nokian TYRES

FINANCIAL REVIEW 2020

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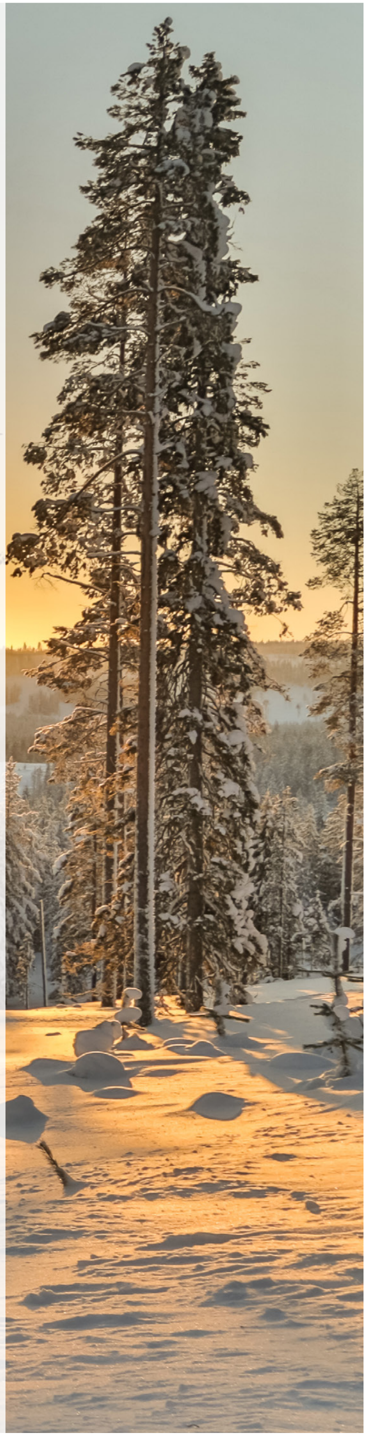


NOKIAN TYRES IN BRIEF

Nokian Tyres develops and manufactures premium tires for people who value safety, sustainability, and innovativeness. Our products are used in millions of passenger cars, trucks, and heavy machinery each day. We offer peace of mind in all conditions and instill our Scandinavian heritage in every tire we make.

Our business is divided into three units: Passenger Car Tyres, Heavy Tyres and Vianor, which is our chain of tire and car service centers. Our manufacturing plants are located in Finland, Russia, and the US, where we started commercial tire production in January 2020.

Intensive tire testing is a vital part of product development and ensures high quality of our products. We operate two tire test centers in Finland and one in Spain, which allows for year-round testing of tires.

Nokian Tyres is the inventor of the winter tire. The diverse portfolio of winter tires is complemented with summer, all-weather, and all-season tires. Our products are sold in approximately 70 countries. We are the market leader in premium tires in the Nordic countries and Russia and are strengthening our position in North America and Central Europe.

Sustainability is an essential part of our business. We aim for sustainable safety and eco-friendliness throughout the product life cycle, and are committed to promoting safe and responsible driving culture.

In 2020, the company's net sales were 1,3 billion and it employed some 4,600 people. Nokian Tyres is listed on Nasdaq Helsinki.

SAFE, SUSTAINABLE AND INNOVATIVE PRODUCTS

NET SALES
1,314
(1,585)
EUR MILLION

4,600
(4,700)
EMPLOYEES

WINTER TIRES
68%
(71%)
OF TOTAL SALES

3.7
(4.3)
LOST TIME INJURY FREQUENCY (LTIF)

PRODUCTS SOLD IN
69
(61)
COUNTRIES

KEY FIGURES 2020

EUR million	2020	2019	Change %	CC [1] Change %
Net sales	**1,313.8**	1,585.4	-17.1%	-13.3%
Operating profit	**120.0**	316.5		
Operating profit %	**9.1%**	19.8%		
Profit before tax	**106.0**	336.7		
Profit for the period	**86.0**	399.9		
Earnings per share [2], EUR	**0.62**	2.89		
Segments operating profit	**190.2**	337.2		
Segments operating profit %	**14.5%**	21.3%		
Segments earnings per share [2], EUR	**1.04**	3.06		
Segments ROCE, %	**9.3%**	18.6%		
Equity ratio, %	**65.3%**	75.9%		
Cash flow from operating activities	**422.4**	219.8		
Gearing, %	**-1.1%**	2.3%		
Interest-bearing net debt	**-17.2**	41.1		
Capital expenditure	**149.9**	290.1		
Personnel (at the end of year) [3]	**4,603**	4,847		
LTIF [4]	**3.7**	4.3		
Rolling resistance [5], %	**8.5%**	8.3%		

[1] Comparable currencies

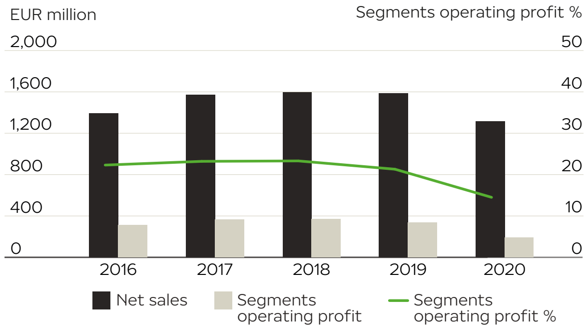
[2] EPS 2019 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 1.81. Segments EPS 2019 excl. the impact were EUR 1.98.

[3] 2019 figure corrected to include passive employments (employees on long leaves).

[4] Lost Time Injury Frequency: the number of lost time injuries occurring in a workplace per 1 million hours worked.

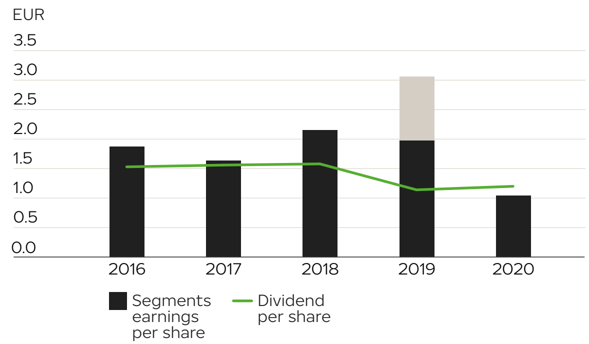
[5] Reduction of rolling resistance since 2013. Rolling resistance refers to the energy lost when a tire rolls against the road surface.

NET SALES AND SEGMENTS OPERATING PROFIT*



	2016	2017	2018	2019	2020
Net sales, MEUR	1,391.2	1,572.5	1,595.6	1,585.4	**1,313.8**
Segments operating profit, MEUR	310.5	365.4	372.4	337.2	**190.2**
Segments operating profit %	22.3	23.2	23.3	21.3	**14.5**

SEGMENTS EARNINGS PER SHARE AND DIVIDEND PER SHARE*

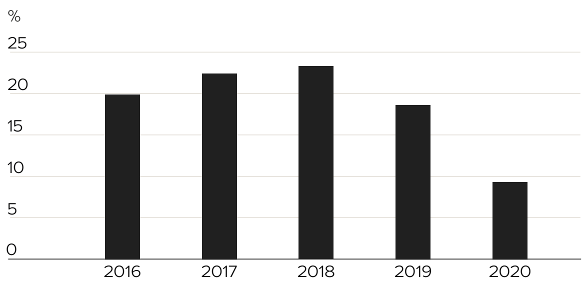


	2016	2017	2018	2019	2020
Segments earnings per share, EUR	1.87	1.63	2.15	3.06*	**1.04**
Dividend per share, EUR	1.53	1.56	1.58	1.14	**1.20****

* Segments EPS 2019 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 1.98

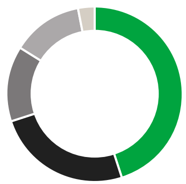
** The Board's proposal to the Annual General Meeting

SEGMENTS ROCE*, %



	2016	2017	2018	2019	2020
Segments ROCE, %	19.9	22.4	23.3	18.6	**9.3**

NET SALES BY GEOGRAPHICAL AREA, %



	2019	2020
Nordic countries	39	**45**
Other Europe	24	**25**
Russia and Asia	21	**14**
Americas	13	**13**
Other countries	4	**3**

NET SALES BY BUSINESS UNIT*, %

	2019	2020
Passenger Car Tyres	71	**66**
Heavy Tyres	13	**15**
Vianor	21	**24**

* Including internal sales

* Comparable Segments Total figures for 2019–2020, earlier years reported based on IFRS

IN 2020, WE CONTINUED TO STRENGTHEN OUR POSITION BY LAUNCHING AN EXPANDING RANGE OF INNOVATIVE, NEXT-GENERATION PRODUCTS TO THE MARKETS. WE WERE AGAIN RECOGNIZED FOR OUR SUSTAINABILITY WORK.

HIGHLIGHTS OF THE YEAR

WE WERE AGAIN INCLUDED IN DJSI WORLD AND DJSI EUROPE SUSTAINABILITY INDICES

TIRE PRODUCTION began in the US factory

We are launching a **RECORD NUMBER OF NEW PRODUCTS** in 2020–2021

Sales of Nokian Tyres Intuitu **SMART TIRES** started in Finland

Heavy Tyres reached a full year with **ZERO LOST-TIME INJURIES**

WE REDUCED ROLLING RESISTANCE BY 8.5% on average in 2013–2020

NEW GUINNESS WORLD RECORD was set on our low rolling resistance winter tires

Tire testing in the **SPAIN TEST CENTER** is in the ramp-up phase

NAVIGATING TOGETHER THROUGH TOUGH TIMES

"Nokian Tyres' agile organization and strong brand showed their strength once again

2020 was an exceptional year. The COVID-19 pandemic stopped the entire world for a moment, rapidly changing both our personal and business lives. Despite the unprecedented circumstances, Nokian Tyres' agile organization and strong brand showed their strength once again – proving the resilience of our business model. While our net sales and segments operating profit declined, the cash flow improved significantly, and we maintained a strong balance sheet. I could not be prouder of the results our team has achieved in these turbulent times.

COVID-19 hit the car and tire industries heavily in spring 2020, as restrictions entered into force impacting the movement and buying behavior of consumers. Even though some signs of improving demand could be seen during the second half of the year, the entire year was overshadowed by uncertainty.

Under these exceptional conditions, we focused on safeguarding the health and safety of our employees and ensuring the continuity of our business. We quickly reacted to changes in the market by adjusting our production, cutting costs, and reducing investments. Special attention was paid to cash flow through active working capital management. These tactical measures were effective and enabled good results toward the end of the year.

In 2020, we took measures to reduce high carry-over stocks in the Russian distribution channel. These actions were necessary to ensure that we remain competitive and continue to build a sustainable business going forward. The measures were successful and we exceeded our target, however, they did have a negative impact on Passenger Car Tyres' sales in 2020. Heavy Tyres and Vianor performed well in the volatile market.

Competitiveness through investments

In the past quarters, Nokian Tyres has made significant investments that will guarantee growth opportunities far into the future. Our US factory started commercial tire production in January 2020, and the test center in Spain, with over 10 test tracks, will be completed during the first half of 2021. The project to increase Heavy Tyres' capacity in Finland is proceeding as planned. Part of this investment is a large-scale R&D center, which is now up and running, and will be a significant improvement both in terms of testing quantity and quality.

Our production platform now consists of three factories, which will further improve our service capacity and bring greater flexibility to production planning. In 2020, we sharpened the focus of each factory. We aim to maximize production in Russia, while continuing to ramp up production in North America. At the Nokia factory in Finland, we continue to increase heavy tire manufacturing, and focus passenger car tire production on high-quality premium tires and prototypes.

This significant investment phase will soon be completed. This will improve cash flow but also challenge us to make efficient use of these investments. We have a new and inspiring chapter ahead, and there is no doubt that Nokian Tyres is ready to build an even stronger foothold in its key markets.

New products as growth drivers

We have a strong position in the Nordic countries and Russia and growth potential in Central Europe and North America, in particular, where we have been working hard to expand distribution, market our products, and better understand consumer needs. This will help build our growing market share in these regions.

Growth requires continued success in product development and an attractive product portfolio that meets consumer needs. In 2020–2021, we are introducing a record number of new winter, summer, and all-season tires for passenger cars, trucks, and heavy machinery. I am impressed by the enormous dedication that our teams put into this work. New innovations and a growing range of products in carefully selected segments support our customers' success and are a key driver for boosting our sales.

Pioneer in sustainability

Sustainability is at the heart of everything we do. For example, we have been actively reducing the rolling resistance of our products in order to help cut greenhouse gas emissions. Our long-term work in sustainability is widely recognized, as we were once again included in the Dow Jones sustainability World and Europe indices. In addition, we were the first tire company in the industry to have its ambitious emissions targets approved by the Science Based Targets initiative.

We have made major advances in occupational safety. In 2020, our LTIF figure decreased from 4.3 to record low level of 3.7, and Heavy Tyres gained another year without any lost time accidents leading to absence. However, the work continues, as even a single accident is one too many.

Facing the future with confidence

We have many opportunities to develop our business further. In 2021, our focus will be on growth and cash flow. Growth will be driven by innovative new products, together with continuous improvements in go-to-market activities. With our current capacity and competence, we remain strong, resilient and well-positioned to capture profitable growth opportunities as we move forward. Our goal is to pay predictable and competitive dividends to our shareholders and maintain a strong financial position.

Nokian Tyres has a valued brand and a highly competent team that has achieved excellent results in these exceptional times. I would like to thank all our employees for their great efforts and commitment, which have helped us to navigate the challenging year and will drive our future success.

I also extend my warm thanks to our valued customers, shareholders, and other stakeholders for their support and trust in 2020.

Jukka Moisio
President & CEO

> In 2021, our focus will be on growth and cash flow

REPORT BY THE BOARD OF DIRECTORS 2020

In 2020, the COVID-19 pandemic had a significant impact on global car and tire demand. Even though some signs of improving demand could be seen during the second half of the year, the year was overshadowed by uncertainty.

In the volatile operating environment, Nokian Tyres continued its key projects, including the US factory, test center in Spain and Heavy Tyres capacity expansion, to support the company's long-term growth. The short-term focus was on cash flow and cost control.

In 2020, Nokian Tyres got its ambitious climate change targets for cutting greenhouse gas emissions approved by the Science Based Targets initiative as the first company in the tire industry. Occupational safety continued to develop positively.

Nokian Tyres increased the level of disclosure in order to provide greater transparency on the underlying performance of the company and its business lines. Starting with the results for the first quarter of 2020, Nokian Tyres reported non-IFRS figures in addition to its IFRS-reported results, which is also in line with reporting practices in the tire industry.

Nokian Tyres supplemented its financial reporting with non-IFRS figures on operational performance and allocation of resources. The non-IFRS figures should not be viewed in isolation or as substitutes for the equivalent IFRS figure(s) but should be used in conjunction with the most directly comparable IFRS figure(s) in the reported results.

The Segments Total figures exclude costs related to the US factory ramp-up, impairment charges, restructuring and certain other items, which are not indicative of Nokian Tyres' underlying business performance. The Segments Total figures for 2019 exclude the US ramp-up costs only.

Net sales and segments operating profit

Net sales in 2020 decreased by 17.1% and amounted to EUR 1,313.8 million (2019: 1,585.4; 2018: 1,595.6). With comparable currencies, net sales decreased by 13.3% especially due to the COVID-19 pandemic, the measures taken to reduce carry-over stocks in the Russian passenger car tire distribution channel, and the mild winter 2019–2020 in all main markets. Currency exchange rates affected net sales negatively by EUR 61.1 million.

Net sales by geographical area

EUR million	2020	2019	Change %	CC* Change %	% of total net sales in 2020	% of total net sales in 2019
Nordics	**592.2**	613.2	−3.4%	−0.9%	**45%**	39%
Other Europe	**330.9**	375.5	−11.9%	−9.0%	**25%**	24%
Russia and Asia	**188.7**	324.3	−41.8%	−33.0%	**14%**	21%
Americas	**166.7**	209.3	−20.3%	−17.5%	**13%**	13%
Other	**35.4**	63.2	−44.0%	−43.9%	**3%**	4%
Total	**1,313.8**	1,585.4	−17.1%	−13.3%	**100%**	100%

* Comparable currencies

Net sales by business unit

EUR million	2020	2019	Change %	CC* Change %	% of total net sales in 2020**	% of total net sales in 2019**
Passenger Car Tyres	**871.3**	1,123.8	−22.5%	−18.0%	**66%**	71%
Heavy Tyres	**194.6**	202.7	−4.0%	−1.8%	**15%**	13%
Vianor	**318.1**	336.5	−5.5%	−2.8%	**24%**	21%
Other operations and eliminations	**−70.1**	−77.6	9.6%			
Total	**1,313.8**	1,585.4	−17.1%	−13.3%		

* Comparable currencies
** Includes internal sales

Raw material unit costs (EUR/kg) in manufacturing decreased by 12.0% year-over-year, positively impacted by currencies.

Segments operating profit amounted to EUR 190.2 million (2019: 337.2). The decline was mainly due to the COVID-19 (impact approximately EUR −50 million), the lower sales in Russia (impact approximately EUR −50 million), and the low factory utilization rate. Segments operating profit percentage was 14.5% (2019: 21.3%).

Operating profit amounted to EUR 120.0 million (2019: 316.5; 2018: 372.4). The non-IFRS exclusions were EUR −70.2 million (−20.8), including EUR −26.7 million (−13.9) related to the US factory ramp-up. Operating profit percentage was 9.1% (2019: 19.8%; 2018: 23.3%).

Segments operating profit by business unit

EUR million	2020	2019*
Passenger Car Tyres	**177.8**	308.5
Heavy Tyres	**23.7**	35.7
Vianor	**4.0**	7.7
Other operations and eliminations	**−15.3**	−14.7
Segments operating profit total	**190.2**	337.2
Non-IFRS exclusions	**−70.2**	−20.8

* As of 2020, Nokian Tyres reports non-IFRS figures in addition to its IFRS-reported results. Restated figures for 2019 were published as a stock exchange release on April 24, 2020.

Financial items and taxes

Net financial expenses were EUR 14.0 million (income 20.3; includes a return of EUR 35.9 million related to the rulings on the tax disputes), including net interest expenses of EUR 8.6 million (income 29.4). Net financial expenses include an expense of EUR 5.4 million (9.1) due to exchange rate differences. Segments profit before tax was EUR 176.2 million (357.5; positively impacted by the returned punitive interest of EUR 34.4 million related to the tax disputes in the previous fiscal years). Profit before tax was EUR 106.0 million (336.7) and taxes were EUR 20.0 million (63.1; positively impacted by the returned additional taxes and punitive increases of EUR 115.2 million in the previous fiscal years). Segments profit for the period amounted to EUR 144.4 million (420.6; positively impacted by EUR 149.6 million related to the final rulings on the tax disputes concerning the years 2007–2011). Profit for the period amounted to EUR 86.0 million (399.9; positively impacted by EUR 149.6 million related to the rulings on the tax disputes). Segments earnings per share were EUR 1.04 (3.06; positively impacted by EUR 1.08 related to the rulings on the tax disputes). Earnings per share were EUR 0.62 (2.89; positively impacted by EUR 1.08 related to the rulings on the tax disputes).

Return on equity was 5.2% (2019: 24.6%, positively impacted by the tax disputes; 2018: 20.0%).

Guidance given for 2020

In Nokian Tyres' financial statement release for 2019 published in February 2020, the company published the following outlook for the year:

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.

In March 2020, the Board of Directors of Nokian Tyres plc withdrew the company's financial guidance for 2020 due to the COVID-19 outbreak, which increased the uncertainty in the car and tire market.

Cash flow

In 2020, cash flow from operating activities was EUR 422.4 million (219.8). In the volatile environment due to COVID-19, the company increased focus on working capital management, taking manufacturing downtime to reduce inventory levels and reducing capital spending to ensure a healthy cash flow. Working capital decreased by EUR 169.9 million (increased by 235.7). Inventories decreased by EUR 25.2 million (decreased by 6.1) and receivables decreased by EUR 121.9 million (increased by 68.0). Payables increased by EUR 22.8 million (decreased by 173.8).

Investments

Investments in 2020 amounted to EUR 149.9 million (290.1). This includes construction of the new US factory and the test center in Spain, and production investments in Heavy Tyres. Strategic projects proceeded in line with the plan with some delays due to COVID-19. Commercial tire production began in the US factory in January 2020. The test center in Spain will be completed during the first half of 2021. Depreciations and amortizations totaled EUR 131.1 million (125.2). Impairments were EUR 24.9 million (0.0).

Financial position on December 31, 2020

In 2020, Nokian Tyres implemented actions to strengthen its liquidity position, which as of December 31, 2020 amounted to EUR 709.6 million, including cash, cash equivalents and undrawn committed short- and long-term credit limits (EUR 424.3 million at the end of 2019). A total of EUR 275 million bilateral loans, which were withdrawn in the first half of the year, were prepaid before maturity at the end of the year.

EUR million	December 31, 2020	December 31, 2019
Cash and cash equivalents	**504.2**	218.8
Interest-bearing liabilities	**487.0**	259.9
of which current interest-bearing liabilities	**229.7**	30.9
Interest-bearing net debt	**−17.2**	41.1
Unused credit limits*	**507.1**	561.0
of which committed	**205.5**	205.5
Gearing ratio, %	**−1.1%**	2.3%
Equity ratio, %	**65.3%**	75.9%

* 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. The commercial paper program was increased from EUR 350 million to EUR 500 million in April 2020.

Personnel

During the year, Nokian Tyres took necessary precautions to ensure the health and safety of its employees and partners due to the COVID-19 outbreak. These included limiting travelling, remote work, social distancing, face masks, and implementing other health and safety practices. In addition, training and webinars were offered to the employees and managers to cope with the special working circumstances. Cost saving measures were implemented based on demand. Nokian Tyres' Group Management Team contributed to the savings with a salary reduction equivalent to one month's salary in 2020.

Occupational health and safety KPIs continued to improve. Nokian Tyres' accident frequency (LTIF, the number of lost time injuries occurring in a workplace per 1 million hours worked) dropped from 4.3 to 3.7.

	2020	2019*	2018
Group employees			
on average	**4,859**	4,995	4,790
at the end of the review period	**4,603**	4,847	4,719
in Finland, at the end of the review period	**1,721**	1,781	1,769
in Russia, at the end of the review period	**1,528**	1,604	1,574
in North America, at the end of the review period	**229**	296	191
Vianor (own) employees, at the end of the review period**	**1,411**	1,504	1,563

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

** Included in Group employee figures

Salaries, incentives, and other related costs in 2020 were EUR 224.7 million (2019: 235.3; 2018: 228.9).

Research and development

In 2020, Nokian Tyres introduced several new tire models. Approximately 50% of R&D investments is allocated to product testing. Nokian Tyres' R&D costs in 2020 totaled EUR 22.7 million (2019: 22.7; 2018: 20.8), which is 8.0% (2019: 8.8%; 2018: 5.8%) of the operating expenses.

To support the testing of new tires, Nokian Tyres is building a new test center in Spain. The building will be completed during the first half of 2021, and tire testing is in the ramp-up phase.

Sales and distribution

Good availability and precise, quick deliveries especially during season are an increasingly important part 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 2020, the number of stores was as follows:

- Vianor: 1,117 (1,170) service centers in total, of which 943 (981) partners
- NAD: 2,282 (2,182) stores
- N-Tyre: 124 (133) stores

BUSINESS UNIT REVIEWS

Passenger Car Tyres

EUR million	2020	2019	Change %	CC* Change %
Net sales	**871.3**	1,123.8	−22.5%	−18.0%
Segment operating profit	**177.8**	308.5		
Segment operating profit, %	**20.4%**	27.4%		

* Comparable currencies

In 2020, net sales of Passenger Car Tyres totaled EUR 871.3 million (1,123.8). With comparable currencies, net sales decreased by 18.0% as a result of the COVID-19 pandemic, the measures taken in Russia to reduce carry-over stocks in the distribution channel, and the mild winter 2019–2020. Average Sales Price with comparable currencies decreased in 2020 due to commercial programs to advance sell-out, and as the share of winter tire sales decreased. The share of sales volume of winter tires was 68% (71%), the share of summer tires was 20% (19%), and the share of all-season tires was 12% (10%).

Both summer and winter tire inventories in the Russian distribution channel were decreased significantly compared to the previous year, with both seasons ending with low inventory levels, and the company achieved its inventory level targets in the distribution channel set for 2020. In winter tires, Nokian Tyres' actions to limit sell-in and support sell-out in 2020 resulted in the company outperforming the market in terms of sell-out.

Production output (pcs) decreased by 17.1% year-over-year. Production was adjusted according to demand in Russia and Finland. In the US factory, commercial production started during the first quarter of the year. The US ramp-up has been slower than planned due to COVID-19. In 2020, 87% (85%) of passenger car tires (pcs) were manufactured in Russia.

Segment operating profit was EUR 177.8 million (308.5). The decline was mainly due to the lower sales in Russia (impact approximately EUR −50 million), the COVID-19 (impact approximately EUR −45 million), and the low factory utilization rate in all locations.

Nokian Tyres launched a new UHP winter tire Nokian Snowproof P in March and a new Seasonproof all-season tire range in September for Central European market. In September, the Nokian Hakka summer tire range for Northern conditions expanded with two new premium summer tires, Nokian Hakka Green 3 and Nokian Hakka Van and the Nokian Nordman tire range got two new additions: Nokian Nordman SZ2 and Nokian Nordman S2 SUV. In December, the company announced that, in early 2021, it will introduce a new Nokian Hakkapeliitta 10 winter tire range as well as new studded Nokian Nordman 8 and Nokian Nordman 8 SUV winter tires.

Heavy Tyres

EUR million	2020	2019	Change %	CC* Change %
Net sales	**194.6**	202.7	−4.0%	−1.8%
Segment operating profit	**23.7**	35.7		
Segment operating profit, %	**12.2%**	17.6%		

* Comparable currencies

In 2020, net sales of Heavy Tyres totaled EUR 194.6 million (202.7). With comparable currencies, net sales decreased by 1.8%, due to the lower sales volume especially in OE forestry tires. Sales in Nokian Tyres' other core product segments remained relatively stable. Excluding the Levypyörä acquisition in August 2019, net sales with comparable currencies declined by 5.8%.

Segment operating profit was EUR 23.7 million (35.7), negatively impacted by volumes, low factory utilization rate, investments and maintenance work in production, and currencies.

A flow of product launches with new innovations continued in 2020. For example, new Nokian Hakkapeliitta Truck E2 and Nokian E-Truck 17.5 tire ranges were launched and the production of a new tractor tire, Nokian Ground King, started. In addition, several new sizes to existing product ranges were introduced and the first agricultural and contracting tractor tires equipped with Nokian Tyres Intuitu smart tire technology became available for sales.

Vianor, own operations

EUR million	2020	2019	Change %	CC* Change %
Net sales	**318.1**	336.5	−5.5%	−2.8%
Segment operating profit	**4.0**	7.7**		
Segment operating profit, %	**1.3%**	2.3%		
Number of own service centers at period end	**174**	189		

* Comparable currencies
** Includes EUR 2.0 million profit from sale of real estate

In 2020, net sales of Vianor totaled EUR 318.1 million (336.5). With comparable currencies, net sales decreased by 2.8%.

Segment operating profit was EUR 4.0 million (7.7, includes EUR 2.0 million profit from sale of real estate).

Vianor US network, including ten service centers, was sold in August. Nokian Tyres' products are offered in the US via selected partners.

At the end of the review period, Vianor had 174 (189) own service centers in Finland, Sweden and Norway.

Segments Total to Nokian Tyres Total reconciliation

1–12/2020	Net sales	Cost of sales	SGA	Other operating income/ expenses	Operating profit	Financial income/ expenses	Taxes	Profit for the period
Segments Total	1,313.8	−871.9	−232.8	−18.8	190.2	−14.0	−31.9	144.4
US factory ramp-up		−24.4	−2.3		−26.7		5.3	−21.4
Impairments and write-downs of tangible and intangible assets, and certain other items		−11.9	−13.7	−5.0	−30.6		6.1	−24.5
Unification of the Group's accounting principles of product development costs		−4.7	−4.9		−9.6		1.9	−7.7
Non-operative items and others		−0.5	−8.7	5.8	−3.4	0.0	−1.5	−4.8
Total Non-IFRS exclusion		−41.5	−29.6	0.8	−70.2	0.0	11.8	−58.4
Nokian Tyres Total	1,313.8	−913.4	−262.4	−18.0	120.0	−14.0	−20.0	86.0

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 December 2020, the number of shares was 138,921,750.

Number of shares (million units)*	31.12.20	31.12.19
at the end of period	**138.22**	138.72
in average	**138.46**	138.17
in average, diluted	**138.46**	138.38

*Excluding treasury shares

Authorizations

In 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 will be effective until the next Annual General Meeting, however at most until June 30, 2021.

In 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 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, 2021. This authorization will invalidate all other Board authorizations regarding share issues and special rights.

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 corresponded to 3.6% of all shares in the company at the time of the proposal. The authorization was effective until the Annual General Meeting of 2020.

The Board did not utilize the authorizations in 2020.

Own shares

No share repurchases were made during the review period, and the company did not possess any own shares on December 31, 2020. Nokian Tyres has an agreement with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns Nokian Tyres' shares related to the incentive program until the shares are given to the participants of the program. On December 31, 2020, the number of these shares was 697,400, reported as treasury shares (December 31, 2019: 197,947). 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 279,145,453 (175,964,982) Nokian Tyres' shares were traded in Nasdaq Helsinki in 2020, representing 201% (127%) of the company's overall share capital. The average daily volume in 2020 was 1,107,720 shares (703,860). 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 87,417,402 (109,439,468) shares in 2020.

Nokian Tyres' share price was EUR 28.82 (25.63) at the end of 2020. The volume weighted average share price in 2020 was EUR 22.15 (27.63), the highest was EUR 31.14 (32.44) and the lowest was EUR 16.38 (23.71). The company's market capitalization at the end of the period was EUR 4.0 billion (3.6 billion).

At the end of the review period, the company had 58,563 (54,067) registered shareholders. The percentage of Finnish shareholders was 42.5% (34.9%), and 57.5% (65.1%) were non-Finnish holders and foreign shareholders registered in the nominee register. Public sector entities owned 13.7% (10.1%), financial and insurance corporations 7.2% (4.6%), households 14.4% (13.7%), non-profit institutions 3.5% (3.6%), and private companies 3.7% (2.8%).

Major shareholders on December 31, 2020

(Does not include nominee registered shareholders or treasury shares)

	Number of shares	% of share capital
1. Solidium Oy	10,800,000	7.77
2. Ilmarinen Mutual Pension Insurance Company	3,600,678	2.59
3. Varma Mutual Pension Insurance Company	2,060,889	1.48
4. Elo Mutual Pension Insurance Company	1,566,285	1.13
5. OP-Finland	1,500,000	1.08
6. Nordea Nordic Small Cap Fund	1,186,266	0.85
7. Mandatum Life Insurance Company Ltd.	888,717	0.64
8. The State Pension Fund	750,000	0.54
9. Nordea Nordic Fund	652,163	0.47
10. Danske Invest Finnish Equity Fund	630,000	0.45

Changes in ownership

Transaction date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %
March 9, 2020	Sprucegrove Investment Management	Above 5%	5.01%		5.01%
March 10, 2020	BlackRock, Inc	Below 5%	4.98%	0.86%	5.85%
March 19, 2020	BlackRock, Inc	Above 5%	5.02%	0.66%	5.69%
June 11, 2020	BlackRock, Inc	Below 5%	4.96%	0.94%	5.90%
June 12, 2020	BlackRock, Inc	Above 5%	5.22%	1.06%	6.28%
June 17, 2020	Sprucegrove Investment Management	Below 5%	4.92%		4.92%
June 17, 2020	BlackRock, Inc	Below 5%	4.91%	0.97%	5.89%
June 29, 2020	BlackRock, Inc	Above 5%	5.04%	0.43%	5.47%
June 30, 2020	BlackRock, Inc	Below 5%	4.67%	0.57%	5.24%
July 10, 2020	BlackRock, Inc	Above 5%	5.22%	0.51%	5.73%
July 14, 2020	BlackRock, Inc	Below 5%	4.46%	0.84%	5.30%
July 15, 2020	BlackRock, Inc	Above 5%	5.25%	0.73%	5.98%
July 27, 2020	BlackRock, Inc	Below 5%	4.90%	0.77%	5.68%
July 27, 2020	Sprucegrove Investment Management	Above 5%	5.15%		5.15%
October 27, 2020	BlackRock, Inc	Above 5%	5.07%	0.33%	5.21%
October 27, 2020	Société Générale SA	Above 5%	0.66%	5.21%	5.87%
October 28, 2020	BlackRock, Inc	Below 5%	4.89%	0.14%	5.03%
October 29, 2020	Société Générale SA	Below 5%	0.70%	4.24%	4.94%
October 30, 2020	Société Générale SA	Above 5%	0.68%	4.53%	5.21%
November 9, 2020	BlackRock, Inc	Above 5%	5.04%	0.76%	5.81%
November 10, 2020	BlackRock, Inc	Below 5%	4.94%	0.77%	5.71%
December 1, 2020	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
December 2, 2020	BlackRock, Inc	Above 5%	4.69%	0.47%	5.16%
December 4, 2020	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
December 9, 2020	BlackRock, Inc	Above 5%	4.49%	0.52%	5.01%
December 22, 2020	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
December 29, 2020	BlackRock, Inc	Above 5%	4.84%	0.27%	5.12%
December 30, 2020	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%

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

Shareholdings of the Board of Directors, the President and CEO, and the Management Team on December 31, 2020

Board of Directors	Number of shares
Jukka Hienonen, chairman	12,795
Kari Jordan, deputy chairman	3,611
Heikki Allonen, member	3,617
Raimo Lind, member	6,462
Veronica Lindholm, member	3,617
Inka Mero, member	5,010
George Rietbergen, member	2,954
Pekka Vauramo, member	2,424
Total	**40,490**

President and CEO	Number of shares
Jukka Moisio	18,000

Management Team	Number of shares
Päivi Antola, Corporate Communications & IR	1,264
Anna Hyvönen, North America, Nordics & Vianor	21,715
Adrian Kaczmarczyk, Supply Operations	0
Tarja Kaipio, Human Resources	7,977
Teemu Kangas-Kärki, Finance	7,014
Jukka Kasi, Products & Innovations	4,420
Bahri Kurter, Central Europe	0
Andrei Pantioukhov, Russia & Asia, Global Marketing	69,359
Manu Salmi, Heavy Tyres & Nokia Factory	26,601
Timo Tervolin, Strategy & M&A	6,385
Frans Westerlund, IT & Processes	4,042
Total	**148,777**

On December 31, 2020, Nokian Tyres' Board members and the President and CEO held a total of 58,490 Nokian Tyres shares. The shares represent 0,04% of the total number of votes.

Managers' transactions

Nokian Tyres announced managers' transactions on May 11 and November 3. Read more at: www.nokiantyres.com/company/publications/releases/2020/managementTransactions/

DECISIONS MADE AT THE ANNUAL GENERAL MEETING

On April 2, 2020, the Annual General Meeting (AGM) of Nokian Tyres approved the Financial Statements for 2019, discharged the members of the Board of Directors and the President and CEO from liability for the 2019 financial year and adopted the Remuneration Policy.

Dividend

The meeting decided that a dividend of EUR 0.79 per share shall be paid for the period ending on December 31, 2019. The dividend payment date was April 17, 2020 and the dividend was paid to shareholders included in the shareholder list maintained by Euroclear Finland Oy on the record date of April 6, 2020.

In October 2020, the Board of Directors decided on the payment of the second dividend instalment, based on the authorization given by the AGM. The second instalment of EUR 0.35 per share was paid to shareholders included in the shareholder list maintained by Euroclear Finland Ltd on the record date of October 29, 2020. The dividend payment date was December 9, 2020.

The total amount of dividends paid by Nokian Tyres for the financial year 2019 was EUR 1.14 per share.

Members of the Board of Directors and Auditors

The meeting decided that the Board of Directors has eight members. Heikki Allonen, Kari Jordan, Raimo Lind, Veronica Lindholm, Inka Mero, George Rietbergen and Pekka Vauramo were re-elected to the Board of Directors. Jukka Hienonen was elected as a new member to the Board of Directors.

The AGM elected audit firm KPMG Oy Ab as auditor.

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 7,917 or EUR 95,000 per year, the monthly fee paid to the Deputy Chairman of the Board and to the Chairman of the Audit Committee shall be EUR 5,833 or EUR 70,000 per year, and the monthly fee paid to Members of the Board shall be EUR 3,958 or EUR 47,500 per year.

60% of the annual fee is to be paid in cash and 40% in Company shares, to the effect that in the period from May 6 to June 5, 2020, EUR 38,000 worth of shares in Nokian Tyres plc will be purchased at the stock exchange on behalf of the Chairman of the Board, EUR 28,000 worth of shares in Nokian Tyres plc will be purchased at the stock exchange on behalf of the Deputy Chairman of the Board and Chairman of the Audit committee, and EUR 19,000 worth of shares will be 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 video connection, the remuneration will be EUR 600. Travel expenses will be compensated in accordance with the company's travel policy.

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 corresponded to approximately 9.9% of all shares in the company at the time of the proposal. The authorization will be effective until the next AGM, however at most until June 30, 2021.

The AGM 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 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, 2021. This authorization will invalidate all other Board authorizations regarding share issues and special rights.

Establishment of a Shareholders' Nomination Board

The AGM decided to establish a Shareholders' Nomination Board to prepare proposals to the Annual General Meeting and, when necessary, to the Extraordinary General Meeting concerning the number of members, the composition, the Chairman and possible Deputy Chairman of the Board of Directors as well as the remuneration of the Board of Directors and Committees as well as to identify possible successor candidates for the members of the Board of Directors. In addition, the AGM decided to approve the Charter of the Shareholders' Nomination Board.

Amendments of the articles of association

In 2020, the Annual General Meeting resolved to amend the Articles of Association §4 and §11 as follows:

§4 Board of Directors
The Company's administration and proper organization of operations shall be the responsibility of the Board of Directors, consisting of a minimum of four and a maximum of nine members, in accordance with the decision made by the General Meeting of the Shareholders. The term of office of the members of the Board of Directors ends at the closing of the first Annual General Meeting following the election.

§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. adoption of the remuneration policy, when necessary;
7. adoption of the remuneration report;
8. the remuneration payable to the members of the Board of Directors and the auditor;
9. the number of the members of the Board of Directors;

shall elect:
10. the members of the Board of Directors;
11. an auditor; and

shall deal with:
12. any other matters mentioned in the notice of the meeting.

BOARD OF DIRECTORS' WORKING ARRANGEMENTS

In the Board meeting on April 2, 2020, Jukka Hienonen 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 Jukka Hienonen 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.

SHAREHOLDERS' NOMINATION BOARD

The 2020 Annual General Meeting decided to establish a Shareholders' Nomination Board. The Nomination Board consists of five members of which four members represent the company's four largest shareholders, and one member is the Chairman of the Board. In June 2020, the following members were appointed to the Board:

- Antti Mäkinen (CEO, Solidium Oy), appointed by Solidium Oy
- Heikki Westerlund (board professional), appointed by Bridgestone Corporation
- Mikko Mursula (Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company), appointed by Ilmarinen Mutual Pension Insurance Company
- Timo Sallinen (Senior Vice President, Investments, Varma Mutual Pension Insurance Company), appointed by Varma Mutual Pension Insurance Company
- Jukka Hienonen, Chairman of the Board, Nokian Tyres plc

The Shareholders' Nomination Board proposes to the 2021 Annual General Meeting that the Board consist of nine members, the Chairman and the Deputy Chairman included, and that of the current Board members, Heikki Allonen, Jukka Hienonen, Raimo Lind, Veronica Lindholm, Inka Mero, George Rietbergen and Pekka Vauramo be re-elected and Christopher Ostrander and Jouko Pölönen be elected as new members to the Board of Directors for a term ending at the end of the 2022 Annual General Meeting.

Jukka Hienonen is proposed to be elected as Chairman and Pekka Vauramo as Deputy Chairman of the Board of Directors. Of the current members, Kari Jordan has informed that he is not available for re-election to the Board of Directors.

The Shareholders' Nomination Board proposes that the annual remuneration to be paid to the members of the Board of Directors elected at the Annual General Meeting 2021 be as follows:

- Chairman of the Board of Directors EUR 102,500 per year
- Deputy Chairman and the Chairman of the Audit Committee EUR 72,500 per year
- members EUR 50,000 per year

The Shareholders' Nomination Board further proposes that 60% of the annual fee be paid in cash and 40% in Company shares. For each Board and Board Committee meeting the fee is proposed to be EUR 700. For Board members resident in Europe, the fee for each meeting in Europe outside a member's home country is doubled, and for each meeting outside Europe the fee is tripled. For Board members resident outside Europe, the fee for each meeting outside a member's home country is tripled. If a member participates in a meeting via telephone or video connection, the remuneration is proposed to be EUR 700. Travel expenses are proposed to be compensated in accordance with the Company's travel policy.

CHANGES IN MANAGEMENT

In May 2020, Nokian Tyres' Board of Directors announced the appointment of Jukka Moisio as the new President and CEO of Nokian Tyres plc effective May 27, 2020. Jukka Moisio succeeds Hille Korhonen, who led the company for three years as the President and CEO, and prior to that as a member of the Board of Directors.

The members of Nokian Tyres Management Team as of January 2021 are:

Jukka Moisio, President & CEO
Andrei Pantioukhov, Executive Vice President, Russia, Asia and Global Marketing
Päivi Antola, Senior Vice President, Corporate Communications and Investor Relations
Anna Hyvönen, Executive Vice President, North America, Nordics and Vianor
Adrian Kaczmarczyk, Senior Vice President, Supply Operations
Teemu Kangas-Kärki, CFO
Jukka Kasi, Senior Vice President, Products & Innovations
Bahri Kurter, Executive Vice President, Central Europe
Päivi Leskinen, Senior Vice President, Human Resources as of May 2021, interim SVP HR Tarja Kaipio
Manu Salmi, Executive Vice President, Heavy Tyres and Nokia Factory

CORPORATE SUSTAINABILITY

In the first quarter of 2020, Nokian Tyres updated its Sustainability Strategy and Sustainability Road Map to guide the company's work on sustainability.

In May 2020, Nokian Tyres announced that its emissions reduction targets had been approved by the Science Based Targets initiative (SBTi) as the first tire company in the world. The targets covering greenhouse gas emissions from Nokian Tyres' operations (scopes 1 and 2) are consistent with reductions required to keep climate warming to below 2°C.

By 2030, Nokian Tyres commits to reduce scope 1 and 2 GHG emissions by 52% per ton of tires from a 2015 base year and scope 3 GHG emissions from purchased goods and services and upstream and downstream transportation and distribution by 25% per ton of tires from a 2018 base year. Nokian Tyres also commits to reduce scope 3 GHG emissions from the use of sold products by 25% per ton of tires by 2030 from a 2018 base year.

In October 2020, Nokian Tyres announced that its US factory's production building had earned LEED v4 Silver certification for green building leadership. The facility earned the certification due to a wide range of sustainable elements, including smart building automation designed to save energy, eco-friendly building materials, efficient water and waste management systems, electric vehicle charging stations in the parking lot and renewable energy generation via onsite solar panels.

In November 2020, Nokian Tyres was selected in Dow Jones' World Sustainability index for the fourth consecutive year. The company was also selected in the more strictly defined DJSI Europe index. The company received full 100 points in Product Quality & Recall Management, Environmental Reporting, Environmental Policy & Management and Social Reporting.

Nokian Tyres will publish its Corporate Sustainability Report for 2020 during the first quarter of 2021.

OTHER MATTERS

SHARE-BASED LONG-TERM INCENTIVE SCHEME 2020–2022 FOR THE MANAGEMENT AND SELECTED KEY EMPLOYEES OF NOKIAN TYRES PLC

On February 4, 2020, 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 2020–2022 as a continuation to the earlier plans decided in 2019. The decision includes Performance Share Plan 2020 ("PSP 2020") as the main structure and Restricted Share Plan 2020 ("RSP 2020") 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 2020

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 2020–2022) commences effective as of the beginning of 2020 and the potential share reward thereunder will be paid in the first half of 2023 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 2020–2022 are approximately 200 individuals, including the members of Nokian Tyres Management Team.

The potential share reward payable under the PSP 2020–2022 are based on the Earnings Per Share (EPS) and Return on Capital Employed (ROCE). The possible rewards paid based on the Performance Period of 2020–2022 will be a maximum of 569,260 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 2020

The purpose of the Restricted Share Plan is to serve as a complementary tool for individually selected key employees of Nokian Tyres in situations like new hires and retention needs. 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 the precondition described above, a financial performance criteria is applied to Nokian Tyres Management Team. A pre-set financial threshold value must be exceeded, for a payment or a share reward from the Restricted Share Plan 2020–2022 to take place. The financial performance threshold value is tied to Return on Capital Employed (ROCE).

The latest plan (RSP 2020–2022) within the Restricted Share Plan structure commenced effective as of the beginning of 2020 and the potential share reward thereunder will be paid in the first half of 2023. The possible rewards paid based on RSP 2020–2022 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. 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.

COVID-19 – SUMMARY OF ACTIONS

Employee health and safety actions:

- Continuous monitoring and communication of COVID-19 status in the organization
- Implementing health and safety guidance/orders of each country
- Travel and visitor restrictions in the early phases of the pandemic starting late February
- Remote working launched mid-March for most white-collar employees
- Protective measures in the factories and service outlets like separation of teams, active cleaning and increased hygiene

Operational response actions:

- Working capital management: continuous production capacity adjustments to manage the inventory levels and secure availability, enhanced actions to monitor customer payments
- Labor cost reduction: working together with employee representatives, implemented temporary layoffs across the company for both white collar and blue-collar employees
- Temporary closures of the manufacturing facilities in Russia, Finland and the US during March-May
- Management Team salary reduction equivalent to one month's salary
- Cost efficiencies: cutting and delaying activities in 2020, reducing discretionary spending

Financial response actions:

- Dividend EUR 0.79/share (2019: EUR 1.58). Furthermore, the Annual General Meeting authorized the Board of Directors to decide on an additional dividend payment of a maximum of EUR 0.79/share to be distributed in one or several instalments at a later stage when Nokian Tyres is able to make a more reliable estimate on the impacts of the COVID-19 to the company's business. On October 27, 2020, the Board decided on the distribution of a second dividend instalment of EUR 0.35 per share.
- Capex reduction from approximately EUR 200 million to EUR 149.9 million for 2020.
- Actions implemented to strengthen Nokian Tyres' liquidity position, which as of December 31, 2020 amounted to EUR 709.6 million, including cash, cash equivalents and undrawn committed short- and long-term credit limits (EUR 424.3 million at the end of 2019)
- Strong balance sheet supporting in difficult times

NON-FINANCIAL REPORTING STATEMENT

Nokian Tyres develops and manufactures premium tires for consumers and customers who value safety, sustainability, and innovative products. Sustainability is at the core of Nokian Tyres' business, and in 2020, the company was honored to be included in the prestigious DJSI World for a fourth consecutive year, as well as in the more strictly defined DJSI Europe.

Nokian Tyres is a supporting member of the United Nations Global Compact (UNGC) initiative and is committed to the Sustainable Development Goals (SDG's) set by the UN. Nokian Tyres is the first tire company to have its ambitious goals for reducing CO_2 emissions officially approved. The goals were published in May 2020.

Managing non-financial matters

The company's sustainability activities are led by a member of the Group's Management Team. The duties of all supervisors include day-to-day leadership of sustainability. Targets, milestones, development items, and other key topics are discussed by the Management Team at least twice a year, and at least once annually by the Board of Directors.

Nokian Tyres' business is guided by the ethical principles presented in the Board-approved Code of Conduct. The document specifies the principles for Nokian Tyres' business, including instructions for various matters related to ethics and the anti-bribery guidelines. When reporting a suspected misuse or violation, an employee is advised to contact either his/her supervisor, Internal Audit, Legal & Compliance, or the HR unit. Misconducts can also be reported by sending an email to whistleblow@nokiantyres.com or via regular mail.

Nokian Tyres requires that all of its raw material suppliers adhere to Nokian Tyres' Supplier Code of Conduct. All raw material suppliers must, at a minimum, have an ISO 9001 certified quality management system in place. Nokian Tyres prefers suppliers with an ISO 14001 certified environmental management system.

The risk management policy adopted by Nokian Tyres' Board of Directors supports achieving the company's strategic goals and ensuring business continuity. Read more about the company's risk management in the section Significant Risks and Uncertainties and in the Corporate Governance Statement.

In 2020, Nokian Tyres began renewing its sustainability goals, setting the target year for the new goals to 2025 and beyond. Goals and their targets are due to be finalized during 2021.

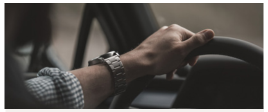
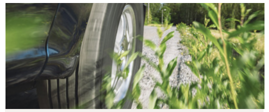
The former goals for 2015–2020 were mostly achieved and even exceeded. The results will be published in the Corporate Sustainability Report 2020 in March 2021.

Sustainability management at Nokian Tyres

Sustainability is a part of our company's culture, strategy and goals. The management of sustainability is based on our values of entrepreneurship, inventiveness and team spirit.

Our Sustainability Management is guided by Nokian Tyres Code of Conduct, Whistleblowing, Know Your Counterparty Guidelines and policies such as Environment, Safety and Quality Policy, Group Treasury Policy, Group Credit Policy, Risk Management Policy, Procurement Policy, Disclosure Policy, and IT Security Policy.

AREAS OF SUSTAINABILITY MANAGEMENT

Products / R&D	People	Economy	Environment	Procurement
				
We develop and manufacture ecofriendly, safe and high-quality tires that reach their destination safely even under demanding conditions.	We are committed to acting in the manner required by the UN's Guiding Principles for Business and Human Rights, and to following the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. We respect human rights and treat all individuals equally.	Through profitable growth, we enable the further development of our operations and ensure financial security, work and well-being for our stakeholders.	We are committed to act in a way that does not harm the environment or people.	We are committed to sustainable procurement and further developing sustainability in our supply chain.
ESSENTIAL STANDARDS, GROUP POLICIES AND PROCEDURES RELATED TO SUSTAINABILITY				
Tire/vehicle safety regulations, such as United Nations tyre regulations, various tire labelling (consumer information) regulations and standards, such as EU Tyre Labelling regulation, chemical regulation, Nokian Tyres tire testing policy, UN Global Compact.	Policies and procedures related to safety, well-being, hiring, induction, people reviews and competence development, human rights and equality. ISO 45001, Travel Policy, Data Protection Policy, UN Global Compact.	Stock exchange rules, IFRS, Corporate Governance, Insider Guidelines, risk management, UN Global Compact.	ISO 14001, IATF 16949, Environmental Management, Chemical Safety Management, Responsible Care program, Science Based Targets, UN Global Compact.	Procurement policy, Supplier Code of Conduct, ISO 9001, ISO 14001, UN Global Compact.
LOCAL GUIDELINES AND PROCEDURES				

Nokian Tyres' new sustainability goals

Area	Goal for 2025	Goal beyond 2025
Climate actions	Energy efficiency: 10% relative improvement (kWh / kg) (base year 2015)	Scope 1 & 2 GHG emissions: 52% relative reduction 2015–2030 (CO_2 kg / product kg) Scope 3 GHG emissions from raw material production: 25% relative reduction 2018–2030 Scope 3 GHG emissions from logistics: 25% relative reduction 2018–2030 Scope 3 GHG emissions from product use: 25% relative reduction 2018–2030 Carbon neutrality in 2045 (Common goal for the Finnish chemical industry)
Other environmental actions	Zero waste to landfill from all three factories Regulated emissions to air: Fulfil all local authority requirements Avoiding environmental accidents: 0 accidents per year	
People	Developing Human rights policies Accident frequency LTIF: Decrease from 8.3 in 2018 to 1.5 Safety participation level: safety actions from 100% of personnel	
Supply chain	Creating and implementing a Policy for Sustainable Natural Rubber Procurement Sustainability Critical active suppliers' sustainability auditing: 100% audited Sustainability Critical/ Medium criticality Suppliers self-assessments: • 2022: 100% of suppliers filled out self-assessment • 2025: 100% Approved responses	
Products and services	3 new environmental and safety product innovations No SVHC (substances of very high concern) substances in raw materials	
Finance, Corporate Governance	TFCD reporting of climate risks: Regular evaluation & update	
Communication & Stakeholder engagement	Wide stakeholder expectations mapping/study every 3 years	

Nokian Tyres as a part of society

Nokian Tyres' objective is to create value for its various stakeholders, such as consumers, customers, personnel, and shareholders. The company wants to meet the stakeholders' expectations. Through sustainable business practices and financial success, Nokian Tyres offers security, work, and well-being for its personnel and contributes to the well-being of local communities.

Nokian Tyres wants to be a good corporate citizen wherever it operates. The company offers resources to projects based on the following three categories: road safety, supporting local communities, and encouraging inventiveness & entrepreneurship. In Finland, we continued our local support for the global FIA Action for Road Safety in Finland, where it is organized under the name of "Turvassa tiellä" ("Safe on the road"). In the US, the company has donations committees in Dayton, Nashville, and Colchester. In 2020, the Nashville committee made a donation to, among other things, the Tennessee State University's scholarship fund, in order to support educational efforts at the Nashville-based school. To help schools cope with distance education during the COVID-19 pandemic, Nokian Tyres also donated tablet computers to children from low-income families in Russia in the Vsevolozhsk region, where our factory operates.

You can read about the effects of pandemic on Nokian Tyres' operations in the COVID-19 – summary of actions section.

Climate and the environment

Environmental and chemical safety and the coordination of sustainability are the responsibility of the Quality and Sustainability department. The company promotes environmental and chemical safety through risk management, continuous improvement of processes, and new investments. When developing activities, the company applies best practices and advanced solutions while taking into account human factors and financial circumstances.

The factories in Finland and Russia and the Swedish sales company Nokian Däck AB are certified pursuant to the international ISO 14001 environmental management system standard and the ISO 9001 quality system standard. The US factory received ISO 9001 quality system certification in 2020 and the ISO 14001 environmental management system certification is planned for 2021. The company has held IATF 16949 approval for the automotive industry since 2013.

In 2019, the company defined its climate-change related risks and opportunities. The mapping of risks and opportunities was conducted according to the recommendations of Task Force on Climate-change Related Financial Disclosures (TCFD). You can read about the climate-related risks here.

In 2020, the company received approval for its targets for reducing greenhouse gas emissions from the Science-Based Targets initiative. The four targets are in line with the Paris Agreement, and the base year for the first three targets is 2018 and 2015 for the fourth target. All the targets should be achieved by 2030.

Nokian Tyres' Science Based Targets

TARGET	WHAT IT MEANS	EXAMPLES
Reduce emissions from tire raw material production by 25%	We encourage our raw material producers to implement their own actions in order to reduce emissions.	Raw material producers will be transitioning to zero or low-emission energy and improving the energy efficiency of the entire production process.
Reduce CO_2 emissions by 25% in logistics	Achieving it requires emission improvements from road, train, marine and air transportation.	Increasing the share of biofuels, improving the efficiency of engines, and optimizing routes further are key methods.
Reduce CO_2 emissions from tire use by 25%	This improvement will have the largest impact on reducing global CO_2 emissions, as our tires are used on millions of vehicles.	The overall reduction of vehicle emissions plays a big part in the improvements. Lowering the rolling resistance of a tire also reduces the fuel consumption of the vehicle.
Cut CO_2 emissions from the energy that is purchased and produced by 52%	Emissions produced mainly in our own production facilities. A part of this target has already been achieved with the changes made in recent years.	Most of the energy that we purchase should be low-emission or zero-emission and produced with renewable forms of energy. Improvements in energy efficiency will also reduce emissions.

The company is a shareholder in Suomen Rengaskierrätys Oy, which centrally manages the collection and reuse of used tires in Finland. In Finland, nearly 100% of decommissioned tires are recycled, and in Europe, the degree of recycling is approximately 95%. Together with some other major tire manufacturers, Nokian Tyres has established the Eco Tire Association in Russia. In 2020, Nokian Tyres continued to empty illegal tire landfills in Russia in the "Eco Challenge" together with the EcoShinSoyuz (EcoTyresUnion). With the project, Nokian Tyres wants to increase public awareness of tire disposal as the recycling rate in Russia is still low.

In 2020, a new environmental permit for VOC emissions (volatile organic compounds, or solvents) was acquired for Nokian Tyres' factory in Finland. VOC emissions are above the maximum allowed level, and new measures for better collecting and conveying emissions for incineration are being researched. In Finland, Nokian Tyres received one environmental complaint in 2020 concerning noise at the Finnish factory. The company was also contacted concerning odor and noise emissions from local residents in Sastamala, Finland, where our retreading unit is located. The complaints were investigated, and actions implemented. The company received no environmental complaints from the US or Russia.

Special attention has been paid to improvements in energy efficiency, as well as chemicals safety and sustainability work across different fields of business. In 2020, Nokian Tyres did not meet its target of reducing the yearly energy consumption by 1% per production ton. This is mainly because of the reduced production levels caused by the pandemic. Starting from 2021, Nokian Tyres' target for reducing energy consumption will be a part of the company's 2025 targets.

At the production facilities, emphasis remained on reusing waste, and the utilization degree of waste was 100% at the Finnish factory, 99% in the US and 99% at the Russian factory.

People

The company's principles in all operations are fair treatment and respect of human rights when dealing with its personnel or other stakeholders. This principle of equality and non-discrimination is an essential part of the company's operations, and the management of diversity is based on the concept of equality and equal prerequisites for work.

People Review discussions with all employees focus on managing performance and employee´s personal development. Internal job rotation, on-the-job learning, and other learning solutions have a key role in supporting personnel development. In 2020, a total of 93.0% of Nokian Tyres' personnel took part in a People Review (92.2% in 2019).

In 2020 we had pulse surveys to measure real time feeling and engagement of the organization. In our company wide pulse survey, 86% of employees gave positive or neutral responses to a question about the overall feeling at the moment.

The data privacy work (GDPR) was resumed by specifying and further developing the required documentation and processes, for example by updating the Nokian Tyres' privacy statements and further increasing the awareness within the company.

Significant improvements in occupational health and safety

Nokian Tyres' goal is to promote occupational health and minimize the number of occupational accidents. Occupational health and safety are an integral part of the company's daily management and operations. During 2020, Nokian Tyres continued to globally communicate the safety slogan "Safety is a choice", meaning that everyone is responsible for safety: adhering to occupational safety guidelines, observing defects and shortcomings as well as reporting and removing hazards.

Safety is Nokian Tyres' first priority, both on the road and in production. The company's goal for 2020 was to reduce the number of workplace injuries by 20% compared to the previous year. The acquisition of the Levypyörä company in 2019 provided a challenge for achieving this goal, as the safety figures of the acquired company showed room for improvement. The hard work paid dividends, as in November Levypyörä was announced to have operated a whole year without accidents leading to absence from work. As a result, the company managed to lower the group wide accident rate into 3.7.

Lost-time injury frequency (LTIF)

2016	2017	2018	2019	2020
11.2	7.5	8.3	4.3	3.7

Products

Carbon dioxide, CO_2, is the most significant greenhouse gas generated by traffic. The higher the rolling resistance of a tire is, the higher the fuel consumption and CO_2 emissions will be. In 2015, the company set a goal for 2020 to reduce the rolling resistance of its product range by 7% in average compared to the 2013 baseline. The company reached this goal in 2017. In 2020, the rolling resistance was in average 8.5% lower compared to 2013.

Rolling resistance reduction in average

2016	2017	2018	2019	2020
6.9	7.0	8.2	8.3	8.5

Nokian Tyres' R&D is also constantly developing new ways of replacing fossil-based raw materials to enable more sustainable tire manufacturing. Nokian Tyres has been actively researching the use of recycled carbon black in tires, but the quality and availability pose challenges. Our aim is to include recycled carbon black in a commercial product line during 2021. By 2025, we aim to introduce a concept tire made entirely of materials that are from renewable sources or recycled.

Supply chain

Natural rubber is one of the main ingredients of tires. Cooperation with the industry and other stakeholders is vital in improving the conditions of the employees working in the natural rubber industry and the state of the environment. The tire industry has made a joint effort to move towards sustainable natural rubber, including labor rights. Nokian Tyres is a member of the Global Platform for Sustainable Natural Rubber, which is a platform established by WWF, several other nonprofit organizations, rubber traders and processors, and large tire manufacturers. In 2020, the company drafted a Policy for Sustainable Natural Rubber Procurement, which will be finalized in 2021.

Human rights in the supply chain

The company has set a goal to audit all its major rubber processor partners by 2020, comprising at least 80% of the company's natural rubber purchasing volume. After 2019, Nokian Tyres' sustainability audits covered 90% of the company's natural rubber purchasing volume, thus exceeding its goal. The audits are conducted by an external auditor. Due to the pandemic, the audits were put on hold in 2020.

In 2019, Nokian Tyres' procurement team developed a new classification model for assessing all the new suppliers globally. The assessment has four different categories: quality, sustainability, business/strategic criticality, and safety at work. In 2020, all procurement category managers were trained regarding the classification model, and they started classifying the existing suppliers as well.

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, %
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%

ASSUMPTIONS FOR 2021

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 and 90.6 in January 2021. Raw material unit costs are estimated to increase in 2021 compared to 2020.

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.

THE PROPOSAL FOR THE USE OF PROFITS BY BOARD OF DIRECTORS

The distributable funds in the Parent company total EUR 723.1 million.

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

A dividend of	1.20 EUR/share
be paid out, totaling	EUR 165.9 million
retained in equity	EUR 557.3 million
Total	EUR 723.1 million

The Board of Directors also proposes that the dividend shall be paid in two instalments, in April and in December 2021.

The first instalment of EUR 0.60 per share shall be paid to the shareholders who are registered in the shareholder register maintained by Euroclear Finland Oy on the dividend record date of April 1, 2021. The payment date proposed by the Board of Directors for the first instalment is April 15, 2021.

The second instalment of EUR 0.60 per share shall be paid in December. The second instalment of the dividend shall be paid to the shareholders who are registered in the shareholder register maintained by Euroclear Finland Oy on the dividend record date, which, together with the payment date, shall be decided by the Board of Directors in its meeting scheduled for November 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.

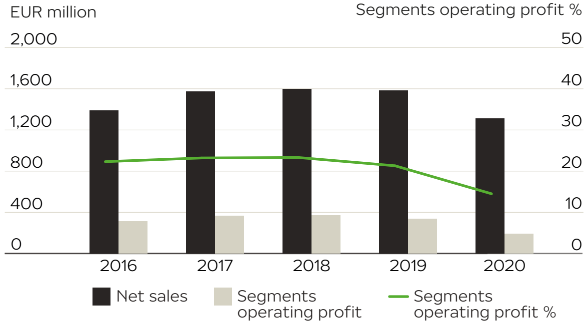
No material changes have taken place in the financial position of the company since the end of the financial year. The liquidity of the company is good, and the proposed distribution of profits does not compromise the financial standing of the company as perceived by the Board of Directors.

Notice to the Annual General Meeting will be published by March 9, 2021.

Helsinki, February 9, 2021

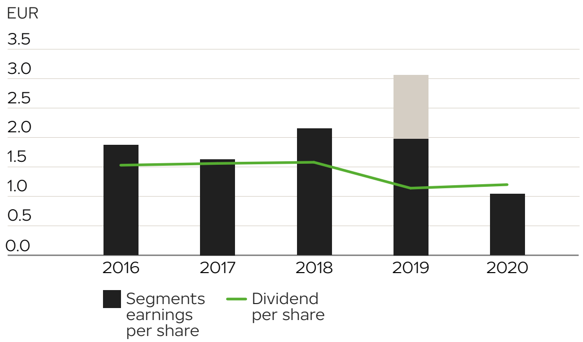
Nokian Tyres plc
Board of Directors

NET SALES AND SEGMENTS OPERATING PROFIT*



	2016	2017	2018	2019	2020
Net sales, MEUR	1,391.2	1,572.5	1,595.6	1,585.4	**1,313.8**
Segments operating profit, MEUR	310.5	365.4	372.4	337.2	**190.2**
Segments operating profit %	22.3	23.2	23.3	21.3	**14.5**

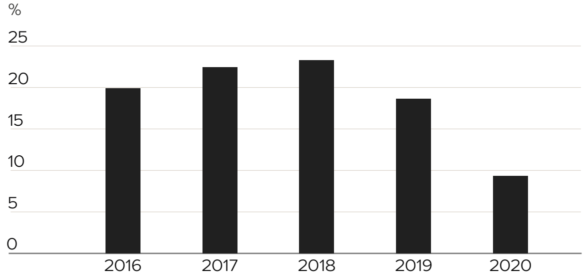
SEGMENTS EARNINGS PER SHARE AND DIVIDEND PER SHARE*



	2016	2017	2018	2019	2020
Segments earnings per share, EUR	1.87	1.63	2.15	3.06*	**1.04**
Dividend per share, EUR	1.53	1.56	1.58	1.14	**1.20****

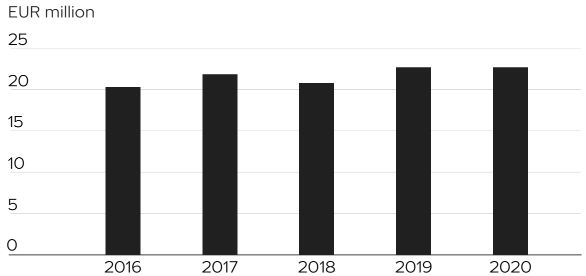
* Segments EPS 2019 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 1.98
** The Board's proposal to the Annual General Meeting

SEGMENTS ROCE*, %



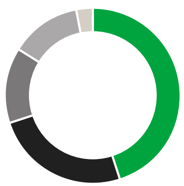
	2016	2017	2018	2019	2020
Segments ROCE, %	19.9	22.4	23.3	18.6	**9.3**

R&D EXPENSES



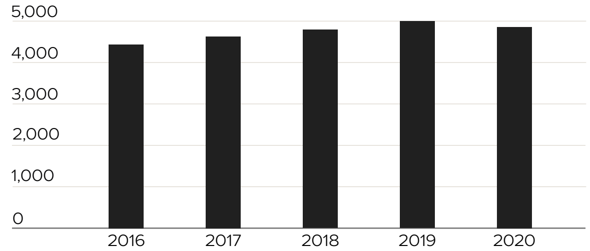
	2016	2017	2018	2019	2020
R & D expenses	20.3	21.8	20.8	22.7	**22.7**

NET SALES BY GEOGRAPHICAL AREA, %



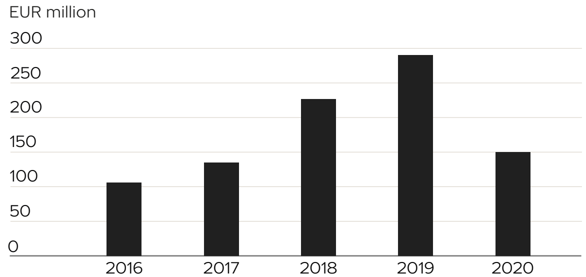
	2019	2020
Nordic countries	39	**45**
Other Europe	24	**25**
Russia and Asia	21	**14**
Americas	13	**13**
Other countries	4	**3**

AVERAGE NUMBER OF PERSONNEL



	2016	2017	2018	2019	2020
Personnel	4,433	4,630	4,790	4,995	**4,859**

GROSS INVESTMENTS



	2016	2017	2018	2019	2020
Gross Investments	105.6	134.9	226.5	290.1	**149.9**

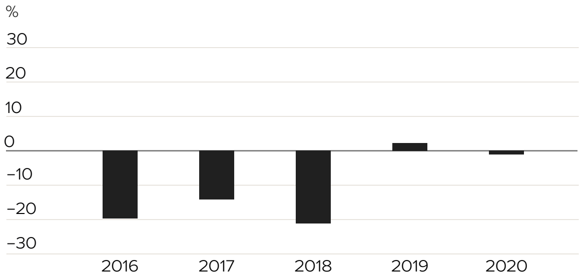
NET SALES BY BUSINESS UNIT*, %

	2019	2020
Passenger Car Tyres	71	**66**
Heavy Tyres	13	**15**
Vianor	21	**24**

* Including internal sales

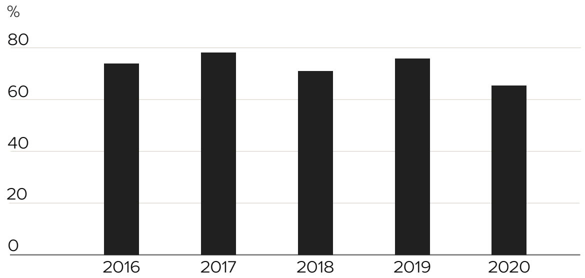
* Comparable Segments Total figures for 2019–2020, earlier years reported based on IFRS

GEARING



	2016	2017	2018	2019	2020
Gearing	−19.7	−14.2	−21.2	2.3	**−1.1**

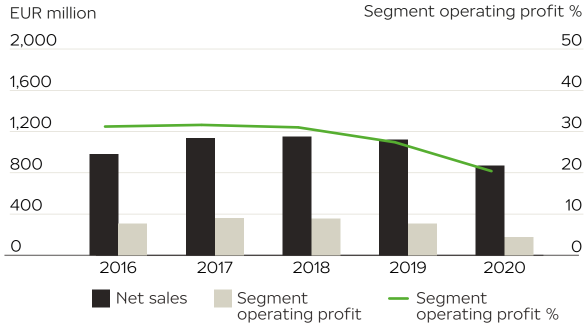
EQUITY RATIO



	2016	2017	2018	2019	2020
Equity ratio	73.8	78.2	71.0	75.9	**65.3**

PASSENGER CAR TYRES

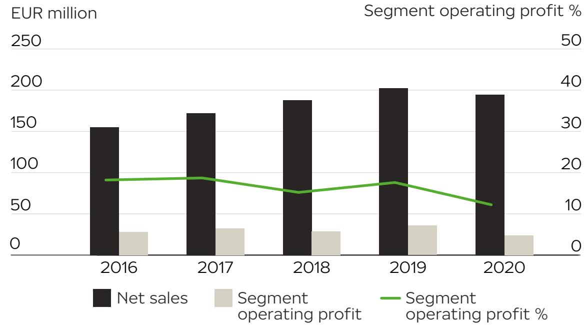
Net sales and segment operating profit*



	2016	2017	2018	2019	2020
Net sales	981.1	1,138.8	1,150.8	1,123.8	**871.3**
Segment operating profit	305.8	359.9	356.5	308.5	**177.8**
Segment operating profit, %	31.2	31.6	31.0	27.4	**20.4**

HEAVY TYRES

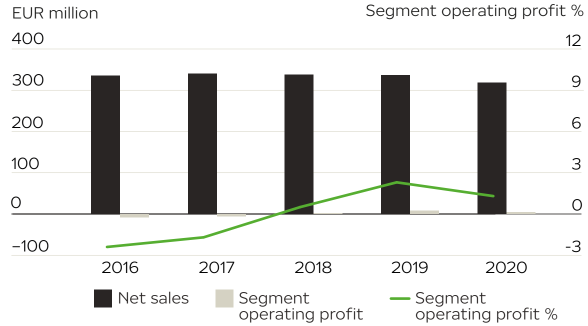
Net sales and segment operating profit*



	2016	2017	2018	2019	2020
Net sales	155.3	172.3	187.7	202.7	**194.6**
Segment operating profit	28.2	32.2	28.6	35.7	**23.7**
Segment operating profit, %	18.2	18.7	15.2	17.6	**12.2**

VIANOR

Net sales and segment perating profit*



	2016	2017	2018	2019	2020
Net sales	334.8	339.4	337.2	336.5	**318.1**
Segment operating profit	−8.1	−5.8	1.6	7.7	**4.0**
Segment operating profit, %	−2.4	−1.7	0.5	2.3	**1.3**

* Comparable segment figures for 2019–2020, earlier years reported based on IFRS

CONSOLIDATED KEY FINANCIAL INDICATORS

Figures in EUR million unless otherwise indicated	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net sales	**1,313.8**	1,595.8	1,595.6	1,572.5	1,391.2	1,360.1	1,389.1	1,521.0	1,612.4	1,456.8
change, %	**–17.1%**	0.0%	1.5%	13.0%	2.3%	–2.1%	–8.7%	–5.7%	10.7%	37.7%
Operating margin (EBITDA)	**251.0**	441.7	465.8	463.7	395.2	378.6	398.5	479.0	496.9	451.7
Depreciation and amortisation	**131.0**	125.2	93.4	98.3	84.7	82.6	89.8	93.5	81.9	71.6
Operating profit (EBIT)	**120.0**	316.5	372.4	365.4	310.5	296.0	308.7	385.5	415.0	380.1
% of net sales	**9.1%**	19.8%	23.3%	23.2%	22.3%	21.8%	22.2%	25.3%	25.7%	26.1%
Profit before tax	**106.0**	336.7	361.7	332.4	298.7	274.2	261.2	312.8	387.7	359.2
% of net sales	**8.1%**	21.1%	22.7%	21.1%	21.5%	20.2%	18.8%	20.6%	24.0%	24.7%
Return on equity, %	**5.2%**	24.6%	20.0%	15.1%	18.7%	19.6%	16.0%	13.0%	25.2%	29.1%
Return on capital employed, %	**6.0%**	17.6%	23.3%	22.4%	19.9%	20.3%	19.2%	21.8%	24.3%	27.4%
Total assets	**2,336.7**	2,332.6	2,092.9	1,877.4	1,975.7	1,754.8	1,797.0	2,062.9	2,019.6	1,875.9
Interest-bearing net debt	**–17.2**	41.1	–315.2	–208.3	–287.4	–209.7	–164.6	–56.4	–65.2	–3.6
Equity ratio, %	**65.3%**	75.9%	71.0%	78.2%	73.8%	70.8%	67.5%	67.6%	71.2%	63.2%
Gearing, %	**–1.1%**	2.3%	–21.2%	–14.2%	–19.7%	–16.9%	–13.6%	–4.1%	–4.5%	–0.3%
Net cash from operating activities	**422.4**	219.8	536.9	234.6	364.4	283.4	323.4	317.6	388.7	232.9
Capital expenditure	**149.9**	290.1	226.5	134.9	105.6	101.7	80.6	125.6	209.2	161.7
% of net sales	**11.4%**	18.3%	14.2%	8.6%	7.6%	7.5%	5.8%	8.3%	13.0%	11.1%
R&D expenditure	**22.7**	22.7	20.8	21.8	20.3	18.7	16.6	16.1	16.9	15.1
% of net sales	**1.7%**	1.3%	1.3%	1.4%	1.5%	1.4%	1.2%	1.1%	1.0%	1.0%
Dividends	**165.9**	219.5	218.1	214.2	208.0	202.0	193.5	193.3	191.9	156.6
Personnel, average during the year	**4,859**	4,942	4,790	4,630	4,433	4,421	4,272	4,194	4,083	3,866

PER SHARE DATA

Figures in EUR million unless otherwise indicated	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Earnings per share, EUR	**0.62**	2.89	2.15	1.63	1.87	1.80	1.56	1.39	2.52	2.39
change, %	**–78.5%**	78.1%	32.4%	–13.0%	3.6%	15.1%	12.9%	–45.0%	5.4%	78.7%
Earnings per share (diluted), EUR	**0.62**	2.89	2.14	1.61	1.86	1.80	1.56	1.39	2.46	2.32
change, %	**–78.5%**	35.2%	32.5%	–13.2%	3.2%	15.0%	12.9%	–43.5%	5.8%	75.8%
Cash flow per share, EUR	**3.05**	3.89	3.91	1.72	2.70	2.12	2.43	2.39	2.96	1.80
change, %	**91.8%**	–0.7%	127.2%	–36.3%	27.4%	–12.7%	1.4%	–19.2%	64.2%	–30.1%
Dividend per share, EUR	**1.20**	1.14	1.58	1.56	1.53	1.50	1.45	1.45	1.45	1.20
Dividend pay out ratio, %	**192.9%**	39.5%	73.9%	96.7%	82.6%	83.9%	92.9%	105.2%	58.0%	50.7%
Equity per share, EUR	**11.01**	12.76	10.79	10.74	10.75	9.24	9.07	10.45	10.89	9.15
P/E ratio	**46.4**	8.9	12.5	23.3	19.0	18.4	13.0	25.2	11.9	10.4
Dividend yield, %	**4.2%**	4.5%	5.9%	4.1%	4.3%	4.5%	7.1%	4.2%	4.8%	4.8%
Market capitalisation 31 December	**4,003.7**	3,560.6	3,702.9	5,188.7	4,814.0	4,458.3	2,708.1	4,647.7	3,971.9	3,224.7
Number of shares during the year, average, million units	**138.46**	138.17	137.26	136.25	134.86	133.63	133.16	132.65	131.24	129.12
diluted, million units	**138.46**	138.38	138.14	137.28	135.56	133.74	135.10	137.62	137.39	135.70
Number of shares 31 December, million units	**138.22**	138.72	137.79	136.75	135.68	134.39	133.17	133.29	131.96	129.61
Number of shares entitled to a dividend, million units	**138.22**	138.92	138.07	137.28	135.93	134.69	133.47	133.34	132.32	130.50

CONSOLIDATED KEY FINANCIAL INDICATORS

Definitions

Return on equity, % = $$\frac{\text{Profit for the period}}{\text{Total equity (average)}} \times 100$$

Return on capital employed, % = $$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Total assets – non-interest-bearing debt (average)}} \times 100$$

Equity ratio, % = $$\frac{\text{Total equity}}{\text{Total assets – advances received}} \times 100$$

Gearing, % = $$\frac{\text{Interest-bearing net debt}}{\text{Total equity}} \times 100$$

Earnings per share, EUR = $$\frac{\text{Profit for the period attributable to the equity holders of the parent}}{\text{Average adjusted number of shares}^{1}\text{ during the year}}$$

Earnings per share (diluted[2]), EUR = $$\frac{\text{Profit for the period attributable to the equity holders of the parent}}{\text{Average adjusted and diluted}^{2}\text{ number}^{1}\text{ of shares during the year}}$$

Cash flow per share, EUR = $$\frac{\text{Cash flow from operations}}{\text{Average adjusted number of shares}^{1}\text{ during the year}}$$

Dividend per share, EUR = $$\frac{\text{Dividend for the year}}{\text{Number of shares entitled to a dividend}}$$

Dividend pay-out ratio, % = $$\frac{\text{Dividend for the year}}{\text{Net profit}} \times 100$$

Equity per share, EUR = $$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Adjusted number of shares}^{1}\text{ on the balance sheet date}}$$

P/E ratio = $$\frac{\text{Share price, 31 December}}{\text{Earnings per share}}$$

Dividend yield, % = $$\frac{\text{Dividend per share}}{\text{Share price, 31 December}}$$

[1] without treasury shares
[2] the share options affect the dilution as the average share market price for the financial year exceeds the defined subscription price

FINANCIAL STATEMENTS 2020

This report is a translation. The original Finnish is the authoritative version.

CONSOLIDATED INCOME STATEMENT, IFRS

EUR million 1.1.–31.12.	Notes	2020	2019
Net sales	(1)	**1,313.8**	1,585.4
Cost of sales	(3)(6)(7)	**–913.4**	–1,013.8
Gross profit		**400.4**	571.6
Other operating income	(4)	**4.8**	3.5
Selling, marketing and R&D expenses	(6)(7)	**–177.6**	–175.1
Administration expenses	(6)(7)	**–84.8**	–75.2
Other operating expenses	(5)(6)(7)	**–22.8**	–8.4
Operating profit		**120.0**	316.5
Financial income	(8)	**114.4**	67.3
Financial expenses [1]	(9)	**–128.4**	–47.0
Profit before tax		**106.0**	336.7
Tax expense [2,3]	(10)	**–20.0**	63.1
Profit for the period		**86.0**	399.9
Attributable to:			
Equity holders of the parent		**86.0**	399.9
Non-controlling interest		**-**	-
Earnings per share (EPS) for the profit attributable to the equity holders of the parent:	(11)		
Basic, euros		**0.62**	2.89
Diluted, euros		**0.62**	2.89

EUR million 1.1.–31.12.	Notes	2020	2019
CONSOLIDATED OTHER COMPREHENSIVE INCOME			
Result for the period		**86.0**	399.9
Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax			
Gains/Losses from hedge of net investment in foreign operations	(10)	**0.0**	0.0
Cash flow hedges	(10)	**–1.1**	–1.2
Translation differences on foreign operations		**–168.7**	86.6
Total other comprehensive income for the period, net of tax		**–169.7**	85.4
Total comprehensive income for the period		**–83.8**	485.3
Total comprehensive income attributable to:			
Equity holders of the parent		**–83.8**	485.3
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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million 31.12.	Notes	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	(12)	**824.9**	885.0
Right of use assets	(14)	**152.0**	122.9
Goodwill	(2)(13)	**79.2**	84.4
Other intangible assets	(13)	**23.6**	35.3
Investments in associates	(16)	**0.1**	0.1
Non-current financial investments	(16)	**2.7**	0.7
Other receivables	(15)(17)	**5.7**	7.7
Deferred tax assets	(18)	**21.6**	15.9
		1,110.0	1,152.0
Current assets			
Inventories	(19)	**329.4**	387.0
Trade and other receivables	(20)(28)	**382.9**	559.1
Current tax assets		**10.3**	15.6
Cash and cash equivalents	(21)	**504.2**	218.8
		1,226.7	1,180.5
Total assets	(1)	**2,336.7**	2,332.6

EUR million 31.12.	Notes	2020	2019
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	(22)(23)		
Share capital		**25.4**	25.4
Share premium		**181.4**	181.4
Treasury shares		**−18.2**	−8.0
Translation reserve		**−447.5**	−278.8
Fair value and hedging reserves		**−2.8**	−1.8
Paid-up unrestricted equity reserve		**238.2**	238.2
Retained earnings		**1,544.9**	1,613.3
		1,521.3	1,769.7
Non-controlling interest		**-**	-
Total equity		**1,521.3**	1,769.7
Liabilities			
Non-current liabilities			
Deferred tax liabilities	(18)	**32.6**	36.4
Provisions	(25)	**0.0**	0.0
Interest-bearing liabilities	(26)(28)	**257.3**	229.1
Other liabilities		**0.9**	1.0
		290.8	266.5
Current liabilities			
Trade and other payables	(27)	**281.3**	255.9
Current tax liabilities		**6.4**	4.6
Provisions	(25)	**7.1**	5.0
Interest-bearing liabilities	(26)(28)	**229.7**	30.9
		524.5	296.4
Total liabilities	(1)	**815.3**	562.8
Total equity and liabilities		**2,336.7**	2,332.6

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

Interest-bearing liabilities include EUR 129.3 million of non-current and EUR 25.4 million of current lease liabilities.

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR million 1.1.–31.12.	2020	2019
Profit for the period	**86.0**	399.9
Adjustments for		
Depreciation, amortisation and impairment	**156.0**	125.2
Financial income and expenses	**14.0**	–20.3
Gains and losses on sale of intangible assets, other changes	**4.9**	6.4
Income Taxes	**20.0**	–63.1
Cash flow before changes in working capital	**280.8**	448.0
Changes in working capital		
Current receivables, non-interest-bearing, increase (–) / decrease (+)	**121.9**	–68.0
Inventories, increase (–) / decrease (+)	**25.2**	6.1
Current liabilities, non-interest-bearing, increase (+) / decrease (–)	**22.8**	–173.8
Changes in working capital	**169.9**	–235.7
Financial items and taxes		
Interest and other financial items, received	**1.5**	4.1
Interest and other financial items, paid	**–7.8**	–56.7
Income taxes paid	**–22.0**	60.1
Financial items and taxes	**–28.3**	7.4
Cash flow from operating activities (A)	**422.4**	219.8
Cash flows from investing activities		
Acquisitions of property, plant and equipment and intangible assets	**–149.9**	–290.1
Proceeds from sale of property, plant and equipment and intangible assets	**8.7**	2.3
Acquisitions of Group companies	**-**	–9.5
Acquisitions of other investments	**0.0**	**0.0**
Other cash flow from investing activities	**0.6**	-
Cash flows from investing activities (B)	**–140.6**	–297.2

EUR million 1.1.–31.12.	2020	2019
Cash flow from financing activities:		
Proceeds from issue of share capital	**-**	15.6
Purchase of treasury shares	**–10.2**	-
Change in current financial receivables, increase (–) / decrease (+)	**0.5**	75.0
Change in non-current financial receivables, increase (–) / decrease (+)	**–2.2**	1.2
Change in current financial borrowings, increase (+) / decrease (–)	**203.4**	–125.8
Change in non-current financial borrowings, increase (+) / decrease (–)	**–0.9**	127.9
Payment of lease liabilities	**–28.4**	–30.7
Dividends received	**0.0**	0.3
Dividends paid	**–151.6**	–218.1
Cash flow from financing activities (C)	**10.7**	–154.5
Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)	**292.5**	–231.9
Cash and cash equivalents at the beginning of the period	**218.8**	447.5
Effect of exchange rate fluctuations on cash held	**–7.2**	3.2
Cash and cash equivalents at the end of the period	**504.2**	218.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

		Equity attributable to equity holders of the parent								
EUR million	Notes	Share capital	Share premium	Treasury shares	Translation reserve	Fair value and hedging reserves	Paid-up unrestricted equity reserve	Retained earnings	Non-controlling interest	Total equity
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	(22)							−218.1		−218.1
Exercised warrants	(22)						15.7			15.7
Acquisition of treasury shares										-
Share-based payments	(23)			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	-	1,769.7
Equity, 1 Jan 2020		**25.4**	**181.4**	**−8.0**	**−278.8**	**−1.8**	**238.2**	**1,613.3**	**-**	**1,769.7**
Profit 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	(22)							**−158.1**		**−158.1**
Exercised warrants	(22)									**-**
Acquisition of treasury shares				**−10.2**						**−10.2**
Share-based payments	(23)							**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**

ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Basic information

Nokian Tyres Plc is a Finnish public corporation founded in accordance with the Finnish laws and domiciled in the city of Nokia. The shares of Nokian Tyres Plc have been quoted on the Nasdaq Helsinki Oy since 1995.

Nokian Tyres Group develops and manufactures summer and winter tyres for passenger cars and vans, and special tyres for heavy machinery. The Group also manufactures retreading materials and retreads tyres. The largest and most extensive tyre retail chain in the Nordic countries, Vianor, is also a part of the Group. The core business areas in the Group are Passenger Car Tyres, Heavy Tyres and Vianor.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2020. International Financial Reporting Standards refer to the standards and related interpretations to be applied within the Community as provided in the Finnish Accounting Act and the provisions issued on the basis of this Act, and in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. Notes to the consolidated financial statements also comply with the Finnish accounting and corporate laws.

The information in the financial statements is presented in millions of euro and is prepared under the historical cost convention except as disclosed in the following accounting policies.

IFRS are under constant development. New standards, interpretations or their amendments have been published but they are not yet in force and the Group will not apply them before they are enforced. The Group will adopt each standard and interpretation on the effective date or from the beginning of the following financial period. According to the Group's assessment, the published changes will not have a significant effect on the consolidated financial statements.

Use of estimates

The preparation of financial statements in compliance with IFRS requires the use of estimates and assumptions that affect the amount of assets and liabilities shown in the statement of financial position at the time of preparation, the presentation of contingent assets and liabilities in the financial statements, and the amount of revenues and expenses during the reporting period. Estimates have been used e.g. to determine the amount of items reported in the financial statements, to measure assets, to test goodwill and other assets for impairment, and for the future use of deferred tax assets. Since the estimates are based on the best current assessments of the management, the final figures may deviate from those used in the financial statements.

Key sources of estimation uncertainty relate to the country risk. Development of global economy is expected to improve in 2021, political uncertainties could cause serious disruption and additional trade barriers and affect the company's sales and credit risk. Brexit, as such, has practically no effect on Nokian Tyres' business. Other sources of uncertainty relate to the challenging pricing environment of tyres in line with price development of raw materials.

Principles of consolidation

The consolidated financial statements include the financial statements of the parent company Nokian Tyres Plc as well as all subsidiaries in which the Parent company owns, directly or indirectly, more than 50% of the voting rights or in which the Parent company otherwise exercises control. Control exists when the Group through participation in an investee is exposed or entitled to its variable returns and is able to affect the returns through exercising power over the investee.

Associated companies in which the Group has 20 to 50 % of the voting rights and in which it exercises significant influence but not control, have been consolidated using the equity method. If the Group's share of the associated company's losses exceeds its holding in the associated company, the carrying amount will be recorded in the statement of financial position at nil value and losses in excess of that value will be ignored unless the Group has obligations towards the associated companies. Investments in associates include the carrying amount of the investment in an associated company according to the equity method, and possible other non-current investments in the associated company, which are, in substance, part of a net investment in the associated company.

A joint arrangement refers to a contractual undertaking, in which the Group has agreed to share control over material financial and business principles with one or more parties. A joint arrangement is either a joint operation or a joint venture. In a joint venture the Group holds rights to the net assets of the arrangement whereas in a joint operation the Group holds rights to the assets and carries obligations on the liabilities of the arrangement. Nokianvirran Energia Oy is a joint operation as the parties share control according to a specific Mankala-principle where the company is not intended to make profit while the parties have agreed to utilize the total output. Nokianvirran Energia Oy is accounted for as a Group company using the proportionate consolidation method on each row according to the 32.3% shareholding.

Acquired subsidiaries have been consolidated using the acquisition method, according to which the acquired company's assets and liabilities are measured at fair value on the date of acquisition. The cost of goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Acquisition-related costs, except for the costs to issue debt or equity securities, are expensed. Possible contingent consideration is measured at fair value on the date of acquisition and is classified as a liability. Contingent consideration classified as a liability is measured at fair value on each reporting date and the following gain or loss is recognized in the income statement. Under IFRS goodwill is not amortized but is tested annually for impairment. Subsidiaries acquired during the financial year have been consolidated from the acquisition date and those divested until the divestment date.

All internal transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated while preparing the consolidated financial statements.

Foreign currency items

Transactions in foreign currencies have been recorded at the exchange rates effective on the transaction date. In the statement of financial position all items in foreign currencies unsettled on the reporting date are measured at the European Central Bank's closing exchange rate. The quotations of the relevant central bank are applied if the European Central Bank does not quote a specific currency. Foreign exchange gains and losses related to business operations and financing activities have been recorded under financial income and expenses.

Foreign Group companies

The statements of financial position of foreign subsidiaries have been translated into euro using the European Central Bank's closing rates, and the income statements monthly using the average rate for the period. Translation differences arising from the subsidiaries' income statements and statements of financial position have been recorded under other comprehensive income and in the translation reserve within equity as a separate item. Translation differences arising from the elimination of foreign company acquisition cost and from the profits and losses incurred after the acquisition have been recorded under other comprehensive income as a separate item and in the translation reserve within equity. If settlement of a loan to a foreign operation is neither planned nor likely to occur in the fore-seeable future, then the loan is considered as a net investment in a foreign operation and the foreign exchange gains and losses arising on the item are recognized in other comprehensive income and accumulated in the translation reserve in equity.

When a subsidiary is divested fully or in part, the related accumulated translation differences are brought from equity to the income statement and entered as a gain or loss on the sale.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and other current investments, such as commercial papers and bank deposits.

Financial assets and liabilities

Classification of financial instruments

When recognizing a financial asset in its statement of financial position the Group classifies it into one of the following measurement categories:

- Amortized cost
- Fair value through other comprehensive income
- Fair value through profit or loss

These categories apply to subsequent measurement and profit or loss recognition. The classification is based on the business model for managing the asset and the contractual cash flow characteristics of the asset.

A financial asset is classified as subsequently measured at amortized cost when the objective is to hold financial assets to collect contractual cash flows that are payments of principal and interest on the principal amount outstanding. In the Group in principle this measurement category includes trade receivables, loan receivables and cash and cash equivalents including liquid short-term investments in money market instruments.

A debt instrument in the financial assets is classified as subsequently measured at fair value through other comprehensive income when the objective is to both hold the financial assets to collect contractual cash flows that are payments of principal and interest on the principal amount outstanding and sell the financial assets.

If there are other business objectives for the holding of a financial asset than the foresaid, it is classified as subsequently measured at fair value through profit or loss. The Group's derivative assets are included in this category. However, when recognizing an investment in an equity instrument in its statement of financial position the Group may make an irrevocable election to present subsequent changes in fair value in other comprehensive income. The election is made on an instrument-by-instrument basis. The Group typically designates investments in quoted and unquoted shares that are not held for trading as at fair value through other comprehensive income.

The measurement category of a financial liability is either at amortized cost or at fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is held-for-trading, is a derivative or is specifically designated as such. Other financial liabilities are subsequently measured at amortized cost. The financial liabilities of the Group are classified as measured at amortized cost except for derivative liabilities.

Measurement of financial instruments

At initial recognition all financial assets and liabilities are measured at its fair value taking into account any transaction costs and in the statement of financial position they are included in current or non-current assets or liabilities depending on the maturity of the item. Financial assets and financial liabilities are subsequently measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss in accordance with the measurement category of the item.

Impairment of financial assets

At each reporting date the Group recognizes a loss allowance for expected credit losses on a financial asset that is not measured at fair value through profit or loss. Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. When measuring expected credit losses the Group reviews actual credit losses, current conditions and forecasts of future economic conditions.

For trade receivables the Group follows the simplified approach whereby the impairment recognized in trade receivables corresponds to lifetime expected credit losses for trade receivables.

Derivative financial instruments and hedge accounting

The Group may hold derivative financial instruments to hedge its interest rate, foreign currency and commodity price risk exposures. Derivatives are recognized initially at fair value and subsequently measured at fair value. Publicly quoted market prices and rates, as well as generally used measurement models, are used to define the fair value of derivatives. The data and assumptions used in the measurement models are based on verifiable market prices and values.

Fair value changes of derivatives are recognized in profit or loss unless the derivative is part of a hedging relationship when fair value changes are recognized according to the hedge accounting standards for hedging relationships.

In general, hedge accounting is not applied to the derivatives used to hedge cash flows from the Group's business operations in foreign currencies.

Hedge accounting can be used to reduce the volatility in the income statement caused by the items measured at fair value through profit or loss. Hedge accounting eliminates the accounting asymmetry between the hedging instrument and the hedged item as it enables the foresaid to affect the income statement simultaneously. The Group may designate derivative financial instruments as hedging instruments to hedge the variability in cash flows that is attributable to changes in foreign exchange rates, interest rates and electricity prices. In addition, the Group may, if necessary, designate derivative financial instruments and other financial instruments as hedging instruments in hedges of foreign exchange risk on a net investment in a foreign operation.

At the inception of hedge accounting for a hedging relationship the Group designates and documents the hedging relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes an assessment whether the hedge effectiveness requirements are met in the hedging relationship. The Group aims to use hedging instruments that create no ineffective portion.

Cash flow hedges

In cash flow hedges the effective portion of changes in the fair value of the hedging instrument is recognized in other comprehensive income and accumulated in the cash flow hedge reserve in equity. Any ineffective portion of changes in fair value is recognized immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss as the hedged item affects profit or loss.

The Group may apply hedge accounting to interest rate swaps by which floating rate borrowings have been converted into fixed rate borrowings and interest rate and currency swaps where foreign currency floating rate loan receivables have been converted into functional currency floating rate loan receivables. The gains or losses related to both the effective and ineffective portion of the hedge are presented in profit or loss within financial items.

The price risk of the Group's forecast electricity purchases in Finland is hedged with electricity derivatives to which hedge accounting is applied. The Group may hedge separately the two components of electricity price risk, the system price and the area price difference, or a combination of these components. The gain or loss related to the effective portion of the hedge is presented in profit or loss within cost of sales. The ineffective portion is recognized in profit or loss within other operating income or expenses.

Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The effective portion of changes in the fair value of the hedging instrument is recognized in other comprehensive income and accumulated in the translation reserve in equity. Any ineffective portion of changes in fair value is recognized immediately in profit or loss. The amount accumulated in the translation reserve is reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

The Group does not currently have hedges of a net investment in a foreign operation.

Revenue recognition

Income from the sale of products is recognised when the significant risks and rewards connected with ownership of the goods, as well as the right of possession and effective control, have been transferred to the buyer and payment is probable. This is also the case when a customer separately requests that the assignment of goods be deferred. Revenue from services is recognised once the services have been rendered. Generally, sales are recognised upon delivery in accordance with the contractual terms and conditions. To calculate the net sales, sales revenue is adjusted with indirect taxes and discounts.

Lease agreements

In accordance with IFRS 16, all assets related to lease agreement (right-of use assets) and future lease payment obligations (lease liabilities) are recognized in the statement of financial position.

The only exceptions are the short-term leases and leases for which the underlying asset is of low value, the accounting treatment of which is explained below.

Nokian Tyres acts mainly as a lessee. The vast majority of leases recognized as Right-of-use assets under IFRS 16 are comprised of Vianor chain real estate and warehouses.

The Group as a lessee

Right-of-use assets, less depreciation, are included into fixed assets and the obligation resulting from the lease commitment under IFRS 16 is recorded in financial liabilities. Lease payments resulting from such lease commitments are apportioned between finance charges and the amortization of outstanding lease liability. Charges paid for low-value or short-term leases are recognized as expenses in the income statement.

Lease commitments under IFRS 16 scope are recorded in the statement of financial position in the amount equaling the present value of the minimum lease payments, as determined at the inception of the lease. The criteria used to determine the discount rate by lease agreement are the category of the asset, geographical location, currency, maturity of the risk-free interest rate and the lessee's credit risk premium. Right of use assets are depreciated in a straight-line basis over the lease term, any impairment losses are recorded.

Nokian Tyres applies the following practical measures in assessment of lease agreements under IFRS 16 scope:

- Leases with lease term less than 12 months are accounted for as short-term leases or are low value assets and not recognized in the statement of financial position. The election shall be made by class of underlying asset and is applied to all other classes except cars, which are recognized in the statement of financial position even if their remaining lease term would be less than 12 months

Nokian Tires applied the following transitional measures when assessing leases in accordance with IFRS 16:

- At time of transition lease agreements with reasonably similar characteristics are subject to one predetermined discount rate.
- In case of leases that the lease term includes extension options or termination options, current knowledge is used in determination of the lease term at time of transition.

Management judgements

Nokian Tyres complies with IFRS 16 guidance for determining the lease term. In case of lease agreements where the lease term is defined valid until further notice, the expected lease term is based on management judgement. The financial impact of the sanctions included in the leases, such as those related to the early termination of the contract, has also been considered in determining the expected lease term. According to the standard guidance, the option to extend or terminate the lease is taken into account in determining the lease term. The period covered by an option to extend the lease is included into the lease term if it is reasonably certain that the option will be exercised and, and correspondingly, if it is reasonably certain that the option to terminate the lease is not exercised the remaining period is included in the lease term. When the agreement includes a lease component and a non-lease component, Nokian Tyres separates the non-lease components; such as maintenance or services, based on either the stand-alone prices given in the lease agreement or by using estimates.

The Group as a lessor

The lessor will classify each lease agreement into either finance or operating lease, in accordance with IFRS 16 standard.

Assets held under finance leases are recorded in the statement of the financial position as receivables at amount equal to the net investment in the lease. Lease income resulting from finance leases is recorded in the income statement with constant periodic rate of return on the lessor's net investment in the finance lease.

Assets held under operating leases are included into intangible assets and property, plant and equipment in the statement of the financial position. These assets are depreciated over their useful lives, consistent with assets in the company's own use. Income from operating leases is recorded in the income statement on a straight-line basis over the lease term.

Research and development costs

Research costs are recorded as other operating expenses for the financial period in which they incurred. Development costs are capitalised once certain criteria associated with commercial and technical feasibility have been met. Capitalised development costs primarily comprising materials, supplies and direct labour costs, as well as related overheads, are amortised systematically over their expected useful life. The amortisation period is 3–5 years.

Government grants

Grants received from governments or other parties are recognised adjustments to related expenses in the income statement for the period. Grants received for the acquisition of property, plant and equipment reduce the acquisition cost.

Operating profit

The Group has defined operating profit as follows: operating profit is the net sum of net sales plus other operating income less cost of sales, sales, marketing and R&D expenses, administration expenses and other operating expenses. Operating profit does not include exchange rate gains or losses.

Borrowing costs

The borrowing costs of items included in property, plant and equipment or other intangible assets, and requiring a substantial construction period, are capitalised for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses for the period in which they incurred.

Income taxes

The Group has adopted IFRIC 23, Uncertainty over Income Tax Treatments, effective on January 1, 2019. The interpretation applies to the accounting for income taxes in situations where there is uncertainty about the tax treatment that affects the application of IAS 12. The Group has reviewed its income tax treatment and adopted the interpretation.

The tax expense of the Group include taxes based on the profit or loss for the period or dividend distribution of the Group companies, as well as change in deferred tax, and adjustment of taxes from prior periods. The penalty interests on those are recorded as financial expenses. The tax impact of items recorded directly in equity or other comprehensive income is correspondingly recognised directly in equity or in other comprehensive income. The share of associated companies' profit or loss is shown in the income statement calculated from the net result, and thereby includes the impact of taxes. Deferred taxes are measured with tax rates enacted by the reporting date, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities. The most significant temporary differences arise from the amortisation and depreciation differences of intangible assets and property, plant and equipment, measuring the net assets of business combinations at fair value, measuring financial assets and hedging instruments at fair value, internal profits in inventory and other provisions, appropriations and unused tax losses. Deferred tax liabilities will also be recognised from the subsidiaries' non-distributed retained earnings if profit distribution is likely and will result in tax consequences. Deferred tax assets relating to the temporary differences is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised before expiration. Deferred taxes are not recorded on goodwill that is not deductible for tax purposes.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the equity holders of the parent for the period by the weighted average number of shares outstanding during the period. The average number of treasury shares has been deducted from the number of shares outstanding.

For the calculation of the diluted earnings per share the diluting impact of all potentially diluting share conversions have been taken into account. The Group has share options and previously also convertible bonds as diluting instruments. The dilution of share options has been computed using the treasury stock method. In dilution, the denominator includes the shares obtained through the assumed conversion of the options, and the repurchase of treasury shares at the average market price during the period with the funds generated by the conversion. The assumed conversion of options is not taken into account for the calculation of earnings per share if the effective share subscription price defined for the options exceeds the average market price for the period. The convertible bonds are assumed to have been traded for company shares after the issue.

Property, plant and equipment

The values of property, plant and equipment acquired by the Group companies are based on their costs. The assets of acquired subsidiaries are measured at fair value on the date of acquisition. Depreciation is calculated on a straight-line basis from the original acquisition cost, based on the expected useful life. Depreciation includes any impairment losses.

In the statement of financial position, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The borrowing costs of items included in property, plant and equipment, and requiring a substantial construction period, are capitalised for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses in the period they incurred.

Depreciation is based on the following expected useful lives:

Buildings	20–40 years
Machinery and equipment	4–20 years
Other tangible assets	10–40 years

Land is not depreciated.

The expected useful lives are reviewed at each reporting date, and if they differ materially from previous estimates, the depreciation schedules are changed accordingly.

Regular maintenance and repair costs are recognised as expenses for period. Expenses incurred from significant modernisation or improvement projects are recorded in the statement of financial position if the company gains future economic benefits in excess of the originally assessed standard of performance of the existing asset. Modernisation and improvement projects are depreciated on a straight-line basis over their useful lives. Gains and losses from the divestment and disposal of property, plant and equipment are determined as the difference of the net disposal proceeds and the carrying amounts. Sales gains and losses are included in operating profit in the income statement.

Goodwill and other intangible assets

Goodwill arising from business combinations is recognized as the amount by which the aggregate of the transferred consideration, any non-controlling interest in the acquire and any previously held interest exceeds the fair value of the net assets acquired. Goodwill is not amortized but is tested for impairment annually and whenever an indication of possible impairment exists.

Other intangible assets include customer relationships, capitalised development costs, patents, copyrights, licences and software. Intangible rights acquired in business combinations are measured at fair value and amortised on a straight-line basis over their useful lives. Other intangible assets are measured at cost and amortised on a straight-line basis over their useful lives. An intangible asset is only recorded in the statement of financial position if it is probable that the expected future economic benefits that are attributable to the asset will flow to the company and cost can be measured reliably. Subsequent expenses related to the assets are only recorded in the statement of financial position if the company gains future economic benefits in excess of the originally assessed standard of performance of the existing asset; otherwise, costs are recognised as expenses at the time of occurrence.

In the statement of financial position, intangible assets are recorded at cost less accumulated amortisation and impairment losses. The borrowing costs of items included in other intangible assets, and requiring a substantial construction period, are capitalised for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses in the period they incurred. The amortisation schedule for intangible assets is 3–10 years.

Impairment

At reporting date the Group shall assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset in question is estimated. Goodwill and intangible assets not yet available for use are tested for impairment at least annually. To assess impairment, the Group's assets are allocated to cash-generating units on the smallest group that is largely independent of other units and the cash flows of which can be separated.

The recoverable amount is the higher of fair value of the asset less costs to sell and a value in use. As a rule, value in use is based on the discounted future cash flows that the corresponding asset or the cash-generating unit can derive. The impairment recognised in the income statement is the amount by which the carrying amount of the asset exceeds the corresponding recoverable amount, and in the statement of financial position it is allocated first to reduce the carrying amount of any goodwill of the unit and then pro rata against the other assets. An impairment loss recognised in prior periods will be reversed if the estimates used to determine the recoverable amount change. However, a reversal of impairment loss shall not exceed the carrying amount that would have been determined in the statement of financial position without the recognised impairment loss in prior periods. Impairment loss on goodwill is not reversed under any circumstances.

Inventories

Inventories are measured at the lower of cost or the net realisable value. Cost is primarily determined in accordance with standard cost accounting. The cost of finished goods and work in progress includes raw material purchase costs, direct manufacturing wages, other direct manufacturing costs, and a share of production overheads, borrowing costs excluded. Net realisable value is the estimated sales price in ordinary activities less the costs associated with the completion of the product and the estimated necessary costs incurred to make the sale of the product. Allowance is recorded in obsolete items.

Trade receivables

Trade receivables in the statement of financial position are carried at the original invoice value (and those in foreign currencies are measured at the closing rate of the European Central Bank) less a loss allowance for expected credit losses and credits for returned goods.

Dividend

The dividend proposed by the Board of Directors at the Annual General Meeting has not been recognised in the financial statements. Dividends are only accounted for on the basis of the decision of the Annual General Meeting.

Equity

The acquisition cost of treasury shares repurchased by the Group is recognised as a deduction in equity. The consideration received for the treasury shares when sold, net of transaction costs and tax, is included in equity.

Provisions

A provision is entered into the statement of financial position if the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions may be related to the reorganisation of activities, unprofitable agreements, environmental obligations, trials and tax risks. Warranty provisions include the cost of product replacement during the warranty period. Provisions constitute best estimates at the statement of financial position date and are based on past experience of the level of warranty expenses.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by realization of an uncertain future event not totally controllable by the Group. A contingent liability is also defined as a present obligation that probably will not require the settlement of the obligation, or cannot be measured reliably. A contingent liability is disclosed in the notes to the consolidated financial statements.

Correspondingly, a contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by realization of an uncertain future event not totally controllable by the Group. In case an inflow of economic benefits is probable, a contingent asset is disclosed in the notes to the consolidated financial statements.

Employee benefits

Pension liabilities

The Group companies have several pension schemes in different countries based on local conditions and practices. These pension arrangements are classified as either defined contribution plans or defined benefit plans. Payments for defined contribution plans are recorded as expenses in the income statement for the period they relate to. All of the material pension arrangements in the Group are defined contribution plans.

Share-based payments

Performance shares are measured at fair value on the grant date and are expensed on a straight-line basis over the vesting period. The equity-settled amounts are recorded as an increase in equity. The expense determined on the grant date is based on the Group's estimate of the number of shares that are assumed to vest at the end of the vesting period. The impact of non-market-based conditions (such as net sales and operating profit) is not included in the fair value of the share; instead, it is taken into account in the final number of shares that are assumed to vest at the end of the vesting period. The Group updates the assumption of the final number on each reporting date. The fair values of cash-settled amounts are similarly updated on each reporting date and recorded in equity. Changes in the estimates of both the equity and cash-settled amounts are recognised in the income statement.

Non-current assets held for sale and discontinued operations

A non-current asset, or a group of disposable items, is classified as being held for sale if the amount corresponding to its carrying amount will primarily be generated from the sale of the asset instead of being generated from the continued use of the asset. Non-current assets held for sale, and assets related to discontinued operations, are measured at their carrying amounts, or the lower fair value less costs to sell, if the amount corresponding to its carrying amount will primarily be generated from the sale of the asset and if the sales transaction is most likely to take place.

A discontinued operation is a part of the entity that has been divested or classified as being held for sale and represents a separate core business area or a geographic operating area.

The Group's financial statements for 2020 and 2019 do not include any non-current assets held for sale or any discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's management team is the chief operating decision maker. The segment information is presented in respect of the business and geographical segments. Business segments are based on the internal organization and financial reporting structure.

The business segments comprise of entities with assets and operating activities providing products and services. The segments are managed as separate entities.

Pricing of inter-segment transactions is based on current market prices and the terms of evaluating profitability and resources allocated to segments are based on profit before interests and taxes.

Segment assets and liabilities include items directly attributable to a segment and items that can be allocated on a reasonable basis. The unallocated items contain tax and financial items together with joint Group resource items. Capital expenditure comprises of additions to intangible assets and property, plant and equipment used in more than one period.

1. OPERATING SEGMENTS

2020 EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations and eliminations	Group
Net sales from external customers	819.3	166.2	317.6	10.7	1,313.8
Services			82.6		82.6
Sales of goods	819.3	166.2	235.0	10.7	1,231.2
Inter-segment net sales	52.0	28.4	0.5	–80.9	
Net sales	871.3	194.6	318.1	–70.1	1,313.8
Operating result	132.7	21.7	–6.2	–28.2	120.0
% of net sales	15.2%	11.1%	–2.0%	40.2%	9.1%
Financial income and expenses					–14.0
Profit before tax					106.0
Tax expense					–20.0
Profit for the period					86.0
Assets	1,333.4	197.1	231.7	9.7	1,771.9
Unallocated assets					564.7
Total assets					2,336.7
Liabilities	205.2	38.4	36.2	–1.1	278.6
Unallocated liabilities					536.7
Total liabilities					815.3
Capital expenditure	122.0	24.0	3.7	0.2	149.9
Depreciation and amortisation	87.5	12.7	27.0	3.8	131.0
Impairment	12.6	1.3	8.9	2.0	24.9
Other non-cash expenses	29.0	1.4	10.1	7.2	47.6

2019 EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations and eliminations	Group
Net sales from external customers	1,065.8	173.3	335.6	10.7	1,585.4
Services			87.9		87.9
Sales of goods	1,065.8	173.3	247.7	10.7	1,497.5
Inter-segment net sales	58.0	29.4	0.8	–88.3	
Net sales	1,123.8	202.7	336.5	–77.6	1,585.4
Operating result	287.7	35.7	7.7	–14.7	316.5
% of net sales	25.6%	17.6%	2.3%	18.9%	20.0%
Financial income and expenses					20.3
Profit before tax					336.7
Tax expense					63.1
Profit for the period					399.9
Assets	1,638.4	179.6	238.4	10.0	2,066.5
Unallocated assets					266.1
Total assets					2,332.6
Liabilities	167.2	43.1	51.8	–12.4	249.7
Unallocated liabilities					313.2
Total liabilities					562.8
Capital expenditure	253.4	40.4	5.7	0.1	299.6
Depreciation and amortisation	84.6	11.2	28.4	1.0	125.2
Other non-cash expenses	7.6	0.2	0.8	0.4	9.1

Business segments

Passenger Car Tyres business unit covers the development and production of summer and winter tyres for cars and vans.

Heavy Tyres business unit comprises tyres for forestry machinery, special tyres for agricultural machinery, tractors and industrial machinery as well as retreading and truck tyre business.

Vianor tyre chain sells car and van tyres as well as truck tyres. In addition to Nokian brand, Vianor sells other leading tyre brands and other automotive products and services.

Other operations and **eliminations** contain business development and Group management unallocated to the segments and eliminations between different business segments.

Notes concerning geographical segments

The business segments are operating in five geographic regions: Nordics, Russia and Asia, Other Europe, Americas and Other. In presenting information on the basis of geographical segments, segment revenue is based on the location of the customers and segment assets are based on the location of the assets.

Geographical information

2020 EUR million	Nordics	Russia and Asia	Other Europe	Americas	Other	Group
Net sales	592.2	188.7	330.9	166.7	35.4	1,313.8
Services	81.0	0.0	0.0	1.6		82.6
Sales of goods	511.2	188.7	330.9	165.1	35.4	1,231.2
Assets	926.9	420.2	198.7	353.4	0.0	1,899.2
Unallocated assets						437.5
Total assets						2,336.7
Capital expenditure	76.2	10.0	24.2	39.5	0.0	149.9

2019 EUR million	Nordics	Russia and Asia	Other Europe	Americas	Other	Group
Net sales	613.2	324.3	375.5	209.3	63.2	1,585.4
Services	85.1	0.0	0.0	2.8	0.0	87.9
Sales of goods	528.0	324.3	375.5	206.5	63.2	1,497.5
Assets	771.0	684.9	197.3	365.9	0.0	2,019.2
Unallocated assets						313.4
Total assets						2,332.6
Capital expenditure	96.7	44.6	17.3	141.0	0.0	299.6

2. ACQUISITIONS

Acquisitions and other changes in 2020

There were no significant acquisitions or other changes during 2020.

Acquisitions and other changes in 2019

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

EUR million	2020
Purchase consideration	
Consideration paid in cash	9.4
Contingent consideration liability	-
Total consideration	**9.4**

Recognised amounts of identifiable assets acquired and liabilities assumed:

EUR million	Note	2020
Property, plant and equipment	(12)	8.0
Inventories		3.0
Trade and other receivables		1.4
Cash and cash equivalents		1.1
Total Assets		**13.6**
Deferred tax liabilities	(18)	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	(13)	**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 cost of sales 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 asset acquired and liabilities assumed are recorded in fair value.

3. COST OF SALES

EUR million	2020	2019
Raw materials	286.5	354.7
Goods purchased for resale	188.0	220.2
Wages and social security contributions on goods sold	45.4	46.2
Other costs	198.5	207.7
Depreciation of production	80.6	72.0
Sales freights	59.8	70.4
Warehousing	44.8	41.2
Change in inventories	9.8	1.3
Total	913.4	1,013.8

4. OTHER OPERATING INCOME

EUR million	2020	2019
Gains on sale of property, plant and equipment	2.4	2.7
Other income	2.5	0.8
Total	4.8	3.5

5. OTHER OPERATING EXPENSES

EUR million	2020	2019
Losses on sale and disposals of tangible fixed assets	1.8	0.4
Expensed credit losses and provisions	17.0	6.9
Other expenses	4.0	1.1
Total	22.8	8.4

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

EUR million	2020	2019
Depreciation and amortisation by asset category		
Intangible rights	7.6	7.6
Other intangible assets	2.3	2.7
Buildings	10.9	8.1
Machinery and equipment	75.8	70.6
Right of use asset	29.5	31.1
Other tangible assets	4.9	5.0
Total	131.0	125.2
Impairment losses by asset category		
Intangible rights	6.7	-
Other intangible assets	4.8	-
Buildings	3.4	-
Machinery and equipment	4.8	-
Right of use asset	4.8	-
Other tangible assets	0.4	-
Total	24.9	-
Depreciation and amortisation by function		
Production	80.6	72.0
Selling, marketing and R&D	38.5	45.4
Administration	12.0	7.8
Other depreciation and amortisation	0.0	-
Total	131.0	125.2
Impairment losses by function		
Production	6.2	-
Selling, marketing and R&D	10.6	-
Administration	7.4	-
Other impairment losses	0.8	-
Total	24.9	-

7. EMPLOYEE BENEFIT EXPENSES

EUR million	2020	2019
Wages and salaries	183.2	188.6
Pension contributions - defined contribution plans	21.5	26.8
Share-based payments	3.7	3.0
Other social security contributions	16.3	16.9
Total	224.7	235.3

Information on the employee benefits and loans of the key management personnel is presented in note 33 Related party transactions.

8. FINANCIAL INCOME

EUR million	2020	2019
Interest income		
Financial assets measured at amortized cost	1.4	3.9
Dividend income		
Non-current financial investments measured at fair value through other comprehensive income	0.0	0.0
Exchange rate gains and changes in fair value		
Financial assets and liabilities at amortized cost	44.4	10.0
Foreign currency derivatives	68.4	53.2
Other financial income	0.1	0.2
Total	114.4	67.3

9. FINANCIAL EXPENSES

EUR million	2020	2019
Interest expenses		
Financial liabilities measured at amortized cost	-4.5	-4.1
Interest rate derivatives designated as hedges	-0.9	-0.9
Lease liabilities	-3.0	-3.8
Exchange rate losses and changes in fair value		
Financial assets and liabilities at amortized cost	-58.3	-4.5
Foreign currency derivatives	-59.9	-67.8
Other financial expenses	-1.7	34.1
Total	-128.4	-47.0

Financial expenses 2019 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 2019 contain a gain of EUR 1.4 million of interest from returned taxes.

10. TAX EXPENSE

EUR million	2020	2019
Current tax expense	-29.6	-52.8
Adjustment for prior periods	1.3	114.6
Change in deferred tax	8.4	1.3
Total	-20.0	63.1

The reconciliation of tax expense recognised in the income statement and tax expense using the domestic corporate tax rate (2020: 20.0%, 2019: 20.0%):

EUR million	2020	2019
Profit before tax	106.0	336.7
Taxes calculated according to the Finnish tax rate of 20%	-21.2	-67.3
Effect of deviant tax rates in foreign subsidiaries	3.4	18.2
Withholding taxes	2.7	-6.8
Tax exempt revenues	0.1	0.3
Non-deductible expenses	-4.5	-0.9
Losses on which no deferred tax benefits recognised	-0.5	5.7
Adjustment for prior periods	1.3	114.6
Change in the recoverability of deferred tax assets	-1.6	-
Other items	0.1	-0.7
Tax expense	-20.0	63.1

Income tax relating to components of other comprehensive income:

2020 EUR million	Before tax amount	Tax benefit	Net of tax amount
Cash flow hedges	-1.3	0.3	-1.1
Translation differences on foreign operations	-168.7		-168.7
	-170.0	0.3	-169.8

2019 EUR million	Before tax amount	Tax benefit	Net of tax amount
Cash flow hedges	-1.5	0.3	-1.2
Translation differences on foreign operations	86.6		86.6
	85.1	0.3	85.4

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss for the period by the weighted average number of shares outstanding during the period. The average weighted number of shares used for the calculation of diluted EPS takes into consideration the dilutive effect of the options outstanding during the period.

EUR million	2020	2019
Profit attributable to the equity holders of the parent	86.0	399.9
Profit for the period to calculate the diluted earnings per share	86.0	399.9
Shares, 1,000 pcs		
Weighted average number of shares	138,457	138,168
Dilutive effect of the options	0	216
Diluted weighted average number of shares	138,457	138,383
Earnings per share, euros		
Basic	0.62	2.89
Diluted	0.62	2.89

12. PROPERTY, PLANT AND EQUIPMENT

EUR million	Land property	Buildings	Machinery and equipment	Other tangible assets	Advances and fixed assets under construction	Total
Accumulated cost, 1 Jan 2019	12.1	270.2	1,014.2	17.7	180.9	1,495.0
Increase	0.7	8.4	54.0	1.7	219.8	284.5
Decrease	–0.3	–1.0	–14.4	–0.5	0.0	–16.3
Transfers between items		1.3	9.5	0.5	–11.3	0.0
Other changes	0.3	–28.7	–18.4	55.3	0.4	9.0
Exchange differences	0.2	17.8	51.2	4.2	5.2	78.6
Accumulated cost, 31 Dec 2019	13.0	267.9	1,096.1	78.8	395.0	1,850.8
Accum. Depreciation, 1 Jan 2019	0.0	–100.2	–733.6	–13.9		–847.7
Depreciation for the period		–8.1	–70.6	–5.0		–83.7
Decrease			7.3	0.4		7.7
Other changes		18.7	15.2	–35.1		–1.2
Exchange differences		–5.3	–33.1	–2.4		–40.8
Accum. Depreciation, 31 Dec 2019	0.0	–94.9	–814.9	–55.9		–965.8
Carrying amount, 31 Dec 2019	13.0	173.0	281.1	22.9	395.0	885.0
Accumulated cost, 1 Jan 2020	**13.0**	**267.9**	**1,096.1**	**78.8**	**395.0**	**1,850.8**
Increase	**1.1**	**2.2**	**28.7**	**0.4**	**118.8**	**151.3**
Decrease	**–2.1**	**–0.9**	**–31.5**	**–1.2**	**0.0**	**–35.7**
Transfers between items		**126.2**	**202.3**	**24.0**	**–360.6**	**–8.0**
Other changes	**0.0**	**0.3**	**–0.1**	**0.0**	**1.3**	**1.5**
Exchange differences	**–0.4**	**–40.3**	**–114.7**	**–18.4**	**–8.8**	**–182.6**
Accumulated cost, 31 Dec 2020	**11.7**	**355.4**	**1,180.9**	**83.7**	**145.6**	**1,777.3**
Accum. Depreciation, 1 Jan 2020	**0.0**	**–94.9**	**–814.9**	**–55.9**		**–965.8**
Depreciation for the period		**–10.9**	**–75.8**	**–4.9**		**–91.6**
Impairment		**–3.4**	**–4.8**			**–8.2**
Decrease		**0.5**	**21.9**	**0.3**		**22.7**
Other changes		**0.0**	**0.1**	**0.0**		**0.1**
Exchange differences		**8.1**	**70.4**	**11.9**		**90.4**
Accum. Depreciation, 31 Dec 2020	**0.0**	**–100.6**	**–803.1**	**–48.7**		**–952.4**
Carrying amount, 31 Dec 2020	**11.7**	**254.8**	**377.7**	**35.1**	**145.6**	**824.9**

In 2020, the Group recorded impairments in the tangible assets for EUR 8.2 million based on management’s assessment. The impairments are shown in the table in their own row.

13. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated cost, 1 Jan 2019	84.9	89.2	23.8	197.9
Increase		5.2	5.9	11.2
Acquisitions through business combinations	0.9			0.9
Decrease		0.0	−0.9	−0.9
Other changes	−1.3	0.0	0.2	−1.1
Exchange differences	−0.1	0.0	1.7	1.6
Accumulated cost, 31 Dec 2019	84.4	94.4	30.7	209.6
Accum. Depreciation, 1 Jan 2019	−1.3	−62.8	−16.6	−80.7
Depreciation for the period		−7.6	−2.7	−10.4
Other changes	1.3	0.0	0.8	2.0
Exchange differences	0.0	0.0	−1.0	−1.0
Accum. Depreciation, 31 Dec 2019	0.0	−70.4	−19.6	−89.9
Carrying amount, 31 Dec 2019	84.4	24.1	11.1	119.6

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated cost, 1 Jan 2020	**84.4**	**94.4**	**30.7**	**209.6**
Increase		**0.9**	**2.4**	**3.3**
Acquisitions through business combinations				**0.0**
Decrease	**0.0**	**−0.3**	**0.0**	**−0.3**
Transfers between items		**6.0**	**2.0**	**8.0**
Other changes	**0.0**	**0.0**	**−0.1**	**−0.1**
Exchange differences	**−0.3**	**0.0**	**−3.5**	**−3.7**
Accumulated cost, 31 Dec 2020	**84.1**	**101.1**	**31.5**	**216.7**
Accum. Depreciation, 1 Jan 2020	**0.0**	**−70.4**	**−19.6**	**−89.9**
Depreciation for the period		**−7.6**	**−2.3**	**−9.9**
Impairment	**−4.8**	**−6.7**	**−4.8**	**−16.3**
Decrease	**0.0**	**0.2**	**0.0**	**0.3**
Other changes	**0.0**	**−0.1**	**0.1**	**0.0**
Exchange differences	**0.0**	**0.0**	**2.1**	**2.1**
Accum. Depreciation, 31 Dec 2020	**−4.9**	**−84.6**	**−24.5**	**−113.9**
Carrying amount, 31 Dec 2020	**79.2**	**16.5**	**7.1**	**102.8**

Impairment losses

Impairments from the intangible asset have been booked EUR 16.3 million as shown in the table based on management's assessment. The impairments from the goodwill have been made before the impairments tests for goodwill.

Impairment tests for goodwill

Goodwill has been allocated to the Group's cash-generating units that have been defined according to the business organization.

Allocation of goodwill

EUR million	
Passenger Car Tyres	**63.9**
Heavy Tyres	**0.9**
Vianor	**14.4**
Total goodwill	**79.2**

The recoverable amount of a cash-generating unit is based on calculations of the value in use. The cash flow forecasts used in these calculations are based on five-year financial plans approved by the management. The estimated sales and production volumes are based on the current condition and scope of the existing assets. The key assumptions used in the plans include product selection, country-specific sales distribution, margin on products, and their past actual outcomes. Assumptions are also based on commonly used growth, demand and price forecasts provided by market research institutes.

The discount rate used is the weighted average cost of capital (WACC) before taxes defined for the Group. The calculation components are risk-free rate of return, market risk premium, industry-specific beta co-efficient, borrowing cost and the capital structure at market value at the time of testing. The discount rate used for Passenger Car Tyres is 6.3% (5.3% in 2019) and for Vianor is 6.3–7.4% (4.7–6.8% in 2019) varying through country locations. Future cash flows after the forecast period approved by the management have been capitalised as a terminal value using a steady 2% growth rate and discounted with the discount rate specified above.

The testing indicated no need to recognise impairment losses. In Vianor the calculations indicated that the recoverable amount exceeded the carrying value by EUR 4 million (EUR 426 million in 2019). Of the key assumptions, Vianor is the most sensitive to actual realisation of gross margin levels based on demand forecasts. A lag of 1.1%-units from the gross margin target levels in future years might lead to a need for impairment. The recoverable amount in Passenger Car Tyres significantly (well over 100%) exceeds the carrrying amount of the cash-generating unit, and small sales margin or sales volume changes have no effect on the impairment testing results. A possible impairment would require e.g. an annual decrease above 6.9% in net sales or a weakening of the present gross margin level permanently over 28.9%.

14. RIGHT OF USE ASSETS

EUR million	Land property	Buildings	Machinery and equipment	Total
Accumulated cost, 1 Jan 2019	1.4	135.0	1.3	137.7
Increase	0.1	10.4	0.1	10.6
Decrease	0.0	−0.1	0.0	−0.1
Other changes	0.1	5.5	0.1	5.6
Exchange differences	0.0	0.4	0.0	0.4
Accumulated cost, 31 Dec 2019	1.6	151.1	1.5	154.1
Accum. Depreciation, 1 Jan 2019	0.0	0.0	0.0	0.0
Depreciation for the period				
Decrease				
Other changes	−0.3	−30.5	−0.3	−31.1
Exchange differences	0.0	−0.1	0.0	−0.1
Accum. Depreciation, 31 Dec 2019	−0.3	−30.6	−0.3	−31.2
Carrying amount, 31 Dec 2019	1.2	120.5	1.2	122.9

EUR million	Land property	Buildings	Machinery and equipment	Total
Accumulated cost, 1 Jan 2020	**1.6**	**151.1**	**1.5**	**154.1**
Increase	**2.4**	**57.4**	**4.8**	**64.5**
Decrease	**−0.1**	**−7.5**	**−1.0**	**−8.6**
Other changes	**0.0**	**−1.6**	**1.5**	**−0.1**
Exchange differences	**−0.2**	**−3.5**	**0.0**	**−3.7**
Accumulated cost, 31 Dec 2020	**3.5**	**195.9**	**6.8**	**206.2**
Accum. Depreciation, 1 Jan 2020	**−0.3**	**−30.6**	**−0.3**	**−31.2**
Depreciation for the period	**−0.2**	**−27.9**	**−1.4**	**−29.5**
Decrease	**0.1**	**5.1**	**1.0**	**6.1**
Other changes	**0.0**	**1.1**	**−1.0**	**0.1**
Exchange differences	**0.1**	**0.2**	**0.0**	**0.3**
Accum. Depreciation, 31 Dec 2020	**−0.4**	**−52.1**	**−1.7**	**−54.2**
Carrying amount, 31 Dec 2020	**3.2**	**143.8**	**5.0**	**152.0**

Expenses arising from leases of low-value amounted to EUR 1.3 million and short-term leases amounted to EUR 8.6 million in 2020. These contracts are not included in the right of use assets. The corresponding expenses amounted to EUR 28.5 million in 2019. The additions to the right of use assets in 2020 were both from more precise review of the contracts and corrected rental terms and as well as new lease contracts.

15. CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

		2020				2019			
			Fair value				Fair value		
EUR million	Note	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
Financial assets									
Fair value through profit or loss									
Derivatives held for trading	(29)	**19.6**	**-**	**19.6**	**-**	2.9	-	2.9	-
Derivatives designated as hedges	(29)	**0.3**	**-**	**0.3**	**-**	1.2	-	1.2	-
Unquoted securities	(16)	**2.4**	**-**	**-**	**2.4**	-	-	-	-
Amortized cost									
Other non-current receivables	(17)	**5.2**	**-**	**4.7**	**-**	7.6	-	7.2	-
Trade and other receivables	(20)	**321.9**	**-**	**322.3**	**-**	498.8	-	499.4	-
Money market instruments	(21)	**-**	**-**	**-**	**-**	-	-	-	-
Cash in hand and at bank	(21)	**504.2**	**-**	**504.2**	**-**	218.8	-	218.8	-
Fair value through other comprehensive income									
Unquoted shares	(16)	**0.3**	**-**	**-**	**0.3**	0.7	-	-	0.7
Total financial assets		**853.8**	**-**	**851.0**	**2.7**	730.1	-	729.5	0.7
Financial liabilities									
Fair value through profit or loss									
Derivatives held for trading	(29)	**6.1**	**-**	**6.1**	**-**	2.3	-	2.3	-
Derivatives designated as hedges	(29)	**3.9**	**-**	**3.9**	**-**	6.3	-	6.3	-
Amortized cost									
Interest-bearing financial liabilities	(26)	**332.3**	**-**	**334.9**	**-**	135.2	-	138.1	-
Trade and other payables	(27)	**98.1**	**-**	**98.1**	**-**	89.4	-	89.4	-
Total financial liabilities		**440.4**	**-**	**442.9**	**-**	233.2	-	236.1	-

The carrying amount of financial assets corresponds to the maximum exposure to the credit risk on the reporting date.

See note 28 for the impairments in respect of trade receivables. Other financial assets measured at amortized cost and fair value through other comprehensive income are not subject to material impairment.

Fair value measurements have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.Quoted prices in active markets for identical assets or liabilities.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

All items measured at fair value through profit or loss excluding unquoted securities have been classified to Level 2 in the fair value hierarchy and items include Group's derivative financial instruments. To establish the fair value of these instruments the Group uses generally accepted valuation models with inputs based on observable market data.

Level 3 includes unquoted securities measured at fair value through profit or loss, and unquoted shares measured at fair value through other comprehensive income since cost is assessed to represent the fair value.

Financial assets and liabilities not measured at fair value but for which the fair value can be measured are categorised in Level 2 in the fair value hierarchy. Level 2 includes financial assets and financial liabilities measured at amortized cost. Their fair values are based on the future cash flows that are discounted with market interest rates on the reporting date.

There were no transfers between different levels during the financial year.

16. INVESTMENTS IN ASSOCIATES AND NON-CURRENT FINANCIAL INVESTMENTS

EUR million	Investments in associates	Unquoted securities	Unquoted shares
Accumulated cost, 1 Jan 2020	**0.1**	**-**	**0.7**
Decrease/Increase	**-**	**2.4**	**0.0**
Impairment	**-**	**-**	**–0.4**
Carrying amount, 31 Dec 2020	**0.1**	**2.4**	**0.3**
Carrying amount, 31 Dec 2019	0.1	-	0.7

17. OTHER NON-CURRENT RECEIVABLES

EUR million	2020	2019
Loan receivables	**5.2**	7.6
Other non-current receivables	**0.6**	0.1
Total	**5.7**	7.7

18. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	31 Dec 2018	Recognised in income statement	Recognised in other comprehensive income	Net exchange differences	Acquisitions/ disposals of subsidiaries	31 Dec 2019
Deferred tax assets						
Inventories	14.9	–1.3				13.6
Provisions and accruals	0.9	0.2				1.1
Tax losses carried forward	0.0	4.0				4.0
Cash flow hedges	–0.3	1.0				0.7
Other items	11.1	0.8		0.0		11.9
Total	26.8	4.6	-	0.0	-	31.4
Deferred tax assets offset against deferred tax liabilities	–17.5	2.1				–15.4
Deferred tax assets	9.3	6.7	-	0.0	-	15.9
Deferred tax liabilities						
Property, plant and equipment and intangible assets	16.6	0.1				16.6
Untaxed reserves	1.3	0.5		0.0		1.8
Undistributed earnings in subsidiaries	30.3	0.4				30.7
Other items	1.9	0.9				2.8
Total	50.0	1.8	-	0.0	-	51.8
Deferred tax liabilities offset against deferred tax assets	–17.5	2.1				–15.4
Deferred tax liabilities	32.5	3.9	-	0.0	-	36.4

EUR million	31 Dec 2019	Adjustments between items	Recognised in income statement	Recognised in other comprehensive income	Net exchange differences	Acquisitions/ disposals of subsidiaries	31 Dec 2020
Deferred tax assets							
Inventories	13.6		–2.3				11.3
Property, plant and equipment and intangible assets	0.0		0.8				0.8
Provisions and accruals	1.1	9.4	–2.3				8.2
Tax losses carried forward	4.0	3.1	–1.6				5.5
Cash flow hedges	0.7	0.1	0.2	–0.3			0.7
Other items	11.9	–12.5	1.8		0.0		1.2
Total	31.4		–3.4	–0.3	0.0	-	27.7
Deferred tax assets offset against deferred tax liabilities	–15.4		9.4				–6.0
Deferred tax assets	15.9		6.0	–0.3	0.0	-	21.6
Deferred tax liabilities							
Property, plant and equipment and intangible assets	16.6	0.2	0.8		–1.1		16.6
Untaxed reserves	1.8	–1.0	–0.2				0.6
Undistributed earnings in subsidiaries	30.7		–9.4				21.2
Other items	2.8	0.8	–3.3				0.2
Total	51.8		–12.2	-	–1.1	-	38.6
Deferred tax liabilities offset against deferred tax assets	–15.4		9.4				–6.0
Deferred tax liabilities	36.4		–2.8	-	–1.1	-	32.6

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

On 31 December 2020 the Group had carry forward losses for EUR 27.8 million (EUR 27.1 million in 2019), on which a deferred tax asset has been recognised. The Group also had carry forward losses for EUR 9.7 million (EUR 3.1 million in 2019), on which no deferred tax asset was recognised. It is not probable that future taxable profit will be available to offset these losses.

The Group has utilised previously unrecognised tax losses from prior periods with EUR 1.3 million in 2020 (EUR 1.5 million in 2019).

The Group does not recognise deferred tax liability on undistributed profits from other than foreign subsidiaries located in countries where distribution generates tax consequences when it is likely that the earnings will be distributed in the foreseeable future. The group has not recognised deferred tax liability for the undistributed earnings of Finnish subsidiaries and associates as such earnings can be distributed without any tax consequences.

19. INVENTORIES

EUR million	2020	2019
Raw materials and supplies	**113.7**	139.1
Work in progress	**9.8**	7.8
Finished goods	**205.9**	240.1
Total	**329.4**	387.0

Annually an additional expense is recognised in the carrying amounts of all separate inventory items to avoid them exceeding their maximum probable net realisable values. In 2020 EUR 4.5 million expense was recognised to decrease the carrying amount of the inventories to reflect the net realisable value (EUR 2.5 million in 2019).

20. TRADE AND OTHER RECEIVABLES

EUR million	2020	2019
Trade receivables	**321.5**	498.3
Loan receivables	**0.4**	0.5
Accrued revenues and deferred expenses	**19.2**	17.0
Derivative financial instruments		
Designated as hedges	**0.0**	0.9
Measured at fair value through profit or loss	**19.6**	2.9
Current tax assets	**10.3**	15.6
Value added tax receivables	**21.5**	33.9
Other receivables	**0.6**	4.5
Total	**393.1**	573.7

The carrying amount of trade and other receivables corresponds to the maximum exposure to the credit risk on the reporting date.

The carrying amount of trade and other receivables is a reasonable approximation of their fair value.

See note 28 for the impairments in respect of trade receivables.

Significant items under accrued revenues and deferred expenses

EUR million	2020	2019
Annual discounts, purchases	**8.8**	3.7
Financial items	**0.4**	0.6
Social security contributions	**0.9**	1.4
Insurances	**0.4**	0.9
Other items	**8.7**	10.5
Total	**19.2**	17.0

21. CASH AND CASH EQUIVALENTS

EUR million	2020	2019
Cash in hand and at bank	**504.2**	218.8
Money market instruments	**-**	-
Total	**504.2**	218.8

22. EQUITY

Reconciliation of the number of shares EUR million	Number of shares (1,000 pcs)	Share capital	Share premium	Paid-up unrestricted equity reserve	Treasury shares	Total
1 Jan 2019	137,788	25.4	181.4	222.6	–11.4	418.0
Exercised warrants	856	-	-	15.7	-	15.7
Acquisition/conveyance of treasury shares	80	-	-	-	3.4	3.4
Other changes	-	-	-	-	-	0.0
31 Dec 2019	138,724	25.4	181.4	238.2	–8.0	437.0
1 Jan 2020	**138,724**	**25.4**	**181.4**	**238.2**	**–8.0**	**437.0**
Exercised warrants	**-**	**-**	**-**	**-**	**-**	**0.0**
Acquisition/conveyance of treasury shares	**–499**	**-**	**-**	**-**	**–10.2**	**–10.2**
Other changes	**-**	**-**	**-**	**-**	**-**	**0.0**
31 Dec 2020	**138,224**	**25.4**	**181.4**	**238.2**	**–18.2**	**426.8**

The nominal value of shares was abolished in 2008, hence no maximum share capital of the Group exists anymore. All outstanding shares have been paid for in full.

Below is a description of the reserves within equity

Share premium

Before the nominal value of shares was abolished, the amount exceeding the nominal value of shares received by the company in connection with share issue and share subscription were recognised in share premius.

Translation reserve

Translation reserve includes the differences arising from the translation of the foreign subsidiaries' financial statements. The gains and losses from the net investments in foreign units and hedging those net investments are also included in translation reserve once the requirements of hedge accounting have been met.

Fair value and hedging reserves

The fair value and hedging reserves comprises of two sub reserves: a fair value reserve for financial assets measured at fair value through other comprehensive income and a hedging fund for changes in the fair value of the derivative financial instruments used for cash flow hedging.

Paid-up unrestricted equity reserve

After the nominal value of shares was abolished, the entire share subscription made by option rigts are entered in the paid-up unrestricted reserve.

Treasury shares

No share repurchases were made during the review period, and the company did not possess any own shares on December 31, 2020.

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 and 500,000 in 2020, have been reported as treasury shares in the Consolidated Statement of Financial Position. On December 31, 2020, the number of these shares was 697,400. This number of shares corresponded to 0.50% of the total shares and voting rights in the company.

Dividends

After the balance sheet date, the Board of Directors proposed that a dividend of EUR 1.20 per share be paid (EUR 1.58 in 2019).

Specification of the distributable funds

The distributable funds on 31 December 2020 total EUR 723.1 million (EUR 773.9 million on 31 December 2019) and are based on the balance of the Parent company and the Finnish legislation.

23. SHARE-BASED PAYMENTS

PERFORMANCE SHARE PLANS

Performance share plan

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 (PSP 2019) as the main structure, and a Restricted Share Plan (RSP 2019) as a complementary structure for specific situations.

On February 4, 2020, 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 2020–2022 as a continuation to the earlier plans decided in 2019. The decision includes Performance Share Plan 2020 (PSP 2020) as the main structure and Restricted Share Plan 2020 (RSP 2020) 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 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. In addition to this precondition, the management team has a separate financial performance measure which must be achieved for a potential reward payment. 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.

Performance Share Plan 2020

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 2020–2022) commences effective as of the beginning of 2020 and the potential share reward thereunder will be paid in the first half of 2023 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 2020–2022 are approximately 200 individuals, including the members of Nokian Tyres Management Team.

The potential share reward payable under the PSP 2020–2022 are based on the Earnings Per Share (EPS) and Return on Capital Employed (ROCE). The possible rewards paid based on the Performance Period of 2020–2022 will be a maximum of 569,260 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 2020

The purpose of the Restricted Share Plan is to serve as a complementary tool for individually selected key employees of Nokian Tyres in situations like new hires and retention needs. 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, the management team has a separate financial performance measure which must be achieved for a potential reward payment.
The most recent plan (RSP 2020–2022) within the Restricted Share Plan structure commenced effective as of the beginning of 2020 and the potential share reward thereunder will be paid in the first half of 2023. The possible rewards paid based on RSP 2020–2022 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.

The following tables present more specific information on the performance share plans.

Instrument	PSP 2018	PSP 2019–2020	PSPS 2019–2021	PSP 2020–2022	RSP 2019–2021	RSP 2020–2022	Total
Issuing date	23.2.2016	5.2.2019	5.2.2019	4.2.2020	5.2.2019	4.2.2020	
Initial amount, pcs	560,000	580,000	535,000	569,260	70,000	120,000	2,434,260
Dividend adjustment	No	No	No	No	No	No	
Initial allocation date	2.2.2018	26.2.2019	26.2.2019	26.3.2020	26.8.2019	17.6.2020	
Beginning of earning period	1.1.2018	1.1.2019	1.1.2019	1.1.2020	1.1.2019	1.1.2020	
End of earning period	31.12.2018	31.12.2020	31.12.2021	31.12.2022	31.12.2021	31.12.2022	
Vesting date	31.3.2020	31.3.2021	31.3.2022	31.3.2023	31.3.2022	31.3.2023	
Vesting conditions	EBIT Net sales	Earnings Per Share (EPS) growth % and Return on Capital Employed (ROCE)	Earnings Per Share (EPS) growth % and Return on Capital Employed (ROCE)	Earnings Per Share (EPS) and Return on Capital Employed (ROCE)	Continued employment. Return on Capital Employed (ROCE)	Continued employment. Return on Capital Employed (ROCE) for special cases	
Maximum contractual life, yrs	2.1	2.1	3.1	3	2.6	2.8	2.6
Remaining contractual life, yrs	0	0.2	1.2	2.2	1.2	2.2	1.2
Number of persons at the end of reporting year	197	172	175	183	18	97	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	

Changes during period	PSP 2018	PSP 2019–2020	PSPS 2019–2021	PSP 2020–2022	RSP 2019–2021	RSP 2020–2022	Total
1.1.2020							
Outstanding in the beginning of the period	448,050	552,900	514,260	0	4,025	0	1,519,235
Reserve in the beginning of the period	111,950	27,100	20,740	0	65,975	0	225,765
Changes during period							
Granted	0	0	0	574,020	46,800	99,850	720,670
Forfeited	4,000	38,060	30,700	28,000	3,225	3,000	106,985
Earned (Gross)	1,233	0	0	0	0	0	1,233
Delivered (Net)	821	0	0	0	0	0	821
31.12.2020							
Outstanding at the of the period	0	514,840	483,560	541,260	47,600	96,850	1,684,110
Reserved at the of the period	0	65,160	51,440	28,000	22,400	23,150	190,150

FAIR VALUE DETERMINATION

Inputs to the fair value determination of the performance shares expensed during the financial year 2020 are listed in the below table as weighted average values. The total fair value of the performance shares is based on the company's estimate on 31 December 2020 as to the number of shares to be eventually vesting.

Fair value determination	Earning period 2020
Share price at grant, EUR	23.58
Share price at reporting date, EUR	30.35
Expected dividends, EUR	4.14
Fair market value per share at grant, EUR	19.32
Total fair value 31 December 2020, EUR million	12.21

Impact on period profits and financial position	
Expenses for the financial year, share-based payments, equity-settled EUR million	3.70
Liabilities arising from share-based payments 31 December 2020 EUR million	0.00
Estimated amount of cash to be paid under these plans EUR million	10.41

24. PENSION LIABILITIES

All material pension arrangements in the Group are defined contribution plans.

25. PROVISIONS

EUR million	Warranty provision	Restructuring provision	Total
1 Jan 2020	4.9	-	4.9
Provisions made	4.5	2.5	7.1
Provisions used	−0.6	-	−0.6
Unused provisions reversed	−4.3	-	−4.3
31 Dec 2020	4.5	2.5	7.1

EUR million	2020	2019
Non-current provisions	-	-
Current provisions	7.1	4.9

Warranty provision

The goods are sold with a normal warranty period. Additionally, a Hakka Guarantee warranty has been established in certain markets for certain products to compensate tyre damages not covered by the normal warranty, one year after the purchase and to a certain wear limit. Damaged goods will be repaired at the cost of the company or replaced with a corresponding product. The provisions are based on the sales and statistical compensation volumes of the tyres sold under these warranties. The warranty provisions are expected to be utilised within 1 year.

26. INTEREST-BEARING FINANCIAL LIABILITIES

EUR million	2020	2019
Non-current		
Loans from financial institutions and pension loans	128.0	134.4
	128.0	134.4
Current		
Commercial papers	203.4	-
Current portion of non-current loans from financial institutions and pension loans	0.9	0.9
	204.3	0.9

Interest-bearing financial liabilities by currency

EUR million	2020	2019
Currency		
EUR	314.8	112.3
RUB	17.5	22.9
Total	332.3	135.2

Effective interest rates for interest-bearing financial liabilities

	2020		2019	
	Without hedges	With hedges	Without hedges	With hedges
Loans from financial institutions and pension loans	1.3%	2.1%	1.8%	2.4%
Commercial papers	0.8%	0.8%	-	-
Total	1.0%	1.3%	1.8%	2.4%

See note 15 for the fair values of the interest-bearing financial liabilities.

27. TRADE AND OTHER PAYABLES

EUR million	2020	2019
Trade payables	**98.1**	89.4
Accrued expenses and deferred revenues	**138.4**	141.7
Advance payments	**2.0**	0.6
Derivative financial instruments		
Designated as hedges	**3.8**	6.3
Measured at fair value through profit or loss	**6.1**	2.3
Current tax liabilities	**6.4**	4.6
Value added tax liabilities	**23.1**	-
Other liabilities	**9.8**	21.7
Total	**287.8**	266.5

The carrying amount of trade and other payables is a reasonable approximation of their fair value.

Significant items under accrued expenses and deferred revenues

EUR million	2020	2019
Wages, salaries and social security contributions	**41.6**	37.0
Annual discounts, sales	**60.7**	61.3
Commissions	**10.0**	5.4
Goods received and not invoiced	**3.5**	6.7
Marketing expenses	**2.3**	5.5
Transportation costs	**3.0**	3.7
Warranties	**3.8**	4.2
Financial items	**0.2**	0.0
Other items	**13.4**	17.8
Total	**138.4**	141.7

28. FINANCIAL RISK MANAGEMENT

The objective of financial risk management is to protect the Group's planned profit development from adverse movements in financial markets. The principles and targets of financial risk management are defined in the Group's financial policy, which is approved by the Board. Financing activities and financial risk management are centralized to the parent company Treasury, which executes financing and hedging transactions with external counterparties and acts as a primary counterparty to business units in financing activities like funding, foreign exchange transactions and cash management. The Group Credit Committee makes credit decisions that have a significant impact on the credit exposure of the Group. COVID–19 pandemic related risks are covered in the note 34.

Foreign currency risk

The Nokian Tyres Group consists of the parent company in Finland, the sales companies in Russia, Sweden, Norway, the USA, Canada, Czech Republic, Switzerland, Ukraine, Kazakhstan, Belarus and China, the tire chain companies in Finland, Sweden and Norway. The tire plants are located in Nokia, Finland, in Vsevolozhsk, Russia and in Dayton, Tennessee, USA.

Transaction risk

According to the Group's financial policy, transactions between the parent company and the foreign subsidiaries are primarily carried out in the local currency of the subsidiary in question, and the transaction risk is carried by the parent company and there is no significant currency risk in the foreign subsidiaries. Exceptions to the main rule are subsidiaries, which have non-home currency items due to the nature of business activities. In this case transactions between the parent company and the subsidiary are carried out in a currency appropriate for the Group currency exposure. The parent company manages transaction risk in these subsidiaries and implements required hedging transactions for hedging the currency exposure of the subsidiary according to the Group hedging principles.

The transaction exposure of the parent company and the subsidiaries with non-home currency items comprises of the foreign currency denominated receivables and payables in the statement of financial position and the foreign currency denominated binding purchase and sales contracts. According to the Group's financial policy the significant transaction exposure in every currency pair is hedged, although 20% over-hedging or under-hedging is allowed if a +/- 10% change in the exchange rate does not create over EUR 1 million impact on the income statement. However, a simultaneous +/- 10% change in all the Group exposure currencies against EUR must not create over a EUR 5 million impact on the income statement. Exceptions to the main rule are non-convertible currencies, which do not have active hedging markets available. For budget exposure the estimated currency cash flows are added to the transaction exposure so that the overall foreign currency risk exposure horizon covers the next 12 months. The budget exposure may be hedged according to the market situation and the hedge ratio can be up to 70% of the budget exposure. Currency forwards, currency options and cross-currency swaps are used as hedging instruments.

Transaction risk

EUR million	31 Dec 2020								31 Dec 2019							
Functional currency	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**CZK**	**UAH**	**RUB**	EUR	EUR	EUR	EUR	EUR	CZK	UAH	RUB
Foreign currency	**CAD**	**NOK**	**RUB**	**SEK**	**USD**	**EUR**	**EUR**	**EUR**	CAD	NOK	RUB	SEK	USD	EUR	EUR	EUR
Trade receivables	**24.3**	**23.4**	**16.3**	**17.9**	**22.8**	**66.8**	**0.0**	**10.4**	15.0	18.7	19.3	21.9	17.7	83.1	0.0	17.5
Loans and receivables	**3.0**	**43.0**	**81.2**	**44.4**	**4.3**	**37.4**	**0.0**	**0.0**	10.4	46.6	108.9	54.7	5.7	2.1	0.0	0.0
Total currency income	**27.4**	**66.4**	**97.5**	**62.3**	**27.1**	**104.2**	**0.0**	**10.4**	25.3	65.3	128.2	76.7	23.4	85.1	0.0	17.5
Trade payables	**−0.3**	**0.0**	**−9.9**	**0.0**	**−11.7**	**−38.2**	**0.0**	**−2.9**	0.0	0.0	−44.6	0.0	−9.4	−43.3	−0.2	−6.0
Borrowings	**−10.8**	**−40.1**	**−169.9**	**−22.2**	**−21.9**	**−60.0**	**0.0**	**−10.0**	0.0	−38.2	−86.2	−20.6	−7.9	−60.0	0.0	−15.0
Total currency expenditure	**−11.1**	**−40.1**	**−179.8**	**−22.2**	**−33.6**	**−98.2**	**0.0**	**−12.9**	0.0	−38.2	−130.8	−20.6	−17.3	−103.3	−0.2	−21.0
Foreign exchange derivatives	**−9.6**	**−25.8**	**79.8**	**−45.8**	**−4.1**	**−7.4**	**0.0**	**0.0**	−23.3	−21.8	−6.0	−59.3	−7.9	19.8	0.0	0.0
Binding sales contracts	**12.8**	**2.7**	**4.1**	**3.4**	**0.3**	**10.5**	**0.0**	**0.0**	8.3	3.1	5.2	3.6	0.3	13.5	0.0	0.0
Binding purchase contracts	**0.0**	**0.0**	**−4.2**	**0.0**	**−29.4**	**−7.9**	**0.0**	**0.0**	0.0	0.0	−13.1	0.0	−24.9	−15.8	0.0	0.0
Future interest items	**0.0**	**0.9**	**−4.8**	**0.4**	**0.0**	**−0.6**	**0.0**	**0.0**	0.0	0.7	1.2	0.3	0.0	−0.6	0.0	−0.1
Net exposure	**19.5**	**4.1**	**−7.4**	**−2.1**	**−39.7**	**1.1**	**0.0**	**−2.5**	10.4	9.1	−15.4	0.6	−26.5	−0.7	−0.1	−3.5

Translation risk

In financial statements the statements of financial position of the foreign subsidiaries are translated into euro using the European Central Bank's closing rates and the income statements monthly using the monthly average rate for the period. The impacts of the exchange rate fluctuations arising on translation of the subsidiaries' income statements and statements of financial position are recorded as translation differences in other comprehensive income and in the translation reserve in equity. The net investments in foreign subsidiaries are not hedged based on the Board decision in 2013.

Group's total comprehensive income was negatively affected by translation differences on foreign operations by EUR 168.7 million (positively affected by EUR 86.6 in 2019).

Translation risk

Net investments by currency

EUR million	31 Dec 2020	31 Dec 2019
Currency of net investment		
CZK	**58.4**	52.4
NOK	**48.1**	49.8
RUB	**457.4**	625.2
SEK	**26.8**	21.1
USD	**328.2**	321.8

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the base currency against the quote currency, with all other variables held constant, of the Group's profit before tax and equity due to changes in the fair value of financial assets and liabilities.

A reasonably possible change is assumed to be a 10% base currency appreciation or depreciation against the quote currency. A change of a different magnitude can also be estimated fairly accurately because the sensitivity is nearly linear.

	31 Dec 2020				31 Dec 2019			
	Base currency				Base currency			
	10% stronger		10% weaker		10% stronger		10% weaker	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Base currency / Quote currency								
EUR/CAD	**−0.7**	**-**	**0.7**	**-**	−0.2	-	0.2	-
EUR/CZK	**−0.1**	**-**	**0.1**	**-**	0.2	-	−0.2	-
EUR/NOK	**−0.1**	**-**	**−0.1**	**-**	−1.1	-	2.5	-
EUR/RUB	**0.0**	**-**	**0.0**	**-**	0.5	-	−0.5	-
EUR/SEK	**0.6**	**-**	**−0.6**	**-**	0.3	-	−0.3	-
EUR/UAH	**0.0**	**-**	**0.0**	**-**	0.0	-	0.0	-
EUR/USD	**0.3**	**-**	**−0.3**	**-**	0.2	-	−0.2	-

Interest rate risk

The interest rate risk of the Group consists mainly of borrowing, which is split between floating and fixed rate instruments. On the reporting date the floating rate interest-bearing financial liabilities amounted to EUR 326.6 million (EUR 128.8 million in 2019) and the fixed rate interest-bearing liabilities EUR 5.7 million (EUR 6.3 million in 2019) including the interest rate derivatives. The Group's policy aims to have at least 50% of the non-current financial liabilities in fixed rate instruments. Interest rate risk is managed by using interest rate derivatives. On the reporting date the portion of the non-current fixed rate interest-bearing financial liabilities was 82% (79% in 2019) and the average fixing period of the interest-bearing financial liabilities was 15 months (48 months in 2019) including the interest rate derivatives. The Group uses interest rate derivatives as cash flow hedges and hedge accounting is mainly applied for those derivatives.

Electricity price risk

The Group purchases electricity in Finland at market price from the Nordic electricity exchange and this leads to an electricity price exposure. Annually around 90 GWh of electricity is procured. According to the procurement policy electricity purchases are hedged with electricity derivatives within the limits set by the pre-defined hedge ratios for the coming five-year period. On the reporting date the energy amount of the electricity derivatives amounted to 170 GWh (140 GWh in 2019).

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings and interest rate hedges measured at fair value through profit or loss and the Group's equity due to changes in the fair value of cash flow hedges.

A reasonably possible change is assumed to be a 1 %-point increase or decrease of the market interest rates.

	31 Dec 2020				31 Dec 2019			
	Interest rate				Interest rate			
	1%-point higher		1%-point lower		1%-point higher		1%-point lower	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Impact of interest rate change	–0.2	3.3	–0.2	–3.3	–1.3	4.5	1.3	–4.5

Sensitivity analysis for electricity price risk

The following table demonstrates the sensitivity to a reasonably possible change in electricity price, with all other variables held constant, of the Group's profit before tax and equity due to changes in the fair value of the electricity derivatives.

A reasonably possible change is assumed to be a 5 EUR/MWh increase or decrease of the electricity market prices. A change of a different magnitude can also be estimated fairly accurately because the sensitivity is nearly linear.

	31 Dec 2020				31 Dec 2019			
	Electricity price				Electricity price			
	5 EUR/MWh higher		5 EUR/MWh lower		5 EUR/MWh higher		5 EUR/MWh lower	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Impact of electricity price change	-	0.8	-	–0.8	-	0.7	-	–0.7

Liquidity and funding risk

In accordance with the Group's financial policy, Treasury is responsible for maintaining the Group's liquidity, efficient cash management and sufficient sources of funding. The committed credit limits cover all funding needs, like outstanding commercial papers, other current loans, working capital changes arising from operative business and investments.

Refinancing risk is reduced by split maturity structure of loans and credit limits. The EUR 150 million domestic revolving credit facility with an international bank syndicate is due in 2023. A EUR 350 million domestic commercial paper program was increased to EUR 500 million. The current credit limits and the commercial paper program are used to finance inventories, trade receivables, subsidiaries in distribution chains and thus to control the typical seasonality in the Group's cash flows.

The Group strengthened its liquidity position due to the potential negative impacts of the COVID–19 pandemic in first half of the year by withdrawing bilateral loans totaling EUR 275 million. These loans we prepaid before maturity in the end of the year.

The Group reports the main financial covenants to creditors quarterly. If the Group does not satisfy the requirements set in financial covenants, creditor may demand accelerated repayment of the credits. In 2020 the Group has met all the requirements set in the financial covenants, which are mainly linked to equity ratio. Management monitors regularly that the covenant requirements are met. Financing agreements contain terms and conditions upon which the agreement may be terminated, if control in the company changes as a result of a public tender offer.

On the reporting date the Group's liquidity in cash and cash equivalents was EUR 504.2 million (EUR 218.8 million in 2019). At the end of the year the Group's credit limits available were EUR 507.1 million (EUR 561,0 million in 2019), out of which the committed limits were EUR 205.5 million (EUR 205.5 million in 2019). The available committed non-current credits amounted to EUR 200.0 million (EUR 200.0 million in 2019).

The Group's interest-bearing financial liabilities totaled EUR 332.3 million, compared to the year before figure of EUR 135.2 million. Around 95% of the interest-bearing financial liabilities were in EUR. The average interest rate of interest-bearing financial liabilities was 1.3%. Current interest-bearing financial liabilities, including the portion of non-current financial liabilities maturing within the next 12 months, amounted to EUR 204.3 million (EUR 0.9 million in 2019).

Contractual maturities of financial and lease liabilities

	2020							
		Contractual maturities*						
EUR million	**Carrying amount**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026–**	**Total**
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	5.7	–0.7	–0.7	–1.2	–0.6	–0.6	–2.5	–6.3
Floating rate loans	123.2	–1.8	–1.8	–1.8	–121.9	–0.3	–1.1	–128.7
Commercial papers	203.4	–203.4	0.0	0.0	0.0	0.0	0.0	–203.4
Trade and other payables	98.1	–98.1	0.0	0.0	0.0	0.0	0.0	–98.1
Lease liabilities	154.7	–46.1	–39.0	–35.2	–13.2	–10.0	–24.6	–168.1
Derivative financial liabilities								
Interest rate derivatives								
Designated as hedges	3.6	–1.0	–1.0	–1.0	–0.5	0.0	0.0	–3.5
Foreign currency derivatives								
Designated as hedges								
Cashflow out	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cashflow in	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Measured at fair value through profit or loss								
Cashflow out	6.1	–394.5	–46.9	–16.2	0.0	0.0	0.0	–457.6
Cashflow in	–19.6	390.2	56.8	18.5	0.0	0.0	0.0	465.6
Electricity derivatives								
Designated as hedges	0.0	–0.2	0.2	0.0	0.0	0.0	0.0	0.0
Total	575.2	–355.7	–32.5	–36.8	–136.2	–10.9	–28.2	–600.2

* The figures are undiscounted and include both the finance charges and the repayments.

	2019							
		Contractual maturities*						
EUR million	**Carrying amount**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025–**	**Total**
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	6.3	–0.8	–0.7	–0.7	–1.2	–0.6	–3.1	–7.1
Floating rate loans	128.8	–2.5	–2.5	–2.5	–2.4	–127.6	–1.3	–138.9
Commercial papers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade and other payables	89.4	–89.4	0.0	0.0	0.0	0.0	0.0	–89.4
Lease liabilities	124.8	–32.5	–27.9	–19.9	–16.1	–12.0	–29.6	–137.9
Derivative financial liabilities								
Interest rate derivatives								
Designated as hedges	3.2	–0.8	–0.8	–0.7	–0.6	–0.2	0.0	–3.1
Foreign currency derivatives								
Designated as hedges								
Cashflow out	3.0	–5.0	–4.8	–62.0	–21.3	0.0	0.0	–93.1
Cashflow in	–0.3	0.3	0.3	57.0	18.6	0.0	0.0	76.2
Measured at fair value through profit or loss								
Cashflow out	2.3	–393.2	0.0	0.0	0.0	0.0	0.0	–393.2
Cashflow in	–2.9	394.5	0.0	0.0	0.0	0.0	0.0	394.5
Electricity derivatives								
Designated as hedges	–0.9	0.5	0.3	0.1	0.0	0.0	0.0	0.9
Total	353.8	–128.9	–36.1	–28.7	–22.9	–140.5	–34.1	–391.2

* The figures are undiscounted and include both the finance charges and the repayments.

Credit Risk

The Group is exposed to credit risk from customers' trade receivables and also from deposits and derivative transactions with different banks and financial institutions.

The credit risk in financial transactions is controlled by doing business only with banks and financial institutions with high credit ratings. In investments the Group's placements are current and funds are invested only in solid domestic listed companies, public institutions or non-listed domestic companies which meet the criteria set by the investment policy. The Board approves the investment policy for financial instruments annually.

The principles of customers' credit risk management are documented in the Group's credit policy approved by the Board. The Group Credit Committee makes all the significant credit decisions. Financial statements as well as credit analysis and payment history collected by credit information companies are used for evaluating credit worthiness. The credit status of the customers is reviewed at the subsidiaries regularly according to the Group credit policy principles. Bank guarantees, documentary credits and specific payment terms are used in controlling the credit risk in trade receivables. Payment programs, which customer is committed to, are always agreed upon for past due receivables. In addition, the country risk is monitored, and credits are limited in countries where political or economic environment is unstable. There are no over 15% customer or country risk concentrations in trade receivables, other than the Russian customers' share of 35% (47% in 2019) on the reporting date.

Aging and impairment of trade receivables

Impairment recognized in trade receivables corresponds to lifetime expected credit losses for trade receivables. When measuring expected credit losses, the Group reviews sales over the past five years, customer payment behavior, actual credit losses, current conditions and forecasts of future economic conditions. In addition, case-by-case analysis is applied for significant overdue receivables.

The aging and impairment of trade receivables

	31 Dec 2020		31 Dec 2019	
EUR million	Trade receivables gross amount	Impairment loss allowance	Trade receivables gross amount	Impairment loss allowance
Not past due	**294.6**	**−1.4**	445.6	−2.5
Past due less than 30 days	**20.2**	**−0.4**	34.2	−0.8
Past due between 30 and 90 days	**5.0**	**−0.3**	9.9	−0.6
Past due between 91 and 180 days	**1.1**	**−0.2**	1.6	−0.2
Past due more than 180 days	**68.6**	**−65.7**	66.3	−55.2
Total	**389.6**	**−68.1**	557.7	−59.4

Changes in the impairment loss allowance for trade receivables

EUR million	2020	2019
Loss allowance, 1 Jan	**59.4**	51.0
Write-offs	**−0.7**	−0.6
Other changes	**−7.6**	3.7
Change in loss allowance recognized in profit or loss	**17.0**	5.3
Loss allowance, 31 Dec	**68.1**	59.4

Capital Management

The Group's objective of managing capital is to secure with an efficient capital structure the Group's access to capital markets at all times despite of the seasonal nature of the business. The Group monitors its capital structure on the basis of Net debt to EBITDA ratio and Equity ratio. Equity ratio has to be at least at the level of 30% in accordance with the financial covenants. Equity ratio is calculated as a ratio of total equity to total assets excluding advances received.

Net debt / EBITDA

EUR million	2020	2019
Average interest-bearing liabilities	**598.1**	350.8
Less: Average liquid funds	**438.5**	185.5
Average net debt	**159.6**	165.2
Operating profit	**120.0**	316.5
Add: Depreciations and amortisations	**131.0**	125.2
EBITDA	**251.0**	441.7
Average net debt / EBITDA	**0.64**	0.37

Equity ratio

EUR million	2020	2019
Equity attributable to equity holders of the parent	**1,521.3**	1,769.7
Add: Non-controlling interest	**0.0**	0.0
Total equity	**1,521.3**	1,769.7
Total assets	**2,336.7**	2,332.6
Less: Advances received	**5.2**	0.6
Adjusted total assets	**2,331.5**	2,332.0
Equity ratio	**65.3%**	75.9%

29. FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	2020			2019		
EUR million	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives measured at fair value through profit or loss						
Foreign currency derivatives						
Currency forwards	**391.6**	**3.1**	**5.6**	396.8	2.9	2.3
Currency options, purchased	**12.9**	**0.2**	**-**	20.3	0.0	-
Currency options, written	**15.3**	**-**	**0.1**	-	-	-
Interest rate and currency swaps	**75.0**	**16.3**	**0.4**	-	-	-
Derivatives designated as cash flow hedges						
Foreign currency derivatives						
Interest rate and currency swaps	**-**	**-**	**-**	75.0	0.3	3.0
Interest rate derivatives						
Interest rate swaps	**100.0**	**-**	**3.6**	100.0	-	3.2
Electricity derivatives						
Electricity forwards	**4.9**	**0.3**	**0.3**	3.9	0.9	0.0

Derivatives are maturing within the next 12 months excluding the interest rate and currency swaps, interest rate swaps and electricity forwards.
The fair value of forward exchange contracts is measured using the forward rates on the reporting date. The fair value of currency options is calculated using an option valuation model.
The fair values of interest rate and currency swaps and interest rate derivatives are determined as the present value of the future cash flows based on market interest rates on the reporting date.
The fair value of electricity derivatives is based on quoted market prices in active markets on the reporting date.

30. FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

CASH FLOW HEDGES

Financial instruments designated as hedging instruments

	2020						
	Maturity						
	2021	2022	2023	2024	2025	2026–	Total
Interest rate and currency swaps*							
Hedged item: Floating rate RUB loan receivables							
Notional amount, EUR million							
Average EUR/RUB rate							
Interest rate swaps							
Hedged item: Floating rate EUR debt							
Notional amount, EUR million					100.0		100.0
Average fixed rate					0.5%		0.5%
Electricity forwards							
Hedged item: Electricity system price							
Notional amount, EUR million	1.7	1.6	1.0	0.2			4.5
Notional amount, GWh	61	61	35	9			166
Average forward rate, e/MWh	27.9	26.1	27.1	28.4			27.1
Hedged item: Electricity Finnish area price difference							
Notional amount, EUR million	0.0	0.2	0.1				0.3
Notional amount, GWh	1	35	18				54
Average forward rate, e/MWh	16.4	6.8	4.2				6.2

* Hedge accounting discontinued

	2019						
	Maturity						
	2020	2021	2022	2023	2024	2025–	Total
Interest rate and currency swaps							
Hedged item: Floating rate RUB loan receivable							
Notional amount, EUR million			56.6	18.4			75.0
Average EUR/RUB rate			70.65	76.06			71.98
Interest rate swaps							
Hedged item: Floating rate EUR debt							
Notional amount, EUR million					100.0		100.0
Average fixed rate					0.5%		0.5%
Electricity forwards							
Hedged item: Electricity system price							
Notional amount, EUR million	1.9	1.5	0.5				3.8
Notional amount, GWh	72	53	18				143
Average forward rate, e/MWh	25.8	27.9	27.3				26.7
Hedged item: Electricity Finnish area price difference							
Notional amount, EUR million	0.1						0.1
Notional amount, GWh	22						22
Average forward rate, e/MWh	4.1						4.1

Effect of hedging instruments on the statement of financial position and statement of comprehensive income

	2020		
	Foreign currency derivatives	Interest rate derivatives	Electricity derivatives
EUR million	Interest rate and currency swaps*	Interest rate swaps	Electricity forwards
Notional amount	-	100.0	4.6
Notional amount, GWh	-	-	221
Assets			
Carrying amount	-	-	0.3
Line item in the statement of financial position	Trade and other receivables	Trade and other receivables	Trade and other receivables
Liabilities			
Carrying amount	-	3.6	0.3
Line item in the statement of financial position	Trade and other payables	Trade and other payables	Trade and other payables
Change in value for recognizing hedge ineffectiveness			
Hedged item	-	1.2	1.8
Hedging instrument	-	−1.2	−1.8
Effective portion			
Amount recognized in other comprehensive income	-	−1.2	−1.8
Amount reclassified from the cash flow hedge reserve to profit or loss	−0.1	0.9	0.8
Line item in the income statement	Financial items	Financial items	Cost of sales
Ineffective portion			
Amount recognized in profit or loss	-	-	-
Line item in the income statement	Financial items	Financial items	Other operating income or expenses

* Hedge accounting discontinued

	2019		
	Foreign currency derivatives	Interest rate derivatives	Electricity derivatives
EUR million	Interest rate and currency swaps	Interest rate swaps	Electricity forwards
Notional amount	75.0	100.0	3.9
Notional amount, GWh	-	-	164
Assets			
Carrying amount	0.3	-	0.9
Line item in the statement of financial position	Trade and other receivables	Trade and other receivables	Trade and other receivables
Liabilities			
Carrying amount	3.0	3.2	0.0
Line item in the statement of financial position	Trade and other payables	Trade and other payables	Trade and other payables
Change in value for recognizing hedge ineffectiveness			
Hedged item	18.3	2.5	1.1
Hedging instrument	−18.3	−2.5	−1.1
Effective portion			
Amount recognized in other comprehensive income	−18.3	−2.5	−1.1
Amount reclassified from the cash flow hedge reserve to profit or loss	20.4	0.9	−0.9
Line item in the income statement	Financial items	Financial items	Cost of sales
Ineffective portion			
Amount recognized in profit or loss	-	-	-
Line item in the income statement	Financial items	Financial items	Other operating income or expenses

Effect of hedging instruments on equity

EUR million	2020	2019
Cash flow hedge reserve, 1 Jan	**−1.8**	−0.6
Cash flow hedges		
Change in fair value recognized in other comprehensive income		
Interest rate and currency swaps	**0.0**	−18.3
Interest rate swaps	**−1.2**	−2.5
Electricity forwards	**−1.8**	−1.1
Amount reclassified to profit or loss		
Interest rate and currency swaps	**−0.1**	20.4
Interest rate swaps	**0.9**	0.9
Electricity forwards	**0.8**	−0.9
Tax effect	**0.3**	0.3
Cash flow hedge reserve, 31 Dec	**−2.8**	−1.8

31. CONTINGENT LIABILITIES AND ASSETS

EUR million	2020	2019
For own debt		
Mortgages	**0.0**	0.9
Enterprise mortgages	**3.5**	0.0
Pledged assets	**2.2**	4.7
On behalf of other companies		
Guarantees	**0.0**	0.4
Other own commitments		
Guarantees	**3.0**	29.9

32. 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. 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.

COVID–19 – SUMMARY OF ACTIONS

Employee health and safety actions:

- Continuous monitoring and communication of COVID–19 status in the organization
- Implementing health and safety guidance/orders of each country
- Travel and visitor restrictions in the early phases of the pandemic starting late February
- Remote working launched mid-March for most white-collar employees
- Protective measures in the factories and service outlets like separation of teams, active cleaning and increased hygiene

Operational response actions:

- Working capital management: continuous production capacity adjustments to manage the inventory levels and secure availability, enhanced actions to monitor customer payments
- Labor cost reduction: working together with employee representatives, implemented temporary layoffs across the company for both white collar and blue-collar employees
- Temporary closures of the manufacturing facilities in Russia, Finland and the US during March-May
- Management Team salary reduction equivalent to one month's salary
- Cost efficiencies: cutting and delaying activities in 2020, reducing discretionary spending

Financial response actions:

- Dividend EUR 0.79/share (2019: EUR 1.58). Furthermore, the Annual General Meeting authorized the Board of Directors to decide on an additional dividend payment of a maximum of EUR 0.79/share to be distributed in one or several instalments at a later stage when Nokian Tyres is able to make a more reliable estimate on the impacts of the COVID–19 to the company's business. On October 27, 2020, the Board decided on the distribution of a second dividend instalment of EUR 0.35 per share.
- Capex reduction from approximately EUR 200 million to EUR 149.9 million for 2020.
- Actions implemented to strengthen Nokian Tyres' liquidity position, which as of December 31, 2020 amounted to EUR 709.6 million, including cash, cash equivalents and undrawn committed short- and long-term credit limits (EUR 424.3 million at the end of 2019)
- Strong balance sheet supporting in difficult times

33. RELATED PARTY TRANSACTIONS

Parent and Group company relations:

	Domicile	Country	Group holding %	Voting rights %	Parent company holding %
Parent company					
Nokian Tyres plc	Nokia	Finland			
Group companies					
Nokian Heavy Tyres Ltd.	Nokia	Finland	100	100	100
Levypyörä Oy	Nastola	Finland	100	100	
Nokian Däck AB		Sweden	100	100	100
Nokian Dekk AS		Norway	100	100	100
Nokian Tyres GmbH		Germany	100	100	100
Nokian Tyres AG		Switzerland	100	100	100
Nokian Tyres SP Z.O.O		Poland	100	100	100
Nokian Tyres U.S. Holdings Inc.		USA	100	100	100
Nokian Tyres Inc		USA	100	100	
Nokian Tyres U.S. Operations LLC		USA	100	100	
Nokian Tyres Canada Inc.		Canada	100	100	100
Nokian Tyres s.r.o.		Czech,Rep.	100	100	100
TOV Nokian Shina		Ukraine	100	100	100
TOO Nokian Tyres		Kazakhstan	100	100	100
OOO Nokian Shina	Vsevolozhsk,	Russia	100	100	100
TAA Nokian Shina Belarus		Belarus	100	100	100
Nokian Tyres Holding Oy	Nokia	Finland	100	100	99
OOO Nokian Tyres	Vsevolozhsk,	Russia	100	100	
OOO Hakkapeliitta Village	Vsevolozhsk,	Russia	100	100	
Nokian Tyres Trading (Shanghai) Co Ltd		China	100	100	
NT Tyre Machinery Oy	Nokia	Finland	100	100	100
OOO Hakka Invest	Vsevolozhsk	Russia	100	100	100
Koy Nokian Nosturikatu 18	Nokia	Finland	100	100	100
Koy Nokian Rengaskatu 4	Nokia	Finland	100	100	100
Nokian Tyres Spain S.L.U.		Spain	100	100	100
Nokianvirran Energia Oy	Nokia	Finland	32.3	32.3	32.3
Vianor Holding Oy	Nokia	Finland	100	100	100
Vianor Oy	Lappeenranta	Finland	100	100	
Posiber Oy	Nokia	Finland	100	100	
Vianor AB		Sweden	100	100	
Nordicwheels AB		Sweden	100	100	
Vianor AS		Norway	100	100	
Vianor Inc.		USA	100	100	
EAM NRE1V Holding Oy		Finland	0	100	
Associated companies					
Sammaliston Sauna Oy	Nokia	Finland	33	33	33

Nokianvirran Energia Oy is a joint operation with three parties that supplies production steam for the tyre plant in Nokia. The parties share control according to a specific Mankala-principle where the company is not intended to make profit while the parties have agreed to utilize the total output. The company is accounted for as a Group company using the proportionate consolidation method on each row according to the 32.3% shareholding.

The Board of Directors decided in their meeting on August 7, 2017 to implement a share aquisition and administration arrangement of Nokian Tyres Plc (Nokian Tyres) shares with Evli Awards Management Oy (EAM) according to the stipulations of the Companies Act for financing the purchase of own shares (the Finnish Companies Act, Chapter 13, Section 10, Subsection 2) relating to incentive plans. As a part of this arrangement EAM founded EAM NRE1V Holding Oy (Holding company) which aquires the shares with Nokian Tyres's funding and according to the agreement. These shares will be delivered to the employees according to the Nokian Tyre's share plan terms and conditions. The Holding company is owned by the EAM in legal terms, but according to the agreement Nokian Tyres has control over the company and acts as the principal, whereas EAM is an agent through the Holding company. This control arising from contractual terms means that the Holding company is consolidated in to the group's IFRS financial statements as a structured entity.

The related parties of the Group consist of members of the Board of Directors, the President, other key management personnel, and close members of their families.

Transactions and outstanding balances with parties having significant influence

1,000 euros	2020	2019
Key management personnel		
Employee benefit expenses		
Short-term employee benefits	**5,549.7**	4,524.4
Termination benefits	**883.9**	183.7
Share-based payments	**0.0**	2,186.1
Total	**6,433.6**	6,894.2
Remunerations		
Jukka Moisio, President 27.5.2020-	**429.6**	-
Hille Korhonen, President 1.1.2020–26.5.2020	**1,351.1**	693.2
Members of the Board of Directors		
Jukka Hienonen	**105.8**	-
Heikki Allonen	**63.1**	54.6
Raimo Lind	**85.6**	76.5
Veronica Lindholm	**65.5**	56.4
Inka Mero	**63.1**	54.6
George Rietbergen	**60.1**	54.6
Kari Jordan	**87.4**	78.3
Pekka Vauramo	**63.1**	53.4
Petteri Walldén	**6.6**	101.4
Total	**600.3**	529.8
No incentives were paid to the members of the Board of Directors.		
Other key management personnel	**4,052.6**	3,301.4
of which incentives for the reported period	**519.0**	180.0

No special pension commitments have been granted to the members of the Board of Directors and no statutory pension expense incurs. In 2020 the supplementary pension expense for President and CEO Korhonen was EUR 121 thousand. The agreed plan retirement age was 65 years. The annual account deposits for the pension capital redemption contract have been pledged to guarantee the recognized pension plan commitment. The contract is a defined contribution plan. President and CEO Jukka Moisio does not have a supplementary pension plan and his retirement age is in accordance to the statutory pension regulations. The combined statutory pension expense for President and CEO Jukka Moisio and Hille Korhonen was EUR 176 thousand. The other management has a suplamentary penson plan of 10% of the annual salary and a retirement age of 63 years. Andrei Pantioukhov's supplementary pension is 15% of his annual salary.

No loans, guarantees or collaterals have been granted to the related parties.

Shares and share options granted to the President and other key management personnel. The share option plan terms for the key management are equal to the share options directed at other personnel.

	2020	2019
Granted (pcs)		
Shares	**309,040**	260,260
Share options	**-**	-
Held (pcs)		
Shares	**166,777**	221,940
Share options	**-**	-
Exercisable	**-**	-

No performance shares nor share options have been granted to the members of the Board of Directors.

34. EVENTS AFTER THE REPORTING DATE

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.

PARENT COMPANY INCOME STATEMENT, FAS

EUR million 1.1.–31.12.	Notes	2020	2019
Net sales	(1)	**580.9**	677.7
Cost of sales	(2)(3)	**–483.9**	–556.8
Gross profit		**97.0**	120.9
Selling, marketing and R&D expenses	(2)(3)	**–56.7**	–49.7
Administration expenses	(2)(3)(4)	**–36.9**	–26.8
Other operating expenses	(2)(3)	**–21.6**	–0.8
Other operating income		**0.7**	0.4
Operating profit		**–17.5**	44.0
Financial income and expenses	(5)	**129.6**	156.1
Profit before appropriations and tax		**112.0**	200.1
Appropriations	(6)	**12.1**	–6.7
Income tax	(7)	**–6.6**	96.9
Profit for the period		**117.6**	290.4

PARENT COMPANY BALANCE SHEET, FAS

EUR million 31.12.	Notes	2020	2019
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	(8)	**14.3**	17.6
Tangible assets	(8)	**167.6**	175.6
Shares in Group companies	(9)	**418.0**	371.2
Investments in associates	(9)	**4.3**	4.3
Shares in other companies	(9)	**0.2**	0.6
Unquoted securities	(9)	**2.4**	0.0
Total non-current assets		**606.7**	569.1
Current assets			
Inventories	(10)	**82.7**	101.0
Non-current receivables	(11)	**322.9**	266.5
Current receivables	(12)	**252.3**	328.9
Cash and cash equivalents		**462.0**	169.5
Total current assets		**1,119.8**	866.0
		1,726.6	1,435.1
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	(13)		
Share capital		**25.4**	25.4
Share premium		**182.5**	182.5
Treasury shares		**–17.8**	–7.6
Paid up unrestricted equity fund		**238.2**	238.2
Retained earnings		**385.1**	252.8
Profit for the period		**117.6**	290.4
Total shareholders' equity		**931.1**	981.8
Untaxed reserves and provisions			
Accumulated depreciation in excess of plan	(8)	**26.2**	38.3
Liabilities			
Non-current liabilities	(14)	**103.9**	103.9
Current liabilities	(15)	**665.4**	311.0
Total liabilities		**769.3**	415.0
		1,726.6	1,435.1

PARENT COMPANY STATEMENT OF CASH FLOWS, FAS

EUR million 1.1.–31.12.	2020	2019
Profit for the period	**117.6**	290.4
Adjustments for		
Depreciation, amortisation and impairment	**43.1**	91.8
Financial income and expenses	**–129.6**	–156.1
Gains and losses on sale of intangible assets, other changes	**5.0**	–0.4
Income Taxes	**6.6**	–96.9
Cash flow before changes in working capital	**42.7**	128.7
Changes in working capital		
Current receivables, non-interest-bearing, increase (–) / decrease (+)	**–16.9**	13.8
Inventories, increase (–) / decrease (+)	**18.4**	5.0
Current liabilities, non-interest-bearing, increase (+) / decrease (–)	**–12.9**	–202.0
Changes in working capital	**–11.4**	–183.2
Financial items and taxes		
Interest and other financial items, received	**11.9**	20.1
Interest and other financial items, paid	**–12.7**	–41.3
Dividens received	**131.3**	177.3
Income taxes paid	**–3.8**	90.4
Financial items and taxes	**126.7**	246.5
Cash flow from operating activities (A)	**157.9**	192.0
Cash flow from investing activities		
Acquisitions of property, plant and equipment and intangible assets	**–46.4**	–51.8
Proceeds from sale of property, plant and equipment and intangible assets	**–2.1**	0.2
Acquisitions of other investments	**–46.9**	–177.0
Cash flow from investing activities (B)	**–95.3**	–228.6

EUR million 1.1.–31.12.	2020	2019
Cash flow from financing activities:		
Proceeds from issue of share capital	**0.0**	15.6
Purchase of treasury shares	**–10.2**	0.0
Change in current financial receivables, increase (-) / decrease (+)	**88.3**	15.0
Change in non-current financial receivables, increase (-) / decrease (+)	**–56.4**	–11.6
Change in current financial borrowings, increase (+) / decrease (-)	**359.8**	–106.9
Change in non-current financial borrowings, increase (+) / decrease (-)	**–0.1**	103.7
Group contributions paid	**0.0**	8.4
Dividends paid	**–151.6**	–218.1
Cash flow from financing activities (C)	**229.8**	–193.8
Change in cash and cash equivalents, increase (+) / decrease (–) (A+B+C)	**292.4**	–230.4
Cash and cash equivalents at the beginning of the period	**169.5**	398.6
Effect of exchange rate fluctuations on cash held	**0.0**	1.3
Cash and cash equivalents at the end of the period	**462.0**	169.5

ACCOUNTING POLICIES FOR THE PARENT COMPANY

General

The financial statements of Nokian Tyres plc, domiciled in the city of Nokia, have been prepared according to the Finnish Accounting Standards (FAS).

Inventory valuation

Inventories are measured at the lower of cost or the net realisable value. Cost is primarily determined in accordance with standard cost accounting. The cost of finished goods and work in progress includes raw material purchase costs, direct manufacturing wages, other direct manufacturing costs, and a share of production overheads, borrowing costs excluded. Net realisable value is the estimated sales price in ordinary activities less the costs associated with the completion of the product and the estimated necessary costs incurred to make the sale of the product. Allowance is recorded in obsolete items.

Fixed assets and depreciation

Fixed assets are stated in the balance sheets at cost less depreciation according to plan. The accumulated difference between the total depreciation charged to the income statement and depreciation according to plan is shown as a separate item in untaxed reserves.

Depreciations according to plan are calculated on the basis of the estimated useful life of the assets using the straight line method.

The depreciation times are as follows:

Intangible assets	3 - 10 years
Buildings	20 - 40 years
Machinery and equipment	4 - 20 years
Other tangible assets	10 - 40 years

Land property, as well as investments in shares, are not regularly depreciated.

Research and development

Research and development costs are charged to the other operating expenses in the income statement in the year in which they are incurred. Certain significant development costs with useful life over three years are capitalised and are amortised on a systematic basis over their expected useful lives. The amortisation period is between three and five years.

Pensions and coverage of pension liabilities

Pension contributions are based on periodic actuarial calculations and are charged to the income statement.

In Finland the pension schemes are funded through payments to a pension insurance company.

Equity

The acquisition cost of treasury shares repurchased by the Group is recognised as a deduction in equity. The consideration received for the treasury shares when sold, net of transaction costs and tax, is included in equity.

Foreign currency items

Transactions in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. At the end of the accounting period unsettled balances on foreign currency transactions and forward exchange contracts are valued at the rates published by the European Central Bank as on the financial statement date.

All foreign currency exchange gains and losses are entered under financial income and expenses.

Direct taxes

The income statement includes direct taxes based on the taxable profit and direct taxes from previous years. The untaxed reserves are shown in full in the balance sheet, and the deferred tax liability is not recorded.

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. NET SALES BY SEGMENTS AND MARKET AREAS

EUR million	2020	2019
Passenger Car Tyres	**413.1**	493.4
Heavy Tyres	**167.9**	184.3
Total	**580.9**	677.7
Finland	**114.6**	133.2
Other Nordic countries	**167.8**	199.4
Baltic countries and Russia	**36.4**	49.5
Other European countries	**144.9**	169.1
North America	**108.4**	115.4
Other countries	**8.8**	11.0
Total	**580.9**	677.7

2. WAGES, SALARIES AND SOCIAL EXPENSES

EUR million	2020	2019
Wages and salaries	**48.5**	52.5
Pension contributions	**6.6**	7.8
Other social expenses	**2.0**	1.6
Total	**57.1**	61.8
Remuneration of the members of the Board of the Directors and the President on accrual basis	**2.4**	1.2

No special pension commitments have been granted to the members of the Board. The agreed retirement age of the President is 65 years. See also Notes to Consolidated Financial Statements, note 33 Related party transactions.

Personnel, average during the year	2020	2019
Total	**813**	879

3. DEPRECIATION

EUR million	2020	2019
Depreciation according to plan by asset category		
Intangible assets	**6.2**	6.7
Buildings	**2.7**	2.4
Machinery and equipment	**21.5**	22.3
Other tangible assets	**0.3**	0.2
Total	**30.7**	31.6
Impairment losses by asset category		
Intangible assets	**5.1**	-
Buildings	**3.4**	-
Machinery and equipment	**3.4**	-
Shares in other companies	**0.4**	-
Total	**12.3**	-
Depreciation by function		
Production	**21.0**	21.5
Selling, marketing and R&D	**5.1**	5.2
Administration	**4.6**	4.9
Total	**30.7**	31.6
Impairment losses by function		
Production	**5.9**	-
Selling, marketing and R&D	**4.9**	-
Administration	**1.2**	-
Other impairment losses	**0.4**	-
Total	**12.3**	-

4. AUDITORS' FEES

EUR million	2020	2019
Authorized public accountants KPMG Oy Ab		
Auditing	**0.2**	0.2
Tax consulting	**0.2**	1.0
Other services	**0.0**	0.1
Total	**0.4**	1.3

5. FINANCIAL INCOME AND EXPENSES

EUR million	2020	2019
Dividend income		
From the Group companies	**131.3**	177.3
Total	**131.3**	177.3
Interest income, non-current		
From the Group companies	**8.9**	11.6
Total	**8.9**	11.6
Other interest and financial income		
From the Group companies	**2.0**	6.6
From others	**0.2**	1.9
Total	**2.2**	8.5
Exchange rate differences (net)	**−3.7**	−9.4
Impairment, long-term investments	**−0.4**	−60.0
Interest and other financial expenses		
To the Group companies	**−3.7**	−4.2
To others	**−3.9**	32.9
Other financial expenses	**−1.0**	−0.5
Total	**−8.6**	28.2
Total financial income and expenses	**129.6**	156.1

Financial expenses 2019 include returned EUR 34.4 million interest booked in previous fiscal year based on tax reassesment decisions. Additionally financial income 2019 include a gain of EUR 1.4 million of interest from returned taxes.

6. APPROPRIATIONS

EUR million	2020	2019
Change in accumulated depreciation in excess of plan		
Intangible assets	**0.7**	0.1
Buildings	**3.3**	0.7
Machinery and equipment	**8.1**	–0.5
Other tangible assets	**0.0**	–0.4
Total	**12.1**	–0.2
Other appropriations		
Group contributions	**0.0**	–6.6
Total	**0.0**	–6.6
Total appropriations	**12.1**	–6.7

7. INCOME TAX

EUR million	2020	2019
Direct tax for the year	**–6.6**	–16.8
Direct tax from previous years	**0.0**	113.7
Total	**–6.6**	96.9

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, as the Tax Administration returned the additional taxes paid by the company already in 2018.

8. FIXED ASSETS

	Intangible assets		Tangible assets				
EUR million	Intangible rights	Other intangible rights	Land property	Buildings	Machinery and equipment	Other tangible assets	Advances and fixed assets under construction
Accumulated cost, 1 Jan 2020	**64.9**	**7.6**	**1.1**	**77.3**	**482.2**	**6.0**	**50.2**
Increase	**0.8**	**0.0**	**0.8**	**1.1**	**5.8**	**0.0**	**29.9**
Decrease	**–0.2**	**0.0**	**0.0**	**–0.6**	**–21.5**	**–0.5**	**0.0**
Transfer between items	**5.3**	**2.0**	**0.0**	**13.7**	**18.7**	**0.3**	**–40.0**
Accumulated cost, 31 Dec 2020	**70.7**	**9.6**	**1.9**	**91.5**	**485.2**	**5.8**	**40.2**
Accum. depr. acc. to plan 1 Jan 2020	**–50.9**	**–4.1**	**0.0**	**–40.4**	**–396.8**	**–4.1**	**0.0**
Accum. depr. on disposals	**0.2**	**0.0**	**0.0**	**0.5**	**14.9**	**0.1**	**0.0**
Depreciations for the period	**–5.7**	**–0.5**	**0.0**	**–2.7**	**–21.5**	**–0.3**	**0.0**
Impairment	**–0.3**	**–4.9**	**0.0**	**–3.4**	**–3.4**	**0.0**	**0.0**
Accum. depr. acc.to plan, 31 Dec 2020	**–56.6**	**–9.4**	**0.0**	**–46.0**	**–406.9**	**–4.2**	**0.0**
Carrying amount, 31 Dec 2020	**14.1**	**0.2**	**1.9**	**45.5**	**78.4**	**1.6**	**40.2**
Carrying amount, 31 Dec 2019	14.0	3.5	1.1	36.8	85.4	1.9	50.2
Accum. depreciation in excess of plan, 31 Dec 2020	**2.2**	**0.0**	**-**	**9.3**	**11.5**	**0.1**	
Accum. depreciation in excess of plan, 31 Dec 2019	2.7	0.1	-	11.6	19.6	0.1	

9. INVESTMENTS

EUR million	Shares in Group companies	Investments in associates	Shares in other companies	Unquoted securities
Accumulated cost, 1 Jan 2020	**371.2**	**4.3**	**0.6**	**-**
Decrease	**-**	**-**	**-**	**-**
Increase	**46.9**	**-**	**-**	**2.4**
Impairment	**-**	**-**	**–0.4**	**-**
Accumulated cost, 31 Dec 2020	**418.0**	**4.3**	**0.2**	**2.4**
Carrying amount, 31 Dec 2020	**418.0**	**4.3**	**0.2**	**2.4**
Carrying amount, 31 Dec 2019	371.2	4.3	0.6	0.0

10. INVENTORIES

EUR million	2020	2019
Raw materials and supplies	**55.8**	72.3
Work in progress	**2.3**	3.1
Finished goods	**24.6**	25.6
Total	**82.7**	101.0

11. NON-CURRENT RECEIVABLES

EUR million	2020	2019
Loan receivables from the Group companies	**322.3**	265.9
Loan receivables from others	**0.6**	0.6
Total long-term receivables	**322.9**	266.5

The members of the Board of Directors and the President have not been granted loans.

12. CURRENT RECEIVABLES

EUR million	2020	2019
Receivables from the Group companies		
Trade receivables	**143.4**	134.7
Loan receivables	**34.1**	122.4
Accrued revenues and deferred expenses	**16.6**	22.8
Total	**194.2**	279.9
Trade receivables	**27.0**	31.1
Other receivables	**3.1**	3.0
Accrued revenues and deferred expenses	**28.0**	14.9
Total	**58.1**	49.0
Total short-term receivables	**252.3**	328.9
Significant items under accrued revenues and deferred expenses		
Financial items	**23.4**	8.0
Taxes	**3.7**	6.6
Social payments	**0.5**	0.8
Capital expenditure in factories	**0.1**	0.6
Goods and services rendered and not invoiced, subsidiary	**13.1**	18.0
Other items	**3.6**	3.8
Total	**44.6**	37.7

13. SHAREHOLDERS' EQUITY

EUR million	2020	2019
Restricted shareholders' equity		
Share capital, 1 January	**25.4**	25.4
Emissions	**-**	-
Share capital, 31 December	**25.4**	25.4
Share issue premium, 1 January	**182.5**	182.5
Emission gains	**-**	-
Share issue premium, 31 December	**182.5**	182.5
Total restricted shareholders' equity	**207.9**	207.9
Non-restricted shareholders' equity		
Paid-up unrestricted equity reserve, 1 January	**238.2**	222.6
Emission gains	**0.0**	15.6
Paid-up unrestricted equity reserve, 31 December	**238.2**	238.2
Retained earnings, 1 January	**543.2**	470.6
Dividends to shareholders	**−158.1**	−217.7
Retained earnings, 31 December	**385.1**	252.8
Treasury shares	**−17.8**	−7.6
Profit for the period	**117.6**	290.4
Total non-restricted shareholders' equity	**723.1**	773.9
Total shareholders' equity	**931.1**	981.8
Specification of the distributable funds, 31 December		
Retained earnings	**385.1**	252.8
Treasury shares	**−17.8**	−7.6
Paid-up unrestricted equity reserve	**238.2**	238.2
Profit for the period	**117.6**	290.4
Distributable funds, 31 December	**723.1**	773.9

The Group or the Parent company themselves do not directly hold any treasury shares.

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 and 500,000 in 2020, have been reported as treasury shares in the Consolidated Statement of Financial Position. On December 31, 2020, the number of these shares was 697,400. This number of shares corresponded to 0.50% of the total shares and voting rights in the company.

14. NON-CURRENT LIABILITIES

EUR million	2020	2019
Interest-bearing		
Loans from financial institutions	**103.3**	103.3
Total	**103.3**	103.3
Non-interest-bearing		
Accrued expenses and deferred revenues	**0.6**	0.6
Total	**0.6**	0.6
Total non-current liabilities	**103.9**	103.9

15. CURRENT LIABILITIES

EUR million	2020	2019
Interest-bearing		
Liabilities to the Group companies		
Finance loans	**329.5**	172.6
Commercial papers	**203.0**	-
Total interest-bearing liabilities	**532.5**	172.6
Non-interest-bearing		
Liabilities to the Group companies		
Trade payables	**18.9**	49.9
Accrued expenses and deferred revenues	**26.0**	17.1
Total	**44.9**	67.0
Trade payables	**41.4**	36.1
Liabilities to the others	**1.9**	1.8
Accrued expenses and deferred revenues	**44.8**	33.5
Total	**88.0**	71.4
Total non-interest-bearing liabilities	**132.9**	138.4
Total current liabilities	**665.4**	311.0
Significant items under accrued expenses and deferred revenues		
Wages, salaries and social security contributions	**15.1**	12.2
Annual discounts, sales	**14.7**	10.8
Financial items	**8.3**	6.2
Commissions	**2.2**	8.3
Goods received and not invoiced	**0.1**	3.4
Warranty commitments	**0.9**	0.9
Group contributions	**0.0**	6.6
Other items	**29.5**	2.3
Total	**70.7**	50.6

16. CONTINGENT LIABILITIES

EUR million	2020	2019
For own debt		
Pledged assets	**0.2**	-
On behalf of Group companies and investments in associates		
Guarantees	**69.8**	108.8

The amount of debts and commitments mortgaged for total EUR 64.8 million (2019: EUR 103.3 million).

EUR million	2020	2019
On behalf of other companies		
Guarantees	**-**	0.2
Other own commitments		
Guarantees	**22.1**	45.0
Leasing and rent commitments		
Payments due in 2021	**2.9**	2.2
Payments due in subsequent years	**7.3**	3.9

17. DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	2020	2019
Interest rate derivatives		
Interest rate swaps		
Notional amount	**100.0**	100.0
Fair value	**−3.6**	−3.2
Foreign currency derivatives		
Currency forwards		
Notional amount	**452.3**	463.8
Fair value	**−3.1**	0.8
Currency options, purchased		
Notional amount	**12.9**	20.3
Fair value	**0.2**	0.0
Currency options, written		
Notional amount	**15.3**	-
Fair value	**−0.1**	-
Interest rate and currency swaps		
Notional amount	**75.0**	75.0
Fair value	**15.9**	−2.7
Electricity derivatives		
Electricity forwards		
Notional amount	**4.9**	3.9
Fair value	**0.0**	0.9

Unrealised fair value changes of interest rate and electricity derivatives are not recognised in profit and loss. The interest rate swap hedges the future interest payments of a loan from a financial institution and the electricity forwards hedge the future electricity purchase prices in Finland. The contractual terms of these derivatives and the hedged items are congruent. The cash flows of the interest rate swap and electricity forwards will occur during the next four years.

The fair value of forward exchange contracts is measured using the forward rates on the reporting date. The fair value of currency options is calculated using an option valuation model.

The fair value of interest rate derivatives is determined as the present value of the future cash flows based on market interest rates on the reporting date.

The fair value of electricity derivatives is based on quoted market prices in active markets on the reporting date.

18. ENVIRONMENTAL COMMITMENTS AND EXPENSES

Expenses relating to environment are included to production costs. The company has duly attended to environmental commitments and has no information on material environmental liabilities. In addition to the environmental aspects presented in the Annual Report, Nokian Tyres issued a Corporate Social Responsibility Report in spring 2020.

INFORMATION ON NOKIAN TYRES' SHARE

Share data

Market	Nasdaq Helsinki
Listing date	June 1, 1995
Currency	euro
ISIN	FI0009005318
Symbol	TYRES
Reuters symbol	TYRES.HE
Bloomberg symbol	TYRES:FH
Industry	OMXH Large Caps
Sector	Consumer goods
Industry	Automobiles and parts
Number of shares, December 31, 2020	138,921,750

Share capital and shares

The company has one class of shares, each share entitling the shareholder to one vote and carrying equal rights to a dividend. On December 31, 2020, the number of shares was 138,921,750.

Read more: www.nokiantyres.com/company/investors/share/share-information/

NUMBER OF SHAREHOLDERS ON DECEMBER 31, 2020

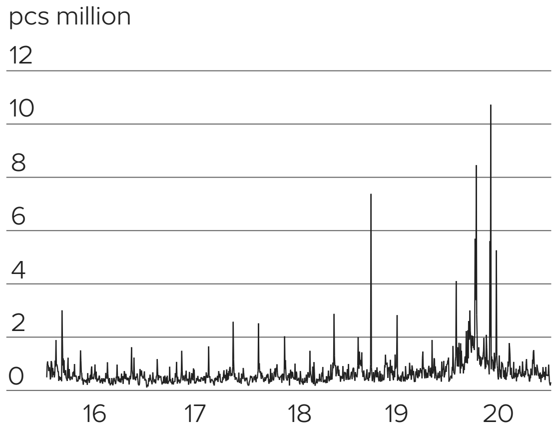
Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1–100	29,172	49.8	1,352,636	1.0
101–500	19,935	34.0	5,113,587	3.7
501–1,000	4,810	8.2	3,700,292	2.7
1,001–5,000	3,931	6.7	8,135,767	5.9
5,001–10,000	380	0.6	2,665,063	1.9
10,001–50,000	262	0.4	5,242,598	3.8
50,001–100,000	27	0.1	1,933,099	1.4
100,001–500,000	29	0.1	7,166,337	5.2
500,001–	17	0.0	103,612,371	74.6
Total	**58,563**	**100**	**138,921,750**	**100**

SHAREHOLDER STRUCTURE ON DECEMBER 31, 2020

	Number of shares	% of share capital
Nominee registered and non-Finnish holders	79,812,207	57.5
Households	20,072,168	14.4
General Government	19,093,813	13.7
Financial and insurance corporations	9,966,011	7.2
Non-profit institutions	4,796,393	3.5
Corporations	5,181,158	3.7
Total	**138,921,750**	**100**

Read more: www.nokiantyres.com/company/investors/share/major-shareholders/

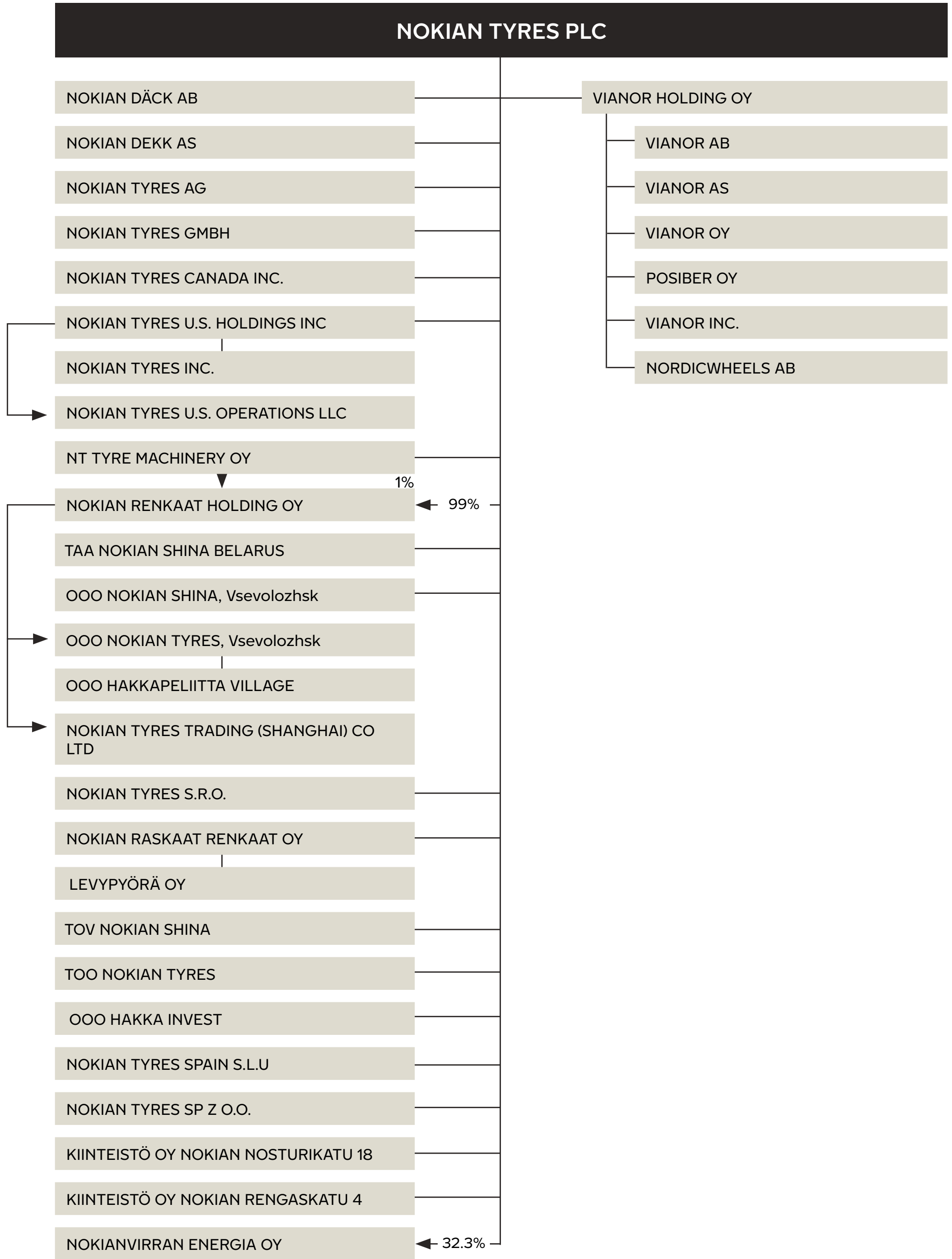
SHARE TRADING VOLUMES ON NASDAQ HELSINKI JAN 1, 2016–DEC 31, 2020



SHARE PRICE DEVELOPMENT ON NASDAQ HELSINKI JAN 1, 2016–DEC 31, 2020

Read more: www.nokiantyres.com/company/investors/share/share-performance/

NOKIAN TYRES GROUP STRUCTURE



SIGNATURES FOR THE FINANCIAL STATEMENTS AND THE REPORT BY THE BOARD OF DIRECTORS

Helsinki, 9 February 2021

Jukka Hienonen

Heikki Allonen

Raimo Lind

Kari Jordan

Jukka Moisio
CEO

Veronica Lindholm

Inka Mero

George Rietbergen

Pekka Vauramo

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

To the Annual General Meeting of Nokian Tyres Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nokian Tyres Plc (business identity code 0680006-8) for the year ended December 31, 2020. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in the notes to the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter	How the matter was addressed in the audit
Revenue recognition and impairment of trade receivables (Refer to Accounting policies for the consolidated financial statements, notes 20 and 28)	
• Net sales, totaling EUR 1,313.8 million, is a significant individual item in the financial statements and comprises revenue recognised from sale of tires and related services for passenger cars, trucks and heavy machinery. • The trade receivables amounted to EUR 321.5 million in the consolidated statement of financial position as at December 31, 2020. • The industry is marked by seasonal sales, long credit periods granted to clients and fluctuation of client-specific discounts based on volumes. • Due to the large number of sales transactions, risk of errors related to revenue recognition and credit loss risk associated with trade receivables, revenue recognition and impairment of trade receivables are addressed as a key audit matter.	Our audit procedures included, among others: • We assessed and tested internal controls over recording sales transactions and recognizing related revenues, maintaining customer data as well as over the approval practices related to price changes, among others. • We assessed the Group's credit control process and considered the related instructions and other documentation, both on Group level and in Group companies. • We evaluated the level of credit risk and credit loss provisions recorded based on the information on Group's trade receivables and customers.
Foreign currency risks (Refer to Accounting policies for the consolidated financial statements, notes 9, 28 and 30)	
• A significant part of the Group's operations is derived from Russia. During the financial year the Group started production in factory located in the USA. • In the Russian and US subsidiaries there is a significant amount of equity in the local currency, and the development of Rouble/US dollar exchange rate may have a significant impact on the consolidated equity.	Our audit procedures included, among others: • We obtained an understanding of the centralized Group Treasury and the methods and policies used by financial management to manage exchange rate risks. • We evaluated the appropriateness of measurement of items denominated in foreign currencies in the financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

Nokian Tyres Plc has become a PIE entity in June 1995. KPMG Oy Ab has been auditor during all the years the company has been a PIE entity.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the distributable funds shown in the Financial Statements is in compliance with the Limited Liability Companies Act. We support that the Members of Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 16 February 2021
KPMG OY AB

LASSE HOLOPAINEN
Authorized Public Accountant, KHT

CORPORATE GOVERNANCE STATEMENT

I Introduction

During 2020 Nokian Tyres plc (hereinafter referred to as "Nokian Tyres" or the "Company") complied in full with the Corporate Governance Code published by the Securities Market Association that entered into force on January 1, 2020 (the "Corporate Governance Code 2020") and the Company complies with the recommendations in the said code. This Corporate Governance Statement has been prepared in accordance with the Corporate Governance Code 2020. The Corporate Governance Code 2020 is available in its entirety at www.cgfinland.fi/en/. The Company follows the Finnish Limited Liability Companies Act, laws and regulations relating to publicly listed companies in Finland, the Articles of Association, the charters of the Board of Directors and the committees, the Nasdaq Helsinki rules and regulations, and the orders and instructions from the European Securities and Markets Authority as well as the Financial Supervisory Authority.

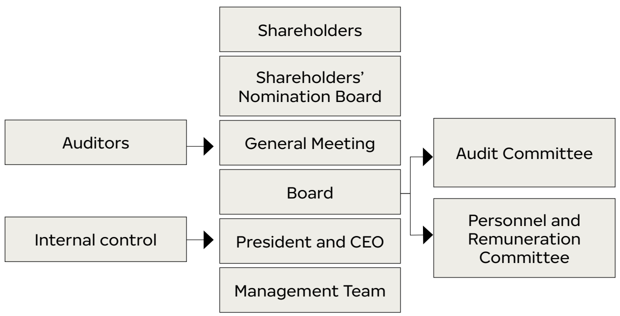
The Company publishes its Corporate Governance Statement as a separate document and as part of the Financial Review. The Company has prepared a separate remuneration report in accordance with the Corporate Governance Code 2020. The statement and said report are available on the Company's website at www.nokiantyres.com under Investors – Corporate Governance.

The Company's corporate governance is based on the General Meeting, the Articles of Association, the Board of Directors, the President and CEO, the Group's Management Team, the legislation and regulations mentioned hereinabove as well as the Group's policies, procedures, and practices. The Board of Directors has approved the Corporate Governance Statement. The Company's auditor verifies that the statement and its related descriptions of the internal reporting controls and risk management correspond to the financial reporting process. The statement will not be updated during the financial period; however, up-to-date information will be updated on the Company's website at www.nokiantyres.com/company/investors/.

II Descriptions concerning governance

Nokian Tyres is a Finnish limited liability company and its registered place of business is Nokia. The parent company Nokian Tyres plc and its subsidiaries form the Nokian Tyres Group. The administrative bodies of the parent company Nokian Tyres plc, i.e. the General Meeting, the Board of Directors and the President and CEO, are responsible for the administration and operation of the Nokian Tyres Group. The General Meeting elects the members of the Board of Directors, and the Chairman and the Deputy Chairman of the Board upon the proposal by the Shareholders' Nomination Board, and the Board of Directors appoints the Company's President and CEO. The President and CEO is assisted by the Group's Management Team in leading the Company's operations.

Nokian Tyres' administrative organization



General Meeting

The Company's highest decision-making power is held by the General Meeting, whose tasks and procedures are outlined in the Limited Liability Companies Act and the Articles of Association. The Annual General Meeting decides on such matters as the confirmation of the Company's annual accounts, profit distribution, and discharging the Board of Directors and the President and CEO from liability. Furthermore, the Annual General Meeting decides on the number of members in the Board of Directors, the selection of the board members and the auditor, and their remuneration. In addition, the General Meeting can make decisions on questions such as amendments to the Articles of Association, share issues, granting warrants, and acquisition of the company's own shares.

The Annual General Meeting is held by the end of May of each year on a date determined by the Board of Directors, either at the Company's registered place of business or in the city of Tampere or Helsinki. An extraordinary general meeting is summoned whenever the Board considers this to be necessary or if an auditor or a group of shareholders with a holding of a total of at least one-tenth of all the shares in the Company requires it in writing in order to address a particular issue.

According to law, a shareholder has the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so demands in writing from the Board of Directors well in advance of the General Meeting, so that the matter can be mentioned in the notice to the meeting. The shareholder shall submit the request for having a matter to be dealt with by the General Meeting by the date indicated on the Company's website.

The Articles of Association state that the notice of a General Meeting shall be published on the Company's website. In addition, the Company publishes the notice of a General Meeting as a stock exchange release. The invitation lists the agenda of the meeting.

The Company's Articles of Association are available on the Company's website at www.nokiantyres.com/company/investors/.

Shareholders are entitled to participate in the General Meeting if they are registered in the Company's shareholders' register, maintained by Euroclear Finland Oy, on the record date separately indicated by the Company. A holder of nominee registered shares can be temporarily registered in the shareholders' register of the Company for purposes of participation in the General Meeting.

According to the Corporate Governance Code 2020, the Chairman of the Board, the Board members and the President and CEO must be present at the General Meeting, and the auditor must be present at the Annual General Meeting. Board member candidates must be present at the General Meeting deciding on their election.

The Annual General Meeting for 2020 took place on April 2, 2020 at the Company's headquarters in Nokia. The meeting confirmed the consolidated financial statements, discharged the Board members and the President and CEO from liability for the fiscal year 2019, adopted the remuneration policy of the Company, resolved to establish a Shareholders' Nomination Board and decided to amend the Articles of Association of the Company. All of the documents related to the Annual General Meeting are available on the Company's website at www.nokiantyres.com/company/investors.

The Annual General Meeting for 2021 will take place on March 30, 2021 at 4:00 p.m.

Board of Directors

Operation of the Board of Directors

The Board is responsible for the Company's corporate governance and the appropriate organization of its operations pursuant to the Finnish Limited Liability Companies Act and other regulations. The Board holds the general authority in company-related issues, unless other company bodies have the authority under the applicable legislation or the Articles of Association. The policies and key tasks of the Board are defined in the Finnish Limited Liability Companies Act, the Articles of Association, and the Board's charter. The key tasks include:

- Approving consolidated financial statements, half year reports and interim reports
- Presenting matters to the General Meeting
- Appointing and dismissing the President and CEO
- Organization of financial control.

In addition, as defined in the Board charter, the Board deals with, and decides on, matters of principle as well as issues that carry financial and business significance, such as:

- Group strategy
- The Group's action, budget, and investment plans
- The Group's risk management and reporting procedures
- Decisions concerning the structure and organization of the Group
- Significant individual investments, acquisitions, divestments, and reorganizations
- The Group's insurance and financing policies
- Reward and incentive schemes for the Group's management
- Appointing Board committees, and
- Monitoring and evaluating the actions of the President and CEO.

The Company has a separate Audit Committee, a Personnel and Remuneration Committee and a Shareholders' Nomination Board.

The President and CEO of Nokian Tyres is in charge of ensuring that the Board members have the necessary and sufficient information on the Company's operations. The Board assesses its activities and operating methods by carrying out a self-evaluation once a year. Members of the Board and the President and CEO will not participate in making a decision where the law states that they must be disqualified.

Composition of the Board

According to the Articles of Association of Nokian Tyres, the Board of Directors comprises no fewer than four and no more than nine members. The proposal regarding the composition and remuneration of the Board for the General Meeting is prepared by the Shareholders' Nomination Board. The number of Board members and the composition of the Board shall be such that the Board is capable of efficiently carrying out its tasks, while taking into account the requirements set by the Company's operations and its stage of development. The elected Board members must be qualified for the task and able to devote a sufficient amount of time for the Board duties.

Members of the Board are elected at the Annual General Meeting for a one-year term of office that begins after the closing of the Annual General Meeting and ends at the end of the next Annual General Meeting. In 2020, the Board of Directors appointed the Chairman and the Deputy Chairman from among its members. Following the establishment of the Shareholders' Nomination Board, the Chairman and the Deputy Chairman of the Board of Directors are appointed from among the Board members by the Annual General Meeting upon the proposal by the Shareholders' Nomination Board. The remuneration payable to the Board members is also decided at the Annual General Meeting.

Information on the Board members

The Annual General Meeting on April 2, 2020 elected eight Board members. The Board members Heikki Allonen, Kari Jordan, Raimo Lind, Veronica Lindholm, Inka Mero, George Rietbergen and Pekka Vauramo were re-elected. It was also resolved to elect Jukka Hienonen as a new member of the Board of Directors. In the constituent meeting held after the Annual General Meeting, the Board appointed Jukka Hienonen as its Chairman and Kari Jordan as the Deputy Chairman.

Jukka Hienonen, Chairman of the Board (b. 1961)

Member of the Board since 2020. Member of the Personnel and Remuneration Committee. Member of the Shareholders' Nomination Board.

Education: Master of Science (Economics)
Main occupation: Professional board member

Key experience:
2010–2014 SRV Plc, CEO
2005–2010 Finnair Plc, CEO
1995–2005 Stockmann Plc, Deputy CEO 2000–2005, Director 1995–2000
1991–1995 Timberjack Oy, VP Marketing
1985–1991 Kaukomarkkinat Oy, Director 1988–1991, Representative, Moscow 1986–1988

Key positions of trust:
Chairman of the Board: Juuri Partners
Deputy Chairman of the Board: SATO

Kari Jordan, Deputy Chairman of the Board (b. 1956)

Member of the Board since 2018. Chairman of the Personnel and Remuneration Committee.

Vuorineuvos (Finnish honorary title)
Education: Master of Science (Economics)
Main occupation: Chairman of the Board, Outokumpu Oyj

Key experience:
2006–2018 Metsä Group, President and CEO
2004–2017 Metsäliitto Cooperative, CEO
1981–2004 Several Executive positions in the banking and financial sector at Citibank, OKO Bank, KOP Bank and Nordea Group

Key positions of trust:
Chairman of the Board: Outokumpu Oyj
Vice Chairman of the Board: Nordea Bank Abp

Heikki Allonen (b. 1954)

Member of the Board since 2016. Member of the Audit Committee.

Education: Master of Science (Technology)
Main occupation: Professional board member

Key experience:
2008–2016 Patria Oyj, President and CEO
2004–2008 Fiskars Corporation, President and CEO
2001–2004 SRV Group Plc, President and CEO
1992–2001 Wärtsilä Oyj, VP, Corporate Development, Member of the Board of Management
1986–1992 Oy Lohja Ab/Metra Oy Ab, Management positions

Key positions of trust:
Vice Chairman of the Board: VR Group Oy and Savox Oy Ab
Member of the Board: Detection Technology Plc and Helsingin Satama Oy

Raimo Lind (b. 1953)

Member of the Board since 2014. Chairman of the Audit Committee.

Education: Master of Science (Economics)
Main occupation: Professional board member

Key experience:
2005–2013 Wärtsilä Corporation, Senior Executive Vice President and deputy to the CEO
1998–2004 Wärtsilä Corporation, CFO
1992–1997 Tamrock Oy, Coal division president, Service division president, CFO
1990–1991 Scantrailer Ajoneuvoteollisuus Oy, Managing Director
1976–1989 Wärtsilä, Service division, Vice President; Wärtsilä Singapore Ltd, Managing Director; Wärtsilä Diesel division, Vice President Group Controller

Key positions of trust:
Member of the Board: Nordkalk Oy

Veronica Lindholm (b. 1970)

Member of the Board since 2016. Member of the Personnel and Remuneration Committee.

Education: Master of Science (Economics)
Main occupation: CEO, Indoor Group Oy

Key experience:
2020– Indoor Group Oy, CEO
2015–2019 Finnkino Oy, CEO
2013–2015 Mondelez Finland, CEO
2009–2013 Walt Disney Company Nordic, VP, Chief Marketing Officer
2008–2009 Walt Disney Studios, Head of Digital Distribution EMEA
2000–2008 Walt Disney International Nordic, Marketing Director

Key positions of trust:
Member of the Board: Finland Chamber of Commerce

Inka Mero (b. 1976)

Member of the Board since 2014. Member of the Audit Committee.

Education: Master of Science (Economics)
Main occupation: Managing Partner & Founder, Voima Ventures VC Fund

Key experience:
2019– Voima Ventures I & II VC Fund, Managing Partner & Founder
2008– KoppiCatch Oy, Co-founder and Chairwoman
2016–2019 Industryhack Oy (Pivot5 Oy), Co-founder and Chairwoman
2006–2008 Playforia Oy, CEO
2005–2006 Nokia Corporation, Director
2001–2005 Digia Plc, VP, Sales and Marketing
1996–2001 Sonera Corporation, Investment Manager

Key positions of trust:
Chairman of the Board: KoppiCatch Oy, Voima Ventures Oy and Adamant Health Oy
Member of the Board: Fiskars Corporation Plc, Dispelix Oy, Tactotek Oy, Elfys Oy, Skyfora Oy and Betolar Oy

George Rietbergen (b. 1964)

Member of the Board since 2017.

Education: Master of Business Administration
Main occupation: CEO, Koninkijke Oosterberg

Key experience:
2021– Koninkijke Oosterberg, CEO
2017–2020 5Square Committed Capital, Partner
2016–2017 Nokian Tyres plc, Advisor to the board
2015–2016 Arriva Netherlands, COO
2013–2015 Goodyear Dunlop Tyres, Group man. Director DACH
2012–2013 Goodyear Dunlop Tyres EMEA, Vice president Commercial Tyres
2010–2012 Goodyear Dunlop Tyres, Group man. director UK & Ireland
2001–2010 Goodyear Dunlop Tyres EMEA, Director Retail and eBusiness
1998–2001 KLM Royal Dutch Airlines, director eBusiness

Pekka Vauramo (b. 1957)

Member of the Board since 2018. Member of the Audit Committee.

Education: Master of Science (Technology)
Main occupation: President and CEO, Metso Outotec Corporation,

Key experience:
2020– Metso Outotec Corporation, President and CEO
2018–2020 Metso, President and CEO
2013–2018 Finnair Plc, President and CEO
2007–2013 Various management positions at Cargotec
1995–2007 Various management positions at Sandvik AB
1985–1995 Various management positions at Tamrock Corporation

Key positions of trust:
Vice Chairman of the Board: Technology Industries of Finland
Member of the Board: Confederation of Finnish Industries

Independence of the Board members

Pursuant to the recommendation of the Corporate Governance Code 2020, the Board assesses the independence of its members annually. According to the Board's estimate, all Board members are independent of the Company and its major shareholders.

Shares owned by Board members and their controlled corporations

Nokian Tyres holdings of the Company's current Board members	Number of shares, December 31, 2020
Jukka Hienonen, chairman	12,795
Kari Jordan, deputy chairman	3,611
Heikki Allonen, member	3,617
Raimo Lind, member	6,462
Veronica Lindholm, member	3,617
Inka Mero, member	5,010
George Rietbergen, member	2,954
Pekka Vauramo, member	2,424
Total	**40,490**

The Board members' attendance at meetings

The Board convened a total of 19 times in 2020.

Attendance at meetings by the Company's Board members in 2020	Attendance/ meetings
Petteri Walldén, chairman (until April 2, 2020)	8/19
Jukka Hienonen, chairman (since April 2, 2020)	10/19
Kari Jordan, deputy chairman	18/19
Heikki Allonen, member	19/19
Raimo Lind, member	19/19
Veronica Lindholm, member	19/19
Inka Mero, member	19/19
George Rietbergen, member	19/19
Pekka Vauramo, member	19/19

Diversity of the Board of Directors

The Company sees diversity as a success factor enabling the achievement of Nokian Tyres' strategic goals and business growth. In practice, diversity means different factors such as gender, age, nationality, and the complementary expertise of the members, their education and experience in different professional areas and industrial sectors in which the Group mainly operates. Leadership experience and personal capacities are also considered.

The Board shall have no fewer than two representatives from both genders. If two candidates are equally qualified, the candidate from the minority gender has priority. This goal has been met in the current Board. The Board members have significant experience in industry, consumer business and financial management, among other things. The status and progress of diversity is monitored by the Shareholders' Nomination Board.

The principles concerning the selection of the Board and its diversity are visible on the Company's website at www.nokiantyres.com/company/investors/.

Committees of the Board

The Board will decide on the committees and their chairpersons and members each year during the constituent meeting. In 2020, the Board had two committees: the Personnel and Remuneration Committee and the Audit Committee. Each committee must include no fewer than three members having the competence and expertise necessary for working in the committee. At least one member of the Audit Committee must have expertise in accounting or auditing. The majority of the members of the Personnel and Remuneration Committee must be independent of the Company. The majority of the members of the Audit Committee must be independent of the Company, and at least one member must be independent of the Company's major shareholders. The President and CEO and the other members of the Group Management Team cannot act as members of the Personnel and Remuneration Committee.

Personnel and Remuneration Committee

The Personnel and Remuneration Committee prepares a proposal to the Board on the Company's President and CEO and on the salary and other incentives paid to the President and CEO. The Personnel and Remuneration Committee also prepares a proposal to the Board on the nominations, salaries and other incentives of the Group Management Team members. This Committee also reviews and submits a proposal to the Board on the allocation and criteria of the Nokian Tyres share-based incentive plans, and on the other incentive plans. In addition, the key duties of the Personnel and Remuneration Committee include the preparation of the remuneration policy and the remuneration report for the Board and the President and CEO in accordance with applicable laws and regulations. The committee has no independent decision-making power; collective decisions are made by the Board, which is responsible for carrying out the tasks assigned to the committee.

In 2020, the members of the Personnel and Remuneration Committee were Kari Jordan (Chairman), Veronica Lindholm, and Petteri Walldén until April 2, 2020, and from there onwards Kari Jordan (Chairman), Veronica Lindholm, and Jukka Hienonen.

The committee assembled 11 times in 2020.

All committee members are independent of the Company and of all major shareholders in the Company.

Audit Committee

The Audit Committee assists the Board of Directors in its regulatory duties and reports to the Board. The committee has no independent decision-making power; collective decisions are made by the Board, which is then responsible for carrying out the tasks assigned to the committee.

According to the committee charter, the committee controls that bookkeeping, financial administration, financing, internal control, internal auditing, audit of the accounts, risk management and compliance function are appropriately arranged in the Company. The committee follows and assesses the reporting process for financial statements as well as any significant changes in the recording principles and the items valued in the balance sheet. The committee also processes the general description of the mechanisms of internal auditing and risk management of the financial reporting process, which forms part of the Corporate Governance Statement. The committee follows the statutory auditing of the financial statement and the consolidated financial statements and assesses the independence of the statutory auditor and the offering of services other than auditing services by the auditor. Furthermore, the committee handles the auditor's report and possible audit minutes as well as the supplementary report presented by the auditor to the committee. The committee prepares the draft resolution on selecting the auditor. In addition, the Audit Committee monitors and assesses how agreements and other legal acts between the Company and its related parties meet the requirements of the ordinary course of business and arm's length terms in accordance with applicable laws and regulations. The Audit Committee must have the expertise and experience required for its tasks.

In 2020, the members of the Audit Committee were Raimo Lind (Chairman), Heikki Allonen, Inka Mero and Pekka Vauramo. As a general rule, the Company's chief auditor participates in the committee's meetings.

The committee assembled 7 times in 2020.

All committee members are independent of the Company and of all major shareholders in the Company.

The attendance of Board members at committee meetings in 2020

	Personnel and Remuneration Committee	Audit Committee
Petteri Walldén (until April 2, 2020)	3/11	
Jukka Hienonen (since April 2, 2020)	8/11	
Kari Jordan	11/11	
Heikki Allonen		7/7
Raimo Lind		7/7
Veronica Lindholm	11/11	
Inka Mero		7/7
George Rietbergen		
Pekka Vauramo		7/7

Shareholders' Nomination Board

The Company's Annual General Meeting 2020 decided to establish a Shareholders' Nomination Board (the "Nomination Board") and to approve the Charter of the Nomination Board. The duties of the Nomination Board consist of the preparation of proposals to the General Meeting concerning the number, composition, Chairman and possible Deputy Chairman of the Board and the remuneration of the members of the Board and the Board committees. In addition, the Nomination Board seeks prospective successor candidates for the members of the Board.

The Nomination Board consists of five members of which four members represent the Company's four largest shareholders who on the first banking day of June each year are the largest shareholders as determined on the basis of the shareholders' register of the Company maintained by Euroclear Finland Ltd. and wish to nominate a member to the Nomination Board. The fifth member of the Nomination Board is the Company's Chairman of the Board. Proposals that have been supported by at least three members of the Nomination Board, shall constitute the proposals of the Nomination Board.

The Nomination Board is established to operate until abolished by the decision of the General Meeting. The term of the members of the Nomination Board shall end upon the nomination of the following Nomination Board in accordance with the Charter of the Nomination Board. The members of the Nomination Board are not entitled to remuneration from the Company on the basis of their membership unless otherwise decided by the General Meeting.

The following members were appointed to the Nomination Board in 2020:

- Antti Mäkinen (CEO, Solidium Oy), appointed by Solidium Oy
- Heikki Westerlund (board professional), appointed by Bridgestone Corporation
- Mikko Mursula (Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company), appointed by Ilmarinen Mutual Pension Insurance Company
- Timo Sallinen (Senior Vice President, Investments, Varma Mutual Pension Insurance Company), appointed by Varma Mutual Pension Insurance Company
- Jukka Hienonen, Chairman of the Board, Nokian Tyres plc

The proposals by the Nomination Board to the Annual General Meeting 2021 were published on November 26, 2020.

The Charter of the Nomination Board is available at www.nokiantyres.com/company/investors/corporate-governance/shareholders-nomination-board/.

President and CEO and his/her duties

The President and CEO conducts the Group's business and manages the Company operations in accordance with the Finnish Limited Liability Companies Act and the instructions and guidelines provided by the Board of Directors. The President and CEO is responsible for informing the Board of Directors regarding the development of the Company's business and financial situation. The President and CEO prepares the Company´s strategy and objectives for the Board of Directors. The President and CEO is also responsible for implementing the approved strategy and plans. The President and CEO is responsible for ensuring the legal compliance of the Company's bookkeeping and for arranging reliable asset management. The President and CEO is elected by the Board of Directors. Hille Korhonen was the Company's President and CEO between January 1, 2020 and May 26, 2020. Jukka Moisio started as the Company's President and CEO on May 27, 2020.

Jukka Moisio (b. 1961)

Education: Master of Science (Economics), MBA
Position: President and CEO since May 27, 2020

Key experience:
2008–2019 Huhtamäki Oyj, President and CEO
2004–2008 Ahlstrom Oyj, President and CEO
1991–2004 Ahlstrom Oyj, various management positions
1989–1991 McKinsey & Company, Associate

Key positions of trust:
Chairman of the Board: Neles Corporation, Paulig Oy and Sulapac Oy
Member of the Board: Atria Oyj and Metsä Board Corporation

Nokian Tyres holdings of the President and CEO and controlled corporations, December 31, 2020

	Number of shares
Jukka Moisio, President & CEO	18,000

Management Team

The Group's Management Team is responsible for assisting the President and CEO in preparing the Company's strategy and in operative management, and for discussing matters that involve substantial financial or other impacts, such as corporate transactions and organization changes. Members of the Management Team carry the main responsibility for their business areas and functions. The Management Team has no activities based on the applicable legislation or the Articles of Association. According to the Group's meeting practices, the Management Team assembles once per month. In addition to the President and CEO, the heads of the business units, business areas and functions participate in the meetings.

Responsibility area, year of birth, education and Nokian Tyres holdings of the Group's Management Team and controlled corporations, December 31, 2020

	Year of birth	Education	Number of shares
Jukka Moisio President and CEO	1961	Master of Science (Economics), MBA	18,000
Päivi Antola Corporate Communications & Investor Relations	1971	Master of Arts, CEFA	1,264
Anna Hyvönen North America, Nordics and Vianor	1968	Licentiate of Science (Technology)	21,715
Adrian Kaczmarczyk Supply Operations	1971	Dipl. Ing. Engineering, MBA	0
Tarja Kaipio Human Resources (interim)	1962	Master of Psychology	7,977
Teemu Kangas-Kärki Finance (CFO)	1966	Master of Science (Economics and Business Administration)	7,014
Jukka Kasi Products & Innovation	1966	Master of Science (Technology)	4,420
Bahri Kurter Central Europe	1966	Master of Arts (Economics)	0
Andrei Pantioukhov Russia, Asia, Global Marketing	1972	Master of Business Adminstration	69,359
Manu Salmi Heavy Tyres and Nokia Factory	1975	Master of Military Sciences, Master of Science (Economics), MBA	26,601
Timo Tervolin Strategy & M&A	1977	Master of Science (Technology), Master of Science (Economics and Business Administration)	6,385
Frans Westerlund IT & Processes	1966	Master of Science (Economics and Business Administration)	4,042

More detailed information concerning the Group's Management Team is available on the Company's website at www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/.

III Descriptions of mechanisms of internal control and risk management

Internal control

The purpose of the Group's internal control mechanisms is to ensure that the Company's operation is in line with the applicable laws and regulations and the Company's Code of Conduct. As regards the financial reporting process, the purpose of the Group's internal control mechanisms is to ensure that the financial reports released by the Company have been compiled in accordance with the accounting principles applied by the Company and that they contain essentially correct information on the Group's financial position, and to ensure that financial reporting is accurate and reliable. The Group has defined group-level policies and instructions for the key operative units specified below in order to ensure efficient and profitable Company operations.

The Group's business consists of Passenger Car Tyres, Heavy Tyres, and Vianor business units. Passenger Car Tyres is further divided into the following business areas: Nordics, Other Europe, North America, Russia and Asia. Heavy Tyres and Passenger Car Tyres business units are responsible for their own operations, financial results, risk management, balance sheet and investments, supported by different functions. The Group's sales companies serve as product distribution channels in local markets.

Subsidiaries are responsible for their daily operations and administration. They report to the director responsible for the said business area, while the Vianor chain reports to the director of the Vianor business unit.

The Board of Directors is responsible for the functionality of the internal control mechanisms, which are managed by the Company's management and implemented throughout the organization. Internal control is an integral part of all activities of the Group at all levels. The Company's operative management bears the main responsibility for operational control. Every supervisor is obliged to ensure sufficient control over the activities belonging to his or her responsibility and to continuously monitor the functionality of the control mechanisms. The Chief Financial Officer is responsible for organizing financial administration and reporting processes and the internal control thereof. The parent company's Finance function is responsible for internal and external accounting; its tasks include, among others, producing financial information concerning the different areas and ensuring the accuracy of this information.

The preparation process of the consolidated financial statements (IFRS), the related control measures, and the task descriptions and areas of responsibility related to the reporting process are defined. The Company's Finance function produces the consolidations and information for the Group level and the different areas. Each legal entity within the Group produces its own information in compliance with the instructions provided and in line with local legislation. The Group's Finance function is centrally responsible for the interpretation and application of financial reporting standards as well as for monitoring compliance with these standards.

Effective internal control requires sufficient, timely, and reliable information in order for the Company's management to be able to monitor the achievement of targets and the efficiency of the control mechanisms. This refers to financial information as well as other kinds of information received through IT systems and other internal and external channels. The instructions on financial administration and other matters are shared on the Company's intranet, and training is organized for personnel with regard to these instructions when necessary. Communication with the business units is continuous. The Company's financial performance is internally monitored by means of monthly reporting complemented with updated forecasts. The financial results are communicated to Company personnel immediately after the official stock exchange releases have been published.

Investor communications

The goal of Nokian Tyres' investor relations is to regularly and consistently provide the stock market with essential, correct, sufficient, and up-to-date information that is subsequently used to determine the share value. The operations are based on equality, openness, and accuracy.

Risk management

The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of strategic goals and ensures continuity of business. 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 risks are classified as strategic, operational, financial and hazard risks. Strategic risks are related to customer relationships, competitors' actions, political and legislative risks, reputation, country risks, brand, product development, climate change and sustainability risks and investments. Operational risks arise as a consequence of shortcomings or failures in the Company's internal processes, actions by its personnel or systems, contractual risks, risk of non-compliance, or external events, such as unforeseen changes in the operating environment, cyber and information security, management of the supply chain, or changes in raw material prices. Financial risks are related to fluctuations in interest rate and currency markets, liquidity and refinancing, and counterparty and credit risks. Hazard risks arise from property loss or business interruption, shortcomings or failures in employee safety or environmental management systems.

The most significant risks are the 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. The tire market is evolving to meet changing consumer needs. Failure to innovate and develop new products and services or to adapt to the changes in the sales channel or new technologies could have an adverse effect on the financial performance. Unexpected production or delivery breaks at production facilities or interruptions in logistics could have a significant impact on peak season sales. The risk analysis conducted in 2020 also focused special attention on corporate social responsibility risks, the most significant of which are related to the Company reputation, product quality and change in consumer behavior. Analyses and projects related to information security, data protection and customer information were a special focus area.

The risk management process aims to identify and evaluate the risks, and to plan and implement the practical measures and continuous monitoring for each risk. Among others, such measures may include avoiding the risk, reducing it in different ways or transferring the risk through insurance policies or agreements. Control functions and measures are verification or back-up procedures applied to reduce the risks and ensure the completion of the risk management measures.

Responsibility for identifying, evaluating and to large extent, managing risks is delegated to business units, business areas and functions. Treasury is responsible for developing and maintaining risk management processes, methods and tools. Assisted by the Audit Committee, the Company's Board of Directors monitors and assesses the efficiency of the Company's risk management mechanisms and monitors the assessment and management of risks related to the Company's strategy and operations. The Audit Committee monitors that the risk management actions are in line with the risk management policy. Issues raising in risk analysis are noted in the development of processes, compliance and control, and in Internal Audit planning. The Company's Board of Directors discusses the most significant risks annually.

IV Other information provided

Internal audit

The Group's internal audit systematically carries out assessments and audits on the efficiency of risk management, internal control, and corporate governance processes. Internal audit is an independent and objective function whose aim is to help the organization to achieve its goals. The principles for internal audit have been confirmed in the internal audit's charter approved by the Board of Directors.

The Group's Internal Audit function is managed by the Chief Audit Executive (CAE), who works under the Board of Directors. The focus areas for internal audit are approved by the Board of Directors each year. The audit assignments are based on the key strategic focus areas of the Company's operations and the risks involved. The operation of Internal Audit covers all business activities, functions and processes within the Nokian Tyres Group. The CAE reports on their findings and the agreed further actions to the Audit Committee, the Board of Directors, the President and CEO, the Chief Financial Officer and the management of the Company. The Company's Board of Directors follows and monitors the efficiency of the Internal Audit.

In 2020, Internal Audit focused on assessing, among other things, the operations and risks of various business areas and country organizations, corporate governance arrangements, risk management, corporate sustainability and information security matters as well as specific misconduct risks and cases and the management of the COVID-19 pandemic in the Group. The Internal Audit function at Vianor focuses on guiding the retail outlets and ensuring conformity to the Vianor activity management system, and reports to the CAE and to the country managers.

Related party transactions

The Company has procedures in place to identify and define its related parties and assesses and monitors related party transactions to ensure that all conflicts of interest and the Company's decision-making process are appropriately taken into account. The Audit Committee monitors and assesses how agreements and other legal acts between the Company and its related parties meet the requirements of ordinary activities and arm's length terms in accordance with applicable laws and regulations. The Group's financial management monitors and supervises related party transactions as part of the Company's normal reporting and monitoring procedures and reports to the Audit Committee on regular basis. The Company only has related party transactions that are a part of normal business, and the information regarding them is provided in the annual report and the notes to the financial statements. The decision-making processes have furthermore been structured in order to avoid conflict of interests. In case the Company would have any transactions that are not part of the Company's ordinary course of business or are not implemented under arm's length terms, such transactions shall be handled by the Audit Committee and approved by the Board and provided in the Financial Review and the notes to the financial statements.

Insider management

The Company complies with the guidelines for insider trading drawn up by Nasdaq Helsinki Ltd. Furthermore, the Company has drawn up separate insider guidelines that have been approved by the Board of Directors and that supplement other insider regulations as well as include instructions on insiders and insider administration.

Project-specific insider lists are drawn up of people involved in insider projects of the Company. Persons with insider information are not allowed to trade in the Company's financial instruments until the project has become void or been published. Those entered into the project-specific list of insiders are notified of their entry into the said list and the duties it entails, as well as the termination of the insider project.

The Company maintains a separate list of people in managerial positions and their related persons. In 2020, the persons holding executive positions in the Company, as defined in the Market Abuse Regulation, were the members of the Board of Directors, the President and CEO, the Chief Financial Officer, the business area directors of the the Passenger Car Tyres business unit, the director of the Nokian Heavy Tyres business unit and the director of the Vianor business unit.

Persons holding managerial positions within the Company are allowed to trade in the Company's financial instruments only for 30 days after the publication day of the Company's financial statement report, half year report, or interim report. The same applies to persons who participate in the preparation, maintaining, and/or publication of the Company's financial reports. The prohibition on trading mentioned hereinabove also applies to persons who process the financial reporting and forecasts of the Nokian Tyres Group.

The Group General Counsel for Nokian Tyres is responsible for the overall management of insider matters in the Company and the related communication (limitations on trade, obligations to announce and publish management transactions). The Group General Counsel checks the information for the persons holding executive positions and their related persons at least once per year. The CFO is the Group General Counsel's substitute for insider matters.

Whistleblowing

The Company has defined processes that internal and external parties can use to notify of any suspected violations of the Company's insider trading guidelines or other instructions, or of any other malpractices. External parties can use the email address whistleblow@nokiantyres.com, among others. All whistleblowing notifications are investigated promptly in a confidential manner and protecting the identity of the whistleblower as far as possible.

Audit

The auditor has an important role as a controlling body appointed by the shareholders. The audits give shareholders an independent opinion on how the financial statements and report by the Board of Directors of the Company have been drawn up and the accounting and administration of the Company have been managed. The auditor elected at the Annual General Meeting of 2020 is KPMG Oy Ab, authorized public accountants, with Lasse Holopainen, Authorized Public Accountant, acting as the Chief Auditor. The auditor's term of office lasts until the end of the following Annual General Meeting. In addition to his duties under the valid regulations, he reports all audit findings to the Group's management.

The Group's audit fees in 2020 amounted to EUR 602,486 (2019: 451,290). The fees paid to the authorized public accountants for other services totaled EUR 222,158 (2019: 1,146,556).

REMUNERATION REPORT 2020

Introduction

This remuneration report (the "Remuneration Report") describes the implementation of the remuneration policy (the "Remuneration Policy") of Nokian Tyres plc (the "Company" or "Nokian Tyres") for the financial year 2020. The Remuneration Policy was presented to and adopted by an advisory resolution in the 2020 Annual General Meeting and shall be applied until the 2024 Annual General Meeting, unless a revised policy is presented to the general meeting before that. The Remuneration Policy describes the remuneration of the Board of Directors and the President and CEO, and the considerations of determining the policy and operation of the policy. This Remuneration Report will in turn provide investors more detailed information of the development of remuneration and some strategic KPI's within Nokian Tyres as well as the implementation of the valid Remuneration Policy. The Remuneration Report is presented for the first time to the 2021 Annual General Meeting for an advisory vote. An index comparison is presented in the table below and a further breakdown of the development of the remuneration of the Board of Directors and President and CEO of the Company with a comparison to the development of the average remuneration of the Company's employees and to the Company's financial development over the preceding 5 financial years is presented below under the section "Remuneration and financial development between 2016 to 2020".

Index of development between years 2016–2020

Remuneration index	2016	2017	2018	2019	2020
Total Board remuneration - Average annual fee paid to Board members**	100%	114%	121%	121%	136%
President and CEO salaries and financial benefits	100%	61%	171%	65%	90%
Average salary cost per employee***	100%	98%	97%	95%	94%
Financial measures index*					
Operating profit	100%	118%	120%	102%	39%
Earnings per share (EPS)	100%	87%	115%	155%	33%
Return of capital employed (ROCE)	100%	113%	117%	88%	30%

*Financial measures used for index according to IFRS reporting. Segments figures in accordance to Nokian Tyres new reporting practices available (2019 and 2020) in section "Remuneration and financial development between 2016 to 2020". Stock exchange release about Nokian Tyres new reporting practices April 24th, 2020.

** Total Board remuneration - Average annual fee paid to Board members calculated by dividing total amount of fees paid to board members each year, by composition of board (amount of members) during each year (2016: 7 board members, 2017 and onwards: 8 board members) and excluding fees paid to members leaving during following term. Further details in section "Remuneration and financial development between 2016 and 2020".

***Average cost per employee calculated based on average number of employees during each financial year, divided by total amount of salaries, incentives, and other related employee costs for corresponding financial year.

Financial year 2020 offered challenging conditions for Nokian Tyres. The Company was able to show fast adaptability to changed market conditions, cutting cost and readjusting short-term business objectives to comply with the transformed circumstances due to COVID–19 pandemic. Fast adaptability was applied to remuneration, as the structure and earning period of short-term incentive plans were adjusted by a decision of the Board, to realign efforts towards complying with the emerged situation. The earning period was cut to the second half of the financial year 2020 in the Nokian Tyres Global STI plan and target setting was modified and simplified due to the extraordinary effect COVID–19 had on the whole global economy, in order to ensure competitive remuneration to incentivize and retain employees. These measures were in alignment with current Remuneration Policy governance and supported the strong Company performance against the challenging conditions of the financial year 2020.

The executive remuneration of the Company is designed to advance the strategy execution, business objectives and long-term profitability of the Company. Nokian Tyres aims to grow faster compared to the reference market, to have strong profitability and offer good returns to the shareholders. Nokian Tyres has two annually commencing long-term share-based plans, under discretion of the Board of Directors' decision. The long-term share-based plans mainly have performance periods of a minimum of three years. The Nokian Tyres Performance Share Plan is measured through group level financial KPI's such as EPS (Earnings per Share) and ROCE (Return on Capital Employed). The set KPI's are strongly aligned with long-term strategical goals and shareholder value growth. The Nokian Tyres Restricted Share Plan is designed as a complementary component to other long-term incentives and can be used in situations such as new hires and retentions at the Board's discretion. The restricted shares typically have a vesting period of three years. Nokian Tyres published a Stock Exchange Release February 4, 2020, describing the above mentioned two shared-based plans commencing during the financial year 2020. A stock exchange release relating to the commencement of new Performance and Restricted Share Plans during financial year 2021 was published on February 9, 2021. By a decision of the Board of Directors, the Restricted Share Plans commencing 2019, 2020 and 2021 have a threshold value for average ROCE over the vesting period for the President and CEO and Nokian Tyres Management team. With combined elements of regular remuneration review, long-term performance and key talent retention, Nokian Tyres remuneration continues to promote and build the Company's long-term financial success.

During the financial year 2020, Nokian Tyres temporarily deviated from the adopted Remuneration Policy due to the appointment of the new President and CEO in May 2020. As a result of this appointment, the Board of Directors of the Company decided to apply a financial performance criteria to the restricted share plans offered for the President and CEO. A further description of the deviation and clarification of the circumstances justifying the deviation are presented below under the section "*Remuneration of the President and CEO 2020 – Long-term incentive plans*". Apart from this deviation, the remuneration of the Board of Directors and the President and CEO complied with the Remuneration Policy and no other deviations where made due to the appointment of a new President and CEO.

Remuneration of the Board of Directors 2020

Nokian Tyres 2020 Annual General Meeting decided the following annual fees to be paid to the Board of Directors serving during financial year 2020:

Chairman of the Board: A monthly fee of EUR 7,917 or EUR 95,000 per year

Deputy Chairman of the Board and to the Chairman of the Audit Committee: A monthly fee of EUR 5,833 or EUR 70,000 per year

Members of the Board: A monthly fee of EUR 3,958 or EUR 47,500 per year

60% of the annual fee is paid in cash and 40% in Company shares to the effect that in the period from May 6 to June 5, 2020, EUR 38,000 worth of Nokian Tyres plc shares were purchased at the stock exchange on behalf of the Chairman of the Board, EUR 28,000 worth of Nokian Tyres plc shares were purchased at the stock exchange on behalf of the Deputy Chairman of the Board and Chairman of the Audit committee, and EUR 19,000 worth of Nokian Tyres plc shares were purchased on behalf of each Board member. The Company paid asset transfer taxes arising from the acquisition of shares.

Each member of the Board received EUR 600 for meetings held in their home country and EUR 1,200 for meetings held outside their home country. When a member participated in a meeting via telephone or video connection, the remuneration paid was EUR 600. Travel expenses were compensated in accordance with the Company's travel policy.

The Board gathered frequently during financial year 2020 due to COVID–19's impact on Nokian Tyres business.

Board member	Position on the Board	Annual fixed fee (EUR)*	Board meeting fees (EUR)	Committee meeting fees (EUR)	Total fees (EUR)	Shares acquired with fixed annual fee (number of shares)
Jukka Hienonen	Chairman of the Board / Member of the Personnel and Remuneration Committee (since April 2. 2020)	95,000	6,000	4,800	105,800	2,045
Kari Jordan	Deputy Chairman and Chairman of the Personnel and Remuneration Committee	70,000	10 800	6,600	87,400	1,057
Raimo Lind	Chairman of the Audit Committee	70,000	11,400	4,200	85,600	1,057
Heikki Allonen	Board member / Member of the Audit Committee	47,500	11,400	4,200	63,100	1,022
Inka Mero	Board member / Member of the Audit Committee	47,500	11,400	4,200	63,100	1,022
Pekka Vauramo	Board member / Member of the Audit Committee	47,500	11,400	4,200	63,100	1,022
Veronica Lindholm	Board member / Member of the Personnel and Remuneration Committee	47,500	11,400	6,600	65,500	1,022
George Rietbergen	Board member	47,500	12,600	-	60,100	1,022
Petteri Walldén	Chairman of the Board / Member of the Personnel and Remuneration Committee (until April 2. 2020)	-	4,800	1,800	6,600	-

* 60% of the annual fixed fee paid in cash and 40% in Company shares.

Remuneration of the President and CEO 2020

President and CEO	Fixed annual salary (incl. fringe benefits and holiday compensation)	Monthly base salary	Paid salary during financial year 2020	Paid performance-based bonuses (based on year 2019)	Due performance-based bonuses (based on year 2020)**	Total value of awarded share-based bonus	Supplementary pension contribution	Severance payment	Total fees paid during financial year 2020
Jukka Moisio May 27, 2020-	756,240	60,000	429,611	-	402,632	-	-	-	429,611
Hille Korhonen June 1, 2017-May 26, 2020	693,240	55,000	691,148*	-	-	-	121,044	660,000	1,472,192

Note: All amounts presented are in EUR.
* Including notice pay and annual leave allowance.
** Due performance-based bonuses (based on year 2020) will be paid during financial year 2021.

Short-term incentive opportunities as of annual base salary

Target	Max
50%	100%

Performance share plan long-term incentives*

Target	Max
125%	250%

* Nokian Tyres may in addition offer restricted share plans for President and CEO in situations like new hire and retention, at the Board's discretion

President and CEO Jukka Moisio has a Company paid mobile phone benefit, with a value of EUR 20 per month or EUR 240 per annum. Fixed annual salary incl. holiday compensation calculated by multiplying monthly base salary EUR 60,000 by 12.6.

Previous President and CEO Hille Korhonen had a Company paid mobile phone benefit, with a value of EUR 20 per month or EUR 240 per annum. Fixed annual salary incl. holiday compensation calculated by multiplying monthly base salary EUR 55,000 by 12.6.

Short-term incentive plans

President and CEO Jukka Moisio is entitled to short-term incentives as described in the Remuneration Policy. The short-term incentive on target amount is equivalent to 50% of the annual base salary and the maximum amount is 100% of the annual base salary. The performance period is typically one year, unless decided otherwise by the Board. The possible reward is paid out in the first half of the year following the performance period.

By decision of the Board of Directors, President and CEO Jukka Moisio's short-term incentives 2020 performance measures were tied to Nokian Tyres EBIT and Nokian Tyres Net Sales. Both measures were in alignment with the current Remuneration Policy and had an equal weight of 50%. The performance period was the second half of financial year 2020, due to the appointment in late May 2020. The paid base salary during financial year 2020 functioned as the basis for the incentive payout. The combined achievement for the second half of financial year 2020 was 188% (100% being the target level and 200% maximum) and the short-term incentive payout to President and CEO Jukka Moisio is 402,632 EUR. The proportion between fixed and variable pay linked to financial year 2020 was 48.4% variable pay and 51.6% fixed pay. The actual payment of the 2020 short-term incentive reward will take place during the first half of financial year 2021.

Long-term incentive plans

The President and CEO's long-term incentives consist of share incentive plans. The value of the performance-based LTI payout is capped at the level of 250% of the annual base salary and the annual target amount is 125% of annual base salary. The value of paid reward cannot exceed 250% of the annual base salary, used to define the allocation at grant. President and CEO Jukka Moisio was not granted performance-based shares from Nokian Tyres Performance Share Plan during the financial year 2020.

Nokian Tyres may in addition offer restricted share plans for the President and CEO in situations like new hire and retention, at the Board's discretion. President and CEO Jukka Moisio was granted 10,000 shares from the Restricted Share Plan 2020–2022. The stock exchange price was 20.29 EUR/share on the assignment date of June 29, 2020. The potential delivery of the share reward will take place after the vesting period 2020–2022, during the first half of year 2023, in case the threshold value of Return of Capital Employed (ROCE) set by the Board is met.

In connection with the restricted share plan for the President and CEO, Nokian Tyres temporarily deviated from the adopted Remuneration Policy during the financial year 2020. The deviation against the adopted Remuneration Policy occurs in the **Long-term incentive (LTI)** section, where the statue of Restricted Share Plans states; "*For the possible restricted share plans, there are no financial performance criteria, but the share rewards under the restricted share plan will be delivered to the President and CEO provided that his or her service contract with the company continues until the delivery date of the share rewards.*" The Board of Directors of the Company decided to apply a financial performance criteria to the three-year Restricted Share Plans commencing during the years 2019, 2020 and 2021, as a result of the appointment of the new President and CEO in May 2020. The criterion is applied to the Restricted Share Plans of the President and CEO and the management team. The deviation was deemed necessary in order to align the new President and CEO's remuneration to the financial performance of the Company and to promote efforts to ensuring the long-terms interests and sustainability of the Company. The financial performance criterion is measured against a pre-set average threshold value for ROCE (a minimum value that must be achieved in order for the share reward to be delivered), for the three-year vesting period of each Restricted Share Plan. As a result of the temporary deviation, Nokian Tyres applied a financial performance criteria to the 10,000 restricted shares allocated to President and CEO Jukka Moisio from the Restricted Share Plan 2020–2022. Possible share allocations from the Restricted Share Plan 2021–2023 will also have a threshold value tied to average ROCE between financial years 2021–2023.

The potential reward will be paid partly in shares of Nokian Tyres Plc and partly in cash. The cash portion of the reward is intended to cover the taxes arising from the paid reward.

The President and CEO is required to hold at least 25% of the shares received as rewards from the long-term incentive programs and to accumulate the shares from the incentive programs until the value of the shares received from the share programs equals the annual gross base salary of the President and CEO.

Pension and information regarding the termination of the employment of the previous President and CEO

Pension accumulation and retirement age of the President and CEO is determined by the practices and terms of the applicable law in the home country of the President and CEO. An additional defined contribution pension plan that corresponds to the relevant local market can be arranged by the Company. President and CEO Jukka Moisio does not have a Company paid supplementary pension arrangement. The retirement age and the pension is determined in accordance to the Employees Pensions Act.

The previous President and CEO Hille Korhonen had a Company paid supplementary pension arrangement. The age of retirement defined in the said arrangement was set by written agreement to 65 years. The pension was determined on the basis of the Employees Pensions Act and a separately defined contribution pension plan taken out by the Company. The amount paid in the defined contribution pension plan 2020 was EUR 121,044, corresponding to 20% of base salary until the end of employment during the financial year 2020.

The President and CEO's period of notice is 6 months. If the agreement is terminated by the Company, the President and CEO is entitled to compensation corresponding to 12 months' salary and other benefits, in addition to the notice period's salary.

Malus and claw back

Based on the terms and conditions of the incentive plans, if the President and CEO receives a reward based on the remuneration scheme that subsequently turns out to be incorrectly paid due to intent or negligence by the President and CEO, Nokian Tyres has the right to retroactively restate the amount and reclaim the excess part of the rewards paid from the short- and long-term incentives pursuant to rules regarding unjust enrichment.

The short- and long-term remuneration schemes are discretionary in nature and do not form part of the terms and conditions of the service contract of the President and CEO, and the Board of Directors shall decide on the implementation of the schemes and their terms and conditions at any time.

Nokian Tyres did not exercise any malus or claw back rights during the financial year 2020.

Remuneration and financial development between 2016 and 2020

		2016	2017	2018	2019	2020
Board remuneration, total pay EUR						
Jukka Hienonen		-	-	-	-	**105,800**
Kari Jordan		-	-	75,900	78,300	**87,400**
Raimo Lind		50,800	74,400	78,900	76 500	**85,600**
Heikki Allonen		46,000	53,800	54,000	54,600	**63,100**
Inka Mero		50,200	53,200	54,000	54,600	**63,100**
Pekka Vauramo		-	-	52,200	53,400	**63,100**
Veronica Lindholm		43,000	52,000	57,000	56,400	**65,500**
George Rietbergen		-	56,800	53,400	54,600	**60,100**
Petteri Walldén		91,400	93,800	102,000	101,400	**6,600**
Tapio Kuula		49,600	70,200	-	-	**-**
Hille Korhonen		51,400	43,000	-	-	**-**
Hannu Penttilä		6,000	-	-	-	**-**
Total (excl. fees paid to leaving members)*		382,400	497,200	527,400	529,800	**593,700**
Board size, number of members		7	8	8	8	**8**
Average total pay per member*		54,629	62,150	65,925	66,225	**74,213**
Index		**100%**	**113.8%**	**120.7%**	**121.2%**	**135.8%**
President and CEO, total pay EUR						
Jukka Moisio	May 27, 2020-	-	-	-	-	**429,611**
Hille Korhonen	Jun 1, 2017-May 26, 2020	-	411,540	3,601,862	1,362,987	**1,472,192**
Andrei Pantioukhov	Jan 1, 2017-May 31, 2017	-	235,940	-	-	**-**
Ari Lehtoranta	Sep 1, 2014-Dec 31, 2016	2,109,397	646,229	-	-	**-**
Total		2,109,397	1,293,709	3,601,862	1,362,987	**1,901,803**
Index		**100%**	**61.3%**	**170.8%**	**64.6%**	**90.2%**
Andrei Pantioukhov acted as interim President and CEO between Jan 1, 2017–May 31, 2017						
Employee remuneration, average EUR						
Salaries, incentives, and other related costs, MEUR		219.0	224.7	228.9	235.3	**224.7**
Group employees on average during financial year		4,433	4,630	4,790	4,995**	**4,859**
Average per year, k EUR		49.40	48.53	47.79	47.10	**46.24**
Index		**100%**	**98.2%**	**96.7%**	**95.3%**	**93.6%**
Financial development 2016–2020						
Operating profit, MEUR		310.5	365.4	372.4	316.5	**120.0**
Segments operating profit, MEUR		-	-	-	337.2	**190.2**
Index* **		**100%**	**117.7%**	**119.9%**	**101.9%**	**38.6%**
EPS, EUR		1.87	1.63	2.15	2.89****	**0.62**
Segments EPS, EUR		-	-	-	3.06****	**1.04**
Index* **		**100%**	**87.2%**	**115.0%**	**154.5%**	**33.2%**
ROCE, %		19.9%	22.4%	23.3%	17.6%	**6.0%**
Segments ROCE, %		-	-	-	18.6%	**9.3%**
Index* **		**100%**	**112.6%**	**117.1%**	**88.4%**	**30.2%**

* Average total pay per Board member is calculated by dividing the total fees paid to the Board members, excl. members who left the Board during the corresponding term. I.e. fees paid to Hannu Penttilä remover from year 2016 average and fees paid to Petteri Walldén removed from year 2020 average.
** Figures corrected to include passive employments in December 2019 (employees on long leaves).
*** Financial measures used for index according to IFRS reporting. Segments figures 2019–2020 presented (not calculated in index) in accordance to Nokian Tyres new reporting practices Stock exchange release about Nokian Tyres new reporting practices April 24th, 2020.
**** EPS 2019 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 1.81. Segments EPS 2019 excl. the impact were EUR 1.98.

BOARD OF DIRECTORS JANUARY 2021 | Further information at www.nokiantyres.com/board-of-directors

JUKKA HIENONEN

- b. 1961
- Master of Science (Economics)
- Member of the Board since 2020, Chairman of the Board
- Member of the Personnel and Remuneration Committee
- Member of the Shareholders' Nomination Board
- Independent of the company
- Shares: 12,795

KARI JORDAN

- b. 1956
- Master of Science (Economics), Vuorineuvos (Finnish honorary title)
- Member of the Board since 2018, Deputy Chairman of the Board
- Chairman of the Personnel and Remuneration Committee
- Independent of the company
- Shares: 3,611

HEIKKI ALLONEN

- b. 1954
- Master of Science (Technology)
- Member of the Board since 2016
- Member of the Audit Committee
- Independent of the company
- Shares: 3,617

RAIMO LIND

- b. 1953
- Master of Science (Economics)
- Member of the Board since 2014
- Chairman of the Audit Committee
- Independent of the company
- Shares: 6,462

VERONICA LINDHOLM

- b. 1970
- Master of Science (Economics)
- Member of the Board since 2016
- Member of the Personnel and Remuneration Committee
- Independent of the company
- Shares: 3,617

INKA MERO

- b. 1976
- Master of Science (Economics)
- Member of the Board since 2014
- Member of the Audit Committee
- Independent of the company
- Shares: 5,010

GEORGE RIETBERGEN

- b. 1964
- Master of Business Administration
- Member of the Board since 2017
- Independent of the company
- Shares: 2,954

PEKKA VAURAMO

- b. 1957
- Master of Science (Technology)
- Member of the Board since 2018
- Member of the Audit Committee
- Independent of the company
- Shares: 2,424

MANAGEMENT TEAM JANUARY 2021 | Further information at: www.nokiantyres.com/management

JUKKA MOISIO

- b. 1961
- President and CEO
- Master of Science (Economics), Master of Business Administration
- With the company and a member of Management Team since 5/2020

ANDREI PANTIOUKHOV

- b. 1972
- Executive Vice President
- Russia, Asia and Global Marketing
- Master of Business Administration
- With the company since 2004 and a member of Management Team since 2009

PÄIVI ANTOLA

- b. 1971
- Corporate Communications and Investor Relations
- Master of Arts, CEFA
- With the company and a member of Management Team since 2018

ANNA HYVÖNEN

- b. 1968
- North America, Nordics and Vianor
- Licentiate of Science (Technology)
- With the company and a member of Management Team since 2016

ADRIAN KACZMARCZYK

- b. 1971
- Supply Operations
- Dipl. Ing. Engineering, Master of Business Administration
- With the company and a member of Management Team since 9/2020

TARJA KAIPIO

- b. 1962
- Human Resources
- Master of Psychology
- With the company from 2016 and a member of Management Team since 8/2020 (interim)

TEEMU KANGAS-KÄRKI

- b. 1966
- CFO
- Master of Science (Economics and Business Administration)
- With the company and a member of Management Team since 2018

JUKKA KASI

- b. 1966
- Products and Innovations
- Master of Science (Technology)
- With the company and a member of Management Team since 2018

BAHRI KURTER

- b. 1966
- Central Europe
- Master of Arts (Economics)
- With the company and a member of Management Team since 2019

MANU SALMI

- b. 1975
- Heavy Tyres and Nokia factory
- Master of Military Sciences, Master of Science (Economics), Master of Business Administration
- With the company since 2001 and a member of Management Team since 2008

INVESTOR INFORMATION AND INVESTOR RELATIONS

Annual General Meeting 2021

The Annual General Meeting of Nokian Tyres plc will be held on Tuesday, March 30, 2021 at 4.00 p.m. (EET) with exceptional meeting procedures based on the temporary legislative act to limit the spread of the COVID-19 pandemic (677/2020). The AGM will be organized without shareholders' and their proxy representatives' presence at the venue. More information: www.nokiantyres.com/annualgeneralmeeting2021

Dividend payment

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 1.20 per share for the financial year 2020, representing a payout ratio of 193%.

Change of address

Shareholders are advised to inform any changes in their contact information to the book entry register in which they have a book entry securities account.

Financial information

Nokian Tyres publishes financial information in Finnish and English. Financial reports, statements, and stock exchange releases are available at www.nokiantyres.com/investors. Comprehensive investor relations pages contain information on Nokian Tyres' share, largest shareholders registered in Finland and upcoming IR events, among others.

Nokian Tyres' stock exchange releases can be subscribed at www.nokiantyres.com/company/publications/order-releases/

Financial reports in 2021

- January–March: May 4, 2021
- January–June: August 3, 2021
- January–September: November 2, 2021

Silent period

Nokian Tyres observes a silent period before issuing financial statements, interim and half-year reports.

- Start of the silent period: January 1, April 1, July 1, and October 1.
- End of the silent period: The results of the respective quarter are made public.

During the silent period, the company's top management and Investor Relations do not meet representatives of capital markets or financial media, nor comment on issues related to the company's financial situation or general outlook. If an event occurring during the silent period requires immediate disclosure, Nokian Tyres will disclose the information without delay in compliance with disclosure rules and may also comment on the event concerned.

Flagging notifications

Under the provisions of the Securities Markets Act, changes in holdings must be disclosed when the holding reaches, exceeds or falls below 5, 10, 15, 20, 25, 30, 50 or 90 per cent or two thirds of the voting rights or the numbers of shares of the company.

Notifications of changes in holdings or voting rights must be made without undue delay.

Shareholders are advised to send the flagging notifications to flaggings@nokiantyres.com

IR contact information

Regarding inquiries and meeting requests, you can send an email to ir@nokiantyres.com

Päivi Antola, SVP, Corporate Communications & IR
Tel. +358 10 401 7327

Annukka Angeria, Investor Relations Manager
Tel. +358 10 401 7581

Address:

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FI–37101 Nokia

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