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Speakers:	Hille Korhonen, President and CEO Teemu Kangas-Kärki, CFO Päivi Antola, Head of Investor Relations
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Päivi Antola: Good afternoon from Helsinki and welcome to Nokian Tyres Q1 2019 results call. My name is Päivi Antola and I am the Head of Investor Relations in Nokian Tyres and together with me in the call is Hille Korhonen, the president and CEO of the company, and Teemu Kangas-Kärki, the CFO. As usual, we will start the call with a presentation by Hille and Teemu, and then continue with a Q & A. So Hille, please go ahead.

Hille Korhonen: Thank you Päivi. Good afternoon everybody and thank you for joining us today. So we have had a diverse start of the year with good progress in heavy tyres and Vianor but some softness in the passenger car tyres market, especially in Europe. I will go through the market details more in detail during the call as well as the business areas. Our focus is strongly on our long-term targets and our strategic projects. We are moving in line with our plans both in building the US factory and testing centre in Spain, which are supporting our future growth and business. So lets look at the start of the year. As said, it looks quite diverse. Overall the net sales growth for the whole company was 3,8% with comparable currencies. And as mentioned already we had good progress in heavy tyres and Vianor. In passenger car tyres we had some volume growth but somewhat weaker price mix and passenger car tyre net sales grew only slightly because of that. In order to compensate the soft market conditions and lower sales in Central Europe we started the Russian winter tyre deliveries earlier, which explains a part of the Russian growth numbers. As you can see there was good growth in Nordic countries and it's mainly driven by the growth in forestry segment in heavy tyres. And sales increased in own Vianor chain mainly related to B-to-B sales. Operating profit was down from previous year due to headwind in currencies and

higher raw material costs as well as price mix of the sales. Meaning that first of all, we had higher share of Russian sales with more B-segment tyres according to current market demand. Secondly, we have been selling inventory of end of lifecycle products in CE to give room for sales of our new products both in summer and in winter tyres. And third also, share of production in Finland with higher cost base was higher to previous year. And as we have earlier stated, we continue to balance the production between Finland and Russia according to demand. Net profit for the quarter was increased by almost 150 million euros as we recorded tax returns due to closing of the tax disputes in Finland. So when we look at the different markets we are operating in, the new car sales continues to be soft in all markets, which is also impacting the replacement tyre market sentiment as expected. The only positive market has been Norway with improved availability of Tesla cars. We have lowered our estimate regarding new car sales in Russia for full year to be on the level of 5-7%. This is mainly resulting from weakening consumer purchasing power and as a counteract the Russian government has continued to provide incentives for purchasing new cars to maintain the demand. And this incentive is mainly provided to the budget cars. The replacement tyre market has been declining during the first quarter. We keep our estimates regarding European full-year replacement tyre market on the previous year level although there is some growth in the SUV and small all-weather segments. Regarding prices, with the current competitive environment prices are stable or decreasing, which is the case already with bigger sizes where the competition is tougher. For the Russian replacement tyre markets, we lower our previous estimate to growth between 3-5% with declining summer tyre sales due to high channel inventories of summer tyres. So the summer tyre season has already started in Russia and the season is expected to bring the high channel inventories down. Our sales volume of summer tyres in the fourth quarter will depend on success of summer season sell-out. So as said the season has been started as normal, but it's yet too early to draw any conclusions from that. In North America we continued to gradually expand our distribution with new customers and increase the number of outlets selling our tyres. There has been some shift in sales between the fourth quarter and first quarter deliveries in terms of timing but the overall the performance of our North American team is according to plan. And I will now had over to Teemu who will go through the numbers and business unit results. So please Teemu.

Teemu Kangas-Kärki: Thank you Hille. So lets start with the top line which was on a level of 344 million. Comparable currency growth of 3,8% thanks to heavy tyre and Vianor good growth in the Nordics then the Russian growth in passenger car tyres. Operating profit decreased to the level of 55 million due to the softer result in the passenger car tyre. Vianor and heavy tyres, they were able to improve their operating profit. If we look our earnings per share, the reported EPS

was on a level of 1 euro 41 cents. That was positively impacted by the positive tax ruling and we put this 149 million to our result in this quarter. The cash flow impact was already visible last year when we got the money from the tax authority. Then another change that is visible in the first quarter numbers is the IFRS16 change that will be visible in our interest-bearing net debt. Change is mainly coming from that 132 million is now on our balance sheet on both sides, on the assets and on the liabilities. And on capital expenditure line we can see the continued growth investments and the majority of the growth is coming from our Dayton factory project. Then moving to the passenger car tyres. On a comparable basis the growth was 0,7% reaching 256 million and the operating profit was down to 63 million level, million euros. The softness in the European market had impact to our operating profit as well as the ASP. The ASP with comparable currencies decreased slightly due to the country and product mix. If you move then to the next slide where you can see the bridge in NET sales and EBIT for the passenger car tyres, you can see the breakdown between volume, price mix and currency on top line. So in the first quarter the volume probe was 1,5% and we got a headwind from the currencies -1,8%. Moving to the EBIT bridge where you can see still the significant currency negative headwind been in the first quarter coming both from Russian rouble and strengthening USD through the material costs. And if we take a look to the Russian rouble, it has been strengthening towards the year end last year, but still Q1 is bigger than the Q1 previous year. The raw material impact, you can see the increase of our material cost as well as the product mix effect. In product and other cost you can see 0,4 million negative impact there. We have the factory impact due to the fact that more was produced in Nokian factory than in the comparison period and that negative impact has been offset with the positive items and therefore the net impact is smaller than the operational one. Moving to the heavy tires. They the good performance continued in the first quarter. Comparable growth on net sales was on a level of 12% reaching 48 million and the operating profit reaching the 9 million level. Forestry and agricultural tyres increased the sales well and operating profit improved due the good growth and better availability in heavy tyres. And in heavy tyres the capacity increase project is proceeding according to the plan. Moving to Vianor there we were able to reach strong growth in the first quarter on a comparable basis the growth about 8%, especially in the B-to-B segment. And one of other reason was that in some areas the season started a few weeks earlier than in the comparison period. Operating loss was reduced and was -12 million euros in the first quarter. There we have been able to increase our efficiency and we have been focused on sales, especially in the past quarters. And then we moving back to you, Hille.

Hille Korhonen: Thank you Teemu. Then we take a look at the outlook and our guidance for 2019. As you can see, we keep our guidance for the full year unchanged. In 2019 net sales with comparable currencies are expected to grow and operating profits to be approximately at the level of 2018. And as a reminder, it's good to note that we will carry a significant additional operating cost in 2019 due to the ramp up of the new factory. As a summary of the first quarter, I would like to make several conclusions. So net sales growth during the first quarter was supported by over 2% volume growth in passenger car tyres and growth in heavy tyres. Profitability improvement was positive in heavy tires and Vianor. But we had negative impact from currencies and passage car tyres both in sales mix and production mix. Regarding our strategic projects, the testing centre construction works are proceeding according to financial targets and schedule. And it will be finished by the end of 2020. I'm extremely happy about how we have been proceeding with the Dayton factory project in USA. It's proceeding according to financial targets and schedule. The first team has been recruited and they are currently being trained in Russia and we are prepared to start ramping up production process during the coming months. Thank you.

Päivi Antola: Good. Thank you, Hille. Thank you, Teemu. Now, operator. We would be ready for the questions from the audience, please.

Operator: Thank you. And if you do wish to ask a question, please press zero one on your telephone keypad now. The first question is, from Panu Laitinmäki from Danske Bank. Please go ahead. Your line is open.

Panu Laitinmäki: Thank you. I have just one question on the guidance. You keep the full year guidance for EBIT and sales unchanged. But then you are downgrading your market outlook for all of your markets and then Q1 was kind of below last year. So why do you think you will reach the same EBIT as before when where you're kind of downgrading the market outlook. That's my question. Thank you.

Hille Korhonen: So that's a good question. We actually have downgraded the Russian market outlook. The other markets we are kind of keeping on the previous estimated level and if you look at the guidance we are guiding to be approximately be at the level of 2018 what comes to operating profit. And in general we see that reaching these full year targets is a bit more demanding compared to the situation we in February due to the lower growth estimates in Russian market. But as said we will keep the guidance unchanged.

Panu Laitinmäki: Thank you. Can I just have a quick follow up related to that? You are basically expecting better development in the remaining quarters than in Q1. Can you kind of remind us what are the main drivers for the better development as a Q1 was down and the full year around the same level on the EBIT.

Hille Korhonen: So when we look at the markets during the first quarter, they have been down and our estimate has been that, for example, European markets would be on the same level compared to previous years. So there is some expectation for the positive signs towards the year end. But of course it's still early.

Panu Laitinmäki: All right, that's all for me. Thank you.

Operator: Next question is from Henning Cosman, from HSBC. Please go ahead your line is now open.

Henning Cosman: Hi. Thank you. I have a few questions, actually, but they're all relatively short. So first question is, if you could please clarify on the inventory level, especially in Europe. When you say that it is high, I understand, Russia is probably more your own inventory. But could you please also comment on clarify if you're talking more about industry inventory levels or your own? And then also I think we've understood from Michelin's commentary that the European, especially the replacement market, was unexpectedly weak in a magnitude that's quite unusual. If you could please share your view as to why you think that's been the case. I have a few questions on the EBIT bridge as well. If you could first, please comment on the drop through of the currency. I've never seen this to be above 100%. If you could please elaborate how that's possible? And then on the production and fixed cost, I'm actually a bit surprised to see that this is not more negative, given the ramp of both the US as well as the reallocation of volume to Russia. I think Hille in your closing remarks, you also said to remember that there's going to be significant additional operating costs. I'm a little bit surprised to not see it there. And I'll get back into line after that.

Teemu Kangas-Kärki: If I start with the EBIT bridge. So in terms of the currency impact there, you need to remember they impact from the raw materials and the USD. So therefore, it's a bigger impact than on net sales. And then in terms of product and other cost there, we don't have yet the impact from Dayton ramp-up. But we have the impact of our factory mixed change between Nokia and Sevo, but as said earlier in my commentary we had also other the cost timing issues where, why, the negative impact is small.

Henning Cosman: So, Teemu, just to clarify the material portion in the EBIT bridge, that is exclusive of currency, right? And the entire currency sits in the in the currency bucket, including the currency effect on material. Ok, thank you.

Hille Korhonen: And if you could please Henning, repeat your first question.

Henning Cosman: Just on the inventory level. If you could talk a bit more about the inventory level, if you were mainly talking about your own inventory level in Russia and in Europe or more about market inventory. And then secondly, if you could please share your view as to why the European replacement tyre market has been so weak, I think in some markets, for example, Germany, I understand it's been down 10% in the first quarter which is very unusual. If you could please share your view as to why you think that has been the case.

Hille Korhonen: Thank you. So we are more talking about the general inventory levels than inventory levels of our products in the channel. Of course in Russia, we have better visibility to what is in the channel because our distribution is covering the whole country and in general, we have seen that the summer tyre inventories in all our customers distribution channels are on a high level compared to previous year . And that's why what is really needed is a good summer season to clean the inventory issue and that will then give more space for the customers to be prepared for the next season and place orders. Then what comes to European situation, we have also noted that there have been higher levels of summer tyres in our customers' warehouses and we have noted that it's probably driven by different factors. One being the OWE market weaker and therefore there has been good availability of tyres to all the channels and also, the seasons have been varying in different parts of the of the Europe. And what we saw was really a quite slow start of the year because customers had enough inventory at their warehouses.

Henning Cosman: Ok, great. And finally, if I may, on Russia then. Your introductory comments I understand that how you sometimes talk about it, you reallocate capacity according to where you can sell it, right? And seeing that Europe was a bit tougher, you've sold more in Russia . Do you see a risk that you've sort of front-loaded the volume and maybe also into your own channels in Russia a little bit, and therefore it's going to be even tougher to sell more volume in Russia later in the year. Is there a certain risk of that?

Hille Korhonen: Well, as said the summer tyres sales is maybe one of the things that way pay most attention to, because that will be then impacting the fourth quarter and there is still room for sales of both A-segment and B-segment for winter.

Henning Cosman: Ok, thank you very much.

Operator: And next question is from Sasha Gomez from Credit Suisse. Please go ahead, your line is open.

Sasha Gomez: Yes. Good afternoon. Thank you for taking my questions. The first one would actually be historically, you gave us a production number for your passenger car tyres. Would you mind sharing that number with us? And then my second question would be on the costs that went from the US expansion. Do you have a rough indication how much that will be in 2019?

Hille Korhonen: If we start with the production cost. There we have now as a new year has started, we have reviewed the level of disclosure. And that is a figure what we are unfortunately no longer disclosing. And what comes to the cost level.

Teemu Kangas-Kärki: I can comment that based on the material that we disclosed in the capital markets day, the impact to the person to car tyre profitability on aggregate level containing not only the factory, but also increases like in R&D, so it is on a level of 20 million euros give or take.

Sasha Gomez: Ok. Quickly, a follow up. Because we were discussing the guidance question a lot. I struggled a little bit to see where your improvement should come from over the year. Because volumes will be tough because of inventories. Price mix is negative at the moment. And I don't know what you're expecting there, but then costs would actually be an incremental headwind. So I'm struggling to see how you can kind of improve your EBIT to offset the decline in the first quarter. Could you comment on that by any chance?

Hille Korhonen: In general, the improvement is based on the top line growth number.

Sasha Gomez: So from volumes then?

Hille Korhonen: Yes.

Sasha Gomez: Understood. Thank you very much.

Operator: Next question is from Artem Beletsky from SEB. Please go ahead, your line is open.

Artem Beletsky: Yes, hi. This is Artem Beletsky from SEB. Couple of questions from my side. So you cover inventory situation, what comes summer tyres. But could you maybe comment what is the winter tyre inventory in your key markets as the season is now over across the region? And then the second question is relating to share of the Russian production, which did really declined,

quite substantially Q1. Should we see, let's say, of the normal level or high level of the Russian production going forward? Or what we should assume on that front? And then maybe the last more detailed question relating to the US service centre numbers what you are providing in the report. I have noted that that figure has declined quite substantially looking at Q1 compared to last year. What is the key driver behind it? Is it basically a strategy around the independent dealer distribution, how you are planning to grow your volumes in the US ,or what is the different there? Thank you.

Hille Korhonen: So, first of all, if I comment the winter tyre inventories. I would say they are in general, in the normal range, a bit higher in the Europe, slightly higher in Russia. But nothing dramatic. In some parts of Canada they are owner on a higher level because of the weak winter but in the other part, on the other hand, they are on the lower levels so there are quite big differences between the markets, but nothing extraordinary I would say. And then what comes to the US distribution, we have some done some recategorisation and we are proceeding with the implementation of the Nokian affiliated dealer network. And we are at the same time renewing the concept so there is some, I would say intentional slow down of that roll-out because we want to finalise the concept first.

Artem Beletsky: Yes. And maybe the last one was relating to Russian stare of production which was down quite essentially in Q1.

Hille Korhonen: As I commented, we are balancing the production between Finland and Russia based on the demand over the coming months. So I have difficulties to make any numbers for you at this point of time but it will be best on demand.

Artem Beletsky: Ok. Very clear. Thank you.

Operator: Next question is from Thomas Besson from Kepler Cheuvreux. Please go ahead. Your line is open.

Thomas Besson: Thank you. I'll try two questions as well, please. First on the currency topic which I think surprised a few of us for the last couple of quarters. If we look at current spot rate, should we assume that currency is again going to be a headwind for your xxx EBIT in Q2 or the opposite? Because we've seen the rouble actually kind of stabilises, not xxx relatively. Currency could actually be a small tailwind in Q2. So the first question.

Teemu Kangas-Kärki: So with regards to the rouble. If the rouble remains on this level, we shouldn't get any headway in, and it might turn to the tailwind.

Thomas Besson: Sorry. Can you repeat?

Teemu Kangas-Kärki: So the current level of Russian rouble is now stronger than in the balance of last year after Q1. If I recall right.

Thomas Besson: Absolutely. Which, so what does it mean for, should we expect a tailwind or just no headwind?

Teemu Kangas-Kärki: You should expect a small tailwind.

Thomas Besson: Ok, great. Thank you so much. My other question is on what you call the pricing environment. So can you be more specific about where you see negative price actions from competition. Are you just referring to Germany and Western Europe? Or are you referring to all your key markets?

Hille Korhonen: I would say that it of course varies by the market. But in Russia there has been competitors who have been taking down prices, and there are competitors who have been increasing the prices. In Central Europe, it has been difficult to see any price increases and mainly the price decreases have been focusing on the bigger sizes. So, in general, the price increases are rare.

Thomas Besson: Ok. So is that a xxx to say that all the time you have some price actions from different players. With xxx that in Western Europe currently, pricing situation is clearly more exacerbated is that a xxx.

Hille Korhonen: Yes. Yes, definitely so.

Thomas Besson: Ok. But it's more centred on what we call Western Europe and what you call Central Europe, right?

Hille Korhonen: Yes.

Thomas Besson: Great. Thank you very much.

Operator: Next question is from Akshat Kacker from JP Morgan. Please go ahead, your line is open.

Akshat Kacker: Thank you. Akshat from J P Morgan. If I may I'll take the question one by one. The first question is confirming your 2019 opening profit guidance. Is it flat in absolute owns that is

372 million or is it flat excluding currency, which means the number could be lower, including currency?

Teemu Kangas-Kärki: Our are EBIT guidance includes the currency impact.

Akshat Kacker: And you're expecting it to be flat at around 370 million.

Teemu Kangas-Kärki: We have said that approximately at the level.

Akshat Kacker: Ok. Second question is, what is your raw material headwind guidance for the full year? Underlying without effects.

Teemu Kangas-Kärki: We have been giving in our material the material unit forecast, including that the currency and there we are expecting that to be on a full year level somewhere around 3-4% increase. Quit with the headwind from USD. And my earlier comment to the currency question was that we might have a slight positive tailwind from of Russian rouble. But then we will have a negative headwind from the USD.

Akshat Kacker: Sure. So that means with the underlying core raw material, you're not expecting any headwind in 2019.

Teemu Kangas-Kärki: From the material costs, we are getting headwinds around 3-4% including the currency.

Akshat Kacker: Ok. And if I may, in the first quarter 2018, you said that 55% of Russian production was exported. Is it possible to share the number for Q1 2019.

Teemu Kangas-Kärki: So this is the approach that we have now taking that, that we don't share that information anymore.

Akshat Kacker: Ok. And maybe the last one on your Central European markets. What of the key markets that you saw the decline in other than Germany?

Hille Korhonen: Well, Germany is definitely the biggest market having biggest impact on the sales and the competitive situation is tight all over Europe. So I would say that it's really determined by Germany.

Akshat Kacker: Thank you.

Operator: And next question is from Kai Mueller from Bank of America Merrill Lynch. Please go ahead your line is open.

Kai Mueller: Hi. Good afternoon. Thanks for taking my question. The first one is again, sorry to come back on your guidance on EBIT. You obviously are saying flat, including FX. Now the run rate Q1, we're looking at down 12 % percent at the moment. When you think about that 12%, do you need a big pickup in the second half? Is that, you know, what gives you confidence on that recovery given the headwinds? I think Sasha outlined them earlier. Given your volumes right now, also not really running picking up as much.

Hille Korhonen: Well, as said it's still too early to draw conclusions after the first quarter and there is underlying demand, anyway in the different markets and positive growth in Russian markets as well as in North America. So the European market looks challenging at the moment of course, there is expectation for the market to stabilise during the year.

Kai Mueller: Ok. And then just also to clarify when you say round flat, year on year, what sort of range would that be? +-5% or +-10%?

Hille Korhonen: We're talking about + or - a couple of %.

Kai Mueller: A couple of % is OK. Very helpful. And then the last one on competition. Obviously, the question came up quite often, that that's been intensifying in Central Europe. Is that still the case of the ECOE tyres? Also entering the replacement market and being quite heavily discounted than versus your space? Or is it really the underlying on the pricing side or what do you really see as the underlying driver that demand is suddenly so much weaker because replacement markets tend to be much more resilient than the OE?

Hille Korhonen: As we see it, the OE market disturbances have a big impact on European markets as well as when we were last year talking about the situation in Turkey. Of course, the volumes that were supposed to be sold there, they continued to be pushed to the European market. So there are several factors behind. And of course, it would be very helpful for the OE market to pick up.

Kai Mueller: And just follow. Is that on the pricing side, OE tyres entering the replacement market or what is also the driver, that the replacing markets in itself has been sluggish?

Hille Korhonen: It's the total volume, that there is more volume available for the replacement market at this point of time. And, of course, then that is impacting the pricing.

Kai Mueller: Ok, perfect. Thank you very much.

Operator: Next question is from Mattias Holmberg from DNB Markets. Go ahead, your lines is open.

Mattias Holmberg: Thank you. And hello, everyone. I'm not sure that I understood this correctly, but it sounded like you said that you had been selling inventory of products that were at the end of the life-cycle in Central Europe. And if this actually the case, that makes me a bit worried because I recalled our predecessor Ari used to say that Central Europe more or less had been used as dumping ground, maybe it's too strong of a wording, but I mean a market used to get rid of excess volumes and this obviously wasn't good for the price level of your products in that region. And it doesn't really seem to be going hand in hand with your current strategy. And I know he worked to take a clear step away from this. So could you please say, shed some light on how you're thinking and your strategy in relation to this please?

Hille Korhonen: Yes, I'm fully aware of our practises at some point of time when Central Europe was not one of our core markets. Of course then we were able to sell some big quantities at some point of time through wholesalers and this is not the case at this moment, because we want to grow the market and we want to be in close collaboration with our customers and not dumping the product there. So this is not what we are doing but as we have products available and designed for the Central European market and then we get the new product of course we are selling out the old products from our inventories to then give more space to the new products. So I would not call that dumping, but of course it's good to understand that this is only selling out the old products that we had.

Mattias Holmberg: Great. And a second question for me is, I think it sounded like you talked about the EBIT bridge and that you yet did not see or have any costs associated to US plant ramp-up visible in that bridge. So could you please help us a bit on the phasing of how this 100-200 basis points headwind that you've got it for on the margin will impact throughout the year?

Teemu Kangas-Kärki: It will gradually increase. As Hille pointed out, now we have recruited the first people, they are in Russia at the moment in training and the cost base will increase towards the year end.

Mattias Holmberg: Okay, thank you so much.

Operator: And there are currently no further questions registered so I will hand the call back to the speakers. Please go ahead.

Päivi Antola: Thank you. If there are no additional questions than we would like to thank you all for participating and wish you all a good day. Thank you.