FINANCIAL REVIEW 2022

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THIS IS NOKIAN TYRES

Nokian Tyres develops and manufactures premium tires for people who value safety, sustainability, and predictability. Our products are used in millions of passenger cars, trucks, and heavy machinery each day. We have for decades safeguarded people's lives and are committed to continuing this effort through even safer, smarter and more sustainable driving.

Nokian Tyres' business is divided into three units: Passenger Car Tyres, Heavy Tyres and Vianor, which is our chain of tire and car service centers. Our manufacturing plants are located in Finland and the US. In 2022, we decided to sell our Russian operations due to the changes in the operating environment, and started to build a new production site in Romania, where commercial tire production is expected to start in 2025.

Nokian Tyres is the inventor of the winter tire. The diverse portfolio of winter tires is complemented with summer, all-weather, and all-season tires. Our core markets are the Nordic countries, where we are the market leader in premium tires, as well as North America and Central Europe. Nokian Tyres products are sold in approximately 60 countries.

The premium quality, safety and eco-friendliness of our tires is based on constant development and careful testing both in laboratory and in real driving conditions. We operate two tire testing centers in Finland and one in Spain, which allows for year-round tire testing.

Sustainability is an essential part of our business. We aim to be the safest tire choice for the people and the planet, and are committed to promoting safe and responsible driving culture.

NET SALES
1,776
EUR MILLION

SEGMENTS OPERATING PROFIT
221
EUR MILLION

4,500
PROFESSIONALS

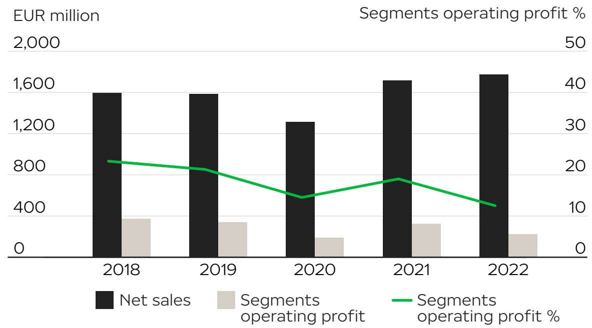
PRODUCTS SOLD IN
60
COUNTRIES

KEY FIGURES 2022

EUR million	2022	2021
Net sales	**1,776.1**	1,714.1
Operating profit	**–116.2**	268.2
Operating profit %	**–6.6%**	15.6%
Result before tax	**–146.3**	258.2
Result for the period	**–175.5**	206.2
Earnings per share, EUR	**–1.27**	1.49
Segments EBITDA	**366.9**	454.6
Segments operating profit	**221.2**	324.8
Segments operating profit %	**12.5%**	19.0%
Segments earnings per share, EUR	**1.30**	1.84
Segments ROCE, %	**10.3%**	15.8%
Equity ratio, %	**64.9%**	68.4%
Cash flow from operating activities	**–4.3**	396.5
Gearing, %	**9.8%**	–6.1%
Interest-bearing net debt	**140.9**	–98.7
Capital expenditure	**129.9**	119.6
Personnel (at the end of year)	**4,542**	4,915
LTIF [1]	**3.2**	4.1

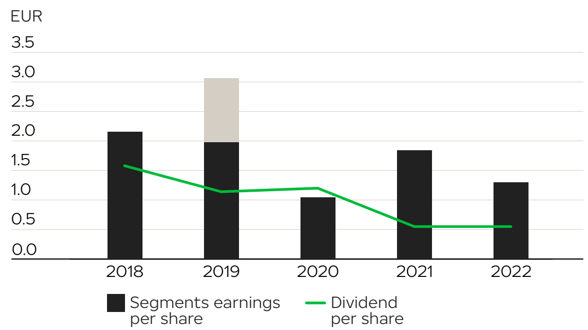
[1] Lost Time Injury Frequency: the number of lost time injuries occurring in a workplace per 1 million hours worked.

NET SALES AND SEGMENTS OPERATING PROFIT*



EUR million	2022	2021	2020	2019	2018
Net sales	**1,776.1**	1,714.1	1,313.8	1,585.4	1,595.6
Segments operating profit	**221.2**	324.8	190.2	337.2	372.4
Segments operating profit %	**12.5**	19.0	14.5	21.3	23.3

SEGMENTS EARNINGS PER SHARE* AND DIVIDEND PER SHARE

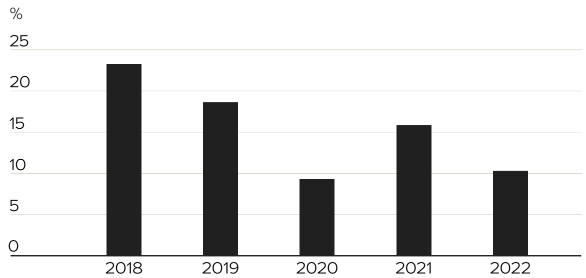


EUR	2022	2021	2020	2019	2018
Segments earnings per share	**1.30**	1.84	1.04	3.06[1]	2.15
Dividend per share	**0.55**[2]	0.55	1.20	1.14	1.58

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

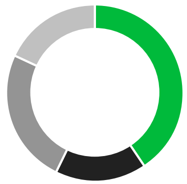
[2] The Board's proposal to the Annual General Meeting on the payment of a maximum amount of dividend

SEGMENTS ROCE*, %



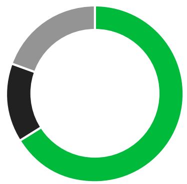
	2022	2021	2020	2019	2018
Segments ROCE, %	**10.3**	15.8	9.3	18.6	23.3

NET SALES BY GEOGRAPHICAL AREA, %



	2022	2021
Nordic countries	**41**	40
Other Europe	**17**	27
Russia and Asia	**25**	20
Americas	**18**	13

NET SALES BY BUSINESS UNIT[1], %



	2022	2021
Passenger Car Tyres	**69**	70
Heavy Tyres	**15**	15
Vianor	**20**	20

[1] Including internal sales

* Comparable Segments Total figures for 2019–2022, earlier years reported based on IFRS

YEAR 2022 IN BRIEF

EUR **650** million

World-class factory to Romania

In October, we announced a EUR 650 million investment in a new passenger car tire factory in Romania – the first zero CO_2 emission factory in the industry. The factory is a vital element in getting additional capacity and enabling our future growth, as we build the new Nokian Tyres without Russia.

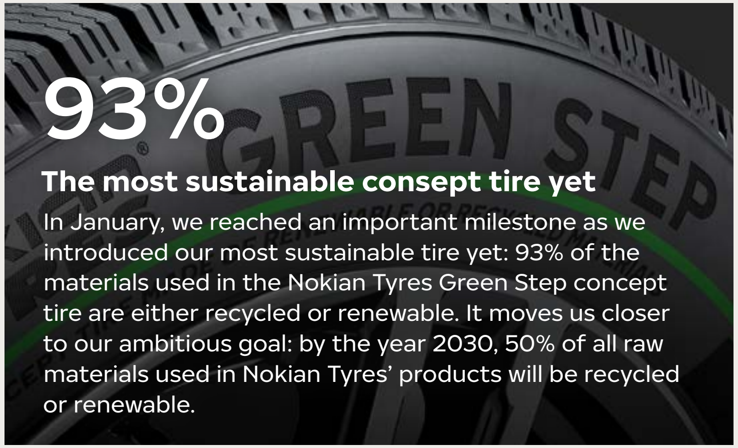
Exit from Russia

In June, we made a decision to exit Russia. Due to the war in Ukraine and the subsequent sanctions it is no longer feasible nor sustainable for Nokian Tyres plc to continue operations in Russia. An agreement for the sale of our Russian operations was signed in October.

3.2

Excellent development in safety

We made major advances in occupational safety. Our LTIF figure decreased from 4.1 to a record low level of 3.2 and our employees reported more than 20,600 safety actions during the year.



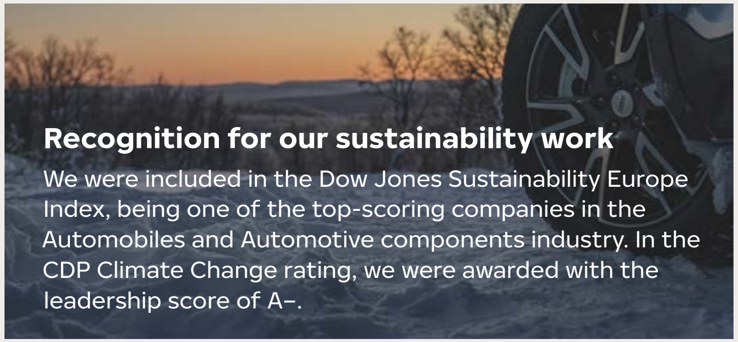
93%

The most sustainable consept tire yet

In January, we reached an important milestone as we introduced our most sustainable tire yet: 93% of the materials used in the Nokian Tyres Green Step concept tire are either recycled or renewable. It moves us closer to our ambitious goal: by the year 2030, 50% of all raw materials used in Nokian Tyres' products will be recycled or renewable.

Record year in Heavy Tyres and Vianor

2022 was a record year for Heavy Tyres and Vianor. Heavy Tyres delivered the best-ever net sales and profitability, supported by the highest ever productivity. Vianor delivered all-time high net sales.



Recognition for our sustainability work

We were included in the Dow Jones Sustainability Europe Index, being one of the top-scoring companies in the Automobiles and Automotive components industry. In the CDP Climate Change rating, we were awarded with the leadership score of A–.

BUILDING THE NEW NOKIAN TYRES AFTER A YEAR OF MAJOR CHANGE

2022 was a significant turning point for Nokian Tyres. We decided to exit Russia, build a new factory in Romania, and start producing certain passenger car tires through contract manufacturing. Amidst all the change and uncertainty, our organization showed exceptional resilience, strength, and confidence in turning challenges into opportunities. The year 2023 will be a new start for Nokian Tyres.

We started 2022 strongly, driven by good demand and new products. The situation, however, changed rapidly at the end of February as we witnessed the horrific events unfolding in Ukraine. The war brought about unexpected and rapid developments in our operating environment, causing exceptionally high levels of uncertainty and discontinuity. Sanctions imposed during the spring prohibited, among other things, the import of tires from Russia into the EU. Our tire imports from Russia to Europe and North America ended after a transition period in July.

In June, Nokian Tyres' Board of Directors decided to initiate a controlled exit from Russia, as it was no longer feasible nor sustainable for us to continue operating there. In October, we signed an agreement to sell our Russian operations. As I am writing this, the sale process is ongoing.

Lower passenger car tire supply volumes and changed factory mix due to lower production in Russia contributed negatively on the Passenger Car Tyres business unit and on the Nokian Tyres Group results in 2022. Despite the many challenges we faced during the year, we also had many successes. In Heavy Tyres, we had a record year in terms of net sales, profitability and productivity. Vianor delivered all-time high net sales, and in North America, we reached the highest ever sales volume of passenger car tires. We were also able to implement price increases during

Even though this is a period of considerable change, the core of our business remains the same.

the year to combat the rising cost inflation and its impacts. Cost inflation is expected to continue in 2023, which will require careful cost control going forward, while investing in strategic key projects to restore our growth.

Investing in a new factory in Romania

During the latter half of 2022, we took the first steps in building the new Nokian Tyres without Russia. The most significant step was the decision made in November to invest approximately EUR 650 million in a new passenger car tire factory in Romania. This investment is extremely important in terms of additional capacity and our future growth. We estimate that the first tires will be manufactured at the new factory during the latter half of 2024, and that commercial tire production will start in 2025.

At our factories in Finland and the US, we continued to increase production capacity by adding new machines and modernizing the existing ones. I am proud to say that our factories are among the most efficient and productive in the tire industry and set a benchmark in sustainability. For example, our production and administration facilities in the US have received the LEED certificate which is only awarded to the most energy-efficient buildings, and our new factory in Romania will be the first zero CO_2 emission factory in our industry.

Contract manufacturing provides additional flexibility

In addition to increasing production at our own factories, we plan to produce selected passenger car tires via contract manufacturing. This will further improve our agility and flexibility to meet customer demand.

Tires manufactured by the contract manufacturers will be designed by us and tested at our own test centers to meet our high requirements for safety and quality. The first tires will be available on the Central European market during the latter half of 2023. Contract manufacturing partners are expected to collectively produce between 1 to 3 million tires annually in 2023 and beyond.

Steps forward in sustainability

Sustainability is one of the cornerstones of Nokian Tyres' strategy. Last year, our sustainability work was once again recognized by independent rating agencies. Among the companies selected into the Dow Jones Sustainability Europe Index, we received the highest scores in our industry for occupational health and safety. Excellent safety development is also demonstrated in our LTIF figure that dropped in 2022 to the lowest level in our company's history. This is a significant achievement and underlines the importance of the safety and well-being of our employees.

We have also been working hard to mitigate climate change by reducing our greenhouse gas emissions. Between 2015 and 2022, we have cut carbon dioxide emissions from our production by over 40%. Our scope 1 and 2 emissions are the lowest in the tire industry in relation to turnover and production tons. We are also increasing the amount of renewable and recycled raw materials in our products – without compromising on safety. Our ambitious target is to increase the proportion of renewable and recycled raw materials in our products to 50% by 2030. This focus on sustainability is long-term and requires both new innovations and close cooperation with our partners.

Towards a new Nokian Tyres

The past year was exceptional and demanding in many ways. I am proud of how our team was able to react to the fast-changing situations, while at the same time caring for customers and for each other. Today, we are looking ahead with confidence and focusing on building the new Nokian Tyres.

In Passenger Car Tyres, adding new capacity, retaining a competitive premium product portfolio and serving our customers' needs are the key priorities to restore growth and profitability. We have the leading position in premium tires in the Nordic countries, supported by Vianor, and a strong ambition to grow in North America. In Central Europe, we will have a limited supply of products in 2023. After that, we expect volumes to start picking up again, driven by contract manufacturing and production ramp-up in the new Romanian factory. In Heavy Tyres, we see attractive opportunities to continue on a strong growth track as well as further improving profitability. We have a strong financial position, allowing us to invest in our future and deliver sustainable stakeholder value.

Even though this is a period of considerable change, the core of our business remains the same. Sustainably produced premium tires that are reliable and predictable in all conditions is our key success factor – together with our resilient and talented team. We have for decades safeguarded people's lives and are committed to continuing this effort through even safer, smarter and more sustainable driving.

I want to thank everyone at Nokian Tyres for their valuable work and commitment to the future of our company during 2022. I also thank our customers, shareholders and other stakeholders for their continuing support and trust. Let's build the new Nokian Tyres together.

Helsinki, February 7, 2023

Jukka Moisio
President & CEO

REPORT BY THE BOARD OF DIRECTORS 2022

The year 2022 started off strongly for Nokian Tyres, driven by good demand and new products. At the end of February, the situation changed rapidly due to the war in Ukraine, causing significant uncertainty to the company's operating environment.

Nokian Tyres took several measures to manage the impacts of the war on its personnel and business. In June, the Board of Directors decided to initiate a controlled exit from Russia. During the second half of 2022, the first steps were taken to build the new Nokian Tyres without Russia. These included a decision to build in a new passenger car tire factory in Romania and to start collaborating with contract manufacturers.

In 2022, Nokian Tyres made good progress on its sustainability targets. The company improved workplace safety to the best ever level, introduced its most sustainable concept tire yet, and continued to reduce its greenhouse gas emissions to mitigate climate change.

Net sales and operating profit

Net sales in 2022 increased by 3.6% and amounted to EUR 1,776.1 million (2021: 1,714.1; 2020: 1,313.8). With comparable currencies, net sales decreased by 2.2%. Currency exchange rates affected net sales positively by EUR 98.9 million.

The year began with good tire demand in all markets. The war in Ukraine started to impact on the operating environment in late February. On June 28, Nokian Tyres' Board of Directors decided to initiate a controlled exit from Russia. Due to the war and the subsequent, tightening sanctions it is no longer feasible nor sustainable for Nokian Tyres plc to continue operations in Russia. An agreement for the sale of the Russian operations was signed in October. The sale process is ongoing.

Tire imports from Russia to Europe and North America ended in July. In April, the EU imposed sanctions banning tire imports from Russia to the EU, including a transition period until July 10. Lower tire supply impacted 2022 net sales negatively, specifically in Central Europe.

Net sales by geographical area

EUR million	2022	2021	Change	CC[1] Change	% of total net sales in 2022	% of total net sales in 2021
Nordics	722.3	684.9	5.5%	7.1%	41%	40%
Other Europe	302.8	464.8	−34.8%	−36.3%	17%	27%
Russia and Asia	436.2	335.6	30.0%	8.5%	25%	20%
Americas	314.6	228.9	37.5%	24.0%	18%	13%
Total	1,776.1	1,714.1	3.6%	−2.2%	100%	100%

[1] Comparable currencies

Net sales by business unit

EUR million	2022	2021	Change	CC[1] Change	% of total net sales in 2022[2]	% of total net sales in 2021[2]
Passenger Car Tyres	1,233.8	1,199.2	2.9%	−5.4%	69%	70%
Heavy Tyres	273.5	254.0	7.7%	6.1%	15%	15%
Vianor	362.0	342.9	5.6%	7.3%	20%	20%
Other operations and eliminations	−93.2	−81.9	−13.8%			
Total	1,776.1	1,714.1	3.6%	−2.2%		

[1] Comparable currencies
[2] Includes internal sales

Raw material unit costs (EUR/kg) in manufacturing increased by 41% year-over-year, containing negative currency impact. Logistics costs increased significantly due to extraordinary measures to secure tire supply and due to cost inflation.

Operating profit was EUR −116.2 million (2021: 268.2; 2020: 120.0). The non-IFRS exclusions were EUR −337.4 million (−56.7), including impairments and write-downs of EUR −296.6 million related to the Russia exit process and EUR −4.2 million other impairments and write-downs. Furthermore, the non-IFRS exclusions include EUR −27.4 million (−31.0) related to the US factory ramp-up and EUR −8.7 million (0.0) related to the company restructuring mainly in Central Europe. Operating profit percentage of net sales was −6.5% (2021: 15.6%; 2020: 9.1%).

Segments operating profit amounted to EUR 221.2 million (2021: 324.8; 2020: 190.2), with positive currency impact of approximately EUR 31 million. The decline was driven by lower passenger car tire supply volumes and changed factory mix due to lower production in Russia. Segments operating profit percentage was 12.5% (19.0%). Segments ROCE was 10.3% (15.8%).

Segments operating profit by business unit

EUR million	2022	2021
Passenger Car Tyres	178.9	298.7
Heavy Tyres	43.8	40.3
Vianor	3.1	4.1
Other operations and eliminations	–4.5	–18.3
Segments operating profit total	221.2	324.8
Non-IFRS exclusions	–337.4	–56.7

Financial items and taxes

Net financial expenses were EUR 30.1 million (10.0), including net interest expenses of EUR 11.8 million (7.2). Net financial expenses include an expense of EUR 18.3 million (expense of 2.7) mainly due to the open exposure in ruble as ruble hedging market no longer exists. Segments result before tax was EUR 208.0 million (314.8). Result before tax was EUR –146.3 million (258.2) and taxes were EUR 29.2 million (52.0), including write-downs in the deferred tax assets of EUR –12.2 million in Russia. Segments result for the period amounted to EUR 179.1 million (254.0). Result for the period amounted to EUR –175.5 million (206.2). Segments earnings per share were EUR 1.30 (1.84), and earnings per share were EUR –1.27 (1.49).

Return on equity was –11.5% (2021: 13.1%; 2020: 5.2%).

Guidance given for 2022

In Nokian Tyres' financial statement release for 2021 published on February 8, 2022, the company published the following outlook for 2022:

In 2022, Nokian Tyres' net sales with comparable currencies are expected to grow significantly and segments operating profit is expected to grow. The global car and tire demand is expected to grow. The COVID-19 pandemic continues to cause uncertainties, including cost inflation and availability challenges, in the whole automotive value chain. In addition, current geopolitical situation causes uncertainties in 2022.

On February 28, the Board of Directors withdrew the company's financial guidance for 2022 due to the uncertainties caused by the war in Ukraine.

On April 27, the company published the following guidance for 2022: The war in Ukraine and resulting sanctions cause significant uncertainty to Nokian Tyres' operating environment. Nokian Tyres' net sales and segments operating profit in 2022 are expected to decrease significantly compared to 2021.

On June 17, the outlook was updated as follows: The war in Ukraine and resulting sanctions cause significant uncertainty to Nokian Tyres' operating environment. In 2022, Nokian Tyres' net sales are expected to decrease or to be at previous year's level, and segments operating profit is expected to decrease significantly compared to 2021.

On October 28, the outlook was updated as follows: The war in Ukraine and resulting sanctions have a significant negative impact on Nokian Tyres' supply capacity and performance. In 2022, Nokian Tyres' net sales is expected to be at previous year's level or increase, and segments operating profit is expected to decrease significantly compared to 2021.

Cash flow

In 2022, cash flow from operating activities was EUR –4.3 million (396.5). Working capital increased by EUR 257.1 million (increased by 5.5). Inventories increased by EUR 93.4 million (increased by 70.8) and receivables increased by EUR 93.9 million (increased by 22.0). Payables decreased by EUR 69.8 million (increased by 98.3).

Investments

Investments in 2022 amounted to EUR 129.9 million (119.6). Depreciations and amortizations totaled EUR 154.9 million (140.5). Impairments of EUR 155.7 million (17.0) mainly related to the Russian fixed assets were recorded as part of the Russia exit process.

In June, Nokian Tyres acquired three hectares of land and, in October, an industrial property in Nokia, Finland to secure future development opportunities at the Nokia factory.

In November, Nokian Tyres' Board of Directors made a decision to invest approximately EUR 650 million in a new passenger car tire factory in Romania - the world's first zero CO_2 emission factory in the tire industry. The site location in Romania supports this target as there is green energy produced near the site. In addition, Nokian Tyres is evaluating the production processes to find the most sustainable ways to produce tires. The investment is a significant strategic decision enabling the company's future growth. Construction is scheduled to begin in the first half of 2023 and the first tires are estimated to be produced in the second half of 2024. Commercial tire production is expected to start in 2025.

Financial position on December 31, 2022

EUR million	Dec 31, 2022	Dec 31, 2021
Cash and cash equivalents	259.0	385.9
Interest-bearing liabilities [2]	399.9	287.2
of which current interest-bearing liabilities	198.8	40.3
Interest-bearing net debt	140.9	–98.7
Unused credit limits [1]	799.3	811.7
of which committed	305.4	305.5
Gearing ratio, %	9.8%	–6.1%
Equity ratio, %	64.9%	68.4%

[1] The current credit limits including the EUR 500 million commercial paper program are used to finance inventories, trade receivables, and subsidiaries in distribution chains, thereby controlling the typical seasonality in the Group's cash flow.

[2] The interest-bearing liabilities were increased by EUR 150 million with two bilateral facilities in May.

Personnel

	2022	2021	2020
Group employees			
on average	**4,947**	4,941	4,862
at the end of the review period	**4,542**	4,915	5,080
in Finland, at the end of the review period	**1,728**	1,782	1,904
in Russia, at the end of the review period	**1,229**	1,612	1,615
in North America, at the end of the review period	**458**	391	366
Vianor (own) employees, at the end of the review period [1]	**1,400**	1,395	1,606

[1] Included in Group employee figures

Salaries, incentives, and other related costs in 2022 were EUR 277.3 million (2021: 270.7; 2020: 224.7).

Research and development

Nokian Tyres' competitive position is based on its ability to continually develop new, innovative and sustainable products. In 2022, Nokian Tyres introduced several new tire models. Approximately 50% of R&D investments is allocated to product testing. Nokian Tyres' R&D costs in 2022 totaled EUR 29.6 million (2021: 31.9; 2020: 22.7), which is 7.3% (2021: 11.0%; 2020: 8.0%) of the operating expenses.

Sales and distribution

In 2022, Nokian Tyres continued to develop and optimize its retail network in order to ensure efficient distribution in the changed operating environment. 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 2022, the number of stores was as follows:

- Vianor: 1,008 (1,047) service centers in total, of which 835 (872) partners
- NAD: 2,295 (2,346) stores
- N-Tyre: 99 (110) stores

BUSINESS UNIT REVIEWS

Passenger Car Tyres

EUR million	2022	2021	Change	CC[1] Change
Net sales	**1,233.8**	1,199.2	2.9%	–5.4%
Operating profit	**–149.3**	263.4		
Operating profit, %	**–12.1%**	22.0%		
Segment operating profit	**178.9**	298.7		
Segment operating profit, %	**14.5%**	24.9%		

[1] Comparable currencies

In 2022, net sales of Passenger Car Tyres totaled EUR 1,233.8 million (1,199.2). With comparable currencies, net sales decreased by 5.4%. The year began with good tire demand in all markets. The war in Ukraine started to impact on the operating environment in late February. In April, the EU imposed sanctions banning tire imports from Russia to the EU, including a transition period until July 10. Tire imports from Russia to Europe and North America ended in July. Lower tire supply impacted net sales negatively, specifically in Central Europe. Average Sales Price with comparable currencies increased strongly, especially in Russia.

The share of sales volume of winter tires was 55% (62%), the share of summer tires was 27% (23%), and the share of all-season tires was 18% (15%).

Segment operating profit was EUR 178.9 million (298.7), with positive currency impact of approximately EUR 32 million. The decline was driven by lower supply volumes and changed factory mix due to lower production in Russia. Price increases offset raw material and other cost inflation.

Operating profit was EUR –149.3 million (263.4). The impairments of EUR 280.7 million related to the Russian assets were recorded as part of the Russia exit process in 2022.

Raw material unit costs (EUR/kg) in manufacturing increased by 41% year-over-year, containing negative currency impact. Logistics costs increased significantly due to extraordinary measures to secure tire supply and due to cost inflation.

Production output (pcs) decreased by 23% year-over-year. In 2022, 64% (82%) of passenger car tires (pcs) were manufactured in Russia. Preparations for a controlled exit from Russia started in late June. An agreement for the sale of the Russian operations was signed in October. The sale process is ongoing. To diversify its manufacturing footprint, the company made in November a decision to invest approximately EUR 650 million in a new passenger car tire factory in Romania, and continued actions to increase capacity at the existing factories in Finland and the US. In December, Nokian Tyres signed a contract manufacturing agreement with Qingdao Sentury Tire Co., whereby Sentury will start to manufacture selected Nokian Tyres' passenger car tires for the Central European market.

In 2022, the company's Hakkapeliitta winter tire range was extended with the Nordic non-studded Nokian Tyres Hakkapeliitta R5 for passenger cars and SUVs as well as the Nordic studded Nokian Tyres Hakkapeliitta C4 and Hakkapeliitta CR4 for vans and delivery vehicles.

Heavy Tyres

EUR million	2022	2021	Change	CC[1] Change
Net sales	**273.5**	254.0	7.7%	6.1%
Operating profit	**39.2**	39.1		
Operating profit, %	**14.3%**	15.4%		
Segment operating profit	**43.8**	40.3		
Segment operating profit, %	**16.0%**	15.9%		

[1] Comparable currencies

In 2022, net sales of Heavy Tyres totaled EUR 273.5 million (254.0). With comparable currencies, net sales grew by 6.1% driven by strong demand in most product segments and higher sales prices. Sales and distribution of heavy tires to Russia were discontinued in the first quarter due to the war in Ukraine.

Segment operating profit was EUR 43.8 million (40.3). Price increases offset raw material and other cost inflation. Operating profit was EUR 39.2 million (39.1).

Raw material unit costs (EUR/kg) in manufacturing increased by 41% year-over-year, containing negative currency impact. Logistics costs increased significantly.

In 2022, Heavy Tyres launched several new tire sizes for wheeled excavators, backhoe loaders, trucks and busses. In May, the company released a new all-season, all-weather bus tire, Nokian Tyres Hakka Truck Coach.

Vianor, own operations

EUR million	2022	2021	Change	CC[1] Change
Net sales	**362.0**	342.9	5.6%	7.3%
Operating profit	**2.8**	−15.0		
Operating profit, %	**0.8%**	−4.4%		
Segment operating profit	**3.1**	4.1		
Segment operating profit, %	**0.9%**	1.2%		
Number of own service centers at period end	**173**	175		

[1] Comparable currencies

In 2022, net sales of Vianor totaled EUR 362.0 million (342.9). With comparable currencies, net sales increased by 7.3%.

Segment operating profit was EUR 3.1 million (4.1). Cost inflation was partially offset by price increases. Operating profit was EUR 2.8 million (−15.0, impacted mainly by goodwill impairment).

At the end of the review period, Vianor had 173 (175) own service centers in Finland, Sweden and Norway.

Segments Total to Nokian Tyres Total reconciliation

1–12/2022	Net sales	Cost of sales	SGA	Other operating income/ expenses	Operating profit	Financial income/ expenses	Taxes	Result for the period
Segments Total	1,776.1	−1,293.8	−262.8	1.7	221.2	−13.1	−28.9	179.1
US factory ramp-up		−25.0	−2.4		−27.4		5.7	−21.7
Impairments and write-downs of tangible and intangible assets, and certain other items		−168.5	−7.1	−125.7	−301.3		−8.1	−309.4
Non-operative items and others		−2.1	−6.6		−8.7		2.0	−23.7
Total non-IFRS exclusion		−195.6	−16.1	−125.7	−337.4	−17.0	−0.3	−354.7
Nokian Tyres Total	1,776.1	−1,489.4	−278.9	−124.0	−116.2	−30.1	−29.2	−175.5

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

CORPORATE GOVERNANCE

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

The Corporate Governance Statement has been prepared pursuant to the Finnish Corporate Governance Code 2020 for listed companies and the Securities Markets Act (Chapter 7, Section 7) and it is issued separately from the Board of Directors' report. The Board of Directors has reviewed the Corporate Governance Statement, and the auditor Ernst & Young Oy has verified that the Statement has been issued and that the description of the main features of the internal control and risk management systems relating to the financial reporting process is consistent with the financial statements. The Corporate Governance Statement will be published the week commencing February 27, 2023.

SHARES AND SHAREHOLDERS

At the end of December 2022, the number of shares was 138,921,750.

Number of shares (million units) [1]	31.12.22	31.12.21
at the end of period	138,25	138,22
in average	138,25	138,22
in average, diluted	138,25	138,22

[1] Excluding treasury shares

Authorizations

In April 2022, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 13,800,000 shares in the company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponds to approximately 9.9% of all shares in the company. The authorization will be effective until the next AGM, however at most until June 30, 2023, and it canceled the authorization given to the Board of Directors by the Annual General Meeting on March 30, 2021.

In April 2022, the Annual General Meeting authorized the Board of Directors to resolve to offer no more than 13,800,000 shares through a share issue, or by granting special rights under Chapter 10, Section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The Board may decide to issue new shares or shares held by the company. The maximum number of shares included in the proposed authorization accounts for approximately 9.9% of all shares in the company. The authorization will be effective until the next AGM, however at most until June 30, 2023, and it canceled the authorization given to the Board of Directors by the Annual General Meeting on March 30, 2021.

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

In March 2021, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 13,800,000 shares in the company by using funds in the unrestricted shareholders' equity. The number of shares corresponded to approximately 9.9% of all shares in the company. The authorization was effective until the Annual General Meeting of 2022.

In March 2021, the Annual General Meeting authorized the Board of Directors to resolve to offer no more than 13,800,000 shares through a share issue, or by granting special rights under Chapter 10, Section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The maximum number of shares included in the proposed authorization accounted for approximately 9.9% of all shares in the company. The authorization was effective until the Annual General Meeting of 2022.

The Board did not utilize the authorizations in 2022.

Own shares

No share repurchases were made during the review period, and the company did not possess any own shares on December 31, 2022.

Nokian Tyres has an agreement with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns Nokian Tyres' shares related to the incentive program until the shares are given to the participants of the program. On December 31, 2022, the number of these shares was 670,426, reported as treasury shares (December 31, 2021: 697,400). This number of shares corresponded to 0.48% (0.50%) of the total shares and voting rights in the company.

Trading in shares

A total of 276,602,916 (104,975,922) Nokian Tyres' shares were traded in Nasdaq Helsinki in 2022, representing 199% (76%) of the company's overall share capital. The average daily volume in 2022 was 1,093,292 shares (416,571). Nokian Tyres' shares are also traded on alternative exchanges.

Nokian Tyres' share price was EUR 9.58 (33.30) at the end of 2022. The volume weighted average share price in 2022 was EUR 14.42 (31.98), the highest was EUR 34.90 (36.70) and the lowest was EUR 9.27 (27.98). The company's market capitalization at the end of 2022 was EUR 1.3 billion (4.6 billion).

At the end of 2022, the company had 76,763 (55,898) registered shareholders. The percentage of Finnish shareholders was 46.7% (43.2%), and 53.3% (56.8%) were non-Finnish holders and foreign shareholders registered in the nominee register. Public sector entities owned 16.8% (15.2%), financial and insurance corporations 3.7% (7.3%), households 20.3% (13.7%), non-profit institutions 2.0% (3.4%), and private companies 3.8% (3.6%).

Major shareholders on December 31, 2022

(Does not include nominee registered shareholders or treasury shares)

	Number of shares	% of share capital
1. Solidium Oy	14,031,000	10.10
2. Varma Mutual Pension Insurance Company	3,738,192	2.69
3. Ilmarinen Mutual Pension Insurance Company	3,240,678	2.33
4. Elo Mutual Pension Insurance Company	1,553,000	1.12
5. Nordea Nordic Small Cap Fund	1,215,075	0.87
6. Nordea Bank Abp	591,046	0.43
7. Barry Staines Linoleum Ltd.	460,000	0.33
8. Samfundet Folkhälsan i Svenska Finland	441,100	0.32
9. The State Pension Fund	400,000	0.29
10. Nordea Pro Finland Fund	370,360	0.27

Changes in ownership

Transaction date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %
February 9, 2022	BlackRock, Inc	Above 5%	4.85%	0.15%	5.00%
February 10, 2022	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
February 11, 2022	BlackRock, Inc	Above 5%	4.93%	0.09%	5.03%
February 15, 2022	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
February 24, 2022	BlackRock, Inc	Above 5%	4.87%	0.13%	5.00%
February 25, 2022	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
March 8, 2022	BlackRock, Inc	Above 5%	4.98%	0.16%	5.15%
March 9, 2022	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
March 14, 2022	BlackRock, Inc	Above 5%	5.36%	0.12%	5.49%
March 15, 2022	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
March 18, 2022	BlackRock, Inc	Above 5%	8.04%	0.07%	8.12%
April 13, 2022	Amundi Asset Management	Above 5%	5.17%		5.17%
April 14, 2022	Amundi Asset Management	Below 5%	4.30 %		4.30%
April 14, 2022	JPMorgan Chase & Co.	Above 5%	5.90%	0.50%	6.40%
April 29, 2022	JPMorgan Chase & Co.	Below 5%	0.04%	1.71%	1.75%
May 3, 2022	Société Générale SA	Above 5%	1.69%	3.42%	5.11%
May 3, 2022	JPMorgan Chase & Co.	Above 5%	5.00%	0.53%	5.53%
May 4, 2022	JPMorgan Chase & Co.	Below 5%	4.95%	0.55%	5.50%
May 6, 2022	Société Générale SA	Below 5%	1.29%	3.31%	4.60%
May 9, 2022	JPMorgan Chase & Co.	Above 5%	5.01%	0.61%	5.62%
May 9, 2022	Amundi Asset Management	Above 5%	5.08%		5.08%
May 10, 2022	JPMorgan Chase & Co.	Below 5%	4.96%	0.66%	5.62%
May 12, 2022	JPMorgan Chase & Co.	Above 5%	5.65%	0.66%	6.31%
May 31, 2022	JPMorgan Chase & Co.	Above 5%	5.10%	2.40%	7.50%
June 1, 2022	JPMorgan Chase & Co.	Below 5%	2.26%	0.80%	3.06%
June 9, 2022	Amundi Asset Management	Below 5%	4.92%		4.92%
June 10, 2022	Amundi Asset Management	Above 5%	5.84%		5.84%
June 16, 2022	Amundi Asset Management	Below 5%	4.51%		4.51%
June 20, 2022	Société Générale SA	Above 5%	1.98%	4.17%	6.15%
September 13, 2022	JPMorgan Chase & Co.	Above 5%	1.14%	3.89%	5.03%
September 14, 2022	JPMorgan Chase & Co.	Below 5%	Below 5%	Below 5%	Below 5%
September 21, 2022	BlackRock, Inc	Below 5%	4.96%	0.70%	5.67%
September 22, 2022	BlackRock, Inc	Above 5%	5.68%	0.70%	6.39%
September 26, 2022	BlackRock, Inc	Below 5%	4.77%	1.19%	5.96%
October 3, 2022	BlackRock, Inc	Above 5%	5.15%	1.08%	6.23%
October 4, 2022	BlackRock, Inc	Below 5%	4.96%	1.08%	6.05%
October 11, 2022	BlackRock, Inc	Above 5%	5.11%	0.70%	5.82%
October 12, 2022	BlackRock, Inc	Below 5%	4.70%	0.69%	5.40%
October 18, 2022	BlackRock, Inc	Above 5%	5.16%	0.86%	6.03%
October 19, 2022	BlackRock, Inc	Below 5%	4.51%	1.19%	5.70%
October 24, 2022	BlackRock, Inc	Above 5%	5.26%	0.72%	5.99%
October 25, 2022	BlackRock, Inc	Below 5%	4.19%	1.72%	5.92%
October 27, 2022	BlackRock, Inc	Above 5%	5.46%	0.33%	5.79%
October 27, 2022	Société Générale SA	Below 5%	1.17%	3.60%	4.77%
November 2, 2022	BlackRock, Inc	Below 5%	4.84%	0.40%	5.24%
November 4, 2022	BlackRock, Inc	Above 5%	5.65%	0.53%	6.19%
November 8, 2022	Société Générale SA	Above 5%	0.22%	4.93%	5.15%
November 11, 2022	Société Générale SA	Below 5%	0.52%	4.38%	4.90%

Transaction date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %
November 15, 2022	Société Générale SA	Above 5%	0.19%	4.88%	5.07%
November 24, 2022	BlackRock, Inc	Below 5%	4.97%	0.54%	5.52%
November 25, 2022	Solidium Oy	Above 10%	10.01%		10.01%
November 25, 2022	BlackRock, Inc	Above 5%	5.44%	0.46%	5.90%
November 28, 2022	Norges Bank (The Central Bank of Norway)	Above 5%	4.96%	0.06%	5.02%
November 29, 2022	Norges Bank (The Central Bank of Norway)	Below 5%	4.43%	0.06%	4.49%
November 30, 2022	Société Générale SA	Below 5%	0.61%	4.13%	4.74%
December 2, 2022	BlackRock, Inc	Below 5%	4.81%	0.38%	5.19%
December 6, 2022	BlackRock, Inc	Above 5%	5.35%	0.31%	5.67%
December 8, 2022	Société Générale SA	Above 5%	0.55%	4.56%	5.11%
December 9, 2022	JPMorgan Chase & Co.	Above 5%	2.37%	3.39%	5.76%
December 9, 2022	Société Générale SA	Below 5%	0.55%	4.11%	4.66%
December 12, 2022	BlackRock, Inc	Below 5%	3.95%	1.41%	5.37%
December 13, 2022	BlackRock, Inc	Above 5%	5.08%	0.23%	5.32%
December 13, 2022	JPMorgan Chase & Co.	Below 5%	Below 5%	Below 5%	Below 5%
December 14, 2022	BlackRock, Inc	Below 5%	4.77%	0.23%	5.00%
December 15, 2022	BlackRock, Inc	Above 5%	5.13%	0.21%	5.34%
December 19, 2022	BlackRock, Inc	Below 5%	4.99%	0.20%	5.20%
December 20, 2022	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
December 21, 2022	BlackRock, Inc	Above 5%	4.80%	0.21%	5.02%
December 23, 2022	BlackRock, Inc	Above 5%	5.27%	0.25%	5.52%
December 26, 2022	Norges Bank (The Central Bank of Norway)	Above 5%	4.84%	0.21%	5.05%
December 29, 2022	BlackRock, Inc	Below 5%	4.92%	0.25%	5.17%
December 30, 2022	Norges Bank (The Central Bank of Norway)	Below 5%	4.61%	0.33%	4.94%

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

Shareholdings of the Board of Directors, the President and CEO, and the Management Team on December 31, 2022

Board of Directors	Number of shares
Jukka Hienonen, Chairman[1]	20,808
Pekka Vauramo, Deputy Chairman	5,687
Heikki Allonen, member	5,891
Susanne Hahn, member	1,642
Veronica Lindholm, member	6,595
Inka Mero, member	7,284
Christopher Ostrander, member	2,274
Jouko Pölönen, member	7,281
George Rietbergen, member	5,228
Total	**62,690**

[1] In addition, 7,592 shares in an insurance wrapper, with no voting right

President and CEO	Number of shares
Jukka Moisio	18,000

Management Team	Number of shares
Päivi Antola, Communications, Investor Relations and Brand	2,374
Anna Hyvönen, Passenger Car Tyres and Vianor	16,889
Adrian Kaczmarczyk, Supply Operations	1,353
Teemu Kangas-Kärki, Finance	9,049
Jukka Kasi, Products and Innovations	6,455
Päivi Leskinen, Human Resources	0
Manu Salmi, Heavy Tyres and Nokia Factory	18,405
Total	**54,525**

On December 31, 2022, Nokian Tyres' Board members and the President and CEO held a total of 80,690 Nokian Tyres shares. The shares represent 0.06% of the total number of votes.

Managers' transactions

Nokian Tyres announced managers' transactions on February 9, 10 and 22, March 4, April 29 and May 2. Read more at www.nokiantyres.com/company/publications/releases/2022/managementTransactions/.

DECISIONS MADE AT THE ANNUAL GENERAL MEETING 2022

On April 28, 2022, the Annual General Meeting (AGM) of Nokian Tyres adopted the financial statements for 2021, discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2021 and adopted the company's Renumeration Report for governing bodies.

Dividend

The AGM decided that a dividend of EUR 0.55 per share should be paid for the financial year January 1–December 31, 2021. The dividend was paid on May 11, 2022 to shareholders who were registered in the Company's shareholders' register maintained by Euroclear Finland Oy on the dividend record date on May 2, 2022.

Remuneration for members of the Board of Directors

The AGM decided that the members of the Board of Directors be paid the following remuneration: to the Chairman of the Board of Directors EUR 110,000 per year; to the Deputy Chairman and to the Chairs of the Board Committees EUR 75,000 per year each, and to members EUR 52,500 per year each. 60 per cent of the annual fee will be paid in cash and 40 per cent in Company shares.

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

Members of the Board of Directors and Auditors

The AGM decided that the number of the members of the Board of Directors shall be nine. Jukka Hienonen, Heikki Allonen, Veronica Lindholm, Inka Mero, Christopher Ostrander, Jouko Pölönen, George Rietbergen and Pekka Vauramo were re-elected as members of the Board of Directors and Susanne Hahn was elected as a new member of the Board of Directors for a term ending at the closing of the Annual General Meeting 2023. Jukka Hienonen was re-elected as the Chairman and Pekka Vauramo as Deputy Chairman of the Board of Directors.

Ernst & Young Oy, an authorized public accountant firm, was re-elected as the company's auditor for a term ending at the closing of the Annual General Meeting 2023.

Authorizations

The AGM authorized the Board of Directors to resolve to repurchase a maximum of 13,800,000 shares in the company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponds to approximately 9.9% of all shares in the company. The authorization will be effective until the next AGM, however at most until June 30, 2023, and it canceled the authorization given to the Board of Directors by the Annual General Meeting on March 30, 2021.

The AGM authorized the Board of Directors to resolve to offer no more than 13,800,000 shares through a share issue, or by granting special rights under Chapter 10, Section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The Board may decide to issue new shares or shares held by the company. The maximum number of shares included in the proposed authorization accounts for approximately 9.9% of all shares in the company. The authorization will be effective until the next AGM, however at most until June 30, 2023, and it canceled the authorization given to the Board of Directors by the Annual General Meeting on March 30, 2021.

The AGM authorized the Board of Directors to resolve on donations in the aggregate maximum amount of EUR 250,000 to be made to universities, institutions of higher education or to other non-profit or similar purposes during 2022 and 2023. The donations can be made in one or more instalments. The Board of Directors may decide on the donation recipients, purposes of use and other terms of the donations.

BOARD OF DIRECTORS' WORKING ARRANGEMENTS

In its organizing meeting on April 28, 2022, the Board of Directors elected Veronica Lindholm as the Chairman and Jukka Hienonen and Pekka Vauramo as members of the Personnel and Remuneration Committee. Further, the Board of Directors elected Jouko Pölönen as the Chairman and Heikki Allonen and Inka Mero as members of the Audit Committee.

SHAREHOLDERS' NOMINATION BOARD

In June 2022, the following members were appointed to the Nokian Tyres' Shareholders' Nomination Board:

- Mr. Pauli Anttila (Investment Director, Solidium Oy), appointed by Solidium Oy
- Mr. Timo Sallinen (Senior Vice President, Investments, Varma Mutual Pension Insurance Company), appointed by Varma Mutual Pension Insurance Company
- Mr. Mikko Mursula (Deputy CEO, Investments, Ilmarinen Mutual Pension Insurance Company), appointed by Ilmarinen Mutual Pension Insurance Company
- Mr. Carl Pettersson (CEO, Elo Mutual Pension Insurance), appointed by Elo Mutual Pension Insurance
- Mr. Jukka Hienonen, Chairman of the Board, Nokian Tyres plc

The Shareholders' Nomination Board proposes to the 2023 Annual General Meeting that the Board consists of nine members, the Chairman and the Deputy Chairman included, and that of the current Board members Susanne Hahn, Jukka Hienonen, Veronica Lindholm, Christopher Ostrander, Jouko Pölönen, George Rietbergen and Pekka Vauramo be re-elected and Markus Korsten and Reima Rytsölä be elected as new members to the Board of Directors for a term ending at the end of the 2024 Annual General Meeting. Of the current members, Heikki Allonen and Inka Mero have informed that they are not available for re-election to the Board of Directors.

Jukka Hienonen is proposed to continue as Chairman and Pekka Vauramo as Deputy Chairman of the Board of Directors. All candidates have given their consent to the election. The candidates are independent of the Company and its major shareholders, with the exception of Reima Rytsölä, who is deemed not to be independent of a significant shareholder of the Company based on his position as the CEO of Solidium Oy.

The Shareholders' Nomination Board notes that the proposed composition of the Board of Directors, if implemented, will lead to a situation where the composition of the Company's Board of Directors in terms of the gender distribution of the members is not at an optimal level. The purpose of the Shareholders' Nomination Board is that this situation will be short-lived and rectified as soon as possible.

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

The annual remuneration to be paid to the members of the Board of Directors to be elected at the Annual General Meeting for the term of office ending at the close of the Annual General Meeting 2024 is proposed to remain at the current level and be as follows: to the Chairman of the Board of Directors EUR 110,000; to the Deputy Chairman of the Board and to the Chairmen of the Committees EUR 75,000, and to other members EUR 52,500.

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

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

CORPORATE SUSTAINABILITY

In January, Nokian Tyres introduced the Nokian Tyres Green Step concept tire that is a masterpiece of sustainable innovation: 93% of the materials used in the tire are either recycled or renewable. Innovations made during the process of designing the Green Step will be incorporated in the future tires, moving the company closer to its goal: by the year 2030, 50% of all raw materials used in the tires made by Nokian Tyres will be recycled or renewable.

In November, Nokian Tyres announced that it will build the world's first zero CO_2 emission factory in the tire industry. The site location in Romania supports this target as there is green energy produced near the site. In addition, Nokian Tyres is evaluating the production processes to find the most sustainable ways to produce tires.

In December, Nokian Tyres was included in the Dow Jones Sustainability Europe Index. The company scored 75 out of 100 in the 2022 S&P Global's Corporate Sustainability Assessment, achieving a full score in the Product Quality and Recall Management, Environmental Reporting, and Social Reporting criteria. Nokian Tyres was also industry best in the criterion Occupational Health and Safety.

In December, Nokian Tyres achieved an A- score by CDP in the Climate Change sector for its actions aimed at decreasing greenhouse gas emissions and mitigating climate risks. The greenhouse gas emissions (Scope 1 and Scope 2) from Nokian Tyres' tire production in relation to turnover and production tons were clearly the lowest of the companies that have tire industry as their main industry in the CDP reports.

In 2022, Nokian Tyres' lost time incident frequency rate (LTIF) dropped to 3.2 (2021: 4.1) being at the lowest level in the company's history. Nokian Tyres aims to reach an LTIF level of 1.5 by 2025.

Nokian Tyres will publish its Corporate Sustainability Report for 2022 in spring 2023.

Sustainability as part of Nokian Tyres management remuneration

In February 2022, Nokian Tyres plc's Board of Directors decided to include a climate related goal as part of the short-term incentive targets of the Group Management Team. Nokian Tyres develops and manufactures premium tires for consumers and customers who value safety, sustainability and innovative products. Sustainability is at the heart of Nokian Tyres business and one of the five cornerstones of the company's strategy. According to the Company's Board of Directors, it is important that the Group Management Team targets include not only financial criteria, but also sustainability.

Non-Financial Information Statement

Nokian Tyres publishes an annual Non-Financial Information Statement in line with the Requirements of non-financial information reporting according to the Finnish Accounting Act. The Non-Financial Information Statement is issued separately from the Board of Directors' report. The Board of Directors has reviewed and signed the Non-Financial Information Statement. The Non-Financial Information Statement will be published the week commencing February 27, 2023.

CHANGES IN MANAGEMENT AND GROUP STRUCTURE

In June, when Nokian Tyres initiated an exit from Russia, the company announced that Andrey Pantyukhov, who has been heading Nokian Tyres' business area Russia and Asia, would no longer be a member of Nokian Tyres' Management Team.

In August, Nokian Tyres announced that the company will reorganize the Group's organization and management structure to strengthen go-to-market execution. This is to improve operational efficiency and collaboration, and focus on building the new

Nokian Tyres as the company is in the process of investing in new European capacity and exiting Russia. In the new operating model, Passenger Car Tyres' commercial operations are combined under one leadership, with increasing strategic and operational synergies across the geographical areas. Anna Hyvönen, EVP North America, Nordics and Vianor and a member of Nokian Tyres' Management Team, was appointed EVP Passenger Car Tyres and Vianor. Bahri Kurter, EVP Central Europe and a member of Nokian Tyres' Management Team, decided to leave the company to pursue other career opportunities.

Nokian Tyres' Management Team as of September 1, 2022:

- Jukka Moisio, President and CEO
- Päivi Antola, Senior Vice President, Communications, Investor Relations and Brand
- Anna Hyvönen, Executive Vice President, Passenger Car Tyres and Vianor
- Adrian Kaczmarczyk, Senior Vice President, Supply Operations
- Teemu Kangas-Kärki, CFO
- Jukka Kasi, Senior Vice President, Products and Innovations
- Päivi Leskinen, Senior Vice President, Human Resources
- Manu Salmi, Executive Vice President, Heavy Tyres and Nokia Factory

SHARE-BASED LONG-TERM INCENTIVE SCHEME 2022–2024 FOR THE MANAGEMENT AND SELECTED KEY EMPLOYEES OF NOKIAN TYRES PLC

In February 2022, Nokian Tyres announced that the Board of Directors of Nokian Tyres plc had decided on a share-based long-term incentive scheme for the Company's management and selected key employees for years 2022–2024 as a continuation to the earlier plans decided in 2019, 2020 and 2021. The decision includes Performance Share Plan 2022 ("PSP 2022") as the main structure and Restricted Share Plan 2022 ("RSP 2022") as a complementary structure.

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

Performance Share Plan 2022

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

The Performance Period (PSP 2022–2024) commenced effective as of the beginning of 2022 and the potential share reward thereunder will be paid in the first half of 2025 provided that the performance targets set by the Board of Directors are achieved. The potential reward will be paid partly in shares of Nokian Tyres plc and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward. Eligible to participate in PSP 2022–2024 are approximately 235 individuals, including the members of Nokian Tyres Management Team.

The potential share reward payable under the PSP 2022–2024 are based on the Segments Earnings Per Share (EPS) and Segments Return on Capital Employed (ROCE). The possible rewards paid based on the Performance Period of 2022–2024 will be a maximum of 513,742 gross shares.

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

Restricted Share Plan 2022

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

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

A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of a participant with Nokian Tyres continues until the payment date of the reward. In addition to this precondition, a financial performance criteria is applied to Nokian Tyres Management Team. The criteria is a threshold value for Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan 2022–2024.

The next plan (RSP 2022–2024) within the Restricted Share Plan structure commenced effective as of the beginning of 2022 and the potential share reward thereunder will be paid in the first half of 2025. The possible rewards paid based on RSP 2022–2024 correspond approximately to a maximum of 120,000 gross shares.

Other terms

Nokian Tyres applies a share ownership policy to the members of Nokian Tyres Management Team. According to said 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.

Payments for share-based plans that ended in 2021

In February 2022, The Board of Directors of Nokian Tyres plc approved the share awards from the Restricted Share Plan 2019–2021.

The three-year restriction period of the Restricted Share Plan 2019–2021 ended after financial year 2021. 17 key employees participated in the share-based incentive plan, including members of the Management Team. The financial threshold value for Return on Capital Employed (ROCE) applied for the Management Team members was achieved. The rewards paid corresponded to a total of 46,600 Nokian Tyres plc gross shares. The rewards were paid in March 2022. The total number of shares of the Company did not change. A precondition for the payment of the share reward based on the Restricted Share Plan was that the employment relationship of a participant with Nokian Tyres continued until the payment date of the reward.

The targets for the Performance Period 2019–2021 (PSP 2019–2021) were not achieved and no share rewards were paid to participants.

SIGNIFICANT RISKS AND UNCERTAINTIES AND ONGOING DISPUTES

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

The war in Ukraine, resulting sanctions and exit from Russia are severely impacting Nokian Tyres' operating environment and causing a number of risks for Nokian Tyres' business. These include, among others, ability to serve customers especially in Central Europe, cost and supply of raw materials, ability to retain personnel, as well as execution of the consequent exit. The Group's assets in Russia may be subject to further impairments and write-downs. In October, Nokian Tyres signed an agreement to sell its Russian operations to Tatneft PJSC. The sale process is ongoing. The transaction is subject to approval by the relevant regulatory authorities in Russia and other conditions, which creates substantial uncertainties related to the timing, terms and conditions and the closing of the transaction.

In addition to the risks caused by the war in Ukraine, 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.
- Any unexpected production or delivery breaks at Nokian Tyres' production facilities would have a negative impact on the company's business. Interruptions in logistics could have a significant impact on production and peak season sales.
- In order to secure tire supply, Nokian Tyres has decided to invest in new production capacity in Europe and increase the share of outsourced production. Delay in these actions could have an adverse effect on Nokian Tyres' financial performance.
- Significant fluctuations in raw material prices may impact margins. Nokian Tyres sources natural rubber from producers in countries such as Indonesia and Malaysia. Although Nokian Tyres has policies such as the Supplier Code of Conduct and established processes to monitor the working conditions, it cannot fully control the actions of its suppliers. Nokian Tyres continues to expand its supplier portfolio to mitigate risks related to single source supplying. The non-compliance with laws, regulations or standards by raw material producers, or their divergence from practices generally accepted as ethical in the European Union or the international community, could have a material adverse effect on Nokian Tyres' reputation.
- Tire industry can be subject to risks caused by climate change, such as changes in consumer tire preferences, regulatory changes or impact of extreme weather events on natural rubber producers. Nokian Tyres is committed to reducing GHG emissions from its operations in order to combat climate change. Nokian Tyres calculates the GHG emissions from its operations annually and reduces them systematically. More detailed analysis on Nokian Tyres' climate change related risks and opportunities is provided at www.nokiantyres.com/company/sustainability/environment/climate-change-related-risks-and-opportunities/.
- Foreign exchange risk consists of transaction risk and translation risk. The most significant currency risks arise from the Russian ruble, the Swedish and Norwegian krona, and the US and Canadian dollar. Approximately 65% of the Group's sales are generated outside of the euro-zone. In this Financial Statement Release, the following exchange rates for the Russian ruble have been used: 85.3 at the end of 2021, 98.0 average in January–March 2022, 84.5 average in January–June 2022, 76.3 average in January–September 2022, 70.4 average in January–December 2022 and 77.9 at the end of 2022 (source: Refinitiv).

- The availability of supporting information systems and network services is crucial to Nokian Tyres. Unplanned interruption in critical information systems or network services may cause disruption to the continuity of operations. Such systems and services may also be exposed to cyber attacks that could cause a leakage of confidential information, violation of data privacy regulations, theft of know-how and other intellectual property, production shutdown or damage to reputation.
- In May 2017, the Finnish Financial Supervisory Authority filed a request for investigation with the National Bureau of Investigation regarding possible securities market offences. In October 2020, the prosecutor announced the decision to press charges against a total of six persons who acted as Board members and the President & CEO of Nokian Tyres in 2015–2016. The prosecutor also claimed a corporate fine against the company. In addition, four persons who were employees at Nokian Tyres in 2015 were charged for abuse of inside information. The District Court of Helsinki dismissed all charges and claims by the prosecutor in its ruling in June 2022. The decision is not yet legally binding, and the prosecutor has appealed against the decision of the District Court.
- The COVID-19 pandemic represents a short-term risk to Nokian Tyres' business and operating environment. The company has proactively taken preventive actions to minimize the impacts of the pandemic and to ensure business continuity. Despite these efforts, the uncertainty over the duration of the pandemic, the containment measures and the resulting slowdown in economic activity can have a negative impact on Nokian Tyres' operations and supply chain as well as the demand and pricing for the company's products.

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

Tax disputes

In April 2021, Nokian Tyres received a decision from the Tax Administration concerning a tax audit for the tax years 2015–2016, according to which the company was obliged to pay a total of EUR 1.9 million. Taxes were paid and recognized in receivables. Nokian Tyres considered the tax authority's view unfounded and appealed against the decision.

In December 2022, Nokian Tyres received a positive decision from The Assessment Adjustment Board, according to which the additional taxes, punitive tax increase and late payment interest were removed. The Finnish tax authority refunded these in full to the company in December 2022 and the company recognized the amount in the same quarter cash flow. The Finnish Tax Authority has applied for an amendment to the decision of the Assessment Adjustment Board.

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

WAR IN UKRAINE – SUMMARY OF NOKIAN TYRES' ACTIONS IN 2022

On February 24, Russia started the war in Ukraine, which has a significant impact on Nokian Tyres' operating environment and manufacturing capacity.

On April 8, the EU announced new sanctions against Russia, impacting Nokian Tyres' business. The sanctions included a transition period until July 10, and they prohibited the import of tires from Russia to the EU, prohibited the export of certain raw materials from the EU to Russia, and limited transportation from and to Russia. Tire imports from Russia to Europe and North America ended in July.

On June 28, Nokian Tyres' Board of Directors decided to initiate a controlled exit from Russia. Due to the war and the subsequent, tightening sanctions it is no longer feasible nor sustainable for Nokian Tyres plc to continue operations in Russia. An agreement for the sale of the Russian operations was signed on October 28. The sale process is ongoing.

Nokian Tyres has decided to invest in new production capacity in Europe and to start producing certain passenger car tires through contract manufacturing. At the same time, the company has continued to increase production capacity at its factories in Nokia, Finland and Dayton, US.

The Heavy Tyres business of Nokian Tyres plc is not impacted by the ban to import tires from Russia to the EU, as all Nokian Tyres' heavy tires are produced in Finland. Sales and distribution of heavy tires to Russia were discontinued in the first quarter due to the war. Nokian Tyres has never sold tires to the Russian army, and the Russian Federation is not a customer of Nokian Tyres.

Nokian Tyres has taken active measures to manage the impacts of the war in Ukraine to its personnel and business. Below is a list of examples of the measures taken since February 24:

Health and safety actions

- Continuously communicating about the situation in the organization and providing support to Nokian Tyres' employees
- Being in daily contact with the Ukrainian colleagues to help them and their families stay safe
- Donating to humanitarian efforts in Ukraine

Operational response actions

- Ensuring compliance with applicable sanctions regime
- Establishing a crisis management team and activating contingency plans to limit the operational and financial impacts
- Taking care of the personnel and management in Ukraine and Russia
- Stopping investments into the Russian production, and discontinuing all heavy tire sales and distribution to Russia
- Ending passenger car tire imports from Russia to Europe and North America in July

- On June 28, the Board of Directors decided to initiate a controlled exit from Russia. As part of the process, impairments and write-downs of EUR 300.7 million were recorded in the second quarter. An agreement for the sale of the Russian operations was signed on October 28. The sale process is ongoing.
- Expediting plans to diversify manufacturing footprint by investing in new production capacity in Europe, continuing to increase passenger car tire capacity at the Finnish and US factories, and starting collaboration with tire contract manufacturers. On November 1, the Board of Directors made a decision to invest approximately EUR 650 million in a greenfield passenger car tire factory in Romania.
- Implementing cost measures by cutting and delaying activities and reducing discretionary spending.

Financial response actions

- On March 30, the Board of Directors decided to change its dividend proposal to the Annual General Meeting 2022 from EUR 1.32/share to EUR 0.55/share (2020: EUR 1.20). The changed dividend proposal cut the total dividend payable to shareholders by EUR 106 million to fund the new capacity in Europe
- Taking measures to secure the company's liquidity and financial flexibility
- Leveraging the strong balance sheet to support the company in difficult times

EXIT FROM RUSSIA

In October, Nokian Tyres signed an agreement to sell its Russian operations to Tatneft PJSC. The sale process is ongoing. The debt free and cash free purchase price is expected to be approximately EUR 400 million. The final purchase price is affected, among other things, by net cash and working capital adjustment and changes in RUB/EUR exchange rate.

The transaction is subject to approval by the relevant regulatory authorities in Russia and other conditions, which creates substantial uncertainties related to the timing, terms and conditions and the closing of the transaction. Due to the uncertainties, final accounting implications including translation differences, among other things, can only be assessed when the transaction has been duly completed.

MATTERS AFTER THE REVIEW PERIOD

Changes in ownership

Transaction date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %
January 3, 2023	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
January 4, 2023	Norges Bank (The Central Bank of Norway)	Above 5%	4.99%	0.06%	5.05%
January 5, 2023	BlackRock, Inc	Above 5%	4.93%	0.21%	5.15%
January 9, 2023	Norges Bank (The Central Bank of Norway)	Below 5%	4.99%	0.00%	4.99%
January 10, 2023	BlackRock, Inc	Above 5%	5.04%	0.20%	5.24%
January 10, 2023	Société Générale SA	Above 5%	0.38%	5.40%	5.78%
January 11, 2023	BlackRock, Inc	Below 5%	4.78%	0.24%	5.02%
January 12, 2023	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
January 12, 2023	Norges Bank (The Central Bank of Norway)	Above 5%	5.05%	0.00%	5.05%
January 16, 2023	BlackRock, Inc	Above 5%	4.67%	0.61%	5.29%
January 17, 2023	Norges Bank (The Central Bank of Norway)	Below 5%	4.90%	0.00%	4.90%
January 18, 2023	Norges Bank (The Central Bank of Norway)	Above 5%	5.20%	0.00%	5.20%
January 18, 2023	BlackRock, Inc	Above 5%	5.11%	0.60%	5.71%
January 18, 2023	Société Générale SA	Below 5%	0.16%	4.78%	4.94%
January 24, 2023	Société Générale SA	Above 5%	0.56%	4.54%	5.10%
February 1, 2023	BlackRock, Inc	Below 5%	4.61%	0.42%	5.04%
February 2, 2023	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
February 3, 2023	BlackRock, Inc	Above 5%	4.80%	0.49%	5.29%

ASSUMPTIONS FOR 2023

Nokian Tyres' first half of the year is expected to be weak due to constrained capacity causing lower supply of passenger car tires, and seasonality. The second half is expected to be supported by the winter tire and all-season tire season and the offtake volume.

In heavy tires, the general economic development may have a negative impact on demand in 2023.

GUIDANCE FOR 2023

In 2023, Nokian Tyres' segments net sales are expected to be between EUR 1,300–1,500 million and segments operating profit percentage of net sales between 6–8%. It is expected that due to seasonality, the segments operating profit will be generated in the second half of the year.

As of 2023, segments net sales and segments operating profit exclude Russia and other items, which are not indicative of Nokian Tyres' underlying business performance.

THE PROPOSAL FOR THE USE OF PROFITS BY THE BOARD OF DIRECTORS

The distributable funds in the Parent company total EUR 716.1 million.

The Board of Directors proposes to the Annual General Meeting that the distributable funds are to be used as follows, if a maximum amount of dividends is paid:

A dividend of	0.55 EUR/share
be paid out, totaling	EUR 76.0 million
retained in equity	EUR 640.1 million
Total	EUR 716.1 million

The Board of Directors proposes that a dividend of EUR 0.35 per share shall be paid to the shareholders who are registered in the shareholder register maintained by Euroclear Finland Oy on the dividend record date of April 28, 2023. The payment date proposed by the Board of Directors is May 11, 2023.

In addition, it is proposed that the Annual General Meeting would authorize the Board of Directors to decide on dividend payment of a maximum of EUR 0.20 per share to be distributed in December. This shall be decided by the Board of Directors in its meeting scheduled for October 31, 2023. The company will publish the Board decision on the possible second dividend payment separately, and at the same time confirm the pertinent record and payment dates.

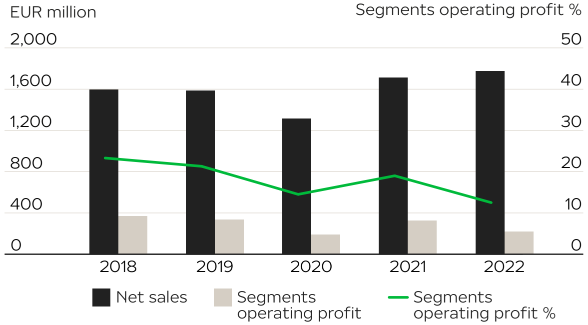
No material changes have taken place in the financial position of the company since the end of the financial year. The liquidity of the company is good, and the proposed distribution of profits does not compromise the financial standing of the company as perceived by the Board of Directors.

Notice to the Annual General Meeting will be published the week commencing April 3, 2023.

Helsinki, February 7, 2023

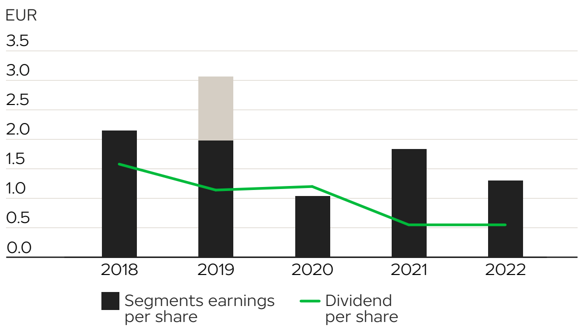
Nokian Tyres plc
Board of Directors

NET SALES AND SEGMENTS OPERATING PROFIT*



EUR million	2022	2021	2020	2019	2018
Net sales	1,776.1	1,714.1	1,313.8	1,585.4	1,595.6
Segments operating profit	221.2	324.8	190.2	337.2	372.4
Segments operating profit %	12.5	19.0	14.5	21.3	23.3

SEGMENTS EARNINGS PER SHARE* AND DIVIDEND PER SHARE

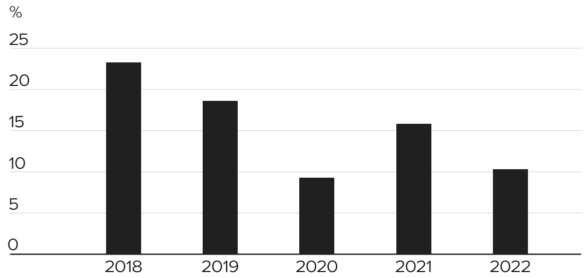


EUR	2022	2021	2020	2019	2018
Segments earnings per share	1.30	1.84	1.04	3.06[1]	2.15
Dividend per share	0.55[2]	0.55	1.20	1.14	1.58

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

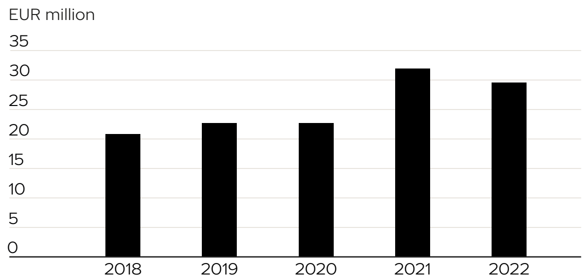
[2] The Board's proposal to the Annual General Meeting on the payment of a maximum amount of dividend

SEGMENTS ROCE*



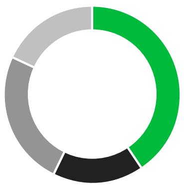
	2022	2021	2020	2019	2018
Segments ROCE, %	10.3	15.8	9.3	18.6	23.3

R&D EXPENSES



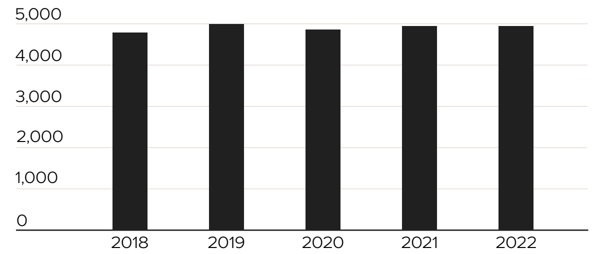
EUR million	2022	2021	2020	2019	2018
R&D expenses	29.6	31.9	22.7	22.7	20.8

NET SALES BY GEOGRAPHICAL AREA, %



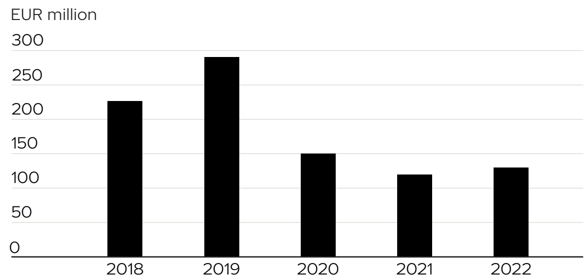
	2022	2021
Nordic countries	41	40
Other Europe	17	27
Russia and Asia	25	20
Americas	18	13

AVERAGE NUMBER OF PERSONNEL



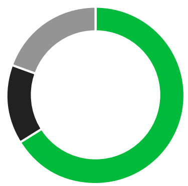
	2022	2021	2020	2019	2018
Personnel	4,947	4,941	4,859	4,995	4,790

GROSS INVESTMENTS



EUR million	2022	2021	2020	2019	2018
Gross Investments	129.9	119.6	149.9	290.1	226.5

NET SALES BY BUSINESS UNIT[1], %

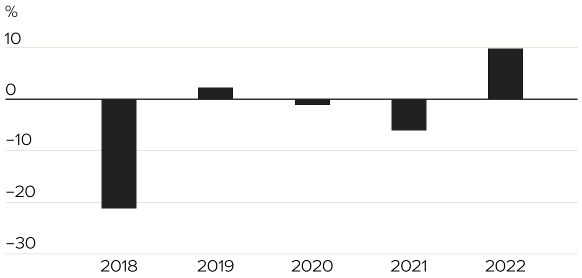


	2022	2021
Passenger Car Tyres	69	70
Heavy Tyres	15	15
Vianor	20	20

[1] Including internal sales

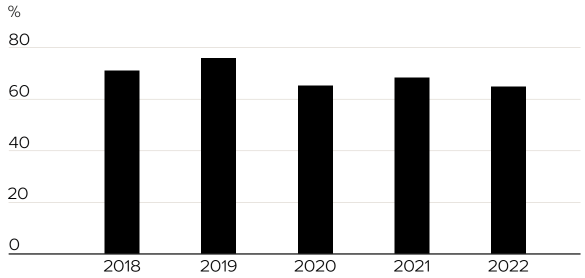
* Comparable Segments Total figures for 2019–2022, earlier years reported based on IFRS

GEARING



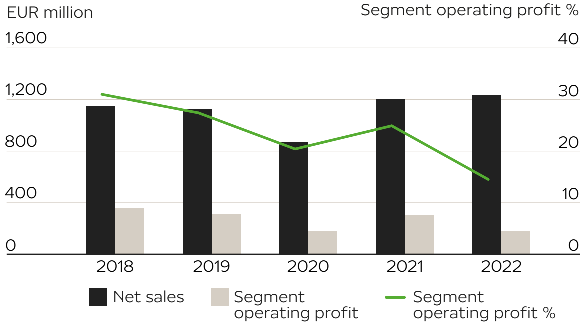
	2022	2021	2020	2019	2018
Gearing, %	**9.8**	–6.1	–1.1	2.3	–21.2

EQUITY RATIO



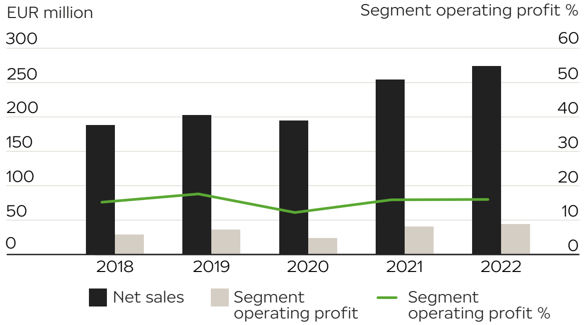
	2022	2021	2020	2019	2018
Equity ratio, %	**64.9**	68.4	65.3	75.9	71.0

PASSENGER CAR TYRES
Net sales and segment operating profit*



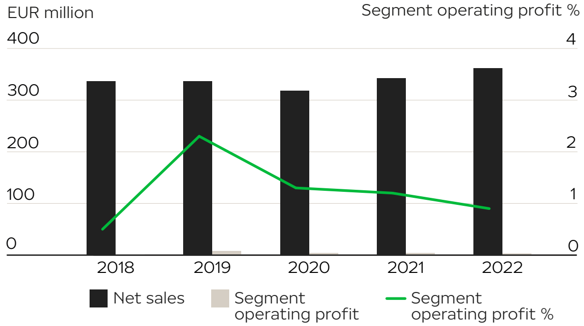
EUR million	2022	2021	2020	2019	2018
Net sales	**1,233.8**	1,199.2	871.3	1,123.8	1,150.8
Segment operating profit	**178.9**	298.7	177.8	308.5	356.5
Segment operating profit %	**14.5**	24.9	20.4	27.4	31.0

HEAVY TYRES
Net sales and segment operating profit*



EUR million	2022	2021	2020	2019	2018
Net sales	**273.5**	254.0	194.6	202.7	187.7
Segment operating profit	**43.8**	40.3	23.7	35.7	28.6
Segment operating profit %	**16.0**	15.9	12.2	17.6	15.2

VIANOR
Net sales and segment operating profit*



EUR million	2022	2021	2020	2019	2018
Net sales	**362.0**	342.9	318.1	336.5	337.2
Segment operating profit	**3.1**	4.1	4.0	7.7	1.6
Segment operating profit %	**0.9**	1.2	1.3	2.3	0.5

* Comparable Segment figures for 2019–2022, earlier years reported based on IFRS

CONSOLIDATED KEY FINANCIAL INDICATORS

Figures in EUR million unless otherwise indicated	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net sales	**1,776.1**	1,714.1	1,313.8	1,595.8	1,595.6	1,572.5	1,391.2	1,360.1	1,389.1	1,521.0
change, %	**3.6%**	30.5%	−17.1%	0.0%	1.5%	13.0%	2.3%	−2.1%	−8.7%	−5.7%
Operating margin (EBITDA) [1]	**194.4**	425.6	275.9	441.7	465.8	463.7	395.2	378.6	398.5	479.0
Depreciation and amortization	**154.9**	140.5	131.0	125.2	93.4	98.3	84.7	82.6	89.8	93.5
Impairments [2]	**155.7**	17.0	24.9							
Operating profit (EBIT)	**−116.2**	268.2	120.0	316.5	372.4	365.4	310.5	296.0	308.7	385.5
% of net sales	**−6.5%**	15.6%	9.1%	19.8%	23.3%	23.2%	22.3%	21.8%	22.2%	25.3%
Profit before tax	**−146.3**	258.2	106.0	336.7	361.7	332.4	298.7	274.2	261.2	312.8
% of net sales	**−8.2%**	15.1%	8.1%	21.1%	22.7%	21.1%	21.5%	20.2%	18.8%	20.6%
Return on equity, %	**−11.5%**	13.1%	5.2%	24.6%	20.0%	15.1%	18.7%	19.6%	16.0%	13.0%
Return on capital employed, %	**−6.0%**	13.7%	6.0%	17.6%	23.3%	22.4%	19.9%	20.3%	19.2%	21.8%
Total assets	**2,209.7**	2,383.5	2,336.7	2,332.6	2,092.9	1,877.4	1,975.7	1,754.8	1,797.0	2,062.9
Interest-bearing net debt	**140.9**	−98.7	−17.2	41.1	−315.2	−208.3	−287.4	−209.7	−164.6	−56.4
Equity ratio, %	**64.9%**	68.4%	65.3%	75.9%	71.0%	78.2%	73.8%	70.8%	67.5%	67.6%
Gearing, %	**9.8%**	−6.1%	−1.1%	2.3%	−21.2%	−14.2%	−19.7%	−16.9%	−13.6%	−4.1%
Net cash from operating activities	**−4.3**	396.5	422.4	219.8	536.9	234.6	364.4	283.4	323.4	317.6
Capital expenditure	**129.9**	119.6	149.9	290.1	226.5	134.9	105.6	101.7	80.6	125.6
% of net sales	**7.3%**	7.0%	11.4%	18.3%	14.2%	8.6%	7.6%	7.5%	5.8%	8.3%
R&D expenditure	**29.6**	31.9	22.7	22.7	20.8	21.8	20.3	18.7	16.6	16.1
% of net sales	**1.7%**	1.9%	1.7%	1.3%	1.3%	1.4%	1.5%	1.4%	1.2%	1.1%
Dividends	**76.0**	76.0	165.9	158.4	218.1	214.2	208.0	202.0	193.5	193.3
Personnel, average during the year	**4,947**	4,941	4,859	4,942	4,790	4,630	4,433	4,421	4,272	4,194

PER SHARE DATA

Figures in EUR million unless otherwise indicated	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Earnings per share, EUR	**−1.27**	1.49	0.62	2.89	2.15	1.63	1.87	1.80	1.56	1.39
change, %	**−185.1%**	140.2%	−78.5%	78.1%	32.4%	−13.0%	3.6%	15.1%	12.9%	−45.0%
Earnings per share (diluted), EUR	**−1.27**	1.49	0.62	2.89	2.14	1.61	1.86	1.80	1.56	1.39
change, %	**−185.1%**	140.2%	−78.5%	35.2%	32.5%	−13.2%	3.2%	15.0%	12.9%	−43.5%
Cash flow per share, EUR	**−0.03**	2.87	3.05	3.89	3.91	1.72	2.70	2.12	2.43	2.39
change, %	**−101.1%**	−6.0%	−21.5%	−0.7%	127.2%	−36.3%	27.4%	−12.7%	1.4%	−19.2%
Dividend per share, EUR	**0.55**[3]	0.55	1.20	1.14	1.58	1.56	1.53	1.50	1.45	1.45
Dividend pay out ratio, %	**−43.3%**	88.5%	192.9%	39.5%	73.9%	96.7%	82.6%	83.9%	92.9%	105.2%
Equity per share, EUR	**10.37**	11.78	11.01	12.76	10.79	10.74	10.75	9.24	9.07	10.45
P/E ratio	**−7.5**	22.3	46.4	8.9	12.5	23.3	19.0	18.4	13.0	25.2
Dividend yield, %	**5.7%**	4.0%	4.2%	4.5%	5.9%	4.1%	4.3%	4.5%	7.1%	4.2%
Market capitalisation 31 December	**1,330.9**	4,626.1	4,003.7	3,560.6	3,702.9	5,188.7	4,814.0	4,458.3	2,708.1	4,647.7
Number of shares during the year, average, million units	**138.25**	138.22	138.46	138.17	137.26	136.25	134.86	133.63	133.16	132.65
diluted, million units	**138.25**	138.22	138.46	138.38	138.14	137.28	135.56	133.74	135.10	137.62
Number of shares 31 December, million units	**138.25**	138.22	138.22	138.72	137.79	136.75	135.68	134.39	133.17	133.29
Number of shares entitled to a dividend, million units	**138.25**	138.25	138.22	138.92	138.07	137.28	135.93	134.69	133.47	133.34

[1] DA in EBITDA includes impairments from 2020 onwards
[2] Impairments are presented from 2020 onwards
[3] The Board's proposal to the Annual General meeting

CONSOLIDATED KEY FINANCIAL INDICATORS

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL STATEMENTS 2022

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

CONSOLIDATED INCOME STATEMENT, IFRS

EUR million 1.1.–31.12.	Notes	2022	2021
Net sales	(1)	**1,776.1**	1,714.1
Cost of sales	(3)(7)(8)	**–1,489.4**	–1,162.1
Gross profit		**286.7**	552.0
Other operating income	(4)	**4.3**	2.9
Selling, marketing and R&D expenses	(7)(8)	**–177.6**	–197.3
Administration expenses	(6)(7)(8)	**–101.4**	–89.1
Other operating expenses	(5)(7)(8)	**–128.2**	–0.3
Operating profit		**–116.2**	268.2
Financial income	(9)	**273.6**	76.4
Financial expenses	(10)	**–303.7**	–86.3
Result before tax		**–146.3**	258.2
Tax expense	(11)	**–29.2**	–52.0
Result for the period		**–175.5**	206.2
Attributable to:			
Equity holders of the parent		**–175.5**	206.2
Earnings per share (EPS) for the profit attributable to the equity holders of the parent:	(12)		
Basic, euros		**–1.27**	1.49
Diluted, euros		**–1.27**	1.49

EUR million 1.1.–31.12.	Notes	2022	2021
Consolidated other comprehensive income			
Result for the period		**–175.5**	206.2
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	(11)	**6.8**	–
Cash flow hedges	(11)	**9.0**	4.4
Translation differences on foreign operations		**36.7**	54.5
Total other comprehensive income for the period, net of tax		**52.4**	58.9
Total comprehensive income for the period		**–123.1**	265.1
Total comprehensive income attributable to:			
Equity holders of the parent		**–123.1**	265.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million 31.12.	Notes	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	(13)	**775.0**	870.9
Right of use assets	(15)	**123.8**	153.5
Goodwill	(14)	**63.2**	65.3
Other intangible assets	(14)	**15.6**	21.7
Investments in associates	(17)	**0.1**	0.1
Non-current financial investments	(17)	**3.0**	2.9
Other receivables	(16)(18)	**14.4**	6.2
Deferred tax assets	(19)	**23.5**	21.6
		1,018.5	1,142.1
Current assets			
Inventories	(20)	**529.9**	415.1
Trade and other receivables	(21)(29)	**387.3**	431.6
Current tax assets		**15.0**	8.9
Cash and cash equivalents	(22)	**259.0**	385.9
		1,191.2	1,241.4
Total assets	(1)	**2,209.7**	2,383.5

EUR million 31.12.	Notes	2022	2021
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	(23)(24)		
Share capital		**25.4**	25.4
Share premium		**181.4**	181.4
Treasury shares		**–16.6**	–17.6
Translation reserve		**–349.5**	–393.0
Fair value and hedging reserves		**10.5**	1.6
Paid-up unrestricted equity reserve		**238.2**	238.2
Retained earnings		**1,343.6**	1,591.5
Total equity		**1,433.1**	1,627.6
Liabilities			
Non-current liabilities			
Deferred tax liabilities	(19)	**17.4**	37.8
Interest-bearing liabilities	(27)(29)	**201.1**	246.9
Other liabilities		**0.8**	0.9
		219.4	285.7
Current liabilities			
Trade and other payables	(28)	**344.5**	410.6
Current tax liabilities		**4.1**	13.5
Provisions	(26)	**9.9**	5.8
Interest-bearing liabilities	(27)(29)	**198.8**	40.3
		557.2	470.3
Total liabilities	(1)	**776.6**	755.9
Total equity and liabilities		**2,209.7**	2,383.5

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

Interest-bearing liabilities include EUR 92.6 million of non-current and EUR 36.5 million of current lease liabilities.

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR million 1.1.–31.12.	Notes	2022	2021
Result for the period		–175.5	206.2
Adjustments for			
Depreciation, amortization and impairment	(7)	310.6	157.5
Financial income and expenses	(9)(10)	30.2	10.0
Gains and losses on sale of intangible assets, other changes		136.3	12.9
Income Taxes	(11)	29.2	52.0
Cash flow before changes in working capital		330.8	438.6
Changes in working capital			
Current receivables, non-interest-bearing, increase (–) / decrease (+)		–93.9	–22.0
Inventories, increase (–) / decrease (+)		–93.4	–70.8
Current liabilities, non-interest-bearing, increase (+) / decrease (–)		–69.8	98.3
Changes in working capital		–257.1	5.5
Financial items and taxes			
Interest and other financial items, received		3.5	1.7
Interest and other financial items, paid		–15.2	–9.1
Income taxes paid		–66.2	–40.2
Financial items and taxes		–78.0	–47.6
Cash flow from operating activities (A)		–4.3	396.5
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	(13)(14)	–125.2	–119.6
Proceeds from sale of property, plant and equipment and intangible assets		2.0	1.7
Acquisitions of Group companies	(2)	–4.5	–
Other cash flow from investing activities		0.7	–0.8
Cash flows from investing activities (B)		–126.9	–118.7

EUR million 1.1.–31.12.	Notes	2022	2021
Cash flow from financing activities:			
Change in current financial receivables, increase (–) / decrease (+)		–0.4	1.4
Change in non-current financial receivables, increase (–) / decrease (+)		1.0	0.4
Change in current financial borrowings, increase (+) / decrease (–)		161.4	–203.4
Change in non-current financial borrowings, increase (+) / decrease (–)		–26.9	–0.9
Payment of lease liabilities		–40.4	–38.5
Dividends received		0.0	0.0
Dividends paid		–89.7	–158.7
Cash flow from financing activities (C)		5.1	–399.8
Change in cash and cash equivalents, increase (+) / decrease (–) (A+B+C)		–126.2	–122.0
Cash and cash equivalents at the beginning of the period		385.9	504.2
Effect of exchange rate fluctuations on cash held		–0.7	3.7
Cash and cash equivalents at the end of the period	(22)	259.0	385.9

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**	**Total equity**
Equity, 1 Jan 2021		25.4	181.4	–18.2	–447.5	–2.8	238.2	1,544.9	1,521.3
Profit for the period								206.2	206.2
Other comprehensive income, net of tax:									
Cash flow hedges						4.4			4.4
Net investment hedge									–
Translation differences					54.5				54.5
Total comprehensive income for the period					54.5	4.4		206.2	265.1
Dividends paid	(23)							–165.9	–165.9
Share-based payments	(24)							6.8	6.8
Other changes				0.7				–0.5	0.2
Total transactions with owners for the period				0.7				–159.5	–158.9
Equity, 31 Dec 2021		25.4	181.4	–17.6	–393.0	1.6	238.2	1,591.5	1,627.6
Equity, 1 Jan 2022		**25.4**	**181.4**	**–17.6**	**–393.0**	**1.6**	**238.2**	**1,591.5**	**1,627.6**
Profit for the period								**–175.5**	**–175.5**
Other comprehensive income, net of tax:									
Cash flow hedges						**9.0**			**9.0**
Net investment hedge					**6.8**				**6.8**
Translation differences					**36.7**				**36.7**
Total comprehensive income for the period					**43.5**	**9.0**		**–175.5**	**–123.1**
Dividends paid	(23)							**–76.0**	**–76.0**
Share-based payments	(24)			**1.0**				**–5.9**	**–4.9**
Other changes	(19)							**9.5**	**9.5**
Total transactions with owners for the period				**1.0**				**–72.4**	**–71.4**
Equity, 31 Dec 2022		**25.4**	**181.4**	**–16.6**	**–349.5**	**10.5**	**238.2**	**1,343.5**	**1,433.1**

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 Nasdaq Helsinki Oy since 1995. Nokian Tyres Group develops and manufactures summer, winter and all-season tires for passenger cars and vans as well as 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 a part of the Group. The core business areas in the Group are Passenger Car Tyres, Heavy Tyres, and Vianor. The Board of Directors of Nokian Tyres plc has approved the financial statements for publication at its meeting on February 7, 2023. In accordance with the Finnish Limited Liability Companies Act, the shareholders can approve or reject the financial statements or make a decision on altering the financial statements in the Annual General Meeting arranged after its publication. A copy of the consolidated financial statements is available from the company's headquarters at Pirkkalaistie 7, 37100 Nokia and at www.nokiantyres.com.

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 December 31, 2022. The 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. The notes to the consolidated financial statements comply with the Finnish accounting and corporate laws.

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

New and amended standards and interpretations (IAS 8.28)

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

Standards that have been issued but that are not yet effective

The new and amended standards and interpretations relevant to the Group that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts (1.1.2023)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (1.1.2023)
- Definition of Accounting Estimates – Amendments to IAS 8 (1.1.2023)
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (1.1.2023)
- Deferred Tax related to Assets and Liabilities arising from a ingle Transaction – Amendments to IAS 12 (1.1.2023)
- Amendments to IFRS 16: Lease liability measurement in a sale and leaseback transaction (1.1.2024)

The Group is currently assessing the impact of the amendments to determine the impact that they will have on the Group's accounting policy disclosures.

The IFRS are under constant development. 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 the consolidated financial statements in accordance with the IFRS standards requires the Group management to use 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 to determine the number of items reported in the financial statements, measure assets (Notes 13,14,15), test goodwill and other assets for impairment (Note 15), and for the future use of deferred tax assets (Note 19). The estimates made in the context of the preparation of financial statements are based on the management's best judgment at the end of the reporting period. The realization of the estimates and assumptions is continuously monitored.

Estimates requiring the management's judgment are related to the depreciation of assets. The company estimated the impact of the COVID-19 pandemic in terms of depreciation. The COVID-19 pandemic did not affect the carrying amounts of assets or any write-downs made during this or the previous financial year. The write-downs and management estimates are described in more detail in Note 14.

The group follows the IFRS 16 standard's guidelines when determining lease periods. For lease contracts that have been defined as valid until further notice, an expected lease term pursuant to the management's judgment is applied. The determination of the expected lease term considers the financial impacts of any sanctions included in the lease contracts, such as sanctions related to the early termination of the contract. Options for extending and terminating the lease term have been considered when determining the length of the lease term, pursuant to the guidelines of the standard. The extension option is counted into the lease term if it is reasonably certain that the option will be used and, correspondingly, if it is reasonably certain that the option to terminate will not be used, the term covered by the option is counted into the lease term. Whenever a contract contains a lease component and a non-lease component, the group separates the non-lease components, such as maintenance, services, etc. using the separate prices that are listed in the lease contracts or on the basis of an estimate. If the lease term is valid until further notice, the management's judgment will be applied and, accordingly, the contracts will be booked for three years.

The company's risks include strategic, operational, and financial risks. The key risks included in the estimates include the country risk as well as the risks related to the challenging tire pricing environment related to the development of raw material prices. The risks are regularly monitored and assessed as part of the risk management program. The most significant risks are presented in Note 33.

By the time of the approval of the financial statements, the company is not aware of such major sources of estimation uncertainty at the end of the reporting period nor of such key assumptions concerning the future that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except for what has been disclosed in Note 14.

In 2022 Nokian Tyres' Board of Directors decided to initiate a controlled exit from Russia. Due to the war and the subsequent, tightening sanctions it is no longer feasible nor sustainable for Nokian Tyres plc to continue operations in Russia. In October, Nokian Tyres signed an agreement to sell its Russian operations and based on this, the company has made impairments, which are presented in Notes 14 and 29.

Decisions based on management judgment

The management has exercised separate judgment as regards the recognition of the cloud service deployment costs, as was assessed in the meeting of the recognition criteria under the decision issued by IFRIC in spring 2021. The company's management estimated the completed and current cloud service contracts and determined that the amount of recognised deployment costs is minor in comparison to the carrying amount of the entire group's intangible assets. The commissioning costs for cloud services will be recognised when the company is able to specify the recognised commodity and the commodity is under the company's control.

The material part of the company's sales consists of standard sales of goods between companies, where invoicing occurs with standard terms upon goods delivery, and which involves no substantial need for estimates. However, the company's management has exercised judgment when estimating the time when control over the product is transferred away from the company under reseller agreements.

The management has set climate goals for the company, which are taken into account in the preparation of the consolidated financial statements, for example in impairment testing and in depreciation times and accounting values of intangible and tangible fixed assets. Currently, these do not have a significant impact on the preparation of the financial statements.

During the 2022 fiscal year, the company announced that it will invest in new production capacity in Europe. The new factory to be built in Romania in 2023–2025 is the industry's first carbon dioxide-free factory. The group's climate work steering group supervises and monitors the progress of the group's work aimed at reducing greenhouse gas emissions.

The Disposal on Russian operations did not meet the criteria of discontinued operations and has been presented as part of continued operations.

Principles of consolidation

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

Associated companies in which the Group has 20% to 50% of the voting rights and in which it exercises significant influence, but not control, have been consolidated using the equity method. If the Group's share of the associated company's losses exceeds its holding in the associated company, the carrying amount will be recorded in the statement of financial position at nil value. Losses in excess of that value will be ignored unless the Group has obligations toward the associated companies. Investments in associates include the carrying amount of the investment in an associated company according to the equity method, and any possible other non-current investments in the associated company, which are, in substance, part of a net investment in the associated company. The Group has no associated companies at the end of financial year 2021 or 2022.

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.

The 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 recognised in the income statement. Under IFRS, goodwill is not amortized but is rather 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 unrealized margins as well as the distribution of profits within the Group are eliminated while preparing the consolidated financial statements.

Foreign currency items

Transactions in foreign currencies have been recorded at the exchange rates effective on the transaction date. In the statement of financial position, all items in foreign currencies unsettled on the reporting date are measured at the European Central Bank's closing exchange rate. As the European Central Bank suspended the quotation of the ruble exchange rate in March 2022 the Group started using the WM/Refinitiv FX benchmark rate for the ruble. 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 the financial position of foreign subsidiaries have been converted into euros using the European Central Bank's closing rates, and the monthly income statements use the average rate for the period. As the European Central Bank suspended the quotation of the ruble exchange rate in March 2022 the Group started using the WM/Refinitiv FX benchmark rate for the ruble. The conversion differences arising from the subsidiaries' income statements and statements of financial position have been recorded under other comprehensive income and in the conversion reserve within equity as a separate item. The conversion 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 the settlement of a loan to a foreign operation is neither planned nor likely to occur in the foreseeable 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 recognised in other comprehensive income and accumulated in the translation reserve in equity.

When a subsidiary is divested fully or in part, the related accumulated conversion 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 on hand and other current investments, such as commercial papers and bank deposits.

Financial assets and liabilities

Classification of financial instruments

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

- Amortised 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 business objectives for the holding of a financial asset other 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 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. When measuring the expected credit losses, the Group reviews the actual credit losses, current conditions, and forecasts of the future economic conditions.

For trade receivables, the Group follows the simplified approach whereby the impairment recognised in trade receivables corresponds to the 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 recognised initially at fair value and subsequently measured at fair value. Publicly quoted market prices and rates as well as the 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 recognised in profit or loss unless the derivative is part of a hedging relationship when fair value changes are recognised 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 aforesaid 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 recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. Any ineffective portion of changes in fair value is recognised immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss as the hedged item affects profit or loss.

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

The price risk of the Group's forecast electricity purchases in Finland is hedged with electricity derivatives to which hedge accounting is applied. The Group may separately hedge the two components of electricity price risk, system price, and 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 the cost of sales. The ineffective portion is recognised 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 recognised in other comprehensive income and accumulated in the translation reserve in equity. Any ineffective portion of changes in fair value is recognised immediately in profit or loss. The amount accumulated in the translation reserve is reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

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

Revenue recognition

The Nokian Tyres Group develops and manufactures summer, winter and all-season tires for passenger cars and delivery vehicles as well as special tires for heavy machinery. The group includes the tire retail chain Vianor. The group manufactures retreading materials and performs tire retreading. The group's business units are Passenger Car Tyres, Heavy Tyres, and Vianor. The chosen business structure describes, for example, the different nature of the sales revenue from the business units and the cyclical nature of their operations. Geographical areas provide further information on the regional magnitudes of the business functions and the various uncertainties contained within the market. The company is managed through the aforementioned business units and geographical areas.

The company's performance obligation is met and the recognition as income is made when a product or service is delivered. The sales of services and products create separate performance obligations. The material part of the company's net sales consists of standard B2B sales of goods, where invoicing occurs with standard terms upon goods delivery. Income for the sales of products is booked when the significant risks and benefits related to the ownership of goods, their right of possession, and actual control have been transferred to the buyer in accordance with the terms of contract, and when the payment is probable. Net sales also include the sale of services to a small extent. Income from services is booked once the services have been performed. The company's business is not characterized by overdue recognition; instead, there is one performance obligation that corresponds to a single recognition date. Invoicing occurs with standard terms upon goods delivery.

Revenue for both products and services is reported under net sales. Even the longest payment terms are a maximum of 12 months. Therefore, the financing component has not been separately indicated. Refunds have a minor impact on the financial statements. The company mainly operates in the replacement tire market, where product refund practices may differ from the original equipment market. As a rule, the contract templates that are widely employed by the group do not allow for returning products that have already been sold at the customer's initiative, unless the delivery is defective or a separate provision for this has been made in the specific contract.

Refunds and other factors affecting the selling price are monitored when determining the trading price. When calculating net sales, sales income is adjusted with indirect taxes and discounts. The company mainly sells tires to its own direct customers, granting them volume-based discounts. When recognizing goods, the company considers the discounts given to customers. During the financial year, the estimate is based on customers' estimates on future volumes and, on the other hand, on volumes that have already been realized. At the time of the closing of the financial statements, the discount is based on the realized volume at that time.

Trade receivables have been recorded on the balance sheet according to the originally invoiced amount, and items in other currencies have been recognised at the closing rate reported by the European Central Bank. As the European Central Bank suspended the quotation of the ruble exchange rate in March 2022 the Group started using the WM/Refinitiv FX benchmark rate for the ruble. Trade receivables will change if the receivables are booked as a credit loss. There are three types of credit loss provisions: group-level IFRS 9, local, and statutory credit loss provision. Revenue from contracts with customers is reported under net sales, and credit losses are reported separately from net sales under other business expenses.

Advances from customers are not a material item as regards the financial statements or when compared to sales. Invoiced sales discounts are booked as refunds for trade receivables. Advances received from customers are not booked as trade receivables but instead as debts.

The products sold by the company have a standard warranty period. Furthermore, in limited markets, a so-called Hakka Guarantee is offered for select Hakka products that covers tire punctures not covered by the standard warranty.

Lease agreements

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

Nokian Tyres primarily acts as a lessee. The vast majority of leases recognised as Right-of-use assets under IFRS 16 comprise Vianor chain real estate and warehouses.

The Group as a lessee

Nokian Tyres recognizes a leased asset and the related lease liability at the lease commencement date, except for short-term leases and low value leases.

- A lease is considered short term if the lease term is 12 months or less and no option included
- A lease is considered of low value if the business level materiality thresholds are not met.

The group applies this guideline to all asset classes, with the exception of vehicle leases, which are also recognised under IFRS 16 even if their contract term is below 12 months or the related asset is deemed of low value.

The lease term is determined as the non-cancelable period of the lease, taking extension and termination options into consideration, if it is reasonably certain that the group will exercise such options. If the lease term is indefinite (valid until further notice), management judgment is used to estimate the expected lease term and the indefinite contracts will be booked on the basis of the planning period, usually for three years.

Lease liability under IFRS 16 is recorded at the commencement date of the lease and measured at the present value of the lease payments during the lease term. The criteria used to determine the discount rate by lease agreement are the category of the asset, geographical location, currency, maturity of the risk-free interest rate, and the lessee's credit risk premium. When the agreement includes a lease component and a non-lease component, Nokian Tyres separates the non-lease components, such as maintenance or services, based on either the stand-alone prices given in the lease agreement or by using estimates. The lease liability is remeasured with a corresponding effect to the related leased asset when there is a change in the future lease payments due to contract renegotiation, index changes, or a reassessment of options.

The leased asset consists of the initial lease liability and any initial direct costs less any incentives granted by the lessor. It is valued at cost less accumulated depreciation and impairment losses. Any remeasurement is in line with the remeasurement of the lease liability. The right-of-use asset is depreciation in a straight-line basis over the lease term. More detail is provided in Note 15.

The Group as a lessor

The lessor will classify each lease agreement into either finance or operating lease in accordance with the IFRS 16 standard. If the lease transfers substantially all of the risk and rewards incidental to the ownership of the asset, it is considered to be a finance lease; otherwise, the lease is considered to be an operating lease.

Assets held under finance leases are recorded in the statement of the financial position as receivables at an amount equal to the net investment in the lease.

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

From the Group's point of view, operating as a lessor is very limited.

Research and development costs

Research costs are recognised as part of selling, marketing, and R&D expenses for the financial period in which they incurred. Development costs are capitalized once certain criteria associated with commercial and technical feasibility have been met. Capitalized development costs primarily comprising materials, supplies, and direct labor costs as well as the related overheads are amortized systematically over their expected useful life. The amortization period is 3–5 years.

Government grants

Grants received from governments or other parties are recognised adjustments to the 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 the cost of sales, sales, marketing and R&D expenses, administration expenses, and other operating expenses. Operating profit does not include exchange rate gains or losses.

Borrowing costs

The borrowing costs of items included in property, plant, and equipment or other intangible assets, and requiring a substantial construction period, are capitalized 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. The Group has not capitalized borrowing costs in 2021 or 2022.

Income taxes

The tax expense of the Group includes taxes based on the profit or loss for the period or the dividend distribution of the Group companies as well as any change in deferred tax, and the 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 on the income statement calculated from the net result, and it 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 the tax bases of assets and liabilities. The most significant temporary differences arise from the amortization and depreciation differences of intangible assets and property, plant, and equipment, measuring the net assets of business combinations at fair value, measuring financial assets and hedging instruments at fair value, internal profits in inventory and other provisions, appropriations, and unused tax losses. Deferred tax liabilities will also be recognised from the subsidiaries' non-distributed retained earnings if profit distribution is likely and will result in tax consequences.

Deferred tax assets relating to the temporary differences are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised before expiration. In assessing the recoverability of deferred tax assets compared to the expiration of tax losses and the future taxable profits, the Group relies on management judgment. Deferred taxes are not recorded on goodwill that is not deductible for tax purposes.

Nokian Tyres has reported deferred tax assets and liabilities in its financial statements which are expected to be realized in the profit and loss based on the management assessment. Management assessments on uncertain tax situations are based on external expertise.

Nokian Tyres aims for predictability and transparency in taxation in different countries.

OECD, European Union and changing tax legislation and reporting requirements in different countries create challenges in taxation and tax reporting. Complying with the reporting requirements demands continuous system and process development as well as support from local tax experts.

International business environment in nature exposes to usual tax audits and disputes in different countries. Nokian Tyres has established a Tax Policy and harmonized practices in the Group's operating countries in order to clarify responsibilities and to reduce tax risks. Nokian Tyres does not have significant tax disputes ongoing and no specific tax risks are identified currently. Nokian Tyres has conducted pre-emptive discussions with authorities in different countries in order to agree on the taxation of its operations or changes in the corporate structure to minimize tax risks. Pre-emptive discussions will be initiated in connection to establishing the new production site in Romania.

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 had share options and previously convertible bonds as diluting instruments. At present, the Group does not have either. 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 the property, plant, and equipment acquired by the Group companies are based on their costs. Any proceeds from selling items produced while bringing an item of PPE into the location and condition intended are not deducted from the acquisition price but instead recorded in profit or loss. 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, the property, plant, and equipment are stated at cost less accumulated depreciation and impairment losses. The borrowing costs of the items included in property, plant, and equipment, and requiring a substantial construction period, are capitalized for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses in the period that they were 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 the period. Expenses incurred from significant modernization 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. Modernization 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 the 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 what has been acquired, and any previously held interest exceeds the fair value of the net assets acquired. Goodwill is not amortized but is tested for impairment annually as well as whenever an indication of possible impairment exists.

Other intangible assets include customer relationships, capitalized development costs, patents, copyrights, licenses, and software. Intangible rights acquired in business combinations are measured at fair value and amortized on a straight-line basis over their useful lives. Other intangible assets are measured at cost and amortized 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 amortization and impairment losses. The borrowing costs of items included in other intangible assets, and requiring a substantial construction period, are capitalized for the period needed to produce the investment for the intended purpose. Other borrowing costs are recognised as expenses in the period that they are incurred. The amortization schedule for intangible assets is 3–10 years.

Impairment

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

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 reorganization of activities, unprofitable agreements, environmental obligations, trials, and tax risks. Warranty provisions include the cost of product replacement during the warranty period.

The products sold by the company have a standard warranty period. Furthermore, in limited markets, a so-called Hakka Guarantee is offered for select Hakka products that covers tire punctures not covered by the standard warranty. The Hakka Guarantee is valid for one year from the purchase of the tire, but at most until the tire has worn down by a predefined amount. Activating the Hakka Guarantee requires the end customer to register for the service. The warranty reservation is described in Note 25 to the financial statements.

Provisions constitute the best estimates at the statement of financial position date and are based on the 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 the 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 that 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 the 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. Payments for defined contribution plans are recorded as expenses in the income statement for the period they relate to. All of the material pension arrangements in the Group are defined contribution plans.

Share-based payments

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

Non-current assets held for sale and discontinued operations (IFRS)

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 the 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 2022 and 2021 do not include any non-current assets held for sale or any discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. OPERATING SEGMENTS

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. Segment performance is evaluated based on operating result and is measured consistently with profit or loss in the consolidated financial statements.

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.

Business segments

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

Heavy Tyres business unit comprises tires for forestry machinery, special tyres 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 Tyres brand, Vianor sells other leading tire brands and other automotive products and services.

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

Operating segments

2022 EUR million	Passenger Car Tyres	Heavy Tyres	Vianor	Other operations and eliminations	Group
Net sales from external customers	1,169.8	235.7	361.1	9.5	1,776.1
Services			93.3		93.3
Sales of goods	1,169.8	235.7	267.8	9.5	1,682.8
Inter-segment net sales	64.0	37.8	0.9	−102.7	
Net sales	1,233.8	273.5	362.0	−93.2	1,776.1
Operating result	−149.3	39.2	2.8	−9.0	−116.2
% of net sales	−12.1%	14.3%	0.8%	9.6%	−6.5%
Financial income and expenses					−30.1
Profit before tax					−146.3
Tax expense					−29.2
Profit for the period					−175.5
Assets	1,439.4	194.2	215.5	34.3	1,883.4
Unallocated assets					326.3
Total assets					2,209.7
Liabilities	245.9	54.3	48.2	4.0	352.4
Unallocated liabilities					424.2
Total liabilities					776.6
Capital expenditure	105.6	7.0	7.5	7.5	129.9
Depreciation and amortization	109.9	13.3	27.5	27.5	154.9
Impairments	152.9	0.2	–	0.0	155.7
Other non-cash expenses	303.7	1.2	0.8	2.3	308.1

2021 **EUR million**	**Passenger Car Tyres**	**Heavy Tyres**	**Vianor**	**Other operations and eliminations**	**Group**
Net sales from external customers	1,139.9	222.5	342.0	9.7	1,714.1
Services			87.7		87.7
Sales of goods	1,139.9	222.5	254.3	9.7	1,626.4
Inter-segment net sales	59.3	31.5	0.9	-91.7	
Net sales	1,199.2	254.0	342.9	-81.9	1,714.1
Operating result	263.4	39.1	-15.0	-19.3	268.2
% of net sales	22.0%	15.4%	-4.4%	23.6%	15.6%
Financial income and expenses					-10.0
Profit before tax					258.2
Tax expense					-52.0
Profit for the period					206.2
Assets	1,522.0	186.1	213.5	17.5	1,939.1
Unallocated assets					444.5
Total assets					2,383.5
Liabilities	300.0	59.2	43.4	5.3	407.8
Unallocated liabilities					348.1
Total liabilities					755.9
Capital expenditure	90.2	22.0	7.3	0.1	119.6
Depreciation and amortization	99.0	12.8	27.7	1.0	140.5
Impairments	1.5	0.1	14.4	1.0	17.0

Notes concerning geographical segments

The business segments are operating in four geographic regions: Nordics, Russia and Asia, Other Europe and Americas. Other contains items that are not allocated to any geographic region.

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.

After the impairments and write-downs, the assets excluding tax and financial items include EUR 262.1 million, net assets excluding net debt include EUR 210.8 million and cash and cash equivalents include EUR 70.7 million of assets located in Russia and Belarus.

Geographical information

2022 **EUR million**	**Nordics**	**Russia and Asia**	**Other Europe**	**Americas**	**Other**	**Group**
Net sales	**722.3**	**436.2**	**302.8**	**314.6**	**–**	**1,776.1**
Services	**93.3**	**0.0**	**0.0**	**0.0**	**–**	**93.3**
Sales of goods	**629.0**	**436.2**	**302.8**	**314.6**	**–**	**1,682.8**
Assets	**962.8**	**268.5**	**161.5**	**507.2**	**–16.6**	**1,883.4**
Unallocated assets						**326.3**
Total assets						**2,209.7**
Capital expenditure	**70.0**	**4.5**	**39.0**	**16.4**	**–**	**129.9**

2021 **EUR million**	**Nordics**	**Russia and Asia**	**Other Europe**	**Americas**	**Other**	**Group**
Net sales	684.9	335.6	464.8	228.9	–	1,714.1
Services	87.7	0.0	0.0	0.0	–	87.7
Sales of goods	597.2	335.6	464.8	228.9	–	1,626.4
Assets	827.1	468.4	199.3	465.6	–23.4	1,937.0
Unallocated assets						446.6
Total assets						2,383.5
Capital expenditure	71.4	11.3	5.5	31.4	–	119.6

2. ACQUISITIONS

Acquisitions and other changes in 2022

On October 13th the Group acquired all shares of real estate company Nokian Portti Oy. This acquisition has minor impact on group accounts. There were no significant acquisitions or other changes during 2021.

EUR million	2022
Purchase consideration	
Consideration paid in cash	4.6
Contingent consideration liability	–
Total consideration	4.6

The fair values of the assets acquired and the liabilities assumed at the time of acquisition were as follows:

EUR million	Note	2022
	(13)	
Property, plant and equipment		4.6
Trade and other receivables		0.1
Cash and cash equivalents		0.1
Total Assets		4.8
Trade and other payables		0.2
Total Liabilities		0.2
Total net assets		4.6
Consideration transferred		4.6
Acquired identifiable net assets		4.6
Consideration paid in cash		4.6
Cash and cash equivalents in the subsidiaries acquired		0.1
Net cash outflow		4.5

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	2022	2021
Raw materials	537.5	472.5
Goods purchased for resale	250.2	217
Wages and social security contributions on goods sold	80.4	64.4
Other costs	402.4	232.9
Depreciation of production	89.9	75.9
Sales freights	118.9	87.5
Warehousing	58.1	46.2
Change in inventories	–48.0	–34.1
Total	1,489.4	1,162.1

4. OTHER OPERATING INCOME

EUR million	2022	2021
Gains on sale of property, plant and equipment	1.8	1.3
Other income	2.5	1.6
Total	4.3	2.9

5. OTHER OPERATING EXPENSES

EUR million	2022	2021
Losses on sale and disposals of tangible fixed assets	0.0	0.0
Expensed credit losses and provisions	2.8	0.0
Other expenses	125.4	0.3
Total	128.2	0.3

6. AUDITOR'S FEES

EUR million	2022	2021
Audit fee	**1.0**	0.7
Tax services	**0.0**	0.0
Other services	**0.1**	0.0
Total	**1.1**	0.8

Ernst & Young Oy has been the company´s principal auditor since March 30, 2021.

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

EUR million	2022	2021
Depreciation and amortization by asset category		
Intangible rights	**4.6**	6.0
Other intangible assets	**2.5**	1.9
Buildings	**11.6**	11.0
Machinery and equipment	**88.1**	78.2
Right of use asset	**41.3**	37.6
Other tangible assets	**6.9**	5.8
Total	**154.9**	140.5
Impairment losses by asset category		
Other intangible assets	**4.0**	–
Land property	**1.6**	–
Buildings	**67.0**	1.1
Goodwill	**0.2**	14.4
Machinery and equipment	**72.2**	1.5
Other tangible assets	**10.7**	–
Total	**155.7**	17.0
Depreciation and amortization by function		
Production	**110.9**	75.9
Selling, marketing and R&D	**31.2**	49.6
Administration	**12.9**	15.1
Total	**154.9**	140.5
Impairment losses by function		
Production	**152.3**	1.5
Selling, marketing and R&D	**–**	14.4
Administration	**3.4**	1.0
Total	**155.7**	17.0

8. EMPLOYEE BENEFIT EXPENSES

EUR million	2022	2021
Wages and salaries	**229.8**	215.8
Pension contributions – defined contribution plans	**28.3**	27.1
Share-based payments	**-4.7**	6.8
Other social security contributions	**22.9**	21.0
Total	**276.4**	270.7

Information on the employee benefits and loans of the key management personnel is presented in note 34 Related party transactions. Other than production wages and salaries were EUR 195.9 (206.3) million in 2022.

9. FINANCIAL INCOME

EUR million	2022	2021
Interest income		
Financial assets measured at amortized cost	**3.0**	1.4
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	**163.4**	49.2
Foreign currency derivatives	**106.7**	25.5
Other financial income	**0.4**	0.3
Total	**273.6**	76.4

10. FINANCIAL EXPENSES

EUR million	2022	2021
Interest expenses		
Financial liabilities measured at amortized cost	**-6.0**	-2.6
Interest rate derivatives designated as hedges	**-0.5**	-1.0
Lease liabilities	**-4.0**	-4.0
Exchange rate losses and changes in fair value		
Financial assets and liabilities at amortized cost	**-155.8**	-36.6
Foreign currency derivatives	**-132.6**	-40.8
Other financial expenses	**-4.8**	-1.4
Total	**-303.7**	-86.3

11. TAX EXPENSE

EUR million	2022	2021
Current tax expense	-43.0	-48.6
Adjustment for prior periods	0.3	1.7
Change in deferred tax	13.5	-5.1
Total	-29.2	-52.0

The reconciliation of tax expense recognised in the income statement and tax expense using the domestic corporate tax rate (2022: 20.0%, 2021: 20.0%):

EUR million	2022	2021
Profit before tax	-146.3	258.2
Taxes calculated according to the Finnish tax rate of 20%	29.3	-51.6
Effect of deviant tax rates in foreign subsidiaries	6.2	11.4
Withholding taxes	5.7	-8.7
Tax exempt revenues	0.8	0.0
Non-deductible expenses	-58.4	-5.3
Losses on which no deferred tax benefits recognised	-1.1	0.0
Adjustment for prior periods	0.3	1.7
Change in the recoverability of deferred tax assets	-13.7	0.0
Utilisation of previously unrecognised tax losses	0.3	0.4
Other items	1.5	0.1
Tax expense	-29.2	-52.0

Income tax relating to components of other comprehensive income:

2022 EUR million	Before tax amount	Tax benefit	Net of tax amount
Net investment hedge	8.5	-1.7	6.8
Cash flow hedges	11.2	-2.2	9.0
Translation differences on foreign operations	36.7		36.7
	56.4	-3.9	52.4

2021 EUR million	Before tax amount	Tax benefit	Net of tax amount
Cash flow hedges	5.5	-1.1	4.4
Translation differences on foreign operations	54.5		54.5
	60.0	-1.1	58.9

12. 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. 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 had share options and previously also convertible bonds as diluting instruments. At present, the Group does not have either.

EUR million	2022	2021
Profit attributable to the equity holders of the parent	-175.5	206.2
Profit for the period to calculate the diluted earnings per share	-175.5	206.2
Shares, 1,000 pcs		
Weighted average number of shares	138,247	138,224
Dilutive effect of the options	0	0
Diluted weighted average number of shares	138,247	138,224
Earnings per share, euros		
Basic	-1.27	1.49
Diluted	-1.27	1.49

13. 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 2021	11.7	355.4	1,180.9	83.7	145.6	1,777.3
Increase	0.6	0.4	47.1	1.0	72.7	121.9
Acquisitions through business combinations						–
Decrease	0.0	−4.4	−22.3	−2.0	−1.4	−30.1
Transfers between items	1.5	8.8	64.3	37.9	−120.1	−7.6
Other changes	0.0	0.0	0.2	0.0	0.0	0.2
Exchange differences	0.1	15.9	38.2	5.7	2.4	62.3
Accumulated cost, 31 Dec 2021	13.9	376.2	1,308.3	126.3	99.3	1,924.0
Accum. Depreciation, 1 Jan 2021	0.0	−100.6	−803.1	−48.7		−952.4
Depreciation for the period		−11.0	−78.2	−5.8		−95.0
Impairment		−1.1	−1.5			−2.5
Decrease		3.0	15.3	1.9		20.2
Other changes		2.3	−3.1	2.9		2.2
Exchange differences		−2.4	−19.9	−3.2		−25.6
Accum. Depreciation, 31 Dec 2021	0.0	−109.7	−890.6	−52.8		−1,053.1
Carrying amount, 31 Dec 2021	13.9	266.5	417.7	73.4	99.3	870.9
Accumulated cost, 1 Jan 2022	**13.9**	**376.2**	**1,308.3**	**126.3**	**99.3**	**1,924.0**
Increase	**6.0**	**0.2**	**40.5**	**1.0**	**75.8**	**123.5**
Acquisitions through business combinations	**0.9**	**3.7**	**0.0**			**4.6**
Decrease	**0.0**	**−0.4**	**−24.6**	**−0.1**	**−0.2**	**−25.4**
Transfers between items	**0.0**	**0.7**	**71.5**	**−11.1**	**−64.6**	**−3.5**
Other changes	**0.0**	**−1.3**	**−24.0**	**0.0**	**1.0**	**−24.4**
Exchange differences	**0.1**	**16.8**	**45.2**	**7.0**	**2.2**	**71.3**
Accumulated cost, 31 Dec 2022	**20.9**	**395.8**	**1,416.9**	**123.1**	**113.4**	**2,070.2**
Accum. Depreciation, 1 Jan 2022	**0.0**	**−109.7**	**−890.6**	**−52.8**		**−1,053.1**
Depreciation for the period		**−11.6**	**−88.1**	**−6.9**		**−106.5**
Impairment	**−1.6**	**−67.0**	**−72.2**	**−10.7**		**−151.5**
Decrease		**0.3**	**21.6**	**0.1**		**22.1**
Other changes		**−0.2**	**22.9**	**0.0**		**22.7**
Exchange differences		**−2.5**	**−22.4**	**−4.0**		**−28.8**
Accum. Depreciation, 31 Dec 2022	**−1.7**	**−190.6**	**−1,028.6**	**−74.3**		**−1,295.2**
Carrying amount, 31 Dec 2022	**19.3**	**205.2**	**388.3**	**48.8**	**113.4**	**775.0**

In 2022, the Group recorded impairments in the tangible assets for EUR 151.5 (2.5) million based on management's assessment. The impairments are shown in the table in their own row.

14. INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated cost, 1 Jan 2021	84.1	101.1	31.5	216.7
Increase		0.9	1.5	2.3
Decrease		−4.7	−0.4	−5.1
Transfers between items		1.2	6.4	7.6
Other changes	−4.9	−8.0	0.0	−13.0
Exchange differences	0.6	0.0	1.0	1.5
Accumulated cost, 31 Dec 2021	79.7	90.3	40.0	210.1
Accum. Depreciation, 1 Jan 2021	−4.9	−84.6	−24.5	−113.9
Depreciation for the period		−6.0	−1.9	−7.9
Impairment	−14.4			−14.4
Decrease		3.2	0.0	3.3
Other changes	4.9	8.1	−2.6	10.5
Exchange differences	0.0	0.0	−0.6	−0.6
Accum. Depreciation, 31 Dec 2021	−14.4	−79.2	−29.6	−123.1
Carrying amount, 31 Dec 2021	65.3	11.2	10.4	86.9

EUR million	Goodwill	Intangible rights	Other intangible assets	Total
Accumulated cost, 1 Jan 2022	79.7	90.4	39.9	210.1
Increase		1.0	1.8	2.8
Decrease		−4.1	−0.3	−4.3
Transfers between items		3.1	0.4	3.5
Other changes	0.3	0.0	1.3	1.6
Exchange differences	−2.0	−0.1	1.1	−1.0
Accumulated cost, 31 Dec 2022	78.0	90.4	44.3	212.7
Accum. Depreciation, 1 Jan 2022	−14.4	−79.2	−29.5	−123.1
Depreciation for the period		−4.6	−2.5	−7.1
Impairment	−0.2		−4.0	−4.2
Decrease		2.4	0.1	2.5
Other changes			−1.2	−1.2
Exchange differences	0.0	0.1	−0.8	−0.6
Accum. Depreciation, 31 Dec 2022	−14.5	−81.4	−37.8	−133.7
Carrying amount, 31 Dec 2022	63.2	9.0	6.5	78.7

Impairment losses

The company considers the relationship between its market capitalisation and its book value when reviewing for indicators of impairment. As at 31 December 2022, the market capitalisation of the company was below the book value of its equity, indicating a potential impairment of goodwill. Russian operations have been assessed separately for impairment resulting to impairments and write-downs in the assets of EUR 280.7 million and write-downs in the deferred tax assets of EUR 12.2 million. EUR 280.7 million of the impairments and write-downs have been allocated to the fixed assets, inventories and trade receivables and EUR 12.2 million to the deferred tax assets. In the Income Statement the impairments and write-downs are allocated to Cost of Sales EUR 155.7 million and Other operating expenses EUR 125.0 million and Deferred taxes EUR 12.2 million. The testing related to the Russian operations has been performed using the fair value less cost to sell method which is based on the sale agreement and expected sale price. The sales transaction is subject to approval of relevant regulatory authorities in Russia and other conditions, which creates substantial uncertanties to the final timing, terms, conditions and the closing of the transaction.

No impairment losses have been booked from the intangible assets based on the impairment tests for goodwill in 2022. The impairment losses EUR 14.4 million booked in 2021 were resulted by the impairment tests for goodwill in the Vianor cash-generating unit.

Impairment tests for goodwill

Goodwill has been allocated to the Group's cash-generating units that have been defined according to the business organization. Impairment testing is performed by comparing the carrying amount of those cash-generating units that include goodwill with their expected recovarable amount. An impairment loss is recognized if the recoverable amount of the cash-generating unit is less than the carrying amount.
In the impairment testing calculation, the cash flow generating units do not include operations in Russia. The exclusion of Russia has led to a change in the Passenger Car Tyres and Heavy Tyres CGU's. The calculations have included the investment in the new production capacity in Europe in accordance with the Board of Directors' decision. The company has committed to the investment and the investment has been substantively commenced.

Allocation of goodwill prior tests

EUR million	
Passenger Car Tyres	62.2
Heavy Tyres	0.9
Vianor	–
Total goodwill	63.2

The recoverable amount of a cash-generating unit is based on calculations of the value in use. The cash flow forecasts used in these calculations are based on five-year financial plans approved by the management. The estimated sales and production volumes are based on the current condition and scope of the existing assets including the investment to the new production capacity in Europe. 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) after 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 8.3% (7.4% in 2021) and for Heavy Tyres is 8.0% (6.4% in 2021). Vianor has not been tested in 2022 as the whole goodwill allocated to Vianor has been impaired in 2021. 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 assumption for the net sales growth rate has been 2%. The sensitivity tests have been performed using net sales and gross margin. A possible impairment would require a significant weakening of the key assumptions from the financial plans approved by the management. The management considers that reasonably possible changes in key assumptions would not cause the unit's carrying amount to exceed its recoverable amount.

The testing indicated no need to recognise impairment losses in Passenger Car Tyres and in Heavy Tyres. The recoverable amount in Passenger Car Tyres considerably exceeds the carrying amount of the cash-generating unit. Due to the nature of the new factory investment a significant amount of the recoverable amount of the cash flow is generated in the terminal value. The recoverable amount in Heavy Tyres significantly exceeds the carrrying amount of the cash-generating unit. The recoverable amount in Heavy Tyres significantly exceeds the carrying amount of the cash-generating unit.

Allocation of goodwill after tests

EUR million		Impairment loss	Goodwill 31.12.2022
Passenger Car Tyres	62.2	–	62.2
Heavy Tyres	0.9	–	0.9
Vianor	–	–	–
Total goodwill	63.2	–	63.2

15. RIGHT OF USE ASSETS

EUR million	Land property	Buildings	Machinery and equipment	Total
Accumulated cost, 1 Jan 2021	3.5	195.9	6.8	206.2
Increase	0.5	64.6	1.7	66.8
Decrease	-2.6	-30.9	-4.6	-38.2
Exchange differences	0.1	4.8	0.0	4.9
Accumulated cost, 31 Dec 2021	1.5	234.3	3.9	239.7
Accum. Depreciation, 1 Jan 2021	-0.4	-52.1	-1.7	-54.2
Depreciation for the period	-0.2	-35.8	-1.5	-37.6
Decrease	0.4	4.5	2.0	6.9
Exchange differences	-0.2	-84.7	-1.3	-86.2
Accum. Depreciation, 31 Dec 2021	-0.2	-84.7	-1.3	-86.2
Carrying amount, 31 Dec 2021	1.3	149.6	2.5	153.5

EUR million	Land property	Buildings	Machinery and equipment	Total
Accumulated cost, 1 Jan 2022	**1.5**	**234.3**	**3.9**	**239.7**
Increase	**0.0**	**18.3**	**1.6**	**19.9**
Decrease	**-0.4**	**-16.2**	**-0.6**	**-17.2**
Exchange differences	**0.0**	**0.0**	**0.0**	**0.0**
Accumulated cost, 31 Dec 2022	**1.2**	**230.9**	**4.8**	**236.9**
Accum. Depreciation, 1 Jan 2022	**-0.2**	**-84.7**	**-1.3**	**-86.2**
Depreciation for the period	**-0.1**	**-39.6**	**-1.6**	**-41.3**
Decrease	**0.0**	**10.8**	**0.6**	**11.5**
Exchange differences	**0.0**	**3.0**	**0.0**	**3.0**
Accum. Depreciation, 31 Dec 2022	**-0.2**	**-110.5**	**-2.4**	**-113.1**
Carrying amount, 31 Dec 2022	**0.9**	**120.4**	**2.5**	**123.8**

Expenses arising from leases of low-value amounted to EUR 0.3 (0.7) million and short-term leases amounted to EUR 4.7 (1.9) million in 2022. These contracts are not included in the right of use assets. Interest expenses from right of use assets were EUR 4.0 (4.0) million.

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

		2022				2021			
			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	(30)	3.4	–	2.8	0.6	14.9	–	14.9	–
Derivatives designated as hedges	(30)	13.5	–	13.5	–	3.8	–	3.8	–
Unquoted securities	(17)	2.8	–	–	2.8	2.6	–	–	2.6
Amortized cost									
Other non-current receivables	(18)	4.3	–	3.2	–	4.8	–	4.3	–
Trade and other receivables	(21)	329.9	–	330.2	–	360.7	–	361.0	–
Money market instruments	(22)	–	–	–	–	50.0	–	50.0	–
Cash in hand and at bank	(22)	259.0	–	259.0	–	335.9	–	335.9	–
Fair value through other comprehensive income									
Unquoted shares	(17)	0.2	–	–	0.2	0.2	–	–	0.2
Total financial assets		613.2	–	608.7	3.7	772.9	–	769.9	2.9
Financial liabilities									
Fair value through profit or loss									
Derivatives held for trading	(30)	1.0	–	0.8	0.2	5.9	–	5.9	–
Derivatives designated as hedges	(30)	0.2	–	0.2	–	1.9	–	1.9	–
Amortized cost									
Interest-bearing financial liabilities	(27)	270.8	–	271.0	–	129.3	–	131.4	–
Trade and other payables	(28)	121.3	–	121.3	–	172.6	–	172.6	–
Total financial liabilities		393.4	–	393.3	0.2	309.7	–	311.8	–

The carrying amount of financial assets corresponds to the maximum exposure to the credit risk on the reporting date. See note 29 for the impairments in respect of trade receivables. Other financial assets measured at amortized cost and fair value through other comprehensive income are not subject to material impairment.

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

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

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

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. All items measured at fair value through profit or loss excluding unquoted securities have been classified to Level 2 in the fair value hierarchy and items include Group's derivative financial instruments. To establish the fair value of these instruments the Group uses generally accepted valuation models with inputs based on observable market data. Level 3 includes unquoted securities measured at fair value through profit or loss, and unquoted shares measured at fair value through other comprehensive income since cost is assessed to represent the fair value. Financial assets and liabilities not measured at fair value but for which the fair value can be measured are categorised in Level 2 in the fair value hierarchy. Level 2 includes financial assets and financial liabilities measured at amortized cost. Their fair values are based on the future cash flows that are discounted with market interest rates on the reporting date.

At the end of March 2022 the rouble derivative financial instruments were transferred into Level 3 in the fair value hierarchy due to the significant decrease in the volume of activity in the rouble markets. The inputs for these derivatives are based partly on the observable market data (foreign exchange component) and partly on unobservable inputs (interest component). The fair value of the interest component is assumed to be zero in accordance with the principle of prudence as the relevance of the observable market data is deemed low due to the infeasibility of orderly transaction execution. Fair value changes of the rouble derivative financial instruments are recognized in profit or loss under financial income and expenses. The amount of the total gains or losses relating to those derivatives in January–December 2022 was EUR –10.6 million.

Reconciliation of Level 3 fair value measurements

EUR million	2022	2021
Fair value, 1 Jan	**–**	–
Rouble derivatives		
Transfers into Level 3	**14.8**	–
Net gains/losses recognized in profit or loss under financial income and expenses	**-14.3**	–
Fair value, 31 Dec	**0.4**	–

Sensitivity

As the fair value is based only on the foreign exchange component, the sensitivity of the fair value is linearly dependent on the changes in the EUR/RUB exchange rate. A 10% base currency appreciation/depreciation against the quote currency would have an effect of EUR +1.8 million/–1.8 million on the fair value. If orderly transactions could have been executed based on the observable market data the fair value of the interest component would have been EUR +1.5 million.

17. INVESTMENTS IN ASSOCIATES AND NON-CURRENT FINANCIAL INVESTMENTS

EUR million	Investments in associates	Unquoted securities	Unquoted shares
Accumulated cost, 1 Jan 2022	**0.1**	**2.6**	**0.2**
Exchange differences	**–**	**0.2**	**–**
Carrying amount, 31 Dec 2022	**0.1**	**2.8**	**0.2**
Carrying amount, 31 Dec 2021	0.1	2.6	0.2

18. OTHER NON-CURRENT RECEIVABLES

EUR million	2022	2021
Loan receivables	**4.3**	4.8
Other non-current receivables	**10.0**	1.4
Total	**14.4**	6.2

19. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	31 Dec 2020	Adjustments between items	Recognised in income statement	Recognised in other comprehensive income	Net exchange differences	Acquisitions/ disposals of subsidiaries	31 Dec 2021
Deferred tax assets							
Inventories	11.3		-1.7				9.6
Property, plant and equipment and intangible assets	0.8		0.5				1.2
Provisions and accruals	8.2		1.4		0.7		10.3
Tax losses carried forward	5.5		-3.9				1.6
Cash flow hedges	0.7		–	-0.3			0.4
Other items	1.2	0.5	-1.1				0.6
Total	27.6	0.5	-4.8	-0.3	0.7	–	23.7
Deferred tax assets offset against deferred tax liabilities	-6.0		4.0				-2.1
Deferred tax assets	21.6	0.5	-0.8	-0.3	0.7	–	21.6
Deferred tax liabilities							
Property, plant and equipment and intangible assets	16.6		0.6		0.3		17.5
Untaxed reserves	0.6		-0.1				0.5
Undistributed earnings in subsidiaries	21.2		-0.2				21.0
Cash flow hedges	–		–	0.8			0.8
Other items	0.3		-0.2				0.1
Total	38.7		0.2	0.8	0.3	–	39.9
Deferred tax liabilities offset against deferred tax assets	-6.0		4.0				-2.1
Deferred tax liabilities	32.6		4.1	0.8	0.3	–	37.8

EUR million	31 Dec 2021	Adjustments between items	Recognised in income statement	Recognised in other comprehensive income	Net exchange differences	Acquisitions/ disposals of subsidiaries	31 Dec 2022
Deferred tax assets							
Inventories	9.6	0.7	−0.4				9.9
Property, plant and equipment and intangible assets	1.2	0.6	0.3				2.2
Provisions and accruals	10.3	1.1	−9.2		0.9		3.1
Tax losses carried forward	1.6	5.1	13.5				20.2
Cash flow hedges	0.4		–	−0.4			0.0
Other items	0.6		0.2				0.7
Total	23.7	7.5	4.4	−0.4	0.9	–	36.1
Deferred tax assets offset against deferred tax liabilities	−2.1		−10.5				−12.6
Deferred tax assets	21.6	7.5	−6.1	−0.4	0.9	–	23.5
Deferred tax liabilities							
Property, plant and equipment and intangible assets	17.5	−2.4	2.6		0.0		17.7
Untaxed reserves	0.5	0.1	0.0				0.6
Undistributed earnings in subsidiaries	21.0		−11.9				9.2
Cash flow hedges	0.8		–	1.9			2.6
Other items	0.1	−0.4	0.2				0.0
Total	39.9	−2.7	−9.1	1.9	0.0	–	30.0
Deferred tax liabilities offset against deferred tax assets	−2.1		−10.5				−12.6
Deferred tax liabilities	37.8	−2.7	−19.6	1.9	0.0	–	17.4

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 2022 the Group had carry forward losses for EUR 73.6 million (EUR 8.3 million in 2021), on which a deferred tax asset has been recognised. EUR 0.4 million of these carry forward losses will expire in five years, EUR 67.6 million will expire during years 2028–2032 and EUR 5.7 million will not expire. The Group also had carry forward losses for EUR 10.1 million (EUR 5.1 million in 2021), on which no deferred tax asset was recognised. It is not probable that future taxable profit will be available to offset these losses. EUR 3.9 million of these losses will expire in five years, EUR 0.1 million will expire during years 2028–2032 and EUR 6.1 million will not expire.

The Group has utilised previously unrecognised tax losses from prior periods with EUR 1.6 million in 2022 (EUR 1.9 million in 2021).

The adjustments include EUR 9.8 million of adjustments that are booked through retained earnings. The adjustments are not applied to previous years because retro-spective correction of previous years' estimates is not possible.

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

20. INVENTORIES

EUR million	2022	2021
Raw materials and supplies	214.5	171.9
Work in progress	13.6	13.8
Finished goods	301.8	229.4
Total	529.9	415.1

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 2022 EUR 26.6 million expense was recognised to decrease the carrying amount of the inventories to reflect the net realisable value (EUR 5.4 million in 2021).

21. TRADE AND OTHER RECEIVABLES

EUR million	2022	2021
Trade receivables	326.2	357.4
Loan receivables	0.4	0.4
Accrued revenues and deferred expenses	16.3	14.6
Derivative financial instruments		
Designated as hedges	12.4	4.0
Measured at fair value through profit or loss	3.4	14.9
Current tax assets	15.0	8.9
Value added tax receivables	15.9	28.9
Other receivables	12.6	11.5
Total	402.3	440.5

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 29 for the impairments in respect of trade receivables.

Significant items under accrued revenues and deferred expenses

EUR million	2022	2021
Annual discounts, purchases	3.2	2.6
Financial items	0.6	1.1
Social security contributions	0.1	0.1
Insurances	1.4	0.1
Other items	11.1	10.7
Total	16.3	14.6

22. CASH AND CASH EQUIVALENTS

EUR million	2022	2021
Cash in hand and at bank	259.0	335.9
Money market instruments	–	50.0
Total	259.0	385.9

EUR 70.7 million of the Group’s cash and cash equivalents are located in subsidiaries of Russia and Belarus. These cash and cash equivalents are not freely available to the Group due to the prevailing restrictions.

23. 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 2021	138,224	25.4	181.4	238.2	–18.2	426.8
Acquisition/conveyance of treasury shares	–	–	–	–	–	–
Other changes	–	–	–	–	0.7	0.7
31 Dec 2021	138,224	25.4	181.4	238.2	–17.6	427.5
1 Jan 2022	**138,224**	**25.4**	**181.4**	**238.2**	**–17.6**	**427.5**
Acquisition/conveyance of treasury shares	**27**	**–**	**–**	**–**	**1.0**	**1.0**
Other changes	**–**	**–**	**–**	**–**	**–**	**–**
31 Dec 2022	**138,251**	**25.4**	**181.4**	**238.2**	**–16.6**	**428.5**

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, 2022.

Nokian Tyres has an agreement from 2017 with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns Nokian Tyres' shares related to the incentive program until the shares are given to the participants of the program. In accordance with IFRS, these repurchased shares, 480,000 in 2017 and 500,000 in 2020, have been reported as treasury shares in the Consolidated Statement of Financial Position. On December 31, 2022, the number of these shares was 670,426. This number of shares corresponded to 0.48% 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 0.55 per share be paid (EUR 0.55 in 2021).

Specification of the distributable funds

The distributable funds on 31 December 2022 total EUR 716.1 million (EUR 742.7 million on 31 December 2021) and are based on the balance of the Parent company and the Finnish legislation.

24. LONG-TERM INCENTIVE PLANS FOR THE GROUP MANAGEMENT TEAM AND KEY PERSONNEL

PERFORMANCE SHARE PLANS

New Long-term incentive plans established in 2019: Performance Share Plan and Restricted Share Plan

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 consists of annually commencing three-year performance periods after which the possible reward is delivered 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.

The target incentive from the Performance Share Plan 2019 onwards corresponds to 75–100% of a Group Management Team member's annual base salary. The maximum level is twice the target level, i.e. 150–200% of annual base salary. The maximum value of paid reward cannot exceed the maximum percentage of annual base salary used to define the allocation at grant.

The number of shares can be re-calculated at pay out in case the performance criteria have been met at maximum and the share price has increased from grant. 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.

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

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. The share reward thereunder would have been paid in the first half of 2021 if that the performance targets set by the Board of Directors are achieved. No share awards were paid for the performance period 2019–2020.

The share awards for performance period 2019–2021 would have been paid during the first half of 2022 if the performance targets set by the Board had been achieved. The targets for the Performance Period 2019–2021 (PSP 2019–2021) were not achieved and no share rewards will be paid to participants.

The performance criteria for PSP 2019–2020 and PSP 2019–2021 were based on Earning Per Share (EPS) growth and Return on Capital Employed (ROCE). The rewards paid based on the performance period of 2019–2020 would have corresponded 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 to continue the Performance Share Plan for a new performance period for the years 2020–2022. The PSP 2020–2022 commenced 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. The potential share reward payable under the PSP 2020–2022 is based on the segments Earning Per Share (EPS) and segments 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.

Performance Period 2021–2023

In February 2021, the Board of Nokian Tyres plc decided to continue the Performance Share Plan for a new performance period for the years 2021–2023. The Performance Period (PSP 2021–2023) commenced effective as of the beginning of 2021 and the potential share reward thereunder will be paid in the first half of 2024 provided that the performance targets set by the Board of Directors are achieved. The potential reward will be paid partly in shares of Nokian Tyres plc and partly in cash. Eligible to participate in PSP 2021–2023 are approximately 220 individuals, including the members of Group's Management Team.

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

Performance Period 2022–2024

In February 2022, the Board of Nokian Tyres plc decided to continue the Performance Share Plan for a new performance period for the years 2022–2024. The Performance Period (PSP 2022–2024) commenced effective as of the beginning of 2022 and the potential share reward thereunder will be paid in the first half of 2025 provided that the performance targets set by the Board of Directors are achieved. The potential reward will be paid partly in shares of Nokian Tyres plc and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward. Eligible to participate in PSP 2022–2024 are approximately 235 individuals, including the members of Group's Management Team.

The potential share reward payable under the PSP 2022–2024 are based on the segments Earnings Per Share (EPS) and segments Return on Capital Employed (ROCE). The possible rewards paid based on the Performance Period of 2022–2024 will be a maximum of 513,742 gross shares.

Restricted Share Plan 2019–2021

The Restricted Share Plan (RSP) consists of annually commencing restricted share plans. Each plan has a three-year vesting period after which the allocated share rewards will be delivered to the participants partly in Nokian Tyres plc shares and partly in cash. The purpose of the Restricted Share Plan is to serve as a complementary long-term incentive tool, used selectively for retention of Nokian Tyres key employees.

The commencement of each new plan is subject to a separate approval by the Board.

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

The RSP 2019–2021 commenced at the beginning of 2019 and the share rewards will be delivered in the first half of 2022. 17 key employees participate in the share-based incentive plan, including members of the Management Team. The financial threshold value for Return on Capital Employed (ROCE) applied for the Management Team members was achieved. The rewards to be paid correspond to a total of 46,600 Nokian Tyres plc 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 commenced at the beginning of 2020. Potential share rewards will be delivered in the first half of 2023. A financial performance criteria is applied to Nokian Tyres Management Team. The criteria is a threshold value for Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan 2020–2022.

The possible rewards paid based on the Restricted Share Plan 2020–2022 correspond to a maximum of 120,000 gross shares.

Restricted Share Plan 2021–2023

In February 2021, the Board of Nokian Tyres plc decided to continue the Restricted Share Plan and the RSP 2021–2023 commenced at the beginning of 2021. Potential share rewards will be delivered in the first half of 2024. A financial performance criteria is applied to Group Management Team. The criteria is a threshold value for Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan 2021–2023.

The possible rewards paid based on the Restricted Share Plan 2021–2023 correspond to a maximum of 120,000 gross shares.

Restricted Share Plan 2022–2024

In February 2022, the Board of Nokian Tyres plc decided to continue the Restricted Share Plan and the RSP 2022–2024 commenced at the beginning of 2022. Potential share rewards will be delivered in the first half of 2025. A financial performance criteria is applied to Group Management Team. The criteria is a threshold value for Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan 2022–2024.

The possible rewards paid based on the Restricted Share Plan 2022–2024 correspond to a maximum of 120,000 gross shares.

Instrument	PSP 2019–2021	PSP 2020–2022	PSP 2021–2023	PSP 2022–2024	RSP 2019–2021	RSP 2020–2022	RSP 2021–2023	RSP 2022–2024	Total
Issuing date	5.2.2019	4.2.2020	9.2.2021	8.2.2022	5.2.2019	4.2.2020	9.2.2021	8.2.2022	
Initial amount, pcs	535,000	569,260	534,898	513,742	70,000	120,000	120,000	120,000	2,582,900
Dividend adjustment	No	No	No	No	No	No	No	No	
Initial allocation date	26.2.2019	26.3.2020	4.3.2021	8.2.2022	26.8.2019	17.6.2020	18.3.2021	19.12.2022	
Beginning of earning period	1.1.2019	1.1.2020	1.1.2021	1.1.2022	1.1.2019	1.1.2020	1.1.2021	1.1.2022	
End of earning period	31.12.2021	31.12.2022	31.12.2023	31.12.2024	31.12.2021	31.12.2022	31.12.2023	31.12.2024	
Vesting date	31.3.2022	31.3.2023	31.3.2024	31.3.2025	31.3.2022	31.3.2023	31.3.2024	31.3.2025	
Vesting conditions	Earnings Per Share (EPS) growth % and Return on Capital Employed (ROCE)	Earnings Per Share (EPS) growth % and Return on Capital Employed (ROCE)	Earnings Per Share (EPS) growth % and Return on Capital Employed (ROCE)	Earnings Per Share (EPS) growth % and Return on Capital Employed (ROCE)	Continued employment, Return on Capital Employed (ROCE)	Continued employment, Return on Capital Employed (ROCE) for management team	Continued employment, Return on Capital Employed (ROCE) for management team	Continued employment, Return on Capital Employed (ROCE) for management team	
Maximum contractual life, yrs	3.1	3.0	3.1	3.1	2.6	2.8	3.0	2.3	3.0
Remaining contractual life, yrs	0	0.3	1.3	2.3	0	0.3	1.3	2.3	0.9
Number of persons at the end of reporting year	0	148	184	208	0	81	4	7	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	

Changes during period	PSP 2019–2021	PSP 2020–2022	PSP 2021–2023	PSP 2022–2024	RSP 2019–2021	RSP 2020–2022	RSP 2021–2023	RSP 2022–2024	Total
1.1.2022									
Outstanding in the beginning of the period	380,600	451,320	533,188	0	46,600	93,750	7,833	0	1,513,291
Reserve in the beginning of the period	154,400	117,940	1,710	0	23,400	26,250	112,167	0	435,867
Changes during period									
Granted	0	0	0	513,742	0	0	0	12,300	526,042
Forfeited	0	77,900	78,486	67,888	0	13,200	1,698	0	239,172
Earned (Gross)	0	0	0	0	46,600	0	0	0	46,600
Delivered (Net)	0	0	0	0	26,974	0	0	0	26,974
Expired	535,000	0	0	0	23,400	0	0	0	558,400
31.12.2022									
Outstanding at the of the period	0	373,420	454,702	445,854	0	80,550	6,135	12,300	1,372,961
Reserved at the of the period	0	195,840	80,196	67,888	0	39,450	113,865	107,700	604,939

FAIR VALUE DETERMINATION

Inputs to the fair value determination of the performance shares expensed during the financial year 2022 are listed in the next table as weighted average values. The total fair value of the performance shares is based on the company's estimate on 31 December 2022 as to the number of shares to be eventually vesting.

Fair value determination	**Earning period 2022**
Share price at grant, EUR	27.91
Share price at reporting date, EUR	9.58
Expected dividends, EUR	4.03
Fair market value per share at grant, EUR	23.34
Valuation model	Dividend discount & Monte Carlo simulation
Total fair value 31 December 2022, EUR million	0.11

Impact on period profits and financial position	
Expenses for the financial year, share-based payments, equity-settled EUR million	−4.70
Liabilities arising from share-based payments 31 December 2022 EUR million	0.00
Estimated amount of cash to be paid under these plans EUR million	1.24

25. PENSION LIABILITIES

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

26. PROVISIONS

EUR million	Warranty provision	Restructuring provision	Environmental provision	Total
1 Jan 2022	4.6	1.0	0.2	5.8
Provisions made	4.1	4.2	–	8.3
Provisions used	−1.1	−1.0	−0.1	−2.2
Unused provisions reversed	−1.9	−0.1	−0.1	−2.2
31 Dec 2022	5.8	4.0	–	9.8

EUR million	2022	2021
Non-current provisions	–	–
Current provisions	9.8	5.8

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.

27. INTEREST-BEARING FINANCIAL LIABILITIES

EUR million	2022	2021
Non-current		
Loans from financial institutions and pension loans	108.6	128,4
	108.6	128,4
Current		
Loans from financial institutions	150.0	–
Commercial papers	10.9	–
Current portion of non-current loans from financial institutions and pension loans	1.3	0.9
	162.2	0.9

Interest-bearing financial liabilities by currency

EUR million	2022	2021
Currency		
EUR	270.8	110.5
RUB	–	18.8
Total	270.8	129.3

Effective interest rates for interest-bearing financial liabilities

	2022		2021	
	Without hedges	With hedges	Without hedges	With hedges
Loans from financial institutions and pension loans	3.1%	2.5%	2.0%	2.8%
Commercial papers	2.9%	2.9%	–	–
Total	3.1%	2.5%	2.0%	2.8%

See note 16 for the fair values of the interest-bearing financial liabilities.

28. TRADE AND OTHER PAYABLES

EUR million	2022	2021
Trade payables	121.3	172.6
Accrued expenses and deferred revenues	170.9	176.2
Advance payments	0.7	3.3
Derivative financial instruments		
Designated as hedges	0.1	1.9
Measured at fair value through profit or loss	1.0	5.9
Current tax liabilities	4.1	13.5
Value added tax liabilities	31.9	32.0
Other liabilities	18.3	18.8
Total	348.6	424.2

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	2022	2021
Wages, salaries and social security contributions	43.2	61.9
Annual discounts, sales	97.8	90.4
Commissions	0.0	0.1
Goods received and not invoiced	0.0	0
Marketing expenses	1.3	3.6
Transportation costs	0.4	4.6
Financial items	0.8	0.8
Other items	27.4	14.9
Total	170.9	176.2

29. 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 treasury 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, Germany, Switzerland, Poland, Ukraine, Kazakhstan and China, the tire chain companies in Finland, Sweden and Norway. The tire plants are located in Nokia, Finland, in Vsevolozhsk, Russia and in Dayton, Tennessee, the USA. A controlled exit from Russia was initiated in summer 2022. A decision to invest in a new passenger car tire factory in Romania was made in November 2022.

Transaction risk

According to the Group's treasury 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 the Russian ruble has not been possible since the second quarter of 2022.

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 treasury policy

Transaction risk

EUR million	31 Dec 2022								31 Dec 2021							
Functional currency	EUR	EUR	EUR	EUR	EUR	EUR	CZK	RUB	EUR	EUR	EUR	EUR	EUR	EUR	CZK	RUB
Foreign currency	CAD	NOK	PLN	RUB	SEK	USD	EUR	EUR	CAD	NOK	PLN	RUB	SEK	USD	EUR	EUR
Trade receivables	5.7	38.8	2.8	3.1	26.7	6.3	35.3	0.0	25.8	27.5	11.6	29.2	20.9	29.8	75.0	13.8
Loans and receivables	2.8	106.8	6.9	69.9	25.7	23.1	23.6	0.0	2.7	52.3	5.9	64.2	22.0	5.8	38.6	0.0
Total currency income	8.6	145.6	9.7	73.0	52.3	29.5	58.9	0.0	28.5	79.8	17.5	93.4	42.9	35.5	113.7	13.8
Trade payables	-0.4	0.0	0.0	0.0	0.0	-6.6	-34.3	0.0	-0.6	0.0	0.0	-17.7	0.0	-23.6	-65.2	-5.0
Borrowings	-7.3	-97.8	-7.3	-0.1	-20.4	-18.8	0.0	0.0	-18.6	-55.4	0.0	-152.9	-29.5	-29.8	-20.0	-10.0
Total currency expenditure	-7.7	-97.8	-7.3	-0.1	-20.4	-25.4	-34.3	0.0	-19.2	-55.5	0.0	-170.5	-29.5	-53.4	-85.2	-15.0
Foreign exchange derivatives	3.5	-44.7	-1.1	-18.0	-26.5	-8.0	-28.0	0.0	-7.3	-26.0	-19.6	70.3	-13.7	15.0	-34.2	0.0
Binding sales contracts	7.5	10.0	0.0	0.0	2.4	1.5	12.0	0.0	13.6	5.4	0.0	1.0	1.9	1.2	10.0	0.0
Binding purchase contracts	0.0	0.0	0.0	0.0	0.0	-16.4	-5.3	0.0	0.0	0.0	0.0	-5.2	0.0	-43.2	-9.6	0.0
Future interest items	0.0	0.9	0.0	11.0	0.2	-0.2	0.0	0.0	0.0	0.5	0.0	-7.2	0.2	0.0	-0.1	0.0
Net exposure	11.8	13.9	1.3	65.9	8.0	-19.0	3.2	0.0	15.6	4.2	-2.0	-18.1	1.9	-44.9	-5.3	-1.2

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.

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

Translation risk

Net investments by currency

EUR million	31 Dec 2022	31 Dec 2021
Currency of net investment		
CZK	**24.8**	49.3
NOK	**41.3**	50.5
RON	**20.4**	–
RUB	**514.3**	455.6
SEK	**47.0**	48.7
USD	**428.4**	383.6

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 2022				**31 Dec 2021**			
	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	**–0.8**	**–**	**0.4**	**–**	–0.2	–	0.2	–
EUR/CZK	**–0.4**	**–**	**0.4**	**–**	–0.6	–	0.6	–
EUR/PLN	**–0.1**	**–**	**0.1**	**–**	0.2	–	–0.2	–
EUR/NOK	**–0.3**	**–**	**0.3**	**–**	0.1	–	–0.1	–
EUR/RUB	**–5.5**	**–**	**5.5**	**–**	0.6	–	–0.6	–
EUR/SEK	**–0.6**	**–**	**0.6**	**–**	0.0	–	0.0	–
EUR/USD	**0.4**	**–**	**–0.4**	**–**	–1.3	–	0.0	–

differences on foreign operations by EUR 36.7 million (positively affected EUR 54.5 million in 2021).

Sensitivity analysis for interest rate risk

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

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

	31 Dec 2022				31 Dec 2021			
	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	**−1.6**	**1.2**	**1.6**	**−1.2**	−0.5	2.3	0.0	−2.3

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 2022				31 Dec 2021			
	Electricity price				Electricity price			
	5 EUR/MWh higher		5 EUR/MWh lower		5 EUR/MWh higher		5 EUR/MWh lower	
EUR million	**Income statement**	**Equity**	**Income statement**	**Equity**	**Income statement**	**Equity**	**Income statement**	**Equity**
Impact of electricity price change	**–**	**0.8**	**–**	**−0.8**	–	0.8	–	−0.8

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 166.3 million (EUR 24.2 million in 2021) and the fixed rate interest-bearing liabilities EUR 104.5 million (EUR 105.1 million in 2021) 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 95% (81% in 2021) and the average fixing period of the interest-bearing financial liabilities was 11 months (31 months in 2021) including the interest rate derivatives. The Group uses interest rate derivatives as cash flow hedges and hedge accounting is mainly applied for those derivatives.

Electricity price risk

The Group purchases electricity in Finland at market price from the Nordic electricity exchange and this leads to an electricity price exposure. Annually around 100 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 150 GWh (170 GWh in 2021).

Contractual maturities of financial and lease liabilities

	2022							
		Contractual maturities*						
EUR million	**Carrying amount**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028–**	**Total**
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	4.5	−1.2	−0.6	−0.6	−0.6	−0.6	−1.4	−4.9
Floating rate loans	255.4	−155.4	−105.0	−0.3	−0.3	−0.4	−0.5	−262.1
Commercial papers	10.9	−11.0	0.0	0.0	0.0	0.0	0.0	−11.0
Trade and other payables	121.3	−121.3	0.0	0.0	0.0	0.0	0.0	−121.3
Lease liabilities	129.1	−26.0	−22.0	−18.2	−12.6	−7.3	−20.9	−106.9
Derivative financial liabilities								
Interest rate derivatives								
Designated as hedges	−3.9	2.5	1.5	0.0	0.0	0.0	0.0	4.0
Foreign currency derivatives								
Measured at fair value through profit or loss								
Cashflow out	1.0	−179.5	0.0	0.0	0.0	0.0	0.0	−179.5
Cashflow in	−3.4	180.8	0.0	0.0	0.0	0.0	0.0	180.8
Electricity derivatives								
Designated as hedges	−9.4	7.0	1.9	0.8	0.0	0.0	0.0	9.7
Total	505.5	−304.2	−124.3	−18.3	−13.5	−8.3	−22.8	−491.3

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

	2021							
		Contractual maturities*						
EUR million	**Carrying amount**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027–**	**Total**
Non-derivative financial liabilities								
Loans from financial institutions and pension loans								
Fixed rate loans	5.1	−0.7	−1.2	−0.6	−0.6	−0.6	−1.9	−5.6
Floating rate loans	124.2	−2.8	−2.7	−123.7	−0.3	−0.3	−0.8	−130.5
Commercial papers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade and other payables	172.6	−172.6	0.0	0.0	0.0	0.0	0.0	−172.6
Lease liabilities	157.9	−43.1	−34.8	−27.7	−21.4	−14.7	−31.2	−172.9
Derivative financial liabilities								
Interest rate derivatives								
Designated as hedges	1.9	−0.9	−0.6	−0.2	0.0	0.0	0.0	−1.7
Foreign currency derivatives								
Measured at fair value through profit or loss								
Cashflow out	5.9	−478.3	−17.9	0.0	0.0	0.0	0.0	−496.2
Cashflow in	−14.9	481.9	18.6	0.0	0.0	0.0	0.0	500.5
Electricity derivatives								
Designated as hedges	−3.8	3.1	0.5	0.1	0.0	0.0	0.0	3.8
Total	448.9	−213.4	−38.0	−152.1	−22.2	−15.6	−33.9	−475.2

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

The aging and impairment of trade receivables

	31 Dec 2022		31 Dec 2021	
EUR million	**Trade receivables gross amount**	**Impairment loss allowance**	**Trade receivables gross amount**	**Impairment loss allowance**
Not past due	**423.7**	**–129.3**	332.9	–2.9
Past due less than 30 days	**24.8**	**–1.1**	23.3	–1.0
Past due between 30 and 90 days	**5.7**	**–0.5**	3.7	–0.3
Past due between 91 and 180 days	**1.9**	**–0.5**	1.2	–0.3
Past due more than 180 days	**67.4**	**–65.8**	66.4	–65.5
Total	**523.5**	**–197.3**	427.4	–70.0

Changes in the impairment loss allowance for trade receivables

EUR million	**2022**	**2021**
Loss allowance, 1 Jan	**70.0**	68.1
Write-offs	**–3.4**	–2.0
Other changes	**127.9**	3.8
Change in loss allowance recognized in profit or loss	**2.8**	0.0
Loss allowance, 31 Dec	**197.3**	70.0

* Other changes includes EUR 125.0 million of Russia related impairment allocated to Other operating expenses

Liquidity and funding risk

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

Refinancing risk is reduced by split maturity structure of loans and credit limits. The Group has a EUR 150 million revolving credit facility with an international bank syndicate due in 2024 and a EUR 500 million domestic commercial paper program. 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.

On the reporting date the Group's liquidity in cash and cash equivalents was EUR 259.0 million (EUR 385.9 million in 2021). At the end of the year the Group's credit limits available were EUR 799.3 million (EUR 811.7 million in 2021), out of which the committed limits were EUR 305.4 million (EUR 305.5 million in 2021). The available committed non-current credits amounted to EUR 300.0 million (EUR 300.0 million in 2021).

The Group's interest-bearing financial liabilities totaled EUR 270.8 million, compared to the year before figure of EUR 129.3 million. All the interest-bearing financial liabilities were in EUR. The average interest rate of interest-bearing financial liabilities was 2.5%. Current interest-bearing financial liabilities, including the portion of non-current financial liabilities maturing within the next 12 months, amounted to EUR 162.2 million (EUR 0.9 million in 2021).

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 2022 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.

Credit Risk

Credit risk is a risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk in its operating activities (primarily trade receivables) and in its financing activities, including deposits, foreign exchange transactions and other financial transactions with 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 customer 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. Customer credit risk is managed by each business area subject to the Group's credit policy, procedures, and controls relating to customer credit risk management. Creditworthiness of a customer is assessed based on its financial status, payment history, and country risk. Individual credit limits are defined in accordance with this assessment and/or in some cases trade finance instruments, bank guarantees, and specific payment terms may be in use to mitigate the credit risk. Credits are limited in countries where political or economic environment is unstable. Outstanding customer receivables, customers' creditworthiness, and country risk are regularly monitored. Payment programs, which customer is committed to, are always agreed upon for past due receivables. There are no over 15% customer or country risk concentrations in trade receivables, other than the Russian customers' share of 34% (34% in 2021) on the reporting date.

Aging and impairment of trade receivables

Impairment recognized in trade receivables corresponds to lifetime expected credit losses for trade receivables. To measure expected credit losses a simplified provision matrix is in use and individual assessments are used with customers bearing an increased credit risk. An impairment analysis is performed at each reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables. When measuring expected credit losses, the Group reviews five-year sales, customer payment behavior, actual credit losses, current conditions and forecasts of future economic conditions. Trade receivables are permanently written-off when the expected income from the receivable is permanently lost, for example at the end of bankruptcy proceedings.

Capital Management

For the purpose of the Group's capital management, capital includes share capital, share premium, treasury shares and other equity attributable to the equity holders of the parent. The Group's objectives of managing capital are to maximize the shareholder value and to secure the Group's access to capital markets at all times despite of the seasonal nature of the business. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders or return capital to shareholders or issue new shares. 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	2022	2021
Average interest-bearing liabilities	415.4	349.1
Less: Average liquid funds	212.9	268.3
Average net debt	202.5	80.8
Operating profit	−116.2	268.2
Add: Depreciations, amortizations and impairments	310.6	157.5
EBITDA	194.4	425.6
Average net debt / EBITDA	1.04	0.19

* The EBITDA includes EUR 125.0 million of Russia related impairment allocated to Other operating expenses.

Equity ratio

EUR million	2022	2021
Equity attributable to equity holders of the parent	1,433.1	1,627.6
Add: Non-controlling interest	0.0	0.0
Total equity	1,433.1	1,627.6
Total assets	2,209.7	2,383.5
Less: Advances received	0.7	3.3
Adjusted total assets	2,208.9	2,380.2
Equity ratio	64.9%	68.4%

30. FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	2022			2021		
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	**159.9**	**2.7**	**0.8**	426.5	2.9	5.0
Currency options, purchased	**4.8**	**0.0**	**–**	17.7	0.1	–
Currency options, written	**11.8**	**–**	**0.1**	35.3	–	0.1
Interest rate and currency swaps	**18.4**	**0.6**	**0.2**	75.0	11.9	0.8
Derivatives designated as cash flow hedges						
Interest rate derivatives						
Interest rate swaps	**100.0**	**3.9**	**0.0**	100.0	–	1.9
Electricity derivatives						
Electricity forwards	**6.9**	**9.6**	**0.2**	5.2	3.8	–

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.

31. FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

CASH FLOW HEDGES

Financial instruments designated as hedging instruments	2022						
	Maturity						
	2023	2024	2025	2026	2027	2028–	Total
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	3.5	2.2	1.0				6.6
Notional amount, GWh	79	48	26				153
Average forward rate, e/MWh	44.7	44.7	36.6				43.3
Hedged item: Electricity Finnish area price difference							
Notional amount, EUR million	0.2	0.1	0.0				0.3
Notional amount, GWh	35	18	9				61
Average forward rate, e/MWh	4.7	4.1	3.9				4.4

	2021						
	Maturity						
	2022	2023	2024	2025	2026	2027–	Total
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	2.1	1.5	0.8	0.3			4.6
Notional amount, GWh	79	53	26	9			167
Average forward rate, e/MWh	26.9	28.3	28.6	31.2			27.8
Hedged item: Electricity Finnish area price difference							
Notional amount, EUR million	0.3	0.2	0.1	0.0			0.6
Notional amount, GWh	44	35	18	9			105
Average forward rate, e/MWh	7.0	4.7	4.1	3.9			5.5

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

	2022	
	Interest rate derivatives	**Electricity derivatives**
EUR million	**Interest rate swaps**	**Electricity forwards**
Notional amount	100.0	6.9
Notional amount, GWh	–	215
Assets		
Carrying amount	3.9	9.6
Line item in the statement of financial position	Trade and other receivables	Trade and other receivables
Liabilities		
Carrying amount	0.0	0.0
Line item in the statement of financial position	Trade and other payables	Trade and other payables
Change in value for recognizing hedge ineffectiveness		
Hedged item	−5.1	−7.1
Hedging instrument	5.1	7.1
Effective portion		
Amount recognized in other comprehensive income	5.1	7.1
Amount reclassified from the cash flow hedge reserve to profit or loss	0.5	−1.5
Line item in the income statement	Financial items	Cost of sales
Ineffective portion		
Amount recognized in profit or loss	–	–
Line item in the income statement	Financial items	Other operating income or expenses

	2021	
	Interest rate derivatives	**Electricity derivatives**
EUR million	**Interest rate swaps**	**Electricity forwards**
Notional amount	100.0	5.2
Notional amount, GWh	–	272
Assets		
Carrying amount	–	3.8
Line item in the statement of financial position	Trade and other receivables	Trade and other receivables
Liabilities		
Carrying amount	1.9	–
Line item in the statement of financial position	Trade and other payables	Trade and other payables
Change in value for recognizing hedge ineffectiveness		
Hedged item	−0.6	−6.3
Hedging instrument	0.6	6.3
Effective portion		
Amount recognized in other comprehensive income	0.6	6.3
Amount reclassified from the cash flow hedge reserve to profit or loss	1.0	−2.4
Line item in the income statement	Financial items	Cost of sales
Ineffective portion		
Amount recognized in profit or loss	–	–
Line item in the income statement	Financial items	Other operating income or expenses

* Hedge accounting discontinued

Effect of hedging instruments on equity

EUR million	2022	2021
Cash flow hedge reserve, 1 Jan	1.6	−2.8
Cash flow hedges		
Change in fair value recognized in other comprehensive income		
Interest rate swaps	5.1	0.6
Electricity forwards	7.1	6.3
Amount reclassified to profit or loss		
Interest rate swaps	0.5	1.0
Electricity forwards	−1.5	−2.4
Tax effect	−2.2	−1.1
Cash flow hedge reserve, 31 Dec	10.5	1.6

32. CONTINGENT LIABILITIES AND ASSETS

EUR million	2022	2020
For own debt		
Pledged assets	6.7	6.3
Other own commitments		
Guarantees	2.3	3.1

33. SIGNIFICANT RISKS AND UNCERTAINTIES AND ONGOING DISPUTES

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

The war in Ukraine, resulting sanctions and ongoing exit from Russia are severely impacting Nokian Tyres' operating environment and causing a number of risks for Nokian Tyres' business. These include, among others, ability to serve customers especially in Central Europe, cost and supply of raw materials, ability to retain personnel, as well as execution of the consequent exit. The Group's assets in Russia may be subject to further impairments and write-downs. In October, Nokian Tyres signed an agreement to sell its Russian operations to Tatneft PJSC. The sale process is ongoing. The transaction is subject to approval by the relevant regulatory authorities in Russia and other conditions, which creates substantial uncertainties related to the timing, terms and conditions and the closing of the transaction.

In addition to the risks caused by the war in Ukraine, 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.
- Any unexpected production or delivery breaks at Nokian Tyres' production facilities would have a negative impact on the company's business. Interruptions in logistics could have a significant impact on production and peak season sales.
- In order to secure tire supply, Nokian Tyres has decided to invest in new production capacity in Europe and increase the share of outsourced production. Delay in these actions could have an adverse effect on Nokian Tyres' financial performance.
- Significant fluctuations in raw material prices may impact margins. Nokian Tyres sources natural rubber from producers in countries such as Indonesia and Malaysia. Although Nokian Tyres has policies such as the Supplier Code of Conduct and established processes to monitor the working conditions, it cannot fully control the actions of its suppliers. Nokian Tyres continues to expand its supplier portfolio to mitigate risks related to single source supplying. The non-compliance with laws, regulations or standards by raw material producers, or their divergence from practices generally accepted as ethical in the European Union or the international community, could have a material adverse effect on Nokian Tyres' reputation.
- Tire industry can be subject to risks caused by climate change, such as changes in consumer tire preferences, regulatory changes or impact of extreme weather events on natural rubber producers. Nokian Tyres is committed to reducing GHG emissions from its operations in order to combat climate change. Nokian Tyres calculates the GHG emissions from its operations annually and reduces them systematically. More detailed analysis on Nokian Tyres' climate change related risks and opportunities is provided at www.nokiantyres.com/company/sustainability/environment/climate-change-related-risks-and-opportunities/.
- Foreign exchange risk consists of transaction risk and translation risk. The most significant currency risks arise from the Russian ruble, the Swedish and Norwegian krona, and the US and Canadian dollar. Approximately 65% of the Group's sales are generated outside of the euro-zone. In this Financial Statement Release, the following exchange rates for the Russian ruble have been used: 85.3 at the end of 2021, 98.0 average in January–March 2022, 84.5 average in January–June 2022, 76.3 average in January–September 2022, 70.4 average in January–December 2022 and 77.9 at the end of 2022 (source: Refinitiv).
- The availability of supporting information systems and network services is crucial to Nokian Tyres. Unplanned interruption in critical information systems or network services may cause disruption to the continuity of operations. Such systems and services may also be exposed to cyber attacks that could cause a leakage of confidential information, violation of data privacy regulations, theft of know-how and other intellectual property, production shutdown or damage to reputation.
- In May 2017, the Finnish Financial Supervisory Authority filed a request for investigation with the National Bureau of Investigation regarding possible securities market offences. In October 2020, the prosecutor announced the decision to press charges against a total of six persons who acted as Board members and the President & CEO of Nokian Tyres in 2015–2016. The prosecutor also claimed a corporate fine against

the company. In addition, four persons who were employees at Nokian Tyres in 2015 were charged for abuse of inside information. The District Court of Helsinki dismissed all charges and claims by the prosecutor in its ruling in June 2022. The decision is not yet legally binding, and the prosecutor has appealed against the decision of the District Court.

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

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

Tax disputes

In April 2021, Nokian Tyres received a decision from the Tax Administration concerning a tax audit for the tax years 2015–2016, according to which the company was obliged to pay a total of EUR 1.9 million. Taxes were paid and recognized in receivables. Nokian Tyres considered the tax authority's view unfounded and appealed against the decision.

In December 2022, Nokian Tyres received a positive decision from The Assessment Adjustment Board, according to which the additional taxes, punitive tax increase and late payment interest were removed. The Finnish tax authority refunded these in full to the company in December 2022 and the company recognized the amount in the same quarter cash flow. The Finnish Tax Authority has applied for an amendment to the decision of the Assessment Adjustment Board.

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

34. 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	
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 Portti Oy	Turku	Finland	100	100	100
Nokian Tyres Spain S.L.U.		Spain	100	100	100
Nokian Tyres Europe Operations S.R.L.		Romania	100	100	100
Nokian Tyres SAS		France	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	
Vianor AB		Sweden	100	100	
Nordic Wheels AB		Sweden	100	100	
Vianor AS		Norway	100	100	
EAM NRE1V Holding Oy		Finland	0	100	
Associated companies					
Sammaliston Sauna Oy	Nokia	Finland	33	33	33

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

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

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

Transactions and outstanding balances with parties having significant influence

1,000 euros	2022	2021
Key management personnel		
Employee benefit expenses		
Short-term employee benefits	6,694.2	5,502.9
Share-based payments	516.1	0.0
Total	7,210.3	5,502.9
Remunerations		
Jukka Moisio, President 27.5.2020–	1,502.3	1,158.2
of which incentives for the reported period	730.8	402.6
Members of the Board of Directors		
Jukka Hienonen	126.1	112.7
Pekka Vauramo	90.4	82.0
Heikki Allonen	67.2	60.9
Veronica Lindholm	91.1	60.2
Inka Mero	67.9	60.9
George Rietbergen	67.2	57.5
Susanne Hahn	61.6	–
Christopher Ostrander	68.6	57.7
Jouko Pölönen	90.4	59.1
Prior members of the Board of Directors		
Kari Jordan	–	1.8
Raimo Lind	5.6	83.4
Total	736.1	636.2
No incentives were paid to the members of the Board of Directors.		
Other key management personnel	4,971.9	3,708.5
of which incentives for the reported period	2,413.9	747.3

No special pension commitments have been granted to the members of the Board of Directors and no statutory pension expense incurs. President and CEO Jukka Moisio does not have a supplementary pension plan and his retirement age is in accordance to the statutory pension regulations. The other management has a supplementary 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.

	2022	2021
Granted (pcs)		
Shares	113,907	118,802
Share options	–	–
Held (pcs)		
Shares	72,525	96,373
Share options	–	–
Exercisable	–	–

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

35. EVENTS AFTER THE REPORTING DATE

The management of the company is not aware of any significant events after the reporting date.

PARENT COMPANY INCOME STATEMENT, FAS

EUR 1.1.–31.12.	Notes	2022	2021
Net sales	(1)	803,648,640.63	798,877,258.77
Cost of sales	(2)(3)	−741,142,612.20	−649,868,013.73
Gross profit		62,506,028.43	149,009,245.04
Selling, marketing and R&D expenses	(2)(3)	−42,494,998.20	−48,086,597.54
Administration expenses	(2)(3)(4)	−55,989,297.44	−45,880,519.48
Other operating expenses	(2)(3)	−18,766,363.50	−22,014,005.30
Other operating income		413,617.52	556,189.51
Operating profit		−54,331,013.19	33,584,312.23
Financial income and expenses	(5)	106,266,390.84	175,214,800.63
Profit before appropriations and tax		51,935,377.65	208,799,112.86
Appropriations	(6)	2,675,338.50	−11,126,960.46
Income tax	(7)	−6,181,738.89	−12,444,708.14
Profit for the period		48,428,977.26	185,227,444.26

PARENT COMPANY BALANCE SHEET, FAS

EUR 31.12.	Notes	2022	2021
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	(8)	**7,348,806.48**	10,018,252.66
Tangible assets	(8)	**175,582,825.78**	158,307,508.57
Shares in Group companies	(9)	**423,461,911.32**	419,156,166.55
Investments in associates	(9)	**4,261,050.20**	4,261,050.20
Shares in other companies	(9)	**153,111.50**	160,655.45
Unquoted securities	(9)	**2,803,300.21**	2,639,943.49
Total non-current assets		**613,611,005.49**	594,543,576.92
Current assets			
Inventories	(10)	**207,617,297.09**	121,121,184.60
Non-current receivables	(11)	**204,373,668.50**	282,349,773.29
Current receivables	(12)	**382,453,668.66**	317,910,431.99
Cash and cash equivalents		**165,792,598.95**	339,017,412.82
Total current assets		**960,237,233.20**	1,060,398,802.70
		1,573,848,238.69	1,654,942,379.62

EUR 31.12.	Notes	2022	2021
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	(13)		
Share capital		**25,437,906.00**	25,437,906.00
Share premium		**182,505,622.52**	182,505,622.52
Treasury shares		**−16,563,737.72**	−17,560,510.66
Paid up unrestricted equity fund		**238,231,226.51**	238,231,226.51
Retained earnings		**446,008,697.78**	336,819,957.67
Profit for the period		**48,428,977.26**	185,227,444.26
Total shareholders' equity		**924,048,692.35**	950,661,646.30
Untaxed reserves and provisions			
Accumulated depreciation in excess of plan	(8)	**27,076,656.61**	24,751,995.11
Liabilities			
Non-current liabilities	(14)	**103,933,007.79**	103,925,200.00
Current liabilities	(15)	**518,789,881.94**	575,603,538.21
Total liabilities		**622,722,889.73**	679,528,738.21
		1,573,848,238.69	1,654,942,379.62

PARENT COMPANY STATEMENT OF CASH FLOWS, FAS

EUR million 1.1.–31.12.	2022	2021
Profit for the period	48.4	185.2
Adjustments for		
Depreciation, amortization and impairment	32.9	31.8
Financial income and expenses	−106.3	−175.2
Gains and losses on sale of intangible assets, other changes	0.6	2.6
Income Taxes	6.2	12.4
Cash flow before changes in working capital	−18.1	56.9
Changes in working capital		
Current receivables, non-interest-bearing, increase (–) / decrease (+)	62.7	−66.4
Inventories, increase (–) / decrease (+)	−86.5	−38.4
Current liabilities, non-interest-bearing, increase (+) / decrease (–)	−36.8	64.1
Changes in working capital	−60.5	−40.8
Financial items and taxes		
Interest and other financial items, received	8.8	11.1
Interest and other financial items, paid	−44.8	−9.0
Dividends received	30.2	200.8
Income taxes paid	−3.4	−10.1
Financial items and taxes	−9.1	192.7
Cash flow from operating activities (A)	−87.8	208.9
Cash flow from investing activities		
Acquisitions of property, plant and equipment and intangible assets	−49.9	−23.5
Proceeds from sale of property, plant and equipment and intangible assets	0.7	1.3
Acquisitions of other investments	−23.0	−28.4
Cash flow from investing activities (B)	−72.2	−50.6

EUR million 1.1.–31.12.	2022	2021
Cash flow from financing activities		
Change in current financial receivables, increase (–) / decrease (+)	−115.3	−1.7
Change in non-current financial receivables, increase (–) / decrease (+)	77.9	40.6
Change in current financial borrowings, increase (+) / decrease (–)	126.4	−161.4
Group contributions paid	−12.6	0.0
Dividends paid	−89.7	−158.7
Cash flow from financing activities (C)	−13.2	−281.2
Change in cash and cash equivalents, increase (+) / decrease (–) (A+B+C)	−173.2	−122.9
Cash and cash equivalents at the beginning of the period	339.0	462.0
Cash and cash equivalents at the end of the period	165.8	339.0

ACCOUNTING POLICIES FOR THE PARENT COMPANY

General

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

Inventory valuation

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

Fixed assets and depreciation

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

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

The depreciation times are as follows:

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

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

Research and development

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

Pensions and coverage of pension liabilities

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

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

Equity

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

Foreign currency items

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

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

Direct taxes

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

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. NET SALES BY SEGMENTS AND MARKET AREAS

EUR million	2022	2021
Passenger Car Tyres	570.4	585.2
Heavy Tyres	233.2	213.7
Total	803.6	798.9
Finland	159.7	137.4
Other Nordic countries	222.9	198.5
Other European countries	227.7	272.1
Russia and Asia	23.3	45.5
America	167.4	143.4
Other countries	2.6	1.8
Total	803.6	798.9

2. WAGES, SALARIES AND SOCIAL EXPENSES

EUR million	2022	2021
Wages and salaries	60.7	58.8
Pension contributions	10.3	9.2
Other social expenses	2.2	3.0
Total	73.3	71.0
Remuneration of the members of the Board of the Directors and the Presidents on accrual basis	2.2	1.8
of which incentives	0.7	0.4

No special pension commitments have been granted to the members of the Board and no statutory pension expense incurs. President and CEO Jukka Moisio does not have a supplementary pension plan and his retirement age is in accordance to the statutory pension regulations. See also Notes to Consolidated Financial Statements, note 34 Related party transactions.

Personnel, average during the year	2022	2021
Total	854	845

3. DEPRECIATION

EUR million	2022	2021
Depreciation according to plan by asset category		
Intangible assets	4.0	5.0
Buildings	2.3	2.6
Machinery and equipment	22.7	21.4
Other tangible assets	0.4	0.4
Total	29.4	29.3
Impairment losses by asset category		
Buildings	2.3	1.1
Machinery and equipment	1.1	1.5
Total	3.4	2.5
Depreciation by function		
Production	20.4	19.1
Selling, marketing and R&D	3.7	4.1
Administration	5.4	6.1
Total	29.4	29.3
Impairment losses by function		
Production	1.0	1.5
Administration	2.4	1.0
Total	3.4	2.5

4. AUDITOR’S FEES

EUR million	2022	2021
Audit fee	0.7	0.5
Tax services	–	0.0
Other services	0.1	0.0
Total	0.7	0.6

5. FINANCIAL INCOME AND EXPENSES

EUR million	2022	2021
Dividend income		
From the Group companies	153.8	200.8
Total	153.8	200.8
Interest income, non-current		
From the Group companies	11.1	8.2
Total	11.1	8.2
Income from shares in companies of the same Group	1.2	–
Other interest and financial income		
From the Group companies	4.3	2.4
From others	0.7	0.2
Total	5.0	2.5
Exchange rate differences (net)	–27.1	–2.5
Impairment, long-term investments	–18.7	–27.3
Interest and other financial expenses		
To the Group companies	–14.6	–3.5
To others	–3.4	–2.3
Other financial expenses	–1.0	–0.7
Total	–19.0	–6.5
Total financial income and expenses	106.3	175.2

6. APPROPRIATIONS

EUR million	2022	2021
Change in accumulated depreciation in excess of plan		
Intangible assets	0.4	0.5
Buildings	2.4	1.4
Machinery and equipment	–5.1	–0.4
Other tangible assets	0.0	–0.1
Total	–2.3	1.5
Other appropriations		
Group contributions	5.0	–12.6
Total	5.0	–12.6
Total appropriations	2.7	–11.1

7. INCOME TAX

EUR million	2022	2021
Direct tax for the year	–6.2	–12.4
Direct tax from previous years	0.0	0.0
Total	–6.2	–12.4

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 2022	68.3	9.6	2.0	90.9	511.4	7.6	21.9
Increase	0.9		2.0		2.0	0.2	45.0
Decrease	−4.1				−16.5		
Transfer between items	2.1			0.3	38.1	0.5	−41.0
Accumulated cost, 31 Dec 2022	67.2	9.6	3.9	91.2	535.0	8.3	25.9
Accum. depr. acc. to plan 1 Jan 2022	−58.4	−9.5		−49.1	−422.1	−4.4	
Accum. depr. on disposals	2.4				15.7		
Depreciations for the period	−4.0	0.0		−2.3	−22.7	−0.4	
Impairment				−2.3	−1.1		
Accum. depr. acc.to plan, 31 Dec 2022	−60.0	−9.5		−53.7	−430.2	−4.9	
Carrying amount, 31 Dec 2022	7.2	0.1	3.9	37.6	104.8	3.4	25.9
Carrying amount, 31 Dec 2021	9.9	0.1	2.0	41.9	89.4	3.2	21.9
Accum. depreciation in excess of plan, 31 Dec 2022	1.2	0.0	–	6.4	17.0	0.2	
Accum. depreciation in excess of plan, 31 Dec 2021	1.6	0.0	–	8.2	11.9	0.2	

9. INVESTMENTS

EUR million	**Shares in Group companies**	**Investments in associates**	**Shares in other companies**	**Unquoted securities**
Accumulated cost, 1 Jan 2022	419.2	4.3	0.2	2.6
Decrease	0.0	–	0.0	–
Increase	23.0	–	0.0	–
Impairment losses	−18.7	–	–	–
Exchange differences	–	–	–	0.2
Accumulated cost, 31 Dec 2022	423.5	4.3	0.2	2.8
Carrying amount, 31 Dec 2022	423.5	4.3	0.2	2.8
Carrying amount, 31 Dec 2021	419.2	4.3	0.2	2.6

10. INVENTORIES

EUR million	2022	2021
Raw materials and supplies	117.2	90.0
Work in progress	3.4	3.2
Finished goods	87.0	28.0
Total	207.6	121.1

11. NON-CURRENT RECEIVABLES

EUR million	2022	2021
Loan receivables from the Group companies	203.8	281.7
Loan receivables from others	0.6	0.6
Total long-term receivables	204.4	282.3

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

12. CURRENT RECEIVABLES

EUR million	2022	2021
Receivables from the Group companies		
Trade receivables	151.0	207.7
Loan receivables	151.2	35.9
Accrued revenues and deferred expenses	30.4	19.1
Total	332.6	262.7
Of the Parent company's internal receivables EUR 60.2 million are current receivables and EUR 20.9 million non-current receivables from Group companies located in Russia.		
Trade receivables	35.0	28.4
Other receivables	5.0	5.8
Accrued revenues and deferred expenses	9.9	21.0
Total	49.9	55.3
Total short-term receivables	382.5	317.9
Significant items under accrued revenues and deferred expenses		
Financial items	15.9	18.3
Taxes	0.1	0.0
Social payments	0.4	0.4
Capital expenditure in factories	0.0	0.2
Goods and services rendered and not invoiced, subsidiary	15.3	15.9
Group contribution	5.0	–
Other items	3.6	5.3
Total	40.3	40.1

13. SHAREHOLDERS' EQUITY

EUR million	2022	2021
Restricted shareholders' equity		
Share capital, 1 January	25.4	25.4
Emissions	–	–
Share capital, 31 December	25.4	25.4
Share issue premium, 1 January	182.5	182.5
Emission gains	–	–
Share issue premium, 31 December	182.5	182.5
Total restricted shareholders' equity	207.9	207.9
Non-restricted shareholders' equity		
Paid-up unrestricted equity reserve, 1 January	238.2	238.2
Emission gains	–	–
Paid-up unrestricted equity reserve, 31 December	238.2	238.2
Retained earnings, 1 January	522.0	502.7
Dividends to shareholders	−76.0	−165.9
Retained earnings, 31 December	446.0	336.8
Treasury shares	−16.6	−17.6
Profit for the period	48.4	185.2
Total non-restricted shareholders' equity	716.1	742.7
Total shareholders' equity	924.0	950.7
Specification of the distributable funds, 31 December		
Retained earnings	446.0	336.8
Treasury shares	−16.6	−17.6
Paid-up unrestricted equity reserve	238.2	238.2
Profit for the period	48.4	185.2
Distributable funds, 31 December	716.1	742.7

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

Nokian Tyres has an agreement from 2017 with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns Nokian Tyres' shares related to the incentive program until the shares are given to the participants of the program. In accordance with IFRS, these repurchased shares, 480,000 in 2017 and 500,000 in 2020, have been reported as treasury shares in the Consolidated Statement of Financial Position. On December 31, 2022, the number of these shares was 670,426. This number of shares corresponded to 0.48% of the total shares and voting rights in the company.

14. NON-CURRENT LIABILITIES

EUR million	2022	2021
Interest-bearing		
Loans from financial institutions	103.3	103.3
Total	103.3	103.3
Non-interest-bearing		
Accrued expenses and deferred revenues	0.6	0.6
Total	0.6	0.6
Total non-current liabilities	103.9	103.9

15. CURRENT LIABILITIES

EUR million	2022	2021
Interest-bearing		
Liabilities to the Group companies		
Finance loans	219.3	371.1
Commercial papers	10.9	–
Total interest-bearing liabilities	230.2	371.1
Non-interest-bearing		
Liabilities to the Group companies		
Trade payables	9.8	28.8
Accrued expenses and deferred revenues	26.5	31.1
Total	36.4	60.0
Trade payables	52.1	74.9
Liabilities to the others	157.0	16.9
Accrued expenses and deferred revenues	43.1	52.8
Total	252.3	144.6
Total non-interest-bearing liabilities	288.6	204.5
Total current liabilities	518.8	575.6
Significant items under accrued expenses and deferred revenues		
Wages, salaries and social security contributions	17.5	22.9
Annual discounts, sales	13.0	15.9
Taxes	0.0	3.4
Financial items	2.4	8.4
Commissions	0.1	0.1
Warranty commitments	0.9	0.9
Group contributions	–	12.6
Other items	35.8	19.8
Total	69.7	83.9

16. CONTINGENT LIABILITIES

EUR million	2022	2021
For own debt		
Pledged assets	4.8	4.3
On behalf of Group companies and investments in associates		
Guarantees	130.9	59.4
Pledged assets	2.0	2.0

The amount of debts and commitments mortgaged for total EUR 115.0 million (2021: EUR 44.8 million).

Other own commitments		
Guarantees	0.3	0.3
Leasing and rent commitments		
Payments due in 2023	5.9	2.8
Payments due in subsequent years	4.0	4.4

17. DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	2022	2021
Interest rate derivatives		
Interest rate swaps		
Notional amount	100.0	100.0
Fair value	3.9	−1.9
Foreign currency derivatives		
Currency forwards		
Notional amount	189.3	513.1
Fair value	1.7	−2.9
Currency options, purchased		
Notional amount	4.8	17.7
Fair value	0.0	0.1
Currency options, written		
Notional amount	11.8	35.3
Fair value	−0.1	−0.1
Interest rate and currency swaps		
Notional amount	18.4	75.0
Fair value	0.4	11.1
Electricity derivatives		
Electricity forwards		
Notional amount	6.9	5.2
Fair value	9.4	3.8

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

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 2022.

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

Helsinki, 7th of February 2023

Jukka Hienonen

Pekka Vauramo

Heikki Allonen

Susanne Hahn

Veronica Lindholm

Inka Mero

Christopher Ostrander

Jouko Pölönen

George Rietbergen

Jukka Moisio
CEO

THE AUDITOR'S NOTE

Report on the audit of the financial statements has been given today.

Helsinki, 8th of February 2023

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta, APA

AUDITOR'S REPORT

(Translation of the Finnish original)

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, 2022. The financial statements comprise the consolidated balance sheet, 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 as well as its financial performance and its 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 note 6 to the consolidated financial statements.

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

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.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition We refer to the accounting policies for the consolidated financial statements and the note 1.	
The Group's revenue is recognized when control of the good or service is transferred to the customer. Revenue is a key financial performance measure which could create an incentive for revenues to be recognized prematurely. Due to the variety of contractual terms used across the Group's markets management judgment is needed to account for the revenue. Customer discounts and credits are considered when determining the revenue. Estimating discounts and credits require also management judgment both at the time of revenue recognition as well as at the end of each reporting period. Based on above, revenue recognition, was a key audit matter. This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of revenue recognition, included, among others: • Assessment of the compliance of the Group's accounting policies over revenue recognition, including those relating to discounts and credits, against IFRS standards. • Assessment of the revenue recognition process especially relating to timing of revenue recognition, and calculation of discounts and credits. • Data analytical procedures, for example, analyzing the conversion of revenue to cash received. • Familiarizing ourselves with the contractual terms in sales agreements. Testing the revenue cut-off with analytical procedures and with a sample test of details on a transaction level on either side of the balance sheet date. Testing of revenue discounts and credits on a sample basis. • Analyzing credit notes issued after the prior year balance sheet date. • Assessment of the Group's disclosures in respect of revenues.
Operations in Russia We refer to the accounting policies for the consolidated financial statements and the notes 1, 14 and 29 as well as to the parent company's note 12.	
Due to the war in Ukraine and the subsequent tightening sanctions the Group management has stated that it is no longer feasible nor sustainable for the Group to continue operations in Russia. As a part of the exit from Russia, impairments of 280,7 M€ related to Russian assets were recorded in the second quarter of 2022. In October, Nokian Tyres plc signed an agreement to sell its Russian operations to Tatneft PJSC. The disposal process is still in progress. The transaction is subject to approval by the relevant regulatory authorities in Russian and other conditions, which creates substantial uncertainties related to the final timing, terms and conditions and the closing of the transaction. The accounting and reporting of Russian operations in the financial statements was a key audit matter because • in the consolidated financial statements the presentation and valuation of Russian operations; and • in the parent company's financial statements the valuation of intercompany receivables include significant management judgment and estimates. This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of Russian operations included, among others: • Instructing and coordinating the auditors of the Russian subsidiaries. • Familiarising ourselves with the disposal agreement between Nokian Tyres plc and Tatneft PJSC. • Testing of the impairment calculations prepared by the management relating to Russian operations and assessing the inherent assumptions. • Evaluation of the presentation and disclosures in respect of Russian operations.

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 the 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

We were first appointed as auditors by the Annual General Meeting on March 30, 2021, and our appointment represents a total period of uninterrupted engagement of two years.

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 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.

Opinions based on assignment of the Audit Committee

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 the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 8.2.2023

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

INDEPENDENT AUDITOR’S REPORT ON NOKIAN RENKAAT OYJ’S ESEF-CONSOLIDATED FINANCIAL STATEMENTS

(Translation of the Finnish original)

To the Board of Directors of Nokian Renkaat Oyj

We have performed a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files tyres-2022-12-31-fi.zip of Nokian Renkaat Oyj for the financial year 1.1.–31.12.2022 to ensure that the financial statements are marked/tagged with iXBRL in accordance with the requirements of Article 4 of EU Commission Delegated Regulation (EU) 2018/815 (ESEF RTS).

Responsibilities of the Board of Directors and Managing Director

The Board of Directors and Managing Director are responsible for the preparation of the Report of Board of Directors and financial statements (ESEF financial statements) that comply with the ESESF RTS. This responsibility includes:

- preparation of ESEF-financial statements in accordance with Article 3 of ESEF RTS
- tagging the consolidated financial statements included within the ESEF- financial statements by using the iXBRL mark ups in accordance with Article 4 of ESEF RTS
- ensuring consistency between ESEF financial statements and audited financial statements

The Board of Directors and Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance with the requirements of ESEF RTS.

Auditor’s Independence and Quality Control

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

The auditor applies International Standard on Quality Control (ISQC) 1 and therefore maintains a comprehensive quality control system including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor’s Responsibilities

In accordance with the Engagement Letter we will express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the Article 4 of ESEF RTS. We have conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000.

The engagement includes procedures to obtain evidence on:

- whether the tagging of the primary financial statements in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the tagging of the notes to the financial statements and the entity identifier information in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the ESEF-financial statements are consistent with the audited financial statements

The nature, timing and extent of the procedures selected depend on the auditor’s judgement including the assessment of risk of material departures from requirements sets out in the ESEF RTS, whether due to fraud or error.

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

Opinion

In our opinion the tagging of the consolidated financial statement included in the ESEF financial statement of Nokian Renkaat Oyj for the year ended 31.12.2022 complies in all material respects with the requirements of ESEF RTS.

Our audit opinion on the consolidated financial statements of Nokian Renkaat Oyj for the year ended 31.12.2022 is included in our Independent Auditor’s Report dated 8.2.2023. In this report, we do not express an audit opinion any other assurance on the consolidated financial statements.

Helsinki 1.3.2023

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

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, 2022	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, 2022, the number of shares was 138,921,750. Read more: www.nokiantyres.com/company/investors/share/share-information/

NUMBER OF SHAREHOLDERS ON DECEMBER 31, 2022

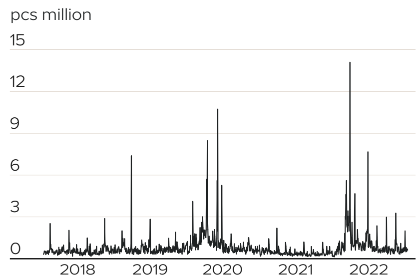
Number of shares	Number of shareholders	% of share-holders	Total number of shares	% of share capital
1–100	38,807	50.6	1,737,097	1.2
101–500	25,379	33.1	6,528,278	4.7
501–1,000	6,430	8.4	5,000,895	3.6
1,001–5,000	5,244	6.8	11,144,169	8.0
5,001–10,000	552	0.7	3,996,758	2.9
10,001–50,000	296	0.4	5,946,460	4.3
50,001–100,000	23	0.0	1,621,401	1.2
100,001–500,000	20	0.0	4,974,644	3.6
500,001–	12	0.0	97,972,048	70.5
Total	**76,763**	**100**	**138,921,750**	**100**

SHAREHOLDER STRUCTURE ON DECEMBER 31, 2022

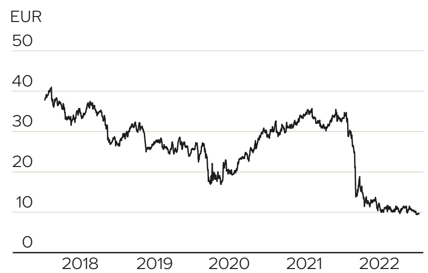
	Number of shares	% of share capital
Nominee registered and non-Finnish holders	74,102,434	53.3
Households	28,197,434	20.3
General Government	23,299,894	16.8
Financial and insurance corporations	5,184,701	3.7
Non-profit institutions	2,837,586	2.0
Corporations	5,299,701	3.8
Total	**138,921,750**	**100**

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

SHARE TRADING VOLUMES ON NASDAQ HELSINKI JAN 1, 2018–DEC 31, 2022

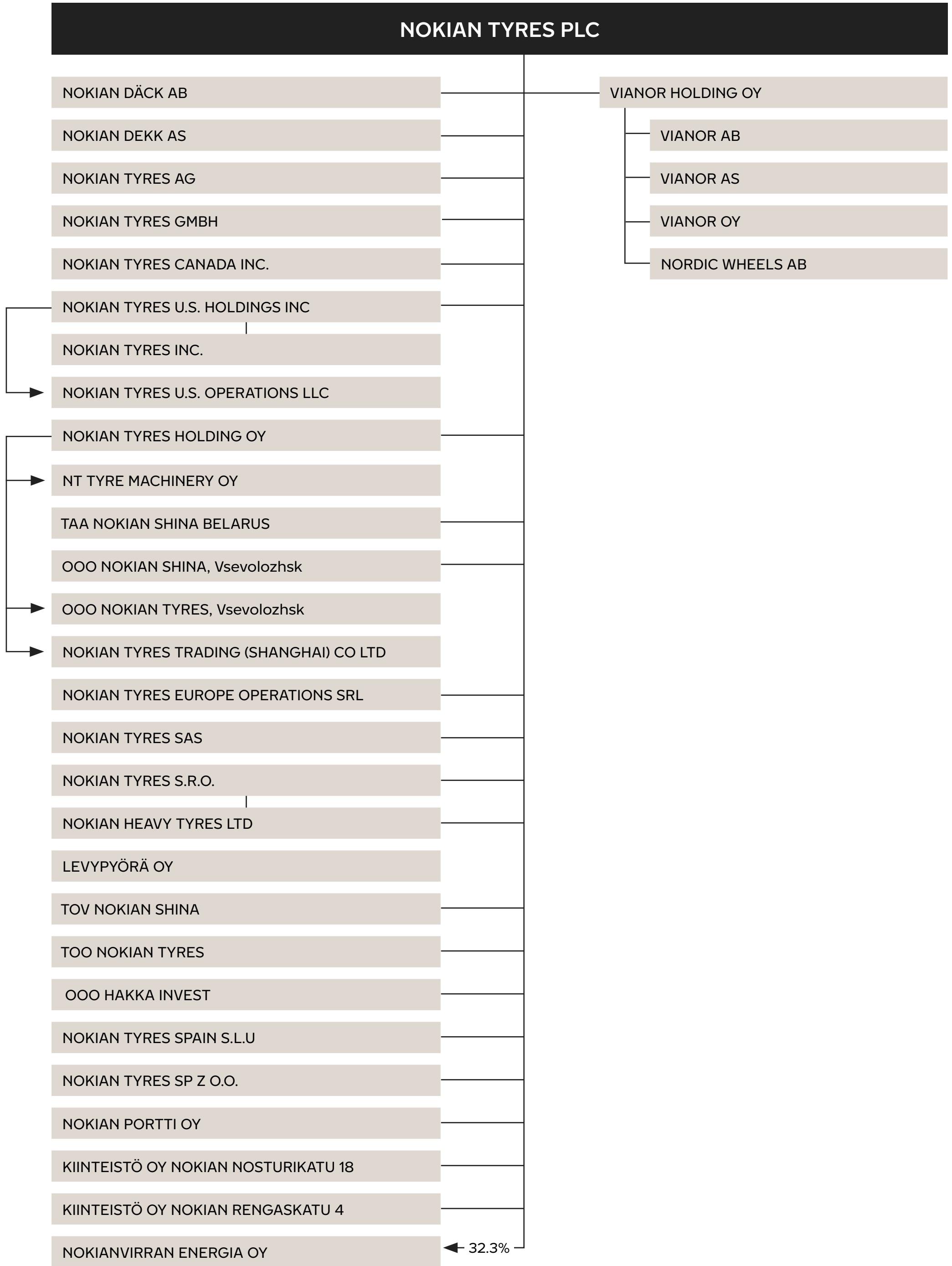


SHARE PRICE DEVELOPMENT ON NASDAQ HELSINKI JAN 1, 2018–DEC 31, 2022



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

NOKIAN TYRES GROUP STRUCTURE



CORPORATE GOVERNANCE STATEMENT 2022

CORPORATE GOVERNANCE STATEMENT 2022

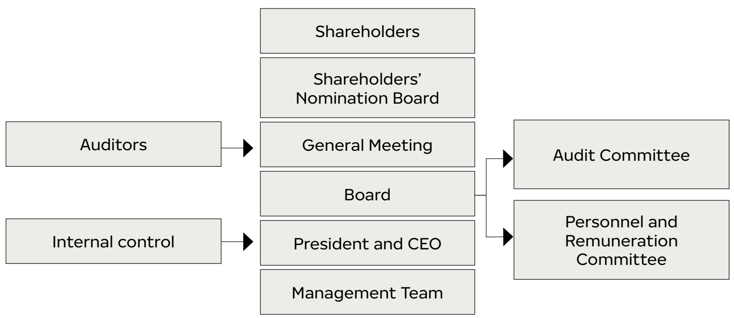
I Introduction

During 2022 Nokian Tyres plc (hereinafter referred to as “Nokian Tyres” or the “Company”) complied in full with the Corporate Governance Code published by the Securities Market Association that entered into force on January 1, 2020 (the “Corporate Governance Code 2020”) and the Company complies with the recommendations in the said code. This Corporate Governance Statement has been prepared in accordance with the Corporate Governance Code 2020. The Corporate Governance Code 2020 is available in its entirety at www.cgfinland.fi/en/. The Company follows the Finnish Limited Liability Companies Act, laws and regulations relating to publicly listed companies in Finland, the Articles of Association, the charters of the Board of Directors and the committees, the Nasdaq Helsinki rules and regulations, and the orders and instructions from the European Securities and Markets Authority as well as from the Financial Supervisory Authority.

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

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

Nokian Tyres’ administrative organization



II Governance bodies

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

General Meeting

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

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

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

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

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

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

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

The Annual General Meeting for 2022 was held through exceptional procedures on April 28, 2022 in Helsinki, Finland in accordance with the temporary legislative act to limit the spread of the Covid-19 pandemic (375/2021), which entered into force on May 8, 2021. The meeting confirmed the financial statements, discharged the Board members and the President and CEO from liability for the fiscal year 2021 and decided on the payment of dividend, the composition of the Board of Directors and their remuneration and the election of the auditor and its remuneration. Further, the Annual General Meeting authorized the Board of Directors to decide on the repurchase of the Company's own shares as well as on the issuance of shares and special rights entitling to shares and to decide on donations. In addition, the Annual General Meeting adopted the Company's Remuneration Report for governing bodies. 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 2023 is scheduled for April 26, 2023 at 10:00 a.m. EET.

Shareholders' Nomination Board

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

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

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

The following members were appointed to the Nomination Board in 2022:

- Pauli Anttila (Investment Director, Solidium Oy), appointed by Solidium Oy
- Timo Sallinen (Senior Vice President, Investments Varma Mutual Pension Insurance Company), appointed by Varma Mutual Pension Insurance Company
- Mikko Mursula (Deputy CEO, Investments, Ilmarinen Mutual Pension Insurance Company), appointed by Ilmarinen Mutual Pension Insurance Company
- Carl Petterson (CEO, Elo Mutual Pension Insurance), appointed by Elo Mutual Pension Insurance
- Jukka Hienonen, Chairman of the Board, Nokian Tyres plc

During its tenure, the Nomination Board had five meetings and all members participated in all meetings.

The proposals by the Nomination Board to the Annual General Meeting 2023 were published on December 7, 2022.

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

Board of Directors

Operation of the Board of Directors

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

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

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

- Group strategy and financial objectives
- 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 financing policies
- Reward and incentive schemes for the Group's management
- Monitoring compliance with the applicable legal and regulatory requirements and the corporate policies, such as Code of Conduct, approved by the Board
- Appointing Board committees
- 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 is in charge of ensuring that the Board members have the necessary and sufficient information on the Company's operations. The Board assesses its activities and operating methods by carrying out a self-evaluation once a year. Members of the Board and the President and CEO will not participate in making a decision where the law states that they must be disqualified.

Composition of the Board

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

Members of the Board are elected at the Annual General Meeting for a one-year term of office that begins after the closing of the Annual General Meeting and ends at the end of the next Annual General Meeting. In 2022, the Annual General Meeting appointed the Chairman and the Deputy Chairman from among the Board members upon the proposal by the Nomination Board. The remuneration payable to the Board members is also decided at the Annual General Meeting based on the proposal by the Nomination Board.

Information on the Board members

The Annual General Meeting on April 28, 2022 elected nine Board members. The Board members Jukka Hienonen, Heikki Allonen, Veronica Lindholm, Inka Mero, Christopher Ostrander, Jouko Pölönen, George Rietbergen and Pekka Vauramo were re-elected. Raimo Lind was no longer available for re-election. It was resolved to elect Susanne Hahn as a new member of the Board of Directors. The Annual General Meeting re-elected Jukka Hienonen as the Chairman and Pekka Vauramo as the Deputy Chairman of the Board.

Jukka Hienonen, Chairman of the Board (b. 1961)
Member of the Board since 2020. Member of the Personnel and Remuneration Committee. Member of the Shareholders' Nomination Board.

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

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

Key positions of trust:
Member of the Board: Juuri Partners Oy

Pekka Vauramo, Deputy Chairman of the Board (b. 1957)
Member of the Board since 2018. Member of the Personnel and Remuneration Committee.

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

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

Heikki Allonen (b. 1954)
Member of the Board since 2016. Member of the Audit Committee.

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

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

Key positions of trust:
Vice Chairman of the Board: Savox Oy Ab
Member of the Board: Lapti Group Oy, NRC Group ASA and Helsingin Satama Oy

Susanne Hahn (b. 1976)
Member of the Board since 2022.

Education: University Diploma of Economics
Main occupation: Co-Founder and Managing Partner of 1886Ventures and SKV Invest (Venture Portfolio Companies)

Key experience:
2013–2020 Top-Management Positions: Mercedes-Benz AG & Daimler AG, Lab1886 Global Innovation, Advisory Board Member of five New-Tech companies in the fields of Smart Mobility, Applied AI & Data and Green-Tech (e.g. Volocopter), Director Corporate Organization and Member of HR Executive Committee
2007–2012 Several Management positions, Mercedes-Benz AG (mainly R&D, production)
2000 Entry at Daimler AG with Management Trainee Program

Key positions of trust: Strategic Advisory Board Member of Küster Holding GmbH
Member of the Steering Board of Invest BW, Innovation & Investment funding program of the state of Baden-Württemberg

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

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

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

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

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

Education: M.Sc. (Economics)
Main occupation: CEO & Managing Partner, Voima Ventures VC Fund

Key experience:
2019– Voima Ventures I & II VC Fund, CEO & Managing Partner
2008– KoppiCatch Oy, Co-founder and Chairwoman
2016–2019 Pivot5 Oy (Industryhack 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:
Chair of the Board: KoppiCatch Oy, Voima Ventures Oy, KuvaSpace Oy and Adamant Health Oy
Member of the Board: Musti Group Plc, Betolar Plc, Dispelix Oy, Elfys Oy and Tactotek Oy
Advisor/Working group member: Finnish Center of Artificial Intelligence, Expert group for Sustainable Economic Growth assigned by the Ministry of Economic Affairs

Christopher Ostrander (b. 1968)
Member of the Board since 2021.

Education: B.Sc. (Mechanical Engineering); M.Sc. (Engineering Management); MBA
Main occupations: CEO/Managing Partner, Premier Staffing Solution, LLC; Partner/Chairman, Kensington Hill Capital, LLC; Partner/Chairman, Cornerstone Consulting Organization, LLC

Key experience:
2020– CEO/Managing Partner, Premier Staffing Solution, LLC
2017– Partner/Chairman, Kensington Hill Capital, LLC; Partner/Chairman, Cornerstone Consulting Organization, LLC
2016–2018 CEO and Advisory Board Chairman, Family Office of Gardner & Sons
2015–2016 President and Chief Executive Officer, AP Exhaust Technologies
2011–2015 Senior Vice President and President, Americas Operations, Cooper Tire & Rubber Company
2004–2010 Vice President/General Manager and Vice President of Sales/ Marketing, Eaton Corporation
1998–2004 Vice President of Sales/ Marketing (Distributor Network), The BOC Group
1991–1997 Captain, United States Army Corps of Engineers

Key positions of trust:
Kensington Hill Partners II, LLC, and Kensington Hill Capital, LLC, Chairman of the Board
Cornerstone Consulting Organization, LLC, Chairman of the Board
Tamarind Hill Management, LLC Limited Partner Advisor
University of Findlay, Member of Board of Trustees, Chairman of the Board of Trustees

Jouko Pölönen (b. 1970)
Member of the Board since 2021.
Chairman of the Audit Committee.

Education: M.Sc. (Econ & Bus. Adm.), Authorized Public Accountant, eMBA
Main occupation: President and CEO, Ilmarinen Mutual Pension Insurance Company

Key experience:
2018– President and CEO, Ilmarinen Mutual Pension Insurance Company
2013–2018 President and CEO, OP Corporate Bank plc
2014–2018 President and CEO, Helsinki Area Cooperative Bank
2011–2014 President, Pohjola Insurance Ltd, A-Insurance Ltd and Eurooppalainen Insurance Company Ltd
2009–2010 Chief Financial Officer, Pohjola Bank plc
2001–2008 Chief Risk Officer, Pohjola Bank plc
1993–2001 Auditor, Authorized Public Accountant since 1999, PricewaterhouseCoopers Ltd

Key positions of trust:
Chairman of the Board: The Finnish Pension Alliance TELA and The Finnish Foundation for Share Promotion
Member of the Board: The Employment Pension Executive Committee, Finance Finland FFI and Suomen Laatuyhdistys ry

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

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

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

Independence of the Board members

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

Shares owned by Board members and their controlled corporations December 31, 2022

Nokian Tyres holdings of the Company's current Board members	Number of shares
Jukka Hienonen, Chairman	20,808*
Pekka Vauramo, Deputy Chairman	5,687
Heikki Allonen, Member	5,891
Susanne Hahn, Member	1,642
Veronica Lindholm, Member	6,595
Inka Mero, Member	7,284
Christopher Ostrander, Member	2,274
Jouko Pölönen, Member	7,281
George Rietbergen, Member	5,228
Total	**62,690**

* In addition 7,592 shares in the insurance wrapper, with no voting right

The Board of Directors meetings, members' attendance at meetings and at making resolutions without a meeting (per capsulam)

As of the end of February, the year 2022 was characterized by the war in Ukraine, causing high uncertainty to Nokian Tyres' operating environment and manufacturing capacity. Therefore, in 2022, in addition to its normal duties, Nokian Tyres' Board of Directors focused especially on the impacts of the war on Nokian Tyres' operations and business strategy. In March, the Board of Directors decided to start expediting plans to invest in new production capacity in Europe. In June, the Board of Directors decided to initiate an exit from Russia. In October, the Board of Directors made the decision to build a new factory in Romania.

The Board convened a total of 15 times and made twice resolutions without a meeting (per capsulam) in 2022. In addition, the Board had several preparatory meetings and was in a frequent dialogue with the management due to the war in Ukraine and its consequences.

Attendance at meetings / per capsulam resolutions by the Company's Board members in 2022	Attendance/ meetings or per capsulam resolutions
Jukka Hienonen, Chairman	15/15
Susanne Hahn, Member since April 28, 2022	9/15
Pekka Vauramo, Deputy Chairman	14/15
Heikki Allonen, Member	15/15
Raimo Lind, Member until April 28, 2022	6/15
Veronica Lindholm, Member	15/15
Inka Mero, Member	15/15
Christopher Ostrander, Member	15/15
Jouko Pölönen, Member	15/15
George Rietbergen, Member	14/15

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 competencies are also considered.

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

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

Committees of the Board

The Board will decide on the committees and their chairpersons and members each year at its constituent meeting. In 2022, the Board had two committees: the Personnel and Remuneration Committee and the Audit Committee. Each committee must include no fewer than three members having the competence and expertise necessary for working in the committee. At least one member of the Audit Committee must have expertise in accounting or auditing. The majority of the members of the Personnel and Remuneration Committee must be independent of the Company. The majority of the members of the Audit Committee must be independent of the Company, and at least one member must be independent of the Company's major shareholders. The President and CEO and the other members of the Group Management Team cannot act as members of the Personnel and Remuneration Committee.

Personnel and Remuneration Committee

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

In 2022, the members of the Personnel and Remuneration Committee were Veronica Lindholm (Chair), Jukka Hienonen and Pekka Vauramo.

The committee assembled six times in 2022.

All committee members are independent of the Company and of all major share-holders in the Company.

Audit Committee

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

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

In 2022, the members of the Audit Committee were Raimo Lind (Chairman and member until April, 28, 2022), Jouko Pölönen (Chairman since April, 28, 2022), Heikki Allonen and Inka Mero. As a general rule, the Company's chief auditor participates in the committee's meetings.

The committee assembled five times in 2022.

All committee members are independent of the Company and of all major share-holders in the Company.

The attendance of Board members at committee meetings in 2022

	Personnel and Remuneration Committee	Audit Committee
Jukka Hienonen	6/6	
Pekka Vauramo	6/6	
Heikki Allonen		4/5
Susanne Hahn		
Raimo Lind (Chairman and member until April 28, 2022)		2/5
Veronica Lindholm (Chair)	6/6	
Inka Mero		5/5
Christopher Ostrander		
Jouko Pölönen (Chairman since April 28, 2022)		5/5
George Rietbergen		

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. Jukka Moisio has been the Company's President and CEO since May 27, 2020.

Jukka Moisio (b. 1961)

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

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

Key positions of trust:
Chairman of the Board: Paulig Oy and Sulapac Oy
Member of the Board: Metsä Board Corporation

Nokian Tyres holdings of the President and CEO and controlled corporations, December 31, 2022

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

Management Team

The Group's Management Team is responsible for assisting the President and CEO in preparing the Company's strategy and in operative management, and for discussing matters that involve substantial financial or other impacts, such as corporate transactions and organization changes. Members of the Management Team carry the main responsibility for their business areas and functions. The Management Team has no activities based on the applicable legislation or the Articles of Association. According to the Group's meeting practices, the Management Team assembles approximately 11 times per year. In addition to the President and CEO, the heads of the business units, business areas and functions participate in the meetings.

Management Team December 31, 2022

Jukka Moisio (b. 1961)

- President and CEO
- Master of Science (Economics), Master of Business Administration
- Number of Shares 18,000

Päivi Antola (b. 1971)

- Communications, Investor Relations and Brand
- Master of Arts, CEFA
- Number of Shares 2,374

Anna Hyvönen (b. 1968)

- Passenger Car Tyres and Vianor
- Licentiate of Science (Technology)
- Number of Shares 16,889

Adrian Kaczmarczyk (b. 1971)

- Supply Operations
- Dipl. Ing. Engineering, Master of Business Administration
- Number of Shares 1,353

Teemu Kangas-Kärki (b. 1966)

- CFO
- Master of Science (Economics and Business Administration)
- Number of Shares 9,049

Jukka Kasi (b. 1966)

- Products and Innovations
- Master of Science (Technology)
- Number of Shares 6,455

Päivi Leskinen (b. 1965)

- Human Resources
- Master of Social Sciences
- Number of Shares 0

Manu Salmi (b. 1975)

- Heavy Tyres and Nokia Factory
- Master of Military Sciences, Master of Science (Economics), Master of Business Administration
- Number of Shares 18,405

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

III Descriptions of mechanisms of internal control and risk management

Internal control

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

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

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

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

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

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

Investor communications

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

Risk management

The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of strategic goals and ensures continuity of business. The Group's risk management policy focuses on managing both the risks pertaining to business opportunities and the risks affecting the achievement of the Group's goals in the changing operating environment.

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

The war in Ukraine, resulting sanctions and exit from Russia are severely impacting Nokian Tyres' operating environment and causing a number of risks for Nokian Tyres' business. These include, among others, ability to serve customers especially in Central Europe, cost and supply of raw materials, ability to retain personnel, as well as execution of the consequent exit. The Group's assets in Russia may be subject to further impairments and write-downs. Nokian Tyres announced on October 28, 2022 that it had signed an agreement to sell its Russian operations to Tatneft PJSC. The transaction is subject to approval by the relevant regulatory authorities in Russia and other conditions, which create substantial uncertainties related to the timing, terms and conditions and the closing of the transaction.

In order to secure tire supply, Nokian Tyres has decided to invest in new production capacity in Europe and increase the share of outsourced production. Delay in these actions could have an adverse effect on Nokian Tyres' financial performance.

In addition to the risks caused by the war in Ukraine, the most significant risks are related to consumer confidence and macroeconomic and geopolitical conditions. Political uncertainties may cause serious disruption and additional trade barriers and affect the Company's sales and credit risk. The tire market is evolving to meet changing consumer needs. Failure to innovate and develop new products and services or to adapt to the changes in the sales channel or new technologies could have an adverse effect on the financial performance. Unexpected production or delivery breaks at production facilities, interruptions in logistics or lack of resources could have a significant impact on peak season sales. 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' risk analysis pays special attention on corporate social responsibility risks. Analyses and projects related to information security and data protection are continuously a special focus area.

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

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

IV Other information provided

Internal audit

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

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

In 2022, Internal Audit focused on assessing, among other things, the operations, controls and risks of various business areas and country organizations, corporate governance arrangements, risk management, corporate sustainability, information security matters and the conformity to certain legislations including international sanctions affecting the company operations, 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, and reports to the CAE and to the country managers.

Related party transactions

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

Insider management

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

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

The Company maintains a separate list of people in managerial positions and their related persons. In 2022, 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 and the Chief Financial Officer.

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

The Group General Counsel for Nokian Tyres is responsible for the overall management of insider matters in the Company and the related communication (limitations on trade, obligations to announce and publish management transactions). The Group General Counsel checks the information for the persons holding executive positions and their related persons at least once per year. The Chief Financial Officer 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 2022 is Ernst & Young Oy, authorized public accountants, with Mikko Järventausta, 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 2022 amounted to EUR 1,046,479.45 (2021: 659,804). The fees paid to the authorized public accountants for other services totaled EUR 68,200 (2021: 94,282).

Sustainability

Nokian Tyres non-financial targets focus on bringing new environmental and safety innovations to products, reducing CO_2 emissions in line with the Science Based Targets, further improving workplace safety, and monitoring the sustainability of suppliers. Nokian Tyres will, for example:

- Increase the share of either recycled or renewable raw materials in tires to 50% by 2030
- Reduce CO_2 emissions from both raw materials as well as from tire use phase by 25% between 2018–2030.
- Decrease accident frequency (LTIF) yearly by 20%
- Sustainability audit 100% of critical active suppliers by 2025.

All non-financial targets can be found at www.nokiantyres.com/company/sustainability/fundamentals/our-targets-and-achievements/.

The Company's sustainability activities are led by a member in the Group's Management Team. The Group's Sustainability Steering Group supervises and monitors the sustainability work within the Group and comprises of senior representatives from Supply Chain, Products & Innovations, Finance, Human Resources and Communications. The duties of all supervisors include day-to-day leadership of sustainability. Targets, milestones, development items, and other key topics are discussed by the Management Team at least twice a year, and at least once a year by the Board of Directors.

A separate steering group for greenhouse gas (GHG) emission reduction includes members from the Group Management Team, functional management and directors of the factories in Finland, Russia (first half of 2022) and the US.

Sustainability working group comprises finance, purchasing, communication, environment, quality, products & innovations, marketing and HR experts. The working group's main task is to design and promote measures for improving sustainability. Each unit's management team is responsible for implementing the measures according to their unit strategy.

Safety Management working group, which comprises safety experts and management representatives, steers and tracks the safety aspects. Safety and health are also an integrated part of department and team meeting practices. Globally safety and health related KPI's and actions are followed by the Global Safety team and HR.

Environmental working group comprises local environmental representatives from factory locations, who manage compliance with environmental legislation and chemical safety. Environmental representatives and other local working groups focus on improving the everyday environmental work.

Energy Efficiency working group promotes the means for improving energy efficiency and focus in particular on improvement actions in all tire factories.

Sustainable Purchasing working group develops and guides the supply chain sustainability.

Each Nokian Tyres' employee is responsible for working and acting ethically as well as following Nokian Tyres' Code of Conduct.

MANAGING SUSTAINABILITY AT NOKIAN TYRES

STRATEGY, TARGETS AND FOLLOW-UP

BOARD OF DIRECTORS

GROUP'S MANAGEMENT TEAM

SUSTAINABILITY STEERING GROUP | GHG STEERING GROUP

ACTION PLANS AND DAY-TO-DAY LEADERSHIP OF SUSTAINABILITY

VP, SUSTAINABILITY & QUALITY

Sustainability working group | Safety management working group | Environmental working group | Energy efficiency working group | Sustainable purchasing working group

ALL UNITS AND SUPERVISORS

PERSONNEL

Environmental management

Environmental management is guided by the Code of Conduct approved by the Board of Directors as well as Environmental, Safety and Quality Policy approved by the President and CEO.

The activity management system at the Nokian Tyres Group is based on the ISO 9001, IATF 16949, ISO 14001, ISO 45001, and ISO 17025 standards and meets applicable regulations and customer demands. The Company is also committed to follow the UN Global Compact principles.

The goal of Nokian Tyres is to manage the environmental impacts of its products over their entire life cycle and address the safety and quality aspects of the Company's operations in a comprehensive and systematic manner. The activity management system that covers the environmental aspects, safety, and quality serves as a key tool for this purpose. The Company's operations manual is ISO 14001 compliant in terms of the environmental aspects and ISO 9001 compliant as regards quality. Environmental Protection procedure guides environmental protection efforts.

Environmental targets are specified in the Company's sustainability strategy, which is drawn up for a period of five years and updated annually. Vice President, Quality & Sustainability is leading the strategy updates along with the Senior Manager, Sustainability. Working together with environmental experts in Finland, US and in other locations, the Senior Manager, Sustainability prepares an annual environmental program for the factories. The program specifies the detailed targets, actions, schedules, and responsible persons for the goals presented in the strategy. In addition, individual units have their own projects for developing the operations and processes.

The development of environmental aspects is reviewed at the meetings of the Group Management Team.

Environmental efforts at the Nokian Tyres Group are coordinated by the Senior Manager, Sustainability. Environmental and chemical safety and sustainability aspects belong to the Quality and Sustainability unit, and the overall efforts are coordinated globally by Vice President, Quality & Sustainability together with Senior Vice President, Supply Operations.

Key goals of environmental management are minimizing negative environmental impacts, accident prevention and good corporate citizenship in all areas of operation.

Environmental experts in all locations take care of practical environmental coordination and training, for instance regarding chemicals, emissions, and waste.

Complaint mechanisms in environmental responsibility

Nokian Tyres documents the annual environmental impacts of its tire factories, reports them to the local authorities as required in each country, records feedback to company's own register (KETO) and takes necessary corrective actions.

Nokian Tyres factories' environmental experts in Finland and in the US are responsible for these records. The purpose of this practice is to collect the feedback on the status of Nokian Tyres environmental aspects and consider stakeholders' related requests and opinions.

Nokian Tyres has a two-tiered approach to the management of environmental complaint procedures. If the complaint is minor in the scope of Nokian Tyres' production, an environmental expert handles it independently and/or the manager decides on the necessary course of action.

In case of a larger event, the decision to escalate the matter is taken in Nokia, Finland, by Vice President, Quality & Sustainability and in Dayton, US, by the Plant Director and in other locations by the line management.

NON-FINANCIAL INFORMATION STATEMENT 2022

NON-FINANCIAL INFORMATION STATEMENT 2022

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 one of the five cornerstones of 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.

MANAGING NON-FINANCIAL MATTERS AT NOKIAN TYRES

The company's sustainability activities are led by SVP, Supply Operations, who is a member of the Group's Management Team. The Group's Sustainability Steering Group supervises and monitors the sustainability work within the Group and comprises of senior representatives from Supply Chain, Products & Innovations, Finance, Human Resources and Communications. The Group's Greenhouse Gas (GHG) Steering Group supervises and monitors the progress in reducing greenhouse gas emissions within the Group. The duties of all supervisors include day-to-day leadership of sustainability.

Targets, milestones, development items, and other key topics are discussed by the Management Team at least twice a year, and at least once a year by the Board of Directors. The VP, Quality & Sustainability, shares knowledge and updates to the Board of Directors about the Company's impacts.

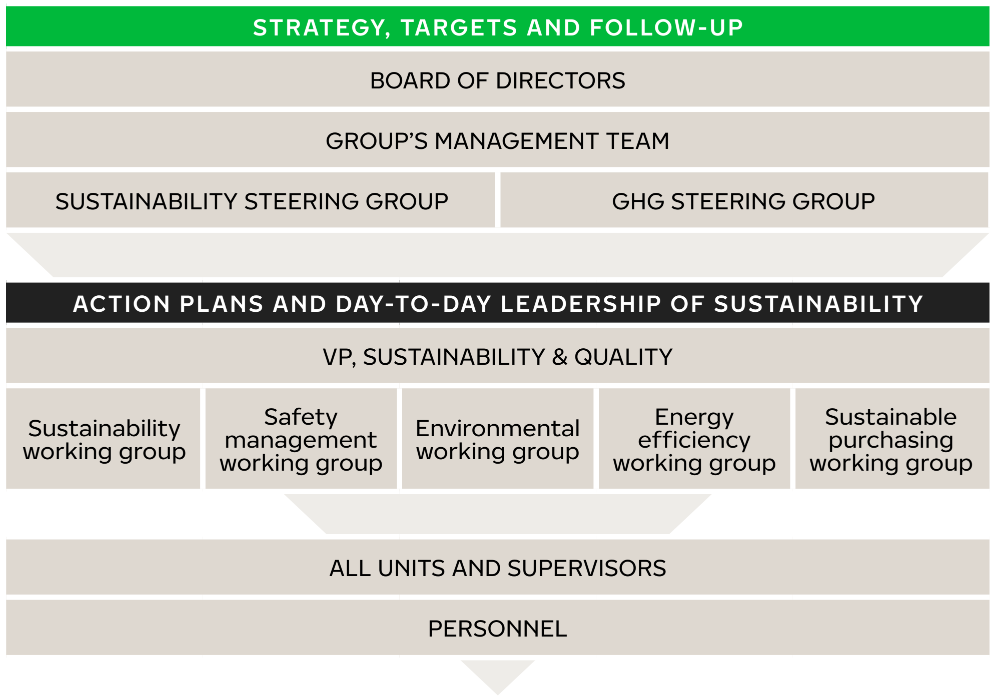
Nokian Tyres' business is guided by the ethical principles presented in the Board-approved Code of Conduct. The document specifies the principles for Nokian Tyres' business, including instructions for various matters related to ethics and the anti-bribery guidelines. Nokian Tyres does not condone any form of bribery within the company's operations.

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. Internal auditor reports suspected misuses and violations to the Board's Audit Committee.

The company requires that all its Sustainability Critical 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 Financial Statement under Significant Risks and Uncertainties and in the Corporate Governance Statement.

MANAGING SUSTAINABILITY AT NOKIAN TYRES



GUIDING PRINCIPLES FOR NOKIAN TYRES' SUSTAINABILITY

Sustainability is a part of our company's culture, strategy and goals. The graph below describes the areas of sustainability in the company, our guiding principles, and the most important standards and policies that guide our work.

AREAS OF SUSTAINABILITY				
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 as well as OECD's Guiding Principles on Labour 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 consider the product's entire life cycle and all of its functions in terms of environmental responsibility and are committed to acting in a way that does not harm the environment or people. We aim to show leadership in actions against climate change.	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 (UN tire regulations), various tire labelling (consumer information) regulations and standards (EU Tyre Labeling regulation), chemical regulation, UN Global Compact, Nokian Tyres tire testing policy.	ISO 45001, UN Global Compact, Policies and procedures related to safety, well-being, hiring, traveling, induction, people reviews and competence development, human rights and equality.	Stock exchange rules, IFRS, UN Global Compact, Corporate Governance, risk management, Know Your Counterparty, Tax Policy.	ISO 14001, Responsible Care program, Science Based Targets, UN Global Compact, Environmental Management, Chemical Safety Management.	ISO 9001, ISO 14001, UN Global Compact, Procurement policy, Supplier Code of Conduct, Sustainable Natural Rubber Policy.
LOCAL GUIDELINES AND PROCEDURES				

NOKIAN TYRES' MATERIAL TOPICS

Through continued focus on sustainability at Nokian Tyres, the company is committed to minimizing its negative impacts and maximizing its positive impacts on the economy, environment, and people. An essential part of driving this positive change is understanding how Nokian Tyres' stakeholders view sustainability and what sustainability topics are relevant for society and our business. This is done by conducting materiality assessments every three years. The assessments form a basis for sustainability at Nokian Tyres.

The VP, Quality & Sustainability, presents the data from the material assessment to the Group Management Team and to the Board. The Board reviews and approves the Non-Financial Information Statement, the topics of which are based on the material assessment.

The company conducted a comprehensive materiality assessment in 2021. As a result, the following sustainability topics were considered material to Nokian Tyres' operations:

1. Sustainable raw materials
2. Actions to mitigate climate change
3. Safety and well-being at Nokian Tyres
4. Promoting human rights in all operations
5. Safety properties of tires

SUSTAINABILITY TARGETS

In 2021, Nokian Tyres redefined its sustainability targets. They are presented on the company's website. The chart describes selected five key targets, with respective KPIs and results for 2022.

Area	Target	KPI	Progress in 2022
Safe and eco-friendly tires: increasing the share of sustainable materials in tires	Increase the share of recycled or renewable raw materials in tires to 50% by 2030	Report annual improvement	One new recycled raw material taken into production use
Climate: reducing CO_2 emissions in line with our four Science Based Targets	Reducing CO_2 emissions from tire production (scope 1+2) by more than 50% by 2030, base year 2015	Report annual improvement	Figures available in the Corporate Sustainability Report in spring 2023
Safety: securing safer and better work	Accident frequency LTIF: Decrease from 8.3 (2018) to 1.5 by 2025	20% annual improvement in LTIF compared to the previous year	Positive development. LTIF decreased from 4.1 to 3.2
Human rights: auditing all significant high-risk suppliers	100% of significant high-risk suppliers audited by 2025	Annual increase in the share of audited high-risk suppliers	83% audited (64% in 2021)
Personnel well-being: developing human rights policies	Developing human rights policies	Report annual improvement in sentiments about equal opportunities in the personnel survey, base year 2021	Score on equality was 66 on a scale of 0–100 (65 in 2021)*

*both figures exclude BA Russia and Asia

NOKIAN TYRES AS A PART OF SOCIETY

IMPACTS: *Through sustainable business practices and financial success, Nokian Tyres offers security, work, and well-being for its personnel and contributes to the well-being of local communities.*

Nokian Tyres' objective is to create value for its various stakeholders, such as consumers, customers, personnel, and shareholders. Nokian Tyres wants to be a good corporate citizen wherever it operates.

Nokian Tyres' approach to philanthropy mirrors its purpose, entrepreneurial and inventive company culture, and sustainable way of doing business. The company does not support any governmental, political, or religious entities. The company offers resources to projects based on the Nokian Tyres' Philanthropy Approach defined in 2020.

In 2022, Nokian Tyres continued to support the traffic safety education for local school children in Nokia, Finland, and donated books for safety education. The company also offered financial and other support for our Ukrainian employees and donated to humanitarian efforts in Ukraine. Vianor supported Save the Children, an international advocate of children's rights.

In the US, the company has donations committees in Dayton, Nashville, and Colchester. In 2022, the Dayton committee gave two college scholarships to high school graduates in order to support educational efforts, and also participated in nine other charity projects. In partnership with Powdr Ski Resorts, the company educated guests and the public about the importance of winter driving safety, and supported One-Tree-Planted, a non-profit organization, and planted 50,000 trees in areas of the United States impacted by deforestation.

CLIMATE AND THE ENVIRONMENT

IMPACTS: *Actions to mitigate climate change and reduce emissions, ensuring environmental and chemical safety*

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

All factories are certified pursuant to the international ISO 14001 environmental management system standard and the ISO 9001 quality system standard. The company has also held IATF 16949 approval for the automotive industry since 2013.

The company has defined its climate-related risks and opportunities according to the recommendations of Task Force on Climate-Related Financial Disclosures (TCFD). In 2022, the risks and opportunities were reassessed.

Climate-related risks

Risk group	Sub category	Examples of concrete risks	Time horizon	Financial impact	Adaptation / mitigation plan
Regulatory	Emerging regulation	Deforestation-related regulation, mostly concerning natural rubber	Medium	Medium	Follow-up of emerging regulation
		Green regulation on aviation and maritime fuels can significantly increase costs of logistics	Long	Medium	
	Further environmental fees	Additional taxes and duties e.g. EU's CBAM for fossil raw materials can increase prices. Certification costs	Short	Medium	Participation in industry sector working groups
	Stricter expectations to oversight	Increased verification testing of products and emission measurements	Short	Low	Follow-up of emerging regulations
Physical	Extreme weather events	Disruptions in logistics and force majeure situations	Short	Medium	Alternative transportation routes
	Extreme weather events	Permanent changes in logistics and/or increased force majeure situations	Long	High	Alternative transportation routes
	Extreme weather events	Impact of extreme weather events on natural rubber producers	Medium	Low	Alternative sourcing locations
	Extreme temperatures	Contamination/lower quality of raw materials	Short	Low	Multiple supply sources
Technological	Climate-related demands for new tire technology	A+ rolling resistance tires required for EVs	Medium	Low	Anticipation of future expectations in R&D development road maps
		150 km/h max speed for EU – demand for UHP (Ultra High Performance) tires falls	Long	Medium	
Market and reputation	Market changes	Shift from car ownership to mobility-as-a-service i.e. changing customer base	Long	Medium	Update product and service offering
	Tire raw materials	Increase use of expensive renewable materials	Medium	High	Road map for selective use of renewable and recyclable raw materials
	Energy	Green energy prices go up due to strong demand	Short	Medium	Long term power purchasing agreements
	Energy	Raw material price increases due to higher energy prices	Short	Medium	Long term contracts
	Tire raw materials	Availability of renewable and recycled raw materials can limit plans for sustainability	Medium	Low	Aiming for multiple sources
	Tire demand	Increased demand for all-season tires and less winter tires	Short	Low	Update product offering
	Reputational risk	Deforestation scandals (natural rubber)	Medium	Low	Co-operation with supply chain in line with GPSNR recommendations

Climate-related opportunities

Opportunity group	Sub category	Examples of concrete opportunities	Time horizon	Financial impact	Implementation plan
Innovation	Raw materials	Innovations with renewable / recycled / local materials	Medium	Medium	Material development road map to reach 50% share of renewable or recycled raw materials by 2030
	Recycling	Co-operation with innovative recycling companies	Medium	Medium	Screening of opportunities and widening of cooperation
	Climate-friendly technology	Lower rolling resistance products. Climate-friendly production	Short	High	Product development road map. New zero CO_2 factory to Romania being implemented
	Energy-efficient production	Modern machinery used in Nokian Tyres' factories	Short	Medium	New zero CO_2 factory to Romania being implemented
Product range	Competitive advantage	Nokian Tyres is an expert in demanding and challenging weather conditions. We have a strong share in winter tire markets and are prepared to increase the share further, should the extreme weather phenomena increase in the future	Short	Medium	Developing product portfolio, increasing consumer awareness
	Competitive advantage	Increase of all-season tire sales in Europe due to milder winters	Medium	Medium	Developing product portfolio
	EU further green regulation	Increased focus on sustainable natural rubber	Long	Low	Co-operation within GPSNR
	EU further green regulation	Tire regulation for wear resistance (abrasion)	Medium	Medium	Product development
	Industrial (heavy) tires	We have existing expertise to provide climate-friendly solutions, e.g. intelligent sensor technology	Short	Medium	Product development
Engagement	Consumers	Increase awareness of how tires can affect safety and carbon footprint	Short	Medium	Consumer education through communications and marketing
	Policy makers	Increased preparedness for new regulations or incentives	Long	High	Industry-wide cooperation and information sharing with decision makers
	Shareholders / stakeholders	Green / sustainable financing	Short	High	Transparent sustainability targets, public reporting, collaboration with financial institutions, information sharing with stakeholders
Regulatory	Renewable Energy Directive and other green regulation	More renewable energy available in EU, prices can decrease	Long	Low	Own investments/partnering for green energy
		Global carbon tax or similar would improve the company's competitive position	Long	Low	Further improvement of corporate carbon footprint

In 2020, the company was the first in tire industry to receive approval for its targets for reducing greenhouse gas emissions from the Science-Based Targets initiative (SBT). In November 2022 Nokian Tyres sent a new, more ambitious target to SBT for validation. New scope 1 + 2 emission targets will be aligned with the 1.5 degrees pathway. The work to reduce the GHG emissions is followed and supported by the Nokian Tyres Greenhouse Gas Reduction Steering Group, which started operating at the beginning of 2021. The GHG Steering Group convenes four times a year.

The company is a shareholder in Finnish Tyre Recycling Ltd, which centrally manages the collection and reuse of used tires in Finland. In Finland, nearly 100% of decommissioned tires are recycled. On average in Europe, the degree of tire recycling is approximately 95%.

Unfortunately, the VOC emissions (volatile organic compounds, or solvents) of the Nokian Tyres' factory in Finland are still above the maximum allowed level. During 2022 we discussed with environmental authorities and in the fall we conducted a spread modelling of the VOC emissions in order to estimate the impacts of the VOC's in the nearby surroundings of the Nokia factory. According to the modelling, the VOC concentrations and the environmental effects are minor. Furthermore, our solvent use has decreased over 40% compared to 2018. As a next step, we will continue negotiations with the authorities and plan to have our environmental permit updated.

In Finland, Nokian Tyres received one environmental complaint in 2022 concerning noise at the Finnish factory. The company was also contacted concerning odor emissions from local residents in Sastamala, Finland, where our retreading unit is located. Nokian Tyres has reported actions related to odor issues monthly to the authority until May 2022, and discussions with the authorities have continued throughout the year when necessary. The company received no environmental complaints from other locations.

Special attention has been paid to improvements in energy efficiency, as well as chemical safety and sustainability work across different fields of business.

At the production facilities, emphasis remained on reusing waste. In 2022, 100% of production waste was sent to utilization.

EU Taxonomy

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

- Contribute to at least one of six environmental objectives listed in the Taxonomy; and
- Do no significant harm to any of the other objectives, while respecting basic human rights and labor standards.

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

Tire industry is included in the economic activity group Manufacture of other low carbon technologies in the EU Taxonomy's technical screening criteria. After investigating and consulting on EU Taxonomy's technical screening criteria, following conclusions about Nokian Tyres' economic activities have been made:

- Car and van tires with low rolling resistance ratings which are manufactured by Nokian Tyres have substantially lower life-cycle carbon footprint than corresponding average tires. This is a combined result of low use phase emissions and industry's best-in-class manufacturing emissions.
- At this stage, we will exclude all heavy professional tires as there is no solid comparison data available of use phase CO_2 emissions for heavy professional tires.

Manufacture of car and van tires with low life-cycle greenhouse gas emissions represented 30% of Nokian Tyres' total net sales in 2022. Based on our assessment, these economic activities are aligned with the EU Taxonomy criteria. Share of Opex within the scope of EU Taxonomy was 27% and share of Capex within the scope of EU Taxonomy was 16%.

It has to be noted that the Taxonomy reporting scope and criteria may change in coming years as this is only the second reporting round, and therefore also the figures may not be comparable between the reporting periods.

Turnover

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities	**Code(s)**	**Absolute turnover Currency**	**Proportion of turnover %**	**Climate change mitigation %**	**Climate change adaptation %**	**Water and marine resources %**	**Circular economy %**	**Pollution %**	**Biodiversity and ecosystems %**	**Climate change mitigation Y/N**	**Climate change adaptation Y/N**	**Water and marine resources Y/N**	**Circular economy Y/N**	**Pollution Y/N**	**Biodiversity and ecosystems Y/N**	**Minimum safeguards Y/N**	**Taxonomy-aligned proportion of turnover, year 2022 Percent**	**Taxonomy-aligned proportion of turnover, year 2021 Percent**	**Category (enabling activity) E**	**Category '(transitional activity)' T**
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																	
A.1. Environmentally sustainable activities (taxonomy aligned)																				
Activity 1	3.6. Manufacture of other low carbon technologies	532.8	30%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	30%		E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)																				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																				
Total (A.1 + A.2)																				
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		1,243.2	70%																	
Total (A + B)		1,776.1	100%																	

Capex

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities	Code(s)	Absolute CapEx Currency	Proportion of CapEx %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N	Taxonomy-aligned proportion of CapEx, year 2022 Percent	Taxonomy-aligned proportion of CapEx, year 2021 Percent	Category (enabling activity) E	Category '(transitional activity)' T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																	
A.1. Environmentally sustainable activities (taxonomy aligned)																				
Activity 1	3.6. Manufacture of other low carbon technologies	20.8	16%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	16%		E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)																				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																				
Total (A.1 + A.2)																				
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		109.2	84%																	
Total (A + B)		130.0	100%																	

Opex

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities	**Code(s)**	**Absolute OpEx Currency**	**Proportion of OpEx %**	**Climate change mitigation %**	**Climate change adaptation %**	**Water and marine resources %**	**Circular economy %**	**Pollution %**	**Biodiversity and ecosystems %**	**Climate change mitigation Y/N**	**Climate change adaptation Y/N**	**Water and marine resources Y/N**	**Circular economy Y/N**	**Pollution Y/N**	**Biodiversity and ecosystems Y/N**	**Minimum safeguards Y/N**	**Taxonomy-aligned proportion of OpEx, year 2022 Percent**	**Taxonomy-aligned proportion of OpEx, year 2021 Percent**	**Category (enabling activity) E**	**Category '(transitional activity)' T**
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (taxonomy aligned)																				
Activity 1	3.6. Manufacture of other low carbon technologies	10.3	27%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	27%		E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)																				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																				
Total (A.1 + A.2)																				
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		27.7	73%																	
Total (A + B)		38.0	100%																	

Nokian Tyres' approach to calculate the eligibility for the EU Taxonomy

Net sales

- **A:** Amount of eligible net sales coming from car and van tires having EU Tyre Labelling grade A, B or C in rolling resistance.
- Heavy tires will be excluded as there is no solid data (or public benchmark) available for use phase CO_2 emissions.
- **B:** Total amount of net sales
- **C:** Share of net sales within the scope of EU Taxonomy
- **C = A/B %**

Capex & Opex

- **D:** Eligible passenger car tires production companies' Opex: Research and Development and real estate expenses deducted by depreciation & amortization
- **E:** Group Opex: Research and Development and real estate expenses deducted by depreciation & amortization
- **F:** Share of Opex within the scope of EU Taxonomy
- **F = C*D/E** %
- Justification: represents share of Opex used for producing low rolling resistance car and van tires with reasonable accuracy.
- **G:** Eligible passenger car tires production companies' tangible Capex
- **H:** Group Capex including tangible and intangible investments
- **I:** Share of Capex within the scope of EU Taxonomy
- **I = C*G/H %**
- Justification: represents share of Capex used for production readiness for low rolling resistance car and van tires with reasonable accuracy.
- Remark: handpicking and assessing each investment's relation to EU Taxonomy separately is regarded not to give much additional accuracy.

PEOPLE

IMPACTS: *Safety and well-being of personnel*

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

People Review discussions with all employees focus on managing performance and employee´s personal development. Internal job rotation, on-the-job learning, and other learning solutions have a key role in supporting personnel development.

In 2022, Nokian Tyres conducted the personnel survey Drive! to measure well-being, equality, inclusion and engagement inside the organization. In the company-wide survey, for the question concerning equality, we received a score of 66 on a scale of 0–100, which is 7 points below the global benchmark. Improving equality is a priority in our sustainability work, and our aim is to continuously improve the score. This equality KPI is being followed annually.

Nokian Tyres' commitment and efforts related to data protection continued throughout the year. In particular, the renewed eLearning course was made available for all Nokian Tyres employees during 2022.

Safety work continues

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.

Safety is Nokian Tyres' first priority, and the company's long-term goal is to reduce lost time injuries 20% annually. In 2022 there were less accidents leading to absences than ever before. The biggest improvement came from the production units. In September 2022, the passenger car tire production unit in Nokia celebrated one year without accidents leading to absences, and in November 2022 Levypyörä celebrated three years.

Lost-time injury frequency (LTIF)

2018	2019	2020	2021	2022
8.3	4.3	3.7	4.1	3.2

PRODUCTS

IMPACTS: *Continuous improvement of traffic safety of tires and the sustainability of raw materials in tires*

Nokian Tyres' R&D is constantly developing new ways of replacing fossil-based raw materials with recycled or renewable materials to enable more sustainable tire manufacturing. In January 2022, the company published a concept tire that was made 93% of either recycled or renewable raw materials. Nokian Tyres aims to increase the share of recycled or renewable raw materials in its tires to 50% by 2030.

Rolling resistance

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 2022, Nokian Tyres updated its goal for developing the rolling resistance of its tires: By 2028, the company aims to have at least 60 tires in the best rolling resistance A class of EU Tyre Labelling system.

Nokian Tyres products in the rolling resistance A class *

Status in 2022	Goal for 2028
14	60

* Tires included in the EU Tyre Labelling

Developing wet grip and ice grip

Nokian Tyres participates actively in developing the EU Tyre Labelling test method standards, such as wet grip and ice grip. Wet grip is a critical safety feature of a tire as it relates to how quickly a tire can stop on wet roads. The EU Tyre Labelling rates the wet grip of tires from A to E: A being the shortest braking distances in the wet, E being the longest braking distance.

Wet grip is one of Nokian Tyres' R&D's continuous development targets. This is aligned with one of our material topics: traffic safety of tires. Nokian Tyres' goal for 2025 is to include 100% of the company's premium tires in the best wet grip A or B class in the EU Tyre Labelling. We will report the progress annually.

Percentage of selected tires* in wet grip class A or B

Status in 2022	Goal for 2025
90%	100%

* Selected scope: Tires in price category A and included in the EU Tyre Labelling, the latest generation. Does not include Nordic winter tires.

As a Scandinavian tire designer and manufacturer, the safety of winter tires is one of our top priorities in traffic safety of tires. As of May 2021, the EU Tyre Labelling includes a label for snow grip marking as well as ice grip marking. A tire that is approved for severe snow conditions can have the snow grip marking, and a tire that passes the international ice grip test method can have the ice grip marking on their label. Our goal for the winter tire safety performance level was that by 2025, 100% of Nordic Nokian Tyres Hakkapeliitta winter passenger car and SUV tires fulfill the 2021 EU ice grip criteria. In 2022, we already reached that goal.

SUPPLY CHAIN

IMPACTS: *Sustainable natural rubber procurement, climate change mitigation in supply chain*

Natural rubber is one of the main ingredients of tires. Cooperation with the industry and other stakeholders is vital in improving the conditions of the employees working in the natural rubber industry and the state of the environment. Nokian Tyres is a member of the Global Platform for Sustainable Natural Rubber (GPSNR). It is a platform whose members include natural rubber farmers, processors and traders, tire makers and other natural rubber product makers, car makers and other natural rubber product users, financial institutions, and civil societies.

In 2021, Nokian Tyres updated its Supplier Code of Conduct, and also adopted a sustainable natural rubber policy that is fully aligned with the policy framework of the GPSNR. The company's sustainability in natural rubber is now developed through the framework of this policy. In 2022, Nokian Tyres conducted three new sustainability audits of natural rubber processing plants that are our suppliers.

As part of the Nokian Tyres Science Based Targets for reducing CO_2 emissions, a new KPI for the supply chain was created. During 2022, at least 40 raw material and 20 transport suppliers were expected to provide Nokian Tyres with a CO_2 emission reduction plan. The results of this study gave us a good view on the supply chain carbon emissions management. As a result, for 2023 we created a new KPI to gather Product Carbon Footprint from suppliers for 40 raw materials.

SIGNATURES FOR THE NON-FINANCIAL INFORMATION STATEMENT

Helsinki, 7 February 2023

Jukka Hienonen

Pekka Vauramo

Heikki Allonen

Susanne Hahn

Veronica Lindholm

Inka Mero

Christopher Ostrander

Jouko Pölönen

George Rietbergen

Jukka Moisio
CEO

REMUNERATION REPORT 2022

REMUNERATION REPORT 2022

Personnel and Remuneration Committee – Chair's greeting

Financial year 2022 was exceptional for Nokian Tyres. The war in Ukraine has had severe impacts on Nokian Tyres' operating environment, which led to a decision to initiate a controlled exit from Russia. In late October 2022, Nokian Tyres signed an agreement to sell its Russian operations to Tatneft PJSC. During the second half of 2022, the first steps were taken to build the new Nokian Tyres without Russia. Nokian Tyres' Board of Directors made the decision to invest approximately EUR 650 million in a new greenfield tire factory in Romania – the first zero CO_2 emission factory in the tire industry. This investment with emphasis on an even more sustainable future, is extremely important in terms of Nokian Tyres' future growth.

Due to the radical changes in business conditions, modifications were made to realign the interests of Nokian Tyres key personnel and to create motivation and future retention. The Board of Directors decided to modify the financial year 2022 incentive targets, which were set before the war in Ukraine. It was decided that the two main short-term incentive plans of Nokian Tyres would pay-out on target level for the first half of financial year 2022 and that new targets would be set for the earning period of the second half of 2022. New group level targets for financial year 2022 were set for Segments Operating Profit and Net Sales. To create additional retention, the incentive pay-outs will take place in two instalments, one in March 2023 and one in June 2023. An original climate related goal, measured through reduction in CO_2 emission during financial year 2022, was kept in place for the President and CEO and the Management Team. Nokian Tyres showed good performance against both the financial and climate related targets, laying a strong foundation for entering financial year 2023.

Financial year 2022 was exceptional in many ways and the conditions were tough. The hard work and dedication showed by the Nokian Tyres teams and of the performance against drastic circumstances is well noted. We will continue to reinforce the stature of our Remuneration Policy, to use remuneration as means to advance our strategy execution, business objectives and long-term profitability. We will keep on building the new Nokian Tyres and make sure that our remuneration system offers the best possible support in doing so.

Veronica Lindholm

Chair of the Personnel and Remuneration Committee of
Nokian Tyres Board of Directors

> **We will keep on building the new Nokian Tyres and make sure that our remuneration entity offers best possible support in doing so.**

Introduction

This remuneration report (the “**Remuneration Report**”) describes the implementation of the remuneration policy (the “**Remuneration Policy**”) of Nokian Tyres plc (the “**Company**” or “**Nokian Tyres**”) for the financial year 2022. The Remuneration Policy was presented to and adopted by an advisory resolution in the 2020 Annual General Meeting and shall be applied until the 2024 Annual General Meeting, unless a revised policy is presented to the general meeting before that. The Remuneration Policy describes the remuneration of the Board of Directors and the President and CEO, and the considerations of determining the policy and operation of the policy. This Remuneration Report will in turn provide investors with more detailed information of the development of remuneration and some strategic KPIs within Nokian Tyres as well as the implementation of the valid Remuneration Policy during the financial year 2022. The first new Remuneration Report for the financial year 2020, prepared in accordance with the Securities Market Association’s Corporate Governance Code 2020, was presented to and adopted by the 2021 Annual General Meeting. The 2022 Annual General Meeting resolved to adopt the Company’s following Remuneration Report 2021, through an advisory resolution supported by approximately 80% of the votes cast at the 2022 Annual General Meeting, indicating approval of the Remuneration Report 2021 by the shareholders of the Company.

An index comparison is presented in the next table and a further breakdown of the development of the remuneration of the Board of Directors and President and CEO of the Company with a comparison to the development of the average remuneration of the Company’s employees and to the Company’s financial development over the preceding 5 financial years is presented under the section “Remuneration and financial development between 2018 to 2022”.

Index of development between years 2018–2022

Remuneration index	**2018**	**2019**	**2020**	**2021**	**2022**
Total Board remuneration – Average annual fee paid to Board members [2]	100%	100%	113%	107%	123%
President and CEO salaries and financial benefits	100%	38%	53%	32%	42%
Average salary cost per employee [3]	100%	99%	97%	115%	117%
Financial measures index [1]					
Operating profit	100%	85%	32%	72%	31%
Earnings per share (EPS)	100%	134%	29%	69%	–59%
Return of capital employed (ROCE)	100%	76%	26%	59%	–26%

[1] Financial measures used for index according to IFRS reporting. Segments figures in accordance to Nokian Tyres new reporting practices available (2019, 2020, 2021 and 2022) in section “Remuneration and financial development between 2018 to 2022”. Stock exchange release about Nokian Tyres new reporting practices April 24th, 2020.

[2] **Total Board remuneration - Average annual fee paid to Board members** calculated by dividing total amount of fees paid to Board members each year, by composition of Board (number of members) during each year (2018–2020: 8 Board members, 2021–2022: 9 Board members) and excluding fees paid to members leaving during following term. Further details in section ‘’ Remuneration and financial development between 2018 and 2022”.

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

Nokian Tyres had strong performance during the financial year 2021 and entered financial year 2022 with solid business outlooks. The war in Ukraine and resulting sanctions had a significant negative impact on Nokian Tyres’ supply capacity and performance. Net sales for financial year 2022 were 1,776 MEUR and Segments operating profit was 221 MEUR. The war in Ukraine shifted Nokian Tyres short-term business objectives and long-term strategy. A controlled exit from Russia was initiated and later during financial year 2022, Nokian Tyres announced an EUR 650 million investment in a new greenfield tire factory in Romania as the company began building the new Nokian Tyres. To steer collective efforts towards complying with the new business conditions, targets set for Nokian Tyres two main short-term incentive plans were modified by the Board of Directors. It was decided to modify the targets set before the war in Ukraine, which were no longer relevant for the prevalent situation. New Group level targets were set for Segments operating profit and Net sales, both with an equal weight of 50%. The earning period linked to the modified targets was the second half of financial year 2022. The earning period for the first half of financial year 2022, will be paid out on target level. These modifications were also applied to President and CEO Jukka Moisio and the Management Team, whose performance was in addition measured through a climate related target, which was not adjusted during financial year 2022.

To create additional retention, the incentive pay-outs will take place in two instalments, one in March 2023 (earning period H1 2022 and climate related incentive) and one in June 2023 (earning period H2 2022). The modifications realigned the focus of the participating employees and produced positive results against the occurring business conditions. The Group level goals created a collective objective to strive for and were in alignment with the adopted Remuneration Policy.

Nokian Tyres has two annually commencing long-term share-based plans, under discretion of the Board of Directors' decision. Both plans were renewed in February 2022, for a 3-year period between 2022–2024. Nokian Tyres Performance Share Plan is the main share-based incentive plan which is measured through Group Segments Earnings Per Share (EPS) and Group Segments Return on Capital Employed (ROCE). Nokian Tyres Restricted Share Plan serves as a complementary long-term incentive tool, used selectively for retention of Nokian Tyres key employees. The Restricted Share Plan consists of three-year retention period, after which the share awards granted within the plan, will be paid to the participants. A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of a participant with Nokian Tyres continues until the payment date of the award. In addition to this precondition, a financial performance criteria is applied to Nokian Tyres Management Team, including the President and CEO. In February 2023, the Board of Director decided to change the financial performance criteria from ROCE to Segments ROCE. The change was necessary to reflect the radical effects on business conditions, caused by the war in Ukraine. The average Segments ROCE threshold criteria for Restricted Share Plan 2020–2022 was met, resulting in delivery of granted shares for Management Team members and the President and CEO, participating in the plan.

As described above, The Board of Directors has decided to apply a threshold value for average Segments ROCE over the vesting period for the President and CEO and Nokian Tyres Management Team, for Restricted Share Plans commencing 2020, 2021, 2022 and 2023. The purpose is to further align the interests of the President and CEO with the interests of shareholders regarding the financial development of the Company. During the financial year 2022, Nokian Tyres thereby temporarily deviated from the adopted Remuneration Policy by applying a financial performance criteria to the restricted share plans offered for the President and CEO. A further description of the deviation and clarification of the circumstances supporting the deviation are presented below under the section "Remuneration of the President and CEO 2022 – Long-term incentive plans". Apart from this deviation, the remuneration of the Board of Directors and the President and CEO complied with the Remuneration Policy and no other deviations where made.

Remuneration of the Board of Directors 2022

Nokian Tyres 2022 Annual General Meeting decided the following annual fees to be paid to the Board of Directors serving during the financial year 2022:

Chairman of the Board:
A fee of EUR 110,000 per year;

Deputy Chairman and to the Chairs of the Audit Committee and Personnel and Remuneration Committee
A fee of EUR 75,000 per year

Other members of the Board:
A fee of EUR 52,500 per year

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

Board member	Position on the Board	Annual fixed fee (EUR)[1]	Board meeting fees (EUR)	Committee meeting fees (EUR)	Total fees (EUR)	Shares acquired with fixed annual fee (number of shares)
Jukka Hienonen	Chairman of the Board / Member of the Personnel and Remuneration Committee / Member of the Shareholders' Nomination Board	110,000	11,900	4,200	126,100	3,441
Veronica Lindholm	Board member / Chair of the Personnel and Remuneration Committee	75,000	11,900	4,200	91,100	2,346
Pekka Vauramo	Deputy Chairman / Member of the Personnel and Remuneration Committee	75,000	11,200	4,200	90,400	2,346
Jouko Pölönen	Board member / Chairman of the Audit Committee	75,000	11,900	3,500	90,400	2,346
Christopher Ostrander	Board member	52,500	16,100	–	68,600	1,642
Inka Mero	Board member / Member of the Audit Committee	52,500	11,900	3,500	67,900	1,642
Heikki Allonen	Board member / Member of the Audit Committee	52,500	11,900	2,800	67,200	1,642
George Rietbergen	Board member	52,500	14,700	–	67,200	1,642
Susanne Hahn	Board member	52,500	9,100	–	61,600	1,642
Raimo Lind	Board member / Chairman of the Audit Committee (until April 28th, 2022)	–	4,200	1,400	5,600	–

[1] 60% of the annual fixed fee paid in cash and 40% in Company shares. Management transaction stock exchange releases regarding the share acquisitions published on May 2nd, 2022. The Company paid asset transfer taxes arising from the acquisition of shares.

Remuneration of the President and CEO 2022

President and CEO	Fixed annual salary (incl. holiday compensation)	Monthly base salary	Paid salary during financial year 2022 (incl. holiday compensation and mobile phone benefit)	Paid performance-based bonuses (based on year 2021)	Due performance-based bonuses (based on year 2022)[1]	Total value of awarded share-based bonus	Supplementary pension contribution	Severance payment	Total fees paid during financial year 2022
Jukka Moisio	778,680	61,800	771,504	730,800	538,680	–	–	–	1,502,304

Note: All amounts presented are in EUR.
[1] Due performance-based bonuses (based on year 2022) will be paid during the financial year 2023.

Short-term incentive opportunities as of annual base salary	
Target	Max
50%	100%

Performance share plan long-term incentives[1]	
Target	Max
125%	250%

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

President and CEO Jukka Moisio did not receive a salary increase during financial year 2022 and the monthly base salary was thereby 61,800 EUR during the entire year.

President and CEO Jukka Moisio has a Company paid mobile phone benefit, with a value of EUR 20 per month or EUR 240 per annum. Fixed annual salary incl. holiday compensation is calculated by multiplying the monthly base salary of EUR 61,800 by 12.6.

Short-term incentive plans

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

By decision of the Board of Directors, the performance measures of President and CEO Jukka Moisio's short-term incentives were modified during the earning period of financial year 2022. The financial targets set before the war in Ukraine were adjusted, to reflect the radical changes in business conditions. It was decided that the short-term incentive for the first half of financial year 2022, would be paid at target level and new Group level targets were set for the earning period of the second half of financial year 2022. The original climate related goal measured through reduction in CO_2 emission during financial year 2022, was kept in place. The weight of the climate related goal was 10% and the achievement of the set goal was 195,0%. The pay-out for this incentive element is thereby 72,306 EUR (base salary FY 2022 × STI target 50% × weight 10% × achievement 195%). The short-term incentive amount of 166,860 EUR for the first half of 2022 corresponds to 50% (target level) of the annual base pay between January–June 2022, multiplied with the weight of 45%. The short-term bonus of 166,860 EUR for the first half of 2022 and the climate related incentive of 72,306 EUR will be paid in March 2023 payroll. The modified performance measures for the earning period of the second half of financial year 2022, were tied to Nokian Tyres Segments operating profit and Nokian Tyres Net sales, both with an equal weight of 50%. The performance period was the financial year 2022. The paid base salary during the second half of financial year 2022 functioned as the basis for the incentive. The combined achievement for the set targets for the financial year is 179.5% (100% being the target level and 200% maximum) and the short-term incentive payout for the second half of 2022 to President and CEO Jukka Moisio is 299,514 EUR (base salary July–December 2022 × STI target 50% × weight 45% × achievement 179,5%). The proportion between fixed and variable pay linked to the financial year 2022 is 41.1% variable pay and 58.9% fixed pay. For retention reasons and by decision of the Board of Directors, the pay-out of the 2022 second half short-term incentive reward will take place in June 2023.

Long-term incentive plans

The President and CEO's long-term incentives (LTI) consist of share incentive plans. The value of the performance-based LTI payout is capped at the level of 250% of annual base salary and the annual target amount is 125% of annual base salary. The value of paid performance-based LTI reward cannot exceed 250% of annual base salary used to define the allocation at grant. President and CEO Jukka Moisio was granted 27,680 performance-based shares from Nokian Tyres Performance Share Plan 2022–2024 during the financial year 2022. The possible reward will be paid during the first half of the financial year 2025, in case the targets set by the Board of Directors are met. The targets set for Nokian Tyres Performance Share Plan 2022–2024 are Segments Earnings per share (EPS) and Segments Return on capital employed (ROCE). Both performance criteria have an equal weighting of 50%. The potential share rewards will be paid partly in shares of Nokian Tyres and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward. President and CEO Jukka Moisio was not granted restricted shares during the financial year 2022.

Nokian Tyres has temporarily deviated from the adopted Remuneration Policy during the financial year 2022. The deviation against the adopted Remuneration Policy occurs in the Long-term incentive (LTI) section, where the statue of Restricted Share Plans states; "For the possible restricted share plans, there are no financial performance criteria, but the share rewards under the restricted share plan will be delivered to the President and CEO provided that his or her service contract with the Company continues until the delivery date of the share rewards." The Board of Directors of the Company decided to apply a financial performance criteria to the three-year Restricted Share Plans commencing during the years 2019, 2020, 2021, 2022 and 2023, as a result of the appointment of the new President and CEO in May 2020. The criterion is applied to the Restricted Share Plans of the President and CEO and the Company's Management Team. The deviation reinforced the alignment of the President and CEO's and the Company's Management Team's remuneration to the financial performance of the Company, promoted efforts ensuring the long-term interests of the Company, and further aligned the interests of the President and CEO and the Company's Management Team with those of the Company's shareholders. The financial performance criterion was modified by decision of the Board of Directors in February 2023. The threshold is measured against a pre-set average threshold value for Segments ROCE (a minimum value that must be achieved in order for the share reward to be delivered), for the three-year vesting period of each Restricted Share Plan. The previous financial threshold was tied to an average value for ROCE (according to IFRS), during the restriction period in question. President and CEO Jukka Moisio has not been granted shares from the Restricted Share Plan 2022–2024. A threshold value tied to average Segments ROCE between the financial years 2022–2024 will be applied to any Management Team allocations, as well as for the Restricted Share plan commencing in 2023, with a vesting period between 2023–2025, as described in the Company's stock exchange release published on February 7, 2023.

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

Active Long-term incentive plans and shares granted to the President and CEO

Long-term incentive plan and performance period	Gross shares granted	Maximum gross share award[1]	Performance criteria	Pay-out of possible reward
Restricted share plan 2020–2022	10,000	10,000	Average Segments ROCE 2020–2022	H1/2023
Performance share plan 2021–2023	31,013	62,026	Segments ROCE (50% weight) & Segments EPS (50% weight)	H1/2024
Performance share plan 2022–2024	27,680	55,360	Segments ROCE (50% weight) & Segments EPS (50% weight)	H1/2025
Achievement of set targets	100%	200%		

[1] The potential share rewards will be paid partly in shares of Nokian Tyres plc and partly in cash. Gross shares is the amount of shares earned, based on performance against set targets and used to calculate the cash proportion. Actual shares delivered = net shares. Cash portion of the reward is intended to cover the taxes arising from the paid reward.

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

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

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

Malus and claw back

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

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

Nokian Tyres did not exercise any malus or claw back rights during the financial year 2022.

Remuneration and financial development between 2018 and 2022

	2018	2019	2020	2021	2022
Board remuneration, total pay EUR					
Jukka Hienonen	–	–	105,800	112,700	**126,100**
Veronica Lindholm	57,000	56,400	65,500	60,200	**91,100**
Pekka Vauramo	52,200	53,400	63,100	82,000	**90,400**
Jouko Pölönen	–	–	–	59,100	**90,400**
Christopher Ostrander	–	–	–	57,700	**68,600**
Inka Mero	54,000	54,600	63,100	60,900	**67,900**
Heikki Allonen	54,000	54,600	63,100	60,900	**67,200**
George Rietbergen	53,400	54,600	60,100	57,500	**67,200**
Susanne Hahn	–	–	–	–	**61,600**
Raimo Lind	78,900	76,500	85,600	83,400	**5,600**
Kari Jordan	75,900	78,300	87,400	1,800	**–**
Petteri Walldén	102,000	101,400	6,600	–	**–**
Total (excl. fees paid to leaving members)[1]	527,400	529,800	593,700	634,400	**736,100**
Board size, number of members	8	8	8	9	**9**
Average total pay per member[1]	65,925	66,225	74,213	70,489	**81,167**
Index	**100%**	**100.5%**	**112.6%**	**106.9%**	**123.1%**
President and CEO, total pay EUR					
Jukka Moisio May 27, 2020–	–	–	429,611	1,157,960	**1,502,304**
Hille Korhonen Jun 1, 2017–May 26, 2020	3,601,862	1,362,987	1,472,192	–	**–**
Total	3,601,862	1,362,987	1,901,803	1,157,960	**1,502,304**
Index	**100%**	**37.8%**	**52.8%**	**32.1%**	**41.7%**
Employee remuneration, average EUR					
Salaries, incentives, and other related costs, MEUR	228.9	235.3	224.7	270.7	**277.3**
Group employees on average during financial year	4,790	4,995[2]	4,859	4,941	**4,947**
Average per year, k EUR	47.79	47.10	46.24	54.79	**55.87**
Index	**100%**	**98.6%**	**96.8%**	**114.6%**	**116.9%**
Financial development 2018–2022					
Operating profit, MEUR	372.4	316.5	120.0	268.2	**116.2**
Segments operating profit, MEUR	–	337.2	190.2	324.8	**221.2**
Index[3]	**100%**	**85.0%**	**32.2%**	**72.0%**	**31.2%**
EPS, EUR	2.15	2.89[4]	0.62	1.49	**–1.27**
Segments EPS, EUR	–	3.04[4]	1.04	1.84	**1.30**
Index[3]	**100%**	**134.4%**	**28.8%**	**69.3%**	**–59.1%**
ROCE,%	23.3%	17.6%	6.0%	13.7%	**–6.0%**
Segments ROCE,%	–	18.6%	9.3%	15.8%	**10.3%**
Index[3]	**100%**	**75.5%**	**25.8%**	**58.8%**	**–25.8%**

[1] Average total pay per Board member is calculated by dividing the total fees paid to the Board members, excl. members who left the Board during the corresponding term. I.e. fees paid to Petteri Walldén removed from year 2020 average, Kari Jordan from 2021 average and Raimo Lind from 2022 average.

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

[3] Financial measures used for index according to IFRS reporting. Segments figures 2019–2022 presented (not calculated in index) in accordance to Nokian Tyres new reporting practices Stock exchange release about Nokian Tyres new reporting practices April 24th, 2020.

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

INVESTOR INFORMATION AND INVESTOR RELATIONS

Annual General Meeting 2023

The Annual General Meeting of Nokian Tyres plc will be held at Messukeskus in Helsinki, Finland, street address Messuaukio 1, on April 26, 2023, at 10 a.m. EET. Registration of attendants, the distribution of ballots and a coffee service will begin at 8:30 a.m.

More information: nokiantyres.com/annualgeneralmeeting2023

Dividend payment

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.35 per share for the financial year 2022 would be paid in May and that the AGM would authorize the Board to decide on the second dividend instalment of a maximum of EUR 0.20 per share to be distributed in December. If a maximum amounf of dividends is paid, a dividend payout ratio is –43%.

Change of address

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

Financial information

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

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

Financial reports in 2023

- Interim Report January–March: April 25, 2023
- Half-year Financial Report January–June: July 21, 2023
- Interim Report January–September: October 31, 2023

Silent period

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

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

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

Flagging notifications

Under the provisions of the Securities Markets Act, changes in holdings must be disclosed when the holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50%, 2/3 and 90% of the voting rights or the numbers of shares of the company.

Notifications of changes in holdings or voting rights must be made without undue delay. Shareholders are advised to send the flagging notifications to flaggings@nokiantyres.com

IR contact information

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

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