Safest tyres for northern conditions

We have an innate ability to understand clients operating in northern conditions, as well as their needs and expectations. We operate in growing markets and focus on tyre products and services that offer sustainable added value to our customers in northern conditions. Our range also provides the foundation for the company’s profitable growth.

Year 2010:
Rapid return to the growth track

- Demand and sales increased strongly in all product groups in Nokian Tyres’ core markets. The Group’s net sales improved by 32.5%, and its market share increased.
- The average price of tyres rose thanks to a better sales mix and price increases, and the company enjoyed excellent profitability despite the increase in raw material cost.
- The success of the company’s main products in car magazine tests boosted the Nokian Tyres brand further.
- At year-end the order book was at a record level, and the distributors’ inventories were low.
- Increasing production capacity: Two new production lines came on stream at the Russian plant, and a decision was made to build and introduce two more lines in 2011.
- The Vianor tyre chain expanded by 148 stores to a total of 771 in 20 countries.

Key figures, IFRS

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>Change</th>
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<td>Net sales</td>
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<td>Operating profit</td>
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<td>% net sales</td>
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<td>Profit before tax</td>
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<td>% of net sales</td>
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<td>Return on capital employed, %</td>
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<td>Return on equity, %</td>
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<td>Gross investments</td>
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<tr>
<td>% of net sales</td>
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EUR, million

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<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>Change</th>
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<tr>
<td>Cash flow from operations</td>
<td>327.2</td>
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<tr>
<td>Earnings/share, EUR</td>
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<td>Cash flow per share (CFPS), EUR</td>
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<td>Shareholders equity per share, EUR</td>
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<td>Equity ratio, %</td>
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<tr>
<td>Personnel, average during the year</td>
<td>3,338</td>
<td>3,503</td>
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</table>
Comprehensive solutions for demanding conditions

Nokian Tyres is the only tyre manufacturer in the world that focuses on products and services that facilitate safe transportation in northern conditions. The company’s innovative passenger car, truck and heavy-duty machinery tyres are mainly marketed in areas that have snow, forest and changing seasons that make driving conditions demanding. Nokian Tyres develops its products, aiming at sustainable safety and environmental friendliness throughout the life cycle of the product.

Nokian Hakkapeliitta is a leading winter tyre brand in the Nordic countries and Russia. The image of quality, as well as market and price leadership combined with a strong distribution network and logistical competence, are some of Nokian Tyres’ key competitive advantages.

The products are mainly sold in the replacement market. The Group includes the Vianor tyre chain, which engages in retail and wholesale in Nokian Tyres’ main markets. The company has its own plants in Nokia, Finland, and in Vsevolozhsk, Russia. From 2005 to 2010, it invested over EUR 600 million in the plants that represent the absolute top in the field in terms of productivity and quality.

The company reported net sales in excess of EUR 1 billion in 2010 and had around 3,500 employees at the end of the year. Nokian Tyres plc’s shares are quoted on NASDAQ OMX in Helsinki.

The world’s most successful winter tyre – Hakkapeliitta 75 years

This year marks the 75th anniversary of the first Hakkapeliitta winter tyre, introduced in early spring 1936. Today, Nokian Hakkapeliitta is an established concept all around the world in areas familiar with winter. Development of the tyre, designed for the world’s most demanding winter conditions, aims to create a front-runner in safety. The unique innovations of the legendary Hakkapeliitta family have ensured it top positions in car magazine tests year after year and decade after decade.

Successful car magazine tests are only one of the ways in which the Hakkapeliitta anniversary will show in Nokian Tyres’ activities this year. Hakkapedia, a new traffic safety forum, serves all motorists online and through smartphones, providing information about traffic interruptions, including roadwork, accidents and users’ own observations. Hakkapedia also enables the reporting of issues interfering with traffic safety. Team Hakka, consisting of Nokian Tyres employees, chooses one of these issues every month for the team to fix. This type of Hakkapeliitta action will take place monthly until the end of 2011.

For more details about the fascinating story of the Hakkapeliitta tyres, see our website: http://www.nokiantyres.com/first-winter-tyres
One of the main achievements, in terms of our future, was yet again the excellent success of our products in car magazine tests. Independent reviews testifying to the superiority of our tyres in northern conditions put us in a good position to continue as a market and price leader in the future.
Dear reader,

Nokian Tyres’ demand, sales and profitability saw a clear positive turn in 2010. In the Nordic countries and Russia, which form the company’s core markets, GDP began to increase and customer confidence improved, leading to rapid growth in our order intake in the second quarter. The distributors’ winter tyre inventories were low after a winter with heavy snowfall, and in the latter part of the year demand momentarily exceeded our supply capacity. In addition to the performance in our core markets, we were delighted by the strong growth seen in the sales and profitability of our Central and Eastern European operations. Our net sales rose by one-third in annual terms, and our market share increased in the main market areas.

We increased production utilization throughout the year, our capacity being in full use at the end of 2010. Production lines 7 and 8 came online at the Russian plant, and our annual production volumes rose by 40%. The structural changes carried out in 2009 and the enhanced utilisation of capacity led to clearly improved productivity at both plants. The unit-specific production cost decreased from the previous year due to higher production volumes and the increase in the share of Russian manufacture.

During the second quarter, we carried out price increases in all product groups in order to compensate for higher raw material costs. An improved sales mix and exchange rate changes in the core markets helped to raise the average price by 5% year-over-year. Our profitability improved notably, with fixed costs increasing moderately compared to sales growth. Our cash flow was record high and our balance sheet is strong. All in all, I am relatively satisfied with the company’s financial performance in 2010.

Our distribution channel continued to expand in the Nordic countries, Russia and the CIS countries, as well as in Central Europe. Having launched 148 new stores in 2010, Vianor now has a total of 771 stores in 20 countries. Vianor will continue to play an important role in the implementation of Nokian Tyres’ strategy in the coming years.

One of the main achievements, in terms of our future, was yet again the excellent success of our products in car magazine tests. Independent reviews testifying to the superiority of our tyres in northern conditions put us in a good position to continue as a market and price leader in the future.

At the end of the year, our order intake was record high and tyre stocks were low throughout the distribution channel. This gives us a good opportunity to once again increase sales more selectively. We have already decided to install and introduce the next two production lines at our Russian plant this year. Moreover, we will analyse alternative ways to further increase our capacity in production and distribution. We will also continue to launch new products, raise prices and improve our sales mix to compensate for the rise in raw material costs.

I would like to thank our customers, personnel and other stakeholders who have helped us make the past year a success. It has been great to see how the return to a growth track and development projects have inspired people and boosted all our operations. We are committed to jointly making this year and the coming years even better than the past one.

Kim Gran

Profitable growth back on track
Focus Strategy

Nokia N Tyres plc 2010

6

STRATEGY

1. Northern conditions

Nokian Tyres is the only tyre manufacturer in the world to focus on solutions and products that meet the special needs of customers in Northern conditions. Products are marketed in all countries with Northern conditions – that is, everywhere where there is snow, forests and demanding conditions caused by changing seasons.

Nokian Tyres’ focus strategy is supported by:

Investments in product development, production, distribution and logistics

Product development is guided by a philosophy of sustainable safety, which entails the continued renewal of the product range with the objective of always being able to provide customers with value-added innovations.

- Own production concentrates on high-margin core products.
- New products should represent at least 25% of net sales annually.
- Consistent investment in continued improvement of quality, productivity and logistics.
- Distribution is developed by expanding the Vianor network and streamlining the processes.

Open and participatory corporate culture

A basic factor behind Nokian Tyres’ success is the continuous process of personnel development, which is supported by an open and participatory corporate culture. The corporate culture aims to create a highly motivated working community that promotes the success of individuals and the company.

2. Narrow product segments

By focusing on products designed for northern conditions, Nokian Tyres has developed special competence that delivers added value in other narrow special product segments. Core products include passenger car winter tyres and forestry tyres. The objective is to have the highest customer satisfaction in the core products globally. Other special products include light truck and SUV tyres as well as harbour and mining machinery tyres.

3. Replacement markets

All Nokian-branded passenger car tyres and approximately 60% of heavy tyres are sold to users in replacement markets through special tyre outlets, car dealers and other companies engaged in the tyre trade.

Key strategic objectives into 2015

Market leadership in the Nordic countries
The key objective is to be the Nordic market leader as a tyre manufacturer and tyre distributor. Best customer service and highest customer loyalty in the home market.

Market leadership in premium tyres in Russia and other CIS countries
The objective is to be the leading tyre manufacturer and tyre distributor of the premium car tyres in Russia and CIS countries and among the top suppliers of special heavy tyres.

Globally strong position in core products
The niche strategy is geared towards building a significant global position in narrow, growing product segments.

Key objectives 2011–2012

Growth in Nokian Tyres’ core markets is expected to be stronger than the global market growth in 2011–2012. The target of Nokian Tyres is to continue to outperform competition in terms of growth and profitability and to further improve market position.
Values that guide and support the strategy

Our company culture is called the Hakkapeliitta Spirit which includes the following values:

**Entrepreneurship**
= The will to win

We thirst for profit, we are quick and brave. We set ambitious objectives and perform our work with persistence and perseverance. We are dynamic and punctual, and we always make customer satisfaction our first priority.

**Inventiveness**
= The will to survive

We have the skill to survive and excel, even in the most challenging circumstances. Our competence is based on creativity and inquisitiveness, and the nerve to question the status quo. We are driven by a will to learn, develop and create something new.

**Team spirit**
= The will to fight

We work in an atmosphere of genuine joy and action. We work as a team, relying on each other and supporting each other, offering constructive feedback when needed. We embrace differences, and we also encourage our team members to individually pursue winning performances.

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**Targets revealing the company values**

**Customer satisfaction**

We have the industry’s highest customer satisfaction rate in the Nordic countries, Russia and CIS countries, and the highest satisfaction rate in our core products globally. All our activities are geared to support the customer service personnel.

**Personnel satisfaction**

Nokian Tyres is a respected and attractive workplace. Our personnel are highly skilled and motivated. Our activities are characterised by our desire to continuously develop our personal skills as well as the company.

**Shareholder satisfaction**

We are the most profitable tyre manufacturer and tyre distributor in the industry. Our consistently good performance translates into good share price development and dividend policy.

**The best processes in the business**

Our key processes and our business network are efficient and represent the cutting edge in the industry. We uphold the principles of the responsible citizen in all of our activities.

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**Nokian Tyres’ success factors**

- Focus on expertise in Northern conditions
- Own specialised R & D and unique winter testing programme
- Focus on replacement markets, growing market areas and product segments
- Share of value added products more than 90% of own production and sales
- Production of core products in own state-of-the-art factories
- Rapidly renewing product range and innovative products
- Car winter tyre range most extensive in the world
- Skilled personnel and Hakkapeliitta culture
- Strong reputation and brand
- Own strong distribution channel in key markets
- Efficient logistics and seasonal management
- Direct contact with end users
- Special know-how in Russian and CIS markets
Clear growth in the tyre industry in 2010

The global economy continued to pick up in 2010, supported by low interest rates. The GDP in Nokian Tyres’ core markets rose on average by 3–4 % and consumer confidence improved. New car sales increased, both in the Nordic countries and Russia by more than 30% year-over-year.

Passenger car tyre sales in replacement market rose by 10% in the Nordic countries and by 8% in Europe. In Russia, tyre deliveries increased by some 35%. Two consecutive snowy winters in Europe and Russia reduced stocks and boosted winter tyre demand and sales. The capacity cuts carried out in the industry in 2009 and the rapid recovery of demand in spring 2010 led to production running at full capacity at the end of the year and many products being in short supply.

The demand for special heavy tyres continued to rise, following notable growth in the manufacture of forestry and mining machinery. In the replacement market, tyres for other special machinery, such as material handling and agricultural machines, also enjoyed increasing demand. Growth was boosted by higher demand and prices of pulp, sawmill products, metal and food raw materials.

The transportation sector’s recovery boosted the demand for truck tyres in the original equipment installation market and caused some tyre shortages in the replacement market.

Raw material prices rose considerably in 2009 and 2010, with the price of natural rubber more than tripling in the period. Oil-based raw material prices also clearly increased, and some materials were scarce. Tyre manufacturers announced successive price increases to compensate for the rising raw material costs.
Facts about tyre industry operations

Global sales of passenger car tyres were around USD 127 billion in 2009. The markets are growing at an annual rate of 2–4%. The strongest growth is registered in winter tyres, high-speed summer tyres and SUV tyres. Consumer sales of passenger car tyres are mainly affected by the sales volumes of new cars and by general consumer confidence. As for winter tyres, the weather also plays a role: the wintrier and slipperier the conditions, the greater the need for new winter tyres. Tyre manufacturers’ sales to distributors are also influenced by the distributors’ carry-over tyre stocks and by the price of financing.

The demand for heavy tyres and truck tyres is cyclical, mirroring the business trends in machinery manufacture and the general interest of companies to make investments.

Seasonal logistics

Nokian Tyres’ core markets are characterised by strongly seasonal passenger car tyre sales. Most consumers buy their summer tyres during the few weeks around Easter. Winter tyre consumer sales take place from September to November, depending on the winter, and some 30% of winter tyres are sold in the ten days after the first snowfall. This poses big challenges to the production and delivery capacity, underlining the key part played by an extensive distribution network and efficient logistics and IT systems.

Tyre manufacturers aim to presell products with long payment terms to the delivery chain to ensure as high availability as possible for their own products at the beginning of the season and to be able to focus on replenishment deliveries during the season. What makes this challenging is forecasting sales and production months in advance, with typically over a thousand different combinations of tyre models and sizes.

Dealers typically sell more than one tyre brand. In order to succeed, tyre manufacturers must ensure regional scope but also guide dealers’ product policies, since the nature of the industry is that retailers can greatly influence end users’ tyre choices.

Profitability based on cost-effectiveness and pricing power

Since the fixed costs of tyre manufacture are high, profitability essentially depends on making optimal use of the entire production capacity with as few interruptions as possible. Continued profitability growth, achieved through investments and process development, is also critical to the success of tyre makers. While wage and energy expenses vary depending on the country, raw material prices are nearly the same around the world.

In the tyre industry, the country’s market leader is usually the price leader as well. Pricing power is boosted by the strong brand, product reputation, as well as good results in impartial tyre tests conducted by the car magazines.

Nokian Tyres, strong in its core market

Steady foothold in the Nordic countries

Finland, Sweden and Norway accounted for some 45% of the net sales of Nokian passenger car tyres in 2010. The company is the market and price leader in the Nordic countries. Annual sales in these countries total some 10 million tyres for passenger cars and vans, 6 million of which are winter tyres. The markets usually grow around 1–3% a year, and there are around 80 competing brands. The countries also have legislation that requires winter tyres to be used during the winter months.

Growth in Russia

Nokian Tyres is the market leader and the biggest manufacturer of premium tyres in Russia. The company’s plant, located near St. Petersburg and equipped with the latest technology, came online in spring 2005. Thanks to low labour, raw material and energy costs, tyre manufacture is much more economical in Russia than in Finland and other Western European countries. Running operations in Russia also ensures that the company is allowed tax concessions and avoids import duties, which gives it a great advantage over its main competitors.

In 2010, the share of Russia and the CIS countries rose to 21% of the net sales of Nokian Tyres. The company aims to further strengthen its market leadership in premium winter tyres and increase its market share in summer tyres. The country has no winter tyre legislation, but the climate conditions in Nokian Tyres’ operating region require the use of winter tyres during the winter months.

Central Europe, another growth area

Nokian Tyres customises its tyres to meet the needs of consumers in different market areas. With tyre markets continuously expanding and winter tyre legislation becoming more common, Central Europe has become one of Nokian Tyres’ most important growth areas. The friction tyres designed for Central and Eastern European winter conditions, as well as the summer tyres offered in the region, differ considerably from the products sold in the company’s core markets. The versatile winter tyre range also includes many different types of SUV and light truck tyres, as well as run-flat products.

Outside its main markets, Nokian Tyres also focuses on countries where it can benefit from its special skills in northern conditions. These areas include the Alpine region and North America.
Nokian Passenger Car Tyres

Sales and productivity improved clearly

The profit centre develops, manufactures and markets summer and winter tyres for passenger cars, vans and SUVs. Key products include studded and non-studded winter tyres, as well as high-speed summer tyres. Winter tyres usually account nearly 80% of the unit’s net sales. The Nordic countries, Russia and the CIS countries are the core markets, while Central and Eastern Europe, the Alpine region and North America constitute other important market areas.

All tyres are developed in Finland. The main products are manufactured in the company’s own plants in Nokia, Finland, and Vsevolozhsk, Russia and are sold on replacement markets. The company’s spearhead product, the Nokian Hakkapeliitta 7, is a studded winter tyre for northern conditions that once again finished on top in virtually all winter tyre tests conducted by Nordic and Russian car magazines in 2010.

In 2010, Nokian passenger car tyres’ sales grew by more than 35%, half of it generated by Russian winter tyre sales. Sales were also at a record high in the Nordic countries, as well as in Central and Eastern Europe. Nokian Tyres increased its market share in all of these sales regions. Winter tyres raised their share of the sales mix to 76% of the overall volume.

Prices were raised in all product groups to compensate for higher raw material cost. A better sales mix and exchange rate changes in the core markets also helped to raise the average price by 5%. Owing to lower inventories, investments and trade receivables, the cash flow and working capital rotation notably improved year-over-year.

The launch of two new production lines (7 and 8) in Russia was the main reason for the 40% increase in production volumes. The structural changes carried out in 2009 and the enhanced utilisation of capacity led to clearly improved productivity at both plants. The company has decided to construct two new production lines (9 and 10) at the Russian plant in 2011.

At the end of 2010, the order book and weekly production volumes of passenger car tyres were at a record high.
The Vianor tyre chain is the biggest and most extensive in its field in the Nordic countries, Russia and the CIS. At the end of 2010, the chain comprised 771 stores in 20 countries in Nokian Tyres’ core markets. Nokian Tyres owns 169 Vianor stores, while the rest operate on a franchising or partnership principle.

Vianor tyre chain sells passenger car, van and truck tyres, as well as heavy tyres. In addition to the Nokian brand, Vianor sells other leading tyre brands and a variety of automotive products, such as rims, batteries, and shock absorbers. Vianor’s services include tyre changes and fitting, as well as oil changes, car service and tyre hotels, depending on the store. The goal is to make service sales a key part of Vianor’s growth and profitability.

In 2010, the sales of Vianor’s own stores developed positively in all customer and product groups, with the biggest improvements seen in the winter and truck tyre segments. Vianor’s market shares rose year-over-year in its core markets. Profitability was boosted by clear growth in service sales.

Vianor spearheading Nokian Tyres’ growth strategy

The Vianor tyre chain spearheads the Group’s growth in markets that are strategically important to Nokian Tyres. Vianor is the leading tyre chain in the regions where it operates, building a foundation for permanent market shares for the Group’s products. In its own tyre store network, Vianor’s key objective is to maximise the sales of Nokian-branded tyres, to maintain the target price level, and to develop service concepts and processes.

The Vianor concept offers several business-friendly services to entrepreneurs in the partner network: strong brands, training and technical support. Nokian Tyres provides Vianor outlets with support for advertising and sales promotion and guarantee fast deliveries to them, especially in the peak season.

Co-operation between Vianor and Nokian Tyres’ manufacturing offers synergy benefits. Advanced data systems improve design, monitoring and reporting. Vianor offers Nokian Tyres a direct communication channel to the end user and provides valuable information for service development.
Nokian Heavy Tyres manufactures high-quality special tyres. The key product groups are forestry tyres, harbour and mining tyres, special agricultural tyres and a variety of industrial tyres. The majority of the products are manufactured at the plant in Nokia, Finland. The uniqueness of the products arise from familiarity with extreme driving conditions and respect for nature. Key markets include the Nordic countries, as well as Central and Southern Europe, the USA and Canada, Russia and the CIS countries. Nokian Heavy Tyres is known for its professional, flexible customer service – the best in its field.

Nokian Heavy Tyres is the global market leader in CTL (cut-to-length) forestry tyres. The company engages in close co-operation with machine and equipment manufacturers. Original Equipment tyre sales account for more than 40% of the unit’s net sales.

Year of growth in 2010

Demand for heavy tyres continued to grow at an accelerated pace in 2010. Nokian Heavy Tyres’ sales improved in all special use product groups, with forestry tyres showing strongest growth. Production capacity was boosted through investments and new shift arrangements. The production volume doubled in 2010 versus 2009, but there was still temporary short supply of Nokian heavy tyres during the latter half of the year. Capacity ramp-up will improve output, productivity and customer service in 2011. By the end of 2010, the plant in Nokia was running its heavy-tyre weekly manufacture at full capacity.

Nokian Heavy Tyres successfully developed its distribution network. New distributor contracts and 22 new Vianor industrial stores in the Nordic countries were established to meet the increasing customer demand for technical services.

The Beyond All-Steel technology, a result of persistent product development, features a unique combination of the best features of traditional cross-ply and radial tyres. The products have supreme stability, excellent durability and low rolling resistance. The new technology further strengthens the position of Nokian Heavy Tyres as a manufacturer of quality products.

World leader in forestry tyres

Nokian Heavy Tyres has a global market share of around 30% in forestry tyres. The company has designed special tyres for forestry machines deploying the CTL (cut-to-length) method invented in the Nordic countries in the 1960s, and it is the global market leader in this field. The company has the benefit of being closely located to the world’s leading machine and equipment manufacturers, with which it co-operates closely in the field of product development and testing. The customers of Nokian Heavy Tyres appreciate tyres that are functional and economical overall. For them, economic hourly usage costs of tyres and machines are more important than low acquisition prices.
Nokian Truck Tyres

Rising star in recovering markets

Nokian Truck Tyres focuses on tyres and retreading materials for demanding conditions. High-quality truck tyres are developed in Finland and manufactured as off-take contract manufacturing in plants whose level of quality satisfies the tough requirements of Nokian Tyres. Retreading materials, which are mainly used in truck tyres and tyres for industrial machinery, are manufactured at the plant in Nokia, Finland. Winter treads for truck tyres are the key retreading products. The core markets lie in the Nordic countries, while the biggest growth opportunities are found in Russia, other CIS countries, as well as Central and Eastern Europe.

Nokian truck tyres and Nokian Noktop retreading materials are designed for demanding professional use and changing conditions. Products are designed for and tested in demanding northern conditions, for example, at the Ivalo test centre in northern Finland. New products, such as the Nokian Hakkapeliitta Truck product family, further improve the first-rate winter tyre selection.

Successful product development benefits from close and confidential co-operation with transport operators and companies. Tyres – both new and retreaded – must perform reliably, be durable and ensure excellent grip. A low rolling resistance reduces fuel consumption, which is particularly important in professional driving.

In 2010, the net sales of Nokian Truck Tyres increased by more than 40%. An improved product range in both premium and standard segments boosted the market share in the Nordic countries, Russia, as well as in Central and Eastern Europe. A higher utilisation rate of transport fleets and the restocking carried out by customers also increased retreading sales.

Higher sales, increases in tyre prices and well-timed purchases raised the profitability of Nokian Truck Tyres to a record level in 2010. The expansion in Russia, the CIS countries and Eastern Europe, based on the Vianor Truck service concept, is an ongoing process.
SALES AND DISTRIBUTION

Nokian Tyres has four core market areas: the Nordic countries, Russia and other CIS countries, North America, and Central and Eastern Europe.

The main sales countries are served by the Group’s own sales company or a representative with its own sales organisation. Nokian Tyres’ dealers are strong players, who are often involved in tyre retail as well. Since Nokian-branded tyre sales are of great importance to their business, the dealers are willing and well prepared to support and build the Nokian brand. The Vianor tyre chain plays an important and growing role in the sales of Nokian-branded tyres, with a considerable part of the Group’s sales handled through Vianor stores.

Nokian Tyres provides its dealers with a strong brand and innovative, continuously renewed, first-rate products, whose sales are profitable business for dealers. Enhanced customer service in peak seasons and the use of Vianor chain for deliveries ensure that dealers get the tyres they need even in the busiest weeks of the season when demand is at its highest.

Jointly designed service concepts

Nokian Tyres carries out close and versatile co-operation with its dealers. The company’s strength lies in its flat sales organisation and its ability to quickly react to customer needs and changes in the market. The sales organisation assigns a dedicated contact person to each customer. The jointly and confidentially prepared annual sales and marketing plans include shared sales targets and any actions to be taken, along with their schedules. The parties are united by a strong sense of belonging to the Hakkapeliitta family.

Nokian Heavy Tyres operates selectively on the original equipment market and engages in close R&D co-operation with machine and equipment manufacturers. Long-term cooperation has provided customer service and logistics with unique insight into customer needs and wishes. In recent years, the company has developed comprehensive, customised service concepts, such as “Vianor industrial” stores that specialise in heavy tyres, complete tyre-rim packages, targeted deliveries and electronic order systems.

Promoting safety

What I definitely like best about my job is that the product I represent offers real value to customers. There’s no need to come up with captivating stories to support marketing or to stretch the truth. Instead, I can look a customer in the eye and promise them that they will not regret this purchase decision.

Driving conditions in Vermont are much the same as in Finland, but we sometimes experience even bigger changes in temperature. A freezing day may be followed by rain, and the next day the roads have once again frozen over. We have to deal with some very demanding conditions, so drivers have no trouble understanding the importance of good tyres.

Whenever I sell a new set of tyres, I know I’ve promoted people’s safety on the road. What I also value very highly is that the design and manufacture of our products shows great respect for the environment. Especially younger customers appreciate – and even demand – the opportunity to choose the kind of tyre print they leave on the environment.

Watch the video: www.nokiantyres.com/annualreport2010
Sustainable safety

Nokian Tyres’ thorough and goal-oriented product development work provides customers and consumers with safe, top-quality products for demanding conditions, innovative solutions and services, as well as continuous renewal. The main task of R&D is to support the company’s status as the manufacturer of the world’s best winter and special heavy tyres. Development is guided by the principle of sustainable safety: the tyre must retain its safety features nearly intact throughout its service life.

Nokian Tyres frequently renews its product range: new products account for at least 25% of the annual net sales. New products enable the company to strengthen its position and maintain its target prices and margins in stiff competition. Nokian Tyres makes considerable inputs into R&D and adds many new products to its range every year. Around half of the R&D inputs are used for product testing. The development of a brand-new passenger car tyre takes two to four years.

Environmental friendliness and low running costs

Nokian Hakkapeliitta tyres have achieved several victories in independent winter tyre tests over the years. Hakkapeliitta tyres have done particularly well in snow and ice grip, the main elements of good winter safety.

In addition to top-rate safety features, tyres are expected to be economical and silent. Development work continuously aims to reduce rolling resistance. Tyres with a low rolling resistance can save up to 0.5 litres of fuel per one hundred kilometres and thus reduce the amount of harmful emissions. Silent tyres do not strain the environment with loud noise, or the driver with inside noise.

The company has acted as a bold front-runner in environmental friendliness by being the first tyre manufacturer in the world to introduce tyres that are made using only purified, low-aromatic oils.

Superior testing competence

Intensive testing in real winter conditions, as well as understanding the winter and all the elements and features of a tyre, comes naturally for Nokian Tyres. The company’s own 700-hectare test centre in Ivalo, Lapland, focuses on demanding winter testing from October to May. Thanks to state-of-the-art equipment, versatile tests, as well as professional R&D teams and test drivers, tests in Ivalo cover every possible extreme situation in winter driving. Thorough testing in the Finnish Lapland is what makes Nokian Tyres the world-leading expert in northern conditions.

The test track in Nokia is used from the spring until late autumn. The continuously developing, 30-hectare test centre offers unique surroundings, for example, for slush planing tests, which Nokian Tyres, as the first company in the world, introduced in 1996. In addition, tyres are also tested abroad in order to gain comprehensive results. The grip limits are stretched and crossed in order to achieve the key goal of development: safety.

Tyres are also tested and extreme situations simulated in indoor testing machines, which are used to measure the structural durability and speed endurance of tyres. The flawlessness of tyres is monitored with regularly repeated tests that ensure the products’ quality and technical reliability.
Nanotechnology and commitment

The development of modern materials is a challenging combination of chemistry and physics, interaction and co-operation, dedication and commitment. We sometimes actually need to “overturn” the laws of physics in order to optimise the best qualities of tyres.

I bet it comes as a surprise to many that a car tyre incorporates high technology and over one hundred raw materials; nanotechnology and advanced materials, each of which has its own specific duty to perform.

One of the high points of my own development team is the Nokian Hakkapeliitta 7 studded tyre, a multiple test winner, along with its tread compound, which integrates silica, canola oil and Cryo silane linking the first two. This world-class invention maximises ice grip. Canola oil provides tear resistance and elasticity in freezing conditions, enabling us to guarantee that the winter tyre remains flexible and soft and that it has first-rate grip.

Looking into the future, I am ready to bet on at least one thing: appreciation for environmental values will continue to rise steadily. We will see oil-based materials being replaced with vegetable-based materials and the real breakthrough of nanotechnology enabling the manufacture of increasingly durable and ever more lightly rolling tyres.

I’m pretty sure that tyres will still be round in 2050, but whether they are black, well, that remains to be seen. They will cause less environmental load and will contain technology that guides and assists drivers.

» Watch the video: www.nokiantyres.com/annualreport2010
New products, inventions that make life easier, high technology

Nokian Hakka Green
Naturally safe

The ultra-lightly rolling new tyre utilises the Venturi effect, which causes the downforce familiar from Formula racing cars, the surface shape of a golf ball, as well as Nordic pine oil. Designed for northern conditions, the superior new-generation product is extremely stable and safe and performs superbly in wet conditions. If all Nordic motorists (in Finland, Sweden and Norway) used Nokian Hakka Green tyres, estimated annual fuel savings would be over 390 million litres. Carbon dioxide emissions would decrease by some 960,000 tonnes.

» Watch the video: www.nokiantyres.com/annualreport2010

Nokian Hakkapeliitta 7 SUV
Firm grip and excellent durability

The sturdy new tyre delivers unparalleled performance in all northern winter conditions. Developed for demanding SUV use, the winter product combines reliable grip with exceptional durability and unique driving comfort. Air Claw Technology ensures firm grip and soft road contact.

Nokian HTS Straddle
Superior stability for straddle carriers

With its unique structure, Nokian HTS Straddle combines unyielding stability and excellent wear resistance for straddle carriers labouring in ports and goods terminals. The exceedingly sturdy Beyond All-Steel structure maximises the stiffness of the body, which enables optimal use of the load-bearing capacity of the nimble, quick straddle carrier.
Groove depth indicator – Patented safety

The DSI (Driving Safety Indicator) patented by Nokian Tyres is a standard feature in all Nokian brand tyres. The numbers in the tyre’s centre tread indicate the depth of the main grooves in millimetres. Winter tyres additionally include a snowflake symbol, known as the WSI (Winter Safety Indicator), which alerts to changes in wintertime safety features. When the symbol wears out, it is time to get a new set of winter tyres. For winter driving to be safe, the groove depth must be at least 4 mm. The corresponding symbol in summer tyres, the droplet, disappears when the groove depth drops under 4 mm, drawing attention to an increased risk of aquaplaning.

Air Claw Technology – Superior comfort

This innovation, formed by a multi-edged, sturdy anchor stud and droplet-shaped air shock absorbers on the front edge of the Hakkapeliitta 7 tread blocks, offers drivers superior driving comfort and safety. It is comparable to good running shoes: the air shock absorbers soften and absorb the impact of the studs on the road. Air Claw Technology also reduces road wear and tear, reduces tyre noise and improves the durability of studs.

Hakka Green Silica and pine oil – Skilful integration of safety and environmental friendliness

The unique Hakka Green Silica tread compound, adapted to variable northern conditions, ensures good wet grip at all temperatures. The pine oil added to the full-silica compound effectively lowers the temperature of the rubber compound by reducing the friction caused by intermolecular movement. Thanks to the high-tech rubber compound, the durable tyre rolls lightly in difficult conditions, consumes less fuel and minimises emissions harmful to the environment.

Beyond All-Steel – Challenger to All-Steel special tyres

Better stability, more service hours, enhanced safety. The revolutionary Beyond All-Steel Radial technology features a unique combination of the best features of the traditional cross-ply and radial tyres: supreme stability, excellent durability and a low rolling resistance. State-of-the-art technology combined with advanced and extremely durable materials enable unforeseen structural solutions. The future technology will revolutionise the properties of heavy-duty machinery tyres. For the operator, this means higher efficiency, reliability of use and lower fuel costs, and for the driver, increased driving comfort.

Nokian Forest King F and Nokian Forest Rider – The world’s strongest forestry tyres

The Nokian Forest King F, the sturdy new product introduced by the frontrunner in forestry tyres, offers the best available reliability and load-bearing capacity for modern harvesters and forwarders. The higher load-bearing capacity of the environmentally friendly special tyres enables an additional load of some four cubic metres. The Nokian Forest King F and the Nokian Forest Rider, the latter offering superior traction and driving comfort, form the world’s strongest duo of forestry tyres.
Top quality and efficiency

Nokian Tyres’ two own production plants are located in Nokia, Finland and in Vsevolozhsk near St. Petersburg, Russia.

In connection with the Head office, the Nokia plant manufactures passenger car tyres, heavy tyres and truck tyre treads. Product development and the manufacture of prototypes and test batches happen centrally in Nokia. The annual production capacity of the Nokia plant at the end of 2010 was around 5 million passenger car tyres and 15 thousand tonnes of heavy tyres. The products are delivered mainly to western markets.

The ultra-modern plant in Vsevolozhsk was brought into use in 2005. Its capacity at the end of 2010 was around 8 million passenger car tyres (number corrected on 18 March 2011). Tyres from Vsevolozhsk are sent to over 20 countries, and Nokian Tyres is the largest exporter of consumer goods in Russia. The plant is still being expanded, it has been decided to install production lines 9 and 10 and take them into use during 2011.

The production costs of tyres are clearly lower in Russia than in Finland and other western countries. Production in Russia has been supported by tax relief based on the amount of investment and the location of the factory within customs barriers (in Russia, imported tyres have a customs duty of 20%).

In addition to its own production facilities, the company has contract manufacturing in companies whose quality level meets Nokian Tyres’ high requirements. The share of contract manufacturing in manufacturing operations sales in 2010 was around 6%.
Ysevolozhsk, Russia
Responsible development with respect for the environment

The key values Nokian Tyres pursues in its operations are promoting safety, showing respect for the environment, fostering well-being and ensuring high quality. Responsibility translates into safe and environmentally friendly products, the most advanced production processes in the industry, and personnel safety and well-being. Environmental protection efforts are based on the life cycle approach: the company bears responsibility for the environmental impact of its products and operations throughout their life cycle.

The EHSQ management system employed at Nokian Tyres covers environmental management, personnel and property protection, as well as quality management. The objective of the system is to prevent accidents in all areas of operations and to ensure uninterrupted production. The development of operations relies on the best possible practices and advanced solutions, and takes account of human values in addition to financial considerations.

Measures promoting safety include risk management, continuous process development and new investments. The plant in Nokia, Finland, is certified for compliance with the EU’s EMAS (Eco management and Audit Scheme) regulation. Furthermore, the plants in Nokia and in Vsevolozhsk, Russia, are certified for compliance with the international ISO 14001 environmental standard and the ISO 9001 quality standard.

At the Nokia plant, the utilisation rate for all types of waste was over 95%. Meanwhile, waste management development efforts at the Russian plant continue in co-operation with a local recycling provider. Accident frequency and absences due to illness decreased notably in both plants in 2010. The Nokia plant organised exit drills, and during the energy-saving week, employees were offered energy-saving tips and training in economical driving.

Trailblazer today and tomorrow

Nokian Tyres emphasises the environmental friendliness of its products and processes. In 2010, its safety and environmental management efforts focused on boosting EHSQ co-operation between units to ensure that the needs of all sites can be taken into account as early as in the planning phase. Towards the end of the year, Nokian Tyres launched a project to determine the carbon dioxide footprint of tyres. The goal is to calculate the carbon dioxide emissions generated by tyres, starting with raw material procurement and ending with disposal.

Thanks to its sustained development efforts in safety and environmental issues, Nokian Tyres can be considered a frontrunner in the tyre industry. It was the world’s first tyre manufacturer to discontinue the use of high-aromatic oils in rubber compounds back in 2005, and its example has helped to speed up the adoption of purified, low-aromatic oils in tyre manufacture in Europe. The import and sales of tyres containing HA oils has been prohibited in the European Union as of the beginning of 2010.

The tyres manufactured by Nokian Tyres represent the cutting edge in terms of safety and environmental impacts during use, as proven in a number of independent comparison tests. The Nokian Tyres environmental report published in spring 2010 extensively discusses the Group’s environmental and safety management policy, as well as social responsibility issues.

Nokian Tyres is committed to responding to the challenges brought about by climate change. The company will make every effort in its product development and manufacture to fight climate change while not, however, compromising tyre safety.

Understanding our environment

Environmentally friendly thinking means efficient production processes and safe, more environmentally friendly products. Protecting and respecting the environment in one’s own operations is a valuable and important choice, but it must also translate into reality.

In my opinion, an excellent example is our forestry tyres that are gentle on the forest terrain and comprehensively take the sensitive environment into consideration. Contractors who make their living from the soil or forest value the environmental friendliness and cost efficiency of tyres in terms of how they treat the terrain. It is not only about efficient harvesting but about the future of our forests.

Individual actions, invisible as such, often have a multiple impact on the end result. Many small steps result in big things. It feels really good to work in a company that pays attention to the environment not only because statutory regulations require it to do so. We have been active and taken initiative in this field for many years.
Professional and satisfied personnel in key role

At Nokian Tyres, everyone has opportunities for professional growth, development and career moves. The staff’s activity, initiative and internal entrepreneurship provide good support for developing the Group’s competence and strategy. The company considers competence development to be a long-term activity that foresees future needs.

Nokian Tyres emphasises the development of staff competence by offering tailored training and vocational degrees, as well as training arranged jointly by different networks. A two-year programme leading to a Specialist Qualification in Product Development, jointly designed and implemented with experts, educational institutions and co-operation partners, was completed in 2010. Programme participants came from all of the company’s units, and the training received extremely positive feedback. Nokian Tyres will continue to arrange tailored training, focusing especially on the transfer of tacit knowledge.

One of the key tools in competence development is the Hakkapeliitta Academy, which today encompasses all of the education offered by the Group, ranging from language and supervisor training to online modules. Hakkapeliitta eAcademy is the company’s online portal, whose services are also offered to key customers and co-operation partners outside the organisation. Vianor launched Vianor Academy pilot project last year.

The Future Leadership project, initiated in 2010, will focus on renewing and building the entire Group’s management culture. The goal is to analyse the management culture and methods in different units and use the resulting information to create an international training programme for middle management.

In addition to training, the personnel’s well-being at work is supported by weekly exercise groups, versatile club activities, personnel events, as well as annual surveys focusing on well-being at work and on internal customer satisfaction.

Innovation across borders

Innovation activities have long traditions at Nokian Tyres and are an important part of the company culture. They enable employees to influence their own work and working environment, in addition to supporting management and the work of supervisors. The goal of innovation activities is to encourage employees to actively participate in the company’s operations and in the development of their own work, while also making wide-ranging use of the staff’s potential for ideas.

The development and internationalisation of innovation activities made huge progress in 2010, and the activities were also launched in sales companies. Innovation figures improved in the entire Group. What is more, these activities will become easier in all countries in the future, thanks to activation and new global information systems.

Best possible service

Good service is a definite must in my work. It is particularly important in peak seasons, when we have numerous customers and many of them are stressed. It is my task to calm the customer and keep them up to date on the duration of work. Customers can enjoy a cup of coffee, watch television and read the dailies at our well-lit and spacious sales outlet. Service also means that customers do not have to drive their car into the workshop; we take care of that as well.

I enjoy new challenges and quick problem-solving. Customer contacts, as well as helping customers, for example, select new tyres, also interest and inspire me. I believe it is advantageous to have women, in addition to men, at the reception desk. Female customers, in particular, are clearly pleased to do business with other women.

This year, I plan to participate in Vianor’s internal sales training, which will help me to serve customers even better. It is great that Vianor emphasises staff training. The versatile training programme makes it possible to continuously improve customer service.

Paulina Nygren Backman  
Customer Service Representative  
Vianor Fruängen, Stockholm
1. **Kim Gran**  
   Year of birth: 1954  
   President and CEO.  
   Bachelor of Science in Economics.  
   With the company from 1995.  
   Shares: 19,000 pcs  
   Stock options:  
   - 2007B: 160,000 pcs  
   - 2007C: 90,000 pcs  
   - 2010A: 90,000 pcs

2. **Alexej von Bagh**  
   Year of birth: 1968  
   Vice President, CEO of Vianor. Master of Science (Eng.). With the company from 1995.  
   Shares: 3,000 pcs  
   Stock options:  
   - 2007B: 30,000 pcs  
   - 2007C: 28,000 pcs  
   - 2010A: 30,000 pcs

3. **Esa Eronen**  
   Year of birth: 1957  
   Vice President, Production Service Technology Engineer. With the company from 1988.  
   Shares: 5,000 pcs  
   Stock options:  
   - 2007B: 30,000 pcs  
   - 2007C: 23,000 pcs  
   - 2010A: 20,000 pcs

4. **Sirkka Hagman**  
   Year of birth: 1958  
   Vice President, HR and EHSQ. Master of Science; Licentiate of Administrative Science. With the company from 1980.  
   Shares: 1,350 pcs  
   Stock options:  
   - 2007A: 25,000 pcs  
   - 2007B: 20,000 pcs  
   - 2007C: 10,000 pcs  
   - 2010A: 15,000 pcs

5. **Rami Helminen**  
   Year of birth: 1966  
   Vice President, Passenger Car Tyres.  
   Master of Economic Sciences. With the company from 1990.  
   Shares: 3,000 pcs  
   Stock options:  
   - 2007B: 80,000 pcs  
   - 2007C: 45,000 pcs  
   - 2010A: 45,000 pcs

6. **Teppo Huovila**  
   Year of birth: 1963  
   Vice President, R & D. Master of Science, MBA. With the company from 1989.  
   Shares: 3,500 pcs  
   Stock options:  
   - 2007B: 19,000 pcs  
   - 2007C: 20,000 pcs  
   - 2010A: 20,000 pcs

7. **Kari-Pekka Laaksonen**  
   Year of birth: 1967  
   Vice President, Sales and Logistics. Master of Science (Eng.). With the company from 2001.  
   Shares: 5,000 pcs  
   Stock options:  
   - 2007B: 80,000 pcs  
   - 2007C: 45,000 pcs  
   - 2010A: 45,000 pcs

8. **Anne Leskelä**  
   Year of birth: 1962  
   Vice President, Finance and Control & IR.  
   Shares: 2,000 pcs  
   Stock options:  
   - 2007B: 30,000 pcs  
   - 2007C: 23,000 pcs  
   - 2010A: 30,000 pcs
Details of Management are available at
www.nokiantyres.com/top-management
Petteri Walldén  
year of birth: 1948  
Master of Science (Engineering).  
Member of the Board since 2005.  
Independent of the company.  
Shares: 11 074 pcs.  
Other simultaneous positions of trust: Member of the Boards: Alteams Oy, Comptel Oyj, eQ Oy, Kuusakoski Group Oy, Mesera Oy, SE Mäkinen Logistics Oy, Telete Oyj and Tikkurila Oyj (Vice Chairman)

Kim Gran  
year of birth: 1954  
Bachelor of Science in Economics.  
President and CEO of Nokian Tyres plc. Member of the Board since 2002. Shares: 19 000 pcs; stock options, pcs: 2007B 160 000, 2007C 90 000, 2010A 90 000.  
Other simultaneous positions of trust: Chairman of the Board of the Rubber Manufacturer’s Association; Member of the Boards: Finnish-Russian Chamber of Commerce (FRCC), Konnecranes plc, Chemical Industry Federation of Finland (Vice Chairman) and YIT Plc. Member of the Supervisory Board: Ilmarinen

Hille Korhonen  
year of birth: 1961  
Licentiate of Science (Technology).  
VP operations, Fiskars Corporation.  
Member of the Board since 2006.  
Independent of the company.  
Shares: 4 237 pcs.  
Other simultaneous positions of trust: Member of the Board: Lassila&Tikanoja

Yasuhiko Tanokashira  
year of birth: 1956  
B.A. (Economics). Senior  
Vice President, Finance and Administration Bridgestone Europe NV/SA. As of 1 October 2010 Vice President & Officer, Administration, Bridgestone Cycle Co., Ltd. Member of the Board since 2009. Shares: 1 944 pcs.  
Other simultaneous positions of trust: Member of the Board of Directors: 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.

Alexsey Vlasov  
year of birth: 1957  
Medical doctor.  
Vice President, Synttech Group. Member of the Board since 2006.  
Independent of the company.  
Shares: 4 237 pcs.

Kai Öistämö  
year of birth: 1964  
Doctor of Technology (Signal Processing). Master of Science (Engineering).  
Executive Vice President, Chief Development Officer, Nokia.  
Member of the Board since 2008.  
Independent of the company.  
Shares: 2 482 pcs.

Hannu Penttilä  
year of birth: 1953  
Master of Laws. CEO, Stockmann plc.  
Member of the Board since 1999. Independent of the company. Shares: 5 865 pcs.  
Other simultaneous positions of trust: Chairman of the Board: Lindex AB, Seppälä Oy, Suomen Pääomarahoitus Oy and Oy Stockmann Russia Holding AB; Member of the Boards: HC Assat Pori Oy, The Central Chamber of Commerce of Finland (Chairman of the Board), Messusäätiö Oy, Member of the Supervisory Boards: Mutual Insurance Company Kaleva, Varma Mutual Pension Insurance Company and Luottokunta (Vice Chairman)

Kim Gran  
year of birth: 1954  
Bachelor of Science in Economics.  
President and CEO of Nokian Tyres plc. Member of the Board since 2002. Shares: 19 000 pcs; stock options, pcs: 2007B 160 000, 2007C 90 000, 2010A 90 000.  
Other simultaneous positions of trust: Chairman of the Board of the Rubber Manufacturer’s Association; Member of the Boards: Finnish-Russian Chamber of Commerce (FRCC), Konnecranes plc, Chemical Industry Federation of Finland (Vice Chairman) and YIT Plc. Member of the Supervisory Board: Ilmarinen

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VP operations, Fiskars Corporation.  
Member of the Board since 2006.  
Independent of the company.  
Shares: 4 237 pcs.  
Other simultaneous positions of trust: Member of the Board: Lassila&Tikanoja

Yasuhiko Tanokashira  
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Medical doctor.  
Vice President, Synttech Group. Member of the Board since 2006.  
Independent of the company.  
Shares: 4 237 pcs.

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Doctor of Technology (Signal Processing). Master of Science (Engineering).  
Executive Vice President, Chief Development Officer, Nokia.  
Member of the Board since 2008.  
Independent of the company.  
Shares: 2 482 pcs.

Hannu Penttilä  
year of birth: 1953  
Master of Laws. CEO, Stockmann plc.  
Member of the Board since 1999. Independent of the company. Shares: 5 865 pcs.  
Other simultaneous positions of trust: Chairman of the Board: Lindex AB, Seppälä Oy, Suomen Pääomarahoitus Oy and Oy Stockmann Russia Holding AB; Member of the Boards: HC Assat Pori Oy, The Central Chamber of Commerce of Finland (Chairman of the Board), Messusäätiö Oy, Member of the Supervisory Boards: Mutual Insurance Company Kaleva, Varma Mutual Pension Insurance Company and Luottokunta (Vice Chairman)
**Net sales, operating profit and operating profit%**

- **Net sales**
  - 2010: 1,200 EUR million
  - 2009: 1,000 EUR million

- **Operating profit**
  - 2010: 200 EUR million (30%)
  - 2009: 150 EUR million (25%)

- **Operating profit%**
  - 2010: 100
  - 2009: 150

**Profit before tax**

- 2010: 250 EUR million
- 2009: 200 EUR million

**Earnings per share**

- 2010: 1.5 EUR
- 2009: 1.2 EUR

**Cash flow from operations**

- 2010: 120 EUR million
- 2009: 0 EUR million

**Gearing**

- 2010: 60%
- 2009: 50%

**Equity ratio**

- 2010: 80%
- 2009: 70%

### Net sales by market area 2010 (2009)

1. Finland: 18% (19%)
2. Sweden: 14% (13%)
3. Norway: 13% (13%)
4. Russia & CIS: 21% (20%)
5. Central and Eastern Europe: 27% (24%)
6. North America: 9% (11%)

### Net sales by profit centre 2010 (2009)

1. Passenger Car tyres: 714.7 (527.3)
2. Heavy Tyres: 81.0 (50.1)
3. Vianor: 307.9 (273.2)
4. Truck tyres: 41.2 (28.5)

### Gross investment

- 2010: 200 EUR million
- 2009: 160 EUR million
### CONSUMED INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>(1)</td>
<td>1,058.1</td>
<td>798.5</td>
<td></td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(3)(6)(7)</td>
<td>-604.0</td>
<td>-478.0</td>
<td></td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>454.1</td>
<td>320.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>(4)</td>
<td>4.3</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td><strong>Selling and marketing expenses</strong></td>
<td>(6)(7)</td>
<td>-192.9</td>
<td>-174.1</td>
<td></td>
</tr>
<tr>
<td><strong>Administration expenses</strong></td>
<td>(6)(7)</td>
<td>-27.6</td>
<td>-24.5</td>
<td></td>
</tr>
<tr>
<td><strong>Other operating expenses</strong></td>
<td>(5)(6)(7)</td>
<td>-15.8</td>
<td>-22.1</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>222.2</td>
<td>102.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial income</strong></td>
<td>(8)</td>
<td>96.3</td>
<td>97.1</td>
<td></td>
</tr>
<tr>
<td><strong>Financial expenses</strong></td>
<td>(9)</td>
<td>-109.7</td>
<td>-125.7</td>
<td></td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>208.8</td>
<td>73.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tax expense</strong></td>
<td>(10)</td>
<td>-39.1</td>
<td>-15.2</td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>169.7</td>
<td>58.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Attributable to:**

- **Equity holders of the parent** | 169.7 | 58.3 |
- **Non-controlling interest** | 0.0 | 0.0 |

**Earnings per share (EPS) for the profit attributable to the equity holders of the parent:**

- **Basic, euros** | 1.34 | 0.47 |
- **Diluted, euros** | 1.32 | 0.49 |

### CONSOLIDATED OTHER COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th></th>
<th>169.7</th>
<th>58.3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Result for the period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other comprehensive income, net of tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Gains/Losses from hedge of net investment in foreign operations</td>
<td>17.9</td>
<td>-24.4</td>
</tr>
<tr>
<td>- Interest rate swaps</td>
<td>-0.6</td>
<td>0.1</td>
</tr>
<tr>
<td>- Translation differences on foreign operations</td>
<td>37.0</td>
<td>-12.8</td>
</tr>
<tr>
<td>-</td>
<td>18.5</td>
<td>-37.0</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>188.2</td>
<td>21.2</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Equity holders of the parent</td>
<td>188.2</td>
<td>21.2</td>
</tr>
<tr>
<td>- Non-controlling interest</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

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

2) **Since the beginning of 2009 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.”**
### ASSETS

**Non-current assets**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment (12)(13)</td>
<td>483.6</td>
<td>507.6</td>
</tr>
<tr>
<td>Goodwill (2)(14)</td>
<td>58.8</td>
<td>55.0</td>
</tr>
<tr>
<td>Other intangible assets (14)</td>
<td>19.7</td>
<td>19.2</td>
</tr>
<tr>
<td>Investments in associates (16)</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Available-for-sale financial assets (16)</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Other receivables (17)</td>
<td>20.6</td>
<td>9.9</td>
</tr>
<tr>
<td>Deferred tax assets (18)</td>
<td>22.3</td>
<td>28.7</td>
</tr>
<tr>
<td><em><strong>Total</strong></em></td>
<td><strong>605.2</strong></td>
<td><strong>620.7</strong></td>
</tr>
</tbody>
</table>

**Current assets**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories (19)</td>
<td>210.6</td>
<td>200.0</td>
</tr>
<tr>
<td>Trade and other receivables (20)(29)</td>
<td>328.5</td>
<td>319.6</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>10.7</td>
<td>19.1</td>
</tr>
<tr>
<td>Cash and cash equivalents (21)</td>
<td>216.6</td>
<td>62.5</td>
</tr>
<tr>
<td><em><strong>Total</strong></em></td>
<td><strong>766.3</strong></td>
<td><strong>601.2</strong></td>
</tr>
</tbody>
</table>

**Total assets**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em><strong>Total assets</strong></em></td>
<td><strong>1,371.6</strong></td>
<td><strong>1,221.9</strong></td>
</tr>
</tbody>
</table>

### EQUITY AND LIABILITIES

**Equity attributable to equity holders of the parent**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital (22)(23)</td>
<td>25.4</td>
<td>25.0</td>
</tr>
<tr>
<td>Share issue</td>
<td>-</td>
<td>0.0</td>
</tr>
<tr>
<td>Share premium (22)</td>
<td>181.4</td>
<td>155.2</td>
</tr>
<tr>
<td>Translation reserve</td>
<td>-71.1</td>
<td>-90.2</td>
</tr>
<tr>
<td>Fair value and hedging reserves</td>
<td>-0.6</td>
<td>0.0</td>
</tr>
<tr>
<td>Paid-up unrestricted equity reserve</td>
<td>8.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>793.9</td>
<td>667.6</td>
</tr>
<tr>
<td><em><strong>Total</strong></em></td>
<td><strong>937.2</strong></td>
<td><strong>757.6</strong></td>
</tr>
</tbody>
</table>

**Non-controlling interest**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em><strong>Total equity</strong></em></td>
<td><strong>937.2</strong></td>
<td><strong>757.6</strong></td>
</tr>
</tbody>
</table>

**Liabilities**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax liabilities (24)</td>
<td>-</td>
<td>0.0</td>
</tr>
<tr>
<td>Provisions (25)</td>
<td>39.3</td>
<td>29.4</td>
</tr>
<tr>
<td>Interest-bearing liabilities (26)(27)(29)</td>
<td>204.2</td>
<td>253.8</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1.9</td>
<td>2.1</td>
</tr>
<tr>
<td><em><strong>Total liabilities</strong></em></td>
<td><strong>245.5</strong></td>
<td><strong>286.7</strong></td>
</tr>
</tbody>
</table>

**Current liabilities**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables (28)</td>
<td>165.2</td>
<td>98.0</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>8.5</td>
<td>6.4</td>
</tr>
<tr>
<td>Provisions (25)</td>
<td>2.2</td>
<td>0.7</td>
</tr>
<tr>
<td>Interest-bearing liabilities (26)(27)(29)</td>
<td>13.0</td>
<td>72.4</td>
</tr>
<tr>
<td><em><strong>Total liabilities</strong></em></td>
<td><strong>189.0</strong></td>
<td><strong>177.6</strong></td>
</tr>
</tbody>
</table>

**Total liabilities**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em><strong>Total liabilities</strong></em></td>
<td><strong>434.4</strong></td>
<td><strong>464.2</strong></td>
</tr>
</tbody>
</table>

**Total equity and liabilities**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em><strong>Total equity and liabilities</strong></em></td>
<td><strong>1,371.6</strong></td>
<td><strong>1,221.9</strong></td>
</tr>
</tbody>
</table>
## 30 CONSOLIDATED CASH FLOW STATEMENT

**EUR million** | **31.12.** | **2010** | **2009**
---|---|---|---

### Cash flows from operating activities:

| Cash receipts from sales | 1,066.0 | 818.9 |
| Cash paid for operating activities | -693.3 | -590.4 |
| Cash generated from operations | 372.7 | 228.5 |
| Interest paid | -42.9 | -44.9 |
| Interest received | 0.8 | 6.3 |
| Dividends received | 0.0 | 0.0 |
| Income taxes paid | -3.3 | 4.2 |

**Net cash from operating activities (A)** | 327.2 | 194.2 |

### Cash flow from investing activities:

| Acquisitions of property, plant and equipment and intangible assets | -54.4 | -97.1 |
| Proceeds from sale of property, plant and equipment and intangible assets | 22.1 | 7.7 |
| Acquisitions of Group companies, net of cash acquired | -1.3 | -3.3 |

**Net cash used in investing activities (B)** | -33.7 | -92.8 |

### Cash flow from financing activities:

| Proceeds from issue of share capital | 34.7 | 0.1 |
| Change in current financial receivables | -0.5 | -0.2 |
| Change in non-current financial receivables | -6.2 | 1.7 |
| Change in financial current borrowings | -29.2 | -117.0 |
| Change in financial non-current borrowings | -89.0 | 13.7 |
| Dividends paid | -50.7 | -49.9 |

**Net cash from financing activities (C)** | -141.0 | -151.7 |

**Net increase in cash and cash equivalents (A+B+C)** | 152.6 | -50.2 |

| Cash and cash equivalents at the beginning of the period | 62.5 | 113.2 |
| Effect of exchange rate fluctuations on cash held | 1.5 | -0.5 |
| Cash and cash equivalents at the end of the period | 216.6 | 62.5 |

**Net increase in cash and cash equivalents (A+B+C)** | 152.6 | -50.2 |
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 7 April 2011, 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 28 March 2011 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 4 April 2011 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, or by internet www.nokiantyres.com/AGM2011.

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 17 March 2011.

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 0.65 per share be paid for the financial year 2010. The record date for the dividend payment will be 12 April 2011 and the dividend payment date 27 April 2011, 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 2011
- Interim Report for six months on 5 August 2011
- Interim Report for nine months on 4 November 2011
- Financial Statements Bulletin 2011 in February 2012
- Annual Report 2011 in March 2012


Principles of investor relations

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

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

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

Questions from analysts and investors:
Kim Gran, President and CEO
tel. +358 10 401 7336
e-mail: ir@nokiantyres.com

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

Requests for meetings and visits:
Raija Kivimäki, Assistant to President and CEO
tel. +358 10 401 7438
e-mail: ir@nokiantyres.com
Fax: +358 10 401 7378

Investor information:
Antti-Jussi Tähtinen, Vice President, Marketing and Communications
tel. +358 10 401 7940
e-mail: antti-jussi.taatinen@nokiantyres.com

Anne Aittoniemi, Communications Assistant
tel. +358 10 401 7641
e-mail: anne.aittoniemi@nokiantyres.com
Fax: +358 10 401 7799

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

Nokian Tyres’ share price development 1 January 2006 – 31 December 2010

Annual Report and Financial Review 2010
