FINANCIAL REVIEW 2019

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NOKIAN TYRES IN BRIEF

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

Our business is divided into three units: Passenger Car Tyres, Heavy Tyres and Vianor, which is our chain of tire and car service centers.

We are headquartered in Nokia, Finland, and our factories are located in Finland, Russia and the US. The North American factory started commercial tire production in January 2020.

Intensive tire testing is a vital part of our product development. Therefore, we own and operate two tire testing centers in Finland and are building a new one in Spain.

> We instill our Scandinavian heritage in every tire we make for passenger cars, trucks and heavy machinery.

Nokian Tyres is the inventor of the winter tire. With our professional and innovative team, we can take safety to a new level in summer, all-season, and all-weather tires as well. 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. Taking care of people and the environment is in our very DNA.

In 2019, the company's net sales were approximately EUR 1,6 billion and it employed some 4,700 people. Nokian Tyres is listed on Nasdaq Helsinki.

Net sales **1,596** EUR million	Winter tires **71%** of total sales
–51% Lost Time Injury Frequency (LTIF)	**4,700** employees
Products sold in **61** countries	Safe, sustainable and innovative products

KEY FIGURES 2019

EUR million	2019	2018	Change %	CC [1] Change %
Net sales	**1,595.8**	1,595.6	0.0%	−0.3%
Operating profit	**316.5**	372.4		
Operating profit %	**19.8%**	23.3%		
Profit before tax	**336.7**	361.7		
Profit for the period	**399.9**	295.2		
Earnings per share [2], EUR	**2.89**	2.15		
ROCE, %	**17.6%**	23.3%		
Equity ratio, %	**75.9%**	71.0%		
Cash flow from operating activities	**219.8**	536.9		
Gearing, %	**2.3%**	−21.2%		
Interest-bearing net debt	**41.1**	−315.2		
Capital expenditure	**299.6**	226.5		
Personnel (at the end of year)	**4,730**	4,719		
LTIF [3]	**4.3**	8.3		
Rolling resistance [4], %	**8.3%**	8.2%		

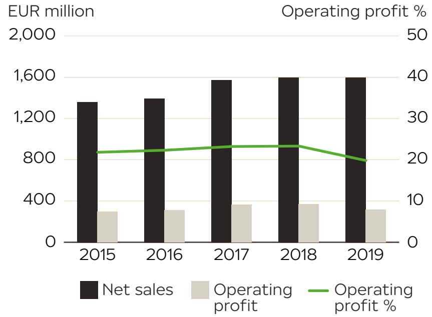
[1] Comparable currencies

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

[3] Lost Time Injury Frequency: the number of lost time injuries occurring in a workplace per 1 million hours worked. Levypyörä (acquired in August 2019) will be included in the safety figures as of 2020.

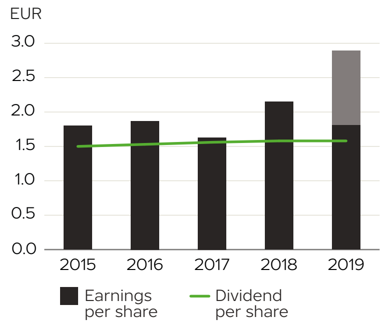
[4] Reduction of rolling resistance since 2013. Rolling resistance refers to the energy lost when a tire rolls against the road surface.

NET SALES, OPERATING PROFIT AND OPERATING PROFIT %



	2015	2016	2017	2018	2019
Net sales, EUR	1,360.1	1,391.2	1,572.5	1,595.6	**1,595.8**
Operating profit, EUR	296.0	310.5	365.4	372.4	**316.5**
Operating profit %	21.8	22.3	23.2	23.3	**19.8**

EARNINGS PER SHARE AND DIVIDEND PER SHARE

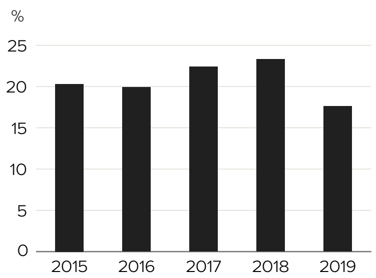


	2015	2016	2017	2018	2019
Earnings per share, EUR	1.80	1.87	1.63	2.15	**2.89***
Dividend per share, EUR	1.50	1.53	1.56	1.58	**1.58****

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

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

RETURN ON CAPITAL EMPLOYED, %



	2015	2016	2017	2018	2019
Return on Capital Employed, ROCE, %	20.3	19.9	22.4	23.3	**17.6**

NET SALES BY GEOGRAPHICAL AREA, %

	2019	2018
Nordic countries	**40**	39
Russia	**19**	19
Other Europe	**26**	27
North America	**13**	12
Other Countries	**2**	2

NET SALES BY BUSINESS UNIT*, %

	2019	2018
Passenger Car Tyres	**71**	72
Heavy Tyres	**13**	12
Vianor	**21**	21

* Including internal sales

HIGHLIGHTS OF THE YEAR

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

THE FIRST TEST TIRE WAS MANUFACTURED IN NEW US FACTORY

VIANOR CONTINUED TO IMPROVE ITS PROFITABILITY

NOKIAN TYRES INTUITU BROUGHT **DIGITAL CONNECTIVITY** TO TIRES

WE RETAINED **OUR STRONG MARKET POSITION** IN RUSSIA AND THE NORDIC COUNTRIES

WE REDUCED ROLLING RESISTANCE BY 8% ON AVERAGE IN 2013–2019

NEW SUMMER TIRES FOR CENTRAL EUROPEAN DRIVERS SHOWED GOOD COMMERCIAL SUCCESS

HEAVY TYRES REACHED A FULL YEAR WITH **ZERO LOST-TIME INJURIES**

OVER 10 TEST TRACKS IN OUR NEW TESTING CENTER IN SPAIN STARTED TO TAKE SHAPE

STRATEGIC PROJECTS ARE BUILDING A FOUNDATION FOR OUR LONG-TERM COMPETITIVENESS

In 2019, we made good progress on our strategic journey and took important steps to deliver future growth, despite the weak market conditions. Our key projects – the new US factory, the testing center in Spain, and the Heavy Tyres capacity expansion – proceeded according to plan. We, once again, received recognition for our important work on sustainability and reached new levels in occupational safety. These achievements lay an important basis for our future.

In 2019, the car and tire markets continued to be soft in Europe, which resulted in tightening competition. During the year, the Russian market declined against the expectations. In spite of this, our net sales in 2019 were on the previous year's level. Operating profit, however, decreased due to the weaker markets and expansion costs in Passenger Car Tyres. Heavy Tyres made good progress and delivered a strong result, driven by new products and healthy demand for agricultural and forestry tires, in particular. Vianor also delivered further positive financial performance.

We are making good progress on our strategy

During 2019, we retained our strong position as the market leader in premium tires in the Nordic countries and Russia, and continued to strengthen our distribution network and product portfolio both in Central Europe and North America. Along with winter tires that represent approximately 70% of our Passenger Car Tyres business, we continued to develop competitive products in the summer and all-season segments for market specific needs. I am especially proud of the great performance and commercial success of our new range of Central European summer tires. In our product offering, we have a specific focus on the most profitable tire segments, which are winter tires and larger sizes in all product categories.

Our new testing center under construction in Spain enables us to test tires all year round in various tracks and conditions, complementing our existing winter tire testing facilities in the Northern Finland. The foundation work for the test tracks was completed during 2019, and the center is scheduled to open at the end of

> Nokian Tyres has a valued brand and competitive advantages to build on.

> In 2020, we continue to build a more balanced portfolio across the Nordics, Russia, Central Europe, and North America.

2020. Rigorous and continuous testing is a fundamental part of our product development. We want all our products to be safe, durable, and sustainably manufactured. This allows us – as our mission implies – to offer peace of mind in all conditions.

Global production platform increases flexibility

In line with our strategy announced in 2018, we are pursuing growth also in North America supported by the capacity investment in Dayton, Tennessee. We completed the factory building project in 2019 – on time and on budget. This was a major achievement.

The new production facility is the largest single investment in our company's history and the most advanced tire factory in the world. It will substantially improve our service capabilities in North America. Commercial production started earlier this year in January, and our aim is to gradually ramp up production to 4 million tires per year by 2023, leveraging the same technology and competence as already tested in our Russian factory. This makes us a truly global tire supplier and increases the flexibility of our production, as we can manufacture all sizes and models in all our three passenger car tire factories.

Heavy Tyres delivers strong growth and record results

2019 was a record year for Heavy Tyres, delivering the best-ever net sales and operating profit supported by the highest ever production volume. With the ongoing capacity expansion, we will increase Heavy Tyres' capacity by 50%. At the same time, we will more than double the number of products launched per year, which supports the growth in our core product groups of agricultural and forestry tires. Last year, we also opened our Heavy Tyres' R&D center, which will speed up the development and launch of new products.

Significant advances in occupational safety and sustainability

As a responsible employer, we want to ensure the competence, well-being and occupational safety of our employees. In 2019, we reached new levels in occupational safety, as our LTIF dropped to 4.3. At Heavy Tyres, we had no lost-time injuries for an entire year, which is a truly great achievement.

Our work on sustainability again received recognition last year, with Nokian Tyres being selected for inclusion in the Dow Jones' DJSI World and DJSI Europe sustainability indices. Our sustainability initiatives focus on producing safe and high-quality products, reducing our environmental impact, and ensuring transparent and ethical supply chain. Our Corporate Sustainability Report contains more information on our goals and progress in sustainability.

Strategic journey continues

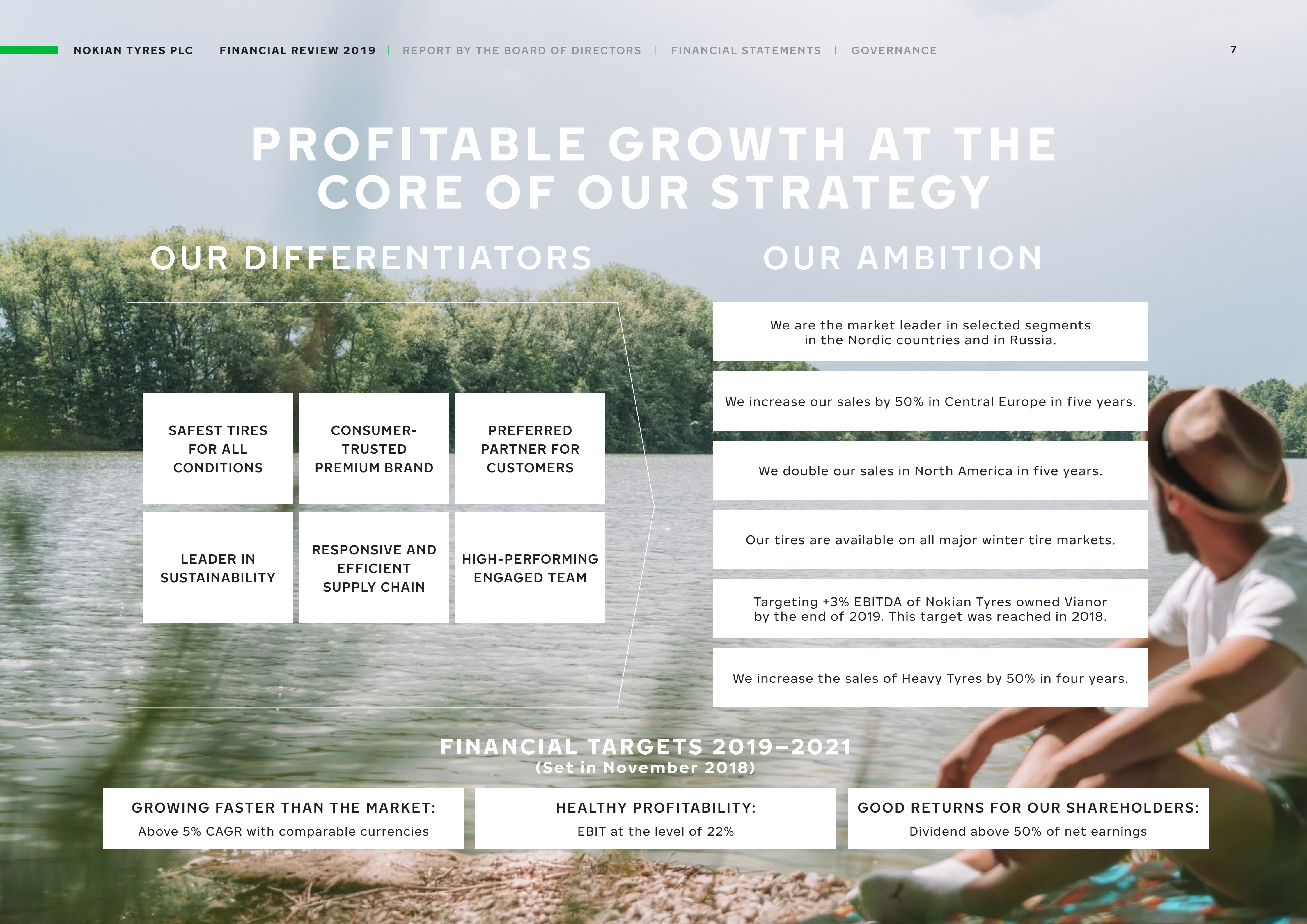
Nokian Tyres has a valued brand and competitive advantages to build on. In 2020, growth in Central Europe and North America will be supported by several new product launches and related go-to-market activities. We have actions in place to grow with existing and new customers both in the summer and all-season segments in addition to our core business in winter products. In Russia, we will focus on sell-out activities in order to reduce high carry-over stocks of B segment winter tires in the distribution channel.

All in all, in 2020, we continue to build a more balanced portfolio across the Nordics, Russia, Central Europe, and North America, which will lead to a sustainable, positive impact on our long-term performance.

I want to warmly thank all our customers, personnel, shareholders, and other stakeholders for their good cooperation and trust.

Hille Korhonen
President & CEO

Read also Hille Korhonen's greetings in the Corporate Sustainability Report:
www.nokiantyres.com/company/sustainability/



PROFITABLE GROWTH AT THE CORE OF OUR STRATEGY

OUR DIFFERENTIATORS

- SAFEST TIRES FOR ALL CONDITIONS
- CONSUMER-TRUSTED PREMIUM BRAND
- PREFERRED PARTNER FOR CUSTOMERS
- LEADER IN SUSTAINABILITY
- RESPONSIVE AND EFFICIENT SUPPLY CHAIN
- HIGH-PERFORMING ENGAGED TEAM

OUR AMBITION

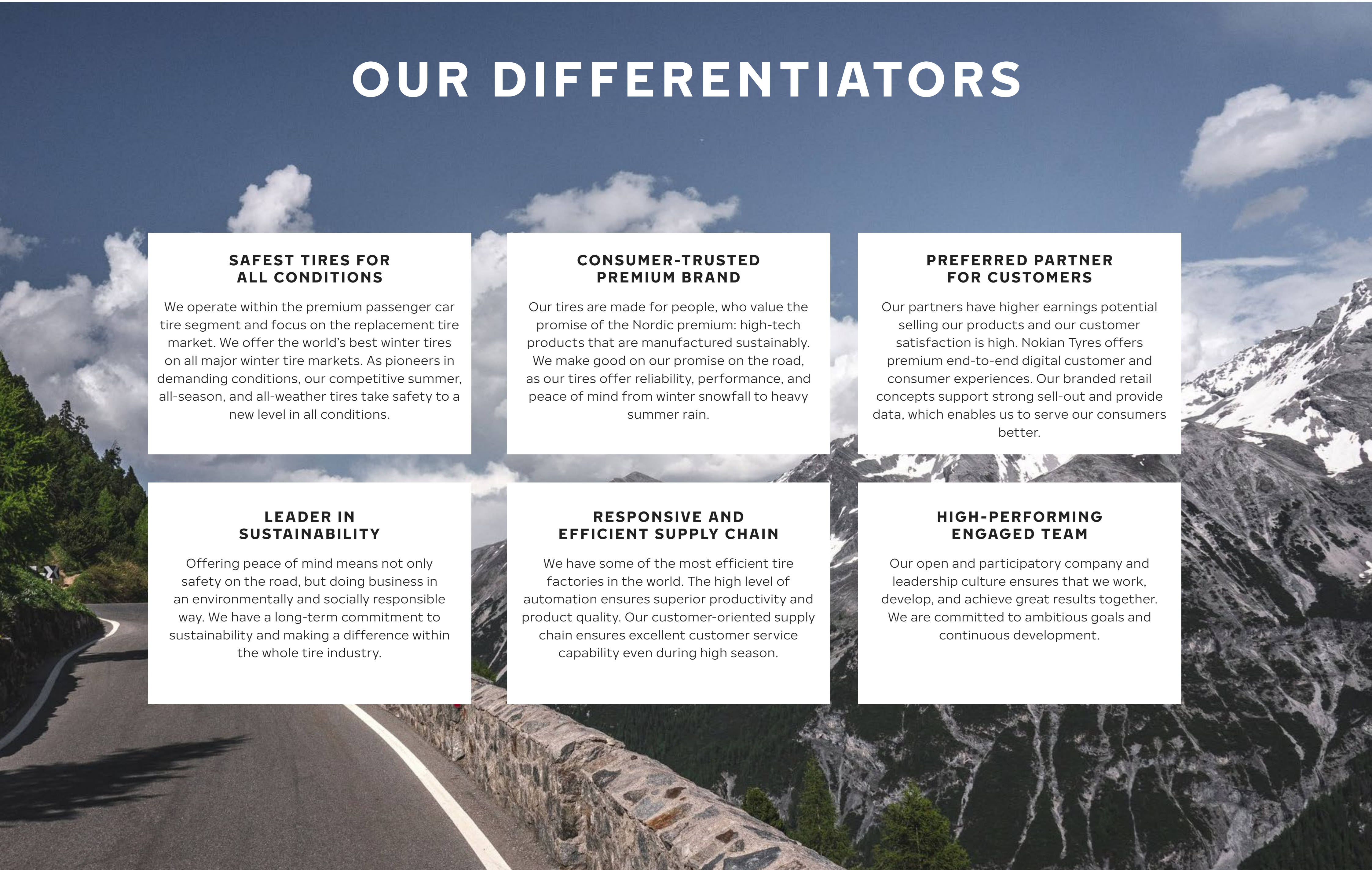
- We are the market leader in selected segments in the Nordic countries and in Russia.
- We increase our sales by 50% in Central Europe in five years.
- We double our sales in North America in five years.
- Our tires are available on all major winter tire markets.
- Targeting +3% EBITDA of Nokian Tyres owned Vianor by the end of 2019. This target was reached in 2018.
- We increase the sales of Heavy Tyres by 50% in four years.

FINANCIAL TARGETS 2019–2021
(Set in November 2018)

GROWING FASTER THAN THE MARKET:
Above 5% CAGR with comparable currencies

HEALTHY PROFITABILITY:
EBIT at the level of 22%

GOOD RETURNS FOR OUR SHAREHOLDERS:
Dividend above 50% of net earnings



OUR DIFFERENTIATORS

SAFEST TIRES FOR ALL CONDITIONS

We operate within the premium passenger car tire segment and focus on the replacement tire market. We offer the world's best winter tires on all major winter tire markets. As pioneers in demanding conditions, our competitive summer, all-season, and all-weather tires take safety to a new level in all conditions.

CONSUMER-TRUSTED PREMIUM BRAND

Our tires are made for people, who value the promise of the Nordic premium: high-tech products that are manufactured sustainably. We make good on our promise on the road, as our tires offer reliability, performance, and peace of mind from winter snowfall to heavy summer rain.

PREFERRED PARTNER FOR CUSTOMERS

Our partners have higher earnings potential selling our products and our customer satisfaction is high. Nokian Tyres offers premium end-to-end digital customer and consumer experiences. Our branded retail concepts support strong sell-out and provide data, which enables us to serve our consumers better.

LEADER IN SUSTAINABILITY

Offering peace of mind means not only safety on the road, but doing business in an environmentally and socially responsible way. We have a long-term commitment to sustainability and making a difference within the whole tire industry.

RESPONSIVE AND EFFICIENT SUPPLY CHAIN

We have some of the most efficient tire factories in the world. The high level of automation ensures superior productivity and product quality. Our customer-oriented supply chain ensures excellent customer service capability even during high season.

HIGH-PERFORMING ENGAGED TEAM

Our open and participatory company and leadership culture ensures that we work, develop, and achieve great results together. We are committed to ambitious goals and continuous development.

REPORT BY THE BOARD OF DIRECTORS 2019

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

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

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

Net sales and operating profit in 2019

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

Net sales by geographical area

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

* Comparable currencies

Net sales by business unit

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

* Comparable currencies

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

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

Operating profit by business unit

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

* Including EUR 2.0 million profit from sale of real estate

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

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

Guidance given for 2019

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

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

In June 2019, the guidance was updated as follows:

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

In October 2019, the guidance was updated as follows:

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

Cash flow

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

Investments

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

Financial position on December 31, 2019

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

* The current credit limits and the commercial paper program are used to finance inventories, trade receivables, and subsidiaries in distribution chains, thereby controlling the typical seasonality in the Group's cash flow.

Tax rate

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

Tax audits in the Group companies globally may impact the estimated tax rate. For further information regarding ongoing and finalized tax disputes, please see page 15.

Personnel

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

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

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

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

Research & Development

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

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

Sales and distribution

Good availability and precise, quick deliveries especially during season are increasingly important parts of a successful tire retail experience. Nokian Tyres is continuously developing the logistics systems and retailer network in order to ensure efficient distribution.

Nokian Tyres' distribution network consists of Nokian Tyres' own Vianor service centers and service centers run by partners, the Nokian Tyres Authorized Dealer (NAD) partners, the N-Tyre retailers, and other tire and vehicle retailers as well as online stores. At the end of 2019, the number of stores was as follows:

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

BUSINESS UNIT REVIEWS

Passenger Car Tyres

	2019	2018	Change %	CC* Change %
Net sales, M€	**1,134.2**	1,150.8	−1.4	−2.2
Operating profit, M€	**287.7**	356.5		
Operating profit, %	**25.4**	31.0		

* Comparable currencies

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

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

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

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

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

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

Market situation in Russia

In 2020, the sales of new cars in Russia are expected to slightly decline compared to 2019, driven by sluggish economy and low consumer purchasing power. The total replacement tire market sell-in in Russia in 2020 is expected to slightly decline compared to 2019, driven by weak demand and high carry-over stocks, especially in B segment winter tires.

Heavy Tyres

	2019	2018	Change %	CC* Change %
Net sales, M€	**202.7**	187.7	8.0	8.0
Operating profit, M€	**35.7**	28.6		
Operating profit, %	**17.6**	15.2		

* Comparable currencies

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

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

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

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

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

Vianor, own operations

	2019	2018	Change %	CC* Change %
Net sales, M€	**336.5**	337.2	−0.2	1.5
Operating profit, M€	**7.7****	1.6		
Operating profit, %	**2.3**	0.5		
Number of own service centers at period end	**189**	188		

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

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

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

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

CORPORATE GOVERNANCE

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

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

SHARES AND SHAREHOLDERS

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

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

Authorizations

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

In 2018, the Annual General Meeting authorized the Board of Directors to make a decision to offer no more than 25,000,000 shares through a share issue or by granting special rights under chapter 10, section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The authorization was effective until the Annual General Meeting of 2019.

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

The Board did not utilize the authorizations in 2019.

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

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

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

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

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

Own shares

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

Nokian Tyres has an agreement from 2017 with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns Nokian Tyres' shares related to the incentive program until the shares are given to the participants of the program. In accordance with IFRS, these repurchased shares, 480,000 in 2017, have been reported as treasury shares in the Consolidated Statement of Financial Position. On December 31, 2019, the number of these shares was 197,947. This number of shares corresponded to 0.14% of the total shares and voting rights in the company.

Trading in shares

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

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

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

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

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

Changes in ownership

Nokian Tyres received notifications from BlackRock, Inc. on January 7, January 11, February 8, February 15, April 24, May 7, May 9, May 10, May 20, May 29, May 31, June 13, June 19, July 25, July 29, August 23, September 6, September 13, September 23, October 4, November 4, November 27, and December 16 according to which the holdings of the mutual funds managed by BlackRock, Inc., or indirect holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on January 4, January 10, February 7, February 14, April 23, May 6, May 8, May 9, May 17, May 28, May 30, June 12, June 18, July 24, July 26, August 22, September 5, September 12, September 20, October 3, October 30, November 26, and December 13.

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

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

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

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

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

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

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

Shareholdings of the Board of Directors, President and CEO, and Management Team on December 31, 2019

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

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

Management Team	Number of shares
Päivi Antola, Corporate Communications & IR	1,264
Tytti Bergman, People & Culture	2,996
Mark Earl, Americas Business Area	5,180
Esa Eronen, Supply Chain & Sustainability	19,139
Anna Hyvönen, Nordics & Vianor	21,715
Teemu Kangas-Kärki, Finance	7,014
Jukka Kasi, Products & Marketing	4,420
Bahri Kurter, Central Europe Business Area	0
Andrei Pantioukhov, Russia & Asia Business Area	69,359
Manu Salmi, Nokian Heavy Tyres Business Unit	26,601
Timo Tervolin, Strategy and M&A	6,385
Susanna Tusa, Legal & Compliance	6,546
Frans Westerlund, IT & Processes	4,042
Total	**174,661**

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

Managers' transactions

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

DECISIONS MADE AT THE ANNUAL GENERAL MEETING

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

Dividend

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

Members of the Board of Directors and Auditors

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

The audit firm KPMG Oy Ab will continue as auditors.

Remuneration of the Members of the Board of Directors

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

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

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

Authorizations

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

Amendments of the articles of association

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

§8 Auditor

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

§9 Notice of General Meeting

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

§11 Annual General Meeting

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

The Annual General Meeting
shall review:
1. the financial statements, which include the consolidated financial statements, and annual report;
2. the auditor's report;

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

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

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

BOARD OF DIRECTORS' WORKING ARRANGEMENTS

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

CHANGES IN MANAGEMENT

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

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

CORPORATE SUSTAINABILITY

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

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

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

Nokian Tyres will publish a Corporate Sustainability Report 2019 during the first quarter of 2020.

OTHER MATTERS

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

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

Performance Share Plan 2019

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

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

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

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

Restricted Share Plan 2019

The purpose of the Restricted Share Plan (RSP 2019–2021) is to serve as a complementary tool for individually selected key employees of Nokian Tyres in specific situations. It consists of annually commencing individual Restricted Share Plans, each with a three-year retention period after which the share rewards granted within the plan will be paid to the participants.

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

A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Nokian Tyres continues until the payment date of the reward. The potential reward will be paid partly in shares in Nokian Tyres plc and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward.

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

Other terms

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

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

Realization of Performance Period 2018

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

CHANGES IN GROUP STRUCTURE

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

More information at www.nokiantyres.com/company/news-article/nokian-heavy-tyres-ltd-acquires-a-finnish-heavy-equipment-wheel-company-levypyora-oy/.

SIGNIFICANT RISKS AND UNCERTAINTIES, AND ONGOING DISPUTES

Nokian Tyres' business and financial performance may be affected by several uncertainties. The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of strategic goals and ensures business continuity. The Group's risk management policy focuses on managing both the risks pertaining to business opportunities and the risks affecting the achievement of the Group's goals in the changing operating environment. The risk management process aims to identify and evaluate the risks and to plan and implement the practical measures for each risk. Nokian Tyres has detailed the overall business risks and risk management in the 2019 Corporate Governance Statement.

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

- Nokian Tyres is subject to risks related to consumer confidence and macroeconomic and geopolitical conditions. Political uncertainties may cause serious disruption and additional trade barriers and affect the company's sales and credit risk. Economic downturns may increase trade customers' payment problems and Nokian Tyres may need to recognize impairment of trade receivables.
- The tire wholesale and retail landscape is evolving to meet changing consumer needs. New technologies are fueling this with increasing digitalization. Failure to adapt to the changes in the sales channel could have an adverse effect on Nokian Tyres' financial performance.
- Nokian Tyres' success is dependent on its ability to innovate and develop new products and services that appeal to its customers and consumers. Despite extensive testing of its products, product quality issues and failure to meet demands of performance and safety could harm Nokian Tyres' reputation and have an adverse effect on its financial performance.
- Nokian Tyres' production facilities are located in Finland, Russia and the US. Any unexpected production or delivery breaks at these facilities would have a negative impact on the company's business. Interruptions in logistics could have a significant impact on peak season sales.
- Significant fluctuations in raw material prices may impact margins. Nokian Tyres sources natural rubber from producers in countries such as Indonesia and Malaysia. Although Nokian Tyres has policies such as the Supplier Code of Conduct and established processes to monitor the working conditions, it cannot fully control the actions of its suppliers. The violation of laws, regulations or standards by raw material producers, or their divergence from practices generally accepted as ethical in the European Union or the international community, could have a material adverse effect on Nokian Tyres' reputation.
- Tire industry can be subject to risks caused by climate change, such as changes in consumer tire preferences, regulatory changes or impact of extreme weather events on natural rubber producers. Nokian Tyres is committed to reducing GHG emissions from its operations in order to combat climate change. Nokian Tyres calculates the GHG emissions from its operations annually and reduces them systematically. More detailed analysis on Nokian Tyres' climate change related risks and opportunities has been provided in Nokian Tyres' Non-Financial Reporting Statement for 2019.
- Foreign exchange risk consists of transaction risk and translation risk. The most significant currency risks arise from the Russian ruble, the Swedish and Norwegian krona, and the US and Canadian dollar. Approximately 60% of the Group's sales are generated outside of the euro-zone.

- In May 2017, the Finnish Financial Supervisory Authority filed a request for investigation with the National Bureau of Investigation regarding possible securities market offences. In March 2019, the police moved the suspicions of securities markets offences to consideration of charges. The suspects have denied any involvement in criminal activity.

Nokian Tyres' risk analysis also pays special attention on corporate social responsibility risks, the most significant of which are related to the company's brand image and product quality. Analyses and projects related to information security, data protection, and customer information are continuously a special focus area.

Transfer pricing tax disputes

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

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

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

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

Other tax disputes

In May 2019, Nokian Tyres U.S. Finance Oy, a subsidiary of Nokian Tyres plc (ownership: 100% of the shares), received a negative ruling from the Hämeenlinna Administrative Court regarding the company's appeal against a reassessment of EUR 18.5 million concerning the years 2007–2013. Of this amount, EUR 11.0 million were additional taxes and EUR 7.5 million were tax increases and interest. The company has paid and recorded them in full in the financial statements and results for 2013, 2014, and 2017. The company considers the decision unfounded and has appealed against it by filing a claim with the Supreme Administrative Court in July 2019.

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 the company was honored to be included in the prestigious DJSI World for a third consecutive year, as well as in the more strictly defined DJSI Europe. In RobecoSAM's Sustainability Yearbook 2019 the company rose to the Silver Class. In 2019, "Leader in sustainability" was added as a new differentiator in the company's strategy.

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 committed to setting Science Based Targets in order to further reduce greenhouse gas emissions. These SBT's were set and sent for validation in February 2020.

MANAGING NON-FINANCIAL MATTERS

The company's sustainability activities are led by a member of the Group's management team. All supervisors' duties 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 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 ethical issues and 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 ongoing disputes" and in the Corporate Governance Statement.

Nokian Tyres as a part of society

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

In May 2019, Nokian Tyres signed a loan agreement linked to sustainability with the Finnish OP Corporate Bank. The margin of the EUR 100 million loan will increase or decrease depending on Nokian Tyres meeting three sustainability key performance indicators: the Science Based Targets initiative, auditing of human and labor rights in natural rubber processing plants, and reduction of workplace accidents.

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 the US, the company has donations committees in Dayton, Nashville and Colchester. In 2019, the Nashville committee made a donation to, among other things, Tennessee State University's scholarship fund, in order to support educational efforts at the Nashville-based school. In early 2019, the Dayton factory's launch team performed over 800 combined hours of community service during the first month of its training program.

CLIMATE AND THE ENVIRONMENT

At Nokian Tyres, 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.

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 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).

When developing activities, the company applies best practices and advanced solutions while taking into account human factors and financial circumstances.

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 the beginning of 2019, Nokian Tyres organized an Eco Challenge in Russia and emptied illegal tire dumps in a joint effort with the Foundation of Environmental Management. With the project, Nokian Tyres wanted to increase public awareness of tire disposal as the recycling rate in Russia is still low.

In 2019, VOC (volatile organic compounds, or solvents) emissions in relation to production increased by approximately 51% compared to the previous year in Nokia, Finland, and they are thus above the level required by the EC directive. The increase is partially due to moving the retreading unit away from Nokia to Sastamala, which changed the balance in the calculations. In internal analysis, however, the increase was still found to be larger than expected, and a new measurement will be organized in March 2020 to confirm the result. In 2019, all the received environmental complaints concerned odor.

Special attention has been paid to improvements in energy efficiency, as well as chemicals safety and sustainability work across different fields of business. In 2019, Nokian Tyres did not meet its target of reducing the yearly energy consumption by 1% per production ton, and there was a 0.4% increase from the previous year. However, the target of reducing energy consumption by 3% was already exceeded in 2018, and the total reduction was 8.2% between 2015 and 2018. At the production facilities, emphasis remained on reusing waste, and the utilization degree of waste was 100% at the Finnish factory and 90% 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.

Internal job rotation, on-the-job learning, and training solutions are used to support personnel development. Personal People Reviews have a key role in personnel development. The People Reviews focus on managing performance and personal goals and development. In 2019, a total of 92.2% of Nokian Tyres' personnel took part in a People Review (82.2% in 2018) and documented the goals. The personnel satisfaction survey allows the company to actively receive feedback from the personnel concerning areas for improvement. In the survey performed in 2019, 87.5% responded (86.2% in 2018).

The data privacy work (GDPR) continued 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.

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 team spirit, entrepreneurship and inventiveness.

Our Sustainability Management is guided by Nokian Tyres Code of Conduct, Whistleblowing and policies such as Environment, Safety and Quality Policy, Group Treasury Policy, Group Credit Policy, Procurement Policy, Disclosure Policy, Data Protection Policy, and equality- and diversity policies based on local regulations.

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 (global policy during 2020). ISO 45001, Travel Policy, Data Protection Policy, UN Global Compact.	Stock exchange rules, IFRS, Corporate Governance, 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				

CLIMATE-CHANGE RELATED RISKS

Risk group	Sub category	Examples of concrete risks
REGULATORY	Emerging regulation	Deforestation-related regulation, mostly concerning natural rubber
	Further green labelling	
	Stricter expectations to oversight	
PHYSICAL	Extreme weather events	Disruptions in logistics
	Extreme temperatures	Contamination of raw materials
TECHNOLOGICAL	Climate-related demands for new tire technology	
	Materials technology	Requirements for non-renewable material replacements
MARKET AND REPUTATION	Market changes	Shift from car ownership to mobility-as-a-service i.e. changing customer base
	Reputational risk	Deforestation scandals (natural rubber)

CLIMATE-CHANGE RELATED OPPORTUNITIES

Opportunity group	Sub category	Examples of concrete opportunities
INNOVATION	Raw materials	Innovations with renewable materials
	Recycling	Recycling system for tires still missing in many countries, Scandinavian system can be used as an example
	Climate-friendly tech	Lower rolling resistance
	Energy-efficient production	
PRODUCT RANGE	Competitive advantage	
	EU trial labelling for sustainable tires	Existing focus on sustainable natural rubber, for instance sustainability audits since 2016
	Industrial (heavy) tires	Expertise to provide climate-friendly solutions
ENGAGEMENT	Consumers	
	Policy makers	Increased preparedness for new regulations or incentives
	Shareholders/ stakeholders	

Safety is a choice

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 2019, 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.

The company's goal for 2019 was to reduce the number of workplace injuries by 35% compared to the 2018 level. The result was a 51% reduction. The accident rate decreased from 8.3 to 4.3 (excluding Levypyörä, which will be included in the safety statistics as of January 1, 2020), which is a clear improvement when moving towards an accident-free workplace.

PRODUCTS

Safety is Nokian Tyres' first priority, both on the road and in production. 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 already in 2017. In 2019, the rolling resistance was 8.3% lower than in 2013.

Nokian Tyres aims to further develop lowering the rolling resistance of tires. In 2019, the Nokian Tyres research team started working on a concept tire, which helps the company better understand how to reduce the rolling resistance. The limit of best A-level tires is 6.5 in the EU tyre label system. In internal experiments the rolling resistance of the company's tire could be lowered significantly under, close to the rolling resistance value of 5.

SUPPLY CHAIN

Natural rubber is one of the main ingredients of tires. Nokian Tyres considers cooperation with the industry and other stakeholders as vital in improving the conditions of the employees and the environment. The tire industry has made a joined effort to move toward sustainable natural rubber, also as concerns labor rights. In 2019, Nokian Tyres joined 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.

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. During 2019, the company audited seven of its natural rubber processor partners and reaudited two. Nokian Tyres' sustainability audits now cover 90% of the company's natural rubber purchasing volume thus exceeding its goal. The audits are conducted by an external auditor.

In addition, the procurement team of Nokian Tyres developed a new classification model for assessing all the new suppliers globally. The new model was implemented in fall 2019 and it includes all the new suppliers. The assessment has four different categories: quality, sustainability, business/strategic criticality and safety at work. During 2020, the assessment model will be expanded to include also existing suppliers.

MATTERS AFTER THE REVIEW PERIOD

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

ASSUMPTIONS FOR 2020

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

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

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

GUIDANCE FOR 2020

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

THE PROPOSAL FOR THE USE OF PROFITS BY BOARD OF DIRECTORS

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

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

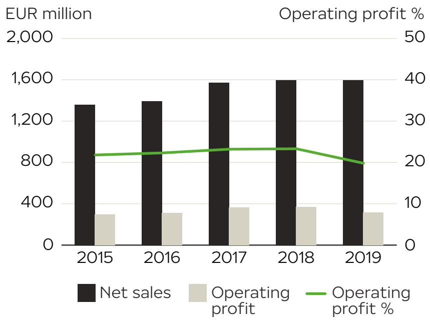
A dividend of	1.58 EUR/share
be paid out, totaling	EUR 219.5 million
retained in equity	EUR 554.4 million
Total	EUR 773.9 million

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

Helsinki, February 4, 2020

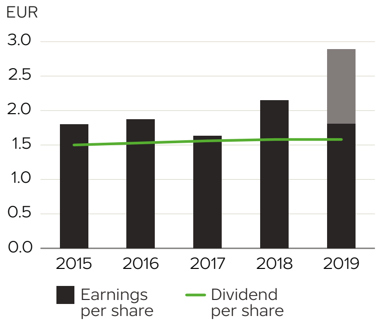
Nokian Tyres plc
Board of Directors

NET SALES, OPERATING PROFIT AND OPERATING PROFIT %



	2015	2016	2017	2018	2019
Net sales	1,360.1	1,391.2	1,572.5	1,595.6	**1,595.8**
Operating profit	296.0	310.5	365.4	372.4	**316.5**
Operating profit %	21.8	22.3	23.2	23.3	**19.8**

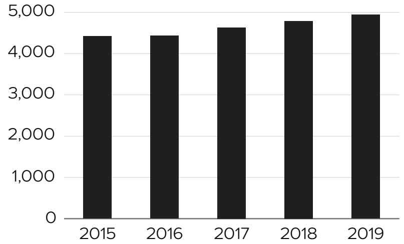
EARNINGS PER SHARE AND DIVIDEND PER SHARE



	2015	2016	2017	2018	2019
Earnings per share, EUR	1.80	1.87	1.63	2.15	**2.89***
Dividend per share, EUR	1.50	1.53	1.56	1.58	**1.58****

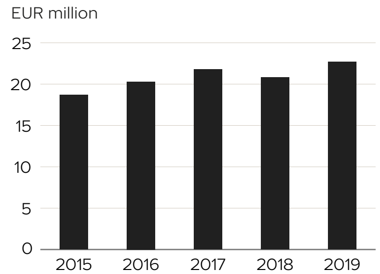
* EPS 2019 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 1.81
** The Board's proposal to the Annual General Meeting

AVERAGE NUMBER OF PERSONNEL



	2015	2016	2017	2018	2019
Personnel	4,421	4,433	4,630	4,790	**4,942**

R&D EXPENSES

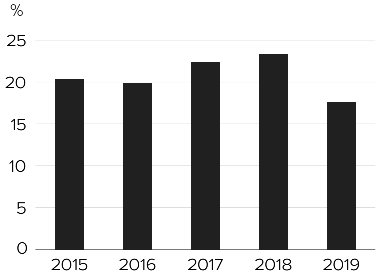


	2015	2016	2017	2018	2019
EUR million	18.7	20.3	21.8	20.8	**22.7**

NET SALES BY GEOGRAPHICAL AREA, %

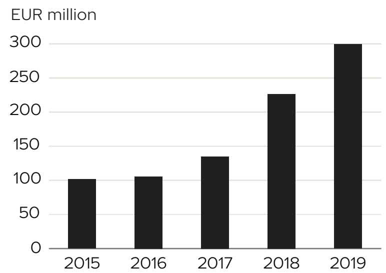
	2019	2018
Nordic countries	**40**	39
Russia	**19**	19
Other Europe	**26**	27
North America	**13**	12
Other Countries	**2**	2

RETURN ON CAPITAL EMPLOYED



	2015	2016	2017	2018	2019
%	20.3	19.9	22.4	23.3	**17.6**

GROSS INVESTMENTS



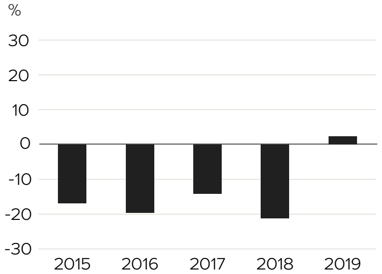
	2015	2016	2017	2018	2019
EUR million	101.7	105.6	134.9	226.5	**299.6**

NET SALES BY BUSINESS UNIT*, %

	2019	2018
Passenger Car Tyres	**71**	72
Heavy Tyres	**13**	12
Vianor	**21**	21

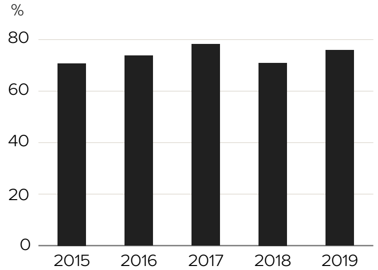
* Including internal sales

GEARING



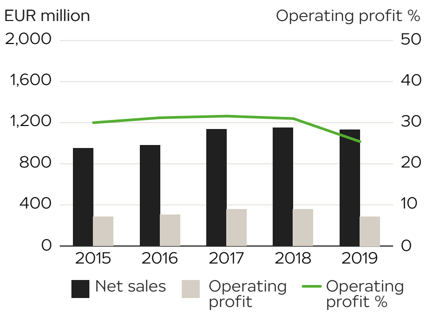
	2015	2016	2017	2018	2019
%	−16.9	−19.7	−14.2	−21.2	**2.3**

EQUITY RATIO



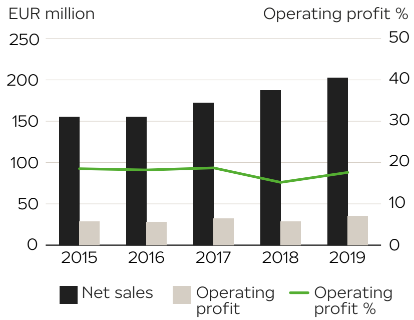
	2015	2016	2017	2018	2019
%	70.8	73.8	78.2	71.0	**75.9**

PASSENGER CAR TYRES
NET SALES, OPERATING PROFIT AND OPERATING PROFIT %



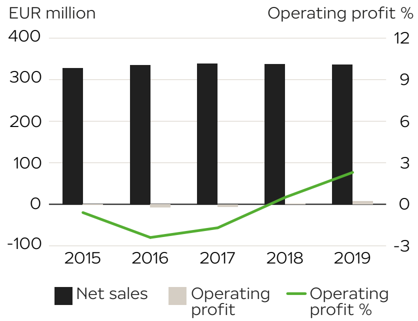
	2015	2016	2017	2018	2019
Net sales	951.5	981.1	1,138.8	1,150.8	**1,134.2**
Operating profit	285.5	305.8	359.9	356.5	**287.7**
Operating profit %	30.0	31.2	31.6	31.0	**25.4**

HEAVY TYRES
NET SALES, OPERATING PROFIT AND OPERATING PROFIT %



	2015	2016	2017	2018	2019
Net sales	155.3	155.3	172.3	187.7	**202.7**
Operating profit	28.7	28.2	32.2	28.6	**35.7**
Operating profit %	18.5	18.2	18.7	15.2	**17.6**

VIANOR
NET SALES, OPERATING PROFIT AND OPERATING PROFIT %



	2015	2016	2017	2018	2019
Net sales	327.6	334.8	339.4	337.2	**336.5**
Operating profit	−1.9	−8.1	−5.8	1.6	**7.7***
Operating profit %	−0.6	−2.4	−1.7	0.5	**2.3**

* Including EUR 2.0 million profit from sale of real estate

FINANCIAL STATEMENTS 2019

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

CONSOLIDATED INCOME STATEMENT, IFRS

EUR million 1.1.–31.12.	Notes	2019	2018
Net sales	(1)	**1,595.8**	1,595.6
Cost of sales	(3)(6)(7)	**-912.9**	-865.5
Gross profit		**683.0**	730.2
Other operating income	(4)	**3.6**	2.5
Selling and marketing expenses	(6)(7)	**-288.9**	-286.4
Administration expenses	(6)(7)	**-45.4**	-47.9
Other operating expenses	(5)(6)(7)	**-35.8**	-25.9
Operating profit		**316.5**	372.4
Financial income	(8)	**67.3**	83.3
Financial expenses [1]	(9)	**-47.0**	-94.0
Profit before tax		**336.7**	361.7
Tax expense [2][3]	(10)	**63.1**	-66.5
Profit for the period		**399.9**	295.2
Attributable to:			
Equity holders of the parent		**399.9**	295.2
Non-controlling interest		**-**	-
Earnings per share (EPS) for the profit attributable to the equity holders of the parent:	(11)		
Basic, euros		**2.89**	2.15
Diluted, euros		**2.89**	2.14

EUR million 1.1.–31.12.	Notes	2019	2018
CONSOLIDATED OTHER COMPREHENSIVE INCOME			
Result for the period		**399.9**	295.2
Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax			
Gains/Losses from hedge of net investment in foreign operations	(10)	**0.0**	0.0
Cash flow hedges	(10)	**-1.2**	1.3
Translation differences on foreign operations		**86.6**	-67.8
Total other comprehensive income for the period, net of tax		**85.4**	-66.6
Total comprehensive income for the period		**485.3**	228.7
Total comprehensive income attributable to:			
Equity holders of the parent		**485.3**	228.7
Non-controlling interest		**-**	-

[1] Financial expenses 1–12/19 contain returned EUR 34.4 million punitive interest related to tax disputes that were booked in previous fiscal years based on tax reassessment decisions. Additionally financial expenses 1–12/19 contain a gain of EUR 1.4 million of interest from returned taxes.

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million 31.12.	Notes	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	(12)	**885.0**	647.3
Goodwill	(2)(13)	**84.4**	83.6
Other intangible assets	(13)	**35.3**	33.6
Investments in associates	(16)	**0.1**	0.1
Right of use assets	(14)	**122.9**	-
Available-for-sale financial assets	(16)	**0.7**	0.7
Other receivables	(15)(17)	**7.7**	7.3
Deferred tax assets	(18)	**15.9**	9.3
		1,152.0	781.8
Current assets			
Inventories	(19)	**387.0**	369.2
Trade and other receivables	(20)(28)	**559.1**	481.3
Current tax assets		**15.6**	13.0
Cash and cash equivalents	(21)	**218.8**	447.5
		1,180.5	1,311.0
Total assets	(1)	**2,332.6**	2,092.9

EUR million 31.12.	Notes	2019	2018
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		**−8.0**	−11.4
Translation reserve		**−278.8**	−365.4
Fair value and hedging reserves		**−1.8**	−0.6
Paid-up unrestricted equity reserve		**238.2**	222.6
Retained earnings		**1,613.3**	1,434.1
		1,769.7	1,486.1
Non-controlling interest		**-**	-
Total equity		**1,769.7**	1,486.1
Liabilities			
Non-current liabilities			
Deferred tax liabilities	(18)	**36.4**	32.5
Provisions	(25)	**0.0**	0.0
Interest-bearing financial liabilities	(26)(28)	**229.1**	6.3
Other liabilities		**1.0**	0.5
		266.5	39.3
Current liabilities			
Trade and other payables	(27)	**255.9**	430.5
Current tax liabilities		**4.6**	6.5
Provisions	(25)	**5.0**	4.4
Interest-bearing financial liabilities	(26)(29)	**30.9**	126.0
		296.4	567.4
Total liabilities	(1)	**562.8**	606.8
Total equity and liabilities		**2,332.6**	2,092.9

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR million 1.1.–31.12.	2019	2018
Profit for the period	**399.9**	295.2
Adjustments for		
Depreciation, amortisation and impairment	**125.2**	93.4
Financial income and expenses	**–20.3**	10.7
Gains and losses on sale of intangible assets, other changes	**6.4**	11.8
Income Taxes	**–63.1**	66.5
Cash flow before changes in working capital	**448.0**	477.6
Changes in working capital		
Current receivables, non-interest-bearing, increase (–) / decrease (+)	**–68.0**	–11.0
Inventories, increase (–) / decrease (+)	**6.1**	–41.8
Current liabilities, non-interest-bearing, increase (+) / decrease (–)	**–173.8**	185.3
Changes in working capital	**–235.7**	132.4
Financial items and taxes		
Interest and other financial items, received	**4.1**	2.2
Interest and other financial items, paid	**–56.7**	–12.4
Dividens received	**0.0**	0.0
Income taxes paid	**60.1**	–63.0
Financial items and taxes	**7.4**	–73.2
Cash flow from operating activities (A)	**219.8**	536.9
Cash flows from investing activities		
Acquisitions of property, plant and equipment and intangible assets	**–290.1**	–226.5
Proceeds from sale of property, plant and equipment and intangible assets	**2.3**	0.3
Acquisitions of Group companies	**–9.5**	–0.9
Change in non-controlling interest	**-**	-
Acquisitions of other investments	**0.0**	0.0
Cash flows from investing activities (B)	**–297.2**	–227.1

EUR million 1.1.–31.12.	2019	2018
Cash flow from financing activities:		
Proceeds from issue of share capital	**15.6**	18.7
Purchase of treasury shares	**-**	-
Change in current financial receivables, increase (–) / decrease (+)	**75.0**	–9.0
Change in non-current financial receivables, increase (–) / decrease (+)	**1.2**	0.5
Change in current financial borrowings, increase (+) / decrease (–)	**–125.8**	123.5
Change in non-current financial borrowings, increase (+) / decrease (–)	**127.9**	–125.1
Payment of lease liabilities	**–30.7**	-
Dividens received	**0.3**	0.5
Dividends paid	**–218.1**	–214.2
Cash flow from financing activities (C)	**–154.5**	–205.1
Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)	**–231.9**	104.7
Cash and cash equivalents at the beginning of the period	**447.5**	343.4
Effect of exchange rate fluctuations on cash held	**3.2**	0.7
Cash and cash equivalents at the end of the period	**218.8**	447.5

Implementation of IFRS 16 has resulted in increased cash flow from operating activities of EUR 30.7 million, which is equivalent to negative cash flow from financial activities as payment of lease liabilities.

Changes in working capital and 1–12/18 include EUR 59.0 million based on the tax reassessment decision on year 2011 and EUR 89.2 million based on the tax reassessment decision on years 2007–2013.

Groups financial borrowings were at the beginning of the year 1.1.2019 EUR 132.3 million and at the end of the year EUR 135.2 million. Changes affecting cash flow were EUR –0.1 million and non-cash changes were EUR 3.0 million.

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, 31 Dec 2017		25.4	181.4	−20.3	−297.6	−1.8	203.9	1,377.4	-	1,468.4
Change in accounting principles (IFRS 2)								6.1		6.1
Change in accounting principles (IFRS 9)								−9.6		−9.6
Equity, 1 Jan 2018		25.4	181.4	−20.3	−297.6	−1.8	203.9	1,373.8	-	1,464.8
Profit for the period								295.2		295.2
Other comprehensive income, net of tax:										
Cash flow hedges						1.3				1.3
Net investment hedge										-
Translation differences					−67.8					−67.8
Total comprehensive income for the period					−67.8	1.3		295.2		228.7
Dividends paid	(22)							−214.2		−214.2
Exercised warrants	(22)						18.7			18.7
Acquisition of treasury shares										-
Share-based payments	(23)			8.9				−20.7		−11.8
Total transactions with owners for the period				8.9			18.7	−234.9		−207.3
Equity, 31 Dec 2018		25.4	181.4	−11.4	−365.4	−0.6	222.6	1,434.2	-	1,486.1
Equity, 1 Jan 2019		**25.4**	**181.4**	**−11.4**	**−365.4**	**−0.6**	**222.6**	**1,434.2**	**-**	**1,486.1**
Profit for the period								**399.9**		**399.9**
Other comprehensive income, net of tax:										
Cash flow hedges						**−1.2**				**−1.2**
Net investment hedge										
Translation differences					**86.6**					**86.6**
Total comprehensive income for the period					**86.6**	**−1.2**		**399.9**		**485.3**
Dividends paid	(22)							**−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**	**-**	**1,769.8**

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 tires for passenger cars and vans, and special tires for heavy machinery. The Group also manufactures retreading materials and retreads tires. The largest and most extensive tire 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 2019. 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.

Revised standards and interpretations

The Group has adopted new and revised standards and interpretations enforced in the EU during the period. Except for IFRS 16, the changes had no material impact on the result, the financial position or the other information presented in the financial statements of the Group for the period.

IFRS 16 – Leases

Under IFRS 16, all leases will be recognized in the lessee's balance sheet as the classification between operating and finance leases according to IAS 17 will no longer be valid. In accordance with the new standard, all assets related to lease agreement (right-of use assets) and future lease payment obligations (lease liabilities) are recognized in the balance sheet. 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.

The accounting treatment for lessors remains largely in line with IAS 17. 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.

Transition

Nokian Tyres has chosen a modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated. Nokian Tyres applies the following practical expedients in adoption of IFRS 16:

- Leases with lease term less than 12 months remaining at the date of transition on January 1, 2019 are accounted for as short-term leases and not recognized in the balance sheet. The election shall be made by class of underlying asset and is applied to all other classes except cars, which are recognized in the balance sheet even if their remaining lease term would be less than 12 months at the time of transition.
- The lease liability and the right-of-use asset are not recognized in the balance sheet in respect of leases relating to low value assets. Nokian Tyres uses a threshold of EUR 10,000 for low value assets.
- Lease agreements with reasonably similar characteristics are subject to one predetermined discount rate. The criteria used to determine the discount rate are the class of underlying asset, the geographic location, the currency and the maturity of the risk-free interest 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.

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 taken into account 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.

Impact of the adoption of IFRS 16

The adoption of the standard will have an impact on the balance sheet of Nokian Tyres Group and key figures derived from it, as the Group's interest-bearing debt and non-current assets will increase. At the time of transition, January 1, 2019, the amount of the right-of-use assets and lease liabilities recognized in the Group's opening balance sheet is EUR 137.7 million. Right-of-use assets are presented in the balance sheet as one item and lease liabilities are classified as non-current and current liabilities.

IFRS are under constant development. Other new standards, interpretations or their amendments have also 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.

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 still relate to the country risk in the Russian business environment. Though the positive development in global economy is expected to continue in 2020, 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 tires 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 balance sheet 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 amortised 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.

Profit for the period is attributed to the owners of the Parent company and to the non-controlling interests. Moreover, non-controlling interests are disclosed as a separate item under the consolidated equity.

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 applies 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.

Income 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.

Leasing agreements

Following adoption of IFRS 16 as at January 1, 2019 accounting policy for leases where the Group is the lessee changed. The impact of the adoption in presented under *impact from adoption of new standards*. Until December 31, 2018, payments related to operating lease contracts were treated as rentals and charged to the statement of income on a straight-line basis over the leasing term. Leasing agreements by which the risks and benefits associated with the ownership of an asset are substantially transferred to the lessee company represent finance leases.

The Group as a lessee

Assets held under finance leases, less depreciation, were included in intangible assets and property, plant and equipment and the obligations resulting from the lease in financial liabilities. Lease payments resulting from finance leases were apportioned between finance charges and the reduction of the outstanding liability. Charges paid under operating leases were recognized as expenses in the income statement.

Finance leases were recorded in the statement of financial position in the amount equaling the fair value of the leased property or, if lower, present value of minimum lease payments, each determined at the inception of the lease. The assets were depreciated consistent with assets that are owned and any impairment losses are recorded. Depreciation was carried out over the useful life or a shorter lease term.

The Group as a lessor

Assets held under finance leases were recorded in the statement of financial position as receivables at amount equal to the net investment in the lease. Lease income resulting from finance leases were recorded in the income statement with constant periodic rate of return on the lessor's net investment in the finance lease. Assets held under leases other than finance leases were included in intangible assets and property, plant and equipment in the statement of financial position. These were depreciated over their useful lives, consistent with assets in the company's own use. Lease income was 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, selling and marketing 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 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 available-for-sale 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 recognised as the amount by which the aggregate of the transferred consideration, any non-controlling interest in the acquiree and any previously held interest exceeds the fair value of the net assets acquired. Goodwill is not amortised 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, which corresponds to the cost calculated in accordance with the FIFO (first-in, first-out) method. 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.

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 balance sheet 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

Share options are measured at fair value on the grant date and expensed on a straight-line basis over the vesting period. Corresponding 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 options that are assumed to vest at the end of the vesting period. The Black & Scholes' option pricing model is used to determine the fair value of options. The impact of non-market-based conditions (such as profitability and a certain profit growth target) is not included in the fair value of the option; instead, it is taken into account in the final number of options 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. Changes in the estimates are recognised in the income statement.

When options are exercised, the payments received on the basis of share subscriptions (adjusted with any transaction costs) are recorded in paid-up unrestricted equity reserve.

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.

Other option and incentive schemes

No other option and incentive schemes were in use during 2019.

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 2019 and 2018 do not include any non-current assets held for sale or any discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

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.

Operating segments

2019 EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations	Eliminations	Group
Net sales from external customers	1,076.2	173.3	335.6	10.7	0.0	1,595.8
Services			87.9			87.9
Sales of goods	1,076.2	173.3	247.7	10.7	0.0	1,507.9
Inter-segment net sales	58.0	29.4	0.8	0.4	−88.7	
Net sales	1,134.2	202.7	336.5	11.1	−88.7	1,595.8
Operating result	287.7	35.7	7.7	−17.0	2.3	316.5
% of net sales	25.4%	17.6%	2.3%	−152.9%		19.8%
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	20.9	−10.9	2,066.5
Unallocated assets						266.1
Total assets						2,332.6
Liabilities	167.2	43.1	51.8	0.4	−12.8	249.7
Unallocated liabilities						313.2
Total liabilities						562.8
Capital expenditure	253.4	40.4	5.7	0.1	0.0	299.6
Depreciation and amortisation	84.6	11.2	28.4	1.0	0.0	125.2
Other non-cash expenses	7.6	0.2	0.8	0.4	0.0	9.1

2018 EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations	Eliminations	Group
Net sales from external customers	1,090.1	159.1	336.5	9.9	0.0	1,595.6
Services			86.6			86.6
Sales of goods	1,090.1	159.1	250.0	9.9	0.0	1,509.0
Inter-segment net sales	60.7	28.7	0.7	0.6	−90.6	
Net sales	1,150.8	187.7	337.2	10.5	−90.6	1,595.6
Operating result	356.5	28.6	1.6	−13.3	−1.0	372.4
% of net sales	31.0 %	15.2 %	0.5 %	−126.7 %		23.3 %
Financial income and expenses						−10.7
Profit before tax						361.7
Tax expense						−66.5
Profit for the period						295.2
Assets	1,275.7	143.0	161.2	21.0	−14.3	1,586.6
Unallocated assets						506.3
Total assets						2,092.9
Liabilities	184.6	38.0	51.4	0.7	−12.2	262.5
Unallocated liabilities						344.3
Total liabilities						606.8
Capital expenditure	201.5	17.9	6.2	0.9	0.0	226.5
Depreciation and amortisation	74.3	9.7	8.5	0.9	0.0	93.4
Other non-cash expenses	10.2	1.5	1.2	−0.5	0.0	12.5

Business segments

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

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

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

Other operations contain business development and Group management unallocated to the segments.

Eliminations consist of eliminations between different business segments.

Notes concerning geographical segments

The business segments are operating in seven geographic regions: Finland, Sweden, Norway, Russia, Other Europe, North America and Other countries.

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

2019 EUR million	Finland	Sweden	Norway	Russia	Other Europe	North America	Other countries	Group
Net sales	235.0	213.9	196.1	303.0	414.6	205.4	27.9	1,595.8
Services	33.4	20.1	31.7	0.0	0.0	2.8		87.9
Sales of goods	201.6	193.9	164.4	303.0	414.6	202.6	27.9	1,507.9
Assets	550.1	97.2	123.7	669.1	197.3	365.9	15.8	2,019.2
Unallocated assets								313.4
Total assets								2,332.6
Capital expenditure	93.0	1.7	2.1	44.3	17.3	141.0	0.3	299.6

2018 EUR million	Finland	Sweden	Norway	Russia	Other Europe	North America	Other countries	Group
Net sales	233.8	204.1	191.4	305.5	436.9	194.5	29.5	1,595.6
Services	33.7	20.6	29.8	0.0	0.0	2.6		86.6
Sales of goods	200.1	183.5	161.6	305.5	436.9	191.9	29.5	1,509.0
Assets	472.5	82.6	62.0	518.4	187.3	206.0	8.8	1,537.6
Unallocated assets								555.3
Total assets								2,092.9
Capital expenditure	64.8	1.3	3.4	38.8	12.1	105.9	0.1	226.5

2. ACQUISITIONS

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	2019
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	2019
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	(14)	**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.

Acquisitions and other changes in 2018

On December 31 2018 Vianor AS acquired Dekksenteret Forde AS. This acquisition has minor impact on group accounts

EUR million	2018
Purchase consideration	
Consideration paid in cash	1.0
Contingent consideration liability	-
Total consideration	1.0

Recognised amounts of identifiable assets acquired and liabilities assumed:

EUR million	Note	2018
Property, plant and equipment	(12)	0.0
Inventories		0.1
Trade and other receivables		0.2
Cash and cash equivalents		0.1
Total Assets		0.5
Deferred tax liabilities	(18)	-
Financial Liabilities		-
Trade and other payables		0.3
Total Liabilities		0.3

EUR million	Note	2018
Total identifiable net assets		0.1
Composition of goodwill in the acquisition		
Consideration transferred		1.0
Total identifiable net assets		0.1
Goodwill	(14)	0.9
Consideration paid in cash		1.0
Cash and cash equivalents in the subsidiaries acquired		0.1
Net cash outflow		0.9

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 dates 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 they all 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	2019	2018
Raw materials	354.7	347.9
Goods purchased for resale	220.2	226.3
Wages and social security contributions on goods sold	46.2	46.4
Other costs	148.0	140.6
Depreciation of production	72.0	70.3
Sales freights	70.4	58.6
Change in inventories	1.3	−24.5
Total	912.9	865.5

Expenses arising from leases of low-value assets and shot-term leases amounted to EUR 28.5 million in 2019.

4. OTHER OPERATING INCOME

EUR million	2019	2018
Gains on sale of property, plant and equipment	2.7	0.9
Other income	0.9	1.6
Total	3.6	2.5

5. OTHER OPERATING EXPENSES

EUR million	2019	2018
Losses on sale of property, plant and equipment and other disposals	0.4	0.6
Research and development costs	22.7	20.8
Quality control	3.8	3.1
Other expenses	9.0	1.4
Total	35.8	25.9

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

EUR million	2019	2018
Depreciation and amortisation by asset category		
Intangible rights	7.6	8.1
Other intangible assets	2.7	2.0
Buildings	8.1	11.1
Machinery and equipment	70.6	71.3
Right of use asset	31.1	-
Other tangible assets	5.0	0.9
Total	125.2	93.4
Impairment losses by asset category		
Intangible assets	-	1.9
Total	-	1.9
Depreciation and amortisation by function		
Production	72.0	70.3
Selling and marketing	40.9	11.2
Administration	7.8	9.1
Other depreciation and amortisation	4.5	2.8
Total	125.2	93.4
Impairment losses by function		
Administration	-	1.9
Total	-	1.9

7. EMPLOYEE BENEFIT EXPENSES

EUR million	2019	2018
Wages and salaries	188.6	173.0
Pension contributions - defined contribution plans	26.8	27.1
Share-based payments	3.0	11.4
Other social security contributions	16.9	17.4
Total	235.3	228.9

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	2019	2018
Interest income		
Financial assets measured at amortized cost	3.9	2.0
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	10.0	32.4
Foreign currency derivatives	53.2	48.7
Other financial income	0.2	0.2
Total	67.3	83.3

9. FINANCIAL EXPENSES

EUR million	2019	2018
Interest expenses		
Financial liabilities measured at amortized cost	−4.1	−2.9
Interest rate derivatives designated as hedges	−0.9	−0.9
Lease liabilities	−3.8	-
Exchange rate losses and changes in fair value		
Financial assets and liabilities at amortized cost	−4.5	−42.0
Foreign currency derivatives	−67.8	−46.8
Other financial expenses	34.1	−1.4
Total	−47.0	−94.0

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	2019	2018
Current tax expense	–52.8	–64.3
Adjustment for prior periods	114.6	–0.4
Change in deferred tax	1.3	–1.7
Total	63.1	–66.5

The reconciliation of tax expense recognised in the income statement and tax expense using the domestic corporate tax rate (2019: 20.0%, 2018: 20.0%):

EUR million	2019	2018
Profit before tax	336.7	361.7
Tax expense using the domestic corporate tax rate	–67.3	–72.3
Effect of deviant tax rates in foreign subsidiaries	11.4	7.1
Tax exempt revenues	0.3	0.4
Non-deductible expenses	–0.9	–5.6
Losses on which no deferred tax benefits recognised	5.7	3.7
Adjustment for prior periods	114.6	–0.4
Other items	–0.7	0.6
Tax expense	63.1	–66.5

Income tax relating to components of other comprehensive income:

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	90.2		90.2
	88.7	0.3	89.0

2018 EUR million	Before tax amount	Tax benefit	Net of tax amount
Cash flow hedges	1.6	–0.3	1.3
Translation differences on foreign operations	–67.8		–67.8
	–66.2	–0.3	–66.6

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	2019	2018
Profit attributable to the equity holders of the parent	399.9	295.2
Profit for the period to calculate the diluted earnings per share	399.9	295.2
Shares, 1,000 pcs		
Weighted average number of shares	138,168	137,260
Dilutive effect of the options	216	884
Diluted weighted average number of shares	138,383	138,144
Earnings per share, euros		
Basic	2.89	2.15
Diluted	2.89	2.14

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 2018	7.8	281.9	991.7	17.8	63.6	1,362.7
Increase	4.6	2.4	46.6	0.4	176.0	212.6
Acquisitions through business combinations						0.0
Decrease	0.0	–1.4	–11.6	–0.1	–0.2	–13.2
Transfers between items		8.9	41.9	0.3	–57.1	–6.0
Other changes		–0.2	0.0	0.0	0.0	–0.2
Exchange differences	–0.3	–21.4	–54.5	–0.7	–1.4	–78.3
Accumulated cost, 31 Dec 2018	12.1	270.2	1,014.2	17.7	180.9	1,495.0
Accum. Depreciation, 1 Jan 2018	0.0	–95.9	–698.9	–13.7		–808.6
Depreciation for the period		–11.0	–70.9	–0.9		–82.9
Decrease			3.2	0.1		3.3
Other changes		0.5	0.0	0.0		0.6
Exchange differences		6.2	33.0	0.7		39.9
Accum. Depreciation, 31 Dec 2018	0.0	–100.2	–733.6	–13.9		–847.7
Carrying amount, 31 Dec 2018	12.1	170.0	280.5	3.8	180.9	647.3
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**
Acquisitions through business combinations						**0.0**
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**

13. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated cost, 1 Jan 2018	84.6	83.4	22.4	190.4
Increase		6.2	3.1	9.2
Acquisitions through business combinations	1.0			1.0
Decrease		–0.6	0.0	–0.6
Transfers between items		0.3	0.0	0.3
Other changes		0.0		0.0
Exchange differences	–0.7	–0.1	–1.6	–2.4
Accumulated cost, 31 Dec 2018	84.9	89.2	23.8	197.9
Accum. Depreciation, 1 Jan 2018	–1.3	–54.7	–15.5	–71.5
Depreciation for the period		–6.2	–2.0	–8.2
Impairment		–1.9		–1.9
Decrease				0.0
Other changes				0.0
Exchange differences	0.0	0.1	0.9	0.9
Accum. Depreciation, 31 Dec 2018	–1.3	–62.8	–16.6	–80.7
Carrying amount, 31 Dec 2018	83.6	26.4	7.2	117.2

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
Transfers between items		0.0	0.0	0.0
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
Impairment				0.0
Decrease				0.0
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

Impairment losses

In 2018 Vianor recorded impairment losses of total EUR 1.9 million on intangible assets. The impairments were caused by operational cancellations of certain functionalities in the ICT-system. This is fully recognized as losses, which are reported in administration expenses.

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	68.9
Heavy Tyres	0.9
Vianor	14.6
Total goodwill	84.4

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 5.3% (6.0% in 2018) and for Vianor is 4.7–6.8% (5.3–7.9% in 2018) 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 426 million (EUR 38 million in 2018). Of the key assumptions, Vianor is the most sensitive to actual realisation of gross margin levels based on demand forecasts. A lag of 13.6%-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 19% in net sales or a weakening of the present gross margin level permanently over 50%.

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	–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

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

		2019				2018			
			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)	2.9	-	2.9	-	5.5	-	5.5	-
Derivatives designated as hedges	(29)	1.2	-	1.2	-	23.4	-	23.4	-
Amortized cost									
Other non-current receivables	(17)	7.6	-	7.2	-	7.3	-	6.1	-
Trade and other receivables	(20)	498.8	-	499.4	-	409.9	-	410.5	-
Money market instruments	(21)	-	-	-	-	83.0	-	83.0	-
Cash in hand and at bank	(21)	218.8	-	218.8	-	364.4	-	364.4	-
Fair value through other comprehensive income									
Unquoted shares	(16)	0.7	-	-	0.7	0.7	-	-	0.7
Total financial assets		730.1	-	729.5	0.7	894.3	-	892.9	0.7
Financial liabilities									
Fair value through profit or loss									
Derivatives held for trading	(29)	2.3	-	2.3	-	9.9	-	9.9	-
Derivatives designated as hedges	(29)	6.3	-	6.3	-	3.9	-	3.9	-
Amortized cost									
Interest-bearing financial liabilities	(26)	135.2	-	138.1	-	132.3	-	133.1	-
Trade and other payables	(27)	89.4	-	89.4	-	111.0	-	111.0	-
Total financial liabilities		233.2	-	236.1	-	257.1	-	257.8	-

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. as prices) or indirectly (i.e. derived from prices).

Level 3: 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 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 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 shares
Accumulated cost, 1 Jan 2019	0.1	0.7
Decrease/Increase	-	-
Accumulated cost, 31 Dec 2019	0.1	0.7
Carrying amount, 31 Dec 2019	0.1	0.7
Carrying amount, 31 Dec 2018	0.1	0.7

17. OTHER NON-CURRENT RECEIVABLES

EUR million	2019	2018
Loan receivables	7.6	7.3
Other non-current receivables	0.1	-
Total	7.7	7.3

18. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	31 Dec 2017	Recognised in income statement	Recognised in other comprehensive income	Net exchange differences	Acquisitions/ disposals of subsidiaries	31 Dec 2018
Deferred tax assets						
Intercompany profit in inventory	13.2	1.7				14.9
Provisions	0.9	0.0				0.9
Tax losses carried forward	−0.3	0.3				0.0
Cash flow hedges	−0.3					−0.3
Other items	12.0	−0.9		0.0		11.1
Total	25.7	1.1	-	0.0	-	26.8
Deferred tax assets offset against deferred tax liabilities	−16.5	−1.0				−17.5
Deferred tax assets	9.2	0.0	-	0.0	-	9.3
Deferred tax liabilities						
Property, plant and equipment and intangible assets	17.3	−0.7				16.6
Untaxed reserves	0.5	0.9		0.0		1.3
Undistributed earnings in subsidiaries	27.3	3.0				30.3
Other items	1.9	0.0				1.9
Total	46.9	3.2	-	0.0	-	50.0
Deferred tax liabilities offset against deferred tax assets	−16.5	−1.0				−17.5
Deferred tax liabilities	30.4	2.1	-	0.0	-	32.5

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						
Intercompany profit in inventory	**14.9**	**−1.3**				**13.6**
Provisions	**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**

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 2019 the Group had carry forward losses for EUR 27.1 million (EUR 9.6 million in 2018), on which a deferred tax asset has been recognised. The Group also had carry forward losses for EUR 3.1 million (EUR 22.3 million in 2018), 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 1.5 million in 2019 (EUR 1.3 million in 2018).

No deferred tax liability was recognised on the undistributed earnings, EUR 55.1 million in 2019 (EUR 54.8 million in 2018), of foreign subsidiaries as the earnings have been invested permanently to the countries in question.

19. INVENTORIES

EUR million	2019	2018
Raw materials and supplies	**139.1**	126.4
Work in progress	**7.8**	6.9
Finished goods	**240.1**	236.0
Total	**387.0**	369.2

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 2019 EUR 2.5 million expense was recognised to decrease the carrying amount of the inventories to reflect the net realisable value (EUR 1.1 million in 2018).

20. TRADE AND OTHER RECEIVABLES

EUR million	2019	2018
Trade receivables	**498.3**	409.5
Loan receivables	**0.5**	0.5
Accrued revenues and deferred expenses	**17.0**	21.1
Derivative financial instruments		
Designated as hedges	**0.9**	20.6
Measured at fair value through profit or loss	**2.9**	5.6
Current tax assets	**15.6**	13.0
Other receivables	**38.4**	21.9
Total	**573.7**	492.1

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	2019	2018
Annual discounts, purchases	**3.7**	5.9
Financial items	**0.6**	0.6
Social security contributions	**1.4**	1.9
Insurances	**0.9**	0.5
Payments in transit	**-**	2.9
Other items	**10.5**	9.4
Total	**17.0**	21.1

Significant items under other receivables

EUR million	2019	2018
VAT receivables	**33.9**	19.6
Advance payments	**4.5**	2.3
Total	**38.4**	21.9

21. CASH AND CASH EQUIVALENTS

EUR million	2019	2018
Cash in hand and at bank	**218.8**	364.4
Money market instruments	**-**	83.0
Total	**218.8**	447.5

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 2018	136,745	25.4	181.4	203.9	–20.3	390.4
Exercised warrants	799	-	-	18.7	-	18.7
Acquisition/conveyance of treasury shares	243	-	-	-	8.9	8.9
Other changes	-	-	-	-	-	-
31 Dec 2018	137,788	25.4	181.4	222.6	–11.4	418.0
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**

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, 2019.

Nokian Tyres has an agreement from 2017 with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns Nokian Tyres' shares related to the incentive program until the shares are given to the participants of the program. In accordance with IFRS, these repurchased shares, 480,000 in 2017, have been reported as treasury shares in the Consolidated Statement of Financial Position. On December 31, 2019, the number of these shares was 197,947. This number of shares corresponded to 0.14% of the total shares and voting rights in the company.

Dividends

After the balance sheet date, the Board of Directors proposed that a dividend of EUR 1.58 per share be paid (EUR 1.58 in 2018).

Specification of the distributable funds

The distributable funds on 31 December 2019 total EUR 773.9 million (EUR 683.0 million on 31 December 2018) and are based on the balance of the Parent company and the Finnish legislation.

23. SHARE-BASED PAYMENTS

SHARE OPTION PLANS

Share option plan 2013 directed at personnel

The Annual General Meeting in 2013 decided to issue a share option plan, as a part of the Group's incentive scheme, to employees of the Group or persons recruited to the Group at a later stage. The Board issued the shares in spring 2015 (2013C warrants) and the expiration date was 31 May, 2019.

The share options were granted to the personnel employed by or in the service of the Nokian Tyres Group and to Direnic Oy, a wholly owned subsidiary of Nokian Tyres. Should a share option holder cease to be employed by or in the service of the Nokian Tyres Group before the warrants become exercisable, for any other reason than the death of the employee, or the statutory retirement of the employee in compliance with the employment contract, or the retirement of the employee otherwise determined by the company, the holder shall without delay and compensation offer to Nokian Tyres or its order the share options for which the share subscription period under the terms and conditions had not begun at the last day of such holder's employment or service.

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

	2013 warrants	
BASIC INFORMATION	**2013C**	**Total**
Annual General Meeting date	11 April 2013	
Initial amount of options, pcs	1,150,000	1,150,000
Shares to subscribe per option, pcs	1	
Initial exercise price, EUR	24.42	
Dividend adjustment	yes	
Current exercise price, EUR	18.25	
Initial allocation date	7 May 2015	
Vesting date	1 May 2017	
Expiration date	31 May 2019	
Maximum contractual life, years	4.1	4.1 *
Method of settlement	in equity	
Vesting condition	employment requirement until the vesting date	

* Weighted average

TRANSACTIONS DURING THE PERIOD	2013 warrants 2013C	Exercise price, weighted average, €	Total
1 January 2019			
At the beginning of the period (pcs)			
outstanding	882,642	19.83	882,642
reserve	136,005	19.83	136,005
Changes during the period (pcs)			
Exercised during the period	855,741	18.27	855,741
Weighted average exercise price during the exercise period, €	18.27	18.27	
Weighted average share price during the excercise period, € *	29.49	29.49	
Expired during the period	159,108	25.39	159,108
Not issued & expired	3,798		3,798
31 December 2019			
At the end of the period (pcs)	990,892	18.25	990,892
exercised	0		0
outstanding	0		0
vested & outstanding	0		0

* The weighted average price of the Nokian Tyres plc share during the period that the option in question was exercisable in 2019.

EUR million	2019	2018
Impact on period profits and financial position		
Expense recognised for the period, equity-settled	**0.1**	0.4

PERFORMANCE SHARE PLANS

Performance share plan 2016 directed at key employees

In 2016 the Board approved a new share based incentive plan for the key employees of the Group. The plan is intended to combine the objectives of the shareholders and the key employees in order to increase the value of the Group, to commit the key employees to the Group, and to offer them a competitive incentive plan based on earning the Nokian Tyres's shares. The plan includes three earning periods, calendar years 2016, 2017 and 2018. The Board will decide on the performance criteria and their targets for the plan at the beginning of each earning period.

The performance shares are granted to the key employees of the Nokian Tyres Group. In general no performance shares will be released, if the key employee's employment or service ends before the end of the restriction period. The performance shares may not be transferred during an approximately one-year restriction period established for the shares. The members of the Group's Management Team must hold 25% of the received gross shares until the member's shareholding in the Company equals the member's fixed gross annual salary.

Performance Share Plan: Performance Share Plan 2019, Restricted Share Plan 2019

On February 5, 2019, Nokian Tyres announced that the Board of Directors of Nokian Tyres plc has decided on a new share-based long-term incentive scheme for the Company's management and selected key employees. The decision includes a Performance Share Plan (hereinafter also referred to as "PSP 2019") as the main structure, and a Restricted Share Plan ("RSP 2019") as a complementary structure for specific situations. The purpose of the share-based incentive scheme is to harmonize the goals of the Company's shareholders and key personnel in order to increase the value of the Company in the long term and to commit key personnel to the Company and its strategic targets.

Performance Share Plan 2019

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

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

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

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

Restricted Share Plan 2019

The purpose of the Restricted Share Plan (RSP 2019–2021) is to serve as a complementary tool for individually selected key employees of Nokian Tyres in specific situations. It consists of annually commencing individual Restricted Share Plans, each with a three-year retention period after which the share rewards granted within the plan will be paid to the participants.
The commencement of each individual plan is subject to a separate Board approval.

A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Nokian Tyres continues until the payment date of the reward. The potential reward will be paid partly in shares in Nokian Tyres plc and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward. The first plan (RSP 2019–2021) within the Restricted Share Plan structure commenced as of the beginning of 2019, and the potential share reward thereunder will be paid in the first half of 2022. The possible rewards paid based on RSP 2019–2021 correspond approximately to a maximum of 70,000 gross shares.

Other terms

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

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

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

Instrument	PSP 2017	PSP 2018	PSP 2019–2020	PSP 2019–2021	RSP 2019–2021	TOTAL
Issuing date	23.2.2016	23.2.2016	5.2.2019	5.2.2019	5.2.2019	
Initial amount, pcs	540,000	560,000	580,000	535,000	70,000	2,285,000
Dividend adjustment	No	No	No	No	No	
Grant date	31.1.2017	2.2.2018	26.2.2019	26.2.2019	26.8.2019	
Beginning of earning period	1.1.2017	1.1.2018	1.1.2019	1.1.2019	1.1.2019	
End of earning period	31.12.2017	31.12.2018	31.12.2020	31.12.2021	31.12.2021	
End of restriction period	31.3.2019	31.3.2020	31.3.2021	31.3.2022	31.3.2022	
Vesting conditions	EBIT, Net sales	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)	Continued employment	
Maximum contractual life, yrs	2.2	2.2	2.3	3.3	3.3	2.5
Remaining contractual life, yrs	0.0	0.3	1.3	2.2	2.2	1.3
Number of persons at the end of the reporting year	185	199	191	188	4	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	

Changes during the period 2019	PSP 2017	PSP 2018	PSP 2019–2020	PSP 2019–2021	RSP 2019–2021	Total
1.1.2019						
Outstanding at the beginning of the reporting period, pcs	484,600	495,450	0	0	0	980,050
Changes during the period						
Granted	0	0	568,680	524,660	4,025	1,097,365
Forfeited	5,100	47,400	15,780	10,400	0	78,680
Restriction period ended during FY	479,500					479,500
Earned (Gross)	13,500	140,819	0	0	0	154,319
Delivered (Net)	9,165	75,013	0	0	0	84,178
31.12.2019						
Outstanding at the end of the period	0	448,050	552,900	514,260	4,025	1,519,235

Measurement of fair value

Inputs to the fair value determination of the performance shares expensed during the financial year 2019 are listed in the following table as weighted average values. The total fair value of the performance shares is based on the company's estimate on 31 December 2019 as to the number of shares to be eventually vesting.

Earning period 2019	
Share price at grant, EUR	28.41
Share price at reporting date, EUR	25.63
Expected dividends, EUR	3.79
Fair market value per share at grant, EUR	24.62
Total fair value 31 December 2019, EUR million	84,767

EUR million	2019	2018
Impact on period profits and financial position		
Expense for the period		
Expense for the period, equity-settled	1.7	9.9

24. PENSION LIABILITIES

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

25. PROVISIONS

EUR million	Warranty provision	Total
1 Jan 2019	4.4	4.4
Provisions made	1.4	1.4
Provisions used	–1.0	–1.0
31 Dec 2019	4.9	4.9

EUR million	2019	2018
Non-current provisions	-	-
Current provisions	4.9	4.4

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	2019	2018
Non-current		
Loans from financial institutions and pension loans	134.3	6.3
	134.3	6.3
Current		
Commercial papers	-	-
Current portion of non-current loans from financial institutions and pension loans	0.9	126.0
	0.9	126.0

Interest-bearing financial liabilities by currency

EUR million	2019	2018
Currency		
EUR	112.3	112.3
RUB	22.9	20.1
Total	135.2	132.3

Effective interest rates for interest-bearing financial liabilities

	2019		2018	
	Without hedges	With hedges	Without hedges	With hedges
Loans from financial institutions and pension loans	1.8%	2.4%	2.0%	2.7%
Total	1.8%	2.4%	2.0%	2.7%

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

27. TRADE AND OTHER PAYABLES

EUR million	2019	2018
Trade payables	**89.4**	111.0
Accrued expenses and deferred revenues	**141.7**	292.9
Advance payments	**0.6**	0.6
Derivative financial instruments		
Designated as hedges	**6.3**	2.3
Measured at fair value through profit or loss	**2.3**	10.0
Current tax liabilities	**4.6**	6.5
Other liabilities	**21.7**	23.4
Total	**266.5**	437.1

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	2019	2018
Wages, salaries and social security contributions	**37.0**	38.2
Annual discounts, sales	**61.3**	63.9
Commissions	**5.4**	5.4
Goods received and not invoiced	**6.7**	1.3
Marketing expenses	**5.5**	4.9
Transportation costs	**3.7**	3.9
Warranties	**4.2**	4.3
Financial items	**0.0**	-
Returned taxes from tax disputes	**-**	148.2
Value added tax liabilities	**-**	7.3
Other items	**17.8**	15.4
Total	**141.7**	292.9

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.

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, Norway and the USA. The tire plants are located in Nokia, Finland and Vsevolozhsk, Russia. The opening of the newest tire plant in Dayton, Tennessee, USA was in October 2019.

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. Hedging principles are not applied to the currency exposures of Ukraine and Belarus as UAH and BYN are non-convertible currencies.

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 2019								31 Dec 2018							
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	15.0	18.7	19.3	21.9	17.7	83.1	0.0	17.5	17.7	20.5	16.7	23.4	27.7	92.8	0.0	24.1
Loans and receivables	10.4	46.6	108.9	54.7	5.7	2.1	0.0	0.0	8.4	39.1	95.4	54.7	10.6	1.7	0.0	0.1
Total currency income	25.3	65.3	128.2	76.7	23.4	85.1	0.0	17.5	26.2	59.6	112.1	78.1	38.4	94.5	0.0	24.2
Trade payables	0.0	0.0	−44.6	0.0	−9.4	−43.3	−0.2	−6.0	0.0	0.0	−42.3	0.0	−1.7	−42.0	0.0	−6.1
Borrowings	0.0	−38.2	−86.2	−20.6	−7.9	−60.0	0.0	−15.0	−7.6	−39.3	−125.8	−11.8	−19.0	−84.2	−6.0	−20.0
Total currency expenditure	0.0	−38.2	−130.8	−20.6	−17.3	−103.3	−0.2	−21.0	−7.6	−39.3	−168.1	−11.8	−20.7	−126.2	−6.0	−26.1
Foreign exchange derivatives	−23.3	−21.8	−6.0	−59.3	−7.9	19.8	0.0	0.0	−16.0	−20.1	53.3	−71.2	−18.8	30.7	0.0	0.0
Binding sales contracts	8.3	3.1	5.2	3.6	0.3	13.5	0.0	0.0	7.1	5.0	1.3	2.6	0.8	10.8	0.0	0.0
Binding purchase contracts	0.0	0.0	−13.1	0.0	−24.9	−15.8	0.0	0.0	0.0	0.0	−0.3	0.0	−6.2	−5.1	0.0	0.0
Future interest items	0.0	0.7	1.2	0.3	0.0	−0.6	0.0	−0.1	0.1	0.6	0.1	0.4	0.0	−0.6	0.0	−0.1
Net exposure	10.4	9.1	−15.4	0.6	−26.5	−0.7	−0.1	−3.5	9.7	5.9	−1.7	−1.9	−6.6	4.6	−6.0	−2.0

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 positively affected by translation differences on foreign operations by EUR 90.2 million (EUR −67.8 in 2018).

Translation risk

Net investments by currency

EUR million	31 Dec 2019	31 Dec 2018
Currency of net investment		
CZK	**52.4**	45.0
NOK	**49.8**	44.4
RUB	**625.2**	542.2
SEK	**21.1**	16.6
USD	**321.8**	167.8

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 2019				31 Dec 2018			
	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	**−0.2**	**-**	**0.2**	**-**	−0.3	-	0.3	-
EUR/CZK	**0.2**	**-**	**−0.2**	**-**	−0.1	-	0.1	-
EUR/NOK	**−1.1**	**-**	**2.5**	**-**	−1.0	-	0.4	-
EUR/RUB	**0.5**	**-**	**−0.5**	**-**	−0.1	-	−0.1	-
EUR/SEK	**0.3**	**-**	**−0.3**	**-**	0.5	-	−0.5	-
EUR/UAH	**0.0**	**-**	**0.0**	**-**	−0.6	-	0.6	-
EUR/USD	**0.2**	**-**	**−0.2**	**-**	0.4	-	−0.5	-

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 128.8 million (EUR 25.4 million in 2018) and the fixed rate interest-bearing liabilities EUR 6.3 million (EUR 107.0 million in 2018) 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 79% (100% in 2018) and the average fixing period of the interest-bearing financial liabilities was 48 months (8 months in 2018) including the interest rate derivatives. The Group uses interest rate derivatives as cash flow hedges and hedge accounting is mainly applied for those derivatives.

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. A change of a different magnitude can also be estimated fairly accurately because the sensitivity is nearly linear.

	31 Dec 2019				31 Dec 2018			
	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	**−1.3**	**4.5**	**1.3**	**−4.5**	−1.3	1.7	1.3	−1.7

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 140 GWh (180 GWh in 2018).

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 2019				31 Dec 2018			
	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	**-**	**0.7**	**-**	**−0.7**	0.0	0.9	0.0	−0.9

Liquidity and funding risk

In accordance with the Group's financial policy, the 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. Additionally, there is a EUR 350 million domestic commercial paper program available. 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 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 2019 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 218.8 million (EUR 447.5 million in 2018). At the end of the year the Group's credit limits available were EUR 561.0 million (EUR 558.8 million in 2018), out of which the committed limits were EUR 205.5 million (EUR 205.5 million in 2018). The available committed non-current credits amounted to EUR 200.0 million (EUR 150.0 million in 2018).

The Group's interest-bearing financial liabilities totaled EUR 135.2 million, compared to the year before figure of EUR 132.3 million. Around 83% of the interest-bearing financial liabilities were in EUR. The average interest rate of interest-bearing financial liabilities was 2.4%. Current interest-bearing financial liabilities, including the portion of non-current financial liabilities maturing within the next 12 months, amounted to EUR 0.9 million (EUR 126.0 million in 2018).

Contractual maturities of financial and lease liabilities

	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
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.

	2018							
		Contractual maturities*						
EUR million	Carrying amount	2019	2020	2021	2022	2023	2024–	Total
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	7.0	−0.8	−0.8	−0.7	−0.7	−1.2	−3.7	−7.9
Floating rate loans	125.4	−126.6	0.0	0.0	0.0	0.0	0.0	−126.6
Trade and other payables	111.0	−111.0	0.0	0.0	0.0	0.0	0.0	−111.0
Derivative financial liabilities								
Interest rate derivatives								
Designated as hedges	1.6	−0.8	−0.7	−0.4	−0.1	0.2	0.2	−1.6
Foreign currency derivatives								
Designated as hedges								
Cashflow out	0.7	−56.2	−1.7	−1.6	−1.6	−19.1	0.0	−80.2
Cashflow in	−18.9	68.7	0.2	0.2	0.3	18.8	0.0	88.2
Measured at fair value through profit or loss								
Cashflow out	7.9	−435.0	0.0	0.0	0.0	0.0	0.0	−435.0
Cashflow in	−3.5	431.8	0.0	0.0	0.0	0.0	0.0	431.8
Electricity derivatives								
Designated as hedges	−2.9	1.6	0.9	0.3	0.1	0.0	0.0	2.9
Total	228.2	−228.3	−2.0	−2.2	−2.0	−1.3	−3.5	−239.3

* 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 47% (39% in 2018) 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.

The aging and impairment of trade receivables

	31 Dec 2019		1 Jan 2019	
EUR million	**Trade receivables gross amount**	**Impairment loss allowance**	**Trade receivables gross amount**	**Impairment loss allowance**
Not past due	**445.6**	**–2.5**	362.5	–2.8
Past due less than 30 days	**34.2**	**–0.8**	38.4	–1.1
Past due between 30 and 90 days	**9.9**	**–0.6**	3.6	–0.2
Past due between 91 and 180 days	**1.6**	**–0.2**	2.7	–0.3
Past due more than 180 days	**66.3**	**–55.2**	53.2	–46.5
Total	**557.7**	**–59.4**	460.4	–51.0

Changes in the impairment loss allowance for trade receivables

EUR million	2019	2018
Loss allowance, 1 Jan under IAS 39		43.6
Adjustment on initial application of IFRS 9		9.6
Loss allowance, 1 Jan under IFRS 9	**51.0**	53.0
Write-offs	**–0.6**	–2.0
Other changes	**3.7**	0.0
Change in loss allowance recognized in profit or loss	**5.3**	0.0
Loss allowance, 31 Dec	**59.4**	51.0

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	2019	2018
Average interest-bearing liabilities	350.8	133.8
Less: Average liquid funds	185.5	274.5
Average net debt	165.2	−140.7
Operating profit	316.5	372.4
Add: Depreciations and amortisations	125.2	93.4
EBITDA	441.7	465.8
Average net debt / EBITDA	0.37	−0.30

Equity ratio

EUR million	2019	2018
Equity attributable to equity holders of the parent	1,769.7	1,486.1
Add: Non-controlling interest	0.0	0.0
Total equity	1,769.7	1,486.1
Total assets	2,332.6	2,092.9
Less: Advances received	0.6	0.6
Adjusted total assets	2,332.0	2,092.3
Equity ratio	75.9%	71.0%

29. FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	2019			2018		
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	396.8	2.9	2.3	420.0	5.2	9.7
Currency options, purchased	20.3	0.0	-	27.5	0.3	-
Currency options, written	-	-	-	37.6	-	0.2
Derivatives designated as cash flow hedges						
Foreign currency derivatives						
Interest rate and currency swaps	75.0	0.3	3.0	86.0	18.9	0.7
Interest rate derivatives						
Interest rate swaps	100.0	-	3.2	200.0	1.6	3.1
Electricity derivatives						
Electricity forwards	3.9	0.9	0.0	4.8	2.9	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

	2019						
	Maturity						
	2020	2021	2022	2023	2024	2025–	Total
Interest rate and currency swaps							
Hedged item: Floating rate RUB loan receivables							
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

	2018						
	Maturity						
	2019	2020	2021	2022	2023	2024–	Total
Interest rate and currency swaps							
Hedged item: Floating rate RUB loan receivable							
Notional amount, EUR million	67.5				18.4		86.0
Average EUR/RUB rate	59.22				76.06		62.83
Interest rate swaps							
Hedged item: Floating rate EUR debt							
Notional amount, EUR million	100.0					100.0	200.0
Average fixed rate	0.6%					0.5%	0.5%
Electricity forwards							
Hedged item: Electricity system price							
Notional amount, EUR million	1.7	1.5	0.9	0.5			4.6
Notional amount, GWh	70	61	35	18			184
Average forward rate, e/MWh	24.8	24.2	25.3	27.3			25.0
Hedged item: Electricity Finnish area price difference							
Notional amount, EUR million	0.1	0.1					0.2
Notional amount, GWh	20	18					37
Average forward rate, e/MWh	4.9	3.8					4.4

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

	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

	2018		
	Foreign currency derivatives	**Interest rate derivatives**	**Electricity derivatives**
EUR million	**Interest rate and currency swaps**	**Interest rate swaps**	**Electricity forwards**
Notional amount	86.0	200.0	4.8
Notional amount, GWh	-	-	221
Assets			
Carrying amount	18.9	1.6	2.9
Line item in the statement of financial position	Trade and other receivables	Trade and other receivables	Trade and other receivables
Liabilities			
Carrying amount	0.7	3.1	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	−7.4	1.2	−3.7
Hedging instrument	7.4	−1.2	3.7
Effective portion			
Amount recognized in other comprehensive income	7.4	−1.2	3.7
Amount reclassified from the cash flow hedge reserve to profit or loss	−8.3	0.9	−1.0
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	2019	2018
Cash flow hedge reserve, 1 Jan	**−0.6**	−1.8
Cash flow hedges		
Change in fair value recognized in other comprehensive income		
Interest rate and currency swaps	**−18.3**	7.4
Interest rate swaps	**−2.5**	−1.2
Electricity forwards	**−1.1**	3.7
Amount reclassified to profit or loss		
Interest rate and currency swaps	**20.4**	−8.3
Interest rate swaps	**0.9**	0.9
Electricity forwards	**−0.9**	−1.0
Tax effect	**0.3**	−0.3
Cash flow hedge reserve, 31 Dec	**−1.8**	−0.6

31. CONTINGENT LIABILITIES AND ASSETS AND CONTRACTUAL COMMITMENTS

EUR million	2019	2018
For own debt		
Mortgages	**0.9**	0.9
Pledged assets	**4.7**	4.7
On behalf of other companies		
Guarantees	**0.4**	0.4
Other own commitments		
Guarantees	**29.9**	27.7
Contractual commitments	**29.4**	29.9

32. DISPUTES, LITIGATIONS AND RISKS IN THE NEAR FUTURE

Nokian Tyres' business and financial performance may be affected by several uncertainties. The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of strategic goals and ensures business continuity. The Group's risk management policy focuses on managing both the risks pertaining to business opportunities and the risks affecting the achievement of the Group's goals in the changing operating environment. The risk management process aims to identify and evaluate the risks and to plan and implement the practical measures for each risk. Nokian Tyres has detailed the overall business risks and risk management in the 2019 Corporate Governance Statement.

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

- Nokian Tyres is subject to risks related to consumer confidence and macroeconomic and geopolitical conditions. Political uncertainties may cause serious disruption and additional trade barriers and affect the company's sales and credit risk. Economic downturns may increase trade customers' payment problems and Nokian Tyres may need to recognize impairment of trade receivables.
- The tire wholesale and retail landscape is evolving to meet changing consumer needs. New technologies are fueling this with increasing digitalization. Failure to adapt to the changes in the sales channel could have an adverse effect on Nokian Tyres' financial performance.
- Nokian Tyres' success is dependent on its ability to innovate and develop new products and services that appeal to its customers and consumers. Despite extensive testing of its products, product quality issues and failure to meet demands of performance and safety could harm Nokian Tyres' reputation and have an adverse effect on its financial performance.
- Nokian Tyres' production facilities are located in Finland, Russia and the US. Any unexpected production or delivery breaks at these facilities would have a negative impact on the company's business. Interruptions in logistics could have a significant impact on peak season sales.
- Significant fluctuations in raw material prices may impact margins. Nokian Tyres sources natural rubber from producers in countries such as Indonesia and Malaysia. Although Nokian Tyres has policies such as the Supplier Code of Conduct and established processes to monitor the working conditions, it cannot fully control the actions of its suppliers. The violation of laws, regulations or standards by raw material producers, or their divergence from practices generally accepted as ethical in the European Union or the international community, could have a material adverse effect on Nokian Tyres' reputation.
- Tire industry can be subject to risks caused by climate change, such as changes in consumer tire preferences, regulatory changes or impact of extreme weather events on natural rubber producers. Nokian Tyres is committed to reducing GHG emissions from its operations in order to combat climate change. Nokian Tyres calculates the GHG emissions from its operations annually and reduces them systematically. More detailed analysis on Nokian Tyres' climate change related risks and opportunities has been provided in Nokian Tyres' Non-Financial Reporting Statement for 2019.
- Foreign exchange risk consists of transaction risk and translation risk. The most significant currency risks arise from the Russian ruble, the Swedish and Norwegian krona, and the US and Canadian dollar. Approximately 60% of the Group's sales are generated outside of the euro-zone.
- In May 2017, the Finnish Financial Supervisory Authority filed a request for investigation with the National Bureau of Investigation regarding possible securities market offences. In March 2019, the police moved the suspicions of securities markets offences to consideration of charges. The suspects have denied any involvement in criminal activity.

Nokian Tyres' risk analysis also pays special attention on corporate social responsibility risks, the most significant of which are related to the company's brand image and product quality. Analyses and projects related to information security, data protection, and customer information are continuously a special focus area.

Transfer pricing tax disputes

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

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

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

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

Other tax disputes

In May 2019, Nokian Tyres U.S. Finance Oy, a subsidiary of Nokian Tyres plc (ownership: 100% of the shares), received a negative ruling from the Hämeenlinna Administrative Court regarding the company's appeal against a reassessment of EUR 18.5 million concerning the years 2007–2013. Of this amount, EUR 11.0 million were additional taxes and EUR 7.5 million were tax increases and interest. The company has paid and recorded them in full in the financial statements and results for 2013, 2014, and 2017. The company considers the decision unfounded and has appealed against it by filing a claim with the Supreme Administrative Court in July 2019.

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 July 12, 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	2019	2018
Key management personnel		
Employee benefit expenses		
Short-term employee benefits	**4,524.4**	5,119.4
Post-employment benefits	**0.0**	0.0
Termination benefits	**183.7**	0.0
Share-based payments	**2,186.1**	5,231.5
Total	**6,894.2**	10,350.9
Remunerations		
Hille Korhonen, President	**693.2**	883.2
of which incentives for the reported period	**0.0**	189.9
Members of the Board of Directors		
Petteri Walldén	**101.4**	102.0
Heikki Allonen	**54.6**	54.0
Raimo Lind	**76.5**	78.9
Veronica Lindholm	**56.4**	57.0
Inka Mero	**54.6**	54.0
George Rietbergen	**54.6**	53.4
Kari Jordan	**78.3**	75.9
Pekka Vauramo	**53.4**	52.2
Total	**529.8**	527.4
No incentives were paid to the members of the Board of Directors.		
Other key management personnel	**3,301.4**	3,708.8
of which incentives for the reported period	**180.0**	1,128.2

No special pension commitments have been granted to the members of the Board of Directors and no statutory pension expense incurs. In 2019 the statutory pension expense for President Korhonen was EUR 72,9 thousand and the expense for supplementary pension plan was EUR 132 thousand. The agreed plan retirement age is 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. The other management has a suplamentary penson plan of 10% of the annual salary and a retirement age of 63 years.

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.

	2019	2018
Granted (pcs)		
Shares	**260,260**	229,000
Share options	**-**	-
Held (pcs)		
Shares	**221,940**	195,309
Share options	**-**	19,000
Exercisable	**-**	19,000

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

34. INFORMATION RELATED TO ADOPTION OF A NEW STANDARD

Nokian Tyres has adopted the new IFRS 16 effective January 1, 2019 using the modified retrospective approach and the comparative figures have not been restated.

EUR million	December 31 2018	Restatement impact	**January 1 2019**
Non-current assets			
Property, plant and equipment	647.3		**647.3**
Goodwill	83.6		**83.6**
Other intangible assets	33.6		**33.6**
Investments in associates	0.1		**0.1**
Right of use assets	-	137.7	**137.7**
Non-current financial investments	0.7		**0.7**
Other receivables	7.3		**7.3**
Deferred tax assets	9.3		**9.3**
Total non-current assets	781.8	137.7	**919.5**
Inventories	369.2		**369.2**
Trade receivables	409.5		**409.5**
Other receivables	71.9		**71.9**
Current tax assets	13.0		**13.0**
Cash and cash equivalents	447.5		**447.5**
Total current assets	1,311.0		**1,311.0**
Total assets	2,092.9	137.7	**2,230.6**
Equity			
Share capital	25.4		**25.4**
Share premium	181.4		**181.4**
Treasury shares	−11.4		**−11.4**
Translation reserve	−365.4		**−365.4**
Fair value and hedging reserves	−0.6		**−0.6**
Paid-up unrestricted equity reserve	222.6		**222.6**
Retained earnings	1,434.1		**1,434.1**
Non-controlling interest	-		**-**
Total equity	1,486.1		**1,486.1**
Non-current liabilities			
Deferred tax liabilities	32.5		**32.5**
Provisions	0.0		**0.0**
Interest-bearing liabilities	6.3	119.9	**126.3**
Other liabilities	0.5		**0.5**
Total non-current liabilities	39.3	119.9	**159.3**

EUR million	December 31 2018	Restatement impact	**January 1 2019**
Current liabilities			
Trade payables	111.0		**111.0**
Other current payables	319.6		**319.6**
Current tax liabilities	6.5		**6.5**
Provisions	4.4		**4.4**
Interest-bearing liabilities	126.0	17.8	**143.8**
Total current liabilities	567.4	17.8	**585.2**
Total equity and liabilities	2,092.9	137.7	**2,230.6**

The lease commitment as of December 31, 2018 in accrodance with IAS 17 can be reconciled to the opening lease liability as of January 1, 2019 in accordance with IFRS 16 as follows:

Operating lease commitments as at 31.12.2018	**159.3**
Impact from discounting future lease payments and other changes*	−21.6
IFRS 16 lease liabilities as at 1.1.2019	**137.7**

* Discount rates used are based on market area and length of the contract. Other changes include impact from the exclusion of short-term and low-value leases as well as from the different determination of lease terms.

Below is a summary of the effects of the treatment of leases in accordance with IFRS 16 for the fiscal year 2019.

Balance sheet effects

EUR million	**January 1 2019**
Fixed assets	
Right to use	**122.9**
Total	**122.9**
Equity & Liability	
Non-current liability	**94.8**
Current liability	**30.0**
Total	**124.8**
P&L effects	
Reversed rents	**32.2**
Depreciations	**−31.1**
Finance costs	**−3.8**
Total	**−2.7**

35. EVENTS AFTER THE REPORTING DATE

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

PARENT COMPANY INCOME STATEMENT, FAS

EUR million 1.1.–31.12.	Note	2019	2018
Net sales	(1)	**677.7**	707.8
Cost of sales	(2)(3)	**–556.8**	–546.8
Gross profit		**120.9**	160.9
Selling and marketing expenses	(2)(3)	**–29.0**	–32.8
Administration expenses	(2)(3)(4)	**–26.8**	–34.5
Other operating expenses	(2)(3)	**–21.5**	–9.0
Other operating income		**0.4**	0.2
Operating profit		**44.0**	84.9
Financial income and expenses	(5)	**156.1**	164.9
Profit before appropriations and tax		**200.1**	249.8
Appropriations	(6)	**–6.7**	–16.2
Income tax	(7)	**96.9**	–22.4
Profit for the period		**290.4**	211.2

PARENT COMPANY BALANCE SHEET, FAS

EUR million 31.12.	Note	2019	2018
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	(8)	**17.6**	15.5
Tangible assets	(8)	**175.6**	157.6
Shares in Group companies	(9)	**371.2**	254.5
Investments in associates	(9)	**4.3**	4.3
Shares in other companies	(9)	**0.6**	0.6
Total non-current assets		**569.1**	432.5
Current assets			
Inventories	(10)	**101.0**	106.0
Non-current receivables	(11)	**266.5**	255.1
Current receivables	(12)	**328.9**	357.7
Cash and cash equivalents		**169.5**	398.6
Total current assets		**866.0**	1,117.4
		1,435.1	1,549.9
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	(13)		
Share capital		**25.4**	25.4
Share premium		**182.5**	182.5
Treasury shares		**–7.6**	–10.1
Paid up unrestricted equity fund		**238.2**	222.6
Retained earnings		**252.8**	259.4
Profit for the period		**290.4**	211.2
Total shareholders' equity		**981.8**	891.0
Untaxed reserves and provisions			
Accumulated depreciation in excess of plan	(8)	**38.3**	38.2
Liabilities			
Non-current liabilities	(14)	**103.9**	0.2
Current liabilities	(15)	**311.0**	620.5
Total liabilities		**415.0**	620.7
		1,435.1	1,549.9

PARENT COMPANY STATEMENT OF CASH FLOWS, FAS

EUR million 1.1.–31.12.	2019	2018
Profit for the period	**290.4**	211.2
Adjustments for		
Depreciation, amortisation and impairment	**91.8**	29.2
Financial income and expenses	**–156.1**	–164.9
Gains and losses on sale of intangible assets, other changes	**–0.4**	0.0
Income Taxes	**–96.9**	22.4
Cash flow before changes in working capital	**128.7**	97.9
Changes in working capital		
Current receivables, non-interest-bearing, increase (–) / decrease (+)	**13.8**	149.7
Inventories, increase (–) / decrease (+)	**5.0**	–15.5
Current liabilities, non-interest-bearing, increase (+) / decrease (–)	**–202.0**	74.0
Changes in working capital	**–183.2**	208.2
Financial items and taxes		
Interest and other financial items, received	**20.1**	15.6
Interest and other financial items, paid	**–41.3**	–2.5
Dividens received	**177.3**	160.8
Income taxes paid	**90.4**	–21.8
Financial items and taxes	**246.5**	152.0
Cash flow from operating activities (A)	**192.0**	458.1
Cash flow from investing activities		
Acquisitions of property, plant and equipment and intangible assets	**–51.8**	–49.7
Proceeds from sale of property, plant and equipment and intangible assets	**0.2**	0.0
Acquisitions of Group companies	**0.0**	0.0
Acquisitions of other investments	**–177.0**	–104.9
Cash flow from investing activities (B)	**–228.6**	–154.7

EUR million 1.1.–31.12.	2019	2018
Cash flow from financing activities:		
Proceeds from issue of share capital	**15.6**	18.7
Purchase of treasury shares	**0.0**	0.0
Change in current financial receivables, increase (-) / decrease (+)	**15.0**	–1.7
Change in non-current financial receivables, increase (-) / decrease (+)	**–11.6**	–22.3
Change in current financial borrowings, increase (+) / decrease (-)	**–106.9**	109.1
Change in non-current financial borrowings, increase (+) / decrease (-)	**103.7**	–102.3
Group contributions paid	**8.4**	0.0
Dividends paid	**–218.1**	–214.2
Cash flow from financing activities (C)	**–193.8**	–212.7
Change in cash and cash equivalents, increase (+) / decrease (–) (A+B+C)	**–230.4**	90.8
Cash and cash equivalents at the beginning of the period	**398.6**	307.8
Effect of exchange rate fluctuations on cash held	**1.3**	
Cash and cash equivalents at the end of the period	**169.5**	398.6

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 valued at the lower of cost and net realisable value. Cost is determined on a first in - first out (FIFO) basis. In addition to the direct costs, an appropriate proportion of production overheads is included in the value of finished goods.

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 the change in deferred tax arising from temporary differences. The untaxed reserves are shown in full in the balance sheet, and the deferred tax liability is not recorded.

The deferred tax liability and assets are recorded as separate items and are based on the prevailing corporate tax rate.

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. NET SALES BY SEGMENTS AND MARKET AREAS

EUR million	2019	2018
Passenger Car Tyres	**493.4**	535.8
Heavy Tyres	**184.3**	172.0
Other	**0.0**	0.0
Total	**677.7**	707.8
Finland	**133.2**	133.4
Other Nordic countries	**199.4**	185.9
Baltic countries and Russia	**49.5**	48.9
Other European countries	**169.1**	186.6
North America	**115.4**	139.1
Other countries	**11.0**	13.9
Total	**677.7**	707.8

2. WAGES, SALARIES AND SOCIAL EXPENSES

EUR million	2019	2018
Wages and salaries	**52.5**	56.9
Pension contributions	**7.8**	9.0
Other social expenses	**1.6**	1.6
Total	**61.8**	67.5
Remuneration of the members of the Board of the Directors and the President on accrual basis	**1.2**	1.4
of which incentives	**0.0**	0.2

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	2019	2018
Total	**879**	842

3. DEPRECIATION

EUR million	2019	2018
Depreciation according to plan by asset category		
Intangible assets	**6.7**	5.1
Buildings	**2.4**	2.3
Machinery and equipment	**22.3**	21.6
Other tangible assets	**0.2**	0.2
Total	**31.6**	29.2
Depreciation by function		
Production	**21.5**	20.9
Selling and marketing	**1.3**	1.0
Administration	**4.9**	4.5
Other operating depreciation	**3.9**	2.8
Total	**31.6**	29.2

4. AUDITORS' FEES

EUR million	2019	2018
Authorized public accountants KPMG Oy Ab		
Auditing	**0.2**	0.1
Tax consulting	**1.0**	0.4
Other services	**0.1**	0.2
Total	**1.3**	0.7

5. FINANCIAL INCOME AND EXPENSES

EUR million	2019	2018
Dividend income		
From the Group companies	**177.3**	160.8
From others	**0.0**	0.0
Total	**177.3**	160.8
Interest income, non-current		
From the Group companies	**11.6**	10.8
From others	**0.0**	0.0
Total	**11.6**	10.8
Other interest and financial income		
From the Group companies	**6.6**	4.4
From others	**1.9**	0.4
Total	**8.5**	4.8
Exchange rate differences (net)	**-9.4**	-4.4
Write-off, long-term investments	**-60,0**	0,0
Interest and other financial expenses		
To the Group companies	**-4.2**	-4.9
To others	**32.9**	-1.6
Other financial expenses	**-0.5**	-0.5
Total	**28.2**	-7.0
Total financial income and expenses	**156.1**	164.9

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	2019	2018
Change in accumulated depreciation in excess of plan		
Intangible assets	-0.1	0.5
Buildings	-0.7	-0.6
Machinery and equipment	0.5	1.2
Other tangible assets	0.4	0.0
Total	0.2	1.2
Other appropriations		
Group contributions	6.6	15.0
Total	6.6	15.0
Total appropriations	6.7	16.2

7. INCOME TAX

EUR million	2019	2018
Direct tax for the year	-16.8	-22.4
Direct tax from previous years	113.7	0.0
Change in deferred tax	-	-
Total	96.9	-22.4

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 2019	60.1	3.6	0.9	75.1	462.8	5.3	31.1
Increase	0.4	0.0	0.0	0.0	21.8	0.0	45.7
Decrease	0.0	0.0	0.0	0.0	-11.1	0.0	0.0
Transfer between items	4.4	4.0	0.2	2.2	8.8	0.7	-26.5
Accumulated cost, 31 Dec 2019	64.9	7.6	1.1	77.3	482.2	6.0	50.2
Accum. depr. acc. to plan 1 Jan 2019	-45.0	-3.2	0.0	-38.0	-375.7	-3.9	0.0
Accum. depr. on disposals	0.0	0.0	0.0	0.0	1.1	0.0	0.0
Depreciations for the period	-5.9	-0.8	0.0	-2.4	-22.3	-0.2	0.0
Accum. depr. acc.to plan , 31 Dec 2019	-50.9	-4.1	0.0	-40.4	-396.8	-4.1	0.0
Carrying amount, 31 Dec 2019	14.0	3.5	1.1	36.8	85.4	1.9	50.2
Carrying amount, 31 Dec 2018	15.1	0.4	0.9	37.1	87.1	1.5	31.1
Accum. depreciation in excess of plan, 31 Dec 2019	2.7	0.1	-	11.6	19.6	0.1	
Accum. depreciation in excess of plan, 31 Dec 2018	2.9	0.1	-	12.3	19.1	-0.3	

9. INVESTMENTS

EUR million	Shares in Group companies	Investments in associates	Shares in other companies
Accumulated cost, 1 Jan 2019	254.5	4.3	0.6
Decrease	-3.5	-	-
Increase	180.1	-	-
Write-off	-60.0		
Accumulated cost, 31 Dec 2019	371.2	4.3	0.6
Carrying amount, 31 Dec 2019	371.2	4.3	0.6
Carrying amount, 31 Dec 2018	254.5	4.3	0.6

During the fiscal year two subsidiary mergers took place.

10. INVENTORIES

EUR million	2019	2018
Raw materials and supplies	**72.3**	73.1
Work in progress	**3.1**	2.7
Finished goods	**25.6**	30.3
Total	**101.0**	106.0

11. NON-CURRENT RECEIVABLES

EUR million	2019	2018
Loan receivables from the Group companies	**265.9**	254.7
Loan receivables from others	**0.6**	0.4
Total long-term receivables	**266.5**	255.1

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

12. CURRENT RECEIVABLES

EUR million	2019	2018
Receivables from the Group companies		
Trade receivables	**134.7**	138.4
Loan receivables	**122.4**	131.5
Accrued revenues and deferred expenses	**22.8**	23.6
Total	**279.9**	293.5
Trade receivables	**31.1**	31.6
Other receivables	**3.0**	4.3
Accrued revenues and deferred expenses	**14.9**	28.3
Total	**49.0**	64.2
Total short-term receivables	**328.9**	357.7
Significant items under accrued revenues and deferred expenses		
Financial items	**8.0**	28.4
Taxes	**6.6**	0.0
Social payments	**0.8**	0.6
Capital expenditure in factories	**0.6**	1.3
Goods and services rendered and not invoiced, subsidiary	**18.0**	18.8
Other items	**3.8**	2.9
Total	**37.7**	51.9

13. SHAREHOLDERS' EQUITY

EUR million	2019	2018
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	**222.6**	203.9
Emission gains	**15.6**	18.7
Paid-up unrestricted equity reserve, 31 December	**238.2**	222.6
Retained earnings, 1 January	**470.6**	473.1
Dividends to shareholders	**−217.7**	−213.7
Retained earnings, 31 December	**252.8**	259.4
Treasury shares	**−7.6**	−10.1
Profit for the period	**290.4**	211.2
Total non-restricted shareholders' equity	**773.9**	683.0
Total shareholders' equity	**981.8**	891.0
Specification of the distributable funds, 31 December		
Retained earnings	**252.8**	259.4
Treasury shares	**−7.6**	−10.1
Paid-up unrestricted equity reserve	**238.2**	222.6
Profit for the period	**290.4**	211.2
Distributable funds, 31 December	**773.9**	683.0

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, have been reported as treasury shares in the Consolidated Statement of Financial Position. On December 31, 2019, the number of these shares was 197,947. This number of shares corresponded to 0.14% of the total shares and voting rights in the company.

14. NON-CURRENT LIABILITIES

EUR million	2019	2018
Interest-bearing		
Loans from financial institutions	**103.3**	0.0
Total	**103.3**	103.3
Non-interest-bearing		
Accrued expenses and deferred revenues	**0.6**	0.2
Total	**0.6**	0.2
Total non-current liabilities	**103.9**	0.2

15. CURRENT LIABILITIES

EUR million	2019	2018
Interest-bearing		
Liabilities to the Group companies		
Finance loans	**172.6**	224.1
Total	**172.6**	224.1
Non-interest-bearing		
Liabilities to the Group companies		
Trade payables	**49.9**	48.8
Accrued expenses and deferred revenues	**17.1**	17.5
Total	**67.0**	66.2
Trade payables	**36.1**	38.4
Liabilities to the others	**1.8**	104.4
Accrued expenses and deferred revenues	**33.5**	187.4
Total	**71.4**	330.1
Total non-interest-bearing liabilities	**138.4**	396.4
Total current liabilities	**311.0**	620.5
Significant items under accrued expenses and deferred revenues		
Wages, salaries and social security contributions	**12.2**	12.5
Annual discounts, sales	**10.8**	5.8
Taxes	**0.0**	149.6
Financial items	**6.2**	12.5
Commissions	**8.3**	5.2
Goods received and not invoiced	**3.4**	1.2
Warranty commitments	**0.9**	0.8
Group contributions	**6.6**	15.0
Other items	**2.3**	2.3
Total	**50.6**	204.8

16. CONTINGENT LIABILITIES

EUR million	2019	2018
On behalf of Group companies and investments in associates		
Guarantees	**108.8**	80.4
The amount of debts and commitments mortgaged for total EUR 103.3 million (2018: EUR 72.7 million).		
On behalf of other companies		
Guarantees	**0.2**	0.2
Other own commitments		
Guarantees	**45.0**	43.5
Leasing and rent commitments		
Payments due in 2020	**2.2**	2.0
Payments due in subsequent years	**3.9**	5.7

17. DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	2019	2018
Interest rate derivatives		
Interest rate swaps		
Notional amount	**100.0**	200.0
Fair value	**–3.2**	–1.6
Foreign currency derivatives		
Currency forwards		
Notional amount	**463.8**	450.8
Fair value	**0.8**	–4.3
Currency options, purchased		
Notional amount	**20.3**	27.5
Fair value	**0.0**	0.3
Currency options, written		
Notional amount	**–**	37.6
Fair value	**–**	–0.2
Interest rate and currency swaps		
Notional amount	**75.0**	86.0
Fair value	**–2.7**	18.1
Electricity derivatives		
Electricity forwards		
Notional amount	**3.9**	4.8
Fair value	**0.9**	2.9

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 swaps will occur during the next five years and the cash flows of the electricity forwards during the three 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 2019.

CONSOLIDATED KEY FINANCIAL INDICATORS

Figures in EUR million unless otherwise indicated	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net sales	**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	1,058.1
growth, %	**0.0%**	1.5%	13.0%	2.3%	–2.1%	–8.7%	–5.7%	10.7%	37.7%	32.5%
Operating margin (EBITDA)	**441.7**	465.8	463.7	395.2	378.6	398.5	479.0	496.9	451.7	291.5
Depreciation and amortisation	**125.2**	93.4	98.3	84.7	82.6	89.8	93.5	81.9	71.6	69.4
Operating profit (EBIT)	**316.5**	372.4	365.4	310.5	296.0	308.7	385.5	415.0	380.1	222.2
% of net sales	**19.8%**	23.3%	23.2%	22.3%	21.8%	22.2%	25.3%	25.7%	26.1%	21.0%
Profit before tax	**336.7**	361.7	332.4	298.7	274.2	261.2	312.8	387.7	359.2	208.8
% of net sales	**21.1%**	22.7%	21.1%	21.5%	20.2%	18.8%	20.6%	24.0%	24.7%	19.7%
Return on equity, %	**24.6%**	20.0%	15.1%	18.7%	19.6%	16.0%	13.0%	25.2%	29.1%	20.0%
Return on capital employed, %	**17.6%**	23.3%	22.4%	19.9%	20.3%	19.2%	21.8%	24.3%	27.4%	19.9%
Total assets	**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	1,371.6
Interest-bearing net debt	**41.1**	–315.2	–208.3	–287.4	–209.7	–164.6	–56.4	–65.2	–3.6	0.7
Equity ratio, %	**75.9%**	71.0%	78.2%	73.8%	70.8%	67.5%	67.6%	71.2%	63.2%	68.4%
Gearing, %	**2.3%**	–21.2%	–14.2%	–19.7%	–16.9%	–13.6%	–4.1%	–4.5%	–0.3%	0.1%
Net cash from operating activities	**219.8**	536.9	234.6	364.4	283.4	323.4	317.6	388.7	232.9	327.2
Capital expenditure	**299.6**	226.5	134.9	105.6	101.7	80.6	125.6	209.2	161.7	50.5
% of net sales	**18.8%**	14.2%	8.6%	7.6%	7.5%	5.8%	8.3%	13.0%	11.1%	4.8%
R&D expenditure	**22.7**	20.8	21.8	20.3	18.7	16.6	16.1	16.9	15.1	12.7
% of net sales	**1.3%**	1.3%	1.4%	1.5%	1.4%	1.2%	1.1%	1.0%	1.0%	1.2%
Dividends (proposal)	**219.5**	218.1	214.2	208.0	202.0	193.5	193.3	191.9	156.6	83.8
Personnel, average during the year	**4,942**	4,790	4,630	4,433	4,421	4,272	4,194	4,083	3,866	3,338

PER SHARE DATA

Figures in EUR million unless otherwise indicated	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Earnings per share, EUR	**2.89**	2.15	1.63	1.87	1.80	1.56	1.39	2.52	2.39	1.34
growth, %	**78.1%**	32.4%	–13.0%	3.6%	15.1%	12.9%	–45.0%	5.4%	78.7%	186.9%
Earnings per share (diluted), EUR	**2.89**	2.14	1.61	1.86	1.80	1.56	1.39	2.46	2.32	1.32
growth, %	**35.2%**	32.5%	–13.2%	3.2%	15.0%	12.9%	–43.5%	5.8%	75.8%	168.2%
Cash flow per share, EUR	**3.89**	3.91	1.72	2.70	2.12	2.43	2.39	2.96	1.80	2.58
growth, %	**–0.7%**	127.2%	–36.3%	27.4%	–12.7%	1.4%	–19.2%	64.2%	–30.1%	66.0%
Dividend per share, EUR (proposal)	**1.58**	1.58	1.56	1.53	1.50	1.45	1.45	1.45	1.20	0.65
Dividend pay out ratio, % (proposal)	**54.9%**	73.9%	96.7%	82.6%	83.9%	92.9%	105.2%	58.0%	50.7%	49.4%
Equity per share, EUR	**12.76**	10.79	10.74	10.75	9.24	9.07	10.45	10.89	9.15	7.34
P/E ratio	**8.9**	12.5	23.3	19.0	18.4	13.0	25.2	11.9	10.4	20.5
Dividend yield, % (proposal)	**6.2%**	5.9%	4.1%	4.3%	4.5%	7.1%	4.2%	4.8%	4.8%	2.4%
Market capitalisation 31 December	**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	3,505.4
Adjusted number of shares during the year, average, million units	**138.17**	137.26	136.25	134.86	133.63	133.16	132.65	131.24	129.12	126.75
diluted, million units	**138.38**	138.14	137.28	135.56	133.74	135.10	137.62	137.39	135.70	132.96
Number of shares 31 December, million units	**138.72**	137.79	136.75	135.68	134.39	133.17	133.29	131.96	129.61	127.70
Number of shares entitled to a dividend, million units	**138.92**	138.07	137.28	135.93	134.69	133.47	133.34	132.32	130.50	128.85

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

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

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

Dividend policy

Nokian Tyres' dividend policy for 2019–2021 is to distribute a dividend above 50% of net earnings.

Stock options 2013 directed at personnel

The Annual General Meeting held on April 11, 2013 decided to issue stock options to the personnel of the Nokian Tyres Group and the wholly owned subsidiary of Nokian Tyres plc. A deviation was made from the shareholders' pre-emptive subscription right because the stock options were designed to be part of the Group's incentive and commitment program.

The stock option 2013 program has been defined as follows:

The purpose of the stock options is to encourage the personnel to work on a long-term basis to increase shareholder value. The maximum total number of stock options issued will be 3,450,000 and they will be issued gratuitously. Of the stock options, 1,150,000 are marked with the symbol 2013A, 1,150,000 are marked with the symbol 2013B, and 1,150,000 are marked with the symbol 2013C.

The stock options entitle their owners to subscribe for a maximum total of 3,450,000 shares in the Company or existing shares held by the Company. The stock options issued can be exchanged for shares constituting a maximum total of 2.5% of all of the Company's shares and votes of the shares, after the potential share subscription, if new shares are issued in the share subscription.

The share subscription price for stock option 2013A is the trade volume weighted average quotation of the Company's share on Nasdaq Helsinki between January 1 and April 30, 2013, i.e. EUR 32.26, for stock option 2013B, the trade volume weighted average quotation of the share on Nasdaq Helsinki between January 1 and April 30, 2014, i.e. EUR 29.54, and for stock option 2013C, the trade volume weighted average quotation of the share on Nasdaq Helsinki between January 1 and April 30, 2015, i.e. EUR 24.42. The share subscription price will be credited to the reserve for invested unrestricted equity.

If the company distributes dividends or similar assets from the reserves of unrestricted equity, the amount of the dividend or distributable unrestricted equity shall be deducted from the share's subscription price of the stock options and decided after the beginning of the period for the determination of the share subscription price but before share subscription, as per the dividend record date or the record date of the repayment of equity.

The share subscription period:

May 1, 2015–May 31, 2017 for stock options 2013A
May 1, 2016–May 31, 2018 for stock options 2013B
May 1, 2017–May 31, 2019 for stock options 2013C

As a result of the subscriptions with the 2013 stock options, the number of shares in Nokian Tyres plc may increase by a maximum of 3,450,000 new shares. The share subscription price shall be credited to the paid-up unrestricted equity reserve. A share ownership plan is incorporated into the 2013 stock options, obliging the Group's senior management to acquire the Company's shares with a proportion of the income gained from the stock options.

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

Stock options listed on the main list of Nasdaq Helsinki Oy

The share subscription period for stock options 2013C ended in May 2019. The total number of stock options 2013C was 1,150,000. Each stock option 2013C entitled its holder to subscribe to one share in Nokian Tyres plc.

NUMBER OF SHAREHOLDERS ON DECEMBER 31, 2019

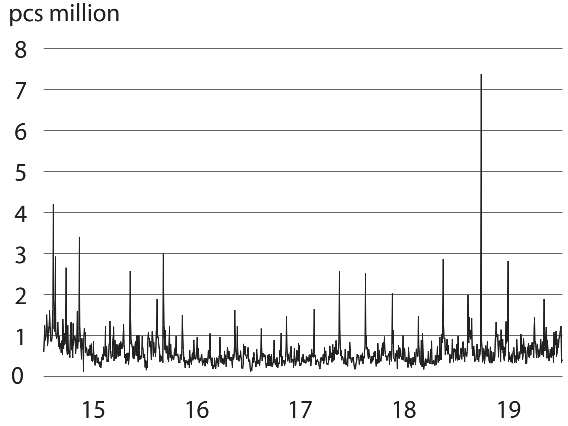
Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1–100	26,203	48.5	1,278,325	0.9
101–500	18,954	35.1	4,881,327	3.5
501–1,000	4,590	8.5	3,562,696	2.6
1,001–5,000	3,625	6.7	7,544,432	5.4
5,001–10,000	380	0.7	2,747,221	2.0
10,001–50,000	240	0.4	4,982,042	3.6
50,001–100,000	37	0.1	2,563,971	1.8
100,001–500,000	21	0.0	4,957,458	3.6
500,001–	17	0.0	106,404,278	76.6
Total	**54,067**	**100**	**138,921,750**	**100**

SHAREHOLDER STRUCTURE ON DECEMBER 31, 2019

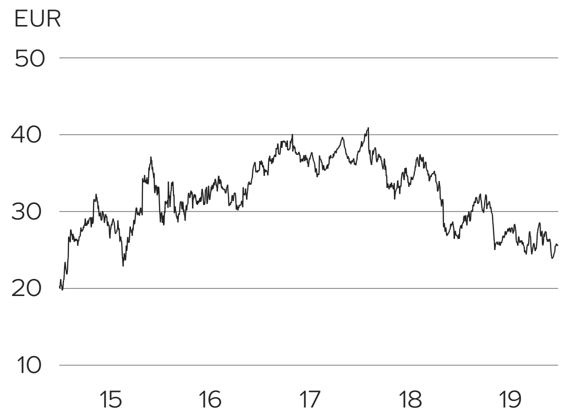
	Number of shares	% of share capital
Nominee registered and non-Finnish holders	90,426,673	65.09
Households	19,071,922	13.73
General Government	14,079,977	10.14
Financial and insurance corporations	6,427,203	4.63
Non-profit institutions	5,066,377	3.65
Corporations	3,849,598	2.77
Total	**138,921,750**	**100**

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

SHARE TRADING VOLUMES ON NASDAQ HELSINKI JAN 1, 2015–DEC 31, 2019

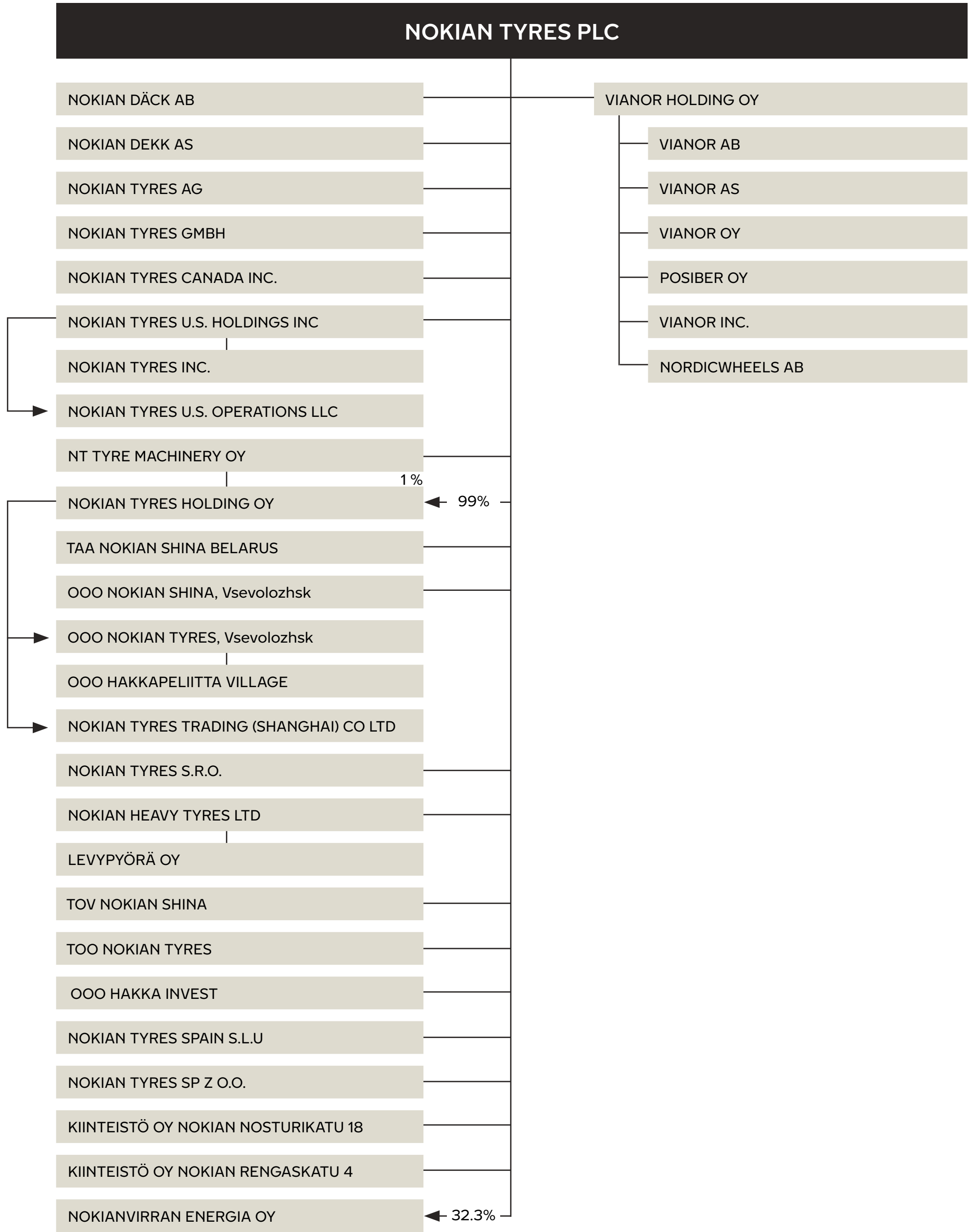


SHARE PRICE DEVELOPMENT ON NASDAQ HELSINKI JAN 1, 2015–DEC 31, 2019



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, 4 February 2020

Petteri Walldén

Veronica Lindholm

Heikki Allonen

Inka Mero

Raimo Lind

George Rietbergen

Kari Jordan

Pekka Vauramo

Hille Korhonen
CEO

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 31 December 2019. 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 1,595.8 thousand, 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 498.3 million in the consolidated statement of financial position as at 31 December 2019. • 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 recognising 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 are derived from Russia, and the exchange rate between Euro and Rouble may fluctuate significantly. • The Group has invested in a production plant in the United States of America. The investment project and related financing arrangements are carried out in US dollars by a subsidiary. • 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 centralised 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 21 February 2020
KPMG OY AB

LASSE HOLOPAINEN
Authorised Public Accountant, KHT

CORPORATE GOVERNANCE STATEMENT

I Introduction

During 2019 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, 2016 (the "Corporate Governance Code 2015"). As of January 1, 2020 Nokian Tyres follows 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 2015 and 2020 are available in their 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.

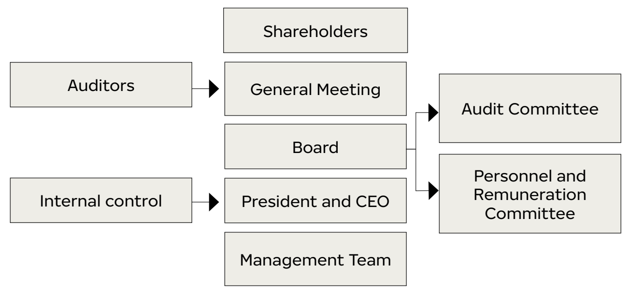
The Company publishes its Corporate Governance Statement as a separate document and as part of the annual report. The statement also includes a Report of the Salaries and Remuneration, which has been prepared in accordance with the Corporate Governance Code 2015 as permitted by applicable laws and the Corporate Governance Code 2020. The statement is 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 and its subsidiaries form the Nokian Tyres Group. The administrative bodies of the parent company Nokian Tyres plc, i.e. the General Meeting, Board of Directors and 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 Board of Directors appoints the Company's President and CEO. The President and CEO is assisted by the 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 2015 and 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 2019 took place on 9 April 2019 at the Tampere Hall in Tampere. The meeting confirmed the consolidated financial statements, discharged the Board members and the President and CEO from liability for the fiscal year 2018 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 2020 will take place on 2 April 2020 at 4:00 p.m. in Tampere.

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 and business unit level strategies
- 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 and a Personnel and Remuneration Committee.

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 eight members. The proposal regarding the composition of the Board for the General Meeting is prepared by the Personnel and Remuneration Committee. 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. The Board of Directors appoints a Chairman and a Deputy Chairman from among its members. 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 9 April 2019 elected 8 Board members. All the Board members, Heikki Allonen, Kari Jordan, Raimo Lind, Veronica Lindholm, Inka Mero, George Rietbergen, Pekka Vauramo and Petteri Walldén were re-elected. In the constituent meeting held after the Annual General Meeting, the Board appointed Petteri Walldén as its Chairman and Kari Jordan as the Deputy Chairman.

Petteri Wallden, Chairman of the Board (b. 1948)
Member of the Board since 2005. Member of the Personnel and Remuneration Committee.

Education: Master of Science (Technology)
Full-time position: CEO, Wapiti Oy

Key experience:
2007–2010 Alteams Oy, President and CEO;
2001–2005 Onninen Oy, President and CEO;
1996–2001 Ensto Oy, President and CEO;
1990–1996 Nokia Kaapeli Oy, President and CEO;
1987–1990 Sako Oy, President and CEO.

Key positions of trust:
Chairman of the Board: Savonlinna Opera Festival
Deputy Chairman of the Board: Tikkurila Oyj
Member of the Board: Alteams Oy and Componenta Corporation

Kari Jordan, Deputy Chairman of the Board (b. 1956)
Member of the Board since 2018. Chairman of the Personnel and Remuneration Committee.

Education: Master of Science (Economics), Vuorineuvos (Finnish honorary title)
Full-time position: Chairman of the Board, Outokumpu Oyj

Key experience:
2006–2018 Metsä Group, President and CEO;
2004–2017 Metsäliitto Cooperative, CEO;
1981–2004 Several management 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)
Full-time position: CEO, Hemmings Oy Ab

Key experience:
2016– Hemmings Oy Ab, President and CEO;
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 Oy, Member of the Board of Management;
1991–1992 Metra Oy Ab, VP of Development;
1986–1991 Oy Lohja Ab, VP, Corporate Development and Planning.

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

Raimo Lind (b. 1953)
Member of the Board since 2014. Chairman of the Audit Committee.

Education: Master of Science (Economics)
Full-time position: 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 Service division, Vice president, Wärtsilä Singapore Ltd, MD, Diesel division, VP Group Controller, Wärtsilä.

Key positions of trust:
Chairman of the Board: Nest Capital
Member of the Board: Nordkalk Oy and HiQ AB

Veronica Lindholm (b. 1970)
Member of the Board since 2016. Member of the Personnel and Remuneration Committee.

Education: Master of Science (Economics)
Full-time position: Professional board member

Key experience:
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.

Inka Mero (b. 1976)
Member of the Board since 2014. Member of the Audit Committee.

Education: Master of Science (Economics).
Full-time position: Managing Partner & Founder, Voima Ventures VC Fund

Key experience:
2019– Voima Ventures I & II VC Fund, Managing Partner & Founder;
2016–2019 Pivot5 Oy (Industryhack Oy), Co-founder and Chairwoman;
2008–KoppiCatch 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 and Voima Ventures Oy
Member of the Board: Fiskars Corporation Plc, Dispelix Oy, Infinited Fiber Company Oy, Elfys Oy, Tactotek Oy and Klevu Oy

George Rietbergen (b. 1964)
Member of the Board since 2017.

Education: Master of Business Administration
Full-time position: 5Square Committed Capital, Partner

Key experience:
2017– 5Square Committed Capital, Partner;
2016–2017 Nokian Tyres plc, Advisor to the Board;
2015–2016 Arriva Netherlands, COO;
2013–2015 Goodyear Dunlop Tyres, Group Managing Director, DACH, Germany;
2012–2013 Goodyear Dunlop Tyres, Vice President, Commercial Tires, EMEA Belgium;
2010–2012 Goodyear Dunlop Tyres, Group Managing Director, UK & Ireland UK;
2005–2010 Goodyear Dunlop Tyres, General Manager, Benelux Netherlands;
2001–2005 Goodyear Dunlop Tyres, Director Retail and E-Business EMEA, Netherlands;
1999–2001 KLM Royal Airlines, Director of Ebusiness.

Pekka Vauramo (b. 1957)
Member of the Board since 2018. Member of the Audit Committee.

Education: Master of Science (Technology)
Full-time position: Metso Corporation, President and CEO

Key experience:
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 2015 and 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, 2019
Petteri Walldén, chairman	22,322
Kari Jordan, deputy chairman	2,104
Heikki Allonen, member	2,595
Raimo Lind, member	4,955
Veronica Lindholm, member	2,595
Inka Mero, member	3,988
George Rietbergen, member	1,932
Pekka Vauramo, member	1,402
Total	41,893

The Board members' attendance at meetings
The Board convened a total of 11 times in 2019.

Attendance at meetings by the Company's Board members in 2019	Attendance/ meetings
Petteri Walldén, chairman	11/11
Kari Jordan, deputy chairman	11/11
Heikki Allonen, member	11/11
Raimo Lind, member	10/11
Veronica Lindholm, member	11/11
Inka Mero, member	11/11
George Rietbergen, member	10/11
Pekka Vauramo, member	10/11

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 will be monitored by the Personnel and Remuneration Committee in its self-assessment discussion.

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 2019, 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 Company 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 General Meeting on the members to be appointed to the Board of Directors and the remuneration to be paid to the Board members. In addition, the 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 will as of 1 January 2020 include the preparation of remuneration policy and 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.

The committee receives access to the information regarding factors affecting the assessment of the independence of new member candidates and the results from the assessment of the Board's work.

In 2019, the members of the Personnel and Remuneration Committee were Kari Jordan (Chairman), Veronica Lindholm, and Petteri Walldén.

The committee assembled 5 times in 2019.

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, and risk management 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 will handle 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 2019, the members of the Audit Committee were Raimo Lind (Chairman), Heikki Allonen, Inka Mero, and Pekka Vauramo. The Company's chief auditor participates in the committee's meetings.

The committee assembled 5 times in 2019.

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 2019

	Personnel and Remuneration Committee	Audit Committee
Petteri Walldén	5/5	
Kari Jordan	5/5	
Heikki Allonen		5/5
Raimo Lind		4/5
Veronica Lindholm	5/5	
Inka Mero		5/5
George Rietbergen		
Pekka Vauramo		4/5

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, Lic. Sc. (Tech) has been working as the Company's President and CEO since June 1, 2017.

Hille Korhonen (b. 1961)

Education: Licentiate of Science (Technology)
Position: President and CEO June 1, 2017–

Key experience:
2013–5/2017 Alko Oy, President and CEO;
2008–2012 Fiskars Corporation, Vice President, Operations;
2003–2007 Iittala, Group Director, Operations;
1996–2003 Nokia Corporation, Management duties for logistics;
1993–1996 Outokumpu Copper Plc, Manager, Logistics and Marketing Development.

Key positions of trust: -

Nokian Tyres holdings of the President and CEO and controlled corporations, December 31, 2019

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

Other management

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 service 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, 2019

	Year of birth	Education	Number of shares
Päivi Antola Corporate Communications & Investor Relations	1971	Master of Arts, CEFA	1,264
Tytti Bergman People & Culture	1969	Master of Science (Economics and Business Administration)	2,996
Mark Earl Americas Business Area	1960	BS in Business Administration, Computer Science	5,180
Esa Eronen Supply Chain & Sustainability	1957	Technology Engineer	19,139
Anna Hyvönen Nordics Business Area and Vianor Business Unit	1968	Licentiate of Science (Technology)	21,715
Teemu Kangas-Kärki Finance	1966	Master of Science (Economics and Business Administration)	7,014
Jukka Kasi Products & Marketing	1966	Master of Science (Technology)	4,420
Bahri Kurter Central Europe Business Area	1966	Master of Arts (Economics)	-
Andrei Pantioukhov Russia and Asia Business Area	1972	Master of Business Administration	69,359
Manu Salmi Nokian Heavy Tyres Business Unit	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
Susanna Tusa Legal & Compliance	1972	Master of Laws, Master of International Business	6,546
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 the Passenger Car Tyres, Heavy Tyres, and Vianor business units. The Passenger Car Tyres is further divided into the Americas, Europe, Nordics and Russia and Asia business areas. Heavy Tyres and the Passenger Car Tyres business areas are responsible for their own operations, financial results, risk management, balance sheet and investments, supported by the different service functions. The Group's sales companies serve as product distribution channels in local markets. The tire retail chain is organized into a sub-group. The tire outlets operating in different countries are part of the sub-group.

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 and Control unit is responsible for internal and external accounting; its tasks include 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 and Control unit 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 and Control unit 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 for all of those who need them, 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 shortcomings or failures in employee safety or environmental management systems.

The most significant risks related to Nokian Tyres' business are the country risks related to the Russian business environment and other risks of change within the operating environment, risks related to products and product development, production outage risks, currency and credit risks, and tax risks. Due to the Company's product strategy, interruption risks that are related to marketing and logistics may also have a significant impact on peak season sales. The risk analysis conducted in 2019 also focused special attention on corporate social responsibility risks, the most significant of which are related to the Company reputation and product quality. 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 in order 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 support 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 functions. 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 development of processes, compliance and control, and in Internal Audit planning. The Company's Board of Directors discusses the most significant risks annually in connection with the strategic process.

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 business operations and functions 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 CFO and Management of the Company. The Company's Board of Directors follows and monitors the efficiency of the Internal Audit.

In 2019, Internal Audit focused on assessing, among other things, the operations and risks of various business areas and country organizations, corporate governance arrangements, risk management arrangements and instructions, corporate sustainability and information security matters as well as specific misconduct risks and cases. The Internal Audit function at Vianor focuses on guiding the retail outlets and ensuring conformity to the Vianor activity management system. It reports to the Internal Auditor of the Group and 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 arms-length terms, such transactions shall be handled by the Audit Committee and approved by the Board and provided in the annual report 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 and the duties it entails, as well as the termination of the list's maintenance. Separate instructions are available for the establishment of a project-specific list of insiders.

The Company draws up a separate list of people in executive positions and their related persons. In 2019, 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 directors of the business areas in 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 executive 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, drawing up, 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 will check 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 2019 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 2019 amounted to EUR 451,290 (2018: 411,326). The fees paid to the authorized public accountants for other services totaled EUR 1,146,556 (2018: 827,885).

SALARIES AND REMUNERATIONS 2019

The Salaries and Remunerations report 2019 has been done according to the Finnish Corporate Governance Code 2015. A new Remuneration Policy will be prepared according to the Shareholders Rights Directive and Corporate Governance Code 2020 and will be submitted to Annual General Meeting for adoption in 2020.

A. Decision-making mechanism for remuneration

Each year, the Annual General Meeting decides on the remuneration payable to the Board members on the basis of a proposal drawn up by the Personnel and Remuneration Committee.

The Board of Directors decides on the salary, benefits, and short and long-term incentives of the President and CEO as well as the rest of the Group Management Team. The Personnel and Remuneration Committee prepares the above-mentioned matters for the Board to decide on, while using external experts when necessary.

In 2019, the Annual General Meeting authorized the Board of Directors to resolve to repurchase of a maximum of 5,000,000 of the company's own shares using funds from the Company's unrestricted equity. This authorization is valid until the next Annual General Meeting, but however at most until June 30, 2020. The Board may also use these shares as incentives.

B. General principles for remuneration

Remuneration of the Board members

The Board members receive an annual fee and a meeting fee for the meetings of the Board and its committees. Travel costs are compensated according to the company's travel policy. 50% of the annual fee is paid in cash and 50% is paid in shares of the company that are purchased for the Board members in April following the Annual General Meeting. The company is responsible for any asset transfer tax.

The Annual General Meeting in 2019 decided on the following fees for Board members:

- Annual fee for chairman, EUR 90,000
- Annual fee for deputy chairman and for the chairman of the Audit Committee, EUR 67,500
- Annual fee for member, EUR 45,000
- Meeting fee EUR 600/attended meeting/person, or if the member of the board is living outside of Finland, EUR 1,200/attended meeting/person.

Board members are not included in the company's option or share incentive plans.

Remuneration of the President and CEO

The Board of Directors decides on the salary, incentives and other benefits of the President and CEO.

The remuneration consists of a base salary, fringe benefits, short-term incentive based on annually defined performance criteria and the share-based long-term incentive plans.

The total annual base salary for the President and CEO, Hille Korhonen, has been set at EUR 693,240 including fringe benefits such as car and phone benefit.

Short-term and long-term incentive plans

The President and CEO's short-term performance-related incentive is based on the Group's profit and net sales, and it may amount to a maximum of 100% of the annual base salary. The performance period is one year and the possible reward is paid out in the first half of the year following the performance period.

The President and CEO's long-term incentive consists of share incentive plans. The performance criteria for the share incentive plans in force at any given time can be found under Long-term incentive plans for key personnel. The maximum LTI award opportunities are set forth in Table 1.

Pensions and information regarding the termination of the employment

The President and CEO's age of retirement is set by written agreement at 65 years. The pension is 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 2019 was EUR 132,048.

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.

Remuneration the Group Management Team

The Board approves the salaries, benefits and the incentive plans of the Group Management Team based on the proposal by the Personnel and Remuneration Committee.

The remuneration of the Group's Management Team consists of a base salary and fringe benefits, such as phone and car benefits; depending on local practice, the fringe benefits are either included in the base salary or paid in addition to it, a short-term incentive based on annually defined performance criteria, and a share-based long-term incentive plan.

The salaries of the management team members (excluding the President and CEO) were in total EUR 3,121,389 in 2019 (EUR 2,580,611 in 2018), and the short-term incentives amounted to a total of EUR 569,943 in 2019 (EUR 753,063 in 2018).

Short-term and long-term incentive plans

The performance criteria for the short-term incentive plan for 2019 were Group's operating profit and net sales growth, as well as the achievement of the financial and strategic goals set for respective business or function of each Management Team member. The business and function specific goals consist of e.g. profitable growth, net sales, and the efficiency of the operative process. The main performance criteria will remain the same for 2020.The maximum short-term incentive corresponds to 60–70% of a Group Management Team member's annual base salary. The performance period is one year and the possible reward is paid out in the first half of the year following the performance period.

The Group Management Team members are eligible for long-term incentive plans. Details of long-term incentive plans are presented in Incentive plans for key personnel. The target LTI award opportunities are set forth in Table 1.

Pensions and information regarding the termination of the employment

The Group Management Team members are eligible for a separate defined contribution pension. The annual contributions to this plan are 5–15% of annual base salary for each Group Management Team member depending on their home country practices. Group Management Team members are eligible for the paid contributions after 3 years continuous employment with the company. Retirement age has been set to 63 years. Terms and conditions of supplementary Pension may vary between countries.

A management team member's notice period is 6 months when terminated by the company and 3 months when terminated by the management team member. If the employment is terminated due to a reason attributable to the company, the management team member is entitled to maximum 6 month's salary and 6 month's Severance payment.

Long-term Incentive plans for key personnel

Option scheme 2013

The Annual General Meeting held in 2013 decided on the issue of stock options as part of the Group's incentive and commitment system for personnel. The system also covers persons employed or recruited by the Group at a later date. The Board distributed the options in the spring of 2013 (options 2013A), 2014 (2013B), and 2015 (2013C). The subscription period of 2013C options ended on 31 May 2019. There are no outstanding options.

Performance Share Plan 2016

In the spring of 2016, the Board of Nokian Tyres plc decided to update the Group's incentive schemes. The update aimed to clarify and improve the schemes and to offer a competitive rewards system for all personnel.

The purpose of Nokian Tyres' share-based incentive system was to harmonize the goals of the owners and key personnel in order to increase the value of the company in the long term, and to commit key personnel to the company. The share rewards system covered some 5% of the Group's personnel, including the management team members.

The share rewards system had three one-year performance periods for the calendar years 2016, 2017, and 2018. The company's Board decided separately on each performance period for the system and set the performance criteria, and the goals for each criterion, at the beginning of the performance period. The performance criteria for performance period 2018 were the Group's operating profit and net sales.

The rewards based on the performance period 2018 were paid in 2019 and corresponded to a total of 146,000 gross shares. The rewards were paid partially in shares and partially in money. The monetary reward was intended to cover the taxes and tax-like charges incurred on the key person. For shares paid on the basis of the performance period 2018, the restriction period will end on 31 March 2020.

Performance Share Plan 2019 and Restricted Share Plan 2019

In February 2019, the Board of Nokian Tyres plc decided to establish 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) as the main structure and a Restricted Share Plan (RSP) as a complementary structure for specific situations.

The purpose of the share-based incentive plans is to harmonize the goals of the Company's owners and key personnel in order to increase the value of the Company in the long term, to commit key personnel to the Company and its strategic target and to offer a competitive rewards system for personnel. The Performance Share Plan is targeted to the President and CEO, Group Management Team members and other key employees.

The Performance Share Plan 2019 consists of annually commencing three year performance periods after which the possible reward is deliver to participants. The company's Board will decide separately on each performance period and set the performance criteria at the beginning of the earnings period.

A member of the Group's Management Team must own 25% of the gross total number of shares earned through the system, up to the point where the total value of their share ownership is equal to their gross annual salary. They must own this number of shares for as long as they are involved in the Group's Management Team.

Performance Period 2019–2020 and Performance Period 2019–2021

The first plan (PSP 2019–2021) commenced effective as of the beginning of 2019 and the potential share reward thereunder will be paid in the first half of 2022 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.

In addition to the 3 year performance period (PSP 2019–2021), a separate one-time 2 year performance period (PSP 2019–2020) commenced in 2019 in order to bridge the previous two year PSP 2018 and three year PSP 2019–2021. Potential share reward thereunder will be paid in the first half of 2021 provided that the performance targets set by the Board of Directors are achieved.

The potential share reward payable under the PSP 2019–2020 and PSP 2019–2021 are based on the Earning Per Share (EPS) growth and Return on Capital Employed (ROCE). The possible rewards paid based on the performance period of 2019–2020 correspond to a maximum of 580,000 gross shares and based on the performance period of 2019–2021 to a maximum of 535,000 gross shares.

Performance Period 2020–2022

In February 2020, the Board of Nokian Tyres plc decided continue the Performance Share Plan for a new performance period for the years 2020–2022. The 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.

The potential share reward payable under the PSP 2020–2022 is based on the Earning Per Share (EPS) growth and Return on Capital Employed (ROCE). The possible rewards paid based on the performance period of 2020–2022 correspond to a maximum of 569,260 gross shares.

Table 1. Long-term incentives

	Performance share plan 2019–2020 and 2019–2021		
	Performance period 2019–2020 (target)	**Performance period 2019–2021 (target)**	**Performance period 2020–2022 (target)**
President and CEO	125%	125%	125%
Other management team	50%–130%	50%–125%	50%–100%
	Maximum share award level is defined as % of the annual salary, max is 2 x target.		Maximum share award level is defined as % of the annual salary, max is 2 x target.

Restricted Share Plan 2019–2021

The Restricted Share Plan (RSP) consists of annually commencing restricted share plans, each with a three-year vesting period after which the allocated share rewards will be delivered to the participants provided that their employment with Group continues until the delivery date of the share rewards. The commencement of each new plan is subject to a separate approval by the Board.

The RSP 2019–2021 commenced at the beginning of 2019 and potential share rewards will be delivered in the first half of 2022. The possible rewards paid based on the Restricted Share Plan 2019–2021 correspond to a maximum of 70,000 gross shares.

Restricted Share Plan 2020–2022

In February 2020, the Board of Nokian Tyres plc decided to continue the Restricted Share Plan and the RSP 2020–2022 will commence at the beginning of 2020. Potential share rewards will be delivered in the first half of 2023. The possible rewards paid based on the Restricted Share Plan 2020–2022 correspond to a maximum of 120,000 gross shares.

C. Remuneration statement

Board of Directors

The remuneration paid to the Board members, the number of shares purchased, and the meeting fees for the Board and the committees are presented in the table below.

Table 2. Remuneration paid to the Board members in 2019 (cash basis)

	Position on the Board	Fixed annual fee, €*	Meeting remuneration fees, €	Committee meeting remuneration fees, €	Total remuneration fees, €	Shares acquired with a fixed annual fee, number of shares	Share holdings of the Board, number of shares
Petteri Walldén	Chairman	90,000	6,600	4,800	101,400	1,457	22,322
Kari Jordan	Deputy Chairman, Chairman of the Personnel and Remuneration Committee	67,500	6,600	4,200	78,300	1,093	2,104
Heikki Allonen	member	45,000	6,600	3,000	54,600	728	2,595
Raimo Lind	Chairman of the Audit Committee	67,500	6,000	3000	76,500	1,093	4,955
Veronica Lindholm	member	45,000	6,600	4,800	56,400	728	2,595
Inka Mero	member	45,000	6,600	3,000	54,600	728	3,988
George Rietbergen	member	45,000	9,600		54,600	728	1,932
Pekka Vauramo	member	45,000	6,000	2,400	53,400	728	1,402
Total		450,000			529,800	7,283	41,893

* 50% of the annual remuneration to be paid in cash and 50% in company shares

President and CEO and management team

Table 3: Salaries and financial benefits paid to the President and CEO and the company's other management team members in 2019 (cash basis)

	Annual salary, € (including fringe benefits)	Performance based bonuses, € (based on year 2018)	Severance payment, €	Total value of share-based bonus, €*	Total, €	Share-based bonus paid in shares, number of shares
President and CEO	693,240	189,948		479,799	1,362,987	6,971
Other members of the management team	3,121,389	569,943	183,665	1,706,317	5,397,649**	31,962

* According to the stock exchange price of the assignment date of March 5, 2019 / September 2, 2019 the payment for the performance period of 2018 of the share-based incentive plan
** Excluding Severance payment

BOARD OF DIRECTORS January 1, 2020 | More details at www.nokiantyres.com/board-of-directors

PETTERI WALLDÉN

- b. 1948
- Master of Science (Technology)
- CEO, Wapiti Oy
- Member of the Board since 2005, Chairman of the Board
- Member of the Personnel and Remuneration Committee
- Independent of the company
- Shares: 22,322

KARI JORDAN

- b. 1956
- Master of Science (Economics), Vuorineuvos (Finnish honorary title)
- Chairman of the Board, Outokumpu Oyj
- Member of the Board since 2018, Deputy Chairman of the Board
- Chairman of the Personnel and Remuneration Committee
- Independent of the company
- Shares: 2,104

HEIKKI ALLONEN

- b. 1954
- Master of Science (Technology)
- CEO, Hemmings Oy Ab
- Member of the Board since 2016
- Member of the Audit Committee
- Independent of the company
- Shares: 2,595

RAIMO LIND

- b. 1953
- Master of Science (Economics)
- Professional board member
- Member of the Board since 2014
- Chairman of the Audit Committee
- Independent of the company
- Shares: 4,955

VERONICA LINDHOLM

- b. 1970
- Master of Science (Economics)
- Professional board member
- Member of the Board since 2016
- Member of the Personnel and Remuneration Committee
- Independent of the company
- Shares: 2,595

INKA MERO

- b. 1976
- Master of Science (Economics)
- Managing Partner & Founder, Voima Ventures VC Fund
- Member of the Board since 2014
- Member of the Audit Committee
- Independent of the company
- Shares: 3,988

GEORGE RIETBERGEN

- b. 1964
- Master of Business Administration
- 5Square Committed Capital, Partner
- Member of the Board since 2017
- Independent of the company
- Shares: 1,932

PEKKA VAURAMO

- b. 1957
- Master of Science (Technology)
- President and CEO, Metso Corporation
- Member of the Board since 2018
- Member of the Audit Committee
- Independent of the company
- Shares: 1,402

MANAGEMENT TEAM January 1, 2020 | More details at www.nokiantyres.com/management

HILLE KORHONEN

- b. 1961
- President and CEO
- Licentiate of Science (Technology)
- Member of the Board 2006–2017, member of management team and President and CEO since 2017

ANDREI PANTIOUKHOV

- b. 1972
- Executive Vice President, Nokian Tyres plc and General Manager, Russia and Asia business area
- 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

TYTTI BERGMAN

- b. 1969
- People and Culture
- Master of Science (Economics and Business Administration)
- With the company and a member of management team since 2018

MARK EARL

- b. 1960
- Americas Business Area
- Bachelor of Sciences in Business Administration, Computer Science
- With the company and a member of management team since 2018

ESA ERONEN

- b. 1957
- Supply Chain and Sustainability
- Technology Engineer
- With the company since 1988 and a member of management team since 2001

ANNA HYVÖNEN

- b. 1968
- Nordics Business Area and Vianor Business Unit
- Licentiate of Science (Technology)
- With the company and a member of management team since 2016

TEEMU KANGAS-KÄRKI

- b. 1966
- Finance
- Master of Science (Economics and Business Administration)
- With the company and a member of management team since 2018

JUKKA KASI

- b. 1966
- Products and Marketing
- Master of Science (Technology)
- With the company and a member of management team since 2018

BAHRI KURTER

- b. 1966
- Central Europe Business Area
- Master of Arts (Economics)
- With the company and a member of management team since 2019

MANU SALMI

- b. 1975
- Nokian Heavy Tyres Business Unit
- Master of Military Sciences, Master of Science (Economics and Business Administration), Master of Business Administration
- With the company since 2001 and a member of management team since 2008

TIMO TERVOLIN

- b. 1977
- Strategy and M&A
- Master of Science (Technology), Master of Science (Economics and Business Administration)
- With the company and a member of management team since 2016

FRANS WESTERLUND

- b. 1966
- IT and Processes
- Master of Science (Economics and Business Administration)
- With the company and a member of management team since 2017

ANTTI-JUSSI TÄHTINEN Marketing
Member of the management team until September 2019

SUSANNA TUSA General Council
Member of the management team until December 2019

INVESTOR INFORMATION AND INVESTOR RELATIONS

Annual General Meeting 2020

The Annual General Meeting of Nokian Tyres plc will be held at Tampere-talo in Tampere, Finland, street address Yliopistonkatu 55, on April 2, 2020, at 4 p.m. The reception of persons who have registered for the meeting and coffee service prior to the meeting will begin at the meeting venue at 2:30 p.m. on the day of the meeting.

More details: www.nokiantyres.com/annualgeneralmeeting2020.

Dividend payment

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 1.58 per share for the financial year 2019, representing a payout ratio of 54.9%.

Stock exchange releases

Stock exchange releases are available in Finnish and English at www.nokiantyres.com/investors immediately after publication. Stock exchange releases can be subscribed at www.nokiantyres.com/company/publications/order-releases/.

Financial reports in 2020

- January–March: May 5, 2020
- January–June: August 4, 2020
- January–September: October 27, 2020

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.

Investor relations pages on the web

Nokian Tyres' investor relations pages at www.nokiantyres.com/investors contain a share monitor, information about Nokian Tyres' largest shareholders registered in Finland, presentations and reports, among others.

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.

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.

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

Anne Aittoniemi, Financial Communications Specialist
Tel. +358 10 401 7641

Address:

Nokian Tyres plc
P.O. Box 20
(Visiting address: Pirkkalaistie 7)
FI–37101 Nokia

www.nokiantyres.com