Traces of time...

NOKIAN TYRES PLC | ANNUAL REPORT 2005

Once it was but a distant dream
– a Finnish winter tyre for Nordic conditions.
The dream became reality, and this was recognised
around the world. The Nokian Hakkapeliitta has kept
winter drivers on the road for 70 years.
The master of snow-covered roads has remained
unsurpassed. And the road goes on – to work,
the summer cottage, winter vacation destination;
places where conditions do not favour the driver.
Nokian Hakkapeliitta does.

For kings and vagabonds

Coast Road, the Great Army Road, the Old Road to Russia, Common Highway, Lower Vyborg Road... The passage connecting Turku to Vyborg, today known as the King's Road, has been called many names over the past centuries. It was not called the King's Road, even when royalty travelled on it, but that is nevertheless what it was: a road maintained by the Crown and paid for by encumbrances set upon the common folk. The earliest history of the road is unknown. At some point, when the Turku and Vyborg castles were built in the late 13th century, horse paths began to emerge on this route and gradually replaced the old route following the coast of the Gulf of Finland that had been used since the Viking era. Today, those horse paths have evolved into the main channel leading through the coastal areas in southern Finland. You can follow the route for a very long distance, as far as the road takes you.

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Financial review

Safest Tyres for Nordic Conditions

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

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

Success factors

- focus on expertise of 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 in 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 markets
- own strong distribution channel in Nordic countries and Russia
- direct contact with end users
- cost efficient production and high level technology
- skilled personnel and Hakkapeliitta culture

Expertise in Nordic conditions

Nokian Tyres is the largest tyre manufacturer in the Nordic countries and one of the most profitable companies in its industry world-wide. The company develops and manufactures summer and winter tyres for cars and tyres for a range of heavy machinery. It is also the biggest retreading materials manufacturer and the biggest retreader in the Nordic countries. In addition, Nokian Tyres runs the Vianor tyre chain with 197 outlets across Finland, Sweden, Norway, Estonia, Latvia and Russia. Some Vianor outlets operate on a franchising basis.

Key markets include Nordic countries, Russia, North America, Eastern Europe and Alpine area, i.e. countries with demanding driving conditions caused by changing seasons or other reasons.

Global tyre markets grow only by a couple of percentages per year. Nokian Tyres' focus is on areas growing more rapidly than the overall market and on product segments with strong growth in demand. Nokian Tyres' core products include car winter tyres, ultra high performance summer tyres and forestry tyres. The share of these value added, high margin products is more than 90% of Nokian Tyres' own production and sales. All Nokian-branded car tyres are sold on replacement markets. Key success factors include the continually upgraded product range and innovations that deliver genuine added value to the customer.

The focus strategy adopted at Nokian Tyres has enabled the company to outperform the average annual growth in the tyre industry. Despite the powerful growth, the company has retained its position among the most profitable tyre companies in the world.

The company's product development, administration and marketing functions are located in the Nokia facility in Finland. The company has two factories, one in the town of Nokia in Finland and the other one in Vsevolozhsk in Russia. The Russian factory is a new one; the operations started in the summer 2005. Certain products are produced as contract manufacturing in other tyre manufacturers' factories for example in the USA, Indonesia, Slovakia and China. Nokian Tyres has its own sales companies in Sweden, Norway, Germany, Switzerland, Chech Republic, Russia and the USA.

In 2005, Nokian Tyres booked net sales of EUR 686.5 million and employed 3,201 people. Of that Vianor Tyre chain employed 1,297 people and the Russian factory 172 people.

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 company 's best-known brand, the Nokian Hakkapeliitta tyre, was launched in 1936.

Passenger car and van tyres

Hakkapeliitta winter tyre family


Nokian Hakkapeliitta 5


Nokian Hakkapeliitta 4


Nokian Hakkapeliitta RSi


Nokian WR

Summer tyre family


Nokian NRY


Nokian Z


Nokian NRVi


Nokian NRHi


Nokian i3

Nokian SUV-tyres


Nokian Hakkapeliitta Sport Utility 5


Nokian WR SUV


Nokian NRVi SUV

Factories and sales companies

- Own production
- Contract manufacturing
- Sales companies

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 gives added value in other narrow special product segments.

- Core products include light truck and SUV tyres as well as harbor and mining machinery tyres.

3. Replacement markets
All Nokian-branded passenger car tyres and approximately 50% of heavy tyres are sold to consumers in replacement markets through special tyre outlets, car dealers and other companies engaged in tyre trade.

Nokian Tyres´ focus strategy is supported by

1. Investments in product development, production and logistics
Product development is guided by a philosophy of durable safety, which entails the continued renewal of the product range with the objective of being always able to provide customers with value-adding innovations.

- Production concentrates on high margin core products.
- On-going improvement of quality, productivity and logistics is supported through consistent investment and productivity projects.

2. Open and participatory corporate culture
A basic factor behind Nokian Tyres' lasting success is a 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 2010

1. Market leader in the home market in the Nordic countries
(see pages 13–15 and 21–23)
The key objective in the Nordic countries is to be a market leader as a tyre manufacturer and tyre distributor as well as to have the best customer services and highest customer loyalty in the tyre business.

2. Market leader in premium tyres in Russia
(see pages 17–19)
The objective is to be the leading winter tyre and forestry tyre supplier and one of the top local car tyre and retreading material manufacturers in Russia.

3. Globally strong position in core products
(see pages 25–27)
The niche strategy is geared towards building a significant global position in narrow, growing product segments.

4. Growth through a continuously improved product range
(see pages 31–33).
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
(see page 35)

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 (see page 37)

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

Key financial objectives into 2010

• To double the net sales	EUR 1,3 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%
• Most profitable tyre manufacturer in the world	

Values that guide and support the strategy

Customer satisfaction
We have the industry's highest customer satisfaction rate in the Nordic countries, the Baltic States and Russia, 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.

Company culture = 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.

Manufacturing and Vianor

Passenger car and delivery van tyres

This product centre covers the development and production of summer and winter tyres for passenger cars and delivery vans. Key products include studded and non-studded winter tyres as well as high-speed and ultra high performance summer tyres which are the most rapidly growing segments in the tyre markets. Net sales are primarily generated in the Nordic countries and Russia. Other significant market areas are Eastern Europe, the Alpine region and North America. The share of winter tyres is approximately 80% of the unit's net sales. Approximately 50% of summer tyres are high performance or ultra high performance tyres. Product range has seen the quick introduction of new products, and the market position of Nokian-branded tyres is strong in the key markets. Research and development work is guided by the principle of sustainable safety and by the innovations improving tyre safety. Core products are manufactured at company's factories in Finland and in Russia and they are sold in the replacement markets. Contract manufacturing takes place in Slovakia, Indonesia, China and in the USA.

Heavy tyres

Heavy tyres profit centre comprises tyres for forestry machinery, special tyres for agricultural machinery, tractors and industrial machinery. Product development in this product area concentrates on narrow and growing product niches such as forestry tyres and special tyres for tractors and various industrial machines. Forestry tyres is the number one product segment. The company has about 30% share of the global forestry tyre market. Nokian Tyres has developed tyres for what is known as CTL (Cut to Length) machinery, invented in the Nordic countries, and the company is the world's market leader in this area. 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 approximately 50% of the heavy tyre net sales. Key markets in addition to the Nordic countries include Central and Southern Europe, the USA and Canada. The majority of the products are manufactured at the Nokia factory. Nokian Heavy Tyres was incorporated to an independent company as of 1.1.2006.

Vianor

Nokian Tyres owned Vianor tyre chain is the biggest and the most extensive of its kind in the Nordic countries. The chain consists of 197 sales outlets located in Finland, Sweden, Norway, Estonia, Latvia and in Russia. Some outlets operate on a franchising basis. All sales outlets have a uniform visual appearance and product selection. Vianor chain sells car and van tyres as well as truck tyres. In addition to 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 and oil changes. The latest service concepts include tyre hotels.

Other operations

Retreading operations and truck tyres unit is responsible for the manufacture of retreading materials, all operations related to the company's retreading business as well as for the development and sales of truck tyres. Nokian Tyres has a total of 7 retreading factories in Finland, Sweden, Norway and Russia. The company is the only manufacturer of retreading materials in the Nordic countries and the the biggest retreader in the area. Retreading materials are used for retreading truck tyres, a variety of industrial machinery tyres and car and van tyres. Key products include winter treads for truck tyres. Main markets are the Nordic countries and the strongest growth potential is in Russia and in North America. The retreading materials are manufactured at the Nokia factory in Finland and as contract manufacturing in Austria. Nokian truck tyres are manufactured as contract manufacturing in Spain. The name of the unit was changed to Nokian Truck Tyres 1.2.2006.

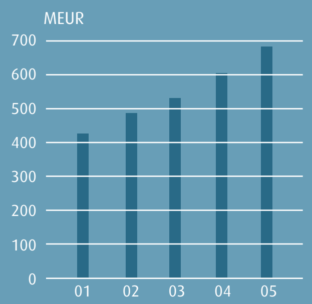
Profit centres in 2005

	Net sales MEUR	Change in net sales from previous year, %	Share of company net sales, %	Operating profit MEUR	Share of new products of net sales, %	Personnel (at year-end)
Passenger car and delivery van tyres	416.2	14.2	55	101.9	27	1 189
Heavy tyres	76.2	28.0	10	14.7	22	230
Vianor	235.1	5.0	31	5.3	---	1 297
Retreading operations and truck tyres	30.1	not comparable	4	---	12	19

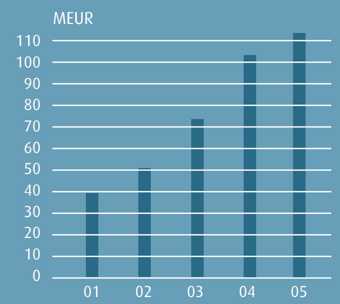
Key figures, IFRS (*

Milj. EUR	2005	2004	Change %
Net sales, MEUR	686.5	603.3	13.8
Operating profit, MEUR	115.8	115,.6	0.2
% of net sales	16.9	19.2	
Profit before tax	112.6	103.0	9.4
% of net sales	16.4	17.1	
Return on net assets, %	21.4	28.1	
Return on equity, %	22.2	31.3	
Interest bearing net debt, MEUR	119.5	163.3	-26.8
% of net sales	17.4	27.1	
Gross investments, MEUR	119.6	57.8	107.0
% of net sales	17.4	9.6	
Net cach from operating activities, MEUR	30.2	56.9	-46.9
Earnings per share, **EUR**	0.695	0.687	1.2
Cash flow per share, **EUR**	0.26	0.53	-51.8
Shareholders' equity per share, **EUR**	3.89	2.47	57.3
Equity ratio, %	59.1	46.4	
Personnel, average during the year	3,041	2,843	

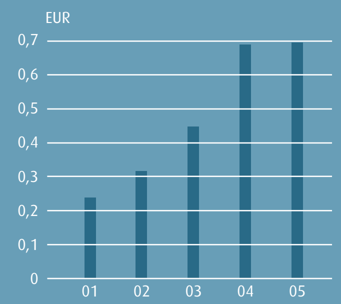
Net sales



Profit before tax

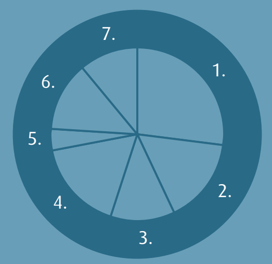


Earnings per share



Average number of personnel

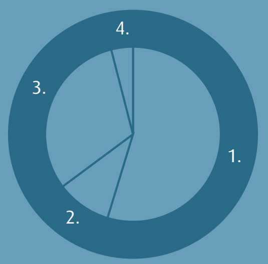
Group´s net sales by market area



1. Finland 27%
2. Sweden 16%
3. Norway 12%
4. Russia & CIS 17%
5. Eastern-Europe 4%
6. Other Europe 13%
7. North America 11%

Net sales by profit centre

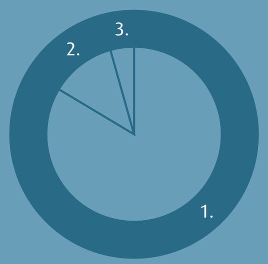
MEUR



1. Car tyres 416,2
2. Heavy tyres 76,2
3. Vianor........235,1
4. Retreading operations and truck tyres..30,1

Operation profit by profit centre

MEUR



1. Car tyres........ 101,9
2. Heavy tyres 14,7
3. Vianor........ 5,3

(* In this Annual Report year 2004 and 2005 figures are according to IFRS and previous years according to FAS.

Dear reader,

In 2005, Nokian Tyres made significant investments to lay the foundation for future growth and development. These investments focused particularly on market areas where capacity shortage, customs duties or other similar restrictions have previously dampened our growth. For Nokian Tyres, 2005 also marked a year of many events and significant changes.

In 2005, the first phase of Nokian Tyres' second main production facility was completed in Russia. The project progressed very quickly from the planning stage to production. We recruited some two hundred Russian employees and trained them the skills required in the tyre professions. We discarded our one-plant operating model and became a truly networked company in terms of production, sales and distribution. We expanded the Vianor tyre chain with more than 30 new sales outlets in Russia and Sweden. Furthermore, we carried out acquisitions in the Czech Republic and in the United States to reinforce our distribution and logistics operations. These were very successful undertakings, but needless to say they created costs and pressure in net working capital.

Compared with the previous year, the markets were much more challenging and showed more intense competition. The growth of tyre demand slowed in the Nordic countries and elsewhere in Europe. Offsetting the increased raw material prices with increases in tyre prices was more challenging. Price pressure was further aggravated by the growing popularity of online trading, spare parts dealers entering the tyre business, and the growing import of cheap tyres.

Intensified competition and the warm winter reflected on passenger car sales in the third quarter. However, strong sales efforts in the last quarter of the year produced good results. Last year we were able to strengthen our position in Russia, Eastern Europe and in the United States, and to keep our clear top position in the Nordic countries. The Heavy tyres unit performed excellent measured by all criteria with net sales and profit reaching a record high. At the end of the year, we decided on a spin-off, which will provide enhanced business development opportunities for the Heavy Tyres unit. Vianor's net sales were up and the network expanded, but its profitability has not yet reached a satisfactory level.

Despite the challenging market situation and heavy investments in future growth we were able to once again record a leading result in the tyre business. Our net sales were up and our profit level remained extremely healthy.

Focus on logistics and capital management

Our weaker performance in the third quarter was a serious reminder to us of how important it is to remain attentive to the customers and remain constantly alert to market changes and developments. We've learned our lesson. We will enhance measures to improve sales management, net working capital and logistics.

I have pointed out on a number of occasions that Nokian Tyres' performance should not be assessed on a quarterly basis. Our business has some special features related to the summer and winter seasons, which makes a longer-term review more plausible. In the Nordic countries and Russia about 30% of the winter tyres are sold to consumers within 10 days of the first snowfall. In a good season, we sell as many as a million winter tyres a week. If the best sales season is delayed by just a week, it has a strong impact on the company's interim result at that very moment, but no significant long-term effects.

Growth and investments in 2006

We are looking at another year of challenges and opportunities. We will face these with added strength and a sharper competitive edge, knowing that the fierce competition in the tyre markets will continue.

Nokian Tyres will focus its operations on the strongest growth areas such as Russia, Eastern Europe and the USA, and on winter, forestry and SUV tyres. We will launch a record number of new products into the market, thereby improving our chances of maintaining the competitive position we are striving for. Although we plan to regain the lost market share in the Nordic countries, markets outside the Nordic countries will play an increasingly important role both in manufacturing and sales mix. This year, the visible effects will include a different sales and performance structure and timing.

This year we will pay special attention to sales, logistics and capital management. With the entire year's capacity of the Russian plant at our disposal, we will be better equipped to time and control our production and sales. We will raise the production volumes at the Russian plant as planned. Measures to improve productivity at the Nokia facility include a higher degree of automation. Tyre manufacture is, to a growing extent, being transferred to lower cost countries. We cannot just watch this development from the sidelines; instead, we will seek improved cost-efficiency in manufacturing. In heavy tyres manufacturing we will invest in production bottlenecks to increase our capacity this year and next year. In contract manufacturing, we will focus on expanding our product portfolio. We will continue to extend the Vianor chain using partner and franchising concepts, and we will introduce new service concepts and develop the chain's capital structure. In Eastern Europe we have advanced our projects designed to increase manufacturing and distribution, and we expect to have the decisions on these projects some time this year.

Last year we focused the pre-sales of winter tyres in Russia strongly on the first half of the year in order to ensure the availability of our products when the consumer sales began. Thanks to our own plant in Russia, we no longer need to take similar measures. Last year was an exception, but we will now return to the normal course of action and focus the winter tyre sales on the second and third quarters. This will result in a shift of profits to later in the year and weaker results in the beginning. Our overall objective for 2006 is to achieve steady sales growth, steady profit improvement, and better net working capital.

I would like to thank our customers and personnel for the commitment they showed to Nokian Tyres' products and services, and our efforts to build a better future. With the production adjustment measures taken at the end of the year, our personnel demonstrated that the strong Hakkapeliitta spirit at Nokian Tyres is alive and well. I have great respect and appreciation for that.

Wishing everyone an excellent year in 2006

Kim Gran

Hakkapeliitta 70

"It was my mum that brought me in here," says workshop engineer Erkki Pirttijärvi, recalling the summer of 1959. He had just turned 15 and was about to step into the world of adults, his first workplace. His first employee was Nokian Tyres, who hired Pirttijärvi as an errand boy. In those days, Nokian Tyres were manufacturing the original Hakkapeliitta, successor to the legendary Haka-Hakkapeliitta. Erkki Pirttijärvi continues to work with the Hakkapeliitta tyres every day, but a lot has changed since his first summer at Nokian Tyres.

Forty-seven years earlier, Suomen Gummitehdas Osakeyhtiö had come up with the brilliant idea of sending its engineer Ragnar Gustafsson on a study trip to England and the United States. The company's Managing Director, Eduard Polón, had a dream: to manufacture Finnish car tyres – even if there were only a few dozen cars in Finland in those days. Meanwhile, in the United States there were a million cars on the roads, which convinced Polón of the feasibility of this imaginative endeavour.

Tyre manufacture started with bicycle tyres. Finally, in 1931, a decision was made to start manufacturing car tyres. The compressors and curing presses required for tyre manufacture were ordered, and the first test tyre was made in July 1932.

"The long period of trying and testing has now come to an end. The Finnish NOKIA tyre is the fantastic outcome. This tyre has a thick tread and an effective grip. These tyres are always as fresh as freshly baked bread – an advantage that has only now become available to the buyers," said a newspaper advertisement in 1933, describing the first Nokian tyre, the so-called summer tread.

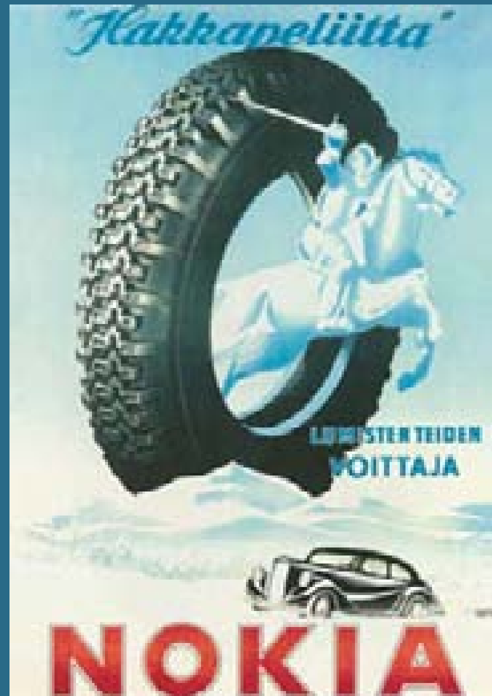
Manufacturing operations were soon expanded to cover winter tyres designed specifically for the snowy Finnish roads. The first winter tyre was called Kelirengas, "Weather tyre". Its manufacture began in 1934. This tyre was the starting point for the Lumi-Hakkapeliitta that was introduced two years later, advertised as the "Winner on snowy roads".

The road ahead for the Hakkapeliitta legend was open – or in this case, ploughed open.

Production volumes continued to grow until the outbreak of the Second World War. A new factory complex was completed before the war, and the tyre compressors and other machinery ordered from the United States arrived in Finland just before the Winter War began. During wartime, production served the needs of the Armed Forces. The raw material also changed: real natural rubber was replaced with buna, a synthetic German rubber. Scrap rubber was also used for tyre manufacture during the war.

When the war ended Nokia took determined measures to catch up with its competitors on the product development front. The number of cars in Finland grew rapidly, and Nokian Tyres increased its production volumes in the late 1950s and started to export tyres to Sweden. The spearhead product was the diagonal Hakkapeliitta winter tyre.

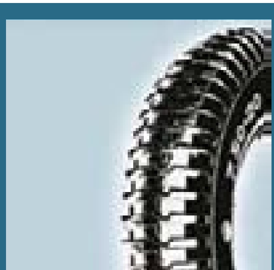
"Tyre manufacture used to be sweaty, sooty and hard work," says



The world's first winter tyre for a passenger car: Lumi-Hakkapeliitta (Snow Hakkapeliitta). A poster from 1936.

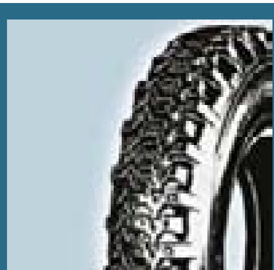
A huge quantum leap from the 1930s to 2006. Great changes and small miracles. The core remains the same: safe tyres to take people to their destination regardless of the conditions.

1934



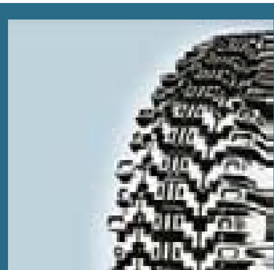
Kelirengas

1936



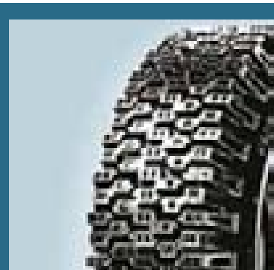
Lumi-Hakkapeliitta

1956



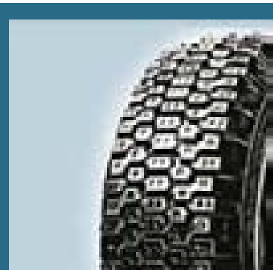
Haka-Hakkapeliitta

1970



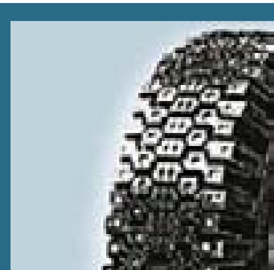
Hakkapeliitta 05

1970



Hakkapeliitta Radial 06

1977



Hakkapeliitta 08

A poster from the mid-1960's picturing the cheerful Hakkapeliitta family.

Erkki Pirttijärvi, whose career in Nokian Tyres has lasted almost half a century.

Tyre manufacturing was a strictly male job in those days, because, before the era of automation, semi-finished tyres had to be lifted and moved manually.

The following decade was a time of drastic growth in production volumes, and exports to Sweden grew. The plant was expanded in 1968 to accommodate the increased demand, and to meet the challenges involved in the manufacture of the newest tyre industry innovation: the radial tyre.

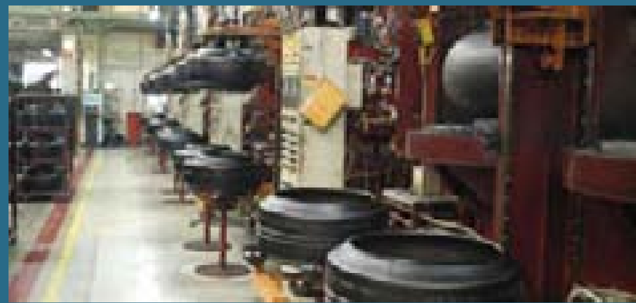
Radial tyres were a great success in the early 1970s. The Hakkapeliitta Radial 06, introduced in 1971, received a warm welcome from winter drivers driving on snowy roads. After the mid-1970s there was a recession; a result of increases in raw material prices, higher oil prices, a slowdown in the growth of the car fleet, and the considerably longer lifespan of radial tyres compared with their predecessors. Production volumes began to grow again in the 1980s and the Hakkapeliitta 09 was a big sales hit. Its popularity was strengthened by a tyre test in the Tekniikan Maailma trade magazine that concluded: "The best winter tyre we have ever tested."

The global tyre market was suffering from overcapacity, and Nokia couldn't avoid lay-offs either. "Zero-nine" continued to sell very well, and the Hakkapeliitta 09 broke the 5-million barrier in 1987.

Product development began to gain momentum throughout the new decade and into the new millennium. Product selection was quickly renewed, and more emphasis was placed on specialisation. The focus was on the high end of the tyre markets, and the world's northernmost tyre test centre in Ivalo was busy developing cutting-edge winter tyres, such as the Nokian Hakkapeliitta 4 and Nokian Hakkapeliitta 5.

All of this has made a profound impression on Erkki Pirttijärvi, who has been working with tyres for decades. The only things in common with the tyres back in his errand-boy years are the black colour and the round shape.

A curing hall in the 1970's: The Hakkapeliitta tyres go from curing moulds to the conveyor belt.

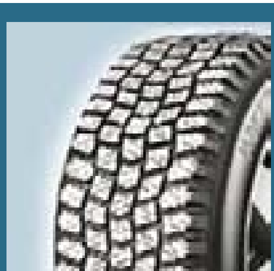


The 21st century tyre factory is highly modern and automated. Approximately 18,000 tyres are manufactured per day.

1980

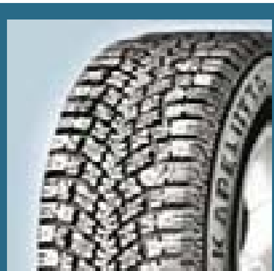
Hakkapeliitta 09

1989



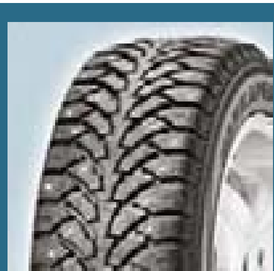
Hakkapeliitta 10

1996



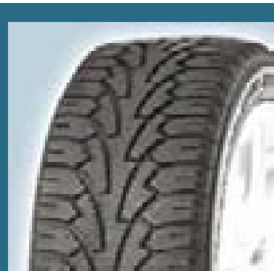
Nokian Hakkapeliitta 1

2003



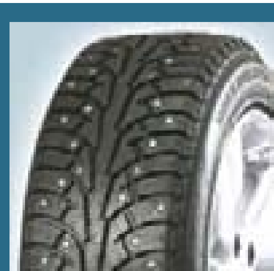
Nokian Hakkapeliitta 4

2004



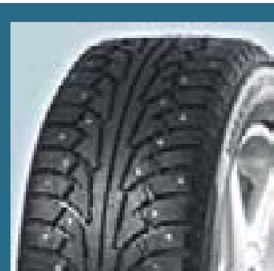
Nokian Hakkapeliitta RSi

2006



Nokian Hakkapeliitta 5

2006



Nokian Hakkapeliitta 5 SUV

Small world

Cars are more streamlined and the entire world's road maps – complete with shabby corners and pages illustrated with coffee stains – fit into your jacket pocket, the globe is shrinking. Nevertheless, the landscape prevails, as do the travellers' open minds and the child-like curiosity in their eyes.

Our target is to be the leading tyre manufacturer in the Nordic countries

Nordic drivers appreciate safe, durable tyres with comfortable driving properties. Thanks to its geographical location, Nokian Tyres has an innate ability to understand the needs and expectations of customers that drive in Nordic conditions. The company is the only tyre manufacturer in the world to focus on Nordic conditions and provide solutions that meet the special needs of this customer group.

Nokian Tyres sells Nokian-branded car summer tyres, studded and non studded winter tyres, heavy special tyres, as well as new and retreaded truck tyres in Nordic countries. A total of 8 million car tyres are sold annually in Nokian Tyres' home market, i.e. Finland, Sweden and Norway, and approximately 5 million of those are winter tyres. The average annual market growth is approximately 1–3% and the Nordic market features about 80 competing brands. Winter tyre legislation makes the use of winter tyres compulsory during the winter season in all three countries. The majority of the winter tyre consumer sales takes place in September – November depending on the winter. The peak season for car summer tyres is some weeks before and after the Eastern. More than half of Nokian Tyres' net sales are generated in the home market. When all products are taken into account, Nokian Tyres is the market leader in Finland and among the top suppliers in Norway and Sweden. In 2005, winter tyres accounted for 78% of Nokian Car tyre unit's net sales.

Most tyres are sold near the end of the year

The Nordic tyre business is extremely seasonal, and the profits are concentrated in the final quarter of the year. Seasonal management is a key success factor, as roughly 30% of winter tyres are sold to consumers during ten days after the first snowfall. This sets major challenges to production and delivery capacity. An extensive distribution network, utilisation of the company's own tyre chain (see pages 21–23), and efficient logistics and IT systems (see page 35) are crucial to managing the seasonal business.

In the Nordic countries, performance tests conducted by trade magazines have an effect on consumer behavior. We do not need to win the tests every year, but receiving top ratings on a regular basis is one way of increasing customer trust and strengthening the brand position. Nokian-branded winter tyres have scored top ratings year after year, and summer tyres also score top positions more and more often.

Nordic know-how benefits all profit centres

Nokian Heavy tyres generates more than 60% of its net sales in Finland, Sweden and Norway. The key product area is forestry tyres, an area in which the company is clearly a development leader. Close co-operation with Nordic forestry machinery manufacturers and a diverse, constantly improving product range have made Nokian Tyres a leading forestry tyre manufacturer in the Nordic countries and elsewhere in the world. Other important products include special tyres for agricultural and industrial machinery.

Nokian Tyres is the number one tyre retreader and the leading supplier of retreading materials in the Nordic countries. The best-known product segment is the Nokian Noktop winter tread for truck tyres. The company has a total of six retreading plants in the Nordic countries. Company strengths in this area include strong expertise with regard to winter conditions, modern and effective production, and products tailored for Nordic markets. Centralised operations provide synergy benefits and enhance customer service.

Home market 2005:

- strong position in the Nordic countries
- sales to car dealers increased
- sales of heavy special tyres hit record numbers
- acquisition of AGI AB strengthened truck tyre business in Sweden

Nokian i3 to complete the summer tyre range

Nokian i3 is a new T category (190 km/h) tyre, inspired by tyres in higher speed categories. The Nokian i3 includes numerous innovations and features that have proven to be excellent in high-speed UHP tyres designed for extremely demanding driving.

In recent years the tyre industry has focused on designing tyres for high-speed driving and on meeting the strongly increased demand for these products. European consumers have shown a greater leaning towards fast cars that need to be equipped with ultra high performance tyres. However, low-speed tyres continue to be the highest selling tyres, particularly in Nokian Tyres' main market areas.

Nokian Tyres' key responsibility is to design and manufacture the safest possible tyres. The competence, know-how and inventiveness of the R&D team is not devoted exclusively to high-performance tyres. On the contrary, the manufacturing technology and features of UHP tyres are being utilised in its new volume product.

Nokian i3 tyre features top-quality materials and structural solutions. It is suitable for small cars and mid-sized family cars. The selection focuses on 14 and 15 inch tyres. The product is primarily sold in Finland, Sweden, Norway, Russia and Eastern Europe.

Nokian i3 maintains a good grip in rainy and cool conditions. Its full silica composite (Nordic cool silica compound) is designed for Nordic conditions. The tyre maintains its grip properties on cold spring mornings and in the cool early autumn, even when temperatures drop below 10 degrees centigrade.

Brand-building: Web marketing helps reach the target group

The key message of the Nokian Tyres brand is safety. In its marketing communications, Nokian Tyres addresses safety from different aspects using an approach that sets it apart from mainstream advertising. Several variations of the same campaign theme were created for different media, thereby achieving a controlled and cost-efficient overall solution.

In 2005, Nokian Tyres focused sharply on developing its web marketing. To support the spring television campaign, an online game was used where cars equipped with Nokian tyres very tangibly increased the safety of animals crossing the road. More than 52,000 people participated in the contest organised in connection with the game. The autumn web campaign included a tyre-related quiz entitled "Winter driving school", with a main prize of "Winter tyres for a hundred years". This contest also attracted a large number of participants – more than 42,000.

During the year, the Group's website was optimised to match the logic of search engines, which makes it much easier to search for the company website. Search engine advertising was also launched, which increased the number of website visitors considerably.

Worn by travel

The Värdshus in Fiskars, Finland also known as "Värssy", has provided tired travellers with nourishment and shelter since 1836. At that time, a good supper, a warm place to sleep and the host's good night wishes did the trick. And they still do; anything more would be an exaggeration.

Nordic tyre markets

Approximately 2.5 million car tyres are sold annually in the replacement markets in Finland and out of those roughly 1.4 million are winter tyres. In Sweden the annual sales in is approximately 3.5 million tyres of which 2 million are winter tyres. In Norway the annual sales of car tyres are roughly 2 million of which 1.3 million are winter tyres. In Nordic countries the majority of winter tyres is studded tyres.

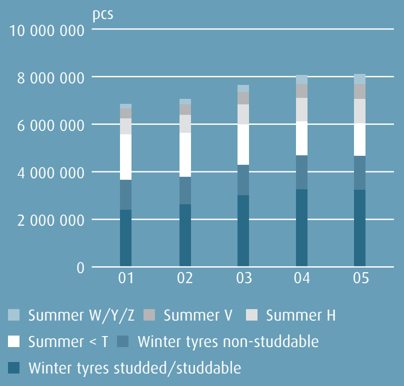
The Nordic tyre markets are mature with the annual market growth of 1-3%. High performance summer tyres (speed rates H,V,W,Y,Z) and winter tyres are product segments with clearly stronger growth, 10-15% depending on the product.

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

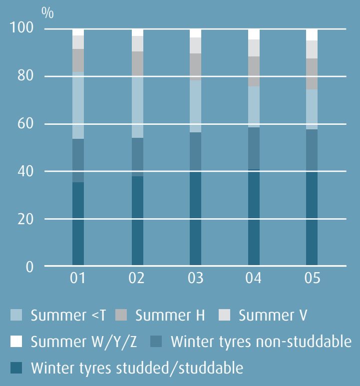
Sales of passenger car tyres in the Nordic replacement market (*



Source: ERMC 2005

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

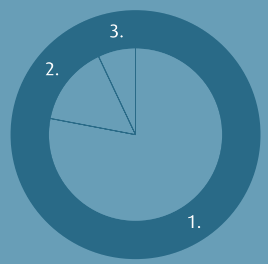
Sales of passenger car tyres in the Nordic replacement market



Source: ERMC 2005

The Nordic tyre replacement market in 2005

Total value approximately EUR 1.2 billion

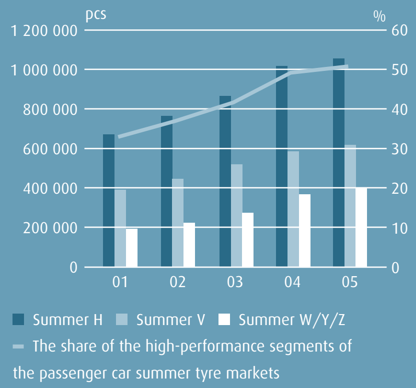


1. Passenger car and delivery van tyres 78%
2. Truck tyres...15%
3. Others..7%

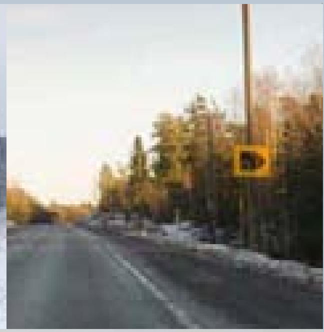
Source: Nokian Tyres 2005

Summer tyre market

High Performance -segments in the Nordic countries total



Source: ERMC 2005



Blue light

The lonely camera keeps its eye on you, and a guidepost glowing in the dark guides you in the right direction. The driver's languid look is sharpened by the oncoming car's bright blue gas discharge light that throws a friendly greeting like a raised hand with a white glove, ready to stop the entire world.

We want to be the leader in premium tyres

Approximately 34 million car tyres were sold in Russia in 2004, and roughly eight million of these were winter tyres. The tyre market is growing at a rate of approximately 15% per year and it features all the well-known western brands. This growth has been driven by the buoyant Russian economy and an increase in the manufacturing of new cars and in the import of western cars. Demand for heavy special tyres and tyre retreading is also increasing. Sales margins in Russia correspond to Nordic margin levels.

The tyre market is developing rapidly and tyre manufacturing is going through an intense period of modernisation. The market for high-quality tyres (segments A and B) is expected to grow, whereas the low-end market (segment C) will likely stay flat or decline. Like all its western competitors, Nokian Tyres is active in Russia. The company wants to strengthen its leading position in the A-segment winter tyre category and improve its market share in summer tyres. Now that the new factory at Vsevolozhsk is up and running, the company is also aiming at a leading position as a local tyre producer. Russian sales accounted for approximately 20% of the company's total net sales in 2005.

Vsevolozhsk is one of Nokian Tyres' two main production units

As the demand for Nokian-branded tyres in Russia increased and exceeded the production capacity of the factory in Finland, Nokian Tyres started to build a new factory in Vsevolozhsk, near St Petersburg, in 2004. The investment for the new factory will be approximately EUR 150 million in 2004-2007. The project has progressed rapidly: the first Nokian Hakkapeliitta 4 winter tyres rolled off the production line in June 2005, and installation of the second line began at the end of 2005. The total output of the factory was approximately 300,000 tyres in 2005.

The Russian factory is manufacturing Nokian-branded, A-segment summer and winter passenger car tyres, two thirds of which will be sold in Russia. The objective is to gradually increase the capacity using further investments to 4 million tyres a year by 2008. Plans for expanding the factory have already been made, including construction of a mixing department and warehouse. After carefully reviewing more than a hundred potential locations for a plant, Vsevolozhsk was selected for a number of reasons. The location near important Russian and Nordic markets was a key consideration, as was the availability of a good and skilled workforce. Many industrial players had invested in the region before and were co-operating successfully with the local authorities. The Vsevolozhsk industrial area had an infrastructure, which Nokian Tyres was able to use.

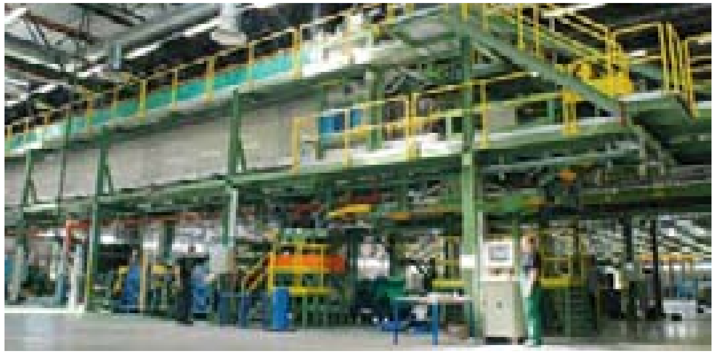
In terms of labour costs and the price of raw materials and energy, tyre manufacturing is substantially cheaper in Russia than in Finland or elsewhere in Western Europe. Operations in Russia also entitle the company to tax relief and exempt it from import duties.

Investments in logistics and distribution

Nokian Tyres has also expanded the Vianor tyre chain to Russia. In 2005, Russia had a total of 22 Vianor outlets, most of which operate on a franchising basis (see pages 21–23). In addition to Vianor, sales of Nokian-branded tyres are handled by the own sales company in Moscow and St. Petersburg, as well as by Russian tyre wholesalers with whom the company has built successful long-term partnerships. The fact that the new St. Petersburg factory is logistically close to the customers makes management of the peak seasons more effective. The logistics centres in the Moscow and St. Petersburg regions improve the company's service to local customers. The logistics centres also offer customers tyre studding as well as mounting for car dealers.

Russia 2005:

- first phase of the Russian factory completed and tyre production began
- sales and export of Russian made tyres started
- factory expansion started
- distribution network expanded
- position in A-segment tyres strengthened



First phase of the Russian tyre plant completed

In order to provide the company with better opportunities for success in the powerfully growing Russian tyre markets the Board of Directors of Nokian Tyres made a decision to build a tyre plant in Vsevolozhsk, Russia, near the city of St. Petersburg in the beginning of 2004. The project started immediately and construction work progressed quickly. In summer 2004 agreements were signed with local authorities and the foundation stone was laid. The construction work began at full speed in September, and in January 2005 the plant had reached its rooftop height. The new plant's first production line rolled out its first Nokian Hakkapeliitta tyres in June 2005. At the end of September, the official inauguration of the plant was held in Vsevolozhsk with high-level Finnish and Russian officials, customers and co-operation partners honouring the occasion with their presence.

State-of-the-art technology

Production works in three shifts and consists of component manufacture, tyre assembly, curing and quality inspection. Installation work on the second production line began at the end of 2005 and the plant will have its own mixing department up and running in 2006. The product range will initially feature only a few tyre sizes, but it will be expanded progressively.

The brand-new machinery and equipment at the Vsevolozhsk plant represent cutting-edge technology in the field. Furthermore, only environmentally friendly, low-aromatic oils are used in production. The plant makes high-quality Nokian-branded summer and winter tyres that are sold primarily in Russia, but some of the products will be exported to other key markets.

At the end of 2005, the Russian plant employed approximately 172 people, most of them Russians. Production personnel are trained at the Nokia plant. A team of Finnish specialists will provide the Russian personnel with initial assistance and guidance.

Drive – stop

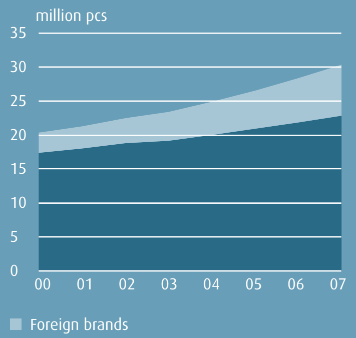
Finland's first traffic lights lit up in Helsinki in October 1951 to control the rapidly growing car traffic. At that time, pedestrians did not have traffic lights of their own, but the lights' posts had a manual control button that police officers could use if the traffic flow needed precise adjustment.

Russia as a market area

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Population (miljoonaa henkilöä)	144,92	144,15	143,5	142,5	141,5	140,5	139,5	138,5	137,5
Nominal Per-Capita GDP (USD)	2384	2993	4051	5200	6138	6884	7617	8369	9313
Nominal GDP (USD bn)	345	431	581	741	869	967	1063	1159	1281
Real GDP Growth (% change)	4,7 %	7,3 %	7,2 %	5,9 %	5,3 %	4,6 %	4,2 %	4,2 %	4,2 %
Car Ownership (Cars/000 Pop)	154	161	168	176	183	192	200	207	215

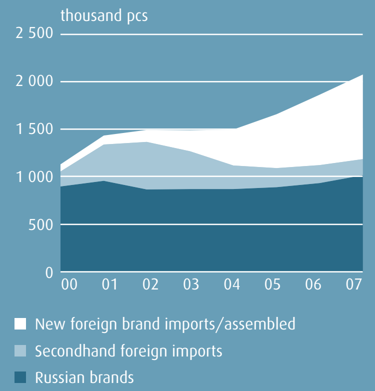
Source: Global Insight

Number of cars in Russia 2000–2007



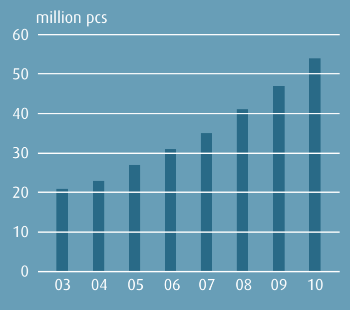
Source: Nokian Tyres estimate

Car sales dynamics in Russia 2000–2007



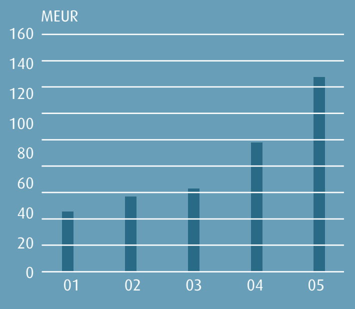
Source: Nokian Tyres estimate

Replacement car tyre market in Russia 2003–2010

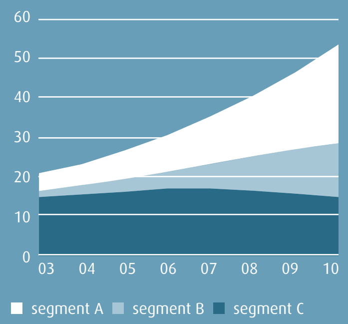


Source: Nokian Tyres estimate

Nokian Tyres sales in Russia 2001–2005



Russian tyre replacement market by product segments 2003–2010



Source: Nokian Tyres estimate

The absent side-kick to the story

The wind blows over the unmanned petrol station, the petrol pump feels freezing to the bare hand and the lonely traveller's eye seeks an establishment that could nourish his mind and soul with warm coffee – but in vain. A strange idea comes to mind: at times like this, you could happily exchange your car for one a couple of years older, if only you could see a serving hand wiping the wind-shield clean and a smile wishing you a pleasant journey.

We want to be the leading tyre chain in the home market

The Vianor tyre chain illustrates Nokian Tyres' strategy, which aims at securing the company's strong position in the Nordic countries and in Russia, as well as ensuring that Nokian-branded tyres have access to the core markets. Vianor is the biggest tyre chain in the Nordic countries, and a pioneer of the tyre distribution concept in Russia. Vianor's main task is to maximize the sales of Nokian-branded tyres and to maintain the desired price level. In addition, the profitability of the outlets is continously improved and the chain is further expanded and developed. Vianor's target is to be the most profitable tyre chain in the world and the best-known player in its core markets. Nokian Tyres wants to utilise the Vianor chain to enhance profitability and success in the whole tyre distribution business.

There are only a few large tyre chains in the Nordic countries that are owned by tyre manufacturers. Vianor is the only tyre chain that covers Finland, Sweden, Norway, Estonia, Latvia and Russia. Roughly 30% of Nokian Tyres total sales in the Nordic countries occurs through Vianor outlets. In line with the harmonised product policy, all Vianor outlets sell Nokian-branded tyres as well as other well-known tyre brands from all price categories.

The tyre distribution network in Russia is multi-layered, and the chain from the producer to the retailers and end users is a long one. Distribution is dominated by a few major wholesalers who supply tyres to a variety of larger and smaller wholesalers all over the country. Major tyre manufacturers have started to build their own distribution networks in order to better manage the resale of their products. In 2005, Nokian Tyres opened a total of 22 Vianor outlets in Russia. The company owns 2 of them, and the rest operate on a franchising basis.

Improved seasonal management and synergy benefits

Vianor's Nordic and Russian markets are extremely seasonal, and the majority of profits are generated during the final quarter of the year. Success in this business is based on strong expertise in seasonal management, since customer service has to be efficient during the few weeks of peak demand. Crucial factors include intensive co-operation between manufacturing and Vianor, efficient distribution of tyres through Vianor outlets, and advanced IT and logistics systems (see page 35). In order to boost its customer service during the peak seasons, Vianor utilises an outsourced Contact Center telephone service in all Nordic countries and also offers the possibility to book tyre changes by means of an Internet-based appointment system.

Co-operation between Nokian Tyres and Vianor results in considerable synergy benefits. Standardised data and operations management systems improve the planning, monitoring and reporting functions. Direct contact with the manufacturer also provides Vianor with better flexibility and faster response time. Studies indicate that product brand and the salesperson's recommendations have the strongest impact on a customer's choice of tyre. Having its own tyre chain provides Nokian Tyres with a direct communication channel to the end users. Vianor also provides the company with valuable information that can be utilised for the development of its services and for the R&D and marketing of its tyres.

Vianor 2005:

- Vianor network expanded in Sweden and in Russia
- new franchising entrepreneurs joined the network
- wholesales to car dealers and transport business increased
- sales of new and retreaded truck tyres increased
- market share in Finland improved

Nokian Hakkapeliitta RSi – studless alternative for the Nordic winter

Nokian Tyres' latest Nordic friction tyre is the Nokian Hakkapeliitta RSi. The product has been very well received: It's been successful with consumers and in Nordic tyre tests carried out by car magazines. One of the best features of the R-speed category friction tyre (170 km/h), designed especially for drivers in Russia and the Nordic countries, is its excellent winter properties: The steady tyre holds its grip during both braking and accelerating on snowy, slushy, icy or wet roads.

The excellent braking and accelerating grip of the Nokian Hakkapeliitta RSi is the result of several technical innovations. The brake booster system consists of a dense network of tooth-like sipes that significantly increase the tyre's grip surface. The proportion of lateral and longitudinal grip has been balanced so that the tyre performs without surprises in sudden situations, and even compensates for the driver's minor steering mistakes. The tyre offers a margin of safety in borderline situations.

The Nokian Hakkapeliitta RSi has been designed to utilise the advanced properties of ABS brakes, traction control and stability programmes available in new cars.

Website supports Vianor's retail

Vianor's website at www.vianor.com offers consumers assistance in almost anything related to tyre and rim purchase. In addition to the traditional product information package, the target group receives real value-added services.

Vianor has rejected the operating model traditionally used in the business and posts the net prices of its products on its website, thus allowing consumers to make independent comparisons. To help choose the right rim, the website features a rim simulator that allows the customer to try different rims on his car. Website visitors can also buy a tyre and rim package online and select a sales point for the mounting service. Tyre hotel customers can make an appointment for tyre changing online.

Welcome back

You don't need a dictionary to see the difference between service and self-service. It becomes evident when you are on the road, decide to take a break, and say "good morning" to the plastic doorman.

Vianor reshapes trading in the field

The Vianor tyre chain is well on its way to shaping new forms of trading in the industry. The tyre business has traditionally used various types of discounts on manufacturer prices. This has clouded the image of the sector and left consumers feeling unsure about the true price of the products. Each of the chain's outlets in Finland follows the same policy: the tyres are net priced. Net pricing offers reliable information to all consumers as each customer gets the same service and price when doing business with Vianor.

Prices are clearly displayed on posters and in brochures at Vianor outlets. They can also be checked on the chain's web site or by calling the customer service number. Customers can also make an appointment for a tyre change through the web pages or the customer service number. The chain's new services will clearly speed up doing business with Vianor in the busy seasons.

Vianor expands in Russia

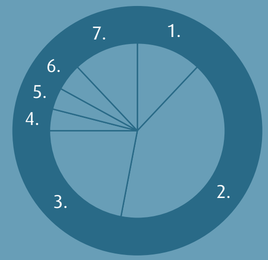
Nokian Tyres is expanding its Vianor tyre chain in Russia to give added strength to its distribution. At the end of 2005 a total of 22 sales outlets were operating in Russia under the Vianor logo and colours. Nokian Tyres owns two of these and the others operate as franchises. The Vianor chain is continuing its rapid expansion in Russia. The operating principle is the same as in the Nordic countries: sales outlets are engaged in tyre wholesale and retail, and offer their customers a number of other driving-related services.

By expanding the Vianor chain, Nokian Tyres aims to develop and expand its tyre distribution and to increase its passenger car and truck tyre sales in the powerfully growing Russian markets.

Vianor Russia

- 2005: 22 outlets
- 2006: to be expanded by a minimum of 30 outlets

Sales per product segments 2005 Nordic countries



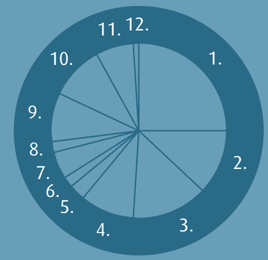
1. Service 12%
2. Car&van tyres 41%
3. Truck tyres 22%
4. Agriculture 4%
5. Earth movers and industrial 4%
6. Rims 5%
7. Other products 12%

Source: Vianor 2005

Vianor outlets in Nordic and Baltic countries

Total 197 outlets.

Sales per customer groups 2005

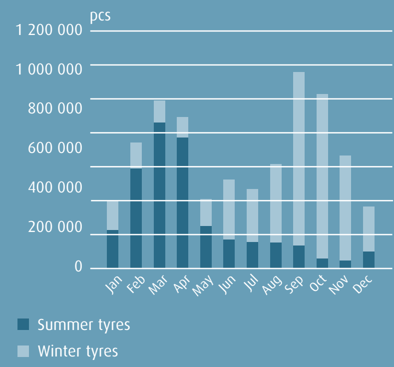


1. Private Customers 25%
2. Small transport business 12%
3. Local companies 14%
4. Large transport business 10%
5. Communities, states 3%
6. Nation-wide companies 2%
7. Contractors, industries 5%
8. Leasing customers 2%
9. Car dealers 9%
10. Tyre stores 10%
11. Other tyre retailers 7%
12. Others 1%

Source: Vianor 2005

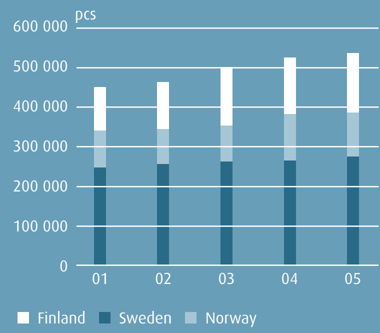
Sales cycles

Sales of passenger car tyres in 2005 from the manufacturer to retailers in the Nordic countries.



Source: ERMC 2005

Registration of the new passenger cars in the Nordic countries



Source: ACEA 2005

Functional nervous system

Rubber wheels separate the traveller from the pavement, rolling lightly, yet decisively, on the motorway surface. The motorway is the main artery of the present day's Motherland, pumping people in and out of the heart, the city. The circular roads form the nervous system of this continuously pulsating organism, making sure that the mechanism is functional and obeys its orders, now and forever.

Our target is to be a strong player in core products globally

Nokian Tyres' growth in global markets is based on expertise in specific, narrow product segments, and on the so-called niche approach. Nokian Tyres estimates that roughly 900 million car tyres are sold annually in the global replacement markets. The market is worth approx. USD 90 billion, and the share of OE installation is 25%. The overall market growth per year is 1–3%. The strongest growth segments are car winter tyres, high performance summer tyres and SUV tyres.

Nokian Tyres operates in the replacement market and in growing areas that allow it to utilise its special knowledge and strong expertise in Nordic conditions. Outside its home markets, the key areas include Eastern Europe, the Alpine region and North America, which all feature similar conditions to those in the Nordic countries: four distinct seasons, heavy forest cover and challenging driving conditions. In addition to home markets Nokian Tyres has its own sales companies also in Germany, Switzerland, Czech Republic and the USA. In other export countries, products are sold through independent importers.

Tailored products for diverse markets

Nokian Tyres tailors its winter tyres to meet consumer needs in the selected markets. The friction tyre designed for Continental Europe is a very different product from the one sold in the Nordic countries. The all weather plus tyre, which was designed for year round use with special emphasis on winter tyre properties, was developed for the US and German markets. The winter tyre range also includes SUV and light truck tyres as well as run-flat tyres. The main focus in summer tyres is on products in the high-speed category.

The niche strategy is also the guideline in terms of Nokian heavy tyres. Most of the heavy tyres are global products that can be sold anywhere in the world. One good example is forestry machine tyres, which Nokian Tyres has delivered globally since the 1960s. The main focus in forestry tyres is on forestry machinery tyres made using the CTL (Cut to Length) method, which was developed in the Nordic countries. Nokian Tyres is the global market leader in this tyre segment. Co-operation with machine manufacturers plays a key role, as the share of OE installation makes up roughly 50% of net sales in this profit centre.

The heavy tyre business has always been considered sensitive to economic fluctuations and subject to tough price competition. During recent years, demand for heavy special tyres has grown strongly, and there has been a global shortage of mining and harbor machinery tyres in particular. The demand for forestry tyres has been rising as a result of increased activity in equipment and machinery manufacturing, which has been boosted by the new tree harvesting areas in South America and Russia.

The key role of logistics management

Operating in the global market is challenging for a Nordic tyre manufacturer. Distances from the plant to the retailers are often long, and the customers want fast deliveries without the liability involved in large stocks. Managing an extensive product range adds another challenge to tyre manufacturing. In fact, as Nokian Tyres pursues growth and a sharper competitive edge in the global tyre market, its key development priorities include managing the whole logistics chain, optimising in-house production and more efficient utilisation of contract manufacturing.

Global markets 2005:

- sales to Eastern Europe and North America increased
- market postion in the USA strengthened remarkably
- acquisitions in Eastern Europe and in the USA enhanced sales and logistics
- sales of heavy special tyres increased in the USA

Winter tyres made even safer: New run flat tyres launched into the markets

Nokian Tyres included the run flat functionality in its key winter tyres. These tyres will complement the normal-structured winter product range.

Run flat tyres increase safety and decrease worries when driving. Changing tyres in busy traffic and in bad weather conditions can be dangerous and uncomfortable - with run flat tyres, you can avoid that. The Nokian run flat products have reinforced sidewalls. You can drive for another 100 kilometres to the nearest tyre outlet or service station to replace the damaged tyre.

The proportion of run flat products in the total European tyre sales is small but the sales volume is strongly growing.

For safety reasons, run flat tyres can only be installed in cars that have air pressure control or some other system indicating tyre pressure changes integrated into the information system, and the ESP system.

Efficient and reliable Nokian Country King – the choice of agricultural professionals

The new agricultural tyre, the Nokian Country King, is designed especially for trailers, such as slurry tankers, earth moving trailers or feed transportation vehicles. The design of this novelty emphasises durability, economy and driving comfort. The tyre is manufactured in an environmentally friendly way without high-aromatic oils.

A reinforced steel belt structure makes the Nokian Country King a reliable and durable partner even in stony fields. Nokian Country King features a reinforced structure that enables the use of higher tyre pressure. This results in increased load carrying capacity.

The new trailer tyre is an economic choice for demanding contractors. The tread pattern and structure give the tyre a low rolling resistance, leading to savings in fuel expenses. Thanks to the tyre's block pattern, the trailer runs evenly when pulled. The tyre's maximum speed is 65 km/h. The tread pattern and structure keep the tyre noise pleasantly low.

The tread pattern and rubber compound offer better grip, increasing user safety in hauling and transportation. Resistance to wear has been improved by increasing the land-sea ratio of the tyre so that it wears evenly.

A groove depth indicator has been placed between the tread blocks to enable the user to monitor the tyre's wear resistance.

Daily mirror

Shining chrome captivates people of all ages. A ray of sun touches the polished surface, and the response is a precise reflection of life itself.

The most common timber harvesting methods

CTL – Cut to Length

- The harvester fells and delimbs the trees and cuts them to length in the forest. The harvester also piles the timber according to its purpose and value.
- After the harvesting, a tractor collects the timber from the woods and transports it to the nearest roadside for a logging truck to pick up.
- CTL is a common method, especially in the Nordic countries, and is growing more common elsewhere thanks to its environmental friendliness.

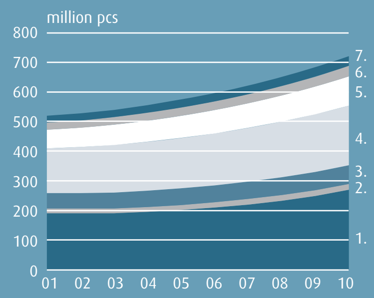
Skidder – whole tree logging

- A forestry machine or a forest worker fells the trees.
- After delimbing, the trunks are transported to the edge of the logging area and cut to length.
- This method is widely used in South America, Asia and some parts of North America.

Tractor-based machines

- A forestry machine or a forest worker fells the trees.
- The trees are harvested using a machine that is a variation of an agricultural tractor. It is equipped with forestry equipment and forestry tyres.
- This method is widely used in Germany and France in particular.

World Market for replacement passenger car tyres

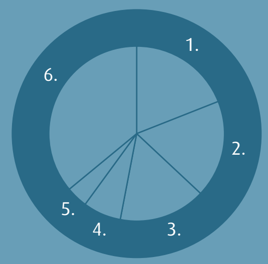


1. USA 34%
2. Canada 3%
3. Japan 10%
4. Europe 30%
5. Asia - Pacific 13%
6. Middle-East & Africa 5%
7. Latin America 5%

Source: Global Industry Analysts
2002 & 2003: GIA Estimates
2004-2010: GIA Projections

Five biggest tyre companies in the world

Net sales in 2004, million USD



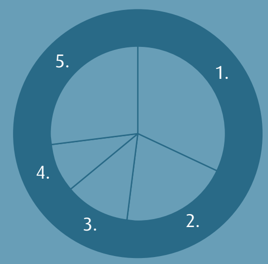
1. Group Michelin, France 17 888
2. Bridgestone Corp., Japan * 16 750
3. Goodyear Tire & Rubber Co., USA * 15 150
4. Continental AG, Germany * 6 100
5. Pirelli S.p.A, Italy 4 043
6. Others 20 318

* = estimated

Source: Tire Business 2005

Passenger car tyre replacement market in Europe

The market in 2005 approx. 190 million tyres

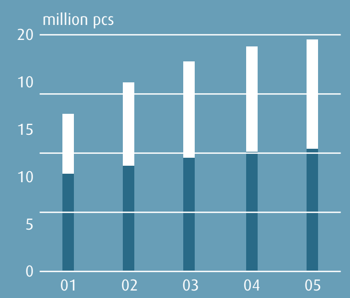


1. Summer tyres <T 32%
2. Summer tyres H 20%
3. Summer tyres V 12%
4. Summer tyres W/Y/Z 9%
5. Winter tyres 27%

Source: Nokian Tyres 2005

Replacement market of car tyres in Eastern Europe 2001–2005

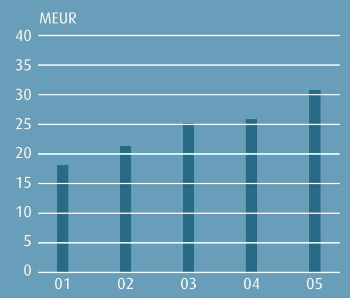
Excluding Russia, CIS



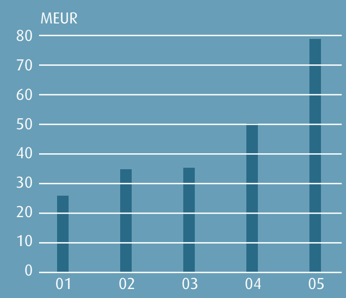
■ Summer tyres ■ Winter tyres

Source: ERMC 2005

Nokian Tyres' sales in Eastern Europe 2001–2005



Nokian Tyres' sales in North America 2001–2005



Through the landscape

The travelling eye sweeps the rough surface of the rock cutting brought to life by an illumination artist with thousands and thousands of watts shining bright. The wall is like a modern sculpture: it's hard to say whether it is beautiful or ugly, but it is nevertheless impressive. Half a century ago the road-makers did not blow their way through any obstacle; they obeyed the landscape and gave in to the forces of nature. As a token of gratitude, Mother Nature gave them a silence that serenely embraced families on their lunch breaks.

Apple soda, please!

The sandwich has become slightly over-moist under its wrapping – the cucumber slices have softened the cheese, and the warm August sun of the last summer of childhood has melted the butter on the rye bread. The friendly lady at the kiosk sold me apple soda and three colourful straws. Today you can buy the entire week's groceries at one go. Service is readily available for people, but not for cars.

Leading expertise and R&D excellence in core products

One of the driving forces behind Nokian Tyres' success is its ability to quickly reinvent its product range and to develop innovative products and services. The constantly changing product selection allows the company to consolidate its position and maintain the desired price and margin level in a tough competition environment. The main objective of R&D is to strengthen the company's position as the best winter and forestry tyre manufacturer in the world.

The key R&D principle has, in essence, remained the same for 70 years: when developing tyres, the company focuses especially on drivers in Nordic conditions, who demand uncompromising tyre safety in all driving conditions. Research and development is driven by the principle of durable safety: the safety properties should remain almost intact even as the tyre wears. New technology innovations are constantly being developed to improve safety. In addition to being safe and economic, Nokian Tyres wants to emphasise the advanced and individual nature of its products. The innovation processes aim at putting ideas into profitable commercial use. For Nokian Tyres, safety also means the development of environmentally friendly products and technology. The company has been a pioneer in developing tyres that are manufactured using only environmentally friendly low-aromatic oils. The use of harmful high-aromatic oils ended at the Nokian plant at the end of 2004. Only low aromatic oils are used at the Russian plant.

Strong specialisation and customer needs guide R&D

Tyre development requires a great deal of focused planning. Different market areas need their own customised products, i.e. precision innovations. Markets and consumer groups are becoming more and more fragmented, and the R&D team keeps close track of movements and changes in consumers' needs.

With the increased performance capacity of passenger cars, the demand for low profile, high speed tyres has grown, and Nokian Tyres has introduced new products for this segment in particular. In the heavy tyres product area, the focus is on special tyres with radial structure. Development of retreading materials draws on the vast range of tyre technology know-how and expertise accumulated at Nokian Tyres.

Test facilities in Nokia and Ivalo

Nokian Tyres' target is for new products to account for a minimum of 25% of its net sales every year. The company invests approximately 2.5% of its net sales in product development annually, with the corresponding figure for passenger car tyres being 4%. It takes 2–4 years to develop a completely new product. About half of R&D costs are invested in testing. The majority of winter tyre testing takes place in the world's northernmost tyre testing centre, which is located in Ivalo, Finland, above the Arctic Circle. The test centre operates for 5-6 months per year, and tests are performed under the most extreme conditions.

The test facility in Nokia, Finland is mainly used for summer tyre testing. It allows the simulation of almost all driving situations and conditions in the Nordic climate region. The automatic sprinkler system is probably the only one of its kind in the world. Driving comfort can be measured on the Comfort section of the track.

Research and Development in 2005:

- Nokian Hakkapeliitta winter tyre family renewed: Nokian Hakkapeliitta 5 and Nokian Hakkapeliitta Sport Utily 5 tyres were developed
- new run flat tyres launched for winter driving
- Nokian i3 summer tyre for family cars completed the summer tyre range
- several top and second positions in tyre magazines' summer and winter tyre tests in the Nordic countries and in Russia

Tyres put to the test in Ivalo
Ivalo is home to Nokian Tyres' 700-hectare testing facilities, where tyre properties come under the spotlight in rigorous tests. The world's northernmost testing premises are active throughout the winter season, from November to May.

The highly professional staff use quality equipment and methods to test tyres in all extreme situations encountered in winter driving. The versatile tests provide accurate and objective results, rounded off with the subjective views of experienced test drivers.

Among other things, winter tyres are subjected to numerous grip tests. Ice grip is assessed both on ice tracks and in braking and acceleration tests. Snow grip and lateral grip on ice are of extreme importance to the development of safe winter tyres. Winter testing in Ivalo can be carried out on a variety of ice surfaces and tracks, including a circuit and hard snow surfaces.

The uphill test evaluates tyre features on a steep slope rising at an angle of 20%. A 15-kilometre snow-covered road winds its way around the testing facilities, offering test drivers a chance to evaluate tyre behaviour on a snow-packed road.

Use of purified oil requires special expertise
Nokian Tyres uses only purified, low-aromatic oils in its own products and manufacturing. They replace HA (High-Aromatic) oils, which have been labelled as hazardous. Uncompromising product development work has made Nokian Tyres a forerunner in manufacturing clean, environmentally friendly tyres, and it has enabled the company to develop impeccable rubber compounds from purified oils. The difficult-to-achieve wet grip properties have been created, for example, by using some entirely new polymer types.

High-aromatic oils, which originate as by-products of oil refining, were introduced to tyre manufacturing in the 1950s. The HA oil used as a plasticiser in tyre treads helps the different raw materials to mix with each other and makes the rubber compound easy to process. The level of PAH (polyaromatic hydrocarbon) compounds in the purified oils remains under the limit stated in the future EU directive. This directive requires that all tyre manufacturers switch over to harmless oils in their production. The directive will take effect in 2010.

Latest safety innovations of Nokian Tyres

1999 DSI, Driving Safety Indicator
The Driving Safety Indicator on the centre rib of the tyre indicates 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. This innovation is included in all Nokian Tyres' newest products.

2003 Canola oil in the tread compound
Canola oil is an environmentally friendly, pure natural product. Nokian Tyres used canola oil for the first time in the tread compound of Nokian Hakkapeliitta 4 in 2003.

Canola oil is particularly well suited to winter tyres, as it increases the tear resistance of the rubber and the tyre's grip in winter conditions.

2003 HA oil-free high-performance summer tyre
Nokian NRHi is the world's first H speed category summer tyre manufactured without harmful oils. Only purified low-aromatic oil is used in its manufacture. The tyre has excellent wet grip and other safety properties.

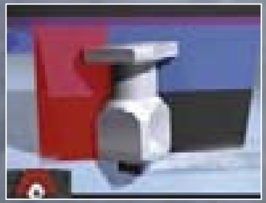
The 70-year history of Hakkapeliitta continues: two new studded tyres on the market

Nokian Tyres launches two tough new products on the winter tyre markets: Nokian Hakkapeliitta 5, a studded winter tyre for passenger cars, and its big brother Nokian Hakkapeliitta Sport Utility 5 designed for SUVs. In this tyre, product development has honed the grip to a level of its own. The design concept for the new Hakkapeliitta tyres was to develop a bold conqueror of Nordic conditions; a tyre capable of dealing with the trickiest winter weather and conditions.

The studded tyres represent cutting-edge expertise in the long development chain of the Nokian winter tyres. The roots of the Hakkapeliitta product family go back 70 years, to 1936. That was when the first original and genuine Hakkapeliitta winter tyre was made.

The Nokian Tyres' engineers who worked on the latest Hakkapeliitta tyres used brand new methods to enhance safety and create product features that please drivers. Developers studied the operations and synergies of studs, the rubber compound and siping in microscopic detail, using the latest outdoor and indoor testing methods to collect data. Computer models describing tyre operations and laboratory work focusing on rubber compounds led to unique solutions.

The novelties offer ingenious technical novelties to ensure safe winter driving. Grip-enhancing features include the bear claw and a further developed square stud. The products are designed for the Nordic and Russian markets. Consumer sales will begin in autumn 2006.



2006 Bear claw

The studded tyre features a new grip-enhancing innovation, the bear claw. The bear claw is a sharp-edged claw-like projection at the front edge of the tread blocks that pre-tightens and supports the stud. The bear claw holds the stud in the ideal position during road contact and braking, as well as in lateral movement. The stud does not twist or give way and thus maximises grip. This has improved the braking grip of the shoulder area in particular.

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 by enhancing its square design. 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.

2004 Combination of five rubber compounds

The full silica Nokian Z tread is made of five different rubber compounds. The centre rib compound ensures accurate steering and makes the tyre easy to handle. The compound used in the shoulder area improves grip and ensures safety in extreme handling situations. 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, reduces heat emission and reinforces the tyre structure 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.

To the big church – and the small one

I wonder how many tourist buses have crossed the Finnish-Russian border over the decades? How many tourists, cultural exchange ambassadors, friendship town mayors, sports club members have they carried over? How many dreams to see the true nature of St. Petersburg and let it make the home town seem so tiny in comparison with such a metropolis? And the other way around: how cosy, yet continental can Helsinki seem to today's shopping tourists from St. Petersburg!

Growth in profitability due to the best processes in the industry

As the bulk of Nokian Tyres' profits are generated during two short seasons, process development related to customer service and the distribution chain are key factors in improving profit. Controlling information and material flow as well as operating close to the end users allows Nokian Tyres to promote its order-delivery process, enhance sales and release net assets.

The two roles of Vianor

Effective control of the order-delivery process plays a key role in the very seasonal tyre business. In the Nordic and Baltic countries, Nokian Tyres has opted for a distributed order-delivery system. Vianor's outlets function as company delivery points for distributors in the vicinity and thus support logistics centre operations in Nokia. Many Vianor outlets use an automatic stock replenishment system to control the stock level and to handle orders from the plant to the outlets. The Vianor network is a cost-effective distribution channel, especially for small and special deliveries. Standard delivery time in the home markets is less than 12 hours and 12–24 hours outside the peak season. Delivery times in Russia, North America and Central Europe are 24–48 hours.

Outside the home market the delivery system has been centralised. For example, sales companies in Central Europe mainly deliver tyres to distributors from one logistic centre. The company has its own logistic centres in Russia in the Moscow and St. Petersburg areas. Nokian Tyres invests in the transparency of its logistics processes. The company is also using an electronic order channel, which allows distributors to obtain information about availability, enter their orders, and follow the status of the orders in real time.

Successful partnerships

Raw material costs account for nearly 30% of net sales from manufacturing. Some 15% of the company's raw material suppliers, a total of 25 companies, supply 80% of the total value of the raw materials. In terms of critical raw material suppliers, co-operation is based on a partnership system that aims at having at least two partner suppliers for each critical raw material. Nokian Tyres and its partners focus on product development of raw materials and components, and develop the control process for material flow. Compatible and transparent information systems are used to optimise inventory levels, delivery times and transportation.

Successful partnerships secure delivery reliability and uniform tyre quality and ensure growth in production capacity. Effective inventory and transport processes free up production space for the manufacture of core products at the Nokia tyre plant. The role of partnerships is becoming more important as Nokian Tyres increases capacity at several plants. The main challenges in the near future include improving productivity at the Nokia plant, further development of the operations in Russia, contract manufacturing, and developing logistics.

▸▸ More information www.nokiantyres.com.

Processes 2005:

- contract manufacturing increased
- the volumes and quality in the Russian production according to targets
- call center -service and internet based appointment system enhanced logistics and seasonal management
- logistic center in Nokia, Finland expanded

The crossing point

On the other side of the beam there is another country, a whole different culture. Nowadays, the Vaalimaa border post between Finland and Russia is a normal cross-over station. Some head east for cheap petrol, some import truckloads of consumer goods. Business as usual.

Increased competitiveness through competence development

The chosen tool for competence development at Nokian Tyres is an HR strategy based on the company's business strategy. The HR strategy determines the skill areas and measures that will be used to develop the staff's strategic competence. Nokian Tyres wants to offer its employees the opportunity to use their full potential at work, and in this way, contribute to the company's success. Future challenges for personnel development include increasing internationalisation, networking, changes in staff structure and social responsibility. Rapid changes in the business environment demand a constant desire and capacity to learn. Employees have to be prepared to identify and adapt to these challenges and the resulting changes in competence needs.

Versatile development

Nokian Tyres has defined the following strategically important skill areas: individual skills, management of the tyre business, tyre marketing, tyre technology and manufacturing. The most important issues in terms of individual skills include understanding the company's business strategy, developing the corporate culture, inventiveness and interaction skills. Regular surveys of work atmosphere, development of inventiveness and performance appraisals are good indicators of development needs. Development of recruiting, training, on-the-job learning and various alternative forms of work helps the company respond to future skill requirements. Nokian Tyres also invests in its personnel's well-being in different ways, including an exercise project, sleep counselling and a quit smoking course.

Nokian Tyres is an active participant in Tampere Business Campus (TBS), Finland, which encourages companies in the region to form networks with one another in order to enhance their learning processes and convey good practices related to competence development. In 2005, TBC received a regional InnoSuomi award. TBC has provided Nokian Tyres with training in supervisory skills, internationalisation, financial and business skills, project management and concretising intangible capital. The company also takes part in training projects offered by the EU-funded Leonardo programme, as well as apprenticeship training, which combines work and studies for specialist qualification in management, sales, installation and technology. More than 350 Nokian employees have completed further professional qualification so far.

In the Hakkapeliitta Spirit

The corporate culture of Nokian Tyres goes by the name Hakkapeliitta spirit and is based on entrepreneurship, inventiveness and team spirit (see page 5). The staff's activity, initiative and internal entrepreneurship support development of the Group's skills and in that way, its strategy. Many recreational and exercise activities are annually arranged under the umbrella of the Hakkapeliitta spirit.

Reward supports the strategy

Nokian Tyres' wage and reward system is based on three principles: internal fairness, external competitiveness and encouragement. The company utilises both tangible and intangible incentives to support the achievement of overall goals, as well as to encourage top individual and group performance. Wage increases for workers and white-collar employees are based on an increase in the competence requirements, a clear increase in the amount of work, or an improvement in work quality. Furthermore, all company employees are covered by a bonus and option scheme, which are based on company performance. The option scheme is described in more detail on pages 75-77.

▸▸ More information www.nokiantyres.com.

Competence development 2005:

- new methods for inventiveness and innovation development
- personnel recruitment at the Russian plant
- implementation of the vocational and induction training programmes at the Russian plant
- apprenticeship training progressed at Group level
- activities aimed at improving working capacity continued with main emphasis on preventive action

Good ol' Vyborg

The journey back in time begins from this Karelian town, and also ends there. The beautiful Vyborg greets visitors with a somewhat melancholic, foggy smile, while elsewhere Mother Russia already shows a bright face.

Safe company, safe tyres

Nokian Tyres follows the principles of responsible corporate citizenship and respect for the environment. In addition to fulfilling the requirements and norms set by society, we want to be a front-runner in terms of the environmental and safety issues related to products, manufacturing and logistics in every operating sector. This means taking care of the environment and our personnel as well as maintaining good relations with society and stakeholders. At Nokian Tyres, responsibility means safe and environmentally friendly products, the best production processes in the industry, a safe working environment and well-being of the personnel.

Environmental and safety management at Nokian Tyres encompasses environmental, personnel and property protection. The objective is to prevent accidents in all areas of operations, and thus secure the continuity of manufacturing operations. When developing its operations, the company aims to apply best practices and implement advanced solutions while taking human values and responsibility into consideration.

At Nokian Tyres, environmental and safety aspects are key factors in the development, manufacture and marketing of tyres. We focus on the entire lifecycle of products, from material selection planning to product disposal. Nokian Tyres aims to improve the management of environmental and safety issues in its own operations as well as those of subcontractors, service providers and partners. The company utilises risk management methods that include risk assessment, process and safety planning, instructions and training. Every year Nokian Tyres invests in new technology for process development in order to ensure that the company utilises the best available technology for safety management and for continuous improvement of the existing equipment.

Nokian Tyres utilises a joint safety management system to direct its operations. The system at the Nokia plant has been certified in accordance with the European Union's EMAS (EcoManagement and Audit Scheme) regulations and the international ISO 14001 environmental standard. When company operations expanded this past year, safety and environmental guidelines and targets were developed for the whole group. Production at the Vsevolovzhsk plant adopted the same operating models as those used at the Nokia plant, with the goal of obtaining common quality and environmental certificates in 2006.

From targets to results

According to plans, Nokian Tyres took a number of significant development steps in the areas of safety and responsibility in 2005. Environmental indicators at the Nokia plant developed positively as planned and in accordance with the environmental permits. Replacement of harmful chemicals with safer alternatives has continued, and as a result our own production no longer uses any carcinogenic or toxic (T) chemicals. New uses for the waste rubber that is a by-product of manufacturing were found, which increased waste utilisation. A serious accident at the Vianor retreading plant in Nurmijärvi, Finland contributed to extensive co-operation with authorities and retreading industry to develop the safety of autoclaves used in retreading.

▸▸ More information www.nokiantyres.com

Environment 2005:

- an environmental permit granted to the Russian factory
- the first full year operation without using HA oils in the production
- the use of carcinogenic and toxic (T) chemicals ended in own production
- no deviations found in the DNV audit
- the Finnish National Fund for Research and Development SITRA's commendation to environmental products in the Finnish competition for the European Environmental Award
- decrease in the amount of landfill waste

Viva Las Vegas!

St. Petersburg blows things out of proportion and makes you feel small. The exaggerated horseback rider statue reaches for the sky, the parade street is too wide to safely cross on foot. The American limousine parked by the road is the only thing stretching the natural scope of things even more drastically than the city itself.

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 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 regulations.

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 2005, their personal data is provided on page 45. Board members Rabbe Grönblom, Satu Heikintalo, Hannu Penttilä, Henrik Therman and Petteri Walldén were independent. The Board does not have special committees; it 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 12 times in 2005, with an attendance rate of 99%. In 2005 remunerations to Board members totalled EUR 124,800 of which 3,897 pcs was given in Nokian Tyres' shares worth EUR 50,000. Board members are not included in the company's option scheme.

Board's duties

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 organization, accounting and finance. Furthermore, it is responsible for appointing the President and CEO, and for other duties described in the Companies Act.

The Board of Nokian Tyres 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 (Nokian Heavy Tyres profit centre was incorporated into an independent company as of 1.1.2006). Other Business includes retreading operations and the Truck Tyres unit . (The name of Nokian Retreading Operations and Truck Tyres was changed to Nokian Truck Tyres as of 1.2.2006). Each profit centre is responsible for its business areas and its financial performance, balance sheet and investments, supported by the different service functions. Service functions include logistics and purchases, sales, financial administration, communication, business development, 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 each country are part of the sub-group. The key features of the Group's legal structure are shown in the diagram on page 43.

President, Group management, and the 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 responsibility areas of which are indicated in the member presentation on page 47.

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 is attended by the President and profit centre management, as well as the management for sales, logistics and finance operations. 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 has a written Management Guideline, which 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 498,000 in 2005. 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. In 2005 the President of Nokian Tyres held 10,600 pcs 2001C bonds with warrants, 16,000 pcs 2004A bonds with warrants and 16,000 pcs 2004B bonds with warrants but no company 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 at 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 Matti Sulander, 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 2005 amounted to EUR 307,000 The fees paid to the authorised public accountants for other services totalled EUR 130,000.

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 complemented 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 authorized 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 the 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 insider). 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 Superivision 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

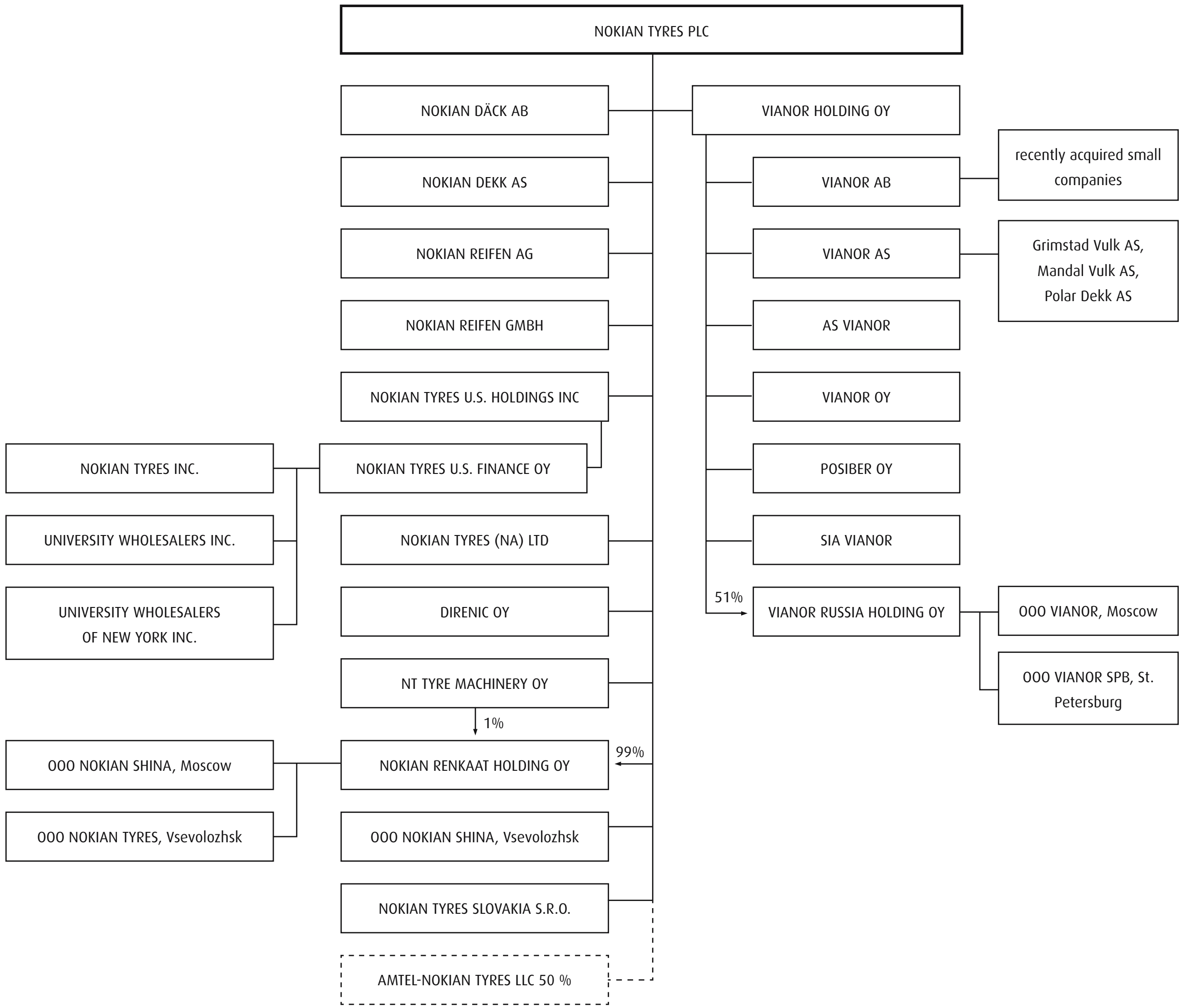
The Securities Market Act imposes a duty to declare to Nokian Tyres' insiders with a duty to declare, and requires that the company maintain a public register of its insiders with a duty to declare. The law requires that Nokian Tyres keep a non-public company-specific register of company-specific insiders. 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



From the left: Kim Gran, Satu Heikintalo, Hannu Penttilä, Henrik Therman, Rabbe Grönblom, Mitsuhira Shimazaki and Petteri Walldén

Situation 31.12.2005

Chairman:
Henrik Therman
Year of birth: 1937
Master of Science
Retired
Member of the Board since 2003
Independent of the company
Shares: 2,457 pcs
Other simultaneous positions of trust: Member of the Boards: Scottish & Newcastle Plc, Hartwall Ltd, Hartwall Capital Ltd

Rabbe Grönblom
Year of birth: 1950
Bachelor of Hospitality Management
Director, Ab R Grönblom Interational LTD
Member of the Board since 2003
Independent of the company
Shares: 128 pcs
Other simultaneous positions of trust: Member of the Board: Restel

Satu Heikintalo
Year of birth: 1956
Master of Science in Economics
Member of the Board since 2002
Independent of the company
Shares: 1,628 pcs
Other simultaneous positions of trust: Member of the Board: Altia Oyj

Hannu Penttilä
Year of birth: 1953
Master of Laws
CEO, Stockmann plc
Member of the Board since 1999
Independent of the company
Shares 1,628 pcs
Other simultaneous positions of trust:
Chairman of the Board:
Seppälä OY, Oy Hobby Hall Ab, Stockmann Auto Oy Ab, Suomen Pääomarahoitus Oy and Stockmann Russia Holding Oy.
Member of the Boards: Deputy Chairman of the Board; The Central Chamber of Commerce of Finland, International Association of Department Stores (Vice President of Executive committee), Federation of Finnish Commerce
Member of the Supervisory Boards: Mutual Insurance Company Kaleva and Varma Mutual Pension Insurance Company

Mitsuhira Shimazaki
Year of birth: 1958
Bachelor of Arts in international relations
General Manager, Europe Operations, Bridgestone Corporation
Member of the Board since 2004
Shares: 2,256 pcs
No other simultaneous positions of trust

Petteri Walldén
Year of birth: 1948
Master of Science
Member of the Board since 2005
Shares: 2,598 pcs
Independent of the company
Other simultaneous positions of trust: Member of the Board; eQ

Kim Gran
Year of birth: 1954
Bachelor of Science in Economics
President and CEO of Nokian Tyres plc
Member of the Board since 2002
Bonds with warrants:
2001C 10,600 pcs
2004A 16,000 pcs
2004B 16,000 pcs
Other simultaneous positions of trust:
Chairman of the Board of the Rubber Manufacturers' Accociation
Member of the Boards: Kuusakoski Oy and Kuusakoski Group Oy, M-real plc and Confederation of Finnish Industries

From the left: Teppo Huovila, Rami Helminen, Alexej von Bagh (sitting), Esa Eronen, Antero Turunen, Raila Hietala-Hellman, Deniz Bavautdin, Mika Erämaa, Antero Juopperi, Raimo Mansikkaoja, Mika Savolainen, Keijo Salonen, Sirkka Hagman, Kim Gran, Kari-Pekka Laaksonen, Janne Nyblom and Seppo Kupi.

Situation 31.12.2005

Kim Gran
Year of birth: 1954
President and CEO
Bachelor of Science in Economics
With the company from 1995
Bonds with warrants:
2001C 10,600, 2004A 16,000 pcs,
2004B 16,000 pcs

von Bagh Alexej
Year of birth: 1968
Vice President,
Retreading operations and truck tyres
Master of Science (Eng.)
With the company from 1995
Bonds with warrants:
2004A 3,000 pcs, 2004B 3,000 pcs

Deniz Bavautdin
Year of birth: 1953
Vice President,
Sales and Sales Offices
Diploma in Business and
Administration
With the company from 2002
Bonds with warrants:
2004A 7,000 pcs, 2004B 6,000 pcs

Esa Eronen
Year of birth: 1957
Vice President, Production Service,
Technology
Engineer
With the company from 1988
Bonds with warrants:
2001C 400, 2004A 4,000 pcs, 2004B
3,000 pcs

Mika Erämaa
Year of birth: 1971
International Department Union of
Salaried Employees TU
Education: Technician
With the company from 1993
Bonds with warrants:
2001C 40, 2004A 25 pcs, 2004B 150
pcs

Sirkka Hagman
Year of birth: 1958
Vice President, Personnel and Safety
Master of Science; Licentiate of
Administrative Science (Eng)
With the company from 1980
Bonds with warrants: 2001B 600,
2001C 3,000, 2004A 3,000 pcs,
2004B 3,000 pcs

Rami Helminen
Year of birth: 1966
Vice President CFO,
Finance and Control
Master of Economic Sciences
With the company from 1990
Bonds with warrants:
2004A 6,500 pcs, 2004B 6,000 pcs

Raila Hietala-Hellman
Year of birth: 1952
Vice President,
Communication and IR
Diploma in Business and
Administration
With the company from 1979
Bonds with warrants:
2004A 3,000 pcs, 2004B 3,000 pcs

Teppo Huovila
Year of birth: 1963
R&D Manager, Car and Van Tyres
Master of Science, MBA
With the company from 1989
Bonds with warrants:
2004A 2,025 pcs, 2004B 2,000 pcs

Antero Juopperi
Year of birth: 1954
Vice President, Car and Van Tyres
Master of Sciences
(Organic Chemistry)
With the company from 1992
Bonds with warrants:
2004A 10,000 pcs, 2004B 8,000 pcs

Seppo Kupi
Year of birth: 1950
Managing Director, Vianor
Engineer
With the company from 1974
Bonds with warrants:
2004A 8,000 pcs, 2004B 8,000 pcs

Kari-Pekka Laaksonen
Year of birth: 1967
Vice President,
Logistics and Purchasing
Master of Science (Eng.)
With the company from 2001
Bonds with warrants:
2004A 3,500 pcs, 2004B 3,000 pcs

Raimo Mansikkaoja
Year of birth: 1962
Vice President,
Corporate Development
Master of Science, MBA
With the company from 1995
Bonds with warrants:
2001C 500 pcs, 2004A 3,000 pcs,
2004B 3,000 pcs

Janne Nyblom
Year of birth: 1970
Professional employees
Engineer
With the company from 1995
Bonds with warrants:
2001C 500 pcs, 2004A 500 pcs,
2004B 500 pcs

Keijo Salonen
Year of birth: 1953
Chief Shop Steward
With the company from 1970
Bonds with warrants:
2001B 40 pcs, 2001C 40 pcs, 2004A
25 pcs, 2004B 20 pcs

Mika Savolainen
Year of birth: 1971
Vice President,
Information Technology
Master of Science
With the company from 1995
Bonds with warrants:
2004A 3,000 pcs, 2004B 3,000 pcs

Antero Turunen
Year of birth: 1945
Vice President, Heavy tyres,
Master of Science (Eng.)
With the company from 1993
Bonds with warrants:
2004A 6,000 pcs, 2004B 6,000 pcs

Members of the Management did
not own Nokian Tyres shares.

And the road goes on

It bears all things, believes all things, hopes all things, endures all things. Pouring rain soaks it, the first winter frost makes it shimmer like diamonds, the mid-summer sun heats its black surface like glowing coal. Nevertheless, it takes travellers where they want to go, winding through the landscape, stretching straight at times, then again adjusting to the forms of nature – as long as it goes.

CONSOLIDATED KEY FINANCIAL INDICATORS		IFRS	IFRS	FAS	FAS	FAS	FAS	FAS	FAS	FAS	FAS	FAS
Figures in EUR million unless otherwise indicated		2005	2004	2004	2003	2002	2001	2000	1999	1998	1997	1996
Net sales		686.5	603.3	602.2	528.7	479.2	423.4	398.5	322.6	251.3	211.6	192.6
growth, %		13.8%	14.1%	13.9%	10.3%	13.2%	6.3%	23.5%	28.4%	18.7%	9.9%	2.9%
Operating profit before depreciation		151.4	148.9	146.8	115.1	95.0	81.9	68.4	61.9	47.5	39.2	32.7
Depreciation according to plan		35.6	33.4	38.7	36.0	34.9	31.3	28.9	19.8	14.3	11.7	9.2
Operating profit		115.8	115.6	108.1	79.1	60.1	50.5	39.4	42.1	33.2	27.5	23.5
% of net sales		16.9%	19.2%	18.0%	15.0%	12.5%	11.9%	9.9%	13.1%	13.2%	13.0%	12.2%
Profit before extraordinary items and tax				97.9	69.6	48.0	37.0	27.2	35.9	29.3	25.1	20.0
% of net sales				16.3%	13.2%	10.0%	8.7%	6.8%	11.1%	11.7%	11.8%	10.4%
Profit before tax		112.6	103.0	99.9	69.6	48.0	37.0	27.2	35.5	29.9	25.1	20.0
% of net sales		16.4%	17.1%	16.6%	13.2%	10.0%	8.7%	6.8%	11.0%	11.9%	11.8%	10.4%
Return on equity, %		22.2%	31.3%	24.3%	20.8%	16.9%	14.3%	13.7%	23.6%	22.7%	21.9%	21.3%
Return on capital employed, %		21.4%	28.1%	27.5%	22.3%	17.1%	14.3%	12.1%	16.9%	19.8%	21.5%	20.8%
Total assets		797.4	578.4	553.8	476.1	450.9	459.8	464.0	391.8	269.3	188.1	171.0
Interest-bearing net debt [1]		119.5	163.3	107.4	100.0	122.5	158.2	182.1	170.4	94.2	39.6	35.4
Equity ratio, %		59.1%	46.4%	48.3%	44.4%	38.9%	32.4%	28.3%	30.9%	37.1%	45.2%	41.9%
Gearing, % [1]		25.4%	60.9%	35.4%	40.5%	57.9%	85.5%	108.9%	140.6%	94.3%	46.6%	49.4%
Net cash from operating activities		30.2	56.9	56.9	79.0	69.3	70.8	26.6	22.3	21.2	24.6[2]	17.0[2]
Capital expenditure		119.6	57.8	57.8	44.2	26.0	45.3	67.5	85.7	72.7	25.7	17.7
% of net sales		17.4%	9.6%	9.6%	8.4%	5.4%	10.7%	16.9%	26.6%	28.9%	12.2%	9.2%
R&D expenditure		9.3	9.8	9.6	8.3	8.5	8.3	8.3	7.8	6.6	5.6	5.0
% of net sales		1.4%	1.6%	1.6%	1.6%	1.8%	2.0%	2.1%	2.4%	2.6%	2.7%	2.6%
Dividends	(proposal)	27.9	25.9	25.9	16.7	11.7	8.8	6.9	9.0	7.6	6.0	4.9
Personnel, average during the year		3,041	2,843	2,843	2,650	2,663	2,636	2,462	2,023	1,620	1,358	1,329

PER SHARE DATA												
Earnings per share, euro		0.695	0.687	0.623	0.448	0.317	0.238	0.188	0.251	0.204	0.168	0.140
growth, %		1.2%	53.2%	38.9%	41.3%	33.2%	26.9%	-25.2%	23.0%	21.3%	20.4%	19.8%
Earnings per share (diluted), euro		0.676	0.665	0.603	0.437	0.313	0.237	0.188	0.251	0.204	0.168	0.140
growth, %		1.6%	52.3%	38.1%	39.5%	31.9%	26.5%	-25.2%	23.0%	21.3%	20.4%	19.8%
Cash flow per share, euro		0.26	0.53	0.53	0.74	0.65	0.67	0.25	0.21	0.21	0.24[2]	0.17[2]
growth, %		-51.8%	-28.9%	-28.9%	13.7%	-2.2%	165.8%	17.8%	4.1%	-14.8%	42.9%	-12.2%
Dividend per share, euro	(proposal)	0.230	0.217	0.217	0.156	0.111	0.083	0.065	0.085	0.073	0.059	0.049
Dividend pay out ratio, %	(proposal)	33.8%	35.1%	38.7%	35.0%	35.0%	34.9%	34.7%	34.4%	36.3%	35.2%	35.1%
Equity per share, euro		3.89	2.47	2.46	1.98	1.66	1.41	1.24	1.15	0.97	0.83	0.71
P/E ratio		15.3	16.3	18.0	13.4	10.7	14.7	9.5	15.1	13.6	16.6	11.8
Dividend yield, %	(proposal)	2.2%	1.9%	1.9%	2.6%	3.3%	2.4%	3.6%	2.3%	2.6%	2.1%	3.0%
0Market capitalisation 31 December		1,288.6	1,213.4	1,213.4	639.9	359.7	371.3	189.4	398.6	286.4	285.7	167.5
Average number of shares during the year, million units		118.57	107.46	107.46	106.19	105.82	105.82	105.69	104.22	102.99	102.16	100.94
diluted, million units		121.96	110.91	110.91	108.98	107.22	106.12	105.69	104.22	102.99	102.16	100.94
Number of shares 31 December, million units		121.00	108.53	108.53	106.82	105.82	105.82	105.82	105.45	103.20	102.42	101.39
Number of shares entitled to a dividend, million units		121.09	119.37	119.37	106.84	105.82	105.82	105.82	105.45	103.20	102.42	101.39

1) capital loan included in equity (only in FAS, years 2000–2004)
2) according to previous cash flow statement definitions
3) the bonds with warrants affect the dilution as the average share market price for the financial year exceeds the defined subscription price

DEFINITIONS

	Numerator	Denominator
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 (aver.)
Equity ratio, % =	Total equity x 100	Total assets - advances received
Gearing[1], % =	Interest-bearing net[1] debt 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[3]), euro =	Profit for the period attributable to the equity holders of the parent	Average adjusted and diluted[3] 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, 30 December	Earnings per share
Dividend yield, % =	Dividend per share	Share price, 30 December

Net sales increased and net profit improved

Nokian Tyres' net sales in 2005 were up by 13.8% on the previous year to EUR 686.5 million (2004: EUR 603.3 million). Operating profit was at the previous year's level at EUR 115.8 million (EUR 115.6 million). Basic EPS was EUR 0.695 (*(EUR 0.687). Profit improved to EUR 82.2 million (EUR 73.8 million). The Board of Directors proposes that a dividend of EUR 0.23 (EUR 0.217) per share be distributed.

Market situation

Slower growth in demand was experienced in the European passenger car tyre replacement markets compared with the previous year, and competition was tougher. The consumer sales of winter tyres in the Nordic countries and Russia began exceptionally late and, as a result, the sales season was short. The strongest growth areas included Russia, Eastern Europe, and North America. Sales of new cars grew significantly in Russia and to some extent in the Nordic countries.

A larger number of forestry machines and other industrial machines were manufactured than in the previous year, boosting the demand for heavy special tyres throughout the year. The global shortage of harbour, mining and excavation machinery tyres continued. Demand for new and retreaded truck tyres picked up towards the end of the review period. Raw material prices rose as predicted.

January to December 2005

In the January to December 2005 period, the Nokian Tyres Group booked net sales of EUR 686.5 million (EUR 603.3 million), representing an increase of 13.8% on the corresponding period in 2004. Sales in the Nordic countries increased by 5.5%, in Russia and other CIS countries by 44.3%, in Eastern Europe by 21.4% and in the USA by 55.9% from the previous year.

Raw material purchase prices in manufacturing increased by 7.5% compared with the corresponding period a year earlier. Price increases and a good sales mix resulted in average manufacturing prices rising by 6.2%.

Fixed costs amounted to EUR 209.1 million (EUR 184.2 million), representing 30.5% (30.5%) of net sales.

In compliance with IFRS 2, the operating profit for the review period was burdened by expenses of EUR 6.7 million (EUR 2.3 million) resulting from the options scheme.

The Nokian Tyres Group's operating profit of EUR 115.8 million remained at the previous year's level (EUR 115.6 million). Net financial expenses were EUR 3.2 million (EUR 12.6 million).

Profit before taxes increased to EUR 112.6 million (EUR 103.0 million). Net profit for the period totalled EUR 82.2 million (EUR 73.8 million) and EPS was EUR 0.695 (EUR 0.687).

Return on net assets (RONA, rolling 12 months) was 18.1% (24.8%). Income financing after the change in the working capital, investments and the disposal of fixed assets (Cash flow II) was EUR -17.1 million (EUR 42.9 million). Equity ratio was 59.1% (46.4%).

The Group's cash flow was weakened by larger investments, inventories and receivables than in the previous year. In terms of receivables and inventories, the situation improved in the final quarter, as expected.

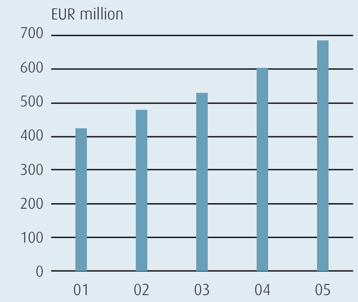
The Group employed an average of 3,041 (2,843) people; 3,201 (2,757) at the end of the period. The tyre chain employed 1,297 (1,220) people at the end of the period. The total number of people working in Russia was 220 of which 172 people worked at the Vsevolozhsk factory.

PASSENGER CAR TYRES

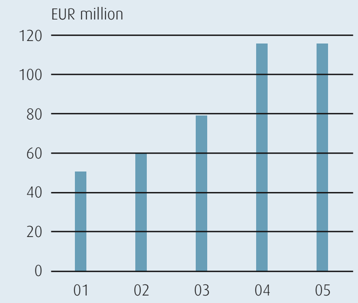
The net sales of Nokian passenger car tyres in January to December increased to EUR 416.2 million (EUR 364.6 million), or 14.2% over the previous year. Operating result amounted to EUR 101.9 million (EUR 100.6 million). The operating profit percentage amounted to 24.5% (27.6%).

Summer tyre sales were good in the Nordic countries, their emphasis falling on products in the UHP (ultra-high performance) segment. To ensure good product availability during the winter tyre season, pre-deliveries of winter tyres in the Nordic countries and Russia were primarily made in the first half. The exceptionally mild start of the winter delayed consumer sales, contributing to

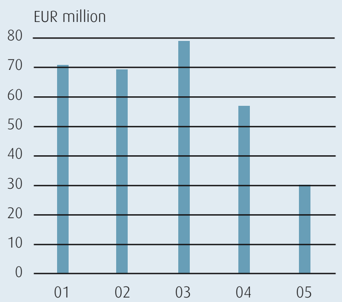
Net sales



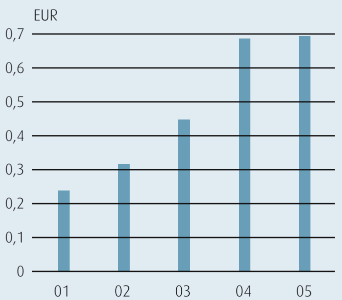
Operating profit



Net cash from operating activities



EPS



higher winter tyre inventories. Consumer sales began in the last weeks of the year and the winter tyre stocks decreased. Russia and North America accounted for the biggest sales in the final quarter.

In the second half, Nokian Tyres sold a larger number of contract-manufactured tyres outside its home market than in the previous year, which decreased the average price and margin. Terms of payment were extended owing to tight competition.

New products represented 27% (36%) and winter tyres 78% (78%) of the unit's annual net sales. Contract manufactured tyres accounted for 10.6% (8.5%)of the unit's net sales. Most of the sales growth was generated in Russia, the USA, and Eastern Europe. Sales to car dealers continued to grow in the Nordic countries. The company saw its market share in the Nordic countries shrink slightly, but was able to strengthen its position considerably in Russia and in North America.

Despite the rationalisation measures taken at the end of the year, the production volumes of the Nokia plant grew. Labour productivity (kg/mh) improved by about 6% on the previous year. Average prices per tyre rose by approximately 8%.

Tyre manufacture in Russia started and sales grew according to plan. The plant manufactured approximately 300,000 tyres, some of which were summer tyres. The products were primarily sold in Russia, but also exports from Russia, to the Nordic countries began.

The Nokian branded winter tyres ranked first and second in several winter tyre tests conducted by trade magazines in the Nordic countries and Russia in 2005. Novelties in the review period included Nokian run flat tyres designed for winter driving, as well as the Nokian i3 summer tyre for family cars. Sales of run flat tyres have already begun, and deliveries of the Nokian i3 for European markets will start in early 2006. After the review period two new winter tyre families Nokian Hakkapeliitta 5 and Nokian Hakkapeliitta SUV 5 were launched and sales will commence in summer 2006.

HEAVY TYRES

The net sales of Nokian heavy tyres in January to December totalled EUR 76.2 million (EUR 59.6 million), showing an increase of 28.0% over the corresponding period of the previous year. The operating profit for heavy tyres improved, totalling EUR 14.7 million (EUR 9.3 million). The operating profit percentage increased to 19.3% (15.7%).

The manufacture of forestry machinery and other industrial machines continued at a brisk pace, and the demand for tyres picked up. The strong growth and sales of Nokian heavy tyres increased in all product groups and in all key markets. Both sales and operating profit reached a record high. Growth was strong on both original equipment installation and replacement markets. Original equipment installation accounted for 49.0% (43.8%) of the unit's net sales. The majority of growth came from the Nordic countries and the USA. The price increases carried out in response to the rise in raw material prices improved sales profitability. New products represented 22% (11%) of the unit's net sales.

Nokian heavy tyres production was operating at full capacity and the implemented development measures helped improve the plant's delivery capacity, while the production level rose by 27% compared to 2004. The investments launched at year-end with the objective of increasing production volumes and improving service are expected to produce results in 2006.

In its meeting on 2 November 2005, the Board of Nokian Tyres decided to incorporate the Nokian Heavy Tyres profit centre into an independent company, effective as of 1 January 2006. The objective is to simplify business operations and create better opportunities for the further development of the Heavy Tyres unit.

VIANOR

Vianor's net sales in the January to December period totalled EUR 235.1 million (EUR 223.9 million), showing an increase of 5.0% on the corresponding period a year earlier. Operating result amounted to EUR 5.3 million (EUR 11.4 million), and operating profit percentage was 2.2% (5.1%). Operating profit improved towards the end of the year once the winter season began.

In the Nordic countries, the summer tyre season remained at the same good level as achieved in 2004. Demand for winter tyres was slower than a year earlier, and the season was short owing to a very mild winter. Wholesale business to car dealers and transport companies grew compared to previous year. Demand for new and retreaded truck tyres picked up towards the end of the third quarter resulting in a growth on annual sales. Nokian-branded tyres represented an increasingly large part of Vianor's sales, especially in Sweden. Vianor's market share improved in Finland.

Planned costs incurred from the acquisition of new sales outlets in Sweden and Russia, as well as the reorganisation of the retreading business, taxed the operating profit.

The number of Vianor service outlets increased, totalling 197 at the end of the review period. There were a total of 22 Vianor outlets in Russia at the end of the review period, two of which are owned by the company and the rest operate on franchising basis. The chain will continue its expansion, mainly through franchising especially in Russia.

OTHER OPERATIONS

The net sales from retreading business and truck tyres totalled EUR 30.1 million (EUR 31.0 million) in the period from January to December. The unit's product range consists mainly of winter products, the sales of which are highest in the second half of the year.

Tyre retreading and new truck tyre sales were slow in the first half, but started to pick up in late autumn. Retreaded tyre sales grew from the previous year while the sales of new truck tyres remained the same. The company introduced the studded Nokian Noktop 41 Stud tread in the review period. Sales of this novelty began in the last quarter of 2005.

In the early part of the year, the company divested its passenger car tyre retreading operations to Mc. Ripper AB in Sweden. In May, Nokian Tyres acquired the truck tyre retreading operations of AGI Däck AB in Sweden.

The Finnish retreading operations were congregated to the Kuopio and Nurmijärvi retreading plants.

Contract manufacturing of truck tyres began as planned at Bridgestone's plant in Spain.

INVESTMENTS

Gross investments in the final quarter totalled EUR 26.4 million (EUR 21.3 million) and EUR 119.6 million (EUR 57.9 million) for the entire period. Net investments amounted to EUR 105.0 million (EUR 52.6 million). The Russian plant represented EUR 60,4 million (EUR 17.8 million) of total investments and Vianor EUR 14.0 million (EUR 4.4 million).

Overall investments include the acquisition of University Wholesalers Inc in North-America and Andel Export-Import in the Czech Republic, which helped Nokian Tyres to enhance its wholesale and logistics in these strategically important winter tyre markets.

Other investments relate to new product launches, automation of the Finnish plant, and Vianor's acquisitions.

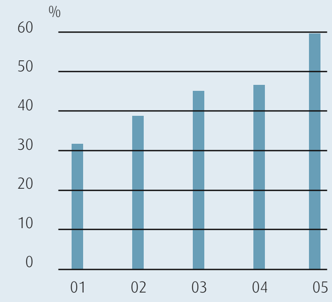
The Russian plant rolled out its first Nokian Hakkapeliitta winter tyres in June and was officially inaugurated in September. Sales of tyres manufactured in Russia began in the second half of the year. Production output was approximately 300,000 tyres, some of which were summer tyres. The first production line operates continuously in three shifts and the second production line was introduced at the turn of the year. Construction of the mixing department and central warehouse began in October. Total investments in the plant between 2004 and 2007 amount to approximately EUR 150 million.

OTHER MATTERS

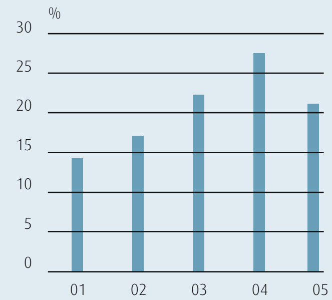
1. Profit warning

On 10 October 2005, Nokian Tyres announced that its Q3 financial result would be weaker than in 2004. Sales growth in the third quarter was hampered by the brisk pre-sales of winter tyres for

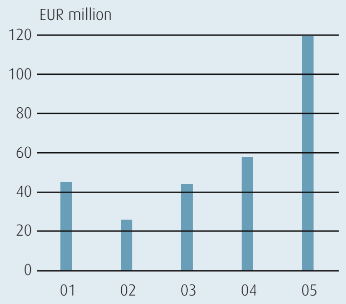
Equity ratio



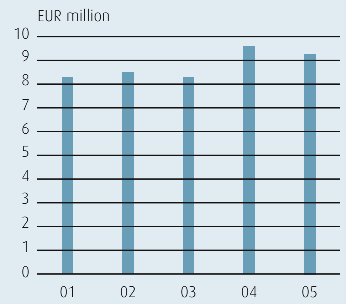
Return on net assets



Capital expenditure



R & D expenses



passenger cars in the first half, which resulted in high inventories for tyre dealers. Expenses related to the development of Russian business operations, the start-up of the new plant, acquisition of new Vianor sales outlets and the establishment of tyre hotels had a negative impact on financial performance.

2.Statutory labour negotiations

On 22 November, 2005 Nokian Tyres announced that it was initiating statutory labour negotiations regarding the lay-off of its personnel and the potential dismissal of approximately 100 passenger car tyre personnel. This action was taken to adjust passenger car tyre production to the current demand and inventories. However, instead of lay-offs and dismissals, the final solution was to have all personnel groups take unpaid leave between Christmas and New Year.

3. Changes in ownership of shares

Threadneedle Asset Management Limited (registered in the United Kingdom and Wales, no. 573204) announced its ownership of 563,595 Nokian Tyres shares as of 24 January 2005, giving it a 5.193% share in the company's share capital and votes.

In April, Threadneedle Asset Management announced a change in its ownership that took place on 28 April 2005 and resulted in the company's share of Nokian Tyres' share capital and votes decreasing to 4.924%.

In November Deutsche Bank AG London, on behalf of Deutsche Bank AG, announced that as a result of shares traded on 15 November 2005, Deutsche Bank AG and its subsidiaries own a total of 6,390,488 Nokian Tyres shares, representing 5.28% of the company's share capital of 120,990,470. They also announced that as a result of shares traded on 15 November 2005, Deutsche Bank AG and its subsidiaries own a total of 6,151,552 Nokian Tyres shares, representing 5.08% of the company's total votes to which the 120,990,470 shares entitle.

4. Acquisition of Andel Export-Import

Nokian Tyres announced in February its acquisition of Andel Export-Import spol s.r.o, a Czech tyre wholesaler and Nokian Tyres' importer. The acquisition enables the company to concentrate its Central and Eastern European logistics operations in Prague. The goal is to establish the company more firmly in the growing winter tyre markets in Eastern Europe. Andel Export-Import is included in the Nokian Tyres consolidated figures.

5. Acquisition of University Wholesalers

In September, Nokian Tyres acquired University Wholesalers Inc and University Wholesalers of New York Inc in North America. The acquisitions will enable Nokian Tyres to enhance its wholesales and logistics in the strategically important North American winter tyre markets. The University Wholesalers' fourth-quarter net sales and profits have been consolidated into Nokian Tyres' figures.

6. Warrants on the Main List of the Helsinki Stock Exchange.

Nokian Tyres plc applied for its 2001C warrants of the 2001 option scheme to be listed on the Main List of the Helsinki Stock Exchange as of 1 March 2005.On 28 March 2001, the Annual General Meeting of Nokian Tyres plc decided to issue a bond loan with warrants to be subscribed by the personnel of the Nokian Tyres group. The amount of the bond loan was EUR 0.4 million; 216,000 warrants 2001A, 192,000 warrants 2001B and 192,000 warrants 2001C have been issued to the personnel on the basis of the bond loan.

Warrants 2001A were listed on the Helsinki Stock Exchange as of 3 March 2003, and warrants 2001B as of 1 March 2004.

The subscription period of warrants 2001C began on 1 March 2005 and will end on 31 March 2007. Each warrant entitles the holder to subscribe for one share in Nokian Tyres plc with a nominal value of 2 euros at a subscription price of EUR 26.93. The subscription price will be reduced by the amount of dividends paid before the subscription, on the balancing date of each dividend payment.

As a result of subscriptions, the number of company shares may rise, at the most, by 192,000 shares and the share capital, at the most, by EUR 384,000. The warrants were transferred to the book-entry securities system prior to their listing.

On 13 December 2002 the Financial Supervision Authority granted the company an exemption from the duty to publish a prospectus when offering shares to be publicly traded.

7. Shares subscribed for with bonds with warrants

After the increase in share capital registered on 27 December 2004, a total of 5,410 shares were subscribed for with the 2001A bonds with warrants attached to the Nokian Tyres' Option Program of 2001 and 5,010 shares with the 2001B warrants. The increase in share capital resulting from the subscription, EUR 20,840, was entered in the Trade Register on 21.02.05. Trading of the shares along with the old shares began on 22.02.05. After the increase, the number of Nokian Tyres shares is 10,863,301 and the share capital is EUR 21,726,602.00.

After the increase in share capital registered on 21 February 2005, a total of 67,900 shares were subscribed for with the 2001A bonds with warrants attached to the Option Program of 2001, 105,100 shares with the 2001B warrants and 625,000 shares with the 2001C warrants. The increase in share capital resulting from the subscription, EUR 159,600, was entered in the Trade Register on 20 May 2005. Trading of the shares along with the old shares began on 23 May 2005. After the increase, the number of Nokian Tyres shares is 120,171,010 and the share capital is EUR 24,034,202.00.

After the increase in share capital registered on 20 May 2005, a total of 229,500 shares were subscribed for with the 2001A bonds with warrants attached to the Option Program of 2001, 68,200 shares with the 2001B warrants and 373,210 shares with the 2001C warrants. The increase in share capital resulting from the subscription, EUR 134,182, was entered in the Trade Register on 17 August 2005. Trading of the shares along with the old shares began on 18 August 2005.

After the increase, Nokian Tyres has 120,841,920 shares and a share capital of EUR 24,168,384.00.

After the increase in share capital registered on 17 August 2005, a total of 14,700 shares were subscribed for with the 2001A bonds with warrants attached to the Option Program of 2001; 32,700 shares with the 2001B warrants; and 101,150 shares with the 2001C warrants. The increase in share capital resulting from the subscription, EUR 29,710, was entered in the Trade Register on 11 November 2005. Trading of the shares along with the old shares began on 14 November 2005. After the increase, the number of Nokian Tyres shares is 120,990,470 and the share capital is EUR 24,198,094.00.

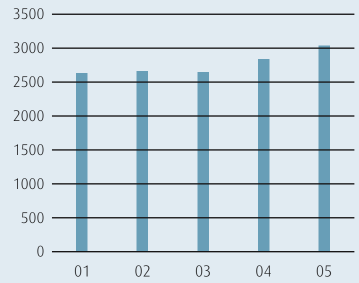
After the increase in share capital registered on 11 November 2005, a total of 4,500 shares were subscribed for with the 2001A bonds with warrants attached to the Option Program of 2001, 3,100 shares with the 2001B warrants and 850 shares with the 2001C warrants. The increase in share capital resulting from the subscription, EUR 1,690.00, was entered in the Trade Register on 9 December 2005. Trading of the shares along with the old shares began on 12 December 2005. After the increase, the number of Nokian Tyres shares was 120,998,920 and the share capital was EUR 24,199,784.00.

8. Share issue directed at institutional investors

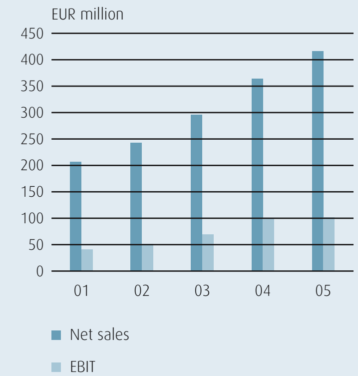
On 16 February 2005 Nokian Tyres' Board of Directors decided to start accepting subscription commitments related to the directed share issue planned by the company.

The Board of Nokian Tyres plc decided to suspend book-building on 17 February 2005. Demand exceeded the number of shares offered by a factor of 2.5. Based on the authorisation given by the Annual General Meeting on 5 April 2004, the Board of Directors decided to raise the company's share capital, at the most, by EUR 2,148,000, or by a total of 1,074,000 shares, by implementing a share issue directed to a maximum of one hundred institutional investors. The shares were subscribed for by paying a subscription price of EUR 122 per share. The number of shares offered to investors totalled 1,074,000, which corresponds to 9.9% of the company's share capital and votes prior to the implementation of the share issue. Some 13% of the shares offered in the share issue were allocated to Finnish investors, while some 87% went to international investors.

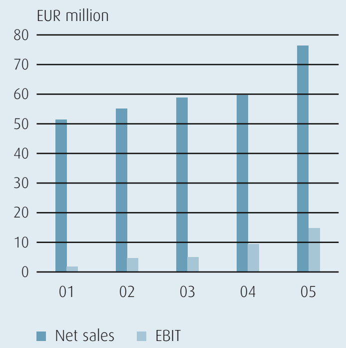
Average number of personnel



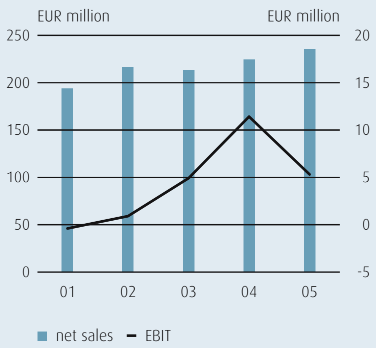
Passenger car tyres net sales and EBIT



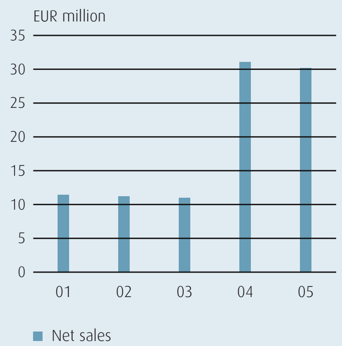
Heavy tyres net sales and EBIT



Vianor net sales and EBIT



Retreading materials net sales



The share issue was carried out on the basis of a book-building process in which institutional investors subscribed for the shares issued by the company on the basis of their subscription undertakings during the book-building between 16 February 2005 and 17 February 2005.

On 22 February 2005 the Board of Directors of Nokian Tyres plc announced its approval of the subscriptions made in the share issue. All of the 1,074,000 shares offered in the share issue were subscribed for. As a result of the share issue, the company's share capital increased by the maximum amount of EUR 2,148,000 stated in the decision made on the increase.

The increase in share capital was entered in the Trade Register on 23 February 2005, and the new shares were offered for public trading on the Main List of the Helsinki Stock Exchange on 24 February 2005.

9. Development of the share price

The price of Nokian Tyres' share was EUR 10.65 at the end of the review period. The average share price during the period was EUR 13.93 the highest being EUR 20.14 and the lowest EUR 9.70. A total of 240,284,231 shares were traded during the period, representing 199% of the company's overall share capital. The company's market value at the end of the period amounted to EUR 1,289 billion. 39.89% of the company's shareholders were Finnish and 60.11% were foreign shareholders registered in the nominee register. This figure also includes Bridgestone's ownership of 16.5%.

10. IFRS-compliant financial information

On 31 March 2005 Nokian Tyres announced its adoption of IFRS-compliant financial reporting as of the beginning of 2005. IFRS-compliant financial reporting for 2004 is available in its entirety on the company's Web site at www.nokiantyres.com. The reports include, among other things, the statements of change in the FAS and IFRS equity (1 January 2004 and 31 December 2004) and profit for 2004.

The interim report has been prepared in accordance with the IFRS and the same principles as in the bulletin mentioned above. The classification and disclosure of few items have been revised.

11. Decision made at the Annual General Meeting

The Annual General Meeting of Nokian Tyres held on 5 April 2005 accepted the profit and loss statement for 2004 and discharged the Board of Directors and the President from liability. The final dividend was set at EUR 2.17 per share, the matching date on 8 April 2005 and the payment date on 15 April 2005.

Board of Directors and auditor

The meeting decided that the Board of Directors shall have seven members. Rabbe Grönblom, Managing Director, AB R.Grönblom International LTD; Satu Heikintalo, M.Sc. (Econ.); Hannu Penttilä, Managing Director, Stockmann plc; Henrik Therman, M.Sc. ; Mitsuhira Shimazaki, Director, Sales Administration, Bridgestone Europe NV/SA and Kim Gran, President and CEO, Nokian Tyres plc, continue as Board members. Petteri Walldén, Managing Director of Onninen Oy, was appointed to the Board as a new member. At its meeting following the Annual General meeting, the Board elected Henrik Therman as Chairman of the Board.

Authorised public accountants KPMG Oy Ab continue as auditors.

Change to the number of shares

To facilitate trading and improve the liquidity of the share, the Annual General Meeting decided to change the nominal value of shares from EUR 2.00 to EUR 0.20 and to increase the number of shares from 11,937,301 at a ratio of 1:10, that is, to 119,373,010 shares without raising the share capital. Section 4 of the Articles of Association will also be changed to the following: "The nominal value of each share is EUR 0.20."

The number of shares that can be subscribed with the warrants linked to the option schemes approved by the Annual General Meetings on 28 March 2001 and 5 April 2004 will change at the same ratio as the share capital is increased, so that the total nominal value and the total subscription price of subscribed shares remain unchanged. As a result of the change, each warrant holder is entitled to subscribe ten (10) new shares with one warrant. The new subscription prices for warrants, adjusted by the dividend paid for 2004, are the following:

2001A 1.268 euros
2001B 2.027 euros
2001C 2.476 euros
2004A 6.079 euros

The increase in the number of Nokian Tyres' shares at a ratio of 1:10, without raising the share capital, was entered in the Trade Register on 15 April 2005. The split share was offered for trading on the Helsinki Stock Exchange on 18 April 2005.

Authorisation granted to the Board of Directors to increase the share capital

The Annual General Meeting authorised the Board of Directors to make a decision regarding an increase in the share capital on one or more occasions by issuing new shares and/or convertible bonds. As a result of the authorisation, the company's share capital may increase by a maximum of EUR 4,000,000. A maximum of 20,000,000 new shares may be issued, each bearing a nominal value of EUR 0.20.

The Board of Directors also has the right to deviate from the shareholders' pre-emptive right to subscribe for shares, provided there is a compelling financial reason, referred to in chapter 4, section 2a of the Companies Act.

The Board of Directors has the right to decide upon the parties who are entitled to subscribe, as well as the subscription prices, terms and conditions of share subscription, and the terms and conditions of convertible bonds.

The validity of the authorisation is one year from the date of the Annual General Meeting. At the same time, any other effective authorisations to increase the share capital are nullified.

Nokian Tyres signed a syndicated revolving credit facility worth EUR 180 million

In April Nokian Tyres signed a EUR 180-million syndicated revolving credit facility for five years with international banks. The facility will be used to refinance the existing syndicated revolving credit facility of EUR 100 million that was signed on 1 April 2003 and for possible financing needs in the future. The mandated lead arranger for the facility is Danske Bank A/S.

DEVELOPMENTS AFTER THE PERIOD UNDER REVIEW

Newcomers to the Nokian Hakkapeliitta product range

At the end of January, 2006 Nokian Tyres introduced two new Nokian Hakkapeliitta product lines: Nokian Hakkapeliitta 5, a studded winter tyre, and Nokian Hakkapeliitta Sport Utility 5, a tyre designed for sports utility vehicles. The target markets for these products are the Nordic countries and Russia. Tyre deliveries will begin in the second quarter of 2006 and consumer sales will be launched in the autumn.

OUTLOOK FOR 2006

The tyre markets will remain challenging and competition will continue to be tough. Raw material prices will rise, and it will be increasingly difficult to pass the increase on to tyre prices. In Russia, Eastern Europe and North America the demand for winter tyres, UHP summer tyres and SUV tyres will show sustained strong growth, while in the Nordic countries and elsewhere in Europe growth will be more moderate. Strong demand for heavy tyres will continue.

Material costs in manufacturing for the year are expected to be 8% higher than in 2005. The company intends to launch a record number of new products onto the market, thereby improving the chances of maintaining the targeted level for tyre prices. Sales of the tyres manufactured in Russia will help support a good margin level throughout the year.

As in previous years, Nokian Tyres will focus its activities in areas and product segments offering strong growth potential. Special attention will be paid to sales and logistics management, capital management and the expansion and development of the distribution network. Capacity in Russia will be increased according to plan. In Finland, the key objective is to improve productivity. In contract manufacturing, the emphasis will be on expanding the product range. In Heavy Tyres, investments will focus on production bottlenecks, with the objective of creating more capacity in the course of 2006 and 2007.

In the Nordic countries, the objective for 2006 is to improve market shares. However, the company's sales efforts are increasingly focusing on the growing markets - in other words Russia, North America and Eastern Europe - which will change the manufacturing and sales mix.

Owing to the seasonal nature of the business, a large part of Nokian Tyres' net sales and operating profit is generated in the latter part of the year, especially in the last quarter, in both manufacturing and distribution. With the entire year's capacity of the Russian plant at our disposal, non-standard operating model adopted last year will be abandoned. A return to the normal course of action and a focus on winter tyre pre-sales on the second and third quarters will be adopted. This will result in a shift of profits to later in the year and weaker results in the beginning. The company is well positioned to reach the target set for 2006, which is to achieve steady sales growth, a steady upward trend in profit development, and better capital management.

Nokian Tyres' overall investments in 2006 will total EUR 88 million (EUR 120 million). The Russian plant accounts for EUR 53 million (EUR 60 million) and the extension of the Vianor chain for EUR 3 million (EUR 8 million). The remainder consists of production investments in the Nokia plant and moulds for new products.

Nokia, 14 February 2006

Nokian Tyres plc

Board of Directors

Consolidated Income Statement, IFRS

EUR million 1.1. - 31.12.	Notes	**2005**	2004
Net sales	(1)	**686.5**	603.3
Cost of sales	(3)(6)(7)	**-401.0**	-339.3
Gross profit		**285.5**	264.0
Other operating income	(4)	**4.6**	-3.6
Selling and marketing expenses	(6)(7)	**-143.0**	-127.1
Administration expenses	(6)(7)	**-15.6**	-10.8
Other operating expenses	(5)(6)(7)	**-15.8**	-14.2
Operating profit		**115.8**	115.6
Financial income	(8)	**7.2**	1.8
Financial expenses	(9)	**-10.4**	-14.5
Profit before tax		**112.6**	103.0
Tax expense	(10)	**-30.4**	-29.2
Profit for the period		**82.2**	73.8
Attributable to:			
Equity holders of the parent		**82.4**	73.8
Minority interest		**-0.2**	0.0
Earnings per share (EPS) for the profit attributable to the equity holders of the parent:	(11)		
Basic, euros		**0.695**	0.687
Diluted, euros		**0.676**	0.665

Consolidated Balance Sheet, IFRS

EUR million 31.12.	Notes	**2005**	2004
ASSETS			
Non-current assets			
Property, plant and equipment	(13)	**304.0**	242.3
Goodwill	(2)(14)	**50.7**	40.5
Other intangible assets	(14)	**8.5**	9.0
Investments in associates	(15)	**0.1**	0.5
Available-for-sale financial assets	(15)	**0.3**	0.2
Other receivables	(16)	**2.1**	2.8
Deferred tax assets	(17)	**11.9**	8.0
		377.6	303.4
Current assets			
Inventories	(18)	**146.1**	98.0
Trade and other receivables	(19)(29)	**224.9**	152.5
Current tax assets		**3.2**	0.6
Cash and cash equivalents	(20)	**45.7**	23.9
		419.9	275.0
Total assets		**797.4**	578.4

EUR million 31.12.	Notes	2005	2004
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	(21)(22)		
Share capital		**24.2**	21.7
Share issue		**0.0**	0.0
Share premium		**137.8**	6.7
Translation reserve		**5.7**	0.9
Fair value and hedging reserves		**-0.5**	-1.1
Retained earnings		**303.4**	240.1
		470.7	268.3
Minority interest		**0.7**	0.0
Total equity		**471.4**	268.3
Liabilities			
Non-current liabilities	(23)		
Deferred tax liabilities	(17)	**22.7**	21.1
Interest-bearing liabilities	(25)(26)(29)	**152.5**	131.9
Other liabilities		**2.1**	2.3
		177.3	155.2
Current liabilities			
Trade and other payables	(27)	**132.1**	85.3
Current tax liabilities		**3.0**	13.3
Provisions	(24)	**0.9**	0.9
Interest-bearing liabilities	(25)(26)(29)	**12.8**	55.3
		148.7	154.8
Total liabilities		**326.0**	310.1
Total equity and liabilities		**797.4**	578.4

EUR million 1.1. - 31.12.	2005	2004
Cash flows from operating activities:		
Cash receipts from sales	**632.6**	559.9
Cash paid for operating activities	**-542.6**	-463.9
Cash generated from operations	**90.0**	96.0
Interest paid	**-4.3**	-14.1
Interest received	**1.3**	1.7
Dividends reiceived	**0.0**	0.2
Income taxes paid	**-56.7**	-26.8
Net cash from operating activities (A)	**30.2**	56.9
Cash flow from investing activities:		
Acquisitions of property, plant and equipment and intangible assets	**-93.1**	-58.5
Proceeds from sale of property, plant and equipm. and intangible assets	**14.1**	5.3
Acquisition of Group companies, net of cash acquired	**-16.7**	0.0
Disinvestments in associates	**0.4**	0.0
Net cash used in investing activities (B)	**-95.4**	-53.2
Cash flow from financing activities:		
Proceeds from issue of share capital	**133.6**	3.6
Change in current financial receivables	**0.4**	1.9
Change in non-current financial receivables	**0.8**	0.0
Change in financial current borrowings	**-42.6**	16.6
Change in financial non-current borrowings	**20.6**	-4.3
Dividends paid	**-25.9**	-16.7
Net cash from financing activities (C)	**87.0**	1.2
Net increase in cash and cash equivalents (A+B+C)	**21.8**	4.9
Cash and cash equivalents at the beginning of the period	**23.9**	19.0
Cash and cash equivalents at the end of the period	**45.7**	23.9
	21.8	4.9

	Equity attributable to equity holders of the parent							Minority interest	Total equity
EUR million	Share capital	Share issue	Share premium	Translation reserve	Fair value and hedging reserves	Retained earnings	Total		
Equity, Jan 1st 2004	21.4	0.0	3.4	0.0	-1.5	179.4	202.7	0.0	202.7
Interest rate swaps					0.4		0.4		0.4
Translation differences				0.9			0.9		0.9
Profit for the period						73.8	73.8		73.8
Total recognised income and expenses for the period				0.9	0.4	0.0	1.3	0.0	1.3
Dividends paid						-16.7	-16.7		-16.7
Exercised warrants	0.4	0.0	3.3				3.6		3.6
Share-based payments						2.3	2.3		2.3
Other changes						1.3	1.3		1.3
Equity, Dec 31st 2004	21.7	0.0	6.7	0.9	-1.1	240.1	268.3	0.0	268.3
Equity, Jan 1st 2005	21.7	0.0	6.7	0.9	-1.1	240.1	268.3	0.0	268.3
Share issue expenses			-1.1				-1.1		-1.1
Interest rate swaps					0.6		0.6		0.6
Translation differences				4.8			4.8	0.0	4.8
Profit for the period						82.4	82.4	-0.2	82.2
Total recognised income and expenses for the period			-1.1	4.8	0.6	82.4	86.8	-0.2	86.6
Share issue	2.1	0.0	128.9				131.0		131.0
Dividends paid						-25.9	-25.9		-25.9
Exercised warrants	0.3		3.4				3.7		3.7
Share-based payments						6.7	6.7		6.7
Other changes						-0.2	-0.2		-0.2
Change in minority interest							0.0	0.9	0.9
Equity, Dec 31st 2005	24.2	0.0	137.8	5.7	-0.5	303.4	470.7	0.7	471.4

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 2005. 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. In 2005 the Group adopted the IFRS accounting principles and has applied the transition standard IFRS 1 (First-time Adoption of International Financial Reporting Standards) and the exemptions it offers for the retrospective application of IAS 21 (The Effects of Changes in Foreign Exchange Rates) and IFRS 3 (Business Combinations). Previously the Group prepared its financial statements in compliance with the Finnish Accounting Standards (FAS). The Group's IFRS transition date was 1 January 2004. Differences arising from the adoption of IFRSs have been shown in the reconciliations in note 35 to the consolidated financial statements Transition to the IFRS-reporting. The comparison data for 2004 has been changed to comply with the IFRS principles.

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

Joint ventures refer to companies in which the Group, under a contractual arrangement, has agreed to share control over financial and business principles with one or more parties. The Russian joint venture OOO Amtel-Nokian Tyres is accounted for using the proportionate consolidation method (50% shareholding) on each row as the operation of the company is based on the equal influence and responsibility stipulated by agreements.

Acquired subsidiaries have been consolidated using the purchase method, according to which the acquired company's assets and liabilities are measured at fair value at 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. In accordance with the exemption under IFRS 1, the past business combinations occurred before the date to of transition to IFRSs have not been restated; instead, the carrying amount under FAS are recognised as the deemed cost. For the past business combinations, the acquisition cost has been allocated to the property, plant and equipment of the acquired subsidiary, where applicable. The remaining portion of acquisition cost has been shown as consolidated goodwill and has been amortised according to plan over the expected useful life. 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 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. Foreign exchange gains and losses related to business operations and to 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 forward contracts to minimise the impact of exchange rate fluctuation on equity. The 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. Translation differences generated by foreign subsidiaries and associated companies after the date of transition have been presented as a separate item under equity. Translation differences accumulated prior to the date of transition to IFRSs have been moved to retained earnings according to the exemption in IFRS 1. When a subsidiary acquired after IFRS transition is divested fully or in part, the related accumulated translation differences are brought from the equity to the income statement and entered as a gain or loss on the sale. 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.

Financial instruments

Financial assets and liabilities

The IAS 32 and IAS 39 standards have been applied since 1 January 2004. 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 current investments of over three months, such as commercial papers.

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.

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. Loans and other receivables have been measured at amortised cost less any write-down, and in the balance sheet they are included in current or non-current loan receivables, depending on their maturity.

Cash and cash equivalents consist of cash funds and other current investments, such as bank deposits. Credit limits issued by banks are included in current liabilities in the balance sheet.

Interest-bearing liabilities are classified as other liabilities. 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.

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.

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. Change in fair values of derivative instruments to which hedge accounting has not been applied have been recorded in profit and loss

The Group applies IAS 39 –compliant hedge accounting for hedging cash flow related to non-current loans 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.

Hedge accounting is applied in cash flow hedging in connection with interest rate swaps, by which floating rate loans have been changed to fixed rate loans. 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 forward exchange contracts and foreign currency loans used to hedge the net foreign currency investments in foreign subsidiaries. Changes in the fair value of the forward exchange contracts meeting the hedge accounting criteria are recognised in equity in their entirety. 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. Product 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 as 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.

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. 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 income 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 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. The diluted earnings per share 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.

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 the fair value at 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 the 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 of. 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.

As required by the transition standard, goodwill has been tested for impairment in compliance with IAS 36 on the date of transition 1 January 2004.

Leasing agreements

<u>The Group as a lessee</u>

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 that for assets that are owned and any impairment losses are recorded. Depreciation is carried out over the useful life or a shorter lease term.

<u>The Group as a lessor</u>

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 did not vest prior to 1 January 2005. These schemes include the 2004 options that were part of the Group's personnel incentive scheme, and some of the 2001C options.

Share options are measured at the 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 at the grant date is based on the Group's estimate of the number of warrants 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 warrants. 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 rights granted in the 1999 Share appreciation rights incentive scheme fixed to the share price were vested prior to 1 January 2005, which is why the IFRS2 was not applied to them. Costs arising from the exercise of rights were paid in cash. No expense has incurred for the Group as it has sold 2001A share options held in stock for a corresponding sum. All rights in the scheme expired on 31 March 2005.

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 IFRS2 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 from which the cost of the sale has been deducted, if the amount corresponding to its carrying amount will primarily be generated from the sale of the asset and if the sales transaction is highly 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 2004 and 2005 do not include any non-current assets held for sale or any discontinued operations.

Application of revised or amended IFRS standards
In 2006 the Group will adopt the following revised or amended standards and IFRIC interpretations published by IASB in 2004 and 2005:

- IFRIC 4 Determining whether an arrangement contains a lease.

  According to the Group's estimates, the adoption of the IFRIC 4 interpretation will not have a material effect on the Group's future financial statements.

  In 2007 the Group will adopt the following standard published in 2005:

- IFRS 7 Financial Instruments: Disclosures

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

1. SEGMENT INFORMATION

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

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

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

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

Business segments

Passenger car tyres –product centre covers the development and production of summer and winter tyres for cars and vans.

Heavy tyres – product 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 operation*s includes retreading and truck tyre business, and bicycle tyre business which was disposed of in 2004. In addition to the inter-segment eliminations, other operations contains 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 geographical location of the customers and segment assets are based on the geographical location of the assets.

Business segments

2005

EUR million	Passenger car tyres	Heavy tyrest	Vianor	Other operations and eliminations	Group
Net sales from external customers	361.2	72.3	234.7	18.3	686.5
Services			29.0		29.0
Sales of goods	361.2	72.3	205.7	18.3	657.5
Inter-segment net sales	55.0	4.0	0.4	-59.4	
Net sales	416.2	76.2	235.1	-41.1	686.5
Operating profit	101.9	14.7	5.3	-6.1	115.8
% of net sales	*24.5 %*	*19.3 %*	*2.2 %*		*16.9 %*
Financial income and expenses					-3.2
Profit before tax					112.6
Tax expense					-30.4
Profit for the period					82.2
Assets	524.4	54.7	137.5	6.7	723.3
Unallocated assets					74.1
Total assets					797.4
Liabilities	67.1	10.1	40.3	14.1	131.6
Unallocated liabilities					194.4
Total liabilities					326.0
Capital expenditure	90.0	3.5	14.0	12.2	119.6
Depreciation and amortisation	25.5	4.1	4.7	1.3	35.6
Other non-cash expenses	3.5	0.8	1.1	2.5	7.8

2004

EUR million	Passenger car tyres	Heavy tyres	Vianor	Other operations and eliminations	Group
Net sales from external customers	307.8	53.4	223.5	18.7	603.3
Services			27.1		27.1
Sales of goods	307.8	53.4	196.4	18.7	576.3
Inter-segment net sales	56.7	6.2	0.4	-63.3	
Net sales	364.6	59.6	223.9	-44.7	603.3
Operating profit	100.6	9.3	11.4	-5.8	115.6
% of the net sales	*27.6 %*	*15.7 %*	*5.1 %*		*19.2 %*
Financial income and expenses					-12.6
Profit before tax					103.0
Tax expense					-29.2
Profit for the period					73.8
Assets	358.7	51.4	126.8	-0.1	536.8
Unallocated assets					41.5
Total assets					578.4
Liabilities	46.2	6.0	35.9	-3.6	84.5
Unallocated liabilities					225.6
Total liabilities					310.1
Capital expenditure	49.7	2.5	4.4	1.2	57.8
Depreciation and amortisation	23.3	4.1	4.3	1.7	33.4
Other non-cash expenses	1.8	0.4	0.4	1.8	4.4

Geographical segments

2005

EUR million	Finland	Sweden	Norway	Russia and the the CIS	Eastern Europe	the rest of Europe	North America	the rest of the world	Group
Net sales	183.9	107.8	86.9	109.5	30.0	88.8	76.7	3.0	686.5
Services	11.2	9.1	8.4		0.3				29.0
Sales of goods	172.7	98.7	78.5	109.5	29.7	88.8	76.7	3.0	657.5
Assets	368.4	52.9	29.6	156.9	10.6	18.0	60.7		697.0
Unallocated assets									100.4
Total assets									797.4
Capital expenditure	36.9	9.4	0.9	63.8	1.7	0.2	6.5		119.6

2004

EUR million	Finland	Sweden	Norway	Russia and the the CIS	Eastern Europe	the rest of Europe	North America	the rest of the world	Group
Net sales	177.5	101.1	81.8	78.8	25.6	87.3	48.8	2.4	603.3
Services	10.1	9.0	7.8		0.2				27.1
Sales of goods	167.4	92.2	74.0	78.8	25.4	87.3	48.8	2.4	576.3
Assets	366.6	48.6	24.9	41.8	1.9	11.0	20.6		515.3
Unallocated assets									63.1
Total assets									578.4
Capital expenditure	39.0	1.0	1.4	16.3	0.1	0.1	0.0		57.8

2. ACQUISITIONS

Acquisitions in 2005

In 2005 the Group only acquired small companies. In February, the Group acquired the entire share capital of the Czech-based Andel Export-Import spol s.r.o. In September, the Group acquired full ownership of two US-based companies University Wholesalers Inc. and University Wholesalers of New York Inc.

In addition, Vianor made various acquisitions throughout the financial period, gaining 100% shareholding in eight small local tyre companies in Sweden and in one in Norway.

Future expectations relating to supply chain management and the growth in market area and in sales resulted in the recognition of goodwill .

EUR million

Specification of the cost of business combinations	
Paid in cash	20.0
Costs directly attributable to the business combinations	0.3
Total cost of the business combinations	20.3
Fair value of the net assets acquired	-9.8
Goodwill	10.6

EUR million **Specification of acquired net assets**	Fair values recorded in combination	Carrying amounts before combination
Intangible assets	0.1	0.1
Property, plant and equipment	3.9	3.2
Inventories	22.0	19.9
Receivables	9.6	9.6
Cash and cash equivalents	3.4	3.4
Liabilities	-29.1	-27.8
Net assets acquired	9.8	8.2
Considerations paid in cash	20.3	
Cash and cash equivalents in the subsidiaries acquired	-3.4	
Net cash outflow	17.0	

Since these pieces of information are not material individually, the presentation is aggregated. The profits of the acquired companies, totalling EUR 1.9 million, are included in the consolidated income statement. The business operations of companies acquired by Vianor were immediately transferred to a Group company engaged in business operations and therefore they do not generate net sales or profit anymore while being a part of the Group. Owing to the minor significance of the acquired companies the effect of the acquisitions on the annual net sales and profit of the Group is not material.

Acquisitions in 2004

The Group did not acquire any companies in 2004.

3. COST OF SALES

EUR million	2005	2004
Raw materials	**131.3**	101.4
Goods purchased for resale	**157.6**	131.0
Wages and social security contributions on goods sold	**50.7**	47.0
Other costs	**67.3**	36.8
Depreciation of production	**25.0**	23.2
Sales freights	**17.3**	13.4
Change in inventories	**-48.1**	-13.5
Total	**401.0**	339.3

4. OTHER OPERATING INCOME

EUR million	2005	2004
Gains on sale of property, plant and equipment	**3.2**	2.8
Other income	**1.4**	0.8
Total	**4.6**	3.6

5. OTHER OPERATING EXPENSES

EUR million	2005	2004
Loss on sale of property, plant and equipment and other disposals	**1.9**	0.4
Research and development costs	**9.3**	9.8
Quality control	**2.1**	1.6
Other expenses	**2.5**	2.4
Total	**15.8**	14.2

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Depreciation is calculated on the basis of the estimated useful life of the assets using the straight line method.

No impairment losses have been recorded during 2004 and 2005.

EUR million	2005	2004
Depreciation and amortisation by asset category		
Intangible rights	**1.3**	1.6
Other intangible assets	**0.8**	0.9
Buildings	**3.9**	9.6
Machinery and equipment	**29.3**	20.8
Other tangible assets	**0.4**	0.4
Total	**35.6**	33.4
Depreciation and amortisation by function		
Production	**25.0**	23.2
Selling and marketing	**7.6**	6.9
Administration	**1.4**	1.2
Other depreciation and amortisation	**1.6**	2.0
Total	**35.6**	33.4

7. EMPLOYEE BENEFIT EXPENSES

EUR million	2005	2004
Wages and salaries	**96.6**	87.1
Pension contributions - defined contribution plans	**14.9**	14.1
Share-based payments	**6.6**	2.3
Other social security contributions	**28.3**	23.7
Total	**146.4**	127.1

Information on the employee benefits and loans of the key management personnel is presented in note 33 Related party transactions.

EUR million	2005	2004
Number of personnel, average during the year		
Production	**1 294**	1 202
Selling and marketing	**1 546**	1 468
Others	**201**	173
Total	**3 041**	2 843

8. FINANCIAL INCOME

EUR million	2005	2004
Intersest income, non-current	**0.0**	0.0
Dividend income	**0.0**	0.2
Other interest and financial income	**1.2**	1.6
Exchange rate differences (net)	**6.0**	0.0
Total	**7.2**	1.8

9. FINANCIAL EXPENSES

EUR million	2005	2004
Interest expenses	**-8.9**	-9.4
Other financial expenses	**-1.4**	-4.2
Exchange rate differences (net)	**0.0**	-0.9
Total	**-10.4**	-14.5

10. TAX EXPENSE

EUR million	2005	2004
Current tax expense	**-35.4**	-32.3
Adjustment for prior periods	**0.1**	-0.2
Change in deferred tax	**4.9**	3.3
Total	**-30.4**	-29.2

The reconciliation of tax expense recognised in the income statement and tax expense using the domestic corporate tax rate (2005: 26%, 2004: 29%):

EUR million	2005	2004
Profit before tax	**112.6**	103.0
Tax expense using the domestic corporate tax rate	**-29.3**	-29.9
Effect of deviant tax rates in foreign subsidiaries	**0.8**	-0.2
Tax exempt revenues	**0.7**	0.0
Non-deductible expenses	**-2.3**	-0.7
Losses on which no deferred tax benefits recognised	**-0.4**	-0.2
Effect of the change in corporate tax rate on deferred tax		2.0
Adjustment for prior periods	**-0.1**	0.2
Other items	**0.2**	-0.3
Tax expense	**-30.4**	-29.2

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.

EUR million	2005	2004
Profit attributable to the equity holders of the parent	**82.4**	73.8
Shares, 1,000 pcs		
Weighted average number of shares	**118 566**	107 464
Dilutive effect of the options outstanding	**3 397**	3 442
Diluted weighted average number of shares	**121 963**	110 906
Earnings per share, euros		
Basic	**0.695**	0.687
Diluted	**0.676**	0.665

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, Jan 1st 2004	4.3	104.4	291.4	4.8	8.5	413.5
Decrease/Increase	-0.1	-4.1	32.9	-0.2	13.8	42.3
Accumulated cost, Dec 31st 2004	4.1	100.3	324.3	4.6	22.3	455.7
Net exchange differences	0.0	-0.3	-1.4	-0.1		-1.8
Accum. depreciation, Dec 31st 2004		-24.8	-184.1	-2.7		-211.6
Carrying amount, Dec 31st 2004	4.1	75.2	138.9	1.8	22.3	242.3
Accumulated cost, Jan 1st 2005	4.1	100.3	324.3	4.6	22.3	455.7
Decrease/Increase	0.0	-9.6	48.9	1.8	36.4	77.4
Acquisitions through business combinations	0.2	1.1	0.9			2.2
Accumulated cost, Dec 31st 2005	4.3	91.7	374.1	6.5	58.7	535.4
Net exchange differences	0.0	-0.4	-1.4		1.5	-0.4
Accum. depreciation, Dec 31st 2005		-24.8	-203.2	-3.0		-231.0
Impairment losses, Dec 31st 2005	0.0	0.0	0.0	0.0	0.0	0.0
Revaluations, Dec 31st 2005	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount, Dec 31st 2005	4.3	66.5	169.4	3.5	60.3	304.0

Fixed assets under construction contain EUR 1.2 million of capitalised borrowing costs for the setup period.

13. FINANCE LEASES

EUR million	Buildings	Machinery and equipment
Accumulated cost, Jan 1st 2004	20.6	3.7
Accum. depreciation, Dec 31st 2004	-4.3	-1.3
Carrying amount, Dec 31st 2004	16.3	2.4
Accumulated cost, Jan 1st 2005	7.7	3.6
Accum. depreciation, Dec 31st 2005	-2.3	-1.7
Carrying amount, Dec 31st 2005	5.4	1.8

14. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated cost, Jan 1st 2004	40.1	6.0	4.2	50.3
Decrease/Increase		1.1	1.3	2.4
Net exchange differences	0.4			0.4
Accumulated cost, Dec 31st 2004	40.5	7.1	5.5	53.0
Accum. amortisation, Dec 31st 2004		-1.9	-1.7	-3.6
Carrying amount, Dec 31st 2004	40.5	5.1	3.8	49.4
Accumulated cost, Jan 1st 2005	40.5	7.1	5.5	53.1
Decrease/Increase	0.0	1.8	-1.2	0.7
Acquisitions through business combinations	10.2		0.1	10.3
Accumulated cost, Dec 31st 2005	50.7	8.9	4.4	64.0
Net exchange differences				0.0
Accum. amortisation, Dec 31st 2005	0.0	-3.2	-1.6	-4.8
Impairment losses, Dec 31st 2005	0.0	0.0	0.0	0.0
Revaluations, Dec 31st 2005	0.0	0.0	0.0	0.0
Carrying amount, Dec 31st 2005	50.7	5.7	2.8	59.2

Impairment tests for goodwill

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

Allocation of goodwill

EUR million	
Passenger car tyres	32.9
Vianor	17.8
Total goodwill	50.7

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

The discount rate used is the weighted average cost of capital (WACC) before taxes defined for the Group. The calculation components are risk-free rate of return, market risk premium, industry-specific beta co-efficient, borrowing cost and the capital structure at market value at the time of testing. The discount rate used is 9.9-11.7%; it has not changed significantly from the previous year. 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 sales margin. The recoverable amount from car and van 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.

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

EUR million	Shares in associated companies reported according to the equity method	Unquoted shares
Accumulated cost, Jan 1st 2005	0.5	0.2
Decrease/Increase	-0.4	0.1
Accumulated cost, Dec 31st 2005	0.1	0.3
Net exchange differences		
Carrying amount, Dec 31st 2005	0.1	0.3
Carrying amount, Dec 31st 2004	0.5	0.2

16. OTHER NON-CURRENT RECEIVABLES

EUR million	**2005**	2004
Loan receivables	**2.1**	2.8
Total	**2.1**	2.8

17. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	Dec 31st 2004	Recognised in income statement	Recognised in equity	Net exchange differences	Acquisitions/ disposals of subsidiaries	Dec 31st 2005
Deferred tax assets:						
Intercompany profit in inventory	4.6	0.9				5.5
Provisions	0.6	0.0				0.5
Tax losses carried forward	0.6	0.7				1.3
Derivatives at fair value	0.4		-0.2			0.2
Other items	1.9	3.0	-0.5			4.4
Total	8.0	4.6	-0.7	0.0	0.0	11.9
Deferred tax liabilities:						
Property plant and equipment and intangible assets	17.3		1.0		0.1	18.5
Other items	3.7	-0.3	0.7			4.2
Total	21.1	-0.3	1.8	0.0	0.1	22.7

At 31 December 2005 the Group had carryforward losses for EUR 0.6 million (EUR 0 million in 2004), 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 4.5 million in 2005 (EUR 0.6 million in 2004), of foreign subsidiaries as the earnings have been invested permanently to the countries in question.

18. INVENTORIES

EUR million	2005	2004
Raw materials and supplies	**17.5**	10.3
Work in progress	**3.7**	2.8
Finished goods	**124.9**	84.9
Total	**146.1**	98.0

In 2005 EUR 1.0 million (EUR 1.3 million in 2004) expense was recognised to decrease the carrying amount of the inventories to reflect the net realisable value.

19. TRADE AND OTHER RECEIVABLES

EUR million	2005	2004
Trade receivables	**186.7**	135.1
Loan receivables	**0.8**	0.4
Accrued revenues and deferred expenses	**26.8**	4.8
Derivative instruments	**1.2**	1.4
Other receivables	**9.4**	10.7
Total	**224.9**	152.5

The Group recognised impairment loss on trade receivables worth EUR 0.4 million (EUR 1.2 million in 2004).

See note 29 for the fair values of the receivables.

EUR million	2005	2004
Significant items under accrued revenues and deferred expenses		
Annual discounts, purchases	**2.5**	1.7
Financial items	**2.2**	1.6
Social payments	**0.3**	0.4
Customs duties	**8.7**	0.0
VAT, Russia	**8.3**	0.0
Other items	**4.8**	1.1
Total	**26.8**	4.8

20. CASH AND CASH EQUIVALENTS

Cash in hand and at bank	**44.1**	23.6
Bank deposit	**1.6**	0.3
Total	**45.7**	23.9

21. EQUITY

Reconciliation of the number of shares:

EUR million	Number of shares (1 000 pcs)	Share capital	Share premium	Treasury shares	Total
Jan 1st 2004	10 682	21.4	3.4	-	24.8
Exercised warrants	171	0.4	3.3	-	3.6
Acquisition of treasury shares	-	-	-	-	-
Dec 31st 2004	10 853	21.7	6.7	-	28.4
Jan 1st 2005	10 853	21.7	6.7	-	28.4
Equity issue	1 074	2.1	127.7	-	129.9
Exercised warrants	10	0.0	0.1	-	0.1
Share split	107 436	-	-	-	0.0
Exercised warrants	1 626	0.3	3.3	-	3.6
Acquisition of treasury shares	-	-	-	-	-
Dec 31st 2005	120 999	24.2	137.8	-	162.0

The maximum number of shares is 320 million (32 million in 2004). The nominal value of shares is EUR 0.20 per share (EUR 2.00 in 2004) and the maximum share capital of the Group is EUR 64 million (EUR 64 million in 2004). All outstanding shares have been paid for in full.

Below is a description of the reserves within equity:

Translation reserve
Translation reserve include 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 criteria of hedge accounting have been met.

Fair value and hedging reserves
The fair value and hedging reserves comprises of two reserves: the fair value reserve for available-for-sale financial assets, and the hedging reserve 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 0.23 per share be paid (EUR 0.217 in 2004).

EUR million	2005
Specification of the distributable funds, December 31st	
Retained earnings	**226.6**
Profit for the period	**82.4**
The share of untaxed reserves and appropriations recorded in shareholders' equity	**-51.6**
Non-distributable funds in subsidiaries	**-1.4**
Distributable funds	**255.9**

The calculation of distributable funds is based on the consolidated IFRS balance sheet and the Finnish legislation. In 2004 the distributable funds (EUR 187.4 million) were based on consolidated FAS balance sheet and the Finnish legislation.

22. 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.

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.

Bond with warrants1999 and an incentive scheme fixed to the share price

Bond loan 2001 and the attached warrants marked 2001A were offered to the subscribers of the 1999 bond loan with warrants provided that the warrant holder returned all his/her old 1999 warrants to the company. The company cancelled a total of 433,800 1999 warrants, which were returned to the Group in the conversion. A total of 42,525 1999A warrants and 41,025 1999B warrants were not returned to the company.

In December 2001, Nokian Tyres plc announced the launch of an incentive scheme based on the company's share price development. The scheme covered those holders of the 1999 warrants who did not exchange their 1999 warrants for the new 2001A warrants. The exercised share appreciation rights have been paid in cash.

The new incentive scheme replaced the remaining 1999 warrants, after which the 1999 warrants no longer exist.

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's intention was to issue the shares in spring 2004 (2004A warrants), 2005 (2004B warrants) and 2006 (2004C warrants).

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.

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

WARRANTS	2001 warrants			2004 warrants			
2005	2001 A	2001 B	2001 C	2004 A	2004 B	2004 C	Total
Maximum number of share options, pcs	216 000	192 000	192 000	245 000	245 000	245 000	1 335 000
Subsribed shares per option, pcs	10	10	10	10	10	10	
Original subscription price	1.90 €	2.59 €	3.04 €	6.45 €	12.10 €		
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes	
Subscription price at 31 December 2003	1.64 €	2.40 €	2.85 €	--	--	*	
Subscription price at 31 December 2004	1.49 €	2.24 €	2.69 €	6.30 €	--	*	
Subscription price at 31 December 2005	1.27 €	2.03 €	2.48 €	6.08 €	11.88 €	*	
Exercisable, from	1 Mar 2003	1 Mar 2004	1 Mar 2005	1 Mar 2006	1 Mar 2007	1 Mar 2008	
Expiration	31 Mar 2007	31 Mar 2007	31 Mar 2007	31 Mar 2008	31 Mar 2009	31 Mar 2010	
Option life, years	1.3	1.3	1.3	2.3	3.3	4.4	
Participants at the end of period	148	354	547	1 791	2 198	0	

* The subscription price for warrants 2004C is the weihted average price of a Nokian Tyres plc share on the Helsinki Exchanges between 1 Jan–31 Mar 2006.

WARRANTS	2001 warrants			2004 warrants				Exercise prices (weighted
2005	2001 A	2001 B	2001 C	2004 A	2004 B	2004 C	Total	aver.)
Number of (at 1 January 2005)								
Share options granted	193 820	210 840	211 240	234 275	0	0	850 175	3.30 €
Share options forfeited	14 730	20 340	21 140	2 550	0	0	58 760	2.39 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	142 155	128 440	0	0	0	0	270 595	1.85 €
Before share split	142 155	128 440	0	0	0	0	270 595	--
After share split	0	0	0	0	0	0	0	--
Share options outstanding	36 935	62 060	190 100	231 725	0	0	520 820	4.16 €
Share options held for future grants	36 910	1 500	1 900	13 275	245 000	245 000	543 585	2.74 €
Changes during the period								
Share options granted	20 000	0	0	8 720	219 820	0	248 540	10.82 €
Share options forfeited	0	160	200	12 825	7 460	0	20 645	8.11 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	37 070	25 920	110 021	0	0	0	173 011	2.15 €
Before share split	5 410	5 010	0	0	0	0	10 420	--
After share split	31 660	20 910	110 021	0	0	0	162 591	--
Weighted average share price during the period, €	13.25 **	13.25 **	14.13 **	--	--	--	--	--
Share options expired	0	0	0	0	0	0	0	0
Number of (at 31 December 2005)								
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 €
Share options exercisable	36 775	37 640	81 979	--	--	--	156 394	

WARRANTS	2001 warrants			2004 warrants				Exercise prices (weighted
2004	2001 A	2001 B	2001 C	2004 A	2004 B	2004 C	Total	aver.)
Number of (at 1 January 2004)								
Share options granted	183 320	210 840	210 100	0	0	0	604 260	2.33 €
Share options forfeited	14 730	19 900	19 780	0	0	0	54 410	--
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	99 695	0	0	0	0	0	99 695	--
Share options outstanding	68 895	190 940	190 320	0	0	0	450 155	2.47 €
Share options held for future grants	47 410	1 060	1 680	245 000	245 000	245 000	785 150	0.11 €
Changes during the period								
Share options granted	10 500	0	1 140	234 275	0	0	245 915	6.07 €
Share options forfeited	0	440	1 060	2 550	0	0	4 050	4.91 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	42 460	128 440	0	0	0	0	170 900	2.06 €
Weighted average share price during the period, €	7.81 *	8.38 *	--	--	--	--	--	--
Share options expired	0	0	0	0	0	0	0	--
Number of (at 31 December 2004)								
Share options granted	193 820	210 840	211 240	234 275	0	0	850 175	3.30 €
Share options forfeited	14 730	20 340	20 840	2 550	0	0	58 460	2.39 €
Share options cancelled	0	0	0	0	0	0	0	--
Share options exercised	142 155	128 440	0	0	0	0	270 595	1.85 €
Share options outstanding	36 935	62 060	190 400	231 725	0	0	521 120	4.16 €
Share options held for future grants	36 910	1 500	1 600	13 275	245 000	245 000	543 285	2.74 €
Share options exercisable	73 845	63 560	--	--	--	--	137 405	

* The weighted average price of a Nokian Tyres plc share between Jan-Dec 2004 (2001A) and Mar-Dec 2004 (2001B).

** The weighted average price of a Nokian Tyres plc share between Jan-Mar 2005 (1999A ja B), Jan-Dec 2005 (2001A ja B) and Mar-Dec 2005 (2001C).

SHARE APPRECIATION RIGHTS	2005		2004	
	Share appreciation rights		Share appreciation rights	
	1999 A	1999 B	1999 A	1999 B
Maximum number of rights, pcs	300 000	300 000	300 000	300 000
Original subscription price	3.32 €	3.32 €	3.32 €	3.32 €
Dividend adjustment	Yes	Yes	Yes	Yes
Exercise price on 31 December 2003	2.90 €	2.90 €	2.90 €	2.90 €
Exercise price on 31 December 2004	2.75 €	2.75 €	2.75 €	2.75 €
Exercise price on 31 December 2005	2.53 €	2.53 €	2.53 €	2.53 €
Exercisable, from	1 Mar 2001	1 Mar 2003	1 Mar 2001	1 Mar 2003
Expiration	31 Mar 2005	31 Mar 2005	31 Mar 2005	31 Mar 2005
Share appreciation right life, years	expired	expired	0.3	0.3
Participants at the end of period	0	0	75	58
Number of	**1 Jan 2005**	**1 Jan 2005**	**1 Jan 2004**	**1 Jan 2004**
Rights granted	43 775	42 400	43 775	42 400
Rights forfeited	0	0	0	0
Rights cancelled	0	0	0	0
Rights exercised (paid in cash by the Group)	25 828	21 977	20 550	13 975
Rights outstanding	17 947	20 423	23 225	28 425
Rights held for future grants	256 225	257 600	256 225	257 600
Changes during the period				
Rights granted	0	0	0	0
Rights forfeited	6 075	9 175	0	0
Rights cancelled	0	0	0	0
Rights exercised (paid in cash by the Group)	10 622	10 498	5 278	8 002
Weighted average share price during the period, €	13.25 *	13.25 *	7.81 **	7.81 **
Rights expired	1 250	750	0	0

SHARE APPRECIATION RIGHTS	2005		2004	
	Share appreciation rights		Share appreciation rights	
	1999 A	1999 B	1999 A	1999 B
Number of	**31 Dec 2005**	**31 Dec 2005**	**31 Dec 2004**	**31 Dec 2004**
Rights granted	43 775	42 400	43 775	42 400
Rights forfeited	6 075	9 175	0	0
Rights cancelled	0	0	0	0
Rights exercised (paid in cash by the Group)	36 450	32 475	25 828	21 977
Rights outstanding	0	0	17 947	20 423
Rights held for future grants	0	0	256 225	257 600
Rights exercisable	0	0	274 172	278 023

* The weighted average price of a Nokian Tyres plc share between Jan-Mar 2005

** The weighted average price of a Nokian Tyres plc share between Jan-Dec 2004

Measurement of fair value

The fair value of share options was 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 were vested before 1 Jan 2005, have not been recognised as expenses in the financial statements. IFRS2 is not applied to the 1999A- ja B-share appreciation rights, the 2001A- ja B-share options and a part of 2001C-share options of Nokian Tyres plc, and therefore no fair value was determined to those plans. In 2005 the effect of share options on the net profit is EUR 6.7 million (2004: EUR 2.3 million).

Main assumptions for Black-Scholes model	Granted in 2005	All share options
Share options granted, pcs	244 095	520 715
Weighted average share price, €	12.72	9.51
Subscription price, €	11.68	8.54
Interest rate, %	2.8 %	3.0 %
Option life, years	3.8	3.9
Volatility, % *	28.5 %	32.1 %
Share options forfeiting, %	6.7 %	9.4 %
Total fair value, €	8 789 558	14 898 801

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

23. 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 are in force as of 1 January 2006, an arrangement that was previously classified as a defined benefit plan will be 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.

For Nokian Tyres, the defined benefit plan interpretation was estimated to reduce the equity at the time of transition by roughly EUR 5 million, including deferred taxes, which represents a few per cent of the total equity. Owing to the small significance and in order to maintain comparability between other financial periods, the said liability has not been recorded in the IFRS balance sheet on the transition date and at the end of the period, nor has the impact of the discharge been recognised as income in the financial statements for 2004 and 2005.

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

24. PROVISIONS

EUR million	**2005**	2004
Provisions		
Warranty provision		
Jan 1st	**0.9**	0.7
Provisions made	**0.9**	0.9
Provisions used	**0.0**	-1.5
Provisions reversed	**-0.9**	0.8
Dec 31st	**0.9**	0.9

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.

25. INTEREST BEARING LIABILITIES

EUR million	**2005 Carrying amount**	2004 Carrying amount
Non-current		
Loans from financial institutions and pension loans	**136.0**	67.8
Bond loans	**10.0**	10.0
Capital loan	**0.0**	36.0
Finance lease liabilities	**6.5**	18.1
	152.5	131.9
Current		
Commercial papers	**0.0**	31.4
Loans from financial institutions	**11.8**	22.2
Finance lease liabilities	**1.0**	1.7
	12.8	55.3

See note 29 for the fair values of the interest-bearing liabilities.

Maturing of non-current liabilities

2005

EUR million	2006	2007	2008	2009	2010	Later
Loans from financial institutions and pension loans, fixed rate	3.7	3.7	3.7	3.7	3.7	10.5
Loans from financial institutions, floating rate	8.1	2.3	6.3	10.9	69.8	21.4
Bond loans	0.0	0.0	0.0	10.0	0.0	0.0
Finance lease liabilities	1.0	0.9	0.9	0.9	0.8	3.0
Total non-current liabilities	12.8	6.9	10.9	25.5	74.3	34.9

2004

EUR million	2005	2006	2007	2008	2009	Later
Loans from financial institutions and pension loans, fixed rate	3.7	3.7	3.7	3.7	3.7	13.6
Loans from financial institutions, floating rate	18.5	6.4	0.4	18.7	3.8	10.1
Capital loan	36.0	0.0	0.0	0.0	0.0	0.0
Bond loans	0.0	0.0	0.0	0.0	10.0	0.0
Finance lease liabilities	1.7	1.8	1.7	1.7	1.7	11.2
Total non-current liabilities	59.9	11.9	5.8	24.1	19.2	34.9

Floating rate loans from financial institutions have been changed into fixed rate by interest rate swaps amounting to a nominal value of EUR 6.5 million.

For bond loans, there is an interest rate swap with a nominal amount of EUR 10 million under which the floating rate is converted into a fixed rate.

Interest-bearing non-current liabilities by currency

EUR million	**2005**	2004
EUR	**144.8**	138.9
SEK	**8.0**	7.2
NOK	**12.5**	9.7
	165.3	155.8

Commercial papers are in EUR.

The weighted averages of the effective interest rates for the interest-bearing liabilities on December 31, 2005

	2005
Loans from financial institutions and pension loans	**3.67%**
Loans from financial institutions and pension loans including interest rate swaps	**3.71%**
Bond loans	**3.10%**
Bond loans including interest rate swaps	**5.54%**
Finance lease liabilities	**8.07%**

26. MATURING OF FINANCE LEASE LIABILITIES

EUR million	2005	2004
Minimum lease payments		
In less than 1 year	**1.5**	2.7
In 1 to 5 years	**5.9**	13.5
In over 5 years	**3.2**	11.3
	10.6	27.5
Present value of minimum lease payments		
In less than 1 year	**1.5**	2.7
In 1 to 5 years	**4.5**	11.0
In over 5 years	**1.5**	6.1
	7.5	19.8
Future finance charges	**3.1**	7.7
Total finance lease liabilities	**7.5**	19.8

On December 31, 2005 (December 31, 2004) the Group's finance leases relating to warehouses, machinery and equipment amounted to EUR 7.3 million (EUR 18.7 million) and they are included in tangible assets. In 2005 (2004) the amount of floating lease payments were EUR -0.2 million (EUR -0.2 million). The finance lease payments are bound to 3-month euribor.

In the end of 2005 one warehouse lease was restructured and the new lease was classified as an operating lease. Due to this restructuring tangible assets were decreased by EUR 9.6 million and finance lease liabilities by EUR 10.6 million.

27. TRADE AND OTHER PAYABLES

EUR million	2005	2004
Non-interest bearing		
Trade payables	**69.5**	36.8
Accrued expenses and deferred revenues	**42.9**	35.6
Derivative instruments	**2.3**	1.8
Advance payments	**0.5**	0.2
Other liabilities	**17.0**	11.0
Total	**132.1**	85.3
Significant items under accrued expenses and deferred revenues		
Wages, salaries and social security contributions	**21.4**	20.4
Annual discounts, sales	**2.4**	4.4
Financial items	**3.6**	2.9
Royalties	**0.0**	0.8
Commissions	**2.7**	0.0
Goods received and not invoiced	**0.2**	0.6
Property, plant and equipment received and not invoiced	**3.7**	0.0
Other items	**8.9**	6.4
Total	**42.9**	35.6

28. 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 finance policy, which is updated regularly and approved by the Board. Financing activities and financial risk management are centralized to the parent company treasury, which enters into financing and hedging transactions with external counterparties and acts as a primary counterparty to business units in financing activities, like funding 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 and Slovakia, the tyre chain companies in Nordic countries, Russia and Estonia, and the tyre factories located at Nokia in Finland and at Vsevolozhsk in Russia.

Transaction risk

According to the Group's finance 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 carried mainly by the parent company and there is no significant currency risk in foreign Group companies. The external EUR 48 million loan to the Russian factory is an exception to this main rule. On the balance sheet date EUR 20 million of the loan was hedged at the Group level.

The Parent company's open currency exposure comprises of currency-denominated receivables and payables (including inter-company loans and trade receivables and payables) in the balance sheet and currency-denominated binding purchase and sales contracts (transaction exposure). For risk management purposes, estimated currency cash flows (in addition to the identified transaction exposure) are added to the open currency exposure so that the overall currency risk exposure horizon (budget exposure) covers the next 12 months. According to the Group finance policy the transaction exposure is hedged in full, although 20% over- and 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.

Translation risk

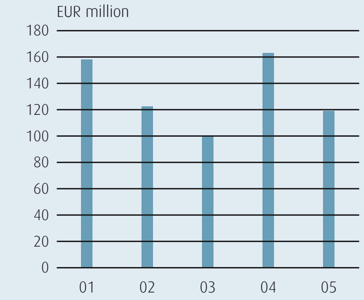
In financial statements the balance sheets of the foreign subsidiaries are translated into euro using the European Central Bank's closing rates and the impact of exchange rate fluctuations from net foreign investments are recorded as translation differences in equity. Following the Group's finance policy,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

December 31, 2005	exposure	loan	forward	open exposure
NOK	163	-100	0	63
SEK	118	-75	0	43
RUB	2 324		-1 200	1 135

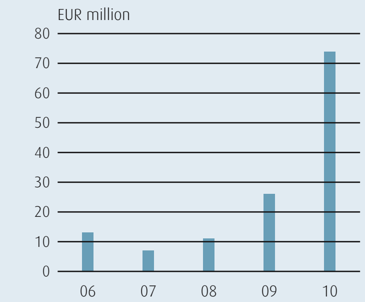
Interest rate risk

The Group's interest rate risk consists mainly of borrowing, which is split between floating and fixed rate instruments. On the balance sheet date floating rate loans amounted to EUR 136.3 million and fixed rate loans EUR 29 million. The Group's treasury measures the loan portfolio duration and if needed, changes the duration by using interest rate derivatives within the limits set in the Group's finance policy. The average fixing period of interest rate exposure was on the balance sheet date 19 months, compared to 23 months in 2004. The Group uses interest rate derivatives as cash flow hedges and hedge accounting is applied for those derivatives.

Interest-bearing net debt



Current maturities of non-current loans



Liquidity risk

In accordance with the Group finance 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 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 splitting the maturity structure of loans and credit limits.

In February 2005 the Group strengthened its share capital with a directed share issue in order to finance among other things its long-term investments in Russia. In April 2005 the Group signed a 5-year EUR 180 million multicurrency revolving credit facility agreement, which is primarily used as a backup liquidity reserve. The loan replaces the EUR 100 million multicurrency revolving credit facility signed in 2003. During December 2005 the Group expanded its domestic commercial paper program facility to EUR 150 million. 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.

On the balance sheet date the Group's liquidity in cash and equivalents was EUR 46 million. At the end of the year the Group's available current credit limits were EUR 177 million, of which the committed limit was EUR 27 million. Available committed non-current credits amounted to EUR 119 million.

The Group's interest-bearing loans totalled EUR 165.3 million, compared to the year before figure of EUR 187.2 million. Around 87% of the non-current loans were in EUR. The average interest rate of non-current loans was 3.83% and taking into account interest rate hedging 4.02%. Current interest-bearing loans, including the portion of non-current loans maturing within the next 12 months, amounted to EUR 12.8 million (EUR 91.3 million in 2004).

Credit Risk

In financing activities credit risk consists of counterparty risk, which Nokian Tyres faces in dealing financing activities with different banks and financial institutions. These risks are controlled by making transactions only with banks and financial institutions with high credit ratings. In investments the Group's placements are current and funds are invested only in solid domestic listed companies or public institutions.

The 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. Significant items of trade receivables are evaluated both counterparty specifically and in a portfolio level in order to identify possible impairment.

EUR million	**2005**	2004
29. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES		
Interest rate derivatives		
Interest rate swaps		
Nominal amount	**16.5**	26.5
Positive fair value	**1.2**	1.4
Negative fair value	**-1.9**	-2.9
Currency derivatives		
Forward contracts		
Nominal amount	**176.2**	68.1
Positive fair value	**0.5**	1.4
Negative fair value	**-2.1**	-0.3
Options, purchased		
Nominal amount	**5.3**	0.0
Positive fair value	**0.0**	0.0
Negative fair value	**0.0**	0.0
Options, written		
Nominal amount	**5.3**	0.0
Positive fair value	**0.0**	0.0
Negative fair value	**-0.1**	0.0

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

Interest rate swaps are wholly designated as cash flow hedges and their changes in fair value relating to the effective portion of the hedge is recognised in equity and the potential ineffective portion is recognised in the income statement.

The fair value of forward foreign exchange contracts is calculated at the forward rates at the balance sheet closing date on the basis of cash flow arising from contracts. The fair value of options is calculated by using the Garman-Kohlhagen option valuation model. Currency derivatives are used to hedge the Group's net exposure.

The changes in the fair values of currency derivatives are reported in the income statement excluding the forward foreign exchange contracts 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 the fair values are wholly deferred in equity. The fair value change of those forward foreign exchange contracts was EUR -0.4 million.

The underlying value of currency derivatives is the euro equivalent of the contracts' currency denominated amount at the balance sheet closing date.

The carrying amount of other financial assets- and liabilities presents essential part of their fair value.

EUR million	**2005**	2004
30. OPERATING LEASE COMMITMENTS		
The Group as a lessee		
Non-cancellable minimum operating lease payments		
In less than 1 year	**8.9**	6.8
In 1 to 5 years	**22.5**	12.2
In over 5 years	**33.6**	5.2
Total	**65.0**	24.2

The Group leases office and warehouse space 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 months euribor and agreements include purchase options.

The income statement in 2005 contains EUR 14.6 million expenses for operating lease agreements (EUR 12.2 million in 2004).

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	**2005**	2004
31. COMMITMENTS AND CONTINGENT LIABILITIES		
For own debt		
Mortgages	**0.2**	1.0
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	**0.7**	0.9

32. DISPUTES AND LITIGATIONS

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

33. 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 Däck AB		Sweden	100	100	100
Nokian Dekk AS		Norway	100	100	100
Nokian Reifen GmbH		Germany	100	100	100
Nokian Reifen AG		Switzerland	100	100	100
Nokian Tyres US Holdings Inc.		USA	100	100	100
Nokian Tyres US Finance Oy	Nokia	Finland	100	100	
Nokian Tyres Inc.		USA	100	100	
University Wholesalers Inc.		USA	100	100	
University Wholesalers of New York 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
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	
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	51	51	
OOO Vianor	Moscow	Russia	51	51	
OOO Vianor SPb	St. Petersburg	Russia	51	51	

	Domicile	Country	Group holding %	Voting rights %	Parent company holding %
Posiber Oy	Nokia	Finland	100	100	
AS Vianor		Estonia	100	100	
Vianor SIA		Latvia	100	100	
Vianor AB		Sweden	100	100	
Degerfors Vulkcentral AB		Sweden	100	100	
Sjögrens Vulk AB		Sweden	100	100	
Däckcenter i Smålandsstenar AB		Sweden	100	100	
Westbergs Gummi AB		Sweden	100	100	
Curres Däck AB		Sweden	100	100	
Agora International AB		Sweden	100	100	
Gunnars Däck o Service AB		Sweden	100	100	
Mälardäck AB		Sweden	100	100	
Vianor AS		Norway	100	100	
Grimstad Vulk AS		Norway	100	100	
Mandal Vulk AS		Norway	100	100	
Polar Dekk AS		Norway	100	100	
Joint ventures					
OOO Amtel-Nokian Tyres	Moscow	Russia	50	50	50

The company is no longer operational. Consolidated items have no material effect on the total.

	Domicile	Country	Group holding %	Voting rights %	Parent company holding %
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	**2005**	2004
Shareholders		
Bridgestone Group		
Transactions with Bridgestone Group take place at market prices.		
Sales of goods	**10.3**	8.6
Purchases of goods	**16.2**	8.1
Trade and other receivables	**1.1**	1.8
Trade and other payables	**9.2**	1.7

1,000 euros		
Key management personnel		
Employee benefit expenses		
Short-term employee benefits	**1,906.5**	2,364.4
Post employment benefits	**109.3**	128.8
Share-based payments	**1,937.6**	648.6
Total	**3,853.3**	3,141.8
Remunerations		
President (also a member of the Board of Directors)	**290.9**	494.7
of which incentives	**0.0**	231.7
Members of the Board of Directors		
Henrik Therman	**26.4**	25.6
Rabbe Grönblom	**19.2**	18.4
Satu Heikintalo	**19.2**	18.4
Hannu Penttilä	**19.2**	18.4
Mitsuhira Shimazaki	**19.2**	14.4
Petteri Walldén	**14.4**	-

1,000 euros	**2005**	2004
Prior members of the Board of Directors		
Bo-Erik Haglund	**4.8**	18.4
Matti Vuoria	**7.2**	20.4
Total	**129.6**	134.1
no incentives were paid to members of the Board of Directors		
Other key management personnel	**1,377.0**	1,600.4
of which incentives	**0.0**	185.5

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 2005 a total of 76,000 pcs share options were granted to the President and other key management personnel (74,000 pcs in 2004). The share option plan terms for the key management personnel are equal to the share options directed at other personnel. At 31 December 2005 the key management personnel held 162,100 pcs share options, with 15,100 pcs exercisable (at 31 December 2004 145,800 pcs, with 1,100 pcs exercisable).

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

34. EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date that would affect the financial statements.

35. TRANSITION TO THE IFRS-REPORTING

These are the first financial statements of Nokian Tyres Group in accordance with the principles of the IFRS. The financial statements prior to the implementation of IFRS have been prepared according to the Finnish Accounting Standards (FAS).

The transition has changed the financial statements, the notes and the accounting policies compared with the previous financial statements. The following reconciliations and review present the differences between the IFRS and the FAS for the year 2004 and at the date of the transition to the IFRS, 1 January 2004.

RECONCILIATION OF EQUITY AND PROFIT 1 January 2004 and 31 December 2004

Reconciliation of equity 1 January 2004

EUR million	note	FAS 1.1.2004	Effect of transition	IFRS 1.1.2004
Intangible assets	2,3	13.7	-4.6	9.1
Group goodwill	3,4	36.4	-36.4	0.0
Goodwill	3,4	0.0	40.1	40.1
Tangible assets	1,2,4,5	202.4	20.0	222.4
Deferred tax assets	7	6.2	0.0	6.2
Non-current receivables	6	1.9	2.9	4.8
Investments		0.7	0.0	0.7
Total non-current assets		261.3	22.0	283.3
Inventories	5	85.1	-0.6	84.5
Current receivables	6	110.8	-2.8	108.0
Cash and cash equivalents		19.0	0.0	19.0
Total current assets		214.8	-3.3	211.4
Total assets		476.1	18.7	494.8

EUR million	note	FAS 1.1.2004	Effect of transition	IFRS 1.1.2004
Interest-bearing liabilities	1,9,10			
Non-current		82.2	55.7	137.9
Current		36.8	1.7	38.5
Non-interest-bearing	1,9			
Non-current	8	0.0	2.5	2.5
Current		87.3	2.4	89.7
Deferred tax liabilities	7	22.6	0.9	23.4
Total liabilities		228.9	63.2	292.1
Total assets less total liabilities		247.2	-44.5	202.7
Share capital		21.4	0.0	21.4
Share issue		0.0	0.0	0.0
Share premium		3.4	0.0	3.4
Fair value and hedging reserves	11	0.0	-1.5	-1.5
Retained earnings	1,7	186.4	-7.0	179.4
Capital loan	10	36.0	-36.0	0.0
Total equity	12	247.2	-44.5	202.7

EUR million	note	
The adjustments to retained earnings are as follows:		
Removal of revaluations	2	-0.7
Leases	1	-0.5
Deferred gain on sale and lease-back	1	-2.7
Removed intangible assets	2	-1.4
Deferred taxes completion	7	-0.9
Removal of deferred tax asset on dissolution loss	7	-2.1
Tax effect of the above	7	1.2
Total adjustments to retained earnings		-7.0

Reconciliation of equity 31 December 2004

EUR million	note	FAS 31.12.2004	Effect of transition	IFRS 31.12.2004
Intangible assets	2,3	12.4	-3.4	9.0
Group goodwill	3,4	30.2	-30.2	0.0
Goodwill	3,4	0.0	40.5	40.5
Tangible assets	1,2,4,5	223.8	18.4	242.3
Deferred tax assets	7	8.2	-0.2	8.0
Non-current receivables	6	2.0	0.9	2.8
Investments		0.8	0.0	0.8
Total non-current assets		277.4	26.1	303.4
Inventories	5	98.6	-0.6	98.0
Current receivables	6	154.0	-0.8	153.1
Cash and cash equivalents		23.9	0.0	23.9
Total current assets		276.4	-1.5	275.0
Total assets		553.8	24.6	578.4
Interest-bearing liabilities	1,9,10			
Non-current		77.9	54.0	131.9
Current		53.5	1.8	55.3
Non-interest-bearing	1,9			
Non-current	8	0.0	2.3	2.3
Current		97.9	1.7	99.5
Deferred tax liabilites	7	21.3	-0.2	21.1
Total liabilities		250.4	59.6	310.1

EUR million	note	FAS 31.12.2004	Effect of transition	IFRS 31.12.2004
Total assets less total liabilities		303.3	-35.0	268.3
Share capital		21.7	0.0	21.7
Share issue		0.0	0.0	0.0
Share premium		6.7	0.0	6.7
Fair value and hedging reserves	11	0.0	-1.1	-1.1
Retained earnings	1,7	239.0	2.1	241.0
Capital loan	10	36.0	-36.0	0.0
Total equity	12	303.3	-35.0	268.3

Reconciliation of change in profit for the financial year 2004

EUR million	note	FAS 1–12/2004	Effect of transition	IFRS 1–12/2004
Net sales	13	602.2	1.1	603.3
Cost of sales	13,14	-336.2	-3.2	-339.3
Gross profit		266.1	-2.1	264.0
Selling and marketing expenses	14,15,16	-128.7	1.6	-127.1
Administration expenses	14	-11.6	0.9	-10.8
Other operating expenses	14	-14.5	0.2	-14.2
Other operating income	15	3.4	0.2	3.6
Goodwill amortisations	16	-6.6	6.6	0.0
Total other costs		-157.9	-9.5	-148.4
Operating profit		108.1	7.4	115.6
Financial income and expenses	13	-10.2	-2.4	-12.6
Profit before extraordinary items and tax		97.9	5.0	103.0
Extraordinary items	17	2.0	-2.0	0.0
Profit before tax		99.9	3.0	103.0
Income tax	7	-31.0	1.9	-29.2
Profit applicable to minority shareholders		0.0	0.0	0.0
Profit for the period	18	68.9	4.9	73.8

BALANCE SHEET

1. Finance leases

The accounting of leasing agreements classified as finance leases in compliance with IAS 17 (Leases) has the most significant impact on the Group's balance sheet.

Assets held under finance leases, deducted by accumulated depreciation, are recorded as tangible assets and depreciated over the lease term. Correspondingly, the obligations resulting from the lease are added to interest-bearing liabilities. Leasing payments are divided between the finance charge and the instalments of the outstanding liability.

On the whole, the adjustments will increase long-term assets and interest-bearing liabilities in the consolidated balance sheet on the date of the transition by EUR 21.5 million (31 December 2004: EUR 19.9 million), of which deferred revenue for the gain on sale and lease-back account for EUR 2.7 million (31 December 2004: EUR 2.5 million). The adjustments will decrease equity, including deferred taxes, by some EUR 2.5 million, largely owing to the deferred sale and lease-back gain. The corresponding adjustment at the end of 2004 amounts to some EUR 2.6 million.

2. Tangible and intangible assets

Based on IAS 38 (Intangible Assets), a total of EUR 0.3 million of such intangible assets and a further EUR 1.0 million of such other long-term expenditure that do not meet the recognition criteria of IAS 38 were removed from the balance sheet on the date of the transition. The amortisation has been reversed thereafter. The adjustments, including deferred taxes, have only a minor impact. The impact of the transition on the year-end balance sheet amounts to EUR 0.3 million and EUR 0.4 million respectively.

The revaluations of real estates in accordance with FAS, roughly EUR 1 million, have been removed from the balance sheets on the date of the transition and year-end 2004.

3. Goodwill

Business combinations prior to 1 January 2004 have been accounted for on the basis of original measurements and allocations as allowed for by the IFRS 1 exemption. Business combinations after 1 January 2004 will be accounted for in compliance with IFRS 3 (Business Combinations).

Consolidated goodwill and goodwill from asset deals, which were previously reported separately, are now both combined in the goodwill of the IFRS balance sheet.

4. Impairment

The carrying amounts of assets are reviewed to detect any indication of impairment. If such an indication exists, an estimated recoverable amount of the asset is determined on the basis of higher of its fair value less costs to sell and its value in use. An impairment loss is recognised if the asset's carrying amount is higher than the recoverable amount.

The goodwill impairment tests on the IFRS 1 date of the transition and the annual tests required by IFRS 3 in compliance with IAS 36 (Impairment of Assets) have not given rise to recognise impairment losses.

There has also been no need to recognise impairment losses based on IAS 36 in any of the other balance sheet items.

5. Inventories

A total of EUR 0.6 million in tyres and treads leased to customers were transferred to tangible assets from inventories on Vianor's date of the transition. The change at the end of 2004 falls in the same range.

6. Trade receivables and non-current receivables

Resulting from the re-classification on the date of the transition, a total of EUR 2.8 million has been transferred from trade receivables to non-current loan receivables. The relocation at year-end 2004 amounts to EUR 0.9 million.

7. Deferred tax assets and liabilities

The deferred tax assets and liabilities are recorded on the temporary differences between the carrying amounts in IFRS and tax bases of assets and liabilities (IAS 12, Income Taxes). They are recognised on the basis of the tax rates enacted on the date of the financial statements. Material temporary differences arise from appropriations, unused taxable losses, financial instruments and consolidation. A deferred tax asset is recognised only to the extent that it is probable that it can be used against future taxable profit.

According to IAS 1 (Presentation of Financial Statements), deferred tax assets and liabilities are presented under non-current items, to which figures previously included in current deferred tax assets and liabilities have been transferred.

The adjustments to the FAS deferred tax calculation on the date of the transition and year-end 2004 balance sheets were less than EUR -1 million. Additionally, the tax benefits from the dissolution loss confirmed in the parent company's taxation for 2000 will be recorded as they are realised. In the method followed earlier, a two-year share of the loss was included as a deferred tax asset. Removal of this item has a EUR -2.1 million impact on equity on the date of the transition and EUR –1.9 million at the end of 2004. The rest of the total impact results from other IFRS-adjustments.

8. Pension liabilities – IAS 19 (Employee Benefits)

According to the proposal for changes in the Finnish disability pension payment scheme that was put forward by the pension advisory committee appointed by the central labour market organisations, the scheme previously classified as a defined benefit plan will now be considered a defined contribution plan. The change in payment scheme will largely remove the pension liability from the defined benefit plan in December 2004. The remainder of the liability will cease to exist in the course of 2005. In the case of Nokian Tyres, the liability was estimated to reduce shareholders' equity by roughly EUR 5 million, including deferred taxes, which corresponds to a few per cent of the Group's overall equity. Owing to its minor significance and in order to maintain comparability between financial years, the liability has not been recognised in the IFRS balance sheet on the date of the transition nor will its impact on income be recognised in the financial statements for 2004 and 2005.

The Group's foreign subsidiaries adopting the IAS 19 standard has not given rise to changes in the consolidated balance sheet.

9. Other liabilities

Liabilities from finance leases, as defined in IAS 17, are discussed in more detail under item 1 above.

The adoption of IAS 39 (Financial Instruments: Recognition and Measurement) has resulted in accrued expenses of EUR 2.1 million due to entries at fair value and hedging reserves. The corresponding liability on 31 December 2004 equals EUR 1.5 million.

EQUITY

10. Capital loan

The parent company's capital loan of EUR 36 million is recorded under liabilities. The loan will mature in April 2005.

11. Fair value and hedging reserves

The adoption of IAS 39 has resulted in a EUR -1.5 million fair value and hedging reserves, mainly due to interest rate swap agreements. The corresponding figure at the end of 2004 had dropped to EUR -1.1 million.

12. Overall impact of the changes on equity

The following table summarises the impact of all changes on equity.

EUR million	1.1.04	31.12.04
Total equity, FAS	247.2	303.3
IFRS adjustments:		
IAS 12, Income Taxes	-1.8	-0.1
IAS 16, Property, Plant and Equipment	-0.7	-0.9
IAS 17, Leases	-3.3	-3.5
IAS 38, Intangible Assets	-1.4	-0.7
IAS 39, Financial Instruments:		
Recognition and Measurement;		
capital loan	-36.0	-36.0
others	-1.3	-1.4
IFRS 3, Business Combinations	0.0	7.6
IFRS adjustments total:	-44.5	-35.1
Total equity, IFRS	202.7	268.3

INCOME STATEMENT

13. Net sales, cost of goods sold, and financial income and expenses

Nokian Tyres will apply revised standards for financial instruments and their disclosure and presentation in its reporting for 2004 (IAS 39 and IAS 32, Financial Instruments: Disclosure and Presentation). The measurement of financial instruments, and the presentation of the hedging of cash flow from business operations and exchange rate risks have been amended correspondingly. Exchange rate gains or losses from trade receivables and payables included previously in net sales and cost of sales have been transferred to financial income and expenses.

14. Accounting for employee share warrants

The IFRS profit includes the accounting for warrant schemes as specified in IFRS 2 (Share-based Payment) published in February 2004. In the case of current schemes, the accounting will be applied to 2001C warrants distributed after 7 November 2002 and totally to the 2004 personnel option scheme. The impact of the previously distributed warrants on the Group's profit in 2004 amounted to EUR -2.3 million. This does not affect equity because the corresponding amount is recorded as an increase in equity.

15. Finance leases and gain on sale and lease-back

The deferred proportion of the gain on sale and lease-back has been entered as an income item in other operating income in 2004 IFRS accounts. The total gain will be entered as income over the lease term, the annual impact on profit amounting to EUR 0.2 million.

Profit has also been adjusted in compliance with IAS 17 by replacing lease expenses from finance lease agreements with depreciation and interest expense entries. The impact of these adjustments on the profit for 2004 amounts to EUR -0.4 million.

In addition to this, the related deferred taxes have also been included in profit and loss and the balance sheet.

The impact that the adoption of IAS 17 has on the balance sheet is explained in greater detail under item 1.

16. Accounting of goodwill
Based on IFRS 3, the amortisation of goodwill will be replaced with annual goodwill testing in accordance with IAS 36. This will improve the Group's profit for the financial year by approximately EUR 7 million. Goodwill testing has not given rise to recognise impairment losses.

The accounting of goodwill on the balance sheet is explained in greater detail under item 3.

17. Extraordinary items
The impact that the corporate tax rate decrease entered under extraordinary items in 2004 had on deferred tax assets and liabilities has been transferred to the tax expense.

18. Overall impact of changes on the profit for the financial year
The impact that the changes listed above have on the profit for the financial year are summarised in the following table.

EUR million	1-12/04
Profit for the financial year, FAS	68.9
IFRS adjustments:	
IAS 12, Income Taxes	-0.0
IAS 17, Leases	-0.2
IAS 38, Intangible Assets	0.2
IAS 39, Financial Instruments:	
Recognition and Measurement	0.0
IFRS 2, Share-based Payment	-2.3
IFRS 3, Business Combinations	7.2
IFRS adjustments total:	4.5
Profit for the financial year, IFRS	73.8

19. SEGMENT REPORTING (IAS 14)
The Group is primarily segmented into profit centres consisting of passenger car tyres, heavy tyres, Vianor and other operations. The accounting principles of profit centres have been adjusted to correspond to the Group's principles. For example, the charges of primary production, real estate and capital expenses have been harmonised. These changes will not have a significant effect on the profit centres' operating profit.

Truck tyre operations were transferred from heavy tyres to retreading materials at the beginning of 2005. Retreading materials comes under the segment of other operations. The figures for 2004 have been adjusted to correspond to the new structure.

The secondary segment 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.

CASH FLOW STATEMENT
There are no material differences between cash flow statements in the FAS and the IFRS.

OTHER CHANGES
The impacts of other changes are not significant.

Parent Company Income Statement, FAS

EUR million 1.1. – 31.12.	Notes	2005	2004
Net sales	(1)	**406.3**	402.3
Cost of sales	(2)(3)	**-275.1**	-240.8
Gross profit		**131.2**	161.5
Selling and marketing expenses	(2)(3)	**-28.3**	-29.2
Administration expenses	(2)(3)	**-12.1**	-10.9
Other operating expenses	(2)(3)	**-12.3**	-12.9
Other operating income		**0.3**	1.1
Operating profit		**78.8**	109.5
Financial income and expenses	(4)	**-4.1**	-3.7
Result before extraordinary items, appropriations and tax		**74.6**	105.8
Extraordinary items	(5)	**-0.1**	-0.2
Profit before appropriations and tax		**74.5**	105.6
Increase in accumulated depreciation in excess of plan	(6)	**-2.6**	-2.5
Income tax	(7)	**-18.1**	-29.1
Profit for the period		**53.8**	74.1

Parent Company Balance Sheet, FAS

EUR million 31.12.	Notes	2005	2004
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	(8)	**6.7**	7.5
Tangible assets	(8)	**178.7**	177.2
Shares in Group companies	(9)	**30.8**	26.5
Investments in associates	(9)	**0.1**	1.2
Shares in other companies	(9)	**0.1**	0.1
Total non-current assets		**216.5**	212.5
Current assets			
Inventories	(10)	**61.9**	43.8
Long-term receivables	(11)	**74.0**	34.2
Deferred tax assets	(14)	**1.9**	1.9
Short-term receivables	(12)	**255.6**	190.8
Cash in hand and at bank		**7.8**	2.4
Total current assets		**401.1**	273.1
		617.6	485.6

Parent Company Balance Sheet, FAS

EUR million 31.12.	Notes	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	(13)		
Share capital		**24.2**	21.7
Share issue		**0.0**	0.0
Share premium		**138.9**	6.7
Retained earnings		**141.9**	93.7
Profit for the period		**53.8**	74.1
Capital loan		**0.0**	36.0
Total shareholders' equity		**358.8**	232.2
Untaxed reserves and provisions			
Accumulated depreciation in excess of plan	(8)	**68.2**	65.6
Liabilities			
Non-current liabilities	(15)		
interest-bearing		**96.3**	62.8
non-interest-bearing		**0.0**	0.0
		96.3	62.8
Current liabilities	(16)		
interest-bearing		**23.3**	62.0
non-interest-bearing		**71.0**	62.9
		94.3	124.9
Total liabilities		**190.6**	187.8
		617.6	485.6

Parent Company Cash Flow Statement, FAS

EUR million 1.1. - 31.12.	2005	2004
Cash flows from operating activities:		
Cash recepits from sales	**395.7**	373.8
Cash paid for operating activities	**-303.2**	-274.8
Cash generated from operations	**92.5**	98.9
Interest paid	**-8.9**	-9.2
Interest received	**5.0**	2.9
Dividends reiceived	**0.0**	0.6
Income taxes paid	**-26.9**	-25.4
Net cash from operating activities (A)	**61.7**	67.9
Cash flow from investing activities:		
Acquisition of property, plant and equipment and intangible assets	**-30.8**	-34.3
Proceeds from sale of property, plant and equipment and intangible assets	**1.7**	3.8
Acquisition of group companies	**-4.5**	-0.1
Disinvestments in associates	**0.1**	0.0
Net cash used in investing activities (B)	**-33.5**	-30.6
Cash flow from financing activities:		
Proceeds from issue of share capital	**134.8**	3.6
Change in current financial receivables	**-50.7**	-21.3
Change in non-current financial receivables	**-39.7**	-5.2
Change in financial current borrowings	**-38.7**	22.5
Change in financial non-current borrowings	**-2.6**	-18.8
Dividends paid	**-25.9**	-16.7
Net cash from financing activities (C)	**-22.8**	-35.8
Net increase in cash and cash equivalents (A+B+C)	**5.4**	1.5
Cash and cash equivalents at the beginning of the period	**2.4**	0.8
Cash and cash equivalents at the end of the period	**7.8**	2.4
	5.4	1.5

PARENT COMPANY ACCOUNTING POLICIES

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 at the financial statement date.

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

Direct taxes

The profit and loss statement include 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	2005	2004
1. NET SALES BY SEGMENTS AND MARKET AREAS		
Passenger car tyres	**317.5**	326.3
Heavy tyres	**71.6**	59.0
Bicycle tyres	**-**	5.3
Retreading materials and truck tyres	**17.2**	11.6
RoadSnoop	**0.0**	0.1
Total	**406.3**	402.3
Finland	**114.3**	111.9
Other Nordic countries	**93.5**	88.1
Baltic States and Russia	**51.4**	70.4
Other European countries	**89.2**	96.3
North America	**44.9**	31.7
Other countries	**13.0**	3.9
Total	**406.3**	402.3
2. WAGES, SALARIES AND SOCIAL EXPENSES		
Wages and salaries	**51.8**	50.5
Pension contributions	**10.0**	9.5
Other social expenses	**18.5**	15.9
Total	**80.2**	75.9
Remuneration of the members of the Board of the of Directors and the President on accrual basis	**0.4**	0.6
of which incentives	**0.0**	0.2

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

EUR million	2005	2004
Personnel, average during the year		
Production	**1 214**	1 195
Selling and marketing	**80**	0
Others	**181**	173
Total	**1 475**	1 368

3. DEPRECIATION

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

EUR million	2005	2004
Depreciation according to plan by asset category		
Intangible assets	**1.6**	1.8
Buildings	**1.7**	1.7
Machinery and equipment	**23.7**	22.8
Other tangible assets	**0.3**	0.3
Total	**27.3**	26.6
Depreciation by function		
Production	**24.3**	23.2
Selling and marketing	**0.4**	0.5
Administration	**1.0**	0.9
Other operating depreciation	**1.5**	1.9
Total	**27.3**	26.6
4. FINANCIAL INCOME AND EXPENSES		
Dividend income		
From the Group companies	**0.0**	0.3
From others	**0.0**	0.3
Total	**0.0**	0.6
Interest income, non-current		
From the Group companies	**1.1**	1.3
From others	**0.3**	0.0
Total	**1.3**	1.4

EUR million	2005	2004
Other interest and financial income		
From the Group companies	**2.9**	1.6
From others	**0.6**	0.7
Total	**3.5**	2.3
Exchange rate differences (net)	**0.2**	0.3
Interest and other financial expenses		
To the Group companies	**0.0**	-0.1
To others	**-6.9**	-7.5
Other financial expenses	**-2.3**	-0.7
Total	**-9.2**	-8.3
Total financial income and expenses	**-4.1**	-3.7

5. EXTRAORDINARY ITEMS

The extraordinary items in 2005 contain a dissolution loss of a subsidiary and in 2004 the effect on deferred tax caused by the decrease of the corporate tax rate.

Extraordinary items	**-0.1**	-0.2

6. APPROPRIATIONS

Change in accumulated depreciation in excess of plan		
Intangible assets	**-0.1**	0.1
Buildings	**0.4**	-0.3
Machinery and equipment	**2.3**	2.8
Other tangible assets	**-0.1**	-0.2
Total	**2.6**	2.5

EUR million	2005	2004
7. INCOME TAX		
Direct tax for the year	**-18.1**	-28.8
Direct tax from previous years	**0.0**	0.0
Tax on extraordinary items	**0.0**	0.0
Change in deferred tax	**0.0**	-0.3
Total	**-18.1**	-29.1

8. FIXED ASSETS

	Intangible assets		**Tangible assets**				
EUR million	Intangible rights	Other intangible assets	Land property	Buildings	Machinery and equipment	Other tangible assets	Advances and fixed assets under construction
Accumulated cost, Jan 1st 2005	11.0	3.5	0.7	59.5	273.4	3.5	5.1
Decrease/Increase	1.8	-1.9	0.0	0.3	21.4	0.1	-0.6
Accumulated cost, Dec 31st 2005	12.9	1.6	0.7	59.8	294.9	3.6	4.6
Accum. depr. acc. to plan, Dec 31st 2005	-7.1	-0.7		-14.7	-167.6	-2.6	
Carrying amount, Dec 31st 2005	5.8	0.9	0.7	45.2	127.3	1.0	4.6
Carrying amount, Dec 31st 2004	5.2	2.2	0.7	46.5	123.7	1.2	5.1
Accum. depreciation in excess of plan, Dec 31st 2005	1.0	0.1	0.0	17.6	49.7	-0.2	
Accum. depreciation in excess of plan, Dec 31st 2004	0.9	0.3	0.0	17.2	47.4	-0.1	

9. INVESTMENTS

EUR million	Shares in Group companies	Investments in associates	Shares in other companies
Accumulated cost, Jan 1st 2005	26.5	1.2	0.1
Decrease/Increase	4.3	-1.2	0.1
Accumulated cost, Dec 31st 2005	30.8	0.1	0.1
Carrying amount, Dec 31st 2005	30.8	0.1	0.1
Carrying amount, Dec 31st 2004	26.5	1.2	0.1

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

EUR million	2005	2004
10. INVENTORIES		
Raw materials and supplies	**14.9**	9.5
Work in progress	**3.6**	2.8
Finished goods	**43.4**	31.5
Total	**61.9**	43.8
11.NON-CURRENT RECEIVABLES		
Loan receivables from the Group companies	**73.2**	33.3
Loan receivables from the Investments in associates	**0.0**	0.0
Loan receivables	**0.8**	0.9
Other receivables	**0.0**	0.0
Total	**0.8**	0.9
Total non-current receivables	**74.0**	34.2

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

EUR million	2005	2004
12. CURRENT RECEIVABLES		
Receivables from the Group companies		
Trade receivables	**60.8**	50.8
Loan receivables	**128.1**	77.4
Accrued revenues and deferred expenses	**5.6**	3.1
Total	**194.5**	131.4
Trade receivables	**52.9**	51.4
Loan receivables	**0.0**	0.0
Other receivables	**4.4**	5.1
Accrued revenues and deferred expenses	**3.8**	3.0
Total	**61.1**	59.4
Total current receivables	**255.6**	190.8
Significant items under accrued revenues and deferred expenses		
Annual discounts, purchases	**0.6**	0.4
Financial items	**2.2**	2.9
Social payments	**0.2**	0.3
Capital expenditure in the Russian factory	**4.5**	1.4
Other items	**1.9**	1.0
Total	**9.4**	6.1

13. SHAREHOLDERS' EQUITY

EUR million	2005	2004
Share capital, Jan 1st	**21.7**	21.4
Emissions	**2.5**	0.3
Share capital, Dec 31st	**24.2**	21.7
Share issue, Jan 1 st	**0.0**	0.0
Share issue, Dec 31st	**0.0**	0.0
Share premium, Jan 1st	**6.7**	3.4
Emission gains	**132.3**	3.3
Share premium, Dec 31st	**138.9**	6.7
Retained earnings, Jan 1st	**167.8**	110.4
Dividends to shareholders	**-25.9**	-16.7
Retained earnings, Dec 31st	**141.9**	93.7
Profit for the period	**53.8**	74.1
Capital loan	**0.0**	36.0
Total shareholders' equity	**358.8**	232.2

Capital loan

The amount of the capital loan is EUR 36 million, interest rate 7.25 %, maturing on April 29th, 2005.

EUR million	2005	2004
Specification of the distributable funds December 31st		
Retained earnings, Dec 31st	**141.9**	93.7
Profit for the period	**53.8**	74.1
Distributable funds, Dec 31st	**195.6**	167.8

14. DEFERRED TAX LIABILITIES AND ASSETS

EUR million	2005	2004
Deferred tax assets from		
Temporary differences	**1.9**	1.9
Total	**1.9**	1.9
Deferred tax liabilities, total	**0.0**	0.0

The deferred tax assets contain the deferred tax assets for the years 2006 and 2007 arising from the dissolution loss entered into extraordinary expenses during 2000. The tax benefit will be realised during years 2000 and 2009; the proportional share of the remaining deferred tax asset, EUR 3.8 million, has been accounted for up to year 2007.

EUR million	2005	2004
15. NON-CURRENT LIABILITIES		
Interest-bearing		
Bonds	**10.0**	10.0
Loans from financial institutions	**74.0**	38.6
Pension premium loans	**12.3**	14.3
Total	**96.3**	62.8
Non-interest-bearing		
Other non-current loans	**0.0**	0.0
Total non-current liabilities	**96.3**	62.8
Bonds		
1/2002 variable interest rate		
based on Euribor		
3.184 % bullet maturity on 2009	**10.0**	10.0
Liabilities maturing after five years		
Loans from financial institutions	**5.8**	7.5
Pension premium loans	**4.3**	6.3
Total	**10.1**	13.8
Maturing of long-term liabilities		
Maturity		
2007	**3.7**	3.7
2008	**3.7**	3.7
2009	**14.7**	31.6
2010	**64.2**	3.7
2011 and later	**10.1**	10.1
Total	**96.3**	52.7

EUR million	2005	2004
16. CURRENT LIABILITIES		
Interest-bearing		
Liabilities to the Group companies		
Finance loans	**13.2**	12.8
Loans from financial institutions	**8.2**	47.2
Pension premium loans	**2.0**	2.0
Total	**10.2**	49.2
Total interest-bearing liabilities	**23.3**	62.0
Non-interest-bearing		
Liabilities to the Group companies		
Trade payables	**1.3**	1.4
Accrued expenses and deferred revenues	**0.1**	0.0
Total	**1.4**	1.4
Trade payables	**39.4**	24.7
Liabilities to the others	**2.8**	3.2
Accrued expenses and deferred revenues	**27.3**	33.7
Total	**69.6**	61.5
Total non-interest-bearing liabilities	**71.0**	62.9
Total current liabilities	**94.3**	124.9

EUR million	2005	2004
Significant items under accrued expenses and deferred revenues		
Wages and salaries	**11.1**	12.9
Annual discounts, sales	**3.4**	2.8
Taxes	**1.6**	10.4
Financial items	**2.9**	2.9
Royalties	**0.0**	0.3
Commissions	**2.7**	0.0
Goods received and not invoiced	**0.3**	0.6
Warranty commitments	**0.9**	0.9
Other items	**4.5**	2.9
Total	**27.4**	33.7

17. CONTINGENT LIABILITIES

EUR million	2005	2004
On behalf of Group companies and investments in associates		
Guarantees	**49.7**	16.1

The amount of debts mortgaged for total EUR 48.5 million.

EUR million	2005	2004
Other own commitments		
Guarantees	**6.1**	1.0
Leasing and rent commitments		
Payments due in 2006/2005	**6.1**	2.7
Payments due in subsequent years	**47.7**	11.4
Acquisition commitments	**0.7**	0.9

18. DERIVATIVE CONTRACTS

EUR million	2005	2004
Interest rate derivatives		
Interest rate swaps		
Fair value	**-0.7**	-1.5
Underlying value	**16.5**	26.5
Currency derivatives		
Forward contracts		
Fair value	**-0.9**	1.1
Underlying value	**238.1**	68.1
Options, purchased		
Fair value	**0.0**	0.0
Underlying value	**5.3**	0.0
Options, written		
Fair value	**-0.1**	0.0
Underlying value	**5.3**	0.0

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

The fair value of exchange forward contracts is calculated at the rates at the balance sheet closing date on the basis of cash flow arising from contracts. The fair value of options is based on the market price calculated by the Garman-Kohlhagen option pricing model.

The underlying value of currency derivatives is the euro equivalent of the contracts' currency denominated amount at the balance sheet closing date.

Currency derivatives are used only to hedge the Group's net exposure.

Currency derivatives are included in the financial result at market value.

19. 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 2004.

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.

The change in the number of shares

The Annual General Meeting held on 5 April 2005 decided that the nominal value of each share will be decreased from EUR 2.00 to EUR 0.20 and also that the number of shares be increased from 11,937,301 shares at a ratio of 1:10 – that is, to a total of 119,373,010 shares – without increasing the share capital in order to facilitate trading and improve share liquidity. At the same time, section 4 of the Articles of Association was changed to read: "The nominal value of each share is EUR 0.20."

The number of shares that can be subscribed for with warrants linked to the option schemes approved by the Annual General Meetings on 28 March 2001 and 5 April 2004 was changed in the same ratio as the share capital was increased, so that the total nominal value and the total subscription price of subscribed shares remained unchanged. As a result of the change, each warrant holder is entitled to subscribe ten (10) new shares with one warrant. The new subscription prices for warrants, adjusted with dividend from the year 2004, are as follows:

2001A 1.268 euros
2001B 2.027 euros
2001C 2.476 euros
2004A 6.079 euros

The increase in the number of Nokian Tyres' shares at a ratio of 1:10 without increasing the share capital was entered into the trade register on 15 April 2005. The trading of the split share on the Helsinki Exchanges began on 18 April 2005.

On 31 December 2005, the company's share capital entered into the trade register was EUR 24,199,784 (EUR 21,705,762 in 2004). A total of 120,998,920 (10,852,881 in 2004) company shares had been issued by the end of 2005.

Private offering to institutional investors

On 16 February 2005, the Board of Directors of Nokian Tyres plc decided to receive subscription undertakings related to the private offering contemplated by the company. A deviation was made from the shareholders' pre-emptive subscription right, because the purpose of the share issue was to finance the investments in accordance with the company's investment plan, enhance the company's accelerated growth, maintain the company's liquidity and extend the company's shareholder base.

On 17 February 2005 the Board of Directors decided to discontinue receiving the subscriptions as the offered shares were 2.5-times oversubscribed. Pursuant to the authorisation granted to the Board in the Annual General Meeting of 5 April 2004, the Board decided to increase the company's share capital by a maximum of EUR 2,148,000, or by a total of 1,074,000 shares by arranging a private offering to no more than a hundred institutional investors. The shares were subscribed for by paying a subscription fee of EUR 122 per share. The 1,074,000 shares offered for subscription to investors represented 9.9% of the company's share capital and votes prior to the private offering. Approximately 13% of the shares offered were allocated to Finnish investors and some 87% to international investors.

The share issue was carried out through a so-called book-building process where the institutional investors subscribed for the shares issued by the company in accordance with the subscription undertakings the investors had provided to Nokian Tyres during the subscription undertaking period from 16 February 2005 to 17 February 2005. The share subscription price was determined by means of a book-building process and was therefore based on the market price of the company share

On 22 February 2005, Nokian Tyres plc's Board of Directors announced that it had approved the subscriptions made in the company's share issue. All 1,074,000 shares offered were subscribed for in the share issue. Following to the share issue, the share capital of the Company was increased by the maximum amount of EUR 2,148,000. The increase of the company's share capital was registered in the Finnish Trade Register on 23 February 2005 and the new shares were listed for trading on the Main List of the Helsinki Stock Exchange on 24 February 2005.

Share price development and trading volume in 2005

At the end of 2005, the price of Nokian Tyres' share was EUR 10.65 showing a decrease of 4.7% on the previous year's closing price of EUR 11.18. At its highest, Nokian Tyres' share was quoted at EUR 20.14 (EUR 11.64 in 2004) and EUR 9.70 (EUR 5.60) at its lowest. During the year, a total of 240,284,231 (9,836,256 in 2004) Nokian Tyres' shares were traded on the Helsinki Exchanges. At the end of the year, the market capitalisation of the share capital was EUR 1,288,638,498 (EUR 1,213,352,096 in 2004).

Dividend policy

The dividend policy adopted by the company's Board of Directors is to propose a dividend to the Annual General Meeting 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 profit in dividends.

Board's authorisations

The Annual General Meeting held on 5 April 2005 authorised the Board of Directors to decide upon increasing the share capital on one or more occasions by an issue of new shares and/or convertible bonds. As a result, the share capital of the company can be increased by a maximum of EUR 4 million. A maximum of 2 million new shares can be issued, each bearing a nominal value of EUR 2.00.

The Board of Directors may also deviate from the shareholders pre-emptive subscription right, provided there is a compelling financial reason for the company to do so, as referred to in Chapter 4:2a of the Companies Act, such as corporate acquisitions or other business arrangements. Under the authorisation, the Board of Directors has the right to decide upon the parties who are entitled to subscribe, as well as on the subscription price, terms and conditions of share subscription, and the terms and conditions of convertible bonds. The validity of the authorisation is one year from the date of the decision by the Annual General Meeting. After the Annual General Meeting of 2005, the Board of Directors is not authorised to issue bonds with warrants.

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 loan with warrants directed at personnel and option scheme 2001

The Annual General Meeting of Nokian Tyres in 2001 decided to offer a bond loan with warrants to the personnel of the Nokian Tyres Group and the wholly owned subsidiary of Nokian Tyres plc. The bond loan with warrants amounted to EUR 0.4 million. A total of 10,800 type I bond certificates, 9,600 type II bond certificates 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 bond loan with warrants directed at the personnel of the Nokian Tyres Group on 1 June 2001. The bond loan with warrants was subscribed for by 42% of the entire personnel. A minimum subscription of EUR 53.82 for each subscriber was approved. In addition, a subscription for bond loan with warrants in the amount of EUR 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 I was originally EUR 19.00, for warrants 2001B the trade volume weighted average quotation of the Nokian Tyres plc share on 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 8 April 2005, the subscription price for warrants 2001A is EUR 12.68, warrants 2001B EUR 20.27 and warrants 2001C EUR 24.76.

The share subscription period for warrants 2001A began on 1 March 2003, for warrants 2001B on 1 March 2004 and for warrants 2001C on 1 March 2005, and shall end on 31 March 2007 for all warrants. 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 1,200,000 and the number of shares by a maximum of 600,000.

Bond with warrants 1999 and an incentive scheme fixed to the share price

Bond certificates I and the attached warrants marked 2001A were offered to the subscribers of the 1999 bond loan with warrants provided that the warrant holder returns all his/her old 1999 warrants to the company. The company cancelled a total of 433,800 1999 warrants, which were returned to the Group in the conversion. A total of 42,525 2001A warrants and 41,025 2001B warrants were not returned to the company.

In December 2001, Nokian Tyres plc announced the launch of an incentive scheme based on the company's share price development. The scheme covered those holders of the 1999 warrants who did not exchange their 1999 warrants for the new 2001A warrants.

The new incentive scheme replaced these warrants, after which the 1999 warrants no longer exist. The scheme expired 31 March, 2005.

Bond loan with warrants 2004 directed at personnel

The Annual General Meeting held on April 5, 2004, decided to issue bonds with warrants to the staff 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 to 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–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–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–31 March 2006.

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. The share subscription period for warrants 2004A is 1 March 2006–31 March 2008, for warrants 2004B 1 March 2007–31 March 2009, and 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.

Warrants listed on 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 2005, at their highest, Nokian Tyres' 2001A warrants were quoted at EUR 186.95 (EUR 100.00 in 2004) and EUR 70.07 (EUR 46.00) at their lowest. The highest rate for 2001B warrants was EUR 179.00 (EUR 92.27 in 2004) and the lowest EUR 70.01 (EUR 48.40 in 2004). The highest rate for 2001C warrants was EUR 176.06 and the lowest EUR 51. During the year, a total of 236,380 (203,110 in 2004) Nokian Tyres' 2001A and 2001B warrants were traded on the Helsinki Exchanges.

Management shareholding

On 31 December 2005, Nokian Tyres' Board of Directors and the President and CEO held a total of 10,600 Nokian Tyres' bonds with warrants, and a total of 32,000 bonds with warrants that were not publicly traded in 2005. In addition, Nokian Tyres' Board of Directors held a total of 10,695 Nokian Tyres' shares. The shares and publicly traded bonds with warrants represent 0.1% of the total number of votes.

Share information

ISIN code: FI0009005318
Trading code: NRE1V
Trading lot: ....50 shares
Nominal value: ....EUR 0.20
Currency: ....Euro

Changes in the ownership of shareholders registered under the name of nominee 2005:

January 26

Threadneedle Asset Management Limited (registered in England and Wales No 573204) has informed that it owns a total of 563,595 Nokian Tyres' shares as of January 24, 2005 and its share of Nokian Tyres' share capital and voting rights has increased to 5.193%.

May 2

Threadneedle Asset Management Limited (registered in England and Wales No 573204) has informed that its ownership of Nokian Tyres share capital and voting rights has decreased below 5% on May 28, 2005. Threadneedle Asset Management Limited's share is now 4,924% of Nokian Tyres share capital figure of 119,373,010.

August 16

Fidelity International Limited has informed that its ownership of Nokian Tyres share capital and voting rights has decreased below 5% on August 12, 2005. Fidelity International Limited own a total of 5,739,981 shares which is now 4,78% of Nokian Tyres share capital figure of 120,171,010

November 21

Deutsche Bank AG London has informed on the behalf of Deutsche Bank AG that as at the close of business on 15 November 2005, Deutsche Bank AG, and its subsidiary companies were in possession of 6,390,488 ordinary shares of Nokian Tyres plc to which they had the dispositive rights, representing 5,28% of the company's 120,990,470 outstanding ordinary shares. In addition they informed that as at the close of business on 15 November 2005, Deutsche Bank AG, and its subsidiary companies were in a possession of 6,151,552 ordinary shares on Nokian Tyres plc to which they had the voting rights, representing 5.08% of the company's 120,990,470 outstanding ordinary shares.

SHARE OWNERSHIP BREAKDOWN DECEMBER 30, 2005

Number of shares	Number of shareholders	% of shareholders	shares	% of shares
1–100	5 298	19.80	424 487	0.35
101–1 000	16 270	60.79	7 478 336	6.18
1 001–10 000	4 805	17.95	13 440 846	11.11
10 001–100 000	347	1.30	9 296 236	7.68
100 001–1 000 000	39	0.15	12 146 628	10.04
1 000 001–	6	0.02	78 212 287	64.64
Total	26 765	100	120 998 920	100

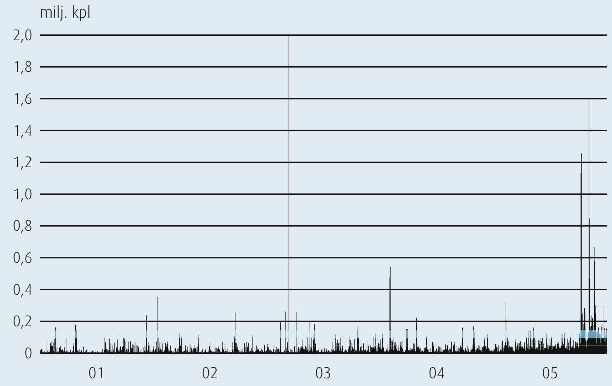
OWNERSHIP BY CATEGORY ON 30 DECEMBER 2005

Foreign shareholders	60.11%
Private individuals	17.76%
Public organisations	9.17%
Financial instititutions	4.70%
Corporations	4.34%
Non-profit organisations	3.92%

MAJOR SHAREHOLDERS ON 30 DECEMBER 2005

	shares	% of shares
1. Bridgestone Europe NV/SA (*	ab. 20 000 000	ab. 16.55
2. Varma Mutual Pension Insurance Company	4 124 250	3.41
3. Ilmarinen Mutual Pension Insurance Company	2 551 700	2.11
4. The Local Government Pension Institute	903 500	0.75
5. Tapiola Mutual Pension Insurance Company	900 000	0.74
6. Etera Mutual Pension Insurance Company	846 950	0.70
7. The State's Pension Institution	650 000	0.54
8. OP-Delta Investment Foundation	644 452	0.53
9. The Finnish Association of Graduates in Economics and Business Administration	500 000	0.41
10. Odin Forvaltnings AS	461 000	0.38
The biggest in total	**31 581 852**	**26.12**
All total	**120 998 920**	

Nokian Tyres' share volumes on the Helsinki Stock Exhange 1 January 2001–31 December 2005



Development Nokian Tyres' share price 1 January 2001–31 December 2005

The Board's Proposal for the Use of Profit

Signatures for the report by the Board of Directors and the Financial Statements, and the Board's proposal for the use of profit

The distributable funds in the shareholders' equity of the Parent Company on 31 December 2005 total 195,645,457.86 euros, which can be distributed as dividends. The distributable funds in the equity of the Group total 255,932,000 euros and do not restrict the profit distribution of the Parent Company. There are 121,091,600 shares entitled to a dividend.

The Board of Directors proposes that a dividend of 0.23 euros (a total of 27,851,068 euros) be paid out for the 2005 fiscal year.

Nokia, 14 February 2006

Henrik Therman **Hannu Penttilä**

Rabbe Grönblom **Mitsuhira Shimazaki**

Satu Heikintalo **Petteri Walldén**

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 2005. 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, 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 Directors 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.

Nokia, 15 February 2006

KPMG OY AB

Matti Sulander
Authorised Public Accountant

Annual General Meeting

The Annual General Meeting of Nokian Tyres plc will be held at Nokian Tyres, Pirkkalaistie 7, Nokia on Thursday 6 April 2006, 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 27 March 2006 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 p.m. on 31 March 2006 either in writing to Nokian Tyres plc, P.O. Box 20, FIN-37101 Nokia, by phone on +358 3 340 7641 or by fax on +358 3 340 7799. Any powers of attorney should be delivered 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 0.23 per share be paid for the financial year 2005. The record date for the dividend payment will be 11 April 2006 and the dividend payment date 20 April 2006, 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 10 May 2006
Interim Report for six months ....on 8 August 2006
Interim Report for nine months .... on 2 November 2006
Financial Statements Bulletin 2006 ....in February 2007
Annual Report 2006 .... in March 2007

Financial reports may be ordered from Nokian Tyres' corporate communications
telephone +358 3 340 7641 or
fax +358 3 340 7799
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 investments analyses in 2005:

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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 and Vice President, Corporate Communications and IR, are the main parties dealing with and answering questions from analysts and investors. The practical matters related to meetings and contacts are handled by the contact persons for investor relations.

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 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 e-mail.

INVESTOR RELATIONS CONTACTS

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Stock Exchange Releases 2005

In 2005, Nokian Tyres published a total of 36 stock exchange releases or announcements. Short summaries of the most significant releases are given below:

November 3;	Interim Report January-September 2005
October 10;	Profits from the third quarter lower than the previous year
September 29;	Nokian Tyres to strengthen its position in the USA
September 23;	Contract agreement signed for expansion of Nokian Tyres' Russian plant
September 22;	Official inauguration of Nokian Tyres' Russian plant
August 11;	Interim Report January-June 2005
June 8;	First Hakkapeliitta tyres produced at Nokian Tyres' plant in Russia
May 13;	Interim Report January-March 2005
April 20;	Nokian Tyres signed a eur 180 million syndicated revolving credit facility
April 6;	Trading in split shares from 18 April 2005
April 5;	Decisions of the Annual General Meeting
February 17;	Nokian Tyres plc share issue to be completed; share subscription price decided
February 16;	Nokian Tyres plc contemplates share issue directed to institutional investors; receipt of subscription undertakings will commence on 16 February 2005
February 11;	Nokian Tyres year 2004
February 8;	Nokian Tyres to strengthen its position in Eastern Europe
February 7;	Vianor tyres chain expading in Russia and in Sweden

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