STRENGTHENING MARKET LEADERSHIP IN RUSSIA

NOVEMBER 13, 2018

ANDREI PANTIOUKHOV
EXECUTIVE VICE PRESIDENT, RUSSIA & ASIA
Russia remains an attractive market for Nokian Tyres.

- Nokian Tyres continues to target the profitable A+B segments.
- Our market leadership is strongest ever.
- Our target is to continue outperforming competition.
- We are focusing on key building blocks for future growth.
- Local production in Russia remains a competitive advantage.
- Russia represents several business risks, but we effectively work to mitigate them.
NEW CAR SALES IN RUSSIA WILL GRADUALLY INCREASE...

2012 peak sales expected to be achieved by 2023:

New car sales in Russia (million units)

Source: AEB; Nokian Tyres estimates
...AND THE TIRE MARKET IS ALSO RECOVERING

Growth driven by the B-segment

Car, SUV, van tire replacement market (sell-in volume, million tires) – Basic scenario

CAGR 2017–2023

Total +6.0%
+4.0%
+9.1%
+5.7%

Note:
market segmentation is based on brands’ relative price positioning and brand image

Source: Nokian Tyres estimates
WE TARGET 50% OF THE REPLACEMENT MARKET...

Focusing on winter and summer tires in A+B segments

Russia's estimated 2018 replacement tire market (million units)

<table>
<thead>
<tr>
<th></th>
<th>A-segment</th>
<th>B-segment</th>
<th>C-segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>winter</td>
<td>3.7</td>
<td>6.2</td>
<td>9.1</td>
</tr>
<tr>
<td>summer</td>
<td>3.3</td>
<td>5.8</td>
<td>10.3</td>
</tr>
<tr>
<td>total</td>
<td>6.0</td>
<td>12.0</td>
<td>19.4</td>
</tr>
</tbody>
</table>

Source: Nokian Tyres estimates
AND WE ARE THE PRICE LEADER IN WINTER TIRES

Optimized product range and pricing are key for profitable market leadership

STUDDED TIRES
HKPL 9 = 100

STUDLESS TIRES
HKPL R3 = 100

SUMMER TIRES

Source: Nokian Tyres analysis
IN 2017, WE REACHED OUR HIGHEST EVER MARKET SHARE OF 30% IN A+B SEGMENTS...

Source: Nokian Tyres estimates
Main building blocks for future growth

- Leadership in product performance and quality
- Comprehensive product portfolio
- Optimized price positioning within and across A+B segments

- Best tires for all conditions
- Ultimate choice by consumers
- High brand awareness and intent to buy
- Brand promotion through effective creative solutions

- Close partnership with distributors
- Flexible financial terms
- Effective support of sell-out
- Multi-channel distribution structure
- Upgrade of online solutions
WE HAVE A MULTI-CHANNEL DISTRIBUTION NETWORK...

**Official distributors**
- Integrated wholesale / retail operations
- Federal retail chains with active online presence
- Regional or federal wholesale operations

**Tire retail**
- Professional tire retail
  - Hakka Guarantee network of ~2,900 POS
- Controlled / franchised tire retail
  - Vianor 328 shops
  - N-TYRE + NAD 130 shops
- Web-shops

**Automotive**
- Car manufacturers (> 20)
- Loose winter tires and complete wheel programs
- Car dealers
  - Total ~ 3,100 POS

**Corporate Fleet Customers**
- Taxi operators
- Federal and regional-scale companies with own fleet
- Leasing companies
- Car sharing operators

CONSUMERS
SUPPORTED BY VERSATILE DISTRIBUTION MODELS

- Official distributors
- Direct sales and distribution (all channels)
- Direct sales and distribution (car dealers)
- Regional warehouses
- Uncovered territories

- Vsevolozhsk factory

Map showing distribution models across different areas in Russia.
WE PROVIDE EFFECTIVE SELL-OUT SUPPORT

Examples of marketing campaigns and actions

Hakka Guarantee
- Extended Guarantee for Nokian Tyres products to support sell-out (free repair or replacement of damaged tire)
- ~ 2,900 POS participate in program
- Over 700 Authorized shops to provide service

Discounted tire mounting
- Marketing program for consumers to drive sell-out in selected professional tire retail
- Effective marketing tool to support price positioning
- Autumn 2018 – 250 joint campaigns with partners (~700 retail shops)

Franchising support
- Seasonal advertising support for VIANOR & N-TYRE retail brands, including promotion of VIANOR.ru marketplace
PIONEERING IN DIGITAL TIRE BUSINESS

Examples of running e-commerce solutions and business models

**B2B**
- Comprehensive web platform for business-to-business customers
- Currently covering over 95% of all incoming customer orders

**B2C**
- Own Nokian Tyres web shop for direct sales from the manufacturer to end consumers

**vianor.ru**
- Sustainable, flexible and user-friendly marketplace aligned with business needs of Vianor partners and preferences of online consumers
ONE OF THE MOST EFFICIENT TIRE FACTORIES IN THE WORLD

THE LARGEST EXPORTER OF CONSUMER GOODS IN RUSSIA

ANNUAL PRODUCTION CAPACITY

17 MILLION TIRES

24/7 OPERATION IN FOUR 12-HOUR SHIFTS

330 DAYS A YEAR

HIGHEST QUALITY LEVEL

EXPERIENCED TEAM OF HIGHLY QUALIFIED PROFESSIONAL EMPLOYEES

PERSONNEL ~1,600 PEOPLE

100 x

VERY HIGH COMPLEXITY OF PRODUCTION

THE LARGEST EXPORTER OF CONSUMER GOODS IN RUSSIA

17 MILLION TIRES

24/7 OPERATION IN FOUR 12-HOUR SHIFTS

330 DAYS A YEAR

HIGHEST QUALITY LEVEL

EXPERIENCED TEAM OF HIGHLY QUALIFIED PROFESSIONAL EMPLOYEES

PERSONNEL ~1,600 PEOPLE

100 x

VERY HIGH COMPLEXITY OF PRODUCTION
## WELL POSITIONED TO REDUCE RISK

### Business risks

| Market risks: a new economic crisis leading to the deterioration of consumers’ disposable incomes and demand | Wide product range covering all segments: switch to cheaper segments in case of weak demand |
| Credit risks: potential bankruptcies of distributors, fraud | Flexible financial terms with distributors’ stock audits |
| Ban of import of tires from Russia to US and/or the EU | Lobbying in the US to ensure that ongoing investment project is taken into account in decision-making |
| Business interruption risks due to the actions of Russian authorities: counter-sanctions, import/export restrictions, official checkups | Close cooperation with the Russian authorities on all levels; pro-active support of their initiatives; compliance with legislation |
| Technical regulation risks: adoption of unfavorable standards & regulations | Lobbying, pro-active participation in technical regulation development and adoption |
Russia remains an attractive market for Nokian Tyres.

- Nokian Tyres continues to target the profitable A+B segments.
- Our market leadership is strongest ever.
- Our target is to continue outperforming competition.
- We are focusing on key building blocks for future growth.
- Local production in Russia remains a competitive advantage.
- Russia represents several business risks, but we effectively work to mitigate them.
STRENGTHENING MARKET LEADERSHIP IN RUSSIA

NOVEMBER 13, 2018

ANDREI PANTIYOUHKOV
EXECUTIVE VICE PRESIDENT, RUSSIA & ASIA