

May 13<sup>th</sup>



Safest tyres  
for Nordic  
conditions

## Net sales increased and profits up compared to previous year

## 5 year's average growth per year

▪ Net sales	129.4 m€	(112.9 m€)	+14.6%	+13.4%
▪ Operating profit	14.6 m€	(11.9 m€)	+22.1%	+21.8%
▪ Profit before taxes	13.7 m€	(9.7 m€)	+40.2%	+26.2%
▪ Net profit	9.4 m€	(7.1 m€)	+33.0%	+24.8%
▪ EPS	0.083 €	(0.066 €)	+25.8%	+23.0%
▪ Equity ratio,%	56.8%	(40.3%)		
▪ RONA % (rolling 12 months)	23.5%	(20.9%)		
▪ Cash flow II	-53.6 m€	(-23.9 m€)	-29.7 m€	
▪ Gearing %	26.0%	(84.6%)		

(Q1 2004)

**Tyre markets more challenging and competitive**

- European car tyre replacement market below previous year's level
- prolonged winter in Nordic countries weakened tyre demand
- summer tyre season peak in Nordic countries delayed to the second quarter
- growth for tyres continued in Russia
- active machinery and equipment manufacture boosted heavy tyre demand
- 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 and Sweden
- sales to car dealers increased
- heavy tyre sales hit record numbers
- Vianor tyre chain expanded in Russia and in Sweden

### **Profitability improved**

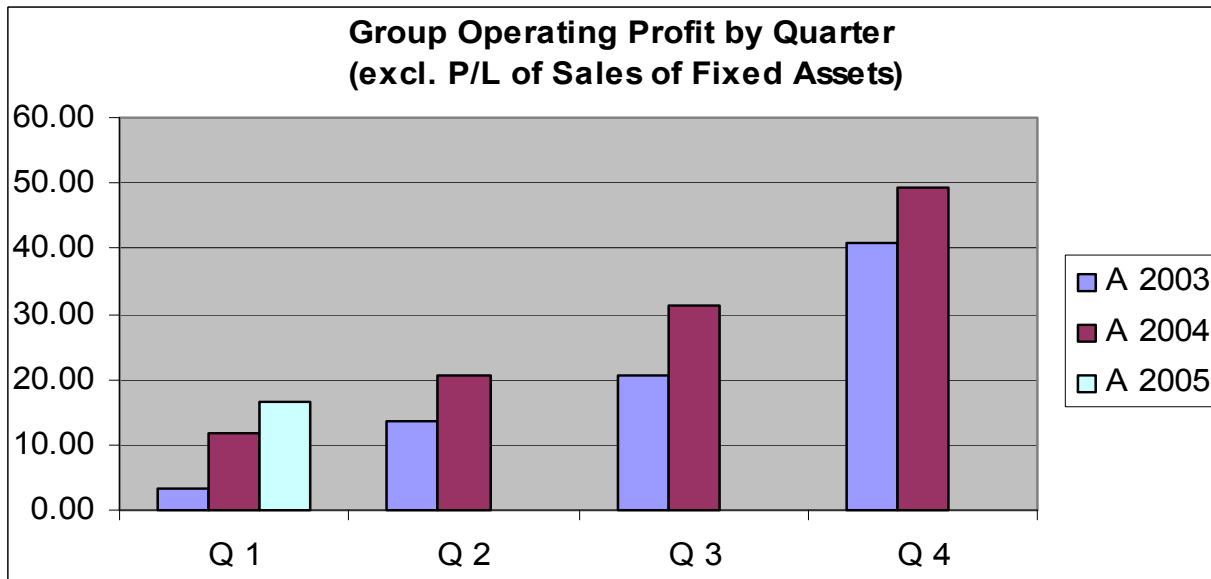
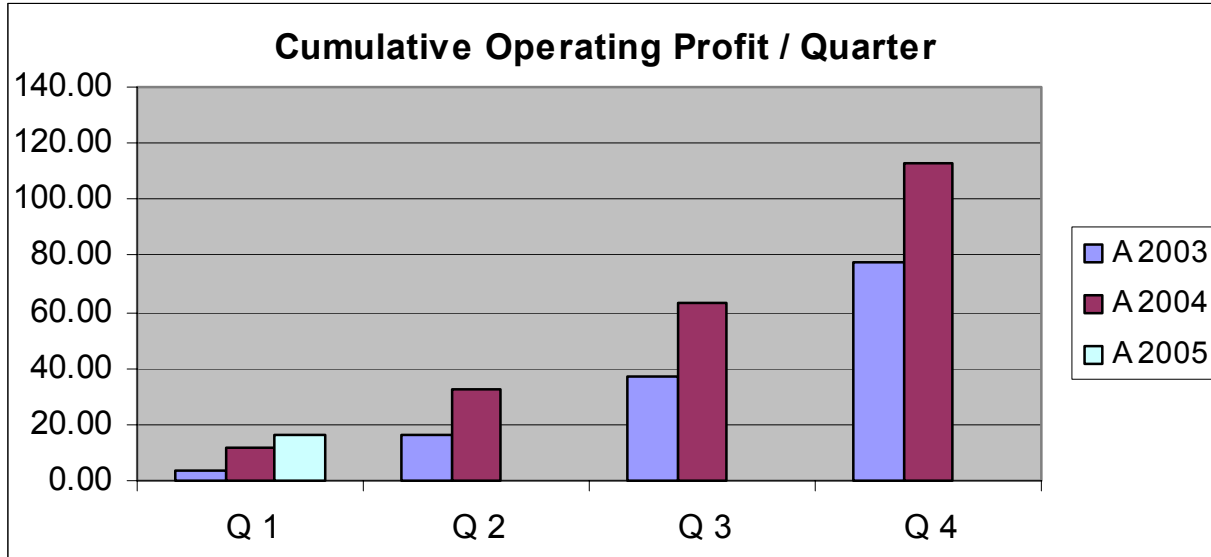
- good sales mix and new products
- high share of car winter tyres 51% -> 55%
- price increases in manufacturing

### **Production volumes increased**

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

### **Service capacity improved**

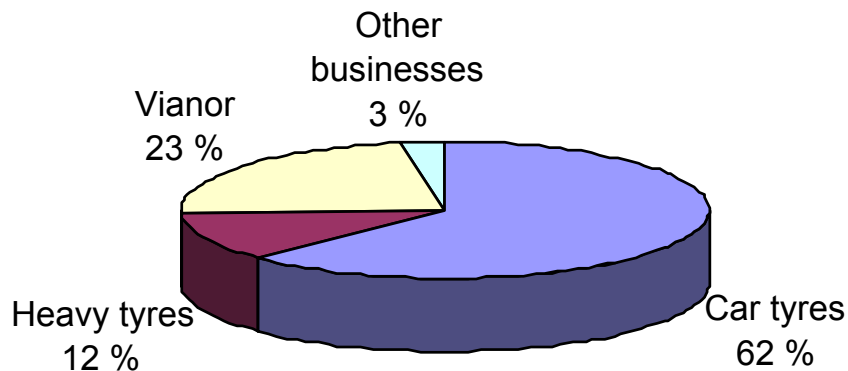
- more effective distribution network in Russia and in the USA
- acquisition of Andel Export-Import enhanced logistics and service in Continental Europe
- new retreading plant in Nurmijärvi, Finland and concentrated operations



Group's net sales Q1/2005 129,4 m€; +14,6 %

Group's operating profit Q1/2005 14,6 m€; +22,1 %

**Share of net sales per profit center Q1/2005**



**Car tyres**

Net sales 90.9 m€ (73.2 m€ )

Growth 24.2 %

Operating profit 23.5 m€ (16.6)

EBIT margin 25.8 (22.7)

**Heavy tyres**

Net sales 17.2 m€ (15.2 m€ )

Growth 13.2%

Operating profit 3.1 m€ (2.8)

EBIT margin 18.1 (18.5)

**Vianor**

Net sales 33.2 m€ (36.0 m€ )

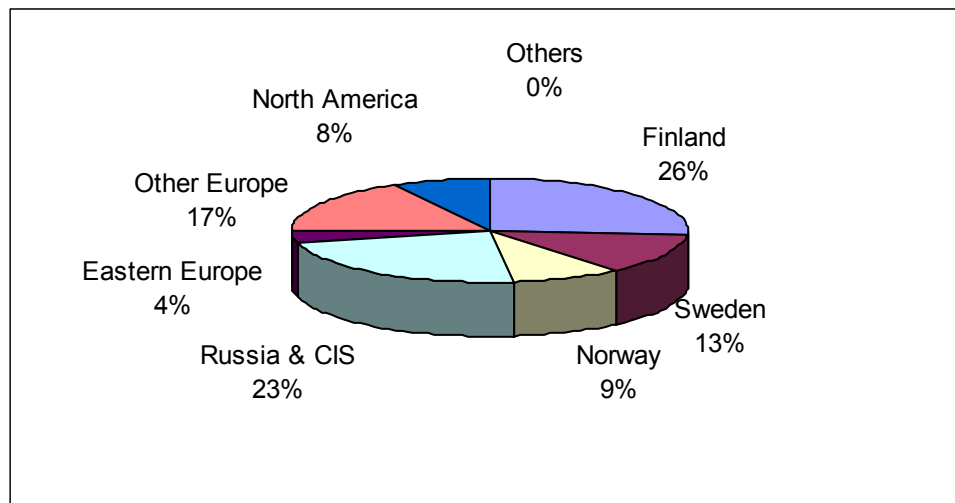
Change – 7.7%

Operating result –7.0 m€ (-3.5)

EBIT margin –21.0 (-9.7)

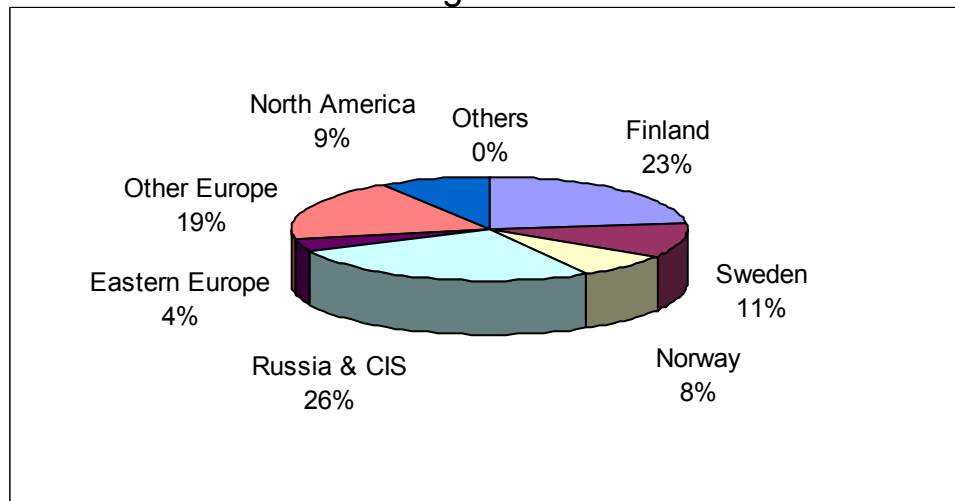
(Q1 2004)

## Sales of Nokian Tyres group



Sales development	
-Nordic countries	-1.3%
-Russia and CIS	+119.2%
-Eastern Europe	+2.3%
-North America	+20.7%

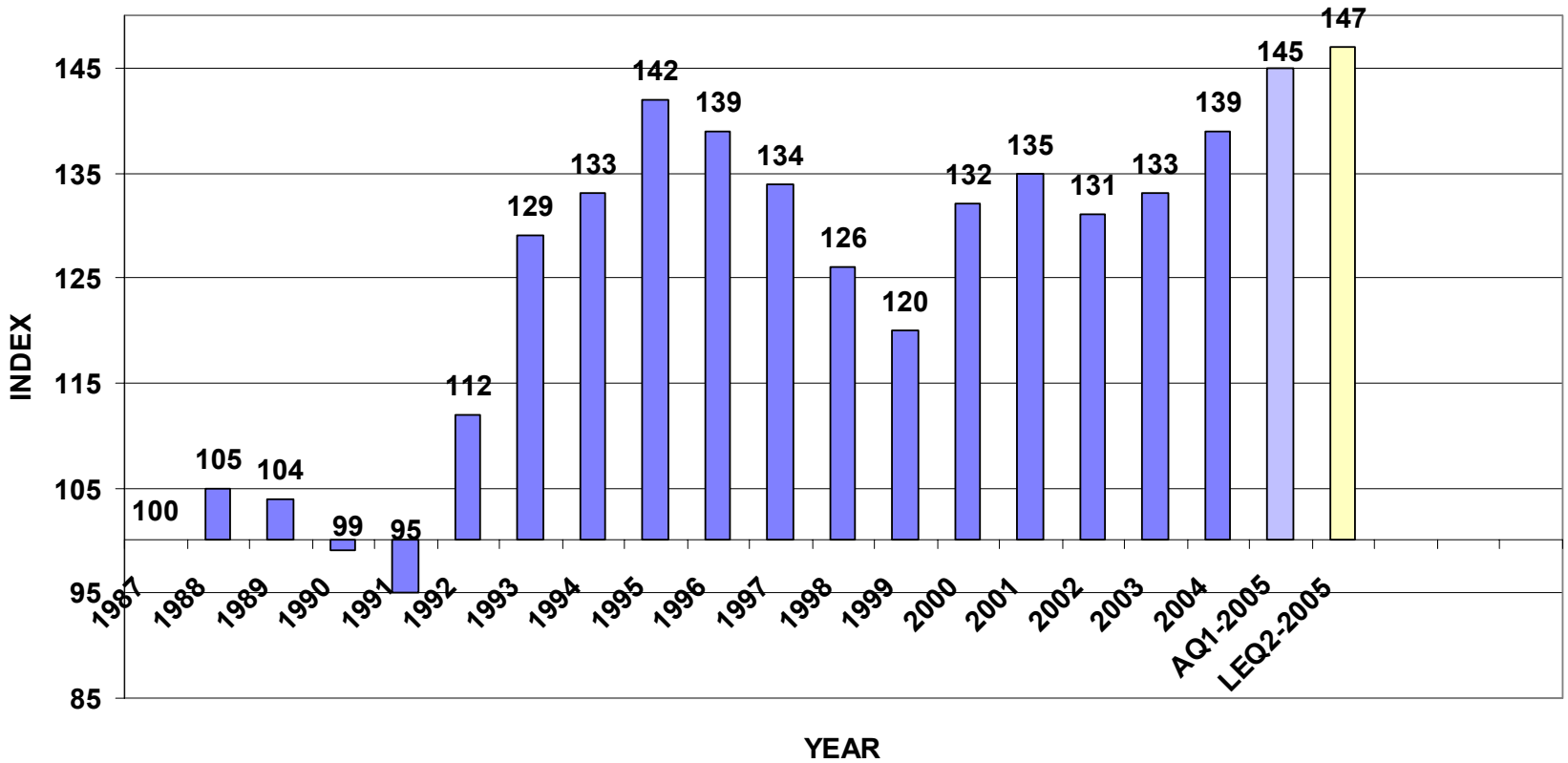
## Sales of Manufacturing units



Sales development	
-Nordic countries	-2.2%
-Russia and CIS	+120.1%
-Eastern Europe	+3.8%
-North America	+20.7%

# RAW MATERIAL PURCHASE PRICE DEVELOPMENT

INDEX 1987-2005 (1987 = 100)





**NET SALES 90.9 m€ (73.2 m€); + 24.2%** (2004: 363.6 m€)  
**OPERATING PROFIT 23.5 m€ (16.6 m€)** (2004: 98.5 m€)  
**EBIT MARGIN 25.8% (22.7%)** (2004: 27.1%)

- sales increased in Russia, in the USA and in Sweden
- good sales mix and implemented price increases improved profitability
- share of winter tyres 55% (51%)
- 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

## 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		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, sSilent	Aquaplaning at curves	"Good choice"
Tuulilasi	RUS	NRVi	2.	Handling, stability, sSilent	Aquaplaning at curves	"Good choice"
Auto Centre	UKR	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 recommendab"
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-MARCH 2005

<b>NET SALES 17.2 m€ (15,2 m€ ); +13.2%;</b>	<b>(2004: 59.6 m€)</b>
<b>OPERATING PROFIT 3.1 m€ (2.8 m€ )</b>	<b>(2004: 9.3m€)</b>
<b>EBIT MARGIN 18.1% (18.5%)</b>	<b>(2004: 15.7%)</b>

- 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

### TARGET 2005

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



**NET SALES 33.2 m€ (36.0 m€) - 7.7%**

**(2004: 223.9 m€)**

**OPERATING PROFIT -7.0 m€ (-3.5 m€)**

**(2004: 11.4 m€)**

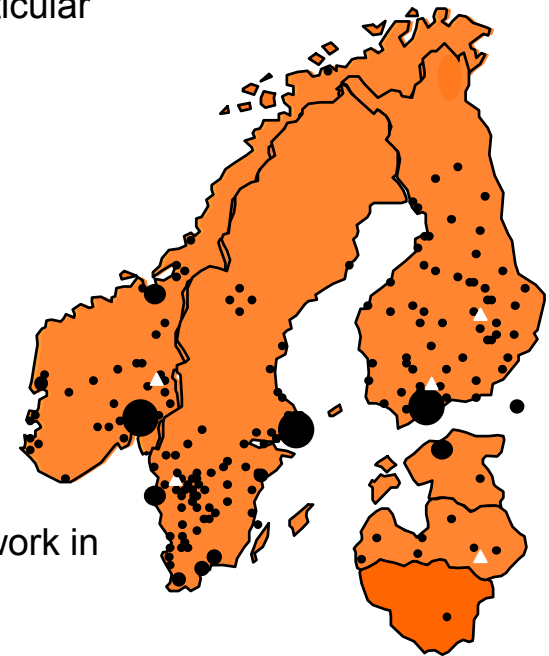
**EBIT MARGIN -21% (-10%)**

**(2004: 5.1%)**

- peak of summer tyre season moved over to Q2
- wholesales to car dealers and transport business increased
- share of Nokian branded tyres increased in Sweden in particular
- new Vianor outlets in Sweden
- Vianor outlets in Moscow, Rostov and St. Petersburg

**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





- Established outlets; Moscow, Rostov, St. Petersburg
  - Outlets to be opened during 2005
  - Planned 2006-2007
- => a total of approx. 30 outlets: Ekateringburg, Neberezhnye, Penza, Perm, Omsk, Tcheljabinsk, Novosibirsk etc.
- own shops
  - partners/franchisees



## RETRADING OPERATIONS AND TRUCK TYRES

Net sales 3.8 m€ (5.6 m€ )

(2004: 31.0 m€)

- demand low as usually in the beginning of the year=> profits generated in the latter half of the year
- car tyre retreading business sold to Mc Ripper AB 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

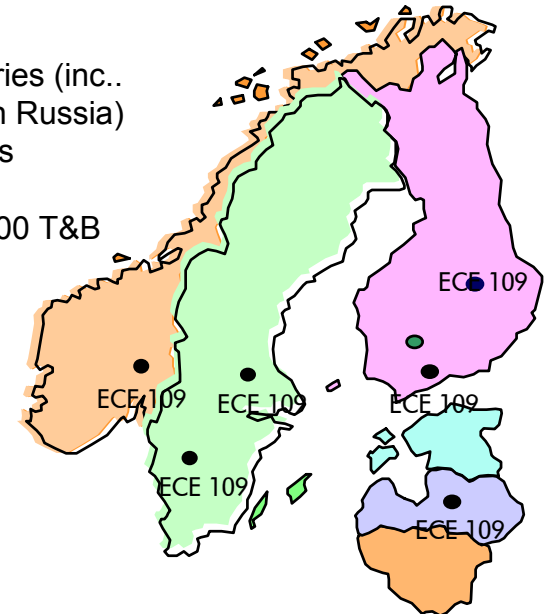
### TARGET 2005

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



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

2009: 188 000 T&B retreads



### ASSUMPTIONS

- strong market growth in Russia and Eastern Europe
- demand for car winter tyres and high performance summer tyres continue to increase
- good summer tyre season
- strong demand for heavy special tyres continues
- US dollar remains low against euro
- raw material prices increased approx 8% during H1

### NOKIAN TYRES

- H1 results better than the previous year
- start-up cost of the Russian factory weakens profits during H1
- profits will concentrate strongly in H2
- positive outlook for the whole year of 2005
- target for 2005: to outperform the year 2004 in terms of net sales and profit

## CAPEX Q1/2005

23.7 m€ (7.9 m€)

**Nokian Tyres' total investments 2005**

**85.0 m€ (57.8 m€)**

**2005-2007 > 250 m€**

Total investment for the Russian factory

2004-2007 approx. 150 m€

2005 approx. 50 m€

Accelerated timetable

## **MAJOR PROJECTS**

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

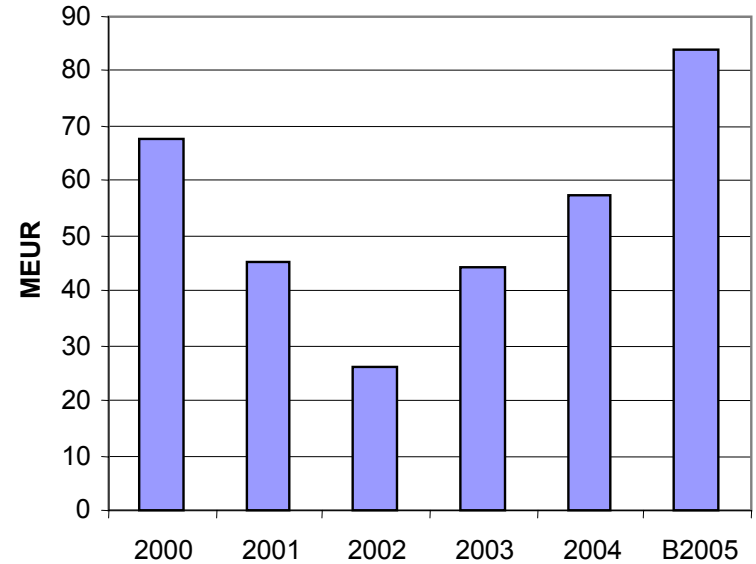
## **Production volumes in Russia**

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

Q1/2005: growth +119.2%



## Project proceeded according to plan:

- furnishing and finishing work in the factory building going on
- majority of the machinery and equipment installations for the first production line completed
- testing of equipment and machinery going on
- plans to build the mixing house 2006 completed
- majority of the purchases for the second production line to be installed end 2005 completed
- factory site expansion project started
- personnel recruitments continue
- training programs for the personnel at the Nokia factory going on



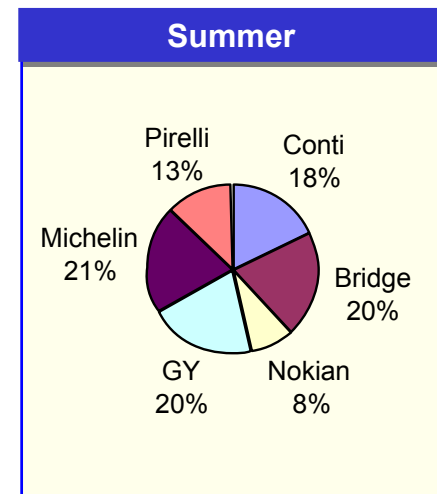
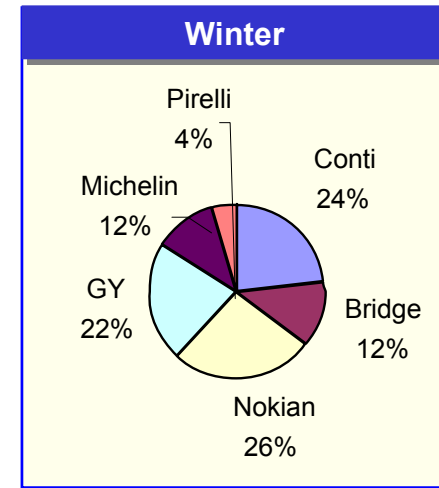
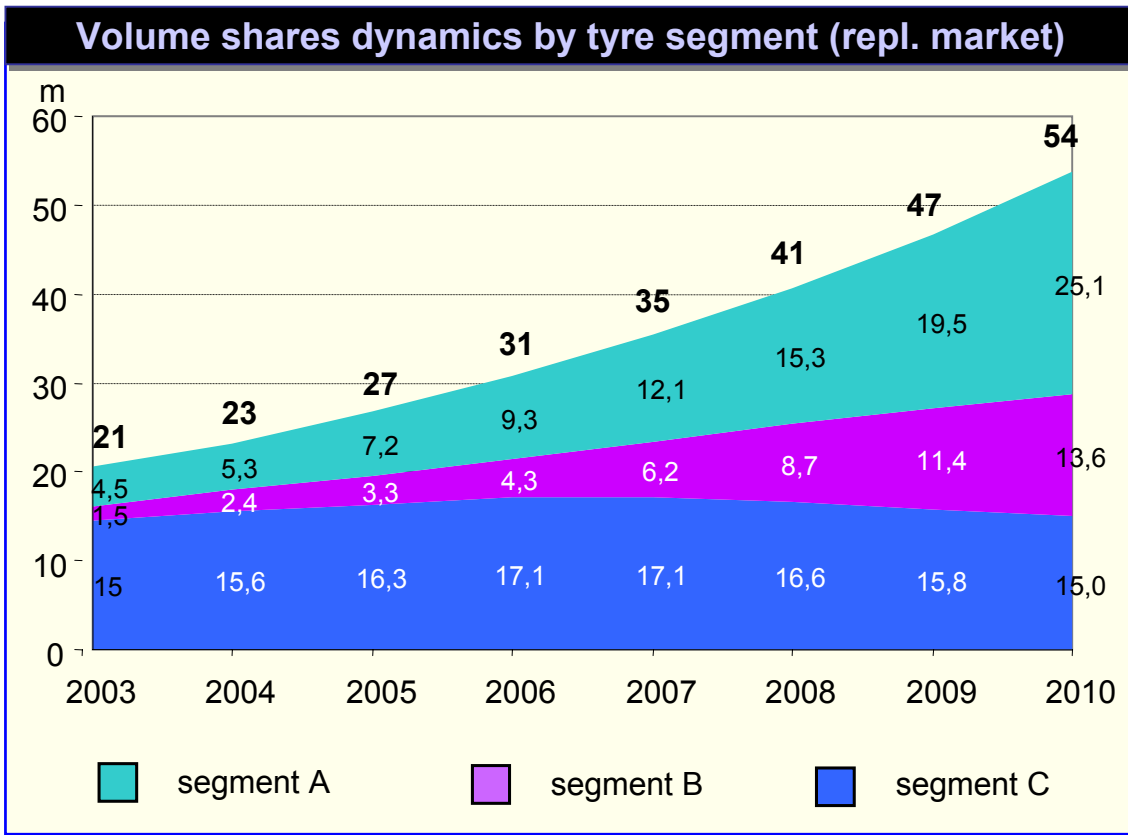
## Benefits compared to production in Finland:

- no import duties => 12-15 euros per tyre
- lower personnel costs  
=> Finland EUR 45.000-50.000 per year  
=> Russia EUR 3.000 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



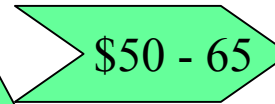
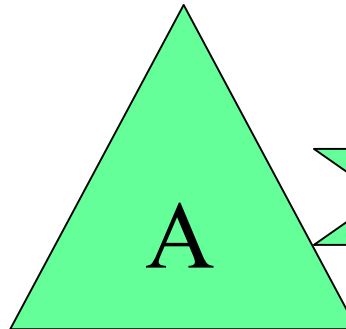
# EXPECTED PRICE SEGMENTATION IN THE FUTURE

2004

2010 (Passenger car tires R13-15")

23 %  
5 mill. pcs  
m\$  
m\$

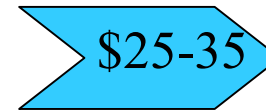
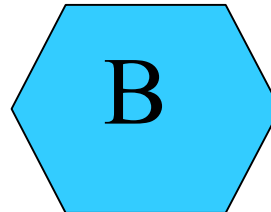
45%  
25 mill. pcs  
Sales >1250  
Margin >650



Premium brand names  
**Nokian**, Michelin,  
Continental, Bridgestone

10 %  
3 mill. pcs  
m\$

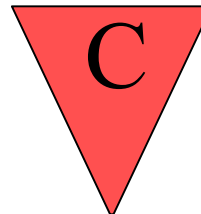
35 %  
19 mill. pcs  
Sales >570 m\$  
Margin >200



Medium brand names  
Matador, **Nordman**, Amtel,  
Fortio, Medved, Kumho,  
Hankook...

67 %  
16 mill. pcs  
Negative

20 %  
15 mill. pcs  
Sales < 300 m\$  
Margin



Russian old type tyres

# EASTERN EUROPE UPDATE

## 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

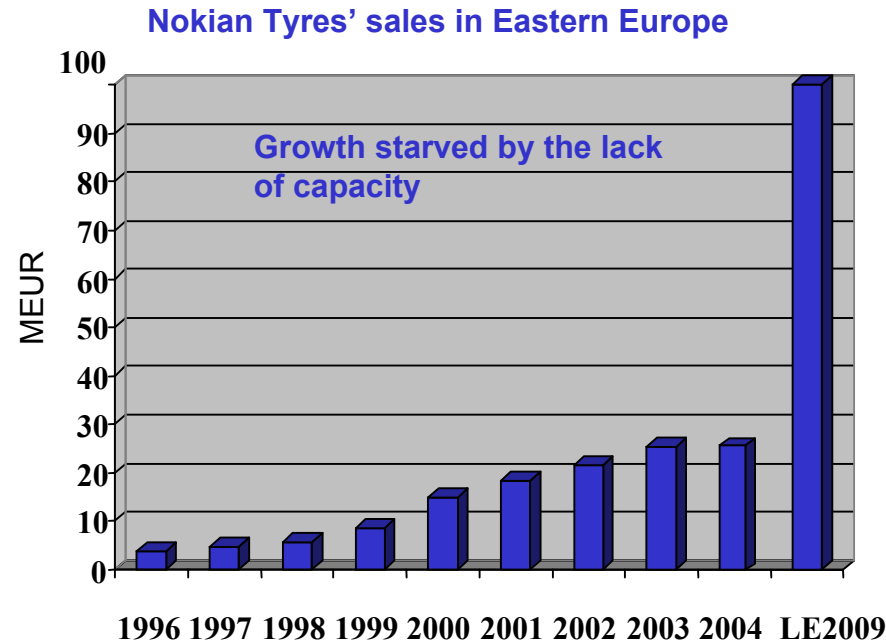
## GROWTH PLAN 2005-2007

### SALES

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

### PRODUCTION CAPACITY

- alternative projects pending



SHARE PRICE DEVELOPMENT  
THE OWNERS OF NOKIAN TYRES  
KEY NUMBERS

# SHARE PRICE DEVELOPMENT 1.6.1995 –29.4.2005





## LARGEST SHAREHOLDERS

Largest Shareholders April 29th, 2005	Shares	Percentage of shares %
1. Bridgestone Europe NV / SA (*)	20,000,000	16.75%
2. Varma Mutual Pension Insurance Company	3,539,250	2.96%
3. Ilmarinen Mutual Pension Insurance Company	3,088,000	2.59%
4. The Local Government Pension Institution	1,065,400	0.89%
5. OP-Delta Investment Foundation	1,054,500	0.88%
6. Tapiola Mutual Pension Insurance Company	900,000	0.75%
7. Tapiola Mutual Life Insurance Company	846,600	0.71%
8. Eläke-Fennia Mutual Insurance Company	731,180	0.61%
9. The Finnish Cultural Foundation	706,000	0.59%
10. The State's Pension Institution	500,000	0.42%
10. Finland Economy Foundation	500,000	0.42%
Biggest owners in total	32930930	27.59%
Total amount of shares, pcs	119,373,010	
Foreign shareholders, incl. Bridgestone 70.69% (63.70% 30.4.2004)		
Option rights, pcs (free)		
2001A 68,465; 2001B 58,550; 2001C 192,000; 2004A+B+C 735,000		

Share ownership by shareholder category	March 31st 2005
Foreign shareholders (*)	70.69%
Public organisations	8.60%
Private individuals	8.75%
Financial institutions	5.55%
Non-profit organisations	3.76%
Corporations	2.64%

(\* includes also shares registered in the name of a nominee)

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

CONSOLIDATED PROFIT AND LOSS ACCOUNT						
Million euros	1-3/05	1-3/04	Last 12 months	1-12/04		Change %
Net sales	129.4	112.9	619.8	603.3		14.6
Operating expenses	106.2	93.0	464.2	451.0		14.2
Depreciation according to plan	8.6	8.0	34.0	33.4		8.0
Operating result before non-recurring items	14.6	11.9	121.7	119.0		22.1
Non-recurring items	0.0	0.0	-3.4	-3.4		
Operating result	14.6	11.9	118.3	115.6		22.1
Financial income and expenses	-1.0	-2.2	-11.4	-12.6		57.1
Result before extraordinary items and tax	13.7	9.7	106.9	103.0		40.2
Extraordinary items	0.0	0.0	0.0	0.0		
Direct tax for the period (1)	4.3	2.7	30.8	29.2		59.8
Profit applicable to minority shareholders	0.0	0.0	0.0	0.0		
Net result	9.4	7.1	76.1	73.8		32.9
1) Direct tax in the consolidated profit and loss account is based on the taxable profit for the period.						

# SEGMENT INFORMATION

SEGMENT INFORMATION	1-3/05	1-3/04		1-12/04		Change %
Million euros						
Net sales						
Car and van tyres	90.9	73.2		364.6		24.2
Heavy tyres	17.2	15.2		59.6		13.2
Vianor	33.2	36.0		223.9		-7.7
Others and eliminations	-11.9	-11.5		-44.7		-3.5
Total	129.4	112.9		603.3		14.6
Operating result						
Car and van tyres	23.5	16.6		100.6		41.3
Heavy tyres	3.1	2.8		9.3		10.8
Vianor	-7.0	-3.5		11.4		-100.1
Others and eliminations	-5.0	-4.0		-5.8		-24.8
Total	14.6	11.9		115.6		22.4
Operating result, % of net sales						
Car and van tyres	25.8	22.7		27.6		
Heavy tyres	18.1	18.5		15.7		
Vianor	-21.0	-9.7		5.1		
Total	11.3	10.6		19.2		
Cash Flow II						
Car and van tyres	-46.3	-16.9		38.3		-173.5
Heavy tyres	2.4	2.2		12.2		4.8
Vianor	0.3	-7.3		-6.0		104.2
Total	-53.6	-23.9		42.9		-124.4

# CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET	31.3.05	31.3.04		31.12.04
Intangible assets	7.5	9.0		9.0
Goodwill	41.7	40.2		40.5
Tangible assets	257.9	221.8		242.3
Investments	2.8	0.7		0.8
Deferred tax assets	10.4	10.0		8.0
Other long term receivables	2.5	4.0		2.8
Total non-current assets	320.2	281.6		303.4
Inventories	124.3	105.5		98.0
Receivables	194.7	116.2		153.1
Cash in hand and at bank	77.3	17.6		23.9
Total current assets	396.2	239.3		275.0
Shareholders' equity	408.5	211.6		268.3
Minority shareholders' interest	0.0	0.0		0.0
Long-term liabilities				
interest bearing	120.0	136.8		131.9
deferred tax liabilities	21.4	22.5		21.1
other non interest bearing	0.0	0.0		0.0
Current liabilities				
interest bearing	63.5	59.8		55.3
non interest bearing	105.5	94.2		101.8
Total assets	718.9	524.9		578.4

## KEY RATIOS

KEY RATIOS	31.3.05	31.3.04	Last 12 months	31.12.04		Change %
Earnings per share, euro (2)	0.083	0.066	0.708	0.687		25.6
Earnings per share, diluted, euro (2)	0.081	0.064	0.686	0.665		26.0
Equity ratio, %	56.8	40.3		46.4		
Gearing, %	26.0	84.6		60.9		
Shareholders' equity per share, euro (2)	3.42	1.98		2.47		72.8
Interest bearing net debt, mill. euros	106.2	179.0		163.3		
Capital expenditures, mill. euros	23.7	7.9		57.8		
Personnel average	2,801	2,742		2,843		
Number of shares (million units) at the end of period	119.37	106.84		108.53		
in average	112.99	106.83		107.46		
in average, diluted	116.38	110.39		110.91		
2) The per-share data include the effect of the share split carried out on 15 April 2005.						



Safety  
driving!