## **RESULT 2006**



**February 15<sup>th</sup>, 2007** 



Mr. Kim Gran

President and CEO

Nokian Tyres plc

"The original winter tyre"





Result 2006	Page
key figures	3
operating profit per quarter	4
market situation in core markets	5
Nokian Tyres 2006 in brief	6
net sales and gross sales by profit center	7-8
raw material purchase price development	9
Profit centers 2006	
car tyres	10-11
heavy tyres	12
Vianor	13-15
Truck tyres	16
Capex and growth plan for 2007	17
Personnel	18
Outlook for 2007	19
New products	20
Russia	21-23
Russian tyre market	24-25
car parc & car sales	26-28
foreign automakers' assembly plants	29
Eastern Europe	30
Share price development	32
Major Shareholders	33
Financial information	34-41
<b>Board's proposals to the Annual General Meeting</b>	42

#### YEAR 2006 IN BRIEF



## 15th consecutive year of growth

	Q4/06	Q4/05	Change %	2006	2005	Change %	5 year's average growth/year (*
m€							
Net sales	302.0	241.0	+25.3	835.9	686.5	+21.8	14.6
EBIT	67.5	50.7	+33.1	153.1	115.8	+32.2	16.1
Profit before tax	61.5	48.6	+26.4	139.3	112.6	+23.7	14.6
Net Profit	48.0	35.5	+35.4	107.3	82.2	+30.5	10.4
EPS, €	0.39	0.30	+32.7	0.88	0.70	+27.0	28.3
RONA, %							
(rolling 12 months)				19.4	18.1		
Cash Flow II	242.8	157.7		77.7	-17.1		
Gearing, %				22.8	25.4		

- strong sales growth throughout the year and improved operating profit in Q2, Q3 and Q4
- clearly higher market shares in core products and markets
- good sales mix with high car winter tyre share of sales
- clear cash flow improvement
- lower tax rate due to Russian tax benefit
- financial costs do not include exchange gains as in previous year

(\*contains years 2004-2006 according to IFRS and previous years according to FAS

#### **GROUP EBIT PER QUARTER 2006**



Net sales 2006

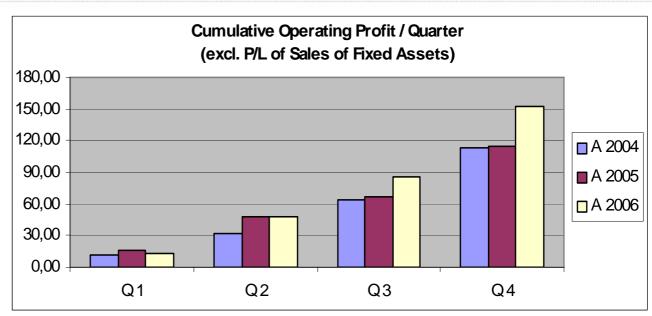
835.9 m€; +21.8%

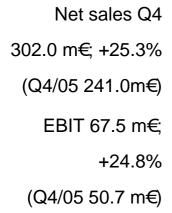
(2005 686.5 m€)

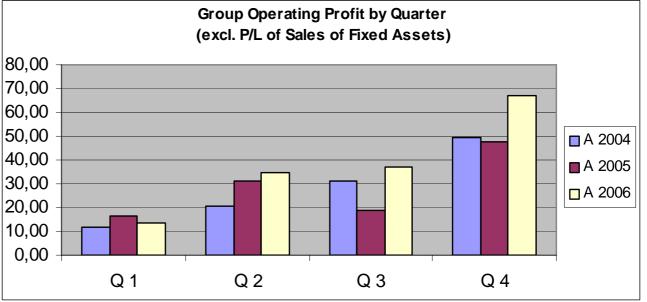
EBIT 153.1 m€;

+32.2%

(2005 115.8 m€)







## MARKET SITUATION IN NOKIAN TYRES' CORE MARKETS 2006



#### Car and van tyres - winter tyre demand growing

- modest growth in European car tyre replacement markets
   strong growth in car winter tyres product segment
- Nordic summer and winter tyre market declining
- strong market growth in Russia and CIS countries
- winter tyre price increases during H2
- lower summer tyre prices due to tough competition

#### Heavy tyres – strong demand continues

- forestry machine business slowed down but other industrial machine business continued to increase
- global shortage of heavy special tyres

Raw material prices – still higher than the previous year despite correction in natural rubber



Nokian Hakkapeliitta 5 295/30 R22

#### **NOKIAN TYRES 2006 IN BRIEF**



#### Market position – improvement in core markets

- + strong sales growth in all core markets and all product groups
- + good sales of car winter tyres in Nordic countries, Russia and CIS
- + market shares improved significantly in all key markets
- + record-high sales of heavy tyres
- + increased sales of new and retreaded truck tyres

#### Profitability and cash flow – clear improvement

- + good sales mix and higher average prices in H2
- + cash flow improved clearly
- summer tyre prices declined
- financial costs do not include exchange gains (gains x m€ in 2005)
- higher fixed costs due to growth investments
- IFRS and share option costs

## Production volumes – grew as planned

- + increased production volumes at the Russian factory with premium quality tyres
- + heavy tyre production volumes increased

## Service capacity – sales network expanded

- + new Vianor outlets in Sweden and in Russia
- + enhanced sales and logistics in Russia, Ukraine, Kazakhstan, Eastern Europe

#### **SHARE OF NET SALES BY PRODUCT AREA 2006**



Vianor 27.4% (31.0%)

**Net sales** 246.9 m€ (235.1 m€); +5.0%

Q4/06: 96.9 m€ (87.0 m€); +11.4%

**EBIT:** 2.3 m€ (5.3 m€)

Q4/06: 8.3 m€ (7.7 m€); +8.3%

**EBIT margin: 0.9 % (2.2%)** 

Q4/06 8.6 % (8.9 %)

<u>Truck tyres</u> 3.5% (4.0%)

**Net sales** 31.8 m€ (30.1 m€); +5.8%

**Heavy tyres** 10.0% (10.1%)

Net sales 90.1 m€ (76.2 m€); +18.2%

Q4/06: 24.4 m€ (22.1 m€); +10.3%

**EBIT:** 19.9 m€ (14.7 m€); +35.5%

Q4/06: 4.6 m€ (5.4 m€); -15.0%

**EBIT margin:** 22.1% (19.3%)

Q4/06 18.8% (24.5%)

**Car tyres** 59.1% (54.9%)

**Net sales** 533.2 m€ (416.2 m€); +28.1%

Q4/06: 189.0 m€ (135.2 m€); +39.8%

**EBIT** 133.4 m€ (101.9 m€); +30.9%

Q4/06: 52.4 m€ (34.2 m€); +53.2%

**EBIT margin:** 25.0% (24.5%)

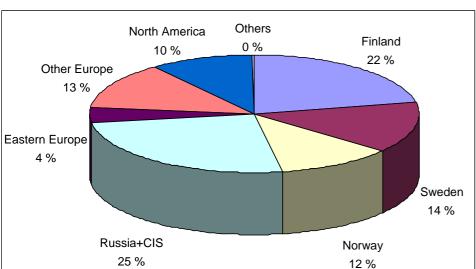
Q4/06 27.7% (25.3%)

(1-12 and Q4 2005)

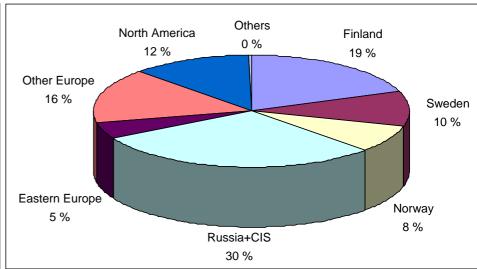
## **GROSS SALES BY MARKET AREA 2006**

nokian TYRES

Sales of Nokian Tyres Group 835.9 m€ +21.8% (including Vianor)



Sales of manufacturing 673.2 m€ +26.5%

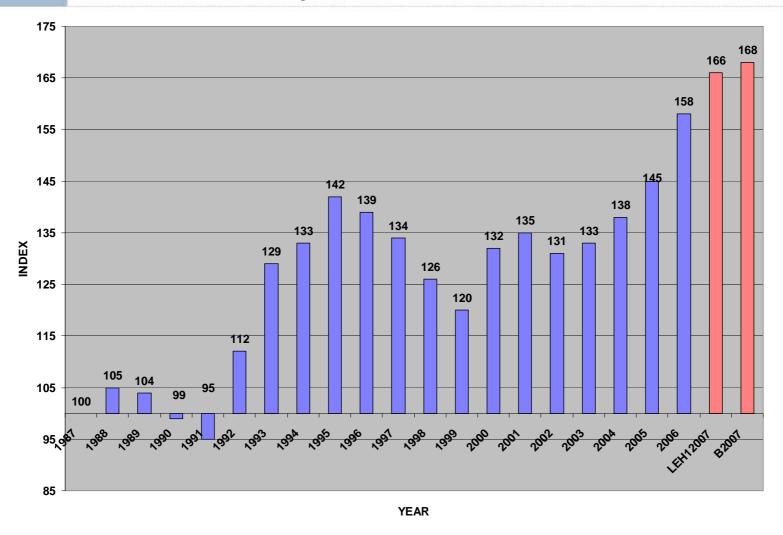


Sales increased	
-Nordic countries	+7.1%
-Russia and CIS	+78.6%
-Eastern Europe	+31.3%
-North America	+12.8%

Sales increased	
-Nordic countries	+8.4%
-Russia and CIS	+78.1%
-Eastern Europe	+31.5%
-North America	+12.8%

## **RAW MATERIAL PRICE INDEX**





- Raw material prices (euro/kg) increased 13% in 2006
- Raw material costs (euro/kg) increased 14.2% in 2006
- Raw material prices (euro/kg) to increase 8% 2007 vs 2006

#### **CAR TYRES 2006**



NET SALES: 533.2 m€(416.2 m€); +28.1% Q4/2006: 189.0 m€(135.2 m€); +39.8%

EBIT: 133.4 m€(101.9 m€); +30.9% 52.4 m€(34.2 m€); +53.2%

EBIT margin: 25.0% (24.5%) 27.7% (25.3%)

#### Sales in Russia exceeded sales in Nordic countries

+ strong increase in sales and market shares in all core markets

- + good sales mix: high share of winter tyres and SUV tyres
- + higher average prices in H2
- + clear winner in car magazines' tyre tests in Nordic countries and in Russia
- + improved distribution network in core markets
- + increased production volumes in Russia
- + launch of Nokian Hakkapeliitta 5 and Nokian SUV 5 winter tyre and Nokian Hakka summer tyre families
- reduced summer tyre prices
- higher production costs due to raw material increases

#### TARGETS 2007 – IMPROVE SALES AND CASH FLOW

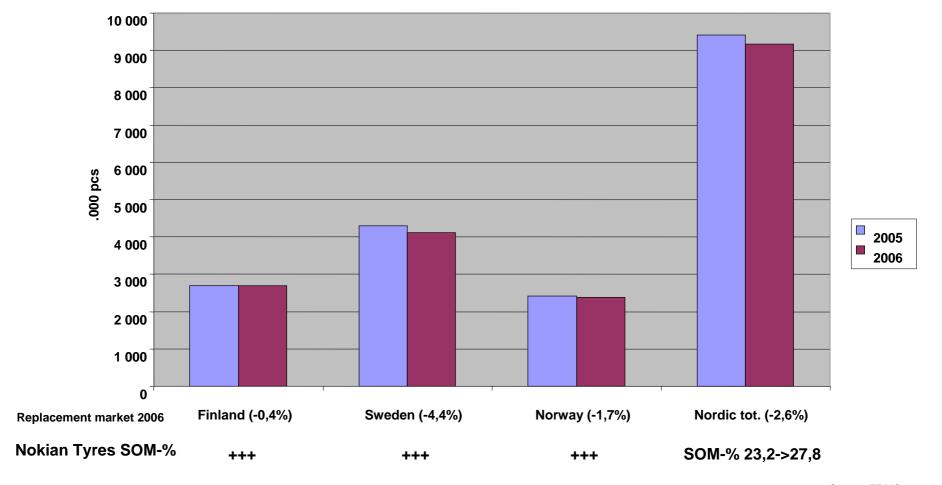
- strong sales growth in core markets >15%
- capacity increase and full utilization of the Finnish and Russian factories
- active launch of new products
- enhanced distribution and logistics
- productivity improvements at Nokia factory
- improved NWC rotation
- improve EBIT and cash flow







#### **Replacement Market**



Source: ERMC

#### **HEAVY TYRES 2006**



NET SALES: 90.1 m€ (76.2 m€); +18.2%

EBIT: 19.9 m€(14.7 m€); +35.3%

**EBIT margin: 22.1% (19.3%)** 

Q4/2006: 24.4 m€ (22.1 m€); +10.3% 4.6 m€ (5.4 m€); -15.0% 18.8% (24.5%)

- + good sales of forestry tyres with improved market shares
- + demand for special OTR heavy tyres increased
- + sales increased in all product groups and in all core markets
- + launch of new radial forestry tyre
- + production volumes increased by 13%
- + full capacity utilization and investments to increase capacity in 2007
- lack of capacity limited further growth

#### TARGETS 2007 – MAXIMIZE OUTPUT, SALES AND CASH FLOW

- increase sales by > 10%
- increase production capacity and full utilization of same
- increase prices
- increase EBIT and cash flow



#### **VIANOR 2006**



Q4/2006: 96.9 m€ (87.0 m€); +11.4%

8.3 m€ (7.7 m€)

8.6% (8.9%)

NET SALES: 246.9 m€(235.1 m€); +5.0%

EBIT: 2.3 m€(5.3 m€)

**EBIT margin: 0.9% (2.2%)** 

+ number of total outlets grew from 197 to 261

+ Vianor network expanded in Russia from 22 outlets to 70 outlets

+ structural change in Sweden progressed => 17 partners

+ good winter tyre season sales

+ increased share of Nokian-branded tyres

+ sales of new and retreaded truck tyres increased

+ expanded fast fit service concept

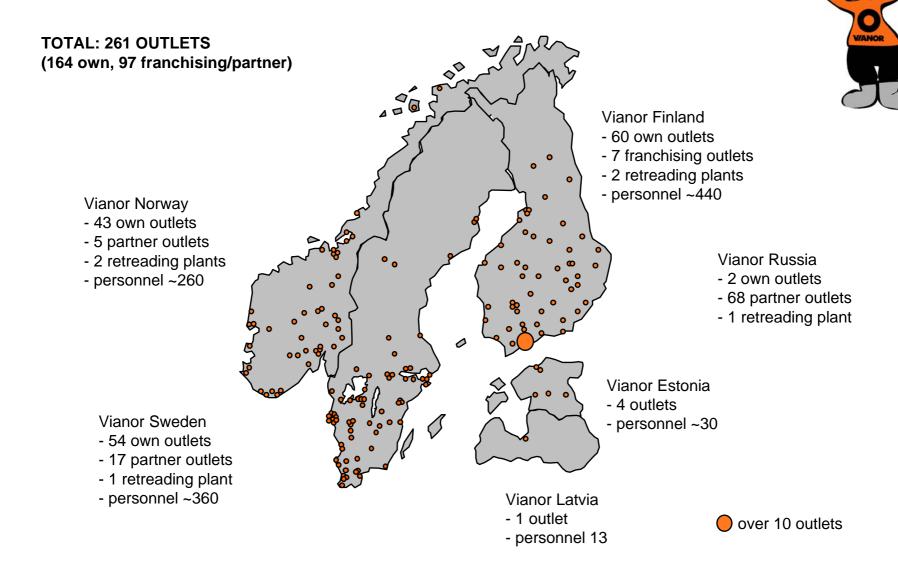
- costs of acquired new shops and closing unprofitable shops weakened profits

#### TARGETS 2007 – IMPROVE RESULTS CHANGING STRUCTURE AND CONCEPT

- expand the network and the number of partners especially in Russia and CIS countries
- cut small and unprofitable workshops
- develop fast fit and other services
- improve seasonal wholesales and retail
- improve Vianor brand awareness in Sweden and Russia
- improve EBIT and cash flow



## VIANOR OUTLETS 2006, December 31st



#### **VIANOR IN RUSSIA**



- December 31<sup>st</sup> 2006: 70 outlets
- planned outlets => approx 120 by the end of 2007



#### **TRUCK TYRES 2006**



## NET SALES: 31.8 m€(30.1 m€); +5.8%

- + increased sales of new and retreaded truck tyres
- + new Nokian-branded truck tyre range boosted demand
- + new Nordman-branded truck tyres produced in China completed the product range
- + increased sales of retreading materials
- + concentration of retreading operations increased efficiency and productivity

#### **TARGETS 2007**

- increase sales in Sweden and Russia
- increase sales in Central Europe and USA
- improve profits







Investments Q4/06: 20.7 m€(26.4 m€)

2006: 97.0 m€(119.6 m€)

Total investments for 2007 100 m€

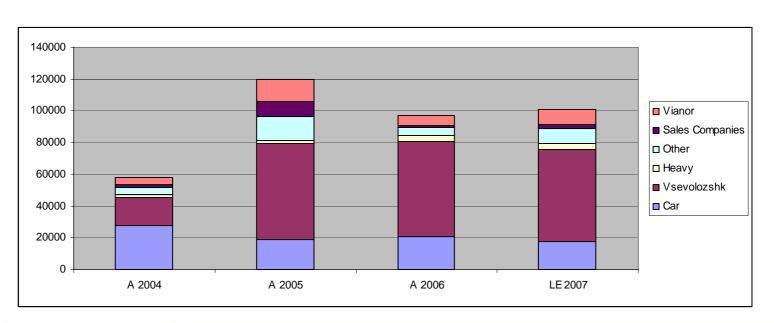
=> share of Russian investment approx. 58 m€

#### **RUSSIA**

- capacity ramp-up and investments
  - Phase I 4 million pcs 2004-2007 ~ 155 m€
  - Phase II 4 ->10 million pcs 2007-2011 ~ 195 m€

#### **VIANOR EXPANSION**

- Nordic countries, Russia, Eastern Europe
- own outlets, franchising and tyre hotels
- 6.4 m€in 2006 (14.0 m€ 2005)
- 2007 9 m€



## **PERSONNEL**



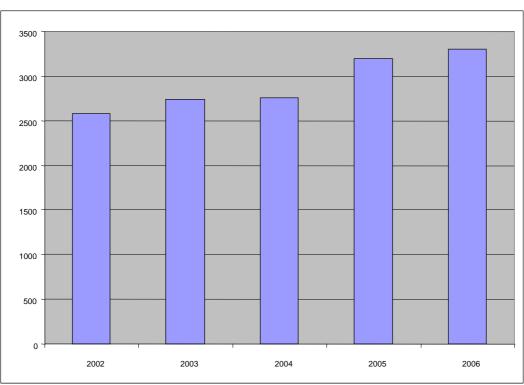
Personnel at the end 2006: 3,297 (3,201)

• Vianor: 1,279 (1,297)

• Vsevolozhsk factory: 235 (172)

Personnel 2007: approx 3,400





#### **OUTLOOK FOR 2007**



#### **ASSUMPTIONS**

- strong market growth continues in Russia, CIS countries and in Eastern Europe
- modest growth in European and Nordic replacement tyre markets
- growing product segments: winter tyres, ultra high performance summer tyres, heavy special tyres
- normal winter season in Nordic countries and Russia
- raw material prices increase
- tough price competition continues

#### **NOKIAN TYRES**

- strong focus on sales growth, logistics and control of NWC
- active launch of new products
- expansion of distribution especially in Russia and Eastern Europe
- ramp-up and utilization of the Russian production; install fourth production line & start phase II expansion
- actions to boost productivity at Nokia factory
- Q1 sales started ahead of 2006 and strong order book
- => positioned to reach the target set for 2007: strong sales growth and improved profits in line with the previous years.



Nokian WR

## **NEW PRODUCTS**





Nokian Hakkapeliitta 5



Nokian Hakkapeliitta Sport Utility 5



Nokian WR, 2007



Nokian Hakka V



Nokian Hakka H



**Nokian Forest Rider** 



**Nokian Truck tyres** 



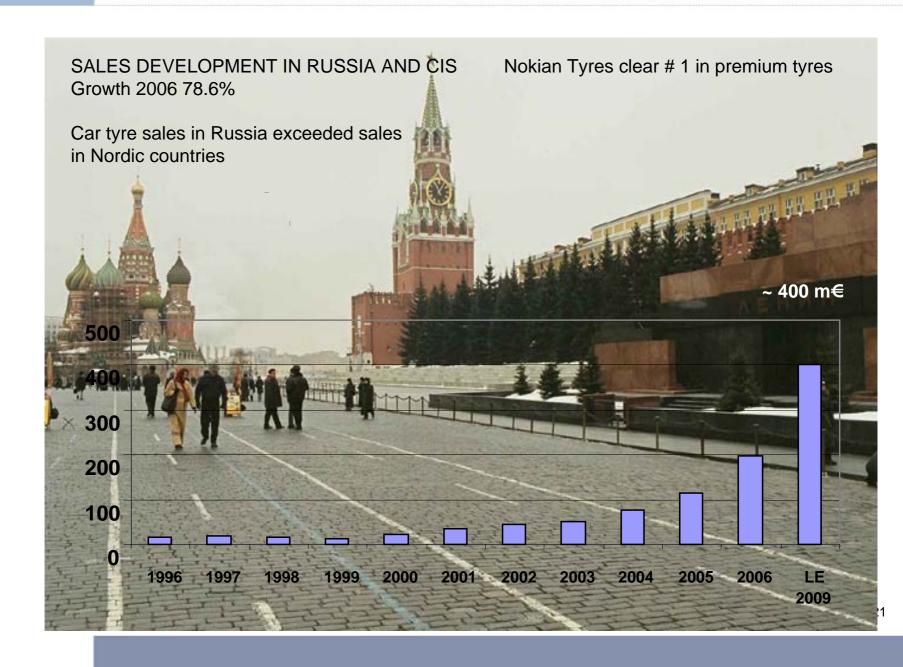
Nordman NTR 72S



Nokian Hakka C Cargo & Van

#### **RUSSIA UPDATE**





#### **RUSSIA**



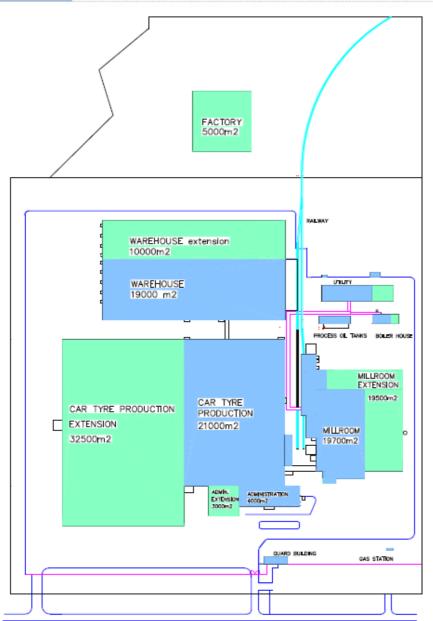
- clear market leader with more than 30% market share in premium car winter tyres
- distribution expanded through partner agreements and Vianor shops
- two first production lines operate in 3 shifts, 344 days/year
- full utilization of production capacity in 2007
- the third production line started
- the installation of the fourth production line in H2/2007
- new mixing house and warehouse taken into use and mixing locally completed
- decision to accelerate factory expansion with the target to increase capacity to 10 million tyres by the year 2011

Total number of personnel working in Russia 30.12.2006: 322 (220)









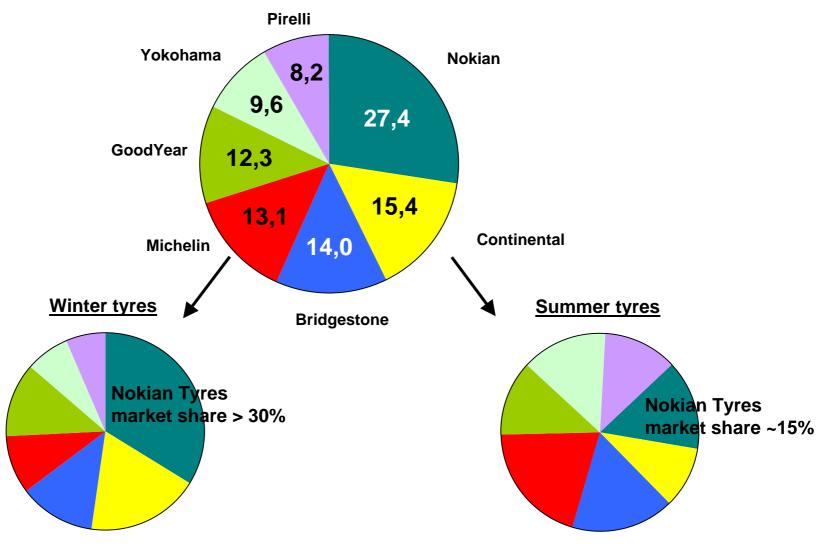
#### Capacity ramp-up and investments

- Phase I 4 million pcs 2004-2007 ~ 155 m€
- Phase II 4 -> 10 million pcs 2007-2011 ~ 195 m€



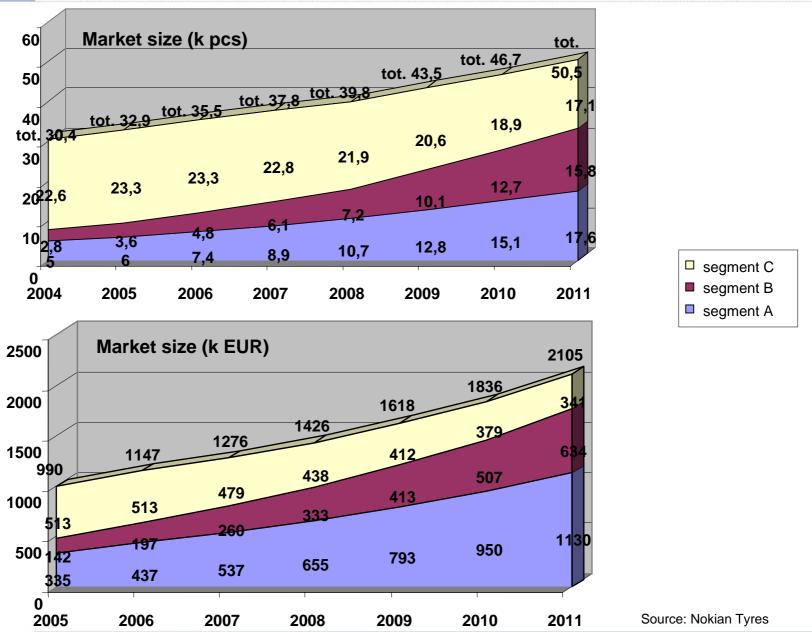


## Estimated replacement A-segment market shares 2006 by sell-in volume

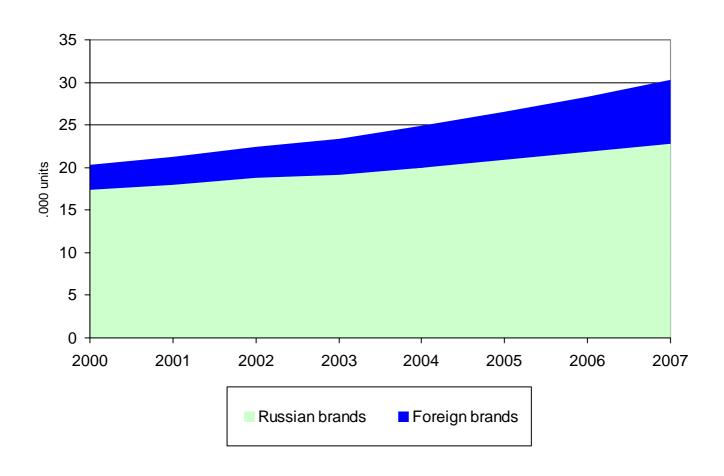


## SALES AND MARKET FORECAST IN RUSSIA





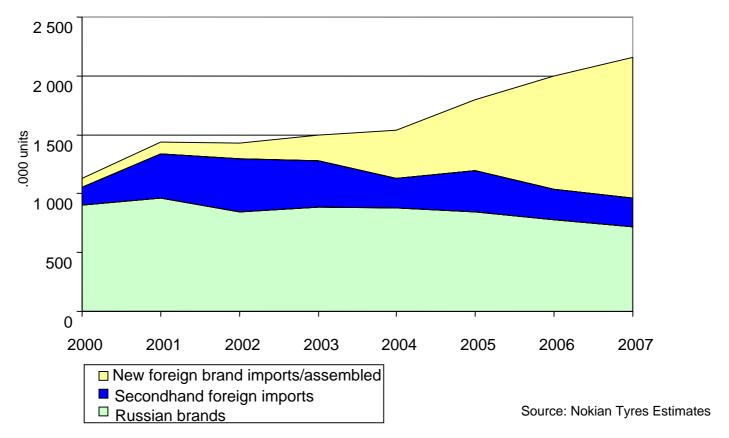




#### **CAR SALES IN RUSSIA / RUSSIAN NEWS 2006**



Sales of new cars 2 million pcs in 2006 > 50% of car sales western brands



- Car sales up 20% y/y in 2006 (PricewaterhouseCoopers)
- Sales of new foreign-branded cars up 79% y/y in 2006 (PricewaterhouseCoopers)
- GDP up 6.8% y/y in Jan-Nov (The Economy Ministry)
- Industrial output up 3.9% y/y in 2006 The Federal Statistics Service )
- Consumer price index up 9.7% y/y in 2006 (The Central Bank of Russia)





	<u>Volume</u>	<u>Value</u>
Foreign brands (local assembly)	280,000 (+87%)	\$4.4bn (+100%)
Foreign brands (imported – new)	720,000 (+76%)	\$18.2bn (+78%)
Foreign brands (imported – used)	260,000 (-19%)	\$3.6bn (-13%)
Local brands	800,000 (-5%)	\$5.8bn (+5%)
Total	2,060,000 (+20%)	\$32.0bn (+45%)

In 2002- 2006, foreign car sales rose from 26% to 71% of the Russian market by value. Demand more than tripled over the same period, to \$32 billion from \$10 billion.

## FOREIGN AUTOMAKERS' ASSEMBLY PLANTS IN RUSSIA



Company	Assembly plant in Russia	<u>Location</u>	
GM-AvtoVAZ	Yes	Togliatti	
Ford	Yes	Vsevolozhsk	
Avtoframos (Renault 93%)	Yes	Moscow	
Kia-SOK JV	Yes	Izhvesk (Izh-Avto)	
Toyota	Started construction in June 2005	St. Petersburg	Production to start in December 2007
GM	Started construction in June 2006	St. Petersburg	Full-scale production to start in 2008
Volkswagen	Started construction in October 2006	Kaluga region	Production to start in July 2007
Bogdan	Started construction in December 2006	Nizhny Novgorod region	Production to start in 2009
Nissan	Preparing to start construction in 2007	St. Petersburg	Production to start in 2009
Peugeot- Citroën Isuzu, Mistubishi, Chery, Great Wall, Chanfeng, Mahindra, Etalon	Considering		

- In march 2005, the government announced a cut in import duties on most autos components – from 13% to zero.
- The move is designed to encourage foreign investment in Russia's automotive sector.
- The duty reductions will only be available to foreign auto firms that source 50% of their production from local sources within five years.
- According to the Industry and Energy Ministry, up to 900,000 foreign cars a year will be assembled in Russia by 2010 and investment will hit \$2 billion.

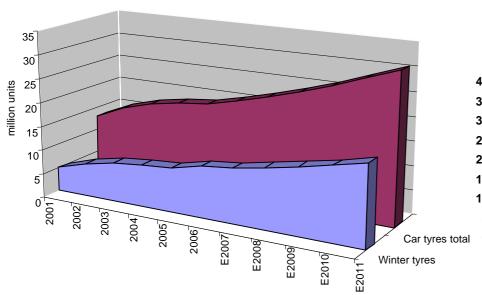


## **EASTERN EUROPE – NOKIAN SALES GROWTH 31.5% IN 2006**

#### **Growth opportunity in Eastern Europe**

- average winter tyre growth 15,7% 2006, 4%/year 2005, 15%/years 2001-2004
- core growth areas Poland, Czech Republic, Slovak Republic, Hungary
- winter tyre market bigger than in Russia
- winter tyre market 2 x Scandinavia

#### Car tyre replacement market forecast in Eastern Europe



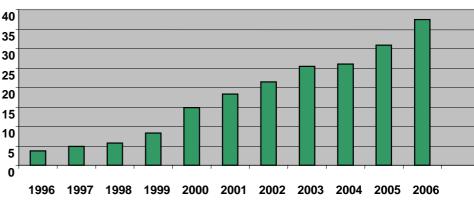
#### 2006 - 2007

- strengthen sales and distribution
  - Hungary, Czech Republic, Slovak Republic, Ukraine, Kazakhstan and other CIS countries
- · launch of new products
- sales company in Ukraine, Kazakhstan
- logistic center opened in Ejpovice in Czech Republic

## **Production capacity in CEE**

projects in development -> additional capacity 2007-2009

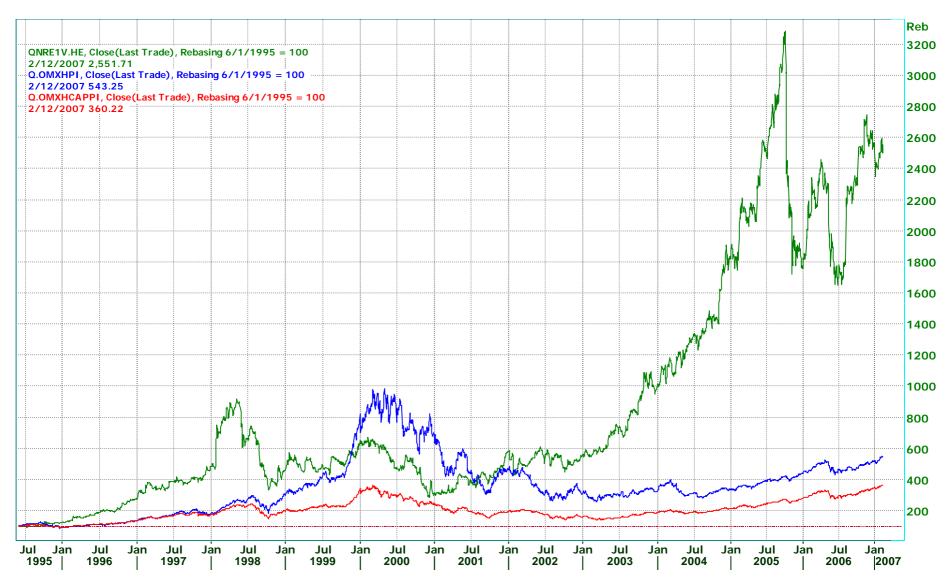
## Nokian Tyres' sales (meur) in Eastern Europe Growth 2006 31.5%





## **SHARE PRICE DEVELOPMENT 1.6.1995 – 12.2.2006**









		Shares	% of shares
1	Varma Mutual Pension Insurance Company	3 914 250	3,21
2	Ilmarinen Mutual Pension Insurance Company	3 900 200	3,20
3	Odin Forvaltning AS	2 447 369	2,01
4	Nordea	1 338 627	1,10
5	Tapiola Mutual Pension Insurance Company	1 100 000	0,90
6	OP-Funds	887 800	0,73
7	The Local Government Pension Institute	800 000	0,66
8	Etera Mutual Pension Insurance	757 250	0,62
9	Gyllenberg-funds	674 000	0,55
10	FIM-funds	668 850	0,55
	Major shareholders total	16 488 346	13,53
	Total amount of shares	122 032 270	
	Bridestone Europe NV/SA (in a name of a nominee)	20 000 000	16,10

Options, free:
2001A 30.555; 2001B 28.280; 2001C 43.519;
2004A 195.710; 2004B+C 490.000

OWNERSHIP BY CATEGORY, %	30.12.2006	29.9.2006	30.6.2006	31.3.2006	30.12.2005
Foreign shareholders	65,0	59,2	57,89	60,59	60,11
Public organisations	10,3	10,4	10,75	9,56	9,17
Private individuals	12,6	15,0	17,15	16,54	17,76
Financial institutions	5,9	7,5	6,68	5,55	4,70
Non-profit organisations	3,8	4,0	4,13	4,07	3,92
Corporations	2,5	3,9	4,1	3,68	4,34

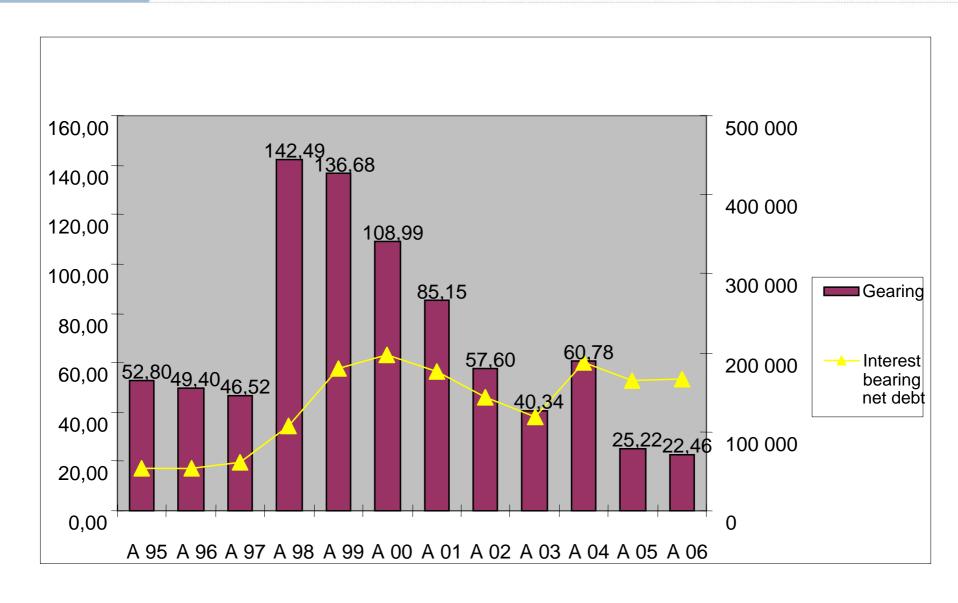


## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Million euros	10-12/06	10-12/05	1-12/06	1-12/05	Change %
Net sales	302,0	241,0	835,9	686,5	21,8
Cost of sales	-177,7	-142,6	-491,3	-401,0	22,5
Gross profit	124,2	98,4	344,5	285,5	20,7
Other operating income	0,6	4,0	2,0	4,6	-56,4
Selling and marketing expenses	-48,4	-42,8	-157,6	-143,0	10,2
Administration expenses	-6,0	-4,9	-18,9	-15,6	21,4
Other operating expenses	-3,0	-3,9	-17,0	-15,8	7,6
Operating profit	67,5	50,7	153,1	115,8	32,2
Financial income	3,9	-9,4	22,3	22,8	-2,2
Financial expenses	-9,9	7,3	-36,2	-26,0	39,1
Profit before tax	61,5	48,6	139,3	112,6	23,7
Tax expense (1	-13,4	-13,2	-32,0	-30,4	5,1
Profit for the period	48,0	35,5	107,3	82,2	30,5
Attributable to:					
Equity holders of the parent	48,0	35,6	107,3	82,4	
Minority interest	0,0	0,1	0,0	-0,2	
Earnings per share from the profit					
attributable to equity holders of the					
parent					
basic, euros (2	0,39	0,30	0,88	0,70	27,0
diluted, euros (2	0,38	0,29	0,86	0,68	26,9
1) Tax expense in the consolidated inco	me stateme	nt is		-	
based on the taxable profit for the period	d.		_	_	
2) The per-share data include the effect of	of the share	split			
carried out on 15 April 2005.					

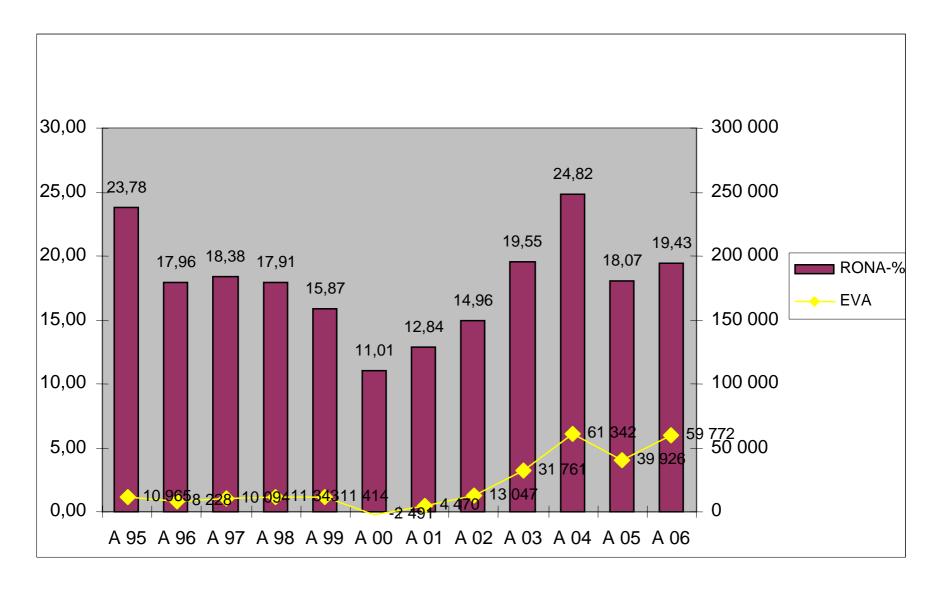




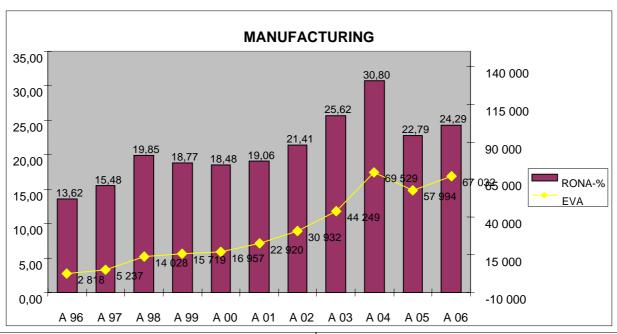


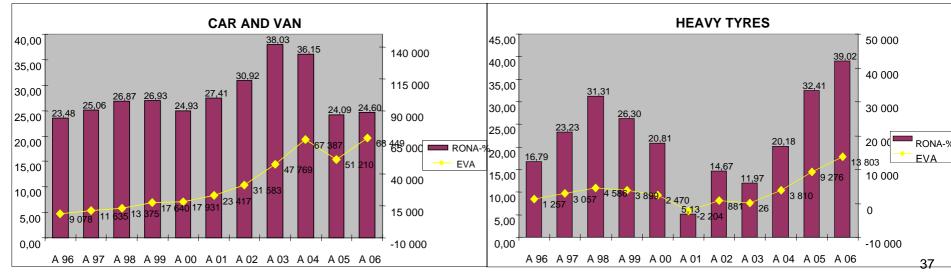
# RONA % AND NET OPERATING PERFORMANCE (EVA) EVA calculated based on 12% interest on capital employed





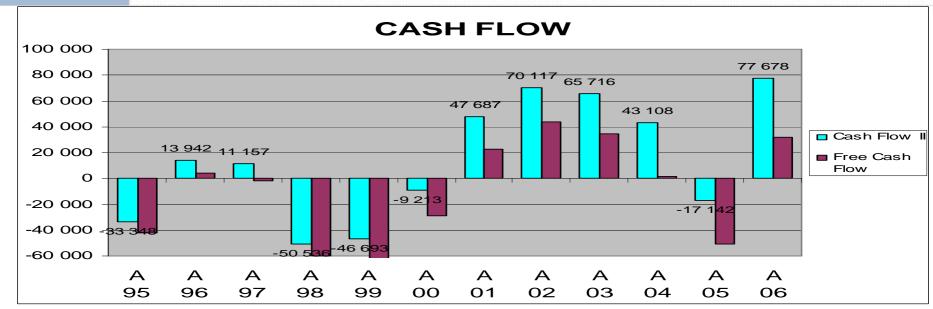
## MANUFACTURING RONA % AND NET OPERATING PERFORMANCE (EVA) TYRES EVA calculated based on 12% interest on capital employed

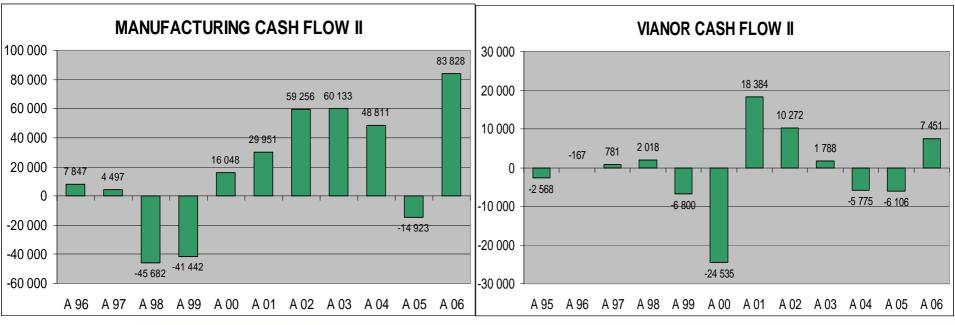




### **GROUP CASH FLOW**











SEGMENT INFORMATION	10-12/06	10-12/05	1-12/06	1-12/05	Change %
Million euros					
Net sales					
Passenger car tyres	189,0	135,2	533,2	416,2	28,1
Heavy tyres	24,4	22,1	90,1	76,2	18,2
Vianor	96,9	87,0	246,9	235,1	5,0
Others and eliminations	-8,3	-3,3	-34,3	-41,1	16,4
Total	302,0	241,0	835,9	686,5	21,8
Operating result					
Passenger car tyres	52,4	34,2	133,4	101,9	30,9
Heavy tyres	4,6	5,4	19,9	14,7	35,5
Vianor	8,3	7,7	2,3	5,3	-56,1
Others and eliminations	2,1	3,4	-2,5	-6,1	58,7
Total	67,5	50,7	153,1	115,8	32,2
Operating result, % of net sales					
Passenger car tyres	27,7	25,3	25,0	24,5	
Heavy tyres	18,8	24,5	22,1	19,3	
Vianor	8,6	8,9	0,9	2,2	
Total	22,3	21,0	18,3	16,9	
Cash Flow II					
Passenger car tyres	211,9	127,6	68,9	-24,5	381,3
Heavy tyres	13,4	7,3	19,4	15,8	22,9
Vianor	14,8	9,8	7,5	-6,1	222,0
Total	242,8	157,7	77,7	-17,1	553,1





CONSOLIDATED BALANCE SHEET	31.12.06	31.12.05
Non-current assets		
Property, plant and equipment	353,2	304,0
Goodwill	51,8	
Other intangible assets	8,2	8,5
Investments in associates	0,1	
Available-for-sale		
financial assets	0,2	0,3
Other receivables	0,8	
Deferred tax assets	14,3	11,9
Total non-current assets	428,6	377,6
Current assets		
Inventories	159,8	
Trade and other receivables	257,3	
Cash and cash equivalents	39,0	
Total current assets	456,1	419,9
Equity		
Share capital	24,5	
Share premium	142,7	137,8
Translation reserve	-2,2	5,7
Fair value and hedging reserves	-0,1	-0,5
Retained earnings	391,6	303,4
Minority interest	0,0	0,7
Total equity	556,6	471,4
Non-current liabilities		
Deferred tax liabilities	20,5	22,7
Interest bearing liabilities	110,6	152,5
Other liabilities	1,9	2,1
Total non-current liabilities	133,0	177,3
Current liabilities		
Trade and other payables	138,9	135,1
Provisions	1,0	
Interest-bearing liabilities	55,3	
Total current liabilities	195,2	
Total assets	884,7	797,4





KEYRATIOS	31.12.06	31.12.05	Change %
Equity ratio, %	63,0	59,1	
Gearing, %	22,8	25,4	
Equity per share, euro (2	4,56	3,89	17,1
Interest-bearing net debt,			
mill. euros	126,9	119,5	
Capital expenditure, mill.			
euros	97,0	119,6	
Depreciation, mill. euros	40,8	35,6	
Personnel, average	3 234	3 041	
Number of shares (million units)			
at the end of period	122,03	121,00	
in average	121,63	118,57	
in average, diluted	125,15	121,96	
2) The per-share data include the effe	ct of the share	e split	
carried out on 15 April 2005.			

#### 1. Board's proposal for payment of dividend

The Board of Directors propose at the Annual General Meeting of Shareholders that a dividend of EUR 0.31 per share is paid for the fiscal year 2006.

2. The Board of Directors' proposal to authorise the Board of Directors to make a decision on a share issue and on granting special rights entitling to shares.

The Board of Directors has decided to propose that at the Annual General Meeting the Board should be authorised to make a decision to offer no more than 24,000,000 shares through a share issue, or by granting special rights under chapter 10 section 1 of the Finnish Companies Act that entitle to shares (including convertible bonds) on one or more occasions. The Board may decide to issue new shares or shares held by the company. The maximum number of shares included in the proposed authorisation accounts for approximately 20% of the company's entire share capital. The company has one type of share with a nominal value of EUR 0.20.

#### 3. Board's proposal concerning the issue of stock options

The Board of Directors proposes that stock options be issued by the General Meeting of Shareholders to the personnel of the Nokian Tyres Group, as well as to a wholly owned subsidiary of Nokian Tyres plc.

#### 4. Other matters

In addition to the matters described above, the Annual General Meeting will elect the members of the Nokian Tyres' Board of Directors, as well as the auditors for the next period. The names of the potential members and auditors will be annual General Meeting Call to be published in March 2007.

