NOKIAN TYRES PLC | ANNUAL REPORT 2008

JOIN US ON A NORTHERN TYRE TOUR

Do you know how tyres are manufactured? Have you ever stopped to think about what it is that actually supports you when you step on the gas or start up the powerfull engine of your machine? Are you one of those who believe that all tyres are the same, mere copies of one another: black, rubbery and round?

Very few are interested in, much less passionate about, tyres. Tyres do not attract attention until they cause problems or must be changed. Good tyres, however, put the finishing touches on the vehicle and ensure driving comfort. Fans of Formula 1 and rally driving know that championship victories are often decided by the right choice of tyres. Speciality tyres designed for and tailored to professional use increase the efficiency and safety of work. In extreme situations, tyres may save your life or that of your family and friends.

The life cycle of a tyre – from tropical rubber tree plantations to the end user and finally to, say, a road construction site in the form of crushed rubber – is a long one and involves many stages. Along the way, the tyre comes into contact with thousands of professionals and their solid competence, skilled craftwork, sharp senses, smart inventions and bright ideas, that is, with people who think about – or better said, create – tyres every day.

CONTENTS

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

SAFEST TYRES FOR NORTHERN CONDITIONS

We have the innate ability to understand customers operating in Northern conditions and to understand their needs and expectations.

We operate in growing markets, and focus on tyre products and services that provide our customers in Northern conditions with sustainable added value. They also build the foundation for our company's profitable growth and successful business.

SUCCESS FACTORS

- focus on expertise in Northern conditions and businesses
- focus on car tyre replacement markets, growing market areas and product segments
- share of value added products more than 90% of own production and sales
- R & D and production of core products under own control
- strong reputation and brand
- rapidly renewing product range and innovative products
- car winter tyre range most extensive in the world
- efficient logistics and seasonal management
- special know-how in Russian and CIS markets
- own strong distribution channel in key markets
- direct contact with end users
- cost-efficient production and high-level technology
- skilled personnel and Hakkapeliitta culture

EXPERTISE IN NORTHERN CONDITIONS

Focus: Nokian Tyres focuses on added value business. This business represents 95% of the company's total sales. Other business activities support tyre distribution and added value core business.

Market areas: Key markets are regions that feature conditions similar to those in the Nordic countries, which place special challenges on tyre performance: snow, forests, and the harsh and variable weather and driving conditions in different seasons.

Product range: Products delivering added value to customers and consumers developed through special knowledge and expertise in the demanding Northern conditions: winter tyres, SUV tyres, forestry and forest tractor tyres and winter tyres for trucks and busses.

Service and processes: Interactive and transparent processes designed to serve the customers and end users, especially during the peak season: seasonal management systems, 24-hour deliveries, complete tyre/rim combinations to car dealers and tyre hotels.

Customer groups: Replacement markets; distributors with long-term commitment and loyalty to build Nokian brand positionning as partners i.e. Vianor partners, importers with a limited or one-brand approach. In addition selected OE customers involved in long-term product development co-operation as well as the end-users of tyres.

Production: Own factories in Nokia, Finland and in Vsevolozhsk, Russia. Certain products are produced as off-take contract manufacturing in different countries.

Sales and distribution: Vianor tyre chain with a total of 507 outlets (31.12.2008) in 15 countries in Nokian Tyres' core markets. Own sales companies in Sweden, Norway, Germany, Switzerland, Russia, Ukraine, Kazakhstan, Czech Republic and in the USA. In other countries independent importers.

History: Nokian Tyres plc was founded in 1988 and it was listed on the Helsinki Stock Exchange in 1995. The company's roots go back all the way to 1898, when Suomen Gummitehdas Oy, or the Finnish rubber factory, was established. Passenger car tyre production began in 1932 and the world's first winter tyre was produced in 1934. The company's best-known brand, the Nokian Hakkapeliitta tyre, was launched in 1936.

MANUFACTURING AND VIANOR

Car tyres

This product centre covers the development and production of summer and winter tyres for cars and vans. Key products include studded and non-studded winter tyres as well as high-speed and ultra-high-performance summer tyres. Key markets include the Nordic countries, Russia and other CIS countries. Other significant market areas are Eastern Europe, the Alpine region and North America. Winter tyres account for approximately 80% of net sales. Approximately 50% of summer tyres are high-performance or ultra-high-performance tyres.

Core products are manufactured at the company's factories in Nokia, Finland, and in Vsevolozhsk, Russia, and they are sold in the replacement markets. A part of the products are produced as off-take contract manufacturing in different countries. (See pages 15–17)

Heavy Tyres

The profit centre comprises tyres for forestry machinery, special tyres for agricultural and industrial machinery. Product development concentrates on narrow and growing product niches.

The company has about a 30% share of the global forestry tyre market. Nokian heavy tyres are sold in the original equipment and replacement markets. Co-operation with the machinery and equipment manufacturers is active and the share of original equipment is more than 40% of the heavy tyre net sales.

Key markets in addition to the Nordic countries include Central and Southern Europe, the USA and Canada. Majority of the products are manufactured at the Nokia factory. Nokian Heavy Tyres was incorporated as an independent company as of 1 January 2006. (See page 19)

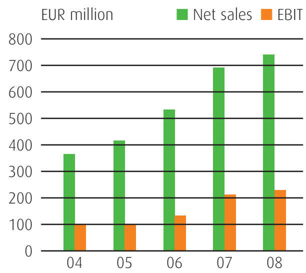
Truck tyres

The Truck tyres unit is involved in the product development and sales of truck tyres and retreading materials. Truck tyres are manufactured as off-take contract manufacturing in Spain and in China. Retreading materials are produced at the Nokia factory in Finland and key products include winter treads for truck tyres. Retreading materials are mainly used in truck tyres and industrial tyres. The key markets cover the Nordic countries while Russia and other CIS countries, the Baltic countries as well as Central and Southern Europe represent the strongest growth potential. (See page 21)

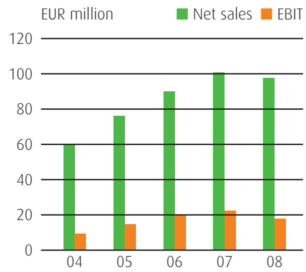
Vianor

Vianor tyre chain is the biggest and the most extensive of its kind in the Nordic countries. At the end of 2008 the chain consisted of 507 sales outlets located in 15 countries in Nokian Tyres' core markets. Nokian Tyres owned a total of 180 outlets. Other outlets operate on a franchising/partnership basis. All sales outlets have a uniform visual appearance and product selection. The Vianor chain sells car and van tyres as well as truck tyres. In addition to the Nokian brand, Vianor sells other leading tyre brands. The product range also features other automotive products and services, such as rims, batteries and shock absorbers. Vianor also takes care of tyre changes, installations, oil changes and other fast fit services. The service concepts also include tyre hotels. (See page 23)

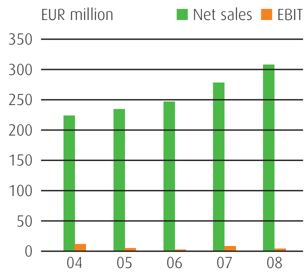
**Car tyres
net sales and EBIT**



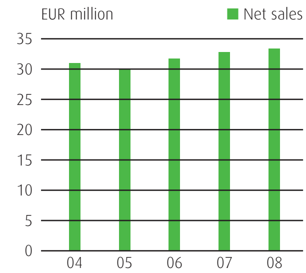
**Heavy Tyres
net sales and EBIT**



**Vianor
net sales and EBIT**



**Truck tyres
net sales**



CAR TYRES


Nokian Hakkapeliitta 7


Nokian Hakkapeliitta R

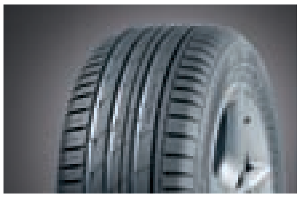

Nokian Hakkapeliitta R SUV


Nokian WR G2


Nokian Hakka Z


Nokian Hakka Z SUV


Nokian Z G2

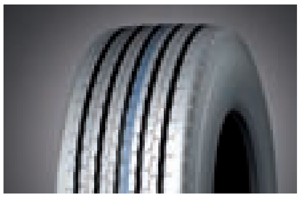

Nokian Z SUV

TRUCK TYRES AND RETREADING MATERIALS


Nokian Hakkapeliitta Truck E

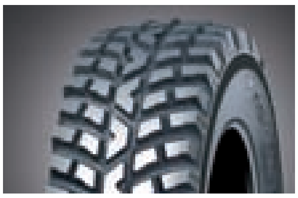

Nokian NTR-843

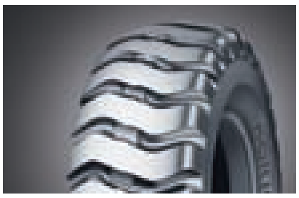

Nokian NTR 73


Nokian Noktop 44 S

HEAVY TYRES

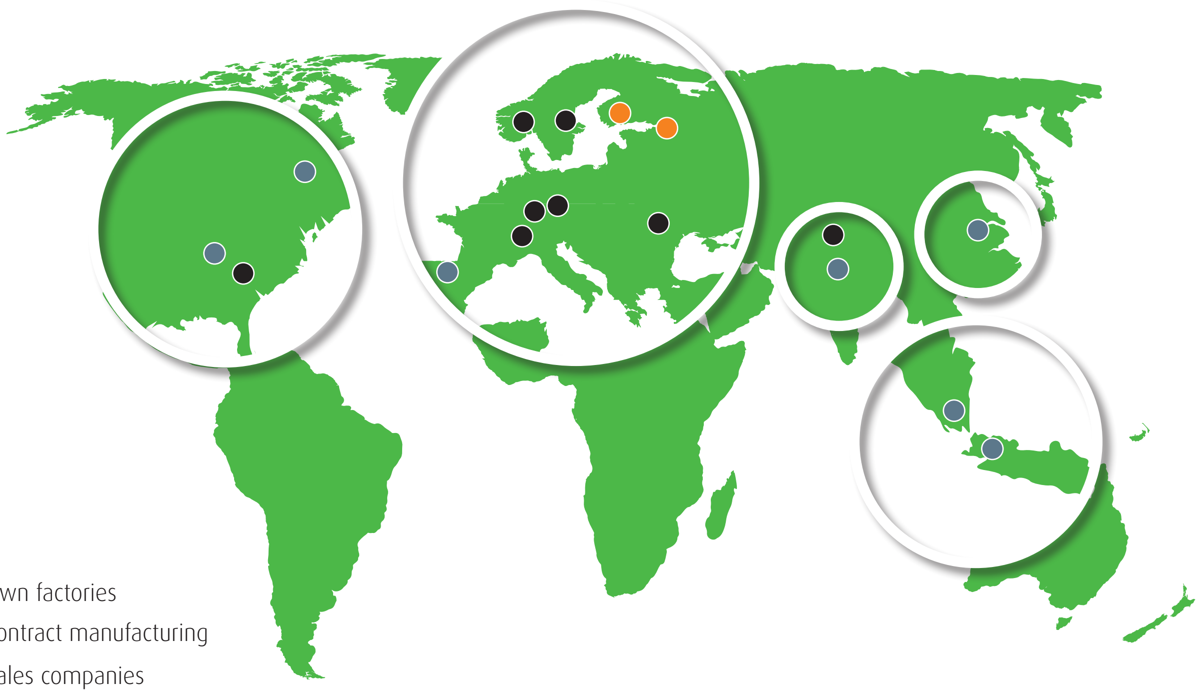

Nokian Forest Rider


Nokian TRI 2


Nokian Industrial Mine

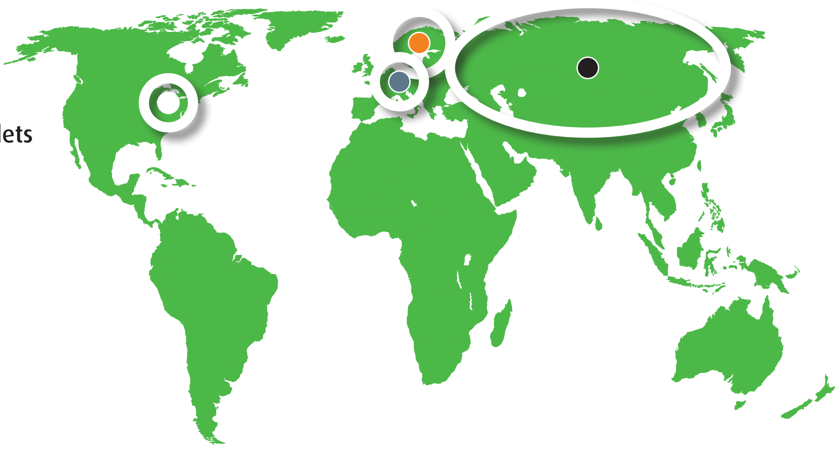

Nokian MPT Agile

FACTORIES AND SALES COMPANIES



- Own factories
- Contract manufacturing
- Sales companies

VIANOR CHAIN DECEMBER 31, 2008
A TOTAL OF 507 SALES OUTLETS



Nordic and Baltic countries; 208 outlets
Finland: 59 own, 7 franchises
Sweden: 56 own, 17 partners
Norway: 43 own, 7 partners
Baltics: 5 own, 14 partners

Western and Eastern Europe; 27 outlets
Switzerland: 3 own
Czech Republic: 10 partners
Slovakia: 2 partners
Poland:12 partners

Russia and CIS; 260 outlets
Russia: 2 own, 199 partners
Ukraine: 46 partners
Kazakhstan: 12 partners
Armenia: 1 partner

USA
12 own

FOCUS STRATEGY

1. Northern conditions
Nokian Tyres is the only tyre manufacturer in the world to focus on solutions and products that meet the special needs of customers in Northern conditions. Products are marketed in all countries with Northern conditions – that is, everywhere where there is snow, forests and demanding conditions caused by changing seasons.

- Core products include passenger car and truck winter tyres and forestry tyres.

2. Other narrow product segments
By focusing on products designed for northern conditions, Nokian Tyres has developed special competence that delivers added value in other narrow special product segments. The objective is to have the highest customer satisfaction in the core products globally.

- Special products include light truck and SUV tyres as well as harbour and mining machinery tyres.

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

Nokian Tyres' focus strategy is supported by:

Investments in product development, production and logistics
Product development is guided by a philosophy of sustainable safety, which entails the continued renewal of the product range with the objective of always being able to provide customers with value-added innovations.

- Own production concentrates on high-margin core products.
- New products should represent at least 25% of net sales annually.
- Consistent investment in continued improvement of quality, productivity and logistics.

Open and participatory corporate culture
A basic factor behind Nokian Tyres' success is the continuous process of personnel development, which is supported by an open and participatory corporate culture.

- The corporate culture aims to create a highly motivated working community that promotes the success of individuals and the company.

KEY STRATEGIC OBJECTIVES INTO 2013

1. Market leadership in the home market in the Nordic countries
The key objective is to be the Nordic market leader as a tyre manufacturer and tyre distributor. Best customer service and highest customer loyalty in the home market.

2. Market leadership in premium tyres in Russia and other CIS countries
The objective is to be the leading tyre manufacturer and tyre distributor of the premium car tyres in Russia and CIS countries and among the top suppliers of special heavy tyres.

3. Globally strong position in core products
The niche strategy is geared towards building a significant global position in narrow, growing product segments.

4. Growth through a continuously improved product range
Profitable growth is based on investments in core products and services that give customers genuine added value and enhance the ability to launch innovative products and services.

5. Profit growth through high productivity and the best customer processes in the industry
Improvements in operational efficiency and profitability are achieved through the ongoing development of logistic processes, total quality and productivity.

6. Profit growth through skilled, inspired personnel with entrepreneurial spirit
The personnel's active and entrepreneurial attitude towards the development of personal skills and company performance supports the selected focus strategy and company pursuit of an ethical and responsible operating policy.

Key objectives 2009–2010
The global economy including Nokian Tyres' core markets is expected to be in a recession in 2009. The target of Nokian Tyres is to continue to outperform competition in terms of growth and profitability. The objective is to further improve market position and to return to a profitable growth path as soon as the economic business environment improves.

VALUES THAT GUIDE AND SUPPORT THE STRATEGY

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

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

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

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

TARGETS REVEALING THE COMPANY VALUES

Customer satisfaction
We have the industry's highest customer satisfaction rate in the Nordic and Baltic countries, Russia and CIS countries, and the highest satisfaction rate in our core products globally. All our activities are geared to support the customer service personnel.

Personnel satisfaction
Nokian Tyres is a respected and attractive workplace. Our personnel are highly skilled and motivated. Our activities are characterised by our desire to continuously develop our personal skills as well as the company.

Shareholder satisfaction
We are the most profitable tyre manufacturer and tyre distributor in the industry. Our consistently good performance translates into good share price development and dividend policy.

The best processes in the business
Our key processes and our business network are efficient and represent the cutting edge in the industry. We uphold the principles of the responsible citizen in all of our activities.

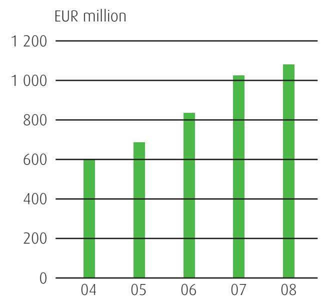
GROWTH TREND DECLINED TOWARDS THE END OF THE YEAR; PROFITABILITY STILL STRONG

- modest sales growth, but strong profitability in spite of the weaker last quarter
- profits in January-September exceeded targets
- market shares improved in core markets
- share of winter tyres close to 80% of Car tyres sales
- Vianor chain expanded to more than 500 outlets in 15 countries; 141 new outlets in 2008
- test wins of Nokian Hakkapeliitta winter tyres in motor magazines' tyre tests in Nordic countries and Russia
- winter legislation in the Quebec area increased demand for winter tyres in North America
- Russian factory expanded and production capacity increased in January-September
- share of production in Russia increased and benefits thereof improved profitability
- quick reactions to adjust production and costs in line with the lower demand

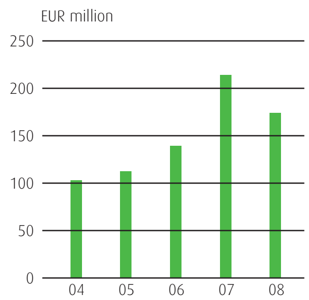
Key figures, IFRS

EUR, million	2008	2007	Change %
Net sales	1,080.9	1,025.0	5.5
Operating profit	247.0	234.0	5.5
% of net sales	22.8	22.8	
Profit before tax	173.8	213.8	-18.7
% net sales	16.1	20.9	
Return of net assests, %	22.9	27.8	
Return of equity, %	18.8	26.6	
Interest bearing net debt	319.0	102.9	212.7
% of net sales	29.5	10.0	
Gross investments	181.2	117.1	54.7
% of net sales	16.8	11.4	
Cash flow from operations	18.4	169.9	-89.2
Earnings per share, euro	1.12	1.37	-18.3
Cash flow per share, euro	0.15	1.38	-89.3
Shareholders equity per share, euro	6.20	5.76	7.7
Equity ratio, %	54.8	61.8	
Personnel, average during the year	3,812	3,462	

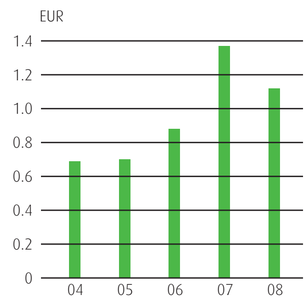
Net sales



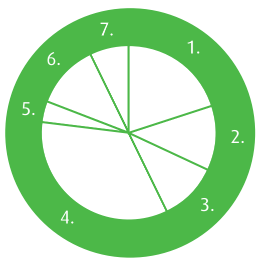
Profit before tax



Earnings per share (EPS)



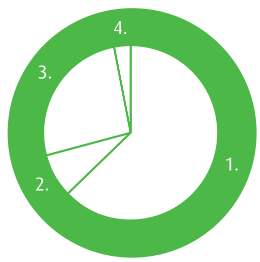
Net sales by market area 2008 (2007)



1. Finland 20% (21%)
2. Sweden 12% (12%)
3. Norway 11% (11%)
4. Russia and CIS 34% (31%)
5. Eastern Europe 4% (5%)
6. Other Europe 12% (13%)
7. North America 7% (7%)

Net sales by profit centre 2008 (2007)

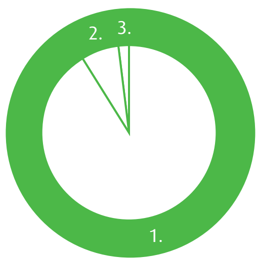
EUR million



1. Car tyres 741.6 (691.2)
2. Heavy Tyres 97.7 (100.8)
3. Vianor 308.3 (278.5)
4. Truck tyres 33.4 (32.8)

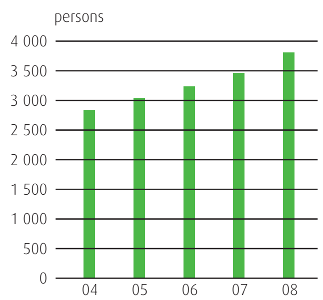
Operating profit (EBIT) by profit center 2008 (2007)

EUR million

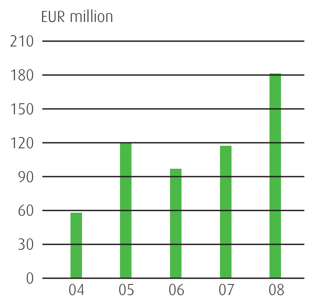


1. Car tyres 230.0 (212.0)
2. Heavy Tyres 17.7 (22.3)
3. Vianor 4.4 (8.4)

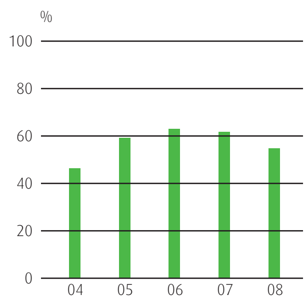
Average number of personnel



Gross investment



Equity ratio



DEAR READER,

Considering the circumstances, Nokian Tyres' performance in 2008 was good. There were two sides to the year 2008 and as in the previous years, the year started with rapid growth. The growth continued until mid-September, and the demand for tyres exceeded our delivery capacity. Regardless the weaker last quarter, our sales for the whole year increased and market shares improved in all core markets, in Russia, Ukraine and in North America, in particular. The Nordic market slipped slightly, but we gained market share and were the clear market leader. We saw a positive turn in North America, as a result of the stronger US dollar and as a considerable increase in the demand for winter tyres, fuelled by the new winter tyre legislation in the Quebec region.

The annual production capacity of our Russian plant was raised through investments to some 7 million tyres.

The Vianor chain grew and now consists of more than 500 outlets. Most of the 141 new sales outlets joined the chain through partner agreements in Russia and the Ukraine. In the Ukraine, we successfully piloted a new operating model in which all of our retail sales are handled through Vianor outlets. Vianor began to set up its retail chain in North America and launched the first 12 sales outlets.

We were able to compensate for the rise in raw material prices with new products, higher sales prices and an improved sales mix. The drop in raw material prices, which started in the last quarter, together with the cost cuts and changes in the production structure, will support our profitability in 2009.

Our internal efficiency continued to improve. All indicators showed an improvement in productivity, and a great number of development projects were successfully completed. We made big inputs in information systems that support our strategy and processes. Among other things, we implemented a new ERP system at the Russian plant and adopted Group-level tools that will enhance the management of customer relationships and working capital.

The growing trend broke in the last quarter

As a result of the global financial crises, our business environment started to change and the tyre demand to slow down towards the year end. In hindsight, there were signs of an impending recession last spring, when the automobile industry’s production decreased and our competitors began to cut down their production. The sales of forestry and other industrial machines also slumped around the same time.

We were long under the belief that our main market area, Russia, could weather the difficult times better than the Western markets. Once it became clear how heavily indebted Russian companies were to Western financiers, the financial crisis hit hard at home in Russia. The finance problems facing the tyre business, as well as the increasing uncertainty among consumers, contributed to the rapid decline in tyre demand last autumn. The slump in global oil prices has also led to a considerable decline in Russia’s GDP, which, in the short term, restricts Nokian Tyres’ growth opportunities in the market.

Quick reactions in order to secure the future

I believe the global recession will be deep and relatively long. Growth is likely to remain weak for at least the next two years. Nokian Tyres heads into the years of low growth from a good position. We have a strong balance sheet and good profitability. Our finances can endure the forecasted temporary drop in profitability.

In late 2008, we began to adjust our operations to clearly lower demand by cutting costs and production. We have slowed down investments in increased production capacity for now and focus on securing our cash flow and on managing risks. It is unfortunate that we have had to take restructuring measures that target the personnel, but they have been necessary to the company. It is vital to make big cuts quickly enough to ensure that the company’s finances remain in good shape during difficult times and that employment can be secured in the long run. We can quickly raise capacity, when sales development will allow it.

The structural changes made in the Nokia factory, will improve significantly foundations for operations in Nokia, as well as the competitiveness of the tyre manufacture in Finland. Nokia factory will also further strengthen its role as the home for Nokian Tyres R & D and the production site of pilot products.

As the operating environment becomes more challenging, the competitive advantages of Nokian Tyres will be further emphasised. We have a good product range, which is excellently suited to the market for northern conditions. Our production inside the Russian customs barriers further strengthens our position. We have a wide wholesale and retail distribution structure in our core markets and we are well acquainted with our customers as a result from our long-term partnerships. That is to say, let us not forget the other side of the coin: in difficult times, we have good opportunities to grow even stronger in relation to our competitors. Our operating model, which means focusing on high-margin speciality products and markets, continues to be the right path to success.

We have a challenging and busy year ahead of us in 2009. Success requires us to determinedly stick to our operating model and our own strengths. The goal throughout the Group is to reduce fixed costs whenever it is sensible and justified. We will engage in active and innovative sales, always mindful of risks, of course. We must be able to quickly react to any changes in the operating and competitive environments, whether dealing with additional cuts or further inputs.

I wish to thank our customers and personnel for 2008. It was an exceptional year, which ended in a quick drop in demand and a rapidly declining outlook that affected all of us. I trust that our joint efforts and our famous fighting Hakkapeliitta spirit will help us to maintain our position as the clearly most profitable company in the current business situation. I am also convinced that we will get back on a strong growth track as soon as the global crisis subsides.

Best wishes for 2009,

Kim Gran

SIX MAIN PHASES OF

3. Component manufacture

Tyres are made of many different components. These include the tread, body ply, innerliner, bead, core, sidewall, sidewall filler, steel belt and nylon belt. Most of the components are reinforcing elements.

2. Production of rubber compounds

In primary production, raw materials are made into rubber compounds, which are used to rubber-coat components needed in tyre manufacture. Different components call for rubber compounds with different compositions. The intended use of the tyre also affects the selection of rubber compounds.

1. Procurement and reception of raw material

The main raw materials used in tyre manufacture are natural rubber, synthetic rubber, cords, carbon black and various chemicals. Around 50% of the raw materials are oil-based. Raw material costs account for nearly 30% of net sales from manufacturing and for some 50% of production costs.

TYRE MANUFACTURE:

4. Assembly

Tyre-building machines put the components together to make the body and belt package, which are joined to each other. This results in a green tyre, which is soft and malleable.

5. Curing

The green tyres are cured, or vulcanised, in a curing press. Vulcanisation at the right temperature and pressure makes the green tyres solid and flexible. Curing gives the tyre its final look and sidewall markings.

6. Inspection

Every passenger car tyre undergoes both a visual and machine inspection. The visual inspection focuses on any deviations in the tyre's appearance, while the machine inspection measures the tyre's geometrical roundness and lateral/radial force variations and conicity.

FROM RAW MATERIALS TO COMPONENTS

Natural rubber, synthetic rubber, carbon black which gives the tyre its characteristic colour, oils, various chemicals – the tyre plant receives dozens of raw materials from different parts of the world every day. Nokian Tyres does not let any raw material through to production without approval by the company's own laboratory.

At the mixing department, the raw materials are combined according to precise recipes and heated to approximately 120 degrees centigrade under computer control. Continuous quality control ensures that the properties of the compounds meet the requirements.

Depending on the model, the tyre is put together from 10 to 30 different components that are made of rubber compounds featuring different compositions. The intended use of the tyre also affects the selection of rubber compounds.

The refining and fine-tuning of rubber compounds are essential factors in tyre development. The treads of popular tyres are often copied. However, the essence of a first-rate tyre does not lie in the tread, but in the rubber compounds. Their formulas are carefully protected secrets – just like the recipes of exquisite meals made by gourmet cooks.

NOKIAN CAR TYRES

SAFE TYRES FOR NORTHERN CONDITIONS

Nokian Tyres' key products for passenger cars are studded and studless winter tyres, SUV tyres and high-performance summer tyres, which are also the fastest growing product segments in the tyre business. In terms of quantity, the best selling products are the Nokian Hakkapeliitta winter tyres designed for northern conditions, and the Nokian Hakka summer tyres. The company's main markets are Russia, the CIS countries and the Nordic countries. Other important market areas are Eastern Europe, the Alpine region and North America. Winter tyres account for more than 80% of the unit's net sales, while some 50% of summer tyre sales are generated by high-performance tyres.

Tyres sold in the Nordic countries, Russia and the CIS countries have been designed for demanding and changeable weather and driving conditions. The emphasis in winter tyres has been on good performance on snow and ice, while in summer tyres, special attention has been paid to the demands set by three very different seasons – spring, summer and autumn. The product range is renewed frequently. The guiding concepts in product development are the principle of sustainable safety and product innovations that promote safety and environmental friendliness. The Nokian brand has achieved wide recognition and market leadership in its main markets.

The results of tests performed by trade magazines influence the purchase decisions of consumers. It is not necessary to rank number one every year, but recurring top ratings do increase customer trust and boost the brand position. In the Nordic countries and Russia, Nokian-branded winter tyres have scored top ratings in magazine tests for decades. Summer tyres have regularly been among the best performers as well.

Skilled seasonal management

Car tyre sales in the Nordic countries, Russia and the other CIS countries are characterised by strong seasonality. Most consumers buy their summer tyres during a few weeks around Easter. Winter tyre consumer sales take place from September to November, depending on the winter, and some 30% of winter tyres are sold in the ten days after the first snowfall.

This poses big challenges to the production and delivery capacity, underlining the key part played by an extensive distribution network and efficient logistics and IT systems. Pre-sales to distributors ensure product availability and

"In line with our strategy, we focus on high-quality speciality products designed for northern conditions. Our sales target growing markets, where our brand is strongly positioned. By also taking care of customer relationships, introducing new, innovative products and further developing our production and distribution network, we ensure continued competitiveness when the markets return to a growth path."

RAMI HELMINEN,
VICE PRESIDENT,
NOKIAN CAR TYRES

enable retailers to successfully manage their business during the busy consumer season. Pre-sales of summer tyres usually begin in December–January, and those of winter tyres mainly take place in the second and third quarters. Stocking up for the season means that the stock levels of both Nokian Tyres and the tyre dealers, as well as the receivables from distributors, are at their highest just before the peak season and begin to decrease once consumer sales get started.

Strong foothold in Russia

In 2008, Russia's share of the Group's net sales was 34%. The company aims to further strengthen its market leadership in premium-segment winter tyres and increase its market share in summer tyres.

The number of cars in Russia has grown steeply in recent years, and more and more Western car makers have set up manufacturing in the country. The tyre market and tyre manufacture have also been modernised. The annual sales in the Russian tyre market has been amounted to some 40 million car tyres, nearly half of which have been winter tyres. The market has been growing at an annual rate of some 10%, with all well-known Western brands also present. Market growth has been driven by the country's favourable economic development, the steep increase in the manufacture of new cars and thriving imports of Western cars. There is no winter tyre law in Russia, but the weather conditions in the regions where Nokian Tyres operates make winter tyres essential. The financial crisis and global economic uncertainties began to dampen growth remarkably in the automobile and tyre markets in late 2008.

Nokian Tyres is the biggest manufacturer of premium tyres in Russia. The company also wants to boost its position as a local tyre manufacturer through its factory constructed in Vsevolozhsk, near St. Petersburg. The plant, which came on line in spring 2005, makes Nokian-branded, premium-segment summer and winter tyres, approximately two-thirds of which are sold in Russia. Lower labour costs, raw material prices and energy expenses make tyre manufacture considerably cheaper in Russia compared to Finland and other Western European countries. Operations in Russia also entitle the company to tax relief and exempt it from import duties.

Increasing importance of Ukraine

In the other CIS countries, especially in the Ukraine, tyre market growth has been fuelled by the countries' favourable economic development and the rapid increase in the sales of new Western cars. Harsh winter conditions make drivers appreciate safety and studded tyres, similarly to motorists in the Nordic countries. The products that Nokian Tyres sells in the Nordic countries and Russia are ideally suited to these markets as well. To make the most out of the countries' growth potential, Nokian Tyres set up its own sales companies in the Ukraine and Kazakhstan in 2006. The Vianor chain has also expanded to both countries in recent years.

The weakened global economy has decreased the demand for tyres also in Ukraine and Kazakhstan.

Nordic countries form the cornerstone

Finland, Sweden and Norway generate more than 40% of Nokian Tyres' net sales. Taking all products into account, the company is a market leader in Finland, and a top contender in Sweden and Norway. Annual passenger car and van tyre sales in Finland, Sweden and Norway total some 10 million tyres, roughly 6 million of which are winter tyres. The markets are growing at an average annual rate of 1–3% and accommodate around 80 competing brands. All three countries have a law that requires winter tyres to be used during the winter months.

Products tailored for market needs

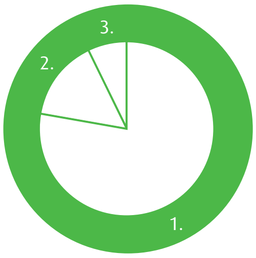
Outside its home markets, Nokian Tyres focuses on countries where it can benefit from its special skills in northern conditions. These areas include Eastern Europe, the Alpine region and North America. The tyre markets have grown strongly especially in Eastern Europe. The new winter tyre regulations that took effect in Austria and the Canadian province of Quebec in 2008 brought new opportunities to increase winter tyre sales.

Nokian Tyres customises its tyres to meet the needs of consumers in different market areas. The friction tyres designed for Central and Eastern European winter conditions, as well as the summer tyres offered in the region, differ considerably from the products sold in the company's main markets. The winter tyre range also includes many different types of SUV and light truck tyres, as well as run-flat products.

Nokian Tyres estimates worldwide passenger car tyre sales to total some 1.1 billion tyres a year and the value of tyre markets to be around USD 127 billion. Original equipment installations account for some 28%. The markets are growing at an annual rate of 2–4%. The strongest growth is registered in winter tyres, high-speed summer tyres and SUV tyres.

The Nordic (* tyre replacement market 2008

Total value approx EUR 1,2 billion

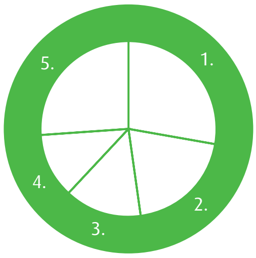


1. Car tyres 78%
2. Truck tyres 15%
3. Others 7%

Source: Nokian Tyres 2008

Car tyre replacement market in Europe

The market in 2008 approx. 200 million tyres

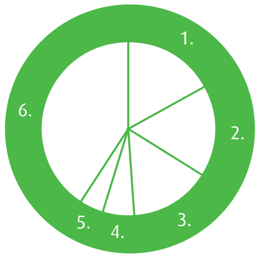


1. Summer tyres <T 28%
2. Summer tyres H 20%
3. Summer tyres V 14%
4. Summer tyres W/Y/Z 12%
5. Winter tyres 26%

Source: Nokian Tyres 2008

Five biggest tyre companies in the world

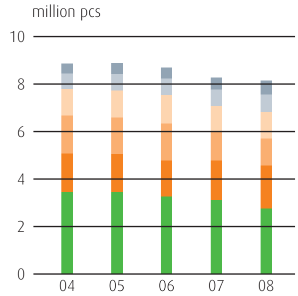
The sales in 2007, USD 127 billion



1. Group Michelin, France 21 750.0
2. Bridgestone Corp., Japan 21 500.0
3. Goodyear Tire & Rubber Co., USA 18 900.0
4. Continental AG, Germany 7 500.0
5. Pirelli S.p.A, Italy 5 693.2
6. Others 51 656.8

Source: Tire business 2008

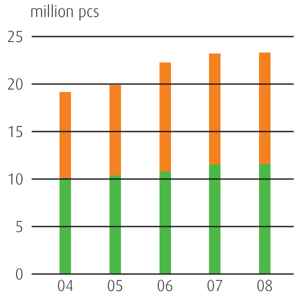
Car tyre sales in the Nordic replacement markets



Summer W/Y/Z Summer V Summer H
Summer <T Winter, non-studded
Winter studded/studdable

Source: ETRMA 2008

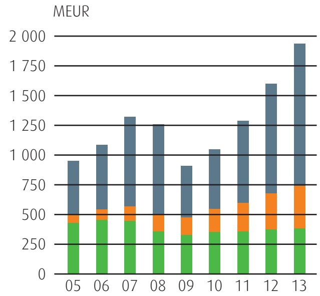
Car tyre replacement market in Eastern Europe excluding Russia and CIS



Summer tyres Winter tyres

Source: ETRMA 2008

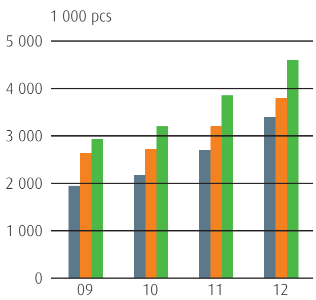
Russia´s car tyre replacement market by product segment



A-segment B-segment C-segment

Source: Nokian Tyres, estimate

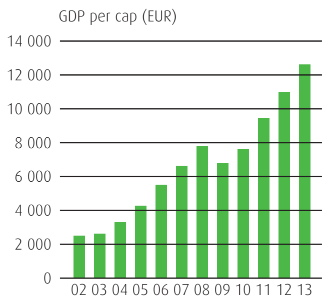
Russia´s car sales forecast 3 scenarios



Pessimistic Basic Optimistic

Source: Nokian Tyres, estimate

Russia´s GDP per capita



Source: Central Bank of Russia; Rosstat; IMF; World Bank; EIU; BMI

Common speed ratings

Speed rating and highest speed

Q 160 km/h	R 170 km/h	S 180 km/h
T 190 km/h	U 200 km/h	H 210 km/h
V 240 km/h	W 270 km/h	Y 300 km/h

*) In this Annual Report Nordic countries refer to Finland, Sweden and Norway

FROM COMPONENTS TO GREEN TYRES

At the assembly phase, the tyre maker uses different components to put together the body and belt package, which are ultimately joined together. This results in a green tyre, which is still soft and malleable at this stage.

Tyre-building machines are automated devices featuring cutting-edge technology; but safe quality tyres do not come into being without people. The sensitive hands and sharp eyes of humans ensure, among other things, a perfect fit for the numerous seams and joints of the tyres. A tyre professional working at a tyre building machine assembles around 300 green tyres during a shift of eight hours.

DURABILITY FOR DEMANDING PROFESSIONAL USE

Nokian Heavy Tyres Ltd, a manufacturer of high-quality special tyres, is a part of the Nokian Tyres Group. What makes its products unique is the familiarity with extreme driving conditions and the respect for nature. The product range includes forestry tyres, special tyres for agricultural machinery and a variety of industrial machinery tyres used in, for example, harbours and terminals, underground mines, earthmoving and road maintenance.

Heavy tyres are sold on the original equipment installation and replacement markets. Key markets include the Nordic countries, other Europe, Russia, Kazakhstan, the USA and Canada. Majority of the products are manufactured at the Nokia plant in Finland.

Nokian Heavy Tyres focuses on narrow product segments in which it is known as a pioneer in special tyres. Geographical proximity to the world's leading machinery and equipment manufacturers is a benefit. The long-term co-operation in R&D and testing, has brought solid know-how, insight into customer needs and an understanding of the conditions in which the machines are used.

The business is susceptible to economic cycles and is characterised by stiff price competition. The demand for heavy special tyres has increased considerably in recent years, and there has been a global shortage of tyres for example for harbour and mining machinery. The demand is clearly influenced by the volumes of machinery and equipment manufacture. The manufacture of forestry machines has been boosted by the automation of harvesting around the world. The boom period, which had lasted for many years, changed into a steep downturn as a result of the financial crisis of 2008.

Reliability and long service life

Heavy tyres are global products and suitable for sales anywhere in the world. Material and structural solutions, tested in real use, improve the reliability of tyres and flexibility of work. Nokian-branded tyres are known for their high quality, which users experience as numerous effective hours of use and flexibility of work in demanding conditions.

Nokian Heavy Tyres has been a pioneer, especially in the R&D of forestry tyres in which the company has a global market share of 30%. Products are sold across the world, wherever there is professional harvesting. The world's largest harvesting countries are the USA, Canada, Russia and Brazil.

The company has designed special tyres for forestry machines deploying the CTL (cut-to-length) method invented in the Nordic countries since the 1960s. Thanks to its environmental friendliness, the method is quickly gaining ground from the full-tree (FT) method, which is used, for example, in South America, Asia and parts of North America. Nokian Heavy Tyres product range includes suitable tyres for all harvesting methods.

The company has also gained a foothold in the global tyre markets for harbour and mining machines. The tyres are used in reach stackers, straddle carriers, RTG cranes, mine loaders and drilling platforms. The rubber compounds, treads and structures used in these tyres have been designed to withstand wear and tear. Customers value tyres that are functional and ensure overall cost-effectiveness. Economic hourly usage costs of tyres and machines are more important to them than low purchase prices.

Product development guided by environmental friendliness

Nokian Heavy Tyres aims to develop products that load and strain the environment as little as possible.

Fuel consumption and emissions can be considerably reduced by the correct selection of tyres, which is why Nokian Heavy Tyres is developing products with as low a rolling resistance as possible. Continued reduction of tyre noise and vibration is also a challenge for product development.

"We actively develop new products for the forestry tyre range. In addition, we enhance the development of harbour and mining machinery tyres as well as our sales on replacement markets. We work in close co-operation with our customers to ensure that our delivery capacity and installation service are better than ever when machinery and equipment production picks up."

JARMO PUPUTTI, DIRECTOR, NOKIAN HEAVY TYRES

THE TYRE ITS FINAL FORM IN THE CURING PRESS

The green tyre is vulcanised in a curing press. The vapour pressure conducted into the curing bladder inside the press pushes the flexible green tyre against the tread pattern of the mould inserted into the curing press. Vulcanising hardens the green tyre and gives the tyre its final appearance and sidewall marking. Depending on their size, car tyres are vulcanised for 10 to 15 minutes. Heavy tyres need to be cured for several hours. The vulcanising phase makes extensive use of automation. From the curing presses, the tyres move to the inspection phase steaming hot.

NOKIAN TRUCK TYRES

SOLID WINTER COMPETENCE FOR PROFESSIONAL DRIVERS

Nokian truck tyres and Nokian Noktop retreading materials are designed for demanding professional use and changing conditions. Competence in winter conditions represents the unit's strongest and most traditional sector. In recent years, the product range has been expanded and diversified to offer a good match to customer needs. This has provided opportunities to expand business into new market areas, especially to Eastern Europe, Ukraine, Russia and North America.

Nokian Tyres is Europe's leading manufacturer of retreading materials. The development of Nokian Noktop retreading materials is based on understanding of northern conditions and of driving conditions that vary depending on the season. Winter treads for truck tyres are the best-known core products.

Specialisation in winter products gives a solid and reliable foundation for profitable growth. However, this alone is not enough to break into new markets and ensure strong competitiveness. Flexible service, reliable deliveries and efficient logistics create and strengthen customer relations and enhance profitability. Busines also benefits from Nokian Tyres' well-established, extensive distribution network in the main market areas.

Comprehensive product range convinces customers

A strong brand image creates expectations. Tyre outlets and partners expect Nokian Tyres to offer a comprehensive range also in truck tyres. The company has introduced new types of tyres to complement its winter products. In addition to premium speciality products, it offers tyres with a good price/quality ratio, which makes the product range as complete as possible.

The growing unit aims to become the leading supplier of truck tyres and retreading materials in the Nordic countries and Russia, and one of the top players elsewhere in Europe. The Nokian Noktop retreading materials are manufactured at the Nokia plant, Finland. Nokian truck tyres are made as off-take contract manufacturing.

Growth opportunities in the east

Sales on the European replacement markets amount to some 20 million new and retreaded truck tyres each year and in Russia to some 10 million tyres. Russia and Eastern Europe are the fastest-growing markets.

The Nordic countries are the main market for Nokian truck tyres and Nokian Noktop retreading materials. The company has gained good results and new customers especially in the Ukraine, Hungary, Switzerland and North America.

Economy, reliability and environmental soundness as trump cards

Nokian truck tyres and Nokian Noktop retreading materials are designed for and tested in demanding northern conditions, for example, at the Ivalo test centre. Successful product development benefits from close and confidential co-operation with transport operators and companies.

Professional drivers value good mileage. Tyres – both new and retreaded – must perform reliably, be durable and ensure excellent grip. A low rolling resistance reduces fuel consumption, which is particularly important in professional driving. The retreadability of truck tyres makes the products increasingly economic and environmentally friendly.

Nokian truck tyres and Nokian Noktop retreading materials are manufactured solely from purified, harmless oils.

"Co-operation with other Nokian Tyres profit centres generates synergies, which offer us plenty of opportunities to grow and develop our business. The Group's broad distribution network opens up new channels to different parts of the world and especially to new, growing market areas."

HANNU TEININEN,
VICE PRESIDENT,
NOKIAN TRUCK TYRES

DOUBLE INSPECTION FOR EACH TYRE

Nokian Tyres inspects each tyre both visually and mechanically. The visual inspection is a check carried out by the human eye that focuses on the inner and outer tyre surfaces and the rim area, one tyre at a time. The inspection calls for an excellent understanding of tyre structure. Experienced tyre professionals inspect up to 1,000 tyres in a single shift.

Mechanical inspection examines the shape of the tyre and simulates tyre behaviour in road contact. A test machine rotates the tyre clockwise and counterclockwise on a test drum, while sensors measure given values off the tread.

Approved tyres are marked with labels to show that they are ready for delivery.

Retreading materials are made in the same way as tyres, except for the assembly phase.

VIANOR

VERSATILE SERVICE CLOSE TO THE CUSTOMER

Vianor is the biggest tyre chain, in terms of size and reach, in the Nordic countries. In recent years, the chain has expanded considerably in the main markets of Nokian Tyres and especially in Russia and the other CIS countries. At the end of 2008, the chain consisted of 507 outlets in 15 countries. 180 of the outlets were equity owned and the rest operate on a franchising/partner basis. All outlets have a uniform visual appearance and product selection.

The Vianor chain sells tyres for cars and trucks, as well as for the needs of agriculture, road maintenance and industry. In addition to Nokian-branded tyres, the chain also sells other well-known brands. The product range also includes driving-related products, such as rims, batteries and shock absorbers. Vianor handles tyre changes and installations, oil changes and other fast-fit services. Its services also include tyre hotels.

Only a few big chains, owned by different tyre manufacturers, operate in the Nordic countries. Of these, Vianor has the widest geographic scope. The tyre distribution network in Russia is multi-tiered with a few big wholesalers supplying tyres to numerous other wholesalers all around the country.

Vianor supports the strategy of Nokian Tyres

The Vianor tyre chain aims at a strong position in the markets strategically important to Nokian Tyres. Its main task is to maximise the sales of Nokian-branded tyres and to maintain the target price level. The objective is to act as the flagship for Nokian Tyres' distribution, to spearhead growth and to be the best-known tyre chain in its market areas. Through Vianor, Nokian Tyres wants to enhance the profitability and success of the whole tyre distribution business.

The Vianor concept offers several business-friendly services to its partners, such as strong brands, professional product training and technical support. Vianor outlets get support for advertising and sales promotion. It is the target to quarantee the availability and fast deliveries of Nokian-branded tyres to Vianor dealers especially during high season.

Co-operation between Vianor and Nokian Tyres' offers synergy benefits. An advanced data system improves design, monitoring and reporting. Vianor offers Nokian Tyres a direct communication channel to the end users, which provides the company with valuable information for the development of its services.

Growing importance of a wide product range and services

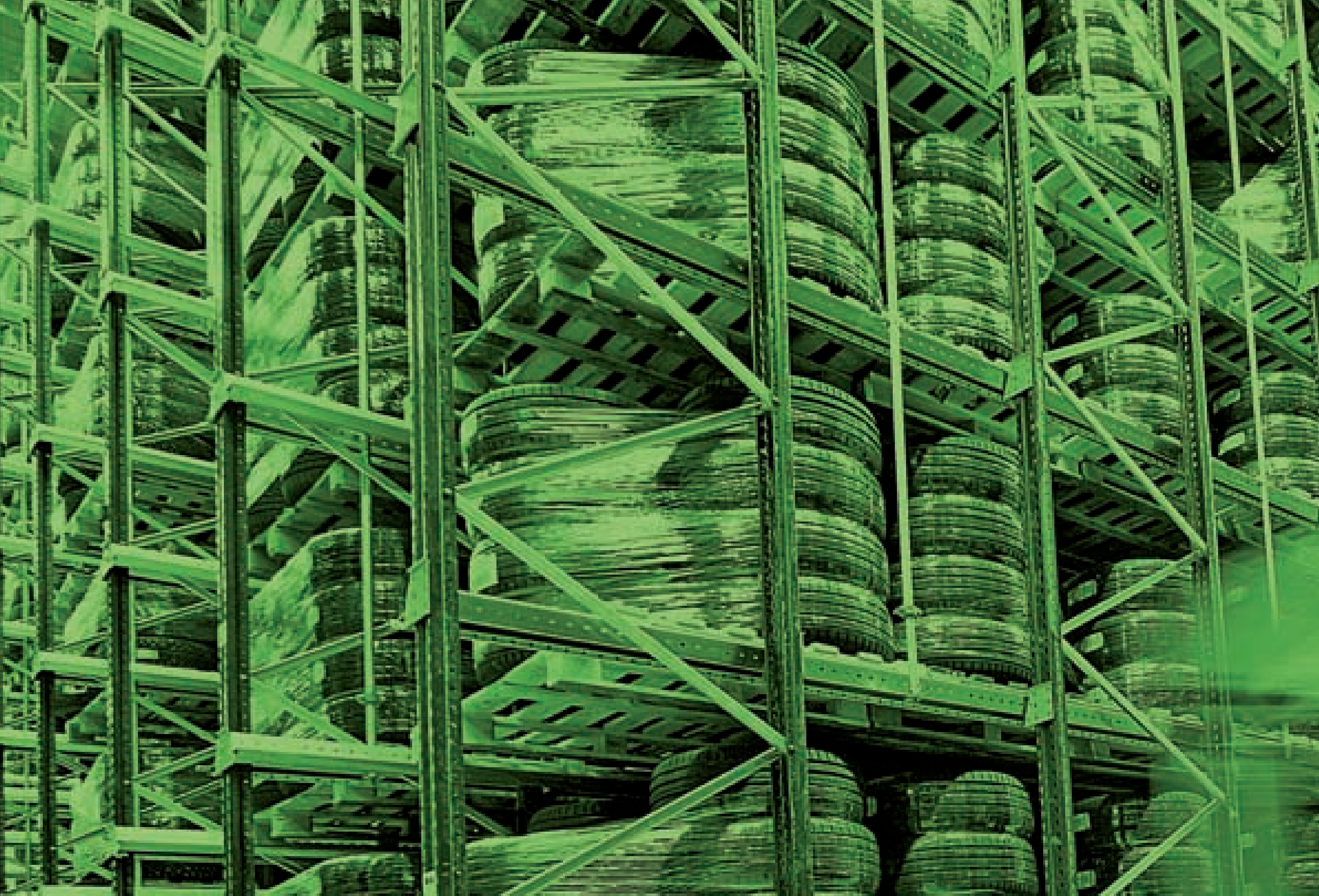
Successful season sales of car tyres are important to Vianor. With services included, some 30% of Vianor's net sales are generated by consumer sales of car tyres. Wholesale and fleet customers, as well as the sales of truck tyres and various heavy tyres, are an important source of income for Vianor. The chain also develops its fast-fit sevices in areas where they complement the service concept. The goal is to make fast-fit services a key part of Vianor's growth and profitability.

Online store: a new approach to purchasing

Vianor's online stores offer consumers tyres and rims from the online store. They can also make an appointment for installation at the nearest sales outlet. Just the opportunity to compare prices online has greatly modernised the industry's traditional trading methods. A special application developed for Vianor partners enables consumers to select products and the most suitable Vianor outlet to deal with.

"The rapidly expanding Vianor chain and its versatile product and service ranges give strong support to the growth strategy of Nokian Tyres. We ensure that our service concept includes many advanced tools, which help both Vianor and the tyre dealers in its partner network to increase sales and successfully run their business."

ALEXEJ VON BAGH, VICE PRESIDENT, VIANOR



CAREFUL MANAGEMENT OF LOGISTICS AND SEASONS

The tyres are transported from the plant to the Group's own warehouses or straight to the customer. Before the start of the summer or winter season, the warehouses are full of tyres waiting for orders and deliveries. Storage time varies depending on the time of year and the order. Products are ordered by own sales companies or by tyre dealers and distributors. The tyres are packed into containers and delivered to destinations around the world by road, rail or sea. Delivery times range from one day to four weeks.

Nokian Tyres' business is highly seasonal. The success of a season hinges on the right tyres being in the right place at the right time. This calls for good logistics, efficient IT systems and skilled seasonal management. If one of the links in the chain fails, there is a risk of the whole season turning unsuccessful. Vianor tyre chain plays an important part in the sales and seasonal management of Nokian-branded tyres.

THE PERSON BEHIND THE COUNTER IN A KEY ROLE

Consumers often find tyre purchases to be complicated and difficult. According to studies of purchasing behaviour, retailers play a crucial role in the purchase. This makes it important to both tyre manufacturers and consumers that the salespeople are professional, know their products as well as possible and are capable of helping consumers to select the right product for their needs.

Nokian Tyres has developed an e-learning portal that serves as a new tool in the training and guidance of tyre retailers. The company's technical customer service helps and advises distributors, consumers, professional users and other interest groups in the selection and use of tyres, as well as in any problematic situations. For the purpose of quality and product development, it is important that tyre makers and developers hear about actual experiences and get feedback from customers.

SALES AND DISTRIBUTION

A COMPREHENSIVE AND EFFICIENT SALES NETWORK PUSHES TYRES OUT INTO THE WORLD

Nokian-branded tyres are sold by the company's own sales organisation and by nearly 7,000 customers. Sales and customer service are boosted especially during the busiest weeks of each season so that tyre outlets get the products they need when the demand is peaking.

Customers include tyre chains, car dealers, tyre wholesalers and retailers, independent importers, machine and equipment manufacturers, port and logistics companies, transport companies etc. In addition, the own Vianor tyre chain plays an important part in the sales of Nokian-branded tyres as a significant part of the Group's sales is handled through Vianor outlets.

Sales in approximately 70 countries

The sales and distribution of Nokian Tyres is based on a regional approach. The main markets are divided into five groups: the Nordic countries, Russia and the other CIS countries, North America, so called CE region including Central and Eastern Europe, as well as smaller countries and market areas, which form the fifth group. Each of the four main market areas are served by the Group's own sales company or a representative with its own sales organisation.

Nokian Tyres has granted tyre dealers (retailers, wholesalers and independent importers) in different regions the right to sell Nokian-branded tyres in their own area. Some of the dealers have exclusive sales rights to the products.

Nokian Tyres' dealers are strong players, who usually have their own distribution network and are often involved in tyre retail as well. The sale of Nokian tyres carries a great deal of weight in their business. The dealers also have the resources and the will to support and build the Nokian brand.

Nokian Tyres provides its dealers with a strong brand and innovative, continuously renewed quality tyres generating profitable business to dealers. Enhanced customer service in peak seasons and the use of Vianor's chain for deliveries to distributors ensure that dealers get the tyres they need when demand is at its highest. Tyres to the domestic markets can be delivered within 12 hours or less during the high peak season and within 12 to 24 hours out of season. The delivery times in Russia, North America and Central Europe are 24 to 48 hours.

Close partnership

Nokian Tyres carries out close and versatile co-operation with its dealers. The parties jointly draw up annual sales and marketing plans, which include shared sales targets and scheduled actions to be taken. Resources, different types of marketing support, tyre delivery schedules, costs and many other details are also recorded in the plans.

Nokian Heavy Tyres operates on the original equipment installation market and develops its tyres in close co-operation with machine and equipment manufacturers. This co-operation has continued for decades, enriching the Heavy Tyres' product development and customer service with unique experience and understanding of customer wishes and needs. During the last few years, comprehensive service concepts have been tailored for customer needs including for example complete tyre/rim paggages and just-on-time deliveries.

The strength of Nokian Tyres' sales lies in the flat organisation structure and ability to quickly react to customer needs and changes in the market. The company's sales organisation assigns a contact person to each customer. Customer relationships are often long-term, personal contacts. The parties are united by a strong sense of belonging to the Hakkapeliitta family.

EVERY TYRE IS A COMBINATION OF ENGINEERING SKILLS AND CREATIVITY

The production of a special tyre designed for Northern conditions is preceded by a meticulous and thorough R&D process – a true display of skill involving engineers, chemists, materials experts, test drivers and many specialists. Product developers must understand the needs of the markets and consumers and closely follow the development of automobile technology and mechanical engineering. A dash of open-mindedness and perseverance makes the work complete.

Goal-oriented work provides customers and consumers with first-rate products, advanced and innovative solutions and services, continuous renewal and top ratings in tests – in other words, with safe quality tyres that customers select time after time.

ACTIVE PRODUCT DEVELOPMENT WITH SUSTAINABLE SAFETY IN MIND

Nokian Tyres has observed the same basic principle in its product development for more than 70 years: the company develops tyres for consumers who drive in northern conditions and need their tyres to be safe and durable in all situations. Development is guided by the principle of sustainable safety: the tyre should retain its safety features almost intact throughout its service life.

The main task of R&D is to support the company's status as the manufacturer of the world's best winter and special heavy tyres. New products enable the company to strengthen its position and maintain the desired price and margin levels in stiff competition.

Innovations and environmental friendliness

Tyre safety is improved using technical innovations. Furthermore, the tyres are advanced and unique. The innovation processes aim to generate added value and to commercialise new ideas.

Environmental friendliness is closely linked to safety. Nokian Tyres has blazed a trail of environmental friendliness in the tyre industry by being the first tyre manufacturer in the world to introduce tyres that are made using only purified, low-aromatic oils. The use of hazardous oils was terminated at the Nokia plant at the end of 2004, and the Russian plant also uses only purified oils.

Global warming places tyre developers in front of new challenges. Tyres should be silent and cost-effective. Tyres with low rolling resistance can save up to 0.5 litres of fuel per one hundred kilometres and, consequently, generate less-harmful emissions. Quiet tyres do not strain the environment with loud noise, or the driver with inside noise.

Sharply focused specialisation and customer needs point the way for R&D

Tyre development requires carefully focused planning. The R&D team keeps close track of the changes in the markets' and consumers' needs. Creating successful products calls for familiarisation with the latest vehicle technology. In heavy tyres, confidential co-operation with machine and equipment manufacturers is a must.

With the increased performance capacity of passenger cars, the demand for high-speed tyres has grown. In Russia and CIS countries, Sport Utility Vehicle tyres have been a growing segment. In the heavy tyres, special emphasis is placed on radial tyres. The development of retreading materials relies on the company's in-depth knowledge of rubber technology.

Uncompromising testing

Nokian Tyres frequently renews its product range: new products account for at least 25% of the annual net sales. The company is investing actively in its R&D and approximately one-half of these investment is allocated to product testing. The development of a brand-new car tyre takes 2 to 4 years.

Nokian Tyres' 700-hectare test centre in Ivalo, Lapland, focuses on demanding winter testing from November to May. Thanks to the state-of-the-art equipment, versatile tests and professional personnel, tests in Ivalo cover all extreme situations that can be encountered when driving in the winter. Comprehensive testing in Lapland is what makes Nokian Tyres the world-leading expert in northern conditions.

The test track in Nokia is used from the spring until late autumn. The continuously developed test centre covers an area of 30 hectares and offers unique facilities for testing slush planing among other things. In addition, tyres are also tested abroad in order to gain comprehensive results. The limits of grip are stretched and crossed in order to achieve the key goal of development: safety.

The company also utilizes indoor testing with machines measuring structural toughness and high-speed durability of tyres. Respective tests are used for monitoring the flawlessness of tyres and for making sure products are high quality and technically reliable.

OPPORTUNITIES FOR GROWTH AND DEVELOPMENT

Nokian Tyres employs some 3,500 professionals in different fields. The responsibilities vary from expert tasks in narrow sectors to duties requiring multiple competencies. Each of them has a common goal: to preserve the company's position as a specialist and pioneer in the tyre sector and the most profitable tyre company in the world.

To ensure that this goal is achieved, the company continuously develops the professional skills and competence of its staff in versatile ways and takes care of well-being at work. The staff is given different types of opportunities to grow, develop and advance in their career. Competence development is the responsibility of both the company and individual employees.

COMPETENCE DEVELOPMENT USING NEW AND TRADITIONAL METHODS

At Nokian Tyres competence development is a strategy-based activity that anticipates future needs. The key tool is the Hakkapeliitta Academy, the global competence development portal. The portal is accessible to Nokian Tyres' own organsation as well as to the key customers and co-operation partners.

Hakkapeliitta Academy and expanding its offering are core elements of the competence development visions. The portal's technical features have been enhanced to ensure that global competence development will answer future challenges.

The portal is divided into four strategic areas: Become a Native e-Induction; Sales, marketing and distribution; Tyre technology and products; and Management of the tyre business.

Become a Native e-Induction offers the same orientation programme to all employees. The material gives a good overall picture of Nokian Tyres and its ways to operate.

The sales organization and their partners and other stakeholders are provided with product training material that presents the key product innovations and main sales arguments for tyres. It also includes training material related to the operations of Vianor tyre chain.

The Tyre technology and products section contains comprehensive descriptions of car and heavy tyres. The Management of the tyre business section which is underway, will offer material to support management skills.

Versatile operations promote competence and well-being

Nokian Tyres has continued its popular apprenticeships, the latest of which aims at specialist qualification in product development. In the programme, Nokian Tyres' R&D professionals develop and distribute competence. The company has also arranged extensive job orientation events and coaching for superior and sales duties.

Activities to make inventiveness more systematic and to implement advanced tools have continued at the Nokia plant. At the Russian plant, inventiveness coaches have started their work.

The personnel's exercise opportunities and well-being at work is supported among other things with weekly exercise groups, and new personnel clubs. The company works in close co-operation with occupational health care to develop exercise services and support employees with long-term illnesses. The staff's well-being is annually monitored with surveys focusing on well-being at work and on internal customer satisfaction. Mental well-being is supported by individual and group counselling, as well as by various work time arrangements and personnel events.

Added value from networking

Tampere Business Campus, TBC, is a network set up by companies in the Tampere region in Finland. Nokian Tyres is one of the founding members. Nokian Tyres and other TBC companies have jointly developed new, innovative tools that can be used to distribute competence and information within and between companies. Testifying to Nokian Tyres' strong belief in the benefits of networking is the company's important role in the St. Petersburg Business Campus project, which is a sub-community of TBC operating in the St. Petersburg region in Russia.

Competitive advantage from rewarding

Nokian Tyres has adopted the same key principles for rewarding in all of its units, sales companies and Vianor. Fair and lucrative rewarding is a key element in attracting the best employees and encouraging continuous development. Work tasks are classified according to their demands, and performance is evaluated regularly. Unit-specific pay systems based on performance indicators are used as additional incentives. The total value of rewards is defined, but the forms of rewarding may vary. Among other things, key employees can use childcare service if their child falls ill or have a company car as a fringe benefit.

Consistently planned recruitment

Key principles of the company's recruitment can be adapted to the needs of different countries and units. Creating and maintaining a positive corporate image contributes to the success of recruiting.

Nokian Tyres expects applicants to have a positive outlook on international activities, as well as to show "Hakkapeliitta Spirit", which includes team-mindedness and continuously developing one's own work and competence. Internal career development opportunities are part of the company's HR policy. When hiring new employees, attention is paid to their professional competence, special skills and personality. Outside experts and aptitude tests are used to support recruitment.

ENVIRONMENTAL WELL-BEING PART OF THE SAFETY APPROACH

Nokian Tyres' R&D complies with the principle of sustainable safety. The company's safety approach also includes taking care of environmental safety. The company ensures that its operations do not harm nature or people. Respecting the environment, promoting safety, taking care of well-being and ensuring high quality are important values at Nokian Tyres.

Responsibility means safe and environmentally friendly products and the most advanced production processes in the field. In line with the life cycle approach, environmental matters are already taken into consideration at the raw material procurement and product design. The company also contributes to the recycling and recovery of discarded tyres.

A FORERUNNER IN SAFETY AND ENVIRONMENTAL MANAGEMENT

One of Nokian Tyres' core values is the idea of responsible corporate citizenship and respect for the environment. At Nokian Tyres, environmental issues and safety are key factors in the development, manufacture and marketing. Apart from meeting the requirements and norms of society, Nokian Tyres wants to be a forerunner in environmental and safety matters related to its products, production and logistics. For Nokian Tyres, responsibility means safe and environmentally friendly products, industry-leading production processes, safe work environments and personnel well-being.

Group-wide system as a management tool

EHSQ management covers environmental management, personnel and property protection and quality management. The aim is to prevent accidents in all operations and ensure flawless production. The development of activities relies on best practices and advanced solutions and is based not only on financial aspects, but also on human values and responsibility. The entire life-cycle of a product is taken into account, from material selections to product use to disposal, including the whole subcontracting chain.

Safety management is supported by risk management, continuous process development and new investments. The Nokia plant's system is certified in accordance with the EU's EMAS (EcoManagement and Audit Scheme) regulation. In addition, the Finnish and Russian plants are certified in accordance with the international environmental system standard ISO 14001 and the international quality system standard ISO 9001.

With regard to the long-term development of safety and environmental issues, Nokian Tyres can be considered a forerunner in the tyre industry. Nokian Tyres was the first tyre manufacturer to completely eliminate high-aromatic oils from its rubber compounds, as well as all chemicals classified in the European system as carcinogenic or hazardous (T, T+) from its production processes. Furthermore, Nokian tyres are also top-of-the line in terms of safety and environmental impacts during use, which is proven by a number of independent comparison tests.

Sustainable development

In safety management the emphasis on supervisory work, working instructions and risk management was continued. As a result the accident and sickness statistics improved slightly in production. The only major accident took place in Vianor in Sweden, when a car tyre exploded while a defective rim of a car was repaired. The reason was a chemical tyre sealant, that had been used in the tyre earlier, which started to smoulder inside the tyre during the repair. Nokian Tyres and Vianor have regularly informed customers of risks related to explosion hazards of heavy tyres. The internal instructions are further improved according to the information related to this accident. The accident has caused a lot of discussion within the tyres business on the overall safety and usability of chemical tyre sealants.

Improvements on environmental issues

Nokian Tyres was mostly able to fulfil all environmental demands and regulations. In the environmental measurements there were no crossings with the set limits, neither significant deviations in the operations. The new recycling channel for unvulcanized rubber waste kept the overall recycling rate of the Nokian factory on a high level, preliminary estimation being over 95%. Development of waste handling still continues in the Russian factory, as the local recycling possibilities do not fulfil the long term goals. Due to the stabilisation of processes and the realised development projects the comparable amount of waste was decreased by 14% from the previous year in Russia.

The biggest challenge for 2008 was the new chemicals legislation (REACH) in EU. The implementation went very well in Nokian Tyres. This was mostly credited to prior long-term development, and the overall safety of the chemicals currently used. Ongoing project to reduce VOC emissions caused by solvents was continued at the Nokia plant.

The operations system was developed following the feedback collected in the external and internal audits. Actions have been taken to furhter improve the usability of the group-wide system.

FROM RUNNING TO RECYCLING

Whether you use a mid-sized family car for long daily trips to work, drive a log truck on icy and winding forest roads, keeping to a tight schedule, or skilfully manoeuvre a giant forestry machine in difficult terrain, your own experience will tell you whether Nokian-branded tyres were the right choice.

Did the tyres retain their grip on ice and snow, in slush and on wet asphalt? Were they comfortable and easy to use? Did you feel safe and confident? Did easily rolling tyres bring you savings in fuel costs? Did the product promise – durability for demanding professional use – hold? These are the questions you will be thinking about when it is time to change your old and worn tyres for new ones.

Discarded tyres are far from worthless; however, their life continues in different types of recycling uses. Your old tyres may continue to serve you as a binding agent in the asphalt under your brand-new Hakkapeliitta tyres or protect your home from motorway noise in the form of a noise wall.

Have a safe trip!

Photo: Suomen Rengaskierrätys Oy

Petteri Walldén, year of birth: 1948

Master of Science (Engineering). Member of the Board since 2005. Independent of the company. Shares: 7 185 pcs. Other simultaneous positions of trust: Member of the Boards: Alteams Oy, Empower Oy, eQ Oyj, Kuusakoski Oy, SE Mäkinen Logistics Oy and Tikkurila Oy

Kim Gran, year of birth: 1954

President and CEO of Nokian Tyres plc. Member of the Board since 2002. Shares: 19 000 pcs; bonds with warrants, pcs: 2004C 12 000; 2007A 190 000, 2007B 160 000. Other simultaneous positions of trust: Chairman of the Board of the Rubber Manufacturer's Association; Member of the Boards: Finnish-Russian Chamber of Commerce (FRCC), Konecranes plc, Chemical Industry Federation of Finland (Vice Chairman) and YIT Plc. Member of the Supervisory Board: Ilmarinen

Hille Korhonen, year of birth: 1961

Licentiate of Science (Technology). VP operations, Fiskars Corporation. Member of the Board since 2006. Independent of the company. Shares: 2 293 pcs. Other simultaneous positions of trust: Member of the Board: Mint of Finland

Hannu Penttilä, year of birth: 1953

Master of Laws. CEO, Stockmann plc. Member of the Board since 1999. Independent of the company. Shares: 3 921 pcs. Other simultaneous positions of trust: Chairman of the Board: Oy Hobby Hall Ab, Lindex AB, Seppälä Oy, Suomen Pääomarahoitus Oy and Oy Stockmann Russia Holding AB; Member of the Boards: Chairman of the Board; The Central Chamber of Commerce of Finland, Federation of Finnish Commerce (Vice President). Member of the Supervisory Boards: Mutual Insurance Company Kaleva, Varma Mutual Pension Insurance Company and Luottokunta (Vice President)

Koki Takahashi, year of birth: 1957

B.A. (Economics). Vice President & Officer, CFO, Finance Bridgestone Corporation. Member of the Board since 2006. Shares: 2 293 pcs

Aleksey Vlasov, year of birth: 1957

Medical doctor. Vice President, Synttech Group. Member of the Board since 2006. Independent of the company. Shares: 2 293 pcs

Kai Öistämö, year of birth: 1964

Doctor of Technology (Signal Processing), Master of Science (Engineering). Executive Vice President, Devices, Nokia. Member of the Board since 2008. Independent of the company. Shares: 538 pcs

Kim Gran, year of birth: 1954

President and CEO. Bachelor of Science in Economics. With the company from 1995. Shares: 19 000; Bonds with warrants: 2004C 12 000, 2007A 190 000, 2007B 160 000

Alexej von Bagh, year of birth: 1968

Vice President, COO of Vianor Holding Oy. Master of Science (Eng.). With the company from 1995. Shares: 1 750; Bonds with warrants: 2007A 38 000, 2007B 30 000

Esa Eronen, year of birth: 1957

Vice President, Production Service. Technology Engineer. With the company from 1988. Shares: 5 000; Bonds with warrants: 2007A 28 000, 2007B 30 000

Sirkka Hagman, year of birth: 1958

Vice President, HR and EHSQ. Master of Science; Licentiate of Administrative Science. With the company from 1980. Shares: 400; Bonds with warrants: 2004B 3 500, 2004C 2 600, 2007A 25 000, 2007B 20 000

Rami Helminen, year of birth: 1966

Vice President, Car Tyres. Master of Economic Sciences. With the company from 1990. Shares: 3 000; Bonds with warrants: 2004C 4 500, 2007A 95 000, 2007B 80 000

Raila Hietala-Hellman, year of birth: 1952

Vice President, Communications. Diploma in Business and Administration. With the company from 1979. Shares: 3 000; Bonds with warrants: 2004C 2 600, 2007A 21 000, 2007B 10 000

Teppo Huovila, year of birth: 1963

Vice President, R & D. Master of Science, MBA. With the company from 1989. Shares: 1 000; Bonds with warrants: 2004C 1 750, 2007A 17 020, 2007B 20 000

Antero Juopperi, year of birth: 1954

Senior Vice President, Emerging Markets, R&D. Master of Sciences (Organic Chemistry). With the company from 1992. Bonds with warrants: 2007A 58 000, 2007B 35 000

Seppo Kupi, year of birth: 1950

Managing Director, Vianor Holding Oy. Engineer. With the company from 1974. Shares: 3 830; Bonds with warrants: 2007A 33 000, 2007B 30 000

Kari-Pekka Laaksonen, year of birth: 1967

Vice President, Sales and Logistics. Master of Science (Eng.). With the company from 2001. Shares: 5 000; Bonds with warrants: 2004C 5 000, 2007A 90 000, 2007B 80 000

Anne Leskelä, year of birth: 1962

Vice President, Finance and Control & IR. Master of Economic Sciences. With the company from 1997. Shares: 1 000; Bonds with warrants: 2004C 2 000, 2007A 40 000, 2007B 30 000

Raimo Mansikkaoja, year of birth: 1962

Vice President, ICT & Corporate Development. Master of Science, MBA. With the company from 1995. Shares: 2 500; Bonds with warrants: 2004C 500, 2007A 25 000, 2007B 20 000

Jukka Mäkelä, year of birth: 1974

Vice President, Strategy. M.Sc. in Ecomics and Business Administration. With the company from 2007. Bonds with warrants: 2007A 28 000, 2007B 20 000

Jarmo Puputti, year of birth: 1965

Director, Nokian Heavy Tyres Ltd. Master of Science (Eng.). With the company from 2008. Bonds with warrants: 2007A 5 900, 2007B 50 000

Manu Salmi, year of birth: 1975

Vice President, Procurement. Master of Military Sciencis, M.Sc. Economics. With the company from 2001. Bonds with warrants: 2004C 1 600, 2007A 15 000, 2007B 20 000

Tapani Silvonen, year of birth: 1962

Professional employees Engineer. With the company from 1996. Bonds with warrants: 2004C 300, 2007A 2 200, 2007B 2 000

Tarja Snellman, year of birth: 1952

International Department Union of Salaried Employees TU. With the company from 1970. Shares: 500; Bonds with warrants: 2004B 50, 2004C 120, 2007A 850, 2007B 500

Petri Sorvali, year of birth: 1969

Chief Shop Steward. With the company from 1997. Bonds with warrants: 2007A 150, 2007B 125

Hannu Teininen, year of birth: 1960

Vice President, Truck tyres. Engineer, MBA. With the company from 1984. Shares: 2 000; Bonds with warrants: 2007A 25 000, 2007B 20 000

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Middle row: Tarja Snellman, Sirkka Hagman, Raila Hietala-Hellman, Anne Leskelä, Hannu Teininen, Manu Salmi
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NOKIAN TYRES PLC | FINANCIAL REVIEW 2008

FINANCIAL REVIEW 2008

Contents

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

CONSOLIDATED KEY FINANCIAL INDICATORS

Figures in EUR million unless otherwise indicated	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002	FAS 2001	FAS 2000	FAS 1999
Net sales	1,080.9	1,025.0	835.9	686.5	603.3	602.2	528.7	479.2	423.4	398.5	322.6
growth, %	5.5%	22.6%	21.8%	13.8%	14.1%	13.9%	10.3%	13.2%	6.3%	23.5%	28.4%
Operating profit before depreciation	303.1	281.1	193.9	151.4	148.9	146.8	115.1	95.0	81.9	68.4	61.9
Depreciation	56.2	47.1	40.8	35.6	33.4	38.7	36.0	34.9	31.3	28.9	19.8
Operating profit	247.0	234.0	153.1	115.8	115.6	108.1	79.1	60.1	50.5	39.4	42.1
% of net sales	22.8%	22.8%	18.3%	16.9%	19.2%	18.0%	15.0%	12.5%	11.9%	9.9%	13.1%
Profit before tax	173.8	213.8	139.3	112.6	103.0	99.9	69.6	48.0	37.0	27.2	35.5
% of net sales	16.1%	20.9%	16.7%	16.4%	17.1%	16.6%	13.2%	10.0%	8.7%	6.8%	11.0%
Return on equity, %	18.8%	26.6%	20.9%	22.2%	31.3%	24.3%	20.8%	16.9%	14.3%	13.7%	23.6%
Return on capital employed, %	22.9%	27.8%	22.7%	21.4%	28.1%	27.5%	22.3%	17.1%	14.3%	12.1%	16.9%
Total assets	1,420.4	1,155.4	884.7	797.4	578.4	553.8	476.1	450.9	459.8	464.0	391.8
Interest-bearing net debt (1	319.0	102.0	126.9	119.5	163.3	107.4	100.0	122.5	158.2	182.1	170.4
Equity ratio, %	54.8%	61.8%	63.0%	59.1%	46.4%	48.3%	44.4%	38.9%	32.4%	28.3%	30.9%
Gearing, % (1	41.0%	14.3%	22.8%	25.4%	60.9%	35.4%	40.5%	57.9%	85.5%	108.9%	140.6%
Net cash from operating activities	18.4	169.9	106.6	30.2	56.9	56.9	79.0	69.3	70.8	26.6	22.3
Capital expenditure	181.2	117.1	97.0	119.6	57.8	57.8	44.2	26.0	45.3	67.5	85.7
% of net sales	16.8%	11.4%	11.6%	17.4%	9.6%	9.6%	8.4%	5.4%	10.7%	16.9%	26.6%
R&D expenditure	12.5	11.5	9.0	9.3	9.8	9.6	8.3	8.5	8.3	8.3	7.8
% of net sales	1.2%	1.1%	1.1%	1.4%	1.6%	1.6%	1.6%	1.8%	2.0%	2.1%	2.4%
Dividends (proposal)	49.9	62.3	38.0	27.9	25.9	25.9	16.7	11.7	8.8	6.9	9.0
Personnel, average during the year	3,812	3,462	3,234	3,041	2,843	2,843	2,650	2,663	2,636	2,462	2,023

PER SHARE DATA

	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002	FAS 2001	FAS 2000	FAS 1999
Earnings per share, euro	1.12	1.37	0.88	0.70	0.69	0.62	0.45	0.32	0.24	0.19	0.25
growth, %	-18.3%	55.7%	27.0%	1.2%	53.2%	38.9%	41.3%	33.2%	26.9%	-25.2%	23.0%
Earnings per share (diluted), euro	1.10	1.31	0.86	0.68	0.67	0.60	0.44	0.31	0.24	0.19	0.25
growth, %	-15.6%	52.6%	26.9%	1.6%	52.3%	38.1%	39.5%	31.9%	26.5%	-25.2%	23.0%
Cash flow per share, euro	0.15	1.38	0.88	0.26	0.53	0.53	0.74	0.65	0.67	0.25	0.21
growth, %	-89.3%	57.7%	243.7%	-51.8%	-28.9%	-28.9%	13.7%	-2.2%	165.8%	17.8%	4.1%
Dividend per share, euro (proposal)	0.40	0.50	0.31	0.23	0.22	0.22	0.16	0.11	0.08	0.06	0.09
Dividend pay out ratio, % (proposal)	35.7%	36.9%	35.4%	33.8%	35.1%	38.7%	35.0%	35.0%	34.9%	34.7%	34.4%
Equity per share, euro	6.20	5.76	4.56	3.89	2.47	2.46	1.98	1.66	1.41	1.24	1.15
P/E ratio	7.0	17.5	17.6	15.3	16.3	18.0	13.4	10.7	14.7	9.5	15.1
Dividend yield, % (proposal)	5.1%	2.1%	2.0%	2.2%	1.9%	1.9%	2.6%	3.3%	2.4%	3.6%	2.3%
Market capitalisation 31 December	987.5	2,974.9	1,893.9	1,288.6	1,213.4	1,213.4	639.9	359.7	371.3	189.4	398.6
Average number of shares during the year, million units	124.61	122.95	121.63	118.57	107.46	107.46	106.19	105.82	105.82	105.69	104.22
diluted, million units	131.47	129.09	125.15	121.96	110.91	110.91	108.98	107.22	106.12	105.69	104.22
Number of shares 31 December, million units	124.85	123.70	122.03	121.00	108.53	108.53	106.82	105.82	105.82	105.82	105.45
Number of shares entitled to a dividend, million units	124.85	124.63	122.65	121.09	119.37	119.37	106.84	105.82	105.82	105.82	105.45

1) capital loan included in equity (only in FAS, years 2000–2004)

Definitions

Return on equity, % = $\dfrac{\text{Profit for the period x 100}}{\text{Total equity (average)}}$

Return on capital employed, % = $\dfrac{\text{Profit before tax + interest and other financial expenses x 100}}{\text{Total assets – non-interest-bearing debt (average)}}$

Equity ratio, % = $\dfrac{\text{Total equity x 100}}{\text{Total assets – advances received}}$

Gearing[1], % = $\dfrac{\text{Interest-bearing net debt}^{1}\text{ x 100}}{\text{Total equity}^{1}}$

Earnings per share, euro = $\dfrac{\text{Profit for the period attributable to the equity holders of the parent}}{\text{Average adjusted number of shares during the year}}$

Earnings per share (diluted[2]), euro = $\dfrac{\text{Profit for the period attributable to the equity holders of the parent}}{\text{Average adjusted and diluted}^{2}\text{ number of shares during the year}}$

Cash flow per share, euro = $\dfrac{\text{Cash flow from operations}}{\text{Average adjusted number of shares during the year}}$

Dividend per share, euro = $\dfrac{\text{Dividend for the year}}{\text{Number of shares entitled to a dividend}}$

Dividend pay-out ratio, % = $\dfrac{\text{Dividend for the year x 100}}{\text{Net profit}}$

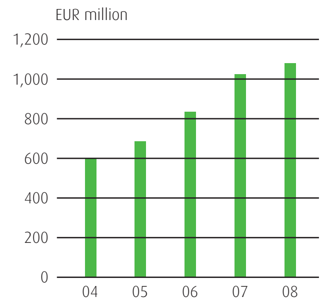
Equity per share, euro = $\dfrac{\text{Equity attributable to equity holders of the parent}}{\text{Adjusted number of shares on the balance sheet date}}$

P/E ratio = $\dfrac{\text{Share price, 31 December}}{\text{Earnings per share}}$

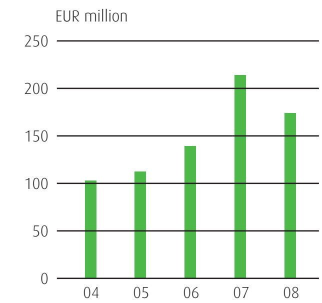
Dividend yield, % = $\dfrac{\text{Dividend per share}}{\text{Share price, 31 December}}$

1) capital loan included in equity (only in FAS, years 2000–2004)
2) the share options affect the dilution as the average share market price for the financial year exceeds the defined subscription price

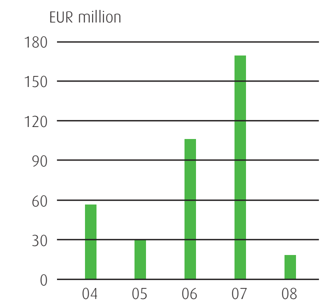
Net sales



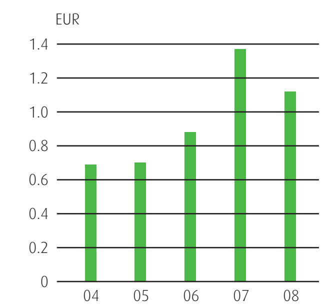
Profit before tax



Cash flow from operating activities



Earnings per share (EPS)



Net sales of the Nokian Tyres Group were up by 5.5% in 2008, i.e. EUR 1,080.9 million (2007: EUR 1,025.0 million). Operating profit was EUR 247.0 million (EUR 234.0 million). EPS were EUR 1.12 (EUR 1.37), and profit for the period was EUR 139.9 million (EUR 168.9 million). The Board of Directors proposes a dividend of EUR 0.40 (EUR 0.50) per share. The financial crisis makes it difficult to draw up precise forecasts for demand for the full year 2009. The company expects the first-quarter net sales and operating profit to be clearly below the previous year.

Kim Gran, President and CEO:

"On the annual level, the sales and operating profit of Nokian Tyres improved, although the last quarter was clearly weaker year-over-year. Sales and market shares grew in all key markets, especially in Russia and the Ukraine. Sales also grew in the Nordic countries and North America. The Vianor chain expanded as planned and now consists of over 500 outlets. Most of the sales receivables due for payment were repatriated.

The steep slowdown in the global economy reduced clearly the demand for tyres at the end of 2008 in all product groups. We started to adjust our operations and cost structure decisively to comply with weaker demand. We have implemented price increases to cover changes in exchange rates and are now in a good position to face a period of economic slowdown. We have a strong balance sheet, good profitability and high market shares in our key markets. Our focus in 2009 will be on securing cash flow and managing risks. Nokian Tyres has good opportunities to boost its market position. It is our target to increase our market shares and return to a growth path as soon as the economic business environment stabilises".

Market situation

The replacement market for passenger car tyres grew strongly in the first half of the year in Russia and other CIS countries, but all markets began to slide in the latter part of the year. The decline in the global economy, falling oil prices and the bank crisis led to a steep fall in tyre demand in the last quarter, especially in Russia and other CIS countries. The growth in the car trade, which had boosted the positive development in the tyre market, dried up in the fourth quarter.

In annual terms, the tyre markets decreased slightly in the Nordic countries and elsewhere in Western Europe. No significant changes took place in the Eastern European market. In North America, the winter tyre market grew as a result of the new winter tyre regulation that took effect in Quebec. The slowdown in the global economy reduced the manufacture of industrial machinery and equipment suffering a decline in the demand for heavy tyres, i.e. forestry tyres.

Several tyre manufacturers raised prices over the year in response to the higher raw material prices. At the end of the year, the prices of raw materials plunged and are estimated to continue to fall in 2009.

The risks in Russia and other CIS countries have increased, and growth has stopped. The 7% growth in Russia's GDP recorded in 2008 is expected to fall to 0% in 2009. It is, as yet, impossible to fully predict the repercussions of the financial crisis for car and tyre demand in 2009. According to current estimates, the sales of new cars will decrease by 20–30%.

January to December 2008

In the period from January to December 2008, the Nokian Tyres Group booked net sales of EUR 1,080.9 million (2007:EUR 1,025.0 million; 2006:EUR 835.9 million), representing an increase of 5.5% over the corresponding period a year earlier. The Group's invoicing to the Nordic countries grew by 1.5%, to Russia and the other CIS countries by 12.3% and to the USA by 11.9% over the previous year. Invoicing to Eastern Europe was down 5.2%.

Raw material purchase prices in manufacturing (EUR/kg) increased by 8.5% compared to the previous year. Price increases and a good sales mix resulted in average manufacturing prices/kg rising by 1.1% (8.3%). Fixed costs amounted to EUR 309.6 million (EUR 277.4 million), accounting for 28.6% (27.1%) of net sales.

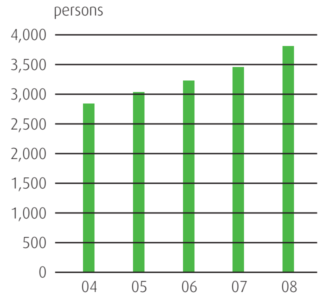
Nokian Tyres Group's operating profit was EUR 247.0 million (2007:EUR 234.0 million; 2006:EUR 153.1 million). The figure comprises a provision for losses on loans and advances amounting to EUR 6.4 million (EUR 5.8 million). In compliance with IFRS, the operating profit for the review period was burdened by an option scheme non-cash write-off of EUR 18.6 million (EUR 13.3 million). Operating profit is also weakened by a recognised expense of EUR 3.7 million, which was made to cover the notice costs resulting from the statutory negotiations carried out at the end of 2008. Operating profit percentage was 22.8% (2007:22.8%; 2006:18.3%).

Net financial expenses were EUR 73.2 million (EUR 20.2 million). Financial expenses include EUR 7.3 million (EUR 3.6 million) in calculatory non-cash expenses related to convertible bonds. Net financial expenses contain EUR 43.8 million (EUR -3.1 million) of exchange rate differences.

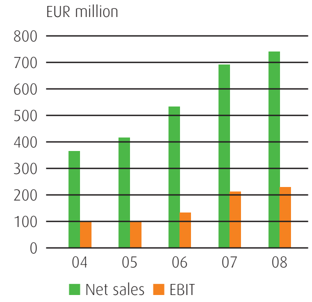
Profit before tax was EUR 173.8 million (EUR 213.8 million). The Group's tax rate was 19.5% (21.0%). Profit for the period amounted to EUR 139.9 million (EUR 168.9 million), and EPS were EUR 1.12 (EUR 1.37).

Return on net assets (RONA, rolling 12 months) was 20.5% (24.2%). Return on equity was 18.8% (2007:26.6%; 2006:20.9%). Income financing after the change in working capital, investments and the disposal

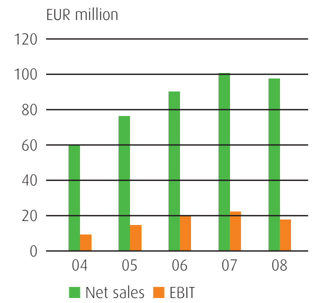
Average number of personnel



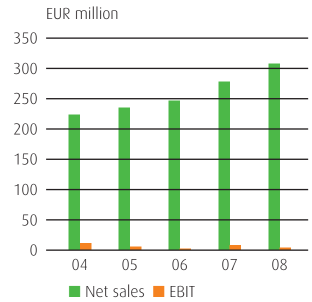
Car Tyres net sales and EBIT



Heavy Tyres net sales and EBIT



Vianor net sales and EBIT



of fixed assets (cash flow II) was EUR 9.5 million (EUR 105.6 million). Equity ratio was 54.8% (2007:61.8%; 2006:63.0%).

The Group employed an average of 3,812 (2007:3,462; 2006:3,234) people over the period, and 3,784 (2007:3,535; 2006:3,297) at the end of it. The Vianor tyre chain had 1,440 (2007:1,241; 2006:1,279) employees at the end of the period. The number of employees in Russia was 684 (2007:511; 2006:322). Wages and salaries totalled EUR 137.2 million (2007:EUR 125.4 million; 2006:EUR 104.7 million).

R & D

The goal of Nokian Tyres is for new products to account for at least 25% of annual net sales. The development of a brand-new passenger car tyre takes 2 to 4 years. Approximately one-half of R&D investments are allocated to product testing. Nokian Tyres R & D costs in 2008 totalled EUR 12.5 million (2007:EUR 11.5 million; 2006:EUR 9.0 million), which is 1.2% (2007:1.1%; 2006:1.1%) of the Group's net sales.

Tax rate

The company's tax rate has decreased as a consequence of tax reliefs in Russia. The tax relief is valid for as long as the company accrues tax on yields corresponding to the amount of the Russian investment, and for two years thereafter.

Due to changes in tax and incentive legislation in Russia, payments of incentives were interrupted in 2008. All agreements related to the tax incentives have been updated in compliance with new legislation which became effective during Q4/2008. The authorities have recognised its liabilities and pledged to pay in full the outstanding payments. At the end of 2008 receivables contained a 638 million Rouble receivable from Leningrad Oblast. The total outstanding debt is 929 million Rouble.

CAR TYRES

The net sales of Nokian car tyres in January to December totalled EUR 741.6 million (EUR 691.2 million), up 7.3% from the previous year. Operating profit was EUR 230.0 million (EUR 212.0 million), and the operating profit percentage was 31.0% (30.7%).

Overall sales grew in 2008, and operating profit improved over the previous year. Sales increased especially in Russia and the Ukraine, and market shares rose in all key markets. However, Russian sales fell short of expectations due to the weaker last quarter of the year. In the Nordic countries and in North America, sales improved from the previous year. The average prices of tyres increased by 2% year-on-year.

The best-selling winter tyre products were the studded Nokian Hakkapeliitta 5 tyre, as well as the Nokian Hakkapeliitta R friction tyre, which saw its first season of sales to consumers. Both tyres received several test wins in tyre comparison tests performed by trade magazines in the Nordic countries and Russia. Winter tyres accounted for 77.7% (83.9%) and new products for 31.4% (53.0%) of the unit's net sales.

The production volume rose as planned due to capacity increase at the Russian plant. Weaker demand raised inventory levels in the fourth quarter, and measures to adjust production in line with the demand started in December.

To avoid risks related to receivables, Nokian Tyres withdrew EUR 24 million worth of tyres from customers in Russia, the Ukraine and Kazakhstan. Most of the sales receivables due for payment were repatriated by the end of the year, and for the rest, payment plans were made jointly with customers.

HEAVY TYRES

The January–December net sales of Nokian Heavy Tyres totalled EUR 97.7 million (EUR 100.8 million), down 3.0% on the corresponding period of the previous year. Operating profit was EUR 17.7 million (EUR 22.3 million), and the operating profit percentage was 18.1% (22.1%).

Heavy tyres sold well in the first half of the year in all product groups. The slowdown in machinery and equipment manufacture began to reduce demand, especially for forestry tyres, in the second half. The focus of manufacture was shifted in line with demand to tyres for harbour and mining machinery and to special tyres for agricultural and industrial machinery. In November and December, the demand for these products also dropped clearly. The demand for radial agricultural tyres has remained nearly unchanged from the previous year.

Measures to adapt production to demand were initiated at the end of the year. Tyre prices were raised following an increase in material and raw material prices.

Original equipment installation represented 50.0% (42.0%) of the unit's net sales.

VIANOR

Vianor's net sales in January to December were EUR 308.3 million (EUR 278.5 million), up 10.7% on the previous year. Operating profit was EUR 4.4 million (EUR 8.4 million), and the operating profit percentage was 1.4% (3.0%).

Vianor's sales increased in the last quarter and over the whole review period. Sales growth came from the chain expanding in Switzerland and the USA. Sales also increased in Finland. Service sales accounted for a bigger share than the previous year. Vianor's market shares remained at the previous year's levels.

The mild winter with reduced sales in combination with weaker currences in Sweden and Norway limited growth and reduced profits.

Costs related to the expansion and structural cost remained too high in relation to sales. Vianor continued its cost reduction measures and restructuring in the equity owned outlets simultaneously expanding rapidly the franchise. The target of creating a superior franchise based distribution network in core markets for Group products proceeded in line with plans.

At the end of the review period, the Vianor network comprised 507 outlets in 15 countries, i.e. in Nordic countries, Russia, the Ukraine, Kazakhstan, Armenia, the Baltic countries, the USA and Central Europe. Of these, 327 were partner and franchising outlets. Over the year, the chain opened 141 new outlets, 38 of which saw daylight in the last quarter. Expanding the partner network will continue as planned in 2009.

OTHER OPERATIONS

Truck tyres

The January–December net sales of Nokian truck tyres were EUR 33.4 million (EUR 32.8 million), up 1.7% on the previous year. The sales of new truck tyres increased especially in Russia, the Ukraine and elsewhere in Eastern Europe. New products, such as Nokian Hakkapeliitta Truck E, were well received in the Nordic countries. The sales of retreading materials were down from the previous year, as a result of a drop in transports.

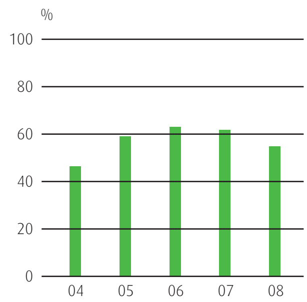
INVESTMENTS

Investments in the fourth quarter amounted to EUR 67.0 million (EUR 34.1 million) and EUR 181.2 million (EUR 117.1 million) for the entire year 2008. EUR 121.0 million (EUR 92.0 million) was spent on the Russian plant's expansion. Other investments included production investments at the Nokia plant, moulds for new products, and business acquisitions associated with Vianor's growth plans.

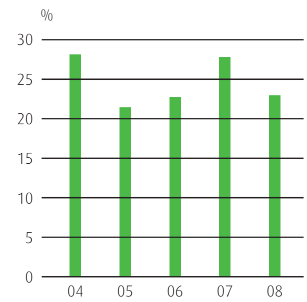
RUSSIA AND THE CIS COUNTRIES

In 2008, sales in Russia and the CIS countries amounted to EUR 382.4 million (EUR 340.3 million). Sales were up 12.3% on the previous year, and the market shares improved. The distribution network was extended by signing additional distribution agreements and through Vianor's activities. A total of 260 Vianor franchise outlets were in operation in Russia and CIS at the year end 2008.

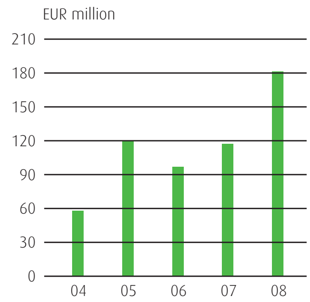
Equity ratio



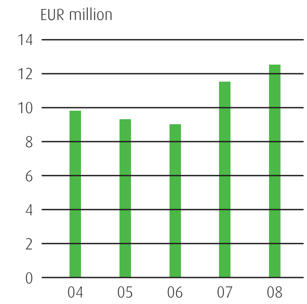
Return on net assets



Gross investment



R & D expenses



The number of production lines at the Russian plant increased in the second quarter. The plant now has six lines, which run constantly in three shifts. The plant's production volume and quality were on target. Production capacity increased on schedule, and the new lines were launched into full-scale operation at the beginning of the third quarter. The seventh production line installed in the fourth quarter was left unmanned for now, due to weak demand.

The roofing ceremonies of the mixing department and the product warehouse were celebrated at the end of the review period. The installation of mixing equipment started in November 2008, as scheduled. Part of the warehouse expansion became available for use in late 2008. The Hakkapeliitta Village, a housing area for the staff, is also under construction.

KAZAKHSTAN

The tyre factory construction project, on which an agreement was signed with the Kazakhstanian conglomerate Ordabasy Corporation JSC in 2007, was put on hold in mutual agreement due to tighter financing conditions. The project may be launched, at the earliest, in late 2010. An agreement has been made to return the advance payment for technical support, totalling EUR 12 million, to Ordabasy.

OTHER MATTERS

1. Stock options on the Main List of the Helsinki Stock Exchange

The Board of Directors of Nokian Tyres plc has decided to apply for the listing of stock options 2004C on the Helsinki Stock Exchange effective as of 1 March 2008.

There are a total of 245,000 2004C stock options. Each of them entitles the holder to subscribe for ten Nokian Tyres plc shares. The subscription period for options 2004C commenced on 1 March 2008 and expires on 31 March 2010. The total number of shares available for subscription with options 2004C is 2,450,000. The current subscription price with stock options 2004C is EUR 11.78/share. The annually paid dividends shall be deducted from the share subscription price.

2. Shares subscribed for with stock options

After the increase in share capital registered on 20 December 2007, a total of 898,690 shares were subscribed for with the 2004A stock options attached to the Nokian Tyres' Option Scheme of 2004 and 35,730 shares with the 2004B options. The increase in share capital resulting from the subscription, EUR 186,884, was entered in the Trade Register on 26 February 2008. Trading of the shares, along with the old shares, began on 27 February 2008. Following the increase, the number of Nokian Tyres shares is 124,630,700 and the share capital is EUR 24,926,140.

After the increase in share capital registered on 26 February 2008, a total of 192,150 shares were subscribed for with the 2004A stock options attached to the Nokian Tyres' Option Scheme of 2004, 3,130 shares with the 2004B options and 1,560 shares with the 2004C options. As a result of the subscriptions, an increase in share capital totalling EUR 39,368 was entered in the Trade Register on 20 May 2008.

Trading of the shares, along with the old shares, began on 21 May 2008. Following the increase, Nokian Tyres has a total of 124,827,540 shares and a share capital of EUR 24,965,508.

After the increase in share capital registered on 20 May 2008, a total of 2,550 shares were subscribed for with the 2004B stock options attached to the Nokian Tyres' Option Scheme of 2004 and 1,100 shares with the 2004C stock options. The increase in share capital resulting from the subscription, EUR 730, was entered in the Trade Register on 20 August 2008. Trading of the shares, along with the old shares, began on 21 August 2008. Following the increase, the number of Nokian Tyres shares is 124,831,190, and the share capital is EUR 24,966,238.

After the increase in share capital registered on 20 August 2008, a total of 6,650 shares were subscribed for with the 2004B stock options attached to the Nokian Tyres' Option Scheme of 2004 and 3,350 shares with the 2004C stock options. The increase in share capital resulting from the subscription, EUR 2,000, was entered in the Trade Register on 12 November 2008. Trading of the shares, along with the old shares, began on 13 November 2008. Following the increase, the number of Nokian Tyres shares is 124,841,190 and the share capital is EUR 24,968,238.

After the increase in share capital registered on 12 November 2008, a total of 4,800 shares were subscribed for with the 2004B stock options attached to the Option Scheme of 2004. The increase in share capital resulting from the subscription, EUR 960, was entered in the Trade Register on 9 December 2008. Trading of the shares, along with the old shares, began on 10 December 2008. Following the increase, the number of Nokian Tyres shares is 124,845,990 and the share capital is EUR 24,969,198.

3. Share price development

Nokian Tyres' share price was EUR 7.91 at the end of the review period (EUR 24.05). The average share price during the period was EUR 22.62 (EUR 23.11), the highest EUR 33.73 (EUR 29.92) and the lowest EUR 7.17 (EUR 13.99). A total of 309,290,887 shares were traded during the period (236,332,864), representing 248% (191%) of the company's overall share capital. The company's market value at the end of the period was EUR 987 million (EUR 2.975 billion). Finnish nationals accounted for 41.0% (27.6%) and foreign nationals registered in the nominee register for 59.0% (72.4%) of the company's shareholders. The latter figure includes Bridgestone's ownership of approximately 16%.

4. Decisions made at the Annual General Meeting

The Annual General Meeting of Nokian Tyres held on 3 April 2008 approved the profit and loss statement for 2007 and discharged the Board of Directors and the President from liability. The final dividend was set at EUR 0.50 per share. The record date was 8 April 2008 and the payment date on 15 April 2008.

4.1 Board of Directors and auditor

The number of Board members was set at seven. Kim Gran, Hille Korhonen, Hannu Penttilä, Koki Takahashi, Aleksey Vlasov and Petteri Walldén will continue as Board members. Kai Öistämö was elected as a new member of the Board. At its meeting held after the Annual General Meeting, the Board elected Petteri Walldén as Chairman of the Board.

Authorised public accountants KPMG Oy Ab continue as auditors.

4.2 Remuneration of the Board members

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

A decision was made to follow existing practices and pay 60% of the annual fee in cash and 40% in company shares, so that in the period from 4 April to 30 April 2008, EUR 28,000 of Nokian Tyres plc shares will be purchased at the stock exchange on behalf of the Chairman of the Board and EUR 14,000 of shares on behalf of each Board member. This decision means that the final remuneration paid to Board members is tied to the company's share performance. No separate compensation will be paid to the President and CEO for Board work.

4.3 Amendments to the Articles of Association

The Annual General Meeting decided to make the following amendments to the Articles of Association:

- Sections 3 and 4 of the present Articles of Association will be removed and the numbering will be revised correspondingly.
- Section 5 of the Articles of Association will be changed to the following: "The company's shares belong to the book-entry securities system."
- Section 8 of the Articles of Association will be changed to the following: "Both the Managing Director and the Chairman of the Board may represent the company alone, and the Members of the Board, two together."
- Section 10 of the Articles of Association will be changed to the following: "The company will have one auditor, who must be approved by the Central Chamber of Commerce. The term of office of the auditor ends with the election of the following auditor at the Annual General Meeting."
- Section 11 of the Articles of Association will be changed to the following: "The invitation to the Annual General Meeting must be published no earlier than three months and no later than one week before the date referred to in Chapter 4, section 2, subsection 2 of the Limited Liabilities Companies Act, in accordance with the Board decision, on the company's website and in one national and in one Tampere regional daily newspaper."
- Section 12 of the Articles of Association will be changed to the following: "In order to participate in the Annual General Meeting, shareholders must inform the company no later than the day stated in the meeting invitation, which may be no earlier than ten days before the meeting. The method of voting is determined by the chairman of the Annual General Meeting."
- Section 13 of the Articles of Association will be changed to the following: "The Annual General Meeting must be held annually on a date specified by the Board of Directors before the end of May. The Annual General Meeting is held in accordance with the decision by the Board, either at the registered office of the company or in Tampere or in Helsinki."

The Annual General Meeting must present

1. the annual accounts, including the profit and loss account, balance sheet and annual report,
2. the auditor's report; must decide on
3. the confirmation of the company's annual accounts,
4. the use of profit based on the balance sheet,
5. the discharge from liability of the Board members and the Managing Director,
6. the remuneration for the Board members and auditor,
7. the number of Board members must elect
8. the Board members,
9. the auditor.

- Section 14 of the Articles of Association will be changed to the following: "The annual accounts, the Board's annual report and other documents relating to company operations must be submitted to the auditor by the end of March, and the auditor must submit his/her report to the Board before 15th April."

5. Changes in share ownership

On 5 May 2008, Nokian Tyres received a notification from Grantham, Mayo, Van Otterloo & CO LLC, according to which Grantham, Mayo, Van Otterloo & Co LLC's holding in Nokian Tyres had dropped under the limit of 5 per cent as a consequence of the share transaction on 30 April

2008. Grantham, Mayo, Van Otterloo & Co LLC now holds a total of 6,220,002 Nokian Tyres' shares, which represents 4.99% of the company's 124,630,700 shares and voting rights.

On 16 October 2008, Nokian Tyres was notified of the ownership of Varma Mutual Pension Insurance Company (business ID 0533297–9) exceeding the 5-percent limit following share transactions carried out on 16 October 2008. Varma Mutual Pension Insurance Company announced its ownership of 6,870,657 Nokian Tyres shares, which represents 5.50% of the company's 124,831,190 shares and voting rights.

6. Adjustment measures and cost-cutting programme

At the turn of the year, Nokian Tyres initiated measures to adjust its production and structure, the goal being to improve productivity and achieve annual cost savings of approximately EUR 50 million. The company informed about the statutory negotiations related to these issues in stock exchange releases on 31 October, 9 December and 19 December 2008.

The measures taken to date have been a 10-day layoff at the Nokia plant in Finland at the turn of the year and the lay-off of some 280 employees at Heavy Tyres for approximately six months starting in January. Adjustments continued in passenger car tyres in January: personnel was cut by 232 employees, 440 employees will be laid off in cycles of nine weeks and 62 employees will be laid off until further notice. The production of passenger car tyres was changed from a continuous three-shift seven-days model to a five-day (discontinued) three-shift model. As a result of the adjustments, the annual production volume of Nokian passenger car tyres at the Nokia plant will decrease from the previous 6 million to 4 million tyres in 2009.

The Vianor chain will adjust operations by cutting its personnel by 80 in the Nordic countries.

On 20 January 2009, Nokian Heavy Tyres Ltd started new statutory negotiations to discuss the adoption of a five-day, discontinued three-shift model in the production of Nokian Heavy Tyres and talk about restructuring operations. The statutory negotiations affect the whole staff and all personnel groups at Nokian Heavy Tyres, a total of some 280 people. Estimates put the need for job cuts at 50 and for fixed-term or open-ended lay-offs at 230.

RISK MANAGMENT

The Group has adopted a risk management policy approved by the Board of Directors, which supports the achievement of goals and ensures business continuance. Risk management is not allocated to a separate organisation; its tasks follow the general distribution of responsibilities adopted in organisation and other business activities. Risks are divided into four categories: strategic risks, operational risks, financial risks and hazard risks. The risk management process aims to identify and evaluate risks, and to plan and implement practical measures for each one strategic risks are related to customer relationships, political risks, country risks, R&D, investments and acquisitions. Operational risk arise as a consequence of inadequate or failed Nokian Tyres' internal processes, peoples actions, systems or external events for example changes in raw material prices.

Financial risks are related to fluctuations in interest rate and currency markets, refunding and counterparty risks. Parent company's treasury manages financial risks according to Group's financial policy approved by the Board of Directors.

Hazard risks can lead to injuries, damage to the property, interruption of production, environmental impacts or liabilities to third parties. Hazard risks are managed by group-wide insurance program.

Risks, uncertainty factors and disputes in the near future

The Group's short term risks are derived from a further deterioration of the world economy and the impact on the tyre markets. A decrease in demand may have a negative effect on sales volume and lead to decreasing profits.

In terms of exchange rate risks, the main risks facing Nokian Tyres in the near future are related to the development of the Russian rouble, the Ukrainian hryvnia and the Kazakhstanian tenge. If financial uncertainties continue, the derivatives markets for the rouble and tenge may suffer from disturbances, which prevent the Group from complying with its normal currency hedging policy.

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

Nokian Tyres' other risks and uncertainty factors in the near future have to do with the shortage of financing for customers in Russia and the other CIS countries, the success of sales in the key markets, the repatriation of receivables and the development of the financial markets. Russian receivables account for around half of the Group's total receivables. Special attention has been drawn to securing customer payments.

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

ENVIRONMENT AND SAFETY

In the core of Nokian Tyres Safety Policy is the aim for zero faults in safety, and the idea of uncompromising respect for and awareness of environmental and safety issues in all operations. Apart from meeting the international, national and local requirements and norms of society, Nokian Tyres wants to be a forerunner in safety matters related to it's products, and environmental matters related to the tyres business.

Nokian Tyres is the only major tyres manufacturer to produce tyres without high aromatic oils in all of it's own production facilities. In fact Nokian Tyres does not use any chemicals classified as toxic (T, T+) or carcinogenic in its own production. Environmental factors are taken into account in product development, which has resulted in excellence in finished products when considering for example rolling resistance of tyres (fuel economy, CO_2 emissions) or compress rate in farming or forestry tyres.

Environmental and safety factors developed mostly to positive direction in 2008. The recycling rate of waste improved to 95% in Nokian site with help of a new recycling channel for previously problematic unvulcanized rubber waste. This same channel is intended to be used for waste from Vsevolozhsk when exporting permits can be obtained. Development of safety and well-being was continued with supervisor training and risk management, aiming for continuous improvement in regard to accident and sickness rates. On safety matters related to fitting and handling of tyres co-operation was continued with customers and national institutions.

MATTERS AFTER THE PERIOD UNDER REVIEW

On 12 January 2009, Nokian Tyres announced the introduction of a new studded Hakkapeliitta winter tyre. The Nokian Hakkapeliitta 7 is designed for the demanding and changeable northern winter conditions. The Air Claw technology developed for the new tyre merges the silence of unstudded tyres with the superior grip of studded tyres.

THE PROPOSAL FOR THE USE OF PROFITS BY THE BOARD OF DIRECTORS

The distributable funds in the Parent Company total EUR 202.1 million.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:

a dividend of 0.40 €/share be paid out, totalling	49.9 MEUR
retained in equity	152.2 MEUR
Total	202.1 MEUR

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

OUTLOOK FOR 2009

The global recession is expected to have a widespread negative impact on demand for tyres. Financing has become scarcer, making business more challenging to tyre distributors. The clear drop in new car sales in all market areas, will reduce the demand for tyres. The manufacture of industrial machinery and equipment will decrease from the previous year.

Raw material prices will drop clearly, and the resulting savings will take full effect from the second quarter. As for all of 2009, the average price of raw materials is expected to decrease clearly year-over-year.

The last six months of the year, and especially the fourth quarter, have traditionally had the biggest impact on the sales and performance of Nokian Tyres, due to the seasonal nature of operations and the high share of winter tyres. In 2009, the timing of sales is expected to revert to the traditional model with preseason winter tyre sales being done later than in 2008.

The profitability of Nokian Tyres will be supported by the increasing share of Russian manufacture, structural changes and the cost-cutting measures that affect all Group operations and will lead to annual savings. Sales prices have been increased in Russia and CIS to cover changes in exchange rates.

Nokian Tyres has good opportunities to improve cash flow, boost its market position, increase market shares and return to a growth path as soon as the economic business environment stabilises. The company has a strong balance sheet and good profitability. Its product range includes several new products, and its distribution network is robust in the key markets. Own production inside the Russian customs barriers further strengthens the company's position.

The financial crisis makes it difficult to draw up precise forecasts for demand in the tyre market in 2009. The company expects the first-quarter net sales and operating profit to fall clearly short of the previous year.

INVESTMENTS IN 2009

Nokian Tyres' total investments in 2009 will be approximately EUR 90.0 million (EUR 181.2 million). Some EUR 56.0 million (EUR 121.0 million) will be spent on the Russian plant's operations and extension.

Nokia, February 11, 2009

Nokian Tyres plc
Board of Directors

EUR million	1.1.–31.12.	Notes	**2008**	2007
Net sales		(1)	**1,080.9**	1,025.0
Cost of sales		(3)(6)(7)	**-588.1**	-569.1
Gross profit			**492.7**	455.8
Other operating income		(4)	**2.2**	2.4
Selling and marketing expenses		(6)(7)	**-198.8**	-179.4
Administration expenses		(6)(7)	**-27.4**	-23.5
Other operating expenses		(5)(6)(7)	**-21.8**	-21.3
Operating profit			**247.0**	234.0
Financial income		(8)	**111.1**	63.1
Financial expenses		(9)	**-184.3**	-83.3
Profit before tax			**173.8**	213.8
Tax expense		(10)	**-33.9**	-44.9
Profit for the period			**139.9**	168.9
Attributable to:				
Equity holders of the parent			**139.9**	168.9
Minority interest			**0.0**	0.0
Earnings per share (EPS) for the profit attributable to the equity holders of the parent:		(11)		
Basic, euros			**1.12**	1.37
Diluted, euros			**1.10**	1.31

EUR million	31.12.	Notes	2008	2007
ASSETS				
Non-current assets				
Property, plant and equipment		(12)(13)	**499.8**	419.9
Goodwill		(2)(14)	**53.9**	52.8
Other intangible assets		(14)	**19.0**	7.5
Investments in associates		(16)	**0.1**	0.1
Available-for-sale financial assets		(16)	**0.2**	0.2
Other receivables		(17)	**11.6**	12.8
Deferred tax assets		(18)	**20.3**	17.7
			604.9	511.0
Current assets				
Inventories		(19)	**290.9**	193.2
Trade and other receivables		(20)(29)	**378.1**	289.4
Current tax assets			**33.3**	3.6
Cash and cash equivalents		(21)	**113.2**	158.1
			815.5	644.3
Total assets			**1,420.4**	1,155.4
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent		(22)(23)		
Share capital			**25.0**	24.7
Share issue			**0.0**	0.0
Share premium			**155.2**	149.0
Translation reserve			**-53.0**	-12.8
Fair value and hedging reserves			**-0.1**	0.0
Retained earnings			**647.6**	551.9
			774.6	712.8
Minority interest			**2.7**	0.0
Total equity			**777.3**	712.8
Liabilities				
Non-current liabilities		(24)		
Deferred tax liabilities		(18)	**27.6**	30.1
Provisions		(25)	**1.1**	-
Interest-bearing liabilities		(26)(27)(29)	**394.5**	248.7
Other liabilities			**2.1**	2.4
			425.3	281.1
Current liabilities				
Trade and other payables		(28)	**176.7**	132.2
Current tax liabilities			**2.2**	16.7
Provisions		(25)	**1.1**	1.1
Interest-bearing liabilities		(26)(27)(29)	**37.8**	11.4
			217.8	161.4
Total liabilities			**643.1**	442.5
Total equity and liabilities			**1,420.4**	1,155.4

EUR million 1.1.–31.12.	2008	2007
Cash flows from operating activities:		
Cash receipts from sales	**1,039.3**	1,012.1
Cash paid for operating activities	**-838.2**	-805.9
Cash generated from operations	**201.1**	206.2
Interest paid	**-99.0**	-23.5
Interest received	**3.3**	1.9
Dividends reiceived	**0.0**	0.0
Income taxes paid	**-87.0**	-14.7
Net cash from operating activities (A)	**18.4**	169.9
Cash flow from investing activities:		
Acquisitions of property, plant and equipment and intangible assets	**-175.3**	-114.3
Proceeds from sale of property, plant and equipment and intangible assets	**1.0**	1.5
Acquisitions of Group companies, net of cash acquired	**-2.8**	-4.8
Disinvestments in associates	**0.0**	0.0
Net cash used in investing activities (B)	**-177.2**	-117.7
Cash flow from financing activities:		
Proceeds from issue of share capital	**6.4**	6.5
Change in current financial receivables	**-1.0**	0.8
Change in non-current financial receivables	**1.2**	-12.0
Change in financial current borrowings	**26.1**	-45.2
Change in financial non-current borrowings	**146.3**	156.0
Dividends paid	**-62.3**	-38.0
Net cash from financing activities (C)	**116.7**	68.0
Net increase in cash and cash equivalents (A+B+C)	**-42.1**	120.3
Cash and cash equivalents at the beginning of the period	**158.1**	39.0
Cash and cash equivalents at the end of the period	**113.2**	158.1
	-42.1	120.3

EUR million	Share capital	Share issue	Share premium	Translation reserve	Fair value and hedging reserves	Retained earnings	Total	Minority interest	Total equity
	Equity attributable to equity holders of the parent								
Equity, 1 Jan 2007	24.4	0.1	142.7	-2.2	-0.1	391.6	556.6	0.0	556.6
Interest rate swaps, net of tax					0.2		0.2		0.2
Translation differences				-13.2			-13.2		-13.2
Gains/losses from hedge of net investments in foreign operations, net of tax				2.6			2.6		2.6
Profit for the period						168.9	168.9		168.9
Total recognised income and expenses for the period	0.0	0.0	0.0	-10.7	0.2	168.9	158.4	0.0	158.4
Dividends paid						-38.0	-38.0		-38.0
Exercised warrants	0.3	-0.1	6.3				6.5		6.5
Share-based payments						13.3	13.3		13.3
Equity component of the convertible bond						16.0	16.0		16.0
Other changes							0.0		0.0
Change in minority interest							0.0		0.0
Equity, 31 Dec 2007	24.7	0.0	149.0	-12.8	0.0	551.9	712.8	0.0	712.8
Equity, 1 Jan 2008	**24.7**	**0.0**	**149.0**	**-12.8**	**0.0**	**551.9**	**712.8**	**0.0**	**712.8**
Interest rate swaps, net of tax					**-0.1**		**-0.1**		**-0.1**
Translation differences				**-46.4**			**-46.4**		**-46.4**
Gains/losses from hedge of net investments in foreign operations, net of tax				**6.2**			**6.2**		**6.2**
Profit for the period						**139.9**	**139.9**		**139.9**
Total recognised income and expenses for the period	**0.0**	**0.0**	**0.0**	**-40.2**	**-0.1**	**139.9**	**99.6**	**0.0**	**99.6**
Dividends paid						**-62.3**	**-62.3**		**-62.3**
Exercised warrants	**0.2**		**6.2**				**6.4**		**6.4**
Share-based payments						**18.7**	**18.7**		**18.7**
Equity component of the convertible bond							**0.0**		**0.0**
Other changes						**-0.6**	**-0.6**		**-0.6**
Change in minority interest							**0.0**	**2.7**	**2.7**
Equity, 31 Dec 2008	**25.0**	**0.0**	**155.2**	**-53.0**	**-0.1**	**647.6**	**774.6**	**2.7**	**777.3**

ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Basic information

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

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2008. International Financial Reporting Standards refer to the standards and related interpretations to be applied within the Community as provided in the Finnish Accounting Act and the provisions issued on the basis of this Act, and in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. Notes to the consolidated financial statements also comply with the Finnish accounting and corporate laws.

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

Use of estimates

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

Key sources of estimation uncertainty include the shortage of financing for customers in Russia and the other CIS countries, the success of sales in the key markets, the repatriation of receivables and the development of the financial markets.

Principles of consolidation

The consolidated financial statements include the financial statements of the parent company Nokian Tyres Plc as well as all subsidiaries in which the Parent company owns, directly or indirectly, more than 50% of the voting rights or in which the Parent company otherwise exercises control. Hakka Invest Oy, which was established in the end of 2008, has been consolidated as a group company based on the exercised control through contractual arrangements, although the group ownership does not exceed 22%.

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

Joint ventures refer to companies in which the Group, under a contractual arrangement, has agreed to share control over financial and business principles with one or more parties.

Acquired subsidiaries have been consolidated using the purchase method, according to which the acquired company's assets and liabilities are measured at fair value on the date of acquisition. The cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Under IFRS goodwill is not amortised but is tested annually for impairment. Subsidiaries acquired during the financial year have been consolidated from the acquisition date and those divested until the divestment date.

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

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

Foreign currency items

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

Foreign Group companies

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

The Group hedges its investments in significant foreign Group companies with foreign currency loans or derivative contracts to minimise the impact of exchange rate fluctuations on equity. The foreign exchange gains and losses arising from this hedging are booked in their net amount against the translation difference of equity in the consolidated balance sheet. When a subsidiary is divested fully or in part, the related accumulated translation differences are brought from equity to the income statement and entered as a gain or loss on the sale. Translation differences accumulated prior to the Group's date of transition to IFRSs, 1 January 2004, have been moved to retained earnings according to the exemption in IFRS 1, and will not be brought to the income statement even with a later divestment of a subsidiary. Translation differences generated by foreign subsidiaries and associated companies after the date of transition have been presented as a separate item under equity. As of 1 January 2004, the goodwill arising from the business combinations of foreign units and the fair value adjustments in the carrying amounts to their assets and liabilities performed in connection with the business combinations have been presented in the local currencies of the units in question. In accordance with the exemption provided in IFRS 1, the goodwill and its allocation to other assets in past business combinations carried out prior to 1 January 2004 have been recorded in euro.

Cash and cash equivalents

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

Financial assets

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

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

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

Available-for-sale financial assets include quoted and unquoted shares. Quoted shares are measured at fair value, which is the share bid price on the balance sheet date. Changes in fair value are recognised directly in equity until the financial asset is sold or divested, at which time the changes in fair value are recorded in profit and loss. Impairments are recorded in profit and loss. Unquoted shares have been presented at acquisition price if the fair value could not be reliably determined.

Financial liabilities

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

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

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

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

Derivative instruments and hedge accounting

Derivative instruments are originally booked at the acquisition cost that equals their fair value. In subsequent financial statements derivative instruments are measured at fair value. Publicly quoted market prices and rates, as well as generally used measurement models, are used to define the fair value of derivatives. The information and assumptions used in the measurement models are based on verifiable market prices and values. The fair values of derivative instruments expiring within a year are shown in the balance sheet under current receivables or liabilities, and instruments with longer maturity under non-current receivables or liabilities.

Hedge accounting has not been applied to derivatives used to hedge cash flows from the Group's business operations in foreign currencies. Changes in fair value of derivative instruments to which hedge accounting is not applied have been recorded in profit and loss.

The Group applies IAS 39 compliant hedge accounting for hedging cash flow related to non-current liabilities and for hedging the net investment in foreign operations. In this case the Group, when initiating hedge accounting, documents the relationship between the item to be hedged and the hedging instrument, the effectiveness measurement method and the hedging strategy in accordance with the Group's risk management policy to meet all hedge accounting criteria in IAS 39. The main principle is that chosen hedging instrument does not create any ineffective portion.

Hedge accounting is applied in cash flow hedging in connection with interest rate swaps, by which floating rate liabilities have been changed to fixed rate liabilities. The effective portion of the change in the fair value of the interest rate swaps is recorded in equity and any remaining ineffective portion recorded in profit and loss.

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

Income recognition

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

Research and development costs

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

Government grants

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

Operating profit

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

Borrowing costs

The interests accumulated for the setup period of production units included in property, plant and equipment, and requiring a substantial construction period, are capitalised for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses for the period in which they incurred.

Income taxes

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

Earnings per share

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

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

Property, plant and equipment

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

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

Depreciation is based on the following expected useful lives:

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

Land is not depreciated.

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

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

Goodwill and other intangible assets

The goodwill arising on a business combination consists of the excess of the acquisition costs and the net fair value of identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised; instead, it is tested annually for impairment. The goodwill of associated companies is included in the value of the investment in associated company.

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

In the balance sheet, intangible assets are recorded at cost less accumulated amortisation and impairment losses. The amortisation schedule for intangible assets is 3–10 years.

Impairment

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

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

Leasing agreements

The Group as a lessee

Leasing agreements are classified as either finance leases or operating leases. Leasing agreements by which the risks and benefits associated with the ownership of an asset are substantially transferred to the company represent finance leases. Assets held under finance leases, less depreciation, are included in intangible assets and property, plant and equipment and the obligations resulting from the lease in interest-bearing liabilities. Lease payments resulting from finance leases are apportioned between finance charges and the reduction of the outstanding liability. Charges paid under operating leases are recognised as expenses in the income statement.

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

The Group as a lessor

Assets held under leases other than finance leases are included in intangible assets and property, plant and equipment in the balance sheet. These are depreciated over their useful lives, consistent with assets in the company's own use. Lease income is recorded in the income statement on a straight-line basis over the lease term.

Inventories

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

Trade receivables

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

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

Dividend

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

Treasury shares

The Group or the Parent company do not hold treasury shares, nor is the Board of Directors authorised to acquire them.

Provisions

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

Employee benefits

Pension liabilities

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

Share-based payments

The Group has applied IFRS 2 Share-based payments to all option schemes in which options were granted after 7 November 2002 and which had not vested prior to 1 January 2005. These schemes include the 2007 and 2004 options that were part of the Group's personnel incentive scheme, and some of the 2001C options.

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

When options are exercised, the nominal value portion of the payments received on the basis of share subscriptions (adjusted with any transaction costs) is recorded in share capital and the remainder in share premium.

Other option and incentive schemes

No other option and incentive schemes were in use during 2008.

Non-current assets held for sale and discontinued operations

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

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

The Group's financial statements for 2007 and 2008 do not include any non-current assets held for sale or any discontinued operations.

Application of revised or amended IFRS standards

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

- Amendment to IAS 23 – IAS 23 Borrowing Costs

The Group estimates that the new interpretation will not have a material effect on the future financial statements of the Group as the Group already has included borrowing costs to the acquisition costs of assets as suggested.

- IFRIC 13 Customer Loyalty Programmes

As the Group does not provide customer loyalty programmes referred to in the interpretation, the Group estimates that the new interpretation will not have a material effect on the future financial statements of the Group.

- Amendment to IAS 1 – IAS 1 Presentation of Financial Statements

The Group estimates that the new requirements will mainly affect the disclosure of the consolidated income statement and statement of changes in equity

- Amendment to IFRS 3 – IFRS 3 Business Combinations

The Group estimates that the new requirements will not have a material effect on the future financial statements of the Group.

- Amendment to IAS 27 – IAS 27 Consolidated and Separate Financial Statements

The Group estimates that the new requirements will not have an impact on the future financial statements of the Group.

- Amendment to IFRS 2 – IFRS 2 Share-based Payment

The Group estimates that the new interpretations will not have a material effect on the future financial statements of the Group.

- Amendments to IAS 1 and IAS 32 – IAS 1 Presentation of Financial Statements and IAS 32 Financial Instruments: Presentation

The Group estimates that the implementation of the changed standards will not have an effect on the future financial statements of the Group.

- Annual Improvements 2007

The impacts of the changes vary between the standards, but the Group estimates no material changes to take place to the future financial statements of the Group.

- Amendments to IFRS 1 and IAS 27 – IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements

The changes in standards apply to the entities adopting IFRSs for the first time, hence they will not have any impact on the future financial statements of the Group.

- IFRIC 15 Agreements for the construction of Real Estate

As the Group does operate in construction business, the Group estimates that the new interpretation will not have an effect on the future financial statements of the Group.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Group estimates that the new interpretation will not have a material impact on the future financial statements of the Group.

- Amendment to IAS 39 – IAS 39 Financial Instruments: Recognition and Measurement

The Group estimates that the change will not have a material impact on the future financial statements of the Group.

- IFRS 8 Operating segments

The Group estimates that the new standard will mainly affect the disclosures in the notes to the consolidated financial statements.

1. SEGMENT INFORMATION

The segment information is presented in respect of the business and geographical segments. The primary segment format, business segments, is based on the internal organisation and financial reporting structure.

The business segments comprise of entities with assets and operating activities providing products and services subject to risks and returns that are different from those of other business segments. Products and services of a geographical segment are provided within a particular economic environment that is subject to risks and returns that are different from those in economic environments of other geographical segments.

Pricing of inter-segment transactions is based on current market prices.

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

Business segments

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

Heavy Tyres -profit centre comprises tyres for forestry machinery, special tyres for agricultural machinery, tractors and industrial machinery.

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

Other operations includes retreading and truck tyre business. In addition to the inter-segment eliminations, other operations contain business development and Group management unallocated to the segments.

Geographical segments

The secondary segment information consists of eight geographic regions: Finland, Sweden, Norway, Russia and the CIS, Eastern Europe, the rest of Europe, North America and the rest of the world.

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

Business segments

2008 EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations and eliminations	Group
Net sales from external customers	**677.0**	**92.5**	**307.6**	**3.8**	**1,080.9**
Services			**40.8**		**40.8**
Sales of goods	**677.0**	**92.5**	**266.8**	**3.8**	**1,040.1**
Inter-segment net sales	**64.6**	**5.2**	**0.7**	**-70.6**	
Net sales	**741.6**	**97.7**	**308.3**	**-66.8**	**1,080.9**
Operating profit	**230.0**	**17.7**	**4.4**	**-5.2**	**247.0**
% of net sales	**31.0%**	**18.1%**	**1.4%**		**22.8%**
Financial income and expenses					**-73.2**
Profit before tax					**173.8**
Tax expense					**-33.9**
Profit for the period					**139.9**
Assets	**981.4**	**76.2**	**167.6**	**-15.8**	**1,209.4**
Unallocated assets					**211.0**
Total assets					**1,420.4**
Liabilities	**124.8**	**14.6**	**59.5**	**-22.6**	**176.3**
Unallocated liabilities					**466.8**
Total liabilities					**643.1**
Capital expenditure	**159.3**	**7.9**	**9.1**	**4.9**	**181.2**
Depreciation and amortisation	**45.0**	**4.9**	**5.0**	**1.3**	**56.2**
Other non-cash expenses	**14.7**	**2.3**	**2.3**	**4.6**	**24.0**

2007 EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations and eliminations	Group
Net sales from external customers	624.9	95.4	277.9	26.8	1,025.0
Services			34.9		34.9
Sales of goods	624.9	95.4	243.0	26.8	990.1
Inter-segment net sales	66.4	5.4	0.7	-72.4	
Net sales	691.2	100.8	278.5	-45.6	1,025.0
Operating profit	212.0	22.3	8.4	-8.7	234.0
% of net sales	30.7%	22.1%	3.0%		22.8%
Financial income and expenses					-20.2
Profit before tax					213.8
Tax expense					-44.9
Profit for the period					168.9
Assets	708.3	65.4	146.6	18.8	939.1
Unallocated assets					216.3
Total assets					1,155.4
Liabilities	72.4	13.5	40.7	3.7	130.3
Unallocated liabilities					312.3
Total liabilities					442.5
Capital expenditure	103.8	5.1	7.6	0.7	117.1
Depreciation and amortisation	36.7	4.4	4.8	1.2	47.1
Other non-cash expenses	12.8	1.8	1.4	3.4	19.4

Geographical segments

2008 EUR million	Finland	Sweden	Norway	Russia and the CIS	Eastern Europe	the rest of Europe	North America	the rest of the world	Group
Net sales	**208.6**	**127.1**	**115.7**	**360.7**	**50.1**	**135.5**	**80.7**	**2.5**	**1,080.9**
Services	**13.2**	**10.4**	**10.8**		**0.5**				**34.9**
Sales of goods	**195.4**	**116.7**	**104.9**	**360.7**	**49.6**	**135.5**	**80.7**	**2.5**	**1,046.0**
Assets	**448.7**	**52.9**	**31.3**	**512.9**	**16.0**	**17.0**	**56.1**		**1,134.9**
Unallocated assets									**285.5**
Total assets									**1,420.4**
Capital expenditure	**44.5**	**1.0**	**1.5**	**130.1**	**0.1**	**2.4**	**1.6**		**181.2**

2007 EUR million	Finland	Sweden	Norway	Russia and the CIS	Eastern Europe	the rest of Europe	North America	the rest of the world	Group
Net sales	204.3	130.6	114.2	313.4	52.8	134.5	72.3	2.8	1,025.0
Services	13.2	10.4	10.8		0.5				34.9
Sales of goods	191.1	120.2	103.4	313.4	52.3	134.5	72.3	2.8	990.1
Assets	395.3	58.6	29.5	329.4	11.2	19.1	47.1		890.2
Unallocated assets									265.1
Total assets									1,155.4
Capital expenditure	39.2	3.4	1.6	72.3	0.0	0.3	0.3		117.1

2. ACQUISITIONS

Acquisitions in 2008

In 2008 the Group expanded only through asset deals in Vianor. On 22 April, Vianor made an asset deal acquiring the business in Pneu Bauriedel AG, domiciled in Switzerland. With other asset deals in USA Vianor chain acquired business in the following outlets and companies: on 1 July Montouri Oil & Tire Inc., Fitchburg, Massachusetts; on 1 August Phelps Tire Inc., Springfield, Vermont; and on 1 October South East Ventures Inc., Concord, New Hampshire; Monro Muffler Inc., Brattleboro, Vermont and Keene, New Hampshire.

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

EUR million

Specification of the cost of business combinations	
Paid in cash	**4.2**
Costs directly attributable to the business combinations	**0.0**
Total cost of the business combinations	**4.2**
Fair value of the net assets acquired	**-1.4**
Goodwill	**2.8**

Specification of acquired net assets	Fair values recorded in combination	Carrying amounts before combination
Intangible assets	**0.0**	**0.0**
Property, plant and equipment	**0.5**	**0.5**
Inventories	**0.9**	**0.9**
Receivables	**0.0**	**0.0**
Cash and cash equivalents	**0.0**	**0.0**
Liabilities	**0.0**	**0.0**
Net assets acquired	**1.4**	**1.3**
Consideration paid in cash	**4.2**	
Cash and cash equivalents in the subsidiaries acquired	**0.0**	
Net cash outflow	**4.2**	

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totalling EUR 0.2 million, are included in the consolidated income statement. The actual acquisition dates and the nature of the operations taken into account the effect of the acquisitions on the consolidated net sales and profit is not material even if they were combined as of the beginning of the financial year.

Acquisitions in 2007

In 2007 the Group still acquired only small companies or their assets. On 23 April, the Group acquired 100% of the share capital in OOO Hakkapeliitta Village, a Russian domiciled company, to set up the housing project for the personnel in Vsevolozhsk factory. On 1 March, Vianor expanded with an asset deal for five outlets from Swedish OKQ8 companies. On 1 June, Vianor acquired with another asset deal the business in a Finnish-based company Capital Rengas Oy. On 1 July, with yet another asset deal Vianor bought the business in Pneuhaus R Haur and Pneuservice Birseck AG, both domiciled in Switzerland. On 25 October Vianor acquired full ownership of US-based Goss Tire Company Inc.

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

EUR million

Specification of the cost of business combinations	
Paid in cash	5.0
Costs directly attributable to the business combinations	0.0
Total cost of the business combinations	5.0
Fair value of the net assets acquired	-2.9
Goodwill	2.2

Specification of acquired net assets	Fair values recorded in combination	Carrying amounts before combination
Intangible assets	0.0	0.0
Property, plant and equipment	1.2	1.2
Inventories	1.9	1.7
Receivables	0.1	0.1
Cash and cash equivalents	0.2	0.2
Liabilities	-0.5	-0.5
Net assets acquired	2.9	2.8
Consideration paid in cash	5.0	
Cash and cash equivalents in the subsidiaries acquired	-0.2	
Net cash outflow	4.8	

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totalling EUR 0.1 million, are included in the consolidated income statement. The actual acquisition dates and the nature of the operations taken into account the effect of the acquisitions on the consolidated net sales and profit is not material even if they were combined as of the beginning of the financial year.

EUR million	2008	2007
3. COST OF SALES		
Raw materials	**259.0**	205.0
Goods purchased for resale	**202.3**	211.2
Wages and social security contributions on goods sold	**66.2**	59.5
Other costs	**83.6**	80.6
Depreciation of production	**42.6**	36.0
Sales freights	**32.2**	28.4
Change in inventories	**-97.6**	-51.6
Total	**588.1**	569.1
4. OTHER OPERATING INCOME		
Gains on sale of property, plant and equipment	**0.8**	0.8
Other income	**1.4**	1.6
Total	**2.2**	2.4
5. OTHER OPERATING EXPENSES		
Losses on sale of property, plant and equipment and other disposals	**0.5**	0.1
Research and development costs	**12.5**	11.5
Quality control	**2.0**	2.7
Other expenses	**6.9**	7.0
Total	**21.8**	21.3
6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES		

No impairment losses have been recorded during 2008 or 2007.

Depreciation and amortisation by asset category		
Intangible rights	**2.7**	1.6
Other intangible assets	**0.7**	0.7
Buildings	**5.0**	4.8
Machinery and equipment	**46.6**	39.0
Other tangible assets	**1.2**	1.0
Total	**56.2**	47.1
Depreciation and amortisation by function		
Production	**42.6**	36.0
Selling and marketing	**8.9**	7.9
Administration	**3.4**	1.9
Other depreciation and amortisation	**1.3**	1.3
Total	**56.2**	47.1

EUR million	2008	2007
7. EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	**137.2**	125.4
Pension contributions – defined contribution plans	**21.2**	16.5
Share-based payments	**18.6**	13.3
Other social security contributions	**17.5**	17.4
Total	**194.5**	172.5

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

Number of personnel, average (Person)		
Production	**1,749**	1,581
Selling and marketing	**1,826**	1,624
Others	**237**	257
Total	**3,812**	3,462
8. FINANCIAL INCOME		
Interest income on loans and receivables	**0.1**	0.0
Dividend income on available-for-sale financial assets	**0.0**	0.0
Exchange rate gains and changes in fair value		
Loans and receivables	**57.3**	48.4
Foreign currency derivatives held for trading	**51.4**	13.4
Other financial income	**2.3**	1.3
Total	**111.1**	63.1
9. FINANCIAL EXPENSES		
Interest expense on financial liabilities measured at amortised cost	**-22.1**	-15.7
Interest expense on interest rate derivatives		
Designated as hedges	**0.0**	-0.1
Exchange rate losses and changes in fair value		
Loans and receivables	**-115.9**	-57.9
Foreign currency derivatives held for trading	**-44.4**	-7.8
Other financial expenses	**-1.9**	-1.8
Total	**-184.3**	-83.3

Financial expenses include EUR 7.3 million (EUR 3.6 million in 2007) in calculatory non-cash expenses related to the convertible bonds.

EUR million	2008	2007
10. TAX EXPENSE		
Current tax expense	**-42.3**	-49.7
Adjustment for prior periods	**3.0**	3.8
Change in deferred tax	**5.4**	1.0
Total	**-33.9**	-44.9

The reconciliation of tax expense recognised in the income statement and tax expense using the domestic corporate tax rate (2008: 26%, 2007: 26%):

EUR million	2008	2007
Profit before tax	**173.8**	213.8
Tax expense using the domestic corporate tax rate	**-45.2**	-55.6
Effect of deviant tax rates in foreign subsidiaries	**18.2**	8.5
Tax exempt revenues	**2.0**	2.0
Non-deductible expenses	**-5.0**	-3.6
Losses on which no deferred tax benefits recognised	**-3.9**	0.0
Adjustment for prior periods	**3.0**	3.8
Other items	**-3.0**	0.0
Tax expense	**-33.9**	-44.9

11. EARNINGS PER SHARE

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

EUR million	2008	2007
Profit attributable to the equity holders of the parent	**139.9**	168.9
Shares, 1,000 pcs		
Weighted average number of shares	**124,612**	122,952
Dilutive effect of the options	**2,844**	4,086
Convertible bonds traded for company shares	**4,009**	2,054
Diluted weighted average number of shares	**131,465**	129,092
Earnings per share, euros		
Basic	**1.12**	1.37
Diluted	**1.10**	1.31

12. PROPERTY, PLANT AND EQUIPMENT

EUR million	Land property	Buildings	Machinery and equipment	Other tangible assets	Advances and fixed assets under construction	Total
Accumulated cost, 1 Jan 2007	4.5	121.3	424.6	9.0	64.9	624.3
Decrease/Increase	0.6	32.6	78.7	3.1	-4.9	110.1
Acquisitions through business combinations	0.0	0.0	1.2			1.2
Accumulated cost, 31 Dec 2007	5.1	153.9	504.5	12.1	60.0	735.5
Net exchange differences	0.0	-1.4	-1.7	-0.2	-2.1	-5.5
Accum. depreciation		-33.4	-272.3	-4.4		-310.1
Impairment losses						0.0
Revaluations						0.0
Carrying amount, 31 Dec 2007	5.1	119.1	230.5	7.4	57.9	419.9
Accumulated cost, 1 Jan 2008	**5.1**	**152.5**	**502.8**	**11.8**	**57.9**	**730.0**
Decrease/Increase	**0.4**	**26.5**	**78.4**	**6.5**	**37.9**	**149.6**
Acquisitions through business combinations	**0.0**	**0.0**	**0.5**			**0.5**
Accumulated cost, 31 Dec 2008	**5.5**	**178.9**	**581.6**	**18.4**	**95.7**	**880.1**
Net exchange differences	**-0.1**	**-9.1**	**-17.1**	**-0.9**	**-5.7**	**-33.0**
Accum. depreciation		**-36.4**	**-305.6**	**-5.3**		**-347.3**
Impairment losses						**0.0**
Revaluations						**0.0**
Carrying amount, 31 Dec 2008	**5.3**	**133.4**	**258.9**	**12.2**	**90.0**	**499.8**

In 2007 and 2008 no borrowing costs were capitalized. The carrying amount of borrowing costs capitalized in buildings on 31 December 2008 is EUR 1.1 million (EUR 1.1 million on 31 December 2007).

13. FINANCE LEASES

EUR million	Buildings	Machinery and equipment
Accumulated cost, 1 Jan 2007	7.7	6.6
Decrease/Increase	0.2	0.2
Accum. depreciation	-3.3	-2.7
Carrying amount, 31 Dec 2007	4.5	4.1
Accumulated cost, 1 Jan 2008	**7.7**	**6.6**
Decrease/Increase	**0.2**	**1.2**
Accum. depreciation	**-4.0**	**-4.1**
Carrying amount, 31 Dec 2008	**3.8**	**3.7**

14. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated cost, 1 Jan 2007	51.8	10.1	5.1	67.0
Decrease/Increase	0.0	0.9	0.8	1.6
Acquisitions through business combinations	2.2		0.0	2.2
Accumulated cost, 31 Dec 2007	53.9	11.0	5.9	70.8
Net exchange differences	-1.2		0.2	-1.0
Accum. amortisation	0.0	-6.3	-3.2	-9.6
Impairment losses				0.0
Revaluations				0.0
Carrying amount, 31 Dec 2007	52.8	4.7	2.8	60.3
Accumulated cost, 1 Jan 2008	**52.8**	**11.0**	**6.1**	**69.8**
Decrease/Increase	**0.0**	**12.8**	**2.2**	**14.9**
Acquisitions through business combinations	**2.8**		**0.0**	**2.8**
Accumulated cost, 31 Dec 2008	**55.6**	**23.8**	**8.2**	**87.6**
Net exchange differences	**-1.7**		**0.0**	**-1.7**
Accum. amortisation	**0.0**	**-9.0**	**-4.0**	**-13.0**
Impairment losses				**0.0**
Revaluations				**0.0**
Carrying amount, 31 Dec 2008	**53.9**	**14.8**	**4.2**	**72.9**

Impairment tests for goodwill

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

Allocation of goodwill

EUR million	
Passenger Car Tyres	**34.6**
Vianor	**19.3**
Total goodwill	**53.9**

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

The discount rate used is the weighted average cost of capital (WACC) before taxes defined for the Group. The calculation components are risk-free rate of return, market risk premium, industry-specific beta co-efficient, borrowing cost and the capital structure at market value at the time of testing. The discount rate used is 9.4–13.1% (11.0–16.7% in 2007). Future cash flows after the forecast period approved by the management have been capitalised as a terminal value using a steady 2% growth rate and discounted with the discount rate specified above.

The testing indicated no need to recognise impairment losses. Of the key assumptions, Vianor is the most sensitive to realised levels of demand forecast and gross margin. Even a minor lag in sales or gross margin in future years might lead to a need for impairment. The recoverable amount in Passenger Car Tyres significantly exceeds the carrrying amount of the cash-generating unit, and small sales margin or sales volume changes have no effect on the impairment testing results. A possible impairment would require e.g. an annual 25% decrease in net sales or a permanent halving of the present gross margin level.

15. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

EUR million	Note	2008 Carrying amount	2008 Fair value	2007 Carrying amount	2007 Fair value
Financial assets					
Financial assets at fair value through profit or loss					
Derivatives held for trading	(30)	**14.8**	**14.8**	1.9	1.9
Money market instruments	(21)	**24.0**	**24.0**	119.1	119.1
Loans and receivables					
Other non-current receivables	(17)	**11.6**	**8.6**	12.8	7.3
Trade and other receivables	(20)	**350.6**	**350.6**	285.7	285.7
Bank deposits	(21)	**9.8**	**9.8**	5.0	5.0
Cash in hand and at bank	(21)	**79.4**	**79.4**	34.0	34.0
Available-for-sale financial assets					
Unquoted shares	(16)	**0.2**	**0.2**	0.2	0.2
Derivative financial instruments designated as hedges	(30)	**13.2**	**13.2**	2.7	2.7
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivatives held for trading	(30)	**2.7**	**2.7**	0.4	0.4
Financial liabilities measured at amortised cost					
Interest-bearing liabilities	(26)	**432.3**	**438.6**	260.1	261.4
from which designated as hedges		**45.6**	**45.9**	39.8	38.2
Trade and other payables	(28)	**173.6**	**173.6**	131.5	131.5
Derivative financial instruments designated as hedges	(30)	**0.9**	**0.9**	1.5	1.5

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

16. INVESTMENTS IN ASSOCIATES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR million	Investments in associates	Unquoted shares
Accumulated cost, 1 Jan 2008	**0.1**	**0.2**
Decrease/Increase	**0.0**	**0.0**
Accumulated cost, 31 Dec 2008	**0.1**	**0.2**
Net exchange differences		
Carrying amount, 31 Dec 2008	**0.1**	**0.2**
Carrying amount, 31 Dec 2007	0.1	0.2

17. OTHER NON-CURRENT RECEIVABLES

EUR million	2008	2007
Loan receivables	**11.6**	12.8
Total	**11.6**	12.8

18. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	31 Dec 2007	Recognised in income statement	Recognised in equity	Net exchange differences	Acquisitions/ disposals of subsidiaries	31 Dec 2008
Deferred tax assets						
Intercompany profit in inventory	8.8	**3.9**				**12.7**
Provisions	0.5	**0.0**				**0.5**
Tax losses carried forward	0.6	**-0.5**	**0.0**	**0.0**		**0.1**
Derivatives at fair value	0.0		**0.0**			**0.0**
Other items	7.8	**0.1**	**-0.3**	**-0.6**	**0.0**	**7.0**
Total	17.7	**3.5**	**-0.3**	**-0.6**	**0.0**	**20.3**
Deferred tax liabilities						
Property, plant and equipment and intangible assets	18.5	**-0.2**	**0.0**			**18.3**
Derivatives at fair value	0.0		**0.0**			**0.0**
Other items	11.6	**-1.8**	**-0.2**	**-0.3**	**0.0**	**9.3**
Total	30.1	**-2.0**	**-0.3**	**-0.3**	**0.0**	**27.6**

On 31 December 2008 the Group had carry forward losses for EUR 15.2 million (EUR 1.8 million in 2007), on which no deferred tax asset was recognised. It is not probable that future taxable profit will be available to offset these losses before they expire.

No deferred tax liability was recognised on the undistributed earnings, EUR 18.6 million in 2008 (EUR 12.1 million in 2007), of foreign subsidiaries as the earnings have been invested permanently to the countries in question.

EUR million	2008	2007
19. INVENTORIES		
Raw materials and supplies	**58.0**	31.0
Work in progress	**4.9**	4.0
Finished goods	**228.0**	158.2
Total	**290.9**	193.2

In 2008 EUR 0.3 million (EUR 1.2 million in 2007) expense was recognised to additionally decrease the carrying amount of the inventories to reflect the net realisable value.

EUR million	2008	2007
20. TRADE AND OTHER RECEIVABLES		
Trade receivables	**268.4**	225.3
Loan receivables	**0.3**	0.4
Accrued revenues and deferred expenses	**16.4**	34.1
Derivative financial instruments		
Designated as hedges	**12.8**	1.5
Measured at fair value through profit or loss	**14.8**	1.9
Other receivables	**65.4**	26.3
Total	**378.1**	289.4

The carrying amount of trade and other receivables corresponds to the maximum exposure to the credit risk on the reporting date. The carrying amount of trade and other receivables is a reasonable approximation of their fair value.
The balance amount of recognised losses is EUR 13.2 million (EUR 9.3 million in 2007). The Group recognised expenses for losses on trade receivables worth EUR 6.4 million in 2008 (EUR 5.8 million in 2007).
The growth in Other receivables is due to increase in VAT receivables.

EUR million	2008	2007
Significant items under accrued revenues and deferred expenses		
Annual discounts, purchases	1.6	1.8
Financial items	0.5	0.2
Social payments	1.3	0.4
Customs duties	5.8	7.9
VAT, Russia	0.0	20.7
Other items	7.2	3.1
Total	16.4	34.1

EUR million	2008	2007
21. CASH AND CASH EQUIVALENTS		
Cash in hand and at bank	79.4	34.0
Bank deposits	9.8	5.0
Money market instruments	24.0	119.1
Total	113.2	158.1

22. EQUITY

Reconciliation of the number of shares

EUR million	Number of shares (1,000 pcs)	Share capital	Share premium	Treasury shares	Total
1 Jan 2007	122,032	24.5	142.7	-	167.2
Exercised warrants	1,664	0.3	6.3	-	6.5
Acquisition of treasury shares	-	-	-	-	-
31 Dec 2007	123,696	24.7	149.0	-	173.7
1 Jan 2008	123,696	24.7	149.0	-	173.7
Exercised warrants	1,150	0.2	6.2	-	6.4
Acquisition of treasury shares	-	-	-	-	-
31 Dec 2008	124,846	25.0	155.2	-	180.1

The maximum number of shares is 320 million (320 million in 2007). The nominal value of shares was abolished in 2008 (the nominal value of shares was EUR 0.20 in 2007), hence no maximum share capital of the Group exists anymore (the maximum share capital of the Group was EUR 64 million in 2007). All outstanding shares have been paid for in full.

Below is a description of the reserves within equity:

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

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

Treasury shares
The Group and the Parent company do not hold any treasury shares.

Dividends
After the balance sheet date, the Board of Directors proposed that a dividend of EUR 0.40 per share be paid (EUR 0.50 in 2007).

Specification of the distributable funds
The distributable funds on 31 December 2008 total EUR 202.1 million (EUR 227.5 million on 31 December 2007) and are based on the balance of the Parent company and the Finnish legislation.

23. SHARE-BASED PAYMENTS

SHARE OPTION PLANS

Share option plan 2004 directed at personnel

The Annual General Meeting in 2004 decided to issue a share option plan, as a part of the Group's incentive scheme, to employees of the Group or persons recruited to the Group at a later stage. The Board issued the shares in spring 2004 (2004A warrants), 2005 (2004B warrants) and 2006 (2004C warrants).

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

Share option plan 2007 directed at personnel

The Annual General Meeting in 2007 decided to issue a share option plan, as a part of the Group's incentive scheme, to employees of the Group or persons recruited to the Group at a later stage. The Board's intention is to issue the shares in spring 2007 (2007A warrants), 2008 (2007B warrants) and 2009 (2007C warrants).

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

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

WARRANTS	2004 warrants			2007 warrants				Exercise prices (weighted
2008	2004 A	2004 B	2004 C	2007 A	2007 B	2007 C	Total	aver.)
Maximum number of share options, pcs *	245,000	245,000	245,000	2,250,000	2,250,000	2,250,000	7,485,000	
Subsribed shares per option, pcs	10	10	10	1	1	1		
Original subscription price	6.45 €	12.10 €	12.82 €	17.29 €	24.27 €	--		
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes		
Subscription price on 31 December 2006	5.85 €	11.65 €	12.59 €	--	--	--		
Subscription price on 31 December 2007	5.54 €	11.34 €	12.28 €	16.98 €	--	--		
Subscription price on 31 December 2008	expired	10.84 €	11.78 €	16.48 €	23.77 €	--		
Exercisable, from	1 Mar 2006	1 Mar 2007	1 Mar 2008	1 Mar 2009	1 Mar 2010	1 Mar 2011		
Expiration	31 Mar 2008	31 Mar 2009	31 Mar 2010	31 Mar 2011	31 Mar 2012	31 Mar 2013		
Option life, years	expired	0.2	1.2	2.2	3.2	4.2		
Participants at the end of period	expired	612	1,188	2,601	3,390	0		
Number of (on 1 January 2008) *								
Share options granted	247,590	251,120	261,555	2,219,850	0	0	2,980,115	15.14 €
Share options forfeited	15,715	26,470	27,395	264,850	0	0	334,430	15.61 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	122,791	17,691	0	0	0	0	140,482	6.27 €
Share options outstanding	109,084	206,959	234,160	1,955,000	0	0	2,505,203	15.58 €
Share options held for future grants	13,125	20,350	10,840	295,000	2,250,000	2 ,250,000	4,839,315	16.05 €
Changes during the period *								
Share options granted	0	0	2,656	281,430	2,004,516	0	2,288,602	22.86 €
Share options forfeited	0	0	0	85,625	67,089	0	152,714	19.68 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	109,084	5,286	601	0	0	0	114,971	5.83 €
Weighted average share price during the period **	24.33 €	21.13 €	21.12 €	--	--	--	66.58 €	--
Share options expired	13,125	0	0	0	0	0	13,125	5.54
Number of (on 31 December 2008) *								
Share options granted	247,590	251,120	264,211	2,501,280	2,004,516	0	5,268,717	18.23 €
Share options forfeited	15,715	26,470	27,395	350,475	67,089	0	487,144	16.56 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	231,875	22,977	601	0	0	0	255,453	6.03 €
Share options outstanding	0	201,673	236,215	2,150,805	1,937,427	0	4,526,120	19.10 €
Share options held for future grants	0	20,350	8,184	99,195	312,573	2,250,000	2,690,302	21.31 €
Share options exercisable	0	222,023	244,399	--	--	--	466,422	

* The number is the number of share options, after the split one 2004 share option is for subscription of 10 shares. One 2007 share option is for subscription of one share.

** The weighted average price of the Nokian Tyres plc share between January-March 2008 (2004A), January-December 2008 (2004B) and March-December 2008 (2004C).

WARRANTS	2004 warrants			2007 warrants				Exercise prices (weighted aver.)
2007	2004 A	2004 B	2004 C	2007 A	2007 B	2007 C	Total	
Maximum number of share options, pcs *	245,000	245,000	245,000	2,250,000	2,250,000	2,250,000	7,485,000	
Subsribed shares per option, pcs	10	10	10	1	1	1		
Original subscription price	6.45 €	12.10 €	12.82 €	17.29 €	--	--		
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes		
Subscription price on 31 December 2005	6.08 €	11.88 €	--	--	--	--		
Subscription price on 31 December 2006	5.85 €	11.65 €	12.59 €	--	--	--		
Subscription price on 31 December 2007	5.54 €	11.34 €	12.28 €	16.98 €	--	--		
Exercisable, from	1 Mar 2006	1 Mar 2007	1 Mar 2008	1 Mar 2009	1 Mar 2010	1 Mar 2011		
Expiration	31 Mar 2008	31 Mar 2009	31 Mar 2010	31 Mar 2011	31 Mar 2012	31 Mar 2013		
Option life, years	0.3	1.3	2.3	3.3	4.3	5.3		
Participants at the end of period	494	1,140	2,252	2,680	0	0		
Number of (on 1 January 2007) *								
Share options granted	247,590	251,120	207,525	0	0	0	706,235	9.89 €
Share options forfeited	15,715	22,180	22,620	0	0	0	60,515	10.50 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	49,295	0	0	0	0	0	49,295	5.85 €
Before share split	0	0	0	0	0	0	0	--
After share split	49,295	0	0	0	0	0	49,295	5.85 €
Share options outstanding	182,580	228,940	184,905	0	0	0	596,425	10.17 €
Share options held for future grants	13,125	16,060	60,095	0	0	0	89,280	11.43 €
Changes during the period *								
Share options granted	0	0	54,030	2,219,850	0	0	2,273,880	16.87 €
Share options forfeited	0	4,290	4,775	264,850	0	0	273,915	16.81 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	73,496	17,691	0	0	0	0	91,187	6.67 €
Weighted average share price during the period **	22.33 €	24.24 €	--	--	--	--	--	--
Share options expired	0	0	0	0	0	0	0	--
Number of (on 31 December 2007) *								
Share options granted	247,590	251,120	261,555	2,219,850	0	0	2,980,115	15.14 €
Share options forfeited	15,715	26,470	27,395	264,850	0	0	334,430	15.61 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	122,791	17,691	0	0	0	0	140,482	6.27 €
Before share split	0	0	0	0	0	0	0	--
After share split	122,791	17,691	0	0	0	0	140,482	--
Share options outstanding	109,084	206,959	234,160	1,955,000	0	0	2,505,203	15.58 €
Share options held for future grants	13,125	20,350	10,840	295,000	2,250,000	2,250,000	4,839,315	16.05 €
Share options exercisable	122,209	227,309	245,000	--	--	--	349,518	

* The number is the number of share options, after the split one 2004 share option is for subscription of 10 shares. One 2007 share option is for subscription of one share.

** The weighted average price of the Nokian Tyres plc share between January-March 2007 (2001A-C), January-December 2007 (2004A) and March-December 2007 (2004B).

Measurement of fair value

The fair value of share options is determined with Black-Scholes option pricing model. Fair value of the options is determined on the grant date and recognised as expense in employee benefits during the vesting period. The decision date by the Board of Directors is the grant date. In 2008 the effect of share options on the profit is EUR 18.6 million (2007: EUR 13.3 million).

Main assumptions for Black-Scholes model

	Granted in 2008	Granted in 2007
Share options granted, pcs *	**2,288,602**	2,273,880
Weighted average share price	**24.80 €**	20.00 €
Subscription price	**23.23 €**	16.11 €
Interest rate, %	**3.7%**	4.1%
Option life, years	**3.8**	3.8
Volatility, % **	**39.0%**	37.3%
Share options forfeiting, %	**8.8%**	8.9%
Total fair value	**19,683,841 €**	20,787,973 €

* One 2004 share option is for subscription of 10 shares. One 2007 share option is for subscription of one share.

** Volatility is based on the historical volatility of the share using monthly observations during a period corresponding the option life.

24. PENSION LIABILITIES

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

25. PROVISIONS

EUR million	2008	2007
Current provisions		
Warranty provision		
1 January	**1.1**	1.0
Provisions made	**1.1**	1.1
Provisions used	**0.0**	-0.1
Provisions reversed	**-1.1**	-0.9
31 December	**1.1**	1.1

The goods are sold with a normal warranty period. Defective goods will be repaired at the cost of the company or replaced with a corresponding product. The warranty provisions are expected to be utilised within one year.

EUR million	2008	2007
Non-current provisions		
Restructuring provision		
1 January	**0.0**	-
Provisions made	**1.1**	-
Provisions used	**0.0**	-
Provisions reversed	**0.0**	-
31 December	**1.1**	-

Due to the vastly expanded economic uncertainty the annual production volume in Passenger Car Tyres -unit at the Nokia factory will be decreased from the current approximately 6 million tyres to approximately 4 million tyres in 2009. The negotiations to execute the changes resulted in cutting personnel by total of 232 people, of which pension arrangements will cover 106 people. Additionally the measures include the lay-offs of a total of 440 people in 110 lots in nine week cycles, and another 62 people will be laid off until further notice.

The EUR 3.7 million cost impact of these adjustment measures has been expensed in 2008. The costs of dismissals without duty to work have been recorded in deferred revenues and accrued expenses, whereas the estimated costs of the liability components for the probable continued allowances to the dismissed, collected by the Unemployment Insurance Fund in due course, have been recorded as a non-current provision. The use of the provision is expected to start in 2010 at the earliest.

26. INTEREST-BEARING LIABILITIES

EUR million	2008	2007
Non-current		
Loans from financial institutions and pension loans	**241.1**	101.8
Bond loans	**10.0**	10.0
Convertible bond loans	**137.0**	129.7
Finance lease liabilities	**6.4**	7.2
	394.5	248.7
Current		
Commercial papers	**14.0**	0.0
Current portion of non-current loans from financial institutions and pension loans	**22.1**	10.1
Current portion of finance lease liabilities	**1.7**	1.4
	37.8	11.4

The amount of EUR 45.6 million (EUR 39.8 million in 2007) of loans from financial institutions is designated as hedges of net investments in foreign operations.

Interest-bearing liabilities by currency

EUR million	2008	2007
Currency		
EUR	**386.6**	220.3
NOK	**12.3**	12.6
SEK	**4.6**	6.9
USD	**28.7**	20.4
Total	**432.3**	260.1

Effective interest rates for interest-bearing liabilities

	2008		2007	
	Without hedges	With hedges	Without hedges	With hedges
Loans from financial institutions and pension loans	**3.87%**	**3.87%**	5.80%	5.80%
Bond loans	**6.15%**	**5.54%**	5.32%	5.54%
Convertible bond loans	**5.59%**	**5.59%**	5.59%	5.59%
Finance lease liabilities	**5.67%**	**5.67%**	5.58%	5.58%
Commercial papers	**3.40%**	**3.40%**	0.00%	0.00%
Total	**4.46%**	**4.45%**	5.67%	5.67%

The floating rate EUR 10 million bond loan is converted to a fixed rate loan with an interest rate swap.

See note 15 for the fair values of the interest-bearing liabilities. Fair values are based on the future cash flows that are discounted with market interest rates on the balance sheet date.

EUR million	2008	2007
27. MATURING OF FINANCE LEASE LIABILITIES		
Minimum lease payments		
In less than 1 year	**2.1**	1.9
In 1 to 5 years	**6.6**	7.1
In over 5 years	**1.2**	2.0
	9.9	11.0
Present value of minimum lease payments		
In less than 1 year	**2.1**	1.8
In 1 to 5 years	**5.7**	5.9
In over 5 years	**0.8**	1.2
	8.6	8.9
Future finance charges	**1.3**	2.2
Total finance lease liabilities – minimum lease payments	**9.9**	11.1

On 31 December 2008 the Group's finance leases relating to warehouses, machinery and equipment amounted to EUR 7.3 million (EUR 8.1 million on 31 December 2007) and they were included in tangible assets. In 2008 the amount of floating lease payments were EUR -0.0 million (EUR -0.0 million in 2007). 65% of the finance lease payments are bound to the three-month Euribor rate. There are interest rate swaps with a notional amount of EUR 4.4 million (EUR 5.0 million in 2007) under which floating rate payments are converted into fixed rate payments.

EUR million	2008	2007
28. TRADE AND OTHER PAYABLES		
Trade payables	**79.0**	67.0
Accrued expenses and deferred revenues	**67.0**	47.0
Advance payments	**1.1**	2.4
Derivative financial instruments		
Designated as hedges	**0.4**	0.3
Measured at fair value through profit or loss	**2.7**	0.4
Other liabilities	**26.4**	15.1
Total	**176.7**	132.2

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

Significant items under accrued expenses and deferred revenues

Wages, salaries and social security contributions	**27.6**	27.7
Annual discounts, sales	**5.4**	5.7
Financial items	**1.2**	1.9
Commissions	**0.1**	0.6
Goods received and not invoiced	**1.0**	0.1
VAT and other taxes, Russia	**0.6**	2.7
Investment projects under construction	**8.9**	0.0
Return of technical support fee	**12.0**	0.0
Other items	**10.3**	8.4
Total	**67.0**	47.0

29. FINANCIAL RISK MANAGEMENT

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

Foreign currency risk

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

Transaction risk

According to the Group's financial policy, transactions between the parent company and the Group companies are primarily carried out in the local currency of the Group company in question. Therefore transaction risk is mainly carried by the parent company and there is no significant currency risk in the foreign Group companies. An exception to this main rule are the USD transactions and starting from December 2008 the EUR transactions between the Ukrainian subsidiary and the parent company as the UAH is a non-convertible currency. The external EUR 41.9 million loan (EUR 48.3 million in 2007) issued to the Russian subsidiary was hedged against currency rate fluctuations on the balance sheet date.

The open foreign currency exposure of the parent company comprises of the foreign currency denominated receivables and payables in the balance sheet and the foreign currency denominated binding purchase and sales contracts (transaction exposure). For risk management purposes, estimated currency cash flows are added to the open foreign currency exposure so that the overall foreign currency risk exposure horizon covers the next 12 months (budget exposure). According to the Group's financial policy the transaction exposure is hedged in full, although 20% over-hedging or under-hedging is allowed. The budget exposure is hedged according to the market situation and the hedge ratio can be 70% of the budget exposure at maximum. As hedging instruments, currency forwards and currency options are used.

Transaction risk

EUR million	31 Dec 2008							31 Dec 2007						
Functional currency	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**UAH**	**USD**	EUR	EUR	EUR	EUR	EUR	UAH	USD
Foreign currency	**KZT**	**NOK**	**RUB**	**SEK**	**USD**	**EUR**	**CAD**	KZT	NOK	RUB	SEK	USD	EUR	CAD
Trade receivables	**0.5**	**4.6**	**39.5**	**10.0**	**12.7**	**8.8**	**11.8**	0.0	5.9	8.6	11.5	14.5	0.0	16.1
Loans and receivables	**39.7**	**0.0**	**112.2**	**35.8**	**15.5**	**0.0**	**0.0**	4.7	0.1	11.3	40.0	28.9	0.0	0.0
Total currency income	**40.2**	**4.6**	**151.7**	**45.7**	**28.2**	**8.8**	**11.8**	4.7	6.0	19.9	51.5	43.4	0.0	16.1
Trade payables	**0.0**	**0.0**	**-18.9**	**0.0**	**-6.2**	**-0.1**	**0.0**	0.0	0.0	-17.0	-0.1	-8.1	-0.1	-0.1
Borrowings	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-46.2**	**0.0**	0.0	0.0	-22.2	0.0	0.0	0.0	0.0
Total currency expenditure	**0.0**	**0.0**	**-18.9**	**0.0**	**-6.2**	**-46.4**	**0.0**	0.0	0.0	-39.2	-0.1	-8.1	-0.1	-0.1
Foreign exchange derivatives	**-36.3**	**-8.2**	**-124.6**	**-47.4**	**-30.4**	**0.0**	**-11.8**	-4.0	-12.6	-1.4	-54.8	-33.4	0.0	-10.7
Binding sales contracts	**0.0**	**0.9**	**0.0**	**0.5**	**1.4**	**0.0**	**0.0**	0.5	3.5	7.8	3.1	3.3	0.0	0.0
Binding purchase contracts	**0.0**	**0.0**	**-8.1**	**0.0**	**-9.0**	**0.0**	**0.0**	0.0	0.0	-0.5	0.0	-12.8	0.0	0.0
Net exposure	**4.0**	**-2.8**	**0.1**	**-1.1**	**-16.0**	**-37.6**	**0.1**	1.2	-3.1	-13.4	-0.3	-7.6	-0.1	5.3

Translation risk

In financial statements the balance sheets of the foreign subsidiaries are translated into euro using the European Central Bank's closing rates and the impact of the exchange rate fluctuations from the net foreign investments are recorded as translation differences in equity.

Following the Group's financial policy, the main foreign net investments are hedged with non-current currency loans and currency forwards. In general the hedge ratio varies between 50 and 75% of the reported equity. The foreign net investments are monitored quarterly.

Translation risk

	31 Dec 2008			31 Dec 2007		
EUR million	Net investment	Hedge	Hedge ratio	Net investment	Hedge	Hedge ratio
Currency of net investment						
NOK	**25.1**	**12.3**	**49%**	27.1	12.6	46%
RUB	**398.2**	**96.9**	**24%**	293.7	127.8	44%
SEK	**10.5**	**4.6**	**44%**	12.1	6.9	57%
USD	**49.0**	**28.7**	**59%**	41.5	20.4	49%

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the base currency against the quote currency, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of financial assets and liabilities and the Group's equity due to changes in the fair value of hedges of net investments in foreign operations. The simultaneous and opposite impact of the translation difference of the net investment is not taken into account in the table.

A reasonably possible change is assumed to be a 10% base currency appreciation or depreciation against the quote currency. A change of a different magnitude can also be estimated fairly accurately because the sensitivity is nearly linear.

	31 Dec 2008				31 Dec 2007			
	Base currency				Base currency			
	10% stronger		10% weaker		10% stronger		10% weaker	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Base currency/ Quote currency								
EUR/KZT	**-0.4**	**0.0**	**0.4**	**0.0**	-0.1	0.0	0.1	0.0
EUR/NOK	**0.4**	**1.2**	**-0.4**	**-1.2**	0.7	1.3	-0.7	-1.3
EUR/RUB	**-1.7**	**9.7**	**1.7**	**-9.7**	-2.8	12.8	2.8	-12.8
EUR/SEK	**0.2**	**0.5**	**-0.2**	**-0.5**	0.3	0.7	-0.3	-0.7
EUR/UAH	**-3.8**	**0.0**	**3.8**	**0.0**	0.0	0.0	0.0	0.0
EUR/USD	**0.9**	**2.9**	**-1.4**	**-2.9**	0.8	2.0	-0.8	-2.0
USD/CAD	**-0.1**	**0.0**	**0.1**	**0.0**	-0.9	0.0	0.9	0.0

Interest rate risk

The interest rate risk of the Group consists mainly of borrowing, which is split between floating and fixed rate instruments. On the balance sheet date the floating rate interest-bearing liabilities amounted to EUR 236.8 million (EUR 106.6 million in 2007) and the fixed rate interest-bearing liabilities EUR 195.4 million (EUR 153.5 million in 2007). The Group's policy aims to have at least 50% of the non-current liabilities in fixed rate instruments. Interest rate risk is managed by using interest rate derivatives. On the balance sheet date the portion of the non-current fixed rate interest-bearing liabilities was 47% (65% in 2007) and the average fixing period of the interest-bearing liabilities was 27 months (48 months in 2007) including the interest rate derivatives. The Group uses interest rate derivatives as cash flow hedges and hedge accounting is mainly applied for those derivatives.

Sensitivity analysis for interest rate risk

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

	31 Dec 2008				31 Dec 2007			
	Interest rate				Interest rate			
	1%-point higher		1%-point lower		1%-point higher		1%-point lower	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Impact of interest rate change	**-2.4**	**0.1**	**2.4**	**-0.2**	-0.5	0.3	0.5	-0.3

Liquidity and funding risk

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

Refinancing risk is reduced by split maturity structure of loans and credit limits. The Group increased the EUR 150 million domestic commercial paper program into EUR 250 million in June 2008. As a back-up liquidity reserve the Group has a 5-year EUR 180 million multicurrency revolving credit facility up to 2010. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, subsidiaries in distribution chains and thus to control the typical seasonality in the Group's cash flows due to changes in working capital. A EUR 150 million convertible loan, which is traded on the Euro MTF market of Luxembourg, is due in 2014, unless it is redeemed, exchanged, purchased or cancelled prior to the maturity. The loan was issued as bonds with a capital of EUR 100,000, which can be traded for 2,672 company shares.

On the balance sheet date the Group's liquidity in cash and equivalents was EUR 113.2 million (EUR 158.1 million in 2007). At the end of the year the Group's available current credit limits were EUR 346.8 million (EUR 212.5 million in 2007), out of which the committed limits were EUR 60.1 million (EUR 11.8 million in 2007). The available committed non-current credits amounted to EUR 14.4 million (EUR 140.2 million in 2007).

The Group's interest-bearing liabilities totalled EUR 432.3 million, compared to the year before figure of EUR 260.1 million. The rise in the amount of the interest-bearing liabilities was caused by a deviation in the typical seasonality of the cash flows which created a need to finance trade receivables over the turn of the year. As commercial paper markets slowed down due to the financial crisis financing was provided by non-current loans. Around 89% of the interest-bearing liabilities were in EUR. The average interest rate of interest-bearing liabilities was 4.46% and taking into account interest rate hedging 4.45%. The average interest rate of interest-bearing liabilities calculatory non-cash expenses related to the convertible bond eliminated was 2.76% and taking into account interest rate hedging 2.77%. Current interest-bearing liabilities, including the portion of non-current liabilities maturing within the next 12 months, amounted to EUR 37.8 million (EUR 11.4 million in 2007).

Contractual maturities of financial liabilities

	2008							
	Carrying	Contractual maturities*						
EUR million	amount	2009	2010	2011	2012	2013	2014-	Total
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	45.6	-11.7	-10.2	-9.9	-9.6	-7.5	-0.4	-49.2
Floating rate loans	172.0	-15.7	-133.7	-12.7	-11.9	-6.6	-0.9	-181.4
Floating rate loans designated as hedges	45.6	-1.5	-46.4	0.0	0.0	0.0	0.0	-47.9
Convertible bond loans	137.0	0.0	0.0	0.0	0.0	0.0	-184.5	-184.5
Bond loans	10.0	-10.4	0.0	0.0	0.0	0.0	0.0	-10.4
Commercial papers	14.0	-14.0	0.0	0.0	0.0	0.0	0.0	-14.0
Finance lease liabilities	8.1	-1.7	-1.8	-1.0	-1.0	-1.0	-1.6	-8.1
Trade and other payables	173.6	-173.6	0.0	0.0	0.0	0.0	0.0	-173.6
Bank overdraft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial liabilities								
Interest rate derivatives								
Designated as hedges	0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.1
Foreign currency derivatives								
Designated as hedges								
Cashflow out	0.0	-96.9	0.0	0.0	0.0	0.0	0.0	-96.9
Cashflow in	-12.5	108.5	0.0	0.0	0.0	0.0	0.0	108.5
Measured at fair value through profit or loss								
Cashflow out	2.7	-310.1	0.0	0.0	0.0	0.0	0.0	-310.1
Cashflow in	-14.8	322.3	0.0	0.0	0.0	0.0	0.0	322.3
Total	581.5	-204.8	-192.1	-23.6	-22.5	-15.1	-187.4	-645.3

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

EUR million	2007 Carrying amount	Contractual maturities* 2008	2009	2010	2011	2012	2013-	Total
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	21.1	-4.6	-4.4	-4.3	-4.1	-3.9	-2.9	-24.2
Floating rate loans	50.9	-9.9	-13.3	-11.6	-11.3	-10.3	-5.4	-61.7
Floating rate loans designated as hedges	39.8	-1.1	-1.1	-40.6	0.0	0.0	0.0	-42.8
Convertible bond loans	129.7	0.0	0.0	0.0	0.0	0.0	-184.5	-184.5
Bond loans	10.0	-0.5	-10.5	0.0	0.0	0.0	0.0	-11.1
Commercial papers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finance lease liabilities	8.6	-1.9	-1.8	-1.7	-1.3	-1.2	-3.1	-11.0
Trade and other payables	131.5	-131.5	0.0	0.0	0.0	0.0	0.0	-131.5
Bank overdraft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial liabilities								
Interest rate derivatives								
Designated as hedges	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Foreign currency derivatives								
Designated as hedges								
Cashflow out	0.0	-127.8	0.0	0.0	0.0	0.0	0.0	-127.8
Cashflow in	-1.2	129.0	0.0	0.0	0.0	0.0	0.0	129.0
Measured at fair value through profit or loss								
Cashflow out	0.4	-187.8	0.0	0.0	0.0	0.0	0.0	-187.8
Cashflow in	-1.9	189.1	0.0	0.0	0.0	0.0	0.0	189.1
Total	388.8	-146.9	-31.1	-58.1	-16.6	-15.5	-195.9	-464.2

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

Credit Risk

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

The Group Credit Committee makes all the significant credit decisions. Credit analysis and payment history collected by credit information companies are used for evaluating credit worthiness. The credit statuses of the customers are followed at the Group companies regularly according to the Group credit policy principles. In addition, the country risk is monitored constantly and credits are limited in countries where political or economical environment is unstable. Bank guarantees, documentary credits and specific payment terms are used in controlling the credit risk in trade receivables. Payment programs, which customer is committed to, are always agreed upon for past due receivables. Significant items of trade receivables are evaluated both counterparty specifically and in a portfolio level in order to identify possible impairment. About 50% of the trade receivables are from Russian customers on the balance sheet date. There are no other significant risk concentrations in trade receivables.

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

The aging of trade receivables

EUR million	**2008**	2007
Not past due	**137.9**	175.9
Past due less than 30 days	**78.5**	39.0
Past due between 30 and 90 days	**43.6**	6.9
Past due more than 90 days	**8.4**	3.5
Total	**268.4**	225.3

Capital Management

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

EUR million	2008	2007
Equity attributable to equity holders of the parent	**774.6**	712.8
Minority interest	**2.7**	0.0
Total equity	**777.3**	712.8
Total assets	**1,420.4**	1,155.4
Advances received	**1.1**	2.4
Adjusted total assets	**1,419.3**	1,152.9
Equity ratio	**54.8%**	61.8%

30. FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	2008			2007		
EUR million	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives measured at fair value through profit or loss						
Foreign currency derivatives						
Currency forwards	**299.6**	**14.3**	**2.4**	184.2	1.8	0.4
Currency options, purchased	**5.0**	**0.5**	**0.0**	4.8	0.1	0.0
Currency options, written	**10.1**	**0.0**	**0.3**	4.8	0.0	0.0
Derivatives designated as cash flow hedges						
Interest rate derivatives						
Interest rate swaps	**14.4**	**0.8**	**0.9**	15.0	1.5	1.5
Derivatives designated as hedges of net investments in foreign operations						
Foreign currency derivatives						
Currency forwards	**96.9**	**12.5**	**0.0**	127.8	1.2	0.0

Derivatives are maturing within the next 12 months excluding the interest rate swaps from which EUR 4.4 million will mature in 2011.

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

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

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

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

EUR million	2008	2007
31. OPERATING LEASE COMMITMENTS		
The Group as a lessee		
Non-cancellable minimum operating lease payments		
In less than 1 year	**17.2**	14.2
In 1 to 5 years	**53.7**	38.0
In over 5 years	**33.9**	37.7
	104.9	89.9

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

The income statement in 2008 contains EUR 24.4 million expenses for operating lease agreements (EUR 21.8 million in 2007).

The Group as a lessor

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

The leasing income is not material.

EUR million	2008	2007
32. COMMITMENTS AND CONTINGENT LIABILITIES		
For own debt		
Mortgages	**0.9**	1.0
Pledged assets	**37.4**	0.0
On behalf of other companies		
Guarantees	**0.0**	0.0
Other own commitments		
Guarantees	**2.1**	1.0
Acquisition commitments	**1.5**	28.2

33. DISPUTES AND LITIGATIONS

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

34. RELATED PARTY TRANSACTIONS

Parent and Group company relations:

	Domicile	Country	Group holding %	Voting rights %	Parent company holding %
Parent company					
Nokian Tyres plc	Nokia	Finland			
Group companies					
Nokian Heavy Tyres Ltd.	Nokia	Finland	100	100	100
Nokian Däck AB		Sweden	100	100	100
Nokian Dekk AS		Norway	100	100	100
Nokian Reifen GmbH		Germany	100	100	100
Nokian Reifen AG		Switzerland	100	100	100
Nokian Tyres US Holdings Inc.		USA	100	100	100
Nokian Tyres US Finance Oy	Nokia	Finland	100	100	
Nokian Tyres Inc.		USA	100	100	
University Wholesalers Inc.		USA	100	100	
Goss Tire Company Inc.		USA	100	100	
Nokian Tyres (North America) Ltd.		Canada	100	100	100
Nokian Tyres Slovakia s.r.o.		Slovakia	100	100	100
Nokian Tyres s.r.o.		Czech rep.	100	100	100
TOV Nokian Shina		Ukraine	100	100	100
TOO Nokian Tyres		Kazakhstan	100	100	100
OOO Nokian Shina	Vsevolozhsk	Russia	100	100	100
Nokian Renkaat Holding Oy	Nokia	Finland	100	100	99
OOO Nokian Shina	Moscow	Russia	100	100	
OOO Nokian Tyres	Vsevolozhsk	Russia	100	100	
OOO Hakkapeliitta Village	Vsevolozhsk	Russia	100	100	
NT Tyre Machinery Oy	Nokia	Finland	100	100	100
Direnic Oy	Nokia	Finland	100	100	100
Hakka Invest Oy	Nokia	Finland	22	100	22
Vianor Holding Oy	Nokia	Finland	100	100	100
Vianor Oy	Lappeenranta	Finland	100	100	
Vianor Russia Holding Oy	Nokia	Finland	100	100	
OOO Vianor	Moscow	Russia	100	100	
OOO Vianor SPb	St. Petersburg	Russia	100	100	
OOO Ilirija	St. Petersburg	Russia	100	100	
Posiber Oy	Nokia	Finland	100	100	
AS Vianor		Estonia	100	100	
Vianor SIA		Latvia	100	100	
Vianor AB		Sweden	100	100	
Vianor AS		Norway	100	100	
Vianor AG		Switzerland	100	100	
Associated companies					
Sammaliston Sauna Oy	Nokia	Finland	33	33	33

Not combined due to the company characteristics and minor significance.

The Group has related party relationships with members of the Board of Directors, the President, other key management personnel, and close members of their families, and Bridgestone Group with significant influence through share ownership.

Transactions and outstanding balances with parties having significant influence

EUR million	2008	2007
Shareholders		
Bridgestone Group		
Transactions with Bridgestone Group take place at market prices.		
Sales of goods	26.7	24.1
Purchases of goods	33.5	37.6
Trade and other receivables	2.5	3.5
Trade and other payables	9.5	9.7

1,000 euros	2008	2007
Key management personnel		
Employee benefit expenses		
Short-term employee benefits	2,437.8	2,740.5
Post-employment benefits	372.5	278.8
Termination benefits	88.7	0.0
Share-based payments	5,751.1	4,041.9
Total	8,650.1	7,061.2
Remunerations		
President (also a member of the Board of Directors)	395.4	656.1
of which incentives	0.0	291.4
Members of the Board of Directors		
Petteri Walldén	67.5	60.0
Hille Korhonen	33.8	30.0
Hannu Penttilä	33.8	30.0
Koki Takahashi	33.8	30.0
Aleksey Vlasov	33.8	30.0
Kai Öistämö	26.3	-
Prior members of the Board of Directors		
Rabbe Grönblom	7.5	30.0
Total	236.3	210.0

No incentives were paid to the members of the Board of Directors.

Other key management personnel	1,684.1	1,718.1
of which incentives	0.0	253.6

No special pension commitments have been granted to the members of the Board of Directors and the President. The agreed retirement age of the President and one subsidiary Managing Director is 60 years.

No loans, guarantees or other collaterals have been granted to the related parties.

In 2008 the President and other key management personnel were granted a total of 766,000 share options for the subscription of 766,000 shares (in 2007 a total of 688,200 pcs for the subscription of 852,000 shares). The share option plan terms for the key management personnel are equal to the share options directed at other personnel. On 31 December 2008 the key management personnel held 1,386,200 share options for the subscription of 1,694,900 shares (762,950 pcs for the subscription of 1,869,500 shares on 31 December 2007). Of these share options 34,300 pcs were exercisable for the subscription of 343,000 shares on 31 December 2008 (38,750 pcs exercisable for the subscription of 387,500 shares on 31 December 2007).

No share options have been granted to the other members of the Board of Directors.

35. EVENTS AFTER THE BALANCE SHEET CLOSING DATE

Passenger Car Tyres

The statutory negotiations started in December 2008 were ended on 20 January 2009. The results of the negotiations were to cut personnel by total of 232 people, of which pension arrangements will cover 106 people. Additionally the measures include the lay-offs of a total of 440 people in 110 lots in nine week cycles, and another 62 people will be laid off until further notice. As a result the annual production volume at the Nokia factory will decrease from the current approximately 6 million tyres to approximately 4 million tyres in 2009.

The EUR 3.7 million cost impact of these adjustment measures that was indicated during the preparation of the financial statements has been expensed in 2008. The costs of dismissals without duty to work have been recorded in deferred revenues and accrued expenses, whereas the estimated costs of the liability components for the probable continued allowances to the dismissed, collected by the Unemployment Insurance Fund in due course, have been recorded as a non-current provision.

Heavy Tyres

New statutory negotiations were started on 20 January 2009 in order to adjust production and inventories in line with the declined demand. The need is to cut personnel by approximately 50 people and to lay off approximately 230 people either until further notice or for certain periods.

EUR million	1.1.–31.12.	Notes	2008	2007
Net sales		(1)	**573.2**	556.2
Cost of sales		(2)(3)	**-471.9**	-429.1
Gross profit			**101.2**	127.0
Selling and marketing expenses		(2)(3)	**-28.7**	-28.9
Administration expenses		(2)(3)(4)	**-12.1**	-11.6
Other operating expenses		(2)(3)	**-11.4**	-12.1
Other operating income			**0.6**	1.2
Operating profit			**49.6**	75.5
Financial income and expenses		(5)	**-0.7**	2.7
Profit before extraordinary items			**48.9**	78.2
Extraordinary income and expenses		(6)	**0.0**	0.0
Profit before appropriations and tax			**48.9**	78.2
Change in accumulated depreciation in excess of plan		(7)	**1.3**	1.6
Income tax		(8)	**-13.2**	-19.9
Profit for the period			**37.0**	59.9

EUR million	31.12.	Notes	**2008**	2007
ASSETS				
Fixed assets and other non-current assets				
Intangible assets		(9)	**15.6**	5.8
Tangible assets		(9)	**155.0**	162.0
Shares in Group companies		(10)	**50.9**	49.0
Investments in associates		(10)	**0.1**	0.1
Shares in other companies		(10)	**0.2**	0.1
Total non-current assets			**221.7**	217.0
Current assets				
Inventories		(11)	**117.4**	74.5
Long-term receivables		(12)	**55.2**	57.6
Deferred tax assets		(15)	**0.9**	1.9
Short-term receivables		(13)	**589.4**	366.6
Cash and cash equivalents			**96.7**	130.9
Total current assets			**859.6**	631.5
			1,081.3	848.4
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity		(14)		
Share capital			**25.0**	24.7
Share issue			**0.0**	0.0
Share premium			**156.3**	150.1
Retained earnings			**165.2**	167.6
Profit for the period			**37.0**	59.9
Total shareholders' equity			**383.4**	402.3
Untaxed reserves and provisions				
Accumulated depreciation in excess of plan		(7)	**61.7**	63.1
Liabilities				
Non-current liabilities		(16)	**374.0**	220.6
Current liabilities		(17)	**262.1**	162.5
Total liabilities			**636.1**	383.0
			1,081.3	848.4

EUR million 1.1.-31.12.	**2008**	2007
Cash flows from operating activities:		
Cash receipts from sales	**550.3**	584.8
Cash paid for operating activities	**-500.1**	-533.0
Cash generated from operations	**50.2**	51.7
Interest paid	**-50.9**	-18.4
Interest received	**28.3**	19.0
Dividends reiceived	**0.0**	0.0
Income taxes paid	**-20.0**	-16.6
Net cash from operating activities (A)	**7.6**	35.8
Cash flows from investing activities:		
Acquisitions of property, plant and equipment and intangible assets	**-35.3**	-29.2
Proceeds from sale of property, plant and equipment and intangible assets	**4.1**	3.2
Acquisition of Group companies	**-1.9**	0.0
Divestments in associates	**0.0**	0.0
Net cash used in investing activities (B)	**-33.0**	-26.0
Cash flows from financing activities:		
Proceeds from issue of share capital	**6.4**	6.5
Change in current financial receivables	**-163.7**	-64.8
Change in non-current financial receivables	**2.4**	-1.5
Change in financial current borrowings	**54.9**	33.2
Change in financial non-current borrowings	**153.4**	169.1
Dividends paid	**-62.3**	-38.0
Net cash used financing activities (C)	**-8.8**	104.5
Net increase in cash and cash equivalents (A+B+C)	**-34.2**	114.3
Cash and cash equivalents at the beginning of the period	**130.9**	16.6
Cash and cash equivalents at the end of the period	**96.7**	130.9
	-34.2	114.3

ACCOUNTING POLICIES FOR THE PARENT COMPANY

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

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

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

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

The depreciation times are as follows:

Intangible assets	3–10 years
Goodwill	5–10 years
Buildings	20–40 years
Machinery and equipment	4–20 years
Other tangible assets	10–40 years

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

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

Pensions and coverage of pension liabilities
Pension contributions are based on periodic actuarial calculations and are charged to the income statement.

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

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

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

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

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

EUR million	2008	2007
1. NET SALES BY SEGMENTS AND MARKET AREAS		
Passenger Car Tyres	**448.0**	428.4
Heavy Tyres	**94.2**	95.6
Truck Tyres	**31.0**	32.3
Total	**573.2**	556.2
Finland	**135.7**	129.8
Other Nordic countries	**122.5**	120.8
Baltic countries and Russia	**84.3**	86.4
Other European countries	**153.4**	157.1
North America	**36.1**	30.4
Other countries	**41.2**	31.7
Total	**573.2**	556.2
2. WAGES, SALARIES AND SOCIAL EXPENSES		
Wages and salaries	**58.1**	55.6
Pension contributions	**11.3**	9.0
Other social expenses	**5.5**	6.1
Total	**74.8**	70.7
Remuneration of the members of the Board of the Directors and the President on accrual basis	**0.6**	0.9
of which incentives	**0.0**	0.3

No special pension commitments have been granted to the members of the Board and to the President. The agreed retirement age of the President is 60 years.

Personnel, average during the year		
Production	**1,039**	1,056
Selling and marketing	**67**	75
Others	**174**	185
Total	**1,280**	1,316

EUR million	2008	2007
3. DEPRECIATION		
Depreciation according to plan by asset category		
Intangible assets	**2.9**	1.8
Buildings	**1.7**	1.7
Machinery and equipment	**24.6**	23.7
Other tangible assets	**0.2**	0.2
Total	**29.4**	27.4
Depreciation by function		
Production	**25.5**	24.7
Selling and marketing	**0.2**	0.3
Administration	**2.5**	1.3
Other operating depreciation	**1.1**	1.1
Total	**29.4**	27.4
4. AUDITORS' FEES		
Authorised public accountants KPMG Oy Ab		
Auditing	**0.0**	0.1
Tax consulting	**0.0**	0.1
Other services	**0.0**	0.0
Total	**0.1**	0.2
5. FINANCIAL INCOME AND EXPENSES		
Dividend income		
From the Group companies	**-**	-
From others	**0.0**	0.0
Total	**0.0**	0.0
Interest income, non-current		
From the Group companies	**2.4**	2.8
From others	**1.2**	0.6
Total	**3.6**	3.3
Other interest and financial income		
From the Group companies	**24.8**	14.5
From others	**1.1**	0.5
Total	**25.9**	15.1
Exchange rate differences (net)	**-3.5**	1.3
Interest and other financial expenses		
To the Group companies	**-1.8**	-0.9
To others	**-24.5**	-13.0
Other financial expenses	**-0.5**	-3.1
Total	**-26.8**	-17.0
Total financial income and expenses	**-0.7**	2.7

EUR million	2008	2007
6. EXTRAORDINARY ITEMS		
Extraordinary items	**0.0**	0.0

Extraordinary items in 2008 include a dissolution loss of a subsidiary.

EUR million	2008	2007
7. APPROPRIATIONS		
Change in accumulated depreciation in excess of plan		
Intangible assets	**-0.9**	-0.1
Buildings	**0.0**	-0.1
Machinery and equipment	**2.1**	1.7
Other tangible assets	**0.1**	0.1
Total	**1.3**	1.6
8. INCOME TAX		
Direct tax for the year	**-12.2**	-19.9
Direct tax from previous years	**-0.1**	0.0
Change in deferred tax	**-0.9**	0.0
Total	**-13.2**	-19.9

9. FIXED ASSETS

EUR million	Intangible assets: Intangible rights	Intangible assets: Other intangible assets	Tangible assets: Land property	Tangible assets: Buildings	Tangible assets: Machinery and equipment	Tangible assets: Other tangible assets	Tangible assets: Advances and fixed assets under construction
Accumulated cost, 1 Jan 2008	**13.5**	**2.4**	**0.7**	**60.0**	**301.4**	**3.6**	**8.7**
Decrease	**0.0**	**0.0**	**0.0**	**0.0**	**-7.6**	**0.0**	**-20.6**
Increase	**12.6**	**0.0**	**0.0**	**0.2**	**27.2**	**0.0**	**15.9**
Accumulated cost, 31 Dec 2008	**26.1**	**2.4**	**0.7**	**60.2**	**320.9**	**3.6**	**4.0**
Accum. depr. acc. to plan	**-11.6**	**-1.3**		**-19.7**	**-211.4**	**-3.3**	
Carrying amount, 31 Dec 2008	**14.5**	**1.1**	**0.7**	**40.5**	**109.5**	**0.3**	**4.0**
Carrying amount, 31 Dec 2007	4.5	1.3	0.7	42.0	110.0	0.5	8.7
Accum. depreciation in excess of plan, 31 Dec 2008	**1.9**	**0.1**	**0.0**	**17.9**	**42.2**	**-0.4**	
Accum. depreciation in excess of plan, 31 Dec 2007	1.1	0.1	0.0	17.9	44.3	-0.3	

10. INVESTMENTS

EUR million	Shares in Group companies	Investments in associates	Shares in other companies
Accumulated cost, 1 Jan 2008	**49.0**	**0.1**	**0.1**
Decrease/Increase	**1.9**	**0.0**	**0.0**
Accumulated cost, 31 Dec 2008	**50.9**	**0.1**	**0.2**
Carrying amount, 31 Dec 2008	**50.9**	**0.1**	**0.2**
Carrying amount, 31 Dec 2007	49.0	0.1	0.1

The Group and the Parent company do not hold any treasury shares.

EUR million	**2008**	2007
11. INVENTORIES		
Raw materials and supplies	**40.2**	19.8
Work in progress	**2.6**	2.3
Finished goods	**74.6**	52.5
Total	**117.4**	74.5
12. LONG-TERM RECEIVABLES		
Loan receivables from the Group companies	**54.8**	57.0
Loan receivables from others	**0.4**	0.6
Total long-term receivables	**55.2**	57.6

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

EUR million	**2008**	2007
13. SHORT-TERM RECEIVABLES		
Receivables from the Group companies		
Trade receivables	**84.5**	55.3
Loan receivables	**387.6**	224.0
Accrued revenues and deferred expenses	**23.4**	17.4
Total	**495.5**	296.7
Trade receivables	**46.4**	53.6
Other receivables	**8.9**	11.4
Accrued revenues and deferred expenses	**38.5**	4.9
Total	**93.8**	69.9
Total short-term receivables	**589.4**	366.6

EUR million	2008	2007
Significant items under accrued revenues and deferred expenses		
Annual discounts, purchases	0.3	0.7
Financial items	30.6	4.9
Taxes	7.8	0.0
Social payments	0.6	0.4
Capital expenditure in Russian factory	12.8	7.5
Goods and services rendered and not invoiced, subsidiary	7.9	8.3
Other items	1.9	0.5
Total	61.9	22.3
14. SHAREHOLDERS' EQUITY		
Share capital, 1 January	24.7	24.4
Emissions	0.2	0.3
Share capital, 31 December	25.0	24.7
Share issue, 1 January	0.0	0.1
Share issue, 31 December	0.0	0.0
Share issue premium, 1 January	150.1	143.8
Emission gains	6.2	6.3
Share issue premium, 31 December	156.3	150.1
Retained earnings, 1 January	227.5	205.6
Dividends to shareholders	-62.3	-38.0
Retained earnings, 31 December	165.2	167.6
Profit for the period	37.0	59.9
Total shareholders' equity	383.4	402.3
Specification of the distributable funds, 31 December		
Retained earnings	165.2	167.6
Profit for the period	37.0	59.9
Distributable funds, 31 December	202.1	227.5
15. DEFERRED TAX LIABILITIES AND ASSETS		
Deferred tax assets from		
Temporary differences	0.9	1.9
Total	0.9	1.9
Deferred tax liabilities, total	-	-

Item contains the deferred tax asset from the dissolution loss entered into extraordinary expenses during 2000. The remaining tax benefit, EUR 0.9 million, will be realised in 2009.

EUR million	2008	2007
16. NON-CURRENT LIABILITIES		
Interest-bearing		
Bonds	10.0	10.0
Convertible bond loans	156.9	152.3
Loans from financial institutions	173.1	50.0
Pension premium loans	33.9	8.3
Total	374.0	220.6
Non-interest-bearing	-	-
Total non-current liabilities	374.0	220.6
Bonds	10.0	10.0

A floating rate bullet loan maturing in 2009 is bound to the six-month Euribor rate.

Convertible bond loans	156.9	152.3

The convertible bonds were issued at 100% in their principal amount, pay zero coupon, and, if not previously converted, redeemed or purchased and cancelled, redeemed at final maturity at a price which represents a yield-to-maturity equal to 3% per annum, or 123% of their principal amount.

Liabilities maturing after five years		
Loans from financial institutions	0.8	2.5
Pension premium loans	0.0	0.3
Convertible bond loans	184.5	184.5
Total	185.3	187.3

The convertible bonds include non-accrued yield of EUR 27.6 million (2007: EUR 32.2 million).

Maturing of non-current liabilities		
Maturity		
2010	176.2	43.5
2011	10.6	3.7
2012	10.6	3.7
2013	8.8	1.9
2014 and later	185.3	185.3
Total	391.6	238.1

EUR million	2008	2007
17. CURRENT LIABILITIES		
Interest-bearing		
Liabilities to the Group companies		
Finance loans	107.3	74.2
Loans from financial institutions	17.3	1.7
Pension premium loans	8.9	2.0
Total	26.2	3.7
Total interest-bearing liabilities	133.5	77.9
Non-interest-bearing		
Liabilities to the Group companies		
Trade payables	26.8	20.8
Accrued expenses and deferred revenues	6.2	8.8
Total	33.0	29.6
Trade payables	45.5	30.2
Liabilities to the others	3.6	2.5
Accrued expenses and deferred revenues	46.6	22.2
Total	95.6	54.9
Total non-interest-bearing liabilities	128.6	84.6
Total current liabilities	262.1	162.5
Significant items under accrued expenses and deferred revenues		
Wages and salaries	14.4	13.3
Annual discounts, sales	2.9	3.5
Financial items	5.4	1.5
Commissions	0.1	0.6
Goods received and not invoiced	1.0	0.1
Warranty commitments	0.5	0.5
Goods and services received and not invoiced, subsidiary	4.9	7.6
Goods received and not invoiced, Russian subsidiary	0.0	0.7
Investment projects under construction	8.9	0.0
Return of technical support fee	12.0	0.0
Other items	2.8	3.3
Total	52.8	31.1

EUR million	2008	2007
18. CONTINGENT LIABILITIES		
On behalf of Group companies and investments in associates		
Guarantees	58.9	62.9

The amount of debts mortgaged for total EUR 49.2 million (2007:EUR 57.2 million).

On behalf of other companies		
Guarantees	0.3	0.0
Other own commitments		
Guarantees	1.1	1.0
Leasing and rent commitments		
Payments due in 2009/2008	6.5	6.2
Payments due in subsequent years	50.3	47.0
19. DERIVATIVE CONTRACTS		
Interest rate derivatives		
Interest rate swaps		
Fair value	-0.1	0.1
Notional amount	14.4	15.0
Foreign currency derivatives		
Currency forwards		
Fair value	23.4	3.0
Notional amount	427.2	332.1
Currency options, purchased		
Fair value	0.5	0.1
Notional amount	5.0	4.8
Currency options, written		
Fair value	-0.3	0.0
Notional amount	10.1	4.8

The fair value of interest rate derivatives is defined by cash flows due to contracts.

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

Foreign currency derivatives are used only to hedge the Group's net exposure. Foreign currency derivatives are included in the financial result at market value.

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

20. ENVIRONMENTAL COMMITMENTS AND EXPENSES

Nokian Tyres has no material environmental commitments or expenses. In addition to the environmental aspects presented in the Annual Report, Nokian Tyres issued an Environmental Report in 2007.

Share capital and shares

Nokian Tyres' share was quoted on the main list of the Helsinki Exchanges for the first time on 1 June 1995. The company has one class of shares, each share entitling the holder to one vote at the Annual General Meeting and carrying equal rights to dividend.

Share price development and trading volume in 2008

At the end of 2008, the price of Nokian Tyres' share was EUR 7.91, showing a decrease of 67.1% on the previous year's closing price of EUR 24.05. At its highest, Nokian Tyres' share was quoted at EUR 33.73 in 2008 (EUR 29.92 in 2007) and EUR 7.17 (EUR 13.99) at its lowest. During the year, a total of 309,290,887 (236,332,864) Nokian Tyres' shares were traded on the Helsinki Exchanges. At the end of the year, the market capitalisation of the share capital was EUR 987,531,781 (EUR 2,974,895,534).

Dividend policy

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

Board authorisations

The Annual General Meeting, held on 3 April 2007, authorised the Board of Directors 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 authorisation accounts for approximately 20% of the company's entire share capital. The company has one class of shares.

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

Under the authorisation, the Board of Directors will be entitled to decide on the terms and conditions of a share issue, or the granting of special rights under Chapter 10, section 1 of the Finnish Companies Act, including the recipients of shares or special rights entitling to shares, and the compensation to be paid. It was decided that the authorisation should be exercised for purposes determined by the Board. The authorisation will be effective for five years from the decision made at the Annual General Meeting. This authorisation invalidates all other Board authorisations regarding share issues and convertible bonds.

Company share ownership and authorisation for acquisition

Nokian Tyres does not hold any of its own shares, nor is the Board of Directors authorised to acquire them.

Bonds with warrants 2004 directed at personnel

The Annual General Meeting, held on 5 April 2004, decided to issue bonds with warrants to the personnel of the Nokian Tyres Group and to Direnic Oy, a wholly owned subsidiary of Nokian Tyres Plc. A deviation was made from the shareholders' pre-emptive subscription right, because the warrants are designed to be part of the Group's incentive scheme. The number of warrants is 735,000. A total of 245,000 warrants will be marked with the symbol 2004A, 245,000 with the symbol 2004B, and 245,000 with the symbol 2004C. According to the original subscription terms, the warrants entitle the subscription of a maximum of 735,000 Nokian Tyres Plc shares. The Board's intention was to issue the shares in spring 2004 (2004A warrants), 2005 (2004B warrants), and 2006 (2004C warrants).

The original share subscription price for warrants 2004A was the average price of a Nokian Tyres Plc share weighted by the share trading volume on the Helsinki Exchanges between 1 January and 31 March 2004, i.e. EUR 64.52. For warrants 2004B, the price was the average price of a share weighted by the share trading volume on the Helsinki Exchanges between 1 January and 31 March 2005, i.e. EUR 120.96 and for warrants 2004C, the average price of a share weighted by the share trading volume on the Helsinki Exchanges between 1 January and 31 March 2006, i.e. EUR 12.82.

The price of shares subscribed for with warrants shall be reduced by the amount of dividends paid after the commencement of the period for which the subscription price was determined, and dividends decided before the subscription on the record date of each dividend payment. After 8 April 2008, the subscription price for warrants 2004B was EUR 10.84 and for warrants 2004C EUR 11.78.

The share subscription period is

- for warrants 2004A 1 March 2006–31 March 2008
- for warrants 2004B 1 March 2007–31 March 2009
- for warrants 2004C 1 March 2008–31 March 2010

As a result of the subscriptions with the 2004 bonds with warrants, and according to the original subscription terms, the share capital of Nokian Tyres Plc may be increased by a maximum of EUR 1,470,000 and the number of shares by a maximum of 7,350,000 new shares.

Bonds with warrants 2007 directed at personnel

The Annual General Meeting held on 3 April 2007 decided to issue bonds with warrants to the personnel of the Nokian Tyres Group and the wholly owned subsidiary of Nokian Tyres Plc. A deviation was made from the shareholders' pre-emptive subscription right because the warrants are designed to be part of the Group's incentive scheme. The purpose of the stock options is to encourage the personnel to work on a long-term basis to increase shareholder value.

The number of warrants is 6,750,000. A total of 2,250,000 warrants will be marked with the symbol 2007A, 2,250,000 with the symbol 2007B and 2,250,000 with the symbol 2007C. According to the original subscription terms, the warrants entitle the subscription of a maximum of 6,750,000 Nokian Tyres Plc shares. The Board's intention is to issue the shares in spring 2007 (2007A warrants), 2008 (2007B warrants) and 2009 (2007C warrants).

The share subscription price shall be based on the prevailing market price of the Nokian Tyres Plc share on the Helsinki Exchanges in January—March 2007, January—March 2008 and January—March 2009.

The original share subscription price for warrants 2007A was the average price of a Nokian Tyres Plc share weighted by the share trading volume on the Helsinki Exchanges between 1 January and 31 March 2007, i.e., EUR 17.29. For warrants 2007B, the original share subscription price was the average price of a Nokian Tyres Plc share weighted by the share trading volume on the Helsinki Exchanges between 1 January and 31 March 2008, i.e., EUR 24.27.

The price of shares subscribed for with warrants shall be reduced by the amount of dividends paid after the commencement of the period for which the subscription price was determined, and dividends decided before the subscription on the record date of each dividend payment. After 8 April 2008, the subscription price for warrants 2007A was EUR 16.48 and for warrants 2007B EUR 23.77.

The share subscription period is

- for warrants 2007A 1 March 2009–31 March 2009
- for warrants 2007B 1 March 2010–31 March 2012
- for warrants 2007C 1 March 2011–31 March 2013.

As a result of the subscriptions with the 2007 bonds with warrants, and according to the original subscription terms, the share capital of Nokian Tyres Plc may be increased by a maximum of EUR 1,350,000 and the number of shares by a maximum of 6,750,000 new shares. A share ownership plan shall be incorporated with the 2007 warrants, according to which the Group's senior management shall be obliged to acquire the Company's shares with a proportion of the income gained from the stock options.

Warrants listed on the Main List of the Helsinki Exchanges

Nokian Tyres' 2004A warrants for the option scheme 2004 were listed on the Helsinki Exchanges main list as of 1 March 2006, 2004B warrants as of 1 March 2007, and 2004C warrants as of 1 March 2008.

At their highest, the 2004A warrants were quoted at EUR 217.00 and at their lowest EUR 137.01. During the year, a total of 17,846 2004A warrants were traded on the Helsinki Exchanges. The highest quote for the 2004B warrants was EUR 228.00 and the lowest EUR 0.50, and a total of 74,568 warrants were traded during the year. The highest quote for the 2004c warrants was EUR 219.00 and the lowest EUR 7.52, and a total of 183,177 warrants were traded during the year.

Management shareholding

On 31 December 2008, Nokian Tyres' Board members and the President and CEO held a total of 12,000 Nokian Tyres' publicly traded bonds with warrants, and a total of 350,000 bonds with warrants that were not publicly traded in 2008. In addition, Nokian Tyres' Board members and the President and CEO held a total of 37,523 Nokian Tyres' shares. The shares and publicly traded bonds with warrants represent 1.3% of the total number of votes.

Convertible bond loan for Finnish and international institutional investors

On 20 June 2007, the Board of Directors of Nokian Tyres announced the issue of a convertible bond totalling EUR 130.4 million, deviating from the pre-emptive rights of the company's shareholders, for subscription by Finnish and international institutional investors in a book building period process. With reference to the earlier announcement, on 20 June 2007, Nokian Tyres announced the issue of a convertible bond loan totalling EUR 130.4 million, maturing in 2014.

The Board of Directors of Nokian Tyres accepted the final terms of the bonds and, on the basis of the authorisation granted by the Annual General Meeting on 3 April 2007, issued bonds to institutional investors, deviating from the pre-emptive rights of the company's shareholders. The bonds were issued to finance investments in accordance with the company's investment strategy, to refinance existing financing facilities, and for general corporate purposes.

The bonds were issued in principal amounts of EUR 100,000 and at 100% in their principal amount, and they will not bear interest during the loan period. The loan will be redeemed when it finally expires for an amount producing an annual yield of 3.0%, or for 123% of the loan principal, unless it has previously been converted, redeemed, purchased or cancelled. Each EUR 100,000 bond will be convertible to 2,672 company shares. The conversion price represents a premium of 40% above the reference price of EUR 26.73 of the company's ordinary shares on 20 June 2007. The right to convert the bonds into company shares commences on 7 August 2007 and ends on 20 June 2014 at 4:00 p.m. Finnish time. In the event that all bonds will be converted into ordinary shares of the company, the aggregate number of the new ordinary shares to be issued by the company will be 4,008,4551, which represents 3.3% of the aggregate number of the company's shares on 20 June 2007 (provided that the over-allotment option is fully exercised).

The maturity date of the bonds is 27 June 2014, unless previously redeemed, converted, purchased or cancelled. The company may redeem the bonds at their accreted principal amount as at the date fixed for redemption at any time on or after 27 June 2011, provided that the price of the company's shares multiplied by the conversion ratio is equal to or exceeds 130% of the then applicable accreted principal amount for a period of 20 trading days during a period of 30 consecutive days. In addition, the company has the right to redeem the bonds if, at any time, the aggregate principal amount of the bonds outstanding is equal to or less than 15% of the aggregate principal amount of the bonds initially issued. The payment of the issue took place on 27 June 2007, and the bonds were registered in the Finnish Trade Register on 28 June 2007.

The offering was managed by Nomura International Plc as Sole Bookrunner and Joint Lead Manager and Carnegie Investment Bank AB as Joint Lead Manager. Nokian Tyres granted Nomura International Plc an over-allotment option to subscribe for up to EUR 19.6 million of additional bonds solely to cover over-allotments, if any, which may be exercised at any time, up to and including 20 July 2007.

The trading of the bonds on the Euro MTF market of Luxembourg commenced on 17 July 2007. The company issued a Listing Document concerning the listing of the bond (and its terms) on 17 July 2007. The new shares in the company issued in conjunction with bond conversion will be listed on the Helsinki Exchanges.

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

Share information

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

Changes in the ownership of nominee-registered shareholders in 2008

16.10.2008
On 16 October 2008, Nokian Tyres was notified of the ownership of Varma Mutual Pension Insurance Company (business ID 0533297–9) exceeding the 5% limit following share transactions concluded on 16 October 2008. Varma Mutual Pension Insurance Company announced its ownership of 6,870,657 Nokian Tyres shares, which represented 5.50% of the company's 124,831,190 shares and voting rights.

8.5.2008
On 5 May 2008, Nokian Tyres received a notification from Grantham, Mayo, Van Otterloo & CO LLC, according to which their holding in Nokian Tyres had dropped under the limit of 5% as a result of a share transaction concluded on 30 April 2008. Grantham, Mayo, Van Otterloo & Co LLC now holds a total of 6,220,002 Nokian Tyres' shares, which represents 4.99% of the company's 124,630,700 shares and voting rights.

SHARE OWNERSHIP BREAKDOWN ON 31 DECEMBER 2008

Number of shares	Number of shareholders	% of shareholders	Shares	% of shares
1–100	6,511	27.6	456,416	0.4
101–500	10,101	42.8	2,949,305	2.4
501–1,000	3,452	14.6	2,826,013	2.3
1,001–5,000	2,906	12.3	6,440,850	5.2
5,001–10,000	345	1.5	2,551,581	2.0
10,001–50,000	203	0.9	4,275,162	3.4
50,001–100,000	33	0.1	2,485,979	2.0
100,001–500,000	48	0.2	11,596,970	9.3
500,001–	13	0.1	91,263,714	73.1
Total	**23,612**	**100.0**	**124,845,990**	**100**

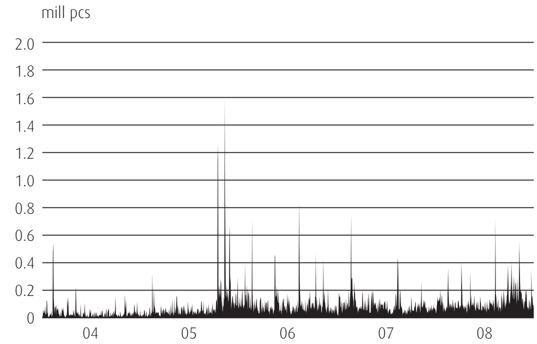
OWNERSHIP BY CATEGORY ON 31 DECEMBER 2008

	% of shares
Foreign shareholders	59.0
Private individuals	12.0
Public organisations	15.1
Financial institutions	7.3
Non-profit organisations	3.7
Corporations	3.0
Total	**100.0**

MAJOR SHAREHOLDERS ON 31 DECEMBER 2008

	Number of shares	% of share capital
1. Varma Mutual Pension Insurance Company	7,862,178	6.3
2. Ilmarinen Mutual Pension Insurance Company	4,605,654	3.7
3. OP Investment Funds	2,637,049	2.1
4. The State Pension Fund	1,850,000	1.5
5. Etera Mutual Pension Insurance Company	1,000,000	0.8
6. Odin Investment funds	967,900	0.8
7. The Local Government Pensions Institution	960,569	0.8
8. Nordea	914,731	0.7
9. Tapiola Mutual Pension Insurance Company	908,000	0.7
10. Alfred Berg Mutual Funds	727,792	0.6
Major shareholders total	**22,433,873**	**18.0**
Total amount of shares	**124,845,990**	
Bridgestone Europe NV/SA (in the name of a nominee)	20,000,000	16.0

Nokian Tyres' share trading volumes (on the Helsinki Stock Exhange) 1 January 2004–31 December 2008



Nokian Tyres' share price development 1 January 2004–31 December 2008

Nokia, 11 February 2009

Petteri Walldén	Koki Takahashi
Hille Korhonen	Aleksey Vlasov
Hannu Penttilä	Kai Öistämö

Kim Gran
President and CEO

AUDITORS' REPORT

To the Annual General Meeting of Nokian Tyres plc
We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Nokian Tyres plc for the financial period 1 January–31 December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

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

Auditor's responsibility
Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors on how to deal with the result for the financial period is in compliance with the Limited Liability Companies Act.

Helsinki, 11 February 2009
KPMG OY AB

Lasse Holopainen
Authorized Public Accountant

Corporate Governance
Nokian Tyres plc complies with the rules and regulations of its Articles of Association and the Finnish Companies Act, as well as those published by OMX Nasdaq Helsinki Oy ("The Helsinki Stock Exchange") concerning listed companies. It has also adopted the corporate governance recommendation for listed companies, in force since 1 July 2004, which was drafted by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers. The company also complies with the insider guidelines published by the Helsinki Exchanges, which it has supplemented with its own insider guidelines.

Board of Directors
According to the Articles of Association of Nokian Tyres, the Board of Directors comprises no less than three and no more than eight members. Members of the Board are elected at the Annual General Meeting, which is held annually by the end of May. The Board members' term of office terminates at the end of the first Annual General Meeting following the elections. Remunerations payable to Board members are confirmed at the Annual General Meeting. The Board of Directors appoints a chairperson from among its members at the first constituent meeting following the Annual General Meeting. The chairperson presides until the end of the following Annual General Meeting.

The Board of Nokian Tyres had seven members in 2008. Board members Hille Korhonen, Hannu Penttilä, Petteri Walldén, Aleksey Vlasov and Kai Öistämö were independent. The other Board members were Koki Takahashi and Kim Gran. The Board had a Nomination and Remuneration Committee, whose members were Hille Korhonen, Hannu Penttilä and the Chairman of the Board Petteri Walldén.

The Board assesses its activities and operating methods by carrying out a self-evaluation once a year. The President of Nokian Tyres ensures that Board members have adequate and necessary information about the company's operations. The Board met nine times in 2008, with an attendance rate of 86%. In 2008, remunerations to Board members totalled EUR 236,250 (EUR 210,000), including 3,766 (3,976) Nokian Tyres' shares worth EUR 98,000 (EUR 84,000). Board members are not included in the company's option scheme. The President does not receive separate remuneration for participating in Board meetings, but the President comes under the scope of option schemes.

Duties of the Board
The Board is responsible for corporate governance and the appropriate conduct of ordinary activities in accordance with the law, the Articles of Association and the instructions given at the Annual General Meeting. It also defines the principles governing the company's organisation, accounting and finance. Furthermore, it is responsible for appointing the President and CEO, and for other duties described in the Companies Act.

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

- Group and profit centre strategies
- Decisions concerning the structure and organisation of the Group
- Interim reports and consolidated financial statements
- The Group's budget, action and investment plans
- Significant individual investments, acquisitions, divestitures and reorganisations
- The Group's risk management and reporting procedures
- The Group's insurance and financing policies
- Reward and incentive scheme for Group management

The Nomination and Remuneration Committee of Nokian Tyres' Board of Directors:
- prepares the proposal to the Annual General Meeting on the members to be appointed to the Board of Directors
- prepares the Board's proposal to the Annual General Meeting on the auditor to be elected and the remuneration to the auditor
- prepares the proposal to the Annual General Meeting on the remuneration to Board members
- prepares a proposal to the Board on Nokian Tyres' President and management
- submits a proposal on the salary, bonuses and options paid to the Board and the President
- submits a proposal to the Board on the allocation and criteria of options, as well as on other incentives.

The Committee convened once in 2008.

Organisation of business activities and responsibilities
The business activities of the Nokian Tyres Group are divided into two areas: the manufacturing business and the tyre chain. The manufacturing business consists of profit centres, which are Car Tyres, Heavy Tyres (Nokian Heavy Tyres profit centre was incorporated into an independent company as of 1 January 2006), and Other Business. Other Business includes the Truck Tyres unit. Each profit centre is responsible for its business area and its financial performance, balance sheet and investments, supported by the different service functions. Service functions include sales and logistics, financial administra-

tion, communication, ICT and business development, strategy and M&A, human resources, R&D, procurement and production services. The Group's sales are a part of the sales function and serve as product distribution channels in local markets. The tyre chain is organised into a separate sub-group, whose parent company is Vianor Holding Oy, fully owned by the parent company Nokian Tyres plc. The tyre outlets operating in different countries are part of the sub-group.

President, Group management, management and rewarding systems

The President runs the Group's business operations and implements corporate governance in accordance with the instructions and guidelines provided by the Board of Directors. In managing the Group's operations, the President is assisted by a management team.

The Group management meets regularly to discuss matters related to the company's operational business activities. In compliance with the Group's meeting practice, the Management Workshop convenes once a month, and it is attended by the President and profit centre management, as well as the management for sales, logistics, finance, and strategy/M&A operations, and the Vice President for Russian operations. The service functions also hold their own monthly Workshop meetings, which are attended by the directors of all service units or their representatives, as well as profit centre management if the content of the meeting so requires. A more extensive Management General Meeting, attended by the Management Workshop members, as well as the representatives of personnel groups, is also held on a monthly basis. The Group's investments are handled once a month in accordance with the company's written investment guidelines. The primary credit risks are handled by the Credit Committee that convenes weekly. In addition, issues related to different market areas are dealt with at separate monthly meetings.

The Managing Directors of Nokian Tyres' subsidiaries are responsible for the daily operations and administration of their companies. They report to the Sales Director of Nokian Tyres, while the Managing Directors of the Vianor chain report to the director of the Vianor profit centre. Nokian Tyres' Management Guidelines define the corporate governance operations and responsibilities at Nokian Tyres subsidiaries.

The Board of Directors makes decisions concerning the President's salary and other benefits. The President's annual remuneration, including the monthly salary and incentives, amounted to EUR 678,419 in 2008 (EUR 603,090). The salary and benefits are specified in a written agreement. The President's age of retirement is 60 years, and the period of notice is 24 months. At the end of 2008, the President of Nokian Tyres held 12,000 2004C bonds with warrants, 190,000 2007A bonds with warrants, 160,000 2007B bonds with warrants, as well as 19,000 Nokian Tyres' shares.

The Nomination and Remuneration Committee's proposal for the salaries and benefits of managerial employees, as well as for the employee incentive scheme, is subject to the Board's approval. Management rewards are based on a monthly remuneration determined by the competence classification of the tasks and on a separate annual bonus. The Group has also created an option scheme covering the entire personnel, which aims to provide long-term incentives.

Finance and control

The parent company's Finance and Control unit is responsible for internal and external accounting; its tasks also include producing financial information concerning the business areas and ensuring the accuracy of this information. The parent company's Finance and Control unit defines the Group's common accounting principles and policies, and is in charge of consolidating the business areas' figures to produce Group-level financial information. Under the parent company's Finance and Control unit's supervision, each legal Group company produces its own information in compliance with the instructions provided and in line with local legislation.

Financing

The parent company is responsible for Group financing. Long-term loan arrangements with parties outside the Group require the Board of Directors' approval. Short-term liquidity management is handled by the parent company, which controls the cash flows of the Group's subsidiaries. Cash surplus is deposited in the Group's internal bank, the Treasury. The parent company provides funding to the subsidiaries using intra-Group loans. The Finance and Control unit is organised in accordance with the financial policy adopted by the Board of Directors and the operating procedures it has defined.

Auditing

The auditor elected at the Annual General Meeting is KPMG Oy Ab, authorised public accountants, with Mr. Lasse Holopainen, Authorised Public Accountant, acting as the auditor with principal responsibility. In accordance with the existing regulations, he also reports all audit findings to the Group's management. The Group's audit fees in 2008 amounted to EUR 503,000 (EUR 290,000). The fees paid to the authorised public accountants for other services totalled EUR 80,000 (EUR 141,000).

Internal audit

The Group has organised an internal audit for all of Vianor, focusing on controlling sales outlets and ensuring that activities comply with the activity system. The parent company and sales companies buy internal auditing as a service from public accountants or other service providers if needed. The audit focuses on items separately determined each time.

Risk management

The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of goals and ensures business continuance. The risk management policy encompasses all the risks related to business operations and strategy and ensures that customers and end-users can trust the company's products and services. By managing risks, the company can improve its competitiveness and seize opportunities more efficiently than its competitors.

Nokian Tyres takes deliberate risks that are a natural part of its strategy and goals, and which it aims to reduce in various ways. Once the risks related to decisions and policies have been identified and recognised, the company can take action in a controlled manner without endangering business continuance, products, services, brand, reputation, personnel or the safety of core interest groups. Risk management also ensures that the company's operations comply with legislation and regulations.

The risk management process aims to identify and evaluate risks, and to plan and implement practical measures for each one. Such measures may include, for example, avoiding the risk, reducing it in different ways or transferring the risk through insurances or contracts. Risk management is not allocated to a separate organisation; its tasks follow the general distribution of responsibilities adopted in the organisation and other business activities. The main risks detected in risk surveys are reported to the company's Board of Directors once a year.

Insider issues

Nokian Tyres complies with the guidelines for insider trading drawn up by the Helsinki Exchanges, the Central Chamber of Commerce, and the Confederation of Finnish Industries, as well as the standard 5.3 issued by the Financial Supervision Authority (Declarations of insider holdings and insider registers) and the standard 5.2b (Disclosure obligation of the issuer and shareholder), which the company has supplemented with its own insider regulations.

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

1. Nokian Tyres' Board members, President and CEO, auditor, and the representative of the authorised public accountants acting as the principal auditor, and
2. Other members of Nokian Tyres' top management who have regular access to insider information and who are authorised to make decisions regarding the company's future development and the organisation of business activities. Nokian Tyres has assigned all its top management members in this category of insiders with a duty to declare.

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

1. Persons employed by Nokian Tyres or working for the company under another type of contract who, owing to their position or the nature of their work have regular access to insider information and who the company has defined as insiders (so-called permanent company-specific insiders). In this group, Nokian Tyres has included management assistants, people in the communications department responsible for distributing stock exchange and financial information, and key people in the finance department.
2. Persons employed by the company under an employment contract or other contract and have access to insider information, or persons temporarily included in the project-specific register (so-called project-specific insiders). A project is a confidentially-prepared, uniquely identifiable collection of topics or an arrangement that includes insider information and which, if realised, may essentially affect the value of the company's publicly traded securities. The Financial Supervision Authority is entitled to have access to information pertaining to the management of the company's project-specific insider information.

Duty to declare, insider registers and trading prohibition

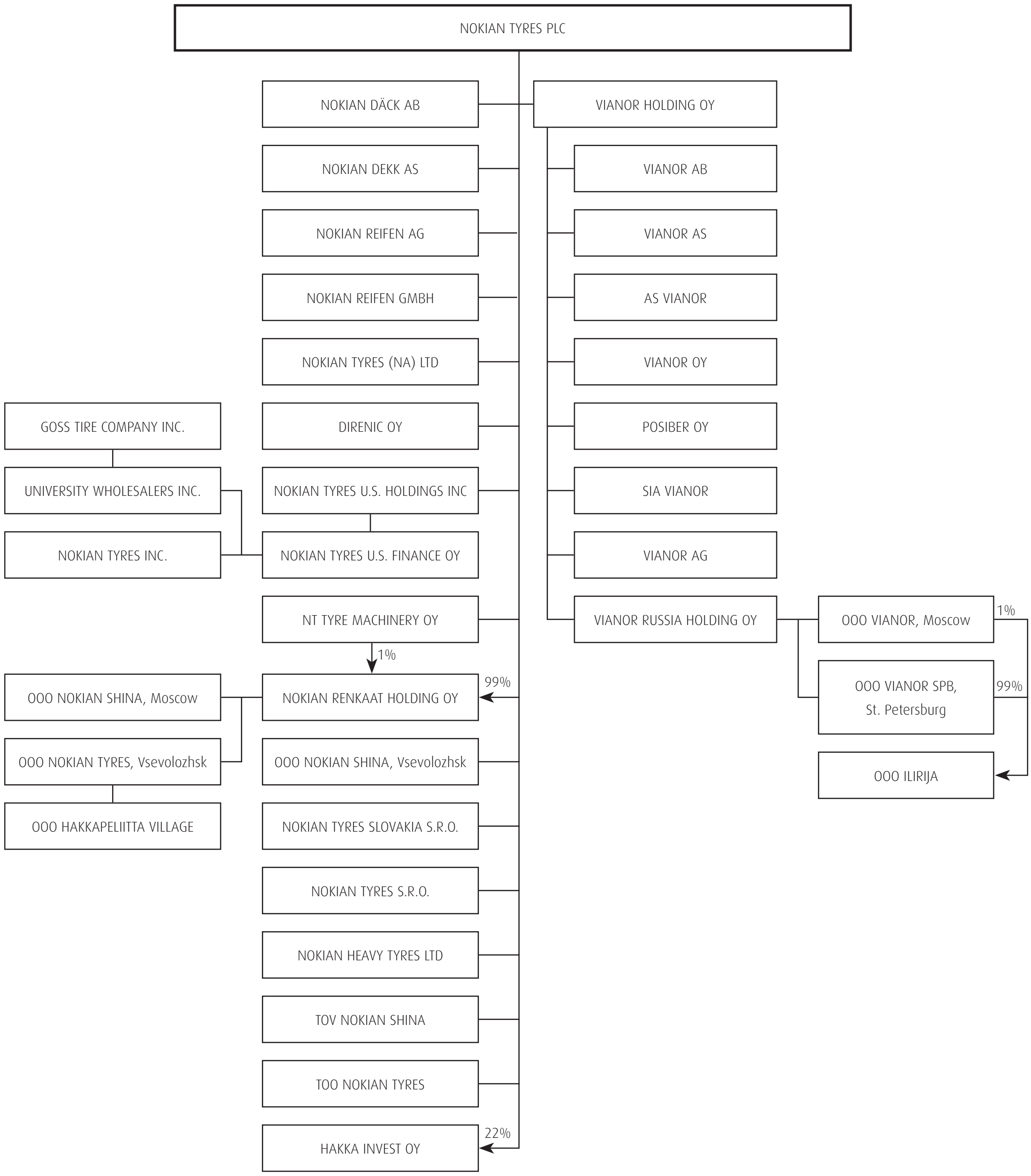
The Securities Market Act imposes a duty to declare to Nokian Tyres' insiders with a duty to declare, and requires that the company maintain a public register of its insiders with a duty to declare. The law requires that Nokian Tyres keep a non-public, company-specific register of company-specific insiders. In the guidelines for insiders issued by Helsinki Exchanges, insiders with a duty to declare and permanent company-specific insiders are jointly called permanent insiders.

Permanent insiders must time their trading in securities issued by Nokian Tyres in such a way that it does not erode confidence in the securities markets. Insiders are not allowed to trade the company's securities in the 30 days preceding the publication of interim reports and financial statement bulletins. This period may be extended if necessary. In addition to permanent insiders, the restriction on trading applies to their spouses, individuals of legal incapacity under their trusteeship and associations in which they exercise authority. The trading prohibition applies to project-specific insiders until the termination or publication of the project.

Management of insider issues

Nokian Tyres maintains its insider register in the Finnish Central Securities Depository's SIRE system. The company has appointed a person to manage the tasks related to insider trading. The company also has an insider registrar, who deals with the practical tasks related to the insider register. Nokian Tyres annually reviews the basic information and trading covered by the duty to declare of the insiders with a duty to declare. Based on the review, the company prepares an annual report including the date and results of the review.

Nokian Tyres Group structure



ANNUAL GENERAL MEETING

The Annual General Meeting of Nokian Tyres plc will be held at Tampere-talo, in Tampere, Finland; address Yliopistonkatu 55 on Thursday 2 April 2009, starting at 4 p.m. Registration of attendants and the distribution of ballots will begin at 3 p.m.

Shareholders registered by no later than 23 March 2009 in the company's shareholder register, which is maintained by the Finnish Central Securities Depository Ltd, are entitled to attend the Annual General Meeting.

Shareholders who wish to attend must register by 3:00 p.m. on 27 March 2009 either in writing to Nokian Tyres plc, P.O. Box 20, FIN-20 Nokia, by phone at +358 10 401 7641, by fax at +358 10 401 7799, by e-mail to yhtiokokous@nokiantyres.com, or by internet www.nokiantyres.com/yhtiokokous_2009. Registrations must arrive before the end of the registration period. Any powers of attorney should be delivered to the above address in connection with the registration.

Financial statements will be available for one week prior to the Annual General Meeting at the company's headquarters.

Dividend payment

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.40 per share be paid for the financial year 2008. The record date for the dividend payment will be 7 April 2009 and the dividend payment date 21 April 2009, provided that the Board's proposal is approved.

Share register

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

Financial reports

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

Interim Report for three months.............. on 7 May 2009
Interim Report for six months.............. on 6 August 2009
Interim Report for nine months.... on 3 November 2009
Financial Statements Bulletin 2009...... in February 2010
Annual Report 2009................................... in March 2010

Financial reports may be ordered from Nokian Tyres' corporate communications telephone +358 10 401 7641 or fax +358 10 401 7799 or e-mail: info@nokiantyres.com. Nokian Tyres publishes its Interim Reports only on the internet: www.nokiantyres.com. Printed reports can be ordered from Nokian Tyres' Communications department.

Analysts

At least the following analysts make investments analyses:

CA Cheuvreux Nordic AB
Patrik Sjöblom, tel. +46 8 723 5115
psjoblom@cheuvreux.com
Carnegie Investment Bank AB, Finland Branch
Miikka Kinnunen, tel. +358 9 6187 1241
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Principles of investor relations

The goal of Nokian Tyres' investor relations is to regularly and consistently provide the stock market with essential, correct, sufficient and up-to-date information used to determine the share value. The operations are based on equality, openness, accuracy and good service. The Management of Nokian Tyres is strongly committed to serving the capital markets. The company's President & CEO and CFO are the main parties dealing with and answering questions from analysts and investors.

Nokian Tyres adopts a three-week period of silence before the publication of financial information and a six week period of silence before the publication of the financial statements bulletin. Analyst and investor meetings are mainly held both in Finland and abroad in conjunction with the publication of the company's financial results. At other times analysts and investors are mainly answered by phone or email.

Questions from analysts and investors

Kim Gran, President and CEO
tel. +358 10 401 7336
email: ir@nokiantyres.com

Anne Leskelä, CFO, Investor Relations
tel. +358 10 401 7481
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Requests for meetings and visits

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Investor information

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Address

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FIN-37101 Nokia

Stock exchange releases in 2008

In 2008 Nokian Tyres published a total of 26 stock exchange releases or announcements. Short summaries of the most significant releases are given below. All releases and announcements can be read from Nokian Tyres' web pages.

19.12.2008	Statutory negotiations at Nokian Heavy Tyres ended
18.12.2008	Walkout for one day in Nokian Heavy Tyres Ltd
12.12.2008	Nokian Tyres net sales and operating profit will be lower than expected
09.12.2008	Nokian Tyres to start new statutory negotiations to adjust Nokian Car tyre production
19.11.2008	Decision to lay off Nokian Tyres' Nokia factory employees at the turn of the year
31.10.2008	Nokian Tyres to adjust production in line with demand
31.10.2008	Nokian Tyres Interim Report January-September 2008
06.08.2008	Nokian Tyres Interim Report January-June 2008
07.05.2008	Nokian Tyres Interim Report January-March 2008
07.04.2008	Construction agreement concerning the expansion of Nokian Tyres' Vsevolozhsk factory signed
03.04.2008	Decisions of the Nokian Tyres Annual General meeting
13.02.2008	Nokian Tyres Financial Statements bulletin 2007

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President and CEO Kim Gran

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Andrei Pantioukhov

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Managing Director Arman Nugmanov

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