

Corporation:	Nokian Renkaat Oyj
Title:	Interim Report January–September 2020
Speakers:	Jukka Moisio, President and CEO Teemu Kangas-Kärki, CFO
Date:	27.10.2020.
Duration:	00:53:22

PRESENTATION

Päivi Antola

Good afternoon from Helsinki, and welcome to Nokian Tyres Q3 2020 results conference call. My name is Päivi Antola and I am the Head of Investor Relations in Nokian Tyres and together with me in this call I have Jukka Moisio, the President and CEO of the company, and Teemu Kangas-Kärki, the CFO. You have now been some five months the CEO of Nokian Tyres, what are your key impressions so far?

Jukka Moisio

Thank you, Päivi for the question. And first of all, on my behalf, also welcome to this results call. So, what are my feelings or thoughts right now? I would say that we are very much on track on doing things that we set out to do. So, first of all, to try to sell more tyres, and focus on that. And also launch new products, because that is the lifeline of the company and allows then the future volumes and better price points. But, at times like these when COVID is still around and hasn't disappeared, it's really important that we have been focusing on cost and cash flow. And I think that important and continued focus in that area will help us also in the fourth quarter and early into 2021. But my summary is that they are very much on track on doing things and executing the actions that we set out to do.

Päivi Antola

Very good. And then let's move on to Q3. And we shall start with that with the presentation that we have prepared and then continue with the Q&A. So, Jukka please go ahead.

Jukka Moisio

Okay. Thank you, Päivi. So, I move to page two on our presentation and just reflect on the sales development. So, our net sales at slightly below 350 million, somewhat behind 2019 third quarter. But if you take comparable currencies, we are about 3.3% ahead of prior year. Obviously, the market developed -2% in the third quarter in Europe. And when we went into the quarter, we didn't quite expect that our revenues and net sales would develop so favourably. In fact, when we had thought about the second half in the connection of the second quarter results announcement, we were expecting that the volumes and revenues will not recover to a level that we achieved in 2019 in the second half.

And even though we had a very strong quarter in the third quarter, we are still quite cautious about the full second half, and the season hasn't really started yet. So, obviously there are number of uncertainties in the air in terms of what to expect from the fourth quarter. But, having said that, we are pleased on the second quarter performance. Passenger Car Tire growth was driven by North America and Central Europe, and we had relatively good performance in all business units in this volatile environment. Also, in the third quarter what was helping our net sales development was that some of the sales that we had in 2019 in the second quarter shifted into third quarter in 2020. So, there's some activity [ph 00:03:48] in the third quarter which came from the second quarter of 2020. Operating profit at 69.3 million, segments operating profit 74.9, slightly behind in 2019 performance and obviously, we had some help from the raw materials.

Clearly, strong manufacturing performance and then cost cutting helped our cost side and then currencies were providing some headwinds and also the big volumes in Russia. Also, in the quarter, the Board decided the payment of a second dividend instalment of 35 cents per share. If I move to page three, there is a summary of our financial performance. So, things to point out from here is that cash flow from operating activities was 7.1 million versus -89 million in 2019. And also, the main reason to achieve that you see below capital expenditure

in the quarter 31 million versus 88 million in 2019. And a very good development of segment operating profit under the circumstances at 19.8% in the quarter versus 21.1% in 2019. And pipeline advancement in the third quarter of 3.3% in constant currencies.

And as I said, I just to want to reiterate that when we went into the second half of the year, we didn't quite expect that volumes would recover so strongly. Still, of the opinion that when we look at the fourth quarter, there are lots of uncertainties in the area, and so therefore we are of the opinion that the second half is unlikely to be stronger than previous year, but obviously still the final quarter is ahead of us. So, uncertainties there and we will see what we can do, but obviously aim for the best possible performance.

From our point of view, of course, the key to achieve results and performance right now is to focus on cost. Surely, we sell as many tyres and want to sell as many tyres as possible and we focus on the revenue plan and then working capital cash flow is something that is very, very important in this year.

That's essentially the summary of financials and I now hand over to Teemu. Oh, okay, I have still, sorry the page number four, where we have a little bit of the statistics in terms of new car sales, car tyre selling, and heavy tyre segments and as you look at through the various geographic areas it is in the first nine months of 2020 a negative development. As I mentioned, the car tyre sales in the third quarter was -2% in volume versus 2019 and powerbrokers was 3.3%. That's in the summary, the financial and the market. And I hand over to Teemu to talk about the division segments for them.

Teemu Kangas-Kärki

Thank you, Jukka. So starting with Passenger Care Tyres, as usual and looking at our comparable net sales. Net sales increased close to 5% in the third quarter on the comparable currencies and assets. Strong performance in North America, Central Europe and also in the Nordics. In Russia, the net sales declined as planned because of the measures reducing the carry-over stocks in the distribution channels, and now the stock level in the distribution in Russia has decreased and we are expecting that to continue to decrease in the fourth quarter this year.

Then moving to segment operating profit, we were on a level of 72 million, a couple of millions behind last year. The area there, Russia is the main driver of that, on top of the negative currency impact and then lower raw material unit costs then were partly offsetting the negative headwind.

Then in terms of our production. In Russia, September was our record high production volume, so, we start to reach the normalised level in our Russian factory. Then, still in Finland, we have adjusted the production according to the demand still in the third quarter. Then moving to the net sales quarterly changes. And if we focus [? 00:09:28] price mix development. So, in the third quarter our price mix was negative, about -0.3%. There we had a favourable mix effect and then our price effect was negative and then the aggregate number is then slightly below last year in the price mix component. Currency in the third quarter had a major effect, and as we all know, for example, the Russian ruble is significantly weaker and then on top of that other currencies in the third quarter are weaker, like Norwegian krona, USD, as well as Canadian dollar.

And then moving to the Passenger Car Tyre (PCT). Rich impact. On the segment operating profit here you can see the biggest two components in terms of absolute euros from material tailwind, contributing about 11 million for the third quarter result positively, and then the same amount we lost in the currency headwind. So, all in all, PCT segment operating profit 4 million down compared to the period last year.

Then moving to the Heavy Tyres business unit. In the third quarter the comparable net sales development was -2%. And there the OEM sales meaning [ph 00:11:39] the forestry was clearly down, as we all know how that industry has been developing in the recent months. Then the positive side in the Heavy Tyres in the third quarter was the good truck tyre sales now when we are heading to the winter season that then offset the negative development in the forestry and agri side. The segment operating profit in the third quarter was almost at the same level than previous year's quarter on a level of 8 million euros.

And then our third business unit Vianor. We had a good performance in a typically low season as we all remember the seasonality of our business there. Net sales was slightly down on the level of 67 million euros. And in percentages, about 1% on the comparable currencies. Nevertheless, the segment operating loss was smaller than in the third quarter 2019 on a level of -3 million. And there we have been able to adjust our seasonal workers in a in a good way in order to offset the declining top line. And as a reminder, we divested in US our small Vianor network with 10 service centres. That was completed in August and we will now continue to sell the tyres in the same service centres but we are not operating those by ourselves. That was, in brief, the three business units in the third quarter.

Jukka Moisio

Thank you, Teemu. And I move to our final page to summarise our priorities, so page ten. So, clearly it's important that we keep on launching and developing new products, and we have a very strong pipeline. So, every month in coming quarters we hope to introduce new products and launch them successfully. At the same time, it's important we focus on the key core competence and area where we can make a difference which is to sell more tyres. But, also, if you think about the environment and uncertainties related to COVID and so on, equally important it is that we keep cost in strict control and also that we protect our cash flow by making sure that we only invest what is necessary and at the same time manage our working capital well. Some activities are not necessary right now, so we can delay them and make sure that in that sense our organisation focuses on the key activities and some of the development activities and so on, we can delay and maybe do next year when even when things look better.

The season is still ahead of us, so clearly the final quarter is season dependent. We are well prepared for the season, but it hasn't really started, some snow in Finland, other countries, and surely we've seen demand picking up a little bit, but it's still not yet really winter and so therefore some excitement still ahead of us. But, in summary, we can say that Q3 was good, we are pleased about that, and it was better than we expected when we went into the quarter. And in that sense, at this moment we are in a good position to enjoy what will come in the fourth quarter. But, clearly, we focus on cost, we focus on cash flow and we will make of course most of the season when it comes. This is the summary of where we are.

Päivi Antola

Thank you, Jukka, thank you Teemu. And now, operator, we would be ready for questions from the audience, please.

Q&A

Operator

Thank you. If you wish to ask a question, please dial 01 on your telephone keypads now to enter the queue. Once your name has been announced, you can ask your question. If you find it been answered before it's your turn to speak, you can dial 02 to cancel. Our first question comes from the line of Abshat Kakar [Ph 00:16:37] of JPMorgan. Please go ahead, your line is open.

Abshat Kakar

Hi, thank you for taking my questions from JPMorgan. Three, please. The first one on the temporary layoffs in Finland. Is it possible to quantify how much benefit do you have from this temporary action impending this year? For the first nine months or the third quarter specifically. And, how should we think about this going into the fourth quarter and 2021? How much flexibility do you still have on these programmes?

That's the first one. The second one is on Dayton and recruit recruitment of the second shift there. Does this expand capacity to one million tyres? And what is the associated cost of this ramp-up that you forecast going into next year? And when do you plan to hit the two million units and from what I remember that was planned on three ships. The third question is on the EBIT bridge for passenger cars? Can you detail out what is exactly within the -9 million bucket linked to supply chain impacts in the quarter please? Thank you.

Jukka Moisio

Alright, so thank you for the questions. Let me start with the temporary layoffs in Finland. So, obviously, Finland is a particular country where you can do that. We still have flexibility in the final quarter if the demand is weak and so on, and we still have flexibility to do temporary layoffs, if needed. We will see how the demand continues. We are not talking about significant millions here, so my guess, and this is not scientific, in the range of 3 million max what we can get out of this one.

And then you ask about Dayton. The second shift is being hired right now. So as we speak, we hope to be fully on two-shift operation starting 2021, then the final two million capacity will require three shifts, and we expect that during the course of 2022, assuming that the demand evolves, that we will be there. And then we have the question that at which point we trigger expansion equipment so that we can actually move from two million to four million. But this is something that needs to be decided to in the course of '21-'22, and there is certainly time when we get to that 4 million tyres.

What the cost impact of that is essentially? In direct employee. Less than 5 million euros, I would say. But then of course there are other operating costs and so on. Teemu, will take the-

Teemu Kangas-Kärki

Bridge question and regarding the supply chain block there. As you all know this apply [00:19:40] in general that represents the biggest cost item for Nokian Tyres. And then if we take away raw material unit costs, which is included in the 11 million positive development and then looking other components in the groups like the volume price mix SG6A price mix [00:20:04] that is, and currency, then the residual is in that supply chain bucket and there you can see, for example, one part of the explanation is the Nokia factory under absorption in the third quarter, but there are also other supply chain-related costs.

Abshat Kakar

Understood. If I could just follow up on the temporary benefits, I think you said you expect maximum of three million in the fourth quarter. Is that right?

Jukka Moisio

Fully year level. Maximum three million.

Abshat Kakar

Over the full year level in terms of temporary benefits.

Jukka Moisio

Yeah, because the temporary layoffs are not as such. They are an efficient way to regulate the capacity, but in terms of how much you save in cost, it's not a significant cost item. It will help for its part, but it's in absolute euros, it's not significant.

Abshat Kakar

Understood, thank you.

Operator

Thank you. Our next question comes from the line of Mateus Holbei [ph 00:21:10] of B and B [ph 00:21:11]. Please go ahead, your line is open.

Mateus Holbei

Thank you. Hello everyone. So on the raw material side we see in the bridge and as you mentioned that the prices and costs are down quite considerably, but you seem to have been able to keep this for yourself and not having to let that pass through to your own pricing. Is this the result of lag or do you believe that you will be able to maintain these lower prices yourself?

Teemu Kangas-Kärki

So, in our forecast for the full year, for the fourth quarter, is that the raw material prices continue to be on a level, as in the third quarter. And then in terms of pricing, well, the prices are more or less fixed for this year. And then going to next year, that's then a different story. And maybe just to share with you the current year the raw material prices in '20-'21, we are expecting to see an increase in raw material prices in '21.

Mateus Holbei

Great. And a second question from me on the dividend. Just to be clear, I read in the statement that it could be the sort of the remaining point EUR 0.79 that was discussed earlier this year could be made in one or several instalments. So just to be clear, is this EUR 0.35 announced today? Is that sort of the final? Or could there be an additional instalment beyond this?

Jukka Moisio

I believe that this is final, so there is no additional instalment this year.

Mateus Holbei

Thank you.

Jukka Moisio

Thank you.

Operator

Thank you. Our next question comes from the line of Thomas Bedesson [ph 00:23:10] of [? 00:23:11] Please go ahead, Your line is open.

Thomas Bedesson

Thank you very much. [? 00:23:17] I have two questions for you, please. The first one is on your North American performance in Q3. Your volumes seem to have jumped dramatically more than the market while in the first half they had underperformed the market. Can you explain this? That's part of what you were talking about in terms of elements shifting from Q2-Q3 and elaborate on whether there's any one of linked with these Q3 volumes, and whether you expect a similar development in Q4 in North America as in Q3. So basically, explain a bit more this very substantial jump in the region. The second question is about the bad debt you reported, I think four million in Q3. Can you talk about that whether you believe [inaudible 00:24:12] Q4 and in 2021, or whether this is well under control and we have seen most of it now. Many thanks.

Teemu Kangas-Kärki

The first question was regarding the North American and sales that you rightly pointed out. That partly is achieved from Q2 to Q3, and then it's also good to remember what I've been saying in earlier discussions that our customer base is more concentrated than maybe in other companies' customer base, so when they are doing their internal decisions, how they want to stock, that will influence our sale. So, those are a couple of reasons explaining the North American sales development.

Then in terms of the second question, the bad debt development. So, as discussed in the Q2 call, these are the bad debt provisions that we foresee, so they are not yet realised bad debts, but now when all the companies have introduced since 2018, the IFRS 9 approach where we need to start providing bad debts provision according to the IFRS rule, so this is the fact that we have seen now this year increasing the bad debt provision and most likely it continues into the fourth quarter as well.

Thomas Bedesson

OK. Thank you.

Operator

Thank you, our next question comes from the line of Artem Beletzky [ph 00:26:08] of SND. Please go ahead, your line is open.

Artem Beletzky

Yes, [? 00:26:15]. Three questions from my side. So, first of all you, talk about some failed shift from Q2 to Q3. Would it be possible to maybe quantify what has been the magnitude of it? The second question is relating to the mix side of the operation. So you stated that you mix improved year over year. Is it fair to assume that your mix will be also improving going forward as you are talking quite a lot about new product

introductions and maybe just a number, if you could provide on how much your improved in Q3. And lastly, regarding the big focus on working capital and cash flow of the company. So in Q3, your inventories were down by 20%, I think trade with rubles more than that. Do you see much of a potential to squeeze further or basically improve your working capital in the company?

Jukka Moisio

Okay, so I'll take that shift from Q2 to Q3. So, clearly, there was some. It's difficult to quantify, but I would say a single digit percentage of the total volume is what we talk about, but there clearly was some shift. Scientifically, it is difficult to quantify, but just to let everybody know that that did happen.

Mix is improving because we obviously have less shares in Russia and then other markets which are higher value, higher ASP and that's how the mix improvement is also visible. Currency, of course, is another one which we then see as an item which was discussed. In terms of launching new products, I think that we are in the moment of launching them so many of them will be introduced for the summer next year or season next year, and so on, so many of those launches don't have an impact right now, but they will have an impact in coming quarters.

Teemu Kangas-Kärki

And in terms of working capital efficiency, so clearly that will be our focus area, also, not only short-term but also mid-term because maybe in the past the working capital component hasn't been that actively managed, but now it is the core of our focus.

Jukka Moisio

And that's part of the story that we move into the capital employed type of the target setting and that's why the working capital and asset velocity and all those matters are quite important and so address them. And, of course, then Teemu's team has started to work with our business teams quite intensively on these matters.

Artem Beletzky

All right, very good. Thank you.

Operator

Thank you, our next question comes from the line of Gabriel Adler at Citigroup. Please go ahead, your line is open.

Gabriel Adler

Hi. Thanks. Gabriel Adler from Citigroup. My first question is on Russia. Could you help us understand the level of wind power inventories in distribution channels in Russia following the attitude made to normalise stock levels, because you mentioned further declines will be required in Q4. Will this be a similar level of decline that we saw in Q3 or are we getting close now to normal levels of inventory in the channels there? And my second question is on the comments of top line being a priority for the company. Can you comment please on what this means for margins in the coming years because clearly, margins in Q3 were very strong, but do you think mid-term the business is able to recover to say 20% plus margin while at the same time prioritising top line growth? Thank you.

Jukka Moisio

Yeah, I think if you start with Russia. So, we had a plan when we went into the year that we get to normalised inventory levels in the pipeline and we're very much on track to do that, and clearly we made progress in the previous quarters and we expect that by the end of the year. Of course, this assumes that the season is relatively normal, it doesn't have to be aggressively positive, doesn't, but if it's strongly negative it also has an impact, but basically we are on track to achieve the target level by the end of the year.

When it comes to the margin profile, then obviously, we said earlier, and we haven't gone really looking into strategic targets at this point of time, so we believe that 20% margin can be achievable. We haven't done a lot of work at these times on that one, we will revisit targets in 2021 when the situation with COVID hopefully is behind us and we can go back to normalised operation, but at this point of time we set the bar at the level that 20% can be achieved, but that will be and needs to be confirmed in 2021.

Gabriel Adler

Okay, great. Thank you very much.

Operator

Thank you. Our next question comes from the line of Henning Grossman [ph 00:31:30] of HSBC. Please go ahead, your line is open.

Henning Grossman

Yeah. Hi. Good afternoon. Thank you for taking the question. I just have a clarification, really. When in your opening remarks who said that you're still not sure or you in fact you expect that the second half this year will still remain with all the second half last year. It's good, of course to see you match the volumes virtually of last year, exceed them quite significantly in the US and some regions outside of Russia. I think Teemu also said that pricing should be okay in the fourth quarter, so I was hoping we could just explore a little bit more where your reservations lie. Obviously the winter season last year is in a very difficult [? 00:32:15]. You're saying you're ready to take opportunities when the season comes, so is it really just fully attributable to uncertainty around how cold and snowy the winter will be? Or are there any particular regions or product segments where your reservations are mainly attributable? Thank you.

Jukka Moisio

We are basically looking at the environment and of course very careful about COVID and the environment. Obviously, the season hasn't started, so that is-- but it's every year with us. So therefore, of course, everybody knows that this is something that will come either more weaker or normal, but at this point of time when we went into the second half, we expected that volumes will not fully recover to 2019 level.

We are very pleased with the third quarter performance and what we're saying is that still nevertheless we would be happy to be pleased with the fourth quarter performance, but it's not achieved yet, so we have number of weeks and months, a couple of months, to make it happen, and it's sufficient to be careful at this point, simply because of uncertainty in terms of the demand picture is there. Are we ready to grab the opportunities? Yes, we are. Do we have a cost competitiveness? Yes, we have. Do we focus on cash flow? Yes, we do, but nevertheless, the uncertainty and that is around us. And having said that again, I just want to emphasise that we are very pleased we the third quarter performance.

Teemu Kangas-Kärki

Yes, and maybe building on what Jukka has said. We shouldn't be expecting any kind of a similar shift from Q3 to Q4 like we did in Q3 from Q2, so that needs to be taken into account.

Henning Grossman

I'm sorry, that would have been my other question. So, when you talked about your customer concentration, this wasn't meant to indicate that there was possibly a bit of a pull forward where now your concentrated customers have now taken a lot of the selling and will potentially be taking a little bit less into Q4 in turn. That's not what you were implying, then, is it?

Jukka Moisio

No, we to run pretty normally, so we have no extra push or anything of the volumes. We run as the customers run, so we match our run to our customers.

Henning Grossman

Okay, thank you very much.

Operator

Thank you. Our next question comes from the line of Pierre Rive [ph 00:35:04] of Mind First. Please go ahead, your line is open.

Pierre Rive

Yes, good afternoon to you all. This is Pierre Rive with Mind First. I need to come back on the price mix versus the raw material development of the full year. Of the first three quarters of the year you have a price, a very minimal price mix headwind of -4 million, but you had a significant raw material tailwind, a cumulative one of 20 million over the first nine months. I just struggle to understand how that is possible to maintain and to carry over into the next quarter into next year. Don't we have to expect at some point that some of the two, one of the two buckets needs to give, either on the price mix that needs to go down, or the raw mat, that needs to go up or be a headwind. That would be my only question. Thank you.

Jukka Moisio

Didn't you draw the conclusions? I understand what you were saying, but didn't you draw the conclusion as well? But on the other hand, of course, it's important that the pricing of our products and the markets is aligned with the market pricing and then when we operate and have a competitive raw material cost. So, part of that is our own sourcing, part of that is currencies and part of that is where we operate and make the products. And of course, a significant part of our products on this in Russia, where the currency is soft.

Pierre Rive

Alright. So if I understand correctly what Teemu said, raw mat should become a headwind, at least for the first part of 2021. Correct?

Teemu Kangas-Kärki

So my comment was for the full year '21.

Pierre Rive

Full year '21? Alright.

Jukka Moisio

So, but it's difficult to say, yeah, what will happen. I think Teemu was saying that the latter part of this year will be competitive and then early part of next year we will see. But then full year 2021, assuming that the economies recover, there will be increased raw material, yeah?

Teemu Kangas-Kärki

For the full year.

Jukka Moisio

But it may not happen. Things are different.

Pierre Rive

Okay, just one last, just squeezing in, if I may, because the other surprising bucket in your bridge has been obviously volumes, at least for me, but obviously for consensus as well. Can we be sure that there has not been any inventory building in the third quarter into the network explaining the very strong 5.5% volume [? 00:38:09] no inventory building there? Nothing we should be concerned about?

Jukka Moisio

I think that this is probably one of the areas where we have tried to be very careful, extraordinary conservative, not shipping into pipeline or inventory, and it's been one of the most important things that we paid attention throughout our system that the inventories in the pipeline should be quite competitive at a good level.

Pierre Rive

Okay, thank you, Jukka, thank you, Teemu.

Operator

Thank you. Our next question comes from the line of [? 00:38:43] of Nordia. Please go ahead, your line is open.

Speaker

Oh yeah, hi. [? 00:38:55]. Can you please say something regarding the market demand now in October? So, has it been about the same than already seen in September or maybe a bit weaker in October? Which actually could be the reason for your courses [ph 00:39:13] for the fourth quarter and how this end October now is compared to the year earlier period in in last year, and maybe if I make a couple of more related to the third quarter. I mean where there any kind of extra items related to corona. Have you actually received some corona support from the state in the third quarter, and if they were, what cost to [? 00:39:38]?

And lastly, regarding the dividend payment? I mean, I hear that you are saying that no further dividend payments is going to be there before the year end, but is there kind of a technical kind of chance to pay something before the next AGM still after the year change? Thanks.

Jukka Moisio

The two last questions I can respond. The answer is on the dividend, no, and also any support for corona, the answer is no. Teemu, October.

Teemu Kangas-Kärki

So, in October so I will say that in the fourth quarter that November is also a key sales month so I wouldn't like to comment one specific month within the quarter.

Speaker

Yes, that's great, thanks.

Operator

Thank you, Our next question comes from the line of Peter Pester [ph 00:40:37] at One Investments. Please go ahead, you line is open.

Peter Pester

Hi. Just a couple of questions, please. One is on Central Europe. If you could just talk a bit about the good performance in Central Europe for you and the extent to which this is broader distribution, or how the product mixes worked on there, and whether you're getting any comment on reorders or sell throughs as you serve Central Europe. Then the second question is just on working capital. You had quite a good move on payables helping the cash flow this quarter, and you've brought inventories down from a year ago. If you could just give a sense of what you think you can achieve working capital wise as we go into the year end. And lastly, just if there's any comment you can make on the market-to-market of FX just to take that uncertainty out as people try and understand the effects of the current rates. Thank you.

Teemu Kangas-Kärki

So, if I start with the working capital part and you mentioned the payables. That is an area where we have been focusing this year in order to improve the payment terms and that work still continues, so we are in the beginning of the journey. And then in terms of working capital. As you know, we have the high seasonality there and especially our trade receivables will go down towards the year end winter. The payments are due so there is a year change.

Jukka Moisio

Then you ask about Central Europe. Reasons behind the good volume. So, obviously, what happened was that historically we didn't have such a good product offer. So, obviously, now when some of the products have been launched prior past year, and even before. Those are now carrying us today and based on the work we've done with focusing and improving our activities in the sell out, and helping our customers enter the distribution in sell out has helped volumes as well. We are quite pleased with the performance and we expect that the Central European performance will continue at strong levels. So, in that sense, of course there was some shift from the second quarter to the third quarter, but the overall improvements that we have done in our central Europe under the leadership of [? 00:43:13] who joined in late 2019. Those improvements and benefits are now starting to come visible in our performance. Eastern Europe, so clearly, Poland and Czech, and so on. Those were our good performers.

Peter Pester

Right. Okay. And then on the FX, is there any mark to market you can give just so we've got some, you can just take that out of the bridge and don't have the uncertainty? In Q4?

Teemu Kangas-Kärki

In Q4 there, I think that the Russian ruble is the biggest, biggest swing factor and I don't want to comment where the product is going.

Peter Pester

Sure.

Jukka Moisio

Ruble is related a little bit on the oil price and so on. So, when the oil price goes up, so the ruble gets stronger and so, but it's really difficult to anticipate. It may be best to anticipate that they stay at the level that they are right now.

Teemu Kangas-Kärki

That's how I tend to be that. I don't try to guess the coming quarters or months.

Peter Pester

No, indeed. That was my question. If you take the current levels just so we understand what it is here and then whatever happens happens. But at least as people try to model the FX impact if you knew where we are now and the ruble were to stay what that would mean for FX in Q4.

Jukka Moisio

More or less what you see is what the ruble does at current levels.

Peter Pester

Okay. Thank you.

Operator

Okay, and we have a follow-up from [? 00:44:51] from Kepler Cheuvreux [ph 00:44:52]. Please go ahead, your line is open.

Speaker

Thank you, I understand you don't want to talk about monthly development, but when we look at Q3, it seems that July and August developed more or less as everybody expected, and then September was phenomenal. Is that true for you as well or has it been a more linear development?

Jukka Moisio

We would say that from our point of view that the development has been more linear than in previous years. So, quite a linear development, but yes, typically the historical has been a quarter-end push, but now there was a more linear development in July, August, September.

Speaker

Thank you.

Jukka Moisio

And that counts, of course, the supply chain in terms of cost and so on, but not ideal, but improved.

Speaker

Thank you.

Operator

Thank you. Our next question comes from the line of Michael Jacks [ph 00:45:56] at Bank of America Securities. Please go ahead, your line is open.

Michael Jacks

Good afternoon, everybody. Michael from Bank of America Securities here. If I can please just go back to the discussion around raw materials and working capital. Notwithstanding the improvement in cash flow from operations against the comparative period, can you please just try to help me unpack the seemingly low cash conversion Q3? I'm starting to reconcile the working capital outflows in the cash flow statement with fairly substantial decreases in inventories and trade receivables. If you could please just provide some colour on that, and then my

second question is just in relation to the disposal of the US unit in [? 00:46:41]. Can you just give us an indication of what contribution this made to group EBIT in 2020 year to date? Thank you.

Jukka Moisio

The working capital receivables.

Teemu Kangas-Kärki

Yeah, so the receivables in the third quarter. As you know, the pattern that receivables are peaking at the end of Q3 and then going down into Q4 when we collect the money. And then this year, what has impacted our receivables development is naturally our sales, which is slightly different than in prior years. So I don't know if that answers your question. But if not, then I will continue.

Michael Jacks

Perhaps it's on that raw materials question? Maybe if I can just ask it another way. Should we then expect a much stronger cash flow from operating performance in Q4 relative to the operating profit result, i.e. will there be some catch-up from Q3?

Teemu Kangas-Kärki

So, we are expecting to have a strong cash flow development towards the year end, yeah.

Michael Jacks

Thank you very much.

Jukka Moisio

Typically, we collect receivables towards the end. That's why it's also beneficial to pay the dividend in December.

Operator

Thank you. Our next question comes from the line of [? 00:48:32] of Danske Bank. Please go ahead, your line is open.

Speaker

Yes, its [? 00:48:40] from Danske Bank. I have three questions. Firstly, just to understand why the volumes increased in Q3. Can you talk about what the products actually were that you sold in Q3, was it's summer, all-season or winter pre- orders? And then secondly, if it was winter that was driving volumes up as I believe based on your mix, then what's your view? Why did you perform better than your peers who have generally commented that demand for winter tyres is lower, especially in Europe this year. And then thirdly, on Russia, I believe there is a change in the tyre marking regulation that will be implemented quite soon. What's your view on the impact on the markets from this? Thanks.

Teemu Kangas-Kärki

If I start with the mix development. As we commented in our release that the share of winter tyre sales decreased. That means that then the summer and all-season were increasing and that is the case both summer and all-season increased. And then in the winter, there was a mix between regions so Russia was down and then North America was up, even though the absolute volume in winter was then flat.

Jukka Moisio

And then you were asking about the competition talking about the winter season and so on. So, obviously, those comments were early, they were made earlier, so I think that that's something that how they saw the market development. We at this point of time, because the season hasn't really started, so we haven't really seen any strong weakness or any strong upside in the winter. So we are prepared to take the opportunity when it comes. We surely expect to have availability in case it comes in strong and so on. Cannot comment on the competitors' behalf that what their availability is and so on, but we are relatively well positioned for the winter.

Teemu Kangas-Kärki

And then you had the question regarding the tyre marking in Russia. So yes, that is coming into force in a few weeks' time and even though mid-term as we have said that it is a positive thing for the established players but at least in the beginning it will be operational headache for all the players because of the new regulations and how we can implement those.

Jukka Kangas-Kaki

More work to ship the tyres to distribute centre customers.

Speaker

So you don't expect much benefit for this season yet from that? Or how should we think about it, like in terms of reduced competition and reduced exports to the country?

Jukka Moisio

Maybe not immediately. I think immediately is probably to get the shipments and the volumes, and then maybe later on then certain competitors or people cannot meet the regulations, and then there may be benefit. But immediately, no.

Speaker

Alright, thank you.

Operator

Thank you. Once again, if there are any final questions on the line, please dial 01 on your telephone keypads now. And we've got one question coming through so far. That's a follow-up from Artem Beletzky of SCD. Please go ahead, your line is open.

Artem Beletzky

Yes, one follow-up from my side. So, is he talking about second half being weaker compared to last year? Could you maybe clarify whether you are talking about volume development or basically EBIT level versus 2019?

Jukka Moisio

Talk about the volume development first and then we look at the EBIT cost and raw materials and prices and so on. But really what we talk about is the market momentum. How did we see the market momentum when we went into the second half? And so in the third quarter, the market was about -2% versus prior year. We will see how that evolves in the final quarter.

Artem Beletzky

Okay, very clear. Thank you.

Operator

Thank you. And as there are no further questions coming through at this time, I'll hand back to our speakers for the closing comments.

Päivi Antola

Thank you, everybody for participating in this call. Thank you, Jukka, and thank you, Teemu. And this ends today's conference call. Have a good day.

Jukka Moisio

Thank you.

Teemu Kangas-Kärki

Thank you.