

Nokian Tyres plc Financial Statement Release 2019, February 4, 2020, 2:00 p.m.

**Nokian Tyres plc Financial Statement Release 2019:
Soft market in Passenger Car Tyres in Europe, good development in Heavy Tyres and Vianor**

October–December 2019

- Net sales were EUR 475.8 million (473.6 in 10–12/2018). With comparable currencies, net sales decreased by 0.4%.
- Operating profit was EUR 101.0 million (117.2), with no significant currency impact.
- Profit for the period was EUR 81.1 million (96.0).
- Earnings per share were EUR 0.58 (0.70).
- Cash flow from operating activities was EUR 398.2 million (460.0).

January–December 2019

- Net sales were EUR 1,595.8 million (1,595.6 in 2018). With comparable currencies, net sales decreased by 0.3%.
- Operating profit was EUR 316.5 million (372.4), negatively impacted by the US factory ramp-up costs of approximately EUR 20 million as well as currencies by approximately EUR 7 million.
- Profit for the period was EUR 399.9 million (295.2), positively impacted by EUR 149.6 million related to the rulings on the tax disputes concerning the years 2007–2011.
- Earnings per share were EUR 2.89 (2.15), positively impacted by EUR 1.08 related to the rulings on the tax disputes.
- Cash flow from operating activities was EUR 219.8 million (536.9; positively impacted by EUR 148 million due to the rulings on the tax disputes).
- The Board of Directors proposes a dividend of EUR 1.58 (1.58) per share.

Guidance for 2020

In 2020, net sales with comparable currencies are expected to decline and operating profit to be significantly below the level of 2019. In line with Nokian Tyres' updated 2018 strategy, the company is targeting further growth in Russia, Central Europe, and North America. In 2020 however, net sales and operating profit in Russia are expected to decline substantially due to the changed market dynamics. Operating profit in 2020 will include costs related to the North American expansion and other investment programs to support long-term growth, as communicated in 2018.

Hille Korhonen, President and CEO:

“In 2019, the car and tire markets continued to be soft in Europe, which resulted in tightening competition. Winter tire demand in October-December was negatively impacted by the warm winter in Nokian Tyres' key markets. During the year, the Russian market declined against expectations, driven by low new car sales and consumer spending.

Our net sales were on the previous year's level and operating profit decreased due to the weaker markets and increased expansion costs of approximately EUR 20 million in Passenger Car Tyres in the US. Heavy Tyres and Vianor continued to perform well.

During the year, we continued with our important strategic projects to support Nokian Tyres' long-term growth: we successfully started ramping up our new US factory, continued the construction of our new testing center in Spain, and proceeded with the Heavy Tyres capacity increase with great results. These growth projects lay an important basis for our future.

In line with our strategy, we are targeting growth in Russia, Central Europe and North America. In 2020 however, net sales and operating profit in Russia are expected to decline substantially, which will have a negative impact on Passenger Car Tyres in 2020 especially during the first and second quarters of the year. Carry-over stocks in the distribution in Russia are on a high level, and in 2020, our focus in Russia

is on increasing our sell-out and decreasing distributors' stock levels. In addition, our B segment winter products in Russia will be repositioned in order to make them more competitive. In 2020, growth in Central Europe and North America will be supported by several new product launches and related go-to-market activities. We have actions in place to grow with existing and new customers both in the summer and all-season segments in addition to our core business in winter products.

In the short term, we are facing headwind in Russia. Nevertheless, in line with our strategy, we continue to build a more balanced portfolio across the Nordics, Russia, Central Europe and North America, which will lead to a sustainable, positive impact on our long-term performance.”

Key figures, EUR million

	10-12 /19	10-12 /18	Change %	CC* Change %	2019	2018	Change %	CC* Change %
Net sales	475.8	473.6	0.5%	-0.4%	1,595.8	1,595.6	0.0%	-0.3%
Operating profit	101.0	117.2			316.5	372.4		
Operating profit %	21.2%	24.7%			19.8%	23.3%		
Profit before tax	95.1	113.5			336.7	361.7		
Profit for the period	81.1	96.0			399.9	295.2		
Earnings per share, EUR**	0.58	0.70			2.89	2.15		
ROCE, %					17.6%	23.3%		
Equity ratio, %					75.9%	71.0%		
Cash flow from operating activities	398.2	460.0			219.8	536.9		
Gearing, %					2.3%	-21.2%		
Interest-bearing net debt					41.1	-315.2		
Capital expenditure	63.5	112.3			299.6	226.5		

* Comparable currencies

** EPS 2019 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 1.81

IFRS 16 Leases

The new IFRS 16 standard became effective on 1 January 2019 onwards and replaced the previous standard IAS 17. Nokian Tyres chose to use the exemption provided by the standard not to account lease liability for leases, which have a lease term of 12 months or less and not to account lease liability for leases in which the underlying asset is not material to Nokian Tyres. The majority of leases recognized as Right-of-use assets under IFRS 16 are comprised of Vianor chain real estate and warehouses.

The IFRS 16 standard had a minor impact on the 2019 income statement (EBIT impact EUR 1.1 million, net income impact EUR -2.7 million). Interest-bearing net debt on December 31, 2019 increased by EUR 124.8 million and assets by EUR 122.9 million due to the recognition of right-of-use assets.

Market situation

	The Nordic countries	Russia	Europe (incl. the Nordic countries)	North America
New car sales in 2019 y-o-y	-2%	-2%	+1%	-2%
Car tire sell-in in 2019 y-o-y	-3%	-3%	-1%	+2%
Car tire demand E2020 (management estimate)	at previous year's level	decrease slightly	at previous year's level	at previous year's level
Heavy tire segments* E2020 (management estimate)	at previous year's level	at previous year's level	at previous year's level	at previous year's level

* Nokian Tyres' core product segments

FINANCIAL RESULTS IN OCTOBER–DECEMBER 2019

Net sales in October–December 2019 increased by 0.5% and amounted to EUR 475.8 million (October–December 2018: 473.6). With comparable currencies, net sales decreased by 0.4%. Currency exchange rates affected net sales positively by EUR 4.0 million.

Net sales by geographical area

	M€ 10–12/19	M€ 10–12/18	Change %	CC* Change %	% of total net sales in 10–12/19	% of total net sales in 10–12/18
Nordic countries	210.2	205.0	2.5%	5.4%	43.2%	43.3%
Russia	72.6	85.0	-14.6%	-21.1%	15.3%	18.0%
Other Europe	119.0	117.1	1.7%	1.1%	24.5%	24.7%
North America	65.2	58.5	11.4%	7.9%	13.4%	12.4%
Other countries	8.8	8.0	10.2%	9.3%	1.8%	1.7%
Total	475.8	473.6	0.5%	-0.4%	100.0%	100.0%

* Comparable currencies

Net sales by business unit

	M€ 10–12/19	M€ 10–12/18	Change %	CC* Change %	% of total net sales in 10–12/19	% of total net sales in 10–12/18
Passenger Car Tyres	318.3	316.8	0.5%	-1.7%	66.9%	66.9%
Heavy Tyres	54.5	53.0	2.8%	3.0%	11.5%	11.2%
Vianor	120.0	122.3	-1.9%	0.9%	25.2%	25.8%
Other operations and eliminations	-17.0	-18.6	8.3%			
Total	475.8	473.6	0.5%	-0.4%		

* Comparable currencies

Raw material unit costs (EUR/kg) in manufacturing increased by 1.8% year-over-year, positively impacted by currencies, and decreased by 0.1% from the third quarter of 2019.

Operating profit amounted to EUR 101.0 million (117.2).

Operating profit by business unit

	M€ 10–12/19	M€ 10–12/18
Passenger Car Tyres	76.4	96.5
Heavy Tyres	10.1	9.6
Vianor	14.1*	11.7
Other operations and eliminations	0.3	-0.6
Total	101.0	117.2

* Including EUR 2.0 million profit from sale of real estate

Net financial expenses were EUR 5.9 million (3.7), including net interest expenses of EUR 1.5 million (0.9). Net financial expenses include an expense of EUR 4.5 million (2.8) due to exchange rate differences. Profit before tax was EUR 95.1 million (113.5) and taxes were EUR 14.0 million (-17.5). Profit for the period amounted to EUR 81.1 million (96.0), and earnings per share were EUR 0.58 (0.70).

Cash flow

In October–December 2019, cash flow from operating activities was EUR 398.2 million (460.0). Working capital decreased by EUR 352.2 million (334.8). Inventories decreased by EUR 66.4 million (14.9) and receivables increased by EUR 320.3 million (decreased by 304.7). Payables decreased by EUR 34.5 million (increased by 15.3).

FINANCIAL RESULTS IN 2019

In 2019, the car and tire markets continued to be soft in Europe, which resulted in tightening competition. During the year, the Russian market declined against expectations, driven by low new car sales and consumer spending.

Despite the challenging markets, Nokian Tyres continued with the strategic projects to support the company's long-term growth: ramping up the new US factory, continuing the construction of the new testing center in Spain, and proceeding with the Heavy Tyres capacity increase.

In 2019, Nokian Tyres received recognition for its sustainability achievements when the company was again selected in the DJSI World index and also in the more strictly defined DJSI Europe index. The occupational safety development was very strong, especially in the Heavy Tyres business, which reached one year with no occupational accidents leading to absence.

Net sales and operating profit in 2019

Net sales in 2019 were on the previous year's level and amounted to EUR 1,595.8 million (2018: 1,595.6; 2017: 1,572.5). With comparable currencies, net sales decreased by 0.3%, reflecting soft demand for passenger car tires especially in Central Europe and Russia. Currency exchange rates affected net sales positively by EUR 4.9 million.

Net sales by geographical area

	M€ 2019	M€ 2018	Change %	CC* Change %	% of total net sales in 2019	% of total net sales in 2018
Nordic countries	645.0	629.3	2.5%	4.5%	40.4%	39.4%
Russia	303.0	305.5	-0.8%	-2.8%	19.0%	19.1%
Other Europe	414.6	436.9	-5.1%	-5.9%	26.0%	27.4%
North America	205.4	194.5	5.6%	1.5%	12.9%	12.2%
Other countries	27.9	29.5	-5.4%	-3.4%	1.7%	1.8%
Total	1,595.8	1,595.6	0.0%	-0.3%	100.0%	100.0%

* Comparable currencies

Net sales by business unit

	M€ 2019	M€ 2018	Change %	CC* Change %	% of total net sales in 2019	% of total net sales in 2018
Passenger Car Tyres	1,134.2	1,150.8	-1.4%	-2.2%	71.1%	72.1%
Heavy Tyres	202.7	187.7	8.0%	8.0%	12.7%	11.8%
Vianor	336.5	337.2	-0.2%	1.5%	21.1%	21.1%
Other operations and eliminations	-77.6	-80.1	3.1%			
Total	1,595.8	1,595.6	0.0%	-0.3%		

* Comparable currencies

Raw material unit costs (EUR/kg) in manufacturing increased by 5.4% year-over-year, negatively impacted by currencies.

Operating profit amounted to EUR 316.5 million (2018: 372.4; 2017: 365.4), negatively impacted by the US factory ramp-up costs of approximately EUR 20 million as well as currencies by approximately EUR 7 million. Operating profit percentage was 19.8% (2018: 23.3%; 2017: 23.2%).

Operating profit by business unit

	M€ 2019	M€ 2018
Passenger Car Tyres	287.7	356.5
Heavy Tyres	35.7	28.6
Vianor	7.7*	1.6
Other operations and eliminations	-14.7	-14.3
Total	316.5	372.4

* Including EUR 2.0 million profit from sale of real estate

Net financial income was EUR 20.3 million (net financial expenses 10.7), including net interest income of EUR 29.4 million (net interest expenses 3.0). Net financial income includes a return of EUR 35.9 million related to the rulings on the tax disputes. Net financial income includes an expense of EUR 9.1 million (expenses 7.7) due to exchange rate differences. Profit before tax was EUR 336.7 million (361.7) and taxes were EUR 63.1 million (-66.5). Profit for the period amounted to EUR 399.9 million (295.2), which was positively impacted by EUR 149.6 million related to the final rulings on the tax disputes. Earnings per share were EUR 2.89 (2.15), positively impacted by EUR 1.08 related to the tax disputes.

Return on equity was 24.6% (2018: 20.0%; 2017: 15.1%), positively impacted by the tax disputes.

Guidance given for 2019

In Nokian Tyres' financial statement release for 2018 published in February 2019, the company published the following outlook for the year:

In 2019, net sales with comparable currencies are expected to grow and operating profit to be approximately at the level of 2018. In line with Nokian Tyres updated 2018 strategy, the company is targeting further growth in Russia, Central Europe and North America. As a result of ongoing investment programs to support the growth, operating profit in 2019 will include significant additional operating costs.

In June 2019, the guidance was updated as follows:

In 2019, net sales with comparable currencies are expected to be slightly higher and operating profit to be lower compared to 2018. In line with Nokian Tyres' updated 2018 strategy, the company is targeting further growth in Russia, Central Europe, and North America. As a result of ongoing investment programs to support the growth, operating profit in 2019 will include significant additional operating costs.

In October 2019, the guidance was updated as follows:

In 2019, net sales with comparable currencies are expected to be approximately at the level of 2018 and operating profit margin to be approximately at the level of 20%. In line with Nokian Tyres' updated 2018 strategy, the company is targeting further growth in Russia, Central Europe, and North America. As a result of ongoing investment programs to support the growth, operating profit in 2019 will include significant additional operating costs.

Cash flow

In 2019, cash flow from operating activities was EUR 219.8 million (536.9). Working capital increased by EUR 235.7 million (decreased by 132.4). Inventories decreased by EUR 6.1 million (increased by 41.8) and receivables increased by EUR 68.0 million (11.0). Payables decreased by EUR 173.8 million (increased by 185.3; impacted by EUR 148 million related to the rulings on the tax disputes).

Investments

Investments in 2019 amounted to EUR 299.6 million (226.5). This comprises the construction of the new US factory, the testing center in Spain, production investments in the Russian and Finnish factories, molds for new products, and ICT and process development projects. All strategic projects are proceeding in line with the plan. Depreciations totaled EUR 125.2 million (93.4). The increase is mainly due to the new IFRS 16 standard.

Financial position on December 31, 2019

	December 31, 2019	December 31, 2018
Cash and cash equivalents, M€	218.8	447.5
Interest-bearing liabilities, M€	259.9	132.3
of which current interest-bearing liabilities, M€	30.9	126.0
Interest-bearing net debt, M€	41.1	-315.2
Unused credit limits*, M€	561.0	558.8
of which committed, M€	205.5	205.5
Gearing ratio, %	2.3%	-21.2%
Equity ratio, %	75.9%	71.0%
* The current credit limits and the 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.		

Tax rate

Tax rate in 2019 was -18.7% (18.4%). The adjusted tax rate excluding a tax refund of EUR 113.7 million concerning the tax disputes from 2007–2011 was 15.0%. The tax rate is positively affected by tax incentives in Russia, which are valid until approximately 2022. The estimated operational tax rate is expected to be at the level of 18% for 2020.

Tax audits in the Group companies globally may impact the estimated tax rate. For further information regarding ongoing and finalized tax disputes, please see page 22.

Personnel

In 2019, the key focus areas in People and Culture were the development of global people processes and way of working as well as organizational development.

	2019	2018	2017
Group employees			
on average	4,942	4,790	4,630
at the end of the review period	4,730	4,719	4,635
in Finland, at the end of the review period	1,727	1,769	1,724
in Russia, at the end of the review period	1,554	1,574	1,503
in North America, at the end of the review period	297	191	196
Vianor (own) employees, at the end of the review period	1,515	1,563	1,660

Nokian Tyres' headcount reporting systems have been unified globally as of January 2019, 2018 and 2017 headcount figures have not been restated.

Salaries, incentives, and other related costs in 2019 totaled EUR 235.3 million (2018: 228.9; 2017: 224.7).

Research & Development

In 2019, Nokian Tyres introduced several new tire models. Approximately 50% of R&D investments are allocated to product testing. Nokian Tyres' R&D costs in 2019 totaled approximately EUR 22.7 million (2018: 20.8; 2017: 21.8), which is 6.1% (2018: 5.8%; 2017: 5.8%) of the operating expenses.

To support the testing of new tires, Nokian Tyres is building a new testing center in Spain. The testing center is expected to be in full operation at the end of 2020.

Sales and distribution

Good availability and precise, quick deliveries especially during season are increasingly important parts of a successful tire retail experience. Nokian Tyres is continuously developing the logistics systems and 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 2019, the number of stores was as follows:

- Vianor: 1,170 (1,318) service centers in total, of which 981 (1,130) partners
- NAD: 2,182 (2,162) stores
- N-Tyre: 133 (127) stores

BUSINESS UNIT REVIEWS

Passenger Car Tyres

	10–12 /19	10–12 /18	Change %	CC* Change %	2019	2018	Change %	CC* Change %
Net sales, M€	318.3	316.8	0.5%	-1.7%	1,134.2	1,150.8	-1.4%	-2.2%
Operating profit, M€	76.4	96.5			287.7	356.5		
Operating profit, %	24.0%	30.5%			25.4%	31.0%		

* Comparable currencies

October–December 2019

In October–December 2019, net sales of Passenger Car Tyres totaled EUR 318.3 million (316.8). With comparable currencies, net sales decreased by 1.7%. Net sales were negatively impacted by one-time compensation accruals for distributors in order to support sell-out in Russia in 2020, due to which Average Sales Price with comparable currencies decreased in October–December 2019. The sales of summer and all-season tires increased, while winter tire sales decreased.

Operating profit was EUR 76.4 million (96.5). Operating profit decreased due to lower volumes, one-time compensation accruals for distributors in Russia, low utilization rate of factory capacity and expansion costs. Temporary lay-offs took place in the Finnish factory in October–December.

January–December 2019

In 2019, net sales of Passenger Car Tyres totaled EUR 1,134.2 million (1,150.8). With comparable currencies, net sales decreased by 2.2% due to lower volumes. Average Sales Price with comparable currencies increased due to improved price/mix in all markets except for Central Europe.

Car tire sell-in in Europe declined due to softness in the car and tire market. In Russia, summer tire inventories have decreased compared to the previous year, but their level after the season is still higher than normal. Winter tire inventories in the distribution channel in Russia are clearly higher than in the previous year due to a combination of increased sell-in and decreased sell-out. Sell-out of Nokian Tyres' B segment winter products in Russia decreased due to overall weakness in demand and exceptionally good availability of tires as well as aggressive pricing and sell-out support from competing brands.

In 2019, the share of winter tires of sales was 71% (69%), the share of summer tires was 19% (21%), and the share of all-season tires was 10% (10%).

Operating profit was EUR 287.7 million (356.5). Operating profit decreased due to lower volumes, higher material and expansion costs and pricing pressure in Central Europe and Russia. The US ramp-up costs were approximately EUR 20 million.

Capacity utilization was adjusted to be in line with the market demand. Production output (pcs) decreased by 7% year-over-year. In 2019, 85% (84%) of passenger car tires (pcs) were manufactured in Russia.

The Nokian Hakkapeliitta LT3 winter tire for the Nordic, North American, Russian, and Central European markets was introduced in January 2019. In February, Nokian Tyres launched its Nokian Hakka summer tire range on the Japanese market. For Central European markets, Nokian Tyres introduced during 2019 the Nokian WR Snowproof winter tire and two new premium SUV summer tires, Nokian Powerproof SUV and Nokian Wetproof SUV. Nokian ONE HT, launched in October, is a premium all-season tire tailored to the needs of light truck and SUV drivers in North America. Nokian Tyres' products achieved success in several car magazine tests. For more information, see: www.nokiantyres.com/test-success/.

Market situation in Russia

In 2020, the sales of new cars in Russia are expected to slightly decline compared to 2019, driven by sluggish economy and low consumer purchasing power. The total replacement tire market sell-in in

Russia in 2020 is expected to slightly decline compared to 2019, driven by weak demand and high carry-over stocks, especially in B segment winter tires.

Heavy Tyres

	10–12 /19	10–12 /18	Change %	CC* Change %	2019	2018	Change %	CC* Change %
Net sales, M€	54.5	53.0	2.8%	3.0%	202.7	187.7	8.0%	8.0%
Operating profit, M€	10.1	9.6			35.7	28.6		
Operating profit, %	18.6%	18.0%			17.6%	15.2%		

* Comparable currencies

October–December 2019

In October–December 2019, net sales of Heavy Tyres totaled EUR 54.5 million (53.0). With comparable currencies, net sales increased by 3.0%, driven by Levvyörä acquisition and improved availability due to the production capacity increase.

Operating profit was EUR 10.1 million (9.6). Operating profit increased as a result of the sales growth.

January–December 2019

In 2019, net sales of Heavy Tyres totaled EUR 202.7 million (187.7). With comparable currencies, net sales increased by 8.0%, driven by improved availability due to the production capacity increase. Demand was good in Heavy Tyres' core product groups.

Operating profit was EUR 35.7 million (28.6). Operating profit increased as a result of the sales growth and previous year's negative inventory valuation impact.

Production output (metric tons) increased compared to the previous year.

In August, Nokian Heavy Tyres Ltd. acquired Levvyörä Oy, a Finnish heavy equipment wheel company, with annual net sales of approximately EUR 18 million, of which approximately 30% has been sales to Nokian Tyres. The acquisition had no material impact on Nokian Tyres operating profit in 2019.

A flow of product launches with new innovations continued in 2019. For example, a new retreading material, Nokian Noktop 75 Super, was added to the Nokian Noktop range in March, a special excavator tire, Nokian Ground Kare, was introduced in May and in September the company launched the Nokian Ground King, a new multi-purpose contracting tire. The latest addition to the forestry tire line is Nokian Forest King TRS 2+. Several new tire sizes were added to the existing ranges for tractors, trucks, trailers, mining as well as port and terminal tires during the year. Nokian Tyres Intuitu, the digital tire monitoring system to provide drivers with real-time data on their tires, was launched in September.

Vianor, own operations

	10-12 /19	10-12 /18	Change %	CC* Change %	2019	2018	Change %	CC* Change %
Net sales, M€	120.0	122.3	-1.9%	0.9%	336.5	337.2	-0.2%	1.5%
Operating profit, M€	14.1**	11.7			7.7**	1.6		
Operating profit, %	11.8%	9.6%			2.3%	0.5%		
Number of own service centers at period end	189	188			189	188		

* Comparable currencies

** Including EUR 2.0 million profit from sale of real estate

October–December 2019

In October–December 2019, net sales of Vianor totaled EUR 120.0 million (122.3). With comparable currencies, net sales increased by 0.9%.

Operating profit was EUR 14.1 million (11.7).

January–December 2019

In 2019, net sales totaled EUR 336.5 million (337.2). With comparable currencies, net sales increased by 1.5%.

Operating profit was EUR 7.7 million (1.6). The improvement was driven by increased operational efficiency and better sales management.

At the end of the year, Vianor had 189 (188) own service centers in Finland, Sweden, Norway, and the USA.

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 KPMG 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.

SHARES AND SHAREHOLDERS

At the end of 2019, the number of shares was 138,921,750.

In May, Nokian Tyres changed its trading code (stock symbol) on Nasdaq Helsinki to TYRES. The change became effective at the start of trading on May 20, 2019.

Authorizations

In 2019, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 5,000,000 shares in the company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponds to 3.6% of all shares in the company at the time of the proposal. The authorization will be effective until the next Annual General Meeting of Shareholders, however at most until June 30, 2020.

In 2018, the Annual General Meeting authorized the Board of Directors to make a decision to offer no more than 25,000,000 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 authorization was effective until the Annual General Meeting of 2019.

In 2018, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 5,000,000 shares in the company by using funds in the unrestricted shareholders' equity. The authorization was effective until the Annual General Meeting of 2019.

The Board did not utilize the authorizations in 2019.

Stock options on the Nasdaq Helsinki Stock Exchange and shares subscribed with option rights

The share subscription period for stock option 2013C ended in May 2019. The total number of stock options 2013C was 1,150,000. Each stock option 2013C entitled its holder to subscribe to one share in Nokian Tyres plc. The shares with the stock options 2013C were subscribed during the period from May 1, 2017 to May 31, 2019.

On February 19, 2019, Nokian Tyres announced that, following the registration of new shares on November 13, 2018, a total of 1,180 shares in Nokian Tyres plc had been subscribed with the 2013C stock option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 138,066,899 shares.

On May 22, 2019, Nokian Tyres announced that, following the registration of new shares on February 19, 2019, a total of 32,536 shares in Nokian Tyres plc had been subscribed with the 2013C stock option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 138,099,435 shares.

On August 20, 2019, Nokian Tyres announced that, following the registration of new shares on May 22, 2019, a total of 822,315 shares in Nokian Tyres plc had been subscribed with the 2013C stock option rights. As a result of the share subscriptions, the number of Nokian Tyres plc shares increased to 138,921,750 shares.

Own shares

No share repurchases were made during the review period, and the company did not possess any own shares on December 31, 2019.

Nokian Tyres has an agreement from 2017 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. In accordance with IFRS, these repurchased shares, 480,000 in 2017, have been reported as treasury shares in the Consolidated Statement of Financial Position. On December 31, 2019, the number of these shares was 197,947. This number of shares corresponded to 0.14% of the total shares and voting rights in the company.

Trading in shares

A total of 175,964,982 (137,669,465) Nokian Tyres' shares were traded in Nasdaq Helsinki in 2019, representing 127% (100%) of the company's overall share capital. The average daily volume in 2019 was 703,860 shares (550,678). Nokian Tyres' shares are also traded on alternative exchanges, such as BATS CXE, Turquoise, and BATS BXE. The total trading volume on these alternative exchanges was 109,439,468 (106,076,128) shares in 2019.

Nokian Tyres' share price was EUR 25.63 (26.82) at the end of 2019. The volume weighted average share price in 2019 was EUR 27.63 (33.79), the highest was EUR 32.44 (41.26) and the lowest was EUR 23.71 (26.35). The company's market capitalization at the end of 2019 was EUR 3.6 billion (3.7 billion).

At the end of the year, the company had 54,067 (47,007) registered shareholders. The percentage of Finnish shareholders was 34.9% (28.7%), and 65.1% (71.3%) were non-Finnish holders and foreign shareholders registered in the nominee register. Public sector entities owned 10.1% (6.4%), financial and insurance corporations 4.6% (4.6%), households 13.7% (12.1%), non-profit institutions 3.6% (3.3%), and private companies 2.8% (2.3%).

Major shareholders, December 31, 2019 (does not include nominee registrations)

	Number of shares	% of share capital
1. Solidium Oy	7,000,000	5.04
2. Ilmarinen Mutual Pension Insurance Company	3,700,678	2.66
3. Varma Mutual Pension Insurance Company	1,160,889	0.84
4. Elo Mutual Pension Insurance Company	1,129,000	0.81
5. Mandatum Life Insurance Company Limited	915,954	0.66
6. Nordea	835,290	0.60
7. The State Pension Fund	750,000	0.54
8. Evli Europe Fund	622,196	0.45
9. Föreningen Konstsamfundet rf	600,000	0.43
10. Schweizer Nationalbank	571,383	0.41

Changes in ownership

Nokian Tyres received notifications from BlackRock, Inc. on January 7, January 11, February 8, February 15, April 24, May 7, May 9, May 10, May 20, May 29, May 31, June 13, June 19, July 25, July 29, August 23, September 6, September 13, September 23, October 4, November 4, November 27, and December 16 according to which the holdings of the mutual funds managed by BlackRock, Inc., or indirect holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on January 4, January 10, February 7, February 14, April

23, May 6, May 8, May 9, May 17, May 28, May 30, June 12, June 18, July 24, July 26, August 22, September 5, September 12, September 20, October 3, October 30, November 26, and December 13.

Nokian Tyres received notifications from BlackRock, Inc. on January 2, January 8, January 22, January 29, March 18, April 25, May 8, May 17, May 27, May 30, June 3, June 11, June 27, July 18, August 1, August 9, August 26, September 18, September 20, October 9, November 1, and December 3 according to which the holdings of the mutual funds managed by BlackRock, Inc., or indirect holding in Nokian Tyres shares, fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on December 31, January 7, January 21, January 28, March 15, April 24, May 7, May 16, May 24, May 29, May 31, June 10, June 25, July 17, July 31, August 8, August 23, September 17, September 19, October 8, October 31, and December 2.

Nokian Tyres received a notification from Janus Henderson Group plc on January 17, according to which the indirect holding in Nokian Tyres shares fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on January 16.

Nokian Tyres received a notification from The Income Fund of America (“IFA”) on February 7, according to which the direct holding in Nokian Tyres shares fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on February 6.

Nokian Tyres received a notification from Solidium Oy on March 19, according to which the direct holding in Nokian Tyres shares exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on March 18.

Nokian Tyres received a notification from The Capital Group Companies, Inc. on July 25, according to which the holdings of the mutual funds managed by The Capital Group Companies, Inc. fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on July 23.

Nokian Tyres received a notification from Bridgestone Corporation on December 13, according to which Bridgestone Corporation’s direct holding in Nokian Tyres shares fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on December 12.

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, President and CEO, and Management Team on December 31, 2019

Board of Directors	Number of shares
Petteri Walldén, chairman	22,322
Kari Jordan, deputy chairman	2,104
Heikki Allonen, member	2,595
Raimo Lind, member	4,955
Veronica Lindholm, member	2,595
Inka Mero, member	3,988
George Rietbergen, member	1,932
Pekka Vauramo, member	1,402
Total	41,893

President and CEO	Number of shares
Hille Korhonen, President & CEO	47,279

Management Team	Number of shares
Päivi Antola, IR & Corporate Communications	1,264
Tytti Bergman, People & Culture	2,996
Mark Earl, Americas Business Area	5,180
Esa Eronen, Supply Chain & Sustainability	19,139

Anna Hyvönen, Nordics & Vianor	21,715
Teemu Kangas-Kärki, Finance	7,014
Jukka Kasi, Products & Marketing	4,420
Bahri Kurter, Central Europe Business Area	0
Andrei Pantioukhov, Russia & Asia Business Area	69,359
Manu Salmi, Nokian Heavy Tyres Business Unit	26,601
Timo Tervolin, Strategy and M&A	6,385
Susanna Tusa, Legal & Compliance	6,546
Frans Westerlund, IT & Processes	4,042
Total	174,661

On December 31, 2019, Nokian Tyres' Board members and the President and CEO held a total of 89,172 Nokian Tyres shares. The shares represent 0,06% of the total number of votes.

Managers' transactions

Nokian Tyres announced managers' transactions on February 22, March 4, March 7, March 8, April 1, April 8, April 16, and September 4. Read more at: www.nokiantyres.com/company/publications/releases/2019/managementTransactions/

DECISIONS MADE AT THE ANNUAL GENERAL MEETING

On April 9, 2019, the Annual General Meeting of Nokian Tyres approved the Financial Statements for 2018 and discharged the members of the Board of Directors and the President and CEO from liability for the 2018 financial year.

Dividend

The meeting decided that a dividend of EUR 1.58 per share shall be paid for the period ending on December 31, 2018. The dividend payment date was April 24, 2019, and the dividend was paid to shareholders included in the shareholder list maintained by Euroclear Finland Ltd on the record date of April 11, 2019.

Members of the Board of Directors and Auditors

The meeting decided that the Board of Directors has eight members. The current members Heikki Allonen, Kari Jordan, Raimo Lind, Veronica Lindholm, Inka Mero, George Rietbergen, Pekka Vauramo, and Petteri Walldén will continue on the Board of Directors.

The audit firm KPMG Oy Ab will continue as auditors.

Remuneration of the Members of the Board of Directors

The meeting decided that the monthly fee paid to the Chairman of the Board shall be EUR 7,500 (or EUR 90,000 per year), the monthly fee paid to the Deputy Chairman of the Board and to the Chairman of the Audit Committee shall be EUR 5,625 (or EUR 67,500 per year), and the monthly fee paid to Members of the Board shall be EUR 3,750 (or EUR 45,000 per year).

50% of the annual fee is to be paid in cash and 50% in company shares, to the effect that in the period from April 10 to April 30, 2019, EUR 45,000 worth of shares in Nokian Tyres plc were purchased on the stock exchange on behalf of the Chairman of the Board, EUR 33,750 worth of shares in Nokian Tyres plc were purchased on the stock exchange on behalf of the Deputy Chairman of the Board and Chairman of the Audit committee, and EUR 22,500 worth of shares were purchased on behalf of other members of the Board.

The company is liable to pay any asset transfer taxes which may arise from the acquisition of the company shares. Furthermore, each member of the Board will receive EUR 600 for meetings held in their home country and EUR 1,200 for meetings held outside their home country. If a member participates in a meeting via telephone or a video connection, the remuneration will be EUR 600. Travel expenses will be compensated in accordance with the company's travel policy.

Authorizations

In 2019, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 5,000,000 shares in the company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponds to 3.6% of all shares in the company at the time of the proposal. The authorization will be effective until the next Annual General Meeting of Shareholders, however at most until June 30, 2020.

Amendments of the articles of association

In 2019, the Annual General Meeting resolved to amend Articles 8, 9, and 11 of the articles of association as follows:

§8 Auditor

The company shall have one auditor which must be an auditing firm authorized by the Finnish Patent and Registration Office. The auditor's term of office expires at the end of the first Annual General Meeting following the election.

§9 Notice of General Meeting

The notice of a General Meeting shall be published on the company's website, no earlier than three months before the record date referred to in the Finnish Limited Liability Companies Act and no later than three weeks before the General Meeting. The notice must, however, be delivered no later than nine days before the record date of the General Meeting.

§11 Annual General Meeting

The Annual General Meeting shall be held annually on a day fixed by the Board of Directors, by the end of May. The Meeting shall be held either at the company's registered place of business or in either the city of Tampere or Helsinki, as decided by the Board of Directors.

The Annual General Meeting shall review:

1. the financial statements, which include the consolidated financial statements, and annual report;
2. the auditor's report;

shall resolve:

3. the adoption of the financial statements;
4. the use of the profit shown on the balance sheet;
5. granting discharge from personal liability to the members of the Board of Directors and the Managing Director;
6. the remuneration payable to the members of the Board of Directors and the auditor;
7. the number of the members of the Board of Directors;

shall elect:

8. the members of the Board of Directors;
9. an auditor; and

shall deal with:

10. any other matters mentioned in the notice of the meeting.

BOARD OF DIRECTORS' WORKING ARRANGEMENTS

In the Board meeting on April 9, 2019, Petteri Walldén was elected Chairman of the Board and Kari Jordan was elected Deputy Chairman of the Board. The Board elected Kari Jordan (Chairman), Veronica Lindholm, and Petteri Walldén as members of the Personnel and Remuneration Committee. The Board elected Raimo Lind (Chairman), Heikki Allonen, Inka Mero, and Pekka Vauramo as members of the Audit Committee.

CHANGES IN MANAGEMENT

In May 2019, Nokian Tyres announced that Mr. Bahri Kurter had been appointed to the Nokian Tyres management team in the position of SVP, Central Europe. He started in June 2019. Kurter reports to the President and CEO Hille Korhonen.

Detailed information on management can be found at www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/

CORPORATE SUSTAINABILITY

In February 2019, Nokian Tyres received a Silver Class distinction in the RobecoSAM Sustainability Yearbook 2019.

In March 2019, Nokian Tyres joined the Global Platform for Sustainable Natural Rubber. GPSNR is an independent platform designed to improve the socio-economic and environmental performance of the natural rubber value chain.

In September 2019, Nokian Tyres was selected in Dow Jones' DJSI World sustainability index for the third year in a row. The company was also selected in the more strictly defined DJSI Europe index. In 20 out of the 21 criteria of the 2019 assessment, the company scored higher than the average of the global Auto Components sector.

Nokian Tyres will publish a Corporate Sustainability Report during the first quarter of 2020.

OTHER MATTERS

PERFORMANCE SHARE PLAN: PERFORMANCE SHARE PLAN 2019, RESTRICTED SHARE PLAN 2019 AND REALIZATION OF PERFORMANCE PERIOD 2018

On February 5, 2019, Nokian Tyres announced that the Board of Directors of Nokian Tyres plc had decided on a new share-based long-term incentive scheme for the Company's management and selected key employees. The decision included a Performance Share Plan (hereinafter also referred to as "PSP 2019") as the main structure, and a Restricted Share Plan ("RSP 2019") as a complementary structure for specific situations. The purpose of the share-based incentive scheme is to harmonize 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 2019

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

The first Performance Period (PSP 2019–2021) commenced as of the beginning of 2019, and the potential share rewards thereunder will be paid in the first half of 2022, provided that the performance criteria set by the Board of Directors are achieved. The potential reward will be paid partly in shares in Nokian Tyres plc and partly in cash. The cash portion of the reward is intended to cover the taxes arising from the paid reward. Approximately 200 individuals are eligible to participate in PSP 2019–2021, including the members of Nokian Tyres' Management Team. The possible rewards paid based on the Performance Period of 2019–2021 correspond approximately to a maximum of 535,000 gross shares.

In addition to the 3-year performance period (PSP 2019–2021), a separate one-time, two-year performance period (PSP 2019–2020) commenced in 2019 in order to bridge the previous two-year PSP 2018 and the three-year PSP 2019–2021. The potential share rewards thereunder will be paid in the first half of 2021, provided that the performance criteria set by the Board of Directors are achieved. Approximately 210 individuals are eligible to participate in PSP 2019–2020, including the members of Nokian Tyres' Management Team. The possible rewards paid based on the Performance Period of 2019–2020 correspond approximately to a maximum of 580,000 gross shares.

The potential share rewards payable under the PSP 2019–2020 and PSP 2019–2021 are based on the Company's Earnings Per Share (EPS) growth % and Return on Capital Employed (ROCE).

Restricted Share Plan 2019

The purpose of the Restricted Share Plan (RSP 2019–2021) is to serve as a complementary tool for individually selected key employees of Nokian Tyres in specific situations. 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.

The commencement of each individual plan is subject to a separate Board 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. The potential reward will be paid partly in shares in Nokian Tyres plc and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward.

The first plan (RSP 2019–2021) within the Restricted Share Plan structure commenced as of the beginning of 2019, and the potential share reward thereunder will be paid in the first half of 2022. The possible rewards paid based on RSP 2019–2021 correspond approximately to a maximum of 70,000 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.

Realization of Performance Period 2018

The rewards paid in 2019, on the basis of the achievement of the previous share-incentive plan's performance period 2018, corresponded to a total of 146,000 Nokian Tyres plc shares including also the proportion paid in cash. The rewards were paid in March 2019. For the key employees who have joined the Plan during the performance period 2018, including 5 members of the Group's Management Team, the rewards were paid in September 2019. The plan was directed to 233 key employees, including the members of the Group's Management Team. The shares paid as reward may not be transferred during an approximately one-year restriction period established for the shares. For shares paid on the basis of the performance period 2018, the restriction period will end on March 31, 2020.

CHANGES IN GROUP STRUCTURE

In August 2019, Nokian Heavy Tyres acquired Levvyörä Oy, a Finnish heavy equipment wheel company, with annual net sales of approximately EUR 18 million, of which about 30% has been sales to Nokian Tyres. With its two business lines, wheels and steel structures, Levvyörä serves several original equipment (OE) manufacturers and aftermarket customers (AM) in forestry, agriculture and earthmoving applications. Levvyörä has been integrated into Nokian Heavy Tyres Ltd. The acquisition had no material impact on Nokian Tyres' financial results in 2019.

More information at <https://www.nokiantyres.com/company/news-article/nokian-heavy-tyres-ltd-acquires-a-finnish-heavy-equipment-wheel-company-levvyora-oy/>

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 2019 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 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 has been provided in Nokian Tyres' Non-Financial Reporting Statement for 2019.
- 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 March 2019, the police moved the suspicions of securities markets offences to consideration of charges. The suspects have denied any involvement in criminal activity.

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.

Transfer pricing tax disputes

The Large Taxpayers' Office carried out a transfer pricing tax audit regarding the tax years 2007–2010 during 2012–2013. The company paid in total EUR 89.2 million as additional taxes and punitive tax based on tax reassessment decisions. Nokian Tyres' appeal to the tax audit report was approved and tax adjustments abolished in May 2018.

In October 2017, Nokian Tyres received a reassessment decision from the Tax Administration concerning the tax year 2011, according to which the company was obliged to pay a total of EUR 59 million, of which EUR 39 million were additional taxes and EUR 20 million were tax increases and interest. The company considered the reassessment decision of the Tax Administration unfounded. Appeal to the tax audit report was approved and tax adjustments abolished by the Administrative Board of Tax Authorities in June 2018.

In March 2019, the Supreme Administrative Court rejected an application for leave to appeal from the Tax Recipients' Legal Services Unit in Nokian Tyres' 2007–2010 tax dispute. The decision of the Administrative Court in May 2018 is thus final and the tax dispute for the tax years 2007–2010 is completed. As a result of the decision of the Supreme Administrative Court, the Tax Recipients' Legal Services Unit withdrew their appeal concerning Nokian Tyres' tax year 2011 and the positive decision taken by the Tax Administration in 2018 is thus final.

Adjustments to the financial reporting concerning tax years 2007–2010 and 2011 were done during the first quarter of 2019. The decision of the Supreme Administrative Court had no cash flow impact in 2019, as the Tax Administration returned the additional taxes paid by the company already in 2018.

Other tax disputes

In May 2019, Nokian Tyres U.S. Finance Oy, a 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. Of this amount, EUR 11.0 million were additional taxes and EUR 7.5 million were tax increases and interest. The company has paid and recorded them in full in the financial statements and results for 2013, 2014, and 2017. The company considers the decision unfounded and has appealed against it by filing a claim with the Supreme Administrative Court in July 2019.

MATTERS AFTER THE REVIEW PERIOD

On January 24, 2020, Nokian Tyres confirmed its guidance for the full year 2019 and provided preliminary outlook for 2020 as follows: In 2020, Nokian Tyres net sales with comparable currencies are expected to decline and operating profit to be significantly below the level of 2019.

ASSUMPTIONS FOR 2020

In 2020, the market demand for replacement car tires is expected to be at the previous year's level or decrease slightly.

The demand for Nokian Heavy Tyres' core products is estimated to remain healthy.

Raw material unit costs are estimated to slightly decrease in 2020 compared with 2019.

GUIDANCE FOR 2020

In 2020, net sales with comparable currencies are expected to decline and operating profit to be significantly below the level of 2019. In line with Nokian Tyres' updated 2018 strategy, the company is targeting further growth in Russia, Central Europe, and North America. In 2020 however, net sales and operating profit in Russia are expected to decline substantially due to the changed market dynamics. Operating profit in 2020 will include costs related to the North American expansion and other investment programs to support long-term growth, as communicated in 2018.

The proposal for the use of profits by Board of Directors

The distributable funds in the Parent company total EUR 773.9 million.

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

A dividend of	1.58 EUR/share
be paid out, totaling	EUR 219.5 million
retained in equity	EUR 554.4 million
Total	EUR 773.9 million

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.

Notice to the Annual General Meeting will be published by March 12, 2020.

Helsinki, February 4, 2020

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.

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 2018. 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.

The figures in the financial statements release are unaudited.

NOKIAN TYRES CONSOLIDATED

INCOME STATEMENT	10-12/2019	10-12/18	1-12/19	1-12/18	Change %
Million euros					
Net sales	475.8	473.6	1,595.8	1,595.6	0.5
Cost of sales	-278.5	-254.6	-912.9	-865.5	-9.4
Gross profit	197.3	219.0	683.0	730.2	-9.9
Other operating income	2.5	0.6	3.6	2.5	296.2
Selling and marketing expenses	-78.7	-82.1	-288.9	-286.4	4.1
Administration expenses	-7.6	-12.7	-45.4	-47.9	40.6
Other operating expenses	-12.6	-7.6	-35.8	-25.9	-65.1
Operating profit	101.0	117.2	316.5	372.4	-13.8
Financial income	22.1	20.5	67.3	83.3	8.0
Financial expenses (1)	-28.0	-24.1	-47.0	-94.0	-16.1
Profit before tax	95.1	113.5	336.7	361.7	-16.2
Tax expense (2 (3)	-14.0	-17.5	63.1	-66.5	20.3
Profit for the period	81.1	96.0	399.9	295.2	-15.5
Attributable to:					
Equity holders of the parent	81.1	96.0	399.9	295.2	
Non-controlling interest	-	-	-	-	
Earnings per share from the profit attributable to equity holders of the parent					
basic, euros	0.58	0.70	2.89	2.15	-16.3
diluted, euros	0.59	0.70	2.89	2.14	-16.3

CONSOLIDATED OTHER COMPREHENSIVE

INCOME	10-12/2019	10-12/18	1-12/19	1-12/18
Million euros				
Profit for the period	81.1	96.0	399.9	295.2
Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax:				
Gains/Losses from hedge of net investments in foreign operations	0.0	0.0	0.0	0.0
Cash flow hedges	2.6	0.0	-1.2	1.3
Translation differences on foreign operations	2.4	-12.1	86.6	-67.8
Total other comprehensive income for the period, net of tax	4.9	-12.1	85.4	-66.6
Total comprehensive income for the period	86.0	83.8	485.3	228.7
Total comprehensive income attributable to:				
Equity holders of the parent	86.0	83.8	485.3	228.7
Non-controlling interest	-	-	-	-

1) Financial expenses 1-12/19 contain returned EUR 34.4 million punitive interest related to tax disputes that were booked in previous fiscal years based on tax reassessment decisions.

Additionally financial expenses 1-12/19 contain a gain of EUR 1.4 million of interest from returned taxes.

2) Tax expense 1-12/19 contain returned EUR 115.2 million additional taxes and punitive increases that were booked in previous fiscal years based on tax reassessment decisions.

3) Otherwise tax expense in the consolidated income statement is based on the taxable result for the period.

KEY RATIOS	31.12.19	31.12.18	Change %
Equity ratio, %	75.9	71.0	
Gearing, %	2.3	-21.2	
Equity per share, euro	12.76	10.79	18.3
Interest-bearing net debt, mill. euros	41.1	-315.2	
Capital expenditure, mill. euros	299.6	226.5	
Depreciation, mill. euros	125.2	93.4	
Personnel, average	4,942	4,790	
Number of shares (million units) at the end of period	138.72	137.79	
in average	138.17	137.26	
in average, diluted	138.38	138.14	

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

	31.12.19	31.12.18
Million euros		
Non-current assets		
Property, plant and equipment	885.0	647.3
Goodwill	84.4	83.6
Other intangible assets	35.3	33.6
Investments in associates	0.1	0.1
Right of use assets	122.9	-
Non-current financial investments	0.7	0.7
Other receivables	7.7	7.3
Deferred tax assets	15.9	9.3
Total non-current assets	1,152.0	781.8
Current assets		
Inventories	387.0	369.2
Trade receivables	498.3	409.5
Other receivables	60.8	71.9
Current tax assets	15.6	13.0
Cash and cash equivalents	218.8	447.5
Total current assets	1,180.5	1,311.0
Total assets	2,332.6	2,092.9
Equity		
Share capital	25.4	25.4
Share premium	181.4	181.4
Treasury shares	-8.0	-11.4
Translation reserve	-278.8	-365.4
Fair value and hedging reserves	-1.8	-0.6
Paid-up unrestricted equity reserve	238.2	222.6
Retained earnings	1,613.3	1,434.1
Non-controlling interest	-	-
Total equity	1,769.7	1,486.1
Non-current liabilities		
Deferred tax liabilities	36.4	32.5
Provisions	0.0	0.0
Interest-bearing liabilities	229.1	6.3
Other liabilities	1.0	0.5
Total non-current liabilities	266.5	39.3
Current liabilities		
Trade payables	89.4	111.0
Other current payables	166.5	319.6
Current tax liabilities	4.6	6.5
Provisions	5.0	4.4
Interest-bearing liabilities	30.9	126.0
Total current liabilities	296.4	567.4
Total equity and liabilities	2,332.6	2,092.9

Changes in working capital arising from operative business are partly covered by EUR 350 million domestic commercial paper programme.

Interest-bearing liabilities include EUR 94.8 million of non-current and EUR 30.0 million of current lease liabilities.

CONSOLIDATED STATEMENT OF CASH FLOWS	1-12/19	1-12/18
Million euros		
Profit for the period	399.9	295.2
Adjustments for		
Depreciation, amortisation and impairment	125.2	93.4
Financial income and expenses	-20.3	10.7
Gains and losses on sale of intangible assets, other changes	6.4	11.8
Income Taxes	-63.1	66.5
Cash flow before changes in working capital	448.0	477.6
Changes in working capital		
Current receivables, non-interest-bearing, increase (-) / decrease (+)	-68.0	-11.0
Inventories, increase (-) / decrease (+)	6.1	-41.8
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	-173.8	185.3
Changes in working capital	-235.7	132.4
Financial items and taxes		
Interest and other financial items, received	4.1	2.2
Interest and other financial items, paid	-56.7	-12.4
Dividends received	0.0	0.0
Income taxes paid	60.1	-63.0
Financial items and taxes	7.4	-73.2
Cash flow from operating activities (A)	219.8	536.9
Cash flows from investing activities		
Acquisitions of property, plant and equipment and intangible assets	-290.1	-226.5
Proceeds from sale of property, plant and equipment and intangible assets	2.3	0.3
Acquisitions of Group companies	-9.5	-0.9
Change in non-controlling interest	-	-
Acquisitions of other investments	0.0	0.0
Cash flows from investing activities (B)	-297.2	-227.1
Cash flow from financing activities:		
Proceeds from issue of share capital	15.6	18.7
Purchase of treasury shares	-	-
Change in current financial receivables, increase (-) / decrease (+)	75.0	-9.0
Change in non-current financial receivables, increase (-) / decrease (+)	1.2	0.5
Change in current financial borrowings, increase (+) / decrease (-)	-125.8	123.5
Change in non-current financial borrowings, increase (+) / decrease (-)	127.9	-125.1
Payment of lease liabilities	-30.7	-
Dividends received	0.3	0.5
Dividends paid	-218.1	-214.2
Cash flow from financing activities (C)	-154.5	-205.1
Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)	-231.9	104.7
Cash and cash equivalents at the beginning of the period	447.5	343.4
Effect of exchange rate fluctuations on cash held	3.2	-0.7
Cash and cash equivalents at the end of the period	218.8	447.5

Implementation of IFRS 16 has resulted in increased cash flow from operating activities of EUR 30.7 million, which is equivalent to negative cash flow from financial activities as payment of lease liabilities. Changes in working capital and 1-12/18 include EUR 59.0 million based on the tax reassessment decision on year 2011 and EUR 89.2 million based on the tax reassessment decision on years 2007-2013.

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

Million euros	Equity attributable to equity holders of the parent								
	A	B	C	D	E	F	G	H	I
Equity, 31 Dec 2017	25.4	181.4	-20.3	-297.6	-1.8	203.9	1,377.4	-	1,468.4
Change in accounting principles (IFRS 2)							6.1		6.1
Change in accounting principles (IFRS 9)							-9.6		-9.6
Equity, 1 Jan 2018	25.4	181.4	-20.3	-297.6	-1.8	203.9	1,373.8	-	1,464.8
Profit for the period							295.2		295.2
Other comprehensive income, net of tax:									
Cash flow hedges					1.3				1.3
Net investment hedge									-
Translation differences				-67.8					-67.8
Total comprehensive income for the period				-67.8	1.3		295.2		228.7
Dividends paid							-214.2		-214.2
Exercised warrants						18.7			18.7
Acquisition of treasury shares									-
Share-based payments			8.9				-20.7		-11.8
Total transactions with owners for the period			8.9			18.7	-234.9		-207.3
Equity, 31 Dec 2018	25.4	181.4	-11.4	-365.4	-0.6	222.6	1,434.2	-	1,486.1
Equity, 1 Jan 2019	25.4	181.4	-11.4	-365.4	-0.6	222.6	1,434.2	-	1,486.1
Profit for the period							399.9		399.9
Other comprehensive income, net of tax:									
Cash flow hedges					-1.2				-1.2
Net investment hedge									
Translation differences				86.6					86.6
Total comprehensive income for the period				86.6	-1.2		399.9		485.3
Dividends paid							-218.1		
Exercised warrants						15.7			15.7
Acquisition of treasury shares									
Share-based payments			3.4				-2.7		0.7
Total transactions with owners for the period			3.4			15.7	-220.7		-201.7
Equity, 31 Dec 2019	25.4	181.4	-8.0	-278.8	-1.8	238.2	1,613.3	-	1,769.8

SEGMENT INFORMATION	10-12/2019	10-12/18	1-12/19	1-12/18	Change %
Million euros					
Net sales					
Passenger car tyres	318.3	316.8	1,134.2	1,150.8	0.5
Heavy tyres	54.5	53.0	202.7	187.7	2.8
Vianor	120.0	122.3	336.5	337.2	-1.9
Other operations	4.8	4.4	11.1	10.5	8.3
Eliminations	-21.8	-23.0	-88.7	-90.6	5.1
Total	475.8	473.6	1,595.8	1,595.6	0.5
Operating result					
Passenger car tyres	76.4	96.5	287.7	356.5	-20.8
Heavy tyres	10.1	9.6	35.7	28.6	6.0
Vianor	14.1	11.7	7.7	1.6	20.9
Other operations	-6.7	-5.1	-17.0	-13.3	-31.3
Eliminations	7.0	4.5	2.3	-1.0	55.9
Total	101.0	117.2	316.5	372.4	-13.8
Operating result, % of net sales					
Passenger car tyres	24.0	30.5	25.4	31.0	
Heavy tyres	18.6	18.0	17.6	15.2	
Vianor	11.8	9.6	2.3	0.5	
Total	21.2	24.7	19.8	23.3	
NET SALES BY GEOGRAPHICAL AREA	10-12/2019	10-12/18	1-12/19	1-12/18	Change %
Million euros					
Nordic	210.2	205.0	645.0	629.3	2.5
Russia	72.6	85.0	303.0	305.5	-14.6
Other Europe	119.0	117.1	414.6	436.9	1.7
North America	65.2	58.5	205.4	194.5	11.4
Other	8.8	8.0	27.9	29.5	10.2
Total	475.8	473.6	1,595.8	1,595.6	
CHANGES IN PROPERTY, PLANT AND EQUIPMENT	31.12.19	31.12.18			
Million euros					
Opening balance	647.3	554.1			
Capital expenditure	292.9	226.5			
Decrease	-16.3	-13.8			
Depreciation for the period	-76.1	-93.4			
Exchange differences	37.2	-26.1			
Closing balance	885.0	647.3			

CONTINGENT LIABILITIES	31.12.19	31.12.18
Million euros		
For own debt		
Mortgages	0.9	0.9
Pledged assets	4.7	4.7
On behalf of Group companies		
Guarantees	0.4	0.4
Other own commitments		
Guarantees	29.9	27.7
Leasing and rent commitments	27.5	159.3
Purchase commitments	29.4	29.9

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	31.12.19		31.12.18	
	Carrying amount	Fair value	Carrying amount	Fair value
Million euros				
FINANCIAL ASSETS				
Fair value through profit or loss				
Derivatives held for trading	2.9	2.9	5.5	5.5
Derivatives designated as hedges*	1.2	1.2	23.4	23.4
Amortized cost				
Other non-current receivables	7.6	7.2	7.3	6.1
Trade and other receivables	498.8	499.4	409.9	410.5
Money market instruments	-	-	83.0	83.0
Bank deposits	-	-	-	-
Cash in hand and at bank	218.8	218.8	364.4	364.4
Fair value through other comprehensive income				
Unquoted shares	0.7	0.7	0.7	0.7
Total financial assets	730.1	730.2	894.3	893.6
FINANCIAL LIABILITIES				
Fair value through profit or loss				
Derivatives held for trading	2.3	2.3	9.9	9.9
Derivatives designated as hedges*	6.3	6.3	3.9	3.9
Amortized cost				
Interest-bearing financial liabilities	135.2	138.1	132.3	133.1
Trade and other payables	89.4	89.4	111.0	111.0
Total financial liabilities	233.2	236.1	257.1	257.8

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

All items measured at fair value through profit or loss 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****31.12.19**

31.12.18

Million euros

INTEREST RATE DERIVATIVES

Interest rate swaps

Notional amount

100.0

200.0

Fair value

-3.2

-1.6

FOREIGN CURRENCY DERIVATIVES

Currency forwards

Notional amount

396.8

420.0

Fair value

0.5

-4.5

Currency options, purchased

Notional amount

20.3

27.5

Fair value

0.0

0.3

Currency options, written

Notional amount

-

37.6

Fair value

-

-0.2

Interest rate and currency swaps

Notional amount

75.0

86.0

Fair value

-2.7

18.1

ELECTRICITY DERIVATIVES

Electricity forwards

Notional amount

3.9

4.8

Fair value

0.9

2.9

BUSINESS COMBINATIONS

On August 1st the Group acquired all shares of Levypyörä Oy.
This acquisition has minor impact on group accounts

Recognized amounts of identifiable assets acquired and liabilities assumed:

Property, plant and equipment	8.0
Inventories	3.0
Trade and other receivables	1.4
Cash and cash equivalents	1.1
Total Assets	13.6
Deferred tax liabilities	0.1
Financial liabilities	3.2
Trade and other payables	1.6
Total liabilities	5.0
Total identifiable net assets	8.6
Composition of goodwill in the acquisition	
Consideration transferred	9.4
Total identifiable net assets	8.6
Goodwill	0.9
Consideration paid in cash	9.4
Cash and cash equivalents in the subsidiaries acquired	1.1
Net cash outflow	8.3

The expectations relating to the growth in sales through increased customer base, and the future expectations on improved market area coverage and sales increase resulted in the recognition of goodwill.

The actual acquisition date and the nature of the operations taken into account the effect of the acquisitions on the consolidated net sales and profit is not material even if it were combined as of the beginning of the financial year.

The acquisition related costs of EUR 0.0 million have been recorded as selling and marketing expenses. There were no other transactions recognised separately from these acquisitions. The consideration has been transferred in cash and no significant contingent consideration arrangements were included. No non-controlling interest remained in the acquiree. The identifiable assets acquired and liabilities assumed are recognised in fair value. Goodwill is measured as the excess of the consideration transferred over the total identifiable net assets. None of the goodwill recognised is deductible for income tax purposes.

IFRS 16 Leases

The new standard became effective on 1 January 2019 onwards and replaced the previous standard IAS 17. Nokian Tyres chose to apply the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated.

Nokian Tyres chose to use the exemption provided by the standard not to account lease liability for leases which have a lease term of 12 months or less and not to account lease liability for leases in which the underlying asset is not material to Nokian Tyres. The majority of leases recognized as Right-of-use assets under IFRS 16 are comprised of Vianor chain real estate and warehouses.

ADDITIONS TO GROUP BALANCE SHEET	1.1.2019
Assets	
Right to use	137.7
Total increased value assets	137.7
Liability	
Non-current liability	
Lease liability	119.9
Current liability	
Lease liability	17.8
Total Increased liabilities	137.7

Below is a summary of the effects of the treatment of leases in accordance with IFRS 16 for the period so far this year.

Balance sheet effects	31.12.2019	
Fixed assets		
Right to use	122.9	
Total	122.9	
Equity & Liability		
Non-current liability	94.8	
Current liability	30.0	
Total	124.8	
P&L effects	10-12/2019	1-12/19
Depreciations	-9.5	-31.1
Finance costs	-0.7	-3.8
Total	-10.2	-34.9

DEFINITIONS OF CONSOLIDATED KEY FINANCIAL INDICATORS

Earnings per share, euro:

Profit for the period attributable to the equity holders of the parent / Average adjusted number of shares during the period excluding treasury shares

Earnings per share (diluted), euro:

Profit for the period attributable to the equity holders of the parent / Average adjusted and diluted number of shares during the period excluding treasury shares

The share options affect the dilution as the average share market

price for the period exceeds the defined subscription price.

Equity ratio, %:

Total equity x 100 / (Total assets - advances received)

Gearing, %:

Interest-bearing net debt x 100 / Total equity

Equity per share, euro:

Equity attributable to equity holders of the parent / Adjusted number of shares on the reporting date excluding treasury shares

Average net debt to EBITDA:

(Average interest-bearing liabilities - average liquid funds)
/ (Operating profit + Depreciations and amortisations)