

nokian
TYRES

**Economic situation in Russia and CIS impacts results
- performance in western markets improved**

Nordic Focus Session

25 November 2014



*Mr. Ari Lehtoranta
President and CEO*



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2. **Nokian Tyres financial performance**
3. **Business units (incl. Russian operations)**
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Car tyres

Headwind in Russia and CIS, markets turned positive in the west

- Severe challenges in Russia/CIS economies
- Some recovery in global economy
- Economies in the Nordic countries relatively stable
- New car sales in Russia -13%, Europe +6%, Nordics +9% yoy
- Car tyre demand in Russia and CIS declined, but picked up in Europe by 5% yoy.
- Pricing in 2014 declining

Heavy tyres

Heavy tyres' markets recovering

- Demand of forestry and radial industrial tyres improved

Currencies

Russian Rouble weakened clearly against EUR

- RUB weakened from EUR/RUB 43.82 to 49.77 (end Q3/2013 vs. end Q3/2014)

NOKIAN TYRES' PERFORMANCE 1-9/2014

Sales and market position

Market share up in western markets

- + Car tyre sales volume (pcs) total stable, growth in western markets
- + Car tyres' market share improved in Nordics, CE and North America
- + Test success continued with summer and winter tyres
- Sales value down due to currency devaluations, weaker mix and price changes

Profitability

Currencies and mix hurt sales and ASP, tailwind from raw material cost

- + Raw material cost down 13.9% in 1-9/2014 yoy
- + Winter tyres' share of sales volume 80%
- + Fixed costs decreased yoy
- Russia & CIS sales down, share of total 37% → 27%
- Average Selling Price (€/kg) decreased due to currency devaluations, weaker mix and tight pricing environment

Production

Capacity to meet future market growth

- + Annualized capacity over 20 million tyres, with shift arrangements. Potential to increase further by 1.5 mpcs in existing factories
- + Car tyre production volume up 6%, productivity (kg/mh) improved by 4% yoy

Distribution

Vianor expanding as planned, new partner concepts booming

- + Vianor expanded to 1,302 stores in 27 countries; +96 stores in 1-9/2014
- + 3,600 tyre stores in Nokian dealership programs in Russia
- + Nokian Tyres Authorized Dealer (NAD) +341 stores in 1-9/2014. Network comprises of 773 stores in 9 Central European countries and China



GENERAL OVERVIEW 1-9/2014

*Economic situation in Russia and CIS impacts results
- performance in western markets improved*

Key figures, EUR million:

	7-9/14	7-9/13	Change%	1-9/14	1-9/13	Change%	2013
Net sales	327.7	357.0	-8.2	1,009.2	1,109.1	-9.0	1,521.0
Operating profit	72.1	95.7	-24.6	231.2	292.2	-20.9	385.5
Operating profit %	22.0	26.8		22.9	26.3		25.3
Profit before tax	61.7	83.4	-26.1	196.2	255.1	-23.1	312.8
Profit for the period	53.4	70.9	-24.6	158.3	220.1	-28.1	183.7
Earnings per share, EUR	0.40	0.53	-24.1	1.19	1.66	-28.5	1.39
Equity ratio, %				63.3	65.6		67.6
Cash flow from operations	-95.3	-94.3	-1.1	-120.8	-190.2	36.5	325.6
RONA, % (roll. 12 months)				18.1	21.6		20.2
Gearing, %				27.7	28.9		-4.1

Summary 1-9/2014

- Sales and ASP hit by Russian and CIS sales volume, currency rate effects and mix; partially compensated through good development in other markets
- Profitable business supported by raw material cost, productivity and fixed cost development
- Cash flow improved → strong full year Cash flow estimated
- Competitiveness improved through expanding distribution and product range



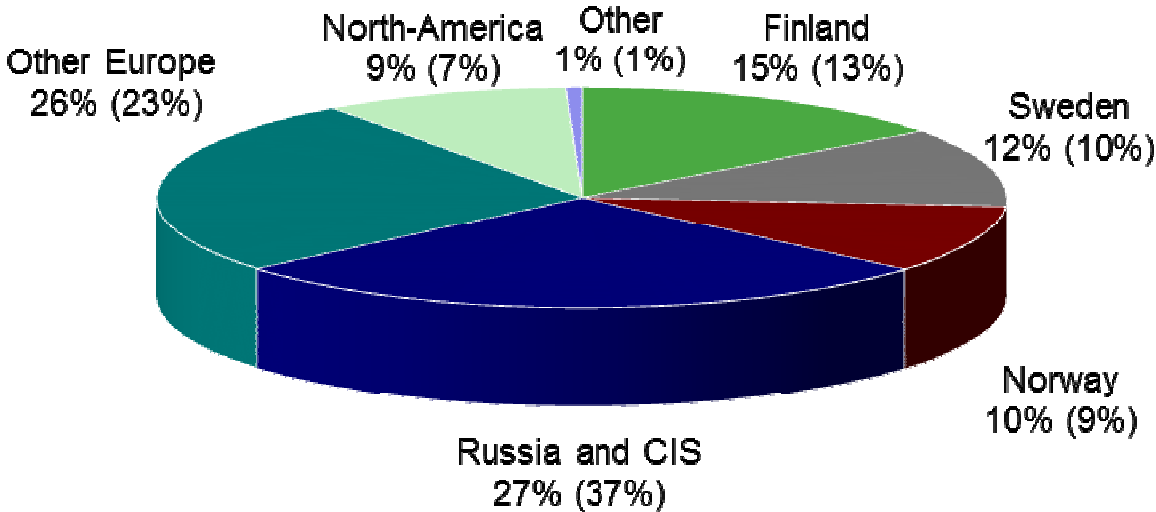
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GROSS SALES BY MARKET AREA 1-9/2014



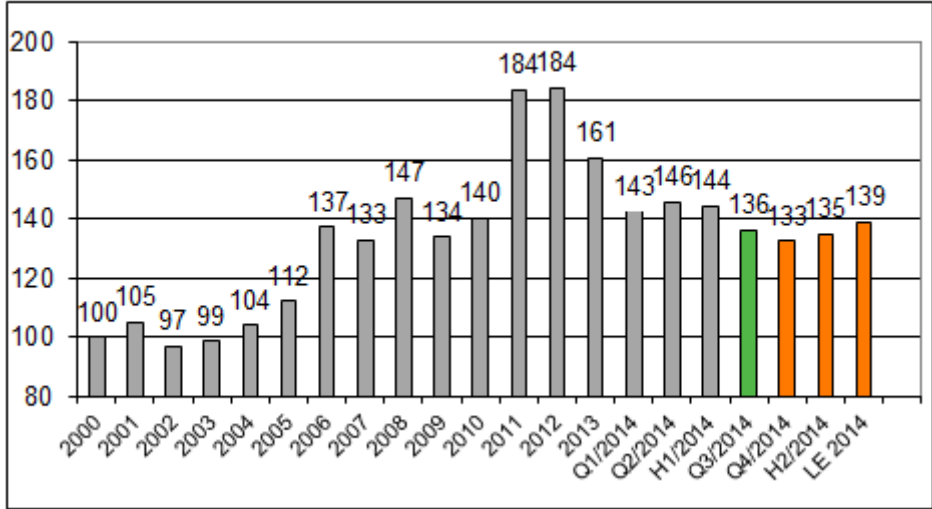
GROUP
Sales development in euros

■ Nordic countries	+1.1%
■ Russia and CIS	-33.5%
■ Other Europe	+2.6%
■ North America	+20.2%

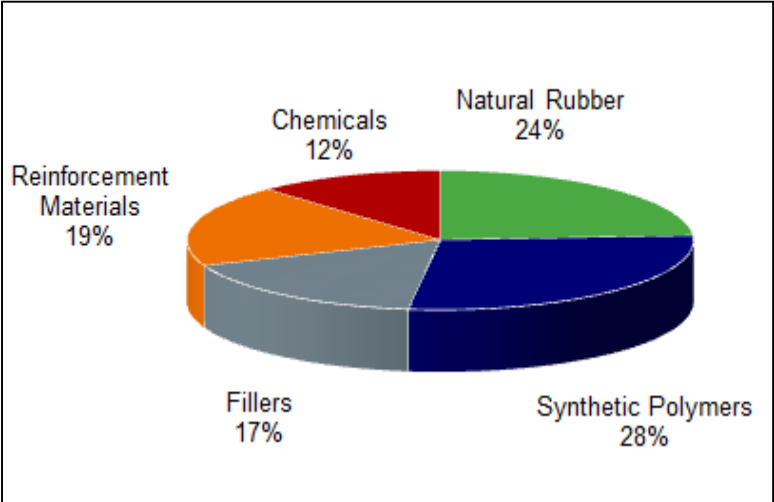


RAW MATERIAL COST DEVELOPMENT

Raw material cost development index 2000-E2014



Value of raw material consumption (%)



Nokian Tyres raw material cost (€/kg)

- **Raw material cost**
 - decreased by 13.9% in 1-9/2014 vs. 1-9/2013
 - decreased by 10.3% in Q3/2014 vs. Q3/2013
 - decreased by 6.7% in Q3/2014 vs. Q2/2014
- **Raw material cost is estimated to**
 - decrease by 2% in Q4/2014 vs. Q3/2014
 - decrease by 10% in H2/2014 vs. H2/2013
 - decrease by 13% in 2014 vs. 2013

Tailwind over 40 m€ in 1-9/2014 vs. 1-9/2013

Estimated tailwind 50 m€ in 2014 vs. 2013

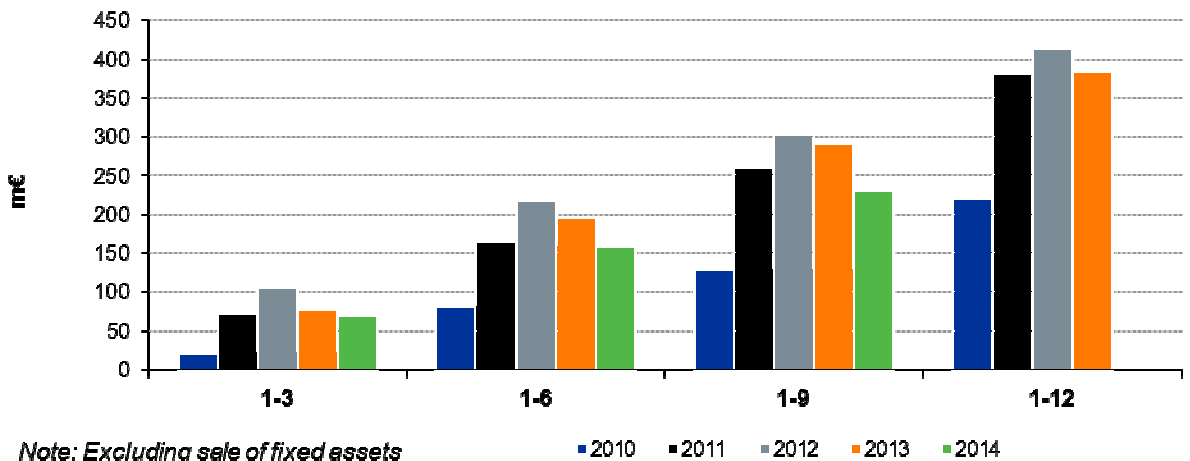


GROUP OPERATING PROFIT PER QUARTER 1/2010 - 9/2014

1-9/2014
 Net sales 1,009.2 m€
 (1,109.1 m€), -9.0%

EBIT 231.2 m€
 (292.2 m€), -20.9%

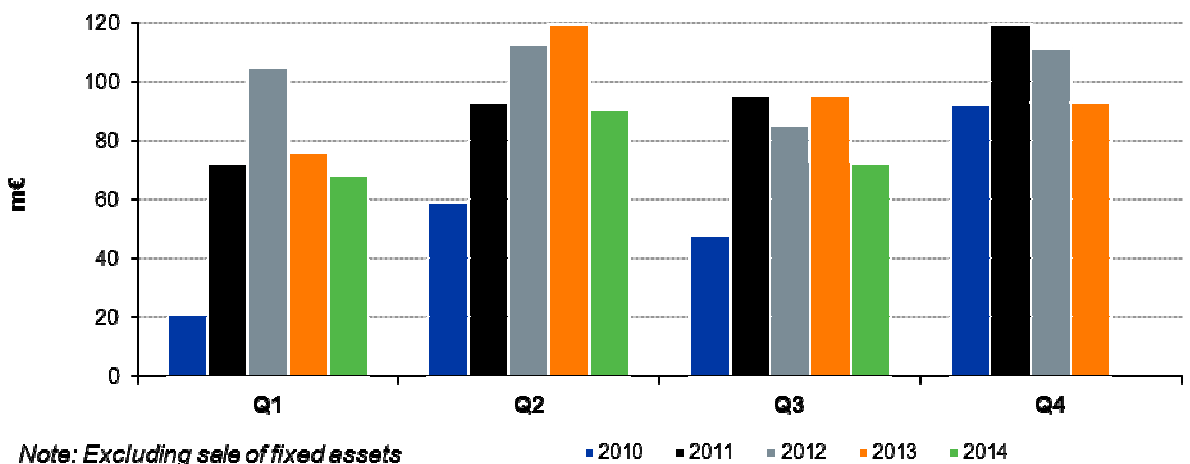
Cumulative Operating profit per review period (m€)



7-9/2014
 Net sales 327.7 m€
 (357.0 m€), -8.2%

EBIT 72.1 m€
 (95.7 m€), -24.6%

Group Operating profit per quarter (m€)





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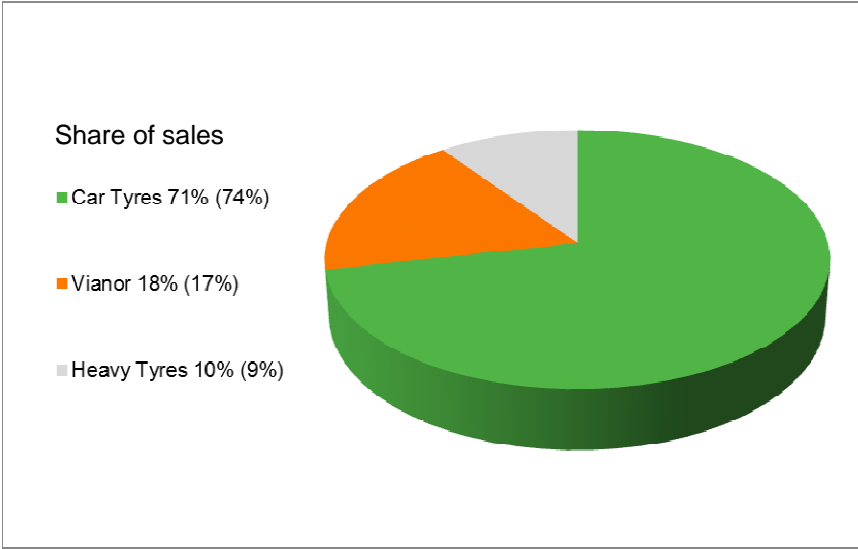
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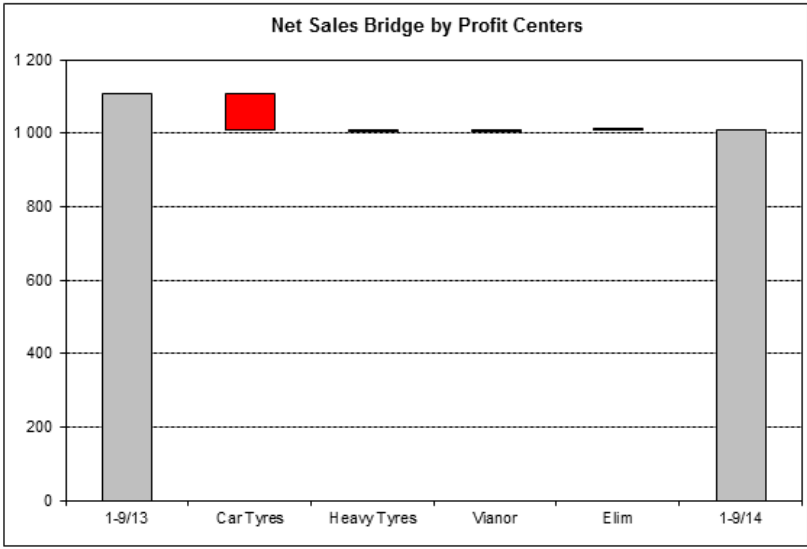


BUSINESS UNITS 1-9/2014

Net sales 1,009.2 m€; -9.0%



EBIT 231.2 m€; -20.9%



Passenger Car Tyres

- Net sales: 765.3 m€; -11.6%
- EBIT: 236.8 m€; -21.9%
- EBIT margin: 30.9% (35.0%)
- Key products: studded and non-studded winter tyres, high-speed summer tyres

Vianor

- Net sales: 197.3 m€; +1.0%
- EBIT: -11.1 m€; +24.3%
- EBIT margin: -5.6% (-7.5%)
- 1,302 stores in 27 countries in Nokian Tyres' core markets
- 189 equity-owned stores consolidated in result

Heavy Tyres

- Net sales: 108.1 m€; -1.5%
- EBIT: 16.8 m€; +13.6%
- EBIT margin: 15.6% (13.5%)
- Key products: tyres for forestry, industrial and agricultural machinery; truck tyres and retreading materials



CAR TYRES

Currencies and mix hurt sales and ASP, sales and market shares up in western markets

Performance in 1-9/2014

- + Western markets: Sales volume and market shares up
- + Magazine test success continued with summer and winter 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 decreased due to currency devaluations, weaker mix and tight pricing environment

Net sales:

1-9/2014: 765.3 m€ (865.4 m€); -11.6%
 7-9/2014: 244.7 m€ (273.8 m€); -10.6%

EBIT:

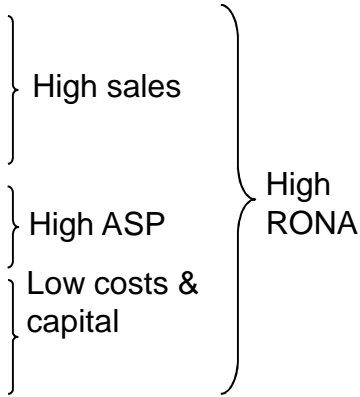
1-9/2014: 236.8 m€ (303.3 m€); -21.9%
 7-9/2014: 73.3 m€ (96.3 m€); -23.9%

EBIT margin:

1-9/2014: 30.9% (35.0%)
 7-9/2014: 30.0% (35.2%)

Key actions and targets

- Sales growth in the west to compensate for most of the decline in Russia and CIS
- Expand distribution, special focus CE
- Secure delivery capability for the winter season
- Defend sales mix & improve service level
- Defend brand and price position with new products
- Improve productivity and utilization of capacities
- Secure collection of receivables
- Cut fixed costs, cut capex, improve NWC rotation



Nokian Hakkapeliitta 8

MAGAZINE TESTS 2014

Test success continues – both in winter and in summer

WINTER TYRES, autumn 2014 – OVER 30 TEST VICTORIES

Nokian Hakkapeliitta 8 – Multiple test winner

- Studded winter tyre family for core markets

Nokian Hakkapeliitta R2 – Northern Comfort

- Non-studded winter tyre family for core markets

New Nokian Hakkapeliitta 8 SUV and Hakkapeliitta R2 SUV

- SUV-winter tyre families for core markets

Nokian WR D3 – Forget the Forecasts

- Reliable winter tyre for Central Europe

New Nokian WR SUV 3 – Ultimate snow and slush performance

- New high-performance SUV tyre for Central European winter

SUMMER TYRES, spring 2014 – SEVERAL TEST VICTORIES

Nokian Hakka Blue – Multiple test winner

- Summer tyre family for core markets

Nokian Hakka Green – Naturally safe

- Summer tyre family for core markets

Nokian Line – Multiple test winner

- Summer tyre family for Central European markets

Nokian Z SUV – Durable champion of extreme conditions

- High-performance SUV tyre for Central European summer



Nokian Hakkapeliitta 8: Superior test winner in Nordic countries and Russia

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



Nokian Line – Multiple test winner



NEW WINTER PRODUCTS IN 2014

Grip like never before



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

- The most modern stud technology (Nokian Eco Stud 8 Concept) in the business provides grip like never before on ice and snow.

Nokian Hakkapeliitta C3 – Winter grip and efficiency for professionals

- The new Nokian Hakkapeliitta C3 studded tyre makes life easier for heavy duty professionals.

Nokian Hakkapeliitta CR3 – Driving comfort for demanding professional use

- The new Nordic non-studded winter tyre is developed for versatile use on delivery vehicles and vans.

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.



New Nokian Hakkapeliitta 8 SUV



Nokian Hakkapeliitta CR3



Nokian Hakka Black SUV – Tough cool performer

- Steers logically, quickly and responsively at high speeds. Combines safety under extreme conditions, comfort, and durability.

Nokian Hakka Blue SUV – Tough wet performer

- Driving comfort, safety and durability like never before for versatile use on SUVs

Nokian zLine SUV – Cool performance for the Central European autobahns

- Precise handling, extreme durability and perfect driving pleasure.

Nokian Line SUV – Driving comfort and versatile safety

- Pleasant comfort, high performance and firm wet grip

Nokian Rotiiva HT – Reliable performer

- The Nokian Rotiiva HT, designed for heavy SUV-type 4x4 vehicles and pickups is a durable and reliable performer on asphalt and gravel alike

Nokian summer tyres – Testing at the extremes <http://youtu.be/6kT0wLEOxY4>



More durability. Nokian Aramid Sidewall Technology



New Nokian Line SUV



RUSSIA & CIS

Growth stalled, improving position

Slower growth in Russian economy and car sales

- GDP 2014 estimation: ~0%.
- Car sales 2014: decrease of 15-17%
- RUB strong devaluation against EUR during 2014
- Interest rates for car loans have been high in 2014

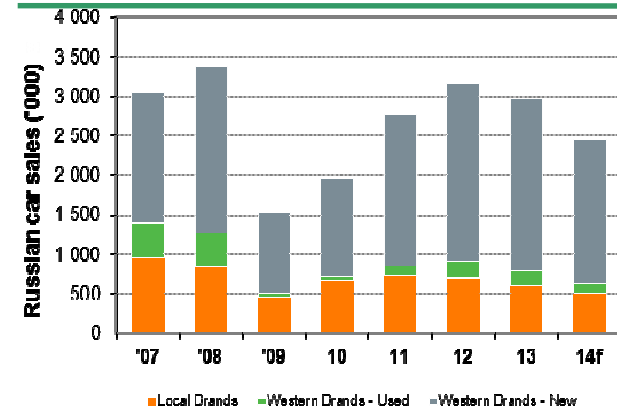
Tyre demand growing in the long term

- Growing car sales to increase demand for winter tyres
- Replacement market growing with expanding car park

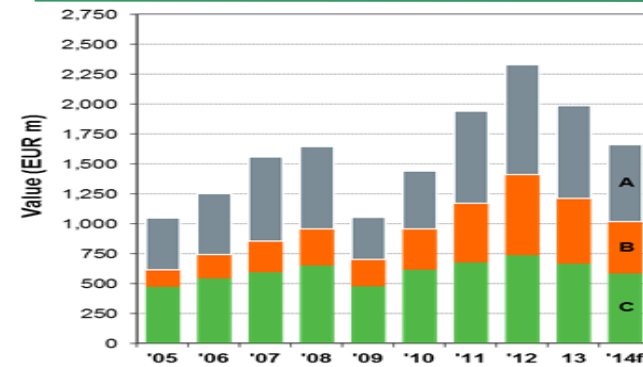
Nokian Tyres' sales in Russia and CIS

- Tyre market to fall by 5-10% in 2014
- Nokian sales to decrease in 2014 due to volumes, devaluation and weaker mix
- Market leadership in premium and medium segments with Nokian and Nordman brands intact
- Great potential to be capitalized in tyre sales during the next period of economy growth

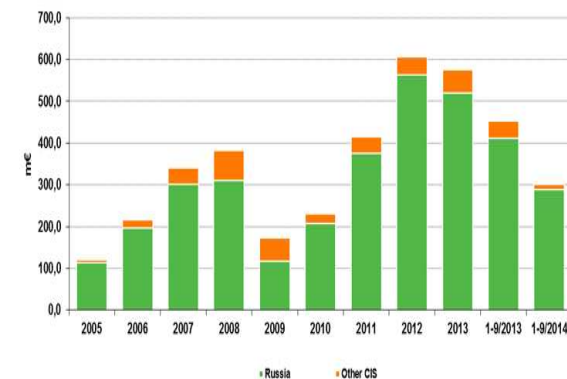
New car sales in Russia



Tyre sales in replacement market in Russia



Nokian Tyres' car tyre sales in Russia & CIS



Nokian Tyres' market position in Russia

- State-of-the-art and efficient factory in Russia
 - Close access to markets
 - Within customs zone. Current import duty for tyres 16%, will gradually decrease to 10% in 2017
- Clear market and price leader in core product categories
- Widely recognised and strong brands – 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 – 651 Vianor stores / 3,600 partner stores in Russia

Nokian Tyres' factory 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 factory export approximately 60% of its production to over 40 countries:
Biggest consumer goods exporter in Russia
- Housing project, Hakkapeliitta Village – 343 flats for employees completed
- Number of personnel in Russia on 30 September 2014: 1,338 (1,344)
- Cumulative CAPEX over 800 m€



HEAVY TYRES

Recovering forestry tyre demand

Performance in 1-9/2014

- + Special heavy tyre sales up 2% with Forestry tyres up 17% yoy, healthy order book
- + Lower raw material cost supported margins
- + Structural changes in manufacturing improved product quality, flexibility and productivity
- Production ramp-up still insufficient to meet growth in demand
- ASP decreased due to tight pricing environment
- Truck tyre sales decreased 7.5% yoy

Key actions and targets

- Maximize production output
- Increase sales, especially in forestry, radial and truck winter tyres
- Improve sales mix and share of replacement market sales
- Expand the distribution network, especially in Russia and CIS
- Launch new forestry and radial products
- Utilize new & retreaded truck tyres as a sales concept
- Optimize off-take contract manufacturing
- Utilize synergies from the integrated new division

Net sales:

1-9/2014: 108.1 m€ (109.8 m€); -1.5%

7-9/2014: 36.9 m€ (39.9 m€); -7.6%

EBIT:

1-9/2014: 16.8 m€ (14.8 m€); 13.6%

7-9/2014: 6.9 m€ (6.2 m€); 11.8%

EBIT margin:

1-9/2014: 15.6% (13.5%)

7-9/2014: 18.8% (15.5%)



Nokian Forest King F

Nokian Hakkapeliitta TRI**– The world's first winter contracting tyre for tractors**

- Nokian Hakkapeliitta TRI introduces totally new technologies and user benefits to the market of winter contracting and snow clearing.
- Revolutionary tread design, tread block siping with siping activators and specially designed winter tread compound ensure that the user has superior traction and the best possible handling without compromising the economy of use.

**Nokian Hakkapeliitta Truck D****– Superior grip and stability in the long haul**

- A durable and stable winter traction tyre for long-haul freight and bus traffic.
- Reliable grip and economic driving in demanding winter conditions.
- Patented twin-block pattern ensures optimal grip and precise driving response even under extreme conditions.





VIANOR

EBIT improved, service sales up, network of shops expands

Performance in 1-9/2014

- + 1,302 stores in 27 countries; +96 stores in 1-9/2014
- + Strategic tasks to expand distribution succeeded
- + 56 car service operations acquired and integrated to existing Vianor stores by the end of Q3/2014
- + Service revenues increased by 6%, car services +24%
- ± Improved EBIT as planned, but negative due to seasonality

Key actions and targets

- 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 Vianor stores by end 2014
 - Target: 900 NAD stores by end 2014

Equity-owned Vianor (189 stores)

Net sales:

1-9/2014: 197.3 m€ (195.3 m€); 1.0%

7-9/2014: 66.7 m€ (65.3 m€); 2.3%

EBIT:

1-9/2014: -11.1 m€ (-14.6 m€); 24.3%

7-9/2014: -4.1 m€ (-4.7 m€); 12.6%

EBIT margin:

1-9/2014: -5.6% (-7.5%)

7-9/2014: -6.2% (-7.2%)



Vianor Jihlava, Czech



EXPANSION OF DISTRIBUTION CHANNEL 1-9/2014

Vianor: Foothold on core markets strengthening, +96 stores

NAD: New soft franchise launch, +341 stores

Vianor – 1,302 stores in 27 countries

- 96 new stores in 1-9/2014; +42 Q3/2014
- 189 equity-owned, 1,113 franchising/partners
- Largest tyre chain in Nordic and Baltic countries: 319 stores (+22 in 1-9/2014)
- Largest tyre chain in Russia and CIS: 651 stores (+20 in 1-9/2014) in 371 cities
- Expansion to Central Europe: 273 stores (+35 in 1-9/2014)

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)

- 1-9/2014: +341 stores
- 773 stores in 9 Central European countries and China
- Estimate by end of 2014: 900 stores

Vianor – Distribution spearhead for all product groups

NAD – Nokian Tyres Authorized Dealer



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INVESTMENTS

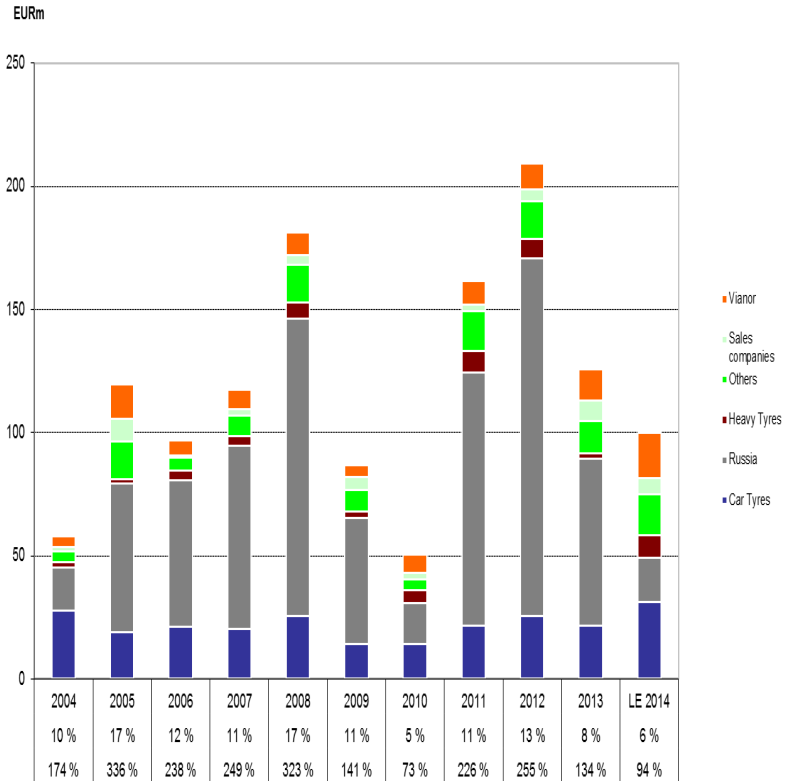
Investments in 1-9/2014

- 59.1 m€ (104.8 m€)

Estimated investments for 2014

- Approximately 100 m€
 - Russia: 20 m€
 - Nokia plant 45 m€ (automation, moulds, ICT & R&D)
 - Heavy Tyres 9 m€
 - Sales companies and Vianor 14 m€
 - Tyre chain acquisitions 11 m€

Nokian Tyres Capital expenditures (m€)



PRODUCTION PLANTS

*Annualized production capacity >20 million tyres with shift arrangements.
Potential to increase further by 1.5 mpcs 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
- 2012-2014:**
- Car tyres 5-day shift system
 - Temporary production cuts
 - Modernization and ramp up of Heavy tyre production



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
- 2013-2014:**
- Line 12 on stream in March 2013
 - Line 13 installation in Q2/2013
 - 13 lines in production. Capacity > 15 Mpcs.

NOKIAN TYRES OUTLOOK 2014

Sales value to decline, market position to improve

Assumptions

- Core markets
 - New car sales growth in CE and Nordic countries
 - New car sales in Russia to decline 15-17%
 - Russia and CIS currencies weak against EUR
 - Price pressure and sales shift from A to B segment in Russia shadow ASP development
- Raw material cost (€/kg) to decrease 13% in 2014 vs. 2013
- Passenger car tyre markets
 - Demand in Nordic countries to be flat
 - Demand in CE countries to grow 5-8%
 - Demand in Russia & CIS to decline by 5-10%
- Heavy tyre market demand to improve in Nokian core product groups
- Nokian Tyres financial position remains solid

Outlook 2014

- Nokian Tyres' sales volume to grow and position to improve in western markets
- Pricing environment tight for all tyre categories
- Profitability supported by improved cost structure and productivity on the back of high share of Russian production

Year 2014 guidance (updated)

- In 2014, Net sales and Operating profit are to decline compared to 2013. Operating profit is estimated to be approximately EUR 300-320 million.



Thank you!