

Nokian Tyres plc Interim Report January–March 2020, May 5, 2020, 2:00 p.m.

## **Nokian Tyres plc Interim Report January–March 2020:**

### **Russia, COVID-19 and mild winter impacting first quarter – Strong balance sheet supporting in difficult times**

#### **January–March 2020**

- Net sales were EUR 279.8 million (340.3 in January–March 2019). With comparable currencies, net sales decreased by 16.5% especially due to measures taken to reduce high carry-over stocks in the Russian distribution channel, slowing economic activity caused by COVID-19 and mild winter in all main markets.
- Segments operating profit was EUR 16.3 million (56.7), with no significant currency impact. The decline was due to lower volumes and underabsorption of factory costs. Operating profit was EUR 9.0 million (53.9).
- Segments earnings per share were EUR 0.09 (1.44, positively impacted by EUR 1.08 related to the rulings on the tax disputes). Earnings per share were EUR 0.02 (1.41, positively impacted by EUR 1.08 related to the rulings on the tax disputes).
- Cash flow from operating activities was EUR -38.9 million (-68.9).
- Guidance was withdrawn in March 2020 due to increased uncertainty in the car and tire market. Due to the prevailing uncertainties, the Board is not in a position to give a new guidance.

#### **COVID-19 – Summary of actions to date**

##### 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
- Temporarily closed the manufacturing facilities in Russia, Finland and the US. The company is now restarting production in the impacted facilities, maintaining close coordination with local authorities.
- 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 March 31, 2020 amounted to EUR 608.9 million, including cash, cash equivalents and undrawn committed short- and long-term credit lines (EUR 424.3 million at the end of 2019).
- Nokian Tyres is further working on enhancing liquidity including new financing facilities.

- Strong balance sheet supporting in difficult times

**Hille Korhonen, President and CEO:**

“In the first quarter of 2020, we initiated measures to reduce high carry-over stocks in the Russian distribution channel in line with plan announced in February 2020. This, together with the mild winter and the COVID-19 impact toward the end of the quarter, had a significant negative effect on Passenger Car Tyres’ net sales and operating profit. Despite this challenging environment, we were able to keep our strong market position in the Nordics. In Central Europe, our market share in summer tires improved. In Heavy Tyres, the performance was solid.

In the exceptional circumstances and uncertainties posed by COVID-19, we immediately took all necessary preventive actions not only to mitigate the spread of the pandemic but, above all, to safeguard health and safety of our employees and stakeholders. As part of our business continuity plan, we initiated measures to reduce our cost base in order to minimize the negative business impact of the weakening demand. These include suspending production, temporary personnel layoffs, cutting executive pay for a month and postponing all non-critical projects. Along with a strict cost control and efficient cash flow management, we are continuously monitoring the market situation and taking further actions accordingly.

Going forward, we expect the second quarter of 2020 - as we see the situation today - to be severely impacted by COVID-19. At this point of time the financial impacts are very difficult to predict due to limited visibility to customer and consumer behavior. We have a solid foundation, including a valued brand, leading position in home markets and a strong balance sheet, to navigate through this difficult situation.

Nokian Tyres’ success is built on close customer partnerships, which are increasingly important in times like this. Given our sound financial structure, organizational resilience and a clear strategy geared towards sustainable, long-term success, I am confident that we are well positioned to take advantage of the opportunities that arise when the demand recovers.”

### Reporting of non-IFRS figures

Nokian Tyres is increasing the level of disclosure in order to provide greater transparency on the underlying performance of the company and its business lines. Starting with the results for the first quarter of 2020, Nokian Tyres will report non-IFRS figures in addition to its IFRS-reported results, which is also in line with reporting practices in the tire industry. 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. In the 2019 results, the Segments Total figures exclude the US factory ramp-up cost only. More information:

[www.nokiantyres.com/company/news-article/nokian-tyres-provides-restated-financial-statements-for-the-four-quarters-and-the-full-financial-yea/](http://www.nokiantyres.com/company/news-article/nokian-tyres-provides-restated-financial-statements-for-the-four-quarters-and-the-full-financial-yea/)

### Key figures, EUR million

	1-3 /20	1-3 /19	Change %	CC* Change %	2019
Net sales	279.8	340.3	-17.8%	-16.5%	1,585.4
Operating profit	9.0	53.9			316.5
Operating profit %	3.2%	15.7%			19.8%
Profit before tax	5.8	90.7			336.7
Profit for the period	2.4	194.6			399.9
EPS, EUR**	0.02	1.41			2.89
Segments operating profit	16.3	56.7			337.2
Segments operating profit %	5.8%	16.7%			21.3%
Segments EPS, EUR**	0.09	1.44			3.06
Segments ROCE, %***	14.4%				18.6%
Equity ratio, %	69.4%	75.7%			75.9%
Cash flow from operating activities	-38.9	-68.9			219.8
Gearing, %	7.3%	-3.2%			2.3%
Interest-bearing net debt	120.9	-54.9			41.1
Capital expenditure	50.9	54.3			299.6

\* Comparable currencies

\*\* EPS 1-3/2019 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 0.33. Segments EPS 1-3/2019 excl. the impact were EUR 0.36.

\*\*\* 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 1-3/2020 y-o-y	-10%	+2%*	-27%	-13%
Car tire sell-in in 1-3/2020 y-o-y	-13%	-30%	-19%	-10%
Car tire demand E2020 (management estimate)	decline	decline	decline	decline
Heavy tire segments** E2020 (management estimate)	decline	decline	decline	decline

\* The increase was driven by a surge in demand for cars, mostly premium and mid-class cars, in March, caused by price hike expectations by consumers in the wake of the RUB devaluation. As a result, sales of many premium cars were boosted by over 30% in March, positively affecting the total market (+4% vs. March 2019).

\*\* Nokian Tyres' core product segments

## FINANCIAL RESULTS IN JANUARY–MARCH 2020

Nokian Tyres is increasing the level of disclosure in order to provide greater transparency on the underlying performance of the company and its business lines. Starting with the results for the first quarter of 2020, Nokian Tyres will report non-IFRS figures in addition to its IFRS-reported results, which is also in line with reporting practices in the tire industry. 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. In the 2019 results, the Segments Total figures exclude the US factory ramp-up cost only. More information:

[www.nokiantyres.com/company/news-article/nokian-tyres-provides-restated-financial-statements-for-the-four-quarters-and-the-full-financial-year/](http://www.nokiantyres.com/company/news-article/nokian-tyres-provides-restated-financial-statements-for-the-four-quarters-and-the-full-financial-year/).

Net sales in January–March 2020 decreased by 17.8% and amounted to EUR 279.8 million (January–March 2019: 340.3). With comparable currencies, net sales decreased by 16.5% especially due to measures taken to reduce high carry-over stocks in the Russian passenger car tire distribution channel, slowing economic activity caused by COVID-19 and mild winter in all main markets. Currency exchange rates affected net sales negatively by EUR 4.5 million.

### Net sales by geographical area

	M€ 1–3/20	M€ 1–3/19	Change %	CC* Change %	M€ 2019
Nordics	119.1	121.1	-1.7%	1.2%	613.2
Other Europe	60.8	71.1	-14.4%	-14.4%	375.5
Russia and Asia	56.5	92.7	-39.1%	-37.5%	324.3
Americas	37.9	43.7	-13.2%	-14.1%	209.3
Other	5.5	11.7	-53.2%	-53.7%	63.2
Total	279.8	340.3	-17.8%	-16.5%	1,585.4

\* Comparable currencies

### Net sales by business unit

	M€ 1–3/20	M€ 1–3/19	Change %	CC* Change %	M€ 2019
Passenger Car Tyres	190.5	253.0	-24.7%	-23.4%	1,123.8
Heavy Tyres	51.2	48.3	6.0%	6.4%	202.7
Vianor	54.4	57.0	-4.4%	-1.7%	336.5
Other operations and eliminations	-16.3	-17.9	9.1%		-77.6
Total	279.8	340.3	-17.8%	-16.5%	1,585.4

\* Comparable currencies

Raw material unit costs (EUR/kg) in manufacturing decreased by 4.5% year-over-year, positively impacted by currencies, and decreased by 4.8% from the fourth quarter of 2019.

Segments operating profit amounted to EUR 16.3 million (56.7). The decline was mainly due to lower volumes in Russia (impact approximately EUR -20 million), COVID-19 (impact approximately EUR -10 million) and low factory utilization rate. Operating profit was EUR 9.0 million (53.9).

### Segments operating profit by business unit

	<b>M€</b> <b>1–3/20</b>	<b>M€</b> <b>1–3/19</b>	<b>M€</b> <b>2019</b>
Passenger Car Tyres	25.8	66.0	308.5
Heavy Tyres	8.2	9.0	35.7
Vianor	-12.4	-12.0	7.7
Other operations and eliminations	-5.4	-6.3	-14.7
Segments operating profit total	16.3	56.7	337.5
Non-IFRS exclusions	-7.3	-2.8	-20.8

## Financial items and taxes

Net financial expenses were EUR 3.3 million (net financial income 36.7), including net interest expenses of EUR 1.4 million (net interest income 33.9). Net financial expenses include an expense of EUR 1.9 million (income of 2.8) due to exchange rate differences. Segments profit before tax was EUR 13.1 million (93.5). Profit before tax was EUR 5.8 million (90.7) and taxes were EUR -3.4 million (104.0). Segments profit for the period amounted to EUR 9.7 million (197.4, 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 2.4 million (194.6, positively impacted by EUR 149.6 million related to the rulings on the tax disputes concerning the years 2007–2011). Segments earnings per share were EUR 0.09 (1.44, positively impacted by EUR 1.08 related to the rulings on the tax disputes). Earnings per share were EUR 0.02 (1.41, positively impacted by EUR 1.08 related to the rulings on the tax disputes).

## Cash flow

In January–March 2020, cash flow from operating activities was EUR -38.9 million (-68.9). Working capital increased by EUR 62.3 million (297.8). Inventories increased by EUR 41.0 million (23.4) and receivables increased by EUR 14.9 million (84.3). Payables decreased by EUR 6.3 million (190.1, positively impacted by EUR 149.6 million related to the rulings on the tax disputes).

## Investments

Investments in January–March 2020 amounted to EUR 50.9 million (54.3). This comprises the construction of the new US factory, the testing center in Spain, production investments in the Russian and Finnish factories and molds for new products. Strategic projects are generally proceeding in line with plan with some delays due to COVID-19. Depreciations totaled EUR 34.1 million (30.5).

## Financial position on March 31, 2020

Nokian Tyres has implemented actions to strengthen the liquidity position, which as of March 31, 2020 amounted to EUR 608.9 million, including cash, cash equivalents and undrawn committed short- and long-term credit facilities (EUR 424.3 million at the end of 2019). In April, additional EUR 125 million committed credit facilities were signed.

	<b>March 31, 2020</b>	<b>March 31, 2019</b>	<b>December 31, 2019</b>
Cash and cash equivalents, M€	328.6	321.4	218.8
Interest-bearing liabilities, M€	449.5	266.6	259.9
of which current interest-bearing liabilities, M€	243.9	140.6	30.9
Interest-bearing net debt, M€	120.9	-54.9	41.1
Unused credit limits*, M€	502.1	558.8	561.0
of which committed, M€	280.3	205.5	205.5
Gearing ratio, %	7.3%	-3.2%	2.3%
Equity ratio, %	69.4%	75.7%	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 took all 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. Temporary layoffs were announced in Finland to adjust the personnel to the lower production levels and weakening demand. Further adjustment measures in each market have been defined aiming to clear savings in salary costs in Q2. Nokian Tyres' Group Management Team has contributed to the savings with a salary reduction equivalent to one month's salary in 2020.

	<b>1–3/20</b>	<b>1–3/19</b>	<b>2019</b>
Group employees			
on average	<b>4,941</b>	4,775	4,942
at the end of the review period	<b>5,157</b>	4,968	4,730
in Finland, at the end of the review period	<b>2,026</b>	1,900	1,727
in Russia, at the end of the review period	<b>1,584</b>	1,620	1,554
in North America, at the end of the review period	<b>272</b>	202	297
Vianor (own) employees, at the end of the review period	<b>1,854</b>	1,740	1,515

## BUSINESS UNIT REVIEWS

### Passenger Car Tyres

	1–3 /20	1–3 /19	Change %	CC* Change %	2019
Net sales, M€	190.5	253.0	-24.7%	-23.4%	1,123.8
Segment operating profit, M€	25.8	66.0			308.5
Segment operating profit, %	9.7%	25.0%			27.4%

\* Comparable currencies

In January–March 2020, net sales of Passenger Car Tyres totaled EUR 190.5 million (253.0). With comparable currencies, net sales decreased by 23.4% as a result of measures taken in Russia to reduce high carry-over stocks in the distribution channel, the outbreak of COVID-19 in Europe and North America toward the end of Q1 and mild winter in all main markets. Average Sales Price with comparable currencies decreased in January–March 2020 due to measures taken in Russia and as the sales of summer tires increased and the winter tire sales decreased. In January–March 2020, the share of winter tires of sales was 53% (57%), the share of summer tires was 31% (27%), and the share of all-season tires was 16% (16%).

Segment operating profit was EUR 25.8 million (66.0). The decline was mainly due to lower volumes in Russia (impact approximately EUR -20 million), COVID-19 (impact approximately EUR -10 million) and low factory utilization rate.

Summer tire inventories in the distribution channel in Central Europe are on a higher level than in the previous year due to soft demand and stock overflow from OE business. In Russia, summer tire inventories in the distribution channel have decreased compared to the previous year, but the level during the ongoing consumer sell-out season is still higher than normal due to weak and delayed sell-out in the context of COVID-19 pandemic and related restrictive measures. Winter tire inventories in the distribution in Russia continue to be clearly higher than in the previous year due to high carry-over stocks from the 2019 season. Measures taken in Russia to reduce these inventory levels will give an effect during the winter sell-out season in the fourth quarter of 2020.

Production has been adjusted according to demand, maximizing capacity utilization in Russia and utilizing negotiated temporary layoffs in Finland. In the US factory, recruitment of second shift has been postponed. Production output (pcs) decreased by 22% year-over-year. In January–March 2020, 85% (79%) 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 resulting in slowdown of economic activity, and the expected economic recession. The total replacement tire market sell-in in Russia in 2020 is expected to decline by 15–20% compared to 2019, driven by weak demand and high carry-over stocks.



## Heavy Tyres

	<b>1–3 /20</b>	<b>1–3 /19</b>	<b>Change %</b>	<b>CC* Change %</b>	<b>2019</b>
Net sales, M€	<b>51.2</b>	48.3	6.0%	6.4%	202.7
Segment operating profit, M€	<b>8.2</b>	9.0			35.7
Segment operating profit, %	<b>16.1%</b>	18.7%			17.6%

\* Comparable currencies

In January–March 2020, net sales of Heavy Tyres totaled EUR 51.2 million (48.3). With comparable currencies, net sales increased by 6.4%, driven by Levvyörä acquisition and improved availability due to the production capacity increase. In 2019, Levvyörä's annual net sales were approximately EUR 18 million, of which approximately 30% was sales to Nokian Tyres. Demand was good in Heavy Tyres' core product groups.

Segment operating profit was EUR 8.2 million (9.0), negatively impacted by the start of the new R&D center and investments in production.

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

## Vianor, own operations

	<b>1–3 /20</b>	<b>1–3 /19</b>	<b>Change %</b>	<b>CC* Change %</b>	<b>2019</b>
Net sales, M€	<b>54.4</b>	57.0	-4.4%	-1.7%	336.5
Segment operating profit, M€	<b>-12.4</b>	-12.0			7.7**
Segment operating profit, %	<b>-22.8%</b>	-21.0%			2.3%
Number of own service centers at period end	<b>186</b>	187			189

\* Comparable currencies

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

In January–March 2020, net sales of Vianor totaled EUR 54.4 million (57.0). With comparable currencies, net sales decreased by 1.7%.

Segment operating profit was EUR -12.4 million (-12.0). The first quarter is seasonally low in Vianor, therefore negative in profitability. The summer tire season starts in the second quarter.

At the end of the review period, Vianor had 186 (187) own service centers in Finland, Sweden, Norway, and the USA.

## Segments Total to Nokian Tyres Total reconciliation

<b>1-3/2020</b>	<b>Net sales</b>	<b>Cost of sales</b>	<b>SGA</b>	<b>Other operating income/expenses</b>	<b>Operating profit</b>	<b>Financial income/expenses</b>	<b>Taxes</b>	<b>Profit for the period</b>
Segments Total	279.8	-197.6	-62.1	-3.8	16.3	-3.3	-3.4	9.7
US factory ramp-up		-5.8	-1.5		-7.3			
Others								
Total Non-IFRS exclusion		-5.8	-1.5		-7.3			-7.3
Nokian Tyres Total	279.8	-203.4	-63.6	-3.8	9.0	-3.3	-3.4	2.4

## SHARES AND SHAREHOLDERS

At the end of March 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–March 2020.

### Own shares

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

Nokian Tyres has an agreement from 2017 with a third-party service provider concerning the share-based incentive program for key personnel. The third party owns Nokian Tyres' shares related to the incentive program until the shares are given to the participants of the program. In accordance with IFRS, these repurchased shares, 480,000 in 2017, have been reported as treasury shares in the Consolidated Statement of Financial Position. On March 31, 2020, the number of these shares was 197,711. This number of shares corresponded to 0.14% of the total shares and voting rights in the company.

### Trading in shares

A total of 89,279,499 (49,339,774) Nokian Tyres' shares were traded in Nasdaq Helsinki in January–March 2020, representing 64% (36%) of the company's overall share capital. The average daily volume in January–March 2020 was 1,417,135 shares (783,171). 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 48,858,382 (29,280,703) shares during the review period.

Nokian Tyres' share price was EUR 22.07 (29.84) at the end of March 2020. The volume weighted average share price in January–March 2020 was EUR 22.57 (30.13), the highest was EUR 27.67 (32.44) and the lowest was EUR 16.47 (26.41). The company's market capitalization at the end of March 2020 was EUR 3.1 billion (4.1 billion).

At the end of the review period, the company had 63,950 (49,293) registered shareholders. The percentage of Finnish shareholders was 40.3% (33.0%), and 59.7% (67.0%) were non-Finnish holders and foreign shareholders registered in the nominee register. Public sector entities owned 11.6% (10.1%), financial and insurance corporations 4.8% (4.8%), households 16.7% (12.5%), non-profit institutions 3.9% (3.3%), and private companies 3.3% (2.3%).

### 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 BlackRock, Inc. on March 11 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.

Nokian Tyres received notification from BlackRock, Inc. on March 20 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.

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.

## **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/).

During the review period, Nokian Tyres updated its Sustainability Strategy and Sustainability Road Map to guide the company's work on sustainability.

## **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.

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

On April 27, 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. Adrian will be a member of Nokian Tyres Management Team and report to the President and CEO Hille Korhonen.

## **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. Due to the prevailing uncertainties, the Board is not in a position to give a new guidance.

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, May 5, 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 Interim 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, but it has not been prepared in compliance with all requirements set out in IAS 34 'Interim Financial Reporting'.

The interim report figures are unaudited.

# **NOKIAN TYRES CONSOLIDATED**

<b>INCOME STATEMENT</b>	<b>1-3/20</b>	<b>1-3/19</b>	<b>1-12/19</b>	<b>Change %</b>
Million euros				
Net sales	<b>279.8</b>	340.3	1,585.4	-17.8
Cost of sales	<b>-203.4</b>	-224.4	-1,013.8	9.4
<b>Gross profit</b>	<b>76.4</b>	115.9	571.6	-34.1
Other operating income	<b>0.3</b>	0.6	3.5	-48.8
Sales, marketing and R&D expenses	<b>-43.1</b>	-43.6	-175.1	1.0
Administration	<b>-20.5</b>	-18.7	-75.2	-9.2
Other operating expenses	<b>-4.1</b>	-0.3	-8.4	-1,390.6
<b>Operating profit</b>	<b>9.0</b>	53.9	316.5	-83.2
Financial income	<b>47.8</b>	19.1	67.3	150.5
Financial expenses (1)	<b>-51.1</b>	17.6	-47.0	-389.9
<b>Profit before tax</b>	<b>5.8</b>	90.7	336.7	-93.6
Tax expense (2)	<b>-3.4</b>	104.0	63.1	-103.2
<b>Profit for the period</b>	<b>2.4</b>	194.6	399.9	-98.8
Attributable to:				
Equity holders of the parent	<b>2.4</b>	194.6	399.9	
Non-controlling interest	-	-	-	
Earnings per share from the profit attributable to equity holders of the parent				
basic, euros	<b>0.02</b>	1.41	2.89	-98.8
diluted, euros	<b>0.02</b>	1.41	2.89	-98.8

**CONSOLIDATED OTHER COMPREHENSIVE  
INCOME**

	1-3/20	1-3/19	1-12/19
Million euros			
<b>Profit for the period</b>	<b>2.4</b>	194.6	399.9
Other comprehensive income, items that may be reclassified subsequently to profit and loss, net of tax:			
Cash flow hedges	-1.6	-1.8	-1.2
Translation differences on foreign operations	-112.7	58.7	86.6
Total other comprehensive income for the period, net of tax	-114.3	56.9	85.4
<b>Total comprehensive income for the period</b>	<b>-111.9</b>	251.5	485.3
Total comprehensive income attributable to:			
Equity holders of the parent	-111.9	251.5	485.3
Non-controlling interest	-	-	-

1) Financial expenses contain in 1-3/19 and 1-12/19 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 1-3/19 contain a gain of EUR 1.5 million and in 1-12/19 a gain of EUR 1.4 million of interest from returned taxes.

2) Tax expense contains in 1-3/19 EUR 113.7 million and in 1-12/19 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>	<b>31.3.20</b>	<b>31.3.19</b>	<b>31.12.19</b>	<b>Change %</b>
Equity ratio, %	69.4	75.7	75.9	
Gearing, %	7.3	-3.2	2.3	
Equity per share, euro	11.95	12.62	12.76	-5.3
Interest-bearing net debt, mill. euros	120.9	-54.9	41.1	
Capital expenditure, mill. euros	50.9	54.3	299.6	
Depreciation, mill. euros	34.1	30.5	125.2	
Personnel, average	4,941	4,775	4,942	
Number of shares (million units)				
at the end of period	138.72	137.85	138.72	
in average	138.72	137.80	138.17	
in average, diluted	138.72	138.14	138.38	

**CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION**

	31.3.20	31.3.19	31.12.19
Million euros			
<b>Non-current assets</b>			
Property, plant and equipment	860.5	700.9	885.0
Goodwill	81.7	83.8	84.4
Other intangible assets	33.6	37.4	35.3
Investments in associates	0.1	0.1	0.1
Right of use assets	108.1	132.2	122.9
Non-current financial investments	0.7	0.7	0.7
Other receivables	6.1	7.9	7.7
Deferred tax assets	20.1	13.4	15.9
<b>Total non-current assets</b>	<b>1,110.9</b>	976.4	1,152.0
<b>Current assets</b>			
Inventories	393.2	405.7	387.0
Trade receivables	461.4	511.4	498.3
Other receivables	95.1	83.4	76.4
Cash and cash equivalents	328.6	321.4	218.8
<b>Total current assets</b>	<b>1,278.3</b>	1,322.0	1,180.5
<b>Total assets</b>	<b>2,389.2</b>	2,298.3	2,332.6
<b>Equity</b>			
Share capital	25.4	25.4	25.4
Share premium	181.4	181.4	181.4
Treasury shares	-8.0	-9.3	-8.0
Translation reserve	-391.5	-306.8	-278.8
Fair value and hedging reserves	-3.4	-2.3	-1.8
Paid-up unrestricted equity reserve	238.2	222.6	238.2
Retained earnings	1,616.1	1,629.1	1,613.3
Non-controlling interest	-	-	-
<b>Total equity</b>	<b>1,658.3</b>	1,740.1	1,769.7
<b>Non-current liabilities</b>			
Deferred tax liabilities	29.2	35.2	36.4
Interest-bearing liabilities	213.1	126.0	229.1
Other liabilities	1.6	0.6	1.0
<b>Total non-current liabilities</b>	<b>243.9</b>	161.8	266.5
<b>Current liabilities</b>			
Trade payables	90.6	85.2	89.4
Other current payables	155.3	166.2	171.1
Provisions	4.6	4.5	5.0
Interest-bearing liabilities	236.4	140.6	30.9
<b>Total current liabilities</b>	<b>486.9</b>	396.5	296.4
<b>Total equity and liabilities</b>	<b>2,389.2</b>	2,298.3	2,332.6

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>1-3/20</b>	<b>1-3/19</b>	<b>1-12/19</b>
Million euros			
<b>Profit for the period</b>	<b>2.4</b>	194.6	399.9
Adjustments for			
Depreciation, amortisation and impairment	<b>34.1</b>	30.5	125.2
Financial income and expenses	<b>3.3</b>	-36.7	-20.3
Gains and losses on sale of intangible assets, other changes	<b>3.9</b>	7.2	6.4
Income Taxes	<b>3.4</b>	-104.0	-63.1
<b>Cash flow before changes in working capital</b>	<b>47.1</b>	91.7	448.0
Changes in working capital			
Current receivables, non-interest-bearing, increase (-) / decrease (+)	<b>-14.9</b>	-84.3	-68.0
Inventories, increase (-) / decrease (+)	<b>-41.0</b>	-23.4	6.1
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	<b>-6.3</b>	-190.1	-173.8
<b>Changes in working capital</b>	<b>-62.3</b>	-297.8	-235.7
Financial items and taxes			
Interest and other financial items, received	<b>0.4</b>	2.2	4.1
Interest and other financial items, paid	<b>-15.8</b>	31.4	-56.7
Dividends received	-	-	0.0
Income taxes paid	<b>-8.4</b>	103.6	60.1
<b>Financial items and taxes</b>	<b>-23.7</b>	137.2	7.4
<b>Cash flow from operating activities (A)</b>	<b>-38.9</b>	-68.9	219.8
<b>Cash flows from investing activities</b>			
Acquisitions of property, plant and equipment and intangible assets	<b>-50.9</b>	-54.3	-290.1
Proceeds from sale of property, plant and equipment and intangible assets	<b>0.2</b>	0.1	2.3
Acquisitions of Group companies	-	-	-9.5
Acquisitions of other investments	-	0.0	0.0
Other cash flow from investing activities	<b>6.5</b>	-	-
<b>Cash flows from investing activities (B)</b>	<b>-44.2</b>	-54.2	-297.2
Cash flow from financing activities:			
Proceeds from issue of share capital	-	0.0	15.6
Change in current financial receivables, increase (-) / decrease (+)	<b>6.9</b>	0.9	75.0
Change in non-current financial receivables, increase (-) / decrease (+)	<b>0.1</b>	0.0	1.2
Change in current financial borrowings, increase (+) / decrease (-)	<b>208.9</b>	-0.3	-125.8
Change in non-current financial borrowings, increase (+) / decrease (-)	<b>-0.4</b>	-0.3	127.9
Payment of lease liabilities	<b>-5.2</b>	-5.0	-30.7
Dividends received	<b>0.0</b>	-	0.3
Dividends paid	<b>-0.1</b>	-	-218.1
Change in other financial instruments	<b>-13.8</b>	-	-
<b>Cash flow from financing activities (C)</b>	<b>196.4</b>	-4.7	-154.5
<b>Change in cash and cash equivalents, increase (+) / decrease (-) (A+B+C)</b>	<b>113.4</b>	-127.8	-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>-3.6</b>	1.7	3.2
Cash and cash equivalents at the end of the period	<b>328.6</b>	321.4	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
Profit for the period							194.6		194.6
Other comprehensive income, net of tax:									
Cash flow hedges					-1.8				-1.8
Net investment hedge									-
Translation differences				58.7					58.7
Total comprehensive income for the period				58.7	-1.8		194.6		251.5
Dividends paid									-
Exercised warrants									-
Acquisition of treasury shares									-
Share-based payments			2.1				0.3		2.4
Total transactions with owners for the period			2.1				0.3		2.4
Equity, 31 Mar 2019	25.4	181.4	-9.3	-306.8	-2.3	222.6	1,629.1	-	1,740.1
<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>
Profit for the period							2.4		2.4
Other comprehensive income, net of tax:									
Cash flow hedges					-1.6				-1.6
Net investment hedge									-
Translation differences				-112.7					-112.7
Total comprehensive income for the period				-112.7	-1.6		2.4		-111.9
Dividends paid							-0.1		-0.1
Exercised warrants									-
Acquisition of treasury shares									-
Share-based payments							0.6		0.6
Total transactions with owners for the period							0.5		0.5
<b>Equity, 31 Mar 2020</b>	<b>25.4</b>	<b>181.4</b>	<b>-8.0</b>	<b>-391.5</b>	<b>-3.4</b>	<b>238.2</b>	<b>1,616.1</b>	<b>-</b>	<b>1,658.3</b>

<b>SEGMENT INFORMATION</b>	<b>1-3/20</b>	<b>1-3/19</b>	<b>1-12/19</b>	<b>Change %</b>
Million euros				
<b>Net sales</b>				
Passenger car tyres	<b>190.5</b>	253.0	1,123.8	-24.7
Heavy tyres	<b>51.2</b>	48.3	202.7	6.0
Vianor	<b>54.4</b>	57.0	336.5	-4.4
Other operations and eliminations	<b>-16.3</b>	-17.9	-77.6	9.1
<b>Total</b>	<b>279.8</b>	340.3	1,585.4	-17.8
<b>Operating result</b>				
Passenger car tyres	<b>18.6</b>	63.2	287.7	-70.6
Heavy tyres	<b>8.2</b>	9.0	35.7	-8.5
Vianor	<b>-12.4</b>	-12.0	7.7	-12.6
Other operations and eliminations	<b>-5.4</b>	-6.3	-14.7	32.2
<b>Total</b>	<b>9.0</b>	53.9	316.5	-83.2
<b>Operating result, % of net sales</b>				
Passenger car tyres	<b>9.7</b>	24.7	25.4	
Heavy tyres	<b>16.1</b>	18.7	17.6	
Vianor	<b>-22.8</b>	-21.0	2.3	
<b>Total</b>	<b>3.2</b>	15.7	19.8	
<b>NET SALES BY GEOGRAPHICAL AREA</b>	<b>1-3/20</b>	<b>1-3/19</b>	<b>1-12/19</b>	<b>Change %</b>
Million euros				
Nordics	<b>119.1</b>	121.1	613.2	-1.7
Other Europe	<b>60.8</b>	71.1	375.5	-14.4
Russia and Asia	<b>56.5</b>	92.7	324.3	-39.1
Americas	<b>37.9</b>	43.7	209.3	-13.2
Other	<b>5.5</b>	11.7	63.2	-53.2
<b>Total</b>	<b>279.8</b>	340.3	1,585.4	
<b>CONTINGENT LIABILITIES</b>	<b>31.3.20</b>	<b>31.3.19</b>	<b>31.12.19</b>	
Million euros				
<b>For own debt</b>				
Mortgages	<b>0.9</b>	0.9	0.9	
Pledged assets	<b>5.6</b>	4.7	4.7	
<b>On behalf of others</b>				
Guarantees	<b>0.0</b>	0.4	0.4	
<b>Other own commitments</b>				
Guarantees	<b>26.6</b>	28.8	29.9	
Leasing and rent commitments	<b>23.9</b>	26.6	27.5	
Purchase commitments	<b>30.1</b>	29.4	29.4	



**DERIVATIVE FINANCIAL****INSTRUMENTS**

	<b>31.3.20</b>	31.3.19	31.12.19
Million euros			
<b>INTEREST RATE DERIVATIVES</b>			
Interest rate swaps			
Notional amount	<b>100.0</b>	200.0	100.0
Fair value	<b>-3.5</b>	-2.8	-3.2
<b>FOREIGN CURRENCY DERIVATIVES</b>			
Currency forwards			
Notional amount	<b>349.2</b>	470.9	396.8
Fair value	<b>-0.4</b>	1.4	0.5
Currency options, purchased			
Notional amount	-	13.4	20.3
Fair value	-	0.3	0.0
Currency options, written			
Notional amount	-	13.4	-
Fair value	-	0.0	-
Interest rate and currency swaps			
Notional amount	<b>75.0</b>	86.0	75.0
Fair value	<b>12.2</b>	11.9	-2.7
<b>ELECTRICITY DERIVATIVES</b>			
Electricity forwards			
Notional amount	<b>4.1</b>	4.9	3.9
Fair value	<b>-1.4</b>	1.6	0.9

## IFRS 16 LEASES

The new standard became effective on 1 January 2019 onwards 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>31.3.20</b>	<b>31.3.19</b>	<b>31.12.19</b>	
<b>Fixed assets</b>				
Right to use	<b>108.1</b>	132.2	122.9	
<b>Total</b>	<b>108.1</b>	132.2	122.9	
<b>Equity &amp; Liability</b>				
Non-current liability	<b>83.4</b>	119.9	94.8	
Current liability	<b>26.6</b>	12.7	30.0	
<b>Total</b>	<b>110.0</b>	132.6	124.8	
<b>P&amp;L effects</b>	<b>1-3/20</b>	<b>1-3/19</b>	<b>1-12/19</b>	<b>Change %</b>
Reversed rents	<b>8.1</b>	7.7	32.2	5.2
Depreciations	<b>-7.6</b>	-7.1	-31.1	-6.5
Finance costs	<b>-0.8</b>	-1.0	-3.8	19.6
<b>Total</b>	<b>-0.3</b>	-0.4	-2.7	33.6

## Reconciliation of financial results 2019

The restated financial results reflect a new definition of sales adjustments and net sales, and new treatment of warehousing costs and operating cost of Vianor's own service centers in the Nordics:

- The definition of sales adjustments and net sales have been unified across the Group.
- The definition of cost of sales, which has previously been limited to the cost of sales for the Group's manufacturing activities, now includes the warehousing costs of all business units and operating costs of Vianor's own service centers in the Nordics. These costs were previously captured in selling, general and administrative expenses.

The changes have no impact on the Group's operating income.

<b>2019</b>	<b>Figures published in 2019</b>	<b>Restatements</b>	<b>Nokian Tyres Total</b>
Net sales	1,595.8	-10.4	1,585.4
Cost of sales	-912.9	-100.9	-1,013.8
Gross Profit	683.0	-111.4	571.6
Sales, marketing and R&D expenses	-288.9	113.8	-175.1
Administration	-45.4	-29.8	-75.2
Other operating income	3.6	-0.1	3.5
Other operating expenses	-35.8	27.4	-8.4
Operating profit	316.5		316.5
% of net sales	19.8		19.8

<b>Q1/2019</b>	<b>Figures published in 2019</b>	<b>Restatements</b>	<b>Nokian Tyres Total</b>
Net sales	343.7	-3.4	340.3
Cost of sales	-201.6	-22.8	-224.4
Gross Profit	142.1	-26.2	115.9
Sales, marketing and R&D expenses	-70.1	26.5	-43.6
Administration	-11.3	-7.4	-18.7
Other operating income	0.6		0.6
Other operating expenses	-7.4	+7.1	-0.3
Operating profit	53.9		53.9
% of net sales	15.7		15.7

<b>Q2/2019</b>	<b>Figures published in 2019</b>	<b>Restatements</b>	<b>Nokian Tyres Total</b>
Net sales	419.1	-3.4	415.7
Cost of sales	-228.6	-24.0	-252.6
Gross Profit	190.5	-27.4	163.1
Sales, marketing and R&D expenses	-73.2	27.8	-45.4
Administration	-15.6	-7.3	-22.9
Other operating income	0.2	-0.1	0.1
Other operating expenses	-7.8	6.9	-0.9
Operating profit	94.1		94.1
% of net sales	22.4		22.4

<b>Q3/2019</b>	<b>Figures published in 2019</b>	<b>Restatements</b>	<b>Nokian Tyres Total</b>
Net sales	357.3	-2.8	354.5
Cost of sales	-204.2	-22.7	-226.9
Gross Profit	153.1	-25.5	127.6
Sales, marketing and R&D expenses	-66.8	27.2	-39.6
Administration	-11.0	-7.4	-18.4
Other operating income	0.2		0.2
Other operating expenses	-8.0	5.6	-2.4
Operating profit	67.5		67.5
% of net sales	18.9		18.9

<b>Q4/2019</b>	<b>Figures published in 2019</b>	<b>Restatements</b>	<b>Nokian Tyres Total</b>
Net sales	475.8	-1.0	474.8
Cost of sales	-278.5	-31.4	-309.9
Gross Profit	197.3	-32.4	164.9
Sales, marketing and R&D expenses	-78.7	32.2	-46.5
Administration	-7.6	-7.6	-15.2
Other operating income	2.5		2.5
Other operating expenses	-12.6	7.8	-4.8
Operating profit	101.0		101.0
% of net sales	21.2		21.2

## DEFINITIONS OF CONSOLIDATED KEY FINANCIAL INDICATORS

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Earnings per share, euro:

Profit 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:

Profit 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)