FINANCIAL REVIEW 2021

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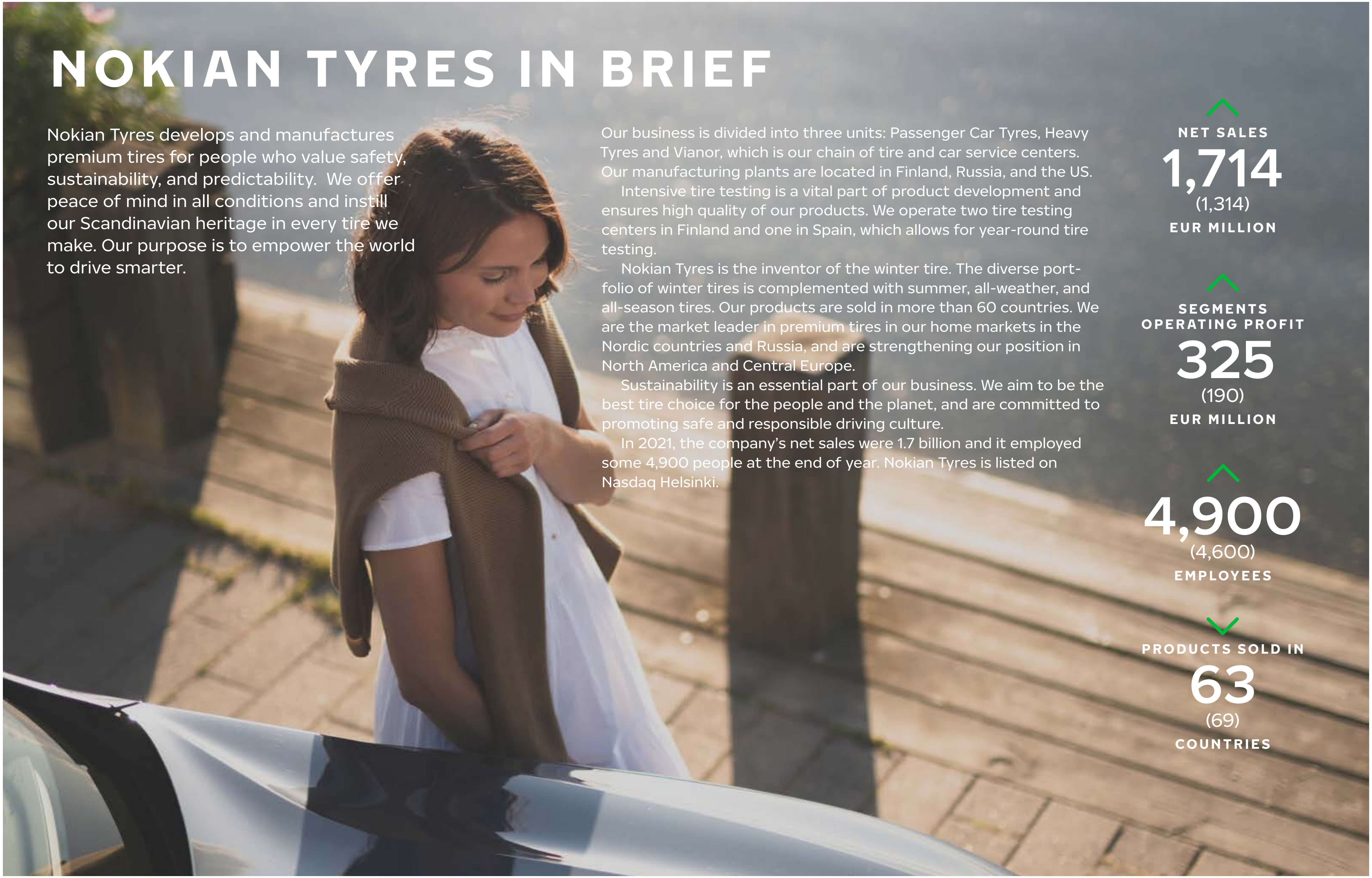


NOKIAN TYRES IN BRIEF

Nokian Tyres develops and manufactures premium tires for people who value safety, sustainability, and predictability. We offer peace of mind in all conditions and instill our Scandinavian heritage in every tire we make. Our purpose is to empower the world to drive smarter.

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

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

Nokian Tyres is the inventor of the winter tire. The diverse portfolio of winter tires is complemented with summer, all-weather, and all-season tires. Our products are sold in more than 60 countries. We are the market leader in premium tires in our home markets in the Nordic countries and Russia, and are strengthening our position in North America and Central Europe.

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

In 2021, the company's net sales were 1.7 billion and it employed some 4,900 people at the end of year. Nokian Tyres is listed on Nasdaq Helsinki.

NET SALES
1,714
(1,314)
EUR MILLION

SEGMENTS OPERATING PROFIT
325
(190)
EUR MILLION

4,900
(4,600)
EMPLOYEES

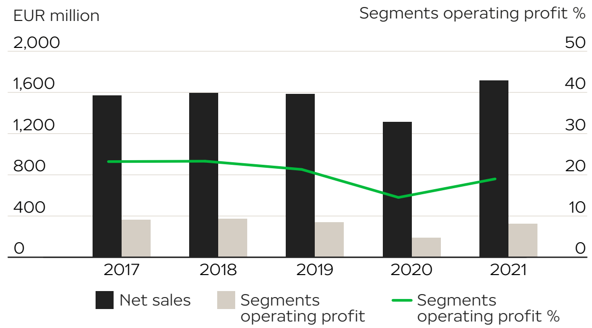
PRODUCTS SOLD IN
63
(69)
COUNTRIES

KEY FIGURES 2021

EUR million	2021	2020
Net sales	**1,714.1**	1,313.8
Operating profit	**268.2**	120.0
Operating profit %	**15.6%**	9.1%
Profit before tax	**258.2**	106.0
Profit for the period	**206.2**	86.0
Earnings per share, EUR	**1.49**	0.62
Segments operating profit	**324.8**	190.2
Segments operating profit %	**19.0%**	14.5%
Segments earnings per share, EUR	**1.84**	1.04
Segments ROCE, %	**15.8%**	9.3%
Equity ratio, %	**68.4%**	65.3%
Cash flow from operating activities	**396.5**	422.4
Gearing, %	**−6.1%**	−1.1%
Interest-bearing net debt	**−98.7**	−17.2
Capital expenditure	**119.6**	149.9
Personnel (at the end of year)	**4,915**	4,603
LTIF [1]	**4.1**	3.7

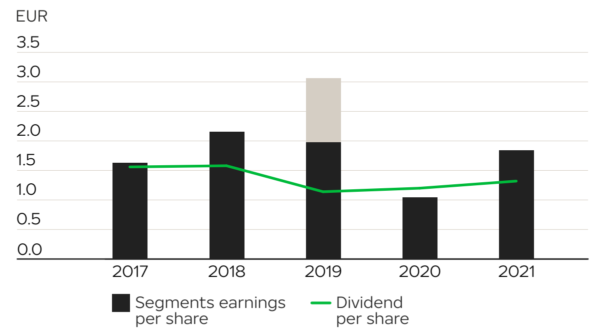
[1] Lost Time Injury Frequency: the number of lost time injuries occurring in a workplace per 1 million hours worked.

NET SALES AND SEGMENTS OPERATING PROFIT*



	2021	2020	2019	2018	2017
Net sales, MEUR	**1,714.1**	1,313.8	1,585.4	1,595.6	1,572.5
Segments operating profit, MEUR	**324.8**	190.2	337.2	372.4	365.4
Segments operating profit %	**19.0**	14.5	21.3	23.3	23.2

SEGMENTS EARNINGS PER SHARE* AND DIVIDEND PER SHARE

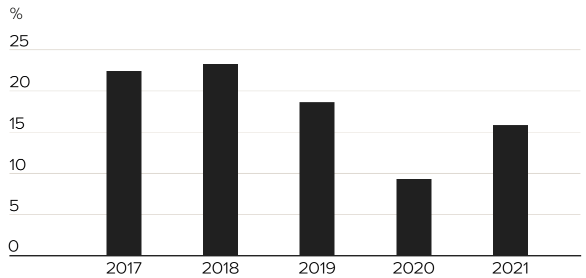


	2021	2020	2019	2018	2017
Segments earnings per share, EUR	**1.84**	1.04	3.06[1]	2.15	1.63
Dividend per share, EUR	**1.32[2]**	1.20	1.14	1.58	1.56

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

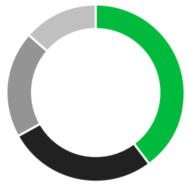
[2] The Board's proposal to the Annual General Meeting

SEGMENTS ROCE*, %



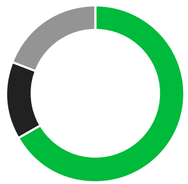
	2021	2020	2019	2018	2017
Segments ROCE, %	**15.8**	9.3	18.6	23.3	22.4

NET SALES BY GEOGRAPHICAL AREA, %



	2021	2020
Nordic countries	**40**	46
Other Europe	**27**	27
Russia and Asia	**20**	14
Americas	**13**	13

NET SALES BY BUSINESS UNIT[1], %



	2021	2020
Passenger Car Tyres	**70**	66
Heavy Tyres	**15**	15
Vianor	**20**	24

[1] Including internal sales

* Comparable Segments Total figures for 2019–2021, earlier years reported based on IFRS

In 2021, we continued to strengthen our position by launching an expanding range of innovative, next-generation products to the markets. We were again recognized for our sustainability work.

HIGHLIGHTS OF THE YEAR

NET SALES WERE THE HIGHEST EVER AT EUR 1,714 MILLION

We reached the **HIGHEST AAA RATING** in the MSCI ESG Rating

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

Our market share **IMPROVED IN ALL KEY AREAS**

We **INCREASED PRODUCTION CAPACITY** to support our growth and meet high demand

Tire testing begun at our **NEW HAKKA RING IN SPAIN**

Heavy Tyres reached 2 years with **NO LOST-TIME INJURIES**

NOKIAN TYRES' STRATEGY

We aim for organic growth ahead of the market, and increasing market share in all key markets. In the mid-term, our target is to reach EUR 2 billion in net sales with high profitability.

AMBITIOUS LEAP FORWARD

PURPOSE

EMPOWER THE WORLD TO DRIVE SMARTER

MID-TERM TARGETS

EUR 2 BILLION

NET SALES

WE DRIVE TOPLINE WITH NEW PRODUCTS AND STRONGER GO-TO-MARKET

BUSINESS AREA AND UNIT ROLES

- **NORDICS & VIANOR:** Strengthen **#1** position
- **RUSSIA:** Strengthen **#1** position
- **CENTRAL EUROPE:** Grow sales by **~50%**
- **NORTH AMERICA:** Grow sales by **~100%**
- **HEAVY TYRES:** Grow sales by **~50%**

FINANCIAL TARGETS

- Growing faster than the market: Net sales **EUR 2 billion**
- High returns & profitability: Segments Operating Profit & Segments ROCE at the level of **20%**
- Growing ordinary dividend: **>50%** of net earnings

FIVE CORNERSTONES FOR OUR SUCCESS

- SAFEST TIRES FOR ALL CONDITIONS
- RESPONSIVE AND EFFECTIVE SUPPLY CHAIN
- CONSUMER-TRUSTED PREMIUM BRAND
- LEADER IN SUSTAINABILITY
- NOKIAN TYRES TEAM

VALUES

WE — Care — Drive innovation — Deliver high results — TOGETHER

Nokian Tyres' mid-term growth strategy and the updated financial and non-financial targets were presented in more detail at the Capital Markets Day held on September 9, 2021. Watch the CMD presentations at www.nokiantyres.com/company/investors/ir-services/ir-calendar/capital-markets-days/

ON THE WAY TOWARDS EUR 2 BILLION NET SALES

2021 was in many ways successful for Nokian Tyres. We took advantage of the favorable market conditions and quickly responded to increasing tire demand. New products, increased capacity, and continuous improvements in go-to-market activities helped us achieve record high net sales. We are in a good position to continue the growth journey in line with our revised strategy, by promoting even safer, smarter, and more sustainable driving.

Demand in the replacement tire market started recovering quickly in late 2020 and continued to be strong throughout 2021. Supported by good momentum, all our business units and areas performed strongly and made excellent progress in 2021. Passenger car tire volumes grew across all main markets, driven by the stronger product offering and distribution, as well as improved commercial capabilities. Heavy Tyres' sales were driven by truck, mining and agricultural tires, in particular, and Vianor continued to perform well in all its operating countries. We broke net sales records in both the third and fourth quarter, which pushed Nokian Tyres' full year net sales to the highest level ever. At the same time, segments operating profit improved significantly compared to 2020. While we are pleased with the progress in 2021, our ambitions are even higher.

Raw material and logistics costs increased sharply during 2021, and there was a shortage of containers and transport capacity. Despite these challenges, we took active measures to meet the growing demand and increased sales prices to reduce the negative impact of cost inflation. Inflationary pressures are expected to continue in 2022, which will require systematic price increases and careful cost control going forward, while investing prudently to meet the needs of the growing business.

In order to ensure good availability of our premium products, the Russian

Our strong performance is backed by the talented Nokian Tyres personnel.

factory ran at full capacity in 2021. In the US, we continued to ramp up production, and in Finland, we recruited additional personnel for passenger car tire production. Overall, our goal is to gradually increase capacity to 26 million passenger car tires by 2024 and to 32 million kilos in Heavy Tyres by 2023, representing an increase of approximately one third from the 2021 level.

Aiming for an ambitious leap forward in growth

In September, we published our growth strategy with new financial and non-financial targets. In the mid-term, we aim to deliver net sales of EUR 2 billion and high profitability, by targeting segments operating profit and segments return on capital employed at a level of 20%.

We have all the building blocks in place to reach the EUR 2 billion in net sales: high-quality products and a premium brand, an efficient supply chain, leadership in sustainability, and a strong Nokian Tyres team. I believe that macro trends, such as the increasing number of new car models, rising SUV and CUV penetration, and climate change mitigation, will support growing demand for our sustainably produced and innovative tires.

Expanding product range and developing commercial operations

Our growth is driven by new products, which we have launched in record numbers during 2020–2021. This development will continue in the coming months. We are particularly proud of the new Hakkapeliitta 10 winter tire range, with dedicated models for passenger cars, SUVs and, for the first time, for electric vehicles and hybrids. In Heavy Tyres, one of the recent major innovations has been Nokian Ground King, which is a whole new kind of a tire for tractor and machine contracting.

Going forward, we intend to strengthen our competitive position by accelerating product innovation. Winter tires will remain our core business, but the number of all-season tires will grow as we strengthen our foothold in Central Europe and North America. We remain focused on the most profitable premium segments and larger tire sizes.

In addition to expanding the product range, we will further develop our commercial operations and reinforce the valued Nokian Tyres brand. Inspired by our renewed purpose *to empower the world to drive smarter*, we want to become an even more attractive choice for customers, consumers and employees.

Raising the bar even higher with new non-financial targets

As a sustainability pioneer within the tire industry, we published ambitious, new sustainability targets in 2021. We aim to introduce new environmental and safety innovations to our products, reduce CO_2 emissions in line with the Science Based Targets initiative, further improve workplace safety, and monitor the sustainability of our suppliers. As an example, this means increasing the share of either recycled or renewable raw materials in our tires to 50% and reducing carbon dioxide emissions from the use of our tires by 25% by 2030.

These targets are ambitious but achievable. They require close cooperation with different stakeholders, the ability to discover entirely new solutions and, above all, systematic daily work. Over the years, we have made many advances in sustainability: Emissions from our factories are down, the rolling resistance of our tires has been reduced and the number of lost time accidents has fallen significantly during the past five years. We are also industry pioneers in many matters relating to bio-based materials. Our new non-financial targets will guide our actions to further improve our sustainability performance and long-term competitiveness.

Continuous improvement is the key to success

Our large investment phase is completed, and we are well positioned for organic growth and strong financial results. Continuous improvements in operational and commercial operations will support future performance, and they will remain a key focus going into 2022. We optimize investments and carefully manage capital employed and ensure it is efficiently used, allowing us to generate strong cash flow and reward shareholders.

Success is always built on a top team. Our strong performance in 2021 is backed by the talented Nokian Tyres personnel that has successfully delivered on the strategy. They have shown great resilience by adapting to the fast-changing environment and achieving high results, while constantly living by our values: We care, we drive innovation, and we deliver high results – together. This caring working culture and our sustainable way of doing business underpin the pride we have in Nokian Tyres and are undoubtedly among our key success factors.

A warm thank you to Nokian Tyres' employees, customers, shareholders and other stakeholders for your cooperation and trust. In 2022, we will continue our work toward even safer, smarter, and more sustainable driving.

Helsinki, February 8, 2022

Jukka Moisio
President & CEO

REPORT BY THE BOARD OF DIRECTORS 2021

Demand in the replacement tire market started recovering quickly in late 2020 and continued to be strong throughout 2021. At the same time, raw material and logistics costs increased sharply, and there was a shortage of containers and transport capacity.

Nokian Tyres progressed on its strategy toward EUR 2 billion in net sales, taking active measures to meet the growing demand and to reduce the negative impact of cost inflation.

In 2021, Nokian Tyres introduced new non-financial targets. These targets guide the company's actions to further strengthen its sustainability performance and long-term competitiveness.

Net sales and segments operating profit

Net sales in 2021 increased by 30.5% and amounted to EUR 1,714.1 million (2020: 1,313.8; 2019: 1,585.4). With comparable currencies, net sales increased by 29.7%. Currency exchange rates affected net sales positively by approximately EUR 10 million. Nokian Tyres' mid-term financial growth target is to reach EUR 2 billion in net sales.

Net sales by geographical area

EUR million	2021	2020	Change %	CC[1] Change %	% of total net sales in 2021	% of total net sales in 2020
Nordics	**684.9**	604.2	13.3%	9.5%	**40%**	46%
Other Europe	**464.8**	354.1	31.2%	28.7%	**27%**	27%
Russia and Asia	**335.6**	188.7	77.9%	89.9%	**20%**	14%
Americas	**228.9**	166.8	37.2%	37.1%	**13%**	13%
Total	**1,714.1**	1,313.8	30.5%	29.7%	**100%**	100%

[1] Comparable currencies

Net sales by business unit

EUR million	2021	2020	Change %	CC[1] Change %	% of total net sales in 2021[2]	% of total net sales in 2020[2]
Passenger Car Tyres	**1,199.2**	871.3	37.6%	37.8%	**70%**	66%
Heavy Tyres	**254.0**	194.6	30.5%	28.9%	**15%**	15%
Vianor	**342.9**	318.1	7.8%	4.2%	**20%**	24%
Other operations and eliminations	**−81.9**	−70.1	−16.9%			
Total	**1,714.1**	1,313.8	30.5%	29.7%		

[1] Comparable currencies
[2] Includes internal sales

Raw mater it costs (EUR/kg) in manufacturing, including inbound logistics costs, increased by 15% year-over-year, containing negative currency impact.

Operating profit was EUR 268.2 million (2020: 120.0; 2019: 316.5). The non-IFRS exclusions were EUR -56.7 million (–70.2), including EUR –21.0 million related to impairment of goodwill and other assets and EUR –4.6 million related to non-operative items which are not indicative of Nokian Tyres' underlying business performance. Furthermore, the non-IFRS exclusions include EUR –31.0 million (–26.7) related to the US factory ramp-up. Operating profit percentage was 15.6% (2020: 9.1%; 2019: 19.8%).

Segments operating profit amounted to EUR 324.8 million (2020: 190.2; 2019: 337.2) with negative currency impact of approximately EUR 9 million. Segments operating profit percentage was 19.0% (14.5%). Segments ROCE was 15.8% (9.3%). Nokian Tyres' mid-term financial target for segments operating profit margin and segments ROCE is at the level of 20%.

Financial items and taxes

Net financial expenses were EUR 10.0 million (14.0), including net interest expenses of EUR 7.2 million (8.6). Net financial expenses include an expense of EUR 2.7 million (5.4) due to exchange rate differences. Segments profit before tax was EUR 314.8 million (176.2). Profit before tax was EUR 258.2 million (106.0) and taxes were EUR 52.0 million (20.0). Segments profit for the period amounted to EUR 254.0 million (144.4). Profit for the period amounted to EUR 206.2 million (86.0). Segments earnings per share were EUR 1.84 (1.04), and earnings per share were EUR 1.49 (0.62).

Return on equity was 13.1% (2020: 5.2%; 2019: 24.6%, positively impacted by the tax disputes).

Guidance given for 2021

In Nokian Tyres' financial statement release for 2020 published in February 2021, the company published the following outlook for the year:

In 2021, Nokian Tyres' net sales with comparable currencies and segments operating profit are expected to grow significantly. The global car and tire demand is expected to pick up, but the COVID-19 pandemic continues to cause uncertainties for the development.

Cash flow

In 2021, cash flow from operating activities was EUR 396.5 million (422.4). Working capital increased by EUR 5.5 million (decreased by 169.9). Inventories increased by EUR 70.8 million (decreased by 25.2) and receivables increased by EUR 22.0 million (decreased by 121.9). Payables increased by EUR 98.3 million (increased by 22.8).

Investments

Investments in 2021 amounted to EUR 119.6 million (149.9). Depreciations and amortizations totaled EUR 140.5 million (131.1). Impairments were EUR 17.0 million (24.9).

Segments operating profit by business unit

EUR million	2021	2020
Passenger Car Tyres	**298.7**	177.8
Heavy Tyres	**40.3**	23.7
Vianor	**4.1**	4.0
Other operations and eliminations	**–18.3**	–15.3
Segments operating profit total	**324.8**	190.2
Non-IFRS exclusions	**–56.7**	–70.2

Financial position on December 31, 2021

EUR million	December 31, 2021	December 31, 2020
Cash and cash equivalents	**385.9**	504.2
Interest-bearing liabilities	**287.2**	487.0
of which current interest-bearing liabilities	**40.3**	229.7
Interest-bearing net debt	**–98.7**	–17.2
Unused credit limits[1]	**811.7**	507.1
of which committed	**305.5**	205.5
Gearing ratio, %	**–6.1%**	–1.1%
Equity ratio, %	**68.4%**	65.3%

[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. The credit limits were increased by EUR 100 million with two bilateral back-up facilities in June 2021.

Personnel

	2021	2020	2019[1]
Group employees			
on average	**4,941**	4,859	4,995
at the end of the review period	**4,915**	4,603	4,847
in Finland, at the end of the review period	**1,782**	1,721	1,781
in Russia, at the end of the review period	**1,612**	1,528	1,604
in North America, at the end of the review period	**391**	229	296
Vianor (own) employees, at the end of the review period[2]	**1,395**	1,411	1,504

[1] Figures corrected to include passive employments in December 2019 (employees on long leaves).
[2] Included in Group employee figures

Salaries, incentives, and other related costs in 2021 were EUR 270.7 million (2020: 224.7; 2019: 235.3).

Research and development

Nokian Tyres' competitive position is based on its ability to continually develop new, innovative and sustainable products. In 2021, Nokian Tyres introduced a record number of new tire models. Approximately 50% of R&D investments is allocated to product testing. Nokian Tyres' R&D costs in 2021 totaled EUR 31.9 million (2020: 22.7; 2019: 22.7), which is 11.0% (2020: 8.0%; 2019: 8.8%) of the operating expenses. The increase is driven by the new test center in Spain and a strong product pipeline. The test center was completed during the first half of 2021.

Sales and distribution

In 2021, Nokian Tyres continued to develop its go-to-market activities. Investments in omnichannel approach together with strong sell-out support and advanced digital solutions helped Nokian Tyres increase consumer engagement and loyalty.

Good availability and precise, quick deliveries especially during season are an increasingly important part of a successful tire retail experience. In 2021, Nokian Tyres continued to develop its retailer network in order to ensure efficient distribution.

Nokian Tyres' distribution network consists of Nokian Tyres' own Vianor service centers and service centers run by partners, the Nokian Tyres Authorized Dealer (NAD) partners, the N-Tyre retailers, and other tire and vehicle retailers as well as online stores. At the end of 2021, the number of stores was as follows:

- Vianor: 1,047 (1,117) service centers in total, of which 872 (943) partners
- NAD: 2,346 (2,282) stores
- N-Tyre: 110 (124) stores

BUSINESS UNIT REVIEWS

Passenger Car Tyres

EUR million	2021	2020	Change %	CC[1] Change %
Net sales	**1,199.2**	871.3	37.6%	37.8%
Segment operating profit	**298.7**	177.8		
Segment operating profit, %	**24.9%**	20.4%		

[1] Comparable currencies

In 2021, net sales of Passenger Car Tyres totaled EUR 1,199.2 million (871.3). With comparable currencies, net sales were up by 37.8%. Net sales grew in all main markets. Average Sales Price with comparable currencies improved.

The share of sales volume of winter tires was 62% (68%), the share of summer tires was 23% (20%), and the share of all-season tires was 15% (12%).

Segment operating profit was EUR 298.7 million (177.8) driven by increased sales volume. Segment operating profit percentage was 24.9% (20.4%).

Raw material unit costs (EUR/kg) in manufacturing, including inbound logistics costs, increased by 15%, containing negative currency impact.

Production output (pcs) increased by 36% year-over-year. In 2021, 82% (87%) of passenger car tires (pcs) were manufactured in Russia. In the US and Finnish factories, additional shifts were added to increase production.

In January 2021, Nokian Tyres launched a new flagship range of studded winter tires, Nokian Hakkapeliitta 10, as well as studded Nokian Nordman 8 and Nokian Nordman 8 SUV winter tires. The first North American specific all-season tire for passenger cars and SUVs, the Nokian Tyres One, was also introduced in January. For professional and heavy-duty use in the Central European market, the company launched the Nokian Snowproof C winter tire and the Nokian Seasonproof C all-season tire in May. In October, new Nordic summer tire range Nokian Hakka Blue 3 and Nordman SX3 summer tire for the Nordic and Russian markets were introduced. Nokian Tyres Outpost AT, a new all-season tire for SUVs and light trucks, was launched in November. In December, Nokian Tyres announced that it will expand its winter tire range with new Nokian Tyres Hakkapeliitta R5 Nordic non-studded winter tires as well as with Nordic studded Nokian Tyres Hakkapeliitta C4 and Hakkapeliitta CR4 winter tires for vans and delivery vehicles.

Heavy Tyres

EUR million	2021	2020	Change %	CC[1] Change %
Net sales	**254.0**	194.6	30.5%	28.9%
Segment operating profit	**40.3**	23.7		
Segment operating profit, %	**15.9%**	12.2%		

[1] Comparable currencies

In 2021, net sales of Heavy Tyres totaled EUR 254.0 million (194.6). With comparable currencies, net sales grew by 28.9% driven by new product launches and strong demand in all product segments.

Segment operating profit was EUR 40.3 million (23.7). The increase was due to higher sales volume and improved production efficiency supported by investments in capacity and production automation.

In 2021, Nokian Heavy Tyres launched several new sizes for Nokian Hakkapeliitta TRI and Nokian Ground King product families. Truck tire offering widened with new sizes for Nokian E-truck and Nokian R-truck product families as well as with a new Nokian Hakka Truck Trailer tire. In June, the company launched a special tire, Nokian Ground Kare Semi-Slick, designed for backhoe loaders operating on railroads. In September, a new Nokian TR Forest 2 tractor tire for light and medium-weight tractors in forestry, landscaping and light mulching work was introduced.

Vianor, own operations

EUR million	2021	2020	Change %	CC[1] Change %
Net sales	**342.9**	318.1	7.8%	4.2%
Segment operating profit	**4.1**	4.0		
Segment operating profit, %	**1.2%**	1.3%		
Number of own service centers at period end	**175**	174		

[1] Comparable currencies

In 2021, net sales of Vianor totaled EUR 342.9 million (318.1). With comparable currencies, net sales increased by 4.2% driven by recovering demand in all operating countries. Net sales with comparable currencies grew by 6.1%, when excluding Vianor US, which was divested in August 2020.

Segment operating profit was EUR 4.1 million (4.0).

At the end of the review period, Vianor had 175 (174) own service centers in Finland, Sweden and Norway.

Segments Total to Nokian Tyres Total reconciliation

1–12/2021	Net sales	Cost of sales	SGA	Other operating income/ expenses	Operating profit	Financial income/ expenses	Taxes	Profit for the period
Segments Total	1,714.1	−1,125.4	−266.7	2.8	324.8	−10.0	−60.8	254.0
US factory ramp-up		−28.1	−2.9		−31.0		6.6	−24.4
Impairments and write-downs of tangible and intangible assets, and certain other items		−4.5	−16.5		−21.0		1.4	−19.6
Non-operative items and others		−4.1	−0.3	−0.3	−4.6		1.5	−3.1
Total non-IFRS exclusion		−36.7	−19.7	−0.3	−56.7		8.9	−47.8
Nokian Tyres Total	1,714.1	−1,162.1	−286.4	2.5	268.2	−10.0	−52.0	206.2

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 28, 2022.

SHARES AND SHAREHOLDERS

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

Number of shares (million units)[1]	**31.12.2021**	**31.12.2020**
at the end of period	**138.22**	138.22
in average	**138.22**	138.46
in average, diluted	**138.22**	138.46

[1] Excluding treasury shares

Authorizations

In March 2021, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 13,800,000 shares in the company by using funds in the unrestricted shareholders' equity. The number of shares corresponds to approximately 9.9% of all shares in the company. The authorization will be effective until the next AGM, however at most until June 30, 2022. The authorization canceled the authorization given to the Board of Directors by the Annual General Meeting on April 2, 2020.

In March 2021, the Annual General Meeting authorized the Board of Directors to resolve to offer no more than 13,800,000 shares through a share issue, or by granting special rights under Chapter 10, Section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The Board may decide to issue new shares or shares held by the company. The maximum number of shares included in the proposed authorization accounts for approximately 9.9% of all shares in the company. The authorization will be effective until the next AGM, however at most until June 30, 2022. The authorization canceled the authorization given to the Board of Directors by the Annual General Meeting on April 2, 2020.

In April 2020, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 13,800,000 shares in the company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponded to approximately 9.9% of all shares in the company at the time of the proposal. The authorization was effective until the Annual General Meeting of 2021.

In April 2020, the Annual General Meeting authorized the Board of Directors to make a decision to offer no more than 13,800,000 shares through a share issue, or by granting special rights under chapter 10, section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The maximum number of shares included in the proposed authorization accounted for approximately 9.9% of all shares in the company. The authorization was effective until the Annual General Meeting of 2021.

The Board did not utilize the authorizations in 2021.

Own shares

No share repurchases were made during the review period, and the company did not possess any own shares on December 31, 2021.

Nokian Tyres has an agreement with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns Nokian Tyres' shares related to the incentive program until the shares are given to the participants of the program. On December 31, 2021, the number of these shares was 697,400, reported as treasury shares (December 31, 2020: 697,400). This number of shares corresponded to 0.50% (0.50%) of the total shares and voting rights in the company.

Trading in shares

A total of 104,975,922 (279,145,453) Nokian Tyres' shares were traded in Nasdaq Helsinki in 2021, representing 76% (201%) of the company's overall share capital. The average daily volume in 2021 was 416,571 shares (1,107,720). Nokian Tyres' shares are also traded on alternative exchanges.

Nokian Tyres' share price was EUR 33.30 (28.82) at the end of 2021. The volume weighted average share price in 2021 was EUR 31.98 (22.15), the highest was EUR 36.70 (31.14) and the lowest was EUR 27.98 (16.38). The company's market capitalization at the end of the review period was EUR 4.6 billion (4.0 billion).

At the end of 2021, the company had 55,898 (58,563) registered shareholders. The percentage of Finnish shareholders was 43.2% (42.5%), and 56.8% (57.5%) were non-Finnish holders and foreign shareholders registered in the nominee register. Public sector entities owned 15.2% (13.7%), financial and insurance corporations 7.3% (7.2%), households 13.7% (14.4%), non-profit institutions 3.4% (3.5%), and private companies 3.6% (3.7%).

Major shareholders on December 31, 2021

(Does not include nominee registered shareholders or treasury shares)

	Number of shares	% of share capital
1. Solidium Oy	12,200,000	8.78
2. Ilmarinen Mutual Pension Insurance Company	3,643,678	2.62
3. Varma Mutual Pension Insurance Company	2,510,889	1.81
4. Elo Mutual Pension Insurance Company	1,711,285	1.23
5. OP-Finland	1,481,848	1.07
6. Mandatum Life Insurance Company Ltd.	896,231	0.65
7. OP-Finland Small Cap	766,288	0.55
8. The State Pension Fund	750,000	0.54
9. Nordea Nordic Small Cap Fund	744,575	0.54
10. Nordea Nordic Fund	675,432	0.49

Changes in ownership

Transaction date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %
January 13, 2021	BlackRock, Inc	Above 5%	4.61%	0.43%	5.04%
January 14, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
February 2, 2021	Société Générale SA	Below 5%	0.03%	1.53%	1.56%
February 10, 2021	BlackRock, Inc	Above 5%	4.95%	0.15%	5.10%
February 12, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
February 16, 2021	BlackRock, Inc	Above 5%	4.96%	0.08%	5.04%
February 17, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
February 25, 2021	BlackRock, Inc	Above 5%	4.96%	0.07%	5.03%
March 5, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
March 15, 2021	BlackRock, Inc	Above 5%	4.50%	0.52%	5.02%
March 19, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
April 23, 2021	BlackRock, Inc	Above 5%	5.02%	0.04%	5.07%
April 27, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
June 2, 2021	BlackRock, Inc	Above 5%	4.89%	0.11%	5.01%
June 3, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
June 7, 2021	BlackRock, Inc	Above 5%	4.96%	0.14%	5.11%
June 8, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
June 9, 2021	BlackRock, Inc	Above 5%	4.88%	0.16%	5.04%
June 16, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
June 18, 2021	BlackRock, Inc	5% level	4.92%	0.07%	5.00%
June 21, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
July 26, 2021	BlackRock, Inc	5% level	4.94%	0.06%	5.00%
July 27, 2021	BlackRock, Inc	Below 5%	Below 5%	Below5%	Below 5%
August 6, 2021	BlackRock, Inc	5% level	4.96%	0.04%	5.00%
August 9, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
August 17, 2021	BlackRock, Inc	5% level	4.96%	0.04%	5.00%
August 18, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
August 30, 2021	BlackRock, Inc	Above 5%	4.99%	0.07%	5.06%
August 31, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
September 3, 2021	BlackRock, Inc	Above 5%	5.00%	0.06%	5.06%
September 6, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
September 7, 2021	BlackRock, Inc	Above 5%	5.03%	0.06%	5.10%
September 8, 2021	BlackRock, Inc	Below 5%	4.94%	0.06%	5.01%
September 9, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
September 13, 2021	BlackRock, Inc	Above 5%	5.00%	0.05%	5.05%
September 14, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
September 22, 2021	BlackRock, Inc	Above 5%	4.92%	0.15%	5.07%
September 23, 2021	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%

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

Shareholdings of the Board of Directors, the President and CEO, and the Management Team on December 31, 2021

Board of Directors	Number of shares
Jukka Hienonen, Chairman	17,367
Pekka Vauramo, Deputy Chairman	3,341
Heikki Allonen, member	4,249
Raimo Lind, member	7,379
Veronica Lindholm, member	4,249
Inka Mero, member	5,642
Christopher Ostrander, member	632
Jouko Pölönen, member	1,232
George Rietbergen, member	3,586
Total	**47,677**

President and CEO	Number of shares
Jukka Moisio	18,000

Management Team	Number of shares
Päivi Antola, Corporate Communications & IR	1,264
Anna Hyvönen, North America, Nordics & Vianor	14,715
Adrian Kaczmarczyk, Supply Operations	0
Teemu Kangas-Kärki, Finance	7,014
Jukka Kasi, Products & Innovations	4,420
Bahri Kurter, Central Europe	0
Päivi Leskinen, Human Resources	0
Andrey Pantyukhov, Russia & Asia, Global Marketing	34,359
Manu Salmi, Heavy Tyres & Nokia Factory	16,601
Total	**78,373**

On December 31, 2021, Nokian Tyres' Board members and the President and CEO held a total of 65,677 Nokian Tyres shares. The shares represent 0.04% of the total number of votes.

Managers' transactions

Nokian Tyres announced managers' transactions on February 11 and May 6. Read more at https://www.nokiantyres.com/company/publications/releases/2021/managementTransactions/.

DECISIONS MADE AT THE ANNUAL GENERAL MEETING

On March 30, 2021, the Annual General Meeting of Nokian Tyres adopted the financial statements for 2020, discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2020 and adopted the company's Renumeration Report for governing bodies.

Dividend

The AGM decided that a dividend of EUR 1.20 per share shall be paid from the financial year January 1–December 31, 2020 in two instalments. The first instalment of EUR 0.60 per share was paid on April 15, 2021 to shareholders who were registered in the company's shareholders' register maintained by Euroclear Finland Oy on the dividend record date on April 1, 2021. The second instalment of EUR 0.60 per share was paid on December 9, 2021 to shareholders who were registered in the company's shareholders' register maintained by Euroclear Finland Oy on the dividend record date on November 4, 2021.

Remuneration for members of the Board of Directors

The AGM decided that the members of the Board of Directors be paid the following remuneration: to the Chairman of the Board of Directors EUR 102,500 per year; to the Deputy Chairman and to the Chairman of the Audit Committee EUR 72,500 per year each, and to members EUR 50,000 per year each. 60 per cent of the annual fee will be paid in cash and 40 per cent in Company shares.

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

Members of the Board of Directors and Auditors

The AGM decided that the number of the members of the Board of Directors shall be nine. Jukka Hienonen, Heikki Allonen, Raimo Lind, Inka Mero, George Rietbergen, Pekka Vauramo and Veronica Lindholm were re-elected as members of the Board of Directors and Christopher Ostrander and Jouko Pölönen were elected as new members of the Board of Directors for a term ending at the closing of the Annual General Meeting 2022. Jukka Hienonen was elected as the Chairman and Pekka Vauramo as Deputy Chairman of the Board of Directors.

Ernst & Young Oy, authorized public accountant firm, was elected as the company's auditor for a term ending at the closing of the Annual General Meeting of 2022.

Authorizations

The AGM authorized the Board of Directors to resolve to repurchase a maximum of 13,800,000 shares in the company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponds to approximately 9.9% of all shares in the company. The authorization will be effective until the next AGM, however at most until June 30, 2022. The authorization canceled the authorization given to the Board of Directors by the Annual General Meeting on April 2, 2020.

The AGM authorized the Board of Directors to resolve to offer no more than 13,800,000 shares through a share issue, or by granting special rights under Chapter 10, Section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The Board may decide to issue new shares or shares held by the company. The maximum number of shares included in the proposed authorization accounts for approximately 9.9% of all shares in the company. The authorization will be effective until the next Annual General Meeting, however at most until June 30, 2022. This authorization canceled the authorization given to the Board of Directors by the Annual General Meeting on April 2, 2020.

BOARD OF DIRECTORS' WORKING ARRANGEMENTS

In its organizing meeting on March 30, 2021, the Board of Directors elected Veronica Lindholm as the Chairman and Jukka Hienonen and Pekka Vauramo as members of the Personnel and Remuneration Committee. Further, the Board of Directors elected Raimo Lind as the Chairman and Heikki Allonen, Inka Mero and Jouko Pölönen as members of the Audit Committee.

SHAREHOLDERS' NOMINATION BOARD 2021

In June 2021, the following members were appointed to Nokian Tyres' Shareholders' Nomination Board:

- Antti Mäkinen (CEO, Solidium Oy), appointed by Solidium Oy
- Heikki Westerlund (board professional), appointed by Bridgestone Corporation
- Mikko Mursula (Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company), appointed by Ilmarinen Mutual Pension Insurance Company
- Kalle Karppinen (Head of Research, Nordic Equities, Nordea Investment Management), appointed by Nordea Funds
- Jukka Hienonen, Chairman of the Board, Nokian Tyres plc

The Shareholders' Nomination Board proposes to the 2022 Annual General Meeting that the Board consists of nine members, the Chairman and the Deputy Chairman included, and that of the current Board members Heikki Allonen, Jukka Hienonen, Veronica Lindholm, Inka Mero, Christopher Ostrander, Jouko Pölönen, George Rietbergen and Pekka Vauramo be re-elected and Susanne Hahn be elected as a new member to the Board of Directors for a term ending at the end of the 2023 Annual General Meeting. Of the current members, Raimo Lind has informed that he is 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 and are independent of the Company and its major shareholders.

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 Shareholders' Nomination Board proposes that 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 2023 is as follows:

- Chairman of the Board of Directors EUR 110,000
- Deputy Chairman of the Board and Chairmen of the Committees EUR 75,000
- Other members EUR 52,500

For the term commencing in 2021, the annual remuneration has been as follows: Chairman of the Board EUR 102,500; Deputy Chairman of the Board and Chairman of the Audit Committee EUR 72,500 and other members EUR 50,000.

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

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. The new non-financial targets were introduced in September 2021. All non-financial targets can be found at www.nokiantyres.com/company/sustainability/fundamentals/our-targets-and-achievements/.

In January 2021, Nokian Tyres announced that its Finnish factory had earned ISO 45001 certification for occupational health & safety. The certification was also awarded to the premier provider of wheels for heavy OE and aftermarket applications, Levypyörä, which Nokian Tyres acquired in 2019. ISO 45001 certification has been created to further reduce workplace injuries and illnesses.

In March, the solar-powered administration building at Nokian Tyres' US production facility earned LEED v4 Gold certification. The accomplishment, coupled with LEED v4 Silver certification of the attached production facility, makes the company's US facilities one of the most eco-friendly in the tire industry.

In May, Nokian Tyres earned ISO 14001 certification for its US production facility. Now all Nokian Tyres' manufacturing facilities are certified to the environmental standard.

In June, Nokian Tyres announced that its logistics center in Finland has a solar power plant, consisting of 3,160 solar panels with a combined output of more than 1,100 kilowatts. All of the electricity generated by the solar panels is used by the logistics center, where power is required for lighting and ventilation, for example.

In September, Nokian Tyres signed a 10-year agreement with the Nordic energy company to supply renewable wind energy for the electricity used in the Finnish factory and in Vianor operations in Finland. Nokian Tyres has used electricity from entirely renewable sources in the Finnish factory already since 2019. The agreement ensures the availability of green electricity also in the future.

In December, Nokian Tyres was included in the leadership class by the Carbon Disclosure Project (CDP) based on its performance on climate change. Nokian Tyres scored the second-best rating of A- for its climate change mitigation strategy, goals and performance.

In December, the solar-powered Visitor Center Building at Nokian Tyres' Spain Test Center earned LEED v4 Platinum certification for green building leadership. Platinum is the highest LEED certification level. Inspectors highlighted the Visitor Center's innovation in design, energy efficiency and indoor environmental quality as key drivers of the high certification level.

As a member of the Global Platform for Sustainable Natural Rubber, Nokian Tyres is committed to legal compliance, community livelihoods, healthy, functioning ecosystems (including no deforestation), and respecting all human rights in natural rubber procurement and production. This is reflected in Nokian Tyres' sustainable natural rubber policy that falls in alignment with GPSNR's policy framework. The policy was published in September and can be found at www.nokiantyres.com/company/sustainability/sustainable-natural-rubber-policy/.

Nokian Tyres will publish its Corporate Sustainability Report for 2021 in spring 2022.

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.

The new Taxonomy 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, Nokian Tyres 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 35% of Nokian Tyres' total net sales in 2021. Based on the company's assessment, these economic activities are eligible for the EU Taxonomy criteria. Share of Opex within the scope of EU Taxonomy was 31% and share of Capex within the scope of EU Taxonomy was 26%.

KPI	Total (EUR million)	Proportion of Taxonomy eligible economic activities (%)	Proportion of Taxonomy non-eligible economic activities (%)
Net sales	1,714	35%	65%
Capital expenditure	120	26%	74%
Operating expenditure	40	31%	69%

The Taxonomy reporting scope and criteria may change in coming years as this is the first reporting round, and therefore also the figures may not be comparable between the reporting periods.

Nokian Tyres' approach to calculate the eligibility for the EU Taxonomy is available at www.nokiantyres.com/company/investors/nokian-tyres-as-an-investment/nokian-tyres-as-a-sustainable-investment/.

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 28, 2022.

OTHER MATTERS

SHARE-BASED LONG-TERM INCENTIVE SCHEME 2021–2023 FOR THE MANAGEMENT AND SELECTED KEY EMPLOYEES OF NOKIAN TYRES PLC

In February 2021, Nokian Tyres announced that the Board of Directors of Nokian Tyres plc has decided on a share-based long-term incentive scheme for the Company's management and selected key employees for years 2021–2023 as a continuation to the earlier plans decided in 2019 and 2020. The decision includes Performance Share Plan 2021 ("PSP 2021") as the main structure and Restricted Share Plan 2021 ("RSP 2021") as a complementary structure.

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

Performance Share Plan 2021

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

The Performance Period (PSP 2021–2023) 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. Cash portion of the reward is intended to cover the taxes arising from the paid reward. Eligible to participate in PSP 2021–2023 are approximately 220 individuals, including the members of Nokian Tyres Management Team.

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

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

Restricted Share Plan 2021

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

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

A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Nokian Tyres continues until the payment date of the reward. In addition to this precondition, a financial performance criteria is applied to Nokian Tyres Management Team. The criteria is a threshold value for Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan 2021–2023.

The next plan (RSP 2021–2023) within the Restricted Share Plan structure commenced effective as of the beginning of 2021 and the potential share reward thereunder will be paid in the first half of 2024. The possible rewards paid based on RSP 2021–2023 correspond approximately to a maximum of 120,000 gross shares.

Other terms

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

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

SIGNIFICANT RISKS AND UNCERTAINTIES AND ONGOING DISPUTES

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

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

- Nokian Tyres is subject to risks related to consumer confidence and macroeconomic and geopolitical conditions. Political uncertainties may cause serious disruption and additional trade barriers and affect the company's sales and credit risk. Economic downturns may increase trade customers' payment problems and Nokian Tyres may need to recognize impairment of trade receivables.
- The tire wholesale and retail landscape is evolving to meet changing consumer needs. New technologies are fueling this with increasing digitalization. Failure to adapt to the changes in the sales channel could have an adverse effect on Nokian Tyres' financial performance.
- Nokian Tyres' success is dependent on its ability to innovate and develop new products and services that appeal to its customers and consumers. Despite extensive testing of its products, product quality issues and failure to meet demands of performance

and safety could harm Nokian Tyres' reputation and have an adverse effect on its financial performance.

- Nokian Tyres' production facilities are located in Finland, Russia and the US. Any unexpected production or delivery breaks at these facilities would have a negative impact on the company's business. Interruptions in logistics could have a significant impact on production and peak season sales.
- Significant fluctuations in raw material prices may impact margins. Nokian Tyres sources natural rubber from producers in countries such as Indonesia and Malaysia. Although Nokian Tyres has policies such as the Supplier Code of Conduct and established processes to monitor the working conditions, it cannot fully control the actions of its suppliers. 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.
- 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 requests a corporate fine of a maximum of EUR 850,000 to be imposed on the company. The prosecutor has also decided to press charges for suspected abuse of insider information against four persons who were employees of Nokian Tyres in 2015. All persons charged deny their involvement in any criminal activity. The trial related to these events started at the District Court of Helsinki in January 2022.
- 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 May 2019, Nokian Tyres U.S. Finance Oy, a former subsidiary of Nokian Tyres plc (ownership: 100% of the shares), received a negative ruling from the Hämeenlinna Administrative Court regarding the company's appeal against a reassessment of EUR 18.5 million concerning the years 2007–2013. The company has paid and recorded the amount in full in the financial statements and results for 2013, 2014, and 2017. The company's appeal against the court decision was rejected by Supreme Administrative Court in February 2021.

In April 2021, Nokian Tyres received a decision from the Tax Administration concerning a tax audit for the tax years 2015–2016, according to which the company was obliged to pay a total of EUR 1.9 million additional taxes, punitive tax increase and late payment interest. Taxes have been paid and recognized in receivables. Nokian Tyres considers the tax authority's view unfounded and has appealed against the decision.

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

REVISED STRATEGY AND UPDATED FINANCIAL TARGETS

In September 2021, Nokian Tyres announced its revised mid-term strategy and updated financial targets. The company aims for organic growth ahead of the market and increasing market share in all key markets. In mid-term, target is to reach EUR 2 billion in net sales.

The mid-term growth strategy builds on Nokian Tyres' competitive strengths, including high-quality products and a premium brand, effective supply chain, leadership in sustainability and a strong Nokian Tyres team. The company launched a record number of new products in 2020–2021 and will continue to accelerate innovation to further strengthen its competitiveness and unique positioning in the premium tire segment. This expanding product offering, together with smarter Go-To-Market strategies and improving commercial capabilities, will drive top-line growth. Reinforcing Nokian Tyres' brand in the regions will be a key element in closer collaboration with customers. Profitability improvement will be driven by increasing volumes and operational efficiency.

Nokian Tyres' updated mid-term financial targets are:

- Growing faster than the market: Net sales EUR 2 billion
- High returns and profitability: Segments operating profit and segments ROCE at the level of 20%*
- Growing ordinary dividend: Dividend above 50% of net earnings

*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.

ASSUMPTIONS FOR 2022

Market situation	The Nordic countries	Russia	Europe (excl. the Nordic countries)	North America
New car sales in 2021 y-o-y	9%	4%	–2%	4%
Car tire sell-in in 2021 y-o-y	10%	30%	11%	17%
Car tire demand E2022 (management estimate)	increase	increase	increase	increase
Heavy tire segments[1] E2022 (management estimate)	increase	increase	increase	increase

[1] Nokian Tyres' core product segments

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.

Nokian Tyres net sales growth in 2022 will be driven by an extensive pipeline of new product launches, together with continuous improvements in go-to-market activities. Capital expenditure will be approximately EUR 150 million on an annual rolling basis.

In Russia, the sales of new cars are expected to increase by up to 5% compared to 2021, with growth expected only in H2 2022. The growth will be driven by the significant deferred demand, however, it will be limited by continuing supply constraints. The total replacement tire market sell-in in Russia in 2022 is expected to increase by 5–10% compared to 2021, driven by strong demand and relatively low carry-over stocks.

The unpredictability in the development of the Russian ruble exchange rate causes uncertainty in 2022. The ruble has weakened in recent years and the average EUR/RUB was 72.5 in 2019, 82.7 in 2020, 87.2 in 2021, and 85.3 in the beginning of January 2022.

Raw material and logistics costs are estimated to increase significantly especially in H1 2022 year-on-year.

The demand for Nokian Heavy Tyres' core products is estimated to continue strong in 2022. Aftermarket demand is expected to continue healthy and OEM demand is expected to grow from 2021 level.

GUIDANCE 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.

THE PROPOSAL FOR THE USE OF PROFITS BY BOARD OF DIRECTORS

The distributable funds in the Parent company total EUR 742.7 million.

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

A dividend of	1.32 EUR/share
be paid out, totaling	EUR 182.5 million
retained in equity	EUR 560.3 million
Total	EUR 742.7 million

The Board of Directors also proposes that the dividend shall be paid in two instalments, in May and in December 2022.

The first instalment of EUR 0.66 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 May 2, 2022. The payment date proposed by the Board of Directors for the first instalment is May 11, 2022.

The second instalment of EUR 0.66 per share shall be paid in December. The second instalment of the dividend shall be paid to the shareholders who are registered in the shareholder register maintained by Euroclear Finland Oy on the dividend record date, which, together with the payment date, shall be decided by the Board of Directors in its meeting scheduled for November 1, 2022. The dividend record date for the second instalment would be November 3, 2022 and the dividend payment date December 9, 2022, at the latest.

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

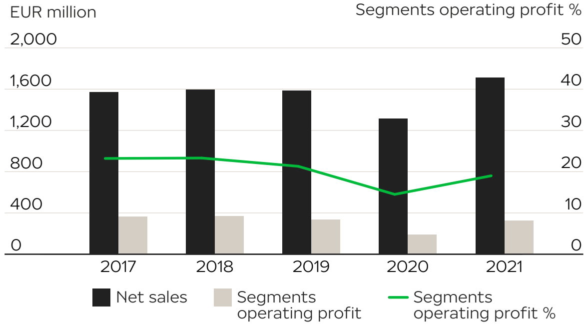
In addition, the Board proposes that the Annual General Meeting authorizes the Board to resolve on donations in the aggregate maximum amount of EUR 250,000 to be made to universities, institutions of higher education or to other non-profit or similar purposes during 2022 and 2023. The Board of Directors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

Notice to the Annual General Meeting will be published by the end of March 2022.

Helsinki, February 8, 2022

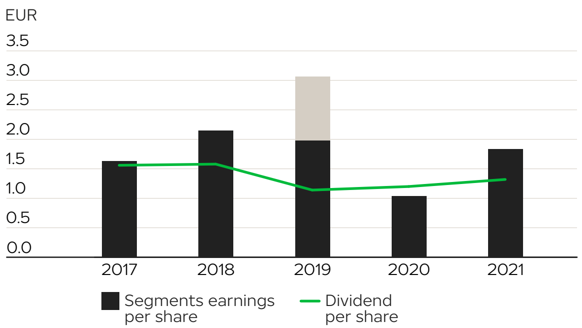
Nokian Tyres plc
Board of Directors

NET SALES AND SEGMENTS OPERATING PROFIT*



	2021	2020	2019	2018	2017
Net sales, MEUR	**1,714.1**	1,313.8	1,585.4	1,595.6	1,572.5
Segments operating profit, MEUR	**324.8**	190.2	337.2	372.4	365.4
Segments operating profit %	**19.0**	14.5	21.3	23.3	23.2

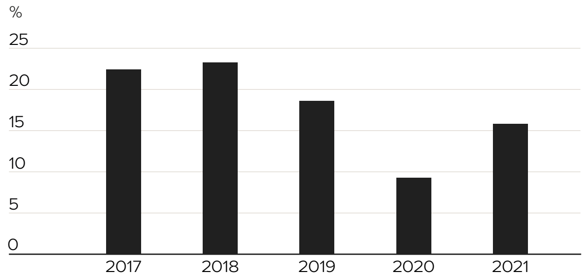
SEGMENTS EARNINGS PER SHARE* AND DIVIDEND PER SHARE



	2021	2020	2019	2018	2017
Segments earnings per share, EUR	**1.84**	1.04	3.06[1]	2.15	1.63
Dividend per share, EUR	**1.32**[2]	1.20	1.14	1.58	1.56

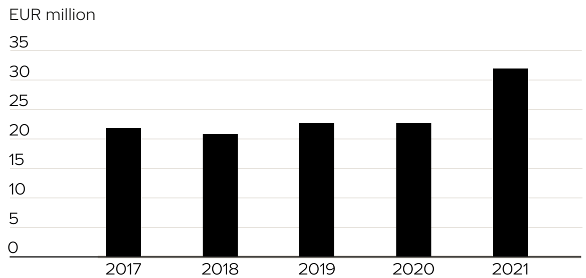
[1] Segments EPS 2019 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 1.98
[2] The Board's proposal to the Annual General Meeting

SEGMENTS ROCE*, %



	2021	2020	2019	2018	2017
Segments ROCE, %	**15.8**	9.3	18.6	23.3	22.4

R&D EXPENSES

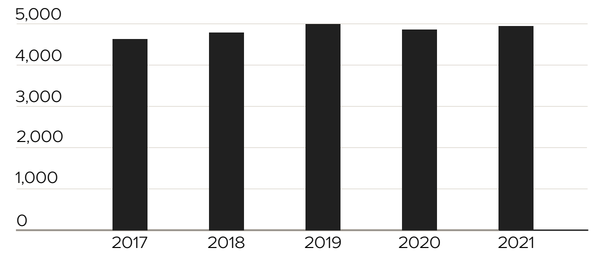


	2021	2020	2019	2018	2017
R&D expenses	**31.9**	22.7	22.7	20.8	21.8

NET SALES BY GEOGRAPHICAL AREA, %

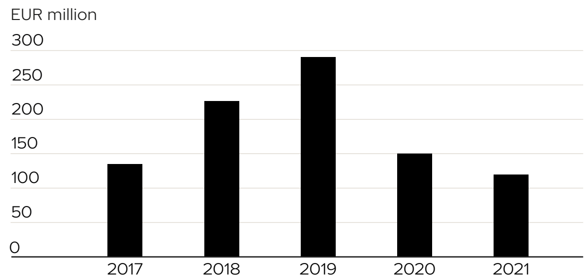
	2021	2020
Nordic countries	**40**	46
Other Europe	**27**	27
Russia and Asia	**20**	14
Americas	**13**	13

AVERAGE NUMBER OF PERSONNEL



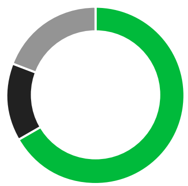
	2021	2020	2019	2018	2017
Personnel	**4,941**	4,859	4,995	4,790	4,630

GROSS INVESTMENTS



	2021	2020	2019	2018	2017
Gross Investments	**119.6**	149.9	290.1	226.5	134.9

NET SALES BY BUSINESS UNIT[1], %

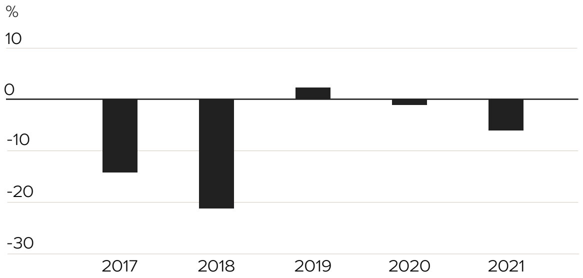


	2021	2020
Passenger Car Tyres	**70**	66
Heavy Tyres	**15**	15
Vianor	**20**	24

[1] Including internal sales

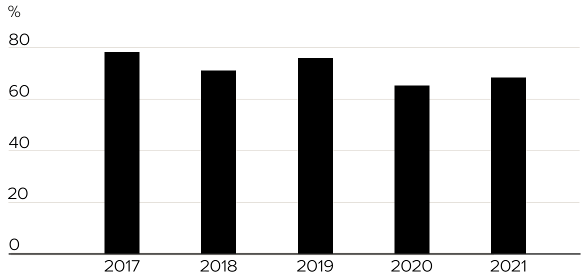
* Comparable segment figures for 2019–2021, earlier years reported based on IFRS

GEARING



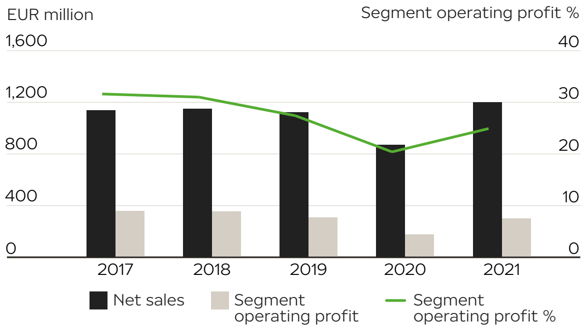
	2021	2020	2019	2018	2017
Gearing	**−6.1**	−1.1	2.3	−21.2	−14.2

EQUITY RATIO



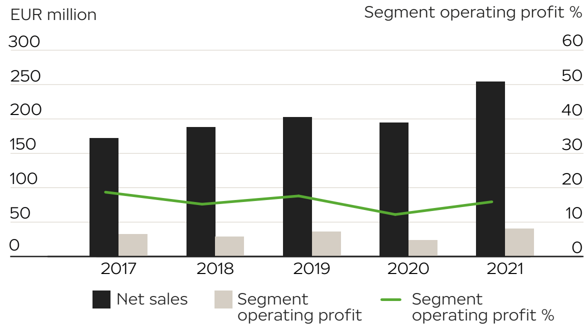
	2021	2020	2019	2018	2017
Equity ratio	**68.4**	65.3	75.9	71.0	78.2

PASSENGER CAR TYRES
Net sales and segment operating profit*



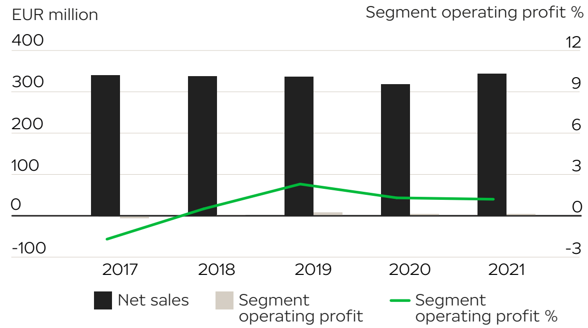
	2021	2020	2019	2018	2017
Net sales, MEUR	**1,199.2**	871.3	1,123.8	1,150.8	1,138.8
Segment operating profit, MEUR	**298.7**	177.8	308.5	356.5	359.9
Segment operating profit, %	**24.9**	20.4	27.4	31.0	31.6

HEAVY TYRES
Net sales and segment operating profit*



	2021	2020	2019	2018	2017
Net sales, MEUR	**254.0**	194.6	202.7	187.7	172.3
Segment operating profit, MEUR	**40.3**	23.7	35.7	28.6	32.2
Segment operating profit, %	**15.9**	12.2	17.6	15.2	18.7

VIANOR
Net sales and segment operating profit*



	2021	2020	2019	2018	2017
Net sales, MEUR	**342.9**	318.1	336.5	337.2	339.4
Segment operating profit, MEUR	**4.1**	4.0	7.7	1.6	−5.8
Segment operating profit, %	**1.2**	1.3	2.3	0.5	−1.7

* Comparable segment figures for 2019–2021, earlier years reported based on IFRS

CONSOLIDATED KEY FINANCIAL INDICATORS

Figures in EUR million unless otherwise indicated	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net sales	**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	1,612.4	1,456.8
change, %	**30.5%**	−17.1%	0.0%	1.5%	13.0%	2.3%	−2.1%	−8.7%	−5.7%	10.7%	37.7%
Operating margin (EBITDA)	**408.7**	251.0	441.7	465.8	463.7	395.2	378.6	398.5	479.0	496.9	451.7
Depreciation and amortisation	**140.5**	131.0	125.2	93.4	98.3	84.7	82.6	89.8	93.5	81.9	71.6
Operating profit (EBIT)	**268.2**	120.0	316.5	372.4	365.4	310.5	296.0	308.7	385.5	415.0	380.1
% of net sales	**15.6%**	9.1%	19.8%	23.3%	23.2%	22.3%	21.8%	22.2%	25.3%	25.7%	26.1%
Profit before tax	**258.2**	106.0	336.7	361.7	332.4	298.7	274.2	261.2	312.8	387.7	359.2
% of net sales	**15.1%**	8.1%	21.1%	22.7%	21.1%	21.5%	20.2%	18.8%	20.6%	24.0%	24.7%
Return on equity, %	**13.1%**	5.2%	24.6%	20.0%	15.1%	18.7%	19.6%	16.0%	13.0%	25.2%	29.1%
Return on capital employed, %	**13.7%**	6.0%	17.6%	23.3%	22.4%	19.9%	20.3%	19.2%	21.8%	24.3%	27.4%
Total assets	**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	2,019.6	1,875.9
Interest-bearing net debt	**−98.7**	−17.2	41.1	−315.2	−208.3	−287.4	−209.7	−164.6	−56.4	−65.2	−3.6
Equity ratio, %	**68.4%**	65.3%	75.9%	71.0%	78.2%	73.8%	70.8%	67.5%	67.6%	71.2%	63.2%
Gearing, %	**−6.1%**	−1.1%	2.3%	−21.2%	−14.2%	−19.7%	−16.9%	−13.6%	−4.1%	−4.5%	−0.3%
Net cash from operating activities	**396.5**	422.4	219.8	536.9	234.6	364.4	283.4	323.4	317.6	388.7	232.9
Capital expenditure	**119.6**	149.9	290.1	226.5	134.9	105.6	101.7	80.6	125.6	209.2	161.7
% of net sales	**7.0%**	11.4%	18.3%	14.2%	8.6%	7.6%	7.5%	5.8%	8.3%	13.0%	11.1%
R&D expenditure	**31.9**	22.7	22.7	20.8	21.8	20.3	18.7	16.6	16.1	16.9	15.1
% of net sales	**1.9%**	1.7%	1.3%	1.3%	1.4%	1.5%	1.4%	1.2%	1.1%	1.0%	1.0%
Dividends	**182.5**	165.9	219.5	218.1	214.2	208.0	202.0	193.5	193.3	191.9	156.6
Personnel, average during the year	**4,941**	4,859	4,942	4,790	4,630	4,433	4,421	4,272	4,194	4,083	3,866

PER SHARE DATA

Figures in EUR million unless otherwise indicated	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Earnings per share, EUR	**1.49**	0.62	2.89	2.15	1.63	1.87	1.80	1.56	1.39	2.52	2.39
change, %	**140.2%**	−78.5%	78.1%	32.4%	−13.0%	3.6%	15.1%	12.9%	−45.0%	5.4%	78.7%
Earnings per share (diluted), EUR	**1.49**	0.62	2.89	2.14	1.61	1.86	1.80	1.56	1.39	2.46	2.32
change, %	**140.2%**	−78.5%	35.2%	32.5%	−13.2%	3.2%	15.0%	12.9%	−43.5%	5.8%	75.8%
Cash flow per share, EUR	**2.87**	3.05	3.89	3.91	1.72	2.70	2.12	2.43	2.39	2.96	1.80
change, %	**−6.0%**	91.8%	−0.7%	127.2%	−36.3%	27.4%	−12.7%	1.4%	−19.2%	64.2%	−30.1%
Dividend per share, EUR	**1.32**[1]	1.20	1.14	1.58	1.56	1.53	1.50	1.45	1.45	1.45	1.20
Dividend pay out ratio, %	**88.5%**	192.9%	39.5%	73.9%	96.7%	82.6%	83.9%	92.9%	105.2%	58.0%	50.7%
Equity per share, EUR	**11.78**	11.01	12.76	10.79	10.74	10.75	9.24	9.07	10.45	10.89	9.15
P/E ratio	**22.3**	46.4	8.9	12.5	23.3	19.0	18.4	13.0	25.2	11.9	10.4
Dividend yield, %	**4.0%**	4.2%	4.5%	5.9%	4.1%	4.3%	4.5%	7.1%	4.2%	4.8%	4.8%
Market capitalisation 31 December	**4,626.1**	4,003.7	3,560.6	3,702.9	5,188.7	4,814.0	4,458.3	2,708.1	4,647.7	3,971.9	3,224.7
Number of shares during the year, average, million units	**138.22**	138.46	138.17	137.26	136.25	134.86	133.63	133.16	132.65	131.24	129.12
diluted, million units	**138.22**	138.46	138.38	138.14	137.28	135.56	133.74	135.10	137.62	137.39	135.70
Number of shares 31 December, million units	**138.22**	138.22	138.72	137.79	136.75	135.68	134.39	133.17	133.29	131.96	129.61
Number of shares entitled to a dividend, million units	**138.22**	138.22	138.92	138.07	137.28	135.93	134.69	133.47	133.34	132.32	130.50

[1] 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 2021

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

CONSOLIDATED INCOME STATEMENT, IFRS

EUR million 1.1.–31.12.	Notes	2021	2020
Net sales	(1)	**1,714.1**	1,313.8
Cost of sales	(3)(7)(8)	**–1,162.1**	–913.4
Gross profit		**552.0**	400.4
Other operating income	(4)	**2.9**	4.8
Selling, marketing and R&D expenses	(7)(8)	**–197.3**	–177.6
Administration expenses	(6)(7)(8)	**–89.1**	–84.8
Other operating expenses	(5)(7)(8)	**–0.3**	–22.8
Operating profit		**268.2**	120.0
Financial income	(9)	**76.4**	114.4
Financial expenses	(10)	**–86.3**	–128.4
Profit before tax		**258.2**	106.0
Tax expense	(11)	**–52.0**	–20.0
Profit for the period		**206.2**	86.0
Attributable to:			
Equity holders of the parent		**206.2**	86.0
Earnings per share (EPS) for the profit attributable to the equity holders of the parent:	(12)		
Basic, euros		**1.49**	0.62
Diluted, euros		**1.49**	0.62

EUR million 1.1.–31.12.	Notes	2021	2020
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Result for the period		**206.2**	86.0
Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax			
Cash flow hedges	(11)	**4.4**	–1.1
Translation differences on foreign operations		**54.5**	–168.7
Total other comprehensive income for the period, net of tax		**58.9**	–169.7
Total comprehensive income for the period		**265.1**	–83.8
Total comprehensive income attributable to:			
Equity holders of the parent		**265.1**	–83.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million 31.12.	Notes	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	(13)	**870.9**	824.9
Right of use assets	(15)	**153.5**	152.0
Goodwill	(14)	**65.3**	79.2
Other intangible assets	(14)	**21.7**	23.6
Investments in associates	(17)	**0.1**	0.1
Non-current financial investments	(17)	**2.9**	2.7
Other receivables	(16)(18)	**6.2**	5.7
Deferred tax assets	(19)	**21.6**	21.6
		1,142.1	1,110.0
Current assets			
Inventories	(20)	**415.1**	329.4
Trade and other receivables	(21)(29)	**431.6**	382.9
Current tax assets		**8.9**	10.3
Cash and cash equivalents	(22)	**385.9**	504.2
		1,241.4	1,226.7
Total assets	(1)	**2,383.5**	2,336.7

EUR million 31.12.	Notes	2021	2020
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		**−17.6**	−18.2
Translation reserve		**−393.0**	−447.5
Fair value and hedging reserves		**1.6**	−2.8
Paid-up unrestricted equity reserve		**238.2**	238.2
Retained earnings		**1,591.5**	1,544.9
Total equity		**1,627.6**	1,521.3
Liabilities			
Non-current liabilities			
Deferred tax liabilities	(19)	**37.8**	32.6
Interest-bearing liabilities	(27)(29)	**246.9**	257.3
Other liabilities		**0.9**	0.9
		285.7	290.8
Current liabilities			
Trade and other payables	(28)	**410.6**	281.3
Current tax liabilities		**13.5**	6.4
Provisions	(26)	**5.8**	7.1
Interest-bearing liabilities	(27)(29)	**40.3**	229.7
		470.3	524.5
Total liabilities	(1)	**755.9**	815.3
Total equity and liabilities		**2,383.5**	2,336.7

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 118.5 million of non-current and EUR 39.4 million of current lease liabilities.

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS

EUR million 1.1.–31.12.	Notes	2021	2020
Profit for the period		206.2	86.0
Adjustments for			
Depreciation, amortisation and impairment	(7)	157.5	156.0
Financial income and expenses	(9)(10)	10.0	14.0
Gains and losses on sale of intangible assets, other changes		12.9	4.9
Income Taxes	(11)	52.0	20
Cash flow before changes in working capital		438.6	280.8
Changes in working capital			
Current receivables, non-interest-bearing, increase (–) / decrease (+)		–22.0	121.9
Inventories, increase (–) / decrease (+)		–70.8	25.2
Current liabilities, non-interest-bearing, increase (+) / decrease (–)		98.3	22.8
Changes in working capital		5.5	169.9
Financial items and taxes			
Interest and other financial items, received		1.7	1.5
Interest and other financial items, paid		–9.1	–7.8
Income taxes paid		–40.2	–22.0
Financial items and taxes		–47.6	–28.3
Cash flow from operating activities (A)		396.5	422.4
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	(13)(14)	–119.6	–149.9
Proceeds from sale of property, plant and equipment and intangible assets		1.7	8.7
Other cash flow from investing activities		–0.8	0.6
Cash flows from investing activities (B)		–118.7	–140.6

EUR million 1.1.–31.12.	Notes	2021	2020
Cash flow from financing activities			
Purchase of treasury shares	(23)	–	–10.2
Change in current financial receivables, increase (–) / decrease (+)		1.4	0.5
Change in non-current financial receivables, increase (–) / decrease (+)		0.4	–2.2
Change in current financial borrowings, increase (+) / decrease (–)		–203.4	203.4
Change in non-current financial borrowings, increase (+) / decrease (–)		–0.9	–0.9
Payment of lease liabilities		–38.5	–28.4
Dividends received		0.0	0.0
Dividends paid		–158.7	–151.6
Cash flow from financing activities (C)		–399.8	10.7
Change in cash and cash equivalents, increase (+) / decrease (–) (A+B+C)		–122.0	292.5
Cash and cash equivalents at the beginning of the period		504.2	218.8
Effect of exchange rate fluctuations on cash held		3.7	–7.2
Cash and cash equivalents at the end of the period	(22)	385.9	504.2

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 2020		25.4	181.4	−8.0	−278.8	−1.8	238.2	1,613.3	1,769.7
Profit for the period								86.0	86.0
Other comprehensive income, net of tax:									
Cash flow hedges						−1.1			−1.1
Net investment hedge									–
Translation differences					−168.7				−168.7
Total comprehensive income for the period					−168.7	−1.1		86.0	−83.8
Dividends paid	(23)							−158.1	−158.1
Acquisition of treasury shares				−10.2					−10.2
Share-based payments	(24)							3.7	3.7
Other changes									–
Total transactions with owners for the period				−10.2				−154.4	−164.6
Equity, 31 Dec 2020		25.4	181.4	−18.2	−447.5	−2.8	238.2	1,544.9	1,521.3
Equity, 1 Jan 2021		**25.4**	**181.4**	**−18.2**	**−447.5**	**−2.8**	**238.2**	**1,544.9**	**1,521.3**
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**
Acquisition of treasury shares									**–**
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**

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 and winter 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 also 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 8, 2022. 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, 37101 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, 2021. 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 also 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)

For the first time, the Group applied for certain standards and amendments that are effective for annual periods beginning on or after January 1, 2021 (unless otherwise stated). The Group has not previously adopted any other standard, interpretation, or amendment that has been issued but that is not yet effective.

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16
- COVID-19 Related Rent Concessions beyond June 30, 2021 Amendments to IFRS 16

These amendments had no impact on the consolidated financial statements of the Group.

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.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (1/1/2023)
- Property, Plant, and Equipment: Proceeds before the Intended Use – Amendments to IAS 16 (1/1/2022)
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (1/1/2022)
- IFRS 9 Financial Instruments – Fees in the '10 percent' test for the derecognition of financial liabilities (1/1/2022)
- 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)

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 14), 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.

In 2021, the uncertainties caused by the COVID-19 pandemic have decreased and the demand in the tire industry has clearly improved from the situation in the financial year 2020.

Estimates requiring the management's judgment are related to the depreciation of assets. The company also 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 company updated its model concerning anticipated credit losses in late 2020. The update of the model did not cause a significant increase in the anticipated credit losses for the trade receivables in 2020 or 2021. Credit losses and the maturity and depreciation of trade receivables are discussed in Note 29.

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 also 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.

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.

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 2020 or 2021.

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. 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. 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 and winter tires for passenger cars and delivery vehicles as well as special tires for heavy machinery. The group also includes the tire retail chain Vianor. The group also 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. 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 amortisation 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 2020 or 2021.

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 amortisation and depreciation differences of intangible assets and property, plant, and equipment, measuring the net assets of business combinations at fair value, measuring financial assets and hedging instruments at fair value, internal profits in inventory and other provisions, appropriations, and unused tax losses. Deferred tax liabilities will also be recognised from the subsidiaries' non-distributed retained earnings if profit distribution is likely and will result in tax consequences.

Deferred tax assets relating to the temporary differences 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. Nokian Tyres' production facilities are located in Finland, the United States and Russia thus the biggest identified tax uncertainties relate also to these 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. In Russia Nokian Tyres has invested in a new tax reporting solution aimed at increasing transparency between the company and the tax authority. The system is expected to be taken in use in 2024. The start of industrial production in the United States during 2020 has also increased the challenges to be compliant with local tax and reporting requirements.

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 initiated 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.

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 also 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. 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 amortisation 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 amortisation 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

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 2021 and 2020 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 and winter tyres for cars and vans.

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

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

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

Operating segments

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 amortisation	99.0	12.8	27.7	1.0	140.5
Impairment	1.5	0.1	14.4	1.0	17.0

2020 **EUR million**	**Passenger Car Tyres**	**Heavy Tyres**	**Vianor**	**Other operations and eliminations**	**Group**
Net sales from external customers	819.3	166.2	317.6	10.7	1,313.8
Services			82.6		82.6
Sales of goods	819.3	166.2	235	10.7	1,231.2
Inter-segment net sales	52.0	28.4	0.5	−80.9	
Net sales	871.3	194.6	318.1	−70.1	1,313.8
Operating result	132.7	21.7	−6.2	−28.2	120.0
% of net sales	15.2%	11.1%	−2.0%	40.2%	9.10%
Financial income and expenses					−14.0
Profit before tax					106.6
Tax expense					−20.0
Profit for the period					86.0
Assets	1,333.4	197.1	231.7	9.7	1,771.9
Unallocated assets					564.7
Total assets					2,336.7
Liabilities	205.2	38.4	36.2	−1.1	278.6
Unallocated liabilities					536.7
Total liabilities					815.3
Capital expenditure	122.0	24.0	3.7	0.2	149.9
Depreciation and amortisation	87.5	12.7	27	3.8	131.0
Impairment	12.6	1.3	8.9	2.0	24.9

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.

Geographical information

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

2020 EUR million	Nordics	Russia and Asia	Other Europe	Americas	Other	Group
Net sales	604.2	188.7	354.1	166.8	–	1,313.8
Services	81.0	0.0	0.0	1.6	–	82.6
Sales of goods	604.2	188.7	354.1	166.8	–	1,231.2
Assets	926.9	420.2	198.7	353.4	–	1,899.2
Unallocated assets						437.5
Total assets						2,336.7
Capital expenditure	76.2	10.0	24.2	39.5	–	149.9

The geographical split of net sales has been adjusted to align with the way in which management monitors the business. International car dealer business is now reported under geographical areas (previously under Other). 2020 figures have been restated accordingly.

2. ACQUISITIONS

Acquisitions and other changes in 2021

There were no significant acquisitions or other changes during 2021 (2020).

3. COST OF SALES

EUR million	2021	2020
Raw materials	472.5	286.5
Goods purchased for resale	217.0	188.0
Wages and social security contributions on goods sold	64.4	45.4
Other costs	232.9	198.5
Depreciation of production	75.9	80.6
Sales freights	87.5	59.8
Warehousing	46.2	44.8
Change in inventories	−34.1	9.8
Total	1,162.1	913.4

4. OTHER OPERATING INCOME

EUR million	2021	2020
Gains on sale of property, plant and equipment	1.3	2.4
Other income	1.6	2.5
Total	2.9	4.8

5. OTHER OPERATING EXPENSES

EUR million	2021	2020
Losses on sale and disposals of tangible fixed assets	0.0	1.8
Expensed credit losses and provisions	0.0	17.0
Other expenses	0.3	4.0
Total	0.3	22.8

6. AUDITOR'S FEES

EUR million	2021	2020
Audit fee	0.7	0.6
Tax services	0.0	0.2
Other services	0.0	0.0
Total	0.8	0.8

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

7. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

EUR million	2021	2020
Depreciation and amortisation by asset category		
Intangible rights	6.0	7.6
Other intangible assets	1.9	2.3
Buildings	11.0	10.9
Machinery and equipment	78.2	75.8
Right of use asset	37.6	29.5
Other tangible assets	5.8	4.9
Total	140.5	131.0
Impairment losses by asset category		
Intangible rights	–	6.7
Other intangible assets	–	4.8
Buildings	1.1	3.4
Goodwill	14.4	4.8
Machinery and equipment	1.5	4.8
Shares in other companies	–	0.4
Total	17.0	24.9
Depreciation and amortisation by function		
Production	75.9	80.6
Selling, marketing and R&D	49.6	38.5
Administration	15.1	12.0
Other depreciation and amortisation	0.0	0.0
Total	140.5	131.0
Impairment losses by function		
Production	1.5	6.2
Selling, marketing and R&D	14.4	10.6
Administration	1.0	7.4
Other impairment losses	0.0	0.8
Total	17.0	24.9

8. EMPLOYEE BENEFIT EXPENSES

EUR million	2021	2020
Wages and salaries	**215.8**	183.2
Pension contributions – defined contribution plans	**27.1**	21.5
Share-based payments	**6.8**	3.7
Other social security contributions	**21.0**	16.3
Total	**270.7**	224.7

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 206.3 (179.3) million in 2021.

9. FINANCIAL INCOME

EUR million	2021	2020
Interest income		
Financial assets measured at amortized cost	**1.4**	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	**49.2**	44.4
Foreign currency derivatives	**25.5**	68.4
Other financial income	**0.3**	0.1
Total	**76.4**	114.4

10. FINANCIAL EXPENSES

EUR million	2021	2020
Interest expenses		
Financial liabilities measured at amortized cost	**-2.6**	-4.5
Interest rate derivatives designated as hedges	**-1.0**	-0.9
Lease liabilities	**-4.0**	-3.0
Exchange rate losses and changes in fair value		
Financial assets and liabilities at amortized cost	**-36.6**	-58.3
Foreign currency derivatives	**-40.8**	-59.9
Other financial expenses	**-1.4**	-1.7
Total	**-86.3**	-128.4

11. TAX EXPENSE

EUR million	2021	2020
Current tax expense	-48.6	-29.6
Adjustment for prior periods	1.7	1.3
Change in deferred tax	-5.1	8.4
Total	-52.0	-20.0

The reconciliation of tax expense recognised in the income statement and tax expense using the domestic corporate tax rate (2021: 20.0%, 2020: 20.0%):

EUR million	2021	2020
Profit before tax	258.2	106.0
Taxes calculated according to the Finnish tax rate of 20%	-51.6	-21.2
Effect of deviant tax rates in foreign subsidiaries	11.4	3.4
Withholding taxes	-8.7	2.7
Tax exempt revenues	0.0	0.1
Non-deductible expenses	-5.3	-4.5
Losses on which no deferred tax benefits recognised	0.0	-0.5
Adjustment for prior periods	1.7	1.3
Change in the recoverability of deferred tax assets	0.0	-1.6
Utilisation of previously unrecognised tax losses	0.4	–
Other items	0.1	0.1
Tax expense	-52.0	-20.0

Income tax relating to components of other comprehensive income:

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

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

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	2021	2020
Profit attributable to the equity holders of the parent	206.2	86.0
Profit for the period to calculate the diluted earnings per share	206.2	86.0
Shares, 1,000 pcs		
Weighted average number of shares	138,224	138,457
Dilutive effect of the options	0	0
Diluted weighted average number of shares	138,224	138,457
Earnings per share, euros		
Basic	1.49	0.62
Diluted	1.49	0.62

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 2020	13.0	267.9	1,096.1	78.8	395.0	1,850.8
Increase	1.1	2.2	28.7	0.4	118.8	151.3
Decrease	−2.1	−0.9	−31.5	−1.2	0.0	−35.7
Transfers between items		126.2	202.3	24.0	−360.6	−8.0
Other changes	0.0	0.3	−0.1	0.0	1.3	1.5
Exchange differences	−0.4	−40.3	−114.7	−18.4	−8.8	−182.6
Accumulated cost, 31 Dec 2020	11.7	355.4	1,180.9	83.7	145.6	1,777.3
Accum. Depreciation, 1 Jan 2020	0.0	−94.9	−814.9	−55.9		−965.8
Depreciation for the period		−10.9	−75.8	−4.9		−91.6
Impairment		−3.4	−4.8			−8.2
Decrease		0.5	21.9	0.3		22.7
Other changes		0.0	0.1	0.0		0.1
Exchange differences		8.1	70.4	11.9		90.4
Accum. Depreciation, 31 Dec 2020	0.0	−100.6	−803.1	−48.7		−952.4
Carrying amount, 31 Dec 2020	11.7	254.8	377.7	35.1	145.6	824.9
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**
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		**−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		**−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**

In 2021, the Group recorded impairments in the tangible assets for EUR 2.5 (8.2) 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 2020	84.4	94.4	30.7	209.6
Increase		0.9	2.4	3.3
Decrease	0.0	−0.3	0.0	−0.3
Transfers between items		6.0	2.0	8.0
Other changes	0.0	0.0	−0.1	−0.1
Exchange differences	−0.3	0.0	−3.5	−3.7
Accumulated cost, 31 Dec 2020	84.1	101.1	31.5	216.7
Accum. Depreciation, 1 Jan 2020	0.0	−70.4	−19.6	−89.9
Depreciation for the period		−7.6	−2.3	−9.9
Impairment	−4.8	−6.7	−4.8	−16.3
Decrease	0.0	0.2	0.0	0.3
Other changes	0.0	−0.1	0.1	0.0
Exchange differences	0.0	0.0	2.1	2.1
Accum. Depreciation, 31 Dec 2020	−4.9	−84.6	−24.5	−113.9
Carrying amount, 31 Dec 2020	79.2	16.5	7.1	102.8

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

Impairment losses

The impairment losses EUR 14.4 million booked in 2021 were resulted by the impairment tests for goodwill. The impairment losses from the intangible assets EUR 16.3 million have been booked as shown in the table based on management's assessment in 2020. The impairment losses from the goodwill in 2020 have been made before the impairment tests for goodwill.

Impairment tests for goodwill

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

Allocation of goodwill prior tests

EUR million	
Passenger Car Tyres	64.4
Heavy Tyres	0.9
Vianor	14.4
Total goodwill	79.7

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

The discount rate used is the weighted average cost of capital (WACC) 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 7.4% (6.3% in 2020), for Heavy Tyres is 6.4% (not tested 2020) and for Vianor is 6.2% (6.3-7.4% in 2020) varying through country locations. Future cash flows after the forecast period approved by the management have been capitalised as a terminal value using a steady 2% growth rate and discounted with the discount rate specified above. The assumption for the net sales growth rate has been 2 %.

The testing indicated no need to recognise impairment losses in Passenger Car Tyres and in Heavy Tyres. In Vianor the calculations indicated that the recoverable amount subseeded the carrying value by EUR 14 million (exceeded EUR 4 million in 2020). This resulted to an impairment loss of the total goodwill EUR 14 million allocated to Vianor. Any other non-beneficial change in the assumptions for Vianor would have led into additional impairments. The recoverable amount in Passenger Car Tyres significantly (well over 100%) exceeds the carrying amount of the cash-generating unit, and small sales margin or sales volume changes have no effect on the impairment testing results. A possible impairment would require e.g. an annual year-on-year decrease above 12.1% in net sales or a weakening of the present gross margin level permanently over 41.2% assuming no changes in the other assumptions. Also the recoverable amount in Heavy Tyres significantly (well over 100%) exceeds the carrrying amount of the cash-generating unit, and small sales margin or sales volume changes have no effect on the impairment testing results. A possible impairment would require an annual year-on-year decrease above 13.3% in net sales or a weakening of the present gross margin level permanently over 40.1%.

Allocation of goodwill after tests

EUR million		Impairment loss	Goodwill 31.12.2021
Passenger Car Tyres	64.4		64.4
Heavy Tyres	0.9		0.9
Vianor	14.4	-14.4	0.0
Total goodwill	79.7		65.3

15. RIGHT OF USE ASSETS

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

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
Other changes	-	-	-	-
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
Other changes	-	-	-	-
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

Expenses arising from leases of low-value amounted to EUR 0.7 (1.3) million and short-term leases amounted to EUR 1.9 (8.6) million in 2021. These contracts are not included in the right of use assets. Interest expenses from right of use assets were EUR 4.0 (3.0) million.

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

		2021				2020			
			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)	14.9	–	14.9	–	19.6	–	19.6	–
Derivatives designated as hedges	(30)	3.8	–	3.8	–	0.3	–	0.3	–
Unquoted securities	(17)	2.6	–	–	2.6	2.4	–	–	2.4
Amortized cost									
Other non-current receivables	(18)	4.8	–	4.3	–	5.2	–	4.7	–
Trade and other receivables	(21)	360.7	–	361.0	–	321.9	–	322.3	–
Money market instruments	(22)	50.0	–	50.0	–	–	–	–	–
Cash in hand and at bank	(22)	335.9	–	335.9	–	504.2	–	504.2	–
Fair value through other comprehensive income									
Unquoted shares	(17)	0.2	–	–	0.2	0.3	–	–	0.3
Total financial assets		772.9	–	769.9	2.9	853.8	–	851.0	2.7
Financial liabilities									
Fair value through profit or loss									
Derivatives held for trading	(30)	5.9	–	5.9	–	6.1	–	6.1	–
Derivatives designated as hedges	(30)	1.9	–	1.9	–	3.9	–	3.9	–
Amortized cost									
Interest-bearing financial liabilities	(27)	129.3	–	131.4	–	332.3	–	334.9	–
Trade and other payables	(28)	172.6	–	172.6	–	98.1	–	98.1	–
Total financial liabilities		309.7	–	311.8	–	440.4	–	442.9	–

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.

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

17. INVESTMENTS IN ASSOCIATES AND NON-CURRENT FINANCIAL INVESTMENTS

EUR million	Investments in associates	Unquoted securities	Unquoted shares
Accumulated cost, 1 Jan 2021	**0.1**	**2.4**	**0.3**
Decrease/Increase	**–**	**–**	**–0.1**
Exchange differences	**–**	**0.2**	**0.0**
Carrying amount, 31 Dec 2021	**0.1**	**2.6**	**0.2**
Carrying amount, 31 Dec 2020	0.1	2.4	0.3

18. OTHER NON-CURRENT RECEIVABLES

EUR million	2021	2020
Loan receivables	**4.8**	5.2
Other non-current receivables	**1.4**	0.6
Total	**6.2**	5.7

19. DEFERRED TAX ASSETS AND LIABILITIES

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

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		−0.8	−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

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 2021 the Group had carry forward losses for EUR 8.3 million (EUR 27.8 million in 2020), on which a deferred tax asset has been recognised. EUR 1.9 million of these carry forward losses will expire in five years, EUR 6.0 million will expire during years 2027–2031 and EUR 0.3 million will not expire. The Group also had carry forward losses for EUR 5.1 million (EUR 9.7 million in 2020), on which no deferred tax asset was recognised. It is not probable that future taxable profit will be available to offset these losses. EUR 2.5 million of these losses will expire in five years and EUR 2.6 will not expire.

The Group has utilised previously unrecognised tax losses from prior periods with EUR 1.9 million in 2021 (EUR 1.3 million in 2020).

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	2021	2020
Raw materials and supplies	171.9	113.7
Work in progress	13.8	9.8
Finished goods	229.4	205.9
Total	415.1	329.4

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 2021 EUR 5.4 million expense was recognised to decrease the carrying amount of the inventories to reflect the net realisable value (EUR 4.5 million in 2020).

21. TRADE AND OTHER RECEIVABLES

EUR million	2021	2020
Trade receivables	357.4	321.5
Loan receivables	0.4	0.4
Accrued revenues and deferred expenses	14.6	19.2
Derivative financial instruments		
Designated as hedges	4.0	0.0
Measured at fair value through profit or loss	14.9	19.6
Current tax assets	8.9	10.3
Value added tax receivables	28.9	21.5
Other receivables	11.5	0.6
Total	440.5	393.1

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

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

See note 29 for the impairments in respect of trade receivables.

Significant items under accrued revenues and deferred expenses

EUR million	2021	2020
Annual discounts, purchases	2.6	8.8
Financial items	1.1	0.4
Social security contributions	0.1	0.9
Insurances	0.1	0.4
Other items	10.7	8.7
Total	14.6	19.2

22. CASH AND CASH EQUIVALENTS

EUR million	2021	2020
Cash in hand and at bank	335.9	504.2
Money market instruments	50.0	–
Total	385.9	504.2

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 2020	138,724	25.4	181.4	238.2	−8.0	437.0
Acquisition/conveyance of treasury shares	−499	–	–	–	−10.2	−10.2
Other changes	–	–	–	–	–	0.0
31 Dec 2020	138,224	25.4	181.4	238.2	−18.2	426.8
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**

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, 2021.

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, 2021, the number of these shares was 697,400. This number of shares corresponded to 0.50% of the total shares and voting rights in the company.

Dividends

After the balance sheet date, the Board of Directors proposed that a dividend of EUR 1.32 per share be paid (EUR 1.20 in 2020).

Specification of the distributable funds

The distributable funds on 31 December 2021 total EUR 742.7 million (EUR 723.1 million on 31 December 2020) and are based on the balance of the Parent company and the Finnish legislation.

24. SHARE-BASED PAYMENTS

PERFORMANCE SHARE PLANS

Performance share plan

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

On February 4, 2020, Nokian Tyres announced that the Board of Directors of Nokian Tyres plc has decided on a share-based long-term incentive scheme for the Company's management and selected key employees for years 2020–2022 as a continuation to the earlier plans decided in 2019. The decision includes Performance Share Plan 2020 (PSP 2020) as the main structure and Restricted Share Plan 2020 (RSP 2020) as a complementary structure.

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

Performance Share Plan 2019

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

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

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

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

Restricted Share Plan 2019

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

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

A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Nokian Tyres continues until the payment date of the reward. In addition to this precondition, the management team has a separate financial performance measure which must be achieved for a potential reward payment. The potential reward will be paid partly in shares in Nokian Tyres plc and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward.

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

Performance Share Plan 2020

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

The Performance Period (PSP 2020–2022) 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. Cash portion of the reward is intended to cover the taxes arising from the paid reward. Eligible to participate in PSP 2020–2022 are approximately 200 individuals, including the members of Nokian Tyres Management Team.

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

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

Restricted Share Plan 2020

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

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

A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Nokian Tyres continues until the payment date of the reward. In addition to this precondition, the management team has a separate financial performance measure which must be achieved for a potential reward payment. The most recent plan (RSP 2020–2022) within the Restricted Share Plan structure commenced effective as of the beginning of 2020 and the potential share reward thereunder will be paid in the first half of 2023. The possible rewards paid based on RSP 2020–2022 correspond approximately to a maximum of 120,000 gross shares.

Performance Share Plan 2021

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

The Performance Period (PSP 2021–2023) 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. Cash portion of the reward is intended to cover the taxes arising from the paid reward. Eligible to participate in PSP 2021–2023 are approximately 220 individuals, including the members of Nokian Tyres Management Team.

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

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

Restricted Share Plan 2021

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

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

A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Nokian Tyres continues until the payment date of the reward. In addition to this precondition, a financial performance criteria is applied to Nokian Tyres Management Team. The criteria is a threshold value for Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan 2021-2023.

The next plan (RSP 2021–2023) within the Restricted Share Plan structure commenced effective as of the beginning of 2021 and the potential share reward thereunder will be paid in the first half of 2024. The possible rewards paid based on RSP 2021–2023 correspond approximately to a maximum of 120,000 gross shares.

Other terms

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

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

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

Instrument	PSP 2019–2020	PSP 2019–2021	PSP 2020–2022	PSP 2021–2023	RSP 2019–2021	RSP 2020–2022	RSP 2021–2023	Total
Issuing date	5.2.2019	5.2.2019	4.2.2020	9.2.2021	5.2.2019	4.2.2020	9.2.2021	
Initial amount, pcs	580,000	535,000	569,260	534,898	70,000	120,000	120,000	2,529,158
Dividend adjustment	No	No	No	No	No	No	No	
Initial allocation date	26.2.2019	26.2.2019	26.3.2020	4.3.2021	26.8.2019	17.6.2020	18.3.2021	
Beginning of earning period	1.1.2019	1.1.2019	1.1.2020	1.1.2021	1.1.2019	1.1.2020	1.1.2021	
End of earning period	31.12.2020	31.12.2021	31.12.2022	31.12.2023	31.12.2021	31.12.2022	31.12.2023	
Vesting date	31.3.2021	31.3.2022	31.3.2023	31.3.2024	31.3.2022	31.3.2023	31.3.2024	
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	
Maximum contractual life, yrs	2.1	3.1	3.0	3.1	2.6	2.8	3.0	2.8
Remaining contractual life, yrs	0	0.2	1.2	2.3	0.2	1.2	2.3	1.0
Number of persons at the end of reporting year	170	162	173	212	17	94	5	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	

Changes during period	PSP 2019–2020	PSP 2019–2021	PSP 2020–2022	PSP 2021–2023	RSP 2019–2021	RSP 2020–2022	RSP 2021–2023	Total
1.1.2021								
Outstanding in the beginning of the period	514,840	483,560	541,260	0	47,600	96,850	0	1,684,110
Reserve in the beginning of the period	65,160	51,440	28,000	0	22,400	23,150	0	190,150
Changes during period								
Granted	0	0	0	540,618	0	0	7,833	548,451
Forfeited	84,620	102,960	89,940	7,430	1,000	3,100	0	289,050
Earned (Gross)	0	0	0	0	0	0	0	0
Delivered (Net)	0	0	0	0	0	0	0	0
Expired	580,000	0	0	0	0	0	0	580,000
31.12.2021								
Outstanding at the of the period	0	380,600	451,320	533,188	46,600	93,750	7,833	1,513,291
Reserved at the of the period	0	154,400	117,940	1,710	23,400	26,250	112,167	435,867

FAIR VALUE DETERMINATION

Inputs to the fair value determination of the performance shares expensed during the financial year 2021 are listed in the table as weighted average values. The total fair value of the performance shares is based on the company's estimate on 31 December 2021 as to the number of shares to be eventually vesting.

Fair value determination	**Earning period 2021**
Share price at grant, EUR	30.72
Share price at reporting date, EUR	33.30
Expected dividends, EUR	5.07
Fair market value per share at grant, EUR	24.31
Valuation model	Dividend discount & Monte Carlo simulation
Total fair value 31 December 2021, EUR million	11.98

Impact on period profits and financial position	
Expenses for the financial year, share-based payments, equity-settled EUR million	6.77
Liabilities arising from share-based payments 31 December 2021 EUR million	0.00
Estimated amount of cash to be paid under these plans EUR million	18.86

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 2021	4.5	2.5	0.0	7.1
Provisions made	2.5	0.3	1.3	4.1
Provisions used	−0.8	−1.8	−1.1	−3.7
Unused provisions reversed	−1.5	0.0	–	−1.5
31 Dec 2021	4.6	1.0	0.2	5.8

EUR million	2021	2020
Non-current provisions	–	–
Current provisions	5.8	7.1

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	2021	2020
Non-current		
Loans from financial institutions and pension loans	128.4	128.0
	128.4	128.0
Current		
Commercial papers	–	203.4
Current portion of non-current loans from financial institutions and pension loans	0.9	0.9
	0.9	204.3

Interest-bearing financial liabilities by currency

EUR million	2021	2020
Currency		
EUR	110.5	314.8
RUB	18.8	17.5
Total	129.3	332.3

Effective interest rates for interest-bearing financial liabilities

	2021		2020	
	Without hedges	With hedges	Without hedges	With hedges
Loans from financial institutions and pension loans	2.0%	2.8%	1.3%	2.1%
Commercial papers	–	–	0.8%	0.8%
Total	2.0%	2.8%	1.0%	1.3%

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

28. TRADE AND OTHER PAYABLES

EUR million	2021	2020
Trade payables	172.6	98.1
Accrued expenses and deferred revenues	176.2	138.4
Advance payments	3.3	2.0
Derivative financial instruments		
Designated as hedges	1.9	3.8
Measured at fair value through profit or loss	5.9	6.1
Current tax liabilities	13.5	6.4
Value added tax liabilities	32.0	23.1
Other liabilities	18.8	9.8
Total	424.2	287.8

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	2021	2020
Wages, salaries and social security contributions	61.9	41.6
Annual discounts, sales	90.4	60.7
Commissions	0.1	10.0
Goods received and not invoiced	0.0	3.5
Marketing expenses	3.6	2.3
Transportation costs	4.6	3.0
Financial items	0.8	0.2
Other items	14.9	17.2
Total	176.2	138.4

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, Switzerland, Poland, Ukraine, Kazakhstan, Belarus and China, the tire chain companies in Finland, Sweden and Norway. The tire plants are located in Nokia, Finland, in Vsevolozhsk, Russia and in Dayton, Tennessee, the USA.

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.

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 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

Transaction risk

EUR million	31 Dec 2021								31 Dec 2020							
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	25.8	27.5	11.6	29.2	20.9	29.8	75.0	13.8	24.3	23.4	0.0	16.3	17.9	22.8	66.8	10.4
Loans and receivables	2.7	52.3	5.9	64.2	22.0	5.8	38.6	0.0	3.0	43.0	0.7	81.2	44.4	4.3	37.4	0.0
Total currency income	28.5	79.8	17.5	93.4	42.9	35.5	113.7	13.8	27.4	66.4	0.7	97.5	62.3	27.1	104.2	10.4
Trade payables	−0.6	0.0	0.0	−17.7	0.0	−23.6	−65.2	−5.0	−0.3	0.0	0.0	−9.9	0.0	−11.7	−38.2	−2.9
Borrowings	−18.6	−55.4	0.0	−152.9	−29.5	−29.8	−20.0	−10.0	−10.8	−40.1	0.0	−169.9	−22.2	−21.9	−60.0	−10.0
Total currency expenditure	−19.2	−55.5	0.0	−170.5	−29.5	−53.4	−85.2	−15.0	−11.1	−40.1	0.0	−179.8	−22.2	−33.6	−98.2	−12.9
Foreign exchange derivatives	−7.3	−26.0	−19.6	70.3	−13.7	15.0	−34.2	0.0	−9.6	−25.8	0.0	79.8	−45.8	−4.1	−7.4	0.0
Binding sales contracts	13.6	5.4	0.0	1.0	1.9	1.2	10.0	0.0	12.8	2.7	0.0	4.1	3.4	0.3	10.5	0.0
Binding purchase contracts	0.0	0.0	0.0	−5.2	0.0	−43.2	−9.6	0.0	0.0	0.0	0.0	−4.2	0.0	−29.4	−7.9	0.0
Future interest items	0.0	0.5	0.0	−7.2	0.2	0.0	−0.1	0.0	0.0	0.9	0.0	−4.8	0.4	0.0	−0.6	0.0
Net exposure	15.6	4.2	−2.0	−18.1	1.9	−44.9	−5.3	−1.2	19.5	4.1	0.7	−7.4	−2.1	−39.7	1.1	−2.5

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 differences on foreign operations by EUR 54.5 million (negatively affected EUR 168.7 in 2020).

Translation risk

Net investments by currency

EUR million	31 Dec 2021	31 Dec 2020
Currency of net investment		
CZK	**49.3**	58.4
NOK	**50.5**	48.1
RUB	**455.6**	457.4
SEK	**48.7**	26.8
USD	**383.6**	328.2

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 2021				31 Dec 2020			
	Base currency				Base currency			
	10% stronger		10% weaker		10% stronger		10% weaker	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Base currency / Quote currency								
EUR/CAD	**–0.2**	**–**	**0.2**	**–**	–0.7	–	0.7	–
EUR/CZK	**–0.6**	**–**	**0.6**	**–**	–0.1	–	0.1	–
EUR/PLN	**0.2**	**–**	**–0.2**	**–**	–0,1	–	0,1	–
EUR/NOK	**0.1**	**–**	**–0.1**	**–**	–0.1	–	–0.1	–
EUR/RUB	**0.6**	**–**	**–0.6**	**–**	0.0	–	0.0	–
EUR/SEK	**0.0**	**–**	**0.0**	**–**	0.6	–	–0.6	–
EUR/USD	**–1.3**	**–**	**0.0**	**–**	0.3	–	–0.3	–

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 24.2 million (EUR 326.6 million in 2020) and the fixed rate interest-bearing liabilities EUR 105.1 million (EUR 5.7 million in 2020) 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 81% (82% in 2020) and the average fixing period of the interest-bearing financial liabilities was 31 months (15 months in 2020) 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 170 GWh (170 GWh in 2020).

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 2021				31 Dec 2020			
	Interest rate				Interest rate			
	1%-point higher		1%-point lower		1%-point higher		1%-point lower	
EUR million	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
Impact of interest rate change	–0.5	2.3	0.0	–2.3	–0.2	3.3	–0.2	–3.3

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 2021				31 Dec 2020			
	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

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 2023 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.

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 2021 the Group has met all the requirements set in the financial covenants, which are mainly linked to equity ratio. Management monitors regularly that the covenant requirements are met. Financing agreements contain terms and conditions upon which the agreement may be terminated, if control in the company changes as a result of a public tender offer.

On the reporting date the Group's liquidity in cash and cash equivalents was EUR 385.9 million (EUR 504.2 million in 2020). At the end of the year the Group's credit limits available were EUR 811.7 million (EUR 507.1 million in 2020), out of

Contractual maturities of financial and lease liabilities

	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.

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

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

which the committed limits were EUR 305.5 million (EUR 205.5 million in 2020). The available committed non-current credits amounted to EUR 300.0 million (EUR 200.0 million in 2020).

The Group's interest-bearing financial liabilities totaled EUR 129.3 million, compared to the year before figure of EUR 332.3 million. Around 85% of the interest-bearing financial liabilities were in EUR. The average interest rate of interest-bearing financial liabilities was 2.8%. Current interest-bearing financial liabilities, including the portion of non-current financial liabilities maturing within the next 12 months, amounted to EUR 0.9 million (EUR 204.3 million in 2020).

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% (35% in 2020) 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.

The aging and impairment of trade receivables

	31 Dec 2021		31 Dec 2020	
EUR million	**Trade receivables gross amount**	**Impairment loss allowance**	**Trade receivables gross amount**	**Impairment loss allowance**
Not past due	**332.9**	**−2.9**	294.6	−1.4
Past due less than 30 days	**23.3**	**−1.0**	20.2	−0.4
Past due between 30 and 90 days	**3.7**	**−0.3**	5.0	−0.3
Past due between 91 and 180 days	**1.2**	**−0.3**	1.1	−0.2
Past due more than 180 days	**66.4**	**−65.5**	68.6	−65.7
Total	**427.4**	**−70.0**	389.6	−68.1

Changes in the impairment loss allowance for trade receivables

EUR million	2021	2020
Loss allowance, 1 Jan	**68.1**	59.4
Write-offs	**−2.0**	−0.7
Other changes	**3.8**	−7.6
Change in loss allowance recognized in profit or loss	**0.0**	17.0
Loss allowance, 31 Dec	**70.0**	68.1

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	2021	2020
Average interest-bearing liabilities	349.1	598.1
Less: Average liquid funds	268.3	438.5
Average net debt	80.8	159.6
Operating profit	268.2	120.0
Add: Depreciations and amortisations	140.5	131.0
EBITDA	408.7	251.0
Average net debt / EBITDA	0.20	0.64

Equity ratio

EUR million	2021	2020
Equity attributable to equity holders of the parent	1,627.6	1,521.3
Add: Non-controlling interest	0.0	0.0
Total equity	1,627.6	1,521.3
Total assets	2,383.5	2,336.7
Less: Advances received	3.3	5.2
Adjusted total assets	2,380.2	2,331.5
Equity ratio	68.4%	65.3%

30. FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	2021			2020		
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	**426.5**	**2.9**	**5.0**	391.6	3.1	5.6
Currency options, purchased	**17.7**	**0.1**	**–**	12.9	0.2	–
Currency options, written	**35.3**	**–**	**0.1**	15.3	–	0.1
Interest rate and currency swaps	**75.0**	**11.9**	**0.8**	75.0	16.3	0.4
Derivatives designated as cash flow hedges						
Interest rate derivatives						
Interest rate swaps	**100.0**	**–**	**1.9**	100.0	–	3.6
Electricity derivatives						
Electricity forwards	**5.2**	**3.8**	**–**	4.9	0.3	0.3

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	2021						
	Maturity						
	2022	2023	2024	2025	2026	2027–	Total
Interest rate and currency swaps*							
Hedged item: Floating rate RUB loan receivables							
Notional amount, EUR million							
Average EUR/RUB rate							
Interest rate swaps							
Hedged item: Floating rate EUR debt							
Notional amount, EUR million			100.0				100.0
Average fixed rate			0.5%				0.5%
Electricity forwards							
Hedged item: Electricity system price							
Notional amount, EUR million	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

* Hedge accounting discontinued

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

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

	2021		
	Foreign currency derivatives	**Interest rate derivatives**	**Electricity derivatives**
EUR million	**Interest rate and currency swaps***	**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	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	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	Financial items	Cost of sales
Ineffective portion			
Amount recognized in profit or loss	–	–	–
Line item in the income statement	Financial items	Financial items	Other operating income or expenses

	2020		
	Foreign currency derivatives	**Interest rate derivatives**	**Electricity derivatives**
EUR million	**Interest rate and currency swaps***	**Interest rate swaps**	**Electricity forwards**
Notional amount	–	100.0	4.9
Notional amount, GWh	–	–	221
Assets			
Carrying amount	–	–	0.3
Line item in the statement of financial position	Trade and other receivables	Trade and other receivables	Trade and other receivables
Liabilities			
Carrying amount	–	3.6	0.3
Line item in the statement of financial position	Trade and other payables	Trade and other payables	Trade and other payables
Change in value for recognizing hedge ineffectiveness			
Hedged item	–	1.2	1.8
Hedging instrument	–	–1.2	–1.8
Effective portion			
Amount recognized in other comprehensive income	–	–1.2	–1.8
Amount reclassified from the cash flow hedge reserve to profit or loss	–0.1	0.9	0.8
Line item in the income statement	Financial items	Financial items	Cost of sales
Ineffective portion			
Amount recognized in profit or loss	–	–	–
Line item in the income statement	Financial items	Financial items	Other operating income or expenses

* Hedge accounting discontinued

Effect of hedging instruments on equity

EUR million	2021	2020
Cash flow hedge reserve, 1 Jan	**−2.8**	−1.8
Cash flow hedges		
Change in fair value recognized in other comprehensive income		
Interest rate and currency swaps	**0.0**	0.0
Interest rate swaps	**0.6**	−1.2
Electricity forwards	**6.3**	−1.8
Amount reclassified to profit or loss		
Interest rate and currency swaps	**0.0**	−0.1
Interest rate swaps	**1.0**	0.9
Electricity forwards	**−2.4**	0.8
Tax effect	**−1.1**	0.3
Cash flow hedge reserve, 31 Dec	**1.6**	−2.8

32. CONTINGENT LIABILITIES AND ASSETS

EUR million	2021	2020
For own debt		
Pledged assets	**6.3**	5.7
Other own commitments		
Guarantees	**3.1**	3.0

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.

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

- Nokian Tyres is subject to risks related to consumer confidence and macroeconomic and geopolitical conditions. Political uncertainties may cause serious disruption and additional trade barriers and affect the company's sales and credit risk. Economic downturns may increase trade customers' payment problems and Nokian Tyres may need to recognize impairment of trade receivables.
- The tire wholesale and retail landscape is evolving to meet changing consumer needs. New technologies are fueling this with increasing digitalization. Failure to adapt to the changes in the sales channel could have an adverse effect on Nokian Tyres' financial performance.
- Nokian Tyres' success is dependent on its ability to innovate and develop new products and services that appeal to its customers and consumers. Despite extensive testing of its products, product quality issues and failure to meet demands of performance and safety could harm Nokian Tyres' reputation and have an adverse effect on its financial performance.
- Nokian Tyres' production facilities are located in Finland, Russia and the US. Any unexpected production or delivery breaks at these facilities would have a negative impact on the company's business. Interruptions in logistics could have a significant impact on production and peak season sales.
- Significant fluctuations in raw material prices may impact margins. Nokian Tyres sources natural rubber from producers in countries such as Indonesia and Malaysia. Although Nokian Tyres has policies such as the Supplier Code of Conduct and established processes to monitor the working conditions, it cannot fully control the actions of its suppliers. 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.
- 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 requests a corporate fine of a maximum of EUR 850,000 to be imposed on the company. The prosecutor has also decided to press charges for suspected abuse of insider information against four persons who were employees of Nokian Tyres in 2015. All persons charged deny their involvement in any criminal activity. The trial related to these events started at the District Court of Helsinki in January 2022.
- 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 May 2019, Nokian Tyres U.S. Finance Oy, a former subsidiary of Nokian Tyres plc (ownership: 100% of the shares), received a negative ruling from the Hämeenlinna Administrative Court regarding the company's appeal against a reassessment of EUR 18.5 million concerning the years 2007–2013. The company has paid and recorded the amount in full in the financial statements and results for 2013, 2014, and 2017. The company's appeal against the court decision was rejected by Supreme Administrative Court in February 2021.

In April 2021, Nokian Tyres received a decision from the Tax Administration concerning a tax audit for the tax years 2015–2016, according to which the company was obliged to pay a total of EUR 1.9 million additional taxes, punitive tax increase and late payment interest. Taxes have been paid and recognized in receivables. Nokian Tyres considers the tax authority's view unfounded and has appealed against the decision.

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	
OOO Hakkapeliitta Village	Vsevolozhsk	Russia	100	100	
Nokian Tyres Trading (Shanghai) Co Ltd		China	100	100	
NT Tyre Machinery Oy	Nokia	Finland	100	100	100
OOO Hakka Invest	Vsevolozhsk	Russia	100	100	100
Koy Nokian Nosturikatu 18	Nokia	Finland	100	100	100
Koy Nokian Rengaskatu 4	Nokia	Finland	100	100	100
Nokian Tyres Spain S.L.U.		Spain	100	100	100
Nokianvirran Energia Oy	Nokia	Finland	32.3	32.3	32.3
Vianor Holding Oy	Nokia	Finland	100	100	100
Vianor Oy	Lappeenranta	Finland	100	100	
Vianor AB		Sweden	100	100	
Nordic Wheels AB		Sweden	100	100	
Vianor AS		Norway	100	100	
Vianor Inc.		USA	100	100	
EAM NRE1V Holding Oy		Finland	0	100	
Associated companies					
Sammaliston Sauna Oy	Nokia	Finland	33	33	33

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

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

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

Transactions and outstanding balances with parties having significant influence

1,000 euros	2021	2020
Key management personnel		
Employee benefit expenses		
Short-term employee benefits	5,440.2	5,549.7
Post-employment benefits	0.0	0.0
Termination benefits	0.0	883.9
Share-based payments	0.0	0.0
Total	5,440.2	6,433.6
Remunerations		
Jukka Moisio, President 27.5.2020–	1,158.2	429.6
of which incentives for the reported period	402.6	
Hille Korhonen, President 1.1.2020–26.5.2020	0.0	1,351.1
of which incentives for the reported period	0.0	0.0
Members of the Board of Directors		
Jukka Hienonen	112.7	105.8
Heikki Allonen	60.9	63.1
Raimo Lind	83.4	85.6
Veronica Lindholm	60.2	65.5
Inka Mero	60.9	63.1
George Rietbergen	57.5	60.1
Pekka Vauramo	82.0	63.1
Christopher Ostrander	57.7	
Jouko Pölönen	59.1	
Prior members of the Board of Directors		
Kari Jordan	1.8	87.4
Petteri Walldén	–	6.6
Total	636.2	600.3
No incentives were paid to the members of the Board of Directors.		
Other key management personnel	3,645.8	4,052.6
of which incentives for the reported period	747.3	519.0

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. Andrey Pantyukhov's supplementary pension is 15% of his annual salary.

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

Shares and share options granted to the President and other key management personnel.

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

	2021	2020
Granted (pcs)		
Shares	118,802	309,040
Share options	–	–
Held (pcs)		
Shares	96,373	166,777
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 million 1.1.–31.12.	Notes	2021	2020
Net sales	(1)	**798.9**	580.9
Cost of sales	(2)(3)	**–649.9**	–492.5
Gross profit		**149.0**	88.4
Selling, marketing and R&D expenses	(2)(3)	**–48.1**	–48.1
Administration expenses	(2)(3)(4)	**–45.9**	–36.9
Other operating expenses	(2)(3)	**–22.0**	–21.6
Other operating income		**0.6**	0.7
Operating profit		**33.6**	–17.5
Financial income and expenses	(5)	**175.2**	129.6
Profit before appropriations and tax		**208.8**	112.0
Appropriations	(6)	**–11.1**	12.1
Income tax	(7)	**–12.4**	–6.6
Profit for the period		**185.2**	117.6

The warehousing costs in the income statement of the parent company have been reclassified from selling, marketing and R&D expenses to the cost of sales. This has been harmonized in line with the group policy.

PARENT COMPANY BALANCE SHEET, FAS

EUR million 31.12.	Notes	2021	2020
ASSETS			
Fixed assets and other non-current assets			
Intangible assets	(8)	**10.0**	14.3
Tangible assets	(8)	**158.3**	167.6
Shares in Group companies	(9)	**419.2**	418.0
Investments in associates	(9)	**4.3**	4.3
Shares in other companies	(9)	**0.2**	0.2
Unquoted securities	(9)	**2.6**	2.4
Total non-current assets		**594.5**	606.7
Current assets			
Inventories	(10)	**121.1**	82.7
Non-current receivables	(11)	**282.3**	322.9
Current receivables	(12)	**317.9**	252.3
Cash and cash equivalents		**339.0**	462.0
Total current assets		**1,060.4**	1,119.8
		1,654.9	1,726.6

EUR million 31.12.	Notes	2021	2020
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	(13)		
Share capital		**25.4**	25.4
Share premium		**182.5**	182.5
Treasury shares		**−17.6**	−17.8
Paid up unrestricted equity fund		**238.2**	238.2
Retained earnings		**336.8**	385.1
Profit for the period		**185.2**	117.6
Total shareholders' equity		**950.7**	931.1
Untaxed reserves and provisions			
Accumulated depreciation in excess of plan	(8)	**24.8**	26.2
Liabilities			
Non-current liabilities	(14)	**103.9**	103.9
Current liabilities	(15)	**575.6**	665.4
Total liabilities		**679.5**	769.3
		1,654.9	1,726.6

PARENT COMPANY STATEMENT OF CASH FLOWS, FAS

EUR million 1.1.–31.12.	2021	2020
Profit for the period	185.2	117.6
Adjustments for		
Depreciation, amortisation and impairment	31.8	43.1
Financial income and expenses	−175.2	−129.6
Gains and losses on sale of intangible assets, other changes	2.6	5.0
Income Taxes	12.4	6.6
Cash flow before changes in working capital	56.9	42.7
Changes in working capital		
Current receivables, non-interest-bearing, increase (–) / decrease (+)	−66.4	−16.9
Inventories, increase (–) / decrease (+)	−38.4	18.4
Current liabilities, non-interest-bearing, increase (+) / decrease (–)	64.1	−12.9
Changes in working capital	−40.8	−11.4
Financial items and taxes		
Interest and other financial items, received	11.1	11.9
Interest and other financial items, paid	−9.0	−12.7
Dividends received	200.8	131.3
Income taxes paid	−10.1	−3.8
Financial items and taxes	192.7	126.7
Cash flow from operating activities (A)	208.9	157.9
Cash flow from investing activities		
Acquisitions of property, plant and equipment and intangible assets	−23.5	−46.4
Proceeds from sale of property, plant and equipment and intangible assets	1.3	−2.1
Acquisitions of other investments	−28.4	−46.9
Cash flow from investing activities (B)	−50.6	−95.3

EUR million 1.1.–31.12.	2021	2020
Cash flow from financing activities		
Purchase of treasury shares	0.0	−10.2
Change in current financial receivables, increase (–) / decrease (+)	−1.7	88.3
Change in non-current financial receivables, increase (–) / decrease (+)	40.6	−56.4
Change in current financial borrowings, increase (+) / decrease (–)	−161.4	359.8
Change in non-current financial borrowings, increase (+) / decrease (–)	0.0	−0.1
Dividends paid	−158.7	−151.6
Cash flow from financing activities (C)	−281.2	229.8
Change in cash and cash equivalents, increase (+) / decrease (–) (A+B+C)	−122.9	292.4
Cash and cash equivalents at the beginning of the period	462.0	169.5
Cash and cash equivalents at the end of the period	339.0	462.0

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 amortisation period is between three and five years.

Pensions and coverage of pension liabilities

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

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

Equity

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

Foreign currency items

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

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

Direct taxes

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

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. NET SALES BY SEGMENTS AND MARKET AREAS

EUR million	2021	2020
Passenger Car Tyres	585.2	413.1
Heavy Tyres	213.7	167.9
Total	798.9	580.9
Finland	137.4	114.6
Other Nordic countries	198.5	169.5
Other European countries	272.1	149.8
Russia and Asia	45.5	35.7
America	143.4	110.2
Other countries	1.8	1.1
Total	798.9	580.9

2. WAGES, SALARIES AND SOCIAL EXPENSES

EUR million	2021	2020
Wages and salaries	58.8	48.5
Pension contributions	9.2	6.6
Other social expenses	3.0	2.0
Total	71.0	57.1
Remuneration of the members of the Board of the Directors and the Presidents on accrual basis	1.8	2.4
of which incentives	0.4	0.0

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	2021	2020
Total	845	813

3. DEPRECIATION

EUR million	2021	2020
Depreciation according to plan by asset category		
Intangible assets	5.0	6.2
Buildings	2.6	2.7
Machinery and equipment	21.4	21.5
Other tangible assets	0.4	0.3
Total	29.3	30.7
Impairment losses by asset category		
Intangible assets	–	5.1
Buildings	1.1	3.4
Machinery and equipment	1.5	3.4
Shares in other companies	–	0.4
Total	2.5	12.3
Depreciation by function		
Production	19.1	21.0
Selling, marketing and R&D	4.1	5.1
Administration	6.1	4.6
Total	29.3	30.7
Impairment losses by function		
Production	1.5	5.9
Selling, marketing and R&D	–	4.9
Administration	1.0	1.2
Other impairment losses	0.0	0.4
Total	2.5	12.3

4. AUDITOR'S FEES

EUR million	2021	2020
Audit fee	0.5	0.2
Tax services	0.0	0.2
Other services	0.0	0.0
Total	0.6	0.4

The authorized public accountant has changed on 30.3.2021 and the current auditor is Ernst & Young Oy. The audit fee for Ernst & Young Oy was EUR 0.3 million and for KPMG Oy Ab EUR 0.2 million in 2021.

5. FINANCIAL INCOME AND EXPENSES

EUR million	2021	2020
Dividend income		
From the Group companies	200.8	131.3
Total	200.8	131.3
Interest income, non-current		
From the Group companies	8.2	8.9
Total	8.2	8.9
Other interest and financial income		
From the Group companies	2.4	2.0
From others	0.2	0.2
Total	2.5	2.2
Exchange rate differences (net)	-2.5	-3.7
Impairment, long-term investments	-27.3	-0.4
Interest and other financial expenses		
To the Group companies	-3.5	-3.7
To others	-2.3	-3.9
Other financial expenses	-0.7	-1.0
Total	-6.5	-8.6
Total financial income and expenses	175.2	129.6

6. APPROPRIATIONS

EUR million	2021	2020
Change in accumulated depreciation in excess of plan		
Intangible assets	0.5	0.7
Buildings	1.4	3.3
Machinery and equipment	-0.4	8.1
Other tangible assets	-0.1	0.0
Total	1.5	12.1
Other appropriations		
Group contributions	-12.6	–
Total	-12.6	–
Total appropriations	-11.1	12.1

7. INCOME TAX

EUR million	2021	2020
Direct tax for the year	-12.4	-6.6
Direct tax from previous years	0.0	0.0
Total	-12.4	-6.6

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 2021	70.7	9.6	1.9	91.5	485.2	5.8	40.2
Increase	0.8	0.0	0.0	0.0	11.2	0.1	11.3
Decrease	–4.3	0.0	0.0	–0.7	–11.4	–0.2	0.0
Transfer between items	1.2	0.0	0.0	0.1	26.4	1.9	–29.6
Accumulated cost, 31 Dec 2021	68.3	9.6	2.0	90.9	511.4	7.6	21.9
Accum. depr. acc. to plan 1 Jan 2021	–56.6	–9.4	0.0	–46.0	–406.9	–4.2	0.0
Accum. depr. on disposals	3.1	0.0	0.0	0.6	7.7	0.2	0.0
Depreciations for the period	–4.9	0.0	0.0	–2.6	–21.4	–0.4	0.0
Impairment	0.0	0.0	0.0	–1.1	–1.5	0.0	0.0
Accum. depr. acc.to plan, 31 Dec 2021	–58.4	–9.5	0.0	–49.1	–422.1	–4.4	0.0
Carrying amount, 31 Dec 2021	9.9	0.1	2.0	41.9	89.4	3.2	21.9
Carrying amount, 31 Dec 2020	14.1	0.2	1.9	45.5	78.4	1.6	40.2
Accum. depreciation in excess of plan, 31 Dec 2021	1.6	0.0	–	11.9	0.2	2.8	
Accum. depreciation in excess of plan, 31 Dec 2020	2.2	0.0	–	9.3	11.5	0.1	

9. INVESTMENTS

EUR million	**Shares in Group companies**	**Investments in associates**	**Shares in other companies**	**Unquoted securities**
Accumulated cost, 1 Jan 2021	418.0	4.3	0.2	2.4
Decrease	–27.3	–	–	–
Increase	28.4	–	–	–
Exchange differences	–	–	–	0.2
Accumulated cost, 31 Dec 2021	419.2	4.3	0.2	2.6
Carrying amount, 31 Dec 2021	419.2	4.3	0.2	2.6
Carrying amount, 31 Dec 2020	418.0	4.3	0.2	2.4

10. INVENTORIES

EUR million	2021	2020
Raw materials and supplies	90.0	55.8
Work in progress	3.2	2.3
Finished goods	28.0	24.6
Total	121.1	82.7

11. NON-CURRENT RECEIVABLES

EUR million	2021	2020
Loan receivables from the Group companies	281.7	322.3
Loan receivables from others	0.6	0.6
Total long-term receivables	282.3	322.9

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

12. CURRENT RECEIVABLES

EUR million	2021	2020
Receivables from the Group companies		
Trade receivables	207.7	143.4
Loan receivables	35.9	34.1
Accrued revenues and deferred expenses	19.1	16.6
Total	262.7	194.2
Trade receivables	28.4	27.0
Other receivables	5.8	3.1
Accrued revenues and deferred expenses	21.0	28.0
Total	55.3	58.1
Total short-term receivables	317.9	252.3
Significant items under accrued revenues and deferred expenses		
Financial items	18.3	23.4
Taxes	0.0	3.7
Social payments	0.4	0.5
Capital expenditure in factories	0.2	0.1
Goods and services rendered and not invoiced, subsidiary	15.9	13.1
Other items	5.3	3.6
Total	40.1	44.6

13. SHAREHOLDERS' EQUITY

EUR million	2021	2020
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	0.0	0.0
Paid-up unrestricted equity reserve, 31 December	238.2	238.2
Retained earnings, 1 January	502.7	543.2
Dividends to shareholders	−165.9	−158.1
Retained earnings, 31 December	336.8	385.1
Treasury shares	−17.6	−17.8
Profit for the period	185.2	117.6
Total non-restricted shareholders' equity	742.7	723.1
Total shareholders' equity	950.7	931.1
Specification of the distributable funds, 31 December		
Retained earnings	336.8	385.1
Treasury shares	−17.6	−17.8
Paid-up unrestricted equity reserve	238.2	238.2
Profit for the period	185.2	117.6
Distributable funds, 31 December	742.7	723.1

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, 2021, the number of these shares was 697,400. This number of shares corresponded to 0.50% of the total shares and voting rights in the company.

14. NON-CURRENT LIABILITIES

EUR million	2021	2020
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	2021	2020
Interest-bearing		
Liabilities to the Group companies		
Finance loans	371.1	329.5
Commercial papers	–	203.0
Total interest-bearing liabilities	371.1	532.5
Non-interest-bearing		
Liabilities to the Group companies		
Trade payables	28.8	18.9
Accrued expenses and deferred revenues	31.1	26.0
Total	60.0	44.9
Trade payables	74.9	41.4
Liabilities to the others	16.9	1.9
Accrued expenses and deferred revenues	52.8	44.8
Total	144.6	88.0
Total non-interest-bearing liabilities	204.5	132.9
Total current liabilities	575.6	665.4
Significant items under accrued expenses and deferred revenues		
Wages, salaries and social security contributions	22.9	15.1
Annual discounts, sales	15.9	14.7
Taxes	3.4	–
Financial items	8.4	8.3
Commissions	0.1	2.2
Goods received and not invoiced	–	0.1
Warranty commitments	0.9	0.9
Group contributions	12.6	–
Other items	19.8	29.5
Total	83.9	70.7

16. CONTINGENT LIABILITIES

EUR million	2021	2020
For own debt		
Pledged assets	4.3	3.7
On behalf of Group companies and investments in associates		
Guarantees	59.4	86.1
Pledged assets	2.0	2.0

The amount of debts and commitments mortgaged for total EUR 44.8 million (2020: EUR 64.8 million).

Other own commitments		
Guarantees	0.3	0.3
Leasing and rent commitments		
Payments due in 2022	2.8	2.9
Payments due in subsequent years	4.4	7.3

17. DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	2021	2020
Interest rate derivatives		
Interest rate swaps		
Notional amount	100.0	100.0
Fair value	–1.9	–3.6
Foreign currency derivatives		
Currency forwards		
Notional amount	513.1	452.3
Fair value	–2.9	–3.1
Currency options, purchased		
Notional amount	17.7	12.9
Fair value	0.1	0.2
Currency options, written		
Notional amount	35.3	15.3
Fair value	–0.1	–0.1
Interest rate and currency swaps		
Notional amount	75.0	75.0
Fair value	11.1	15.9
Electricity derivatives		
Electricity forwards		
Notional amount	5.2	4.9
Fair value	3.8	0.0

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

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

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

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

18. ENVIRONMENTAL COMMITMENTS AND EXPENSES

Expenses relating to environment are included to production costs. The company has duly attended to environmental commitments and has no information on material environmental liabilities. In addition to the environmental aspects presented in the Annual Report, Nokian Tyres issued a Corporate Social Responsibility Report in spring 2021.

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

Helsinki, 8th of February 2022

Jukka Hienonen

Pekka Vauramo

Heikki Allonen

Raimo Lind

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 2022

Ernst & Young Oy

Mikko Järventausta, APA

AUDITOR'S REPORT

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, 2021. 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. Assessing 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.
Foreign currency effects We refer to the accounting policies for the consolidated financial statements and the notes 23 and 29.	
The Group's equity may fluctuate significantly due to translation differences arising from foreign exchange rate changes in the Russian ruble, the Swedish krona, the Norwegian krona, the Canadian dollar or the US dollar against Euro. In 2021, the Group's equity was affected by the change in translation differences on foreign operations by 54.5 M€ (2020: -168.7 M€). The foreign currency effects was a key audit matter because of the significance of translation differences to the Group's equity.	Our audit procedures in respect of foreign currency effects included, among others: • Assessment of the compliance of the Group's accounting policies over translation of foreign currency amounts against IFRS standards. • Assessment of the Group's consolidation process in respect of foreign currency translation methods and reconciliations. • Testing of the consolidation entries relating to foreign currency translations on a sample basis. • Assessment of the Group's disclosures in respect of foreign currency effects.

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 one year.

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 8.2.2022

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-2021-12-31-fi.zip of Nokian Renkaat Oyj for the financial year 1.1.–31.12.2021 to ensure that the financial statements are tagged with iXBRL mark ups 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 ESEF 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 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 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 statements of Nokian Renkaat Oyj for the year ended 31.12.2021 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 31.12.2021 is included in our Independent Auditor's Report dated 8.2.2022. In this report, we do not express an audit opinion or any other assurance on the consolidated financial statements.

Helsinki 2.3.2022

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, 2021	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, 2021, the number of shares was 138,921,750.

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

NUMBER OF SHAREHOLDERS ON DECEMBER 31, 2021

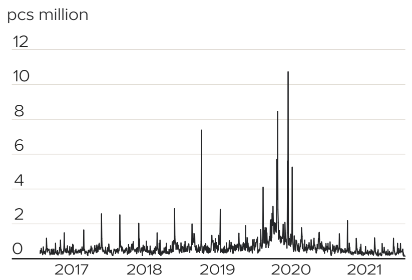
Number of shares	Number of shareholders	% of share-holders	Total number of shares	% of share capital
1–100	28,272	50.6	1,280,751	0.9
101–500	18,711	33.5	4,788,855	3.5
501–1,000	4,485	8.0	3,460,609	2.5
1,001–5,000	3,741	6.7	7,731,982	5.6
5,001–10,000	358	0.6	2,521,692	1.8
10,001–50,000	257	0.5	5,129,204	3.7
50,001–100,000	29	0.1	2,095,535	1.5
100,001–500,000	28	0.1	6,986,816	5.0
500,001–	17	0.0	104,926,306	75.5
Total	**55,898**	**100**	**138,921,750**	**100**

SHAREHOLDER STRUCTURE ON DECEMBER 31, 2021

	Number of shares	% of share capital
Nominee registered and non-Finnish holders	78,838,486	56.75
Households	18,963,929	13.65
General Government	21,136,493	15.22
Financial and insurance corporations	10,148,050	7.31
Non-profit institutions	4,783,189	3.44
Corporations	5,051,603	3.64
Total	**138,921,750**	**100**

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

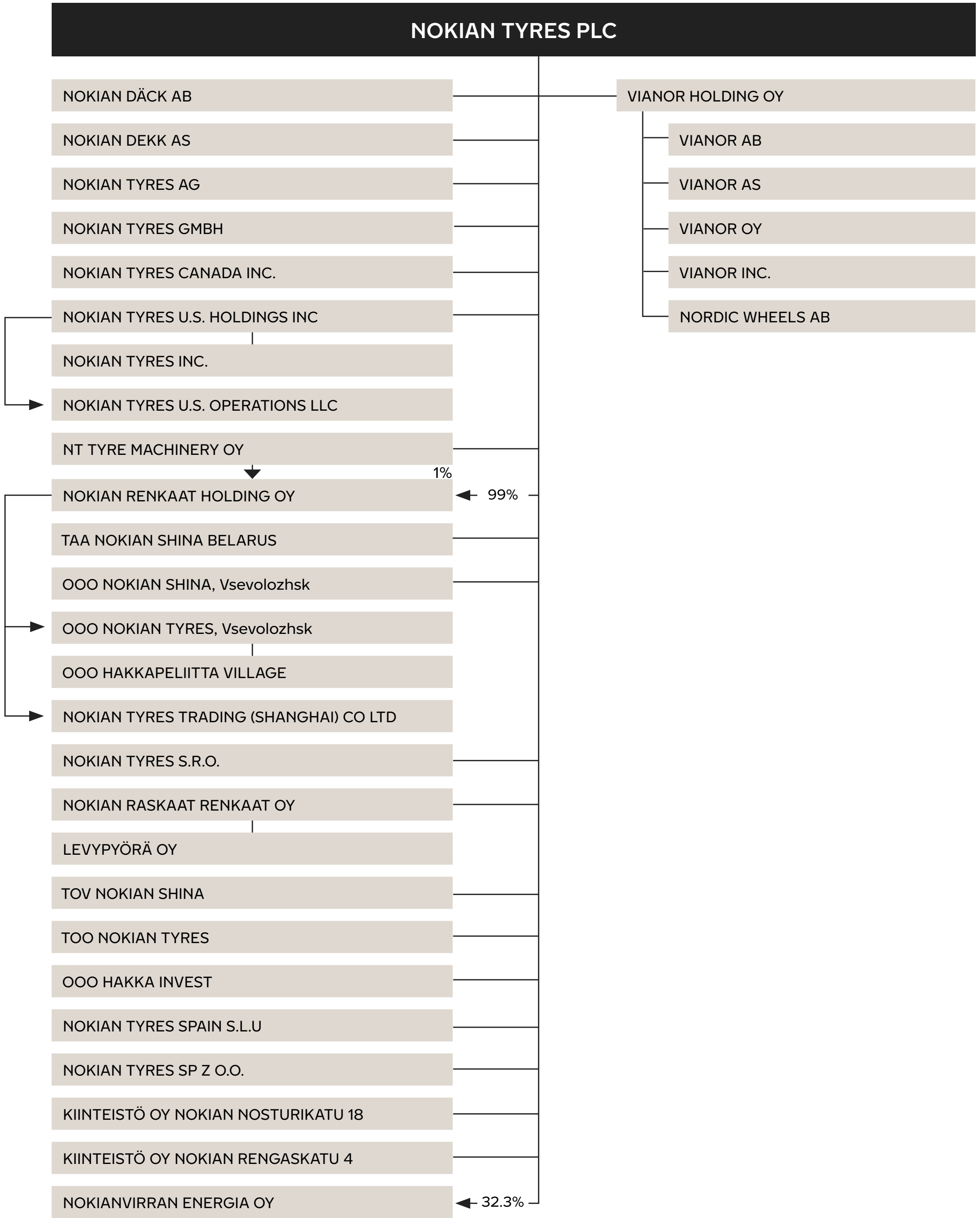
SHARE TRADING VOLUMES ON NASDAQ HELSINKI JAN 1, 2017–DEC 31, 2021



SHARE PRICE DEVELOPMENT ON NASDAQ HELSINKI JAN 1, 2017–DEC 31, 2021

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

NOKIAN TYRES GROUP STRUCTURE



CORPORATE GOVERNANCE STATEMENT 2021

CORPORATE GOVERNANCE STATEMENT 2021

I Introduction

During 2021 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.

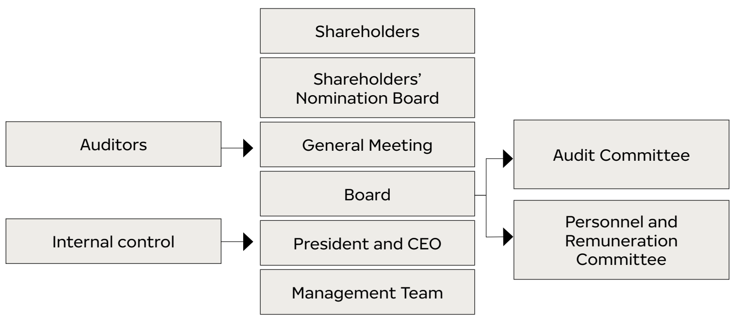
The Company publishes its Corporate Governance Statement as a separate document and as part of the Financial Review. The Company has prepared a separate remuneration report in accordance with the Corporate Governance Code 2020. The statement and said report are available on the Company's website at www.nokiantyres.com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

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.

Nokian Tyres' administrative organization



General Meeting

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

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

According to law, a shareholder has the right to have a matter falling within the competence of the General Meeting

The Annual General Meeting for 2021 was held through exceptional procedures on March 30, 2021 in Helsinki, Finland in accordance with the temporary legislative act to limit the spread of the Covid-19 pandemic (677/2020), which entered into force on October 3, 2020. The meeting confirmed the financial statements, discharged the Board members and the President and CEO from liability for the fiscal year 2020, 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. 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 2022 will take place on April 28, 2022 at 10:00 a.m. EET.

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.

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 Ltd. and wish to nominate a member to the Nomination Board. The fifth member of the Nomination Board is the Company's Chairman of the Board. Proposals that have been supported by at least three members of the Nomination Board, shall constitute the proposals of the Nomination Board.

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

The following members were appointed to the Nomination Board in 2021:

- Antti Mäkinen (CEO, Solidium Oy), appointed by Solidium Oy
- Heikki Westerlund (board professional), appointed by Bridgestone Corporation
- Mikko Mursula (Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company), appointed by Ilmarinen Mutual Pension Insurance Company
- Kalle Karppinen (Head of Research, Nordic Equities, Nordea Investment Management), appointed by Nordea Funds
- 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 2022 were published on January 21, 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 2021, 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 March 30, 2021 elected nine Board members. The Board members Heikki Allonen, Jukka Hienonen, Raimo Lind, Veronica Lindholm, Inka Mero, George Rietbergen and Pekka Vauramo were re-elected. Kari Jordan was no longer available for re-election. It was resolved to elect Christopher Ostrander and Jouko Pölönen as new members of the Board of Directors. The Annual General Meeting appointed 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:
Chairman 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: VR Group Oy and Savox Oy Ab
Member of the Board: NRC Group ASA and Helsingin Satama Oy

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

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

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

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

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

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

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

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

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

Key experience:
2019– Voima Ventures I & II VC Fund, Managing Partner & Founder
2008– KoppiCatch Oy, Co-founder and Chairwoman
2016–2019 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:
Chairman of the Board: KoppiCatch Oy, Voima Ventures Oy, KuvaSpace Oy and Adamant Health Oy
Member of the Board: Fiskars Corporation Plc, Betolar Plc, Dispelix Oy, Elfys Oy and Tactotek Oy
Advisor/Working group member: Musti Group plc, 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. Member 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, 2021

Nokian Tyres holdings of the Company's current Board members	Number of shares
Jukka Hienonen, Chairman	17,367
Pekka Vauramo, Deputy Chairman since March 30, 2021	3,341
Heikki Allonen, Member	4,249
Raimo Lind, Member	7,379
Veronica Lindholm, Member	4,249
Inka Mero, Member	5,642
Christopher Ostrander, Member	632
Jouko Pölönen, Member	1,232
George Rietbergen, Member	3,586
Total	**47,677**

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

The Board convened a total of 10 times and made once resolutions without a meeting (per capsulam) in 2021.

Attendance at meetings / per capsulam resolutions by the Company's Board members in 2021	Attendance/ meetings or per capsulam resolutions
Jukka Hienonen, Chairman	11/11
Kari Jordan, Member and Deputy Chairman until March 30, 2021	2/11
Pekka Vauramo, Deputy Chairman since March 30, 2021	10/11
Heikki Allonen, Member	11/11
Raimo Lind, Member	11/11
Veronica Lindholm, Member	11/11
Inka Mero, Member	11/11
Christopher Ostrander, Member (since March 30, 2021)	9/11
Jouko Pölönen, Member (since March 30, 2021)	9/11
George Rietbergen, Member	10/11

Diversity of the Board of Directors

The Company sees diversity as a success factor enabling the achievement of Nokian Tyres' strategic goals and business growth. In practice, diversity means different factors such as gender, age, nationality, and the complementary expertise of the members, their education and experience in different professional areas and industrial sectors in which the Group mainly operates. Leadership experience and personal 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 2021, 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 2021, the members of the Personnel and Remuneration Committee until March 30, 2021 were Kari Jordan (Chairman), Jukka Hienonen and Veronica Lindholm, and from there onwards Veronica Lindholm (Chairman), Jukka Hienonen and Pekka Vauramo.

The committee assembled four times in 2021.

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

Audit Committee

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

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

In 2021, the members of the Audit Committee were Raimo Lind (Chairman), Heikki Allonen, Inka Mero, Pekka Vauramo (until March 30, 2021) and Jouko Pölönen (since March 30, 2021). As a general rule, the Company's chief auditor participates in the committee's meetings.

The committee assembled five times in 2021.

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

The attendance of Board members at committee meetings in 2021

	Personnel and Remuneration Committee	Audit Committee
Jukka Hienonen	4/4	
Kari Jordan (until March 30, 2021)	1/4	
Pekka Vauramo (at Personnel and Remuneration Committee since March 30, 2021 and at Audit Committee until March 30, 2021)	3/4	1/5
Heikki Allonen		5/5
Raimo Lind		5/5
Veronica Lindholm	4/4	
Inka Mero		5/5
Christopher Ostrander (since March 30, 2021)		
Jouko Pölönen (since March 30, 2021)		4/5
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: Atria Oyj and Metsä Board Corporation

Nokian Tyres holdings of the President and CEO and controlled corporations, December 31, 2021

	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, 2021

Jukka Moisio (b. 1961)

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

Andrey Pantyukhov (b. 1972)

- Russia, Asia and Global Marketing
- Master of Business Administration
- Number of Shares 34,359

Päivi Antola (b. 1971)

- Corporate Communications and Investor Relations
- Master of Arts, CEFA
- Number of Shares 1,264

Anna Hyvönen (b. 1968)

- North America, Nordics and Vianor
- Licentiate of Science (Technology)
- Number of Shares 14,715

Adrian Kaczmarczyk (b. 1971)

- Supply Operations
- Dipl. Ing. Engineering, Master of Business Administration
- Number of Shares 0

Teemu Kangas-Kärki (b. 1966)

- CFO
- Master of Science (Economics and Business Administration)
- Number of Shares 7,014

Jukka Kasi (b. 1966)

- Products and Innovations
- Master of Science (Technology)
- Number of Shares 4,420

Bahri Kurter (b. 1966)

- Central Europe
- Master of Arts (Economics)
- Number of Shares 0

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 16,601

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

III Descriptions of mechanisms of internal control and risk management

Internal control

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

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

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

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

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

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

Investor communications

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

Risk management

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

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

The most significant risks are 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 2021, 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 and information security matters as well as specific misconduct risks and cases and the management of the COVID-19 pandemic in the Group. The Internal Audit function at Vianor focuses on guiding the retail outlets and ensuring conformity to the Vianor activity management system, and reports to the CAE and to the country managers.

Related party transactions

The Company has procedures in place to identify and define its related parties and assesses and monitors related party transactions to ensure that all conflicts of interest and the Company's decision-making process are appropriately taken into account. The Audit Committee monitors and assesses how agreements and other legal acts between the Company and its related parties meet the requirements of ordinary activities and arm's length terms in accordance with applicable laws and regulations. The Group's financial management monitors and supervises related party transactions as part of the Company's normal reporting and monitoring procedures and reports to the Audit Committee on regular basis. The Company only has related party transactions that are a part of normal business, and the information regarding them is provided in the 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 2021, 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 2021 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 2021 amounted to EUR 659,804 (2020: 602,486). The fees paid to the authorized public accountants for other services totaled EUR 94,282 (2020: 222,158).

Sustainability

In September 2021, Nokian Tyres introduced new, ambitious non-financial targets. 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 and tires 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.

In 2021, a new steering group was formed focusing on actions and situation on greenhouse gas (GHG) emission reduction. Steering group includes members from the Group Management Team, functional management and directors of the factories in Finland, Russia and the US.

Sustainability working group comprises finance, purchasing, communication, environment, quality, consumer, customer service, 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, works on and tracks the safety aspects.

Environmental working group comprises local environmental representatives from factory locations, who manage compliance with environmental legislation and chemical safety.

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.

Product Development creates safer and eco-friendlier products by reducing rolling resistance, for example.

HR, Communication, and Risk Management support the work for improving the safety culture and implementing changes in the Nokian Tyres Group.

Safety and health are 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 representatives and other local working groups focus on improving the everyday sustainability work. Each Nokian Tyres' employee is responsible for working and acting ethically.

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 involved in drawing up the strategy along with the Environmental and Responsibility Manager, who reports to the Vice President. Working together with environmental experts in Finland, US and Russia, the Environmental and Responsibility Manager 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.

Sustainability efforts at the Nokian Tyres Group are coordinated by the Environmental and Responsibility Manager. 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.

The goals of quality and sustainability management are accident prevention, uninterrupted production, ensuring high quality and good corporate citizenship in all areas of operation.

Environmental experts in Finland, US and Russia 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, US and Russia 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, in Vsevolozhsk, Russia, by the Production Director and in Dayton, US, by the Plant Manager and then, if necessary, by the line management.

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

*Operating from January 2022

NON-FINANCIAL INFORMATION STATEMENT 2021

NON-FINANCIAL INFORMATION STATEMENT 2021

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.

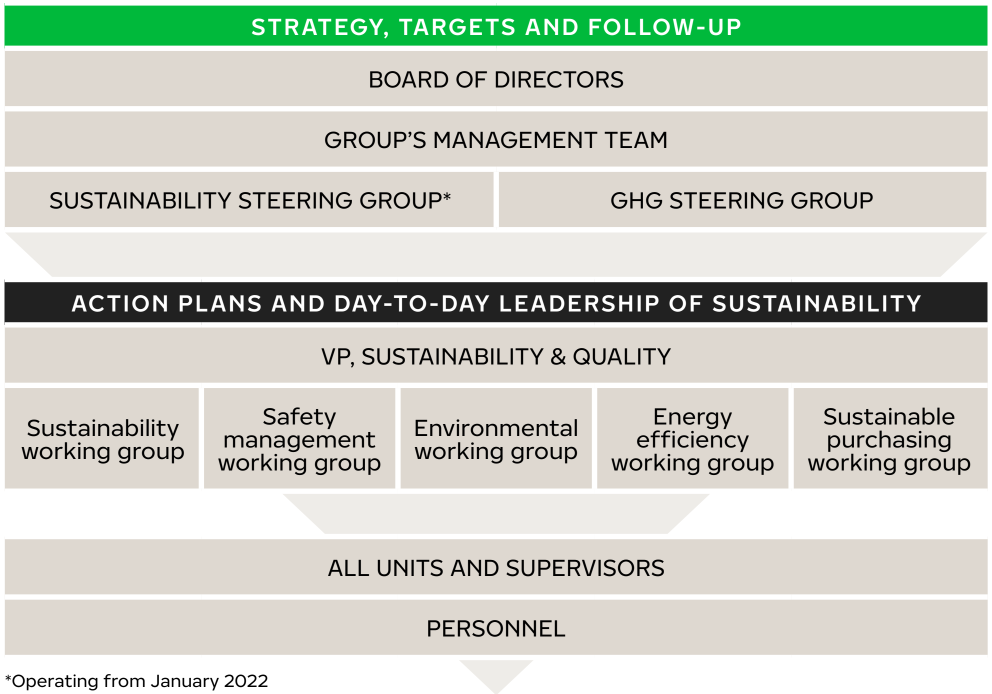
Nokian Tyres is a supporting member of the United Nations Global Compact (UNGC) initiative and is committed to the Sustainable Development Goals (SDG's) set by the UN.

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

MANAGING SUSTAINABILITY AT NOKIAN TYRES



*Operating from January 2022

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 section Significant Risks and Uncertainties and in the Corporate Governance Statement.

NEW MATERIAL TOPICS DEFINED IN 2021

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

GUIDING PRINCIPLES FOR NOKIAN TYRES' SUSTAINABILITY

Sustainability is a part of our company's culture, strategy and goals. The management of sustainability is based on our values: we care, drive innovation and deliver high results together. Our Sustainability Management is guided by Nokian Tyres Code of Conduct, Whistleblowing, Know Your Counterparty Guidelines, and policies such as Environment, Safety and Quality Policy, Group Treasury Policy, Group Credit Policy, Tax Policy, Risk Management Policy, Procurement Policy, Sustainable Natural Rubber Policy, Disclosure Policy, Information Security Policy, and Data Protection Policy.

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 are committed to acting in a way that does not harm the environment or people.	We are committed to sustainable procurement and further developing sustainability in our supply chain.
ESSENTIAL STANDARDS, GROUP POLICIES AND PROCEDURES RELATED TO SUSTAINABILITY				
Tire/vehicle safety regulations (UN tire regulations), various tire labelling (consumer information) regulations and standards (EU Tyre Labeling regulation), chemical regulation, Nokian Tyres tire testing policy, UN Global Compact.	Policies and procedures related to safety, well-being, hiring, induction, people reviews and competence development, human rights and equality. ISO 45001, Travel Policy, UN Global Compact.	Stock exchange rules, IFRS, Corporate Governance, risk management, Know Your Counterparty, Tax Policy, UN Global Compact.	ISO 14001, Environmental Management, Chemical Safety Management, Responsible Care program, Science Based Targets, UN Global Compact.	Procurement policy, Supplier Code of Conduct, Sustainable Natural Rubber Policy, ISO 9001, ISO 14001, UN Global Compact.
LOCAL GUIDELINES AND PROCEDURES				

Information Statement, the topics of which are based on the material assessment.

The company conducted a new 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. Traffic safety of tires

NEW SUSTAINABILITY TARGETS FINALIZED IN 2021

In 2021, Nokian Tyres finalized its new sustainability targets. They are presented on the company's website Sustainability Goals and Achievements /Nokian Tyres. The chart on the next page describes five of the targets, with respective KPIs and results for 2021.

Area	Target	KPI	Progress in 2021
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 share of sustainable raw materials in selected tires[1]	Status in 2021: 25%
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 Company Sustainability Report in Spring 2022
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	Negative development. LTIF increased from 3.7 to 4.1
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	Status in 2021: 65% audited
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	Status in 2021: score on equality was 66 on a scale of 0–100 [2]

[1] Scope: Tires in the EU Tyre labeling classification for rolling resistance in A or B class and with ice grip marking
[2] Figure does not include Vianor, total results will be confirmed in February

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 mission, 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' Sponsoring and Philanthropy Policy, which will be updated in 2022.

In 2021, Nokian Tyres continued to support the traffic safety education for local school children in Nokia, Finland, and donated books for safety education. 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 2021, the Dayton committee gave two college scholarships to high school graduates in order to support educational efforts. In partnership with Powdr Ski Resort, the company also supported One-Tree-Planted, a non-profit organization, and planted 50k trees.

In Russia, Nokian Tyres donated tires to ambulances in the Moscow and St. Petersburg regions to help hospitals cope with the ongoing pandemic. The company continued Eco Challenge, a campaign for emptying illegal tire landfills.

To support communities in the fight against the spread of the pandemic, the company has organized onsite vaccination clinics in all its factory locations.

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.

The factories in Finland, Russia and the US, as well as the Swedish sales company Nokian Däck AB are certified pursuant to the international ISO 14001 environmental management system standard and the ISO 9001 quality system standard. The company has held IATF 16949 approval for the automotive industry since 2013.

The company has defined its climate-related risks and opportunities according to the recommendations of Task Force on Climate-Related Financial Disclosures (TCFD). In 2021, the risks and opportunities were reassessed.

Climate-related risks

RISK GROUP	SUBCATEGORY	EXAMPLES OF CONCRETE RISKS
Regulatory	Emerging regulation	Deforestation-related regulation, mostly concerning natural rubber. Green regulation on aviation and maritime fuels can significantly increase costs of logistics.
	Further green labeling	Additional taxes and duties e.g. EU's CBAM for fossil raw materials can increase prices.
	Stricter expectations to oversight	
Physical	Extreme weather events	Disruptions in logistics.
	Extreme temperatures	Contamination of raw materials.
Technological	Climate-related demands for new tire technology	A+ rolling resistance tires required for EVs. 150 km/h max speed for EU – demand for UHP (Ultra High Performance) tires fall.
	Materials technology	Requirements for non-renewable material replacements.
Market and reputation	Market changes	Shift from car ownership to mobility-as-a-service i.e. changing customer base. Green energy prices will go up due to strong demand. Availability of renewable and recycled raw materials can limit plans for sustainability. Increased demand for year-round tires and less winter tires.
	Reputational risk	Deforestation scandals (natural rubber).

Climate-related opportunities

OPPORTUNITY GROUP	SUBCATEGORY	EXAMPLES OF CONCRETE OPPORTUNITIES
Innovation	Raw materials	Innovations with renewable materials.
	Recycling	Recycling system of tires still missing in many countries, Scandinavian system can be used as an example.
	Climate-friendly technology	Lower rolling resistance.
	Energy-efficient production	Modern machinery used in Nokian Tyres' factories.
Product range	Competitive advantage	Nokian Tyres designs and manufactures tires for challenging conditions. Typically, electric vehicles have larger and more expensive tires. Ensuring good offering in this product segment.
	EU further labeling for sustainable tires	Existing focus on sustainable natural rubber and developing wear resistance.
	Industrial (heavy) tires	We have existing expertise to provide climate-friendly solutions.
Engagement	Consumers	
	Policy makers	Increased preparedness for new regulations or incentives.
	Shareholders/stakeholders	
Regulatory	Renewable Energy Directive	More renewable energy available in EU, prices can decrease.
	Green legislation	Global carbon tax or similar would improve NT's competitive position.

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. 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 Suomen Rengaskierrätys Oy, which centrally manages the collection and reuse of used tires in Finland. In Finland, nearly 100% of decommissioned tires are recycled, and in Europe, the degree of recycling is approximately 95%. Together with some other major tire manufacturers, Nokian Tyres has established the Eco Tire Association in Russia. In 2021, Nokian Tyres continued to empty illegal tire landfills in Russia in the “Eco Challenge” together with the EcoShinSoyuz (EcoTyresUnion). With the project, Nokian Tyres wants to increase public awareness of tire disposal as the recycling rate in Russia is still low.

Unfortunately, the VOC emissions (volatile organic compounds, or solvents) of the Nokian Tyres’ factory in Finland are still above the maximum allowed level. Evaluation of further measures to solve the problem has been started. In Finland, Nokian Tyres received one environmental complaint in 2021 concerning noise at the Finnish factory. The company was also contacted concerning odor and noise emissions from local residents in Sastamala, Finland, where our retreading unit is located. The complaints were investigated, and actions implemented. The company received no environmental complaints from the US or Russia.

In 2021, Nokian Tyres received one environmental fine for instances of non-compliance with laws and regulations at the US factory. Due to the lack of regular pressure monitoring in mixing department for three months the company was fined 3,000 USD.

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 2021, 100% of factory waste in Finland and Russia, and 99.5% in the US was sent to reutilization.

Utilization degree of waste

	2019	2020	2021
Finnish factory	100%	100%	100%
Russian factory	90%	99%	100%
US factory	–*	99%	99.5%

* US factory started operating in 2020.

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 new Taxonomy regulation has now 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 35% of Nokian Tyres’ total net sales in 2021. Based on our assessment, these economic activities are eligible for the EU Taxonomy criteria. Share of Opex within the scope of EU Taxonomy was 31% and share of Capex within the scope of EU Taxonomy was 26%.

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

KPI	Total (EUR million)	Proportion of Taxonomy eligible economic activities	Proportion of Taxonomy non-eligible economic activities
Net sales	1,714	35%	65%
Capital expenditure	120	26%	74%
Operating expenditure	40	31%	69%

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 labeling 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 2021, a total of 96.3% of Nokian Tyres' personnel took part in a People Review (93.0% in 2020).

In 2021, Nokian Tyres conducted a personnel survey Drive! to measure well-being, equality, inclusion and engagement inside the organization. In the company wide survey, 89% of employees gave positive or neutral responses to a question about the overall feeling at the moment (86% in a pulse survey conducted in 2020). To a question concerning equality, we received a score of 66 on a scale of 0-100 (Vianor not included as their survey results are available in February), which is 6 points below the global benchmark. After assessing the results of the survey, improving equality was made 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 ongoing efforts related to data protection continued throughout the year. In particular, Nokian Tyres Data Protection Policy was updated, and the Data Protection eLearning content renewed. The renewed eLearning course will be 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, both on the road and in production. The company's goal for 2021 was to reduce the number of workplace injuries by 20% compared to the previous year. Unfortunately, this goal was not met, and the group wide accident rate (LTIF) increased by 11% to 4.1 (3.7 in 2020). At the same time, the Nokian Heavy Tyres celebrated two years without accidents leading to absences in January 2022. Work to improve safety continues by minimizing the possibilities for human errors.

Lost-time injury frequency (LTIF)

2017	2018	2019	2020	2021
7.5	8.3	4.3	3.7	4.1

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. By 2020, the company had reduced the rolling resistance of its product range by 8.5% in average compared to the 2013 baseline and exceeded the target set for 2020. This reduction target is no longer followed as the company set new sustainability targets for 2025.

In 2021, Nokian Tyres set a new goal for developing the rolling resistance of its tires: By 2025, the company aims to have at least 60 tires in the best rolling resistance A class of EU Tyre labeling system. In 2022, the company aims to add 10 new tires to the best rolling resistance A class in EU Tyre labeling.

Nokian Tyres products in the rolling resistance A class *

Status in 2021	Goal for 2022	Goal for 2025
14	24	60

* Tires included in the EU Tyre labeling

Developing wet grip and ice grip

Nokian Tyres participates actively in developing the EU Tyre labeling 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 labeling 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 labeling. We will report the progress annually.

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

Status in 2021	Goal for 2025
89%	100%

* Selected scope: Tires in price category A and included in the EU Tyre labeling, 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 labeling includes a new label for snow grip marking as well as ice grip marking. A tire that is approved for severe snow conditions has the snow grip marking, and a tire that passes the international ice grip test method has the ice grip marking on their label. Our new goal for the winter tire safety performance level is that 100% of Nordic Hakkapeliitta winter car and SUV tires fulfill the new 2021 EU ice grip criteria. In 2021, 99.5% fulfilled the criteria.

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. The tire industry has made a joint effort to move towards sustainable natural rubber, including labor rights. Nokian Tyres is a member of the Global Platform for Sustainable Natural Rubber (GPSNR), which is a platform established by WWF, several other nonprofit organizations, rubber traders and processors, and large tire manufacturers.

In September 2021, Nokian Tyres 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 2021, the sustainability audits in natural rubber processing plants continued after being paused due to the start of the pandemic.

In 2021, the company also updated its Supplier Code of Conduct. The updated Supplier Code of Conduct includes new topics, such as local communities and surrounding societies, emergency preparedness and prevention, conflict minerals, fair competition, and traceability.

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 are expected to provide Nokian Tyres with a CO_2 emission reduction plan. The action is focused on the biggest emission sources.

SIGNATURES FOR THE NON-FINANCIAL INFORMATION STATEMENT

Helsinki, 8 February 2022

Jukka Hienonen	Pekka Vauramo
Heikki Allonen	Raimo Lind
Veronica Lindholm	Inka Mero
Christopher Ostrander	Jouko Pölönen
George Rietbergen	Jukka Moisio CEO

REMUNERATION REPORT 2021

REMUNERATION REPORT 2021

Personnel and Remuneration Committee – Chairman's greeting

Nokian Tyres showed strong performance during the financial year 2021. Demand in the replacement tire market started recovering quickly in late 2020 and continued to be strong throughout 2021. At the same time, raw material and logistics costs increased sharply, and there was a shortage of containers and transport capacity. Uncertain outlooks caused by the COVID-19 pandemic where still present, although market conditions improved rapidly. Nokian Tyres was quickly able to respond to the increased demand and achieved all time high net sales in 2021.

As stated in our Remuneration Policy, Nokian Tyres remuneration should always advance strategy execution, business objectives and long-term profitability of the Company. Measures were taken to maintain this commitment in 2021. The Nokian Tyres Performance Share Plan, intended for the President and CEO, Management Team and other key personnel, was continued for the performance period 2021–2023. Performance will be measured with segments EPS and segments ROCE, targets that are closely linked to our revised mid-term strategy. The Company's main short-term incentive plan in 2021 measured financial performance with net sales, segments operating profit and operative cash flow, all of which delivered good results during 2021. For the upcoming financial year 2022, Nokian Tyres will launch performance criteria tied to sustainability targets for the President and CEO and the Management Team. For year 2022, achieving greenhouse gas reduction targets is part of Nokian Tyres' Management Team incentives.

Nokian Tyres is dedicated to producing first-class products for its customers and value for its shareholders. Nokian Tyres remuneration will continue to support these objectives. I am looking forward to financial year 2022, the next steps in our strategy towards EUR 2 billion in net sales with improved profitability, as well as doing our part in the battle against climate change.

Sincerely,

Veronica Lindholm
Chairman of the Personnel and Remuneration Committee of Nokian Tyres Board of Directors

“ Nokian Tyres remuneration should always advance strategy execution, business objectives and long-term profitability of the Company.

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 2021. 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 2021. 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 the 2021 Annual General Meeting. The 2021 Annual General Meeting resolved to adopt the Company's Remuneration Report 2020 through an advisory resolution supported by approximately 88% of the votes cast at the 2021 Annual General Meeting, indicating approval of the Remuneration Report 2020 by the shareholders of the Company.

An index comparison is presented in the table below and a further breakdown of the development of the remuneration of the Board of Directors and President and CEO of the Company with a comparison to the development of the average remuneration of the Company's employees and to the Company's financial development over the preceding 5 financial years is presented below under the section "*Remuneration and financial development between 2017 to 2021*".

Index of development between years 2017–2021

Remuneration index	**2017**	**2018**	**2019**	**2020**	**2021**
Total Board remuneration - Average annual fee paid to Board members[2]	100%	106%	107%	119%	113%
President and CEO salaries and financial benefits	100%	278%	105%	147%	90%
Average salary cost per employee[3]	100%	99%	97%	95%	113%
Financial measures index[1]					
Operating profit	100%	102%	87%	33%	73%
Earnings per share (EPS)	100%	132%	177%	38%	91%
Return of capital employed (ROCE)	100%	104%	79%	27%	61%

[1] Financial measures used for index according to IFRS reporting. Segments figures in accordance to Nokian Tyres new reporting practices available (2019, 2020 and 2021) in section "Remuneration and financial development between 2017 to 2021". 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 (2017–2020: 8 Board members, 2021: 9 Board members) and excluding fees paid to members leaving during following term. Further details in section " Remuneration and financial development between 2017 and 2021".

[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 very strong performance during the financial year 2021, net sales with comparable currencies increased by 29.7% and segments operating profit improved. Segments operating profit margin for the financial year 2021 was 19.0%. Due to the challenging conditions caused by COVID-19 in 2020 and the ongoing uncertainty caused by the pandemic, cash flow continued to be in focus. The Board of Directors therefore decided to reiterate and incentivize protection of the Company's cash flow. Nokian Tyres operative cash flow was set as a performance criteria for all employees eligible for Nokian Tyres Global Short-term Incentive plan (approx. 1,500 employees). The other Group level financial target for all eligible employees was Nokian Tyres segments operating profit. The President and CEO Jukka Moisio's short-term performance was measured against these criteria, both with an equal 50% weight. Both performance criteria were in alignment with the current Remuneration Policy and delivered excellent results. Nokian Tyres showed a strong recovery during the financial year 2021, with substantial growth in both sales and segments operating profit.

In September 2021, Nokian Tyres announced its revised mid-term strategy. The mid-term financial strategy underlines the following financial targets:

Growing faster than the market:
Net sales EUR 2 billion

High returns and profitability:
Segments operating profit and segments ROCE at the level of 20%

Growing ordinary dividend:
Dividend above 50% of net earnings

The revised mid-term strategy is closely linked with the Nokian Tyres Remuneration Policy, which states: "The executive remuneration of the Company is designed to advance the strategy execution, business objectives and long-term profitability of the Company. Nokian Tyres aims to grow faster compared to the reference market, to have strong profitability and offer good returns to the shareholders." To support the strategy, the long-term growth, retention and motivation, Nokian Tyres has two annually commencing long-term share-based plans, under discretion of the Board of Directors' decision. The long-term share-based plans mainly have performance periods of a minimum of three years. The Nokian Tyres Performance Share Plan is measured through the following Group level financial KPIs: segments EPS (Earnings per share) and segments ROCE (Return on capital employed). The set KPIs are strongly aligned with long-term strategical goals and shareholder value growth. The Nokian Tyres Restricted Share Plan is designed as a complementary component to other long-term incentives and can be used in situations such as new hires and retentions at the Board's discretion. The restricted shares typically have a vesting period of three years. Nokian Tyres published a Stock Exchange Release February 9, 2021, describing the above mentioned two shared-based plans commencing during the financial year 2021. A stock exchange release relating to the commencement of new Performance and Restricted Share Plans during the financial year 2022 was published on February 8th, 2022.

In order to further align the interests of the President and CEO with the interests of shareholders regarding the financial development of the Company, the Board of Directors decided to apply a threshold value for average ROCE over the vesting period for the President and CEO and Nokian Tyres Management Team, for Restricted Share Plans commencing 2019, 2020, 2021 and 2022. During the financial year 2021, 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 2021 – 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 2021

Nokian Tyres 2021 Annual General Meeting decided the following annual fees to be paid to the Board of Directors serving during the financial year 2021:

Chairman of the Board:
A fee of EUR 102,500 per year;

Deputy Chairman of the Board and the Chairman of the Audit Committee:
A fee of EUR 72,500 per year

Other members of the Board:
A fee of EUR 50,000 per year

For each Board and Board Committee meeting the fee was 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 was tripled. For Board members resident outside Europe, the fee for each meeting outside a member's home country was tripled. If a member participated in a meeting via telephone or video connection, the remuneration was EUR 700. Travel expenses were 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	102,500	7,500	2,700	112,700	1,297
Raimo Lind	Board member / Chairman of the Audit Committee	72,500	7,500	3,400	83,400	917
Pekka Vauramo	Deputy Chairman / Member of the Personnel and Remuneration Committee	72,500	6,800	2,700	82,000	917
Heikki Allonen	Board member / Member of the Audit Committee	50,000	7,500	3,400	60,900	632
Inka Mero	Board member / Member of the Audit Committee	50,000	7,500	3,400	60,900	632
Veronica Lindholm	Board member / Chairman of the Personnel and Remuneration Committee	50,000	7,500	2,700	60,200	632
Jouko Pölönen	Board member / Member of the Audit Committee	50,000	6,300	2,800	59,100	632
George Rietbergen	Board member	50,000	7,500	–	57,500	632
Christopher Ostrander	Board member	50,000	7,700	–	57,700	632
Kari Jordan	Deputy Chairman and Chairman of the Personnel and Remuneration Committee (until March 30, 2021)	–	1,200	600	1,800	–

[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 6th, 2021. The Company paid asset transfer taxes arising from the acquisition of shares.

Remuneration of the President and CEO 2021

President and CEO	Fixed annual salary (incl. holiday compensation)	Monthly base salary	Paid salary during financial year 2021	Paid performance-based bonuses (based on year 2020)	Due performance-based bonuses (based on year 2021)[1]	Total value of awarded share-based bonus	Supplementary pension contribution	Severance payment	Total fees paid during financial year 2021
Jukka Moisio	778,680	61,800	755,328	402,632	730,800	–	–	–	1,157,960

Note: All amounts presented are in EUR.
[1] Due performance-based bonuses (based on year 2021) will be paid during the financial year 2022.

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.

As decided by the Board of Directors, President and CEO Jukka Moisio was granted a salary increase of 3.0%, effective from July 1st, 2021. The monthly base salary during January–June 2021 was 60,000 EUR and after the 3.0% increase, the monthly base salary between July–December 2021 was 61,800 EUR.

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 2021 were tied to Nokian Tyres segments operating profit and Nokian Tyres operative cash flow. Both measures were in alignment with the current Remuneration Policy and had an equal weight of 50%. The performance period was the financial year 2021. The paid base salary during the financial year 2021 functioned as the basis for the incentive payout. The combined achievement for the set targets for the financial year is 200% (100% being the target level and 200% maximum) and the short-term incentive payout to President and CEO Jukka Moisio is 730,800 EUR. The proportion between fixed and variable pay linked to the financial year 2021 is 49.2% variable pay and 50.8% fixed pay. The actual payment of the 2021 short-term incentive reward will take place during the first half of the financial year 2022.

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 31,013 performance-based shares from Nokian Tyres Performance Share Plan 2021–2023 during the financial year 2021. The possible reward will be paid during the first half of the financial year 2024, in case the targets set by the Board of Directors are met. The targets set for Nokian Tyres Performance Share Plan 2021–2023 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 2021.

Nokian Tyres has temporarily deviated from the adopted Remuneration Policy during the financial year 2021. 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 and 2022, 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 is measured against a pre-set average threshold value for ROCE (a minimum value that must be achieved in order for the share reward to be delivered), for the three-year vesting period of each Restricted Share Plan. President and CEO Jukka Moisio has not been granted shares from the Restricted Share Plan 2021–2023. A threshold value tied to average ROCE between the financial years 2021–2023 will be applied to any Management Team allocations, as well as for the Restricted Share plan commencing in 2022, with a vesting period between 2022–2024, as described in the Company's stock exchange release published on February 8th, 2022.

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 ROCE 2020–2022	H1/2023
Performance share plan 2021–2023	31,013	62,026	Segments ROCE (50% weight) & Segments EPS (50% weight)	H1/2024
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 is 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 2021.

Remuneration and financial development between 2017 and 2021

		2017	2018	2019	2020	2021
Board remuneration, total pay EUR						
Jukka Hienonen		–	–	–	105,800	**112,700**
Raimo Lind		74,400	78,900	76,500	85,600	**83,400**
Pekka Vauramo		–	52,200	53,400	63,100	**82,000**
Heikki Allonen		53,800	54,000	54,600	63,100	**60,900**
Inka Mero		53,200	54,000	54,600	63,100	**60,900**
Veronica Lindholm		52,000	57,000	56,400	65,500	**60,200**
Jouko Pölönen		–	–	–	–	**59,100**
George Rietbergen		56,800	53,400	54,600	60,100	**57,500**
Christopher Ostrander		–	–	–	–	**57,700**
Kari Jordan		–	75,900	78,300	87,400	**1,800**
Petteri Walldén		93,800	102,000	101,400	6,600	**–**
Tapio Kuula		70,200	–	–	–	**–**
Hille Korhonen		43,000	–	–	–	**–**
Total (excl. fees paid to leaving members)[1]		497,200	527,400	529,800	593,700	**634,400**
Board size, number of members		8	8	8	8	**9**
Average total pay per member[1]		62,150	65,925	66,225	74,213	**70,489**
Index		**100%**	**106.1%**	**106.6%**	**119.4%**	**113.4%**
President and CEO, total pay EUR						
Jukka Moisio	May 27, 2020–	–	–	–	429,611	**1,157,960**
Hille Korhonen	Jun 1, 2017–May 26, 2020	411,540	3,601,862	1,362,987	1,472,192	**–**
Andrey Pantyukhov	Jan 1, 2017–May 31, 2017	235,940	–	–	–	**–**
Total		1,293,709	3,601,862	1,362,987	1,901,803	**1,157,960**
Index		**100%**	**278.4%**	**105.4%**	**147.0%**	**89.5%**
Andrey Pantyukhov acted as interim President and CEO between Jan 1, 2017–May 31, 2017						
Employee remuneration, average EUR						
Salaries, incentives, and other related costs, MEUR		224,7	228,9	235,3	224,7	**270,7**
Group employees on average during financial year		4,630	4,790	4,995[2]	4,859	**4,941**
Average per year, k EUR		48.53	47.79	47.10	46.24	**54.79**
Index		**100%**	**98.5%**	**97.1%**	**95.3%**	**112.9%**
Financial development 2017–2021						
Operating profit, MEUR		365.4	372.4	316.5	120.0	**268.2**
Segments operating profit, MEUR		–	–	337.2	190.2	**324.8**
Index[3]		**100%**	**101.9%**	**86.6%**	**32.8%**	**73.4%**
EPS, EUR		1.63	2.15	2.89[4]	0.62	**1.49**
Segments EPS, EUR		–	–	3.04[4]	1.04	**1.84**
Index[3]		**100%**	**131.9%**	**177.3%**	**38.0%**	**91.4%**
ROCE,%		22.4%	23.3%	17.6%	6.0%	**13.7%**
Segments ROCE,%		–	–	18.6%	9.3%	**15.8%**
Index[3]		**100%**	**104.0%**	**78.6%**	**26.8%**	**61.2%**

[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 and Kari Jordan from 2021 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 2019–2021 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 2022

The Annual General Meeting will be held on Thursday, April 28, 2022 at 10.00 a.m. (EET) with exceptional meeting procedures without shareholders' and their proxy representatives' presence at the General Meeting venue.

More information: www.nokiantyres.com/annualgeneralmeeting2022

Dividend payment

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 1.32 per share. The dividend is proposed to be paid in two instalments for the financial year 2021, representing a payout ratio of 89%.

Change of address

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

Financial information

Nokian Tyres publishes financial information in Finnish and English. Financial reports, statements, and stock exchange releases are available at www.nokiantyres.com/investors.

Comprehensive investor relations pages contain information on Nokian Tyres' share, largest shareholders registered in Finland and upcoming IR events, among others.. Comprehensive investor relations pages contain information on Nokian Tyres' share, largest shareholders registered in Finland and upcoming IR events, among others.

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

Financial reports in 2022

- Interim Report January–March: April 27, 2022
- Half-year Report January–June: August 2, 2022
- Interim Report January–September: November 1, 2022

Silent period

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

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

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

Flagging notifications

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

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

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

IR contact information

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

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