Kemira

Financial Statements Bulletin 2020

STRONG PERFORMANCE DURING A CHALLENGING YEAR

Fourth quarter: Continued strong profitability and cash flow

- Revenue decreased by 8% to EUR 605.6 million (657.7) due to lower sales volumes and prices. Revenue in local currencies (excluding acquisitions and divestments) decreased by 4%.
- Operative EBITDA increased by 20% to EUR 107.9 million (90.1) following favorable development of variable costs and good fixed cost management. The operative EBITDA margin increased to 17.8% (13.7%). EBITDA increased by 31% to EUR 91.2 million (69.6).
- Operative EBIT increased by 34% to EUR 57.0 million (42.4). EBIT increased by 84% to EUR 40.3 million (21.9). The differences between operative and reported figures are explained by items affecting comparability, which were mainly explained by liabilities in a to-be-closed energy company.
- Cash flow from operating activities improved to EUR 146.4 million (142.5).
- EPS (diluted) increased by 214% to EUR 0.14 (0.05), mainly due to higher EBITDA.

January-December: Strong performance during a challenging year

- Revenue decreased by 9% to EUR 2,427.2 million (2,658.8), mainly due to lower sales volumes. Revenue in local currencies, excluding acquisitions and divestments, decreased by 7%.
- Operative EBITDA increased by 6% to EUR 435.1 million (410.0), mainly due to favorable development of variable costs. Good fixed cost management also contributed positively. The operative EBITDA margin increased to 17.9% (15.4%). EBITDA increased by 8% to EUR 413.2 million (382.3).
- Operative EBIT increased by 6% to EUR 237.7 million (224.0). EBIT increased by 11% to EUR 215.9 million (194.4). The differences between operative and reported figures are explained by items affecting comparability, which were mainly explained by liabilities in a to-be-closed energy company.
- Cash flow from operating activities remained strong at EUR 374.7 million (386.2).
- EPS (diluted) increased by 19% to EUR 0.86 (0.72), mainly due to higher EBITDA.

Dividend proposal for 2020

The Board of Directors proposes to the Annual General Meeting 2021 a cash dividend of EUR 0.58 per share (0.56), totaling EUR 89 million (85). It is proposed that the dividend be paid in two installments.

Outlook for 2021

Revenue

Kemira's revenue in local currencies, excluding acquisitions and divestments, is expected to increase from 2020 (EUR 2,427 million).

Operative EBITDA

Kemira's operative EBITDA is expected to be at the same or at a slightly (less than 5%) lower level than in 2020 (EUR 435 million).

Assumptions behind outlook

COVID-19 pandemic continues to cause uncertainty in 2021, but Kemira's end market demand is expected to recover gradually from 2020 in line with forecasted economic growth. Demand, particularly in the oil and gas market, is expected to recover. The outlook assumes no significant disruptions to Kemira's operations. Currencies are expected to have a negative impact on operative EBITDA.

Kemira’s President and CEO Jari Rosendal:

“Kemira delivered strong profitability in 2020. The operating environment during the year was characterized by the COVID-19 pandemic and its impact on the global economy. Thanks to our proactive measures, we avoided significant interruptions to our operations during the year. While Kemira's overall revenue declined by 9%, excluding the more volatile Oil & Gas business and negative currency impact, revenue declined by

2%. This demonstrates the resilience of our business model. Despite lower revenue and a challenging market environment, profitability clearly improved. The operative EBITDA was EUR 435 million and the operative EBITDA margin reached a high level of 17.9% in 2020 thanks to good cost management. In addition, cash flow remained strong during the year.

In Pulp & Paper, profitability improved clearly, and the operative EBITDA margin was exceptionally strong: 17.9% in 2020. The ramp-up of the AKD manufacturing facility in China facilitated our growth in APAC and contributed to growth in operative EBITDA. The segment's revenue declined by 4% in 2020, driven by lower sales volumes, particularly in process and functional and bleaching chemicals. One of the highlights of the year was the contract extension with UPM-Kymmene for their existing and upcoming pulp mills in Uruguay.

In Industry & Water, relative profitability improved despite lower revenue, which declined by 15%, mainly due to the Oil & Gas business. In shale, the sequential pick-up in demand continued in Q4 2020. In terms of segment profitability, the operative EBITDA margin improved further and was strong at 18.0%. During the year, we successfully ramped up our manufacturing facility in the Netherlands, which is the foundation for our growth in Chemical Enhanced Oil Recovery.

Overall, 2020 was an exceptional year. Thanks to our committed employees, loyal customers and other important stakeholders, our performance was strong throughout the year. I would like to warmly thank all our stakeholders for their trust during 2020.

In recent years, we have taken action to improve Kemira's profitability, and Kemira is a fundamentally stronger company now. In conjunction with the Capital Markets Day in November, we announced our updated financial target for operative EBITDA margin and updated dividend policy. We are now aiming for an operative EBITDA margin of 15-18% (previously 15-17%) and for a competitive dividend that increases over time (previously "competitive and stable dividend"). Looking ahead, we are placing increased focus on profitable growth. We expect biobased products to be an important growth driver in the years to come, as customers are increasingly looking for biodegradable and recyclable solutions. We announced important new partnerships in December with Danimer Scientific and DuPont to develop and commercialize biobased products; significant milestones on our journey to reach EUR 500 million in biobased revenue by 2030.

Looking at the 2021 outlook, we expect revenue in local currencies, excluding acquisitions and divestments, to increase from 2020 (EUR 2,427 million). In terms of profitability, we expect operative EBITDA to be at the same or at a slightly (less than 5%) lower level than in 2020 (EUR 435 million). Thanks to the strong performance in 2020, the Board of Directors is proposing to increase the dividend to EUR 0.58 per share.

KEY FIGURES AND RATIOS

EUR million	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Revenue	**605.6**	657.7	**2,427.2**	2,658.8
Operative EBITDA	**107.9**	90.1	**435.1**	410.0
Operative EBITDA, %	**17.8**	13.7	**17.9**	15.4
EBITDA	**91.2**	69.6	**413.2**	382.3
EBITDA, %	**15.1**	10.6	**17.0**	14.4
Operative EBIT	**57.0**	42.4	**237.7**	224.0
Operative EBIT, %	**9.4**	6.4	**9.8**	8.4
EBIT	**40.3**	21.9	**215.9**	194.4
EBIT, %	**6.7**	3.3	**8.9**	7.3
Net profit for the period	**23.8**	8.6	**138.0**	116.5
Earnings per share, diluted, EUR	**0.14**	0.05	**0.86**	0.72
Capital employed*	**1,964.9**	1,998.2	**1,964.9**	1,998.2
Operative ROCE*, %	**12.1**	11.2	**12.1**	11.2
ROCE*, %	**11.0**	9.7	**11.0**	9.7
Cash flow from operating activities	**146.4**	142.5	**374.7**	386.2
Capital expenditure excl. acquisition	**66.0**	81.4	**195.6**	201.1
Capital expenditure	**66.0**	82.5	**198.2**	204.1
Cash flow after investing activities	**76.6**	60.0	**173.3**	189.8
Equity ratio, % at period-end	**43**	43	**43**	43
Equity per share, EUR	**7.80**	7.98	**7.80**	7.98
Gearing, % at period-end	**63**	66	**63**	66

*12-month rolling average

Kemira provides certain financial performance measures (alternative performance measures) that are not defined by IFRS. Kemira believes that alternative performance measures followed by capital markets and Kemira management, such as organic growth (revenue growth in local currencies, excluding acquisitions and divestments), EBITDA, operative EBITDA, operative EBIT, cash flow after investing activities, and gearing, provide useful information about Kemira's comparable business performance and financial position. Selected alternative performance measures are also used as performance criteria in remuneration.

Kemira's alternative performance measures should not be viewed in isolation from the equivalent IFRS measures, and alternative performance measures should be read in conjunction with the most directly comparable IFRS measures. Definitions of the alternative performance measures can be found in the definitions of the key figures in this report, as well as at www.kemira.com > Investors > Financial information. All the figures in this Financial Statements Bulletin have been individually rounded, and consequently the sum of the individual figures may deviate slightly from the total figure presented.

FINANCIAL PERFORMANCE IN Q4 2020

Revenue decreased by 8% due to lower sales volumes and sales prices following the COVID-19-related economic slowdown. Currencies had a clear negative impact. Revenue in local currencies, excluding acquisitions and divestments, decreased by 4%.

Revenue	Oct-Dec 2020 EUR million	Oct-Dec 2019 EUR million	Δ%	Organic growth*, %	Currency impact, %	Acq. & div. impact, %
Pulp & Paper	**370.0**	385.9	-4	0	-4	0
Industry & Water	**235.6**	271.8	-13	-10	-4	0
Total	**605.6**	657.7	-8	-4	-4	0

* Revenue growth in local currencies, excluding acquisitions and divestments

Operative EBITDA increased by 20% to EUR 107.9 million (90.1), despite lower sales volumes. This was due to favorable variable cost development, including lower raw material costs, as well as good fixed cost management. Efficiencies from the new investments in China and in the Netherlands contributed positively.

Variance analysis, EUR million	Oct-Dec
Operative EBITDA, 2019	**90.1**
Sales volumes	-3.6
Sales prices	-13.7
Variable costs	+28.7
Fixed costs	+6.1
Currency exchange	-3.5
Others	+3.8
Operative EBITDA, 2020	**107.9**

Operative EBITDA	Oct-Dec 2020 EUR million	Oct-Dec 2019 EUR million	Δ%	Oct-Dec 2020 %-margin	Oct-Dec 2019 %-margin
Pulp & Paper	**68.9**	52.6	31	**18.6**	13.6
Industry & Water	**39.0**	37.5	4	**16.6**	13.8
Total	**107.9**	90.1	20	**17.8**	13.7

EBITDA increased by 31% to EUR 91.2 million (69.6). The difference between it and operative EBITDA is explained by **items affecting comparability**, which in Q4 2020 consisted mainly of Kemira's liabilities in a small, to-be closed energy company owned via Pohjolan Voima, as well as organizational restructuring costs in Pulp & Paper. The comparison period consisted of a provision for existing, old litigation and provisions for environmental liabilities related to a site closure in 2013.

Items affecting comparability, EUR million	Oct-Dec 2020	Oct-Dec 2019
Within EBITDA	**-16.7**	-20.5
Pulp & Paper	-16.8	-20.8
Industry & Water	0.1	0.3
Within depreciation, amortization and impairments	**0.0**	0.0
Pulp & Paper	0.0	0.0
Industry & Water	0.0	0.0
Total items affecting comparability in EBIT	**-16.7**	-20.5

Depreciation, amortization and impairments were EUR 50.9 million (47.7), including EUR 3.2 million (4.5) in amortization of the purchase price allocation.

Operative EBIT increased by 34% due to higher EBITDA. **EBIT** increased by 84%, and the difference between the two is explained by items affecting comparability.

Net finance costs totaled EUR -9.6 million (-10.4). **Income taxes** were EUR -7.0 million (-3.0), with the reported tax rate being 23% (26%). **Net profit for the period** increased by 177%.

FINANCIAL PERFORMANCE IN JANUARY-DECEMBER 2020

Revenue decreased by 9%, mainly as volumes were negatively impacted by the economic slowdown related to COVID-19. Revenue in local currencies, excluding acquisitions and divestments, decreased by 7%.

Revenue	Jan-Dec 2020 EUR million	Jan-Dec 2019 EUR million	Δ%	Organic growth*, %	Currency impact, %	Acq. & div. impact, %
Pulp & Paper	**1,457.6**	1,522.9	-4	-2	-2	0
Industry & Water	**969.5**	1,135.9	-15	-13	-1	0
Total	**2,427.2**	2,658.8	-9	-7	-2	0

* Revenue growth in local currencies, excluding acquisitions and divestments

Operative EBITDA increased by 6% to 435.1 (410.0) despite clearly lower sales volumes. This was mainly the result of lower variable costs, including lower raw material and electricity costs, and good fixed cost management. Also, efficiencies from the new investments in China and in the Netherlands contributed positively.

Variance analysis, EUR million	Jan-Dec
Operative EBITDA, 2019	**410.0**
Sales volumes	-65.0
Sales prices	-22.0
Variable costs	+105.6
Fixed costs	+18.3
Currency exchange	-8.1
Others	-3.7
Operative EBITDA, 2020	**+435.1**

Operative EBITDA	Jan-Dec 2020 EUR million	Jan-Dec 2019 EUR million	Δ%	Jan-Dec 2020 %-margin	Jan-Dec 2019 %-margin
Pulp & Paper	**260.2**	218.3	19	**17.9**	14.3
Industry & Water	**174.8**	191.7	-9	**18.0**	16.9
Total	**435.1**	410.0	6	**17.9**	15.4

EBITDA increased by 8% to EUR 413.2 million (382.3). The difference between it and operative EBITDA is explained by items affecting comparability. **Items affecting comparability** consisted mainly of Kemira's liabilities in a small, to-be closed energy company owned via Pohjolan Voima as well as organizational restructuring costs in Pulp & Paper and Oil & Gas. The comparison period consisted of organizational restructuring costs, a provision for an existing, old litigation as well as provisions for environmental liabilities related to a site closure in 2013.

Items affecting comparability, EUR million	Jan-Dec 2020	Jan-Dec 2019
Within EBITDA	**-21.8**	-27.7
Pulp & Paper	-20.0	-25.8
Industry & Water	-1.8	-1.8
Within depreciation, amortization and impairments	**0.0**	-1.9
Pulp & Paper	0.0	0.0
Industry & Water	0.0	-1.9
Total	**-21.8**	-29.6

Depreciation, amortization and impairments increased to EUR 197.4 million (187.9), including the EUR 14.8 million (18.5) amortization of the purchase price allocation. New investments in China and the Netherlands increased depreciations compared to previous year.

Operative EBIT increased by 6% compared to the previous year. **EBIT** increased by 11%, and the difference between the two is explained by items affecting comparability.

Finance costs, net totaled EUR -34.9 million (-39.7). **Income taxes** were EUR -43.0 million (-38.2) as a result of higher EBITDA, with the reported tax rate being 24% (25%).

Net profit for the period increased by 18%, mainly due to higher EBITDA and lower net finance costs.

FINANCIAL POSITION AND CASH FLOW

Cash flow from operating activities in January-December 2020 decreased, but remained strong at EUR 374.7 million (386.2). Also cash flow after investing activities was strong at EUR 173.3 million (189.8). In the comparison period, EUR 15 million of excess capital was returned from Kemira's supplementary pension fund in Finland.

At the end of the 2020, interest-bearing liabilities totaled EUR 919 million (955), including lease liabilities of EUR 121 million (134). The average interest rate of the Group's interest-bearing loan portfolio (excluding leases) was 1.9% (1.9%), and the duration was 20 months (26). Fixed-rate loans accounted for 74% (87%) of net interest-bearing liabilities, including lease liabilities.

Short-term liabilities maturing in the next 12 months amounted to EUR 195 million. On December 31, 2020, cash and cash equivalents totaled EUR 160 million (143). The Group has a EUR 400 million undrawn committed credit facility maturing in 2025.

At the end of the period, Kemira Group's net debt was EUR 759 million (811), including lease liabilities. The equity ratio was 43% (43%), while gearing improved to 63% (66%).

Kemira is exposed to transaction and translation currency risks. The Group's most significant transaction currency risks arise from the the US dollar, the Chinese renminbi, the Swedish krona and the Canadian dollar. At the end of the year, the US dollar-denominated exchange change risk was approximately EUR 86 million, of which 41% was hedged on an average basis. The Chinese renminbi-denominated exchange rate risk against USD had an equivalent value of approximately EUR 35 million, of which 47% was hedged on an average basis. The Swedish krona-denominated exchange rate risk against EUR had an equivalent value of approximately EUR 28 million, of which 68% was hedged on an average basis. The Canadian dollar-denominated exchange rate risk against EUR had an equivalent value of approximately EUR 22 million, of which 46% was hedged on an average basis. In addition, Kemira is exposed to smaller transaction risks against EUR, mainly in relation to the Chinese renminbi, Norwegian krone, Danish krone, Polish zloty, Russian ruble and UK pound sterling, and against USD mainly in relation to the Brazilian real, Canadian dollar and Thai baht, with the annual exposure in those currencies being approximately EUR 124 million.

As Kemira's consolidated financial statements are compiled in euros, Kemira is also subject to a currency translation risk to the extent to which the income statement and balance sheet items of subsidiaries located outside Finland are reported in a currency other than the euro. The most significant translation exposure on revenue and EBITDA derive from the US dollar and the Canadian dollar. A strengthening of currencies against the euro would increase Kemira's revenue and EBITDA through a translation effect.

CAPITAL EXPENDITURE

In January-December 2020, capital expenditure excluding acquisitions decreased by 3% to EUR 195.6 million (201.1). Capital expenditure can be broken down as follows: expansion capex 37% (49%), improvement capex 23% (19%), and maintenance capex 40% (32%).

RESEARCH AND DEVELOPMENT

In January-December 2020, total research and development expenses were EUR 28.9 million (30.3), representing 1.2% (1.1%) of the Group's revenue.

Kemira's research and development is an enabler of growth and further differentiation. New product launches contribute to the efficiency and sustainability of customer processes as well as improved profitability. Both Kemira's future market position and profitability depend on the company's ability to understand and meet current and future customer needs and market trends, as well as on its ability to innovate differentiated products and applications.

At the end of 2020, Kemira had 367 (365) patent families, including 1,726 (1,681) granted patents, and 964 (1,087) pending applications. During 2020, Kemira applied for 37 (37) new patents and started 12 new product development projects, of which ten were planned to improve resource efficiency. At the same time, Kemira commercialized seven new product development projects, all of which improve resource efficiency in the customer phase.

HUMAN RESOURCES

At the end of the period, Kemira Group had 4,921 employees (5,062). Kemira had 771 (786) employees in Finland, 1,759 (1,759) employees elsewhere in EMEA, 1,467 (1,570) in the Americas, and 924 (947) in APAC.

Kemira
100 years of chemistry

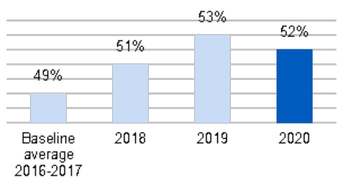
CORPORATE SUSTAINABILITY

Sustainable products and solutions

KPI+Target | **Performance** | **Quarterly development**

Product sustainability

At least 50% of Kemira's revenue generated through products improving customers' resource efficiency.



Three new R&D projects were started in Q4 2020, and all of them are planned to improve customer-phase resource efficiency. During 2020, we started in total 12 new R&D projects, of which ten are planned to improve resource efficiency. At the same time, we commercialized seven R&D projects, and all of them are improving resource efficiency in the customer phase.

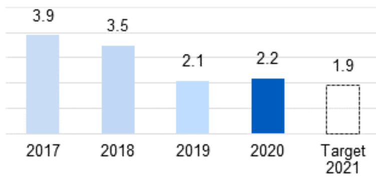
AHEAD OF TARGET

Responsible operations and supply chain

KPI+Target | **Performance** | **Key developments**

Workplace safety

Achieve zero injuries over the long term; TRIF* of 1.9 by end of 2021.



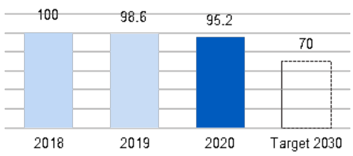
After good safety performance in H1 2020, the second half was not satisfactory, and we had one incident more than in 2019. As a result, we were not on target for our 2020 safety goal (TRIF 2.2 vs. 2.0).

We continue to work with behavioral safety to continuously improve our safety performance.

BEHIND TARGET

Climate change

Reduce combined Scope 1 and Scope 2 greenhouse gas emissions by 30% by 2030, compared to the 2018 baseline (0.93m t CO_2eq). Ambition to be carbon-neutral by 2045.

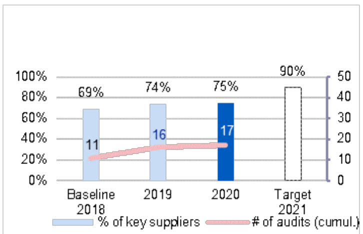


The year 2020 shows a 4.8% reduction in actual annualized emissions compared to our baseline of 2018. This is a significant improvement, as the modelling when setting Kemira's 2030 target expected a 4% increase for 2020, before declining.

ON TARGET

Supplier management

Share of direct key suppliers screened through sustainability assessments and audits (cumulative %). The target includes five sustainability audits for the highest-risk** suppliers every year, and cumulatively 25 audits by 2020.



Supplier sustainability assessments continued as planned. We completed 60 new supplier assessments, with an average score of 52/100. An additional 10 suppliers invited to take an assessment. Assessments and audits are part of sourcing processes and Sourcing function target setting and are monitored on monthly basis. In 2020, supplier assessment target was met but we were not able to conduct targeted number of audits mainly due to Covid-19 and related restrictions.

IN PROGRESS

* TRIF = total recordable injury frequency per million hours, Kemira + contractors, year-to-date

** Suppliers with the lowest sustainability assessment score

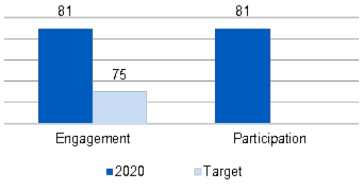
Sustainability targets will be updated in February 2021. New targets will be monitored starting as of Q1 / 2021.

People and integrity

KPI+Target | **Performance** | **Key developments**

Employee engagement index based on bi-annual MyVoice survey

Keep the index at or above the external industry norm.

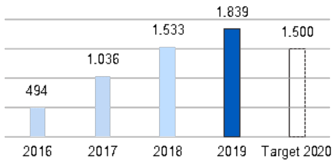


In Q4, we completed MyVoice 2020. Based on the survey, the employee engagement score increased to 81, which is six above the external manufacturing benchmark of 75. The participation rate was 81%, an increase of 14 percentage points since 2019. During 2020, we continued our continuous feedback and listening model for prioritized areas with our new, agile methods of engagement measurement, benchmarking, and taking action.

ON TARGET

Leadership development activities provided, average

Two leadership development activities per people manager position during 2016–2020. The cumulative target is 1,500 by 2020.

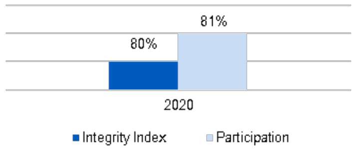


During 2020, we experimented with more digital learning, and this continued in Q4. Examples include leadership development for leaders in manufacturing, commercial and functions. We also ran two Talent Journey programs virtually for our nominated Talents.

AHEAD OF TARGET

Integrity index

KPI to measure compliance with the Kemira Code of Conduct. The target is to maintain the Integrity Index level above the industry benchmark of 77%.



Integrity has been measured in the MyVoice Pulse survey 2020 using a new method (called “Speak My Mind,” which is a single-item Index). Therefore, it is not directly comparable to the previous 2018 results. In 2020 the Integrity Index score was 80 points, ten points above manufacturing benchmark.

ON TARGET

SEGMENTS

PULP & PAPER

Pulp & Paper has unique expertise in applying chemicals and in supporting pulp and paper producers in innovating and constantly improving their operational efficiency. The segment develops and commercializes new products to fulfill customer needs, ensuring the leading portfolio of products and services for bleaching of pulp as well as paper wet-end, focusing on packaging, board and tissue. Pulp & Paper is leveraging its strong application portfolio in North America and EMEA, while also building a strong position in the emerging Asian and South American markets.

EUR million	**Oct-Dec 2020**	Oct-Dec 2019	**Jan-Dec 2020**	Jan-Dec 2019
Revenue	**370.0**	385.9	**1,457.6**	1,522.9
Operative EBITDA	**68.9**	52.6	**260.2**	218.3
Operative EBITDA, %	**18.6**	13.6	**17.9**	14.3
EBITDA	**52.1**	31.8	**240.2**	192.4
EBITDA, %	**14.1**	8.2	**16.5**	12.6
Operative EBIT	**37.5**	22.5	**138.0**	99.2
Operative EBIT, %	**10.1**	5.8	**9.5**	6.5
EBIT	**20.7**	1.7	**118.0**	73.4
EBIT, %	**5.6**	0.5	**8.1**	4.8
Capital employed*	**1,246.7**	1,289.4	**1,246.7**	1,289.4
Operative ROCE*, %	**11.1**	7.7	**11.1**	7.7
ROCE*, %	**9.5**	5.7	**9.5**	5.7
Capital expenditure excl. M&A	**33.6**	43.6	**91.9**	109.7
Capital expenditure incl. M&A	**33.6**	44.7	**94.6**	112.5
Cash flow after investing activities	**59.1**	33.5	**162.2**	139.4

* 12-month rolling average

Fourth quarter

The segment's **revenue** decreased by 4%. Revenue in local currencies, excluding acquisitions and divestments, was stable. Sales volumes increased, while sales prices decreased due to lower sales prices for caustic soda (mainly a trading product). Currencies had a negative impact of 4%.

In **EMEA**, revenue increased by 1% due to higher sales volumes, particularly in sizing chemicals. Sales prices decreased due to lower sales prices of caustic soda (mainly a trading product). In the **Americas**, revenue decreased by 13%. Revenue in local currencies decreased due to lower volumes, mainly in process and functional chemicals and bleaching chemicals. Currencies had a clear negative impact. In **APAC**, revenue decreased by 1%. Revenue in local currencies increased due to higher sales volumes.

Operative EBITDA increased by 31% due to good fixed and variable cost management, including efficiency improvements and higher capacity from the new AKD wax investment in China, as well as higher sales volumes. Emission rights compensation also contributed positively to lower variable costs. **EBITDA** increased by 64%. The difference from operative EBITDA is explained by items affecting comparability, which mainly consisted of Kemira's liabilities in a small, to-be closed energy company owned via Pohjolan Voima as well as organizational restructuring costs.

January-December

The segment’s **revenue** decreased by 4%. Revenue in local currencies (excluding divestments and acquisitions) decreased by 2%. Revenue was impacted by lower sales volumes, mainly in process and functional chemicals, due to the COVID-19 situation. A two-week industrial strike in Finland in February and lower sales prices of caustic soda (mainly a trading product) also had a negative impact on revenue.

In **EMEA**, revenue decreased by 3% to EUR 762.3 million (787.8) due to lower sales volumes in bleaching chemicals and process and functional chemicals. Lower sales prices of caustic soda (mainly a trading product) had a negative impact.

In **the Americas**, revenue decreased by 9% to EUR 455.3 million (498.7). In local currencies, revenue declined due to lower sales volumes, mainly in process and functional chemicals. Currencies had a significant negative impact.

In **APAC**, revenue increased by 2% to EUR 240.0 million (236.4) due to higher volumes, particularly in sizing chemicals. Currencies had a negative impact.

Operative EBITDA increased by 19%, due to good fixed cost management and lower variable costs, including efficiency improvements and capacity expansion arising from the new AKD wax investment in China, as well as raw material and electricity costs. **EBITDA** increased by 25%. The difference between it and operative EBITDA is explained by items affecting comparability, which mainly consisted of Kemira's liabilities in a small, to-be closed energy company owned via Pohjolan Voima as well as organizational restructuring costs. Items affecting comparability in the comparison period consisted mainly of a provision for an existing, old litigation and provisions for environmental liabilities related to a site closure in 2013

INDUSTRY & WATER

Industry & Water supports municipalities and water-intensive industries in the efficient and sustainable use of resources. In water treatment, Kemira provides assistance in optimizing various stages of the water cycle. In oil and gas applications, our chemistries enable improved yield from existing reserves, reduced water and energy use, as well as efficiency of oil sands tailings treatment.

EUR million	**Oct-Dec 2020**	Oct-Dec 2019	**Jan-Dec 2020**	Jan-Dec 2019
Revenue	**235.6**	271.8	**969.5**	1,135.9
Operative EBITDA	**39.0**	37.5	**174.8**	191.7
Operative EBITDA, %	**16.6**	13.8	**18.0**	16.9
EBITDA	**39.1**	37.8	**173.0**	189.9
EBITDA, %	**16.6**	13.9	**17.8**	16.7
Operative EBIT	**19.5**	19.9	**99.7**	124.7
Operative EBIT, %	**8.3**	7.3	**10.3**	11.0
EBIT	**19.6**	20.2	**97.8**	121.0
EBIT, %	**8.3**	7.4	**10.1**	10.6
Capital employed*	**717.5**	708.2	**717.5**	708.2
Operative ROCE*, %	**13.9**	17.6	**13.9**	17.6
ROCE*, %	**13.6**	17.1	**13.6**	17.1
Capital expenditure excl. M&A	**32.4**	37.8	**103.6**	91.4
Capital expenditure incl. M&A	**32.4**	37.8	**103.6**	91.7
Cash flow after investing activities	**29.2**	57.3	**69.8**	128.7

* 12-month rolling average

Fourth quarter

The segment's **revenue** decreased by 13%. Revenue in local currencies, excluding acquisitions and divestments, decreased by 10%. Sales volumes declined due to the economic slowdown related to COVID-19 and a drop in oil prices. Sales prices also had a negative impact.

In the water treatment business, revenue declined by 4% due to negative currency impact. Demand in municipal water treatment increased, while demand in the industrial water treatment customer segment was lower compared to the previous year. The revenue of the Oil & Gas business decreased by 42% to EUR 38.3 million (66.2). Revenue in shale continued to recover sequentially, but remained clearly below Q4 2019.

In **EMEA**, revenue decreased by 1%. Revenue in local currencies increased due to higher sales volumes in water treatment. Lower volumes of caustic soda (mainly a trading product) had a negative impact. In the **Americas**, revenue decreased by 27%. Revenue in local currencies decreased, mainly due to lower volumes and sales prices in the Oil & Gas business. Water treatment volumes in North America also declined, which was partly offset by higher sales prices. Currencies had a negative impact. In **APAC**, revenue decreased by 12%, albeit from a small base.

Operative EBITDA increased by 4%. Lower variable costs and good fixed cost management offset lower sales prices and volumes. The polymer expansion investment in the Netherlands continued to contribute positively to EBITDA. **EBITDA** increased by 3%, and the difference from operative EBITDA is explained by items affecting comparability.

January-December

The segment's **revenue** decreased by 15%. Revenue in local currencies (excluding acquisitions and divestments) decreased by 13%. The decrease was driven by lower volumes following the economic slowdown and the related drop in oil prices.

In the water treatment business, revenue declined by 4%. Lower volumes were partly offset by higher sales prices. Revenue for the Oil & Gas business decreased by 46% to EUR 158.9 million (291.8) due to lower volumes, particularly in shale.

In **EMEA**, revenue decreased by 1% to EUR 543.9 million (551.9). Lower prices and volumes of caustic soda (mainly a trading product) had a negative impact. Sales volumes increased in water treatment and Chemical Enhanced Oil Recovery. Currencies had a negative impact.

In the **Americas**, revenue declined by 28% to EUR 407.1 million (563.4), driven by lower volumes and sales prices in the Oil & Gas business, particularly in shale. In water treatment, revenue declined as higher sales prices were offset by lower sales volumes. Currencies also had a negative impact on revenue.

In **APAC**, revenue decreased by 10% to EUR 18.5 million (20.6) due to lower volumes in industrial water treatment.

Operative EBITDA decreased by 9% due to lower sales volumes and sales prices, which were partly offset by lower variable and fixed costs. Also, the polymer expansion in the Netherlands had a positive impact on operative EBITDA. **EBITDA** decreased by 9%.

PARENT COMPANY'S FINANCIAL PERFORMANCE

Kemira Oyj's revenue decreased to EUR 1,459.9 million (1,542.6) in 2020. EBITDA was EUR 126.5 million (131.2). The parent company's financing income and expenses were EUR -205.9 million (87.3). Financing income and expenses decreased, mainly due to impairment losses on non-current assets and lower dividend distribution from Group companies. The net result for the financial year totaled EUR -199.6 million (93.5). The total capital expenditure was EUR 18.8 million (15.9), excluding investments in subsidiaries.

KEMIRA OYJ'S SHARES AND SHAREHOLDERS

On December 31, 2020, Kemira Oyj's share capital amounted to EUR 221.8 million and the number of shares was 155,342,557. Each share entitles the holder to one vote at the Annual General Meeting.

At the end of December, Kemira Oyj had 44,311 registered shareholders (33,345 on December 31, 2019). Non-Finnish shareholders held 28.6% of the shares (31.9%), including nominee-registered holdings. Households owned 18.6% of the shares (15.6%). Kemira held 2,418,440 treasury shares (2,693,111), representing 1.6% (1.7%) of all company shares.

Kemira Oyj's share price decreased by 2% from the beginning of the year and closed at EUR 12.94 on the Nasdaq Helsinki at the end of December 2020 (13.26 on December 31, 2019). The shares registered a high of EUR 14.24 and a low of EUR 8.02 in January-December 2020, and the average share price was EUR 11.55. The company's market capitalization, excluding treasury shares, was EUR 1,979 million at the end of December 2020 (2,024).

In January-December 2020, Kemira Oyj's share trading turnover on the Nasdaq Helsinki was EUR 857 million (EUR 682 million in January-December 2019). The average daily trading volume was 301,131 (230,086) shares. The total volume of Kemira Oyj's share trading in January-December 2020 was 93 million shares (74), 19% (28%) of which was executed on other trading platforms (BATS, Chi-X, Turquoise). Source: Nasdaq and Kemira.com.

AGM DECISIONS

Annual General Meeting

Kemira Oyj's Annual General Meeting, held on May 5, 2020, authorized the Board of Directors to decide, at its discretion, upon the payment of a dividend of a maximum amount of EUR 0.56 per share, in two installments.

The Board of Directors decided on the payment of the first installment of the dividend, EUR 0.28 per share, on May 5, 2020, and the dividend was paid on May 14, 2020. The Board of Directors decided on the payment of the second installment of the dividend, EUR 0.28 per share, on October 26, 2020, and the payment date was November 5, 2020. Kemira announced both decisions in separate stock exchange releases.

The AGM 2020 authorized the Board of Directors to decide upon the repurchase of a maximum of 5,400,000 company's own shares. This corresponds to approximately 3.5% of all shares and votes in the company. The shares will be repurchased by using unrestricted equity, either through a tender offer with equal terms to all shareholders at a price determined by the Board of Directors or otherwise in proportion to the existing shareholdings of the company's shareholders in public trading on the Nasdaq Helsinki Ltd. (the "Helsinki Stock Exchange") at the market price quoted at the time of repurchase. The price paid for the shares repurchased through a tender offer under the authorization shall be based on the market price of the company's shares in public trading. The minimum price to be paid would be the lowest market price of the share quoted in public trading during the authorization period and the maximum price would be the highest market price quoted during the authorization period. Shares shall be acquired and paid for in accordance with the rules of the Helsinki Stock Exchange and those of Euroclear Finland Ltd. Shares may be repurchased to be used in implementing or financing mergers and acquisitions, developing the company's capital structure, improving the liquidity of the company's shares, or to be used for the payment of the annual fee payable to the members of the Board of Directors or implementing the company's share-based incentive plans. In order to realize the aforementioned purposes, the shares acquired may be retained, transferred further or cancelled by the company. The Board of Directors will decide on other terms related to the share repurchase. The Share repurchase authorization is valid until the end of the next Annual General Meeting.

The Annual General Meeting authorized the Board of Directors to decide to issue a maximum of 15,600,000 new shares (corresponding to approximately 10% of all company shares and votes) and/or transfer a maximum of 7,800,000 company's own shares (corresponding to approximately 5% of all company shares and votes) held by the company ("Share issue"). The new shares may be issued and the company's own shares held by the company may be transferred either for consideration or without consideration. The new shares may be issued and the company's own shares held by the company may be transferred to the company's shareholders in proportion to their current shareholdings in the company, or by disapplying the shareholders' pre-emption right, through a directed share issue, if the company has a weighty financial reason to do so, such as financing or implementing mergers and acquisitions, developing the capital structure of the company, improving the liquidity of the company's shares or, if it is justified, for the payment of the annual fee payable to the members of the Board of Directors or implementing the company's share-based incentive plans. The directed share issue may be carried out without consideration only in connection with the implementation of the company's share-based incentive plans. The subscription price of new shares shall be recorded to the invested unrestricted equity reserves. The consideration payable for company's own shares shall be recorded to the invested unrestricted equity reserves. The Board of Directors shall decide upon other terms related to the share issues. The Share issue authorization is valid until May 31, 2021.

The AGM elected Ernst & Young Oy to serve as the company's auditor, with Mikko Rytilahti, Authorized Public Accountant, acting as the key audit partner.

CORPORATE GOVERNANCE AND GROUP STRUCTURE

Kemira Oyj's corporate governance is based on the Articles of Association, the Finnish Companies Act, and Nasdaq Helsinki's rules and regulations on listed companies. Furthermore, the company complies with the Finnish Corporate Governance Code. The company's corporate governance is presented as a separate statement on the company's website.

Board of Directors

On May 5, 2020, the Annual General Meeting elected seven members to the Board of Directors. The Annual General Meeting re-elected Wolfgang Büchele, Shirley Cunningham, Kaisa Hietala, Timo Lappalainen, Jari Paasikivi, and Kerttu Tuomas as members of the Board of Directors, and elected Werner Fuhrman as a new member to the Board of Directors. Jari Paasikivi was re-elected as the Board's Chairman and Kerttu Tuomas was re-elected as the Vice Chairman. In 2020, Kemira's Board of Directors met 15 times, with a 99% attendance rate.

Kemira Oyj's Board of Directors has appointed two committees: the Personnel and Remuneration Committee, and the Audit Committee. The Personnel and Remuneration Committee is chaired by Jari Paasikivi and has Timo Lappalainen and Kerttu Tuomas as members. In 2020, the Personnel and Remuneration Committee met four times, with a 100% attendance rate. The Audit Committee is chaired by

Timo Lappalainen and has Kaisa Hietala and Jari Paasikivi as members. In 2020, the Audit Committee met five times, with a 100% attendance rate.

Structure

There have been no acquisitions or divestments during the year that would have impacted the company structure.

SHORT-TERM RISKS AND UNCERTAINTIES

Price and availability of raw materials and commodities

Profitable growth is a crucial part of Kemira's strategy. A significant and sudden increase in the cost of raw materials, commodities, or logistics could place Kemira's profitability at risk if Kemira is not able to pass on such increases to product prices without delay. For instance, considerable changes in oil and electricity prices could materially impact Kemira's profitability. Changes in the raw material supplier field, such as consolidation or decreasing capacity, may also increase raw material prices. Furthermore, significant demand changes in industries that are the main users of certain raw materials may lead to raw material price fluctuations. In 2020, raw material prices were significantly impacted by the COVID-19-related economic slowdown and the related drop in oil prices. The price of raw materials, particularly oil-derived raw materials, declined particularly during H1 2020. As the economic outlook started to improve towards year-end, there was some slight upward pressure on raw material prices. Raw material sourcing remained in continuous focus in 2020.

Poor availability of certain raw materials may affect Kemira's production and also profitability if Kemira fails to prepare for this by mapping out alternative suppliers or opportunities for process changes. Raw material and commodity risks can be effectively monitored and managed with Kemira's centralized Sourcing unit. Risk management measures include, for instance, forward-looking forecasting of key raw materials and commodities, synchronization of raw material purchase agreements and sales agreements, captive manufacturing of some of the critical raw materials, strategic investment in energy-generating companies, and hedging a portion of the energy and electricity spend. Kemira's joint venture with the fatty acid chloride producer Tiancheng in China is an example of helping to ensure the availability of key raw materials by backwards integration into the supply chain. In 2020, COVID-19 did not cause any significant disturbances in the availability of raw materials.

Suppliers

The continuity of Kemira's business operations is dependent on accurate and good-quality supply of products and services. Kemira currently has in place numerous partnerships and other agreements with third-party product and service suppliers to secure its business continuity. Certain products used as raw materials are considered critical, as the purchase can be made economically only from a sole or single source. In the event of a sudden and significant loss or interruption in such supply of raw material, Kemira's operations could be impacted, and this could have further negative effects on Kemira. Ineffective procurement planning, supply source selection, and contract administration, as well as inadequate supplier relationship management, create a risk of Kemira not being able to fulfill its promises to customers. In 2020, the COVID-19 pandemic lead to lockdown restrictions in a number of countries, and as a result, many industries were forced to close down temporarily. The chemical industry, Kemira included, was classified as an essential industry in many countries and was not impacted by the lockdown restrictions. Kemira was able to handle any potential disruption in its supply chain during the pandemic, and Kemira's manufacturing and supply chain operated without major interruptions throughout 2020.

Kemira continuously aims to identify, analyze, and engage third-party suppliers in a way that ensures security of supply and competitive pricing of the end products and services. Collaborative relationships with key suppliers are developed in order to uncover and realize new value and to reduce risk. Supplier performance is also regularly monitored as a part of the supplier performance management process. Due to the high risk environment related to suppliers of the chemical industry, risk management and mitigation in this area is of continuous high focus.

Hazard risks

Kemira's production activities involve many hazard risks – such as fires and explosions, machinery breakdowns, natural catastrophes, exceptional weather conditions, environmental incidents – and the consequent possible resulting liabilities, as well as the employee health and safety risks. These risk events could derive from several factors, also including (but not limited to) unauthorized IT system access by a malicious intruder causing possible damage to the systems and consequent financial losses. A systematic focus on achieving set targets, certified management systems, efficient hazard prevention programs, promotion of an active safety culture, adequate maintenance, and competent personnel play a central role in managing these hazard risks. In addition, Kemira has several insurance programs that protect the company against the financial impacts of hazard risks.

Changes in customer demand

A significant unforeseen decline in the use of certain chemicals (e.g. chemicals for packaging and board production) or in the demand for customers' products and operations could have a negative impact on Kemira's business. A significant decline in certain raw material and utility prices (e.g. oil, gas, and metals) may shift customers' activities towards areas where fewer chemicals are needed. Also, increased awareness of and concern about climate change and more sustainable products may change customer demands, for instance, in favor of water treatment technologies with lower chemical consumption. On the other hand, possible capacity expansions by customers could increase the chemical consumption and challenge Kemira's current production capacity.

In order to manage and mitigate this risk, Kemira systematically monitors leading and early warning indicators that focus on market development. Kemira has also continued to focus on the sustainability of its business and is further improving the coordination and cooperation between the Business Development, R&D, and Sales units in order to better understand the future needs and expectations of its customers. Timely capital investments as well as continuous discussions and follow-ups with customers ensure Kemira's ability to respond to changes in demand. Kemira's geographic and customer industry diversity also provide partial protection against the risk of changed customer demands.

In 2020, Kemira revised its strategy with an increased focus on biobased products to respond to changes in customer demand and expectations. In 2020, Kemira also started several partnerships in order to innovate and commercialize new biobased products. Profitable growth is one key aspect of Kemira's revised strategy, and biobased products are expected to play a significant role in Kemira's growth ambitions. Due to sustainability pressure, there will also be a shift in the Pulp & Paper industry, and it is expected there may be new and/or increased uses of pulp- and fiber-based materials. This is an area Kemira is continuously monitoring.

Economic conditions and geopolitical changes

Uncertainties in the global economic and geopolitical development are considered to include direct or indirect risks, such as a lower-growth period in global GDP and possible unexpected trade-related political decisions, both of which could have unfavorable impacts on the demand for Kemira's products. Certain political actions or changes, especially in countries that are important to Kemira, could cause business interference or other adverse consequences. Current examples of these risks are related to Brexit and trade wars.

Weak economic development may result in customer closures or consolidations, resulting in a diminishing customer base. The liquidity of Kemira's customers could become weaker, resulting in increased credit losses for Kemira. Unfavorable market conditions may also increase the availability and price risk of certain raw materials. Kemira's geographical and customer industry diversity provides only partial protection against these risks. Kemira continuously monitors geopolitical movements and changes and aims to adjust its business accordingly. For example, the Brexit-related risk has been continuously monitored, and several actions have been taken to mitigate the risk. Trade war-related risks are actively monitored and taken into account.

Kemira discussed the the impact of the COVID-19 pandemic in detail in its Interim Reports during 2020. The impact of COVID-19 on Kemira and Kemira's end-market demand is described in more detail on page 22.

Competition

Kemira operates in a rapidly changing and competitive business environment that represents a considerable risk to meeting its goals. New players seeking a foothold in Kemira's key business segments may use aggressive means as a competitive tool, which could affect Kemira's financial results. Major competitor or customer consolidations could change the market dynamics, and possibly also change Kemira's market position.

Kemira is seeking growth in product categories that are less familiar and where new competitive situations prevail, particularly in biobased products. In the long term, completely new types of technology may considerably change the current competitive situation. This risk is managed at both Group and segment levels through continuous monitoring of the competition. The company aims to respond to its competition through the active management of customer relationships and continuous development of its products and services to further differentiate itself from the competitors and to be competitive.

Acquisitions

Acquisitions are one potential way to achieve corporate goals and strategies, in addition to organic growth. Consolidations are driven by chemical manufacturers' interests in realizing synergies and establishing footholds in new markets. Acquisitions and/or partnerships may also be needed in order to enter totally new markets. However, the integration of acquired businesses, operations, and personnel also involves risks. If integration is unsuccessful, the results may fall short of targets for such acquisitions.

Kemira has created M&A procedures and established Group-level dedicated resources to actively manage merger and acquisition activities and to support the execution of its business transactions. In addition, external advisory services are being used to screen potential merger and acquisition targets, and to help execute transactions and post-merger integration.

Innovation and Research & Development

Kemira's research and development is a critical enabler of organic growth and further differentiation. Kemira's future market position and profitability depend on its ability to understand and meet current and future customer needs and market trends, and its ability to innovate new differentiated products and applications. Furthermore, new product launches contribute to the efficiency and sustainability of Kemira's or its customers' processes, as well as to the improved profitability. Failure to innovate or focus on disruptive new technologies and products, or to effectively commercialize new products or service concepts may result in non-achievement of growth targets and may negatively impact Kemira's competitive situation negatively.

Innovation- and R&D-related risks are managed through effective R&D portfolio management, in close collaboration between R&D and the two business segments. There is close coordination and cooperation between the Business Development, R&D, Sales and Marketing units in order to better understand the future needs and expectations of Kemira's customers. With continuous development of innovation processes, Kemira is aiming for more stringent project execution. Kemira maintains an increased focus towards the development of more differentiated and sustainable products and processes, and is also continuously monitoring sales of its new products and applications.

Changes in laws and regulations

Kemira's business is subject to various laws and regulations, which have relevance in the development and implementation of Kemira's strategy. Laws and regulations can generally be considered as an opportunity for Kemira, as regulation drives, for example, the treatment of water. However, certain legislative initiatives supporting, for instance, the use of biodegradable raw materials or biological water treatment, limiting the use of aluminum, may also have a negative impact on Kemira's business. Significant changes, for instance, in chemical, environmental or transportation laws and regulations may also impact Kemira's profitability through an increase in production and transportation costs. At the same time, such changes may also create new business opportunities for Kemira.

Inclusion of new substances in the REACH authorization process may also bring further requirements to Kemira, where failure to obtain the relevant authorization could impact Kemira's business. In addition, the changes in import/export and customs-related regulations create needs for monitoring and mastering global trade compliance in order to ensure, for instance, compliant product importation.

Kemira continuously follows regulatory developments in order to maintain its awareness of proposed and upcoming changes of those laws and regulations that may have an impact, for instance, on its sales, production, and product development needs. Kemira has established an internal process to manage substances of potential concern and to create management plans for them. These plans cover, for example, the possibilities to replace certain substances if they become subject to stricter regulation. Kemira has also increased its focus and resources in the management of global trade compliance.

Regulatory effects are also systematically taken into consideration in strategic decision-making. Kemira takes an active role in regulatory discussions whenever this is justified from the perspective of the industry or business. Currently, for example, there are lots of regulatory discussions ongoing in the EU, as the EU is undergoing a major review of its water legislation and directives. This may have a positive demand-related impact for Kemira in the future, due to the need for water to be treated more carefully.

Talent management

To secure competitiveness and profitable growth, as well as to improve operational efficiency, it is essential to attract and retain personnel with the right skills and competences (e.g. R&D, sales, IT, customer service and marketing competences). Kemira is continuously identifying people with high potential and key competencies for future needs. Through systematic development and improvement of compensation schemes, learning programs, and career development programs, Kemira aims to ensure the continuity of skilled personnel also in the future.

A detailed description of Kemira's risk management principles is available on the company's website at www.kemira.com. Financial risks are described in the Notes to the Financial Statements for the year 2020.

IMPACT OF COVID-19 PANDEMIC AND RELATED ECONOMIC SLOWDOWN ON KEMIRA

The COVID-19 pandemic and the related economic slowdown had a limited impact on Kemira's operations in 2020. In several countries with government-imposed restrictions on economic activity, the chemical industry and Kemira's customer industries were almost always classified as essential industries and, as a consequence, were exempt from government lockdown restrictions. Throughout 2020, Kemira's manufacturing facilities and supply chain operated without significant disruptions. If the COVID-19 situation were to deteriorate in 2021, there could be potential disruption to Kemira's manufacturing and logistics network, as well as to the availability of raw materials.

The impact of COVID-19 on customer demand varied by segment. In Pulp & Paper, demand for chemicals remained resilient in pulp, board and tissue, while demand for printing and writing chemicals declined due to the COVID-19 situation and the related economic slowdown. In Industry & Water, demand in municipal water treatment was solid, while industrial water treatment was somewhat impacted by the economic slowdown. In Oil & Gas, demand for shale during Q2 2020 was virtually non-existent following the drop in oil prices and low demand. Shale market activity started to recover modestly in Q3 2020 from the market lows seen in Q2 2020, and the sequential recovery continued in Q4 2020.

It is difficult to precisely estimate the final impact on Kemira's customer demand. Some further impact on Pulp & Paper, including beyond printing and writing chemicals, could become visible if GDP estimates for 2021 are lowered further. In Industry & Water, industrial water treatment is expected to be more impacted than municipal water treatment if GDP estimates for 2021 are lowered further. In Oil & Gas, the modest sequential shale market recovery, which started in Q3 2020, continued during Q4 2020. The final impacts on Kemira's end markets will depend on the pace of economic recovery, the development of the pandemic and the speed of vaccinations globally. New COVID-19 variants could result in further deterioration of the situation and result in additional restrictions on economic activity before the vaccines are rolled out more broadly globally. This in turn could lead to widespread decline in customer demand. For Kemira's 2021 outlook, including assumptions behind the outlook, please refer to the section "Outlook" on page 27.

Kemira has set up regional crisis management teams to monitor the COVID-19 situation regionally, as the development of the COVID-19 pandemic varies by region. The aim of the crisis management teams is to mitigate the impact on Kemira in order to ensure our and our customers' business continuity. Business travel continues to be restricted, and Kemira has taken several steps to ensure employee safety at its locations. To mitigate the impact on its supply chain, Kemira reviews alternative suppliers on a continuous basis to ensure smooth operations in all circumstances.

Kemira has strongly recommended remote working for employees for whom it is possible, and the transition to remote working has been smooth. As government-imposed lockdown restrictions on economic activity will gradually be relaxed and recommendations for remote working will be lifted, Kemira has taken steps to ensure a gradual and safe return to offices, while also complying with social distancing measures and local government recommendations. Kemira has supported leaders and employees in the adoption of remote working during the COVID-19 pandemic.

In Q2 2020, Kemira restructured its Oil & Gas business to better meet the market conditions and lower market demand following COVID-19 and the related drop in oil prices. As a result, Kemira booked restructuring expenses of EUR 1.9 million during Q2 2020. Other actions have also been taken to better meet current and expected market conditions.

Kemira has assessed the impact of the uncertainty caused by the COVID-19 pandemic on its financial position and considered the values of assets and liabilities that contain significant accounting estimates that require judgment or that may have been particularly affected by the COVID-19 pandemic. Kemira has performed its annual goodwill impairment testing. The goodwill impairment testing calculation has been taken into account in, for example, the estimated effects of the COVID-19 pandemic on future cash flows. Based on these calculations, no indications of goodwill impairment were identified. The value of Pohjolan Voima Group's shares is EUR 211 (243) million. The value of the shares decreased by EUR 33 million during Q1 2020. Fair values of PVO shares did not change materially at year end. The effects of the

COVID-19 pandemic are reflected on the discount rate used in the calculation of the fair value and on the electricity price forecast.

The COVID-19 pandemic has been considered in the assessment of expected credit losses and the model credit loss percentages have been updated to reflect the current situation. The higher credit risk has increased the amount of expected credit losses recognized for Oil & Gas customers. However, Kemira's realized credit losses on trade receivables have not increased during the financial year.

Kemira had ample liquidity and an EUR 400 million undrawn committed credit facility at the end of December 2020.

DIVIDEND AND DIVIDEND POLICY

On December 31, 2020, Kemira Oyj's distributable funds totaled EUR 565,621,554, of which net profit for the period was EUR -199,602,896. No material changes have taken place in the company's financial position after the balance sheet date.

Kemira Oyj's Board of Directors proposes to the Annual General Meeting to be held on March 24, 2021 that a dividend of EUR 0.58 per share, totaling EUR 89 million, be paid on the basis of the adopted balance sheet for the financial year that ended on December 31, 2020. The dividend will be paid in two installments. The first installment, of EUR 0.29 per share, will be paid to shareholders who are registered in the company's shareholder register maintained by Euroclear Finland Oy on the record date for the dividend payment: March 26, 2021. The Board of Directors proposes that the first installment of the dividend be paid out on April 8, 2021.The second installment, of EUR 0.29 per share, will be paid in November 2021. The second installment will be paid to shareholders who are registered in the company's shareholder register maintained by Euroclear Finland Oy on the record date for the dividend payment. The Board of Directors will decide the record date and the payment date for the second installment at its meeting in October 2021.The record date is planned to be October 28, 2021, and the dividend payment date November 4, 2021 at the earliest.

Kemira updated its dividend policy on November 19, 2020. Kemira's dividend policy aims to pay a competitive dividend that increases over time.

EVENTS AFTER THE REVIEW PERIOD

Upgraded outlook for 2020

On January 12, 2021, Kemira upgraded its outlook for 2020 following good demand and cost management in Q4 2020.

Kemira's upgraded outlook (published January 12, 2021)
Kemira expects its operative EBITDA in H2 2020 to be above H1 2020 (H1 2020: EUR 214 million), and expects the full-year 2020 operative EBITDA to increase from 2019 (2019: EUR 410 million).

Previous outlook (published October 9, 2020)
Kemira expects its operative EBITDA in H2 2020 to be below H1 2020 (H1 2020: EUR 214 million), but expects the full-year 2020 operative EBITDA to increase from 2019 (2019: EUR 410 million).

Proposals of the Nomination Board to the Annual General Meeting 2021 (published January 15, 2021)

The Nomination Board proposes to the Annual General Meeting of Kemira Oyj that seven members be elected to the Board of Directors and that the present members, Wolfgang Büchele, Shirley Cunningham, Werner Fuhrmann, Timo Lappalainen, and Jari Paasikivi, be re-elected as members of the Board of

Directors. The Nomination Board also proposes that Matti Kähkönen and Kristian Pullola be elected as new members of the Board of Directors. In addition, the Nomination Board proposes that Jari Paasikivi be re-elected as the Chairman of the Board of Directors and Matti Kähkönen be elected as the Vice Chairman.

All the nominees have given their consent to the positions and are independent of the company's significant shareholders, except for Jari Paasikivi, who is the Chairman of the Board of Directors of Oras Invest Oy, which owns over 10% of Kemira Oyj's shares.

Of the current members of the Board of Directors, Kerttu Tuomas, who has served on the company's Board of Directors since 2010 and as Vice Chairman of the Board of Directors since 2014, and Kaisa Hietala, who has served on the Board of Directors since 2016, have announced that they will no longer be available for re-election to the next term of the Board of Directors.

Matti Kähkönen, M.Sc. (Engineering), b. 1956, served as President and CEO of Metso Corporation in 2011-2017 and Senior Advisor in 2017-2019. In 1999-2011, Matti Kähkönen held several executive positions in the Metso Group. Prior to 1999, he held several managerial and business development positions at Neles-Jamesbury and Rauma-Repola. Matti Kähkönen chairs the Board of Directors of Neste Corporation and Neste's Personnel and Remuneration Committee. In addition, he is the Chairman of the Board of Directors of the Finnish Fair Corporation and Chair of the Supervisory Board of the Ilmarinen Mutual Pension Insurance Company. Matti Kähkönen is a Finnish citizen.

Kristian Pullola, M.Sc. (Econ) b. 1973, has served in multiple executive and managerial positions in finance and treasury at Nokia Corporation, most recently as Executive Vice President and CFO and as Member of the Group Leadership Team in 2017-2020. Kristian Pullola is a Member of the Board of Directors and Chairman of the Audit Committee of Ilmarinen Mutual Pension Insurance Company and a Member of the Board of Directors at Antilooppi, a real estate investment company. He is a candidate for Terveystalo Oyj's Board of Directors at the spring 2021 Annual General Meeting. Kristian Pullola is a Finnish citizen.

The Nomination Board notes that the proposed changes in the composition of the Board of Directors, if implemented, will lead to a situation where the composition of the company's Board of Directors does not comply with the diversity principles adopted by the company with regard to the gender criterion.

The goal of the Nomination Board is to keep this situation short-lived and to rectify it as soon as possible.

The Nomination Board proposes that the remuneration paid to the members of the Board of Directors remain unchanged. The remuneration paid to the members of the Board of Directors would thus be as follows: The annual fee for the Chairman would be EUR 92,000 per year, for the Vice Chairman and the Chairman of the Audit Committee EUR 55,000 per year, and for the other members EUR 44,000 per year. A fee payable for each meeting of the Board of Directors and the Board Committees would be EUR 600 for members residing in Finland, EUR 1,200 for members residing elsewhere in Europe, and EUR 2,400 for members residing outside Europe.

It is proposed that travel expenses be paid according to Kemira's travel policy.

In addition, the Nomination Board proposes to the Annual General Meeting that the annual fee be paid as a combination of the company's shares and cash in such a manner that 40% of the annual fee is paid with the company's shares owned by the company or, if this is not possible, shares purchased from the market, and 60% is paid in cash. The shares will be transferred to the members of the Board of Directors and, if necessary, acquired directly on behalf of the members of the Board of Directors within two weeks from the release of Kemira's interim report for January 1 - March 31, 2021. It is proposed that the meeting fees be paid in cash.

The Nomination Board has consisted of the following representatives: Annika Paasikivi, President and CEO of Oras Invest Oy as the Chairman of the Nomination Board; Pauli Anttila, Investment Director, Solidium Oy; Reima Rytsölä, Deputy CEO, Investments, Varma Mutual Pension Insurance Company; and Annika Ekman, Head of Direct Equity Investments, Ilmarinen Mutual Pension Insurance Company as members of the Nomination Board, with Jari Paasikivi, Chairman of Kemira's Board of Directors, as an expert member.

OUTLOOK FOR 2021

Revenue

Kemira's revenue in local currencies, excluding acquisitions and divestments, is expected to increase from 2020 (EUR 2,427 million).

Operative EBITDA

Kemira's operative EBITDA is expected to be at the same or at a slightly (less than 5%) lower level than in 2020 (EUR 435 million).

ASSUMPTIONS BEHIND OUTLOOK

COVID-19 pandemic continues to cause uncertainty in 2021, but Kemira's end market demand is expected to recover gradually from 2020 in line with forecasted economic growth. Demand, particularly in the oil and gas market, is expected to recover. The outlook assumes no significant disruptions to Kemira's operations. Currencies are expected to have a negative impact on operative EBITDA.

FINANCIAL TARGETS

Kemira aims for above-market revenue growth with an operative EBITDA margin of 15-18%. The target for gearing is below 75%.

Kemira updated its financial targets on November 19, 2020. Kemira’s target for operative EBITDA margin was updated to 15-18% (previously 15-17%), while other financial targets remain unchanged.

Helsinki, February 10, 2021

Kemira Oyj

Board of Directors

All forward-looking statements in this review are based on the management’s current expectations and beliefs about future events, and actual results may differ materially from the expectations and beliefs such statements contain.

FINANCIAL REPORTING SCHEDULE 2021

Interim Report January-March 2021	April 27, 2021
Half-year Financial Report January-June 2021	July 16, 2021
Interim Report January-September 2021	October 26, 2021

The Annual Report 2020 will be published on February 19, 2021.
The Annual General Meeting is scheduled for Wednesday, March 24, 2021 at 1:00 pm (EET).

WEBCAST AND CONFERENCE CALL FOR PRESS AND ANALYSTS

Kemira will arrange a webcast for analysts, investors, and media on Thursday, February 11, 2021, starting at 10:30 am EET (8:30 am UK time). During the webcast, Kemira’s President and CEO, Jari Rosendal, and CFO, Petri Castrén, will present the results. The webcast will be held in English and can be followed at www.kemira.com/company/investors. The presentation material and a recording of the webcast will be available on the above-mentioned company website.

You can attend the Q&A session via a conference call. In order to participate in the conference call, please call in ten minutes before the conference begins:

FI +358 (0)9 81710 310 SE +46 (0)8 56642 651 UK +44 (0)333 300 0804 US +1 631 913 1422
Conference ID: 85588324#

KEMIRA GROUP

CONSOLIDATED INCOME STATEMENT

EUR million	10-12/2020	10-12/2019	1-12/2020	1-12/2019
Revenue	**605.6**	657.7	**2,427.2**	2,658.8
Other operating income	**1.9**	0.6	**4.0**	6.4
Operating expenses	**-516.3**	-588.7	**-2,017.9**	-2,283.0
Share of profit or loss of associates	**0.0**	0.0	**0.0**	0.0
EBITDA	**91.2**	69.6	**413.2**	382.3
Depreciation, amortization and impairments	**-50.9**	-47.7	**-197.4**	-187.9
Operating profit (EBIT)	**40.3**	21.9	**215.9**	194.4
Finance costs, net	**-9.6**	-10.4	**-34.9**	-39.7
Profit before taxes	**30.7**	11.5	**181.0**	154.7
Income taxes	**-7.0**	-3.0	**-43.0**	-38.2
Net profit for the period	**23.8**	8.6	**138.0**	116.5
Net profit attributable to				
Equity owners of the parent company	**22.1**	7.0	**131.3**	110.2
Non-controlling interests	**1.7**	1.5	**6.7**	6.3
Net profit for the period	**23.8**	8.6	**138.0**	116.5
Earnings per share, basic, EUR	**0.14**	0.05	**0.86**	0.72
Earnings per share, diluted, EUR	**0.14**	0.05	**0.86**	0.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	10-12/2020	10-12/2019	1-12/2020	1-12/2019
Net profit for the period	**23.8**	8.6	**138.0**	116.5
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	**-7.2**	-7.9	**-47.1**	7.8
Cash flow hedges	**4.4**	-2.7	**-0.8**	-15.0
Items that will not be reclassified subsequently to profit or loss				
Other shares	**-0.2**	13.3	**-26.3**	13.4
Remeasurements of defined benefit plans	**-1.2**	-5.4	**-1.2**	-5.4
Other comprehensive income for the period, net of tax	**-4.1**	-2.8	**-75.3**	0.7
Total comprehensive income for the period	**19.6**	5.8	**62.6**	117.2
Total comprehensive income attributable to				
Equity owners of the parent company	**17.9**	3.9	**56.7**	110.7
Non-controlling interests	**1.7**	1.9	**5.9**	6.5
Total comprehensive income for the period	**19.6**	5.8	**62.6**	117.2

CONSOLIDATED BALANCE SHEET

EUR million	12/31/2020	12/31/2019
ASSETS		
Non-current assets		
Goodwill	**504.1**	515.8
Other intangible assets	**78.0**	95.5
Property, plant and equipment	**1,011.4**	1,005.1
Right-of-use assets	**121.0**	136.2
Investments in associates	**5.3**	2.8
Other shares	**212.3**	245.2
Deferred tax assets	**27.5**	35.7
Other investments	**7.3**	2.0
Receivables of defined benefit plans	**51.1**	51.8
Total non-current assets	**2,018.0**	2,090.1
Current assets		
Inventories	**242.3**	260.6
Interest-bearing receivables	**0.4**	0.2
Trade receivables and other receivables	**362.0**	378.8
Current income tax assets	**13.4**	18.2
Cash and cash equivalents	**159.5**	143.1
Total current assets	**777.7**	800.9
Total assets	**2,795.7**	2,891.0
EQUITY AND LIABILITIES		
Equity		
Equity attributable to equity owners of the parent company	**1,192.1**	1,217.7
Non-controlling interests	**13.2**	13.3
Total equity	**1,205.3**	1,231.0
Non-current liabilities		
Interest-bearing liabilities	**724.1**	737.9
Other liabilities	**8.1**	8.3
Deferred tax liabilities	**52.0**	67.8
Liabilities of defined benefit plans	**96.3**	93.3
Provisions	**35.6**	29.1
Total non-current liabilities	**916.1**	936.4
Current liabilities		
Interest-bearing liabilities	**194.7**	216.6
Trade payables and other liabilities	**422.2**	455.7
Current income tax liabilities	**25.7**	28.7
Provisions	**31.7**	22.6
Total current liabilities	**674.3**	723.6
Total liabilities	**1,590.4**	1,660.0
Total equity and liabilities	**2,795.7**	2,891.0

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	10-12/2020	10-12/2019	1-12/2020	1-12/2019
Cash flow from operating activities				
Net profit for the period	**23.8**	8.6	**138.0**	116.5
Total adjustments	**84.2**	80.8	**298.3**	301.8
Cash flow before change in net working capital	**108.0**	89.4	**436.2**	418.3
Change in net working capital	**50.2**	83.0	**-2.9**	45.3
Cash generated from operations before financing items and taxes	**158.2**	172.4	**433.3**	463.5
Finance expenses, net and dividends received	**-4.9**	-8.7	**-22.1**	-38.6
Income taxes paid	**-6.9**	-21.2	**-36.5**	-38.8
Net cash generated from operating activities	**146.4**	142.5	**374.7**	386.2
Cash flow from investing activities				
Capital expenditure in associated company	**—**	-1.1	**-2.6**	-2.7
Other capital expenditure	**-66.0**	-81.4	**-195.6**	-201.4
Proceeds from sale of assets	**2.3**	-0.1	**2.5**	7.7
Decrease (+) / increase (-) in loan receivables	**-6.2**	0.1	**-5.6**	0.1
Net cash used in investing activities	**-69.9**	-82.5	**-201.4**	-196.3
Cash flow from financing activities				
Proceeds from non-current interest-bearing liabilities	**—**	—	**—**	40.1
Repayments of non-current liabilities	**-50.0**	-5.0	**-65.7**	-121.0
Short-term financing, net increase (+) / decrease (-)	**-1.6**	-10.3	**37.2**	2.9
Repayments of lease liabilities	**-7.8**	-7.6	**-30.6**	-28.4
Dividends paid	**-43.2**	—	**-91.8**	-86.9
Net cash used in financing activities	**-102.5**	-22.8	**-150.9**	-193.2
Net decrease (-) / increase (+) in cash and cash equivalents	**-26.0**	37.2	**22.4**	-3.4
Cash and cash equivalents at end of period	**159.5**	143.1	**159.5**	143.1
Exchange gains (+) / losses (-) on cash and cash equivalents	**-0.2**	-1.3	**-6.0**	1.5
Cash and cash equivalents at beginning of period	**185.7**	107.2	**143.1**	144.9
Net decrease (-) / increase (+) in cash and cash equivalents	**-26.0**	37.2	**22.4**	-3.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity owners of the parent company									
EUR million	Share capital	Share premium	Fair value and other reserves	Unrestricted equity reserve	Exchange differences	Treasury shares	Retained earnings	Total	Non-controlling interests	Total Equity
Equity on January 1, 2020	221.8	257.9	108.5	196.3	-39.5	-18.1	490.9	1,217.7	13.3	1,231.0
Net profit for the period	—	—	—	—	—	—	131.3	131.3	6.7	138.0
Other comprehensive income, net of tax	—	—	-27.1	—	-46.3	—	-1.2	-74.6	-0.8	-75.3
Total comprehensive income	—	—	-27.1	—	-46.3	—	130.1	56.7	5.9	62.6
Transactions with owners										
Dividends paid	—	—	—	—	—	—	-85.6 [1)]	-85.6	-6.1	-91.8
Treasury shares issued to the target group of a share-based incentive plan	—	—	—	—	—	1.8	—	1.8	—	1.8
Treasury shares issued to the Board of Directors	—	—	—	—	—	0.1	—	0.1	—	0.1
Treasury shares returned	—	—	—	—	—	-0.1	—	-0.1	—	-0.1
Share-based payments	—	—	—	—	—	—	1.6	1.6	—	1.6
Transfers in equity	—	—	-0.2	—	—	—	0.2	0.0	—	0.0
Total transactions with owners	—	—	-0.2	—	—	1.8	-83.8	-82.2	-6.1	-88.4
Equity on December 31, 2020	221.8	257.9	81.1	196.3	-85.8	-16.3	537.1	1,192.1	13.2	1,205.3

[1)] On May 5, 2020, Kemira Oyj's Annual General Meeting authorized the Board of Directors to decide on a maximum dividend of EUR 0.56 per share, which was paid in two installments. On May 5, 2020, Kemira Oyj's Board of Directors decided on the payment of a first installment of the dividend of EUR 0.28 per share. The record date for the first installment of the dividend was May 7, 2020, and the dividend was paid on May 14, 2020. On October 26, 2020, Kemira Oyj's Board of Directors decided on the payment of a second installment of EUR 0.28 per share. The record date for the second installment of the dividend was October 29, 2020, and the dividend was paid on November 5, 2020. The total aggregate dividend for the financial year 2019 is EUR 0.56.

Kemira had in its possession 2,418,440 of its treasury shares on December 31, 2020. The average share price of treasury shares was EUR 6.73, and they represented 1.6% of the share capital and the aggregate number of votes conferred by all shares. The aggregate par value of the treasury shares is EUR 3.5 million.

The share premium is a reserve accumulated through subscriptions entitled by the management stock option program 2001. This reserve is based on the old Finnish Companies Act (734/1978), and the value of reserve will no longer change. The fair value reserve is a reserve accumulating based on other shares measured at fair value and hedge accounting. Other reserves originate from local requirements of subsidiaries. The unrestricted equity reserve includes other equity-type investments and the subscription price of shares to the extent that they will not, based on a specific decision, be recognized in share capital.

EUR million	Equity attributable to equity owners of the parent company									
	Share capital	Share premium	Fair value and other reserves	Unrestricted equity reserve	Exchange differences	Treasury shares	Retained earnings	Total	Non-controlling interests	Total Equity
Equity on January 1, 2019	221.8	257.9	110.2	196.3	-47.1	-19.1	469.6	1,189.6	12.9	1,202.5
Change in accounting policy	—	—	—	—	—	—	-4.9 [2]	-4.9	—	-4.9
Restated equity on January 1, 2019	221.8	257.9	110.2	196.3	-47.1	-19.1	464.7	1,184.7	12.9	1,197.6
Net profit for the period	—	—	—	—	—	—	110.2	110.2	6.3	116.5
Other comprehensive income, net of tax	—	—	-1.7	—	7.6	—	-5.3	0.6	0.2	0.7
Total comprehensive income	—	—	-1.7	—	7.6	—	104.9	110.7	6.5	117.2
Transactions with owners										
Dividends paid	—	—	—	—	—	—	-80.9 [3]	-80.9	-6.0	-86.9
Treasury shares issued to the target group of a share-based incentive plan	—	—	—	—	—	1.0	—	1.0	—	1.0
Treasury shares issued to the Board of Directors	—	—	—	—	—	0.1	—	0.1	—	0.1
Treasury shares returned	—	—	—	—	—	-0.1	—	-0.1	—	-0.1
Share-based payments	—	—	—	—	—	—	2.2	2.2	—	2.2
Total transactions with owners	—	—	—	—	—	1.0	-78.7	-77.7	-6.0	-83.7
Equity on December 31, 2019	221.8	257.9	108.5	196.3	-39.5	-18.1	490.9	1,217.7	13.3	1,231.0

[2] On January 1, 2019, Kemira adopted IFRS 16 *Leases* standard. As a result of the adoption of IFRS 16, retained earnings in equity have been adjusted by EUR -4.9 million.

[3] The dividend was EUR 80.9 million in total (EUR 0.53 per share), with respect to the financial year ended December 31, 2018. The Annual General Meeting approved the EUR 0.53 dividend on March 21, 2019. The dividend record date was March 25, 2019, and the payment date was April 5, 2019.

GROUP KEY FIGURES

Kemira provides certain financial performance measures (alternative performance measures) that are not defined by IFRS. Kemira believes that alternative performance measures followed by capital markets and Kemira management, such as organic growth*, EBITDA, operative EBITDA, operative EBIT, cash flow after investing activities as well as gearing, provide useful information about Kemira's comparable business performance and financial position. Selected alternative performance measures are also used as performance criteria in remuneration.

Kemira's alternative performance measures should not be viewed in isolation from the equivalent IFRS measures, and alternative performance measures should be read in conjunction with the most directly comparable IFRS measures. Definitions of the alternative performance measures can be found in the definitions of the key figures in this report, as well as at www.kemira.com > Investors > Financial information.

* Revenue growth in local currencies, excluding acquisitions and divestments

	2020 10-12	2020 7-9	2020 4-6	2020 1-3	2019 10-12	2019 7-9	2019 4-6	2019 1-3	**2020 1-12**	2019 1-12
Income statement and profitability										
Revenue, EUR million	**605.6**	596.7	582.9	642.0	657.7	689.8	663.6	647.8	**2,427.2**	2,658.8
Operative EBITDA, EUR million	**107.9**	113.0	105.7	108.5	90.1	118.1	106.1	95.6	**435.1**	410.0
Operative EBITDA, %	**17.8**	18.9	18.1	16.9	13.7	17.1	16.0	14.8	**17.9**	15.4
EBITDA, EUR million	**91.2**	109.8	103.8	108.4	69.6	118.1	102.1	92.5	**413.2**	382.3
EBITDA, %	**15.1**	18.4	17.8	16.9	10.6	17.1	15.4	14.3	**17.0**	14.4
Items affecting comparability in EBITDA, EUR million	**-16.7**	-3.2	-1.9	-0.1	-20.5	0.0	-4.0	-3.1	**-21.8**	-27.7
Operative EBIT, EUR million	**57.0**	62.3	57.6	60.8	42.4	71.1	60.3	50.1	**237.7**	224.0
Operative EBIT, %	**9.4**	10.4	9.9	9.5	6.4	10.3	9.1	7.7	**9.8**	8.4
Operating profit (EBIT), EUR million	**40.3**	59.1	55.7	60.7	21.9	69.2	56.3	47.0	**215.9**	194.4
Operating profit (EBIT), %	**6.7**	9.9	9.6	9.5	3.3	10.0	8.5	7.3	**8.9**	7.3
Items affecting comparability in EBIT, EUR million	**-16.7**	-3.2	-1.9	-0.1	-20.5	-2.0	-4.0	-3.1	**-21.8**	-29.6
Amortization and impairments of Intangible assets	**-6.8**	-7.4	-6.9	-7.6	-7.4	-7.7	-7.4	-7.5	**-28.6**	-30.0
Of which purchase price allocation (PPA) related	**-3.2**	-3.3	-3.8	-4.6	-4.5	-4.5	-4.7	-4.8	**-14.8**	-18.5
Depreciations and impairments of Property, plant and equipment	**-36.1**	-35.4	-33.2	-32.1	-32.0	-33.5	-31.3	-31.3	**-136.8**	-128.1
Depreciations of right-of-use assets	**-8.0**	-8.0	-8.0	-8.0	-8.2	-7.8	-7.2	-6.6	**-31.9**	-29.8
Return on investment (ROI), %	**6.7**	9.9	9.2	10.1	3.8	11.7	9.7	8.2	**9.1**	8.4
Capital employed, EUR million [1)]	**1,964.9**	1,977.2	1,993.5	1,995.7	1,998.2	1,961.8	1,901.0	1,843.6	**1,964.9**	1,998.2
Operative ROCE, %	**12.1**	11.3	11.6	11.8	11.2	11.5	10.8	10.3	**12.1**	11.2
ROCE, %	**11.0**	10.0	10.4	10.4	9.7	10.9	9.5	8.8	**11.0**	9.7

	2020 10-12	2020 7-9	2020 4-6	2020 1-3	2019 10-12	2019 7-9	2019 4-6	2019 1-3	**2020 1-12**	2019 1-12
Cash flow										
Net cash generated from operating activities, EUR million	**146.4**	117.3	60.8	50.2	142.5	121.3	57.2	65.2	**374.7**	386.2
Capital expenditure, EUR million	**66.0**	49.4	44.1	38.7	82.5	51.8	41.5	28.3	**198.2**	204.1
Capital expenditure excl. acquisitions, EUR million	**66.0**	49.4	44.1	36.1	81.4	51.5	39.9	28.3	**195.6**	201.1
Capital expenditure excl. acquisitions / revenue, %	**10.9**	8.3	7.6	5.6	12.4	7.5	6.0	4.4	**8.1**	7.6
Cash flow after investing activities, EUR million	**76.6**	68.6	16.6	11.5	60.0	73.1	16.9	39.8	**173.3**	189.8
Balance sheet and solvency										
Equity ratio, %	**43.2**	43.7	43.2	42.1	42.6	42.6	41.4	38.7	**43.2**	42.6
Gearing, %	**63.0**	64.1	69.9	67.5	65.9	70.8	78.6	73.6	**63.0**	65.9
Interest-bearing net liabilities, EUR million	**759.3**	786.1	843.8	816.0	811.4	866.4	921.1	841.6	**759.3**	811.4
Personnel										
Personnel at end of period	**4,921**	4,999	5,106	5,075	5,062	5,036	5,067	4,973	**4,921**	5,062
Personnel (average)	**4,999**	5,037	5,093	5,074	5,055	5,054	5,033	4,938	**5,038**	5,020
Key exchange rates at end of period										
USD	**1.227**	1.171	1.120	1.096	1.123	1.089	1.138	1.124	**1.227**	1.123
CAD	**1.563**	1.568	1.532	1.562	1.460	1.443	1.489	1.500	**1.563**	1.460
SEK	**10.034**	10.571	10.495	11.061	10.447	10.696	10.563	10.398	**10.034**	10.447
CNY	**8.023**	7.972	7.922	7.778	7.821	7.778	7.819	7.540	**8.023**	7.821
BRL	**6.374**	6.631	6.112	5.700	4.516	4.529	4.351	4.387	**6.374**	4.516
Per share figures, EUR										
Earnings per share (EPS), basic [2]	**0.14**	0.24	0.22	0.25	0.05	0.27	0.22	0.18	**0.86**	0.72
Earnings per share (EPS), diluted [2]	**0.14**	0.24	0.22	0.25	0.05	0.27	0.22	0.18	**0.86**	0.72
Net cash generated from operating activities per share[2]	**0.96**	0.77	0.40	0.33	0.93	0.79	0.37	0.43	**2.45**	2.53
Equity per share [2]	**7.80**	7.94	7.80	7.82	7.98	7.94	7.58	7.39	**7.80**	7.98
Number of shares (1,000,000)										
Average number of shares, basic [2]	**152.9**	152.9	152.9	152.7	152.6	152.7	152.7	152.6	**152.9**	152.6
Average number of shares, diluted [2]	**153.4**	153.3	153.3	153.4	153.2	153.1	153.0	152.9	**153.4**	153.1
Number of shares at end of period, basic [2]	**152.9**	152.9	152.9	152.9	152.6	152.6	152.7	152.7	**152.9**	152.6
Number of shares at end of period, diluted [2]	**153.7**	153.3	153.3	153.4	153.4	153.1	153.1	152.9	**153.7**	153.4

[1] 12-month rolling average

[2] Number of shares outstanding, excluding the number of treasury shares.

DEFINITIONS OF KEY FIGURES

Operative EBITDA

Operating profit (EBIT) + depreciation and amortization + impairments +/- items affecting comparability

Items affecting comparability [1]

Restructuring and streamlining programs + transaction and integration expenses in acquisitions + divestment of businesses and other disposals + other items

Operative EBIT

Operating profit (EBIT) +/- items affecting comparability

Return on investment (ROI), %

$$\frac{\text{(Profit before taxes + interest expenses + other financial expenses)} \times 100}{\text{Total assets - non-interest-bearing liabilities}^{2)}}$$

Operative return on capital employed (Operative ROCE), %

$$\frac{\text{Operative EBIT} \times 100^{3)}}{\text{Capital employed}^{4)}}$$

Return on capital employed (ROCE), %

$$\frac{\text{Operating profit (EBIT)} \times 100^{3)}}{\text{Capital employed}^{4)}}$$

Capital employed

Property, plant and equipment + right-of-use assets + intangible assets + net working capital + investments in associates

Cash flow after investing activities

Net cash generated from operating activities + net cash used in investing activities

Equity ratio, %

$$\frac{\text{Total equity} \times 100}{\text{Total assets - prepayments received}}$$

Gearing, %

$$\frac{\text{Interest-bearing net liabilities} \times 100}{\text{Total equity}}$$

Interest-bearing net liabilities

Interest-bearing liabilities - cash and cash equivalents

Earnings per share (EPS)

$$\frac{\text{Net profit attributable to equity owners of the parent company}}{\text{Average number of shares}}$$

Net cash generated from operating activities per share

$$\frac{\text{Net cash generated from operating activities}}{\text{Average number of shares}}$$

Equity per share

$$\frac{\text{Equity attributable to equity owners of the parent company at end of period}}{\text{Number of shares at end of period}}$$

Net working capital

Inventories + trade receivables + other receivables, excluding derivatives, accrued interest income and other financing items - trade payables - other liabilities, excluding derivatives, accrued interest expenses and other financing items

1) Financial performance measures that are not defined by IFRS may include items of income and expenses that affect the comparability of the financial reporting of Kemira Group. Restructuring and streamlining programs, transaction and integration expenses in acquisitions, divestments of businesses, and other disposals are considered to be the most common items affecting comparability.

2) Average

3) Operating profit (EBIT) taken into account for a rolling 12-month period ending at the end of the review period.

4) 12-month rolling average

RECONCILIATION OF IFRS FIGURES

EUR million	2020 10-12	2020 7-9	2020 4-6	2020 1-3	2019 10-12	2019 7-9	2019 4-6	2019 1-3	2020 1-12	2019 1-12
ITEMS AFFECTING COMPARABILITY IN EBITDA AND IN EBIT										
Operative EBITDA	**107.9**	113.0	105.7	108.5	90.1	118.1	106.1	95.6	**435.1**	410.0
Restructuring and streamlining programs	**-3.4**	-3.2	-1.9	0.0	-10.7	-0.5	-1.9	-0.4	**-8.4**	-13.5
Transaction and integration expenses in acquisition	**0.0**	0.0	0.0	0.0	2.7	0.0	0.0	-0.5	**0.0**	2.2
Divestment of businesses and other disposals	**1.0**	0.0	0.0	0.0	-0.8	0.8	0.0	0.9	**1.0**	0.9
Other items	**-14.3**	0.0	0.0	-0.1	-11.6	-0.3	-2.1	-3.2	**-14.4**	-17.2
Total items affecting comparability	**-16.7**	-3.2	-1.9	-0.1	-20.5	0.0	-4.0	-3.1	**-21.8**	-27.7
EBITDA	**91.2**	109.8	103.8	108.4	69.6	118.1	102.1	92.5	**413.2**	382.3
Operative EBIT	**57.0**	62.3	57.6	60.8	42.4	71.1	60.3	50.1	**237.7**	224.0
Total items affecting comparability in EBITDA	**-16.7**	-3.2	-1.9	-0.1	-20.5	0.0	-4.0	-3.1	**-21.8**	-27.7
Items affecting comparability in depreciation, amortization and impairments	**0.0**	0.0	0.0	0.0	0.0	-1.9	0.0	0.0	**0.0**	-1.9
Operating profit (EBIT)	**40.3**	59.1	55.7	60.7	21.9	69.2	56.3	47.0	**215.9**	194.4
ROCE AND OPERATIVE ROCE										
Operative EBIT	**57.0**	62.3	57.6	60.8	42.4	71.1	60.3	50.1	**237.7**	224.0
Operating profit (EBIT)	**40.3**	59.1	55.7	60.7	21.9	69.2	56.3	47.0	**215.9**	194.4
Capital employed [1)]	**1,964.9**	1,977.2	1,993.5	1,995.7	1,998.2	1,961.8	1,901.0	1,843.6	**1,964.9**	1,998.2
Operative ROCE, %	**12.1**	11.3	11.6	11.8	11.2	11.5	10.8	10.3	**12.1**	11.2
ROCE, %	**11.0**	10.0	10.4	10.4	9.7	10.9	9.5	8.8	**11.0**	9.7
NET WORKING CAPITAL										
Inventories	**242.3**	256.4	276.3	265.2	260.6	304.6	304.0	300.8	**242.3**	260.6
Trade receivables and other receivables	**362.0**	341.4	340.3	386.6	378.8	415.1	413.1	417.4	**362.0**	378.8
Excluding financing items in other receivables	**-16.9**	-7.0	-6.4	-9.1	-11.9	-17.0	-16.3	-16.9	**-16.9**	-11.9
Trade payables and other liabilities	**422.2**	366.6	376.5	456.2	455.7	442.2	421.7	522.2	**422.2**	455.7
Excluding financing items in other liabilities	**-31.8**	-24.8	-30.1	-49.2	-38.8	-38.9	-34.3	-115.5	**-31.8**	-38.8
Net working capital	**197.0**	248.9	263.9	235.6	210.7	299.3	313.4	294.5	**197.0**	210.7
INTEREST-BEARING NET LIABILITIES										
Non-current interest-bearing liabilities	**724.1**	724.1	732.0	738.1	737.9	792.1	790.4	790.8	**724.1**	737.9
Current interest-bearing liabilities	**194.7**	247.6	245.4	247.8	216.6	181.5	222.3	266.9	**194.7**	216.6
Interest-bearing liabilities	**918.8**	971.7	977.4	985.9	954.5	973.6	1,012.7	1,057.8	**918.8**	954.5
Cash and cash equivalents	**159.5**	185.7	133.6	169.8	143.1	107.2	91.6	216.2	**159.5**	143.1
Interest-bearing net liabilities	**759.3**	786.1	843.8	816.0	811.4	866.4	921.1	841.6	**759.3**	811.4

[1)] 12-month rolling average

kemira
100 years of chemistry

QUARTERLY SEGMENT INFORMATION

EUR million	**2020 10-12**	2020 7-9	2020 4-6	2020 1-3	2019 10-12	2019 7-9	2019 4-6	2019 1-3	**2020 1-12**	2019 1-12
Revenue										
Pulp & Paper	**370.0**	352.2	357.0	378.5	385.9	382.9	373.4	380.8	**1,457.6**	1,522.9
Industry & Water	**235.6**	244.4	225.9	263.6	271.8	306.9	290.2	267.0	**969.5**	1,135.9
Total	**605.6**	596.7	582.9	642.0	657.7	689.8	663.6	647.8	**2,427.2**	2,658.8
Operative EBITDA										
Pulp & Paper	**68.9**	65.5	65.6	60.2	52.6	61.3	53.7	50.7	**260.2**	218.3
Industry & Water	**39.0**	47.6	40.0	48.2	37.5	56.8	52.4	45.0	**174.8**	191.7
Total	**107.9**	113.0	105.7	108.5	90.1	118.1	106.1	95.6	**435.1**	410.0
Items affecting comparability in EBITDA										
Pulp & Paper	**-16.8**	-3.2	0.0	0.0	-20.8	-0.5	-2.7	-1.8	**-20.0**	-25.8
Industry & Water	**0.1**	0.0	-1.9	-0.1	0.3	0.5	-1.3	-1.3	**-1.8**	-1.8
Total	**-16.7**	-3.2	-1.9	-0.1	-20.5	0.0	-4.0	-3.1	**-21.8**	-27.7
EBITDA										
Pulp & Paper	**52.1**	62.3	65.7	60.2	31.8	60.8	51.0	48.8	**240.2**	192.4
Industry & Water	**39.1**	47.6	38.1	48.2	37.8	57.3	51.1	43.7	**173.0**	189.9
Total	**91.2**	109.8	103.8	108.4	69.6	118.1	102.1	92.5	**413.2**	382.3
Operative EBIT										
Pulp & Paper	**37.5**	34.8	35.7	30.1	22.5	32.1	24.0	20.6	**138.0**	99.2
Industry & Water	**19.5**	27.5	21.9	30.7	19.9	39.0	36.3	29.5	**99.7**	124.7
Total	**57.0**	62.3	57.6	60.8	42.4	71.1	60.3	50.1	**237.7**	224.0
Items affecting comparability in EBIT										
Pulp & Paper	**-16.8**	-3.2	0.0	0.0	-20.8	-0.5	-2.7	-1.8	**-20.0**	-25.8
Industry & Water	**0.1**	0.0	-1.9	-0.1	0.3	-1.4	-1.3	-1.3	**-1.8**	-3.8
Total	**-16.7**	-3.2	-1.9	-0.1	-20.5	-2.0	-4.0	-3.1	**-21.8**	-29.6
Operating profit (EBIT)										
Pulp & Paper	**20.7**	31.5	35.7	30.1	1.7	31.6	21.3	18.8	**118.0**	73.4
Industry & Water	**19.6**	27.6	20.0	30.7	20.2	37.6	35.0	28.2	**97.8**	121.0
Total	**40.3**	59.1	55.7	60.7	21.9	69.2	56.3	47.0	**215.9**	194.4

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2020	2019
Net book value at beginning of period	**1,005.1**	938.3
Purchases of subsidiaries and asset acquisitions	**—**	-2.6
Increases	**185.0**	193.1
Decreases	**-1.3**	-1.7
Depreciation and impairments	**-136.8**	-128.1
Exchange rate differences and other changes	**-40.5**	6.1
Net book value at end of period	**1,011.4**	1,005.1

CHANGES IN GOODWILL AND OTHER INTANGIBLE ASSETS

EUR million	2020	2019
Net book value at beginning of period	**611.3**	630.7
Purchases of subsidiaries and asset acquisitions	**—**	0.4
Increases	**10.6**	8.6
Decreases	**—**	—
Amortization and impairments	**-28.6**	-30.0
Exchange rate differences and other changes	**-11.2**	1.6
Net book value at end of period	**582.1**	611.3

CHANGES IN RIGHT-OF-USE ASSETS

EUR million	2020	2019
Net book value at beginning of period	**136.2**	129.1
Increases	**25.0**	36.2
Depreciation and impairments	**-31.9**	-29.8
Exchange rate differences and other changes	**-8.4**	0.7
Net book value at end of period	**121.0**	136.2

DERIVATIVE INSTRUMENTS

EUR million	12/31/2020		12/31/2019	
	Nominal value	**Fair value**	Nominal value	Fair value
Currency derivatives				
Forward contracts	**372.3**	**1.2**	421.1	-0.9
of which cash flow hedge	**64.3**	**2.1**	93.4	0.6
Interest rate derivatives				
Interest rate swaps	—	—	130.0	0.6
Other derivatives	**GWh**	**Fair value**	GWh	Fair value
Electricity forward contracts, bought	**2,325.7**	**4.8**	2,120.3	7.2
of which cash flow hedge	**2,325.7**	**4.8**	2,120.3	7.2

The fair values of the instruments which are publicly traded are based on market valuation on the date of reporting. The values of other instruments have been determined based on net present values of future cash flows.

FAIR VALUE OF FINANCIAL ASSETS

EUR million	12/31/2020				12/31/2019			
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Other shares	—	—	**212.3**	**212.3**	—	—	245.2	245.2
Other investments	—	**7.3**	—	**7.3**	—	2.0	—	2.0
Currency derivatives	—	**3.5**	—	**3.5**	—	1.7	—	1.7
Currency derivatives, hedge accounting	—	**2.5**	—	**2.5**	—	1.0	—	1.0
Other derivatives, hedge accounting	—	**9.7**	—	**9.7**	—	7.2	—	7.2
Other receivables	—	**0.4**	—	**0.4**	—	0.2	—	0.2
Trade receivables	—	**288.5**	—	**288.5**	—	308.4	—	308.4
Cash and cash equivalents	—	**159.5**	—	**159.5**	—	143.1	—	143.1
Total	—	**471.4**	**212.3**	**683.7**	—	463.6	245.2	708.8

Level 1: Fair value is determined based on quoted market prices in markets.

Level 2: Fair value is determined by using valuation techniques. The fair value refers to the value that is observable from the market value of elements of financial instrument or from the market value of corresponding financial instruments, or the value that is observable by using commonly accepted valuation models and techniques, if the market value can be measured reliably with them.

Level 3: Fair value is determined by using valuation techniques that use inputs that have a significant effect on the recorded fair value, and the inputs are not based on observable market data. Level 3 includes mainly the shares of Pohjolan Voima Group.

EUR million	12/31/2020	12/31/2019
Level 3 specification		
Instrument		
Carrying value at beginning of period	**245.2**	228.4
Effect on other comprehensive income	**-32.9**	16.6
Increases	**—**	0.3
Decreases	**—**	—
Carrying value at end of period	**212.3**	245.2

Fair value of Pohjolan Voima Group shares was decreased, mainly due to the reduction in electricity prices. The shares have been recognized at fair value according to the valuation method described in Note 3.5 (Other Shares) in the Annual Financial Statements 2019.

FAIR VALUE OF FINANCIAL LIABILITIES

EUR million	12/31/2020				12/31/2019			
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Non-current interest-bearing liabilities	**—**	**663.1**	**—**	**663.1**	—	660.8	—	660.8
Current portion of non-current interest-bearing liabilities	**—**	**—**	**—**	**—**	—	57.0		57.0
Non-current other liabilities	**—**	**8.1**	**—**	**8.1**	—	8.3	—	8.3
Non-current lease liabilities	**—**	**94.4**	**—**	**94.4**	—	105.7	—	105.7
Current portion of lease liabilities	**—**	**27.0**	**—**	**27.0**	—	28.4	—	28.4
Short-term interest-bearing loans	**—**	**175.4**	**—**	**175.4**	—	138.0	—	138.0
Other liabilities	**—**	**19.6**	**—**	**19.6**	—	25.4	—	25.4
Currency derivatives	**—**	**4.4**	**—**	**4.4**	—	3.2	—	3.2
Currency derivatives, hedge accounting	**—**	**0.4**	**—**	**0.4**	—	0.4	—	0.4
Interest rate derivatives	**—**	**—**	**—**	**—**	—	0.6	—	0.6
Other derivatives, hedge accounting	**—**	**4.9**	**—**	**4.9**	—	—	—	—
Trade payables	**—**	**180.2**	**—**	**180.2**	—	188.2	—	188.2
Total	**—**	**1,177.5**	**—**	**1,177.5**	—	1,215.9	—	1,215.9

CONTINGENT LIABILITIES

EUR million	12/31/2020	12/31/2019
Assets pledged		
On behalf of own commitments	**6.2**	6.0
Guarantees		
On behalf of own commitments	**44.5**	48.8
On behalf of associates	**12.6**	—
On behalf of others	**2.0**	1.7
Other obligations		
On behalf of own commitments	**0.9**	0.9
On behalf of others	**16.3**	6.1

Major off-balance sheet investment commitments

Major amounts of contractual commitments for the acquisition of property, plant, and equipment on December 31, 2020 were about EUR 18 million for plant investments.

LITIGATION

On May 19, 2014 Kemira announced that it had signed an agreement with Cartel Damage Claims Hydrogen Peroxide SA and CDC Holding SA (together “CDC”) to settle the lawsuit in Helsinki, Finland relating to alleged old violations of competition law applicable to the hydrogen peroxide business. Based on the settlement CDC withdrew the damages claims and Kemira paid to CDC a compensation of EUR 18.5 million and compensated CDC for its legal costs. The settlement also included significant limitations of liabilities for Kemira regarding the then pending legal actions filed by CDC entities in Dortmund, Germany (mentioned and settled as below) and in Amsterdam, the Netherlands (mentioned and pending as below).

On October 16, 2017 Kemira entered into a settlement with Cartel Damage Claims Hydrogen Peroxide SA settling -for its part- fully and finally the Dortmund lawsuit filed by Cartel Damage Claims Hydrogen Peroxide SA in 2009 against six hydrogen peroxide manufacturers, including Kemira, for alleged old violations of competition law in the hydrogen peroxide business. Based on the settlement Cartel Damage Claims Hydrogen Peroxide SA withdrew the damages claims against Kemira and Kemira paid to Cartel Damage Claims Hydrogen Peroxide SA as compensation and costs an amount of EUR 12.7 million.

On June 9, 2011 Kemira Oyj's subsidiary Kemira Chemicals Oy (former Finnish Chemicals Oy) has received documents where it was stated that CDC Project 13 SA has filed an action against four companies in municipal court of Amsterdam, including Kemira, asking damages for violations of competition law applicable to the old sodium chlorate business. The European Commission set on June 2008 a fine of EUR 10.15 million on Finnish Chemicals Oy for antitrust activity in the company's sodium chlorate business during 1994-2000. Kemira Oyj acquired Finnish Chemicals in 2005. The municipal court of Amsterdam decided on June 4, 2014 to have jurisdiction over the case. The said decision on jurisdiction was appealed by Kemira to the court of appeal of Amsterdam. According to the decision by the court of appeal on July 21, 2015, the municipal court of Amsterdam has jurisdiction over the case. The proceedings now continue at the municipal court of Amsterdam where Kemira is the only defendant after the other defendants have settled the claim with CDC Project 13 SA. CDC Project 13 SA claims from Kemira in its brief filed to the municipal court of Amsterdam EUR 61.1 million as damages and interests calculated until December 2, 2015 from which amount CDC Project 13 SA asks the court to deduct the share of the earlier other defendants for other sales than made by them directly, and statutory interest on so defined amount starting from December 2, 2015. Kemira defends against the claim of CDC Project 13 SA. On May 10, 2017, the municipal court of Amsterdam had rendered an interim decision on certain legal aspects relating to the claims of CDC Project 13 SA, having been partly favorable to Kemira on matters as to applicable statute of limitations. On February 4, 2020 the Amsterdam Court of Appeal had overturned the aforementioned interim decision and has also directed the matter to be continued in the main proceeding at the first instance court. Kemira continues to vigorously defend the matter. With effect as of June 17, 2020, CDC Project 13 SA has further reduced the underlying base claim by some 9%, so that the claim pursued by CDC Project 13 SA including interest up until June 17, 2020 amounts to EUR 60.9 million. With effect as of October 21, 2020, CDC Project 13 SA has further reduced its claim by some 8% to now EUR 56.0 million (including interest up until October 21, 2020).

As mentioned above the settlement between Kemira and CDC relating to the Helsinki litigation also includes significant limitations of liabilities for Kemira regarding the remaining pending legal action filed by CDC Project 13 SA in Amsterdam, the Netherlands. Regardless of such limitations of liabilities, Kemira is not in a position to make estimates regarding the duration of the said process. Equally no assurance can be given as to the exact outcome of the process, and unfavorable judgments against Kemira could have an adverse effect on Kemira’s business, financial condition or results of operations. Nevertheless, Kemira has estimated that the continuing process will likely cause a financial impact and hence has made a provision of EUR

11.5 million in 2019.

Due to its extensive international operations the Group, in addition to the above referred claims, is involved in a number of other legal proceedings incidental to these operations and it does not expect the outcome of these other currently pending legal proceedings to have materially adverse effect upon its consolidated results or financial position.

RELATED PARTY

The Board of Directors of Pension Fund Neliapila, which is a related party, decided to return a surplus of EUR 3 million to Kemira Group companies. The return is subject to approval by the Financial Supervisory Authority. The return of a surplus is expected to be paid during the first half of 2021. Otherwise, transactions with related parties have not changed materially.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements bulletin has been prepared in accordance with the IAS 34 *Interim Financial Reporting* standard and using the same accounting policies as in the annual financial statements for 2019. The financial statements bulletin should be read in conjunction with the annual financial statements for 2019.

All individual figures presented in this financial statements bulletin have been rounded to the nearest exact figure. Therefore, the sum of the individual figures may deviate from the total figure presented in the financial statements bulletin. The key figures are calculated using exact values.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements bulletin 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. Actual results may differ from these estimates.

Kemira has assessed the impact of the uncertainty caused by the COVID-19 pandemic on its financial position and considered the values of assets and liabilities that contain significant accounting estimates that require judgment or that may have been particularly affected by the COVID-19 pandemic.

Kemira has performed its annual goodwill impairment testing. The goodwill impairment testing calculation has been taken into account in, for example, the estimated effects of the COVID-19 pandemic on future cash flows. Based on these calculations, no indications of goodwill impairment were identified.

The value of Pohjolan Voima Group's shares is EUR 211 (243) million. The value of the shares decreased by EUR 33 million during Q1 2020. The fair values of PVO shares did not change materially at year-end. The effects of the COVID-19 pandemic are reflected in the discount rate used in the calculation of the fair value and on the electricity price forecast.

The COVID-19 pandemic has been considered in the assessment of expected credit losses, and the model credit loss percentages have been updated to reflect the current situation. Higher credit risk has increased the amount of expected credit losses recognized for Oil & Gas customers. However, Kemira's realized credit losses on trade receivables did not increase during the financial year.