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Päivi Antola: Good afternoon from Helsinki and welcome to Nokian Tyres Q2 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 the call I have Jukka Moisio, the president and CEO of the company, and Teemu Kangas-Kärki the CFO of Nokian Tyres. And as usual, we will start the call with a brief presentation by Jukka and Teemu, and then continue with a Q&A. So Jukka, please go ahead.

Jukka Moisio: Thank you Päivi. And welcome them on my behalf. So this is not yet hundred days milestone for me. It's actually about 70 days now as the president and CEO. And so therefore I moved to page two and talk about the results from our presentation. Q2 was hit by COVID-related economic slow-down. Look at our net sales we were about 271 million euro. Remembering Q1, we had about 270–280 million euros of xxx comparable numbers. In Q2 the expectation was higher because prior year our topline was about 416 million. So that decline is about 32% in comparable currencies. Obviously the COVID and the measures to reduce the carry-over stocks in the Russian distribution channel had an impact on our net sales. In terms of operating profit, we reported 24.4 million versus 98.8 in 2019. The big impact came from COVID, about 40 million euros. Additionally, we had about 20 million euros impact from Russian inventory reduction and distribution channel stocks reduction and also from low factory utilization as we stopped all of our factories during the second quarter in order to observe the low demand because of COVID. We got some tailwind from lower raw materials and also cost-cutting measures helped our profitability. Especially profitable was Vianor's performance in the second quarter. And they had a good reaction to market decline and the profitability is slightly improved compared to 2019. If you look at what impacts we had in the first quarter. Obviously the COVID was only at about 10 million level in the first quarter and the Russian distribution channel impact was about 20 million. So COVID impact especially in the second quarter moved from 10 million in the first to about 40 million in the second one. If I then move to page number three, some key figures there repeated. So net sales 271 million, change in nominal numbers about 35% and 32% in constant currency. Year to date our net sales are about 550 million which is 27% change in nominal currencies and 25% in constant currency. Operating profit of the segments 24 million, about 9% margin versus

24% margin in 2019. Year to date our margin is at 7.4 versus 20.6 in 2019 and segment EPS 9 cents in the quarter and year to date 60 cents. And in the quarter as well as in half year clearly behind the prior year performance. Then on capital employed at 10.6 versus 17.2 in 2019. And equity ratios are still remaining at high levels despite weak quarters in 2020. Now I had over to Teemu and he will talk about the cashflow and capital expenditure. Teemu, please.

Teemu Kangas-Kärki: Thank you all in the call. And if I move to the free cash flow from operating activities, you can see that we were able to xxx better in the first half this year compared to the previous year. And clearly the net working capital component is the key for this good development. And there naturally one of the key components is the trade receivables. Due to that decline on top line, our trade receivables didn't increase. And then also our inventory level decreased. And especially I would say that the inventory management was a good topic that we were able to manage well. We were able to cut down the production in the declining market and we were able to decrease the inventory levels, which I find a good achievement. Then if we look at our interest-bearing net debt. We were on the same level than last year and the additional benefits that helped our cashflow were the CapEx that was clearly down from last year and the main decrease obviously came from the Dayton factory. Out of this 87 million CapEx this year the biggest three items are about 50 million containing Dayton, Heavy Tyres, and Spanish test track.

Jukka Moisio: Thank you, Teemu. I move to page four and look at the market development. So of course, we have two important drivers for our demand. One is the new car and the other one is replacement markets. Look at the new car evolution in 2020, the first six months we see that in Nordic countries it's about -25% whereas by Russia -23, Europe -40 and North America -25. If you recall the first three months, Russia actually have new car sales slightly positive, plus 2%. Nordics were about -10% in the first quarter, Europe -27 and North America -13. So therefore, in the second quarter as you all know and have seen the statistics the decline in new car sales accelerated quite significantly. Car tyre sell-in in our estimate in Nordics about -11% in the first six months, Russia about -33%, Europe -19 and North America -22. What drives especially the replacement markets is miles driven or kilometers driven. When we look at some of the statistics, and you probably have seen similar statistics, that heavy lockdown countries when the lockdown happens private car use goes down significantly up to 60–70%. And then in some of the light lockdown countries the car usage goes down less to 30–50%. And that drives about the replacement demand. So consequently, replacement markets in some of the countries went down by 60–80% and then some of the lighter countries less, 30–50%. But these numbers obviously explain why the tyre demand has been quite weak in the second quarter and also year to date. Now looking forward. So obviously the important thing is to anticipate that what will happen with the lockdowns and also equally what will happen with the new car sales in the coming quarters and second half year. Heavy tyres we saw a decline in demand in the first quarter but also the second quarter. Lots of that is driven by the new equipment construction. Many of our customers suffered from parts shortage and similar, and therefore the demand for the OE

segment and the replacement was relatively soft for the Heavy tyres. Teemu, I will hand over to you to talk about the segment profitability and he will start with passenger car tyres.

Teemu Kangas-Kärki: Yes. So in the second quarter the passenger car tyre topline decreased 45% reaching the level of 164 million euros. Our segment operating profit was close to 14 million, a clear decrease naturally compared to Q2 2019. The key drivers have been already mentioned: the COVID-19 and that the measures taken in Russia in order to reduce the high carry-over stocks from last year is the distribution channel. And as we have commented the biggest impact from the Russian carry-over stocks is in the first half. And then I said earlier one thing that we managed well is our production. We decreased the production in both factories and our volume produced was clearly lower than our sales. And therefore, we were able to reduce inventories in the passenger car tyre business. And then you can take a look to our bridge, starting with the net sales. So clearly the sales volume drop is significant. The price mix is almost flat, where the mix is improving but the price is naturally decreasing. One explanation is the measures taken in Russia. The currency impact is about 3% in the second quarter. And then looking our segment operating profit bridge, the two biggest components are our sales volume and the interruption in our supply chain. And that effect in the second quarter is about 14 million and the interruption in the supply chain xxx. Then looking to our SG&A development, there we took all the measures necessary to save costs and on the passenger car tyre level, it is on a level of 7 million. And on a group level it is about 10 million euros savings. And then we increased our bad debt provision. Due to the situation especially in the Central Europe, where there are clearly indications of a tightening market with our retailers. Moving to the second quarter in heavy tyres. The top line was on the level of 40 million, down by 15%. And the operating profit just shy of 3 million euros. In terms of the net sales development, it's good to remember that we acquired the Levypyörä a small acquisition in the second half. Therefore, the decline excluding the Levypyörä in the second quarter was about 22%. So 5% plus impact on our top line development. And clearly in the Heavy tyres as well, the negative operating profit development was driven by the lower volumes and the factory utilisation. And then moving to our Vianor business in the second quarter. All in all, I would say that it was an excellent performance in this environment. Even though the top line was decreasing by 10% or on a comparable currencies -5%, reaching the level of 80 million, we were able to maintain the profit or even slightly improve the profit from comparison period, reaching almost 10 million. And the reason for this good profit development was the timely reaction in the declining market.

Jukka Moisio: So to sum up where are we heading right now. So one of the key things is of course that this is a very uncertain environment and we need to observe how the demand will evolve and so on. We thought we think about drivers, so one is the new car sales. The other one is of course miles driven or kilometres driven and so on. But our priorities: clear that we continue with work on our products and services keeping cost in strict control and obviously when cashflow is protected we look at the investments carefully and make sure that all the necessary xxx are done

and the unnecessary xxx are not done. Teemu mentioned already that the working capital is something that we pay a lot of attention to and we will continue that as well as delaying activities in the sense that in times like these it is really important to do the essential actions and then leave the non-essentials ones to later quarters, and maybe 2021 and beyond. But we are pleased with the achievements of the quarter. And it's clear that we are ready with a number of actions that have been taken in the past, in terms of investments, preparing our capacity and capability for growth, and once the business rebounds and the market rebounds we are ready to take that opportunity. In that sense me in a great position because most of those investments are already behind us. They're ready to capture the market and it's up then to us to make sure that we get most out of them. So that's in summary Nokian Tyres quarter the two, and I hand over to Päivi and then any questions and comments.

Päivi Antola: Yes. Thank you Jukka and thank you Teemu. Maybe before moving on to Q&A Jukka, I would like to ask you that as a new CEO, the most obvious question. How is Nokian Tyres going to change? Or what are going to be the priorities? Basically you already answered the question partially during the last slide but anything you would like to add.

Jukka Moisio: I think that the joining of a new company in times like these, when traveling is not possible and so on, is quite demanding because I have met most of the team members via Teams or similar tools and that clearly puts a limit to a how much I have been able to interact with people live. I think Nokian Tyres in a good position in terms of capability and the most obvious and important things for us is to gain market acceptance for our products, launch new products, a number of them are in the pipeline, and then utilise the capabilities that we put in place to make sure that the customers and consumers get the best out of our knowhow. So focus on selling tyres, I think in summary if you want, and meeting teams. Because it would be important to meet colleagues in various parts of the world. Really unfortunate that traveling to Russia for example is not possible at this point of time and same applies for the US. Because for me as an incoming CEO it would be really important to meet the team members, to see live operations and capabilities, and as well then to interact with the customers live. Now it is based on Teams.

Päivi Antola: Let's hope that the situation improves.

Jukka Moisio: And that would also help the replacement market demand because the miles will then be higher.

Päivi Antola: Exactly. Good. Thank you. And now we would be ready for questions from the audience. And as we only have one hour for this call, we would ask you kindly to limit the number of questions to one or two so that everybody has a chance to ask questions and we will have enough time to cover them all.

Operator: Thank you. If you wish to ask an audio question, you may do so by pressing zero one on your telephone keypad. If you wish to withdraw your question, you may do so by pressing

zero two to cancel. Again, that's zero one on your telephone keypad if you wish to answer a question. Our first question comes Akshat xxx from JP Morgan. The floor is now open to you.

Akshat xxx: Thank you Akshat from JP Morgan. Welcome Jukka. I have three quick questions please. The first one on price mix. Can you split out the price and mix them back on the passenger car bridge please for the second quarter? And you can comment on general pricing trends in Russia as well as what you're seeing in Europe currently? That is my first one and I will follow up with my other two later.

Teemu Kangas-Kärki: If I broadly comment the price mix. So as I stated in my earlier comment, the mix has been positive in the first half and second quarter, and with the actions that we have taken, like in Russia in terms of pricing, the pricing is clearly negative leading to the fact that the net is more or less flat I would say.

Akshat xxx: And if we could get some general comments on the pricing environment, in Europe as well.

Teemu Kangas-Kärki: So if I continue, I would say that in general the pricing environment is tight. And you also see that people are cautious in terms of what kind of tyres they are buying and therefore all the competitors are cautious in terms of pricing and therefore in central Europe and in all the markets the price development is slightly negative.

Akshat xxx: Thank you. The second question is on the North American shipments in the second quarter. The decline in sales was much sharper than what we are seeing the market trend. Can you comment on what happened in the North American shipments in the second quarter, please?

Jukka Moisio: I can comment on that. It's basically related to winter tyre supplies and shipments probably were moved from second quarter to the third quarter. So that would be the explanation for the decline.

Akshat xxx: Ok. Thank you. And the last one from my side on the personnel costs. You mentioned that you plan to continue again freely open xxx going forward. Can talk about if possible any cost actions that you are planning to take structurally and on a long-term basis. And if you are making some progress on that front, please. Thank you.

Jukka Moisio: Longer term actions, I think that at this point of time are premature. But I can talk about the short-term tactical actions that depending on the demand and so on, we used temporary layoffs and shutting down capacities and things like that. What we do short-term and that reduces cost, and of course as I mentioned the delay all the actions that are not necessary and we do the usual tweaks of the cost reductions. Longer-term actions at this point of time, when we are in the tactical mode are more difficult to comment. When those come, they will come in the autumn and when we see what the underlying demand is.

Akshat xxx: Thank you. I'll fall back in the queue.

Operator: Thank you. Our next question comes from Gabriel Adler, City. The floor is now open to you.

Gabriel Adler: Hi, thank you very much. Gabriel from Citi. And my first question is on the US plant. Because I noticed that you commented the recruitment for second shift operations in the US has now been delayed. And could you just provide an update on your planned timeline for the US plant ramp-up and confirm whether the crisis has changed your strategic approach to the US market or to ramping up the plant in any way? And then my second question is on the dividend, and whether you can provide an update on the second half of the dividend payments and when the decision will be made whether to pay out the second instalment?

Jukka Moisio: Jukka here, I will take both questions. So the one on America, yes we are delaying that because of the crisis and so on. So our plan is to introduce the second shift towards the end of, hiring people for the second shift towards the end of the year and then start operating two shifts in early 2021. This is an unfortunate delay, most of that caused by the crisis but we hope to be back on track towards the end of the year and early 2021. Dividend payment, there's no updates on dividend payments. So we will come back in the third quarter time frame.

Gabriel Adler: OK. And as a quick follow up can I ask about SG&A costs? Could you comment on whether you expect any of the SG&A savings we saw on the bridge this quarter to repeat in the second half? How much of that 7 million could be deemed structural?

Teemu Kangas-Kärki: So as you understand that the biggest impact was clearly in the second quarter where COVID was hit hardest and we evaluate how the market will develop in the second half and then we take actions according to the demand.

Gabriel Adler: OK. Thank you very much.

Operator: Thank you. Our next question comes from Kai Mueller Bank of America. The floor is now open to you.

Kai Mueller: Hi thank you very much for taking my question. The first one is really on your Russian situation. If I think about the stock levels that you've been now running down, how much more is there to do and what sort of level would you be happy with? How far are we away from that as the first question? And then the second point is when we think about pricing, obviously you mentioned the pricing situation in Europe. How do you think about the Russian market? And also, when you think about pricing is that something that players are starting to compete on price to get volumes? Or what is it really just a pass-through effect on the lower material costs?

Teemu Kangas-Kärki: If I take the inventory levels in the distribution. As we have earlier commented, these actions that we are taking the biggest drop will come in the second half and

more so in the fourth quarter compared to the year end. And if we compare to that stock level in the distribution to second quarter last year, they are already down at the end of Q2 this year. And then going down further into Q4 compared to the level of Q4 last year.

Jukka Moisio: So I think the actions that, or the plan we had in this year to make sure that we get to a right level by the end of the year is pretty much ongoing and goes according to our expectations. So far so good. And we took significant downtime in our operations in the second quarter. There was another question about the pricing environment and so on.

Kai Mueller: The pricing was more really. Pricing within Europe you obviously commented on, but also in Russia is it competitive pricing ie. people trying to gain market share? So what's the driver for the pricing? And maybe to follow up right on that on you've taken obviously provisions for inventories but with bad debt is there more to come in the current situation?

Jukka Moisio: Teemu will take the bad debt discussion and I will comment about the pricing especially in Russia. So clearly there are actions in pricing which are market actions, competitive actions, in order to make sure that we keep our market share and increase that. So that's one part of it. The other part of it is that clearly the raw materials are beneficial. And so therefore some of that pass-through from the raw materials. But obviously it's not that attractive to pass all of it to customers and consumers, so some of that we hope to keep ourselves. And Teemu, if you talk about the bad debt.

Teemu Kangas-Kärki: So in the second quarter we increased our bad debt provision, because of the market outlook especially in central Europe. So we haven't recorded actually bad debt the second quarter but we want it to prepare for the tightening situation.

Kai Mueller: OK. That's very clear. So it's more anticipating impact in the second half rather than what it has been actually already happening.

Teemu Kangas-Kärki: Yes.

Kai Mueller: Very clear. Thank you.

Operator: Thank you. My next question comes from Thomas xxx xxx.

Thomas xxx: Thank you. It is Thomas xxx. I have a few questions as well. I'm not sure if I understood your answer to the question about inventory levels, so I'll ask it again. Are you happy with current inventory level? So you need to continue to reduce in the second half?

Kai Mueller: We are on our way, working down the inventory. We believe that most of the downtime that needed to be taken was taken in the second quarter. And of course, I hope you appreciate the fact that we will need to look into the season, of course also, when it comes to the final part of the year, how is the winter season and so on. But at this point of time we don't

expect that there's significant downtime in our operations coming from inventory distribution channel the reduction. So actions that needed to be taken have been taken.

Teemu Kangas-Kärki: And it's good to always be clear, when talking about our own inventories and when we are talking about inventories in the distribution in Russia.

Thomas xxx: If I look at your slide nine, which I think is the xxx xxx. It looks like you have way capacity for the next couple of years and therefore your CapEx requirements may be substantially lower than what we've seen in the last three years. Could you give us an idea of what you believe Nokian needs to spend in 2020–2021 given the whole xxx xxx environment is and may remain.

Jukka Moisio: I think that's a good question. You see that already in 2020 the investments are less than anticipated. And we work hard to see what more can be reduced. And clearly our current visibility such that even in 2021, they're going to be even lower. So we would expect, difficult to give a range because of course some of that is dependent on the market evolution and so on. It would be below 2020 level in 2021. And indeed we have plenty of CapEx capability installed which is ready to be used.

Thomas xxx: OK. Thank you. Thank you. I have the last question and comment as a part of the question. Your predecessor said she had not made the calculation whether it was a better idea to temporary stop our US launch to better utilise your Russian plant in terms of good margins, or continue to use the US plant. Listening to you, it seemed that you want to ramp up the US plant now. Have you effectively made the comparison between effectively freezing 2, 3, 4 years and maximizing the use of your Russian plant and doing that a slow ramp of the US operations?

Jukka Moisio: I know the calculation, it's been assessed and so on. At the same time we have chosen to ramp up the US plant because it's part of our strategy and long-term ambition. And that does not hurt the company profitability significantly compared to what we would achieve by doing something different. So therefore, we go ahead and ramp up the US plant now.

Thomas xxx: Ok. Thank you. Very clear. Just make one comment.

Jukka Moisio: Indeed.

Thomas xxx: Hopefully you plan to have a convergence between segment operating profits and what they call operating profits which is xxx. Historically, Nokian have not made a substantial adjustment. They become bigger and bigger, and normally it's not necessarily a sign of quality. Looking at your slide nine, I have the impression that you're going to focus on the cash and returns. So I guess they are going to converge, so that was my comment. Thank you.

Jukka Moisio: I understand your comment and I think that we will achieve that. Of course, we recognize that the real bottom line is the real bottom line, and we work towards making sure that that is competitive.

Thomas xxx: Thank you.

Operator: Our next question comes from Henning Cosman from HSBC. The floor is now open to you.

Henning Cosman: Hi, thank you for taking my question. Jukka and Teemu, it is Henning from HSBC. I'm just going to ask one question Jukka, with respect to your strategy beyond COVID and utilizing that headroom that you have under the currently installed capacity now. So you've obviously somewhat inherited that US expansion strategy now with the local production. But I would be interested in what you think sort of the mid-long term for Nokian looks like. It's sort of looked like you were becoming more normal tyre company, 5–6% top line growth driven by volume and once you utilize that spare capacity, you will also have to keep spending, so a little bit similar to Tomas' question but different timeframe. How do you see a sort of post COVID midterm state for Nokian? Is it fair to say you want to keep growing 5–6% which will then also require a sort of continuous investment into further capacity. And in terms of where do you want to generate sustainable sort of earnings growth? Your predecessor obviously thought it's easier achieved in North America rather than an already competitive European market. So if you could just have your strategic comments and in that sense, please. So apologies for the long question but I just have the one.

Jukka Moisio: No issue, and I understand what you are asking. Obviously, a lot of the time in the past weeks have been on tactical issues because the crisis is what it is, and so tactical decisions and tactical approaches have been the main space. So clearly but thinking about the longer term. So one of the important things we need to keep in mind is that we have a premium brand, so we have a certain specific knowhow which we want to deploy. And so therefore one of the starting points for me has been to look into our innovation pipeline, new for the pipeline, and see that we have a products and product configurations that actually are premium and targeting the markets where we can have good profitability and where are our know-how and our brand is valued. And so that's been one of the key topics. And so I've been working quite a bit in that and talking to our innovation theme and so on, as well as in heavy tyres. I'm pleased of where are right now. I'm not saying that it's good, it's best. I'm saying that I'm pleased at this point of time. Clearly of course we will pay more attention to that and enhance that. But I think that from the heritage point of view, the company point of view: we are premium, we have specific know-how areas and segments where we can do well and the customers and consumers value us. And that's where we aim to work. But the start is because the capacity capabilities out there, the money has been barely invested. So the most important thing is now to make sure that we have content and the product accordingly. And this has been my first point of stop. I mean it looks quite good not the best, but very good at this point.

Henning Cosman: Thank you. And all the best in the new role.

Jukka Moiso: Thank you.

Operator: Thank you. Our next question comes from Artem Beletski. The floor is now open to you

Artem Beletski: Hello. This is Artem Beletski from SEB. A couple of questions from my side. So maybe continuing on strategic theme and overall Jukka mentioned about focusing on premium brand and so on. How crucial for you to basically fill the excess capacity what you have currently out there? I guess market's will be recovering but still you have a lot of premium, a very efficient capacity in Russia which is not really utilized for time being. Then the second question is relating to inventory situation. So you will describe what is happening in Russia. Could you maybe speak a bit more about the situation in central Europe and North America? And the last one is on heavy tyres. How do we see the demand output for second half of this year and whether there are signs of marketing improving or getting bigger?

Jukka Moiso: Teemu, if you take the inventory question and touch that point in Russia and also the other parts of the world.

Teemu Kangas-Kärki: Can you repeat the inventory question?

Artem Beletski: Oh yes. So the inventory question is really the situation in central Europe and North America. How do you see it right now with dealers?

Teemu Kangas-Kärki: So the situation for North America? So from our point of view for example in central Europe, we don't see similar kind of inventory headwind that we have in Russia. And therefore, we are optimistic I would say both in central Europe and in North America. Maybe the situation is different for players who have a bigger market share in those markets, but for us those are new growth markets. We see opportunities more there.

Jukka Moiso: The Russian capacity. So obviously we took downtime in the second quarter. And now going ahead the important thing to keep in mind about Russia, is that the COVID situation in Russia still quite difficult. And so we need to watch first of all that we can run the operations well. But to the extent that we can run them well, we see that the loading is relatively OK in coming immediate futures. So therefore, yes, we have over-capacity, or had over-capacity early part. Let's see how the demand evolution goes but we see relatively strong operations in the coming weeks and the quarter. But clearly of course then we come back to the COVID. That how much will people drive? And what's the replacement market demand and so on. So lots of question marks there. And the other one is that Russia, in terms of let's hope and pray that the situation is improving and let's hope that we can run operations well. So far, so good but keep in mind that Heavy Tyres is an OE market and it's also a replacement market. So let's see how the industrial demand recovers and how then the economic activity starts moving again. Third quarter, a number of all customers are taking holidays stops and things like that. But then beyond

that let's see what the demand is, but we are pleased with the Heavy tyres performance so far and obviously even there we have a new capacity capability coming in the latter part of next year.

Artem Beletski: Right. Very clear. Thank you.

Operator: Thank you. Our next question comes from Pasi xxx Nordea.

Pasi xxx: Yes, thanks. This is Pasi from Nordea. Sorry to come back to this inventory issue again. Could you please give us some colour for your inventories, your own inventories, like giving for example one figure which is the access inventory compared to the ordinary seasonal level, or which is the inventory compared to the net sales? So that we would have something to work with for the second half. And secondly, about this Dayton ramp up. Just to cross-check, when the break-even result is going to be reached for this US plant? Thanks.

Jukka Moisio: Teemu, inventory.

Teemu Kangas-Kärki: I would say, the simple answer is that we don't have any inventory issues in our hands. So that should be clear for all the listeners. There is no inventory issue within Nokian Tyres. The inventory issues what we have are in Russia in distribution.

Pasi xxx: Yes thanks, that is more than clear.

Jukka Moisio: And the Dayton ramp-up. That's an important question. So what we do now is that we go to two shifts, obviously we hope that then by the end of 2021 we are running that well utilized. We believe that the profitability can be achieved and we are moving closer to premium tyres continuous production. That would be 2.5–3 million tyres. I do believe that that can be achieved in a certain timeframe, maybe not next year but we hope that we are moving towards that target. And we are closer to that target than to zero in 2021 at the end of the year.

Pasi xxx: You mean run rate on an annual basis, the volume for the full year 21?

Jukka Moisio: Run rate on an annual basis at the end of the year, we hope are closer to the target or break even positive rather than negative. Obviously full year 2021 is still ramp up time and then when we get to 2.5–3 million tyres we hope that profitability is breakeven or positive breakeven. This is of course depending on the need and the raw material cost and production efficiencies and many other things, but that's what we work towards.

Pasi xxx: Thanks. I'm happy with that one.

Operator: Thank you. Our next question comes from Panu xxx Danske Bank. And our next question comes from Victoria xxx, the floor is now yours, from Morgan Stanley.

Victoria xxx: Could we do we talk a bit more about Vianor, please? You know very good performance there in the quarter. You just said it's sort of good management but could you give

us a bit more detail, both on the top line and on the profitability. Organic revenues only down 5% the market's obviously down much more, and then Russia pricing on top of that. In terms of EBIT looking pretty normal and you know versus a normal Q2, which clearly it wasn't. So could you give us a bit more detail on that side please?

Teemu Kangas-Kärki: I would say the key factors in our Vianor business is how we manage our seasonal employees because that's the key to maintain or destroy the profitability. In that area we were able to manage that well, on top of all other cost cutting activities that were done in the Vianor business in the second quarter. Even though the top line was declining we were able to manage the cost base according to the demand.

Victoria xxx: And for the top line as you said declining but declining much less than the surrounding markets. So what are the drivers there?

Teemu Kangas-Kärki: I would say that in our areas the demand was better than we expected in March. So the demand positively even though it was negative.

Jukka Moisio: The season was slightly delayed also. The season was not as early as you would expect because there were lock-down measures, so people changed their tyres a little later in the quarter but that happened nevertheless.

Victoria xxx: Yes. Ok. That's clear. So the usual switchover back to summer tyres was delayed because of the lockdown and then that came in. OK. And so for the second half would you assume that the top line for Vianor moves more in line with the underlying markets?

Jukka Moisio: That's what we basically see today but obviously the important thing and driver in Vianor's performance will be the winter season and how that happens.

Teemu Kangas-Kärki: I need to remind all of us that in terms of profits generation, Vianor lives in Q2 and Q4. Those are the critical quarters.

Victoria xxx: Great. Thank you.

Operator: Thank you. Just as a reminder if you do wish to ask a question by pressing zero one on your telephone keypad. Our next question comes from Panu Laitinmäki. The floor is now open to you, from Danske Bank.

Panu Laitinmäki: Yes. Thank you. It's Panu Laitinmäki from Danske Bank. I still have three quick questions. Firstly, can you comment on early Q3 trading? So what have you seen July in your different markets in terms of volumes for replacement tyres? Then second is on raw material costs. They were actually up in Q2 compared to Q1. Can you comment? What is the outlook for the rest of the year? And do you expect to kind of get the benefit to yourself? You already said that in Russia you might give some of that in pricing but what about the other markets? And then

the third one is more technical one on the depreciation, it seems that it increased quite a bit from Q1. So is what is this level to look going forward? Thank you.

Teemu Kangas-Kärki: If I start with a couple of those questions and then last one can be over to you Jukka. If I start with the raw materials units development. It's good to remember that we comment the raw material development in our release and then in the presentation we give you the material unit cost development and those are two slightly different things. So the raw material development is positive. This year in the second quarter the total material unit cost was negative partly because of the lower volume produced in the factories. Then the second question was the depreciation. In that second quarter there you can see it the impairments that relate to the non-IFRS exclusions that we reported in Q2. So that's the main reason for the increase, about 30 million.

Jukka Moisio: Thank you, Teemu. I can comment the early Q3 trading. Obviously, when you work in the recovering market and the people are coming from lockdowns and so on and need to potentially recover in the second half. So both in the replacement market as in well as the OE market positive signals coming but it is important to keep in mind that that's a normal reaction after a significant decline what we had in the second quarter. We are cautiously optimistic that if this momentum continues, that no significant lockdowns and so on which actually cut the demand of replacement tyres quite significantly, if those do not happen it's bound to have a recovery in the second half. And so therefore people are optimistic, and bits and pieces of positive news happened, but they can be gone as easily as they come if there are significant change in the COVID or the lockdown situation. So far so good, cautiously optimistic at this point.

Panu Laitinmäki: Thank you.

Operator: Thank you. Our next question comes from Henning Cosman, HSBC. The floor is now open to you.

Henning Cosman: Thank you. I'll just take a follow-up if we have time. I was going to ask you about the current production level. You sometimes report it and either the presentation or the report, but I can't find it this time. So just wondering if you're prepared to share the unit production number with us in pieces of tyres, and also the available capacity now with the lower available currently and temporarily reduced capacity in Finland and before you go into the expansion in the US and then finally to maybe reconfirm the fully expanded available capacity. I believe that's 17 in Russia 3 in Finland and 4 in the US once you go back to full capacity everywhere, if you could just confirm or give us these three numbers, please.

Jukka Moisio: I think those numbers are on the macro level pretty much in the ballpark. Specific numbers we don't comment but obviously it is dependent on the shifts and depending on the temporary layoffs or not to have those and so on. But essentially fully manned and running

relatively efficiently, not too much over-time and so on, those numbers on macro level are pretty much in the ballpark.

Teemu Kangas-Kärki: And then building on that regarding the production volume. As an example in the second quarter as we stated our own inventory levels were down, so you could assume that if our top line was, net sales was going down 45%. So the production volume was going down even more than 45.

Jukka Moisio: So we took significant downtime in the second quarter and that in the interest of helping the inventory situation in Russia, as we talked about in the distribution channel. But on top of that also not to make too many products in anticipation. But it's a clearer run for the second half and then it's based on the demand expectation.

Henning Cosman: OK. Thank you very much.

Päivi Antola: OK. Now we are getting close to four here in Helsinki. If there are any questions on the line, we would still have time for one additional question before finishing this conference call.

Operator: Our final question comes from Jussi xxx, private investor. The floor is now open to you.

Jussi xxx: Hello. We aware of short-term reasons impacting on profitability like coronavirus or capacity in prior manufacturing ramp up of US plant and so on. Before those Nokian Tyres EBIT was at the 22% ballpark. Can you identify any reasons that could prevent us returning back to that level in the long-term?

Jukka Moisio: What does the number? The line was broken at that moment. Can you repeat the number please, the EBIT?

Jussi xxx: Yes. Before those reasons Nokian Tyres EBIT was at 22% ballpark. Is there any long-term reasons that could prevent us from returning to that level?

Jukka Moisio: I think it's a good ambitious level. So we will need to work towards restoring good profitability on annual level. Is it 22, or 20, or 18, I cannot comment at this point of time. Sorry, I have been focusing on the short-term tactical agenda but then longer term of course we want to be competitive and to benchmark in the tyre industry. So what does it take? We will look into that. 22, difficult to comment if it will be exactly that but we will come back to that target setting once we are through this crisis.

Jussi xxx: OK. Thank you very much.

Päivi Antola: Thank you. Maybe just as a reminder, Jukka, you mentioned the short-term focus areas in your last comment.

Jukka Moisio: The short-term focus areas are really that we will make sure that cash is important. So in terms of investments, working capital, that's quite important. And also make sure that we are quite sharp on costs. So whether they are temporary in terms of regulating capacity or they are long-term structural if needed, so that we will need to assess when we when we get towards the end of this crisis or the other side if somebody might call. And then the most important is that we focus on the essentials, which is then making, selling and innovating tyres. And target the organization and our work accordingly, but very tactical focus at this point of time. I'm sorry to emphasize that. Then longer-term of strategic ambitions and targets, we'll get back. It is 70th day for me, so too early to make that kind of a long-lasting comments.

Päivi Antola: Good. Thank you Jukka. Thank you Teemu. And this ends today's conference call, thank you for participating.