NOKIAN TYRES PLC | ANNUAL REPORT 2007

Our profession:
four palm-sized
contacts with life.

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The road.
Life.

It wasn't even a road.
A miserable track, treacherous.
Took me with it.
Leaving is a odd thing about being human.
Setting off in search of something new,
better, easier, more exciting, happier.
It's waiting at the end of the road.
Always.

Contents

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

SAFEST TYRES FOR NORDIC CONDITIONS

We have the innate ability to understand customers operating in Nordic conditions and to understand their needs and expectations.

We operate in growing markets, and focus on tyre products and services that provide our customers in Nordic conditions with sustainable added value. They also build the foundation for our company's profitable growth and successful business.

SUCCESS FACTORS

- focus on expertise in Nordic conditions and businesses
- focus on car tyre replacement markets, growing market areas and product segments
- share of value added products more than 90% of own production and sales
- R & D and production of core products under own control
- strong reputation and brand
- rapidly renewing product range and innovative products
- car winter tyre range most extensive in the world
- efficient logistics and seasonal management
- special know-how in Russian and CIS markets
- own strong distribution channel in key markets
- direct contact with end users
- cost-efficient production and high-level technology
- skilled personnel and Hakkapeliitta culture

EXPERTISE IN NORDIC CONDITIONS

Focus: Nokian Tyres focuses on added value business. This business represents 95% of the company's total sales. Other business activities support tyre distribution and added value core business.

Market areas: Key markets are regions that feature conditions similar to those in the Nordic countries, which place special challenges on tyre performance: snow, forests, and the harsh and variable weather and driving conditions in different seasons.

Product range: Products delivering added value to customers and consumers developed through special knowledge and expertise in the demanding Nordic conditions: winter tyres, SUV tyres, forestry and forest tractor tyres and winter tyres for trucks and buses.

Service and processes: Interactive and transparent processes designed to serve the customers and end users, especially during the peak season: seasonal management systems, 24-hour deliveries, complete tyre/rim combinations to car dealers, tyre hotels.

Customer groups: Replacement markets; distributors with long-term commitment and loyalty to build Nokian brand positionning as partners i.e. Vianor partners, importers with a limited or one-brand approach. In addition selected OE customers involved in long-term product development co-operation as well as the end-users of tyres.

Production: Own factories in Nokia, Finland and in Vsevolozhsk, Russia. Off-take contract manufacturing in Indonesia, China, India, Spain and in the USA.

Sales and distribution: Vianor tyre chain with a total of 366 outlets (31.12.2007) in Nordic and Baltic countries, Switzerland, Russia, Ukraine, Kazakhstan and in the USA. Own sales companies in Sweden, Norway, Germany, Switzerland, Russia, Ukraine, Kazakhstan, Czech Republic and in the USA. In other countries independent importers.

History: Nokian Tyres plc was founded in 1988 and it was listed on the Helsinki Stock Exchange in 1995. The company's roots go back all the way to 1898, when Suomen Gummitehdas Oy, or the Finnish rubber factory, was established. Passenger car tyre production began in 1932 and the world's first winter tyre was produced in 1934. The company's best-known brand, the Nokian Hakkapeliitta tyre, was launched in 1936.

MANUFACTURING AND VIANOR

Passenger car and delivery van tyres

This product centre covers the development and production of summer and winter tyres for cars and vans. Key products include studded and non-studded winter tyres as well as high-speed and ultra-high-performance summer tyres. Key markets include the Nordic countries, Russia and other CIS countries. Other significant market areas are Eastern Europe, the Alpine region and North America. Winter tyres account for approximately 80% of net sales. Approximately 50% of summer tyres are high-performance or ultra-high-performance tyres.

Core products are manufactured at the company's factories in Nokia, Finland, and in Vsevolozhsk, Russia, and they are sold in the replacement markets. Off-take contract manufacturing takes place in Indonesia, China and the USA. (See pages 14–17)

Heavy Tyres

The profit centre comprises tyres for forestry machinery, special tyres for agricultural and industrial machinery. Product development concentrates on narrow and growing product niches.

Forestry tyres is the number one product segment. The company has about a 30% share of the global forestry tyre market. Nokian heavy tyres are sold in the original equipment and replacement markets. Co-operation with the machinery and equipment manufacturers is active and the share of original equipment is more than 40% of the heavy tyre net sales.

Key markets in addition to the Nordic countries include Central and Southern Europe, the USA and Canada. Majority of the products are manufactured at the Nokia factory. Nokian Heavy Tyres was incorporated as an independent company as of 1 January 2006. (See pages 18–19)

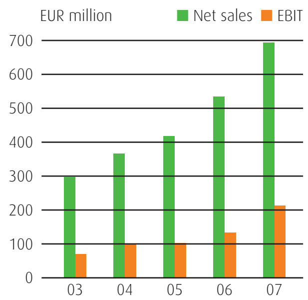
Truck tyres

The Truck tyres unit is involved in the product development and sales of truck tyres and retreading materials. Truck tyres are manufactured as off-take contract manufacturing in Spain and in China. Retreading materials are produced in Finland and key products include winter treads for truck tyres. Retreading materials are mainly used in truck tyres and industrial tyres. The key markets cover the Nordic countries while Russia, the Baltic countries as well as Central and Southern Europe represent the strongest growth potential. (See pages 20–21)

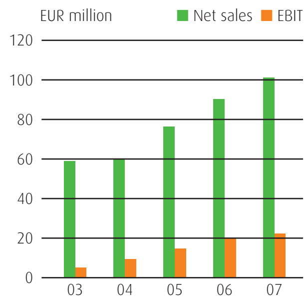
Vianor

Vianor tyre chain is the biggest and the most extensive of its kind in the Nordic countries. At the end of 2007, the chain consisted of 366 sales outlets located in Finland, Sweden, Norway, Estonia, Latvia, Switzerland, Russia, Ukraine, Kazakhstan and in the USA. Nokian Tyres owned a total of 174 outlets. Other outlets operate on a franchising/partnership basis. All sales outlets have a uniform visual appearance and product selection. The Vianor chain sells car and van tyres as well as truck tyres. In addition to the Nokian brand, Vianor sells other leading tyre brands. The product range also features other automotive products and services, such as rims, batteries and shock absorbers. Vianor also takes care of tyre changes, installations, oil changes and other fast fit services. The service concepts also include tyre hotels. (See pages 22–25)

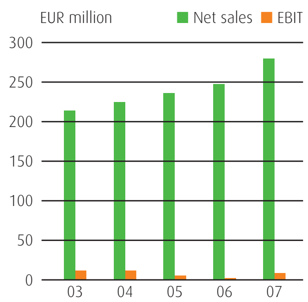
Passenger car tyres net sales and EBIT



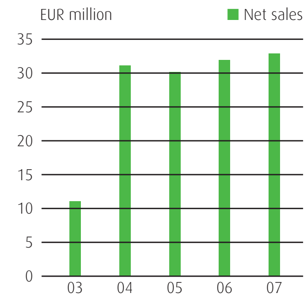
Heavy Tyres net sales and EBIT



Vianor net sales and EBIT



Truck tyres net sales

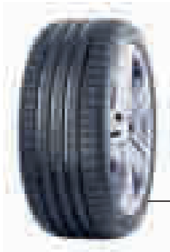


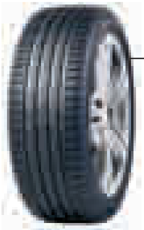
PASSENGER CAR AND DELIVERY VAN TYRES

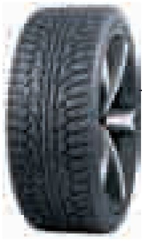

Nokian Hakkapeliitta 5

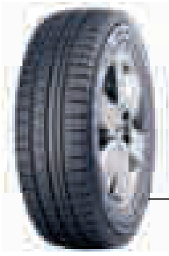

Nokian Hakkapeliitta R


Nokian WR G2


Nokian Hakka Z


Nokian V

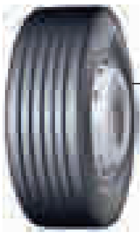

Nokian Hakkapeliitta Sport Utility 5


Nokian Hakka CR VAN

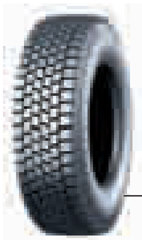

Nokian Hakkapeliitta R SUV

TRUCK TYRES AND RETREADING MATERIALS


Hakkapeliitta Truck E


Nokian NTR-725


Nokian NTR-844


Nokian Noktop 45

HEAVY TYRES

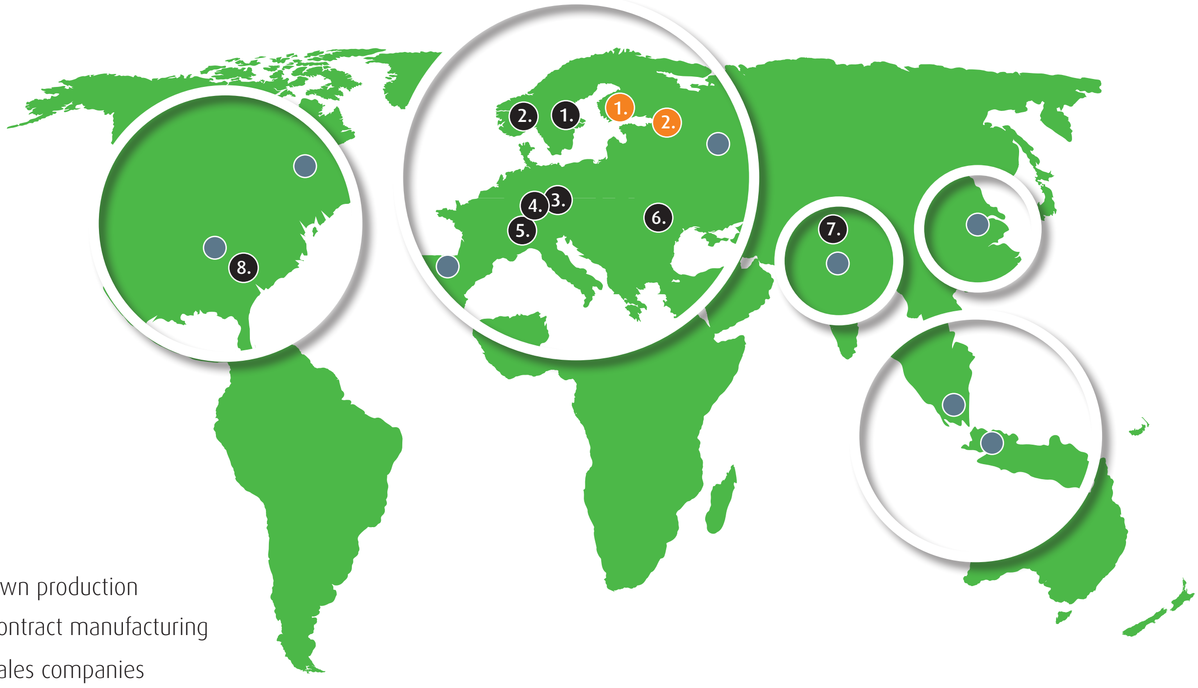

Nokian Forest Rider


Nokian Forest King TRS L-2


Nokian TRI 2


Nokian Country King

FACTORIES AND SALES COMPANIES



Own production

Contract manufacturing

Sales companies

1.

Nokian Tyres' plant
in Nokia, Finland

2.

Nokian Tyres' plant in
Vsevolozhsk, Russia

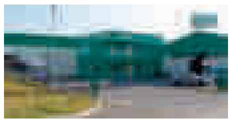
1.

Nokian Däck AB
Sweden

2.

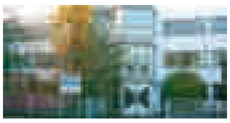
Nokian Dekk AS
Norway

3.



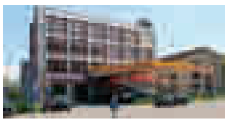
Nokian Tyres s.r.o.
Czech Republic

4.



Nokian Reifen GmbH
Germany

5.

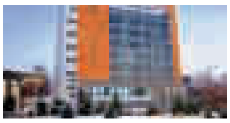


Nokian Reifen AG
Switzerland

6.

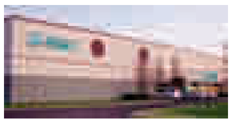
Nokian Shina LLC
Ukraine

7.



Nokian Tyres LLP
Kazakhstan

8.



Nokian Tyres Inc
USA

FOCUS STRATEGY

1. Nordic 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 Nordic conditions. Products are marketed in all countries with Nordic conditions – that is, everywhere where there is snow, forests and demanding conditions caused by changing seasons.

- Core products include passenger car and truck winter tyres and forestry tyres.

2. Other 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. The objective is to have the highest customer satisfaction in the core products globally.

- 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 consumers in replacement markets through special tyre outlets, car dealers and other companies engaged in the tyre trade.

Nokian Tyres' focus strategy is supported by:

Investments in product development, production 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.

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.

KEY STRATEGIC OBJECTIVES INTO 2012

1. Market leadership in the home market 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.

2. 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.

3. Globally strong position in core products

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

4. Growth through a continuously improved product range

Profitable growth is based on investments in core products and services that give customers genuine added value and enhance the ability to launch innovative products and services.

5. Profit growth through high productivity and the best customer processes in the industry

Improvements in operational efficiency and profitability are achieved through the ongoing development of logistic processes, total quality and productivity.

6. **Profit growth through skilled, inspired personnel with entrepreneurial spirit**

The personnel's active and entrepreneurial attitude towards the development of personal skills and company performance supports the selected focus strategy and company pursuit of an ethical and responsible operating policy.

Key financial objectives into 2012

- The most profitable tyre manufacturer in the world
- Double the net sales; EUR 2 billion
- An adequate equity ratio; gearing 50–80%
- Steady improvement in the return on net assets (RONA) >15%
- A steady increase in earnings per share (EPS) +15%
- Positive, steadily growing cash flow +10%

VALUES THAT GUIDE AND SUPPORT THE STRATEGY

Customer satisfaction

We have the industry's highest customer satisfaction rate in the Nordic and Baltic 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.

HAKKAPELIITTA SPIRIT

We strive to act in line with the Hakkapeliitta Spirit, the basic elements of which we have defined as follows:

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.

16TH CONSECUTIVE YEAR OF PROFITABLE GROWTH

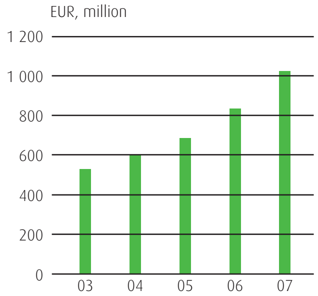
- Nokian Tyres' business developed favourably throughout the year
- sales increased and operating profit improved in all profit centres
- good summer and winter tyre season sales in Nordic countries, Russia, CIS countries and in Eastern Europe
- share of winter tyres more than 80% of car and van tyre sales
- enhanced sales and logistics in Russia, Eastern-Europe, Ukraine and Kazakhstan
- Vianor tyre chain started operations in Switzerland, Ukraine, Kazakhstan and in the USA
- active launch of new products
- several top rankings for Nokian Hakkapeliitta 5 car winter tyre in tyre tests conducted by trade magazines in Nordic countries and Russia
- successful launch of the new Nordic Nokian Hakka summer tyre family together with Hakka warranty
- increased capacity and expanded production mix in the Russian factory
- Russian manufacture grew and the benefits gained improved profitability
- decision to accelerate factory expansion (phase 2) in Russia
- agreement to establish a JV company and to build a new tyre factory in Kazakhstan

Key figures, IFRS (*

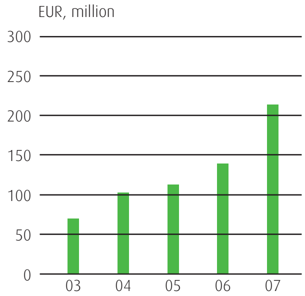
EUR, million	2007	2006	Change %
Net sales	1,025.0	835.9	22.6
Operating profit	234.0	153.1	52.8
% of net sales	22.8	18.3	
Profit before tax	213.8	139.3	53.5
% of net sales	20.9	16.7	
Return on net assets, %	27.8	22.7	
Return on equity, %	26.6	20.9	
Interest bearing net debt	102.9	126.9	-18.9
% of net sales	10.0	15.2	
Gross investments	117.1	97.0	20.8
% of net sales	11.4	11.6	
Cash flow from operations	169.9	106.6	59.4
Earnings per share, euro	1.37	0.88	55.7
Cash flow per share , euro	1.38	0.88	57.7
Shareholders equity per share, euro	5.76	4.56	26.4
Equity ratio, %	61.8	63.0	
Personnel, average during the year	3,462	3,234	

*) In this Annual Report years 2004–2007 are according IFRS and previous years to FAS.

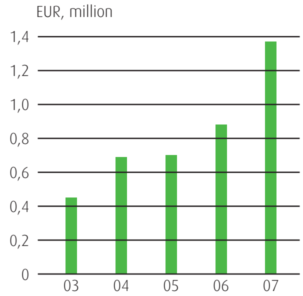
Net sales



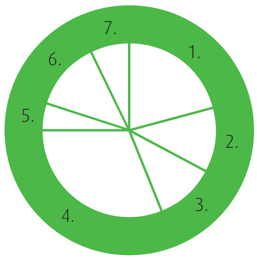
Profit before tax



Earnings per share (EPS)

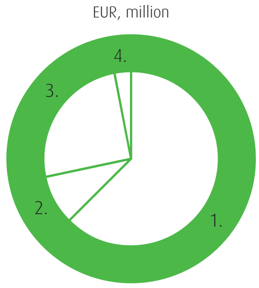


Group's net sales by market area 2007 (2006)



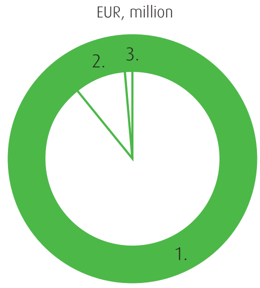
1 Finland 21% (22%)
2. Sweden 12% (14%)
3. Norway 11% (12%)
4. Russia and CIS 31% (25%)
5. Eastern Europe 5% (4%)
6. Other Europe 13% (13%)
7. North America 7% (10%)

Net sales by profit centre 2007 (2006)



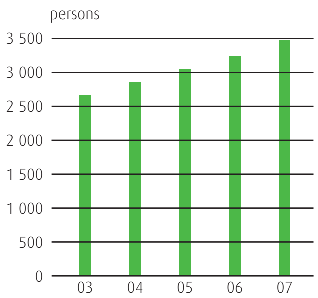
1. Car and van tyres 691.2 (533.2)
2. Heavy Tyres 100.8 (90.1)
3. Vianor 278.5 (246.9)
4. Truck tyres 32.8 (31.8)

Operating profit (EBIT) by profit centre 2007 (2006)

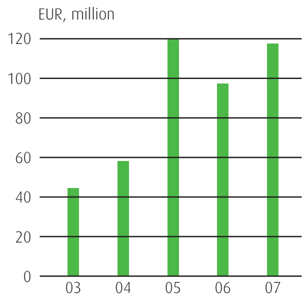


1. Car and van tyres 212.0 (133.4)
2. Heavy Tyres 22.3 (19.9)
3. Vianor 8.4 (2.3)

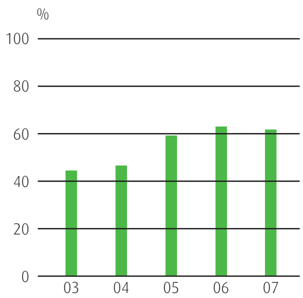
Average number of personnel



Gross investment



Equity ratio



DEAR READER,

In 2007 Nokian Tyres experienced steep growth, especially in Russia and Eastern Europe, and expanded its distribution network in strategically important market areas. The big investments of recent years began to show as concrete benefits in our business. We enjoyed strong sales growth thanks to the increased production capacity at our Russian plant and the faster than expected diversification of the range of products we manufacture. The cost and tax advantages of manufacture in Russia boosted significantly the profitability of our business.

Nokian Tyres had its 16th consecutive year of profitable growth in 2007. Most of the sales growth came from passenger car tyre sales in the expanding markets of Russia and the CIS countries. This, however, was not the only reason for success last year. All of our profit centres developed well in all core markets. The unit in Nokia, Heavy Tyres and our sales companies, which have consistently achieved good results year after year, form a solid foundation on which we can develop and build operations in other markets.

Last year's significant events included the rapid strengthening of our distribution channels and the decision to begin to expand the Vsevolozhsk plant earlier than planned. The expansion of the Vianor tyre chain surpassed even our own expectations with operation starting also in Ukraine, Kazakhstan, Switzerland and in the USA. There is still much to be developed in the Vianor chain, but the basic framework is now in place. The results prove that our concept is successful and that we are on the right track.

We again launched a host of new products, which were well received on the market. The Nokian Hakka summer tyre family enabled us to create a whole new market segment for summer tyres designed for northern conditions. Other events worth a mention are the full reversal in our Swiss sales company, which is now on the road to growth and profitability, as well as the increase in the comparable net sales of Nokian Heavy Tyres and truck tyres.

Our business was well supported by the electronic tools that we have actively developed, such as the web-based learning tool created for the development of staff competence, Vianor's online store and several new solutions for external and internal communications.

Other significant events in 2007 included the year-end decision to set up a joint venture and construct a new tyre plant in Kazakhstan with a local partner. It is a move that further strengthens our position in the CIS countries and the Central Asian markets. Finishing the project is one of our main tasks in 2008 and 2009.

New year, new challenges

The growth prospects in and after 2008 are good. We are operating in a tyre market that is characterised by continued strong growth, and our position as market leader is stronger than ever.

The new year will present us with many new challenges. Efficient logistics and functional information systems are of key importance in seasonal business. Our challenge is to more flexibly implement processes and information systems throughout the organisation as our operations continue to expand through organic growth and acquisitions. The steeply growing demand for heavy special tyres requires solutions that increase production capacity. Recruiting and training over 200 employees for our Russian organisation is a demanding project. Concrete measures are also required to promote mutual understanding between cultures and commit employees to common values and practices as our organisation grows rapidly.

We have met our challenges boldly and start the new year full of confidence. Our future prospects are positive, and we have every reason to believe that we will remain on a strong growth track in line with our strategy.

We will continue to focus on our key products and growing markets and will promote our growth projects, especially in Russia and the CIS countries. Our goal is to renew the product range in order to boost our brand position, maintain our target prices and margins, and respond to the increase in raw material prices. We will raise our production capacity, expand our distribution network and increase the share of service sales in our Vianor chain. We will also continue to develop logistics and IT systems, as well as other electronic service and communications solutions.

The development of staff competence, corporate culture and co-operation skills play a crucial role. Our Hakkapeliitta Spirit has always included ambitious goals and a strong will to triumph. It is obvious, however, that an increasing growth rate sets tough demands on the organisation's performance. It has been delightful to witness the increase in competence that has come about through learning and recruitment, as well as the way in which our employees have formed a close-knit team in recent years.

It is part of our culture to work hard to ensure that Nokian Tyres succeeds and maintains its position as the world's most profitable tyre company. The success with which we have carried out big projects in recent years has given our team a healthy amount of self-confidence and belief in their own and their co-workers' ability to reach top performance. The atmosphere at Nokian Tyres is more relaxed than ever before: we do not chase profits with clenched teeth but rather with an easy-going attitude.

In the coming year we will further focus on creating and supporting a variety of development programmes aiming to promote well-being, multi-cultural characteristics and active interaction in our organisation. Our team is well positioned to meet the challenges and reach its goals in 2008.

I wish to thank our customers and personnel for a good year in 2007. I believe that we have excellent opportunities to continue on a strong growth track and to create value for all stakeholders.

Best wishes for 2008.

Kim Gran

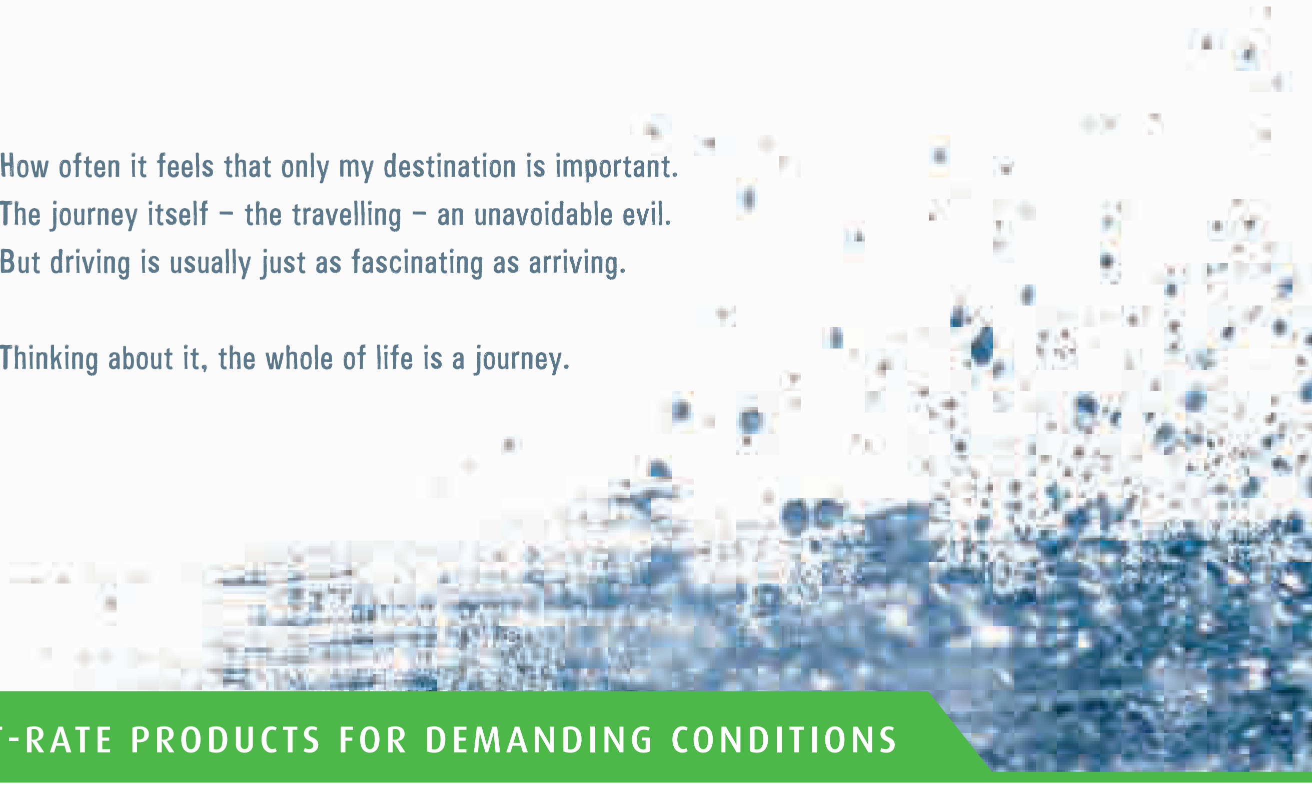
Three questions open
up your life strategy:
Who am I?
Where am I going?
How can I get there,
safely?

For the first two, I have answers ready.
The third needed thought. Yes – maintaining contact.

Whether my car is new or a museum piece,
cramped and sporty or a family space wagon,
spewing clouds of smoke or clean, with minimal pollution,
taken from a warm garage or started brutally in the cold,
I need it to earn money and to spend it...

just four palm-sized contacts with the road

> How often it feels that only my destination is important.
> The journey itself – the travelling – an unavoidable evil.
> But driving is usually just as fascinating as arriving.
>
> Thinking about it, the whole of life is a journey.



FIRST-RATE PRODUCTS FOR DEMANDING CONDITIONS

Nokian Tyres' key products for passenger cars are studded and non-studded winter tyres, SUV tyres and high-performance summer tyres, which are also the fastest growing product segments in the tyre business. In terms of quantity, the best selling products are the Nokian Hakkapeliitta winter tyres and the Nokian Hakka summer tyres designed for northern conditions. The company's main market areas are Russia, the CIS countries and the Nordic countries. Other important markets are Eastern Europe, the Alpine region and North America. Winter tyres generate more than 80% of the company's net sales, and high-performance tyres account for some 50% of summer tyre sales.

The company manufactures its key products at its plants in Nokia, Finland, and Vsevolozhsk, Russia. It has also set up off-take contract manufacturing in Indonesia, China and in the USA. Nokian passenger car tyres are sold on the replacement markets, and approximately 20% of product sales in the Nordic countries and Russia takes place through the company's own Vianor chain (see pages 22–25). In addition to Vianor, products are sold by long-term distributors, retailers, independent importers and the company's own sales organisation.

Nokian passenger car tyres sold in the Nordic countries, Russia and the CIS countries have been designed for demanding and changeable weather and driving conditions. The emphasis in winter tyres has been on good performance on snow and ice, while in summer tyres special attention has been paid to the demands set by three very different seasons – spring, summer and autumn. The product range is renewed frequently. The guiding concepts in product development are the principle of sustainable safety and product innovations that promote safety and environmental friendliness. The Nokian brand has achieved wide recognition and market leadership in its main markets.

The results of tyre tests performed by trade magazines influence consumers' purchase decisions. While being number one every year is not a necessity, recurring top ratings increase customer trust and boost the brand position. In the Nordic countries and Russia, Nokian-branded winter tyres have scored top ratings in tests for decades, and summer tyres are regularly among the best performers.

Focus on seasonal management

The passenger car tyre business is clearly seasonal in the Nordic countries, Russia and the CIS countries. Most Nordic consumers buy their summer tyres during a few weeks around Easter. Winter tyre consumer sales take place in September–November, depending on the winter, and some 30% of winter tyres are sold in the ten days after the first snowfall.

This sets major challenges on production and delivery capacity, underlining the key part played by an extensive distribution network, own tyre chain and efficient logistics and IT systems. Presales to distributors ensure product avail-

ability and enable retailers to successfully manage their business during the busy consumer season. Pre-sales of summer tyres begin in December–January, and those of winter tyres mainly take place in the second and third quarter. Stocking up for the season means that the stock levels of both Nokian Tyres and tyre dealers, as well as the receivables from distributors, are at their highest just before the peak season and begin to normalise once consumer sales get started.

Increasingly active in Russia

In 2007 Russia's share of the Group's net sales rose to 31%. The company wants to further strengthen its market leadership in premium-segment winter tyres and increase its market share in summer tyres.

The number of cars in Russia is growing steeply, and more and more Western car manufacturers have started or will be starting manufacture in the country. The tyre market and tyre manufacture are also seeing rapid modernisation. Total sales in the Russian tyre market in 2007 amounted to some 40 million passenger car tyres, roughly half of which were winter tyres. The market is growing at an annual rate of some 10%, with all well-known Western brands present on it. Market growth is driven by the country's buoyant economy, the steep increase in the manufacture of new cars and thriving imports of Western cars. There is no winter tyre law in Russia, but the weather conditions in the regions where Nokian Tyres operates make winter tyres essential.

The biggest manufacturer of premium tyres in Russia, Nokian Tyres also wants to strengthen its position as a local tyre manufacturer through its plant in Vsevolozhsk, which came on line in the spring of 2005. The plant makes Nokian-branded, premium-segment summer and winter tyres, approximately two-thirds of which are sold in Rus-

Nokian Hakkapeliitta R – solid grip, low emissions
Launched in January 2008, the studless Nokian Hakkapeliitta R rolls efficiently and can reduce fuel consumption by up to 0.5 litres per 100 kms. The low rolling resistance h as been achieved without compromising grip properties.

sia. The goal is to gradually raise the plant's capacity through additional investments to some 10 million tyres by 2011. Lower labour costs, raw material prices and energy expenses make tyre manufacture considerably cheaper in Russia compared to Finland and other Western European countries. Operations in Russia also entitle the company to tax relief and exempt it from import duties.

Growing markets in other CIS countries

In Ukraine and Kazakhstan, tyre market growth is fuelled by the countries' favourable economic development and the rapid increase in the sales of new Western cars. Harsh winter conditions make drivers appreciate safety and studded tyres, similarly to drivers in Nordic countries. The products that Nokian Tyres sells in the Nordic countries and Russia are ideally suited to these markets as well. To make the most out of the countries' growth potential, Nokian Tyres set up its own sales companies in Ukraine and Kazakhstan in 2006. In 2007 the Vianor chain also expanded operations in both countries (see pages 22–25).

In 2007 the company signed a cooperation agreement with Ordabasy Corporation JSC, a Kazakhstan company active in various fields. The companies agreed to establish a joint venture called Ordabasy-Nokian Tyres JSC and to construct a plant for the manufacture of passenger car tyres in Kazakhstan. The products will be sold in Kazakhstan, as well as on the Central Asian, Russian and Eastern European markets. The plant is scheduled to come on line in 2009.

Nordic countries form a strong pillar

Roughly 40% of Nokian Tyres' net sales is still generated in Finland, Sweden and Norway. Taking all products into account, the company is a market leader in Finland, and a top contender in Sweden and Norway. Annual passenger car tyre sales in Finland, Sweden and Norway total some 9 million tyres and roughly 5 million of those are winter tyres. The markets are growing at an average annual rate of 1–3% and accommodate more than 80 competing brands. All three countries have a law that requires winter tyres to be used in the winter months.

Tailored products for other markets

Outside Russia, the CIS countries and the Nordic countries, Nokian Tyres is focusing on markets in which it can use its special competence in northern conditions. These include Eastern Europe, the Alpine region and North America. The tyre markets are growing strongly, especially in Eastern Europe.

Nokian Tyres tailors its tyres to consumer needs in various markets. The company's friction tyres and summer tyres designed for Central and Eastern European winter conditions differ considerably from the products sold in the company's key markets. The all-weather-plus tyre, developed with the US market in mind, is designed for year-round use with special emphasis on winter tyre properties. The winter tyre range also includes many different types of SUV and light truck tyres, as well as run-flat products.

Nokian Tyres estimates that worldwide passenger car sales total some 1,1 billion tyres a year, and the value of tyre markets is around USD 112.5 billion. Original equipment installations account for some 28%. 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.

The Nokian Hakka product family – perfect for the northern summer

Nokian Tyres clarified its product strategy for northern conditions by introducing the Hakka summer tyre family in the autumn 2006. Hakka summer tyres meet the challenges that the climate and roads up north set in the three seasons ranging from early spring to late autumn.

Uneven, varying and rough road surfaces, and rapidly changing weather conditions demand special properties from tyres. In order to meet these demands, Nokian Hakka tyres demonstrate authentic Hakkapeliitta competence: safe, reliable grip on the road. First in line for launch were the H and V speed-rated tyres. The tyre family was completed in 2007 when Nokian Z and Nokian Hakka SUV tyres were launched.

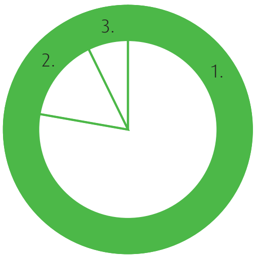
Cost-free Hakka warranty against punctures

Nokian Tyres grants a cost-free Hakka warranty for Nokian Hakka summer tyres. If an appropriately used and correctly mounted tyre accidentally damages in normal usage it will be replaced, free of charge, with a corresponding new tyre. The Hakka warranty will apply to maximum groove depths of four millimetres for three years from the purchase date.

Hakka warranty is available in Finland, Sweden, Norway, Russia and Ukraine.

The Nordic (* tyre replacement market 2007

Total value approx. EUR 1,2 billion

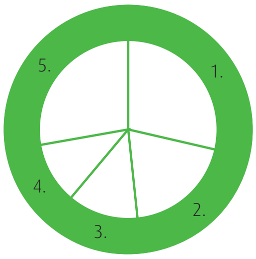


1. Passenger car and van tyres 78%
2. Truck tyres 15%
3. Others 7%

Source: Nokian Tyres 2007

Passenger car tyre replacement market in Europe

The market in 2007 approx. 220 million tyres

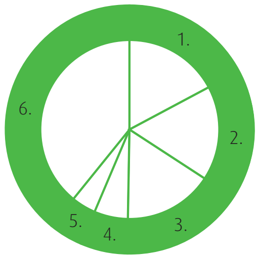


1. Summer tyres <T 29%
2. Summer tyres H 20%
3. Summer tyres V 13%
4. Summer tyres W/Y/Z 11%
5. Winter tyres 28%

Source: Nokian Tyres 2007

Five biggest tyre companies in the world

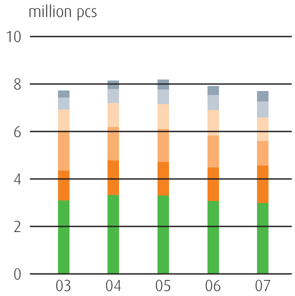
The sales in 2006, USD 112.5 billion



1. Bridgestone Corp., Japan 19 400,0
2. Group Michelin, France 19 300,0
3. Goodyear Tire & Rubber Co., USA 18 000,0
4. Continental AG, Germany 6 800,0
5. Pirelli S.p.A, Italy 4 955,5
6. Ohters 44 044,5

Source: Tire Business 2007

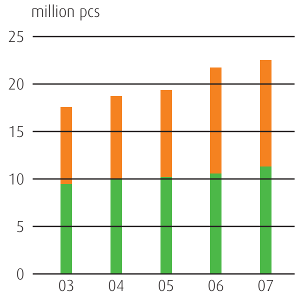
Car tyre sales in the Nordic replacement markets



Summer W/Y/Z Summer V Summer H
Summer <T Winter, non-studded
Winter studded/studdable

Source ETRMA 2007

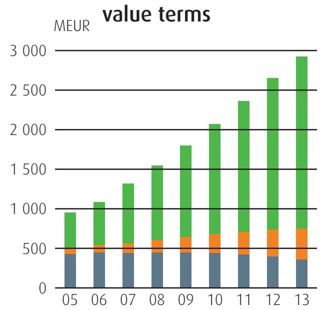
Car tyre replacement market in Eastern Europe excluding Russia and CIS



Summer tyres Winter tyres

Source: ETRMA 2007

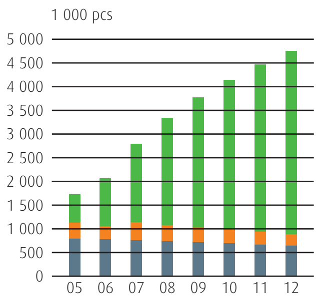
Russia's car and van tyre replacement market growth forecast by segment in value terms



A-segment B-segment C-segment

Source: Nokian Tyres, estimate

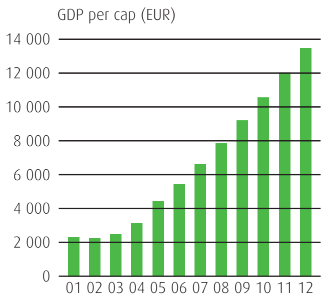
Russia's car sales growth forecast



Russian brands Foreign brands – used
Foreign brands – new

Source: Nokian Tyres, estimate

Russia's GDP per capita



Source :Central Bank of Russia; Rosstat; IMF; World Bank; EIU; BMI

Common speed ratings

Speed rating and highest speed

Q 160 km/h	R 170 km/h	S 180 km/h
T 190 km/h	U 200 km/h	H 210 km/h
V 240 km/h	W 270 km/h	Y 300 km/h

***) In this Annual Report Nordic countries refer to Finland, Sweden and Norway**

SPECIAL COMPETENCE FOR SPECIAL NEEDS

Nokian Heavy Tyres consists of forestry tyres, harbour and mining machinery tyres, agricultural tyres, military and terrain vehicle tyres, and tyres for earthmoving and road maintenance needs. The business focuses on narrow and growing niche segments. In forestry tyres the company has a 30% global market share. Tyres are sold on the OE and replacement markets in Nordic countries, Central and Southern Europe, Russia, Kazakhstan, the USA and Canada. Nokian heavy tyres are sold by the own sales companies, the Vianor chain and special tyre dealers. The majority of the products are manufactured at the Nokia factory.

Heavy Tyre business has historically been sensitive to fluctuations and faced tough price competition. In recent years, the demand for heavy tyres has increased, and there has been a global shortage of harbour and mining tyres in particular. The demand for forestry tyres has grown as a result of increased machine and equipment manufacture, which has been boosted by the automation of harvesting all around the world. The world's biggest harvesting countries are the USA, Canada, Russia and Brazil.

Reliability and long service life

Nokian Heavy Tyres has pioneered forestry tyre research and product development for decades. The tyres are sold wherever professional harvesting is practised. The product range includes tyres suitable for all harvesting methods. Heavy tyres are usually global in terms of technology and suitable for sale all around the world, but Nokian Heavy Tyres' product range also includes tyres developed for northern conditions. Nokian brand is known for its high quality, which means effective usage hours and reliablity in demanding conditions.

Nokian Tyres has developed special tyres for CTL (cut-to-length) forestry machines, invented in the Nordic countries since the 1960s, and the company is the world's market leader in this area. Thanks to being environmentally friendly, the CTL method is gaining ground from the full-tree (FT) method, which is commonly used, for example, in South America, Asia and parts of North America. Nokian Heavy Tyres has the benefit of being closely located to the world's leading machine manufacturers, with whom the company co-operates closely in the R&D. The wide product range is renewed quickly, and the products feature innovations that improve durability and environmental friendliness of the tyres.

Nokian Tyres has gained a foothold in the global tyre markets for harbour and mining machines. The rubber compounds, treads and structures used in harbour and mining tyres have been designed so that the tyres withstand wear and tear for a long time and are easy to retread. Customers value tyres that are functional and cost-effective. Economic hourly usage costs of tyres and machines are more important to them than low purchase prices.

There I stand. No way of going any further.
Not in a small car, economical and finely drawn,
like an object in a museum of modern art.
Not even with the power of an SUV, an urban model,
bigger than any small child's dreams.

At the end of the road there's forest. Sometimes I envy
operators of forest harvesters. Such a vast workplace.

Nokian Forest Rider won users over

The top product for forest machinery, is the radial Nokian Forest Rider launched in 2006. The tyre has gained great popularity among the end-users. They compliment the tyre for its good durability and excellent traction.

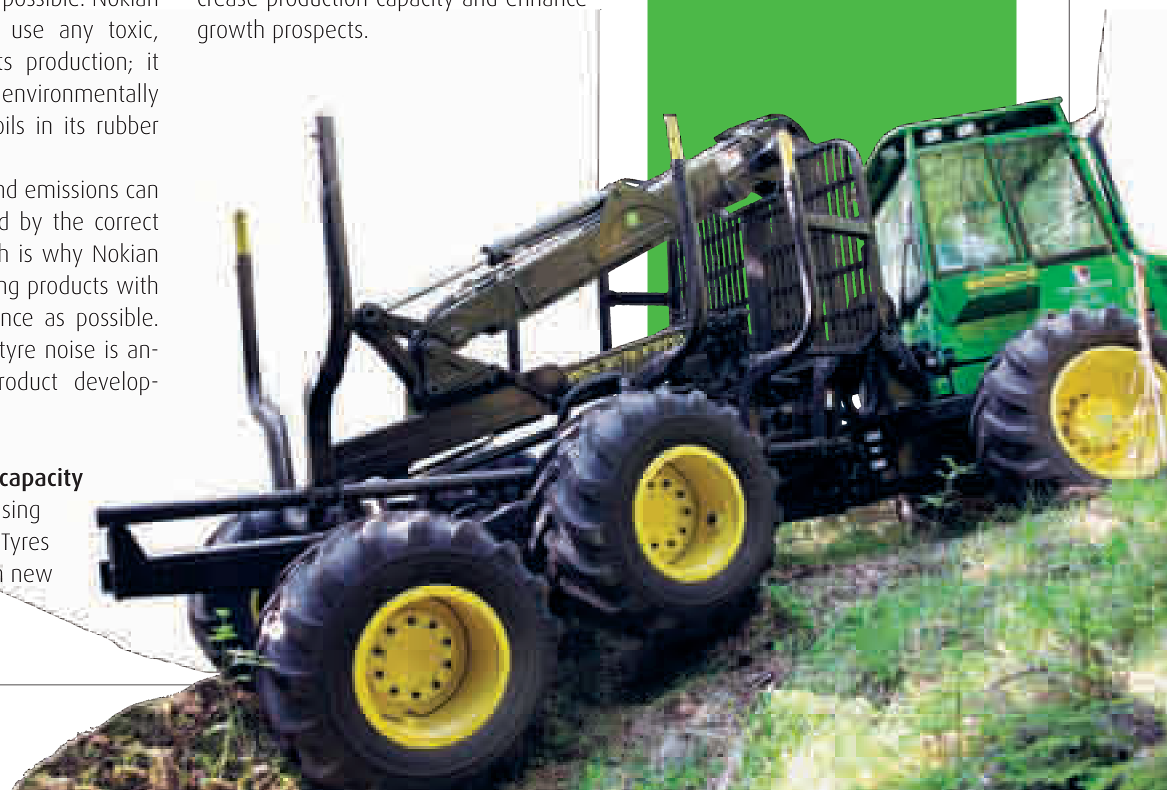
Environmental friendliness guides product development

Environmental friendliness is a key principle in the product development of Nokian Heavy Tyres. The company aims to develop products that load and strain the environment as little as possible. Nokian Heavy Tyres does not use any toxic, high-aromatic oils in its production; it has replaced them with environmentally friendly, low-aromatic oils in its rubber compounds.

Fuel consumption and emissions can be considerably reduced by the correct selection of tyres, which is why Nokian Heavy Tyres is developing products with as low a rolling resistance as possible. Continued reduction of tyre noise is another challenge for product development.

Additional production capacity

To respond to the increasing demand, Nokian Heavy Tyres is continuing to invest in new production technology and to enhance its productivity. New technology and new production methods have considerably increased production capacity. Additional investments, acquisitions and development projects will further increase production capacity and enhance growth prospects.



RELIABILITY FOR DEMANDING PROFESSIONAL DRIVING

Nokian truck tyres and Nokian Noktop retreading materials are designed for demanding professional use and changing conditions. Competence in winter conditions represents the unit's strongest and most traditional sector. In recent years, the product range has been expanded and diversified to offer a good match to customer needs. This has provided excellent opportunities to expand business into new market areas, especially in Central and Eastern Europe as well as in Russia.

Specialisation in winter products for northern conditions gives a solid and reliable foundation for profitable growth. However, this alone is not enough to break into new markets and ensure strong competitiveness. Flexible service, reliable deliveries and efficient logistics create and strengthen customer relations. Business development also benefits from Nokian Tyres' well-established, extensive distribution network in the main market areas.

Extensive product range convinces customers

A brand with a strong image must meet expectations. Tyre outlets and co-operation partners expect Nokian Tyres to offer a comprehensive range also in truck tyres. This has led the company to introduce new types of tyres to complement its winter products. Premium speciality products are accompanied by tyres with a good price/quality ratio, which make the offering as complete as possible.

The growing unit aims to become the leading supplier of truck tyres and retreading materials in the Nordic countries and Russia, and one of the top players elsewhere in Europe. Truck tyres are contract manufactured in Spain and China, while retreading materials are produced at the Finnish plant in Nokia.

Growth opportunities in the East

Sales on the European replacement markets account for some 20 million new and retreaded truck tyres each year and those in Russia for some 10 million tyres. Russia and Eastern Europe are the fastest growing markets. The Nordic countries are the main market area for Nokian truck tyres and Nokian Noktop retreading materials. In the past few years, the company has achieved good results and gained new customers especially in Central and Eastern Europe.

Economy, reliability and environmental soundness as trump cards

Nokian truck tyres and Nokian Noktop retreading materials are designed for and tested in demanding northern conditions, for example, at the Ivalo test centre in Finland. Product development benefits from close and confidential co-operation with transport operators and companies, who give product feedback in the form of experiences and suggestions for improvement.

Professional drivers value good mileage. Tyres – both new and retreaded – must perform reliably, be durable and

From nowhere, to nowhere.

I've visited Red Square and Tiananmen Square.
I've driven over the Golden Gate Bridge and forced my
right-handed way through London's left-handed rush hour.

A journey of a thousand kilometres always starts with one:
either the first step
or by selecting first gear.

ensure excellent grip. Environmental soundness is becoming more important. A low rolling resistance reduces fuel consumption, which is particularly important in professional driving. Nokian truck tyres and Nokian Noktop retreading materials are manufactured solely from purified, harmless oils.

Nokian Tyres is Europe's leading manufacturer of retreading materials. An understanding of northern, seasonally changing driving conditions is one of the strengths in the development of retreading materials. The key product segment is winter treads for truck tyres.

Now Hakkapeliitta stands for truck tyres
The Nokian Hakkapeliitta Truck E is a winter traction tyre with a strong grip and durability developed for heavyweight professional driving. The tyre resists wear even on rough road surfaces, wears evenly and holds its grip.

No problem. Of course I'll admit my shortcomings.
I'm allergic to household dust and cheap aftershave.
Soon I'll have a bald spot and a bit of a stomach.
I can't always observe speed limits.
Sometimes, but quite rarely, I cheat at patience.

SYNERGY BENEFITS AND CONTACT WITH CONSUMERS

The biggest and most extensive tyre chain in the Nordic countries, Vianor has expanded rapidly in recent years, especially in Russia. At the end of 2007 the chain had a total of 366 sales outlets in Finland, Sweden, Norway, Estonia, Latvia, Russia, Ukraine, Kazakhstan, Switzerland and the USA. Nokian Tyres owned 174 of the outlets, while the rest operated on a franchising/partner basis. All sales outlets have a similar look and product selection. Some 20% of the Group's sales in the Nordic countries and Russia is handled by Vianor.

The Vianor chain sells passenger car and truck tyres, as well as tyres for tractors and earthmoving machines. In addition to Nokian-branded tyres, the chain also sells other well-known brands. Its product range also includes various driving-related products, such as rims, batteries and shock absorbers. Vianor outlets also handle tyre changes and mounting, oil changes and other fast-fit services. Tyre hotels are also available.

Vianor mirrors Nokian Tyres' strategy

The Vianor tyre chain is aiming to solidify its position in the markets that are of strategic importance to Nokian Tyres and especially in the Nordic countries, Russia and the CIS countries. Its main task is to maximise the sales of Nokian-branded tyres and to maintain the target price level. Vianor is aiming to improve the profitability of its sales outlets and to further expand and develop its operations. The objective is to act as the flagship for Nokian Tyres' distribution, to spearhead growth and to be the best known tyre chain in its market areas. Through Vianor, Nokian Tyres wants to enhance profitability and success in the whole tyre distribution business.

Only a few big chains, owned by different tyre manufacturers, operate in the Nordic countries. Of these, Vianor has the widest geographic scope. The tyre distribution network in Russia is multi-tiered. The country has a few big wholesalers, who supply tyres to numerous other wholesalers of different sizes and types all around the country. Tyres pass through a long chain before reaching retailers and consumers. More and more tyre manufacturers are now establishing their own tyre chains in Russia, the goal being to reduce the number of middlemen in the distribution chain and to better manage the resale of their products. Vianor is growing in Russia and the CIS countries, primarily through a partner network. This is the fastest way to expand and does not tie up significant amounts of capital.

The Vianor concept offers several business-friendly services to entrepreneurs in the Vianor partner network, such as a product range with strong brands, efficient IT systems and professional product training and technical support. Vianor outlets get a uniform chain look and support for advertising and sales promotion. A large chain also enables favourable procurement conditions. It is important for tyre vendors to

> And after all these confessions, someone dares to claim my driving skills are no more than average. If even that! Hold on. There really should be limits on humiliation.

Vianor – a northern expert in the tyre distribution
Vianor chain is known for its cheerful orange-black colours and for its own uniform chain look. Vianor wants to be a professional, easy-to-approach, service-oriented and responsible expert in the tyre business.

get the products they need at just the right time. Vianor dealers are guaranteed the availability of Nokian-branded tyres and fast deliveries, especially during high season.

Seasonal management and synergy benefits

The Nordic and Russian tyre trade is seasonal, and most of the profits are generated in the last months of the year. Tyre manufacturers must serve distributors efficiently during the few weeks of peak demand. Key success factors include intensive co-operation between manufacturing and Vianor, and utilisation of own outlets as distribution channels, as well as advanced IT and logistics systems. Vianor has boosted its peak-season service, for example, with an outsourced call-center service introduced in all Nordic countries. Consumers can also book tyre changes online.

Vianor outlets act as tyre dispatch points to retailers in neighbouring regions, thus supporting the supply capacity of the logistics centre in Nokia and service centres in different countries. The outlets use an automatic stock replenishment system that monitors inventory levels and handles tyre deliveries from plants to outlets. The Vianor network has proved to be a cost-effective distribution channel, especially for deliveries of small batches and speciality products. The standard delivery time of products in domestic markets is under 12 hours in season and 12 to 24 hours out of season. The delivery times in Russia, North America and Central Europe are 24 to 48 hours.

Co-operation between Vianor and Nokian Tyres' manufacturing offers synergy benefits. A standardised data system improves planning, monitoring and reporting, while direct contact with the tyre manufacturer provides Vianor with better flexibility and faster response times. Studies show that a customer's choice of tyre is influenced most by

product brand and the salesperson's recommendations. Vianor offers Nokian Tyres a direct communication channel to the end users and provides the company with valuable information that can be utilised in the development of services, tyre R&D and marketing.

Growing importance of a wide product range and services

Successful seasonal sales of passenger car tyres are vital to Vianor. Adding services to the equation, some 40% of Vianor's net sales are generated by consumer sales of car tyres. Vianor's broad range of products and services enables good sales, even outside peak seasons. Wholesale and fleet customers, as well as the sales of truck tyres and various heavy tyres, are an important source of income for Vianor outlets.

Vianor is continuing to develop its fast-fit operations in areas where they complement the service concept of Nokian Tyres and Vianor. Fast-fit services will be further improved so that they can play a key part in growth and profitability in the coming years.

Vianor online store: a new approach to purchasing

Vianor's online stores in Finland, Sweden and Norway offer consumers assistance in practically anything related to tyre and rim purchases. In addition to traditional product information, the target group receives real value-added services. Customers can purchase tyres and rims from the online store, as well as make an appointment for mounting at the nearest Vianor sales outlet. The opportunity to compare product prices online brings a big change into the industry's traditional trading methods. To help choose the right rim, the website features a simulator that allows customers to try different rims on cars. Oil changes and other fast-fit services can also be purchased online.

Vianor is the spearhead of Nokian Tyres' growth

Vianor plays a key role in Nokian Tyres' success and expansion to new markets. According to Vianor's strategy the chain is expanding mainly through distribution partner contracts particularly in the fastest growing markets.

In 2007 Vianor expanded quickly, including the new countries Switzerland, the USA, Ukraine and Kazakhstan. Vianor opened nearly one hundred new outlets, most of which were in Russia under Vianor partner agreements. These agreements mean that independent tyre dealers commit to selling the agreed amount of Nokian products.

In some new market areas the strategy is to first create a chain of equity owned outlets and then build an entrepreneur-led Vianor chain around this network. The own outlets will continue to play an important role in Vianor's financial results and in the development of various operations and processes.

Vianor pays particular attention to the development of fast-fit services. This business relies on the synergies generated by Vianor employees' appropriate professional skills combined with the strong seasonality of tyre retail sales. The increase in service sales has clearly improved Vianor's profitabilty and offers great growth potential.

Vianor focuses on competence development

Efficient customer service and personnels' ability to create additional sales are Vianor's current key focus areas in personnel training. The development work and testing of new practices has been initiated in Finland.

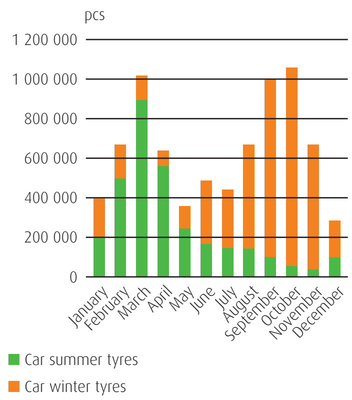
The Vianor training on sales skills was launched in Finland for the entire personnel in the autumn of 2007. In addition, training aimed at more efficient customer calls was started. Furthermore, outlet supervisors skills to coach their personnel was carried out in conjunction with Vianor's traditional sales training events.

An e-learning package was launched for the entire personnel to enable online acquaintance with the basics of sales work, excellent customer service and tyre mounting. More than 90% of Vianor Finland's personnel completed the training and in the future it can also be utilised as a tool in induction training for new and temporary employees.

Description of Vianor's practices, Vianor Way, was updated and distributed to the personnel. The goal is to maintain uniform practices throughout the international Vianor chain.

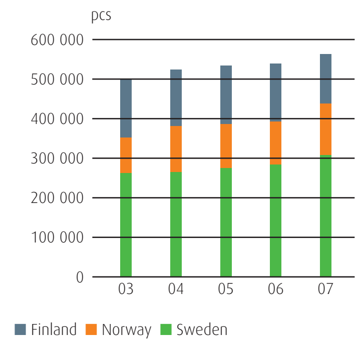
Sales cycles

Sales of passenger car tyres in Nordic countries 2007
Sales from manufacturer to retailers



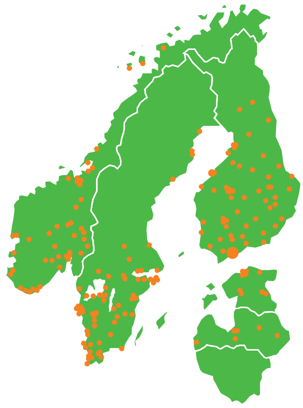
Source: ETRMA 2007

Registration of the new passenger cars in the Nordic countries

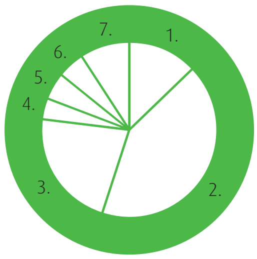


Source: ACEA 2007

Vianor outlets in Nordic and Baltic countries

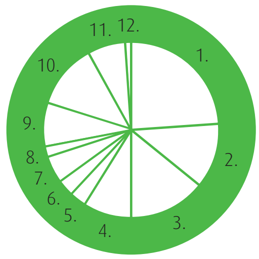


Vianor's sales per product segments 2007 Nordic countries



1. Service 13%
2. Car & Van tyres 42%
3. Truck tyres 22%
4. Agriculture 4%
5. Earth movers and industrial 5%
6. Rims 5%
7. Other production 9%

Vianor's sales per customer groups 2007



1. Private customers 24%
2. Small transport business 12%
3. Local companies 14%
4. Large transport business 9%
5. Communities and states 3%
6. Nation-wide companies 3%
7. Industries and contractors 5%
8. Leasing customers 2%
9. Car dealers 8%
10. Tyre stores 12%
11. Other tyre retailers 7%
12. Others 1%

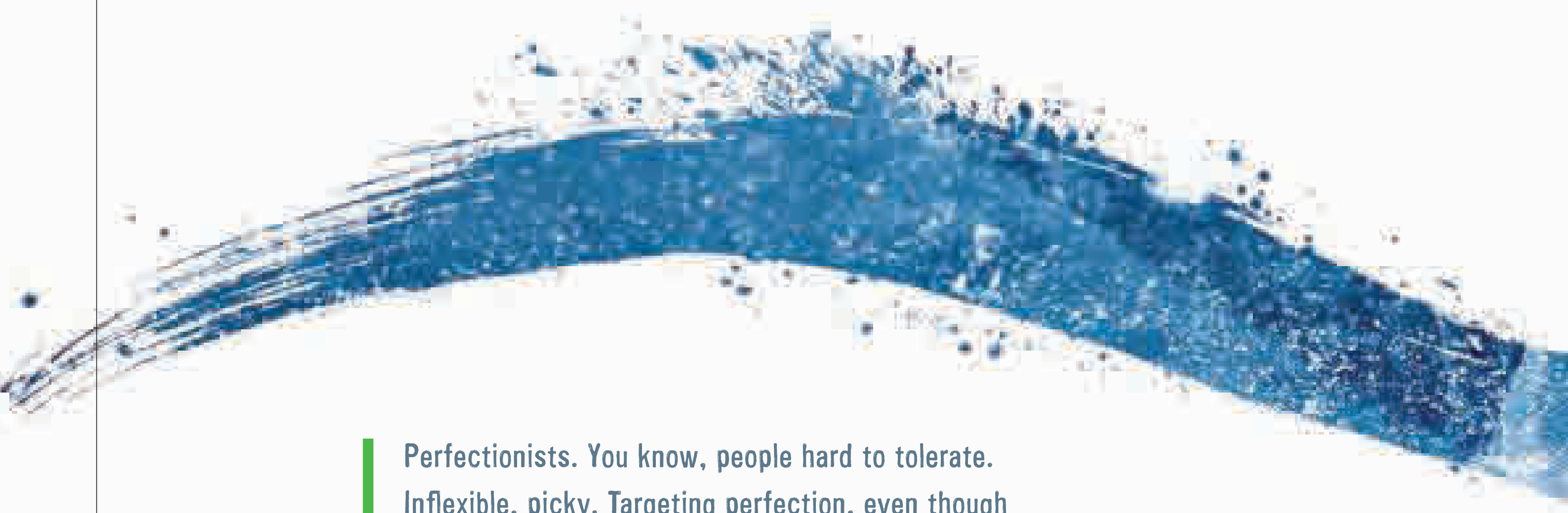
Vianor Russia

Vianor chain 31.12.2007: a total of 366 outlets: 174 equity owned and 192 franchising/partner outlets.

Vianor Finland: 67 outlets and 2 retreading factories
Vianor Sweden: 73 outlets and 1 retreading factory
Vianor Norway: 50 outlets and 2 retreading factories
Vianor Russia: 132 outlets and 1 retreading factory
Vianor Estonia: 9 outlets
Vianor Latvia: 6 outlets
Vianor Switzerland: 2 outlets
Vianor Ukraine: 17 outlets
Vianor Kazakhstan: 4 outlets
Vianor USA: 6 outlets

The longest journey I've ever made
has been the one into my soul.
You can't travel to escape yourself.

Landscape.
I examine it carefully.
I'll never again see it just like this.
It's changed.
Or maybe I have.
Or the road.



> **Perfectionists. You know, people hard to tolerate. Inflexible, picky. Targeting perfection, even though they know full well it doesn't exist, ever.**

ACTIVE PRODUCT DEVELOPMENT WITH SUSTAINABLE SAFETY IN MIND

Nokian Tyres has observed the same basic principle in its product development for 70 years: the company develops tyres for consumers who drive in northern conditions and need their tyres to be safe and durable in all situations. Development is guided by the principle of sustainable safety: the tyre should retain its safety features almost intact throughout its service life.

A product range featuring quick development and innovative products are essential to the success of Nokian Tyres. New products enable the company to strengthen its position and maintain the desired price and margin levels in stiff competition. The main task of R&D is to support the company's status as the manufacturer of the world's best winter and forestry tyres.

Innovations and environmental friendliness

Tyre safety is improved using technical innovations. Furthermore, the tyres are advanced and unique. The innovation processes aim to generate added value and to commercialise new ideas.

Environmental friendliness is closely linked to safety. Product development aims at creating tyres with minimal environmental impact. Nokian Tyres has blazed a trail of environmental friendliness in the tyre industry by being the first tyre manufacturer in the world to introduce tyres that are made using only purified, low-aromatic oils. The use of hazardous oils was terminated at the Nokia plant at the end of 2004, and the Russian plant also uses only non-hazardous oils.

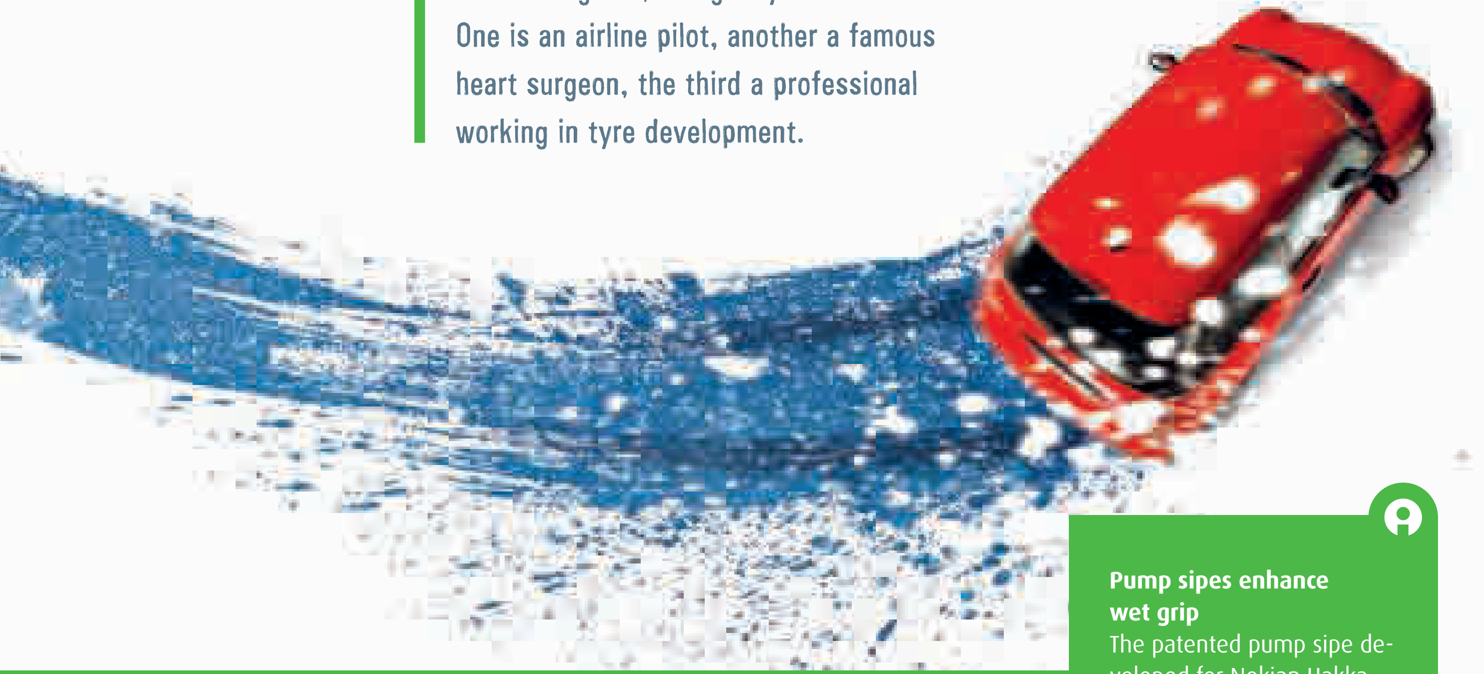
Global warming and the growing concern about the state of our environment place tyre developers in front of new challenges. Tyres should be silent and cost-effective in fuel economy and durability. Tyres with low rolling resistance roll lightly. They can save up to 0.5 litres of fuel per one hundred kilometres and, consequently, generate less-harmful emissions. Quiet tyres do not strain the environment with loud noise, or the driver with inside noise.

Sharply focused specialisation and customer needs point the way for R&D

Tyre development requires carefully focused planning. Different market areas need customised products. The R&D team keeps close track of the changes in the markets' and consumers' needs. Creating successful products calls for familiarisation with new developments in vehicle technology. Confidential co-operation with machine and equipment manufacturers is a must in the development of heavy tyres.

With the increased performance capacity of passenger cars, the demand for high-speed tyres has grown. SUV (Sport Utility Vehicle) tyres are a growing product group. In the heavy tyres product area, special emphasis is placed on radial special tyres. The development of

I've only three friends whose perfectionism can be forgiven, and gladly.
One is an airline pilot, another a famous heart surgeon, the third a professional working in tyre development.



retreading materials relies on the versatile, in-depth knowledge of rubber technology accumulated in the company.

Company test centres in Ivalo and Nokia

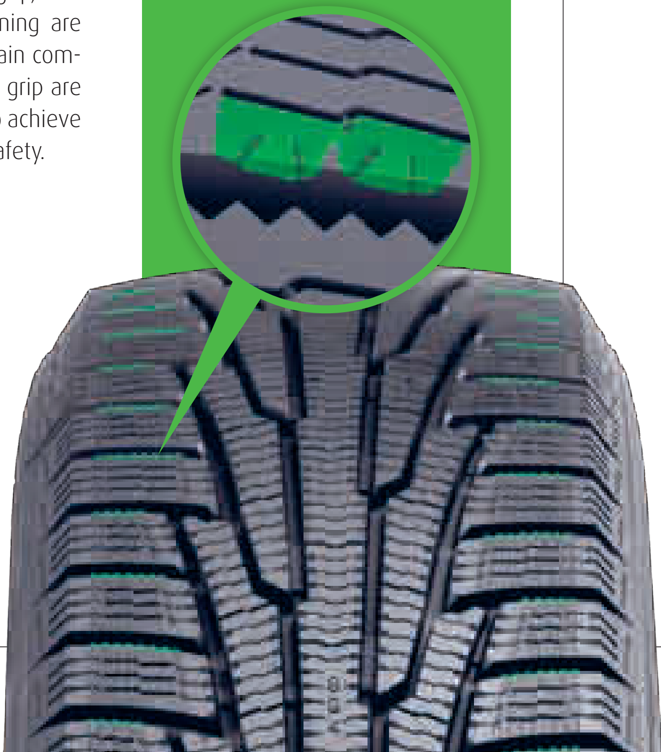
Nokian Tyres frequently renews its product range: new products account for at least 25% of the annual net sales. R&D investments total approximately 2.5% of net sales annually. In the passenger car tyre unit, R&D accounts for some 4% of net sales. Approximately one-half of this investment is allocated to product testing. The development of a brand-new passenger car tyre takes 2 to 4 years.

Nokian Tyres' 700-hectare test centre in Ivalo, Lapland, focuses on demanding winter testing from November to May. Thanks to the state-of-the-art equipment, versatile tests and professional personnel, tests in Ivalo cover all extreme situations that can be encountered when driving in the winter. Comprehensive testing in 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 developed test centre covers an area of 30 hectares and offers unique facilities for testing slush planing among other things. In addition, wet grip, fast driving properties and aquaplaning are also tested abroad in order to gain comprehensive results. The limits of grip are stretched and crossed in order to achieve the key goal of development: safety.

Pump sipes enhance wet grip

The patented pump sipe developed for Nokian Hakkapeliitta R studdless winter tyre, is the latest product innovation. The tread blocks of the tyre shoulder have pocket-like sipes that pump water from the road surface and ensure firm contact.



Uncompromising testing and Nordic devotion
Nokian Tyres dedicates at least half of the year to serious winter tyre testing. This comes as a natural choice for the inventor of studded tyres. North of the Arctic Circle, in the town of Ivalo in Finnish Lapland, the company operates a proving ground with over 700 hectares of land where product development and testing teams and test drivers put tyres to a trial with the task of separating the best tyres out of a good selection.

State-of-the art equipment, versatile tests and skilled and experienced people see to it that all the extreme situations of winter driving are thoroughly studied in Ivalo. Defying and exceeding the limits of tyres´ grip serves our demanding development work shoes foremost goal is safety. Uncompromising testing demands an almost endless amount of repetition in constant conditions in order to obtain reliable results. Test drivers must be technically skilled at handling cars and need a great deal of concentration, precision and calmness. Their opinions and input are used to compliment the figures, times and measurements obtained from the testing equipment.

People notice and acknowledge a constantly renewing and innovative product range. Products which have been carefully tailored for different applications and which have passed strict tests impress their users and open the door to success.

In harmony with the nature
Winter in all its forms is present in Lapland. Nature fluctuates unpredictably. A temperature of a few degrees below zero can go on for weeks. At other times the winter is fairly mild with slushy snow. Work objectives and tests must live in harmony with nature. Nokian Tyres is the world’s leading expert on northern conditions mainly due to the careful and thorough testing conducted in Lapland.

Testing also on the Nokia proving ground
On the proving ground located in the town of Nokia, testing is conducted from April to November and almost all driving situations on northern roads are simulated. Spreading over an area of 30 hectares, the proving ground is constantly being developed to meet the challenges of difficult conditions as well the demands of the future.

Indoor testing
Materials testing machines are used to test the structural toughness and high-speed durability of tyres. Repetitive tests are used for monitoring the flawlessness of tyres and for making sure products are of high quality and technically reliable.

SAFETY INNOVATIONS OF NOKIAN TYRES

1999
DSI, Driving Safety Indicator
The Driving Safety Indicator on the central rib of the tyre indicates the groove depth. The numbers stamped on the tread show the remaining groove depth in millimetres. The numbers fade one at a time as the tyre wears down.

2003
Canola oil in the tread mixture
Canola oil is an environmentally friendly, pure natural product. Nokian Tyres first used it in the tread compound of Nokian Hakkapeliitta 4 in 2003. Canola oil increases the tear resistance of the rubber and improves the tyre’s grip in winter conditions.

2004
Combination of five rubber compounds
The Nokian Z tread is made of five different rubber compounds. The central rib compound makes the tyre easy to handle. The compound in the shoulder area improves grip in extreme handling. The narrow wing zone in the outer edge of the shoulders provides excellent resistance to the strong deformations caused by cornering and a springing motion.
A compound layer that reduces rolling resistance and heat emission has been inserted over the steel belt package. The compound deepest down attaches to the steel belt package to improve the structural durability of the tyre.

2006
Bear claw
The sharp-edged bear improves the grip of a studded winter tyre. The bearclaw at the front edge of the tread blocks pretightens and supports the stud. The bear claw holds the stud in the ideal position during road contact. The stud does not twist or give way and thus maximises grip. The grip in the shoulder area, which

Global warming challenges tyre development

- Global warming is a scientific fact.
- The average temperature in the Nordic countries is estimated to rise approximately one degree over the next 15 years.
- Quick changes in weathers and driving conditions will increase.
- Extreme weather phenomena will become even stronger and more frequent.
- All this places increasing demands on winter tyres that need to level out sudden changes in driving conditions.

As the climate change proceeds and extreme conditions become more common, good tyre properties are increasingly emphasised. Nokian Tyres is prepared to respond to the challenges of the climate change. The company wants to be a forerunner and develop the entire tyre industry, as well as the safety and environmental friendliness of its own tyres. Practical examples of environmentally friendly activities include the harmless, purified oils used in tyre production, non-toxicity, and the successful development of tyres with lower rolling resistance.

Lower fuel consumption, lower emissions

CO_2 emissions generated in traffic are an essential factor in the climate change. Tyres with a lower rolling resistance can help reduce the car's fuel consumption and exhaust gas emissions.

Nokian Tyres' long-term, goal-oriented development work has strongly focused on lowering the tyres' rolling resistance. The Nordic, studless Hakkapeliitta winter tyres are a good example of successful product development: they feature excellent safety properties combined with an exceptionally low rolling resistance.

Correct choice of tyres helps the environment

Approximately three-quarters of human-generated CO_2 emissions come from the use of fossil fuels, i.e. gasoline and diesel. Carbon dioxide is the most significant greenhouse gas generated by traffic. When the vehicle's tyre rolls against the road surface, it generates friction. This is called rolling resistance. The higher the rolling resistance, the bigger the fuel consumption, which is the most significant environmental effect related to the use of tyres. The correct choice of tyres helps reduce fuel consumption and, consequently, the amount of CO_2 emitted into the air.

The Nokian Hakkapeliitta friction tyres can save up fuel consumption significantly. This means that the driver can save approximately EUR 300 over 40,000 km of driving (calculated with the average price of 95-octane gasoline in Finland in January 2008) and personally contribute to the reduction of emissions.

is most critical when braking, has been greatly improved.

2006
Evolution of the square stud

Nokian Tyres first introduced the square stud in 2003 when it launched Nokian Hakkapeliitta 4. The stud has been further developed. in addition to the hard metal stud pin and bottom flange, the body of the stud is now square shaped as well. The stud's wide support improves grip on ice, and the stud is anchored more firmly in the tread compound. This ensures tyre safety throughout the tyre's lifespan.

2006
Aquaplaning indicator

In addition to the Driving Safety Indicator, Nokian Hakka summer tyres have an Aquaplaning Indicator as well. Its droplet symbol disappears when the tyre has four millimetres of tread left. This is a reminder to the driver that the risk of aquaplaning has increased considerably.

2006
Wedge cap construction

Nokian Hakka H and V are summer tyres designed for Nordic conditions, featuring a unique wedge cap construction that maximises the benefits of an asymmetrical tread pattern. The outer layers of the wedge-like tread are structured from overlapping layers that improve wet grip, wear resistance and tyre handling. The inner support and grip layers contribute to a low rolling resistance and structural durability.

> What is the essence of safety?
> When you focus your mind on driving.
> Every one of us can become
> a part-time Charlie Watts.

INCREASED COMPETITIVENESS THROUGH COMPETENCE DEVELOPMENT

Nokian Tyres' HR strategy comprises the company's mission, vision and goals, which form the basis for the objectives and responsibilities of the HR strategy. Internationalisation and global practices have been taken into account in the strategy. The internal HR Global network has a key role in developing the strategy.

The renewal of competence development practices can be seen in the form of increased online learning. Nokian Tyres' learning portal, Hakkapeliitta Academy, ensures strategy-based competence development. In 2007, the first group of 13 employees from the Nokia plant completed the Further Qualification in Rubber Processing. A total of 689 Nokian Tyres' employees have participated in different degree programmes.

Vianor has tailored training programmes to increase the professional skills of mechanics and supervisors. The focus at the Nokia plant has been on the development of supervisory functions and training related to employment relations. More than ten professional work counsellors support well-being at work.

A variety of training programmes was arranged In Russia on the basics of tyre manufacture, sales, and time management. Also language training has been active at Nokian Tyres.

In 2007, general induction, a comprehensive training for new employees, was developed at the Nokia plant. The two days program familiarises new employees effectively with the Group and local practices. Workplace mentors support newcomers to get acquainted with the organisation and work.

In Russia, the continuous recruitment and induction of new employees is a challenge.

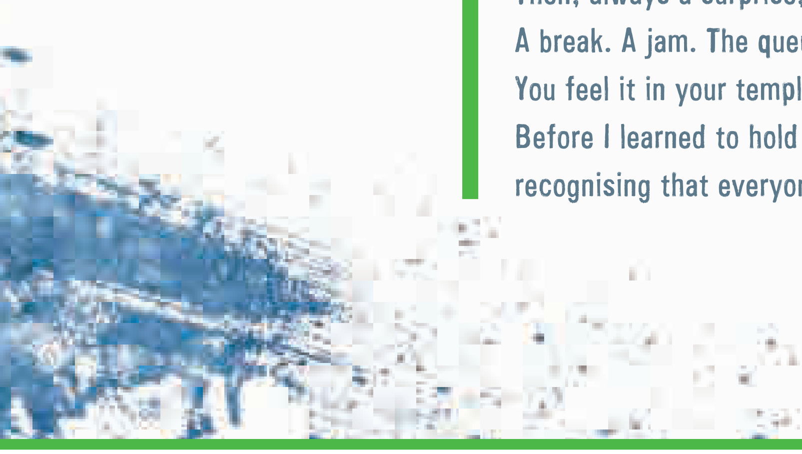
Inventiveness promotes innovation

The concept of inventiveness, the innovative way of operating in the Group, expanded and activated in 2007, when new people in charge started their work in Russia, Sweden and Norway. New ideas have led to developing Vianor chain's activities in the Nordic countries. New ideas can be reported on the intranet in real time.

Strong focus on well-being at work

Nokian Tyres provides its employees with exercise and well-being services including a number of exercise groups, personal trainers and, as a new service, massage. The company doctor can issue an Exercise Prescription that motivates people to exercise regularly in the manner most suitable for them. Occupational health care plays a key role in well-being at work. Employees on a long sick leave are invited for a personal discussion, and a plan is compiled to support their everyday life and return to work. Personnel well-being is monitored with an annual survey. Mental well-being is supported by individual and group counselling, as well as various work time arrangements and personnel events.

Driving cars is a rhythm sport.
Little by little I've learned to listen to the traffic, thundering along.
Motorways hammer to a basic beat.
Flashing brake lights tell you the beat is changing.
Occasionally, the music crawls as if it's wearing socks, but soon we're off again and the band is rocking.
Then, always a surprise, an exquisite drum solo.
A break. A jam. The queue stops like it has hit a wall.
You feel it in your temples. It used to paralyse me.
Before I learned to hold on to my own good feelings, recognising that everyone couldn't keep the beat.



Networking is expanding

Nokian Tyres aims at extensive networking. An example of this is the Tampere Business Campus (TBC) that arranges joint training for companies in Tampere, Finland. In 2007, the St. Petersburg Business Campus (PBC) was established to promote co-operation between Finnish companies operating in or planning to enter the St. Petersburg region. Nokian Tyres has also participated in the Vert project funded by the EU. This project develops international vocational rubber-industry education.

Rewarding adds value to business

At Nokian Tyres, the same key principles of rewarding apply to all manufacturing units, sales companies and Vianor. Fair and lucrative rewarding is a key element in attracting the best employees. Work tasks are classified according to their demands, and work performance is evaluated regularly. Unit-specific bonus systems are deployed as additional incentives. While the total value of rewards is defined, there are different elements that can be selected. Key employees can for example use a childcare service, if their child becomes ill. Some employees can have part of their salary converted to fringe benefits, such as a company car.

Recruitment in consistent planning

The key point in recruitment is the fact that there is a shortage of skilled, motivated people, and the best ones go to companies with the best image. Valued candidate properties include a positive outlook on international activities. The professional skills, personal properties and special skills are assessed. Internal career development opportunities are included in the HR policy. Expert consultation and tests are used in recruitment. When a new employee is hired, his/her possibilities of developing onto more demanding tasks within the Group are also assessed. Continuous self-development and coaching others is part of the Hakkapeliitta Spirit, which is expected of every Group employee.

Hakkapeliitta Academy – internet as a learning portal

Hakkapeliitta Academy is an online learning system that serves own organisation, retail outlets and partners. It includes learning modules accessible over the internet. Two modules, primarily for the sales employees, are ready and new learning material for product training, job induction among others will follow.

Safety = peace of mind

Good tyres give peace of mind.
Like firegazing or watching flowing water.

There are other ways of meditating:
sauna, Nordic walking, picking berries,
listening to the silence of the forest,
fishing through the ice.

A FORERUNNER IN SAFETY AND ENVIRONMENTAL MANAGEMENT

One of Nokian Tyres' core values is the idea of responsible corporate citizenship and respect for the environment. Environmental and safety features are key factors in the development, manufacture and marketing of Nokian Tyres' products. Apart from meeting the requirements and norms of society, Nokian Tyres wants to be a forerunner in environmental and safety matters related to its products, production and logistics in each sector of operation. For Nokian Tyres, responsibility means safe and environmentally-friendly products, industry-leading production processes, safe work environments and personnel well-being.

Nokian Tyres' activities are managed with a Group-wide activity system. EHSQ management covers environmental management, personnel and property protection and quality management. The aim is to prevent accidents in all areas of operation and ensure flawless production. The development of activities relies on best practices and advanced solutions and is based not only on financial aspects but also on human values and responsibility. The entire life-cycle of a product is taken into account, from material selections to product use to disposal, including the whole subcontracting chain. Safety management is supported by risk management, continuous process development and new investments. The Nokia plant's system is certified in accordance with the EU's EMAS (EcoManagement and Audit Scheme) regulation. In addition, the Finnish and Russian plants are certified in accordance with the international environmental system standard ISO 14001 and the international quality system standard ISO 9001.

With regard to the long-term development of safety and environmental issues, Nokian Tyres can be considered a forerunner in the tyre industry. Nokian Tyres was the first tyre manufacturer to completely eliminate high-aromatic oils from its rubber compounds, as well as all chemicals classified in the European system as carcinogenic or hazardous (T, T+) from its production processes. Furthermore, Nokian tyres are also top-of-the-line in terms of safety and environmental impacts during use, which is proven by a number of independent comparison tests.

Active work for friendly environment

In the field of safety management, a strong focus was placed on supervisory work, instructions and induction in all fields of operation. In spite of the high degree of automation in the production, the tyre manufacture traditionally includes a lot of manual work. This has made safety development a challenging task, particularly with regard to ergonomics. At the corporate level the accident rate has gradually decreased, but in many units this development has been slow and the company's internal objectives have not been achieved. The company had to pay two minor fines due to

two accidents that had occurred in previous years. No serious accidents occurred in 2007.

The environmental permit of Nokian plant was renewed in February 2007 to correspond to the new Finnish legislation. The terms of the new environmental permit take into account the improvements achieved in previous years, and at the same time set some new demands for measuring. Nokian Tyres was mostly able to fulfil all environmental demands and regulations Within waste management a new channel to recycle unvulcanized rubber materials was taken into use at Nokia site, raising the waste utilization rate of the plant to over 95% for the last part of the year. The overall rate for the whole year was 77%.

Although the Vsevlozhsk plant also meets the legislative environmental objectives, development is still underway, especially in the field of waste management. Local waste management services have not yet fully met the company's goals. As the plant is still under construction, the amount of waste generated is greater than in Nokia, but this will even out as the construction project proceeds.

The EMAS environmental report released in 2007 featured extensive coverage of the environmental matters of the entire Group, although the EMAS certificate as such is not applicable outside Europe. The report addressed the Group's corporate responsibility issues that are expected to increase in significance when the company grows and becomes increasingly international. In keeping with this spirit, the company issued its own statement of the climate change in 2007, emphasising the significance of the environmental impacts of tyres, particularly their rolling resistance, in the form of fuel consumption.

Green tyres
The birch leaf symbol and the text "Naturally Nokian Tyres" on the sidewall are signs of the environmentally friendly production and products. Among other things they mean that only purified, low-aromatic oils are used in the production.

NATURALLY NOKIAN TYRES

Chairman:
Petteri Walldén, year of birth: 1948
Master of Science (Engineering)
Member of the Board since 2005.
Independent of the company.
Shares: 6 109 pcs
Other simultaneous positions of trust:
Member of the Boards: Alteams Oy, Empower Oy, eQ Oyj, Kuusakoski Oy, SE Mäkinen Logistics Oy, Suomen Terveystalo Oyj and Tikkurila Oy

Kim Gran, year of birth: 1954
Bachelor of Science (Economics)
President and CEO of Nokian Tyres plc
Member of the Board since 2002.
Shares: 4 000 pcs; bonds with warrants, pcs: 2004B 9 000; 2004C 19 000; 2007A 160 000.
Other simultaneous positions of trust:
Chairman of the Board of the Rubber Manufacturer's Association;
Member of the Boards: Confederation of Finnish Industries, Finnish-Russian Chamber of Commerce (FRCC), Konecranes plc, Chemical Industry Federation of Finland (Vice Chairman) and M-real plc
Member of the Supervisory Board: Ilmarinen

Rabbe Grönblom, year of birth: 1950
Bachelor of Hospitality Management
Commercial Counsellor
Director, Ab R Grönblom Interational LTD
Member of the Board since 2003.
Independent of the company.
Shares: 383 pcs
Other simultaneous positions of trust:
Member of the Board: Restel Ltd.

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: 1 755 pcs

Hannu Penttilä, year of birth: 1953
Master of Laws
CEO, Stockmann plc
Member of the Board since 1999. Independent of the company. Shares: 3 383 pcs
Other simultaneous positions of trust:
Chairman of the Board: Oy Hobby Hall Ab, Lindex AB , Seppälä Oy, Suomen Pääomarahoitus Oy and Oy Stockmann Russia Holding AB; Member of the Boards: Chairman of the Board; The Central Chamber of Commerce of Finland, International Association of Department Stores (President of Executive committee), Federation of Finnish Commerce (Vice President). Member of the Supervisory Boards: Mutual Insurance Company Kaleva, Varma Mutual Pension Insurance Company and Luottokunta (Vice President)

Koki Takahashi, year of birth: 1957
B.A. (Economics)
Senior Vice President
Finance & Administration
Bridgestone Europe NV/SA
Member of the Board since 2006.
Shares: 1 755 pcs

Aleksey Vlasov, year of birth: 1957
Medical doctor
Vice President, Synttech Group
Member of the Board since 2006.
Independent of the company.
Shares: 1 755 pcs

Kim Gran,
year of birth: 1954
President and CEO. Bachelor of Science in Economics. With the company from 1995. Shares: 4 000; Bonds with warrants: 2004B 9 000, 2004C 19 000, 2007A 160 000

Alexej von Bagh,
year of birth: 1968
Vice President, COO of Vianor Holding Oy. Master of Science (Eng.). With the company from 1995. Shares: 1 750; Bonds with warrants: 2004C 4 500, 2007A 30 000

Esa Eronen,
year of birth: 1957
Vice President, Production Service, Technology Engineer. With the company from 1988. Shares: 3 000; Bonds with warrants: 2004A 2 700, 2004C 3 000, 2007A 20 000

Sirkka Hagman,
year of birth: 1958.
Vice President, HR and EHSQ. Master of Science; Licentiate of Administrative Science. With the company from 1980. Shares: 400; Bonds with warrants: 2004A 3 000, 2004B 3 500, 2004C 2 600, 2007A 20 000

Rami Helminen,
year of birth: 1966
Vice President Car and Van tyres. Master of Economic Sciences. With the company from 1990. Bonds with warrants: 2004A 300, 2004B 3 500, 2004C 9 000, 2007A 80 000

Raila Hietala-Hellman,
year of birth: 1952
Vice President, Communications. Diploma in Business and Administration. With the company from 1979. Shares: 3 000; Bonds with warrants: 2004B 3 500, 2004C 2 600, 2007A 20 000

Teppo Huovila,
year of birth: 1963
R & D Manager. Master of Science, MBA. With the company from 1989. Shares: 1 000; Bonds with warrants: 2004A 150, 2004B 2 000, 2004C 1 750, 2007A 12 020

Antero Juopperi,
year of birth: 1954
Senior Vice President, Emerging Markets, R&D. Master of Sciences (Organic Chemistry). With the company from 1992. Bonds with warrants: 2004C 8 000, 2007A 50 000

Seppo Kupi,
year of birth: 1950
Managing Director, Vianor Holding Oy. Engineer. With the company from 1974. Shares: 3 830; Bonds with warrants: 2004C 4 500, 2007A 30 000

Kari-Pekka Laaksonen,
year of birth: 1967
Vice President, Sales and Logistics. Master of Science (Eng.). With the company from 2001. Shares: 5 000; Bonds with warrants: 2004B 4 000, 2004C 10 000, 2007A 80 000

Anne Leskelä,
year of birth: 1962
Vice President. Finance and Control & IR. Master of Economic Sciences. With the company from 1997. Shares: 1 000; Bonds with warrants: 2004B 1 500, 2004C 4 000, 2007A 30 000

Raimo Mansikkaoja,
year of birth: 1962
Vice President, ICT & Corporate Development. Master of Science, MBA. With the company from 1995. Shares: 2 500; Bonds with warrants: 2004C 3 000, 2007A 20 000

Jukka Mäkelä,
year of birth: 1974
Vice President, Strategy.
MSc. in Ecomics and Business Administration. With the company from 2007. Bonds with warrants: 2004C 4 000, 2007A 20 000

Tapani Silvonen,
year of birth: 1962
Professional employees Engineer. With the company from 1996. Bonds with warrants: 2004B 450, 2004C 300, 2007A 2 000

Tarja Snellman,
year of birth: 1952
International Department Union of Salaried Employees TU. With the company from 1970. Shares: 500; Bonds with warrants: 2004A 25, 2004B 150, 2004C 120, 2007A 750

Petri Sorvali,
year of birth: 1969
Chief Shop Steward. With the company from 1997. Bonds with warrants: 2004C 20, 2007A 150

Hannu Teininen,
year of birth: 1960
Vice President, Truck tyres. Engineer, MBA. With the company from 1984. Shares: 2 000; Bonds with warrants: 2004B 1 750; 2004C 2 000, 2007A 20 000

Antero Turunen,
year of birth: 1945
Managing Director, Nokian Heavy Tyres Ltd. Master of Science (Eng.). With the company from 1993. Shares: 5 000; Bonds with warrants: 2004B 2 000, 2004C 8 000, 2007A 60 000

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President and CEO Kim Gran

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Managing Director Per-Åke Beijersten

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Managing Director Björn Kamphus

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Managing Director Dieter Köppner

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134, Kutuzova St.
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Fax +38 044 459 02 97
Managing Director Igor Bogdanov

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The road. Life.
Took you far but maintained contact.
Brought you back.
To where winter tyres were born.

nokian TYRES

NOKIAN TYRES PLC

FINANCIAL REVIEW 2007

FINANCIAL REVIEW 2007

Contents

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

CONSOLIDATED KEY FINANCIAL INDICATORS	IFRS	IFRS	IFRS	IFRS	FAS	FAS	FAS	FAS	FAS	FAS	FAS
Figures in EUR million unless otherwise indicated	2007	2006	2005	2004	2004	2003	2002	2001	2000	1999	1998
Net sales	1,025.0	835.9	686.5	603.3	602.2	528.7	479.2	423.4	398.5	322.6	251.3
growth, %	22.6%	21.8%	13.8%	14.1%	13.9%	10.3%	13.2%	6.3%	23.5%	28.4%	18.7%
Operating profit before depreciation	281.1	193.9	151.4	148.9	146.8	115.1	95.0	81.9	68.4	61.9	47.5
Depreciation	47.1	40.8	35.6	33.4	38.7	36.0	34.9	31.3	28.9	19.8	14.3
Operating profit	234.0	153.1	115.8	115.6	108.1	79.1	60.1	50.5	39.4	42.1	33.2
% of net sales	22.8%	18.3%	16.9%	19.2%	18.0%	15.0%	12.5%	11.9%	9.9%	13.1%	13.2%
Profit before tax	213.8	139.3	112.6	103.0	99.9	69.6	48.0	37.0	27.2	35.5	29.9
% of net sales	20.9%	16.7%	16.4%	17.1%	16.6%	13.2%	10.0%	8.7%	6.8%	11.0%	11.9%
Return on equity, %	26.6%	20.9%	22.2%	31.3%	24.3%	20.8%	16.9%	14.3%	13.7%	23.6%	22.7%
Return on capital employed, %	27.8%	22.7%	21.4%	28.1%	27.5%	22.3%	17.1%	14.3%	12.1%	16.9%	19.8%
Total assets	1,155.4	884.7	797.4	578.4	553.8	476.1	450.9	459.8	464.0	391.8	269.3
Interest-bearing net debt [1]	102.9	126.9	119.5	163.3	107.4	100.0	122.5	158.2	182.1	170.4	94.2
Equity ratio, %	61.8%	63.0%	59.1%	46.4%	48.3%	44.4%	38.9%	32.4%	28.3%	30.9%	37.1%
Gearing, % [1]	14.4%	22.8%	25.4%	60.9%	35.4%	40.5%	57.9%	85.5%	108.9%	140.6%	94.3%
Net cash from operating activities	169.9	106.6	30.2	56.9	56.9	79.0	69.3	70.8	26.6	22.3	21.2
Capital expenditure	117.1	97.0	119.6	57.8	57.8	44.2	26.0	45.3	67.5	85.7	72.7
% of net sales	11.4%	11.6%	17.4%	9.6%	9.6%	8.4%	5.4%	10.7%	16.9%	26.6%	28.9%
R&D expenditure	11.5	9.0	9.3	9.8	9.6	8.3	8.5	8.3	8.3	7.8	6.6
% of net sales	1.1%	1.1%	1.4%	1.6%	1.6%	1.6%	1.8%	2.0%	2.1%	2.4%	2.6%
Dividends (proposal)	62.3	38.0	27.9	25.9	25.9	16.7	11.7	8.8	6.9	9.0	7.6
Personnel, average during the year	3,462	3,234	3,041	2,843	2,843	2,650	2,663	2,636	2,462	2,023	1,620

PER SHARE DATA	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002	FAS 2001	FAS 2000	FAS 1999	FAS 1998
Earnings per share, euro	1.37	0.88	0.70	0.69	0.62	0.45	0.32	0.24	0.19	0.25	0.20
growth, %	55.7%	27.0%	1.2%	53.2%	38.9%	41.3%	33.2%	26.9%	-25.2%	23.0%	21.3%
Earnings per share (diluted), euro	1.31	0.86	0.68	0.67	0.60	0.44	0.31	0.24	0.19	0.25	0.20
growth, %	52.6%	26.9%	1.6%	52.3%	38.1%	39.5%	31.9%	26.5%	-25.2%	23.0%	21.3%
Cash flow per share, euro	1.38	0.88	0.26	0.53	0.53	0.74	0.65	0.67	0.25	0.21	0.21
growth, %	57.7%	243.7%	-51.8%	-28.9%	-28.9%	13.7%	-2.2%	165.8%	17.8%	4.1%	-14.8%
Dividend per share, euro (proposal)	0.50	0.31	0.23	0.22	0.22	0.16	0.11	0.08	0.06	0.09	0.07
Dividend pay out ratio, % (proposal)	36.9%	35.4%	33.8%	35.1%	38.7%	35.0%	35.0%	34.9%	34.7%	34.4%	36.3%
Equity per share, euro	5.76	4.56	3.89	2.47	2.46	1.98	1.66	1.41	1.24	1.15	0.97
P/E ratio	17.5	17.6	15.3	16.3	18.0	13.4	10.7	14.7	9.5	15.1	13.6
Dividend yield, % (proposal)	2.1%	2.0%	2.2%	1.9%	1.9%	2.6%	3.3%	2.4%	3.6%	2.3%	2.6%
Market capitalisation 31 December	2,974.9	1,893.9	1,288.6	1,213.4	1,213.4	639.9	359.7	371.3	189.4	398.6	286.4
Average number of shares during the year, million units	122.95	121.63	118.57	107.46	107.46	106.19	105.82	105.82	105.69	104.22	102.99
diluted, million units	129.09	125.15	121.96	110.91	110.91	108.98	107.22	106.12	105.69	104.22	102.99
Number of shares 31 December, million units	123.70	122.03	121.00	108.53	108.53	106.82	105.82	105.82	105.82	105.45	103.20
Number of shares entitled to a dividend, million units	124.63	122.65	121.09	119.37	119.37	106.84	105.82	105.82	105.82	105.45	103.20

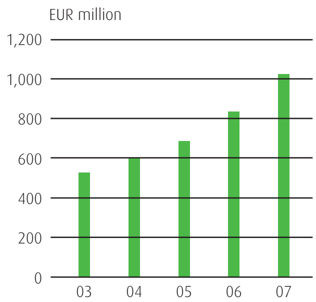
1) capital loan included in equity (only in FAS, years 2000–2004)

Definitions

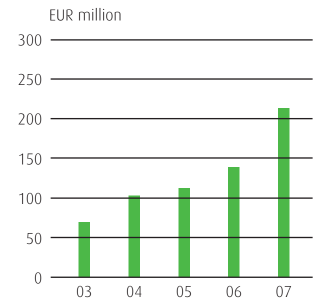
Indicator	Definition
Return on equity, % =	Profit for the period x 100 / Total equity (average)
Return on capital employed, % =	Profit before tax + interest and other financial expenses x 100 / Total assets – non-interest-bearing debt (average)
Equity ratio, % =	Total equity x 100 / Total assets – advances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

1) capital loan included in equity (only in FAS, years 2000–2004)
2) the share options affect the dilution as the average share market price for the financial year exceeds the defined subscription price

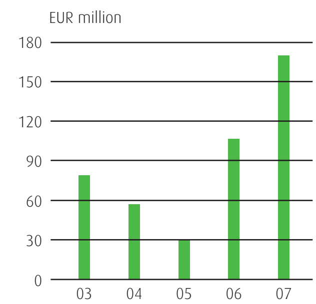
Net sales



Profit before tax



Cash flow from operating activities



EPS

Net sales of Nokian Tyres Group increased by 22.6% in 2007 and were 1,025.0 million (2006:EUR 835.9 million). Operating profit was EUR 234.0 million (EUR 153.1 million). EPS rose to EUR 1.37 (EUR 0.88). Profit for the period was EUR 168.9 million (EUR 107.3 million). The Board of Directors proposes that a dividend of EUR 0.50 per share (EUR 0.31) be distributed. In 2008, the company is positioned to achieve strong growth in sales with improved profits in line with previous years.

Mr. Kim Gran, President and CEO of Nokian Tyres comments the year 2007 as follows:

"Nokian Tyres enjoyed strong growth throughout the year, and a particularly successful period in the final quarter completed our good performance. Passenger car tyres accounted for the majority of the growth, but also all other profit centres recorded improved net sales and operating profit. Sales grew in all key markets and particularly in Russia. Despite significant investments, our cash flow improved. The average tyre prices rose as a result of the improved sales mix, new products and successfully implemented price increases. Russian manufacture grew clearly from the year before, and the benefits gained improved profitability remarkably. The outlook for 2008 is good, and we expect the strong growth to continue in our key markets."

Market situation

The strong demand growth continued in the markets relevant for Nokian Tyres. The winter tyre and SUV tyre markets as well as replacement markets for high-speed summer tyres in Russia, CIS countries and Eastern Europe accounted for the strongest growth. Markets declined slightly in the Nordic countries and Western Europe. The demand for heavy special tyres and truck tyres was high, and the shortage of heavy special tyres continued. Several tyre manufacturers raised their prices in response to the higher raw material prices.

January to December 2007

In the period from January to December 2007 the Nokian Tyres Group booked net sales of EUR 1,025.0 million (2006:EUR 835.9 million; 2005:EUR 686.5 million), representing an increase of 22.6% over the corresponding period a year earlier. The Group's invoicing to the Nordic countries grew by 11.1%, to Russia and other CIS countries by 56.9%, and to the Eastern Europe by 44.4%. Sales to the United States decreased by 15.9% from the previous year as sales were restricted due to the weak U.S. dollar.

Raw material purchase prices in manufacturing (EUR/kg) increased by 1.5% compared to the corresponding period a year earlier. Price increases and a good sales mix resulted in average prices/kg in manufacturing to rise by 8.3% (4.4%). Fixed costs amounted to EUR 277.4 million (EUR 236.7 million), representing 27.1% (28.3%) of net sales.

Nokian Tyres Group's operating profit rose to EUR 234.0 million (2006:EUR 153.1 million; 2005: EUR 115.8 million). The figure includes reservation of bad debts amounting to EUR 5.8 million (EUR 4.7 million). Operating profit percentage was 22.8% (2006:18.3%; 2005: 16.9%) In compliance with IFRS, the operating profit for the review period was burdened by an option scheme write-off of EUR 13.3 million (EUR 8.0 million). The Group's tax rate was reduced to 21% as a consequence of tax reliefs in compliance with the Russian agreements.

Net financial expenses were EUR 20.2 million (EUR 13.8 million). Financial expenses include EUR 3.6 million in calculatory non-cash expenses related to convertible bonds. Net financial items contain EUR –3.1 million (EUR –1.2 million) of exchange rate differences.

Profit before taxes rose to EUR 213.8 million (EUR 139.3 million). Profit for the period amounted to EUR 168.9 million (EUR 107.3 million), and EPS were EUR 1.37 (EUR 0.88).

Return on net assets (RONA, rolling 12 months) was 24.2% (19.4%). Return on equity was 26.6% (2006: 20.9%; 2005:22.2%). Income financing after the change in working capital, investments and the disposal of fixed assets (cash flow II) picked up to EUR 105.6 million (EUR 77.7 million). Equity ratio was 61.8% (2006:63.0%; 2005: 59.1%).

An expected improvement occurred in terms of receivables and inventories in the final quarter.

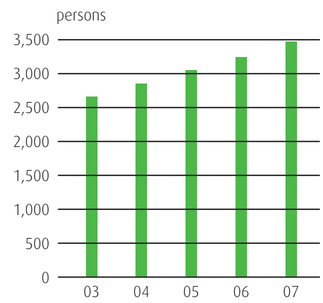
The Group employed an average of 3,462 (2006:3,234; 2005:3,041) people over the period, and 3,535 (2006: 3,297; 2005:3,201) at the end of the period. The Vianor tyre chain had 1,241 (2006:1,279; 2005:1,297) employees at the end of the period. The number of employees in Russia was 511 (2006:322; 2005:220). Wages and salaries totalled EUR 119.7million (2006:EUR 104.7 million; 2005: EUR 96.6 million.

PASSENGER CAR TYRES

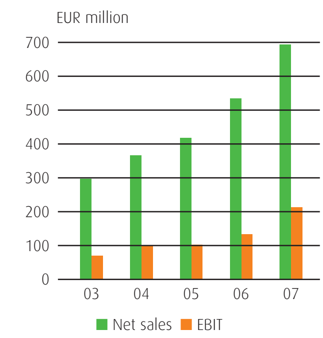
The net sales of Nokian passenger car tyres in January to December totalled EUR 691.2 million (EUR 533.2 million); 29.6% more than in the previous year. Operating profit amounted to EUR 212.0 million (EUR 133.4 million) and the operating profit percentage was 30.7% (25.0%).

Passenger car tyres sold very well throughout the year with a marked sales increase in the final quarter. Russia, the other CIS countries and the Eastern Europe contributed to the strongest growth. Sales consisted mostly of winter tyres, with the Nokian Hakkapeliitta 5

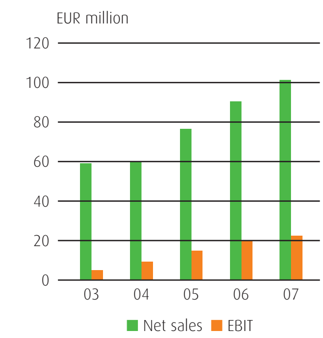
Average number of personnel



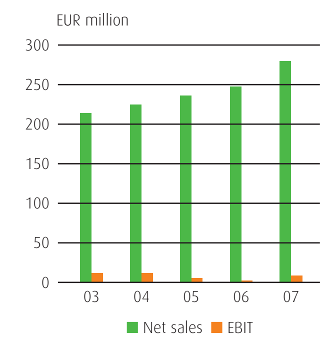
Passenger car tyres net sales and EBIT



Heavy Tyres net sales and EBIT



Vianor net sales and EBIT



and Nokian Hakkapeliitta SUV 5 tyres representing the best-selling products. The Nokian Hakka summer tyre range with the Hakka warranty was well received in the Nordic and Russian markets, cementing the company's position as a summer tyre manufacturer. Nokian-branded tyres performed well in the tyre tests of trade magazines and were ranked number one several times.

As a result of the good sales mix, new products and successfully implemented price increases, the average tyre prices rose from the previous year. Winter tyres represented 83,9% (82,1%) and new products 53% (34%) of net sales.

The production volumes grew as planned due to the capacity increase at the Russian plant. Off-take contract manufacturing volume remained at the previous year's level. Benefits gained from the increased manufacture in Russia improved profitability clearly.

In September, Nokian Tyres introduced three new passenger car tyre families, Nokian Hakka Z and Nokian Hakka SUV summer tyres, and the Nokian Hakkapeliitta R SUV winter tyre. The consumer sales of these new products will begin in 2008. The tyres are designed for demanding conditions and aimed at the Nordic and Russian markets.

HEAVY TYRES

The January-December net sales of Nokian Heavy Tyres totalled EUR 100.8 million (EUR 90.1 million), showing an increase of 11.9% on the corresponding period of the previous year. Operating profit rose to EUR 22.3 million (EUR 19.9 million), and the operating profit percentage was 22.1% (22.1%).

Demand remained strong in Heavy Tyres. Sales and order income grew in all product groups and in all core markets for both original equipment and replacement markets. Higher production volumes of machine and equipment manufacturers boosted sales growth. Better sales mix and the price increases raised average prices.

Investments contributed to the planned raise in the production volumes. Despite the volume increase, delivery capacity was not sufficient to meet the high demand in the market.

Original equipment installation represented 45.3% (42.0%) of the unit's net sales.

VIANOR

Vianor's January to December net sales totalled EUR 278.5 million (EUR 246.9 million), showing an increase of 12.8% year on year. Operating profit amounted to EUR 8.4 million (EUR 2.3 million) and the operating profit percentage was 3.0% (0.9%).

Vianor's performance during both summer and winter tyre peak seasons was better than a year earlier. Sales picked up in the retail and wholesale sectors, and in all product and customer groups. Sales of services increased, which improved Vianor's profitability. Sales mix improved from the previous year and average prices were up. Nokian-branded tyres were the best-selling products. Vianor Finland performed particularly well, and for the first time operations in all Nordic countries were profitable.

New Vianor outlets were opened in all key market areas and in Russia in particular. During 2007, the Vianor network started operations in Switzerland, Ukraine and Kazakhstan, and at the year-end in the United States where Nokian Tyres acquired Goss Tire Company, a retail tyre sales company. At the end of the year, the Vianor network comprised a total of 366 sales outlets, 192 of which are partner and franchising stores.

OTHER OPERATIONS

Truck Tyres

The net sales of Nokian truck tyres in January-December were EUR 32.8 million (EUR 21.0 million). The net sales increased by 56.2%. The unit's product range mainly consists of winter products, the sales of which are highest in the second half of the year.

The sales of new truck tyres increased significantly throughout the year. Sales were particularly brisk in the final quarter. A revamped truck tyre range and higher production capacity boosted sales growth. New products accounted for 49% of the unit's net sales.

Sales focused more strongly on the new markets – Russia and Eastern and Central Europe – than in the previous year. Nokian Tyres' market share grew significantly in the Nordic countries.

RUSSIA AND CIS COUNTRIES

In 2007, sales in Russia and in the CIS countries amounted to EUR 340.3 million. The sales increased by 56.9% compared to previous year, and the market shares improved. The distribution network was extended by signing additional distribution agreements, and through Vianor's activities.

The four production lines of the Russian plant operate continuously in three shifts, and the plant's production volume and quality level are on target.

On 15 February 2007 the Board of Directors of Nokian Tyres decided to launch extension and capacity increase measures at the Russian plant, which will more than double the production volume of the Vsevolozhsk plant. The objective is to reach a production volume of 10 million tyres by 2011.

An extension of 32,500 square metres is being built adjacent to the existing plant, which has a capacity of four million tyres. The extension will enable the planned increase in production volume. The construction work has progressed as planned. Installation of machinery and equipment for the fifth and the sixth production lines have started as planned. The objective is to increase production capacity at a steady rate annually, in line with the growth in demand.

The total investment in 2007–2010 amounts to approximately EUR 195 million, of which EUR 95 million is allocated to 2008. Increasing the capacity also requires future investments in the expansion of the mixing production.

INVESTMENTS

Investments for the year 2007 amounted to EUR 117.1 million (EUR 97.0 million) for the year 2007. Some EUR 92 million (EUR 59.6 million) was spent on the Russian plant's operations and extension. Other investments include production investments at the Nokia plant, moulds for new products, and acquisitions associated with Vianor's growth.

R & D

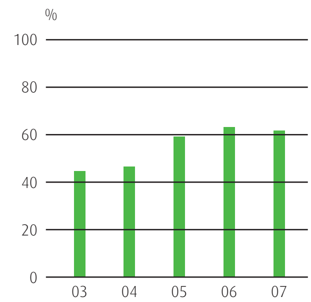
The goal of Nokian Tyres is for new products to account for at least 25% of annual net sales. The company invests some 2.5% of its annual net sales in product development. In the passenger car tyre unit, R&D accounts for some 4% of net sales. The development of a brand-new passenger car tyre takes 2 to 4 years. Approximately one-half of R&D investments are allocated to product testing. Nokian Tyres R & D costs in 2007 totalled EUR 11.5 million (2006:EUR 9.0 million; 2005:EUR 9.3 million) which is 1.1% (2006:1.1% 2005:1.4%) of the Group's net sales

KAZAKHSTAN

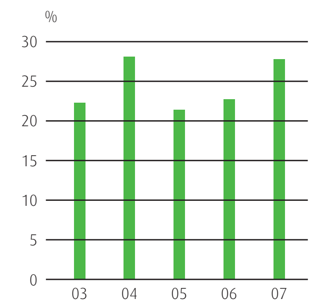
On 19 October 2007, Nokian Tyres announced it had signed an agreement with the Kazakhstanian multi-industrial company Ordabasy Corporation JSC to build a greenfield passenger car tyre factory in Kazakhstan. The new factory will be a joint venture company of which Nokian Tyres' share will be 10% with the option to increase ownership to a minimum of 50%.

The new factory is scheduled to be on line during 2009. The total investment will be approximately EUR 160 million, financed through equity of approximately EUR 40 million and external loans. Nokian Tyres has signed a long-term technical support and management aid agreement with Ordabasy Corporation.

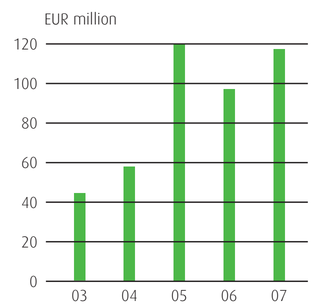
Equity ratio



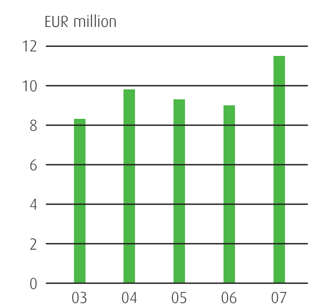
Return on net assets



Gross investment



R&D expenses



OTHER MATTERS

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

The Board of Directors of Nokian Tyres plc decided to apply for the listing of stock options 2004B on the Helsinki Stock Exchange effective as of 1 March 2007.

There are a total of 245,000 2004B stock options. Each stock option 2004B entitles the holder to subscribe for ten Nokian Tyres plc shares. The subscription period for options 2004B commenced on 1 March 2007 and expires on 31 March 2009. The total amount of shares available for subscription with options 2004B is 2,450,000. The current subscription price with stock options 2004B is EUR 11.34 per share. The annually paid dividends shall be deducted from the share subscription price.

2. Shares subscribed for with stock options

After the increase in share capital registered on 21 August 2006, a total of 39,550 shares were subscribed for with the 2001A stock options under Nokian Tyres' Option Schemes of 2001 and 2004, 104,100 shares with the 2001B options, 143,340 shares with the 2001C options, and 127,350 shares with the 2004A options. The increase in share capital resulting from the subscription, EUR 82,868, was entered in the Trade Register on 12 January 2007. Trading of the shares along with the old shares began on 15 January 2007. Following the increase, the number of Nokian Tyres shares is 122,446,610 and the share capital is EUR 24,489,322.

After the increase in share capital registered on 12 January 2007, a total of 34,800 shares were subscribed for with the 2001A bonds with warrants attached to the Nokian Tyres' Option Schemes of 2001 and 2004, 72,300 shares with the 2001B warrants, 91,600 shares with the 2001C warrants, and 7,630 shares with the 2004A warrants.

The increase in share capital resulting from the subscription, EUR 41,266, was entered in the Trade Register on 22 February 2007. Trading of the shares along with the old shares began on 23 February 2007. After the increase, the number of Nokian Tyres shares is 122,652,940 and the share capital is EUR 24,530,588.

After the increase in share capital registered on 22 February 2007, a total of 60,600 shares were subscribed for with the 2001A bonds with warrants attached to the Nokian Tyres' Option Schemes of 2001 and 2004, 77,400 shares with the 2001B warrants, 128,850 shares with the 2001C warrants, 21,310 shares with the 2004A warrants, and 48,520 with the 2004B warrants. The increase in share capital resulting from the subscription, EUR 67,336, was entered in the Trade Register on 21 May 2007. Trading of the shares along with the old shares began on 22 May 2007. The total number of Nokian Tyres shares after the increase is 122,989,620, and the share capital is EUR 24,597,924.

After the increase in share capital registered on 21 May 2007, a total of 202,090 shares were subscribed for with the 2004A bonds with warrants attached to the Nokian Tyres' Option Scheme of 2004 and 120,200 shares with the 2004B warrants. The increase in share capital resulting from the subscription, EUR 64,458, was entered in the Trade Register on 20 August 2007. Trading of the shares along with the old shares began on 21 August 2007. Following the increase, the number of Nokian Tyres shares is 123,311,910 and the share capital is EUR 24,662,382.

After the increase in share capital registered on 20 August 2007, a total of 23,280 shares were subscribed for with the 2004A bonds with warrants attached to the Nokian Tyres' Option Scheme of 2004 and 5,170 shares with the 2004B warrants. The increase in share capital resulting from the subscription, EUR 5,690, was entered in the Trade Register on 14 November 2007. Trading of the shares along with the old shares began on 15 November 2007. Following the increase, the number of Nokian Tyres shares is 123,340,360 and the share capital is EUR 24,668,072.

After the increase in share capital registered on 14 November 2007, a total of 353,300 shares were subscribed for with the 2004A bonds with warrants attached to the Nokian Tyres' Option Scheme of 2004 and 2,620 shares with the 2004B warrants. The increase in share capital resulting from the subscription, EUR 71,184, was entered in the Trade Register on 20 December 2007. Trading of the shares along with the old shares began on 21 December 2007. Following the increase, the number of Nokian Tyres shares is 123,696,280 and the share capital is EUR 24,739,256.

3. Share price development

The Nokian Tyres' share price was EUR 24.05 at the end of the review period (EUR 15.52). The average share price during the period was EUR 23.11 (EUR 13.28), the highest EUR 29.92 (EUR 16.68) and the lowest EUR 13.99 (EUR 9.90). A total of 236,332,864 shares were traded during the period (257,824,937), representing 191% (211%) of the company's overall share capital. The company's market value at the end of the period was EUR 2,975 billion (EUR 1,894 billion). The company's percentage of Finnish shareholders was 27.6% (35.0%) and 72.4% (65.0%) were nominee-registered foreign shareholders, including Bridgestone's ownership of approximately 16%.

4. Decisions made at the Annual General Meeting

At the Annual General Meeting of Nokian Tyres held on 3 April 2007, the financial statements for 2006 were approved and the Board of Directors and the President were discharged from liability. The final dividend was set at EUR 0.31 per share. The matching date was 10 April 2007 and the payment date on 17 April 2007.

4.1 Board of Directors and auditor

The number of Board members was set at seven. Kim Gran, Rabbe Grönblom, Hille Korhonen, Hannu Penttilä, Koki Takahashi, Aleksey Vlasov and Petteri Walldén will continue as Board members. In a meeting held after the Annual General Meeting, Petteri Walldén was elected Chairman of the Board. In its meeting in May, the Board of Nokian Tyres decided to establish a committee for appointments and rewards. Board members Hille Korhonen and Hannu Penttilä and the Chairman of the Board Petteri Walldén are members of the committee.

Authorised public accountants KPMG Oy Ab continue as auditors.

4.2 Remuneration of the Board members

It was decided that the monthly fee paid to the Chairman of the Board would be EUR 5,000 or EUR 60,000 per year, while that paid to Board members was set at EUR 2,500 or EUR 30,000 per year. It was also 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 4 April to 30 April 2007, EUR 24,000 worth of Nokian Tyres plc shares will be purchased at the stock exchange on behalf of the Chairman of the Board and EUR 12,000 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.

Each member of the Committee will receive a meeting fee of EUR 500 for each Committee meeting attended.

4.3 The Board of Directors' authorisation to make a decision on a share issue and on granting special rights entitling to shares

The Annual General Meeting authorised the Board of Directors to make a decision to offer no more than 24,000,000 shares through a share issue or by granting special rights under chapter 10 section 1 of the Finnish Companies Act that entitle to shares (including convertible bonds) on one or more occasions. The Board may decide to issue new shares or shares held by the company. The maximum number of shares included in the authorisation accounts for approximately 20% of the company's entire share capital. The company has one type of share with a nominal value of EUR 0.20.

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

Under the authorisation, the Board of Directors will be entitled to decide on the terms and conditions of a share issue, or the granting of special rights under Chapter 10, section 1 of the Finnish Companies Act, including the recipients of shares or special rights entitling to shares, and the compensation to be paid.

It was decided that the authorisation should be exercised for purposes determined by the Board.

The authorisation will be effective for five years from the decision made at the Annual General Meeting. This authorisation invalidates all other Board authorisations regarding share issues and convertible bonds.

4.4 The issue of stock options

The Annual General Meeting decided that stock options will be issued to the personnel of the Nokian Tyres Group, as well as to a wholly-owned subsidiary of Nokian Tyres plc. The company has a weighty financial reason for issuing stock options since the stock options are intended to form part of the incentive and commitment programme for the personnel. The purpose of the stock options is to encourage the personnel to work on a long-term basis to increase shareholder value. The purpose of the stock options is also to commit the personnel to the company.

The maximum total number of stock options issued shall be 6,750,000. The stock options entitle their holders to subscribe for a maximum total of 6,750,000 new shares in the company. The stock options now issued can be exchanged for shares constituting a maximum total of 5.2% of the company's shares and votes of the shares, after the potential share subscription.

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

The share subscription period for stock options 2007A shall be 1 March 2009–31 March 2011, for stock options 2007B, 1 March 2010–31 March 2012 and for stock options 2007C, 1 March 2011–31 March 2013.

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

5. Convertible bond loan for Finnish and international institutional investors

On 20 June 2007 the Board of Directors of Nokian Tyres announced the issue of a convertible bond totalling EUR 130.4 million, deviating from the pre-emptive rights of the company's shareholders, for subscription by Finnish and international institutional investors in the tender procedure. The loan was heavily oversubscribed within three hours of the beginning of the tender procedure. With reference to the earlier announcement, on 20 June 2007 Nokian Tyres announced the issue of a convertible bond loan totalling EUR 130.4 million, expiring in 2014.

The Board of Directors of Nokian Tyres accepted the final terms of the loan and, on the basis of the authorisation granted by the Annual General Meeting on 3 April 2007, issued a loan for institutional investors, deviating from the pre-emptive rights of the company's shareholders.

The loan was issued to finance the company's strategy-based investments, to refinance existing financial arrangements, and for the company's general needs.

The loan was issued as bonds with a capital of EUR 100,000. The loan was issued up to 100% of the amount of its capital and will not bear interest during the loan period. The loan will be redeemed when it finally expires for an amount producing an annual yield of 3.0%, or for 123% of the loan capital, unless it has previously been exchanged, redeemed, purchased or cancelled. Each bond of EUR 100,000 can be traded for 2,672 company shares. The premium on the exchange rate is 40% higher than the reference price of the company share EUR 26.73 on 20 June 2007. The right to trade the loan for company shares starts on 7 August 2007 and ends on 20 June 2014 at 4:00 p.m. Finnish time. If the loan is traded for company shares in its entirety, the total number of new shares issued by the company will be 4,008,441, corresponding to 3.3% of the total amount of company shares on 20 June (providing the over-allocation option is fully executed).

The due date of the loan is 27 June 2014, unless it is redeemed, exchanged, purchased or cancelled prior to this date. The company may redeem the loan for the capital price accumulated by its due date at any given time on 27 June 2011 or after this date, providing the price of the company share multiplied by the exchange ratio figure is at least 130% of the then applicable accumulated capital for 20 trading days during 30 consecutive trading days. Furthermore, the company has the right to redeem the loan at any given time when the outstanding total capital of the loan is 15%, or less, of the original capital of the issued loan.

The payment of the issue took place on 27 June 2007, and the issue was entered into the Finnish Trade Register on 28 June 2007.

Nokian Tyres granted an over-allocation option to Nomura International Plc. On the basis of this option, extra loan may be subscribed for to a maximum of EUR 19.6 million, only to cover excessive demand, and the option may be used at any given time, but no later than 20 July 2007.

The trading of the loan on the Euro MTF market of Luxembourg commenced on 17 July 2007. The company issued a Listing Document concerning the listing of the loan (and its terms) on 17 July 2007. The new shares issued in conjunction with converting the loan will be listed on the Helsinki Stock Exchange. The parties arranging the issue are Nomura International Plc (Sole Bookrunner and Joint Lead Manager) and Carnegie Investment Bank AB (Joint Lead Manager).

On 17 July 2007 Nokian Tyres announced that Nomura International Plc, the party arranging the company's convertible bond loan expiring in 2014, had executed the over-allocation option of EUR 19.6 million in full. The additional loan of EUR 19.6 million will only be used to cover excessive demand. Following the execution of the over-allocation option, the sum total of the convertible bond loan is EUR 150 million.

6. Changes in share holdings

On 20 July 2007 Nokian Tyres received a notification from Grantham, Mayo, Van Otterloo & CO LLC, according to which Grantham, Mayo, Van Otterloo & Co LLC's holding of Nokian Tyres has exceeded the limit of 5% as a consequence of the share transaction on 19 July 2007. Grantham, Mayo, Van Otterloo & Co LLC hold 6,224,719 shares in Nokian Tyres, which correspond to 5.06% of the company's 122,989,620 shares and votes.

On 22 October 2007 Nokian Tyres received a notification from Grantham, Mayo, Van Otterloo & CO LLC, according to which Grantham, Mayo, Van Otterloo & Co LLC's holding of Nokian Tyres had decreased from the earlier 5.06% to 4.96% as a result of a share transaction conducted on 10 October 2007. Grantham, Mayo, Van Otterloo & Co LLC now hold a total of 6,121,442 shares in Nokian Tyres, which correspond to 4.96% of the company's 123,311,910 shares and votes.

RISK MANAGMENT

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

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

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

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

Risks, insecurity factors and litigations in the near future

Roughly 35% of the Group's net sales are generated from euro-denominated sales. The most important sales currencies in addition to the euro are the Russian ruble, U.S. dollar, and Swedish and Norwegian krona. A change of one per cent in the EUR/RUB exchange rate would cause a change of approximately EUR 4 million in the company's net sales. A corresponding change in the EUR/USD exchange rate would cause a change of approximately EUR 0.5 million in the company's net sales. A change of one per cent in the EUR/SEK and EUR/NOK exchange rates would cause a change of roughly one million euro in the company's net sales.

Nokian Tyres' future risks and uncertainty factors have to do with the development of the growing markets, the success of winter tyre sales in the key markets, and the development of raw material prices. The Russian plant capacity increase has been implemented as planned, but future success depends on the availability of skilled personnel.

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.

ENVIRONMENTAL MANAGEMENT AND SAFETY

The Safety Policy at Nokian Tyres includes the aim for zero faults and the idea of uncompromising safety in all areas of safety management (environment, personnel and property). In all safety and environmental issues Nokian Tyres complies with the international, national and local laws and regulations, as well as the licenses set for the company. Beyond this, Nokian Tyres wants to act as a forerunner in product safety and environmental protection in the tyre business.

Nokian Tyres remained to be the only major tyre manufacturer who does not use any hi-aromatic oils in its own factories. In fact Nokian Tyres does not use any chemicals classified as toxic (T, T+) or carcinogenic in its own production. When developing tyres environmental factors always play an important role, and it can be seen as advanced products, when considering for example rolling resistance (fuel consumption of the car, CO_2-emissions) or compress rate (effects to soil in farming or forestry).

In the production environmental and safety issues progressed favorably in 2007. New recycling channel was taken into use for unvulcanized rubber materials at Nokian site, increasing the total recycling rate of waste of the plant to 77%. Discussions were started to include Vsevolozhsk factory into the same system. At the same time need to reduce the actual amounts of waste produced in factories was emphasized. Development of safety and well-being was continued by educating supervisors, to continue efforts to reduce accidents and sickness leaves.

In May Nokian Tyres published an Environmental report, in accordance with the European EMAS statute and the EMAS certificate. More details of environmental issues related to Nokian Tyres operations can be found in the report. The report includes some information related to Vsevolozhsk factory, even though it cannot be included into the EMAS certificate, which is intended only for operations in Europe.

TAX BASE

As a consequence of tax relief from Russia, the company's tax rate has reduced. The tax relief is valid for as long as the company gains yields corresponding to the amount of the Russian investment, and for two years thereafter. Tax returns are entered on the basis of cash and are not divided by periods. The tax rate of the entire year 2007 was 21%, and the company anticipates the tax rate to continue reducing slightly in 2008.

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

The distributable funds in the Parent Company total EUR 227.5 million.

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

a dividend of 0.50 €/share be paid out,
totalling..62.3 MEUR
retainded in equity...165.2 MEUR
Total..227.5 MEUR

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

OUTLOOK FOR 2008

The brisk economic growth in Russia and other CIS countries is expected to continue despite increased uncertainty in the global economy. Strong sales of new cars and the expansion of the car park are expected to carry on for some years to come.

The outlook 2008 for Nokian Tyres is good, and the first quarter has started off as planned. The growth in demand for winter tyres, UHP summer tyres and SUV tyres is continuing, particularly in Russia, other CIS countries and Eastern Europe. In the Nordic countries and Western Europe markets remain flat. Manufacture of forestry and other machinery and equipment is active, and the global shortage of heavy special tyres is continuing.

In 2008 raw material prices are expected to go up by 7.0% compared to 2007. Nokian Tyres' average prices will rise as a result of new products, an improved sales and product mix and price increases.

The company's product range will be expanded to feature a large number of new products, which, together with an enhanced distribution network, offers good opportunities for sales growth and for achieving the desired profit margin. Tyres manufactured in Russia represent an increasingly large proportion of the Group's sales, which contributes to sustaining good profit margins.

Nokian Tyres pays specific attention to growth projects, sales and logistics management, as well as to expanding the distribution network. Capacity will be raised in accordance with an accelerated plan in Russia. Heavy Tyres will focus on production bottlenecks in order to further increase capacity.

Traditionally, the sales and performance of Nokian Tyres are focused on the second half of the year, and in particular on the last quarter of the year, owing to the seasonal nature of the operations and the high share of winter tyres. Growth in Russia and the higher share of preseason tyre sales have brought some balance to the seasonality, which shows in more evenly divided sales and profits within the year.

The order book for the beginning of the year is higher than last year, and production capacity has increased. In 2008, the company is positioned to achieve strong growth in sales with improved profits in line with previous years. All profit centres are estimated to show growth and improved profits.

Total investments in 2008 are approximately EUR 150 million (EUR 117 million), with some EUR 95 million (EUR 58 million) being spent on the Russian plant's operations and extension. The remainder comprises production investments in the Nokia plant, moulds for new products and Vianor expansion.

Nokia, 13 February 2008

Nokian Tyres plc
Board of Directors

CONSOLIDATED INCOME STATEMENT, IFRS

EUR million 1.1.–31.12.	Notes	2007	2006
Net sales	(1)	**1,025.0**	835.9
Cost of sales	(3)(6)(7)	**-569.1**	-491.3
Gross profit		**455.8**	344.5
Other operating income	(4)	**2.4**	2.0
Selling and marketing expenses	(6)(7)	**-179.4**	-157.6
Administration expenses	(6)(7)	**-23.5**	-18.9
Other operating expenses	(5)(6)(7)	**-21.3**	-17.0
Operating profit		**234.0**	153.1
Financial income	(8)	**63.1**	22.3
Financial expenses	(9)	**-83.3**	-36.2
Profit before tax		**213.8**	139.3
Tax expense	(10)	**-44.9**	-32.0
Profit for the period		**168.9**	107.3
Attributable to:			
Equity holders of the parent		**168.9**	107.3
Minority interest		**0.0**	0.0
Earnings per share (EPS) for the profit attributable to the equity holders of the parent:	(11)		
Basic, euros		**1.37**	0.88
Diluted, euros		**1.31**	0.86

EUR million	31.12.	Notes	**2007**	2006
ASSETS				
Non-current assets				
Property, plant and equipment		(12)(13)	**419.9**	353.2
Goodwill		(2)(14)	**52.8**	51.8
Other intangible assets		(14)	**7.5**	8.2
Investments in associates		(16)	**0.1**	0.1
Available-for-sale financial assets		(16)	**0.2**	0.2
Other receivables		(17)	**12.8**	0.8
Deferred tax assets		(18)	**17.7**	14.3
			511.0	428.6
Current assets				
Inventories		(19)	**193.2**	159.8
Trade and other receivables		(20)(29)	**289.4**	252.3
Current tax assets			**3.6**	5.0
Cash and cash equivalents		(21)	**158.1**	39.0
			644.3	456.1
Total assets			**1,155.4**	884.7
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent		(22)(23)		
Share capital			**24.7**	24.4
Share issue			**0.0**	0.1
Share premium			**149.0**	142.7
Translation reserve			**-12.8**	-2.2
Fair value and hedging reserves			**0.0**	-0.1
Retained earnings			**551.9**	391.6
			712.8	556.6
Minority interest			**0.0**	0.0
Total equity			**712.8**	556.6
Liabilities				
Non-current liabilities		(24)		
Deferred tax liabilities		(18)	**30.1**	20.5
Interest-bearing liabilities		(26)(27)(29)	**248.7**	110.6
Other liabilities			**2.4**	1.9
			281.1	133.0
Current liabilities				
Trade and other payables		(28)	**132.2**	136.1
Current tax liabilities			**16.7**	2.8
Provisions		(25)	**1.1**	1.0
Interest-bearing liabilities		(26)(27)(29)	**11.4**	55.3
			161.4	195.2
Total liabilities			**442.5**	328.2
Total equity and liabilities			**1,155.4**	884.7

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR million	1.1.–31.12.	**2007**	2006
Cash flows from operating activities:			
Cash receipts from sales		**1,012.1**	811.0
Cash paid for operating activities		**-805.9**	-645.3
Cash generated from operations		**206.2**	165.7
Interest paid		**-23.5**	-16.0
Interest received		**1.9**	1.2
Dividends received		**0.0**	0.0
Income taxes paid		**-14.7**	-44.3
Net cash from operating activities (A)		**169.9**	106.6
Cash flows from investing activities:			
Acquisitions of property, plant and equipment and intangible assets		**-114.3**	-89.2
Proceeds from sale of property, plant and equipment and intangible assets		**1.5**	1.0
Acquisitions of Group companies, net of cash acquired		**-4.8**	-1.7
Divestments in associates		**0.0**	0.1
Net cash used in investing activities (B)		**-117.7**	-89.8
Cash flows from financing activities:			
Proceeds from issue of share capital		**6.5**	5.2
Change in current financial receivables		**0.8**	-0.4
Change in non-current financial receivables		**-12.0**	1.3
Change in financial current borrowings		**-45.2**	42.9
Change in financial non-current borrowings		**156.0**	-42.3
Dividends paid		**-38.0**	-27.9
Net cash used in financing activities (C)		**68.0**	-21.2
Net change in cash and cash equivalents (A+B+C)		**120.3**	-4.5
Cash and cash equivalents at the beginning of the period		**39.0**	45.7
Effect of exchange rate changes		**1.2**	2.2
Cash and cash equivalents at the end of the period		**158.1**	39.0
		120.3	-4.5

EUR million	Share capital	Share issue	Share premium	Translation reserve	Fair value and hedging reserves	Retained earnings	Total	Minority interest	Total equity
	Equity attributable to equity holders of the parent								
Equity, 1 January 2006	24.2	0.0	137.8	5.7	-0.5	303.4	470.7	0.7	471.4
Interest rate swaps, net of tax					0.4		0.4		0.4
Translation differences				-7.2			-7.2		-7.2
Gains/losses from hedge of net investments in foreign operations, net of tax				0.3			0.3		0.3
Profit for the period						107.3	107.3		107.3
Total recognised income and expenses for the period	0.0	0.0	0.0	-6.9	0.4	107.3	100.8	0.0	100.8
Dividends paid						-27.9	-27.9		-27.9
Exercised warrants	0.2	0.1	4.9				5.2		5.2
Share-based payments						8.0	8.0		8.0
Other changes				-1.0		0.8	-0.3		-0.3
Change in minority interest							0.0	-0.7	-0.7
Equity, 31 December 2006	24.4	0.1	142.7	-2.2	-0.1	391.6	556.6	0.0	556.6
Equity, 1 January 2007	**24.4**	**0.1**	**142.7**	**-2.2**	**-0.1**	**391.6**	**556.6**	**0.0**	**556.6**
Interest rate swaps, net of tax					**0.2**		**0.2**		**0.2**
Translation differences				**-13.2**			**-13.2**		**-13.2**
Gains/losses from hedge of net investments in foreign operations, net of tax				**2.6**			**2.6**		**2.6**
Profit for the period						**168.9**	**168.9**		**168.9**
Total recognised income and expenses for the period	**0.0**	**0.0**	**0.0**	**-10.7**	**0.2**	**168.9**	**158.4**	**0.0**	**158.4**
Dividends paid						**-38.0**	**-38.0**		**-38.0**
Exercised warrants	**0.3**	**-0.1**	**6.3**				**6.5**		**6.5**
Share-based payments						**13.3**	**13.3**		**13.3**
Equity component of the convertible bond						**16.0**	**16.0**		**16.0**
Other changes							**0.0**		**0.0**
Change in minority interest							**0.0**		**0.0**
Equity, 31 December 2007	**24.7**	**0.0**	**149.0**	**-12.8**	**0.0**	**551.9**	**712.8**	**0.0**	**712.8**

ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Basic information

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

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2007. International Financial Reporting Standards refer to the standards and related interpretations to be applied within the Community as provided in the Finnish Accounting Act and the provisions issued on the basis of this Act, and in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. Notes to the consolidated financial statements also comply with the Finnish accounting and corporate laws.

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

Use of estimates

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

Principles of consolidation

The consolidated financial statements include the financial statements of the parent company Nokian Tyres Plc as well as all subsidiaries in which the Parent company owns, directly or indirectly, more than 50% of the voting rights or in which the Parent company otherwise exercises control.

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

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

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

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

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

Foreign currency items

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

Foreign Group companies

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

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

Cash and cash equivalents

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

Financial assets

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

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

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

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

Financial liabilities

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

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

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

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

Derivative instruments and hedge accounting

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

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

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

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

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

Income recognition

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

Research and development costs

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

Government grants

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

Operating profit

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

Borrowing costs

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

Income taxes

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

Earnings per share

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

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

Property, plant and equipment

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

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

Depreciation is based on the following expected useful lives:

Buildings	20–40 years
Machinery and equipment	4–20 years
Other tangible assets	10–40 years

Land is not depreciated.

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

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

Goodwill and other intangible assets

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

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

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

Impairment

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

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

Leasing agreements

The Group as a lessee

Leasing agreements are classified as either finance leases or operating leases. Leasing agreements by which the risks and benefits associated with the ownership of an asset are substantially transferred to the company represent finance leases. Assets held under finance leases, less depreciation, are included in intangible assets and property, plant and equipment and the obligations resulting from the lease in interest-bearing liabilities. Lease payments resulting from finance leases are apportioned between finance charges and the reduction of the outstanding liability. Charges paid under operating leases are recognised as expenses in the income statement.

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

The Group as a lessor

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

Inventories

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

Trade receivables

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

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

Dividend

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

Treasury shares

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

Provisions

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

Employee benefits

Pension liabilities

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

Share-based payments

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

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

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

Other option and incentive schemes

All of the A and B options and most of the C options in the 2001 incentive scheme were granted before 7 November 2002 and therefore IFRS 2 was not applied to them. When options are exercised, the nominal value portion of the payments received on the basis of share subscriptions (adjusted with any transaction costs) is recorded in share capital and the remainder in share premium.

Non-current assets held for sale and discontinued operations

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

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

The Group's financial statements for 2006 and 2007 do not include any non-current assets held for sale or any discontinued operations.

Application of revised or amended IFRS standards

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

- IFRIC 11 Group and Treasury Share Transactions

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

- IFRIC 12 Service Concession Arrangements

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

- IFRIC 13 Customer Loyalty Programmes

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

- IFRIC 14 IAS 19 – IAS19 -The Limit on a Defined Benefit Asset

The Group does not have any defined benefit plans referred to in the interpretation, thus the Group estimates that the new interpretation will not have a material effect on the future financial statements of the Group.

- IFRS 8 Operating segments

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

- Amendment to IAS 23 – IAS23 Borrowing Costs

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

- Amendment to IAS1 – IAS 1 Presentation of Financial Statements

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

1. SEGMENT INFORMATION

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

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

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

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

Business segments

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

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

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

Other operations includes retreading and truck tyre business, and sales of other than Nokian brands in North American units. In addition to the inter-segment eliminations, other operations contain business development and Group management unallocated to the segments.

Geographical segments

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

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

Business segments

2007

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

2006 EUR million	Passenger car tyres	Heavy tyres	Vianor	Other operations and eliminations	Group
Net sales from external customers	477.2	85.0	246.5	27.2	835.9
Services			29.8		29.8
Sales of goods	477.2	85.0	216.7	27.2	806.0
Inter-segment net sales	56.0	5.1	0.4	-61.5	
Net sales	533.2	90.1	246.9	-34.3	835.9
Operating profit	133.4	19.9	2.3	-2.5	153.1
% of net sales	25.0%	22.1%	0.9%		18.3%
Financial income and expenses					-13.8
Profit before tax					139.3
Tax expense					-32.0
Profit for the period					107.3
Assets	595.5	59.0	139.9	12.8	807.2
Unallocated assets					77.5
Total assets					884.7
Liabilities	73.3	12.9	47.3	4.3	137.7
Unallocated liabilities					190.4
Total liabilities					328.2
Capital expenditure	84.6	4.6	6.4	1.4	97.0
Depreciation and amortisation	31.1	4.1	4.3	1.3	40.8
Other non-cash expenses	4.3	1.0	1.3	0.2	6.8

Geographical segments

2007 EUR million	Finland	Sweden	Norway	Russia and the CIS	Eastern Europe	the rest of Europe	North America	the rest of the world	Group
Net sales	**204.3**	**130.6**	**114.2**	**313.4**	**52.8**	**134.5**	**72.3**	**2.8**	**1,025.0**
Services	**13.2**	**10.4**	**10.8**		**0.5**				**34.9**
Sales of goods	**191.1**	**120.2**	**103.4**	**313.4**	**52.3**	**134.5**	**72.3**	**2.8**	**990.1**
Assets	**395.3**	**58.6**	**29.5**	**329.4**	**11.2**	**19.1**	**47.1**		**890.2**
Unallocated assets									**265.1**
Total assets									**1,155.4**
Capital expenditure	**39.2**	**3.4**	**1.6**	**72.3**	**0.0**	**0.3**	**0.3**		**117.1**

2006 EUR million	Finland	Sweden	Norway	Russia and the CIS	Eastern Europe	the rest of Europe	North America	the rest of the world	Group
Net sales	187.6	117.4	99.5	198.4	35.8	108.2	86.2	2.8	835.9
Services	10.9	9.2	9.4		0.4				29.8
Sales of goods	176.7	108.2	90.1	198.4	35.4	108.2	86.2	2.8	806.0
Assets	373.2	59.2	29.7	221.2	11.9	14.8	61.1		771.2
Unallocated assets									113.5
Total assets									884.7
Capital expenditure	34.8	2.0	1.2	58.3	0.4	0.1	0.2		97.0

2. ACQUISITIONS

Acquisitions in 2007

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

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

EUR million

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

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

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

Acquisitions in 2006

In 2006 the Group still acquired only small companies. On 5 April, the Group acquired 49% of the share capital in Vianor Russia Holding Oy, a Finnish domiciled company, thus giving a complete 100% ownership after the deal. On 20 December, the Group acquired full ownership of a Russian-based company OOO Ilirija. In addition, Vianor acquired on 1 February, 100% shareholding in one small local tyre company in Sweden, Kjellmes i Växjö AB.

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.

EUR million

Specification of the cost of business combinations	
Paid in cash	2.1
Costs directly attributable to the business combinations	0.0
Total cost of the business combinations	2.1
Fair value of the net assets acquired	-0.8
Goodwill	1.3

Specification of acquired net assets	Fair values recorded in combination	Carrying amounts before combination
Intangible assets	0.0	0.0
Property, plant and equipment	0.4	0.3
Inventories	0.6	0.5
Receivables	0.2	0.2
Cash and cash equivalents	0.4	0.4
Liabilities	-0.8	-0.7
Net assets acquired	0.8	0.7
Consideration paid in cash	2.1	
Cash and cash equivalents in the subsidiaries acquired	-0.4	
Net cash outflow	1.7	

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totalling EUR -0.5 million, are included in the consolidated income statement. The actual acquisition dates and the nature of the operations taken into account the effect of the acquisitions on the consolidated net sales and profit is not material even if they were combined as of the beginning of the financial year.

EUR million	2007	2006
3. COST OF SALES		
Raw materials	**205.0**	174.7
Goods purchased for resale	**211.2**	179.6
Wages and social security contributions on goods sold	**59.5**	54.8
Other costs	**80.6**	43.6
Depreciation of production	**36.0**	30.6
Sales freights	**28.4**	21.8
Change in inventories	**-51.6**	-13.7
Total	**569.1**	491.3
4. OTHER OPERATING INCOME		
Gains on sale of property, plant and equipment	**0.8**	1.3
Other income	**1.6**	0.7
Total	**2.4**	2.0
5. OTHER OPERATING EXPENSES		
Losses on sale of property, plant and equipment and other disposals	**0.1**	0.8
Research and development costs	**11.5**	9.0
Quality control	**2.7**	2.2
Other expenses	**7.0**	4.9
Total	**21.3**	17.0
6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES		

No impairment losses have been recorded during 2007 and 2006.

Depreciation and amortisation by asset category		
Intangible rights	**1.6**	1.5
Other intangible assets	**0.7**	0.7
Buildings	**4.8**	4.0
Machinery and equipment	**39.0**	33.8
Other tangible assets	**1.0**	1.0
Total	**47.1**	40.8
Depreciation and amortisation by function		
Production	**36.0**	30.6
Selling and marketing	**7.9**	7.3
Administration	**1.9**	1.7
Other depreciation and amortisation	**1.3**	1.2
Total	**47.1**	40.8

EUR million	2007	2006
7. EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	**119.7**	104.7
Pension contributions – defined contribution plans	**16.5**	15.7
Share-based payments	**13.3**	8.0
Other social security contributions	**26.6**	25.4
Total	**176.2**	153.9

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

Number of personnel, average during the year		
Production	**1,581**	1,429
Selling and marketing	**1,624**	1,582
Others	**257**	223
Total	**3,462**	3,234
8. FINANCIAL INCOME		
Interest income on loans and receivables	**0.0**	0.0
Dividend income on available-for-sale financial assets	**0.0**	0.0
Exchange rate gains and changes in fair value		
Loans and receivables	**48.4**	11.8
Foreign currency derivatives held for trading	**13.4**	9.6
Other financial income	**1.3**	0.9
Total	**63.1**	22.3
9. FINANCIAL EXPENSES		
Interest expense on financial liabilities measured at amortised cost	**-15.7**	-10.4
Interest rate derivatives		
Designated as hedges	**-0.1**	-0.3
Held for trading	**0.0**	0.0
Exchange rate losses and changes in fair value		
Loans and receivables	**-57.9**	-16.4
Foreign currency derivatives held for trading	**-7.8**	-7.9
Other financial expenses	**-1.8**	-1.1
Total	**-83.3**	-36.2

Financial expenses include EUR 3.6 million in calculatory non-cash expenses related to convertible bond.

EUR million	2007	2006
10. TAX EXPENSE		
Current tax expense	**-49.7**	-35.9
Adjustment for prior periods	**3.8**	0.1
Change in deferred tax	**1.0**	3.8
Total	**-44.9**	-32.0

The reconciliation of tax expense recognised in the income statement and tax expense using the domestic corporate tax rate (2007: 26%, 2006: 26%):

Profit before tax	**213.8**	139.3
Tax expense using the domestic corporate tax rate	**-55.6**	-36.2
Effect of deviant tax rates in foreign subsidiaries	**8.5**	4.6
Tax exempt revenues	**2.0**	2.3
Non-deductible expenses	**-3.6**	-2.2
Losses on which no deferred tax benefits recognised	**0.0**	-0.3
Adjustment for prior periods	**3.8**	-0.1
Other items	**0.0**	-0.1
Tax expense	**-44.9**	-32.0

EUR million	2007	2006
11. EARNINGS PER SHARE		

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

Profit attributable to the equity holders of the parent	**168.9**	107.3
Shares, 1,000 pcs		
Weighted average number of shares	**122,952**	121,625
Dilutive effect of the options	**4,086**	3,527
Convertible bonds traded for company shares	**2,054**	-
Diluted weighted average number of shares	**129,092**	125,152
Earnings per share, euros		
Basic	**1.37**	0.88
Diluted	**1.31**	0.86

12. PROPERTY, PLANT AND EQUIPMENT

EUR million	Land property	Buildings	Machinery and equipment	Other tangible assets	Advances and fixed assets under construction	Total
Accumulated cost, 1 January 2006	4.3	91.7	374.1	6.5	58.7	535.4
Decrease/Increase	0.2	29.6	51.1	2.6	5.6	89.0
Acquisitions through business combinations	0.0	0.0	0.3			0.3
Accumulated cost, 31 December 2006	4.5	121.3	425.5	9.1	64.3	624.6
Net exchange differences	0.0	-0.4	-2.1	-0.1	0.6	-2.0
Accum. depreciation		-28.7	-236.8	-3.8		-269.4
Impairment losses						0.0
Revaluations						0.0
Carrying amount, 31 December 2006	4.5	92.2	186.5	5.1	64.9	353.2
Accumulated cost, 1 January 2007	**4.5**	**121.3**	**424.6**	**9.0**	**64.9**	**624.6**
Decrease/Increase	**0.6**	**32.6**	**78.7**	**3.1**	**-4.9**	**110.1**
Acquisitions through business combinations	**0.0**	**0.0**	**1.2**			**1.2**
Accumulated cost, 31 December 2007	**5.1**	**153.9**	**504.5**	**12.1**	**60.0**	**735.5**
Net exchange differences	**0.0**	**-1.4**	**-1.7**	**-0.2**	**-2.1**	**-5.5**
Accum. depreciation		**-33.4**	**-272.3**	**-4.4**		**-310.1**
Impairment losses						**0.0**
Revaluations						**0.0**
Carrying amount, 31 December 2007	**5.1**	**119.1**	**230.5**	**7.4**	**57.9**	**419.9**

In 2006 and 2007 no borrowing costs were capitalized. The carrying amount of borrowing costs capitalized in buildings on 31 December 2007 is EUR 1.1 million (EUR 1.2 million on December 31 2006).

13. FINANCE LEASES

EUR million	Buildings	Machinery and equipment
Accumulated cost, 1 January 2006	7.7	3.6
Decrease/Increase	0.0	3.7
Accum. depreciation	-2.8	-2.5
Carrying amount, 31 December 2006	4.9	4.8
Accumulated cost, 1 January 2007	**7.7**	**6.6**
Decrease/Increase	**0.2**	**0.2**
Accum. depreciation	**-3.3**	**-2.7**
Carrying amount, 31 December 2007	**4.5**	**4.1**

14. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated cost, 1 January 2006	50.7	8.9	4.4	64.0
Decrease/Increase	0.0	1.2	0.7	1.9
Acquisitions through business combinations	1.3		0.0	1.3
Accumulated cost, 31 December 2006	52.1	10.1	5.1	67.3
Net exchange differences	-0.2		0.0	-0.2
Accum. amortisation	0.0	-4.7	-2.3	-7.0
Impairment losses				0.0
Revaluations				0.0
Carrying amount, 31 December 2006	51.8	5.4	2.8	60.0
Accumulated cost, 1 January 2007	**51.8**	**10.1**	**5.1**	**67.0**
Decrease/Increase	**0.0**	**0.9**	**0.8**	**1.6**
Acquisitions through business combinations	**2.2**		**0.0**	**2.2**
Accumulated cost, 31 December 2007	**53.9**	**11.0**	**5.9**	**70.8**
Net exchange differences	**-1.2**		**0.2**	**-1.0**
Accum. amortisation	**0.0**	**-6.3**	**-3.2**	**-9.6**
Impairment losses				**0.0**
Revaluations				**0.0**
Carrying amount, 31 December 2007	**52.8**	**4.7**	**2.8**	**60.3**

Impairment tests for goodwill

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

Allocation of goodwill

EUR million	
Passenger Car Tyres	**33.9**
Vianor	**18.9**
Total goodwill	**52.8**

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

The discount rate used is the weighted average cost of capital (WACC) before taxes defined for the Group. The calculation components are risk-free rate of return, market risk premium, industry-specific beta co-efficient, borrowing cost and the capital structure at market value at the time of testing. The discount rate used is 11.0–16.7% (10.8–12.7% in 2006). Future cash flows after the forecast period approved by the management have been capitalised as a terminal value using a steady 2% growth rate and discounted with the discount rate specified above.

The testing indicated no need to recognise impairment losses. Of the key assumptions, Vianor is most sensitive to changes in gross margin. A permanent lag of almost one percentage unit in gross margin in future years might lead to a need for impairment. The recoverable amount from Passenger Car Tyres significantly exceeds the carrrying amount of the cash-generating unit, and small sales margin or sales volume changes have no effect on the impairment testing results. A possible impairment would require e.g. an annual 30% decrease in net sales or a permanent halving of the present gross margin level.

15. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

EUR million	Note	2007 Carrying amount	2007 Fair value	2006 Carrying amount	2006 Fair value
Financial assets					
Financial assets at fair value through profit or loss					
Derivatives held for trading	(30)	**1.9**	**1.9**	0.4	0.4
Money market instruments	(21)	**119.1**	**119.1**	0.0	0.0
Loans and receivables					
Other non-current receivables	(17)	**12.8**	**7.3**	0.8	0.8
Trade and other receivables	(20)	**285.7**	**285.7**	250.4	250.4
Bank deposits	(21)	**5.0**	**5.0**	0.0	0.0
Cash in hand and at bank	(21)	**34.0**	**34.0**	39.0	39.0
Available-for-sale financial assets					
Unquoted shares	(16)	**0.2**	**0.2**	0.2	0.2
Derivative financial instruments designated as hedges	(30)	**2.7**	**2.7**	3.2	3.2
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivatives held for trading	(30)	**0.4**	**0.4**	0.6	0.6
Financial liabilities measured at amortised cost					
Interest-bearing liabilities	(26)	**260.1**	**261.4**	165.9	167.1
from which designated as hedges		**39.8**	**38.2**	19.3	19.4
Trade and other payables	(28)	**131.5**	**131.5**	135.1	135.1
Derivative financial instruments designated as hedges	(30)	**1.5**	**1.5**	2.1	2.1

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

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

EUR million	Investments in associates	Unquoted shares
Accumulated cost, 1 January 2007	**0.1**	**0.2**
Decrease/Increase	**0.0**	**0.0**
Accumulated cost, 31 December 2007	**0.1**	**0.2**
Net exchange differences		
Carrying amount, 31 December 2007	**0.1**	**0.2**
Carrying amount, 31 December 2006	0.1	0.2

17. OTHER NON-CURRENT RECEIVABLES

EUR million	2007	2006
Loan receivables	**12.8**	0.8
Total	**12.8**	0.8

18. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	31 Dec 2006	Recognised in income statement	Recognised in equity	Net exchange differences	Acquisitions/ disposals of subsidiaries	31 Dec 2007
Deferred tax assets						
Intercompany profit in inventory	5.8	**3.0**				**8.8**
Provisions	0.6	**-0.1**				**0.5**
Tax losses carried forward	1.6	**-0.2**	**-0.8**	**0.0**		**0.6**
Derivatives at fair value	0.0		**0.0**			**0.0**
Other items	6.4	**1.2**	**0.3**	**0.0**	**0.0**	**7.8**
Total	14.3	**3.9**	**-0.5**	**0.0**	**0.0**	**17.7**
Deferred tax liabilities						
Property, plant and equipment and intangible assets	18.9	**-0.3**	**-0.1**			**18.5**
Derivatives at fair value	0.0		**0.0**			**0.0**
Other items	1.6	**3.2**	**6.7**	**0.1**	**0.0**	**11.6**
Total	20.5	**2.9**	**6.6**	**0.1**	**0.0**	**30.1**

On 31 December 2007 the Group had carry forward losses for EUR 1.8 million (EUR 1.8 million in 2006), on which no deferred tax asset was recognised. It is not probable that future taxable profit will be available to offset these losses before they expire.

No deferred tax liability was recognised on the undistributed earnings, EUR 12.1 million in 2007 (EUR 8.7 million in 2006), of foreign subsidiaries as the earnings have been invested permanently to the countries in question.

EUR million	**2007**	2006
19. INVENTORIES		
Raw materials and supplies	**31.0**	21.8
Work in progress	**4.0**	3.5
Finished goods	**158.2**	134.5
Total	**193.2**	159.8

In 2007 EUR 1.2 million (EUR 0.3 million in 2006) expense was recognised to decrease the carrying amount of the inventories to reflect the net realisable value.

EUR million	**2007**	2006
20. TRADE AND OTHER RECEIVABLES		
Trade receivables	**225.3**	209.7
Loan receivables	**0.4**	0.5
Accrued revenues and deferred expenses	**34.1**	26.8
Derivative financial instruments		
Designated as hedges	**1.5**	1.4
Measured at fair value through profit or loss	**1.9**	0.4
Other receivables	**26.3**	13.4
Total	**289.4**	252.3

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

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

The balance amount of recognised losses is EUR 9.3 million (EUR 3.1 million in 2006). The Group recognised expenses for losses on trade receivables worth EUR 5.8 million in 2007 (EUR 2.0 million in 2006).

EUR million	2007	2006
Significant items under accrued revenues and deferred expenses		
Annual discounts, purchases	**1.8**	2.7
Financial items	**0.2**	0.9
Social payments	**0.4**	0.7
Customs duties	**7.9**	5.7
VAT, Russia	**20.7**	14.6
Other items	**3.1**	2.2
Total	**34.1**	26.8

EUR million	2007	2006
21. CASH AND CASH EQUIVALENTS		
Cash in hand and at bank	**34.0**	39.0
Bank deposits	**5.0**	0.0
Money market instruments	**119.1**	0.0
Total	**158.1**	39.0

22. EQUITY

Reconciliation of the number of shares

EUR million	Number of shares (1,000 pcs)	Share capital	Share premium	Treasury shares	Total
1 Jan 2006	120,999	24.2	137.8	-	162.0
Exercised warrants	1,033	0.3	4.9	-	5.2
Acquisition of treasury shares	-	-	-	-	-
31 Dec 2006	122,032	24.5	142.7	-	167.2
1 Jan 2007	**122,032**	**24.5**	**142.7**	**-**	**167.2**
Exercised warrants	**1,664**	**0.3**	**6.3**	**-**	**6.5**
Acquisition of treasury shares	**-**	**-**	**-**	**-**	**-**
31 Dec 2007	**123,696**	**24.7**	**149.0**	**-**	**173.7**

The maximum number of shares is 320 million (320 million in 2006). The nominal value of shares is EUR 0.20 per share (EUR 0.20 in 2006) and the maximum share capital of the Group is EUR 64 million (EUR 64 million in 2006). All outstanding shares have been paid for in full.

Below is a description of the reserves within equity:

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

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

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

Dividends
After the balance sheet date, the Board of Directors proposed that a dividend of EUR 0.50 per share be paid (EUR 0.31 in 2006).

Specification of the distributable funds
The distributable funds on 31 December 2007 total EUR 227.5 million (EUR 205.6 million on 31 December 2006) and are based on the balance of the Parent company and the Finnish legislation.

23. SHARE-BASED PAYMENTS

SHARE OPTION PLANS

Bond loan with warrants 2001 directed at personnel

The Annual General Meeting in 2001 decided to offer a bond loan with warrants, as a part of the Group's incentive scheme, to employees of the Group or persons recruited to the Group at a later stage. The bond loan with warrants amounted to EUR 0.4 million and was subscribed for by 42% of the entire personnel.

The loan was offered for subscription to the personnel of Nokian Tyres Group, and to Direnic Oy, a wholly-owned subsidiary of Nokian Tyres. Should an option holder cease to be employed by or in the service of the Nokian Tyres Group before the warrants become exercisable for any other reason than retirement or death, the holder shall without delay and compensation offer to the company or to the party appointed by the company the share options for which the share subscription period under the terms and conditions had not begun at the last day of such holder's employment or service. No other employment or service conditions had been set for an option holder.

As a result of the subscriptions, the share capital of the Group may increase by a maximum of EUR 1.2 million and the number of shares by a maximum of 600,000 according to the original terms.

Share option plan 2004 directed at personnel

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

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

As a result of the subscriptions, the share capital of the Group may increase by a maximum of EUR 1.47 million and the number of shares by a maximum of 735,000 according to the original terms.

Share option plan 2007 directed at personnel

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

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

As a result of the subscriptions, the share capital of the Group may increase by a maximum of EUR 1.35 million and the number of shares by a maximum of 6,750,000 according to the original terms.

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

WARRANTS	2001 warrants			2004 warrants			2007 warrants				Exercise prices
2007	2001 A	2001 B	2001 C	2004 A	2004 B	2004 C	2007 A	2007 B	2007 C	Total	(weighted aver.)
Maximum number of share options, pcs *	216,000	192,000	192,000	245,000	245,000	245,000	2,250,000	2,250,000	2,250,000	8,085,000	1,335,000
Subsribed shares per option, pcs	10	10	10	10	10	10	1	1	1		
Original subscription price	1.90 €	2.59 €	3.04 €	6.45 €	12.10 €	12.82 €	17.29 €	-	-		
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
Subscription price on											
31 December 2005	1.27 €	2.03 €	2.48 €	6.08 €	11.88 €	-	-	-	-		
31 December 2006	1.04 €	1.80 €	2.25 €	5.85 €	11.65 €	12.59 €	-	-	-		
31 December 2007	1.04 €	1.80 €	2.25 €	5.54 €	11.34 €	12.28 €	16.98 €	-	-		
Exercisable, from	1 Mar 2003	1 Mar 2004	1 Mar 2005	1 Mar 2006	1 Mar 2007	1 Mar 2008	1 Mar 2009	1 Mar 2010	1 Mar 2011		
Expiration	31 Mar 2007	31 Mar 2007	31 Mar 2007	31 Mar 2008	31 Mar 2009	31 Mar 2010	31 Mar 2011	31 Mar 2012	31 Mar 2013		
Option life, years	expired	expired	expired	0.3	1.3	2.3	3.3	4.3	5.3		
Participants at the end of period	0	0	0	494	1,140	2,252	2,680	0	0		
Number of (on 1 January 2007)*											
Share options granted	213,820	210,840	211,240	243,295	249,760	208,985	0	0	0	1,337,940	6.01 €
Share options forfeited	14,730	20,500	21,340	15,715	22,180	22,620	0	0	0	117,085	6.28 €
Share options cancelled	0	0	0	0	0	0	0	0	0	0	-
Share options exercised	185,445	163,720	148,481	49,295	0	0	0	0	0	546,941	2.03 €
Before share split	147,565	133,450	0	0	0	0	0	0	0	281,015	-
After share split	37,880	30,270	148,481	49,295	0	0	0	0	0	265,926	-
Share options outstanding	13,645	26,620	41,419	178,285	227,580	186,365	0	0	0	673,914	9.19 €
Share options held for future grants	16,910	1,660	2,100	17,420	17,420	58,635	0	0	0	114,145	9.36 €
Changes during the period *											
Share options granted	0	0	0	0	0	54,030	2,219,850	0	0	2,273,880	16.06 €
Share options forfeited	0	0	0	0	4,290	4,775	262,700	0	0	271,765	15.66 €
Share options cancelled	0	0	0	0	0	0	0	0	0	0	-
Share options exercised	13,495	25,380	36,379	73,496	17,691	0	0	0	0	166,441	4.50 €
Weighted average share price during the period **	16.73 €	16.73 €	16.73 €	22.33 €	24.24 €	-	-	-	-	-	-
Share options expired	17,060	2,900	7,140	0	0	0	0	0	0	27,100	-
Number of (on 31 December 2007)*											
Share options granted	213,820	210,840	211,240	243,295	249,760	263,015	2,219,850	0	0	3,611,820	7.59 €
Share options forfeited	14,730	20,500	21,340	15,715	26,470	27,395	262,700	0	0	388,850	8.33 €
Share options cancelled	0	0	0	0	0	0	0	0	0	0	-
Share options exercised	198,940	189,100	184,860	122,791	17,691	0	0	0	0	713,382	2.58 €
Before share split	147,565	133,450	0	0	0	0	0	0	0	281,015	-
After share split	51,375	55,650	184,860	122,791	17,691	0	0	0	0	432,367	-
Share options outstanding	0	0	0	104,789	205,599	235,620	1,957,150	0	0	2,503,158	12.31 €
Share options held for future grants	0	0	0	17,420	21,710	9,380	292,850	2,250,000	2,250,000	4,841,360	1.81 €
Share options exercisable	0	0	0	122,209	227,309	-	-	-	-	349,518	

* The number is the number of share options, after the split one 2001 and 2004 share option is for subscription of 10 shares. One 2007 share option is for subscription of one share.

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

WARRANTS	2001 warrants			2004 warrants				Exercise prices (weighted aver.)
2006	2001 A	2001 B	2001 C	2004 A	2004 B	2004 C	Total	
Number of (on 1 January 2006)								
Share options granted	213,820	210,840	211,240	242,995	219,820	0	1,098,715	4.83 €
Share options forfeited	14,730	20,500	21,340	15,375	7,460	0	79,405	3.72 €
Share options cancelled	0	0	0	0	0	0	0	-
Share options exercised	179,225	154,360	110,021	0	0	0	443,606	1.83 €
Before share split	147,565	133,450	0	0	0	0	281,015	-
After share split	31,660	20,910	110,021	0	0	0	162,591	-
Share options outstanding	19,865	35,980	79,879	227,620	212,360	0	575,704	7.30 €
Share options held for future grants	16,910	1,660	2,100	17,380	32,640	245,000	315,690	7.40 €
Changes during the period								
Share options granted	0	0	0	300	29,940	208,985	239,225	12.46 €
Share options forfeited	0	0	0	340	14,720	22,620	37,680	12.16 €
Share options cancelled	0	0	0	0	0	0	0	-
Share options exercised	6,220	9,360	38,460	49,295			103,335	3.85 €
Weighted average share price during the period *	13.20 €	13.20 €	13.20 €	13.38 €	-	-	-	-
Share options expired	0	0	0	0	0	0	0	-
Number of (on 31 December 2006)								
Share options granted	213,820	210,840	211,240	243,295	249,760	208,985	1,337,940	6.01 €
Share options forfeited	14,730	20,500	21,340	15,715	22,180	22,620	117,085	6.28 €
Share options cancelled	0	0	0	0	0	0	0	-
Share options exercised	185,445	163,720	148,481	49,295	0	0	546,941	2.03 €
Before share split	147,565	133,450	0	0	0	0	281,015	-
After share split	37,880	30,270	148,481	49,295	0	0	265,926	-
Share options outstanding	13,645	26,620	41,419	178,285	227,580	186,365	673,914	9.19 €
Share options held for future grants	16,910	1,660	2,100	17,420	17,420	58,635	114,145	9.36 €
Share options exercisable	30,555	28,280	43,519	195,705	-	-	298,059	

* The weighted average price of the Nokian Tyres plc share between January-December 2006 (2001A-C) and March-December 2006 (2004A).

Measurement of fair value

The fair value of share options is determined with Black-Scholes option pricing model. Fair value of the options is determined on the grant date and recognised as expense in employee benefits during the vesting period. The decision date by the Board of Directors is the grant date. According to IFRS those share options, that were granted before 7 Nov 2002 or had vested before 1 Jan 2005, no expense is recognised in the financial statements. IFRS2 is not applied to the 2001A- ja B-share options and a part of 2001C-share options of Nokian Tyres plc, and therefore no fair value is determined to those plans. In 2007 the effect of share options on the profit is EUR 13.3 million (2006: EUR 8.0 million).

Main assumptions for Black-Scholes model

	Granted in 2007	Granted in 2006	All share options
Share options granted, pcs *	**2,273,880**	239,225	9,975,070
Weighted average share price	**20.00 €**	10.72 €	12.92 €
Subscription price	**16.11 €**	12.49 €	11.80 €
Interest rate, %	**4.1%**	3.6%	3.4%
Option life, years	**3.8**	3.7	3.8
Volatility, % **	**37.3%**	35.1%	34.1%
Share options forfeiting, %	**8.9%**	7.1%	9.3%
Total fair value	**21,405,127 €**	6,198,877 €	42,263,225 €

* One 2001 and 2004 share option is for subscription of 10 shares. One 2007 share option is for subscription of one share.
** Volatility is based on the historical volatility of the share using monthly observations during a period corresponding the option life.

24. PENSION LIABILITIES

The pension schemes of Finnish Group companies have been treated as contribution plans, as the Finnish Ministry of Social Affairs and Health approved the changes in the calculation principles of the disability pension system in late 2004. In accordance with the changes that became in force as of 1 January 2006, an arrangement that was previously classified as a defined benefit plan is considered a defined contribution plan in the future. The changes removed the pension liability entailed in the defined benefit plan for the most part in December 2004. The remaining liabilities ceased to exist during 2005.

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

25. PROVISIONS

EUR million	2007	2006
Provisions		
Warranty provision		
1 January	**1.0**	0.9
Provisions made	**1.1**	1.0
Provisions used	**-0.1**	-0.2
Provisions reversed	**-0.9**	-0.7
31 December	**1.1**	1.0

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

26. INTEREST-BEARING LIABILITIES

EUR million	2007	2006
Non-current		
Loans from financial institutions and pension loans	**101.8**	92.3
Bond loans	**10.0**	10.0
Convertible bond loans	**129.7**	0.0
Finance lease liabilities	**7.2**	8.3
	248.7	110.6
Current		
Commercial papers	**0.0**	48.5
Current portion of non-current loans from financial institutions and pension loans	**10.1**	5.4
Current portion of finance lease liabilities	**1.4**	1.4
	11.4	55.3

The amount of EUR 39.8 million (EUR 19.3 million in 2006) of loans from financial institutions is designated as hedges of net investments in foreign operations.

Interest-bearing liabilities by currency

EUR million	2007	2006
Currency		
EUR	**220.3**	146.6
NOK	**12.6**	12.1
SEK	**6.9**	7.2
USD	**20.4**	0.0
Total	**260.1**	165.9

Effective interest rates for interest-bearing liabilities

	2007		2006	
	Without hedges	With hedges	Without hedges	With hedges
Loans from financial institutions and pension loans	**5.80%**	**5.80%**	4.36%	4.36%
Bond loans	**5.32%**	**5.54%**	4.25%	5.54%
Convertible bond loans	**5.59%**	**5.59%**	0.00%	0.00%
Finance lease liabilities	**5.58%**	**5.58%**	6.52%	6.52%
Commercial papers	**0.00%**	**0.00%**	3.76%	3.76%
Total	**5.67%**	**5.67%**	4.48%	4.56%

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

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

EUR million	2007	2006
27. MATURING OF FINANCE LEASE LIABILITIES		
Minimum lease payments		
In less than 1 year	**1.9**	1.9
In 1 to 5 years	**7.1**	7.7
In over 5 years	**2.0**	3.1
	11.0	12.7
Present value of minimum lease payments		
In less than 1 year	**1.8**	1.9
In 1 to 5 years	**5.9**	6.3
In over 5 years	**1.2**	1.7
	8.9	9.9
Future finance charges	**2.2**	2.8
Total finance lease liabilities – minimum lease payments	**11.1**	12.7

On 31 December 2007 the Group's finance leases relating to warehouses, machinery and equipment amounted to EUR 8.1 million (EUR 9.3 million on 31 December 2006) and they were included in tangible assets. In 2007 the amount of floating lease payments were EUR -0.0 million (EUR -0.1 million in 2006). 70% of the finance lease payments are bound to tree month Euribor. There are interest rate swaps with a notional amount of EUR 5.0 million under which floating rate payments are converted into fixed rate payments.

EUR million	2007	2006
28. TRADE AND OTHER PAYABLES		
Trade payables	**67.0**	80.1
Accrued expenses and deferred revenues	**47.0**	39.3
Advance payments	**2.4**	1.0
Derivative financial instruments		
Designated as hedges	**0.3**	0.3
Measured at fair value through profit or loss	**0.4**	0.6
Other liabilities	**15.1**	14.7
Total	**132.2**	136.1

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

Significant items under accrued expenses and deferred revenues

Wages, salaries and social security contributions	**27.7**	31.8
Annual discounts, sales	**5.7**	2.9
Financial items	**1.9**	1.9
Commissions	**0.6**	0.4
Goods received and not invoiced	**0.1**	0.7
VAT, Russia	**2.7**	0.0
Other items	**8.4**	1.5
Total	**47.0**	39.3

29. FINANCIAL RISK MANAGEMENT

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

Foreign currency risk

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

Transaction risk

According to the Group's financial policy, transactions between the parent company and the Group companies are primarily carried out in the local currency of the Group company in question. Therefore transaction risk is mainly carried by the parent company and there is no significant currency risk in the foreign Group companies. The external EUR 48.3 million loan (EUR 50.0 million in 2006) of the Russian plant is an exception to this main rule. Based on the decision of the Board the loan has not been hedged during the financial year. Another exception is the USD transactions between the Ukrainian subsidiary and the parent company as the UAH is a non-convertible currency.

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

Transaction risk

EUR million	**31 Dec 2007**					31 Dec 2006				
Functional currency	**EUR**	**EUR**	**EUR**	**EUR**	**USD**	EUR	EUR	EUR	EUR	USD
Foreign currency	**NOK**	**RUB**	**SEK**	**USD**	**CAD**	NOK	RUB	SEK	USD	CAD
Trade receivables	**5.9**	**8.6**	**11.5**	**14.5**	**16.1**	16.0	30.0	16.1	31.4	28.7
Loans and receivables	**0.1**	**11.3**	**40.0**	**28.9**	**0.0**	0.1	15.9	31.8	14.4	0.0
Total currency income	**6.0**	**19.9**	**51.5**	**43.4**	**16.1**	16.1	45.9	47.9	45.8	28.7
Trade payables	**0.0**	**-17.0**	**-0.1**	**-8.1**	**-0.1**	0.0	-6.8	0.0	-5.9	-0.1
Borrowings	**0.0**	**-22.2**	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0	0.0	0.0
Total currency expenditure	**0.0**	**-39.2**	**-0.1**	**-8.1**	**-0.1**	0.0	-6.8	0.0	-5.9	-0.1
Foreign exchange derivatives	**-12.6**	**-1.4**	**-54.8**	**-33.4**	**-10.7**	-12.1	-42.4	-54.1	-31.5	0.0
Binding sales contracts	**3.5**	**7.8**	**3.1**	**3.3**	**0.0**	2.8	5.8	2.0	4.0	0.0
Binding purchase contracts	**0.0**	**-0.5**	**0.0**	**-12.8**	**0.0**	0.0	-0.5	0.0	-2.3	0.0
Net exposure	**-3.1**	**-13.4**	**-0.3**	**-7.6**	**5.3**	6.8	2.1	-4.3	10.1	28.5

Translation risk

In financial statements the balance sheets of the foreign subsidiaries are translated into euro using the European Central Bank's closing rates and the impact of the exchange rate fluctuations from the net foreign investments are recorded as translation differences in equity. Following the Group's financial policy, the main foreign net investments are hedged with non-current currency loans and currency forwards. The hedge ratio varies between 50 and 75% of the reported equity. The foreign net investments are monitored quarterly.

Translation risk

	2007			2006		
EUR million	Net investment	Hedge	Hedge ratio	Net investment	Hedge	Hedge ratio
Currency of net investment						
NOK	**27.1**	**12.6**	**46%**	21.5	12.1	56%
RUB	**293.7**	**127.8**	**44%**	149.0	62.0	42%
SEK	**12.1**	**6.9**	**57%**	12.1	7.2	59%
USD	**41.5**	**20.4**	**49%**	43.2	0.0	0%

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the base currency against the quote currency, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of financial assets and liabilities and the Group's equity due to changes in the fair value of hedges of net investments in foreign operations. The simultaneous and opposite impact of the translation difference of the net investment is not taken into account in the table.

A reasonably possible change is assumed to be a 10% base currency appreciation or depreciation against the quote currency.

	31 Dec 2007				31 Dec 2006			
	Base currency				Base currency			
	10% stronger		10% weaker		10% stronger		10% weaker	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Base currency/ Quote currency								
EUR/NOK	**0.7**	**1.3**	**-0.7**	**-1.3**	-0.5	1.2	0.3	-1.2
EUR/RUB	**-2.8**	**12.8**	**2.8**	**-12.8**	-4.7	6.2	4.7	-6.2
EUR/SEK	**0.3**	**0.7**	**-0.3**	**-0.7**	0.6	0.7	-0.6	-0.7
EUR/USD	**0.8**	**2.0**	**-0.8**	**-2.0**	0.6	0.0	-0.6	0.0
USD/CAD	**-0.9**	**0.0**	**0.9**	**0.0**	-2.9	0.0	2.9	0.0

Interest rate risk

The interest rate risk of the Group consists mainly of borrowing, which is split between floating and fixed rate instruments. On the balance sheet date the floating rate interest-bearing liabilities amounted to EUR 106.6 million (EUR 141.0 million in 2006) and the fixed rate interest-bearing liabilities EUR 153.5 million (EUR 24.9 million in 2006). The Group's policy aims to have at least 50% of the non-current liabilities in fixed rate instruments. On the balance sheet date the portion of the non-current fixed rate interest-bearing liabilities was 65% (34% in 2006). The average fixing period of the interest-bearing liabilities was 48 months on the balance sheet date, compared to 14 months in 2006. The Group uses interest rate derivatives as cash flow hedges and hedge accounting is mainly applied for those derivatives.

Sensitivity analysis for interest rate risk

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

	31 Dec 2007				31 Dec 2006			
	Interest rate				Interest rate			
	1%-point higher		1%-point lower		1%-point higher		1%-point lower	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Impact of interest rate change	**-0.5**	**0.3**	**0.5**	**-0.3**	-0.3	0.4	0.3	-0.4

Liquidity and funding risk

In accordance with the Group's financial policy, the treasury is responsible for maintaining the Group's liquidity, efficient cash management and sufficient sources of funding. The Group aims to ensure that the committed credit limits cover all funding needs, like outstanding commercial papers, other current loans, working capital changes arising from operative business and investments. Refinancing risk is reduced by split maturity structure of loans and credit limits. The Group has a EUR 150 million domestic commercial paper program. As a backup liquidity reserve the Group has a 5-year EUR 180 million multicurrency revolving credit facility up to 2010. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, subsidiaries in distribution chains and thus to control the typical seasonality in the Group's cash flows due to changes in working capital.

During June and July 2007 Nokian Tyres Plc issued a EUR 150 million convertible loan to finance the company's strategy-based investments, to refinance existing financial arrangements, and for the company's general needs. The loan was issued up to 100% of the amount of its capital and does not bear interest during the loan period. The loan is due in 2014, unless it is redeemed, exchanged, purchased or cancelled prior to the maturity. The loan was issued as bonds with a capital of EUR 100,000, which can be traded for 2,672 company shares. The right to trade the loan for company shares ends in June 2014. The loan is traded on the Euro MTF market of Luxembourg.

On the balance sheet date the Group's liquidity in cash and equivalents was EUR 158.1 million. At the end of the year the Group's available current credit limits were EUR 212.5 million, out of which the committed limits were EUR 11.8 million. The available committed non-current credits amounted to EUR 140.2 million.

The Group's interest-bearing liabilities totalled EUR 260.1 million, compared to the year before figure of EUR 165.9 million. Around 85% of the interest-bearing liabilities were in EUR. The average interest rate of interest-bearing liabilities was 5.67% and taking into account interest rate hedging 5.67%. The average interest rate of interest-bearing liabilities calculatory non-cash expenses related to the convertible bond eliminated was 2.90% and taking into account interest rate hedging 2.91%. Current interest-bearing liabilities, including the portion of non-current liabilities maturing within the next 12 months, amounted to EUR 11.4 million (EUR 55.3 million in 2006).

Contractual maturities of financial liabilities

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

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

	2006							
	Carrying	Contractual maturities*						
EUR million	amount	2007	2008	2009	2010	2011	2012-	Total
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	24.8	-4.6	-4.5	-4.3	-4.2	-4.2	-6.8	-28.6
Floating rate loans	53.5	-5.0	-9.5	-13.0	-11.4	-10.8	-16.1	-65.8
Floating rate loans designated as hedges	19.3	-0.5	-0.5	-0.5	-19.7	0.0	0.0	-21.3
Convertible bond loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bond loans	10.0	-0.4	-0.4	-10.4	0.0	0.0	0.0	-11.3
Commercial papers	48.5	-48.6	0.0	0.0	0.0	0.0	0.0	-48.6
Finance lease liabilities	9.7	-1.9	-1.8	-1.8	-1.6	-1.2	-4.3	-12.8
Trade and other payables	135.1	-135.1	0.0	0.0	0.0	0.0	0.0	-135.1
Bank overdraft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial liabilities								
Interest rate derivatives								
Designated as hedges	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	-0.2
Foreign currency derivatives								
Designated as hedges								
Cashflow out	0.0	-62.0	0.0	0.0	0.0	0.0	0.0	-62.0
Cashflow in	-1.3	63.2	0.0	0.0	0.0	0.0	0.0	63.2
Measured at fair value through profit or loss								
Cashflow out	1.1	-153.3	0.0	0.0	0.0	0.0	0.0	-153.3
Cashflow in	-0.8	153.1	0.0	0.0	0.0	0.0	0.0	153.1
Total	300.2	-195.2	-16.9	-30.1	-36.9	-16.2	-27.2	-322.5

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

Credit Risk

In financing activities credit risk consists of counterparty risk, which the Group faces in transactions with different banks and financial institutions. Entering transactions only with banks and financial institutions with high credit ratings controls these risks. In investments the Group's placements are current and funds are invested only in solid domestic listed companies or public institutions. The credit statuses of the customers are followed at the Group companies regularly according to the Group credit risk policy principles. In addition, country risk is monitored constantly and credits are limited in countries where political or economical environment is unstable. Bank guarantees, documentary credits and specific payment terms are used in controlling the credit risk in trade receivables. Significant items of trade receivables are evaluated both counterparty specifically and in a portfolio level in order to identify possible impairment. On the balance sheet date there are no significant single concentrations of risk in trade receivables.

The aging of trade receivables

EUR million	**2007**	2006
Not past due	**175.9**	142.8
Past due less than 30 days	**39.0**	42.3
Past due between 30 and 90 days	**6.9**	12.0
Past due more than 90 days	**3.5**	12.5
Total	**225.3**	209.7

Capital Management

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

EUR million	2007	2006
Equity	712.8	556.6
Minority interest	0.0	0.0
Adjusted equity	712.8	556.6
Total assets	1,155.4	884.7
Advances received	2.4	1.0
Adjusted total assets	1,152.9	883.7
Equity ratio	61.8%	63.0%

30. FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	2007			2006		
EUR million	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives measured at fair value through profit or loss						
Foreign currency derivatives						
Currency forwards	184.2	1.8	0.4	137.9	0.4	0.5
Currency options, purchased	4.8	0.1	0.0	12.6	0.0	0.0
Currency options, written	4.8	0.0	0.0	12.6	0.0	0.1
Interest rate derivatives						
Interest rate options, purchased	0.0	0.0	0.0	0.0	0.0	0.0
Derivatives designated as cash flow hedges						
Interest rate derivatives						
Interest rate swaps	15.0	1.5	1.5	15.4	1.9	2.1
Derivatives designated as hedges of net investments in foreign operations						
Foreign currency derivatives						
Currency forwards	127.8	1.2	0.0	62.0	1.3	0.0

Derivatives are maturing within 12 months excluding the interest rate swaps which will mature in 2009 and 2011.

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

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

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

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

EUR million	2007	2006
31. OPERATING LEASE COMMITMENTS		
The Group as a lessee		
Non-cancellable minimum operating lease payments		
In less than 1 year	**14.2**	13.3
In 1 to 5 years	**38.0**	33.7
In over 5 years	**37.7**	35.5
	89.9	82.5

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

The income statement in 2007 contains EUR 21.8 million expenses for operating lease agreements (EUR 20.4 million in 2006).

The Group as a lessor
Vianor has conventional lease contracts for truck tyre frames and treads with short lease periods. These do not involve options for purchase nor lease period extentions.

The leasing income is not material.

EUR million	2007	2006
32. COMMITMENTS AND CONTINGENT LIABILITIES		
For own debt		
Mortgages	**1.0**	0.0
Pledged assets	**0.0**	0.0
On behalf of other companies		
Guarantees	**0.0**	0.0
Other own commitments		
Guarantees	**1.0**	1.0
Acquisition commitments	**28.2**	5.3

33. DISPUTES AND LITIGATIONS

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

34. RELATED PARTY TRANSACTIONS

Parent and Group company relations:

	Domicile	Country	Group holding %	Voting rights %	Parent company holding %
Parent company					
Nokian Tyres plc	Nokia	Finland			
Group companies					
Nokian Heavy Tyres Ltd.	Nokia	Finland	100	100	100
Nokian Däck AB		Sweden	100	100	100
Nokian Dekk AS		Norway	100	100	100
Nokian Reifen GmbH		Germany	100	100	100
Nokian Reifen AG		Switzerland	100	100	100
Nokian Tyres Italia S.r.l.		Italy	100	100	100
Nokian Tyres US Holdings Inc.		USA	100	100	100
Nokian Tyres US Finance Oy	Nokia	Finland	100	100	
Nokian Tyres Inc.		USA	100	100	
University Wholesalers Inc.		USA	100	100	
Goss Tire Company Inc		USA	100	100	
Nokian Tyres (North America) Ltd.		Canada	100	100	100
Nokian Tyres Slovakia s.r.o.		Slovakia	100	100	100
Nokian Tyres s.r.o.		Czech rep.	100	100	100
TOV Nokian Shina		Ukraine	100	100	100
TOO Nokian Tyres		Kazakhstan	100	100	100
OOO Nokian Shina	Vsevolozhsk	Russia	100	100	100
Nokian Renkaat Holding Oy	Nokia	Finland	100	100	99
OOO Nokian Shina	Moscow	Russia	100	100	
OOO Nokian Tyres	Vsevolozhsk	Russia	100	100	
OOO Hakkapeliitta Village	Vsevolozhsk	Russia	100	100	
NT Tyre Machinery Oy	Nokia	Finland	100	100	100
Direnic Oy	Nokia	Finland	100	100	100
Vianor Holding Oy	Nokia	Finland	100	100	100
Vianor Oy	Lappeenranta	Finland	100	100	
Vianor Russia Holding Oy	Nokia	Finland	100	100	
OOO Vianor	Moscow	Russia	100	100	
OOO Vianor SPb	St. Petersburg	Russia	100	100	
OOO Ilirija	St. Petersburg	Russia	100	100	
Posiber Oy	Nokia	Finland	100	100	
AS Vianor		Estonia	100	100	
Vianor SIA		Latvia	100	100	
Vianor AB		Sweden	100	100	
Vianor AS		Norway	100	100	
Vianor AG		Switzerland	100	100	
Associated companies					
Sammaliston Sauna Oy	Nokia	Finland	33	33	33

Not combined due to the company characteristics and minor significance.

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

Transactions and outstanding balances with parties having significant influence

EUR million	2007	2006
Shareholders		
Bridgestone Group		
Transactions with Bridgestone Group take place at market prices.		
Sales of goods	**24.1**	17.6
Purchases of goods	**37.6**	27.4
Trade and other receivables	**3.5**	1.7
Trade and other payables	**9.7**	1.7

1,000 euros	2007	2006
Key management personnel		
Employee benefit expenses		
Short-term employee benefits	**2,740.5**	2,454.2
Post employment benefits	**278.8**	170.1
Share-based payments	**4,041.9**	2,063.2
Total	**7,061.2**	4,687.5
Remunerations		
President (also a member of the Board of Directors)	**656.1**	668.4
of which incentives for the reported period	**291.4**	230.0
of which incentives for the previous period	**-**	103.2

1,000 euros	2007	2006
Members of the Board of Directors		
Petteri Walldén	**60.0**	52.2
Rabbe Grönblom	**30.0**	27.3
Hille Korhonen	**30.0**	22.5
Hannu Penttilä	**30.0**	27.3
Koki Takahashi	**30.0**	22.5
Aleksey Vlasov	**30.0**	22.5
Prior members of the Board of Directors		
Satu Heikintalo	**-**	4.8
Mitsuhira Shimazaki	**-**	4.8
Henrik Therman	**-**	4.8
Total	**210.0**	188.7

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

Other key management personnel	**1,718.1**	1,456.9
of which incentives	**253.6**	218.0

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

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

In 2007 the President and other key management personnel were granted a total of 688,200 share options for the subscription of 852,000 shares (in 2006 a total of 73,000 pcs for the subscription of 730,000 shares). The share option plan terms for the key management personnel are equal to the share options directed at other personnel. On 31 December 2007 the key management personnel held 762,950 share options for the subscription of 1,869,500 shares (166,750 pcs for the subscription of 1,667,500 shares on 31 December 2006). Of these share options 38,750 pcs were exercisable for the subscription of 387,500 shares on 31 December 2007 (36,050 pcs exercisable for the subscription of 360,500 shares on 31 December 2007).

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

35. EVENTS AFTER THE BALANCE SHEET CLOSING DATE

No significant events occurred after the balance sheet date affecting the financial statements.

PARENT COMPANY INCOME STATEMENT, FAS

EUR million	1.1.–31.12.	Notes	2007	2006
Net sales		(1)	**556.2**	478.6
Cost of sales		(2)(3)	**-429.1**	-376.4
Gross profit			**127.0**	102.2
Selling and marketing expenses		(2)(3)	**-28.9**	-27.3
Administration expenses		(2)(3)	**-11.6**	-10.2
Other operating expenses		(2)(3)	**-12.1**	-10.4
Other operating income			**1.2**	0.1
Operating profit			**75.5**	54.3
Financial income and expenses		(4)	**2.7**	-3.0
Profit before appropriations and tax			**78.2**	51.4
Change in accumulated depreciation in excess of plan		(5)	**1.6**	-1.5
Income tax		(6)	**-19.9**	-12.1
Profit for the period			**59.9**	37.8

EUR million 31.12.	Notes	2007	2006
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	(7)	**5.8**	6.4
Tangible assets	(7)	**162.0**	162.6
Shares in Group companies	(8)	**49.0**	49.0
Investments in associates	(8)	**0.1**	0.1
Shares in other companies	(8)	**0.1**	0.1
Total non-current assets		**217.0**	218.2
Current assets			
Inventories	(9)	**74.5**	57.7
Long-term receivables	(10)	**57.6**	56.0
Deferred tax assets	(13)	**1.9**	1.9
Short-term receivables	(11)	**366.6**	331.1
Cash and cash equivalents		**130.9**	16.6
Total current assets		**631.5**	463.3
		848.4	681.5
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	(12)		
Share capital		**24.7**	24.4
Share issue		**0.0**	0.1
Share premium		**150.1**	143.9
Retained earnings		**167.6**	167.8
Profit for the period		**59.9**	37.8
Total shareholders' equity		**402.3**	373.9
Untaxed reserves and provisions			
Accumulated depreciation in excess of plan	(7)	**63.1**	64.7
Liabilities			
Non-current liabilities	(14)	**220.6**	51.4
Current liabilities	(15)	**162.5**	191.5
Total liabilities		**383.0**	242.9
		848.4	681.5

PARENT COMPANY CASH FLOW STATEMENT, FAS

EUR million 1.1.-31.12.	2007	2006
Cash flows from operating activities:		
Cash receipts from sales	**584.8**	454.9
Cash paid for operating activities	**-533.0**	-337.1
Cash generated from operations	**51.7**	117.8
Interest paid	**-18.4**	-13.9
Interest received	**19.0**	8.8
Dividends received	**0.0**	0.0
Income taxes paid	**-16.6**	-17.1
Net cash from operating activities (A)	**35.8**	95.7
Cash flows from investing activities:		
Acquisitions of property, plant and equipment and intangible assets	**-29.2**	-11.5
Proceeds from sale of property, plant and equipment and intangible assets	**3.2**	2.1
Acquisition of Group companies	**0.0**	-18.2
Divestments in associates	**0.0**	0.0
Net cash used in investing activities (B)	**-26.0**	-27.6
Cash flows from financing activities:		
Proceeds from issue of share capital	**6.5**	5.2
Change in current financial receivables	**-64.8**	-31.1
Change in non-current financial receivables	**-1.5**	17.9
Change in financial current borrowings	**33.2**	21.3
Change in financial non-current borrowings	**169.1**	-44.8
Dividends paid	**-38.0**	-27.9
Net cash used in financing activities (C)	**104.5**	-59.3
Net increase in cash and cash equivalents (A+B+C)	**114.3**	8.8
Cash and cash equivalents at the beginning of the period	**16.6**	7.8
Cash and cash equivalents at the end of the period	**130.9**	16.6
	114.3	8.8

ACCOUNTING POLICIES FOR THE PARENT COMPANY

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

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

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

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

The depreciation times are as follows:

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

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

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

Pensions and coverage of pension liabilities
Pension contributions are based on periodic actuarial calculations and are charged to the income statement. In Finland the pension schemes are funded through payments to a pension insurance company.

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

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

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

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

EUR million	2007	2006
1. NET SALES BY SEGMENTS AND MARKET AREAS		
Passenger Car Tyres	**428.4**	373.7
Heavy Tyres	**95.6**	84.4
Truck Tyres	**32.3**	20.5
Total	**556.2**	478.6
Finland	**129.8**	116.6
Other Nordic countries	**120.8**	100.6
Baltic countries and Russia	**86.4**	81.1
Other European countries	**157.1**	117.3
North America	**30.4**	39.3
Other countries	**31.7**	23.7
Total	**556.2**	478.6
2. WAGES, SALARIES AND SOCIAL EXPENSES		
Wages and salaries	**49.9**	46.2
Pension contributions	**9.0**	8.3
Other social expenses	**15.3**	14.2
Total	**74.3**	68.6
Remuneration of the members of the Board of the Directors and the President on accrual basis	**0.9**	0.8
of which incentives for the reported period	**0.3**	0.2
of which incentives for the previous period	**-**	0.1

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

Personnel, average during the year		
Production	**1,056**	1,029
Selling and marketing	**75**	65
Others	**185**	168
Total	**1,316**	1,262

EUR million	2007	2006
3. DEPRECIATION		
Depreciation according to plan by asset category		
Intangible assets	1.8	1.7
Buildings	1.7	1.7
Machinery and equipment	23.7	22.4
Other tangible assets	0.2	0.3
Total	27.4	25.9
Depreciation by function		
Production	24.7	23.4
Selling and marketing	0.3	0.3
Administration	1.3	1.2
Other operating depreciation	1.1	1.1
Total	27.4	25.9
4. FINANCIAL INCOME AND EXPENSES		
Dividend income		
From the Group companies	-	-
From others	0.0	0.0
Total	0.0	0.0
Interest income, non-current		
From the Group companies	2.8	1.9
From others	0.6	0.0
Total	3.3	2.0
Other interest and financial income		
From the Group companies	14.5	6.4
From others	0.5	0.6
Total	15.1	7.0
Exchange rate differences (net)	1.3	-1.8
Interest and other financial expenses		
To the Group companies	-0.9	-0.4
To others	-13.0	-9.4
Other financial expenses	-3.1	-0.4
Total	-17.0	-10.2
Total financial income and expenses	2.7	-3.0

EUR million	2007	2006
5. APPROPRIATIONS		
Change in accumulated depreciation in excess of plan		
Intangible assets	-0.1	-0.1
Buildings	-0.1	-0.2
Machinery and equipment	1.7	-1.2
Other tangible assets	0.1	0.1
Total	1.6	-1.5
6. INCOME TAX		
Direct tax for the year	-19.9	-12.1
Direct tax from previous years	0.0	0.0
Change in deferred tax	0.0	0.0
Total	-19.9	-12.1

7. FIXED ASSETS

EUR million	Intangible assets: Intangible rights	Intangible assets: Other intangible assets	Tangible assets: Land property	Tangible assets: Buildings	Tangible assets: Machinery and equipment	Tangible assets: Other tangible assets	Tangible assets: Advances and fixed assets under construction
Accumulated cost, 1 Jan 2007	**12.8**	**1.9**	**0.7**	**59.9**	**295.0**	**3.6**	**1.1**
Decrease/Increase	**0.7**	**0.4**	**0.0**	**0.1**	**6.4**	**0.0**	**7.6**
Accumulated cost, 31 Dec 2007	**13.5**	**2.4**	**0.7**	**60.0**	**301.4**	**3.6**	**8.7**
Accum. depr. acc. to plan	**-9.0**	**-1.1**		**-18.0**	**-191.4**	**-3.1**	
Carrying amount, 31 Dec 2007	**4.5**	**1.3**	**0.7**	**42.0**	**110.0**	**0.5**	**8.7**
Carrying amount, 31 Dec 2006	5.4	1.1	0.7	43.5	116.5	0.7	1.1
Accum. depreciation in excess of plan, 31 Dec 2007	**1.1**	**0.1**	**0.0**	**17.9**	**44.3**	**-0.3**	
Accum. depreciation in excess of plan, 31 Dec 2006	1.1	0.1	0.0	17.8	46.0	-0.3	

8. INVESTMENTS

EUR million	Shares in Group companies	Investments in associates	Shares in other companies
Accumulated cost, 1 Jan 2007	**49.0**	**0.1**	**0.1**
Decrease/Increase	**0.0**	**0.0**	**0.0**
Accumulated cost, 31 Dec 2007	**49.0**	**0.1**	**0.1**
Carrying amount, 31 Dec 2007	**49.0**	**0.1**	**0.1**
Carrying amount, 31 Dec 2006	49.0	0.1	0.1

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

EUR million	**2007**	2006
9. INVENTORIES		
Raw materials and supplies	**19.8**	14.2
Work in progress	**2.3**	2.6
Finished goods	**52.5**	40.9
Total	**74.5**	57.7
10. LONG-TERM RECEIVABLES		
Loan receivables from the Group companies	**57.0**	55.8
Loan receivables from others	**0.6**	0.2
Total long-term receivables	**57.6**	56.0

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

EUR million	**2007**	2006
11. SHORT-TERM RECEIVABLES		
Receivables from the Group companies		
Trade receivables	**55.3**	82.1
Loan receivables	**224.0**	159.2
Accrued revenues and deferred expenses	**17.4**	18.8
Total	**296.7**	260.1
Trade receivables	**53.6**	55.7
Other receivables	**11.4**	8.2
Accrued revenues and deferred expenses	**4.9**	7.1
Total	**69.9**	71.0
Total short-term receivables	**366.6**	331.1

EUR million	2007	2006
Significant items under accrued revenues and deferred expenses		
Annual discounts, purchases	**0.7**	1.2
Financial items	**4.9**	2.7
Taxes	**0.0**	3.4
Social payments	**0.4**	0.6
Capital expenditure in Russian factory	**7.5**	9.8
Goods and services rendered and not invoiced, subsidiary	**8.3**	7.7
Other items	**0.5**	0.6
Total	**22.3**	25.9

12. SHAREHOLDERS' EQUITY

EUR million	2007	2006
Share capital, 1 January	**24.4**	24.2
Emissions	**0.3**	0.2
Share capital, 31 December	**24.7**	24.4
Share issue, 1 January	**0.1**	0.0
Share issue, 31 December	**0.0**	0.1
Share issue premium, 1 January	**143.8**	138.9
Emission gains	**6.3**	4.9
Share issue premium, 31 December	**150.1**	143.8
Retained earnings, 1 January	**205.6**	195.6
Dividends to shareholders	**-38.0**	-27.9
Retained earnings, 31 December	**167.6**	167.8
Profit for the period	**59.9**	37.8
Total shareholders' equity	**402.3**	373.9
Specification of the distributable funds, December 31st		
Retained earnings, 31 December	**167.6**	167.8
Profit for the period	**59.9**	37.8
Distributable funds, 31 December	**227.5**	205.6

13. DEFERRED TAX LIABILITIES AND ASSETS

EUR million	2007	2006
Deferred tax assets from		
Temporary differences	**1.9**	1.9
Total	**1.9**	1.9
Deferred tax liabilities, total	**-**	-

The deferred tax assets contain the deferred tax assets for the years 2008 and 2009 arising from the dissolution loss entered into extraordinary expenses during 2000. The tax benefit will be realised during the years 2000 and 2009; the proportional share of the remaining deferred tax asset, EUR 1.9 million, has been accounted for up to year 2009.

14. NON-CURRENT LIABILITIES

EUR million	2007	2006
Interest-bearing		
Bonds	**10.0**	10.0
Convertible bond loans	**152.3**	0.0
Loans from financial institutions	**50.0**	31.2
Pension premium loans	**8.3**	10.3
Total	**220.6**	51.4
Non-interest-bearing	**-**	-
Total non-current liabilities	**220.6**	51.4
Bonds	**10.0**	10.0

A floating rate bullet loan based on 6 month Euribor maturing in 2009.

EUR million	2007	2006
Convertible bond loans	**152.3**	0.0

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

EUR million	2007	2006
Liabilities maturing after five years		
Loans from financial institutions	**2.5**	4.2
Pension premium loans	**0.3**	2.3
Convertible bond loans	**184.5**	0.0
Total	**187.3**	6.4

The convertible bonds include non-accrued yield of EUR 32.2 million.

EUR million	2007	2006
Maturing of non-current liabilities		
Maturity		
2009	**14.7**	14.7
2010	**43.5**	23.0
2011	**3.7**	3.7
2012	**3.7**	3.7
2013 and later	**187.3**	2.8
Total	**252.8**	47.8

EUR million	2007	2006
15. CURRENT LIABILITIES		
Interest-bearing		
Liabilities to the Group companies		
Finance loans	**74.2**	41.0
Loans from financial institutions	**1.7**	50.2
Pension premium loans	**2.0**	2.0
Total	**3.7**	52.2
Total interest-bearing liabilities	**77.9**	93.2
Non-interest-bearing		
Liabilities to the Group companies		
Trade payables	**20.8**	16.6
Accrued expenses and deferred revenues	**8.8**	8.9
Total	**29.6**	25.5
Trade payables	**30.2**	47.0
Liabilities to the others	**2.5**	2.7
Accrued expenses and deferred revenues	**22.2**	23.1
Total	**54.9**	72.8
Total non-interest-bearing liabilities	**84.6**	98.3
Total current liabilities	**162.5**	191.5
Significant items under accrued expenses and deferred revenues		
Wages and salaries	**13.3**	12.5
Annual discounts, sales	**3.5**	3.9
Financial items	**1.5**	1.4
Commissions	**0.6**	0.4
Goods received and not invoiced	**0.1**	0.7
Warranty commitments	**0.5**	0.4
Goods and services received and not invoiced, subsidiary	**7.6**	7.4
Goods received and not invoiced, Russian subsidiary	**0.7**	1.1
Other items	**3.3**	4.1
Total	**31.1**	32.0

EUR million	2007	2006
16. CONTINGENT LIABILITIES		
On behalf of Group companies and investments in associates		
Guarantees	**62.9**	59.7

The amount of debts mortgaged for total EUR 57.2 million.

Other own commitments		
Guarantees	**1.0**	1.0
Leasing and rent commitments		
Payments due in 2008/2007	**6.2**	6.1
Payments due in subsequent years	**47.0**	48.9
Acquisition commitments	**0.0**	5.3
17. DERIVATIVE CONTRACTS		
Interest rate derivatives		
Interest rate swaps		
Fair value	**0.1**	-0.2
Notional amount	**15.0**	15.4
Currency derivatives		
Forward contracts		
Fair value	**3.0**	1.1
Notional amount	**332.1**	199.9
Options, purchased		
Fair value	**0.1**	0.0
Notional amount	**4.8**	12.6
Options, written		
Fair value	**0.0**	-0.1
Notional amount	**4.8**	12.6

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

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

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

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

18. ENVIRONMENTAL COMMITMENTS AND EXPENSES

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

Share capital and shares

Nokian Tyres' share was quoted on the main list of the Helsinki Exchanges for the first time on 1 June 1995. The company has one class of shares, each share entitling the holder to one vote at the Annual General Meeting and carrying equal rights to dividend. The nominal value of each share is EUR 0.20. The minimum share capital stated in the Articles of Association is EUR 16,000,000 and the maximum share capital is EUR 64,000,000. Within these limits, the share capital may be increased or decreased without amending the Articles of Association.

Share price development and trading volume in 2007

At the end of 2007, the price of Nokian Tyres' share was EUR 24.05, showing an increase of 55% on the previous year's closing price of EUR 15.52. At its highest, Nokian Tyres' share was quoted at EUR 29.92 in 2007 (EUR 16.68 in 2006) and EUR 13.99 (EUR 9.90) at its lowest. During the year, a total of 236,332,864 (257,824,937) Nokian Tyres' shares were traded on the Helsinki Exchanges. At the end of the year, the market capitalisation of the share capital was EUR 2,974,895,534 (1,893,940,830).

Dividend policy

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

Board's authorisations

The Annual General Meeting held on 3 April 2007 authorised the Board of Directors to make a decision to offer no more than 24,000,000 shares through a share issue or by granting special rights under Chapter 10, section 1 of the Finnish Companies Act that entitle to shares (including convertible bonds) on one or more occasions. The Board may decide to issue new shares or shares held by the company. The maximum number of shares included in the authorisation accounts for approximately 20% of the company's entire share capital. The company has one class of share with a nominal value of EUR 0.20.

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

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

Company share ownership and authorisation for acquisition

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

Bond with warrants directed at personnel and option scheme 2001

The Annual General Meeting of Nokian Tyres, in 2001, decided to offer bonds with warrants to the personnel of the Nokian Tyres Group and the wholly-owned subsidiary of Nokian Tyres plc. The bonds with warrants amounted to EUR 0.4 million. A total of 10,800 type I bond certificates, 9,600 type II bond certificates II and 9,600 type III bond certificates were issued. 600,000 warrants were attached to the bonds, 216,000 of which were attached to the type I bond certificates and marked with the symbol 2001A; 192,000 were attached to type II bond certificates and marked with the symbol 2001B; and 192,000 were attached to type III bond certificates and marked with symbol 2001C. The Board of Directors of Nokian Tyres plc approved the subscriptions for the bonds with warrants directed at the personnel of the Nokian Tyres Group on 1 June 2001. The bonds were subscribed for by 42% of the entire personnel. A minimum subscription of FIM 53.82 for each subscriber was approved. In addition, a subscription for bonds with warrants in the amount of FIM 65,634 was approved to the Nokian Tyres subsidiary Direnic Oy for later offer to employees of the Nokian Tyres Group or persons recruited to the Nokian Tyres Group.

The share subscription price for warrants 2001A was originally EUR 19.00, for warrants 2001B the trade volume weighted average quotation of the Nokian Tyres plc share in the Helsinki Exchanges between 1 October and 31 October 2001, i.e. EUR 25.94, and for warrants 2001C the trade volume weighted average quotation of the Nokian Tyres plc share on the Helsinki Exchanges between 1 April and 30 April 2002, i.e. EUR 30.43. The price of shares subscribed for with warrants shall be reduced by the amount of dividends paid after the commencement of the period for which the subscription price was determined, and dividends paid before the subscription on the record date of each dividend payment. After 11 April 2006, the subscription price for warrants 2001A is EUR 1.038, warrants 2001B EUR 1.797 and warrants 2001C EUR 2.246.

The share subscription period began

- for warrants 2001A on 1 March 2003
- for warrants 2001B on 1 March 2004
- for warrants 2001C on 1 March 2005

The subscription period for all warrants ended on 31 March 2007. As a result of the subscriptions, and according to the original subscription terms, the share capital of Nokian Tyres plc may increase by a maximum of EUR 1.2 million and the number of shares by a maximum of 600,000 new shares.

Bonds with warrants 2004 directed at personnel

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

The original share subscription price for warrants 2004A was the average price of a Nokian Tyres plc share weighted by the share trading volume on the Helsinki Exchanges between 1 January and 31 March 2004, i.e. EUR 62.96. For warrants 2004B, the price was the average price of a share weighted by the share trading volume on the Helsinki Exchanges between 1 January and 31 March 2005, i.e. EUR 120.96 and for warrants 2004C, the average price of a share weighted by the share trading volume on the Helsinki Exchanges between 1 January and 31 March 2006, i.e. EUR 12.82.

The price of shares subscribed for with warrants shall be reduced by the amount of dividends paid after the commencement of the period for which the subscription price was determined, and dividends paid before the subscription on the record date of each dividend payment. After 10 April 2007, the subscription price for warrants 2004A is EUR 5.539, warrants 2004B EUR 11.34 and warrants 2004C EUR 12.28.

The share subscription period is

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

As a result of the subscriptions with the 2004 bonds with warrants, and according to the original subscription terms, the share capital of Nokian Tyres plc may be increased by a maximum of EUR 1,470,000 and the number of shares by a maximum of 735,000 new shares.

Bonds with warrants 2007 directed at personnel

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

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

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

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

The price of shares subscribed for with warrants shall be reduced by the amount of dividends paid after the commencement of the period for which the subscription price was determined, and dividends paid before the subscription on the record date of each dividend payment. After 10 April 2007, the subscription price for warrants 2007A is EUR 16.98.

The share subscription period is

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

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

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

Warrants listed on the Main List of the Helsinki Exchanges

Nokian Tyres' 2001A warrants for the option scheme 2001 were listed on the Helsinki Exchanges main list as of 3 March 2003, 2001B warrants as of 1 March 2004, and 2001C warrants as of 1 March 2005. In 2007, at their highest, Nokian Tyres' 2001A warrants were quoted at EUR 182.20 (EUR 155.00 in 2006) and EUR 131.24 (EUR 91.50) at their lowest. The highest rate for 2001B warrants was EUR 175.00 (EUR 146.00) and the lowest EUR 120.50 (EUR 80.70). The highest rate for 2001C warrants was EUR 175.00 (EUR 142.00) and the lowest EUR 115.00 (EUR 75.00). During the year, a total of 28,129 (82,143) Nokian Tyres' warrants were traded on the Helsinki Exchanges.

Nokian Tyres' 2004A warrants for the option scheme 2004 were listed on the Helsinki Exchanges main list as of 3 March 2006 and 2004B warrants as of 1 March 2007. At their highest, the 2004A warrants were quoted at EUR 243.00 and at their lowest EUR 82.00. During the year, a total of 84,686 2004A warrants were traded on the Helsinki Exchanges. The highest quote for the 2004B warrants was EUR 184.49 and the lowest EUR 54.00, and a total of 150,222 warrants were traded during the year.

Management shareholding

On 31 December 2007, Nokian Tyres' Board members and the President and CEO held a total of 9,000 Nokian Tyres' publicly traded bonds with warrants, and a total of 179,000 bonds with warrants that were not publicly traded in 2007. In addition, Nokian Tyres' Board members and the President and CEO held a total of 19,140 Nokian Tyres' shares. The shares and publicly traded bonds with warrants represent 0.1% of the total number of votes.

Convertible bond loan for Finnish and international institutional investors

On 20 June 2007, the Board of Directors of Nokian Tyres announced the issue of a convertible bond totalling EUR 130.4 million, in deviation from the pre-emptive rights of the company's shareholders, for subscription by Finnish and international institutional investors in a book building period process. Bids received in the offering constituted an oversubscription of several times the maximum number of bonds offered. The books opened and closed within 3 hours. With reference to the earlier announcement, on 20 June 2007, Nokian Tyres announced the issue of convertible bonds totalling EUR 130.4 million, maturing in 2014.

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

The bonds were issued in principal amounts of EUR 100,000 and at 100% in their principal amount, and will not bear interest during the loan period. The loan will be redeemed when it finally expires for an amount producing an annual yield of 3.0%, or for 123% of the loan principal, unless it has previously been converted, redeemed, purchased or cancelled. Each EUR 100,000 bond will be convertible to 2,672 company shares. The conversion price represents a premium of 40% above the reference price of EUR 26.73 of the company's ordinary shares on 20 June 2007. The right to convert the bonds into company shares commences on 7 August 2007 and ends on 20 June 2014 at 16:00 p.m. Finnish time. In the event that all bonds will be converted into ordinary shares of the company, the aggregate number of the new ordinary shares to be issued by the company will be 4,008,551, which represents 3.3% of the aggregate number of the company's shares on 20 June 2007 (assuming that the over-allotment option is fully exercised).

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

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

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

On 17 July 2007, Nokian Tyres announced that Nomura International Plc, the Joint Lead Manager of the Nokian Tyres plc's convertible bonds due 2014 offering, has fully exercised the EUR 19.6 million over-allotment option granted to it by Nokian Tyres plc. The EUR 19.6 million of additional bonds will solely be used to cover over-allotments. Subsequent to the exercise of the over-allotment option, the total amount of the convertible bond is EUR 150 million.

Share information

ISIN code:	FI0009005318
Nominal value:	EUR 0.20
Trading code:	NRE1V
Currency:	Euro

Changes in the ownership of shareholders registered under the name of a nominee in 2007:

November 13, 2007

On 13 November 2007 Nokian Tyres received an announcement according to which the ownership of Grantham, Mayo, Van Otterloo & Co LLC has increased from the previous share of 4.96% to 5.02% of the voting rights and share capital in Nokian Tyres as a result of a share transaction concluded on 9 November 2007. Grantham, Mayo, Van Otterloo & Co LLC now holds a total of 6,191,363 Nokian Tyres' share which represents 5.02% of company's 123,311,910 shares and voting rights.

October 22, 2007

On 22 October 2007 Nokian Tyres received a notification from Grantham, Mayo, Van Otterloo & CO LLC, according to which Grantham, Mayo, Van Otterloo & Co LLC's holding of Nokian Tyres had decreased from the earlier 5.06% to 4.96% as a result of a share transaction conducted on 10 October 2007. Grantham, Mayo, Van Otterloo & Co LLC now hold a total of 6,121,442 shares in Nokian Tyres, which correspond to 4.96% of the company's 123,311,910 shares and votes.

July 23, 2007

On 20 July 2007 Nokian Tyres received an announcement from Grantham, Mayo, Van Otterloo & Co LLC according to which as a result of a share transaction concluded on 19 July 2007, their ownership has increased the level of 5% of the voting rights and share capital in Nokian Tyres plc. Grantham, Mayo, Van Otterloo & Co LLC now holds a total of 6,224,719 Nokian Tyres' share representing 5.06% of company's 122,989,620 shares and voting rights

SHARE OWNERSHIP BREAKDOWN on 31 December 2007

Number of shares	Number of shareholders	% of share-holders	Shares	% of shares
1–100	3,910	25.8	284,158	0.2
101–500	6,432	42.4	1,923,834	1.6
501–1,000	2,365	15.6	1,952,919	1.6
1,001–5,000	1,989	13.1	4,492,779	3.6
5,001–10,000	252	1.7	1,909,036	1.5
10,001–50,000	162	1.1	3,517,126	2.8
50,001–100,000	27	0.2	1,929,550	1.6
100,001–500,000	30	0.2	7,013,435	5.7
500,001–	10	0.1	100,673,443	81.4
Total	**15,177**	**100.0**	**123,696,280**	**100.0**

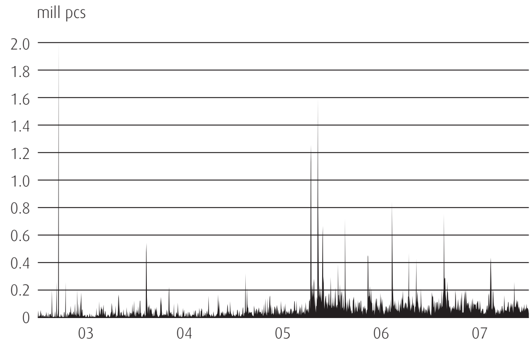
OWNERSHIP BY CATEGORY on 31 December 2007

	% of shares
Foreign shareholders	72.4
Private individuals	8.7
Public organisations	10.6
Financial institutions	3.6
Non-profit organisations	3.2
Corporations	1.5
Total	**100.0**

MAJOR SHAREHOLDERS on 31 December 2007

	Number of shares	% of share capital
1. Varma Mutual Pension Insurance Company	4,650,146	3.76
2. Ilmarinen Mutual Pension Insurance Company	4,084,200	3.30
3. Tapiola Mutual Pension Insurance Company	1,100,000	0.89
4. The State Pension Fund	1,100,000	0.89
5. OP Investment Funds	946,443	0.77
6. Etera Mutual Pension Insurance Company	900,000	0.73
7. Odin FundsOdin Investment funds	897,100	0.73
8. The Finnish association of graduates in economics and business administration – SEFE ry	500,000	0.40
9. Barry Staines Linoleum Oy	450,000	0.36
10. The Finnish Cultural Foundation	446,000	0.36
Major shareholders total	**15,073,889**	**12.19**
Total amount of shares	**123,696,280**	
Bridgestone Europe NV/SA (in the name of a nominee)	20,000,000	16.17

Nokian Tyres' share trading volumes on the Helsinki Stock Exhange 1 January 2003–31 December 2007



Nokian Tyres' share price development 1 January 2003–31 December 2007

SIGNATURES FOR THE FINANCIAL STATEMENTS AND THE REPORT BY THE BOARD OF DIRECTORS

Nokia, 13 February 2008

Petteri Walldén	**Hannu Penttilä**
Rabbe Grönblom	**Koki Takahashi**
Hille Korhonen	**Aleksey Vlasov**

Kim Gran
President and CEO

AUDITORS' REPORT

To the shareholders of Nokian Tyres plc
We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Nokian Tyres plc for the period 1 January–31 December 2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements
In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration
In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki, 13 February 2008

KPMG OY AB

Lasse Holopainen
Authorized Public Accountant

Corporate Governance

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

Board of Directors

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

The Board of Nokian Tyres had seven members in 2007. Board members Rabbe Grönblom, Hille Korhonen, Hannu Penttilä, Petteri Walldén and Aleksey Vlasov were independent. The Board has a Nomination and Remuneration Committee, whose members were Hille Korhonen, Hannu Penttilä and the Chairman of the Board Petteri Walldén.

The Board assesses its activities and operating methods by carrying out a self-evaluation once a year. The President of Nokian Tyres ensures that Board members have adequate and necessary information about the company's operations. The Board met 13 times in 2007, with an attendance rate of 95.6%. In 2007, remunerations to Board members totalled EUR 210,000 (EUR 210,000), including 3,976 (8,310) Nokian Tyres' shares worth EUR 84,000 (EUR 84,000). Board members are not included in the company's option scheme.

Duties of the Board

The Board is responsible for corporate governance and the appropriate conduct of ordinary activities in accordance with the law, the Articles of Association and the instructions given at the Annual General Meeting. It also defines the principles governing the company's organisation, accounting and finance. Furthermore, it is responsible for appointing the President and CEO, and for other duties described in the Companies Act.

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

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

Organisation of business activities and responsibilities

The business activities of the Nokian Tyres Group are divided into two areas: the manufacturing business and the tyre chain. The manufacturing business consists of profit centres, which are the Passenger Car and Delivery Van Tyres, Heavy Tyres (Heavy Tyres profit centre was incorporated into an independent company as of 1 January 2006), and Other Business. Other Business includes the Truck Tyres unit. Each profit centre is responsible for its business area and its financial performance, balance sheet and investments, supported by the different service functions. Service functions include sales and logistics, financial administration, communication, ICT and business development, strategy and M&A, human resources and production services. The Group's sales companies are a part of the sales function and serve as product distribution channels in local markets. The tyre chain is organised into a separate sub-group, whose parent company is Vianor Holding Oy, fully owned by the parent company Nokian Tyres plc. The tyre outlets operating in different countries are part of the sub-group.

President, Group management, management and rewarding systems

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

The Group management meets regularly to discuss matters related to the company's operative business activities. In compliance with the Group's meeting practice, the Management Workshop convenes once a month, and it is attended by the President and profit centre management, as well as the management for sales, logistics, finance, and strategy/M&A operations, and the

Vice President for Russian operations. The service functions also hold their own monthly Workshop meetings, which are attended by the directors of all service units or their representatives, as well as profit centre management if the content of the meeting so requires. A more extensive Management General Meeting, attended by the Management Workshop members, as well as the representatives of personnel groups and all those responsible for service functions, is also held on a monthly basis. The Group's investments are handled once a month in accordance with the company's written investment guidelines. In addition, issues related to different market areas are dealt with at separate monthly meetings.

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

The Board of Directors makes decisions concerning the President's salary and other benefits. The President's annual remuneration, including the monthly salary and incentives, amounted to EUR 603,090 in 2007 (EUR 438,400). The salary and benefits are specified in a written agreement. The President's age of retirement is 60 years and the period of notice is 24 months. At the end of 2007, the President of Nokian Tyres held 9,000 2004B bonds with warrants, and 19,000 2004C bonds with warrants, 160,000 2007A bonds with warrants as well as 4, 000 Nokian Tyres' shares.

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

Finance and control

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

Financing

The parent company is responsible for Group financing. Long-term loan arrangements with parties outside the Group require the Board of Directors' approval. Short-term liquidity management is handled by the parent company, which controls the cash flows of the Group's subsidiaries. The subsidiaries' cash flows into the parent company are booked as net and transferred using a Group payment arrangement twice a month. The parent company provides funding to the subsidiaries using intra-Group loans. The Finance and Control unit is organised in accordance with the financial policy adopted by the Board of Directors and the operating procedures it has defined.

Audit

The auditor elected at the Annual General Meeting is KPMG Oy Ab, authorised public accountants, with Mr. Lasse Holopainen, Authorised Public Accountant, acting as the auditor with principal responsibility. In accordance with the existing regulations, he also reports all audit findings to the Group's management. The Group's audit fees in 2007 amounted to EUR 290,000 (EUR 293,000). The fees paid to the authorised public accountants for other services totalled EUR 141,000 (EUR 111,000).

Internal audit

The Group has organised an internal audit for Vianor, focusing on controlling sales outlets and ensuring that activities comply with the activity system. The parent company and sales companies buy internal auditing as a service from public accountants or other service providers if needed. The audit focuses on items separately determined each time.

Risk management

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

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

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

Insider issues

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

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

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

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

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

Duty to declare, insider registers and trading prohibition

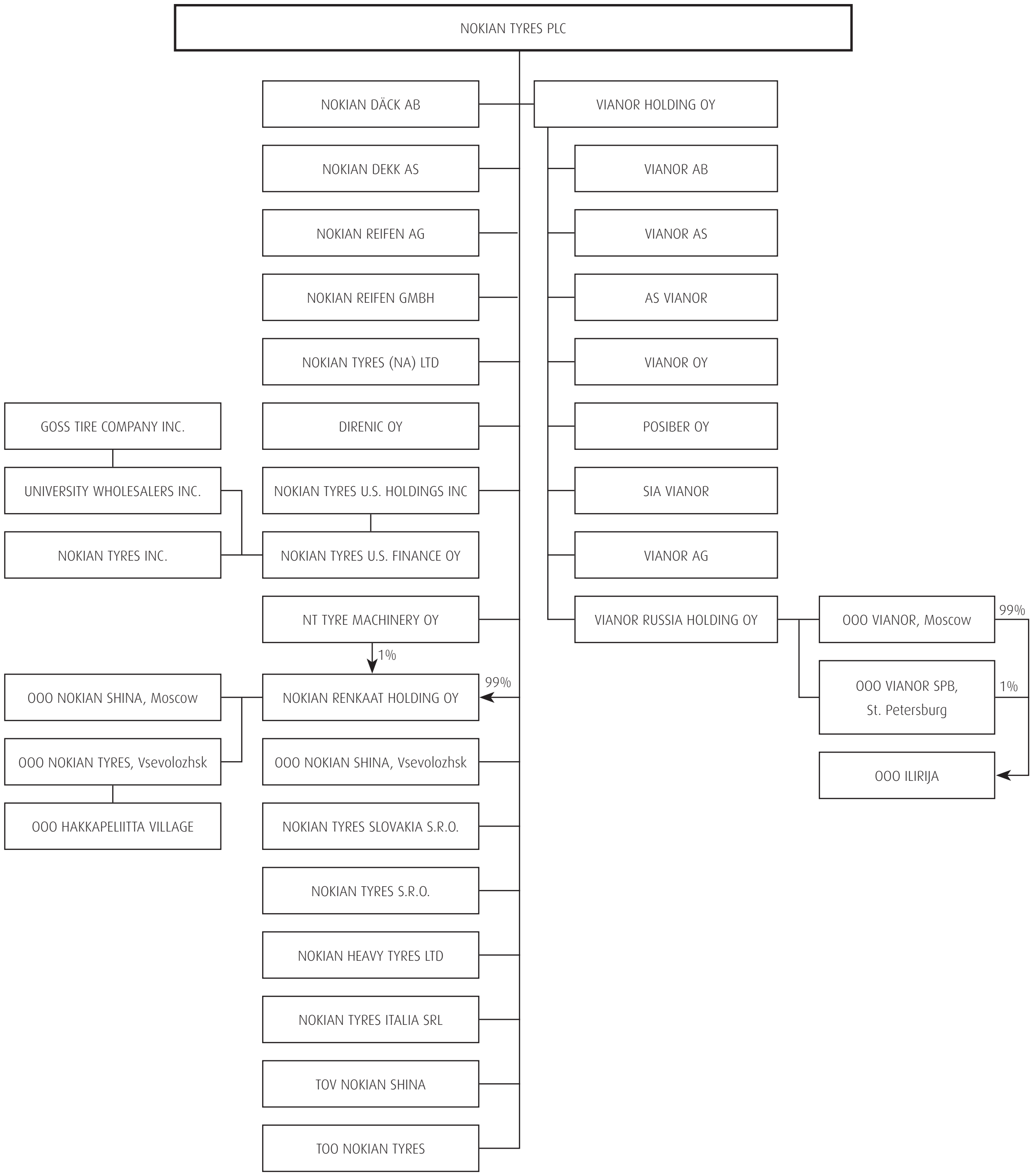
The Securities Market Act imposes a duty to declare to Nokian Tyres' insiders with a duty to declare, and requires that the company maintain a public register of its insiders with a duty to declare. The law requires that Nokian Tyres keep a non-public, company-specific register of company-specific insiders.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

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

Management of insider issues

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

Nokian Tyres group structure



Annual General Meeting

The Annual General Meeting of Nokian Tyres plc will be held at Tampere-talo, in Tampere, Finland; address Yliopistonkatu 55 on Thursday 3 April 2008, 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 20 March 2008 in the company's shareholder register, which is maintained by the Finnish Central Securities Depository Ltd, are entitled to attend the Annual General Meeting.

Shareholders who wish to attend must register by 3:00 p.m. on 28 March 2008 either in writing to Nokian Tyres plc, P.O. Box 20, FIN-20 Nokia, by phone at +358 10 401 7641, by fax at +358 10 401 7799, by e-mail to yhtiokokous@nokiantyres.com, or by internet www.nokiantyres.com/yhtiokokous_2008. Registrations must arrive before the end of the registration period. Any powers of attorney should be delivered to the above address in connection with the registration.

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

Dividend payment

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.50 per share be paid for the financial year 2007. The record date for the dividend payment will be 8 April 2008 and the dividend payment date 15 April 2008, provided that the Board's proposal is approved.

Share register

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

Financial reports

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

Interim Report for three months on 7 May 2008
Interim Report for six months on 6 August 2008
Interim Report for nine months on 31 October 2008
Financial Statements Bulletin 2008 in February 2009
Annual Report 2008 in March 2009

Financial reports may be ordered from Nokian Tyres' corporate communications telephone +358 10 401 7641 or fax +358 10 401 7799 or e-mail: info@nokiantyres.com

Nokian Tyres publishes its Interim Reports only on the internet: www.nokiantyres.com

Printed reports can be ordered from Nokian Tyres' Communications department.

ANALYSTS

At least the following analysts have made ivestments analyses in 2007

ABG Sundal Collier Equity Research
Timo Heinonen, tel. +46 8 566 286 44
timo.heinonen@abgsc.se

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CA Cheuvreux Nordic AB
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Carnegie Investment Bank AB, Finland Branch
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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
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email: ir@nokiantyres.com

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

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Investor information

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Stock exchange releases in 2007

In 2007 Nokian Tyres published a total of 27 stock exchange releases or announcements. Short summaries of the most significant releases are given below. All releases and announcements can be read from Nokian Tyres' web pages.

01.11.2007	Interim report for Nokian Tyres plc January-September 2007
19.10.2007	Nokian Tyres to participate in building a new factory in Kazakhstan
24.08.2007	Nokian Tyres in Kazakhstan
08.08.2007	Interim Report for Nokian Tyres plc January-June 2007
25.06.2007	Contract agreement signed for expansion of Nokian Tyres' St. Petersburg plant
09.05.2007	Interim Report for Nokian Tyres plc January–March 2007
03.04.2007	Nokian Tyres plc Annual General Meeting, decisions
15.02.2007	Nokian Tyres plc financial statements bulletin 2006

CONTACT INFORMATION

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Tyre chain

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TYRES