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Speakers:	Hille Korhonen, President and CEO Andrei Pantioukhov, EVP and General Manager Russia and Asia Business Area Teemu Kangas-Kärki, CFO Päivi Antola, Head of Investor Relations
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Operator: Hello and welcome to the Nokian Tyres Q4 interim report 2019. Throughout the call, all participants will be in listen only mode and afterwards there will be a question and answer session. Today I'm pleased to present Päivi Antola. Please go ahead with your meeting.

Päivi Antola: Good afternoon from Helsinki and welcome to Nokian Tyres Q4 and full year 2019 results conference call. My name is Päivi Antola and I am the Head of Investor Relations in Nokian Tyres. Together with me in the call I have Hille Korhonen, the President and CEO of the company, and Teemu Kangas-Kärki, the CFO of Nokian Tyres. Also in the call we have Andrei Pantioukhov, who is the head of our Russian business. We will start the call with a brief presentation by Hille, Teemu and Andrei and then continue with a Q&A. So Hille, please go ahead.

Hille Korhonen: Thank you Päivi and thank you for joining us this afternoon. So as we all know, 2019 has been a tough year for the whole industry. But despite of the negative market development we have been keeping our strong position in our home markets, in Nordics and in Russia. That continues to be a strong asset for us moving forward. The underlying business in passenger car tyres is healthy. If we are operating in the most profitable segments in the tyre industry, the share of winter tyres was 70% and the share of large sizes for SUV cars has continued to increase supporting the market growth in that segment. Russian market declined during the year was a big disappointment to us. As we are the market leader, our business in Russia is heavily impacted by market changes as we have seen many times already in the history, previously about

five years ago. And this was impacted by new car sales in Russia, which has been declining in 2019 against expectations and also the whole market has been suffering from lowering consumer purchasing power. At the same time, there continues to be differed demand and once the economy is developing, that will of course then be supporting the growth. And as Päivi was explaining, Andrei Pantioukhov is here with us in the call and he will be providing more in depth view regarding the market situation but also our actions moving forward in 2020.

Let's then continue to the results. As we look at the year, there are a couple of highlights I would like to take with you. So regarding Central European market, we have been closing the gap during in second half after disappointing first half. We have first of all new leadership onboard. We have been gaining market share, especially in summer as the winter volume has been declining due to weak winter conditions. We have been growing the bigger sizes in our product portfolio, which has been partially offsetting the price reduction in this very competitive market. And we have had growth in several markets and priorities for moving forward in 2020 have been revisited and we have a good plan in place to move forward. In North American market, we have been focusing on increasing our footprint in the market and at the same time maintaining our selective distribution strategy, which is very important for our customers in order to be able to earn good margins with our products. We have been adding more than 400 point of sales and we have been growing with new customers in a good way. At the same time, we have had declining sales of some large accounts which is resulting from them being more cautious about their inventories. We have been also launching our first tyres called Nokian One product line, which is a good base to grow further and really to be able to address the specific market requirements in that very different market.

In Nordics, in the declining market, we have been actually strengthening our market position and maintaining high profitability at the same time. And when we look at the Nordic market, it's actually in fact one market including all the three countries and since beginning of 19, we have implemented one company approach, having Nordics and Vianor under same leadership and also Norway and Sweden, under one leadership. And that operating model is clearly supporting us in commercial decision-making and also reducing the overhead cost.

In Russia, the market declined against our expectations and that will have a big impact on 2020. And Andre will later on cover this part. So moving to the group numbers. We have been on the same level as previous year in net sales and very exceptional results have been created by heavy tyres. So they have had a highest ever net sales, highest ever operating profit and also production volume and all of this done without any accidents leading to absence throughout the whole year.

When we look at the operating profit for the group, there are two big components. One is the volume development in passenger car tyres, and the other component is operating expenses related with Dayton factory ramp-up and related activities in R&D, in IT, also in organization building. Heavy tyres and Vianor have been delivering operating profit improvements according to plant.

Then looking at the fourth quarter which is important winter quarter for us. As we look at the weather forecasts and weather conditions in our all main markets, we have been clearly lacking winter conditions. It has been exceptionally warm in Nordics, in Russia and Central Europe. And as the fourth quarter share of winter tyres has been slower compared to previous year, we have been compensating those volumes partially by selling more summer tyres and all-season tyres, which is clearly a growing segment especially in Central Europe. Positive was that we have been growing in Central Europe compared to previous year same in quarter. Regarding the fourth quarter, we have been booking the one-time compensation for sell-out support of winter tyres in 2020 in Russia. And I think this is a good point of time for Andre to explain what happened in Russia and how it will be impacting our 2020. So please Andre.

Andrei Pantioukhov: Yes. Thank you, Hille. Good afternoon everyone. So in the next few minutes I will briefly outline what happened in the Russian market and what we are doing about it in 2020. Briefly speaking, we started our preseason winter tyre deliveries as normal in the beginning of the year, we have quite a long seasonal cycle for winter tyres, so there is nothing unusual about it, but in order to compensate lower volumes of summer tyre deliveries in the first half of the year, we increased the sell-in volume during Q1 and Q2 compared to the previous years. And the plans with this and agreed about with our distributors, were made in the beginning of the year when we expected the continuation of the positive trend of late 2018 and continued market growth in the Russian market. The situation then changed, especially during the second half of the year, but the timing of our deliveries of winter tyres was such that the bulk of the deliveries had been already made before we saw clear signs of a changed market situation. These resulted in a combination of pushed up sell-in volume and then the decline in sell-out volumes, which as I said, we did not expect originally. Our estimation is that the total sell-out of winter tyres in the Russian market slightly declined in 2019 compared to the previous year. And our sell-out decreased about the same proportion or maybe slightly more than the total of market, especially in the B segments with our winter normal tyres. This resulted in clearly higher stocks, carry over stock, of distributors after the winter season and as Hille pointed out, it's going to have a big impact on our sell-in in 2020. So what we are doing this year, what we focusing on, is to ensure a clear increase in our sell-out of winter tyre in the next winter season of year 2020. And by doing

that, decreasing distributor stocks after the season. Because of this combination, we expect our sell-in volume of winter tyres to substantially decline this year. But as I said, the objective is to balance these and normalize the stock level. Briefly speaking, we need just one year, 2020, to clean up the stock situation and prepare ourselves for resuming the growth starting from 2021. Thank you, Hille.

Hille Korhonen: Let's go to the numbers. Teemu continues from here.

Teemu Kangas-Kärki: Thank you, Hille. Hello everybody. So I will walk you through some of the key figures and if we start with the Q4 top line, we were on a same level than in previous year, 475 million net sales and operating profit was on a level of 101 million, declined from comparison period. Then moving to the full year numbers, the top line was on the same level, 1,595 million euros and operating profit landed on a level of 316 million. We look at our earnings per share. I want to remind all of you this positive impact from the tax dispute that we booked already this year and the impact was 1 euro and 8 cents. The return on capital employed decreased to the level of 17.6% and that's the result of decreasing operating profit and increase in capital employed. And in capital employed, just to mention few factors, one is the investment program that we are going through, second one is the IFRS16 impact, and the third one is the trade receivables which are on a high level than in the comparison period year ago. Then looking to our cashflow from operating activities which was on a level of 219 million which happened to be on a same level as board is proposing to pay dividends and just to remind last year or year 2018, the number includes roughly 150 million from the positive tax dispute. Then looking our interest-bearing net debt, which was at the year-end on a level of 41 million. And as always in Q4, that interest-bearing net debt, or the position, will decrease and in the third quarter we saw a reduction of over 150 million yearly. And the Capex was as indicated already during the year on a level of 300 million where the biggest part is our Dayton factory, which is close to 50% of that amount. Then moving to the passenger car tyres. On a full year basis, you see that our net sales reached a level of 1,134 million euros on a comparable basis it was in decline of 2.2%. In Q4 our net sales was on a level of 318 million, a decline of -1.7% on comparable basis. Operating profit in the fourth quarter was on a level of 76 million euros and if we look some of the factors impacting our performance in the full year member, clearly the volumes were on a lower level which was partly offset by improved price mix. I'd like to mention that especially in the Q4 we had higher sales of summer and all-season tyres when the demand for winter was clearly lower. Then in the fourth quarter we had also a negative impact from one-time compensation accrual for distributors in order to support a good sell-out in this year 2020. And as you know we have adjusted our capacity utilization in our factories, especially in Finland, this year in order to

respond to that weak demand. And the same you can see here with numbers. The breakdown, the volume impact on top line, positive price mix and then positive impact from currencies. And then the bridge in our operating profit, volume impact of 15 million, material cost increase and then in production and fixed costs, you can see the impact of our 20 million of North American project as well as investments in IT and R&D. And an additional comment that was made in the third quarter was that, for example, trade cost has been on a higher level due to this situation where we have been touching tyres more time than normally. The currency impact on a full year basis on EBIT was small compared to previous year.

Then looking the quarterly changes, 2018 and 2019, you can see that the Q4 volume decline was smaller than in the second and third quarter. And then the price mix in the fourth quarter was negative because of this one-time compensation accrual for distributors in Russia. And the currency has been turning to positive direction after heavy headwind in 2018. As Hille already mentioned, in heavy tyres we had a record year and we are proud of the achievement of our heavy tyres team. They were able to grow the top line in the fourth quarter to reach the level of almost 55 million. And the full year net sales was on a level of 202 million. And the top line changed on a comparable basis was 8%. And the operating profit in the fourth quarter 10 million, and on full-year close to 36 million. And we saw good demand in our core products and as said already in the previous quarter, it was the net sales development was driven by improved availability due to the production capacity increase that we are building as we speak. And the final comments from Vianor, it has been progressing this year or last year, 2019, according to the plan and both in the fourth quarter and on the full year basis, we were able to grow the net sales on a comparable basis, 120 in the fourth quarter and full year 336 million. And operating profit, fourth quarter 14 million and 2019 7.7 million. Just as a reminder, there was a one-time capital gain in the fourth quarter of 2 million impacting positively to the Vianor result.

Hille Korhonen: Thank you Teemu. Then go into the core of the company, which is innovation and new products. It's really the key means to grow in a profitable way. And we are concerned and we are aware of what is happening in terms of climate change. And it's even more important for the future to be able to innovate new products for different demanding conditions, including snow, ice, heavy rain if you drive on the road or off the road. And of course, there has to be always something specific and unique value proposition for the consumers. Like when you look at these products, Nokian Power Proof and a Nokian One HT products, we have so-called Aramid technology in use with these tyres, which means that if you are driving in the US you know, there are lots of potholes on the roads and if you have these tyres, you don't get flat tyres end of the day. And the second important point is to be able to innovate to respond to different market

requirements. So this is really now one of the core themes that we are working on taking into account the market requirements, whether it's North America or Central Europe, to meet the demands of consumers. And the same applies to heavy tyres products. Our key cornerstone in our growth strategy is development of new innovative products for our core categories, forestry and agri. And also, there keeping in mind the end user of the machinery and making sure that the performance and the reliability of the tyre is in line with the expectations and even exceeding that. And the future is also here in the sensor applications bringing a lot of value to the end users of the machinery. And we are currently in the testing phase of our tyre sensor application with some of our key customers. Then going to the outlook of 2020 and the guidance and assumptions behind the guidance. So in 2020, our net sales with comparable currencies are expected to decline and operating profit to be significantly below the level of 2019. We are assuming that the replacement tyre market in our core markets will be on previous year level or slightly declining. The long-term strategy is to grow in Russia, Central Europe and North America. And when we are looking at 2020 net sales and operating profit in Russia are expected to decline substantially due to the changed market dynamics as Andre was explaining earlier. And I would like to highlight that we will see mainly the negative impact during first quarter and second quarter in 2020. Operating profit in 2020 will continue to include costs related to the North American expansion and the factory ramp-up, and roughly the costs related to that will increase 15 million euros compared to 2019 which is mainly coming from the depreciation cost.

And when looking at the other focus areas in 2020. In the Nordics, we continue to strengthen our strong position supported by our own equities Vianor retail chain. In Russia, we will be focusing on balancing the carryover stock levels in the distribution and increasing the sale-out. In Central Europe our growth will be supported by new product launches and the new testing centre in Spain. As well as in North America, we will have a new product launches and also new customers and new points of sale according to our plan. The big investment years are starting to be over and as a result we are building a more balanced global portfolio which includes the factories in Russia, Finland and North America as well as strong sales and commercial operations in these continents. In the short term, we will be adjusting our capacity utilization and cost-base to the current market situation and looking beyond the investment phase, we are confident that all the investments and competence improvements will lead to a sustainable positive impact on our long-term performance and shareholder value.

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

Operator: Ladies and gentlemen, if you have a question for the speakers, please press zero one on your telephone keypad. Please hold until we have the first question. We have a first question from Gabriel xxx City Group, your line is now open. Please go ahead.

Gabriel xxx: Good afternoon. Thank you for taking my questions. I have three questions please. My first question is on working capital, which looked like it dragged on free cash flow in the fourth quarter. Can you please talk through the impact of the market decline in Russia on working capital? You mentioned receivables are higher, but I imagine inventory is also elevated as well. And when do you expect working capital to normalize? My second question is on capacity. Given the soft volume outlook, what level are you reducing capacity to in your Finnish plant this year? And also, what would it take in order for you to cut capacity in your Russian plant? And then my last question is on the dividend. Can you just explain your decision to hold the dividend flats this year? Given the weak free cashflow earnings that you saw in 2019. Thank you.

Teemu Kangas-Kärki: All right. If I start with the working capital and if you look at our balance sheet, there you can see that the trade receivables have been increasing and one factor, the main factor, is the Russian situation of which about 80 million is coming from Russia. But then if you look at it from a cashflow point of view and how much we collected money from our trade receivables in the fourth quarter, that was, on a same level in a comparison period. One factor that impacts to our cashflow from operating activities, which is partly technical, is the realized exchange losses that are impacting to the cashflow from operating activities. And that's about an amount of 80 million. But the similar unrealized gain in exchange losses, we have a positive in our financing activities. So there's no real cashflow effect from that.

Hille Korhonen: Then I will answer your question regarding the global capacity utilization. So the first thing is the Finnish factories. There we already have negotiated 90 days of temporary layoffs with the workers, meaning that we can use and phase these days off during the year. And this will of course provide us a meaningful way to cut costs because during the temporary layoffs we are not paying the personnel. Then what comes to Russian plant, we are able to control the daily output according to demand and also keeping the flexibility to run a short series of products to ensure availability. And regarding Dayton factory, we are planning the phasing of starting a second shift according to the overall capacity situation. So all of these actions are already in our toolbox and we are adjusting the capacity according to demand.

Teemu Kangas-Kärki: And then in terms of dividends, it's good to remember that we are practically in a situation where we have a net cash because this 41 million net debt includes 120

million from IFRS16 leases. And then in earlier years, for example when we received this positive tax dispute ruling, we didn't pay any extra dividends either. So we wanted or the board wanted to propose to the AGM to maintain the current dividend level. And then in terms of Capex spend as indicated by Hille earlier, the Capex level will decrease this year from a level of 300 million last year to the level of 200 million in 2020.

Gabriel xxx: Ok. Thank you. Could I just follow up very quickly on the Russian capacity? I understand that that plant runs pretty close to full capacity currently. Are you suggesting that that could come down this year if necessary? And what level would you be willing to bring that capacity utilization down to?

Hille Korhonen: Well, we would be keeping the capacity level on previous year level roughly but we would be adjusting the daily output according to the seasonal demand.

Gabriel xxx: Ok. Thank you very much.

Operator: The next question is from xxx xxx from JP Morgan. Your line is now open. Please go ahead.

xxx xxx: Thank you. Three for my side. First to get out of the way on the operating profit guidance for 2020, can you give us a number? Does significantly below 2019 mean we should be thinking around 10% down year on year? The second one on your full year price mix of 0.4%. Are you willing to share the split between price and mix for the full year, please? And the third question on your Central European strategy, it is a market that has to remain soft and we've seen incremental supply and more competition with pricing pressure. You also mentioned in your comments that Central Europe 2019 price mix was negative. Can you explain your target of growing volumes further over there please? Thank you.

Teemu Kangas-Kärki: With regards to the guidance at this point, unusual uncertainties prevails, especially in Russia. And therefore we don't define this in more detail at this time of.

Päivi Antola: And then there was a question about the price mix 2019.

Teemu Kangas-Kärki: With regards that the price mix clearly, we are targeting to have a positive mix impact, but that's something that we are every year trying to optimize our net sales and profitability through the mix.

Hille Korhonen: And clearly, what comes to pricing, due to the tight competitive situation in Central Europe, the pricing component was negative for Central Europe and for other markets it was positive. And if I continue with the Central European strategy and plan. So I said we have been growing in some markets and then there have been markets where our performance has not been improving due to customer-specific or channel-specific reasons. And we will continue to work with new customers and new channels and also that market the growth will be supported by new products. And I said, even in the summer tyre segment, we have been able to gain market share in a declining market last year.

xxx xxx: Thank you. Can I just follow up on your comment on the Dayton factory? Did you mention that the 15 million incremental cost is mainly depreciation? Thank you.

Hille Korhonen: Yes, the 15 million will be the depreciation.

xxx xxx: Thank you.

Operator: And the next question is from xxx Bank of America Merrill Lynch. Your line is now open. Please go ahead.

xxx: Thank you very much for taking my question. Just coming back on your inventory and receivable situation in Russia. You mentioned obviously the 80 million that you haven't collected yet. Is there a risk with regards to some non-collection of some of these items? I remember a couple of years ago, obviously you had to write them down because of stresses in the supply network. Can you outline maybe the risk to that? The second point in terms of your incentives, you mentioned obviously you gave incentives in Q4 for dealers in Russia, which is why your price was down. Can you give us a little bit of color in terms of the magnitude and how we should think about how that was actually structured, were they just rebates or one-off payments? And is that something you have done before or is that something you could also think about doing again if required? And maybe just to touch on, obviously there's been your expanding into sort of the summer tyre segments. You've said, you know, winter has been a tough area to be, especially recently with regards to the soft winter weather. There's been obviously stories regarding cooperation between groups and one of your core sellers has recently sold out. Can you give us a bit of an outline if you would be open to any cooperation with other partners that potentially are focusing on summer tyres at the moment?

Andrei Pantioukhov: Let me start by answering the first two questions concerning Russia. So the first question about the expected collection of receivables from 2019. Currently we see that risk

on the same level as in previous years. No increased risk of bankruptcies or other lack of collection of due receivables. As a matter of fact, our receivables in 2019 in Russia were on the level of slightly more than 100% of due receivables. No bigger risks there than usual. As to the second question about the mentioned accruals for one-off compensations to distributors in Russia which were made in Q4 2019. The magnitude of the accruals is approximately 10 million euros and there is nothing unusual about these kinds of accruals as such, but the unusual thing was indeed the magnitude. And roughly speaking it was about 10 times higher than the normal. And just to clarify what the accruals means, this is a provision which is made for rebates to be paid later during 2020 to compensate the price changes that we have decided to do in Russia for the upcoming winter season of 2020, which should also include the carryover stock in the market to equalize the price level for all the Nokian product in distribution. Thank you.

Hille Korhonen: Thank you, Andre. If you could please repeat the question. Third one.

xxx: The third one was basically maybe a bit more direct as obviously there's been lots of speculation with regards to you and other players in the markets. Would you be open in terms of M&A to consider joining up with other partners if that would make you a stronger business as a whole?

Hille Korhonen: Well, if we are only looking at the summer tyres, we have been producing summer tyres even longer than we have been in the winter tyre business. So I would not say that summer tyres are out of our scope as such. And with regards to brands possibly?

Hille Korhonen: Well, I wouldn't like to comment on this topic.

xxx: Ok. And maybe just a very last one on these accruals. Sorry to come back. When I think about 2020, is it then fair to say these are basically accruals for also this rebasing of your B segments, winter tyres reduction of prices in the market that you would then have to compensate your dealers for?

Andrei Pantioukhov: Yes, exactly. So this is a compensation for the carryover stock for those products which will be repriced or which prices will be reduced in 2020 for the next winter season.

xxx: Ok, fantastic. Very helpful.

Operator: The next question is from Mattias Holmberg DNB markets. Your line is now open. Please go ahead.

Mattias Holmberg: Thank you. Just one left from my side and that is on the mix side. You mentioned on the capital markets day a couple of years ago that you expected the mix of winter versus all-season and summer tyres to remain rather unchanged in broad terms, despite these growths that you have in regions where the mix looks like quite different to your core markets. Would you say that this still is true?

Hille Korhonen: Well, thank you Mattias. As I stated at the beginning when we are looking at 2019, our winter share was 70%. And this is in line with our plans for the years to go. So no major difference depending on of course on the year, how the winters look like and of course depending on the growth rate in different product segments. But we as a winter tyre company, we still prioritize growing in winter tyres. And then the second priority would be then all-weather, all-season and summer tyres and especially the most profitable segments in those categories like the SUV. So the bigger sizes.

Mattias Holmberg: And perhaps a follow-up on that. Do you believe that you can maintain your profitability or your margin despite a potential shift in that mix?

Hille Korhonen: Well this is still in line what we have been communicating earlier. So when moving ahead, the product mix as such will not have a such a material impact on the profitability as the share of winter tyres will be still very high when moving forward. The biggest impact on the profitability is coming from the fact that where the products are being produced. So whether they are being produced in Russia or Finland or North America, and what is the share of the production volumes in different factories.

Mattias Holmberg: Thank you very much.

Operator: The next question is from xxx xxx SEB. Your line is now open. Please go ahead.

xxx xxx: Yes. Hi. This is xxx xxx from SEB. A couple of questions from my side. So first of all, what comes to inventory situation? So you've covered quite well what is happening in Russia. Could you maybe comment what is the situation right now in Central Europe and in Nordics? The other question is relating to your guidance for 2020 and trying to get some better understanding about significant EBIT decline. I remember you previously when you had been talking about EBIT decline in was basically down 3-10%. Is it fair to assume that now you're basically guiding for EBIT decline of over 10%? And the last one needs to relate into your comment relating to higher sales of summer and all-season tyres in Q4. So have you been bringing forward some of the deliveries

which would have been happening in basically in the beginning of 2020 or are you taking some market shares on this front?

Hille Korhonen: So if I start from the inventory situation in Nordics and Central Europe. We normally don't see a big impact from inventories in our Nordic business. As we know the winter has not been very strong and the sales has been kind of developing accordingly. So we don't see any growth in the Nordics for this year, rather being flat. The biggest impact would actually be coming from the new car sales, if there are any big changes compared to previous year, but currently our view is that it's going to be flat. In Central Europe, I have not a very detailed information yet about our customer inventory situation. But I would assume that there not having any real winter, there will be definitely some extra stock of winter tyres. And when talking about the fourth quarter sales, we were selling to the market and especially in Central Europe the products that our customers were demanding. So more summer tyres and more all-season tyres, really reflecting to the market needs.

Teemu Kangas-Kärki: And with regards to our guidance, on purpose we have stated that it is a significant decline and as said unusual uncertainties prevails in Russian market. And at this point of time, we don't want to quantify the amount. But having said that, in other areas we see our plans proceeding as we have communicated earlier.

xxx xxx: Ok. And maybe just a quick follow-up on the outlook. So you're talking about substantial decline for Russia, do you expect that earnings in other regions will be growing or staying stable this year?

Teemu Kangas-Kärki: So we are giving a guidance on a group level. So at this point of time, I don't want to start commenting our other business areas.

xxx xxx: Alright. Very clear. Thank you.

Operator: The next question is from Panu Laitinmäki from Danske Bank. Your line is now open. Please go ahead.

Panu Laitinmäki: Yes, thank you. I have two questions. First one is on a higher fixed cost related to US this year. Can you confirm that these costs will go down next year and which kind of parts of the cost are going down and what is the kind of level to look at in the next year? And then the second question is on Russia. I'm wondering kind of to what extent is the situation related to tougher competition? It seems that you lost sell-out market share. What changed in that market that left you to kind of lose market share? And what do you mean with repositioning the B

segment? Does it mean a kind of permanent move of these to a lower price category? Or how should we think about this?

Teemu Kangas-Kärki: If I start about commenting this 15 million in North America and to remind us our capital markets day communication in 2018. So we were at that time and last year and today commenting the incremental increase of cost base and meaning that this 15 million doesn't go down next year, as I said earlier, that is mainly depreciation and the depreciation is continuing the coming years. And the impact that we communicated in 2018 the impact will be lower in 21 was based on the assumption that our overall top line will grow in all the markets also in Russia and in Central Europe.

Andrei Pantioukhov: Continuing with the second question about Russia. I would like first to say that actually when we discussed our sell-out in winter season 2019, our sell-out of premium winter products of our Hakkapeliitta line, actually increased which was also in our plans. But we did have issues with the sell-out of our B segments offering. And there is no one single factor which explained that development. We think that it's a combination of factors which includes the overall weakness of demand but also includes some competitive factors such as exceptionally good availability of tyres, of practically all other competing brands. Something that we have not seen in the previous years in Russia. Also quite aggressive pricing and sell-out support from many competing brands. And then of course, the characteristics of the winter season itself with the very mild weather also had a big impact on how the sell-out progressed. As to the repositioning of our B segments, Nordmann line, whether it's permanent or not. I could tell it is planned to be permanent with the current product range. So it change in price positioning of our winter Nordmann products, but also extended sell-out support, especially the free tyre mounting, we used to consumers, which became a standard in the market. And there our aim is to make our winter Nordmann products more competitive compared to, versus, the key competing brands.

Panu Laitinmäki: Thank you. Can I just clarify on the first question on this US costs? So you don't expect the actual cost level to go down? It was kind of this communication at the CMD was that the burden on EBIT would be lower in 2021 given higher volumes, and that's entirely dependent on the volumes?

Teemu Kangas-Kärki: Precisely.

Panu Laitinmäki: Ok. Thank you.

Operator: The next question is from xxx xxx xxx xxx. Please go ahead.

xxx xxx: Thank you. I have three quick questions please. The first one, is to try to understand what has changed between December and January. I think you hosted an event in xxx in December and you warned in January about xxx in Q4. So, can you explain if anything has changed and why you decided to warn two weeks before xxx xxx. The second topic is on the capacity. I like to come back to what you said earlier. Would it not be eventually possible to freeze Dayton, namely not use Dayton for a couple of years, just leave it as it is and optimize utilization of your existing in functioning plants if market conditions remain a poor in 2020, 2021. And my last question, I know it's early, but when we look at 2021, we understand already that there will be more cost in North America because I think you repeated that multiple times. Do you believe that margins for the group, should find a trough in 2020 or could we, eventually fear that they go down further in 21? Thank you.

Andrei Pantioukhov: Starting with the first question about what changed December, or January versus December, December versus November? When we were commenting the situation in early December, that was based on the information sell-out, information that we had from the Russian market and distributors in November. And that was the result of the first month of the season, which was October. We do have very thorough coverage of the sell-out data from the market, but it doesn't come immediately. It comes during the season. It comes approximately once in a month. So the data that we had in early December was data from November. And as I said it originated in October sales, and until November actually the sell-out of the whole winter market, and our tyres specifically there were no issues with the sell-out. It was progressing more or less on the same level as the previous year. But November saw a drastic decline in sell-out for the whole market and also for our products. And we saw that data at the year end in the end of December. This is what changed.

Hille Korhonen: And why would we publish the outlook for 2020 10-11 days ago. The reason is that we had share price sensitive information and we saw that it was the right moment to publish that and not wait until the results.

xxx xxx: Ok. Thank you.

Teemu Kangas-Kärki: And then in terms of our profitability, I would just go back again to the Capital Markets day communication about our profitability profile, how this expansion project are impacting. And I think the profile itself is as expected. And we already completed 2018 that the heaviest hit will be in 2020. At that time we couldn't anticipate the market environment and therefore the depth of the profile or the hit is more significant than we thought in 2018.

Hille Korhonen: And then from that, you asked about the capacity plan and of course it's something that we are reviewing on a monthly basis, what is the needed capacity and where it's more feasible to produce. And of course, if we would see that there is a permanent dip in, for example in the Russian market, we would reconsider different means to manage the cost base of our production. But at this point of time, running Nokian on factory with a very low level and then adjusting the timing of the Dayton ramp-up and keeping the Russian plant on the previous year's level looks like the most feasible solution.

xxx xxx: So just to make sure I can ask my question properly. My question was, if the market environments is even slightly worse than you assume, would it not make sense to eventually freeze, which means delay the ramp-up, leave the plant as it is. You have everything has been installed but you just don't keep people and you delay the launch of that plant to still have a better capacity utilization in Russia. Would that not make more sense from a financial standpoint?

Hille Korhonen: Well, we haven't been calculating that model, but definitely we will take that into account if the situation requires.

Päivi Antola: Thank you. Now it's four o'clock here in Helsinki, so I'm afraid we are running out of time. Thank you Hille, Teemu and Andrei. Thank you all for participating. This ends today's conference call.

Hille Korhonen: Thank you.

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