



# STRENGTHENING MARKET LEADERSHIP IN RUSSIA

NOVEMBER 13, 2018

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**nokian®  
TYRES**

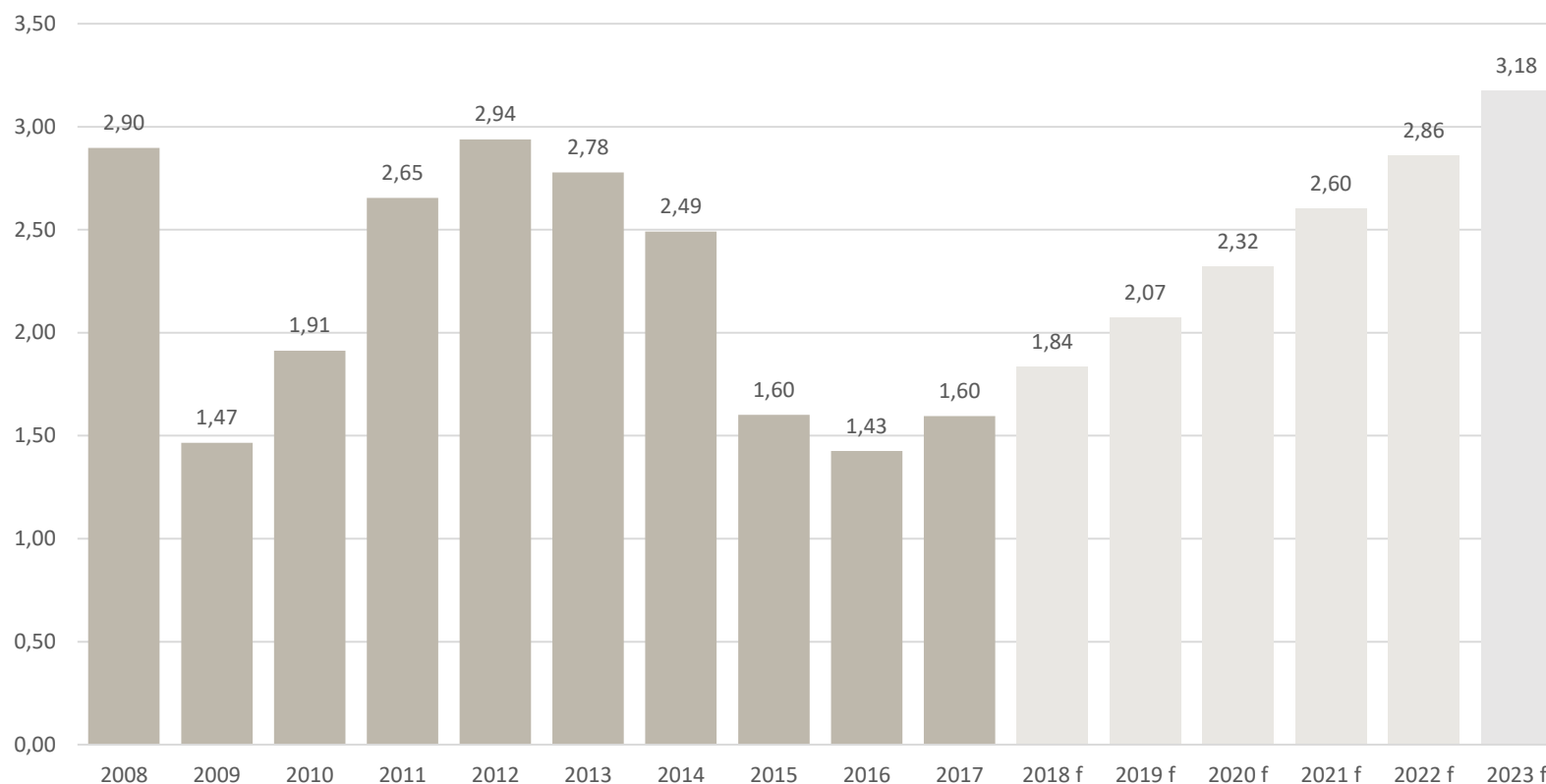
# STRENGTHENING MARKET LEADERSHIP IN RUSSIA

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- Nokian Tyres continues to target the profitable A+B segments.
- Our market leadership is strongest ever.
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- We are focusing on key building blocks for future growth.
- Local production in Russia remains a competitive advantage.
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# NEW CAR SALES IN RUSSIA WILL GRADUALLY INCREASE...

2012 peak sales expected to be achieved by 2023:

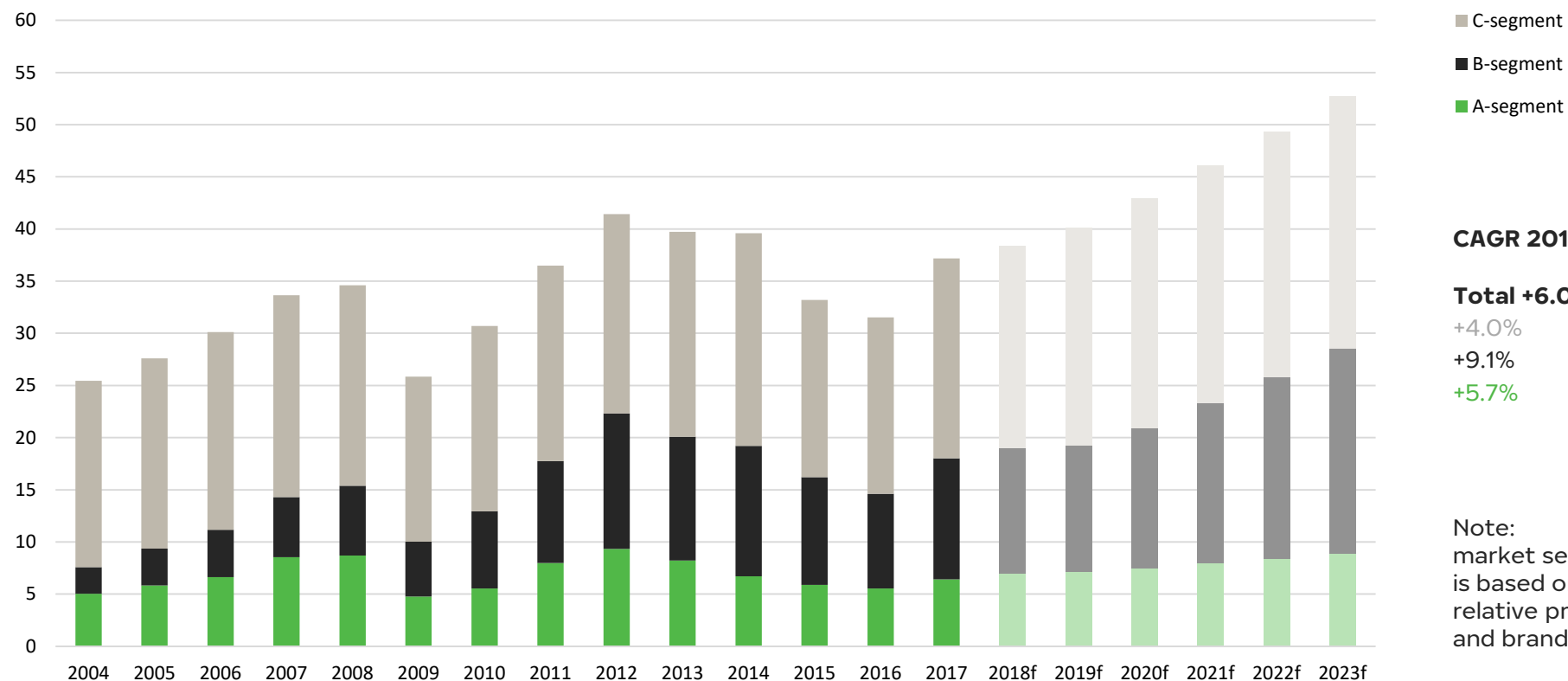
**New car sales in Russia (million units)**



# ...AND THE TIRE MARKET IS ALSO RECOVERING

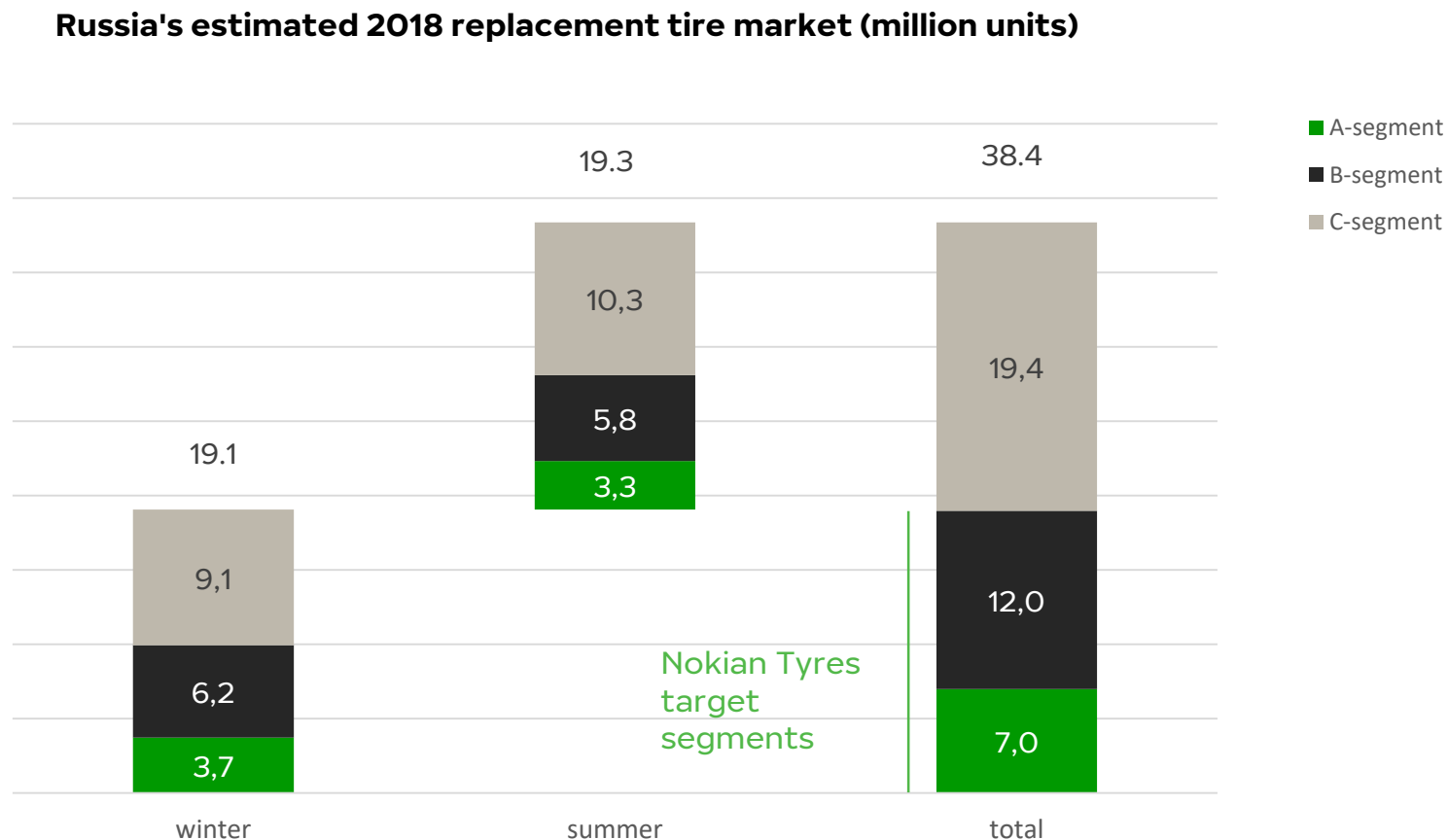
Growth driven by the B-segment

Car, SUV, van tire replacement market (sell-in volume, million tires) – Basic scenario



# WE TARGET 50% OF THE REPLACEMENT MARKET...

Focusing on winter and summer tires in A+B segments

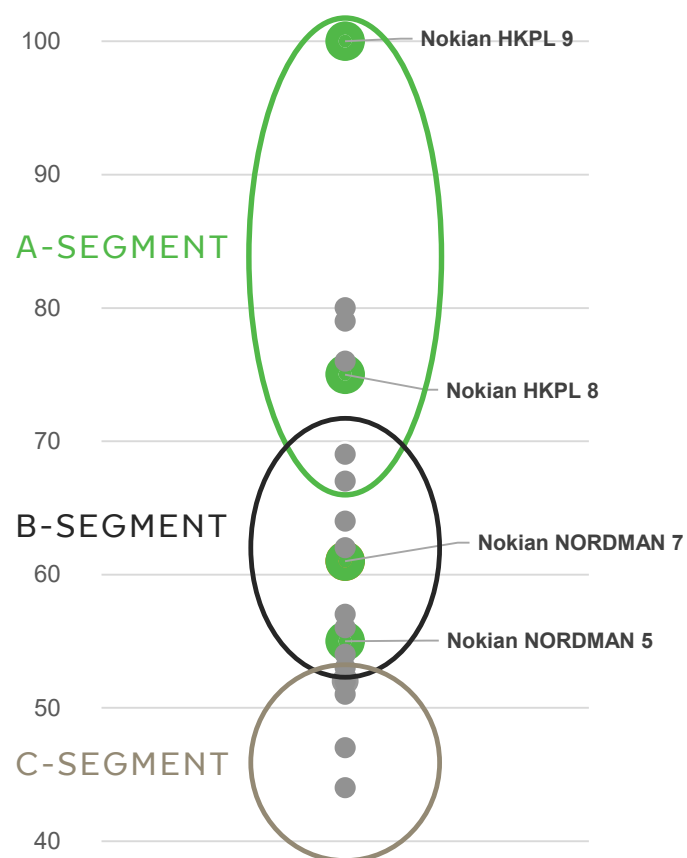


# ...AND WE ARE THE PRICE LEADER IN WINTER TIRES

Optimized product range and pricing are key for profitable market leadership

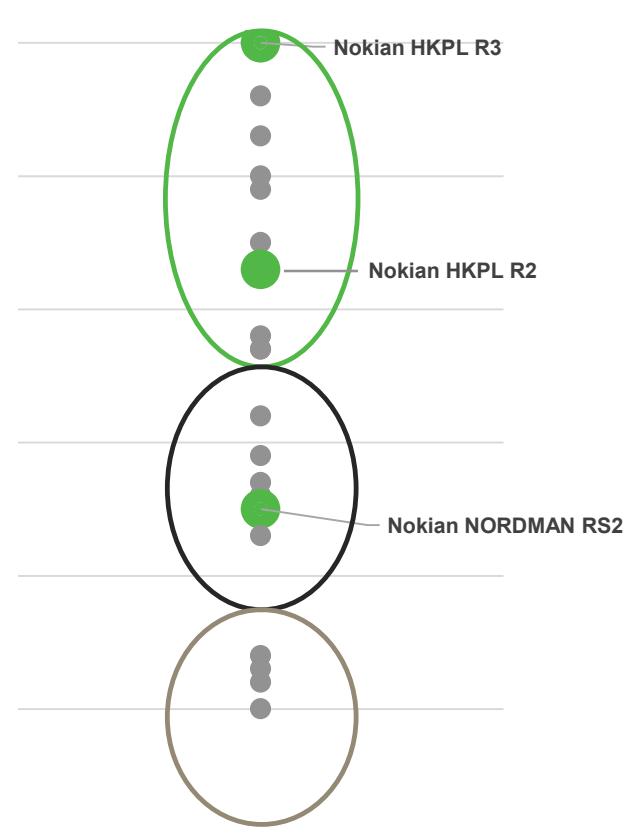
## STUDDED TIRES

HKPL 9 = 100

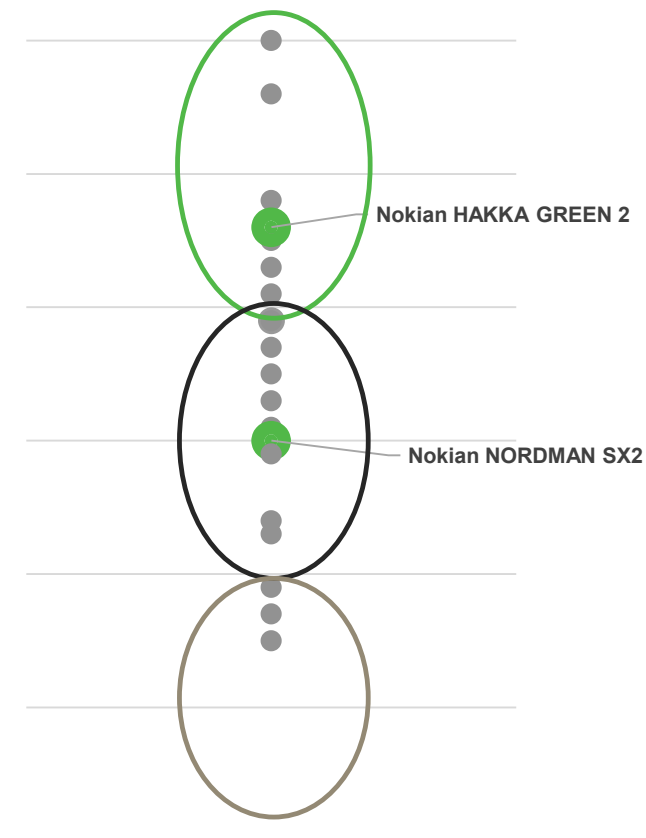


## STUDLESS TIRES

HKPL R3 = 100

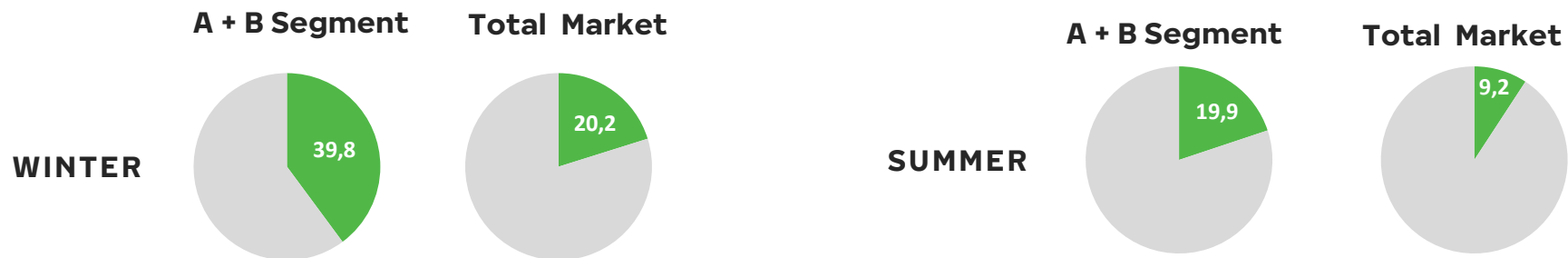
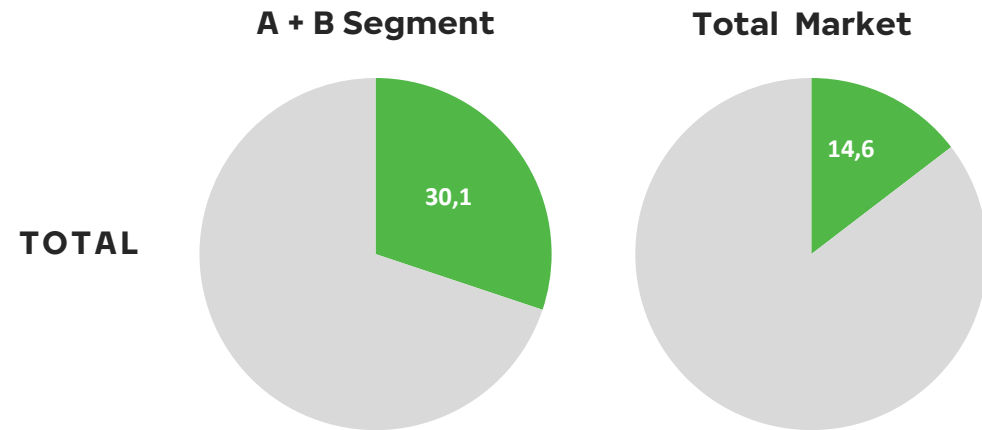


## SUMMER TIRES



# IN 2017, WE REACHED OUR HIGHEST EVER MARKET SHARE OF 30% IN A+B SEGMENTS...

**2017  
market  
share (%)**



# ...AND WE AIM TO KEEP OUTPERFORMING COMPETITION

Main building blocks for future growth



## Successful product policy

- Leadership in product performance and quality
- Comprehensive product portfolio
- Optimized price positioning within and across A+B segments



## Strong brand image

- Best tires for all conditions
- Ultimate choice by consumers
- High brand awareness and intent to buy
- Brand promotion through effective creative solutions



## Leveraging strong distribution

- Close partnership with distributors
- Flexible financial terms
- Effective support of sell-out
- Multi-channel distribution structure
- Upgrade of online solutions

# WE HAVE A MULTI-CHANNEL DISTRIBUTION NETWORK...

## Official distributors

- Integrated wholesale / retail operations
- Federal retail chains with active online presence
- Regional or federal wholesale operations

## Tire retail

- Professional tire retail
  - Hakka Guarantee network of ~2,900 POS
- Controlled / franchised tire retail
  - Vianor 328 shops
  - N-TYRE + NAD 130 shops
- Web-shops

## Automotive

- Car manufacturers (> 20)
- Loose winter tires and complete wheel programs
- Car dealers
  - Total ~ 3,100 POS

## Corporate Fleet Customers

- Taxi operators
- Federal and regional-scale companies with own fleet
- Leasing companies
- Car sharing operators

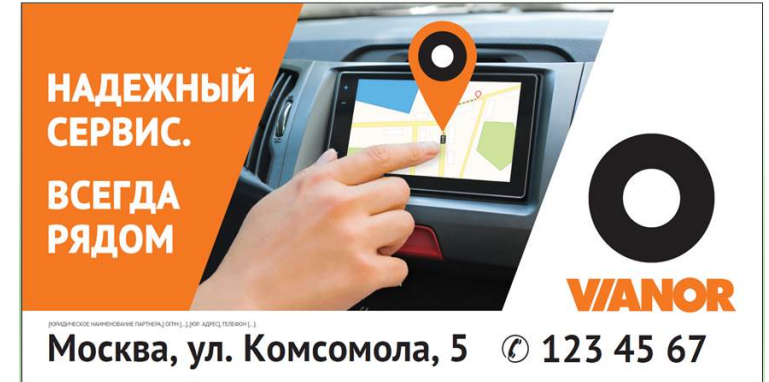
**CONSUMERS**

## ...SUPPORTED BY VERSATILE DISTRIBUTION MODELS



# WE PROVIDE EFFECTIVE SELL-OUT SUPPORT

Examples of marketing campaigns and actions



## Hakka Guarantee

- Extended Guarantee for Nokian Tyres products to support sell-out (free repair or replacement of damaged tire)
- ~ 2,900 POS participate in program
- Over 700 Authorized shops to provide service

## Discounted tire mounting

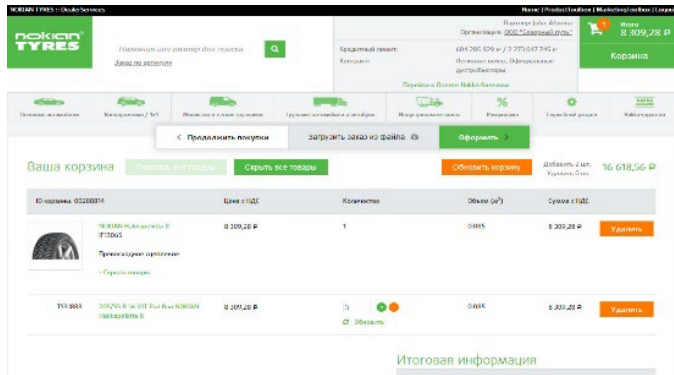
- Marketing program for consumers to drive sell-out in selected professional tire retail
- Effective marketing tool to support price positioning
- Autumn 2018 – 250 joint campaigns with partners (~700 retail shops)

## Franchising support

- Seasonal advertising support for VIANOR & N-TYRE retail brands, including promotion of VIANOR.ru marketplace

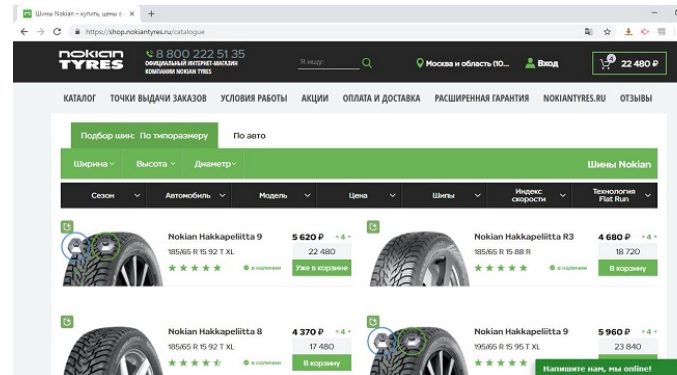
# PIONEERING IN DIGITAL TIRE BUSINESS

Examples of running e-commerce solutions and business models



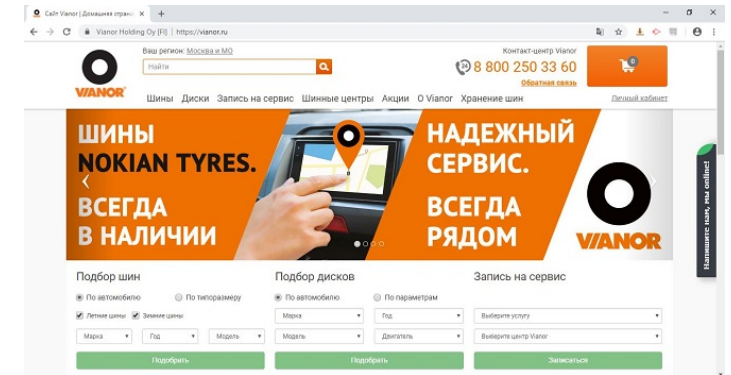
## B2B

- Comprehensive web platform for business-to-business customers
- Currently covering over 95% of all incoming customer orders



## B2C

- Own Nokian Tyres web shop for direct sales from the manufacturer to end consumers



## vianor.ru

- Sustainable, flexible and user-friendly marketplace aligned with business needs of Vianor partners and preferences of online consumers

# LARGE-SCALE PRODUCTION IN RUSSIA KEY COMPETITIVE ADVANTAGE



ONE OF  
THE MOST  
EFFICIENT  
TIRE FACTORIES  
IN THE WORLD

THE LARGEST  
EXPORTER  
OF CONSUMER  
GOODS IN RUSSIA



ANNUAL  
PRODUCTION  
CAPACITY

17 MILLION TIRES

24/7

OPERATION  
IN FOUR  
12-HOUR  
SHIFTS  
330 DAYS  
A YEAR



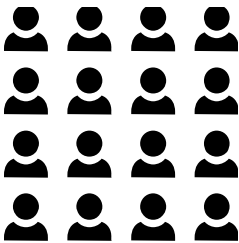
HIGHEST  
QUALITY  
LEVEL

EXPERIENCED TEAM  
OF HIGHLY QUALIFIED  
PROFESSIONAL EMPLOYEES



PERSONNEL  
~1,600 PEOPLE

100 x



VERY HIGH  
COMPLEXITY  
OF PRODUCTION

# WELL POSITIONED TO REDUCE RISK

Business risks	Action
Market risks: a new economic crisis leading to the deterioration of consumers' disposable incomes and demand	→ Wide product range covering all segments: switch to cheaper segments in case of weak demand
Credit risks: potential bankruptcies of distributors, fraud	→ Flexible financial terms with distributors' stock audits
Ban of import of tires from Russia to US and/or the EU	→ Lobbying in the US to ensure that ongoing investment project is taken into account in decision-making
Business interruption risks due to the actions of Russian authorities: counter-sanctions, import/export restrictions, official checkups	→ Close cooperation with the Russian authorities on all levels; pro-active support of their initiatives; compliance with legislation
Technical regulation risks: adoption of unfavorable standards & regulations	→ Lobbying, pro-active participation in technical regulation development and adoption

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