



# Half year financial report January–June 2016

August 9, 2016

President and CEO Ari Lehtoranta

Good profitability maintained. Continued growth in Central Europe helped to balance winter tyre inventory challenges in Russia and North America.

## 1. General overview

2. Nokian Tyres financial performance
3. Business units
4. Nokian Tyres going forward



# Market overview 1–6/2016

Growth in the West – Russia's decline continued

	Nordics	Russia	Europe (incl. the Nordics)	North America
<b>GDP growth (E2016)</b>	+0.5% to +3.8%	-1% to -2%	+1.3%	+2.0%
<b>New car sales</b>	+10%	-14%	+9%	+1%
<b>Car tyre* sell-in</b>	+1%	~ -10%	+2%	+1%
<b>Heavy tyre segments **</b>	➡	➡	➡	⬆
<b>Currency impact</b>	●	●	-	●



\*) premium and mid-segment

\*\*) Nokian Tyres core product segments

# Nokian Tyres' performance 1–6/2016

Sales grew in Other Europe and in the Nordics

Sales & SOM	Nordics	Russia and CIS	Other Europe	North America
Net sales	+2.4%	-28.8%	+16.5%	-14.9%
Car tyre sales pcs	+-	-	+	-
Car tyre SOM	+-	+	+	-

Profitability	
Currency effect to net sales, M€	-32.1
Car tyre ASP (€/pcs)	
Raw material cost	-12.0%
Fixed costs	
Car tyre production volume (pcs)	+5%
Car tyre productivity (kg/mh)	+3%

Distribution	Units	Increase 1–6 (pcs)
Vianor equity-owned	202	+4
Vianor total	1,482	+7
NAD + N-Tyre	1,456	+115

1. General overview

2. **Nokian Tyres financial performance**

- Summary
- Net sales by market area
- Raw material cost development

3. Business units

4. Nokian Tyres going forward





# Summary 1–6/2016

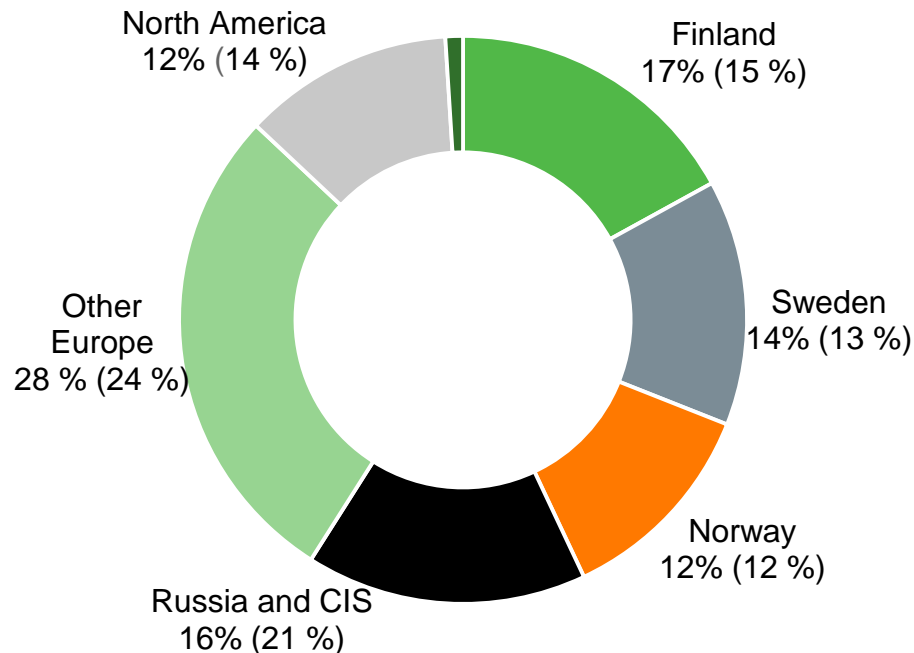
Good profitability maintained. Continued growth in Central Europe helped to balance winter tyre inventory challenges in Russia and North America.

Key figures, M€	4–6 /16	4–6 /15	Change %	1–6 /16	1–6 /15	Change %	2015
Net sales	337.4	345.5	-2.3	613.3	626.8	-2.2	1,360.1
Operating profit	77.5	80.6	-3.8	128.0	128.8	-0.7	296.0
Operating profit %	23.0	23.3		20.9	20.6		21.8
Profit before tax	74.8	73.2	2.1	123.2	136.7	-9.9	274.2
Profit for the period	61.3	64.5	-4.9	101.2	199.8	-49.4	240.7
Earnings per share, EUR	0.46	0.48	-5.9	0.75	1.50	-49.8	1.80
Equity ratio, %				72.0	70.4		70.8
Cash flow from operating activities	21.3	11.0		-40.0	-5.7		283.4
Gearing, %				6.6	6.9		-16.9
Interest-bearing net debt				79.6	91.1		-209.7
Capital expenditure	25.3	26.3	-3.7	44.4	48.2	-7.9	101.7

- Sales volumes in Q2 higher than estimated due to good performance in Europe and in summer tyres
- Production volumes higher than last year
- Raw material cost decline continued and lower production cost supported profitability
- Negative impact from the ASP development
- Productivity continued to improve both in Heavy Tyres and Passenger Car Tyres
- Vianor's result in Q2 clearly better than in Q1
- Investments in H1/2016 amounted to 44.4 M€, 2016 estimate 120 M€

# Net sales by market area 1–6/2016

Balanced geographical sales split



# Raw material cost development

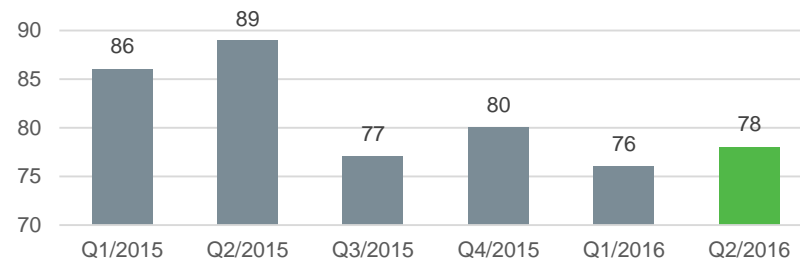
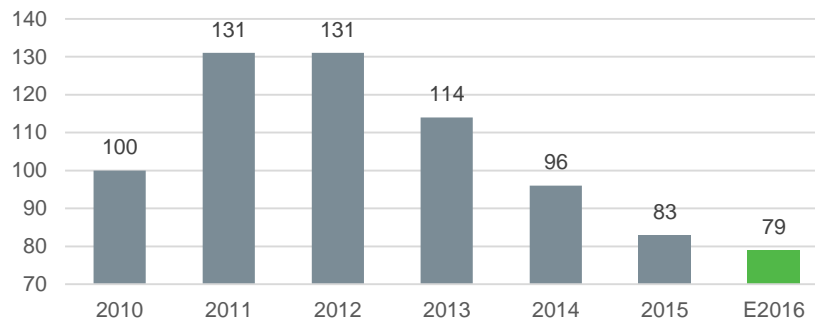
The tailwind continued, but an upturn is expected

## Nokian Tyres' raw material cost (€/kg)

- decreased by 12.0% in H1/2016 vs. H1/2015
- increased by 3.0% in Q2/2016 vs. Q1/2016
- is estimated to decrease by approximately 5% in 2016 vs. 2015

→ Estimated tailwind in 2016 vs. 2015:  
approximately 15 M€

## Raw material cost development index 2010–E2016





1. General overview
2. Nokian Tyres financial performance

### 3. Business units

- General overview
- Passenger Car Tyres
- Heavy Tyres
- Vianor and retail network

4. Nokian Tyres going forward



# Business units 1–6/2016

Profitability remained at a good level

## Passenger Car Tyres

- Net sales: 432.6 M€; -3.6%
- EBIT: 127.0 M€; -2.1%
- EBIT margin: 29.4% (28.9%)

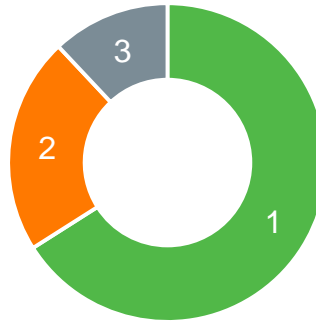
## Vianor

- Net sales: 143.2 M€; 1.0%
- EBIT: -9.2 M€; -32.3%
- EBIT margin: -6.4% (-4.9%)

## Heavy Tyres

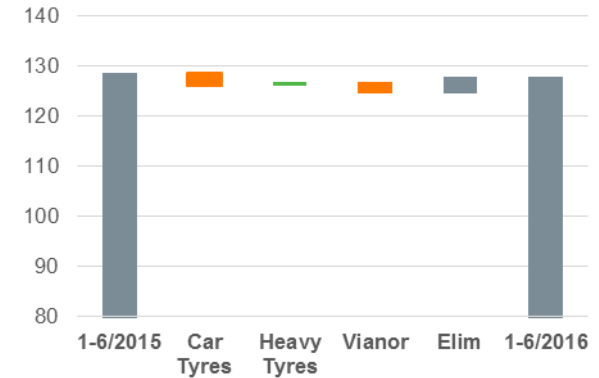
- Net sales: 76.3 M€; 0.9%
- EBIT: 15.0 M€; 5.2%
- EBIT margin: 19.7% (18.9%)

Net sales 613.3 M€



Business units	H1/2016	H1/2015
1. Passenger car tyres	66%	67%
2. Vianor	22%	21%
3. Heavy Tyres	12%	11%

EBIT 128.0 M€  
EBIT Bridge by Business Units



# New biomass power plant in Nokia

Increases the use of local energy sources

## Decreases the Nokia factory's greenhouse gas emissions significantly

- The plant started its operations in April 2016
- Total investment 42 M€
- The plant reduces the use of fossil fuels and increases the use of local energy sources
- According to initial calculations, the proportion of renewable energy sources could increase from the current 40% to approximately 70%



New Biomass power plant in Nokia

# Passenger Car Tyres

Good performance in Europe and in summer tyres

## Performance in 1–6/2016

- + Summer tyre sales increased
- + Success in products continued
- + Decreasing raw material cost supported the margins
- + Productivity improved by 3%
- Clearly decreased sales in Russia
- The expected decline in North American sales
- Negative currency impact on net sales
- ASP decreased mainly due to currency devaluations

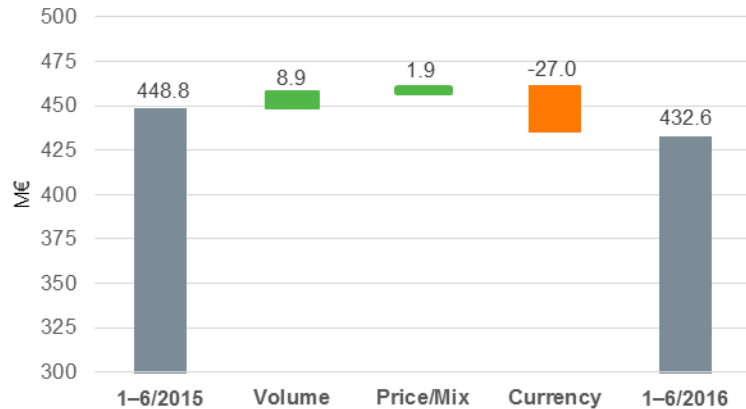


	4–6 /16	4–6 /15	Change %	1–6 /16	1–6 /15	Change %	2015
<b>Net sales, M€</b>	230.1	241.2	-4.6	432.6	448.8	-3.6	951.5
<b>Operating profit, M€</b>	64.7	69.6	-7.1	127.0	129.7	-2.1	285.5
<b>Operating profit, %</b>	28.1	28.9		29.4	28.9		30.0

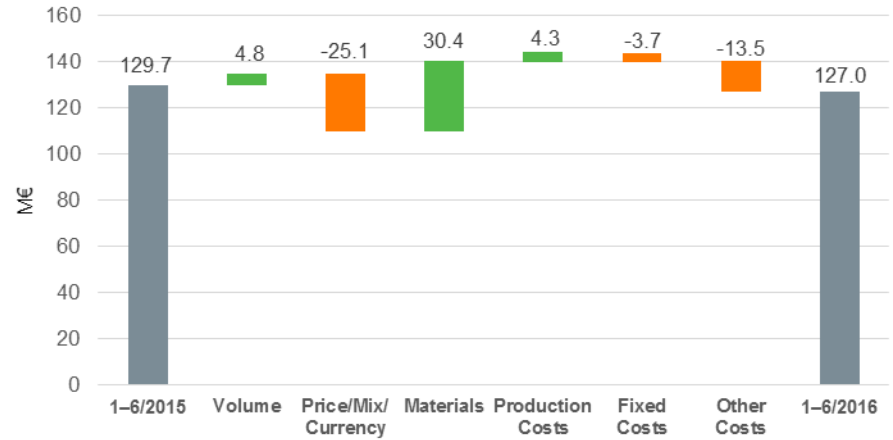
# Passenger Car Tyres

Negative price impact only from currencies

**NET SALES BRIDGE 1-6/16**



**EBIT BRIDGE 1-6/16**



# Heavy Tyres

Net sales increased slightly

## Performance in 1–6/2016

- + In the Western markets, demand was moderate
- + Sales of forestry tyres were strong
- + Operating profit improved slightly on the back of increased sales volumes of own production and better productivity
- Q2 operating profit decreased due to the higher share of truck tyres and the timing of marketing activities
- ASP decreased due to a challenging pricing environment, a bigger share of OE sales and the product mix



	4–6 /16	4–6 /15	Change %	1–6 /16	1–6 /15	Change %	2015
Net sales, M€	38.7	38.0	2.0	76.3	75.6	0.9	155.3
Operating profit, M€	6.1	7.5	-19.2	15.0	14.3	5.2	28.7
Operating profit, %	15.7	19.8		19.7	18.9		18.5

### Performance in 1–6/2016

- + Net sales increased in the Nordic countries
- + 65 car service operations acquired and integrated into Vianor by the end of H1/2016
- + Service sales increased by 6.3%, car services increased by 6.6%
- Profitability was impacted negatively by the tough pricing environment



Equity-owned stores (202)	4–6 /16	4–6 /15	Change %	1–6 /16	1–6 /15	Change %	2015
Net sales, M€	89.4	86.7	3.1	143.2	141.7	1.0	327.6
Operating profit, M€	5.5	5.7	-2.1	-9.2	-6.9	-32.3	-1.9
Operating profit, %	6.2	6.5		-6.4	-4.9		-0.6



# Nokian Tyres' retail network

Economic situation in Russia impacted on expansion

## Vianor – 1,482 stores in 26 countries

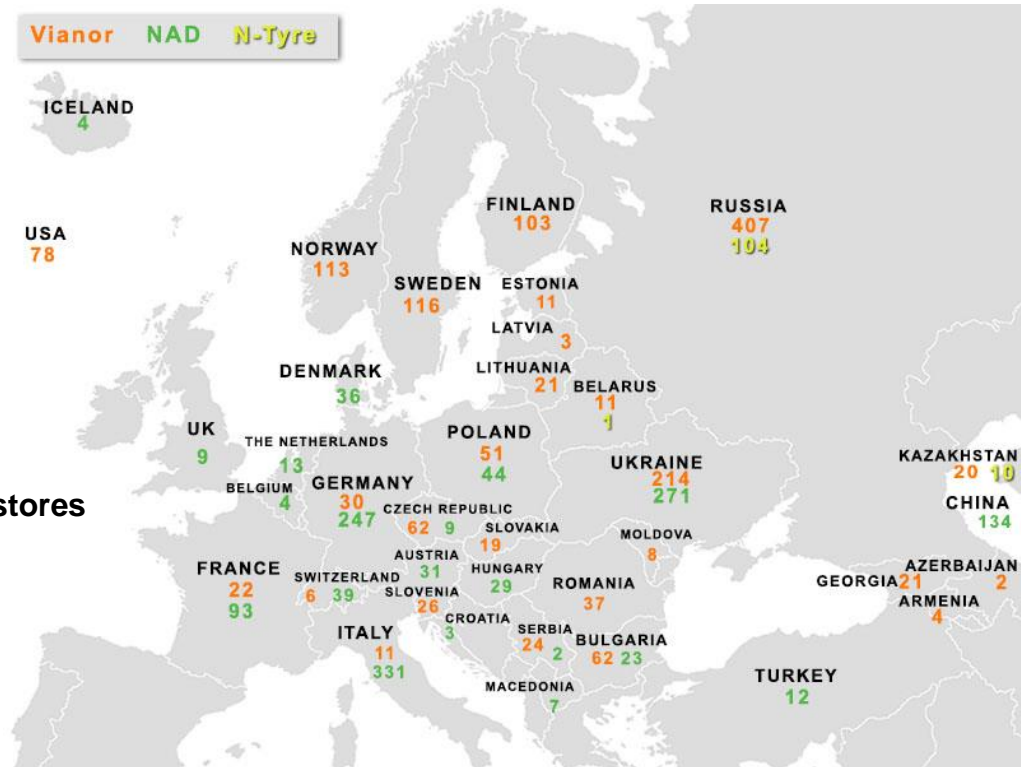
- 202 equity-owned, 1,280 partners
- Total +7 stores in H1/2016
- largest tyre chain in Nordic and Baltic countries:**  
367 stores (+11 in H1/2016)
- largest tyre chain in Russia and CIS:**  
687 stores (-19 in H1/2016)
- expansion to Central Europe:**  
350 stores (+13 in H1/2016)
- expansion to USA:**  
78 stores (+2 in H1/2016)

## Nokian Tyres Authorized Dealers (NAD) – 1,341 stores

- in 19 European countries and China
- increase of 102 stores in H1/2016

## N-Tyre – 115 stores

- in Russia and the CIS
- increase of 13 stores in H1/2016



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# Outlook 2016

Challenges in Russia continue, Growth in other markets

## Nokian Tyres' assumptions

- Markets
  - New car sales growth 7% in Europe
  - New car sales in Russia to decline slightly over 10%
  - Russia and the CIS currencies weak against EUR
- Passenger car tyre markets
  - Demand in CE, North America, and the Nordic countries to grow
  - Demand in Russia (sell-in) to decline slightly over 15%
- Raw material cost (€/kg) estimated to decrease by approximately 5% in 2016 vs. 2015
- Investments approximately 120 M€
- Heavy tyre market demand stable in Nokian Tyres' core product groups
- Nokian Tyres financial position remains solid

## Outlook 2016

- Nokian Tyres' position expected to improve in all key markets. In Russia leader position in the A + B segment remains.
- Competitive product portfolio
- Challenging pricing environment for all tyre categories
- Profitability supported by efficient cost structure and productivity on the back of high share of Russian production.

## Year 2016 guidance (full year reiterated)

- In 2016, with current exchange rates, net sales and operating profit are expected to remain at the same level compared to 2015.

## Previous guidance (May 4, 2016)

- In 2016, with current exchange rates, net sales and operating profit are to remain at the same level compared to 2015. Q2/2016 will be weaker than Q2/2015 due to sales shifting nearer to the season and customers' high winter tyre inventory levels in Russia and North America.



The background of the slide is a photograph of a dark blue car driving through a puddle on a wet road. The car's front wheel, which has a silver multi-spoke alloy rim, is splashing water. The water droplets are captured in mid-air, creating a dynamic and energetic scene. In the background, there is a line of green trees under a clear blue sky.

**nokian<sup>®</sup>**  
**TYRES**

# Thank you!

**Interim Report  
January–September 2016**

November 1, 2016

[www.nokiantyres.com/investors](http://www.nokiantyres.com/investors)

## Appendices

- International Group
- Major shareholders
- Share price development
- Competitor comparison
- Examples of new products
- Magazine tests
- Winter tyre regulations
- Personnel
- Raw material consumption
- Group Operating profit
- Financing: Loans and Net Financial Expenses
- Key figures



# Appendix: International Group

Own production, test centers, sales companies and network



**Nokia, Finland**  
– capacity 2.5M tyres  
– heavy tyres' own production



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

## Own production and test centers

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

## Sales companies

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

## Vianor

- 1,482 stores in 26 countries
- Increase of 7 stores in H1/2016.

## NAD (Nokian Tyres Authorized Dealers)

- 1,341 stores
- 19 European countries and China
- Increase of 102 stores in H1/2016.

## N-Tyre

- 115 stores
- Russia and the CIS
- Increase of 13 stores in H1/2016.



# Appendix

## Major shareholders as of June 30, 2016

Major Domestic Shareholders		Number of shares	Share of capital %	Change from previous month
1	Varma Mutual Pension Insurance Company	3,772,007	2.8	0
2	Ilmarinen Mutual Pension Insurance Company	2,765,947	2.1	+125,000
3	Odin Norden	1,031,217	0.8	+2,843
4	The State Pension Fund	773,000	0.6	0
5	Schweizer Nationalbank	753,574	0.6	+19,969
6	Bnp Arbitrage	747,231	0.6	+436,882
7	Mandatum Life Insurance Company Limited	600,000	0.4	0
8	Svenska litteratursällskapet i Finland r.f	507,200	0.4	0
9	Nordea	506,987	0.4	+22,266
10	Barry Staines Linoleum Oy	430,000	0.3	0
Major Domestic Shareholders total		11,887,163	9.0	
Foreign Shareholders <sup>1)</sup>		103,423,307	76.8	
Bridgestone Corporation <sup>2)</sup>		20,000,000	14.8	

1) Includes also shares registered in the name of a nominee

2) In the name of a nominee.

See flagging and major shareholders:

<http://www.nokiantyres.com/company/investors/share/flagging-notifications/>

<http://www.nokiantyres.com/company/investors/share/major-shareholders/>

### Options, outstanding as of June 30, 2016

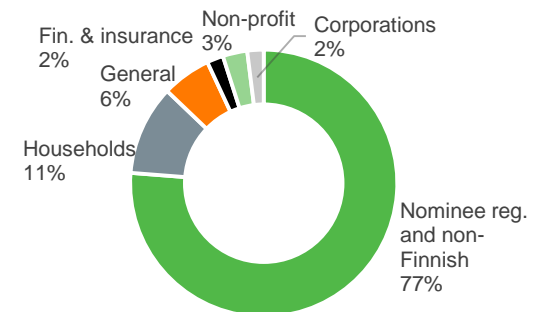
2010C: 538,834 (70,610 in company's possession)

2013A: 1,149,840 (56,756 in company's possession)

2013B: 1,149,855 (180,321 in company's possession)

2013C: 1,150,000 (138,120 in company's possession)

### Division by Category as of June 30, 2016

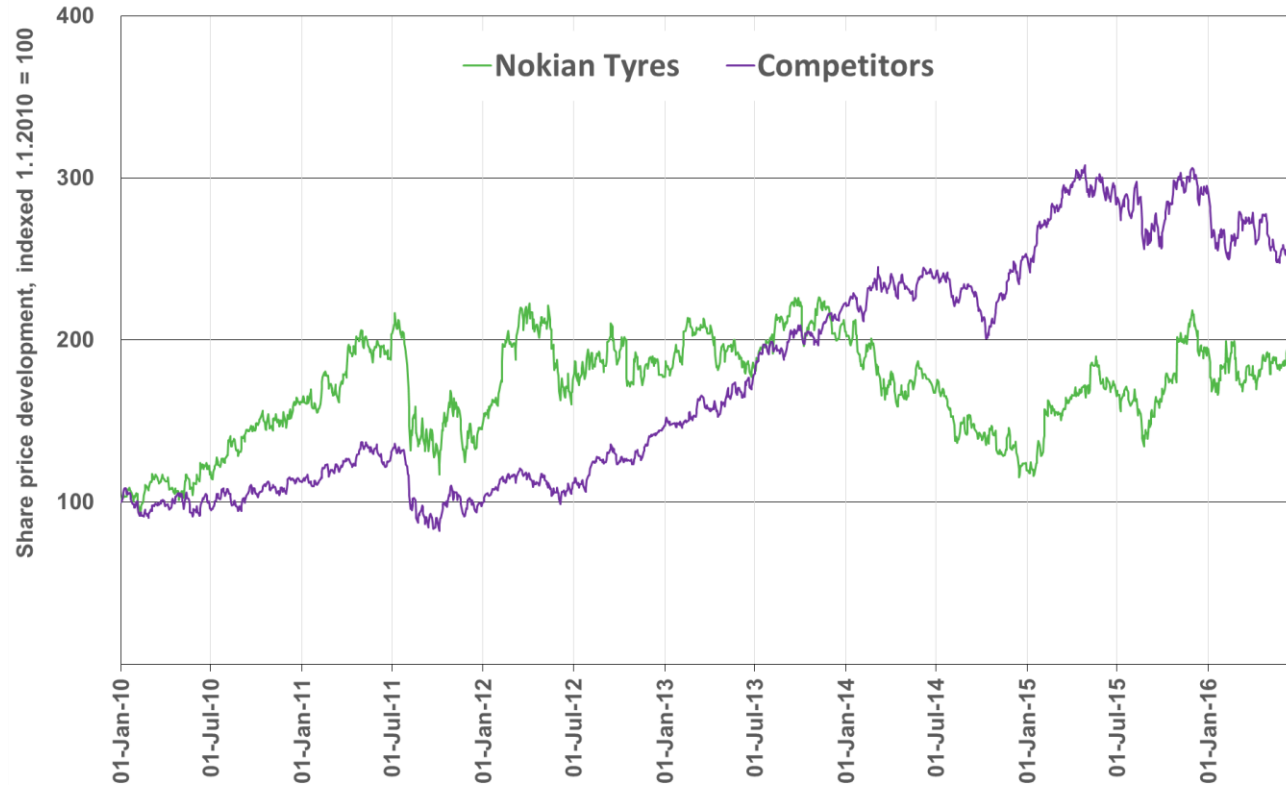


Total number of shares: 134,691,214



# Appendix

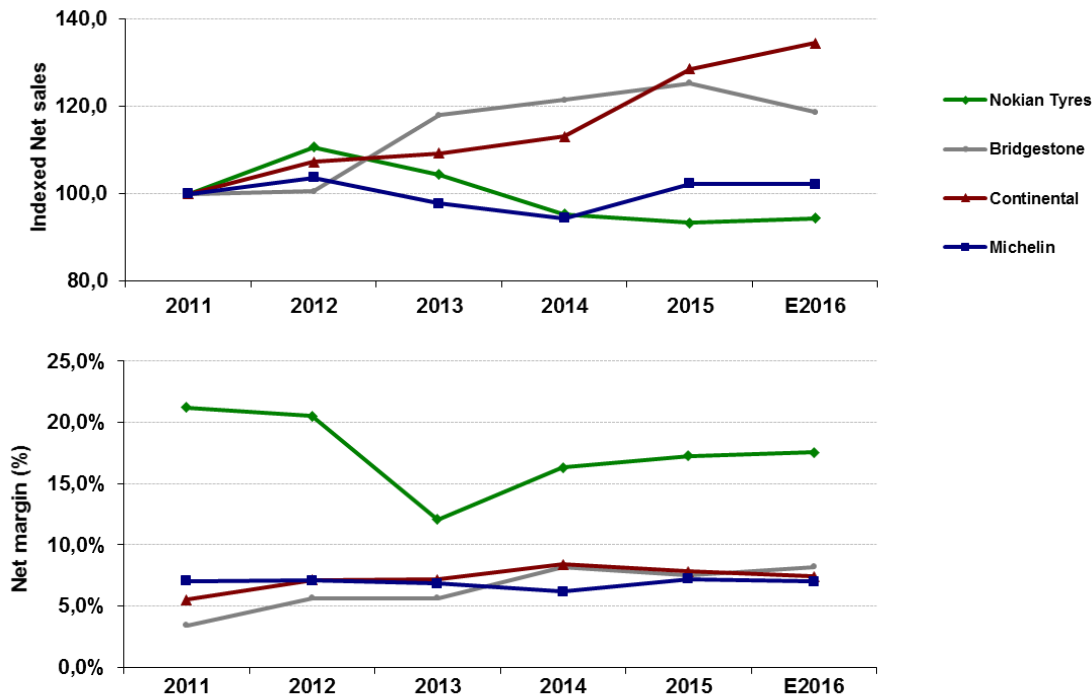
Indexed share price development 2010 – 6/2016



# Appendix

## Nokian Tyres the most profitable tyre producer

Nokian Tyres' profitability has been clearly better than that of the main peers during the past 5 years. The better profitability protects the company profits during recessions and potential downturns.



### Net margin E2016

Nokian Tyres	17.6%
Bridgestone	8.2%
Continental	7.4%
Michelin	7.0%

Source: Consensus estimates for the peers as per Thomson Reuters July 5, 2016.

**E2016 FIGURES ARE BASED ON CONSENSUS ESTIMATES, NOT NOKIAN TYRES GUIDANCE.**

# Appendix: Improving competitive strength

## New All-Weather product family for Central Europe

- Central Europe is the world's largest market for winter tyres. The winter tyre segment is growing faster than the overall market.
- **The new Nokian WR A4** optimally combines high-performance handling and reliable winter grip. It offers balanced driving in rapidly changing weather conditions for sporty cars.
- Renewal of the Nokian WR winter tyre family and the new **Nokian Weatherproof All-Weather product family** support our profitable growth.
- The revolutionary All-Weather concept combines reliable winter safety with the precise driving stability and firm handling of our summer tyres.

### Unique innovation



### Functional Performance Siping - More winter grip, better steering feel.

- Advanced winter grip on dry, wet and snow-covered roads due to Functional Performance Siping



# Appendix: Magazine tests spring 2016

Test success for summer tyres

## Summer tyres, spring 2016

Nordic and Russia

- **New Nokian Hakka Green 2**
  - Test winner in Finland (Tekniikan Maailma, Tuulilasi) and in Russia (Za Rulem). Winner also in Sweden (Aftonbladet) and in Norway (Motor) by Test World test. 2<sup>nd</sup> place Auto Review, 3<sup>rd</sup> place Vi Bilägare.
- **Nokian Hakka Black** – 2<sup>nd</sup> place Tekniikan Maailma
- **Nokian Hakka Blue** – 2<sup>nd</sup> place Za Rulem
- **Nokian Hakka Blue SUV** – 1<sup>st</sup> place Za Rulem

## Central Europe

- **Nokian Line** (185/65 R15) – ADAC 3/2016 “Good”
- **Nokian zLine** (225/45 R17) – Auto Zeitung 6/2016 “Very recommendable”



*Unsurprising and reliable.  
Driving behavior is logical and  
safe on wet roads,  
aquaplaning resistance  
properties are on the top level.  
Very low rolling resistance.  
**Nokian Hakka Green 2,**  
**Tekniikan Maailma 5/2016***



*Very balanced, especially  
good on dry roads, good on  
the wet roads. Quite low fuel  
consumption.  
**Nokian Line (185/65 R15 H),**  
**ADAC 3/2016***

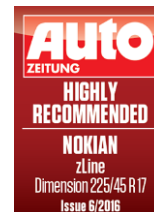
**Tuulilasi**

**AFTONBLADET**

**motor**

**Зарулем**

**ViBilägare**



## Appendix: Heavy Tyres

Examples of new products

### **Nokian Logger King LS-2 is the ultimate workhorse for the full-tree forestry work**













































- The new product comes in two versions: Logger King LS-2 and Logger King LS-2 Extreme.
- The standard version is suitable for the majority of the environments and machines starting from small to medium sized skidders.



Nokian Logger King LS2

# Appendix

## Winter tyre regulations in Europe

	Austria	Bosnia Herzegovina	Croatia	Czech Republic	Estonia	Finland	France	FYR of Macedonia	Germany	Hungary	Iceland	Italy	Latvia	Lithuania	Luxembourg	Montenegro	Norway	Poland	Portugal	Romania	Serbia	Slovakia	Slovenia	Spain	Sweden	Switzerland	Turkey
Within a specified time frame																											
Within a specified time frame and during specified weather conditions																											
When indicated by a road sign (winter tyre and/or snow chain)																											

Source: Nokian Tyres 6/2016

1) On major roads, regardless of weather conditions, on other roads, in wintry weather conditions

2) Both equally valid

3) Sufficient grip requirement; de facto mandatory winter tyres

4) For taxis and commercial vehicles, not regular passenger vehicles

# Appendix

## Winter tyre legislation in USA

	Alabama	Alaska	Arizona	Arkansas	California	Colorado	Connecticut	Delaware	District Of Columbia	Florida	Georgia	Hawaii	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri
Winter tyres are legally mandatory																										
Winter tyres are recommended		●				●	●	●	●				●	●	●	●				●	●	●	●	●		
Winter tyres are mandatory if there is a specific road sign						●																				
Studded tyres are permitted		●	●	●	●	●	●	●	●		●		●	(*)	●	●	●	●		●	(*)	●		(*)		●
	Montana	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	North Carolina	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington	West Virginia	Wisconsin	Wyoming	
Winter tyres are legally mandatory																										
Winter tyres are recommended	●	●		●	●		●		●	●		●	●	●		●			●	●		●	●	●	●	
Winter tyres are mandatory if there is a specific road sign																										
Studded tyres are permitted	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●		●	




























Source: Nokian Tyres 6/2016

(\*) The use is restricted on special use / special regions.



# Appendix

## Winter tyre legislation in Canada

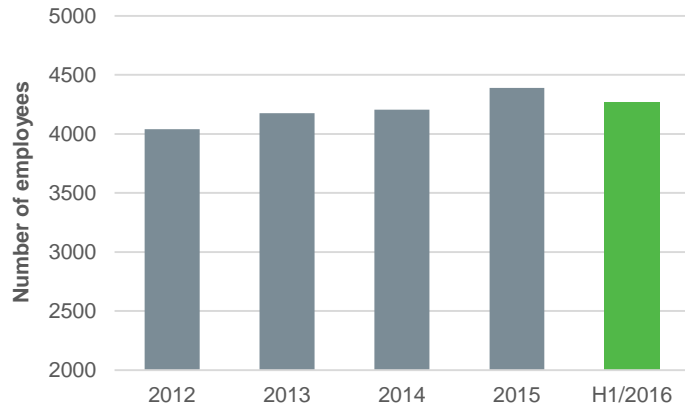
	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Northern Ontario	Quebec
Winter tyres are legally mandatory							
Winter tyres are recommended							
Winter tyres are mandatory if there is a specific road sign							
Studded tyres are permitted							
	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland	Yukon	Northwest Terr.	
Winter tyres are legally mandatory							
Winter tyres are recommended							
Winter tyres are mandatory if there is a specific road sign							
Studded tyres are permitted							

Source: Nokian Tyres 6/2016

# Appendix

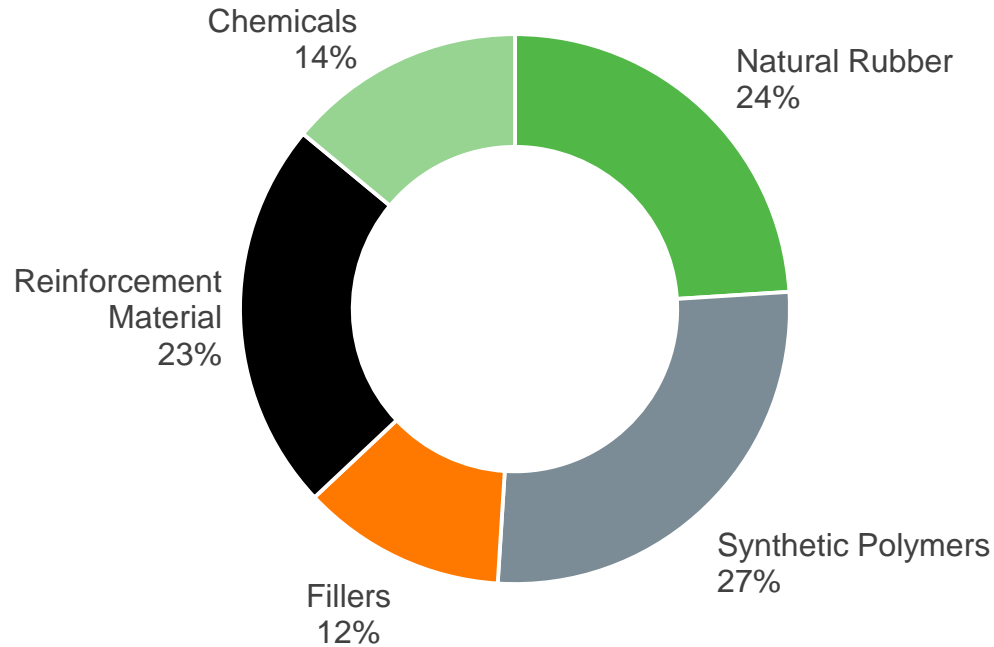
## Personnel June 30, 2016

- Nokian Tyres Group: 4,266 (4,393)
- Finland: 1,616 (1,802)
- Russia: 1,352 (1,346)
- Equity-owned Vianor: 1,661 (1,628)



## Appendix

Value of raw material consumption (%)



# Appendix

## Group Operating profit per quarter 2012–H1/2016

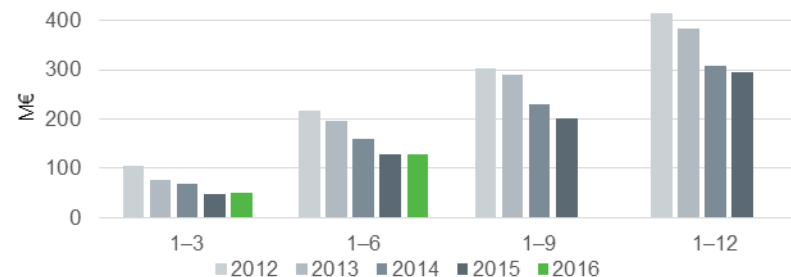
### 1-6/2016

- Net sales 613.3 M€ (626.8 M€), -2.2%
- EBIT 128.0 M€ (128.8 M€), -0.7%

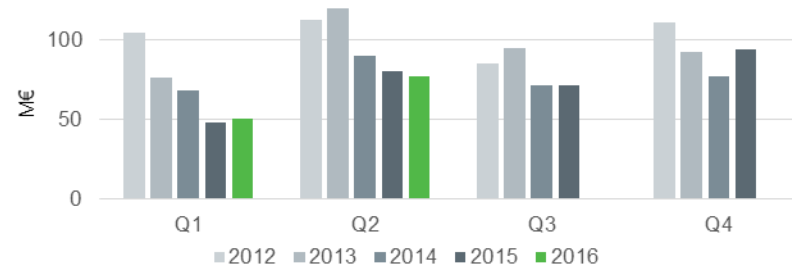
### 4-6/2016

- Net sales 337.4 M€ (345.5 M€), -2.3%
- EBIT 77.5 M€ (80.6 M€), -3.8%

Cumulative Operating profit per review period



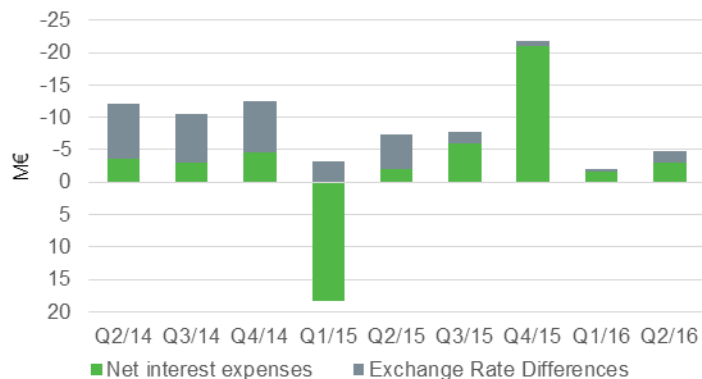
Group operating profit per quarter



# Appendix

Financing: Loans on June 30, 2016

Net Financial Expenses and currency effect



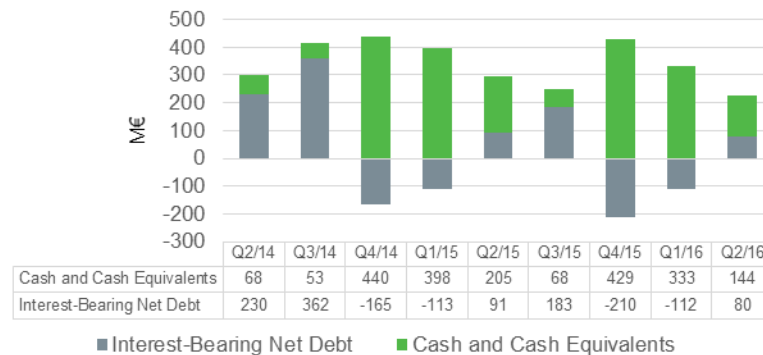
- = Expenses, + = Income

Net financial items/exchange rate difference (M€) June 30, 2016

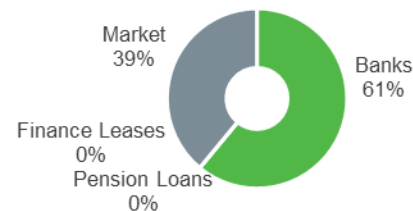
	RUB	NOK	SEK	USD	CAD	Other	Total
Underlying 1)	3.5	0.8	-0.8	-0.6	1.3	0.3	4.4
Hedging	-4.8	-0.7	0.9	0.5	-1.0	0.4	-4.7
Hedging cost	-1.2	-0.1	0.1	0.0	-0.1	-0.1	-1.4
Total	-2.4	0.0	0.2	-0.1	0.2	0.6	-1.7

1) AP, AR, Internal loans/deposits

## Interest-Bearing Debt



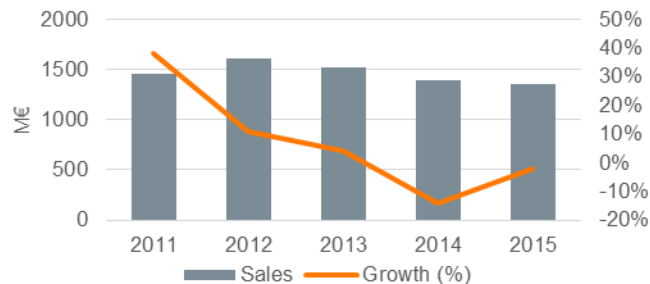
## Interest Bearing Debt 79.6 M€ (June 30, 2016)



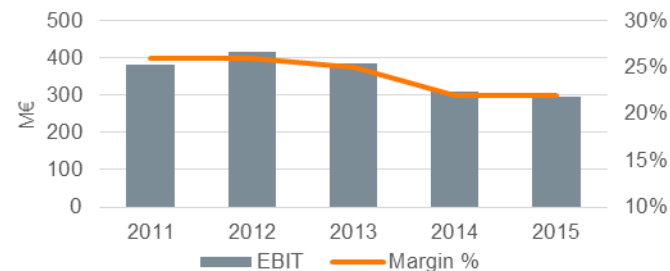
# Appendix

## Key figures 2011–2015

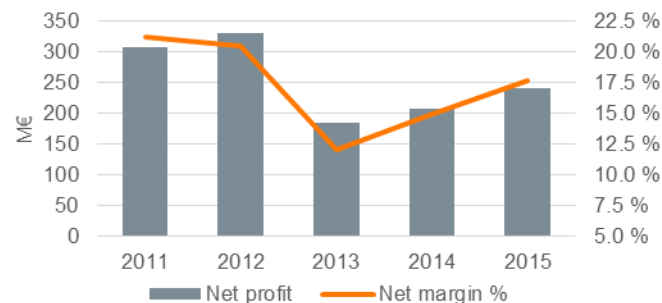
**Net sales and net sales growth**



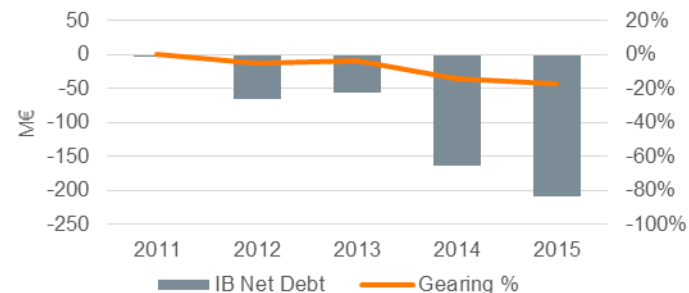
**EBIT and EBIT margin**



**Net profit and net margin**

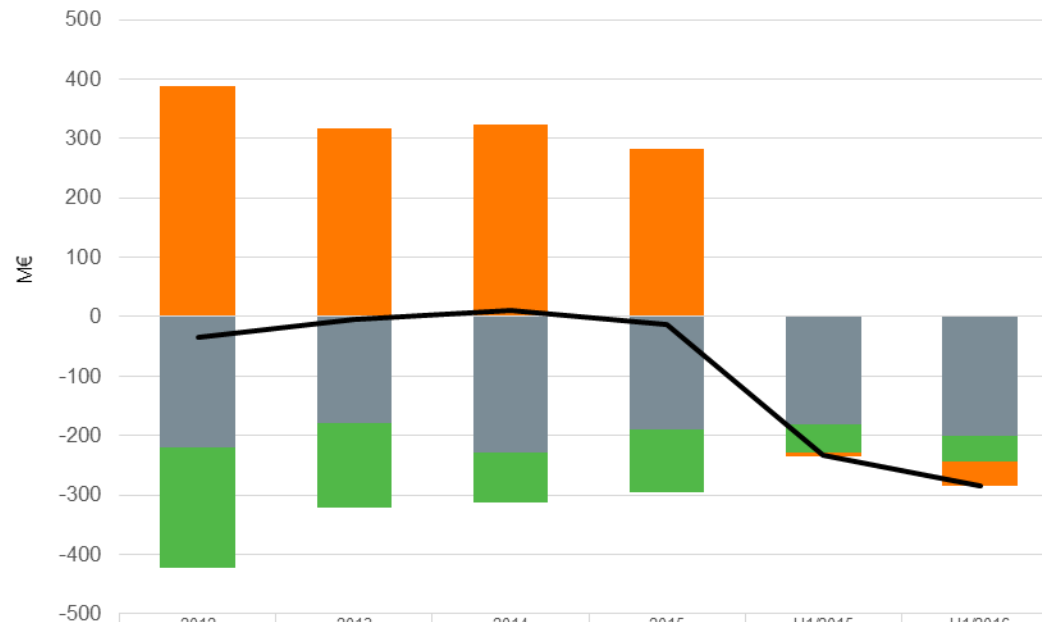


**Interest bearing net debt and gearing**



# Appendix

## Cash flow from operating activities 2012–H1/2016



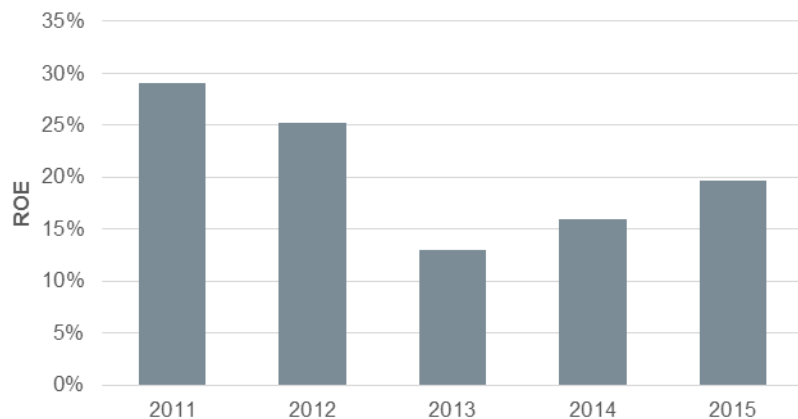
	2012	2013	2014	2015	H1/2015	H1/2016
Cash flow from operating activities	389	318	323	283	-6	-40
Cash flow from investing activities	-203	-143	-85	-105	-48	-45
Cash flow from financing activities	-220	-178	-228	-190	-181	-200
Change in cash and cash equivalents	-35	-4	11	-12	-234	-285



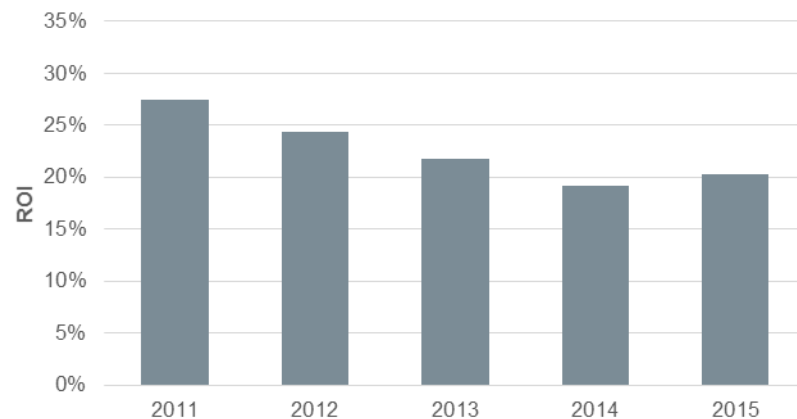
# Appendix

## ROE and ROI 2011–2015

Return on Equity



Return on Capital Employed



The background of the slide is a photograph of a dark blue car driving through a puddle on a wet road. The car's front wheel, which has a silver multi-spoke alloy rim, is splashing water. The water droplets are captured in mid-air, creating a dynamic and energetic scene. In the background, there are green trees under a clear blue sky.

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# Thank you!

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January–September 2016**

**November 1, 2016**

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