

Hakkapeliitta



1936 *75* 2011

nokian
HAKKAPELIITTA

**Nokian Tyres – the strongest
tyre company in Russia**

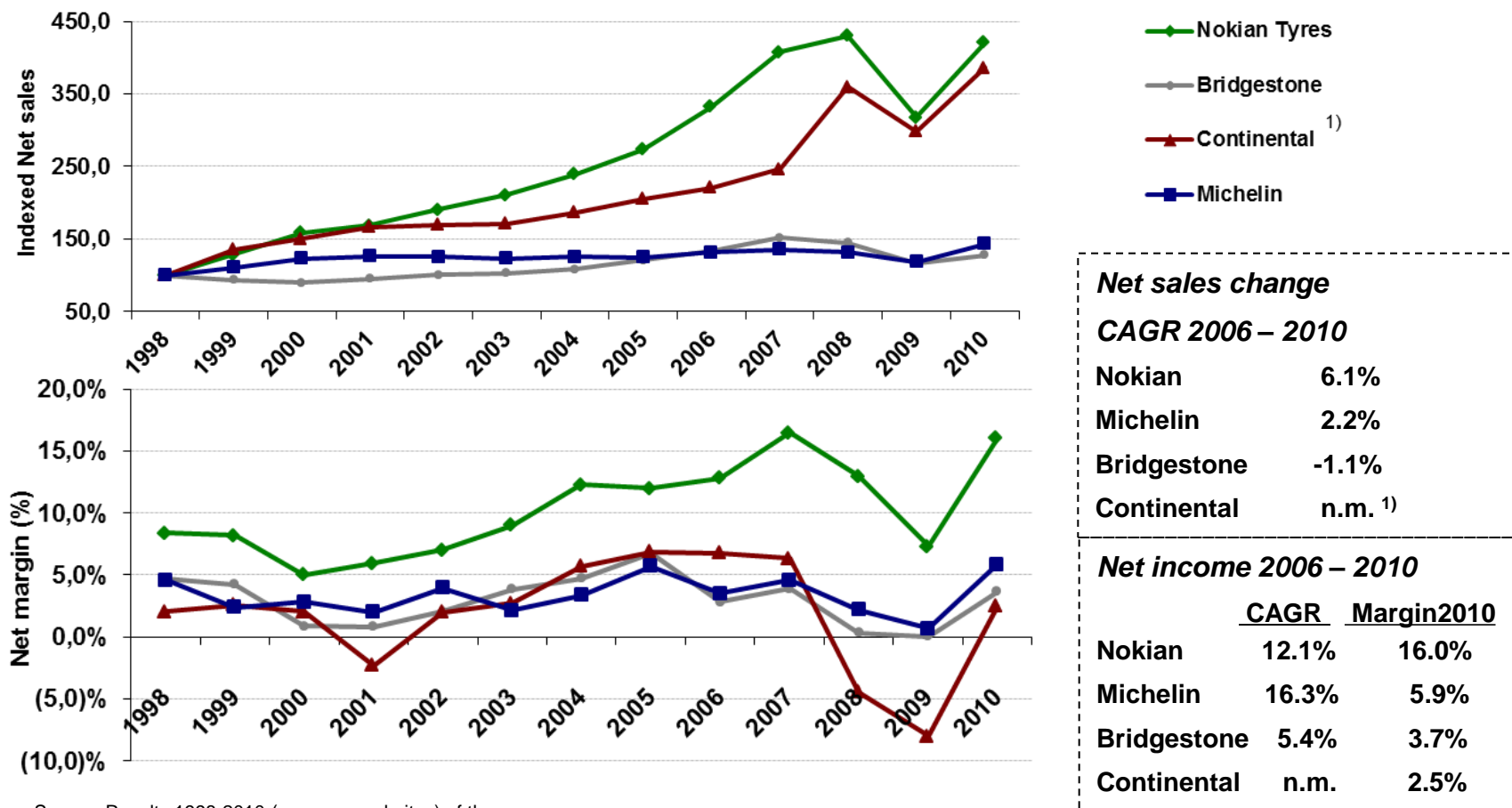
Carnegie Investment Bank
26 May, 2011, Vsevolozhsk

Mr. Andrei Pantioukhov
General Manager
Nokian Tyres Russia

GENERAL OVERVIEW: Competitor comparison 1998-2010

- Nokian Tyres the most profitable tyre producer

Nokian Tyres' operational performance (growth and profitability) has been clearly better than that of the main peers during the past 10 years. The clearly better profitability protects the company profits during recessions and potential downturns.



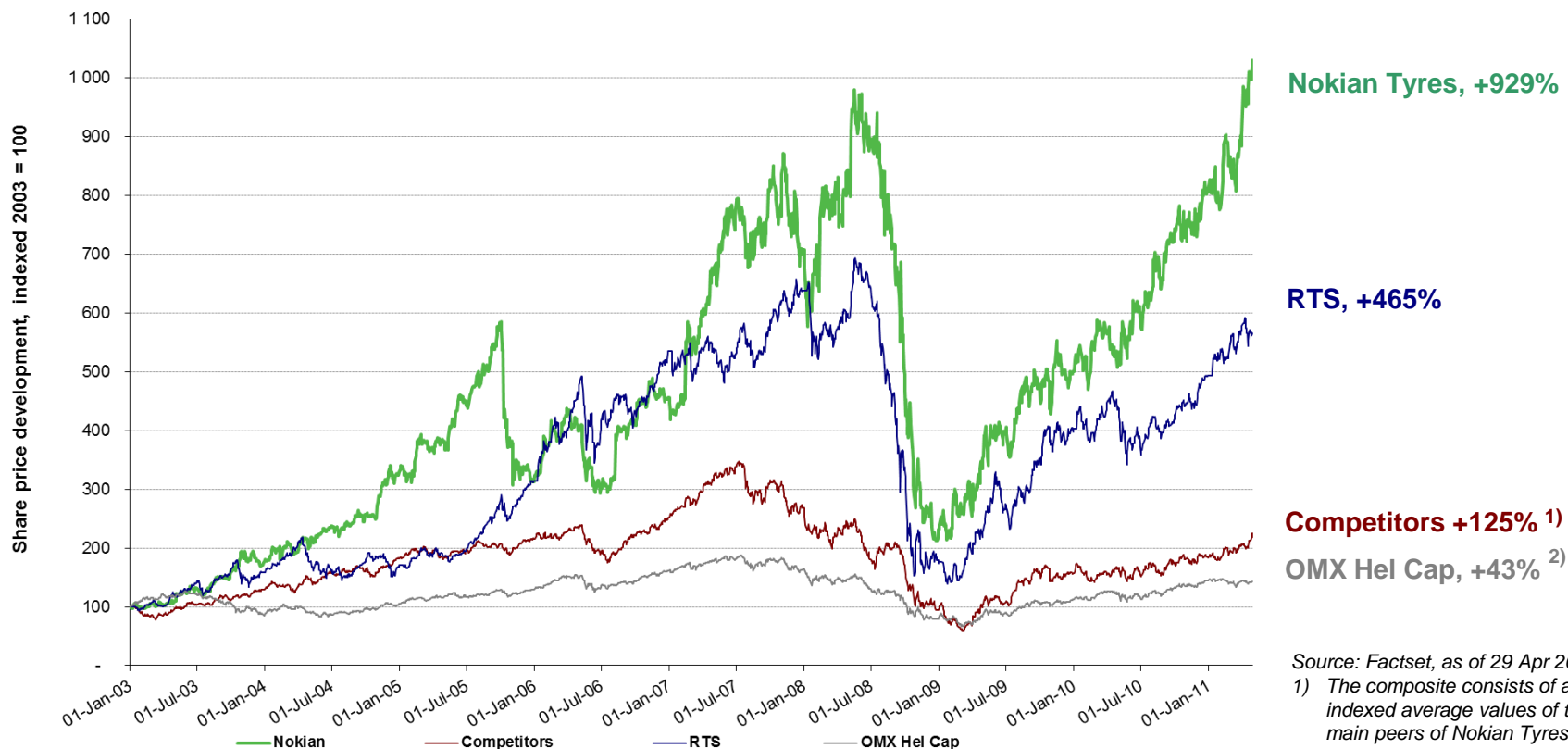
Source: Results 1998-2010 (company websites) of the peers.

Note: "n.m." means that the results would be non-meaningful or that the calculation is not possible due to negative results.

1) Continental sales for 2008 not comparable due to VDO acquisition.

GENERAL OVERVIEW

Comparing share price development to main indexes 1/2003 - 4/2011



Source: Factset, as of 29 Apr 2011.

- 1) The composite consists of an indexed average values of the main peers of Nokian Tyres.
- 2) OMX Helsinki Cap is calculated assuming a natural continuation of HEX Portfolio Index.

Nokian Tyres by Apr-29-2011

	Last 8 years	Last 3 years	Last 2 years	LTM	L6M	L3M	Last month
High	35,00	35,00	35,00	35,00	35,00	35,00	35,00
Average	16,11	19,59	20,78	25,30	28,51	30,47	33,37
Low	3,70	7,23	11,58	17,41	24,51	26,48	30,80

GENERAL OVERVIEW

Strategy: Focusing as a cornerstone

Nordic conditions

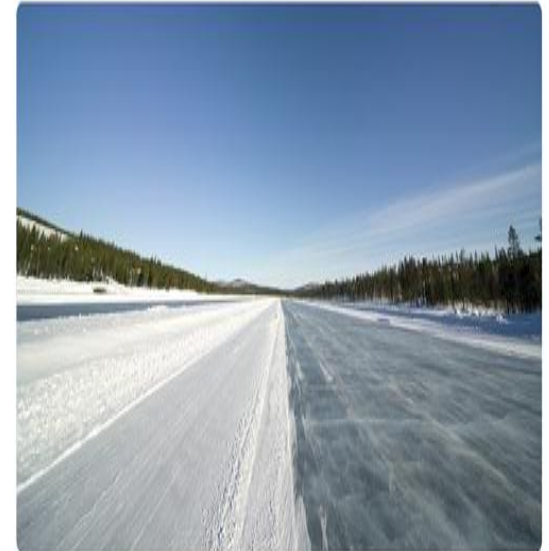
- Winter & Forest
- High growth potential – in product segments and market areas
- Russia and CIS, Eastern Europe, Nordic countries and North America

Narrow product segments

- Special competence that gives added value to customers
- Winter tyres
- Light truck & SUV tyres
- Forestry, harbour and mining machinery tyres

Replacement markets

- Practically no sales to car manufacturers
- Sales mainly through specialised tyre dealers & outlets, car dealers etc.



GENERAL OVERVIEW

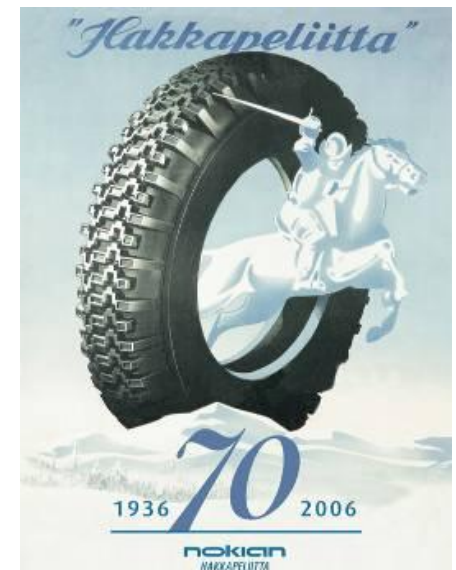
Strategy: Supporting elements

Investments in R&D, production, distribution and logistics

- Philosophy of sustainable safety
- Own production concentrates on high-margin key products
- New products make at least 25% of net sales annually
- Continuous improvement of processes, quality, productivity and logistics

Corporate culture

- Open and participatory culture, “Hakkapeliitta Spirit”
- Continuous personnel development
 - Highly motivated working community
 - Success of individuals and the company

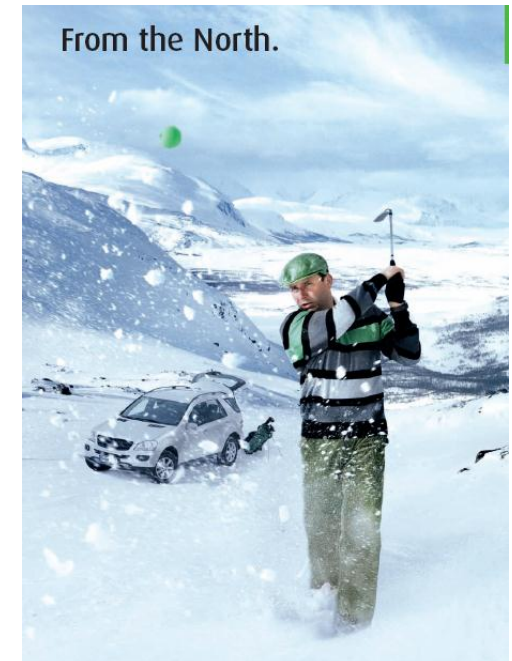


”The original winter tyre”

GENERAL OVERVIEW

Strategy: Key objectives into 2015

1. Market leadership in the Nordic countries
2. Market leadership in premium tyres in Russia and CIS
3. Globally strong position in key products
4. Growth through a continuously improved product range
5. Profit growth through high productivity and the best customer processes in the industry
6. Profit growth through skilled, inspired personnel with entrepreneurial spirit



GENERAL OVERVIEW OF 1-3/2011

Strong first quarter results and record-high order book

Key figures	Q1/11	Q1/10	Change (%)	2010
Net sales	289.2	183.8	57.3	1,058.1
Operating profit	72.3	21.1	241.8	222.2
Profit before tax	69.9	22.2	214.5	208.8
Profit for the period	62.4	20.1	211.1	169.7
Earnings per share, EUR	0.49	0.16	198.3	1.34
Equity ratio, %	71.0	62.5		68.4
Cash flow from operations	-52.3	-24.8	-110.8	318.8
RONA, % (rolling 12 months)	21.6	10.3		17.8
Gearing, %	5.5	30.4		0.1

Summary

- Sales grew significantly in core markets trailing economic growth, booming new car sales, improved consumer confidence and distributors' low inventories
- Nokian Tyres' market shares up in Nordic, Russia and CE
- Larger share of Russian sales, improved sales mix and price increases → car tyre ASP improved significantly, compensating for the significant raw material cost increases
- Production output (tons) up by 61%
- Record-high order book going into Q2
- Vianor expanded to 792 stores, addition of 21 in Q1/2011

Outlook: Profitable growth

- Strong overall demand and order book
- Retailers' low inventories drive sales growth
- Further price increases & mix improvement, target ASP +9%
- Raw material cost estimated to go up 30% in 2011 vs. 2010
- Capacity increasing:
Lines 9&10 to be installed in Russia in 2011
- Profitability supported by
 - Improved cost structure
 - Higher sales volume, better mix and ASP
 - Increasing share of Russian production
→ productivity up
- Year 2011 estimates:
 - The company is positioned to provide strong sales growth and to improve operating profit clearly compared to 2010

FINANCIAL PERFORMANCE

Group operating result per quarter 2007-2011

1-3/2011

Net sales 289.2 m€

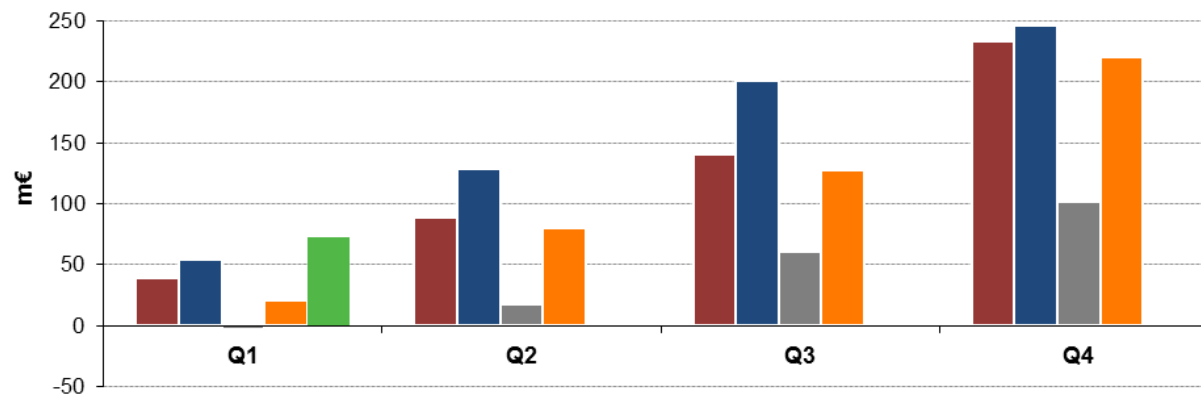
(183.8 m€), +57.3%

EBIT 72.3 m€

(21.1 m€), +241.8%

- All-time high Q1
- Visibility good for Q2-Q3

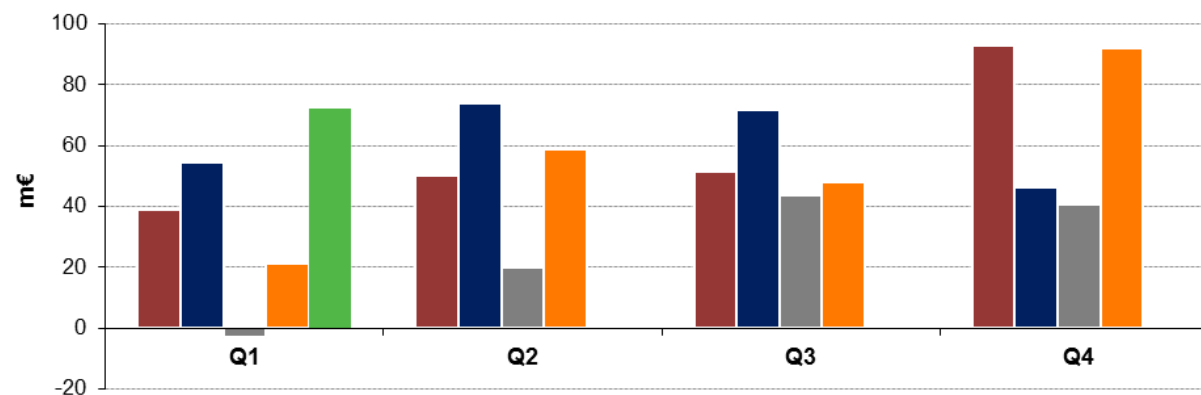
Cumulative operating result per quarter (m€)



Note: Excluding sale of fixed assets

■ 2007 ■ 2008 ■ 2009 ■ 2010 ■ 2011

Group operating result per quarter (m€)



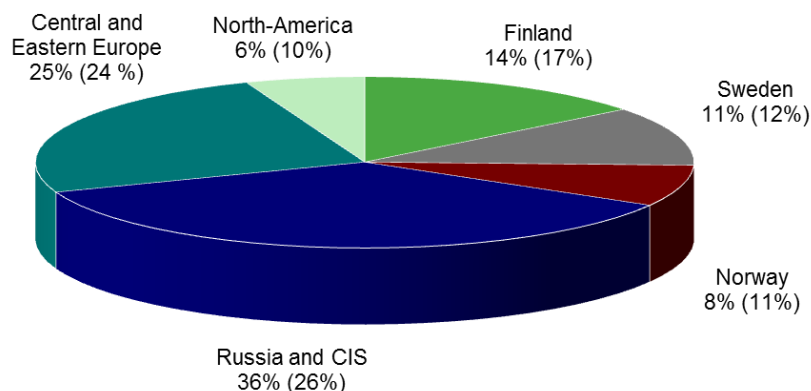
Note: Excluding sale of fixed assets

■ 2007 ■ 2008 ■ 2009 ■ 2010 ■ 2011

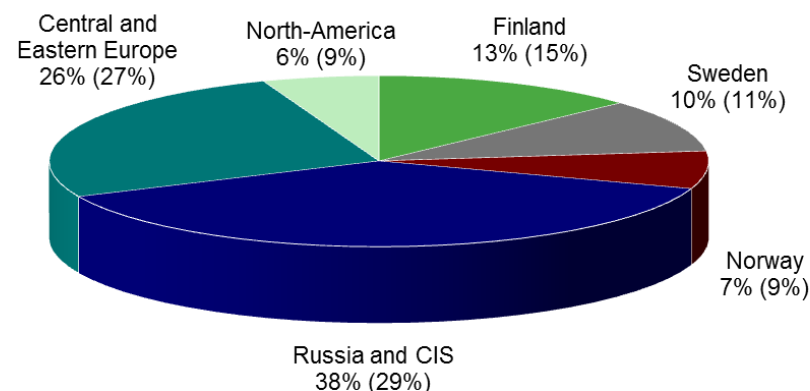
FINANCIAL PERFORMANCE

Gross sales by market area 1-3/2011

Sales of Nokian Tyres Group: 304.9 m€, +56.4%



Sales of Manufacturing Units: 288.7 m€, +65.1%



Sales development in euros

- Nordic countries +33.6%
- Russia and CIS +115.9%
 - Russia: +119.8%
- Central and Eastern Europe +58.0%
- North America -9.8%

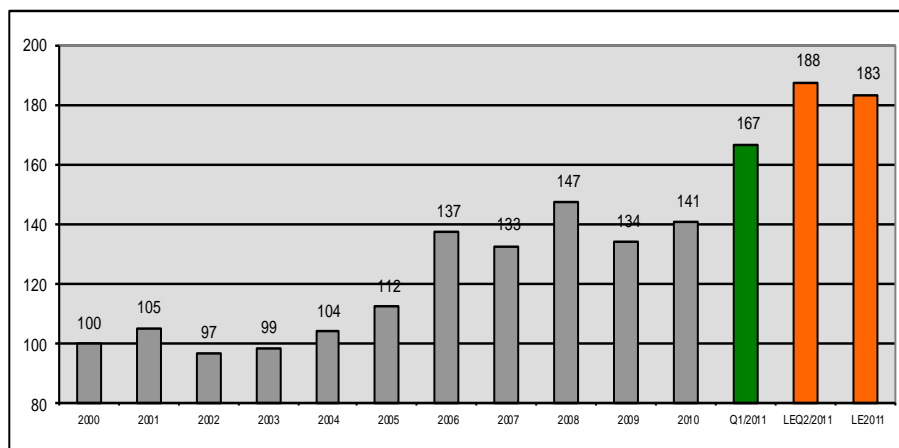
Sales development in euros

- Nordic countries +44.0%
- Russia and CIS +116.3%
 - Russia: +120.2%
- Central and Eastern Europe +59.4%
- North America +2.8%

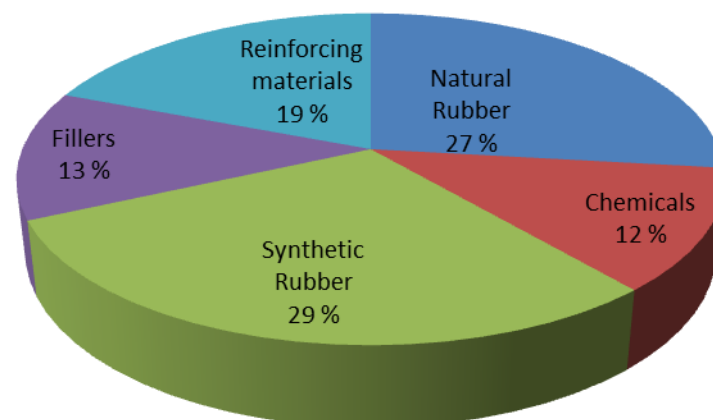
FINANCIAL PERFORMANCE

Raw material cost development

Raw material cost development index 2000-E2011



Value of raw material consumption (%)



Nokian Tyres raw material cost (eur/kg)

Raw material cost increased by

- 41% in Q1/2011 vs. Q1/2010
- 11% in Q1/2011 vs. Q4/2010

Raw material cost is estimated to increase by

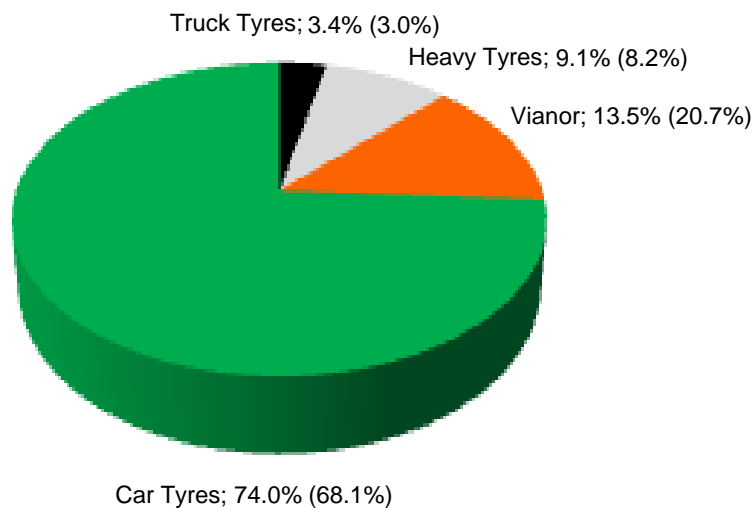
- 12% in Q2/2011 vs. Q1/2011
- 39% in H1/2011 vs. H1/2010
- 30% in 2011 vs. 2010

In order to maintain material margin +9% in ASP required in 2011 vs. 2010

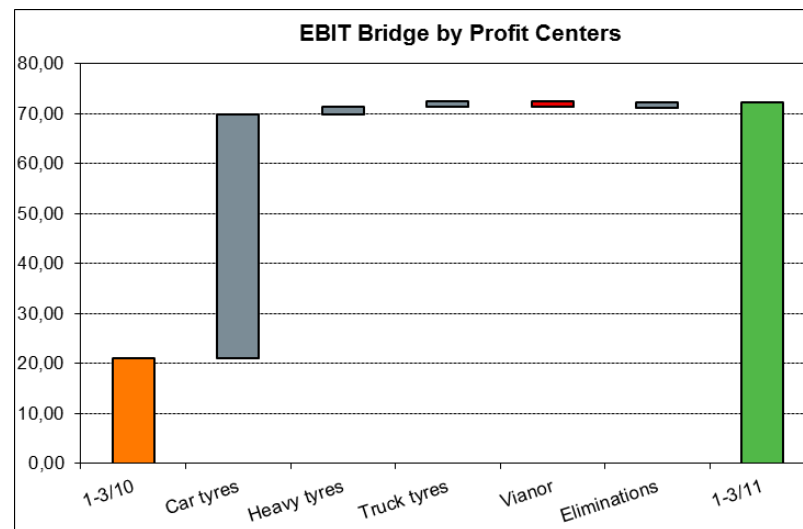
PROFIT CENTRES

General overview of 1-3/2011

Net sales 289.2 m€; +57.3%



EBIT 72.3 m€; +241.8%



Passenger Car Tyres

- **Net sales:** 229.7 m€; +65.0%
- **EBIT:** 84.1 m€; +137.4%
- **EBIT margin:** 36.6% (25.4%)
- **Key products:** studded and non-studded winter tyres, high-speed summer tyres

Heavy Tyres

- **Net sales:** 28.4 m€; +68.7%
- **EBIT:** 5.4 m€; +42.4%
- **EBIT margin:** 19.1% (22.7%)
- **Key products:** tyres for forestry, industrial and agricultural machinery

Truck Tyres

- **Net sales:** 10.6 m€; +73.9%
- **Key products:** truck tyres and retreading materials

Vianor

- **Net sales:** 41.9 m€; -0.6%
- **EBIT:** -13.1 m€; -10.9%
- **EBIT margin:** -31.3% (-28.0%)
- 792 stores in 20 countries in Nokian Tyres' core markets

PROFIT CENTRES

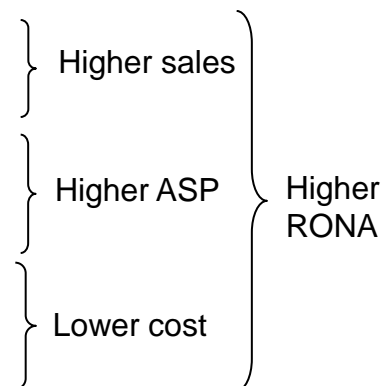
Passenger Car Tyres 1-3/2011: Booming sales in core markets

Performance in Q1/2011

- + Sales & order book improved significantly in all core markets
- + Strongest growth from SUV tyre sales in Russia
- + Market share up in Nordic countries, CE and Russia
- + Magazine test wins for summer tyres
- + Improved sales mix and price increases → ASP up
- + Production up 63% boosted by 2 new production lines in Russia
- + Productivity up trailing the higher production volume
- Supply capacity a bottleneck → sales shifted to Q2/2011
- Raw material cost increased significantly

Key actions and targets for 2011

- Increase sales in all areas, especially in Russia
- Improve market shares in core markets
- Increase prices further 4-7% in Q2-Q3/2011
- Improve sales mix
- Defend brand and price position
- Increase production in Russia, lines 9&10 start-up
- Improve productivity, utilize the most feasible capacities
- Cost control



→ **Focus on capacity increase, mix improvement and growth on core markets**

Net sales:

Q1/2011: 229.7 m€ (139.2 m€); +65.0%

EBIT:

Q1/2011: 84.1 m€ (35.4 m€); +137.4%

EBIT margin:

Q1/2011: 36.6% (25.4%)



**Test winner
Nokian Hakka Green** 12

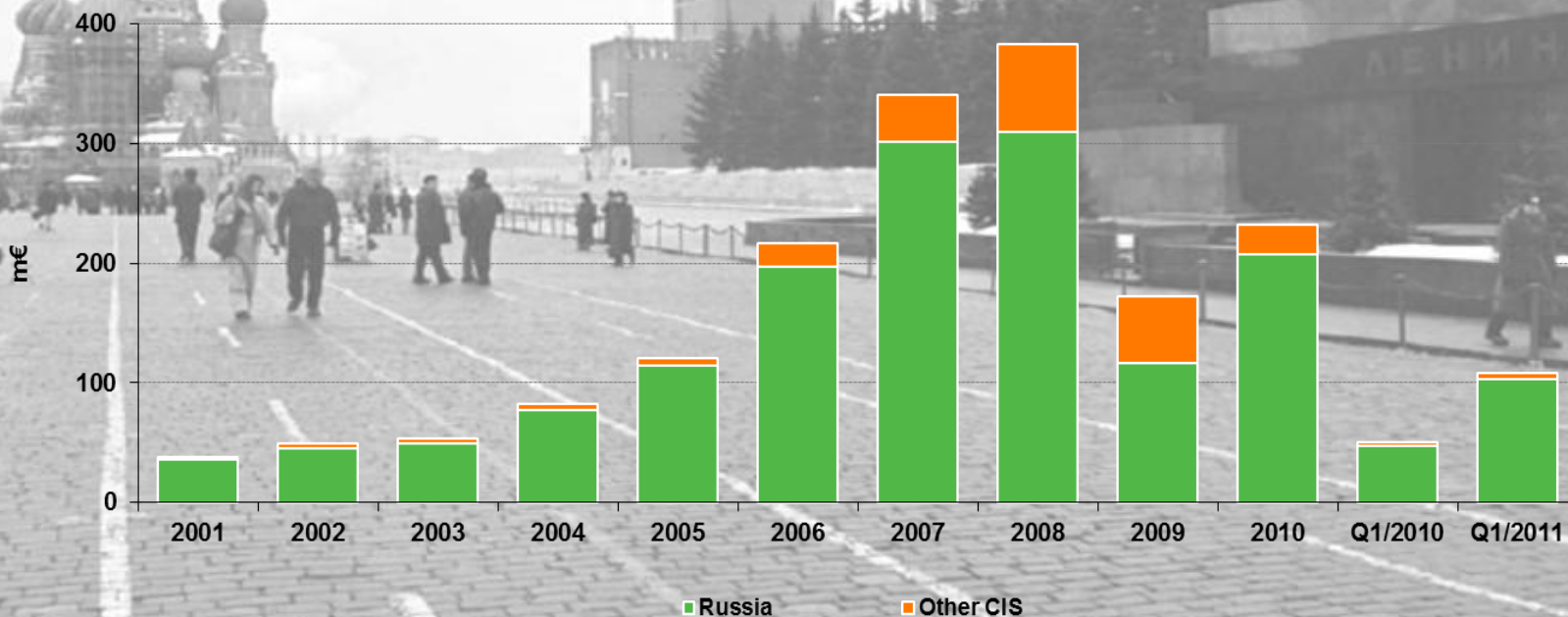
RUSSIA

Strong sales growth – potential to exceed pre-crisis sales in 2011

- Sales and demand recovering trailing improving car sales, growing replacement sales of tyres and low inventories of distributors
- Sales in Russia in Q1/2011 grew by 119.8% to 102.8 m€ (46.8 m€)
- Sales in CIS (excluding Russia) were 5.8 m€ (3.5 m€)

→ Nokian Tyres is clear # 1 in premium tyres in Russia and CIS countries

Russia and other CIS sales development



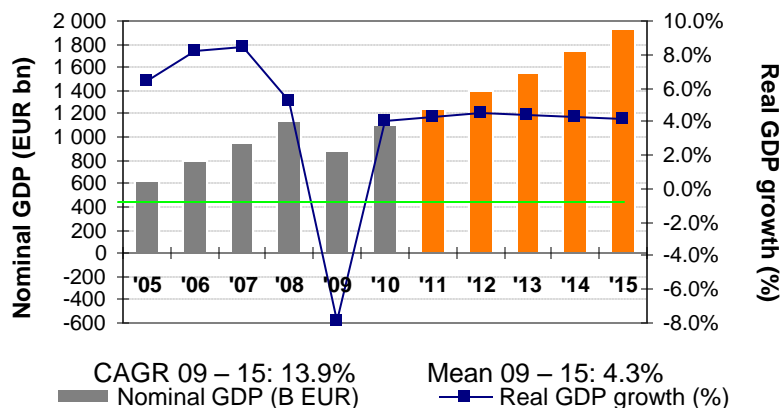
RUSSIA: Vianor stores in Russia & CIS as of 31 March 2011.
438 stores in 260 cities; +9 stores in Q1/2011



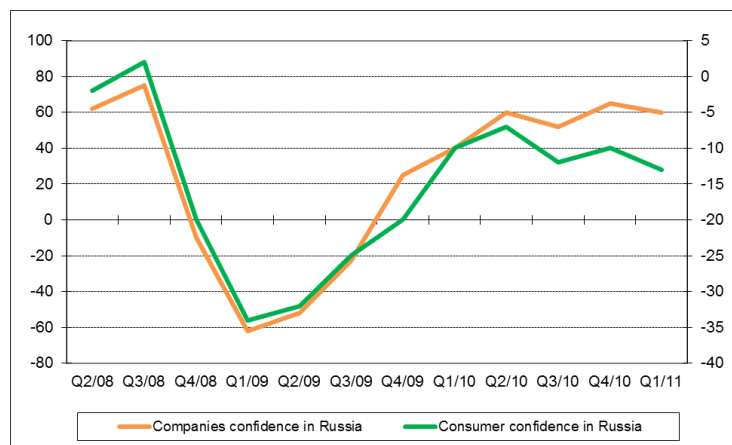
RUSSIA

Russia's economy clearly recovering

Russia's GDP growth



Companies' / consumer confidence in Russia



Source: Rosstat, EIU and Nokian Tyres estimates

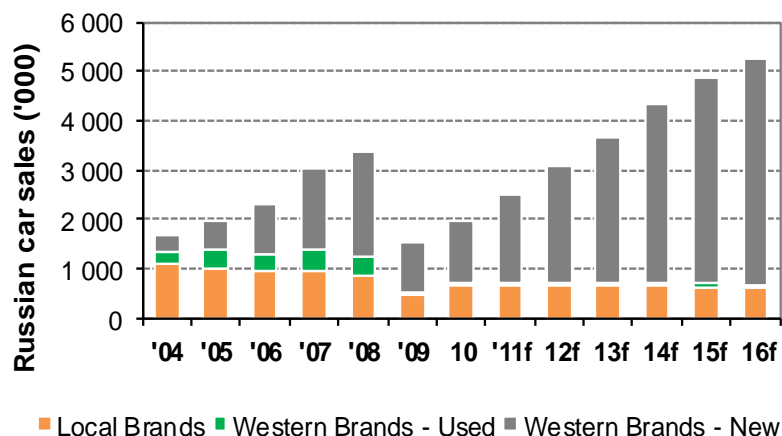
Major trends and expectations

- Russia's economy has clearly started to recover from the severe crisis of 2008 - 2009
- In 2009, economy fell into recession with an annual decrease in GDP of 7.9%, but in 2010 it grew by estimated 4.0%
- Recovery is expected to keep momentum in 2011, backed by high oil and commodity prices → estimated annual real GDP growth at the end of Q1/2011 is 4.5%
- Overall growth trend will continue: average GDP growth for 2010-2015 is estimated at >4% a year; faster growth is possible, but restricted by unbalanced structure of the economy; weak investment and the election cycle
- Domestic demand revival gradually started due to increased disposable incomes
- Ruble exchange rate fluctuated in 2010 with year-average clearly stronger against major currencies vs. 2009; in 2011 – it may remain stable or strengthen further

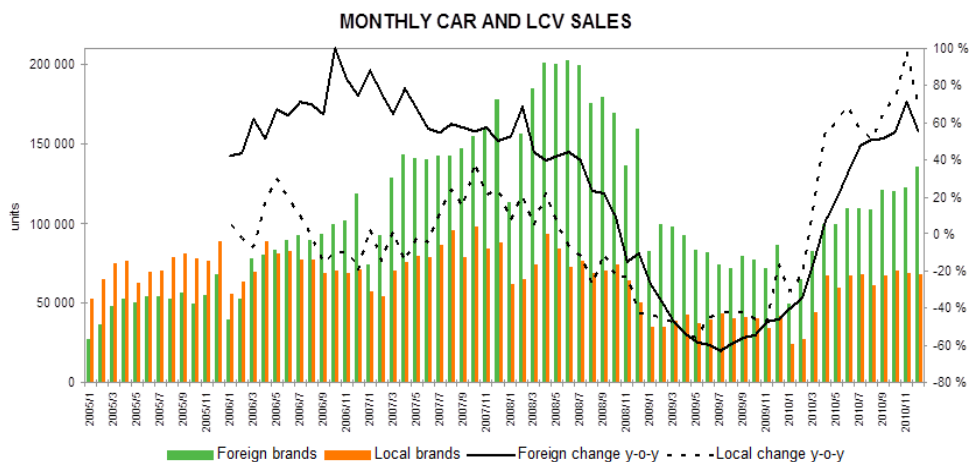
RUSSIA

Car sales back on a growth track

Russian car sales forecast – basic scenario



Monthly car sales



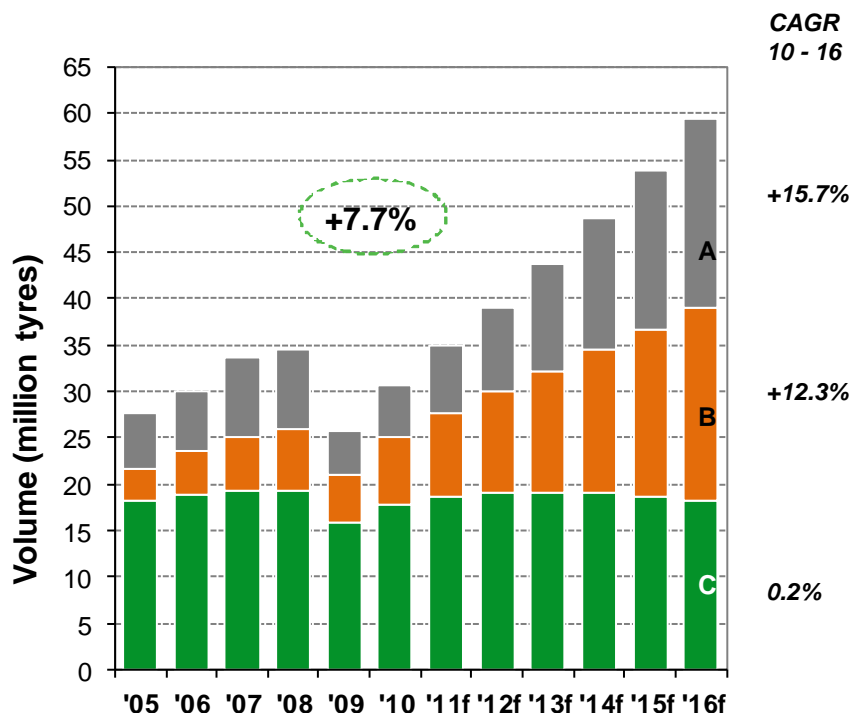
Car market summary

- Sales of new cars and LCVs in Russia increased by 30% in 2010 vs. 2009 and by 77% in Q1/2011 vs. Q1/2010
 - Growth is expected to continue the whole year, but the rate is likely to slow down
- Government scrappage scheme brought very positive results, albeit supporting mostly cheap brands and models
 - The program is continuing in 2011 and will positively affect the whole year's car sales
- Due to rapid recovery of demand the lack of cars continues, as manufacturers have limited quotas for Russia
 - Long lead times remain for many popular brands and models (up to a year)
 - This deferred demand will continue to positively affect sales in 2011
- The car market is forecasted to reach 2.5 million cars and LCVs in 2011, showing a 30% growth
- Financing of car purchases revived in 2010, with share of sales financed by banks and car manufacturers reaching pre-crisis levels
 - Government implemented own car loan support program, with 355 thousand applications and 166 thousand loans granted in 2010
 - The program will continue in 2011 with the participation of 117 banks

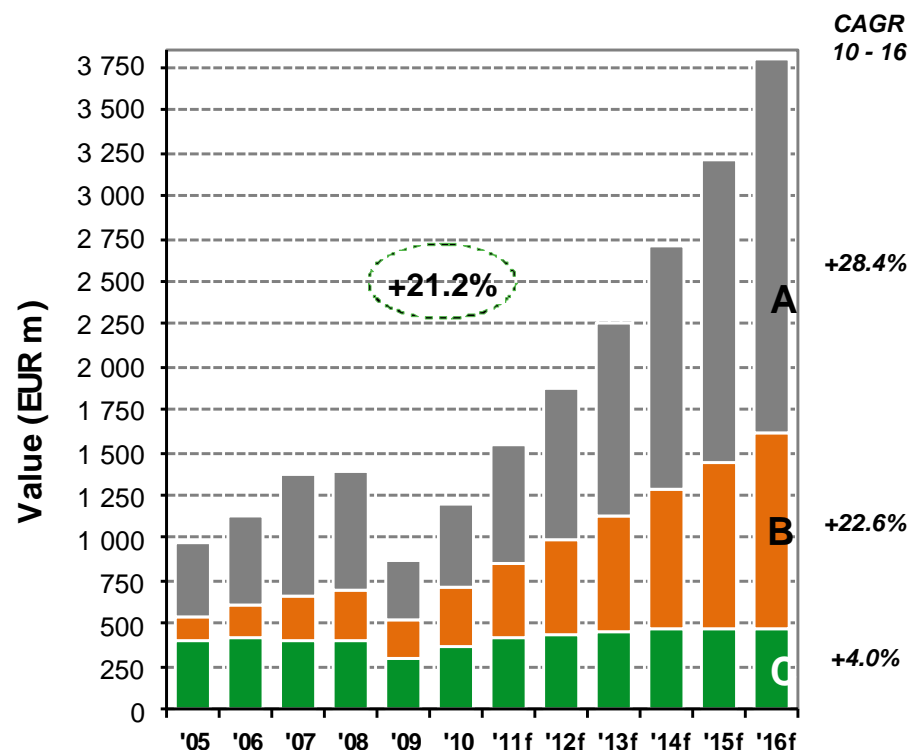
RUSSIA

***Tyre market expected to reach pre-crisis level in 2011;
Deliveries from industry to distribution up 40% in Q1/2011 vs.
Q1/2010***

Car and van tyre replacement market (volume)



Car and van tyre replacement market (value)



Note Traditional segments / price positioning: index 100 = market leader; A: > 80; B: 60 – 80; C: <60

Source: Nokian Tyres estimates

RUSSIA

Nokian Tyres is the strongest player in Russia

Nokian Tyres market position in Russia

- Only global tyre company with a state-of-the-art and efficient factory in Russia
 - Close access to markets
 - Within customs zone (duty 20% for import)
- Clear market and price leader in core product categories
- Widely recognised and strong brand – both company (Nokian Tyres) and products (Hakkapeliitta)
- Strong distribution chain covering all of Russia – based on long-term and close customer relationships
- Only global producer with a controlled tyre distribution network – 438 Vianor stores in Russia and CIS

➔ *Nokian Tyres to further strengthen its market leader position in Russia*

Nokian Tyres' factory in Russia

- Eight production lines operating
- Lines 9-10 to be installed in Q2-Q3/2011
- New plant being prepared; annual capacity increase of 5-6 million tyres during 2012-2014
- State-of-the art machinery, high European quality standards
- Exports from the Vsevolozhsk factory to 35 countries, biggest consumer goods exporter in Russia
- Housing project, Hakkapeliitta Village – phase I completed
- Number of personnel on 31 March 2011: 911 (648)



PROFIT CENTRES

Heavy Tyres 1-3/2011: Production and profits up

Performance in Q1/2011

- + Tyre demand and sales clearly up, especially in forestry, mining and radial tyres
- + Price increases improved ASP, margins higher vs. end of 2010
- + Production volume up by 50% vs. Q1/2010; weekly capacity in Nokia in full use as from Dec/2010
- + Increased capacity utilization improved productivity
- + New product category Beyond All-Steel Radial (BAS) launched
- Raw material cost increased significantly
- Capacity a bottleneck for sales growth

Key actions and targets for 2011

- | | | | |
|--|---|--------------|---------------|
| <ul style="list-style-type: none"> ■ Expand the distribution network, especially in Russia and CIS ■ Improve service concepts and logistics ■ Accelerate development of new radial and BAS products | } | Higher sales | } Higher RONA |
| <ul style="list-style-type: none"> ■ Increase prices further to offset the growing raw material cost ■ Maximize production and sales of radial products ■ Improve sales mix, share of aftermarket sales | } | Higher ASP | |
| <ul style="list-style-type: none"> ■ Full utilization of capacity, improve production volumes & productivity ■ Evaluate options to increase production ■ Increase outsourced production | } | Lower cost | |

→ Focus on mix improvement and higher capacity

Net sales:

Q1/2011: 28.4 m€ (16.8 m€); +68.7%

EBIT:

Q1/2011: 5.4 m€ (3.8 m€); +42.4%

EBIT margin:

Q1/2011: 19.1% (22.7%)



Nokian Forest Rider₁₉

PROFIT CENTRES

Truck Tyres 1-3/2011: Profitable growth

Performance in Q1/2011

- + Demand and sales clearly up in all geographical market areas
 - + Increased truck manufacturing
 - + Improved utilization rate in the transport sector
- + Market share improved in the Nordic countries, CE and Russia
- + Wider range for premium & standard truck tyres
- + Increased sales volume & tyre price increases
→ profitability improved clearly

Key actions and targets for 2011

- Increase off-take contract manufacturing
- Increase sales further in Nordic countries, Russia and CIS
- Expand in Eastern Europe utilising the “Vianor truck” concept
- Utilize the combination of new & retreaded tyres as a sales concept
- Increase tyre prices to offset higher purchase costs
- Utilize the stronger winter product range (incl. Hakkapeliitta truck tyres)
- Improve the product range with new sizes
- Improve logistics further

→ **Expand sales, utilize group synergies and the improved product offering**

Net sales:

Q1/2011: 10.6 m€ (6.1 m€); +73.9%



Nokian Hakkapeliitta Truck F

PROFIT CENTRES

Vianor 1-3/2011: Seasonality penalized profitability

Performance in Q1/2011

- + Vianor expanded to 792 stores in 20 countries; +21 in Q1/2011
- EBIT negative due to consumer spring season pushed to Q2/2011

Key actions and targets for 2011

- Improve tyre sales and market shares
- Increase sales of car services, tyre hotels and other services
- Increase e-commerce sales
- Continue to expand the network and the number of partners.
Target: over 900 stores by the end of 2011

→ Cement and improve market leader position as a distributor in Nokian Tyres' core markets

Equity-owned Vianor (172 stores)

Net sales:

Q1/2011: 41.9 m€ (42.2 m€); -0.6%

EBIT:

Q1/2011: -13.1 m€ (-11.8 m€); -10.9%

EBIT margin:

Q1/2011: -31.3% (-28.0%)



792 Vianor stores globally

EXPANSION OF DISTRIBUTION CHANNEL

Foothold on core markets strengthening

Vianor – 792 stores in 20 countries

- 21 new stores in Q1/2011
- 172 equity-owned, 620 franchising/partners
- Largest tyre chain in the Nordic countries: 233 stores (+5 in Q1/2011)
- Largest tyre chain in Russia and CIS: 438 stores (+9) in 260 cities
- Expansion to Central Europe gained momentum: 111 stores (+7)

Vianor stores by segment:

- Car tyres: 792 stores
- Heavy tyres: nearly 200 stores
- Truck tyres: over 240 stores

New sales companies and distributors coming up in 2011:

- Sales company in China
- Vianor Master franchise: Italy
- New importers: Romania, Serbia

Target 2011 → over 900 Vianor stores

Vianor – Distribution spearhead for all product groups



Vianor Oulu, Finland



NOKIAN TYRES GOING FORWARD

Significant investments in 2011 to secure strong profitable growth

Investments in Q1/2011

- 15.0 m€ (14.4 m€)

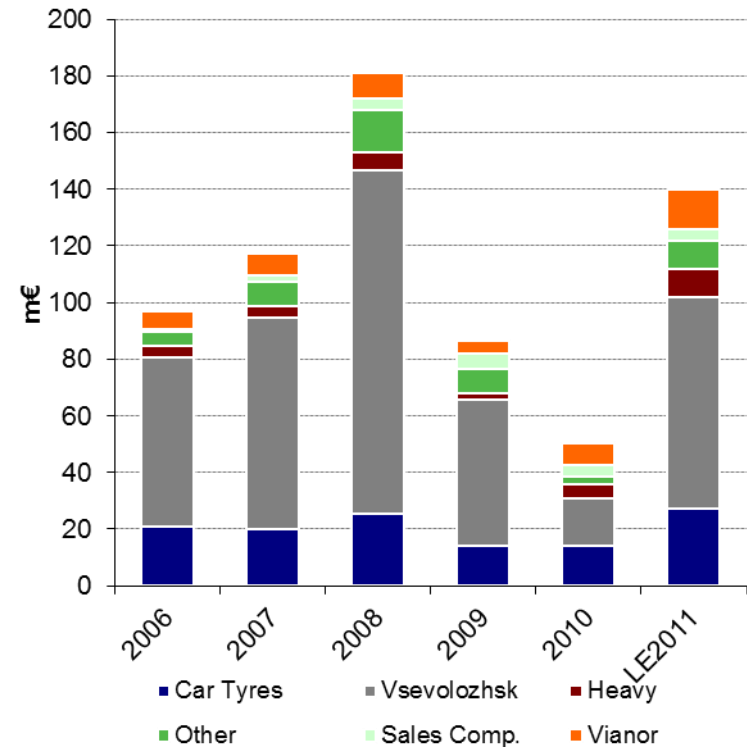
Russia

- Capacity ramp-up and investments
 - Lines 9-10 start-up in Russia in Q2-Q3/2011
 - New plant preparation in process, construction to start in 2011

Estimated investments for 2011

- Approximately 140 m€
 - Budget 117 m€ + increase of 23 m€ → 140 m€
 - Investments to Russia incl. the start of new plant construction: 75 m€
 - Nokian plant and processes 25 m€
 - Moulds for new products 26m€
 - Vianor chain incl. acquisitions 14 m€

Nokian Tyres Capital expenditures (m€)



NOKIAN TYRES GOING FORWARD

Production plants: Capacity increases continue



Nokia, Finland

- R&D, administration and marketing
- Development of key processes
- Prototype production batches
- Special car tyres
- Heavy tyres, retreading materials
- Export to western markets

2010:

- Car tyres to 6-day shift system
- Heavy tyres to 7-day full capacity utilisation

2011:

- Investments for increasing productivity through automation
- Approx. 150 new employees



Vsevolozhsk, Russia

- Production of the whole car tyre range
- State-of-the-Art production technology
- Low production costs
- Tax relieves
- Inside the duty borders of Russia and CIS
- Export to all markets
- Possibility to expand in current premises & land area

2010:

- Lines 7 and 8 were taken into use
- Approx. 200 new employees

2011:

- Lines 9 and 10 & new technology into use
- Approx. 200 new employees

**New factory next to the current one in 2012-2014:
5-6 million tyres annual capacity, tax relieves and
infrastructure being finalized**

NOKIAN TYRES GOING FORWARD

Outlook for 2011: Sales to improve backed by increasing capacity

ASSUMPTIONS

- Growing core market: Nordic countries, Russia & CIS
 - GDP growth 3-5%
 - New car sales improving
 - Russian economy growing, consumer confidence improving
 - Currencies on Nokian core markets expected to be stable
- Further tyre price increases to offset higher raw material cost (€/kg)
 - Cost up by 41% in Q1/2011 vs. Q1/2010
 - Cost estimated to increase by 12% in Q2/2011 vs. Q1/2011
 - Cost estimated to increase by 30% in 2011 vs. 2010
- Passenger car tyre operation environment
 - Demand growing in core markets
 - Low carry-over distributor inventories offer growth opportunities
 - Demand improving for winter tyres, legislation in Europe
 - Receivable risks are back to normal
- Heavy tyre market demand
 - OE markets for heavy tyres continue to grow
 - Aftermarket demand continues to grow
- Nokian Tyres financial position remains solid
 - No major loans due for payment in 2011
 - Equity ratio 71.0%
 - Undrawn facilities available

Outlook: Profitable growth

- Strong overall demand and order book
- Retailers' low inventories drive sales growth
- Further price increases & mix improvement, target ASP +9%
- Raw material cost estimated to go up 30% in 2011 vs. 2010
- Capacity increasing:
Lines 9&10 to be installed in Russia in 2011
- Profitability supported by
 - Improved cost structure
 - Higher sales volume, better mix and ASP
 - Increasing share of Russian production
→ productivity up
- Year 2011 estimates:
 - The company is positioned to provide strong sales growth and to improve operating profit clearly compared to 2010

SUMMARY

Nokian Tyres strong both now and in the future

- Clear market and price leader in its own core markets
- Best and fully renewed product range in key product categories (e.g. Nokian Hakkapeliitta 7)
- Best and fully controlled distribution network in the Nordic Countries
- Best distribution network in Russia and former CIS countries
- Industrial structure in great condition both in terms of technology, production capabilities and efficiency
- Strong balance sheet provides possibilities for corporate development
- By far the most profitable company in the industry and providing strong cash flow despite the difficult markets

→ ***Nokian Tyres is well positioned to continue on strong growth track in 2011***

Lessons from the North.

nokian
HAKKA GREEN

