

RESULT JANUARY- JUNE 2005

August 11<sup>th</sup>

**nokian**  
**TYRES**

*Safest tyres for  
Nordic conditions*



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**Strong growth continued and profitability improved**

				2004	5 year's avg per year
▪ Net sales	295.4 m€	(250.8 m€)	+17.8%	602.2 m€	+13.4%
▪ Operating profit	46.1 m€	(32.8 m€)	+40.8%	108.1 m€	+21.8%
▪ Profit before taxes	47.1 m€	(29.4 m€)	+60.0%	99.9 m€	+26.2%
▪ Net profit	33.3 m€	(22.7m€)	+46.8%	68.9 m€	+24.8%
▪ EPS	0.286 €	(0.212 €)	+38.1%	6.23 €	+23.0%
▪ Equity ratio,%	53.7%	(38.7%)		51.9%	
▪ RONA % (rolling 12 months)	23.6%	(22.0%)		24.6%	
▪ Cash flow II	-103.6 m€	(-21.5 m€)		39.8%	
▪ Gearing %	48.9%	(98.9%)		35.4%	

(H1 2004)

**Tyre markets more challenging with tightened competition**

- growth in European car tyre replacement markets lower than the previous year
- peak season sales of car summer tyres started late in the Nordic countries
- in Russia demand for tyres continued strong
- upward trend in heavy tyre demand strengthened and global shortage of special heavy tyres continued
- active machinery and equipment manufacture boosted forestry tyre demand
- weak demand for new and retreaded truck tyres in the whole Europe
- raw material prices increased 8% in line with the expectations
- tyre industry increased prices on all markets

## **NOKIAN TYRES**

### **Market position strengthened**

- sales increased especially in Russia, the USA, Eastern Europe and Nordic countries
- sales to car dealers increased
- heavy tyre sales hit record numbers
- Vianor tyre chain expanded in Russia and in Sweden

### **Profitability improved**

- good sales mix and new products
- high share of car winter tyres 68.6% (60.0%)
- price increases of own and contract manufactured tyres

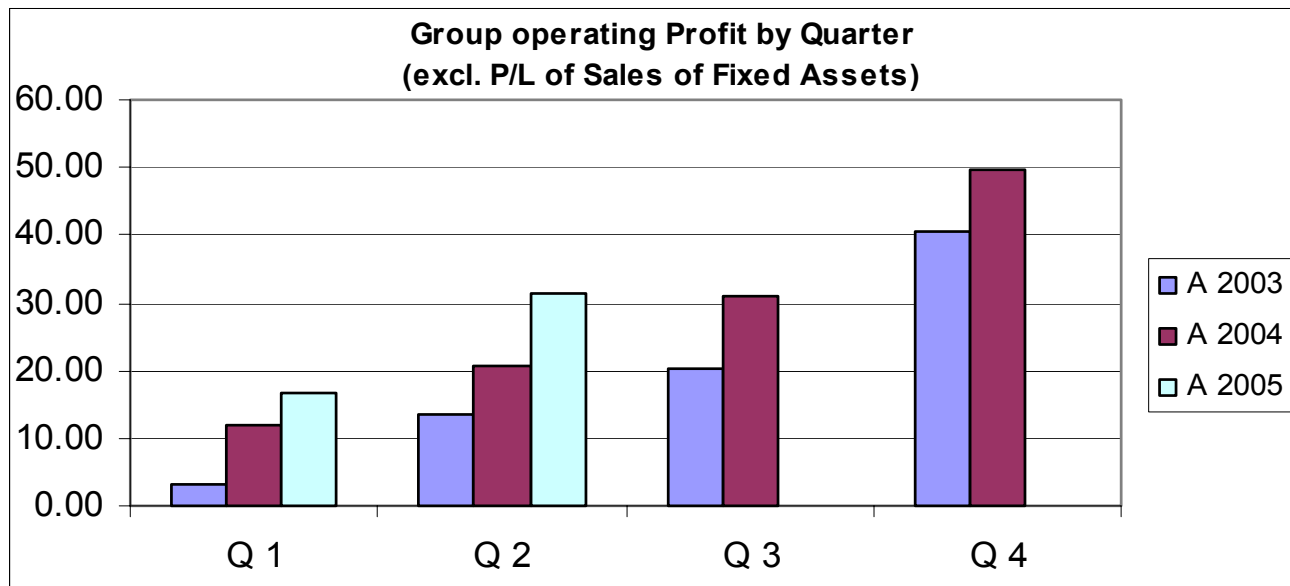
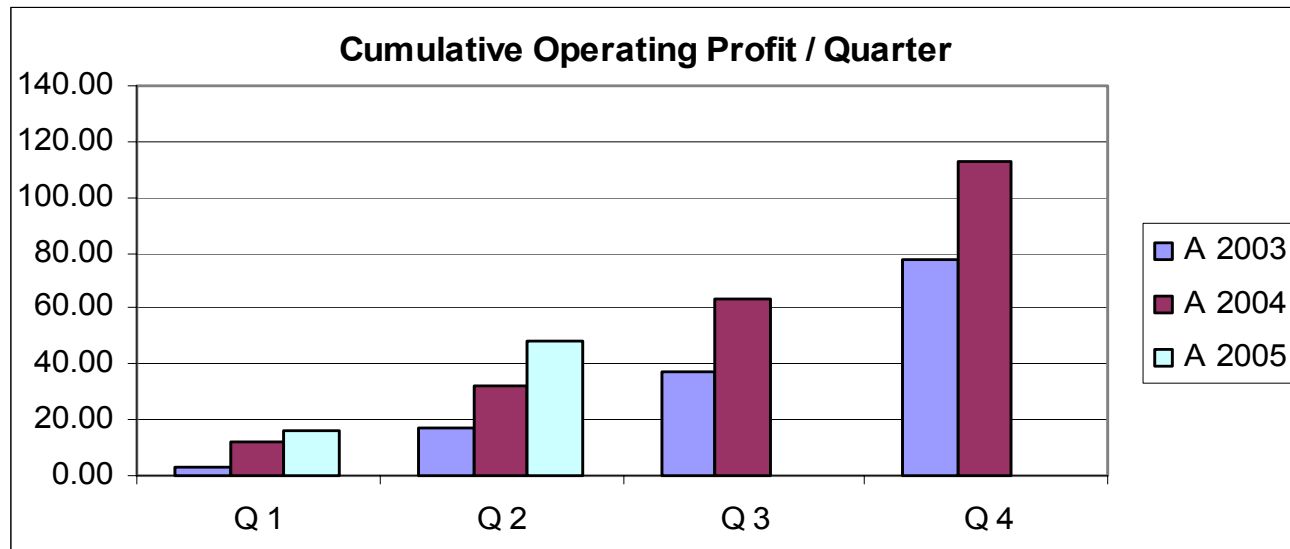
### **Production volumes increased**

- production volumes increased and profitability improved
- contract manufacturing volumes increased

### **Service capacity improved**

- more effective distribution network in Russia and in the USA
- new Vianor outlets and tyre hotels in Russia and Nordic countries
- acquisition of Andel Export-Import enhanced logistics and service in Continental Europe
- new retreading plant in Nurmijärvi, Finland and concentrated operations
- acquisition of AGI Däck AB's truck tyre retreading business in Sweden

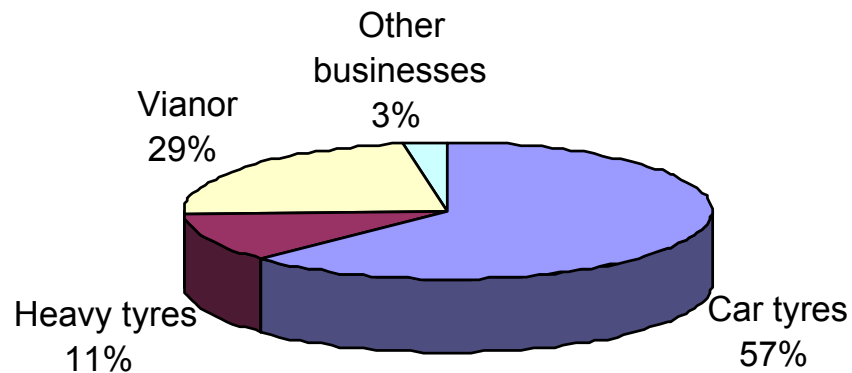
# OPERATING PROFIT PER QUARTER



## NET SALES AND OPERATING PROFIT BY PROFIT CENTER 1-6 2005

Group's net sales H1/2005 295.4 m€; +17.8 %  
Group's operating profit H1/2005 46.1 m€; +40,8 %

### Share of net sales per profit center H1/2005



#### Car tyres

**Net sales 185.2 m€ (148.4)**

Growth 24.9 %

**Operating profit 44.1 m€ (32.3)**

EBIT margin 23.8 (21.8)

#### Heavy tyres

**Net sales 36.3 m€ (28.9 )**

Growth 25.8%

**Operating profit 6.2 m€ (4.5)**

EBIT margin 17.0 (15.7)

#### Vianor

**Net sales 96.3 m€ (93.0 )**

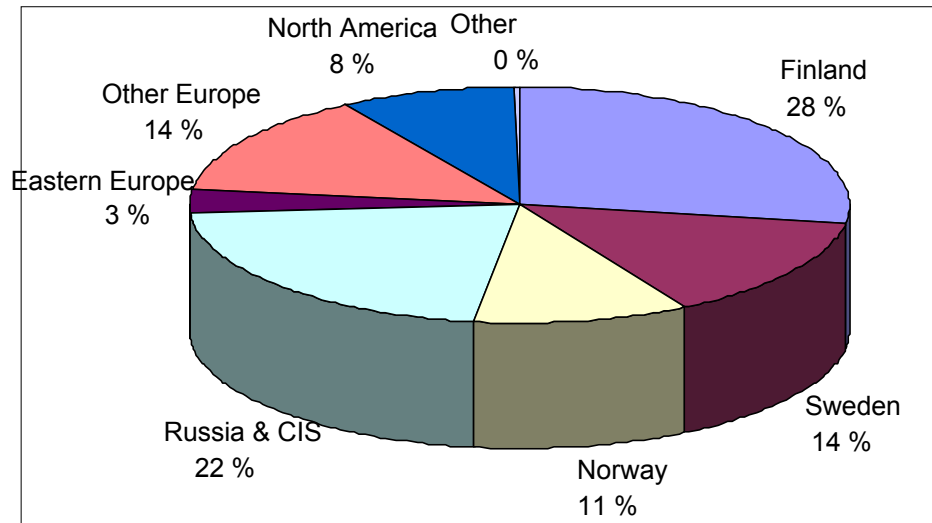
Change 3.5%

**Operating result 0.6 m€ (1.2)**

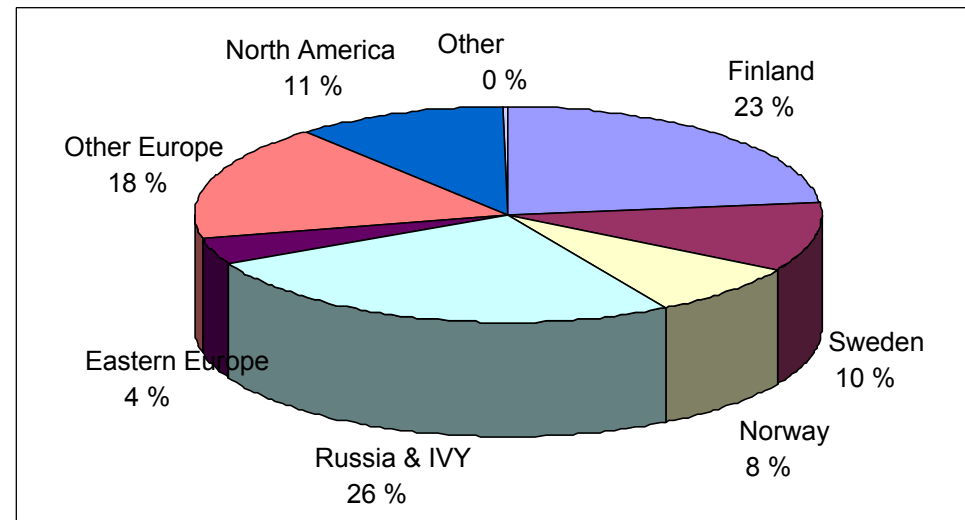
EBIT margin 0.6 (1.3)

(H1 2004)

### Sales of Nokian Tyres group



### Sales of Manufacturing business units



#### Sales increased

-Nordic countries	+8,9%
-Russia and CIS	+98,7%
-Eastern Europe	+6,8%
-North America	+27,5%

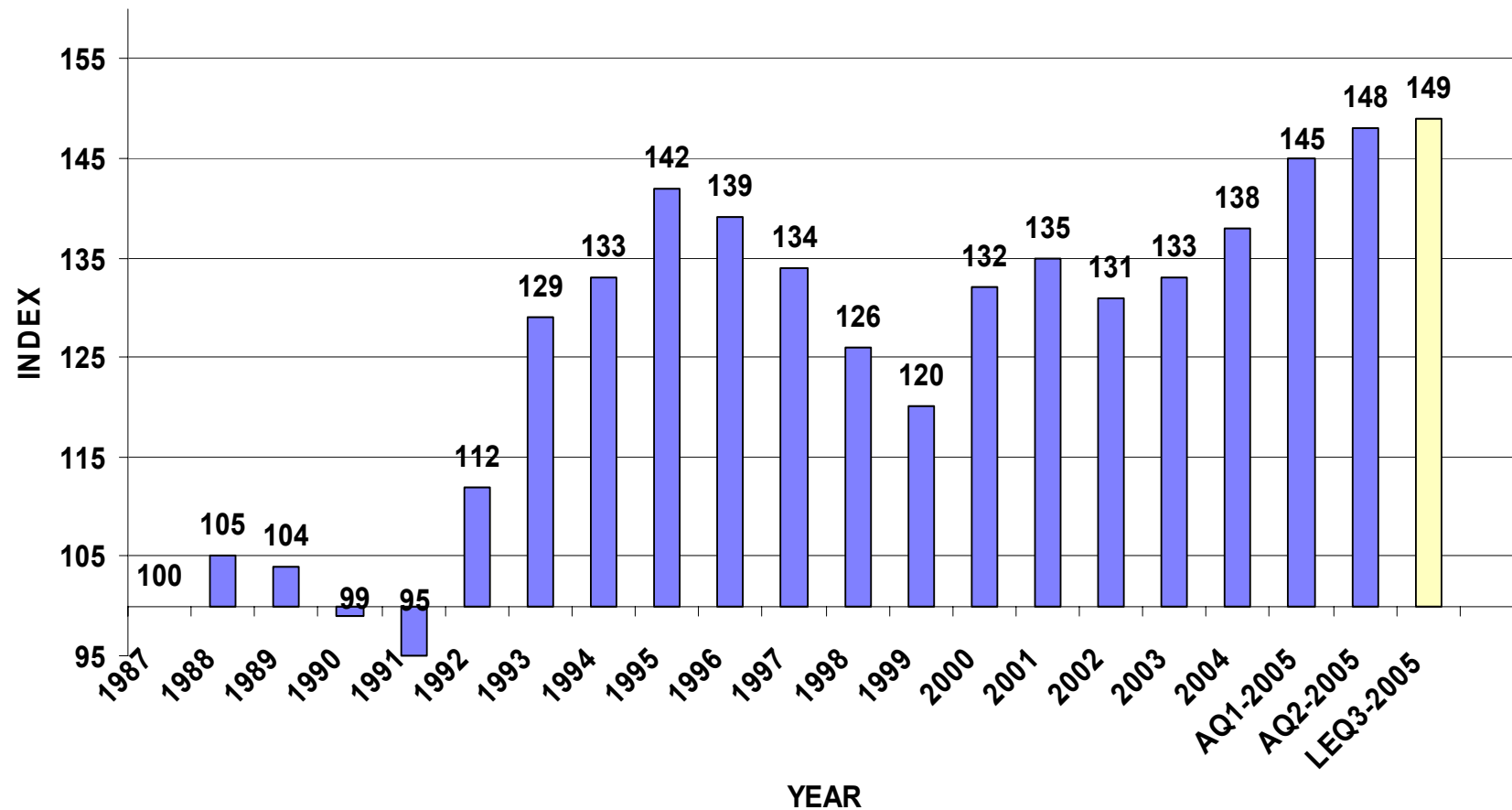
#### Sales increased

-Nordic countries	+7,8%
-Russia and CIS	+98,9%
-Eastern Europe	+1,2%
-North America	+27,5%



# RAW MATERIAL PURCHASE PRICE DEVELOPMENT

INDEX 1987-2005 (1987 = 100)



**CAR TYRES JANUARY- JUNE 2005**

**NET SALES 185.2 m€ (148.4 m€); + 24.9%** (2004: 363.6 m€)

**OPERATING PROFIT 44.1 m€ (32.3 m€)** (2004: 98.5 m€)

**EBIT MARGIN 23.8% (21.8%)** (2004: 27.1%)

- sales increased in Russia, in the USA, Eastern Europe and Nordic countries
- peak season sales of summer tyres concentrated in UHP tyres in Nordic countries
- good sales mix and implemented price increases improved profitability
- share of winter tyres 68.6% (60%)
- sales to car dealers increased
- production volume at Nokia factory increased and productivity (kg/mh) improved
- contract manufacturing volumes according to plan; first tyres manufactured in China
- first Nokian branded run flat winter tyres introduced

**TARGET 2005:**

- strong growth in core markets >15%
- own production approx. 6.5 million tyres
- start-up of own Russian factory and accelerated growth
- growth in Eastern Europe
- clear increase in contract manufacturing >1.5 million tyres



## MAGAZINE TESTS SPRING 2005 – Summer tyres

**nokian**  
**TYRES**

Magazine		Product	Rank	Positive	Critical	Overall
Tekniikan Maailma	FIN	NRVi	2.	Handling and stability	Aquaplaning at curves	"Good choice"
Motor	N	NRVi	2.	Handling and stability	Aquaplaning at curves	"Good choice"
Auto, Motor och Sport	S	NRVi	2.	Handling and stability	Aquaplaning at curves	"Good choice"
Aftonbladet	S	NRVi	2.	Handling and stability	Aquaplaning at curves	"Good choice"
Auto Centre	UKR	NRVi	2.	Handling and stability	Aquaplaning at curves	"Good choice"
Auto Reviu	RUS	NRVi	2.	Handling and stability	Aquaplaning at curves	"Good choice"
Auto, Motor og Sport	N	NRVi	5.	Wet and dry braking, stability,	Steering response	Good allround tyre
Tuulilasi	FIN	NRVi	2.	Handling, stability, silent	Aquaplaning at curves	"Good choice"
Auto Reviu	RUS	Z	3.	Dry handling and dry grip	Aquaplaning	
Teknikens Värld	S	Z	7.	Handling	Braking, aquaplaning	
Bil	N	NRHi	3.	Handling and stability	Aquaplaning	
ADAC (195/65R15)	D	NRHi	4.-10.	Silent tyre	Wet grip, wear	"Recommendable"
Stiftung Warentest (195/65R15)	D	NRHi	1.-10.	Wet braking, dry handling	Wet handling, wear	"Good"
Kuluttaja (195/65R15)	FIN	NRHi	1.-8.	Dry handling, wet braking	Wet handling, wear	"Good"
Vi Bilägare	S	NRHi	2.	Good in all categories	(nothing)	"Best choice"
Za Rulem	RUS	NRHi	2.	Best braking, handling	Comfort	
ADAC (175/65R14)	D	NRT2	1.-3.	Well balanced, wet grip, silent	(nothing)	"Very recommendable"
Stiftung Warentest (175/65R14)	D	NRT2	1.-7.	Wet handling	Comfort	"Good"
Kuluttaja (175/65R14)	FIN	NRT2	1.-5.	Wet handling	Aquaplaning, wet braking	"Good"

**HEAVY TYRES JANUARY- JUNE 2005**

**NET SALES 36.3 m€ (28.9 m€ ); +25.8%; (2004: 59.6 m€)**  
**OPERATING PROFIT 6.2 m€ (4.5 m€ ) (2004: 9.3m€)**  
**EBIT MARGIN 17.0% (15.7%) (2004: 15.7%)**

- active machinery and equipment manufacturing boosted heavy tyre demand
- all time high demand for harbour, mining and earthmoving machinery tyres
- sales increased in all product groups and core markets
- production volumes increased and productivity (kg/mh) improved
- full capacity usage
- improved delivery capacity

**TARGET 2005:**

- full capacity usage
- price increases
- growth in Russia and North America
- increase contract manufacturing



<b>NET SALES 96.3 m€ (93.0 m€) +3.5 %</b>	<b>(2004: 223.9 m€)</b>
<b>OPERATING PROFIT 0.6 m€ (1.2 m€)</b>	<b>(2004: 11.4 m€)</b>
<b>EBIT MARGIN 0.6% (1.3%)</b>	<b>(2004: 5.1%)</b>

- good peak season sale of summer tyres
- wholesales to car dealers and transport business increased
- share of Nokian branded tyres increased in Sweden in particular
- new Vianor outlets and tyre hotels in Sweden and in Russia
- low demand for new and retreaded truck tyres showed sales growth
- lower profits due to higher expenses caused by the acquisitions of new outlets, establishment of new tyre hotels and reorganisation of the retreading business

### **TARGET 2005:**

- growth of approx. 10%
  - tyre hotels
  - new outlets in Sweden – own and partners
  - new outlets in Russia – own and partners
- ⇒ Investment of approx. 20 m€ in 2005-2007 to expand network in Russia, Sweden and Eastern Europe



# VIANOR, June 30, 2005

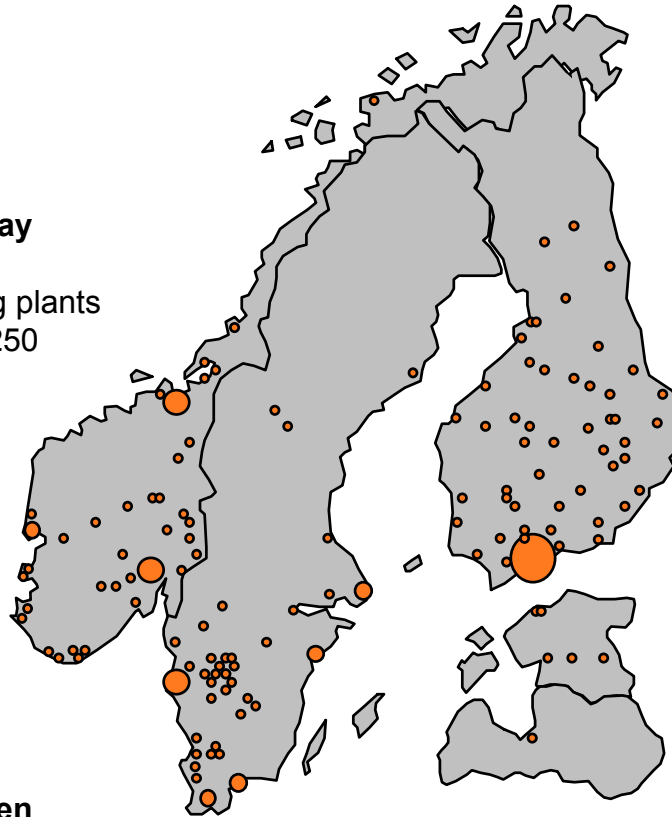


Total approx 180

● over 10 outlets

## Vianor Norway

- 44 outlets
- 2 retreading plants
- personnel 250



## Vianor Finland

- 68 outlets
- 3 retreading plants
- personnel 470

## Vianor Russia

- 9 outlets

## Vianor Estonia

- 6 outlets
- personnel 30

## Vianor Sweden

- 53 outlets
- 1 retrading plant
- personnel 350

## Vianor, Latvia

- 1 outlet
- personnel 4

## VIANOR EXPANSION IN RUSSIA

- 9 established outlets; Moscow, Rostov, St. Petersburg, Novosibirsk
  - 20 outlets to be opened during 2005
  - Planned 2006-2007
- => a total of approx. 100 outlets: Ekateringburg, Neberezhnye, Penza, Perm, Omsk, Tcheljabinsk, Novosibirsk etc.



### RETREADING OPERATIONS AND TRUCK TYRES

Net sales 8.9 m€ (11.5 m€ )

(2004: 31.0 m€)

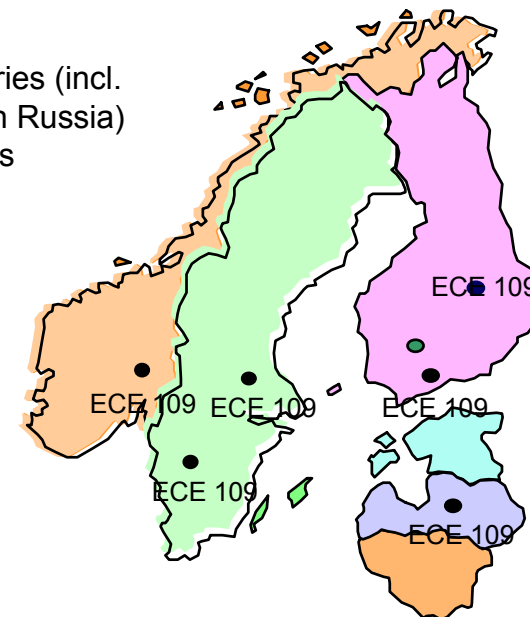
- low demand for new and retreaded truck tyres in Europe
- car tyre retreading business sold to Mc Ripper AB in Sweden
- acquisition of AGI Däck AB's truck retreading business in Sweden
- concentration of tyre retreading in Finland progressed as planned => new retreading plant opened in Nurmijärvi
- truck tyre contract manufacturing started at Bridgestone's factory in Spain
- Council decision to making regulations ECE 109 on retreaded tyres mandatory with EU member states

### TARGET 2005

- growth in Russia and in Sweden
- retreading plant in Moscow
- productivity and capacity usage improvement



- Total 2009
- 8 T&B factories (incl. 2 factories in Russia)
- Nokian Tyres





### ASSUMPTIONS

- strong market growth continues in Russia and Eastern Europe
- demand for car winter tyres and high performance summer tyres continue to increase
- normal winter conditions in Nordic countries with good winter tyre season
- strong demand for heavy special tyres continues
- US dollar remains low against euro
- raw material prices increased approx. 8% during H2

### NOKIAN TYRES

- sales of Russian manufactured tyres will begin in August
- stronger sales and distribution network in Russia and Eastern Europe
- increased production volumes and prices
- target for 2005: to outperform the year 2004 in terms of net sales and profit

## Capex

**Q2/2005**

39.6 m€ (13.2 m€)

**H1/2005**

63.3 m€ (21.0 m€)

**Nokian Tyres' total investments 2005**

**95 m€ (57.8 m€)**

**2005-2007 > 250 m€**

Total investment for the Russian factory

2004-2007 approx. 150 m€

2005 approx. 55 m€

Accelerated timetable

## MAJOR PROJECTS

- Russia
- Vianor expansion
- Own distribution, USA and Eastern Europe
- Production Eastern Europe

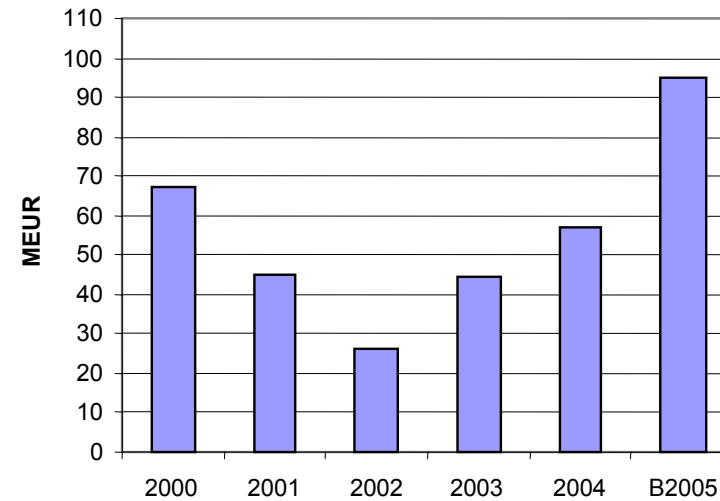
## Production volumes in Russia

2005: start-up 0.1-0.5 million tyres

2006: 1.9 million tyres

2007: 3.1 million tyres

2008: 4.1 million tyres



Sales development in Russia

H1/2005: growth +98.7%



- Sales of new imported cars grew more than 80 % to 225.000 (PriceWaterhouseCoopers)
- 51.000 locally assembled foreign cars were sold (PriceWaterhouseCoopers)
- 163.000 imported second hand cars were sold (PriceWaterhouseCoopers)
- Russian car manufacturers' sales slipped 6% to 505.383 units (ASM-holding)
- Foreign cars accounted for 75% of total sales in monetary terms (PriceWaterhouseCoopers)
- Russian companies' tire output up 12% on the year to 13.2 million units (Federal State Statistics Service)
- Direct foreign investments in Russian doubled to USD 9.3 billion (Central Bank of Russia)
- Russia's GDP grew 5.6% on year (Economic Development and Trade Ministry)

### Project proceeded according to plan:

- production started and first Nokian Hakkapeliitta 4 winter tyres manufactured
- furnishing and finishing work in the factory building completed
- production in 3 shifts in August, ramp up of capacity
  
- mixing house and warehouse; construction work will start in autumn 2005
- the second production line to be installed end 2005 completed
- factory site expansion project started
  
- number of personnel in the end of July 2005: 115



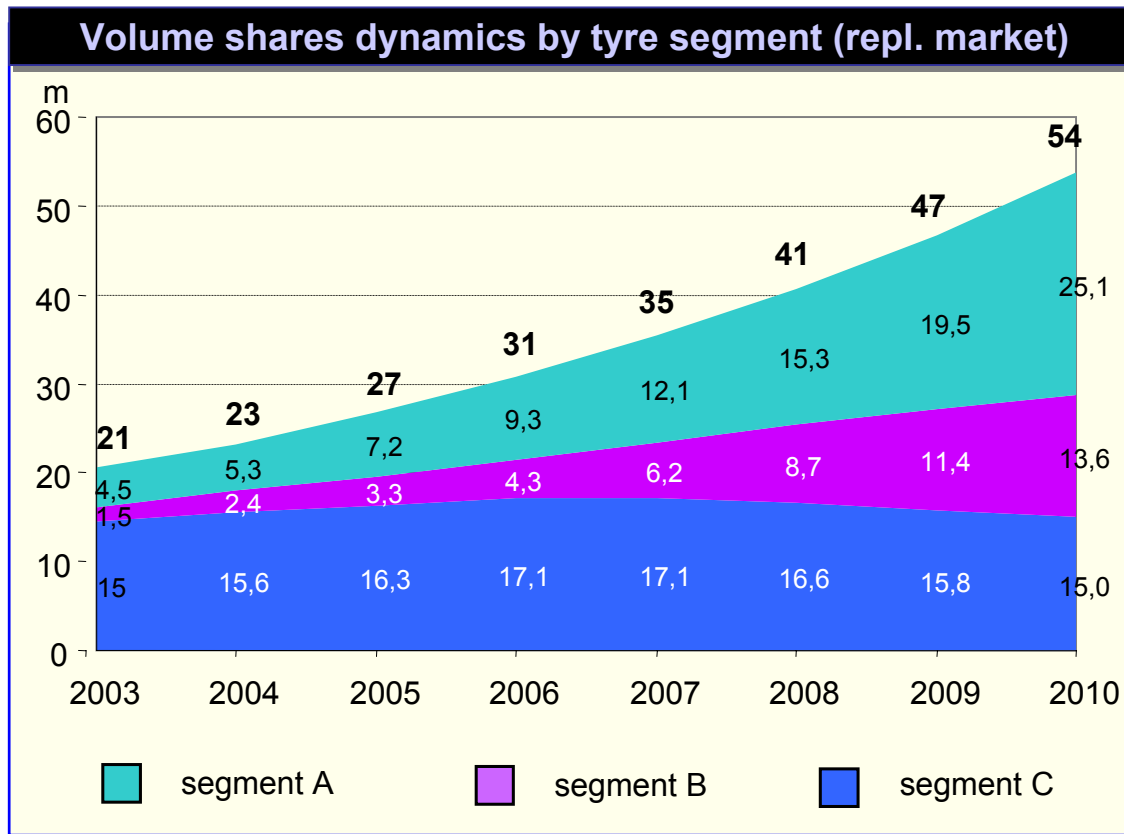


### Benefits compared to production in Finland:

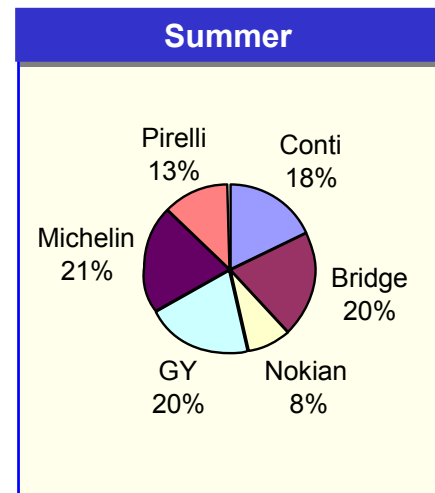
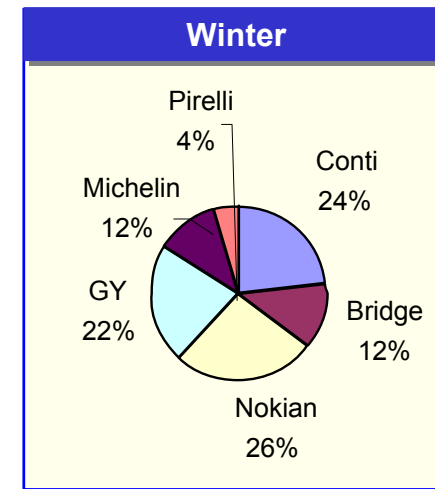
- no import duties => 12-15 euros per tyre
- lower personnel costs  
=> Finland EUR 45.000-50.000 per year  
=> Russia EUR 5.000 per year
- 20-25% lower raw material costs
- 40% lower energy costs
- tax holiday for 10 years
- 4 million tyres=> 80 MEUR/year benefit in favour of Russia



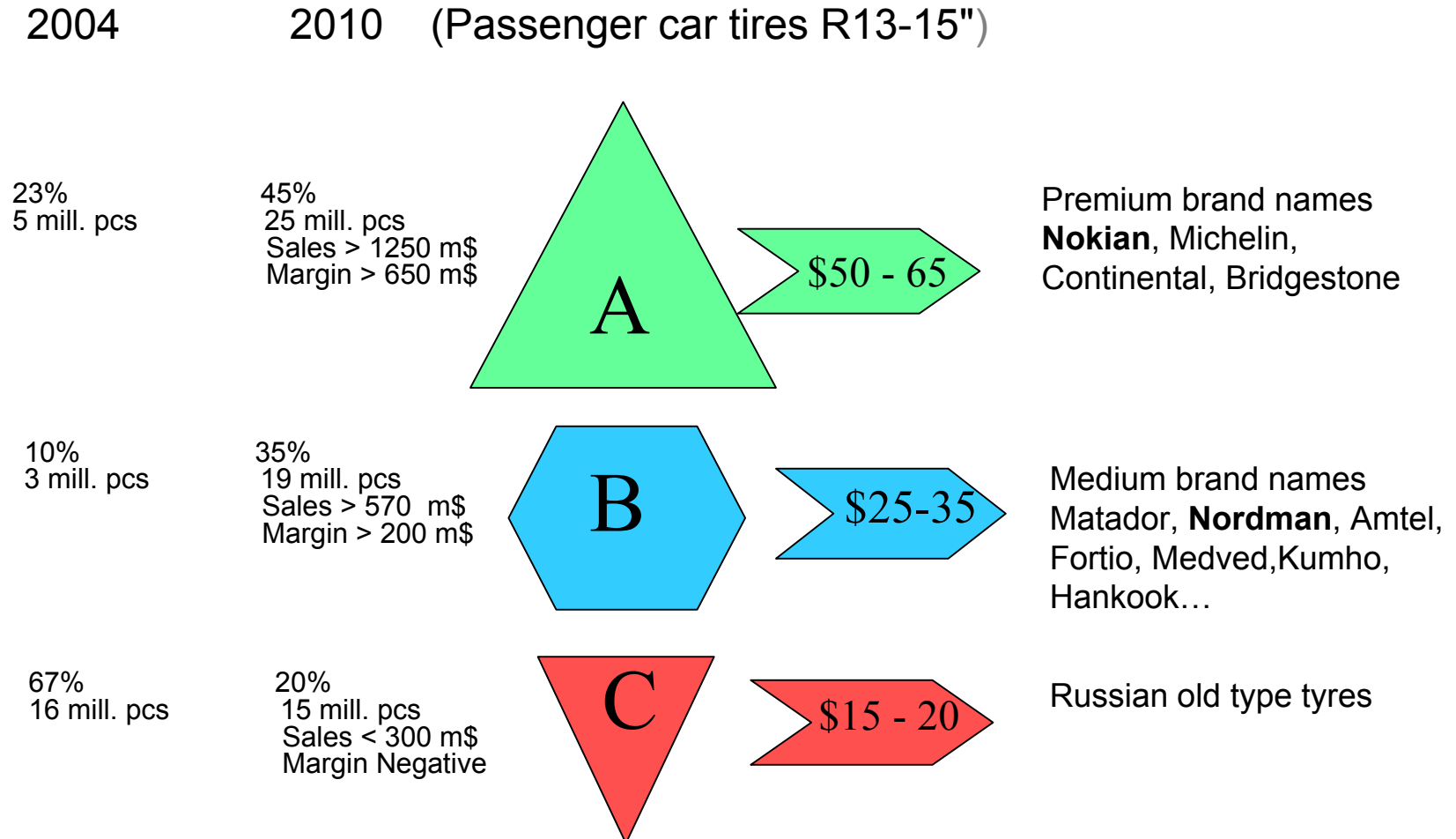
## Replacement car tyre market



## Top performers in A segment



# EXPECTED PRICE SEGMENTATION IN THE FUTURE





## ACTION PLAN 2005

- sales and distribution => sales and logistics center in Czech Republic
- increase of contract manufacturing => Matador 0,3 =>1,5 million tyres
- launch of new products => Nokian W, Nokian NRe
- growth through acquisitions and own production

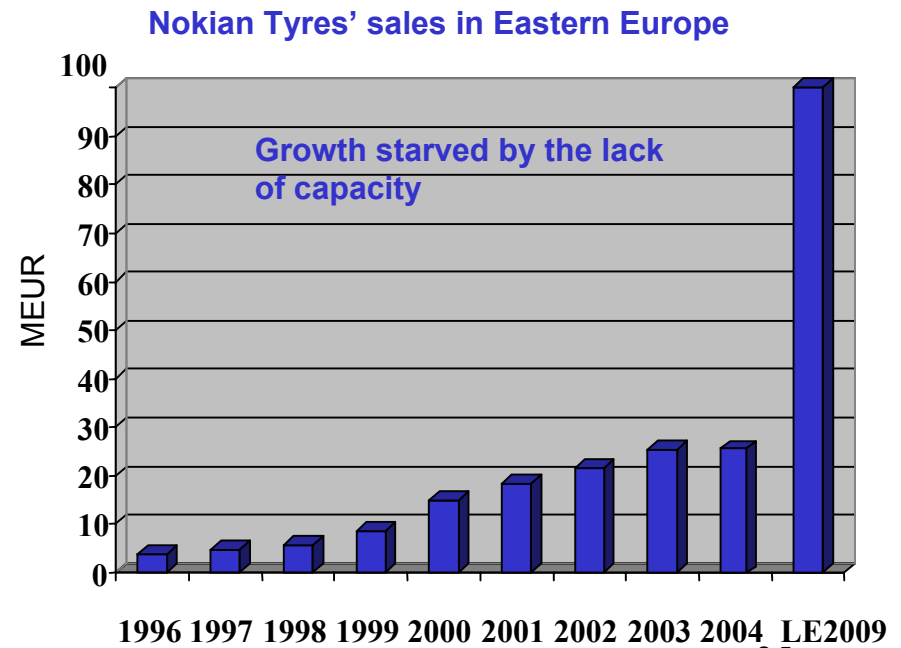
## GROWTH PLAN 2005-2007

### SALES

- strengthen sales organisation and distribution
  - Hungary, Czech Republic, Slovak Republic

### PRODUCTION CAPACITY

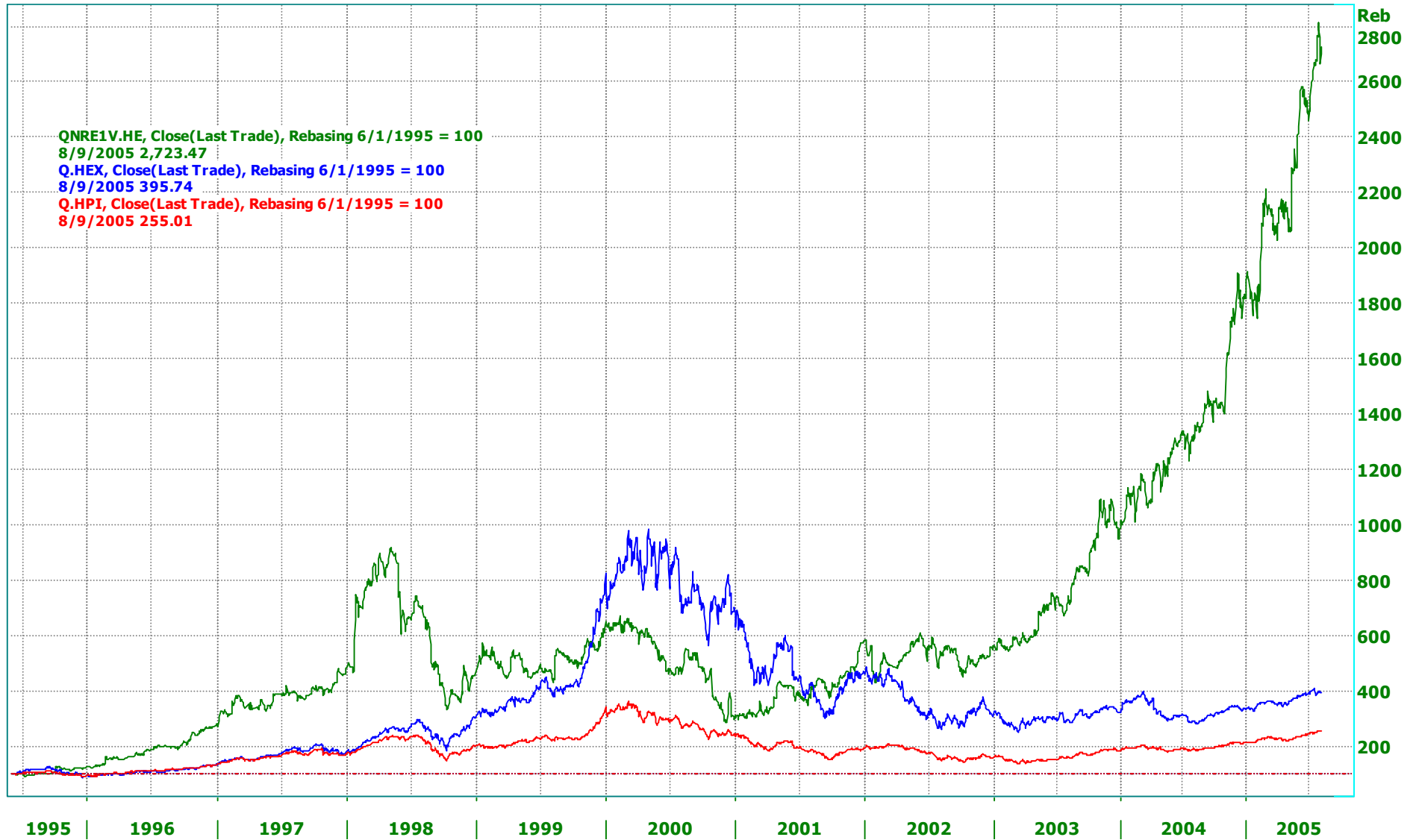
- projects proceed





SHARE PRICE DEVELOPMENT  
THE OWNERS OF NOKIAN TYRES  
KEY NUMBERS

# SHARE PRICE DEVELOPMENT 1.6.1995 – 9.8.2005

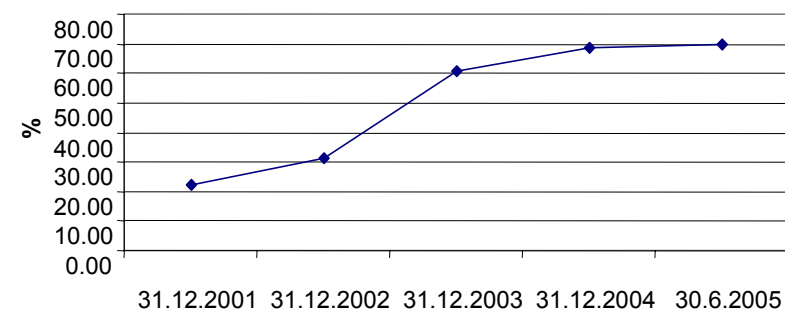


## LARGEST SHAREHOLDERS

Largest Shareholders June 30,2005	Shares	Percentage of shares %
1. Bridgestone Europe NV / SA (*)	20,000,000	16.64%
2. Varma Mutual Pension Insurance Company	3,539,250	2.95%
3. Ilmarinen Mutual Pension Insurance Company	2,743,983	2.28%
4. OP-Delta Investment Foundation	1,207,650	1.00%
5. The Local Government Pension Institution	1,140,400	0.95%
6. Tapiola Mutual Pension Insurance Company	900,000	0.75%
7. Tapiola Mutual Life Insurance Company	749,600	0.62%
8. Eläke-Fennia Mutual Insurance Company	633,000	0.53%
9. The State's Pension Institution	500,000	0.42%
10. Finland Economy Foundation	500,000	0.42%
Biggest owners in total	31913883	26.56%
Total amount of shares, pcs	120,171,010	
Foreign shareholders, incl. Bridgestone 69.66% (30.6.2004 65.77%)		
Option rights, pcs (free)		
2001A 61,645; 2001B 48,040; 2001C 129,500; 2004A+B+C 735,000		

	30.6.2005
Foreign shareholders (*)	69,66
Public organisations	8,55
Private individuals	10,09
Financial institutions	5,6
Non-profit organisations	3,47
Corporations	2,62
(*) includes also shares registered in the name of a nominee	

**Foreign shareholders, includes also shares registered in the name of a nominee**



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

CONSOLIDATED PROFIT AND LOSS ACCOUNT							
Million euros	4-6/05	4-6/04	1-6/05	1-6/04	Last 12 months	1-12/04	
Net sales	166.0	137.9	295.4	250.8	647.9	603.3	
Operating expenses	124.1	108.8	230.3	201.8	479.5	451.0	
Depreciation according to plan	10.3	8.3	18.9	16.2	36.0	33.4	
Operating result before non-recurring items	31.5	20.8	46.1	32.8	132.3	119.0	
Non-recurring items	0.0	0.0	0.0	0.0	-3.4	-3.4	
Operating result	31.5	20.8	46.1	32.8	128.9	115.6	
Financial income and expenses	1.9	-1.1	1.0	-3.3	-8.3	-12.6	
Result before extraordinary items and tax	33.4	19.7	47.1	29.4	120.6	103.0	
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	
Direct tax for the period (1)	9.5	4.0	13.8	6.7	36.2	29.2	
Net result	23.9	15.6	33.3	22.7	84.4	73.8	
Attributable to:							
Equity holders of the parent	23.9	15.6	33.3	22.7	84.4	73.8	
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	
Earnings per share from the profit attributable to equity holders of the parent							
basic, euro (2)	0.200	0.146	0.286	0.212	0.785	0.687	
diluted, euro (2)	0.194	0.141	0.277	0.206	0.761	0.665	
1) Direct tax in the consolidated profit and loss account is based on the taxable profit for the period.							
2) The per-share data include the effect of the share split carried out on 15 April 2005.							

## CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET	30.6.05	30.6.04	31.12.04
Intangible assets	7.5	9.0	9.0
Goodwill	42.2	40.2	40.5
Tangible assets	281.3	226.9	242.3
Investments	1.1	0.7	0.8
Deferred tax assets	10.3	11.3	8.0
Other long term receivables	2.1	2.5	2.8
<b>Total non-current assets</b>	<b>342.5</b>	<b>288.1</b>	<b>303.4</b>
Inventories	134.1	110.0	98.0
Receivables	250.4	125.5	153.1
Cash in hand and at bank	38.1	20.1	23.9
<b>Total current assets</b>	<b>422.7</b>	<b>255.6</b>	<b>275.0</b>
Shareholders' equity	411.4	211.3	268.3
Minority shareholders' interest	0.4	0.0	0.0
Long-term liabilities			
interest bearing	141.3	129.8	131.9
deferred tax liabilities	21.9	20.3	21.1
other non interest bearing	0.7	0.1	0.0
Current liabilities			
interest bearing	98.0	99.3	55.3
non interest bearing	93.7	85.3	101.8
<b>Total assets</b>	<b>767.3</b>	<b>546.2</b>	<b>578.4</b>

## SEGMENT INFORMATION


SEGMENT INFORMATION		4-6/05	4-6/04	1-6/05	1-6/04		1-12/04
Million euros							
Net sales							
Car and van tyres		94.3	75.2	185.2	148.4		364.6
Heavy tyres		19.2	13.7	36.3	28.9		59.6
Vianor		63.1	57.0	96.3	93.0		223.9
Others and eliminations		-10.6	-8.0	-22.5	-19.5		-44.7
Total		166.0	137.9	295.4	250.8		603.3
Operating result							
Car and van tyres		20.7	15.7	44.1	32.3		100.6
Heavy tyres		3.1	1.7	6.2	4.5		9.3
Vianor		7.6	4.6	0.6	1.2		11.4
Others and eliminations		0.2	-1.2	-4.8	-5.2		-5.8
Total		31.5	20.8	46.1	32.8		115.6
Operating result, % of net sales							
Car and van tyres		21.9	20.8	23.8	21.8		27.6
Heavy tyres		15.9	12.6	17.0	15.7		15.7
Vianor		12.0	8.2	0.6	1.3		5.1
Total		19.0	15.1	15.6	13.1		19.2
Cash Flow II							
Car and van tyres		-52.7	7.2	-99.0	-9.8		38.3
Heavy tyres		2.9	4.0	5.2	6.2		12.2
Vianor		-5.9	-2.5	-5.8	-9.8		-6.0
Total		-49.8	2.4	-103.6	-21.5		42.9



## KEY RATIOS

KEY RATIOS		4-6/05	4-6/04	30.6.05	30.6.04		31.12.04
Equity ratio, %				53.7	38.7		46.4
Gearing, %				48.9	98.9		60.9
Shareholders' equity							
per share, euro (2)				3.42	1.97		2.47
Interest bearing net debt,							
mill. euros				201.2	209.0		163.3
Capital expenditures, mill.							
euros				63.3	21.0		57.8
Personnel average				2,901	2,760		2,843
Number of shares (million units)							
at the end of period		120.17	107.36	120.17	107.36		108.53
in average		119.74	107.12	116.38	106.98		107.46
in average, diluted		123.44	110.91	120.22	110.43		110.91
2) The per-share data include the effect of the share split carried out on 15 April 2005.							





*As far as the road  
can take us*