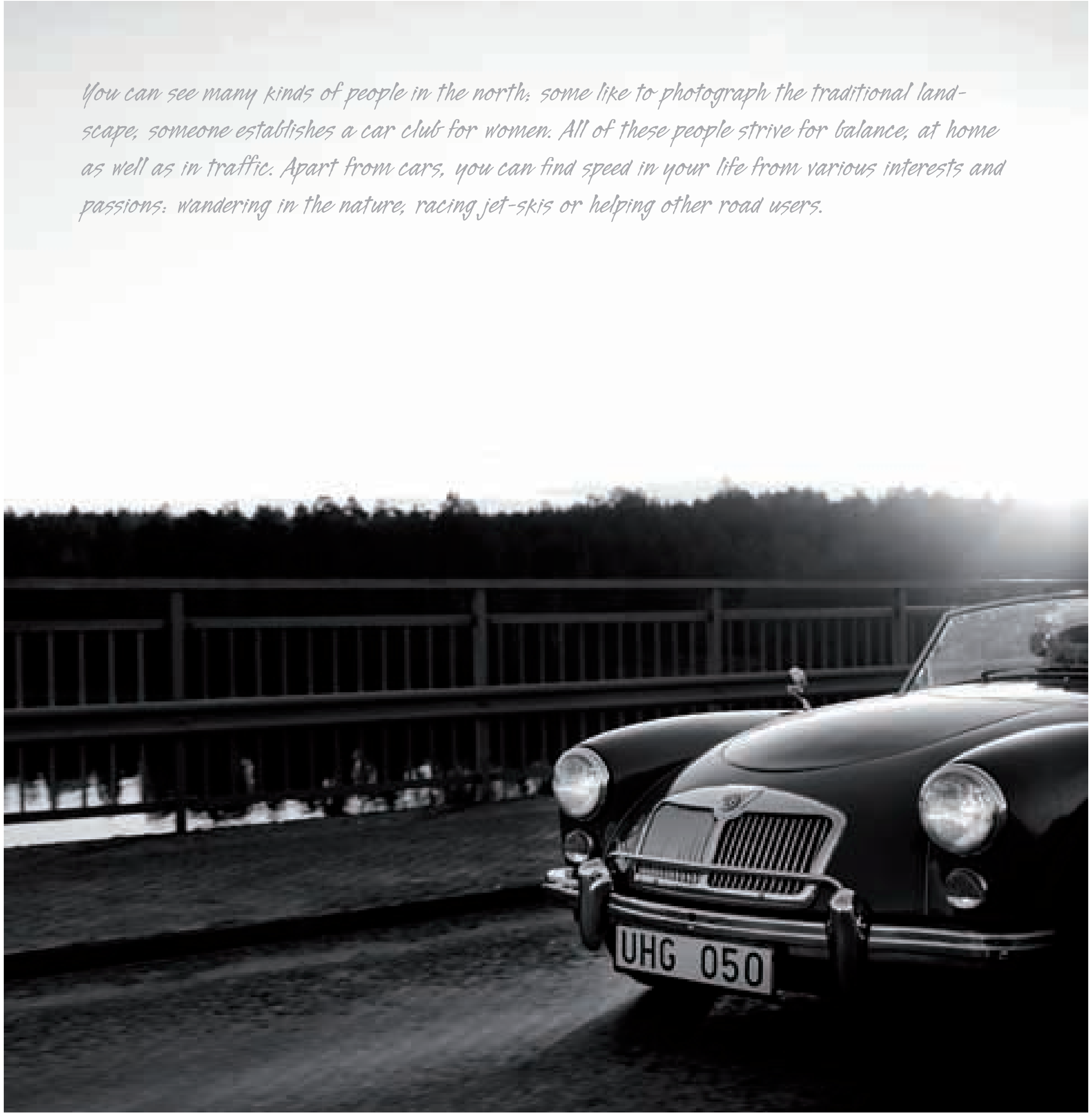
Driving your own way

NOKIAN TYRES PLC | ANNUAL REPORT 2006

You can see many kinds of people in the north: some like to photograph the traditional landscape; someone establishes a car club for women. All of these people strive for balance, at home as well as in traffic. Apart from cars, you can find speed in your life from various interests and passions: wandering in the nature, racing jet-skis or helping other road users.



Contents

Financial review

Safest Tyres for Nordic Conditions

We have the innate ability to understand customers operating in Nordic 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 Nordic 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 Nordic 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 Nordic countries and Russia
- direct contact with end users
- cost-efficient production and high-level technology
- skilled personnel and Hakkapeliitta culture

Expertise in Nordic 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 Nordic conditions: winter tyres, SUV tyres, forestry and forest tractor tyres and winter tyres for trucks and buses.

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, 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.

Production: own factories in Nokia, Finland and in Vsevolozhsk, Russia. Contract manufacturing in Indonesia, China, Slovakia, India, Spain and in the USA.

Sales and distribution: Vianor tyre chain with a total of 261 outlets in Finland, Sweden, Norway, Estonia, Latvia and Russia. Own sales companies in Sweden, Norway, Germany, Switzerland, Russia, Ukraine, Kazakhstan, Czech Republic and in the USA. Independent importers in other countries.

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 company 's best-known brand, the Nokian Hakkapeliitta tyre, was launched in 1936.

Manufacturing and Vianor

Passenger car and delivery van 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, which are the most rapidly growing segments in the tyre markets. The Nokian-branded summer and winter tyres are customised to meet the needs of different markets and different conditions. In terms of sales volumes, the best-selling products are the Nokian Hakkapeliitta winter tyres designed for Nordic conditions and the Nokian Hakka summer tyres. Key markets include the Nordic countries and Russia. Other significant market areas are Eastern Europe, the CIS countries, 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.

The product range has seen the rapid introduction of new products, and the market position of Nokian-branded tyres is strong in the key markets. Research and development work is guided by the principle of sustainable safety and by the innovations improving tyre safety. Core products are manufactured at the company's factories in Nokia, Finland, and in Vsevolozhsk, Russia, and they are sold in the replacement markets. Contract manufacturing takes place in Slovakia, Indonesia, China and the USA.

Heavy Tyres

The Nokian Heavy Tyres profit centre comprises tyres for forestry machinery, special tyres for agricultural and industrial machinery. Product development in this product area concentrates on narrow and growing product niches such as forestry tyres and special tyres for forest tractors and various industrial machines.

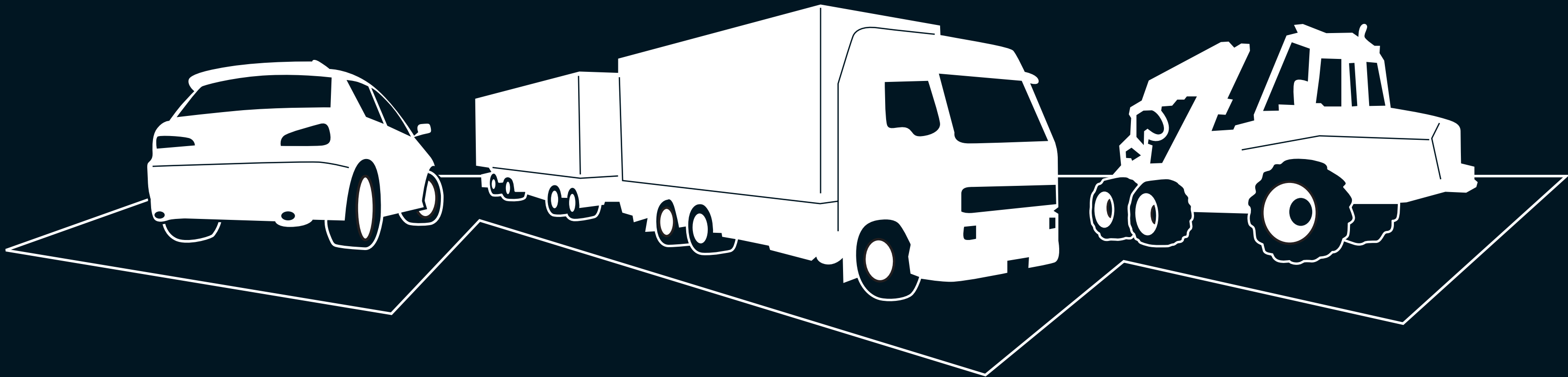
Forestry tyres is the number one product segment. The company has about a 30% share of the global forestry tyre market. Nokian Tyres has developed tyres for what is known as CTL (Cut to Length) machinery, invented in the Nordic countries, and the company is the world's market leader in this area. Nokian 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. The majority of the products are manufactured at the Nokia factory. Nokian Heavy Tyres was incorporated as an independent company as of 1 January 2006.

Vianor

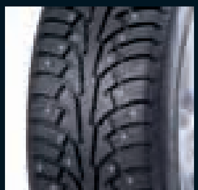
Vianor tyre chain is the biggest and the most extensive of its kind in the Nordic countries. At the end of 2006, the chain consisted of 261 sales outlets located in Finland, Sweden, Norway, Estonia, Latvia and Russia. Nokian Tyres owns a total of 164 outlets. The majority of outlets in Russia operate on a 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 sercvice concepts also include tyre hotels.

Truck tyres

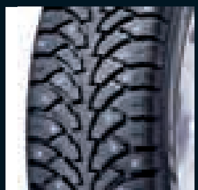
The Truck tyres profit centre is involved in the product development and sales of truck tyres and retreading materials. Truck tyres are manufactured as contract manufacturing in Spain and in China. Retreading materials are produced in Finland and key products include winter treads for truck tyres. Retreading materials are mainly used in truck tyres and industrial tyres. The key markets cover the Nordic countries while Russia, the Baltic countries as well as Central and Southern Europe represent the strongest growth potential.



Passenger car and van car tyres

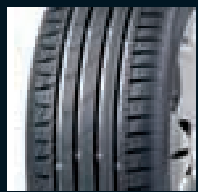


Nokian Hakka-peliitta 5

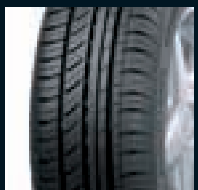


Nokian Hakka-peliitta 4

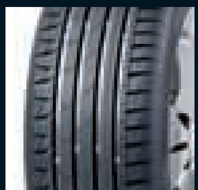
Nokian Hakka-peliitta RSi



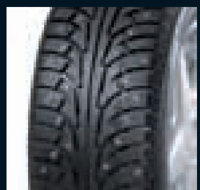
Nokian Hakka H
Nokian Hakka V



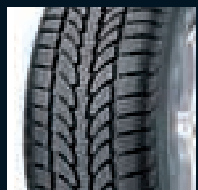
Nokian Hakka C Van



Nokian V

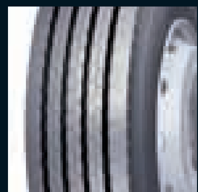


Nokian Hakka-peliitta Sport Utility 5

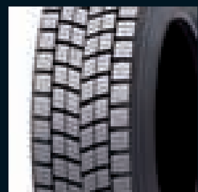


Nokian WR SUV

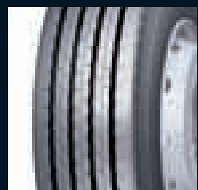
Truck tyres and retreading materials



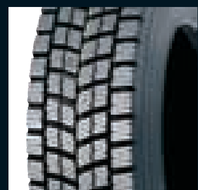
Nokian NTR-861



Nokian Noktop 40

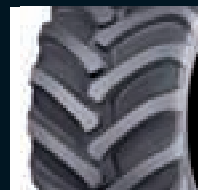


Nokian NTR-844

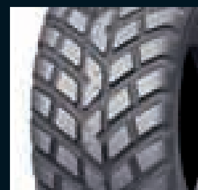


Nokian Noktop 41

Heavy tyres



Nokian Forest Rider

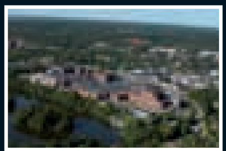


Nokian Country King

Factories and sales companies

- Own production
- Contract manufacturing
- Sales companies

1.



Nokian Tyres' plant in Nokia, Finland

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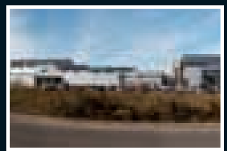

Nokian Tyres' plant in Vsevolozhsk, Russia

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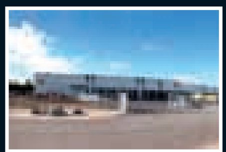
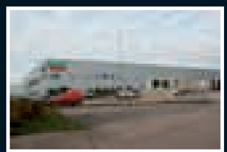


Nokian Däck AB Sweden

2.

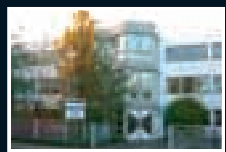


Nokian Dekk AS Norway

3.

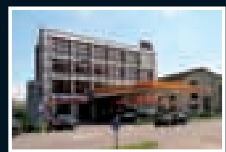
Nokian Tyres s.r.o. Czech Republic

4.



Nokian Reifen GmbH Germany

5.



Nokian Reifen AG Switzerland

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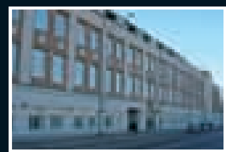
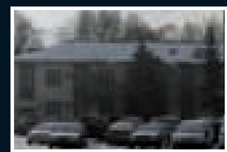


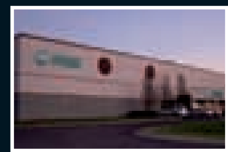
TOV Nokian Shina Ukraine

7.



Nokian Tyres LLP Kazakshstan

8.



Nokian Tyres Inc USA

Focus strategy

1. Nordic 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 Nordic conditions. Products are marketed in all countries with Nordic 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 2011

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 the CIS countries
The objective is to be the leading winter tyre and forestry tyre supplier and one of the top local car tyre and retreading material manufacturers in Russia.

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 financial objectives into 2011
- The most profitable tyre manufacturer in the world
- Double the net sales EUR 1.6 billion
- An adequate equity ratio; gearing 50–80%
- Steady improvement in the return on net assets (RONA) >15%
- A steady increase in earnings per share (EPS) +15%
- Positive, steadily growing cash flow +10%

Values that guide and support the strategy

Customer satisfaction
We have the industry's highest customer satisfaction rate in the Nordic countries, the Baltic States and Russia, 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.

Hakkapeliitta Spirit

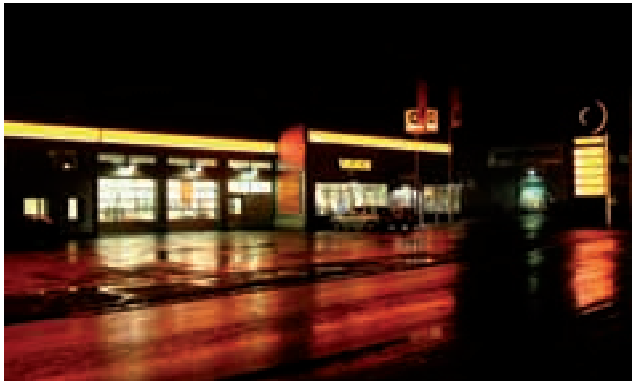
We strive to act in line with the Hakkapeliitta Spirit, the basic elements of which we have defined as follows:

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.

15th consecutive year of strong growth



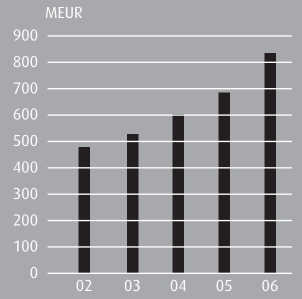
- Good business performance throughout the year: Sales were up, profit improved and market shares increased
- Group's net sales in 2006 amounted to EUR 835.9 million (EUR 686.5 million), showing an increase of 21.8% on 2005
- Group's operating profit picked up by 32.2% to EUR 153.1 million (EUR 115.8 million)
- Operating profit percentage rose from 16.9% to 18.3%
- EPS grew from EUR 0.70 to EUR 0.88
- Good winter tyre sales in Nordic countries, Russia and CIS-countries
- Car tyre sales in Russia exceeded the sales in Nordic countries
- Record-breaking sales of heavy tyres

- Sales and logistics enhancement in Russia, Eastern Europe, Ukraine and Kazakhstan
- Vianor tyre chain expanded in Russia and in Sweden
- A record-breaking number of new product launches: Nokian Hakkapeliitta 5, Nokian Hakkapeliitta Sport Utility 5, Nokian Hakka summer tyre range, Nokian Forest Rider radial forestry tyre, a new truck tyre range
- Nokian Hakkapeliitta 5 scored the highest points in motor magazines' tyre tests in the Nordic countries and in Russia
- The Russian plant was enlarged: the mixing department and the new storage were completed
- A EUR 4 million additional investment to raise the production capacity of Heavy Tyres

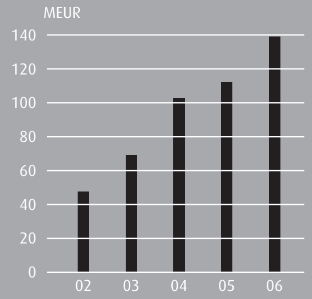
Key figures, IFRS

MEUR	2006	2005	Change %
Net sales, MEUR	835.9	686.5	21.8
Operating profit, MEUR	153.1	115.8	32.2
% of net sales	18.3	16.9	
Profit before extraordinary items and tax	139.3	112.6	23.7
% of net dales	16.7	16.4	
Return on net assets, %	22.7	21.4	
Return on equity, %	20.9	22.2	
Interest bearing net debt, MEUR	126.9	119.5	6.2
% of net sales	15.2	17.4	
Gross investments, MEUR	97.0	119.6	-18.9
% of net sales	11.6	17.4	
Cash flow from operations, MEUR	106.6	30.2	253
Earnings per share, euro	0.88	0.70	27.0
Cash flow per share, euro	0.88	0.26	244
Shareholders' equity per share, euro	4.56	3.89	17.2
Equity ratio, %	63.0	59.1	
Personnel, average during the year	3,234	3,041	

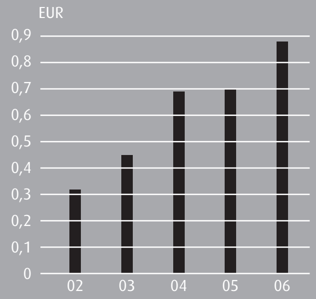
Net sales



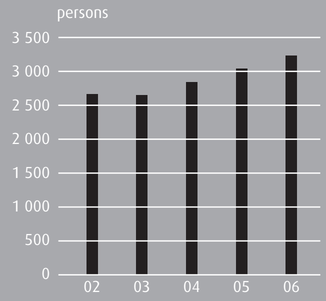
Profit before tax



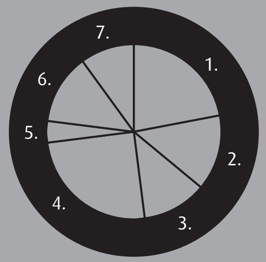
Earnings per share (EPS)



Average number of personnel



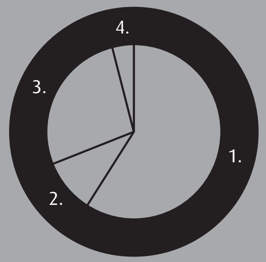
Group´s net sales by market area 2006 (2005)



1. Finland 22% (27%)
2. Sweden 14% (16%)
3. Norway 12% (12%)
4. Russia & CIS 25% (17%)
5. Eastern Europe............ 4% (4%)
6. Other Europe 13% (13%)
7. North America 10% (11%)

Net sales by profit centre 2006 (2005)

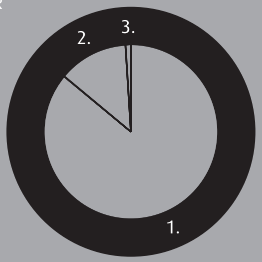
MEUR



1. Car tyres 533.2 (416.2)
2. Heavy Tyres 90.1 (76.2)
3. Vianor 246.9 (235.1)
4. Truck tyres 31.8 (30.1)

Operation profit (EBIT) by profit centre 2006 (2005)

MEUR



1. Car tyres 133.4 (101.9)
2. Heavy Tyres 19.9 (14.7)
3. Vianor 2.3 (5.3)

(* In this Annual Report years 2004-2006 are according the IFRS and previous years to FAS.

Dear reader,

Nokian Tyres saw its 15th consecutive year of strong growth in 2006. It was a year in which the advantages and benefits brought about by our notable investments really began to show results. Our strategic choices proved to be the right ones, and they are now providing us with numerous opportunities to further develop our operations.

In the past year the net sales of Nokian Tyres grew in all of the core markets, and the company improved clearly its market shares. We set up our own sales companies in Ukraine and Kazakhstan and expanded the Vianor chain, especially in Russia. The operations and expansion of our Russian plant progressed as planned, and ahead of schedule. We set new records in the production volumes of both passenger car tyres and heavy tyres in Nokia, Finland. Key to it all were our new products, which we launched in record numbers: the Nokian Hakkapeliitta 5 winter tyre family and the Nokian Hakka summer tyre family, featuring several innovations to improve driving safety, as well as the new-technology Nokian Forest Rider forestry tyre and many other novelties.

Last year was challenging for the tyre industry and was coloured by profit warnings issued by many tyre manufacturers. Raw material prices increased and companies were unable to fully compensate for this by raising their tyre prices. More and more tyres made in China and the Far East were seen on the European and US markets, leading to a significant increase in capacity and stiffer competition in certain product areas.

Nokian Tyres also found it challenging to raise prices. However, the new production structure, advantages from production in Russia, good productivity and a favourable sales mix helped to balance the situation and resulted in both an absolute and relative improvement in our profits. Demand soared in Nokian Tyres' key product areas and actual shortage was seen in some tyre categories, such as passenger car winter tyres and heavy special tyres.

Russia off to strong growth

In the light of experience, our prospects in strategically important market areas are better than we originally estimated. We must continue our efforts bravely, quickly and systematically in order to develop operations and take advantage of growth opportunities. We have achieved a significant lead, which must be further boosted.

Instead of showing signs of maturing, the Russian tyre markets are growing at an increasing pace. This trend is supported by the country's favourable economic development and increasing manufacture and sales of Western cars. Growth is not restricted to areas around Moscow and St. Petersburg but extends to other high-density population areas as well. Ukraine, Kazakhstan and other CIS countries are playing an increasingly important role thanks to their good development and increased prosperity. We already have a strong foothold in these markets.

Competition continues unchanged: our rivals are the same big manufacturers familiar from other markets. We have clearly boosted our own position and are ahead of the competition in terms of industrial structure and distribution channels. Russia's possible WTO membership in 2007 or 2008 will remove restrictions on competition, but change is slow and will not essentially affect the competitive situation.

Strong growth markets are naturally of interest to our competitors, and we expect Western tyre manufacture to gradually increase in Russia. We will focus on developing our own operations and believe we can get a real competitive advantage from a strong brand, distribution and logistics, productivity, staff competence and our will to perform well. These, not the location of plants, are what really matter.

Customer satisfaction a special topic in 2007

Nokian Tyres is a growth company and a niche player that focuses on growing markets and product areas. In addition to Russia and the CIS countries, Eastern Europe and North America are important growth-enabling markets for us. Key activities in 2007 include developing and reaping the rewards of operations at the Russian plant, as well as enhancing sales and distribution. We must also adopt new thinking and approaches in our organisation in order to work efficiently as an increasingly international and networked company.

We still need more production capacity to meet our growth objectives. That is why we are speeding up the expansion of our Russian plant, investing in bottlenecks in Nokia and increasing contract manufacturing. Our growth plan calls for significant additional investments. In terms of productivity and profitability, the most sensible target for investments is the expansion of the Russian plant. However, we dare not closing the door on the possibility of acquisitions related to production and distribution but are working on them side by side with our own industrial projects.

The Nordic countries and Finland will remain the cornerstone of our operations. The plant in Nokia and its staff play a key role in the development of marketing, product development and processes. Process development becomes increasingly important as our operations grow and expand more and more rapidly. Among other things, growth requires continuous improvement of logistics and information systems. We have made customer satisfaction our special theme for 2007, which means enhancing customer service, logistics and warehouse management, among others.

No essential changes are expected in the tyre industry and competition in 2007. Competition will continue to be stiff, imports from the Far East will increase, raw material prices will rise and full price increases will be difficult to implement. In order to maintain and improve profitability we have to develop structures and productivity.

Despite all the challenges, Nokian Tyres faces good prospects for 2007 and is well positioned to increase and improve its net sales and results, as it has in previous years. We start the new year in a positive spirit and in a better situation than ever before. We will proceed with a clear aim and an unwavering belief that our work and activities will once again prove themselves to be the best keys to success.

I thank our employees, customers, shareholders, partners and other stakeholders for a good year and wish you all the best for 2007.

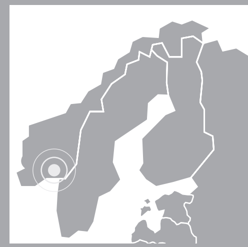
Kim Gran





Nokian Tyres employs over 3,000 people, who have their own joys and sorrows, dreams and values. There is something that we all share: solid faith in our competence and skills, confidence in finding answers together, respect for hands-on hard work. We are there for those in need, and we never give up. This is what we call the Hakkapeliitta Spirit. It is something very tangible yet difficult to define; still natural, genuine, real. Frighteningly simple. And impossible to imitate.





Nils Wilhelm Sörensen, Billingstad.
Managing Director of the Nytt om bil car magazine, married, three children.

This Norwegian lives strongly in the moment, with his feet solidly on the ground. A Peugeot enthusiast to the core. Personally, he claims that working on a car magazine is a pure coincidence, but his interest was already obvious in his childhood when he collected car licence plate numbers.

Aiming for market leadership in the Nordic countries

Nordic drivers appreciate safe, durable tyres with comfortable driving properties. Nokian Tyres is the only tyre manufacturer in the world to focus on the Nordic conditions and provide solutions that meet the special needs of this customer group. As a result of its geographical location, the company has an innate ability to understand these needs and expectations.

Nokian Tyres sells Nokian Hakka-branded car summer tyres, studded and non-studded Nokian Hakkapeliitta car winter tyres, Nokian-branded heavy special tyres, as well as new and retreaded truck tyres in the Nordic countries. A total of 8 million car tyres are sold annually in Finland, Sweden and Norway, and roughly 5 million of those are winter tyres. The average annual market growth is 1–3% and therea are about 80 competing brands. In all three countries the law requires that winter tyres are used during the winter season, and tyre tests conducted by trade magazines influence consumer behaviour. Being number one every year is not the main thing, but receiving top ratings on a regular basis is one way of increasing customer trust and strengthening the brand position. Nokian-branded winter tyres have scored top ratings year after year, and summer tyres are also scoring top positions more and more often.

The Nokian-branded summer and winter tyres sold in the Nordic countries are designed to perform well in varying weather and driving conditions. In winter tyres, special attention is paid to performance on snow and ice. The development of summer tyres takes account of the demands that three dissimilar seasons – spring, summer and autumn – place on drivers. Finland, Sweden and Norway account for nearly 50% of Nokian Tyres' net sales. When all products are taken into account, Nokian Tyres is the market leader in Finland and one of the leading suppliers in Norway and Sweden. Winter tyres represent approximately 80% of Nokian passenger car tyre unit's net sales.

Two peak seasons a year

The Nordic passenger car tyre business is extremely seasonal. The majority of the summer tyres are sold some weeks before and after Easter, while the winter tyre consumer sales take place in September–November, depending on the winter. Seasonal management is a key success factor as roughly 30% of winter tyres are sold to consumers during the ten days after the first snowfall. This sets major challenges for production and delivery capacity, making an extensive distribution network, utilisation of the company's own tyre chain, and efficient logistics and IT systems crucial to managing the seasonal business. Pre-sales to product distributors is an efficient way to ensure product availability and to allow retailers to manage their business successfully during the busy consumer season. Pre-sales of summer tyres begins in December–January, and pre-sales of winter tyres concentrates on the second and third quarters of the year. Due to stocking up for the season, our own and tyre dealers' stock levels, as well as receivables from the distributors, reach a high just before the beginning of the peak season and begin to normalise once consumer sales begin.

Nordic know-how reflected in all business operations

More than 60% of Nokian Heavy Tyres' net sales are generated in Finland, Sweden and Norway. Key products are the forestry tyres, an area where Nokian Tyres is a true pioneer. Close co-operation with Nordic forestry machinery manufacturers and a diverse, constantly improving product range have made Nokian Tyres a leading forestry tyre manufacturer in the world. Other important products include special tyres for agricultural and industrial machinery.

Nokian Tyres is the leading tyre retreader and the supplier of retreading materials in the Nordic countries. The best-known products are the Nokian Noktop winter treads for truck tyres. The company has a total of six retreading plants in the Nordic countries. Company strengths include strong expertise in winter conditions, modern and effective production, and products tailored for Nordic markets. Bus and truck tyres are also designed for Nordic conditions.

Highlights 2006:

- market shares improved clearly in Finland, Sweden and Norway
- sales to car dealers increased
- record high sales of heavy special tyres
- success of the Nokian Hakkapeliitta 5 winter tyre family

Nils Wilhem's first car was a grey VW Beetle named Beatrice; his friend's red Beetle was called Arthur. The guys liked to drive around together. Beatrice's pedal added its own twist to the excitement: Nils Wilhelm had to hold it in place with his left hand.

Nokian Hakkapeliitta 5 captivated consumers and testers

The studded Nokian Hakkapeliitta 5 winter tyre was introduced in honour of the 70th anniversary of Hakkapeliitta. The 13th-generation Hakkapeliitta was designed for demanding drivers who want to drive safely in the harshest winter conditions. The product met the tough demands set for it: in its first winter season it attracted consumers and performed well in several trade magazines' tyre tests. The Nokian Hakkapeliitta 5 was chosen as the best studded tyre in numerous tests carried out in Russia and the Nordic countries, the company's main market areas.

Several technical innovations contribute to the grip of Nokian Hakkapeliitta 5. The sharp-edged projection – the bear claw – in the front edge of the tread blocks enhances stud operations; it pre-tightens and supports the stud and holds it in the ideal position during road contact. The stud does not twist or give way and thus maximises grip. Braking grip, in particular, improves significantly.

The square stud was introduced with the Nokian Hakkapeliitta 4 in 2003. The square shape has since been enhanced: in addition to the hard metal stud pin and bottom flange, the body of the stud is now square-shaped as well. The wide support of the new stud improves grip on ice, and the stud is anchored more firmly in the tread compound. This makes the studding durable, and the tyre remains safe throughout its useful life.

The new stud model is also environmentally friendly. A road wear comparison survey carried out by VTT Technical Research Centre of Finland showed that the new studded tyre from Nokian Tyres' main competitor caused 30% higher wear on the road surface than the Nokian Hakkapeliitta 5.

Several structural and tread pattern reforms ensure the Nokian Hakkapeliitta 5's grip. Slide prevention grooves in the shoulder area increase the lateral grip when cornering. Their sharp edges stick firmly to the road during heavy swerving following abrupt manoeuvres.

The double block construction in the centre of the tread considerably increases driving stability and enhances steering response. The new block pattern ensures gentle and quiet road contact.

The longer tread blocks in the shoulder area ensure grip on snow and improve lateral stability on unfrozen roads.

The tread of the Nokian Hakkapeliitta 5 features four different kinds of rubber compounds. Nokian Tyres is the first tyre manufacturer to use this kind of structure for winter tyres. The use of four different compounds improves driving stability and stud operation. The new tread also dampens tyre noise to a pleasant level.

In addition to top-class innovations, safety has also been improved by clever ideas. The new tyre has driving safety indicators that clearly indicate the tread depth of the main grooves in millimetres. The tyre also features four winter driving safety indicators. When the snowflake symbols on the central tread blocks wear off, the driver knows the tyre is no longer safe for winter use. All studs are encircled by a run-in indicator that fades at the end of the run-in period.

Trust the natives

The key message of the Nokian Tyres brand is safety. The world's safest tyres are born from the competence, innovation and unyielding "hakkapeliitta" spirit found in the North. In 2006, marketing communication crystallised these three pillars of the brand into the slogan Trust the Natives.

Trust the Natives symbolises the home field benefit and status of Nokian Tyres as the only tyre manufacturer that masters the Nordic conditions. Respect for nature and its whims is an inherent part of life up north. The northern winter makes us strong and astute survivors with a strong will to triumph and the skill to tame the world's most challenging driving conditions. Trust the Natives tells us to trust local professionals in tight spots: those whose experience enables them to offer the best solutions to problems.

The new brand focus was introduced during the winter tyre campaign last autumn, coinciding with the 70th anniversary of Hakkapeliitta. In the same conjunction, the company launched the latest member of the Hakkapeliitta family: Nokian Hakkapeliitta 5. The Trust the Natives philosophy was first presented by fishing bears on TV, where they portrayed a certain type of astute native. The new brand policy was also given strong visibility on Nokian Tyres' website, which attracted a record number of over 110,000 visitors in October.

Nordic tyre markets

Approximately 2.5 million car tyres are sold annually in the replacement markets in Finland and out of those roughly 1.4 million are winter tyres. In Sweden the annual sales is approximately 3.5 million tyres of which 2 million are winter tyres. In Norway the annual sales of car tyres are roughly 2 million of which 1.3 million are winter tyres. In Nordic countries the majority of winter tyres is studded tyres.

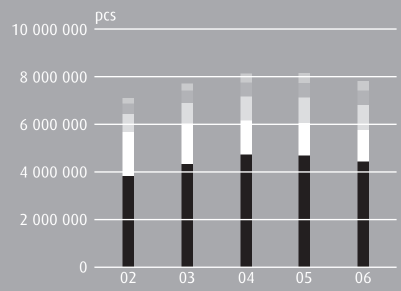
The Nordic tyre markets are mature with the annual market growth of 1–3%. High performance summer tyres (speed rates H,V,W,Y,Z) and winter tyres are product segments with clearly stronger growth, 10–15% depending on the product.

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

Sales of passenger car tyres in the Nordic replacement markets (*

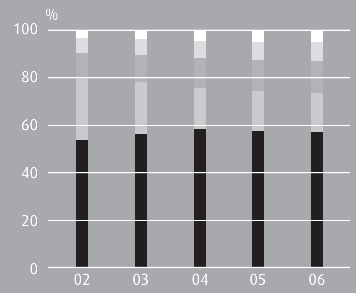


Summer W/Y/Z Summer V Summer H
Summer <T Winter tyres non-studdable
Winter tyres studdet/studdable

Source: ERMC 2006

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

Sales of passenger car tyres in the Nordic replacement markets

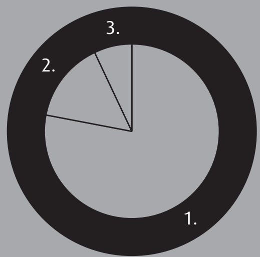


Summer <T Summer H Summer V Summer W/Y/Z
Winter tyres non-studdable Winter tyres studdet/studdable

Source: ERMC 2006

The Nordic tyre replacement market in 2006

Total value approximately EUR 1.2 billion

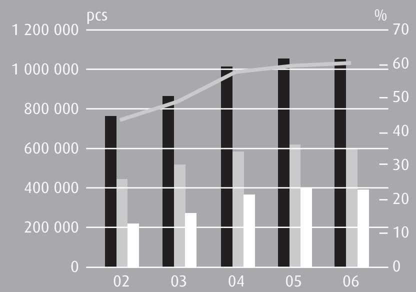


1. Passenger car and delivery van tyres 78%
2. Truck tyres 15%
3. Others 7%

Source: Nokian Tyres 2006

Summer tyre markets

High Performance -segments in the Nordic countries total



Summer H Summer V Summer W/Y/Z
The share of the high-performance segments of the passenger car summer tyre markets

Source: ERMC 2006

Nadezda Traber,
St. Petersburg.
36, psychologist and electrical engineer, married.

Overcoming the fear of driving after a car accident was a turning point for her future: she established a car club for women. She left her job two years ago because she wanted to dedicate all her time to encouraging female drivers. Nadezda compares driving to the game of chess: you have to analyse the situation in seconds and then make the right move.

Our target is to be the leader in premium tyres in Russia

Nokian Tyres is an active player in Russia. The company wants to strengthen its leading position in the A-segment winter tyre category and improve its market share in summer tyres. In 2006 car tyre sales in Russia exceeded the sales in the Nordic countries and represented 25% of the Group's net sales. Tyre sales margins in Russia correspond to Nordic margin levels.

Approximately 36 million passenger car tyres were sold in the Russian tyre markets in 2006, and roughly 10 million of these were winter tyres. The tyre market is growing at a rate of approximately 10% per year and includes all the well-known Western brands. The A-segment tyre market grows more rapidly than the overall tyre market. Furthermore, the demand for heavy special tyres and tyre retreading has grown.

This growth has been driven by the buoyant Russian economy and an increase in the manufacturing of new cars, and the imports of Western cars. In 2006 the number of cars per thousand people was 187, and the number is growing rapidly. An increasingly large number of Western car manufacturers have started or are about to start manufacture in Russia. In 2006, one million new Western cars were sold in Russia, 72% of which were imported and 28% were manufactured locally. The total car sales was roughly 2 million cars.

The tyre market is developing rapidly and tyre manufacturing is going through an intense period of modernisation. The market for high-quality tyres (segments A and B) is expected to grow, whereas the low-end market (segment C) is likely to remain modest or decline. Russia, like the Nordic countries, has two annual peak seasons, which is why Nokian Tyres is applying a similar business model to local operations (see page 15). There is no winter tyre law in Russia, but due to the weather conditions in the region where Nokian Tyres operates, winter tyres are essential. Nokian Tyres' products designed for the Nordic conditions are very well suited to the Russian markets.

The Vsevolozhsk plant in a key position

Nokian Tyres aims to achieve a leading position as a local tyre producer now that the new factory at Vsevolozhsk, brought on line in the spring of 2005, is up and running. The factory makes Nokian-branded, A-segment car summer and winter tyres, approximately two-thirds of which are sold in Russia. The objective is to use further investments to gradually increase the capacity to 10 million tyres per year by 2011.

The company's decision to build a tyre factory in Vsevolozhsk was influenced by a number of reasons. The location near important markets was a key consideration, as was the availability of a good and skilled workforce. Many industrial players had invested in the region before and were co-operating successfully with the local authorities. The Vsevolozhsk industrial area had a sound infrastructure, which Nokian Tyres was able to use. In terms of labour costs and the price of raw materials and energy, tyre manufacturing is substantially cheaper in Russia than in Finland or elsewhere in Western Europe. Operations in Russia also entitle the company to tax relief and exempt it from import duties.

Investments in logistics and distribution

Nokian Tyres has also expanded the Vianor tyre chain to Russia. At the end of 2006 Russia had a total of 70 Vianor outlets, most of which operate on a partnership principle (see page 25). In addition to Vianor, sales of Nokian-branded tyres are handled by own sales offices in St. Petersburg, as well as by Russian tyre wholesalers with whom the company has built successful long-term partnerships. The logistics centres in the Moscow and St. Petersburg regions improve the company's service to local customers. The logistics centres also offer customers tyre studding as well as mounting for car dealers.

Highlights 2006:

- market shares improved in A-segment category tyres
- distribution network expanded
- first full year operations at the new Vsevolozhsk factory proceeded as planned
- the factory expanded: new mixing department and warehouse were taken into use and the installation of the third production line started

Nadezda bought her first car with the money she inherited from her aunt. It was a Lada that cost 7,000 roubles. The spectacular views on the banks of the Neva inspire her lonely joyrides, making her feel free and at the same time a part of her beautiful hometown.

Russian plant is on line and expanding

To ensure the conditions for operations and boost the company's position in the rapidly growing Russian tyre markets, the Board of Nokian Tyres made a decision in 2004 to initiate the construction of a tyre plant in Vsevolozhsk, near St.Petersburg, in Russia. Construction measures were launched immediately and the project got off to a fast start. In summer 2004, agreements were signed with local authorities, and the foundation stone was laid. Construction work began in September of the same year, and in January 2005, the plant had reached its rooftop height. The first Nokian Hakkapeliitta tyres were manufactured on production line number one in June 2005, and the Vsevolozhsk plant was officially inaugurated at the end of September.

State-of-the-art technology

In 2006, two production lines were operating at the Russian factory and the third line is to complete in early 2007. The expansion of the factory has proceeded as planned: a mixing department with two mixing lines were completed and local mixing operations started. The new warehouse with a capacity for 600.000 tyres was taken into use. The total investment in 2004–2007 is roughly 150 million euros.

Production operates in three shifts and consists of rubber compound and component manufacturing, tyre assembly, curing and quality inspection. Consisting first of only a few tyre sizes, the plant's product range has been gradually expanded. Production quality and daily production volumes are on target. At the end of 2006, the Russian plant employed approximately 235 people, the majority of them Russian.

The brand new machines and equipment at the Vsevolozhsk plant represent the latest technology in the field. Only environmentally friendly, low-aromatic oils are used in tyre manufacturing.

Nokian Hakkapeliitta Sport Utility 5 – power and grip for SUVs

The Nokian Hakkapeliitta family expanded in 2006 with a potent newcomer when Nokian Tyres launched the Nokian Hakkapeliitta Sport Utility 5. The new tyre was specially designed for the growing SUV market. It has the widest size range in studded SUV tyres, offering 27 different alternatives up to a rim diameter of 22 inches.

The Nokian Hakkapeliitta Sport Utility 5 offers the same ingenious technical solutions as the Nokian Hakkapeliitta 5 used in passenger cars. In addition to their appearance, several common innovations identify the tyres as twins.

Well-balanced grip properties are essential when designing tyres for heavy, high-performance SUVs. Maximizing the lateral grip is of particular importance to ensure the vehicle can be controlled under extreme conditions. The bear claw and upgraded square stud also enhance the grip of SUV winter tyres.

The rubber compound has been adapted to winter use on SUVs. It contains large amounts of canola oil, which improves tear resistance and grip on ice. Among other things, the tyre shows good endurance against hard blows from sharp-edged stones.

Heavy and powerful SUVs demand a lot from tyres, which must be strong and sturdy to bear big load indexes and keep high vehicles steady. The area between the shoulder blocks of the Nokian Hakkapeliitta Sport Utility 5 features a narrow, longitudinal rigid zone that gives firmness to the construction and makes the tyre particularly sturdy.

The handsome and massive SUV tyre features polished main grooves. Snow and slush easily come off the tyre along the smooth and shiny grooves. Thanks to the tread pattern, the tyre cleans easily and runs effortlessly in deep snow and slush on challenging forest and cabin roads.

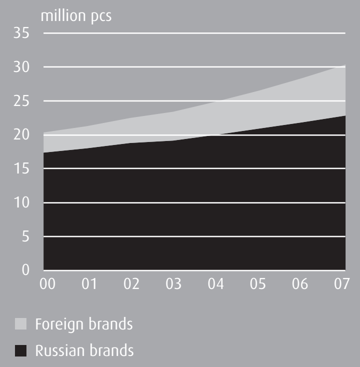
Good SUV winter tyres are expected to offer versatile properties. Owners of SUVs want to enjoy their drive in gravel and deep snow, as well as on urban paved roads. Thanks to its double block structure, the Nokian Hakkapeliitta Sport Utility 5 performs ideally on bare roads too. The gentle and silent tyre offers a precise driving response.

Russia as a market area

Year	2003	2004	2005	2006	2007	2008	2009	2010	2010
Population (million person)	144,15	143,50	142,80	141,50	140,50	139,50	138,50	137,50	136,68
Nominal Per-Capita GDP (USD)	2 985	4 059	5 358	6 965	8 615	10 145	11 396	12 647	13 807
Nominal GDP (USD bn)	430	582	765	984	1 210	1 415	1 578	1 739	1 887
Real GDP Growth (% change)	7,3%	7,2%	6,4%	6,4%	5,2%	4,5%	4,1%	4,0%	4,0%
Car Ownership (Cars/000 Pop)	161	168	177	187	198	209	221	232	244

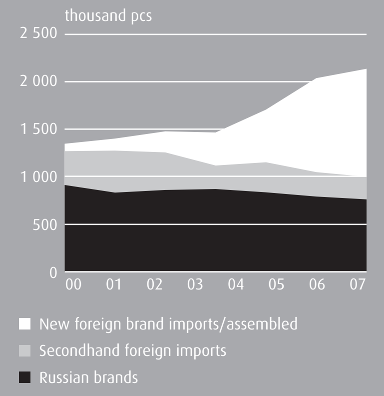
Source: Global Insight 2006

Number of cars in Russia 2000–2007



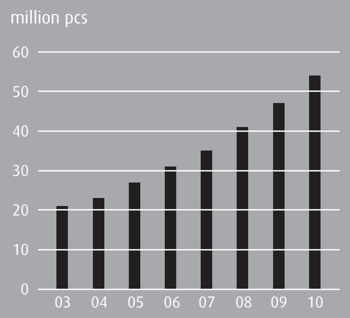
Source: Nokian Tyres estimate

Car sales dynamics in Russia 2000–2007



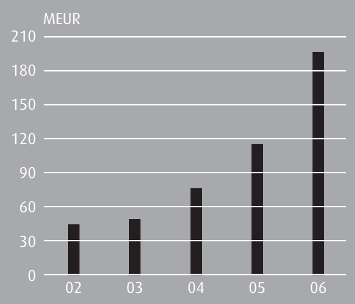
Source: Nokian Tyres estimate

Replacement car tyre market in Russia 2003–2010

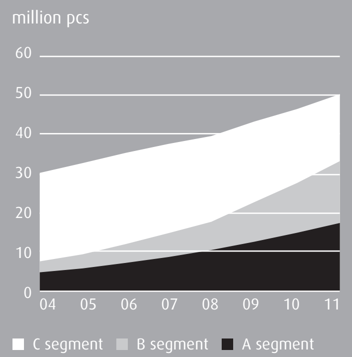


Source: Nokian Tyres estimate

Net sales of Nokian Tyres in Russia 2002–2006



Russian tyre replacement market by product segments 2004–2011



Source: Nokian Tyres estimate

Göran Johansson,
Bromma.
53, sales representative, married, no children.

This Swedish sweet-talker has given his heart and soul to old MG cars and likes to drive around to meet new interesting people. People and their cars tell him stories about the passion for driving. The car is like a friend – you can even give it a name.

Our target is to be the leading tyre chain in the home market

The Vianor tyre chain reflects the Nokian Tyres strategy aimed at securing the company's strong position in the Nordic countries and in Russia, as well as ensuring that Nokian-branded tyres have access to the strategically significant core markets. Vianor is the biggest tyre chain in the Nordic countries, and a pioneer of the tyre distribution concept in Russia. Vianor's main task is to maximize the sales of Nokian-branded tyres and to maintain the desired price level. In addition, the profitability of the outlets is continuously improved and the chain further expanded and developed. The objective is to be the flagship distributor of Nokian Tyres, and the best-known player in its core markets. Nokian Tyres wants to utilise the Vianor chain to enhance profitability and success in the whole tyre distribution business.

There are only a few large tyre chains in the Nordic countries and they are owned by tyre manufacturers. Vianor is the only one that covers Finland, Sweden, Norway, Estonia, Latvia and Russia. Roughly 30% of Nokian Tyres' total sales in the Nordic countries goes through Vianor outlets. Vianor outlets sell Nokian-branded tyres and other well-known tyre brands in all price categories.

The tyre distribution network in Russia is multi-layered, and the chain from the producer to the retailers and end users is a long one. Distribution is dominated by a few major wholesalers who supply tyres to a variety of larger and smaller wholesalers all over the country. Most tyre manufacturers make an effort to build their own tyre chains in order to avoid middlemen in the chain, and in order to better manage the resale of their products. At the end of 2006 Nokian Tyres ran a total of 70 Vianor outlets in Russia. The company owns two of them, and the rest operate on a partnership basis. Vianor is attempting to achieve growth in Russia and the CIS countries primarily through a partner network, because it is the fastest way to expand and does not tie up a significant amount of capital.

Seasonal management and synergy benefits

Nordic and Russian markets are extremely seasonal, and the majority of profits are generated during the final quarter of the year. Efficient service to distributors is needed in the few weeks of peak demand. Key success factors include intensive co-operation between manufacturing and Vianor, utilisation of own outlets as distribution channels, as well as advanced IT and logistics (see page 37). In order to boost its customer service during the peak seasons, Vianor utilises an outsourced Contact Center telephone service in all Nordic countries and also offers the possibility to book tyre changes by means of an Internet-based appointment system.

Co-operation between Nokian Tyres and Vianor results in considerable synergy benefits. Standardised data systems improve the planning, monitoring and reporting. Direct contact with the manufacturer provides Vianor with better flexibility and faster response times. Studies indicate that product brand and the salesperson's recommendations have the strongest impact on a customer's choice of tyre. Own tyre chain provides Nokian Tyres with a direct communication channel to the end users. Vianor also provides the company with valuable information that can be utilised for the development of services and for the R&D and marketing.

Growing importance of wider product range and services

Although successful seasonal sales of car tyres is important for Vianor, consumer sales generate roughly a fourth of Vianor's net sales. Vianor's extensive product and service rangehelp ensure good sales, even outside the peak season. Wholesale and fleet customers, as well as the sales of truck tyres and various heavy tyres, are an important source of income for Vianor outlets.

Vianor develops its fast-fit operations in areas where it complements the service concepts of Nokian Tyres and Vianor. Current fast-fit services will be further improved, and new outlets will be introduced as pilot projects.

Highlights 2006:

- new outlets joined Vianor network in Sweden
- Vianor franchising/partnership concept expanded in Russia in particular
- fast fit service became a part of Vianor's growth strategy
- good winter season sales

Göran's collection already comprises four MGs. "In this club you never sell a car, you buy new ones to accompany the old ones."

The new Nokian Hakka product family – perfect for the northern summer
Nokian Tyres clarified its product strategy for northern conditions by introducing the Hakka summer tyre family in September 2006. Nokian Hakka summer tyres make the same promise as the Hakkapeliitta products, which have controlled the winter tyre markets for 70 years – a perfect fit for northern conditions. Hakka summer tyres meet the challenges that the climate and roads up north set in the three seasons ranging from early spring to late autumn.

Uneven, varying and rough road surfaces, rainy weather and rapidly changing weather conditions demand special properties from tyres. In order to meet these demands, Nokian Tyres develops products that demonstrate authentic Hakkapeliitta competence: safe, reliable grip on the road. First in line for launch were the H (210 km/h) and V (240 km/h) speed-rated tyres that were launched in the Nordic countries and Russia. Hakka summer products will be available at tyre outlets as of spring 2007.

The Nokian H and Nokian V both utilise the same new, highly developed tread pattern. The greatest differences are in the rubber compounds and the structure. Both tyres have been optimised to function in the best possible way in their own speed categories. The higher speed category Nokian Hakka V has a more rigid structure, making it a sportier product. New innovations and technical solutions improve the driving safety and durability of both tyres.

The asymmetric inside-outside tread pattern efficiently prevents aquaplaning and improves the driving qualities. Full silica compounds are used in the tread in order to achieve good wet grip and a low rolling resistance.

New technical innovations efficiently prevent aquaplaning
The action of the inner shoulder rainwater system is based on the brook-to-river principle. Narrow, directional grooves and special water guides efficiently remove water from the contact surface. The Nokian Hakka (205/55 R 16) pushes aside 43 litres of water per second at a driving speed of 75 km/h over a 10-millimetre layer of water.

Polished main grooves speed up the flow of water from between the tyre and road. The polishing adds to the elegance of the product.

Lateral grooves on the outside shoulder end in a spoon-like shape. This splashstopper improves traffic safety by reducing splashing to the windshield and sides of the car.

The unique wedge cap construction combined with an asymmetric tread design simultaneously improves handling and wet grip properties.

A uniform rib binds the tread blocks closely to each other on the outer shoulder. Three strong, stiff longitudinal ribs and an asymmetric groove design ensure that the tyre has good and safe steering response, even at high speeds. The tyre has firm contact with the road but is also sensitive and precise.

Drivers demand silence from tyres in the H and V speed categories
Numerous methods have been utilised to prevent noise in the new Hakka products. A uniform outside shoulder reduces noise because the tread blocks remain stable in different driving conditions. The platforms and cavities in the longitudinal grooves affect the flow of air and prevent unpleasant noises. Reduction of impact and road noise has been emphasised in the dimensioning of the frame structure and material selections.

Tyres that are in good condition increase safety by significantly reducing the possibility of aquaplaning. In addition to the numbers that indicate groove depth, the tyres now have an Aquaplaning Indicator as well. Its droplet symbol disappears when four millimetres of the tread are left, reminding the driver of a significantly increased risk of aquaplaning.

The birch leaf symbol on the sidewall is a sign of the purity of the rubber compounds. Only purified, low-aromatic oils are used in the products.

The info area provides space to record the correct tyre pressures in conjunction with installation. Correctly pressurised tyres enhance safety, improve steering response and reduce fuel consumption.

Cost-free Hakka warranty against punctures
Nokian Tyres will further improve the safety of its products in conjunction with the launch of its new Nokian Hakka range. The company will grant a cost-free Hakka warranty in Finland, Sweden, Norway and Russia. An appropriately used and correctly mounted tyre that is accidentally damaged in normal usage will be replaced, free of charge, with a corresponding new tyre. The Hakka warranty will apply to maximum groove depths of four millimetres for three years from the purchase date.

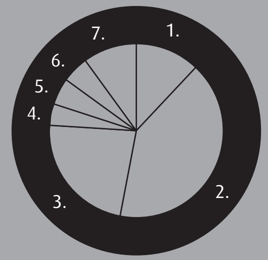
New purchase method: Vianor online store
Vianor's revamped online store at www.vianor.fi offers consumers assistance in practically anything related to tyre and rim purchasing. In addition to traditional product information, the target group receives real value-added services.

Customers can purchase tyres and rims from the online store, as well as make an appointment for installation at the nearest Vianor sales outlet. Simply, the opportunity to compare product prices online brings a big change into the industry's traditional trading methods. To help choose the right rim, the website features a simulator that allows the customer to try different rims on the car. Oil change and other express maintenance services can also be purchased online. In technical terms, Vianor's online store is closely integrated with other sales systems to ensure efficient use.

Vianor Russia

- 2006: 70 outlets
- 2007: 120 outlets

Sales per product segments 2006 Nordic countries



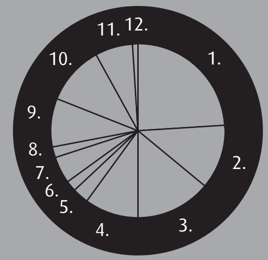
1. Service 12%
2. Car&van tyres 41%
3. Truck tyres 23%
4. Agriculture 4%
5. Earth movers and industrial 5%
6. Rims 5%
7. Other products 10%

Source: Vianor 2006

Vianor outlets in Nordic and Baltic countries

Total 191 outlets

Sales per customer groups 2006

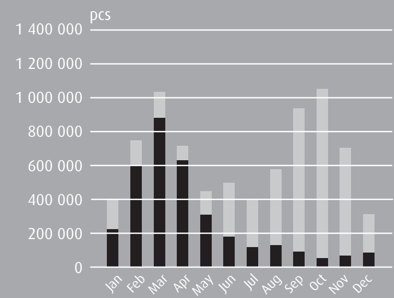


1. Private Customers 24%
2. Small transport business 12%
3. Local companies 14%
4. Large transport business 10%
5. Communities, states 3%
6. Nation-wide companies 2%
7. Contractors, industries 5%
8. Leasing customers 2%
9. Car dealers 9%
10. Tyre stores 11%
11. Other tyre retailers 7%
12. Others 1%

Source: Vianor 2006

Sales cycles

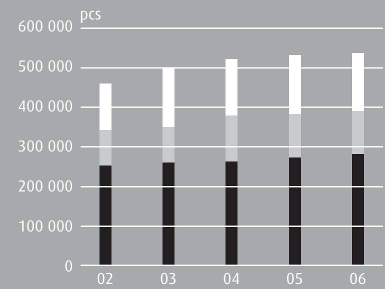
Sales of passenger car tyres in 2006 from the manufacturer to retailers in the Nordic countries.



Summer tyres
Winter tyres

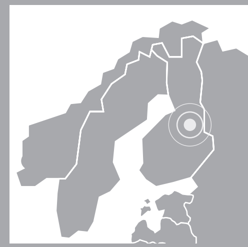
Source: ERMC 2006

Registration of the new passenger cars in the Nordic countries



Finland Sweden Norway

Source: ACEA 2006



Pentti Karppinen, Kajaani.
64, Tiepalvelu road service officer, married, two children.

The world on wheels would not roll as well as it does now without knights of the road like this man. In northern Finland especially it may be difficult to get help across the long distances, so the road service people are highly valued. Pentti Karppinen comes from the Kainuu region in northeastern Finland. He likes to photograph traditional Finnish landscapes, of which he has seen a wide variety when moving on the road.

Our target is to be a strong player in core products globally

Nokian Tyres' growth in global markets is based on expertise in specific, narrow product segments, and the so-called niche approach. Nokian Tyres estimates that roughly 900 million passenger car tyres are sold throughout the world each year. The market is worth approx. USD 100 billion, and the share of OE installation is 25%. The overall market growth per year is 1–3%. The strongest growth segments are winter tyres, high-performance summer tyres and SUV tyres.

Nokian Tyres focuses on the replacement market and growing areas that allow it to utilise its special knowledge and strong expertise in Nordic conditions. Outside its home markets, the key areas include Eastern Europe, the CIS countries, the Alpine region and North America, which all feature conditions similar to those in the Nordic countries: four distinct seasons, heavy forest cover and challenging driving conditions. In addition to the home markets, Nokian Tyres has its own sales companies in Germany, Switzerland, Czech Republic, Ukraine, Kazakhstan and the USA. In other export countries, products are sold through independent importers.

New growth opportunities in the East

The tyre markets have seen powerful growth in the Eastern European countries in the past few years. Markets are also showing good growth potential in the CIS countries such as Ukraine and Kazakhstan, where Nokian Tyres has set up its own sales companies to strengthen its position, especially as a winter tyre supplier. Market growth is fuelled by the positive economic development in these countries, and the dramatic increase in the sales of new Western cars. The winter conditions in Ukraine and Kazakhstan are harsh, which is why safety is a key element for drivers, and studded tyres are popular, just like in the Nordic countries. Consequently, the products Nokian Tyres sells in the Nordic countries and in Russia are perfect for these markets as well. The company holds a strong position and has excellent growth potential in both countries.

Tailored products for diverse markets

Nokian Tyres tailors its winter tyres to meet consumer needs in various markets. The friction tyre and the summer tyre designed for Continental Europe are very different products to those sold in the Nordic countries, Russia, and the CIS countries. The all-weather-plus tyre, which was designed for year-round use with special emphasis on winter tyre properties, was developed for the US and German markets. The winter tyre range also includes SUV and light truck tyres as well as run-flat tyres. The main focus in summer tyres is on high-speed products.

The niche strategy also serves as the guideline for the Nokian heavy tyres business. Most of the heavy tyres are global products that can be sold anywhere in the world. One good example is forestry machine tyres, which Nokian Tyres has delivered globally since the 1960s. The main focus in forestry tyres is on tyres for the CTL (Cut to Length) machinery developed in the Nordic countries. Nokian Tyres is the global market leader in this tyre segment. Product development co-operation with machine manufacturers plays a key role as the share of OE installation makes up more than 40% of net sales in this profit centre. The latest innovation is the Nokian Forest Rider radial forestry machinery tyre. Launched in the autumn of 2006, this product represents the cutting-edge technology in the field.

The heavy tyre business has always been considered sensitive to economic fluctuations and subject to tough price competition. During recent years, demand for heavy special tyres has grown strongly, and there has been a global shortage of mining and harbour machinery tyres in particular. The demand for forestry tyres has been rising as a result of increased activity in equipment and machinery manufacturing, which has been boosted by the new tree harvesting areas in South America and Russia.

Highlights 2006:

- sales increased in Eastern Europe, CIS countries and in the USA
- own sales offices opened in Ukraine and Kazakhstan
- market shares improved in key markets
- reorganizing of sales operations in Central and Southern Europe started

In another phase of his life, Karppinen was an ambulance driver. In that job no two days were alike. That is also the best thing about road service.

World's biggest studded tyre for passenger cars
The Nokian Hakkapeliitta Sport Utility 5 is a studded tyre customised for safe SUV winter driving. The biggest tyre in the size range, with a rim diameter of 22 inches, holds the unofficial title of the world's biggest studded tyre for passenger cars.

High-performance tyres for heavy vehicles must offer excellent grip to ensure safety. Maximizing the lateral grip is of particular importance in order to ensure that the vehicle can be controlled under extreme conditions. The grip of the Nokian Hakkapeliitta Sport Utility 5 is ensured by the square stud and the bear claw that enhances stud performance. The rubber compound has been adapted to winter use. It contains a considerable amount of canola oil, which improves tear resistance and grip on ice.

SUV drivers require versatility from their tyres. They want to enjoy driving on gravel roads and in deep snow, as well as in cities and on paved roads. Thanks to its double block structure, the Nokian Hakkapeliitta Sport Utility 5 performs ideally also on bare roads. The gentle tyre offers a precise driving response.

Radial-structured Nokian Forest Rider offers grip and traction to CTL machinery
In autumn 2006, Nokian Heavy Tyres introduced a new kind of forestry tyre: Nokian Forest Rider. The radial-structured pioneer is designed for medium-sized CTL (Cut to Length) forest machinery, especially for use without tracks.

Forestry tyre R&D removed the major obstacle which prevents the use of radial structure in CTL forestry tyres by combining the patented side puncture protection with radial tyre structure. The CTL method consists of harvesters felling, delimbing and bucking trees to length in the forest.

The integrated side puncture protection makes the product durable and safe, protecting it in demanding and challenging conditions. Thanks to the sturdy side structure, the tyre keeps a steady grip on the surface and does not swing, even when heavily loaded.

The radial structure offers several advantages compared to traditional diagonal solutions. Tests show that the Nokian Forest Rider has better traction and moving properties and a lower rolling resistance than its diagonal competitors. A low rolling resistance reduces fuel consumption, making the tyre a good economic choice.

Nokian Forest Rider works and moves well in forests: a wider contact area results in lower contact pressure than ever before. The tyre is easy on the environment and cleans effortlessly, ensuring that forest machines do not carry soil onto roads.

The forest machine, tyres, driving speed and terrain all affect the vibration experienced by the driver. The consequences of vibration have been extensively studied, and the EU has issued directives defining the permitted values. One of the goals in the development of the Nokian Forest Rider was to dampen vibration. The open-centre tread design was adjusted to ensure the smoothest possible movement both off the road and on hard surfaces. This reduces vibration.

Since Nokian Forest Rider is designed for trackless use, it is ideal for areas in which tracks are not permitted, such as Central Europe. Similar to other Nokian Heavy Tyres products, Nokian Forest Rider is manufactured without harmful high-aromatic oils.

Fast growings CIS markets

Ukraine

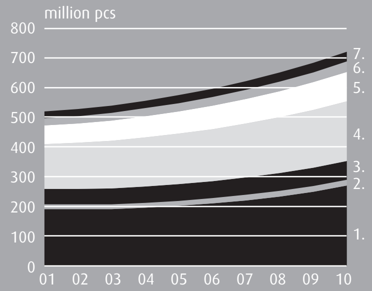
- approximately 10 million car tyres sold annually
- car tyre market grows 25–30% annually
- the share of A and B segment tyres approx. 25% (2 million tyres) of the total market
- demand for SUV tyres increasing in particular
- winter tyres are widely used and due to safety properties
- GDP still low but has grown 35% in the past five years
- car parc is approx. 8 million
- sales of new cars growing by more than 25% p.a.

Kazakhstan

- approximately 2–2,5 million car tyres sold annually
- car tyre market grows around 15–20% per year
- A segment represents approximately 15–25% (400,000 tyres) of the total market
- GDP demonstrates stable growth during the last decade
- car parc approximately 1,5 million cars
- sales of new cars increasing by 10–15% annually

Car winter tyres are widely used in both countries and safety properties of tyres are appreciated. The markets for the high quality A segment tyres are increasing more than the tyre markets in general as a result of the rapidly increasing share of new cars and improving income level of the consumers.

World market for replacement passenger car tyres

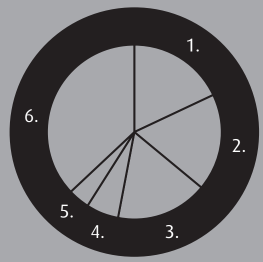


1. USA	34%
2. Canada	3%
3. Japan	10%
4. Europe	30%
5. Asia - Pacific	13%
6. Middle-East & Africa	5%
7. Latin America	5%

Source: Global Industry Analysts
2002 & 2003: GIA Estimates
2004-2010: GIA Projections

Five biggest tyre companies in the world

Net sales in 2005, million USD



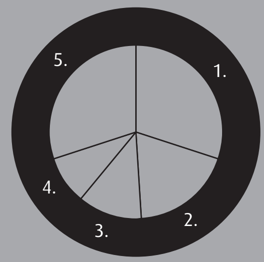
1. Bridgestone Corp., Japan	18 333
2. Group Michelin, France	17 920
3. Goodyear Tire & Rubber Co., USA	17 500
4. Continental AG, Germany	6 350
5. Pirelli S.p.A, Italy	4 513
6. Others	36 384

* = estimated

Source: Tire Business 2006

Passenger car tyre replacement market in Europe

The market in 2006 approx. 220 million tyres

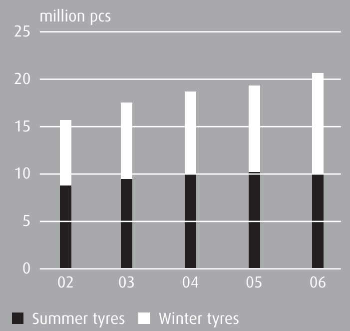


1. Summer tyres <T	29%
2. Summer tyres H	19%
3. Summer tyres V	12%
4. Summer tyres W/Y/Z	9%
5. Winter tyres	30%

Source: Nokian Tyres 2006

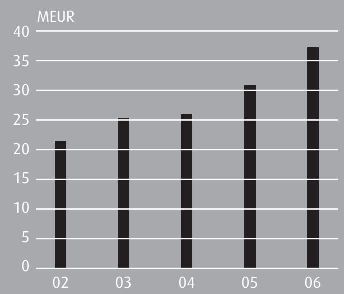
Replacement markets of car tyres in Eastern Europe 2002–2006

Excluding Russia, CIS

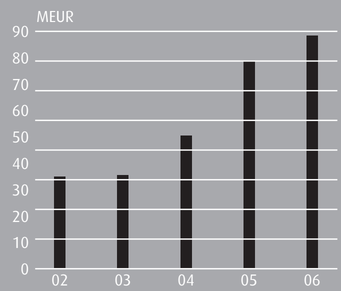


Source: ERMC 2006

Nokian Tyres' sales in Eastern Europe 2002–2006



Nokian Tyres' sales in North America 2002–2006



On a snow-covered road you must be sensitive to the changing conditions. A good feel for the road helps you sense danger in time: flashing your lights at an oncoming car may save lives.

Annikki Kalkko,
Riihimäki.
81, pensioner, two children and two grandchildren.

When Annikki's husband died she took her life into her own hands at the age of 81 – she got a driving licence and became attached to the car that her husband had only loved for a short time. A war evacuee from Vyborg, Annikki is a lively person who keeps herself mentally alert by studying French, German, English and Spanish, and doing medium-hard crossword puzzles.

Leading expertise and R&D excellence in key product areas

A frequently renewed product range and innovative products and services are key success factors of Nokian Tyres. New products enable the company to strengthen its position and maintain its target prices and margins in stiff competition. The main task of R&D is to support the company's status as the manufacturer of the world's best winter and forestry tyres.

The key R&D principle has remained the same for 70 years: to develop tyres for consumers driving in northern conditions, who demand safety and durability from their tyres in all circumstances. Development is based on the principle of sustainable safety, which states that the safety properties of a tyre should remain intact, even as the tyre wears. Safety is improved using technical innovations. Apart from safety and economy, the company also emphasises the advanced features and originality of its products. The innovation processes aim to profitably process and commercialise new ideas.

Environmental friendliness is closely linked to safety. R&D is responsible for creating tyres that cause as little strain on the environment as possible. Nokian Tyres blazed a trail in the tyre industry by introducing tyres that are made using only purified, low-aromatic oils. The use of harmful high-aromatic oils was discontinued at the Nokia plant at the end of 2004. The Russian plant also exclusively uses low-aromatic oils. Environmental friendliness can be seen in the economy and noiselessness of the tyres. Lightly rolling tyres consume less fuel, while silent tyres do not strain the environment with high pass-by 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. Different market areas need their own customised products. The R&D team keeps close track of the movements and changes in the markets' and consumers' needs. Creating successful products calls for detailed familiarisation with new developments in automobile technology. Confidential co-operation with machine and equipment manufacturers is a must in the development of heavy tyres.

Improved car performance has increased the demand for low-profile, high-speed passenger car tyres, and Nokian Tyres has launched a variety of new products in this segment. SUV (Sport Utility Vehicle) tyres are a growing product group.

In the heavy tyres product area, special emphasis is placed on radial special tyres. The development of retreading materials draws on the vast range of tyre technology know-how and expertise accumulated at Nokian Tyres.

Company test centres in Ivalo and Nokia, in Finland

The goal of Nokian Tyres is for new products to account for at least 25% of annual net sales. The company invests some 2.5% of its annual net sales in product development. In the passenger car tyre unit, R&D accounts for some 4% of net sales.

The development of a brand-new passenger car tyre takes 2 to 4 years. Roughly one-half of R&D investments are allocated to product testing. Most of the winter tyre tests are carried out at the company's test centre in Ivalo, north of the Arctic Circle. Operating 5 to 6 months a year, the test centre enables tyres to be tested in highly demanding extreme conditions.

The test centre in Nokia is mainly used for summer tyre testing. The test track provides an excellent setting for slush planing tests and offers the possibility to simulate a whole range of Nordic driving situations and conditions. Its automatic sprinkler system is probably the only one of its kind in the world. A separate track section has been set up to assess driving comfort.

Highlights 2006:

- Nokian Hakka H and Nokian Hakka V car summer tyres as well as Nokian Hakka C summer tyre for vans were launched
- several test wins and top rankings for Nokian-branded car summer and winter tyres in Nordic, Russian and German car and trade magazines
- new methods for tyre planning, analysing and testing taken into use
- new innovations such as the Bear Claw improving the stud grip and the multi-component tread structures which improve the tyre grip and driving properties

Looking for summer, she toured Europe with her husband in a mobile home for over 30 years. Nowadays summer is closer, at her own summer cottage, one hour's drive from home.

Unique tyre testing in true winter conditions, at home base

Nokian Tyres is the world's northernmost tyre manufacturer, with roots deep down in Nordic soil. The company made its first winter tyres over 70 years ago – not by accident but to ensure that drivers would arrive safely at their destination. Decades of work have honed the company's winter tyre competence to perfection.

Finns are, by nature, familiar with snow, ice, slush and fickle winter weather. This, however, does not ensure a magic formula for winter tyre solutions. You also need technical skills, experience, a systematic approach, determination, a good deal of work and a dash of Nordic frenzy.

Tyres are surprisingly technical products, consisting of many components and subject to exacting requirements. They are active safety factors in vehicles, providing the only contact with the ground.

Nokian Tyres devotes half of the year to serious winter tyre testing, which is a natural choice for the inventor of studded tyres. The company has its own 700-hectare test centre north of the Arctic Circle in Ivalo, Finnish Lapland. This is where test drivers and teams dedicated to R&D and testing scrutinise tyres and analyse their properties. If need be, tyre formulas are analysed seven days a week, from early morning to late at night, to distinguish between the best and good tyres.

Nokian Tyres is present in the heart of winter; in its place, at home. Teams familiar with product development and testing stay in Ivalo throughout

Safety innovations of Nokian Tyres

1999 DSI, Driving Safety Indicator
The Driving Safety Indicator on the central rib of the tyre indicates the groove depth. The numbers stamped on the tread show the remaining groove depth in millimetres. The numbers fade one at a time as the tyre wears down.

2003 Canola oil in the tread mixture
Canola oil is an environmentally friendly, pure natural product. Nokian Tyres first used it in the tread compound of Nokian Hakkapeliitta 4 in 2003. Canola oil is particularly well suited to winter tyres as it increases the tear resistance of the rubber and improves the tyre's grip in winter conditions.

2004 Combination of five rubber compounds
The full silica Nokian Z tread is made of five different rubber compounds. The central rib compound ensures accurate steering and makes the tyre easy to handle. The compound used in the shoulder area improves grip and ensures safety in extreme handling situations. The narrow wing zone in the outer edge of the shoulders provides

the winter season. They travel from southern Finland to the north where they work in two-week shifts. The test centre is manned all through the winter.

Skilled and experienced individuals , the latest in machines and equipment and versatile tests all ensure that any extreme conditions inherent in winter driving are tested in Ivalo. Challenging and exceeding grip limits serves demanding development work, whose ultimate goal is safety.

Braking, acceleration, circuit driving, slalom, steep uphill driving on snow and ice. Again and again. Persistent testing calls for pretty much endless repetitions under standard conditions for the results to be reliable. Test drivers must be skilful and technically adept at handling vehicles. They are also expected to show concentration, and a calm and meticulous approach to their work. Their statements and opinions add to the clear figures, times and values provided by the tests and measurements.

All forms of winter weather are to be found in Lapland. Nature can be capricious. A calm, slight frost and an incredibly beautiful landscape covered in sparkling white snow can change in an instant with the arrival of a horizontal blizzard that breaks the idyllic view. Sometimes, severe frost can continue for weeks on end. At other times, the winter is mild and the snow wet and slushy. One must live in harmony with nature. Preparations, maintenance work and tests have to be scheduled to suit, without compromising on the goals.

A continually improved and innovative product range is noticed and appreciated. Safe and reliable tyres are favoured by tyre dealers, consumers and the critical testers from trade magazines. Products that have passed demanding, carefully customised tests are convincing: they pave the way for success.

Nokian-branded tyres combine first-rate technical skills with environmental friendliness. The goal is to offer consumers tyres whose manufacture causes minimal burden on the environment. Nokian Tyres is a pioneer in environmental matters in the field: it was the first tyre manufacturer to replace harmful oils used as plasticisers in production.

Tyres are a big purchase for consumers. Nokian Tyres complies with the principles of sustainable safety, which require products to maintain their safety properties throughout their useful life.

excellent resistance to the strong deformations caused by cornering and a springing motion. A compound layer that reduces rolling resistance and heat emission and reinforces the tyre structure has been inserted over the steel belt package. The compound deepest down attaches to the steel belt package to improve the structural durability of the tyre.

2006 Bear claw
The studded tyre features the bear claw. The bear claw is a sharp-edged claw-like projection at the front edge of the tread blocks that pre-tightens and supports the stud. The bear claw holds the stud in the ideal position during road contact. The stud does not twist or give way and thus maximises grip. The grip in the shoulder area, which is most critical when braking, has been greatly improved.

2006 Evolution of the square stud
Nokian Tyres first introduced the square stud in 2003 when it launched Nokian Hakkapeliitta 4. The stud has been further developed by enhancing its square design. In addition to the hard metal stud pin and bottom flange, the body of the stud is now square shaped as well. The stud's wide support improves grip on ice, and the stud is anchored more firmly in the tread compound. This ensures tyre safety throughout the tyre's lifespan.

2006 Aquaplaning indicator
Tyres in good condition increase safety by significantly reducing the possibility of aquaplaning. The Driving Safety Indicator (DSI) is an ingenious invention that has been further refined in the new Nokian Hakka summer tyres. In addition to the numbers that indicate groove depth, the tyres now have an Aquaplaning Indicator as well. Its droplet symbol disappears when the tyre has four millimetres of tread left. This is a reminder to the driver that the risk of aquaplaning has increased considerably.

2006 Wedge cap construction
Nokian Hakka H and V are summer tyres designed for Nordic conditions, featuring a unique wedge cap construction that maximises the benefits of an asymmetrical tread pattern. The outer layers of the wedge-like tread are structured from overlapping layers that improve wet grip, wear resistance and tyre handling. The inner support and grip layers contribute to a low rolling resistance and structural durability.

Heikki Arasto, Turku.
57, bus driver entrepreneur, four children and four grandchildren.

This professional driver is a Winnie the Pooh fan. He has turned sensitivity into strength and drives people and explosives with equal care. He once sang "The lights of Moscow" to a passenger and ended up marrying her.

Increase in profitability ensured by the best processes in the field

Seeing that the bulk of Nokian Tyres' operating profit is generated during two short sales seasons, the development of customer relations and distribution channels is key to improving profits. By focusing on the management of information and material flows, and by operating close to its end-customers, the company can improve its order-delivery process, enhance sales and release capital employed.

Management of order-delivery process holds key role

The company has chosen to invest in the continuous development of its logistical processes, the goal being to offer more efficient support to customers' business and to improve the conditions for operations in an increasingly networked business environment. Concrete examples of this include transparency over country and company borders, and new electronic services providing distributors with real-time information about product availability and enable them to enter orders and track product deliveries.

Tyre distribution has been decentralised in the Nordic countries and the Baltic States. Vianor outlets distribute tyres to local and regional distributors, thus supporting the supply capacity of the logistics and service centre in Nokia and in different countries. The outlets use an automatic stock replenishment system that monitors inventory levels and handles tyre deliveries from plants to outlets. The Vianor network has proved to be a cost-effective distribution channel, especially for deliveries of small batches and speciality products. The standard delivery time in domestic markets is under 12 hours in season and 12–24 hours out of season. The delivery times in Russia, North America and Central Europe are 24 to 48 hours.

Centralised tyre distribution has been adopted in non-domestic markets. In Central Europe, for example, Nokian Tyres' own sales companies deliver products to distributors mainly from the Ejpovice logistics centre in the Czech Republic. The company also has service centres in Moscow and in the vicinity of St. Petersburg.

Raw material purchases based on the partnership principle

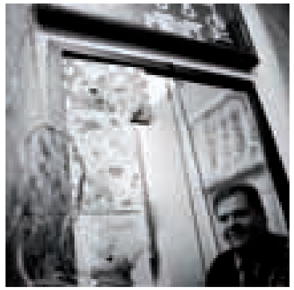
Raw material costs account for nearly 30% of net sales from manufacturing and for some 50 % of production costs. 15% of the company's raw material suppliers – that is, some 25 companies – supply 80% of the total value of raw materials used in manufacturing. The principal raw materials used in tyre production are natural rubber (27% in terms of purchase value), synthetic rubber (23%), carbon black (14%), cords (22%), other chemicals (13%) and other materials (1%). Oil-based materials account for 50% of raw materials. Natural rubber is acquired, from Indonesia and Malaysia and other materials are purchased around the world. The share of raw materials purchased from Russia has increased in recent years.

Co-operation is based on the partnerships, especially when dealing with the suppliers of main raw materials. Nokian Tyres aims to have at least two suppliers for each critical raw material. The company works jointly with its partners to focus R&D in raw materials and components, as well as to develop the control of material flows. Compatible and transparent information system solutions are used to optimise inventory levels, delivery times and physical transportation of raw materials.

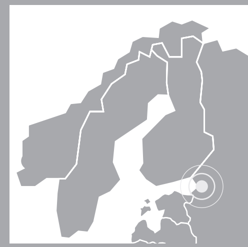
Fruitful partnership relations ensure the reliability and even quality of tyre deliveries and secure growth in production volumes. Efficient warehouse and transport arrangements free up production space in Nokian Tyres' facilities for the manufacture of core products. Improving productivity, expanding operations at the Russian plant, as well as developing and expanding contract manufacturing and logistics processes are some of the main challenges for the company.

Highlights 2006:

- the logistics centre in the Czech Republic taken into use
- new warehouse management system in Nokia
- development and utilisation of new web services
- increased raw material purchases from Russia



When his wife died, Heikki Arasto spent a year in France driving an explosives truck. Now he has settled back in Finland and started a new life with his own bus business and a new wife.



Pavel Vendik,
St. Petersburg.
25, Event Manager, dating.

Pavel is a combination of new and traditional Russian features. Arranging jet-ski championships and massive dance events represents a dynamic, modern lifestyle, while, at the same time, this Chekhovian romantic dreams of lazy days fishing by the river. But maybe the time for those will come later.

Increased competitiveness through competence development

Nokian Tyres' tool for competence development is an HR strategy based on the Group's business strategy. It focuses on growing internationalisation and on the strategies of the business units. It also defines the core competence and responsibilities and challenges. Internationalisation, creation of global operating methods, ensuring competence, innovation, well-being at work and staff commitment are key challenges. The internal HR Global network has an important role in developing the HR strategy and common procedures.

The HR strategy aims to increase intangible capital

Development focuses on the sub fields of skills capital consisting of the human, structural and relational capital. The key target is to increase human capital by carrying out vocational qualifications, among others. Since 2002, 650 of the Group's employees have completed further vocational qualifications i.e. specialist qualification for salespeople and production personnel and management, as well as further qualification for fitters and those working in the rubber processing and production. The HR Global network work on fine-tuning the competence development processes, which has led to the construction of a virtual Hakkapeliitta Academy with the main task to ensure the competence development in line with the Group's strategy.

Human capital encompasses the physical and mental health of the personnel. The company supports actions to prevent physical ailments. An extensive exercise project has created exercise groups open to all employees. The company doctor has prepared an Exercise Formula supported by personal guidance for those interested. Formula is used to give guidelines for exercise and to motivate individuals to exercise regularly. The well being at work is promoted by job counselling. Different working hour arrangements and personnel events also support well being.

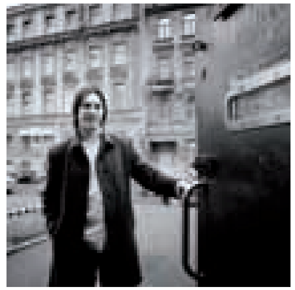
To boost the structural capital the company develops information systems and competence processes. The staff in Russia has adopted development discussions and begun to create personal learning plans in line with the factory in Nokia. The management system has been developed to take account of the increasing internationalisation. A survey of employee well being is carried out annually. Communication of the corporate culture, as well as the company values, is also an important task. One example is the nomination of "Hakkapeliittas of the Year" chosen by the personnel among those considered to have best displayed the "Hakkapeliitta Spirit" in their daily work.

The wage policy supports the long-term development and the reward system covers all of the personnel. An inherent part of normal supervisory work is to encourage and take note of good individual performance. Public acknowledgement is also a recommended form of reward. Rewards must be fair, impartial and attractive as to ensure the best possible staff, provide added value to key business areas and encourage employees to go for first-rate performance. The supervisor initiates reward and monitors impartiality and the Vice President, EHSQ, does the same at the corporate level.

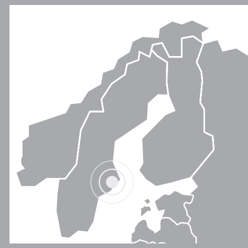
Nokian Tyres aims to create both national and international networks to increase its relational capital. The company has an active role in the Tampere Business Campus (TBC), which has enabled it to participate in the transfer of good practices. The company participates in the Mainstreaming Gender Equality at Workplaces project carried out by the Work Research Centre at the University of Tampere, as well as in the EU-financed Tools for Diversity and VERT projects. The Intangible Capital project, managed by TBC and the Tampere University will provide Nokian Tyres with indicators to measure the value of intangible capital.

Highlights 2006:

- development of the global HR strategy continued
- increased internationalisation through the internal Global HR network
- start-up of the construction of the Hakkapeliitta Academy
- the exercise projects enhancing well-being at work expanded



Pavel loves to drive around St. Petersburg in his old grey Lada with the continuously ringing mobile phone on his ear. Sometimes the speed has gone over the top, which can be seen in the numerous bumps on the Lada.



Ulrika Järdin Aronsson, Sigtuna.
29, Office Manager, married, one child.

Ulrika loves natural forests and animals. Her husband likes to hunt and Ulrika trains hounds. For this team, wandering in the nature with the dogs is more important than the catch. The estate car is practical and big enough to take the dogs to dog shows and the hunting gear for forest trips.

Safe company, safe tyres

Nokian Tyres adheres to the principles of responsible corporate citizenship and respect for the environment. In addition to fulfilling the requirements and norms set by society, we want to be a forerunner in terms of the environmental and safety issues related to products, manufacturing and logistics in every operating sector. This means taking care of the environment and our personnel as well as maintaining good relations with society and stakeholders. At Nokian Tyres, responsibility means safe and environmentally friendly products, the best production processes in the industry, a safe working environment and the well being of the personnel.

Environmental and safety management (EHSQ) at Nokian Tyres encompasses environmental, personnel and quality management, and property protection. The objective is to prevent accidents in all operations and thus secure uninterrupted manufacturing operations. When developing our operations we aim to apply best practices and implement advanced solutions while taking human values and responsibility into consideration.

Environmental and safety aspects are key factors in the development, manufacture and marketing of tyres. We focus on the entire lifecycle of products, from material selection planning to product disposal. Nokian Tyres aims to improve the management of environmental and safety issues in its own operations as well as those of subcontractors, service providers and partners. The company utilises risk management methods that include risk assessment, process and safety planning, instructions and training. Measures to improve safety management include continued development of the existing equipment as well as new investments. Nokian Tyres utilises a joint management system to direct its operations. The system at the Nokia plant has been certified in accordance with the European Union's EMAS (EcoManagement and Audit Scheme) regulations. In addition, both the Finnish and the Russian plants have been certified in accordance with the international ISO 14001 environmental standard and the ISO 9001 quality standard.

From targets to results

In 2006 we were able to turn many of the targets specified in our environmental permits into results. In addition, we were able to take major steps towards promoting the utilisation of non-vulcanised scrap rubber. Our objective for 2007 is almost full utilisation of this material, which was previously purely landfill waste. Environmental issues were emphasised in the selection of technologies and personnel training in connection with the start-up of the Vsevolozhsk plant. In addition to in-house training, environmental issues associated with the plant's operations have been discussed with the local authorities and the local community, suggesting the possibility of starting a tyre recycling system similar to that in place in Finland. As a token of our commitment to environmental work, our products received a commendation in the Finnish competition for the European Environmental Award.

The Nokian Tyres Environmental Report to be published in the spring of 2007 will explain our environmental management systems and responsibilities in more detail.

Highlights 2006:

- common sertificates for Nokia and Vsevolozhsk factories: the Quality standard (ISO 9001) and the Environmental standard (ISO 14001)
- Nokian factory was classified as a safety report facility and the report was handed to the officials
- a new channel for the recycling of the unvulcanized rubber waste was taken into use
- Vianor and Nokian Tyres acted as pioneers in a new formulated safety card training for the tyre business published by the Finnish Centre for Occupational Safety in 2006

Ulrika finds it easier to work with dogs than with people. Dogs are less complicated than people, but working with animals is always challenging because you never know what will happen next.

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 the Helsinki Exchanges concerning listed companies. It has 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 regulations.

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 chairman from among its members at the first constituent meeting following the Annual General Meeting. The chairman presides until the end of the following Annual General Meeting.

The Board of Nokian Tyres had seven members in 2006, their personal data is provided on page 47. Board members Rabbe Grönblom, Hille Korhonen, Hannu Penttilä, Petteri Walldén and Aleksey Vlasov were independent. The Board does not have special committees; it 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 9 times in 2006, with an attendance rate of 95%. In 2006 remunerations to Board members totalled EUR 210,000 (EUR 124,800) of which 8,310 (3,897) was given in Nokian Tyres' shares worth EUR 84,000 (EUR 50,000). Board members are not included in the company's option scheme.

Board's duties

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 organization, 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

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 the Passenger Car and Delivery Van 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 areas and its financial performance, balance sheet and investments, supported by the different service functions. Service functions include sales, logistics and purchases, financial administration, communication, business development and ICT, human resources and production services. The Group's sales companies 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 each country are part of the sub-group.

President, Group management, and the 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 operative business activities. In compliance with the Group's meeting practice, the Management Workshop convenes once a month, and is attended by the President and profit centre management, as well as the management for sales, logistics and finance operations. A more extensive Management General Meeting, attended by the Management Workshop members, as well as the representatives of personnel groups and all those responsible for service functions, 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. 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 has a written Management Guideline, which defines 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 438,400 in 2006. 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 2006 the President of Nokian Tyres held 500 2001C bonds with warrants, 8,000 2004A bonds with warrants, 18,000 2004B bonds with warrants and 16,000 2004C bonds with warrants as well as 4,000 Nokian Tyres shares.

The President's proposal for the salaries and other benefits of managerial employees, as well as 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 incentive.

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 at the parent company, which controls the cash flows of the Group's subsidiaries. The subsidiaries' cash flows into the parent company are booked as net and transferred using a Group payment arrangement twice a month. 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.

Audit

The auditor elected at the Annual General Meeting is KPMG Oy Ab, authorised public accountants, with 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 2006 amounted to EUR 293,000 The fees paid to the authorised public accountants for other services totalled EUR 111,000.

Internal audit

The Group has organised an internal audit for 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), which the company has complemented 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 authorized 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 the 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 insider). 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 the information pertaining to the management of the company's project-specific insider information.

Duty to declare, insider registers and trading prohibition

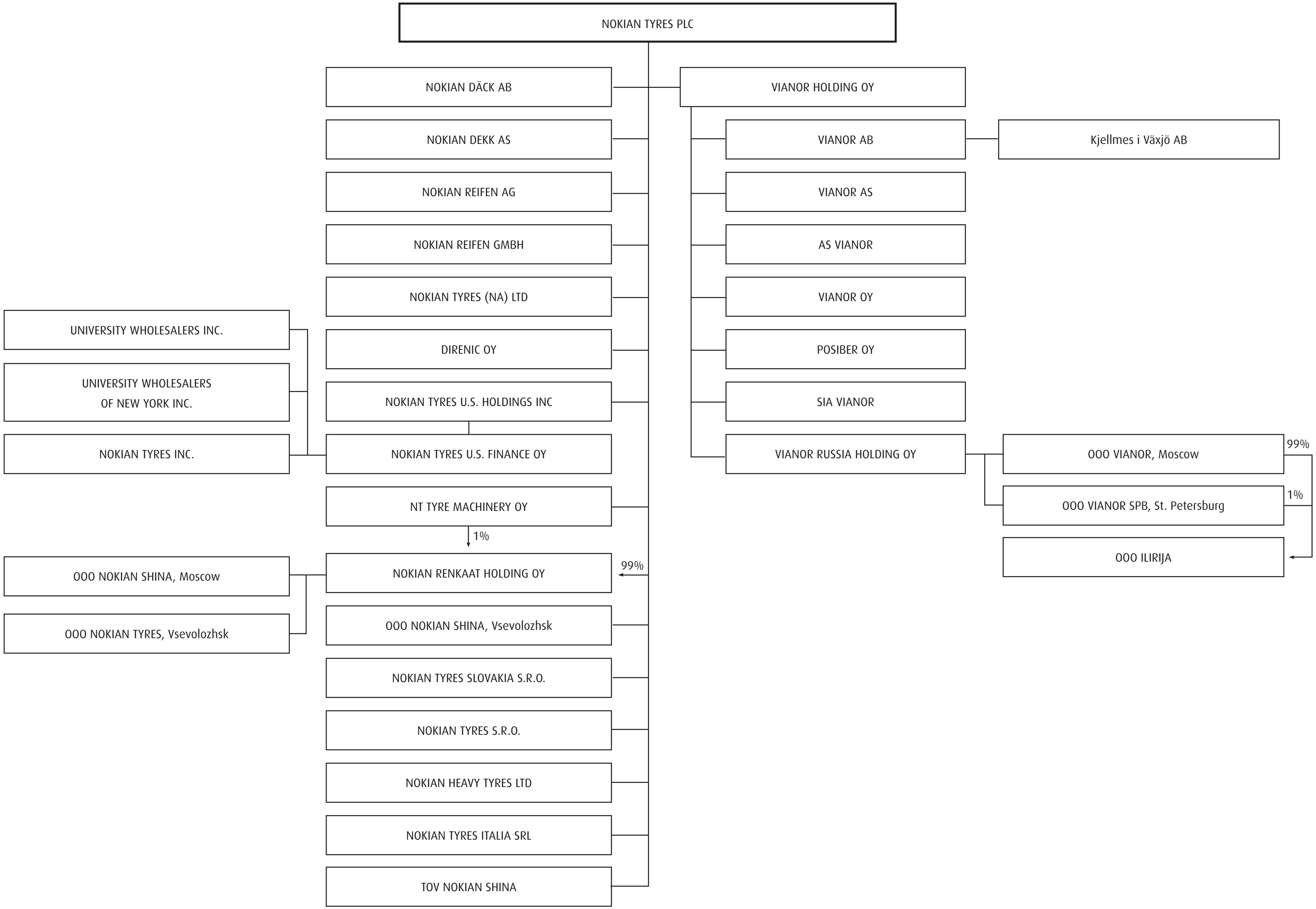
The Securities Market Act imposes a duty to declare to Nokian Tyres' insiders with a duty to declare, and requires that the company maintain a public register of its insiders with a duty to declare. The law requires that Nokian Tyres keep a non-public company-specific register of company-specific insiders. 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 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 its insider issues. 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

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Board of Directors (31.12.2006)

Chairman:
Petteri Walldén
Year of birth: 1948
Master of Science (Eng.)
Member of the Board since 2005
Independent of the company
Shares 4,973
Other simultaneous positions of trust:
Member of the Boards; eQ Oyj, Perlos Oyj, SE Mäkinen Logistics Oy, Suomen Terveystalo

Kim Gran
Year of birth: 1954
Bachelor of Science in Economics
President and CEO of Nokian Tyres plc
Member of the Board since 2002
Shares 4,000; Bonds with warrants: 2001C 500, 2004A 8,000, 2004B 18,000, 2004C 16,000
Other simultaneous positions of trust:
Chairman of the Board; the Rubber Manufacturers' Association
Member of the Boards; Confederation of Finnish Industries (EK), Chemical Industry Federation of Finland, Kuusakoski Oy and Kuusakoski Group Oy, M-real plc, Finnish-Russian chamber of Commerce (FRCC)
Member of the Supervisory Board; Ilmarinen

Rabbe Grönblom
Year of birth: 1950
Bachelor of Hospitality Management, Commercial Counsellor
Director, Ab R Grönblom Interational LTD
Member of the Board since 2003
Independent of the company
Shares 1,315
Other simultaneous positions of trust:
Member of the Board; Restel

Hille Korhonen
Year of birth: 1961
Licentiate of Technology
Director, Operations, Iittala Group
Independent of the company
Shares 1,187

Hannu Penttilä
Year of birth: 1953
Master of Laws
CEO, Stockmann plc
Member of the Board since 1999
Independent of the company
Shares 2,815
Other simultaneous positions of trust:
Chairman of the Board; Seppälä Oy, Oy Hobby Hall Ab, Suomen Pääomarahoitus Oy and Stockmann Russia Holding Oy
Member of the Boards; Chairman of the Board; The Central Chamber of Commerce of Finland, International Association of Department Stores (President of Executive committee), Federation of Finnish Commerce (Vice President)
Member of the Supervisory Boards; Mutual Insurance Company Kaleva and Varma Mutual Pension Insurance Company

Koki Takahashi
Year of birth: 1957
B.A. (Economics)
Senior Vice President, Finance and Administration, Bridgestone Europe NV/SA
Shares 1,187

Aleksey Vlasov
Year of birth: 1957
Medical doctor
Debuty Director of JSC Mezhregiongaz, GAZPROM
Independent of the company
Shares 1,187

From the left: Hille Korhonen, Aleksey Vlasov, Petteri Walldén, Kim Gran, Hannu Penttilä, Rabbe Grönblom and Koki Takahashi

Management 31.12.2006

Kim Gran, born 1954
President and CEO
Bachelor of Science in Economics
With the company from 1995
Shares 4,000; Bonds with warrants: 2001C 500, 2004A 8,000, 2004B 18,000, 2004C 16,000

von Bagh Alexej, born 1968
Vice president, COO of Vianor
Master of Science (Eng.)
With the company from 1995
Bonds with warrants: 2004B 3,500, 2004C 4,000

Esa Eronen, born 1957
Vice President, Production Service, Technology Engineer
With the company from 1988
Shares 3,000 (*; Bonds with warrants: 2004A 2,200, 2004B 4,000, 2004C 2,000

Mika Erämaa, born 1971
International Department Union of Salaried Employees TU
Technician
With the company from 1993
Bonds with warrants: 2004A 25, 2004B 150, 2004C 75

Sirkka Hagman, born 1958
Vice President, HR and EHSQ
Master of Science; Licentiate of Administrative Science
With the company from 1980
Bonds with warrants: 2001B 600, 2001C 2,400, 2004A 3,000, 2004B 3,500, 2004C 2,000

Rami Helminen, born 1966
Vice President, Car and Van tyres
Master of Economic Sciences
With the company from 1990
Bonds with warrants: 2004A 6,500, 2004B 7,000, 2004C 8,000

Raila Hietala-Hellman, born 1952
Vice President,
Corporate Communications
Diploma in Business and Administration
With the company from 1979
Shares 3,000 (*; Bonds with warrants: 2004A 2,700, 2004B 3,500, 2004C 2,000

Teppo Huovila, born 1963
R&D Manager
Master of Science, MBA
With the company from 1989
Bonds with warrants: 2001C 1,000, 2004A 2,025, 2004B 2,000, 2004C 1,000

Antero Juopperi, born 1954
Senior Vice President, Strategy
Master of Sciences
(Organic Chemistry)
With the company from 1992
Bonds with warrants: 2004B 9,000, 2004C 7,000

Seppo Kupi, born 1950
Managing Director
Vianor Holding Oy
Engineer
With the company from 1974
Shares 3,830; Bonds with warrants: 2004B 8,000, 2004C 4,000

Kari-Pekka Laaksonen, born 1967
Vice President, Sales and Logistics
Master of Science (Eng.)
With the company from 2001
Shares 5,000; Bonds with warrants: 2004A 3,000, 2004B 4,000, 2004C 8,000

Anne Leskelä, born 1962
Vice President
Finance and Control & IR
Master of Economic Sciences
With the company from 1997
Shares 1,000 (*; Bonds with warrants: 2004A 1,400, 2004B 3,000, 2004C 3,000

Raimo Mansikkaoja, born 1962
Vice President,
Corporate Development
Master of Science, MBA
With the company from 1995
Shares 2,500 (*; Bonds with warrants: 2004B 3,000, 2004C 2,000

Keijo Salonen, born 1953
Chief Shop Steward
With the company from 1970
Bonds with warrants: 2001B 40, 2001C 40, 2004A 25, 2004B 20, 2004C 20

Tapani Silvonen, born 1962
Professional employees
Engineer
With the company from 1996
Shares 300; Bonds with warrants: 2004A 500, 2004B 450, 2004C 200

Hannu Teininen, born 1960
Vice President
Truck tyres
Engineer, MBA
With the company from 1984
Bonds with warrants: 2004A 1,000, 2004B 2,250 2004C 1,000

Antero Turunen, born 1945
Managing Director,
Nokian Heavy Tyres Ltd.
Master of Science (Eng.)
With the company from 1993
Shares 2,500; Bonds with warrants: 2004A 5,750, 2004B 7,000, 2004C 7,000

*) Shares subscribed in 2006 and registered on January 12th, 2007

From the left (standing): Teppo Huovila, Tapani Silvonen, Alexej von Bagh, Esa Eronen, Hannu Teininen, Mika Erämaa, Kim Gran, Keijo Salonen, Rami Helminen, Antero Juopperi, Raimo Mansikkaoja and Kari-Pekka Laaksonen
From the left (sitting): Seppo Kupi, Anne Leskelä, Sirkka Hagman, Raila Hietala-Hellman and Antero Turunen

The road takes you far away, to interesting destinations and encounters, but there is nothing sweeter than coming home.
And yet: in no time, there is a new journey on the horizon.

CONSOLIDATED KEY FINANCIAL INDICATORS	IFRS	IFRS	IFRS	FAS	FAS	FAS	FAS	FAS	FAS	FAS	FAS
Figures in EUR million unless otherwise indicated	2006	2005	2004	2004	2003	2002	2001	2000	1999	1998	1997
Net sales	835.9	686.5	603.3	602.2	528.7	479.2	423.4	398.5	322.6	251.3	211.6
growth, %	21.8%	13.8%	14.1%	13.9%	10.3%	13.2%	6.3%	23.5%	28.4%	18.7%	9.9%
Operating profit before depreciation	193.9	151.4	148.9	146.8	115.1	95.0	81.9	68.4	61.9	47.5	39.2
Depreciation	40.8	35.6	33.4	38.7	36.0	34.9	31.3	28.9	19.8	14.3	11.7
Operating profit	153.1	115.8	115.6	108.1	79.1	60.1	50.5	39.4	42.1	33.2	27.5
% of net sales	18.3%	16.9%	19.2%	18.0%	15.0%	12.5%	11.9%	9.9%	13.1%	13.2%	13.0%
Profit before extraordinary items and tax				97.9	69.6	48.0	37.0	27.2	35.9	29.3	25.1
% of net sales				16.3%	13.2%	10.0%	8.7%	6.8%	11.1%	11.7%	11.8%
Profit before tax	139.3	112.6	103.0	99.9	69.6	48.0	37.0	27.2	35.5	29.9	25.1
% of net sales	16.7%	16.4%	17.1%	16.6%	13.2%	10.0%	8.7%	6.8%	11.0%	11.9%	11.8%
Return on equity, %	20.9%	22.2%	31.3%	24.3%	20.8%	16.9%	14.3%	13.7%	23.6%	22.7%	21.9%
Return on capital employed, %	22.7%	21.4%	28.1%	27.5%	22.3%	17.1%	14.3%	12.1%	16.9%	19.8%	21.5%
Total assets	884.7	797.4	578.4	553.8	476.1	450.9	459.8	464.0	391.8	269.3	188.1
Interest-bearing net debt [1]	126.9	119.5	163.3	107.4	100.0	122.5	158.2	182.1	170.4	94.2	39.6
Equity ratio, %	63.0%	59.1%	46.4%	48.3%	44.4%	38.9%	32.4%	28.3%	30.9%	37.1%	45.2%
Gearing, % [1]	22.8%	25.4%	60.9%	35.4%	40.5%	57.9%	85.5%	108.9%	140.6	94.3%	46.6%
Net cash from operating activities	106.6	30.2	56.9	56.9	79.0	69.3	70.8	26.6	22.3	21.2	24.6 [2]
Capital expenditure	97.0	119.6	57.8	57.8	44.2	26.0	45.3	67.5	85.7	72.7	25.7
% of net sales	11.6%	17.4%	9.6%	9.6%	8.4%	5.4%	10.7%	16.9%	26.6%	28.9%	12.2%
R&D expenditure	9.0	9.3	9.8	9.6	8.3	8.5	8.3	8.3	7.8	6.6	5.6
% of net sales	1.1%	1.4%	1.6%	1.6%	1.6%	1.8%	2.0%	2.1%	2.4%	2.6%	2.7%
Dividends (proposal)	38.0	27.9	25.9	25.9	16.7	11.7	8.8	6.9	9.0	7.6	6.0
Personnel, average during the year	3 234	3 041	2 843	2 843	2 650	2 663	2 636	2 462	2 023	1 620	1 358

PER SHARE DATA	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002	FAS 2001	FAS 2000	FAS 1999	FAS 1998	FAS 1997
Earnings per share, euro	0.88	0.70	0.69	0.62	0.45	0.32	0.24	0.19	0.25	0.20	0.17
growth, %	27.0%	1.2%	53.2%	38.9%	41.3%	33.2%	26.9%	-25.2%	23.0%	21.3%	20.4%
Earnings per share (diluted), euro	0.86	0.68	0.67	0.60	0.44	0.31	0.24	0.19	0.25	0.20	0.17
growth, %	26.9%	1.6%	52.3%	38.1%	39.5%	31.9%	26.5%	-25.2%	23.0%	21.3%	20.4%
Cash flow per share, euro	0.88	0.26	0.53	0.53	0.74	0.65	0.67	0.25	0.21	0.21	0.24 [2]
growth, %	243.7%	-51.8%	-28.9%	-28.9%	13.7%	-2.2%	165.8%	17.8%	4.1%	-14.8%	42.9%
Dividend per share, euro (proposal)	0.31	0.23	0.22	0.22	0.16	0.11	0.08	0.06	0.09	0.07	0.06
Dividend pay out ratio, % (proposal)	35.4%	33.8%	35.1%	38.7%	35.0%	35.0%	34.9%	34.7%	34.4%	36.3%	35.2%
Equity per share, euro	4.56	3.89	2.47	2.46	1.98	1.66	1.41	1.24	1.15	0.97	0.83
P/E ratio	17.6	15.3	16.3	18.0	13.4	10.7	14.7	9.5	15.1	13.6	16.6
Dividend yield, % (proposal)	2.0%	2.2%	1.9%	1.9%	2.6%	3.3%	2.4%	3.6%	2.3%	2.6%	2.1%
Market capitalisation 31 December	1 893.9	1 288.6	1 213.4	1 213.4	639.9	359.7	371.3	189.4	398.6	286.4	285.7
Average number of shares during the year, million units	121.63	118.57	107.46	107.46	106.19	105.82	105.82	105.69	104.22	102.99	102.16
diluted, million units	125.15	121.96	110.91	110.91	108.98	107.22	106.12	105.69	104.22	102.99	102.16
Number of shares 31 December, million units	122.03	121.00	108.53	108.53	106.82	105.82	105.82	105.82	105.45	103.20	102.42
Number of shares entitled to a dividend, million units	122.65	121.09	119.37	119.37	106.84	105.82	105.82	105.82	105.45	103.20	102.42

1) capital loan included in equity (only in FAS, years 2000-2004)
2) according to previous cash flow statement definitions
3) the share options affect the dilution as the average share market price for the financial year exceeds the defined subscription price

Definitions

Indicator	Numerator	Denominator
Return on equity, % =	Profit for the period x 100	Total equity (average)
Return on capital employed, % =	Profit before tax + interest and other financial expenses x 100	Total assets - non-interest-bearing debt (average)
Equity ratio, % =	Total equity x 100	Total assets - advances received
Gearing[1], % =	Interest-bearing net[1] debt x 100	Total equity[1]
Earnings per share, euro =	Profit for the period result attributable to the equity holders of the parent	Average adjusted number of shares during the year
Earnings per share (diluted[3]), euro =	Profit for the period result attributable to the equity holders of the parent	Average adjusted and diluted [2] number of shares during the year
Cash flow per share, euro =	Cash flow from operations	Average adjusted number of shares during the year
Dividend per share, euro =	Dividend for the year	Number of shares entitled to a dividend
Dividend pay-out ratio, % =	Dividend for the year x 100	Net profit
Equity per share, euro =	Equity attributable to equity holders of the parent	Adjusted number of shares on the balance sheet date
P/E ratio =	Share price, 29 December	Earnings per share
Dividend yield, % =	Dividend per share	Share price, 29 December

In 2006 net sales of Nokian Tyres were up by 21.8% to EUR 835.9 million (2005: EUR 686.5 million). Operating profit was EUR 153.1 million (EUR 115.8 million). EPS increased to EUR 0.88 (EUR 0.70). Profit for the period was EUR 107.3 million (EUR 82.2 million). The Board proposes that a dividend of EUR 0.31 per share (EUR 0.23) be paid. The company is well positioned for strong sales growth and improved profits in 2007 in line with the previous years.

Mr. Kim Gran, President and CEO of Nokian Tyres comments the year 2006 as follows:

– Nokian Tyres enjoyed a successful year with strong growth in 2006. It was a year when we began to reap the benefits of our growing manufacturing operations in Russia as well as a year when our car tyre sales in Russia exceeded our sales in the Nordic countries. The Group's sales were up, profits improved, and the market shares of car summer and winter tyres picked up clearly in all key markets. 2006 was a record-breaking year for Heavy Tyres. New and retreaded truck tyres also sold better than a year earlier. Vianor tyre chain expanded remarkably and its operating profit was on the previous year's level. A good sales mix together with the price increases of the newly launched products raised the average prices. Inventories and receivables decreased by the end of the year as expected, and cash flow improved significantly. Good sales in December generated new receivables that are expected to start flowing in during the first quarter of the year.

The year's challenges included higher raw material prices and tough competition. The costs incurred from the expansion of Russian business and production, as well as higher option scheme and financing costs taxed the profits as expected. No exchange rate gains were recorded as in the previous year.

Market situation

Market growth was the strongest in Eastern Europe, Russia and the CIS countries where the increased sales of new cars boosted demand. In Germany, the newly enforced winter tyre regulations increased the demand for winter tyres. In the Nordic countries, sales volumes of car summer and winter tyres were down from the previous year. Elsewhere in Europe the sales of summer tyres declined from the previous year, but the winter tyre markets saw substantial growth.

Although the growth rate in the manufacture of forestry machinery began to slow down towards the year-end, the manufacture of other industrial machinery continued to be brisk, resulting in a shortage of heavy special tyres. The demand for new and retreaded truck tyres also picked up.

Raw material prices continued to rise in the final quarter compared with the corresponding period a year earlier. Natural rubber prices took a downward trend for the deliveries during the remaining year. While the prices of summer tyres fell, several tyre manufacturers announced winter tyre price increases in the latter part of the year.

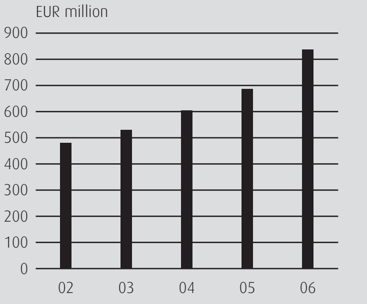
January to December 2006

In the period January to December 2006, the Nokian Tyres Group booked net sales of EUR 835.9 million (2005: EUR 686.5 million, 2004: EUR 603.3 million), representing an increase of 21.8% on the corresponding year 2005. The Group's invoicing in the Nordic countries increased by 7.1%, in Russia and other CIS countries by 78.6%, in Eastern Europe by 31.3% and in the USA by 12.8% compared to the previous year.

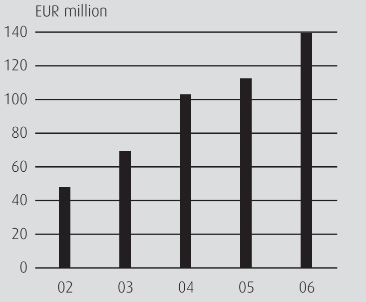
Raw material prices (EUR/kg) in manufacturing increased by 13% compared to the corresponding period a year earlier. Due to the price increases and the good sales mix, the average prices in manufacturing rose by 4.4%. Fixed costs amounted to EUR 236.7 million (EUR 209.1 million). Fixed costs represented 28.3% (30.5%) of the net sales.

Nokian Tyres Group's operating profit rose to EUR 153.1 million (2005: EUR 115.8 million, 2004: EUR 115.6 million). The operating profit percentage was 18.3% (2005: 16.9%, 2004: 19.2%). In compliance with IFRS, the operating profit for the review period was burdened by an option scheme write-off of EUR 8.0 million (EUR 6.7 million). Net financial expenses were EUR 13.8 million (EUR 3.2 million).

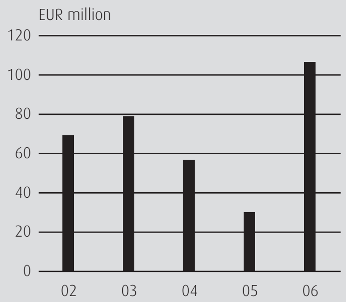
Net sales



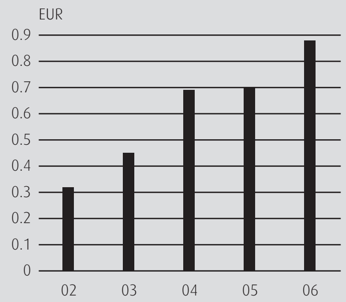
Profit before tax



Net cash from operating activities



EPS



Profit before taxes improved and was EUR 139.3 million (EUR 112.6 million). Profit for the period amounted to EUR 107.3 million (EUR 82.2 million). EPS were up to EUR 0.88 (EUR 0.70). Return on net assets (RONA, rolling 12 months) was 19.4% (18.1%). Return on equity was 20.9% (2005: 22.2%, 2004: 31.3%). Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow II) improved and was EUR 77.7 million (EUR -17.1 million). Equity ratio was 63.0% (2005: 59.1%, 2004: 46.4%).

In terms of receivables and inventories, the situation improved as expected in the final quarter. Working capital increased due to the higher inventory value and to the receivables generated from the sales in December.

The Group employed an average of 3,234 (2005: 3,041 and 2004: 2,843) people, and 3,297 (2005: 3,201 and 2004: 2,757) at the end of the period. The Vianor tyre chain had 1,279 (2005: 1,297 and 2004: 1,220) employees at the end of the period. Russian operations employed 322 (2005: 220) people. Wages and salaries totalled EUR 104.7 million (2005: EUR 96.6 million and 2004: EUR 87.1 million).

PASSENGER CAR TYRES

Nokian-branded passenger car tyres recorded net sales of EUR 533.2 million (EUR 416.2 million) between January and December, showing an increase of 28.1% on the previous year. Operating profit amounted to EUR 133.4 million (EUR 101.9 million), and the operating profit percentage was 25.0% (24.5%).

Passenger car tyre sales showed a very strong growth throughout the year and particularly in the final quarter. Sales focused on winter tyres, which accounted for 82% (78%) of full-year net sales. SUV winter tyres represented the fastest growing product segment. Sales of the new winter tyre, the Nokian Hakkapeliitta 5, were timed primarily towards the fourth quarter of the year. Sales was boosted by several top rankings published in the Nordic and Russian trade magazines.

New products accounted for 34% (27%) of full-year net sales. The share of contract-manufactured tyres was at the previous year's level. The market share of Nokian-branded summer and winter tyres grew significantly in the Nordic countries, elsewhere in Europe and Russia. The strongest growth areas included Russia, the CIS countries and the Nordic countries. A good sales mix and the price increase due to new products resulted in a 1.5% increase in the average price per tyre compared to the previous year. Summer tyre prices and the prices of contract manufactured tyres dropped compared to the previous year. The company's production volume rose as a result of capacity increases in line with plans at the Russian plant.

In January Nokian Tyres introduced two new winter tyre families, the studded car winter tyre Nokian Hakkapeliitta 5 and the SUV tyre Nokian Hakkapeliitta Sport Utility 5. In September, Nokian Tyres introduced a new Nokian Hakka summer tyre range with a totally new concept to complement the traditional Nokian Hakkapeliitta winter tyre family. The sale of four different Nokian Hakka summer tyre product ranges, the first to be launched on the market, will begin in the Nordic and Russian tyre stores in the spring of 2007.

HEAVY TYRES

The net sales of Nokian Heavy Tyres in January to December totalled EUR 90.1 million (EUR 76.2 million), showing an increase of 18.2% over the previous year. The operating profit for Heavy Tyres increased to EUR 19.9 million (EUR 14.7 million), and the operating profit percentage was 22.1% (19.3%).

Nokian Heavy Tyres sales picked up and the profits improved. Sales grew in all significant product groups and key markets, both in the original equipment installation and replacement markets. Even with the declining manufacture of forestry machinery, sales of Nokian forestry tyres continued to grow and market shares picked up. Other heavy special tyres also sold well. Profitability improved as a result of the good sales mix and price increases.

The heavy tyres production capacity was in full use with production volumes rising by about 13% on the previous year. The four-million-euro investment made in March allowed for continued increase in the heavy tyres production volumes. After the completion of the investment in early 2007, the capacity of radial tyres will increase by some 30% and overall capacity by some 10% a year.

Nokian Heavy Tyres introduced a brand new type of radial forestry tyre in the review period: the Nokian Forest Rider. The tyre is designed for medium-sized cut-to-length forestry machines and represents the latest tyre technology. The new product attracted a lot of attention, and its production began in the end of 2006.

Original equipment installation accounted for 42.0% (49.0%) of net sales.

VIANOR

Vianor's net sales in the January to December period totalled EUR 246.9 million (EUR 235.1 million), showing an increase of 5% compared to the previous year. Vianor's operating profit amounted to EUR 2.3 million (EUR 5.3 million), and the operating profit percentage was 0.9% (2.2%). Vianor's comparable operating profit was on the previous year's level.

The summer tyre season for passenger cars was similar to the previous year. The winter tyre season got off to a good start and went well. There was a steady sales increase in the retail, fleet and wholesale sectors. Likewise, new and retreaded truck tyres and heavy tyres sold better than a year earlier. Nokian-branded tyres accounted for a larger share of Vianor's sales.

Expenses resulting from the expansion of the Vianor chain and from closing down unprofitable outlets hampered Vianor's performance.

The Vianor chain, consisting of 261 (197) outlets expanded in Russia and in Sweden. The number of Vianor partner outlets in Russia at the year-end was 70. Expansion of the chain will continue primarily through franchising, particularly in Russia and in CIS countries.

Vianor's fast fit service concept was further extended during the year.

OTHER OPERATIONS

Truck tyres

The net sales of Nokian truck tyres in January–December were EUR 31.8 million (EUR 30.1 million), up 5.8% on the previous year. The unit's product range consists mainly of winter products, the sales of which are highest in the second half of the year.

New truck tyres sold better than a year before. The new Nokian Nordic truck tyre range customised for the Nordic markets and the extended size range boosted sales growth. The majority of products were sold in the Nordic countries. New import agreements were signed in several new European export areas during the year, which offers better sales opportunities outside the Nordic countries. New products accounted for 25% of truck tyre sales.

Contract manufacturing of Nordman-branded truck tyres began in China, and the sale of these products began in early 2007. These tyres are destined for the Nordic and Russian markets. Two different product segments will increase the opportunities for signing more distribution agreements and for boosting the sale of new truck tyres.

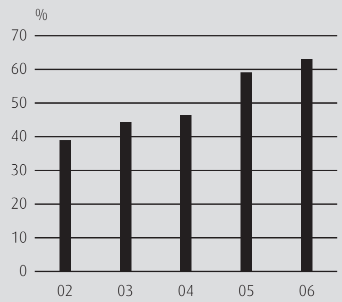
Furthermore, retreading materials sold better than a year earlier. The so-called ECE 108/109 quality system requirement for retreading plants reduced the number of small retreading plants in Finland and focused the operations on a few large retreading facilities. These include Nokian Tyres' own retreading plants in Nurmijärvi and Kuopio in Finland.

RUSSIA

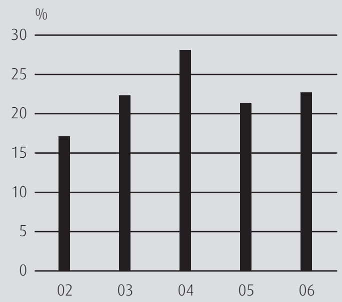
During the period under review, Nokian Tyres' sales in Russia and in the CIS countries increased by 78.6% compared to the previous year, and the market shares improved. The distribution network was strengthened by signing new distribution agreements and by expanding the Vianor network.

The first two production lines at the Russian plant operated continuously in three shifts, and the plant's production output and quality level met the objectives. The installation of the third production line has begun and the line is scheduled to be fully op-

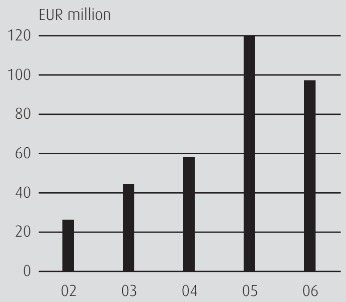
Equity ratio



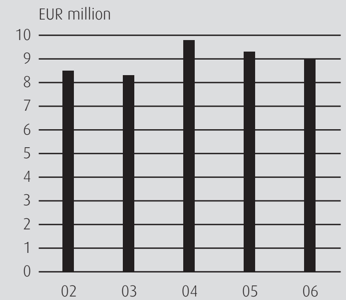
Return on capital employed



Gross investment



R&D expenses



erational in early 2007. Installation of the fourth production line will begin in late summer 2007. The extension of the plant progressed as planned, and the new mixing department and central warehouse were introduced in June. The manufacture of rubber compounds began in the two mixing lines of the mixing department, and, as a result, the deliveries of compounds from Finland were discontinued. The extension of both the plant and the mixing department will continue.

INVESTMENTS

Gross investments in the final quarter amounted to EUR 20.7 million (EUR 26.4 million). Gross investments for the full year totalled EUR 97.0 million (EUR 119.6 million) and net investments EUR 96.1 million (EUR 105.5 million). The Russian production plant accounted for EUR 59,6 million (EUR 60.4 million) of the total investments and Vianor for EUR 6.4 million (EUR 14.0 million). Other investments involved moulds for new products as well as machinery and equipment purchases for the Finnish production plant.

R & D

The goal of Nokian Tyres is for new products to account for at least 25% of annual net sales. The company invests some 2.5% of its annual net sales in product development. In the passenger car tyre unit, R&D accounts for some 4% of 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 2006 totalled EUR 9.0 million (2005: EUR 9.3 million and 2004: EUR 9.8 million) which is 1.1% (2005: 1.4% and 2004: 1.6%) of the Group's net sales.

OTHER MATTERS

1. Changes in ownership

On 9 October Nokian Tyres received an announcement from INVESCO Asset Management reporting that as a result of share transactions concluded on 17 July 2006, the funds managed by the subsidiaries of AMVESCAP PLC now held more than 5% of Nokian Tyres. The funds managed by the subsidiaries of AMVESCAP PLC hold 6,653,883 shares in Nokian Tyres, which correspond to 5.45% of the company's 122,032,270 shares and votes.

Deutsche Bank AG London has informed on the behalf of Deutsche Bank AG that as a result of transactions in the ordinary shares of Nokian Tyres plc undertaken on 11 May 2006, Deutsche Bank AG and its subsidiary companies were in possession of 5,817,505 ordinary shares of Nokian Tyres plc, representing 4.80% of the total of 121,091,600 shares and of the voting rights of that company. Deutsche Bank AG is a corporation domiciled in Frankfurt, Germany, of which Deutsche Bank London is a branch.

2. Warrants on the Main List of the Helsinki Stock Exchange

Nokian Tyres applied for its 2004A warrants of the 2004 option scheme to be listed on the Main List of the Helsinki Stock Exchange as of 1 March 2006. The Annual General Meeting of Nokian Tyres held on 5 April 2004 decided to grant bonds with warrants to the personnel of Nokian Tyres. A total of 245,000 warrants 2004A, 245,000 warrants 2004B and 245,000 warrants 2004C have been issued on the basis of the bond loan.

The subscription period of warrants 2004A began on 1 March 2006 and will end on 31 March 2008. Each warrant entitles the holder to subscribe ten shares in Nokian Tyres plc with a nominal value of 0.2 euros, at a subscription price of EUR 6.079 per share. The subscription price will be reduced by the amount of dividends paid before the subscription, on the balancing date of each dividend payment. As a result of subscriptions, the number of company shares may rise, at the most, by 2,450,000 shares and the share capital, at the most, by EUR 490,000. The warrants were transferred to the book-entry securities system prior to their listing. On 30 December 2005 the Financial Supervision Authority granted the company an exemption from the duty to publish a prospectus when offering shares for public trading.

3. Shares subscribed for with bonds with warrants

After the increase in share capital registered on 11 November 2005, a total of 9,400 shares were subscribed with the 2001A bonds with warrants attached to the 2001 option scheme, 19,340 shares with the 2001B warrants and 63,940 shares with the 2001C warrants. As a result of the subscriptions an increase in share capital totalling EUR 18,536 was entered in the Trade Register on 22 February 2006. Trading of the shares, along with the old shares, began on 23 February 2006. After the increase, Nokian Tyres has a total of 121,091,600 shares and a share capital of EUR 24,218,320.00.

After the increase in share capital registered on 22 February 2006, a total of 30,500 shares were subscribed for with the 2001A bonds with warrants attached to the Nokian Tyres' Option Schemes of 2001 and 2004, 56,460 shares with the 2001B warrants, 231,060 shares with the 2001C warrants, and 474,000 shares with the 2004A warrants. The increase in share capital resulting from the subscription, EUR 158,484, was entered in the Trade Register on 19 May 2006. Trading of the shares along with the old shares began on 22 May 2006. After the increase, the number of Nokian Tyres shares is 121,884,020 and the share capital is EUR 24,376,804.00.

After the increase in share capital registered on 19 May 2006, a total of 22,300 shares were subscribed for with the 2001A bonds with warrants attached to the Nokian Tyres' Option Schemes of 2001 and 2004, 17,800 shares with the 2001B warrants, 89,600 shares with the 2001C warrants, and 18,550 shares with the 2004A warrants. The increase in share capital resulting from the subscription, EUR 29,650, was entered in the Trade Register on 21 August 2006. Trading of the shares, along with the old shares, began on 22 August 2006. After the increase, the number of Nokian Tyres shares was 122,032,270 and the share capital was EUR 24,406,454.00.

After the increase in share capital registered on 21 August 2006, a total of 39,550 shares were subscribed for with the 2001A bonds with warrants attached to the Nokian Tyres' Option Schemes of 2001 and 2004, 104,100 shares with the 2001B warrants, 143,340 shares with the 2001C warrants, and 127,350 shares with the 2004A warrants. The increase in share capital resulting from the subscription, EUR 82,868, was entered in the Trade Register on 12 January 2007. Trading of the shares, along with the old shares, began on 15 January 2007. After the increase, the number of Nokian Tyres shares was 122,466,610 and the share capital was EUR 24,489,322.00.

4. Development of the share price

Nokian Tyres' share price was EUR 15.52 at the end of the period (EUR 10,65). The average price during the period was EUR 13.28 (EUR 13.93) with the price reaching a high of EUR 16.68 (EUR 20.14) and a low of EUR 9.90 (EUR 9,70). A total of 257,824,937 shares (240,284,231) were traded during the year, representing 211% (199%) of the company's share capital. The company's market value at the end of the period was EUR 1,894 billion (EUR 1,289 billion). Finnish shareholders represented 35.0% (39.8%) of all shareholders while 65.0% (60.1%) were nominee-registered foreign shareholders, Bridgestone's 16.1% holding included.

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. The nominal value of each share is EUR 0.20. The minimum share capital stated in the Articles of Association is EUR 16,000,000 and the maximum share capital is EUR 64,000,000. Within these limits, the share capital may be increased or decreased without amending the Articles of Association.

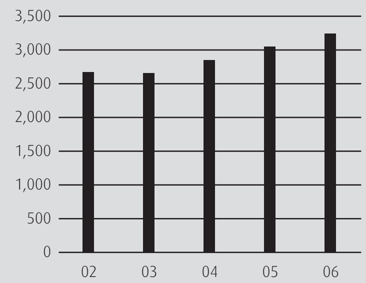
5. Decisions made at the Annual General Meeting

The Annual General Meeting of Nokian Tyres held on 6 April 2006 accepted the profit and loss statement for 2005 and discharged the Board of Directors and the President from liability. The final dividend was set at EUR 0.23 per share. The matching date was 11 April 2006 and the payment date on 20 April 2006.

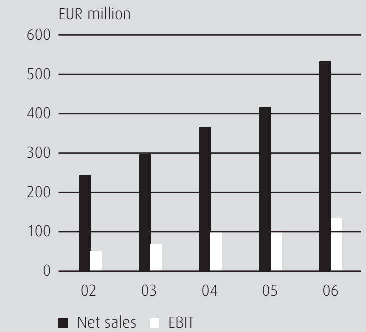
Board of Directors and auditor

The meeting decided that the Board of Directors shall have seven members. Rabbe Grönblom, Managing Director, AB R.Grönblom

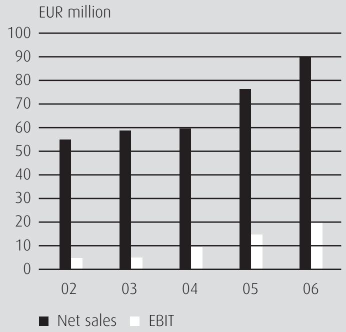
Average number of personnel



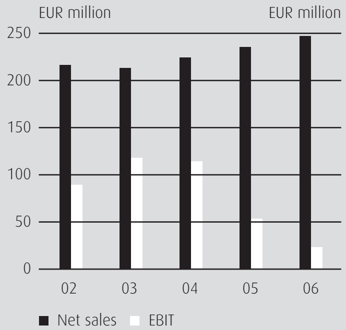
Passenger car tyres net sales and EBIT



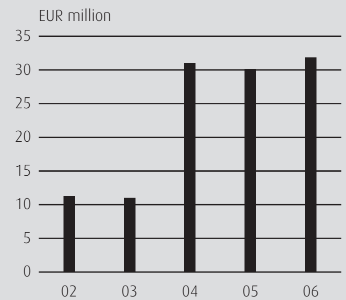
Heavy Tyres net sales and EBIT



Vianor net sales and EBIT



Truck tyres net sales



International LTD; Hannu Penttilä, CEO, Stockmann plc; Petteri Walldén, MSc (Eng.), and Kim Gran, President and CEO, Nokian Tyres plc, will continue as Board members. New members of the Board include Hille Korhonen, Director of Operations, Iittala Group; Koki Takahashi, General Manager, Headquarters Accounting Department 1, Bridgestone Corporation, and Aleksey Vlasov, Deputy Director of JSC Mezhregiongaz, Gazprom. At its meeting following the Annual General meeting, the Board elected Petteri Walldén as Chairman of the Board.

Authorised public accountants KPMG Oy Ab continue as auditors.

Remuneration of the members of the Board of Directors

The Annual General Meeting decided that the monthly fee paid to the Chairman of the Board would be EUR 5,000, or EUR 60,000 per year, while that paid to Board members was set at EUR 2,500, or EUR 30,000 per year. In line with former practices, 60% of the annual fee will be paid in cash and 40% in company shares to the effect that in the period from 7 April to 30 April 2006, EUR 24,000 worth of Nokian Tyres plc shares will be purchased on the stock exchange on behalf of the Chairman of the Board and EUR 12,000 worth of shares on behalf of each Board member. This means that the fees of Board members are linked to the performance of the company's share. No separate compensation will be paid to the President and CEO for Board work.

Authorisation granted to the Board of Directors to increase the share capital

The Annual General Meeting authorised the Board of Directors to make a decision regarding an increase in the share capital on one or more occasions by issuing new shares and/or convertible bonds. As a result of the authorisation, the company's share capital may increase by a maximum of EUR 4,000,000. A maximum of 20,000,000 new shares may be issued, each bearing a nominal value of EUR 0.20.

The Board of Directors also has the right to deviate from the shareholders pre-emptive right to subscribe for shares, provided there is a compelling financial reason referred to in chapter 4, section 2a of the Companies Act. The Board of Directors has the right to decide upon the parties who are entitled to subscribe, as well as the subscription prices, terms and conditions of share subscription, and the terms and conditions of convertible bonds. The validity of the authorisation is one year from the date of the Annual General Meeting.

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- 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.

ENVIRONMENTAL ISSUES

The Safety Policy at Nokian Tyres includes the aim for zero faults and the idea of uncompromising safety on all areas of safety management. In all safety and environmental issues Nokian Tyres complies with the international, national and local laws and regulations, and the licenses set for the company. Beyond this, Nokian Tyres wants to be a forerunner in product safety and environmental protection in the tyre field.

In 2006 the safety issues progressed positively and all license conditions were met. Important steps were taken in recycling of un-vulcanized rubber materials. As the company is crowing and becoming more multinational, the operational models were developed. One key step was the inclusion of the Vsevolozhsk facility into the Nokian factory's quality and environmental certificates (ISO 14001 and ISO 9001) in summer 2006.

In order to decrease sickness leaves, the estimation procedures and support of workers workability and well being were emphasized, and the supervision of work was developed. In Vsevolozhsk the main focus was on the initiation and education of the workers. In Vianor, the working processes were developed by participating a new Finnish "Tyres safety card" –training as a pilot company. More details on environmental, safety and responsibility issues will be published on May 2007 in the next Nokian Tyres Environmental report. The report will be verified by DNV in accordance with the European EMAS statute before the publication.

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

The distributable funds in the Parent Company total EUR 205.6 million, which contain the profit for the financial year, EUR 37.8 million.

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

a dividend of 0.31 €/share be paid out, totalling	38.0 MEUR
retained in equity	167.6 MEUR
	205.6 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 2007

The tyre markets continue to be challenging. Raw material prices will rise and raising tyre prices will continue to be challenging.

Growing demand for Nokian Tyres' key products, i.e. winter tyres, UHP summer tyres and SUV tyres, will continue, and sustained demand is also anticipated in the company's key markets in Russia, the CIS countries, Eastern Europe and North America. More moderate growth is expected in the Nordic countries and elsewhere in Europe. Fewer forestry machines will be manufactured than a year earlier, but the sales forecast for forestry tyres continues to be good. The forestry tyres manufacture is expected to resume on growth track in 2008. The manufacture of other industrial machinery will continue at a brisk pace, and heavy special tyres will continue to be in high demand.

Regardless of the downward turn in the price of natural rubber in late 2006, Nokian Tyres expects the raw material prices in manufacturing (EUR/kg) for the full year 2007 to be approximately 8% higher than in 2006.

The company will continue to introduce a large number of new products to the market, which will provide opportunities to increase tyre prices. Tyres manufactured in Russia represent an increasingly large part of the Group's sales, which contributes to a healthy profit margin. The outlook for all profit centres for 2007 is good.

In the Nordic countries and Russia, the company's objective is to achieve further sales growth and market share improvement. More sales efforts and investments will be allocated to the CIS countries, North America and Eastern Europe, where the company has good growth potential and a strong presence.

In 2007 Nokian Tyres will pay special attention to sustaine strong growth, sales and logistics management, control of inventories and receivables and to extend and develop the distribution network. Capacity will be increased with an accelerated plan in Russia. The main goal in the Finnish plant is to improve productivity. Investments will be made in Heavy Tyres to eliminate production bottlenecks in order to further increase capacity.

Owing to the seasonal nature of the business, the company's net sales and operating profit are primarily generated in the latter part of the year, especially in the last quarter, in both the manufacturing business and distribution. The order book for the beginning of the year is record high and the company's output capacity is stronger than a year earlier. The company is well positioned for the strong sales growth and improved profits in 2007 in line with the previous years.

Nokian Tyres' total investments in 2007 will amount to EUR 100 million (EUR 97 million) with EUR 58 million (EUR 60 million) allocated to the Russian production plant. The remainder comprises production investments in the Nokia plant and moulds for new products.

Nokia 15th of February 2007

The Board of Directors

Consolidated Income Statement, IFRS

EUR million 1.1.–31.12.	Notes	2006	2005
Net sales	(1)	**835.9**	686.5
Cost of sales	(3)(6)(7)	**-491.3**	-401.0
Gross profit		**344.5**	285.5
Other operating income	(4)	**2.0**	4.6
Selling and marketing expenses	(6)(7)	**-157.6**	-143.0
Administration expenses	(6)(7)	**-18.9**	-15.6
Other operating expenses	(5)(6)(7)	**-17.0**	-15.8
Operating profit		**153.1**	115.8
Financial income	(8)	**22.3**	22.8
Financial expenses	(9)	**-36.2**	-26.0
Profit before tax		**139.3**	112.6
Tax expense	(10)	**-32.0**	-30.4
Profit for the period		**107.3**	82.2
Attributable to:			
Equity holders of the parent		**107.3**	82.4
Minority interest		**0.0**	-0.2
Earnings per share (EPS) for the profit attributable to the equity holders of the parent:	(11)		
Basic, euros		**0.88**	0.70
Diluted, euros		**0.86**	0.68

Consolidated Balance Sheet, IFRS

EUR million 31.12.	Notes	2006	2005
ASSETS			
Non-current assets			
Property, plant and equipment	(13)	**353.2**	304.0
Goodwill	(2)(14)	**51.8**	50.7
Other intangible assets	(14)	**8.2**	8.5
Investments in associates	(15)	**0.1**	0.1
Available-for-sale financial assets	(15)	**0.2**	0.3
Other receivables	(16)	**0.8**	2.1
Deferred tax assets	(17)	**14.3**	11.9
		428.6	377.6
Current assets			
Inventories	(18)	**159.8**	146.1
Trade and other receivables	(19)(29)	**252.3**	224.9
Current tax assets		**5.0**	3.2
Cash and cash equivalents	(20)	**39.0**	45.7
		456.1	419.9
Total assets		**884.7**	797.4

EUR million 31.12.	Notes	2006	2005
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	(21)(22)		
Share capital		**24.4**	24.2
Share issue		**0.1**	0.0
Share premium		**142.7**	137.8
Translation reserve		**-2.2**	5.7
Fair value and hedging reserves		**-0.1**	-0.5
Retained earnings		**391.6**	303.4
		556.6	470.7
Minority interest		**0.0**	0.7
Total equity		**556.6**	471.4
Liabilities			
Non-current liabilities	(23)		
Deferred tax liabilities	(17)	**20.5**	22.7
Interest-bearing liabilities	(25)(26)(29)	**110.6**	152.5
Other liabilities		**1.9**	2.1
		133.0	177.3
Current liabilities			
Trade and other payables	(27)	**136.1**	132.1
Current tax liabilities		**2.8**	3.0
Provisions	(24)	**1.0**	0.9
Interest-bearing liabilities	(25)(26)(29)	**55.3**	12.8
		195.2	148.7
Total liabilities		**328.2**	326.0
Total equity and liabilities		**884.7**	797.4

EUR million 1.1.–31.12.	2006	2005
Cash flows from operating activities:		
Cash receipts from sales	**811.0**	632.6
Cash paid for operating activities	**-645.3**	-542.6
Cash generated from operations	**165.7**	90.0
Interest paid	**-16.0**	-4.3
Interest received	**1.2**	1.3
Dividends reiceived	**0.0**	0.0
Income taxes paid	**-44.3**	-56.7
Net cash from operating activities (A)	**106.6**	30.2
Cash flows from investing activities:		
Acquisitions of property, plant and equipment and intangible assets	**-89.2**	-93.1
Proceeds from sale of property, plant and equipment and intangible assets	**1.0**	14.1
Acquisitions of Group companies, net of cash acquired	**-1.7**	-16.7
Divestments in associates	**0.1**	0.4
Net cash used in investing activities (B)	**-89.8**	-95.4
Cash flows from financing activities:		
Proceeds from issue of share capital	**5.2**	133.6
Change in current financial receivables	**-0.4**	0.4
Change in non-current financial receivables	**1.3**	0.8
Change in financial current borrowings	**42.9**	-42.6
Change in financial non-current borrowings	**-42.3**	20.6
Dividends paid	**-27.9**	-25.9
Net cash from financing activities (C)	**-21.2**	87.0
Net change in cash and cash equivalents (A+B+C)	**-4.5**	21.8
Cash and cash equivalents at the beginning of the period	**45.7**	23.9
Effect of exchange rate changes	**2.2**	
Cash and cash equivalents at the end of the period	**39.0**	45.7
	-4.5	21.8

The effect of exchange rate changes EUR 2.2 million in 2006 is included in the net cash from operating activities. In 2005 the effect was EUR -1.2 million.

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, Jan 1st 2005	21.7	0.0	6.7	0.9	-1.1	240.1	268.3	0.0	268.3
Share issue expenses			-1.1				-1.1		-1.1
Interest rate swaps, net of tax					0.6		0.6		0.6
Translation differences				4.5			4.5	0.0	4.5
Gains/losses from hedge of net investments in foreign operations, net of tax				0.3			0.3		0.3
Profit for the period						82.4	82.4	-0.2	82.2
Total recognised income and expenses for the period	0.0	0.0	-1.1	4.8	0.6	82.4	86.8	-0.2	86.6
Share issue	2.1	0.0	128.9				131.0		131.0
Dividends paid						-25.9	-25.9		-25.9
Exercised warrants	0.3		3.4				3.7		3.7
Share-based payments						6.7	6.7		6.7
Other changes						-0.2	-0.2		-0.2
Change in minority interest							0.0	0.9	0.9
Equity, Dec 31st 2005	24.2	0.0	137.8	5.7	-0.5	303.4	470.7	0.7	471.4
Equity, Jan 1st 2006	24.2	0.0	137.8	5.7	-0.5	303.4	470.7	0.7	471.4
Interest rate swaps, net of tax					0.4		0.4		0.4
Translation differences				-7.2			-7.2		-7.2
Gains/losses from hedge of net investments in foreign operations, net of tax				0.3			0.3		0.3
Profit for the period						107.3	107.3		107.3
Total recognised income and expenses for the period	0.0	0.0	0.0	-6.9	0.4	107.3	100.8	0.0	100.8
Dividends paid						-27.9	-27.9		-27.9
Exercised warrants	0.2	0.1	4.9				5.2		5.2
Share-based payments						8.0	8.0		8.0
Other changes				-1.0		0.8	-0.3		-0.3
Change in minority interest							0.0	-0.7	-0.7
Equity, Dec 31st 2006	24.4	0.1	142.7	-2.2	-0.1	391.6	556.6	0.0	556.6

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 2006. 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.

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.

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. Foreign exchange gains and losses related to business operations and to 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 forward contracts to minimise the impact of exchange rate fluctuation on equity. The 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 the 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.

Financial instruments

Financial assets and liabilities

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 current investments of over three months, such as commercial papers.

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.

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. 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 loan receivables, depending on their maturity.

Cash and cash equivalents consist of cash funds and other current investments, such as bank deposits. Credit limits issued by banks are included in current liabilities in the balance sheet.

Interest-bearing liabilities are classified as other liabilities. 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.

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.

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. Change in fair values of derivative instruments to which hedge accounting is not applied has 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.

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 forward exchange contracts and foreign currency loans used to hedge the net foreign currency investments in foreign subsidiaries. Changes in the fair value of the forward exchange contracts meeting the hedge accounting criteria are recognised in equity in their entirety. 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.

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. The diluted earnings per share 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.

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 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 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

All rights granted in the 1999 Share appreciation rights incentive scheme fixed to the share price had vested prior to 1 January 2005, which is why the IFRS2 was not applied to them. Costs arising from the exercise of rights were paid in cash. All rights in the scheme expired on 31 March 2005.

All of the A and B options and most of the C options in the 2001 incentive scheme were granted before 7 November 2002 and therefore IFRS2 was not applied to them. 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.

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 2005 and 2006 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. In 2007 the Group will adopt the following new or revised standards and interpretations published by IASB in 2005 and 2006:

- IFRS 7 Financial Instruments: Disclosures

  The Group estimates that the new standard will mainly affect the notes to the future consolidated financial statements, e.g. disclosing sensitivity of market risks.
- IFRS 8 Operating segments

  The Group estimates that the new standard will mainly affect the disclosures in the notes to the consolidated financial statements.
- Amendment to IAS1 IAS 1 Presentation of Financial Statements – Capital Disclosures

  The Group estimates that the new requirements will mainly affect the notes to the future consolidated financial statements.
- IFRIC 8 Scope of IFRS 2

  The Group estimates that the new interpretation will not have a material effect on the future financial statements of the Group.
- IFRIC 9 Reassessment of Embedded Derivatives

  The Group currently estimates that this interpretation will not have a material effect on the financial statements of the Group.
- IFRIC 10 Interim Financial Reporting and Impairment

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

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, and sales of other than Nokian brands in North American units. 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

2006 EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations and eliminations	Group
Net sales from external customers	477.2	85.0	246.5	27.2	835.9
Services			29.8		29.8
Sales of goods	477.2	85.0	216.7	27.2	806.0
Inter-segment net sales	56.0	5.1	0.4	-61.5	
Net sales	533.2	90.1	246.9	-34.3	835.9
Operating profit	133.4	19.9	2.3	-2.5	153.1
% of net sales	25.0%	22.1%	0.9%		18.3%
Financial income and expenses					-13.8
Profit before tax					139.3
Tax expense					-32.0
Profit for the period					107.3
Assets	595.5	59.0	139.9	12.8	807.2
Unallocated assets					77.5
Total assets					884.7
Liabilities	73.3	12.9	47.3	4.3	137.7
Unallocated liabilities					190.4
Total liabilities					328.2
Capital expenditure	84.6	4.6	6.4	1.4	97.0
Depreciation and amortisation	31.1	4.1	4.3	1.3	40.8
Other non-cash expenses	4.3	1.0	1.3	0.2	6.8

2005

EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations and eliminations	Group
Net sales from external customers	361.2	72.3	234.7	18.3	686.5
Services			29.0		29.0
Sales of goods	361.2	72.3	205.7	18.3	657.5
Inter-segment net sales	55.0	4.0	0.4	-59.4	
Net sales	416.2	76.2	235.1	-41.1	686.5
Operating profit	101.9	14.7	5.3	-6.1	115.8
% of net sales	24.5%	19.3%	2.2%		16.9%
Financial income and expenses					-3.2
Profit before tax					112.6
Tax expense					-30.4
Profit for the period					82.2
Assets	524.4	54.7	137.5	6.7	723.3
Unallocated assets					74.1
Total assets					797.4
Liabilities	67.1	10.1	40.3	14.1	131.6
Unallocated liabilities					194.4
Total liabilities					326.0
Capital expenditure	90.0	3.5	14.0	12.2	119.6
Depreciation and amortisation	25.5	4.1	4.7	1.3	35.6
Other non-cash expenses	3.5	0.8	1.1	2.5	7.8

Geographical segments

2006

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	187.6	117.4	99.5	198.4	35.8	108.2	86.2	2.8	835.9
Services	10.9	9.2	9.4		0.4				29.8
Sales of goods	176.7	108.2	90.1	198.4	35.4	108.2	86.2	2.8	806.0
Assets	373.2	59.2	29.7	221.2	11.9	14.8	61.1		771.2
Unallocated assets									113.5
Total assets									884.7
Capital expenditure	34.8	2.0	1.2	58.3	0.4	0.1	0.2		97.0

2005

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	183.9	107.8	86.9	109.5	30.0	88.8	76.7	3.0	686.5
Services	11.2	9.1	8.4		0.3				29.0
Sales of goods	172.7	98.7	78.5	109.5	29.7	88.8	76.7	3.0	657.5
Assets	368.4	52.9	29.6	156.9	10.6	18.0	60.7		697.0
Unallocated assets									100.4
Total assets									797.4
Capital expenditure	36.9	9.4	0.9	63.8	1.7	0.2	6.5		119.6

2. ACQUISITIONS

Acquisitions in 2006

In 2006 the Group still acquired only small companies. On April 5th, the Group acquired 49% of the share capital in Vianor Russia Holding Oy, a Finnish domiciled company, thus giving a complete 100% ownership after the deal. On December 20th, the Group acquired full ownership of a Russian-based company OOO Ilirija. In addition, Vianor acquired on February 1st, 100% shareholding in one small local tyre company in Sweden, Kjellmes i Växjö AB.

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 recognition of goodwill.

EUR million

Specification of the cost of business combinations	
Paid in cash	2.1
Costs directly attributable to the business combinations	0.0
Total cost of the business combinations	2.1
Fair value of the net assets acquired	-0.8
Goodwill	1.3

EUR million

Specification of acquired net assets	Fair values recorded in combination	Carrying amounts before combination
Intangible assets	0.0	0.0
Property, plant and equipment	0.4	0.3
Inventories	0.6	0.5
Receivables	0.2	0.2
Cash and cash equivalents	0.4	0.4
Liabilities	-0.8	-0.7
Net assets acquired	0.8	0.7
Consideration paid in cash	2.1	
Cash and cash equivalents in the subsidiaries acquired	-0.4	
Net cash outflow	1.7	

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totalling EUR -0.5 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 consolidiated net sales and profits is not material even if they were combined as of the beginning of the fiancial year.

Acquisitions in 2005

In 2005 the Group only acquired small companies. In February, the Group acquired the entire share capital of the Czech-based Andel Export-Import spol s.r.o. In September, the Group acquired full ownership of two US-based companies University Wholesalers Inc. and University Wholesalers of New York Inc.

In addition, Vianor made various acquisitions throughout the financial period, gaining 100% shareholding in eight small local tyre companies in Sweden and in one in Norway.

Future expectations relating to supply chain management and the growth in market area and in sales resulted in the recognition of goodwill.

EUR million

Specification of the cost of business combinations	
Paid in cash	20.0
Costs directly attributable to the business combinations	0.3
Total cost of the business combinations	20.3
Fair value of the net assets acquired	-9.8
Goodwill	10.6

Specification of acquired net assets	Fair values recorded in combination	Carrying amounts before combination
Intangible assets	0.1	0.1
Property, plant and equipment	3.9	3.2
Inventories	22.0	19.9
Receivables	9.6	9.6
Cash and cash equivalents	3.4	3.4
Liabilities	-29.1	-27.8
Net assets acquired	9.8	8.2
Consideration paid in cash	20.3	
Cash and cash equivalents in the subsidiaries acquired	-3.4	
Net cash outflow	17.0	

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totalling EUR 1.9 million, are included in the consolidated income statement. The business operations of companies acquired by Vianor were immediately transferred to a Group company engaged in business operations and therefore they do not generate net sales or profit anymore while being a part of the Group. Owing to the minor significance of the acquired companies the effect of the acquisitions on the annual net sales and profit of the Group is not material.

EUR million	2006	2005
3. COST OF SALES		
Raw materials	**174.7**	131.3
Goods purchased for resale	**179.6**	157.6
Wages and social security contributions on goods sold	**54.8**	50.7
Other costs	**43.6**	67.3
Depreciation of production	**30.6**	25.0
Sales freights	**21.8**	17.3
Change in inventories	**-13.7**	-48.1
Total	**491.3**	401.0
4. OTHER OPERATING INCOME		
Gains on sale of property, plant and equipment	**1.3**	3.2
Other income	**0.7**	1.4
Total	**2.0**	4.6
5. OTHER OPERATING EXPENSES		
Loss on sale of property, plant and equipment and other disposals	**0.8**	1.9
Research and development costs	**9.0**	9.3
Quality control	**2.2**	2.1
Other expenses	**4.9**	2.5
Total	**17.0**	15.8

EUR million	2006	2005
6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES		
No impairment losses have been recorded during 2006 and 2005.		
Depreciation and amortisation by asset category		
Intangible rights	**1.5**	1.3
Other intangible assets	**0.7**	0.8
Buildings	**4.0**	3.9
Machinery and equipment	**33.8**	29.3
Other tangible assets	**1.0**	0.4
Total	**40.8**	35.6
Depreciation and amortisation by function		
Production	**30.6**	25.0
Selling and marketing	**7.3**	7.6
Administration	**1.7**	1.4
Other depreciation and amortisation	**1.2**	1.6
Total	**40.8**	35.6
7. EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	**104.7**	96.6
Pension contributions - defined contribution plans	**15.7**	14.9
Share-based payments	**8.0**	6.6
Other social security contributions	**25.4**	28.3
Total	**153.9**	146.4

Information on the employee benefits and loans of the key management personnel is presented in note 33 Related party transactions.

EUR million	2006	2005
Number of personnel, average during the year		
Production	1,429	1,294
Selling and marketing	1,582	1,546
Others	223	201
Total	3,234	3,041

8. FINANCIAL INCOME

EUR million	2006	2005
Intersest income, non-current	0.0	0.0
Dividend income	0.0	0.0
Other interest and financial income	1.2	1.2
Exchange rate gains	11.8	17.4
Fair value changes of currency derivatives	9.2	4.2
Total	22.3	22.8

9. FINANCIAL EXPENSES

EUR million	2006	2005
Interest expenses	-12.7	-8.9
Other financial expenses	-1.1	-1.4
Exchange rate losses	-16.4	-4.8
Fair value changes of currency derivatives	-5.9	-10.8
Total	-36.2	-26.0

10. TAX EXPENSE

EUR million	2006	2005
Current tax expense	-35.9	-35.4
Adjustment for prior periods	0.1	0.1
Change in deferred tax	3.8	4.9
Total	-32.0	-30.4

The reconciliation of tax expense recognised in the income statement and tax expense using the domestic corporate tax rate (2006: 26%, 2005: 26%):

EUR million	2006	2005
Profit before tax	139.3	112.6
Tax expense using the domestic corporate tax rate	-36.2	-29.3
Effect of deviant tax rates in foreign subsidiaries	4.6	0.8
Tax exempt revenues	2.3	0.7
Non-deductible expenses	-2.2	-2.3
Losses on which no deferred tax benefits recognised	-0.3	-0.4
Adjustment for prior periods	-0.1	-0.1
Other items	-0.1	0.2
Tax expense	-32.0	-30.4

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.

EUR million	2006	2005
Profit attributable to the equity holders of the parent	107.3	82.4
Shares, 1,000 pcs		
Weighted average number of shares	121,625	118,566
Dilutive effect of the options outstanding	3,527	3,397
Diluted weighted average number of shares	125,152	121,963
Earnings per share, euros		
Basic	0.88	0.70
Diluted	0.86	0.68

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, Jan 1st 2005	4.1	100.3	324.3	4.6	22.3	455.7
Decrease/Increase	0.0	-9.6	48.9	1.8	36.4	77.4
Acquisitions through business combinations	0.2	1.1	0.9			2.2
Accumulated cost, Dec 31st 2005	4.3	91.7	374.1	6.5	58.7	535.4
Net exchange differences	0.0	-0.4	-1.4		1.5	-0.4
Accum. depreciation		-24.8	-203.2	-3.0		-231.0
Impairment losses						0.0
Revaluations						0.0
Carrying amount, Dec 31st 2005	4.3	66.5	169.4	3.5	60.3	304.0
Accumulated cost, Jan 1st 2006	4.3	91.7	374.1	6.5	58.7	535.4
Decrease/Increase	0.2	29.6	51.1	2.6	5.6	89.0
Acquisitions through business combinations	0.0	0.0	0.3			0.3
Accumulated cost, Dec 31st 2006	4.5	121.3	425.5	9.1	64.3	624.6
Net exchange differences	0.0	-0.4	-2.1	-0.1	0.6	-2.0
Accum. depreciation		-28.7	-236.8	-3.8		-269.4
Impairment losses						0.0
Revaluations						0.0
Carrying amount, Dec 31st 2006	4.5	92.2	186.5	5.1	64.9	353.2

In 2006 no borrowing costs were capitalized (EUR 1.2 million in 2005). The carrying amount of borrowing costs capitalized in buildings on Dec 31st 2006 is EUR 1.2 million (EUR 1.2 million in fixed assets under construction on Dec 31st 2005).

13. FINANCE LEASES

EUR million	Buildings	Machinery and equipment
Accumulated cost, Jan 1st 2005	20.6	3.6
Decrease/Increase	-12.9	0.0
Accum. depreciation	-2.3	-1.7
Carrying amount, Dec 31st 2005	5.4	1.8
Accumulated cost, Jan 1st 2006	7.7	3.6
Decrease/Increase	0.0	3.7
Accum. depreciation	-2.8	-2.5
Carrying amount, Dec 31st 2006	4.9	4.8

14. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated cost, Jan 1st 2005	40.5	7.1	5.5	53.1
Decrease/Increase	0.0	1.8	-1.2	0.7
Acquisitions through business combinations	10.2		0.1	10.3
Accumulated cost, Dec 31st 2005	50.7	8.9	4.4	64.0
Net exchange differences				0.0
Accum. amortisation	0.0	-3.2	-1.6	-4.8
Impairment losses				0.0
Revaluations				0.0
Carrying amount, Dec 31st 2005	50.7	5.7	2.8	59.2
Accumulated cost, Jan 1st 2006	50.7	8.9	4.4	64.0
Decrease/Increase	0.0	1.2	0.7	1.9
Acquisitions through business combinations	1.3		0.0	1.3
Accumulated cost, Dec 31st 2006	52.1	10.1	5.1	67.3
Net exchange differences	-0.2		0.0	-0.2
Accum. amortisation	0.0	-4.7	-2.3	-7.0
Impairment losses				0.0
Revaluations				0.0
Carrying amount, Dec 31st 2006	51.8	5.4	2.8	60.0

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	33.5
Vianor	18.3
Total goodwill	51.8

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 10.8–12.7% (9.9–11.7% in 2005). 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 most sensitive to changes in sales margin. A permanent lag of abt. 1.5%-units in sales margin in future years might lead to a need for impairment. The recoverable amount from 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 quarterly decrease in net sales or a permanent halving of the present gross margin level.

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

EUR million	Investments in associates reported according to the equity method	Unquoted shares
Accumulated cost, Jan 1st 2006	0.1	0.3
Decrease/Increase	0.0	-0.1
Accumulated cost, Dec 31st 2006	0.1	0.2
Net exchange differences		
Carrying amount, Dec 31st 2006	0.1	0.2
Carrying amount, Dec 31st 2005	0.1	0.3

EUR million	**2006**	2005
16. OTHER NON-CURRENT RECEIVABLES		
Loan receivables	**0.8**	2.1
Total	**0.8**	2.1

17. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	Dec 31st 2005	Recognised in income statement	Recognised in equity	Net exchange differences	Acquisitions/disposals of subsidiaries	Dec 31st 2006
Deferred tax assets:						
Intercompany profit in inventory	5.5	0.3				5.8
Provisions	0.5	0.2	-0.1			0.6
Tax losses carried forward	1.3	0.5	0.0	-0.1		1.6
Derivatives at fair value	0.2		-0.1			0.0
Other items	4.4	1.7	0.1	0.1	0.0	6.4
Total	11.9	2.5	-0.2	0.0	0.0	14.3
Deferred tax liabilities:						
Property, plant and equipment and intangible assets	18.5	1.3	-0.9			18.9
Other items	4.2	-2.6	0.1	-0.1		1.6
Total	22.7	-1.3	-0.8	-0.1	0.0	20.5

On 31 December 2006 the Group had carry forward losses for EUR 1.8 million (EUR 0.6 million in 2005), 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 8.7 million in 2006 (EUR 4.5 million in 2005), of foreign subsidiaries as the earnings have been invested permanently to the countries in question.

EUR million	**2006**	2005
18. INVENTORIES		
Raw materials and supplies	**21.8**	17.5
Work in progress	**3.5**	3.7
Finished goods	**134.5**	124.9
Total	**159.8**	146.1

In 2006 EUR 0.3 million (EUR 1.0 million in 2005) expense was recognised to decrease the carrying amount of the inventories to reflect the net realisable value.

19. TRADE AND OTHER RECEIVABLES

EUR million	**2006**	2005
Trade receivables	**209.7**	186.7
Loan receivables	**0.5**	0.8
Accrued revenues and deferred expenses	**26.8**	26.8
Derivative instruments	**1.9**	1.2
Other receivables	**13.4**	9.4
Total	**252.3**	224.9

The Group recognised expenses for losses on trade receivables worth EUR 2.0 million (EUR 0.4 million in 2005).

See note 29 for the fair values of the receivables.

EUR million	2006	2005
Significant items under accrued revenues and deferred expenses		
Annual discounts, purchases	**2.7**	2.5
Financial items	**0.9**	2.2
Social payments	**0.7**	0.3
Customs duties	**5.7**	8.7
VAT, Russia	**14.6**	8.3
Other items	**2.2**	4.8
Total	**26.8**	26.8

20. CASH AND CASH EQUIVALENTS

Cash in hand and at bank	**39.0**	44.1
Bank deposit	**0.0**	1.6
Total	**39.0**	45.7

21. EQUITY

Reconciliation of the number of shares:

EUR million	Number of shares (1,000 pcs)	Share capital	Share premium	Treasury shares	Total
Jan 1st 2005	10,853	21.7	6.7	-	28.4
Share issue	1,074	2.1	127.7	-	129.9
Exercised warrants	10	0.0	0.1	-	0.1
Share split	107,436	-	-	-	0.0
Exercised warrants	1,626	0.3	3.3	-	3.6
Acquisition of treasury shares	-	-	-	-	-
Dec 31st 2005	120,999	24.2	137.8	-	162.0
Jan 1st 2006	120,999	24.2	137.8	-	162.0
Exercised warrants	1,033	0.3	4.9	-	5.2
Acquisition of treasury shares	-	-	-	-	-
Dec 31st 2006	122,032	24.5	142.7	-	167.2

The maximum number of shares is 320 million (320 million in 2005). The nominal value of shares is EUR 0.20 per share (EUR 0.20 in 2005) and the maximum share capital of the Group is EUR 64 million (EUR 64 million in 2005). 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 0.31 per share be paid (EUR 0.23 in 2005).

Specification of the distributable funds
The distributable funds on 31 December 2006 total EUR 205.6 million and are based on the balance of the Parent company and the Finnish legislation. In 2005 the distributable funds (EUR 195.6 million) were based on the consolidated IFRS balance sheet and the Finnish legislation.

22. SHARE-BASED PAYMENTS

SHARE OPTION PLANS

Bond loan with warrants 2001 directed at personnel

The Annual General Meeting in 2001 decided to offer a bond loan with warrants, 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 bond loan with warrants amounted to EUR 0.4 million and was subscribed for by 42% of the entire personnel.

The loan was offered for subscription to the personnel of Nokian Tyres Group, and to Direnic Oy, a wholly-owned subsidiary of Nokian Tyres. Should an 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 retirement or death, the holder shall without delay and compensation offer to the company or to the party appointed by the company 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. No other employment or service conditions have been set for an option holder.

As a result of the subscriptions, the share capital of the Group may increase by a maximum of EUR 1.2 million and the number of shares by a maximum of 600,000 according to the original terms.

Bond with warrants 1999 and an incentive scheme fixed to the share price

Bond loan 2001 and the attached warrants marked 2001A were offered to the subscribers of the 1999 bond loan with warrants provided that the warrant holder returns all his/her old 1999 warrants to the company. The company cancelled a total of 433,800 1999 warrants, which were returned in the conversion. A total of 42,525 1999A warrants and 41,025 1999B warrants were not returned to the company.

In December 2001, Nokian Tyres plc announced the launch of an incentive scheme based on the company's share price development. The scheme covered those holders of the 1999 warrants who did not exchange their 1999 warrants for the new 2001A warrants. Should a rights holder cease to be employed by or in the service of the Nokian Tyres Group before the rights become exercisable, for any other reason than the death or retirement of the employee, the rights shall be terminated without compensation. The exercised share appreciation rights have been paid in cash.

The new incentive scheme replaced the remaining 1999 warrants, after which the 1999 warrants no longer exist.

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's intention was to issue the shares in spring 2004 (2004A warrants), 2005 (2004B warrants) and 2006 (2004C 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.

As a result of the subscriptions, the share capital of the Group may increase by a maximum of EUR 1.47 million and the number of shares by a maximum of 735,000 according to the original terms.

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

WARRANTS	2001 warrants			2004 warrants			
2006	2001 A	2001 B	2001 C	2004 A	2004 B	2004 C	Total
Maximum number of share options, pcs	216,000	192,000	192,000	245,000	245,000	245,000	1,335,000
Subsribed shares per option, pcs	10	10	10	10	10	10	
Original subscription price	1.90 €	2.59 €	3.04 €	6.45 €	12.10 €	12.82 €	
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes	
Subscription price on 31 December 2004	1.49 €	2.24 €	2.69 €	6.30 €	--	--	
Subscription price on 31 December 2005	1.27 €	2.03 €	2.48 €	6.08 €	11.88 €	--	
Subscription price on 31 December 2006	1.04 €	1.80 €	2.25 €	5.85 €	11.65 €	12.59 €	
Exercisable, from	1 Mar 2003	1 Mar 2004	1 Mar 2005	1 Mar 2006	1 Mar 2007	1 Mar 2008	
Expiration	31 Mar 2007	31 Mar 2007	31 Mar 2007	31 Mar 2008	31 Mar 2009	31 Mar 2010	
Option life, years	0.2	0.2	0.2	1.3	2.3	3.3	
Participants at the end of period	44	115	175	1 015	2 110	2 354	

WARRANTS	2001 warrants			2004 warrants				Exercise prices (weighted aver.)
2006	2001 A	2001 B	2001 C	2004 A	2004 B	2004 C	Total	
Number of (on 1 January 2006)								
Share options granted	213 820	210 840	211 240	242 995	219 820	0	1 098 715	4.83 €
Share options forfeited	14 730	20 500	21 340	15 375	7 460	0	79 405	3.72 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	179 225	154 360	110 021	0	0	0	443 606	1.83 €
Before share split	147 565	133 450	0	0	0	0	281 015	--
After share split	31 660	20 910	110 021	0	0	0	162 591	--
Share options outstanding	19 865	35 980	79 879	227 620	212 360	0	575 704	7.30 €
Share options held for future grants	16 910	1 660	2 100	17 380	32 640	245 000	315 690	7.40 €
Changes during the period								
Share options granted	0	0	0	300	29 940	208 985	239 225	12.46 €
Share options forfeited	0	0	0	340	14 720	22 620	37 680	12.16 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	6 220	9 360	38 460	49 295			103 335	3.85 €
Weighted average share price during the period, €	13.20 *	13.20 *	13.20 *	13.38 *	--	--	--	--
Share options expired	0	0	0	0	0	0	0	--
Number of (on 31 December 2006)								
Share options granted	213 820	210 840	211 240	243 295	249 760	208 985	1 337 940	6.01 €
Share options forfeited	14 730	20 500	21 340	15 715	22 180	22 620	117 085	6.28 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	185 445	163 720	148 481	49 295	0	0	546 941	2.03 €
Before share split	147 565	133 450	0	0	0	0	281 015	--
After share split	37 880	30 270	148 481	49 295	0	0	265 926	--
Share options outstanding	13 645	26 620	41 419	178 285	227 580	186 365	673 914	9.19 €
Share options held for future grants	16 910	1 660	2 100	17 420	17 420	58 635	114 145	9.36 €
Share options exercisable	30 555	28 280	43 519	195 705	--	--	298 059	

* The weighted average price of the Nokian Tyres plc share between January-December 2006 (2001A-C) and March-December 2006 (2004A).

WARRANTS	2001 warrants			2004 warrants				Exercise prices (weight-ed aver.)
2005	2001 A	2001 B	2001 C	2004 A	2004 B	2004 C	Total	
Number of (on 1 January 2005)								
Share options granted	193 820	210 840	211 240	234 275	0	0	850 175	3.30 €
Share options forfeited	14 730	20 340	21 140	2 550	0	0	58 760	2.39 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	142 155	128 440	0	0	0	0	270 595	1.85 €
Before share split	142 155	128 440	0	0	0	0	270 595	--
After share split	0	0	0	0	0	0	0	--
Share options outstanding	36 935	62 060	190 100	231 725	0	0	520 820	4.16 €
Share options held for future grants	36 910	1 500	1 900	13 275	245 000	245 000	543 585	2.74 €
Changes during the period								
Share options granted ***	20 000	0	0	8 720	219 820	0	248 540	10.82 €
Share options forfeited	0	160	200	12 825	7 460	0	20 645	8.11 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	37 070	25 920	110 021	0	0	0	173 011	2.15 €
Before share split	5 410	5 010	0	0	0	0	10 420	--
After share split	31 660	20 910	110 021	0	0	0	162 591	--
Weighted average share price during the period, €	13.25 **	13.25 **	14.13 **	--	--	--	--	--
Share options expired	0	0	0	0	0	0	0	--
Number of (on 31 December 2005)								
Share options granted	213 820	210 840	211 240	242 995	219 820	0	1 098 715	4.83 €
Share options forfeited	14 730	20 500	21 340	15 375	7 460	0	79 405	3.72 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	179 225	154 360	110 021	0	0	0	443 606	1.83 €
Before share split	147 565	133 450	0	0	0	0	281 015	--
After share split	31 660	20 910	110 021	0	0	0	162 591	--
Share options outstanding	19 865	35 980	79 879	227 620	212 360	0	575 704	7.30 €
Share options held for future grants	16 910	1 660	2 100	17 380	32 640	245 000	315 690	7.40 €
Share options exercisable	36 775	37 640	81 979	--	--	--	156 394	

** The weighted average price of the Nokian Tyres plc share between January-December 2005 (2001A and B) and March-December 2005 (2001C).

*** No 2001A-options have been granted to personnel during 2005; the Group has sold the options only to decrease the cash flow effect from the 1999 share appreciation rights.

SHARE APPRECIATION RIGHTS	2006 Share appreciation rights		2005 Share appreciation rights	
	1999 A	1999 B	1999 A	1999 B
Maximum number of rights, pcs			300 000	300 000
Original subscription price			3.32 €	3.32 €
Dividend adjustment			Yes	Yes
Exercise price on 31 December 2004			2.75 €	2.75 €
Exercise price on 31 March 2005			2.75 €	2.75 €
Exercisable, from			1 Mar 2001	1 Mar 2003
Expiration			31 Mar 2005	31 Mar 2005
Share appreciation right life, years	expired	expired	expired	expired
Participants at the end of period			0	0
Number of			**1 Jan 2005**	**1 Jan 2005**
Rights granted			43 775	42 400
Rights forfeited			0	0
Rights cancelled			0	0
Rights exercised (paid in cash by the Group)			25 828	21 977
Rights outstanding			17 947	20 423
Rights held for future grants			256 225	257 600
Changes during the period				
Rights granted			0	0
Rights forfeited			6 075	9 175
Rights cancelled			0	0
Rights exercised (paid in cash by the Group)			10 622	10 498
Weighted average share price during the period, €			13.25 *	13.25 *
Rights expired			1 250	750

SHARE APPRECIATION RIGHTS	2006 Share appreciation rights		2005 Share appreciation rights	
	1999 A	1999 B	1999 A	1999 B
Number of			**31 Dec 2005**	**31 Dec 2005**
Rights granted			43 775	42 400
Rights forfeited			6 075	9 175
Rights cancelled			0	0
Rights exercised (paid in cash by the Group)			36 450	32 475
Rights outstanding			0	0
Rights held for future grants			0	0
Rights exercisable			0	0

* The weighted average price of the Nokian Tyres plc share between January-March 2005.

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. According to IFRS those share options, that were granted before 7 Nov 2002 or had vested before 1 Jan 2005, no expense is recognised in the financial statements. IFRS2 is not applied to the 1999A- ja B-share appreciation rights, the 2001A- and B-share options and a part of 2001C-share options of Nokian Tyres plc, and therefore no fair value is determined to those plans. In 2006 the effect of share options on the profit is EUR 8.0 million (2005: EUR 6.7 million).

Main assumptions for Black-Scholes model	Granted in 2006	All share options
Share options granted, pcs	239 225	759 940
Weighted average share price, EUR	10.72	9.89
Subscription price, EUR	12.49	9.79
Interest rate, %	3.6%	3.2%
Option life, years	3.7	3.8
Volatility, % **	35.1%	33.0%
Share options forfeiting, %	7.1%	6.6%
Total fair value, €	6 198 877	21 571 286

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

23. PENSION LIABILITIES

The pension schemes of Finnish Group companies have been treated as contribution plans, as the Finnish Ministry of Social Affairs and Health approved the changes in the calculation principles of the disability pension system in late 2004. In accordance with the changes that became in force as of 1 January 2006, an arrangement that was previously classified as a defined benefit plan is considered a defined contribution plan in the future. The changes removed the pension liability entailed in the defined benefit plan for the most part in December 2004. The remaining liabilities ceased to exist during 2005.

For Nokian Tyres, the defined benefit plan interpretation was estimated to reduce the equity at the time of transition roughly EUR 5 million, including deferred taxes, which represents a few per cent of the total equity. Owing to the small significance and in order to maintain comparability between other financial periods, the said liability has not been recorded in the IFRS balance sheet on the transition date and at the end of the period, nor has the impact of the discharge been recognised as income in the financial statement for 2005.

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

24. PROVISIONS

EUR million	**2006**	2005
Provisions		
Warranty provision		
Jan 1st	**0.9**	0.9
Provisions made	**1.0**	0.9
Provisions used	**-0.2**	0.0
Provisions reversed	**-0.7**	-0.9
Dec 31st	**1.0**	0.9

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.

25. INTEREST-BEARING LIABILITIES

EUR million	**2006 Carrying amount**	2005 Carrying amount
Non-current		
Loans from financial institutions and pension loans	**92.3**	136.0
Bond loans	**10.0**	10.0
Finance lease liabilities	**8.3**	6.5
	110.6	152.5
Current		
Commercial papers	**48.5**	0.0
Loans from financial institutions	**5.4**	11.8
Finance lease liabilities	**1.4**	1.0
	55.3	12.8

See note 29 for the fair values of the interest-bearing liabilities.

Maturing of non-current liabilities

2006 EUR million	2007	2008	2009	2010	2011	Later
Loans from financial institutions and pension loans, fixed rate	3.6	3.7	3.7	3.7	3.8	6.4
Loans from financial institutions, floating rate	1.8	6.6	10.6	28.8	9.6	15.4
Bond loans	0.0	0.0	10.0	0.0	0.0	0.0
Finance lease liabilities	1.4	1.4	1.3	1.3	0.9	3.4
Total non-current liabilities	6.8	11.7	25.6	33.8	14.3	25.2

2005 EUR million	2006	2007	2008	2009	2010	Later
Loans from financial institutions and pension loans, fixed rate	3.7	3.7	3.7	3.7	3.7	10.5
Loans from financial institutions, floating rate	8.1	2.3	6.3	10.9	69.8	21.4
Bond loans	0.0	0.0	0.0	10.0	0.0	0.0
Finance lease liabilities	1.0	0.9	0.9	0.9	0.8	3.0
Total non-current liabilities	12.8	6.9	10.9	25.5	74.3	34.9

For bond loans, there is an interest rate swap with a notional amount of EUR 10 million under which the floating rate is converted into a fixed rate.

Interest-bearing non-current liabilities by currency

EUR million	**2006**	2005
EUR	**91.3**	132.0
SEK	**7.2**	8.0
NOK	**12.1**	12.5
	110.6	152.5

Commercial papers are in EUR.

The weighted averages of the effective interest rates for the interest-bearing liabilities

	2006	2005
Loans from financial institutions and pension loans	**4.36%**	3.67%
Loans from financial institutions and pension loans including interest rate swaps	**4.36%**	3.71%
Bond loans	**4.25%**	3.10%
Bond loans including interest rate swaps	**5.54%**	5.54%
Finance lease liabilities	**6.52%**	8.07%

EUR million	2006	2005
26. MATURING OF FINANCE LEASE LIABILITIES		
Minimum lease payments		
In less than 1 year	**1.9**	1.5
In 1 to 5 years	**7.7**	5.9
In over 5 years	**3.1**	3.2
	12.7	10.6
Present value of minimum lease payments		
In less than 1 year	**1.9**	1.5
In 1 to 5 years	**6.3**	4.5
In over 5 years	**1.7**	1.5
	9.9	7.5
Future finance charges	**2.8**	3.1
Total finance lease liabilities - minimum lease payments	**12.7**	10.6

On December 31st, 2006 (December 31st, 2005) the Group's finance leases relating to warehouses, machinery and equipment amounted to EUR 9.3 million (EUR 7.3 million) and they were included in tangible assets. In 2006 the amount of floating lease payments were EUR -0.1 million (EUR -0.2 million in 2005). 65% of the finance lease payments are bound to 3-month euribor. There are interest rate swaps with a notional amount of EUR 5.4 million under which floating rate payments are converted into fixed rate payments.

EUR million	2006	2005
27. TRADE AND OTHER PAYABLES		
Trade payables	**80.1**	69.5
Accrued expenses and deferred revenues	**39.3**	42.9
Derivative instruments	**1.0**	2.3
Advance payments	**1.0**	0.5
Other liabilities	**14.7**	17.0
Total	**136.1**	132.1

Significant items under accrued expenses and deferred revenues

Wages, salaries and social security contributions	**31.8**	21.4
Annual discounts, sales	**2.9**	2.4
Financial items	**1.9**	3.6
Commissions	**0.4**	2.7
Goods received and not invoiced	**0.7**	0.2
Property, plant and equipment received and not invoiced	**0.0**	3.7
Other items	**1.5**	8.9
Total	**39.3**	42.9

28. 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 finance policy, which is updated regularly 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 and cash management.

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 and Ukraine, the tyre chain companies in Sweden, Norway, Russia, Estonia and Latvia, and the tyre plants located at Nokia in Finland and at Vsevolozhsk in Russia.

Transaction risk

According to the Group's finance 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 carried mainly by the parent company and there is no significant currency risk in foreign Group companies. The external EUR 50 million loan of the Russian plant is an exception to this main rule. Based on the decision of the Board the loan has not been hedged during the financial year.

The open foreign currency exposure of the parent company comprises of the foreign currency denominated receivables and payables in the balance sheet and foreign currency denominated binding purchase and sales contracts (transaction exposure). For risk management purposes, estimated currency cash flows (in addition to the identified transaction exposure) are added to the open foreign currency exposure so that the overall foreign currency risk exposure horizon (budget exposure) covers the next 12 months. According to the Group's finance policy the transaction exposure is hedged in full, although 20% over- and 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.

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 finance policy, the main foreign net investments are hedged with non-current currency loans and currency forwards. The hedge ratio varies between 50% and 75% of the reported equity.

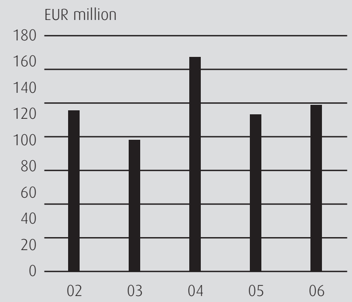
Interest rate risk

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 141.0 million and the fixed rate interest bearing liabilities EUR 24.9 million. The Group treasury measures the loan portfolio duration and if needed, changes the duration by using interest rate derivatives within the limits set in the Group's finance policy. The average fixing period of the interest rate exposure was on the balance sheet date 15 months, compared to 19 months in 2005. The Group uses interest rate derivatives as cash flow hedges and hedge accounting is applied mainly for those derivatives.

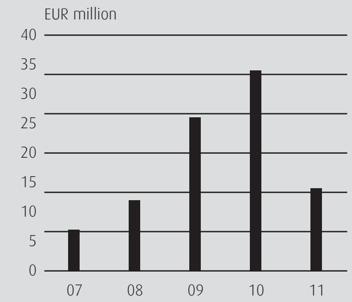
Liquidity risk

In accordance with the Group's finance policy, the treasury is responsible for maintaining the Group's liquidity, efficient cash management and sufficient sources of funding. The Group aims to ensure that committed credit limits cover all funding needs, like

Interest-bearing net debt



Current maturities of non-current loans



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 has a EUR 150 million domestic commercial paper program and a RUB 700 million (EUR 20.2 million) current credit facility. As a back up liquidity reserve the Group has a 5-year EUR 180 million multicurrency revolving credit facility up to 2010. 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.

On the balance sheet date the Group's liquidity in cash and equivalents was EUR 39.0 million. At the end of the year the Group's available current credit limits were EUR 136.7 million, of which the committed limit was EUR 21.8 million. Available committed non-current credits amounted to EUR 160.7 million.

The Group's interest-bearing loans totaled EUR 165.9 million, compared to the year before figure of EUR 165.3 million. Around 83% of the non-current loans were in EUR. The average interest rate of non-current loans was 4.79% and taking into account interest rate hedging 4.82%. Current interest-bearing loans, including the portion of non-current loans maturing within the next 12 months, amounted to EUR 55.3 million (EUR 12.8 million in 2005).

Credit Risk

In financing activities credit risk consists of counterparty risk, which the Group faces in transactions with different banks and financial institutions. Entering transactions only with banks and financial institutions with high credit ratings controls these risks. In investments the Group's placements are current and funds are invested only in solid domestic listed companies or public institutions.

The credit statuses of the customers are followed at the Group companies regularly according to the Group credit risk policy principles. In addition, country risk is monitored constantly and credits are limited in countries where political or economical environment is unstable. Significant items of trade receivables are evaluated both counterparty specifically and in a portfolio level in order to identify possible impairment.

EUR million	**2006**	2005
29. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES		
Interest rate derivatives		
Interest rate swaps		
Notional amount	**15.4**	16.5
Positive fair value	**1.9**	1.2
Negative fair value	**-2.1**	-1.9
Currency derivatives		
Forward contracts		
Notional amount	**199.9**	176.2
Positive fair value	**1.7**	0.5
Negative fair value	**-0.5**	-2.1
Options, purchased		
Notional amount	**12.6**	5.3
Positive fair value	**0.0**	0.0
Negative fair value	**0.0**	0.0
Options, written		
Notional amount	**12.6**	5.3
Positive fair value	**0.0**	0.0
Negative fair value	**-0.1**	-0.1

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

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

Currency derivatives are used to hedge the Group's net exposure. The changes in the fair values of currency derivatives are reported in the income statement excluding the forward foreign exchange contracts 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 the fair values are wholly deferred in equity. The fair value change of those forward foreign exchange contracts was EUR 1.3 million.

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

The carrying amount of other financial assets and liabilities presents essential part of their fair value.

EUR million	2006	2005
30. OPERATING LEASE COMMITMENTS		
The Group as a lessee		
Non-cancellable minimum operating lease payments		
In less than 1 year	**13.3**	8.9
In 1 to 5 years	**33.7**	22.5
In over 5 years	**35.5**	33.6
	82.5	65.0

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. The rents of these warehouses are bound to three-month euribor and agreements include purchase options.

The income statement in 2006 contains EUR 20.4 million expenses for operating lease agreements (EUR 14.6 million in 2005). In the end of 2005 one warehouse lease was restructured and the new lease was classified as an operating lease.

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	2006	2005
31. COMMITMENTS AND CONTINGENT LIABILITIES		
For own debt		
Mortgages	**0.0**	0.2
Pledged assets	**0.0**	0.0
On behalf of other companies		
Guarantees	**0.0**	0.0
Other own commitments		
Guarantees	**1.0**	1.0
Acquisition commitments	**5.3**	0.7

32. DISPUTES AND LITIGATIONS

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

33. 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 Italia S.r.l.		Italy	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	
University Wholesalers of New York 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
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	
NT Tyre Machinery Oy	Nokia	Finland	100	100	100
Direnic Oy	Nokia	Finland	100	100	100
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	
Kjellmes i Växjö AB		Sweden	100	100	
Vianor AS		Norway	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 Bridgestone Group with significant influence through share ownership.

Transactions and outstanding balances with parties having significant influence

EUR million	2006	2005
Shareholders		
Bridgestone Group		
Transactions with Bridgestone Group take place at market prices.		
Sales of goods	**17.6**	10.3
Purchases of goods	**27.4**	16.2
Trade and other receivables	**1.7**	1.1
Trade and other payables	**1.7**	9.2

1,000 euros		
Key management personnel		
Employee benefit expenses		
Short-term employee benefits	**2,454.2**	1,906.5
Post employment benefits	**170.1**	109.3
Share-based payments	**2,063.2**	1,837.6
Total	**4,687.5**	3,853.3

1,000 euros	2006	2005
Remunerations		
President (also a member of the Board of Directors)	**668.4**	290.9
of which incentives for year 2006	**230.0**	0.0
of which incentives for year 2005	**103.2**	0.0
Members of the Board of Directors		
Petteri Walldén	**52.2**	14.4
Rabbe Grönblom	**27.3**	19.2
Hille Korhonen	**22.5**	-
Hannu Penttilä	**27.3**	19.2
Koki Takahashi	**22.5**	-
Aleksey Vlasov	**22.5**	-
Prior members of the Board of Directors		
Satu Heikintalo	**4.8**	19.2
Mitsuhira Shimazaki	**4.8**	19.2
Henrik Therman	**4.8**	26.4
Bo-Erik Haglund	**-**	4.8
Matti Vuoria	**-**	7.2
Total	**188.7**	129.6
no incentives were paid to the members of the Board of Directors		
Other key management personnel	**1,456.9**	1,377.0
of which incentives	**218.0**	0.0

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 2006 a total of 73,000 pcs share options were granted to the President and other key management personnel (76,000 pcs in 2005). The share option plan terms for the key management personnel are equal to the share options directed at other personnel. On 31 December 2006 the key management personnel held 166,750 pcs share options, with 36,050 pcs exercisable (on 31 December 2005 162,100 pcs, with 15,100 pcs exercisable)

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

34. EVENTS AFTER THE BALANCE SHEET CLOSING DATE

No significant events occurred after the balance sheet date affecting the financial statements.

Parent Company Income Statement, FAS

EUR million 1.1.–31.12.	Notes	2006	2005
Net sales	(1)	**478.6**	406.3
Cost of sales	(2)(3)	**-376.4**	-275.1
Gross profit		**102.2**	131.2
Selling and marketing expenses	(2)(3)	**-27.3**	-28.3
Administration expenses	(2)(3)	**-10.2**	-12.1
Other operating expenses	(2)(3)	**-10.4**	-12.3
Other operating income		**0.1**	0.3
Operating profit		**54.3**	78.8
Financial income and expenses	(4)	**-3.0**	-4.1
Profit before extraordinary items, appropriations and tax		**51.4**	74.6
Extraordinary items	(5)	**0.0**	-0.1
Profit before appropriations and tax		**51.4**	74.5
Increase in accumulated depreciation in excess of plan	(6)	**-1.5**	-2.6
Income tax	(7)	**-12.1**	-18.1
Profit for the period		**37.8**	53.8

Parent Company Balance Sheet, FAS

EUR million 31.12.	Notes	2006	2005
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	(8)	**6.4**	6.7
Tangible assets	(8)	**162.6**	178.7
Shares in Group companies	(9)	**49.0**	30.8
Investments in associates	(9)	**0.1**	0.1
Shares in other companies	(9)	**0.1**	0.1
Total non-current assets		**218.2**	216.5
Current assets			
Inventories	(10)	**57.7**	61.9
Long-term receivables	(11)	**56.0**	74.0
Deferred tax assets	(14)	**1.9**	1.9
Short-term receivables	(12)	**331.1**	255.6
Cash and cash equivalents		**16.6**	7.8
Total current assets		**463.3**	401.1
		681.5	617.6

Parent Company Balance Sheet, FAS

EUR million 31.12.	Notes	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	(13)		
Share capital		**24.4**	24.2
Share issue		**0.1**	0.0
Share premium		**143.9**	138.9
Retained earnings		**167.8**	141.9
Profit for the period		**37.8**	53.8
Total shareholders' equity		**373.9**	358.8
Untaxed reserves and provisions			
Accumulated depreciation in excess of plan	(8)	**64.7**	68.2
Liabilities			
Non-current liabilities	(15)		
interest-bearing		**51.4**	96.3
non-interest-bearing		**0.0**	0.0
		51.4	96.3
Current liabilities	(16)		
interest-bearing		**93.2**	23.3
non-interest-bearing		**98.3**	71.0
		191.5	94.3
Total liabilities		**242.9**	190.6
		681.5	617.6

Parent Company Cash Flow Statement, FAS

EUR million 1.1.–31.12.	2006	2005
Cash flows from operating activities:		
Cash receipts from sales	**454.9**	395.7
Cash paid for operating activities	**-337.1**	-303.2
Cash generated from operations	**117.8**	92.5
Interest paid	**-13.9**	-8.9
Interest received	**8.8**	5.0
Dividends reiceived	**0.0**	0.0
Income taxes paid	**-17.1**	-26.9
Net cash from operating activities (A)	**95.7**	61.7
Cash flows from investing activities:		
Acquisitions of property, plant and equipment and intangible assets	**-11.5**	-30.8
Proceeds from sale of property, plant and equipment and intangible assets	**2.1**	1.7
Acquisition of Group companies	**-18.2**	-4.5
Divestments in associates	**0.0**	0.1
Net cash used in investing activities (B)	**-27.6**	-33.5
Cash flows from financing activities:		
Proceeds from issue of share capital	**5.2**	134.8
Change in current financial receivables	**-31.1**	-50.7
Change in non-current financial receivables	**17.9**	-39.7
Change in financial current borrowings	**21.3**	-38.7
Change in financial non-current borrowings	**-44.8**	-2.6
Dividends paid	**-27.9**	-25.9
Net cash from financing activities (C)	**-59.3**	-22.8
Net increase in cash and cash equivalents (A+B+C)	**8.8**	5.4
Cash and cash equivalents at the beginning of the period	**7.8**	2.4
Cash and cash equivalents at the end of the period	**16.6**	7.8
	8.8	5.4

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	2006	2005
1. NET SALES BY SEGMENTS AND MARKET AREAS		
Passenger Car Tyres	**373.7**	317.5
Heavy Tyres	**84.4**	71.6
Truck Tyres	**20.5**	17.2
Total	**478.6**	406.3
Finland	**116.6**	114.3
Other Nordic countries	**100.6**	93.5
Baltic States and Russia	**81.1**	51.4
Other European countries	**117.3**	89.2
North America	**39.3**	44.9
Other countries	**23.7**	13.0
Total	**478.6**	406.3
2. WAGES, SALARIES AND SOCIAL EXPENSES		
Wages and salaries	**46.2**	51.8
Pension contributions	**8.3**	10.0
Other social expenses	**14.2**	18.5
Total	**68.6**	80.2
Remuneration of the members of the Board of the Directors and the President on accrual basis	**0.8**	0.4
of which incentives for year 2006	**0.2**	0.0
of which incentives for year 2005	**0.1**	0.0

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	**1,029**	1,214
Selling and marketing	**65**	80
Others	**168**	181
Total	**1,262**	1,475

EUR million	2006	2005
3. DEPRECIATION		
Depreciation according to plan by asset category		
Intangible assets	**1.7**	1.6
Buildings	**1.7**	1.7
Machinery and equipment	**22.4**	23.7
Other tangible assets	**0.3**	0.3
Total	**25.9**	27.3
Depreciation by function		
Production	**23.4**	24.3
Selling and marketing	**0.3**	0.4
Administration	**1.2**	1.0
Other operating depreciation	**1.1**	1.5
Total	**25.9**	27.3
4. FINANCIAL INCOME AND EXPENSES		
Dividend income		
From the Group companies	**0.0**	0.0
From others	**0.0**	0.0
Total	**0.0**	0.0
Interest income, non-current		
From the Group companies	**1.9**	1.1
From others	**0.0**	0.3
Total	**2.0**	1.3

EUR million	2006	2005
Other interest and financial income		
From the Group companies	6.4	2.9
From others	0.6	0.6
Total	7.0	3.5
Exchange rate differences (net)	-1.8	0.2
Interest and other financial expenses		
To the Group companies	-0.4	0.0
To others	-9.4	-6.9
Other financial expenses	-0.4	-2.3
Total	-10.2	-9.2
Total financial income and expenses	-3.0	-4.1

5. EXTRAORDINARY ITEMS

The extraordinary items in 2005 contain a dissolution loss of a subsidiary.

	2006	2005
Extraordinary items	0.0	-0.1

6. APPROPRIATIONS

	2006	2005
Change in accumulated depreciation in excess of plan		
Intangible assets	0.1	-0.1
Buildings	0.2	0.4
Machinery and equipment	1.2	2.3
Other tangible assets	-0.1	-0.1
Total	1.5	2.6

EUR million	2006	2005
7. INCOME TAX		
Direct tax for the year	-12.1	-18.1
Direct tax from previous years	0.0	0.0
Tax on extraordinary items	0.0	0.0
Change in deferred tax	0.0	0.0
Total	-12.1	-18.1

8. FIXED ASSETS

	Intangible assets		Tangible assets				
EUR million	Intangible rights	Other intangible assets	Land property	Buildings	Machinery and equipment	Other tangible assets	Advances and fixed assets under construction
Accumulated cost, Jan 1st 2006	12.4	1.6	0.7	59.8	286.9	3.6	4.6
Decrease/Increase	0.4	0.3	0.0	0.0	8.1	0.0	-3.5
Accumulated cost, Dec 31st 2006	12.8	1.9	0.7	59.9	295.0	3.6	1.1
Accum. depr. acc. to plan	-7.4	-0.9		-16.3	-178.5	-2.9	
Carrying amount, Dec 31st 2006	5.4	1.1	0.7	43.5	116.5	0.7	1.1
Carrying amount, Dec 31st 2005	5.8	0.9	0.7	45.2	127.3	1.0	4.6
Accum. depreciation in excess of plan, Dec 31st 2006	1.1	0.1	0.0	17.8	46.0	-0.3	
Accum. depreciation in excess of plan, Dec 31st 2005	1.0	0.1	0.0	17.6	49.7	-0.2	

9. INVESTMENTS

EUR million	Shares in Group companies	Investments in associates	Shares in other companies
Accumulated cost, Jan 1st 2006	30.8	0.1	0.1
Decrease/Increase	18.2	0.0	0.0
Accumulated cost, Dec 31st 2006	49.0	0.1	0.1
Carrying amount, Dec 31st 2006	49.0	0.1	0.1
Carrying amount, Dec 31st 2005	30.8	0.1	0.1

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

EUR million	2006	2005
10. INVENTORIES		
Raw materials and supplies	**14.2**	14.9
Work in progress	**2.6**	3.6
Finished goods	**40.9**	43.4
Total	**57.7**	61.9
11. LONG-TERM RECEIVABLES		
Loan receivables from the Group companies	**55.8**	73.2
Loan receivables from Investments in associates	**0.0**	0.0
Loan receivables	**0.2**	0.8
Other receivables	**0.0**	0.0
Total	**0.2**	0.8
Total long-term receivables	**56.0**	74.0

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

EUR million	2006	2005
12. SHORT-TERM RECEIVABLES		
Receivables from the Group companies		
Trade receivables	**82.1**	60.8
Loan receivables	**159.2**	128.1
Accrued revenues and deferred expenses	**18.8**	5.6
Total	**260.1**	194.5
Trade receivables	**55.7**	52.9
Loan receivables	**0.0**	0.0
Other receivables	**8.2**	4.4
Accrued revenues and deferred expenses	**7.1**	3.8
Total	**71.0**	61.1
Total short-term receivables	**331.1**	255.6
Significant items under accrued revenues and deferred expenses		
Annual discounts, purchases	**1.2**	0.6
Financial items	**2.7**	2.2
Taxes	**3.4**	0.0
Social payments	**0.6**	0.2
Capital expenditure in Russian factory	**9.8**	4.5
Goods and services rendered and not invoiced, subsidiary	**7.7**	0.0
Other items	**0.6**	1.9
Total	**25.9**	9.4

EUR million	2006	2005
13. SHAREHOLDERS' EQUITY		
Share capital, Jan 1st	**24.2**	21.7
Emissions	**0.2**	2.5
Share capital, Dec 31st	**24.4**	24.2
Share issue, Jan 1 st	**0.0**	0.0
Share issue, Dec 31st	**0.1**	0.0
Share issue premium, Jan 1st	**138.9**	6.7
Emission gains	**4.9**	132.3
Share issue premium, Dec 31st	**143.8**	138.9
Retained earnings, Jan 1st	**195.6**	167.8
Dividends to shareholders	**-27.9**	-25.9
Retained earnings, Dec 31st	**167.8**	141.9
Profit for the period	**37.8**	53.8
Total shareholders' equity	**373.9**	358.8

EUR million	2006	2005
Specification of the distributable funds, December 31st		
Retained earnings, Dec 31st	**167.8**	141.9
Profit for the period	**37.8**	53.8
Distributable funds, Dec 31st	**205.6**	195.6

14. DEFERRED TAX LIABILITIES AND ASSETS

	2006	2005
Deferred tax assets from		
Temporary differences	**1.9**	1.9
Total	**1.9**	1.9
Deferred tax liabilities, total	**0.0**	0.0

The deferred tax assets contain the deferred tax assets for the years 2007 and 2008 arising from the dissolution loss entered into extraordinary expenses during 2000. The tax benefit will be realised during the years 2000 and 2009; the proportional share of the remaining deferred tax asset, EUR 2.8 million, has been accounted for up to year 2008.

EUR million	2006	2005
15. NON-CURRENT LIABILITIES		
Interest-bearing		
Bonds	**10.0**	10.0
Loans from financial institutions	**31.2**	74.0
Pension premium loans	**10.3**	12.3
Total	**51.4**	96.3
Non-interest-bearing		
Other non-current loans	**0.0**	0.0
Total non-current liabilities	**51.4**	96.3
Bonds		
1/2002 variable interest rate based on Euribor 4.853% bullet maturity on 2009	**10.0**	10.0
Liabilities maturing after five years		
Loans from financial institutions	**4.2**	5.8
Pension premium loans	**2.3**	4.3
Total	**6.4**	10.1
Maturing of non-current liabilities		
Maturity		
2008	**3.7**	3.7
2009	**14.7**	14.7
2010	**23.0**	64.2
2011	**3.7**	3.7
2012 and later	**6.4**	6.4
Total	**51.4**	92.6

EUR million	2006	2005
16. CURRENT LIABILITIES		
Interest-bearing		
Liabilities to the Group companies		
Finance loans	**41.0**	13.2
Loans from financial institutions	**50.2**	8.2
Pension premium loans	**2.0**	2.0
Total	**52.2**	10.2
Total interest-bearing liabilities	**93.2**	23.3
Non-interest-bearing		
Liabilities to the Group companies		
Trade payables	**16.6**	1.3
Accrued expenses and deferred revenues	**8.9**	0.1
Total	**25.5**	1.4
Trade payables	**47.0**	39.4
Liabilities to the others	**2.7**	2.8
Accrued expenses and deferred revenues	**23.1**	27.3
Total	**72.8**	69.6
Total non-interest-bearing liabilities	**98.3**	71.0
Total current liabilities	**191.5**	94.3

EUR million	2006	2005
Significant items under accrued expenses and deferred revenues		
Wages and salaries	**12.5**	11.1
Annual discounts, sales	**3.9**	3.4
Taxes	**0.0**	1.6
Financial items	**1.4**	2.9
Commissions	**0.4**	2.7
Goods received and not invoiced	**0.7**	0.3
Warranty commitments	**0.4**	0.9
Goods and services received and not invoiced, subsidiary	**7.4**	0.0
Goods received and not invoiced, Russian subsidiary	**1.1**	0.0
Other items	**4.1**	4.5
Total	**32.0**	27.4

EUR million	2006	2005
17. CONTINGENT LIABILITIES		
On behalf of Group companies and investments in associates		
Guarantees	59.7	49.7
The amount of debts mortgaged for total EUR 53.2 million.		
Other own commitments		
Guarantees	1.0	6.1
Leasing and rent commitments		
Payments due in 2007/2006	6.1	6.1
Payments due in subsequent years	48.9	47.7
Acquisition commitments	5.3	0.7

EUR million	2006	2005
18. DERIVATIVE CONTRACTS		
Interest rate derivatives		
Interest rate swaps		
Fair value	-0.2	-0.7
Notional amount	15.4	16.5
Currency derivatives		
Forward contracts		
Fair value	1.1	-0.9
Notional amount	199.9	238.1
Options, purchased		
Fair value	0.0	0.0
Notional amount	12.6	5.3
Options, written		
Fair value	-0.1	-0.1
Notional amount	12.6	5.3

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

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

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

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

19. ENVIRONMENTAL COMMITMENTS AND EXPENSES

Nokian Tyres has no material environmental commitments or expenses. In addition to the environmental aspects presented in the Financial statements, Nokian Tyres will issue 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. The nominal value of each share is EUR 0.20. The minimum share capital stated in the Articles of Association is EUR 16,000,000 and the maximum share capital is EUR 64,000,000. Within these limits, the share capital may be increased or decreased without amending the Articles of Association.

Share price development and trading volume in 2006
At the end of 2006, the price of Nokian Tyres' share was EUR 15.52 showing a increase of 45.7% on the previous year's closing price of EUR 10.65. At its highest, Nokian Tyres' share was quoted at EUR 16.68 (EUR 20.14 in 2005) and EUR 9.90 (EUR 9.90) at its lowest. During the year, a total of 257,824,937 (240,284,231 in 2005) Nokian Tyres' shares were traded on the Helsinki Exchanges. At the end of the year, the market capitalisation of the share capital was EUR 1,893,940,830 (EUR 1,288,638,498 in 2005).

Dividend policy
The dividend policy adopted by the company's Board of Directors is to propose a dividend to the Annual General Meeting 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 distributing approximately 35% of net profit in dividends.

Board's authorisations
The Annual General Meeting held on 6 April 2006 authorised the Board of Directors to decide upon increasing the share capital on one or more occasions by an issue of new shares and/or convertible bonds. As a result, the share capital of the company can be increased by a maximum of EUR 4 million. A maximum of 20,000,000 new shares can be issued, each bearing a nominal value of EUR 0.20.

The Board of Directors may also deviate from the shareholders pre-emptive subscription right, provided there is a compelling financial reason for the company to do so, as referred to in Chapter 4:2a of the Companies Act, such as corporate acquisitions or other business arrangements. Under the authorisation, the Board of Directors has the right to decide upon the parties who are entitled to subscribe, as well as on the subscription price, terms and conditions of share subscription, and the terms and conditions of convertible bonds. The validity of the authorisation is one year from the date of the decision by the Annual General Meeting. After the Annual General Meeting of 2006, the Board of Directors is not authorised to issue bonds with warrants.

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.

Bond loan with warrants directed at personnel and option scheme 2001
The Annual General Meeting of Nokian Tyres in 2001 decided to offer a bond loan with warrants to the personnel of the Nokian Tyres Group and the wholly owned subsidiary of Nokian Tyres plc. The bond loan with warrants amounted to EUR 0.4 million. A total of 10,800 type I bond certificates, 9,600 type II bond certificates and 9,600 type III bond certificates were issued. 600,000 warrants were attached to the bonds, 216,000 of which were attached to the type I bond certificates and marked with the symbol 2001A; 192,000 were attached to type II bond certificates and marked with the symbol 2001B; and 192,000 were attached to type III bond certificates and marked with symbol 2001C. The Board of Directors of Nokian Tyres plc approved the subscriptions for the bond loan with warrants directed at the personnel of the Nokian Tyres Group on 1 June 2001. The bond loan with warrants was subscribed for by 42% of the entire personnel. A minimum subscription of EUR 53.82 for each subscriber was approved. In addition, a subscription for bond loan with warrants in the amount of EUR 65,634 was approved to the Nokian Tyres subsidiary Direnic Oy for later offer to employees of the Nokian Tyres Group or persons recruited to the Nokian Tyres Group.

The share subscription price for warrants 2001A was originally EUR 19.00, for warrants 2001B the trade volume weighted average quotation of the Nokian Tyres plc share on the Helsinki Exchanges between 1 October and 31 October 2001, i.e. EUR 25.94, and for warrants 2001C the trade volume weighted average quotation of the Nokian Tyres plc share on the Helsinki Exchanges between 1 April and 30 April 2002, i.e. EUR 30.43. 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 paid before the subscription, on the record date of each dividend payment. After 11 April 2006, the subscription price for warrants 2001A is EUR 1.038, warrants 2001B EUR 1.797 and warrants 2001C EUR 2.246.

The share subscription period began
- for warrants 2001A on 1 March 2003
- for warrants 2001B on 1 March 2004
- for warrants 2001C on 1 March 2005

The subscription period shall end on 31 March 2007 for all warrants. As a result of the subscriptions and according to the original subscription terms, the share capital of Nokian Tyres plc may increase by a maximum of EUR 1.2 million and the number of shares by a maximum of 600,000 new shares.

Bond loan with warrants 2004 directed at personnel
The Annual General Meeting held on 5 April 2004, decided to issue bonds with warrants to the staff 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 to 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–31 March 2004, i.e. EUR 62.96. 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–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–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 paid before the subscription, on the record date of each dividend payment. After 11 April 2006, the share subcription price for warrants 2004A is EUR 5.849, for warrants 2004B EUR 11.649 and for warrants 2004C EUR 12.59.

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 735,000 new shares.

Warrants listed on the Helsinki Exchanges

Nokian Tyres' 2001A warrants for the option scheme 2001 were listed on the Helsinki Exchanges main list as of 3 March 2003, 2001B warrants as of 1 March 2004 and 2001C warrants as of 1 March 2005. In 2006, at their highest, Nokian Tyres' 2001A warrants were quoted at EUR 155 (EUR 86.95 in 2005) and EUR 91.50 (EUR 70.07 in 2005) at their lowest. The highest rate for 2001B warrants was EUR 146 (EUR 179.00 in 2005) and the lowest EUR 80.70 (EUR 70.01 in 2005). The highest rate for 2001C warrants was EUR 142 (EUR 176.06 in 2005) and the lowest EUR 75 (EUR 51 in 2005). During the year, a total of 82,143 (236,380 in 2005) Nokian Tyres' warrants were traded on 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. At their highest, the 2004A warrants were quoted at EUR 108 and at their lowest at EUR 44.80. During the year, a total of 160,746 2004A warrants were traded on the Helsinki Exchanges.

Management shareholding

On 31 December 2006, Nokian Tyres' Board members and the President and CEO held a total of 8,500 Nokian Tyres' publicly traded bonds with warrants, and a total of 34,000 bonds with warrants that were not publicly traded in 2006. In addition, Nokian Tyres' Board members and the President and CEO held a total of 16,664 Nokian Tyres' shares. The shares and publicly traded bonds with warrants represent 0,1% of the total number of votes.

Share information

ISIN code:...FI0009005318
Trading code:...NRE1V
Nominal value:...EUR 0.20
Currency:...Euro

Changes in the ownership of shareholders registered under the name of a nominee 2006:

October 9, 2006

Nokian Tyres has today received an announcement from INVESCO Asset Management according to which as a result of a share transaction concluded on 17 July 2006, the holdings of AMVESCAP PCL, for and on behalf of funds managed by its affiliates, now represent more than 5% of the voting rights and share capital in Nokian Tyres plc. AMVESCAP PCL, for and on behalf of funds managed by its affiliates, now holds a total of 6,653,883 Nokian Tyres' share representing 5.45% of company's 122,032,270 shares and voting rights.

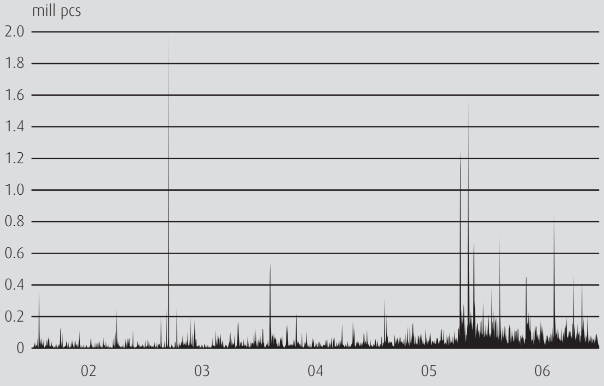
May 16, 2006

Deutsche Bank AG London has informed on the behalf of Deutsche Bank AG that as a result of transactions in the ordinary shares of Nokian Tyres plc undertaken on 11 May 2006, Deutsche Bank AG and its subsidiary companies were in possession of 5,817,505 ordinary shares of Nokian Tyres plc, representing 4.80% of the share capital and voting rights of that company.

Share ownership breakdown on December 31st, 2006

Number of shares	Number of shareholders	% of shareholders	shares	% of shares
1–100	4603	22.2	359 379	0.3
101–500	9047	43.6	2 767 696	2.3
501–1 000	3548	17.1	2 947 910	2.4
1 001–5 000	2917	14.1	6 533 690	5.4
5 001–10 000	333	1.6	2 544 992	2.1
10 001–50 000	211	1.0	4 355 208	3.6
50 001–100 000	32	0.2	2 214 145	1.8
100 001–500 000	41	0.2	9 573 435	7.8
500 001–	15	0.1	90 735 815	74.4
Total:	20 747	100.0	122 032 270	100.0

Nokian Tyres' share volumes on the Helsinki Stock Exhange
1 January 2002–31 December 2006



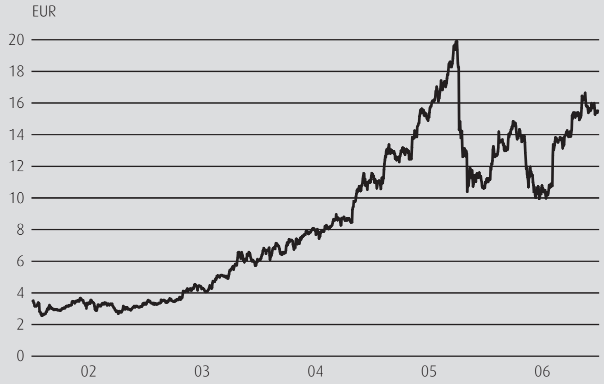
Ownership by category on December 31st, 2006

Foreign shareholders	65.0%
Private individuals	12.6%
Public organisations	10.3%
Financial institutions	5.9%
Non-profit organisations	3.8%
Corporations	2.5%

Major shareholders on December 31st, 2006

	Shares pcs	% of shares
1. Varma Mutual Pension Insurance Company	3 914 250	3.21
2. Ilmarinen Mutual Pension Insurance Company	3 900 200	3.20
3. Odin Forvaltning AS	2 447 369	2.01
4. Nordea	1 338 627	1.10
5. Tapiola Mutual Pension Insurance Company	1 100 000	0.90
6. OP-Funds	887 800	0.73
7. The Local Government Pension Institute	800 000	0.66
8. Etera Mutual Pension Insurance	757 250	0.62
9. Gyllenberg-funds	674 000	0.55
10. FIM-funds	668 850	0.55
Major total	**16 488 346**	**13.53**
All total	**122 032 270**	
Bridgestone Europe NV/SA (in the name of a nominee)	20 000 000	16.39

Nokian Tyres' share price development
1 January 2002–31 December 2006



Nokia, 15 February 2007

Petteri Walldén	**Hannu Penttilä**
Rabbe Grönblom	**Koki Takahashi**
Hille Korhonen	**Aleksey Vlasov**

Kim Gran
President and CEO

To the shareholders of Nokian Tyres plc
We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Nokian Tyres plc for the period 1 January–31 December 2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements
In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration
In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's 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 regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki, 15 February 2007

KPMG OY AB

Lasse Holopainen
Authorized Public Accountant

Annual General Meeting

The Annual General Meeting of Nokian Tyres plc will be held at Tampere-talo, in Tampere, address Yliopistonkatu 55 on Tuesday 3 April 2007, 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 23rd March 2007 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 p.m. on 29th March 2007 either in writing to Nokian Tyres plc, P.O. Box 20, FIN-37101 Nokia, by phone on +358 3 340 7641 or by fax on +358 3 340 7799. Any powers of attorney should be delivered 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 0.31 per share be paid for the financial year 2006. The record date for the dividend payment will be 10th April 2007 and the dividend payment date 17th April 2007, 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 9 May 2007
Interim Report for six months on 8 August 2007
Interim Report for nine months on 1 November 2007
Financial Statements Bulletin 2007 in February 2008
Annual Report 2007 in March 2008

Financial reports may be ordered from Nokian Tyres' corporate communications
telephone +358 3 340 7641 or fax +358 3 340 7799
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.

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At least the following analysts have made investments analyses in 2006:

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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.

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Stock Exchange Releases 2006

In 2006 Nokian Tyres published a total of 23 stock exchange releases or announcements. Short summaries of the most significant releases are given below. All releases or announcements can be read from Nokian Tyres' web pages.

22.11.2006	The second stage of the Nokian Tyres' Russian plant launched today
02.11.2006	Interim Report for Nokian Tyres plc January-September 2006
08.08.2006	Interim Report for Nokian Tyres plc January-June 2006
10.05.2006	Interim Report for Nokian Tyres plc January-March 2006
06.04.2006	Nokian Tyres plc Annual General Meeting, decisions
14.03.2006	Nokian Tyres to invest in heavy tyres production in Finland
07.03.2006	New positions and organisational changes in Nokian Tyres' top management
14.02.2006	Nokian Tyres plc financial statements bulletin 2005
23.01.2006	Nokian Tyres launch new core product lines to studded winter tyres

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

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