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NOKIAN TYRES INTERIM REPORT FOR JANUARY-JUNE 2009: RESTRUCTURING AND COST CUTS GAIN MOMENTUM - MARKET HEADWIND CONTINUES

The Group’s net sales decreased by 34.6% to EUR 346.7 million (EUR 530.3 million in Jan-June 2008). Operating result fell to EUR 17.5 million (EUR 128.6 million), while earnings per share decreased to EUR 0.01 (EUR 0.80).

Sales and operating result improved in the second quarter compared to the first quarter but were significantly down versus previous year. Sales and operating margin were penalized by lower demand, devaluation of the Russian rouble, the Swedish and Norwegian krona and preseason sales of winter tyres being delayed to the second half of the year.

Restructuring of operations and manufacturing structure combined with cost cuts gained momentum. Inventories were reduced by EUR 31.6 million compared to year end 2008. Personnel costs were cut by EUR 19.1 million during the first six months compared to the corresponding period last year. Cash flow started to improve especially during the second quarter.

Outlook and guidance for 2009 (updated):
Uncertainty in the market is expected to continue all 2009 although underlying drivers for demand on Nokian Tyres core markets show signs of stabilizing. Market headwind will continue all 2009 but the winter tyre season, improving sales mix, restructuring and lower raw material costs are expected to improve sales and operating margin clearly during the second half compared to the first half of the year. Cash flow is expected to be significantly better than in 2008. However, the net sales and operating result for full year 2009 will be significantly lower than in 2008.

Previous guidance of May 7, 2009 was: “The first quarter of 2009 is expected to be the weakest of the year for Nokian Tyres. The company expects sales to increase clearly during the later quarters due to seasonality. However, the net sales and operating result in the second quarter and full year 2009 will be significantly lower than in 2008.”

Key figures, EUR million:

	4-6/09	4-6/08	1-6/09	1-6/08	2008
Net sales	191.1	284.0	346.7	530.3	1,080.9
Operating result	20.3	74.2	17.5	128.6	247.0
Result before tax	12.0	68.6	-5.3	118.4	173.8
Result for the period	11.9	54.0	1.5	99.1	139.9
Earnings per share, EUR	0.10	0.43	0.01	0.80	1.12
Equity ratio,%			51.8	56.4	54.8
Cash flow from operations, (Cash Flow II)	7.4	-68.6	-88.6	-146.9	9.5
RONA,% (rolling 12 months)			10.8	25.6	20.5
Gearing,%			68.0	47.3	41.0

Kim Gran, President and CEO:

“Market changes which started during the second half of last year have continued to hit hard Nokian Tyres’ core markets in the Nordic countries and Russia. Currencies have devaluated and GDP and consumer spending for consumer durables such as cars and tyres have declined significantly.

The level of demand seems to have hit the bottom, stabilized and some signs of improvement can be seen. We however base our actions on a gradual rather than rapid recovery. The changes in demand have left the market and tyre producers with carry-over inventory and receivables which during this year require special attention.

We at Nokian Tyres have taken decisive actions to streamline our operations and cost base to the new market challenges. The results of our actions are not yet fully visible but will have a stronger impact during the second half of this year and for years to come.

During this year our focus is to provide clearly stronger cash flow by reducing inventory and receivables by more than 100 million euros and cutting investments by 96 million euros compared with 2008. A full collection of our receivables in Russia and CIS by the end of the winter tyre season is our target. Overdue trade receivables have approximately halved compared to year-end 2008.

In sales our focus is to defend our price leader position on our core markets and continue to compensate for exchange rate changes by improving sales mix and by implementing price increases. The launches of new products such as Nokian Hakkapeliitta 7 for this year’s winter season are vital and preseason orders are promising. The share of Russian and CIS sales in our portfolio will fall this year and is partly compensated by increased sales in North America and in Central and Eastern Europe. This will have an adverse effect on average sales prices in 2009.

In terms of production, we responded to the weakening demand already in late 2008 and have continued to do so during 2009. The streamlining measures aiming at a lighter cost structure and full utilization of a lower cost production in the Russian plant have been implemented and will be fully completed during 2009. Our cost saving program of annual sustainable savings of approximately 50 million euros is running as planned.

A strong distribution, good seasonal logistics, local low cost production inside duty borders and new products will give us a good chance to strengthen our market leadership in the core markets and to return to profitable growth as soon as markets start to recover."

Market situation

The sharp downturn in the global economy that started in late 2008 was further escalated during the review period. In key markets this resulted in a clear decrease in car sales and machine manufacture. The after market sales for passenger car tyres declined in the Nordic countries by an estimated 12% and elsewhere in Europe by 6%. Tyre deliveries shrank drastically to less than half 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. Prices for winter tyres have resisted the general price erosion better than summer tyres. Tyre manufacturers implemented significant price increases in order to offset the currency devaluation in Russia, Ukraine, Sweden and Norway. Price increases have not yet fully compensated for the devaluation effects.

The truck tyre market declined in Europe by more than 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.

Raw material prices have dropped significantly compared to the end of 2008 but carry-over stocks and contracts have penalized tyre manufacturers' results during first half of 2009.

April–June 2009

In the second quarter of 2009 Nokian Tyres Group recorded net sales of EUR 191.1 million (EUR 284.0 million), showing a decrease of 32.7% on the corresponding period a year earlier. Sales decreased in the Nordic countries by 21.9%. In Russia and the other CIS countries sales decreased by 79.7%. In Central and Eastern Europe sales grew by 10.1% and in North America by 38.9%.

Raw material costs (eur/kg) in manufacturing were up 4.6% year-over-year in the second quarter but down 5.4% versus the first quarter of 2009. Raw material purchases in 2008 still penalized costs. Fixed costs were EUR 65.6 million (EUR 74.9 million), accounting for 34.3% (26.4%) of net sales.

Nokian Tyres Group's operating result was EUR 20.3 million (EUR 74.2 million). Net financial expenses were EUR -8.3 million (EUR -5.5 million). Financial expenses include EUR 1.9 million in non-cash expenses related to convertible bonds. Net financial expenses include EUR -4.8 million (EUR -1.4 million) of exchange rate differences. Since 1.1.2009 exchange rate differences contain interest rate differential from foreign currency derivatives. Comparison information is modified accordingly.

Result before tax was EUR 12.0 million (EUR 68.6 million). Result for the period amounted to EUR 11.9 million (EUR 54.0 million), and EPS was EUR 0.10 (EUR 0.43).

Income financing after the change in working capital, investments and the disposal of fixed assets (cash flow II) was EUR 7.4 million (EUR -68.8 million).

January–June 2009

Nokian Tyres Group’s net sales in January-June totalled EUR 346.7 million (EUR 530.3 million), signifying a 34.6% year-over-year decrease. In the Nordic countries sales decreased by 23.8% representing 43% (37%) of the group’s total sales. In Russia and CIS sales fell by 68.3% and formed 20% (40%) of the group’s total sales. In Central and Eastern Europe sales went down by 2.9% representing 25% (17%) of the group’s total sales. In North America sales grew by 27.9% and was 12% (6%) of the group’s total sales.

Sales of passenger car tyres were down by 36.5% representing 63% (67%) of the group’s total sales. Heavy tyres’ sales declined by 57.4% and was 6% (9%) of the group’s total sales. Vianor’s sales fell by 12.5% forming 29% (22%) of the group’s total sales. The sales of Other operations was down by 22.9% representing 2% (2%) of the group’s total sales.

Raw material costs (eur/kg) increased by 13.5% year-over-year in the first half, still penalized by raw material purchases in 2008. Fixed costs amounted to EUR 136.9 million (EUR 148.3 million), accounting for 39.5% (28.0%) of net sales. Total salaries and wages were EUR 65.5 million (EUR 84.6 million) representing a saving of EUR 19.1 million year-over-year.

Nokian Tyres Group’s operating result was EUR 17.5 million (EUR 128.6 million). This was negatively affected by the IFRS 2-compliant option scheme write-off of EUR 5.6 million (EUR 8.5 million).

Net financial expenses were EUR -22.9 million (EUR -10.1 million). Financial expenses include EUR 3.7 million in non-cash expenses related to convertible bonds. Net financial expenses include EUR -15.1 million (EUR -3.4 million) of exchange rate differences. Since 1.1.2009 exchange rate differences contain interest rate differential from foreign currency derivatives. Comparison information is modified accordingly.

Result before tax was EUR -5.3 million (EUR 118.4 million). Result for the period amounted to EUR 1.5 million (EUR 99.1 million), and EPS was EUR 0.01 (EUR 0.80).

Return on net assets (RONA, rolling 12 months) was 10.8% (25.6%). Income financing after the change in working capital, investments and the disposal of fixed assets (cash flow II) was EUR -88.6 million (EUR -146.9 million). Equity ratio was 51.8% (56.4%). At the end of the review period the company had unused credit limits amounting EUR 309.7 million of which EUR 153.6 million were committed.

The Group employed an average of 3,650 (3,736) people, and 3,509 (3,764) at the end of the period, including 234 people whose contract will end during the latter half of the year. The Vianor tyre chain employed 1,386 (1,471) people and Russian operations 644 (580) people at the end of the period.

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.

The Group anticipates the tax rate on the entire year 2009 to remain at previous year’s level or increase slightly due to a lower share of taxable profit made in Russia.

PASSENGER CAR TYRES

	4-6/09	4-6/08	Change%	1-6/09	1-6/08	Change%	2008
Net sales, m€	127.6	195.6	-34.8	245.0	385.7	-36.5	741.6
Operating result, m€	18.7	63.8	-70.6	34.8	128.8	-73.0	230.0
Operating result,%	14.7	32.6		14.2	33.4		31.0
RONA,% (rolling 12 months)				14.4	34.9		26.6

The net sales of Nokian passenger car tyres decreased 36.5% year-over-year in the first half, amounting to EUR 245.0 million (EUR 385.7 million). Operating result was EUR 34.8 million (EUR 128.8 million) and the operating result percentage 14.2% (33.4%).

Nokian Tyres’ sales decreased in line with the tyre market development. Nokian Tyres was able to maintain its market shares in the core markets. The preseason deliveries in Russia declined which derive mainly from the customers’ high tyre inventories and lack of financing. Nokian Tyres’ sales grew clearly in North America.

The financial performance in the review period was affected by the deployed streamlining measures, a weaker sales mix, lower average price and later timing of winter tyre preseason sales in Russia and CIS. The currency devaluations in core markets weakened profits. Price increases implemented in this review period improved summer tyre prices but a weaker product and country mix and timing of winter tyre sales reduced winter tyre average price.

Actions to adjust production were implemented in the review period and the inventory levels started to go down. Fixed costs decreased and cash flow improved clearly year-over-year. Raw material costs remained high in the review period due to the use of deliveries and stock lots purchased in 2008 at higher prices. The decreasing raw material prices and the increased proportion of less expensive production in Russia were not yet fully reflected in the financial result; they will become evident gradually during 2009.

Utilizing new sales opportunities in the western markets, securing the market position in Russia and CIS, defending tyre price levels and controlling the receivables are key objectives for the rest of the year. The cash flow in 2009 will be improved by restructuring of operations, reducing inventory levels, personnel adjustments, investment cuts and cost-cutting program including all cost types.

Nokian summer tyres gained good results with several test wins in international magazine tests. A new Nordic studded tyre, the Nokian Hakkapeliitta 7, is expected to boost sales in the winter season.

HEAVY TYRES

	4-6/09	4-6/08	Change%	1-6/09	1-6/08	Change%	2008
Net sales, m€	10.2	25.5	-60.2	22.7	53.4	-57.4	97.7
Operating result, m€	-1.9	5.1	-137.0	-4.0	11.4	-135.5	17.7
Operating result,%	-18.4	19.8		-17.8	21.3		18.1
RONA,% (rolling 12 months)				3.4	35.6		25.9

In the first half the net sales of Nokian Heavy Tyres totalled EUR 22.7 million (EUR 53.4 million), showing a decrease of 57.4% year-over-year. The operating result was EUR -4.0 million (EUR 11.4 million) and the operating result percentage -17.8% (21.3%). The financial performance suffered from weak sales volumes and drastic production cuts taken due to high carry-over stock from 2008.

Heavy tyres sales decreased in all product categories. Average price remained on previous year’s level. 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 at the end of the second quarter, due to customers’ low inventories and some regaining of trust on the markets.

The production cuts that were initiated late last year and have continued all 2009 have gradually started to take effect. Inventories have decreased significantly from the beginning of the year and cash flow turned positive in April-June. Lower inventory is expected to gradually improve production volumes and productivity.

In 2009 focus will be on further inventory cuts, bringing in new customers, speeding up the development process for new products as well as launching new logistics and customer service concepts.

Heavy tyre demand is estimated to start to improve slightly during the second half of 2009 resulting in a slow recovery of production and profits.

VIANOR

	4-6/09	4-6/08	Change%	1-6/09	1-6/08	Change%	2008
Net sales, m€	71.1	80.6	-11.8	111.4	127.3	-12.5	308.3
Operating result, m€	3.0	5.9	-48.9	-8.6	-4.5	-92.9	4.4
Operating result,%	4.2	7.3		-7.7	-3.5		1.4
RONA,% (rolling 12 months)				0.3	4.0		3.0

Vianor’s net sales decreased by 12.5% year-over-year in the first half, amounting to EUR 111.4 million (EUR 127.3 million). Operating result was EUR -8.6 million (EUR -4.5 million) and the operating result percentage -7.7% (-3.5%).

Vianor’s sales and operating result for the first half decreased, but Vianor’s market shares in the core markets are estimated to be the same as last year. Part of the preseason sales of winter tyres was postponed to the latter half of the year.

Vianor continued its cost adjustment measures, which included shutting down non-profitable outlets, making personnel cuts and reducing stock levels. Cash flow improved with fixed costs and stock levels decreasing. Most of the savings will be realised in the latter half of the year.

The network expansion proceeded according to plan. At the end of the review period, Vianor network comprised of 541 outlets of which 368 were partners and 173 equity-owned. Vianor operated in 16 countries; the Nordic countries, Russia, Ukraine, Kazakhstan, Armenia, the Baltic countries, the USA and Central Europe. The network grew with 21 outlets during the second quarter.

In 2009 focus will be on improving sales and market shares, maintaining tyre prices as well as implementing restructuring operations, cost-saving and procurement programmes. Expanding the partner franchise network will continue in 2009 according to earlier plans.

Car sales are estimated to increase gradually in the Nordic countries during the second half compared to the first half of 2009, which will benefit winter tyre sales and demand for tyre related services.

OTHER OPERATIONS

Truck tyres

The net sales of Nokian truck tyres were EUR 9.6 million (EUR 12.4 million), down 22.9% over the previous year. The European markets declined more than 30%. Nokian truck tyres sales were expanded to new market regions in Eastern Europe. Contract manufacturing volumes were reduced and the inventory levels cut.

The clear majority of Nokian truck tyre sales derive from winter products during the second half of the year. Sales will however be lower than in 2008. The new Nokian Hakkapeliitta Truck F launched in the first half will expand sales opportunities.

RUSSIA AND THE CIS COUNTRIES

Nokian Tyres’ sales in Russia and the CIS countries totalled EUR 71.9 million (EUR 226.3 million) in the review period. This entails a 68.3% decrease from the previous year. Sales in Russia were EUR 52.7 million (EUR 191.2 million). Sales in CIS (excluding Russia) were EUR 19.2 million (EUR 35.1 million). Nokian Tyres’ preseason sales declined due to customers’ high carry-over inventories and lack of financing. The distribution network was extended by signing additional distribution agreements and expanding the Vianor network. There were 289 Vianor franchising outlets in Russia and the other CIS countries at the end of the review period.

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 during the review period. The fully completed production process creates logistics and raw material cost savings compared to 2008. The Hakkapeliitta Village construction continued.

Russian economy has fallen into recession in 2009 with estimated real GDP growth rate of -9.6% year-over-year at the end of the review period. Actual growth rate will depend primarily on commodity prices like oil and gas. Yet, overall growth trend is estimated to continue: average GDP growth for 2008-2014 is estimated to be at roughly 4% a year. Overall, the economy seems to have adapted to the new crisis reality and, for the most part, stabilized. However, there is still uncertainty despite the partly recovered oil price.

Consumer purchasing power is estimated to be lower in 2009 but it is expected to improve from 2010 onwards. Ruble’s devaluation against major currencies has exceeded 20% from late 2008 to early 2009. Further devaluation is possible in case of falling oil prices.

Decrease of car sales continued in early 2009 (-49% in January-June). Decline of over 50% is currently forecasted for 2009 in the basic scenario with recovery starting in 2010 and gaining momentum in 2011–2012. Huge market potential has not disappeared; there is still strong underlying consumer demand. The Nokian Tyres plant located in Russia, inside the customs borders, provides a significant competitive edge on the market.

INVESTMENTS

Investments during the review period amounted to EUR 59.7 million (EUR 80.3 million). The company’s total investments in 2009 will be approximately EUR 85 million (EUR 181.2 million). EUR 50 million (EUR 121 million) will be spent on completing projects started in 2008 concerning the Russian plant’s operations and extension. The remainder comprises production investments in the Nokia plant, moulds for new products and the Vianor expansion projects.

OTHER MATTERS

1. Stock options on the NASDAQ OMX Helsinki Stock Exchange

The Board of Directors of Nokian Tyres plc resolved to apply for listing of the stock options 2007A on the NASDAQ OMX Helsinki Ltd so that the listing would commence 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 is 124,846,590 and the share capital is 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 will be 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 is 124,848,490 and the share capital is EUR 24,969,698.00.

3. Share price development

The Nokian Tyres’ share price was EUR 13.40 at the end of the review period (EUR 30.50). The average share price during the period was EUR 10.62 (EUR 27.16), the highest EUR 14.58 (EUR 33.73) and the lowest EUR 7.00 (EUR 19.04). A total of 135,454,384 shares were traded during the period (126,584,416), representing 108 % (101%) of the company's overall share capital. The company’s market value at the end of the period amounted EUR 1,673 billion (EUR 3,807 billion). The company’s percentage of Finnish shareholders was 40.2% (24.8%) and 59.8% (75.2%) were foreign shareholders registered in the nominee register. This figure includes Bridgestone's ownership of approximately 16%.

4. Decisions made at the Annual General Meeting

The Annual General Meeting of Nokian Tyres held on April 2, 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 April 7, 2009 and the payment date April 21, 2009.

4.1 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.

4.2 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.

5. 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 November 19 and December 19, 2008, as well as January 20 and March 9, 2009.

The production of Nokia plant was changed from a continuous three-shift seven-days model to a five-day (discontinued) three-shift model. As a result of the adjustments, the annual production volume of Nokian passenger car tyres at the Nokia plant will decrease from the previous 6 million to less than 4 million tyres in 2009.

In the review period the total group personnel was cut by 494 employees. Lay-offs were carried out in all business units according to the cost-cutting programme.

RISKS, UNCERTAINTY FACTORS AND DISPUTES IN THE NEAR FUTURE

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

In terms of exchange rate risks, the main risks facing Nokian Tyres in the near future are related to the development of the Russian rouble, the Ukrainian hryvnia and the Kazakhstanian tenge.

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 Ukrainian hryvnia, the US dollar, and the Swedish and Norwegian krona.

Nokian Tyres’ other risks and uncertainty factors in the near future have to do with the shortage of financing for customers in Russia and CIS, the success of sales in the key markets, the repatriation of receivables and the development of the financial markets. Special attention has been drawn to securing customer payments. Russian receivables account for around 40% of the Group’s total receivables. All overdue trade receivables have been restructured 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 2009

Uncertainty in the market is expected to continue all 2009 although underlying drivers for demand on Nokian Tyres’ core markets show signs of stabilizing. The negative changes in demand have left the market and tyre producers with carry-over inventory and receivables. At the moment the level of demand seems to have hit the bottom, stabilized and some signs of improvement can be seen.

The last six months of the year, and especially the fourth quarter, have traditionally had the biggest impact on the sales and performance of Nokian Tyres, due to the seasonal nature of operations and the high share of winter tyres. In 2009, the timing of sales is expected to revert to the traditional model with preseason winter tyre sales being done later than in 2008. The share of Russian and CIS sales in the portfolio will fall this year and is partly compensated by increased sales in North America and in Central and Eastern Europe. This will have an adverse effect on average sales prices in 2009.

The defence of profitability at Nokian Tyres will be supported by the increasing share of Russian manufacture, structural changes and the cost-cutting measures that affect all Group operations. The benefits of restructuring are gradually impacting results with full effect during the second half of the year.

Raw material costs are estimated to drop by approximately 20% during second half-year compared to the first half of 2009.

In 2009 Nokian Tyres will provide clearly stronger cash flow by reducing inventory and receivables by more than EUR 100 million and cutting investment by EUR 96 million compared with 2008.

A strong distribution, good seasonal logistics, local low cost production inside duty borders and new products will give Nokian Tyres a good chance to strengthen its market leadership in the core markets and to return to profitable growth as soon as markets start to recover.

Guidance for 2009(updated):
Market headwind will continue all 2009 but the winter tyre season, improving sales mix, restructuring and lower raw material costs are expected to improve sales and operating margin clearly during the second half compared to the first half of the year. Cash flow is expected to be significantly better than in 2008. However, the net sales and operating result for full year 2009 will be significantly lower than in 2008.

Previous guidance of May 7, 2009 was: “The first quarter of 2009 is expected to be the weakest of the year for Nokian Tyres. The company expects sales to increase clearly during the later quarters due to seasonality. However, the net sales and operating result in the second quarter and full year 2009 will be significantly lower than in 2008.”

This interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting'. Since 1.1.2009 the Group has applied amendment to the IAS 1 'Presentation of Financial Statements' affecting the disclosure of the consolidated income statement and statement of changes in equity. In addition, the Group has adopted new IFRS 8 'Operating Segments' affecting the disclosure of the notes to the consolidated financial statements. Otherwise this interim report has been prepared in accordance with the same accounting policies as in the most recent annual financial statements.

The interim report figures are unaudited.

NOKIAN TYRES
CONSOLIDATED INCOME STATEMENT

Million euros	4-6/09	4-6/08	1-6/09	1-6/08	Last 12 months	1-12/08
Net sales	191.1	284.0	346.7	530.3	897.3	1,080.9
Cost of sales	-122.0	-151.6	-224.7	-285.0	-527.9	-588.1
Gross profit	69.1	132.5	122.1	245.4	369.4	492.7
Other operating income	0.6	0.2	1.0	0.6	2.6	2.2
Selling and marketing expenses	-41.1	-48.4	-84.9	-96.3	-187.4	-198.8
Administration expenses	-6.0	-5.3	-12.7	-11.4	-28.8	-27.4
Other operating expenses	-2.4	-4.8	-7.9	-9.7	-20.0	-21.8
Operating result	20.3	74.2	17.5	128.6	135.9	247.0
Financial income	-4.0	2.9	58.3	21.9	147.6	111.1
Financial expenses	-4.3	-8.4	-81.2	-32.0	-233.5	-184.3
Result before tax	12.0	68.6	-5.3	118.4	50.0	173.8
Tax expense (1	-0.1	-14.7	6.8	-19.4	-7.6	-33.9
Result for the period	11.9	54.0	1.5	99.1	42.3	139.9
Attributable to:						
Equity holders of the parent	11.9	54.0	1.5	99.1	42.3	139.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Earnings per share from the profit attributable to equity holders of the parent						
basic, euros	0.10	0.43	0.01	0.80	0.34	1.12
diluted, euros	0.10	0.40	0.03	0.75	0.36	1.10

CONSOLIDATED OTHER COMPREHENSIVE INCOME

Million euros	4-6/09	4-6/08	1-6/09	1-6/08	1-12/08
Result for the period	11.9	54.0	1.5	99.1	139.9
Other comprehensive income,net of tax:					
Gains/Losses from hedge of net investments in foreign operations	-5.6	-1.0	-10.8	3.4	6.2
Interest rate swaps	0.0	0.0	0.0	0.2	-0.1
Translation differences on foreign operations (2	8.7	0.8	-25.3	-11.6	-46.4
Total other comprehensive income for the period, net of tax	3.1	-0.2	-36.1	-8.1	-40.3
Total comprehensive income for the period	15.0	53.7	-34.6	91.0	99.6
Total comprehensive income attributable to:					
Equity holders of the parent	15.0	53.7	-34.6	91.0	99.6
Minority interest	0.0	0.0	0.0	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'.

KEY RATIOS	30.6.09	30.6.08	31.12.08
Equity ratio, %	51.8	56.4	54.8
Gearing, %	68.0	47.3	41.0
Equity per share, euro	5.59	6.07	6.20
Interest-bearing net debt, mill. euros	474.4	358.7	319.0
Capital expenditure, mill. euros	59.7	80.3	181.2
Depreciation and amortisations, mill. euros	30.9	26.3	56.2
Personnel, average	3,650	3,736	3,812
Acquisitions and disposals of items of property, plant and equipment	52.0	70.7	150.1
Number of shares (million units)			
at the end of period	124.85	124.83	124.85
in average	124.85	124.39	124.61
in average, diluted	128.87	132.49	131.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION Million euros	30.6.09	30.6.08	31.12.08
Non-current assets			
Property, plant and equipment	508.5	463.0	499.8
Goodwill	54.0	54.7	53.9
Other intangible assets	20.0	13.7	19.0
Investments in associates	0.1	0.1	0.1
Available-for-sale financial assets	0.2	0.3	0.2
Other receivables	11.1	13.7	11.6
Deferred tax assets	30.6	22.4	20.3
Total non-current assets	624.5	567.9	604.9
Current assets			
Inventories	259.3	237.1	290.9
Trade receivables	301.8	421.4	268.4
Other receivables	136.7	92.8	143.0
Cash and cash equivalents	24.1	26.2	113.2
Total current assets	721.8	777.6	815.5
Equity			
Share capital	25.0	25.0	25.0
Share premium	155.2	155.0	155.2
Translation reserve	-89.1	-21.0	-53.0
Fair value and hedging reserves	-0.1	0.2	-0.1
Retained earnings	606.6	598.8	647.6
Minority interest	0.0	0.0	2.7
Total equity	697.6	757.8	777.3
Non-current liabilities			
Deferred tax liabilities	26.6	29.0	27.6
Provisions	1.2	0.0	1.1
Interest-bearing liabilities	301.6	252.1	394.5
Other liabilities	2.1	2.3	2.1
Total non-current liabilities	331.5	283.4	425.3
Current liabilities			
Trade and other payables	119.3	170.3	178.9
Provisions	1.1	1.1	1.1
Interest-bearing liabilities	196.9	132.8	37.8
Total current liabilities	317.3	304.3	217.8
Total assets	1,346.4	1,345.4	1,420.4

CONSOLIDATED STATEMENT OF CASH FLOWS Million euros	1-6/09	1-6/08	1-12/08
Cash flows from operating activities:			
Cash generated from operations	-46.6	-54.4	201.1
Financial items and taxes	4.2	-61.0	-182.7
Net cash from operating activities	-42.4	-115.3	18.4
Cash flows from investing activities:			
Net cash used in investing activities	-60.8	-83.7	-177.2
Cash flows from financing activities:			
Proceeds from issue of share capital	0.0	6.2	6.4
Change in current financial receivables and debt	156.0	120.5	25.1
Change in non-current financial receivables and debt	-91.6	3.1	147.5
Dividends paid	-49.9	-62.3	-62.3
Net cash from financing activities	14.4	67.5	116.7
Net change in cash and cash equivalents	-88.7	-131.5	-42.1
Cash and cash equivalents at the beginning of the period	113.2	158.1	158.1
Effect of exchange rate changes	0.4	0.3	2.8
Cash and cash equivalents at the end of the period	24.1	26.2	113.2
	-88.7	-131.5	-42.1

The effect of exchange rate changes 0.4 million euros are included in the net cash from operating activities. Year 2008 that effect was 0.3 million euros.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Million euros

	Share capital	Share premium	Translation reserve	Fair value and hedging reserves	Retained earnings	Minority interest	Total
Equity, Jan 1st 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	6.0					6.2
Share-based payments					8.5		8.5
Other changes					1.6		1.6
Total comprehensive income for the period			-8.2	0.2	99.1		91.0
Change in minority interest							0.0
Equity, Jun 30th 2008	25.0	155.0	-21.0	0.2	598.8	0.0	757.8
Equity, Jan 1st 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
Share-based payments					5.6		5.6
Other changes					1.8		1.8
Total comprehensive income for the period			-36.1	0.0	1.5		-34.6
Change in minority interest						-2.7	-2.7
Equity, Jun 30th 2009	25.0	155.2	-89.1	-0.1	606.6	0.0	697.6

SEGMENT INFORMATION

The segment information is reported according to the business segments. Segments are based on the internal profit centre organisation and financial reporting structure. The segments comprise of entities with products and services subject to marketing strategies, distribution channels, risks and returns that are different from those of other segments. They are also managed separately.

Application of IFRS 8 has not changed the reported business segments of the Group as the segment information has been based on financial reporting structure also before where the measurement principles are in accordance with IFRS standards.

Pricing of the inter-segment transactions reflect current market prices. Evaluation of profitability and decicions on resource allocation are based on operating result of each segment.

Segments are:

Passenger car tyres -profit centre develops, produces and obtains revenues from sales of summer and winter tyres for cars and vans.

Heavy tyres -profit centre obtains its revenues from tyres for forestry machinery, special tyres for agricultural machinery and industrial machinery.

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

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

Million euros	4-6/09	4-6/08	1-6/09	1-6/08	1-12/08
Net sales					
Passenger car tyres	127.6	195.6	245.0	385.7	741.6
Heavy tyres	10.2	25.5	22.7	53.4	97.7
Vianor	71.1	80.6	111.4	127.3	308.3
Other operations	5.2	7.5	9.6	12.4	33.4
Eliminations	-22.9	-25.2	-42.0	-48.5	-100.2
Total	191.1	284.0	346.7	530.3	1,080.9
Operating result					
Passenger car tyres	18.7	63.8	34.8	128.8	230.0
Heavy tyres	-1.9	5.1	-4.0	11.4	17.7
Vianor	3.0	5.9	-8.6	-4.5	4.4
Other operations	-1.2	-1.6	-3.9	-4.0	-6.4
Eliminations	1.6	1.0	-0.7	-3.1	1.2
Total	20.3	74.2	17.5	128.6	247.0
Operating result, % of net sales					
Passenger car tyres	14.7	32.6	14.2	33.4	31.0
Heavy tyres	-18.4	19.8	-17.8	21.3	18.1
Vianor	4.2	7.3	-7.7	-3.5	1.4
Total	10.6	26.1	5.1	24.2	22.8
Cash Flow II					
Passenger car tyres	-5.7	-57.1	-81.7	-101.5	-2.3
Heavy tyres	5.4	2.8	0.7	-3.8	10.6
Vianor	6.5	-4.3	-7.9	-17.2	1.4
Total	7.4	-68.8	-88.6	-146.9	9.5

CONTINGENT LIABILITIES Million euros	30.6.09	30.6.08	31.12.08
FOR OWN DEBT			
Mortgages	0.9	1.0	0.9
Pledged assets	35.2	41.8	37.4
OTHER OWN COMMITMENTS			
Guarantees	2.9	1.4	2.1
Leasing and rent commitments	111.8	103.1	104.9
Purchase commitments of property, plant and equipment	0.8	24.4	1.5

DERIVATIVES Million euros	30.6.09	30.6.08	31.12.08
INTEREST RATE DERIVATIVES			
Interest rate swaps			
Notional amount	14.2	14.7	14.4
Fair value	-0.3	0.2	-0.1
FOREIGN CURRENCY DERIVATIVES			
Currency forwards			
Notional amount	390.3	622.4	396.5
Fair value	1.3	0.4	24.4
Currency options, purchased			
Notional amount	46.7	13.0	5.0
Fair value	0.8	0.2	0.5
Currency options, written			
Notional amount	91.0	14.0	10.1
Fair value	-0.7	-0.2	-0.3

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

The fair value of forward 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 equity except for the potential ineffective portion and the time value of currency options, which are recognised in the income statement.

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

RELATED PARTY TRANSACTIONS

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

Shareholders
Bridgestone Group

	1-6/09	1-6/08	1-12/08
Sales of goods	17.5	24.2	26.7
Purchases of goods	13.7	12.4	33.5

	30.6.09	30.6.08	31.12.08
Trade and other receivables	6.6	10.9	2.5
Trade and other payables	5.8	7.6	9.5

Key management personnel	1-6/09	1-6/08	1-12/08
Total employee benefit expenses	4.0	3.8	8.7
Of which share-based payments	2.7	2.5	5.8

During January 1 - June 30, 2009, the President and other key management personnel were granted no share options (during January 1 - June 30, 2008, a total of 766,000 share options for the subscription of 766,000 shares was granted). The share option plan terms for the key management personnel are equal to the share options directed at other personnel. On June 30, 2009 the key management personnel held 1,368,153 share options for the subscription of 1,568,340 shares (1,450,300 share options for the subscription of 1,759,000 shares on June 30, 2008). Of these share options 708,153 pcs were exercisable for the subscription of 908,340 shares on June 30, 2009 (34,300 pcs exercisable for the subscription of 343,000 shares on June 30, 2008).

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

ACQUISITIONS

Acquisitions in 2009

In 2009 the Group has expanded in Vianor-chain through a minor asset deal with US-based Kingdom Ventures, Inc. on 1 February 2009. Additionally, on March 12 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 recogition of goodwill.

Specification of the cost of business combinations	
Paid in cash	3.1
Costs directly attributable to the business combinations	0.0
Total cost of the business combinations	3.1
Fair value of the net assets acquired	3.0
Goodwill	0.0

	Fair values recorded in combination	Carrying amounts before combination
Specification of acquired net assets		
Intangible assets	0.0	0.0
Property, plant and equipment	0.2	0.2
Inventories	0.1	0.1
Receivables	2.6	2.6
Cash and cash equivalents	0.0	0.0
Liabilities	0.0	0.0
Net assets acquired	3.0	3.0

Consideration paid in cash	3.1
Cash and cash equivalents in the subsidiaries acquired	0.0
Net cash outflow	3.1

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 profits is not material even if they were combined as of the beginning of the financial year.

DEFINITIONS OF CONSOLIDATED KEY FINANCIAL INDICATORS

Earnings per share, euro:
Result for the period attributable to the equity holders of the parent / Average adjusted number of shares during the period

Earnings per share (diluted), euro:
Result for the period attributable to the equity holders of the parent / Average adjusted and diluted number of shares during the period

the share options affect the dilution as the average share market price for the period exceeds the defined subscription price

Equity ratio, %:
Total equity x 100 / (Total assets - advances received)

Gearing, %:
Interest-bearing net debt x 100 / Total equity

Equity per share, euro:
Equity attributable to equity holders of the parent / Adjusted number of shares on the reporting date

Operating margin:
Operating result, % of net sales

DEFINITIONS OF SALES AREAS

Nordic countries:
Finland, Norway, Sweden.

Russia and CIS:
Russia, Armenia, Belarus, Georgia, Kazakhstan, Moldova, Ukraine.

Central and Eastern Europe:
Albania, Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, The Former Yugoslav Republic of Macedonia, Montenegro, Netherlands, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Switzerland, Turkey, United Kingdom.

North America:
Canada, USA.

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Nokian Tyres plc will publish the interim report January-June on Thursday August 6, 2009 at 8.00 am Finnish time.

The result presentation to analysts and media will be held in Helsinki at 10.00 am Finnish time. The presentation can be listened through audiocast via internet at http://www.nokiantyres.com/resultinfo2009q2

To be able to ask questions during the event you can participate in the conference call. Please dial in 5-10 minutes before the beginning of the event: +44 (0)20 7162 0025. Password: Nokian Tyres

Stock exchange release and presentation material will be available before the event from http://www.nokiantyres.com/ir-calendar
After the event the audio recording can be downloaded from the same page.

Nokian Tyres January-September 2009 result will be published on November 3, 2009. Releases and company information will be found from http://www.nokiantyres.com