

Nokian Tyres plc Stock Exchange Bulletin 6 August 2004 at 8:00 a.m.

INTERIM REPORT FOR NOKIAN TYRES PLC JANUARY-JUNE 2004

Group's net sales and operating profit increased clearly during Q2 and in the entire review period. All profit centres improved their results. EPS were up to EUR 1.70 (EUR 0.78 January-June 2003). Net sales increased by 18.9% to EUR 250.8 million (EUR 210.9 million). Operating profit was EUR 29.5 million (EUR 16.7 million). The target for 2004 is to outperform the year 2003 in terms of net sales and profit.

GENERAL

The situation in Nokian Tyres' main markets and core products continued favourably throughout the period under review. The demand for high-speed summer and winter tyres increased. Heavy tyres, especially forestry tyres and special tractor tyres, sold clearly better than the year before. In addition the retreading of truck tyres increased in the Nordic countries. The strongest growth areas were the Nordic countries, Russia, Eastern Europe and the USA. Sales of new cars continued to grow in Finland and in Norway boosting the demand for tyres.

Raw material prices increased from the previous year, and tyre manufacturers raised their prices. The low value of the dollar still had a negative effect on the sales profitability of imported tyres in the USA.

Nokian Tyres' sales growth continued strong during the whole period under review, with market shares improving especially in the Nordic countries and Russia. Sales of high-speed summer tyres and winter tyres increased remarkably from the previous year. Sales growth was fastest in the Nordic countries, Russia and the USA. In the Nordic countries, sales to the car dealers increased considerably.

Sales focused on passenger car tyres and other special products with high profit margins. The product range included many novelties, which, in addition to the implemented price increases, improved profitability. In Vianor tyre chain, the summer season was good and the car summer retail sales were clearly up from the previous year.

Productivity improved and production volumes increased at the Nokia factory. The material costs in the production were higher than a year ago due to the increased raw material prices.

April to June 2004

Nokian Tyres' consolidated net sales were up by 19.8% to EUR 138.0 million (EUR 115.2 million for the corresponding period in 2003). Net sales from the manufacturing increased by 31.6% and was EUR 96.2 million (EUR 73.1 million) and Vianor's net sales by 12.7% and was EUR 57.0 million (EUR 50.6 million).

Fixed costs amounted to EUR 47.6 million (EUR 41.3 million), representing 34.5% (35.8%) of net sales.

The consolidated operating profit improved both in the manufacturing business and in Vianor tyre chain from the corresponding period a year earlier. The Group's operating profit amounted to EUR 18.9 million (EUR 13.5 million). The operating profit from the manufacturing business was EUR 15.6 million (EUR 10.7 million), and Vianor's operating profit before the depreciation of goodwill was EUR 4.7 million (EUR 4.2 million). The depreciation of goodwill amounted to EUR 1.8 million (EUR 1.7 million) and concerned the Vianor tyre chain in its entirety.

Profit before taxes improved to EUR 19.0 million (EUR 11.1 million) including a change in deferred taxes EUR 1.8 million as an extraordinary income due to reduction of the Finnish corporate tax rate. The net profit for the period was EUR 13.5 million (EUR 7.6 million).

January to June 2004

In the period January to June, Nokian Tyres Group booked net sales of EUR 250.8 million (EUR 210.9 million), showing an increase of 18.9% over the corresponding period a year earlier. Net sales from the manufacturing business increased by 29.0% and were EUR 191.1 million (EUR 148.1 million) and Vianor's net sales by 12.8% and were EUR 93.0 million (EUR 82.5 million).

Group's invoicing in the Nordic countries increased by 15.6%, in Russia and other CIS countries by 47.5% and in North America by 50.1%.

The improvement in sales profits could be largely attributed to price increases, an improved sales mix featuring new products and better productivity than in the previous year.

Raw material prices in the manufacturing business increased by 4 % compared to the average prices in the corresponding period a year earlier. Fixed costs increased by EUR 9.2 million, or 11.0%, from the previous year, totalling EUR 93.2 million (EUR 84.0 million). Fixed costs dropped to 37.2% (39.8%) of net sales.

The Group's operating profit improved clearly, amounting to EUR 29.5 million (EUR 16.7 million). Operating profit from the manufacturing business amounted to EUR 34.3 million (EUR 21.6 million), while Vianor's operating profit before the depreciation of goodwill was EUR 1.4 million (EUR -1.0 million). The depreciation of goodwill amounted to EUR 3.6 million (EUR 3.4 million) and concerned the Vianor tyre chain in its entirety.

Net financial expenses decreased to EUR 2.7 million (EUR 4.0 million).

Profit before taxes grew to EUR 28.6 million (EUR 12.8 million). Net profit for the period improved, totalling EUR 20.0 million (EUR 8.2 million). Earnings per share were up to EUR 1.70 (EUR 0.78).

Return on net assets (RONA, rolling 12 months) increased to 22.2% (17.1%).

Income financing after the change in working capital, investments and the disposal of fixed assets (Cash flow II) was EUR -21.0 million (EUR -22.6 million). The equity ratio was 47.8% (42.9%) and included the capital loan booked under shareholders' equity.

The Group employed an average of 2,760 (2,588) people, and 2,834 (2,632) at the end of the period. Meanwhile, Vianor employed 1,242 (1,167) people at the end of the period.

MANUFACTURING

Passenger car tyres

In January to June, the net sales generated from the Nokian passenger car tyre business grew by 30.1% over the previous year and amounted to EUR 148.3 million (EUR 114.0 million). Operating profit improved, totalling EUR 32.4 million (EUR 19.2 million).

The Passenger car tyre unit focused on its strongest markets and core products. The summer tyre season developed as planned, with product novelties and a larger size range clearly boosting the sales of Nokian-branded summer tyres. The company's market share in the Nordic countries grew from 19.7% to 22.7%. The product range featured many novelties that, along with price rises, improved sales profitability.

Pre-season sales of Nokian-branded winter tyres to the distributors were successful, with winter tyres accounting for 60% (54.2%) of the unit's net sales.

The Nordic countries, Russia and the USA showed the strongest growth. In the Nordic countries, sales to the car dealers, in particular, increased considerably.

The new environmentally friendly summer tyre, Nokian NRHi, boosted the company's position as a summer tyre manufacturer in the Nordic countries and especially in Germany. The product attracted increasingly more attention after getting top rankings in many tyre tests performed by trade magazines in the Nordic countries and Central Europe. Other novelties in the review period were the studless winter tyre, Nokian Hakkapeliitta RSi, introduced early this year. Its consumer sales in the Nordic countries, Russia and North America will start in the autumn 2004.

As a result of the investments in production and the productivity-boosting measures, the Nokia plant's production volumes increased and productivity (kg/mh) improved over the previous year. The contract manufacture of low-speed summer tyres increased considerably, improving service to the distributors and freeing up plant capacity for the manufacture of core products. However, the capacity could not meet the increased demand in all markets.

Heavy tyres

The net sales of the Nokian heavy tyres business totalled EUR 30.7 million (EUR 28.5 million), showing an increase of 7.5% over the previous year. Operating profit improved, totalling EUR 3.8 million (EUR 2.7 million).

The demand for heavy special tyres continued high throughout the review period. The original equipment installation of forestry tyres was particularly good thanks to the increased manufacture of forestry machinery. Sales of special tractor tyres, truck tyres and tyres for various industrial machines also increased.

The production volumes at the Nokia plant increased and enhanced capacity usage. The first Nokian-branded agricultural tyres were manufactured as planned at the plant of the new contract manufacturer, Balkrishna Tyres, in India. Other contract manufacturing also proceeded according to plans.

Bicycle tyres

The net sales from Nokian bicycle tyres amounted to EUR 2.5 million (EUR 2.6 million), a decline of 4.6% on the previous year. Meanwhile, operating profit improved from the previous year.

Retreading business

Reorganised in late 2003, Nokian Tyres' new retreading unit started operations in early 2004. The retreading business now comprises the manufacture of retreading materials at the Nokia plant, the tyre retreading activities that previously belonged to the Vianor organisation in Finland, Sweden and Norway and the retreading plant purchased in St. Petersburg in 2003. Owing to these changes, the unit's net sales and operating profit are not comparable to the previous year's figures.

The net sales of Nokian retreading business amounted to EUR 9.7 million (EUR 4.0 million). Operating profit and return of net assets were on a good level.

The Nordic retreading markets were clearly better than the year before, with increased retreading volumes and the demand for retreading materials. The Baltic and other export countries also showed improved sales. New products boosted sales volumes and improved productivity. The company's own retreading plants used more Group's own products than the year before. Production volumes increased and the efficiency of operations improved.

ROADSNOOP

The demand for pressure watch devices remained low and markets developed slowly. So far the unit has not been able to make a profit.

VIANOR

The Vianor tyre chain's net sales in January-June totalled EUR 93.0 million (EUR 82.5 million), representing an increase of 12.8% over the corresponding period in 2003. Operating profit before the depreciation of goodwill amounted to EUR 1.4 million (EUR -1.0 million). The depreciation of goodwill totalled EUR 3.6 million (EUR 3.4 million). Cash flow II was EUR -9.8 million (EUR -8.9 million). The majority of Vianor's operating profit and cash flow is generated in the final quarter of the year.

Vianor had a good summer tyre season with efficient seasonal management. The share of Nokian branded tyres was higher than a year ago providing the manufacturing business with increased synergy benefits. The retail sales of car summer tyres increased clearly. The increased sales of new cars boosted the winter tyre sales in Finland and in Norway. The sales of new and retreaded truck tyres were also up from the previous year. Thanks to a comprehensive product and service range, and efficient seasonal management, Vianor's market shares improved clearly over the previous year.

INVESTMENTS

Investments during the period under review amounted to EUR 21.0 million (EUR 20.9 million). The budget for total investments for 2004 is EUR 64.0 million (EUR 44.2 million), including the initial investments of EUR 22 million in the new plant constructed in Russia. Other investments include production investments and moulds for new products at the Nokia plant.

OTHER MATTERS

Nokian Tyres' projects in Russia

In March, Nokian Tyres announced its Russian operations would focus on the sales of Nokian-branded tyres and on the construction of an own tyre plant in Vsevolozhsk, St. Petersburg. The company also started a process to discontinue the operations of its Russian joint venture, Amtel-Nokian Tyres, focused on selling Nordman tyres.

Land construction for the new Nokian Tyres plant facilities began in early May, and at the end of the same month, the company signed a contract agreement on the plant construction with Lemcon Oy, part of the Lemminkäinen Group. The contract is worth EUR 21 million. The ground-breaking ceremonies of the new factory were at the end of June.

The plant is fully owned by Nokian Tyres, which plans to invest a total of EUR 52 million in it during this and next year. Production at the plant will start in 2005, and the objective is to manufacture approximately 1.5 million tyres in 2006.

The part of the plant completed in the first phase will have a total area of some 21,000 square metres, which provides capacity for producing approximately 4 million tyres annually. The plant will be

gradually expanded with additional investments, aiming at a capacity of some 8 million tyres.

The plant will be manufacturing Nokian-branded passenger car tyres, which will primarily be sold on the growing Russian market. In the initial phase, the plant will employ approximately 200 people, most of whom will be Russian.

The logistics centres established in the vicinity of Moscow and St. Petersburg will further boost the distribution and sales network of Nokian-branded tyres in Russia.

Shares subscribed with bonds with warrants

After the increase in share capital registered on 10 December 2003, a total of 2,460 shares were subscribed with the 2001A option rights attached to the Nokian Tyres plc's Option Program of 2001. The increase in share capital resulting from the subscription, EUR 4,920, was entered in the Trade Register on 18 February 2004. Trading of the shares along with the old shares started on 19 February 2004. After the increase, Nokian Tyres plc's share capital is EUR 21,368,882.00.

After the increase in share capital registered on 18 February 2004, a total of 15,250 shares were subscribed with the 2001A option rights attached to the Nokian Tyres plc's Option Program of 2001 and 36,785 shares with the 2001B option rights. The increase in share capital resulting from the subscription, EUR 104,070 was entered in the Trade Register on 14 May 2004. Trading of the shares along with the old shares began on 17 May 2004. After the increase, the number of Nokian Tyres shares is 10,736,476 and the share capital is EUR 21,472,952.00.

DECISIONS MADE AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of Nokian Tyres held on 5 April 2004 accepted the profit and loss statement for 2003 and discharged the Board of Directors and the President from liability. The final dividend was set at EUR 1.56 per share, the matching date on 8 April 2004 and payment date on 19 April 2004.

The meeting decided that the Board of Directors will have eight members. Rabbe Grönblom, Chairman of the Board, Kotipizza Oyj; Bo-Erik Haglund, Doctor of Science h.c.; Satu Heikintalo, Managing Director, G2 Helsinki Oy; Hannu Penttilä, Managing Director, Stockmann plc; Henrik Therman, Master of Science; Matti Vuoria, President and CEO Varma Mutual Pension Insurance Company; Kim Gran, President and CEO Nokian Tyres plc, continue as Board members. Mitsuhiro Shimazaki, Director, Sales Administration, Bridgestone Europe NV/SA, was appointed as a new member to the Board. At its meeting following the Annual General meeting, the Board elected Henrik Therman as Chairman of the Board.

Authorised public accountants KPMG Wierdi Oyj continue as auditors.

Authorisations granted to the Board of Directors

The Annual General Meeting authorised the Board of Directors to make a decision about increasing the share capital on one or more occasions by an issue of new shares and/or convertible bonds. The share capital of the company may be increased by a maximum of EUR 4 million. A maximum of 2,000,000 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 as referred to in chapter 4:2a of the Companies Act, regarding acquisitions and other corporate arrangements.

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.

Bonds with warrants

The Annual General Meeting also decided to issue warrants for the staff of the Nokian Tyres Group and to Direnic Oy, a fully-owned subsidiary of Nokian Tyres plc. A deviation will be 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. The warrants entitle to the subscription of a maximum of 735,000 Nokian Tyres plc shares. The Board intends to issue the shares in spring 2004 (2004A warrants), 2005 (2004B warrants) and 2006 (2004C warrants).

The share subscription price for warrants 2004A shall be 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. For warrants 2004B, the price shall be the average price of a share weighted by the share trading volume on the Helsinki Exchanges between 1 January-31 March 2005, 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 stock options, 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.

OUTLOOK FOR THE YEAR-END

The outlook for Nokian Tyres' key markets and core products is good. The company is well positioned to outperform the results of 2003 in terms of net sales and profit.

The global economic recovery and increasing tyre manufacture in China increase the pressure to raise raw material prices. Nokian Tyres estimates that the raw material prices will be approximately 7% higher at the end of the third quarter compared to the same period a year earlier. The value of the US dollar is likely to remain at the first half's level.

The demand for passenger car winter tyres, high-speed summer tyres, heavy special tyres and retreading materials is estimated to further increase. Russia, Eastern Europe and the USA will continue to show the strongest growth. The company also has good opportunities for growth in the Nordic countries.

In the second half of the year, Nokian Tyres' focus in manufacturing operations, the tyre chain and logistics solutions will be on the vital winter tyre season. The aim is to exceed the previous years' winter tyre sales in the Nordic countries and Russia. An upgraded product range and increasingly stronger market position in key markets support good sales outlook. The expanded product range includes the new friction tyre, Nokian Hakkapeliitta RSi, as well as additional sizes for the studded Nokian Hakkapeliitta 4. The consumer sales of the new products will start this autumn. New products and price increases planned for the second half will improve the sales profitability.

The advance order book for passenger car winter tyres looks good, and the Nokia plant is prepared for a significant sales increase. The own production is in good speed to reach its goal, i.e. to exceed production volume of 6 million tyres in 2004.

Focusing on seasonal logistics will enhance service to the distributors. The Russian logistics centres established in Moscow and St. Petersburg improve the company's customer service in the region. Also contract manufacturing is on the increase improving customer service.

The prospects for heavy tyres and retreading operations look better than the year before. Important novelties will be introduced in the heavy tyres section during the latter part of the year, and the order book is large.

At Vianor, the share of the company's own products will increase and the streamlining of operations will continue. Call Centre activities

and an Internet-based appointments system will improve the control and management of the winter tyre season.

NOKIAN TYRES CONSOLIDATED PROFIT AND LOSS ACCOUNT

Million euros	4-6/04	4-6/03	1-6/04	1-6/03	Last 12 months	1-12/03
Net sales	138.0	115.2	250.8	210.9	568.6	528.7
Operating expenses	109.5	92.4	202.3	176.1	439.8	413.6
Depreciation according to plan	7.9	7.5	15.3	14.6	29.8	29.1
Operating result before non-recurring items and goodwill amortisations	20.7	15.3	33.1	20.2	98.9	86.0
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisations	1.8	1.7	3.6	3.4		6.9
Operating result	18.9	13.5	29.5	16.7		79.1
Financial income and expenses	-1.7	-2.4	-2.7	-4.0	-8.2	-9.5
Result before extraordinary items and tax	17.2	11.2	26.8	12.8	83.7	69.6
Extraordinary items	1.8	0.0	1.8	0.0	1.8	0.0
Direct tax for the period 1)	5.5	3.5	8.6	4.5	26.1	22.0
Profit applicable to minority shareholders	0.0	0.0	0.0	0.0	0.0	0.0
Net result	13.5	7.5	20.0	8.2	59.4	47.6

CONSOLIDATED BALANCE SHEET	30.6.04	30.6.03	31.12.03
Intangible assets	14.7	15.0	13.7
Goodwill	31.5	37.3	36.4
Tangible assets	207.3	196.6	202.4
Investments	0.7	2.1	0.7
Inventories	110.5	96.9	85.1
Receivables	139.6	120.6	118.9
Cash in hand and at bank	20.2	13.5	19.0
Shareholders' equity	214.6	170.8	211.2
Capital loan	36.0	36.0	36.0
Minority shareholders' interest	0.0	0.0	0.0
Long-term liabilities			
interest bearing	74.9	120.8	82.2
non interest bearing	20.2	20.9	22.0
Current liabilities			
interest bearing	97.3	59.9	36.8
non interest bearing	81.4	73.6	87.9
Total assets	524.5	482.0	476.1
Interest bearing net debt	152.1	167.1	100.0
Capital expenditures	21.0	20.9	44.2
Personnel average	2,760	2,588	2,650

CASH FLOW STATEMENT	30.6.04	30.6.03		31.12.03
Operating activities				
Cash flow from operating activities before the financial items and taxes	2.6	8.9		107.3
Financial items and taxes	-21.5	-15.2		-28.2
Cash flow from operating activities	-18.9	-6.2		79.0
Investing activities				
Cash flow from investing activities	-20.5	-24.2		-42.7
Financing activities				
Cash flow from financing activities				
Share issues	1.1	0.4		1.6
Change in short-term financial receivables and debt	64.8	11.3		-13.7
Change in long-term financial receivables and debt	-8.7	23.5		-14.1
Dividends paid	-16.7	-11.7		-11.7
Cash flow from financing activities	40.6	23.5		-37.9
Change in cash and cash equivalents	1.2	-7.0		-1.5

NOKIAN TYRES			Last 12	
KEY RATIOS	30.6.04	30.6.03	months	31.12.03
Earnings per share. euro	1.70	0.78	5.42	4.48
Equity ratio, % 2)	47.8	42.9		51.9
Equity ratio, %	40.9	35.4		44.4
Gearing, % 2)	60.7	80.8		40.5
Shareholders' equity Per share, euro	19.99	16.11		19.77
Number of shares (1,000 units)	10,736	10,604		10,682

1) Direct tax in the consolidated profit and loss account is based on the taxable profit for the period.

2) Capital loan is included in equity

SEGMENT INFORMATION	4-6/04	4-6/03	1-6/04	1-6/03	1-12/03
Net sales	138.0	115.2	250.8	210.9	528.7
Manufacturing	96.2	73.1	191.1	148.1	372.3
Vianor	57.0	50.6	93.0	82.5	213.0
Operating result	18.9	13.5	29.5	16.7	79.1
Manufacturing	15.6	10.7	34.3	21.6	75.6
Vianor	3.0	2.5	-2.2	-4.5	4.9

Operating result before amortisations Vianor	4.8	4.2	1.4	-1.0	11.8
Cash Flow II	1.7	-13.5	-21.0	-22.6	65.7
Manufacturing Vianor	10.4	-13.4	-9.5	-14.8	60.1
	-2.5	0.1	-9.8	-8.9	1.8
CONTINGENT LIABILITIES Million euros			30.6.04	30.6.03	31.12.03
FOR OWN DEBT					
Mortgages			0.0	1.0	1.0
Pledged assets			0.4	0.0	0.5
ON BEHALF OF OTHER COMPANIES					
Guarantees			0.1	0.1	0.1
OTHER OWN COMMITMENTS					
Guarantees			1.0	1.0	1.0
Leasing and rent commitments			34.2	35.4	34.9
Acquisition commitments			0.7	1.1	0.7
INTEREST RATE DERIVATIVES					
Interest rate swaps					
Fair value			-1.8	-2.7	-2.2
Underlying value			30.0	40.0	36.5
CURRENCY DERIVATIVES					
Forward contracts					
Fair value			-0.1	1.0	0.9
Underlying value			85.6	62.4	92.4

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

Currency derivatives are included in the financial result at market value except for those relating to order stock and budgeted net currency positions, which are entered in the profit and loss account as the cash flow is received. (Unaudited figures)

Nokian Tyres plc

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