



## Russia going strong – targeting growth in a slower market

A close-up photograph of a white car's front wheel. The wheel is fitted with a Nokian Hakkapeliitta S tire, which has a distinctive tread pattern. The car is parked on a snowy surface. In the background, a fire is burning brightly, casting a warm glow over the scene. The car's body is white, and a small "Sport" badge is visible on the side.

**Mr. Kim Gran**  
**President and CEO**  
**Nokian Tyres plc**  
**15 May, 2013**

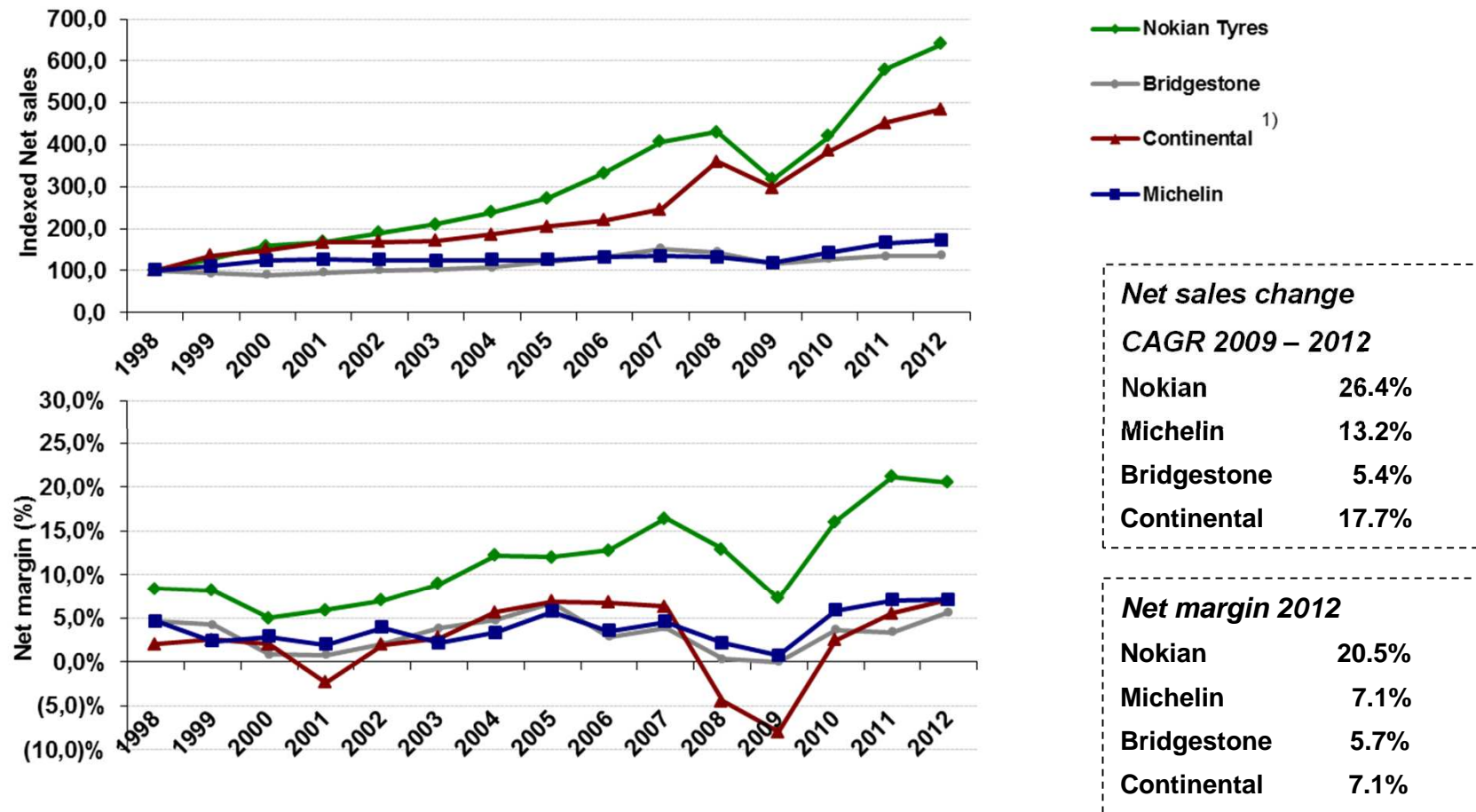


## GENERAL OVERVIEW

*Competitor comparison 1998-2012*

*Nokian Tyres the most profitable tyre producer*

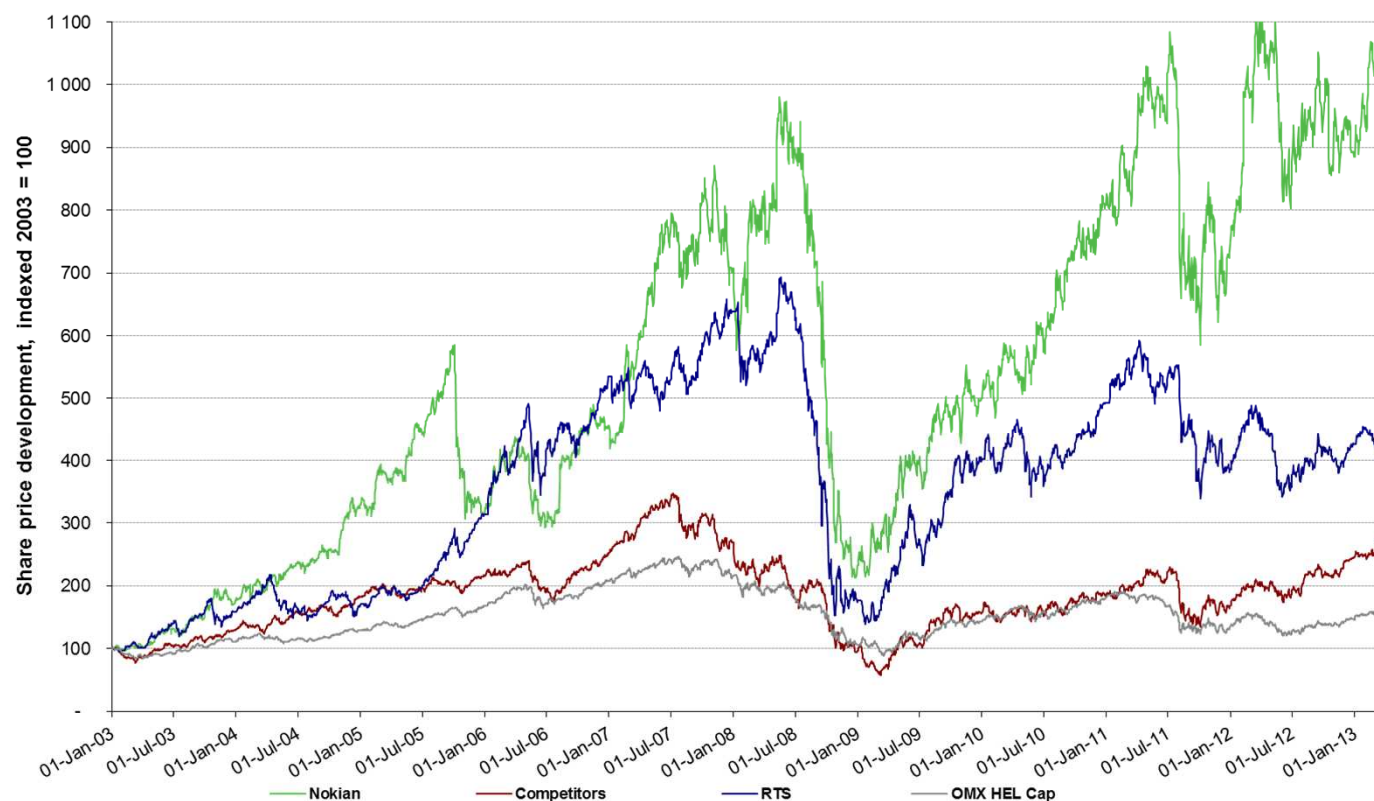
*Nokian Tyres' operational performance (growth and profitability) has been clearly better than that of the main peers during the past 15 years. The clearly better profitability protects the company profits during recessions and potential downturns.*



Source: Results 1998-2012 (company websites) 19 Apr 2013.

## GENERAL OVERVIEW

*Comparing share price development to main indexes 1/2003 - 3/2013*



**Nokian Tyres, +921%**

**RTS, +307%**

**Competitors, +157% <sup>1)</sup>**

**OMX Hel Cap, +54%**

Source: Thomson Reuters, as of 19 Apr 2013. The composite consists of an indexed average values of the main peers of Nokian Tyres.

### Nokian Tyres

by Mar-31-2012

	Last 10 years	Last 5 years	Last 3 years	LTM	L6M	L3M	Last month
High	37,88	37,88	37,88	37,88	36,31	36,31	36,26
Average	18,83	24,03	28,63	32,48	32,52	33,77	35,21
Low	3,47	7,23	17,24	27,27	29,09	30,10	34,50



## GENERAL OVERVIEW

*Strategy: Focusing as a cornerstone*

### **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.

### **Efficient distribution**

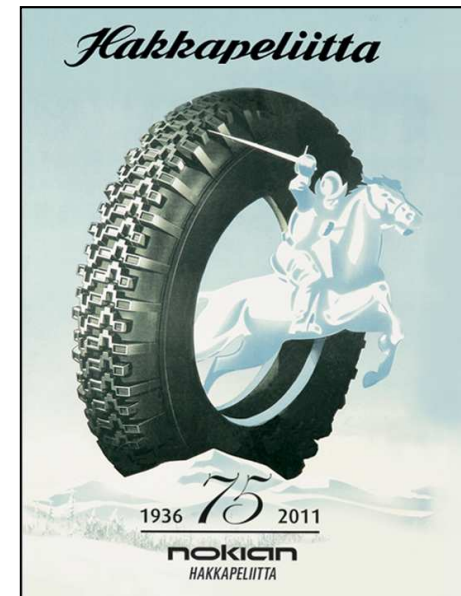
- Consumer retailer interface
- Management of seasonality, processes, NWC and risks
- Control of value chain consumer to manufacturer

**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”**

## GENERAL OVERVIEW

*Strategy development; from industrial to consumer goods company*

### 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 1-3/2013

*Russia going strong – targeting growth in a slower market*

Key figures, EUR million	Q1/13	Q1/12	Change%	Q2/12	Q3/12	Q4/12	2012
Net sales	333.1	384.3	-13.3	413.8	368.0	446.4	1,612.4
Operating profit	76.3	105.0	-27.3	112.7	85.5	111.8	415.0
Profit before tax	72.9	102.2	-28.7	108.0	73.2	104.2	387.7
Profit for the period	63.6	87.6	-27.4	95.4	59.6	88.3	330.9
Earnings per share, EUR	0.48	0.67	-28.5	0.73	0.45	0.67	2.52
Equity ratio, %	71.2	74.3					71.2
Cash flow from operations	-95.1	-121.3	21.7	-42.5	-125.9	552.0	262.3
RONA,% (roll. 12 months)	20.8	27.3					23.0
Gearing, %	3.1	10.3					-4.5

### Summary

- Strong winter tyre sales and market share growth in Russia, market leadership in Russia and the Nordic countries
- CE demand dropped due to weak economy
- Prolonged winter shifted consumer summer tyre sales to Q2
- Contract manufacturing cut in Q1
- Tailwind from raw material cost supported margins, but lower utilization rate penalized operations
- Test success in car media continued in core markets
- Expanding distribution
  - Vianor 1,077 stores in 26 countries, +40 stores in Q1
  - In Russia over 2,100 Hakka Guarantee stores
  - Nokian Authorized Dealers (NAD) network building up in Europe and China

### Outlook: Some growth in a challenging market

- Sales in Russia and N-America to grow in 2013, Nordic and CE flat
- Pricing environment 2013 challenging for all tyre categories
- Raw material cost (€/kg) down 6.8% in H1/2013 yoy and 6% full year 2013. Tailwind some 30 m€ in 2013.
- New Hakkapeliitta range supports winter tyre sales and ASP
- Capacity ramp-up in Russia proceeds
  - Line 12 on stream in March 2013, line 13 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 compared to 2012. On the back of Q1 results, Net Sales and Operating profit in H1 are, however, still going to be weaker than in 2012.

## MARKET OVERVIEW 1-3/2013

*Demand stable in Russia, softer in Nordic countries, CE clearly down*

### Car tyres

#### Challenging markets

- Uncertainty and slowing growth in global economy
- Economies in the Nordic countries and Russia relatively stable
- Car sales in Russia flat yoy, Europe -10%, Nordics -22%
- Car tyre demand in Russia flat yoy, Europe -13%, Nordics -8%
- Distributors carry-over stocks of summer tyres in CE and Russia
- Pricing environment for 2013 challenging

### Heavy tyres

#### Uncertainty continued in heavy tyres' markets

- Demand soft in all product groups

### Currencies

#### Currency rate changes insignificant

- Euro relatively stable against RUB, SEK and NOK

### Raw material prices

#### Raw material prices in downward trend

- Nokian Tyres raw material cost (€/kg) was -8.2% in Q1/2013 vs. Q1/2012. Expected to decrease by 6% in 2013 vs. 2012.





## NOKIAN TYRES PERFORMANCE 1-3/2013

### *Reasonable Q1 results*

#### Sales and market position

##### **Sales and market share up in Russia**

- + Sales growth in Russia and in winter tyres
- + Car tyres' market share improved in Russia
- + Test success continued
- Sales down due to drop in CE demand and delayed summer tyre consumer sales in the Nordic countries

#### Profitability

##### **Tailwind from decreasing raw material cost**

- + Raw material cost down 8.2% yoy
- + ASP (€/kg) slightly up
- + Increasing share of Russian sales and production
- Higher fixed cost ratio due to lower utilization rate

#### Production

##### **Capacity increases continued**

- + Line 12 in Russia commenced production in March 2013
- Output decreased compared to Q1/2012 due to planned production cuts

#### Distribution

##### **Vianor expanding as planned, new partner concepts booming**

- + Vianor expanded to 1,077 stores in 26 countries; +40 stores in Q1/2013
- + Over 2,300 Hakka Guarantee tyre stores in Russia and CIS
- + Nokian Authorized Dealer (NAD) network has already been rolled out in Italy, Germany and China



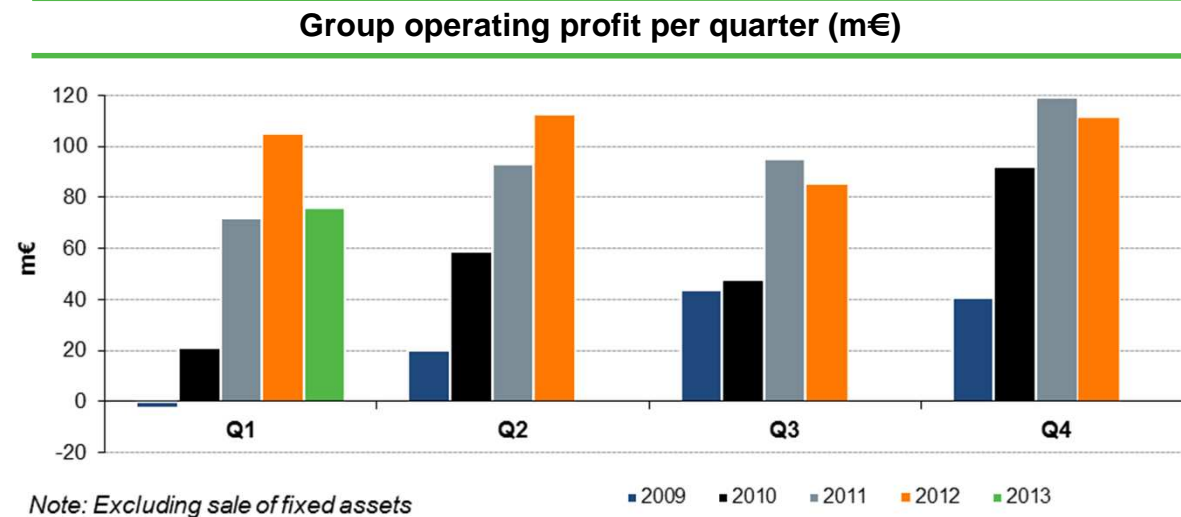
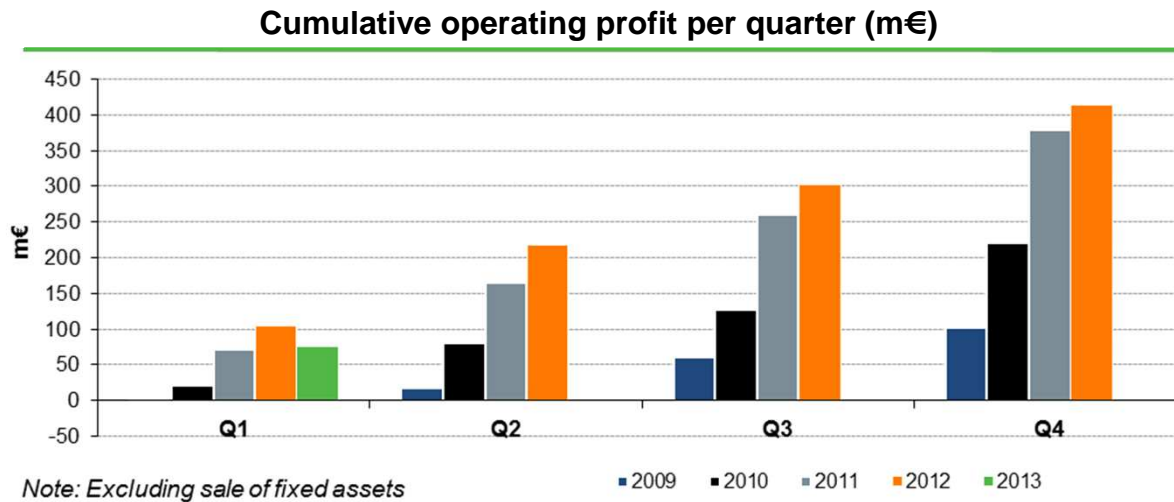
## FINANCIAL PERFORMANCE

*Group operating profit per quarter 2009-Q1/2013*

### Q1/2013

Net sales 333.1 m€,  
(384.3 m€) -13.3%

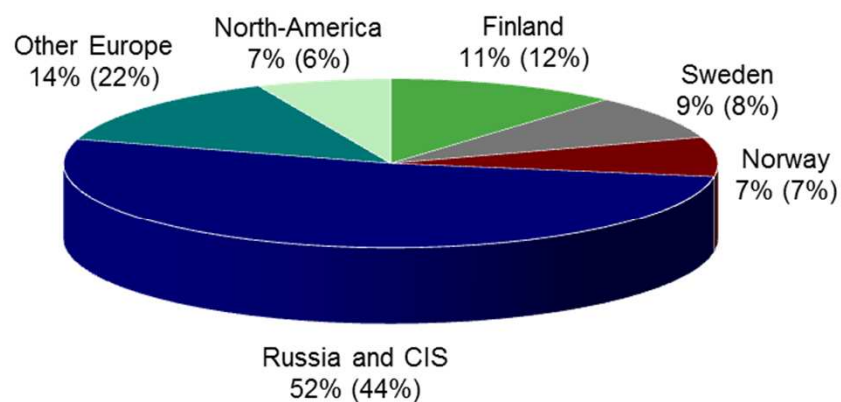
EBIT 76.3 m€,  
(105.0 m€) -27.3%



# FINANCIAL PERFORMANCE 1-3/2013

## Gross sales by market area

### Sales of Nokian Tyres Group: 363.5 m€, -11.7%

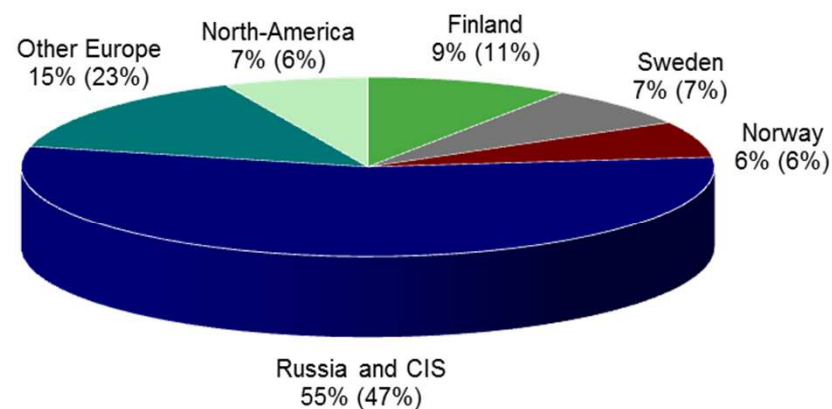


#### GROUP

#### Sales development in euros

■ Nordic countries	-12.1%
■ Russia and CIS	+3.2%
■ Other Europe	-44.8%
■ North America	-7.4%

### Sales of Manufacturing Units: 341.5 m€, -11.9%

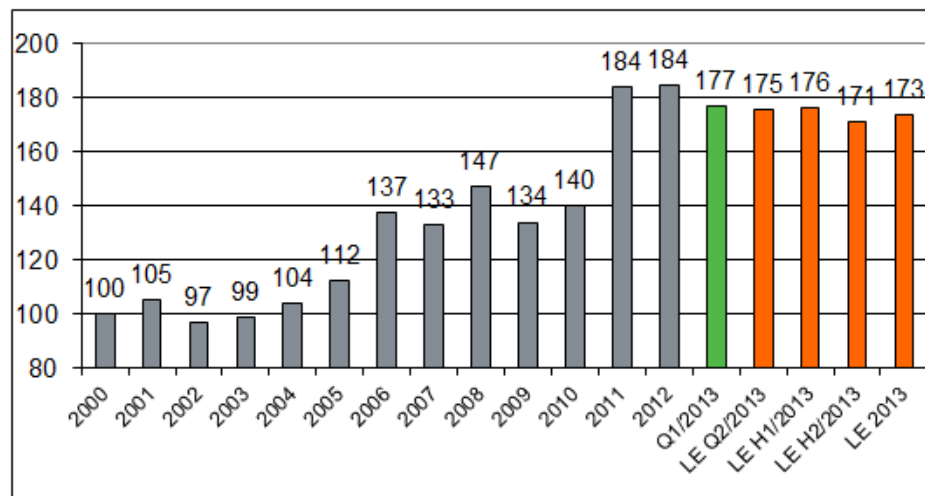


#### MANUFACTURING

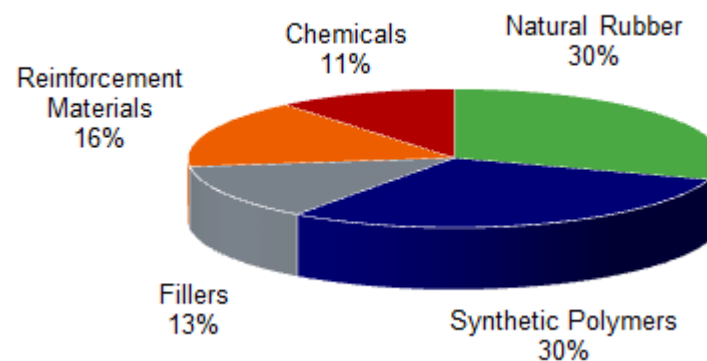
#### Sales development in euros

■ Nordic countries	-12.6%
■ Russia and CIS	+3.1%
■ Other Europe	-44.9%
■ North America	-7.4%

### Raw material cost development index 2000-E2013



### Value of raw material consumption (%)



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

- **Raw material cost**
  - decreased by 8.2% in Q1/2013 vs. Q1/2012
  - increased by 0.9% in Q1/2013 vs. Q4/2012
- **Raw material cost is estimated to**
  - decrease by 4.9% in Q2/2013 vs. Q2/2012
  - decrease by 6.8% in H1/2013 vs. H1/2012
  - decrease approximately 6% in 2013 vs. 2012

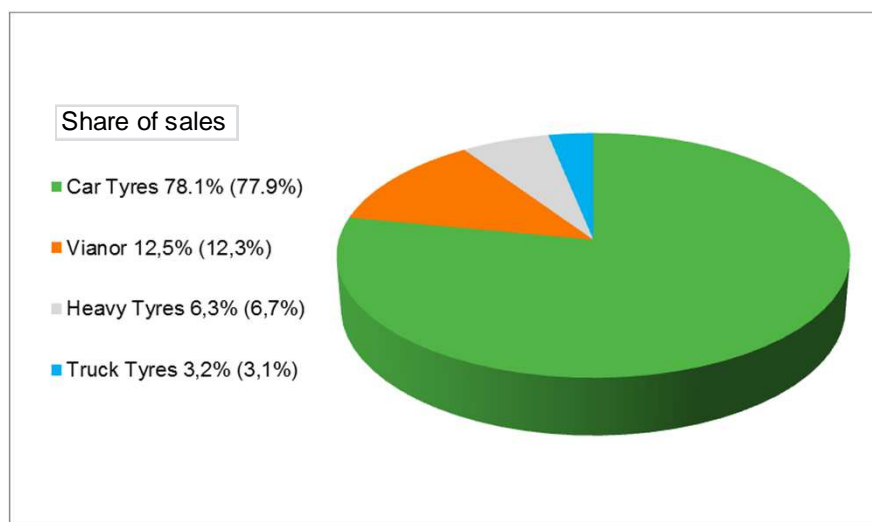
**Estimated tailwind in 2013: 30 m€**



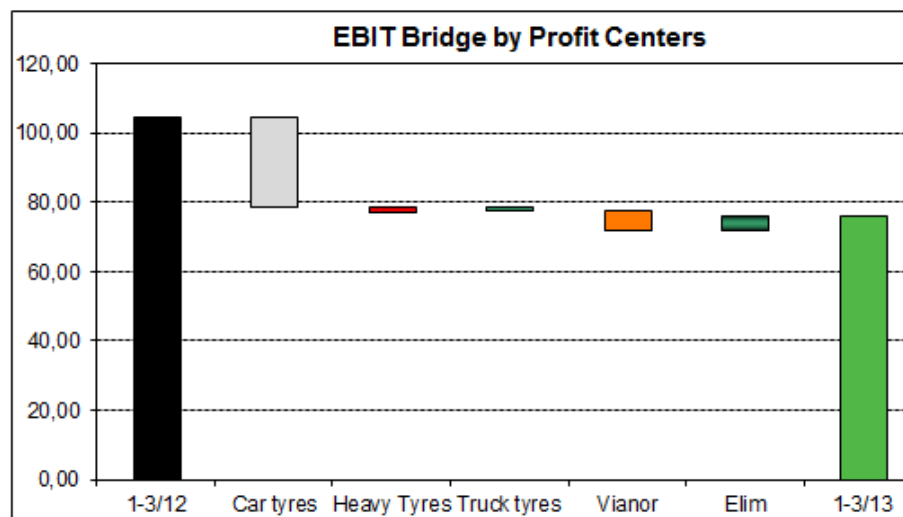
# PROFIT CENTRES 1-3/2013

## General overview

**Net sales 333.1 m€; -13.3%**



**EBIT 76.3 m€; -27.3%**



### Passenger Car Tyres

- Net sales: 273.7 m€; -13.4%
- EBIT 92.4 m€; -22.2%
- EBIT margin: 33.8% (37.6%)
- Key products: studded and non-studded winter tyres, high-speed summer tyres

### Vianor

- Net sales: 43.7 m€; -12.8%
- EBIT: -15.9 m€; -53.1%
- EBIT margin: -36.4% (-20.8%)
- 1,077 stores in 26 countries in Nokian Tyres' core markets

### Heavy Tyres

- Net sales: 22.1 m€; -18.1%
- EBIT: 2.2 m€; -41.3%
- EBIT margin: 10.1% (14.0%)
- Key products: tyres for forestry, industrial and agricultural machinery

### Truck Tyres

- Net sales: 11.0 m€; -12.4%
- Key products: truck tyres and retreading materials

## PROFIT CENTRES 1-3/2013

### *Passenger Car Tyres: Growth in Russia*

#### Performance in Q1/2013

- + Sales and market share growth in Russia
- + Magazine test success continued in core markets
- + Tailwind from raw material cost supported margins
- + Mix and high share of winter tyres → ASP (€/kg) up slightly
- Q1 sales decreased:
  - Weak demand in CE
  - Prolonged winter in the Nordics → summer tyre sales shifted to Q2
  - Manufacturing contract with Bridgestone ended
- Production output cut, but ramped up in March with line 12 in Russia

#### **Net sales:**

Q1/2013: 273.7 m€ (315.9 m€); -13.4%

#### **EBIT:**

Q1/2013: 92.4 m€ (118.7 m€); -22.2%

#### **EBIT margin:**

Q1/2013: 33.8% (37.6%)

#### Key actions and targets for 2013

- |   |  |             |
|---|--|-------------|
| <ul style="list-style-type: none"> <li>■ Maximize sales with renewed product offering</li> <li>■ Improve market shares in core markets</li> <li>■ Expand distribution, special focus CE</li> <li>■ Improve sales mix &amp; service level</li> <li>■ Defend brand and price position</li> <li>■ Increase production in Russia, ramp-up of new lines</li> <li>■ Improve productivity and utilization of capacities</li> <li>■ Secure collection of receivables</li> </ul> | <div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <div style="font-size: 3em;">}</div> <div style="font-size: 3em;">}</div> <div style="font-size: 3em;">}</div> </div> <div> <p>Higher sales</p> <p>Higher ASP</p> <p>Lower cost</p> </div> <div style="margin-left: 10px;"> <div style="font-size: 3em;">}</div> </div> </div> | Higher RONA |
|---|--|-------------|

→ **Maximize sales of new winter range, expand distribution in CE, improve productivity – Improve sales and EBIT**



**New Nokian Hakkapeliitta 8**



## MAGAZINE TESTS

## 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 Maaailma, 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 (non-studded) – Safe and reliable

- Test victories e.g. Tekniikan Maaailma, 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)

## SUMMER TYRES, spring 2012

### Nokian Hakka Blue – Wet performer

- 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 e.g.: Tuulilasi (Finland), Vi Bilägare (Sweden)

## Nokian Z G2 – Cool Performer

- Test victories e.g.: Auto Bild, Gute Fahrt, Auto Bild Allrad, auto TESTest

## SUMMER TYRES, spring 2013

## Nokian Hakka Blue

- Test victory: Tuulilasi (Finland)

**Nokian Hakka Green and Nokian Hakka SUV**

- Test victories: Za Rulem (Russia), Auto Centre (Ukraine)

## Nokian Line – NEW

- Test victories or best reviews e.g.: Auto Bild, auto TEST, Auto, Motor & Sport, ADAC, Stiftung Warentest (Germany)



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

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



## Nokian Hakka Blue



## MAJOR REVAMP OF PRODUCT OFFERING 2013

*Examples of new products and innovations*

### WINTER TYRES

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

- Based on the Nokian Hakkapeliitta 7 with over 30 test victories 2009-2012

#### Nokian Hakkapeliitta R2 – Northern comfort

- The new non-studded winter tyre will safely tackle all winter conditions

#### Nokian Hakkapeliitta R2 SUV – Northern comfort and stability

- The non-studded winter tyre, specially tailored for sport utility vehicles

#### Nokian WR SUV 3

- Developed for Central Europe's varying winter conditions in SUV segment

#### Nokian WR G3

- An extension of the Nokian Tyres' All Weather Plus line for North America

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

### SUMMER TYRES

#### 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

#### Nokian Hakka Black – UHP tyre for core markets

- Cool performance for fast driving, stable and precise from spring to autumn

#### Nokian zLine – Ultra High Performance summer tyres for CE

- New top class tyre family for varying Central European summer conditions



Nokian Hakkapeliitta 8



Nokian Hakkapeliitta R2



Nokian Hakka Black



## RUSSIA & CIS

### *Sales growth continues*

- Sales in Russia in Q1/2013 grew by 2.8% to 176.3 m€ (171.5 m€)
  - Slower growth rate in the economy, flat new car sales
  - Nokian Tyres: Improved supply capacity, expanding distribution, higher market share
- Sales in CIS (excluding Russia) were 10.0 m€ (9.0 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, Vianors and Hakka Guarantee network*  
**556 Vianor shops – over 2,300 retail partner points of sale**



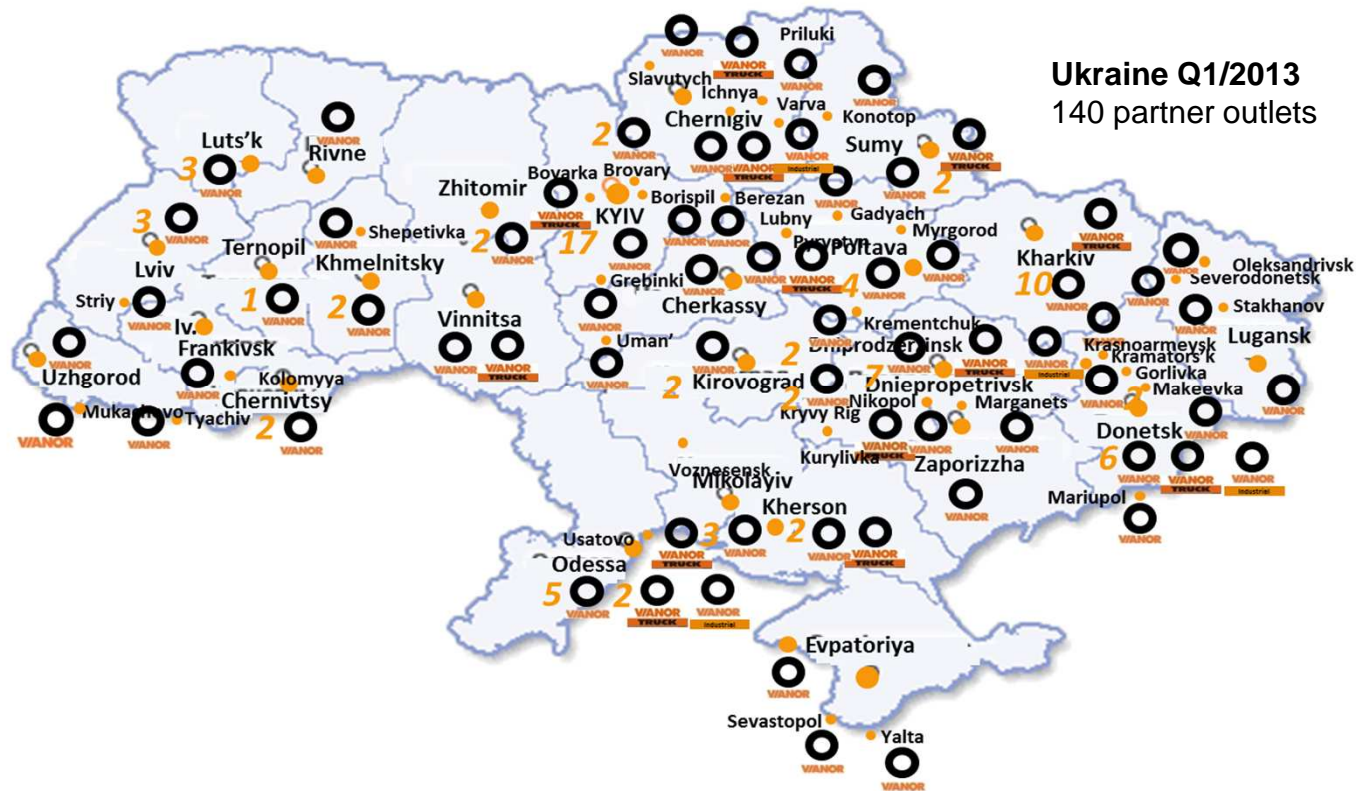
- Distributors (37)
- DSD current cities (Moscow, SPb, Samara/Togliatti, Yekaterinburg, Chelyabinsk, N.Novgorod, Omsk, Rostov-on-Don, Perm, Ufa, Orenburg, Kazan, Voronezh, Tyumen, Volgograd, Novosibirsk)
- 556 Vianor stores in 329 cities in Q1/2013

Nokian Hakka Guarantee dealership program includes 2,300 tyre stores and car dealers



## RUSSIA & CIS:

### *Vianor & Hakka Guarantee network in CIS*



#### Number of Hakka guarantee stores in CIS

Ukraine	140	Moldova	6
Armenia	4	Georgia	5
Azerbaijan	2	Belarus	10



## RUSSIA

***Nokian Tyres is the strongest player in Russia***

### **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 – 556 Vianor stores / 2,300 partner sales points in Russia & CIS

**→ *Nokian Tyres continue to strengthen its market leader position in Russia***

### **Nokian Tyres' factories in Russia**

- At the beginning of 2013 annual capacity in Russia was 14 million tyres with 2 factories, 11 lines operating and line 12 installed
- Line 12 commenced production in March 2013
- Line 13 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 – 343 flats for employees ready in summer 2013
- Number of personnel in Russia on 31 Mar 2013: 1,269 (1,074)
- CAPEX by end 2012: 704 m€

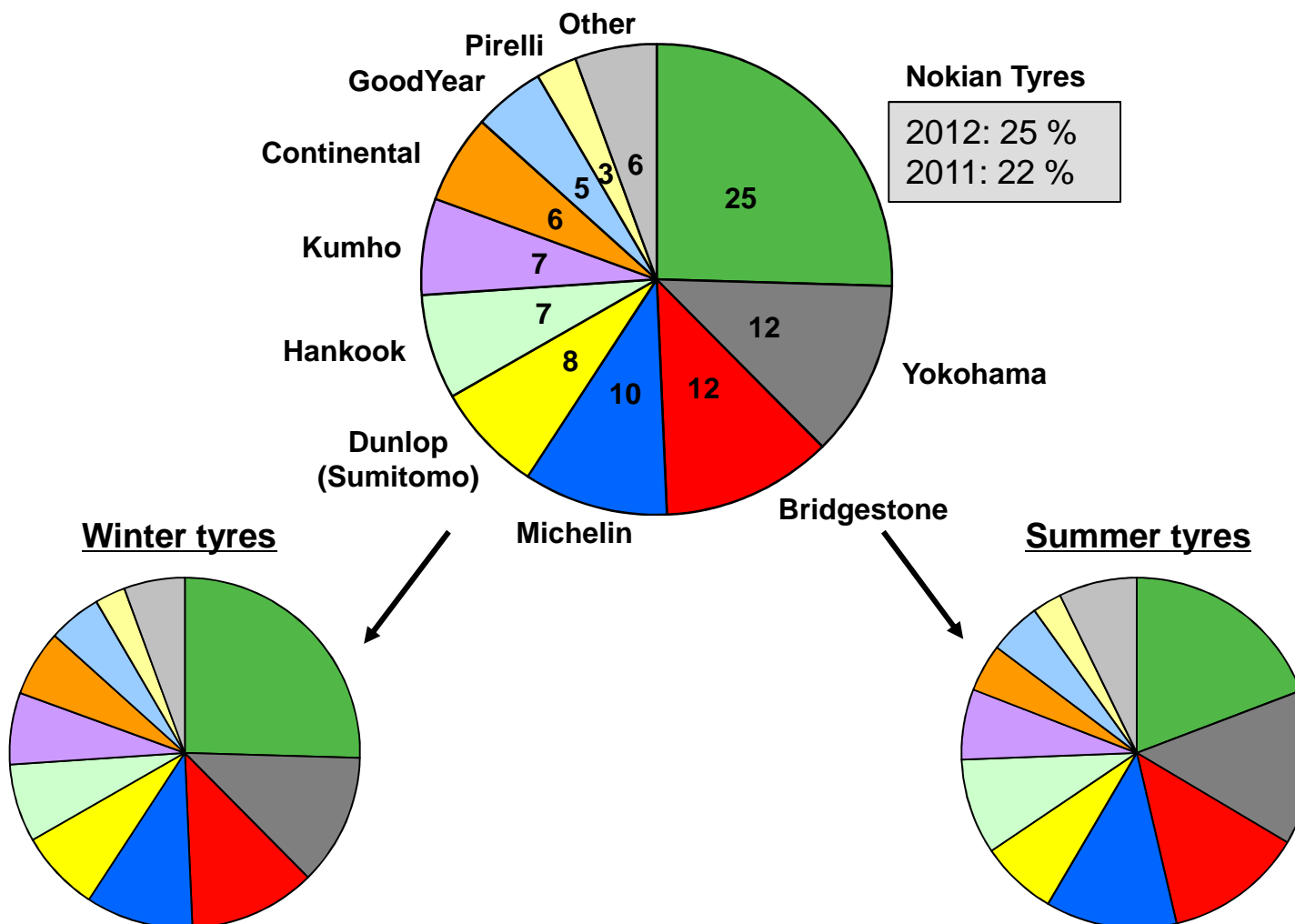






## RUSSIA Market shares in 2012

Estimated replacement A+B segments market shares 2012 by sell-in volume

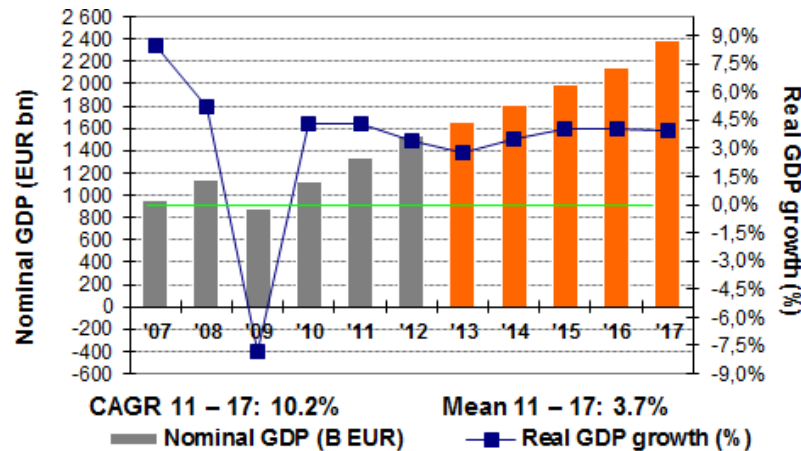


Source: Nokian Tyres estimates

## RUSSIA

*Russian economy growing, but shadowed by global uncertainty*

### Russia's GDP growth



### Consumer confidence in Russia



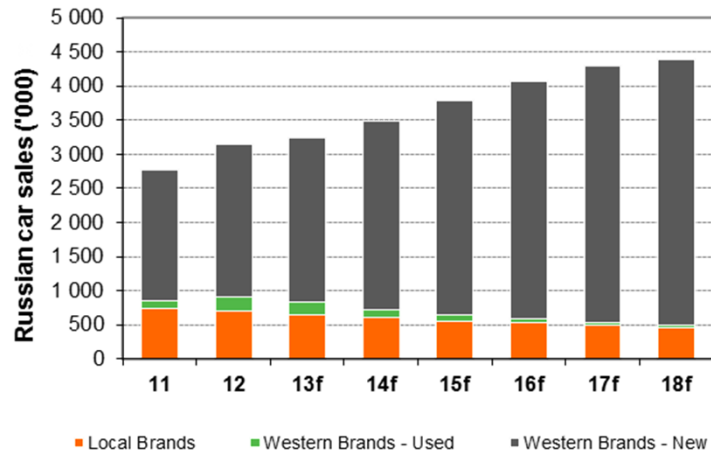
### Major trends and expectations

- After a severe crisis of 2008 – 2009, Russia's economy grew by ~4% a year in 2010 – 2011
- In 2012 the economic growth continued, but slowed down to 3.4%
- In Q1/2013 the slowdown continued: the estimated real GDP growth was 1.1%, reflecting weaker investment and consumer consumption
- The GDP forecast for 2013 has been downgraded to 2.7% by the government; market expectations vary between 2.0 and 3.0%
- Weaker expectations are based on lower oil and other commodity prices
- 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
- Consumer confidence has stabilized and practically reached its normal level, although the current level is slightly below one in early 2012 reflecting the general uncertainty caused by the global financial and economic turmoil
- Ruble exchange rate fluctuated in 2012 and stabilized at its long-time average level of 40 RUB/ 1 EUR; generally, it is expected to remain stable

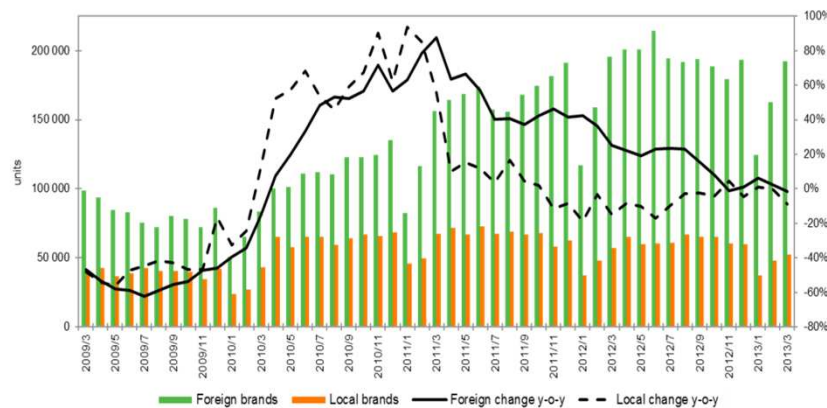
## **RUSSIA**

*Car sales continue to grow, albeit at a slower rate*

### **Russian car sales forecast – base scenario**



### **Monthly car sales**



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

### **Car market summary**

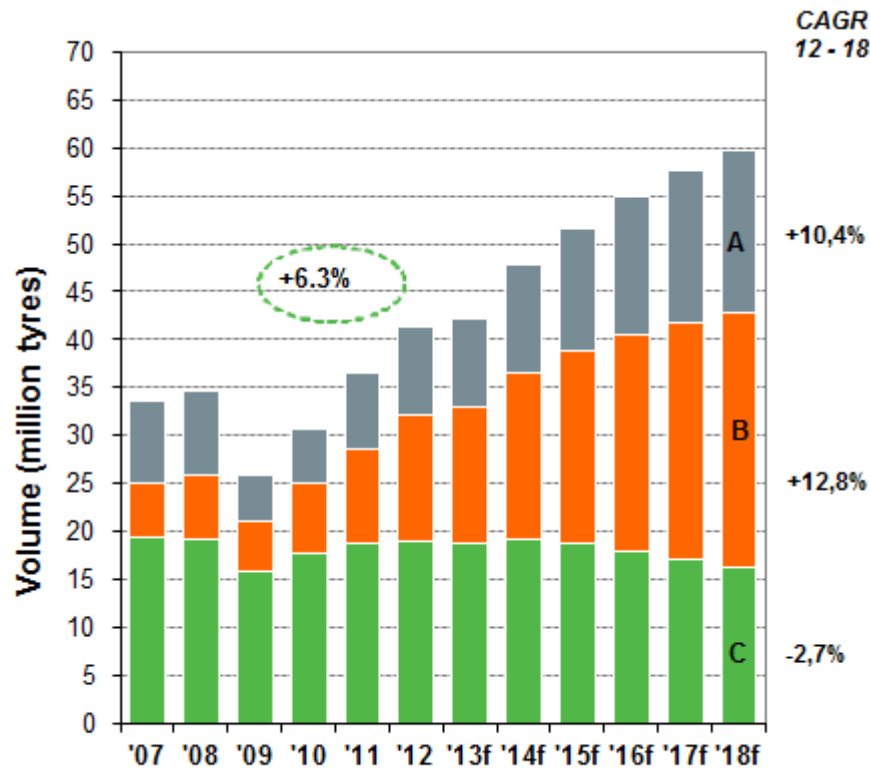
- Sales of new cars and LCVs in Russia continued to grow in 2012; full-year growth was 11% vs. 2011
- During H2/2012 the growth slowed down staying practically flat at the year-end caused by the clearly higher comparison base and more cautious consumer spending driven by the global economic woes
- Year 2013 started quite slowly, as expected: Q1 showed zero growth, in March total car sales declined by 4% vs. the same period of 2012
- 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 are likely to remain flat or even decline a little
- This slowdown of the car market 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



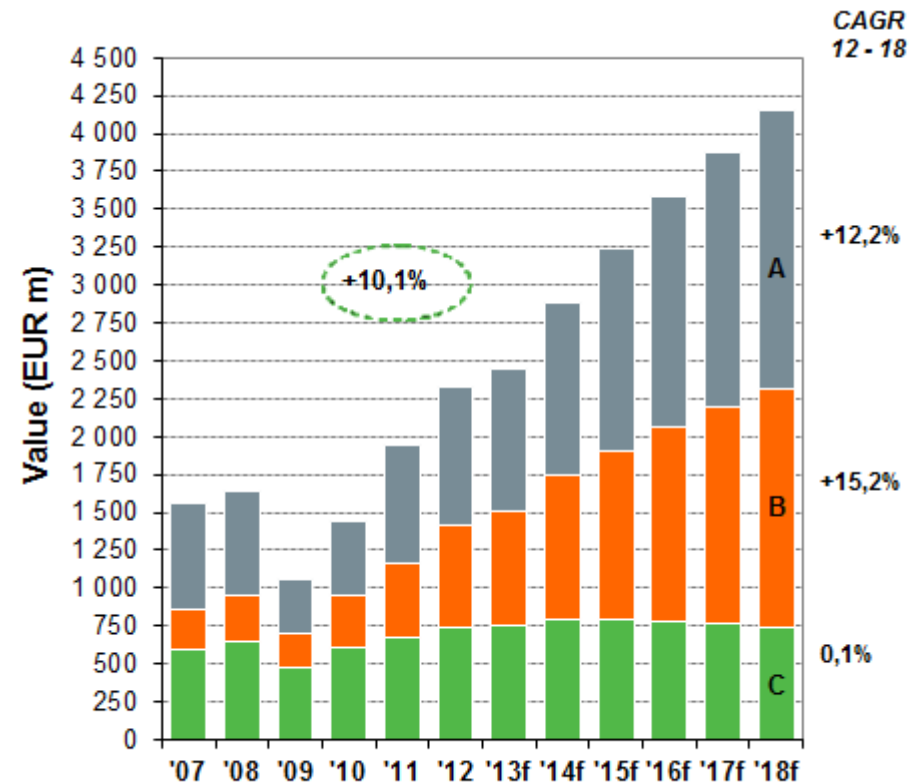
## RUSSIA

*Tyre market demonstrates clear growth and structural change.  
2013 market volume to grow 2-5%; summer flat, winter grow*

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 Apr 2013



## PROFIT CENTRES 1-3/2013

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

### Performance in Q1/2013

- + 1,077 stores in 26 countries; +40 stores in Q1/2013.
- + Strategic tasks to expand distribution and set market prices for Nokian products succeeded
- + 33 car service operations acquired and integrated to existing Vianor stores by the end of Q1/2013
- Sales and EBIT of equity-owned stores down due to seasonality; prolonged winter shifted summer tyre consumer sales to Q2/2013

### 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 – Improve EBIT in Q2 and full year

### Equity-owned Vianor (182 stores)

#### Net sales:

Q1/2013: 43.7 m€ (50.1 m€); -12.8%

#### EBIT:

Q1/2013: -15.9 m€ (-10.4 m€); -53.1%

#### EBIT margin:

Q1/2013: -36.4% (-20.8%)



Vianor Friedrichshafen, Germany



## EXPANSION OF DISTRIBUTION CHANNEL 1-3/2013

**Vianor:** *Foothold on core markets strengthening*

**NAD:** *New soft franchise launch*

### **Vianor** – 1,077 stores in 26 countries

- 40 new stores in Q1/2013
- 182 equity-owned, 895 franchising/partners
- **Largest tyre chain in Nordic and Baltic countries:** 279 stores (+8 in Q1/2013)
- **Largest tyre chain in Russia and CIS:** 556 stores (+23 in Q1/2013) in 329 cities
- **Expansion to Central Europe:** 202 stores (+4 in Q1/2013)

### **Vianor** stores by segment

- Car tyres: over 1,000 stores
- Heavy tyres: over 230 stores
- Truck tyres: nearly 300 stores

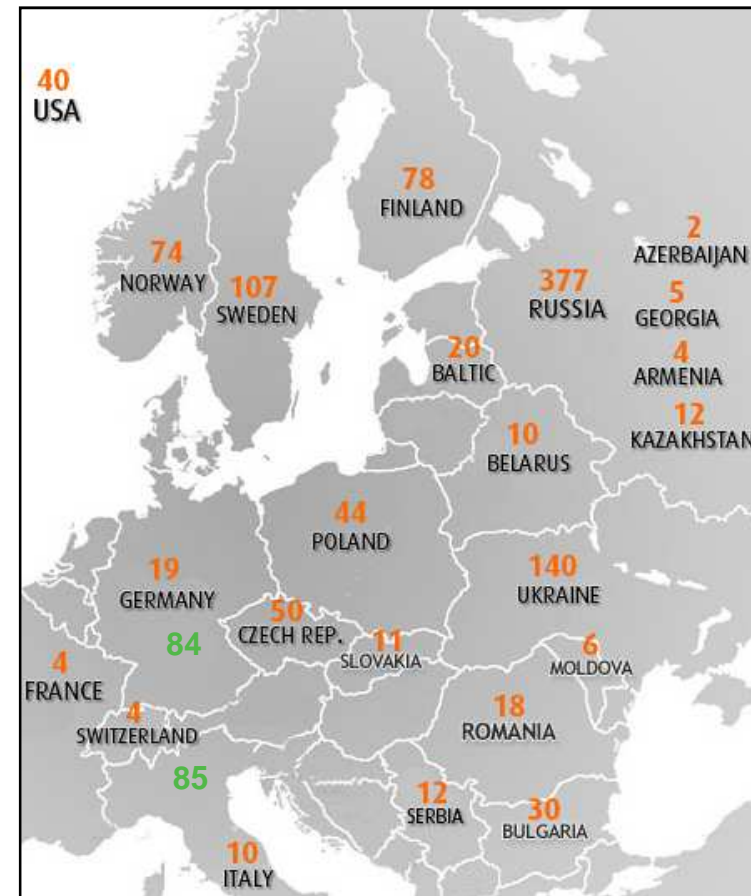
**Target 2013 → over 1,150 Vianor stores**

### **Nokian Authorized Dealers (NAD)**

- Q1/2013: 175 stores in Italy, Germany and China
- Estimate 2013: >300 in 3 countries

**Vianor** – Distribution spearhead for all product groups

**NAD** – Nokian Authorized Dealer





## EXPANDING DISTRIBUTION

*Nokian Authorized Dealers (NAD)*

### Requirements for NADs

- Minimum purchases from Nokian Tyres and a strong visibility in the store
- Professional tyre services
- Soft Nokian Tyres outdoor branding, indoors Nokian Tyres shop-in-shop

### Benefits for NADs

- NAD terms and conditions
- Product seminars, launch events
- Advertising materials, web visibility

### Target 2013

- Over 300 stores in 3 countries by end of 2013



## PROFIT CENTRES 1-3/2013

*Heavy Tyres: Improved structure, soft demand*

### Performance in Q1/2013

- + Structural changes in manufacturing reduced manning and improved product quality, flexibility, and productivity
- + ASP was flat yoy despite challenging market situation
- Sales down due to weaker demand and machine building in Europe
- Production adjusted to demand; profitability suffered from lower utilization rate

### Key actions and targets for 2013

- Maximize sales
  - Improve sales mix and share of replacement market sales
  - Expand the distribution network, especially in Russia and CIS
  - Accelerate development of new radial products
  - Finalize factory modernization project
  - Optimize production output
- Increase sales to replacement market, optimize production output and improve productivity – Maintain EBIT

### Net sales:

Q1/2013: 22.1 m€ (27.0 m€); -18.1%

### EBIT:

Q1/2013: 2.2 m€ (3.8 m€); -41.3%

### EBIT margin:

Q1/2013: 10.1% (14.0%)



Nokian Mine L-5S

## PROFIT CENTRES 1-3/2013

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

#### Performance in Q1/2013

- + Market share improved in the Nordic countries and Russia
- + Wider range for premium & standard truck tyres
- + Operating profit on a healthy level
- Sales down trailing weaker demand in the Nordic countries

#### Net sales:

Q1/2013: 11.0 m€ (12.6 m€); -12.4%

#### 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, improving market shares and expanding distribution



Nokian Hakkapeliitta Truck D



## Investment in Q1/2013

- 47.6 m€ (39.1 m€)

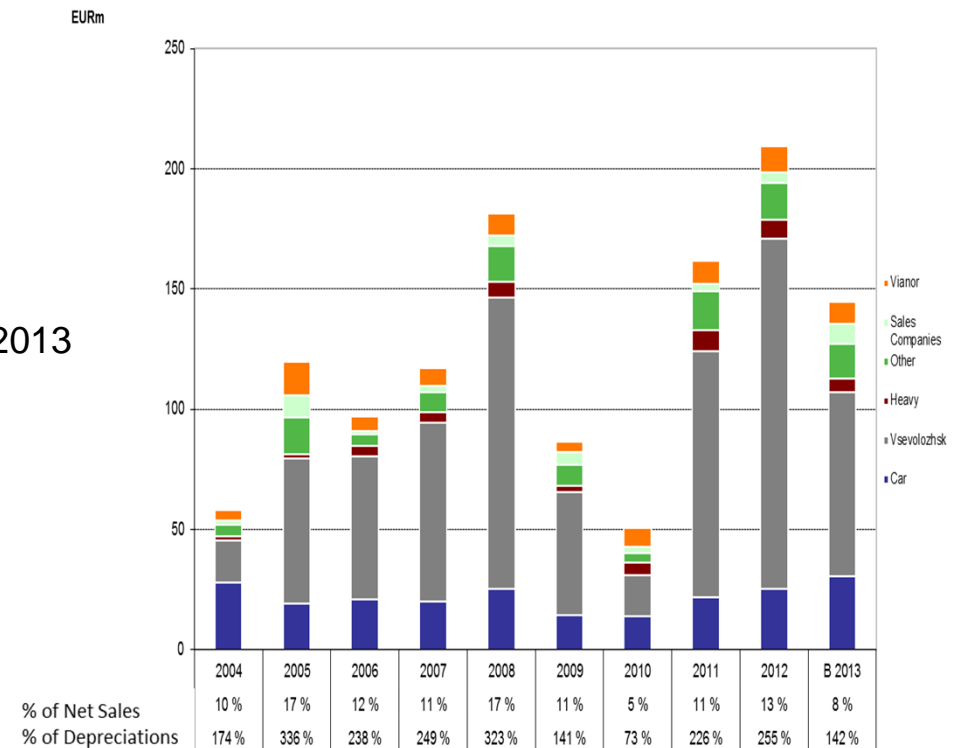
## Russia

- Capacity ramp-up and investments
  - 11 lines in production
  - Line 12 started production in March 2013
  - Line 13 installation in 2013
  - Hakkapeliitta Village 2<sup>nd</sup> stage completed 2013

## Estimated investment 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€)



## PRODUCTION PLANTS

*Production capacity in 2013: 18 million tyres*

*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
  - Own electricity generation
- 2013:**
- Line 12 on stream in March 2013
  - Line 13 installation to be completed in 2013



## NOKIAN TYRES GOING FORWARD

*Outlook for 2013: Full year sales to improve with weaker H1*

### Assumptions

- Core markets growing slowly
  - GDP growth Russia 2.7%, Nordic 1%
  - In Russia uncertainty increased, car sales up 2-5%
  - Currencies on Nokian core markets to be stable
- Price pressure may affect ASP
- Raw material cost (€/kg) estimations
  - Cost to decrease by 6.8% in H1/2013 vs. H1/2012
  - Cost to decrease by 6% in 2013 vs. 2012
- Passenger car tyre operation environment
  - Demand in core markets flat compared to 2012
  - 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 Q1/2013
  - Undrawn facilities available

### Outlook: Some growth in a challenging market

- Sales in Russia and N-America to grow in 2013, Nordic and CE flat
- Pricing environment 2013 challenging for all tyre categories
- Raw material cost (€/kg) down 6.8% in H1/2013 yoy and 6% full year 2013. Tailwind some 30 m€ in 2013.
- New Hakkapeliitta range supports winter tyre sales and ASP
- Capacity ramp-up in Russia proceeds
  - Line 12 on stream in March 2013, line 13 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 compared to 2012. On the back of Q1 results, Net Sales and Operating profit in H1 are, however, still going to be weaker than in 2012.



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**TYRES**

