

# *Hakkapeliitta*



1936 *75* 2011

**nokian**  
HAKKAPELIITTA

Nokian Tyres plc  
Result January-March 2011  
6 May, 2011

**Strong first quarter results  
and record-high order book**

Mr. Kim Gran  
President and CEO  
Nokian Tyres plc

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## GENERAL OVERVIEW OF 1-3/2011

***Strong first quarter results and record-high order book***

Key figures	Q1/11	Q1/10	Change (%)	2010
Net sales	289.2	183.8	57.3	1,058.1
Operating profit	72.3	21.1	241.8	222.2
Profit before tax	69.9	22.2	214.5	208.8
Profit for the period	62.4	20.1	211.1	169.7
Earnings per share, EUR	0.49	0.16	198.3	1.34
Equity ratio, %	71.0	62.5		68.4
Cash flow from operations	-52.3	-24.8	-110.8	318.8
RONA, % (rolling 12 months)	21.6	10.3		17.8
Gearing, %	5.5	30.4		0.1

### Summary

- Sales grew significantly in core markets trailing economic growth, booming new car sales, improved consumer confidence and distributors' low inventories
- Nokian Tyres' market shares up in Nordic, Russia and CE
- Larger share of Russian sales, improved sales mix and price increases → car tyre ASP improved significantly, compensating for the significant raw material cost increases
- Production output (tons) up by 61%
- Record-high order book going into Q2
- Vianor expanded to 792 stores, addition of 21 in Q1/2011

### Outlook: Profitable growth

- Strong overall demand and order book
- Retailers' low inventories drive sales growth
- Further price increases & mix improvement, target ASP +9%
- Raw material cost estimated to go up 30% in 2011 vs. 2010
- 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 clearly compared to 2010

## GENERAL OVERVIEW OF 1-3/2011

*Market overview: Business environment continued to improve*

### Car tyres

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

- Economies in the Nordic countries and Russia improved, consumer confidence was strong and car sales picked up
- Economic uncertainty factors on global level had little effect on the optimism in Nokian Tyres' core markets
- Demand grew clearly in all Nokian Tyres' core markets
- Distributors' low inventory levels and a true, prolonged winter with heavy snowfall 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, mining and other machinery increased significantly
- Tyre demand improved clearly in all product groups
- Demand exceeded supply in some product groups and sizes

### Currencies

#### **Stable development of currency exchange rates**

- Currencies on Nokian Tyres' core markets strengthened against the Euro in Q1/2011 vs. Q1/2010
- Currencies have been relatively stable in core markets in Q1/2011 vs. H2/2010

## GENERAL OVERVIEW OF 1-3/2011

### *Nokian Tyres performance: Strong sales and profitability*

#### Sales and market position

##### **Volumes and market shares up**

- + Sales grew > 50% in all manufacturing units
- + Strongest sales growth in Russia, i.e. SUV
- + Test victories of Nokian summer tyres boosted sales
- + Car tyres' market share improved in Nordic countries, CE and in Russia
- + Strong forestry tyre sales, with continued build-up of orders

#### Profitability

##### **Improved ASP offset the increased raw material cost**

- Raw material prices rose by > 40% with shortage of some materials  
→ Tyre industry increased prices, further increases following in Q2-Q3/2011
- + Mix improved & price increases implemented → car tyre ASP up significantly
- + Increasing share of Russian sales and production improved margins
- + Profitability supported by higher sales volume vs. moderate growth of fixed costs

#### Production

##### **Productivity boost from increased production volumes**

- + Higher utilization of capacity and growing share of Russian production
- + Lines 9&10 to be installed in Russia in Q2-Q3/2011
- + Preparation and investment agreement on a new plant with annual capacity of 5-6 million tyres in Russia is at final stages
- Demand exceeded supply capacity

#### Distribution

##### **New Vianor stores**

- + Vianor expanded to 792 stores in 20 countries; increase by 21 in Q1/2011



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  - Operating result per quarter
  - Gross sales by market area
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3. Profit centres (incl. Russian operations)
4. Nokian Tyres going forward
5. Appendixes



## FINANCIAL PERFORMANCE

### Group operating result per quarter 2007-2011

**1-3/2011**

Net sales 289.2 m€

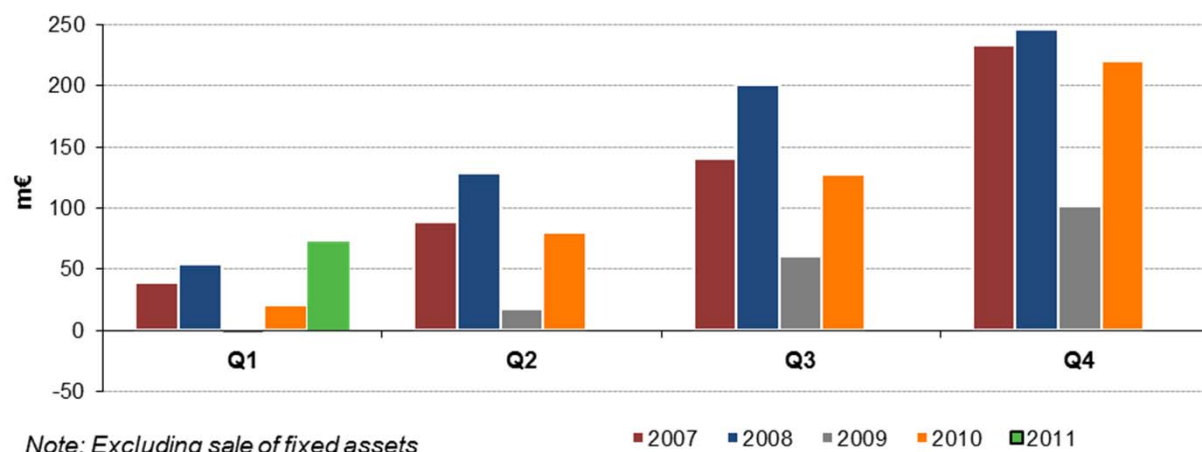
(183.8 m€), +57.3%

EBIT 72.3 m€

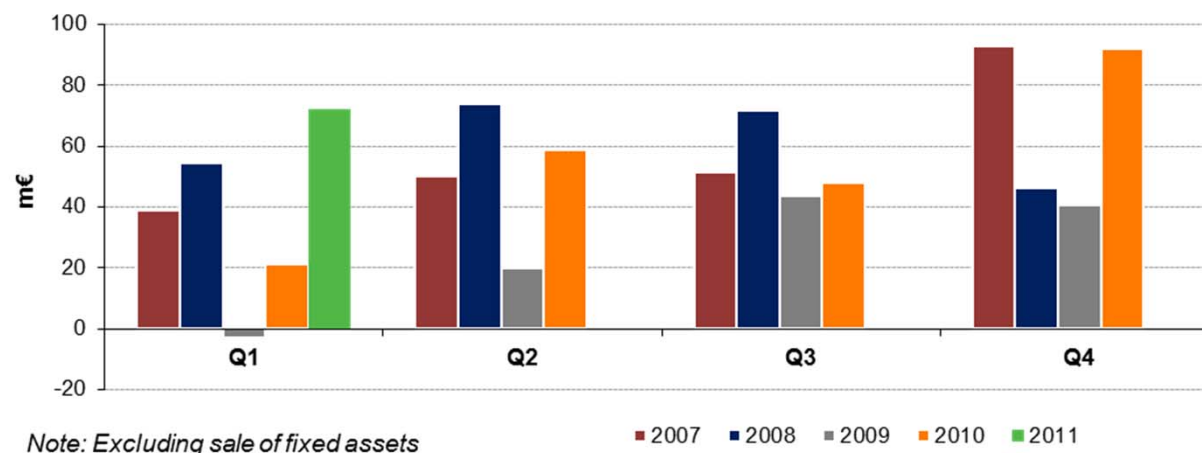
(21.1 m€), +241.8%

- All-time high Q1
- Visibility good for Q2-Q3

Cumulative operating result per quarter (m€)



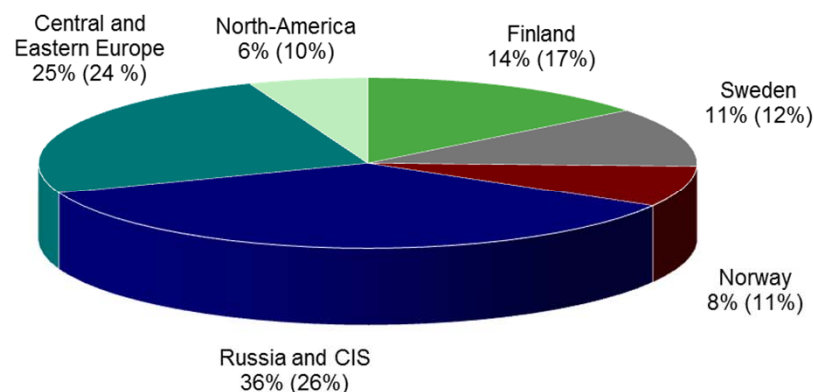
Group operating result per quarter (m€)



## FINANCIAL PERFORMANCE

### Gross sales by market area 1-3/2011

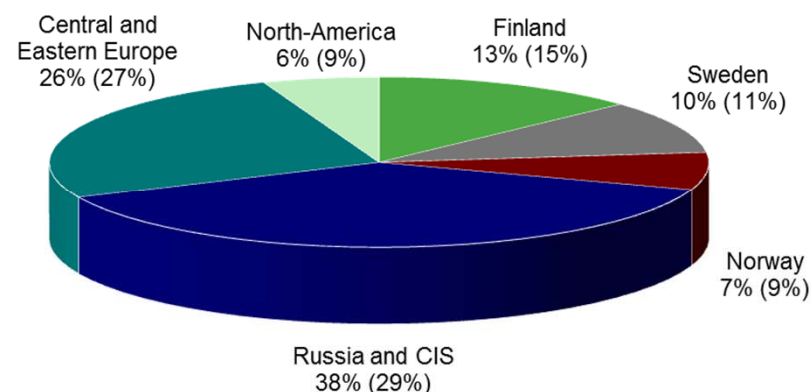
**Sales of Nokian Tyres Group: 304.9 m€, +56.4%**



#### Sales development in euros

- Nordic countries +33.6%
- Russia and CIS +115.9%
  - Russia: +119.8%
- Central and Eastern Europe +58.0%
- North America -9.8%

**Sales of Manufacturing Units: 288.7 m€, +65.1%**

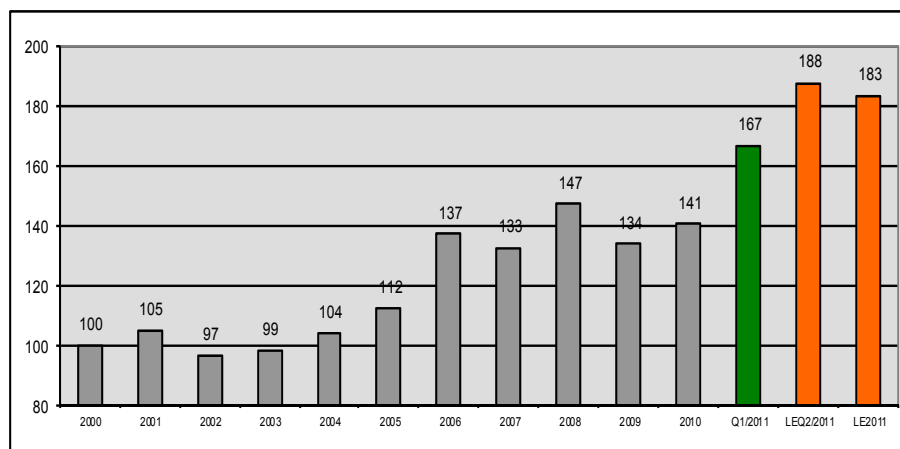


#### Sales development in euros

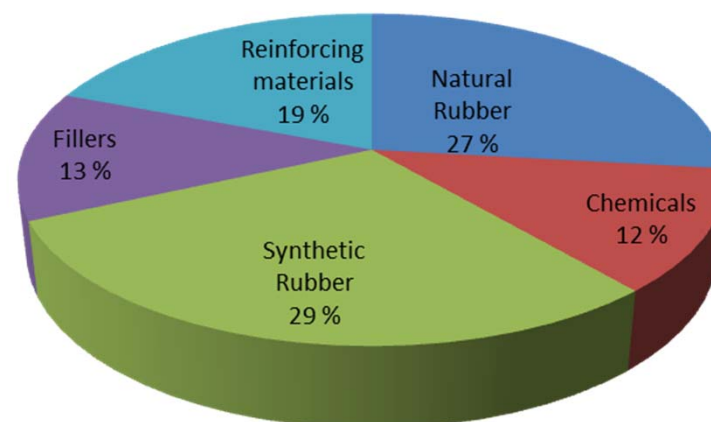
- Nordic countries +44.0%
- Russia and CIS +116.3%
  - Russia: +120.2%
- Central and Eastern Europe +59.4%
- North America +2.8%



Raw material cost development index 2000-E2011



Value of raw material consumption (%)



Nokian Tyres raw material cost (eur/kg)

### Raw material cost increased by

- 41% in Q1/2011 vs. Q1/2010
- 11% in Q1/2011 vs. Q4/2010

### Raw material cost is estimated to increase by

- 12% in Q2/2011 vs. Q1/2011
- 39% in H1/2011 vs. H1/2010
- 30% in 2011 vs. 2010

In order to maintain material margin +9% in ASP required in 2011 vs. 2010

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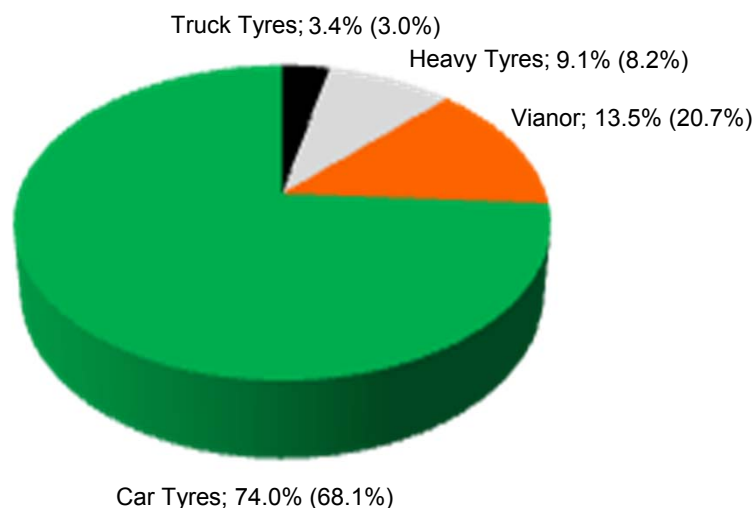
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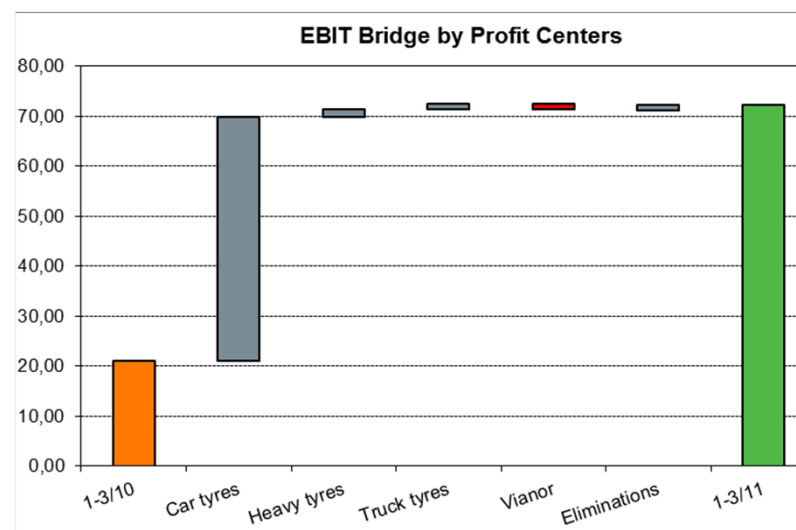
## PROFIT CENTRES

General overview of 1-3/2011

Net sales 289.2 m€, +57.3%



EBIT 72.3 m€, +241.8%



### Passenger Car Tyres

- Net sales: 229.7 m€; +65.0%
- EBIT: 84.1 m€; +137.4%
- EBIT margin: 36.6% (25.4%)
- Key products: studded and non-studded winter tyres, high-speed summer tyres

### Heavy Tyres

- Net sales: 28.4 m€; +68.7%
- EBIT: 5.4 m€; +42.4%
- EBIT margin: 19.1% (22.7%)
- Key products: tyres for forestry, industrial and agricultural machinery

### Truck Tyres

- Net sales: 10.6 m€; +73.9%
- Key products: truck tyres and retreading materials

### Vianor

- Net sales: 41.9 m€; -0.6%
- EBIT: -13.1 m€; -10.9%
- EBIT margin: -31.3% (-28.0%)
- 792 stores in 20 countries in Nokian Tyres' core markets

## PROFIT CENTRES

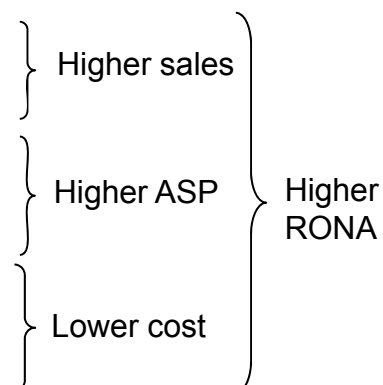
### *Passenger Car Tyres 1-3/2011: Booming sales in core markets*

#### Performance in Q1/2011

- + Sales & order book improved significantly in all core markets
- + Strongest growth from SUV tyre sales in Russia
- + Market share up in Nordic countries, CE and Russia
- + Magazine test wins for summer tyres
- + Improved sales mix and price increases → ASP up
- + Production up 63% boosted by 2 new production lines in Russia
- + Productivity up trailing the higher production volume
- Supply capacity a bottleneck → sales shifted to Q2/2011
- Raw material cost increased significantly

#### Key actions and targets for 2011

- Increase sales in all areas, especially in Russia
- Improve market shares in core markets
- Increase prices further 4-7% in Q2-Q3/2011
- Improve sales mix
- Defend brand and price position
- Increase production in Russia, lines 9&10 start-up
- Improve productivity, utilize the most feasible capacities
- Cost control



#### Net sales:

Q1/2011: 229.7 m€ (139.2 m€); +65.0%

#### EBIT:

Q1/2011: 84.1 m€ (35.4 m€); +137.4%

#### EBIT margin:

Q1/2011: 36.6% (25.4%)



→ Focus on capacity increase, mix improvement and growth on core markets

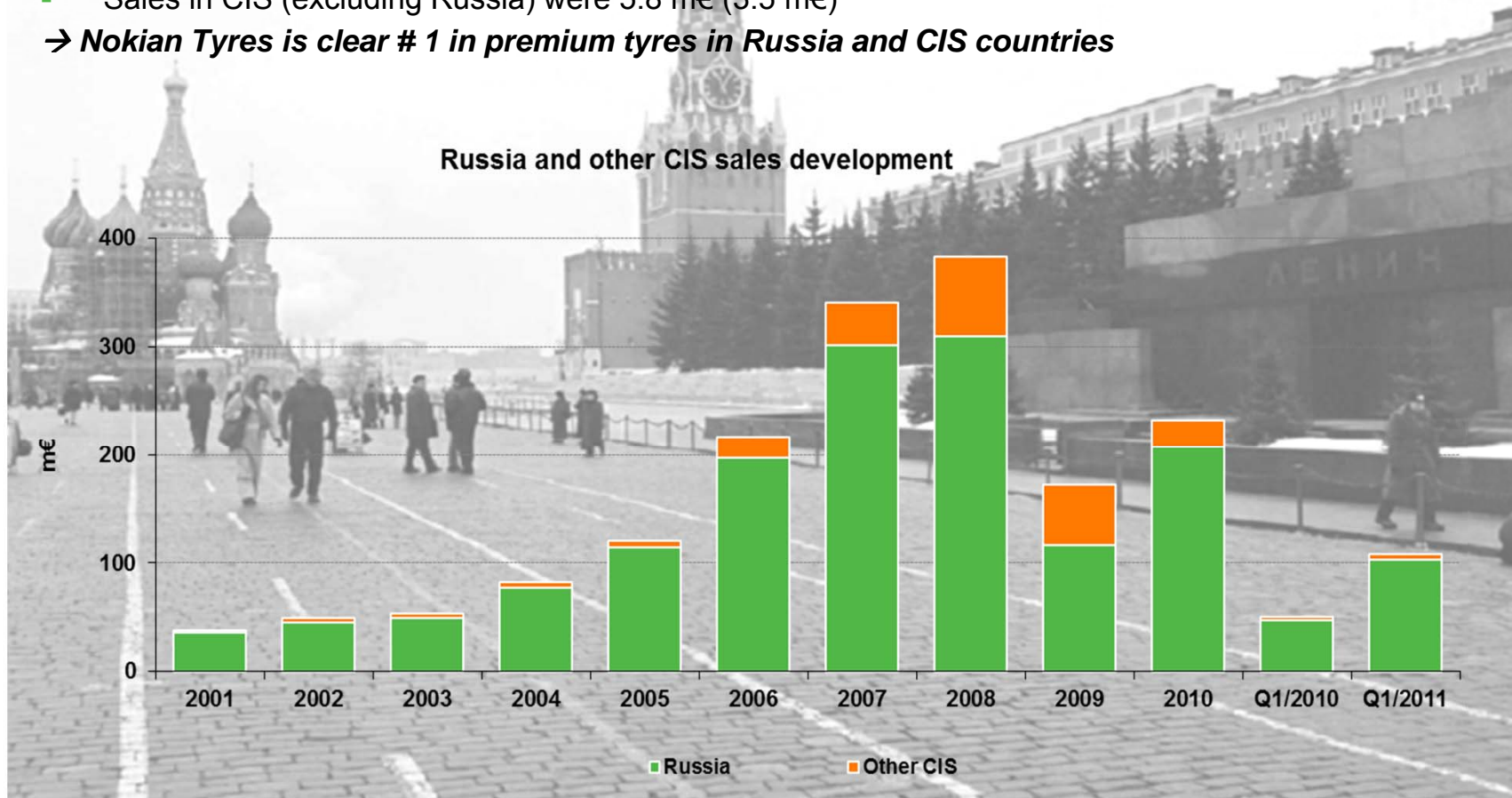
Test winner  
Nokian Hakka Green 12

## RUSSIA

***Strong sales growth – potential to exceed pre-crisis sales in 2011***

- Sales and demand recovering trailing improving car sales, growing replacement sales of tyres and low inventories of distributors
- Sales in Russia in Q1/2011 grew by 119.8% to 102.8 m€ (46.8 m€)
- Sales in CIS (excluding Russia) were 5.8 m€ (3.5 m€)

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





**RUSSIA: Vianor stores in Russia & CIS as of 31 March 2011.  
438 stores in 260 cities; +9 stores in Q1/2011**

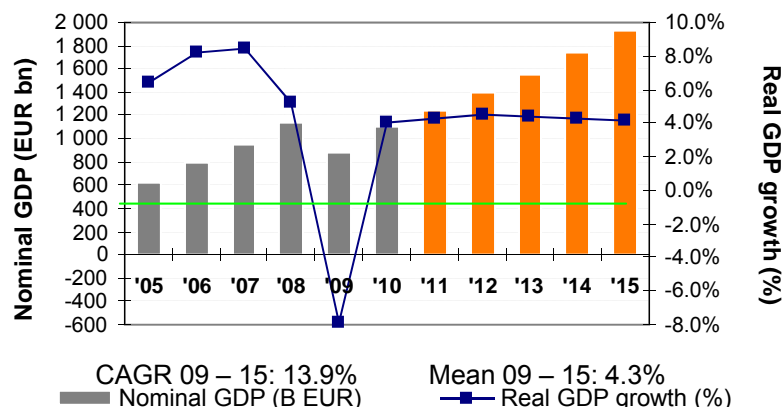




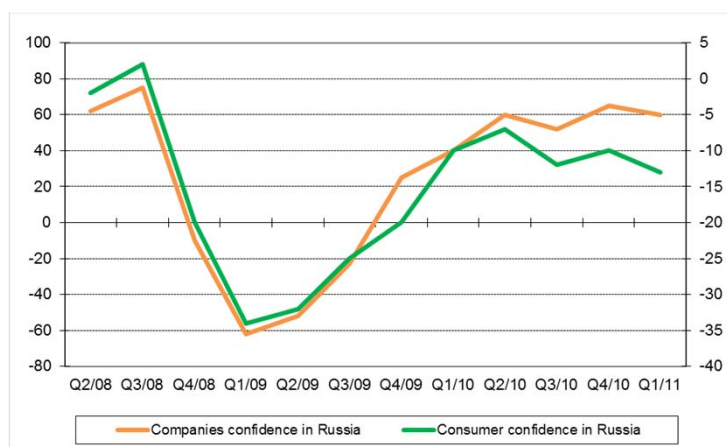
## RUSSIA

### *Russia's economy clearly recovering*

#### Russia's GDP growth



#### Companies' / consumer confidence in Russia



Source: Rosstat, EIU and Nokian Tyres estimates

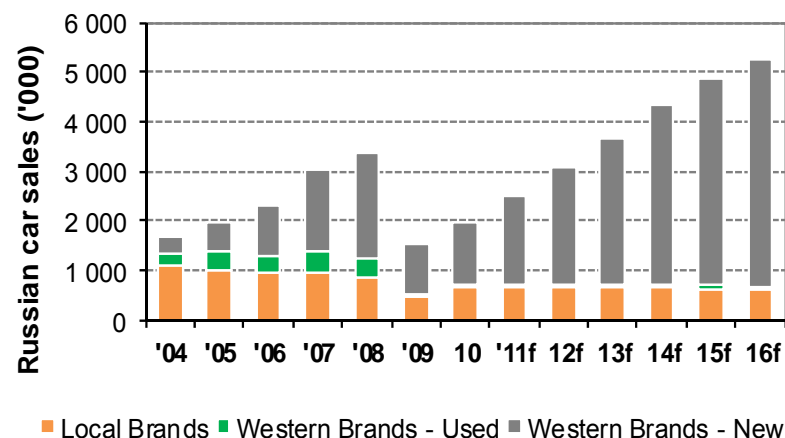
#### Major trends and expectations

- 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 → estimated annual real GDP growth at the end of Q1/2011 is 4.5%
- 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 – it may remain stable or strengthen further

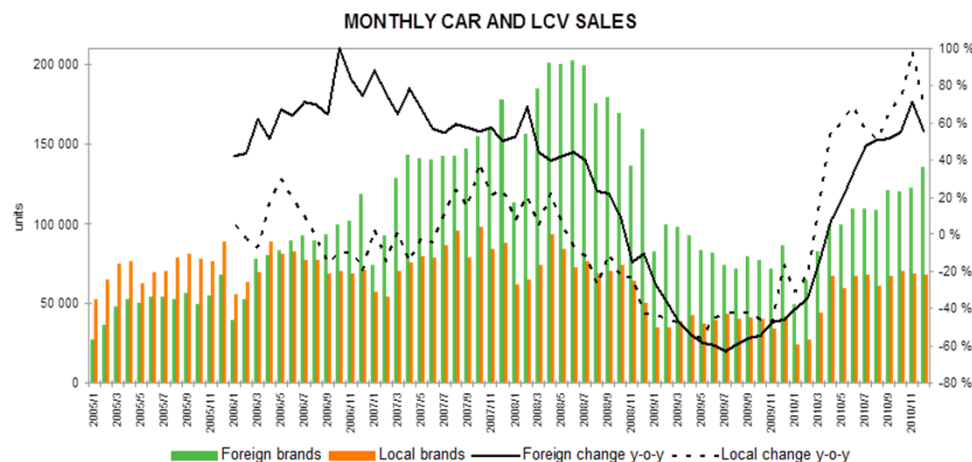
## RUSSIA

### Car sales back on a growth track

#### Russian car sales forecast – basic scenario



#### Monthly car sales



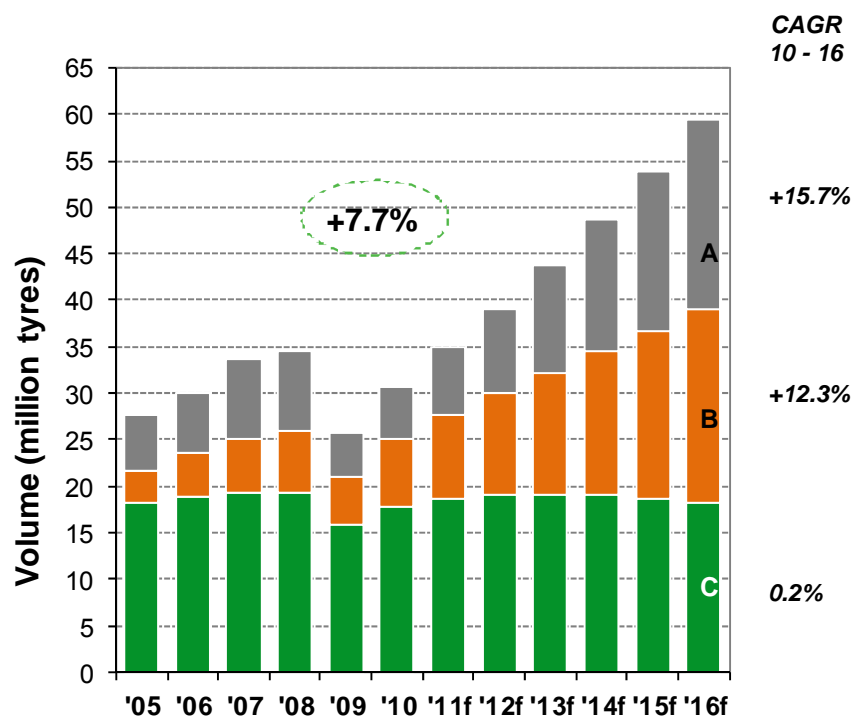
#### Car market summary

- Sales of new cars and LCVs in Russia increased by 30% in 2010 vs. 2009 and by 77% in Q1/2011 vs. Q1/2010
  - Growth is expected to continue the whole year, but the rate is likely to slow down
- Government scrappage scheme brought very positive results, albeit supporting mostly cheap brands and models
  - The program is continuing in 2011 and will positively affect the whole year's car sales
- Due to rapid recovery of demand the lack of cars continues, as manufacturers have limited quotas for Russia
  - Long lead times remain for many popular brands and models (up to a year)
  - 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

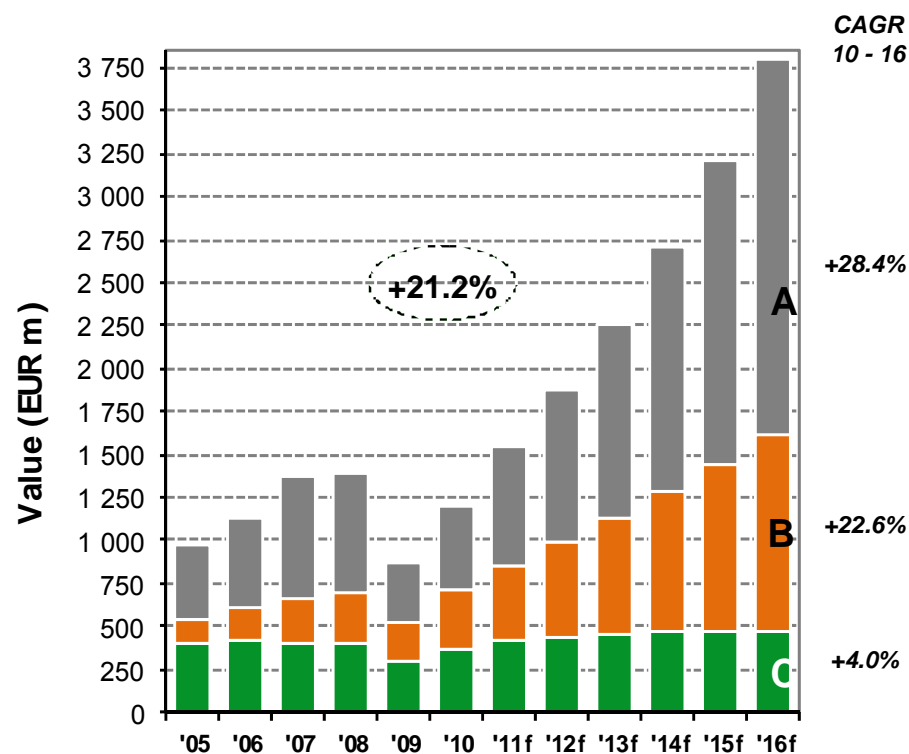
## RUSSIA

***Tyre market expected to reach pre-crisis level in 2011;  
Deliveries from industry to distribution up 40% in Q1/2011 vs.  
Q1/2010***

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

**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 – 438 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 9-10 to be installed in Q2-Q3/2011
- New plant being prepared; annual capacity increase of 5-6 million tyres during 2012-2014
- State-of-the art machinery, high European quality standards
- Exports from the Vsevolozhsk factory to 35 countries, biggest consumer goods exporter in Russia
- Housing project, Hakkapeliitta Village – phase I completed
- Number of personnel on 31 March 2011: 911 (648)



## PROFIT CENTRES

### *Heavy Tyres 1-3/2011: Production and profits up*

#### Performance in Q1/2011

- + Tyre demand and sales clearly up, especially in forestry, mining and radial tyres
- + Price increases improved ASP, margins higher vs. end of 2010
- + Production volume up by 50% vs. Q1/2010; weekly capacity in Nokia in full use as from Dec/2010
- + Increased capacity utilization improved productivity
- + New product category Beyond All-Steel Radial (BAS) launched
- Raw material cost increased significantly
- Capacity a bottleneck for sales growth

#### Key actions and targets for 2011

- |  |              |   |             |
|--|--------------|---|-------------|
| <ul style="list-style-type: none"> <li>■ Expand the distribution network, especially in Russia and CIS</li> <li>■ Improve service concepts and logistics</li> <li>■ Accelerate development of new radial and BAS products</li> </ul>     | Higher sales | } | Higher RONA |
| <ul style="list-style-type: none"> <li>■ Increase prices further to offset the growing raw material cost</li> <li>■ Maximize production and sales of radial products</li> <li>■ Improve sales mix, share of aftermarket sales</li> </ul> | Higher ASP   |   |             |
| <ul style="list-style-type: none"> <li>■ Full utilization of capacity, improve production volumes &amp; productivity</li> <li>■ Evaluate options to increase production</li> <li>■ Increase outsourced production</li> </ul>             | Lower cost   |   |             |

→ Focus on mix improvement and higher capacity

#### Net sales:

Q1/2011: 28.4 m€ (16.8 m€); +68.7%

#### EBIT:

Q1/2011: 5.4 m€ (3.8 m€); +42.4%

#### EBIT margin:

Q1/2011: 19.1% (22.7%)



Nokian Forest Rider

## PROFIT CENTRES

### *Truck Tyres 1-3/2011: Profitable growth*

#### **Performance in Q1/2011**

- + 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
- + Wider range for premium & standard truck tyres
- + Increased sales volume & tyre price increases  
→ profitability improved clearly

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

- Increase off-take contract manufacturing
- 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 logistics further

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

#### **Net sales:**

Q1/2011: 10.6 m€ (6.1 m€); +73.9%



**Nokian Hakkapeliitta Truck F**



## PROFIT CENTRES

*Vianor 1-3/2011: Seasonality penalized profitability*

### Performance in Q1/2011

- + Vianor expanded to 792 stores in 20 countries; +21 in Q1/2011
- EBIT negative due to consumer spring season pushed to Q2/2011

### Key actions and targets for 2011

- Improve tyre sales and market shares
- Increase sales of car services, 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

### Equity-owned Vianor (172 stores)

#### Net sales:

Q1/2011: 41.9 m€ (42.2 m€); -0.6%

#### EBIT:

Q1/2011: -13.1 m€ (-11.8 m€); -10.9%

#### EBIT margin:

Q1/2011: -31.3% (-28.0%)



792 Vianor stores globally

## EXPANSION OF DISTRIBUTION CHANNEL

*Foothold on core markets strengthening*

### Vianor – 792 stores in 20 countries

- 21 new stores in Q1/2011
- 172 equity-owned, 620 franchising/partners
- Largest tyre chain in the Nordic countries; 233 stores (+5 in Q1/2011)
- Largest tyre chain in Russia and CIS; 438 stores (+9) in 260 cities
- Expansion to Central Europe gained momentum: 111 stores (+7)

### Vianor stores by segment:

- Car tyres: 792 stores
- Heavy tyres: nearly 200 stores
- Truck tyres: over 240 stores

### New sales companies and distributors coming up in 2011:

- Sales company in China
- Vianor Master franchise: Italy
- New importers: Romania, Serbia

**Target 2011 → over 900 Vianor stores**

### Vianor – Distribution spearhead for all product groups



Vianor Oulu, Finland



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## Investments in Q1/2011

- 15.0 m€ (14.4 m€)

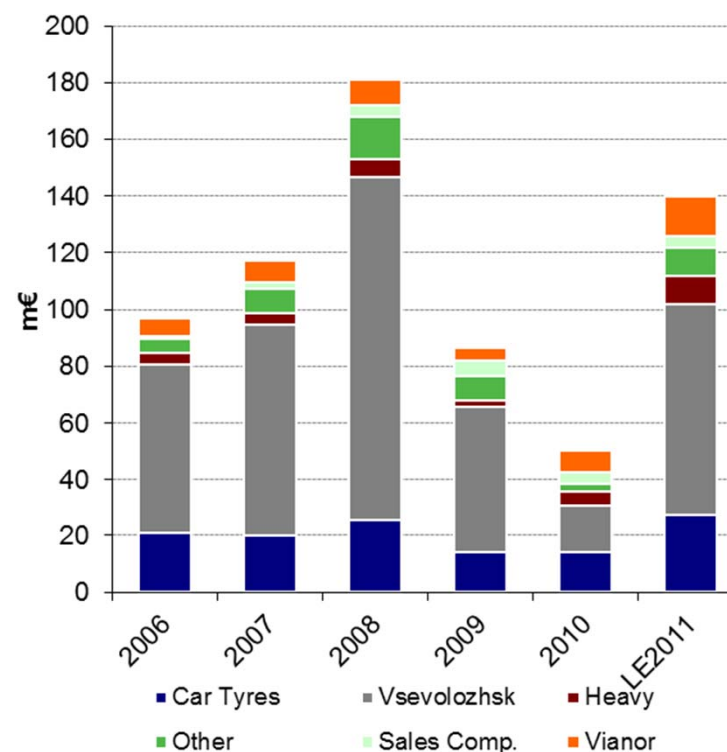
## Russia

- Capacity ramp-up and investments
  - Lines 9-10 start-up in Russia in Q2-Q3/2011
  - New plant preparation in process, construction to start in 2011

## Estimated investments for 2011

- Approximately 140 m€
  - Budget 117 m€ + increase of 23 m€ → 140 m€
  - Investments to Russia incl. the start of new plant construction: 75 m€
  - Nokian plant and processes 25 m€
  - Moulds for new products 26m€
  - Vianor chain incl. acquisitions 14 m€

Nokian Tyres Capital expenditures (m€)



## NOKIAN TYRES GOING FORWARD

*Production plants: Capacity increases continue*



### **Nokia, Finland**

- R&D, administration and marketing
- Development of key processes
- Prototype production batches
- Special car tyres
- Heavy tyres, retreading materials
- Export to western markets

#### **2010:**

- Car tyres to 6-day shift system
- Heavy tyres to 7-day full capacity utilisation

#### **2011:**

- Investments for increasing productivity through automation
- Approx. 150 new employees



### **Vsevolozhsk, Russia**

- Production of the whole car tyre range
- State-of-the-Art production technology
- Low production costs
- Tax relieves
- Inside the duty borders of Russia and CIS
- Export to all markets
- Possibility to expand in current premises & land area

#### **2010:**

- Lines 7 and 8 were taken into use
- Approx. 200 new employees

#### **2011:**

- Lines 9 and 10 & new technology into use
- Approx. 200 new employees

**New factory next to the current one in 2012-2014:  
5-6 million tyres annual capacity, tax relieves and  
infrastructure being finalized**



## NOKIAN TYRES GOING FORWARD

*Outlook for 2011: 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 41% in Q1/2011 vs. Q1/2010
  - Cost estimated to increase by 12% in Q2/2011 vs. Q1/2011
  - Cost estimated to increase by 30% 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 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 71.0%
  - Undrawn facilities available

### Outlook: Profitable growth

- Strong overall demand and order book
- Retailers' low inventories drive sales growth
- Further price increases & mix improvement, target ASP +9%
- Raw material cost estimated to go up 30% in 2011 vs. 2010
- 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 clearly compared to 2010





## Instructions to conference call attendees

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

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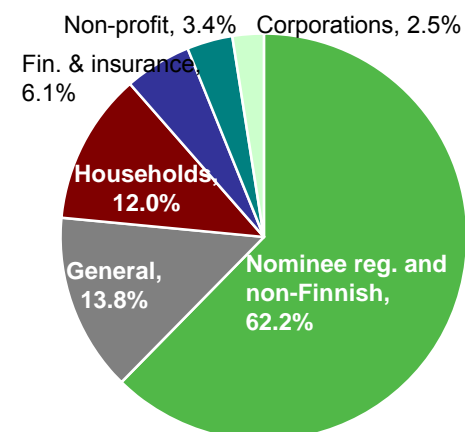


## APPENDIX

### Major shareholders as of 31 March, 2011

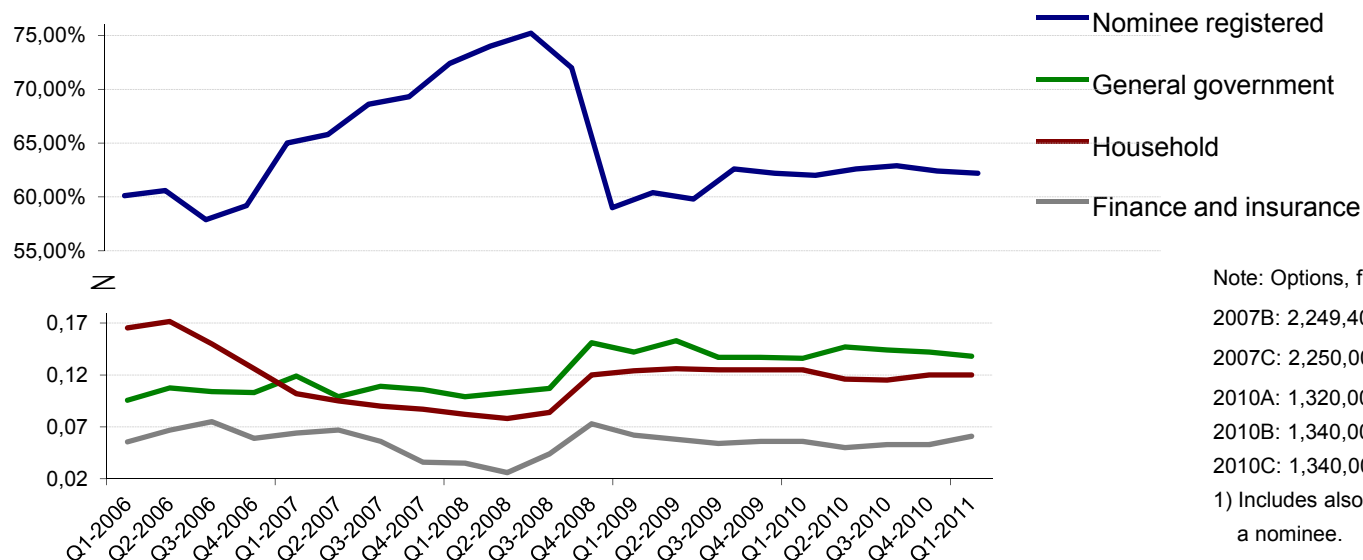
Major Domestic Shareholders	Number of Shares	Share of Capital (%)	Change from previous month
1 Varma Mutual Pension Insurance Company	8 502 839	6.6	-29 203
2 Ilmarinen Mutual Pension Insurance Company	4 506 813	3.5	-187 000
3 Nordea	1 232 393	0.96	70 000
4 The State Pension Fund	1 189 530	0.92	-100 000
5 Tapiola Mutual Pension Insurance Company	1 150 000	0.89	0
6 OP Investment Funds	1 088 000	0.84	-5 000
7 Etera Mutual Pension Insurance Company	739 953	0.57	102 200
8 Mandatum Life Insurance Company Limited	623 344	0.48	421 800
9 Gyllenberg Investment Funds	614 600	0.48	13 700
10 Nordea Nordenfonden	566 898	0.44	36 791
<b>Major Domestic Shareholders total</b>	<b>20 214 370</b>	<b>15.7%</b>	
Foreign Shareholders <sup>1)</sup>	80 145 253	62.2%	
Bridgestone Europe NV/SA <sup>2)</sup>	20 000 000	15.5%	

Division by Category as of 31 March, 2011



Total number of shares: 128 849 012

Shareholder development by category Q1/2006 - Q1/2011



Note: Options, free (31 March, 2011)

2007B: 2,249,400 (423,940 in company's possession)

2007C: 2,250,000 (1,113,100 in company's possession)

2010A: 1,320,000 (31,100 in company's possession)

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

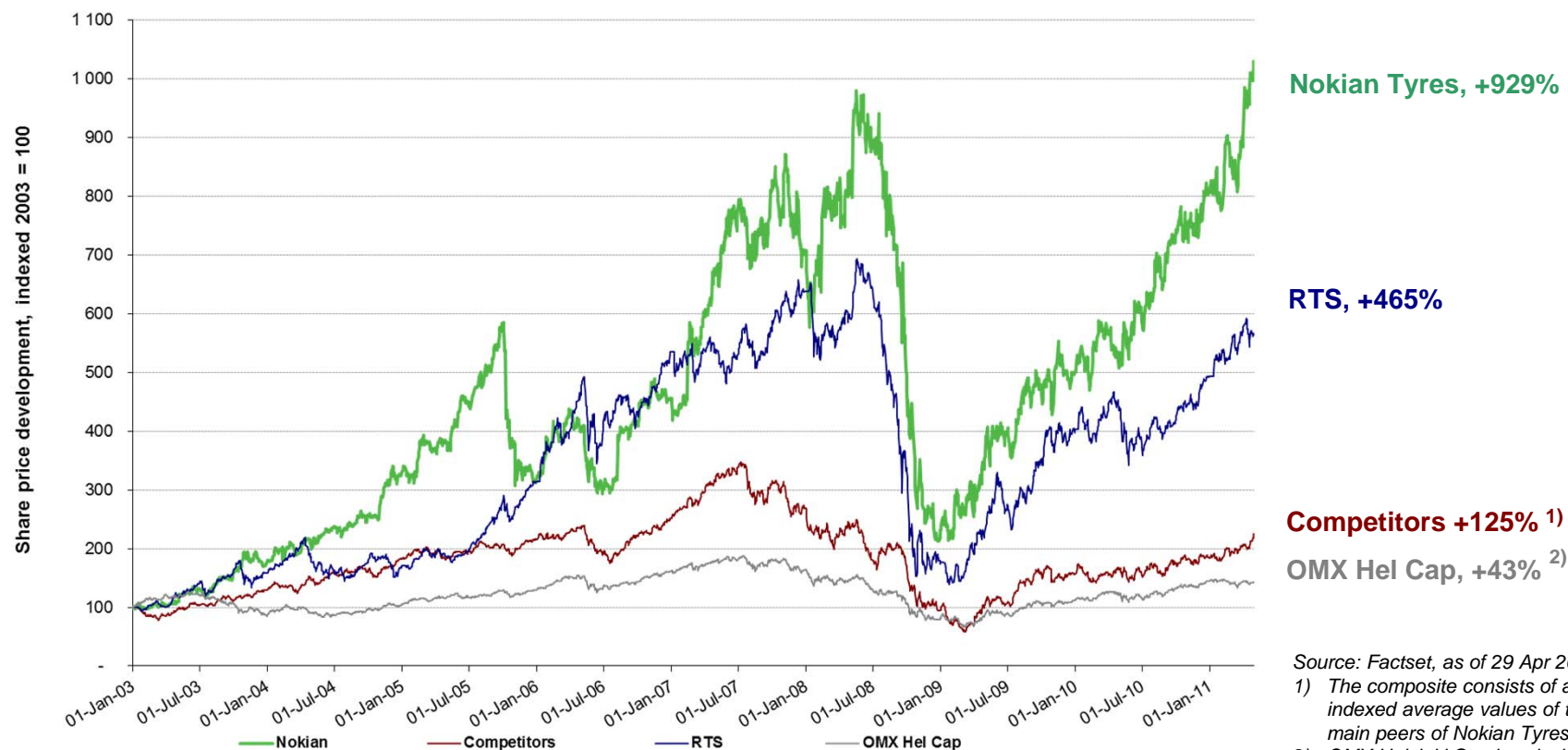
2010C: 1,340,000 (1,340,000 in company's possession)

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 1/2003 - 4/2011



Source: Factset, as of 29 Apr 2011.

1) The composite consists of an indexed average values of the main peers of Nokian Tyres.

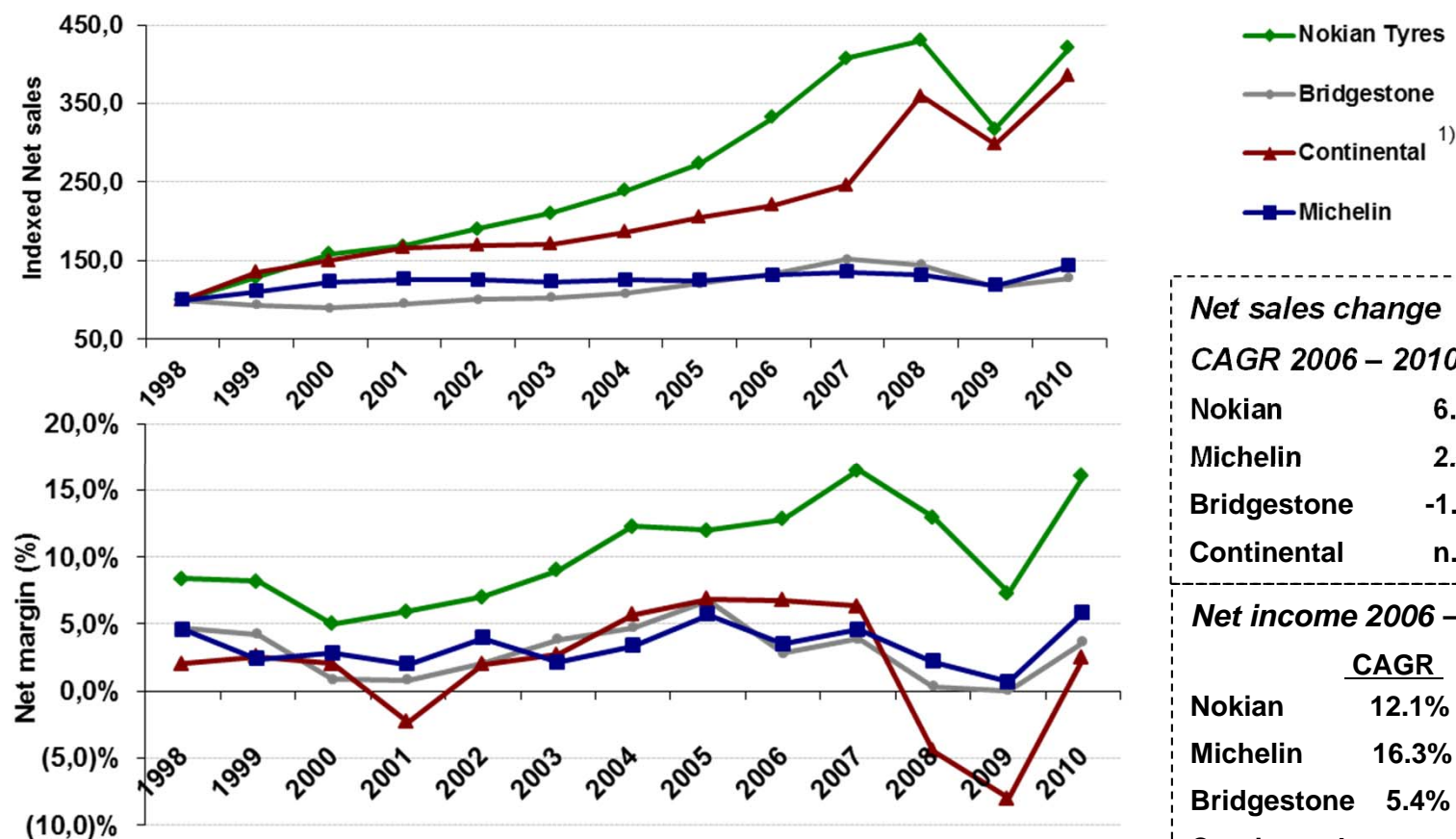
2) OMX Helsinki Cap is calculated assuming a natural continuation of HEX Portfolio Index.

### Nokian Tyres by Apr-29-2011

	Last 8 years	Last 3 years	Last 2 years	LTM	L6M	L3M	Last month
High	35,00	35,00	35,00	35,00	35,00	35,00	35,00
Average	16,11	19,59	20,78	25,30	28,51	30,47	33,37
Low	3,70	7,23	11,58	17,41	24,51	26,48	30,80

## APPENDIX: Competitor comparison 1998-2010: 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.*



### Net sales change

#### CAGR 2006 – 2010

Nokian	6.1%
Michelin	2.2%
Bridgestone	-1.1%
Continental	n.m. <sup>1)</sup>

### Net income 2006 – 2010

	CAGR	Margin2010
Nokian	12.1%	16.0%
Michelin	16.3%	5.9%
Bridgestone	5.4%	3.7%
Continental	n.m.	2.5%

Source: Results 1998-2010 (company websites) of the peers.

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

1) Continental sales for 2008 not comparable due to VDO acquisition.

## APPENDIX: The new products' test success continues – both in summer and in winter

### SUMMER TYRES, spring 2011

#### Nokian V

- Summer tyre for CE and North America
- Test victories e.g.:
  - Auto, Motor und Sport (Germany)
  - ADAC Motorwelt (Germany)

#### Nokian Hakka H for core markets

- Test victory: Za Rulem (Russia)

#### Nokian Hakka Green for core markets

- Test victory: Tuulilasi (Finland)



Nokian V

### WINTER TYRES, autumn 2010

#### 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

#### 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)



- Minimum 35% of car tyres' net sales are new products
- Technological leadership
- High investment on winter tyre development & testing



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

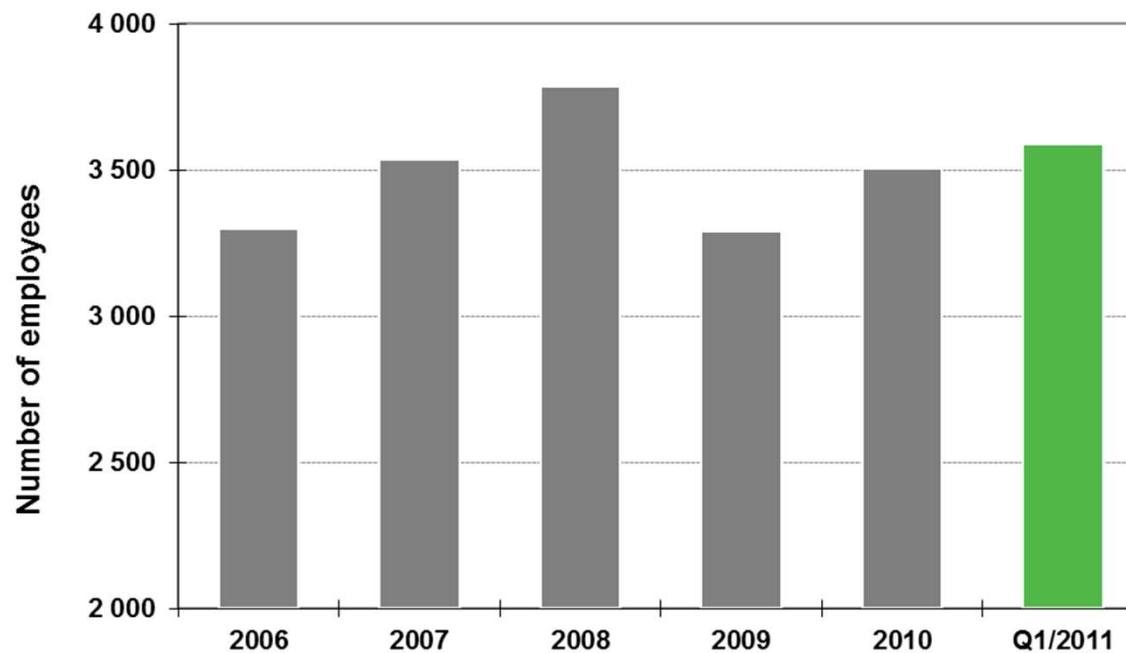
- Revolutionary technology of the future, used in harbour, mining and earthmoving machinery tyres
- Unique technical solution combining a multi-layer textile structure with a modern radial structure
- Better stability, longer life time, enhanced safety
- First top product: the Nokian HTS Straddle harbour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



**APPENDIX*****Personnel 31 March, 2011***

Personnel at the end of the review period: 3,587 (3,184)

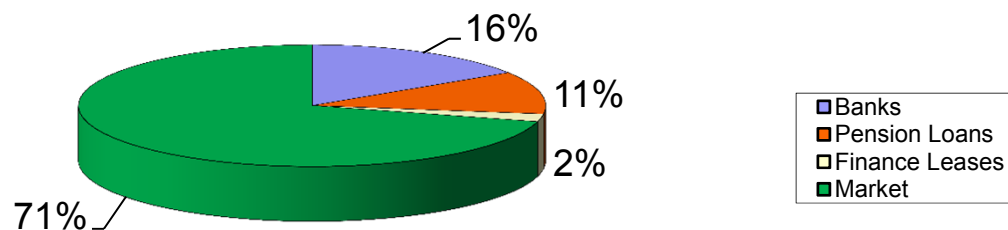
- Equity-owned Vianor: 1,276 (1,300)
- Russia: 911 (648)



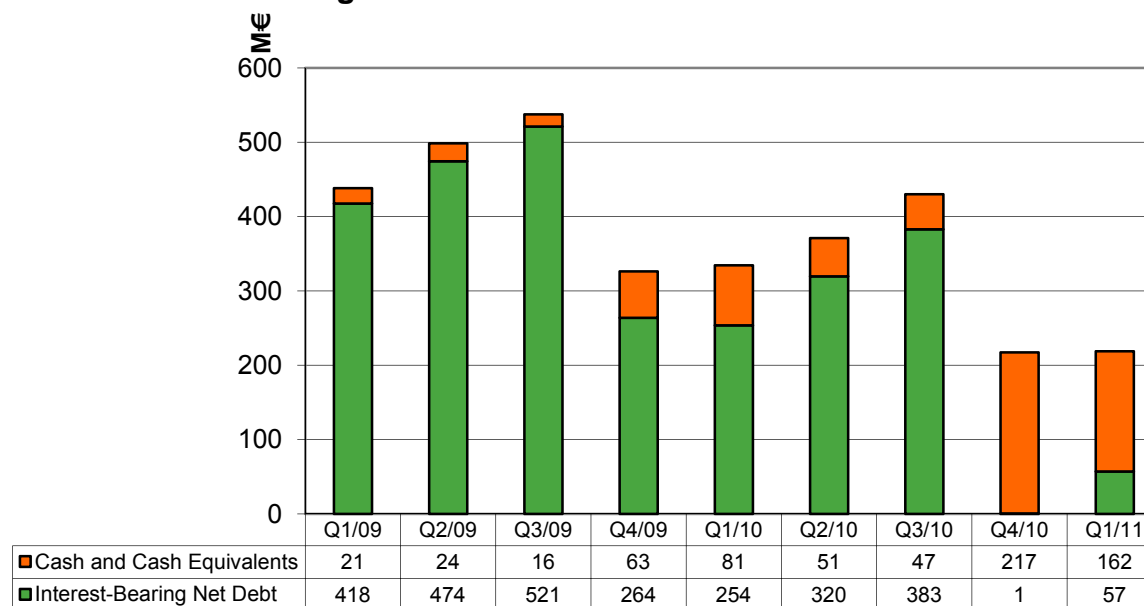
## APPENDIX

### *Financing: loans on 31 March, 2011*

Interest Bearing Debts EUR 218.7m€(31.3.2011)



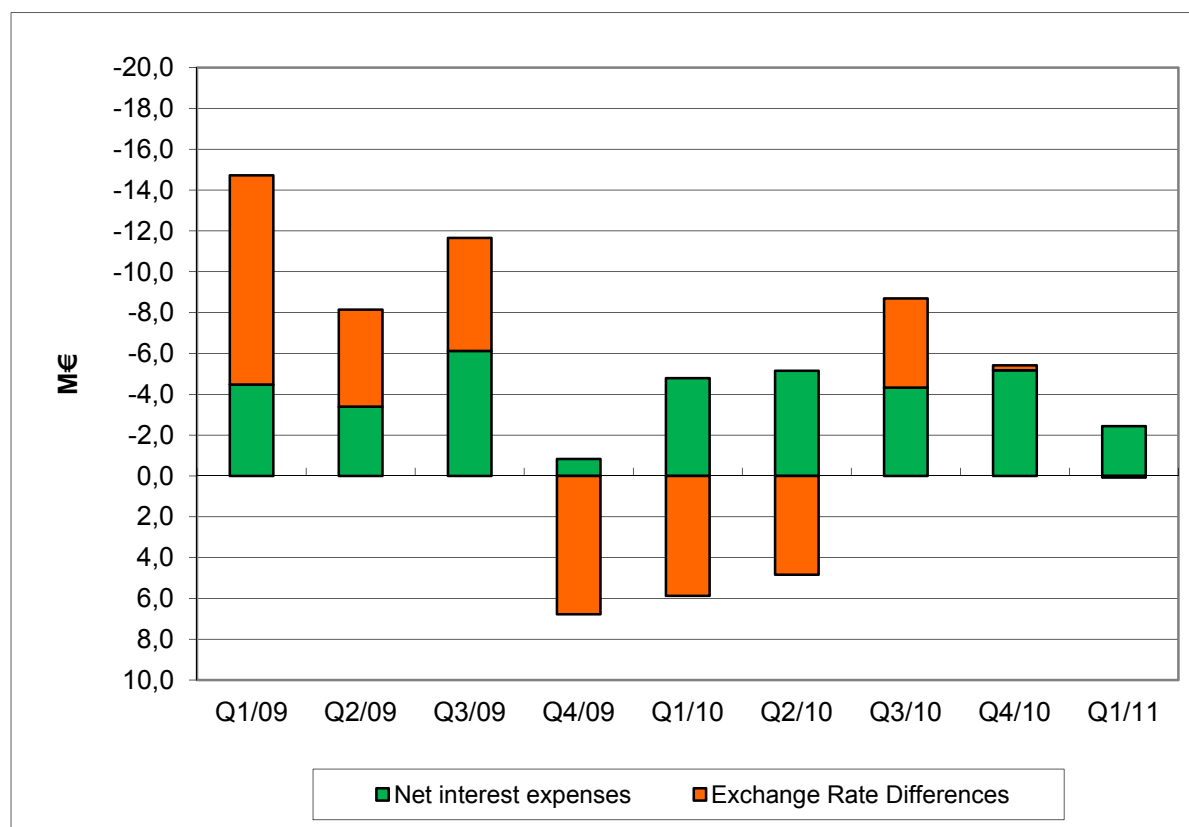
Interest-Bearing Debt



## APPENDIX

### *Financing: Net Financial Expenses*

**Net Financial Expenses Q1/2011: 2.4 m€(Q1/2010: -1.1 m€)**



## APPENDIX

### CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT Million euros	1-3/11	1-3/10	Last 12 months	1-12/10	Change %
Net sales	289.2	183.8	1,163.5	1,058.1	57.3
Cost of sales	-155.6	-108.7	-651.0	-604.0	-43.2
Gross profit	133.5	75.2	512.5	454.1	77.7
Other operating income	0.7	0.9	4.1	4.3	
Selling and marketing expenses	-51.5	-44.6	-199.8	-192.9	-15.5
Administration expenses	-6.2	-6.1	-27.8	-27.6	-2.8
Other operating expenses	-4.2	-4.3	-15.7	-15.8	1.4
Operating profit	72.3	21.1	273.3	222.2	241.8
Financial income	34.6	29.3	101.6	96.3	17.9
Financial expenses	-36.9	-28.3	-118.3	-109.7	-30.7
Profit before tax	69.9	22.2	256.5	208.8	214.5
Tax expense (1)	-7.5	-2.2	-44.5	-39.1	-246.3
Profit for the period	62.4	20.1	212.1	169.7	211.1
Attributable to:					
Equity holders of the parent	62.4	20.1	212.1	169.7	
Non-controlling interest	0.0	0.0	0.0	0.0	
Earnings per share from the profit attributable to equity holders of the parent					
basic, euros	0.49	0.16		1.34	198.3
diluted, euros	0.48	0.16		1.32	200.0

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	1-3/11	1-3/10	1-12/10
Profit for the period	62.4	20.1	169.7
Other comprehensive income, net of tax:			
Gains/Losses from hedge of net investments in foreign operations	0.2	-16.0	-17.9
Cash flow hedges	1.6	-0.5	-0.6
Translation differences on foreign operations	6.2	44.0	37.0
Total other comprehensive income for the period, net of tax	8.0	27.5	18.5
Total comprehensive income for the period	70.4	47.5	188.2
Total comprehensive income attributable to:			
Equity holders of the parent	70.4	47.5	188.2
Non-controlling interest	0.0	0.0	0.0

## APPENDIX KEY RATIOS

KEY RATIOS	31.3.11	31.3.10	31.12.10	Change %
Equity ratio, %	71.0	62.5	68.4	
Gearing, %	5.5	30.4	0.1	
Equity per share, euro	8.03	6.58	7.34	22.0
Interest-bearing net debt, mill. euros	57.0	253.7	0.7	
Capital expenditure, mill. euros	15.0	14.4	50.5	
Depreciation, mill. euros	17.6	17.0	69.4	
Personnel, average	3,587	3,184	3,338	
Number of shares (million units) at the end of period	128.85	126.69	127.70	
in average	128.16	125.57	126.75	
in average, diluted	135.29	131.66	132.96	

## APPENDIX: CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.3.11	31.3.10	31.12.10
Million euros			
Non-current assets			
Property, plant and equipment	485.7	522.0	483.6
Goodwill	60.4	56.3	58.8
Other intangible assets	18.9	19.0	19.7
Investments in associates	0.1	0.1	0.1
Available-for-sale financial assets	0.3	0.2	0.3
Other receivables	21.0	13.6	20.6
Deferred tax assets	27.5	37.9	22.3
Total non-current assets	613.8	649.1	605.2
Current assets			
Inventories	263.2	213.1	210.6
Trade receivables	336.3	287.8	258.9
Other receivables	84.6	103.2	80.4
Cash and cash equivalents	161.8	80.7	216.6
Total current assets	845.9	684.8	766.3
Equity			
Share capital	25.4	25.4	25.4
Share premium	181.4	181.3	181.4
Translation reserve	-64.6	-62.2	-71.1
Fair value and hedging reserves	1.0	-0.5	-0.6
Paid-up unrestricted equity reserve	33.1	0.0	8.0
Retained earnings	858.3	689.4	793.9
Non-controlling interest	0.0	0.0	0.0
Total equity	1,034.5	833.4	937.2
Non-current liabilities			
Deferred tax liabilities	31.2	32.3	39.3
Provisions	0.1	1.4	0.1
Interest bearing liabilities	205.8	260.2	204.2
Other liabilities	1.3	2.4	1.9
Total non-current liabilities	238.4	296.4	245.5
Current liabilities			
Trade payables	91.6	43.1	81.0
Other current payables	80.1	85.9	92.7
Provisions	2.2	1.0	2.2
Interest-bearing liabilities	13.0	74.2	13.0
Total current liabilities	186.8	204.2	189.0
Total assets	1,459.7	1,333.9	1,371.6

## APPENDIX

### CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS Million euros	1-3/11	1-3/10	1-12/10
Cash flows from operating activities:			
Cash generated from operations	-33.3	18.1	372.7
Financial items and taxes	-31.1	-13.7	-45.4
Net cash from operating activities	-64.4	4.4	327.2
Cash flows from investing activities:			
Net cash used in investing activities	-15.4	-12.5	-33.7
Cash flows from financing activities:			
Proceeds from issue of share capital	25.0	26.6	34.7
Change in current financial receivables and debt	0.0	1.6	-29.8
Change in non-current financial receivables and debt	-0.4	-2.9	-95.2
Dividends paid	0.0	0.0	-50.7
Net cash from financing activities	24.7	25.2	-141.0
Net change in cash and cash equivalents	-55.2	17.1	152.6
Cash and cash equivalents at the beginning of the period	216.6	62.5	62.5
Effect of exchange rate changes	0.4	1.1	1.5
Cash and cash equivalents at the end of the period	161.8	80.7	216.6
	-55.2	17.1	152.6

## 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 2010	25.0	155.2	-90.2	0.0	0.0	667.6	0.0	757.6
Profit for the period						20.1		20.1
Other comprehensive income, net of tax								
Cash flow hedges				-0.5				-0.5
Net investment hedge			-16.0					-16.0
Translation differences			43.9					43.9
Total comprehensive income for the period			27.9	-0.5		20.1		47.5
Exercised warrants	0.5	26.1						26.6
Share-based payments						1.7		1.7
Total transactions with owners for the period	0.5	26.1				1.7		28.3
Equity, Mar 31st 2010	25.4	181.3	-62.2	-0.5	0.0	689.4	0.0	833.4
Equity, Jan 1st 2011	25.4	181.4	-71.1	-0.6	8.0	793.9	0.0	937.2
Profit for the period						62.4		62.4
Other comprehensive income, net of tax								
Cash flow hedges				1.6				1.6
Net investment hedge			0.2					0.2
Translation differences			6.2					6.2
Total comprehensive income for the period			6.4	1.6		62.4		70.4
Exercised warrants					25.0			25.0
Share-based payments						1.9		1.9
Total transactions with owners for the period					25.0	1.9		26.9
Equity, Mar 31st 2011	25.4	181.4	-64.6	1.0	33.1	858.3	0.0	1,034.5



## APPENDIX

### SEGMENT INFORMATION

#### SEGMENT INFORMATION

Million euros	1-3/11	1-3/10	1-12/10	Change %
Net sales				
Passenger car tyres	229.7	139.2	714.7	65.0
Heavy tyres	28.4	16.8	81.0	68.7
Vianor	41.9	42.2	307.9	-0.6
Other operations	12.8	6.1	41.6	111.0
Eliminations	-23.7	-20.5	-87.2	-15.9
Total	289.2	183.8	1,058.1	57.3
Operating result				
Passenger car tyres	84.1	35.4	205.5	137.4
Heavy tyres	5.4	3.8	13.7	42.4
Vianor	-13.1	-11.8	4.0	-10.9
Other operations	0.5	-1.4	-1.6	134.7
Eliminations	-4.6	-4.9	0.6	6.2
Total	72.3	21.1	222.2	241.8
Operating result, % of net sales				
Passenger car tyres	36.6	25.4	28.8	
Heavy tyres	19.1	22.7	16.9	
Vianor	-31.3	-28.0	1.3	
Total	25.0	11.5	21.0	
Cash Flow II				
Passenger car tyres	-14.1	-8.5	291.2	-66.1
Heavy tyres	-7.8	-3.3	8.5	-134.4
Vianor	-12.2	-9.1	12.4	-33.9
Total	-52.3	-24.8	318.8	-110.8

## APPENDIX

### CONTINGENT LIABILITIES

CONTINGENT LIABILITIES	31.3.11	31.3.10	31.12.10
Million euros			
<b>FOR OWN DEBT</b>			
Mortgages	1.0	0.9	1.1
Pledged assets	0.0	35.6	0.0
<b>OTHER OWN COMMITMENTS</b>			
Guarantees	6.2	5.9	6.2
Leasing and rent commitments	97.8	97.9	102.1
Purchase commitments	1.8	3.4	2.2
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	31.3.11	31.3.10	31.12.10
Million euros			
<b>INTEREST RATE DERIVATIVES</b>			
Interest rate swaps			
Notional amount	30.3	31.6	30.7
Fair value	-0.2	-1.0	-1.3
<b>FOREIGN CURRENCY DERIVATIVES</b>			
Currency forwards			
Notional amount	591.6	498.6	563.2
Fair value	3.0	-21.6	-3.3
Currency options, purchased			
Notional amount	24.0	15.7	0.0
Fair value	0.2	0.1	0.0
Currency options, written			
Notional amount	24.0	27.3	0.0
Fair value	0.0	-0.3	0.0
<b>ELECTRICITY DERIVATIVES</b>			
Electricity forwards			
Notional amount	13.5		
Fair value	1.6		

## **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

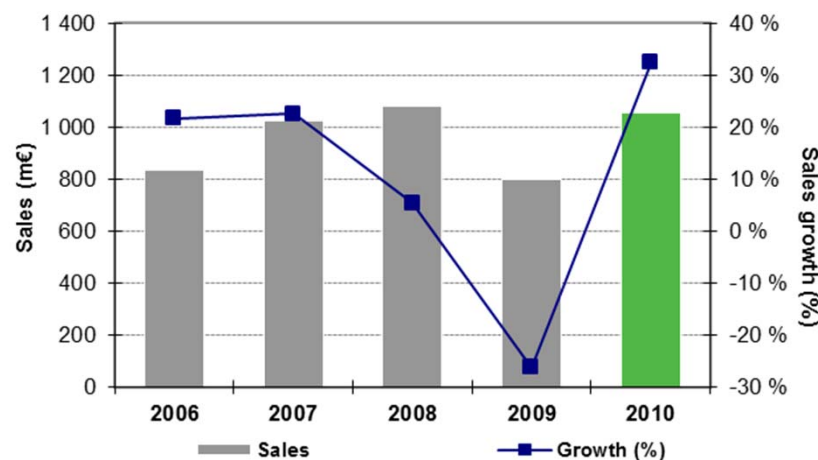
#### **Operating margin:**

Operating result, % of net sales

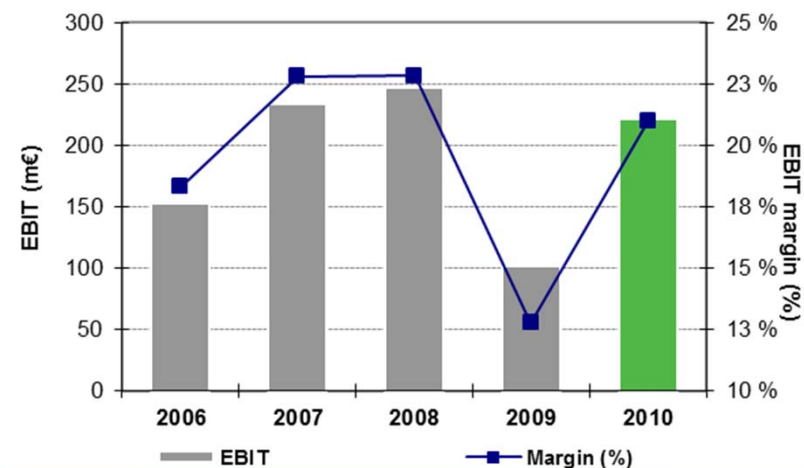
## FINANCIAL PERFORMANCE

### Development of key financials 2006-2010

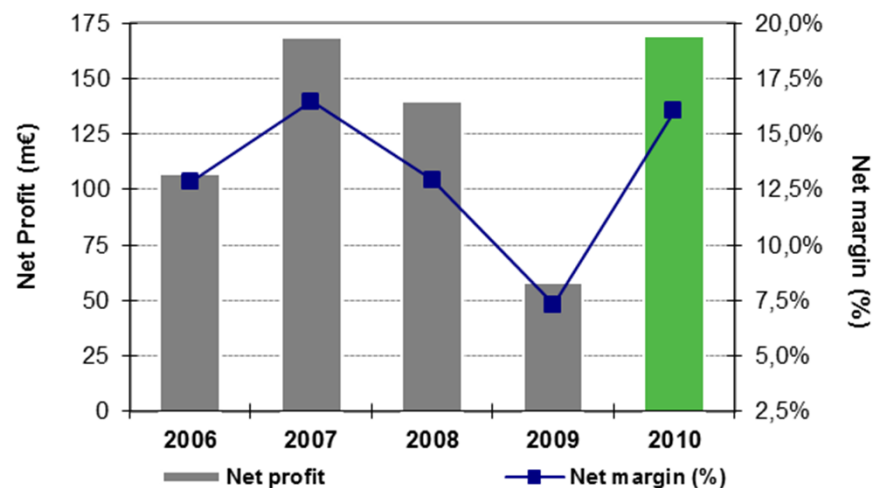
Net sales (m€) and Net sales growth (%)



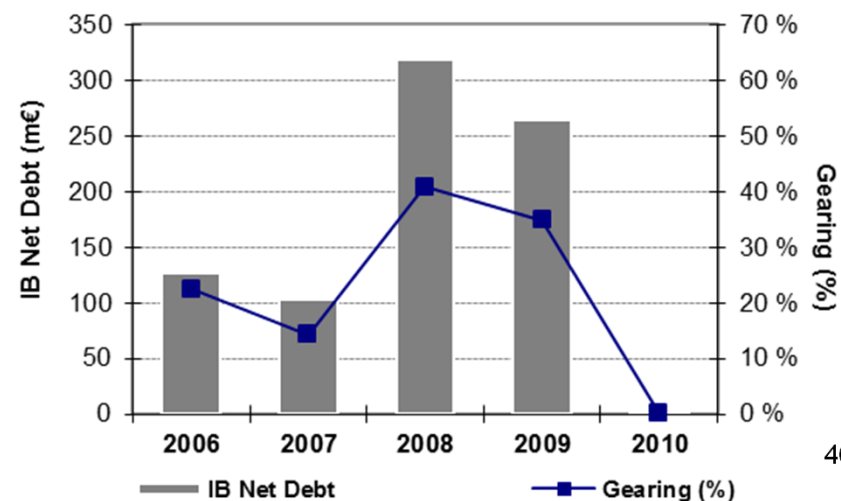
EBIT (m€) and EBIT margin (%)



Net profit (m€) and net margin (%)



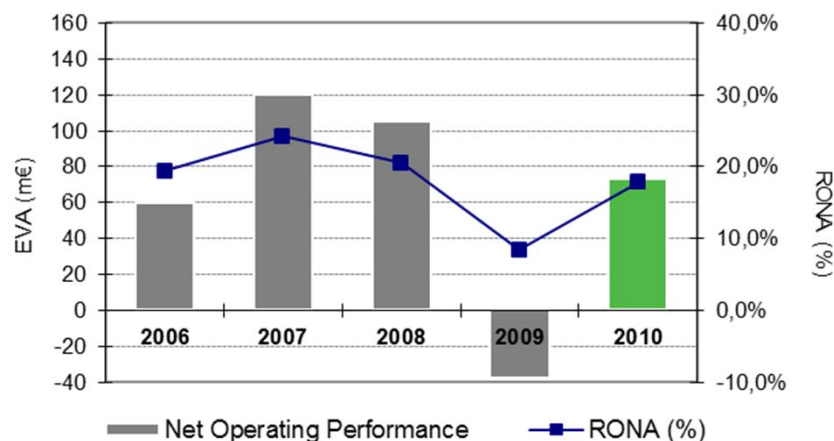
Interest bearing net debt (m€) and gearing (%)



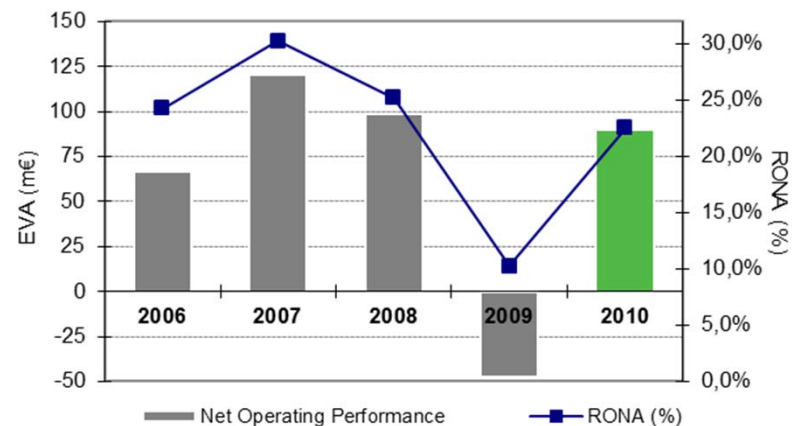
## FINANCIAL PERFORMANCE

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

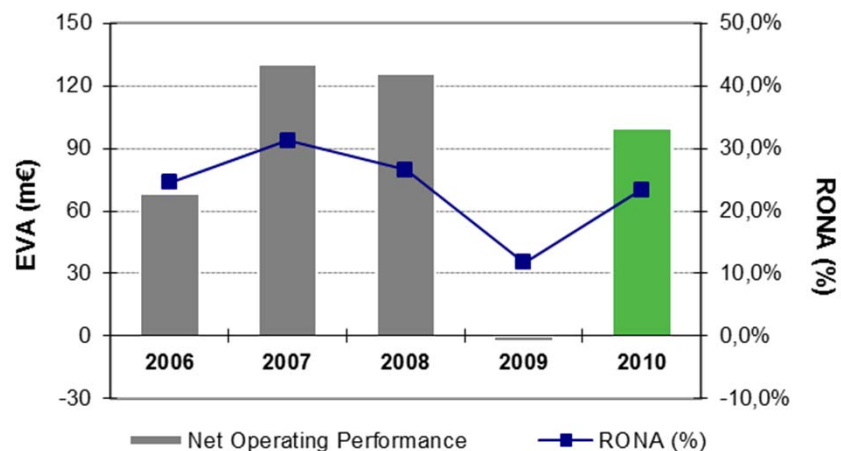
Group EVA (m€) and RONA (%)



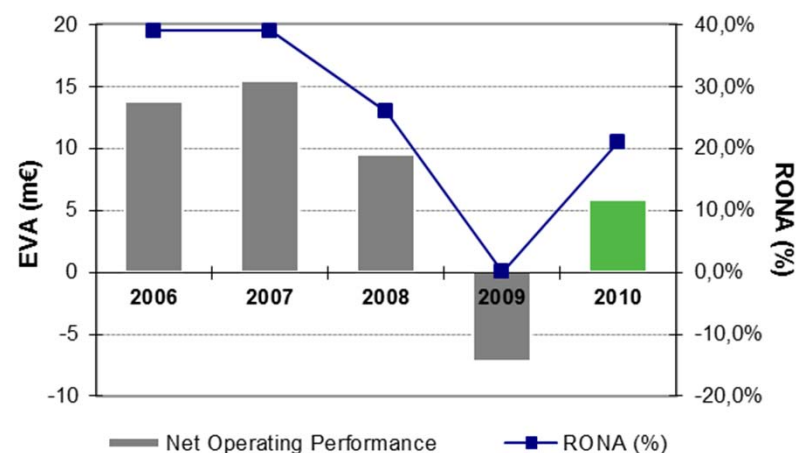
Manufacturing EVA (m€) and RONA (%)



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.

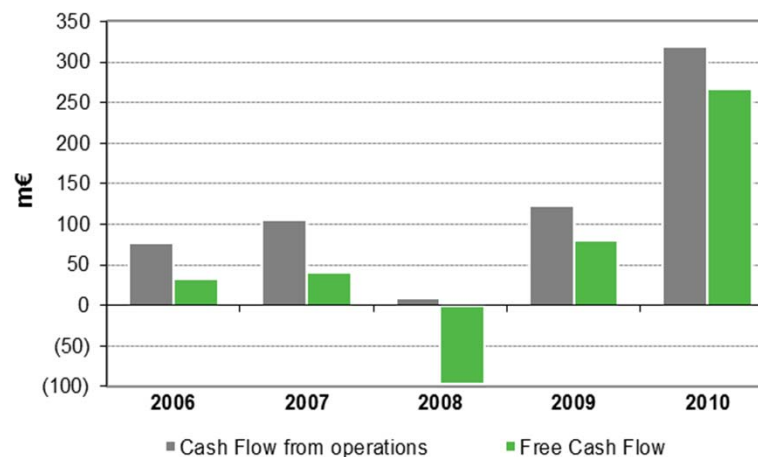


## FINANCIAL PERFORMANCE

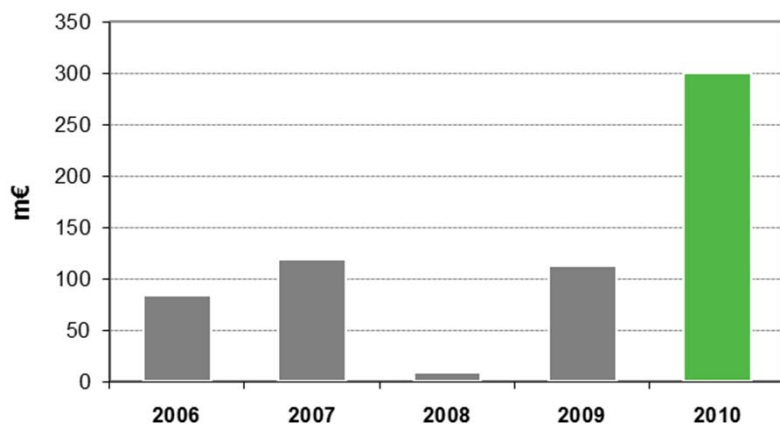
### *Group Operating Cash Flow and Free Cash Flow 2006-2010*

- 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

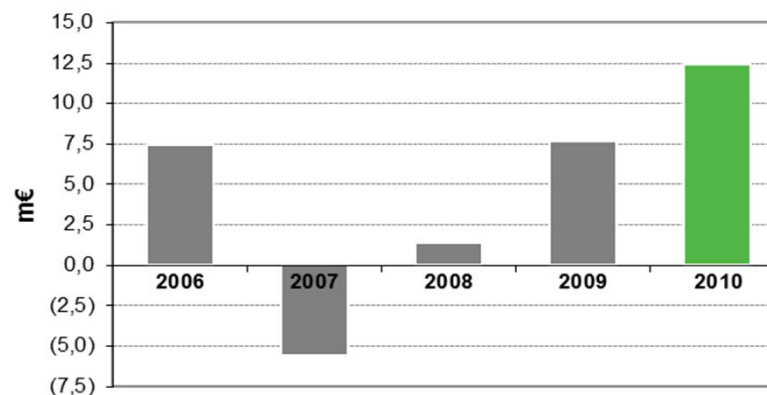
**Group Cash flow from operations and Free Cash flow**



**Manufacturing Cash flow from operations**



**Vianor Cash flow from operations**



Lessons from the North.

**nokian**  
HAKKA GREEN

