

Nokian Tyres plc Financial Statement Release 2021, February 8, 2022 at 2:00 p.m.

Nokian Tyres plc Financial Statement Release 2021: Record high sales with improved profit

October–December 2021

- Net sales were EUR 512.6 million (413.4 in October–December 2020) and grew by 24.0%. With comparable currencies, net sales increased by 18.4%.
- Segments operating profit was EUR 88.0 million (80.1). Operating profit was EUR 53.0 million (71.4). EUR -35.0 million (-8.7) was booked as non-IFRS exclusions, including EUR -20.6 million impairment of goodwill and other assets.
- Segments earnings per share were EUR 0.49 (0.44). Earnings per share were EUR 0.27 (0.40).
- Cash flow from operating activities was EUR 492.6 million (429.0).

January–December 2021

- Net sales were EUR 1,714.1 million (1,313.8 in 2020) and grew by 30.5%. With comparable currencies, net sales increased by 29.7%.
- Segments operating profit was EUR 324.8 million (190.2). Operating profit was EUR 268.2 million (120.0). EUR -56.7 million (-70.2) was booked as non-IFRS exclusions, including EUR -21.0 million impairment of goodwill and other assets.
- Segments operating profit margin was 19.0% (14.5%).
- Segments earnings per share were EUR 1.84 (1.04). Earnings per share were EUR 1.49 (0.62).
- Segments ROCE was 15.8% (9.3%).
- Cash flow from operating activities was EUR 396.5 million (422.4).
- In September, Nokian Tyres announced its revised mid-term strategy and updated targets. In mid-term, net sales target is EUR 2 billion. Target for segments operating profit margin and segments ROCE is at the level of 20%.
- The Board of Directors proposes a dividend of EUR 1.32 (1.20) per share for the financial year 2021 to be paid in two instalments.

Guidance for 2022

In 2022, Nokian Tyres' net sales with comparable currencies are expected to grow significantly and segments operating profit is expected to grow.

The global car and tire demand is expected to grow. The COVID-19 pandemic continues to cause uncertainties, including cost inflation and availability challenges, in the whole automotive value chain. In addition, current geopolitical situation causes uncertainties in 2022.

Jukka Moisio, President and CEO:

“Nokian Tyres' team did an excellent job in an eventful year of 2021, delivering record high net sales and improved profit combined with strong cash flow and stronger market position in all key areas. This achievement builds a foundation to continue on the same path toward EUR 2 billion net sales and improved profit targets. I want to thank everyone at Nokian Tyres for making 2021 such a successful year.

In October–December 2021, tire demand continued on a high level. Our net sales with comparable currencies increased by 18.4%, driven by higher sales volume and increased Average Selling Price. Net sales grew in all our business units and areas. Segments operating profit improved due to net sales growth, and our fourth quarter cash flow was strong.

During the second half of 2021, we witnessed sharp increase in raw material and logistics costs. We responded to this with sales price increases. Inflationary pressures are expected to continue in 2022, which will require systematic price increases and careful cost control going forward.

Our large investment phase is completed, and we are well positioned for organic growth and strong financial results. New products as well as continuous improvements in operational and commercial activities will support future performance, and they will remain a key focus going into 2022. We will optimize investments and carefully manage capital employed and ensure it is used efficiently, which allows us to generate strong cash flow and reward shareholders.

Sustainability is a crucial part of our business. In 2021, we introduced new non-financial targets, that will guide our actions to further strengthen our sustainability performance and long-term competitiveness. Work toward even safer, smarter, and more sustainable driving continues.”

Key figures

EUR million	10–12/21	10–12/20	Change	CC* Change	2021	2020	Change	CC* Change
Net sales	512.6	413.4	24.0%	18.4%	1,714.1	1,313.8	30.5%	29.7%
Operating profit	53.0	71.4			268.2	120.0		
Operating profit %	10.3%	17.3%			15.6%	9.1%		
Profit before tax	49.9	70.9			258.2	106.0		
Profit for the period	37.1	55.9			206.2	86.0		
EPS, EUR	0.27	0.40			1.49	0.62		
Segments operating profit	88.0	80.1			324.8	190.2		
Segments operating profit %	17.2%	19.4%			19.0%	14.5%		
Segments EPS, EUR	0.49	0.44			1.84	1.04		
Segments ROCE, %					15.8%	9.3%		
Equity ratio, %					68.4%	65.3%		
Cash flow from operating activities	492.6	429.0			396.5	422.4		
Gearing, %					-6.1%	-1.1%		
Interest-bearing net debt					-98.7	-17.2		
Capital expenditure	60.1	31.6			119.6	149.9		

* Comparable currencies

The definitions of alternative performance measures (non-IFRS figures) are presented in the report by the Board of Directors in Nokian Tyres Financial Review 2020.

FINANCIAL RESULTS IN OCTOBER–DECEMBER 2021

Net sales in October–December 2021 increased by 24.0% and amounted to EUR 512.6 million (October–December 2020: 413.4). With comparable currencies, net sales increased by 18.4%. Currency exchange rates affected net sales positively by EUR 23 million.

Net sales by geographical area

EUR million	10–12/21	10–12/20	Change	CC* Change	% of total net sales in 10–12/21	% of total net sales in 10–12/20
Nordics	228.3	204.6	11.6%	7.2%	45%	50%
Other Europe	129.7	100.6	28.9%	24.3%	25%	24%
Russia and Asia	92.9	60.7	52.9%	42.0%	18%	15%
Americas	61.7	47.5	29.9%	24.0%	12%	12%
Total	512.6	413.4	24.0%	18.4%	100%	100%

* Comparable currencies

Net sales by business unit

EUR million	10–12/21	10–12/20	Change	CC* Change	% of total net sales in 10–12/21**	% of total net sales in 10–12/20**
Passenger Car Tyres	342.8	262.0	30.8%	24.2%	67%	63%
Heavy Tyres	65.3	53.2	22.8%	19.2%	13%	13%
Vianor	123.1	115.4	6.7%	2.8%	24%	28%
Other operations and eliminations	-18.6	-17.2	-8.6%			
Total	512.6	413.4	24.0%	18.4%		

* Comparable currencies

** Includes internal sales

Raw material unit costs (EUR/kg) in manufacturing, including inbound logistics costs, increased by 38% year-over-year, containing negative currency impact. Raw material unit costs increased by 10% from the third quarter of 2021.

Operating profit was EUR 53.0 million (71.4). The non-IFRS exclusions were EUR -35.0 million (-8.7), including EUR -20.6 million related to impairment of goodwill and other assets and EUR -5.4 million related to non-operative items which are not indicative of Nokian Tyres' underlying business performance. Furthermore, the non-IFRS exclusions include EUR -9.0 million (-7.0) related to the US factory ramp-up.

Segments operating profit amounted to EUR 88.0 million (80.1), with positive currency impact of approximately EUR 6 million.

Segments operating profit by business unit

EUR million	10–12/21	10–12/20
Passenger Car Tyres	77.7	66.5
Heavy Tyres	4.1	5.0
Vianor	8.4	10.0
Other operations and eliminations	-2.1	-1.4
Segments operating profit total	88.0	80.1
Non-IFRS exclusions	-35.0	-8.7

Financial items and taxes

Net financial expenses were EUR 3.0 million (0.5), including net interest expenses of EUR 1.7 million (1.4). Net financial expenses include an expense of EUR 1.3 million (income 0.9) due to exchange rate differences. Segments profit before tax was EUR 85.0 million (79.6). Profit before tax was EUR 49.9 million (70.9) and taxes were EUR 12.8 million (15.1). Segments profit for the period amounted to EUR 67.8 million (61.5). Profit for the period amounted to EUR 37.1 million (55.9). Segments earnings per share were EUR 0.49 (0.44), and earnings per share were EUR 0.27 (0.40).

Cash flow

In October–December 2021, cash flow from operating activities was EUR 492.6 million (429.0). Working capital decreased by EUR 384.6 million (decreased by 323.5). Inventories decreased by EUR 6.6 million (decreased by 28.4) and receivables decreased by EUR 341.9 million (decreased by 304.0). Payables increased by EUR 36.1 million (decreased by 8.8).

Investments amounted to EUR 60.1 million (31.6).

FINANCIAL RESULTS IN 2021

Demand in the replacement tire market started recovering quickly in late 2020 and continued to be strong throughout 2021. At the same time, raw material and logistics costs increased sharply, and there was a shortage of containers and transport capacity.

Nokian Tyres progressed on its strategy toward EUR 2 billion in net sales, taking active measures to meet the growing demand and to reduce the negative impact of cost inflation.

In 2021, Nokian Tyres introduced new non-financial targets. These targets guide the company's actions to further strengthen its sustainability performance and long-term competitiveness.

Net sales and segments operating profit

Net sales in 2021 increased by 30.5% and amounted to EUR 1,714.1 million (2020: 1,313.8; 2019: 1,585.4). With comparable currencies, net sales increased by 29.7%. Currency exchange rates affected net sales positively by approximately EUR 10 million. Nokian Tyres' mid-term financial growth target is to reach EUR 2 billion in net sales.

Net sales by geographical area

EUR million	2021	2020	Change	CC* Change	% of total net sales in 2021	% of total net sales in 2020
Nordics	684.9	604.2	13.3%	9.5%	40%	46%
Other Europe	464.8	354.1	31.2%	28.7%	27%	27%
Russia and Asia	335.6	188.7	77.9%	89.9%	20%	14%
Americas	228.9	166.8	37.2%	37.1%	13%	13%
Total	1,714.1	1,313.8	30.5%	29.7%	100%	100%

* Comparable currencies

Net sales by business unit

EUR million	2021	2020	Change	CC* Change	% of total net sales in 2021**	% of total net sales in 2020**
Passenger Car Tyres	1,199.2	871.3	37.6%	37.8%	70%	66%
Heavy Tyres	254.0	194.6	30.5%	28.9%	15%	15%
Vianor	342.9	318.1	7.8%	4.2%	20%	24%
Other operations and eliminations	-81.9	-70.1	-16.9%			
Total	1,714.1	1,313.8	30.5%	29.7%		

* Comparable currencies

** Includes internal sales

Raw material unit costs (EUR/kg) in manufacturing, including inbound logistics costs, increased by 15% year-over-year, containing negative currency impact.

Operating profit was EUR 268.2 million (2020: 120.0; 2019: 316.5). The non-IFRS exclusions were EUR -56.7 million (-70.2), including EUR -21.0 million related to impairment of goodwill and other assets and EUR -4.6 million related to non-operative items which are not indicative of Nokian Tyres' underlying business performance. Furthermore, the non-IFRS exclusions include EUR -31.0 million (-26.7) related to the US factory ramp-up. Operating profit percentage was 15.6% (2020: 9.1%; 2019: 19.8%).

Segments operating profit amounted to EUR 324.8 million (2020: 190.2; 2019: 337.2), with negative currency impact of approximately EUR 9 million. Segments operating profit percentage was 19.0% (14.5%). Segments ROCE was 15.8% (9.3%). Nokian Tyres' mid-term financial target for segments operating profit margin and segments ROCE is at the level of 20%.

Segments operating profit by business unit

EUR million	2021	2020
Passenger Car Tyres	298.7	177.8
Heavy Tyres	40.3	23.7
Vianor	4.1	4.0
Other operations and eliminations	-18.3	-15.3
Segments operating profit total	324.8	190.2
Non-IFRS exclusions	-56.7	-70.2

Financial items and taxes

Net financial expenses were EUR 10.0 million (14.0), including net interest expenses of EUR 7.2 million (8.6). Net financial expenses include an expense of EUR 2.7 million (5.4) due to exchange rate differences. Segments profit before tax was EUR 314.8 million (176.2). Profit before tax was EUR 258.2 million (106.0) and taxes were EUR 52.0 million (20.0). Segments profit for the period amounted to EUR 254.0 million (144.4). Profit for the period amounted to EUR 206.2 million (86.0). Segments earnings per share were EUR 1.84 (1.04), and earnings per share were EUR 1.49 (0.62).

Return on equity was 13.1% (2020: 5.2%; 2019: 24.6%, positively impacted by the tax disputes).

Guidance given for 2021

In Nokian Tyres' financial statement release for 2020 published in February 2021, the company published the following outlook for the year:

In 2021, Nokian Tyres' net sales with comparable currencies and segments operating profit are expected to grow significantly. The global car and tire demand is expected to pick up, but the COVID-19 pandemic continues to cause uncertainties for the development.

Cash flow

In 2021, cash flow from operating activities was EUR 396.5 million (422.4). Working capital increased by EUR 5.5 million (decreased by 169.9). Inventories increased by EUR 70.8 million (decreased by 25.2) and receivables increased by EUR 22.0 million (decreased by 121.9). Payables increased by EUR 98.3 million (increased by 22.8).

Investments

Investments in 2021 amounted to EUR 119.6 million (149.9). Depreciations and amortizations totaled EUR 140.5 million (131.1). Impairments were EUR 17.0 million (24.9).

Financial position on December 31, 2021

EUR million	Dec 31, 2021	Dec 31, 2020
Cash and cash equivalents	385.9	504.2
Interest-bearing liabilities	287.2	487.0
of which current interest-bearing liabilities	40.3	229.7
Interest-bearing net debt	-98.7	-17.2
Unused credit limits*	811.7	507.1
of which committed	305.5	205.5
Gearing ratio, %	-6.1%	-1.1%
Equity ratio, %	68.4%	65.3%

* The current credit limits including the EUR 500 million commercial paper program are used to finance inventories, trade receivables, and subsidiaries in distribution chains, thereby controlling the typical seasonality in the Group's cash flow. The credit limits were increased by EUR 100 million with two bilateral back-up facilities in June 2021.

Personnel

	2021	2020	2019*
Group employees			
on average	4,941	4,859	4,995
at the end of the review period	4,915	4,603	4,847
in Finland, at the end of the review period	1,782	1,721	1,781
in Russia, at the end of the review period	1,612	1,528	1,604
in North America, at the end of the review period	391	229	296
Vianor (own) employees, at the end of the review period**	1,395	1,411	1,504

* Figures corrected to include passive employments in December 2019 (employees on long leaves).

** Included in Group employee figures

Salaries, incentives, and other related costs in 2021 were EUR 270.7 million (2020: 224.7; 2019: 235.3).

Research and development

Nokian Tyres' competitive position is based on its ability to continually develop new, innovative and sustainable products. In 2021, Nokian Tyres introduced a record number of new tire models. Approximately 50% of R&D investments is allocated to product testing. Nokian Tyres' R&D costs in 2021 totaled EUR 31.9 million (2020: 22.7; 2019: 22.7), which is 11.0% (2020: 8.0%; 2019: 8.8%) of the operating expenses. The increase is driven by the new test center in Spain and a strong product pipeline. The test center was completed during the first half of 2021.

Sales and distribution

In 2021, Nokian Tyres continued to develop its go-to-market activities. Investments in omnichannel approach together with strong sell-out support and advanced digital solutions helped Nokian Tyres increase consumer engagement and loyalty.

Good availability and precise, quick deliveries especially during season are an increasingly important part of a successful tire retail experience. In 2021, Nokian Tyres continued to develop its retailer network in order to ensure efficient distribution.

Nokian Tyres' distribution network consists of Nokian Tyres' own Vianor service centers and service centers run by partners, the Nokian Tyres Authorized Dealer (NAD) partners, the N-Tyre retailers, and other tire and vehicle retailers as well as online stores. At the end of 2021, the number of stores was as follows:

- Vianor: 1,047 (1,117) service centers in total, of which 872 (943) partners
- NAD: 2,346 (2,282) stores
- N-Tyre: 110 (124) stores

BUSINESS UNIT REVIEWS

Passenger Car Tyres

EUR million	10–12/21	10–12/20	Change	CC* Change	2021	2020	Change	CC* Change
Net sales	342.8	262.0	30.8%	24.2%	1,199.2	871.3	37.6%	37.8%
Segment operating profit	77.7	66.5			298.7	177.8		
Segment operating profit, %	22.1%	25.4%			24.9%	20.4%		

* Comparable currencies

October–December 2021

In October–December 2021, net sales of Passenger Car Tyres totaled EUR 342.8 million (262.0). With comparable currencies, net sales were up by 24.2%. Net sales grew in all main markets. Average Sales Price with comparable currencies improved.

Segment operating profit was EUR 77.7 million (66.5) driven by increased sales volume. Higher raw material and other cost inflation were partly offset by price increases.

Raw material unit costs (EUR/kg) in manufacturing, including inbound logistics costs, increased by 38% year-over-year, containing negative currency impact.

January–December 2021

In 2021, net sales of Passenger Car Tyres totaled EUR 1,199.2 million (871.3). With comparable currencies, net sales were up by 37.8%. Net sales grew in all main markets. Average Sales Price with comparable currencies improved.

The share of sales volume of winter tires was 62% (68%), the share of summer tires was 23% (20%), and the share of all-season tires was 15% (12%).

Segment operating profit was EUR 298.7 million (177.8) driven by increased sales volume. Segment operating profit percentage was 24.9% (20.4%).

Raw material unit costs (EUR/kg) in manufacturing, including inbound logistics costs, increased by 15%, containing negative currency impact.

Production output (pcs) increased by 36% year-over-year. In 2021, 82% (87%) of passenger car tires (pcs) were manufactured in Russia. In the US and Finnish factories, additional shifts were added to increase production.

In January 2021, Nokian Tyres launched a new flagship range of studded winter tires, Nokian Hakkapeliitta 10, as well as studded Nokian Nordman 8 and Nokian Nordman 8 SUV winter tires. The first North American specific all-season tire for passenger cars and SUVs, the Nokian Tyres One, was also introduced in January. For professional and heavy-duty use in the Central European market, the company launched the Nokian Snowproof C winter tire and the Nokian Seasonproof C all-season tire in May. In October, new Nordic summer tire range Nokian Hakka Blue 3 and Nordman SX3 summer tire for the Nordic and Russian markets were introduced. Nokian Tyres Outpost AT, a new all-season tire for SUVs and light trucks, was launched in November. In December, Nokian Tyres announced that it will expand its winter tire range with new Nokian Tyres Hakkapeliitta R5 Nordic non-studded winter tires as well as with Nordic studded Nokian Tyres Hakkapeliitta C4 and Hakkapeliitta CR4 winter tires for vans and delivery vehicles.

Heavy Tyres

EUR million	10–12/21	10–12/20	Change	CC* Change	2021	2020	Change	CC* Change
Net sales	65.3	53.2	22.8%	19.2%	254.0	194.6	30.5%	28.9%
Segment operating profit	4.1	5.0			40.3	23.7		
Segment operating profit, %	6.2%	9.5%			15.9%	12.2%		

* Comparable currencies

October–December 2021

In October–December 2021, net sales of Heavy Tyres totaled EUR 65.3 million (53.2). With comparable currencies, net sales grew by 19.2% driven by new product launches and strong demand in all product segments.

Segment operating profit was EUR 4.1 million (5.0). Higher raw material and other cost inflation were partly offset by price increases.

January–December 2021

In 2021, net sales of Heavy Tyres totaled EUR 254.0 million (194.6). With comparable currencies, net sales grew by 28.9% driven by new product launches and strong demand in all product segments.

Segment operating profit was EUR 40.3 million (23.7). The increase was due to higher sales volume and improved production efficiency supported by investments in capacity and production automation.

In 2021, Nokian Heavy Tyres launched several new sizes for Nokian Hakkapeliitta TRI and Nokian Ground King product families. Truck tire offering widened with new sizes for Nokian E-truck and Nokian R-truck product families as well as with a new Nokian Hakka Truck Trailer tire. In June, the company launched a special tire, Nokian Ground Kare Semi-Slick, designed for backhoe loaders operating on railroads. In September, a new Nokian TR Forest 2 tractor tire for light and medium-weight tractors in forestry, landscaping and light mulching work was introduced.

Vianor, own operations

EUR million	10–12/21	10–12/20	Change	CC* Change	2021	2020	Change	CC* Change
Net sales	123.1	115.4	6.7%	2.8%	342.9	318.1	7.8%	4.2%
Segment operating profit	8.4	10.0			4.1	4.0		
Segment operating profit, %	6.8%	8.7%			1.2%	1.3%		
Number of own service centers at period end					175	174		

* Comparable currencies

October–December 2021

In October–December 2021, net sales of Vianor totaled EUR 123.1 million (115.4). With comparable currencies, net sales increased by 2.8%. The sales performance was good in all Vianor countries.

Segment operating profit was EUR 8.4 million (10.0). Some operative one-off items were recorded in the quarter.

January–December 2021

In 2021, net sales of Vianor totaled EUR 342.9 million (318.1). With comparable currencies, net sales increased by 4.2% driven by recovering demand in all operating countries. Net sales with comparable currencies grew by 6.1%, when excluding Vianor US, which was divested in August 2020.

Segment operating profit was EUR 4.1 million (4.0).

At the end of the review period, Vianor had 175 (174) own service centers in Finland, Sweden and Norway.

Segments Total to Nokian Tyres Total reconciliation

10–12/2021	Net sales	Cost of sales	SGA	Other operating income/expenses	Operating profit	Financial income/expenses	Taxes	Profit for the period
Segments Total	512.6	-346.9	-78.7	1.0	88.0	-3.0	-17.2	67.8
US factory ramp-up		-8.4	-0.6		-9.0		2.0	-7.0
Impairments and write-downs of tangible and intangible assets, and certain other items		-4.2	-16.4		-20.6		1.3	-19.3
Non-operative items and others		-4.1		-1.3	-5.4		1.6	-3.8
Total non-IFRS exclusion		-16.7	-17.0	-1.3	-35.0		4.3	-30.8
Nokian Tyres Total	512.6	-363.6	-95.7	-0.3	53.0	-3.0	-12.9	37.1

* Nokian Tyres reports non-IFRS figures in addition to its IFRS-reported results. The Segments Total figures exclude costs related to the US factory ramp-up, goodwill impairment charges, restructuring and certain other items, which are not indicative of Nokian Tyres' underlying business performance.

1–12/2021	Net sales	Cost of sales	SGA	Other operating income/expenses	Operating profit	Financial income/expenses	Taxes	Profit for the period
Segments Total	1,714.1	-1,125.4	-266.7	2.8	324.8	-10.0	-60.8	254.0
US factory ramp-up		-28.1	-2.9		-31.0		6.6	-24.4
Impairments and write-downs of tangible and intangible assets, and certain other items		-4.5	-16.5		-21.0		1.4	-19.6
Non-operative items and others		-4.1	-0.3	-0.3	-4.6		1.5	-3.1
Total non-IFRS exclusion		-36.7	-19.7	-0.3	-56.7		8.9	-47.8
Nokian Tyres Total	1,714.1	-1,162.1	-286.4	2.5	268.2	-10.0	-52.0	206.2

* Nokian Tyres reports non-IFRS figures in addition to its IFRS-reported results. The Segments Total figures exclude costs related to the US factory ramp-up, goodwill impairment charges, restructuring and certain other items, which are not indicative of Nokian Tyres' underlying business performance.

CORPORATE GOVERNANCE

In its decision-making and administration, Nokian Tyres adheres to the Finnish Limited Liability Companies Act, the Finnish Securities Markets Act and the rules issued by Nasdaq Helsinki Ltd, Nokian Tyres' Articles of Association, and the Finnish Corporate Governance Code 2020 for listed companies. Nokian Tyres complies with the code without exceptions. The code is published at www.cgfinland.fi/en/.

The Corporate Governance Statement has been prepared pursuant to the Finnish Corporate Governance Code 2020 for listed companies and the Securities Markets Act (Chapter 7, Section 7) and it is issued separately from the Board of Directors' report. The Board of Directors has reviewed the Corporate Governance Statement, and the auditor Ernst & Young Oy has verified that the Statement has been issued and that the description of the main features of the internal control and risk management systems relating to the financial reporting process is consistent with the financial statements. The Corporate Governance Statement will be published the week commencing February 28, 2022.

SHARES AND SHAREHOLDERS

At the end of December 2021, the number of shares was 138,921,750.

Number of shares (million units)*	31.12.21	31.12.20
at the end of period	138.22	138.22
in average	138.22	138.46
in average, diluted	138.22	138.46

* Excluding treasury shares

Authorizations

In March 2021, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 13,800,000 shares in the company by using funds in the unrestricted shareholders' equity. The number of shares corresponds to approximately 9.9% of all shares in the company. The authorization will be effective until the next AGM, however at most until June 30, 2022. The authorization canceled the authorization given to the Board of Directors by the Annual General Meeting on April 2, 2020.

In March 2021, the Annual General Meeting authorized the Board of Directors to resolve to offer no more than 13,800,000 shares through a share issue, or by granting special rights under Chapter 10, Section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The Board may decide to issue new shares or shares held by the company. The maximum number of shares included in the proposed authorization accounts for approximately 9.9% of all shares in the company. The authorization will be effective until the next AGM, however at most until June 30, 2022. The authorization canceled the authorization given to the Board of Directors by the Annual General Meeting on April 2, 2020.

In April 2020, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 13,800,000 shares in the company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponded to approximately 9.9% of all shares in the company at the time of the proposal. The authorization was effective until the Annual General Meeting of 2021.

In April 2020, the Annual General Meeting authorized the Board of Directors to make a decision to offer no more than 13,800,000 shares through a share issue, or by granting special rights under chapter 10, section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The maximum number of shares included in the proposed authorization accounted for approximately 9.9% of all shares in the company. The authorization was effective until the Annual General Meeting of 2021.

The Board did not utilize the authorizations in 2021.

Own shares

No share repurchases were made during the review period, and the company did not possess any own shares on December 31, 2021.

Nokian Tyres has an agreement with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns Nokian Tyres' shares related to the incentive program until the shares are given to the participants of the program. On December 31, 2021, the number of these shares was 697,400, reported as treasury shares (December 31, 2020: 697,400). This number of shares corresponded to 0.50% (0.50%) of the total shares and voting rights in the company.

Trading in shares

A total of 104,975,922 (279,145,453) Nokian Tyres' shares were traded in Nasdaq Helsinki in 2021, representing 76% (201%) of the company's overall share capital. The average daily volume in 2021 was 416,571 shares (1,107,720). Nokian Tyres' shares are also traded on alternative exchanges.

Nokian Tyres' share price was EUR 33.30 (28.82) at the end of 2021. The volume weighted average share price in 2021 was EUR 31.98 (22.15), the highest was EUR 36.70 (31.14) and the lowest was EUR 27.98 (16.38). The company's market capitalization at the end of the review period was EUR 4.6 billion (4.0 billion).

At the end of 2021, the company had 55,898 (58,563) registered shareholders. The percentage of Finnish shareholders was 43.2% (42.5%), and 56.8% (57.5%) were non-Finnish holders and foreign shareholders registered in the nominee register. Public sector entities owned 15.2% (13.7%), financial and insurance corporations 7.3% (7.2%), households 13.7% (14.4%), non-profit institutions 3.4% (3.5%), and private companies 3.6% (3.7%).

Major shareholders on December 31, 2021

(Does not include nominee registered shareholders or treasury shares)

	Number of shares	% of share capital
1. Solidium Oy	12,200,000	8.78
2. Ilmarinen Mutual Pension Insurance Company	3,643,678	2.62
3. Varma Mutual Pension Insurance Company	2,510,889	1.81
4. Elo Mutual Pension Insurance Company	1,711,285	1.23
5. OP-Finland	1,481,848	1.07
6. Mandatum Life Insurance Company Ltd.	896,231	0.65
7. OP-Finland Small Cap	766,288	0.55
8. The State Pension Fund	750,000	0.54
9. Nordea Nordic Small Cap Fund	744,575	0.54
10. Nordea Nordic Fund	675,432	0.49

Changes in ownership

Transaction date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %
January 13, 2021	BlackRock, Inc	Above 5%	4.61%	0.43%	5.04%

January 14, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
February 2, 2021	Société Générale SA	Below 5%	0.03%	1.53%	1.56%
February 10, 2021	BlackRock, Inc	Above 5%	4.95%	0.15%	5.10%
February 12, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
February 16, 2021	BlackRock, Inc	Above 5%	4.96%	0.08%	5.04%
February 17, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
February 25, 2021	BlackRock, Inc	Above 5%	4.96%	0.07%	5.03%
March 5, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
March 15, 2021	BlackRock, Inc	Above 5%	4.50%	0.52%	5.02%
March 19, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
April 23, 2021	BlackRock, Inc	Above 5%	5.02%	0.04%	5.07%
April 27, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
June 2, 2021	BlackRock, Inc	Above 5%	4.89%	0.11%	5.01%
June 3, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
June 7, 2021	BlackRock, Inc	Above 5%	4.96%	0.14%	5.11%
June 8, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
June 9, 2021	BlackRock, Inc	Above 5%	4.88%	0.16%	5.04%
June 16, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
June 18, 2021	BlackRock, Inc	5% level	4.92%	0.07%	5.00%
June 21, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
July 26, 2021	BlackRock, Inc	5% level	4.94%	0.06%	5.00%
July 27, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
August 6, 2021	BlackRock, Inc	5% level	4.96%	0.04%	5.00%
August 9, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
August 17, 2021	BlackRock, Inc	5% level	4.96%	0.04%	5.00%
August 18, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
August 30, 2021	BlackRock, Inc	Above 5%	4.99%	0.07%	5.06%
August 31, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
September 3, 2021	BlackRock, Inc	Above 5%	5.00%	0.06%	5.06%
September 6, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
September 7, 2021	BlackRock, Inc	Above 5%	5.03%	0.06%	5.10%
September 8, 2021	BlackRock, Inc	Below 5%	4.94%	0.06%	5.01%
September 9, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
September 13, 2021	BlackRock, Inc	Above 5%	5.00%	0.05%	5.05%
September 14, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
September 22, 2021	BlackRock, Inc	Above 5%	4.92%	0.15%	5.07%
September 23, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%

Detailed information on notifications of change in shareholding can be found at www.nokiantyres.com/company/investors/share/flagging-notifications/.

Shareholdings of the Board of Directors, the President and CEO, and the Management Team on December 31, 2021

Board of Directors	Number of shares
Jukka Hienonen, Chairman	17,367
Pekka Vauramo, Deputy Chairman	3,341
Heikki Allonen, member	4,249
Raimo Lind, member	7,379
Veronica Lindholm, member	4,249
Inka Mero, member	5,642
Christopher Ostrander, member	632
Jouko Pölönen, member	1,232
George Rietbergen, member	3,586
Total	47,677

President and CEO	Number of shares
Jukka Moisio	18,000

Management Team	Number of shares
Päivi Antola, Corporate Communications & IR	1,264
Anna Hyvönen, North America, Nordics & Vianor	14,715
Adrian Kaczmarczyk, Supply Operations	0
Teemu Kangas-Kärki, Finance	7,014
Jukka Kasi, Products & Innovations	4,420
Bahri Kurter, Central Europe	0
Päivi Leskinen, Human Resources	0
Andrey Pantyukhov, Russia & Asia, Global Marketing	34,359
Manu Salmi, Heavy Tyres & Nokia Factory	16,601
Total	78,373

On December 31, 2021, Nokian Tyres' Board members and the President and CEO held a total of 65,677 Nokian Tyres shares. The shares represent 0.04% of the total number of votes.

Managers' transactions

Nokian Tyres announced managers' transactions on February 11 and May 6. Read more at <https://www.nokiantyres.com/company/publications/releases/2021/managementTransactions/>.

DECISIONS MADE AT THE ANNUAL GENERAL MEETING

On March 30, 2021, the Annual General Meeting of Nokian Tyres adopted the financial statements for 2020, discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2020 and adopted the company's Remuneration Report for governing bodies.

Dividend

The AGM decided that a dividend of EUR 1.20 per share shall be paid from the financial year January 1–December 31, 2020 in two instalments. The first instalment of EUR 0.60 per share was paid on April 15, 2021 to shareholders who were registered in the company's shareholders' register maintained by Euroclear Finland Oy on the dividend record date on April 1, 2021. The second instalment of EUR 0.60 per share was paid on December 9, 2021 to shareholders who were registered in the company's shareholders' register maintained by Euroclear Finland Oy on the dividend record date on November 4, 2021.

Remuneration for members of the Board of Directors

The AGM decided that the members of the Board of Directors be paid the following remuneration: to the Chairman of the Board of Directors EUR 102,500 per year; to the Deputy Chairman and to the Chairman of the Audit Committee EUR 72,500 per year each, and to members EUR 50,000 per year each. 60 per cent of the annual fee will be paid in cash and 40 per cent in Company shares.

Furthermore, the AGM decided on a meeting fee of EUR 700 for each Board and Board Committee meeting. For Board members resident in Europe, the fee for each meeting in Europe outside a member's home country is doubled, and for each meeting outside Europe the fee is tripled. For Board members resident outside Europe, the fee for each meeting outside a member's home country is tripled. If a member participates in a meeting via telephone or video connection, the remuneration is EUR 700. Travel expenses will be compensated in accordance with the company's travel policy.

Members of the Board of Directors and Auditors

The AGM decided that the number of the members of the Board of Directors shall be nine. Jukka Hienonen, Heikki Allonen, Raimo Lind, Inka Mero, George Rietbergen, Pekka Vauramo and Veronica Lindholm were re-elected as members of the Board of Directors and Christopher Ostrander and Jouko Pölönen were elected as new members of the Board of Directors for a term ending at the closing of the Annual General Meeting 2022. Jukka Hienonen was elected as the Chairman and Pekka Vauramo as Deputy Chairman of the Board of Directors.

Ernst & Young Oy, authorized public accountant firm, was elected as the company's auditor for a term ending at the closing of the Annual General Meeting of 2022.

Authorizations

The AGM authorized the Board of Directors to resolve to repurchase a maximum of 13,800,000 shares in the company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponds to approximately 9.9% of all shares in the company. The authorization will be effective until the next AGM, however at most until June 30, 2022. The authorization canceled the authorization given to the Board of Directors by the Annual General Meeting on April 2, 2020.

The AGM authorized the Board of Directors to resolve to offer no more than 13,800,000 shares through a share issue, or by granting special rights under Chapter 10, Section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The Board may decide to issue new shares or shares held by the company. The maximum number of shares included in the proposed authorization accounts for approximately 9.9% of all shares in the company. The authorization will be effective until the next Annual General Meeting, however at most until June 30, 2022. This authorization canceled the authorization given to the Board of Directors by the Annual General Meeting on April 2, 2020.

BOARD OF DIRECTORS' WORKING ARRANGEMENTS

In its organizing meeting on March 30, 2021, the Board of Directors elected Veronica Lindholm as the Chairman and Jukka Hienonen and Pekka Vauramo as members of the Personnel and Remuneration Committee. Further, the Board of Directors elected Raimo Lind as the Chairman and Heikki Allonen, Inka Mero and Jouko Pölönen as members of the Audit Committee.

SHAREHOLDERS' NOMINATION BOARD 2021

In June 2021, the following members were appointed to Nokian Tyres' Shareholders' Nomination Board:

- Antti Mäkinen (CEO, Solidium Oy), appointed by Solidium Oy
- Heikki Westerlund (board professional), appointed by Bridgestone Corporation
- Mikko Mursula (Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company), appointed by Ilmarinen Mutual Pension Insurance Company
- Kalle Karppinen (Head of Research, Nordic Equities, Nordea Investment Management), appointed by Nordea Funds
- Jukka Hienonen, Chairman of the Board, Nokian Tyres plc

The Shareholders' Nomination Board proposes to the 2022 Annual General Meeting that the Board consists of nine members, the Chairman and the Deputy Chairman included, and that of the current Board members Heikki Allonen, Jukka Hienonen, Veronica Lindholm, Inka Mero, Christopher Ostrander, Jouko Pölönen, George Rietbergen and Pekka Vauramo be re-elected and Susanne Hahn be elected as a new member to the Board of Directors for a term ending at the end of the 2023 Annual General Meeting. Of the current members, Raimo Lind has informed that he is not available for re-election to the Board of Directors.

Jukka Hienonen is proposed to continue as Chairman and Pekka Vauramo as Deputy Chairman of the Board of Directors. All candidates have given their consent to the election and are independent of the Company and its major shareholders.

With regard to the selection procedure for the members of the Board of Directors, the Shareholders' Nomination Board recommends that shareholders take a position on the proposal as a whole at the General Meeting. This recommendation is based on the fact that in Nokian Tyres, in line with a good Nordic governance model, the Shareholders' Nomination Board is separate from the Board of Directors. The Shareholders' Nomination Board, in addition to ensuring that individual nominees for membership of the Board of Directors possess the required competencies, is also responsible for making sure that the proposed Board of Directors as a whole has the best possible expertise and experience for the Company and that the composition of the Board of Directors meets other requirements of the Finnish Corporate Governance Code for listed companies.

The Shareholders' Nomination Board proposes that the annual remuneration to be paid to the members of the Board of Directors to be elected at the Annual General Meeting for the term of office ending at the close of the Annual General Meeting 2023 is as follows:

- Chairman of the Board of Directors EUR 110,000
- Deputy Chairman of the Board and Chairmen of the Committees EUR 75,000
- Other members EUR 52,500

For the term commencing in 2021, the annual remuneration has been as follows: Chairman of the Board EUR 102,500; Deputy Chairman of the Board and Chairman of the Audit Committee EUR 72,500 and other members EUR 50,000.

The Shareholders' Nomination Board further proposes that 60% of the annual fee be paid in cash and 40% in Company shares.

The meeting fee is proposed to remain at the current level and thus be EUR 700 for each Board and Board Committee meeting. For Board members resident in Europe, the fee for each meeting in Europe outside a member's home country is doubled, and for each meeting outside Europe the fee is tripled. For Board members resident outside Europe, the fee for each meeting outside a member's home country is tripled. If a member participates in a meeting via telephone or video connection, the remuneration is proposed to be EUR 700. Travel expenses are proposed to be compensated in accordance with the Company's travel policy.

CORPORATE SUSTAINABILITY

Nokian Tyres' non-financial targets focus on bringing new environmental and safety innovations to products, reducing CO₂ emissions in line with the Science Based Targets, further improving workplace safety, and monitoring the sustainability of suppliers. The new non-financial targets were introduced in September. All non-financial targets can be found at

www.nokiantyres.com/company/sustainability/fundamentals/our-targets-and-achievements/.

In January 2021, Nokian Tyres announced that its Finnish factory had earned ISO 45001 certification for occupational health & safety. The certification was also awarded to the premier provider of wheels for heavy OE and aftermarket applications, Levypyörä, which Nokian Tyres acquired in 2019. ISO 45001 certification has been created to further reduce workplace injuries and illnesses.

In March, the solar-powered administration building at Nokian Tyres' US production facility earned LEED v4 Gold certification. The accomplishment, coupled with LEED v4 Silver certification of the attached production facility, makes the company's US facilities one of the most eco-friendly in the tire industry.

In May, Nokian Tyres earned ISO 14001 certification for its US production facility. Now all Nokian Tyres' manufacturing facilities are certified to the environmental standard.

In June, Nokian Tyres announced that its logistics center in Finland has a solar power plant, consisting of 3,160 solar panels with a combined output of more than 1,100 kilowatts. All of the electricity generated by the solar panels is used by the logistics center, where power is required for lighting and ventilation, for example.

In September, Nokian Tyres signed a 10-year agreement with the Nordic energy company to supply renewable wind energy for the electricity used in the Finnish factory and in Vianor operations in Finland. Nokian Tyres has used electricity from entirely renewable sources in the Finnish factory already since 2019. The agreement ensures the availability of green electricity also in the future.

In December, Nokian Tyres was included in the leadership class by the Carbon Disclosure Project (CDP) based on its performance on climate change. Nokian Tyres scored the second-best rating of A- for its climate change mitigation strategy, goals and performance.

In December, the solar-powered Visitor Center Building at Nokian Tyres' Spain Test Center earned LEED v4 Platinum certification for green building leadership. Platinum is the highest LEED certification level. Inspectors highlighted the Visitor Center's innovation in design, energy efficiency and indoor environmental quality as key drivers of the high certification level.

As a member of the Global Platform for Sustainable Natural Rubber, Nokian Tyres is committed to legal compliance, community livelihoods, healthy, functioning ecosystems (including no deforestation), and respecting all human rights in natural rubber procurement and production. This is reflected in Nokian Tyres' sustainable natural rubber policy that falls in alignment with GPSNR's policy framework. The policy was published in September and can be found at

www.nokiantyres.com/company/sustainability/sustainable-natural-rubber-policy/.

Nokian Tyres will publish its Corporate Sustainability Report for 2021 in spring 2022.

EU Taxonomy

The EU's new Taxonomy Regulation is designed to support the transformation of the EU economy to meet its European Green Deal objectives, including the 2050 climate-neutrality target. At the core of the Taxonomy Regulation is the definition of a sustainable economic activity.

The new Taxonomy classifies economic activities, which can be potentially aligned with EU's environmental targets. There are six environmental targets in the EU Taxonomy, two of which are now regulated: Climate Change Mitigation and Climate Change Adaptation.

Tire industry is included in the economic activity group *Manufacture of other low carbon technologies* in the EU Taxonomy's technical screening criteria. After investigating and consulting on EU

Taxonomy's technical screening criteria, following conclusions about Nokian Tyres' economic activities have been made:

- Car and van tires with low rolling resistance ratings which are manufactured by Nokian Tyres have substantially lower life-cycle carbon footprint than corresponding average tires. This is a combined result of low use phase emissions and industry's best-in-class manufacturing emissions.
- At this stage, Nokian Tyres will exclude all heavy professional tires as there is no solid comparison data available of use phase CO2 emissions for heavy professional tires.

Manufacture of car and van tires with low life-cycle greenhouse gas emissions represented 35% of Nokian Tyres' total net sales in 2021. Based on the company's assessment, these economic activities are eligible for the EU Taxonomy criteria. Share of Opex within the scope of EU Taxonomy was 31% and share of Capex within the scope of EU Taxonomy was 26%.

KPI	Total (EUR million)	Proportion of Taxonomy eligible economic activities (%)	Proportion of Taxonomy non-eligible economic activities (%)
Net sales	1,714	35%	65%
Capital expenditure	120	26%	74%
Operating expenditure	40	31%	69%

The Taxonomy reporting scope and criteria may change in coming years as this is the first reporting round, and therefore also the figures may not be comparable between the reporting periods.

Nokian Tyres' approach to calculate the eligibility for the EU Taxonomy is available at www.nokiantyres.com/company/investors/nokian-tyres-as-an-investment/nokian-tyres-as-a-sustainable-investment/.

Non-Financial Information Statement

Nokian Tyres publishes an annual Non-Financial Information Statement in line with the Requirements of non-financial information reporting according to the Finnish Accounting Act. The Non-Financial Information Statement is issued separately from the Board of Directors' report. The Board of Directors has reviewed and signed the Non-Financial Information Statement. The Non-Financial Information Statement will be published the week commencing February 28, 2022.

OTHER MATTERS

SHARE-BASED LONG-TERM INCENTIVE SCHEME 2021–2023 FOR THE MANAGEMENT AND SELECTED KEY EMPLOYEES OF NOKIAN TYRES PLC

In February 2021, Nokian Tyres announced that the Board of Directors of Nokian Tyres plc has decided on a share-based long-term incentive scheme for the Company's management and selected key employees for years 2021–2023 as a continuation to the earlier plans decided in 2019 and 2020. The decision includes Performance Share Plan 2021 ("PSP 2021") as the main structure and Restricted Share Plan 2021 ("RSP 2021") as a complementary structure.

The purpose of the share-based incentive scheme is to align the goals of the Company's shareholders and key personnel in order to increase the value of the Company in the long term and to commit key personnel to the Company and its strategic targets.

Performance Share Plan 2021

The Performance Share Plan consists of annually commencing individual three-year Performance Periods, followed by the payment of the potential share reward. The commencement of each individual Performance Period is subject to a separate Board approval.

The Performance Period (PSP 2021–2023) commenced effective as of the beginning of 2021 and the potential share reward thereunder will be paid in the first half of 2024 provided that the performance targets set by the Board of Directors are achieved. The potential reward will be paid partly in shares of Nokian Tyres plc and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward. Eligible to participate in PSP 2021–2023 are approximately 220 individuals, including the members of Nokian Tyres Management Team.

The potential share reward payable under the PSP 2021–2023 are based on the Earnings Per Share (EPS) and Return on Capital Employed (ROCE). The possible rewards paid based on the Performance Period of 2021–2023 will be a maximum of 534,898 gross shares.

If the individual's employment with Nokian Tyres terminates before the payment date of the share reward, the individual is not, as a main rule, entitled to any reward based on the plan.

Restricted Share Plan 2021

The purpose of the Restricted Share Plan is to serve as a complementary long-term incentive tool, used selectively for retention of Nokian Tyres key employees. It consists of annually commencing individual Restricted Share Plans, each with a three-year retention period after which the share rewards granted within the plan will be paid to the participants in shares of Nokian Tyres plc and partly in cash.

The commencement of each individual plan is subject to a separate Board of Directors approval.

A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Nokian Tyres continues until the payment date of the reward. In addition to this precondition, a financial performance criteria is applied to Nokian Tyres Management Team. The criteria is a threshold value for Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan 2021–2023.

The next plan (RSP 2021–2023) within the Restricted Share Plan structure commenced effective as of the beginning of 2021 and the potential share reward thereunder will be paid in the first half of 2024. The possible rewards paid based on RSP 2021–2023 correspond approximately to a maximum of 120,000 gross shares.

Other terms

Nokian Tyres applies a share ownership policy to the members of Nokian Tyres Management Team. According to this policy each member of the Management Team is expected to retain in his/her ownership at least 25% of the shares received under the share-based incentive programs of the Company until the value of his/her share ownership in the Company corresponds to at least his/her annual gross base salary.

The Board of Directors anticipates that no new shares will be issued based on the share-based incentive scheme and that the scheme will, therefore, have no dilutive effect on the registered number of the Company's shares.

SIGNIFICANT RISKS AND UNCERTAINTIES AND ONGOING DISPUTES

Nokian Tyres' business and financial performance may be affected by several uncertainties. The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of strategic goals and ensures business continuity. The Group's risk management policy focuses on managing both the risks pertaining to business opportunities and the risks affecting the achievement of the Group's goals in the changing operating environment. The risk management process aims to identify and evaluate the risks and to plan and implement the practical measures for each risk. Nokian Tyres describes the overall business risks and risk management in its annual Corporate Governance Statement.

For example, the following risks could potentially have an impact on Nokian Tyres' business:

- Nokian Tyres is subject to risks related to consumer confidence and macroeconomic and geopolitical conditions. Political uncertainties may cause serious disruption and additional trade barriers and affect the company's sales and credit risk. Economic downturns may increase trade customers' payment problems and Nokian Tyres may need to recognize impairment of trade receivables.
- The tire wholesale and retail landscape is evolving to meet changing consumer needs. New technologies are fueling this with increasing digitalization. Failure to adapt to the changes in the sales channel could have an adverse effect on Nokian Tyres' financial performance.
- Nokian Tyres' success is dependent on its ability to innovate and develop new products and services that appeal to its customers and consumers. Despite extensive testing of its products, product quality issues and failure to meet demands of performance and safety could harm Nokian Tyres' reputation and have an adverse effect on its financial performance.
- Nokian Tyres' production facilities are located in Finland, Russia and the US. Any unexpected production or delivery breaks at these facilities would have a negative impact on the company's business. Interruptions in logistics could have a significant impact on production and peak season sales.
- Significant fluctuations in raw material prices may impact margins. Nokian Tyres sources natural rubber from producers in countries such as Indonesia and Malaysia. Although Nokian Tyres has policies such as the Supplier Code of Conduct and established processes to monitor the working conditions, it cannot fully control the actions of its suppliers. Nokian Tyres continues to expand its supplier portfolio to mitigate risks related to single source supplying. The non-compliance with laws, regulations or standards by raw material producers, or their divergence from practices generally accepted as ethical in the European Union or the international community, could have a material adverse effect on Nokian Tyres' reputation.
- Tire industry can be subject to risks caused by climate change, such as changes in consumer tire preferences, regulatory changes or impact of extreme weather events on natural rubber producers. Nokian Tyres is committed to reducing GHG emissions from its operations in order to combat climate change. Nokian Tyres calculates the GHG emissions from its operations annually and reduces them systematically. More detailed analysis on Nokian Tyres' climate change related risks and opportunities is provided at www.nokiantyres.com/company/sustainability/environment/climate-change-related-risks-and-opportunities/.
- Foreign exchange risk consists of transaction risk and translation risk. The most significant currency risks arise from the Russian ruble, the Swedish and Norwegian krona, and the US and Canadian dollar. Approximately 65% of the Group's sales are generated outside of the euro-zone.
- The availability of supporting information systems and network services is crucial to Nokian Tyres. Unplanned interruption in critical information systems or network services may cause disruption to the continuity of operations. Such systems and services may also be exposed to cyber attacks that could cause a leakage of confidential information, violation of data privacy regulations, theft of know-how and other intellectual property, production shutdown or damage to reputation.

- In May 2017, the Finnish Financial Supervisory Authority filed a request for investigation with the National Bureau of Investigation regarding possible securities market offences. In October 2020, the prosecutor announced the decision to press charges against a total of six persons who acted as Board members and the President & CEO of Nokian Tyres in 2015–2016. The prosecutor also requests a corporate fine of a maximum of EUR 850,000 to be imposed on the company. The prosecutor has also decided to press charges for suspected abuse of insider information against four persons who were employees of Nokian Tyres in 2015. All persons charged deny their involvement in any criminal activity. The trial related to these events started at the District Court of Helsinki in January 2022.

-The COVID-19 pandemic represents a short-term risk to Nokian Tyres' business and operating environment. The company has proactively taken preventive actions to minimize the impacts of the pandemic and to ensure business continuity. Despite these efforts, the uncertainty over the duration of the pandemic, the containment measures and the resulting slowdown in economic activity can have a negative impact on Nokian Tyres' operations and supply chain as well as the demand and pricing for the company's products.

Nokian Tyres' risk analysis also pays special attention on corporate sustainability risks, the most significant of which are related to product quality, safety, environment, and human rights. Analyses and projects related to information security, data protection, and customer information are continuously a special focus area.

Tax disputes

In May 2019, Nokian Tyres U.S. Finance Oy, a former subsidiary of Nokian Tyres plc (ownership: 100% of the shares), received a negative ruling from the Hämeenlinna Administrative Court regarding the company's appeal against a reassessment of EUR 18.5 million concerning the years 2007–2013. The company has paid and recorded the amount in full in the financial statements and results for 2013, 2014, and 2017. The company's appeal against the court decision was rejected by Supreme Administrative Court in February 2021.

In April 2021, Nokian Tyres received a decision from the Tax Administration concerning a tax audit for the tax years 2015-2016, according to which the company was obliged to pay a total of EUR 1,9 million additional taxes, punitive tax increase and late payment interest. Taxes have been paid and recognized in receivables. Nokian Tyres considers the tax authority's view unfounded and has appealed against the decision.

Routine tax audits in Nokian Tyres Group entities may possibly lead to a reassessment of taxes.

REVISED STRATEGY AND UPDATED FINANCIAL TARGETS

In September 2021, Nokian Tyres announced its revised mid-term strategy and updated financial targets. The company aims for organic growth ahead of the market and increasing market share in all key markets. In mid-term, target is to reach EUR 2 billion in net sales.

The mid-term growth strategy builds on Nokian Tyres' competitive strengths, including high-quality products and a premium brand, effective supply chain, leadership in sustainability and a strong Nokian Tyres team. The company launched a record number of new products in 2020–2021 and will continue to accelerate innovation to further strengthen its competitiveness and unique positioning in the premium tire segment. This expanding product offering, together with smarter Go-To-Market strategies and improving commercial capabilities, will drive top-line growth. Reinforcing Nokian Tyres' brand in the regions will be a key element in closer collaboration with customers. Profitability improvement will be driven by increasing volumes and operational efficiency.

Nokian Tyres' updated mid-term financial targets are:

- Growing faster than the market: Net sales EUR 2 billion
- High returns and profitability: Segments operating profit and segments ROCE at the level of 20%*

- Growing ordinary dividend: Dividend above 50% of net earnings

*The Segments Total figures exclude costs related to the US factory ramp-up, goodwill impairment charges, restructuring and certain other items, which are not indicative of Nokian Tyres' underlying business performance.

ASSUMPTIONS FOR 2022

Market situation	The Nordic countries	Russia	Europe (excl. the Nordic countries)	North America
New car sales in 2021 y-o-y	9%	4%	-2%	4%
Car tire sell-in in 2021 y-o-y	10%	30%	11%	17%
Car tire demand E2022 (management estimate)	increase	increase	increase	increase
Heavy tire segments* E2022 (management estimate)	increase	increase	increase	increase

* Nokian Tyres' core product segments

The global car and tire demand is expected to grow. The COVID-19 pandemic continues to cause uncertainties, including cost inflation and availability challenges, in the whole automotive value chain. In addition, current geopolitical situation causes uncertainties in 2022.

Nokian Tyres net sales growth in 2022 will be driven by an extensive pipeline of new product launches, together with continuous improvements in go-to-market activities. Capital expenditure will be approximately EUR 150 million on an annual rolling basis.

In Russia, the sales of new cars are expected to increase by up to 5% compared to 2021, with growth expected only in H2 2022. The growth will be driven by the significant deferred demand, however, it will be limited by continuing supply constraints. The total replacement tire market sell-in in Russia in 2022 is expected to increase by 5–10% compared to 2021, driven by strong demand and relatively low carry-over stocks.

The unpredictability in the development of the Russian ruble exchange rate causes uncertainty in 2022. The ruble has weakened in recent years and the average EUR/RUB was 72.5 in 2019, 82.7 in 2020, 87.2 in 2021, and 85.3 in the beginning of January 2022.

Raw material and logistics costs are estimated to increase significantly especially in H1 2022 year-on-year.

The demand for Nokian Heavy Tyres' core products is estimated to continue strong in 2022. Aftermarket demand is expected to continue healthy and OEM demand is expected to grow from 2021 level.

GUIDANCE FOR 2022

In 2022, Nokian Tyres' net sales with comparable currencies are expected to grow significantly and segments operating profit is expected to grow.

The global car and tire demand is expected to grow. The COVID-19 pandemic continues to cause uncertainties, including cost inflation and availability challenges, in the whole automotive value chain. In addition, current geopolitical situation causes uncertainties in 2022.

THE PROPOSAL FOR THE USE OF PROFITS BY BOARD OF DIRECTORS

The distributable funds in the Parent company total EUR 742.7 million.

The Board of Directors proposes to the Annual General Meeting that the distributable funds are to be used as follows:

A dividend of	1.32 EUR/share
be paid out, totaling	EUR 182.5 million
retained in equity	EUR 560.3 million
Total	EUR 742.7 million

The Board of Directors also proposes that the dividend shall be paid in two instalments, in May and in December 2022.

The first instalment of EUR 0.66 per share shall be paid to the shareholders who are registered in the shareholder register maintained by Euroclear Finland Oy on the dividend record date of May 2, 2022. The payment date proposed by the Board of Directors for the first instalment is May 11, 2022.

The second instalment of EUR 0.66 per share shall be paid in December. The second instalment of the dividend shall be paid to the shareholders who are registered in the shareholder register maintained by Euroclear Finland Oy on the dividend record date, which, together with the payment date, shall be decided by the Board of Directors in its meeting scheduled for November 1, 2022. The dividend record date for the second instalment would be November 3, 2022 and the dividend payment date December 9, 2022, at the latest.

No material changes have taken place in the financial position of the company since the end of the financial year. The liquidity of the company is good, and the proposed distribution of profits does not compromise the financial standing of the company as perceived by the Board of Directors.

In addition, the Board proposes that the Annual General Meeting authorizes the Board to resolve on donations in the aggregate maximum amount of EUR 250,000 to be made to universities, institutions of higher education or to other non-profit or similar purposes during 2022 and 2023. The Board of Directors may decide on the donation recipients, purposes of use, instalments and other terms of the donations.

Notice to the Annual General Meeting will be published by the end of March 2022.

Helsinki, February 8, 2022

Nokian Tyres plc
Board of Directors

The information hereinabove contains forward-looking statements relating to future events or future financial performance of the company. In some cases, such forward-looking statements can be identified by terminology such as "may", "will", "could", "expect", "anticipate", "believe", "estimate", "predict" or other comparable terminology. Such statements are based on the current expectations, known factors, decisions, and plans of the management of Nokian Tyres. Forward-looking statements always involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Therefore, future results may even differ significantly from the results expressed in, or implied by, the forward-looking statements.

Condensed consolidated financial statements

This financial statements release has been prepared in accordance with IAS 34 Interim Reports standard. The company has adopted certain new or revised IFRS standards and IFRIC interpretations at the beginning of the financial period as described in the Financial Statements 2020. However, the adaptation of these new or amended standards has not had a significant effect on the reported figures. On the other respects, the same accounting policies have been followed as in the previous Financial Statements.

Accounting implications of the effects of COVID-19

The Group has assessed the potential accounting implications of decreased economic activity as a result of the COVID-19 pandemic. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The COVID-19 pandemic has not had a significant effect on the financial values of assets or on the impairments made in 2021 or 2020. Goodwill impairments in 2020 and 2021 were not related to COVID-19.

The Group updated its expected credit loss model for trade receivables at the end of 2020. This update did not result in a significant increase of credit loss allowances for trade receivables at the end of 2020 or 2021, however the credit risk may increase if the trading conditions deteriorate.

Uncertainties due to the COVID-19 pandemic have decreased in 2021, and demand in the tire industry has clearly improved from 2020.

The figures in the financial statements release are unaudited.

NOKIAN TYRES CONDENSED

CONSOLIDATED INCOME STATEMENT	10-12/21	10-12/20	1-12/21	1-12/20	Change %
Million euros					
Net sales	512.6	413.4	1,714.1	1,313.8	24.0
Cost of sales	-363.6	-277.4	-1,162.1	-913.4	-31.1
Gross profit	149.0	136.0	552.0	400.4	9.5
Other operating income	0.8	1.3	2.9	4.8	-42.5
Sales, marketing and R&D expenses	-65.6	-42.5	-197.3	-177.6	-54.6
Administration	-30.1	-19.3	-89.1	-84.8	-56.1
Other operating expenses	-1.1	-4.2	-0.3	-22.8	74.2
Operating profit	53.0	71.4	268.2	120.0	-25.8
Net financial items	-3.0	-0.5	-10.0	-14.0	-528.9
Result before tax	49.9	70.9	258.2	106.0	-29.6
Tax expense	-12.9	-15.1	-52.0	-20.0	14.5
Result for the period	37.1	55.9	206.2	86.0	-33.7
Attributable to:					
Equity holders of the parent	37.1	55.9	206.2	86.0	
Earnings per share from the result attributable to the equity holders of the parent:					
basic, euros	0.27	0.40	1.49	0.62	-33.6
diluted, euros	0.27	0.40	1.49	0.62	-33.6

CONSOLIDATED COMPREHENSIVE INCOME	10-12/21	10-12/20	1-12/21	1-12/20
Million euros				
Profit for the period	37.1	55.9	206.2	86.0
Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax:				
Cash flow hedges	1.3	-0.1	4.4	-1.1
Translation differences on foreign operations	2.6	-8.9	54.5	-168.7
Total other comprehensive income for the period, net of tax	4.0	-8.9	58.9	-169.7
Total comprehensive income for the period	41.0	46.9	265.1	-83.8
Total comprehensive income attributable to:				
Equity holders of the parent	41.0	46.9	265.1	-83.8

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

	31.12.21	31.12.20
Million euros		
Non-current assets		
Property, plant and equipment	870.9	824.9
Right of use assets	153.5	152.0
Goodwill	65.3	79.2
Other intangible assets	21.7	23.6
Investments in associates	0.1	0.1
Non-current financial investments	2.9	2.7
Other receivables	6.2	5.7
Deferred tax assets	21.6	21.6
Total non-current assets	1,142.1	1,110.0
Current assets		
Inventories	415.1	329.4
Trade receivables	357.4	321.5
Other receivables	74.2	71.6
Current tax assets	8.9	10.3
Cash and cash equivalents	385.9	504.2
Total current assets	1,241.4	1,226.7
Total assets	2,383.5	2,336.7
Equity		
Share capital	25.4	25.4
Share premium	181.4	181.4
Treasury shares	-17.6	-18.2
Translation reserve	-393.0	-447.5
Fair value and hedging reserves	1.6	-2.8
Paid-up unrestricted equity reserve	238.2	238.2
Retained earnings	1,591.5	1,544.9
Total equity	1,627.6	1,521.3
Non-current liabilities		
Deferred tax liabilities	37.8	32.6
Interest-bearing liabilities	246.9	257.3
Other liabilities	0.9	0.9
Total non-current liabilities	285.7	290.8
Current liabilities		
Trade payables	172.6	98.1
Other current payables	238.1	183.2
Current tax liabilities	13.5	6.4
Provisions	5.8	7.1
Interest-bearing liabilities	40.3	229.7
Total current liabilities	470.3	524.5
Total equity and liabilities	2,383.5	2,336.7

Changes in working capital arising from operative business are partly covered by EUR 500 million domestic commercial paper programme.

Interest-bearing liabilities include EUR 118.5 million of non-current and EUR 39.4 million of current lease liabilities.

CONSOLIDATED STATEMENT OF CASH FLOWS	1-12/21	1-12/20
Million euros		
Result for the period	206.2	86.0
Adjustments for		
Depreciation, amortisation and impairment	157.5	156.0
Financial income and expenses	10.0	14.0
Gains and losses on sale of intangible assets, other changes	12.9	4.9
Income Taxes	52.0	20.0
Cash flow before changes in working capital	438.6	280.8
Changes in working capital		
Current receivables, non-interest-bearing, increase (-) / decrease (+)	-22.0	121.9
Inventories, increase (-) / decrease (+)	-70.8	25.2
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	98.3	22.8
Changes in working capital	5.5	169.9
Financial items and taxes		
Interest and other financial items, received	1.7	1.5
Interest and other financial items, paid	-9.1	-7.8
Income taxes paid	-40.2	-22.0
Financial items and taxes	-47.6	-28.3
Cash flow from operating activities (A)	396.5	422.4
Cash flows from investing activities		
Acquisitions of property, plant and equipment and intangible assets	-119.6	-149.9
Proceeds from sale of property, plant and equipment and intangible assets	1.7	8.7
Other cash flow from investing activities	-0.8	0.6
Cash flows from investing activities (B)	-118.7	-140.6
Cash flow from financing activities		
Purchase of treasury shares	-	-10.2
Change in current financial receivables, increase (-) / decrease (+)	1.4	0.5
Change in non-current financial receivables, increase (-) / decrease (+)	0.4	-2.2
Change in current financial borrowings, increase (+) / decrease (-)	-203.4	203.4
Change in non-current financial borrowings, increase (+) / decrease (-)	-0.9	-0.9
Payment of lease liabilities	-38.5	-28.4
Dividends received	0.0	0.0
Dividends paid	-158.7	-151.6
Cash flow from financing activities (C)	-399.8	10.7
Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)	-122.0	292.5
Cash and cash equivalents at the beginning of the period	504.2	218.8
Effect of exchange rate fluctuations on cash held	3.7	-7.2
Cash and cash equivalents at the end of the period	385.9	504.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share capital

B = Share premium

C = Treasury shares

D = Translation reserve

E = Fair value and hedging reserves

F = Paid-up unrestricted equity reserve

G = Retained earnings

H = Total equity

Million euros	Equity attributable to equity holders of the parent							
	A	B	C	D	E	F	G	H
Equity, 1 Jan 2020	25.4	181.4	-8.0	-278.8	-1.8	238.2	1,613.3	1,769.7
Result for the period							86.0	86.0
Other comprehensive income, net of tax:								
Cash flow hedges					-1.1			-1.1
Translation differences				-168.7				-168.7
Total comprehensive income for the period				-168.7	-1.1		86.0	-83.8
Dividends paid							-158.1	-158.1
Acquisition of treasury shares			-10.2					-10.2
Share-based payments							3.7	3.7
Other changes								-
Total transactions with owners for the period			-10.2				-154.4	-164.6
Equity, 31 Dec 2020	25.4	181.4	-18.2	-447.5	-2.8	238.2	1,544.9	1,521.3
Equity, 1 Jan 2021	25.4	181.4	-18.2	-447.5	-2.8	238.2	1,544.9	1,521.3
Result for the period							206.2	206.2
Other comprehensive income, net of tax:								
Cash flow hedges					4.4			4.4
Translation differences				54.5				54.5
Total comprehensive income for the period				54.5	4.4		206.2	265.1
Dividends paid							-165.9	-165.9
Acquisition of treasury shares								-
Share-based payments							6.8	6.8
Other changes			0.7				-0.5	0.2
Total transactions with owners for the period			0.7				-159.5	-158.9
Equity, 31 Dec 2021	25.4	181.4	-17.6	-393.0	1.6	238.2	1,591.5	1,627.6

SEGMENT INFORMATION	10-12/21	10-12/20	1-12/21	1-12/20	Change %
Million euros					
Net sales					
Passenger car tyres	342.8	262.0	1,199.2	871.3	30.8
Heavy tyres	65.3	53.2	254.0	194.6	22.8
Vianor	123.1	115.4	342.9	318.1	6.7
Other operations and eliminations	-18.6	-17.2	-81.9	-70.1	-8.6
Total	512.6	413.4	1,714.1	1,313.8	24.0
Operating result					
Passenger car tyres	64.6	59.8	263.4	132.7	8.0
Heavy tyres	2.9	3.0	39.1	21.7	-4.0
Vianor	-11.4	14.0	-15.0	-6.2	-181.6
Other operations and eliminations	-3.1	-5.4	-19.3	-28.2	42.9
Total	53.0	71.4	268.2	120.0	-25.8
Operating result, % of net sales					
Passenger car tyres	18.9	22.8	22.0	15.2	
Heavy tyres	4.4	5.6	15.4	11.1	
Vianor	-9.3	12.1	-4.4	-2.0	
Total	10.3	17.3	15.6	9.1	
NET SALES BY GEOGRAPHICAL AREA	10-12/21	10-12/20	1-12/21	1-12/20	Change %
Million euros					
Nordics	228.3	204.6	684.9	604.2	11.6
Other Europe	129.7	100.6	464.8	354.1	28.9
Russia and Asia	92.9	60.7	335.6	188.7	52.9
Americas	61.7	47.5	228.9	166.8	29.9
Total	512.6	413.4	1,714.1	1,313.8	24.0

The geographical split of net sales has been adjusted to align with the way in which management monitors the business. International car dealer business is now reported under geographical areas (previously under Other). 2020 figures have been restated accordingly.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT	31.12.21	31.12.20
Million euros		
Opening balance	824.9	885.0
Capital expenditure	121.9	151.3
Decrease	-9.9	-13.0
Depreciation and impairment for the period	-97.5	-99.8
Transfers between items	-7.6	-8.0
Other changes	2.4	1.6
Exchange differences	36.7	-92.2
Closing balance	870.9	824.9

CONTINGENT LIABILITIES	31.12.21		31.12.20	
Million euros				
For own debt				
Pledged assets	6.3		5.7	
Other own commitments				
Guarantees	3.1		3.7	
CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES				
	31.12.21		31.12.20	
Million euros	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Fair value through profit or loss				
Derivatives				
held for trading	14.9	14.9	19.6	19.6
Derivatives				
designated as hedges*	3.8	3.8	0.3	0.3
Unquoted securities	2.6	2.6	2.4	2.4
Amortized cost				
Other non-current receivables	4.8	4.3	5.2	4.7
Trade and other receivables	360.7	361.0	321.9	322.3
Money market instruments	50.0	50.0	-	-
Cash in hand and at bank	335.9	335.9	504.2	504.2
Fair value through other comprehensive income				
Unquoted shares	0.2	0.2	0.3	0.3
Total financial assets	772.9	772.8	853.8	853.8
FINANCIAL LIABILITIES				
Fair value through profit or loss				
Derivatives				
held for trading	5.9	5.9	6.1	6.1
Derivatives				
designated as hedges*	1.9	1.9	3.9	3.9
Amortized cost				
Interest-bearing financial liabilities	129.3	131.4	332.3	334.9
Trade and other payables	172.6	172.6	98.1	98.1
Total financial liabilities	309.7	311.8	440.4	442.9

* Fair value changes are recognised according to the hedge accounting standards for hedging relationships.

All items measured at fair value through profit or loss excluding unquoted securities have been classified to Level 2 in the fair value hierarchy and items include Group's derivative financial instruments. To establish the fair value of these instruments the Group uses generally accepted valuation models with inputs based on observable market data. There has been no transfers between the different levels in the fair value hierarchy.

DERIVATIVE FINANCIAL**INSTRUMENTS**

	31.12.21	31.12.20
Million euros		
INTEREST RATE DERIVATIVES		
Interest rate swaps		
Notional amount	100.0	100.0
Fair value	-1.9	-3.6
FOREIGN CURRENCY DERIVATIVES		
Currency forwards		
Notional amount	426.5	391.6
Fair value	-2.2	-2.5
Currency options, purchased		
Notional amount	17.7	12.9
Fair value	0.1	0.2
Currency options, written		
Notional amount	35.3	15.3
Fair value	-0.1	-0.1
Interest rate and currency swaps		
Notional amount	75.0	75.0
Fair value	11.1	15.9
ELECTRICITY DERIVATIVES		
Electricity forwards		
Notional amount	5.2	4.9
Fair value	3.8	0.0

BUSINESS COMBINATIONS

No new business combinations have been executed during the period.

IFRS 16 LEASES

Million euros

Balance sheet effects	31.12.21	31.12.20	
Fixed assets			
Right to use	153.5	152.0	
Total	153.5	152.0	
Equity & Liability			
Non-current liability	118.5	129.3	
Current liability	39.4	25.4	
Total	157.9	154.7	
P&L effects	1-12/21	1-12/20	Change %
Reversed rents	39.6	31.3	26.3
Depreciations	-37.6	-29.5	-27.8
Finance costs	-4.0	-3.0	-32.0
Total	-2.0	-1.1	-79.2