nokian TYRES

FINANCIAL REVIEW 2011

Financial review 2011

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

Consolidated key financial indicators

Figures in EUR million unless otherwise indicated	**IFRS 2011**	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002
Net sales	**1,456.8**	1,058.1	798.5	1,080.9	1,025.0	835.9	686.5	603.3	602.2	528.7	479.2
growth, %	**37.7%**	32.5%	-26.1%	5.5%	22.6%	21.8%	13.8%	14.1%	13.9%	10.3%	13.2%
Operating margin (EBITDA)	**451.7**	291.5	164.0	303.1	281.1	193.9	151.4	148.9	146.8	115.1	95.0
Depreciation and amortisation	**71.6**	69.4	61.9	56.2	47.1	40.8	35.6	33.4	38.7	36.0	34.9
Operating profit (EBIT)	**380.1**	222.2	102.0	247.0	234.0	153.1	115.8	115.6	108.1	79.1	60.1
% of net sales	**26.1%**	21.0%	12.8%	22.8%	22.8%	18.3%	16.9%	19.2%	18.0%	15.0%	12.5%
Profit before tax	**359.2**	208.8	73.5	173.8	213.8	139.3	112.6	103.0	99.9	69.6	48.0
% of net sales	**24.7%**	19.7%	9.2%	16.1%	20.9%	16.7%	16.4%	17.1%	16.6%	13.2%	10.0%
Return on equity, %	**29.1%**	20.0%	7.6%	18.8%	26.6%	20.9%	22.2%	31.3%	24.3%	20.8%	16.9%
Return on capital employed, %	**27.4%**	19.9%	9.4%	22.9%	27.8%	22.7%	21.4%	28.1%	27.5%	22.3%	17.1%
Total assets	**1,875.9**	1,371.6	1,221.9	1,420.4	1,155.4	884.7	797.4	578.4	553.8	476.1	450.9
Interest-bearing net debt [1]	**-3.6**	0.7	263.7	319.0	102.0	126.9	119.5	163.3	107.4	100.0	122.5
Equity ratio, %	**63.2%**	68.4%	62.0%	54.8%	61.8%	63.0%	59.1%	46.4%	48.3%	44.4%	38.9%
Gearing, % [1]	**-0.3%**	0.1%	34.8%	41.0%	14.3%	22.8%	25.4%	60.9%	35.4%	40.5%	57.9%
Net cash from operating activities	**232.9**	327.2	194.2	18.4	169.9	106.6	30.2	56.9	56.9	79.0	69.3
Capital expenditure	**161.7**	50.5	86.5	181.2	117.1	97.0	119.6	57.8	57.8	44.2	26.0
% of net sales	**11.1%**	4.8%	10.8%	16.8%	11.4%	11.6%	17.4%	9.6%	9.6%	8.4%	5.4%
R&D expenditure	**15.1**	12.7	12.0	12.5	11.5	9.0	9.3	9.8	9.6	8.3	8.5
% of net sales	**1.0%**	1.2%	1.5%	1.2%	1.1%	1.1%	1.4%	1.6%	1.6%	1.6%	1.8%
Dividends (proposal)	**156.6**	83.8	50.7	49.9	62.3	38.0	27.9	25.9	25.9	16.7	11.7
Personnel, average during the year	**3,866**	3,338	3,503	3,812	3,462	3,234	3,041	2,843	2,843	2,650	2,663

Per share data

Figures in EUR million unless otherwise indicated	**IFRS 2011**	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002
Earnings per share, euro	**2.39**	1.34	0.47	1.12	1.37	0.88	0.70	0.69	0.62	0.45	0.32
growth, %	**78.7%**	186.9%	-58.4%	-18.3%	55.7%	27.0%	1.2%	53.2%	38.9%	41.3%	33.2%
Earnings per share (diluted), euro	**2.32**	1.32	0.49	1.10	1.31	0.86	0.68	0.67	0.60	0.44	0.31
growth, %	**75.8%**	168.2%	-55.4%	-15.6%	52.6%	26.9%	1.6%	52.3%	38.1%	39.5%	31.9%
Cash flow per share, euro	**1.80**	2.58	1.56	0.15	1.38	0.88	0.26	0.53	0.53	0.74	0.65
growth, %	**-30.1%**	66.0%	953.2%	-89.3%	57.7%	243.7%	-51.8%	-28.9%	-28.9%	13.7%	-2.2%
Dividend per share, euro (proposal)	**1.20**	0.65	0.40	0.40	0.50	0.31	0.23	0.22	0.22	0.16	0.11
Dividend pay out ratio, % (proposal)	**50.7%**	49.4%	87.0%	35.7%	36.9%	35.4%	33.8%	35.1%	38.7%	35.0%	35.0%
Equity per share, euro	**9.15**	7.34	6.07	6.20	5.76	4.56	3.89	2.47	2.46	1.98	1.66
P/E ratio	**10.4**	20.5	36.4	7.0	17.5	17.6	15.3	16.3	18.0	13.4	10.7
Dividend yield, % (proposal)	**4.8%**	2.4%	2.4%	5.1%	2.1%	2.0%	2.2%	1.9%	1.9%	2.6%	3.3%
Market capitalisation 31 December	**3,224.7**	3,505.4	2,122.5	987.5	2,974.9	1,893.9	1,288.6	1,213.4	1,213.4	639.9	359.7
Average number of shares during the year, million units	**129.12**	126.75	124.85	124.61	122.95	121.63	118.57	107.46	107.46	106.19	105.82
diluted, million units	**135.70**	132.96	129.76	131.47	129.09	125.15	121.96	110.91	110.91	108.98	107.22
Number of shares 31 December, million units	**129.61**	127.70	124.85	124.85	123.70	122.03	121.00	108.53	108.53	106.82	105.82
Number of shares entitled to a dividend, million units	**130.50**	128.85	126.69	124.85	124.63	122.65	121.09	119.37	119.37	106.84	105.82

1) capital loan included in equity (only in FAS, years 2002–2004)

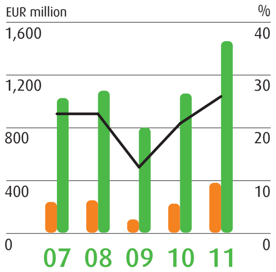
Consolidated key financial indicators

Definitions

Return on equity, % =	$\frac{\text{Profit for the period x 100}}{\text{Total equity (average)}}$
Return on capital employed, % =	$\frac{\text{Profit before tax + interest and other financial expenses x 100}}{\text{Total assets - non-interest-bearing debt (average)}}$
Equity ratio, % =	$\frac{\text{Total equity x 100}}{\text{Total assets - advances received}}$
Gearing[1], % =	$\frac{\text{Interest-bearing net debt}^{1}\text{ x 100}}{\text{Total equity}^{1}}$
Earnings per share, euro =	$\frac{\text{Profit for the period attributable to the equity holders of the parent}}{\text{Average adjusted number of shares during the year}}$
Earnings per share (diluted[2]), euro =	$\frac{\text{Profit for the period attributable to the equity holders of the parent}}{\text{Average adjusted and diluted}^{2}\text{ number of shares during the year}}$
Cash flow per share, euro =	$\frac{\text{Cash flow from operations}}{\text{Average adjusted number of shares during the year}}$
Dividend per share, euro =	$\frac{\text{Dividend for the year}}{\text{Number of shares entitled to a dividend}}$
Dividend pay-out ratio, % =	$\frac{\text{Dividend for the year x 100}}{\text{Net profit}}$
Equity per share, euro =	$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Adjusted number of shares on the balance sheet date}}$
P/E ratio =	$\frac{\text{Share price, 31 December}}{\text{Earnings per share}}$
Dividend yield, % =	$\frac{\text{Dividend per share}}{\text{Share price, 31 December}}$

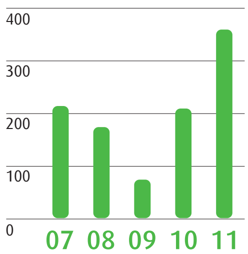
1 capital loan included in equity (only in FAS, years 2002–2004)
2 the share options affect the dilution as the average share market price for the financial year exceeds the defined subscription price

Net sales, operating profit and operating profit%



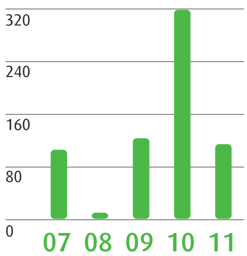
	07	08	09	10	11
Net sales	1,025.0	1,080.9	798.5	1,058.1	1,456.8
Operating profit	234.0	247.0	102.0	222.2	380.1
Operating profit%	22.8	22.8	12.8	21.0	26.1

Profit before tax



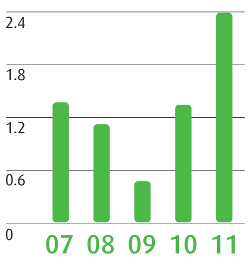
	07	08	09	10	11
EUR mill.	213.8	173.8	73.5	208.8	359.2

Cash flow from operations



	07	08	09	10	11
EUR mill.	105.6	9.5	123.1	318.8	114.1

Earnings per share



	07	08	09	10	11
EUR	1.37	1.12	0.47	1.34	2.39

Nokian Tyres group's net sales increased by 37.7% to EUR 1,456.8 million (EUR 1,058.1 million in 2010). Operating profit grew to EUR 380.1 million (EUR 222.2 million) and Profit for the period amounted to EUR 308.9 million (EUR 169.7 million). Earnings per share increased to EUR 2.39 (EUR 1.34). Cash flow from operations was EUR 114.1 million (EUR 318.8 million). The Board of Directors proposes a dividend of EUR 1.20 (EUR 0.65) per share.

Kim Gran, President and CEO:

"The year 2011 was a success story for Nokian Tyres as sales, margin and production output all improved. Our growth strategy paid off generously in conditions of strong demand.

The fourth quarter sales and results came in as planned with some modification in sales mix due to a black start for the winter season. Sales in 2011 were up significantly in all our key markets and we continue to win market share especially in Russia and CE. The successful launch of our new test winning Central European winter tyre range Nokian WR D3 combined with strong sales growth of our Nordic and Russian Hakkapeliitta winter tyre range fuelled growth and improved ASP.

A strong sales mix with a high share of premium products combined with price increases improved margin. We are market leaders in brand, price positioning and distribution in our core markets and managed to improve our position and profitability also in CE clearly. The expansion of our distribution network continues spearheaded by Vianor which recorded 139 new stores in 2011. The chain now totals 910 stores in 23 countries with 491 stores in 287 Russian/CIS cities.

Production output (tons) grew by 47% year-over-year both factories improving output and productivity. Weekly output was increased from 250 to 360 thousand tyres/week during the year by the start of new production lines in Russia. The ramp-up continues by building a new state-of-the-art factory in Russia with start of production during summer 2012.

The visibility to the first half of 2012 sales and results is good. Our order book is strong and inventory levels in distribution are normal on our core markets. Sales will correlate closely with full utilization of our growing production output. Raw material costs are levelling off which together with improving productivity will help to maintain healthy profitability.

Our sails continue to bulge with tailwind and we enter 2012 stronger than ever. Despite uncertainties in Europe our core markets in Northern Europe and Russia & CIS offer continued growth potential and we see no other target than to improve sales and results also in 2012."

Market situation

The growth rate of the global economy started to slow down during 2011. GDP growth was slower than expected in many countries causing downward revisions of economic forecasts. Major economies grew still, although at a slower pace, backed by easy monetary policies and low interest rates. Growth in Nokian Tyres' core markets, Nordic countries and Russia, have shown comparatively positive development. In Europe the uncertainty related to the governmental borrowing and its effects to financial markets continues and the outcome is still not fully visible. So far it has had minor effect on the private sector's spending. The uncertainty in macroeconomics has lately somewhat decreased but may still convert into weaker demand in 2012. The Euro has depreciated and a further depreciation would have a positive net effect on Nokian Tyres.

Drivers for growth in Nokian Tyres' core markets are still intact.

Annual GDP growth averaged approximately 3% in the Nordic countries and over 4% in Russia in 2011 versus 2010. The new car sales increased in the Nordic countries by approximately 8% year-over-year. In Russia the new car sales were up by 39% in 2011 compared to 2010. In 2012 the GDP is estimated to grow 3.5% and new car sales by 10-15% in Russia.

The replacement market sales volume for car tyres in 2011 increased in the Nordic countries by an estimated 2% and in Europe by 3% year-over-year with summer tyre sales declining and winter tyre deliveries increasing by 15%. Tyre industry deliveries to distributors increased by over 30% in Russia in 2011, trailing the improving economy, lower stocks of distributors and strong consumer confidence.

The second consecutive true winter with heavy snowfall prolonged in spring 2011 in all Europe and in Russia, resulting in strong winter tyre consumer sales and leaving retailers with low inventories in the end of the season. Late snowfall in the autumn 2011 had only little negative impact on winter tyre sales to consumers in Nokian Tyres' core markets in Nordic countries and Russia. Tyre stocks are still relatively low in distribution. Summer tyre market declined in Europe but increased significantly in Russia.

The demand for special heavy tyres remained good in 2011 although order book for forestry tyres started to weaken in Q4. Heavy tyre demand for 2012 is uncertain but some positive signals have become visible in the form of somewhat increasing demand from after-market and some signs of recovery in commodity prices (e.g. pulp and metals).

The demand for new and retreaded truck tyres has remained solid in Nokian Tyres' core markets.

The prices for natural rubber and oil-based materials rose significantly from early 2009 to mid-2011 and some materials were in short supply. In early 2011 raw material costs continued to go up triggering additional price increases from the tyre industry. At the end of 2011 raw material prices dropped and availability came back to normal. The tyre industry raw material costs rose still slightly towards the end of the year due to stocks purchased with higher prices. Tyre industry pricing discipline appears to be good, but there will be less room for price increases in 2012 as the raw material cost will take a downturn in Q1.

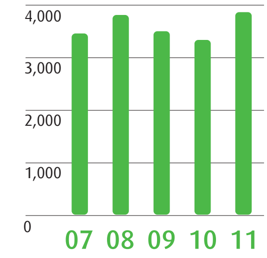
January-December 2011

Nokian Tyres Group recorded net sales of EUR 1,456.8 million (2010: 1,058.1; 2009: 798,5) showing an increase of 37.7% compared with 2010. In the Nordic countries sales increased by 17.4% representing 37.9% (44.5%) of the group's total sales. Sales in Russia increased by 81.0%. Russia and CIS consolidated sales grew by 79.1% and formed 26.9% (20.7%) of the group's total sales. In Central and Eastern Europe sales were up by 49.1% year-over-year representing 27.8% (25.7%) of the group's total sales. In North America sales increased by 9.9% and were 6.9% (8.7%) of the group's total sales.

Sales of passenger car tyres were up by 49.9% representing 69.5% (62.4%) of the group's total sales. Heavy tyres' sales increased by 39.2% and were 7.3% (7.1%) of the group's total sales. Vianor's sales decreased by 3.1% forming 19.4% (26.9%) of the group's total sales. The sales of Other operations were up by 44.1% representing 3.8% (3.6%) of the group's total sales.

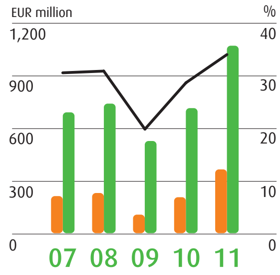
Raw material cost (EUR/kg) in manufacturing increased by 30.9% in 2011 year-over-year. Fixed costs amounted to EUR 345.8 million (309.8), accounting for 23.7% (29.3%) of net sales. Total salaries and wages were EUR 182.4 million (2010: 147.7; 2009: 131.0).

Average number of personnel



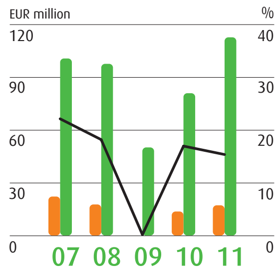
	07	08	09	10	11
Persons	3,462	3,812	3,503	3,338,	3,866

Passenger Car Tyres
Net sales, operating profit and operating profit%



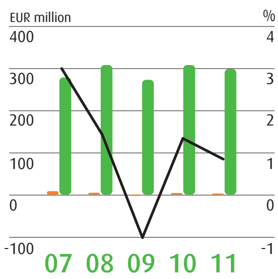
	07	08	09	10	11
Net sales	691.2	741.6	527.3	714.7	1,071.1
Operating profit	212.2	230.0	106.2	205.5	365.1
Operating profit%	30.7	31.0	20.1	28.8	34.1

Heavy Tyres
Net sales, operating profit and operating profit%



	07	08	09	10	11
Net sales	100.8	97.7	50.1	81.0	112.8
Operating profit	22.3	17.7	0.0	13.7	17.2
Operating profit%	22.1	18.1	0.0	16.9	15.3

Vianor
Net sales, operating result and operating result%



	07	08	09	10	11
Net sales	278.5	308.3	273.2	307.9	298.4
Operating result	8.4	4.4	-3.0	4.0	2.3
Operating result%	3.0	1.4	-1.1	1.3	0.8

Nokian Tyres Group's Operating profit amounted to EUR 380.1 million (2010: 222.2; 2009:102.0). The Operating profit was negatively affected by the IFRS 2 -compliant option scheme write-off of EUR 8.1 million (7.3) and expensed credit losses and provisions of EUR 7.5 million (0.8). Operating profit percentage was 26.1 (2010: 21.0; 2009: 12.8).

Net financial expenses were EUR 20.9 million (13.3). Net interest expenses were EUR 14.4 million (19.5) including EUR 8.5 million (8.1) in non-cash expenses related to convertible bonds. Net financial expenses include EUR 6.5 million (-6.1) of exchange rate differences.

Profit before tax was EUR 359.2 million (208.8). Profit for the period amounted to EUR 308.9 million (169.7), and EPS were EUR 2.39 (EUR 1.34).

Return on net assets (RONA, rolling 12 months) was 27.0% (17.8%). Return on equity was 29.1% (2010: 20.0%; 2009: 7.6%). Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow from operations) was EUR 114.1 million (318.8).

The Group employed an average of 3,866 (2010: 3,338; 2009: 3,503) people, and 3,981 (2010: 3,506; 2009: 3,292) at the end of the period. The equity-owned Vianor tyre chain employed 1,370 (2010: 1,409; 2009: 1,388) people and Russian operations 1,062 (2010: 851; 2009: 640) people at the end of the period.

Research & Development

The goal of Nokian Tyres is for new products to account for at least 25% of annual net sales. the development of a brand-new passenger car tyre takes 2 to 4 years. Approximately one-half of R&D investments are allocated to product testing. Nokian Tyres R&D costs in 2011 totalled approximately EUR 15.1 million (2010: 12.7; 2008: 12.0), which is 1.0% (2010: 1.2%; 2009: 1.5%) of the Group's net sales.

Financial position on 31 December 2011

Gearing ratio was -0.3% (0.1%). Interest-bearing net debt amounted to EUR -3.6 million (0.7). Equity ratio was 63.2% (2010: 68.4%; 2009: 62.0%).

The Group's interest-bearing financial liabilities totalled EUR 461.0 million (217.2) of which current interest-bearing financial liabilities amounted to EUR 253.4 million (13.0). The average interest rate of interest-bearing financial liabilities was 5.6% (5.2%). The average interest rate of interest-bearing financial liabilities was 1.8% (1.5%) with calculatory non-cash expenses related to the convertible bond eliminated.

At the end of the review period the company had unused credit limits amounting to EUR 360.8 million (536.7) of which EUR 305.9 million (235.9) were committed. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, subsidiaries in distribution chains and thus control the typical seasonality in the Group's cash flow due to changes in the working capital.

Tax rate

The Group's tax rate in 2011 was 14.0% (18.7%). The tax rate is affected by tax relieves in Russia based on present investments and further investment-related incentive agreements. A new agreement has been completed with authorities in Russia concerning additional investment in the existing factory and building the new factory. The agreement will prolong the tax benefits and incentives for 9 years. The estimated tax rate going forward for the next 5 years is 17%.

Passenger car tyres

The net sales of Nokian Passenger Car Tyres in 2011 totalled EUR 1,071.1 million (714.7), up by 49.9% from previous year. Operating profit increased to EUR 365.1 million (205.5). Operating profit percentage improved to 34.1% (28.8%).

Nokian car tyres' sales increased in all market areas, 43% of the sales increase coming from Russia. Among product groups the SUV winter tyres showed the strongest growth. Winter tyres' share of Nokian Tyres' total sales mix grew year-over-year to 77% of volume. Nokian car tyres' market share improved in the Nordic countries, Russia and Europe. Despite significant production capacity ramp-up, high demand exceeded the company's supply capacity and some sales shifted to 2012.

The new summer tyre range with the spearhead product Nokian Hakka Green, a tyre giving clear savings in fuel-consumption, was successfully launched. The autumn 2011 sales were boosted by several magazine test victories for Nokian Tyres in studded and non-studded Nordic winter tyres as well as in Central European winter tyres like the new Nokian WR D3.

Sales mix improved clearly, which together with successful price increases raised the Average Selling Price year-over-year, thus compensating for the raw material cost (€/kg) increase of 31% versus 2010.

Production output (pcs) grew by 47% compared with the previous year, boosted by the increased capacity in Russia with lines 9 and 10 coming on stream. The plant in Nokia has been back to 7 days/week full capacity as from August 2011. Productivity improved along with high utilization and capacity increases.

Fixed costs increased moderately compared to the sales growth which helped to improve margins. Inventories and receivables grew along with increased sales.

Construction of the new plant and warehouse next to the current ones in Russia started and has proceeded on schedule. The new plant is estimated to commence production with two additional production lines during 2012 and further capacity increase by two lines taking place during 2013-2014.

The order book for 2012 is strong and the inventories are low in Nokian Tyres. Tyre raw material prices have levelled off and availability has improved, which will reduce raw material cost in Q1/2012 vs. Q4/2011. The focus in 2012 will be on securing the tyre supply capacity, optimising the logistics for growing deliveries and improving sales mix further.

Heavy tyres

The net sales of Nokian Heavy Tyres totalled EUR 112.8 million (81.0) in 2011, up by 39.2% year-over-year. Operating profit was EUR 17.2 million (13.7), and the Operating profit percentage 15.3% (16.9%).

Demand for heavy tyres was strong in 2011, although forestry tyre demand started to decrease in Q4. In total the Nokian Heavy Tyres order book improved during Q1-Q3 trailing the increased activity in machine building and a stronger replacement market. Sales improved clearly in all product groups, especially in forestry, mining and radial tyres. Sales in Russia improved clearly.

Price increases during the year were sufficient to offset the higher raw material cost.

The production was at full utilization until December and volume (tons) increased by 26% year-over-year. Further investments were taken to open bottlenecks in production and to increase capacity in 2012-2013 by approximately 20% from 2011 level.

A new product category, Beyond All-Steel Radial (BAS) developed by Nokian Tyres was launched targeting harbour and mining end use applications. Sales were started challenging traditional all-steel tyres.

In 2012 Nokian Heavy Tyres' sales are estimated to decrease compared to 2011 due to a softer demand. The focus in 2012 will be on optimizing production to demand, increasing sales to the replacement market and expanding the Industrial Vianor concept.

Vianor

Equity-owned operations

At the end of 2011 Vianor had 179 (169) equity-owned stores in Finland, Sweden, Norway, USA, Switzerland and Russia. During the year 11 stores were acquired and 2 stores were closed. Vianor's net sales in 2011 amounted to EUR 298.4 million (307.9), down by 3.1% compared with 2010. Operating profit was EUR 2.3 million (4.0) and the Operating profit percentage was 0.8% (1.3%).

The strongest sales growth was achieved in service and truck tyre sales. Finland was the most profitable among Vianor's country organisations. Margins improved but the long-term profitability goals were not achieved due to the amount of fixed costs compared to sales. Vianor succeeded in its strategic goals acting as price leader and offering the best network of wholesale and retail for Nokian Tyres' products in core markets.

In 2012 the focus will be on improving sales and market shares further, developing the car services business and improving cost efficiency.

Franchising and partner operations

Vianor expanded the network on Nokian Tyres' core markets by 37 stores in Q4 and by 139 stores during 2011. At the end of 2011, the global Vianor network comprised of 910 stores of which 731 were partners. Vianor operated in 23 countries; most extensively in the Nordic countries, in Russia and in Ukraine. During the year Italy, Azerbaijan and Romania joined as new countries in the network. Nokian Tyres' market shares improved as a result of the expansion.

Expanding the partner franchise network will continue according to plans; the target is to have more than 1,000 stores by the end of 2012.

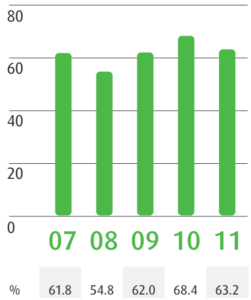
Other operations

Truck Tyres

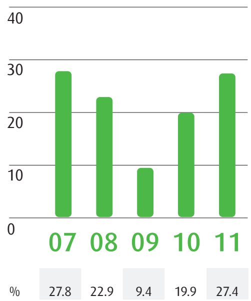
The net sales of Nokian Truck Tyres were EUR 59.3 million (41.2), up by 44.1% from the previous year. Nokian truck tyres' market share increased in the Nordic countries, in Russia as well as in Central and Eastern Europe due to an improved product range in both premium and standard tyres. Sales of retreading materials improved due to a higher utilization rate in the transport sector and improved market share in the Nordic countries.

Due to the improved market there was a global shortage of truck tyres in 2011. Nokian Tyres continues to expand the capacity platform for truck tyres. In 2012 the focus will also be on streamlining logistics and improving the product range. The expansion to Russia, CIS and Eastern Europe utilizing the "Vianor Truck" service concept will continue.

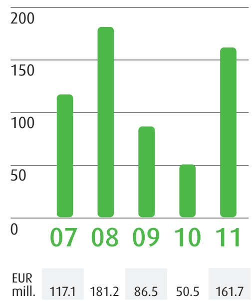
Equity ratio



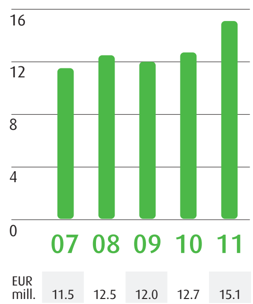
Return on capital employed



Gross investment



R & D expenses



Russia and the CIS countries

Nokian Tyres' sales in Russia increased year-over-year by 81.0% to EUR 375.8 million (207.7). Sales in CIS countries (excluding Russia) were EUR 39.3 million (24.1). Consolidated sales in Russia and CIS increased by 79.1% to EUR 415.1 million (231.8).

Sales in Russia grew significantly due to recovered consumer demand, distributors' low inventory levels and improved credit capability. Summer and winter tyre sales increased substantially, both in premium and standard tyres. Nokian Tyres improved further its market shares and the market leader position in premium tyres in Russia.

The distribution network was extended by signing additional distribution agreements and expanding the Vianor network. There were a total of 491 Vianor stores in 287 cities in Russia and CIS countries at the end of 2011.

By the end of 2011 two new production lines (9 and 10) in the Russian factory increased the annual capacity to approximately 11 million tyres. The company commenced building a new plant next to the current one, which will increase the annual car tyre capacity further by 5-6 million tyres. All required agreements with Russian authorities about tax relieves and infrastructure investments have been signed, which will prolong the incentive period by up to 9 years with respect to the new investment project. The new plant is estimated to commence production during 2012 and the capacity increase during 2012-2014.

Russian economy recovered at an estimated real GDP growth of 4.3% in 2011 versus 2010. Consumer confidence was strong and purchasing power improved. Russia is expected to show a healthy GDP growth of 3.5% in 2012.

New car sales, the main driver for premium tyres, increased by 39% in 2011 compared to 2010. The new car sales was supported by the credit rates offered by banks (including loans subsidized by car manufacturers) returning to pre-crisis values. New certificates of the car scrappage incentive program were no longer granted in the second half of the year, but the program's positive effect on car sales continued throughout the year. The car sales annual growth in 2012 is forecasted to be in the range of 10-15% with a return to pre-crisis volume. The sales of used cars are also strong with demand exceeding supply. Western cars that were acquired in large volumes before 2009 are now in need for both summer and winter replacement tyres.

The market potential with strong underlying consumer demand in Russia is evident with strong growth in car and tyre sales. Tyre industry deliveries to distributors increased by over 30% in 2011 year-over-year. The market is expected to show healthy growth also in 2012.

The Nokian Tyres plant located in Russia inside the customs borders (duty 20% for imported tyres) combined with an expanding Vianor chain provides a significant competitive edge on the market.

Investments

Investments in 2011 amounted to EUR 161.7 million (50.5). This comprises of production investments in the Russian and Finnish factories, moulds for new products and the Vianor expansion projects.

Other matters

1. Stock options on the NASDAQ OMX Helsinki Stock Exchange

The Board of Directors of Nokian Tyres plc resolved to apply for listing of the stock options 2007C on the NASDAQ OMX (Helsinki stock exchange) so that the listing would commence on 1 March 2011.

The total number of stock options 2007C is 2,250,000. Each stock option 2007C entitles its holder to subscribe for one Nokian Tyres plc share. The shares can be subscribed with the stock options 2007C during 1 March 2011 - 31 March 2013. In the aggregate, the stock options 2007C entitle their holders to subscribe for 2,250,000 shares. The present share subscription price with stock options 2007C is EUR 7.56/share. The dividends payable annually shall be deducted from the share subscription price.

2. Shares subscribed with option rights

After 14 December, 2010 registered new shares a total of 1,146,301 Nokian Tyres plc's shares have been subscribed with the 2007A option rights and 250 with the 2007B option rights. These option rights are attached to the Nokian Tyres plc's Option Programs of 2007. New shares have been registered into the Trade Register on 24 February, 2011. After the subscription, the number of Nokian Tyres shares was 128,849,012 and the share capital remained EUR 25,437,906.00.

After 24 February 2011 registered new shares a total of 448,867 Nokian Tyres plc's shares have been subscribed with the 2007A option rights and 175 with the 2007B option rights and 177,790 with the 2007C option rights. These option rights are attached to the Nokian Tyres plc's Option Programs of 2007. New shares have been registered into the Trade Register on 12 May 2011. After the subscription, the number of Nokian Tyres plc shares increased to 129,475,844 shares.

After 12 May 2011 registered new shares a total of 50 Nokian Tyres plc's shares have been subscribed with the 2007B option rights and 92,811 with the 2007C option rights. These option rights are attached to the Nokian Tyres plc's Option Programs of 2007. New shares have been registered into the Trade Register on 11 August 2011. After the subscription, the number of Nokian Tyres plc shares increased to 129,568,705 shares.

After 11 August 2011 registered new shares a total of 260 Nokian Tyres plc's shares have been subscribed with the 2007B option rights and 750 with the 2007C option rights. These option rights are attached to the Nokian Tyres plc's Option Programs of 2007. New shares have been registered into the Trade Register on 14 November 2011. After the subscription, the number of Nokian Tyres plc shares increased to 129,569,715 shares.

After 14 November 2011 registered new shares a total of 125 Nokian Tyres plc's shares have been subscribed with the 2007B option rights and 40,000 with the 2007C option rights. These option rights are attached to the Nokian Tyres plc's Option Programs of 2007. New shares have been registered into the Trade Register on 14 December 2011. After the subscription the number of Nokian Tyres plc shares will increase to 129,609,840 shares.

3. Share price development

The Nokian Tyres' share price was EUR 24.88 (EUR 27.45) at the end of the review period. The volume weighted average share price during the period was EUR 27.38 (EUR 21.05), the highest EUR 37.45 (EUR 28.20) and the lowest EUR 19.23 (EUR 15.89). A total of 209,897,339 shares were traded during the period (173,983,343), representing

162% (136%) of the company's overall share capital. The company's market value at the end of the period amounted EUR 3.225 billion (EUR 3.505 billion).The company's percentage of Finnish shareholders was 39.8% (37.6%) and 60.2% (62.4%) were foreign shareholders registered in the nominee register. This figure includes Bridgestone's ownership of approximately 15.4%.

4. Decisions made at the Annual General Meeting

On 7 April 2011, Nokian Tyres Annual General Meeting accepted the financial statements for 2010 and discharged the Board of Directors and the President and CEO from liability.

The meeting decided that a dividend of EUR 0.65 per share shall be paid for the period ending on 31 December, 2010. The dividend was decided to be paid to shareholders included in the shareholder list maintained by Euroclear Finland Ltd on the record date of 12 April 2011. The proposed dividend payment date was decided to be 27 April 2011.

4.1. Members of the Board of Directors and Auditor

The meeting decided that the Board of Directors has six members. Kim Gran, Hille Korhonen, Hannu Penttilä, Petteri Walldén and Aleksey Vlasov continued in the Nokian Tyres' Board of Directors. Benoit Raulin was elected as a new member of the Board. Authorised public accountants KPMG Oy Ab was decided to continue as auditors.

4.2. Remuneration of the Members of the Board of Directors

The meeting decided that the fee paid to the Chairman of the Board is EUR 70,000 per year, while that paid to Board members is set at EUR 35,000 per year. With the exception of the President and CEO, members of the Board and the Nomination and Remuneration Committee are also granted an attendance fee of EUR 600 per meeting.

In addition, 60% of the annual fee be paid in cash and 40% in company shares, such that in the period from 8 April to 29 April 2011, EUR 28,000 worth of Nokian Tyres plc shares will be purchased at the stock exchange on behalf of the Chairman of the Board and EUR 14,000 worth of shares on behalf of each Board member. This means that the final remuneration paid to Board members is tied to the company's share performance. No separate compensation will be paid to the President and CEO for Board work.

5. Signing of credit facility

Nokian Tyres plc signed a EUR 100 million Multicurrency Revolving Credit Facility for 5 years with international banks on the 31st of March 2011. The Facility will be used to refinance the existing EUR 180 million Multicurrency Revolving Credit Facility that was signed 4th of November 2009 and for general corporate purposes. Mandated Lead Arrangers and Bookrunners for the facility are: HANDELSBANKEN CAPITAL MARKETS, SVENSKA HANDELSBANKEN AB (PUBL),NORDEA BANK FINLAND PLC, POHJOLA BANK PLC and SAMPO BANK PLC. The coordinator and facility agent for the facility was Nordea.

6. Changes in ownership

Nokian Tyres received a notification from The Goldman Sachs Group, Inc. on 12 April 2011, according to which the total ownership of Goldman Sachs & Co., Goldman Sachs International and Goldman Sachs Asset Management L.P. increased above the level of 5% of the share capital in Nokian Tyres plc as a result of a share transaction concluded on 11 April 2011. The Goldman Sachs Group held on deal date a total of 7,829,934 Nokian Tyres' shares representing 6,08% of company's 128,849,012 shares and voting rights.

Nokian Tyres received a notification from The Goldman Sachs Group, Inc. on 14 April 2011, according to which the total ownership of Goldman Sachs & Co., Goldman Sachs International and Goldman Sachs Asset Management L.P. fell below the level of 5% of the share capital in Nokian Tyres plc as a result of a share transaction concluded on 13 April 2011.

Nokian Tyres received a notification from BlackRock, Inc. on 17th August 2011, according to which the ownership of Black Rock Investment Management (UK) Limited has decreased under the level of 5% of the share capital in Nokian Tyres plc as a result of a share transaction concluded on 15th August 2011. Black Rock Investment Management (UK) Limited held on deal date a total of 6,374,263 Nokian Tyres' shares representing 4.92% of company's 129,568,705 shares and voting rights.

Corporate Governance statement

A separate corporate Governance Statement has been issued and published in connection with the publishing of the Report by the Board of Directors 2010. Statement is available on pages 62–66 in this report as well as on the company's website www.nokiantyres.com/administration.

Information provided pursuant to the securities Market act, Chapter 2, section b

Information required under the Securities Market Act, chapter 2, Section 6 b is presented in the consolidated Financial Statements 2011: in note 29 and in Information on Nokian Tyres share and also in the corporate Governance Statement.

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. 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. Group Treasury in parent company manages financial risks according to Group's financial policy approved by the Board of Directors.

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

Risks, uncertainty and disputes in the near future

Based on economic data the eurozone was in a recession in Q4/2011 and going into 2012. The recession is expected to be short but growth in 2012 to be weak. Ongoing uncertainty related to governmental borrowing in Europe may still cause disruption in the financial markets. Global economy is expected to improve in 2012 driven by growth in China and the continuing moderate recovery of the U.S. economy.

Receivables have increased during 2011 in line with increased sales and the business model. Tyre inventories are back on a normal level. Special attention is drawn to controlling net working capital. At the end of 2011 Russian trade receivables accounted for 17.7% of the Group's total trade receivables.

Around 36% of the Group's net sales in 2012 are estimated to be generated from euro-denominated sales. The most important sales currencies in addition to the euro are the Russian rouble, the Swedish and Norwegian krona, the US dollar and the Ukrainian hryvnia.

Nokian Tyres' other risks and uncertainty factors relate to the prices of raw materials. The maintaining of profitability in case of rising raw material prices depends on the company's ability to raise tyre prices in line with the increasing raw material cost. An efficient ramp-up of new production lines in Russia will depend on the success of recruiting and retaining work force in a tightening labour market.

Nokian Tyres group has no pending disputes or litigations expected to have material effect on the performance or future outlook of the group.

Environment and safety

Zero accidents and uncompromising safety in all areas of safety management is at the core of Nokian Tyres' EHSQ policy. In its safety and environmental management, Nokian Tyres adheres to international, national and local regulations and agreements, and permit terms and conditions that apply to the company. In addition, Nokian Tyres wants to be a forerunner in product safety and environmental matters.

Nokian Tyres is the only major tyre manufacturer that has produced all the tyres in its own facilities without high-aromatic oils since 2005. For contract manufacturing, the use of high-aromatic oils was terminated in 2009. Furthermore, Nokian Tyres does not use any other chemicals classified as toxic (T, T+) or carcinogenic in its own production. Product development takes environmental matters into consideration, which has resulted in advanced product solutions when it comes to, for example, rolling resistance (fuel consumption, CO_2 emissions) or the soil compaction caused by tyres in farming and forestry.

Production and sales growth, as well as plant expansions, led to the company's absolute environmental impacts increasing year-over-year, for example in terms of the total amount of waste. However, energy efficiency in proportion to production was significantly improved thanks to a higher utilisation rate. In Nokia, the rate of recycling was successfully kept at 95%. Nokian Heavy Tyres continued its production development project aiming to reduce VOC emissions by evaluating new development possibilities.

Due to the large number of new employees, special attention was given to induction and work guidance at both plants. There were no serious accidents, although the accident frequency at the Nokia plant increased. The accident frequency at the Russian plant remained at a very good level. Safety audits were systematically carried out and a strong focus was placed on risk analyses in order to ensure further development. Development work will continue in 2012 with the aim, among others, to renew the company's system and the collection of environmental and safety indicators in the whole organisation.

Outlook for 2012

The demand and order book for Nokian car tyres has remained strong on all Nokian Tyres' core markets, despite uncertainties in the global economy. In 2012 the car tyre demand is expected to continue to grow globally at a rate of 2-4% driven by growth in emerging markets. Europe is expected to show zero to slow growth with northern countries performing comparatively well. Demand in Russia is forecasted to continue to show healthy growth on the back of growth in GDP, car sales and an expanding replacement market. Inventory levels in Nokian core markets are normal both for summer and winter tyres. Demand for heavy tyres in OE has levelled off and is expected to be soft in 2012.

Growing production capacity offers further growth potential and productivity gains. Production has been increased during H2/2011 by investment and start-up of two new lines in the Russian plant and by shifting the plant in Nokia to 7 days/week full capacity. The company is also building a new plant in Russia next to the current one, which will increase the annual car tyre capacity by 5-6 million tyres. The new plant is estimated to commence production during 2012 and the capacity increase during 2012-2014. The company and Russian authorities have signed agreements which will prolong incentives and tax relieves by 9 years.

Nokian Tyres' raw material cost is gradually levelling off and for full year 2012 it is estimated to decrease by 0-2% versus 2011.

Strong demand, a healthy order book, expanding distribution channel, fluent seasonal logistics, an improved cost structure with majority of production inside duty borders of Russia and CIS as well as new test winner products will give Nokian Tyres a good chance to strengthen its market leadership in the core markets and to continue strong profitable growth.

Financial guidance:

In 2012, the company is positioned to improve net sales and operating profit compared to 2011.

Investments in 2012

Nokian Tyres' budget for total investments in 2012 is EUR 202 million (161.7). EUR 142 million will be invested in Russia, including the start of the new production facilities. The balance comprises of investments in Nokia plant (automation, moulds, ICT, R&D) EUR 32 million, Heavy tyres EUR 15 million and sales companies including Vianor chain with its acquisitions EUR 13 million.

The proposal for the use of profits by the Board of Directors

The distributable funds in the Parent company total EUR 327.0 million.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:
A dividend of 1.20 EUR/share be paid out,

totalling	EUR 156.6 million
retained in equity	EUR 170.4 million
Total	EUR 327.0 million

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

Nokia, 8 February 2012

Nokian Tyres plc

Board of Directors

EUR million 1.1.–31.12.	Notes	2011	2010
Net sales	(1)	**1,456.8**	1,058.1
Cost of sales	(3)(6)(7)	**-805.8**	-604.0
Gross profit		**651.0**	454.1
Other operating income	(4)	**1.8**	4.3
Selling and marketing expenses	(6)(7)	**-216.5**	-192.9
Administration expenses	(6)(7)	**-29.4**	-27.6
Other operating expenses	(5)(6)(7)	**-26.8**	-15.8
Operating profit		**380.1**	222.2
Financial income	(8)	**90.9**	96.3
Financial expenses	(9)	**-111.8**	-109.7
Profit before tax		**359.2**	208.8
Tax expense [1]	(10)	**-50.3**	-39.1
Profit for the period		**308.9**	169.7
Attributable to:			
Equity holders of the parent		**308.9**	169.7
Non-controlling interest		**0.0**	0.0
Earnings per share (EPS) for the profit attributable to the equity holders of the parent:	(11)		
Basic, euros		**2.39**	1.34
Diluted, euros		**2.32**	1.32

CONSOLIDATED OTHER COMPREHENSIVE INCOME

Result for the period		**308.9**	169.7
Other comprehensive income, net of tax			
Gains/Losses from hedge of net investment in foreign operations [2]	(10)	**-2.9**	-17.9
Cash flow hedges	(10)	**-1.4**	-0.6
Translation differences on foreign operations		**-7.6**	37.0
Other comprehensive income for the period		**-11.9**	18.5
Total comprehensive income for the period		**297.0**	188.2
Total comprehensive income attributable to:			
Equity holders of the parent		**297.0**	188.2
Non-controlling interest		**0.0**	0.0

1) Tax expense in the consolidated income statement is based on the taxable result for the period.
2) In 2009-2011 the Group had internal loans that were recognised as net investments in foreign operations in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates'.

EUR million 31.12.	Notes	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	(12)(13)	**560.4**	483.6
Goodwill	(2)(14)	**63.8**	58.8
Other intangible assets	(14)	**22.6**	19.7
Investments in associates	(16)	**0.1**	0.1
Available-for-sale financial assets	(16)	**0.3**	0.3
Other receivables	(15)(17)	**17.9**	20.6
Deferred tax assets	(18)	**5.4**	22.3
		670.4	605.2
Current assets			
Inventories	(19)	**324.0**	210.6
Trade and other receivables	(20)(29)	**409.3**	328.5
Current tax assets		**7.6**	10.7
Cash and cash equivalents	(21)	**464.5**	216.6
		1,205.5	766.3
Total assets	(1)	**1,875.9**	1,371.6
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	(22)(23)		
Share capital		**25.4**	25.4
Share premium		**181.4**	181.4
Translation reserve		**-81.5**	-71.1
Fair value and hedging reserves		**-2.0**	-0.6
Paid-up unrestricted equity reserve		**35.4**	8.0
Retained earnings		**1,027.2**	793.9
		1,185.9	937.2
Non-controlling interest		**0.3**	0.0
Total equity		**1,186.1**	937.2
Liabilities			
Non-current liabilities	(24)		
Deferred tax liabilities	(18)	**31.2**	39.3
Provisions	(25)	**-**	0.1
Interest-bearing financial liabilities	(26)(27)(29)	**207.6**	204.2
Other liabilities		**2.5**	1.9
		241.2	245.5
Current liabilities			
Trade and other payables	(28)	**186.1**	165.2
Current tax liabilities		**7.2**	8.5
Provisions	(25)	**1.8**	2.2
Interest-bearing financial liabilities	(26)(27)(29)	**253.4**	13.0
		448.5	189.0
Total liabilities	(1)	**689.7**	434.4
Total equity and liabilities		**1,875.9**	1,371.6

EUR million	1.1.–31.12.	Notes	2011	2010
Cash flows from operating activities:				
Cash receipts from sales			1,379.7	1,066.0
Cash paid for operating activities			-1,107.5	-693.3
Cash generated from operations			272.2	372.7
Interest paid			-12.4	-42.9
Interest received			3.7	0.8
Dividends received			0.0	0.0
Income taxes paid			-30.6	-3.3
Net cash from operating activities (A)			232.9	327.2
Cash flow from investing activities:				
Acquisitions of property, plant and equipment and intangible assets			-159.8	-54.4
Proceeds from sale of property, plant and equipment and intangible assets			3.1	22.1
Acquisitions of Group companies, net of cash acquired		(2)	-1.9	-1.3
Change in Non-controlling interest			0.3	
Net cash used in investing activities (B)			-158.4	-33.7
Cash flow from financing activities:				
Proceeds from issue of share capital		(22)	27.4	34.7
Change in current financial receivables			0.0	-0.5
Change in non-current financial receivables			0.1	-6.2
Change in financial current borrowings			239.6	-29.2
Change in financial non-current borrowings			-9.0	-89.0
Dividends paid			-83.7	-50.7
Net cash from financing activities (C)			174.3	-141.0
Net increase in cash and cash equivalents (A+B+C)			248.8	152.6
Cash and cash equivalents at the beginning of the period			216.6	62.5
Effect of exchange rate fluctuations on cash held			-0.9	1.5
Cash and cash equivalents at the end of the period		(21)	464.5	216.6
			248.8	152.6

		Equity attributable to equity holders of the parent							
EUR million	Notes	Share capital	Share premium	Translation reserve	Fair value and hedging reserves	Paid-up unrestricted equity reserve	Retained earnings	**Non-controlling interest**	**Total equity**
Equity, 1 Jan 2010		25.0	155.2	-90.2	0.0	0.0	667.6	0.0	757.6
Profit for the period							169.7		169.7
Other comprehensive income, net of tax:									
Cash flow hedges					-0.6				-0.6
Net investment hedge				-17.9					-17.9
Translation differences				37.0					37.0
Total comprehensive income for the period				19.1	-0.6		169.7		188.2
Dividends paid	(22)						-50.7		-50.7
Exercised warrants	(22)	0.5	26.1			8.0			34.7
Share-based payments	(23)						7.3		7.3
Total transactions with owners for the period		0.5	26.1			8.0	-43.4		-8.7
Equity, 31 Dec 2010		25.4	181.4	-71.1	-0.6	8.0	793.9	0.0	937.2
Equity, 1 Jan 2011		**25.4**	**181.4**	**-71.1**	**-0.6**	**8.0**	**793.9**	**0.0**	**937.2**
Profit for the period							**308.9**	**0.0**	**308.9**
Other comprehensive income, net of tax:									
Cash flow hedges					**-1.4**				**-1.4**
Net investment hedge				**-2.9**					**-2.9**
Translation differences				**-7.6**					**-7.6**
Total comprehensive income for the period				**-10.5**	**-1.4**		**308.9**		**297.0**
Dividends paid	**(22)**						**-83.7**		**-83.7**
Exercised warrants	**(22)**					**27.4**			**27.4**
Share-based payments	**(23)**						**8.1**		**8.1**
Total transactions with owners for the period						**27.4**	**-75.7**		**-48.3**
Change in Non-controlling interest								**0.3**	**0.3**
Equity, 31 Dec 2011		**25.4**	**181.4**	**-81.5**	**-2.0**	**35.4**	**1,027.2**	**0.3**	**1,186.1**

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 2011. 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.

Revised standards and interpretations

The Group has adopted the following revised standards and interpretations as of 1 January 2011:

- Revised IAS 24 - Related Party Disclosures
- Amendment to IAS 32 - Financial Instruments: Presentation – Classification of Rights Issues
- Additionally, the Group has adopted several improvements to the IFRS (May 2010) endorsed by EU.

Aforementioned changes have no material impact on the financial statements.

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

Key sources of estimation uncertainty relate to the possible disruption in the financial markets caused by the governmental borrowing in Europe, the price development of raw materials and the efficiency of ramp-up of new production lines in Russia

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 investment 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 non-controlling interests. Moreover, non-controlling 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. In the statement of financial position all items in foreign currencies unsettled on the reporting date are measured at the European Central Bank's closing exchange rate. The quotations of the relevant central bank are applied if the European Central Bank does not quote a specific currency. Foreign exchange gains and losses related to business operations and financing activities have been recorded under financial income and expenses.

Foreign Group companies

The statements of financial position 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 statements of financial position have been recorded under other comprehensive income 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 other comprehensive income as a separate item.

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

Cash and cash equivalents

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

Financial assets

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

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

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

Available-for-sale financial assets include quoted and unquoted shares. Quoted shares are measured at fair value, which is the share bid price on the reporting date. Changes in fair value are recognised in other comprehensive income until the financial asset is sold or divested, at which time the changes in fair value are transferred to profit and loss. Impairments are recorded in profit and loss. Unquoted shares are measured at cost if the fair value cannot be reliably determined.

Financial liabilities

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

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

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

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

Derivative instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate, foreign currency and electricity price risk exposures. Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives 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 value of derivatives expiring within a year is presented in the statement of financial position under current receivables or liabilities, and of those with longer maturity under non-current receivables or liabilities.

Hedge accounting is not applied to the derivatives used to hedge cash flows from the Group's business operations in foreign currencies. Changes in fair value of derivatives to which hedge accounting is not applied are recognised immediately in profit and loss as financing items.

The Group applies IAS 39 compliant hedge accounting to hedges of the exposure to variability in cash flows that is attributable to a interest rate risk associated with recognised non-current liabilities and to hedges of net investments in foreign operations and to hedges to manage electricity price risk. To meet all the hedge accounting criteria, at the inception of these hedges the Group designates and documents the hedging relationship between the hedged item and the hedging instrument including effectiveness measurement methods and the hedging strategy in accordance with the Group's risk management policy. The Group aims to choose hedging instruments that create no ineffective portion.

Hedge accounting is applied in cash flow hedging in connection with interest rate swaps, by which floating rate liabilities have been changed to fixed rate liabilities. The effective portion of the change in the fair value of the interest rate swaps is recognised in other comprehensive income and any remaining ineffective portion recognised in the income statement. The gains and losses recognised in other comprehensive income are transferred to financial items in the income statement when the hedged item affects the income statement.

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

The Group's forecast electricity purchases in Finland are hedged with electricity derivatives to which hedge accounting is applied. The effective portion of the fair value change of the electricity derivatives is recognised in other comprehensive income and the ineffective portion in the income statement under other operating income or expenses. The gains and losses recognised in other comprehensive income are transferred to cost of sales in the income statement when the hedged item affects the income statement.

Income recognition

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

Research and development costs

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

Government grants

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

Operating profit

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

Borrowing costs

The borrowing costs of items included in property, plant and equipment or other intangible assets, and requiring a substantial construction period, are capitalised for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses for the period in which they incurred.

Income taxes

The tax expense of the Group include taxes based on the profit or loss for the period or dividend distribution of the Group companies, as well as adjustment of taxes from prior periods, and change in deferred tax. The tax impact of items recorded directly in equity or other comprehensive income is correspondingly recognised directly in equity or in other comprehensive income. 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 measured with tax rates enacted by the reporting 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 are calculated by dividing the profit or loss attributable to the equity holders of the parent for the period by the weighted average number of shares outstanding during the period. The average number of treasury shares has been deducted from the number of shares outstanding.

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

Property, plant and equipment

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

In the statement of financial position, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The borrowing costs of items 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 reporting 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 statement of financial position 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 statement of financial position 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 statement of financial position 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 statement of financial position, intangible assets are recorded at cost less accumulated amortisation and impairment losses. The borrowing costs of items included in other intangible assets, 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. The amortisation schedule for intangible assets is 3-10 years.

Impairment

At reporting 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 statement of financial position 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 statement of financial position without the recognised impairment loss in prior periods. Impairment loss on goodwill is not reversed under any circumstances.

Leasing agreements

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 lessee company represent finance leases.

<u>The Group as a lessee</u>

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 financial 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 statement of financial position 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.

<u>The Group as a lessor</u>

Assets held under finance leases have been recorded in the statement of financial position as receivables at amount equal to the net investment in the lease. Lease income resulting from finance leases are recorded in the income statement with constant periodic rate of return on the lessor's net investment in the finance lease. Assets held under leases other than finance leases are included in intangible assets and property, plant and equipment in the statement of financial position. 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 statement of financial position are carried at the original invoice value (and those in foreign currencies are measured at the closing rate of the European Central Bank) less doubtful receivables and credits for returned goods. Doubtful receivables are based on the case-by-case assessment of outstanding trade receivables as well as on historical experience of the portion the Group will not receive under the original terms and conditions.

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

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

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

Provisions
A provision is entered into the statement of financial position 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.

Contingent liabilities and contingent assets
A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by realization of an uncertain future event not totally controllable by the Group. A contingent liability is also defined as a present obligation that probably will not require the settlement of the obligation, or cannot be measured reliably. A contingent liability is disclosed in the notes to the consolidated financial statements.

Correspondingly, a contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by realization of an uncertain future event not totally controllable by the Group. In case an inflow of economic benefits is probable, a contingent asset is disclosed in the notes to the consolidated financial statements.

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 2010 and 2007 options that are part of the Group's present personnel incentive scheme.

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 reporting date. Changes in the estimates are recognised in the income statement.

When options are exercised, the payments received on the basis of share subscriptions (adjusted with any transaction costs) are recorded in paid-up unrestricted equity reserve (2007 and 2010 options).

Other option and incentive schemes
No other option and incentive schemes were in use during 2011.

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 2011 and 2010 do not include any non-current assets held for sale or any discontinued operations.

Application of revised or amended IFRS standards
IFRS are under constant development. Also during the preparation of these financial statements new standards, interpretations or their amendments have been published but are not yet in force and the Group will not apply them before they are enforced. The Group will adopt each standard and interpretation on the effective date or from the beginning of the following financial period.

The future changes will have the following impact:

- Amendment to IAS 19 – Employee Benefits
  The Group estimates that the change will not have a material impact on the reporting of pension arrangements of the Group in the future financial statements.
- Amendment to IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Assets
  The Group estimates that the new standard will mainly affect the disclosures in the notes to the consolidated financial statements.
- IFRS 9 – Financial Instruments: Recognition and measurement
  As the standard remains unfinished, the Group cannot assess the impact on the future financial statements of the Group.
- IFRS 10 – Consolidated Financial Statements
  The Group estimates that the standard will not have a material impact on the future financial statements of the Group.

- IFRS 11 – Joint Arrangements
  The Group estimates that the standard will not have a material impact on the future financial statements of the Group.
- IFRS 12 – Disclosures of Interests in Other Entities
  The Group estimates that the new standard will slightly affect the disclosures in the notes to the consolidated financial statements.
- IFRS 13 – Fair Value Measurement
  The Group estimates that the new standard will mainly affect the disclosures in the notes to the consolidated financial statements.
- Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income
  The Group estimates to continue presenting income statement and other comprehensive income separately.

The Group estimates that the other published improvements or amendments will not have a material effect on the future financial statements of the Group.

1. Segment information

The Group's management team is the chief operating decision maker. The segment information is presented in respect of the business and geographical segments. Business segments are based on the internal organization and financial reporting structure.

The business segments comprise of entities with assets and operating activities providing products and services. The segments are managed as separate entities.

Pricing of inter-segment transactions is based on current market prices and the terms of evaluating profitability and resources allocated to segments are based on profit before interests and taxes.

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

Business segments

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

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

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

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

Eliminations consist of eliminations between different business segments.

Notes concerning geographical segments

The business segments are operating in 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

2011

EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations	Eliminations	Group
Net sales from external customers	1,004.3	106.0	297.3	49.3	0.0	1,456.8
Services			54.7			54.7
Sales of goods	1,004.3	106.0	242.6	49.3	0.0	1,402.1
Inter-segment net sales	66.9	6.8	1.1	24.6	-99.3	
Net sales	1,071.1	112.8	298.4	73.8	-99.3	1,456.8
Operating result	365.1	17.2	2.3	-1.1	-3.4	380.1
% of net sales	34.1%	15.3%	0.8%	-1.5%		26.1%
Financial income and expenses						-20.9
Profit before tax						359.2
Tax expense						-50.3
Profit for the period						308.9
Assets	1,089.0	90.9	160.5	42.8	-6.9	1,376.3
Unallocated assets						499.6
Total assets						1,875.9
Liabilities	102.6	14.8	38.8	13.0	0.3	169.5
Unallocated liabilities						520.2
Total liabilities						689.7
Capital expenditure	138.6	10.4	11.4	1.2	0.0	161.7
Depreciation and amortisation	58.8	5.5	5.9	1.4	0.0	71.6
Other non-cash expenses	10.9	1.3	0.9	2.4	0.0	15.5

2010

EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations	Eliminations	Group
Net sales from external customers	646.7	74.5	307.4	22.2	7.3	1,058.1
Services			46.9			46.9
Sales of goods	646.7	74.5	260.6	22.2	7.3	1,011.3
Inter-segment net sales	68.0	6.5	0.5	19.4	-94.4	
Net sales	714.7	81.0	307.9	41.6	-87.2	1,058.1
Operating result	205.5	13.7	4.0	-1.6	0.6	222.2
% of net sales	28.8%	16.9%	1.3%	-3.9%		21.0%
Financial income and expenses						-13.3
Profit before tax						208.8
Tax expense						-39.1
Profit for the period						169.7
Assets	871.7	74.2	146.7	21.3	-21.5	1,092.5
Unallocated assets						279.1
Total assets						1,371.6
Liabilities	96.9	11.2	51.9	5.6	-8.5	157.1
Unallocated liabilities						277.4
Total liabilities						434.4
Capital expenditure	34.9	5.6	9.3	0.7	0.0	50.5
Depreciation and amortisation	57.0	5.4	5.5	1.4	0.0	69.4
Other non-cash expenses	3.5	1.0	1.0	2.2	0.0	7.6

Geographical segments
2011

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	222.4	173.1	154.4	390.1	54.2	354.2	102.0	6.4	1,456.8
Services	18.1	18.2	15.3	0.2	0.0	1.0	1.9		54.7
Sales of goods	204.3	154.9	139.1	389.9	54.2	353.2	100.1	6.4	1,402.1
Assets	436.1	94.2	59.8	597.9	75.6	23.1	74.4	1.5	1,362.6
Unallocated assets									513.3
Total assets									1,875.9
Capital expenditure	43.2	2.5	5.1	110.2	0.0	0.2	0.6		161.7

2010

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	145.8	137.8	215.8	36.4	237.5	93.4	3.8	1,058.1
Services	16.4	14.5	13.0	0.1	0.2	0.8	2.0		46.9
Sales of goods	171.2	131.4	124.8	215.7	36.2	236.7	91.4	3.8	1,011.3
Assets	344.6	81.3	49.7	501.7	34.1	15.4	57.7		1,084.5
Unallocated assets									287.1
Total assets									1,371.6
Capital expenditure	20.0	1.2	2.2	26.7	0.0	0.0	0.4		50.5

2. Acquisitions

Acquisitions in 2011
Vianor-chain acquired full ownership in Norwegian Dekkvarehuset AS and Devkkvarehallen AS on 7 March 2011. In Switzerland Vianor-chain expanded further through an asset deal acquiring the business in Pneuservice Stans-Süd Malgieri on 1 July 2011. In Sweden Vianor acquired full ownership of Däckfocus Ab , a Tyre chain with 8 outlets on 1 September 2011.

Recognised amounts of identifiable assets acquired and liabilities assumed:

EUR million	Notes	
Property, plant and equipment	(12)	2.1
Inventories		2.5
Trade and other receivables		2.4
Cash and cash equivalents		0.7
Total Assets		7.8
Deferred tax liabilities	(18)	-0.4
Financial Liabilities		-4.9
Trade and other payables		-4.7
Total Liabilities		-10.0
Total identifiable net assets		-2.2
Composition of goodwill in the acquisition		
Consideration transferred		2.6
Total identifiable net assets		2.2
Goodwill	(14)	4.9
Consideration paid in cash		2.6
Cash and cash equivalents in the subsidiaries acquired		-0.7
Net cash outflow		1.9

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.

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totalling EUR 0.0 million, are included in the consolidated income statement. The actual acquisition dates and the nature of the operations taken into account the effect of the acquisitions on the consolidated net sales and profit is not material even if they were combined as of the beginning of the financial year.

The acquisition related costs of EUR 0,1 million have been recorded as selling and marketing expenses. There were no other transactions recognised separately from these acquisitions. The consideration has been transferred in cash and no significant contingent consideration arrangements were included. No non-controlling interest remained in the acquiree. The identifiable asset acquired and liabilities assumed are recorded in fair value. Goodwill is measured as the excess of the consideration transferred over the total identifiable net assets. None of the goodwill recognised is deductible for income tax purposes.

Acquisitions in 2010

Vianor-chain acquired full ownership in Swedish Arninge Fälg & Däck AB on 6 September 2010. In Norway Vianor-chain expanded further through two asset deals acquiring the business in Arnfinn Skoli AS and Ola Svendsen Motorcomp on 1 December 2010.

Recognised amounts of identifiable assets acquired and liabilities assumed:

EUR million	Notes	
Property, plant and equipment	(12)	0.2
Inventories		0.3
Trade and other receivables		0.0
Cash and cash equivalents		0.0
Total Assets		0.5
Deferred tax liabilities	(18)	0.0
Trade and other payables		0.0
Total Liabilities		0.0
Total identifiable net assets		0.5
Composition of goodwill in the acquisition		
Consideration transferred		1.3
Total identifiable net assets		-0.5
Goodwill	(14)	0.9
Consideration paid in cash		1.3
Cash and cash equivalents in the subsidiaries acquired		0.0
Net cash outflow		1.3

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.

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totalling EUR 0,0 million, are included in the consolidated income statement. The actual acquisition dates and the nature of the operations taken into account the effect of the acquisitions on the consolidated net sales and profits is not material even if they were combined as of the beginning of the financial year.

The acquisition related costs of EUR 0,0 million have been recorded as selling and marketing expenses. There were no other transactions recognised separately from these acquisitions. The total consideration has been transferred in cash and no contingent consideration arrangements were included. No non-controlling interest remained in the acquiree. The identifiable asset acquired and liabilities assumed are recorded in fair value. Goodwill is measured as the excess of the consideration transferred over the total identifiable net assets. None of the goodwill recognised is deductible for income tax purposes.

3. Cost of sales

EUR million	2011	2010
Raw materials	424.9	227.2
Goods purchased for resale	220.7	171.7
Wages and social security contributions on goods sold	55.4	37.9
Other costs	120.8	93.8
Depreciation of production	54.7	52.6
Sales freights	42.8	31.4
Change in inventories	-113.5	-10.6
Total	805.8	604.0

4. Other operating income

EUR million	2011	2010
Gains on sale of property, plant and equipment	0.8	2.4
Other income	1.0	1.9
Total	1.8	4.3

5. Other operating expenses

EUR million	2011	2010
Losses on sale of property, plant and equipment and other disposals	0.4	0.1
Research and development costs	15.1	12.7
Quality control	1.5	1.2
Expensed credit losses and provisions	7.5	0.8
Other expenses	2.2	0.9
Total	26.8	15.8

Other operating expenses include the ineffective portion of the electricity derivatives used as cash flow hedges amounting to EUR 0.2 million (in 2010 no such derivatives existed).

6. Depreciation, amortisation and impairment losses

No impairment losses have been recorded during 2011 or 2010.

EUR million	2011	2010
Depreciation and amortisation by asset category		
Intangible rights	3.9	3.9
Other intangible assets	1.5	1.2
Buildings	7.9	7.9
Machinery and equipment	57.2	54.8
Other tangible assets	1.1	1.6
Total	71.6	69.4
Depreciation and amortisation by function		
Production	54.7	52.6
Selling and marketing	10.2	9.9
Administration	4.9	5.5
Other depreciation and amortisation	1.9	1.4
Total	71.6	69.4

7. Employee benefit expenses

EUR million	2011	2010
Wages and salaries	144.8	121.2
Pension contributions - defined contribution plans	21.1	16.4
Share-based payments	8.1	7.3
Other social security contributions	16.4	12.7
Total	190.5	157.5

Information on the employee benefits and loans of the key management personnel.

Number of personnel, average		
Production	1,781	1,415
Selling and marketing	1,858	1,713
Others	227	210
Total	3,866	3,338

8. Financial income

EUR million	2011	2010
Interest income on loans and receivables	0.9	0.3
Dividend income on available-for-sale financial assets	0.0	0.0
Exchange rate gains and changes in fair value		
Loans and receivables	51.0	62.7
Foreign currency derivatives held for trading	36.2	32.8
Other financial income	2.8	0.4
Total	90.9	96.3

9. Financial expenses

EUR million	2011	2010
Interest expense on financial liabilities measured at amortised cost	-13.0	-13.5
Interest expense on interest rate derivatives		
Designated as hedges	-0.4	-0.7
Held for trading	-0.2	-0.3
Exchange rate losses and changes in fair value		
Loans and receivables	-58.1	-62.0
Foreign currency derivatives held for trading	-35.6	-27.4
Other financial expenses	-4.5	-5.7
Total	-111.8	-109.7

Financial expenses include EUR 8.5 million (EUR 8.1 million in 2010) in calculatory non-cash expenses related to the convertible bonds.

10. Tax expense

EUR million	2011	2010
Current tax expense	-40.8	-18.7
Adjustment for prior periods	-0.7	2.0
Change in deferred tax	-8.8	-22.5
Total	-50.3	-39.1

The reconciliation of tax expense recognised in the income statement and tax expense using the domestic corporate tax rate (2010: 26%, 2009: 26%):

EUR million	2011	2010
Profit before tax	359.2	208.8
Tax expense using the domestic corporate tax rate	-93.4	-54.3
Effect of deviant tax rates in foreign subsidiaries	44.5	14.2
Tax exempt revenues and non-deductible expenses	-0.7	-0.3
Utilised prior losses with unrecognised tax benefits	0.9	0.1
Losses on which no deferred tax benefits recognised	-1.9	-0.9
Effect of the change in Finnish corporate tax rate (24,5 %) on deferred tax	0.8	-
Adjustment for prior periods	-0.7	2.0
Other items	0.2	0.1
Tax expense	-50.3	-39.1

Income tax relating to components of other comprehensive income:

	2011			2010		
	Before tax amount	Tax benefit	Net of tax amount	Before tax amount	Tax benefit	Net of tax amount
Net investment hedge	-4.0	0.3	-3.7	-28.7	7.5	-21.2
Net investment hedge (IAS 21)	1.1	-0.3	0.9	4.4	-1.2	3.3
Cash flow hedges	-1.9	0.5	-1.4	-0.8	0.2	-0.6
Translation differences on foreign operations	-7.6		-7.6	37.0		37.0
	-12.4	0.5	-11.9	11.9	6.5	18.5

11. Earnings per share

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

EUR million	2011	2010
Profit attributable to the equity holders of the parent	308.9	169.7
Interest on the convertible bond (adjusted with taxes)	6.3	6.0
Profit for the period to calculate the diluted earnings per share	315.2	175.7
Shares, 1,000 pcs		
Weighted average number of shares	129,120	126,747
Dilutive effect of the options	2,571	2,209
Convertible bonds traded for company shares	4,009	4,009
Diluted weighted average number of shares	135,699	132,964
Earnings per share, euros		
Basic	2.39	1.34
Diluted	2.32	1.32

12. Property, plant and equipment

EUR million	Land property	Buildings	Machinery and equipment	Other tangible assets	Advances and fixed assets under construction	Total
Accumulated cost, 1 Jan 2010	6.7	178.2	633.3	17.0	73.6	908.8
Increase		3.1	15.5	0.4	33.6	52.7
Acquisitions through business combinations			0.2			0.2
Decrease	-1.9	-15.0	-24.7	-0.3		-41.9
Transfers between items		49.2	32.0	2.1	-84.6	-1.3
Other changes		-2.9	-33.6	-6.1		-42.5
Exchange differences	0.3	5.7	13.5	0.7	4.6	24.7
Accumulated cost, 31 Dec 2010	5.0	218.4	636.3	13.7	27.3	900.7
Accum. Depreciation, 1 Jan 2010		-41.8	-352.6	-6.9		-401.3
Depreciation for the period		-7.9	-54.8	-1.6		-64.3
Decrease		0.3	15.8	0.2		16.2
Other changes		2.9	33.6	-1.4		35.0
Exchange differences		-0.9	-1.9	-0.1		-2.8
Accum. Depreciation, 31 Dec 2010		-47.5	-359.8	-9.9		-417.1
Carrying amount, 31 Dec 2010	5.0	170.9	276.5	3.8	27.3	483.6
Accumulated cost, 1 Jan 2011	**5.0**	**218.4**	**636.3**	**13.7**	**27.3**	**900.7**
Increase		**2.1**	**24.1**	**0.6**	**134.9**	**161.7**
Acquisitions through business combinations		**1.8**	**0.3**			**2.1**
Decrease	**0.0**	**-0.2**	**-11.7**	**-1.3**		**-13.2**
Transfers between items		**2.0**	**80.9**	**0.1**	**-87.5**	**-4.4**
Other changes		**0.0**	**0.0**	**1.3**		**1.2**
Exchange differences	**0.0**	**-2.9**	**-6.1**	**0.0**	**-1.1**	**-10.2**
Accumulated cost, 31 Dec 2011	**5.0**	**221.2**	**723.7**	**14.3**	**73.5**	**1 037.8**
Accum. Depreciation, 1 Jan 2011		**-47.5**	**-359.8**	**-9.9**		**-417.1**
Depreciation for the period		**-7.9**	**-57.2**	**-1.1**		**-66.2**
Decrease		**0.0**	**3.6**	**0.9**		**4.5**
Other changes		**0.0**	**0.0**	**-0.9**		**-0.9**
Exchange differences		**0.3**	**2.0**	**0.1**		**2.3**
Accum. Depreciation, 31 Dec 2011		**-55.0**	**-411.5**	**-10.8**		**-477.4**
Carrying amount, 31 Dec 2011	**5.0**	**166.1**	**312.2**	**3.5**	**73.5**	**560.4**

13. Finance leases

EUR million	Buildings	Machinery and equipment
Accumulated cost, 1 Jan 2010	7.7	7.2
Decrease/Increase	0.0	-0.1
Accum. depreciation	-4.9	-5.4
Carrying amount, 31 Dec 2010	2.8	1.6
Accumulated cost, 1 Jan 2011	**7.7**	**7.1**
Decrease/Increase	**0.0**	**0.4**
Accum. depreciation	**-5.4**	**-6.1**
Carrying amount, 31 Dec 2011	**2.3**	**1.3**

14. Intangible assets

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated cost, 1 Jan 2010	55.0	27.8	9.3	92.1
Increase		0.6	3.7	4.4
Acquisitions through business combinations	0.9			0.9
Decrease		0.0	-0.3	-0.3
Transfers between items		1.1	0.2	1.3
Other changes		2.3	0.0	2.3
Exchange differences	2.9	-0.1	0.2	3.0
Accumulated cost, 31 Dec 2010	58.8	31.7	13.1	103.6
Accum. Depreciation, 1 Jan 2010		-12.9	-5.0	-17.9
Depreciation for the period		-3.9	-1.2	-5.1
Decrease		0.0	0.3	0.3
Other changes		-2.3		-2.3
Exchange differences		0.0	0.0	0.0
Accum. Depreciation, 31 Dec 2010	-	-19.1	-5.9	-25.1
Carrying amount, 31 Dec 2010	58.8	12.5	7.2	78.5
Accumulated cost, 1 Jan 2011	**58.8**	**31.7**	**13.1**	**103.6**
Increase		**0.3**	**4.2**	**4.6**
Acquisitions through business combinations	**4.9**			**4.9**
Decrease	**-0.2**	**-1.3**	**0.0**	**-1.5**
Transfers between items		**3.6**	**0.8**	**4.4**
Other changes		**0.0**	**0.0**	**0.0**
Exchange differences	**0.4**	**0.0**	**-0.2**	**0.2**
Accumulated cost, 31 Dec 2011	**63.8**	**34.4**	**17.9**	**116.1**
Accum. Depreciation, 1 Jan 2011		**-19.1**	**-5.9**	**-25.1**
Depreciation for the period		**-3.9**	**-1.5**	**-5.4**
Decrease		**0.7**	**0.0**	**0.7**
Other changes		**0.0**		**0.0**
Exchange differences		**0.0**	**0.0**	**0.0**
Accum. Depreciation, 31 Dec 2011	**-**	**-22.4**	**-7.4**	**-29.7**
Carrying amount, 31 Dec 2011	**63.8**	**12.0**	**10.5**	**86.4**

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	**40.7**
Vianor	**23.1**
Total goodwill	**63.8**

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 for Passenger Car Tyres is 9.2% (10.0% in 2010) and for Vianor is 7.8-10.3% (7.3-12.7% in 2010) varying through country locations. 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. In Vianor the calculations indicated that the recoverable amount exceeded the carrying value by EUR 123 million (EUR 128 million in 2010). Of the key assumptions, Vianor is the most sensitive to actual realisation of gross margin levels based on demand forecasts. A lag exceeding 2.7%-units from the gross margin target levels in future years might lead to a need for impairment. The recoverable amount in Passenger Car Tyres significantly (well over 100%) 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 decrease well above 25% in net sales or a weakening of the present gross margin level permanently over 50%.

15. Carrying amounts and fair values of financial assets and liabilities

		2011		2010	
EUR million	Note	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Financial assets at fair value through profit or loss					
Derivatives held for trading	(30)	0.6	0.6	6.4	6.4
Money market instruments	(21)	73.4	73.4	20.5	20.5
Loans and receivables					
Other non-current receivables	(17)	17.9	15.6	20.6	15.8
Trade and other receivables	(20)	338.1	338.7	328.5	330.7
Cash in hand and at bank	(21)	391.2	391.2	196.1	196.1
Available-for-sale financial assets					
Unquoted shares	(16)	0.3	0.3	0.3	0.3
Derivative financial instruments designated as hedges	(30)	1.5	1.5	2.0	2.0
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivatives held for trading	(30)	4.1	4.1	2.0	2.0
Financial liabilities measured at amortised cost					
Interest-bearing financial liabilities	(26)	461.0	468.9	217.2	219.4
Trade and other payables	(28)	88.4	88.4	165.2	165.2
Derivative financial instruments designated as hedges	(30)	11.9	11.9	11.0	11.0

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

Fair value hierarchy of financial assets and liabilities at fair value

	2011				2010			
EUR million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value								
Financial assets at fair value through profit or loss								
Derivatives held for trading		0.6		0.6		6.4		6.4
Money market instruments		73.4		73.4		20.5		20.5
Available-for-sale financial assets								
Unquoted shares			-	-			0.3	0.3
Derivative financial instruments designated as hedges		1.5		1.5		2.0		2.0
Total financial assets at fair value	-	75.4	-	75.4	-	28.9	0.3	29.1
Financial liabilities at fair value								
Financial liabilities at fair value through profit or loss								
Derivatives held for trading		4.1		4.1		2.0		2.0
Derivative financial instruments designated as hedges		11.9		11.9		11.0		11.0
Total financial assets at fair value	-	16.1	-	16.1	-	13.0	-	13.0

Fair value measurements have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

There were no transfers between different levels during the financial year.

Level 1 includes e.g. quoted shares whose fair value is based on the bid price of the share on the reporting date. The Group has no financial assets or liabilities belonging to Level 1.

Level 2 includes Group's derivative financial instruments and money market investments. To establish the fair value of these instruments the Group uses generally accepted valuation models with inputs based on observable market data.

The Group has no Level 3 financial assets or liabilities.

16. Investments in associates and available-for-sale financial assets

EUR million	Investments in associates	Unquoted shares
Accumulated cost, 1 Jan 2011	**0.1**	**0.3**
Decrease/Increase	**-**	**0.0**
Accumulated cost, 31 Dec 2011	**0.1**	**0.3**
Carrying amount, 31 Dec 2011	**0.1**	**0.3**
Carrying amount, 31 Dec 2010	0.1	0.3

17. Other non-current receivables

EUR million	**2011**	2010
Loan receivables	**13.3**	16.0
Finance lease receivables	**4.6**	4.5
Total	**17.9**	20.6

Maturing of finance lease receivables

EUR million	**2011**	2010
Finance lease receivables - gross invest		
In less than 1 year	**0.9**	0.5
In 1 to 5 years	**5.0**	5.3
In over 5 years	**0.0**	0.0
	5.9	5.7
Finance lease receivables - net invest		
In less than 1 year	**0.9**	0.3
In 1 to 5 years	**4.4**	4.5
In over 5 years	**0.0**	0.0
	5.3	4.8
Future finance lease income	**0.6**	0.9
Finance lease receivables	**5.3**	4.8

On 31 December 2011 the Group's finance lease receivables relating to Vianor outlets amounted to EUR 5.3 million (EUR 4.8 million in 2010). In 2011 the amount of contingent rents were EUR 0.0 million (EUR 0.0 million in 2010). The unguaranteed residual values to the benefit of the lessor is EUR 2.7 million (EUR 2.5 million in 2010).

18. Deferred tax assets and liabilities

EUR million	31 Dec 2009	Recognised in income statement	Recognised in other comprehensive income	Net exchange differences	Acquisitions/ disposals of subsidiaries	31 Dec 2010
Deferred tax assets						
Intercompany profit in inventory	8.3	-0.9				7.4
Provisions	0.6	0.0				0.6
Tax losses carried forward	16.6	-12.2	6.3	0.2		10.8
Cash flow hedges	0.0		0.2			0.2
Other items	3.2			0.0		3.2
Total	28.7	-13.0	6.5	0.2		22.3
Deferred tax liabilities						
Property, plant and equipment and intangible assets	22.4	1.3		0.4		24.1
Derivatives at fair value	0.0					0.0
Untaxed reserves	0.5	0.6		0.0		1.1
Convertible bond	3.6	-0.8				2.8
Undistributed earnings in subsidiaries	2.5	7.5				10.0
Other items	0.3	0.8		0.1	0.0	1.3
Total	29.4	9.4	-	0.5	0.0	39.3

EUR million	31 Dec 2010	Recognised in income statement	Recognised in other comprehensive income	Net exchange differences	Acquisitions/ disposals of subsidiaries	31 Dec 2011
Deferred tax assets						
Intercompany profit in inventory	7.4	2.7				10.1
Provisions	0.6	-0.1				0.4
Tax losses carried forward	10.8	-10.3				0.5
Derivatives at fair value	0.0					0.0
Cash flow hedges	0.2		0.4			0.7
Other items	3.2	2.0		-0.1	0.0	5.2
Total	22.3	-5.7	0.4	-0.1	0.0	17.0
Deferred tax assets offset against deferred tax liabilities		-11.6				-11.6
Deferred tax assets	22.3	-17.3	0.4	-0.1	0.0	5.4
Deferred tax liabilities						
Property, plant and equipment and intangible assets	24.1	0.3		-0.1		24.3
Untaxed reserves	1.1	0.6				1.7
Convertible bond	2.8	-0.8				2.0
Undistributed earnings in subsidiaries	10.0	2.5				12.5
Other items	1.3	0.5			0.4	2.2
Total	39.3	3.1	-	-0.1	0.4	42.7
Deferred tax liabilities offset against deferred tax assets		-11.6				-11.6
Deferred tax liabilities	39.3	-8.4	-	-0.1	0.4	31.2

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

On 31 December 2011 the Group had carry forward losses for EUR 2.1 million (EUR 2.4 million in 2010), 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 by 2014.

The Group has utilised previously unrecognised tax losses from prior periods with EUR 0.9 million in 2011 (EUR 0.1 million in 2010).

No deferred tax liability was recognised on the undistributed earnings, EUR 33.5 million in 2011 (EUR 26.1 million in 2010), of foreign subsidiaries as the earnings have been invested permanently to the countries in question.

19. Inventories

EUR million	2011	2010
Raw materials and supplies	115.8	74.9
Work in progress	9.7	6.7
Finished goods	198.6	129.0
Total	324.0	210.6

Annually an additional expense is recognised in the carrying amounts of all separate inventory items to avoid them exceeding their maximum probable net realisable values. In 2011 this expense recognition was reversed by EUR 0.2 million (in 2010 an expense recognition of EUR 1.1 million was reversed) as a result of active sales efforts on the aging inventory that recur in the normal course of business.

20. Trade and other receivables

EUR million	2011	2010
Trade receivables	**335.3**	258.9
Loan receivables	**2.8**	1.0
Accrued revenues and deferred expenses	**14.7**	13.6
Derivative financial instruments		
Designated as hedges	**0.1**	0.0
Measured at fair value through profit or loss	**0.5**	6.0
Other receivables	**55.9**	49.0
Total	**409.3**	328.5

The carrying amount of trade and other receivables corresponds to the maximum exposure to the credit risk on the reporting date.

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

The balance amount of recognised losses is EUR 19.6 million (EUR 12.8 million in 2010). The Group recognised expenses for losses on trade receivables worth EUR 7.5 million in 2010 (EUR 0.8 million in 2010).

Significant items under accrued revenues and deferred expenses

EUR million	2011	2010
Annual discounts, purchases	**1.4**	1.2
Financial items	**0.8**	1.7
Social payments	**0.3**	0.0
Customs duties	**6.4**	5.3
Other items	**5.8**	5.4
Total	**14.7**	13.6

Significant items under other receivables

EUR million	2011	2010
VAT receivables	**49.8**	44.4
Advance payments	**3.2**	2.2
Other items	**2.9**	2.4
Total	**55.9**	49.0

21. Cash and cash equivalents

EUR million	2011	2010
Cash in hand and at bank	**391.2**	196.1
Bank deposits	**-**	-
Money market instruments	**73.4**	20.5
Total	**464.5**	216.6

22. Equity

Reconciliation of the number of shares

EUR million	Number of shares (1,000 pcs)	Share capital	Share premium	Paid-up unrestricted equity reserve	Treasury shares	Total
1 Jan 2010	124,851	25.0	155.2	reserve	-	180.2
Exercised warrants	2,851	0.5	26.1	8.0	-	34.7
Acquisition of treasury shares	-	-	-	-	-	-
31 Dec 2010	127,702	25.4	181.4	8.0	-	214.9
1 Jan 2011	**127,702**	**25.4**	**181.4**	**8.0**	**-**	**214.9**
Exercised warrants	**1,907**	**-**	**-**	**27.4**	**-**	**27.4**
Acquisition of treasury shares	**-**	**-**	**-**	**-**	**-**	**-**
31 Dec 2011	**129,610**	**25.4**	**181.4**	**35.4**	**-**	**242.3**

The nominal value of shares was abolished in 2008, hence no maximum share capital of the Group exists anymore. All outstanding shares have been paid for in full.

Below is a description of the reserves within equity:

Share premium
Before the nominal value of shares was abolished, the amount exceeding the nominal value of shares received by the company in connection with share issue and share subscription were recognised in share premius.

Translation reserve
Translation reserve includes the differences arising from the translation of the foreign subsidiaries' financial statements. The gains and losses from the net investments in foreign units and hedging those net investments 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.

Paid-up unrestricted equity reserve
After the nominal value of shares was abolished, the entire share subscription made by option rigts are entered in the paid-up unrestricted reserve.

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 1.20 per share be paid (EUR 0.65 in 2010).

Specification of the distributable funds
The distributable funds on 31 December 2011 total EUR 327.0 million (EUR 162.4 million on 31 December 2010) and are based on the balance of the Parent company and the Finnish legislation.

23. Share-based payments

Share option plans

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

The share options were granted to the personnel employed by or in the service of the Nokian Tyres Group until further notice and to Direnic Oy, a wholly owned subsidiary of Nokian Tyres. If a share option holder ceased to be employed by or in the service of the Nokian Tyres Group before the warrants became 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 should without delay and compensation offer to Nokian Tyres or its order the share options for which the share subscription period under the terms and conditions had not begun at the last day of such holder's employment or service.

Share option plan 2010 directed at personnel
The Annual General Meeting in 2010 decided to issue a share option plan, as a part of the Group's incentive scheme, to employees of the Group or persons recruited to the Group at a later stage. The Board's intention is to issue the shares in spring 2010 (2010A warrants), 2011 (2010B warrants) and 2012 (2010C warrants).

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

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

WARRANTS BASIC INFORMATION	2007 warrants			2010 warrants		
	2007A	2007B	2007C	2010A	2010B	Total
Grant date	4 April 2007	14 April 2008	7 April 2009	5 May 2010	5 May 2011	
Maximum number of share options, pcs	2,250,000	2,250,000	2,250,000	1,320,000	1,340,000	12,085,000
Subsribed shares per option, pcs	1	1	1	1	1	
Original subscription price, €	17.29	24.27	9.04	18.14	32.90	
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	
Current subscription price, €	15.68	22.32	7.59	17.49	32.90	
Exercisable, from	1 Mar 2009	1 Mar 2010	1 Mar 2011	1 May 2012	1 May 2013	
Expiration date	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 May 2014	31 May 2015	
Maximum contractual life, years	4.0	4.0	4.0	4.0	4.0	3.6
Remaining contractual life, years	0.0	0.2	1.2	2.4	3.4	1.4
Participants at the end of period	expired	vested	vested	2,824	3,159	
Method of settlement	in equity					
Vesting condition	employment requirement until the beginning of the subscription period					

NUMBER OF OPTIONS DURING THE PERIOD	2007 warrants			2010 warrants		
	2007A	2007B	2007C	2010A	2010B	Total
Number of (on 1 January 2011)						
Outstanding at the beginning of the period	1,632,004	1,825,935	1,163,550	1,245,150	0	5,866,639
Changes during the period*						
Granted during the period	0	250	1,350	92,561	1,249,050	1,343,211
Forfeited during the period	0	0	28,000	41,500	4,500	74,000
Exercised during the period	1,592,118	1,110	311,639	0	0	1,904,867
Weighted average excercise price during the excercise period, €	15.68	22.56	7.78	-	-	14.39
Average share price during the excercise period, € *	28.59	28.52	28.52	-	-	28.54
Expired during the period	39,886	0	0	0	0	0
Number of (on 31 December 2011)						
Exercised by the end of period	2,105,224	1,235	311,639	0	0	2,963,430
Outstanding at the end of the period	0	1,825,075	825,261	1,296,211	1,244,550	5,482,752
Exercisable at the end of the period	0	1,825,075	825,261	0	0	2,939,181

*The weighted average price of the Nokian Tyres plc share during the period that the option in question was exercisable in 2011.

Measurement of fair value

The fair value of share options is determined with Black-Scholes option pricing model. Fair value of the options is determined on the grant date and recognised as expense in employee benefits during the vesting period. The decision date by the Board of Directors is the grant date. In 2011 the effect of share options on the profit is EUR 8.1 million (2010: EUR 7.3 million).

Main assumptions for Black-Scholes model	Granted in 2011	2010	2009	2008
Share options granted, pcs	1,402,871	1,429,175	1,173,350	2,004,516
Weighted average share price, €	32.88	17.80	10.20	25.15
Subscription price, €	31.86	17.46	9.40	24.26
Interest rate, %	2.62	1.75	2.53	3.74
Option life, years	4.0	4.0	3.9	4.0
Volatility, % *	29.2	43.9	52.8	38.8
Expected forfeitures, %	9.3	9.2	4.4	13.2
Total fair value, €	13,115,564	8,770,943	5,218,567	16,124,917

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

24. Pension liabilities

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

25. Provisions

EUR million	Warranty provision	Restructuring provision	Total
1 Jan 2011	0.9	1.4	2.3
Provisions made	1.5	0.1	1.6
Provisions used	-0.9	-1.2	-2.1
31 Dec 2011	1.5	0.3	1.8

EUR million	2011	2010
Non-current provisions	0.0	0.1
Current provisions	1.8	2.2

Warranty provision
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.

Restructuring provision
Due to the economic uncertainty, in 2009 the annual production volume in Passenger Car Tyres -unit at the Nokia factory was decreased from then current approx. 6 million tyres to approx. 4 million tyres, and in 2011 the production in Heavy Tyres -unit was adjusted to meet the reduced order stock. The changes in 2009 were carried out by cutting personnel with 232 people, of which pension arrangements covered 106 people. In 2011 pension arrangements involved 6 people. Additionally the measures in 2009 included the lay-offs of a total of 440 people in various periods.

Out of the cost impacts of these adjustment measures EUR 3.7 million has been expensed in 2008 and EUR 0.1 million in 2011. The still unrealised estimated costs of the liability components for the probable continued allowances to the dismissed, collected by the Unemployment Insurance Fund in due course, have been recorded both as current and non-current provisions. Most of the remaining provision is expected to be utilised in 2012.

26. Interest-bearing financial liabilities

EUR million	2011	2010
Non-current		
Loans from financial institutions and pension loans	43.6	47.9
Convertible bond loans	161.2	152.7
Finance lease liabilities	2.8	3.6
	207.6	204.2
Current		
Commercial papers	247.3	-
Current portion of non-current loans from financial institutions and pension loans	4.9	11.8
Current portion of finance lease liabilities	1.1	1.2
	253.4	13.0

Interest-bearing financial liabilities by currency

EUR million	2011	2010
Currency		
EUR	434.9	189.3
RUB	26.0	27.9
Total	461.0	217.2

Effective interest rates for interest-bearing financial liabilities

	2011		2010	
EUR million	Without hedges	With hedges	Without hedges	With hedges
Loans from financial institutions and pension loans	5.4%	5.4%	4.2%	4.2%
Convertible bond loans	5.6%	5.6%	5.6%	5.6%
Finance lease liabilities	6.1%	6.1%	6.0%	6.0%
Commercial papers	2.0%	2.0%	-	-
Total	3.5%	3.5%	5.2%	5.2%

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

27. Maturing of finance lease liabilities

EUR million	2011	2010
Minimum lease payments		
In less than 1 year	1.4	1.6
In 1 to 5 years	2.7	3.8
In over 5 years	0.0	0.0
	4.1	5.3
Present value of minimum lease payments		
In less than 1 year	1.4	1.5
In 1 to 5 years	2.5	3.3
In over 5 years	0.0	0.0
	3.9	4.8
Future finance charges	0.1	0.5
Total of minimum lease payments	4.1	5.3

On 31 December 2011 the Group's finance leases relating to warehouses, machinery and equipment amounted to EUR 3.6 million (EUR 4.5 million 31 December 2010) and they were included in property, plant and equipment. In 2011 the amount of contingent lease payments were EUR +0.1 million (EUR +0.2 million in 2010). 67 % of the finance lease payments are bound to the three-month Euribor rate. There are interest rate swaps with a notional amount of EUR 0.0 million (EUR 3.3 million in 2010) under which floating rate payments are converted into fixed rate payments.

28. Trade and other payables

EUR million	2011	2010
Trade payables	88.4	81.0
Accrued expenses and deferred revenues	67.2	52.4
Advance payments	0.5	1.8
Derivative financial instruments		
Designated as hedges	9.0	8.7
Measured at fair value through profit or loss	4.0	1.4
Other liabilities	16.9	20.1
Total	186.1	165.2

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

Significant items under accrued expenses and deferred revenues

EUR million	2010	2009
Wages, salaries and social security contributions	32.2	26.7
Annual discounts, sales	12.9	8.5
Financial items	5.4	0.3
Commissions	1.3	1.0
Goods received and not invoiced	2.9	1.2
Other items	12.6	14.7
Total	67.2	52.4

29. Financial risk management

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

Foreign currency risk

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

Transaction risk

According to the Group's financial policy, transactions between the parent company and the Group companies are primarily carried out in the local currency of the Group company in question and therefore transaction risk is carried by the parent company and there is no significant currency risk in the foreign Group companies. Exceptions to this main rule are the Group companies which have non-home currency items due to the nature of the business activities. In that case transactions between the parent company and the Group company are carried out in a currency suitable for the Group currency exposure. The parent company manages transaction risk in these Group companies and implements required hedging transactions for hedging the currency exposure of the Group company according to the Group hedging principles. Hedging principles are not applied to the EUR exposure of Ukrainian and Belarussian subsidiaries. Transactions between Ukrainian and Belarussian subsidiaries and the parent company are carried out in EUR as UAH and BYR are non-convertible currencies.

The open foreign currency exposure of the parent company and the Group companies with non-home currency items comprises of the foreign currency denominated receivables and payables in the statement of financial position and the foreign currency denominated binding purchase and sales contracts (transaction exposure). For risk management purposes, estimated currency cash flows are added to the open foreign currency exposure so that the overall foreign currency risk exposure horizon covers the next 12 months (budget exposure). According to the Group's financial policy the significant transaction exposure in every currency pair is hedged, although 20 % over-hedging or under-hedging is allowed if a +/- 10% change in the exchange rate does not create over EUR 1 million impact on the income statement. However, a simultaneous +/- 10% change in all the Group exposure currencies against EUR must not create over a EUR 5 million impact on the income statement. Exceptions to the main rule are non-convertible currencies, which do not have active hedging market available. 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, currency options and cross-currency swaps are used.

Transaction risk

EUR million	31 Dec 2011								31 Dec 2010							
Functional currency	EUR	EUR	EUR	EUR	EUR	CZK	UAH	RUB	EUR	EUR	EUR	EUR	EUR	CZK	UAH	RUB
Foreign currency	KZT	NOK	RUB	SEK	USD	EUR	EUR	EUR	KZT	NOK	RUB	SEK	USD	EUR	EUR	EUR
Trade receivables	0.6	17.2	34.2	22.5	12.2	68.4	2.5	90.6	0.2	15.5	20.2	19.7	10.3	24.4	1.7	66.4
Loans and receivables	23.9	29.6	16.0	41.5	2.3	2.6	0.1	2.1	26.2	15.1	19.1	27.5	3.6	18.2	0.1	0.0
Total currency income	24.5	46.8	50.2	64.0	14.5	71.0	2.6	92.8	26.5	30.6	39.3	47.1	13.9	42.6	1.8	66.4
Trade payables	0.0	0.0	-0.1	0.0	-0.9	-56.7	-6.4	-3.1	0.0	0.0	-0.1	0.0	-0.4	-38.0	-5.5	-1.3
Borrowings	0.0	-42.1	-164.2	0.0	-30.4	0.0	-36.4	-95.0	0.0	-36.7	-220.0	0.0	-25.1	0.0	-27.1	-64.5
Total currency expenditure	0.0	-42.1	-164.3	0.0	-31.3	-56.7	-42.8	-98.1	0.0	-36.7	-220.1	0.0	-25.5	-38.0	-32.6	-65.8
Foreign exchange derivatives	-24.3	-2.6	117.8	-74.4	15.5	-18.0	0.0	0.0	-13.3	-2.6	188.2	-54.9	17.8	-6.0	0.0	0.0
Binding sales contracts	0.2	2.5	4.9	3.9	5.7	0.0	0.0	0.0	0.0	3.5	2.9	4.7	1.4	0.0	0.0	0.0
Binding purchase contracts	0.0	0.0	0.0	0.0	-5.8	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	-3.9	0.0	0.0	0.0
Future interest items	0.3	0.0	-4.8	0.6	0.0	0.0	-1.1	-0.3	0.3	0.0	-0.5	0.5	0.0	0.0	-0.6	0.3
Net exposure	0.7	4.6	3.8	-6.0	-1.2	-3.7	-42.5	-5.3	13.4	-5.2	9.8	-2.6	3.6	-1.4	-31.4	0.6

Translation risk

In financial statements the statements of financial position 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 other comprehensive income. Following the Group's financial policy, the main foreign net investments are hedged with non-current currency loans and currency forwards. In general the hedge ratio varies between 50 and 75 % of the reported equity. However, the hedge ratio relating to the Russian subsidiaries may be as low as 25% based on the Board decision. The foreign net investments are monitored quarterly.

Translation risk	31 Dec 2011			31 Dec 2010		
EUR million	Net investment	Hedge	Hedge ratio	Net investment	Hedge	Hedge ratio
Currency of net investment						
NOK	44.2	31.0	70%	40.2	20.5	51%
RUB	628.7	155.6	25%	644.2	134.7	21%
SEK	24.4	15.7	64%	19.5	8.9	46%
USD	70.6	42.5	60%	61.6	33.7	55%

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the base currency against the quote currency, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of financial assets and liabilities and the Group's equity due to changes in the fair value of hedges of net investments in foreign operations.

The simultaneous and opposite impact of the translation difference of the net investment is not taken into account in the table. A reasonably possible change is assumed to be a 10 % base currency appreciation or depreciation against the quote currency. A change of a different magnitude can also be estimated fairly accurately because the sensitivity is nearly linear.

	31 Dec 2011				31 Dec 2010			
	Base currency				Base currency			
	10% stronger		10% weaker		10% stronger		10% weaker	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Base currency / Quote currency								
EUR/CZK	-0.3	0.0	0.3	0.0	-0.1	0.0	0.1	0.0
EUR/KZT	-0.2	0.0	0.2	0.0	-1.2	0.0	1.2	0.0
EUR/NOK	-0.2	3.1	0.2	-3.1	0.9	2.1	-0.9	-2.1
EUR/RUB	-1.1	15.6	1.1	-15.6	-0.7	13.5	0.7	-13.5
EUR/SEK	1.0	1.6	-1.0	-1.6	0.8	0.9	-0.8	-0.9
EUR/UAH	-3.6	0.0	3.6	0.0	-2.7	0.0	2.7	0.0
EUR/USD	0.1	4.3	-0.1	-4.3	-0.6	3.4	0.6	-3.4

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 reporting date the floating rate interest-bearing financial liabilities amounted to EUR 291.6 million (EUR 32.1 million in 2010) and the fixed rate interest-bearing liabilities EUR 169.3 million (EUR 185.1 million in 2010). The Group's policy aims to have at least 50 % of the non-current financial liabilities in fixed rate instruments. Interest rate risk is managed by using interest rate derivatives. On the reporting date the portion of the non-current fixed rate interest-bearing financial liabilities was 80 % (85 % in 2010) and the average fixing period of the interest-bearing financial liabilities was 30 months (29 months in 2010) including the interest rate derivatives. The Group uses interest rate derivatives as cash flow hedges and hedge accounting is mainly applied for those derivatives.

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

	31 Dec 2011				31 Dec 2010			
	Interest rate				Interest rate			
	1 %-point higher		1 %-point lower		1 %-point higher		1 %-point lower	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Impact of interest rate change	-2.7	0.9	2.7	-0.9	0.1	0.9	-0.1	-0.9

Electricity price risk

The Group purchases electricity in Finland at market price from the Nordic electricity exchange and this leads to an electricity price exposure. Annually around 100 GWh of electricity is procured. According to the procurement policy electricity purchases are hedged with electricity derivatives within the limits set by the pre-defined hedge ratios for the coming five year period. On the reporting date the electricity derivatives amounted to 350 GWh (in 2010 no such derivatives existed).

Sensitivity analysis for electricity price risk
The following table demonstrates the sensitivity to a reasonably possible change in electricity price, with all other variables held constant, of the Group's profit before tax and equity due to changes in the fair value of the electricity derivatives. A reasonably possible change is assumed to be a 5 EUR/MWh increase or decrease of the electricity market prices. A change of a different magnitude can also be estimated fairly accurately because the sensitivity is nearly linear.

	31 Dec 2011				31 Dec 2010			
	Electricity price				Electricity price			
	5 EUR/MWh higher		5 EUR/MWh lower		5 EUR/MWh higher		5 EUR/MWh lower	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Impact of electricity price change	0.0	1.7	0.0	-1.7	-	-	-	-

Liquidity and funding risk

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

Refinancing risk is reduced by split maturity structure of loans and credit limits. The Group has a EUR 250 million domestic commercial paper program. In March the Group replaced the EUR 180 million multicurrency credit facility with a EUR 100 million multicurrency credit facility. Multicurrency revolving credit facility, which is used as a back-up liquidity reserve, matures in March 2016 and the arrangement fee is recorded under financial expenses over the contract period. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, subsidiaries in distribution chains and thus to control the typical seasonality in the Group's cash flows. In the second half of 2011 the Group utilized commercial paper loans maturing after the turn of the year as hedges against potential disruptions in financial markets. A EUR 150 million convertible loan, which is traded on the Euro MTF market of Luxembourg, is due in 2014, unless it is redeemed, exchanged, purchased or cancelled prior to the maturity. The loan was issued as bonds with a capital of EUR 100,000, which can be traded for 2,672 company shares.

The Group reports the main financial covenants to creditors quarterly. If the Group does not satisfy the requirements set in financial covenants, creditor may demand accelerated repayment of the credits. In 2011 and 2010 the Group has met all the requirements set in the financial covenants. Financial covenants are mainly linked to equity ratio. Management monitors regularly that the covenant requirements are met. Agreements relating to financing contain terms and conditions upon which the agreement may terminate, if control in the company changes as a result of a public tender offer.

On the reporting date the Group's liquidity in cash and equivalents was EUR 464.5 million (EUR 216.6 million in 2010). At the end of the year the Group's available current credit limits were EUR 160.8 million (EUR 356.7 million in 2010), out of which the committed limits were EUR 105.9 million (EUR 55.9 million in 2010). The available committed non-current credits amounted to EUR 200.0 million (EUR 180.0 million in 2010).

The Group's interest-bearing financial liabilities totalled EUR 461.0

million, compared to the year before figure of EUR 217.2 million. Around 94% of the interest-bearing financial liabilities were in EUR. The average interest rate of interest-bearing financial liabilities was 3.5%. The average interest rate of interest-bearing financial liabilities with calculatory non-cash expenses related to the convertible bond eliminated was 1.8%. Current interest-bearing financial liabilities, including the portion of non-current financial liabilities maturing within the next 12 months, amounted to EUR 253.4 million (EUR 13.0 million in 2010).

Contractual maturities of financial liabilities

	2011							
		Contractual maturities*						
EUR million	Carrying amount	2012	2013	2014	2015	2016	2017–	Total
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	6.8	-3.8	-1.8	-1.4	-1.0	0.0	0.0	-8.0
Floating rate loans	41.7	-3.2	-39.1	-1.9	0.0	0.0	0.0	-44.1
Convertible bond loans	161.2	0.0	0.0	-184.5	0.0	0.0	0.0	-184.5
Commercial papers	247.3	-248.0	0.0	0.0	0.0	0.0	0.0	-248.0
Finance lease liabilities	3.9	-1.4	-1.3	-0.8	-0.6	-0.6	0.0	-4.7
Trade and other payables	88.4	-88.4	0.0	0.0	0.0	0.0	0.0	-88.4
Bank overdraft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial liabilities								
Interest rate derivatives								
Designated as hedges	1.0	-0.4	-0.1	-0.3	0.0	0.0	0.0	-0.8
Measured at fair value through profit or loss	0.4	-0.4	0.0	0.0	0.0	0.0	0.0	-0.4
Foreign currency derivatives								
Designated as hedges								
Cashflow out	7.6	-244.8	0.0	0.0	0.0	0.0	0.0	-244.8
Cashflow in	0.0	236.6	0.0	0.0	0.0	0.0	0.0	236.6
Measured at fair value through profit or loss								
Cashflow out	3.7	-406.7	0.0	0.0	0.0	0.0	0.0	-406.7
Cashflow in	-0.5	403.9	0.0	0.0	0.0	0.0	0.0	403.9
Electricity derivatives								
Designated as hedges	1.9	-1.0	-0.4	-0.3	-0.1	0.0	0.0	-1.9
Total	563.3	-357.5	-42.7	-189.2	-1.8	-0.6	0.0	-591.8

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

Contractual maturities of financial liabilities

	2010							
		Contractual maturities*						
EUR million	Carrying amount	2011	2012	2013	2014	2015	2016–	Total
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	30.8	-11.3	-10.9	-8.8	-1.4	-1.0	0.0	-33.4
Floating rate loans	28.9	-2.9	-2.9	-24.3	-1.9	0.0	0.0	-31.9
Convertible bond loans	152.7	0.0	0.0	0.0	-184.5	0.0	0.0	-184.5
Commercial papers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finance lease liabilities	4.8	-1.4	-1.3	-1.2	-0.8	-0.6	-0.1	-5.3
Trade and other payables	155.2	-155.2	0.0	0.0	0.0	0.0	0.0	-155.2
Bank overdraft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial liabilities								
Interest rate derivatives								
Designated as hedges	0.8	-0.5	-0.3	-0.1	0.1	0.0	0.0	-0.8
Measured at fair value through profit or loss	0.5	-0.3	-0.2	0.0	0.0	0.0	0.0	-0.5
Foreign currency derivatives								
Designated as hedges								
Cashflow out	8.3	-201.6	0.0	0.0	0.0	0.0	0.0	-201.6
Cashflow in	0.0	193.1	0.0	0.0	0.0	0.0	0.0	193.1
Measured at fair value through profit or loss								
Cashflow out	1.1	-355.8	0.0	0.0	0.0	0.0	0.0	-355.8
Cashflow in	-6.0	360.8	0.0	0.0	0.0	0.0	0.0	360.8
Electricity derivatives								
Designated as hedges	-	-	-	-	-	-	-	-
Total	377.0	-175.0	-15.6	-34.4	-188.4	-1.6	-0.1	-415.0

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

Credit Risk

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

The principles of customers' credit risk management are documented in the Group's credit risk policy. The Group Credit Committee makes all the significant credit decisions. Credit analysis and payment history collected by credit information companies are used for evaluating credit worthiness. The credit statuses of the customers are followed at the Group companies regularly according to the Group credit risk policy principles. In addition, the country risk is monitored constantly and credits are limited in countries where political or economical environment is unstable. Bank guarantees, documentary credits and specific payment terms are used in controlling the credit risk in trade receivables. Payment programs, which customer is committed to, are always agreed upon for past due receivables. Significant items of trade receivables are evaluated both counterparty specifically and in a portfolio level in order to identify possible impairment. In trade receivables there are no other over 15% customer or country risk concentration than the Russian customers share of about 18% (about 24% in 2010) on the reporting date.

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

The aging of trade receivables

EUR million	2011	2010
Not past due	**270.3**	205.9
Past due less than 30 days	**44.5**	30.2
Past due between 30 and 90 days	**7.4**	2.6
Past due more than 90 days	**13.1**	20.1
Total	**335.3**	258.9

Capital Management

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

Net debt / EBITDA

EUR million	2011	2010
Average interest-bearing liabilities	**342.5**	338.1
Less: Average liquid funds	**182.1**	98.9
Average net debt	**160.4**	239.2
Operating profit	**380.1**	222.2
Add: Depreciations and amortisations	**71.6**	69.4
EBITDA	**451.7**	291.5
Average net debt / EBITDA	**0.36**	0.82

Equity ratio

EUR million	2011	2010
Equity attributable to equity holders of the parent	**1,185.9**	937.2
Add: Non-controlling interest	**0.3**	-
Total equity	**1,186.1**	937.2
Total assets	**1,875.9**	1,371.6
Less: Advances received	**0.5**	1.8
Adjusted total assets	**1,875.4**	1,369.8
Equity ratio	**63.2%**	68.4%

30. Fair values of derivative financial instruments

EUR million	2011 Notional amount	2011 Fair value Assets	2011 Fair value Liabilities	2010 Notional amount	2010 Fair value Assets	2010 Fair value Liabilities
Derivatives measured at fair value through profit or loss						
Foreign currency derivatives						
Currency forwards	**406.2**	**0.5**	**3.7**	361.6	6.0	1.1
Currency options, purchased	**-**	**-**	**-**	-	-	-
Currency options, written	**-**	**-**	**-**	-	-	-
Interest rate derivatives						
Interest rate swaps	**0.0**	**0.1**	**0.5**	0.0	0.4	0.9
Derivatives designated as cash flow hedges						
Interest rate derivatives						
Interest rate swaps	**41.3**	**1.4**	**2.4**	30.7	2.0	2.8
Electricity derivatives						
Electricity forwards	**16.5**	**0.0**	**1.9**	-	-	-
Derivatives designated as hedges of net investments in foreign operations						
Foreign currency derivatives						
Currency forwards	**244.8**	**0.0**	**7.6**	201.6	0.0	8.3

Derivatives are maturing within the next 12 months excluding the interest rate swaps and electricity forwards. The fair value of forward exchange contracts is measured using the forward rates on the reporting date. The fair value of currency options is calculated using an option valuation model.

The fair value of interest rate derivatives is determined as the present value of the future cash flows based on market interest rates on the reporting date. The fair value of electricity derivatives is based on quoted market prices in active markets on the reporting date.

31. Operating lease commitments

EUR million	2011	2010
The Group as a lessee		
Non-cancellable minimum operating lease payments		
In less than 1 year	**18.8**	17.7
In 1 to 5 years	**54.0**	56.9
In over 5 years	**26.4**	27.5
	99.2	102.1

The Group leases office and warehouse spaces and retail outlets under various non-cancellable operating leases. The terms of the leases vary from few years to 15 years. The most significat agreements from the financial reporting point of view are warehouses located at Nokia and Vianor retail outlets. The rents of these warehouses are bound to the three-month Euribor rate and agreements include purchase options. There are interest rate swaps with a notional amount of EUR 26.3 million (EUR 27.4 million in 2010) under which floating rate payments are converted into fixed rate payments.

The income statement in 2011 contains EUR 28,3 million expenses for operating lease agreements (EUR 27.2 million in 2010).

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.

32. Contingent liabilities and assets and contractual commitments

EUR million	2011	2010
For own debt		
Mortgages	**1.1**	1.1
Pledged assets	**0.1**	0.0
On behalf of other companies		
Guarantees	**0.0**	3.9
Other own commitments		
Guarantees	**3.3**	2.3
Contractual commitments	**2.8**	2.2

33. Disputes and litigations

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

34. Related party transactions

Parent and Group company relations:

	Domicile	Country	Group holding %	Voting rights %	Parent company holding %
Parent company					
Nokian Tyres plc	Nokia	Finland			
Group companies					
Nokian Heavy Tyres Ltd.	Nokia	Finland	100	100	100
Nokian Däck AB		Sweden	100	100	100
Nokian Dekk AS		Norway	100	100	100
Nokian Reifen GmbH		Germany	100	100	100
Nokian Reifen AG		Switzerland	100	100	100
Nokian Tyres S.A.R.L.		Luxembourg	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	
Nokian Tyres Canada Inc.		Canada	100	100	100
Nokian Tyres s.r.o.		Czech Rep.	100	100	100
TOV Nokian Shina		Ukraine	100	100	100
TOO Nokian Tyres		Kazakhstan	100	100	100
OOO Nokian Shina	Vsevolozhsk	Russia	100	100	100
TAA Nokian Shina Belarus		Belarus	100	100	99
Nokian Renkaat Holding Oy	Nokia	Finland	100	100	99
OOO Nokian Tyres	Vsevolozhsk	Russia	100	100	
OOO Hakkapeliitta Village	Vsevolozhsk	Russia	100	100	
Nokian Tyres Trading (Shanghai) CO LTD		China	75	75	
NT Tyre Machinery Oy	Nokia	Finland	100	100	100
Direnic Oy	Nokia	Finland	100	100	100
Hakka Invest Oy	Nokia	Finland	100	100	100
OOO Hakka Invest	Vsevolozhsk	Russia	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 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 AB		Sweden	100	100	
Däckfocus AB		Sweden	100	100	
Korsnäs Gummi AB		Sweden	100	100	
Markaryds Däckservice AB		Sweden	100	100	
Vulkano Däck & Fälg i Sandviken AB		Sweden	100	100	
Däckservice i Jämtland AB		Sweden	100	100	
A-Däck Åsberg & Co Ab		Sweden	100	100	
Hågde AB		Sweden	100	100	
Vianor AS		Norway	100	100	
Vianor AG		Switzerland	100	100	
Vianor Inc.		USA	100	100	
Associated companies					
Sammaliston Sauna Oy	Nokia	Finland	33	33	33

Not combined due to the company characteristics and minor significance.

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

Transactions and outstanding balances with parties having significant influence

EUR million	2011	2010
Shareholders		
Bridgestone Group		
Transactions with Bridgestone Group take place at market prices.		
Sales of goods	14.1	16.0
Purchases of goods	30.4	26.7
Trade and other receivables	1.7	0.2
Trade and other payables	1.4	6.1

1,000 euros	2011	2010
Key management personnel		
Employee benefit expenses		
Short-term employee benefits	3,248.7	3,506.8
Post-employment benefits	609.1	487.0
Termination benefits	-	-
Share-based payments	2,901.3	2,179.3
Total	6,759.2	6,173.2
Remunerations		
President (also a member of the Board of Directors)	882.8	968.0
of which incentives for the reported period	372.5	439.6
of which incentive correction for the previous period	-55.6	-
Members of the Board of Directors		
Petteri Walldén	76.0	73.5
Hille Korhonen	40.4	38.5
Hannu Penttilä	41.0	38.5
Benoit Raulin	29.3	-
Aleksey Vlasov	37.4	35.6
Prior members of the Board of Directors		
Yasuhiko Tanokashira	8.8	36.8
Kai Öistämö	10.0	38.0
Total	242.8	260.9

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

Other key management personnel	2,122.5	2,277.3
of which incentives	275.4	378.2

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 2011 the President and other key management personnel were granted a total of 415,000 share options (in 2010 a total of 454,000 share options). The share option plan terms for the key management personnel are equal to the share options directed at other personnel. On 31 December 2011 the key management personnel held 1,176,700 share options, with 331,700 excercisable (on 31 December 2010 1,444,000 share options, with 624,000 excercisable).

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

35. Events after the reporting date

No events have occurred after the reporting date affecting the financial statements significantly.

EUR million	1.1.–31.12.	Notes	**2011**	2010
Net sales		(1)	**765.4**	580.7
Cost of sales		(2)(3)	**-646.7**	-504.2
Gross profit			**118.7**	76.5
Selling and marketing expenses		(2)(3)	**-24.5**	-22.5
Administration expenses		(2)(3)(4)	**-14.7**	-13.9
Other operating expenses		(2)(3)	**-13.4**	-11.1
Other operating income			**0.1**	0.4
Operating profit			**66.2**	29.4
Financial income and expenses		(5)	**182.9**	46.4
Profit before extraordinary items			**249.2**	75.8
Extraordinary income and expenses		(6)	**-9.2**	1.3
Profit before appropriations and tax			**240.0**	77.1
Change in accumulated depreciation in excess of plan		(7)	**4.4**	5.8
Income tax		(8)	**-23.4**	-5.8
Profit for the period			**220.9**	77.1

EUR million	31.12.	Notes	2011	2010
ASSETS				
Fixed assets and other non-current assets				
Intangible assets		(9)	**12.8**	13.0
Tangible assets		(9)	**124.3**	121.1
Shares in Group companies		(10)	**106.1**	106.1
Investments in associates		(10)	**0.1**	0.1
Shares in other companies		(10)	**0.2**	0.2
Total non-current assets			**243.4**	240.4
Current assets				
Inventories		(11)	**121.7**	67.1
Long-term receivables		(12)	**27.4**	113.4
Deferred tax assets		(15)	**-**	7.5
Short-term receivables		(13)	**646.9**	524.7
Cash and cash equivalents			**447.3**	169.1
Total current assets			**1,243.3**	881.8
			1,486.7	1,122.2
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity		(14)		
Share capital			**25.4**	25.4
Share premium			**182.5**	182.5
Paid up unrestricted equity fund			**35.4**	8.0
Retained earnings			**70.6**	77.2
Profit for the period			**220.9**	77.1
Total shareholders' equity			**534.9**	370.3
Untaxed reserves and provisions				
Accumulated depreciation in excess of plan		(9)	**46.6**	50.9
Liabilities				
Non-current liabilities		(16)	**190.2**	187.7
Current liabilities		(17)	**715.0**	513.2
Total liabilities			**905.1**	700.9
			1,486.7	1,122.2

EUR million 1.1.–31.12.	2011	2010
Cash flows from operating activities:		
Cash receipts from sales	**699.5**	494.6
Cash paid for operating activities	**-692.8**	-433.8
Cash generated from operations	**6.7**	60.7
Interest paid	**-13.5**	-30.4
Interest received	**11.8**	14.4
Dividends received	**192.1**	74.4
Income taxes paid	**-9.6**	-3.8
Net cash from operating activities (A)	**187.5**	115.3
Cash flows from investing activities:		
Acquisitions of property, plant and equipment and intangible assets	**-32.5**	-11.8
Proceeds from sale of property, plant and equipment and intangible assets	**4.6**	3.5
Acquisition of Group companies	**-**	-31.5
Net cash used in investing activities (B)	**-27.9**	-39.9
Cash flows from financing activities:		
Proceeds from issue of share capital	**27.4**	34.7
Change in current financial receivables	**-52.5**	-25.9
Change in non-current financial receivables	**79.8**	12.5
Change in financial current borrowings	**150.2**	138.8
Change in financial non-current borrowings	**-2.5**	-59.9
Dividends paid	**-83.7**	-50.7
Net cash used financing activities (C)	**118.7**	49.4
Net increase in cash and cash equivalents (A+B+C)	**278.2**	124.9
Cash and cash equivalents at the beginning of the period	**169.1**	44.2
Cash and cash equivalents at the end of the period	**447.3**	169.1
	278.2	124.9

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
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.

1. Net sales by segments and market areas

EUR million	2011	2010
Passenger Car Tyres	602.1	466.8
Heavy Tyres	106.0	76.7
Truck Tyres	56.6	37.0
Other	0.6	0.2
Total	765.4	580.7
Finland	147.9	113.2
Other Nordic countries	188.2	147.9
Baltic countries and Russia	43.0	25.1
Other European countries	306.8	236.8
North America	62.0	30.0
Other countries	17.5	27.6
Total	765.4	580.7

2. Wages, salaries and social expenses

EUR million	2011	2010
Wages and salaries	50.0	39.0
Pension contributions	9.1	6.8
Other social expenses	3.0	2.5
Total	62.1	48.4
Remuneration of the members of the Board of the Directors and the President on accrual basis	1.1	1.2
of which incentives	0.3	0.4

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	770	650
Selling and marketing	72	65
Others	168	149
Total	1,010	864

3. Depreciation

EUR million	2011	2010
Depreciation according to plan by asset category		
Intangible assets	4.1	4.2
Buildings	1.6	1.6
Machinery and equipment	21.0	21.6
Other tangible assets	0.0	0.0
Total	26.6	27.4
Depreciation by function		
Production	21.8	22.2
Selling and marketing	0.3	0.3
Administration	3.7	4.0
Other operating depreciation	0.8	0.9
Total	26.6	27.4

4. Auditors' fees

EUR million	2011	2010
Authorised public accountants KPMG Oy Ab		
Auditing	0.1	0.0
Tax consulting	0.1	0.1
Other services	0.1	0.0
Total	0.3	0.1

5. Financial income and expenses

EUR million	2011	2010
Dividend income		
From the Group companies	192.0	74.4
From others	0.0	0.0
Total	192.1	74.4
Interest income, non-current		
From the Group companies	3.0	5.8
From others	0.1	0.0
Total	3.1	5.8
Other interest and financial income		
From the Group companies	9.8	6.4
From others	1.3	0.5
Total	11.2	6.9
Exchange rate differences (net)	-8.0	-21.9
Interest and other financial expenses		
To the Group companies	-4.3	-6.3
To others	-7.9	-8.9
Other financial expenses	-3.2	-3.7
Total	-15.4	-18.9
Total financial income and expenses	182.9	46.4

6. Extraordinary items

EUR million	2011	2010
Extraordinary income, dissolution gain of a subsidiary	-	1.3
Extraordinary income, the return of assets for redemption of shares in Isko Oyj	0.1	-
Extraordinary expenses, granted group contributions	-9.4	-
Total	-9.2	1.3

7. Appropriations

EUR million	2011	2010
Change in accumulated depreciation in excess of plan		
Intangible assets	-0.3	0.2
Buildings	0.0	0.1
Machinery and equipment	4.6	5.5
Other tangible assets	0.0	0.0
Total	4.4	5.8

8. Income tax

EUR million	2011	2010
Direct tax for the year	-15.8	-4.0
Direct tax from previous years	-	-
Change in deferred tax	-7.5	-1.8
Total	-23.4	-5.8

9. Fixed assets

EUR million	Intangible assets: Intangible rights	Intangible assets: Intangible rights	Tangible assets: Land property	Tangible assets: Buildings	Tangible assets: Machinery and equipment	Tangible assets: Other tangible assets	Tangible assets: Advances and fixed assets under construction
Accumulated cost, 1 Jan 2011	**30.7**	**3.2**	**0.7**	**61.7**	**319.7**	**3.6**	**1.4**
Increase	**0.2**			**0.0**	**17.4**		**19.1**
Decrease	**-1.2**				**-8.0**		
Transfer between items	**4.1**	**0.1**		**0.7**	**6.0**	**0.0**	**-10.9**
Accumulated cost, 31 Dec 2011	**33.8**	**3.3**	**0.7**	**62.4**	**335.0**	**3.6**	**9.6**
Accum. depr. acc. to plan 1 Jan 2011	**-19.1**	**-1.8**		**-22.7**	**-239.8**	**-3.5**	
Accum. depr. on disposals	**0.7**				**1.5**		
Depreciations for the period	**-3.9**	**-0.2**		**-1.6**	**-21.0**	**0.0**	
Accum. depr. acc.to plan , 31 Dec 2011	**-22.3**	**-2.1**		**-24.3**	**-259.3**	**-3.5**	
Carrying amount, 31 Dec 2011	**11.5**	**1.3**	**0.7**	**38.1**	**75.8**	**0.1**	**9.6**
Carrying amount, 31 Dec 2010	11.7	1.4	0.7	38.9	79.9	0.1	1.4
Accum. depreciation in excess of plan, 31 Dec 2011	**2.0**	**0.1**	**-**	**17.9**	**27.0**	**-0.5**	
Accum. depreciation in excess of plan, 31 Dec 2010	1.7	0.2	-	18.0	31.6	-0.5	

10. Investments

EUR million	Shares in Group companies	Investments in associates	Shares in other companies
Accumulated cost, 1 Jan 2011	**106.1**	**0.1**	**0.2**
Decrease	**-**	**-**	**-**
Increase	**-**	**-**	**-**
Accumulated cost, 31 Dec 2011	**106.1**	**0.1**	**0.2**
Carrying amount, 31 Dec 2011	**106.1**	**0.1**	**0.2**
Carrying amount, 31 Dec 2010	106.1	0.1	0.2

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

11. Inventories

EUR million	**2011**	2010
Raw materials and supplies	**68.7**	41.5
Work in progress	**3.8**	2.5
Finished goods	**49.2**	23.1
Total	**121.7**	67.1

12. Long-term receivables

EUR million	**2011**	2010
Loan receivables from the Group companies	**27.2**	113.2
Loan receivables from others	**0.2**	0.2
Total long-term receivables	**27.4**	113.4

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

13. Short-term receivables

EUR million	2011	2010
Receivables from the Group companies		
Trade receivables	144.7	105.6
Loan receivables	385.1	319.6
Accrued revenues and deferred expenses	24.9	28.7
Total	554.7	453.9
Trade receivables	81.8	54.8
Other receivables	8.2	7.6
Accrued revenues and deferred expenses	2.2	8.4
Total	92.2	70.8
Total short-term receivables	646.9	524.7
Significant items under accrued revenues and deferred expenses		
Annual discounts, purchases	0.1	0.1
Financial items	3.7	8.9
Taxes	-	-
Social payments	0.2	0.2
Capital expenditure in Russian factory	12.8	18.8
Goods and services rendered and not invoiced, subsidiary	9.7	8.7
Other items	0.5	0.4
Total	27.1	37.1

14. Shareholders' equity

EUR million	2011	2010
Restricted shareholder's equity		
Share capital, 1 January	25.4	25.0
Emissions	-	0.5
Share capital, 31 December	25.4	25.4
Share issue premium, 1 January	182.5	156.4
Emission gains	-	26.1
Share issue premium, 31 December	182.5	182.5
Total restricted shareholder's equity	207.9	207.9
Non-restricted shareholder's equity		
Paid-up unrestricted equity reserve, 1 January	8.0	0.0
Emission gains	27.4	8.0
Paid-up unrestricted equity reserve, 31 December	35.4	8.0
Retained earnings, 1 January	154.3	127.9
Dividends to shareholders	-83.8	-50.7
Retained earnings, 31 December	70.6	77.2
Result for the period	220.9	77.1
Total non-restricted shareholder's equity	327.0	162.4
Total shareholders' equity	534.9	370.3
Specification of the distributable funds, 31 December		
Retained earnings	70.6	77.2
Paid-up unrestricted equity reserve	35.4	8.0
Profit for the period	220.9	77.1
Distributable funds, 31 December	327.0	162.4

15. Deferred tax assets

EUR million	2011	2010
Deferred tax assets	-	7.5
Total	-	7.5

The deferred tax assets are accrued for the tax loss in 2009 and were utilized totally in 2011.

16. Non-current liabilities

EUR million	2011	2010
Interest-bearing		
Convertible bond loans	171.4	166.4
Loans from financial institutions	18.5	5.2
Pension premium loans	0.3	16.1
Total non-current liabilities	190.2	187.7
Convertible bond loans	171.4	166.4

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

The convertible bonds include non-accrued yield of EUR 13.1 million (2010: EUR 18.1 million).

17. Current liabilities

EUR million	2011	2010
Interest-bearing		
Liabilities to the Group companies		
Finance loans	262.9	351.7
Commercial papers	245.8	-
Loans from financial institutions	1.7	1.7
Pension premium loans	2.0	8.9
Total	249.5	10.6
Total interest-bearing liabilities	512.4	362.2
Non-interest-bearing		
Liabilities to the Group companies		
Trade payables	88.4	61.9
Accrued expenses and deferred revenues	24.2	11.4
Total	112.6	73.4
Trade payables	37.3	41.8
Liabilities to the others	5.4	4.4
Accrued expenses and deferred revenues	47.2	31.4
Total	89.9	77.6
Total non-interest-bearing liabilities	202.6	151.0
Total current liabilities	715.0	513.2
Significant items under accrued expenses and deferred revenues		
Wages and salaries	14.1	11.0
Annual discounts, sales	6.6	5.7
Taxes	6.2	-
Financial items	14.9	11.6
Commissions	1.3	1.0
Goods received and not invoiced	2.9	1.2
Warranty commitments	0.5	0.4
Goods and services received and not invoiced, subsidiary	13.3	9.8
Group contributions	9.4	-
Other items	2.2	2.1
Total	71.4	42.8

18. Contingent liabilities

EUR million	2011	2010
On behalf of Group companies and investments in associates		
Guarantees	38.2	37.9
The amount of debts and commitments mortgaged for total EUR 35.5 million (2010: EUR 35.2 million).		
On behalf of other companies		
Guarantees	0.4	4.2
Other own commitments		
Guarantees	10.1	9.6
Leasing and rent commitments		
Payments due in 2012/2011	6.8	7.3
Payments due in subsequent years	35.4	39.0

19. Derivative financial instruments

EUR million	2011	2010
Interest rate derivatives		
Interest rate swaps		
Notional amount	41.3	30.7
Fair value	-1.4	-1.3
Foreign currency derivatives		
Currency forwards		
Notional amount	781.2	626.6
Fair value	-10.0	-3.0
Electricity derivatives		
Electricity forwards		
Notional amount	16.5	-
Fair value	-1.9	-

The fair value of forward exchange contracts is measured using the forward rates on the reporting date. The fair value of currency options is calculated using an option valuation model.

The fair value of interest rate derivatives is determined as the present value of the future cash flows based on market interest rates on the reporting date.

The fair value of electricity derivatives is based on quoted market prices in active markets on the reporting date.

20. Environmental commitments and expenses

Expenses relating to environment are included to production costs. The company has no material environmental commitments. In addition to the environmental aspects presented in the Annual Report, Nokian Tyres issued an Environmental Report in 2010.

Share capital and shares

Nokian Tyres' share was quoted on the main list of the NASDAQ OMX Helsinki Oy (Helsinki Stock Exchange until 2007) 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. On 21 February 2012, the amount of shares entitled to dividend was 130,496,395.

Share price development and trading volume in 2011

At the end of 2011, the price of Nokian Tyres' share was EUR 24.88, showing an decrease of 9.4 % on the previous year's closing price of EUR 27.45. At its highest, Nokian Tyres' share was quoted at EUR 37.45 in 2011 (EUR 28.20 in 2010) and EUR 19.23 (EUR 15.89) at its lowest. During the year, a total of 209,897,339 (173,983,343) Nokian Tyres' shares were traded on the NASDAQ OMX Helsinki Oy. At the end of the year, the market capitalization of the share capital was EUR 3,224,692,819 (EUR 3,505,432,554). On 31 December, 2011, the number of shares was 129,609,840.

Dividend policy

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

Board authorisations

The Annual General Meeting, held on 3 April 2007, authorised the Board of Directors to make a decision to offer no more than 24,000,000 shares through a share issue or by granting special rights under Chapter 10, section 1 of the Finnish Companies Act that entitle to shares (including convertible bonds) on one or more occasions. The Board may decide to issue new shares or shares held by the company. The maximum number of shares included in the authorisation accounts for approximately 20% of the company's entire share capital. The company has one class of shares.

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

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

Company share ownership and authorisation for acquisition

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

Stock options 2007 directed at personnel

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

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

The original share subscription price for stock options 2007A was the average price of a Nokian Tyres plc share weighted by the share trading volume on NASDAQ OMX Helsinki Oy between 1 January and 31 March 2007, i.e., EUR 17.29. For stock options 2007B, the original share subscription price was the average price of a Nokian Tyres plc share weighted by the share trading volume on NASDAQ OMX Helsinki Oy between 1 January and 31 March 2008, i.e., EUR 24.27 and for stock options 2007C, the original share subscription price was the average price of a Nokian Tyres plc share weighted by the share trading volume on the NASDAQ OMX Helsinki Oy between 1 January and 31 March 2009, i.e., EUR 9.04.

The price of shares subscribed for with stock options shall be reduced by the amount of dividends paid after the commencement of the period for which the subscription price was determined, and dividends decided before the subscription on the record date of each dividend payment. After 12 April 2011, the subscription price was for stock options 2007B EUR 22.32 and stock options 2007C EUR 7.59.

The share subscription period is
for stock options 2007A 1 March 2009 - 31 March 2011
for stock options 2007B 1 March 2010 - 31 March 2012
for stock options 2007C 1 March 2011 - 31 March 2013.

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

Stock options 2010 directed at personnel

The Annual General Meeting held on 8 April 2010 decided to issue stock options to the personnel of the Nokian Tyres Group and the wholly owned subsidiary of Nokian Tyres plc. A deviation was made from the shareholders' pre-emptive subscription right because the stock options are designed to be part of the Group's incentive and commitment program. The purpose of the stock options is to encourage the personnel to work on a long-term basis to increase shareholder value.

The number of stock options is 4,000,000. A total of 1,320,000 stock options will be marked with the symbol 2010A, 1,340,000 with the symbol 2010B and 1,340,000 with the symbol 2010C. According to the original subscription terms, the stock options entitle the subscription of a maximum of 4,000,000 Nokian Tyres plc new shares or existing shares held by the company. The Board's intention was to distribute the stock options in spring 2010 (2010A stock options), 2011 (2010B stock options) and 2012 (2010C stock options).

The original share subscription price for stock options 2010A was the average price of a Nokian Tyres plc share weighted by the share trading volume on NASDAQ OMX Helsinki Oy between 1 April and 30 April 2010, i.e., EUR 18.14. For stock options 2010B, the original share subscription price is the average price of a Nokian Tyres plc share weighted by the share trading volume on NASDAQ OMX Helsinki Oy between 1 April and 30 April 2011, i.e. 32.90 and for stock options 2010C, the original share subscription price is the average price of a Nokian Tyres plc share weighted by the share trading volume on the NASDAQ OMX Helsinki Oy between 1 April and 30 April 2012.

Should the company distribute dividends or similar assets from reserves of unrestricted equity, from the shares subscription price of the stock options, shall be deducted the amount of the dividend or the amount of distributable unrestricted equity decided after the beginning of the period for determination of the share subscription price but before share subscription, as per the dividend record date or the record date of the repayment of equity. After 12 April 2011, the subscription price for stock options 2010A was EUR 17.49 and stock options 2010B EUR 32.90.

The share subscription period is
for stock options 2010A 1 May 2012 - 31 May 2014
for stock options 2010B 1 May 2013 - 31 May 2015
for stock options 2010C 1 May 2014 - 31 May 2016.

As a result of the subscriptions with the 2010 stock options, and according to the original subscription terms, the number of shares may be increased by a maximum of 4,000,000 new shares. The share subscription price shall be credited to the reserve for invested unrestricted equity. A share ownership plan shall be incorporated with the 2010 stock options, obliging the Group's senior management to acquire the Company's shares with a proportion of the income gained from the stock options.

Nokian Tyres' 2007A stock options for the option scheme 2007 were listed on NASDAQ OMX Helsinki Oy main list as of 1 March 2009. At their highest, the 2007A stock options were quoted at EUR 14.50 and at their lowest EUR 7.30. During the year, a total of 617,937 2007A stock options were traded on NASDAQ OMX Helsinki Oy.

Nokian Tyres' 2007B stock options for the option scheme 2007 were listed on NASDAQ OMX Helsinki Oy main list as of 1 March 2010. At their highest, the 2007B stock options were quoted at EUR 14.90 and at their lowest EUR 1.49. During the year, a total of 2,528,120 2007B stock options were traded on NASDAQ OMX Helsinki Oy.

Nokian Tyres' 2007C stock options for the option scheme 2007 were listed on NASDAQ OMX Helsinki Oy main list as of 1 March 2011. At their highest, the 2007C stock options were quoted at EUR 29.63 and at their lowest EUR 11.85. During the year, a total of 605,531 2007C stock options were traded on NASDAQ OMX Helsinki Oy.

Management shareholding

On 31 December 2011, Nokian Tyres' Board members and the President and CEO held a total of 46,573 Nokian Tyres' shares. In addition, the President and CEO held a total of 60,000 Nokian Tyres' publicly traded stock options, and a total of 180,000 stock options that were not publicly traded in 2011. The shares and publicly traded stock options represent 0.08% of the total number of votes.

Convertible bond loan for Finnish and international institutional investors

On 20 June 2007, the Board of Directors of Nokian Tyres announced the issue of a convertible bond totalling EUR 130.4 million, maturing in 2014, and on the basis of the authorisation granted by the Annual General Meeting on 3 April 2007, issued bonds to institutional investors, deviating from the pre-emptive rights of the company's shareholders. The bonds were issued to finance investments in accordance with the company's investment strategy, to refinance existing financing facilities, and for general corporate purposes.

The bonds were issued in principal amounts of EUR 100,000 and at 100% in their principal amount, and they will not bear interest during the loan period. The loan will be redeemed when it finally expires for an amount producing an annual yield of 3.0%, or for 123% of the loan principal, unless it has previously been converted, redeemed,purchased or cancelled.

Each EUR 100,000 bond will be convertible to 2,672 company shares. The conversion price represents a premium of 40% above the reference price of EUR 26.73 of the company's ordinary shares on 20 June 2007. The right to convert the bonds into company shares commences on 7 August 2007 and ends on 20 June 2014 at 4:00 p.m. Finnish time. In the event that all bonds will be converted into ordinary shares of the company, the aggregate number of the new ordinary shares to be issued by the company will be 4,008,551, which represents 3.3% of the aggregate number of the company's shares on 20 June 2007 (provided that the over-allotment option is fully exercised).

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

The payment of the issue took place on 27 June 2007, and the bonds were registered in the Finnish Trade Register on 28 June 2007.

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

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

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

Share information

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

Changes in the ownership of nominee-registered shareholders in 2011

August 17, 2011
Nokian Tyres has received an announcement from BlackRock, Inc. on 17th August 2011, according to which the ownership of Black Rock Investment Management (UK) Limited has decreased under the level of 5% of the share capital in Nokian Tyres plc as a result of a share transaction concluded on 15th August 2011. Black Rock Investment Management (UK) Limited held on deal date a total of 6,374,263 Nokian Tyres' shares representing 4.92% of company's 129,568,705 shares and voting rights.

April 15, 2011
Nokian Tyres has received a notification from The Goldman Sachs Group, Inc. on 14 April 2011, according to which the total ownership of Goldman Sachs & Co., Goldman Sachs International and Goldman Sachs Asset Management L.P. fell below the level of 5% of the share capital in Nokian Tyres plc as a result of a share transaction concluded on 13 April 2011.

April 13, 2011
Nokian Tyres has received a notification from The Goldman Sachs Group, Inc. on 12 April 2011, according to which the total ownership of Goldman Sachs & Co., Goldman Sachs International and Goldman Sachs Asset Management L.P. increased above the level of 5% of the share capital in Nokian Tyres plc as a result of a share transaction concluded on 11 April 2011. The Goldman Sachs Group held on deal date a total of 7,829,934 Nokian Tyres' shares representing 6.08% of company's 128,849,012 shares and voting rights.

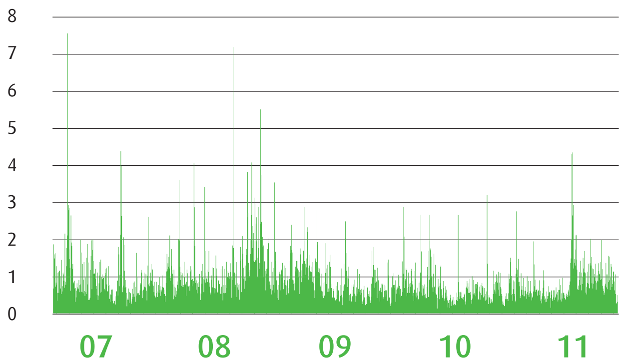
Share ownership breakdown on 31 December 2011

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1–100	10,017	33.2	616,160	0.5
101–500	12,630	41.9	3,520,621	2.7
501–1000	3,841	12.7	3,040,951	2.3
1001–5000	3,010	10.0	6,551,923	5.1
5001–10000	335	1.1	2,488,636	1.9
10001–50000	223	0.7	4,689,597	3.6
50001–100000	20	0.1	1,480,878	1.1
100001–500000	46	0.2	11,212,403	8.7
500001–	13	0.0	96,008,671	74.1
Total	**30,135**	**100.0**	**129,609,840**	**100.0**

Ownership by category on 31 December, 2011

	% of share capital
Nominee registered and non-Finnish holders	60.2
Households	11.9
General Government	15.2
Financial and insurance corporations	6.8
Non-profit institutions	3.3
Corporations	2.7
Total	**100**

Nokian Tyres' share trading volumes on NASDAQ OMX Helsinki 1 January 2007 – 31 December 2011



Major shareholders on 31 December, 2011

Major Domestic Shareholders	Number of shares, pcs	Share of Capital (%)
Varma Mutual Pension Insurance Company	9,565,000	7.38
Ilmarinen Mutual Pension Insurance Company	5,667,330	4.37
Nordea	1,598,282	1.23
OP Investment Funds	1,490,000	1.15
The State Pension Fund	1,409,000	1.09
Nordea Nordenfonden	828,888	0.64
Tapiola Mutual Pension Insurance	800,000	0.62
Mandatum Henkivakuutusosakeyhtiö	664,717	0.51
Etera Mutual Pension Insurance Company	581,153	0.45
Suomen Kulttuurirahasto	491,000	0.38
Major domestic owners total	**23,095,370**	**17.82**
All owners total	**129,609,840**	**100.0**
Foreign Shareholders [1]		60.2
Bridgestone Europe NV/SA [2]		15.4

1) includes also shares registered in the name of nominee
2) in the name of a nominee

Nokian Tyres' share price development 1 January 2007 – 31 December 2011

Nokia, 8 February 2012

Petteri Walldén	**Benoît Raulin**
Hille Korhonen	**Aleksey Vlasov**
Hannu Penttilä	**Kim Gran** President and CEO

Auditor's report

To the Annual General Meeting of Nokian Tyres plc
We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Nokian Tyres plc for the year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

Other opinions
We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 8 February 2012

KPMG OY AB

LASSE HOLOPAINEN
Authorized Public Accountant

Corporate Governance Statement

Nokian Tyres plc (hereinafter "the company") complies with the rules and regulations of its Articles of Association and the Finnish Companies Act, as well as those published by NASDAQ OMX Helsinki Oy ("The Helsinki Stock Exchange") concerning listed companies. The company also complies with the Finnish Corporate Governance Code 2010 approved by the Securities Market Association that became effective 1 October 2010. The code document is available on the Internet at www.cgfinland.fi.

The company's corporate governance is based on the entity comprised of the Annual General Meeting, the Board of Directors, the President and the Group Management Team, the above-mentioned laws and regulations, and the Group's policies, instructions and practices.

The company's Board of Directors has accepted the report concerning corporate governance. According to the company's auditors, the report and the related descriptions of internal reporting controls and risk management are in compliance with the actual reporting process.

Annual General Meeting

The highest decision-making power in the company is held by the Annual General Meeting, whose tasks and procedures are outlined in the Limited Liabilities Companies Act and the company's Articles of Association. The Annual General Meeting decides on such matters as the confirmation of the company's annual accounts, profit distribution,and discharging the Board of Directors and the President from liability. The Annual General Meeting elects the members of the Board of Directors and auditors and determines their fees. In addition, the Annual General Meeting can make decisions concerning for example amendments to the Articles of Association, share issues, granting warrants, and acquisition of the company's own shares.

An extraordinary general meeting is summoned whenever the Board considers this to be necessary or if an auditor or shareholder with a holding of a total of at least one-tenth of the entire stock requires it in writing in order to address a certain issue.

The Annual General Meeting is held by the end of May of each year on a date determined by the Board of Directors, either at the company's registered place of business or in the city of Helsinki or Tampere.

The Articles of Association state that the invitation to the Annual General Meeting must be published in one daily newspaper distributed nationwide and one distributed in the Tampere region. In addition, the company publishes the invitation to the Annual General Meeting as a stock exchange releases and on its website.

The Annual General Meeting for 2011 took place on 7 April 2011 in the Tampere Hall, Tampere. The meeting confirmed the consolidated financial statements and discharged the Board members and the President from liability for the fiscal year 2010. All documents related to the Annual General Meeting are available on the Internet at www. nokiantyres.com.

Shareholder's rights

According to the law, shareholders are entitled to subject matters belonging to the Annual General Meeting's scope of power to be addressed at the meeting. This requires that the shareholder submits the requirement to the Board of Directors in writing, far enough in advance so that the matter can be added to the agenda on the invitation.

Shareholders registered in the company's shareholder register by the date specified on the invitation to the Annual General Meeting, 8 days before the meeting (the record date), are entitled to attend the Annual General Meeting. Shareholders can also authorise a proxy to act on their behalf in the Annual General Meeting. Owners of administratively registered shares can be temporarily added to the shareholder register in order to make them eligible to attend the Annual General Meeting.

In the Annual General Meeting, shareholders are entitled to use the entire amount of votes they own on the record date. Shareholders have the right to present questions regarding issues on the General Annual Meeting's agenda. In addition, shareholders are entitled to suggest draft resolutions concerning matters belonging to the scope of power of the Annual General Meeting and included on its agenda.

Board of Directors

The Board is responsible for corporate governance and the appropriate conduct of ordinary activities. The Board holds the general juridical power in company-related issues that do not belong to the scope of power of other corporate governance bodies as stipulated in applicable laws and the Articles of Association. The policies and key tasks of the Board are defined in the Limited Liability Companies Act, the Articles of Association and the Board's working order. The key tasks include:

- Consolidated financial statements and interim reports
- Proposals to the Annual General Meeting
- Appointing the President and CE O
- Organisation of financial control.

In addition, 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
- The Group's budget, action and investment plans
- The Group's risk management and reporting procedures
- Decisions concerning the structure and organisation of the Group
- Significant individual investments, acquisitions, divestments and reorganisations
- The Group's insurance and financing policies
- Reward and incentive scheme for Group management
- Appointing Board committees
- Monitoring and evaluating the actions of the President.

The company has no separate audit committee. The Board handles the audit committees' tasks specified in the governance code.

Nokian Tyres' President and CEO is in charge of ensuring that the Board members have necessary and sufficient information on the company's operations.

The Board assesses its activities and operating methods by carrying out a self-evaluation once a year.

Composition of the Board

The Board of Directors shall comprise such a number of members and feature such a composition that it is capable of efficiently carrying out its tasks. The elected Board members must be qualified for the task and able to allocate enough time for the Board duties.

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. The Board members' term of office terminates at the end of the first Annual General Meeting following the elections.

Remunerations payable to Board members are confirmed at the Annual General Meeting. The Board of Directors appoints a chairperson from among its members at the first constituent meeting following the Annual General Meeting. The chairperson presides until the end of the following Annual General Meeting. The Board meetings usually take place in Helsinki. The Board visits different Group units and holds its meetings at these locations every year. When necessary, telephone conferences can also be arranged. The Vice President responsible for finance and control and other Group Management Team members as well as internal auditor participate in the Board meetings when necessary. The auditor participates in the annual meeting dealing with financial statements. The Group Legal Councel is the secretary of the Board.

The Board met 7 times in 2011, with an attendance as follows:

Attendance to the Meetings of the Board

Petteri Walldén, chairman	7/7	100%
Kim Gran	7/7	100%
Hille Korhonen	6/7	86%
Hannu Penttilä	7/7	100%
Benoît Raulin [1)]	5/5	100%
Yasuhiko Tanokashira [2)]	0/2	0%
Aleksey Vlasov	4/7	57%
Kai Öistämö [2)]	2/2	100%

[1)] New Member of the Board since 7 April, 2011
[2)] Member of the Board until 7 April, 2011

In 2011 the company's Board comprised the following members:

Petteri Walldén, Chairman (b. 1948)
Member of the Board since 2005. Chairman of the Nomination and Remuneration Committee
Education: Master of Science (Engineering)
Key experience: President and CEO: 2007-2010 Alteams Oy, 2001-2005 Onninen Oy, 1996-2001 Ensto Oy, 1990-1996 Nokia Kaapeli Oy and 1987-1990 Sako Oy
Key positions of trust: Chairman of the Board: Puukeskus Holding Oy; Member of the Boards: Alteams Oy, Comptel Oyj, Kuusakoski Group Oy, Mesera Oy, One Nordic Holding AB, SE Mäkinen Logistics Oy and Teleste Oyj
Fee per year: EUR 70,000 of which 864 pcs as share (EUR 27,998.44)
Meeting fee: The Board meetings EUR 4,200 and the Nomination and Remuneration Committee EUR 1,800
Holding on 31 Dec. 2011: 11,938

Kim Gran (b. 1954)
Member of the Board since 2002
Full-time position: President & CEO, Nokian Tyres
Education: Bachelor of Science in Economics
Key experience: 1995-2000 Vice President, Nokian Tyres, Car and Van tyres; 1992-1995 Managing Director, Pechiney Cebal, Corby, UK; 1988–1995 Plant Director, Cebal-Printal, Devizes, UK; 1987–1988 Marketing Director, Printal Oy, Hanko, Finland; 1985–1987 Director, Gran-Transport Ltd, Turku, Finland; 1982–1985 Marketing Manager, A. Ahlström; 1980–1982 Ass. Purchasing Manager, A. Ahlström;
Key positions of trust: Chairman of the Board: Rubber Manufacturer's Association; Member of the Boards: Finnish-Russian Chamber of Commerce (FRCC), Chemical Industry Federation of Finland (Vice Chairman), Konecranes and YIT Plc;
Member of the Supervisory Board: Ilmarinen
Holding on 31 Dec. 2011: 19,000
Stock options on 31 Dec. 2011: 2007C 60,000, 2010A 90,000 and 2010B 90,000

Hille Korhonen (b. 1961)
Member of the Board since 2006. Member of the Nomination and Remuneration Committee.
Full-time position: Vice President, Operations, Fiskars Corporation
Education: Licentiate of Science (Tehcnology)
Key experience: 2003-2007 Iittala Group, Group Director, Operations; 1996-2003 Nokia Corporation, management duties for logistics.
Key positions of trust: Member of the Board: Lassila & Tikanoja
Fee per year: EUR 35,000 of which 432 pcs as share (EUR 13,999,22)
Meeting fee: The Board meetings EUR 3,600 and the Nomination and Remuneration Committee EUR 1,800
Holding on 31 Dec. 2011: 4,669

Hannu Penttilä (b. 1953)
Member of the Board since 1999. Member of the Nomination and Remuneration Committee.
Full-time position: CEO, Stockmann plc
Education: Master of Laws
Key experience: Stockmann plc: ; 1994–2001 Executive Vice President; 1992-2001 Director, Department Store Division; 1986–1991 Director, Helsinki Department Store; 1985–1986 Manager, Tapiola Department Store; 1978-1984 Company lawyer; 1976–1978 Ministry of Labour, inspector, junior ministerial secretary
Key positions of trust: Chairman of the Boards: Jääkiekon SM-liiga, Lindex AB, Seppälä Oy, Suomen Pääomarahoitus Oy and Stockmann Russia Holding AB
Member of the Board: HC Ässät Pori Oy
Member of the Supervisory Boards: Mutual Insurance Company Kaleva, Varma Mutual Pension Insurance Company and Luottokunta (Vice Chairman).
Fee per year: EUR 35,000 of which 432 pcs as share (EUR 13,999.22)
Meeting fee: The Board meetings EUR 4,200 and the Nomination and Remuneration Committee EUR 1,800
Holding on 31 Dec. 2011: 6,297

Benoît Raulin (b. 1967)
Member of the Board since 7 April, 2011
Full-time position: Vice President, Finance and Procurement, Bridgestone Europe
Education: Masters in Finance and Management
Key experience: 2008–2010 Bridgestone Germany, Bad Homburg, Managing Director; 2006–2008 Bridgestone France Sales Division, Massy, Managing Director; 2000–2006 Bridgestone France Sales Division, Massy, Director Finance and Administration
Key positions of trust: Appointed as a Managing Director: Bridgestone France S.A.S. (sales division), Bridgestone Deutschland GmbH, and Bridgestone Austria GmbH. Member of the Boards: Bridgestone Italia S.p.A.; Bridgestone Hispania S.A.; Bridgestone UK Ltd.
Fee per year: EUR 35,000 of which 432 pcs as share (EUR 13,999.22)
Meeting fee: The Board meetings EUR 3,000
Holding on 31 Dec. 2011: 0

Yasuhiko Tanokashira (b. 1956)
Member of the Board since 2009 until 7 April, 2011
Full-time position: Senior Vice President, Finance and Administration Bridgestone Europe NV/SA.
As of 01 October 2010, Vice President & Officer, Administration, Bridgestone Cycle Co., Ltd.
Education: B.A. (Economics)
Key experience: 2007–2008 Director, Finance, Bridgestone Corporation; 2005–2006 General Manager, Finance; 2003–2004 Senior Executive

Director, Administration Bridgestone Sports Co., Ltd.; 2000–2001 Director, Finance & Administration Bridgestone (Tianjin) Tire Co., Ltd.; 1979– Bridgestone Corporation Key positions of trust: Member of the Boards: Bridgestone Hispania S.A.
Fee: EUR 8,750
Meeting fee: The Board meetings EUR 0

Aleksey Vlasov (b. 1957)
Member of the Board since 2006
Full-time position: Vice President, Synttech Group
Education: Medical Doctor
Fee per year: EUR 35,000 of which 432 pcs as share (EUR 13,999.22)
Meeting fee: The Board meetings EUR 2,400
Holding on 31 Dec. 2011: 4,669

Kai Öistämö (b. 1964)
Member of the Board since 2008 until 7 April, 2011
Full-time position: Executive Vice President, Chief Development Officer, Nokia.
Education: Doctor of Technology (Signal Processing), Master of Science (Engineering)
Key experience: 2007-2010 Executive Vice President, Devices, Nokia; 2004–2007 Executive Vice President and General Manager of Mobile Phones; 2004–2005 Senior Vice President, Business Line Management; 2002–2003 Mobile Phones, Senior Vice President, Mobile Phones Business Unit; 1999–2002 Nokia Mobile Phones, Vice President, TDMA/GSM 1900 Product Line; 1997–1999 Nokia Mobile Phones, Vice President, TDMA Product Line; 1991–1997 various technical and managerial positions in Nokia Consumer Electronics and Nokia Mobile Phones.
Fee: EUR 8,750
Meeting fee: The Board meetings EUR 1,200

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

Nomination and Remuneration Committee
A Nomination and Remuneration Committee has been established to add efficiency to the Board's work. The committee assists the Board by preparing matters subject to decision by the Board and reports to the Board. The committee has no independent decision-making power; the Board makes collective decisions and is responsible for carrying out the tasks assigned to the committee.

Hille Korhonen, Hannu Penttilä and the Chairman of the Board, Petteri Walldén, were members of the Nomination and Remuneration Committee in 2011.

The committee prepares the Board's proposal to the Annual General Meeting on the members to be appointed to the Board of Directors and the remuneration paid to Board members. In addition, the committee prepares a proposal to the Board on the company's President and the salary and other incentives paid to the President.

The Nomination and Remuneration Committee also submits a proposal to the Board on the allocation and criteria of options, as well as on other incentives.

The committee assembled 3 times in 2011. The attendance rate was 100%. All committee members are independent of the company and independent of any major shareholder of the company.

President and CEO
The President runs the Group's business operations and implements the current corporate governance in accordance with the instructions and guidelines provided by the Board of Directors. The President may, with regard to the extent and quality of the company operations, undertake unusual or extensive actions only under authorisation from the Board of Directors. The President is in charge of ensuring the company accounting's conformity with the law and the reliable organisation of asset management. Kim Gran, Bachelor of Science in Economics, has been the company's President and CEO since 2000. Further information on last page.

Other management
The Group's management team assists the President in operative management. In compliance with the Group's meeting practice, the Management Workshop convenes once a month, and it is attended by the President and profit centre management, as well as the the service centre and the Vice President for Russian operations. The Group Management Team is introduced in more detail on www.nokiantyres.com.

Salaries and remunerations 2011

Remuneration of the Board members
Remunerations payable to Board members are confirmed at the Annual General Meeting. In 2011, remunerations to Board members totalled EUR 218,750 (EUR 245,000), including 2,592 (5,348) Nokian Tyres' shares worth EUR 84,000 (EUR 98,000). In addition, the committee members received a meeting fee totalling of of EUR 24,000 (15,900) for each meeting attended. Board members are not included in the company's option scheme. The President does not receive separate remuneration for participating in Board meetings, but the President comes under the scope of option schemes.

Remuneration of the President
The Board of Directors makes decisions concerning the President's salary and other benefits. The compensation package includes basic salary, fringe benefits, pension scheme and performance related bonus scheme, which is based on Group profitability and growth. Maximum bonus is 80% of President's annual base salary.

The annual salary of the President and CEO in 2011 was EUR 565,906. The share of fringe benefits in the salary was EUR 18,600. In addition, the President and CEO received annual bonuses in a total of EUR 316,927. According to a written agreement, the President's age of retirement is 60 years. The pension will be determined on the basis of the Employees Pensions Act and an additional supplementary pension insurance policy taken out by the company. The total pension shall total no more than 60% of the salary noted as the basis of the supplementary pension, determined on the basis of the salaries and other benefits payable under the current employment contract for a maximum period of five years. The President's period of notice is 12 months. If the agreement is terminated by the company, the President is entitled to a remuneration corresponding to 12 months' salary and other benefits, in addition to the notice period's salary.

Management's incentive systems
The Nomination and Remuneration Committee's proposal for the salaries and benefits of managerial employees, as well as for the employee incentive scheme, is subject to the Board's approval. Management rewards are based on a monthly remuneration determined by the competence classification of the tasks and on a separate annual bonus. The annual bonus is determined on the basis of the Group's net result and the achievement of the KPIs set for different functions. The function specific KPIs consist of several factors including profit-

able growth, cash flow and the efficiency of operative process. At maximum, the annual bonus can correspondent to 15-25% of one's annual salary.

The Group has also created an option scheme covering the entire personnel, which aims to provide long-term incentives and built commitment to the company.

Mechanisms of internal control, internal audit and risk management

The Group's internal control mechanisms are in place in order to ensure that the financial reports released by the company contain the essential, correct information on the Group's financial position. The Group has defined Group-level instructions and policies for the key operative units specified below in order to ensure efficient and profitable company operations.

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 Passenger Car Tyres, Heavy Tyres (Nokian Heavy Tyres profit centre was incorporated into an independent company as of 1 January 2006), and Other Business. Other Business includes the Truck Tyres unit.

Each profit centre is responsible for its business area and its financial performance, risk management, balance sheet and investments, supported by the different service functions. 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 different countries are part of the sub-group. The Managing Directors of the company's subsidiaries are responsible for the daily operations and administration of their companies. They report to the company's Vice President responsible for Sales and Logistics, while the Managing Directors of the Vianor chain report to the director of the Vianor profit centre.

The Board of Directors is responsible for the functionality of the internal control mechanisms; they are managed by the company management and implemented throughout the organisation. Internal control is not a separate function; it is an integral part of all activities at all levels of the Group. Operative company management bears the main responsibility for operational control. Every supervisor is obliged to ensure sufficient control over the activities belonging to his/her responsibility and to continuously monitor the functionality of the control mechanisms. The Vice President responsible for finance and control is responsible for organising financial administration and reporting processes and the internal control thereof. 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 preparation process of the consolidated financial statements (IFRS), the related control measures, as well as the task descriptions and areas of responsibility related to the reporting process have been defined. The parent company's Finance and Control unit 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.

The net sales and operating profit of the Group and business units are analysed, and the consolidated profit is compared with the management's assessment of business development and information on operative systems. The Group Finance and Control unit is centrally responsible for the interpretation and application of financial reporting standards, and also for monitoring compliance with these standards.

Efficient internal control requires sufficient, timely and reliable information in order for the company management to be able to monitor the achievement of targets and the efficiency of the control mechanisms. This refers to financial information, as well as other kinds of information received through IT systems and other internal and external channels. Financial administration and other instructions are shared on the intranet for those who need them, and financial administration provides training with regard to these instructions when necessary.

There is continuous communication with the business units. The company's financial performance is internally monitored by means of monthly reporting complemented with rolling prognoses. The profit is communicated to company personnel immediately after releasing the official stock exchange releases.

The Internal Auditing in Nokian Tyres Group makes assessments and audits to ensure the efficiency of risk management, internal control and governance processes. Internal Auditing is an independent and objective activity, which aims to help the organisation to achieve its targets. Internal Audit activity in the Group is managed by the Internal Auditor working under the Board of Directors and the President and CEO. The Internal Audit activity of the Group is planned to be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

In 2011, the internal audit focused, among other things, on assessing the administrative arrangements in different country organisations and the compliance with governance instructions. The Internal Audit activity in Vianor, which concentrates on guiding the outlets and ensuring conformity to the Vianor activity system, reports to the Internal Auditor of the Group.

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 Group's risk management policy focuses on managing the risks pertaining to business opportunities, as well as those facing the achievement of the Group's goals, in the changing operating environment.

Risks are classified as strategic, operative, financial and hazard risks. Strategic risks are related to customer relationships, political risks, country risks, R&D, investments and acquisitions. Operational risk arise as a consequence of inadequate of failed company's internal processes, people's actions, systems or external events for example changes in raw material prices. Financial risks (Note 29) are related to fluctuations in interest rate and currency markets, refunding and counterparty risks. Hazard risk can lead to injuries, damage to the property, interruption of production, environmental impacts or liabilities to third parties.

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. Control functions and actions mean securing or backing-up procedures applied to reduce risks and ensure the completion of risk management measures.

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 NASDAQ OMX Helsinki, as well as the standard 5.3 issued by the Financial Supervisory Authority (Declarations of insider holdings and insider registers) and the standard 5.2b (Disclosure obligation of the issuer and shareholder), which the company has supplemented with its own insider regulations. In the guidelines for insiders issued by Helsinki Exchanges, an insider with a duty to declare refers to:

1. The company's Board members, President and CEO, auditor, and the representative of the authorised public accountants acting as the principal auditor, and

2. Other members of the company's 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. The company has assigned all its top management members in this category of insiders with a duty to declare.

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

1. Persons employed by the company 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, the company has included management assistants, people in the communications department responsible for distributing stock exchange and financial information, and key people in the finance department.

2. Persons employed by the company under an employment contract or other contract and have access to insider information, or persons temporarily included in the project specific register (so-called project-specific insiders). A project is a confidentially-prepared, uniquely identifiable collection of topics or an arrangement that includes insider information and which, if realised, may essentially affect the value of the company's publicly traded securities. The Financial Supervisory Authority is entitled to have access to information pertaining to the management of the company's project-specific insider information.

Duty to declare, insider registers and trading prohibition

The Securities Market Act imposes a duty to declare to the company's 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 the company keeps a non-public, company-specific register of company-specific insiders. In the guidelines for insiders issued by NASDAQ OMX Helsinki, 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 the company in such a way that it does not erode confidence in the securities markets. Insiders are not allowed to trade the company's securities in the 30 days preceding the publication of interim reports and financial statement bulletins. This period may be extended if necessary. In addition to permanent insiders, the restriction on trading applies to their spouses, individuals of legal incapacity under their trusteeship and associations in which they exercise authority. The trading prohibition applies to project-specific insiders until the termination or publication of the project.

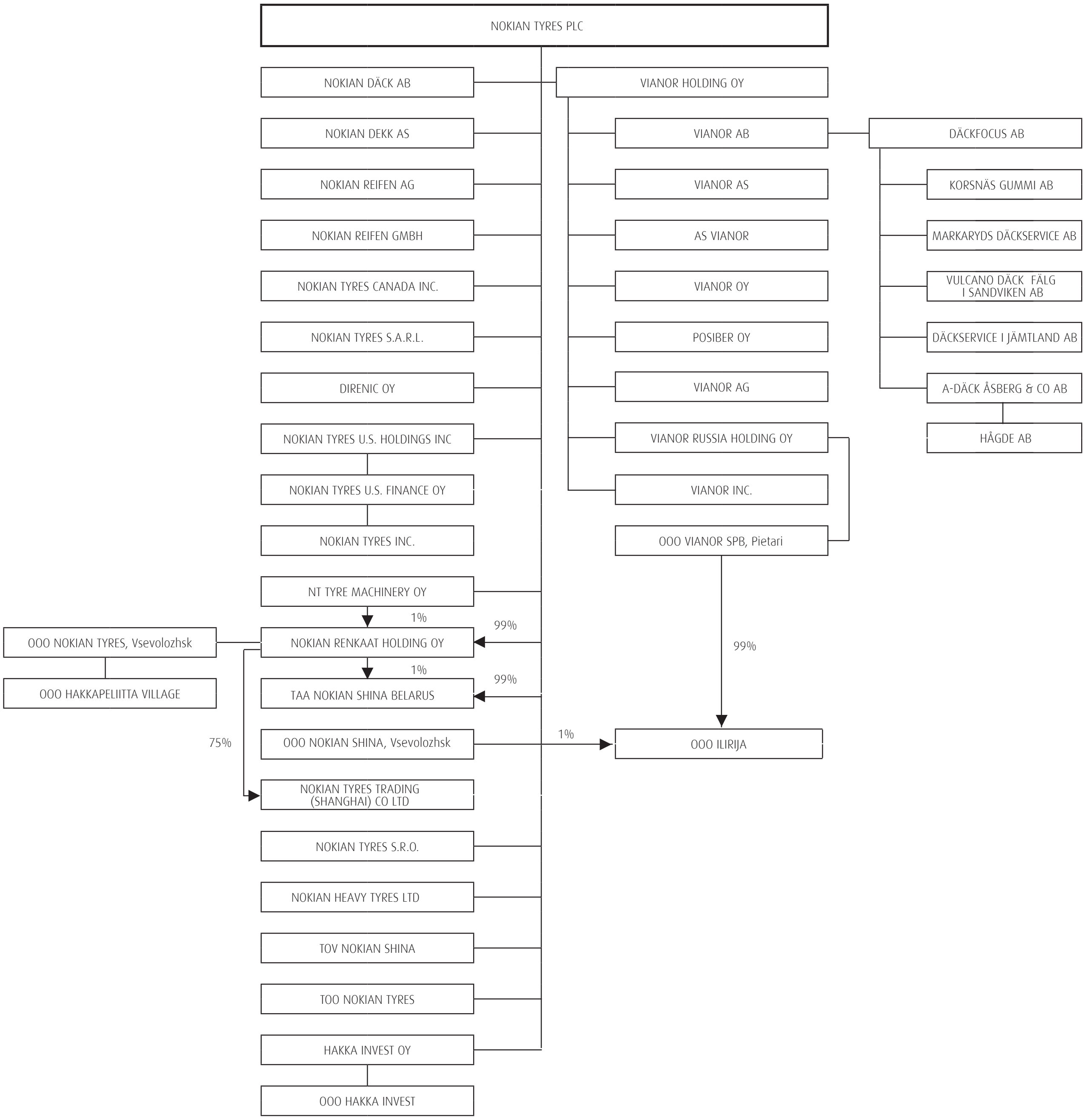
Management of insider issues

Nokian Tyres maintains its insider register in the Euroclear Finland's SIRE system. The company has appointed a person to manage the tasks related to insider trading. The company also has an insider registrar who deals with the practical tasks related to the insider register. The company 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.

Audit

The auditor elected at the Annual General Meeting is KPMG Oy Ab, authorised public accountants, with Mr. Lasse Holopainen, Authorised Public Accountant, acting as the auditor with principal responsibility. In accordance with the existing regulations, he also reports all audit findings to the Group's management. The Group's audit fees in 2011 amounted to EUR 510,000 (EUR 407,000). The fees paid to the authorised public accountants for other services totalled EUR 211,000 (EUR 87,000).

Nokian Tyres group structure



Annual General Meeting 2012

The Annual General Meeting of Nokian Tyres plc will be held at Tampere-talo, in Tampere, Finland; address Yliopistonkatu 55 on Thursday 12 April 2012, 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 29 March 2012 in the company´s shareholder register, which is maintained by Euroclear Oy are entitled to attend the Annual General Meeting.

Shareholders who wish to attend must register by 10:00 am on 5 April 2012 either in writing to Nokian Tyres plc, P.O. Box 20, FI-37101 Nokia, by phone at +358 10 401 7641, by fax at +358 10 401 7799, or by internet www.nokiantyres.com/AGM2012.

The Annual Report, including the company's annual accounts, the Report of the Board of Directors and the Auditors Report is available on the company's website no later than 19 March 2012.

Financial Statements and the Board proposals 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 1.20 per share be paid for the financial year 2011.

The record date for the dividend payment will be 17 April 2012 and the dividend payment date 3 May 2012, 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 2012
- Interim Report for six months on 8 August 2012
- Interim Report for nine months on 30 October 2012
- Financial Statements Bulletin 2012 on February 2013
- Annual Report 2012 on March 2013

Nokian Tyres publishes its Interim Reports, Financial Statements Bulletin and Annual Report on the internet at www.nokiantyres.com.

Principles of investor relations

The goal of Nokian Tyres' investor relations is to regularly and consistently provide the stock market with essential, correct, sufficient and up-to-date information used to determine the share value. The operations are based on equality, openness, accuracy and good service.

The Management of Nokian Tyres is strongly committed to serving the capital markets. The company's President & CEO and CFO are the main parties dealing with and answering questions from analysts and investors.

Nokian Tyres adopts a three-week period of silence before the publication of financial information and a six week period of silence before the publication of the Financial Statements Bulletin.

Analyst and investor meetings are mainly held both in Finland and abroad in conjunction with the publication of the company's financial results. At other times analysts and investors are mainly answered by phone or email.

Questions from analysts and investors:

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

Anne Leskelä, CFO, Investor Relations
tel. +358 10 401 7481
email: ir@nokiantyres.com

Requests for meetings and visits:
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email: ir@nokiantyres.com
Fax: +358 10 401 7378

Investor information:
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email: info@nokiantyres.com

Anne Aittoniemi, Communications Assistant
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email: info@nokiantyres.com
Fax: +358 10 401 7799

Address:
Nokian Tyres plc
P.O. Box 20
(Visiting address: Pirkkalaistie 7)
FI-37101 Nokia

Stock exchange releases in 2011

In 2011 Nokian Tyres published a total of 33 stock exchange releases. Short summaries of the most significant releases are given below. All releases and announcements can be read from Nokian Tyres' web pages.

17.01. Nokian Tyres' year 2010 net sales and operating profit exceed expectations
09.02. Nokian Tyres plc Financial Statements Bulletin 2010: Strong results, profitable growth back on track
09.02. Proposals by the Board of Directors of Nokian Tyres plc to the Annual General Meeting
31.03. Nokian Tyres signed a EUR 100 million multicurrency revolting credit facility
04.04. Nokian Tyres' first quarter net sales and operating profit increased clearly
07.04. Nokian Tyres Annual General Meeting 2011: President and CEO Kim Gran comments on plans for production capacity increase
07.04. Nokian Tyres plc Annual General Meeting, decisions
07.04. Decisions of the organisational meeting of Nokian Tyres plc's Board of Directors
06.05. Interim Report for Nokian Tyres plc January-March 2011: Strong first quarter results and record-high order book
05.08. Nokian Tyres Interim Report for January-June 2011: High demand, strong sales growth and improved results
04.11. Nokian Tyres plc Interim Report January-September 2011: Strong third quarter results - high order book
25.11. Nokian Heavy Tyres to adjust production to reflect a weaker demand - Car tyres' strong demand remains unchanged
12.12. Statutory negotiations at Nokian Heavy Tyres ended

Annual Report and Financial Review 2011
Nokian Tyres Financial Statements Bulletin/Financial Review 2011 is available only in electronic form on the company web site. Electronic Annual Report, above mentioned reports as well as contact details including analysts can be read from www.nokiantyres.com