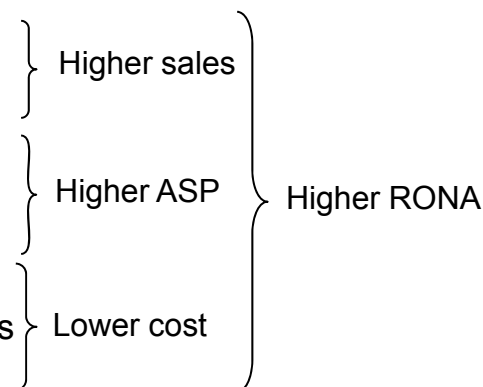
### *Passenger Car Tyres 2010: Improved sales and productivity*

#### Performance in 2010

- + Sales and order book improved clearly in all core market areas
- + Market share up in Nordic countries, CE and Russia
- + Price increases implemented to offset higher raw material cost
- + Improved sales mix and favourable currency rates → higher ASP
- + Several magazine test wins for Nokian Hakkapeliitta 7 studded winter tyre and Nokian Hakkapeliitta 7 studded winter tyre
- + 2 new production lines on stream in Russia in 2010, totalling 8 lines
- + Production volume & productivity up
- + Lower investments, inventories and receivables  
→ Improved cash flow and working capital rotation
- Supply capacity a bottleneck for sales in H2/2010

#### Key actions and targets for 2011

- Increase sales in all areas, especially in Russia
- Improve market shares in core markets
- Increase prices to offset growing raw material cost
- Improve sales mix
- Defend brand and price position
- Increase production capacity
- Improve productivity, utilize the most feasible capacities
- Cost control



→ Focus on mix improvement and growth on core markets

#### Net sales:

2010: 714.7 m€ (527.3 m€); +35.5%

10-12/2010: 221.4 m€ (135.6 m€); +63.2%

#### EBIT:

2010: 205.5 m€ (106.2 m€); +93.5%

10-12/2010: 69.9 m€ (28.2 m€); +148.2%

#### EBIT margin:

2010: 28.8% (20.1%)

- in core markets 31.6% (24.3%)

- In other markets 26.4% (18.6%)

10-12/2010: 31.6% (20.8%)



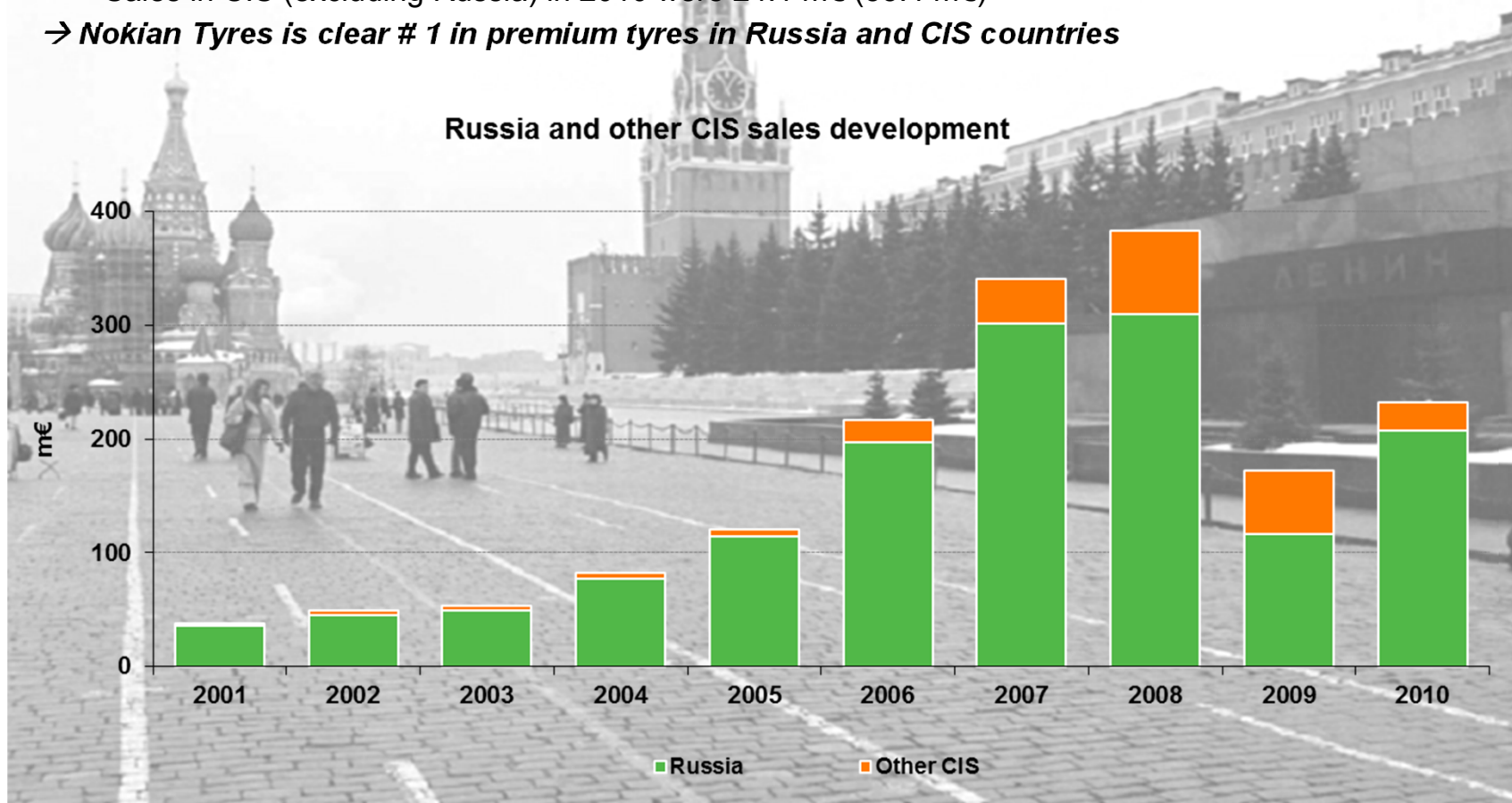
**Nokian Hakkapeliitta 7**  
Test winner in  
several countries

## RUSSIA

### *Back to growth*

- Sales and demand recovering trailing improving car sales, growing replacement sales of tyres and low inventories of distributors
- Sales in Russia in 2010 grew by 78.0% to 207.7 m€ (116.7 m€)
- Sales in CIS (excluding Russia) in 2010 were 24.1 m€ (55.4 m€)

→ ***Nokian Tyres is clear # 1 in premium tyres in Russia and CIS countries***



## RUSSIA

*Vianor Partner stores in Russia & CIS as of 31 December 2010*

**429 stores in 260 cities; +76 stores in 2010**





**Nokian Tyres market position in Russia**

- Only global tyre company with a state-of-the-art and efficient factory in Russia
  - Close access to markets
  - Within customs zone (duty 20% for import)
- Clear market and price leader in core product categories
- Widely recognised and strong brand – both company (Nokian Tyres) and products (Hakkapeliitta)
- Strong distribution chain covering all of Russia – based on long-term and close customer relationships
- Only global producer with a controlled tyre distribution network – 429 Vianor stores in Russia and CIS

**➔ *Nokian Tyres to further strengthen its market leader position in Russia***

**Nokian Tyres' factory in Russia**

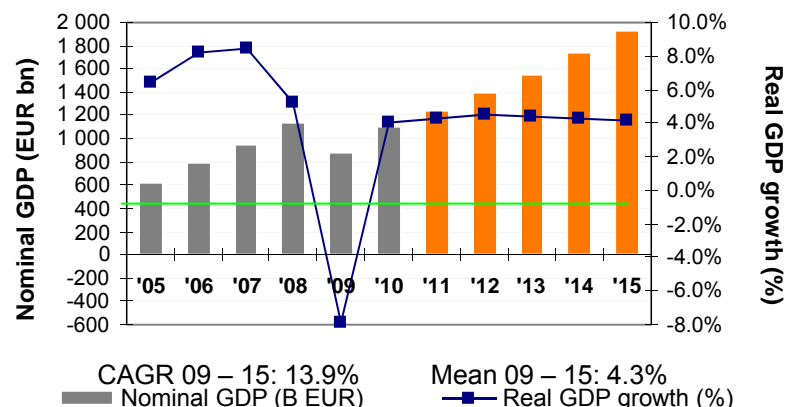
- Eight production lines operating
- Lines 7 and 8 installation completed in 2010, lines 9-10 ordered for installation in Q2-Q3/2011
- State-of-the art machinery, high European quality standards
- Exports from the Vsevolozhsk factory to over 30 countries, biggest consumer goods exporter in Russia
- Housing project, Hakkapeliitta Village – phase I completed
- Number of personnel on 31 December, 2010: 851 (640)



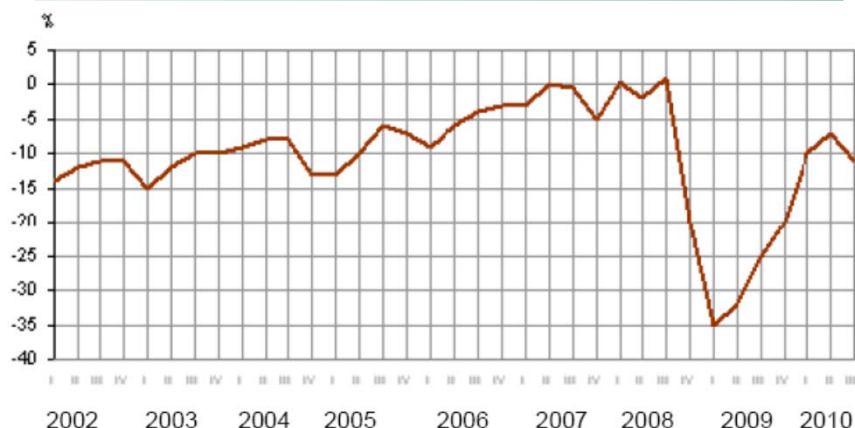
## RUSSIA

### *Russia's economy clearly recovering*

#### Russia's GDP growth



#### Consumer confidence in Russia



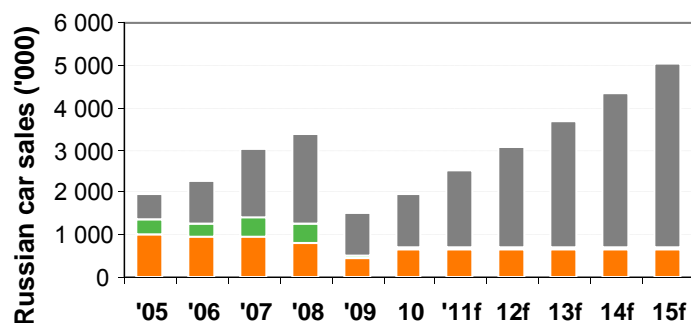
Source: Rosstat, EIU and Nokian Tyres estimates

#### Major trends and expectations

- Russia's economy has clearly started to recover from the severe crisis of 2008 - 2009
- In 2009, economy fell into recession with an annual decrease in GDP of 7.9%, but in 2010 it grew by estimated 4.0%
- Recovery is expected to keep momentum in 2011, backed by high oil and commodity prices
- Overall growth trend will continue: average GDP growth for 2010-2015 is estimated at >4% a year; faster growth is possible, but restricted by unbalanced structure of the economy; weak investment and the election cycle
- Domestic demand revival gradually started due to increased disposable incomes
- Ruble exchange rate fluctuated in 2010 with year-average clearly stronger against major currencies vs. 2009; in 2011, there are no fundamental reasons for the ruble devaluation – it may remain stable or strengthen further

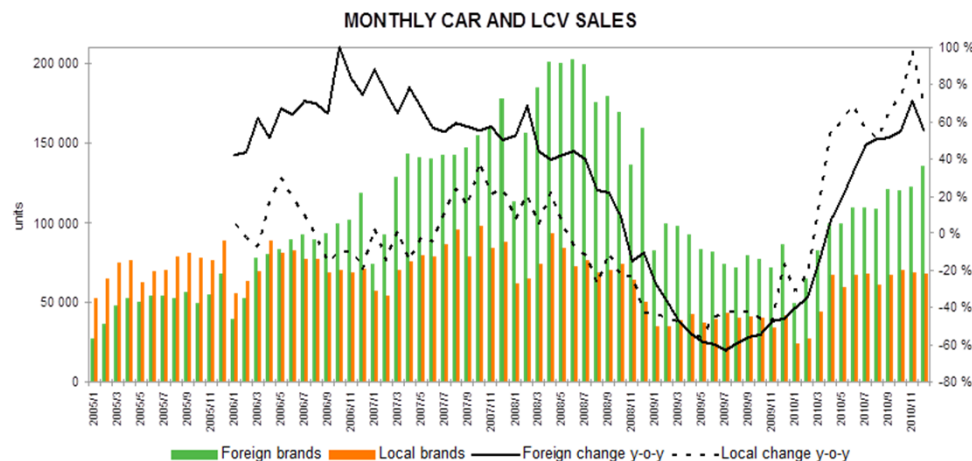


#### Russian car sales forecast – basic scenario



■ Local Brands ■ Western Brands - Used ■ Western Brands - New

#### Monthly car sales

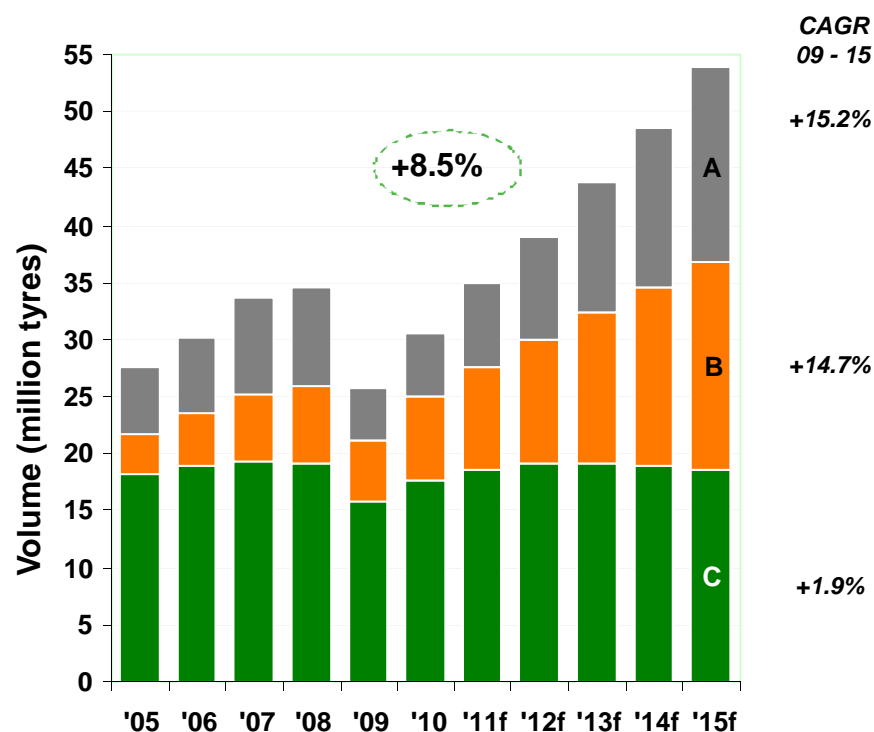


Source: AEB; IHS Global Insight; MinPromTorg; Nokian Tyres estimates

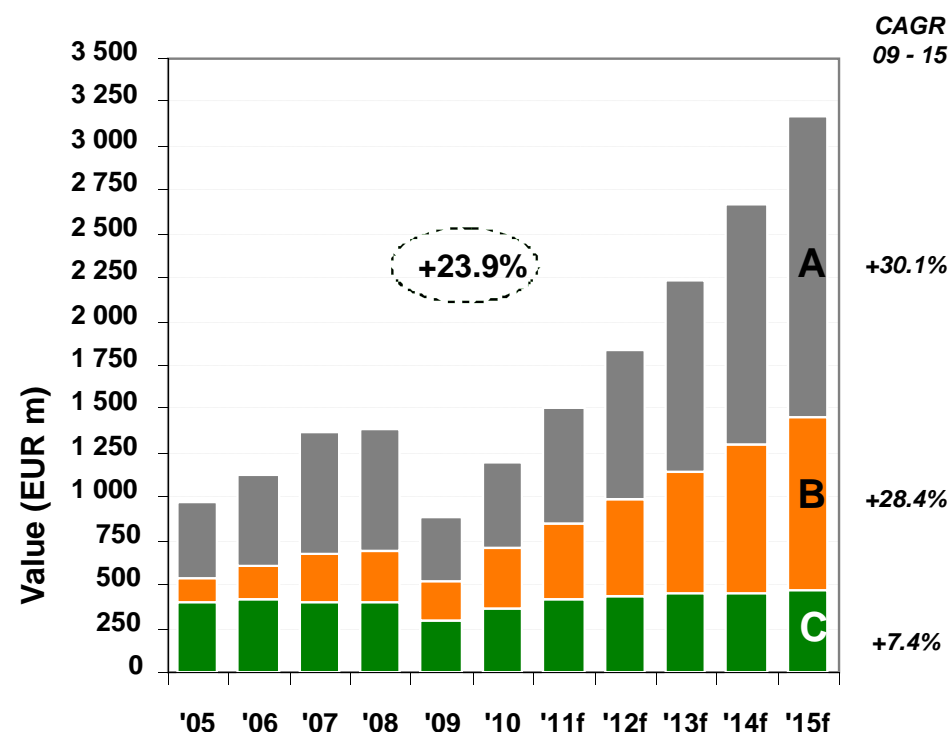
#### Car market summary

- Sales of new cars and LCVs in Russia increased by 60% in Dec 2010 vs. Dec 2009 and by 30% in 2010 vs. 2009
  - Growth clearly accelerated in the second half of the year and especially in Q4, both for domestic and foreign brands, across all market segments
- Government scrappage scheme brought very positive results, albeit supporting mostly cheap brands and models
  - In 2010 (until October) 400 thousand certificates issued and over 320 thousand cars sold
  - The program is announced to continue also in 2011 (extra 280.000 cars)
- Due to rapid recovery of demand, there was lack of cars during the second half of the year, as manufacturers had cut their quotas for Russia
  - The situation improved towards the end of the year, but long lead times remain for many popular brands and models
  - This deferred demand will continue to positively affect sales in 2011
- The car market is forecasted to reach 2.5 million cars and LCVs in 2011, showing a 30% growth
- Financing of car purchases revived in 2010, with share of sales financed by banks and car manufacturers reaching pre-crisis levels
  - Government implemented own car loan support program, with 355 thousand applications and 166 thousand loans granted in 2010
  - The program will continue in 2011 with the participation of 117 banks

Car and van tyre replacement market (volume)



Car and van tyre replacement market (value)



Note Traditional segments / price positioning: index 100 = market leader; A: > 80; B: 60 – 80; C: <60

Source: Nokian Tyres estimates

## **PROFIT CENTRES**

### **Heavy Tyres 2010: Higher demand, production doubled**

#### **Performance in 2010**

- + Tyre demand and sales clearly up, especially in forestry tyres
- + Improved distribution network with new distributors
- + “Vianor industrial” service concept, 22 stores in Nordic countries
- + Production volume doubled vs. 2009; weekly capacity in Nokia in full use as from Dec/2010
- Large share of sales to OE customers with fixed prices until October & increased raw material cost → cut margins in H2
- Production ramp-up time lag vs. demand growth

#### **Net sales:**

2010: 81.0 m€ (50.1 m€); +61.8%

10-12/2010: 25.7 m€ (15.3 m€); +68.0%

#### **EBIT:**

2010: 13.7 m€ (0.0 m€); +76,435.9%

10-12/2010: 4.2 m€ (2.2 m€); 88.6%

#### **EBIT margin:**

2010: 16.9% (0.0%)

10-12/2010: 16.5% (14.7%)

#### **Key actions and targets for 2011**

- Expand the distribution network, especially in Russia and CIS
- Improve service concepts and logistics
- Accelerate development of new products
- Increase prices further to offset the growing raw material cost
- Maximize production and sales of radial products
- Improve sales mix, share of aftermarket sales
- Full utilization of capacity, improve production volumes & productivity
- Evaluate options to increase production
- Increase outsourced production

Higher sales

Higher ASP

Lower cost

Higher  
RONA



**Nokian Forest Rider**

→ **Focus on profitable growth and higher capacity**

## PROFIT CENTRES

### *Truck Tyres 2010: Good performance in recovering markets*

#### Performance in 2010

- + Demand and sales clearly up in all geographical market areas
  - + Increased truck manufacturing
  - + Improved utilization rate in the transport sector
- + Market share improved in the Nordic countries, CE and Russia
- + New products → wider range for premium & standard truck tyres
- + Successful timing of purchases and tyre price increases, favourable currency rates → profitability all-time high

#### Key actions and targets for 2011

- Increase sales further in Nordic countries, Russia and CIS
- Expand in Eastern Europe utilising the “Vianor truck” concept
- Utilize the combination of new & retreaded tyres as a sales concept
- Increase tyre prices to offset higher purchase costs
- Utilize the stronger winter product range (incl. Hakkapeliitta truck tyres)
- Improve the product range with new sizes
- Improve off-take contract manufacturing and logistics further

→ **Expand sales, utilize group synergies and the improved product offering**

#### **Net sales:**

2010: 41.2 m€ (28.5 m€); +44.3%

10-12/2010: 12.9 m€ (9.3 m€); +38.9%



**Nokian Hakkapeliitta Truck F**

## PROFIT CENTRES

### *Vianor 2010: Foothold on core markets strengthened*

#### Performance in 2010

- + Sales and market shares improved
- + Car service sales improved by 21%
- + Vianor expanded to 771 stores in 20 countries; +148 in 2010
- Profitability in equity-owned stores still below long-term targets

#### Key actions and targets for 2011

- Improve tyre sales and market shares
- Increase sales of fast fit, tyre hotels and other services
- Increase e-commerce sales
- Continue to expand the network and the number of partners.  
Target: over 900 stores by the end of 2011

→ Cement and improve market leader position as a distributor in Nokian Tyres' core markets

#### **Net sales:**

2010: 307.9 m€ (273.2 m€); +12.7%

10-12/2010: 122.6 m€ (104.5 m€); +17.3%

#### **EBIT:**

2010: 4.0 m€ (-3.0 m€); +233.7%

10-12/2010: 11.8 m€ (7.9 m€); +50.8%

#### **EBIT margin:**

2010: 1.3% (-1.1%)

10-12/2010: 9.7% (7.5%)



771 Vianor stores globally

## PROFIT CENTRES

*Vianor Globally – Overview of stores as of 31 December 2010*

**Total: 771 stores in 20 countries (+57 in Q4/2010, +148 in 2010)  
(169 owned, 602 franchising/partner)**

**Retreading plants**  
Finland 2  
Sweden 1  
Norway 2

### **Nordic and Baltic countries: Total 228**

Finland 55 owned, 9 franchising/partners  
Sweden 54 owned, 32 partners  
Norway 45 owned, 17 partners  
Baltic 16 partners

**USA: 10 owned**

### **Central Europe: Total 104**

Germany 9 partners  
Switzerland 3 owned  
Czech Republic 33 partners  
Slovakia 12 partners  
Poland 31 partners  
Bulgaria 16 partners

### **RUK + other CIS –countries: Total 429**

Russia 2 owned, 302 partners  
Ukraine 99 partners (incl 13 Vianor Truck)  
Kazakhstan 13 partners  
Armenia 1 partner  
Moldova 3 partners  
Georgia 3 partners  
Belarus 6 partners (incl 1 Truck)

**Action plan 2011:**  
Expand network  
Start-up Q1: Italy  
Pending: Romania



## INDEX

1. General overview of 2010
2. Nokian Tyres financial performance
3. Profit centres (incl. Russian operations)
4. Other markets
  - Nordic countries
  - Central and Eastern Europe
  - North America
  - Other CIS Countries
5. Nokian Tyres going forward
6. Appendixes



## OTHER MARKETS

*Nordic Countries (Fin, Swe, Nor) – A solid part of the core markets*

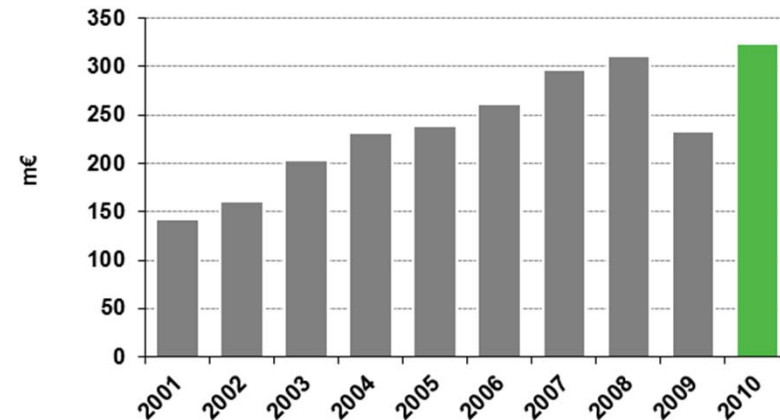
### GENERAL

- Mature market with estimated annual growth 1-3% (in 2009 exceptionally -10%)
- Winter tyre legislation – use compulsory
- Three dominating brands (Nokian Tyres, Michelin and Continental) with more than 60% market share

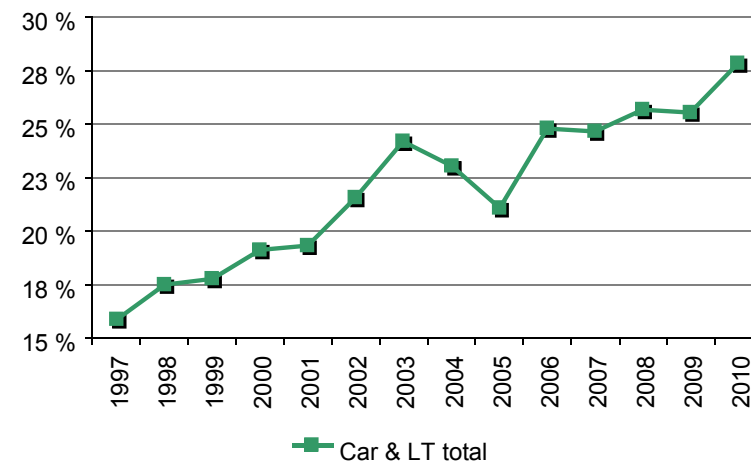
### NOKIAN TYRES

- Market and price leader with over 30% market share in winter tyres and more than 15% in summer tyres
- Only local producer & best distribution network
- Strong role of own Vianor tyre chain
- Local player – product range and service specially designed for northern conditions
- The new Nokian Hakkapeliitta 7 studded tyre has dominated impartial winter tyre tests which has boosted sales

Sales development in Nordic Countries



Market share in Nordic Countries



## OTHER MARKETS

*Central and Eastern Europe – Growing sales, improving profitability*

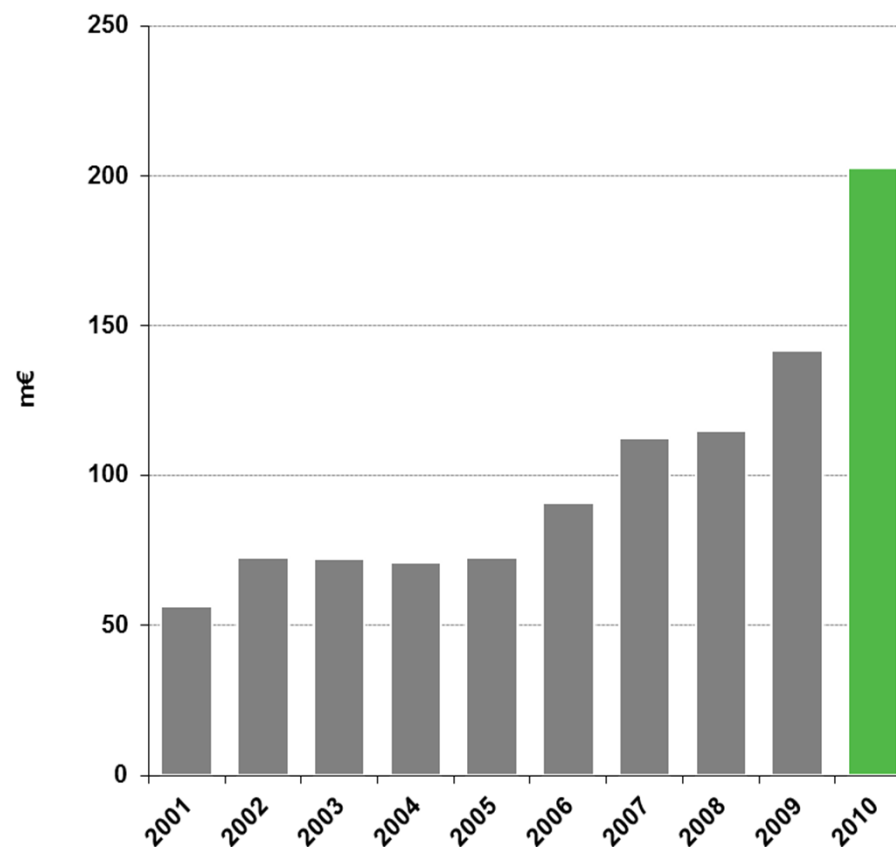
### GENERAL

- Alpine area, CEE and Balkans
- Globally the biggest winter tyre market – potential 8 times that of Nordic Countries
- Winter tyres is the fastest growing segment in CEE and Balkans

### NOKIAN TYRES

- Nokian Tyres brand position improving
- Vianor expansion to CEE
- Improved availability and distribution
- Logistics and service centre with 24 hour service to main markets
- Tailored product range

Sales in Central and Eastern Europe

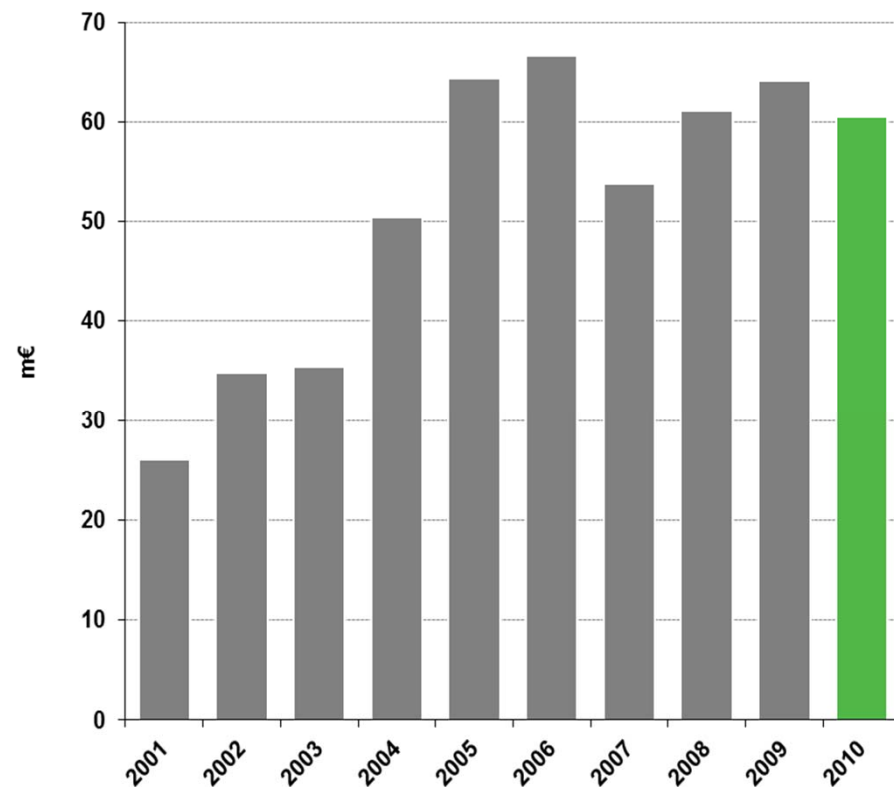


**GENERAL**

- Canada & US snow belt area
- Market potential for winter tyres twice that of Nordic Countries
- Winter tyre legislation in Canada support the growth of demand

**NOKIAN TYRES**

- Strong brand and product quality reputation
- Exclusive distribution in selected areas
- Strong historical presence
- New start in 2008-2009 following improved market environment
- Establishment of Vianor in New England

**Sales development in North America**

## OTHER MARKETS

### *Other CIS Countries – Underlying potential*

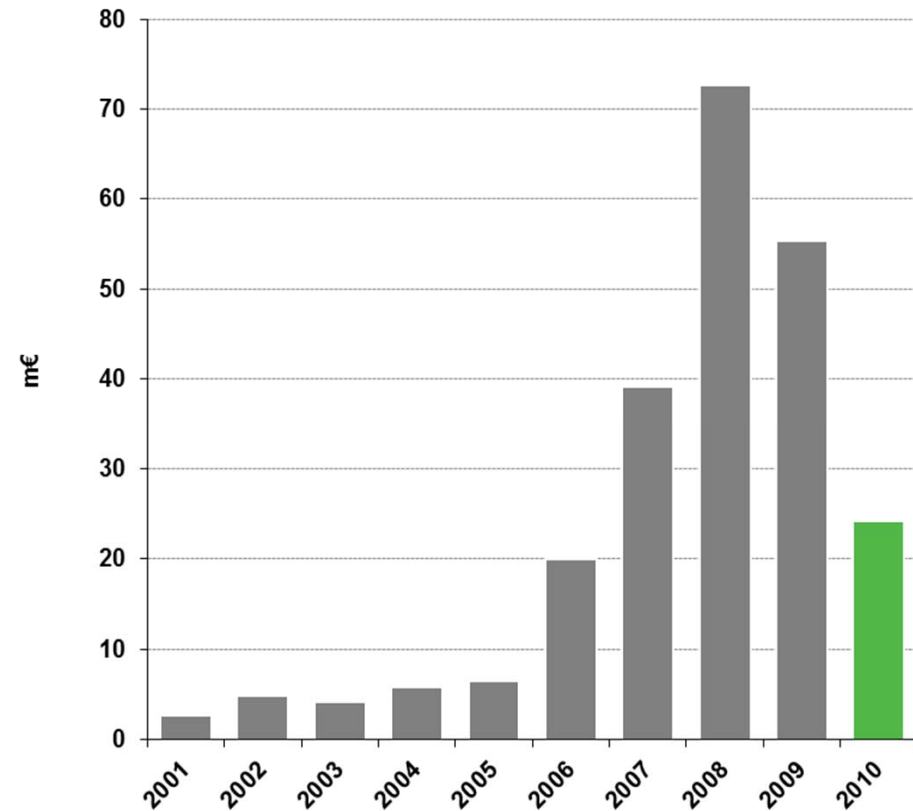
#### GENERAL

- Strong market growth potential
  - Increasing sales of new cars
- Countries with “northern conditions”; but no winter tyre legislation
- Currency risks
- Good potential for future growth at above-average price levels

#### NOKIAN TYRES

- Market and price leader in A-segment tyres
- Only tyre producer with a controlled tyre chain
- Rapidly growing Vianor network
- No customs duty between Russia, Ukraine and other CIS countries – import duties from other areas (10-20%) penalise competitors
- 2010 sell-in decreased due to carry-over stocks of distributors

Sales development in other CIS countries



## INDEX

1. General overview of 2010
2. Nokian Tyres financial performance
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4. Other markets
5. Nokian Tyres going forward
6. Appendixes







## NOKIAN TYRES GOING FORWARD

*Outlook for 2011 and planned actions:*

*Nokian Tyres sales to improve backed by increasing capacity*

### ASSUMPTIONS

- Growing core market: Nordic countries, Russia & CIS
  - GDP growth 3-5%
  - New car sales improving
  - Russian economy growing, consumer confidence improving
  - Currencies on Nokian core markets expected to be stable
- Further tyre price increases to offset higher raw material cost (€/kg)
  - Cost up by 30% in Q4/2010 vs. Q4/2009
  - Cost estimated to increase by 13% in Q1/2011 vs. Q4/2010
  - Cost estimated to increase by 25-28% in 2011 vs. 2010
- Passenger car tyre operation environment
  - Demand growing in core markets
  - Low carry-over distributor inventories offer growth opportunities
  - Demand improving for winter tyres, legislation in Europe
  - Receivable risks are back to normal
- Heavy tyre market demand
  - OE markets for OTR and heavy tyres continue to grow
  - Aftermarket demand continues to grow
- Nokian Tyres financial position remains solid
  - No major loans due for payment in 2011
  - Equity ratio 68.4%
  - Undrawn facilities available

### NOKIAN TYRES OUTLOOK: Profitable growth

- Strong overall demand and order book
- Retailers' low inventories drive sales growth
- Further tyre price increases & mix improvement
- Raw material cost estimated to go up 25-28% in 2011
- Capacity increasing:
  - Lines 9&10 to be installed in Russia in 2011
- Profitability supported by
  - Improved cost structure and productivity
  - Higher sales volume, better mix and ASP
  - Increasing share of Russian production  
→ productivity up
- Year 2011 estimates:
  - The company is positioned to provide strong sales growth and to improve operating profit compared to 2010.



## Instructions to conference call attendees

Please press  and  to inform the operator that you have a question to the speaker.

## INDEX

1. General overview of 2010
2. Nokian Tyres financial performance
3. Profit centres (incl. Russian operations)
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6. **Appendixes**
  - The Board's proposals to the AGM
  - Shareholders
  - Share price development
  - Competitor comparison 1998-2010E
  - Magazine test results
  - Examples of new products and innovations
  - Winter tyre legislation in Europe
  - Personnel
  - Financing: Loans and net Financial Expenses
  - Tables of financial figures



## APPENDIX: BOARD'S PROPOSALS TO AGM

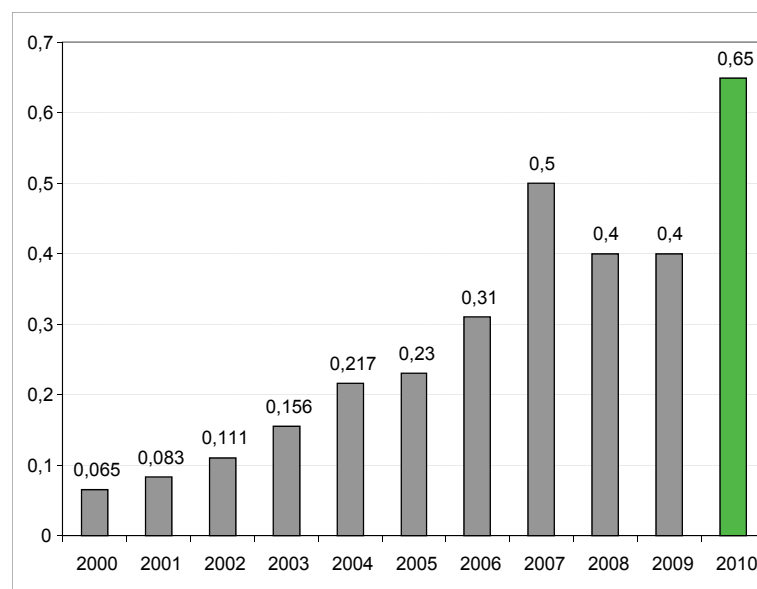
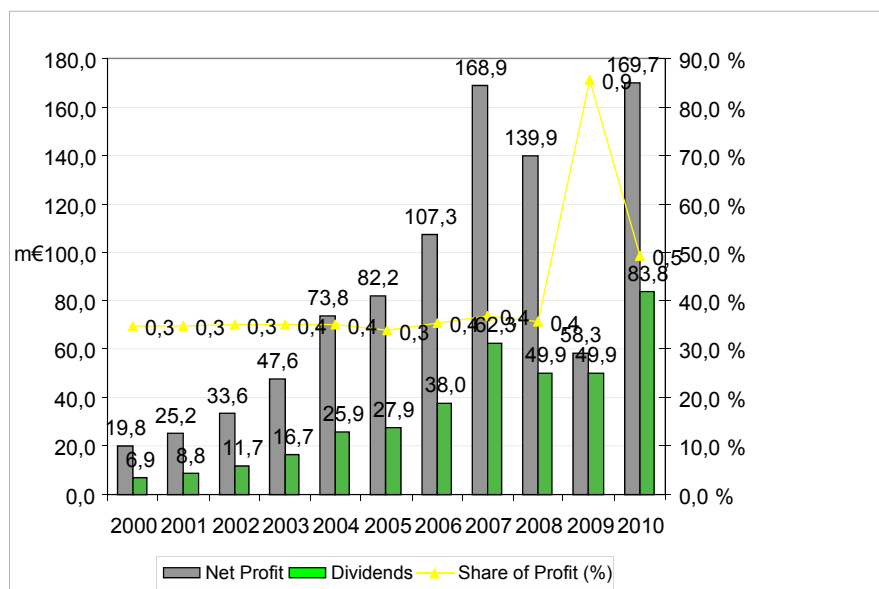
### *Dividend – Board's proposal 0.65 €/share*

#### Dividend:

- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0,65 per share be paid for the fiscal year 2010

#### Annual General Meeting on 7 April, 2011

- Record date 12 April, 2011
- Payment Date 27 April, 2011



## **APPENDIX: BOARD'S PROPOSALS TO AGM**

### ***Members of the Board of Directors, remuneration and auditor***

#### **The Nomination and Remuneration Committee's proposal for members of the board:**

- Seven members
- Six of the current Board members to continue:
  - Kim Gran, Hille Korhonen, Hannu Penttilä, Petteri Walldén, Aleksey Vlasov, Kai Öistämö
- New Board member proposal:
  - Mr. Benoit Raulin, representative of Bridgestone Europe

Kim Gran is the President and CEO of the Company. The other Board members are independent of the Company. All Board members except Benoit Raulin are independent of any major shareholders of the Company.

- Remuneration proposed to remain unchanged:
  - The fee paid to the Chairman of the Board would be EUR 70,000 per year, and the fee paid to Members of the Board EUR 35,000 per year
  - 60% of the annual fee be paid in cash and 40% in company shares to the effect that in the period from 8 April to 29 April 2011, 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
  - Each member of the Board will receive a meeting fee of EUR 600 per each attended meeting
  - It is not proposed to pay a separate compensation to the President and CEO for Board work

#### **Board's proposal for the auditor:**

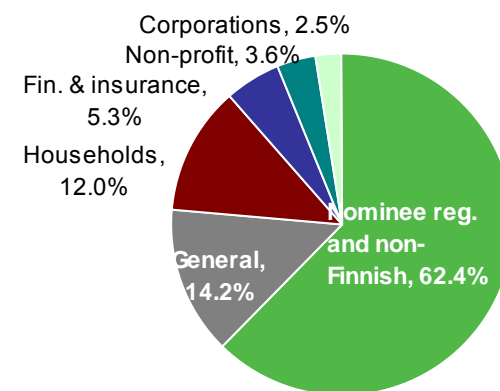
- Authorised Public Accountant KPMG Oy Ab
- Lasse Holopainen, Authorised Public Accountant, acting as the auditor with principal responsibility
- Fees according to current practice

## **APPENDIX**

### **Major shareholders as of 31 December, 2010**

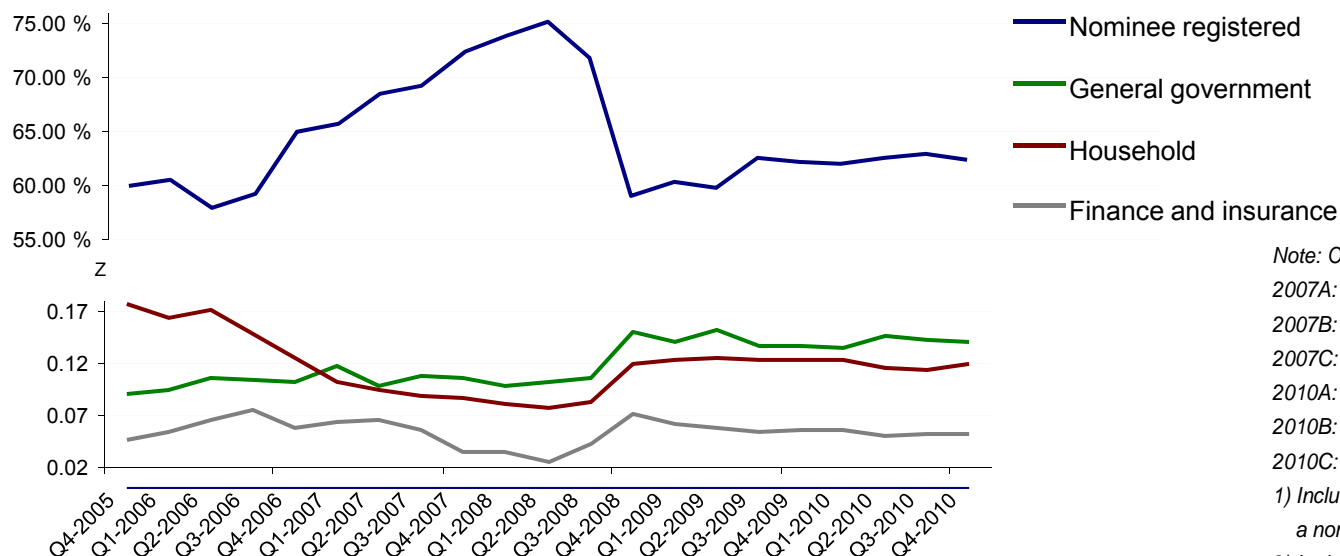
Major Domestic Shareholders	Number of Shares	Share of Capital (%)	Change from previous month
1 Varma Mutual Pension Insurance Company	8 747 564	6.85	0
2 Ilmarinen Mutual Pension Insurance Company	4 593 813	3.6	910 465
3 The State Pension Fund	1 289 530	1.01	-300 000
4 Tapiola Mutual Pension Insurance Company	1 150 000	0.9	-130 000
5 Nordea	1 057 263	0.83	88 755
6 OP Investment Funds	1 030 000	0.81	115 000
7 Svenska litteratursällskapet i Finland r.f.	826 000	0.65	0
8 Etera Mutual Pension Insurance Company	676 492	0.53	-61 261
9 Sijoitusrahasto Aktia Capital	510 000	0.4	0
10 Nordea Nordenfonden	506 707	0.4	50 628
<b>Major Domestic Shareholders total</b>	<b>20 387 369</b>	<b>16.0%</b>	
Foreign Shareholders <sup>1)</sup>	79 625 088	62.4%	
Bridgestone Europe NV/SA <sup>2)</sup>	20 000 000	15.7%	

Division by Category as of 31 Dec, 2010



Total number of shares: 127702461

Shareholder development by category Q4/2005 - Q4/2010



Note: Options, free (31 December, 2010)

2007A: 1,736,744 (104,740 in company's possession)

2007B: 2,249,875 (423,940 in company's possession)

2007C: 2,250,000 (1,086,500 in company's possession)

2010A: 1,320,000 (74,850 in company's possession)

2010B: 1,340,000 (1,340,000 in company's possession)

2010C: 1,340,000 (1,340,000 in company's possession)

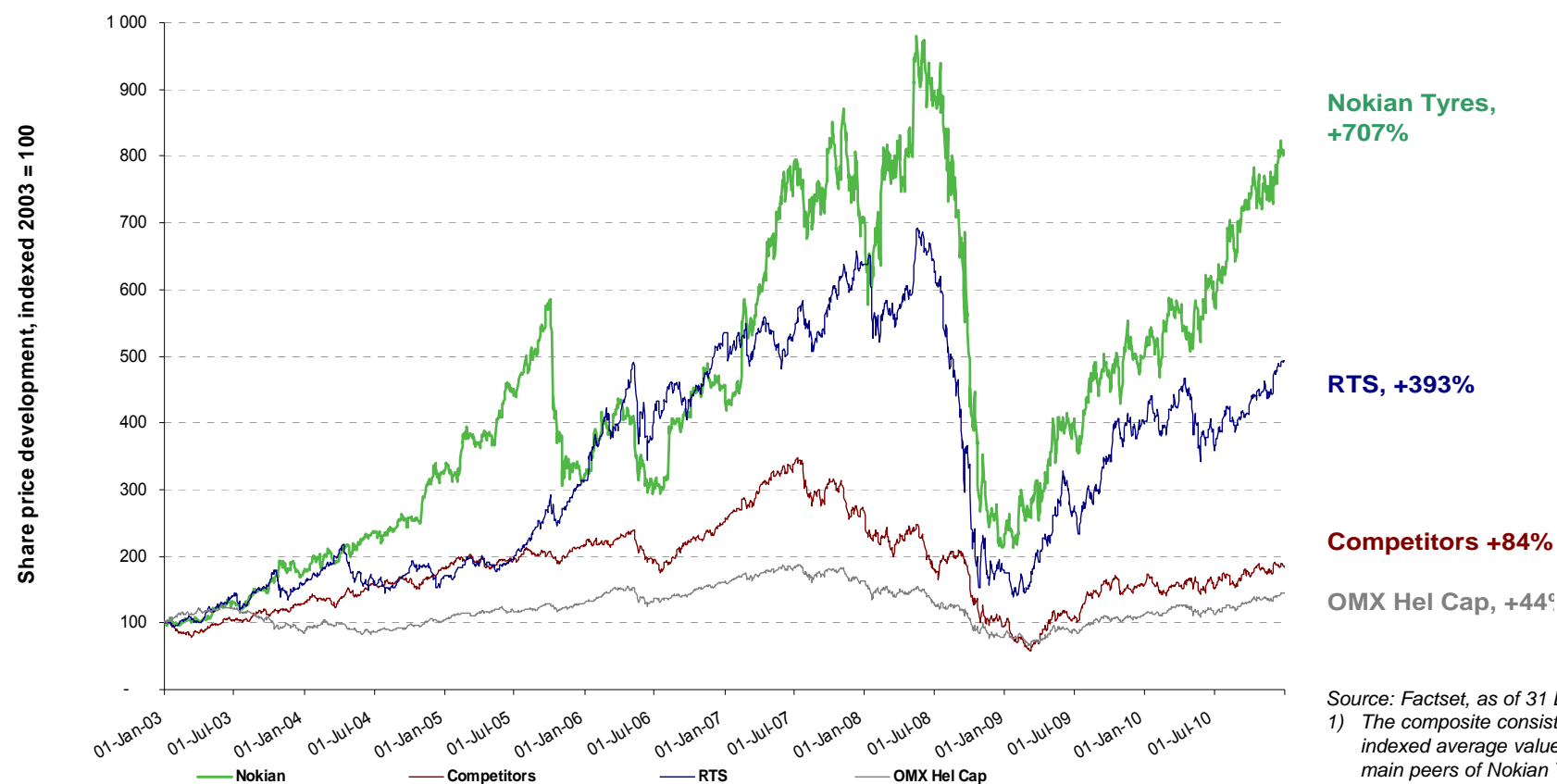
1) Includes also shares registered in the name of a nominee.

2) In the name of a nominee.



## APPENDIX

### Comparing share price development to main indexes 2003-2010



Source: Factset, as of 31 Dec 2010.

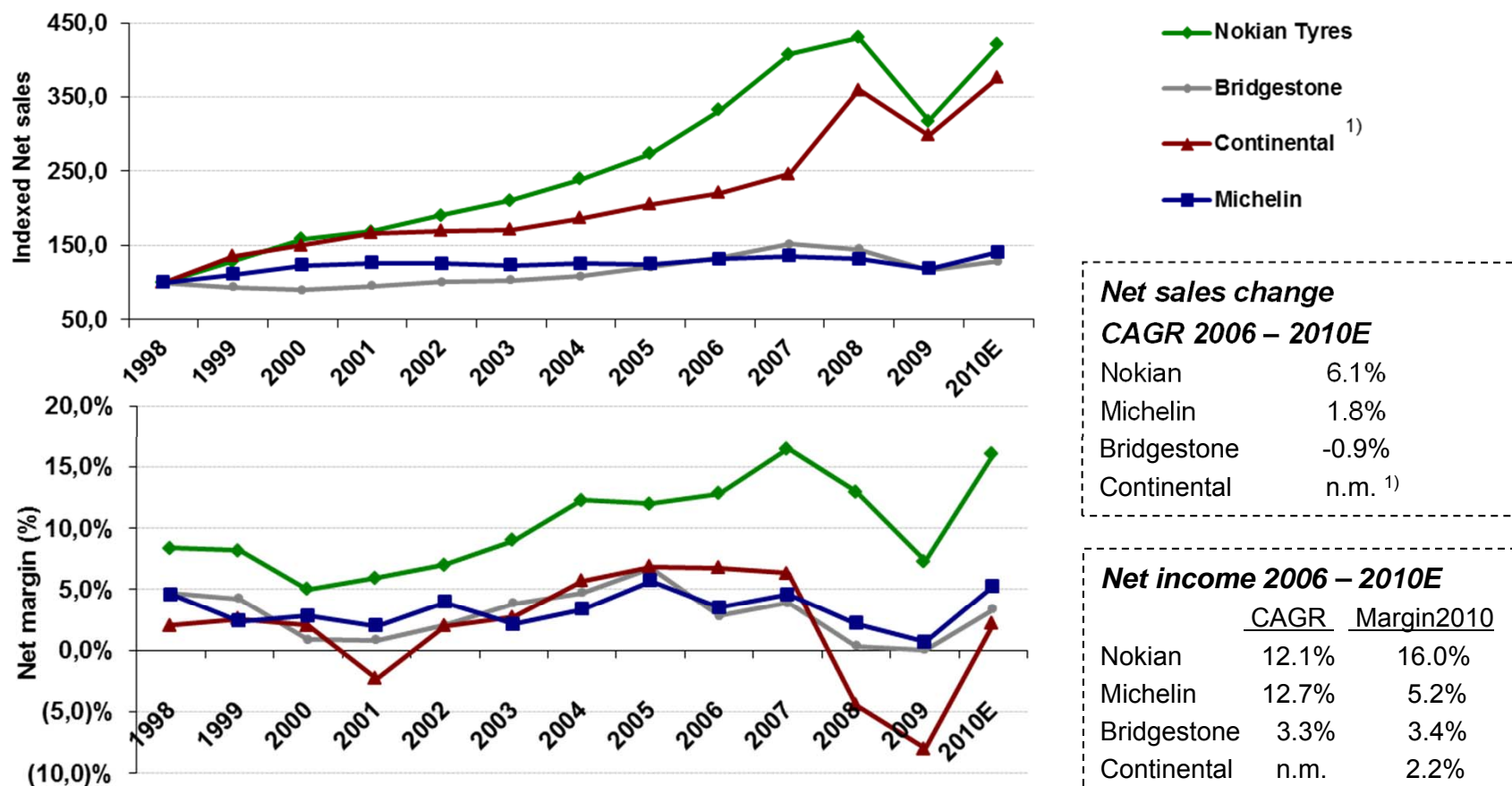
- 1) The composite consists of an indexed average values of the main peers of Nokian Tyres.
- 2) OMX Helsinki Cap is calculated assuming a natural continuation of HEX Portfolio Index.

Nokian Tyres by Dec-31-2010	Last 8 years	Last 3 years	Last 2 years	LTM	L6M	L3M	Last month
High	33,30	33,30	27,99	27,99	27,99	27,99	27,99
Average	15,03	19,11	17,42	21,55	24,32	25,96	26,91
Low	3,30	7,23	7,27	15,95	19,40	24,51	25,33

## APPENDIX

### Competitor comparison 1998-2010E: Nokian Tyres the most profitable tyre producer

*Nokian Tyres' operational performance (growth and profitability) has been clearly better than that of the main peers during the past 10 years. The clearly better profitability protects the company profits during recessions and potential downturns.*



Source: Results 1998-2009 (company websites) and 2010 consensus estimates for the peers as per Reuters 18 January 2011.

Note: "n.m." means that the results would be non-meaningful or that the calculation is not possible due to negative results.

<sup>1)</sup> Continental sales for 2008 not comparable due to VDO acquisition.

**COMPETITORS' ESTIMATE 2010 IS BASED ON CONSENSUS ESTIMATES, NOKIAN TYRES ON ACTUAL FIGURES.**

## APPENDIX

*The new products' test success continues  
– both in summer and in winter*

### WINTER TYRES

#### Nokian Hakkapeliitta 7 – Next generation studded tyre

- New studded winter tyre family for core markets. Winner in practically all magazine tests, e.g.:
  - Tekniikan Maailma (Finland)
  - Tuulilasi (Finland)
  - Vi Bilägare (Sweden)
  - Aftonbladet BIL (Sweden)
  - Za Rulem (Russia)
  - Avto Centr (Ukraine)



#### Nokian Hakkapeliitta 7 SUV – Firm grip, sturdy performance

- Same technical solutions as in Nokian Hakkapeliitta 7

#### Nokian Hakkapeliitta R – Safe and reliable friction tyre

- Rolls lightly and gives excellent grip. Test victories e.g.:
  - Vi Bilägare (Sweden)
  - Za Rulem (Russia)
  - Avto Centr (Ukraine)



Nokian Hakkapeliitta 7



Nokian Hakkapeliitta R

### SUMMER TYRES

#### Nokian Hakka H and Nokian Hakka Z

- Summer tyre families for core markets. Test victories e.g.:
  - Tekniikan Maailma (Finland)
  - Auto, Motor & Sport (Sweden)
  - Motor (Norway)
  - Za Rulem (Russia)



#### Nokian H

- Summer tyre for CE and North America. Test victory:
  - ADAC Motorwelt (Germany)



#### Clear benefits for Nokian Tyres

- Further strengthen market and price leader position in core markets
- Superior product range in winter tyres
- Market leader products a spearhead for success

→ *Technological leadership always the driver for growth!*

## APPENDIX

### *Magazine tests – Autumn 2010*

Magazine	Country	Product	Result	Strength
	Swedish	Nokian Hakkapeliitta 7, 205/55 R16	1 / 7	Best winter tyre, winter properties on ice, snow slush.
	Ukrainian	Nokian Hakkapeliitta 7, 205/55 R16	1/ 13	Winter grip, handling
	Russian	Nokian Hakkapeliitta 7, 205/55 R16	1 / 10	All winter properties, low fuel consumption.
	Swedish	Nokian Hakkapeliitta 7, 205/55 R16	1 / 14	Properties on snow and ice.
	Finnish	Nokian Hakkapeliitta 7, 205/55 R16	1 / 13	Winter grip and handling.
	Finnish	Nokian Hakkapeliitta 7, 205/55 R16	1 / 9	Braking and acceleration on ice.
	Swedish	Nokian Hakkapeliitta 7, 205/55 R16	1 tie / 5	Braking and grip on snow and ice, low RR.
	Russian	Nokian Hakkapeliitta 7, 175/65 R14	1 tie / 8	Properties on snow and ice.
	Ukrainian	Nokian Hakkapeliitta 7, 175/65 R14	1 / 3	Snow and ice grip, ice braking.
	Swedish	Nokian Hakkapeliitta R, 205/55 R16	1 / 8	Balanced properties overall, low rolling resistance.
	Russian	Nokian Hakkapeliitta R, 205/55 R16	1 / 7	All winter properties, lowest fuel consumption.
	Belarusien	Nokian Hakkapeliitta R SUV, 235/65 R17	1 / 9	Good properties on snow and ice, low RR.
	Ukrainian	Nokian Hakkapeliitta R, 175/65 R14	1 / 10	Handling on ice and snow, slush properties.
	Ukrainian	Nokian Hakkapeliitta R, 205/55 R16	2 tie / 8	Properties on snow and ice, low RR.
	Finnish	Nokian Hakkapeliitta R, 205/55 R16	2 tie / 8	Handling on snow and ice, low rolling resistance.
	Swedish	Nokian Hakkapeliitta R, 205/55 R16	2 tie / 14	Grip and handling on winter, low rolling resistance.
	Russian	Nokian Hakkapeliitta R, 205/55 R16	2 tie / 14	Grip and handling on winter, lowest fuel consumption.
	Swedish	Nokian Hakkapeliitta R, 205/55 R16	2 / 5	Good winter properties, low RR.

## APPENDIX

### *Examples of new products and innovations*

#### **Nokian Hakka Green – Summer tyre for core markets**

- Environmentally friendly novelty, extremely low rolling resistance  
→ Fuel savings and less carbon dioxide emissions
- Superior grip and driving response
- If all Finnish car drivers would use use Nokian Hakka Green tyres, annual fuel savings would be over 114 million litres, which corresponds to 2,077 trailer loads. Carbon dioxide emissions would decrease by some 296,000 tonnes



#### **Nokian WR – Winter tyre for Central Europe**

- Advanced new-generation tyre family for any winter weather
- Environmentally friendly premium products feature nanotechnology, canola oil and the solid winter expertise of Nokian Tyres
- Nokian WR D3 for the economic driver (smaller sizes)
- Nokian WR A3 for sporty use (bigger sizes)



#### **Beyond All-Steel – Challenging All-Steel special tyres**

- Revolutionary technology of the future, used in harbour, mining and earthmoving machinery tyres
- Unique technical solution combining a multi-layer textile structure with a modern radial structure
- Better stability, longer life time, enhanced safety
- First top product: the Nokian HTS Straddle harbour tyre





## APPENDIX

### *Winter tyre legislation in Europe*

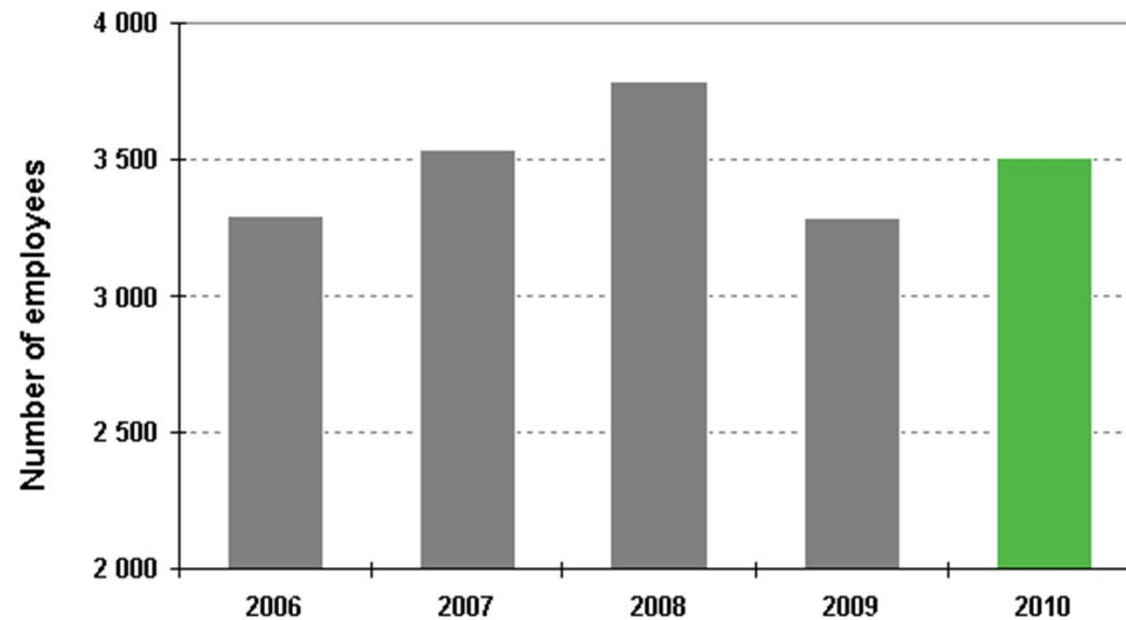
	Austria	Bosnia Herzegovina	Croatia	Czech Republic	Estonia	Finland	France	Germany	Latvia	Lithuania	Norway	Romania *	Serbia *	Slovakia	Slovenia	Spain	Sweden	Switzerland
Winter tyres are legally mandatory		●			●	●			●	●		●	●		●		●	
Winter tyres are mandatory <u>if</u> weather conditions so require	●		●					●			●			●				
Winter tyres are mandatory <u>only</u> if there is a specific road sign				●			●									●		●

\* Starting 2011

**APPENDIX*****Personnel 31 December, 2010***

Personnel at the end of the review period: 3,506 (3,292)

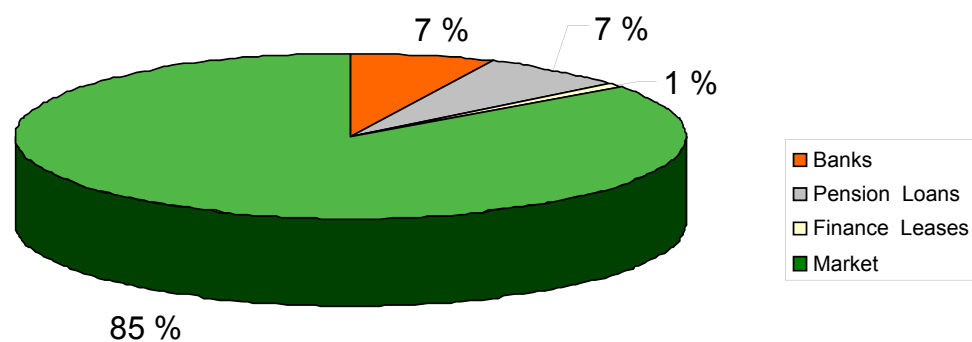
- Equity-owned Vianor: 1,409 (1,388)
- Russia: 851 (640)



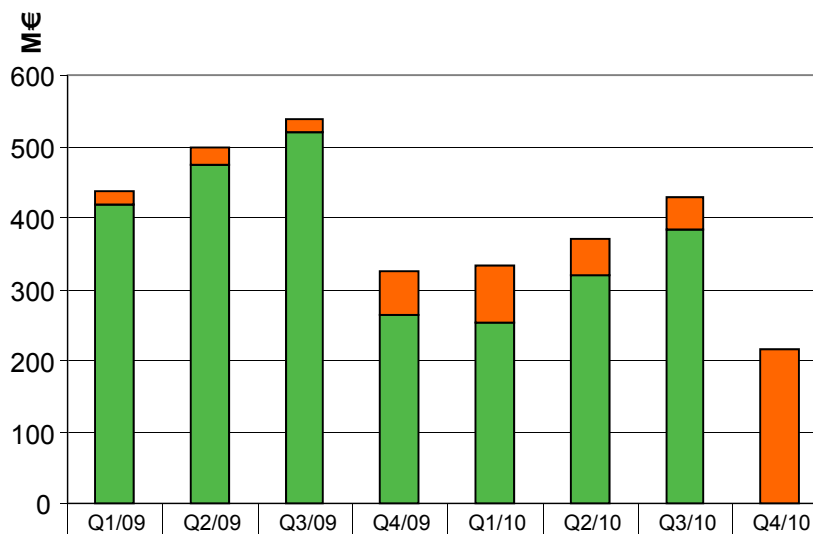
## APPENDIX

### *Financing: loans on 31 December, 2010*

Interest-Bearing Debt 217.2 M€ (31.12.2010)



Interest-Bearing Debt

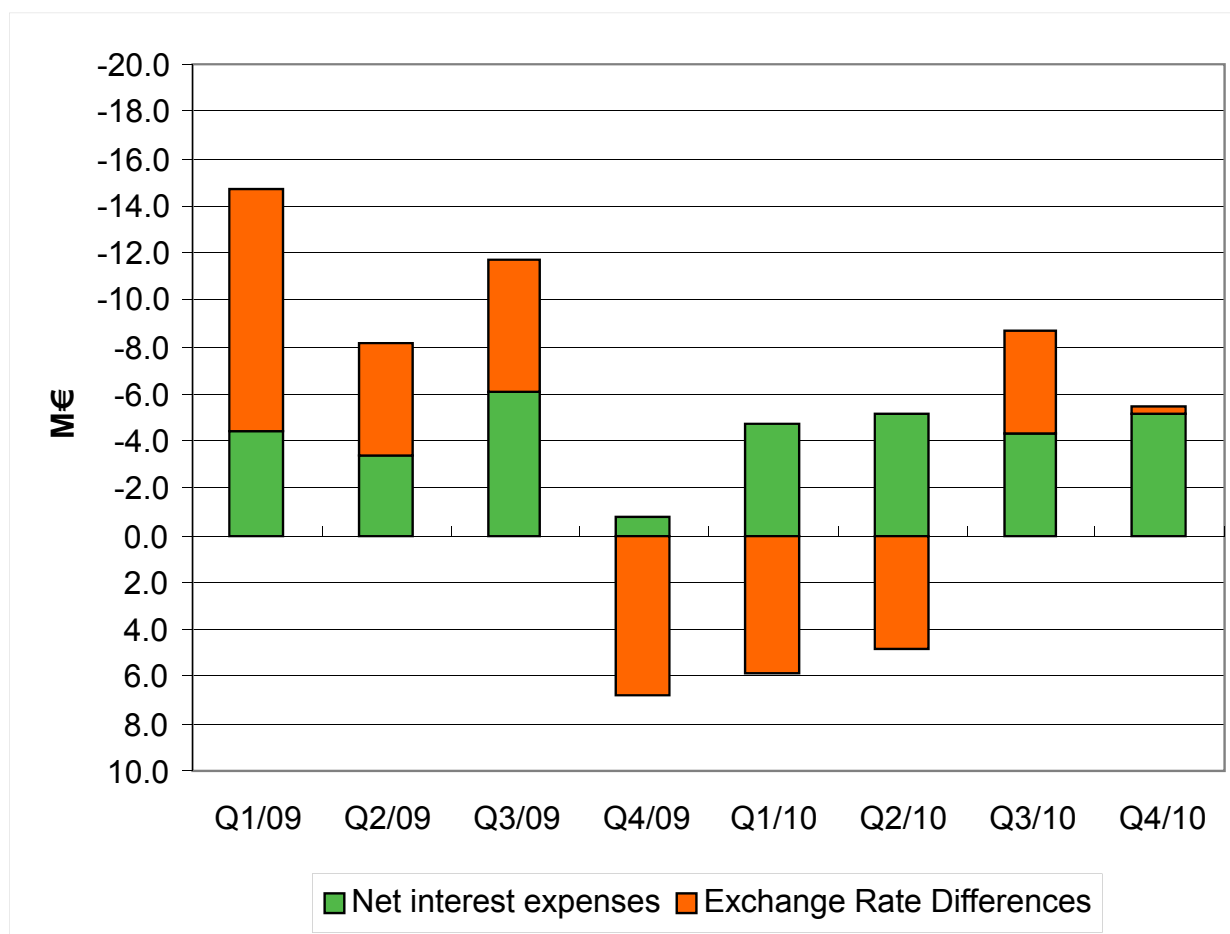


Cash and Cash Equivalents	21	24	16	63	81	51	47	217
Interest-Bearing Net Debt	418	474	521	264	254	320	383	1

## APPENDIX

### *Financing: Net Financial Expenses*

Net Financial Expenses Q4/2010: 5.4 m€ and Q4/2009: -6.0 m€





## APPENDIX

### CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT	10-12/10	10-12/09	1-12/10	1-12/09	Change %
Million euros					
Net sales	368.7	247.7	1 058.1	798.5	32.5
Cost of sales	-205.2	-143.4	-604.0	-478.0	-26.4
Gross profit	163.5	104.2	454.1	320.4	41.7
Other operating income	1.1	1.0	4.3	2.2	98.2
Selling and marketing expenses	-59.1	-49.7	-192.9	-174.1	-10.8
Administration expenses	-8.8	-6.5	-27.6	-24.5	-12.9
Other operating expenses	-4.8	-8.3	-15.8	-22.1	28.5
Operating result	91.8	40.8	222.2	102.0	117.8
Financial income	24.7	23.6	96.3	97.1	-0.8
Financial expenses	-30.1	-17.7	-109.7	-125.7	12.7
Result before tax	86.4	46.7	208.8	73.5	184.3
Tax expense (1)	-23.8	-17.5	-39.1	-15.2	-157.6
Result for the period	62.6	29.2	169.7	58.3	191.3
Attributable to:					
Equity holders of the parent	62.6	29.2	169.7	58.3	
Non-controlling interest	0.0	0.0	0.0	0.0	
Earnings per share from the result attributable to equity holders of the parent					
basic, euros	0.49	0.23	1.34	0.47	186.9
diluted, euros	0.48	0.24	1.32	0.49	168.2

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

## APPENDIX

### CONSOLIDATED OTHER COMPREHENSIVE INCOME

CONSOLIDATED OTHER COMPREHENSIVE INCOME Million euros	10-12/10	10-12/09	1-12/10	1-12/09
Result for the period	62.6	29.2	169.7	58.3
Other comprehensive income, net of tax:				
Gains/Losses from hedge of net investments in foreign operations	-2.5	-10.1	-17.9	-24.4
Interest rate swaps	0.3	0.1	-0.6	0.1
Translation differences on foreign operations	13.0	13.0	37.0	-12.8
Total other comprehensive income for the period, net of tax	10.8	3.0	18.5	-37.0
Total comprehensive income for the period	73.4	32.3	188.2	21.2
Total comprehensive income attributable to:				
Equity holders of the parent	73.4	32.3	188.2	21.2
Non-controlling interest	0.0	0.0	0.0	0.0



## APPENDIX KEY RATIOS

KEY RATIOS	31.12.10	31.12.09	Change %
Equity ratio, %	68.4	62.0	
Gearing, %	0.1	34.8	
Equity per share, euro	7.34	6.07	20.9
Interest-bearing net debt, mill. euros	0.7	263.7	
Capital expenditure, mill. euros	50.5	86.5	
Depreciation, mill. euros	69.4	61.9	
Personnel, average	3 338	3 503	
Number of shares (million units) at the end of period	127.70	124.85	
in average	126.75	124.85	
in average, diluted	132.96	129.76	

## APPENDIX: CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.12.10	31.12.09
Million euros		
Non-current assets		
Property, plant and equipment	483.6	507.6
Goodwill	58.8	55.0
Other intangible assets	19.7	19.2
Investments in associates	0.1	0.1
Available-for-sale financial assets	0.3	0.2
Other receivables	20.6	9.9
Deferred tax assets	22.3	28.7
Total non-current assets	605.2	620.7
Current assets		
Inventories	210.6	200.0
Trade receivables	258.9	248.0
Other receivables	80.4	90.7
Cash and cash equivalents	216.6	62.5
Total current assets	766.3	601.2
Equity		
Share capital	25.4	25.0
Share premium	181.4	155.2
Translation reserve	-71.1	-90.2
Fair value and hedging reserves	-0.6	0.0
Paid-up unrestricted equity reserve	8.0	0.0
Retained earnings	793.9	667.6
Non-controlling interest	0.0	0.0
Total equity	937.2	757.6
Non-current liabilities		
Deferred tax liabilities	39.3	29.4
Provisions	0.1	1.4
Interest bearing liabilities	204.2	253.8
Other liabilities	1.9	2.1
Total non-current liabilities	245.5	286.7
Current liabilities		
Trade payables	81.0	33.8
Other current payables	92.7	70.7
Provisions	2.2	0.7
Interest-bearing liabilities	13.0	72.4
Total current liabilities	189.0	177.6
Total assets	1 371.6	1 221.9

Changes in net working capital arising from operative business are partly covered by EUR 250 million domestic commercial paper programme.

## APPENDIX

### CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS	1-12/10	1-12/09
Million euros		
Cash flows from operating activities:		
Cash generated from operations	372.7	228.5
Financial items and taxes	-45.4	-34.3
Net cash from operating activities	327.2	194.2
Cash flows from investing activities:		
Net cash used in investing activities	-33.7	-92.8
Cash flows from financing activities:		
Proceeds from issue of share capital	34.7	0.1
Change in current financial receivables and debt	-29.8	-117.2
Change in non-current financial receivables and debt	-95.2	15.4
Dividends paid	-50.7	-49.9
Net cash from financing activities	-141.0	-151.7
Net change in cash and cash equivalents	152.6	-50.2
Cash and cash equivalents at the beginning of the period	62.5	113.2
Effect of exchange rate changes	1.5	-0.5
Cash and cash equivalents at the end of the period	216.6	62.5
	152.6	-50.2

## APPENDIX

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share capital, B = Share premium, C = Translation reserve

D = Paid-up unrestricted equity reserve, E = Fair value and hedging reserves

F = Retained earnings, G = Non-controlling interest, H = Total equity

Equity attributable to equity holders of the parent

Million euros	A	B	C	D	E	F	G	H
Equity, Jan 1st 2009	25.0	155.2	-53.0	-0.1		647.6	2.7	777.3
Profit for the period						58.3		58.3
Other comprehensive income, net of tax:								
Cash flow hedges				0.1				0.1
Net investment hedge			-24.4					-24.4
Translation differences			-12.8					-12.8
Total comprehensive income for the period			-37.2	0.1		58.3		21.2
Dividends paid						-49.9		-49.9
Exercised warrants	0.0	0.0			0.0			0.0
Share-based payments						11.8		11.8
Total transactions with owners for the period	0.0	0.0			0.0	-38.2		-38.2
Change in non-controlling interest							-2.7	-2.7
Equity, Dec 31st 2009	25.0	155.2	-90.2	0.0	0.0	667.6	0.0	757.6
Equity, Jan 1st 2010	25.0	155.2	-90.2	0.0	0.0	667.6	0.0	757.6
Profit for the period						169.7		169.7
Other comprehensive income, net of tax:								
Cash flow hedges				-0.6				-0.6
Net investment hedge			-17.9					-17.9
Translation differences			37.0					37.0
Total comprehensive income for the period			19.1	-0.6		169.7		188.2
Dividends paid						-50.7		-50.7
Exercised warrants	0.5	26.1			8.0			34.7
Share-based payments						7.3		7.3
Total transactions with owners for the period	0.5	26.1			8.0	-43.4		-8.7
Equity, Dec 31st 2010	25.4	181.4	-71.1	-0.6	8.0	793.9	0.0	937.2

## APPENDIX

### SEGMENT INFORMATION

SEGMENT INFORMATION					
Million euros	10-12/10	10-12/09	1-12/10	1-12/09	Change %
Net sales					
Passenger car tyres	221.4	135.6	714.7	527.3	35.5
Heavy tyres	25.7	15.3	81.0	50.1	61.8
Vianor	122.6	104.5	307.9	273.2	12.7
Other operations	13.2	9.3	41.6	28.5	45.9
Eliminations	-14.1	-17.0	-87.2	-80.7	-8.0
Total	368.7	247.7	1 058.1	798.5	32.5
Operating result					
Passenger car tyres	69.9	28.2	205.5	106.2	93.5
Heavy tyres	4.2	2.2	13.7	0.0	76 430.3
Vianor	11.8	7.9	4.0	-3.0	233.7
Other operations	-3.2	-2.2	-1.6	-5.0	67.6
Eliminations	9.0	4.7	0.6	3.7	-83.4
Total	91.8	40.8	222.2	102.0	117.8
Operating result, % of net sales					
Passenger car tyres	31.6	20.8	28.8	20.1	
Heavy tyres	16.5	14.7	16.9	0.0	
Vianor	9.7	7.5	1.3	-1.1	
Total	24.9	16.5	21.0	12.8	
Cash Flow II					
Passenger car tyres	298.9	212.0	291.2	109.9	164.9
Heavy tyres	11.6	6.3	8.5	5.7	47.5
Vianor	34.8	26.2	12.4	7.6	62.8
Total	358.1	249.2	318.8	123.1	159.0

## APPENDIX

### CONTINGENT LIABILITIES

CONTINGENT LIABILITIES	31.12.10	31.12.09
Million euros		
<b>FOR OWN DEBT</b>		
Mortgages	1.1	0.9
Pledged assets	0.0	35.8
<b>OTHER OWN COMMITMENTS</b>		
Guarantees	6.2	5.5
Leasing and rent commitments	102.1	101.1
Purchase commitments	2.2	3.4
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	31.12.10	31.12.09
Million euros		
<b>INTEREST RATE DERIVATIVES</b>		
Interest rate swaps		
Notional amount	30.7	3.9
Fair value	-1.3	0.0
<b>FOREIGN CURRENCY DERIVATIVES</b>		
Currency forwards		
Notional amount	563.2	427.2
Fair value	-3.3	-7.1
Currency options, purchased		
Notional amount	0.0	3.9
Fair value	0.0	0.0
Currency options, written		
Notional amount	0.0	3.9
Fair value	0.0	-0.1



## **APPENDIX**

### ***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, %:**

$\text{Total equity} \times 100 / (\text{Total assets} - \text{advances received})$

#### **Gearing, %:**

$\text{Interest-bearing net debt} \times 100 / \text{Total equity}$

#### **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

A photograph of two people playing in a snowy environment. In the foreground, a person wearing a grey jacket, a white knit hat with a pom-pom, and blue-tinted goggles is smiling and holding a large clump of snow. In the background, another person wearing an orange and black jacket, a black beanie, and blue-tinted goggles is also smiling and playing in the snow. The scene is bright and snowy, with some evergreen trees visible in the background. A green banner with the text 'nokian TYRES' is in the top left corner.

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