

Nokian Tyres plc Interim Report January–March 2021, May 4, 2021 at 2:00 p.m.

Nokian Tyres plc Interim Report January–March 2021: Strong volume growth in all markets, demand recovering

January–March 2021

- Net sales were EUR 341.8 million (279.8 in January–March 2020) and grew by 22.1%. With comparable currencies, net sales increased by 28.5%.
- Segments operating profit was EUR 50.3 million (16.3), with negative currency impact of approximately EUR 10 million. Operating profit was EUR 44.3 million (9.0).
- Segments earnings per share were EUR 0.29 (0.09). Earnings per share were EUR 0.26 (0.02).
- Cash flow from operating activities was EUR -24.4 million (-38.9).

Guidance for 2021

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.

Jukka Moisio, President and CEO:

“Demand for replacement tires has recovered rapidly since the end of 2020. In the first quarter, we reached an all-time high sales volume. Thanks to a great performance by all our business units and business areas, net sales increased by 28.5% with comparable currencies. Segments operating profit grew substantially driven by higher sales volume.

In Passenger Car Tyres, volume growth was particularly strong in Russia as we gained market share especially in summer tires. On the other hand, a weak Russian ruble together with the higher share of Russian volume had a significant negative impact on the average sales price. Heavy Tyres reached an all-time high quarterly net sales and segment operating profit.

To ensure the availability of our premium products, we have operated the Russian factory at full capacity. In the US, we continue to ramp-up production to reach an output of around one million tires in 2021. In Finland, we are increasing our production capacity for passenger car tires by approximately 30% this year as announced in March. Raw material costs are estimated to increase significantly in the second half of the year compared to 2020.

In 2021, our focus will remain on growth and cash flow. New products and continuous improvements in go-to-market activities will help us build an even stronger foothold in our core markets. We want to benefit from a good momentum in the market while still acting prudently to keep our company strong and competitive for years to come.”

Key figures

EUR million	1–3/2021	1–3/2020	Change	CC*	2020
Net sales	341.8	279.8	22.1%	28.5%	1,313.8
Operating profit	44.3	9.0			120.0
Operating profit %	13.0%	3.2%			9.1%
Profit before tax	43.7	5.8			106.0
Profit for the period	35.5	2.4			86.0
EPS, EUR	0.26	0.02			0.62
Segments operating profit	50.3	16.3			190.2
Segments operating profit %	14.7%	5.8%			14.5%
Segments EPS, EUR	0.29	0.09			1.04
Segments ROCE, %**	10.6%	14.4%			9.3%
Equity ratio, %	66.8%	69.4%			65.3%
Cash flow from operating activities	-24.4	-38.9			422.4
Gearing, %	1.9%	7.3%			-1.1%
Interest-bearing net debt	30.9	120.9			-17.2
Capital expenditure	17.1	50.9			149.9

* Comparable currencies

** Rolling 12 months

FINANCIAL RESULTS IN JANUARY–MARCH 2021

Net sales in January–March 2021 increased by 22.1% and amounted to EUR 341.8 million (January–March 2020: 279.8). With comparable currencies, net sales increased by 28.5%. Currency exchange rates affected net sales negatively by EUR 17.9 million.

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.

Net sales by geographical area

EUR million	1–3/2021	1–3/2020	Change	CC* Change	2020
Nordics	133.3	122.8	8.5%	6.2%	592.2
Other Europe	83.5	62.6	33.4%	36.4%	330.9
Russia and Asia	79.2	56.5	40.2%	69.0%	188.7
Americas	45.7	37.9	20.8%	27.5%	166.7
Total	341.8	279.8	22.1%	28.5%	1,313.8

* Comparable currencies

Net sales by business unit

EUR million	1–3/2021	1–3/2020	Change	CC* Change	2020
Passenger Car Tyres	245.9	190.5	29.1%	38.5%	871.3
Heavy Tyres	57.1	51.2	11.6%	13.0%	194.6
Vianor	58.1	54.4	6.8%	4.2%	318.1
Other operations and eliminations	-19.3	-16.3	-18.7%		-70.1
Total	341.8	279.8	22.1%	28.5%	1,313.8

* Comparable currencies

Raw material unit costs (EUR/kg) in manufacturing decreased by 7.2% year-over-year, positively impacted by currencies, and increased by 7.4% from the fourth quarter of 2020.

Segments operating profit amounted to EUR 50.3 million (16.3) with negative currency impact of approximately EUR 10 million.

Operating profit was EUR 44.3 million (9.0). The non-IFRS exclusions were EUR -6.1 million (-7.3), including EUR -6.5 million (-7.3) related to the US factory ramp-up.

Segments operating profit by business unit

EUR million	1–3/2021	1–3/2020	2020
Passenger Car Tyres	52.8	25.8	177.8
Heavy Tyres	12.6	8.2	23.7
Vianor	-9.8	-12.4	4.0
Other operations and eliminations	-5.2	-5.4	-15.3
Segments operating profit total	50.3	16.3	190.2
Non-IFRS exclusions	-6.1	-7.3	-70.2

Financial items and taxes

Net financial expenses were EUR 0.6 million (3.3), including net interest expenses of EUR 2.0 million (1.4). Net financial expenses include an income of EUR 1.4 million (expense 1.9) due to exchange rate differences. Segments profit before tax was EUR 49.7 million (13.1). Profit before tax was EUR 43.7 million (5.8) and taxes were EUR -8.4 million (-3.4). Segments profit for the period amounted to EUR 40.3 million (9.7). Profit for the period amounted to EUR 35.5 million (2.4). Segments earnings per share were EUR 0.29 (0.09), and earnings per share were EUR 0.26 (0.02).

Cash flow

In January–March 2021, cash flow from operating activities was EUR -24.4 million (-38.9). Working capital increased by EUR 87.3 million (increased by 62.3). Inventories increased by EUR 32.0 million (increased by 41.0) and receivables increased by EUR 78.8 million (increased by 14.9). Payables increased by EUR 23.4 million (decreased by 6.3).

Investments

Investments in January–March 2021 amounted to EUR 17.1 million (50.9). Depreciations and amortizations totaled EUR 32.6 million (34.1).

Financial position on March 31, 2021

EUR million	March 31, 2021	March 31, 2020	Dec 31, 2020
Cash and cash equivalents	410.4	328.6	504.2
Interest-bearing liabilities	441.3	449.5	487.0
of which current interest-bearing liabilities	198.9	243.9	229.7
Interest-bearing net debt	30.9	120.9	-17.2
Unused credit limits*	548.2	502.1	507.1
of which committed	205.5	280.3	205.5
Gearing ratio, %	1.9%	7.3%	-1.1%
Equity ratio, %	66.8%	69.4%	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.

Personnel

	1–3/2021	1–3/2020	2020
Group employees			
on average	4,727	4,941	4,859
at the end of the review period	4,982	5,157	4,603
in Finland, at the end of the review period	1,916	2,026	1,721
in Russia, at the end of the review period	1,550	1,584	1,528
in North America, at the end of the review period	268	272	229
Vianor (own) employees, at the end of the review period*	1,724	1,854	1,411

* Included in Group employee figures

BUSINESS UNIT REVIEWS

Passenger Car Tyres

EUR million	1–3/2021	1–3/2020	Change	CC* Change	2020
Net sales	245.9	190.5	29.1%	38.5%	871.3
Segment operating profit	52.8	25.8			177.8
Segment operating profit, %	21.5%	13.5%			20.4%

* Comparable currencies

In January–March 2021, net sales of Passenger Car Tyres totaled EUR 245.9 million (190.5). With comparable currencies, net sales increased by 38.5%. Net sales increased in all main markets. Average Sales Price with comparable currencies decreased due to increased share of Russian volume as well as strong summer and all-season tire sales. The share of sales volume of winter tires was 35% (50%), the share of summer tires was 47% (35%), and the share of all-season tires was 18% (15%).

Segment operating profit was EUR 52.8 million (25.8) driven by increased sales volume.

Production output (pcs) increased by 26% year-over-year. In January–March 2021, 82% (85%) of passenger car tires (pcs) were manufactured in Russia. In the US and Finnish factories, recruiting of additional production work force is ongoing.

In January 2021, Nokian Tyres launched a new flagship range of studded winter tires, the Nokian Hakkapeliitta 10 for passenger cars, SUVs, hybrids and electric cars. At the same time, the company launched new studded Nokian Nordman 8 and Nokian Nordman 8 SUV winter tires.

Heavy Tyres

EUR million	1–3/2021	1–3/2020	Change	CC* Change	2020
Net sales	57.1	51.2	11.6%	13.0%	194.6
Segment operating profit	12.6	8.2			23.7
Segment operating profit, %	22.0%	16.1%			12.2%

* Comparable currencies

In January–March 2021, net sales of Heavy Tyres totaled EUR 57.1 million (51.2). With comparable currencies, net sales grew by 13.0% driven by new product launches and customers' strong production levels. Demand was particularly strong for agricultural, mining and truck tires.

Segment operating profit was EUR 12.6 million (8.2). The increase was due to higher sales volume and improved productivity supported by investments in capacity and production automation.

Vianor, own operations

EUR million	1-3/2021	1-3/2020	Change	CC* Change	2020
Net sales	58.1	54.4	6.8%	4.2%	318.1
Segment operating profit	-9.8	-12.4			4.0
Segment operating profit, %	-16.9%	-22.8%			1.3%
Number of own service centers at period end	173	186			174

* Comparable currencies

In January–March 2021, net sales of Vianor totaled EUR 58.1 million (54.4). With comparable currencies, net sales increased by 4.2% driven by recovering demand in all operating countries. Excluding Vianor US, which was divested in August 2020, net sales with comparable currencies grew by 7.7%.

Segment operating profit was EUR -9.8 million (-12.4). The improvement was mainly due to strict cost control. The first quarter is seasonally low in Vianor, therefore negative in profitability. The summer tire season starts in the second quarter.

At the end of the review period, Vianor had 173 (186) own service centers in Finland, Sweden and Norway.

Segments Total to Nokian Tyres Total reconciliation

1–3/2021	Net sales	Cost of sales	SGA	Other operating income/expenses	Operating profit	Financial income/expenses	Taxes	Profit for the period
Segments Total	341.8	-233.2	-58.1	-0.2	50.3	-0.6	-9.5	40.3
US factory ramp-up		-5.9	-0.6		-6.5		1.4	-5.1
Non-operative items and others			-0.3	0.7	0.4		-0.1	0.3
Total non-IFRS exclusion		-5.9	-0.9	0.7	-6.1		1.3	-4.8
Nokian Tyres Total	341.8	-239.1	-59.0	0.5	44.3	-0.6	-8.2	35.5

* 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.

SHARES AND SHAREHOLDERS

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

Number of shares (million units)*	31.3.21	31.3.20
at the end of period	138.22	138.72
in average	138.22	138.72
in average, diluted	138.22	138.72

* 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 January–March 2021.

Own shares

No share repurchases were made during the review period, and the company did not possess any own shares on March 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 March 31, 2021, the number of these shares was 697,400, reported as treasury shares (March 31, 2020: 197,711). This number of shares corresponded to 0.50% (0.14%) of the total shares and voting rights in the company.

Trading in shares

A total of 35,236,690 (89,279,499) Nokian Tyres' shares were traded in Nasdaq Helsinki in January–March 2021, representing 25% (64%) of the company's overall share capital. The average

daily volume in January–March 2021 was 568,334 shares (1,417,135). Nokian Tyres' shares are also traded on alternative exchanges.

Nokian Tyres' share price was EUR 30.88 (22.07) at the end of March 2021. The volume weighted average share price in January–March 2021 was EUR 30.31 (22.57), the highest was EUR 32.85 (27.67) and the lowest was EUR 27.98 (16.47). The company's market capitalization at the end of March 2021 was EUR 4.3 billion (3.1 billion).

At the end of March 2021, the company had 57,363 (63,950) registered shareholders. The percentage of Finnish shareholders was 43.5% (40.3%), and 56.5% (59.7%) were non-Finnish holders and foreign shareholders registered in the nominee register. Public sector entities owned 14.8% (11.6%), financial and insurance corporations 7.3% (4.8%), households 14.2% (16.7%), non-profit institutions 3.5% (3.9%), and private companies 3.7% (3.3%).

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%

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

Managers' transactions

Nokian Tyres announced managers' transactions on February 11. Read more at www.nokiantyres.com/company/publications/releases/2020/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 shall be paid in December 2021 to shareholders who are registered

in the company's shareholders' register maintained by Euroclear Finland Oy on the dividend record date, which, together with the payment date, will be decided by the Board of Directors in its meeting scheduled for November 2, 2021. The dividend record date for the second instalment would be November 4, 2021 and the dividend payment date December 9, 2021 at the latest. The company will announce the decision by the Board of Directors on the record date and payment date of the second instalment separately.

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.

CORPORATE SUSTAINABILITY

Nokian Tyres published its Corporate Sustainability Report 2020 in March 2021. The report is available in Finnish and English on the company's website at www.nokiantyres.com/company/sustainability/.

In January 2021, Nokian Tyres announced that its Finnish factory has earned ISO 45001 certification for occupational health & safety. The certification has also been 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 2021, the solar-powered administration building at Nokian Tyres' North American production facility earned LEED v4 Gold certification. The accomplishment, coupled with LEED v4 Silver certification of the attached production facility, makes the company's Dayton, Tennessee complex one of the most eco-friendly in the tire industry.

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) commences 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 commences 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 has detailed the overall business risks and risk management in the 2020 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. The violation of 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 60% of the Group's sales are generated outside of the euro-zone.
- 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 COVID-19 pandemic represents a short-term risk to Nokian Tyres' business and operating environment, which has rapidly changed. 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 is expected to 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 social responsibility risks, the most significant of which are related to the company's brand image and product quality. 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 is obliged to pay a total of EUR 1.9 million additional taxes and penalties. Nokian Tyres considers the view of tax authority unfounded and will appeal against it.

MATTERS AFTER THE REVIEW PERIOD

Changes in ownership

Transaction date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %
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%

ASSUMPTIONS FOR 2021

Market situation	The Nordic countries	Russia	Europe (excl. the Nordic countries)	North America
New car sales in 1–3/2021 y-o-y	21%	-3%	0%	12%
Car tire sell-in in 1–3/2021 y-o-y	-2%	23%	12%	14%
Car tire demand E2021 (management estimate)	increase	increase	increase	increase
Heavy tire segments* E2021 (management estimate)	increase	increase	increase	increase

* Nokian Tyres' core product segments

Nokian Tyres net sales growth in 2021 will be driven by an extensive pipeline of new product launches, together with continuous improvements in go-to-market activities.

The investments comprising the new US factory, the test center in Spain and the Heavy Tyres capacity expansion in Finland are starting to be completed. Capital expenditure is expected to be below 2020 level. Working capital is anticipated to increase as net sales is expected to grow.

In 2021, the demand for replacement car tires is expected to increase, driven by stronger demand and increasing new car sales. However, the COVID-19 pandemic continues to cause uncertainties for the development.

In Russia, the sales of new cars are expected to increase by 5–10% compared to 2020, as a result of gradual economic recovery, deferred demand and low comparison base. The total replacement tire market sell-in in Russia in 2021 is expected to increase by 10–15% compared to 2020, driven by stronger demand and low carry-over stocks.

The unpredictability in the development of the Russian ruble exchange rate causes additional uncertainty in 2021. The ruble has weakened in recent years and the average EUR/RUB was 72.5 in 2019, 82.7 in 2020, 90.6 in January 2021, and 89.7 in January–March 2021. Raw material unit costs are estimated to increase significantly in H2 2021 compared to the previous year.

The demand for Nokian Heavy Tyres' core products is estimated to increase in 2021. Aftermarket demand is expected to continue healthy and OEM demand is expected to recover from 2020 level. Nokian Heavy Tyres' production capacity continues to increase, which will improve delivery capability for all key markets.

GUIDANCE FOR 2021

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.

Helsinki, May 4, 2021

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.

Interim condensed consolidated financial statements

This Interim Report has been prepared in accordance with IFRS compliant recognition and measurement principles and the same accounting policies as in the most recent annual financial statements, but it has not been prepared in compliance with all requirements set out in IAS 34 'Interim Financial Reporting'.

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 interim 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. Based on the analysis, the Group has not identified any further need for goodwill impairment in addition to the ones that were announced in June 2020.

The Group continuously reviews and updates its expected credit loss model for trade receivables to take into account the macro-economic developments. This update did not result in a significant increase of credit loss allowances for trade receivables at the end of March 2021, however the credit risk may increase if the current trading conditions deteriorate.

The interim report figures are unaudited.

NOKIAN TYRES CONDENSED

CONSOLIDATED INCOME STATEMENT

	1-3/21	1-3/20	1-12/20	Change %
Million euros				
Net sales	341.8	279.8	1,313.8	22.1
Cost of sales	-239.1	-203.4	-913.4	-17.6
Gross profit	102.7	76.4	400.4	34.3
Other operating income	1.2	0.3	4.8	314.0
Sales, marketing and R&D expenses	-42.7	-43.1	-177.6	1.0
Administration	-16.3	-20.5	-84.8	20.5
Other operating expenses	-0.7	-4.1	-22.8	83.0
Operating profit	44.3	9.0	120.0	389.2
Net financial items	-0.6	-3.3	-14.0	82.5
Result before tax	43.7	5.8	106.0	656.2
Tax expense	-8.2	-3.4	-20.0	-143.0
Result for the period	35.5	2.4	86.0	1,371.5
Attributable to:				
Equity holders of the parent	35.5	2.4	86.0	
Earnings per share from the result attributable to the equity holders of the parent:				
basic, euros	0.26	0.02	0.62	1,376.8
diluted, euros	0.26	0.02	0.62	1,376.8

CONSOLIDATED OTHER COMPREHENSIVE INCOME	1-3/21	1-3/20	1-12/20
Million euros			
Profit for the period	35.5	2.4	86.0
Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax:			
Cash flow hedges	0.4	-1.6	-1.1
Translation differences on foreign operations	34.0	-112.7	-168.7
Total other comprehensive income for the period, net of tax	34.4	-114.3	-169.7
Total comprehensive income for the period	69.9	-111.9	-83.8
Total comprehensive income attributable to:			
Equity holders of the parent	69.9	-111.9	-83.8

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

	31.3.21	31.3.20	31.12.20
Million euros			
Non-current assets			
Property, plant and equipment	837.2	860.5	824.9
Right of use assets	146.7	108.1	152.0
Goodwill	79.5	81.7	79.2
Other intangible assets	22.5	33.6	23.6
Investments in associates	0.1	0.1	0.1
Non-current financial investments	2.7	0.7	2.7
Other receivables	6.2	6.1	5.7
Deferred tax assets	23.8	20.1	21.6
Total non-current assets	1,118.7	1,110.9	1,110.0
Current assets			
Inventories	368.2	393.2	329.4
Trade receivables	409.0	461.4	321.5
Other receivables	77.7	95.1	71.6
Cash and cash equivalents	410.4	328.6	504.2
Total current assets	1,265.3	1,278.3	1,226.7
Total assets	2,384.0	2,389.2	2,336.7
Equity			
Share capital	25.4	25.4	25.4
Share premium	181.4	181.4	181.4
Treasury shares	-18.2	-8.0	-18.2
Translation reserve	-413.4	-391.5	-447.5
Fair value and hedging reserves	-2.5	-3.4	-2.8
Paid-up unrestricted equity reserve	238.2	238.2	238.2
Retained earnings	1,581.1	1,616.1	1,544.9
Non-controlling interest	-	-	-
Total equity	1,592.0	1,658.3	1,521.3
Non-current liabilities			
Deferred tax liabilities	34.3	29.2	32.6
Interest-bearing liabilities	242.5	213.1	257.3
Other liabilities	0.9	1.6	0.9
Total non-current liabilities	277.6	243.9	290.8
Current liabilities			
Trade payables	132.4	90.6	98.1
Other current payables	176.8	155.3	189.7
Provisions	6.3	4.6	7.1
Interest-bearing liabilities	198.9	236.4	229.7
Total current liabilities	514.4	486.9	524.5
Total equity and liabilities	2,384.0	2,389.2	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 114.2 million of non-current and EUR 35.2 million of current lease liabilities.

CONSOLIDATED STATEMENT OF CASH FLOWS	1-3/21	1-3/20	1-12/20
Million euros			
Result for the period	35.5	2.4	86.0
Adjustments for			
Depreciation, amortisation and impairment	32.6	34.1	156.0
Financial income and expenses	0.6	3.3	14.0
Gains and losses on sale of intangible assets, other changes	-0.6	3.9	4.9
Income taxes	8.2	3.4	20.0
Cash flow before changes in working capital	76.2	47.1	280.8
Changes in working capital			
Current receivables, non-interest-bearing, increase (-) / decrease (+)	-78.8	-14.9	121.9
Inventories, increase (-) / decrease (+)	-32.0	-41.0	25.2
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	23.4	-6.3	22.8
Changes in working capital	-87.3	-62.3	169.9
Financial items and taxes			
Interest and other financial items, received	0.3	0.4	1.5
Interest and other financial items, paid	-1.3	-15.8	-7.8
Income taxes paid	-12.2	-8.4	-22.0
Financial items and taxes	-13.3	-23.7	-28.3
Cash flow from operating activities (A)	-24.4	-38.9	422.4
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	-17.1	-50.9	-149.9
Proceeds from sale of property, plant and equipment and intangible assets	1.2	0.2	8.7
Acquisitions of Group companies	-	-	-
Acquisitions of other investments	0.0	-	0.0
Other cash flow from investing activities	0.0	6.5	-
Cash flows from investing activities (B)	-15.9	-44.2	-140.6
Cash flow from financing activities:			
Proceeds from issue of share capital	-	-	-
Purchase of treasury shares	-	-	-10.2
Change in current financial receivables, increase (-) / decrease (+)	0.0	6.9	0.5
Change in non-current financial receivables, increase (-) / decrease (+)	-0.2	0.1	-2.2
Change in current financial borrowings, increase (+) / decrease (-)	-40.7	208.9	203.4
Change in non-current financial borrowings, increase (+) / decrease (-)	-0.4	-0.4	-0.9
Payment of lease liabilities	-7.1	-5.2	-28.4
Dividends received	-	0.0	0.0
Dividends paid	-6.5	-0.1	-151.6
Change in other financial instruments	-	-13.8	-
Cash flow from financing activities (C)	-54.8	196.4	10.7
Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)	-95.0	113.4	292.5
Cash and cash equivalents at the beginning of the period	504.2	218.8	218.8
Effect of exchange rate fluctuations on cash held	1.3	-3.6	-7.2
Cash and cash equivalents at the end of the period	410.4	328.6	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 = Non-controlling interest

I = Total equity

Equity attributable to equity holders of
the parent

Million euros	A	B	C	D	E	F	G	H	I
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
Net investment hedge									-
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
Exercised warrants									-
Acquisition of treasury shares			-10.2						-10.2
Share-based payments							3.7		3.7
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							35.5		35.5
Other comprehensive income, net of tax:									
Cash flow hedges					0.4				0.4
Net investment hedge									-
Translation differences				34.0					34.0
Total comprehensive income for the period				34.0	0.4		35.5		69.9
Dividends paid							0.0		0.0
Exercised warrants									-
Acquisition of treasury shares									0.0
Share-based payments							0.7		0.7
Total transactions with owners for the period							0.7		0.7
Equity, 31 Mar 2021	25.4	181.4	-18.2	-413.4	-2.5	238.2	1,581.1	-	1,592.0

SEGMENT INFORMATION	1-3/21	1-3/20	1-12/20	Change %
Million euros				
Net sales				
Passenger car tyres	245.9	190.5	871.3	29.1
Heavy tyres	57.1	51.2	194.6	11.6
Vianor	58.1	54.4	318.1	6.8
Other operations and eliminations	-19.3	-16.3	-70.1	-18.7
Total	341.8	279.8	1,313.8	22.1
Operating result				
Passenger car tyres	46.0	18.6	132.7	147.8
Heavy tyres	12.6	8.2	21.7	52.5
Vianor	-9.1	-12.4	-6.2	26.7
Other operations and eliminations	-5.2	-5.4	-28.2	2.7
Total	44.3	9.0	120.0	389.2
Operating result, % of net sales				
Passenger car tyres	18.7	9.7	15.2	
Heavy tyres	22.0	16.1	11.1	
Vianor	-15.6	-22.8	-2.0	
Total	13.0	3.2	9.1	

NET SALES BY GEOGRAPHICAL AREA	1-3/21	1-3/20	1-12/20	Change %
Million euros				
Nordics	133.3	122.8	604.2	8.5
Other Europe	83.5	62.6	354.1	33.4
Russia and Asia	79.2	56.5	188.7	40.2
Americas	45.7	37.9	166.8	20.8
Total	341.8	279.8	1,313.8	22.1

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.

CONTINGENT LIABILITIES	31.3.21	31.3.20	31.12.20
Million euros			
For own debt			
Mortgages	-	0.9	-
Enterprise mortgages	3.5	3.5	3.5
Pledged assets	2.2	2.1	2.2
Other own commitments			
Guarantees	3.0	26.6	3.7

DERIVATIVE FINANCIAL INSTRUMENTS	31.3.21	31.3.20	31.12.20
Million euros			
INTEREST RATE DERIVATIVES			
Interest rate swaps			
Notional amount	100.0	100.0	100.0
Fair value	-3.2	-3.5	-3.6
FOREIGN CURRENCY DERIVATIVES			
Currency forwards			
Notional amount	401.6	349.2	391.6
Fair value	1.4	-0.4	-2.5
Currency options, purchased			
Notional amount	11.8	-	12.9
Fair value	0.0	-	0.2
Currency options, written			
Notional amount	21.0	-	15.3
Fair value	-0.3	-	-0.1
Interest rate and currency swaps			
Notional amount	75.0	75.0	75.0
Fair value	13.9	12.2	15.9
ELECTRICITY DERIVATIVES			
Electricity forwards			
Notional amount	4.4	4.1	4.9
Fair value	0.1	-1.4	0.0

IFRS 16 LEASES

Million euros

Balance sheet effects	31.3.21	31.3.20	31.12.20	
Fixed assets				
Right to use	146.7	108.1	152.0	
Total	146.7	108.1	152.0	
Equity & Liability				
Non-current liability	114.2	83.4	129.3	
Current liability	35.2	26.6	25.4	
Total	149.4	110.0	154.7	
P&L effects	1-3/21	1-3/20	1-12/20	Change %
Reversed rents	7.1	8.1	31.3	-12.9
Depreciations	-7.9	-7.6	-29.5	-3.8
Finance costs	-0.8	-0.8	-3.0	2.9
Total	-1.6	-0.3	-1.1	-494.0

Reconciliation of 2020 net sales by geographical area

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.

Q1/2020	Figures published in 2020	Restated figures
Nordics	119.1	122.8
Other Europe	60.8	62.6
Russia and Asia	56.5	56.5
Americas	37.9	37.9
Other	5.5	
Total	279.8	279.8

Q2/2020	Figures published in 2020	Restated figures
Nordics	131.3	133.3
Other Europe	64.6	70.5
Russia and Asia	39.8	39.8
Americas	27.1	27.1
Other	7.9	
Total	270.7	270.7

Q3/2020	Figures published in 2020	Restated figures
Nordics	139.1	143.5
Other Europe	111.7	120.4
Russia and Asia	31.6	31.6
Americas	54.3	54.3
Other	13.1	
Total	349.9	349.9

Q4/2020	Figures published in 2020	Restated figures
Nordics	202.7	204.6
Other Europe	93.7	100.6
Russia and Asia	60.7	60.7
Americas	47.4	47.5
Other	8.9	
Total	413.4	413.4