

An aerial photograph of a two-lane asphalt road winding through a dense forest. The trees have green and yellow foliage, suggesting early autumn. A dark car is visible on the road, moving away from the viewer. To the right of the road is a body of water.

# **WAR IN UKRAINE OVERSHADOWED Q1, OPERATING ENVIRONMENT HIGHLY UNCERTAIN, TIRE DEMAND GOOD**

**INTERIM REPORT JANUARY-MARCH 2022**

**APRIL 27, 2022**

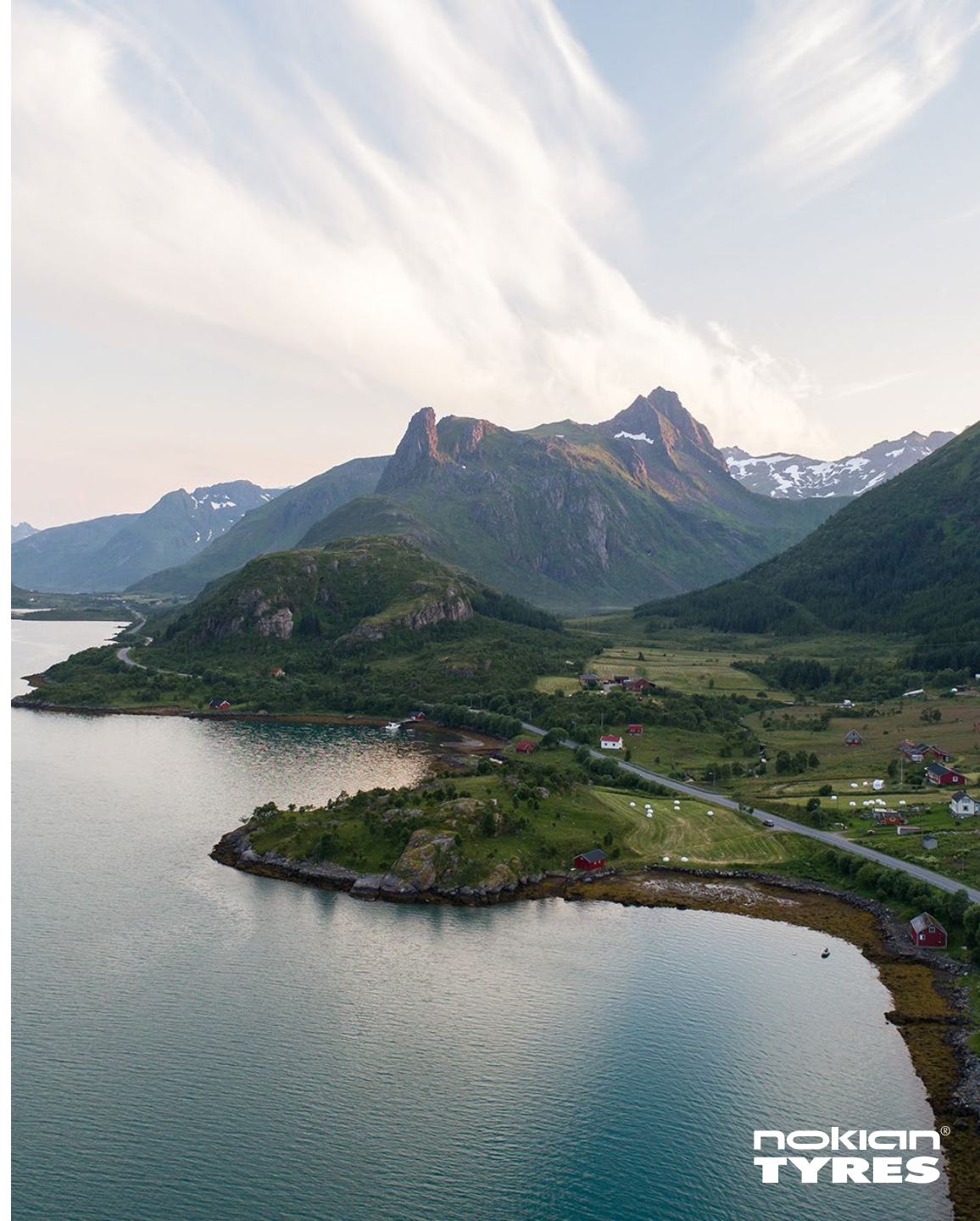
**JUKKA MOISIO – CEO  
TEEMU KANGAS-KÄRKI – CFO**

**nokian<sup>®</sup>  
TYRES**



# NET SALES AND SEGMENTS OPERATING PROFIT IMPROVED

- **Net sales EUR 416.5 million (341.8), +21.8% with comparable currencies**
  - Year began with good demand in all markets
  - In late February, the war in Ukraine started to impact on the operating environment
- **Segments operating profit EUR 66.5 million (50.3)**
  - Price increases to combat cost inflation, leading to higher ASP
  - All-time high first quarter segment operating profit in Heavy Tyres



# STRONG BALANCE SHEET SUPPORTING IN DIFFICULT TIMES

EUR million	1-3/ 2022	1-3/ 2021	Change	CC* Change	2021
Net sales	<b>416.5</b>	341.8	21.9%	21.8%	1,714.1
Segments operating profit	<b>66.5</b>	50.3			324.8
Segments operating profit %	<b>16.0%</b>	14.7%			19.0%
Segments EPS, EUR	<b>0.38</b>	0.29			1.84
Segments ROCE, %**	<b>16.2%</b>	10.6%			15.8%
Equity ratio, %	<b>70.0%</b>	66.8%			68.4%
Cash flow from operating activities	<b>-114.3</b>	-24.4			396.5
Gearing, %	<b>3.1%</b>	1.9%			-6.1%
Interest-bearing net debt	<b>52.6</b>	30.9			-98.7
Capital expenditure	<b>14.1</b>	17.1			119.6

\* Comparable currencies

\*\* Rolling 12 months

The definitions of alternative performance measures (non-IFRS figures) are presented in the report by the Board of Directors in Nokian Tyres Financial Review 2021.

# Q1: PASSENGER CAR TYRES

Tire demand continued on a high level

	1-3/ 2022	1-3/ 2021	Change	CC* Change	2021
Net sales, M€	<b>314.9</b>	245.9	28.1%	28.4%	1,199.2
Segment operating profit, M€	<b>74.2</b>	52.8			298.7
Segment operating profit, %	<b>23.6%</b>	21.5%			24.9%

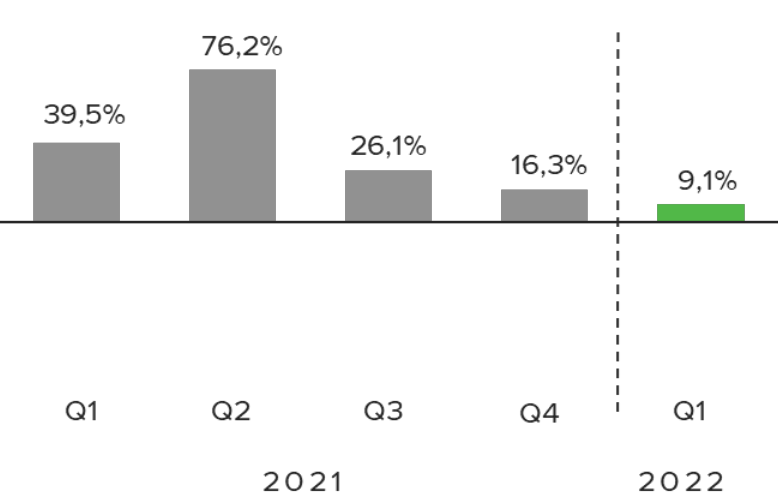
\* Comparable currencies

- Net sales increased in all main markets
- Average Sales Price with comparable currencies improved
- Segment operating profit increased driven by higher sales prices
  - Price increases more than offset higher raw material and other cost inflation
- Actions to increase capacity in Finland and the US continued, preparations for new supply capability to Europe started

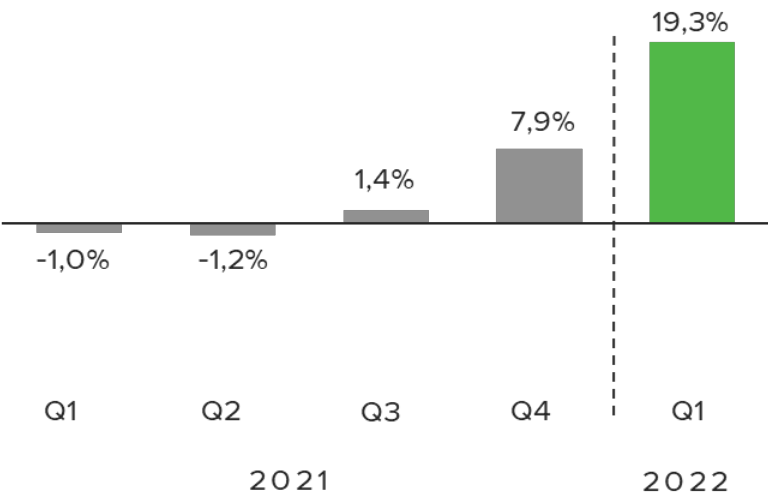
# PASSENGER CAR TYRES NET SALES - QUARTERLY CHANGES

YoY Change %

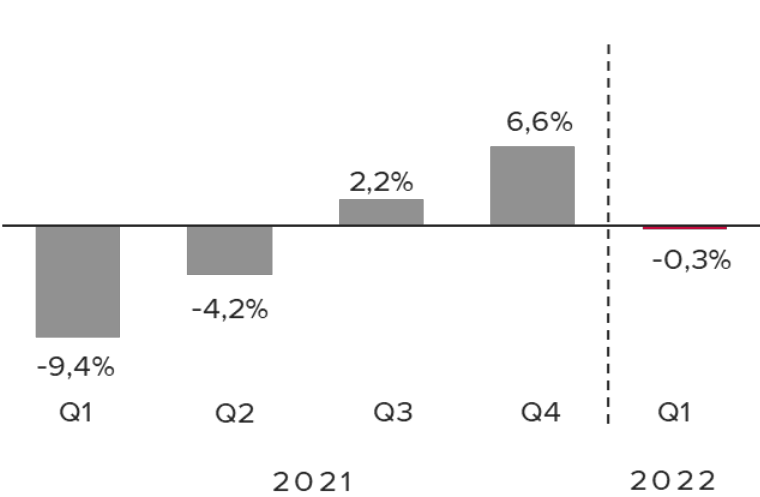
Sales Volumes



Price / Mix



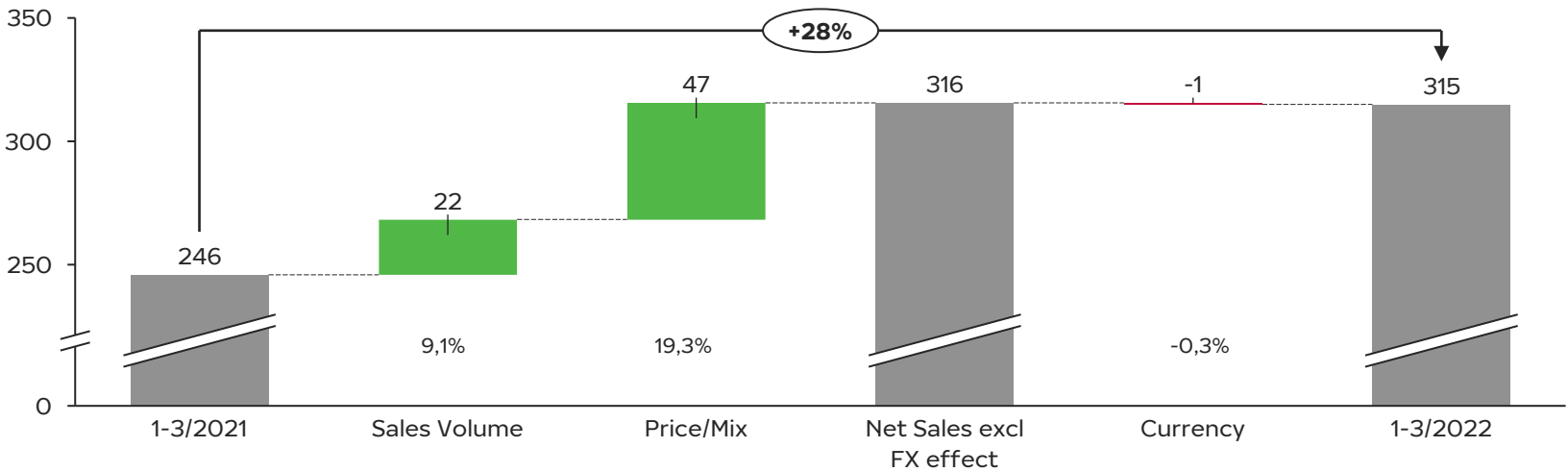
Currency



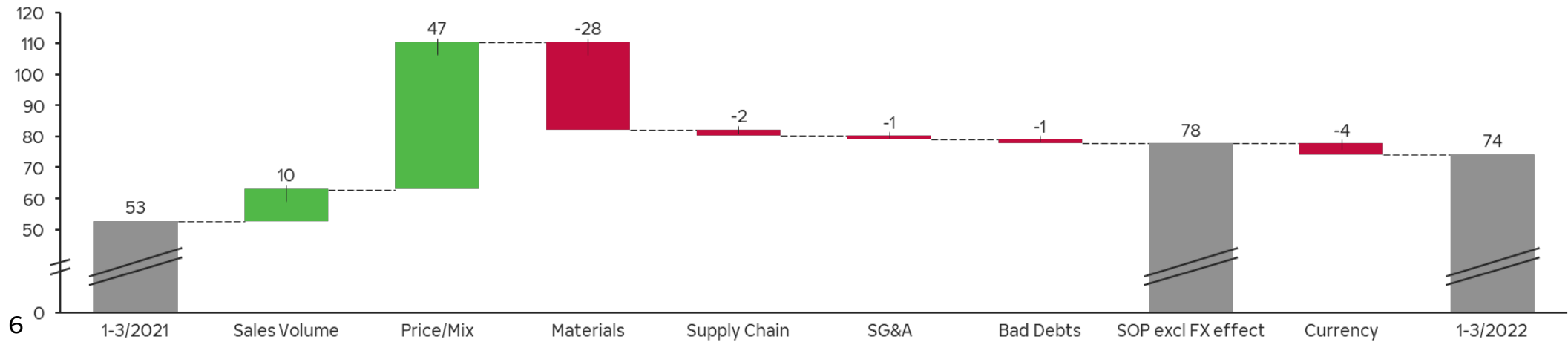
# Q1: PASSENGER CAR TYRES BRIDGE

Price/Mix impacted segment operating profit positively by EUR 47 million

## NET SALES, M€



## SEGMENT OPERATING PROFIT, M€



# Q1: HEAVY TYRES

All-time high first quarter segment operating profit

	1-3/ 2022	1-3/ 2021	Change	CC* Change	2021
Net sales, M€	<b>66.4</b>	57.1	16.4%	14.7%	254.0
Segment operating profit, M€	<b>12.8</b>	12.6			40.3
Segment operating profit, %	<b>19.2%</b>	22.0%			15.9%

\* Comparable currencies

- Net sales grew driven by strong demand in all product segments and higher sales prices
  - Sales and distribution of heavy tires to Russia were stopped due to the war in Ukraine
- Segment operating profit improved due to increased sales and production volume
  - Higher raw material and other cost inflation was to a large extent offset by price increases
- Inventories are at a low level
- Excellent development in safety: over 2 years without lost-time injuries

# Q1: VIANOR

Slow start for the year in a seasonally low quarter

	1-3/ 2022	1-3/ 2021	Change	CC* Change	2021
Net sales, M€	<b>57.1</b>	58.1	-1.8%	-1.8%	342.9
Segment operating profit, M€	<b>-12.1</b>	-9.8			4.1
Segment operating profit, %	<b>-21.3%</b>	-16.9%			1.2%
Number of own service centers at period end	<b>174</b>	173			175

\* Comparable currencies

- Net sales decreased by 1.8% with comparable currencies
- Segment operating profit was EUR -12.1 million (-9.8)
  - The first quarter is seasonally low in Vianor, therefore negative in profitability. The summer tire season starts in the second quarter
- At period end, Vianor had 174 own service centers in Finland, Sweden and Norway



# OPERATING ENVIRONMENT SEVERELY IMPACTED BY THE WAR IN UKRAINE, SEVERAL MEASURES TAKEN

## HEALTH AND SAFETY

- Top priority to ensure the health and safety of our Ukrainian colleagues, and to support all Nokian Tyres employees
- Constant communication about the situation in the organization
- Donation to humanitarian efforts in Ukraine

## OPERATIONAL MEASURES

- Compliance with applicable sanctions regime
- Crisis management team established, contingency plans activated
- Taking care of the personnel and management in Ukraine and Russia
- Securing control of the asset base in Russia
- Investments into the Russian production stopped
- Heavy tire sales and distribution to Russia stopped
- Actions ongoing to diversify the company's manufacturing footprint
- Cost reductions

## FINANCIAL ACTIONS

- Dividend proposal changed from EUR 1.32/share to EUR 0.55/share (2021: EUR 1.20)
- Measures to secure the company's liquidity
- Strong balance sheet supporting in difficult times



# PREPARATIONS FOR NEW SUPPLY CAPABILITY STARTED

- All options are being evaluated (own/JV production/ contract manufacturing)
  - We have started to expedite plans to invest in new production capacity in Europe
- The new dividend proposal cuts the total dividend payable to shareholders by EUR 106 million to fund the new capacity
- We also continue to increase capacity at the factories in Finland and the US
  - According to the plan, all tires sold in the Nordic countries in the future will be produced in Nokia, Finland, and all tires sold in North America in the future will be produced in Dayton, US and in Nokia, Finland





# PRIORITIES FOR THE COMING QUARTERS

- Adapting to the fast-changing and highly uncertain operating environment
    - Complying with applicable sanctions regime
    - Protecting the safety of our team
  - Maintaining control of our factory in Russia
  - Protecting cash flow
  - Board evaluating long-term strategic paths
- **We have a strong product portfolio, and although there will be difficulties in the short term, we will do our utmost to ensure supply of our products to customers**



# ASSUMPTIONS FOR 2022

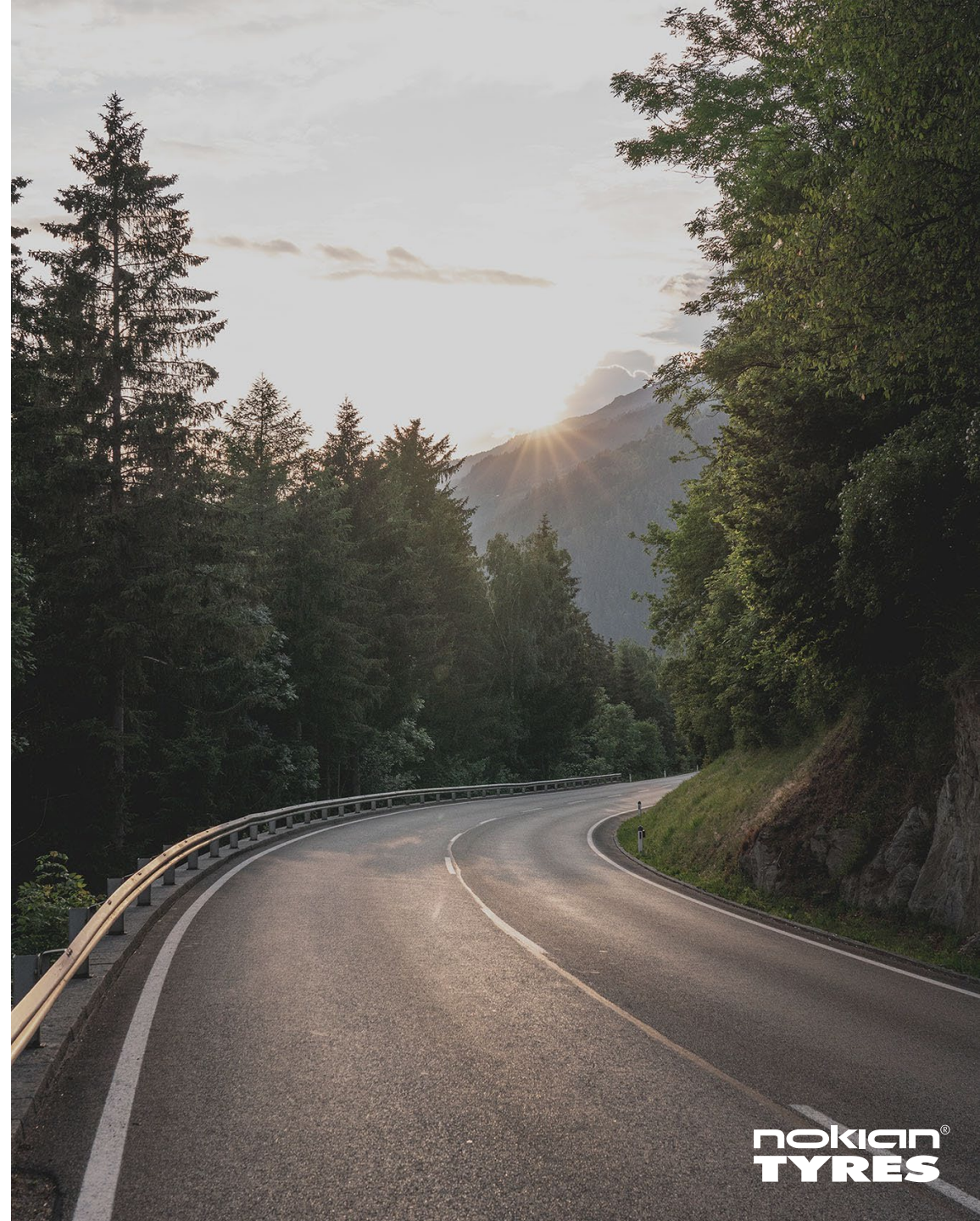
- War in Ukraine and resulting sanctions severely impacting our operating environment and causing significant uncertainty
- Restrictions in manufacturing in Russia estimated to have an adverse impact on our supply capacity, impacting sales especially in Russia and Central Europe, in particular in H2/2022
- Uncertainties related to the Russian ruble
  - Average EUR/RUB: 72.5 in 2019, 82.7 in 2020, 87.2 in 2021, 98.0 in January-March 2022
- Raw material and logistics costs estimated to increase significantly
- Demand for Nokian Heavy Tyres' core products estimated to continue strong





# GUIDANCE FOR 2022

The war in Ukraine and resulting sanctions cause significant uncertainty to Nokian Tyres' operating environment. Nokian Tyres' net sales and segments operating profit in 2022 are expected to decrease significantly compared to 2021.



















**THANK YOU!**



# APPENDIX



# CAR AND TIRE MARKETS IN Q1/2022

The Nordic countries		Russia		Europe (excl. the Nordic countries)		North America	
 New car sales	<b>-19%</b>	 New car sales	<b>-28%</b>	 New car sales	<b>-10%</b>	 New car sales	<b>-15%</b>
 Car tire sell-in	<b>0%</b>	 Car tire sell-in	<b>0%</b>	 Car tire sell-in	<b>7%</b>	 Car tire sell-in	<b>3%</b>
 Heavy tire segments*	<b>➡</b>	 Heavy tire segments*	<b>➡</b>	 Heavy tire segments*	<b>➡</b>	 Heavy tire segments*	<b>➡</b>

\* Nokian Tyres' core product segments

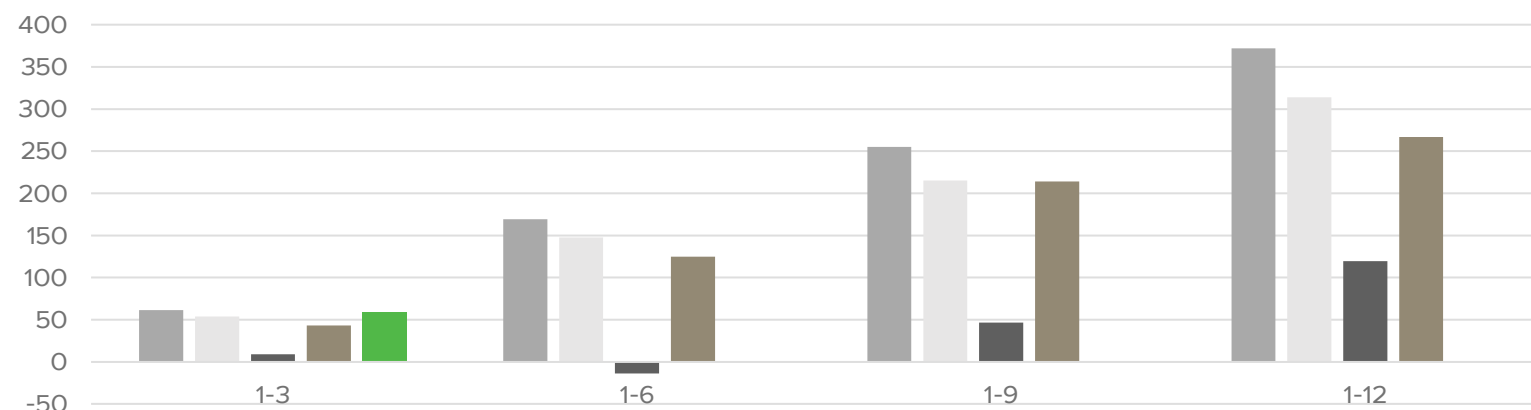


# GROUP SEGMENTS OPERATING PROFIT PER QUARTER 2018–Q1/2022\*

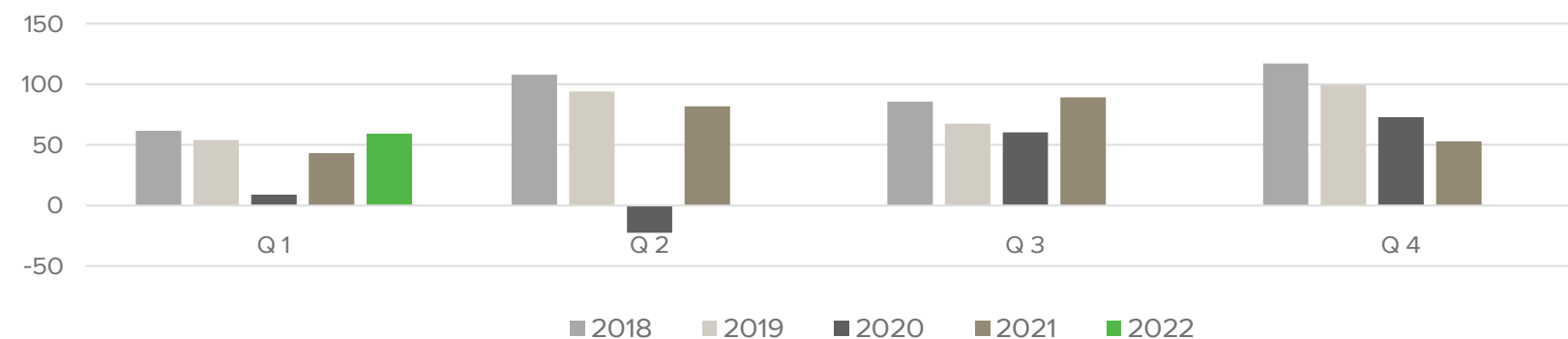
## 1–3/2022

- Net sales 416.5 M€  
(341.8), 21.9%
- Segments operating profit  
66.5 M€ (50.3)

CUMULATIVE SEGMENTS OPERATING PROFIT PER REVIEW PERIOD



SEGMENTS OPERATING PROFIT PER QUARTER



\*Comparable segments operating profit figures for 2019–2022, earlier years reported based on IFRS

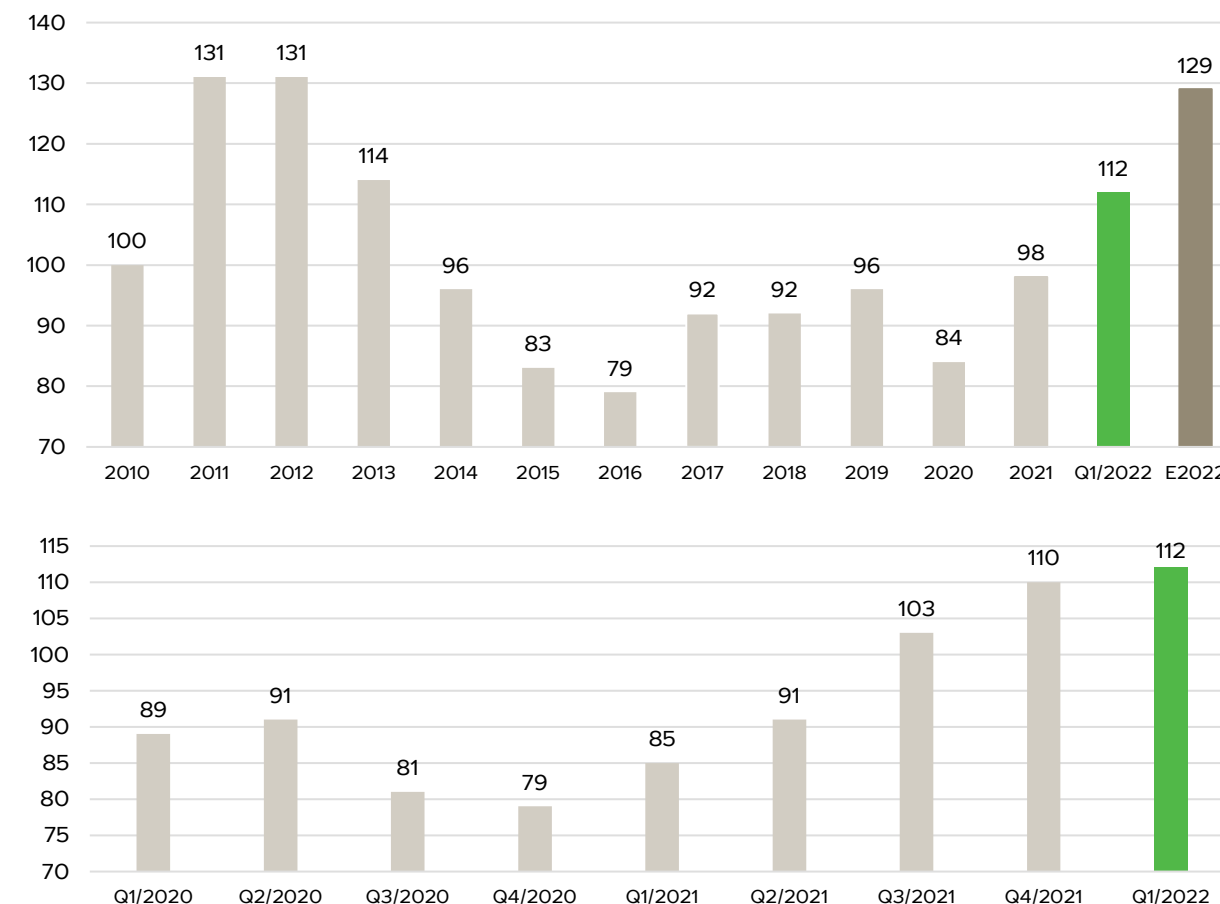
# MATERIAL COST DEVELOPMENT

Increased in Q1/2022

## MATERIAL COSTS (€/KG)

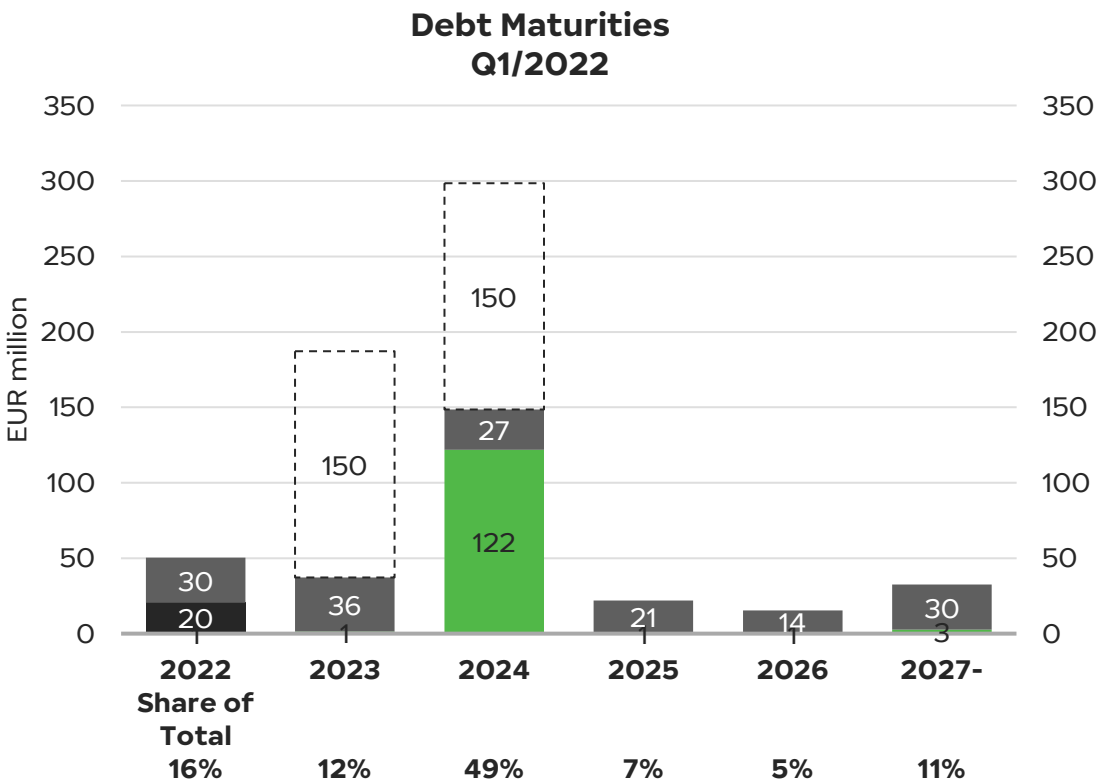
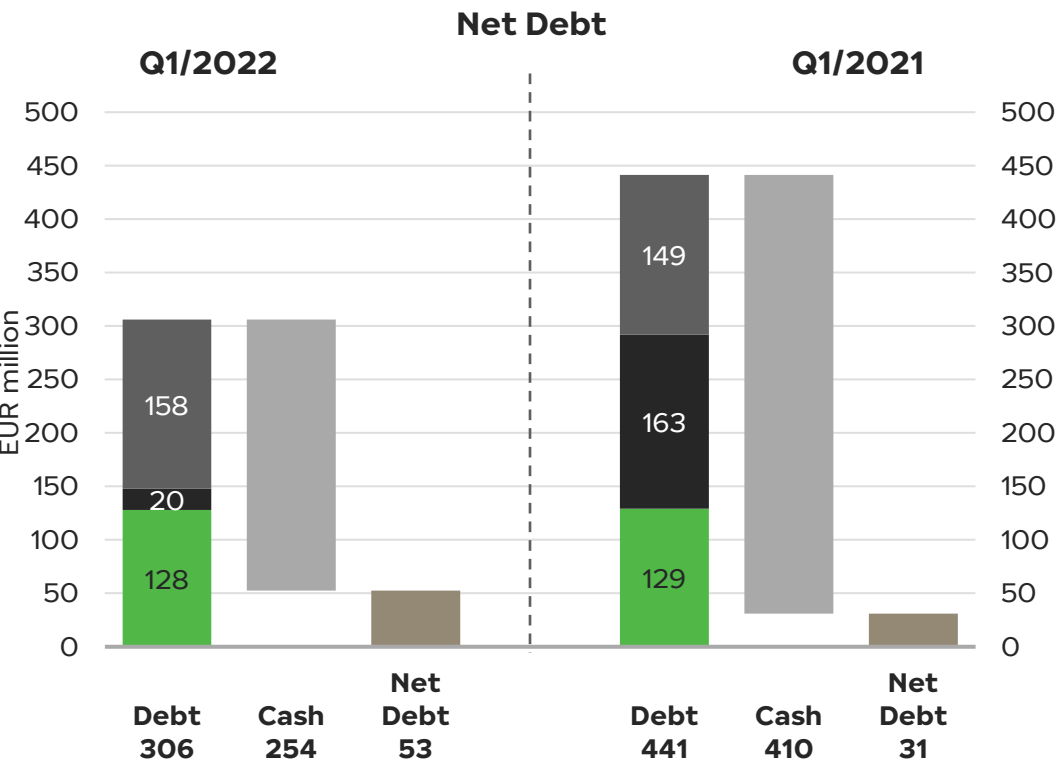
- Increased by 14.2% in Q1/2022 vs. 2021
- Increased by 31.8% in Q1/2022 vs. Q1/2021
- Increased by 1.3% in Q1/2022 vs. Q4/2021

MATERIAL COST DEVELOPMENT INDEX 2010-E2022



Incl. raw and other materials in reported currencies

# NET DEBT AND DEBT MATURITIES



Available liquidity, EUR million	Q1/2022	Q1/2021
Cash	254	410
Committed undrawn credit facilities	306	205
Total	559	616

- Committed Credit Facilities | Undrawn (Major)
- Leases | IFRS 16
- Commercial Papers
- Loans

# NETWORK DEVELOPMENT

Vianor, NAD, N-Tyre; -142 stores in Q1/2022

## VIANOR – 1,046 SERVICE CENTERS IN 14 COUNTRIES

174 own stores and 872 partners

Own -1, partner unchangeable vs. year-end 2021

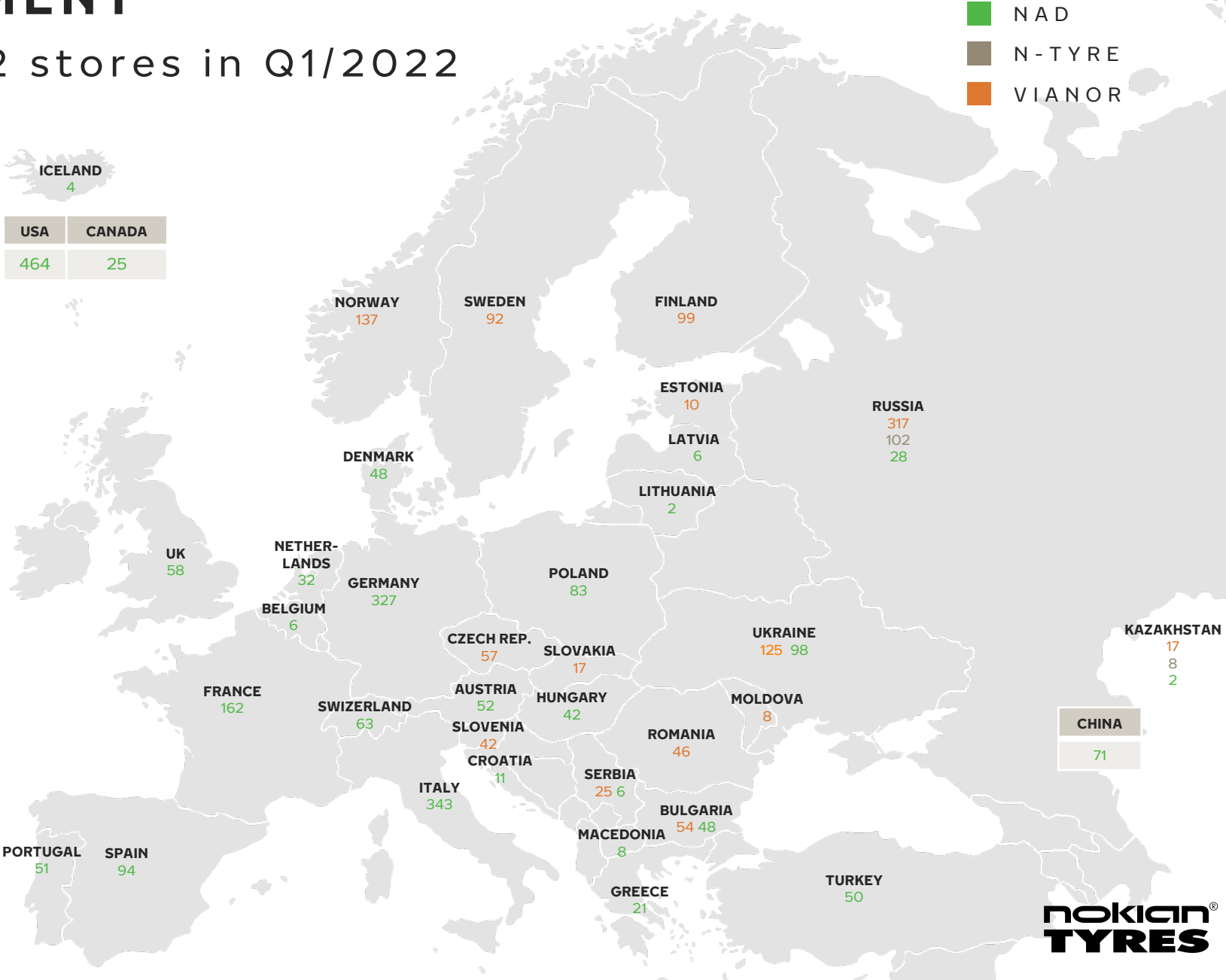
- Largest tire chain in the Nordic countries: 338 service centers (+1 vs. year-end 2021)
- Russia and CIS: 334 service centers (-2 vs. year-end 2021). Permit to use Vianor brand in Russia to be revoked
- Central Europe: 374 service centers (unchangeable vs. year-end 2021)

## NOKIAN TYRES AUTHORIZED DEALERS (NAD) – 2,205 STORES

- In 28 countries
- -141 stores vs. year-end 2021

## N-TYRE – 110 STORES

- In Russia and Kazakhstan
- Unchangeable vs. year-end 2021







# nokian TYRES

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