





**nokian<sup>®</sup>  
TYRES**

**Strong results and cash flow –  
a challenging market ahead in early 2013**



**Danske Bank  
– Road trip to Russia  
12 March, 2013**



**Mr. Kim Gran  
President and CEO  
Nokian Tyres plc**

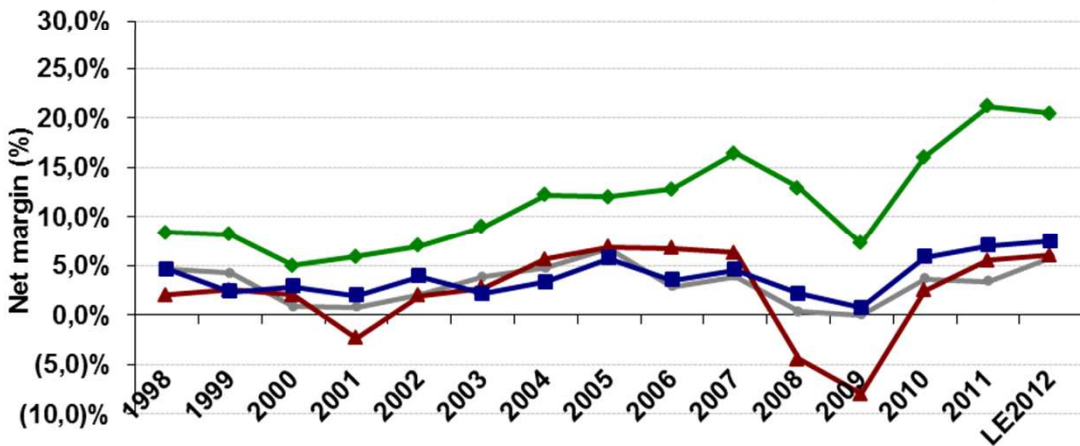
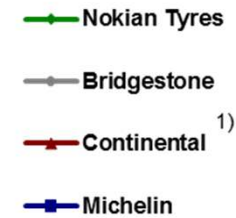
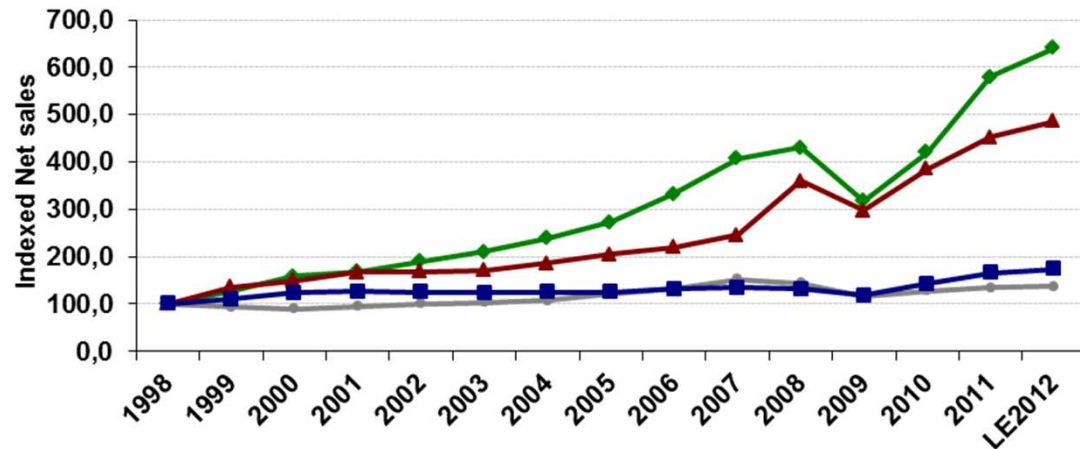


## GENERAL OVERVIEW

*Competitor comparison 1998-E2012:*

*Nokian Tyres the most profitable tyre producer*

*Nokian Tyres' operational performance (growth and profitability) has been clearly better than that of the main peers during the past 10 years. The clearly better profitability protects the company profits during recessions and potential downturns.*



### Net sales change

#### CAGR 2009 – E2012

Nokian	26.4% (actual)
Michelin	13.6%
Bridgestone	5.7%
Continental	17.8%

### Net margin E2012

Nokian	20.5% (actual)
Michelin	7.5%
Bridgestone	5.8%
Continental	6.0%

Source: Results 1998-2011 (company websites) and 2012 consensus estimates for the peers as per Thomson Reuters 22 Jan 2013.

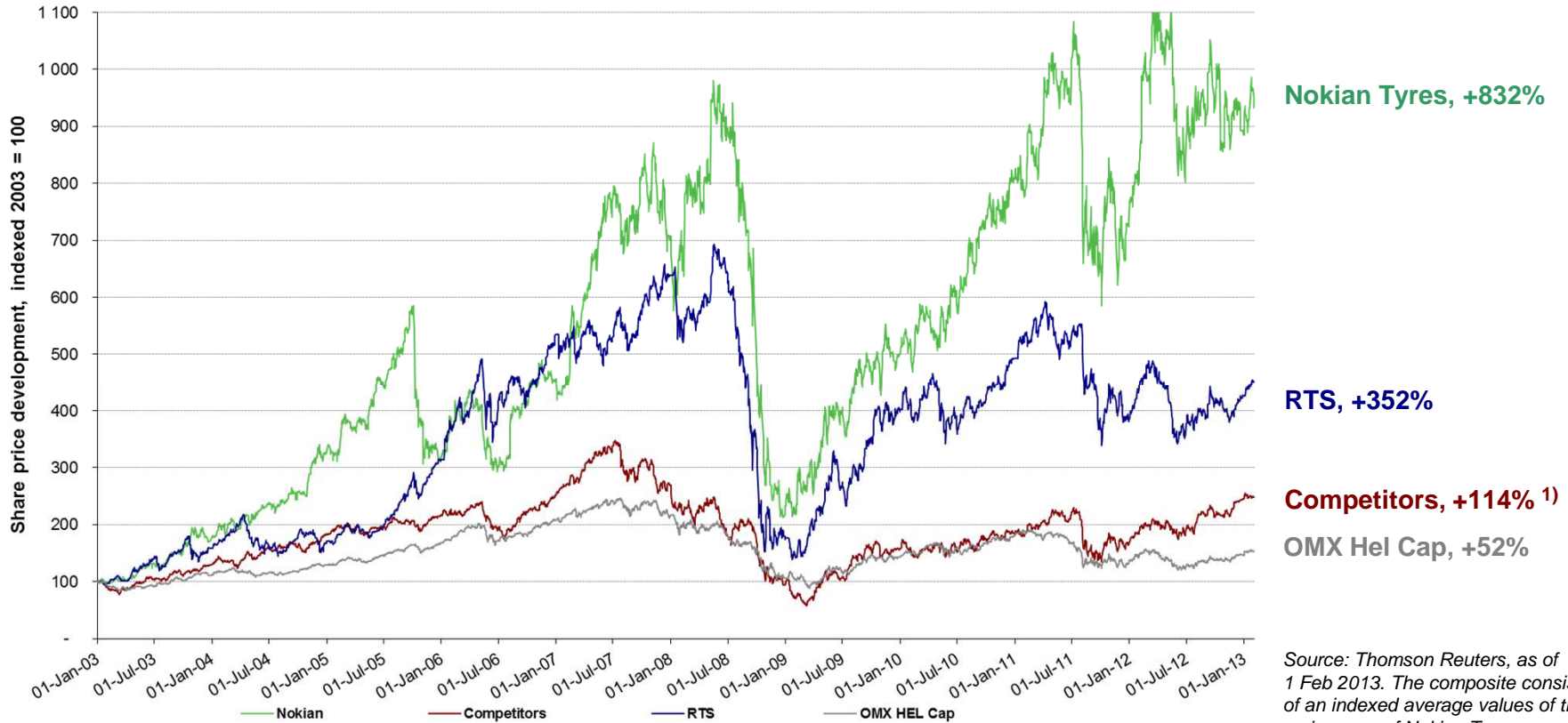
**COMPETITORS' FIGURES 2012 ARE BASED ON CONSENSUS ESTIMATES, NOKIAN TYRES ON ACTUAL FIGURES.**





## GENERAL OVERVIEW

Comparing share price development to main indexes 1/2003 - 1/2013



Source: Thomson Reuters, as of 1 Feb 2013. The composite consists of an indexed average values of the main peers of Nokian Tyres.

### Nokian Tyres

by Jan-31-2013

	Last 9 years	Last 5 years	Last 3 years	LTM	L6M	L3M	Last month
High	37,88	37,88	37,88	37,88	35,73	33,52	33,52
Average	19,83	23,76	27,75	32,37	31,76	31,35	31,72
Low	6,13	7,23	15,95	27,27	29,09	29,25	30,10

**Nordic conditions**

- Winter & Forest
- High growth potential – in product segments and market areas
- Russia and CIS, Central Europe, Nordic countries and North America

**Narrow product segments**

- Special competence that gives added value to customers
- Winter tyres
- Light truck & SUV tyres
- Forestry, harbour and mining machinery tyres

**Replacement markets**

- Practically no sales to car manufacturers
- Sales mainly through specialised tyre dealers & outlets, car dealers etc.



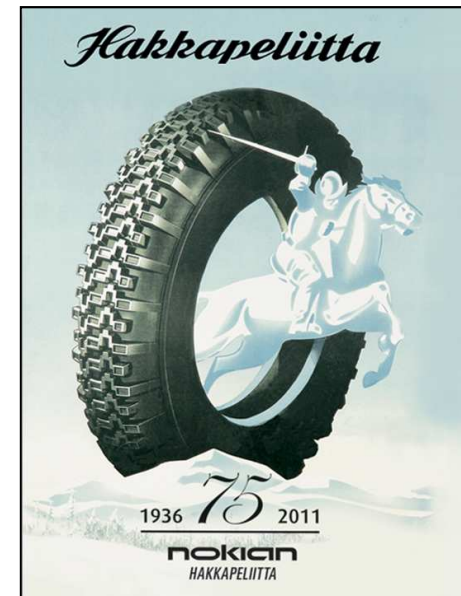
**Nokian Tyres Fastest on Ice with an electric car:  
New World Record 252.09 km/h**

**Investments in R&D, production, distribution and logistics**

- Philosophy of sustainable safety
- Own production concentrates on high-margin key products
- New products make at least 25% of net sales annually
- Continuous improvement of processes, quality, productivity and logistics

**Corporate culture**

- Open and participatory culture, “Hakkapeliitta Spirit”
- Continuous personnel development
  - Highly motivated working community
  - Success of individuals and the company



**”The original winter tyre”**

### Manufacturing



#### Manufacturing

- Suomen Gummitehdas was founded in 1898
- Nokia plant in 1904
- Russia plant in 2005

### Distribution



#### Distribution

- Since the late 1990's controlled distribution and contact to end users; a tool to improve market shares  
→ Vianor tyre chain

### Consumers



#### Consumers

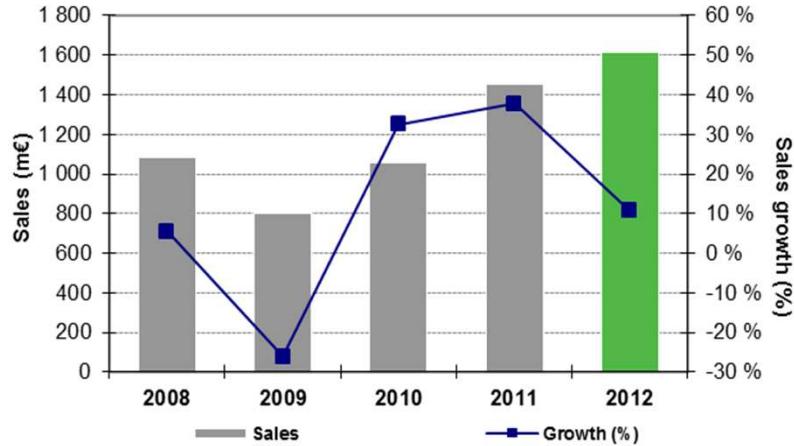
- In 2009 desire to be closer to consumers
- Electronic business, creating consumer relationship, improving interaction  
→ "Close to customer"



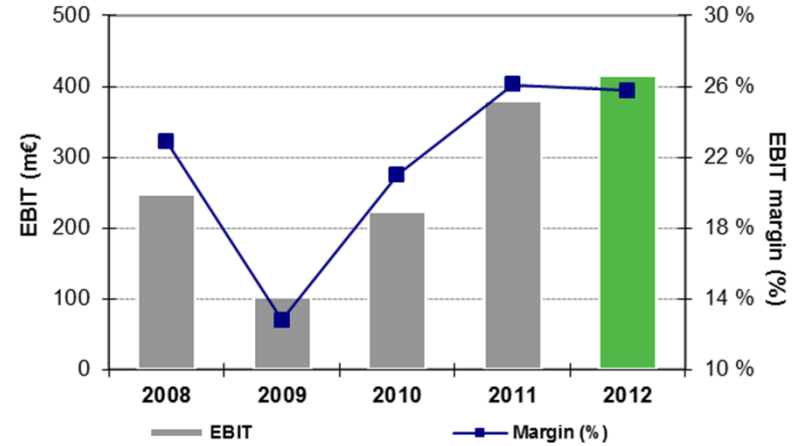
# GENERAL OVERVIEW OF 2012

*Strong sales & EBIT – company net debt free*

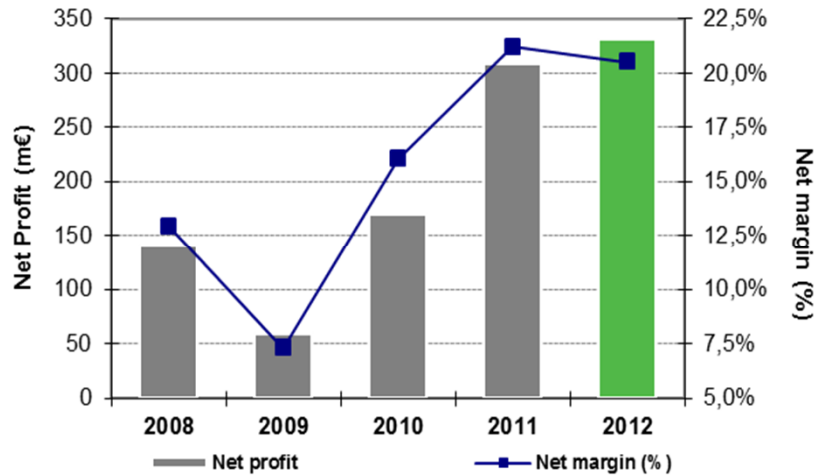
Net sales (m€) and Net sales growth (%)



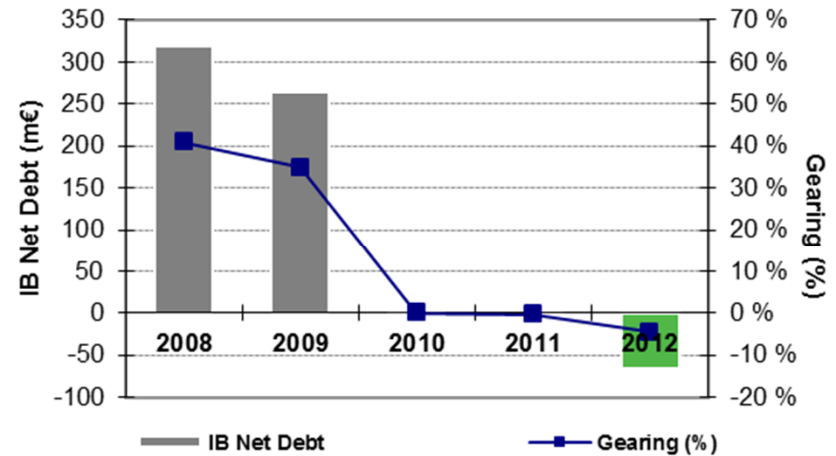
EBIT (m€) and EBIT margin (%)



Net profit (m€) and net margin (%)



Interest bearing net debt (m€) and gearing (%)





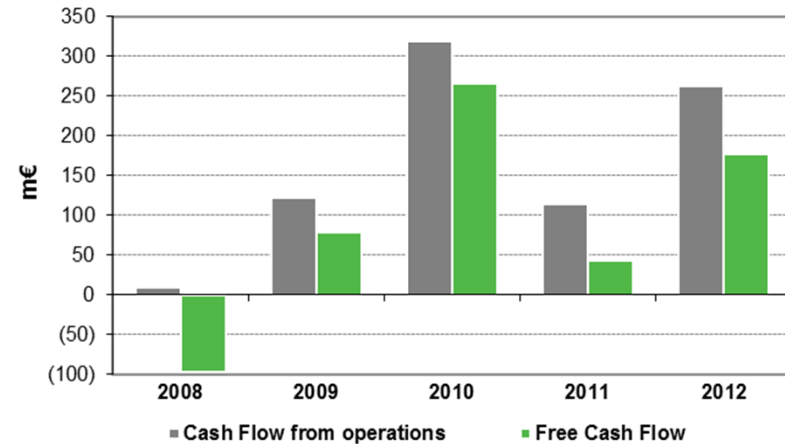


## GENERAL OVERVIEW OF 2012

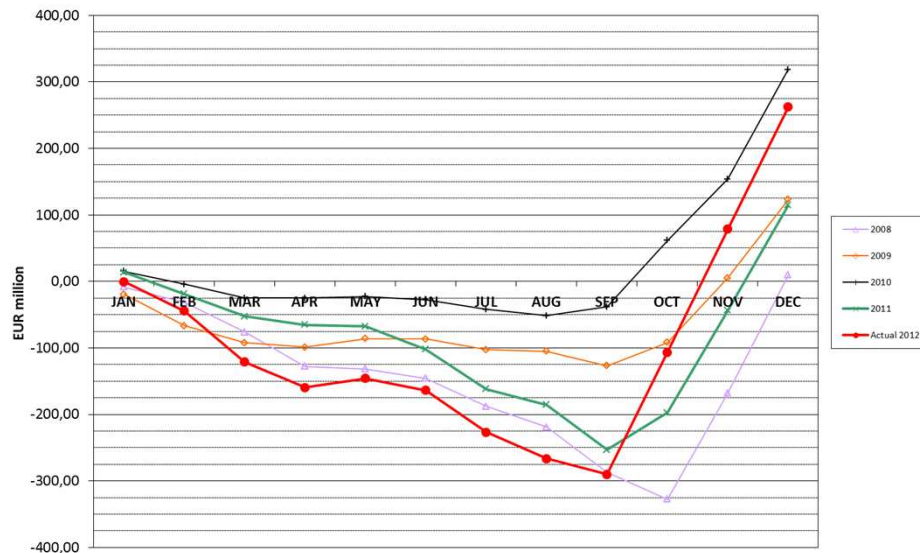
### Group Operating Cash Flow and Free Cash Flow 2008-2012

- Cash flow from operations: 262.3 m€ in 2012
  - Investments of 209.2 m€ (161.7) weakened the cash flow
  - Inventories declined and Trade receivables increased along with sales
  - Russian receivables 27% (18) of total at year end
  - Vianor NWC at a normal level; investments 1.1 m€ higher than previous year

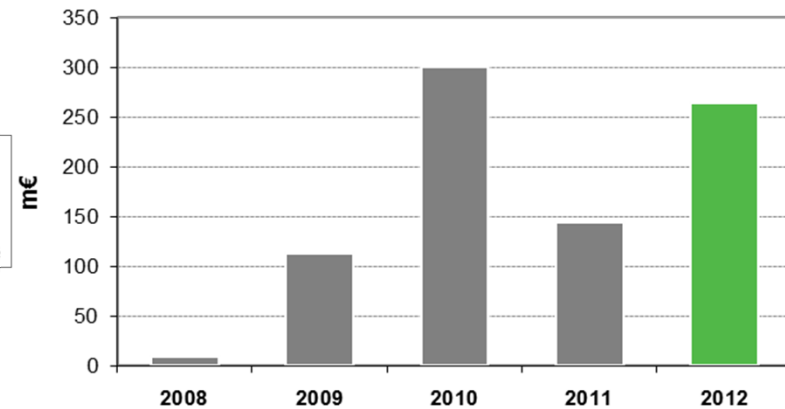
Group Cash Flow From Operations and Free Cash flow



Monthly cumulative Group Cash flow from operations



Manufacturing Cash flow from operations





## GENERAL OVERVIEW OF 2012

### Strong results and cash flow

### – a challenging market ahead in early 2013

#### Key figures, EUR million

	10-12/12	10-12/11	Change%	2012	2011	Change%
Net sales	446.4	482.5	-7.5	1,612.4	1,456.8	10.7
Operating profit	111.8	119.1	-6.1	415.0	380.1	9.2
Profit before tax	104.2	114.8	-9.2	387.7	359.2	8.0
Profit for the period	88.3	94.2	-6.3	330.9	308.9	7.1
Earnings per share, EUR	0.67	0.73	-8.0	2.52	2.39	5.4
Equity ratio, %				71.2	63.2	
Cash flow from operations	552.0	367.3	50.3	262.3	114.1	129.8
RONA, % (roll. 12 months)				23.0	27.0	
Gearing, %				-4.5	-0.3	

#### Summary

- Record high sales and profits, strong cash flow
- Strong sales and market share growth in Russia, market leadership continued in Russia and the Nordic countries
- CE demand dropped dramatically due to weak economic environment and distributors' high carry-over stocks
- Improved car tyre sales mix, ASP up 5%
- Top-notch product range: Record year in car magazine test victories in the Nordic countries, Russia and CE
- Vianor 1,037 stores in 26 countries, +127 stores in 2012
- Capacity increases: production output (tons) up by 11%, line 11 in Russia commenced production
  - Productivity up by 6%
  - Production volumes in Finland cut during H2/2012

#### Outlook: Some growth in a challenging market

- Car tyre demand expected to grow 1-2% in Europe, 2% in Nordic countries and 2-5% in Russia in 2013
- Pricing environment for 2013 challenging for all tyre categories
- Margins supported by easing of raw material costs (€/kg), 10% in Q1/2013 YOY and 4% full year 2013
- Further improved product offering with the new Hakkapeliitta range supports Nokian winter tyre sales
- Capacity ramp-up proceeds according to revised plan:
  - First line in the new factory (11<sup>th</sup> in Russia) became operative in June
  - Line 12 on stream in H1/2013, line 13 to be installed in 2013
  - Inbuilt capability to increase output by 50%
- Profitability supported by improved cost structure and productivity on the back of increasing share of Russian production

#### Year 2013 guidance:

- In 2013, the company is positioned to show some growth in Net sales and Operating profit. The first quarter Operating profit, however, is expected to be clearly weaker than in 2012.



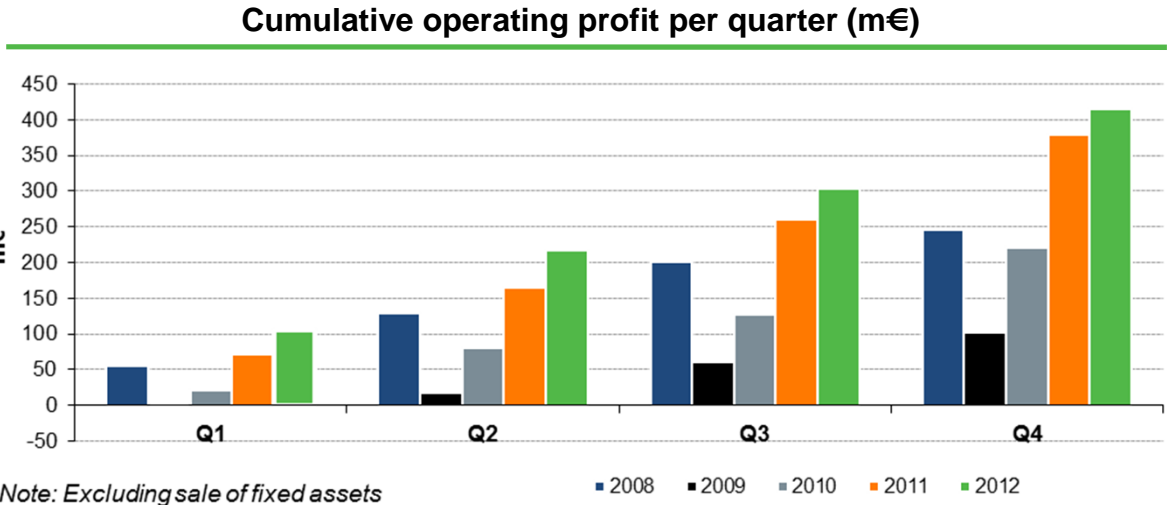
# FINANCIAL PERFORMANCE

## Group operating profit per quarter 2008-2012

### 2012

Net sales 1,612.4 m€,  
(1,456.8 m€) +10.7%

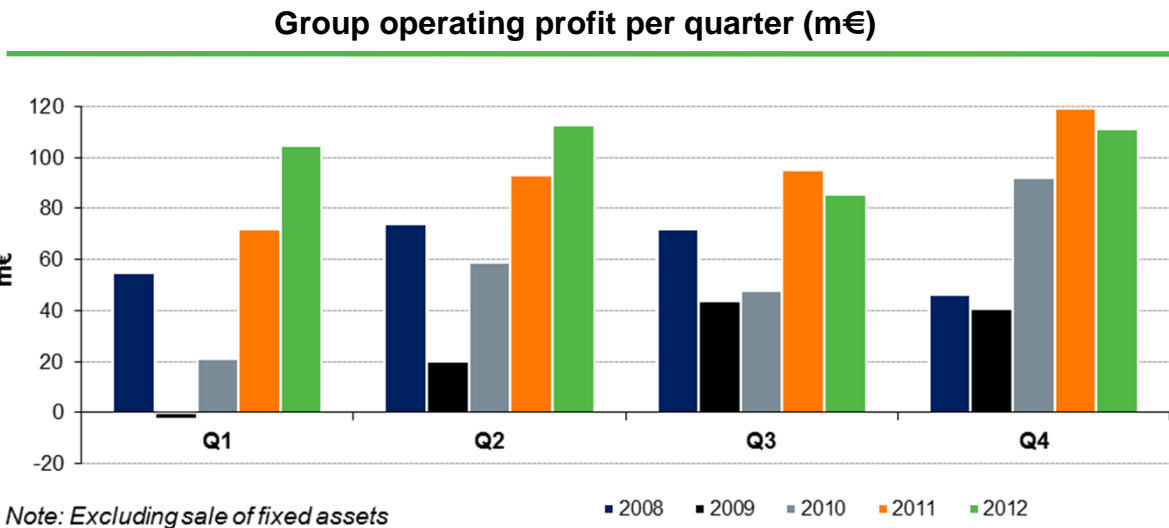
EBIT 415.0 m€,  
(380.1 m€) +9.2%



### 10-12/2012

Net sales 446.4 m€,  
(482.5 m€) -7.5%

EBIT 111.8 m€,  
(119.1 m€) -6.1%

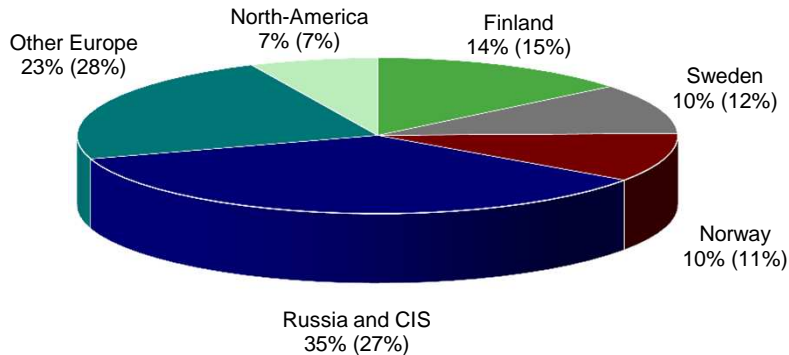




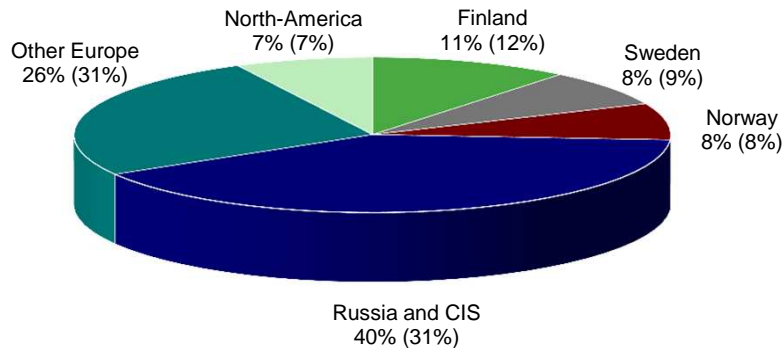
# FINANCIAL PERFORMANCE

## Gross sales by market area 2012

**Sales of Nokian Tyres Group: 1,731.7 m€, +12.3%**



**Sales of Manufacturing Units: 1,518.4 m€, +12.3%**



### GROUP

#### Sales development in euros

- Nordic countries +1.7%
- Russia and CIS +46.2%
- Other Europe -8.3%
- North America +10.7%

### MANUFACTURING

#### Sales development in euros

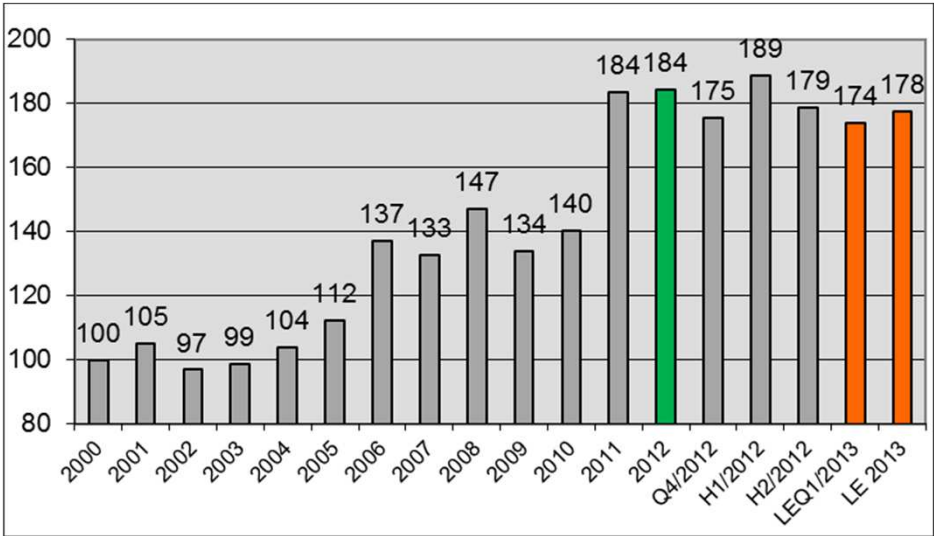
- Nordic countries -3.3%
- Russia and CIS +46.2%
- Other Europe -8.2%
- North America +11.3%



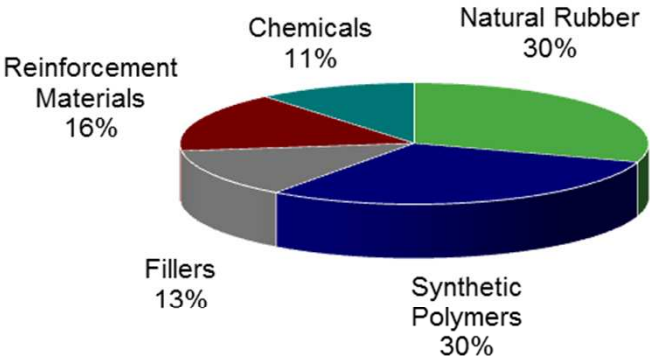
# FINANCIAL PERFORMANCE

## Raw material cost development

Raw material cost development index 2000-E2013



Value of raw material consumption (%)



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

- **Raw material cost**
  - increased by 0.4% in 2012 vs. 2011
  - decreased by 12.2% in Q4/2012 vs. Q4/2011
  - decreased by 4.1% in Q4/2012 vs. Q3/2012
- **Raw material cost is estimated to**
  - decrease by 1% in Q1/2013 vs. Q4/2012
  - decrease by 10% in Q1/2013 vs. Q1/2012
  - decrease by 4% in 2013 vs. 2012

**Estimated raw material saving Q1 yoy 11-13 m€**

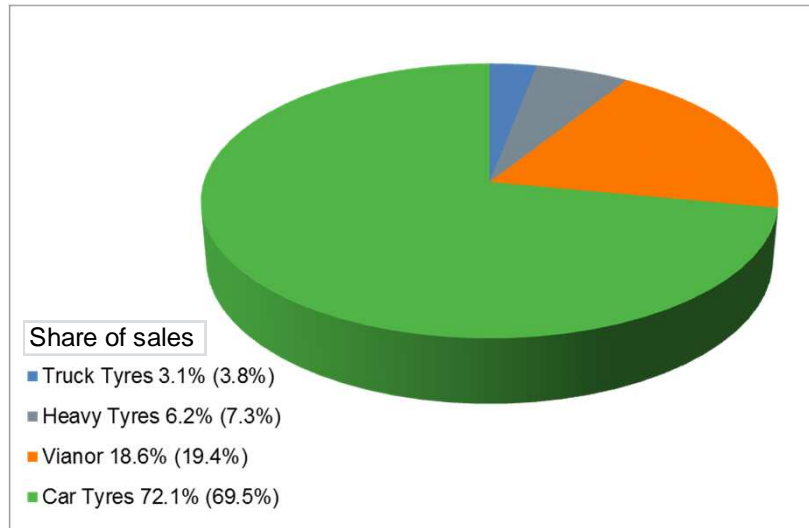




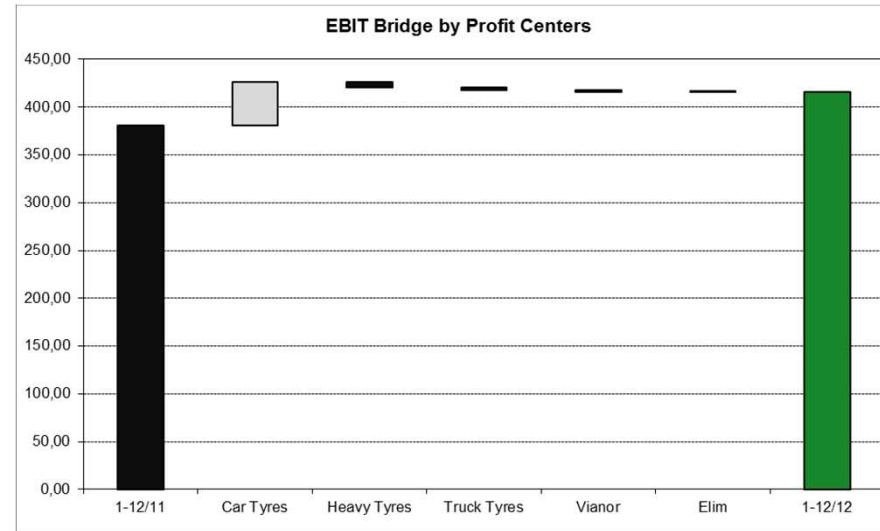
# PROFIT CENTRES

## General overview 2012

Net sales 1,612.4 m€; +10.7%



EBIT 415,0 m€; +9.2%



### Passenger Car Tyres

- Net sales: 1,220.1 m€; +13.9%
- EBIT 410.8 m€; +12.5%
- EBIT margin: 33.7% (34.1%)
- Key products: studded and non-studded winter tyres, high-speed summer tyres

### Heavy Tyres

- Net sales: 104.4 m€; -7.4%
- EBIT: 11.3 m€; -34.3%
- EBIT margin: 10.8% (15.3%)
- Key products: tyres for forestry, industrial and agricultural machinery

### Truck Tyres

- Net sales: 52.9 m€; -10.9%
- Key products: truck tyres and retreading materials

### Vianor

- Net sales: 315.3 m€; +5.7%
- EBIT: 0.0 m€; -98.2%
- EBIT margin: 0.0% (0.8%)
- 1,037 stores in 26 countries in Nokian Tyres' core markets



## PROFIT CENTRES

### Passenger Car Tyres 2012: Russia spearheads sales growth

#### Performance in 2012

- + Strong sales and market share growth in Russia
- + Healthy growth from SUV and winter tyre sales
- + Significant magazine test wins in Nordic countries, Russia and CE
- + Improved sales mix and price increases → ASP up by 5%
- + Production 15.7 million tyres, up by 11% vs. 2011
- + Productivity up by 6% trailing the higher production volume
- + Annual capacity increased to 18 million tyres
- H2 sales lower than expected due to weak demand in CE

#### Net sales:

2012: 1.220,1 m€ (1.071,1 m€); +13.9%

10-12/2012: 304.2 m€ (338.4 m€); -10.1%

#### EBIT:

2012: 410.8 m€ (365.1 m€); +12.5%

10-12/2012: 94.1 m€ (103.1); -8.7%

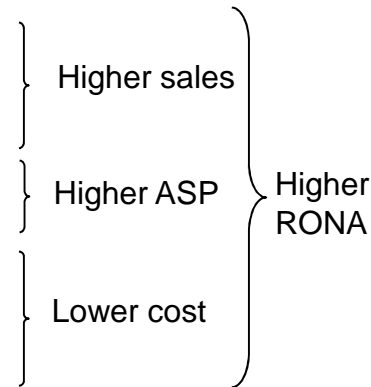
#### EBIT margin:

2012: +33.7% (+34.1%)

10-12/2012: +30.9% (+30.5%)

#### Key actions and targets for 2013

- Maximize sales with renewed product offering
- Improve market shares in core markets
- Expand distribution, special focus CE
- Improve sales mix & service level
- Defend brand and price position
- Increase production in Russia, ramp-up of new lines
- Improve productivity and utilization of capacities
- Secure collection of receivables



→ Maximize sales of new winter range, expand distribution in CE, improve productivity



New Nokian Hakkapeliitta 8

## MAGAZINE TESTS 2012

Test success continues – both in summer and in winter

### WINTER TYRES, autumn 2012

#### Nokian Hakkapeliitta 7 – Multiple test winner

- Studded winter tyre family for core markets.

Test victories in magazine tests, e.g.:

- Tekniikan Maailma, Tuulilasi (Finland), Motor Auto, Motor og Sport, (Norway); Aftonbladet BIL, Auto, Motor & Sport, Vi Bilägare (Sweden); Za Rulem, AutoReview (Russia), Auto Centre (Ukraine)

#### Nokian Hakkapeliitta R – Safe and reliable

- Nordic non-studded tyre family. Test victories:

- Tekniikan Maailma, Tuulilasi (Finland), Motor, Auto, Motor og Sport (Norway); Auto, Motor & Sport, Vi Bilägare (Sweden)
- Za Rulem, AutoReview (Russia), Auto Centre (Ukraine)

#### Nokian WR D3 – for Central European winter

Test victories e.g.:

- Auto, Motor und Sport, ADAC, AUTO Strassenverkehr, Firmenauto (Germany), Aftonbladet BIL, AMS (Sweden)

#### Nokian WR A3 – for Central European winter

Test victory: AutoBild (Germany)



- Minimum 35% of car tyres' net sales are new products
- Technological leadership
- High investment on winter tyre development & testing



Nokian Hakkapeliitta 7: Over 30 test wins in car magazines between years 2009 and 2012

### SUMMER TYRES, spring 2012

#### Nokian Hakka Blue – Wet Performer

Summer tyre for core markets

- Test victories e.g.: Tekniikan Maailma, (Finland), Aftonbladet BIL (Sweden), Motor/NAF (Norway), AutoReview (Russia), Auto Centre (Ukraine)

#### Nokian Hakka Green – Naturally safe

- Test victories: Tuulilasi, (Finland), Vi Bilägare (Sweden)

#### Nokian Z G2 – Cool Performer

- Summer tyre for CE. Test victories e.g.:

- Auto Bild, the biggest car magazine in Europe
- Gute Fahrt, Auto Bild Allrad, Auto Test

#### Nokian H summer tyre for CE

- Test victory: Autozeitung



Nokian Hakka Blue

## MAJOR REVAMP OF PRODUCT OFFERING 2013

### *Examples of new products and innovations 1(2)*

#### **Nokian Hakkapeliitta 8 – Ruler of the North**

- The design of this next-generation studded Hakkapeliitta tyre is based on the Nokian Hakkapeliitta 7. This multiple test winner holds a world record in its field: over 30 test wins in car magazines between 2009 and 2012.
- Unique **Nokian Eco Stud 8 Concept** from the inventor of winter tyres brings grip like never before for ice and snow.
- The ground-breaking stud distribution and the **Eco Stud 8 Concept** create fantastic winter properties: supreme grip during braking and acceleration, better wear resistance, and peace of mind through driving comfort.



Nokian Hakkapeliitta 8

#### **Nokian Hakkapeliitta R2 – Northern comfort**

- The new non-studded winter tyre, will safely tackle even the trickiest winter conditions.
- The new innovations like **Nokian Cryo Crystal Concept** maximise the grip of this Nordic non-studded tyre on ice.
- Nokian Hakkapeliitta R2 is the number one choice for those who value unique driving comfort and eco-friendly travelling. In addition to the extremely low rolling resistance, developments have also been made in handling on ice, snow, and wet roads, all for the benefit of drivers.



Nokian Hakkapeliitta R2

#### **Nokian Hakkapeliitta R2 SUV – Northern comfort and stability for SUVs**

- The non-studded Nokian Hakkapeliitta R2 SUV winter tyre, specially tailored for sport utility vehicles.
- The new innovations, like **Nokian Cryo Crystal Concept**, in the tread patterns and compounds of this stable, rugged new product ensure that the Nokian Hakkapeliitta R2 SUV's handling and grip properties are top-notch.



Nokian Hakkapeliitta R2 SUV

#### **Nokian WR SUV 3**

- Developed for Central Europe's varying winter conditions and the ever-increasing SUV segment

#### **Nokian WR G3**

- An extension of the Nokian Tyres' All Weather Plus product line for the North American market

**New range puts winter grip on an awesome new level!**



## MAJOR REVAMP OF PRODUCT OFFERING 2013

### *Examples of new products and innovations 2(2)*

#### **Nokian eLine – Next generation summer tyre for all markets**

- Fuel efficiency and wet grip are at the top of the new EU tyre label, class A
- State-of-the-art product available to consumers in the spring of 2013

#### **Nokian Hakka Black – Ultra high Performance tyre for core markets**

- Cool performance for fast driving, stable and precise driving feel from spring to autumn
- Tailor-made for the northern roads, the newest member of the Hakka summer tyre range offers optimal handling and safety in demanding driving situations
- The new innovations, Multi-layered structure, Nokian Intelligent UHP Silica, Hydro Grooves and Silent Groove Design.
- Top performance in both the W (270 km/h) and Y (300 km/h) speed categories

#### **Nokian zLine – Ultra High Performance summer tyres for Central Europe**

- New top class tyre family for varying Central European summer conditions
- New Nokian zLine - sporty, cool performance for fast driving
- Precise driving feel, uncompromisingly safe and comfortable travel
- New Nokian Line – Top performance for wet roads
- The new innovations maximize wet grip, the Cross-Block sipes and Surge Grooves

#### **Nokian WR – Winter tyre for Central Europe**

- Advanced new-generation tyre family for any winter weather
- Environmentally friendly premium products feature nanotechnology, canola oil and the solid winter expertise of Nokian Tyres
- Nokian WR D3 for the economic driver, Nokian WR A3 for sporty use

#### **Beyond All-Steel Radial – Challenging All-Steel heavy tyres**

- Revolutionary technology of the future, used in harbour, mining and earthmoving machinery tyres
- Unique technical solution - Better stability, longer life time, enhanced safety
- First top product: the Nokian BAS HTS Straddle harbour tyre



Nokian Hakka Black



Nokian WR



Beyond All-Steel Radial



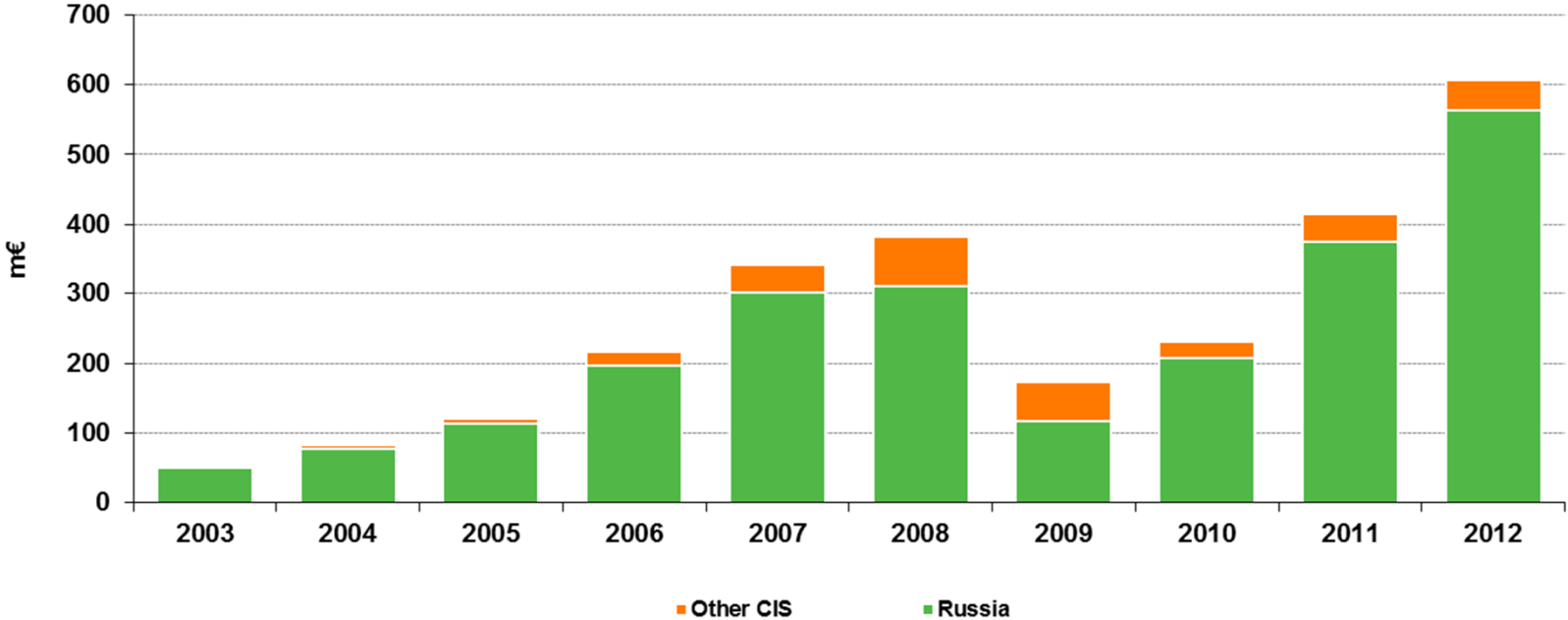
# RUSSIA & CIS

*Strong sales growth*

- Sales in Russia in 2012 grew by 49.8% to 563.0 m€ (375.8 m€)
  - Good economic situation and continued growth in new car sales
  - Improved production and supply capacity of Nokian Tyres
- Sales in CIS (excluding Russia) were 43.7 m€ (39.3 m€)

**→ Nokian Tyres is clear market leader in premium tyres in Russia and CIS countries**

Russia and other CIS sales development



## RUSSIA & CIS:

*Distributors, DSD-warehouses and Vianor stores 31 December, 2012*



● Distributors (34)

● DSD current cities (Moscow, SPb, Samara/Togliatti, Yekaterinburg, Chelyabinsk, N. Novgorod, Omsk, Rostov-on-Don, Perm, Ufa, Orenburg, Kazan, Voronezh, Tyumen, Volgograd, Novosibirsk)

● 533 Vianor stores in 319 cities

**Nokian Tyres' market position in Russia**

- State-of-the-art and efficient factory in Russia
    - Close access to markets
    - Within customs zone (duty 20% for import, will decrease to 18% in 2013 and to 10% in 5 years)
  - Clear market and price leader in core product categories
  - Widely recognised and strong brand – both company (Nokian Tyres) and products (Hakkapeliitta, Nordman)
  - Strong distribution chain covering all of Russia – based on long-term and close customer relationships
  - The biggest controlled tyre distribution network – 533 Vianor stores in Russia and CIS
- ***Nokian Tyres to further strengthen its market leader position in Russia***

**Nokian Tyres' factory in Russia**

- At the beginning of 2012 annual capacity in Russia was 11 million tyres with 10 lines operating
- New plant commissioned: line 11 on stream June 2012, line 12 installed H2/2012
  - Annual capacity increase to 14 million tyres
- Line 12 in production in H1/2013
- Line 13 to be installed in 2013 → Annual capacity to 15.5 million tyres
- State-of-the art machinery, high automation level and European quality standards
- Vsevolozhsk factory exports approximately 50% of its production to over 40 countries:  
Biggest consumer goods exporter in Russia
- Housing project, Hakkapeliitta Village – phase II started
- Number of personnel in Russia on 31 Dec 2012: 1,252 (1,062)
- CAPEX by end 2012: 704 m€



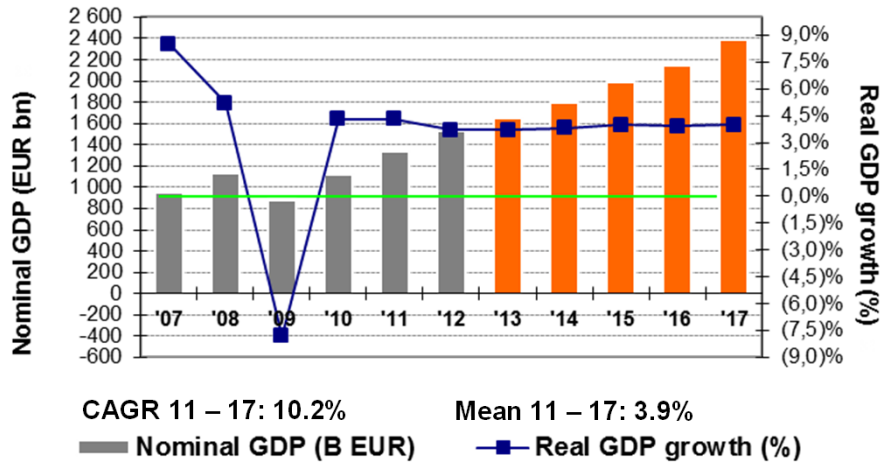




# RUSSIA

## Russia's economy growing at a stable rate

Russia's GDP growth



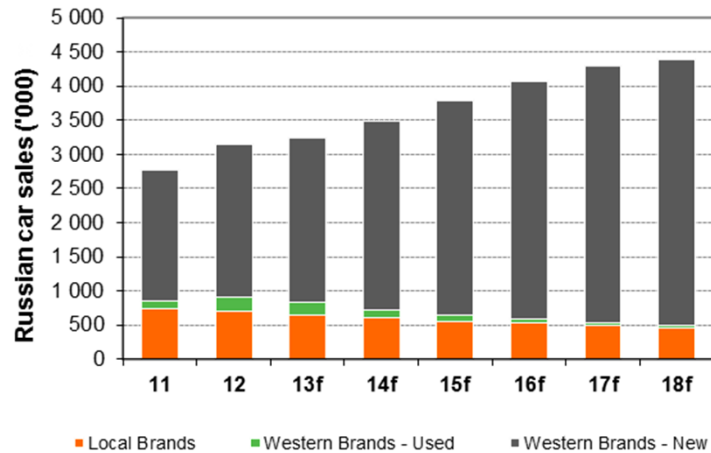
Major trends and expectations

- After a severe crisis of 2008 – 2009, Russia's economy grew by ~4% a year in 2010 – 2011
- In 2012 the economy continued to grow, backed by high oil and commodity prices, although in H2 the growth rate somewhat slowed down
  - Annual real GDP growth in 2012 estimated at 3.6%
- Overall growth trend is likely to continue unless major external shocks (e.g. collapse of oil prices) take place: in the base scenario, average GDP growth for 2013-2016 is estimated at 3 - 4% a year
- However, some uncertainty has spread in the economy, fueled by the global financial turmoil
- The internal political situation has stabilized and the government is pursuing a responsible economic policy aimed at ensuring macroeconomic and financial stability
- Consumer confidence has stabilized and practically reached its normal level, although towards the year-end it was slightly lower than in the beginning of the year
- Ruble exchange rate has fluctuated in 2012: after movements in both directions during the year it stabilized at its long-time average level of 40 RUB/ 1 EUR and is expected to remain stable

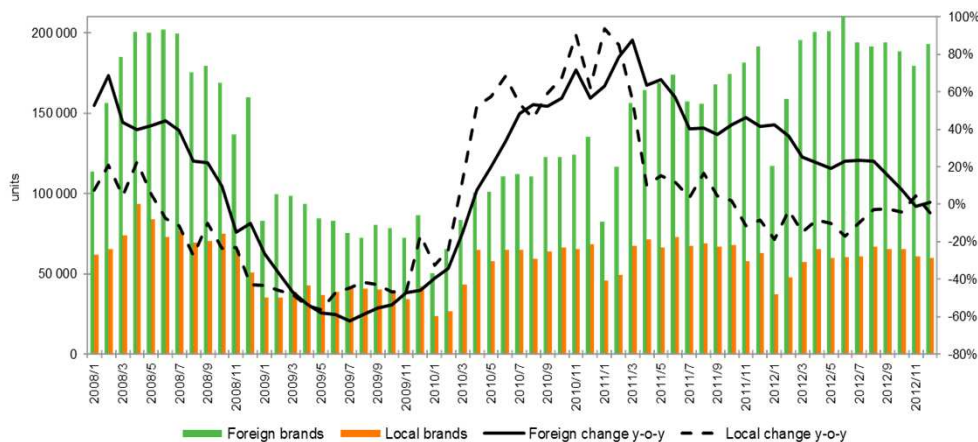
Consumer confidence in Russia



#### Russian car sales forecast – base scenario



#### Monthly car sales



Source: AEB; IHS Global Insight; Nokian Tyres estimates Jan 2013

#### Car market summary

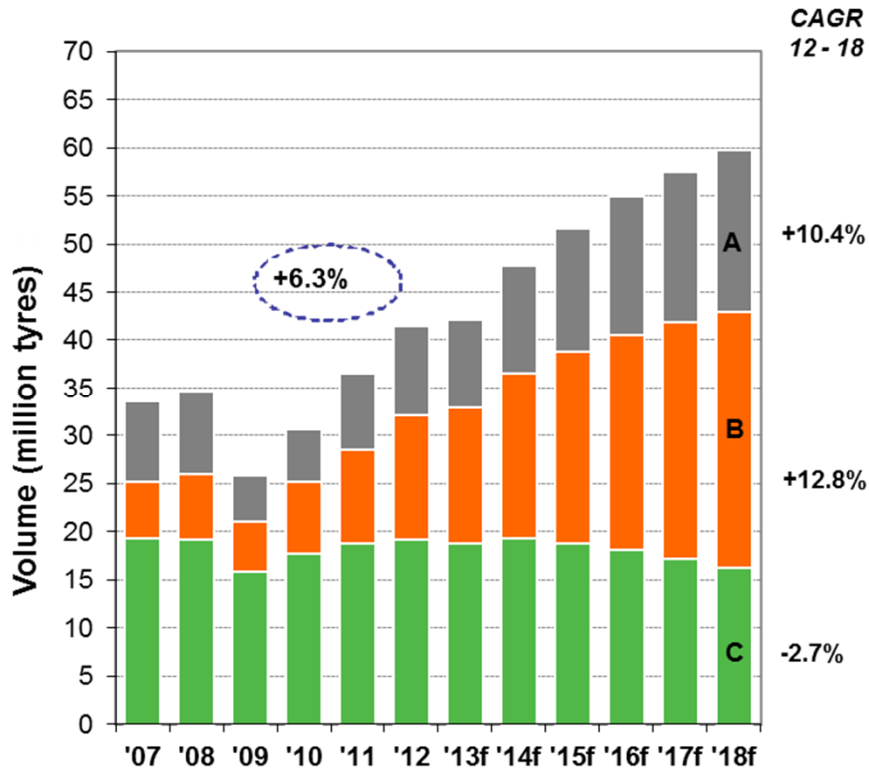
- Sales of new cars and LCVs in Russia continued to grow in 2012; full-year growth was 11% vs. 2011
- During H2/2012 the growth slowed down: in Nov the sales were flat, in Dec growth was modest 1%
  - The slowing growth was caused by the clearly higher comparison base in H2 and some uncertainty among consumers driven by the global economic woes
  - It reflected more cautious consumer spending seen in all industries in Russia
  - Increase of interest rates by 2 – 3 pp. of car loans also contributed to the slowdown
- However, this development is seen as a temporary phase, not a sign of fundamental maturity of the market – as global and Russia economies improve, the car market will continue to grow, as the unrealized potential has not disappeared
- Moreover, the structural changes in the new car sales continue to favor foreign car brands (e.g. growth in 2012 18% vs. total market 11%)
- In 2012, a relatively tangible increase was noted in the imports of used foreign-branded cars, mostly from Belarus and Kazakhstan in the framework of the newly established Customs Union; since 2014 the flow of used cars is expected to return to normally low levels
- In 2013 the new car market is forecasted to show a modest growth of 2 – 5%, reaching estimated 3.1 million new cars; growth is expected to be seen in H2/2013, whereas in H1 car sales may remain flat



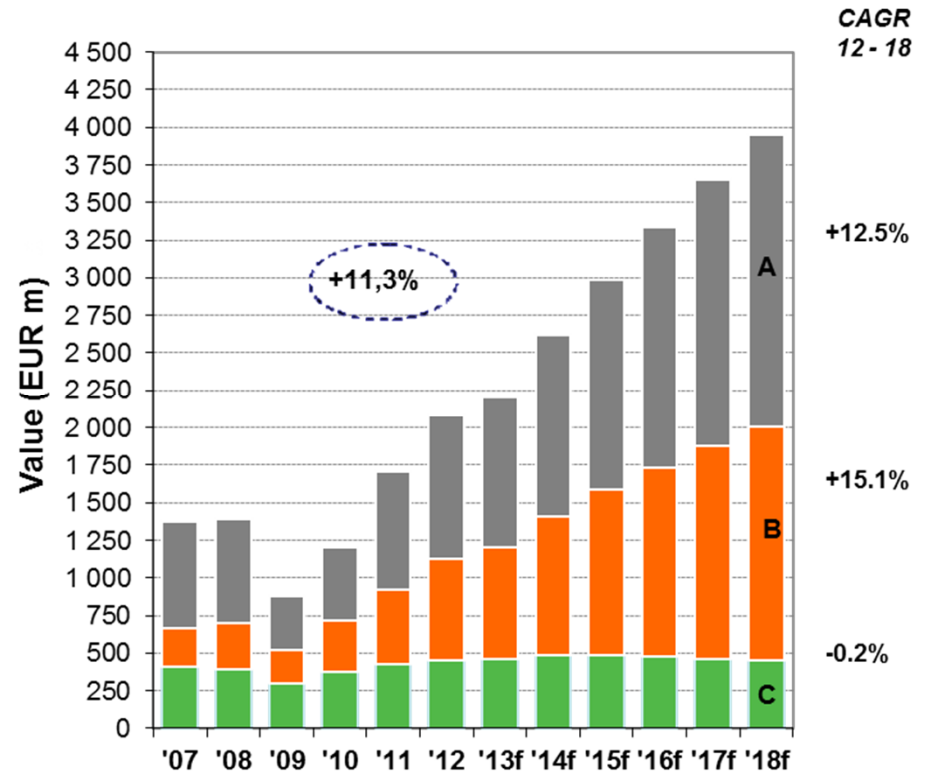
# RUSSIA

*Tyre market demonstrates clear growth and structural change*

Car and van tyre replacement market (volume)



Car and van tyre replacement market (value)



Note Traditional segments / price positioning: index 100 = market leader; A: > 80; B: 60 – 80; C: <60

Source: Nokian Tyres estimates Jan 2013

## PROFIT CENTRES

### *Vianor 2012: Market shares & service sales up, network expanding*

#### Performance in 2012

- + 1,037 stores in 26 countries; +127 stores in 2012.  
New countries: Serbia, France and Bosnia-Herzegovina
- + Equity-owned stores' sales improved, especially in car services, tyre retail and truck tyre sales
- + 25 car service operations were acquired and integrated to existing Vianor stores
- + Market shares & brand awareness up in core markets
- + Strategic tasks to expand distribution and set market prices for Nokian products succeeded
- Operating profit was down due to decreased share of winter tyres and one off inventory value correction

#### Key actions and targets for 2013

- Improve tyre sales and market shares
  - Increase sales of car services, tyre hotels and other services
  - Increase e-commerce sales
  - Process evaluation & ERP renewal
  - **Continue to expand the network and the number of partners**  
→ Target: over 1,150 stores by the end of 2013
- Cement and improve market leader position as a distributor in Nokian Tyres' core markets

#### **Equity-owned Vianor (182 stores)**

##### **Net sales:**

2012: 315.3 m€ (298.4 m€); +5.7%

**10-12/2012: 121.3 m€ (117.3 m€); +3.4%**

##### **EBIT:**

2012: 0.0 m€ (2.3 m€); -98.2%

**10-12/2012: 11.8 m€ (13.0 m€); -9.5%**

##### **EBIT margin:**

2012: 0.0% (+0.8%)

**10-12/2012: +9.7% (+11.1%)**



Vianor opened 1,000th sales outlet in Germany



## EXPANSION OF DISTRIBUTION CHANNEL

*Vianor 2012: Foothold on core markets strengthening*

### Vianor – 1,037 stores in 26 countries

- 51 new stores in Q4/2012 (+127 in 2012)
- 182 equity-owned, 855 franchising/partners
- **Largest tyre chain in Nordic and Baltic countries:**  
271 stores (+6 in Q4/2012); +14/2012
- **Largest tyre chain in Russia and CIS:**  
533 stores (+22 in Q4/2012) in 319 cities; +42/2012
- **Expansion to Central Europe:**  
198 stores (+18 in Q4/2012); +52/2012

### Vianor stores by segment:

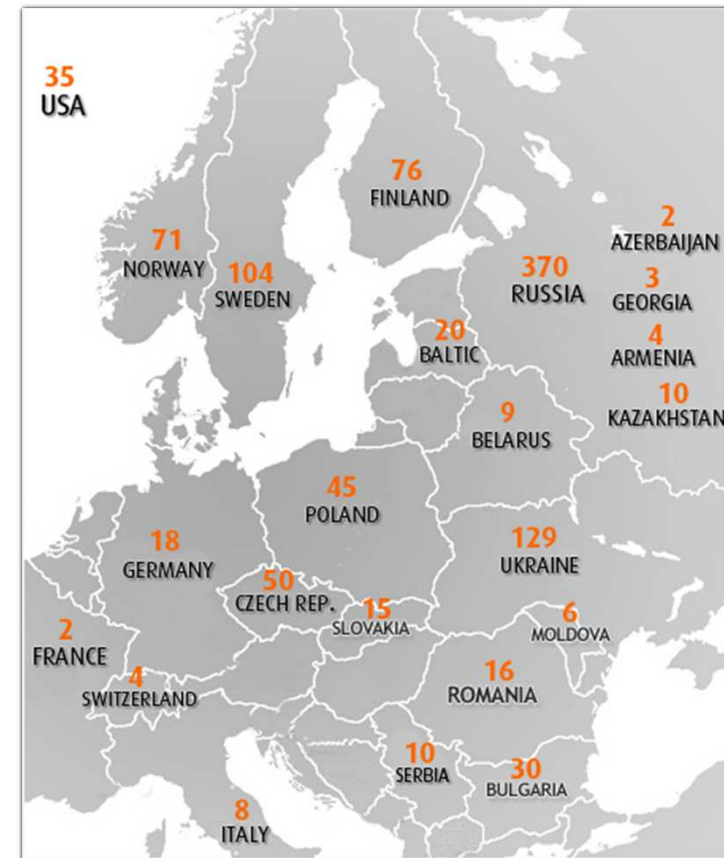
- Car tyres: nearly 1,000 stores
- Heavy tyres: over 230 stores
- Truck tyres: over 280 stores

### Vianor expansion 2012:

- New countries:  
Serbia, France and Bosnia-Herzegovina

**Target 2013 → over 1,150 Vianor stores**

### Vianor – Distribution spearhead for all product groups



## PROFIT CENTRES

### *Heavy Tyres 2012: Successful restructuring, soft demand*

#### Performance in 2012

- + Sales of mining and radial agricultural tyres increased
- + Sales in Russia and North America grew clearly
- + Sales mix and ASP improved
- + Inventories reduced back to optimal level
- + Production restructuring will support 2013 results
- Total sales down due to weaker forestry tyre demand and machine building in Europe
- Production adjusted to demand: volume down by 13% vs. 2011
- Profitability suffered from lower utilization rate

#### Key actions and targets for 2013

- Increase sales
  - Improve sales mix and share of replacement market sales
  - Expand the distribution network, especially in Russia and CIS
  - Accelerate development of new radial and BAS products
  - Factory modernization to improve quality, flexibility and productivity
  - Optimize production output
- **Increase sales to replacement market, optimize production output and improve productivity**

#### **Net sales:**

2012: 104.4 m€ (112.8 m€); -7.4%

**10-12/2012: 25.9 m€ (29.5 m€); -12.3%**

#### **EBIT:**

2012: 11.3 m€ (17.2 m€); -34.3%

**10-12/2012: 1.4 m€ (3.0 m€); -53.0%**

#### **EBIT margin:**

2012: +10.8% (+15.3%)

**10-12/2012: +5.5% (+10.3%)**



Nokian Mine L-5S

## PROFIT CENTRES

### *Truck Tyres 2012: Market shares up in core markets*

#### Performance in 2012

- + Market share improved in the Nordic countries and Russia
- + Wider range for premium & standard truck tyres
- + Tyre inventory decreased
- + Market strengthened in Q4/2012
- Sales down trailing weaker demand in CE

#### Key actions and targets for 2013

- Increase sales and market shares in core markets
- Expand in Eastern Europe utilising the “Vianor truck” concept
- Utilize the combination of new & retreaded tyres as a sales concept
- Utilize the stronger winter product range (incl. Hakkapeliitta truck tyres)
- Optimize off-take contract manufacturing

→ Focus on increasing sales and improving market shares

#### Net sales:

2012: 52.9 m€ (59.3 m€); -10.9%

10-12/2012: 14.6 m€ (14.8 m€); -1.3%



Nokian Hakkapeliitta Truck D



# NOKIAN TYRES GOING FORWARD

*Investments continue to prepare for future demand upturn*

## Investments in 2012

- Q4/2012: 40.7 m (53.5 m€)
- Full year: 209.2 m€ (161.7m€)

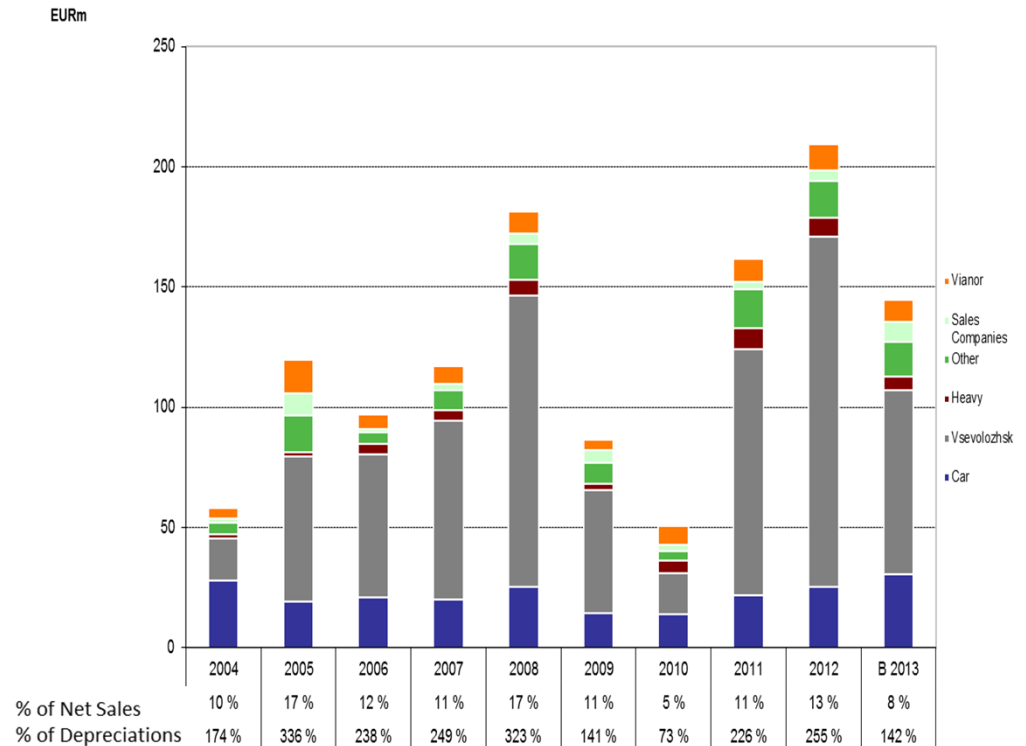
## Russia

- Capacity ramp-up and investments
  - 11 lines in production
  - Line 12 to start production in H1/2013
  - Line 13 to be installed in 2013
  - Hakkapeliitta Village 2<sup>nd</sup> stage started

## Estimated investments for 2013

- Approximately 144 m€
  - Russia: 83 m€
  - Nokia plant 44 m€ (automation & moulds & ICT & R&D)
  - Heavy Tyres 6 m€
  - Sales companies and Vianor 11 m€

**Nokian Tyres Capital expenditures (m€)**



## NOKIAN TYRES GOING FORWARD

*Production: Capacity 18 million tyres in 2013*

*Potential to increase output by 50% by 2014*



### Nokia, Finland

- R&D, administration and marketing
  - Development of key processes
  - Prototype production batches
  - Special car tyres
  - Heavy tyres, retreading materials
  - Export to western markets
- 2010:**
- Car tyres to 6-day shift system
  - Heavy tyres to 7-day full capacity utilisation
- 2011:**
- Car tyres to 7-day shift system in August
  - Investments for increasing productivity through automation
  - Expansions in Heavy tyres factory
- 2012:**
- Car tyres to 5-day shift system at the end of Q2
  - Further temporary production cuts in Q4
- 2013:**
- Temporary production cuts in Q1



### Vsevolozhsk, Russia

- Production of the whole car tyre range with state-of-the-art production technology and lower production costs
  - Tax relieves
  - Inside the duty borders of Russia and CIS
  - Export to all markets
  - Possibility to expand in current premises & land area
- 2010:**
- Lines 7 and 8 were taken into use
- 2011:**
- Lines 9 and 10 & new technology into use
- 2012:**
- New factory next to the current one
  - New line (11) commenced production
- 2013:**
- Line 12 on stream in H1/2013
  - Line 13 to be installed in 2013



## NOKIAN TYRES GOING FORWARD

*Outlook for 2013: Full year sales to improve with weaker Q1*

### Assumptions

- Core markets growing slowly
  - GDP growth Russia 3-4%, Nordic 0-2%
  - In Russia solid consumer confidence, increasing sales of new cars
  - Currencies on Nokian core markets to be stable
- Price pressure may affect ASP
- Raw material cost (€/kg) estimations
  - Cost to decrease by 10% in Q1/2013 vs. Q1/2012
  - Cost to decrease by 4% in 2013 vs. 2012
- Passenger car tyre operation environment
  - Distributor carry-over summer tyre inventories
  - Demand improving for winter tyres in long term; legislation in Europe
- Heavy tyre market demand
  - Demand in 2013 flat vs. 2012
- Nokian Tyres financial position remains solid
  - No major loans due for payment in 2013
  - Equity ratio 71.2% at the end of 2012
  - Undrawn facilities available

### Outlook: Some growth in a challenging market

- Car tyre demand expected to grow 1-2% in Europe, 2% in Nordic countries and 2-5% in Russia in 2013
- Pricing environment for 2013 challenging for all tyre categories
- Margins supported by easing of raw material costs (€/kg), 10% in Q1/2013 YOY and 4% full year 2013
- Further improved product offering with the new Hakkapeliitta range supports Nokian winter tyre sales
- Capacity ramp-up proceeds according to revised plan:
  - First line in the new factory (11<sup>th</sup> in Russia) operative in 6/2012
  - Line 12 on stream in H1/2013, line 13 to be installed in 2013
  - Inbuilt capability to increase output by 50%
- Profitability supported by improved cost structure and productivity on the back of increasing share of Russian production

### Year 2013 guidance:

- In 2013, the company is positioned to show some growth in Net sales and Operating profit. The first quarter Operating profit, however, is expected to be clearly weaker than in 2012.

**nokian<sup>®</sup>  
TYRES**

