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**TYRES**



**Welcome!**

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**Capital Markets Day 2015**

Helsinki, 17 November 2015

# Agenda

|              |  |   |
|--------------|--|---|
| <b>12.00</b> | <b>CEO's presentation</b>                      | Ari Lehtoranta, <i>President and CEO</i>                      |
|              | <b>Car tyre business product portfolio</b>     | Petri Niemi,<br><i>Head of Product and Price Management</i>   |
|              | <b>Distribution and Vianor</b>                 | Alexej von Bagh, <i>VP, Vianor</i>                            |
| <b>13.30</b> | Coffee break                                   |   |
| <b>14.00</b> | <b>Russia</b>                                  | Andrei Pantioukhov, <i>VP, Russia</i>                         |
|              | <b>Heavy Tyres</b>                             | Pontus Stenberg, <i>VP, Sales</i>                             |
|              | <b>Online Business</b>                         | Antti-Jussi Tähtinen, <i>VP, Marketing and Communications</i> |
| <b>15.30</b> | Coffee break                                   |   |
| <b>16.00</b> | <b>Strategy summary and concluding remarks</b> | Ari Lehtoranta, <i>President and CEO</i>                      |
|              | <b>Q&amp;A</b>                                 |   |
| <b>17.00</b> | End  |   |



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# Road to 2018

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**Ari Lehtoranta**  
President & CEO

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**Capital Markets Day 2015**



## 1. Nokian Tyres in brief

## 2. Performance

## 3. Markets, trends and current situation

## 4. Nokian Tyres strategy overview

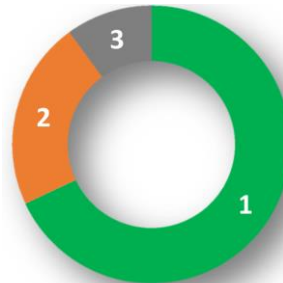
# Nokian Tyres in brief

Nokian Tyres is the northernmost tyre manufacturer in the world, working relentlessly for safer, more comfortable and eco-friendly transportation – year round.

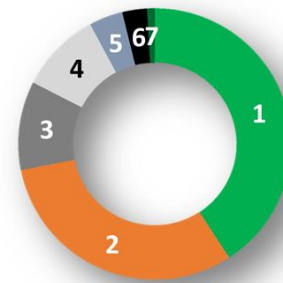
Net sales by market areas



Net sales by business units



Personnel by area



| Key figures                   | 2014       |
|-------------------------------|------------|
| Net sales                     | M€ 1,389.1 |
| Operating profit              | M€ 308.7   |
| Equity ratio                  | 67.5%      |
| Cash flow                     | M€ 458.3   |
| Share of foreign shareholders | >60%       |
| Personnel                     | 4,272      |

| Country / Area    | 2013 | 2014 |
|-------------------|------|------|
| 1. Finland        | 14%  | 15%  |
| 2. Sweden         | 11%  | 13%  |
| 3. Norway         | 11%  | 12%  |
| 4. Russia and CIS | 34%  | 26%  |
| 5. Central Europe | 22%  | 24%  |
| 6. North America  | 7%   | 9%   |

Share of turnover

| Business units         | 2013 | 2014 |
|------------------------|------|------|
| 1. Passenger car tyres | 71%  | 68%  |
| 2. Vianor              | 20%  | 22%  |
| 3. Heavy Tyres         | 9%   | 10%  |

Share of turnover

| Country / Area    | 2014  |
|-------------------|-------|
| 1. Finland        | 41%   |
| 2. Russia         | 31%   |
| 3. Sweden         | 11%   |
| 4. Norway         | 10%   |
| 5. North America  | 4%    |
| 6. Central Europe | 3%    |
| 7. Others         | 1%    |
| Total             | 4,272 |

## Good platform for growth

Own production, test centers, sales companies and Vianor



**Nokia, Finland**  
– capacity 2.5M tyres



**Vsevolozhsk, Russia**  
– capacity >15M tyres

### Own production and test centers

- Nokia, Finland and Vsevolozhsk, Russia
- Own test centers: Ivalo and Nokia

### Sales companies

- Finland, Sweden, Norway, Russia, Ukraine, Kazakhstan, Germany, Switzerland, Czech Republic, Belarus, USA, Canada and China.

### Vianor

- 1,429 stores in 27 countries
- Increase of 74 stores in 1-9/2015

### NAD (Nokian Tyres Authorized Dealers)

- 1,144 stores in 16 Central European countries and China
- Increase of 275 stores in 1-9/2015

### N-Tyre

- 94 stores in Russia and Kazakhstan

# Contents

1. Nokian Tyres in brief



**2. Performance**

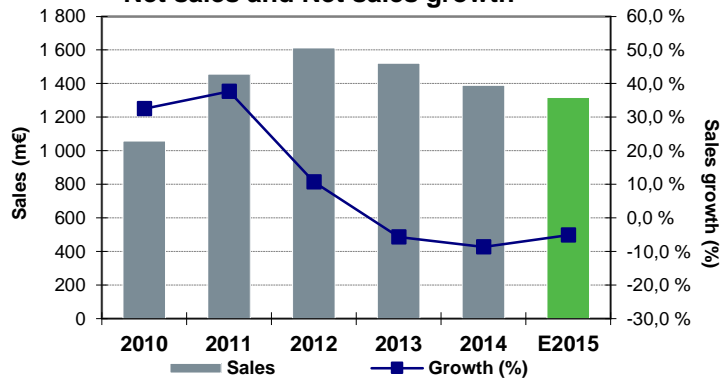
3. Markets, trends and current situation

4. Nokian Tyres strategy overview

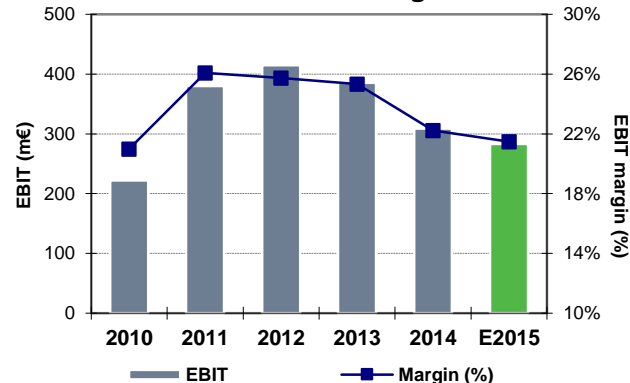
# Historical performance

(E2015 according to consensus)

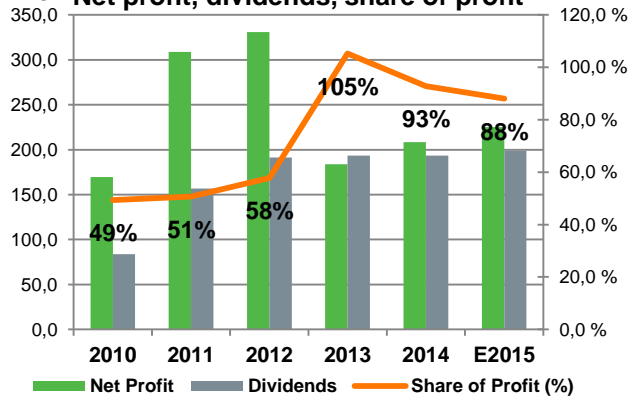
### Net sales and Net sales growth



### EBIT and EBIT margin



### Net profit, dividends, share of profit



### Indexed share price development 2010 – 10/2015





# Summary of January–September 2015

Improved profitability in Q3 supported by favourable product mix, raw material cost savings and productivity development

| Key figures, MEUR         | 7-9/15 | 7-9/14 | Change% | 1-9/15 | 1-9/14  | Change% | 2014    |
|---------------------------|--------|--------|---------|--------|---------|---------|---------|
| Net sales                 | 311.0  | 327.7  | -5.1    | 937.9  | 1,009.2 | -7.1    | 1,389.1 |
| Operating profit          | 72.4   | 72.1   | 0.3     | 201.2  | 231.2   | -13.0   | 308.7   |
| Operating profit, %       | 23.3   | 22.0   |         | 21.5   | 22.9    |         | 22.2    |
| Profit before tax         | 64.6   | 61.7   | 4.7     | 201.3  | 196.2   | 2.6     | 261.2   |
| Profit for the period     | 57.7   | 53.4   | 8.0     | 257.5  | 158.3   | 62.7    | 208.4   |
| Earnings per share, EUR   | 0.43   | 0.40   | 7.2     | 1.93   | 1.19    | 62.5    | 1.56    |
| Equity ratio, %           |        |        |         | 71.3   | 63.3    |         | 67.5    |
| Cash flow from operations | -33.2  | -95.3  | 65.2    | -105.9 | -120.8  | 12.3    | 458.3   |
| RONA, % (roll. 12 months) |        |        |         | 17.3   | 18.1    |         | 18.3    |
| Gearing, %                |        |        |         | 14.0   | 27.7    |         | -13.6   |

# Contents

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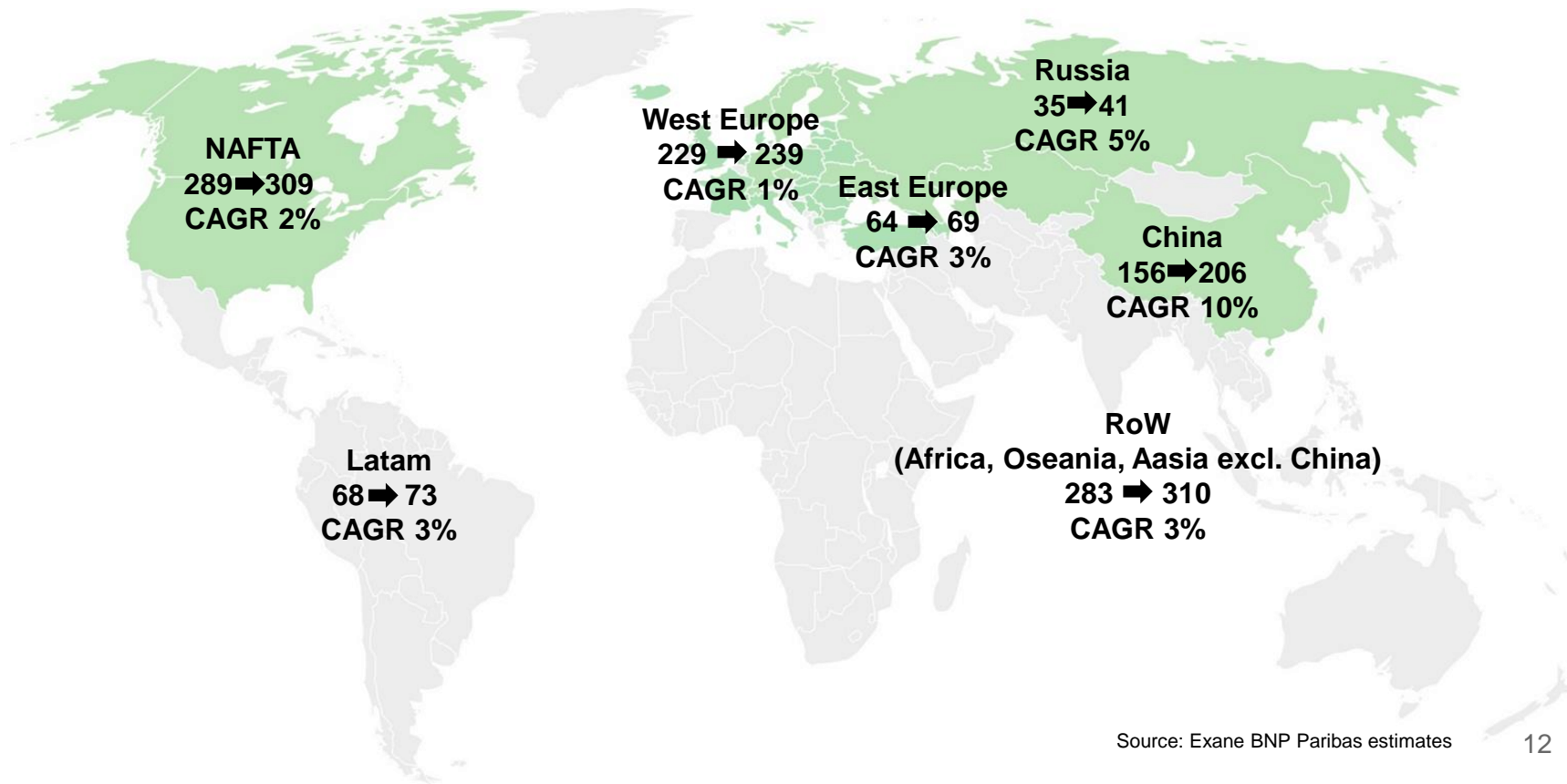
4. Nokian Tyres strategy overview

# Competitive landscape

- Global economic growth is projected to strengthen in the course of 2015 and 2016, but will remain modest relative to pre-crisis period and its global distribution will change from that in recent years
- Replacement tyre market growth will remain slow in our key regions
- Asia will be the engine for global tyre market growth
- Pricing climate in Europe remains challenging due to slow growth, low raw material cost and new low-end brands gaining footprint
- Online sales will gradually increase popularity as a sales channel

# Nokian Tyres' target market

Replacement tyre market forecast (Million units) E2015 vs. E2018



# Top players by market area

## Nordics

### Winter

- Nokian Tyres
- Continental
- Goodyear

### Summer

- Nokian Tyres
- Continental
- Goodyear

## Russia

### Winter A stud

- Nokian Tyres
- Michelin
- Continental

### Summer UHP (A)

- Bridgestone
- Michelin
- Pirelli

### Winter B stud

- Nokian Tyres
- Yokohama
- Hankook

### Summer HP (A)

- Michelin
- Bridgestone
- Pirelli

### Summer Performance (A)

- Nokian Tyres
- Continental
- Yokohama

## North America

### Winter A

- Michelin
- Bridgestone
- Nokian Tyres

### Premium Summer (UHP)

- Michelin
- Bridgestone
- Goodyear

### Winter B

- Firestone
- Hankook
- Cooper

### Premium All-Season

- Michelin
- Bridgestone
- Continental

## Central Europe

### Winter

- Continental
- Michelin
- Goodyear

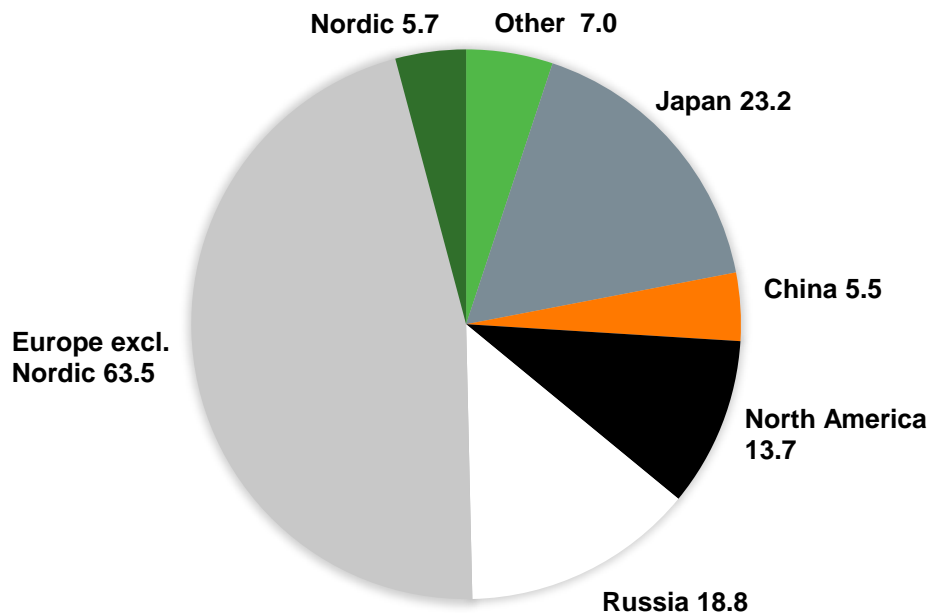
### Summer

- Continental
- Michelin
- Goodyear

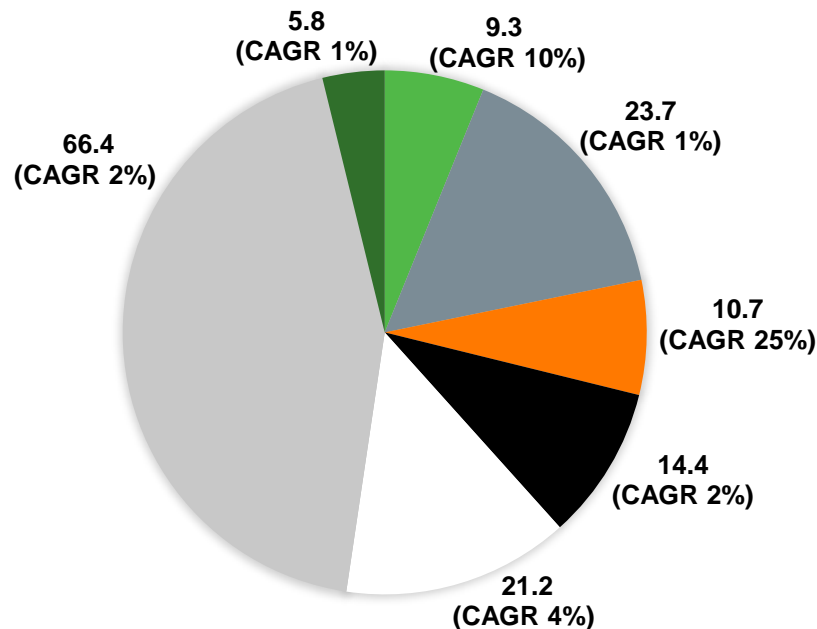
# Still untapped winter tyre markets for us

Winter tyre market forecast

**E2015: 137 M UNITS**



**E2018: 152 M UNITS**  
**(CAGR 2015–2018 3%)**



# Trends

## Intelligent, electric cars

Share of electric/hybrid cars will increase.  
Digitalization will increase the intelligence and connectivity of the cars and tyres will be part of this.

## Winter tyres

Winter tyre legislation for both passenger and commercial cars will continue to expand.  
All season (All weather) segment will grow gradually.

## Increasing Asian competition

Share of Asian competitors will continue to grow.

## Tyre distribution transformation

Disruption in distribution will continue. Wholesalers will have a tough time and ecommerce will grow it's importance. Warehousing in chain will decrease.

## Digitalization

Consumers will make buying decisions more and more in net. Ecommerce itself will grow but physical outlets and service will maintain it's dominance. Pricing will be very transparent.

## Alternative technologies

Alternative technologies and materials development will continue but the commercial impact in strategy period will be limited.

# Contents

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# Strategic choices – Where will we play

## Business areas

Three business areas

## Products

Products for demanding conditions

## Customers & distribution

Enabling customer to make best profit with our tyres

## Markets

Strong home markets, growth in CE and NA

# Strategy overview – Key enablers

## Car & Van tyres

Global leader in premium winter tyres

## Heavy tyres

Forerunner in special tyre solutions

## Vianor

The best tyre & car service provider

Business  
areas

## Manufacturing

Improving productivity, quality and capacity

## Logistics

Improving customer support  
– warehousing, tools and availability

Enablers

## People

Skilled, enthusiastic and well-being personnel

## Processes & IT systems

One IT to support global processes

# Strategic main investments

## Vsevolozhsk capacity increase

- 17 million pcs
- 90 m€, ready in 2017

## Third factory

- Decision to be made by Q4/2016
- 4 million pcs
- 250 m€, ready for production in 2019/2020

A close-up photograph of a car's rear wheel and lower body panel. The wheel is a silver alloy with a multi-spoke design. The tire is a black rubber with visible tread patterns. The car's body is white. The background is a blurred cityscape with buildings and a street. A green banner is overlaid on the top left corner.

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**Thank you!**