



nokian[®]
TYRES



Russia

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Capital Markets Day 2015

Contents



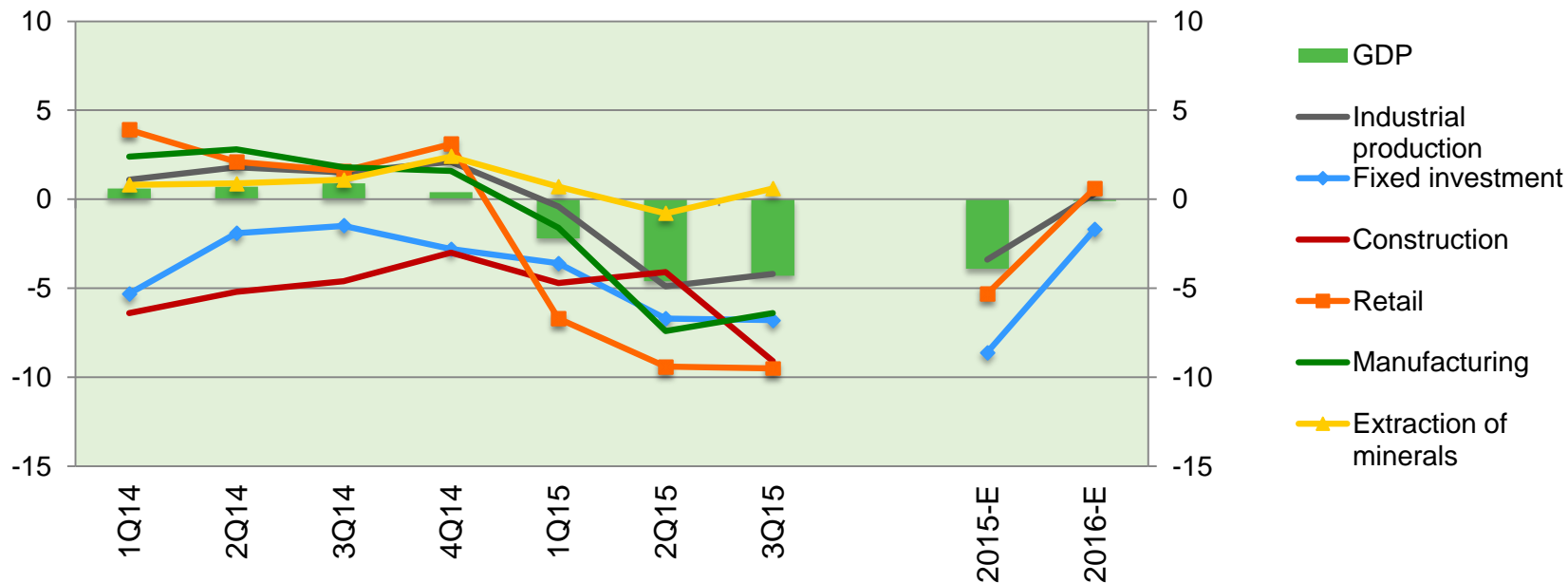
**1. Operational review
(market / business / production)**

2. Strategy update and long-range plan

Russia's economy has declined as expected

First cautious signs of stabilization

Annual change (%) of key indicators of real economy
(1Q14–3Q15 & consensus estimates 2015–2016)

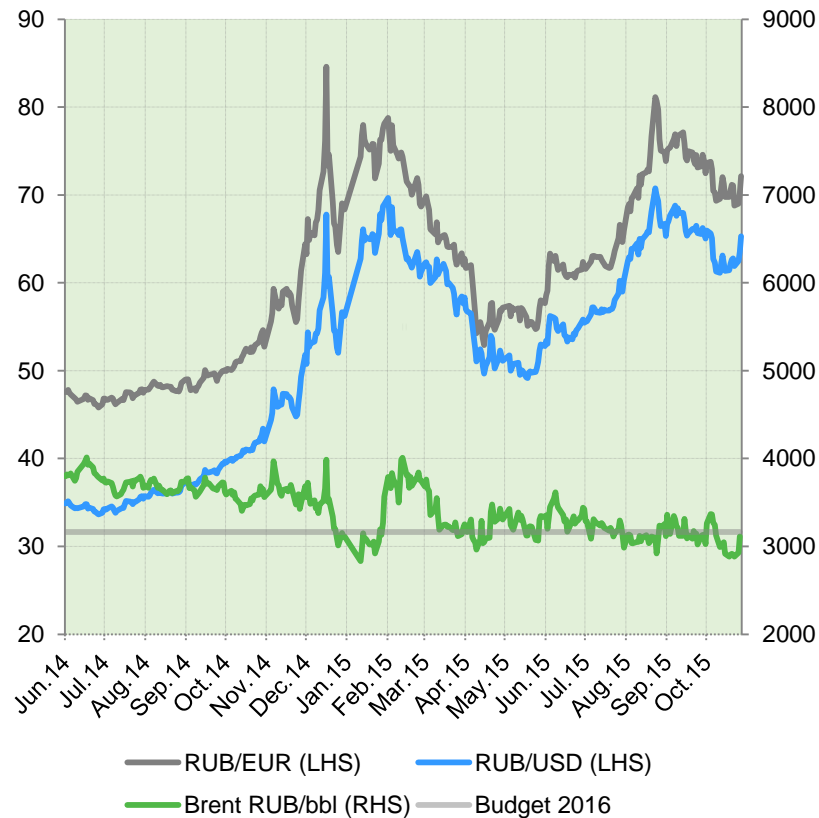


Ruble clearly follows oil price

Impact of other exchange rate factors limited

Oil price impact on RUB exchange rate

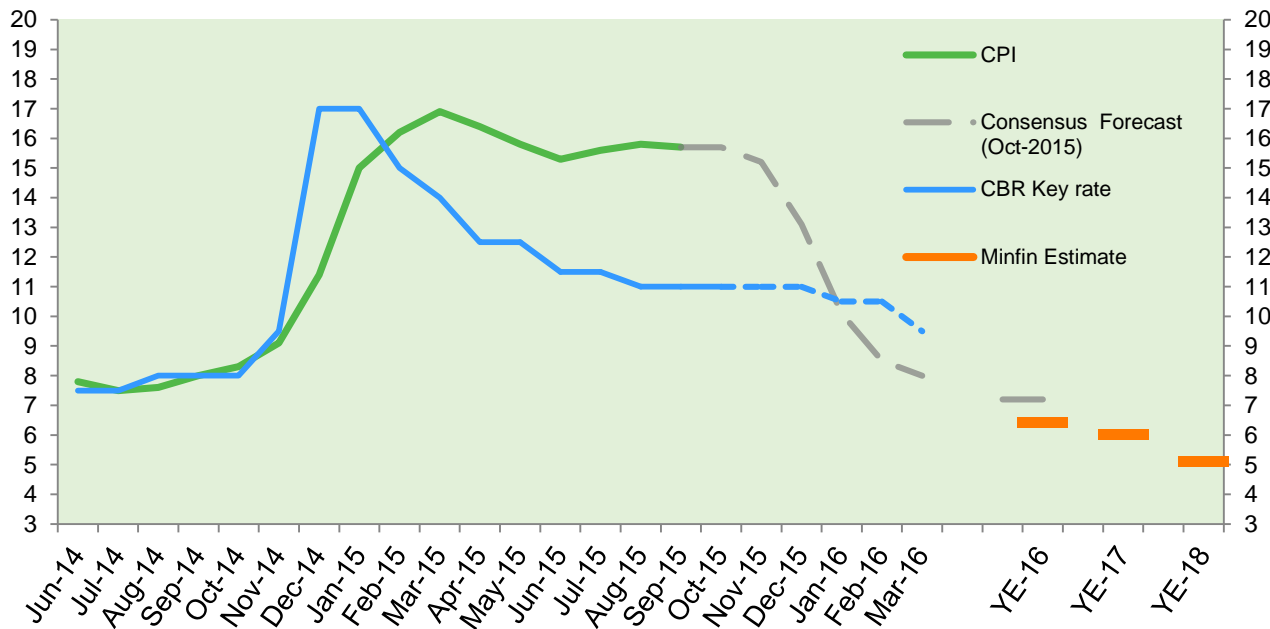
Urals oil price USD/bbl	RUB/USD
40	77-80
50	61-65
60	52-55



Inflation is slowing down

Given no further devaluation, it should be under control

Russia's CPI inflation % YoY, Russia's Central Bank key rate



Sep 2015 % YoY

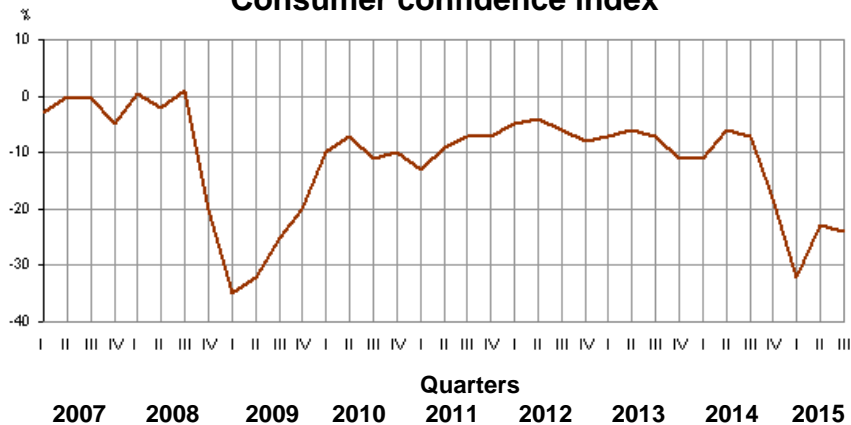
CPI*	+15.7
Food	+17.4
Non-food	+15.2
Services	+13.8

* CPI – consumer price index

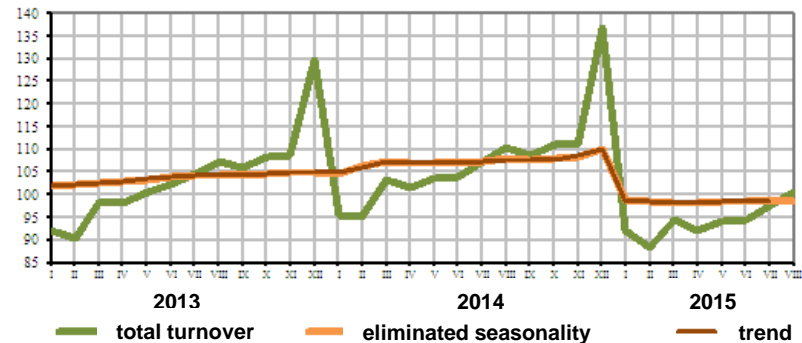
Weak consumer confidence and retail turnover

Driven by low purchasing power

Consumer confidence index

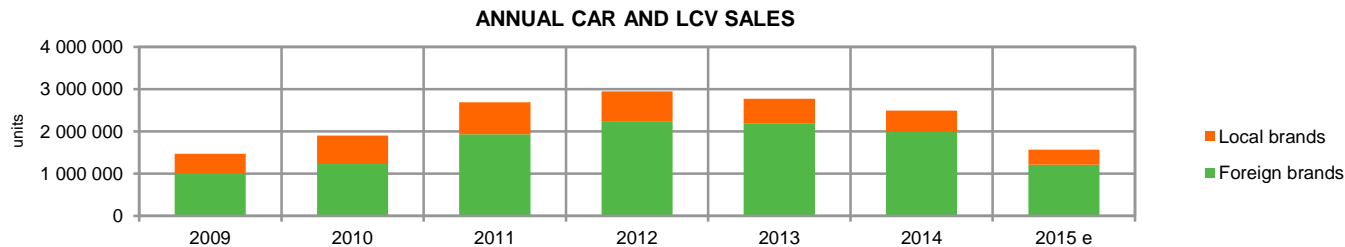
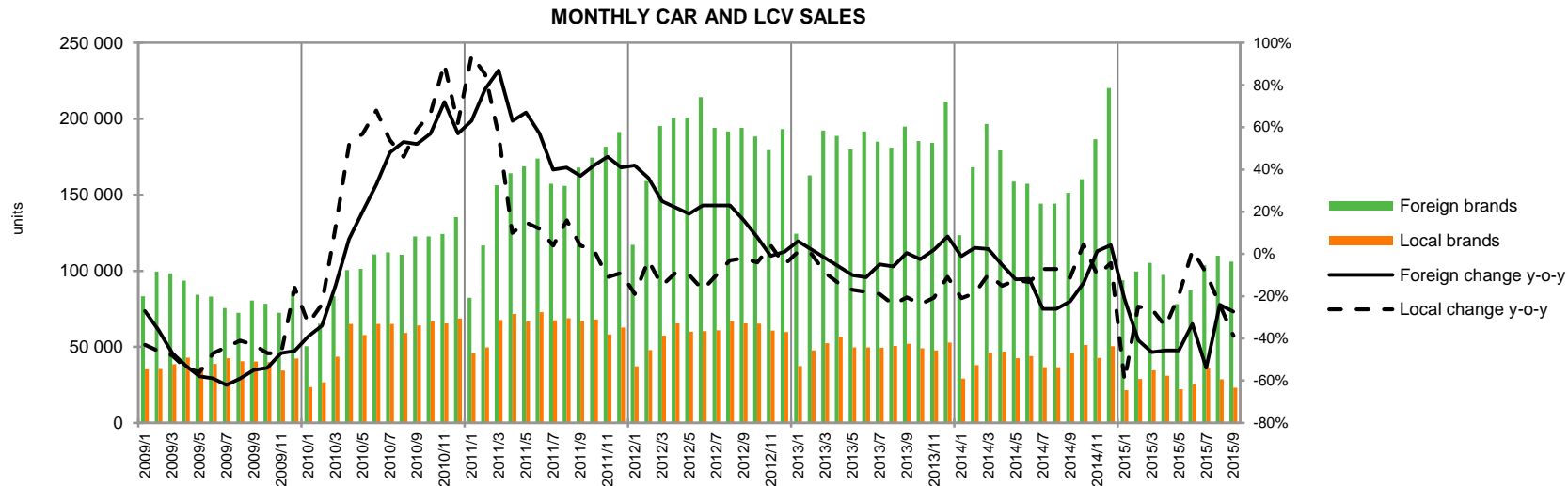


Retail turnover development as a % to monthly average of 2012



Sales of new cars remain sluggish

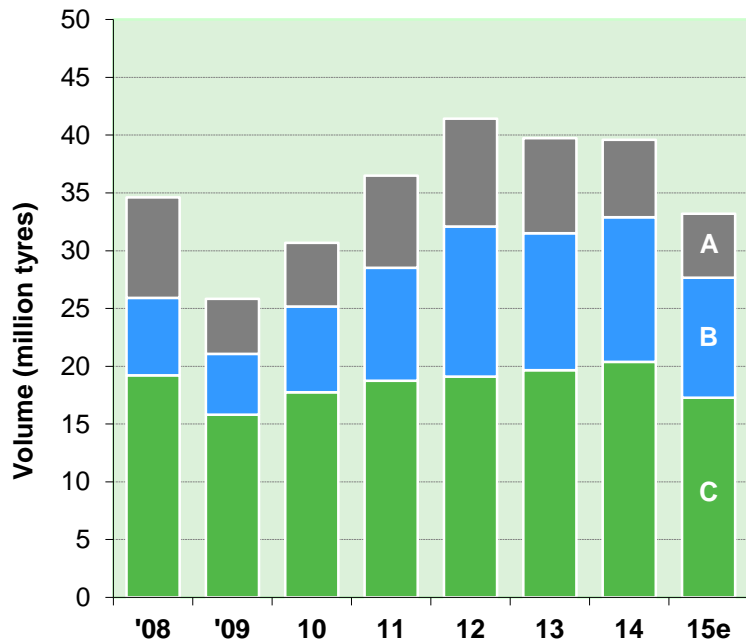
Monthly sales on 2009 level



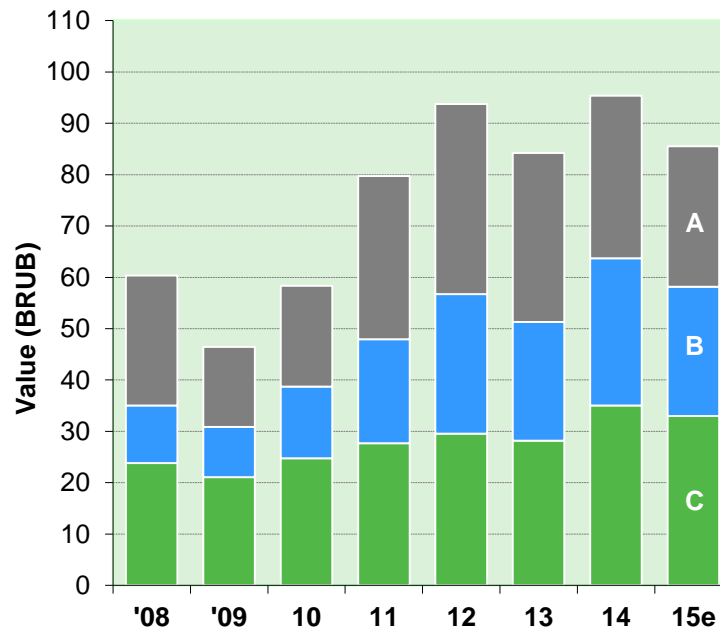
Russia's tyre market declining for three years

Reflecting new car sales and overall consumer demand

Car, SUV and van tyre replacement market (volume)

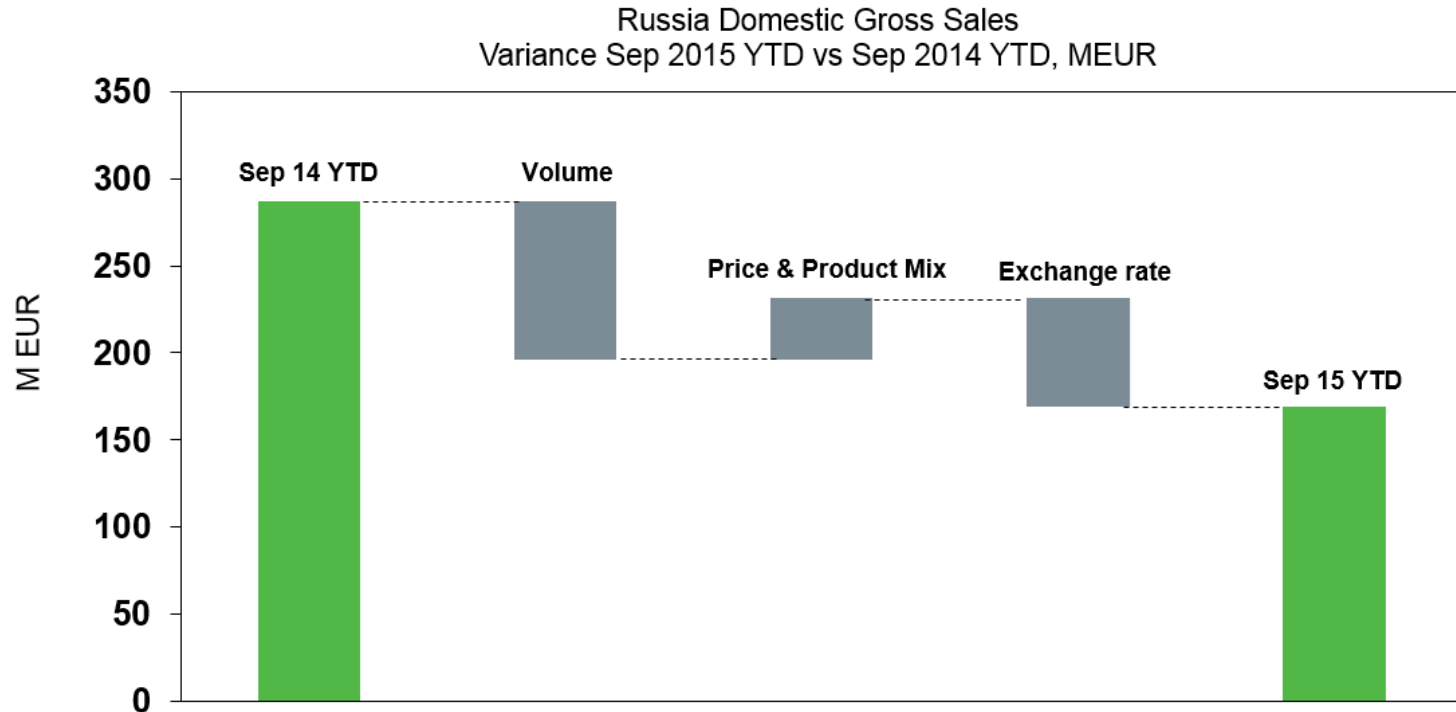


Car, SUV and van tyre replacement market (value)



Lower volume, weak ruble drive revenue down

Product mix and average price improved



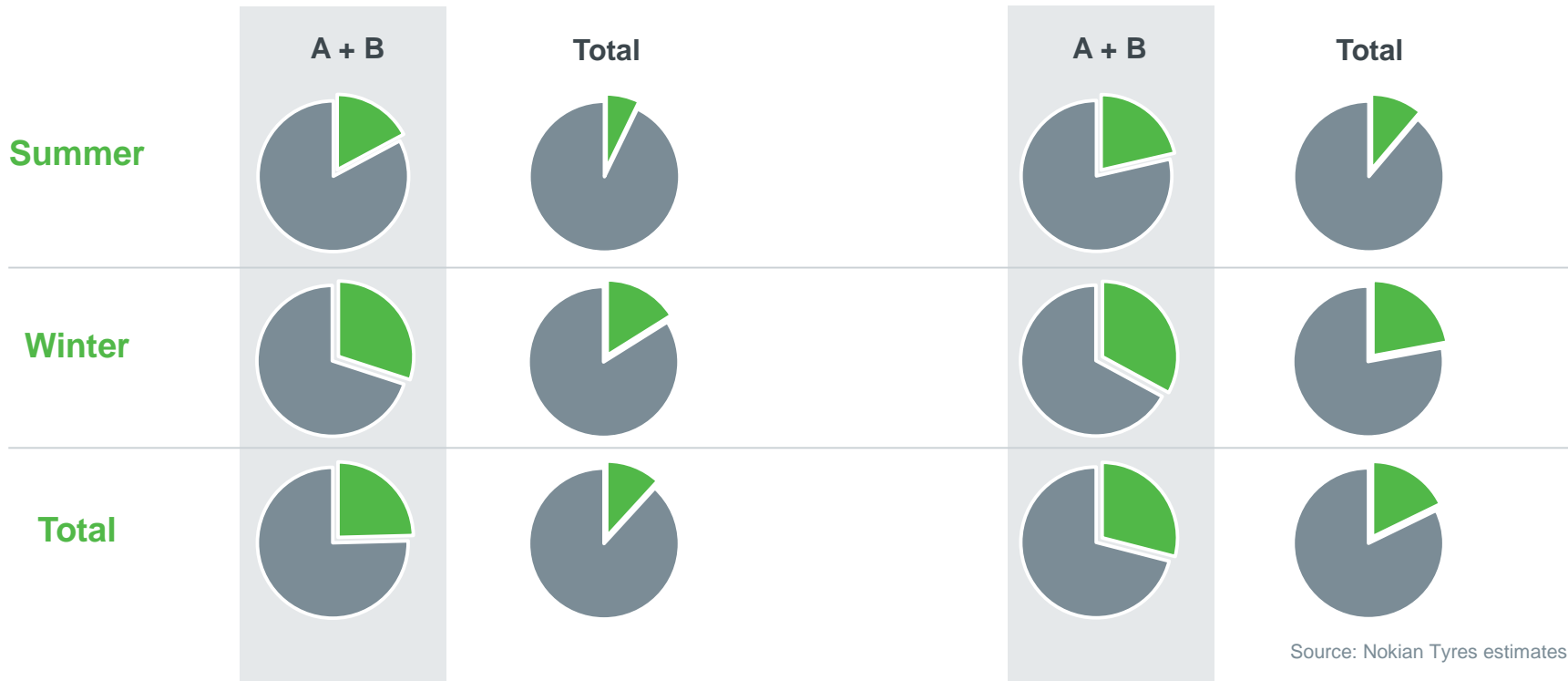
Nokian tyres remains clear market leader

In A+B segments, both in winter and summer tyres

Market share
(sell-in), 2015e

VOLUME

VALUE



Marketing and sell-out support program

Aimed at keeping market share on sell-out level

CONVINCING MAGAZINE TEST VICTORIES

Зарулем

3 место Nordman 5	2 место Continental ContiContact 2	1 место Nokian Hakkapeliitta 8
Россия T (190 км/ч) направленный	Германия T (190 км/ч) асимметричный	Россия T (190 км/ч) направленный
9,0-9,1	8,1-8,5	8,6-9,1
52	55	52
110	176	173
1,2-1,4/1,2-1,4	1,2-1,4/1,2-1,4	1,2-1,5/1,3-1,6
7,1	8,2	7,2
2415	3940	3960
2,73	4,23	4,22

4 место Nordman RS	2 место Goodyear UltraGrip Ice 2	1 место Nokian Hakkapeliitta R2
Россия R (170 км/ч) направленный	Польша T (190 км/ч) направленный	Россия R (170 км/ч) направленный
8,9-9,0	7,7-8,4	8,3-8,5
51	52	49
6,7	7,0	6,7
2225	2660	3530
2,52	2,94	3,80

LIFE-LONG EXTENDED GUARANTEE FOR ALL HAKKAPELIITTA PRODUCTS



nokian HAKKAPELIITTA



EFFECTIVE ADVERTISING

**И В МИНУС
ДВАДЦАТЬ ПЯТЬ**

**БЫВАЮТ
СВОИ ПЛЮСЫ**

Nokian Hakkapeliitta 8
ОСТАНОВЯТ. ВОВРЕМЯ.

'TYRE MOUNTING FOR FREE' CAMPAIGNS

УСПЕЙ ПЕРЕОБУТЬСЯ!

**БЕСПЛАТНЫЙ
ШИНОМОНТАЖ!**

С 1 СЕНТЯБРЯ ПО 31 ДЕКАБРЯ ПРИ ПОКУПКЕ КОМПЛЕКТА ШИН NOKIAN TYRES ИЛИ ДИСКОВ*

* МОДЕЛИ ШИН И УСЛОВИЯ АКЦИИ СМОТРИ НА САЙТЕ VisnorSM.ru

Vsevolozhsk factory – main production base

10 years of success

- Production capacity increased from 1 m (2005) to 15.5. m units / year
- Biggest car tyre factory in Russia: over 70 million tyres produced since 2005
- The most modern tyre factory in Europe: high level of automation
- The best efficiency in the industry: only ~1,000 employees at the factory
- Wide product range for all markets: over 1,300 SKUs in production
- Export to over 40 countries: ~70% of the factory's production output in 2015
- Biggest exporter of consumer goods in Russia
- Significant tax benefits



Contents

1. Operational review
(market / business / production)



2. Strategy update and long-range plan

Strategic goal intact: continue to be #1

Keep market leader position and outperform market

Vision

Market leader in A+B segments,
consumers' ultimate choice of high-quality tyres,
and best partner for customers

Mid-term strategic objectives (2018)

- Sales volume >5 Mpcs / revenue >20 BRUB
- Market share total >14%, A+B >28%
- Profitability: EBIT margin (local sales) >40%

Comprehensive product
portfolio with balanced price
positioning

Highest brand awareness and
intent to buy among
consumers

Committed, loyal distribution;
highest earning potential for
partners

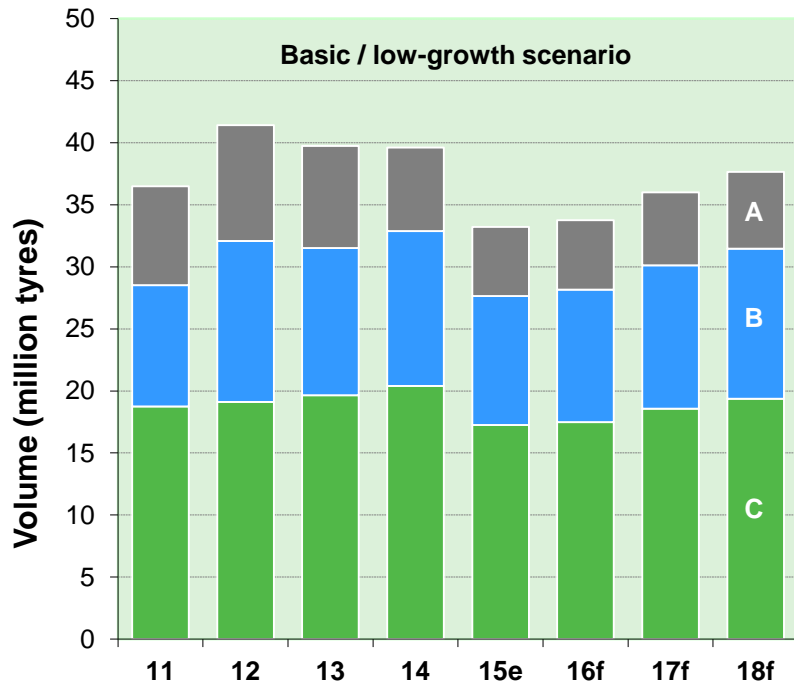
One of the most attractive
employers with highly
engaged and effective
personnel

Strategic cornerstones

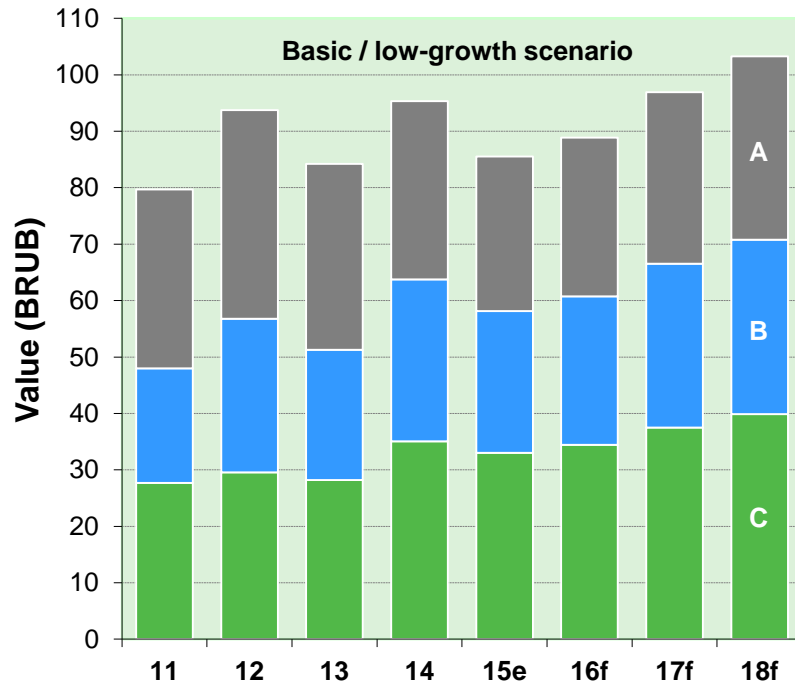
Fast tyre market growth is unlikely

2018 is expected to be still below 2012 peak

Car, SUV and van tyre replacement market (volume)



Car, SUV and van tyre replacement market (value)

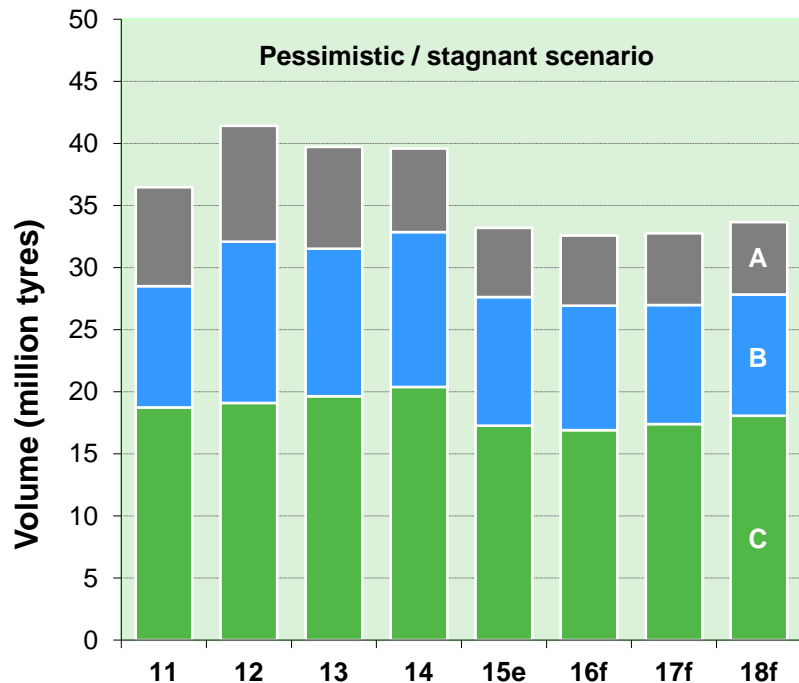


Significant market potential still exists

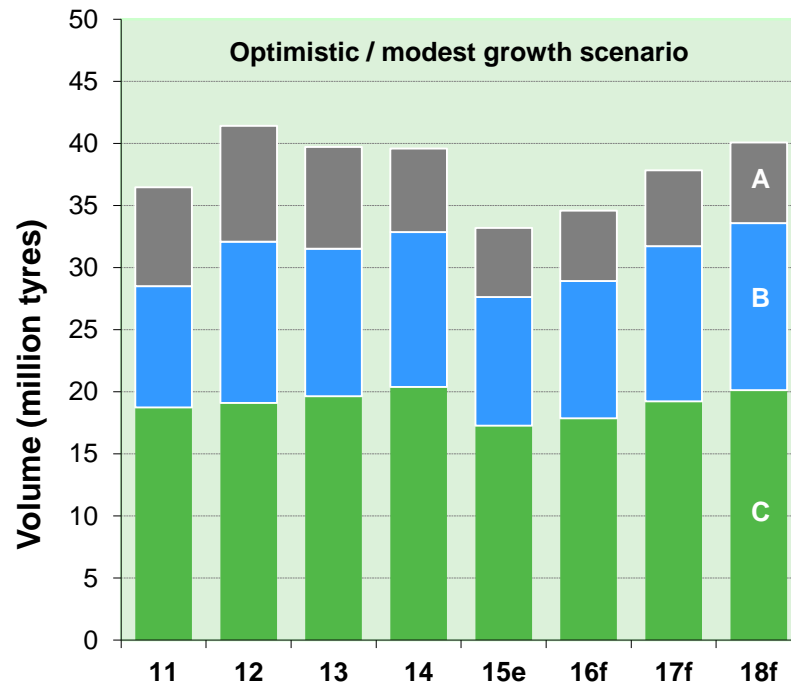
Growth may vary depending on scenario

Variation between optimistic and pessimistic up to 20%

Car, SUV and van tyre replacement market (volume)



Car, SUV and van tyre replacement market (volume)



Competition has clearly intensified

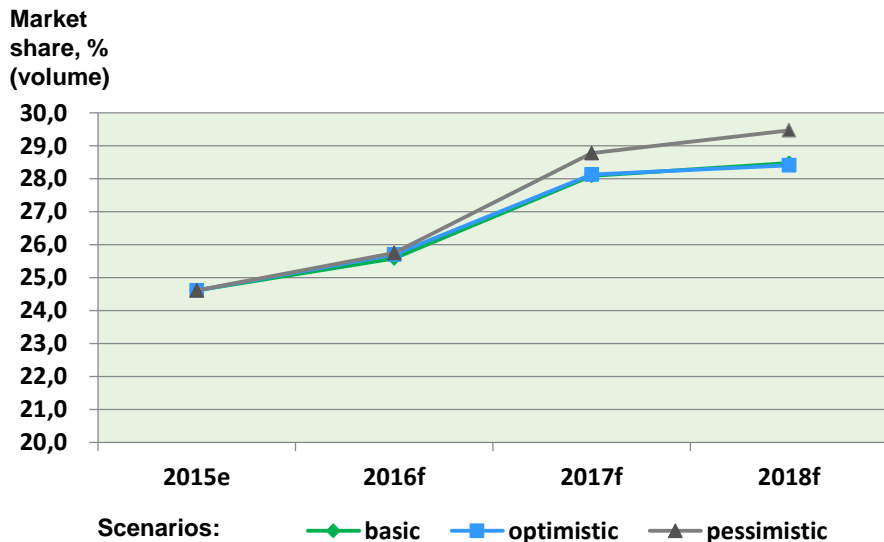
Key players are committed to the Russian market

- Tight pricing environment, aggressive pricing policies by some competitors;
- Launch of local production facilities affecting the approach and level of activity of competitors;
- Localized production and extended product range becoming key factors in shaping competitive landscape;
- Role of Japanese and Korean players growing due to increased focus and competitive pricing;
- Competitive threat from Chinese and other Asian players, not established in Russia directly, weakening due to ruble devaluation;
- Russian producers gaining share due to lower competition from China;
- Emerging overcapacity situation resulting in further pricing pressure.

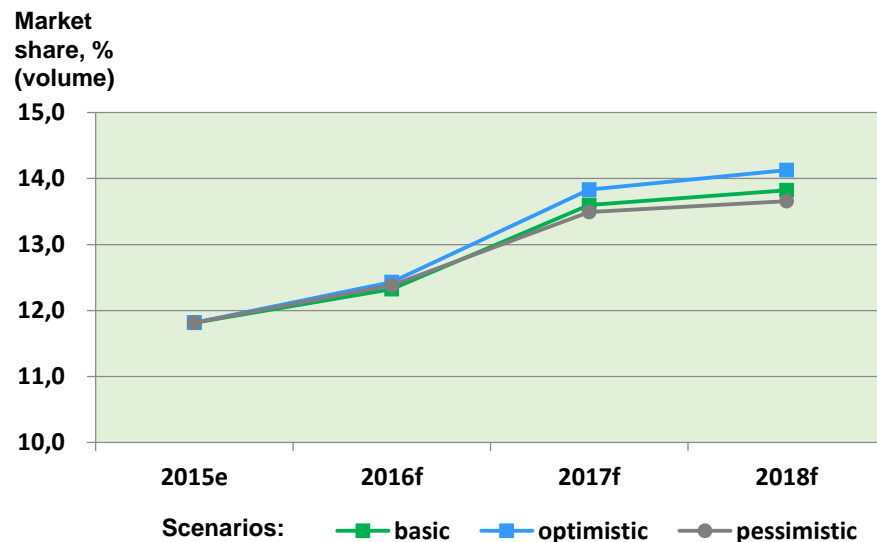
Target to outperform market in any scenario

Market share in A+B segments to grow from 25% to 30%

A + B segments



Total market



Optimal product mix and price positioning key

Target to maximize revenue and profit

Segments



A:



B:



A:



B:



New business models in distribution evolving

Plan to pilot various consignment schemes



New business concepts in B2B2C e-commerce

Proactive approach to digital disruption

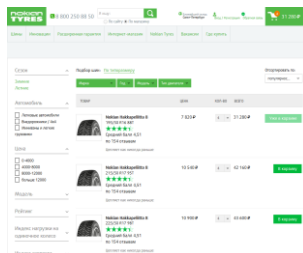
B2B

- New web shop for business-to-business customers
- State-of-the-art e-commerce platform enabling deep integration to corporate ERP systems and making new features and tools available for boosting B2B online sales
- Scalable and extendable solution adjusted to specific B2B needs



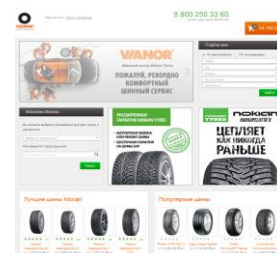
B2C

- Up-to-date web shop for direct sales from the manufacturer to end consumers
- The new e-commerce platform bringing better user experience to online consumers
- Strong prerequisite for owning the end consumer and leveraging B2C sales



vianor.ru

- Sustainable, flexible and user-friendly marketplace adjusted to business needs of Vianor partners and preferences of online consumers
- Marketplace concept expanding opportunities in selling products and services
- Significant step in strategic evolution of B2B2C model in line with strong trends in online sales



Nokian tyres set to remain market leader

Executive summary

- Period of Russia's tyre market fast growth is over: by 2018 the total market will still be below the peak levels of 2012 with a clearly weaker structure of segments. However, significant market potential still exists.
- Competition has clearly intensified, with major manufacturers expanding their product ranges into cheaper segments, adopting aggressive pricing strategies and localizing their production.
- Russia remains a key market for Nokian Tyres. The strategic target will remain intact: outperform the market and keep the market leader position.
- Key strategic dimension for Nokian Tyres is the optimal product portfolio, i.e. product range and price positioning within and across A and B segments.
- Big changes are taking place in the area of distribution: new concepts based on consignment approach are being developed and piloted.
- Focus on consumer is increasingly important; changing consumer behavior and growing role of ecommerce will have a big impact on marketing strategies and business concepts.

A close-up photograph of a silver alloy wheel on a white car, with a blurred cityscape in the background. A green banner in the top left corner contains the Nokian Tyres logo. The text 'Thank you!' is written in green on the right side of the image.

nokian[®]
TYRES

Thank you!