



**Transcription**

# **Nokian Tyres Q1 2022 Interim report**

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## Nokian Tyres Q1 2022 Interim report

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# PRESENTATION

## Operator

Hello, and welcome to the Nokian Tyres Q1 2022 Interim Report. Throughout the call all participants will be in a listen-only mode and afterwards there will be a question-and-answer session.

Today, I'm pleased to present the Head of IR, Päivi Antola. Please go ahead with your meeting.

## Päivi Antola

Good afternoon from Helsinki, and welcome to Nokian Tyres' Q1 2022 Results Conference Call. My name is Päivi Antola and I am the Head of the Investor Relations in Nokian Tyres. And together with me in this call, I have Jukka Moisio, the President and CEO of the company, and Teemu Kangas-Kärki, the CFO. In this call, we will go through the Q1 results, and the impact of the war in Ukraine, and the resulting sanctions on Nokian Tyres. This all will be presented by the CEO and CFO, followed by Q&A.

Jukka, please go ahead.

## Jukka Moisio

Thank you, Päivi. Welcome on my behalf. And I will go through the prepared notes and the presentation, starting on page – cover page – that the war in Ukraine overshadowed Q1. Our trading environment is highly uncertain, but nevertheless, the tyre demand in global markets was good in the first quarter.

I move to page two. In terms of our net sales, they increased by about 22% in comparable currencies. That meant that the year began with good demand in all markets and in late February, the war in Ukraine started to impact the operating environment. Our supply chain is quite long, so it means that the first quarter tyres mostly were made already in 2021, in the final quarter, and indeed strong momentum of the tyre demand already in 2021, continued to 2022 in the first quarter.

Our segment operating profit was €66.5 million – up from €50.3 million a year ago. Price increases were made to combat the cost inflation, and that led to higher average selling price. Teemu will talk about that later. And also, important to mention that our Heavy Tyres business has all time high first quarter in operating profits.

I move to page three, which is financial highlights and the profitability in terms of operating profit margin – 16% in the first quarter versus 14.7% a year ago. Equity is 70% of our balance sheet versus 68% at the end of the financial year 2021. Cash flow from operating activities was negative, mostly because we tied money into receivables and inventory. And then gearing at 3.1%, net debt €53, million and capital expenditure in the first quarter was €40.1 million, down from €17 million in 2021.



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We expect that the capital expenditure will remain €100 million to €120 million. And ongoing operations, we will not invest in production in Russia. However, we have activated and started to speed up the investment in new capacity in Eastern Europe and also look at the other options to improve our supply capability outside Russia.

That includes of course, building and continuing to build capacity in Nokian as well as ramping up our Dayton factory and investing there, as well as also increasing capacity in Heavy Tyres in Nokian. And the capital expenditure will be mostly focused on the final quarter, last two quarters of 2022, and there we'll most likely see an acceleration capital expenditure.

And now, I hand over to Teemu to talk about the profitability of businesses and also, a little bit more granularity into financial performance. Teemu, please go ahead.

### Teemu Kangas-Kärki

Thank you, Jukka, and let's start with the Passenger Car Tyre business unit. The demand continued on a high level in the first quarter. Our net sales reached €350 million, and segment operating profit on a level of €74 million. The top line growth was in the level of 28%. No major difference between reported and comparable currency change. The net sales was increasing in all main markets and all-season tyres was the main driver for increasing volumes.

We were able to increase our average sale prices in all markets, in order to offset higher raw material and cost inflation. And when we started the year, our forecast for the full year in terms of raw material headwind was on a level of 20%, and now we see that it will be more than 30%, because the cost inflation continues to rise in the second half of this year.

If we then move to the next page where we can see the breakdown of our net sales by quarters. Here you can see that the volume component was up by 9% and our price mix on a level of 19%. Here you can see a strong development in the price mix as we have been discussing in the past quarters. We have increased prices and continue to do that in all markets, and now in the first quarter, we were able to see a strong momentum there. Currency aggregate impact was flat due to the fact that all other currencies, except the Russian rouble, strengthened. And therefore, the net was close to zero.

Then moving to the bridges, here we can see that on net sales level the volume contributed top line around €22 million, and the price mix was on a level of €47 million.

Then moving to the segment operating profit, and if we look at the price mix – €47 million compared to the material headwind – minus or negative development of €28 million. Here we can see the positive delta between the price mix and material headwind.

Then moving to the Heavy Tyres business unit. In the first quarter, we recorded all-time high segment operating profit for Heavy Tyres. Top line was on a level of 66% growth, with comparable currencies almost 15%, and segment operating profit on level of almost €13 million, same level than in prior year.

Then if you look at relative [ph 00:08:40] profitability, there it was slightly lower than in the comparison period. In Heavy Tyres, the strong demand continued in all product segments as we have been discussing in earlier quarters. And naturally in Heavy Tyres, we have increased also sales prices and continue to do so in the coming quarters.



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And maybe the final comment from Heavy Tyres is the strong development in safety. We have recorded over two years without lost time injuries, which is an excellent achievement.

And lastly, looking at Vianor business unit performance, the start for the year was low in the first quarter, which is not the main season as we have been discussing. The two main seasons are Q2 and Q4. In Vianor, the net sales was on a level of €57 million, minus, close to 2%, and our segment operating profit was on a level of €-12 million.

That was all from the business units, Jukka.

## Jukka Moisio

Thank you, Teemu. I move on to page nine, about the operating environment, which was severely impacted by the war in Ukraine. And we took several measures to address that matter. If you look at health and safety, the top priority is to ensure the safety of our employees and colleagues in Ukraine, but also to give support to all Nokian Tyres' employees independently where they are.

Constant communication, we established constant communication about the situation in the organisation. So we have weekly calls of the situation and address and respond to questions that people in our organisation have. We've also provided donations internally, externally to help the humanitarian efforts in Ukraine.

Operational measures, the most important thing is to comply with applicable sanctions. Also, we've established the crisis management team; we meet frequently, daily, or every second day, and we've established and activated contingency plans and they are ongoing.

We take care of our personnel and management in Ukraine and Russia, securing – onto security control of our factory in Russia. We've stopped investments into Russian production. We have also stopped the sales and distribution of Heavy Tyres to Russia. And we have initiated actions to diversify our manufacturing footprint. And we've also done cost reductions.

In terms of financial actions, the Board made proposal of the change from dividends to €1.32 to €0.55. And that is about €106 million for investment to new capacity in Europe. We've also taken measures to secure the company liquidity and we have a strong balance sheet. As mentioned, 70% of the balance sheet is equity. That will then support the company through this difficult time.

On page ten, as mentioned, the preparations for new supply capability started via evaluating all options. Some of them are shorter term and some of them are midterm and longer term. Obviously, we look at the owned greenfield opportunity. Also, joint venture opportunities with other tyre companies and then contract manufacturing. These plans have all been evaluated and we are working on those, and we have started to expedite the plans to invest in new production capacity in Europe.

And as mentioned, the dividend proposal cut funds, this dividend of €106 million already in 2022. At the same time, as we have initiated already in 2021, to increase of capacity in Nokian Finland by adding shifts and also investing in equipment that will help 2022 volumes, but also 2023 capability from Nokian.



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Also, the ongoing Heavy Tyre investment will help Heavy Tyre expansion plans in 2023 and 2024, as well as the Dayton plant that we have ordered in 2021, invested – ordered equipment and they will then come progressively during the course of this year and early next year to help the capacity build-up in Dayton to 4 million tyres.

Our priorities in the coming quarters is to adopt to the fast-changing and highly uncertain operating environment. We want to comply with applicable sanctions. So this is priority number one. Also, protecting the safety of our team. We want to maintain the control of our factories in Russia. We want to protect our cash flow and the Board is evaluating long-term strategic paths and this work is ongoing right now. And as soon as the right [ph 00:14:35] decisions taken; we will communicate then promptly.

From the point of view that we have strong products, we have a good portfolio, and although there will be difficulties in the short-term, in terms of capacity and capability, we will do our utmost to ensure that our products are supplied to customers and at the same time, because we have strong products, we want to establish more diversified and improved supply capability to meet the expectations of our customers and consumers in the years to come. And this work is very much ongoing. And as I said, policy evaluating the long-term strategic paths and as soon as the decisions are taken, we will communicate then promptly.

I move to page 12 – assumptions for this year. The war in Ukraine and resulting sanctions will impact and are impacting our operating environment and causing uncertainty. There will be restrictions in manufacturing and also supply capability from Russia and to Russia, particularly that will be visible in H2, 2022. And raw material logistic costs are expected to increase significantly. However, the demand for Nokian Heavy Tyres products are estimated to continue strong.

Therefore, the guidance for 2022, which is on page 13, will be as follows. The war in Ukraine and resulting sanctions cause significant uncertainty in Nokian Tyres' operating environment. Nokian Tyres' net sales and segment operating profits in 2022 are expected to decrease significantly compared to year 2021.

Those are the prepared comments. Päivi, I hand over back to you.

### **Päivi Antola**

Thank you, Jukka. Thank you, Teemu. Maybe before we go to the questions from the audience, a couple of questions, which certainly are in the minds of people listening to us. First one to Jukka. When will there be more information on the future plans regarding Russia?

### **Jukka Moisio**

Thank you, Päivi. That is an obvious question that is on everybody's mind and our minds as well. And therefore, we are working, as I mentioned, the Board is evaluating a strategic path and evaluating various options and how to decide. And I believe that this work is very much progressing quickly now. And so, once the decisions are taken, we will communicate them promptly, but we will look at various options and this work is ongoing right now.



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### Päivi Antola

And with the new EU sanctions that were announced a couple of weeks ago, can the production in Russia still continue?

### Jukka Moisio

Production in Russia can continue, but there are multiple difficulties and they become increasingly more difficult as we go day by day. So one is the transport capability to take raw materials to Russia. Over 50% of our raw materials in Russia are coming from outside. It's also equally difficult to transport products from Russia to the European Union or any other countries. So, that will be a difficult one and also the support to our Russian factory. And the visibility is getting weaker towards the second quarter and then the work in the second quarter, we have more understanding that what will happen in the latter part of the year. And this again, takes me back to the Board's evaluation of the strategic paths that what are the next steps taken. And as I said, as soon as we have decisions and decisions taken, we will communicate then promptly.

### Päivi Antola

And how important or why is it important to – or is it important to keep the factory operational?

### Jukka Moisio

It's important to keep the factory operational for the reason to protect our people in Russia, our teams in Russia. It's also important that the factory is not in the wrong hands because it is our important target that it would not go to the wrong hands. And finally, if the factory is there, perhaps – equipment or any part of the equipment can be used somewhere else, if nothing else. So therefore, there are multiple reasons, but the most important ones are the safety of our team and also to ensure that the factory is not in the wrong hands.

### Päivi Antola

And there is a big question about the strategy going forward. You talked a little bit in your opening words about the short-term priorities, but what is really the strategy going forward, or is it too early to say anything?

### Jukka Moisio

The strategy going forward, we can talk about the matters that are cornerstones that are important and untouched, and will continue to help our company and also serve our customers on this that we keep on building the Nokian capacity. So, the new shifts, more tyres, also new equipment coming in. So, a productivity debottlenecking of the Passenger Car Tyre part of Nokian is very important. It's ongoing. That will help. And as we said, our ambition is to supply Nordic markets from Nokian and also, then use the Nokian capacity to ensure that we get the right winter products and our products to North America. And that is the one key target.



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The other key target is to ensure that we increase the capacity and ramp up capacity in Dayton. We achieved the first milestone, which is 4 million tyres. And we at the same time – that is again, part of the Board's strategic assessment that how do we add more capacity to Dayton 4 million, how and when that can happen. Then Heavy Tyres investments, which are ongoing in Nokian and taking Heavy Tyres from 2021 €250 million net sales to €300 million are very much ongoing. Those are – we expect to benefit us all the time.

And then, just the strategic options can be implemented when we have a strong liquidity as we secure that and also that we have a strong balance sheet and so therefore, allow the freedom to decide which is the most important strategic path for the company in late '22 and in '23 and '24 and beyond.

Having said that, we will not be successful without strong products and good innovations. And I just want to come to the fact that winter tyre Hakkapeliitta 10 is a great product and has been performing extremely well. Also, we will launch to the market a new friction tyre – R5 – which comes in the autumn. Those are both very, very strong products and we work our utmost to ensure that there's availability to customers and consumers of those tyres.

And also, that we will continue our innovation work because despite this current uncertainty and the demanding time for the company and also the war in Ukraine, which impacts all of us, there will be a future for the company that will be built on new products and our strong team capability. And as we have the financial muscle and we have the strong balance sheet, we will then rebuild this company in a different way into the future.

And more of that, once the Board has decided and worked on the strategic path and those are ready to be announced.

## **Päivi Antola**

Very good. Thank you. And now, Operator, we would be ready for the questions from the audience, please.



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### Q&A

Ladies and gentlemen, if you have a question for the speakers, please press 01 on your telephone keypad.

Our first question comes from the line of Giulio Pescatore of BNP. Please go ahead.

#### Giulio Pescatore

Hi, thanks for taking my question. And I appreciate that the environment is very difficult. And I mean, I really appreciate all the effort that you put in place to offset the current situation. But I would appreciate a bit more colour at the same time with regard to the future of your Russian operations. So, maybe a first short-term question and a longer-term one.

On the short-term side, can anybody comment on the capacity utilisation that you currently have in Russia? And at what level of production that factory is currently operating? And for the future, I mean, I'd appreciate that your balance sheet is solid, that it is strong, you have enough cash, but why not selling the Russian assets? Have you received any interest for potential sales?

And maybe perhaps with an option to buy that again at a certain point in the future. And using the cash is going to accelerate the capacity expansion in Europe and North America, wouldn't that be the best option in the current state? And then maybe one last question on the Vianor network in Russia, can you maybe update us on the state of those distributors? Thank you.

#### Jukka Moisio

Teemu, you take the Vianor, and I can comment the Russian capacity utilisation. So it's a declining one. And we will see less and less of the capacity utilised during the quarter. That's our visibility currently. About the future, yes, to the option you mentioned is something that the Board is taking note of and also using as one option in pay forwards. Again, as I said, as decisions are taken, we will come back and communicate. And Teemu, the Vianor?

#### Teemu Kangas-Kärki

The Vianor business in Russia, they are independent businesses. And as we have been communicated about the future of the Vianor brand in Russia is still valid. So we discontinued with the Vianor business in Russia.

#### Giulio Pescatore

Thank you.

### Operator

Our next question comes from the line of Thomas Besson of Kepler Cheuvreux. Please go ahead.





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Thomas Besson, you may go ahead and ask your question. If you have your line on mute, please unmute.

### Thomas Besson

Sorry, for that. Can you hear me now?

### Teemu Kangas-Kärki

Yes. We can. Go ahead.

### Päivi Antola

Yes.

### Thomas Besson

Okay. Sorry for that. So I have three questions, please. First, I'll start with the brutal question, apologies, Jukka. I'd like to understand management's philosophy and ultimately auditors' philosophy on the Russian asset. I don't understand why it's not been – at least partly – written down? And why you talk about controlling the assets? I need the philosophy of management, but you can eventually use it again in six months, 18 months, three years, whatever, I'm a bit surprised. First question.

Second question, I understand the Board is looking at various options, but can you give us an idea at least of the range of cost, timing, and method of implementation for these different solutions because it's very difficult to operate, how you're going to be able to substitute this factory?

And third and last question. Have you been able to produce in Russia and ship the tyres outside of Russia before the sanctions sufficiently for the winter tyre season in 2022. So basically, is there going to be enough Nokian winter tyres in the Nordics and in Western Europe or not? Those are the three questions.

### Teemu Kangas-Kärki

If I start with the asset question and if I understood the question correctly, why we have been commenting the assets. First of all, it is important for us to keep the asset in our hands. And in this kind of uncertain environment, there is naturally discussion that what is the value of the assets and is there any need for impairment. And as we see the situation at the moment, we control the assets, and we have been doing our impairment test. And at this point of time, with the information we have available, there is no need today to make any impairments and we continue to control our operations in Russia.



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### Jukka Moisio

About the various options and timing. So obviously, the question is, can we substitute that kind of factory. And we will look at the options, as I said, that greenfield investment or joint venture or even subcontracting short-term, that kind of factory cannot be completely substituted, but we can work on a plan to progressively rebuild the company and then rebuild the capacity, which is in Russia.

Can we use the Russian capacity? I think that the question is, can we use the equipment elsewhere? That is maybe also a relevant question. Can that be done? And we don't have an immediate answer on that, but that can be a possibility.

Then about the winter tyres. We will make winter tyres in Nokian. We try to do utmost that we service the Nordic markets and the North American markets where the study winter tyres as well as the friction tyres are needed. We believe that strongly the market will be dependent on Nokian manufacturing and any complementary we can either outsource or do things differently, but strongly relying on Nokian capacity.

### Thomas Besson

I understood. Follow-up question. If I may follow up on my first question, maybe I wasn't clear. What is Jukka, your philosophy about this asset today? At the beginning of the conflict you are talking about continuing to use this asset, eventually having some clear minuses, but also some pluses. Given the situation today, why are you not clearer on this situation and still talking about controlling an asset? I don't even understand how you can do an impairment test on an asset that you practically cannot use. It's both practical and philosophical questions, but maybe I missed something.

### Jukka Moisio

No, I think that you understand – and your question is correct. I believe that, as we said, that we work on the options and once the path has been cleared and the decisions are taken, then we communicate. And at that point of time, the clarity in terms of what will be done and what can be done will be there. At this point of time, it's important for us that the factory is not unintentionally, or by accident going to wrong hands, but then once the strategic path decisions are taken, then we believe that we can be much clearer. But that is something that we are working on together with the Board right now.

### Thomas Besson

Okay. Thank you very much.

### Operator

Our next question comes from the line of Artem Beletski of SEB. Please go ahead.



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### Artem Beletski

Yes. Good afternoon. Thank you for taking my questions. I would have a few ones. So first, starting with sort of the capacity as when it comes to Nokian and US factory. Could you maybe provide an update when you are planning to reach this 6 million in Nokian and basically 4 million with US. Do you think that it's possible to be basically the run rate for you starting from the beginning of next year, for example? That is the first one.

The second one is related to new [? 00:32:10]. I fully understand that visibility is extremely poor, but could you maybe, as before, provide a bit more granularity in terms of significant sales and EBIT decline? What it actually means is basically more than 20%? And the last one is related to trade receivables. I think that the level at the end of Q1 was €430 million. How big portion of this was related to Russia? And could you maybe talk about the payment terms in Russia right now and credit-related risks, how you manage those ones at the moment? Thank you.

### Jukka Moisio

So maybe I'll start with the capacity in Nokian. So obviously, the important thing is to train the shifts and so on. We've been achieving that and more or less all the shifts have now been trained, and the last trainings have been completed. Now we have some equipment coming to Nokian during the course of this year, ordered already in 2021, with the ambition that we will increase the capacity.

I believe that our – we should be ready with the instalments of lines and so on towards the end of this year. And then we ramp-up them and achieve as high as possible in 2023. We believe that we are somewhere between 5% and 6% in 2023. If we are lucky, and we are really doing well, we can achieve higher and if there are some issues in those products and so on, we can achieve lower. But that is the range, 5% to 6%.

In Dayton equipment are coming, so one line was installed, one in March, and then latter part of the year, more equipment will come, and they will be installed, and so, ramped up and where we move step by step. And we will then complement this with the subcontracting and various other arrangements for 2023. And those will be, again, part of the strategic path decisions that we will then seek to communicate when the decisions have been taken. Heavy Tyres will ramp-up some of the equipment during the course of this year. So, they should get additional help in 2023. Teemu, please go ahead.

### Teemu Kangas-Kärki

And with regards to trade receivables, our trade customers had a strong year last year. So their financial position has been good. And now this year, we have been increasing prices in Russia twice, and they have been willing to take tyres and paying in advance in order to get the benefit of not paying with the higher prices. So, in that sense, the trade receivables and the payment behaviour has followed the previous pattern. And in that sense, we don't see short-term, any major risks at the moment.



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### Päivi Antola

And then, there was a question about the guidance and the word 'significantly'. Anything you would like to like to say about that?

### Teemu Kangas-Kärki

Just to give you some kind of a ballpark number, I think this year most likely be similar like year 2020, when we hit by the COVID. Maybe this year, the net sales would be higher and the segment operating profit lower just to give you a flavour.

### Artem Beletski

Okay. Very good. Thank you very much.

### Operator

Our next question comes from the line of Michael Jacks of Bank of America. Please go ahead.

### Michael Jacks

Thank you. Good afternoon. I have three questions. The first one is just going back to capacity utilisation in Russia. I appreciate that utilisation is on a declining trajectory, but where does the current level of utilisation put you in relation to breakeven? And can you please quantify the current level of fixed operating overheads in the region? That's the first question.

My second question is, which markets are you currently able to export tyres into from Russia? And then my final question is just with regards to the announcement where you mentioned that the export ban would likely start showing the full impact in Q3. Can you just highlight what's different in Q2 given that the ban already started on the 8th of April? Thank you.

### Jukka Moisio

The capacity utilisation, we would not like to comment the current quarter. We only can comment that it's on a declining trend. And that is impacted by a number of difficulties, I mentioned. And then, where can we export today, not basically transition period between announcing and the sanctions and then becoming valid is three months. And at this point of time, to the extent, extended those transportation. Tyres can be exported from Russia to European Union, mostly, but that is, of course, something that is really highly dependent on transportation which availability is relatively low right now. And what's the final one?



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### Päivi Antola

It was about why we say that the impact will be visible starting Q3 and the reason is really the sanctions came into force on April 9, but with the export of tyres, there is a transition period until July 10.

### Jukka Moisio

And also, the long supply chain of the products that, as I mentioned in the beginning, that most of the tyres that were sold in the first quarter this year, they're made already in 2021. Now, the visibility in the second half will be clearly lower net sales because the supply is not there anymore. And the supply is mostly coming from Nokian Dayton Heavy Tyres. And we have no possibility to introduce subcontracting or anything in for the second half of this year.

### Michael Jacks

Understood. If I can maybe just ask one quick follow-up. Can you give us some kind of a sense for how Vianor will be impacted by the Russia ban? It is a business that probably has quite a high fixed cost overhead or footprint. Can you give any sort of detail or sense on that, please?

### Teemu Kangas-Kärki

If we now talk about the Vianor chain in the Nordics, naturally, we need to find the right balance, how we allocate our capacity and good to remember that in Vianor, we are selling other brands than Nokian brands, and most likely, we are not able to fulfil Vianor needs with our own brands, then we will seek volume with other brands.

### Jukka Moisio

We also sell Heavy Tyres in Vianor, so there's a number of products that go through the Vianor outlet.

### Michael Jacks

Understood. Thank you.

### Operator

Our next question comes from the line of Akshat Kacker of JPMorgan. Please go ahead.



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### **Akshat Kacker**

Thank you. Akshat from JP Morgan. A couple from me that are left – a couple of questions are left from me please. Just on the underlying Q1 results, specifically, on the ASP of Passenger Car Tyres. The price mix breakup, it's very good to see the strong underlying [? 00:40:36], excluding the crisis. Can you help us understand the drivers of the ASP price versus mix in the plus 20% that you've shown in the quarter? That's the first question.

And the second question is on the profit bridge for Passenger Car Tyres and the cost structure in Q1. It looked like a very clean profit bridge for Passenger Car Tyres with no special freight, energy, logistics, or extra overhead costs, also, seeing that the raw mat headwind was lower sequentially, despite a stronger US dollar. Can you just help us understand that a bit? Thank you.

### **Teemu Kangas-Kärki**

The price mix in the first quarter was driven mainly from the price component. So, the mix impact was smaller. There, we were able to also increase the share of bigger rim sizes, but the majority came from the price component.

Then, in terms of the material headwind, and you mentioned the energy cost, as our – in the first quarter – biggest production location was in Russia, there the energy was more stable than, for example, in Finland.

### **Akshat Kacker**

Okay. Thank you.

### **Päivi Antola**

Now we are starting to run out of time, maybe final questions if there are any on the line, please.

### **Operator**

Okay. The last question has come from the line of Christoph Laskawi of Deutsche Bank. Please go ahead.

### **Christoph Laskawi**

Hi. Thank you for squeezing in the last question. Would be two on the impact of Russia as well. So the first one would be, is anything stopping you from moving equipment from Russia to Finland, for example? And is that outside of, obviously, availability of input factors, one reason why capacity is on a declining trend in that production facility?

And then second question would be, you're flagging specifically the impact on Central Europe and Russia, obviously, not necessarily Western Europe being adversely impacted. Is it fair to assume that you can keep the selling rate in Western



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Europe up, basically in the usual run rate because of the Nokian factory, or is there an adverse impact, which is not as strong as the other two regions as well? Thank you.

### **Jukka Moisio**

Thank you. So, the equipment moving, this is something that cannot be done right now. But obviously, that is one of the – and moulds as well – the transition right now. So, our key product – some of the key product moulds are in Russia, we cannot move them. So we have actually invested in new ones for Nokian and for Dayton. So, this mitigation has taken place.

Equipment transition is not possible. However, as I just go back to Thomas Besson's question that, why is it important to keep the control of the factory. This is one of the reasons that can and when can we transition the moulds and equipment. This is historically something that we have done frequently between the factories and so on.

Now it's not possible. But perhaps, that can be possible at a certain point of time, and that would help us tremendously and short-term number of things we want to do. However, then the Central Europe, Teemu?

### **Teemu Kangas-Kärki**

We have been commenting that these sanctions and supply shortage will impact mostly Russia and Central Europe, due to the fact that in the past, majority of the tyres have been coming from Russia.

And now going forward, we need to find the optimum balance, how we distribute the supply that we can get out of the Nokian factory. And top of that, other means like that uptake short-term in order to optimise our profit.

### **Christoph Laskawi**

Thank you. A brief follow-up, if I may, just on what is preventing you from moving the equipment? Is this related to sanctions as well, or just no availability of transport is the key reason?

### **Jukka Moisio**

Related to sanctions and counter-sanctions especially counter sanctions.

### **Christoph Laskawi**

Thank you.



## **Nokian Tyres Q1 2022 Interim report**

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### **Päivi Antola**

Thank you, Teemu. Thank you, Jukka. Thank you for all the questions. These are difficult times, and the work continues. As Jukka said during the call, we will, of course, publish any decisions as soon as we have anything to announce. Jukka, to finish the call, anything you want to add, maybe come back to the short-term priorities and—

### **Jukka Moisio**

Maybe instead, I would talk about the opportunity we have, because we have really good innovation pipeline and new products coming to market. And our biggest and most important job is to ensure that we have a capable or that we have the capacity and capability to supply those products.

And that means that we have an accelerated way to look into investing and building the capacity and capability in those factories, which are out of Russia and then, find opportunities to outsource and then, expedite new capacity build-up, because that way, we then build for the future. And I think that would be the most important priority for the company.

### **Päivi Antola**

Thank you, Jukka. Thank you all. Have a good day.

### **Operator**

This now concludes our conference call. Thank you all for attending. You may now disconnect your lines.