

NOKIAN TYRES PLC | FINANCIAL REVIEW 2008

FINANCIAL REVIEW 2008

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Financial Statements 2008

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

CONSOLIDATED
KEY FINANCIAL INDICATORS

Figures in EUR million unless otherwise indicated	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002	FAS 2001	FAS 2000	FAS 1999
Net sales	1,080.9	1,025.0	835.9	686.5	603.3	602.2	528.7	479.2	423.4	398.5	322.6
growth, %	5.5%	22.6%	21.8%	13.8%	14.1%	13.9%	10.3%	13.2%	6.3%	23.5%	28.4%
Operating profit before depreciation	303.1	281.1	193.9	151.4	148.9	146.8	115.1	95.0	81.9	68.4	61.9
Depreciation	56.2	47.1	40.8	35.6	33.4	38.7	36.0	34.9	31.3	28.9	19.8
Operating profit	247.0	234.0	153.1	115.8	115.6	108.1	79.1	60.1	50.5	39.4	42.1
% of net sales	22.8%	22.8%	18.3%	16.9%	19.2%	18.0%	15.0%	12.5%	11.9%	9.9%	13.1%
Profit before tax	173.8	213.8	139.3	112.6	103.0	99.9	69.6	48.0	37.0	27.2	35.5
% of net sales	16.1%	20.9%	16.7%	16.4%	17.1%	16.6%	13.2%	10.0%	8.7%	6.8%	11.0%
Return on equity, %	18.8%	26.6%	20.9%	22.2%	31.3%	24.3%	20.8%	16.9%	14.3%	13.7%	23.6%
Return on capital employed, %	22.9%	27.8%	22.7%	21.4%	28.1%	27.5%	22.3%	17.1%	14.3%	12.1%	16.9%
Total assets	1,420.4	1,155.4	884.7	797.4	578.4	553.8	476.1	450.9	459.8	464.0	391.8
Interest-bearing net debt ⁽¹⁾	319.0	102.0	126.9	119.5	163.3	107.4	100.0	122.5	158.2	182.1	170.4
Equity ratio, %	54.8%	61.8%	63.0%	59.1%	46.4%	48.3%	44.4%	38.9%	32.4%	28.3%	30.9%
Gearing, % ⁽¹⁾	41.0%	14.3%	22.8%	25.4%	60.9%	35.4%	40.5%	57.9%	85.5%	108.9%	140.6%
Net cash from operating activities	18.4	169.9	106.6	30.2	56.9	56.9	79.0	69.3	70.8	26.6	22.3
Capital expenditure	181.2	117.1	97.0	119.6	57.8	57.8	44.2	26.0	45.3	67.5	85.7
% of net sales	16.8%	11.4%	11.6%	17.4%	9.6%	9.6%	8.4%	5.4%	10.7%	16.9%	26.6%
R&D expenditure	12.5	11.5	9.0	9.3	9.8	9.6	8.3	8.5	8.3	8.3	7.8
% of net sales	1.2%	1.1%	1.1%	1.4%	1.6%	1.6%	1.6%	1.8%	2.0%	2.1%	2.4%
Dividends (proposal)	49.9	62.3	38.0	27.9	25.9	25.9	16.7	11.7	8.8	6.9	9.0
Personnel, average during the year	3,812	3,462	3,234	3,041	2,843	2,843	2,650	2,663	2,636	2,462	2,023
PER SHARE DATA											
Earnings per share, euro	1.12	1.37	0.88	0.70	0.69	0.62	0.45	0.32	0.24	0.19	0.25
growth, %	-18.3%	55.7%	27.0%	1.2%	53.2%	38.9%	41.3%	33.2%	26.9%	-25.2%	23.0%
Earnings per share (diluted), euro	1.10	1.31	0.86	0.68	0.67	0.60	0.44	0.31	0.24	0.19	0.25
growth, %	-15.6%	52.6%	26.9%	1.6%	52.3%	38.1%	39.5%	31.9%	26.5%	-25.2%	23.0%
Cash flow per share, euro	0.15	1.38	0.88	0.26	0.53	0.53	0.74	0.65	0.67	0.25	0.21
growth, %	-89.3%	57.7%	243.7%	-51.8%	-28.9%	-28.9%	13.7%	-2.2%	165.8%	17.8%	4.1%
Dividend per share, euro (proposal)	0.40	0.50	0.31	0.23	0.22	0.22	0.16	0.11	0.08	0.06	0.09
Dividend pay out ratio, % (proposal)	35.7%	36.9%	35.4%	33.8%	35.1%	38.7%	35.0%	35.0%	34.9%	34.7%	34.4%
Equity per share, euro	6.20	5.76	4.56	3.89	2.47	2.46	1.98	1.66	1.41	1.24	1.15
P/E ratio	7.0	17.5	17.6	15.3	16.3	18.0	13.4	10.7	14.7	9.5	15.1
Dividend yield, % (proposal)	5.1%	2.1%	2.0%	2.2%	1.9%	1.9%	2.6%	3.3%	2.4%	3.6%	2.3%
Market capitalisation 31 December	987.5	2,974.9	1,893.9	1,288.6	1,213.4	1,213.4	639.9	359.7	371.3	189.4	398.6
Average number of shares during the year, million units	124.61	122.95	121.63	118.57	107.46	107.46	106.19	105.82	105.82	105.69	104.22
diluted, million units	131.47	129.09	125.15	121.96	110.91	110.91	108.98	107.22	106.12	105.69	104.22
Number of shares 31 December, million units	124.85	123.70	122.03	121.00	108.53	108.53	106.82	105.82	105.82	105.82	105.45
Number of shares entitled to a dividend, million units	124.85	124.63	122.65	121.09	119.37	119.37	106.84	105.82	105.82	105.82	105.45

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

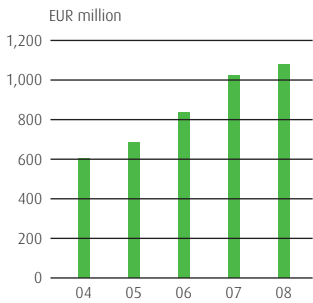
Definitions

Return on equity, % =	$\frac{\text{Profit for the period} \times 100}{\text{Total equity (average)}}$
Return on capital employed, % =	$\frac{\text{Profit before tax} + \text{interest and other financial expenses} \times 100}{\text{Total assets} - \text{non-interest-bearing debt (average)}}$
Equity ratio, % =	$\frac{\text{Total equity} \times 100}{\text{Total assets} - \text{advances received}}$
Gearing ¹ , % =	$\frac{\text{Interest-bearing net debt}^1 \times 100}{\text{Total equity}^1}$
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, % =	$\frac{\text{Dividend for the year} \times 100}{\text{Net profit}}$
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, % =	$\frac{\text{Dividend per share}}{\text{Share price, 31 December}}$

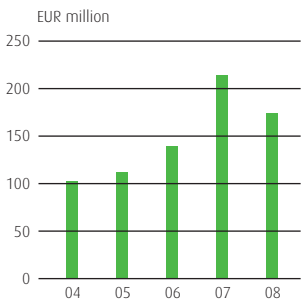
1) capital loan included in equity (only in FAS, years 2000–2004)

2) the share options affect the dilution as the average share market price for the financial year exceeds the defined subscription price

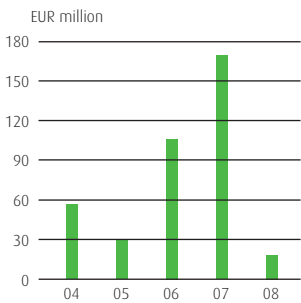
Net sales



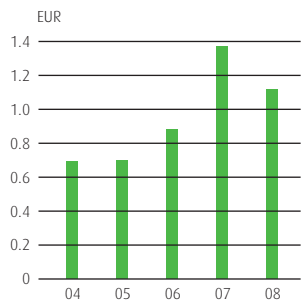
Profit before tax



Cash flow from operating activities



Earnings per share (EPS)



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

Kim Gran, President and CEO:

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

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

Market situation

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

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

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

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

January to December 2008

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

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

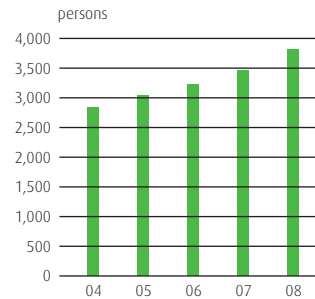
Nokian Tyres Group's operating profit was EUR 247.0 million (2007:EUR 234.0 million; 2006:EUR 153.1 million). The figure comprises a provision for losses on loans and advances amounting to EUR 6.4 million (EUR 5.8 million). In compliance with IFRS, the operating profit for the review period was burdened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

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

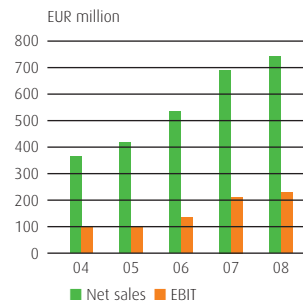
Profit before tax was EUR 173.8 million (EUR 213.8 million). The Group's tax rate was 19.5% (21.0%). Profit for the period amounted to EUR 139.9 million (EUR 168.9 million), and EPS were EUR 1.12 (EUR 1.37).

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

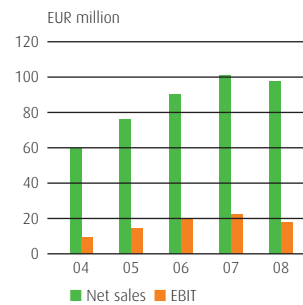
Average number of personnel



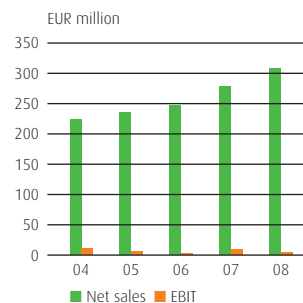
Car Tyres net sales and EBIT



Heavy Tyres net sales and EBIT



Vianor net sales and EBIT



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

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

R & D

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

Tax rate

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

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

CAR TYRES

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

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

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

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

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

HEAVY TYRES

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

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

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

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

VIANOR

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

Vianor's sales increased in the last quarter and over the whole review period. Sales growth came from the chain expanding in Switzerland and the USA. Sales also increased in Finland. Service sales accounted for a bigger

share than the previous year. Vianor’s market shares remained at the previous year’s levels.

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

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

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

OTHER OPERATIONS

Truck tyres

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

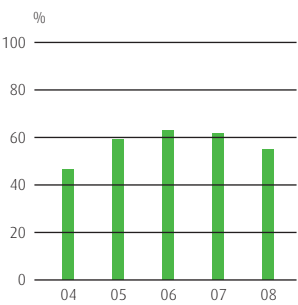
INVESTMENTS

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

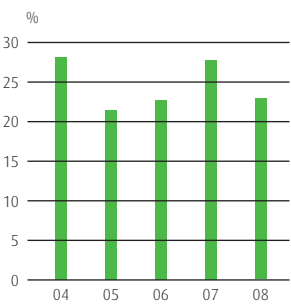
RUSSIA AND THE CIS COUNTRIES

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

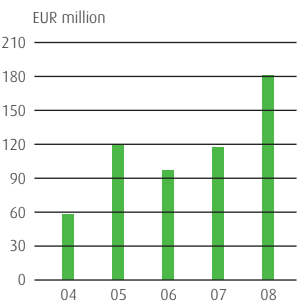
Equity ratio



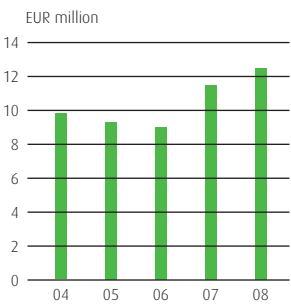
Return on net assets



Gross investment



R & D expenses



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

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

KAZAKHSTAN

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

OTHER MATTERS

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

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

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

2. Shares subscribed for with stock options

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

Nokian Tyres shares is 124,630,700 and the share capital is EUR 24,926,140.

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

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

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

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

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

3. Share price development

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

shareholders. The latter figure includes Bridgestone's ownership of approximately 16%.

4. Decisions made at the Annual General Meeting

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

4.1 Board of Directors and auditor

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

Authorised public accountants KPMG Oy Ab continue as auditors.

4.2 Remuneration of the Board members

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

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

4.3 Amendments to the Articles of Association

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

- Sections 3 and 4 of the present Articles of Association will be removed and the numbering will be revised correspondingly.
- Section 5 of the Articles of Association will be changed to the following: "The company's shares belong to the book-entry securities system."
- Section 8 of the Articles of Association will be changed to the following: "Both the Managing Director and the Chairman of the Board may represent the company alone, and the Members of the Board, two together."
- Section 10 of the Articles of Association will be changed to the following: "The company will have

one auditor, who must be approved by the Central Chamber of Commerce. The term of office of the auditor ends with the election of the following auditor at the Annual General Meeting."

- Section 11 of the Articles of Association will be changed to the following: "The invitation to the Annual General Meeting must be published no earlier than three months and no later than one week before the date referred to in Chapter 4, section 2, subsection 2 of the Limited Liabilities Companies Act, in accordance with the Board decision, on the company's website and in one national and in one Tampere regional daily newspaper."
- Section 12 of the Articles of Association will be changed to the following: "In order to participate in the Annual General Meeting, shareholders must inform the company no later than the day stated in the meeting invitation, which may be no earlier than ten days before the meeting. The method of voting is determined by the chairman of the Annual General Meeting."
- Section 13 of the Articles of Association will be changed to the following: "The Annual General Meeting must be held annually on a date specified by the Board of Directors before the end of May. The Annual General Meeting is held in accordance with the decision by the Board, either at the registered office of the company or in Tampere or in Helsinki."

The Annual General Meeting must present

1. the annual accounts, including the profit and loss account, balance sheet and annual report,
 2. the auditor's report; must decide on
 3. the confirmation of the company's annual accounts,
 4. the use of profit based on the balance sheet,
 5. the discharge from liability of the Board members and the Managing Director,
 6. the remuneration for the Board members and auditor,
 7. the number of Board members must elect
 8. the Board members,
 9. the auditor.
- Section 14 of the Articles of Association will be changed to the following: "The annual accounts, the Board's annual report and other documents relating to company operations must be submitted to the auditor by the end of March, and the auditor must submit his/her report to the Board before 15th April."

5. Changes in share ownership

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

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

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

6. Adjustment measures and cost-cutting programme

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

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

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

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

RISK MANAGMENT

The Group has adopted a risk management policy approved by the Board of Directors, which supports the achievement of goals and ensures business continuance. Risk management is not allocated to a separate organisation; its tasks follow the general distribution of responsibilities adopted in organisation and other business activities. Risks are divided into four categories: strategic

risks, operational risks, financial risks and hazard risks. The risk management process aims to identify and evaluate risks, and to plan and implement practical measures for each one strategic risks are related to customer relationships, political risks, country risks, R&D, investments and acquisitions. Operational risk arise as a consequence of inadequate or failed Nokian Tyres' internal processes, peoples actions, systems or external events for example changes in raw material prices.

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

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

Risks, uncertainty factors and disputes in the near future

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

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

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

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

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

ENVIRONMENT AND SAFETY

In the core of Nokian Tyres Safety Policy is the aim for zero faults in safety, and the idea of uncompromising respect for and awareness of environmental and safety issues in all operations. Apart from meeting the interna-

tional, national and local requirements and norms of society, Nokian Tyres wants to be a forerunner in safety matters related to it's products, and environmental matters related to the tyres business.

Nokian Tyres is the only major tyres manufacturer to produce tyres without high aromatic oils in all of it's own production facilities. In fact Nokian Tyres does not use any chemicals classified as toxic (T, T+) or carcinogenic in its own production. Environmental factors are taken into account in product development, which has resulted in excellence in finished products when considering for example rolling resistance of tyres (fuel economy, CO₂ emissions) or compress rate in farming or forestry tyres.

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

MATTERS AFTER THE PERIOD UNDER REVIEW

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

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

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

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

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

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

OUTLOOK FOR 2009

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

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

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

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

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

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

INVESTMENTS IN 2009

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

Nokia, February 11, 2009

Nokian Tyres plc
Board of Directors

CONSOLIDATED INCOME STATEMENT, IFRS

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

CONSOLIDATED BALANCE SHEET, IFRS

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

CONSOLIDATED CASH FLOW STATEMENT, IFRS

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

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

ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Basic information

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

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

Basis of preparation

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

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

Use of estimates

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

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

Principles of consolidation

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

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

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

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

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

Profit for the period is attributed to the owners of the Parent company and to the minority holders. Moreover,

minority interests are disclosed as a separate item under the consolidated equity.

Foreign currency items

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

Foreign Group companies

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

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

Cash and cash equivalents

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

Financial assets

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

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

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

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

Financial liabilities

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

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

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

The fair value of the liability portion of a convertible bond is determined at the original recognition using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until maturity of the bonds, unless it has previously been converted, redeemed, purchased or

cancelled. The remainder of the proceeds is allocated to the conversion option. This is recognised in equity and deferred tax liabilities.

Derivative instruments and hedge accounting

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

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

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

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

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

Income recognition

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

Research and development costs

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

Government grants

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

Operating profit

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

Borrowing costs

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

Income taxes

The tax expense of the Group include taxes based on the profit or loss for the period or dividend distribution of the Group companies, as well as adjustment of taxes from prior periods, and change in deferred tax. The tax impact

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

Earnings per share

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

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

Property, plant and equipment

The values of property, plant and equipment acquired by the Group companies are based on their costs. The assets of acquired subsidiaries are measured at fair value on the

date of acquisition. Depreciation is calculated on a straight-line basis from the original acquisition cost, based on the expected useful life. Depreciation includes any impairment losses.

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

Depreciation is based on the following expected useful lives:

Buildings	20–40 years
Machinery and equipment	4–20 years
Other tangible assets	10–40 years
Land is not depreciated.	

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

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

Goodwill and other intangible assets

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

Other intangible assets include customer relationships, capitalised development costs, patents, copyrights, licences and software. Intangible rights acquired in business combinations are measured at fair value and amortised on a straight-line basis over their useful lives. Other intangible assets are measured at cost and amortised on a straight-line basis over their useful lives. An intangible

asset is only recorded in the balance sheet if it is probable that the expected future economic benefits that are attributable to the asset will flow to the company and cost can be measured reliably. Subsequent expenses related to the assets are only recorded in the balance sheet if the company gains future economic benefits in excess of the originally assessed standard of performance of the existing asset; otherwise, costs are recognised as expenses at the time of occurrence.

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

Impairment

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

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

Leasing agreements

The Group as a lessee

Leasing agreements are classified as either finance leases or operating leases. Leasing agreements by which the risks and benefits associated with the ownership of an asset are substantially transferred to the company represent finance leases. Assets held under finance leases, less depreciation, are included in intangible assets and property, plant and equipment and the obligations resulting from the lease in interest-bearing liabilities. Lease

payments resulting from finance leases are apportioned between finance charges and the reduction of the outstanding liability. Charges paid under operating leases are recognised as expenses in the income statement.

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

The Group as a lessor

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

Inventories

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

Trade receivables

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

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

Dividend

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

Treasury shares

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

Provisions

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

Employee benefits

Pension liabilities

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

Share-based payments

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

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

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

Other option and incentive schemes

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

Non-current assets held for sale and discontinued operations

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

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

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

Application of revised or amended IFRS standards

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

- Amendment to IAS 23 – IAS 23 Borrowing Costs

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

- IFRIC 13 Customer Loyalty Programmes

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

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

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

- Amendment to IFRS 3 – IFRS 3 Business Combinations

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

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

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

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

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

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

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

- Annual Improvements 2007

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

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

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

- IFRIC 15 Agreements for the construction of Real Estate

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

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

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

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

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

- IFRS 8 Operating segments

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

1. SEGMENT INFORMATION

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

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

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

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

Business segments

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

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

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

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

Geographical segments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Business segments

2008

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

2007

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Geographical segments

2008

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

2007

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

2. ACQUISITIONS

Acquisitions in 2008

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

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

EUR million

Specification of the cost of business combinations

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

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

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

Acquisitions in 2007

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

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

EUR million

Specification of the cost of business combinations

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EUR million	2008	2007
3. COST OF SALES		
Raw materials	259.0	205.0
Goods purchased for resale	202.3	211.2
Wages and social security contributions on goods sold	66.2	59.5
Other costs	83.6	80.6
Depreciation of production	42.6	36.0
Sales freights	32.2	28.4
Change in inventories	-97.6	-51.6
Total	588.1	569.1

4. OTHER OPERATING INCOME

Gains on sale of property, plant and equipment	0.8	0.8
Other income	1.4	1.6
Total	2.2	2.4

5. OTHER OPERATING EXPENSES

Losses on sale of property, plant and equipment and other disposals	0.5	0.1
Research and development costs	12.5	11.5
Quality control	2.0	2.7
Other expenses	6.9	7.0
Total	21.8	21.3

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

No impairment losses have been recorded during 2008 or 2007.

Depreciation and amortisation by asset category

Intangible rights	2.7	1.6
Other intangible assets	0.7	0.7
Buildings	5.0	4.8
Machinery and equipment	46.6	39.0
Other tangible assets	1.2	1.0
Total	56.2	47.1

Depreciation and amortisation by function

Production	42.6	36.0
Selling and marketing	8.9	7.9
Administration	3.4	1.9
Other depreciation and amortisation	1.3	1.3
Total	56.2	47.1

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

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

Number of personnel, average (Person)

Production	1,749	1,581
Selling and marketing	1,826	1,624
Others	237	257
Total	3,812	3,462

8. FINANCIAL INCOME

Interest income on loans and receivables	0.1	0.0
Dividend income on available-for-sale financial assets	0.0	0.0
Exchange rate gains and changes in fair value		
Loans and receivables	57.3	48.4
Foreign currency derivatives held for trading	51.4	13.4
Other financial income	2.3	1.3
Total	111.1	63.1

9. FINANCIAL EXPENSES

Interest expense on financial liabilities measured at amortised cost	-22.1	-15.7
Interest expense on interest rate derivatives		
Designated as hedges	0.0	-0.1
Exchange rate losses and changes in fair value		
Loans and receivables	-115.9	-57.9
Foreign currency derivatives held for trading	-44.4	-7.8
Other financial expenses	-1.9	-1.8
Total	-184.3	-83.3

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

EUR million	2008	2007
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.

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

12. PROPERTY, PLANT AND EQUIPMENT

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

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

13. FINANCE LEASES

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

14. INTANGIBLE ASSETS

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

Impairment tests for goodwill

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

Allocation of goodwill

EUR million	
Passenger Car Tyres	34.6
Vianor	19.3
Total goodwill	53.9

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

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

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

15. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

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

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

EUR million	Investments in associates	Unquoted shares	EUR million	2008	2007
16. INVESTMENTS IN ASSOCIATES AND AVAILABLE-FOR-SALE FINANCIAL ASSETS			17. OTHER NON-CURRENT RECEIVABLES		
Accumulated cost, 1 Jan 2008	0.1	0.2	Loan receivables	11.6	12.8
Decrease/Increase	0.0	0.0	Total	11.6	12.8
Accumulated cost, 31 Dec 2008	0.1	0.2			
Net exchange differences					
Carrying amount, 31 Dec 2008	0.1	0.2			
Carrying amount, 31 Dec 2007	0.1	0.2			

18. DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

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

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

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

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

EUR million	2008	2007	EUR million	2008	2007
Significant items under accrued revenues and deferred expenses			21. CASH AND CASH EQUIVALENTS		
Annual discounts, purchases	1.6	1.8	Cash in hand and at bank	79.4	34.0
Financial items	0.5	0.2	Bank deposits	9.8	5.0
Social payments	1.3	0.4	Money market instruments	24.0	119.1
Customs duties	5.8	7.9	Total	113.2	158.1
VAT, Russia	0.0	20.7			
Other items	7.2	3.1			
Total	16.4	34.1			

22. EQUITY

Reconciliation of the number of shares

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

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

Below is a description of the reserves within equity:

Translation reserve

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

Fair value and hedging reserves

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

Treasury shares

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

Dividends

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

Specification of the distributable funds

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

23. SHARE-BASED PAYMENTS

SHARE OPTION PLANS

Share option plan 2004 directed at personnel

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

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

Share option plan 2007 directed at personnel

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Measurement of fair value

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

Main assumptions for Black-Scholes model

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

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

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

24. PENSION LIABILITIES

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

25. PROVISIONS

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

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

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

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

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

26. INTEREST-BEARING LIABILITIES

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

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

Interest-bearing liabilities by currency

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

Effective interest rates for interest-bearing liabilities

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

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

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

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

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

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

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

Significant items under accrued expenses and deferred revenues

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

29. FINANCIAL RISK MANAGEMENT

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

Foreign currency risk

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

Transaction risk

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

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

Transaction risk

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

Translation risk

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

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

Translation risk

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

Sensitivity analysis for foreign currency risk

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

opposite impact of the translation difference of the net investment is not taken into account in the table.

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

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

Interest rate risk

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

uses interest rate derivatives as cash flow hedges and hedge accounting is mainly applied for those derivatives.

Sensitivity analysis for interest rate risk

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

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

Liquidity and funding risk

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

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

On the balance sheet date the Group's liquidity in cash and equivalents was EUR 113.2 million (EUR 158.1

million in 2007). At the end of the year the Group's available current credit limits were EUR 346.8 million (EUR 212.5 million in 2007), out of which the committed limits were EUR 60.1 million (EUR 11.8 million in 2007). The available committed non-current credits amounted to EUR 14.4 million (EUR 140.2 million in 2007).

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

Contractual maturities of financial liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Credit Risk

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

The Group Credit Committee makes all the significant credit decisions. Credit analysis and payment history collected by credit information companies are used for evaluating credit worthiness. The credit statuses of the customers are followed at the Group companies regularly according to the Group credit policy principles. In addition, the country risk is monitored constantly and credits are limited in countries where political or economical environment is unstable. Bank guarantees, documentary credits and specific payment terms are used in controlling the credit risk in trade receivables. Payment programs, which customer is committed to, are always agreed upon for past due receivables. Significant items of trade receivables are evaluated both counterparty specifically and in a portfolio level in order to identify possible impairment. About 50% of the trade receivables are from Russian customers on the balance sheet date.

There are no other significant risk concentrations in trade receivables.

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

The aging of trade receivables

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

Capital Management

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

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

30. FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

The Group as a lessor

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

The leasing income is not material.

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

33. DISPUTES AND LITIGATIONS

The Group has no pending disputes and litigations 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 US Holdings Inc.		USA	100	100	100
Nokian Tyres US Finance Oy	Nokia	Finland	100	100	
Nokian Tyres Inc.		USA	100	100	
University Wholesalers Inc.		USA	100	100	
Goss Tire Company Inc.		USA	100	100	
Nokian Tyres (North America) Ltd.		Canada	100	100	100
Nokian Tyres Slovakia s.r.o.		Slovakia	100	100	100
Nokian Tyres s.r.o.		Czech rep.	100	100	100
TOV Nokian Shina		Ukraine	100	100	100
TOO Nokian Tyres		Kazakhstan	100	100	100
OOO Nokian Shina	Vsevolozhsk	Russia	100	100	100
Nokian Renkaat Holding Oy	Nokia	Finland	100	100	99
OOO Nokian Shina	Moscow	Russia	100	100	
OOO Nokian Tyres	Vsevolozhsk	Russia	100	100	
OOO Hakkapeliitta Village	Vsevolozhsk	Russia	100	100	
NT Tyre Machinery Oy	Nokia	Finland	100	100	100
Direnica Oy	Nokia	Finland	100	100	100
Hakka Invest Oy	Nokia	Finland	22	100	22
Vianor Holding Oy	Nokia	Finland	100	100	100
Vianor Oy	Lappeenranta	Finland	100	100	
Vianor Russia Holding Oy	Nokia	Finland	100	100	
OOO Vianor	Moscow	Russia	100	100	
OOO Vianor SPb	St. Petersburg	Russia	100	100	
OOO Ilirija	St. Petersburg	Russia	100	100	
Posiber Oy	Nokia	Finland	100	100	
AS Vianor		Estonia	100	100	
Vianor SIA		Latvia	100	100	
Vianor AB		Sweden	100	100	
Vianor AS		Norway	100	100	
Vianor AG		Switzerland	100	100	
Associated companies					
Sammaliston Sauna Oy	Nokia	Finland	33	33	33

Not combined due to the company characteristics and minor significance.

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

Transactions and outstanding balances with parties having significant influence

EUR million	2008	2007
Shareholders		
Bridgestone Group		
Transactions with Bridgestone Group take place at market prices.		
Sales of goods	26.7	24.1
Purchases of goods	33.5	37.6
Trade and other receivables	2.5	3.5
Trade and other payables	9.5	9.7
1,000 euros		
Key management personnel		
Employee benefit expenses		
Short-term employee benefits	2,437.8	2,740.5
Post-employment benefits	372.5	278.8
Termination benefits	88.7	0.0
Share-based payments	5,751.1	4,041.9
Total	8,650.1	7,061.2
Remunerations		
President (also a member of the Board of Directors)	395.4	656.1
of which incentives	0.0	291.4
Members of the Board of Directors		
Petteri Walldén	67.5	60.0
Hille Korhonen	33.8	30.0
Hannu Penttilä	33.8	30.0
Koki Takahashi	33.8	30.0
Aleksey Vlasov	33.8	30.0
Kai Öistämö	26.3	-
Prior members of the Board of Directors		
Rabbe Grönblom	7.5	30.0
Total	236.3	210.0
No incentives were paid to the members of the Board of Directors.		
Other key management personnel	1,684.1	1,718.1
of which incentives	0.0	253.6

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

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

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

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

35. EVENTS AFTER THE BALANCE SHEET CLOSING DATE

Passenger Car Tyres

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

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

Heavy Tyres

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

PARENT COMPANY INCOME STATEMENT, FAS

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

PARENT COMPANY BALANCE SHEET, FAS

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

PARENT COMPANY CASH FLOW STATEMENT, FAS

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

ACCOUNTING POLICIES FOR THE PARENT COMPANY

General

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

Inventory valuation

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

Fixed assets and depreciation

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

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

The depreciation times are as follows:

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

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

Research and development

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

Pensions and coverage of pension liabilities

Pension contributions are based on periodic actuarial calculations and are charged to the income statement.

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

Foreign currency items

Transactions in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. At the end of the accounting period unsettled balances on

foreign currency transactions and forward exchange contracts are valued at the rates published by the European Central Bank as on the financial statement date.

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

Direct taxes

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

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

EUR million	2008	2007
1. NET SALES BY SEGMENTS AND MARKET AREAS		
Passenger Car Tyres	448.0	428.4
Heavy Tyres	94.2	95.6
Truck Tyres	31.0	32.3
Total	573.2	556.2
Finland	135.7	129.8
Other Nordic countries	122.5	120.8
Baltic countries and Russia	84.3	86.4
Other European countries	153.4	157.1
North America	36.1	30.4
Other countries	41.2	31.7
Total	573.2	556.2
2. WAGES, SALARIES AND SOCIAL EXPENSES		
Wages and salaries	58.1	55.6
Pension contributions	11.3	9.0
Other social expenses	5.5	6.1
Total	74.8	70.7
Remuneration of the members of the Board of the Directors and the President on accrual basis	0.6	0.9
of which incentives	0.0	0.3
No special pension commitments have been granted to the members of the Board and to the President. The agreed retirement age of the President is 60 years.		
Personnel, average during the year		
Production	1,039	1,056
Selling and marketing	67	75
Others	174	185
Total	1,280	1,316

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

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

9. FIXED ASSETS

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

10. INVESTMENTS

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

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

EUR million	2008	2007	EUR million	2008	2007
11. INVENTORIES			13. SHORT-TERM RECEIVABLES		
Raw materials and supplies	40.2	19.8	Receivables from the Group companies		
Work in progress	2.6	2.3	Trade receivables	84.5	55.3
Finished goods	74.6	52.5	Loan receivables	387.6	224.0
Total	117.4	74.5	Accrued revenues and deferred expenses	23.4	17.4
12. LONG-TERM RECEIVABLES			Total	495.5	296.7
Loan receivables from the Group companies	54.8	57.0	Trade receivables	46.4	53.6
Loan receivables from others	0.4	0.6	Other receivables	8.9	11.4
Total long-term receivables	55.2	57.6	Accrued revenues and deferred expenses	38.5	4.9
The members of the Board of Directors and the President have not been granted loans.			Total	93.8	69.9
			Total short-term receivables	589.4	366.6

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

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

EUR million	2008	2007
16. NON-CURRENT LIABILITIES		
Interest-bearing		
Bonds	10.0	10.0
Convertible bond loans	156.9	152.3
Loans from financial institutions	173.1	50.0
Pension premium loans	33.9	8.3
Total	374.0	220.6
Non-interest-bearing	-	-
Total non-current liabilities	374.0	220.6
Bonds	10.0	10.0
A floating rate bullet loan maturing in 2009 is bound to the six-month Euribor rate.		
Convertible bond loans	156.9	152.3
The convertible bonds were issued at 100% in their principal amount, pay zero coupon, and, if not previously converted, redeemed or purchased and cancelled, redeemed at final maturity at a price which represents a yield-to-maturity equal to 3% per annum, or 123% of their principal amount.		
Liabilities maturing after five years		
Loans from financial institutions	0.8	2.5
Pension premium loans	0.0	0.3
Convertible bond loans	184.5	184.5
Total	185.3	187.3
The convertible bonds include non-accrued yield of EUR 27.6 million (2007: EUR 32.2 million).		
Maturing of non-current liabilities		
Maturity		
2010	176.2	43.5
2011	10.6	3.7
2012	10.6	3.7
2013	8.8	1.9
2014 and later	185.3	185.3
Total	391.6	238.1

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

EUR million	2008	2007
18. CONTINGENT LIABILITIES		
On behalf of Group companies and investments in associates		
Guarantees	58.9	62.9
The amount of debts mortgaged for total EUR 49.2 million (2007:EUR 57.2 million).		
On behalf of other companies		
Guarantees	0.3	0.0
Other own commitments		
Guarantees	1.1	1.0
Leasing and rent commitments		
Payments due in 2009/2008	6.5	6.2
Payments due in subsequent years	50.3	47.0
19. DERIVATIVE CONTRACTS		
Interest rate derivatives		
Interest rate swaps		
Fair value	-0.1	0.1
Notional amount	14.4	15.0
Foreign currency derivatives		
Currency forwards		
Fair value	23.4	3.0
Notional amount	427.2	332.1
Currency options, purchased		
Fair value	0.5	0.1
Notional amount	5.0	4.8
Currency options, written		
Fair value	-0.3	0.0
Notional amount	10.1	4.8

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

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

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

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

20. ENVIRONMENTAL COMMITMENTS AND EXPENSES

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

Share capital and shares

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

Share price development and trading volume in 2008

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

Dividend policy

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

Board authorisations

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

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

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

General Meeting. This authorisation invalidates all other Board authorisations regarding share issues and convertible bonds.

Company share ownership and authorisation for acquisition

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

Bonds with warrants 2004 directed at personnel

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

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

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

The share subscription period is

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

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

number of shares by a maximum of 7,350,000 new shares.

Bonds with warrants 2007 directed at personnel

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

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

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

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

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

The share subscription period is

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

As a result of the subscriptions with the 2007 bonds with warrants, and according to the original subscription terms, the share capital of Nokian Tyres Plc may be increased by a maximum of EUR 1,350,000 and the number of shares by a maximum of 6,750,000 new

shares. A share ownership plan shall be incorporated with the 2007 warrants, according to which the Group's senior management shall be obliged to acquire the Company's shares with a proportion of the income gained from the stock options.

Warrants listed on the Main List of the Helsinki Exchanges

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

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

Management shareholding

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

Convertible bond loan for Finnish and international institutional investors

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

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

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

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

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

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

On 17 July 2007, Nokian Tyres announced that Nomura International Plc, the Joint Lead Manager of the Nokian Tyres Plc's convertible bonds due 2014 offering, had fully exercised the EUR 19.6 million over-allotment

option granted to it by Nokian Tyres Plc. Subsequent to the exercise of the over-allotment option, the total amount of the convertible bond is EUR 150 million.

Share information

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

Changes in the ownership of nominee-registered shareholders in 2008

16.10.2008

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

8.5.2008

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

SHARE OWNERSHIP BREAKDOWN ON 31 DECEMBER 2008

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

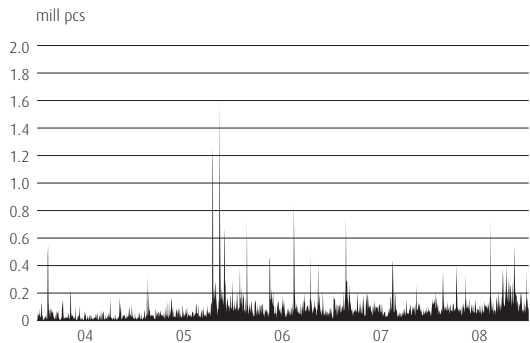
OWNERSHIP BY CATEGORY ON 31 DECEMBER 2008

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

MAJOR SHAREHOLDERS ON 31 DECEMBER 2008

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

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



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



Nokia, 11 February 2009

Petteri Walldén

Koki Takahashi

Hille Korhonen

Aleksey Vlasov

Hannu Penttilä

Kai Öistämö

Kim Gran

President and CEO

AUDITORS’ REPORT

To the Annual General Meeting of Nokian Tyres plc

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

The responsibility of the Board of Directors and the Managing Director

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

Auditor’s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment,

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

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

Opinion on the consolidated financial statements

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

Opinion on the company’s financial statements and the report of the Board of Directors

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

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

Helsinki, 11 February 2009

KPMG OY AB

Lasse Holopainen

Authorized Public Accountant

Corporate Governance

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

Board of Directors

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

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

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

Duties of the Board

The Board is responsible for corporate governance and the appropriate conduct of ordinary activities in accordance with the law, the Articles of Association and the

instructions given at the Annual General Meeting. It also defines the principles governing the company's organisation, accounting and finance. Furthermore, it is responsible for appointing the President and CEO, and for other duties described in the Companies Act.

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

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

The Nomination and Remuneration Committee of Nokian Tyres' Board of Directors:

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

The Committee convened once in 2008.

Organisation of business activities and responsibilities

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

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

President, Group management, management and rewarding systems

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

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

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

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

bonds with warrants, 190,000 2007A bonds with warrants, 160,000 2007B bonds with warrants, as well as 19,000 Nokian Tyres' shares.

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

Finance and control

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

Financing

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

Auditing

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

Internal audit

The Group has organised an internal audit for all of Vianor, focusing on controlling sales outlets and ensuring

that activities comply with the activity system. The parent company and sales companies buy internal auditing as a service from public accountants or other service providers if needed. The audit focuses on items separately determined each time.

Risk management

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

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

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

Insider issues

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

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

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

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

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

Duty to declare, insider registers and trading prohibition

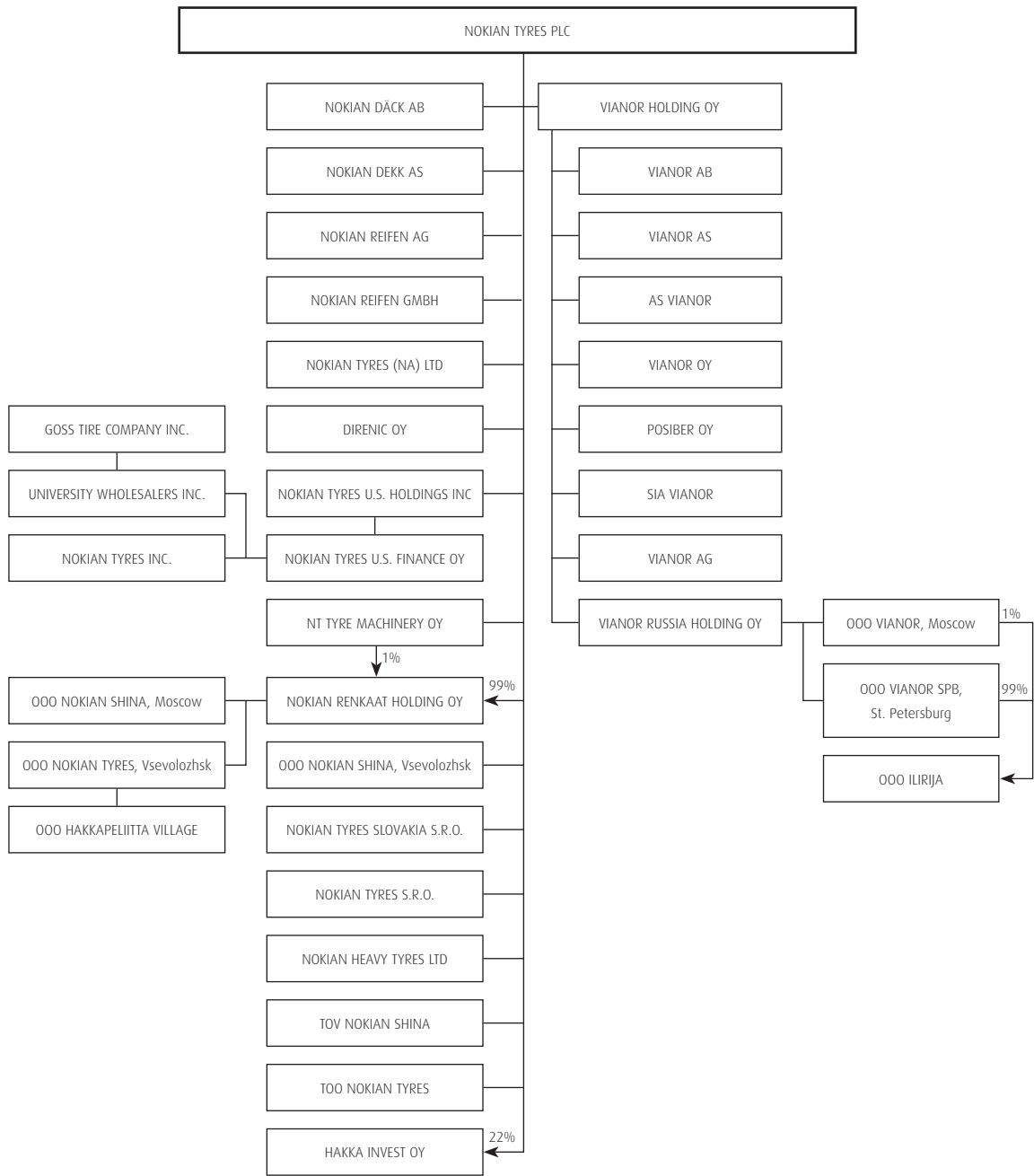
The Securities Market Act imposes a duty to declare to Nokian Tyres' insiders with a duty to declare, and requires that the company maintain a public register of its insiders with a duty to declare. The law requires that Nokian Tyres keep a non-public, company-specific register of company-specific insiders.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

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

Management of insider issues

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

Nokian Tyres Group structure



ANNUAL GENERAL MEETING

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

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

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

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

Dividend payment

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

Share register

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

Financial reports

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

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

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

Analysts

At least the following analysts make investments analyses:

CA Cheuvreux Nordic AB

Patrik Sjöblom, tel. +46 8 723 5115
psjoblom@cheuvreux.com

Carnegie Investment Bank AB, Finland Branch

Miikka Kinnunen, tel. +358 9 6187 1241
miikka.kinnunen@carnegie.fi

Danske Markets Equities

Kalle Karppinen, tel. +358 10 236 4794
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Deutsche Bank AG

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timo.pirskanen@db.com

eQ Bank Ltd

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tomi.tiilola@eQ.fi

Evli Bank

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FIM Investment Research

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Handelsbanken Capital Markets

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Bank of America - Merrill Lynch

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Pohjola Bank plc

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Royal Bank of Scotland

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veikko.valli@rbs.com

SEB Enskilda

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Sofia Capital plc

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kim.gorschnik@sofiapankki.fi

E. Öhman J:or Fondkommission

Lauri Pietarinen, tel. +358 9 8866 6026
lauri.pietarinen@ohmangroup.fi

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

Raija Kivimäki, Assistant to President and CEO
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email: ir@nokiantyres.com
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Investor information

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Anne Aittoniemi, Communications Assistant
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Fax: +358 10 401 7799

Address

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(Visiting address: Pirkkalaistie 7)
FIN-37101 Nokia

Stock exchange releases in 2008

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

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

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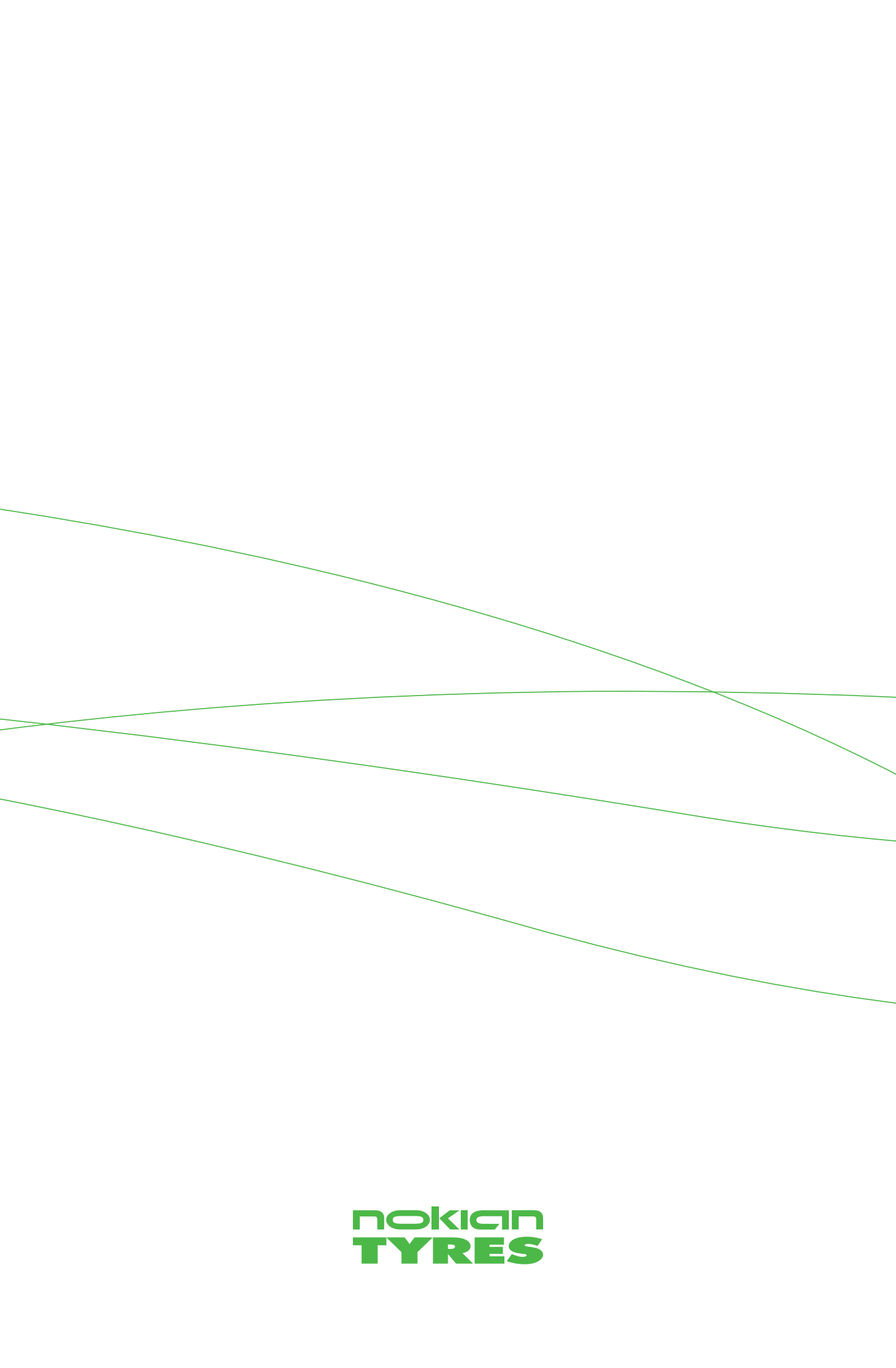
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