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Operator: Welcome to the Nokian Renkaat Q2 Interim Report 2019. Throughout the call all participants will be in listen only mode. And afterwards there will be a question and answer session. I hand to our first speaker Päivi Antola. Please begin.

Päivi Antola: Good afternoon from Helsinki and welcome to Nokian Tyres Q2 2019 Results conference call. My name is Päivi Antola and I am the Head of Investor Relations in Nokia Tyres, and together with me in the call I have Hille Korhonen the President and CEO of Nokian Tyres and Teemu Kangas-Kärki, the CFO. As usual, we will start the call with a brief presentation by Hille and Teemu, and then continue with a Q&A. So Hille, please go ahead.

Hille Korhonen: Thank you, Päivi. And thank you all for joining us today. Let's start by summarising the key takeaways from the first half of the year 2019. As we have stated the challenges in European market continued also during the second quarter in 2019 impacting our passenger car sales. In total we are flat year over year, supported by growth in Russia and North America aswell as good growth continuing and in heavy tyres. Despite of this market uncertainties, we continue to pursue our strategic agenda going forward, and clearly our focus is continuing to execute our strategic initiatives, especially the U. S. factory ramp-up in Dayton. Then let's take a look at the second quarter which it was somewhat different compared to the first quarter. Net sales declined in second quarter, compared with strong second quarter in 2018 in passenger car tyres. This volume decline was partially off-set by improved price and mix. We have been able to increase our average sales prices in all our core markets except Central Europe. Slight price increases have been implemented both in Nordics and Russia, and in North America we see now the price increase impact from last fall. Operating profit was impacted negatively by volume decline, which is mainly coming from Central Europe and Nordics, material cost increase which has not been fully compensated by price increases, and also increased activities related with our strategy projects in terms of planned OPEX investments, for example in R&D, recruitment of the first production team in Dayton factory and ramping up other activities in support operations, for example in IT. During the second quarter we have been focusing also on efficiency improvements and adjusting cost base in general. And I gave you a couple of examples. For example, the structural change we did in the Nordics when combining the Norwegian and Swedish organisations, that's bringing some cost benefits for us this year. And also, there will be some additional cost savings coming in the coming years. We have been doing some savings in other operational activities and also, we have been adjusting the capacity in our Finnish factory in Nokia to lower demand, so temporary lay-offs. And at the same time, it's good to remember that we are the most profitable tyre manufacturer. And having said that, we are quite lean in everything we are doing so there are no huge savings opportunities in other parts of the company. With summarising the first half in total, we are on previous year's level in net sales, net sales growth coming from Russia and North America, and good growth continuing in heavy tyres. And it’s good to mention that this growth in heavy tyres is primarily driven by agri and forestry applications, which are our focus segments. And also the production volume has been growing accordingly and supporting this growth. Operating profit during the first half declined compared to the previous year. We had a negative currency impact, especially during the first quarter coming from namely from Russian rouble. We have been having higher material cost coming from two components; raw material cost increase and product mix, and also higher production cost due to ramp-up of Dayton, and higher share of production in the first quarter in Finland. Positive thing is that profitability in Vianor continues in improve. We have been going through rationalisation activities in Vianor network earlier, and now the focus is keeping the operational efficiency on a good level. Then, if we look at different markets. What comes to Nordics, new car sales has been significantly down, except for Norway and the positive figures in Norway are mainly driven by Tesla availability improving during this year. We have strong position in car dealer business and therefore the new car sales has a direct impact on our sales in the Nordics. So when people buy new cars in Nordics they buy a set of winter tyres as the new cars come with only summer tyres. Car tyre sell-in has continued to decline and is now -4% down compared with previous year. In Vianor business we see the sell-out in budget segments growing in summer tyres and overall the consumer visits declined. In the Nordics we have continued to focus on profitability over volume with implementation of slight price increases. Central European market in terms of total replacement market is down by 2% and the share of Asian imports has been growing, and when we look at the sell-out for example in Germany it's down by 6% for summer tyres. The market continues to be highly competitive with oversupply as OE business is down and there continues to be more supply in replacement market. This kind of the negative market sentiment, some segments are clearly growing, larger sizes and all-weather. And when we look at the pricing, it is of course, very competitive market and the prices, especially in the larger sizes have been going down. Looking at the sales mix. Our sales mix has been improving compared to the first quarter, and we have been increasing the share of SUV tyres where the ASP is higher. Positive thing is also that we have been gaining market share in summer tyres with our new products that we have been launching for this season. When we look at the European, Central European market, there are differences in countries. There are markets where our sales have been clearly down, and where we have been also growing, for example in France and Poland. When we look at the inventory situation, the inventories are on a higher level compared to normal, and this means that our customers will be ordering closer to the season when we are entering the winter tyre season. North American market, replacement market, is still growing and this year we have been growing more in USA due to somewhat higher inventories in eastern Canada due to weak winter. So the weather situations have been quite different if we compare the eastern or western side of the country. In Russia, the new car sales have been declining more than 2% during for six months due to low economic growth, declining consumer purchasing power and increasing credits of customers. Government has been relaunching subsidies for lower priced cars targeted to increase the sales of new cars during the second half. But based on the first half year development, we have been updating our outlook for full of the year. Sales of new cars being flat in the most positive scenario. When we look at the total replacement tyre market sell-in during the first half of 2019 in Russia, it has been slightly declining, with a sharp decrease in summer tyre sell-in and robust growth in winter tyre sell-in. Mostly driven by the accelerated timing of deliveries of our products. The summer tyre sell-out season in Russia has proceeded normally, with the sell-out volume remaining flat compared to 2018. So as a result of that the summer tyre stocks in distribution, they have decreased compared to 2018 because the sell-in has been on a lower level. And as you remember, we started earlier deliveries of winter tyres this year to compensate the decline of summer tyres and we have continued to deliver winter tyres during the second quarter as well. And as a result of that, the total of inventories are now on a higher level compared to previous year, because there are more winter tyres in the channel at this point of time. When we look at the full year, the total replacement tyre sell-in Russia is expected to slightly grow between 0-3% versus 2018 with winter growing and summer tyres declining. When we look at the mix, V-segment has been stronger and we have actions in place to improve sell-in and sell-out of A-segment in order to improve our sales mix for the second half of the year. And when we look at the rest of the year, our sales volume in Russia is expected to be on the previous year level but net sales is expected to increase due to better mix. And now I'm handing over to Teemu to look at numbers, key figures more in detail.

Teemu Kangas-Kärki: All right, thank you Hille. Hille covered already the group net sales and operating profit figures so I will go straight to the first half profit for period which was 267,000,000 and reminding you all that there we can see the positive impact of the rulings of the tax dispute that is now final and the amount in our operating profit is about 150,000,000 euros. The comparable earnings per share for the first 6 months is 86 cents. And our cash flow for the first six months, was negative approximately 90 million. If we looked at comparison figure from previous year, 150,000,000, there we can see again the positive impact of the tax ruling. We got the money already last year and now this year, when the decision is final, we booked that result and therefore these figures look like they are, this year compared to the previous year. Then going to the interest bearing net debt, at the end of Q2 to our interest bearing debt is on the level of 252,000,000 euros, which half of the increase is coming from the IFRS16 the leasing liabilities that are now booked to the balance sheet. The capex spending in the first half was on the level of 140,000,000, of which about 70% are related to these strategic projects, like the Dayton factory, heavy tyres investments and the Spanish xxx. Then moving to the passenger car tyre business in the first half, our comparable grow top-line growth was -1.5% due to the lower volume. Our gross average sales price with comparable currencies increased slightly due to both mix and prices. Our operating profit was on a level of 143,000,000. It decreased due to, as said, lower volumes, higher material cost, and currencies, especially in the first quarter. As well as we have increased spending relating to the North American projects. As said earlier by Hille, we have adjusted our production capacity utilisation rates in line with market demand. And in the second quarter our Russian production was more or less on the same level as in the second quarter 2018. And we have several activities ongoing that was already mentioned by Hille in order to be better aligned with the new requirements of the markets, like the Nordic structure and then we are having more focus in the Central Europe for the new kind of market situation tha we are facing. And here you can see the first half passenger car tyres bridge in terms of net sales and EBIT. Volume down 2%, positive price mix 0.5%, and then the currency impact negative about half a percent point. And there in terms of EBIT, you can see the drop in volume, increased material costs and then other costs, where we can see our projects that are ongoing contributing to the higher cost base. Here now, for the first time, we have prepared this slide that you have been asking from us. There you can see the trend split into volume, price mix and currency components. And if I start with the currency component, you can see that towards the end of the first half, the negative currency impact has been turning. So we are expecting for the full year more or less neutral effect from currencies. And then in terms of volume, you can see that the xxx looked different in the first half last year. And now clearly there are more headwind, especially in the European market. Here you can also see that the price mix positive impact into second quarter where we had a negative impact in the second quarter in Central Europe but then in other business areas we had a positive impact. Moving to heavy tyres. The top line for the first 6 months was on the level of 96,000,000 euros. The growth with comparable currencies for the first 6 months was on a level of 7.2%. In the second quarter the growth was 2.6% and there were some deliveries shifting from Q2 to Q3. And as we have been indicating earlier, the sales of agricultural tyres and forestry tyres have increased in particular. And looking to the Q2 result this year there's a clear increase which is due to the sales growth, but I also want to remind us that last year in the comparison period, we had some negative inventory valuations that were then burdening the result in Q2 2018. And then last week we acquired Levypyörä, a small acquisition, annual net sales of about 18,000,000, and this company supports the heavy tyres strategy and enables a good service for our customers in the short term and in the long term. And then the last business unit in our portfolio, which is the Vianor, there we have been progressing according to the plan, and for the first half the top line growth has been on the level of 1.4% growth and the operating losses has reduced to the level of 2,600,000 in the first half. And as you remember the profits are then generated in the latter part of the of the year, and in the first quarter we had an early start for the season and therefore the second quarter is slightly weaker, but on a first half year basis it is in line with good expectations.

Hille Korhonen: Then let’s take a look at this outlook. I would like to repeat some of the assumptions we have regarding the markets. European replacement tyre market is expected to be flat compared to previous year. And our updated view on Russian market is that new car sales will be lower or on previous year level and replacement tyre market will grow slightly declining in summer tyres and with some growth in winter tyres. We are keeping our guidance for the full year unchanged. So net sales, with compatible currencies is expected to be slightly higher compared to previous year, driven by some volume growth and some positive mix impact during the second half of the year. Operating profit is estimated to be lower compared to previous year, and we are expecting less currency impact during the second half. Material cost for the full year will be increasing 3-4% and we will be carrying additional operating cost as we are ramping up the North American factory. And this is also including some cost savings from other operating activities. And our strategic journey continues and it’s realising through our strategic projects that are supporting the future growth. And if I would summarise all of them, they are all proceeding according to the plan and according to the cost budget. And here you can see on the picture, clear evidence of the first tyre produced in our North American factory in Dayton, and the local team and support team from Russia and Finland are very proud of the achievement, and it was exactly on the date that we had set as a target. And in addition to the physical building and construction works we are doing in North America, we are doing a lot of activities to create the pull and demand from the market. And as you might know, most of our growth during the past five years has been coming from growing with existing customers. And that is also part of our plan moving forward. We will continue to grow in winter tyres, our focus is still Canada and northern areas of USA. We still have one big province there, Ontario, which is to be conquered. Then we will be growing with existing customers in USA by adding North American specific sizes and products. And I can confirm that the new production sizes are our in our R&D pipeline already. And additionally, we will be developing focus xxx and offering for selected niche segments and also adding and building new customer relationships in the areas where we are not yet present. And we are tracking this development, for example in 2019 we have been adding quite a few new customers and increasing the number of point of sales where we are selling our products. And in marketing our focus is on point of sale marketing and supporting the sell-out of our products and training the counter people on how to sell our tyres. So we are moving ahead according to the plan also in the market. And let me remind you, of our three-year plan which we have seen communicating in capital markets day in November on it is still very valid and we are moving ahead with all of these activities. Thank you.

Päivi Antola: Thank you, Hille. Thank you, Teemu. And now operator, we would be ready for the questions from the audience please.

Operator: Thank you. If you wish to ask a question, please dial zero one on your cell phone keypads now to enter the queue. Once your name is announced you can ask your question. If you find it is answered before it is your turn to speak, you can dial zero two to cancel. Our first question comes from the line of xxx xxx of DNB Markets. Please go ahead. Your line is open.

xxx xxx: Thank you and hi everyone. I have a couple of questions and starting on the inventory situation in Russia, could you please help us a bit here, elaborating on if we start with the summer tyres. You mentioned that it's slightly lower compared to last year. Would I draw a too far going conclusion, if I assume that that means that it will not be a limitation when it comes to the selling in the later part of the year when we arrived to the summer season? I'll pause there for the next part.

Hille Korhonen: Thank you for the question. It will not be a major limitation. However, when we look at the total inventory levels, there are still plenty of additional winter tyres. So we are also then dependent on how fast the winter tyre sell-in is proceeding during the season. But I would say that it's not such a big limitation compared to previous year.

xxx xxx: OK. That was actually the second part of this question. Because when you talked about selling more winter tyres during the first half of the year to compensate for the lower summer tyre sales, it sounds like this will sort of cannibalize some of your usual H2 sales, which I think that you more or less talked about here. But finally, a question for Teemu. You mention on the conference call in June after you'd lowered the guidance, where you gave us more flavour on the EBIT for 2019, where you said that the lower guidance reflected a single digit decline year over year. Would you say that still is valid?

Teemu Kangas-Kärki: Yes, the guidance from June is still valid and no changed in the view.

xxx: Ok. Thank you.

Operator: Thank you. Our next question comes from the line of **xxx xxx** of J. P. Morgan. Please go ahead, your line is now open.

xxx: Thank you. Three from my side. First one again on volume and coming back to the production in Russia for Nokian in the first half, and how that even I'm struggling to understand how there is more growth in the second half, after as you mentioned, you have been pre-selling winter tyres already in the first quarter. Can you explain how you are looking at growth in the second half, a bit more details around that. The second question is on the free cash flow. Working capital has been a bigger drag this year. Does it relate to the ramp up in NAFTA, and how are you thinking about free cash flow for the full year? If there is any guidance on that, please? The third question is, can you quantify the ramp-up costs that you're already incurred in Q2 in NAFTA, please. Thank you.

Hille Korhonen: So thank you. If I take the first question regarding the growth in the second half. We are expecting some volume growth during the second half and it is of course when we compare it with the previous year second half the comparison level, this is quite low. And we are expecting some growth from North America. Some growth from Central Europe compared to previous year. And improving mix in Russia, some minor volume growth.

Teemu Kangas-Kärki: And then if I continue with the working capital components for the first half. So first we need to exclude the tax disputes effect in last year and this year. So if we look at the chains or the Delta on comparable basis in the first half of this year, the delta is negative of 86,000,000 of which about 60% or 53,000,000 comes from increased receivables and the majority of that is coming from Russia and especially early deliveries of winter tyres.

xxx: OK. And just on the ramp-up cost and NAFTA, if possible.

Teemu Kangas-Kärki: The ramp costs they are included in our operating profits. Some impact also in the working capital, but that is not at the group level a major factor. Naturally in the cash flow the CAPEX has a big impact. And, as we have been indicating for the full year, the CAPEX spending is on a level of 300,000,000 of which 148 was already spent in the first half.

xxx: Okay. Thank you.

Operator: Thank you. And our next question comes from the line of xxx of SEB. Please go ahead, your line is open.

xxx: Hi, this is xxx from SEB. A couple of questions from my side. I will take one by one. The first one is related sales mix, which was improving in Q2. Could you maybe comment whether the mix has been quite normal in the quarter? And maybe if you can provide some comments relating to second half and how we should be seeing about mix because you mentioned about Russia but what will be happening in other regions mix-wise?

Hille Korhonen: So the sales mix during the second quarter was improving compared to the first quarter where we had higher sales of B-segment in Russia and also selling out some inventory of older products. So I would say that the second quarter was more kind of normal. And when we look at the rest of the year, the mix is expected to improve in Russia, where we would be selling more A-segment compared to B-segment. And also in other markets, we are focusing on selling more SUV's, where the ASP is higher.

xxx: OK. OK. And then maybe the second question is relating to cost initiatives what you mentioned, given example relating to Sweden and Norway basically sales organisations being consolidated. Could you maybe talk about what type of magnitude we're talking about here when you're focusing more cost side as well right now. Is it some single million euros on full year basis or more substantial number?

Teemu Kangas-Kärki: No, you are spot on the magnitude. So singles.

xxx: All right. Very clear. And the last one to Teemu, relating to ramp-up costs for 2019. Is the number what comes to US ramp-up still roughly 20,000,000 euros as a negative.

Teemu Kangas-Kärki: That is still valid.

xxx: Ok. Very clear. That's all from my side.

Operator: Thank you. Our next question comes from the line of **xxx xxx,** from the Bank of America Merril Lynch. Please go ahead your line is now open.

xxx: Hi. Thank you very much. Actually, just to follow up on the point on the ramp-up costs. Can you sort of outline a little bit how much of those 20,000,000 we've gone through so far this year? And how much you expecting in the second half? And that's in particular with light, in light of your of your guidance, you’re down now about 13% year over year. Yet you say, you know you want to get to the mid-digit point for the full year in terms of your guide, which implies a flatter market in H2 whilst you, I think you were guiding to increasing ramp up costs. That was the first one; how does that square up? And then the second point was actually coming back to the point of xxx. With your deliveries into Russia, you mentioned on your working capital you've had increased receivables as you've done already early deliveries of winter tyres into Russia, just to come back to the point. Obviously, those would have been booked in your sales now and wouldn't then, you know, come through in H2. You know, what replaces those volumes that you did now in Q2 that, you'd really need in terms of to get you know, your sales guidance and your earnings?

Teemu Kangas-Kärki: In terms of the ramp-up cost, as we have be indicating already earlier, the costs are geared towards the second half. But already in the second quarter, we started to incur especially costs from the Dayton factory. Then in terms of just to reminding all of us about the receivables, how they will be the developing. So we are peaking our receivables in October. So that is the time where we have the highest receivables on our balance sheet and then gradually going down.

Hille Korkonen: I would like to comment still on the Russian receivable situation. So we are basically having a business model where we are financing the pipeline as Teemu stated, the receivables are highest in October and we will be collecting all the receivables in Russia by year end.

xxx: That's very helpful. I'm just, I'm not so much about the receivable collection. It's more a matter of if you've already sold the tyres now and recorded the sale. You know, we obviously is that something that we are then missing an H2 that we'd planned with before.

Teemu Kangas-Kärki: So that has been the normal practice, so there is no changing that.

Hille Korhonen: No change.

xxx: OK. OK. Perfect. Thank you very much.

Operator: Thank you. And our next question comes from the line of Panu Laitinmäki of Danske Bank. Please go ahead, your line is open.

Panu Laitinmäki: Thank you. I just wanted to ask about the outlook for the Central European volumes in the second half. Some of your peers have mentioned that dealer inventories for winter tyres are fairly low and they sounded quite optimistic on the winter season despite all the gloom in the market. So are you seeing the same? And how do you see the winter season in Central Europe? Is that the reason why you are expecting volume growth in that market? Thanks.

Hille Korhonen: Yes, way have the strongest position in winter tyres in Central Europe and we also have the view that the winter tyre inventories are kind of normal. So big worries about those. And we are a expecting normal winter, and it's good to remember that the normal winter for Central Europe means that the snow should be falling down by the end of November. And that's when the tyre dealers are then starting to sell-out and replenish their own inventories, and it looks like the market is such that when the summer tyre inventories are on a high level, they practically have less space than earlier years. So it means that they are ordering later and closer to the season than normal.

Panu Laitinmäki: Ok. Can I just have one follow up to the previous one? I think winter tyres are 70% of your total volumes. Is that the same number in central Europe? Or is it a lot different from 70%?

Hille Korhonen: I would say it's very close to it.

Panu Laitinmäki: All right. Thank you.

Operator: Thank you. Our next question comes from the line of, xxx xxx of HSBC. Please go ahead your line is open.

xxx: Hi. Thank you. I was also going ask about the working capital. I think we're almost there, if I could just clarify again what Teemu was just the difference between the H1 number this year and the H1 number last year, adjusted for the 148,000,000. Is that correct? And then you attributed the difference to the early sell-in in Russia. Just so I understand correctly.

Teemu Kangas-Kärki: Yes.

xxx: OK. Great. And then in terms of the collection, just to confirm again, there's no concern at all on your part that the collection might be any more difficult than in previous years. I think you've indicated before that Russia may be a little bit difficult in terms of the economic environment. In the past, there were sometimes issues with debt collection in Russia No recurring or returning concerned at all?

Teemu Kangas-Kärki: Not in terms of Russia.

xxx: OK. Great. And then finally on the free cash flow for the full year. If you could just remind us with this sort of working capital effect in the second quarter then, the tax effect is completely digested. So if we make the same adjustment that we do for the second quarter to get to a full year free cash flow number with 2018 as a base, that's the right way to think about it?

Teemu Kangas-Kärki: Yes, so the tax benefits impact is now fully in our cash flow figures. And that won't change during the balance of the year.

xxx: OK. So I take the full year 2018 free cash flow number minus 148,000,000 minus a little bit for a tiny little bit lower EBIT contribution, and that gets me to the number, very simplisticly, right?

Teemu Kangas-Kärki: Yes, if you talk about the cash flow from operating activities.

xxx: Yes. OK. That's perfect. Thank you so much.

Operator: Thank you. Once again, we have about five more minutes left for any final questions. So if you do wish to ask a question, please dial zero one on your telephone keypad now. OK, so we seem to have no further questions coming through, so I will hand back to our speakers for the closing comments.

Päivi Antola: Thank you. If there are no additional comments then it is starting to be time to finish the call. Hille, anything you would like to add to the end?

Hille Korhonen: Thank you. I would just like to conclude that the challenges in European market continued during the second quarter and we see that the market will be kind of flat for the rest of the year. And in total, we have been growing in Russia and North America during the first half and having good growth in heavy tyres. And looking at the outlook and market situation and our own plants, we are keeping the guidance unchanged.

Päivi Antola: Thank you, Hille. Thank you all for participating and have a good day.