

Nokian Tyres plc Half Year Financial Report January–June 2020, August 4, 2020, 2:00 p.m.

## **Nokian Tyres plc Half Year Financial Report January–June 2020: COVID-19 and Russia impacting second quarter – Strong balance sheet supporting in difficult times**

### **April–June 2020**

- Net sales were EUR 270.7 million (415.7 in April–June 2019). With comparable currencies, net sales decreased by 31.9% especially due to COVID-19 and measures taken to reduce high carry-over stocks in the Russian distribution channel.
- Segments operating profit was EUR 24.4 million (98.8), with no significant currency impact. The decline was driven by lower volumes and underabsorption of factory costs. EUR 47.3 million of expenses were booked as non-IFRS exclusions. Operating profit was EUR -22.8 million (94.1).
- Segments earnings per share were EUR 0.09 (0.57). Earnings per share were EUR -0.18 (0.53).
- Cash flow from operating activities was EUR 25.3 million (-20.8).

### **January–June 2020**

- Net sales were EUR 550.5 million (756.1 in January–June 2019). With comparable currencies, net sales decreased by 25.0% especially due to COVID-19, measures taken to reduce high carry-over stocks in the Russian distribution channel, and mild winter in all main markets.
- Segments operating profit was EUR 40.8 million (155.5), with no significant currency impact. The decline was driven by lower volumes and underabsorption of factory costs. EUR 54.6 million of expenses were booked as non-IFRS exclusions. Operating profit was EUR -13.7 million (148.0).
- Segments earnings per share were EUR 0.16 (2.01; positively impacted by EUR 1.08 related to the rulings on the tax disputes). Earnings per share were EUR -0.16 (1.94; positively impacted by EUR 1.08 related to the rulings on the tax disputes).
- Cash flow from operating activities was EUR -13.6 million (-89.8).
- Guidance was withdrawn in March 2020 due to increased uncertainty in the car and tire market. Given the continuous uncertainties, the company refrains from giving a guidance for 2020.

### **Jukka Moisio, President and CEO:**

“Nokian Tyres’ 2020 second quarter results were strongly impacted by the COVID-19 pandemic. While the wide-ranging restrictions have been necessary for health and safety reasons, lockdowns have led to a sharp drop in the global car and tire demand. Consequently, net sales of Passenger Car Tyres and Heavy Tyres declined in the second quarter. In addition, Passenger Car Tyres sales were negatively impacted by the measures taken in Russia to reduce high carry-over stocks in the distribution channel, as announced early 2020. Vianor’s performance was excellent in the difficult circumstances.

I am pleased that our rapidly implemented measures to prevent the COVID-19 spread and to maintain business continuity have proven to be effective. This would not have been possible without a high level of commitment and flexibility of our team members. Despite the exceptional situation, our strategy and short-term priorities are clear: We provide our customers with world-class products and services while keeping costs in strict control and protecting cash flow by cutting back investments, managing working capital, and delaying activities.

Nokian Tyres has a strong balance sheet, and we have further strengthened our liquidity position in the first half. In addition, cash flow from operations turned positive in the second quarter as we managed our cash flow and took manufacturing downtime to reduce inventory levels.

Looking beyond the current headwinds, there are many opportunities around us to develop business further. We have invested significantly in the past quarters, and the capacity and capability now available will help us increase sales when the market rebounds. With our valued brand and a strong, capable team that has performed well during this exceptional situation, we will be successful in quarters to come.”

## Key figures, EUR million

	4–6 /20	4–6 /19	Change %	CC* Change %	1–6 /20	1–6 /19	Change %	CC* Change %	2019
Net sales	<b>270.7</b>	415.7	-34.9%	-31.9%	<b>550.5</b>	756.1	-27.2%	-25.0%	1,585.4
Operating profit	<b>-22.8</b>	94.1			<b>-13.7</b>	148.0			316.5
Operating profit %	<b>-8.4%</b>	22.6%			<b>-2.5%</b>	19.6%			19.8%
Profit before tax	<b>-26.9</b>	88.9			<b>-21.2</b>	179.5			336.7
Profit for the period	<b>-24.8</b>	73.0			<b>-22.4</b>	267.6			399.9
EPS, EUR **	<b>-0.18</b>	0.53			<b>-0.16</b>	1.94			2.89
Segments operating profit	<b>24.4</b>	98.8			<b>40.8</b>	155.5			337.2
Segments operating profit %	<b>9.0%</b>	23.8%			<b>7.4%</b>	20.6%			21.3%
Segments EPS, EUR**	<b>0.09</b>	0.57			<b>0.16</b>	2.01			3.06
Segments ROCE, %***					<b>10.6%</b>	17.2%			18.6%
Equity ratio, %					<b>63.3%</b>	70.5%			75.9%
Cash flow from operating activities	<b>25.3</b>	-20.8			<b>-13.6</b>	-89.8			219.8
Gearing, %					<b>16.3%</b>	15.7%			2.3%
Interest-bearing net debt					<b>254.1</b>	252.0			41.1
Capital expenditure	<b>36.6</b>	93.7			<b>87.5</b>	148.0			299.6

\* Comparable currencies

\*\* EPS 1-6/2019 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 0.86. Segments EPS 1-6/2019 excl. the impact were EUR 0.93.

\*\*\* Rolling 12 months

## Market situation

	<b>The Nordic countries</b>	<b>Russia</b>	<b>Europe (excl. the Nordic countries)</b>	<b>North America</b>
New car sales in 1-6/2020 y-o-y	-25%	-23%	-40%	-25%
Car tire sell-in in 1-6/2020 y-o-y	-11%	-33%	-19%	-22%
Car tire demand E2020 (management estimate)	decline	decline	decline	decline
Heavy tire segments* E2020 (management estimate)	decline	decline	decline	decline

\* Nokian Tyres' core product segments

## FINANCIAL RESULTS IN APRIL–JUNE 2020

Net sales in April–June 2020 decreased by 34.9% and amounted to EUR 270.7 million (April–June 2019: 415.7). With comparable currencies, net sales decreased by 31.9% especially due to slowing economic activity caused by COVID-19 and measures taken to reduce high carry-over stocks in the Russian passenger car tyres' distribution channel. Currency exchange rates affected net sales negatively by EUR 12.3 million.

### Net sales by geographical area

	M€ 4–6/20	M€ 4–6/19	Change %	CC* Change %	M€ 2019
Nordics	131.3	152.3	-13.8%	-9.2%	613.2
Other Europe	64.6	91.2	-29.2%	-26.3%	375.5
Russia and Asia	39.8	99.4	-60.0%	-56.3%	324.3
Americas	27.1	55.4	-51.1%	-51.4%	209.3
Other	7.9	17.4	-54.4%	-57.1%	63.2
<b>Total</b>	<b>270.7</b>	<b>415.7</b>	<b>-34.9%</b>	<b>-31.9%</b>	<b>1,585.4</b>

\* Comparable currencies

### Net sales by business unit

	M€ 4–6/20	M€ 4–6/19	Change %	CC* Change %	M€ 2019
Passenger Car Tyres	163.9	296.8	-44.8%	-42.0%	1,123.8
Heavy Tyres	40.5	47.8	-15.3%	-13.1%	202.7
Vianor	80.8	89.8	-9.9%	-5.4%	336.5
Other operations and eliminations	-14.5	-18.6	22.1%		-77.6
<b>Total</b>	<b>270.7</b>	<b>415.7</b>	<b>-34.9%</b>	<b>-31.9%</b>	<b>1,585.4</b>

\* Comparable currencies

Raw material unit costs (EUR/kg) in manufacturing decreased by 7.5% year-over-year, negatively impacted by currencies, and by 5.3% from the first quarter of 2020.

Segments operating profit amounted to EUR 24.4 million (98.8). The decline was mainly due to COVID-19 (impact approximately EUR -40 million), lower volumes in Russia (impact approximately EUR -20 million), and low factory utilization rate.

The second quarter segments operating profit includes EUR 47.3 million of expenses as non-IRFS exclusions related to the impairments and write-downs in the Vianor (EUR 18 million) and Passenger Car Tyres business (EUR 7 million), the unification of the Group's accounting principles of product development costs (EUR 11 million), and non-operative items which are not indicative of Nokian Tyres' underlying business performance (EUR 6 million). Furthermore, the non-IFRS exclusions include EUR 5.8 million related to the US factory ramp-up.

Operating profit was EUR -22.8 million (94.1).

### Segments operating profit by business unit

	M€ 4–6/20	M€ 4–6/19	M€ 2019

Passenger Car Tyres	13.6	84.7	308.5
Heavy Tyres	2.6	8.3	35.7
Vianor	9.6	9.4	7.7
Other operations and eliminations	-1.3	-3.5	-14.7
Segments operating profit total	24.4	98.8	337.5
Non-IFRS exclusions	-47.3	-4.7	-20.8

### Financial items and taxes

Net financial expenses were EUR 4.2 million (5.2), including net interest expenses of EUR 2.1 million (1.5). Net financial expenses include an expense of EUR 2.0 million (3.7) due to exchange rate differences. Segments profit before tax was EUR 20.3 million (93.6). Profit before tax was EUR -26.9 million (88.9) and taxes were EUR 2.1 million (-15.9). Segments profit for the period amounted to EUR 12.7 million (77.7; positively impacted by EUR 149.6 million related to the rulings on the tax disputes concerning the years 2007–2011). Profit for the period amounted to EUR -24.8 million (73.0). Segments earnings per share were EUR 0.09 (0.57), and earnings per share were EUR -0.18 (0.53).

### Cash flow

In April–June 2020, cash flow from operating activities was EUR 25.3 million (-20.8). Working capital increased by EUR 8.5 million (increased by 112.2). Inventories decreased by EUR 33.9 million (decreased by 3.7) and receivables decreased by EUR 2.4 million (increased by 139.0). Payables decreased by EUR -44.7 million (increased by 23.0).

## FINANCIAL RESULTS IN JANUARY–JUNE 2020

Net sales in January–June 2020 decreased by 27.2% and amounted to EUR 550.5 million (January–June 2019: 756.1). With comparable currencies, net sales decreased by 25.0% especially due to COVID-19, measures taken to reduce high carry-over stocks in the Russian passenger car tire distribution channel, and mild winter in all main markets. Currency exchange rates affected net sales negatively by EUR 16.8 million.

### Net sales by geographical area

	M€ 1–6/20	M€ 1–6/19	Change %	CC* Change %	M€ 2019
Nordics	250.4	273.4	-8.2%	-4.7%	613.2
Other Europe	125.4	162.3	-22.7%	-21.1%	375.5
Russia and Asia	96.3	192.1	-49.9%	-47.2%	324.3
Americas	65.0	99.1	-34.4%	-35.0%	209.3
Other	13.4	29.1	-54.8%	-54.8%	63.2
Total	550.5	756.1	-27.2%	-25.0%	1,585.4

\* Comparable currencies

### Net sales by business unit

	M€ 1–6/20	M€ 1–6/19	Change %	CC* Change %	M€ 2019
Passenger Car Tyres	354.4	549.8	-35.5%	-33.4%	1,123.8
Heavy Tyres	91.6	96.1	-4.6%	-3.3%	202.7
Vianor	135.3	146.7	-7.8%	-3.9%	336.5

Other operations and eliminations	<b>-30.8</b>	-36.5	15.7%		-77.6
<b>Total</b>	<b>550.5</b>	756.1	-27.2%	-25.0%	1,585.4

\* Comparable currencies

Raw material unit costs (EUR/kg) in manufacturing decreased by 5.3% year-over-year, negatively impacted by currencies.

Segments operating profit amounted to EUR 40.8 million (155.5). The decline was mainly due to COVID-19 (impact approximately EUR -50 million), lower volumes in Russia (impact approximately EUR -40 million), and low factory utilization rate.

The segments operating profit for January-June includes EUR 54.6 million of expenses as non-IFRS exclusions related to the impairments and write-downs in the Vianor (EUR 18 million) and Passenger Car Tyres business (EUR 7 million), the unification of the Group's accounting principles of product development costs (EUR 11 million), and non-operative items which are not indicative of Nokian Tyres' underlying business performance (EUR 6 million). Furthermore, the non-IFRS exclusions include EUR 13.1 million related to the US factory ramp-up.

Operating profit amounted to EUR -13.7 million (148.0).

### Segments operating profit by business unit

	<b>M€</b>	<b>M€</b>	<b>M€</b>
	<b>1-6/20</b>	<b>1-6/19</b>	<b>2019</b>
Passenger Car Tyres	<b>39.5</b>	150.7	308.5
Heavy Tyres	<b>10.8</b>	17.3	35.7
Vianor	<b>-2.8</b>	-2.6	7.7
Other operations and eliminations	<b>-6.7</b>	-9.8	-14.7
Segments operating profit total	<b>40.8</b>	155.5	337.5
Non-IFRS exclusions	<b>-54.6</b>	-7.5	-20.8

### Financial items and taxes

Net financial expenses were EUR 7.4 million (income 31.5; includes a return of EUR 35.9 million related to the rulings on the tax disputes), including net interest expenses of EUR 3.5 million (income 32.5). Net financial expenses includes an expense of EUR 3.9 million (0.9) due to exchange rate differences.

Segments profit before tax was EUR 33.4 million (187.0). Profit before tax was EUR -21.2 million (179.5) and taxes were EUR -1.2 million (88.1). Segments profit for the period amounted to EUR 22.4 million (275.1; positively impacted by EUR 149.6 million related to the rulings on the tax disputes concerning the years 2007-2011). Profit for the period amounted to EUR -22.4 million (267.6; positively impacted by EUR 149.6 million related to the final rulings on the tax disputes). Segments earnings per share were EUR 0.16 (2.01; positively impacted by EUR 1.08 related to the rulings on the tax disputes). Earnings per share were EUR -0.16 (1.94; positively impacted by EUR 1.08 related to the tax disputes).

### Cash flow

In January-June 2020, cash flow from operating activities was EUR -13.6 million (-89.8). Working capital increased by EUR 70.7 million (increased by 410.2). Inventories increased by EUR 7.2 million (increased by 19.7) and receivables increased by EUR 12.5 million (increased by 223.4). Payables decreased by EUR 50.1 million (decreased by 167.1).

### Investments

Investments in January-June 2020 amounted to EUR 87.5 million (148.0). This includes the construction of the new US factory, the testing center in Spain, and production investments in Heavy Tyres. Strategic

projects are generally proceeding in line with plan with some delays due to COVID-19. Depreciations totaled EUR 90.3 million (61.3).

### Financial position on June 30, 2020

Nokian Tyres has implemented actions to strengthen the liquidity position, which as of June 30, 2020 amounted to EUR 734.1 million, including cash, cash equivalents and undrawn committed short- and long-term credit limits (EUR 424.3 million at the end of 2019). In April, additional EUR 125 million committed credit facilities were signed.

	June 30, 2020	June 30, 2019	December 31, 2019
Cash and cash equivalents, M€	403.7	109.3	218.8
Interest-bearing liabilities, M€	657.8	361.3	259.9
of which current interest-bearing liabilities, M€	446.6	116.1	30.9
Interest-bearing net debt, M€	254.1	252.0	41.1
Unused credit limits*, M€	567.3	458.7	561.0
of which committed, M€	330.4	205.5	205.5
Gearing ratio, %	16.3%	15.7%	2.3%
Equity ratio, %	63.3%	70.5%	75.9%
* The current credit limits and the commercial paper program are used to finance inventories, trade receivables, and subsidiaries in distribution chains, thereby controlling the typical seasonality in the Group's cash flow. The commercial paper program was increased from EUR 350 million to EUR 500 million in April 2020.			

### Personnel

Nokian Tyres has taken necessary precautions to ensure health and safety of its employees since the outbreak of COVID-19. These include social distancing, suspending all travel, moving to remote work, where possible, and implementing health practices recommended by different countries. The company announced temporary layoffs in Finland in Q1 to adjust its headcount to lower production levels and declining demand. These actions continued throughout Q2 and are planned to continue in the coming quarters. In all markets, adjustment measures targeted to cost savings were implemented during Q2, and further savings will be implemented in the following quarters if demand is not recovering. Nokian Tyres' Group Management Team has contributed to the savings with a salary reduction equivalent to one month's salary in 2020.

	1-6/20	1-6/19	2019*
Group employees			
on average	4,915	4,816	4,995
at the end of the review period	4,729	4,880	4,847
in Finland, at the end of the review period	1,724	1,793	1,781
in Russia, at the end of the review period	1,565	1,615	1,604
in North America, at the end of the review period	291	262	296
Vianor (own) employees, at the end of the review period	1,504	1,593	1,504

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

## BUSINESS UNIT REVIEWS

### Passenger Car Tyres

	4–6 /20	4–6 /19	Change %	CC* Change %	1–6 /20	1–6 /19	Change %	CC* Change %	2019
Net sales, M€	<b>163.9</b>	296.8	-44.8%	-42.0%	<b>354.4</b>	549.8	-35.5%	-33.4%	1,123.8
Segment operating profit, M€	<b>13.6</b>	84.7			<b>39.5</b>	150.7			308.5
Segment operating profit, %	<b>8.3%</b>	28.5%			<b>11.1%</b>	27.4%			27.4%

\* Comparable currencies

#### April–June 2020

In April–June 2020, net sales of Passenger Car Tyres totaled EUR 163.9 million (296.8). With comparable currencies, net sales decreased by 42.0% as a result of the COVID-19 pandemic and the measures taken in Russia to reduce high carry-over stocks in the distribution channel. Average Sales Price with comparable currencies decreased in April–June 2020 due to measures taken in Russia and as the sales of summer tires increased and the winter tire sales decreased.

Segment operating profit was EUR 13.6 million (84.7). The decline was mainly due to COVID-19 (impact approximately EUR -35 million), lower volumes in Russia (impact approximately EUR -20 million), and low factory utilization rate.

#### January–June 2020

In January–June 2020, net sales of Passenger Car Tyres totaled EUR 354.4 million (549.8). With comparable currencies, net sales decreased by 33.4% as a result of the COVID-19 pandemic, the measures taken in Russia to reduce high carry-over stocks in the distribution channel, and mild winter. Average Sales Price with comparable currencies decreased in January–June 2020 due to measures taken in Russia and as the sales of summer tires increased and the winter tire sales decreased. In January–June 2020, the share of winter tires of sales was 58% (68%), the share of summer tires was 29% (22%), and the share of all-season tires was 13% (10%).

Summer tire inventories in the Russian distribution channel have decreased compared to the previous year, but the level is still higher than normal due to weak and delayed sell-out. Winter tire inventories in the distribution in Russia decreased compared to the previous year, as the company is limiting sell-in in 2020 in order to normalize stock levels, reflecting the weaker consumer demand.

Segment operating profit was EUR 39.5 million (150.7). The decline was mainly due to COVID-19 (impact approximately EUR -45 million), lower volumes in Russia (impact approximately EUR -40 million), and low factory utilization rate in all locations.

Production has been adjusted according to demand in Russia and Finland. In the US factory, recruitment of second shift has been postponed. Production output (pcs) decreased by 39% year-over-year. In January–June 2020, 86% (83%) of passenger car tires (pcs) were manufactured in Russia.

In March, Nokian Tyres launched a new UHP winter tire Nokian Snowproof P, for Central European market. In the review period, Nokian Tyres' products achieved success in several car magazine tests. For more information, see: [www.nokiantyres.com/test-success/](http://www.nokiantyres.com/test-success/).

#### Market situation in Russia

In 2020, the company expects the sales of new cars in Russia to decline by 20–25% compared to 2019, driven by the COVID-19 related restrictive measures and the ongoing economic recession. The total replacement tire market sell-in in Russia in 2020 is expected to decline by approximately 20% compared to 2019, driven by weak demand and high carry-over stocks.



## Heavy Tyres

	<b>4–6</b>	<b>4–6</b>	<b>Change</b>	<b>CC*</b>	<b>1–6</b>	<b>1–6</b>	<b>Change</b>	<b>CC*</b>	<b>2019</b>
	<b>/20</b>	<b>/19</b>	<b>%</b>	<b>Change</b>	<b>/20</b>	<b>/19</b>	<b>%</b>	<b>Change</b>	
				<b>%</b>				<b>%</b>	
Net sales, M€	<b>40.5</b>	47.8	-15.3%	-13.1%	<b>91.6</b>	96.1	-4.6%	-3.3%	202.7
Segment operating profit, M€	<b>2.6</b>	8.3			<b>10.8</b>	17.3			35.7
Segment operating profit, %	<b>6.4%</b>	17.4%			<b>11.8%</b>	18.0%			17.6%

\* Comparable currencies

### April–June 2020

In April–June 2020, net sales of Heavy Tyres totaled EUR 40.5 million (47.8). With comparable currencies, net sales decreased by 13.1% due to lower sales volume especially in OEM. Excluding the Levvyörä acquisition in August 2019, net sales declined by 21.9%.

Segment operating profit was EUR 2.6 million (8.3), negatively impacted by lower volumes and low factory utilization rate.

### January–June 2020

In January–June 2020, net sales of Heavy Tyres totaled EUR 91.6 million (96.1). With comparable currencies, net sales decreased by 3.3%, due to lower sales volume especially in OEM. Excluding the Levvyörä acquisition in August 2019, net sales declined by 11.6%.

Segment operating profit was EUR 10.8 million (17.3), negatively impacted by lower volumes and low factory utilization rate.

A flow of product launches with new innovations continued in January–June. For example, a new truck tire range, Nokian Hakkapeliitta Truck E2, was launched and the production of a new tractor tire, Nokian Ground King, started. In addition, Nokian Tractor King tire range got several new sizes.

## Vianor, own operations

	<b>4–6</b>	<b>4–6</b>	<b>Change</b>	<b>CC*</b>	<b>1–6</b>	<b>1–6</b>	<b>Change</b>	<b>CC*</b>	<b>2019</b>
	<b>/20</b>	<b>/19</b>	<b>%</b>	<b>Change</b>	<b>/20</b>	<b>/19</b>	<b>%</b>	<b>Change</b>	
				<b>%</b>				<b>%</b>	
Net sales, M€	<b>80.8</b>	89.8	-9.9%	-5.4%	<b>135.3</b>	146.7	-7.8%	-3.9%	336.5
Segment operating profit, M€	<b>9.6</b>	9.4			<b>-2.8</b>	-2.6			7.7**
Segment operating profit, %	<b>11.8%</b>	10.4%			<b>-2.1%</b>	-1.8%			2.3%
Number of own service centers at period end	<b>186</b>	188							189

\* Comparable currencies

\*\*Includes EUR 2.0 million profit from sale of real estate

### April–June 2020

In April–June 2020, net sales of Vianor totaled EUR 80.8 million (89.8). With comparable currencies, net sales decreased by 5.4%.

Segment operating profit was EUR 9.6 million (9.4). Timely reaction to market decline in the countries resulted in good performance.

### January–June 2020

In January–June 2020, net sales of Vianor totaled EUR 135.3 million (146.7). With comparable currencies, net sales decreased by 3.9%.

Segment operating profit was EUR -2.8 million (-2.6).

At the end of the review period, Vianor had 186 (188) own service centers in Finland, Sweden, Norway, and the USA.

### Segments Total to Nokian Tyres Total reconciliation

4–6/2020	Net sales	Cost of sales	SGA	Other operating income/ expenses	Operating profit	Financial income/ expenses	Taxes	Profit for the period
Segments Total	270.7	-187.6	-54.4	-4.2	24.4	-4.2	-7.6	12.7
US factory ramp-up		-5.5	-0.3		-5.8		2.7	-3.1
Impairments and write-downs of tangible and intangible assets, and certain other items		-6.2	-13.7	-5.0	-24.9		3.8	-21.1
Unification of the Group's accounting principles of product development costs		-5.7	-4.9		-10.6		2.1	-8.5
Non-operative items and others			-5.6	-0.4	-6.0		1.2	-4.8
Total Non-IFRS exclusion		-17.4	-24.5	-5.4	-47.3		9.8	37.5
Nokian Tyres Total	270.7	-205.0	-78.9	-9.6	-22.8	-4.2	2.1	-24.8

1–6/2020	Net sales	Cost of sales	SGA	Other operating income/ expenses	Operating profit	Financial income/ expenses	Taxes	Profit for the period
Segments Total	550.5	-385.2	-116.5	-8.0	40.8	-7.4	-11.0	22.4
US factory ramp-up		-11.3	-1.8		-13.1		2.7	-10.4
Impairments and write-downs of tangible and intangible assets, and certain other items		-6.2	-13.7	-5.0	-24.9		3.8	-21.1
Unification of the Group's accounting principles of product development costs		-5.7	-4.9		-10.5		2.1	-8.4
Non-operative items and others			-5.6	-0.4	-6.0		1.2	-4.8
Total Non-IFRS exclusion		-23.2	-26.0	-5.4	-54.6		9.8	44.8
Nokian Tyres Total	550.5	-408.4	-142.5	-13.4	-13.7	-7.4	-1.2	-22.4

## SHARES AND SHAREHOLDERS

At the end of June 2020, the number of shares was 138,921,750.

### Authorizations

In 2020, the Annual General Meeting authorized the Board of Directors to resolve to repurchase a maximum of 13,800,000 shares in the Company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponded to approximately 9.9% of all shares in the company at the time of the proposal. The authorization will be effective until the next Annual General Meeting, however at most until June 30, 2021.

In 2020, the Annual General Meeting authorized the Board of Directors to make a decision to offer no more than 13,800,000 shares through a share issue, or by granting special rights under chapter 10, section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The authorization will be effective until the next AGM, however at most until June 30, 2021. This authorization will invalidate all other Board authorizations regarding share issues and special rights.

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

The Board did not utilize the authorizations in January–June 2020.

### Own shares

No share repurchases were made during the review period, and the company did not possess any own shares on June 30, 2020.

Nokian Tyres has an agreement with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns Nokian Tyres' shares related to the incentive program until the shares are given to the participants of the program. On June 30, 2020, the number of these shares was 497,400, reported as treasury shares (December 31, 2019: 197,947). This number of shares corresponded to 0.36% (0.14%) of the total shares and voting rights in the company.

### Trading in shares

A total of 190,973,943 (91,803,281) Nokian Tyres' shares were traded in Nasdaq Helsinki during the period, representing 137% (66%) of the company's overall share capital. The average daily volume during the period was 1,552,634 shares (746,368). Nokian Tyres' shares are also traded on alternative exchanges, such as BATS CXE, Turquoise, and BATS BXE. The total trading volume on these alternative exchanges was 92,250,683 (55,904,312) shares during the review period.

Nokian Tyres' share price was EUR 19.54 (27.46) at the end of the review period. The volume weighted average share price during the period was EUR 20.96 (28.99), the highest was EUR 27.67 (32.44) and the lowest was EUR 16.38 (24.92). The company's market capitalization at the end of the period was EUR 2.7 billion (3.8 billion).

At the end of the review period, the company had 64,965 (51,348) registered shareholders. The percentage of Finnish shareholders was 42.9% (34.1%), and 57.1% (65.9%) were non-Finnish holders and foreign shareholders registered in the nominee register. Public sector entities owned 12.8% (10.6%), financial and insurance corporations 6.5% (4.8%), households 16.4% (12.9%), non-profit institutions 3.5% (3.5%), and private companies 3.7% (2.4%).

### Changes in ownership

Nokian Tyres received notification from Sprucegrove Investment Management on March 10 according to which the direct holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on March 9.

Nokian Tyres received notification from Sprucegrove Investment Management on June 18 according to which the direct holding in Nokian Tyres shares, fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on June 17.

Nokian Tyres received notifications from BlackRock, Inc. on March 11, on June 12, and on June 18 according to which the holdings of the mutual funds managed by BlackRock, Inc., or indirect holding in Nokian Tyres shares, fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on March 10, on June 11, and on June 17.

Nokian Tyres received notifications from BlackRock, Inc. on March 20, on June 15, and on June 30 according to which the holdings of the mutual funds managed by BlackRock, Inc., or indirect holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on March 19, on June 12, and on June 29.

Detailed information on notifications of change in shareholding can be found at [www.nokiantyres.com/company/investors/share/flagging-notifications/](http://www.nokiantyres.com/company/investors/share/flagging-notifications/).

## **DECISIONS MADE AT THE ANNUAL GENERAL MEETING**

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

### **Dividend**

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

The AGM also decided to authorize the Board of Directors to decide on dividend payment of a maximum of EUR 0.79 per share to be distributed in one or several instalments at a later stage when Nokian Tyres is able to make a more reliable estimate on the impacts of the COVID-19 to the company's business. The authorization would be valid until the next AGM. The company will publish the possible Board decision on dividend payment separately, and at the same time confirm the pertinent record and payment dates.

### **Members of the Board of Directors and Auditors**

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

The audit firm KPMG Oy Ab will continue as auditors.

### **Remuneration of the Members of the Board of Directors**

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

60% of the annual fee is to be paid in cash and 40% in Company shares, to the effect that in the period from May 6 to June 5, 2020, EUR 38,000 worth of shares in Nokian Tyres plc will be purchased at the stock exchange on behalf of the Chairman of the Board, EUR 28,000 worth of shares in Nokian Tyres plc

will be purchased at the stock exchange on behalf of the Deputy Chairman of the Board and Chairman of the Audit committee, and EUR 19,000 worth of shares will be purchased on behalf of other members of the Board. The Company is liable to pay any asset transfer taxes, which may arise from the acquisition of the Company shares.

Furthermore, each member of the Board will receive EUR 600 for meetings held in their home country and EUR 1,200 for meetings held outside their home country. If a member participates in a meeting via telephone or video connection, the remuneration will be EUR 600. Travel expenses will be compensated in accordance with the company's travel policy.

### **Authorizations**

The AGM authorized the Board of Directors to resolve to repurchase a maximum of 13,800,000 shares in the company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponded to approximately 9.9% of all shares in the company at the time of the proposal. The authorization will be effective until the next AGM, however at most until June 30, 2021.

The AGM authorized the Board of Directors to make a decision to offer no more than 13,800,000 shares through a share issue, or by granting special rights under chapter 10, section 1 of the Finnish Limited Liability Companies Act that entitle to shares (including convertible bonds), on one or more occasions. The authorization will be effective until the next AGM, however at most until June 30, 2021. This authorization will invalidate all other Board authorizations regarding share issues and special rights.

### **Establishment of a Shareholders' Nomination Board**

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

### **Amendments of the articles of association**

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

#### **§4 Board of Directors**

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

#### **§11 Annual General Meeting**

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

The Annual General Meeting shall review:

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

shall resolve:

3. the adoption of the financial statements;
4. the use of the profit shown on the balance sheet;
5. granting discharge from personal liability to the members of the Board of Directors and the Managing

Director;

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

shall elect:

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

shall deal with:

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

## **BOARD OF DIRECTORS' WORKING ARRANGEMENTS**

In the Board meeting on April 2, 2020, Jukka Hienonen was elected Chairman of the Board and Kari Jordan was elected Deputy Chairman of the Board. The Board elected Kari Jordan (Chairman), Veronica Lindholm and Jukka Hienonen as members of the Personnel and Remuneration Committee. The Board elected Raimo Lind (Chairman), Heikki Allonen, Inka Mero and Pekka Vauramo as members of the Audit Committee.

## **COMPOSITION OF THE SHAREHOLDERS' NOMINATION BOARD**

Nokian Tyres' Shareholders' Nomination Board was established in April 2020. The Nomination Board consists of five members of which four members represent the company's four largest shareholders, and one member is the Chairman of the Board. In June 2020, the following members were appointed to the Board:

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

## **CHANGES IN MANAGEMENT**

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

In May 2020, Nokian Tyres announced that it had appointed Mr. Toni Silfverberg to lead the company's new Marketing & Sales Excellence team starting June 1, 2020. Silfverberg will be a member of Nokian Tyres management team and report to Jukka Kasi, SVP Products and Marketing.

In April 2020, Nokian Tyres announced the appointment of Mr. Adrian Kaczmarczyk as the new Senior Vice President, Supply Operations. He will take up the position at the latest on November 1, 2020. Kaczmarczyk will be a member of Nokian Tyres Management Team and report to Jukka Moisio, the President and CEO.

## **CORPORATE SUSTAINABILITY**

Nokian Tyres published its Corporate Sustainability Report in the first quarter of 2020. The report is available in Finnish and English on the company's website at

[www.nokiantyres.com/company/sustainability/](http://www.nokiantyres.com/company/sustainability/).

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

In May 2020, Nokian Tyres announced that its emissions reduction targets have been approved by the Science Based Targets initiative (SBTi) as the first tire company in the world. The targets covering greenhouse gas emissions from Nokian Tyres' operations (scopes 1 and 2) are consistent with reductions required to keep climate warming to 1.5°C.

## **OTHER MATTERS**

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

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

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

#### **Performance Share Plan 2020**

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

The Performance Period (PSP 2020–2022) commences effective as of the beginning of 2020 and the potential share reward thereunder will be paid in the first half of 2023 provided that the performance targets set by the Board of Directors are achieved. The potential reward will be paid partly in shares of Nokian Tyres plc and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward. Eligible to participate in PSP 2020–2022 are approximately 200 individuals, including the members of Nokian Tyres Management Team.

The potential share reward payable under the PSP 2020–2022 are based on the Earnings Per Share (EPS) growth 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.



The next plan (RSP 2020–2022) within the Restricted Share Plan structure commences effective as of the beginning of 2020 and the potential share reward thereunder will be paid in the first half of 2023. The possible rewards paid based on RSP 2020–2022 correspond approximately to a maximum of 120,000 gross shares.

### **Other terms**

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

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

## SIGNIFICANT RISKS AND UNCERTAINTIES, AND ONGOING DISPUTES

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

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

- Nokian Tyres is subject to risks related to consumer confidence and macroeconomic and geopolitical conditions. Political uncertainties may cause serious disruption and additional trade barriers and affect the company's sales and credit risk. Economic downturns may increase trade customers' payment problems and Nokian Tyres may need to recognize impairment of trade receivables.
- The tire wholesale and retail landscape is evolving to meet changing consumer needs. New technologies are fueling this with increasing digitalization. Failure to adapt to the changes in the sales channel could have an adverse effect on Nokian Tyres' financial performance.
- Nokian Tyres' success is dependent on its ability to innovate and develop new products and services that appeal to its customers and consumers. Despite extensive testing of its products, product quality issues and failure to meet demands of performance and safety could harm Nokian Tyres' reputation and have an adverse effect on its financial performance.
- Nokian Tyres' production facilities are located in Finland, Russia and the US. Any unexpected production or delivery breaks at these facilities would have a negative impact on the company's business. Interruptions in logistics could have a significant impact on peak season sales.
- Significant fluctuations in raw material prices may impact margins. Nokian Tyres sources natural rubber from producers in countries such as Indonesia and Malaysia. Although Nokian Tyres has policies such as the Supplier Code of Conduct and established processes to monitor the working conditions, it cannot fully control the actions of its suppliers. The violation of laws, regulations or standards by raw material producers, or their divergence from practices generally accepted as ethical in the European Union or the international community, could have a material adverse effect on Nokian Tyres' reputation.
- Tire industry can be subject to risks caused by climate change, such as changes in consumer tire preferences, regulatory changes or impact of extreme weather events on natural rubber producers. Nokian Tyres is committed to reducing GHG emissions from its operations in order to combat climate change. Nokian Tyres calculates the GHG emissions from its operations annually and reduces them systematically. More detailed analysis on Nokian Tyres' climate change related risks and opportunities has been provided in Nokian Tyres' Non-Financial Reporting Statement for 2019.
- Foreign exchange risk consists of transaction risk and translation risk. The most significant currency risks arise from the Russian ruble, the Swedish and Norwegian krona, and the US and Canadian dollar. Approximately 60% of the Group's sales are generated outside of the euro-zone.
- In May 2017, the Finnish Financial Supervisory Authority filed a request for investigation with the National Bureau of Investigation regarding possible securities market offences. In March 2019, the police moved the suspicions of securities markets offences to consideration of charges. The suspects have denied any involvement in criminal activity.
- The COVID-19 pandemic represents a short-term risk to Nokian Tyres' business and operating environment, which has rapidly changed. The company has proactively taken preventive actions to minimise the impacts of the pandemic and to ensure business continuity. Despite these efforts, the uncertainty over the duration of the pandemic, the containment measures and the resulting slowdown in economic activity is expected to have a negative impact on Nokian Tyres's operations and supply chain as well as the demand and pricing for the company's products.

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

### **Tax disputes**

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

### **COVID-19 – SUMMARY OF ACTIONS**

Employee health and safety actions:

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

Operational response actions:

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

Financial response actions:

- Dividend EUR 0.79/share (2019: EUR 1.58). Furthermore, the Annual General Meeting authorized the Board of Directors to decide on an additional dividend payment of a maximum of EUR 0.79/share to be distributed in one or several instalments at a later stage when Nokian Tyres is able to make a more reliable estimate on the impacts of the COVID-19 to the company's business
- Capex reduction from approximately EUR 200 million to approximately EUR 170 million for 2020.
- Actions implemented to strengthen Nokian Tyres' liquidity position, which as of June 30, 2020 amounted to EUR 734.1 million, including cash, cash equivalents and undrawn committed short- and long-term credit limits (EUR 424.3 million at the end of 2019)
- Strong balance sheet supporting in difficult times

### **MATTERS AFTER THE REVIEW PERIOD**

#### **Changes in ownership**

Nokian Tyres received notifications from BlackRock, Inc. on July 1, on July 15, and on July 28 according to which the holdings of the mutual funds managed by BlackRock, Inc., or indirect holding in Nokian Tyres shares, fell below the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on June 30, on July 14, and on July 27.

Nokian Tyres received notifications from BlackRock, Inc. on July 13, and on July 16 according to which the holdings of the mutual funds managed by BlackRock, Inc., or indirect holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on July 10, and on July 15.

Nokian Tyres received a notification from Sprucegrove Investment Management on July 30 according to which the direct holding in Nokian Tyres shares, exceeded the level of 5% of the share capital in Nokian Tyres plc, as a result of share transactions concluded on July 27.

Detailed information on notifications of change in shareholding can be found at [www.nokiantyres.com/company/investors/share/flagging-notifications/](http://www.nokiantyres.com/company/investors/share/flagging-notifications/).

## GUIDANCE FOR 2020

Due to the COVID-19 outbreak, which has increased the uncertainty in the car and tire market, the Board of Directors of Nokian Tyres plc decided on March 27, 2020 to withdraw the company's financial guidance for 2020 published on February 4, 2020. Given the continuous uncertainties, the company refrains from giving a guidance for 2020.

Earlier guidance from February 4, 2020:

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

Helsinki, August 4, 2020

Nokian Tyres plc  
Board of Directors

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The information hereinabove contains forward-looking statements relating to future events or future financial performance of the company. In some cases, such forward-looking statements can be identified by terminology such as "may", "will", "could", "expect", "anticipate", "believe", "estimate", "predict" or other comparable terminology. Such statements are based on the current expectations, known factors, decisions, and plans of the management of Nokian Tyres. Forward-looking statements always involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Therefore, future results may even differ significantly from the results expressed in, or implied by, the forward-looking statements.

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This Half Year Financial Report has been prepared in accordance with IFRS compliant recognition and measurement principles and the same accounting policies as in the most recent annual financial statements.

### Accounting implications of the effects of COVID-19

The Group has assessed the potential accounting implications of decreased economic activity as a result of the COVID-19 pandemic. The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Based on the analysis, the Group has not identified any further need for goodwill impairment in addition to the ones that were announced in June 2020.

The Group has reviewed and updated its expected credit loss model for trade receivables to take into account the macro-economic developments. This update did not result in a significant increase of credit loss allowances for trade receivables at the end of June, however the credit risk may increase if the current trading conditions deteriorate further.

The impact of COVID-19 on Nokian Tyres' operating profit in January-June 2020 is estimated to be approximately EUR -50 million. Actions have been implemented to strengthen Nokian Tyres' liquidity position, which as of June 30, 2020 amounted to EUR 734.1 million, including cash, cash equivalents and undrawn committed short- and long-term credit limits (EUR 424.3 million at the end of 2019).

The Half Year Financial Report figures are unaudited.

### NOKIAN TYRES CONSOLIDATED

INCOME STATEMENT	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19	Change %
Million euros						
Net sales	270.7	415.7	550.5	756.1	1,585.4	-34.9
Cost of sales	-205.0	-252.6	-408.4	-477.0	-1,013.8	18.9
<b>Gross profit</b>	<b>65.7</b>	163.1	<b>142.2</b>	279.1	571.6	-59.7
Other operating income	0.6	0.1	0.9	0.7	3.5	384.3
Sales, marketing and R&D expenses	-46.5	-45.4	-89.7	-88.9	-175.1	-2.6
Administration	-32.4	-22.9	-52.8	-41.6	-75.2	-41.4
Other operating expenses	-10.3	-1.0	-14.4	-1.2	-8.4	-978.9
<b>Operating profit</b>	<b>-22.8</b>	94.1	<b>-13.7</b>	148.0	316.5	-124.2
Financial income	25.6	11.0	73.4	30.1	67.3	132.2
Financial expenses (1)	-29.7	-16.2	-80.8	1.4	-47.0	-83.4
<b>Result before tax</b>	<b>-26.9</b>	88.9	<b>-21.2</b>	179.5	336.7	-130.3
Tax expense (2)	2.1	-15.9	-1.2	88.1	63.1	113.4
<b>Result for the period</b>	<b>-24.8</b>	73.0	<b>-22.4</b>	267.6	399.9	-134.0
Attributable to:						
Equity holders of the parent	-24.8	73.0	-22.4	267.6	399.9	
Non-controlling interest	-	-	-	-	-	
Earnings per share from the result attributable to equity holders of the parent						
basic, euros	-0.18	0.53	-0.16	1.94	2.89	-133.8
diluted, euros	-0.18	0.53	-0.16	1.94	2.89	-133.9

**CONSOLIDATED OTHER COMPREHENSIVE  
INCOME**

	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Million euros					
<b>Result for the period</b>	<b>-24.8</b>	73.0	<b>-22.4</b>	267.6	399.9
Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax:					
Gains/Losses from hedge of net investments in foreign operations	-	-	-	-	0.0
Cash flow hedges	<b>0.6</b>	-1.3	<b>-1.0</b>	-3.1	-1.2
Translation differences on foreign operations	<b>35.4</b>	-0.8	<b>-77.3</b>	57.9	86.6
Total other comprehensive income for the period, net of tax	<b>36.0</b>	-2.0	<b>-78.3</b>	54.8	85.4
<b>Total comprehensive income for the period</b>	<b>11.2</b>	71.0	<b>-100.7</b>	322.4	485.3
Total comprehensive income attributable to:					
Equity holders of the parent	<b>11.2</b>	71.0	<b>-100.7</b>	322.4	485.3
Non-controlling interest	-	-	-	-	-

1) Financial expenses in 1-6/19 and 1-12/19 contain EUR 34.4 million of returned punitive interest related to tax disputes that were booked in previous fiscal years based on tax reassessment decisions.

Additionally, financial expenses in 1-6/19 and 1-12/19 contain a gain of EUR 1.4 million of interest from returned taxes.

2) Tax expense in 1-6/19 and 1-12/19 contains EUR 115.2 million of returned additional taxes and punitive increases that were booked in previous fiscal years based on tax reassessment decisions.

<b>KEY RATIOS</b>	30.6.20	30.6.19	31.12.19	Change %
Equity ratio, %	<b>63.3</b>	70.5	75.9	
Gearing, %	<b>16.3</b>	15.7	2.3	
Equity per share, euro	<b>11.23</b>	11.67	12.76	-3.8
Interest-bearing net debt, mill. euros	<b>254.1</b>	252.0	41.1	
Capital expenditure, mill. euros	<b>87.5</b>	148.0	299.6	
Depreciation, mill. euros	<b>90.3</b>	61.3	125.2	
Personnel, average	<b>4,915</b>	4,816	4,942	
Number of shares (million units)				
at the end of period	<b>138.42</b>	137.88	138.72	
in average	<b>138.63</b>	137.83	138.17	
in average, diluted	<b>138.63</b>	138.17	138.38	

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>30.6.20</b>	30.6.19	31.12.19
Million euros			
<b>Non-current assets</b>			
Property, plant and equipment	<b>879.8</b>	774.2	885.0
Goodwill	<b>76.9</b>	83.3	84.4
Other intangible assets	<b>23.0</b>	38.6	35.3
Investments in associates	<b>0.1</b>	0.1	0.1
Right of use assets	<b>104.9</b>	125.3	122.9
Non-current financial investments	<b>3.0</b>	0.7	0.7
Other receivables	<b>9.2</b>	8.0	7.7
Deferred tax assets	<b>28.0</b>	13.5	15.9
<b>Total non-current assets</b>	<b>1,124.8</b>	1,043.6	1,152.0
<b>Current assets</b>			
Inventories	<b>367.1</b>	401.0	387.0
Trade receivables	<b>482.6</b>	642.1	498.3
Other receivables	<b>78.9</b>	89.1	76.4
Cash and cash equivalents	<b>403.7</b>	109.3	218.8
<b>Total current assets</b>	<b>1,332.1</b>	1,241.4	1,180.5
<b>Total assets</b>	<b>2,457.0</b>	2,285.1	2,332.6
<b>Equity</b>			
Share capital	<b>25.4</b>	25.4	25.4
Share premium	<b>181.4</b>	181.4	181.4
Treasury shares	<b>-13.5</b>	-9.3	-8.0
Translation reserve	<b>-356.1</b>	-307.5	-278.8
Fair value and hedging reserves	<b>-2.7</b>	-3.6	-1.8
Paid-up unrestricted equity reserve	<b>238.2</b>	238.2	238.2
Retained earnings	<b>1,482.3</b>	1,484.8	1,613.3
Non-controlling interest	-	-	-
<b>Total equity</b>	<b>1,554.9</b>	1,609.3	1,769.7
<b>Non-current liabilities</b>			
Deferred tax liabilities	<b>30.2</b>	29.7	36.4
Provisions	<b>0.0</b>	0.0	0.0
Interest-bearing liabilities	<b>211.2</b>	245.2	229.1
Other liabilities	<b>1.0</b>	0.7	1.0
<b>Total non-current liabilities</b>	<b>242.4</b>	275.5	266.5
<b>Current liabilities</b>			
Trade payables	<b>53.7</b>	83.0	89.4
Other current payables	<b>154.5</b>	196.6	171.1
Provisions	<b>4.9</b>	4.5	5.0
Interest-bearing liabilities	<b>446.6</b>	116.1	30.9
<b>Total current liabilities</b>	<b>659.7</b>	400.2	296.4
<b>Total equity and liabilities</b>	<b>2,457.0</b>	2,285.1	2,332.6



<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>1-6/20</b>	1-6/19	1-12/19
Million euros			
<b>Profit for the period</b>	<b>-22.4</b>	267.6	399.9
Adjustments for			
Depreciation, amortisation and impairment	<b>90.3</b>	61.3	125.2
Financial income and expenses	<b>7.4</b>	-31.5	-20.3
Gains and losses on sale of intangible assets, other changes	<b>1.1</b>	6.1	6.4
Income Taxes	<b>1.2</b>	-88.1	-63.1
<b>Cash flow before changes in working capital</b>	<b>77.7</b>	215.4	448.0
Changes in working capital			
Current receivables, non-interest-bearing, increase (-) / decrease (+)	<b>-15.3</b>	-223.4	-68.0
Inventories, increase (-) / decrease (+)	<b>-7.2</b>	-19.7	6.1
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	<b>-51.0</b>	-167.1	-173.8
<b>Changes in working capital</b>	<b>-73.5</b>	-410.2	-235.7
Financial items and taxes			
Interest and other financial items, received	<b>0.8</b>	2.8	4.1
Interest and other financial items, paid	<b>-3.2</b>	26.4	-56.7
Income taxes paid	<b>-15.5</b>	75.7	60.1
<b>Financial items and taxes</b>	<b>-17.8</b>	104.9	7.4
<b>Cash flow from operating activities (A)</b>	<b>-13.6</b>	-89.8	219.8
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets	<b>-87.5</b>	-148.0	-290.1
Proceeds from sale of property, plant and equipment and intangible assets	<b>0.1</b>	0.2	2.3
Acquisitions of Group companies	-	-	-9.5
Acquisitions of other investments	-	-	0.0
Other cash flow from investing activities	<b>-0.5</b>	-	-
<b>Cash flows from investing activities (B)</b>	<b>-87.9</b>	-147.8	-297.2
Cash flow from financing activities:			
Proceeds from issue of share capital	-	15.6	15.6
Purchase of treasury shares	<b>-5.5</b>	-	-
Change in current financial receivables, increase (-) / decrease (+)	<b>-0.4</b>	5.1	75.0
Change in non-current financial receivables, increase (-) / decrease (+)	<b>-2.3</b>	0.1	1.2
Change in current financial borrowings, increase (+) / decrease (-)	<b>418.6</b>	-21.6	-125.8
Change in non-current financial borrowings, increase (+) / decrease (-)	<b>-0.4</b>	127.9	127.9
Payment of lease liabilities	<b>-11.7</b>	-11.6	-30.7
Dividends received	<b>0.0</b>	0.3	0.3
Dividends paid	<b>-109.6</b>	-218.6	-218.1
<b>Cash flow from financing activities (C)</b>	<b>288.6</b>	-102.6	-154.5
<b>Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)</b>	<b>187.1</b>	-340.2	-231.9
Cash and cash equivalents at the beginning of the period	<b>218.8</b>	447.5	447.5
Effect of exchange rate fluctuations on cash held	<b>-2.2</b>	2.0	3.2
Cash and cash equivalents at the end of the period	<b>403.7</b>	109.3	218.8

**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**

A = Share capital

B = Share premium

C = Treasury shares

D = Translation reserve

E = Fair value and hedging reserves

F = Paid-up unrestricted equity  
reserve

G = Retained earnings

H = Non-controlling interest

I = Total equity

Million euros	Equity attributable to equity holders of the parent								
	A	B	C	D	E	F	G	H	I
Equity, 1 Jan 2019	25.4	181.4	-11.4	-365.4	-0.6	222.6	1,434.2	-	1,486.1
Result for the period							267.6		267.6
Other comprehensive income, net of tax:									
Cash flow hedges					-3.1				-3.1
Translation differences				57.9					57.9
Total comprehensive income for the period				57.9	-3.1		267.6		322.4
Dividends paid							-218.6		-218.6
Exercised warrants						15.6			15.6
Acquisition of treasury shares									-
Share-based payments			2.1				1.6		3.7
Total transactions with owners for the period			2.1			15.6	-217.0		-199.3
Equity, 30 Jun 2019	25.4	181.4	-9.3	-307.5	-3.6	238.2	1,484.8	-	1,609.4
<b>Equity, 1 Jan 2020</b>	<b>25.4</b>	<b>181.4</b>	<b>-8.0</b>	<b>-278.8</b>	<b>-1.8</b>	<b>238.2</b>	<b>1,613.3</b>	<b>-</b>	<b>1,769.8</b>
Result for the period							-22.4		-22.4
Other comprehensive income, net of tax:									
Cash flow hedges					-1.0				-1.0
Translation differences				-77.3					-77.3
<b>Total comprehensive income for the period</b>				<b>-77.3</b>	<b>-1.0</b>		<b>-22.4</b>		<b>-100.7</b>
Dividends paid							-109.6		-109.6
Exercised warrants									-
Acquisition of treasury shares			-5.5						-5.5
Share-based payments							1.0		1.0
<b>Total transactions with owners for the period</b>			<b>-5.5</b>				<b>-108.6</b>		<b>-114.1</b>
Equity, 30 Jun 2020	25.4	181.4	-13.5	-356.1	-2.7	238.2	1,482.3	-	1,554.9

<b>SEGMENT INFORMATION</b>	<b>4-6/20</b>	4-6/19	<b>1-6/20</b>	1-6/19	1-12/19	Change %
Million euros						
<b>Net sales</b>						
Passenger car tyres	<b>163.9</b>	296.8	<b>354.4</b>	549.8	1,123.8	-44.8
Heavy tyres	<b>40.5</b>	47.8	<b>91.6</b>	96.1	202.7	-15.3
Vianor	<b>80.8</b>	89.8	<b>135.3</b>	146.7	336.5	-9.9
Other operations and eliminations	<b>-14.5</b>	-18.6	<b>-30.8</b>	-36.5	-77.6	22.1
<b>Total</b>	<b>270.7</b>	415.7	<b>550.5</b>	756.1	1,585.4	-34.9
<b>Operating result</b>						
Passenger car tyres	<b>-10.0</b>	79.9	<b>8.6</b>	143.1	287.7	-112.5
Heavy tyres	<b>2.6</b>	8.3	<b>10.8</b>	17.3	35.7	-68.7
Vianor	<b>-4.9</b>	9.4	<b>-18.4</b>	-2.6	7.7	-152.6
Other operations and eliminations	<b>-10.5</b>	-3.5	<b>-14.7</b>	-9.8	-14.7	-195.9
<b>Total</b>	<b>-22.8</b>	94.1	<b>-13.7</b>	148.0	316.5	-124.2
<b>Operating result, % of net sales</b>						
Passenger car tyres	<b>-6.1</b>	26.9	<b>2.4</b>	26.0	25.4	
Heavy tyres	<b>6.4</b>	17.4	<b>11.8</b>	18.0	17.6	
Vianor	<b>-6.1</b>	10.4	<b>-13.6</b>	-1.8	2.3	
<b>Total</b>	<b>-8.4</b>	22.6	<b>-2.5</b>	19.6	19.8	
<b>NET SALES BY GEOGRAPHICAL AREA</b>	<b>4-6/20</b>	4-6/19	<b>1-6/20</b>	1-6/19	1-12/19	Change %
Million euros						
Nordics	<b>131.3</b>	152.3	<b>250.4</b>	273.5	613.2	-13.8
Other Europe	<b>64.6</b>	91.2	<b>125.4</b>	162.2	375.5	-29.2
Russia and Asia	<b>39.8</b>	99.4	<b>96.3</b>	192.2	324.3	-60.0
America	<b>27.1</b>	55.4	<b>65.0</b>	99.1	209.3	-51.1
Other	<b>7.9</b>	17.4	<b>13.4</b>	29.1	63.2	-54.4
<b>Total</b>	<b>270.7</b>	415.7	<b>550.5</b>	756.1	1,585.4	
<b>CHANGES IN PROPERTY, PLANT AND EQUIPMENT</b>	<b>30.6.20</b>	30.6.19	31.12.19			
Million euros						
Opening balance	<b>885.0</b>	647.3	647.3			
Capital expenditure	<b>84.9</b>	145.0	292.9			
Decrease	<b>-0.1</b>	-8.2	-16.3			
Depreciation for the period	<b>-50.2</b>	-41.7	-76.1			
Exchange differences	<b>-39.9</b>	31.8	37.2			
<b>Closing balance</b>	<b>879.8</b>	774.2	885.0			

<b>CONTINGENT LIABILITIES</b>	<b>30.6.20</b>	30.6.19	31.12.19
Million euros			
<b>For own debt</b>			
Mortgages	<b>0.9</b>	0.9	0.9
Enterprise mortgages	<b>3.5</b>	2.5	2.5
Pledged assets	<b>2.2</b>	2.2	2.2
<b>On behalf of others</b>			
Guarantees	<b>0.0</b>	0.4	0.4
<b>Other own commitments</b>			
Guarantees	<b>25.6</b>	29.9	29.9
Leasing and rent commitments	<b>6.8</b>	22.8	27.5
Purchase commitments	<b>29.5</b>	29.0	29.4

**CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

	<b>30.6.20</b>		30.6.19		31.12.19	
Million euros	<b>Carrying amount</b>	<b>Fair value</b>	Carrying amount	Fair value	Carrying amount	Fair value
<b>FINANCIAL ASSETS</b>						
Fair value through profit or loss						
Derivatives held for trading	<b>4.6</b>	<b>4.6</b>	1.5	1.5	2.9	2.9
Derivatives designated as hedges*	<b>8.1</b>	<b>8.1</b>	14.7	14.7	1.2	1.2
Unquoted securities	<b>2.7</b>	<b>2.7</b>	-	-	-	-
Amortized cost						
Other non-current receivables	<b>9.2</b>	<b>8.7</b>	8.0	6.7	7.6	7.2
Trade and other receivables	<b>483.0</b>	<b>483.5</b>	642.6	643.1	498.8	499.4
Bank deposits						
Cash in hand and at bank	<b>403.7</b>	<b>403.7</b>	109.3	109.3	218.8	218.8
Fair value through other comprehensive income						
Unquoted shares	<b>0.3</b>	<b>0.3</b>	0.7	0.7	0.7	0.7
<b>Total financial assets</b>	<b>911.5</b>	<b>911.5</b>	776.8	776.0	730.1	730.2
<b>FINANCIAL LIABILITIES</b>						
Fair value through profit or loss						
Derivatives held for trading	<b>3.2</b>	<b>3.2</b>	4.4	4.4	2.3	2.3
Derivatives designated as hedges*	<b>4.8</b>	<b>4.8</b>	6.8	6.8	6.3	6.3
Amortized cost						
Interest-bearing financial liabilities	<b>550.6</b>	<b>553.6</b>	235.2	237.8	135.2	138.1
Trade and other payables	<b>53.7</b>	<b>53.7</b>	83.0	83.0	89.4	89.4
<b>Total financial liabilities</b>	<b>612.3</b>	<b>615.3</b>	329.4	332.0	233.2	236.1

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

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. There has been no transfers between the different levels in the fair value hierarchy.

**DERIVATIVE FINANCIAL****INSTRUMENTS**

	<b>30.6.20</b>	30.6.19	31.12.19
Million euros			
<b>INTEREST RATE DERIVATIVES</b>			
Interest rate swaps			
Notional amount	<b>100.0</b>	100.0	100.0
Fair value	<b>-3.7</b>	-4.0	-3.2
<b>FOREIGN CURRENCY DERIVATIVES</b>			
Currency forwards			
Notional amount	<b>283.3</b>	495.0	396.8
Fair value	<b>1.4</b>	-2.9	0.5
Currency options, purchased			
Notional amount	-	5.2	20.3
Fair value	-	0.1	0.0
Currency options, written			
Notional amount	-	10.3	-
Fair value	-	-0.1	-
Interest rate and currency swaps			
Notional amount	<b>75.0</b>	86.0	75.0
Fair value	<b>7.5</b>	10.4	-2.7
<b>ELECTRICITY DERIVATIVES</b>			
Electricity forwards			
Notional amount	<b>4.4</b>	4.4	3.9
Fair value	<b>-0.5</b>	1.4	0.9

**BUSINESS COMBINATIONS**

No new business combinations have been executed during the period.

## IFRS 16 LEASES

The new standard became effective on 1 January 2019 and replaced the previous standard IAS 17. Nokian Tyres chose to apply the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

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

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

<b>Balance sheet effects</b>	<b>30.6.20</b>	30.6.19	31.12.19	
<b>Fixed assets</b>				
Right to use	<b>104.9</b>	125.3	122.9	
<b>Total</b>	<b>104.9</b>	125.3	122.9	
<b>Equity &amp; Liability</b>				
Non-current liability	<b>80.1</b>	110.9	94.8	
Current liability	<b>27.1</b>	15.2	30.0	
<b>Total</b>	<b>107.2</b>	126.1	124.8	
<b>P&amp;L effects</b>	<b>1-6/20</b>	1-6/19	1-12/19	Change %
Reversed rents	<b>16.1</b>	15.7	32.2	2.5
Depreciations	<b>-15.1</b>	-14.4	-31.1	-4.6
Finance costs	<b>-1.6</b>	-2.1	-3.8	24.1
<b>Total</b>	<b>-0.6</b>	-0.8	-2.7	29.2

## DEFINITIONS OF CONSOLIDATED KEY FINANCIAL INDICATORS

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Earnings per share, euro:

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

Earnings per share (diluted), euro:

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

The share options affect the dilution as the average share market price for the period exceeds the defined subscription price.

Equity ratio, %:

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

Gearing, %:

Interest-bearing net debt x 100 / Total equity

Equity per share, euro:

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

Average net debt to EBITDA:

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