

NOKIAN TYRES

FINANCIAL REVIEW 2009



FINANCIAL REVIEW 2009**Financial Statements 2009**

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This report is a translation.

The original, which is in Finnish, is the authoritative version.

CONSOLIDATED KEY FINANCIAL INDICATORS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	FAS	FAS	FAS	FAS	FAS
Figures in EUR million unless otherwise indicated	2009	2008	2007	2006	2005	2004	2004	2003	2002	2001	2000
Net sales	798.5	1,080.9	1,025.0	835.9	686.5	603.3	602.2	528.7	479.2	423.4	398.5
growth, %	-26.1%	5.5%	22.6%	21.8%	13.8%	14.1%	13.9%	10.3%	13.2%	6.3%	23.5%
Operating margin (EBITDA)	164.0	303.1	281.1	193.9	151.4	148.9	146.8	115.1	95.0	81.9	68.4
Depreciation and amortisation	61.9	56.2	47.1	40.8	35.6	33.4	38.7	36.0	34.9	31.3	28.9
Operating profit (EBIT)	102.0	247.0	234.0	153.1	115.8	115.6	108.1	79.1	60.1	50.5	39.4
% of net sales	12.8%	22.8%	22.8%	18.3%	16.9%	19.2%	18.0%	15.0%	12.5%	11.9%	9.9%
Profit before tax	73.5	173.8	213.8	139.3	112.6	103.0	99.9	69.6	48.0	37.0	27.2
% of net sales	9.2%	16.1%	20.9%	16.7%	16.4%	17.1%	16.6%	13.2%	10.0%	8.7%	6.8%
Return on equity, %	7.6%	18.8%	26.6%	20.9%	22.2%	31.3%	24.3%	20.8%	16.9%	14.3%	13.7%
Return on capital employed, %	9.4%	22.9%	27.8%	22.7%	21.4%	28.1%	27.5%	22.3%	17.1%	14.3%	12.1%
Total assets	1,221.9	1,420.4	1,155.4	884.7	797.4	578.4	553.8	476.1	450.9	459.8	464.0
Interest-bearing net debt ⁽¹⁾	263.7	319.0	102.0	126.9	119.5	163.3	107.4	100.0	122.5	158.2	182.1
Equity ratio, %	62.0%	54.8%	61.8%	63.0%	59.1%	46.4%	48.3%	44.4%	38.9%	32.4%	28.3%
Gearing, % ⁽¹⁾	34.8%	41.0%	14.3%	22.8%	25.4%	60.9%	35.4%	40.5%	57.9%	85.5%	108.9%
Net cash from operating activities	194.2	18.4	169.9	106.6	30.2	56.9	56.9	79.0	69.3	70.8	26.6
Capital expenditure	86.5	181.2	117.1	97.0	119.6	57.8	57.8	44.2	26.0	45.3	67.5
% of net sales	10.8%	16.8%	11.4%	11.6%	17.4%	9.6%	9.6%	8.4%	5.4%	10.7%	16.9%
R&D expenditure	12.0	12.5	11.5	9.0	9.3	9.8	9.6	8.3	8.5	8.3	8.3
% of net sales	1.5%	1.2%	1.1%	1.1%	1.4%	1.6%	1.6%	1.6%	1.8%	2.0%	2.1%
Dividends (proposal)	50.7	49.9	62.3	38.0	27.9	25.9	25.9	16.7	11.7	8.8	6.9
Personnel, average during the year	3,503	3,812	3,462	3,234	3,041	2,843	2,843	2,650	2,663	2,636	2,462
PER SHARE DATA											
Earnings per share, euro	0.47	1.12	1.37	0.88	0.70	0.69	0.62	0.45	0.32	0.24	0.19
growth, %	-58.4%	-18.3%	55.7%	27.0%	1.2%	53.2%	38.9%	41.3%	33.2%	26.9%	-25.2%
Earnings per share (diluted), euro	0.49	1.10	1.31	0.86	0.68	0.67	0.60	0.44	0.31	0.24	0.19
growth, %	-55.4%	-15.6%	52.6%	26.9%	1.6%	52.3%	38.1%	39.5%	31.9%	26.5%	-25.2%
Cash flow per share, euro	1.56	0.15	1.38	0.88	0.26	0.53	0.53	0.74	0.65	0.67	0.25
growth, %	953.2%	-89.3%	57.7%	243.7%	-51.8%	-28.9%	-28.9%	13.7%	-2.2%	165.8%	17.8%
Dividend per share, euro (proposal)	0.40	0.40	0.50	0.31	0.23	0.22	0.22	0.16	0.11	0.08	0.06
Dividend pay out ratio, % (proposal)	87.0%	35.7%	36.9%	35.4%	33.8%	35.1%	38.7%	35.0%	35.0%	34.9%	34.7%
Equity per share, euro	6.07	6.20	5.76	4.56	3.89	2.47	2.46	1.98	1.66	1.41	1.24
P/E ratio	36.4	7.0	17.5	17.6	15.3	16.3	18.0	13.4	10.7	14.7	9.5
Dividend yield, % (proposal)	2.4%	5.1%	2.1%	2.0%	2.2%	1.9%	1.9%	2.6%	3.3%	2.4%	3.6%
Market capitalisation 31 December	2,122.5	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
Average number of shares during the year, million units	124.85	124.61	122.95	121.63	118.57	107.46	107.46	106.19	105.82	105.82	105.69
diluted, million units	129.76	131.47	129.09	125.15	121.96	110.91	110.91	108.98	107.22	106.12	105.69
Number of shares 31 December, million units	124.85	124.85	123.70	122.03	121.00	108.53	108.53	106.82	105.82	105.82	105.82
Number of shares entitled to a dividend, million units	126.69	124.85	124.63	122.65	121.09	119.37	119.37	106.84	105.82	105.82	105.82

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

CONSOLIDATED KEY FINANCIAL INDICATORS

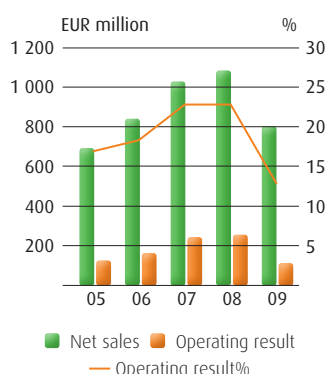
Definitions

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

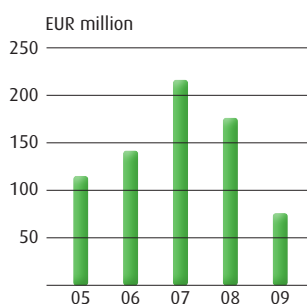
¹ capital loan included in equity (only in FAS, years 2000–2004)

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

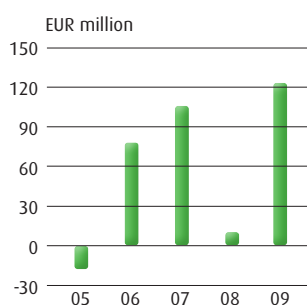
Net sales, Operating result, Operating result%



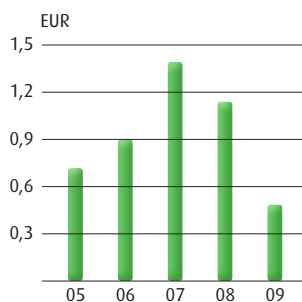
Profit before tax



Cash flow from operations



EPS



Net sales of Nokian Tyres Group amounted to EUR 798.5 million (2008: EUR 1,080.9 million), down by 26.1% compared to 2008. Operating result was EUR 102.0 million (EUR 247.0 million). Earnings per share were EUR 0.47 (EUR 1.12), and result for the period was EUR 58.3 million (EUR 139.9 million). Cash flow from operations improved to EUR 123.1 million (EUR 9.5 million). The Board of Directors proposes a dividend of EUR 0.40 (EUR 0.40) per share. In 2010, the company is positioned to improve net sales and operating result compared to 2009.

Kim Gran, President and CEO:

“Eventually, after taking decisive action in a tough market we achieved quite satisfactory results in 2009. The launch of our new winter tyre, Hakkapeliitta 7, has been a great success and has helped us to maintain healthy prices and strengthen our market leader position on our core markets. Prices were increased on all core markets to compensate for devaluations but did not fully cover the changes in sales and market mix. The Vianor chain was expanded by 116 shops and now consists of over 600 outlets.

The streamlining measures aiming at a lighter cost structure and full utilization of a lower cost production in the Russian plant were implemented as planned. Our actions will have a strong impact on our results for years to come. Manufacturing operations booked improved results and margins in the fourth quarter year-over-year signalling that actions taken in 2009 are starting to have a positive effect.

Our target was to provide strong cash flow and eliminate receivable risk. Cash flow from operations improved by EUR 113.6 million year-over-year due to cost cuts, lower investments, inventories and reduced trade receivables. Investments were cut by EUR 94.7 million and inventories by EUR 90.9 million year-over-year. At the end of 2009, current receivables were EUR 72.7 million lower than a year before. Wages and salaries were cut by EUR 44.6 million and fixed costs excluding salaries by EUR 24.2 million compared to 2008.

We have already set our minds to return to the growth track, expecting that in 2010 we will have a good possibility to increase our sales, instead of merely focusing on cost savings. Sales will be supported by a slowly recovering economy on our core markets and our distributors’ quite moderate carry-over stocks after this winter.

Russian and Nordic markets have stabilized and are showing early signs of growth. In spite of some encouraging signals, we will still base our actions on a gradual rather than a rapid recovery.

A strong growing distribution, good seasonal logistics, an improved cost structure with production inside duty borders of Russia and CIS and new products will give us a good chance to strengthen our market leadership in the core markets and to return to profitable growth in 2010.”

Market situation

The sharp downturn in the global economy that started in late 2008 continued during 2009, although the second half of the year showed some positive signs. The aftermarket sales volume for passenger car tyres in 2009 declined in the Nordic countries by an estimated 10% year-over-year. Tyre deliveries shrank drastically in Russia and the CIS countries, trailing the declining economy and reduced car sales.

As car manufacture volumes decreased significantly, there was an excess supply of summer tyres which resulted in price erosion of some volume sizes. USA introduced a duty program in September 2009 for the next three years (35%, 30%, 25%) for car tyres manufactured in China. This is expected to put further pressure on economy segment summer tyre prices on all non-US markets.

Prices for winter tyres have resisted the general price erosion better than summer tyres. In early 2009, tyre manufacturers implemented price increases in order to offset the currency devaluation in Russia, Ukraine, Sweden and Norway. Despite some sales of carry-over stocks from 2008, prices mainly increased in local currencies. In Russia the pricing environment was relatively unstable during 2009 due to capitalizing of carry-over stocks by both manufacturers and dealers.

An early start of winter tyre consumer sales and true winter with heavy snowfall in all Europe, Russia and CIS have cut inventory levels and present good opportunities for sales growth in 2010.

Raw material prices dropped significantly at the end of 2008 and the first half of 2009 but carry-over stocks and contracts penalized tyre industry results early 2009. Raw material suppliers' requests for price increases intensified during the second half of 2009. Especially the price of natural rubber has been increasing rapidly in the turn of the year, having some negative effects on industry profits in the second half of 2010.

At the end of the year, the heavy tyres demand started to recover supported by some increase in forest and mining machine manufacture. The slight increase derives from the somewhat improved demand and prices of pulp, sawmill products and metals.

The truck tyre market declined in Europe by roughly 30%, and the demand for special heavy tyres shrank to less than half of the previous year. Overall, the market environment has become more competitive in all tyre categories.

January–December 2009

Nokian Tyres Group's net sales in January–December totalled EUR 798.5 million (2008: 1,080.9; 2007: 1,025.0), signifying a 26.1% year-over-year decrease. In the Nordic countries sales decreased by 18.9% representing 45.4% (41.8%) of the group's total sales. In Russia and CIS sales fell by 55.0% and formed 20.3% (33.6%) of the group's total sales. In Central and Eastern Europe sales were up by 3.6% year-over-year representing 23.4% (17.0%) of the group's total sales. In North America sales grew by 6.0% and was 10.5% (7.4%) of the group's total sales.

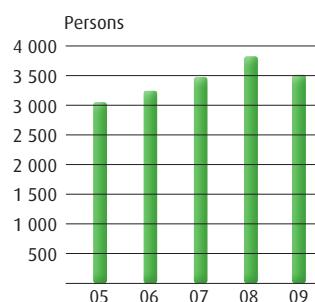
Sales of passenger car tyres were down by 28.9% representing 60.0% (62.8%) of the group's total sales. Heavy tyres' sales declined by 48.8% and were 5.7% (8.3%) of the group's total sales. Vianor's sales fell by 11.4% forming 31.1% (26.1%) of the group's total sales. The sales of Other operations was down by 14.5% representing 3.2% (2.8%) of the group's total sales.

Raw material cost (eur/kg) decreased by 9% year-over-year. Fixed costs amounted to EUR 276.6 million (309.6), accounting for 34.6% (28.6%) of net sales. Total salaries and wages were EUR 131.0 million (2008: 175.5; 2007: 160.2) representing a saving of EUR 44.6 million year-over-year.

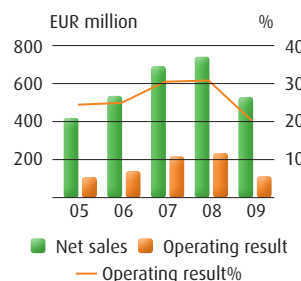
Nokian Tyres Group's operating result was EUR 102.0 million (2008: 247.0; 2007: 234.0). This was negatively affected by the IFRS 2 -compliant option scheme write-off of EUR 11.8 million (18.6) and expensed credit losses and provisions of EUR 7.1 million (6.4). Operating result percentage was 12.8% (2008: 22.8%; 2007: 22.8%).

Net financial expenses were EUR 28.6 million (73.2). Net Interest expenses were EUR 14.8 million (21.7) including EUR 7.6 million (7.3) in non-cash expenses related to convertible bonds. Net financial expenses include EUR 13.8 million (51.5) of exchange rate differences of which EUR -10.3 million (-2.0) were born in the first quarter of the year due to exceptionally high hedging costs related to Russian rouble and Kazakhstan tenge. Since 1.1.2009 exchange rate differences contain interest rate differential from foreign currency derivatives. Comparison information is modified accordingly.

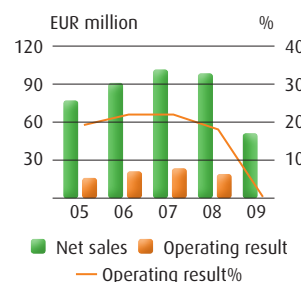
Average number of personnel



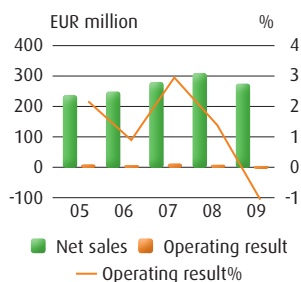
Passenger car tyres
Net sales, Operating result, Operating result%



Heavy tyres
Net sales, Operating result, Operating result%



Vianor
Net sales, Operating result, Operating result%



Result before tax was EUR 73.5 million (173.8). Result for the period amounted to EUR 58.3 million (139.9), and EPS were EUR 0.47 (EUR 1.12).

Return on net assets (RONA, rolling 12 months) was 8.4% (20.5%). Return on equity was 7.6% (2008: 18.8%; 2007: 26.6%). Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow II) was EUR 123.1 million (9.5). Equity ratio was 62.0% (2008: 54.8%, 2007: 61.8%).

The Group employed an average of 3,503 (2008: 3,812; 2007: 3,462) people, and 3,292 (2008: 3,784; 2007: 3,535) at the end of the period. The Vianor tyre chain employed 1,388 (2008: 1,440; 2007: 1,241) people and Russian operations 640 (2008: 684; 2007: 511) people at the end of the period.

Financial position by 31 December, 2009

Gearing ratio was 34.8% (41.0%). Interest-bearing net debt amounted to EUR 263.7 million (319.0). Equity ratio was 62.0% (54.8%).

The Group's interest-bearing liabilities totalled EUR 326.2 million (432.3) of which current interest-bearing liabilities amounted to EUR 72.4 million (37.8). The average interest rate of interest-bearing liabilities was 4.45% (4.46%). The average interest rate of interest-bearing liabilities was 2.16% (2.76%) with calculatory non-cash expenses related to the convertible bond eliminated.

At the end of the review period the company had unused credit limits amounting to EUR 456.1 million of which EUR 185.4 million were committed. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, subsidiaries in distribution chains and thus control the typical seasonality in the Group's cash flow due to changes in the working capital.

The multicurrency revolving credit facility of EUR 180 million due April 2010 was refinanced and signed in the last quarter of 2009.

Research & Development

The goal of Nokian Tyres is for new products to account for at least 25% of annual net sales. The development of a brand-new passenger car tyre takes 2 to 4 years. Approximately one-half of R&D investments are allocated to product testing. Nokian Tyres R & D costs in 2009 totalled EUR 12.0 million (2008: 12.5; 2007: 11.5), which is 1.5% (2008: 1.2%; 2007: 1.1%) of the Group's net sales.

Tax rate

The Group's tax rate is effected by tax relieves in Russia. The tax relieves are valid for as long as the company accrues tax on yields corresponding to the amount of the Russian investment, and for two years thereafter.

PASSENGER CAR TYRES

The net sales of Nokian passenger car tyres in January-December totalled EUR 527.3 million (741.6), down by 28.9% from the previous year. Operating result was EUR 106.2 million (230.0) and the operating result percentage was 20.1% (31.0%).

The year-over-year car tyre sales deficit was mainly due to significantly weaker sales in Russia and CIS, which derives from the collapse of car sales, customers' high winter tyre inventories and lack of financing. Sales grew in North America and also in Central and Eastern Europe. Winter tyre market share improved in the Nordic countries, North America and in Central and Eastern Europe. The new spearhead product of "Nordic studded tyres", Nokian Hakkapeliitta 7, won practically all car magazine tests in the Nordic countries and in Russia, which improved sales in the winter season.

Decreased sales in Russia and CIS together with a reduced share of winter tyres resulted in a weaker sales mix and a lower average price. The currency devaluations in core markets, affecting some 60% of total sales, weakened profits. The implemented price increases improved summer tyre prices but a weaker country and product mix reduced the winter tyre average price.

The sharply weakened demand in the turn of 2008-2009 required immediate actions to change the industrial structure of the company. In order to decrease structural fixed costs, actions to adjust production were implemented and by the end of the year the inventories were reduced clearly below previous year's level. Trade receivables and investments decreased significantly year-over-year. The increased proportion of less expensive production in Russia and decreasing raw material prices became gradually visible in the financial result.

The cash flow of passenger car tyres in 2009 improved significantly due to the restructuring of operations, personnel adjustments, reduced inventory levels, investment cuts and cost-cutting program including all cost types.

The focus for 2010 will be on regaining sales growth in Russia and CIS, which is supported by successful collecting of Nokian Tyres' receivables and the meltdown of the distributors' inventories in 2009. The new car sales of the foreign brands in Russia are estimated to grow by 10-25%. Other targets for 2010 are utilizing new sales opportunities in the western markets, optimizing tyre price levels and controlling the working capital.

HEAVY TYRES

The January-December net sales of Nokian Heavy Tyres totalled EUR 50.1 million (97.7), down by 48.8% year-over-year. Operating result was EUR 0.0 million (17.7), and the operating result percentage was 0.0% (18.1%). The financial performance suffered from weak sales volumes and drastic production cuts taken due to weak demand and carry-over stock from 2008.

Heavy tyres sales decreased in all product categories. Although the average price increased slightly due to the sales mix, the market has become more competitive. Exceptionally low volumes of machine manufacture cut the demand for forestry tyres. The demand for harbour and mining tyres, as well as for various special machinery tyres decreased by more than 50% due to the slowdown in the global economy. Orders, however, started to recover gradually from the end of the second quarter on, due to customers' low inventories and some regaining of trust on the markets.

The positive effects of the production cuts that were initiated in late 2008 and continued all 2009, were fully visible at the second half of the year. Fixed costs were reduced according to plan. Inventories decreased significantly and reached the target level. Low tyre inventory has enabled some increase in production volumes, which together with a decreased raw material cost started to improve productivity and profitability. As a result the operating result of Q4/2009 improved compared to the corresponding period a year earlier. In 2009, cash flow was clearly positive.

In 2010 Nokian Heavy Tyres focuses on bringing in new customers, speeding up the development process for new products as well as launching new logistics and customer service concepts.

VIANOR

Equity-owned operations

Vianor's net sales in January-December were EUR 273.2 million (308.3), down by 11.4% on the previous year. Operating result was EUR -3.0 million (4.4), and the operating result percentage was -1.1% (1.4%).

In 2009, low demand in all customer segments cut Vianor's sales and operating result. Vianor continued its structural cost adjustment measures, which included shutting down non-profitable outlets and making personnel cuts. The stock levels were reduced and optimised for the most profitable product groups. Cash flow improved to previous year and was clearly positive, due to reduced fixed costs and stock levels.

Franchising and partner operations

During 2009 Vianor managed to further expand the franchise and partner network on Nokian Tyres' core markets by 116 outlets. In the fourth quarter, the network grew with 38 outlets and Vianor started operations in Georgia and in Bulgaria. At the end of the review period, Vianor operated in 19 countries; most extensively in the Nordic countries, in Russia and in Ukraine. The global Vianor network comprised of 623 outlets of which 453 were partners and 170 equity-owned. Market shares improved as a result of the expansion.

In 2010 focus will be on improving sales and market shares, developing the fast fit services business, maintaining tyre prices as well as improving cost efficiency. Expanding the partner franchise network will continue according to earlier plans; target is to have more than 700 outlets by the end of 2010.

OTHER OPERATIONS

Truck tyres

The January-December net sales of Nokian truck tyres were EUR 28.5 million (33.4), down by 14.5% compared to the previous year. Nokian increased its market share in the European market which declined roughly 30%. Nokian truck tyres sales were expanded to new market regions in Eastern Europe. Contract manufacturing volumes were reduced and the inventory levels cut to the target.

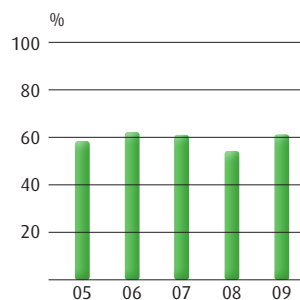
In 2010 the focus will be on utilizing the stronger winter product range, especially the Nokian Hakkapeliitta Truck tyres for Nordic conditions. The product range will be extended with new tyre sizes during the year. Expansion to new market areas in Eastern Europe will continue.

RUSSIA AND THE CIS COUNTRIES

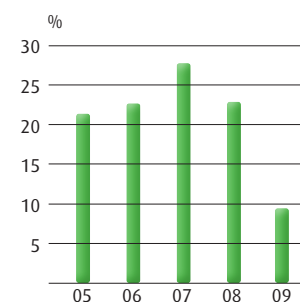
Nokian Tyres' sales in Russia and the CIS countries totalled EUR 172.1 million (382.4) in the review period. This entails a 55.0% decrease from the previous year. Sales in Russia were EUR 116.7 million (309.8). Sales in CIS (excluding Russia) were EUR 55.4 million (72.6). Nokian Tyres' sales declined due to lower demand, customers' high carry-over inventories and their lack of financing. Some market share was lost due to consumers trading down to cheaper brands, but Nokian maintains its position as the market leader in the A-segment of premium branded tyres.

The distribution network was extended by signing additional distribution agreements and expanding the Vianor network. The Vianor tyre chain expanded by 28 outlets in Q4/2009 and there were a total of 353 Vianor franchising outlets in Russia and the other CIS countries at the end of the review period.

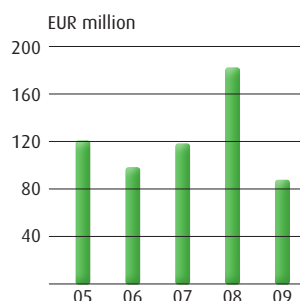
Equity ratio



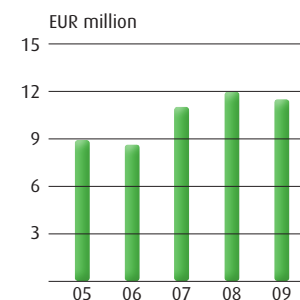
Return on capital employed



Gross investments



R & D expenses



Six out of seven production lines of the Russian plant were operating with limited capacity. A significant share of the production was exported due to the decline in demand in Russia. New mixing machines were installed, and a storage extension was taken in use. The fully completed production process creates logistics and raw material cost savings compared to 2008. The Hakkapeliitta Village with 4 houses and 167 flats was completed. Flats will be sold at cost to employees in 2010 after the completion of the ownership rights registration.

Overall, the Russian economy seems to have adapted to the new reality and, for the most part, stabilized. Russian economy declined at an estimated real GDP growth of -7.9% year-over-year at the end of the review period. Consumer purchasing power was lower in 2009 versus 2008 but it is expected to improve from 2010 onwards. Key to growth is availability of financing. Consumer credit in the housing sector with interest rates of 12-14% has re-emerged in the second half of 2009 indicating improvement into other consumable sectors in the future. For the next years 2010-2014 GDP growth is estimated to average over 4% a year.

Car sales, the main driver for premium tyres, decreased by 49% in 2009 compared to 2008. A recovery of car sales with some growth starting in 2010 and gaining momentum in 2011-2012 is presently forecasted.

The devaluation of the Rouble against major currencies exceeded 20% from late 2008 to 2009. Backed by the oil price the Russian Rouble has stabilized against the Euro.

The good market potential has not disappeared; there is still strong underlying consumer demand. The Nokian Tyres plant located in Russia, inside the customs borders (duty 20% for imported tyres), combined with an expanding Vianor chain provides a significant competitive edge on the market.

INVESTMENTS

Investments in the fourth quarter amounted to EUR 9.6 million (67.0). The company's total investments in 2009 were EUR 86.5 million (181.2). EUR 51.2 million (121.0) was spent on completing projects started in 2008 in the Russian plant. The remainder comprised of production investments in the Nokia plant, moulds for new products and Vianor expansion projects.

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 decisions related to adjustment issues in stock exchange releases on 19 November and 19 December, 2008, as well as 20 January and 9 March, 2009.

The production of Nokia plant was changed from a continuous three-shift seven-day model to a five-day (discontinued) three-shift model. As a result of the adjustments, the annual production capacity of Nokian passenger car tyres at the Nokia plant decreased from the previous 6 million to approximately 4 million tyres.

Vianor adjusted its structure and costs by shutting down non-profitable outlets and making personnel cuts. In 2009 the total group personnel reduced by 492 employees. Lay-offs were carried out in all business units according to the cost-cutting programme.

The company recorded a saving of EUR 68.8 million year-over-year exceeding the set targets; EUR 44.6 million was saved in labour and EUR 24.2 million in fixed (excluding labour) costs.

OTHER MATTERS

1. Stock options on the NASDAQ OMX Helsinki Ltd.

The Board of Directors of Nokian Tyres plc applied for listing of the stock options 2007A on the NASDAQ OMX Helsinki Ltd. The listing was commenced on 1 March 2009.

The total number of stock options 2007A is 2,250,000. Each stock option 2007A entitles its holder to subscribe for one Nokian Tyres plc share. The shares can be subscribed with the stock options 2007A during 1 March 2009 - 31 March 2011. In the aggregate, the stock options 2007A entitle their holders to subscribe for 2,250,000 shares. The present share subscription price with stock options 2007A is EUR 16.08/share. The dividends payable annually will be deducted from the share subscription price.

2. Shares subscribed with option rights

After December 9, 2008 registered increase in share capital a total of 400 Nokian Tyres plc's shares have been subscribed with the 2004B option rights and 200 shares with 2004C option rights. These option rights are attached to the Nokian Tyres plc's Option Programs of 2004. An increase in share capital totalling 120 euros was entered into the Trade Register on February 25, 2009. The shares are traded on the NASDAQ OMX Helsinki Ltd together with the old shares as of February 26, 2009. After the increase, the number of Nokian Tyres shares was 124,846,590 and the share capital was EUR 24,969,318.

After February 25, 2009 registered increase in share capital a total of 1,900 Nokian Tyres plc's shares have been subscribed with the 2004B option rights. These option rights are attached to the Nokian Tyres plc's Option Programs of 2004. An increase in share capital totalling 380 euros was entered into the Trade Register on May 25, 2009. The shares are traded on the NASDAQ OMX Helsinki Ltd together with the old shares as of May 26, 2009. After the increase, the number of Nokian Tyres shares was 124,848,490 and the share capital was EUR 24,969,698.00.

After May 25, 2009 registered increase in share capital a total of 400 Nokian Tyres plc's shares have been subscribed with the 2004C option rights. These option rights are attached to the Nokian Tyres plc's Option Programs of 2004. An increase in share capital totalling 80 euros was entered into the Trade Register on August 20, 2009. The shares are traded on the NASDAQ OMX Helsinki Ltd together with the old shares as of August 21, 2009. After the increase, the number of Nokian Tyres shares was 124,848,890 and the share capital was EUR 24,969,778.00.

After August 20, 2009 registered increase in share capital a total of 300 Nokian Tyres plc's shares have been subscribed with the 2004C option rights and 300 with the 2007A option rights. These option rights are attached to the Nokian Tyres plc's Option Programs of 2004 and 2007. An increase in share capital relating to 2004C option rights and totalling 60 euros was entered into the Trade Register on November 17, 2009. The share capital will not increase with subscriptions made by 2007A option rights. The sum, corresponding to earlier nominal value, were entered into the reserve for invested unrestricted equity. The shares are traded on the NASDAQ OMX Helsinki Ltd together with the old shares as of November 18, 2009. After the increase, the number of Nokian Tyres shares was 124,849,490 and the share capital was EUR 24,969,838.00.

After November 17, 2009 registered increase in share capital a total of 1,900 Nokian Tyres plc's shares have been subscribed with the 2004C option rights. These option rights are attached to the Nokian Tyres plc's Option Programs of 2004. An increase in share capital

relating to 2004C option rights totalling 380 euros was entered into the Trade Register on December 15, 2009. The shares are traded on the NASDAQ OMX Helsinki Ltd together with the old shares as of December 16, 2009. After the increase, the number of Nokian Tyres shares was 124,851,390 and the share capital was EUR 24,970,218.00.

3. Share price development

The Nokian Tyres' share price was EUR 17.00 (EUR 7.91) at the end of the review period. The average share price during the period was EUR 12.60 (EUR 21.11), the highest EUR 18.85 (EUR 33.73) and the lowest EUR 7.00 (EUR 7.17). A total of 222,305,175 (309,290,887) shares were traded during the period, representing 178% (248%) of the company's overall share capital. The company's market value at the end of the period amounted EUR 2.122 billion (EUR 0.987 billion). The company's percentage of Finnish shareholders was 37.8% (41.0%) and 62.2% (59.0%) were foreign shareholders registered in the nominee register. This figure includes Bridgestone's ownership of approximately 16%.

4. Changes in share ownership

On 10 November, 2009, Nokian Tyres received an announcement from BlackRock, Inc., according to which the ownership of Black Rock Investment Management (UK) Limited had increased above the level of 5% of the share capital in Nokian Tyres plc as a result of a share transaction concluded on 9 November, 2009. Black Rock Investment Management (UK) Limited then held a total of 6,270,634 Nokian Tyres' shares representing 5.02% of company's 124,848,890 shares and voting rights.

5. Decisions made at the Annual General Meeting

The Annual General Meeting of Nokian Tyres held on 2 April, 2009 accepted the profit and loss statement for 2008 and discharged the Board of Directors and the President from liability. The final dividend was set at EUR 0.40 per share. The matching date was 7 April, 2009 and the payment date April 21, 2009.

5.1 Board of Directors and auditor

The number of Board members was set at seven. Kim Gran, Hille Korhonen, Hannu Penttilä, Aleksey Vlasov, Petteri Walldén and Kai Öistämö will continue as Board members. Yasuhiko Tanokashira was elected as a new member of the Board. In a meeting held after the Annual General Meeting, Petteri Walldén was elected Chairman of the Board. Authorised public accountants KPMG Oy Ab continue as auditors.

5.2 Remuneration of the Board members

The Annual General Meeting decided that the monthly fee paid to the Chairman of the Board would be 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. It was also decided that each member of the Committee will receive a meeting fee of EUR 500 for each Committee meeting attended.

In addition, it was decided that, according to the existing practices, 60% of the annual fee be paid in cash and 40% in company shares, such that in the period from April 3 to April 30, 2009, EUR 28,000 worth of Nokian Tyres plc shares will be purchased at the stock exchange on behalf of the Chairman of the Board and EUR 14,000 worth of shares on behalf of each Board member. This 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.

CORPORATE GOVERNANCE STATEMENT

A separate Corporate Governance Statement has been issued and published in connection with the publishing of the Report by the Board of Directors 2009. Statement is available on pages 55-59 in this report as well as on the company's website www.nokiantyres.com/administration.

INFORMATION PROVIDED PURSUANT TO THE SECURITIES MARKET ACT, CHAPTER 2, SECTION 6 B

Information required under the Securities Market Act, Chapter 2, Section 6 b is presented in the Consolidated Financial Statements 2009: in Note 29 and in Information on Nokian Tyres share and also in the Corporate Governance Statement.

RISK MANAGEMENT

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

Risks are divided into four categories: strategic risks, operational risks, financial risks and hazard risks. The risk management process aims to identify and evaluate risks, and to plan and implement practical measures for each one. Strategic risks are related to customer relationships, political risks, country risks, R&D, investments and acquisitions.

Operational risks arise as a consequence of inadequate or failed Nokian Tyres' internal processes, people's actions, systems or external events for example changes in raw material prices.

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

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

ENVIRONMENT AND SAFETY

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

Nokian Tyres is the only major tyre manufacturer that has produced all the tyres in its own facilities without high-aromatic oils since 2005. For contract manufacturing, the use of high-aromatic oils was terminated in 2009. Furthermore, Nokian Tyres does not use any other chemicals classified as toxic (T, T+) or carcinogenic in its own production. Product development takes environmental matters into consideration, which has resulted in advanced product solutions when it comes to, for example, rolling resistance (fuel consumption, CO₂ emissions) or the soil compaction caused by tyres in agriculture and forestry.

In 2009, the reduction in production volumes significantly decreased the overall environmental impacts caused by production. However, calculated per product, some of the environmental indicators for production (e.g. energy efficiency) weakened because the facilities were operating below maximum capacity due to the exceptional

economic situation. At Nokia, the waste recycling rate remained at the previous year's level, i.e. 95%. Indicators relating to safety, such as absences due to illness and accident frequency, mainly developed in a positive direction. Nokian Tyres will publish its environmental statement (Eco-Management and Audit Scheme, EMAS) in the spring of 2010, which will describe environmental and safety indicators in more detail.

RISKS, UNCERTAINTY FACTORS AND DISPUTES IN THE NEAR FUTURE

The Group's short term risks are derived from continuing uncertainty about the recovery rate of the world economy and the effect on the tyre markets' demand and sales volume in 2010.

In terms of exchange rate risks, the main risk facing Nokian Tyres in the near future is related to the development of the Ukrainian hryvnia.

A little over 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 US dollar, the Swedish and Norwegian krona and the Ukrainian hryvnia.

Nokian Tyres' other risks and uncertainty factors in the near future concern the shortage of financing for customers especially in Russia and CIS, the success of sales in the key markets and the development of the financial markets. Special attention has been drawn to securing customer payments. Russian trade receivables account for around 23% of the Group's total trade receivables. The amount of overdue trade receivables in Russia and CIS is back to normal level and incoming payments are in line with the agreements.

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.

OUTLOOK FOR 2010

The level of tyre demand seems to have stabilized and signs of a slow recovery can be seen. Tyre inventories are on a low level on all markets. The receivables and risks are back to normal on Nokian Tyres' core markets. Currencies on Nokian core markets (excl. Ukraine) have stabilized since early 2009 and show signs of strengthening.

The share of Nordic, Russian and CIS sales in the sales portfolio is estimated to increase in 2010. This will have a positive effect on sales mix and prices.

The recovery of profitability and productivity at Nokian Tyres is supported by the increasing share of Russian production and implemented structural changes and cost cuts. Raw material cost in 2010 is estimated to increase by 6% compared to 2009.

The tyre pricing environment is expected to be challenging in Nokian Tyres' core markets. Price increases are difficult to implement despite the increasing raw material prices.

A strong expanding distribution, good seasonal logistics, an improved cost structure with majority of production inside duty borders of Russia and CIS as well as new products will give Nokian Tyres a good chance to strengthen its market leadership in the core markets and to return to profitable growth in 2010.

Outlook and guidance for 2010:

In 2010, the company is positioned to improve net sales and operating result compared to 2009.

INVESTMENTS IN 2010

Nokian Tyres' total investments in 2010 will be approximately EUR 50 million (2009: EUR 86.5 million). About EUR 20 million will be spent on moulds and equipment for new products and EUR 15 million (2009: EUR 51.2 million) on the Russian plant's operations.

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

The distributable funds in the Parent Company total EUR 127.9 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..... EUR 50.7 million
retained in equity EUR 77.2 million
Total..... EUR 127.9 million

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

Nokia, 11 February, 2010

Nokian Tyres plc

Board of Directors

CONSOLIDATED INCOME STATEMENT, IFRS

EUR million	1 Jan – 31 Dec	Notes	2009	2008
Net sales		(1)	798.5	1,080.9
Cost of sales		(3)(6)(7)	-478.0	-588.1
Gross profit			320.4	492.7
Other operating income		(4)	2.2	2.2
Selling and marketing expenses		(6)(7)	-174.1	-198.8
Administration expenses		(6)(7)	-24.5	-27.4
Other operating expenses		(5)(6)(7)	-22.1	-21.8
Operating profit			102.0	247.0
Financial income		(8)	97.1	111.1
Financial expenses		(9)	-125.7	-184.3
Profit before tax			73.5	173.8
Tax expense ¹⁾		(10)	-15.2	-33.9
Profit for the period			58.3	139.9
Attributable to:				
Equity holders of the parent			58.3	139.9
Non-controlling interest			0.0	0.0
Earnings per share (EPS) for the profit attributable to the equity holders of the parent:		(11)		
Basic, euros			0.47	1.12
Diluted, euros			0.49	1.10
CONSOLIDATED OTHER COMPREHENSIVE INCOME				
Result for the period			58.3	139.9
Other comprehensive income, net of tax				
Gains/Losses from hedge of net investment in foreign operations			-24.4	6.2
Interest rate swaps			0.1	-0.1
Translation differences on foreign operations ²⁾			-12.8	-46.4
Other comprehensive income for the period			-37.0	-40.3
Total comprehensive income for the period			21.2	99.6
Total comprehensive income attributable to:				
Equity holders of the parent			21.2	99.6
Non-controlling interest			0.0	0.0

1) Tax expense in the consolidated income statement is based on the taxable result for the period.

2) Since the beginning of this year the Group has internal loans that are recognised as net investments in foreign operations in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates'.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million	31 Dec	Notes	2009	2008
ASSETS				
Non-current assets				
Property, plant and equipment		(12)(13)	507.6	499.8
Goodwill		(2)(14)	55.0	53.9
Other intangible assets		(14)	19.2	19.0
Investments in associates		(16)	0.1	0.1
Available-for-sale financial assets		(16)	0.2	0.2
Other receivables		(17)	9.9	11.6
Deferred tax assets		(18)	28.7	20.3
			620.7	604.9
Current assets				
Inventories		(19)	200.0	290.9
Trade and other receivables		(20)(29)	319.6	378.1
Current tax assets			19.1	33.3
Cash and cash equivalents		(21)	62.5	113.2
			601.2	815.5
Total assets			1,221.9	1,420.4
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital		(22)(23)	25.0	25.0
Share issue			0.0	0.0
Share premium			155.2	155.2
Translation reserve			-90.2	-53.0
Fair value and hedging reserves			0.0	-0.1
Paid-up unrestricted equity reserve			0.0	-
Retained earnings			667.6	647.6
			757.6	774.6
Non-controlling interest			0.0	2.7
Total equity			757.6	777.3
Liabilities				
Non-current liabilities				
Deferred tax liabilities		(24)		
		(18)	29.4	27.6
Provisions		(25)	1.4	1.1
Interest-bearing liabilities		(26)(27)(29)	253.8	394.5
Other liabilities			2.1	2.1
			286.7	425.3
Current liabilities				
Trade and other payables		(28)	98.0	176.7
Current tax liabilities			6.4	2.2
Provisions		(25)	0.7	1.1
Interest-bearing liabilities		(26)(27)(29)	72.4	37.8
			177.6	217.8
Total liabilities			464.2	643.1
Total equity and liabilities			1,221.9	1,420.4

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR million	1 Jan – 31 Dec	2009	2008
Cash flows from operating activities			
Cash receipts from sales		818.9	1,039.3
Cash paid for operating activities		-590.4	-838.2
Cash generated from operations		228.5	201.1
Interest paid		-44.9	-99.0
Interest received		6.3	3.3
Dividends received		0.0	0.0
Income taxes paid		4.2	-87.0
Net cash from operating activities (A)		194.2	18.4
Cash flow from investing activities			
Acquisitions of property, plant and equipment and intangible assets		-97.1	-175.3
Proceeds from sale of property, plant and equipment and intangible assets		7.7	1.0
Acquisitions of Group companies, net of cash acquired		-3.3	-2.8
Disinvestments in associates		0.0	0.0
Net cash used in investing activities (B)		-92.8	-177.2
Cash flow from financing activities			
Proceeds from issue of share capital		0.1	6.4
Change in current financial receivables		-0.2	-1.0
Change in non-current financial receivables		1.7	1.2
Change in financial current borrowings		-117.0	26.1
Change in financial non-current borrowings		13.7	146.3
Dividends paid		-49.9	-62.3
Net cash from financing activities (C)		-151.7	116.7
Net increase in cash and cash equivalents (A+B+C)		-50.2	-42.1
Cash and cash equivalents at the beginning of the period		113.2	158.1
Effect of exchange rate fluctuations on cash held		-0.5	-2.8
Cash and cash equivalents at the end of the period		62.5	113.2
		-50.2	-42.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

EUR million	Equity attributable to equity holders of the parent						Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Paid-up unrestricted equity reserve	Fair value and hedging reserves	Retained earnings		
Equity, 1 Jan 2008	24.7	149.0	-12.8	-	0.0	551.9	0.0	712.8
Dividends paid						-62.3		-62.3
Exercised warrants	0.2	6.2						6.4
Share-based payments						18.7		18.7
Other changes						-0.6		-0.6
Total comprehensive income for the period			-40.2		-0.1	139.9		99.6
Change in Non-controlling interest							2.7	2.7
Equity, 31 Dec 2008	25.0	155.2	-53.0	-	-0.1	647.6	2.7	777.3
Equity, 1 Jan 2009	25.0	155.2	-53.0	-	-0.1	647.6	2.7	777.3
Dividends paid						-49.9		-49.9
Exercised warrants	0.0	0.0		0.0				0.0
Share-based payments						11.8		11.8
Total comprehensive income for the period			-37.2		0.1	58.3		21.2
Change in Non-controlling interest							-2.7	-2.7
Equity, 31 Dec 2009	25.0	155.2	-90.2	0.0	0.0	667.6	0.0	757.6

ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Basic information

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

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2009. 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 statement of financial position at the time of preparation, the presentation of contingent assets and liabilities in the financial statements, and the amount of revenues and expenses during the reporting period. Estimates have been used e.g. to determine the amount of items reported in the financial statements, to measure assets, to test goodwill and other assets for impairment, and for the future use of deferred tax assets. Since the estimates are based on the best current assessments of the management, the final figures may deviate from those used in the financial statements.

Key sources of estimation uncertainty 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.

Associated companies in which the Group has 20 to 50 % of the voting rights and in which it exercises significant influence but not control, have been consolidated using the equity method. If the Group's share of the associated company's losses exceeds its holding in the associated company, the carrying amount will be recorded in the balance sheet at nil value and losses in excess of that value will be ignored unless the Group has obligations towards the associated

companies. Investments in associates include the carrying amount of the investment in an associated company according to the equity method, and possible other non-current investments in the associated company, which are, in substance, part of a net investment in the associated company.

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

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

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

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

Foreign currency items

Transactions in foreign currencies have been recorded at the exchange rates effective on the transaction date. In the statement of financial position all items in foreign currencies unsettled on the reporting date 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 statements of financial position of foreign subsidiaries have been translated into euro using the European Central Bank's closing rates, and the income statements using the average rate for the period. Translation differences arising from the subsidiaries' income statements and statements of financial position have been recorded under other comprehensive income as a separate item. Translation differences arising from the elimination of foreign company acquisition cost and from the profits and losses incurred after the acquisition have been recorded under other comprehensive income as a separate item.

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

with the business combinations have been presented in the local currencies of the units in question. In accordance with the exemption provided in IFRS 1, the goodwill and its allocation to other assets in past business combinations carried out prior to 1 January 2004 have been recorded in euro.

Cash and cash equivalents

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

Financial assets

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

Financial assets at fair value through profit and loss include liquid current investments, such as commercial papers, and derivative assets 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 statement of financial position they are included in current or non-current receivables, depending on their maturity.

Available-for-sale financial assets include quoted and unquoted shares. Quoted shares are measured at fair value, which is the share bid price on the reporting date. Changes in fair value are recognised in other comprehensive income until the financial asset is sold or divested, at which time the changes in fair value are transferred to profit and loss. Impairments are recorded in profit and loss. Unquoted shares have been measured at cost 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 and loss and financial liabilities measured at amortised cost.

Financial liabilities at fair value through profit and 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 statement of financial position.

The fair value of the liability portion of a convertible bond is determined at the original recognition using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until maturity of the bonds, unless it has 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 statement of financial position 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 other comprehensive income and any remaining ineffective portion recorded in the income statement.

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

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 result

The Group has defined operating result as follows: operating result 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 result does not include exchange rate gains or losses. If the operating result is positive, it can also be called operating profit.

Borrowing costs

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

Income taxes

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

Earnings per share

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

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

Property, plant and equipment

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

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

Depreciation is based on the following expected useful lives:

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

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

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

Goodwill and other intangible assets

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

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

In the statement of financial position, intangible assets are recorded at cost less accumulated amortisation and impairment losses. The borrowing costs of items included in other intangible assets, and requiring a substantial construction period, are capitalised for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses in the period they incurred. The amortisation schedule for intangible assets is 3-10 years.

Impairment

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

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

Leasing agreements

Leasing agreements are classified as either finance leases or operating leases. Leasing agreements by which the risks and benefits associated with the ownership of an asset are substantially transferred to the lessee company represent finance leases.

The Group as a lessee

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

The Group as a lessor

Assets held under finance leases have been recorded in the statement of financial position as receivables at amount equal to the net investment in the lease. Lease income resulting from finance leases are recorded in the income statement with constant periodic rate of return on the lessor's net investment in the finance lease. Assets held under leases other than finance leases are included in intangible assets and property, plant and equipment in the statement of financial position. These are depreciated over their useful lives, consistent with assets in the company's own use. Lease income is recorded in the income statement on a straight-line basis over the lease term.

Inventories

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

Trade receivables

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

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

Dividend

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

Treasury shares

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

Provisions

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

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 reporting 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 (2004 options) or in paid-up unrestricted equity reserve (2007 options).

Other option and incentive schemes

No other option and incentive schemes were in use during 2009.

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 2008 and 2009 do not include any non-current assets held for sale or any discontinued operations.

Application of revised or amended IFRS standards

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

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

1. SEGMENT INFORMATION

The segment information is presented in respect of the business and geographical segments. Business segments are based on the internal organization and financial reporting structure.

Implementation of IFRS 8 has not changed the reported business segments, because even earlier the segment information has based on internal financial reporting.

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

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

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

Business segments

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

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

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

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

Eliminations consist of eliminations between different business segments.

Notes concerning geographical segments

The business segments are operating in eight geographic regions: Finland, Sweden, Norway, Russia and the CIS, Eastern Europe, the rest of Europe, North America and the rest of the world.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Business segments

2009

EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations	Eliminations	Group
Net sales from external customers	467.9	46.3	272.7	28.5	-17.0	798.5
Services			41.2			41.2
Sales of goods	467.9	46.3	231.5	28.5	-17.0	757.3
Inter-segment net sales	59.4	3.7	0.5	13.7	-77.4	
Net sales	527.3	50.1	273.2	42.2	-94.3	798.5
Operating result	106.2	0.0	-3.0	-5.0	3.7	102.0
% of net sales	20.1%	0.0%	-1.1%	-11.9%		12.8%
Financial income and expenses						-28.6
Profit before tax						73.5
Tax expense						-15.2
Profit for the period						58.3
Assets	897.7	62.8	151.5	18.2	-34.4	1,095.9
Unallocated assets						126.0
Total assets						1,221.9
Liabilities	55.3	6.0	51.1	1.4	-25.2	87.2
Unallocated liabilities						377.1
Total liabilities						464.2
Capital expenditure	78.2	3.2	4.4	0.7	0.0	86.5
Depreciation and amortisation	50.1	5.1	5.4	1.4	0.0	62.0
Other non-cash expenses	8.2	1.4	1.8	2.8	0.0	14.1

2008

EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations	Eliminations	Group
Net sales from external customers	677.0	92.5	307.6	33.4	-29.6	1,080.9
Services			40.8			40.8
Sales of goods	677.0	92.5	266.8	33.4	-29.6	1,040.1
Inter-segment net sales	64.6	5.2	0.7	15.4	-86.1	
Net sales	741.6	97.7	308.3	48.8	-115.6	1,080.9
Operating result	230.0	17.7	4.4	-6.4	1.2	247.0
% of net sales	31.0%	18.1%	1.4%	-13.2%		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	22.0	-37.8	1,209.4
Unallocated assets						211.0
Total assets						1,420.4
Liabilities	124.8	14.6	59.5	5.7	-28.2	176.3
Unallocated liabilities						466.8
Total liabilities						643.1
Capital expenditure	159.3	7.9	9.1	4.9	0.0	181.2
Depreciation and amortisation	45.0	4.9	5.0	1.3	0.0	56.2
Other non-cash expenses	14.7	2.3	2.3	4.6	0.0	24.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Geographical segments

2009

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	150.9	107.8	106.9	155.1	36.5	154.0	84.5	2.7	798.5
Services	14.8	11.8	11.2	0.1	0.4	0.7	2.1		41.2
Sales of goods	136.1	96.0	95.7	155.0	36.1	153.3	82.3	2.7	757.3
Assets	370.1	55.5	31.4	465.1	30.6	12.2	56.0		1,020.8
Unallocated assets									201.0
Total assets									1,221.9
Capital expenditure	23.5	1.0	1.6	59.7	0.0	0.0	0.7		86.5

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	15.2	10.7	12.4	0.4	0.5	0.5	1.1		40.8
Sales of goods	193.4	116.4	103.3	360.4	49.5	135.1	79.5	2.5	1,040.1
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

2. ACQUISITIONS

Acquisitions in 2009

In 2009 Vianor-chain executed two minor asset deals in the USA: Kingdom Ventures, Inc., Derby, Vermont, on 1 February 2009 and Maine Wholesale Inc., Portland, Maine, on 1 October 2009. Additionally, on 12 March 2009 the Group acquired the whole remaining stock of Hakka Invest Oy domiciled in Finland. The company has been consolidated as a group company even prior to the acquisition based on the exercised control through contractual arrangements, although the group ownership has not exceeded 22%.

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	3.3
Costs directly attributable to the business combinations	0.0
Total cost of the business combinations	3.3
Fair value of the net assets acquired	-3.1
Goodwill	0.2

Specification of acquired net assets	Fair values recorded in combination	Carrying amounts before combination
Intangible assets	0.0	0.0
Property, plant and equipment	0.2	0.2
Inventories	0.3	0.3
Receivables	2.6	2.6
Cash and cash equivalents	0.0	0.0
Liabilities	0.0	0.0
Net assets acquired	3.1	3.1
Consideration paid in cash	3.3	
Cash and cash equivalents in the subsidiaries acquired	0.0	
Net cash outflow	3.3	

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.

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.

3. COST OF SALES

EUR million	2009	2008
Raw materials	124.0	259.0
Goods purchased for resale	119.5	202.3
Wages and social security contributions on goods sold	30.7	66.2
Other costs	42.8	83.6
Depreciation of production	45.6	42.6
Sales freights	24.6	32.2
Change in inventories	90.9	-97.6
Total	478.0	588.1

4. OTHER OPERATING INCOME

EUR million	2009	2008
Gains on sale of property, plant and equipment	0.7	0.8
Other income	1.5	1.4
Total	2.2	2.2

5. OTHER OPERATING EXPENSES

EUR million	2009	2008
Losses on sale of property, plant and equipment and other disposals	0.1	0.5
Research and development costs	12.0	12.5
Quality control	1.2	2.0
Other expenses	8.8	6.9
Total	22.1	21.8

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

No impairment losses have been recorded during 2009 or 2008.

EUR million	2009	2008
Depreciation and amortisation by asset category		
Intangible rights	4.2	2.7
Other intangible assets	0.8	0.7
Buildings	5.7	5.0
Machinery and equipment	49.5	46.6
Other tangible assets	1.7	1.2
Total	62.0	56.2
Depreciation and amortisation by function		
Production	45.6	42.6
Selling and marketing	9.7	8.9
Administration	5.2	3.4
Other depreciation and amortisation	1.4	1.3
Total	62.0	56.2

7. EMPLOYEE BENEFIT EXPENSES

EUR million	2009	2008
Wages and salaries	103.1	137.2
Pension contributions - defined contribution plans	15.2	21.2
Share-based payments	11.8	18.6
Other social security contributions	12.2	17.5
Total	142.3	194.5

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

Number of personnel, average

Production	1,533	1,749
Selling and marketing	1,755	1,826
Others	215	237
Total	3,503	3,812

8. FINANCIAL INCOME

EUR million	2009	2008
Interest income on loans and receivables	0.1	0.1
Dividend income on available-for-sale financial assets	0.0	0.0
Exchange rate gains and changes in fair value		
Loans and receivables	53.0	57.3
Foreign currency derivatives held for trading	43.7	51.4
Other financial income	0.3	2.3
Total	97.1	111.1

9. FINANCIAL EXPENSES

EUR million	2009	2008
Interest expense on financial liabilities measured at amortised cost	-18.3	-22.1
Interest expense on interest rate derivatives		
Designated as hedges	-0.1	0.0
Exchange rate losses and changes in fair value		
Loans and receivables	-51.8	-115.9
Foreign currency derivatives held for trading	-52.7	-44.4
Other financial expenses	-2.8	-1.9
Total	-125.7	-184.3

Financial expenses include EUR 7.6 million (EUR 7.3 million in 2008) in calculatory non-cash expenses related to the convertible bonds.

10. TAX EXPENSE

EUR million	2009	2008
Current tax expense	-12.0	-42.3
Adjustment for prior periods	-1.6	3.0
Change in deferred tax	-1.6	5.4
Total	-15.2	-33.9

The reconciliation of tax expense recognised in the income statement and tax expense using the domestic corporate tax rate (2009: 26%, 2008: 26%):

Profit before tax	73.5	173.8
Tax expense using the domestic corporate tax rate	-19.1	-45.2
Effect of deviant tax rates in foreign subsidiaries	10.1	18.2
Tax exempt revenues	1.4	2.0
Non-deductible expenses	-3.3	-5.0
Losses on which no deferred tax benefits recognised	-2.0	-3.9
Adjustment for prior periods	-1.6	3.0
Other items	-0.7	-3.0
Tax expense	-15.2	-33.9

11. EARNINGS PER SHARE

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

EUR million	2009	2008
Profit attributable to the equity holders of the parent	58.3	139.9
Interest on the convertible bond (adjusted with taxes)	5.7	5.4
Profit for the period to calculate the diluted earnings per share	63.9	145.3
Shares, 1,000 pcs		
Weighted average number of shares	124,848	124,612
Dilutive effect of the options	908	2,844
Convertible bonds traded for company shares	4,009	4,009
Diluted weighted average number of shares	129,764	131,465
Earnings per share, euros		
Basic	0.47	1.12
Diluted	0.49	1.10

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 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	149.7
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
Carrying amount, 31 Dec 2008	5.3	133.4	258.9	12.2	90.0	499.8
Accumulated cost, 1 Jan 2009	5.3	169.8	564.6	17.4	90.0	847.1
Decrease/Increase	1.3	11.4	71.9	0.2	-12.7	72.1
Acquisitions through business combinations			0.2			0.2
Accumulated cost, 31 Dec 2009	6.7	181.2	636.6	17.6	77.3	919.4
Net exchange differences	0.0	-3.0	-3.3	-0.7	-3.6	-10.6
Accum. depreciation		-41.8	-352.6	-6.9		-401.3
Carrying amount, 31 Dec 2009	6.7	136.5	280.7	10.0	73.6	507.6

In 2008 and 2009 no borrowing costs were capitalized.

13. FINANCE LEASES

EUR million	Buildings	Machinery and equipment
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
Accumulated cost, 1 Jan 2009	7.7	7.4
Decrease/Increase	0.0	-0.2
Accum. depreciation	-4.3	-4.6
Carrying amount, 31 Dec 2009	3.3	2.6

14. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
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	23.9	8.2	87.6
Net exchange differences	-1.7		0.0	-1.7
Accum. amortisation	-	-9.0	-4.0	-13.0
Carrying amount, 31 Dec 2008	53.9	14.8	4.2	72.9
Accumulated cost, 1 Jan 2009	53.9	23.9	8.2	86.0
Decrease/Increase	-	3.9	1.2	5.2
Acquisitions through business combinations	0.2		0.0	0.0
Accumulated cost, 31 Dec 2009	54.1	27.8	9.4	91.2
Net exchange differences	0.9	0.0	-0.1	0.9
Accum. amortisation	-	-12.9	-5.0	-17.9
Carrying amount, 31 Dec 2009	55.0	14.9	4.3	74.2

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	20.4
Total goodwill	55.0

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

The discount rate used is the weighted average cost of capital (WACC) before taxes defined for the Group. The calculation components are risk-free rate of return, market risk premium, industry-specific beta co-efficient, borrowing cost and the capital structure at market value at the time of testing. The discount rate used for Passenger Car Tyres is 11.0% (11.7% in 2008) and for Vianor is 9.5-13.0% (9.4-13.1% in 2008) varying through country locations. Future cash flows after the forecast period approved by the management have been capitalised as a terminal value using a steady 2 % growth rate and discounted with the discount rate specified above.

The testing indicated no need to recognise impairment losses. In Vianor the calculations indicated that the recoverable amount exceeded the carrying value by EUR 69.0 million (EUR 8.3 million in 2008). Of the key assumptions, Vianor is the most sensitive to actual realisation of gross margin levels based on demand forecasts. A roughly 2%-unit lag from gross margin target levels in future years might lead to a need for impairment. The recoverable amount in Passenger Car Tyres significantly (well over 100%) exceeds the 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 decrease well above 20% in net sales or a permanent nearly 50% weakening of the present gross margin level.

15. CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR million	Note	2009		2008	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Financial assets at fair value through profit or loss					
Derivatives held for trading	(30)	1.6	1.6	14.8	14.8
Money market instruments	(21)	-	-	24.0	24.0
Loans and receivables					
Other non-current receivables	(17)	9.9	8.9	11.6	8.6
Trade and other receivables	(20)	318.0	318.0	350.6	350.6
Bank deposits	(21)	2.0	2.0	9.8	9.8
Cash in hand and at bank	(21)	60.5	60.5	79.4	79.4
Available-for-sale financial assets					
Unquoted shares	(16)	0.2	0.2	0.2	0.2
Derivative financial instruments designated as hedges	(30)	5.0	5.0	13.2	13.2
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivatives held for trading	(30)	1.6	1.6	2.7	2.7
Financial liabilities measured at amortised cost					
Interest-bearing liabilities	(26)	326.2	319.3	432.3	438.6
from which designated as hedges		49.3	46.6	45.6	45.9
Trade and other payables	(28)	88.7	88.7	173.6	173.6
Derivative financial instruments designated as hedges	(30)	12.2	12.2	0.9	0.9

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

Fair value hierarchy of financial assets and liabilities at fair value

EUR million	2009			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Financial assets at fair value through profit or loss				
Derivatives held for trading		1.6		1.6
Money market instruments		-		-
Available-for-sale financial assets				
Unquoted shares			0.2	0.2
Derivative financial instruments designated as hedges		5.0		5.0
Total financial assets at fair value	-	6.6	0.2	6.8
Financial liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Derivatives held for trading		1.6		1.6
Derivative financial instruments designated as hedges		12.2		12.2
Total financial liabilities at fair value	-	13.8	-	13.8

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

The fair value hierarchy has the following levels:

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

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

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

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

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

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

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

Level 3 includes unquoted shares of EUR 0.2 million that are measured at cost. Unquoted shares are measured at cost due to the fact that it has not been possible to establish their fair value using valuation models. The fair value of these investments could not be determined reliably and there is a significant range of estimates or the probabilities of the different estimates within the range could not be reasonably determined and used in estimating the fair value. There are no active markets for these unquoted shares and for the time the Group has no intention to sell or divest them.

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

EUR million	Investments in associates	Unquoted shares
Accumulated cost, 1 Jan 2009	0.1	0.2
Decrease/Increase	0.0	0.0
Accumulated cost, 31 Dec 2009	0.1	0.2
Carrying amount, 31 Dec 2009	0.1	0.2
Carrying amount, 31 Dec 2008	0.1	0.2

17. OTHER NON-CURRENT RECEIVABLES

EUR million	2009	2008
Loan receivables	9.2	11.6
Finance Lease Receivables	0.7	-
Total	9.9	11.6

MATURING OF FINANCE LEASE RECEIVABLES

EUR million	2009
Finance lease receivables	
In less than 1 year	0.2
In 1 to 5 years	0.7
In over 5 years	0.0
	0.9
Present value of minimum lease payments	
In less than 1 year	0.2
In 1 to 5 years	0.8
In over 5 years	0.0
	1.0
Future finance lease income	0.1
Total finance lease receivables - minimum lease payments	1.1

On 31 December 2009 the Group's finance lease receivables relating to Vianor outlets amounted to EUR 0.9 million (EUR 0.0 million in 2008).

In 2009 the amount of contingent rents were EUR 0.0 million (EUR 0.0 million in 2008). The unguaranteed residual values to the benefit of the lessor is EUR 0.0 million (EUR 0.0 million in 2008).

18. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	31 Dec 2008	Recognised in income statement	Recognised in other comprehensive income	Net exchange differences	Acquisitions/disposals of subsidiaries	31 Dec 2009
Deferred tax assets						
Intercompany profit in inventory	12.7	-4.4				8.3
Provisions	0.5	-0.3				0.2
Tax losses carried forward	0.1	7.9	8.6			16.6
Derivatives at fair value	0.0		0.0			0.0
Other items	7.0	-3.3		0.0	0.0	3.7
Total	20.3	-0.1	8.6	0.0	0.0	28.7
Deferred tax liabilities						
Property, plant and equipment and intangible assets	18.3	-1.4				16.9
Derivatives at fair value	0.0					0.0
Undistributed earnings in subsidiaries		2.5				2.5
Other items	9.3	0.4		0.3	0.0	10.0
Total	27.6	1.5		0.3	0.0	29.4

On 31 December 2009 the Group had carried forward losses for EUR 9.4 million (EUR 15.2 million in 2008), 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 23.2 million in 2009 (EUR 18.6 million in 2008), of foreign subsidiaries as the earnings have been invested permanently to the countries in question.

19. INVENTORIES

EUR million	2009	2008
Raw materials and supplies	43.5	58.0
Work in progress	4.3	4.9
Finished goods	152.2	228.0
Total	200.0	290.9

In 2009 EUR 0.1 million (EUR 0.3 million in 2008) expense was recognised to additionally decrease the carrying amount of the inventories to reflect the net realisable value.

20. TRADE AND OTHER RECEIVABLES

EUR million	2009	2008
Trade receivables	248.0	268.4
Loan receivables	0.2	0.3
Accrued revenues and deferred expenses	17.3	16.4
Derivative financial instruments		
Designated as hedges	0.0	12.8
Measured at fair value through profit or loss	1.6	14.8
Other receivables	52.5	65.4
Total	319.6	378.1

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 16.6 million (EUR 13.2 million in 2008). The Group recognised expenses for losses on trade receivables worth EUR 7.1 million in 2009 (EUR 6.4 million in 2008).

Significant items under accrued revenues and deferred expenses

EUR million	2009	2008
Annual discounts, purchases	1.3	1.6
Financial items	3.0	0.5
Social payments	6.8	1.3
Customs duties	3.0	5.8
Other items	3.2	7.2
Total	17.3	16.4

21. CASH AND CASH EQUIVALENTS

EUR million	2009	2008
Cash in hand and at bank	60.5	79.4
Bank deposits	2.0	9.8
Money market instruments	0.0	24.0
Total	62.5	113.2

22. EQUITY

Reconciliation of the number of shares

EUR million	Number of shares (1,000 pcs)	Share capital	Share premium	Paid-up unrestricted equity reserve	Treasury shares	Total
1 Jan 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
1 Jan 2009	124,846	25.0	155.2	-	-	180.1
Exercised warrants	5	0.0	0.1	0.0	-	0.1
Acquisition of treasury shares	-	-	-	-	-	-
31 Dec 2009	124,851	25.0	155.2	0.0	-	180.2

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

Below is a description of the reserves within equity:

Translation reserve

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

Fair value and hedging reserves

The fair value and hedging reserves comprises of two sub-funds: the fair value reserves for available-for-sale financial assets, and the

hedging fund for changes in the fair values of derivative instruments used for cash flow hedging.

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 0.40 in 2008).

Specification of the distributable funds

The distributable funds on 31 December 2009 total EUR 127.9 million (EUR 202.1 million on 31 December 2008) and are based on the balance of the Parent company and the Finnish legislation.

23. SHARE-BASED PAYMENTS

STOCK OPTION PLANS

Stock option plan 2004 directed at personnel

The Annual General Meeting in 2004 decided to issue a stock 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 distributed the stock options in spring 2004 (2004A stock options), 2005 (2004B stock options) and 2006 (2004C stock options).

The stock 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 stock option holder cease to be employed by or in the service of the Nokian Tyres Group before the stock options 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 stock 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.

Stock option plan 2007 directed at personnel

The Annual General Meeting in 2007 decided to issue a stock 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 distributed the stock options in spring 2007 (2007A stock options), 2008 (2007B stock options) and 2009 (2007C stock options).

The stock 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 stock option holder cease to be employed by or in the service of the Nokian Tyres Group before the stock options 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 stock 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 stock option plans.

STOCK OPTIONS BASIC INFORMATION	2004 stock options			2007 stock options			Total
	2004B	2004C		2007A	2007B	2007C	
on 31 December 2009							
Grant date	12 May 2005	16 June 2006		4 April 2007	14 April 2008	7 April 2009	
Maximum number of stock options, pcs *	245,000	245,000	490,000	2,250,000	2,250,000	2,250,000	6,750,000
Subscribed shares per option, pcs	10	10		1	1	1	
Original subscription price	12.10 €	12.82 €		17.29 €	24.27 €	9.04 €	
Dividend adjustment	Yes	Yes		Yes	Yes	Yes	
Subscription price on 31 December 2007	11.34 €	12.28 €		16.98 €	--	--	
Subscription price on 31 December 2008	10.84 €	11.78 €		16.48 €	23.77 €		
Subscription price on 31 December 2009	10.84 €	11.38 €		16.08 €	23.37 €	8.64 €	
Exercisable, from	1 Mar 2007	1 Mar 2008		1 Mar 2009	1 Mar 2010	1 Mar 2011	
Expiration	31 Mar 2009	31 Mar 2010		31 Mar 2011	31 Mar 2012	31 Mar 2013	
Maximum contractual life, years	3.9	3.8		4.0	4.0	4.0	
Remaining contractual life, years	expired	0.2		1.2	2.2	3.2	
Participants at the end of period	expired	824		2,251	2,733	3,094	
Vesting condition	Employment requirement until the beginning of the subscription period						

STOCK OPTIONS, 2009 NUMBER OF OPTIONS DURING THE PERIOD	2004 stock options			2007 stock options			Exercise price, weighted avg.	Remaining contractual life, weighted avg., years
	2004B	2004C	Exercise price, weighted avg.	2007A	2007B	2007C		
Number of (on 1 January 2009) *								
Outstanding at the beginning of the period	201,673	236,215	11.35 €	2,150,805	1,937,427	0	19.93 €	
Changes during the period*								
Granted during the period	0	0		2,400	54,800	1,113,150	9.34 €	
Forfeited during the period	0	0		10,195	165,834	0	22.95 €	
Exercised during the period	190	300	11.29 €	300	0	0	16.08 €	
Expired during the period	221,833	0	10.84 €	0	0	0	--	
Weighted average share price during the period **	9.04 €	12.60 €		13.54 €	--	--		
Number of (on 31 December 2009) *								
Outstanding at the end of the period	0	235,915	11.38 €	2,142,710	1,826,393	1,113,150	17.07 €	1.97
Exercisable at the end of the period	0	235,915	11.38 €	2,142,710	0	0	16.08 €	

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

** The weighted average price of the Nokian Tyres plc share between January-March 2009 (2004B), January-December 2009 (2004C) and March-December 2009 (2007A).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STOCK OPTIONS, 2008	2004 stock options			2007 stock options			Total	Exercise prices (weighted aver.)
	2004A	2004B	2004C	2007A	2007B	2007C		
31 December 2008								
Maximum number of stock 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) *								
Stock options granted	247,590	251,120	261,555	2,219,850	0	0	2,980,115	15.14 €
Stock options forfeited	15,715	26,470	27,395	264,850	0	0	334,430	15.61 €
Stock options cancelled	0	0	0	0	0	0	0	--
Stock options exercised	122,791	17,691	0	0	0	0	140,482	6.27 €
Stock options outstanding	109,084	206,959	234,160	1,955,000	0	0	2,505,203	15.58 €
Stock 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 *								
Stock options granted	0	0	2,656	281,430	2,004,516	0	2,288,602	22.86 €
Stock options forfeited	0	0	0	85,625	67,089	0	152,714	19.68 €
Stock options cancelled	0	0	0	0	0	0	0	--
Stock 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 €	--	--	--	--	--
Share options expired	13,125	0	0	0	0	0	13,125	5.54 €
Number of (on 31 December 2008) *								
Stock options granted	247,590	251,120	264,211	2,501,280	2,004,516	0	5,268,717	18.23 €
Stock options forfeited	15,715	26,470	27,395	350,475	67,089	0	487,144	16.56 €
Stock options cancelled	0	0	0	0	0	0	0	--
Stock options exercised	231,875	22,977	601	0	0	0	255,453	6.03 €
Stock options outstanding	0	201,673	236,215	2,150,805	1,937,427	0	4,526,120	19.10 €
Stock options held for future grants	0	20,350	8,184	99,195	312,573	2,250,000	2,690,302	21.31 €
Stock options exercisable	0	222,023	244,399	--	--	--	466,422	

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

Measurement of fair value

The fair value of stock 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 2009 the effect of stock options on the profit is EUR 11.8 million (2008: EUR 18.6 million).

Main assumptions for Black-Scholes model

	Granted in 2009	2008	2007
Stock options granted, pcs *	1,170,350	2,288,602	2,273,880
Weighted average share price, €	10.20	24.80	20.00
Subscription price, €	9.35	23.23	16.11
Interest rate, %	2.53%	3.7%	4.1%
Option life, years	3.9	3.8	3.8
Volatility, % **	52.8%	39.0%	37.3%
Expected forfeitures, %	0%	8.8%	11.5%
Total fair value, €	5,433,292	19,683,841	20,787,973

* One 2004 stock option is for subscription of 10 shares. One 2007 stock 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	2009	2008
Current provisions		
Warranty provision		
1 January	1.1	1.1
Provisions made	0.7	1.1
Provisions used	-0.7	0.0
Provisions reversed	-0.4	-1.1
31 December	0.7	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	2009	2008
Non-current provisions		
Restructuring provision		
1 January	-	-
Provisions made	0.0	-
Provisions used	-	-
Provisions reversed	-	-
31 December	0.0	-

EUR million	2009	2008
Non-current provisions		
Restructuring provision		
1 January	1.1	0.0
Provisions made	0.3	1.1
Provisions used	0.0	0.0
Provisions reversed	0.0	0.0
31 December	1.4	1.1

Due to the vastly expanded economic uncertainty the annual production volume in Passenger Car Tyres -unit at the Nokia factory was decreased from the current approx. 6 million tyres to approx. 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	2009	2008
Non-current		
Loans from financial institutions and pension loans	104.4	241.1
Bond loans	-	10.0
Convertible bond loans	144.6	137.0
Finance lease liabilities	4.8	6.4
	253.8	394.5
Current		
Loans from financial institutions	20.9	-
Commercial papers	30.0	14.0
Current portion of non-current loans from financial institutions and pension loans	19.9	22.1
Current portion of finance lease liabilities	1.7	1.7
	72.4	37.8

An amount of EUR 49.3 million (EUR 45.6 million in 2008) of loans from financial institutions is designated as hedges of net investments in foreign operations.

Interest-bearing liabilities by currency

EUR million	2009	2008
Currency		
EUR	256.1	386.6
NOK	15.7	12.3
RUB	20.9	-
SEK	5.9	4.6
USD	27.8	28.7
Total	326.2	432.3

Effective interest rates for interest-bearing liabilities

EUR million	2009		2008	
	Without hedges	With hedges	Without hedges	With hedges
Loans from financial institutions and pension loans	4.15%	4.15%	3.87%	3.87%
Bond loans	0.00%	0.00%	6.15%	5.54%
Convertible bond loans	5.59%	5.59%	5.59%	5.59%
Finance lease liabilities	5.79%	5.79%	5.67%	5.67%
Commercial papers	0.81%	0.81%	3.40%	3.40%
Total	4.45%	4.45%	4.46%	4.45%

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 reporting date.

27. MATURING OF FINANCE LEASE LIABILITIES

EUR million	2009	2008
Minimum lease payments		
In less than 1 year	2.0	2.1
In 1 to 5 years	5.2	6.6
In over 5 years	0.6	1.2
	7.8	9.9
Present value of minimum lease payments		
In less than 1 year	2.0	2.1
In 1 to 5 years	4.7	5.7
In over 5 years	0.5	0.8
	7.3	8.6
Future finance charges	0.6	1.3
Total finance lease liabilities - minimum lease payments	7.8	9.9

On 31 December 2009 the Group's finance leases relating to warehouses, machinery and equipment amounted to EUR 5.9 million (EUR 7.3 million 31 December 2008) and they were included in tangible assets. In 2009 the amount of contingent lease payments were EUR +0.2 million (EUR -0.0 million in 2008). 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 3.9 million (EUR 4.4 million in 2008) under which floating rate payments are converted into fixed rate payments.

29. FINANCIAL RISK MANAGEMENT

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

Foreign currency risk

The Nokian Tyres Group consists of the parent company in Finland, separate sales companies in Russia, Sweden, Norway, the USA, Canada, 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 and therefore transaction risk is carried by the parent company and there is no significant currency risk in the foreign Group companies. Exceptions to this main rule are the Group companies which have non-home

28. TRADE AND OTHER PAYABLES

EUR million	2009	2008
Trade payables	33.8	79.0
Accrued expenses and deferred revenues	41.0	67.0
Advance payments	0.8	1.1
Derivative financial instruments		
Designated as hedges	7.8	0.4
Measured at fair value through profit or loss	1.6	2.7
Other liabilities	13.1	26.4
Total	98.0	176.7

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

Significant items under accrued expenses and deferred revenues

EUR million	2009	2008
Wages, salaries and social security contributions	19.7	27.6
Annual discounts, sales	9.2	5.4
Financial items	0.6	1.2
Commissions	0.0	0.1
Goods received and not invoiced	0.2	1.0
VAT and other taxes, Russia	0.0	0.6
Investment projects under construction	0.0	8.9
Return of technical support fee	0.0	12.0
Other items	11.2	10.3
Total	41.0	67.0

currency items due to the nature of the business activities. In that case transactions between the parent company and the Group company are carried out in a currency suitable for the Group currency exposure. The parent company manages transaction risk in these Group companies and implements required hedging transactions for hedging the currency exposure of the Group company according to the Group hedging principles (Russian subsidiary's EUR 41.9 million external loan was hedged against currency rate fluctuations in 2008).

Hedging principles were not applied to the EUR exposure of the Ukrainian subsidiary. Transactions between the Ukrainian subsidiary and the parent company are carried out in EUR as the UAH is a non-convertible currency.

The open foreign currency exposure of the parent company and the Group companies with non-home currency items comprises of the foreign currency denominated receivables and payables in the statement of financial position and the foreign currency denominated binding purchase and sales contracts (transaction exposure). For risk management purposes, estimated currency cash flows are added to the open foreign currency exposure so that the overall foreign currency risk exposure horizon covers the next 12 months (budget exposure). According to the Group's financial policy the 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 2009								31 Dec 2008							
	EUR	EUR	EUR	EUR	EUR	CZK	UAH	USD	EUR	EUR	EUR	EUR	EUR	CZK	UAH	USD
Functional currency	EUR	EUR	EUR	EUR	EUR	CZK	UAH	USD	EUR	EUR	EUR	EUR	EUR	CZK	UAH	USD
Foreign currency	KZT	NOK	RUB	SEK	USD	EUR	EUR	CAD	KZT	NOK	RUB	SEK	USD	EUR	EUR	CAD
Trade receivables	0.4	6.7	7.5	14.3	5.4	21.2	0.6	13.4	0.5	4.6	39.5	10.0	12.7	13.2	8.8	11.8
Loans and receivables	24.2	0.0	9.6	31.7	13.7	0.0	0.0	0.0	39.7	0.0	112.2	35.8	15.5	1.0	0.0	0.0
Total currency income	24.6	6.7	17.1	46.0	19.1	21.2	0.6	13.4	40.2	4.6	151.7	45.7	28.2	14.2	8.8	11.8
Trade payables	0.0	0.0	-0.1	0.0	-0.3	-3.9	-2.9	0.0	0.0	0.0	-18.9	0.0	-6.2	-9.0	-0.1	0.0
Borrowings	0.0	-10.1	-87.0	-1.4	-12.1	-17.7	-36.8	-14.5	0.0	0.0	0.0	0.0	0.0	0.0	-46.2	0.0
Total currency expenditure	0.0	-10.1	-87.1	-1.4	-12.4	-21.6	-39.7	-14.5	0.0	0.0	-18.9	0.0	-6.2	-9.0	-46.4	0.0
Foreign exchange derivatives	-8.0	-0.3	68.1	-45.5	-19.1	0.0	0.0	-0.2	-36.3	-8.2	-124.6	-47.4	-30.4	0.0	0.0	-11.8
Binding sales contracts	0.0	2.9	0.0	0.5	0.3	0.0	0.0	0.0	0.0	0.9	0.0	0.5	1.4	0.0	0.0	0.0
Binding purchase contracts	0.0	0.0	0.0	0.0	-3.4	0.0	0.0	0.0	0.0	0.0	-8.1	0.0	-9.0	0.0	0.0	0.0
Future interest items*	0.7	-0.1	7.6	0.7	-0.1	0.0	0.0	0.0	0.8	-0.2	21.9	1.1	-0.2	0.0	0.0	0.0
Net exposure	17.3	-0.8	5.7	0.3	-15.5	-0.4	-39.2	-1.3	4.8	-3.0	21.9	0.0	-16.2	5.2	-37.6	0.1

* Future interest items have been included in the table in 2009 and the figures for the comparison year have been adjusted accordingly.

Translation risk

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

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

Translation risk

EUR million	31 Dec 2009			31 Dec 2008		
	Net investment	Hedge	Hedge ratio	Net investment	Hedge	Hedge ratio
Currency of net investment						
NOK	32.6	15.7	48%	25.1	12.3	49%
RUB	528.9	246.8	47%	398.2	96.9	24%
SEK	12.4	5.9	47%	10.5	4.6	44%
USD	52.1	27.8	53%	49.0	28.7	59%

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 2009				31 Dec 2008			
	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/CZK	0.0	0.0	0.0	0.0	0.5	0.0	-0.5	0.0
EUR/KZT	-1.0	0.0	1.0	0.0	-0.4	0.0	0.4	0.0
EUR/NOK	0.4	1.6	-0.4	-1.6	0.4	1.2	-0.4	-1.2
EUR/RUB	0.5	24.7	-0.5	-24.7	-1.7	9.7	1.7	-9.7
EUR/SEK	0.1	0.6	-0.1	-0.6	0.2	0.5	-0.2	-0.5
EUR/UAH	-3.9	0.0	3.9	0.0	-3.8	0.0	3.8	0.0
EUR/USD	1.2	2.8	-1.2	-2.8	0.9	2.9	-1.4	-2.9
USD/CAD	0.1	0.0	-0.1	0.0	-0.1	0.0	0.1	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 reporting date the floating rate interest-bearing liabilities amounted to EUR 145.4 million (EUR 236.8 million in 2008) and the fixed rate interest-bearing liabilities EUR 180.8 million (EUR 195.4 million in 2008). 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 reporting date the portion of the non-current fixed rate interest-bearing liabilities was 67 % (47 % in 2008) and the average fixing period of the interest-bearing liabilities was 37 months (27 months in 2008) 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 2009				31 Dec 2008			
	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	-1.4	1.9	1.4	-1.9	-2.4	0.1	2.4	-0.2

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 has a EUR 250 million domestic commercial paper program. In November The Group re-financed the EUR 180 million multicurrency revolving credit facility, which is used as a back-up liquidity reserve. The multicurrency credit facility matures in November 2012 and the arrangement fee is recorded under financial expenses over the contract period. In May the Group took a EUR 20.9 million short-term RUB loan due in May 2010 to reduce the Group RUB exposure. 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. A EUR 150 million convertible loan, which is traded on the Euro MTF market of Luxembourg, is due in 2014, unless it is redeemed, exchanged, purchased or cancelled prior to the maturity. The loan was issued as bonds with a capital of EUR 100,000, which can be traded for 2,672 company shares.

The Group reports the main financial covenants to creditors quarterly. If the Group does not satisfy the requirements set in financial covenants, creditor may demand accelerated repayment of the credits. In 2009 and 2008 the Group has met all the requirements set in the financial covenants. Financial covenants are mainly linked to interest-bearing net debt to EBITDA ratio and equity ratio. Management monitors regularly that the covenant requirements are met. Agreements relating to financing contain terms and conditions upon which the agreement may terminate, if control in the company changes as a result of a public tender offer.

On the reporting date the Group's liquidity in cash and equivalents was EUR 62.5 million (EUR 113.2 million in 2008). At the end of the year the Group's available current credit limits were EUR 325.4 million (EUR 346.8 million in 2008), out of which the committed limits were EUR 54.7 million (EUR 60.1 million in 2008). The available committed non-current credits amounted to EUR 130.7 million (EUR 14.4 million in 2008).

The Group's interest-bearing liabilities totalled EUR 326.2 million, compared to the year before figure of EUR 432.3 million. Around 78% of the interest-bearing liabilities were in EUR. The average interest rate of interest-bearing liabilities was 4.45%. The average interest rate of interest-bearing liabilities with calculatory non-cash expenses related to the convertible bond eliminated was 2.16%. Current interest-bearing liabilities, including the portion of non-current liabilities maturing within the next 12 months, amounted to EUR 72.4 million (EUR 37.8 million in 2008).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contractual maturities of financial liabilities

EUR million	Carrying amount	2009						Total
		Contractual maturities*						
		2010	2011	2012	2013	2014	2015–	
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	33.9	-10.0	-9.7	-9.4	-7.3	0.0	0.0	-36.3
Floating rate loans	61.9	-33.8	-11.7	-11.4	-6.4	-1.9	0.0	-65.1
Floating rate loans designated as hedges	49.3	-0.9	-0.9	-50.2	0.0	0.0	0.0	-52.0
Convertible bond loans	144.6	0.0	0.0	0.0	0.0	-184.5	0.0	-184.5
Bond loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial papers	30.0	-30.0	0.0	0.0	0.0	0.0	0.0	-30.0
Finance lease liabilities	6.5	-1.7	-1.2	-1.0	-1.0	-0.6	-1.0	-6.5
Trade and other payables	88.7	-88.7	0.0	0.0	0.0	0.0	0.0	-88.7
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	0.0	-0.7	-0.1	0.3	0.2	0.3	0.0	0.0
Foreign currency derivatives								
Designated as hedges								
Cashflow out	7.2	-246.8	0.0	0.0	0.0	0.0	0.0	-246.8
Cashflow in	0.0	238.8	0.0	0.0	0.0	0.0	0.0	238.8
Measured at fair value through profit or loss								
Cashflow out	1.6	-182.5	0.0	0.0	0.0	0.0	0.0	-182.5
Cashflow in	-1.6	183.2	0.0	0.0	0.0	0.0	0.0	183.2
Total	422.1	-172.9	-23.5	-71.7	-14.5	-186.7	-1.0	-470.3

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

EUR million	Carrying amount	2008						Total
		Contractual maturities*						
		2009	2010	2011	2012	2013	2014–	
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.

Credit Risk

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

The principles of customers' credit risk management are documented in the Group's credit risk policy. The Group Credit Committee makes all the significant credit decisions. Credit analysis and payment history collected by credit information companies are used for evaluating credit worthiness. The credit statuses of the customers are followed at the Group companies regularly according to the Group credit risk policy principles. In addition, the country risk is monitored constantly and credits are limited in countries where political or economical environment is unstable. Bank guarantees, documentary credits and specific payment terms are used in controlling the credit risk in trade receivables. Payment programs, which customer is committed to, are always agreed upon for past due receivables. Significant items of trade receivables are evaluated both counterparty specifically and in a portfolio level in order to identify possible impairment. In trade receivables there are no other over 15% customer or country risk concentration than the Russian customers share of about 25% (about 50% in 2008) on the reporting date.

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

The aging of trade receivables

EUR million	2009	2008
Not past due	172.5	137.9
Past due less than 30 days	47.2	78.5
Past due between 30 and 90 days	8.7	43.6
Past due more than 90 days	19.6	8.4
Total	248.0	268.4

Capital Management

The Group's objective of managing capital is to secure with an efficient capital structure the Group's access to capital markets at all times despite of the seasonal nature of the business. The Group monitors its capital structure on the basis of Net debt to EBITDA ratio and Equity ratio. The rolling four quarter average net debt to the rolling EBITDA has to be no more than 3.25 until the end of the first quarter of 2010 and after that no more than 3.00 in accordance with the financial covenants. Equity ratio has to be at least at the level of 30% in accordance with the financial covenants. Equity ratio is calculated as a ratio of total equity to total assets excluding advances received.

Net debt / EBITDA

EUR million	2009	2008
Average interest-bearing liabilities	450.1	404.5
Less: Average liquid funds	30.9	53.0
Average net debt	419.2	351.5
Operating profit	102.0	247.0
Add: Depreciation and amortisations	61.9	56.2
EBITDA	164.0	303.1
Average net debt / EBITDA	2.56	1.16

Equity ratio

EUR million	2009	2008
Equity attributable to equity holders of the parent	757.6	774.6
Add: Non-controlling interest	0.0	2.7
Total equity	757.6	777.3
Total assets	1,221.9	1,420.4
Less: Advances received	0.8	1.1
Adjusted total assets	1,221.1	1,419.3
Equity ratio	62.0%	54.8%

30. FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	2009			2008		
	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	180.5	1.6	1.5	299.6	14.3	2.4
Currency options, purchased	3.9	0.0	0.0	5.0	0.5	0.0
Currency options, written	3.9	0.0	0.1	10.1	0.0	0.3
Derivatives designated as cash flow hedges						
Interest rate derivatives						
Interest rate swaps	3.9	5.0	5.0	14.4	0.8	0.9
Derivatives designated as hedges of net investments in foreign operations						
Foreign currency derivatives						
Currency forwards	246.8	0.0	7.2	96.9	12.5	0.0

Derivatives are maturing within the next 12 months excluding the interest rate swaps.

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 other comprehensive income 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 reporting 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 other comprehensive income 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 reporting date.

31. OPERATING LEASE COMMITMENTS

EUR million	2009	2008
The Group as a lessee		
Non-cancellable minimum operating lease payments		
In less than 1 year	17.6	17.2
In 1 to 5 years	63.7	53.7
In over 5 years	19.7	33.9
	101.1	104.9

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 2009 contains EUR 25.7 million expenses for operating lease agreements (EUR 24.4 million in 2008).

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.

32. COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	2009	2008
For own debt		
Mortgages	0.9	0.9
Pledged assets	35.8	37.4
On behalf of other companies		
Guarantees	3.4	0.0
Other own commitments		
Guarantees	2.1	2.1
Acquisition commitments	3.4	1.5

33. DISPUTES AND LITIGATIONS

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

34. RELATED PARTY TRANSACTIONS

Parent and Group company relations:

	Domicile	Country	Group holding %	Voting rights %	Parent company holding %
Parent company					
Nokian Tyres plc	Nokia	Finland			
Group companies					
Nokian Heavy Tyres Ltd.	Nokia	Finland	100	100	100
Nokian Däck AB		Sweden	100	100	100
Nokian Dekk AS		Norway	100	100	100
Nokian Reifen GmbH		Germany	100	100	100
Nokian Reifen AG		Switzerland	100	100	100
Nokian Tyres S.A.R.L.		Luxembourg	100	100	100
Nokian Tyres US Holdings Inc.		USA	100	100	100
Nokian Tyres US Finance Oy	Nokia	Finland	100	100	
Nokian Tyres Inc.		USA	100	100	
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 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	100	100	100
OOO Hakka Invest	Vsevolozhsk	Russia	100	100	
Vianor Holding Oy	Nokia	Finland	100	100	100
Vianor Oy	Lappeenranta	Finland	100	100	
Vianor Russia Holding Oy	Nokia	Finland	100	100	
OOO Vianor SPb	St. Petersburg	Russia	100	100	
OOO Ilirija	St. Petersburg	Russia	100	100	
Posiber Oy	Nokia	Finland	100	100	
AS Vianor		Estonia	100	100	
Vianor 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 2009 2008

Shareholders

Bridgestone Group

Transactions with Bridgestone Group take place at market prices.

Sales of goods	18.8	26.7
Purchases of goods	23.5	33.5
Trade and other receivables	0.0	2.5
Trade and other payables	6.1	9.5

1,000 euros 2009 2008

Key management personnel

Employee benefit expenses

Short-term employee benefits	2,708.1	2,437.8
Post-employment benefits	212.1	372.5
Termination benefits	-	88.7
Share-based payments	4,860.5	5,751.1
Total	7,780.7	8,650.1

Remunerations

President (also a member of the Board of Directors) of which incentives	556.3	395.4
	111.0	0.0

Members of the Board of Directors

Petteri Walldén	71.5	67.5
Hille Korhonen	36.5	33.8
Hannu Penttilä	36.5	33.8
Yasuhiko Tanokashira	26.3	-
Aleksey Vlasov	35.0	33.8
Kai Öistämö	35.0	26.3

Prior members of the Board of Directors

Koki Takahashi	8.8	33.8
Rabbe Grönblom	-	7.5
Total	249.5	236.3

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

Other key management personnel	1,901.1	1,684.1
of which incentives	122.4	0.0

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

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

In 2009 the President and other key management personnel were granted a total of 382,550 share options for the subscription of 382,550 shares (in 2008 a total of 766,000 pcs for the subscription of 766,000 shares). The share option plan terms for the key management personnel are equal to the share options directed at other personnel. On 31 December 2009 the key management personnel held 1,728,970 share options for the subscription of 1,776,670 shares (1,386,200 pcs for the subscription of 1,694,900 shares on 31 December 2008). Of these share options 686,420 pcs were exercisable for the subscription of 734,120 shares on 31 December 2009 (34,300 pcs exercisable for the subscription of 343,000 shares on 31 December 2008).

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

35. EVENTS AFTER THE REPORTING DATE

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

PARENT COMPANY INCOME STATEMENT, FAS

EUR million	1 Jan – 31 Dec.	Notes	2009	2008
Net sales		(1)	416.4	573.2
Cost of sales		(2)(3)	-378.9	-471.9
Gross profit			37.5	101.2
Selling and marketing expenses		(2)(3)	-22.6	-28.7
Administration expenses		(2)(3)(4)	-12.4	-12.1
Other operating expenses		(2)(3)	-10.9	-11.4
Other operating income			0.7	0.6
Operating result			-7.7	49.6
Financial income and expenses		(5)	-30.0	-0.7
Result before extraordinary items			-37.7	48.9
Extraordinary income and expenses		(6)	0.0	0.0
Result before appropriations and tax			-37.7	48.9
Change in accumulated depreciation in excess of plan		(7)	5.0	1.3
Income tax		(8)	8.5	-13.2
Result for the period			-24.3	37.0

PARENT COMPANY BALANCE SHEET, FAS

EUR million	31 Dec.	Notes	2009	2008
ASSETS				
Fixed assets and other non-current assets				
Intangible assets		(9)	15.9	15.6
Tangible assets		(9)	135.8	155.0
Shares in Group companies		(10)	74.6	50.9
Investments in associates		(10)	0.1	0.1
Shares in other companies		(10)	0.2	0.2
Total non-current assets			226.5	221.7
Current assets				
Inventories		(11)	74.8	117.4
Long-term receivables		(12)	116.9	55.2
Deferred tax assets		(15)	9.4	0.9
Short-term receivables		(13)	423.6	589.4
Cash and cash equivalents			44.2	96.7
Total current assets			668.9	859.6
			895.4	1,081.3
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity				
		(14)		
Share capital			25.0	25.0
Share issue			0.0	0.0
Share premium			156.4	156.3
Paid up unrestricted equity fund			0.0	-
Retained earnings			152.2	165.2
Result for the period			-24.3	37.0
Total shareholders' equity			309.3	383.4
Untaxed reserves and provisions				
Accumulated depreciation in excess of plan		(9)	56.7	61.7
Liabilities				
Non-current liabilities		(16)	242.7	374.0
Current liabilities		(17)	286.7	262.1
Total liabilities			529.4	636.1
			895.4	1,081.3

PARENT COMPANY CASH FLOW STATEMENT, FAS

EUR million	1 Jan – 31 Dec.	2009	2008
Cash flows from operating activities:			
Cash receipts from sales		468.3	550.3
Cash paid for operating activities		-423.4	-500.1
Cash generated from operations		45.0	50.2
Interest paid		-32.3	-50.9
Interest received		30.9	28.3
Dividends received		0.0	0.0
Income taxes paid		7.6	-20.0
Net cash from operating activities (A)		51.2	7.6
Cash flows from investing activities:			
Acquisitions of property, plant and equipment and intangible assets		-18.0	-35.3
Proceeds from sale of property, plant and equipment and intangible assets		8.0	4.1
Acquisition of Group companies		-23.7	-1.9
Net cash used in investing activities (B)		-33.7	-33.0
Cash flows from financing activities:			
Proceeds from issue of share capital		0.1	6.4
Change in current financial receivables		82.3	-163.7
Change in non-current financial receivables		-61.8	2.4
Change in financial current borrowings		90.6	54.9
Change in financial non-current borrowings		-131.2	153.4
Dividends paid		-49.9	-62.3
Net cash used financing activities (C)		-69.9	-8.8
Net increase in cash and cash equivalents (A+B+C)		-52.4	-34.2
Cash and cash equivalents at the beginning of the period		96.7	130.9
Cash and cash equivalents at the end of the period		44.2	96.7
		-52.4	-34.2

ACCOUNTING POLICIES FOR THE PARENT COMPANY

General

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

Inventory valuation

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

Fixed assets and depreciation

Fixed assets are stated in the balance sheets at cost less depreciation according to plan. The accumulated difference between the total depreciation charged to the income statement and depreciation according to plan is shown as a separate item in untaxed reserves. Depreciations according to plan are calculated on the basis of the estimated useful life of the assets using the straight line method.

The depreciation times are as follows:

Intangible assets.....	3-10 years
Buildings.....	20-40 years
Machinery and equipment.....	4-20 years
Other tangible assets.....	10-40 years

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

Research and development

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

Pensions and coverage of pension liabilities

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

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

Foreign currency items

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

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

Direct taxes

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

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

1. NET SALES BY SEGMENTS AND MARKET AREAS

EUR million	2009	2008
Passenger Car Tyres	344.1	448.0
Heavy Tyres	46.5	94.2
Truck Tyres	25.8	31.0
Total	416.4	573.2
Finland	81.4	135.7
Other Nordic countries	95.6	122.5
Baltic countries and Russia	24.4	84.3
Other European countries	163.8	153.4
North America	37.9	36.1
Other countries	13.3	41.2
Total	416.4	573.2

2. WAGES, SALARIES AND SOCIAL EXPENSES

EUR million	2009	2008
Wages and salaries	35.3	58.1
Pension contributions	6.8	11.3
Other social expenses	3.1	5.5
Total	45.2	74.8
Remuneration of the members of the Board of the Directors and the President on accrual basis	0.8	0.6
of which incentives	0.1	0.0

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

Personnel, average during the year

Production	817	1,039
Selling and marketing	65	67
Others	161	174
Total	1,042	1,280

3. DEPRECIATION

EUR million	2009	2008
Depreciation according to plan by asset category		
Intangible assets	4.2	2.9
Buildings	1.5	1.7
Machinery and equipment	24.0	24.6
Other tangible assets	0.2	0.2
Total	29.8	29.4
Depreciation by function		
Production	24.6	25.5
Selling and marketing	0.3	0.2
Administration	4.0	2.5
Other operating depreciation	1.0	1.1
Total	29.8	29.4

4. AUDITORS FEES

EUR million	2009	2008
Authorised public accountants KPMG Oy Ab		
Auditing	0.1	0.1
Tax consulting	0.1	0.0
Other services	0.1	0.0
Total	0.2	0.1

5. FINANCIAL INCOME AND EXPENSES

EUR million	2009	2008
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	9.8	2.4
From others	0.1	1.2
Total	9.9	3.6
Other interest and financial income		
From the Group companies	21.0	24.8
From others	0.2	1.1
Total	21.2	25.9
Exchange rate differences (net)	-45.7	-3.5
Interest and other financial expenses		
To the Group companies	-2.9	-1.8
To others	-11.1	-24.5
Other financial expenses	-1.3	-0.5
Total	-15.4	-26.8
Total financial income and expenses	-30.0	-0.7

6. EXTRAORDINARY ITEMS

EUR million	2009	2008
Extraordinary items	-	0.0

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

7. APPROPRIATIONS

EUR million	2009	2008
Change in accumulated depreciation in excess of plan		
Intangible assets	0.0	-0.9
Buildings	-0.1	0.0
Machinery and equipment	5.0	2.1
Other tangible assets	0.1	0.1
Total	5.0	1.3

8. INCOME TAX

EUR million	2009	2008
Direct tax for the year	-	-12.2
Direct tax from previous years	0.0	-0.1
Change in deferred tax	8.4	-0.9
Total	8.5	-13.2

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 2009	26.1	2.4	0.7	60.2	320.9	3.6	4.0
Decrease	0.0	0.0	0.0	0.0	-10.1	0.0	-11.1
Increase	3.9	0.6	0.0	1.4	15.2	0.0	8.0
Accumulated cost, 31 Dec 2009	30.0	3.0	0.7	61.5	326.0	3.6	0.9
Accum. depr. acc. to plan	-15.6	-1.5		-21.2	-232.3	-3.5	
Carrying amount, 31 Dec 2009	14.4	1.5	0.7	40.4	93.7	0.1	0.9
Carrying amount, 31 Dec 2008	14.5	1.1	0.7	40.5	109.5	0.3	4.0
Accum. depreciation in excess of plan, 31 Dec 2009	1.9	0.2		18.0	37.1	-0.5	
Accum. depreciation in excess of plan, 31 Dec 2008	1.9	0.1	0.0	17.9	42.2	-0.4	

10. INVESTMENTS

EUR million	Shares in Group companies	Investments in associates	Shares in other companies
Accumulated cost, 1 Jan 2009	50.9	0.1	0.2
Decrease/Increase	23.7	0.0	0.0
Accumulated cost, 31 Dec 2009	74.6	0.1	0.2
Carrying amount, 31 Dec 2009	74.6	0.1	0.2
Carrying amount, 31 Dec 2008	50.9	0.1	0.2

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

11. INVENTORIES

EUR million	2009	2008
Raw materials and supplies	31.2	40.2
Work in progress	1.5	2.6
Finished goods	42.1	74.6
Total	74.8	117.4

12. LONG-TERM RECEIVABLES

EUR million	2009	2008
Loan receivables from the Group companies	116.7	54.8
Loan receivables from others	0.2	0.4
Total long-term receivables	116.9	55.2

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

13. SHORT-TERM RECEIVABLES

EUR million	2009	2008
Receivables from the Group companies		
Trade receivables	35.8	84.5
Loan receivables	305.3	387.6
Accrued revenues and deferred expenses	25.3	23.4
Total	366.3	495.5
Trade receivables	43.3	46.4
Other receivables	4.6	8.9
Accrued revenues and deferred expenses	9.4	38.5
Total	57.3	93.8
Total short-term receivables	423.6	589.4
Significant items under accrued revenues and deferred expenses		
Annual discounts, purchases	0.0	0.3
Financial items	5.0	30.6
Taxes	1.6	7.8
Social payments	5.0	0.6
Capital expenditure in Russian factory	18.1	12.8
Goods and services rendered and not invoiced, subsidiary	4.3	7.9
Other items	0.6	1.9
Total	34.6	61.9

14. SHAREHOLDERS' EQUITY

EUR million	2009	2008
Restricted shareholder's equity		
Share capital, 1 January	25.0	24.7
Emissions	0.0	0.2
Share capital, 31 December	25.0	25.0
Share issue, 1 January	0.0	0.0
Share issue, 31 December	0.0	0.0
Share issue premium, 1 January	156.3	150.1
Emission gains	0.1	6.2
Share issue premium, 31 December	156.4	156.3
Total restricted shareholder's equity	181.3	181.3
Non-restricted shareholder's equity		
Paid-up unrestricted equity reserve, 1 January	-	-
Emission gains	0.0	-
Paid-up unrestricted equity reserve, 31 December	0.0	-
Retained earnings, 1 January	202.1	227.5
Dividends to shareholders	-49.9	-62.3
Retained earnings, 31 December	152.2	165.2
Result for the period	-24.3	37.0
Total non-restricted shareholder's equity	127.9	202.1
Total shareholders' equity	309.2	383.4
Specification of the distributable funds, 31 December		
Retained earnings	152.2	165.2
Paid-up unrestricted equity reserve	0.0	-
Profit for the period	-24.3	37.0
Distributable funds, 31 December	127.9	202.1

15. DEFERRED TAX ASSETS

EUR million	2009	2008
Deferred tax assets	9.4	0.9
Total	9.4	0.9

The deferred tax asset in 2009 is accrued for the tax loss. The 2008 item contains the deferred tax asset from the dissolution loss entered into extraordinary expenses during 2000. The remaining tax benefit, EUR 0.9 million, was realised in 2009.

16. NON-CURRENT LIABILITIES

EUR million	2009	2008
Interest-bearing		
Bonds	-	10.0
Convertible bond loans	161.6	156.9
Loans from financial institutions	56.1	173.1
Pension premium loans	25.0	33.9
Total	242.7	374.0
Non-interest-bearing	-	-
Total non-current liabilities	242.7	374.0
Bonds	-	10.0
Convertible bond loans	161.6	156.9
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	0.0	0.8
Convertible bond loans	0.0	184.5
Total	0.0	185.3

The convertible bonds include non-accrued yield of EUR 22.9 million (2008: EUR 27.6 million).

17. CURRENT LIABILITIES

EUR million	2009	2008
Interest-bearing		
Liabilities to the Group companies		
Finance loans	182.8	107.3
Loans from financial institutions	31.6	17.3
Pension premium loans	8.9	8.9
Total	40.5	26.2
Total interest-bearing liabilities	223.4	133.5
Non-interest-bearing		
Liabilities to the Group companies		
Trade payables	18.5	26.8
Accrued expenses and deferred revenues	5.4	6.2
Total	23.9	33.0
Trade payables	12.5	45.5
Liabilities to the others	3.4	3.6
Accrued expenses and deferred revenues	23.5	46.6
Total	39.4	95.6
Total non-interest-bearing liabilities	63.3	128.6
Total current liabilities	286.7	262.1
Significant items under accrued expenses and deferred revenues		
Wages and salaries	9.1	14.4
Annual discounts, sales	2.7	2.9
Financial items	10.2	5.4
Commissions	0.0	0.1
Goods received and not invoiced	0.2	1.0
Warranty commitments	0.3	0.5
Goods and services received and not invoiced, subsidiary	4.6	4.9
Investment projects under construction	0.0	8.9
Return of technical support fee	-	12.0
Other items	1.8	2.8
Total	28.9	52.8

18. CONTINGENT LIABILITIES

EUR million	2009	2008
On behalf of Group companies and investments in associates		
Guarantees	59.9	58.9
The amount of debts mortgaged for total EUR 57.4 million (2008: EUR 49.2 million).		
On behalf of other companies		
Guarantees	3.7	0.3
Other own commitments		
Guarantees	1.2	1.1
Leasing and rent commitments		
Payments due in 2010/2009	6.0	6.5
Payments due in subsequent years	52.7	50.3

19. DERIVATIVE CONTRACTS

EUR million	2009	2008
Interest rate derivatives		
Interest rate swaps		
Fair value	0.0	-0.1
Notional amount	3.9	14.4
Foreign currency derivatives		
Currency forwards		
Fair value	-7.0	23.4
Notional amount	448.3	427.2
Currency options, purchased		
Fair value	0.0	0.5
Notional amount	3.9	5.0
Currency options, written		
Fair value	-0.1	-0.3
Notional amount	3.9	10.1

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 reporting 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 reporting date.

20. ENVIRONMENTAL COMMITMENTS AND EXPENSES

Nokian Tyres has no material environmental commitments or expenses.

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. On 25 February 2010, the amount of shares entitled to dividend was 126,686,410.

Share price development and trading volume in 2009

At the end of 2009, the price of Nokian Tyres' share was EUR 17.00, showing an increase of 114.9% on the previous year's closing price of EUR 7.91. At its highest, Nokian Tyres' share was quoted at EUR 18.85 in 2009 (EUR 33.73 in 2008) and EUR 7.00 (EUR 7.17) at its lowest. During the year, a total of 222,305,175 (309,290,887) Nokian Tyres' shares were traded on the Nasdaq OMX Helsinki (Helsinki Exchanges). At the end of the year, the market capitalisation of the share capital was EUR 2,122,473,630 (EUR 987,531,781). On 31 December, 2009, the number of shares was 124,851,390.

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.

Stock options 2004 directed at personnel

The Annual General Meeting, held on 5 April 2004, decided to issue stock options to the personnel of the Nokian Tyres Group and to Direnco Oy, a wholly owned subsidiary of Nokian Tyres Plc. A deviation was made from the shareholders' pre-emptive subscription right, because the stock options are designed to be part of the Group's incentive scheme. The number of stock options is 735,000. A total of 245,000

stock options 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 stock options entitle the subscription of a maximum of 735,000 Nokian Tyres plc shares. The Board's intention was to distribute the stock options in spring 2004 (2004A stock options), 2005 (2004B stock options), and 2006 (2004C stock options).

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

The price of shares subscribed for with stock options shall be reduced by the amount of dividends paid after the commencement of the period for which the subscription price was determined, and dividends decided before the subscription on the record date of each dividend payment. After 7 April 2009, the subscription price for stock options 2004C was EUR 11.38.

The share subscription period is

- for stock options 2004A 1 March 2006 - 31 March 2008
- for stock options 2004B 1 March 2007 - 31 March 2009
- for stock options 2004C 1 March 2008 - 31 March 2010

As a result of the subscriptions with the 2004 stock options, 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.

Stock options 2007 directed at personnel

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

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

The share subscription price shall be based on the prevailing market price of the Nokian Tyres plc share on NASDAQ OMX Helsinki in January-March 2007, January-March 2008 and January-March 2009.

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

The price of shares subscribed for with stock options shall be reduced by the amount of dividends paid after the commencement of the period for which the subscription price was determined, and dividends decided before the subscription on the record date of each dividend payment. After 7 April 2009, the subscription price for stock options 2007A was EUR 16.08, for stock options 2007B EUR 23.37 and for stock options 2007C EUR 8.64.

The share subscription period is

- for stock options 2007A 1 March 2009 - 31 March 2011
- for stock options 2007B 1 March 2010 - 31 March 2012
- for stock options 2007C 1 March 2011 - 31 March 2013.

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

Stock options listed on the main list of NASDAQ OMX Helsinki

Nokian Tyres' 2004A stock options for the option scheme 2004 were listed on NASDAQ OMX Helsinki main list as of 1 March 2006, 2004B options as of 1 March 2007, and 2004C options as of 1 March 2008. At their highest, the 2004B stock options were quoted at EUR 2.00 and at their lowest EUR 0.05. During the year, a total of 21,129 2004B stock options were traded on the NASDAQ OMX Helsinki. The highest quote for the 2004C stock options was EUR 74.00 and the lowest EUR 6.79, and a total of 149,642 stock options were traded during the year.

Nokian Tyres' 2007A stock options for the option scheme 2007 were listed on NASDAQ OMX Helsinki main list as of 1 March 2009. At their highest, the 2007A stock options were quoted at EUR 5.20 and at their lowest EUR 1.08. During the year, a total of 271,789 2007A stock options were traded on NASDAQ OMX Helsinki.

Management shareholding

On 31 December 2009, Nokian Tyres' Board members and the President and CEO held a total of 190,000 Nokian Tyres' publicly traded stock options, and a total of 250,000 stock options that were not publicly traded in 2009. In addition, Nokian Tyres' Board members and the President and CEO held a total of 43,491 Nokian Tyres' shares. The shares and publicly traded stock options represent 0.2% of the total number of votes.

Convertible bond loan for Finnish and international institutional investors

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

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

purchased or cancelled. Each EUR 100,000 bond will be convertible to 2,672 company shares. The conversion price represents a premium of 40% above the reference price of EUR 26.73 of the company's ordinary shares on 20 June 2007. The right to convert the bonds into company shares commences on 7 August 2007 and ends on 20 June 2014 at 4:00 p.m. Finnish time. In the event that all bonds will be converted into ordinary shares of the company, the aggregate number of the new ordinary shares to be issued by the company will be 4,008,4551, 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 NASDAQ OMX Helsinki.

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 2009

11 November 2009

Nokian Tyres received an announcement from BlackRock, Inc. on 10 November, 2009, according to which the ownership of Black Rock Investment Management (UK) Limited increased above the level of 5% of the share capital in Nokian Tyres plc as a result of a share transaction concluded on 9 November, 2009. Black Rock Investment Management (UK) Limited then held a total of 6,270,634 Nokian Tyres' shares representing 5.02% of company's 124,848,890 shares and voting rights.

SHARE OWNERSHIP BREAKDOWN ON 31 DECEMBER 2009

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1-100	7,225	27.6	498,064	0.4
101-500	11,424	43.7	3,288,028	2.6
501-1 000	3,765	14.4	3,036,295	2.4
1 001-5 000	3,100	11.9	6,694,849	5.4
5 001-10 000	339	1.3	2,524,942	2.0
10 001-50 000	207	0.8	4,316,874	3.5
50 001-100 000	31	0.1	2,316,218	1.9
100 001-500 000	39	0.1	9,646,556	7.7
500 001-	12	0.0	92,529,564	74.1
Total	26,142	100.0	124,851,390	100.0

OWNERSHIP BY CATEGORY ON 31 DECEMBER 2009

	% of shares
Nominee registered and non-Finnish holders	62.2
Households	12.5
General Government	13.7
Financial and insurance corporations	5.6
Non-profit institutions	3.3
Corporations	2.6
Total	100

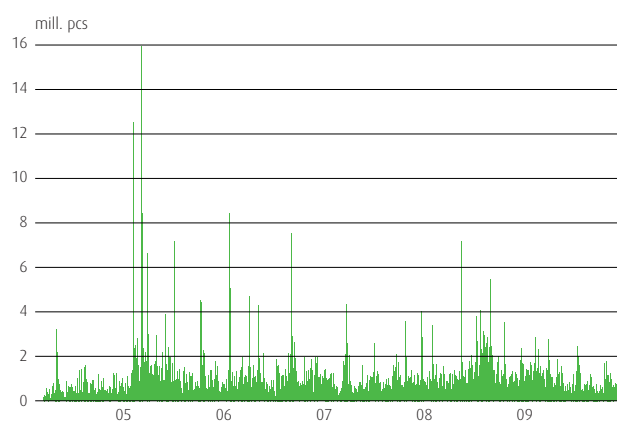
MAJOR SHAREHOLDERS ON 31 DECEMBER 2009

Major Domestic Shareholders	Number of Shares	Share of Capital (%)
1. Varma Mutual Pension Insurance Company	8,312,178	6.66
2. Ilmarinen Mutual Pension Insurance Company	3,255,654	2.61
3. The State Pension Fund	2,000,000	1.60
4. Tapiola Mutual Pension Insurance Company	1,280,000	1.03
5. Nordea	1,123,675	0.90
6. Mandatum Life Insurance Company Limited	886,725	0.71
7. OP Investment Funds	854,774	0.68
8. Aktia Capital Investment Fund	520,000	0.42
9. Barry Staines Linoleum Oy	450,000	0.36
10. The Finnish Cultural Foundation	446,000	0.36
Major Domestic Shareholders total	19,129,006	15.33
All owners total	124,851,390	100
Foreign Shareholders ¹⁾	77,714,850	62.2
Bridgestone Europe NV/SA ²⁾	20,000,000	16.0

1) Includes also shares registered in the name of nominee.

2) In the name of a nominee

Nokian Tyres' share trading volumes on NASDAQ OMX Helsinki 1 January 2005 – 31 December 2009



Nokian Tyres' share price development 1 January 2005 – 31 December 2009



Nokia, 11 February 2010

Petteri Wallden

Yasuhiko Tanokashira

Hille Korhonen

Aleksey Vlasov

Hannu Penttilä

Kai Öistämö

Kim Gran

President and CEO

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

AUDITOR'S REPORT

To the Annual General Meeting of Nokian Tyres plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Nokian Tyres plc for the financial period 1 January - 31 December 2009. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement 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 President and CEO

The Board of Directors as well as the President and CEO 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 President and CEO 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 or 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 President and CEO 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 or of the report of the Board of Directors, 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 and the report of the Board of Directors 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 and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the distribution of retained earnings shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the President and CEO should be discharged from liability for the financial period audited by us.

Helsinki, 11 February 2010
KPMG OY AB

Lasse Holopainen
Authorized Public Accountant

CORPORATE GOVERNANCE STATEMENT

Nokian Tyres plc (hereinafter "the company") complies with the rules and regulations of its Articles of Association and the Finnish Companies Act, as well as those published by Nasdaq OMX Helsinki Oy ("The Helsinki Stock Exchange") concerning listed companies. The company also complies with the Finnish Corporate Governance Code approved by the Securities Market Association that became effective 1 January 2009. The code document is available on the Internet at www.cgfinland.fi.

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

Annual General Meeting

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

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

The Annual General Meeting is held by the end of May of each year on a date determined by the Board of Directors, either at the company's registered place of business or in the city of Helsinki or Tampere. The Articles of Association state that the invitation to the Annual General Meeting must be published in one daily newspaper distributed nationwide and one distributed in the Tampere region. In addition, the company publishes the invitation to the Annual General Meeting as a stock exchange bulletin and on its website.

The Annual General Meeting for 2009 took place on 2 April 2009 in the Tampere Hall, Tampere. The meeting confirmed the consolidated financial statements and discharged the Board members and the President from liability for the fiscal year 2008. All documents related to the Annual General Meeting are available on the Internet at www.nokiantyres.com.

Shareholder's rights

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

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

In the Annual General Meeting, shareholders are entitled to use the entire amount of votes they own on the record date. Shareholders

have the right to present questions regarding issues on the General Annual Meeting's agenda. In addition, shareholders are entitled to suggest draft resolutions concerning matters belonging to the scope of power of the Annual General Meeting and included on its agenda.

Board of Directors

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

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

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

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

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

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

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

Composition of the Board

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

According to the Articles of Association of Nokian Tyres, the Board of Directors comprises no less than three and no more than eight members. Members of the Board are elected at the Annual General Meeting. The Board members' term of office terminates at the end of the first Annual General Meeting following the elections. Remunerations payable to Board members are confirmed at the Annual General Meeting. The Board of Directors appoints a chairperson from among its members at the first constituent meeting following the Annual General Meeting. The chairperson presides until the end of the following Annual General Meeting. The Board meetings usually take place in Helsinki. The Board visits different Group units and holds its meetings at these locations every year. When necessary, telephone conferences can also be arranged. The Vice President responsible for finance and control and other Group Management Team members participate in the Board meetings when necessary. The auditor participates in the annual meeting dealing with financial statements. The Group Legal Council is the secretary of the

Board. The Board met 8 times in 2009, with an attendance rate of 88 %.

In 2009, the company's Board comprised the following seven members:

Petteri Walldén, chairman (b. 1948)

Member of the Board since 2005

Full-time position: President and CEO of Alteams Oy

Education: Master of Science (Engineering)

Key experience: President and CEO: 2001-2005 Onninen Oy, 1996-2001 Ensto Oy, 1990-1996 Nokia Kaapeli Oy and 1987-1990 Sako Oy

Key positions of trust: Member of the Boards: Alteams Oy, Comptel Oyj, Empower Oy, eQ Oyj, Kuusakoski Group Oy, SE Mäkinen Logistics Oy, Teleste Oyj and Tikkurila Oy (Vice Chairman)

Holding on 31 Dec. 2009: 9 546

Kim Gran (b. 1954)

Member of the Board since 2002

Full-time position: President & CEO, Nokian Tyres

Education: Bachelor of Science in Economics

Key experience: 1995-2000 Vice President, Nokian Tyres, Car and Van tyres; 1992-1995 Managing Director, Pechiney Cebal, Corby, UK; 1988-1995 Plant Director, Cebal-Printal, Devizes, UK; 1987-1988 Marketing Director, Printal Oy, Hanko, Finland; 1985-1987 Director, Gran-Transport Ltd, Turku, Finland; 1982-1985 Marketing Manager, A. Ahlström, Karhula, Finland; 1980-1982 Ass. Purchasing Manager, A. Ahlström, Karhula, Finland;

Key positions of trust: Chairman of the Board: Rubber Manufacturer's Association. Member of the Boards: Finnish-Russian Chamber of Commerce (FRCC), Konecranes plc, YIT plc, Chemical Industry Federation of Finland (Vice Chairman). Member of the Supervisory Board: Ilmarinen

Holding on 31 Dec. 2009: 19 000

Warrants on 31 Dec. 2009: 2007A 190 000, 2007B 160 000, 2007C 90 000

Hille Korhonen (b. 1961)

Member of the Board since 2006

Full-time position: Vice President, Operations, Fiskars Corporation

Education: Licentiate of Science (Technology)

Key experience: 2003-2007 Iittala Group, Group Director, Operations; 1996-2003 Nokia Corporation, management duties for logistics.

Key positions of trust: Member of the Boards: Lassila&Tikanoja and Mint of Finland Ltd.

Holding on 31 Dec. 2009: 3 473

Hannu Penttilä (b. 1953)

Member of the Board since 1999

Full-time position: CEO, Stockmann plc

Education: Master of Laws

Key experience: Stockmann plc; 1994-2001 Executive Vice President; 1992-2001 Director, Department Store Division; 1986-1991 Director, Helsinki Department Store; 1985-1986 Manager, Tapiola Department Store; 1978-1984 Company lawyer; 1976-1978 Ministry of Labour, inspector, junior ministerial secretary

Key positions of trust: Chairman of the Boards: Oy Hobby Hall Ab, Lindex AB, Central Chamber of Commerce of Finland, Seppälä Oy, Suomen Pääomarahoitus Oy and Stockmann Russia Holding AB

Member of the Boards: HC Ässät Pori Oy, Finnish Fair Foundation and Federation of Finnish Commerce (member of the working committee)

Member of the Supervisory Boards: Mutual Insurance Company Kaleva, Varma Mutual Pension Insurance Company and Luottokunta (Vice Chairman). Member of the Assembly of Delegates: Confederation of Finnish Industries, EK

Holding on 31 Dec. 2009: 5 101

Yasuhiko Tanokashira (b. 1956)

Member of the Board since 2009

Full-time position: Senior Vice President, Finance & Administration, Bridgestone Europe NV/SA

Education: B.A. (Economics)

Key experience: 2007-2008 Director, Finance, Bridgestone Corporation; 2005-2006 General Manager, Finance; 2003-2004 Senior Executive Director, Administration Bridgestone Sports Co., Ltd.; 2000-2001 Director, Finance & Administration Bridgestone (Tianjin) Tire Co., Ltd.; 1979 Bridgestone Corporation

Key positions of trust: Member of the Boards: Bridgestone Technical Center Europe S.p.A., Bridgestone Hispania S.A., Bridgestone Italia S.p.A.; Member of the Supervisory Board: Bridgestone Poznan Sp.z.o.o.

Holding on 31 Dec. 2009: 1 180

Aleksey Vlasov (b. 1957)

Member of the Board since 2006

Full-time position: Vice President, Synttech Group

Education: Medical Doctor

Holding on 31 Dec. 2009: 3 473

Kai Öistämö (b. 1964)

Member of the Board since 2008

Full-time position: Executive Vice President, Devices

Education: Doctor of Technology (Signal Processing), Master of Science (Engineering)

Key experience: 2004-2007 Executive Vice President and General Manager of Mobile Phones; 2004-2005 Senior Vice President, Business Line Management; 2002-2003 Mobile Phones, Senior Vice President, Mobile Phones Business Unit; 1999-2002 Nokia Mobile Phones, Vice President, TDMA/GSM 1900 Product Line; 1997-1999 Nokia Mobile Phones, Vice President, TDMA Product Line; 1991-1997 various technical and managerial positions in Nokia Consumer Electronics and Nokia Mobile Phones.

Holding on 31 Dec. 2009: 1 718

Independence of the Board members

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

Nomination and Remuneration Committee

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

Hille Korhonen, Hannu Penttilä and the Chairman of the Board, Petteri Walldén, were members of the Nomination and Remuneration Committee in 2009. The committee prepares the Board's proposal to the Annual General Meeting on the members to be appointed to the Board of Directors and the remuneration paid to Board members. In addition, the committee prepares a proposal to the Board on the company's President and the salary and other incentives paid to the

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

The committee assembled twice in 2009. The attendance rate was 100%. All committee members are independent of the company.

President and CEO

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

Other management

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

Salaries and remunerations 2009

Remuneration of the Board members

Remunerations payable to Board members are confirmed at the Annual General Meeting. In 2009, remunerations to Board members totalled EUR 245,000 (EUR 236,250), including 8,261 (3,766) Nokian Tyres' shares worth EUR 98,000 (EUR 98,000). In addition, the committee members received a meeting fee of EUR 500 for each committee meeting attended. Board members are not included in the company's option scheme. The President does not receive separate remuneration for participating in Board meetings, but the President comes under the scope of option schemes.

Remuneration of the President

The Board of Directors makes decisions concerning the President's salary and other benefits. The President's annual remuneration, including the monthly salary, fringe benefits and incentives, amounted to EUR 556,254 in 2009 (EUR 678,419). According to a written agreement, the President's age of retirement is 60 years. The pension will be determined on the basis of the Employees Pensions Act and an additional supplementary pension insurance policy taken out by the company. The total pension shall total no more than 60% of the salary noted as the basis of the supplementary pension, determined on the basis of the salaries and other benefits payable under the current employment contract for a maximum period of five years. The President's period of notice is 12 months. If the agreement is terminated by the company, the President is entitled to a remuneration corresponding to 12 months' salary and other benefits, in addition to the notice period's salary.

Management's incentive systems

The Nomination and Remuneration Committee's proposal for the salaries and benefits of managerial employees, as well as for the employee incentive scheme, is subject to the Board's approval. Management

rewards are based on a monthly remuneration determined by the competence classification of the tasks and on a separate annual bonus.

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

Mechanisms of internal control, internal audit and risk management

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

The business activities of the Nokian Tyres Group are divided into two areas: the manufacturing business and the tyre chain. The manufacturing business consists of profit centres, which are Passenger Car Tyres, Heavy Tyres (Nokian Heavy Tyres profit centre was incorporated into an independent company as of 1 January 2006), and Other Business. Other Business includes the Truck Tyres unit. Each profit centre is responsible for its business area and its financial performance, risk management, balance sheet and investments, supported by the different service functions. The Group's sales companies are a part of the sales function and serve as product distribution channels in local markets. The tyre chain is organised into a separate sub-group, whose parent company is Vianor Holding Oy, fully owned by the parent company Nokian Tyres plc. The tyre outlets operating in different countries are part of the sub-group. The Managing Directors of the company's subsidiaries are responsible for the daily operations and administration of their companies. They report to the company's Vice President responsible for Sales and Logistics, while the Managing Directors of the Vianor chain report to the director of the Vianor profit centre.

The Board of Directors is responsible for the functionality of the internal control mechanisms; they are managed by the company management and implemented throughout the organisation. Internal control is not a separate function; it is an integral part of all activities at all levels of the Group. Operative company management bears the main responsibility for operational control. Every supervisor is obliged to ensure sufficient control over the activities belonging to his/her responsibility and to continuously monitor the functionality of the control mechanisms. The Vice President responsible for finance and control is responsible for organising financial administration and reporting processes and the internal control thereof. The parent company's Finance and Control unit is responsible for internal and external accounting; its tasks also include producing financial information concerning the business areas and ensuring the accuracy of this information. The preparation process of the consolidated financial statements (IFRS), the related control measures, as well as the task descriptions and areas of responsibility related to the reporting process have been defined. The parent company's Finance and Control unit is in charge of consolidating the business areas' figures to produce Group-level financial information. Under the parent company's Finance and Control unit's supervision, each legal Group company produces its own information in compliance with the instructions provided and in line with local legislation. The net sales and operating profit of the Group and business units are analysed, and the consolidated profit is compared with the management's assessment of business development and information on operative systems. The Group Finance and Control unit is centrally responsible for the interpretation and application of financial reporting standards, and also for monitoring compliance with these standards.

Efficient internal control requires sufficient, timely and reliable information in order for the company management to be able to monitor the achievement of targets and the efficiency of the control mechanisms. This refers to financial information, as well as other kinds of information received through IT systems and other internal and external channels. Financial administration and other instructions are shared on the intranet for those who need them, and financial administration provides training with regard to these instructions when necessary. There is continuous communication with the business units. The company's financial performance is internally monitored by means of monthly reporting complemented with rolling prognoses. The profit is communicated to company personnel immediately after releasing the official stock exchange bulletins.

The Group has organised an internal audit for Vianor, focusing on controlling sales outlets and ensuring that activities comply with the activity system. The parent company and sales companies buy internal auditing as a service from public accountants or other service providers if needed. The audit focuses on items separately determined each time. Pasi Anias, M. Sc. (Eng.) has been appointed as the Internal Auditor of Nokian Tyres plc as of 1 January 2010.

Risk management

The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of goals and ensures business continuance. The Group's risk management policy focuses on managing the risks pertaining to business opportunities, as well as those facing the achievement of the Group's goals, in the changing operating environment.

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

The risk management process aims to identify and evaluate risks, and to plan and implement practical measures for each one. Such measures may include, for example, avoiding the risk, reducing it in different ways or transferring the risk through insurances or contracts. Control functions and actions mean securing or backing-up procedures applied to reduce risks and ensure the completion of risk management measures.

Risk management is not allocated to a separate organisation; its tasks follow the general distribution of responsibilities adopted in the organisation and other business activities. The main risks detected in risk surveys are reported to the company's Board of Directors once a year.

Insider issues

Nokian Tyres complies with the guidelines for insider trading drawn up by NASDAQ OMX Helsinki, as well as the standard 5.3 issued by the Financial Supervisory Authority (Declarations of insider holdings and insider registers) and the standard 5.2b (Disclosure obligation of the issuer and shareholder), which the company has supplemented with its own insider regulations.

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

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

2. Other members of the company's top management who have regular access to insider information and who are authorised to make decisions regarding the company's future development and the organisation of business activities. The company has assigned all its top management members in this category of insiders with a duty to declare.

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

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

Duty to declare, insider registers and trading prohibition

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

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

Management of insider issues

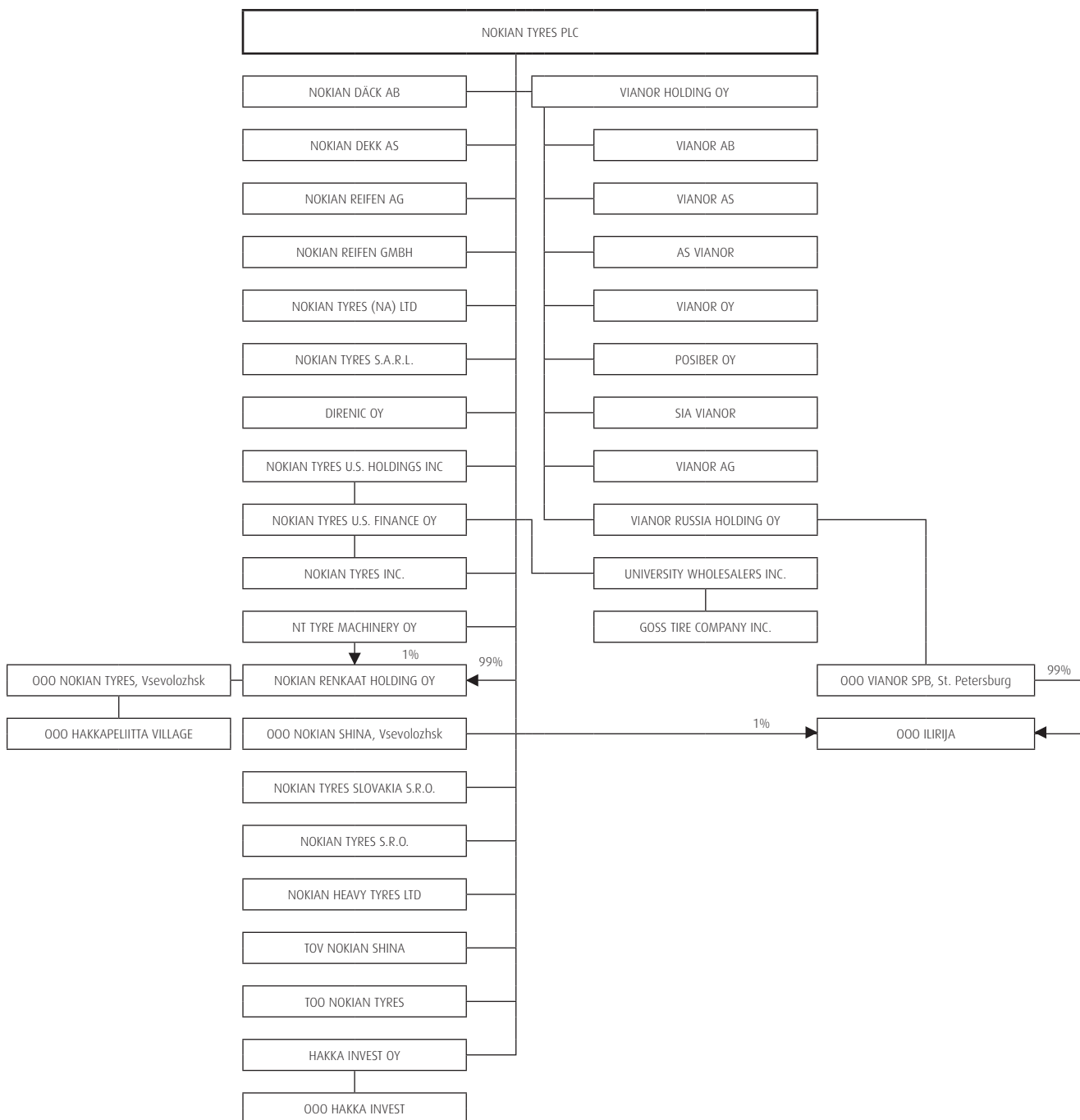
Nokian Tyres maintains its insider register in the Euroclear Finland's SIRE system. The company has appointed a person to manage the tasks related to insider trading. The company also has an insider registrar who deals with the practical tasks related to the insider register. The company annually reviews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

Audit

The auditor elected at the Annual General Meeting is KPMG Oy Ab, authorised public accountants, with Mr. Lasse Holopainen, Authorised Public Accountant, acting as the auditor with principal responsibility. In accordance with the existing regulations, he also reports all audit

findings to the Group's management. The Group's audit fees in 2009 amounted to EUR 397,000 (EUR 503,000). The fees paid to the authorised public accountants for other services totalled EUR 186,000 (EUR 80,000).

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 8 April 2010, 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 25 March 2010 in the company's shareholder register, which is maintained by Euroclear Oy are entitled to attend the Annual General Meeting.

Shareholders who wish to attend must register by 10:00 am on 1 April 2010 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/AGM2010.

The Annual Report, including the company's annual accounts, the Report of the Board of Directors and the Auditors Report is available on the company's website no later than 18 March 2010.

Financial Statements and the Board proposals will be available for one week prior to the Annual General Meeting at the company's headquarters.

Dividend payment

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.40 per share be paid for the financial year 2009. The record date for the dividend payment will be 13 April 2010 and the dividend payment date 23 April 2010, 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 6 May 2010
- Interim Report for six months on 5 August 2010
- Interim Report for nine months on 3 November 2010
- Financial Statements Bulletin 2010 in February 2011
- Annual Report 2010 in March 2011

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

PRINCIPLES OF INVESTOR RELATIONS

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

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

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

Questions from analysts and investors

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Anne Leskelä, CFO, Investor Relations
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Requests for meetings and visits

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Stock exchange releases in 2009

In 2009 Nokian Tyres published a total of 25 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.

- 04.11.2009 Nokian Tyres signed a EUR 180 million revolving credit facility
- 03.11.2009 Nokian Tyres Interim Report for January-September 2009
- 06.08.2009 Nokian Tyres Interim Report for January-June 2009
- 07.05.2009 Interim Report for Nokian Tyres plc January-March 2009
- 02.04.2009 Nokian Tyres plc Annual General Meeting, decisions
- 02.04.2009 Nokian Tyres' first quarter to be the weakest quarter of the year; outlook for the rest of the year 2009 more favourable
- 09.03.2009 Statutory negotiations at Nokian Heavy Tyres ended
- 11.02.2009 Nokian Tyres plc Financial statements bulletin 2008
- 20.01.2009 Statutory negotiations at Nokian Car and Van tyres ended
- 20.01.2009 Nokian Heavy Tyres to start new statutory negotiations in order to adjust production
- 12.01.2009 Nokian Tyres launches a new winter tyre for demanding winter conditions

Annual Report and Financial Review 2009

Nokian Tyres Financial Statements Bulletin/Financial Review 2009 is available only in electronic form on the company web site.

Electronic Annual Report, above mentioned reports as well as contact details including analysts can be read from www.nokiantyres.com

www.nokiantyres.com