

Hakkapeliitta



1936 *75* 2011

nokian
HAKKAPELIITTA

**Nokian Tyres:
The strongest tyre manufacturer
in the Nordic countries and in Russia**

**Nordic consumer discretionary seminar
Swedbank**

New York, 29 September 2011

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

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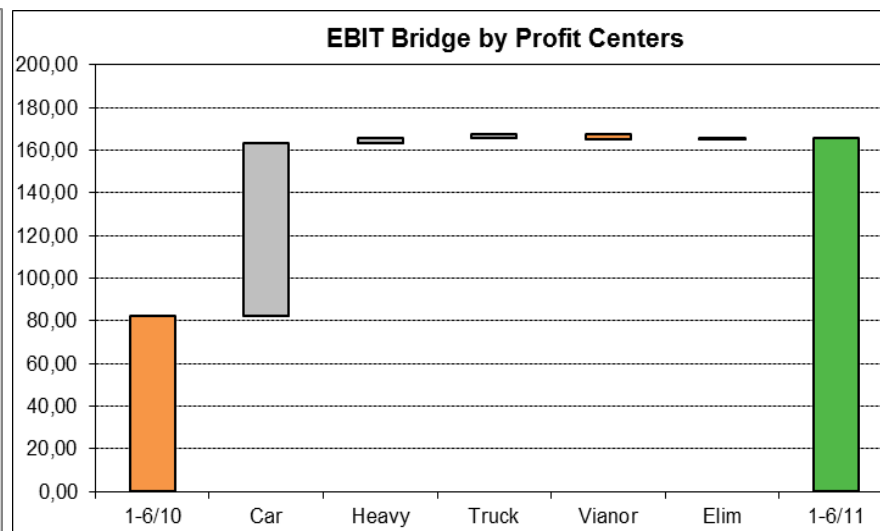
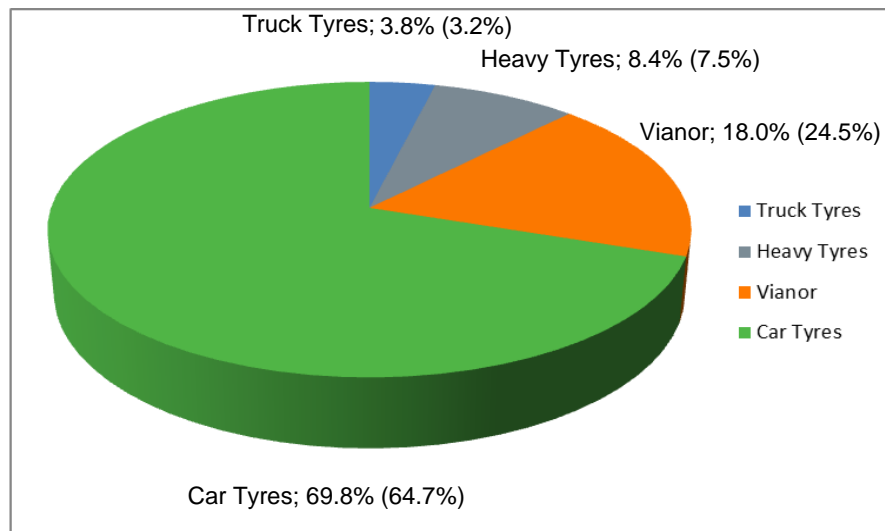


Nokian Tyres – new world record on ice 2011

STRONG H1 RESULTS – GOOD VISIBILITY IN 2011 *Strong order book and high demand continue*

Net sales 628.0 m€; +41.4%

EBIT 165.6 m€; +101.9%



Passenger Car Tyres

- **Net sales:** 468.5 m€; +47.0%
- **EBIT** 168.0 m€; +93.3%
- **EBIT margin:** 35.9% (27.3%)
- **Key products:** studded and non-studded winter tyres, high-speed summer tyres

Heavy Tyres

- **Net sales:** 56.7 m€; +52.8%
- **EBIT:** 10.0 m€; +29.6%
- **EBIT margin:** 17.7% (20.8%)
- **Key products:** tyres for forestry, industrial and agricultural machinery

Truck Tyres

- **Net sales:** 25.8 m€; +62,1%
- **Key products:** truck tyres and retreading materials

Vianor

- **Net sales:** 120.6 m€; -0.2%
- **EBIT:** -7.2 m€; -43.2%
- **EBIT margin:** -6.0% (-4.2%)
- 820 stores in 22 countries in Nokian Tyres' core markets

FINANCIAL PERFORMANCE

Group operating result per quarter 2007-2011

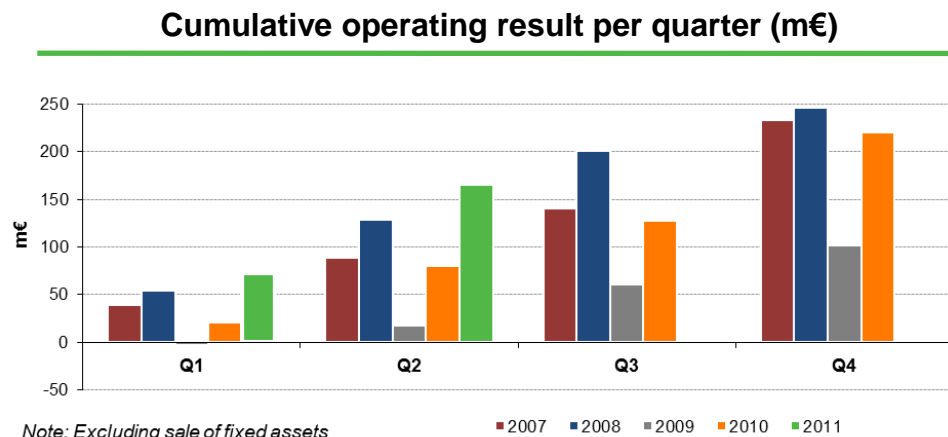
1-6/2011

Net sales 628.0 m€

(444.2 m€), +41.4%

EBIT 165.6 m€

(82.0 m€), +101.9%



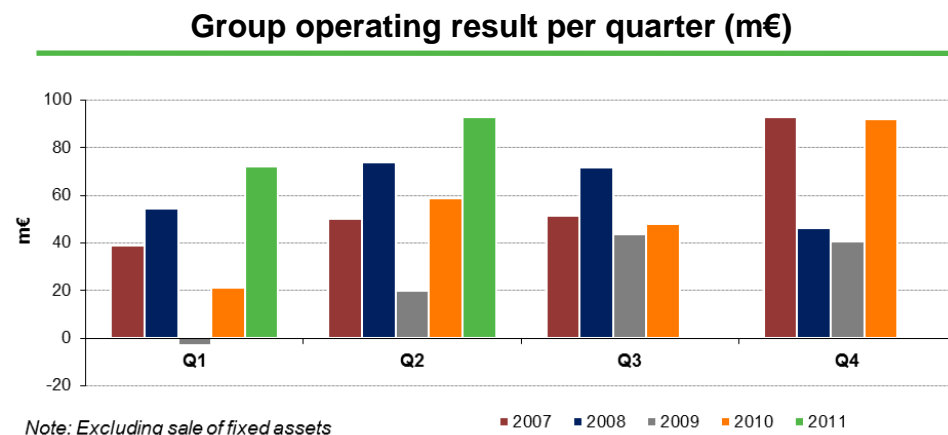
4-6/2011

Net sales 338.8 m€

(260.4 m€), +30.1%

EBIT 93.3 m€

(60.9 m€), +53.3%



■ **Profitability supported by:**

- Improved cost structure, higher sales volume, better mix and ASP
- Increasing share of Russian production → productivity up

■ **Year 2011 estimates:**

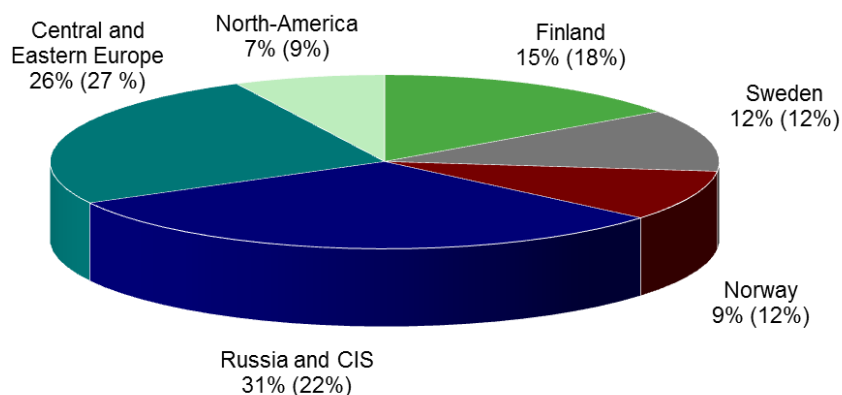
- The company is positioned to provide strong sales growth and to improve operating profit clearly compared to 2010

FINANCIAL PERFORMANCE

Gross sales by market area 1-6/2011

Growth targeted in Russia&CIS and Central Europe

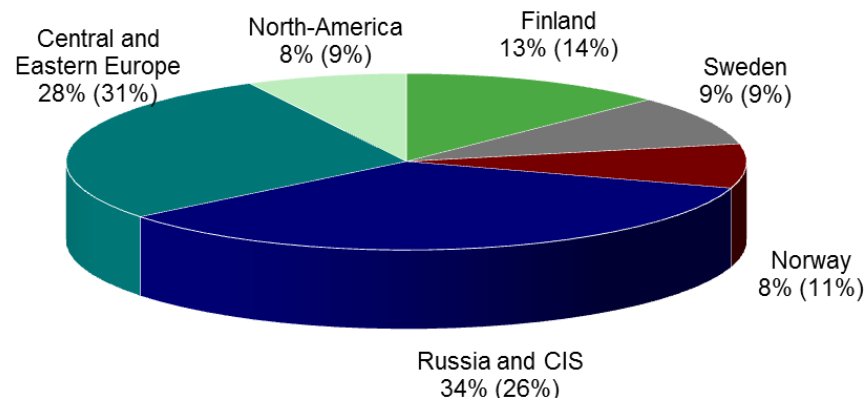
Sales of Nokian Tyres Group: 663.4 m€, +41.1%



GROUP Sales development in euros

■ Nordic countries	+22.6%
■ Russia and CIS	+102.0%
■ Central and Eastern Europe	+36.4%
■ North America	+13.7%

Sales of Manufacturing Units: 597.4 m€, +49.1%

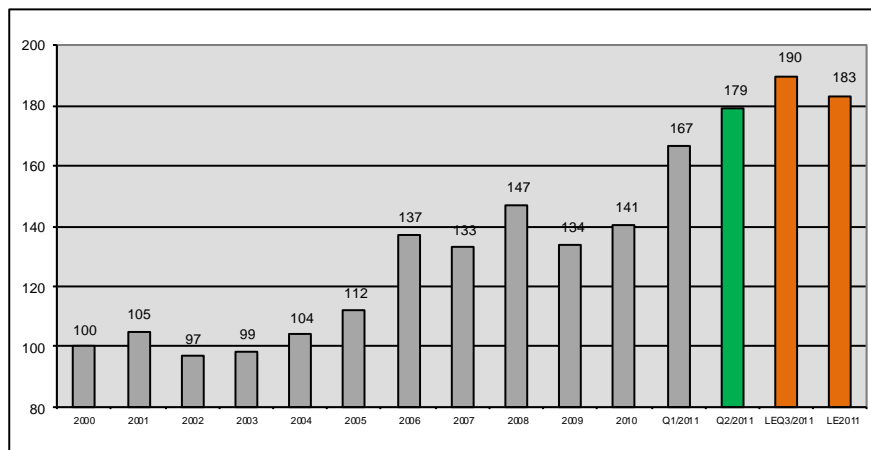


MANUFACTURING Sales development in euros

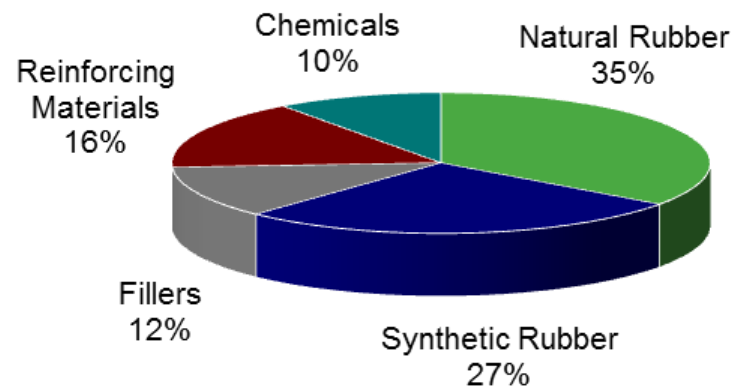
■ Nordic countries	+32.8%
■ Russia and CIS	+102.1%
■ Central and Eastern Europe	+36.9%
■ North America	+23.3%

Nokian Tyres is the price and market leader in Nordic region and Russia&CIS

Raw material cost development index 2000-E2011



Value of raw material consumption (%)



Nokian Tyres raw material cost (€/kg)

Raw material cost increased by

- 32.0% in Q2/2011 vs. Q2/2010
- 35.8% in H1/2011 vs. H1/2010
- 7.5% in Q2/2011 vs. Q1/2011

Raw material cost is estimated to increase by

- 6% in Q3/2011 vs. Q2/2011
- 27% in H2/2011 vs. H2/2010
- 30% in 2011 vs. 2010

In order to maintain material margin +9% in ASP required in 2011 vs. 2010

Good pricing discipline in tyre business continue. Nokian price increases stick as planned.

STATE-OF-THE-ART PRODUCTION

Full utilization - Capacity increases continue



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
- Approx. 150 new employees



Vsevolozhsk, Russia

- Production of the whole car tyre range
- State-of-the-Art production technology
- Low 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
- Approx. 200 new employees

2011:

- Lines 9 and 10 & new technology into use
- Approx. 200 new employees

**New factory next to the current one in 2012-2014:
5-6 million tyres annual capacity, a new agreement
for tax relieves and incentives successfully completed.**

EXPANDING DISTRIBUTION

Vianor 1-6/2011: Foothold on core markets strengthening

Vianor – 820 stores in 22 countries

- 28 new stores in Q2/2011, +49 in H1/2011
- 173 equity-owned, 647 franchising/partners
- Largest tyre chain in Nordic and Baltic countries:
236 stores (+3 in Q2/2011)
- Largest tyre chain in Russia and CIS:
450 stores (+12) in 277 cities
- Expansion to Central Europe gained momentum:
121 stores (+10)

Vianor stores by segment:

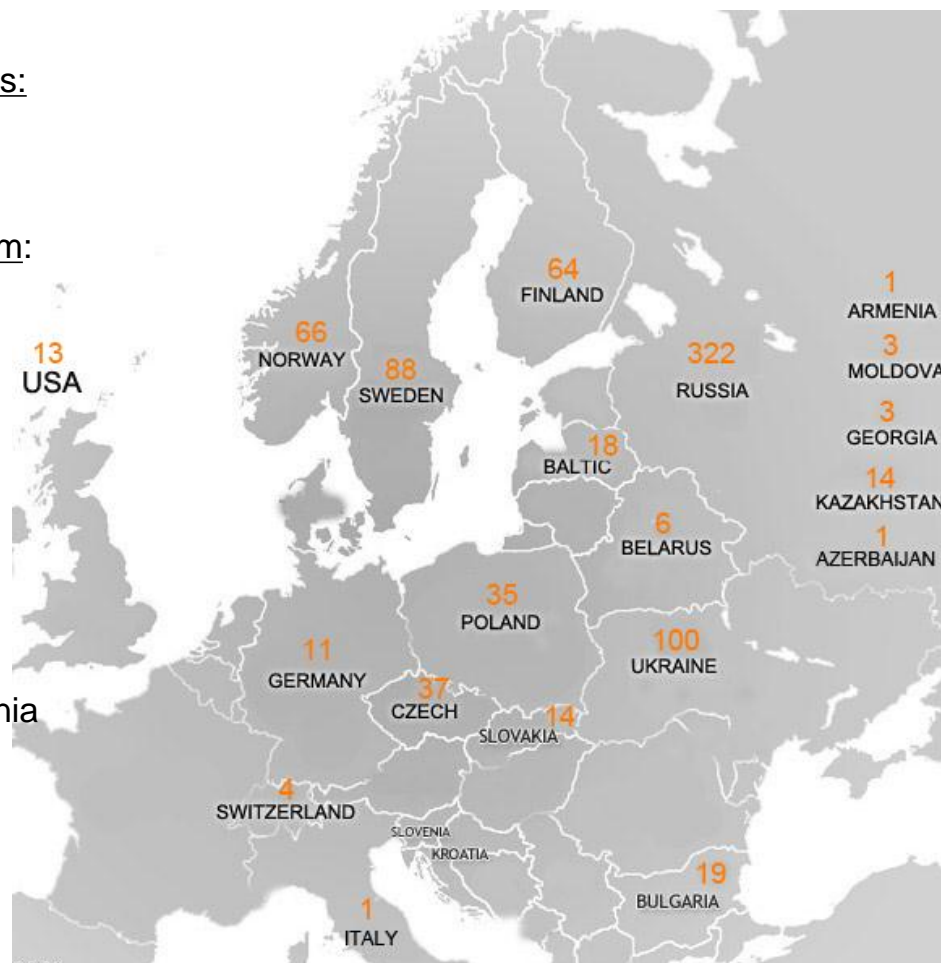
- Car tyres: over 800 stores
- Heavy tyres: nearly 200 stores
- Truck tyres: over 240 stores

Vianor highlights in Q2/2011:

- New countries: Italy & Azerbaijan
- Partner network started in USA
- Master franchising agreement signed in Romania

Target 2011 → over 900 Vianor stores

Vianor – Distribution spearhead for all product groups



INVESTMENTS

Significant investments in 2011 to secure strong profitable growth

Investments in 1-6/2011

- 52.6 m€ (27.6 m€)

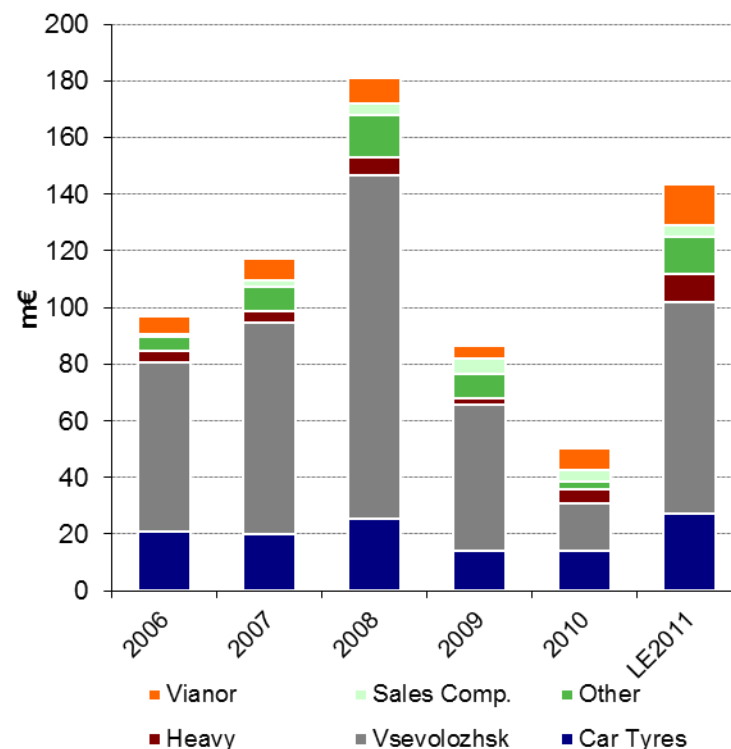
Russia

- Capacity ramp-up and investments
 - Lines 9 in production
 - Line 10 start-up in Q3/2011
 - New plant under construction, production starts by summer 2012

Estimated investments for 2011

- Approximately 140 m€
 - Investments to Russia incl. the start of new plant construction 75 m€
 - Nokian plant and processes 25 m€
 - Moulds for new products 26 m€
 - Vianor chain including acquisitions 14 m€

Nokian Tyres Capital expenditures (m€)



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RUSSIA

Strong sales growth – potential to exceed pre-crisis sales in 2011

- Sales and demand recovering trailing improving car sales, growing replacement sales of tyres and low inventories of distributors
- Sales in Russia in 1-6/2011 grew by 110.7% to 192.8 m€ (91.5 m€)
- Sales in CIS (excluding Russia) were 12.0 m€ (9.9 m€)

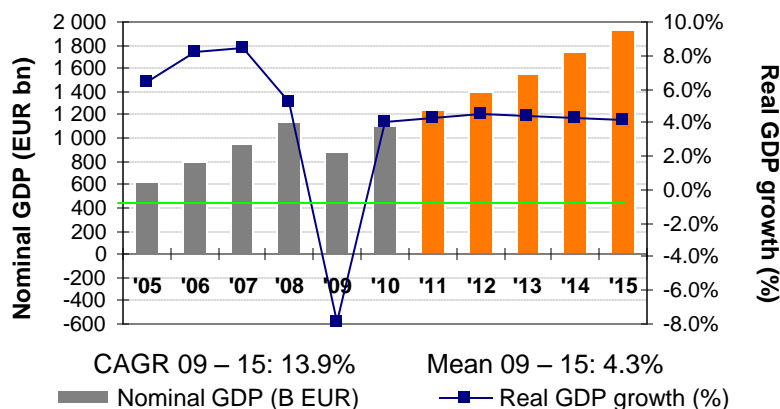
→ Nokian Tyres is clear # 1 in premium tyres in Russia and CIS countries



RUSSIA

Russia's economy clearly recovering

Russia's GDP growth



Consumer confidence in Russia



Source: Rosstat, EIU and Nokian Tyres estimates

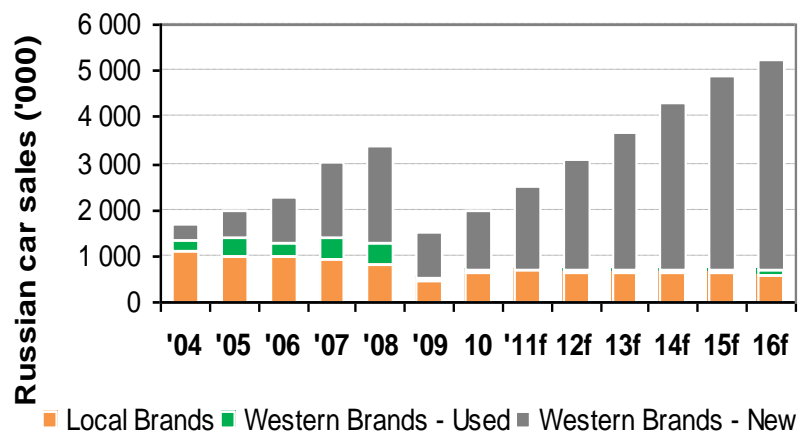
Major trends and expectations

- Russia's economy has continued to recover from the severe crisis of 2008 - 2009
- In 2009, economy fell into recession with an annual decrease in GDP of 7.9%, but in 2010 it grew by estimated 4.0%
- Recovery is expected to keep momentum in 2011, backed by high oil and commodity prices
 - estimated annual real GDP growth in H1/2011 is 4% vs. H1/2010
- Overall growth trend will continue: average GDP growth for 2010-2015 is estimated at >4% a year. Faster growth is possible, but restricted by unbalanced structure of the economy; weak investment and the election cycle
- Domestic demand revival gradually started due to increased disposable incomes
- Ruble exchange rate fluctuated in 2010 with year-average clearly stronger against major currencies vs. 2009; in 2011 it is expected to remain stable or strengthen further

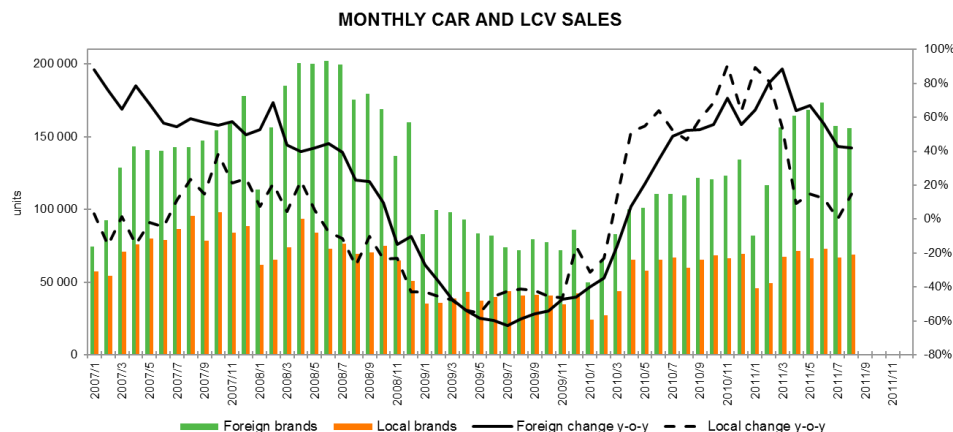
RUSSIA

Car sales back on a growth track

Russian car sales forecast – basic scenario



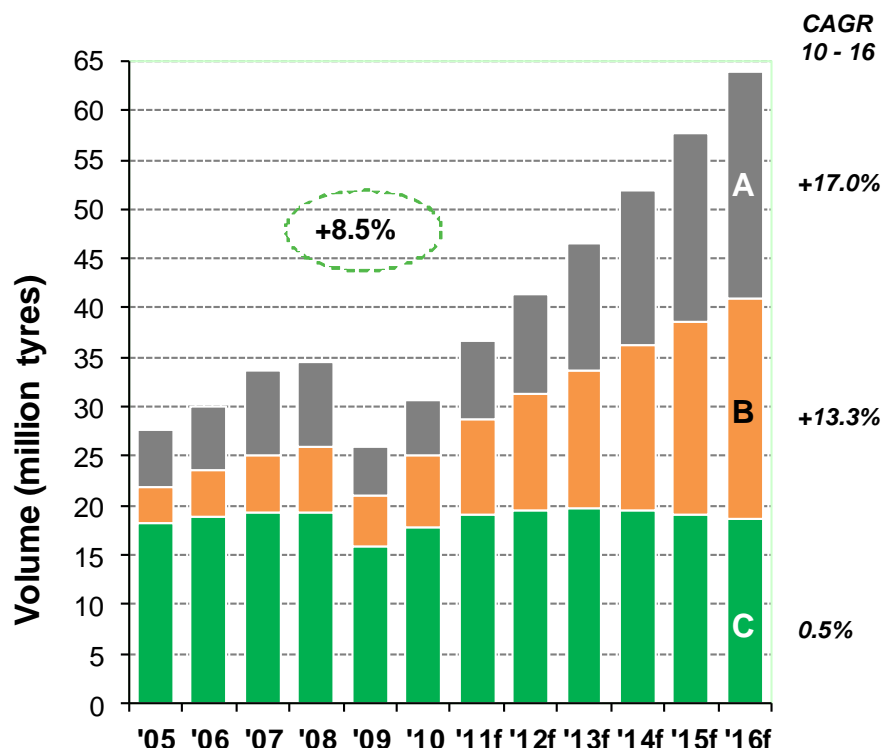
Monthly car sales



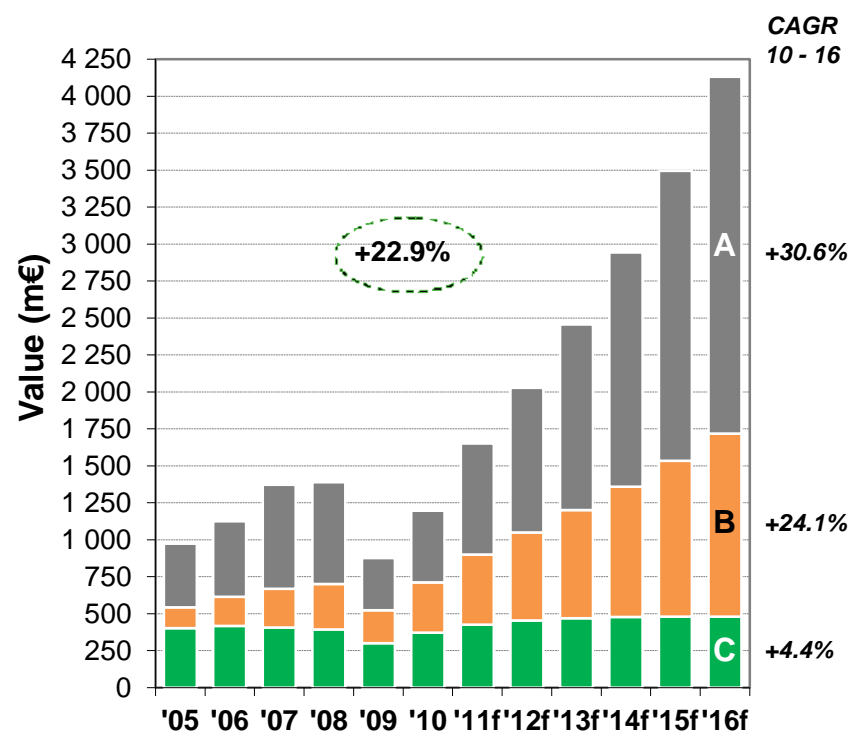
Car market summary

- Sales of new cars and LCVs in Russia increased by 30% in 2010 vs. 2009 and by 48% in 1-8/2011 vs. 1-8/2010
 - Growth is expected to continue the whole year, but the rate is likely to slow down
- Government scrappage scheme brought very positive results, albeit supporting mostly cheap brands and models
 - The program, which has positively affected the whole year's car sales, has been fulfilled in mid 2011
- Due to rapid recovery of demand the lack of cars continues, as manufacturers have limited quotas for Russia
 - Long lead times remain for many popular brands and models (up to a year)
 - This deferred demand will continue to positively affect sales in 2011 and to some extent in 2012
- The car market is forecasted to reach 2.5 million cars and LCVs in 2011, showing a 30% growth
- Financing of car purchases revived in 2010, with share of sales financed by banks and car manufacturers reaching pre-crisis levels
 - Government implemented own car loan support program, with 355 thousand applications and 166 thousand loans granted in 2010
 - The program continues in 2011 with the participation of 117 banks

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

Nokian Tyres is the market leader in A-segment (Nokian Hakkapeliitta) & B-segment (Nokian Nordman)

RUSSIA

Nokian Tyres is the strongest player in Russia

Nokian Tyres market position in Russia

- Only global tyre company with a state-of-the-art and efficient factory in Russia
 - Close access to markets
 - Within customs zone (duty 20% for import)
- Clear market and price leader in core product categories
- Widely recognised and strong brand – both company (Nokian Tyres) and products (Hakkapeliitta)
- Strong distribution chain covering all of Russia – based on long-term and close customer relationships
- Only global producer with a controlled tyre distribution network – 450 Vianor stores in Russia and CIS

➔ *Nokian Tyres to further strengthen its market leader position in Russia*

Nokian Tyres' factory in Russia

- 9 production lines operating
- Line 10 to be commenced by the end of Q3/2011 – annual capacity to increase to 11 million tyres
- New plant construction started; annual capacity increase of 5-6 million tyres during 2012-2014
- State-of-the art machinery, high European quality standards
- Vsevolozhsk factory exports approximately 50% of its production to 35 countries: Biggest consumer goods exporter in Russia
- Housing project, Hakkapeliitta Village – phase I completed, phase II in 2011-2012
- Number of personnel on 30 June 2011: 965 (691)



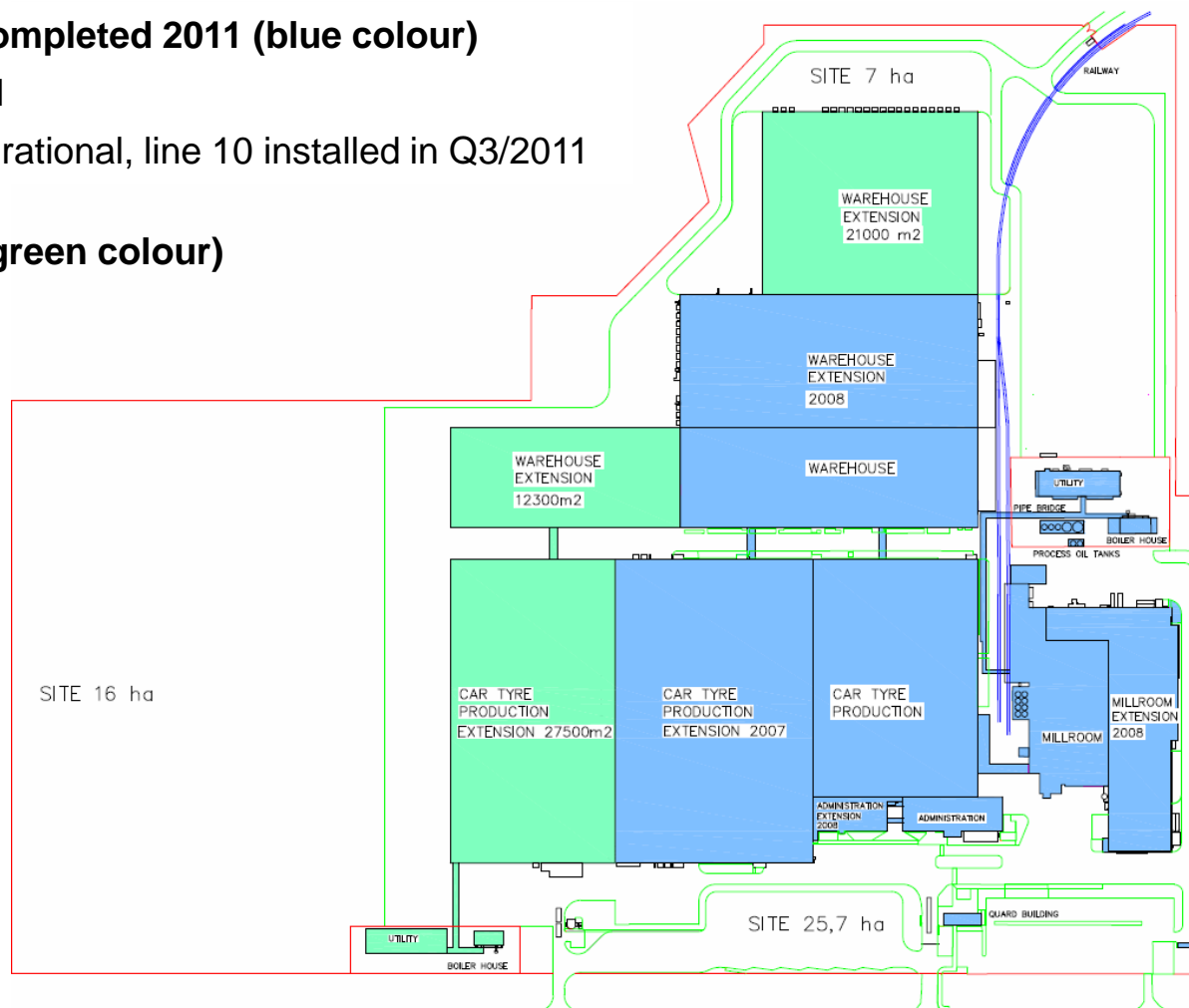
Expansion 4 → 11 million tyres completed 2011 (blue colour)

- Construction work completed
- Production lines 1-9 fully operational, line 10 installed in Q3/2011

Expansion 11 → 17 million tyres (green colour)

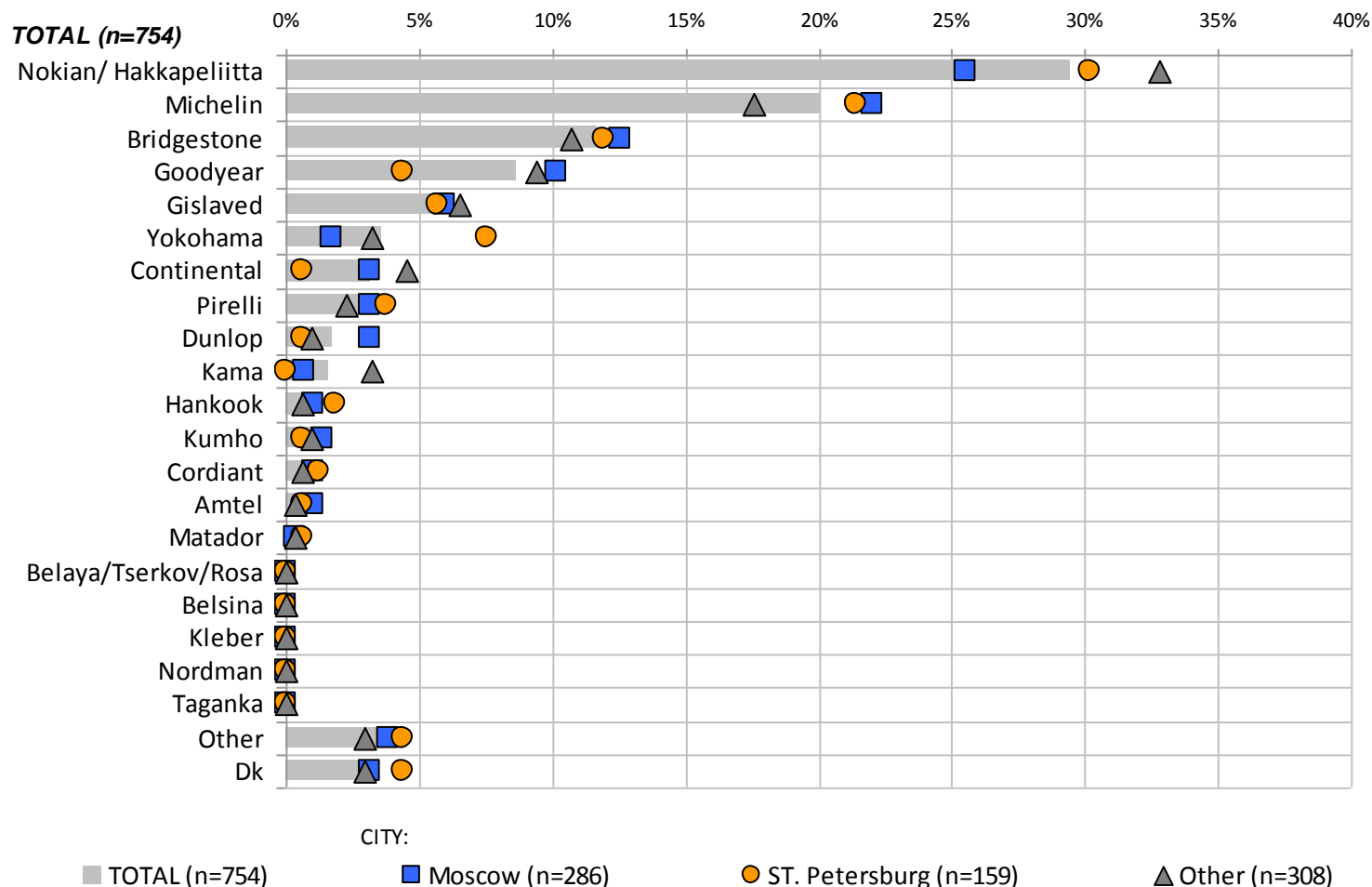
- Construction work started
- Production start up in summer 2012
- Gradual build-up to full capacity 2012-2014

Tax reliefs and incentive agreements signed to continue another 5-10 years



Potential on existing site → 20 million tyres

Which passenger car winter tyre brands do you remember by name? - Top of mind



Nokian Tyres is the strongest winter brand and market leader

RUSSIA & CIS

Vianor concept – tailor-made distribution in seasonal market

- Growth via partner & franchising concept, 450 stores in 277 cities at the end of Q2/2011
- Limited investment in equity owned shops
- Loyalty requirement for Nokian sales
- Fast fit and service as part of concept
- Central marketing
- Training, ICT, dealer councils



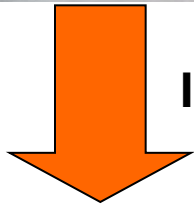
Vianor Volga region

RUSSIA & CIS: *Vianor stores on 30 June 2011* *450 stores in 277 cities; + 49 stores in H1/2011*



Scheme:

Own Partner's outlet



Investing

New Partner's outlet



Property



Hakka-Invest



Financing



RUSSIA

Hakkapeliitta Village:

Own flats and financing for personnel



- Existing 4 houses
■ 167 apartments



- 3 new houses (phase II)
2012-2013
■ 11 000 m2 and 173 apartments

Personnel retention tool



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NOKIAN TYRES GOING FORWARD

Outlook for 2011: Sales to improve backed by increasing capacity

Assumptions

- Growing core market: Nordic countries, Russia & CIS
 - GDP growth 3-5%
 - New car sales improving
 - Russian economy growing, strong consumer confidence
 - Currencies on Nokian core markets expected to be stable
- Further ASP improvement to offset higher raw material cost (€/kg)
 - Cost up by 35.8% in H1/2011 vs. H1/2010
 - Cost estimated to increase by 6% in Q3/2011 vs. Q2/2011
 - Cost estimated to increase by 30% in 2011 vs. 2010
- Passenger car tyre operation environment
 - Demand strong in core markets
 - Low carry-over distributor inventories offer growth opportunities
 - Demand improving for winter tyres, legislation in Europe
 - Receivable risks are back to normal
- Heavy tyre market demand
 - OE markets for heavy tyres continue to grow
 - Aftermarket demand continues to grow
- Nokian Tyres financial position remains solid
 - No major loans due for payment in 2011
 - Equity ratio 70.2%
 - Undrawn facilities available

Outlook: Profitable growth

- Strong demand and order book → good visibility in 2011
- Raw material cost gradually levelling off but it is estimated to go up 30% in 2011 vs. 2010
- Capacity increasing:
 - Line 9 in Russia commenced, ramp-up ongoing
 - Line 10 in Russia start-up in Q3/2011
 - Plant in Nokia back in 7 d/week full capacity in Aug 2011
 - Building of new plant in Russia commenced, production by summer 2012
- Profitability supported by:
 - Improved cost structure, higher sales volume, better mix and ASP
 - Increasing share of Russian production → productivity up
- Year 2011 estimates:
 - The company is positioned to provide strong sales growth and to improve operating profit clearly compared to 2010

NEW PRODUCTS

New Nokian Hakka Blue – Wet Performer

Nokian Hakka Blue

- The environmentally positioned **Nokian Hakka Green** started the launches of the second generation of Hakka summer tyres last fall
- The new **Nokian Hakka Blue** is developed to excel in *demanding wet conditions*
- Nokian Hakka Blue replaces mainly Nokian Hakka V



nokian
TYRES

NOKIAN HAKKAPELIITTA

The first and fastest winter tyre



A man with a beard and a fur-lined hat smiles in the foreground, while a dark car speeds through a snowy landscape in the background. The scene is set in a cold, snowy environment with a cloudy sky.

**nokian
TYRES**

The first.
The fastest.