

CONTINUING TO DELIVER PROFITABLE GROWTH

- AHEAD OF THE MARKET

NOVEMBER 13, 2018

TEEMU KANGAS-KÄRKI

CFO

nokian[®]
TYRES



CONTINUING TO DELIVER PROFITABLE GROWTH - AHEAD OF THE MARKET

AGENDA:

LOOKING BACK

- Strong track record of delivery

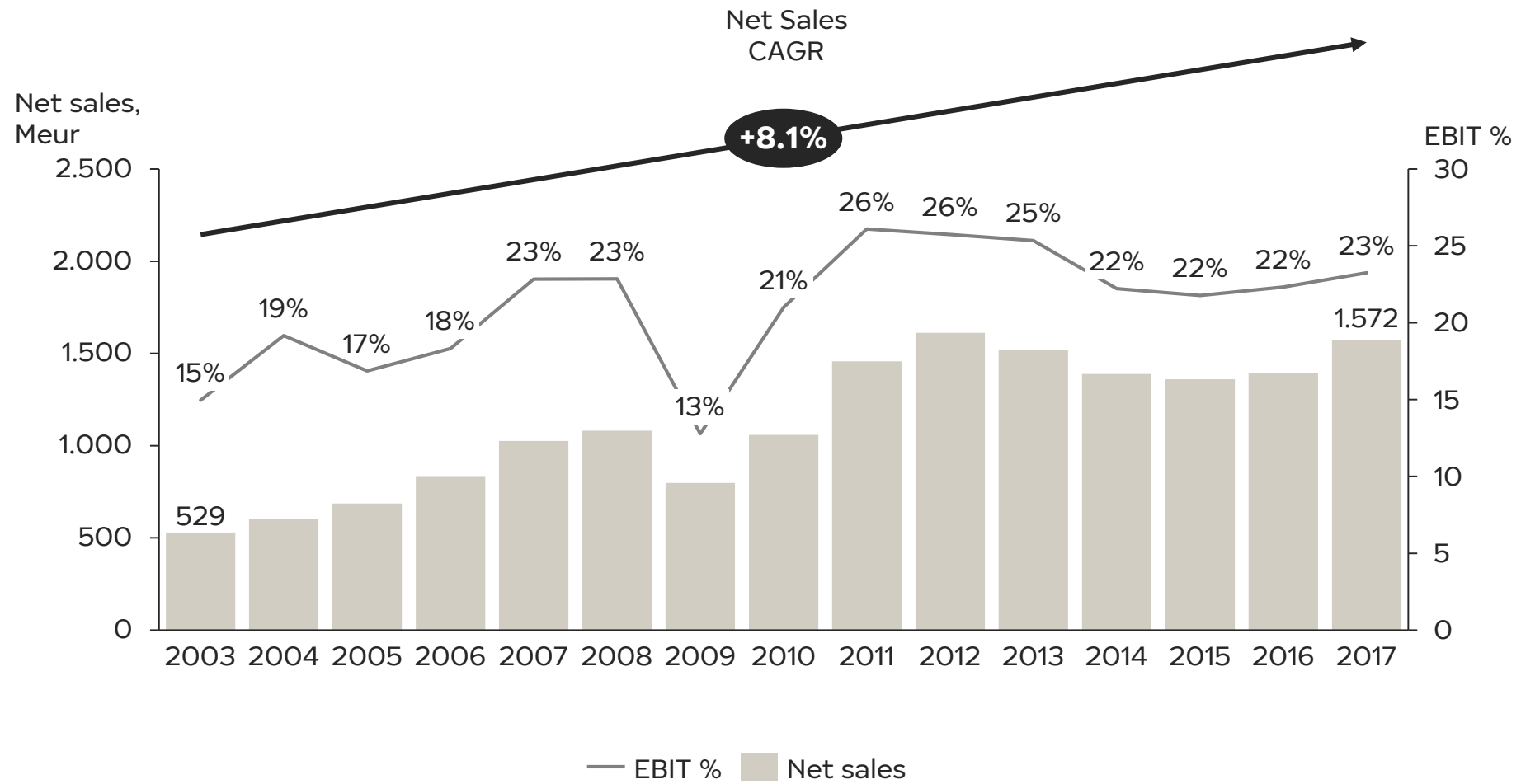
LOOKING TOWARD 2021

- Decomposition of currency impact and raw material input cost
- Growth and profitability components
- Impact of North American Initiative on our financial performance

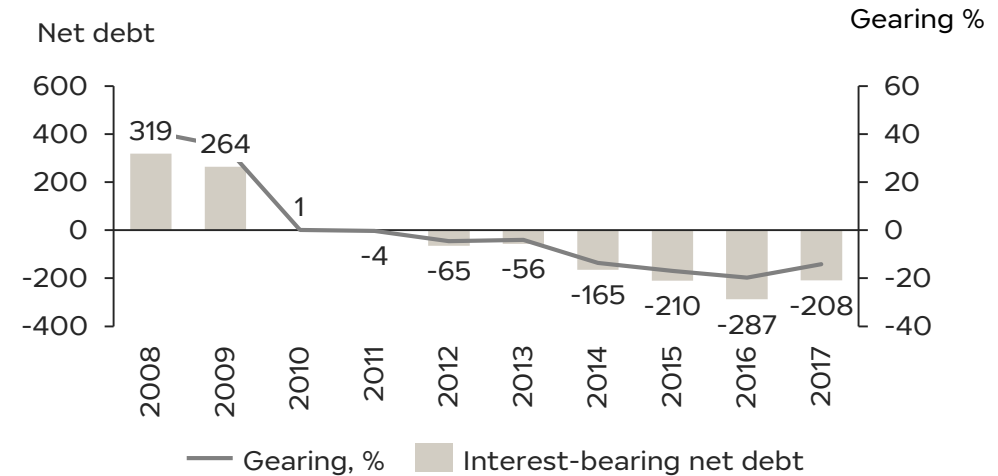
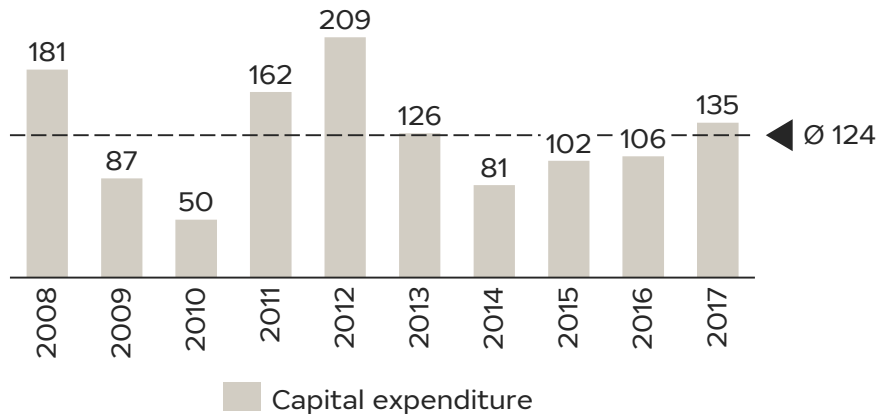
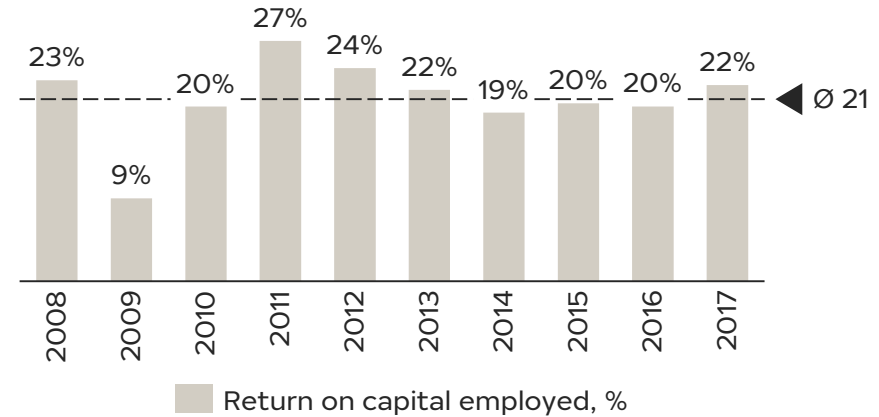
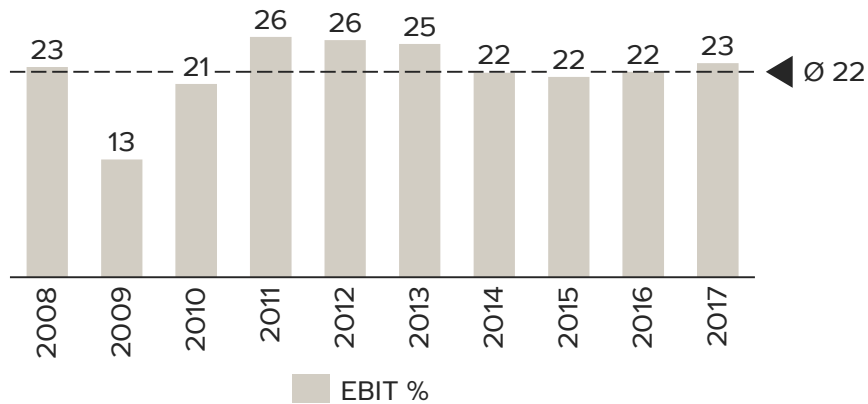
FINANCIAL TARGETS FOR 2019-2021

- Delivering sustainable shareholder value

WE HAVE A LONG TRACK RECORD OF COMBINING GROWTH WITH HIGH PROFITABILITY...

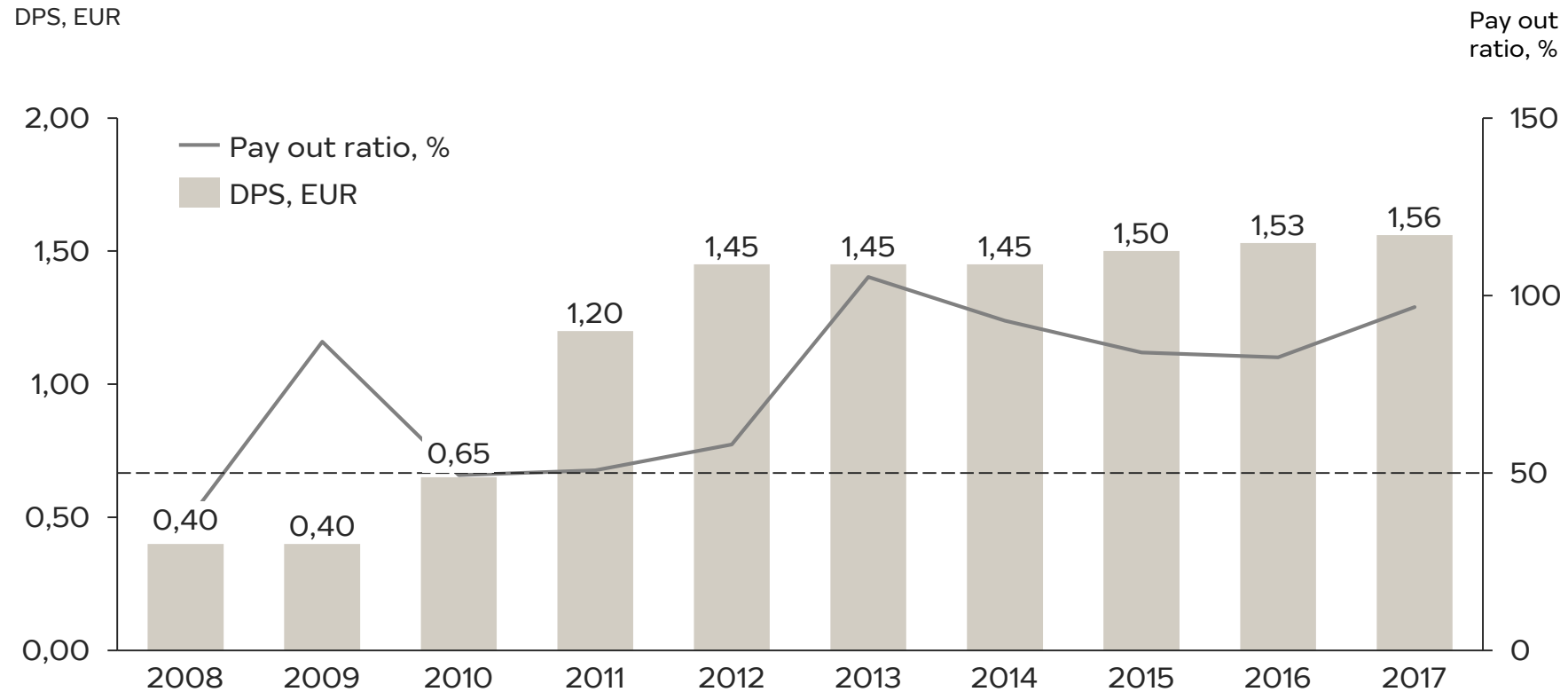


...ALLOWING US TO RETAIN FINANCIAL FLEXIBILITY DESPITE INCREASING CAPEX...



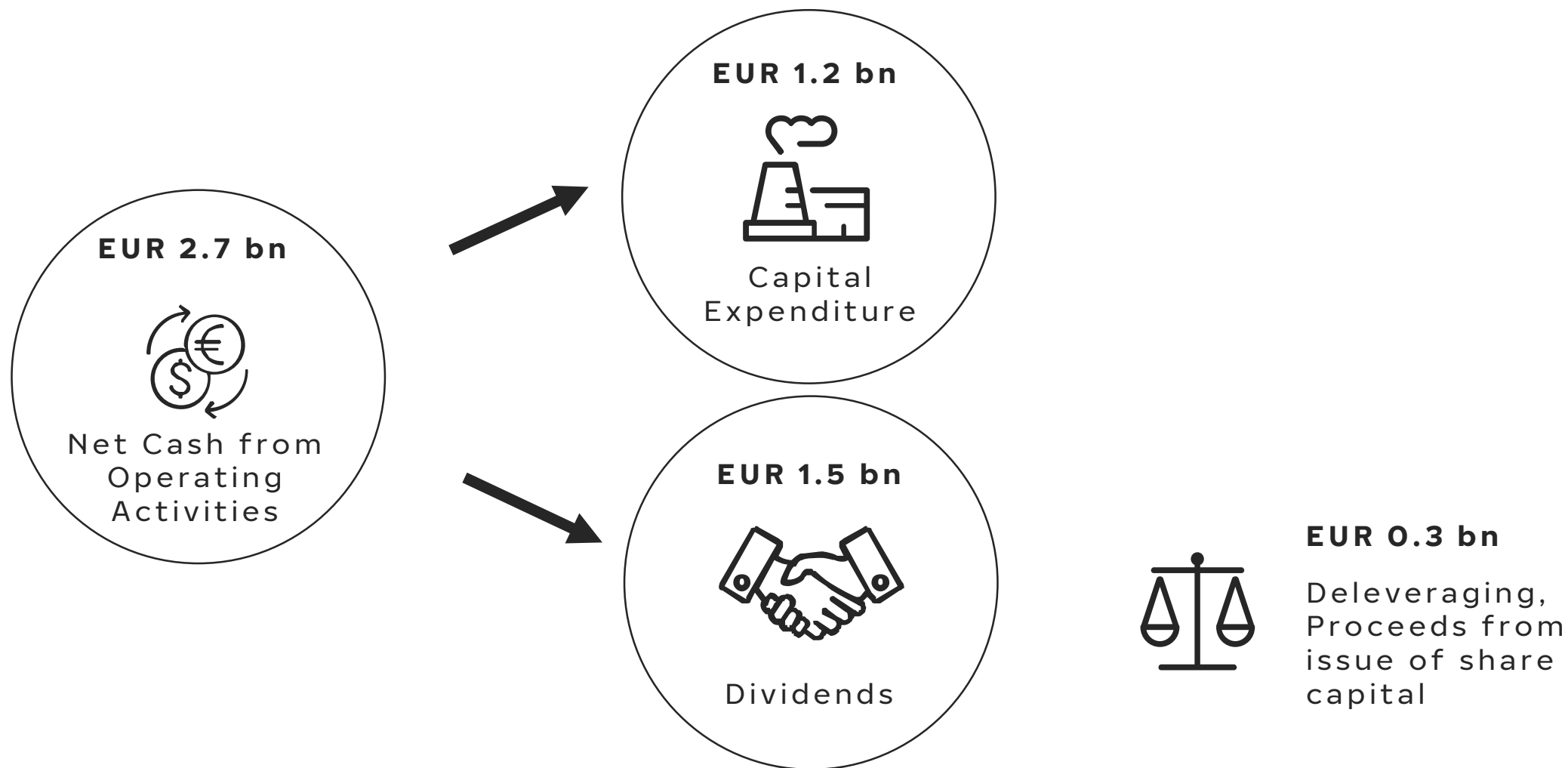
NOTE: IFRS 16-The new standard will be effective from 1 January 2019. The currently reported lease commitments at the end of Q2 2018 amounted to 157 million euros.

...AS WELL AS STEADY OR GROWING ABSOLUTE DPS...



Dividend policy:
minimum 50% of net earnings

...TOTALLING DIVIDENDS OF EUR 1.5 BN IN 10 YEARS AND INVESTING EUR 1.2 BN IN GROWTH

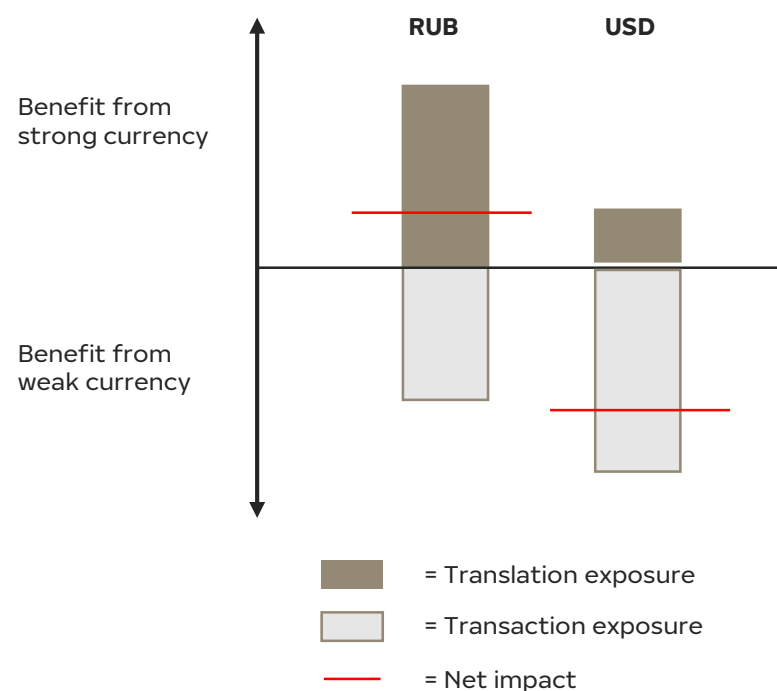


A photograph of a paved road winding through a dense forest. Sunlight filters through the tall trees, creating a bright path of light down the center of the road. The trees are dark green and the overall atmosphere is serene and forward-looking.

LOOKING TOWARD 2021

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NOKIAN TYRES BENEFITS FROM A STRONG RUB, SEK, NOK, CAD AND A WEAK USD



Main currencies

Translation exposure:

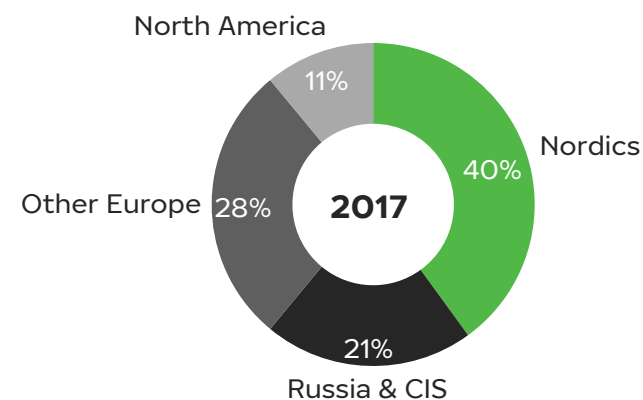
We benefit from a strong RUB, SEK, NOK, CAD, USD

Transaction exposure:

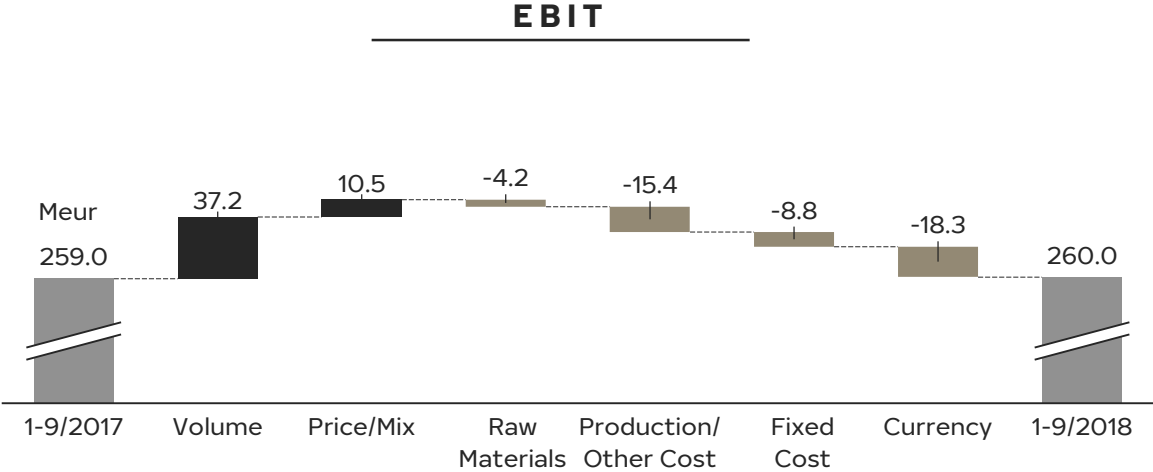
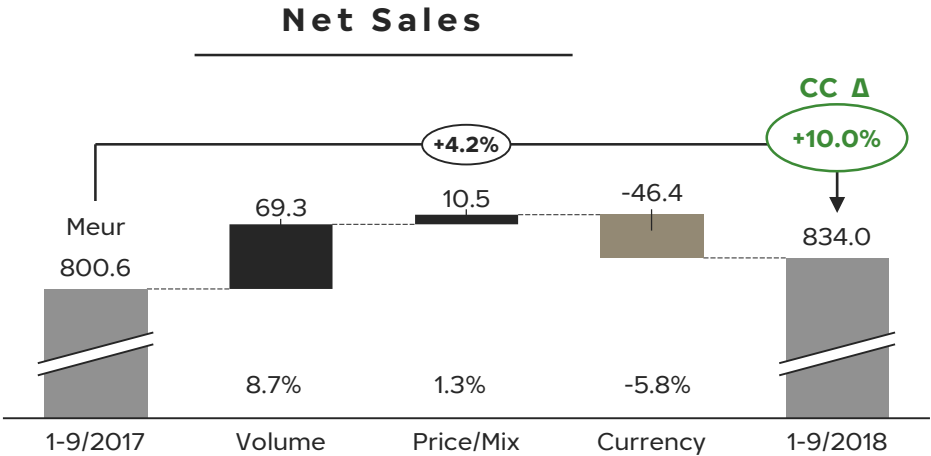
We benefit from a weak RUB and USD

Approximately 40% of the Group's net sales in 2018 are estimated to be generated from Euro-denominated sales.

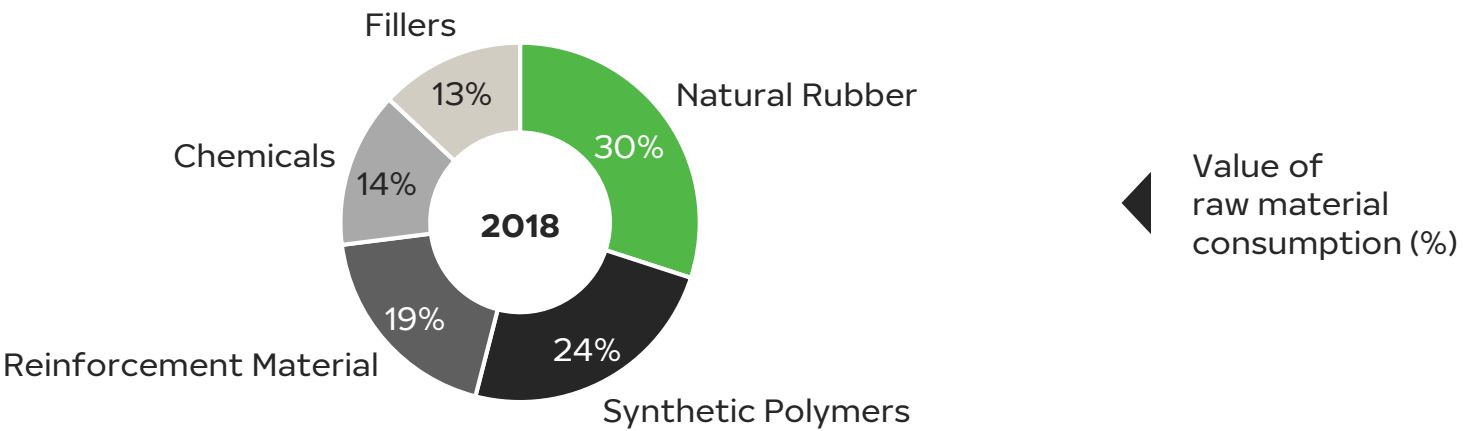
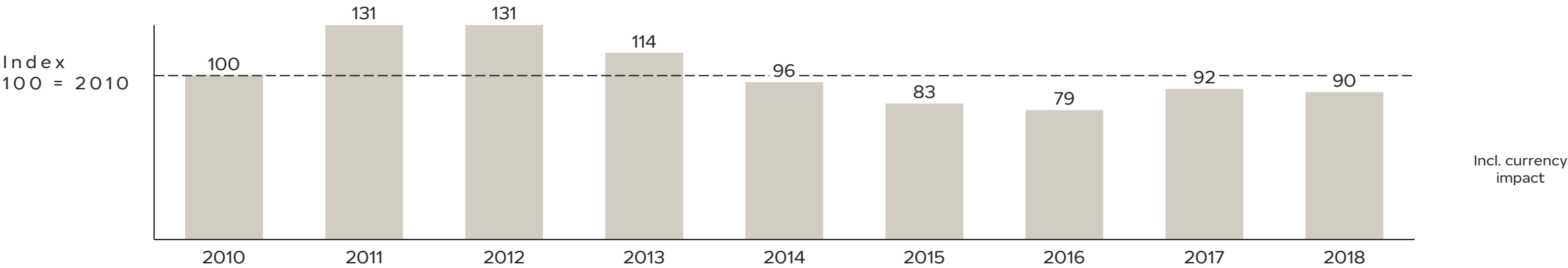
Net Sales by market



HEADWIND FROM CURRENCIES IN PASSENGER CAR TYRES 1-9/2018



RAW MATERIAL COST EXPECTED TO INCREASE IN 2019



WE ARE GROWING FASTER THAN THE MARKET – ABOVE CAGR OF 5%

VOLUME

- Doubling our market share in NA to ~ 2%
- Increasing our sales in CE by 50%
- Growing in Russia faster than market
- Maintaining strong market position in the Nordics
- Growing with Heavy Tyres market and gaining market share

PRICE

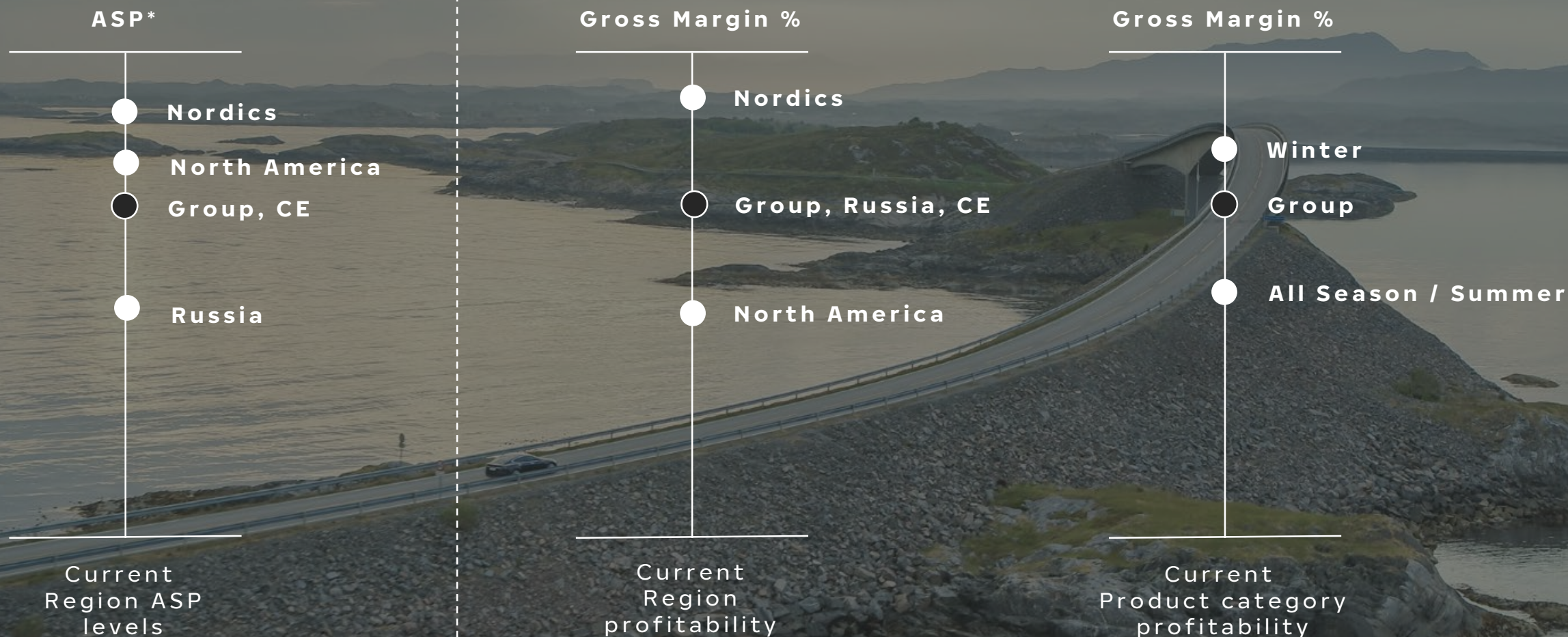
- Price leader position in the Nordics
- Winter price leader position in Russia
- Developing both summer & winter price position in CE
- Premium price position in NA snow belt area
- Ensuring premium price position in NA all season market

MIX

- Premium winter tire sales at least the level of today
- Increasing share of premium summer tire
- Maintaining high share of CUV/SUV sales
- Developing sales of premium van tires
- Ensuring growth with Light Truck products

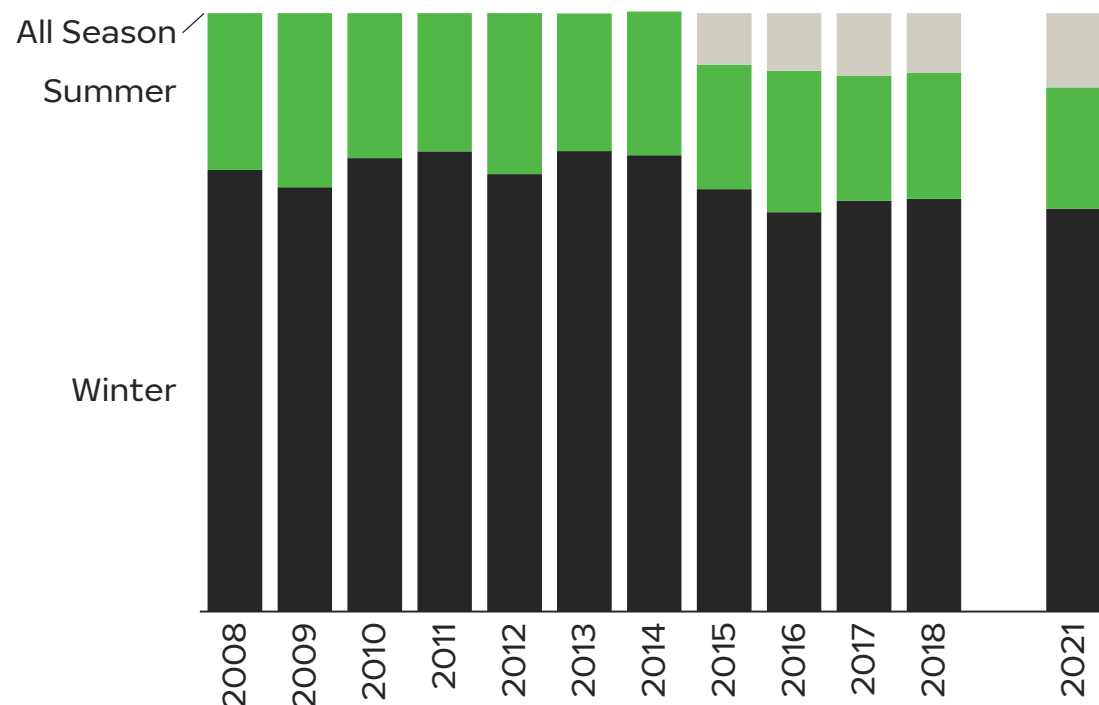
WE WILL MAINTAIN HIGH PROFITABILITY IN PASSENGER CAR TYRES

Relative Gross Margin % levels

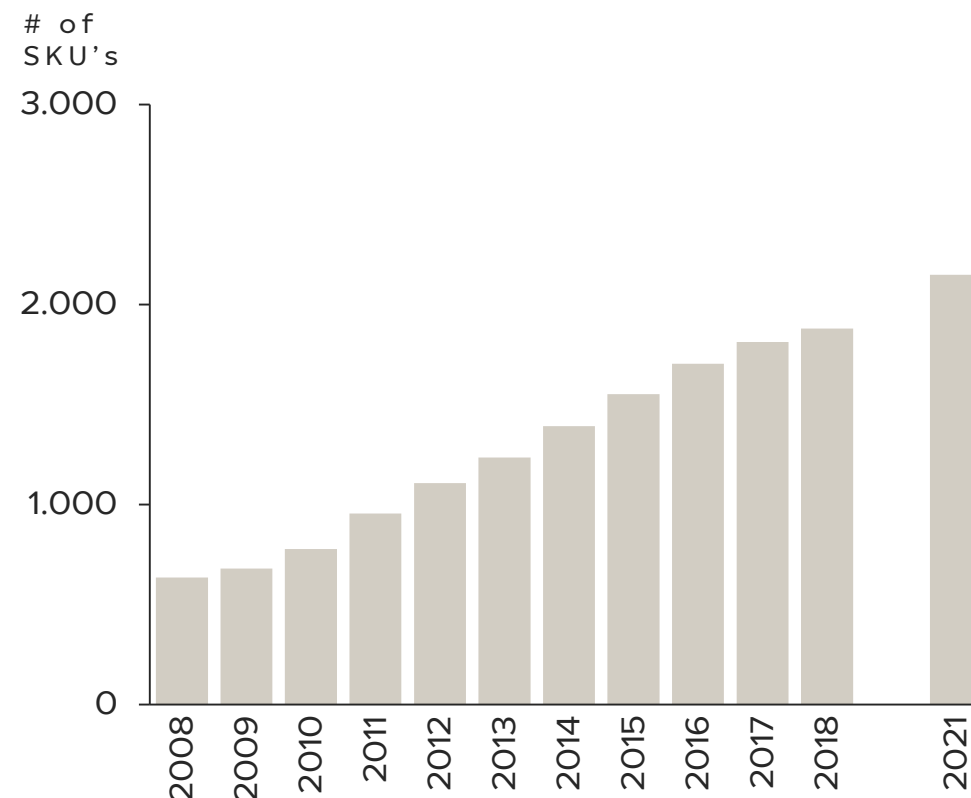


SUMMER AND ALL SEASON SHOWING STRONGER %-GROWTH, ABSOLUTE VOLUME GROWTH STILL DRIVEN BY WINTER AND RUSSIA...

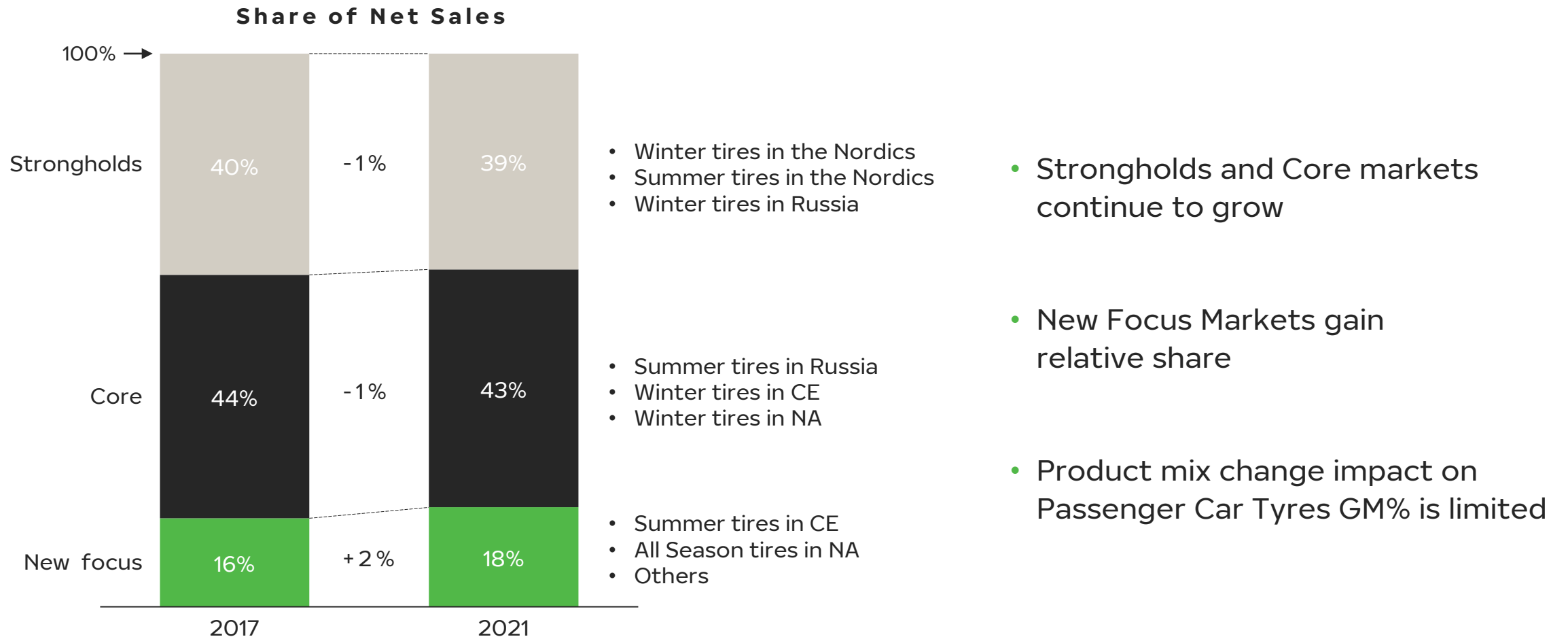
Share of net sales



SKU development

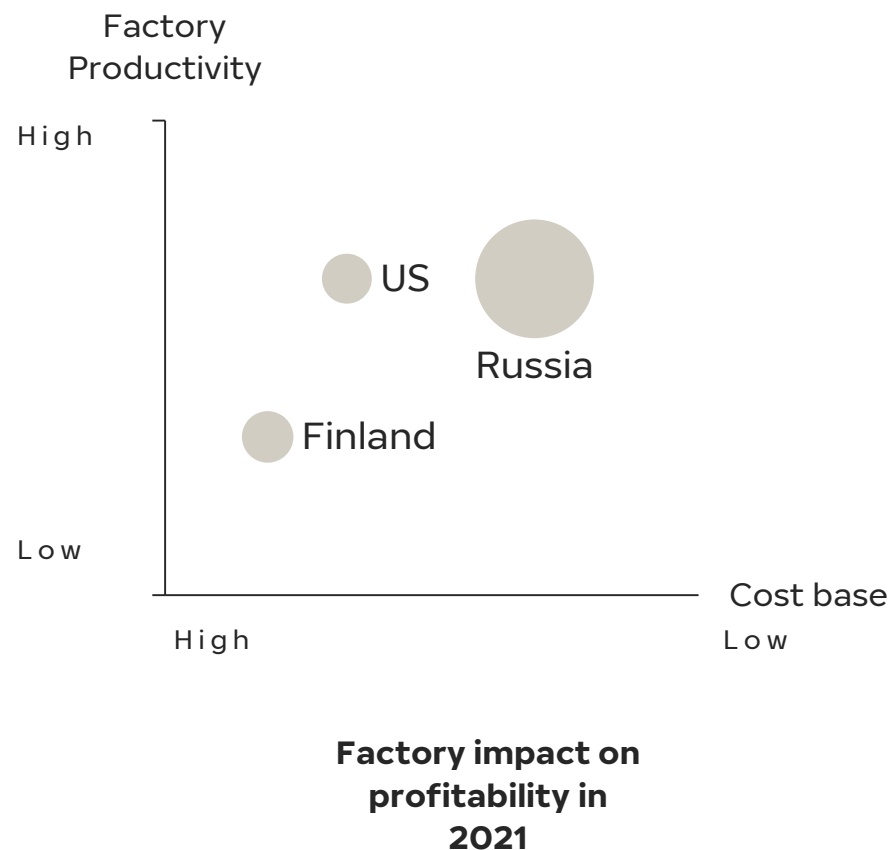


...THEREFORE PRODUCT MIX CHANGE IMPACT ON PASSENGER CAR TYRES GM% IS LIMITED



Directional Mix Development in
Passenger Car Tyres in 2019-2021

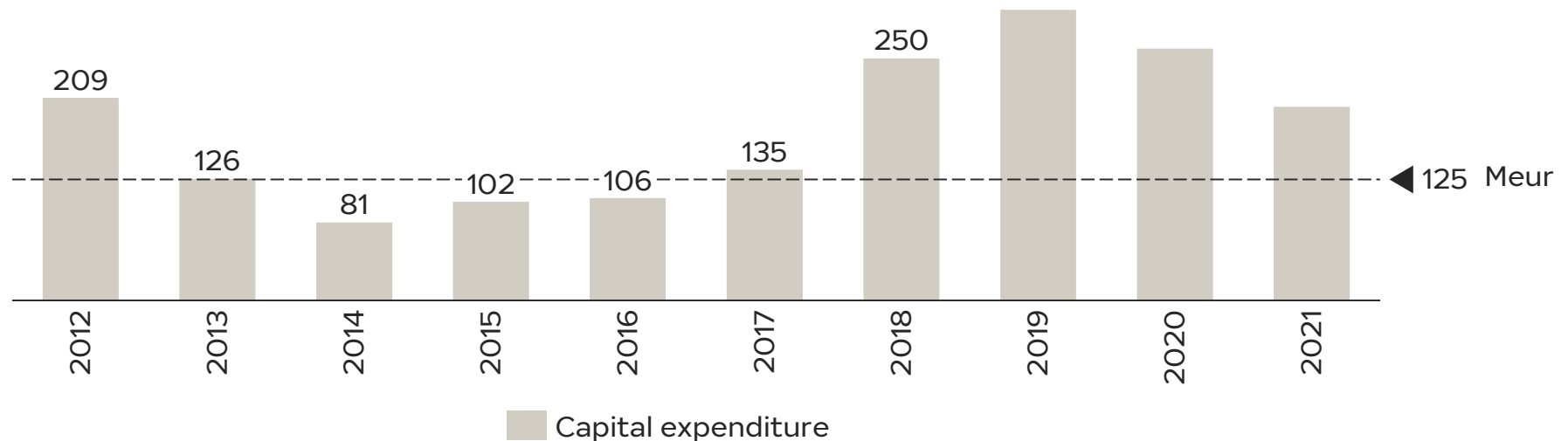
HOWEVER, NORTH AMERICA RAMP UP IMPACTS ON EBIT% IN 2019-2021



Size of bubble indicates production volume

- US is the biggest tire market of the world, Nokian Tyres has a long presence with only limited core offering
- Committed to serving US customers with local production
- US production will offset the Russian risk
- Negative impact on Passenger Car Tyre EBIT %
 - In 2019 approx. 1ppt-2ppt
 - In 2020 approx. 2ppt-3ppt when production is starting
 - In 2021 approx. 1ppt-2ppt

WE ARE INVESTING TO SUPPORT OUR NEXT PHASE OF GROWTH...



Directional Capex level 2019-2021

...AND CONTINUE TO DELIVER SUSTAINABLE SHAREHOLDER VALUE

PROFITABLE
TOP LINE
GROWTH
-
VALUATION
MULTIPLE

GROWING
ABSOLUTE
NET PROFIT
-
EPS

STABLE OR
GROWING
DIVIDEND
-
DPS

SUSTAINABLE
HIGH RETURN
ON
INVESTMENT
-
ROCE

FINANCIAL TARGETS FOR 2019-2021

Growing
faster than
the market:

Above 5%
CAGR with
comparable
currencies

Good returns
for our
shareholders:

Dividend
above 50% of
net earnings

Healthy
profitability:

EBIT at the
level of 22%

FINANCIAL TARGETS 2016-2018 (at stable currency exchange rates)

Growing faster than the market:
Average annual sales growth
of 4-5% at a minimum

Good returns for our shareholders:
Dividend of at least 50%
of net earnings

Healthy profitability:
The best operating profit level in
the industry, a minimum of 22%

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