



nokian[®]
TYRES

**Position improving in all markets –
devaluations penalize sales**

**Handelsbanken Russia Seminar
22 May 2014**

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

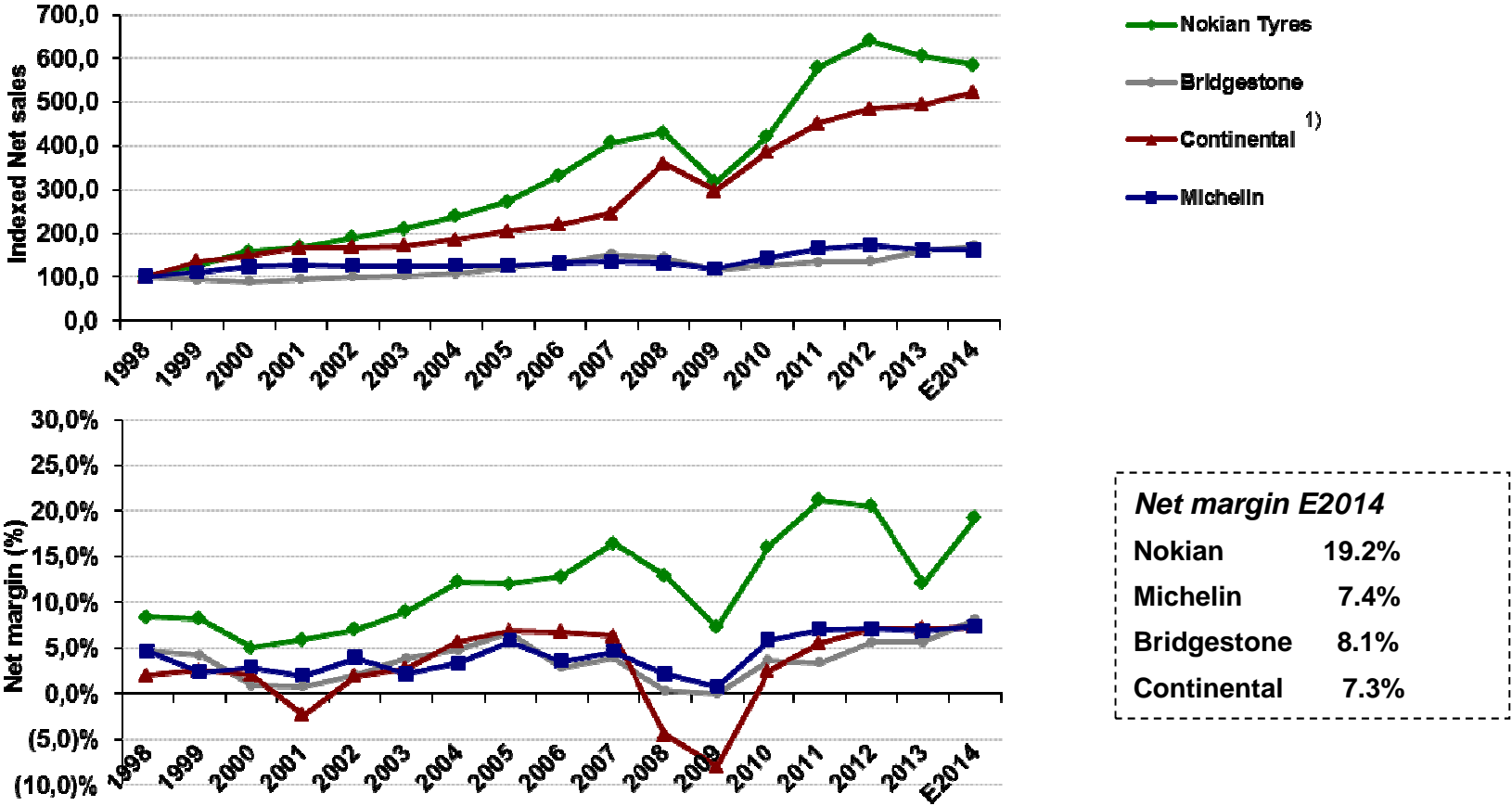


GENERAL OVERVIEW

Competitor comparison 1998-E2014

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 15 years. The clearly better profitability protects the company profits during recessions and potential downturns.



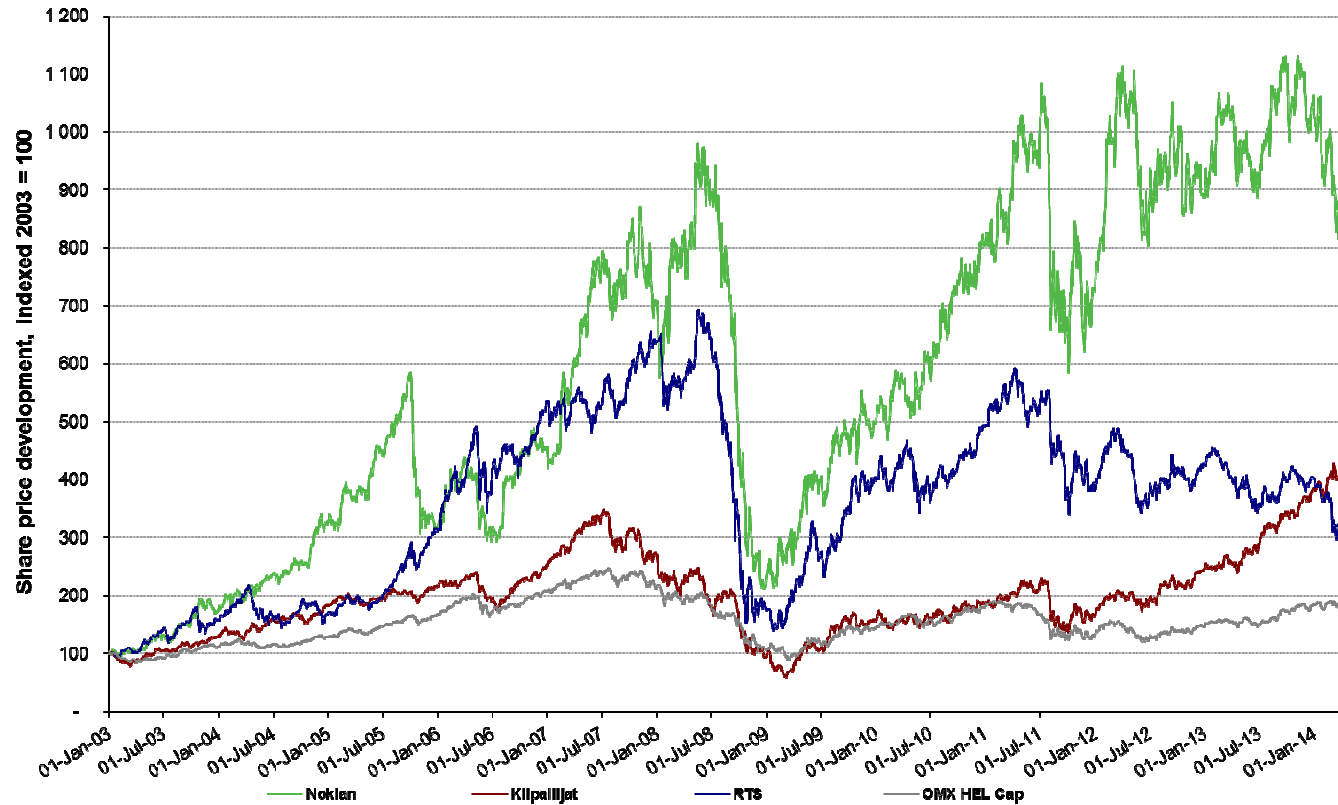
Source: Results 1998-2013 (company websites) and 2014 consensus estimates for the peers as per Thomson Reuters 29 Apr 2014.
PLEASE NOTE: ESTIMATE 2014 IS BASED ON CONSENSUS ESTIMATES, NOT NOKIAN TYRES GUIDANCE.

Note: Nokian Net Result 2013 affected by disputable additional taxes of 100.3 MEUR in Finland concerning years 2007-2010



GENERAL OVERVIEW

Comparing share price to main indexes 1/2003 – 28 Apr 2014



Nokian Tyres, +719%

Competitors, +304% ¹⁾

RTS, +217%

OMX Hel Cap, +82%

Source: Thomson Reuters, 29 Apr 2014.
The composite consists of an indexed average values of the main peers of Nokian Tyres.

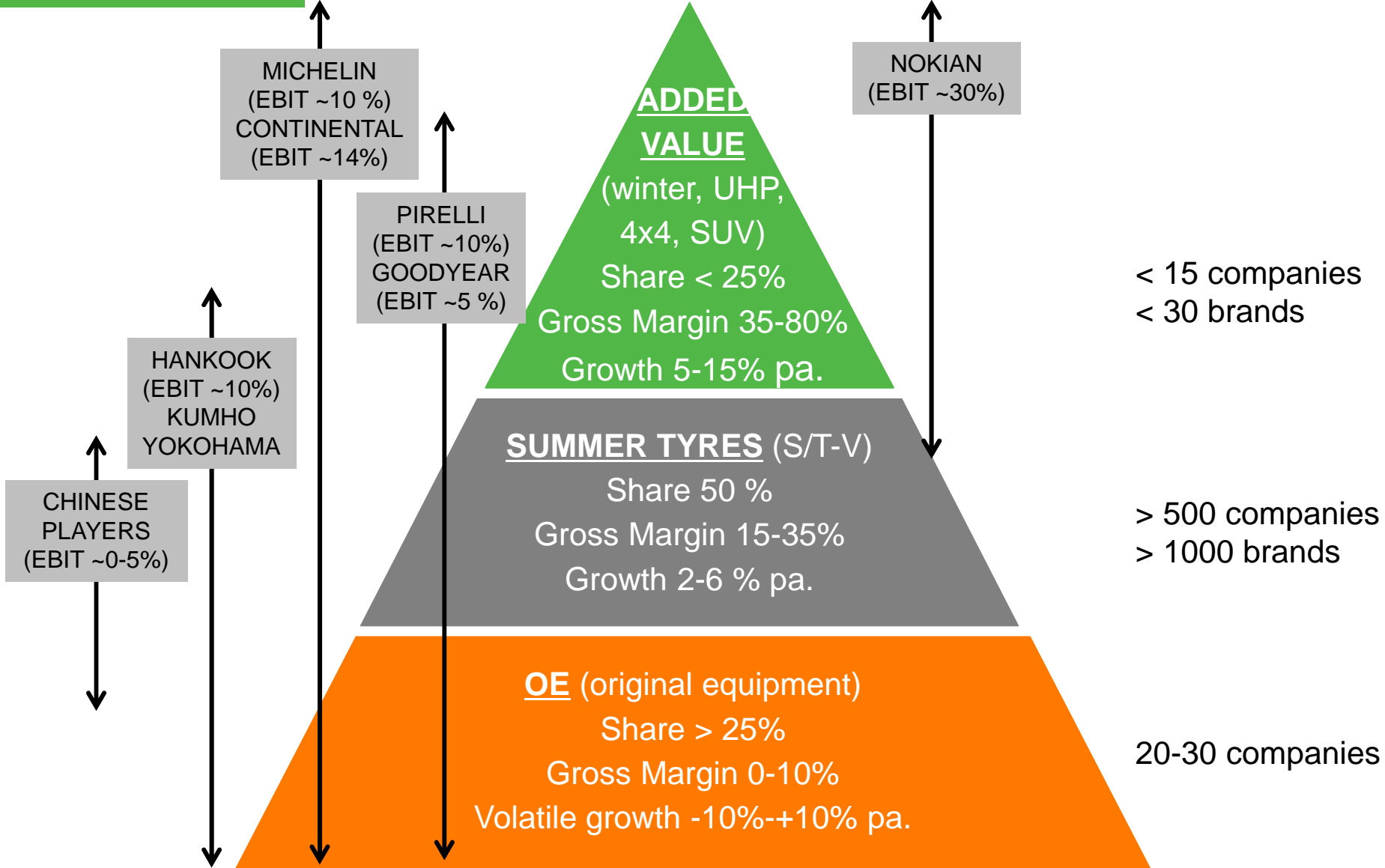
Nokian Tyres by Apr-28-2014

	Last 10 years	Last 5 years	Last 3 years	LTM	L6M	L3M	Last month
High	38,46	38,46	38,46	38,46	38,46	34,17	30,69
Average	21,88	27,39	31,80	33,59	33,02	30,34	28,73
Low	6,77	11,58	19,89	27,03	27,03	27,03	27,03



STRATEGIC FOCUS *Nokian vs. Tyre industry*

Global tyre business 2011: 187,5 B\$
Light vehicle tyre business ("PC1"): 100 B\$



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

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

MARKET OVERVIEW 1-3/2014***Recovery in western economies, Russia & CIS hurt by currencies*****Car tyres****Markets turned positive in the west**

- Signs of recovery in global economy, excluding Russia and CIS
- Economies in the Nordic countries relatively stable
- New car sales in Russia -2% (western brands +2%), Europe +8%, Nordics +15% yoy
- Car tyre demand picked up in Europe by 10% (winter +24%) yoy. Demand in Nordics +4%, in Russia A+B segment +4%.
- Pricing environment in 2014 challenging, but signs of improvement

Heavy tyres**Heavy tyres' markets started to recover**

- Demand of forestry and radial industrial tyres improved
- Manufacturers' delivery times have become longer

Currencies**EUR strengthened, especially against RUB**

- RUB weakened from EUR/RUB 39.76 to 48.78 (end Q1/2013 vs. end Q1/2014)
- Other important currencies SEK, NOK, CAD, USD also weakened against EUR

Raw material prices**Raw material prices have continued to decrease**

- Nokian Tyres' raw material cost (€/kg) down by 19.4% vs. Q1/2013
- Raw material cost to decrease by 12.5% in 2014 vs. 2013, tailwind 50 m€

NOKIAN TYRES PERFORMANCE 1-3/2014

Sales volume and market shares up, currencies hurt sales value

Sales and market position

Market share up in all markets

- + Car tyre sales volume up 9%, growth in all key markets
- + Car tyres' market share improved in all markets
- + Test success continued with summer tyres
- Sales value down due to currency devaluation and a weaker mix in Russia

Profitability

Tailwind from decreasing raw material cost, improved productivity

- + Raw material cost down 19.4% in Q1/2014 yoy
- + Car tyre production volume up 15%, productivity (kg/mh) improved by 6%
- + Winter tyres' share of sales volume increased in Q1 yoy
- + Fixed costs decreased yoy
- Average Selling Price (€/kg) decreased due to weaker mix in Russia and tight pricing environment

Production

Capacity to meet future market growth

- + Annualized capacity over 15 million tyres in the Russian factories with 13 lines, inbuilt capability to increase group output rapidly without capex to > 20 million pcs
- + Production output and productivity increased in Q1 yoy

Distribution

Vianor expanding as planned, new partner concepts booming

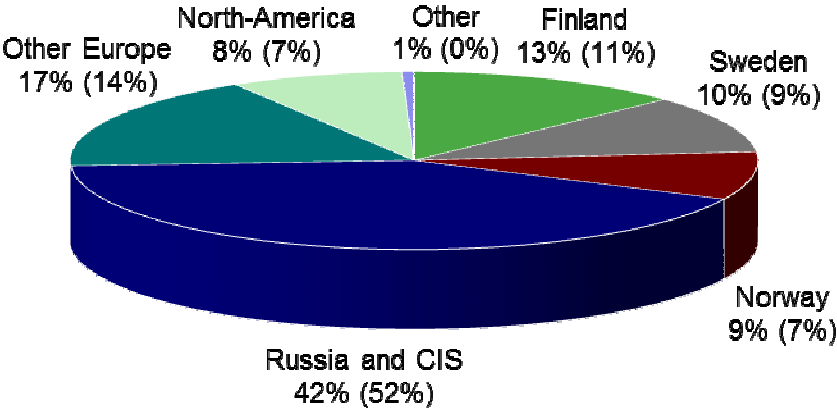
- + Vianor expanded to 1,235 stores in 27 countries; +29 stores in Q1/2014
- + 3,400 tyre stores in Nokian dealership programs in Russia
- + Nokian Tyres Authorized Dealer (NAD) network comprises of 536 stores in Italy, Germany, Ukraine, China, Denmark and Bulgaria. +104 stores in Q1/2014.



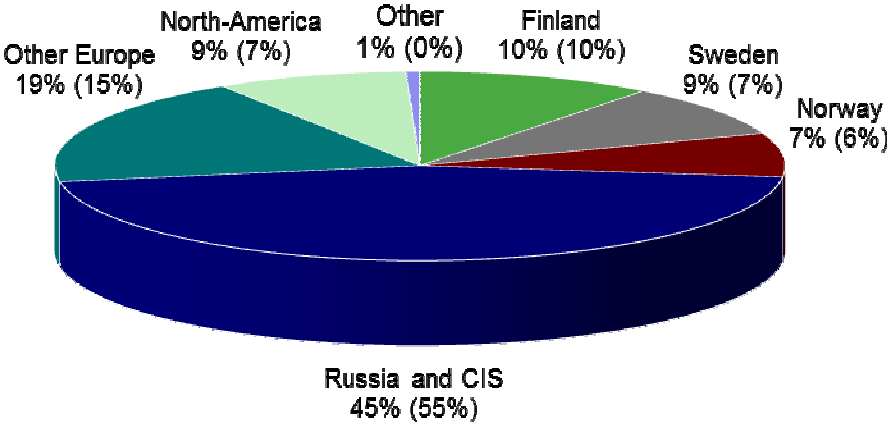
FINANCIAL PERFORMANCE

Gross sales by market area 1-3/2014

Sales of Nokian Tyres Group: 341.4 m€, -6.1%



Sales of Manufacturing Units: 314.3 m€, -8.0%



GROUP
Sales development in euros

Nordic countries	+11.4%
Russia and CIS	-23.4%
Other Europe	+19.4%
North America	+16.6%

MANUFACTURING
Sales development in euros

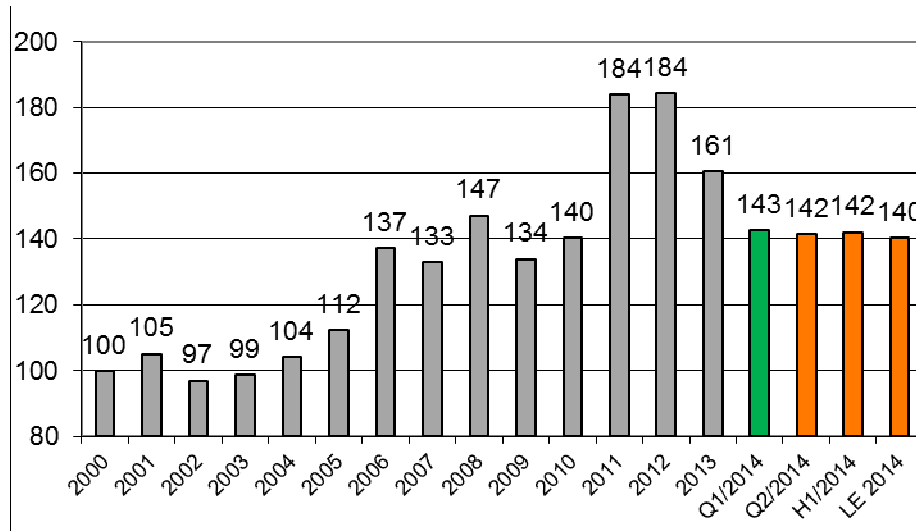
Nordic countries	+8.0%
Russia and CIS	-23.5%
Other Europe	+19.1%
North America	+17.5%



FINANCIAL PERFORMANCE

Raw material cost development

Raw material cost development index 2000-E2014



Nokian Tyres raw material cost (€/kg)

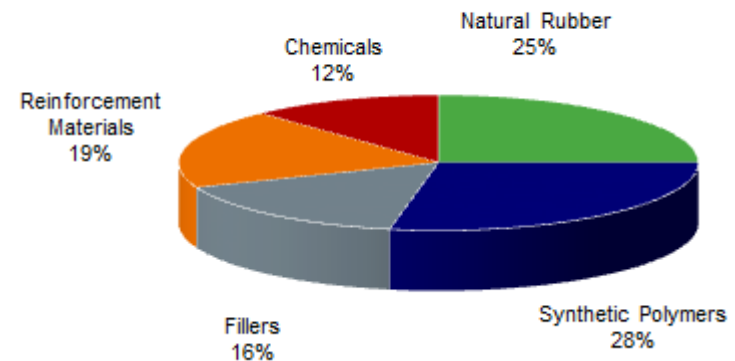
Raw material cost

- decreased by 3.9% in Q1/2014 vs. Q4/2013
- decreased by 19.4% in Q1/2014 vs. Q1/2013

Raw material cost is estimated to

- decrease by 14.6% in Q2/2014 vs. Q2/2013
- decrease by 16.8% in H1/2014 vs. H1/2013
- decrease by 12.5% in 2014 vs. 2013

Value of raw material consumption (%)



Tailwind 20 m€ in Q1/2014 vs. Q1/2013

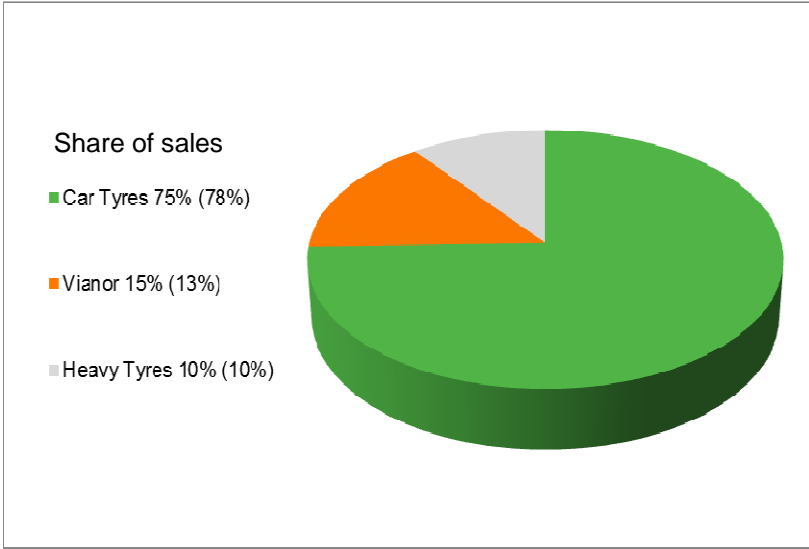
Estimated tailwind 50 m€ in 2014 vs. 2013



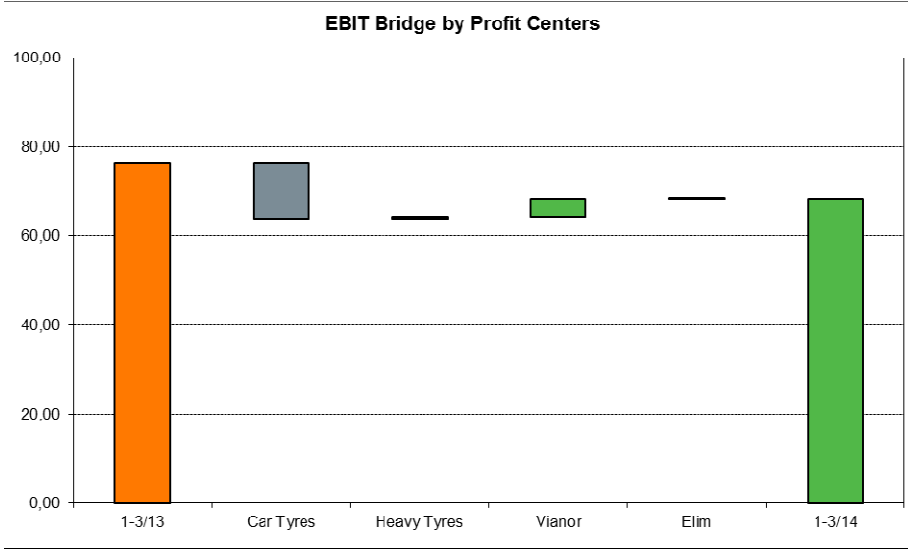
PROFIT CENTRES 1-3/2014

General overview

Net sales 311.9 m€; -6.3%



EBIT 68.4 m€; -10.4%



Passenger Car Tyres

- Net sales: 246.9 m€; -9.8%
- EBIT: 80.0 m€; -13.3%
- EBIT margin: 32.4% (33.8%)
- Key products: studded and non-studded winter tyres, high-speed summer tyres

Vianor

- Net sales: 49.5 m€; +13.4%
- EBIT: -12.0 m€; +24.7%
- EBIT margin: -24.2% (-36.4%)
- 1,235 stores in 27 countries in Nokian Tyres' core markets
- 186 equity-owned stores consolidated in result

Heavy Tyres

- Net sales: 34.6 m€; +4.3%
- EBIT: 4.5 m€; +10.7%
- EBIT margin: 12.9% (12.2%)
- Key products: tyres for forestry, industrial and agricultural machinery; truck tyres and retreading materials



PROFIT CENTRES 1-3/2014

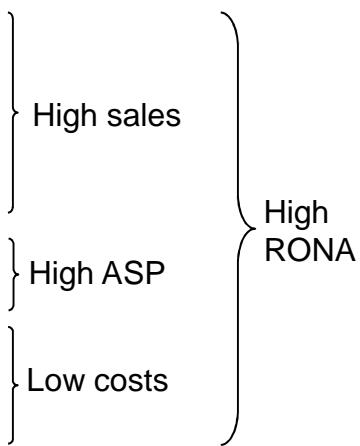
Car Tyres: Sales volume and market shares up

Performance in Q1/2014

- + Sales volume and market share growth in all key markets
- + Magazine test success continued with summer tyres
- + Tailwind from decreasing raw material cost supported margins
- + Production output and productivity improved
- + Fixed costs decreased
- + Good profitability and cash flow
- Sales value in Euros decreased
- ASP €/kg decreased due to currency devaluations and weaker mix in Russia & CIS

Key actions and targets for 2014

- Strong sales growth in the west to compensate for most of the decline in Russia and CIS
- Improve market shares further in core markets and CE
- Expand distribution, special focus CE
- Secure delivery capability for the winter season
- Defend sales mix & improve service level
- Defend brand and price position
- Improve productivity and utilization of capacities
- Secure collection of receivables
- Limit fixed cost growth



→ **Beat market growth in car and SUV tyre sales, improve price position with new products, expand distribution, improve productivity and capacity utilization**

Net sales:
 Q1/2014: 246.9 m€ (273.7 m€); -9.8%

EBIT:
 Q1/2014: 80.0 m€ (92.4 m€); -13.3%

EBIT margin:
 Q1/2014: 32.4% (33.8%)



New Nokian Hakkapeliitta 8

NEW PRODUCTS IN 2014

Nokian Hakkapeliitta 8 SUV – Provides grip and durability like never before

- The Nokian Hakkapeliitta 8 SUV, the new studded tyre for SUVs, uses completely new innovations to tame the extremes of the Northern winter.
- The most modern stud technology (Nokian Eco Stud 8 Concept) in the business provides grip like never before on ice and snow.
- The durability of the sidewall is optimised by means of aramid fibres (Nokian Aramid Sidewall technology), widely used in the aerospace and defence industries.



Nokian Hakkapeliitta 8 SUV

Nokian Hakkapeliitta C3 – Winter grip and efficiency for professionals

- The new Nokian Hakkapeliitta C3 studded tyre makes life easier for heavy duty professionals. These durable studded tyres can master harsh winter conditions; in addition to the balanced winter grip that is synonymous with the Hakkapeliitta brand, it offers stable handling
- The new square steel stud ensures excellent winter grip
- The steel belt package and rubber compound, optimised for heavy use, provide structural durability and high-end performance for the rough Northern roads



Nokian Hakkapeliitta C3

Nokian Hakkapeliitta CR3 – Driving comfort for demanding professional use

- The new Nordic non-studded winter tyre, Nokian Hakkapeliitta CR3, is developed for versatile use on delivery vehicles and vans. It provides excellent winter grip and driving comfort.
- In addition to the extremely low rolling resistance, developments have also been made in handling on ice, snow, and wet roads.
- The new non-studded van tyre effectively utilises the Nokian Cryo Crystal Concept that was used to maximise the ice grip of the Nokian Hakkapeliitta R2 passenger car tyre.



Nokian Hakkapeliitta CR3

Nokian WR G3 SUV – Ultimate All-Weather Performance

- New high-performance Nokian WR G3 SUV all-weather tyre for varied use on sports utility vehicles for the North American market.

RUSSIA

Comments on the current crisis

Politics

- Current crisis most difficult one since 1993. Back then it took the market less than two years to recover.

Market situation

- No major difficulties in doing business have emerged in Russia after the beginning of the crisis
- Weak GDP growth and new car sales penalize tyre sales
- Tyre sales shifting towards cheaper products penalizes ASP
- Weak RUB penalizes sales in Euros

Currency

- Recovery to EUR/RUB level of 40-44 possible. Requires right measures from the Central Bank.

Nokian Tyres' performance

- Sales volume and market share improved in Q1/2014 yoy
- Of the Russian production 55% is exported and the margin between production costs in Roubles and export sales in Euros has improved.

Worst case scenario (unlikely): Closing of the borders

- Nokian Tyres would double the production in Finland → would replace a half of current exports from Russia



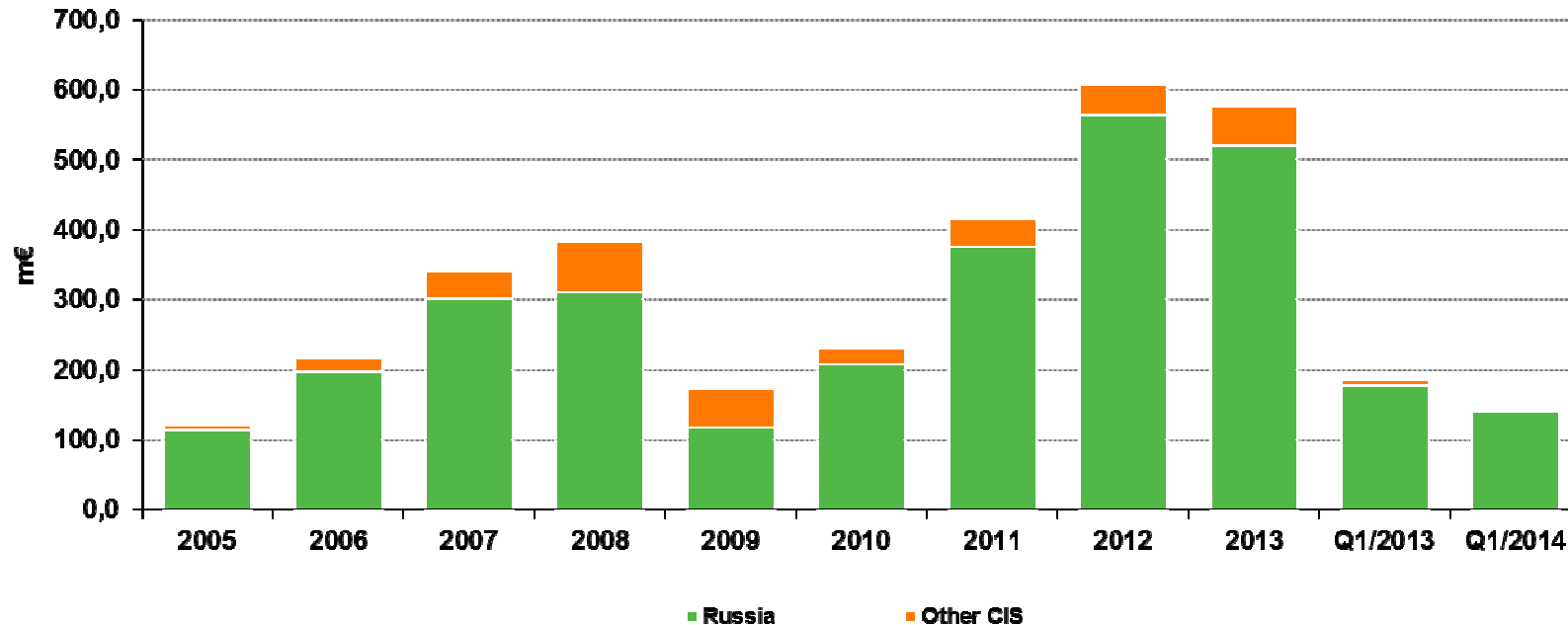
RUSSIA & CIS

Market share and sales volume up – ASP hit by devaluation

- Sales in Russia in Q1/2014 down by 20.2% to 140.7 m€ (176.3 m€)
 - Sales drop caused by a strong devaluation of RUB and a weaker mix
 - Nokian Tyres sales volume (pcs) in Russia increased
- Sales in CIS (excluding Russia) 2.0 m€ (10.0 m€), cut due to Ukraine-Crimea crisis
- Nokian Tyres: Higher market share, improved supply capacity, expanding distribution

→ 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, Vianors and other partners: 630 Vianor stores (+9 in Q1/2014) – in Russia 3,400 retail partner points of sale



- Distributors (38)
- DSD current cities (Moscow, SPb, Samara/Togliatti, Yekaterinburg, Chelyabinsk, N.Novgorod, Omsk, Rostov-on-Don, Perm, Ufa, Orenburg, Kazan, Voronezh, Tyumen, Volgograd, Novosibirsk)
- 630 Vianor stores in 367 cities; +9 stores in Q1/2014

Nokian dealership programs include 3,400 tyre stores and car dealers in Russia

Nokian Tyres' market position in Russia

- State-of-the-art and efficient factory in Russia
 - Close access to markets
 - Within customs zone. Import duty for tyres 18% (in 2013 and early 2014) will gradually decrease to 10% in 2017
 - 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 – 630 Vianor stores / 3,400 partner stores in Russia
- ***Nokian Tyres continues to strengthen its market leader position in Russia***

Nokian Tyres' factories in Russia

- 13 production lines → Annual capacity >15 million tyres with current shift arrangements
- State-of-the art machinery, high automation level and European quality standards
- Vsevolozhsk factories export approximately 55% of its production to over 40 countries:
Biggest consumer goods exporter in Russia
- Housing project, Hakkapeliitta Village – 343 flats for employees commenced
- Number of personnel in Russia on 31 March 2014: 1,345 (1,269)
- CAPEX by end 2013: 796 m€



- 7 buildings with 7 floors
- 19 400 m², 343 apartments
- 2 kindergartens



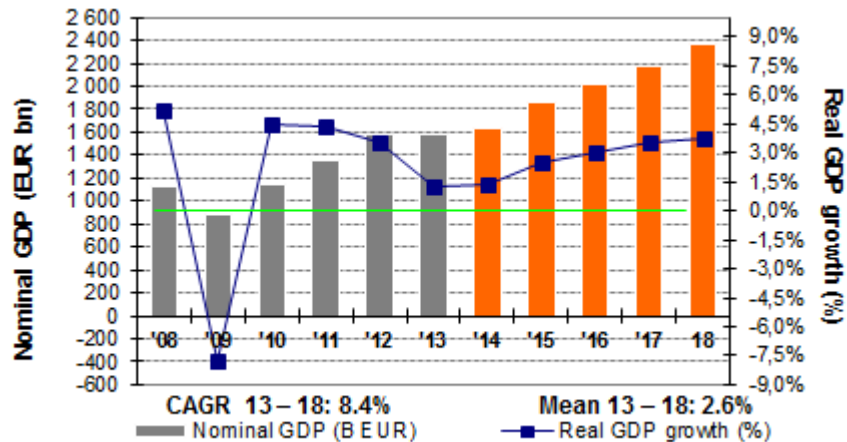
- ★ First 4 buildings (phase I)
- ★ 3 new buildings (phase II)



RUSSIA

Russia's economy growth clearly slowed down

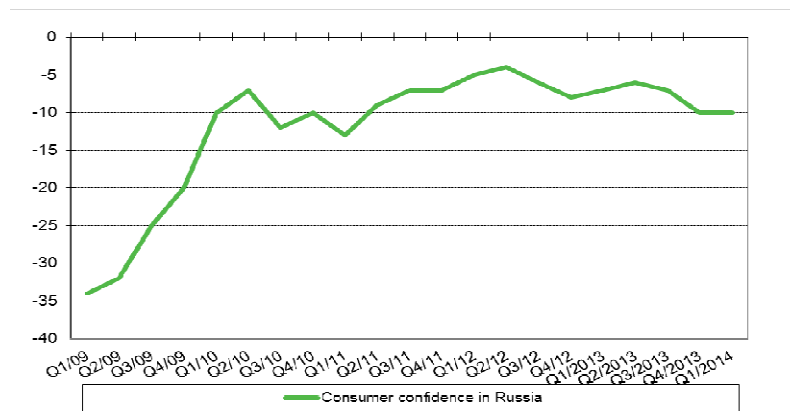
Russia's GDP growth



Major trends and expectations

- After a severe crisis of 2008-2009, Russia's economy grew by ~4% a year in 2010-2012
- In 2013 the economy clearly slowed down: the real GDP growth in 2013 was a modest 1.3%, reflecting weaker investment and consumer consumption
- The growth is expected to remain sluggish (in the range 0 – 1%) in 2014 driven by both fundamental and short-term factors such as the Ukraine crisis and the US and EU sanctions against Russia
- Overall growth trend is likely to resume once the current crisis in Russia's relations with the West is overcome and both foreign and domestic investors' confidence is restored
- Consumer confidence slightly declined in late 2013 and stabilized in Q1 2014; consumer spending and retail sales remain sluggish (nominal growth of 3 – 4%)
- The recent sharp devaluation of the ruble (~25% in a year against the EUR) was first driven by the overall trend in emerging markets' currencies and then reinforced by the Ukrainian crisis and consequent sale of Russian assets and capital flight from Russia; forecasts of further exchange rate development vary from predictions of continued devaluation of the ruble to expectations of its strengthening back to the 2013 levels; now the EUR/RUB rate has stabilized at the level of 48 – 50.

Consumer confidence in Russia



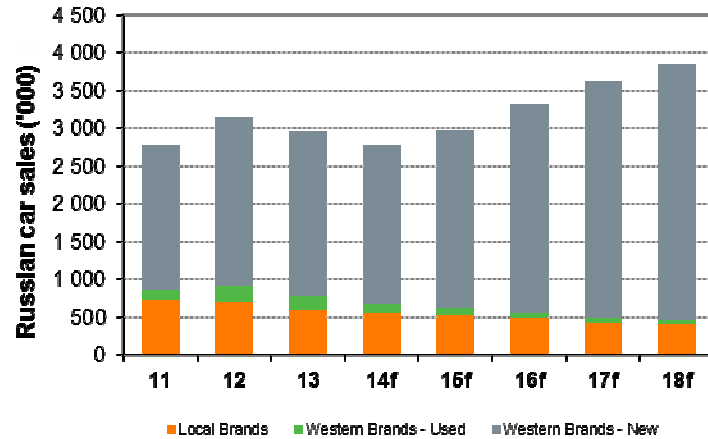
Source: Rosstat; Ministry for Economic Development; EIU; Nokian Tyres estimates



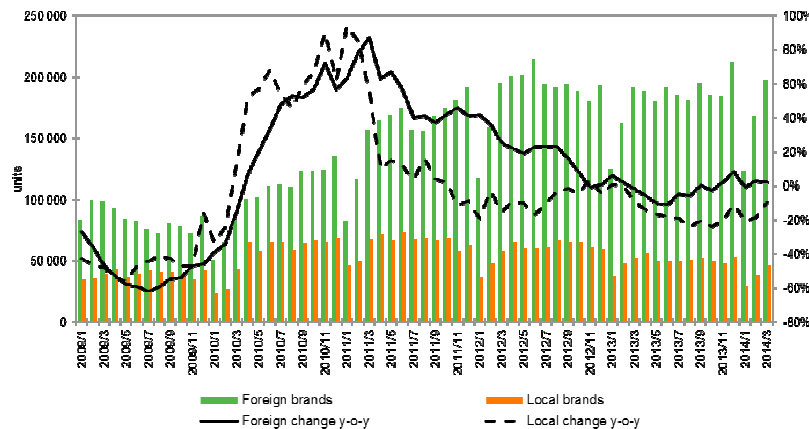
RUSSIA

Car sales remain sluggish until a turnaround in the economy

Russian car sales forecast – base scenario



Monthly car sales



Source: AEB; IHS Global Insight; Nokian Tyres estimates Apr 2014

Car market summary

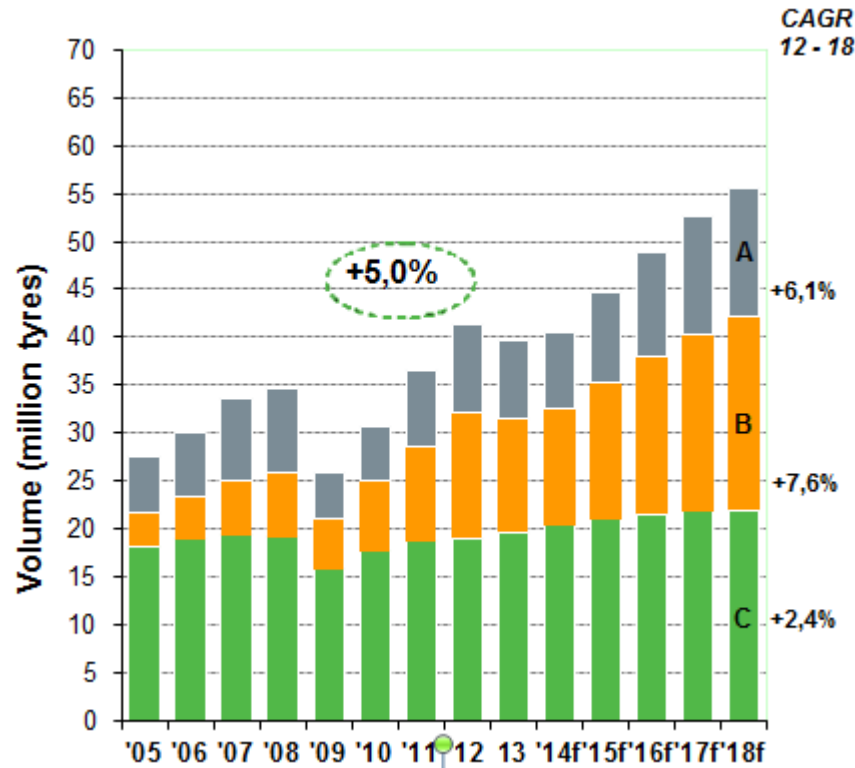
- The 11% growth in the new car sales in 2012 turned into a 5% decline in 2013
- As the result, the Russian new car and LCV market reached 2.78 million units sold in 2013
- Year 2014 started quite slowly with the cumulative sales for three months (Jan – Mar) showing a decline of 2% (Mar 2014 was flat vs. Mar 2013)
- The first cautious signs of market improvement in late 2013 were replaced by the renewed negative dynamics caused by the general weakening of the economy and consumer confidence; the ruble devaluation has supported car sales in Feb - Mar 2014 on the back of consumer concerns about devaluation and resulting increases in car prices; further development will depend on the overall situation
- For 2014 the optimistic forecast is the same result as in 2013, whereas many experts expect some decline (5 – 7%) as more realistic; growth is unlikely at this point
- However, this slowdown of the car market is seen as a temporary phase caused by external factors, 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



RUSSIA

Growth of tyre market slowed down, but potential still exists

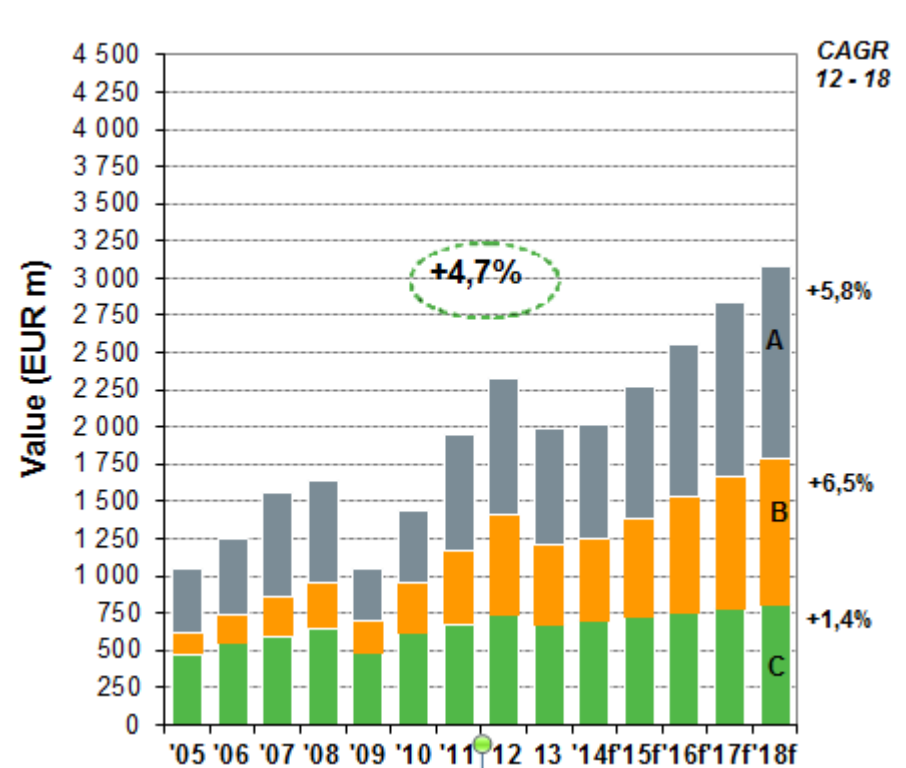
Car and van tyre replacement market (volume)



Note: Tyre market volume for 2014 based on assumed optimistic car tyre market development (same level as in 2013, i.e. ~2.8 mln cars)

Source: Nokian Tyres estimates Apr 2014

Car and van tyre replacement market (value)



Note: market value estimated at a constant exchange rate EUR/RUB 44

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

PROFIT CENTRES 1-3/2014

Vianor: Network of shops expands

Performance in Q1/2014

- + 1,235 stores in 27 countries; +29 stores in Q1/2014
- + Strategic tasks to expand distribution and set market prices for Nokian products succeeded
- + 50 car service operations acquired and integrated to existing Vianor stores by the end of Q1/2014
- + Service revenues increased by 36%
- EBIT negative due to seasonality

Key actions and targets for 2014

- Improve tyre sales and market shares
- Increase sales of car services, tyre hotels and other services
- Optimize seasonal sales
- Continue to expand the network and the number of partners
 - Target: 1,340 stores by the end of 2014

→ Cement and improve market leader position as a distributor in Nokian Tyres' core markets

Equity-owned Vianor (186 stores)

Net sales:

Q1/2014: 49.5 m€ (43.7 m€); +13.4%

EBIT:

Q1/2014: -12.0 m€ (-15.9 m€); +24.7%

EBIT margin:

Q1/2014: +1.3% (-3.1%)



Vianor Jihlava, Czech



EXPANSION OF DISTRIBUTION CHANNEL 1-3/2014

Vianor: Foothold on core markets strengthening, +29 stores

NAD: New soft franchise launch, +104 stores

Vianor – 1,235 stores in 27 countries

- +29 in Q1/2014
- 186 equity-owned, 1,049 franchising/partners
- **Largest tyre chain in Nordic and Baltic countries:** 306 stores (+9 in Q1/2014)
- **Largest tyre chain in Russia and CIS:** 630 stores (+9 in Q1/2014) in 367 cities
- **Expansion to Central Europe:** 246 stores (+8 in Q1/2014)

Vianor stores by segment

- Car tyres: over 1,100 stores
- Heavy tyres: about 270 stores
- Truck tyres: about 330 stores

Target 2014 → over 1,340 Vianor stores

Nokian Tyres Authorized Dealers (NAD)

- Q1/2014: +104 stores
- 536 stores in Italy, Germany, China, Bulgaria, Ukraine and Denmark
- Estimate by end of 2014: 900 stores

Vianor – Distribution spearhead for all product groups

NAD – Nokian Tyres Authorized Dealer





NOKIAN TYRES GOING FORWARD

Investment for growth and productivity

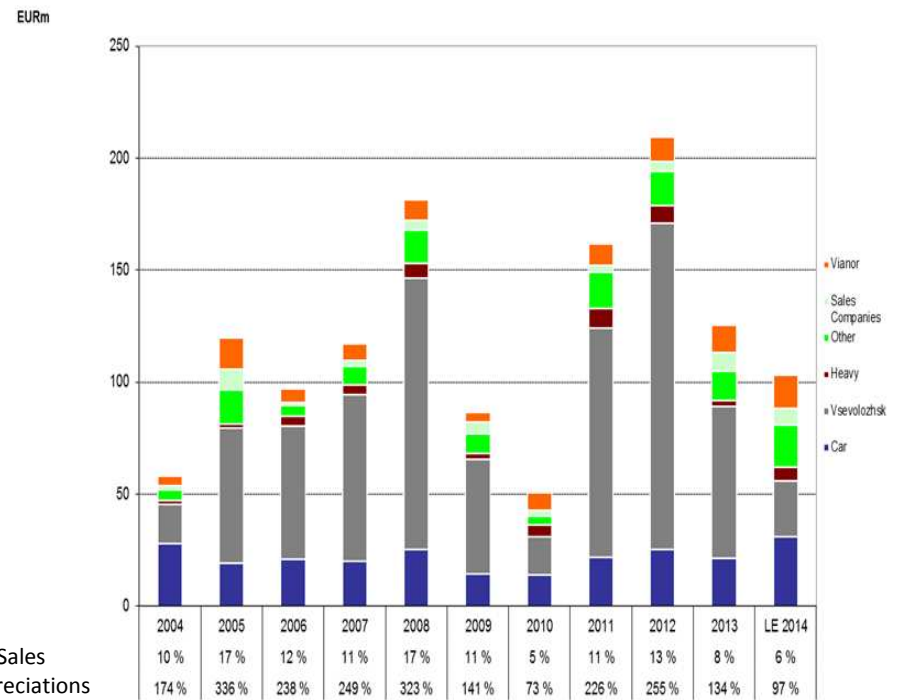
Investments in Q1/2014

- 17.1 m€ (47.6 m€)

Estimated investment for 2014

- Approximately 103 m€
 - Russia: 25 m€
 - Nokia plant 51 m€ (automation & moulds & ICT & R&D)
 - Heavy Tyres 6 m€
 - Sales companies and Vianor 17 m€
 - Tyre chain acquisitions 5 m€

Nokian Tyres Capital expenditures (m€)



PRODUCTION PLANTS

Production capacity in 2014: 18 million tyres

Potential to increase output to over 20 million tyres in existing factories



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

2012-2013:

- Car tyres 5-day shift system
- Temporary production cuts



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
- Own electricity generation

2013:

- Line 12 on stream in March 2013
- Line 13 installation in Q2/2013

NOKIAN TYRES GOING FORWARD

Outlook 2014: Market position to improve, sales value to decline

Assumptions

- Core markets growing slowly
 - GDP growth 2014 in Russia 0-1%, Nordics 2%
 - New car sales growth in CE and Nordic countries
 - New car sales at best flat in Russia
 - RUB weak against EUR
- Price pressure and sales shift from A to B segment in Russia shadow ASP development
- Raw material cost (€/kg) to decline
 - Cost to decrease by 14.6% in Q2/2014 vs. Q2/2013
 - Cost to decrease by 12.5% in 2014 vs. 2013
- Passenger car tyre markets
 - Demand in Nordic countries to grow 2-4%
 - Demand in CE countries to grow 5-8%
 - Demand in Russia & CIS to be at best flat
 - Demand improving for winter tyres long term; legislation in Europe, Russia & CIS
- Heavy tyre market demand
 - Demand to improve in Nokian core product groups
- Nokian Tyres financial position remains solid
 - Equity ratio 66.8% at the end of Q1/2014
 - Undrawn facilities available
 - Convertible bond 150 m€ due June 2014

Outlook 2014

- Car tyre demand: growth in Nordics, CE and North America, Russia at best flat
- Nokian Tyres' sales volume to grow and position to improve in all key markets
- Net sales to decrease due to currency devaluations and weaker mix in Russia and CIS
- Improved margins of Russian exports due to weak RUB
- Pricing environment 2014 tight for all tyre categories
- Raw material cost (€/kg) -12.5% full year 2014, tailwind of 50 m€ vs. 2013
- Profitability supported by improved cost structure and productivity on the back of high share of Russian production

Year 2014 guidance

- In 2014, Net sales and Operating profit are to decline compared to 2013.

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TYRES

Thank you!

