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<b>Speakers:</b>	Hille Korhonen, President and CEO Teemu Kangas-Kärki, CFO Päivi Antola, Head of Investor Relations
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**Päivi Antola:** Welcome to Nokian Tyres January-September 2018 result conference call. My name is Päivi Antola and I am the head of the investor relations in Nokian Tyres and together with me in the call, I have the President and CEO of the company Hille Korhonen, and Teemu Kangas-Kärki, CFO. We will start the call with a brief presentation by Hille and Teemu and then continue with a Q&A session. So Hille, please go ahead.

**Hille Korhonen:** Thank you and welcome everybody. Thank you for joining us this morning. I would like to start by summarising our performance during the first nine months of the year. Nokian Tyres has been performing well during the first nine months and growing in all main markets. I am particularly delighted about the strong growth we have had in North America, +17% and in Russia, also +17% in local currencies during the first nine months. Our financial numbers are negatively impacted by currencies. When looking at the different business units - passenger car tyres has been growing, both in volume, and through positive price mix in comparable currencies. Heavy tyres continues to demonstrate good growth not only in forestry, but also in agricultural segments with our new products. Vianor has been improving their profitability, according to the plan. Operating profit has improved slightly, also having impact from currencies. And as the currencies continue to have a negative impact on our both net sales and EBIT, we are updating our full year guidance. Teemu will come back to this topic later. Let me then take a look at the market situation and the impact on our third quarter sales, as well as rest of the year. During the third quarter, we have been growing sales in Central Europe and especially in North America, but showing some decline in Nordics and Russia and I would like to

take a couple of minutes to highlight some of the key drivers behind. First of all, in the Nordic countries, new car sales have been declining during the third quarter. Nokian Tyres has a high market share in winter tyres, which are sold when consumers are buying new cars and therefore this decline had a direct impact on our sales. In Norway, almost half of the new cars are electric or hybrid, and lack of global capacity has been impacting new car sales of both electric and hybrid cars. The share of these cars for example, in September, was 45% of total new car sales. In Sweden, the new regulation WLTP had a big impact on new car sales, even reducing the sales by 30% in a couple of months' time. So there have been big changes in the Nordic markets as well. What comes to Russia, sell out of summer tyres has been weak due to late season. As we explained already during our last call, our customers have high inventories of summer tyres and this also has had an impact on winter tyre sell-in due to practically lack of the warehousing space and tight credit limits. And as I stated during the second quarter call, this will also have an impact on fourth quarter sales as we are then starting pre-season deliveries of summer tyres for 2019. Our full-year Russian market estimates are unchanged. So the new car sales will be improving and increasing roughly by 13-15% and sell-in of car tyres will grow 3-5%. Central Europe also has high summer tyre inventories after weak and delayed summer season and when we look at the winter season it has not yet started so this might have an impact on the fourth quarter sales. The timing of the winter in Central Europe has of course an impact on our sales as well. So as a summary; slight decline of sales in Nordics and Russia due to these changes impacting the markets. All in all, our underlying performance is solid and we have been overperforming the market. Then I would like to take a short look at our most important strategic initiative, building our third factory in Tennessee and this is key investment to support our growth in North America and it will release capacity from our Russian factory for growth in Russia and Europe. I was visiting Dayton factory site about one month ago and I can confirm you that the construction works are proceeding according to the plan, so the walls are rising and first machinery will be installed within a couple of weeks. We have recruited the first people and they are at the moment visiting our Russian factory for training purposes. And that is very important thing for us to ensure that our efficiency and all the knowledge that we have in our factories is being transferred to the new site. In order to support growth in Central Europe, we have been putting a lot of effort in development of the new generation off summer tyres for Central Europe. Our aim is to compliment our offering to our customers, although we still continue to grow in winter tyres as well. As you can see, we have changed our product naming approach to better demonstrate the benefits of our products. So the Wetproof tyres have excellent performance in both wet and dry roads, whereas the Powerproof is for the ultra-high performance category. We launched these premium summer tyres for Central European market a couple of weeks ago and they have been

tested by both the Formula One champion, Mika Häkkinen as well as German TÜV, and our customers were very happy with the new products. These strategic projects are some examples of the initiatives we have in place as we are implementing our strategy together with the whole Nokian tyres team. And we continue to work in close relationship with our customers. We continue to improve our brand awareness, especially outside home markets. We will be investing in new products to support our growth and we continue to utilize and expand our very strong competence in manufacture. I will now hand over to our CFO Teemu Kangas-Kärki who will go through the numbers and he will also present the new briefs he promised to come up with to better explain how we have been performing.

**Teemu Kangas-Kärki:** Thank you Hille. If I touch some of the key figures on this light. In the third quarter we reached net sales of 357 million and on a comparable currency the change is 1.2% up. Comparing to the year to date comparable currency growth of 8.7%. The operating profit on the third quarter was on a level of 86 million euros down from 90 million in 2017 third quarter. Looking our cash flow from operating activities, we had a good cash flow in the first nine months reaching the level of 77 million euros. There we need to take into account the positive effect from returned additional taxes from the tax authorities this year and then additional taxes paid in last year. Nevertheless, taking into account those we have been able to improve our operating cash flow. Capital expenditure after nine months reached the level of 114 million. The projects are proceeding according to the plan. Nevertheless, the cash outflow is slightly behind what we originally thought in the beginning of the year. Then moving to the passenger car tyres, and there our sales as said already earlier, with comparable currencies is up 10% and in the third quarter it was down with comparable currencies -0.7%. Year to date, the growth is driven by higher sales volumes and the price/mix effect. The ASPs have been with comparable currencies, slightly up. In Q3 as stated we got negative impact from high inventory levels in Russia and lower car sales especially in Sweden and Norway. If we then move to the next slide where we can take a look to our bridge for the first nine months. There you can see on net sales the breakdown by volume, price/mix and currency. What the volume has been growing almost 9%, price/mix about 1% up and the negative currency about -6%. The impact on EBIT from currencies for the first nine months has been 18 million negative. You can see then also the other components impacting positively to the EBIT development, like volume and price/mix and then increased production costs and fixed costs to our platform. Then turning to heavy tyres, where the strong growth has continued. On the third quarter, our net sales in heavy tyres reached the level of 45 million euros and the operating profit almost 6 million. The sales of agricultural tyres and forestry tyres increased in particular. There our growth is limited by our production capacity at the moment,

for example, in September we reached all time high net sales for one month. The operating profit for the first nine months has been impacted by the negative currency impact and the earlier inventory valuations as well as the costs related to ongoing ramp up of new production capacity. Vianor has been able to continue on the planned track. Also in the third quarter, the net sales reached the level of 68 million on a comparable currency basis, almost 3% up. And the operating profit was minus 5.4 million improvement from last year third quarter. That is due to the fact that we have been focusing on the safe management, as well as improving the operational efficiency of the overall Vianor chain. Today we decided to update our full-year guidance due to continued negative currency effect. So the current guidance is that in 2018 the net sales and operating profit are expected to be at the same level or slightly higher compared with previous year.

**Päivi Antola:** Good. Thank you, Teemu. Hille, anything you would like to add before we go to the Q&A?

**Hille Korhonen:** Thank you, Päivi. I would like to summarize that despite of the lowered outlook due to negative currency impact we have had a very strong nine months. I am very delighted that we are proceeding in line with our plan, especially in North America, having plus 17% growth during first nine months and that we are demonstrating solid performance also in other markets. Our strategic projects are proceeding according to the plan and we are proceeding with all the key development initiatives as well.

**Päivi Antola:** Thank you Hille. And now we would be ready for the questions from the audience, please.

**Operator:** Ladies and gentlemen, if you have a question, and for our speakers, please press one on the telephone keypad. Please hold until we have the first question. We have a question from material for Mattias Holmberg. Your line is now open sir.

**Mattias Holmberg:** Thank you, Mattias Holmberg from DNB Markets here. My first question is on the inventory situation in Russia. You have been clear here that it is summer tyre inventories in particular that are on high levels with your Russian distributors and as I understand it, Q4 is the quarter when the summer tyre selling normally really takes off in Russia. So I was quite surprised to see that you already now in Q3 are so negatively impacted by this. So my question is really, if there is anything else than summer tyres explaining the weak performance in Russia in Q3 or if we should see this as a signal that Q4 is going to be much worse as this is the most important quarter for selling of summer tyres.

**Hille Korhonen:** You are right that we are selling most of the Russian summer tyres already during the fourth quarter. There is nothing particular about the Russian situation other than that it's physically the inventories have been quite full and as the winter has only now started they sell out from the inventories further to the distribution has not taken place earlier. So the customers have been taking in new tyres slower than they would normally do. And this is, I have to say to my understanding the first time in twelve years that we have a situation like this. So otherwise nothing particular.

**Mattias Holmberg:** Okay, so just to clarify it summer tyres in particular or winter tyres as well that are impacting Russia negativity in Q3?

**Hille Korhonen:** It's summer tyres.

**Mattias Holmberg:** Ok, thank you. And just one more question. You say that you lost some market share in the Nordics when I look in the slides here and we've seen decline in new car sale. So first of all, is it related to the decline in new car sales? And could you also just give us some help on how much of your sales that are sort of pure replacement and how much that are tyres that are sold in relation to the sale of a new car?

**Hille Korhonen:** We have lost some market share in Sweden, especially in summer tyres, but not in other markets. In Finland and Norway, we have been gaining market share. What comes to the share between new car sales related winter tyres and replacement market; I don't have the numbers at the moment available for you.

**Mattias Holmberg:** Ok, thank you. I'll step back in line.

**Operator:** Next question. We receive this from Artem Belezky, SEB. The line is now open sir.

**Artem Belezky:** Yes hi, this is Artem from SEB. I would like to continue regarding what comes to Russian situation. So you discussed the inventory issues and do you expect those ones to be sorted out these years so the market could be growing next year? And have you seen any changes relating to market conditions in Russia recently?

**Hille Korhonen:** So the high level of summer inventories in the distribution, it will have impact on the fourth quarter and it will have an impact on sales during the season next year. So we would be expecting changes in the fourth quarter 2019 if their summer sell-out is proceeding like normal during the coming season. And then you had a question regarding...

**Artem Belezky:** Russian growth outlook and macro situation.

**Hille Korhonen:** The macro situation; so the consumer confidence has been now going slightly down and due to the new VAT increase that will definitely have some impact on the consumer purchasing behaviour in the near term.

**Artem Belezky:** All right, and maybe one additional question from my side. What comes to your productions, again there has been quite substantial slow-down in Q3. Has there been any exceptional maintenances what you have done and what comes to Finnish factory, do you still plan for one million tyre ramp up for next year in terms of production?

**Hille Korhonen:** We have had normal production run rate during the third quarter this year. So no changes. And at the moment we are recruiting people in Finland in order to be able to add to capacity of million tyres next year.

**Artem Belezky:** All right, thank you.

**Operator:** Next question received is from Thomas Besson, Kepler Cheuvreux. Your line is open sir.

**Thomas Besson:** Thank you very much. I have a couple of questions please. Firstly, I would like you to please clarify completely the accounting of the tax disputes formed that are coming back to you progressively, and to explain well, whether you plan to pay any of that cash back to your shareholder an extra dividend.

**Teemu Kangas-Kärki:** Right. As communicated already in Q2 report, tax recipient service unit applied for permission to appeal in the second quarter, and we are waiting for that decision if they will get the permission or not. So there's nothing to comment at this point regarding to the process. Then in terms of extra dividends, that's something that it's up to the board to decide but so far I haven't heard any discussion regarding this matter.

**Thomas Besson:** Great, thank you. To follow up on the topic of cash returns; can you confirm that with your net cash balance, there is no reason why your dividend for 2018 should be any lower than the dividend you paid for 2017, please.

**Teemu Kangas-Kärki:** I cannot comment the outlook of our dividends, but if you look back, you can say that we have been paying out growing or stable dividends in the past.

**Thomas Besson:** Yes, I know, thank you. Lastly, for me, please. You've had quite a volatile year in terms for production and volumes and your stock price reflects this volatility. Could you comment, please, on what we should expect in terms of how much production you'll have in Q4 versus volumes, and where basically your own inventory is stand at the end of Q3. So, given that we finally have a winter it's fair to assume that you may at least produce as many tyres as you will ship to tyre dealers in Q4.

**Hille Korhonen:** I would like to comment that we are selling 70% percent winter tyres and the season is very, very short. It means that we are producing winter and summer tyres with stable production and in order to balance the production we are therefore having pre-orders from customers and pre-shipments. So there are no major changes in our production capacity between the quarters and that's really driving our efficiently as well.

**Operator:** Are your questions answered Mr Besson?

**Thomas Besson:** I guess so.

**Operator:** Ok, thank you. Next question. We received it from Deton Toutlemonde, Deutsche Bank. Your line is now open, sir.

**Deton Toutlemonde:** Good morning, it's Deton Toutlemonde from Deutsche Bank. I'm a little bit lost about this inventory situation when you mentioned Russia, now you mentioned Europe on the summer tyre. Is it something which is specific to you or it's really to the whole industry? That's my first question.

**Hille Korhonen:** Well, it's specific to all industry. So when we look at our inventory in Russia at our customers, I mean, we have full visibility what our key distributors have in their, of course, they also have inventories of other suppliers.

**Deton Toutlemonde:** Ok, so that means that if the situation is not solved in the fourth quarter, there could be a risk that the beginning of the next year will be impacted as well. Is it correct?

**Hille Korhonen:** Yes. The logic is that we are starting pre-season deliveries of summer tyres to our Russian distributors already during the fourth quarter in order to balance our capacity utilization and also in order to make sure that the goods are being then delivered on time throughout the whole of Russia and the season will be then starting in March-April. So it means that they still have the basic higher basic stock in place and they are only replenishing what they

need in order to service their customers during the season. So the high summer tyre inventory levels will be impacting the next Russian summer tyre season.

**Deton Toutlemonde:** Ok, I think that that's pretty clear. I think you were expecting that question. If I go on the page ten of your presentation, when you highlight the currency sensitivity or the impact on the operating result, 18 million for the first nine months. Ballpark, can you give us a little bit an idea about which currency impact you the most? Is it the ruble? Is it the Swedish krona? Is it the US dollar? Ball park. Question linked to that is that when they look at your production costs on the fixed cost increase. Can you explain what these numbers are increasing so much and absorb a big chunk of this volume effect? That's my two last questions. Thank you.

**Teemu Kangas-Kärki:** So this year we have had headwind from all the main currencies except US dollar. And there we have got tailwind due to the fact that we buy material in US dollars so that impact offset the negative impact from other currencies. And then regarding the production cost and fixed cost increases, if I understood your question correctly, the fixed cost impact is done or it's coming from the investments in our platform as an example and then the production cost is due to the, there are several factors impacting that like production overheads and other variables and also, the investments in our production set up.

**Deton Toutlemonde:** The reason I asked a question is that I do see the volume effect on your revenues, the impact on the operating result, which is approximately 50%. But when they netted from production costs increase and fixed costs increase it looks like your volume effect has almost no impact on the operating result. That's the reason I raise that question.

**Hille Korhonen:** We have, it's good to remember, that we have also increased the share of production in Finland and Finnish production cost is much, much higher than Russia.

**Deton Toutlemonde:** Okay, thank you.

**Operator:** Next question we received is from Panu Laitinmäki, Danske Bank. Your line is now open, sir.

**Panu Laitinmäki:** Thank you. I have two questions. First one is on the guidance revision, the only reason you gave for that is the currencies but the Q3 growth in local currencies was also a bit below the previous quarters, so the question is that was FX only reason and you didn't see any change in other factors? And then the second question is on volumes and the outlook that you see, especially in Central Europe, which grew a bit less than in previous quarters. But we have



the winter season coming so what are kind of your expectations for Q4 for a full year in Central Europe, in particular? Thanks.

**Hille Korhonen:** Yes. So of course, the currencies have a big impact on our guidance, and why we reiterate, changed it. Then, when we look at the fourth quarter, as stated earlier, the summer tyre deliveries to Russia have not yet been started. We do not have full visibility to that level. Central European winter has a big impact on our ourselves during the fourth quarter and the winter season at the moment is delayed in Central Europe, so none of the goods are still moving in the distribution. I mean winter tyres, the weather has been so warm.

**Panu Laitinmäki:** Can I have a follow up related to that? Even if their start is delayed, how kind off what, at what point you would say that you couldn't reach the target volume, or kind of what is the logic? Do they just purchase more at a later stage or how does it go?

**Hille Korhonen:** Well of course we have been already delivering to our local warehouses and when the season is starting, we are able to ship. But the timing of the season is then of course impacting the volumes.

**Panu Laitinmäki:** Okay, thank you.

**Operator:** Next question we received is from Akshat Kacker, JP Morgan. Your line is now open, sir.

**Akshat Kacker:** Thank you. Two quick questions. First is on Capex which came out low in the first nine months, 115 million versus your initial guidance of 260 million. How should we be thinking about the fourth quarter on Capex? The second question is on heavy tyres. Can you please give us the break-out between inventory evaluation and ramp-up costs on heavy tyres, please?

**Teemu Kangas-Kärki:** Regarding the Capex so as said earlier that all the projects are proceeding according to the plan but the cash outflow has been lagging behind, according to our first plan. So I'm expecting to have some shift from Q4 to Q1 most likely. Then, regarding the second question, if I understood the question correctly, the heavy tyres inventory evaluations which took place in the second quarter, we haven't quantified the amounts.

**Akshat Kacker:** And ramp-up cost?

**Teemu Kangas-Kärki:** Ramp-up cost will have an impact to our production. Having said that, we also need to remember an additional factor which is our strong sales growth and our ability to

serve our customers. And therefore, in order to give a good service level to our customers, we cannot run our production in the most efficient way. That will lower our productivity on heavy tyres.

**Akshat Kacker:** Ok, thank you.

**Operator:** Next question we received is from Henning Cosman at HSBC. The line is now open, sir.

**Henning Cosman:** Yes. Hi, good morning. The first question is again on the guidance and FX I'm afraid. So I still don't fully understand why you attribute their guidance so prominently to FX because clearly FX was less negative than it was in the first half and then at least according to Spotright it's going to be again less negative in the fourth quarter. So I would just like to fully understand why you attributed so prominently doesn't have to do again with the split of exports being produced in ruble denominated Russia and the fact that you've may be exported a bit more because Russia is not going as strong as it could have? If you could just talk around that a bit more to understand the prominence of FX in your both results and guidance cut. That's my first question.

**Teemu Kangas-Kärki:** If we look our performance in local currencies this year, we have been proceeding well. We don't expect to get any tailwind from the currencies in the fourth quarter and therefore, all in all taking into account the good performance in local currencies, the negative impact in the first nine months, I have no expectation from currency tailwind in the fourth quarter. We base our guidance on those factors.

**Henning Cosman:** So that implies, in turn, that your previous guidance would have implied currency tailwinds in the fourth quarter, which you are no longer seeing that you had budgeted on them so, that's why you have to cut now.

**Teemu Kangas-Kärki:** Our guidance was based on constant currency. And that was the topic that you just raised – that was my additional comment.

**Henning Cosman:** Okay, on the Russian market again, as a second question, if I may. I would have thought from Michelin's market data who report Europe, with and without Europe, and we always try and back out the Russian market itself and I think, also from the market data that you're suggesting, I would have thought you underperformed the market in Russia. I think there was an earlier question as well as this lack of selling is a Nokian specific situation or wider market. From the market data that we're trying to infer I would've though the Russian market was a bit stronger than yourselves. Can you please just clarify that again?

**Hille Korhonen:** Well if we look at our performance during the first nine months, we have been clearly over-performing the market in Russia and it's good to remember that we are selling to A and B segment products, whereas the C segment is representing 50% off the market.

**Henning Cosman:** Ok, and then finally, also may be a question on the bridges. I think previously we've always had a drop through of 100% percent on currency. This is now the first time that that the implied drop through – so EBIT effect over sales effect is a drop through of 40%. Can you just confirm that that's something that we can assume going forward, and maybe not for now, but for the CMD, if you could then please also give us the H1s so we can have a consistent set of bridges to work with going forward.

**Teemu Kangas-Kärki:** Yeah, in the capital markets day the plan is to discuss this currency impact and open that so let's come back to that topic in a couple of weeks.

**Henning Cosman:** All right, thank you very much.

**Operator:** Thank you. Next question we've received from Kai Menke, Bank of America Merrill Lynch. Your line is open, sir.

**Kai Menke:** Thank you very much. The first question is actually on the Finland additional units you mentioned - the one million units. Can you just give us an idea instead of how big the cost differential is between manufacturing a tyre in Finland versus having an extra tyre out of your Russian facilities?

**Hille Korhonen:** I'm sorry, but we are not disclosing this information on that level, but it's a big difference.

**Kai Menke:** Okay on in light of that, obviously, you mentioned we're coming up to the capital market day in about two weeks' time. You've been investing in the Dayton factory. The margin is obviously always the big focus point. You know, what will be the key topics that we should be expecting to be discussed on the day?

**Hille Korhonen:** We will be focusing on the topics that have raised most interest on this will be Russia and North American plan. So we will definitely also go through the factory related topics in terms of how the project is proceeding and also some financials.

**Kai Menke:** I.e. so how the ramp-up is impacting your medium term margin, both in Finland and in North America, is that fair?

**Hille Korhonen:** Overall, yes.

**Kai Menke:** Ok. And then just to follow up, what I was a bit surprised by, you mentioned obviously new car sales in Scandinavia being one of the impacts your sales weakness in the region. I understand you are mainly a replacement market? How does WLTP and those factors really impact you? I'm just a bit puzzled as to how that actually happens.

**Hille Korhonen:** Ok. So in the Nordics, when you're buying a car, the cars usually have summer tyres and as we are winter region then it means that everybody, when they are buying a new car, they buy additional winter tyres. And we have a big market share in that business.

**Kai Menke:** And in theory, that should be the same in Russia. Whilst the Russian car sales market has obviously been up well into the double digits, it's really been the inventory fact that has been making this big differential between sell-ins and the car-sales?

**Hille Korhonen:** Yes, in Russia, the bigger market driver actually is the car park ie. the cars that have been purchased three to four years ago and when they are entering the next tyre replenishment cycle, so that that would be the biggest portion but of course, we are in the car dealer business there as well.

**Kai Menke:** And then, just two short ones to follow up. One is, you obviously stretched in your current capacities at the moment and you said, you know, you can't make as high of a margin as you're trying to deliver to the customers. How long do you think that will extend into?

**Hille Korhonen:** That topic was related to heavy tyres where we are capacity limited and that's why we are investing in doubling the capacity during the coming to 2-3 years' time.

**Kai Menke:** And then on a similar point, I mean, we've obviously, the question was asked earlier, we've only seen about 150 million in Capex on the state and factory building, you know, in nine months versus your target of 260. You obviously mentioned in your slide again, your production ramps from 2020, you've hired the first people. What is the risk that you know that might shift by a year or two? Given obviously the pace off the Cap expending that we've been seeing, which is the closest we can track your build progress, has been falling behind schedule?

**Hille Korhonen:** Well, I'm confident that we are proceeding in line with the plan, so we are really tracking these schedules like on a daily basis, so at the moment, I don't see any risk off moving with that project one year or so. We will be on the schedule.

**Kai Menke:** Ok, ok. No, I just understand, because obviously you're probably about a quarter behind this year. If you look at the Capex.

**Hille Korhonen:** Yeah, in terms of the invoicing flow, that is slightly behind. But the actual project is proceeding in line with the plan.

**Kai Menke:** Okay, perfect, very helpful. Thank you very much.

**Operator:** Next question we received from Ashek Krien, Jefferies. Your line is now open, sir.

**Ashek Krien:** Good morning, thanks for taking my questions. First one is on your fourth quarter. You mentioned in a reply to a question that you don't expect a big change in the production run rate in the fourth quarter from what you've been doing for the rest of the year, with the Finnish plant only coming online in 2019 as per your report. I mean, should we expect your production volumes to grow in fourth quarter, given that you already had good volumes in fourth quarter last year, or what could I be missing?

**Hille Korhonen:** We have been increasing our production volumes throughout the year. So in the fourth quarter we'll be in line with the full year increase.

**Ashek Krien:** Thank you. And then the fixed costs and the production cost increase that you've shown in the bridge - how much of that is related to the ramp-up of the US plant? And also, is this the run-rate we should assume for the next couple of years or is this likely to increase? Especially when you consider that the Finnish plant will only be, the full capacity increase will be affected only from 2019.

**Teemu Kangas-Kärki:** With regards the impact from US, there is no impact in this year in our numbers.

**Ashek Krien:** So effectively, the production cost and fixed cost is around 25 million that you after the first nine months, the run rate could even be higher in the upcoming years or will any of the current production costs that you have, will any of that any of that go away in 2019 and 2020?

**Teemu Kangas-Kärki:** The production costs naturally going in hand with the volume increase. And then relating to the Dayton ramp-up, we will discuss that in the capital markets day.

**Ashek Krien:** Ok. Last question for me is; all the other tyre-makers have been flagging increasing raw material cost and you are the only one where raw material costs are coming down. And I assume there's an element of how you account for FX in it. So maybe if you can explain us too,

you know, where do you account for the FX transaction effect on currencies within the raw material bucket? And also, if there's a timing issue for 2019, as if now, are you seeing raw material headwind as well.

**Teemu Kangas-Kärki:** With regards the raw material price impact this year there are at least two factors impacting our figures. First of all, this is the positive currency effect from US dollar. And then the second one is the lead time we have fixed the prices.

**Ashek Krien:** Does that imply that then it's a timing issue and for 2019 we should see a significant raw material headwind?

**Teemu Kangas-Kärki:** Correct.

**Ashek Krien:** Perfect, thank you.

**Operator:** I remind you that if you want to ask a question, you will have to press the one on the telephone keypad. We have a question from Andrea Sasaligman, Somerset Capital. Your line is now open.

**Andrea Sasaligman:** Oh, hello, it's, Henriette Sasaligman. I had a question about prices across your different regions in the context of rising raw material prices. Have you seen any price increases this year, please?

**Hille Korhonen:** Well, we have been ourselves increasing prices due to currency. For example in Sweden. We have been increasing prices in Russia. So those would be the main price increases that we have taken so far.

**Andrea Sasaligman:** And does that fully reflect the raw material price increases? And then, secondly, are you seeing your competition also increasing prices?

**Hille Korhonen:** As stated earlier, we have not had any major raw material price increases this year. So roughly on a yearly level it has been, and it will be flat. And what comes to competition; we have seen some price increases for example in North America.

**Andrea Sasaligman:** Ok. Thank you.

**Operator:** We have a question from Olaf Selhome. Your line is open, sir.

**Olaf Selhome:** Hi, it's Olaf from ABG. I just had a question on margins in different regions. The margin was quite a bit weaker than expected now in Q3 and I was just wondering if the

geographical mix had anything to do with it? You had a weak development in Sweden and Norway, generally high margin markets and Russia as well. What is the margin difference between the different regions now? And if you in the long run would grow your US and Continent European business, making those a bigger part of the pie? Would that have an impact on long term margins? Thanks.

**Teemu Kangas-Kärki:** This is exactly one of the topics that I will discuss in the capital markets day.

**Olaf Selhome:** Ok, I guess I'll wait then for that. I thank you.

**Operator:** We have a question from Pierre Demener, MainFirst. Your line is now open, sir.

**Pierre Demener:** Good morning to you all, just a quick one (xxx) on the bridge slide. Could we have please two numbers? The corresponding price/mix and volume effect for Q3 only, please. Thank you.

**Teemu Kangas-Kärki:** On net sales the volume as discussed was negative and price/mix was slightly up. The currency was negative.

**Pierre Demener:** And regarding the EBIT?

**Teemu Kangas-Kärki:** Regarding the EBIT. Naturally, the volume was negative and price/mix was slightly positive.

**Pierre Demener:** Ok. Thank you, thank you very much.

**Operator:** We have a question from Ana Gaurnen, Reuters News. Your line is now open, madam.

**Ana Gaurnen:** Hello. Thank you. You mentioned that your sales have been declining in the Nordics and in that regard you said that in Norway almost half off new cars are electric or hybrid. I didn't quite understand. How does that affect the tyre sales? Could you please clarify that for me?

**Hille Korhonen:** Yes, yes, definitely. Norway is a Northern country where you need to have winter tyres and normally, when you're buying a car, it only has summer tyres. So when you buy the new car, you will need to buy additional tyres to drive during winter and when the car serves is going down and we have high share in that that business it's naturally impacting ourselves.

**Ana Gaurnen:** Okay, but what does that have to do with the car's being electric or hybrid? Is it related?

**Hille Korhonen:** Yes, because there's global allocation. If you want to buy a Tesla, it will take probably more than one year to get one. So in Norway, the market demand would be definitely much more than the car manufacturers can supply at the moment.

**Ana Gaurnen:** Ok, now I understand. Thank you.

**Hille Korhonen:** Yes, you're welcome.

**Päivi Antola:** Thank you. I'm afraid we are running out of time, so thank you Hille. Thank you, Teemu. Thank you for all the questions from the audience. Before finishing just as a reminder of what has been mentioned already during the call, we will organize the capital markets day in Helsinki on Tuesday November 13<sup>th</sup>. This ends today's conference call. Thank you for participating and have a good day.