

An aerial photograph of a winding asphalt road that curves along a rugged, rocky coastline. The road is bordered by steep cliffs on one side and a calm body of water on the other. A dark-colored car is visible driving on the road. In the background, there are more islands, a small bridge, and distant mountains under a cloudy sky. The overall scene is serene and scenic.

STRATEGIC JOURNEY CONTINUES DESPITE A CHALLENGING EUROPEAN MARKET

AUGUST 6, 2019

HILLE KORHONEN
PRESIDENT AND CEO

nokian[®]
TYRES

WEAK EUROPEAN MARKET IMPACTING Q2

4-6/2019

- **Net sales EUR 419.1 million (429.1), -2.6% with comparable currencies**
- **Operating profit EUR 94.1 million (108.0)**
 - Highly competitive tire market in Central Europe, lower volumes and higher material costs
 - Increased opex investments to support our strategic journey
- **Profit for the period EUR 73.0 million (87.5)**



H1: PROGRESS IN HEAVY TYRES AND VIANOR

- **Net sales EUR 762.8 million (765.2), +0.2% with comparable currencies**
 - Good progress in Heavy Tyres continued
- **Operating profit EUR 148.0 million (169.3)**
 - Currencies and higher material costs had an adverse impact
 - Increased opex investments to support our strategic journey
 - Vianor profitability improved in line with the plan
- **Profit for the period EUR 267.6 million (134.1)**
 - Positively impacted by EUR 149.6 million related to the rulings on the tax disputes



H1: SOFTNESS IN THE EUROPEAN CAR AND TIRE MARKET

The Nordic countries	
New car sales	-18%
Car tire sell-in	-4%
Heavy tire segments *	➡
Nokian Tyres sales & SOM	
Car tire sales, pcs	-
Car tire SOM	+-

Russia	
New car sales	-2%
Car tire sell-in	-1%
Heavy tire segments *	➡
Nokian Tyres sales & SOM	
Car tire sales, pcs	+
Car tire SOM	+

Europe (incl. the Nordic countries)	
New car sales	-3%
Car tire sell-in	-2%
Heavy tire segments *	➡
Nokian Tyres sales & SOM (Other Europe, excl. the Nordic countries)	
Car tire sales, pcs	-
Car tire SOM	+-

North America	
New car sales	-3%
Car tire sell-in	+5%
Heavy tire segments *	➡
Nokian Tyres sales & SOM	
Car tire sales, pcs	-
Car tire SOM	-

- Car tire sell-in in Europe declined
- High supply of tires in the replacement tire market in Central Europe due to OE segment weakness
 - High inventory levels of summer tires in Central Europe
- In Russia, summer tire inventories decreased compared to last year, but current level still somewhat higher than normal

* Nokian Tyres' core product segments, management estimate

A man and a woman are standing by a window, looking out at a snowy landscape. The woman is in the foreground, smiling and looking towards the camera. She is wearing a green jacket and a red scarf. The man is behind her, holding a mug and looking out the window. He is wearing a blue denim jacket and a red and black plaid scarf. The background is a blurred view of a snowy field and trees.

H1/2019

KEY FIGURES H1/2019

EUR, million	4-6 /19	4-6 /18	Change %	CC* Change %	1-6 /19	1-6 /18	Change %	CC* Change %	2018
Net sales	419.1	429.1	-2.3%	-2.6%	762.8	765.2	-0.3%	0.2%	1,595.6
Operating profit	94.1	108.0			148.0	169.3			372.4
Operating profit %	22.4%	25.2%			19.4%	22.1%			23.3%
Profit before tax	88.9	105.4			179.5	165.4			361.7
Profit for the period	73.0	87.5			267.6	134.1			295.2
Earnings per share, EUR **	0.53	0.63			1.94	0.97			2.15
ROCE, % ***					20.4%	25.3%			23.3%
Equity ratio, %					70.5%	70.5%			71.0%
Cash flow from operating activities	-20.8	169.0			-89.8	150.6			536.9
Gearing, %					15.7%	-7.2%			-21.2%
Interest-bearing net debt					252.0	-99.6			-315.2
Capital expenditure	93.7	47.4			148.0	64.9			226.5

* Comparable currencies

** EPS 1-6/19 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 0.86

*** Rolling 12 months

H1: PASSENGER CAR TYRES

Softness in the car and tire market in Europe

	4-6 /19	4-6 /18	Change %	CC* Change %	1-6 /19	1-6 /18	Change %	CC* Change %	2018
Net sales, M€	300.2	309.0	-2.8%	-3.3%	556.5	568.0	-2.0%	-1.5%	1,150.8
Operating profit, M€	79.9	94.5			143.1	168.5			356.5
Operating profit, %	26.6%	30.6%			25.7%	29.7%			31.0%

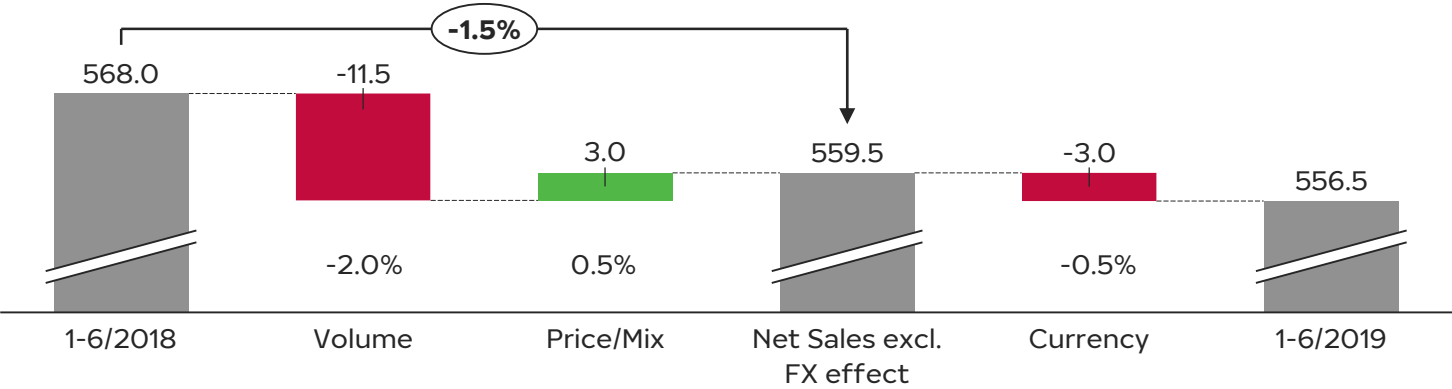
* Comparable currencies

- Average Sales Price with comparable currencies increased slightly due to mix and prices
- Operating profit decreased due to lower volumes, higher material costs and currencies
 - Production capacity utilization rates adjusted to be in line with the market demand
- At the end of 2018, Business Area Europe was split into Central Europe and Nordics, in order to have even more focus on these regions
 - Creating one Nordics organization proceeding well
 - New head of Central Europe started in June

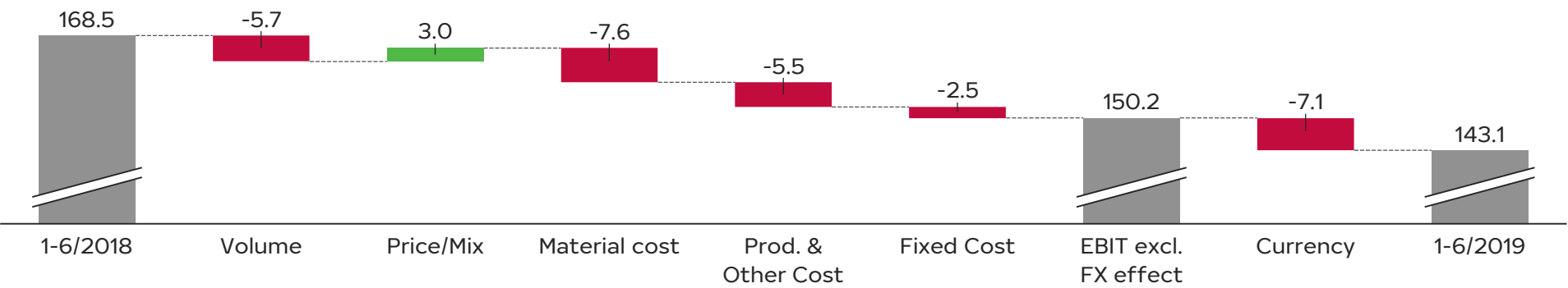
H1: PASSENGER CAR TYRES BRIDGE

Negative impact of EUR 7.6 million from material cost on EBIT

NET SALES, M€



EBIT, M€

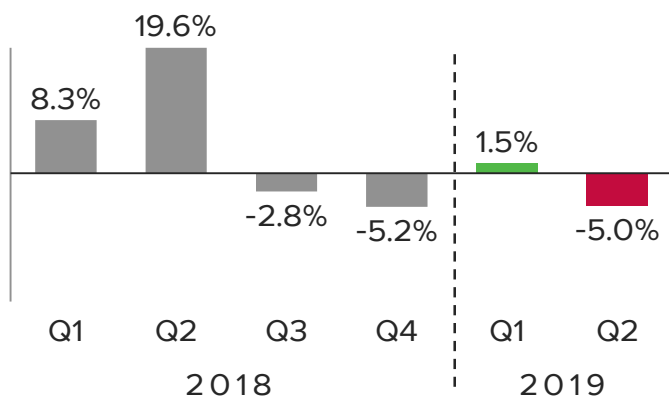


H1: PASSENGER CAR TYRES NET SALES – QUARTERLY CHANGES

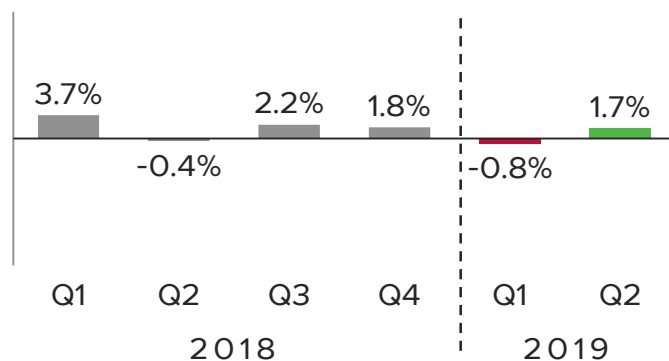
Headwind from currencies turning

YoY Change %

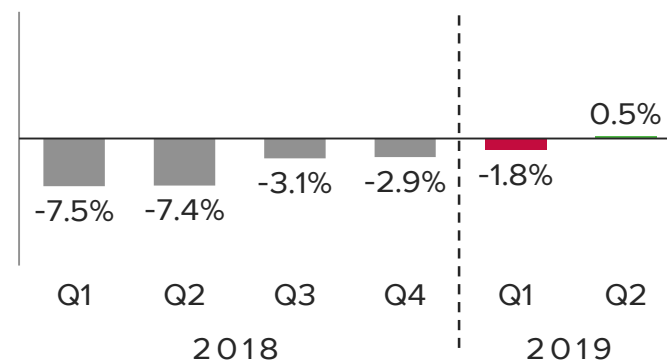
Volumes



Price / Mix



Currency



H1: HEAVY TYRES

Good demand in core product groups

	4-6 /19	4-6 /18	Change %	CC* Change %	1-6 /19	1-6 /18	Change %	CC* Change %	2018
Net sales, M€	47.8	46.5	2.8%	2.6%	96.1	89.6	7.2%	7.2%	187.7
Operating profit, M€	8.3	4.9			17.3	13.2			28.6
Operating profit, %	17.4%	10.5%			18.0%	14.7%			15.2%

* Comparable currencies

- Sales of agricultural tires and forestry tires increased, in particular
- Operating profit increased due to the sales growth and inventory valuations that had a negative impact on the previous year's operating profit
- Acquisition of a heavy equipment wheel company Levypyörä Oy supports growth strategy and enables even better service to OE and aftermarket customers

H1: VIANOR

Profitability improving in line with the plan

	4-6 /19	4-6 /18	Change %	CC* Change %	1-6 /19	1-6 /18	Change %	CC* Change %	2018
Net sales, M€	89.8	93.0	-3.5%	-0.9%	146.7	146.2	0.3%	1.4%	337.2
Operating profit, M€	9.4	10.0			-2.6	-4.7			1.6
Operating profit, %	10.4%	10.7%			-1.8%	-3.2%			0.5%
Own service centers, pcs, at period end	188	193							188

* Comparable currencies

- Net sales increased by 1.4% with comparable currencies
- Operating profit improvement was driven by increased operational efficiency, and better sales management

An aerial photograph of a scenic valley. A river flows from the background towards the foreground, winding between lush green fields and dense forests. The valley is flanked by steep, forested mountains. In the distance, more mountain peaks are visible under a blue sky with some clouds. The word "OUTLOOK" is overlaid in large white letters on the left side of the image.

OUTLOOK

GUIDANCE FOR 2019 (UPDATED JUNE 14)

In 2019, net sales with comparable currencies are expected to be slightly higher and operating profit to be lower compared to 2018.

In line with Nokian Tyres' updated 2018 strategy, the company is targeting further growth in Russia, Central Europe, and North America. As a result of ongoing investment programs to support the growth, operating profit in 2019 will include significant additional operating costs.



An aerial photograph of a scenic valley. A river flows from the background towards the foreground, flanked by lush green fields and dense forests. In the distance, majestic mountains with patches of snow rise against a blue sky with light clouds. A road curves along the right side of the river. The overall atmosphere is peaceful and natural.

STRATEGIC JOURNEY CONTINUES

STRATEGIC PROJECTS SUPPORT FUTURE GROWTH – ALL PROCEEDING ACCORDING TO THE PLAN

New factory in the US

- The first test tire produced on time. Commercial production to start in the beginning of 2020.

Testing center in Spain

- Most of the preparatory work for the test tracks completed. Over 10 tracks for year-round testing of summer, all season and winter tires will be ready in 2020. The largest single investment in testing in Nokian Tyres' history.

Heavy Tyres capacity expansion

- Increasing the production of commercial tires up to 50%, and more than doubling the number of new products. The new 3,500-square-meter R&D center will be ready in 2019, the factory will reach full capacity in 2021.



A dark-colored car is driving away on a two-lane asphalt road that curves to the left. The road is bordered by a metal guardrail on the right. In the background, there is a calm body of water, likely a fjord, with mountains on the opposite shore. The sky is a mix of orange, yellow, and blue, indicating sunset or sunrise. The overall mood is serene and scenic.

OUR THREE-YEAR PLAN

1. NOKIAN TYRES HAS A STRONG PLATFORM FOR GROWTH
2. HIGH-MARGIN WINTER TIRES CONTINUE TO BE OUR CORE BUSINESS
3. WE WILL SEIZE THE OPPORTUNITY FOR GROWTH IN RUSSIA, CENTRAL EUROPE AND NORTH AMERICA AND IN OTHER WINTER AREAS
4. WE WILL CONTINUE TO DELIVER PROFITABLE GROWTH, AHEAD OF THE MARKET

A silver car is shown from the side, driving on a two-lane asphalt road that curves through a mountainous landscape. The road has yellow dashed lines. In the background, there are snow-capped mountains under a soft, orange-hued sky, suggesting a sunset or sunrise. The overall mood is peaceful and serene.

**PEACE OF MIND
IN ALL CONDITIONS**

**nokian[®]
TYRES**

APPENDIX

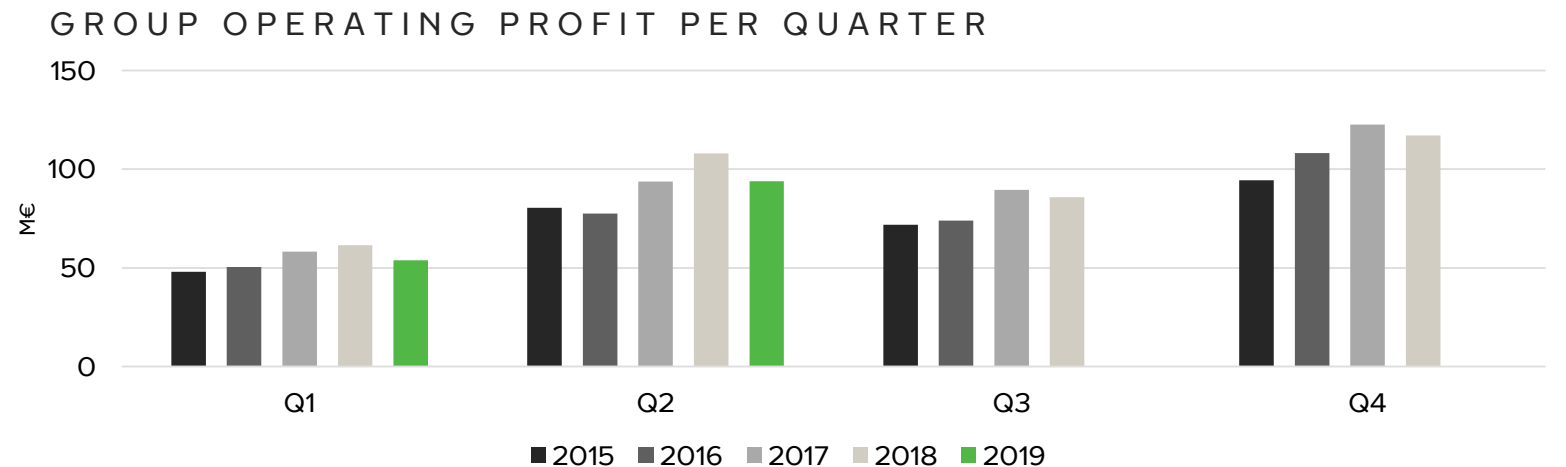
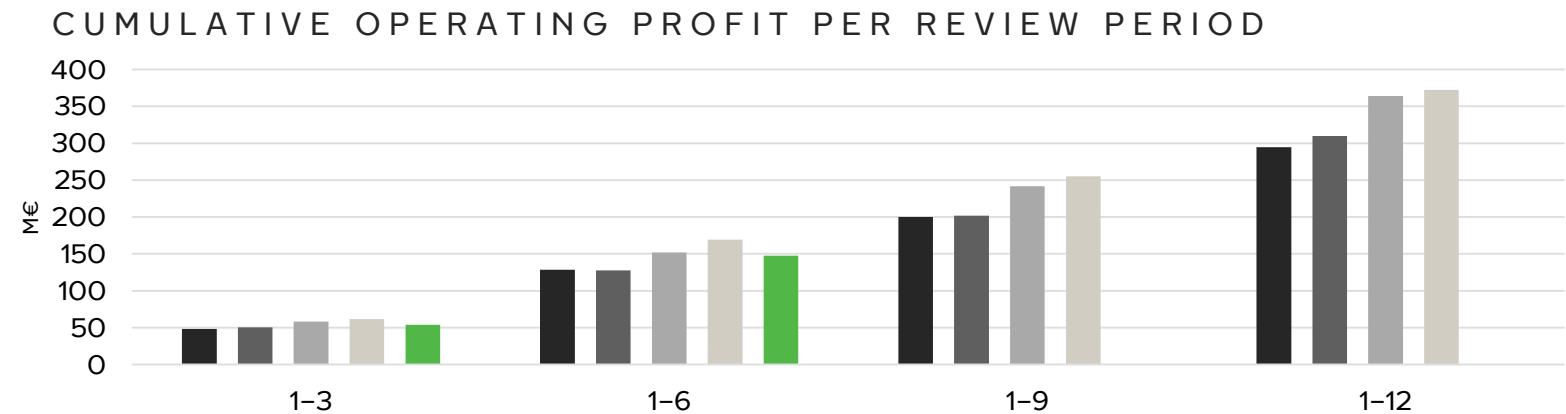
GROUP OPERATING PROFIT PER QUARTER 2015–H1/2019

1–6/2019

- Net sales 762.8 M€
(765.2 M€), -0.3%
- Operating profit 148.0 M€
(169.3 M€)

4–6/2019

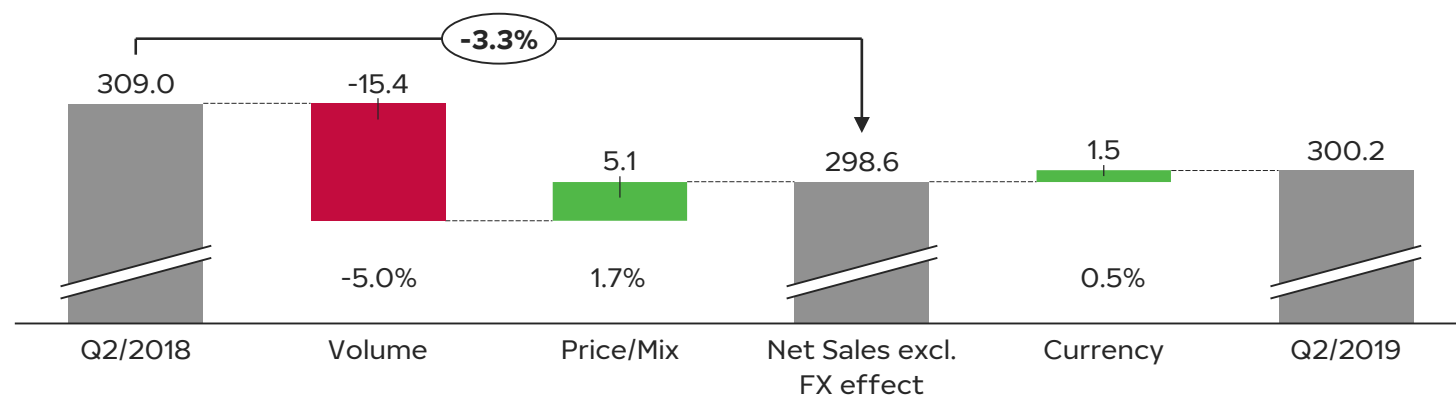
- Net sales 419.1 M€
(429.1 M€), -2.3%
- Operating profit 94.1 M€
(108.0 M€)



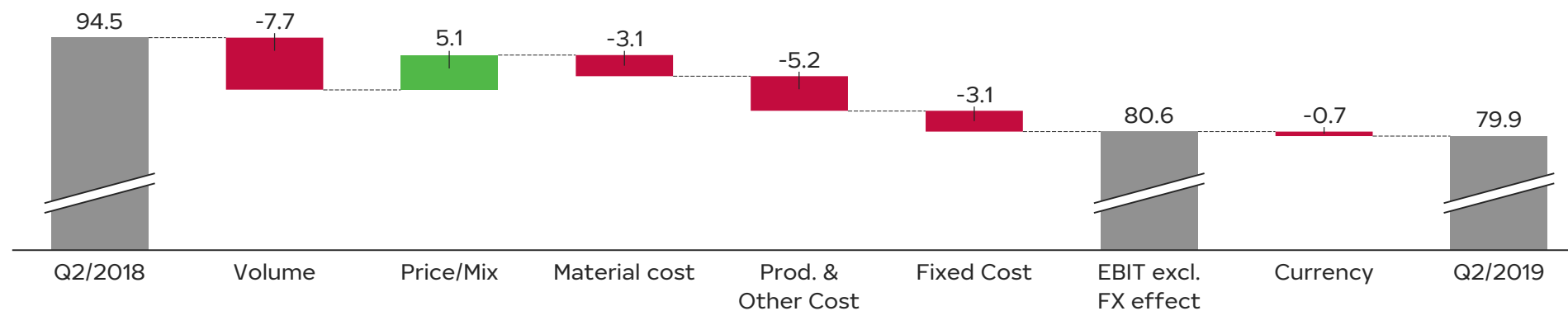
PASSENGER CAR TYRES BRIDGE Q2/2019

Negative impact of EUR 7.7 million from volume on EBIT

NET SALES, M€



EBIT, M€



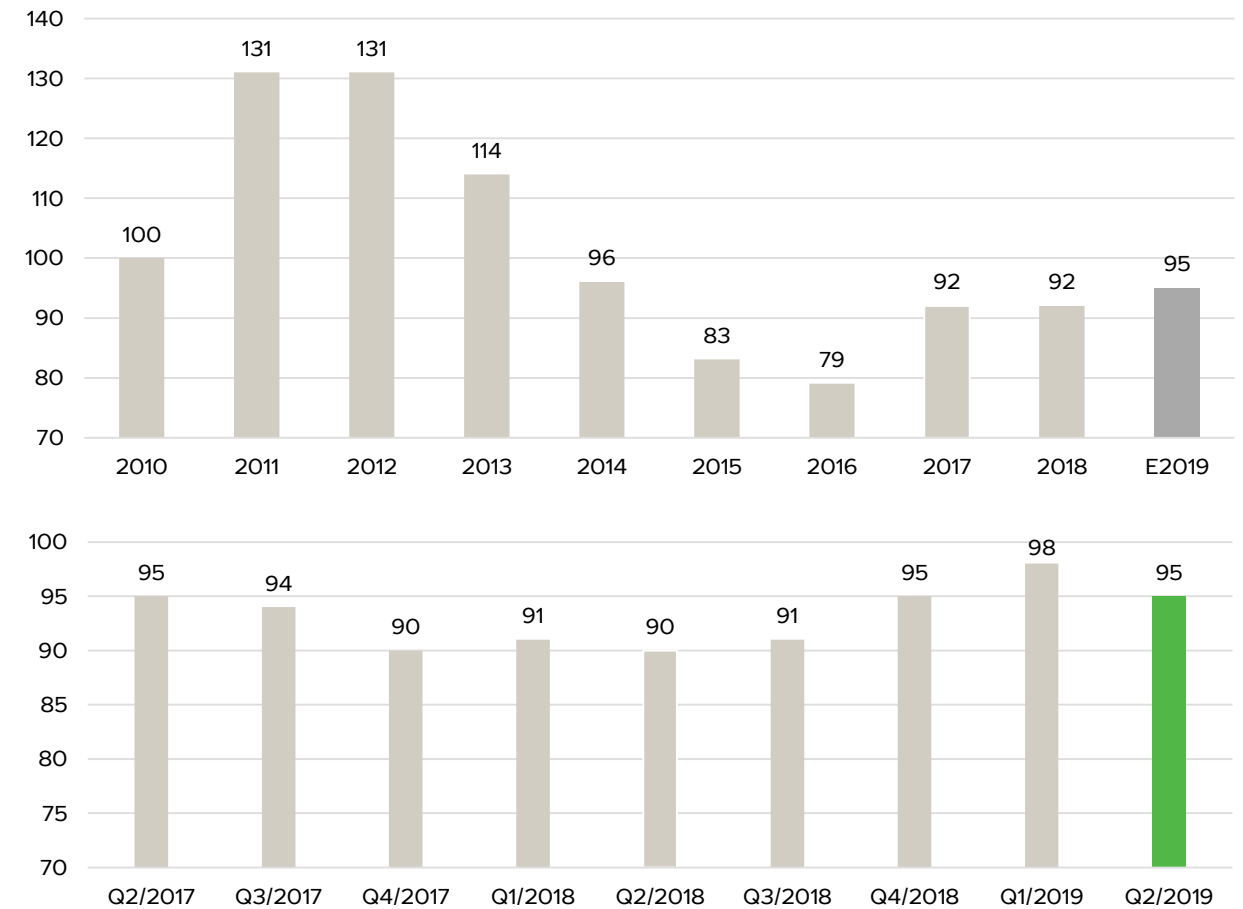
MATERIAL COST DEVELOPMENT

Increased in H1/2019

MATERIAL COSTS (€/KG)

- Increased by 5.8% in Q2/2019 vs. Q2/2018
- Decreased by 2.4% in Q2/2019 vs. Q1/2019
- Increased by 6.7% in H1/2019 vs. H1/2018

MATERIAL COST DEVELOPMENT INDEX 2010-E2019



NETWORK DEVELOPMENT PROGRESSED

Vianor, NAD, N-Tyre; +84 stores in 1-6/2019

VIANOR – 1,287 SERVICE CENTERS IN 24 COUNTRIES

188 own stores and 1,099 partners

Own unchanged, partner -31 vs. year-end 2018

- Largest tire chain in the Nordic countries: 345 service centers (+6 vs. year-end 2018)
- Largest tire chain in Russia and CIS: 381 service centers (+5 vs. year-end 2018)
- Central Europe: 550 service centers (-42 vs. year-end 2018)
- USA: 11 service centers (unchanged vs. year-end 2018)

NOKIAN TYRES AUTHORIZED DEALERS (NAD) – 2,275 STORES

- In 24 European countries, USA and China
- Increase of 113 stores vs. year-end 2018

N-TYRE – 129 STORES

- In Russia, Kazakhstan and Belarus
- Increase of 2 stores vs. year-end 2018



An aerial photograph of a car driving on a bridge over a body of water. The bridge has a yellow dashed line down the center. The water is dark blue, and the surrounding land is rocky with some green vegetation. The text "IT'S A BEAUTIFUL JOURNEY" is overlaid on the image.

IT'S A BEAUTIFUL JOURNEY

Disclaimer

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