Financial Statements 2020

Kemira

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○ PART OF THE AUDITED FINANCIAL STATEMENTS 2020

This Financial Statements and Board of Directors' review 2020 have not been prepared in accordance with ESEF (European Single Electronic Format) regulations. The Financial Statements and Board of Directors' review 2020 in accordance with ESEF regulations are available electronically as an xHTML document in which the primary statements in the Financial Statements are marked with XBRL tags. The ESEF requirement is based on the harmonization of transparency requirements for listed companies pursuant to the Transparency Directive (2004/109/EC) and its amending Directive (2013/50/EU), as well as the European Commission Delegation Regulation (2019/815/EU). In Finland, the directive has been implemented in the Securities Markets Act (AML 7:5§). The Financial Statements and Board of Directors' review 2020 in accordance with ESEF regulations are available at **www.kemira.com**.

www.kemira.com

Board of Directors' Review 2020

In 2020, Kemira Group's 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). 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.

EPS, diluted, increased by 19% to EUR 0.86 (0.72), mainly due to higher EBITDA. 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.

KEY FIGURES AND RATIOS

EUR million	2020	2019	2018
Revenue	2,427.2	2,658.8	2,592.8
Operative EBITDA	435.1	410.0	323.1
Operative EBITDA, %	17.9	15.4	12.5
EBITDA	413.2	382.3	314.8
EBITDA, %	17.0	14.4	12.1
Operative EBIT	237.7	224.0	173.8
Operative EBIT, %	9.8	8.4	6.7
EBIT	215.9	194.4	148.2
EBIT, %	8.9	7.3	5.7
Net profit for the period	138.0	116.5	95.2
Earnings per share, EUR	0.86	0.72	0.58

EUR million	2020	2019	2018
Capital employed*	1,964.9	1,998.2	1,781.4
Operative ROCE*, %	12.1	11.2	9.8
ROCE*, %	11.0	9.7	8.3
Cash flow from operating activities	374.7	386.2	210.2
Capital expenditure excl. acquisition	195.6	201.1	150.4
Capital expenditure	198.2	204.1	193.7
Cash flow after investing activities	173.3	189.8	29.0
Equity ratio, % at period-end	43.2	42.6	43.5
Equity per share, EUR	7.80	7.98	7.80
Gearing, % at period-end	63.0	65.9	61.7
Personnel (average)	5,038	5,020	4,810

*12-month rolling average (ROCE, % based on the EBIT).

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 interim report have been individually rounded, and consequently the sum of the individual figures may deviate slightly from the sum figure presented.

In addition to the above key figures and ratios, other key figures which are describing the Group's financial performance are presented in the Other financial information section under Group key figures.

FINANCIAL PERFORMANCE IN 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	2020 EUR, million	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 in local currencies, excluding acquisitions and divestments

Geographically, the revenue split was as follows: EMEA (Europe, Middle East, Africa) 54% (50%), the Americas 35% (40%), and Asia Pacific 11% (10%).

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	2020 EUR, million	2019 EUR, million	Δ%	2020 %-margin	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	2020	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 items affecting comparability in EBIT	-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 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 (2019: 5,062, 2018: 4,915). Kemira had 771 employees in Finland (786), 1,759 employees elsewhere in EMEA (1,759), in the Americas 1,467 (1,570), and 924 in APAC (947).

NON-FINANCIAL INFORMATION

CORPORATE SUSTAINABILITY PRIORITIES

Kemira has systematic procedures in place to evaluate and address the economic, environmental, and social impacts of its own operations and business relationships. Our corporate sustainability priorities are based on the most material impacts across our business model; on the increasing expectations of our customers, investors, and other stakeholders; and on our commitment to the Kemira Code of Conduct and internationally agreed sustainability principles. Kemira is a signatory of the United Nations Global Compact, committing us to implement universal sustainability principles and to respect and promote human rights, implement decent work practices, reduce our environmental impact, and combat corruption. Kemira is also committed to operating according to the principles of Responsible Care®, a voluntary commitment created by the global chemical industry to drive continuous improvement and achieve excellence in environmental, health and safety, and security performance.

Our approach to sustainability focuses on five areas, which cover most material topics and their impact: Safety, People, Water, Circularity, and Climate.

Kemira measures progress in the priority areas through group-level key performance indicators (KPI) and targets that are approved by the Board of Directors. The relevant management processes relating to material corporate sustainability issues are continuously developed and implemented as part of our integrated management system.

SUSTAINABLE PRODUCTS AND SOLUTIONS

Kemira is committed to ensuring the sustainability of its products and solutions. Since 2018, we have tracked the share of revenue from products used to improve use-phase resource efficiency. This measurement provides a crucial linkage to our purpose and strategy.

In 2020, we also introduced a new group-level KPI to increase our revenue from biobased products and solutions from EUR 100 million currently to 500 EUR million by 2030. This will allow Kemira to reduce pressure on natural resources, and support our customers in moving away from fossil-fuel based raw materials.

Kemira's New Product Development (NPD) process evaluates the economic, environmental, and social impacts of any new product, compared to existing benchmarked solutions. Successful NPD projects must demonstrate both improved sustainability and business benefits at each decision gate to justify the project's continuation, and ultimately the product launch.

Kemira's product stewardship policy defines principles for the proactive management of the health, safety, and environmental aspects of a product throughout its life cycle. We also work to find less hazardous and more sustainable alternatives for raw materials. Other measures include ensuring safe transportation, handling, storage, and disposal of our products in the value chain.

RESPONSIBLE OPERATIONS AND SUPPLY CHAIN

Kemira is committed to ensuring responsible operations to protect our assets, our environment, employees, contractors, customers, and communities. Globally, we aim to bring together all of our operations under the Kemira integrated management system. The Kemira management system defines the way our organization works through the set of policies, standards, procedures, and processes. It also defines the requirements and accountabilities at each level of the organization. Kemira follows the principle that all operations under our Integrated Management System meet international standards for the environment, health, safety, and quality. Our energy management system is certified to the ISO 50001:2001 standard.

Ensuring workplace safety is a key priority in all our operations. We continuously strive to reduce our environmental impact. Kemira has committed to reducing its combined Scope 1 and Scope 2 emissions by 30% by 2030, from a 2018 baseline of 936 thousand tons CO_2e. Our long-term ambition is to be carbon neutral by 2045 for combined Scope 1 and 2 emissions.

Kemira is committed to ensuring compliance with responsible business practices throughout our supply chain. Kemira's Code of Conduct for Business Partners (CoC-BP) sets out principles for responsible business conduct, respect for human rights and provision of appropriate working conditions, and environmental responsibility. Compliance with the Kemira CoC-BP is required of all our suppliers and business partners. Our strategic, critical, and large-spend suppliers are requested to participate in a sustainability assessment process sustainability evaluation based on the international sustainability standards of the Global Reporting Initiative, the United Nations Global Compact, and the ISO 26000 social responsibility guidance standard. Based on the results of the assessment, the suppliers are classified into risk categories and the necessary actions are defined. Suppliers with ongoing improvement plans are always reassessed the following year, and high-risk suppliers are audited.

PEOPLE AND INTEGRITY

Culture and commitment to our employees are an important success factor in our business. Kemira's performance management process aligns our strategic targets with each employees' personal targets, performance evaluation competences, and development plans. The process is a part of Kemira's leadership culture and it forms the backbone of our management system.

Our Code of Conduct is the foundation for how we conduct business at Kemira. It sets the minimum standards of expected behavior for our employees and business partners. Kemira is committed to the principles of the Universal Declaration of Human Rights and the United Nations Global Compact, and we also expect our business partners to abide by these principles. Kemira's anti-corruption principles are included in the Code of Conduct. Kemira does not tolerate improper or corrupt payments made either directly or indirectly to a customer, government official or third party, including facilitation payments, improper gifts, entertainment, gratuities, favors, donations or any other improper transfer of value. We engage only reputable sales representatives and other third parties who share the same commitment.

Code of Conduct training is mandatory for all our employees, and there are advisory, monitoring and reporting procedures in place to ensure full compliance with the Code. We maintain an ethics and compliance hotline for employees to enable them to report potential violations of the Code of Conduct or any other concerns.

Mandatory anti-bribery training is provided for selected groups of personnel who need to have a comprehensive understanding of Kemira's anti-corruption principles. Awareness of anti-corruption matters is delivered through our Code of Conduct training to all employees. Kemira has conducted an ethics and compliance risk assessment to evaluate corruption-related and bribery-related risks in its operations. There were no confirmed incidents of corruption or public legal cases regarding corruption in 2020.

NON-FINANCIAL REPORTING

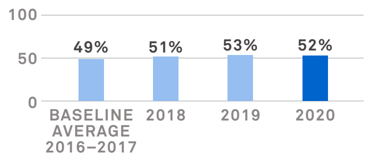
More detailed information is presented in the Kemira Annual Review 2020 and its annex. The non-financial disclosures are based on the Global Reporting Initiative disclosures, which are prepared in accordance with the GRI standards (2016) and externally assured by an independent third-party.

CORPORATE SUSTAINABILITY PERFORMANCE

Sustainable products and solutions

PRODUCT SUSTAINABILITY
AHEAD OF TARGET

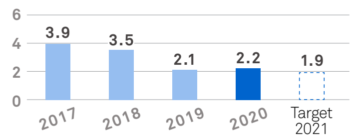
At least 50% of Kemira's revenue generated through products improving customers' resource efficiency.



Responsible operations and supply chain

WORKPLACE SAFETY
BEHIND TARGET

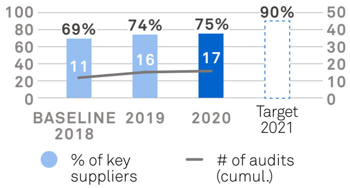
Achieve zero injuries in long term; TRIF* 1.9 by the end of 2020.



* TRIF = Number of Total Recordable Injury Frequency per million hours, Kemira + contractors

SUPPLIER MANAGEMENT
IN PROGRESS

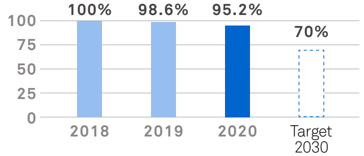
Share of direct key suppliers screened through sustainability assessments and audits (cumulative %). The target includes 5 sustainability audits for the highest risk ** suppliers every year, and cumulatively 25 audits by 2020.



** Suppliers with lowest sustainability assessment score

CLIMATE CHANGE
ON TARGET

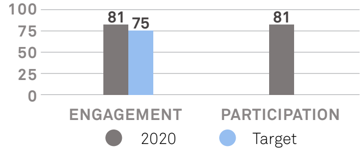
Reduce by 30% combined scope 1 and 2 GHG emission across the whole company by 2030 compared to 2018 baseline (930 thousand tonnes CO_2eq). Ambition to be carbon neutral by 2045.



People and integrity

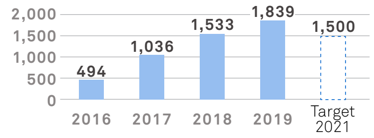
EMPLOYEE ENGAGEMENT INDEX BASED ON MYVOICE SURVEY
ON TARGET

Keep the index at or above the external industry norm.



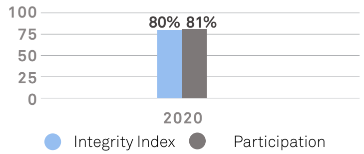
LEADERSHIP DEVELOPMENT ACTIVITIES PROVIDED, AVERAGE
AHEAD OF TARGET

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



INTEGRITY INDEX
ON TARGET

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



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

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	2020	2019
Revenue	1,457.6	1,522.9
Operative EBITDA	260.2	218.3
Operative EBITDA, %	17.9	14.3
EBITDA	240.2	192.4
EBITDA, %	16.5	12.6
Operative EBIT	138.0	99.2
Operative EBIT, %	9.5	6.5
EBIT	118.0	73.4
EBIT, %	8.1	4.8
Capital employed*	1,246.7	1,289.4
Operative ROCE*, %	11.1	7.7
ROCE*, %	9.5	5.7
Capital expenditure excl. M&A	91.9	109.7
Capital expenditure incl. M&A	94.6	112.5
Cash flow after investing activities	162.2	139.4

*12-month rolling average

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	2020	2019
Revenue	969.5	1,135.9
Operative EBITDA	174.8	191.7
Operative EBITDA, %	18.0	16.9
EBITDA	173.0	189.9
EBITDA, %	17.8	16.7
Operative EBIT	99.7	124.7
Operative EBIT, %	10.3	11.0
EBIT	97.8	121.0
EBIT, %	10.1	10.6
Capital employed*	717.5	708.2
Operative ROCE*, %	13.9	17.6
ROCE*, %	13.6	17.1
Capital expenditure excl. M&A	103.6	91.4
Capital expenditure incl. M&A	103.6	91.7
Cash flow after investing activities	69.8	128.7

*12-month rolling average

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 had 501 (2019: 507 2018: 507) employees on average during 2020.

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.

OWNERSHIP DECEMBER 31, 2020

	Shares and votes	
Owners	**2020**	**2019**
Corporations	25.5%	24.7%
Financial and insurance corporations	5.2%	5.8%
General government	19.0%	18.8%
Households	18.6%	15.6%
Non-profit institutions	3.1%	3.2%
Non-Finnish shareholders incl. nominee registered	28.6%	31.9%

SHAREHOLDING BY NUMBER OF SHARES HELD DECEMBER 31, 2020

Number of shares	Number of shareholders	% of shareholders	Shares total	% of share and votes
1–100	14,415	32.5	766,508	0.5%
101–500	17,580	39.7	4,728,570	3.0%
501–1,000	5,878	13.3	4,531,119	2.9%
1,001–5,000	5,407	12.2	11,422,452	7.4%
5,001–10,000	591	1.3	4,293,409	2.8%
10,001–50,000	336	0.8	6,617,255	4.3%
50,001–100,000	43	0.1	3,145,751	2.0%
100,001–500,000	46	0.1	10,081,269	6.5%
500,001–1,000,000	5	0.0	3,834,676	2.5%
1,000,001–	10	0.0	105,921,548	68.2%
Total	44,311	100.0	155,342,557	100.0%

* Further information incl. managements shareholding is found under Shares and shareholders on page 117.

LARGEST SHAREHOLDERS DECEMBER 31, 2020

	Shareholder	Number of shares	% of shares and votes
1	Oras Invest Ltd	31,278,217	20.1
2	Solidium Oy	15,782,765	10.2
3	Varma Mutual Pension Insurance Company	4,652,678	3.0
4	Ilmarinen Mutual Pension Insurance Company	4,158,559	2.7
5	Nordea Funds	3,374,727	2.2
6	Elo Mutual Pension Insurance Company	1,989,910	1.3
7	Veritas Pension Insurance Company Ltd.	1,497,559	1.0
8	Tiiviste-Group Oy	1,000,000	0.6
9	Nordea Life Assurance Finland Ltd.	757,267	0.5
10	Laakkonen Mikko Kalervo	750,000	0.5
11	Säästöpankki Funds	569,672	0.4
12	The State Pension Fund	560,000	0.4
13	Pohjola Fund Management	518,472	0.3
14	Paasikivi Pekka Johannes	462,000	0.3
15	SEB Gyllenberg Funds	426,454	0.3
	Kemira Oyj	2,418,440	1.6
	Nominee registered and foreign shareholders	44,463,354	28.6
	Others, Total	40,682,483	26.0
	Total	**155,342,557**	**100.0**

SHARE KEY FIGURES

	2020	2019	2018	2017	2016
PER SHARE FIGURES					
Earnings per share (EPS), basic and diluted, EUR 1)	0.86	0.72	0.58	0.52	0.60
Net cash generated from operating activities per share, EUR 1)	2.45	2.53	1.38	1.35	1.78
Dividend per share, EUR 1) 2)	0.58	0.56	0.53	0.53	0.53
Dividend payout ratio, % 1) 2)	67.5	77.6	90.7	102.7	88.0
Dividend yield, % 1) 2)	4.5	4.2	5.4	4.6	4.4
Equity per share, EUR 1)	7.80	7.98	7.80	7.61	7.68
Price per earnings per share (P/E ratio) 1)	15.07	18.37	16.85	22.29	20.14
Price per equity per share 1)	1.66	1.66	1.26	1.51	1.58
Price per cash flow from operations per share 1)	5.28	5.24	7.14	8.54	6.83
Dividend paid, EUR million 2)	88.7	85.5	80.8	80.7	80.8
SHARE PRICE AND TRADING					
Share price, high, EUR	14.24	14.99	12.03	12.44	12.55
Share price, low, EUR	8.02	9.77	9.34	10.33	8.92
Share price, average, EUR	11.55	12.56	11.00	11.47	10.96
Share price on Dec 31, EUR	12.94	13.26	9.85	11.50	12.13
Number of shares traded (1,000) 3)	75,885	53,048	43,837	54,169	64,827
% on number of shares	50	35	29	36	42
Market capitalization on Dec 31, EUR million 1)	1,979	2,024	1,502	1,752	1,848
NUMBER OF SHARES AND SHARE CAPITAL					
Average number of shares, basic (1,000) 1)	152,879	152,630	152,484	152,359	152,314
Average number of shares, diluted (1,000) 1)	153,373	153,071	152,768	152,594	152,526
Number of shares on Dec 31, basic (1,000) 1)	152,924	152,649	152,510	152,354	152,367
Number of shares on Dec 31, diluted (1,000) 1)	153,744	153,385	152,927	152,512	152,619
Increase (+) / decrease (-) in number of shares outstanding (1,000)	275	139	156	-14	305
Share capital, EUR million	221.8	221.8	221.8	221.8	221.8

1) Number of shares outstanding, excluding the number of treasury shares.
2) The dividend for 2020 is the Board of Directors' proposal to the Annual General Meeting.
3) Shares traded on Nasdaq Helsinki only

Definitions of the key figures is disclosed in the section on the Definitions of key figures.

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 led 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 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 17.

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 R&D

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 20.

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.

Kemira

Consolidated Income Statement

		Year ended 31 December	
EUR million	Note	2020	2019
Revenue	2.1.	2,427.2	2,658.8
Other operating income	2.2.	4.0	6.4
Operating expenses	2.2.	-2,017.9	-2,283.0
Share of the results of associates	6.2.	0.0	0.0
EBITDA		413.2	382.3
Depreciation, amortization and impairments	2.4.	-197.4	-187.9
Operating profit (EBIT)		215.9	194.4
Finance income	2.5.	1.5	3.9
Finance expenses	2.5.	-34.4	-42.2
Exchange differences	2.5.	-1.9	-1.4
Finance costs, net	2.5.	-34.9	-39.7
Profit before tax		181.0	154.7
Income taxes	2.6.	-43.0	-38.2
Net profit for the period		138.0	116.5
Net profit attributable to			
Equity owners of the parent company		131.3	110.2
Non-controlling interests	6.2.	6.7	6.3
Net profit for the period		138.0	116.5
Earnings per share for net profit attributable to the equity owners of the parent company, EUR			
Basic	2.7.	0.86	0.72
Diluted	2.7.	0.86	0.72

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Comprehensive Income

		Year ended 31 December	
EUR million	Note	2020	2019
Net profit for the period		138.0	116.5
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences in translating foreign operations		-47.1	7.8
Cash flow hedges		-0.8	-15.0
Items that will not be reclassified subsequently to profit or loss			
Other shares		-26.3	13.4
Remeasurements of defined benefit plans		-1.2	-5.4
Other comprehensive income for the period, net of tax	2.8.	-75.3	0.7
Total comprehensive income for the period		62.6	117.2
Total comprehensive income attributable to			
Equity owners of the parent company		56.7	110.7
Non-controlling interests	6.2.	5.9	6.5
Total comprehensive income for the period		62.6	117.2

Items in the Consolidated Statement of Comprehensive Income are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 2.8. Other comprehensive income.

The above Consolidated Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

		As at 31 December	
EUR million	**Note**	**2020**	**2019**
ASSETS			
NON-CURRENT ASSETS			
Goodwill	3.1.	504.1	515.8
Other intangible assets	3.2.	78.0	95.5
Property, plant and equipment	3.3.	1,011.4	1,005.1
Right-of-use assets	3.4.	121.0	136.2
Investments in associates	6.2.	5.3	2.8
Other shares	3.5.	212.3	245.2
Deferred tax assets	4.4.	27.5	35.7
Other investments	5.4.	7.3	2.0
Receivables of defined benefit plans	4.5.	51.1	51.8
Total non-current assets		2,018.0	2,090.1
CURRENT ASSETS			
Inventories	4.1.	242.3	260.6
Interest-bearing receivables	4.2.	0.4	0.2
Trade receivables and other receivables	4.2.	362.0	378.8
Current income tax assets		13.4	18.2
Cash and cash equivalents	5.4.	159.5	143.1
Total current assets		777.7	800.9
Total assets		2,795.7	2,891.0

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

		As at 31 December	
EUR million	Note	**2020**	**2019**
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity owners of the parent company			
Share capital		221.8	221.8
Share premium		257.9	257.9
Fair value and other reserves		81.1	108.5
Unrestricted equity reserve		196.3	196.3
Translation differences		-85.8	-39.5
Treasury shares		-16.3	-18.1
Retained earnings		537.1	490.9
Total equity attributable to equity owners of the parent company	5.2.	1,192.1	1,217.7
Non-controlling interests	6.2.	13.2	13.3
Total equity		1,205.3	1,231.0
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	5.3.	724.1	737.9
Other liabilities	5.4.	8.1	8.3
Deferred tax liabilities	4.4.	52.0	67.8
Liabilities of defined benefit plans	4.5.	96.3	93.3
Provisions	4.6.	35.6	29.1
Total non-current liabilities		916.1	936.4
CURRENT LIABILITIES			
Interest-bearing liabilities	5.3.	194.7	216.6
Trade payables and other liabilities	4.3.	422.2	455.7
Current income tax liabilities		25.7	28.7
Provisions	4.6.	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

Consolidated Statement of Cash Flow

EUR million	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		138.0	116.5
Adjustments for			
Depreciation, amortization and impairments	2.4.	197.4	187.9
Income taxes	2.6.	43.0	38.2
Finance costs, net	2.5.	34.9	39.7
Share of the results of associates	6.2.	0.0	0.0
Other adjustments 1)		23.0	36.0
Cash flow before change in net working capital		436.2	418.3
Change in net working capital			
Increase (-) / decrease (+) in inventories		2.2	19.4
Increase (-) / decrease (+) in trade and other receivables		3.4	20.5
Increase (+) / decrease (-) in trade payables and other liabilities		-8.5	5.5
Change in net working capital		-2.9	45.3
Cash flow from operations before financing items and taxes		433.3	463.5
Interests paid		-28.8	-35.2
Interests received		1.1	3.4
Other finance items, net		5.6	-6.7
Dividends received		0.0	0.0
Income taxes paid		-36.5	-38.8
Net cash generated from operating activities		374.7	386.2

1) Other adjustments relate mainly to non-cash adjustments in provisions. In 2019 a surplus return of EUR 15 million was paid by Pension Fund Neliapila.

The above Consolidated Statement of Cash Flow should be read in conjunction with the accompanying notes.

EUR million	Note	2020	2019
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure in associated company		-2.6	-2.7
Capital expenditure in other shares		0.0	-0.3
Capital expenditure in property, plant and equipment and intangible assets		-195.6	-201.1
Decrease (+) / increase (-) in loan receivables		-5.6	0.1
Proceeds from sale of subsidiaries, net of cash disposed		0.0	4.5
Proceeds from sale of property, plant and equipment, and intangible assets		2.5	3.2
Net cash used in investing activities		-201.4	-196.3
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from non-current interest-bearing liabilities (+)	5.1.	0.0	40.1
Repayments of non-current interest-bearing liabilities (-)	5.1.	-55.0	-110.3
Repayments of non-current non-interest-bearing liabilities (-)		-10.7	-10.7
Short-term financing, net increase (+) / decrease (-)	5.1.	37.2	2.9
Repayments of lease liabilities		-30.6	-28.4
Dividends paid		-91.8	-86.9
Net cash used in financing activities		-150.9	-193.2
Net increase (+) / decrease (-) in cash and cash equivalents		22.4	-3.4
Cash and cash equivalents on Dec 31		159.5	143.1
Exchange gains (+) / losses (-) in cash and cash equivalents		-6.0	1.5
Cash and cash equivalents on Jan 1		143.1	144.9
Net increase (+) / decrease (-) in cash and cash equivalents		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 shares	—	—	-26.3	—	—	—	—	-26.3	—	-26.3
Exchange differences in translating foreign operations	—	—	—	—	-46.3	—	—	-46.3	-0.8	-47.1
Cash flow hedges	—	—	-0.8	—	—	—	—	-0.8	—	-0.8
Remeasurements of defined benefit plans	—	—	—	—	—	—	-1.2	-1.2	—	-1.2
Total comprehensive income	—	—	-27.1	—	-46.3	—	130.1	56.7	5.9	62.6
Transactions with owners										
Dividends paid	—	—	—	—	—	—	-85.6	-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

	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, 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 (IFRS 16) [1]	—	—	—	—	—	—	-4.9	-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 shares	—	—	13.3	—	—	—	0.1	13.4	—	13.4
Exchange differences in translating foreign operations	—	—	—	—	7.6	—	—	7.6	0.2	7.8
Cash flow hedges	—	—	-15.0	—	—	—	—	-15.0	—	-15.0
Remeasurements of defined benefit plans	—	—	—	—	—	—	-5.4	-5.4	—	-5.4
Total comprehensive income	—	—	-1.7	—	7.6	—	104.9	110.7	6.5	117.2
Transactions with owners										
Dividends paid	—	—	—	—	—	—	-80.9	-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

[1] On January 1, 2019, Kemira adopted IFRS 16 Leases standard. As a result of the adoption of IFRS 16, retained earnings in equity were adjusted by EUR -4.9 million.
The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

1. THE GROUP'S ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

GROUP PROFILE

Kemira Oyj is a Finnish public limited liability company, domiciled in Helsinki, and its registered address is Energiakatu 4, FI-00180 Helsinki, Finland. Kemira Oyj's shares are listed on Nasdaq Helsinki Oy. The parent company Kemira Oyj and its subsidiaries together form the Kemira Group. A list of subsidiaries is disclosed in Note 6.2.

Kemira is a global chemicals company serving customers in water-intensive industries. The company provides expertise in applications and chemicals that improve customers' efficient use of water, energy and raw materials. Kemira's two segments Pulp & Paper and Industry & Water focus on customers in the pulp & paper, oil & gas, mining and water treatment industries, respectively.

The Board of Directors of Kemira Oyj has approved the Financial Statements for publication at its meeting on February 10, 2021. Under the Finnish Limited Liability Companies Act, the General Meeting of Shareholders is entitled to decide on the adoption of the financial statements. A copy of the Consolidated Financial Statements is available at **www.kemira.com** or at Energiakatu 4, FI-00180 Helsinki, Finland.

BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared its Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) and its interpretations (IFRIC), adopted by the European Union. The Consolidated Financial Statements have been prepared in accordance with IFRS standards and IFRIC Interpretations effective on December 31, 2020. The Notes to the Consolidated Financial Statements also comply with the requirements of the Finnish accounting and corporate legislation that supplement the IFRS regulations.

The Consolidated Financial Statements are presented in EUR million and have been prepared based on historical cost, except for the items measured at fair value through other comprehensive income including unlisted PVO/TVO shares, financial assets and liabilities at fair value through profit or loss, and share-based payments on the grant date.

All individual figures presented in the Consolidated Financial Statements have been rounded to the nearest exact figure. Therefore, the sum of the individual figures may deviate from the sum figure presented in the Consolidated Financial Statements. The key figures are calculated using exact values.

NEW, AMENDED IFRS STANDARDS AND IFRIC INTERPRETATIONS INTO EFFECT IN 2020

The group has applied the following standards and amendments for the first time to its annual reporting period commencing January 1, 2020:

- Amendment to IFRS 16 Leases Covid-19 Related Rent Concessions
- Amendment to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS standards

In accordance with the amendment to IFRS 16 Leases COVID-19 Related Rent Concessions, lease benefits received by a lessee that are a direct result of COVID-19 restrictive actions need not be treated as changes in lease contract. During the financial year 2020, the Group has not received any significant such exemptions from its lessors.

The amendments listed above also did not have any impact on the amounts recognized in financial period 1.1.–31.12.2020 and are not expected to significantly affect the next financial period 1.1.–31.12.2021.

NEW, AMENDED IFRS STANDARDS AND IFRIC INTERPRETATIONS NOT YET ADOPTED

New IFRS standards, amendments to standards and IFRIC interpretations effective on or after January 1, 2021 are not expected to have a material impact on the Group.

CONSOLIDATION PRINCIPLES OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The Consolidated Financial Statements include the parent company and its subsidiaries. Subsidiaries are all entities that the Group has control over (voting rights generally being over 50 percent). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and when it has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which this control ceases.

All intra-group transactions are eliminated. Intra-group shareholdings are eliminated using the acquisition method. The consideration transferred for acquisition of a subsidiary is defined as an aggregate of the fair values of the assets transferred, the liabilities assumed and the equity interest issued by the Group. The consideration transferred may include the fair value of any asset or liability resulting from the contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities that are assumed in a business combination are measured at their fair values on the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The amount that exceeds the aggregate of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net assets acquired is recognized as goodwill in the Balance Sheet. If this is less than the fair value of the net assets of the subsidiary acquired by bargain purchase, the difference is recognized directly in the Income Statement.

Net profit or loss for the financial year and other comprehensive income attributable to the equity holders of the parent and non-controlling interests are presented in the Income Statement and in the Statement of Comprehensive Income. The portion of equity attributable to non-controlling interests is stated as an individual item separately from the equity to the equity holders of the parent company. Total comprehensive income shows separately the total amounts attributable to the equity holders of the parent company and to non-controlling interests. The Group recognizes negative non-controlling interests, unless the non-controlling interest does not have a binding obligation to cover the losses up to the amount of their investment.

If the parent company's ownership interest in the subsidiary is reduced but control is retained, then the transactions are treated as equity transactions. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured at its fair value, and the difference is recognized as profit or loss.

ASSOCIATES

Associated companies are companies over which the Group exercises significant influence (voting rights generally being 20–50 percent), but does not control. Holdings in associated companies are consolidated using the equity method. If the Group's share of the associate's losses exceeds the carrying amount of the investment, the exceeding losses will not be consolidated unless the Group has a commitment to fulfill the obligations on behalf of the associate. The Group's share of the associated companies' net profit for the financial year is stated as a separate item in the consolidated Income Statement in operating profit, in proportion to the Group's holdings. The Group's share of the movements of its associates in other comprehensive income is recognized in the Group's other comprehensive income.

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured by using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated Financial Statements are presented in EUR, which is the Group's presentation currency and the parent company's functional and presentation currency.

In the Consolidated Financial Statements, the Income Statements of foreign subsidiaries are translated into EUR using the financial year's average foreign currency exchange rates, and the balance sheets are translated using the exchange rates quoted on the balance sheet date. Translating the net profit for the period using different exchange rates in the Income Statement and in the balance sheet causes a translation difference recognized as equity on the Balance Sheet. The change in this translation difference is presented under Other Comprehensive Income. Goodwill and fair value adjustments to the carrying amounts of the assets and liabilities that arise from the acquisition of a foreign entity are accounted for as part of the assets and liabilities of the foreign entity, and are translated into EUR at the rate quoted on the balance sheet date.

Translation differences in the loans granted to some foreign subsidiaries are treated as an increase or decrease in other comprehensive income. When the Group ceases to have control over a subsidiary, the accumulated translation difference is transferred into the Income Statement as part of the gain or loss on the sale.

In their day-to-day accounting, the Group companies translate foreign currency transactions into their functional currency at the exchange rates quoted on the transaction date. In the Financial Statements, foreign currency denominated receivables and liabilities are measured at the exchange rates quoted on the balance sheet date. Non-monetary items are measured using the rates quoted on the transaction date. Any foreign exchange gains and losses related to business operations are treated as adjustments to sales and purchases. Exchange rate differences associated with financing transactions and the hedging of the Group's overall foreign currency position are stated in foreign exchange gains or losses under finance income and expenses.

THE ITEMS IN THE FINANCIAL STATEMENTS THAT INCLUDE ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES THAT REQUIRE JUDGMENT

When preparing Consolidated Financial Statements in accordance with IFRS, the management is required to make accounting estimates and assumptions concerning the future. The resulting accounting estimate will seldom be equal to the actual results. In addition, management is required to exercise judgment when applying the accounting policies.

Estimates and assumptions are continuously evaluated, and are based on past experience and expectations of future events that may have financial implications and are considered to be reasonable under the circumstances.

The following table lists items in the financial statements that include significant accounting estimates and includes the notes related to them. Also included are the accounting policies and the sensitivity analysis applied to the items. The items that include accounting estimates are subject to a risk of changes in the carrying amount of assets and liabilities during the next financial period.

The items in the Financial Statements	Note in the Financial Statements
Goodwill	3.1. Goodwill
Fair value of shares in the PVO Group	3.5. Other shares
Deferred taxes and uncertain tax positions	2.6. Income taxes and 4.4. Deferred tax liabilities and assets
Defined benefit pension plans	4.5. Defined benefit pension plans and employee benefits
Provisions	4.6. Provisions

THE IMPACTS OF THE COVID-19 PANDEMIC IN THE FINANCIAL STATEMENTS

The Group 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 containing significant accounting estimates that require judgment or that may have been particularly affected by the COVID-19 pandemic.

The Group 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 was EUR 211 million (243). 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, the Group's realized credit losses on trade receivables did not increase during the financial year.

The discount rates and other significant assumptions have been updated in defined benefit pension plans based on actuarial reports to reflect the changed economic environment due to the COVID-19 pandemic. The Group's most significant pension plan is the Neliapila Pension Fund, whose net assets were EUR 51 million (52). The obligations and assets in the Group's defined benefit plans have not been materially impacted by the COVID-19 pandemic.

The Group's liquidity position has remained stable. The gearing ratio was 63% (66) and cash and cash equivalents were EUR 160 million (143). The Group's target for gearing is below 75%. In addition, the Group has a EUR 400 million revolving credit facility, which was undrawn on December 31, 2020.

2. FINANCIAL PERFORMANCE

2.1 SEGMENT INFORMATION

Kemira's organization consists of two segments: Pulp & Paper and Industry & Water.

Pulp & Paper

Pulp & Paper has expertise in applying chemicals and supporting pulp & paper producers in innovating and constantly improving their operational efficiency. The segment develops and sells products to fulfill customer needs, ensuring the leading portfolio of products and services for paper wet-end, focusing on packaging and board, as well as tissue products.

Industry & Water

Industry & Water supports municipalities and water intensive industries in the efficient and sustainable utilization of resources. In water treatment, the segment helps in the optimization of every stage of the water cycle. In the oil and gas industry, the segment helps to improve yield from existing reserves and reduce water and energy use.

ALTERNATIVE PERFORMANCE MEASURES

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 should instead be read in conjunction with the most directly comparable IFRS measures. Definitions of the key figures is disclosed in the section Definitions of key figures.

* Revenue growth in local currencies, excluding acquisitions and divestments.

INCOME STATEMENT ITEMS

2020, EUR million	Pulp & Paper	Industry & Water	Group
Revenue [1]	1,457.6	969.5	2,427.2
EBITDA [2]	240.2	173.0	413.2
Depreciation, amortization and impairments	-122.2	-75.2	-197.4
Share of the results of associates	0.0	0.0	0.0
Operating profit (EBIT) [2]	118.0	97.8	215.9
Finance costs, net			-34.9
Profit before tax			181.0
Income taxes			-43.0
Net profit for the period			138.0

1) Revenue consists mainly of sales of products to external customers, and there is no internal sales between the segments.
2) Includes items affecting comparability.

ITEMS AFFECTING COMPARABILITY IN EBITDA AND EBIT

2020, EUR million	Pulp & Paper	Industry & Water	Group
Operative EBITDA	260.2	174.8	435.1
Restructuring and streamlining programs			-8.4
Transaction and integration expenses in acquisitions			0.0
Divestment of businesses and other disposals			1.0
Other items			-14.4
Total items affecting comparability	-20.0	-1.8	-21.8
EBITDA	240.2	173.0	413.2
Operative EBIT	138.0	99.7	237.7
Items affecting comparability in EBITDA	-20.0	-1.8	-21.8
Items affecting comparability in depreciation, amortization and impairments	0.0	0.0	0.0
Operating profit (EBIT)	118.0	97.8	215.9

Quarterly information on items affecting comparability is disclosed in the section on Reconciliation of IFRS figures.

BALANCE SHEET ITEMS

2020, EUR million	Pulp & Paper	Industry & Water	Group
Segment assets	1,430.7	876.5	2,307.2
Reconciliation to total assets as reported in the Group balance sheet:			
Other shares			212.3
Deferred income tax assets			27.5
Other investments			7.3
Defined benefit pension receivables			51.1
Other assets			30.8
Cash and cash equivalents			159.5
Total assets			2,795.7
Segment liabilities	228.3	162.1	390.4
Reconciliation to total liabilities as reported in the Group balance sheet:			
Interest-bearing non-current financial liabilities			724.1
Interest-bearing current financial liabilities			194.7
Other liabilities			281.2
Total liabilities			1,590.4

OTHER ITEMS

2020, EUR million	Pulp & Paper	Industry & Water	Group
Capital employed by segments on Dec 31	1,202.3	714.4	1,916.7
Capital employed by segments [1)]	1,246.7	717.5	1,964.9
Operative ROCE, %	11.1	13.9	12.1
Capital expenditure	94.6	103.6	198.2

1) 12-month rolling average

INCOME STATEMENT ITEMS

2019, EUR million	Pulp & Paper	Industry & Water	Group
Revenue [1]	1,522.9	1,135.9	2,658.8
EBITDA [2]	192.4	189.9	382.3
Depreciation, amortization and impairments	-119.0	-68.9	-187.9
Share of the results of associates	0.0	0.0	0.0
Operating profit (EBIT) [2]	73.4	121.0	194.4
Finance costs, net			-39.7
Profit before tax			154.7
Income taxes			-38.2
Net profit for the period			116.5

1) Revenue consists mainly of sales of products to external customers, and there is no internal sales between the segments.
2) Includes items affecting comparability.

ITEMS AFFECTING COMPARABILITY IN EBITDA AND EBIT

2019, EUR million	Pulp & Paper	Industry & Water	Group
Operative EBITDA	218.3	191.7	410.0
Restructuring and streamlining programs			-13.5
Transaction and integration expenses in acquisitions			2.2
Divestment of businesses and other disposals			0.9
Other items			-17.2
Total items affecting comparability	-25.8	-1.8	-27.7
EBITDA	192.4	189.9	382.3
Operative EBIT	99.2	124.7	224.0
Items affecting comparability in EBITDA	-25.8	-1.8	-27.7
Items affecting comparability in depreciation, amortization and impairments	0.0	-1.9	-1.9
Operating profit (EBIT)	73.4	121.0	194.4

Quarterly information on items affecting comparability is disclosed in the section Reconciliation of IFRS figures.

BALANCE SHEET ITEMS

2019, EUR million	Pulp & Paper	Industry & Water	Group
Segment assets	1,509.6	873.3	2,383.0
Reconciliation to total assets as reported in the Group balance sheet:			
Other shares			245.2
Deferred income tax assets			35.7
Other investments			2.0
Defined benefit pension receivables			51.8
Other assets			30.2
Cash and cash equivalents			143.1
Total assets			2,891.0
Segment liabilities	241.0	175.9	416.9
Reconciliation to total liabilities as reported in the Group balance sheet:			
Interest-bearing non-current financial liabilities			737.9
Interest-bearing current financial liabilities			216.6
Other liabilities			288.6
Total liabilities			1,660.0

OTHER ITEMS

2019, EUR million	Pulp & Paper	Industry & Water	Group
Capital employed by segments on Dec 31	1,268.6	697.4	1,966.0
Capital employed by segments [1]	1,289.4	708.2	1,998.2
Operative ROCE, %	7.7	17.6	11.2
Capital expenditure	112.5	91.7	204.1

1) 12-month rolling average

Information about geographical areas

REVENUE BY GEOGRAPHICAL AREA BASED ON CUSTOMER LOCATION

EUR million	2020	2019
Finland, domicile of the parent company	370.2	395.7
Other Europe, Middle East and Africa	935.0	943.6
Americas	862.4	1,062.0
Asia Pacific	259.5	257.5
Total	2,427.2	2,658.8

NON-CURRENT ASSETS BY GEOGRAPHICAL AREA

EUR million	2020	2019
Finland, domicile of the parent company	725.0	756.5
Other Europe, Middle East and Africa	522.4	511.6
Americas	499.5	522.9
Asia Pacific	192.5	211.5
Total	1,939.3	2,002.5

Information about major customers

The Group has several significant customers. At least 10% of the Group's revenue was not accumulated from any single external customer in 2020 or 2019.

The Group's accounting policies

Segment reporting

Segment information is presented in a manner consistent with the Group's internal organizational and reporting structure. Kemira's management evaluates the segments performance based on operative EBITDA and operative EBIT, among other factors. Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Segment assets include property, plant and equipment, intangible assets, right-of-use assets, investments in associates, inventories, and certain current non-interest-bearing receivables. Segment liabilities include certain current non-interest-bearing liabilities. Geographically, Kemira's operations are divided into three business regions: Europe, the Middle East and Africa (EMEA), the Americas and the Asia Pacific (APAC).

Revenue recognition

IFRS 15 standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers to an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the good or service underlying the particular performance obligation is transferred to the customer.

The Group's revenue consists mainly of contract types that include sales of chemical products as well as services and equipment which are related to sales of these chemical products. Revenue recognition occurs at the point when the control of the products is transferred to the customer. Generally, in the Group's sales agreements, control is transferred to the customer based on delivery terms and the revenue is recognized at a point in time.

The Group provides delivery and handling services in conjunction with the sale of chemical products to customers. The delivery and handling services are recognized at the same time as revenue from products and are not treated as a separate performance obligation. Kemira recognizes the sale of products and the delivery and handling services for the same reporting period.

Discounts provided to customers are not a significant component of the sales price in Kemira's sales contracts.

2.2 OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

EUR million	2020	2019
Gains on the sale of non-current assets	1.3	2.6
Rental income	0.5	0.8
Services	2.1	2.6
Other income from operations	0.1	0.4
Total	4.0	6.4

OPERATING EXPENSES

EUR million	2020	2019
Materials and supplies	1,192.0	1,384.4
Employee benefit expenses	376.5	384.0
External services and other expenses [1) 2)]	279.6	334.5
Freights and delivery expenses	169.8	180.1
Total	2,017.9	2,283.0

1) Includes equipment costs, travel expenses, leases, office related expenses, insurances, consulting and other operational expenses.

2) In 2020, other operating expenses included research and development expenses of EUR 28.9 million (30.3) including government grants received. Government grants received for R&D were EUR 0.3 million (0.2). The extent of the grants received reduces the research and development expenses.

EMPLOYEE BENEFIT EXPENSES

EUR million	Note	2020	2019
Wages, salaries and emoluments			
Wages and salaries [3)]		296.2	298.8
Share-based payments	2.3.	7.0	5.1
Total		303.1	303.9
Indirect employee benefit expenses			
Expenses for defined benefit pension plans and employee benefits	4.5.	3.3	3.1
Pension expenses for defined contribution plans		21.4	21.9
Other employee benefit costs [4)]		48.7	55.0
Total		73.4	80.0
Total employee benefit expenses		376.5	384.0

3) Includes emoluments of Kemira Oyj's CEO and the Board of Directors.

4) In 2020, government relief for employee benefit costs of EUR 1.7 million received in China due to the COVID-19 pandemic.

The salaries and fees of Kemira Oyj's CEO and members of the Board of Directors are disclosed in Note 6.1.

NUMBER OF PERSONNEL

	2020	2019
Average number of personnel by geographical area		
Europe, Middle East and Africa	2,573	2,585
Americas	1,529	1,554
Asia Pacific	936	881
Total	5,038	5,020
Personnel in Finland, average	790	812
Personnel outside Finland, average	4,248	4,208
Total	5,038	5,020
Number of personnel on Dec 31	4,921	5,062

AUDITOR'S FEES AND SERVICES

EUR million	2020	2019
Audit fees	1.4	1.4
Tax services	0.1	0.3
Other services	0.2	0.3
Total	1.7	2.0

Ernst & Young Oy is acting as the principal auditor for Kemira Group.

The Group's accounting policies

Government grants

Government grants for investments are recognized as a deduction from the carrying amount of PP&E. The grants are recognized in the income statement as smaller depreciation over the asset’s useful life. Government grants for research activities are recognized as a deduction from expenses and certain other grants are recognized in other income from operations.

Research and developments costs

Research and development costs are recognized as an expense as incurred. Development costs are capitalized as intangible assets when it can be shown that a development project will generate a probable future economic benefit, and the costs attributable to the development project can reliably be measured. Capitalized development costs include material, labor, and testing costs, as well as any capitalized borrowing costs that are directly attributable to bringing the asset ready for its intended use. Other development costs that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in the subsequent periods.

2.3 SHARE-BASED PAYMENTS

Share incentive plans 2019–2023

In December 2018, Kemira's Board of Directors decided to establish a long-term incentive plan for 2019–2023. Kemira has a long-term share incentive plan directed towards a group of key employees, which is composed of two one-year performance periods for the years 2019 and 2020, and three three-year performance periods for the years 2019–2021, 2020–2022 and 2021–2023.

The rewards for the performance periods have been paid partly in Kemira Oyj's shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward has been paid if a participant's employment or service has ended before the reward payment. The shares paid as a reward may not be transferred during the restriction period, which ends two years after the end of the performance period. If a participant's employment or service has ended during the restriction period, the participant has, as a rule, gratuitously returned the shares given as a reward without consideration.

Share incentive plan	2019	2019-2021	2020	2020-2022
Performance period (calendar year)	2019	2019-2021	2020	2020-2022
Restriction period of shares	2 years	3)	2 years	3)
Issue year of shares	2020	2022	2021	2023
Share price at the grant date	9.90	9.90	13.41	13.41
Number of transferred shares on December 31, 2020	264,825	—	1)	—
Number of participants on December 31, 2020	79	79	85	85
Performance criteria	Intrinsic value 2)	Intrinsic value 2)	Intrinsic value 2)	Intrinsic value 2) and organic growth-%

1) In accordance with the terms and conditions of the share-based incentive plan, approximately 198,000 shares will be transferred to the participants during 2021.
2) The amount of the reward is based on the intrinsic value which is defined as follows: operative EBITDA * 8 - net debt.
3) A restriction period is not applied to three-year performance periods.

In December 2020, the Board of Directors of Kemira Oyj decided the maximum share allocation and participants for the commencing performance period 2021–2023. This commencing performance period 2021–2023 is directed at approximately 90 people and the rewards to be paid in this performance period, if the criteria are fulfilled, will amount up to a maximum of 643,500 Kemira Oyj shares.

CHANGES IN THE NUMBER OF SHARES IN THE SHARE INCENTIVE PLANS

Pcs	Share incentive plan 2018	Share incentive plan 2019
January 1, 2020	134,442	—
The shares issued to participants	—	268,950
The shares returned by participants	-2,619	-4,125
The shares released to participants	-131,823	—
December 31, 2020	—	264,825

THE EFFECT OF SHARE-BASED PAYMENTS ON OPERATING PROFIT

EUR million	Note	2020	2019
Rewards provided in shares		3.3	2.4
Rewards provided in cash		3.7	2.8
Total	2.2.	7.0	5.1

The Group's accounting policies

Share-based payments

The Group has equity-settled share-based incentive plans under which the Group receives services from persons as consideration for the share-based rewards. The potential rewards for these services are provided to the person partly in shares and partly in cash. The Group's share incentive plan includes persons in several different countries where the Group is obliged under local tax laws or regulations to pay the tax liability to the tax authorities on behalf of a person in cash. The Group's share-based incentive plans have been entirely classified as an equity-settled transaction.

The rewards granted on the basis of a share-based arrangement are recognized as personnel expenses in the income statement and in equity. The expense is recognized on a straight-line basis over the vesting period, which is the period over which the specified vesting conditions are to be satisfied.

The fair value of the share awards has been determined at the grant date and less the estimated expected dividends that will not be received during the vesting period. The fair value of the rewards is based on the Group's estimate of the number of shares to which the right is expected to vest at the end of the vesting period. An estimate of the number of shares is reviewed at each balance sheet date. The potential effect of revision to estimates is recognized as a personnel expense in the income statement, with the corresponding fair value adjustment made to equity.

2.4 DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

EUR million	2020	2019
Amortization of intangible assets and depreciation of property, plant and equipment		
Other intangible assets [1]	28.6	30.0
Buildings and constructions	19.4	17.7
Machinery and equipment	112.2	102.8
Other tangible assets	5.2	5.6
Total	165.4	156.2
Depreciations of right-of-use assets		
Land	1.2	1.1
Buildings and constructions	8.6	8.6
Machinery and equipment	21.4	19.4
Other tangible assets	0.7	0.7
Total	31.9	29.8
Impairments of intangible assets and property, plant and equipment [2]		
Other intangible assets	0.0	0.0
Buildings and constructions	0.0	0.0
Machinery and equipment	0.0	1.9
Total	0.0	1.9
Total depreciation, amortization and impairments	197.4	187.9

1) Amortization of intangible assets related to business acquisitions amounted to EUR 14.8 million (18.5) during the financial year 2020.
2) Impairments are related to the closure of plants in 2019.

Goodwill impairment tests are disclosed in Note 3.1. Goodwill.

The Group's accounting policies

Depreciation/amortization

Depreciation/amortization is calculated on a straight-line basis over the asset's estimated useful life. Land is not depreciated. The most commonly applied depreciation/amortization periods according to the Group's accounting policies are presented in the following table.

Depreciation of property, plant and equipment and amortization of intangible assets in years	
Buildings and constructions	20-40
Machinery and equipment	3-15
Development costs	a maximum of 8 years
Customer relationships	5-7
Technologies	5-10
Non-compete agreements	3-5
Other intangible assets	5-10
Right-of-use assets	during a lease term

Depreciation/amortization of an asset begins when it is available for use and it ceases at the moment when the asset is classified under IFRS 5 as held for sale, or is included in the disposal group.

2.5 FINANCE INCOME AND EXPENSES

EUR million	2020	2019
Finance income		
Dividend income	0.0	0.0
Interest income		
Interest income from loans and receivables	1.1	1.8
Interest income from financial assets at fair value through profit or loss	0.4	1.1
Other finance income	0.1	1.0
Total	1.5	3.9
Finance expense		
Interest expenses		
Interest expenses from other liabilities	-19.5	-24.0
Interest expenses from financial liabilities at fair value through profit or loss [1)]	-3.2	-6.5
Interest expenses from lease liabilities	-6.5	-6.8
Other finance expenses [2)]	-5.2	-5.0
Total	-34.4	-42.2
Exchange differences		
Exchange differences from financial assets and liabilities at fair value through profit or loss	-9.8	3.5
Exchange differences, other	7.9	-4.9
Total	-1.9	-1.4
Total finance income and expenses	-34.9	-39.7
Net finance expenses as a percentage of revenue, %	1.4	1.5
Net interest as a percentage of revenue, %	1.1	1.3

EUR million	2020	2019
Change in Consolidated Statement of Comprehensive Income from hedge accounting instruments		
Cash flow hedge accounting: amount recognized in the Consolidated Statement of Comprehensive Income [3)]	-0.8	-15.0
Total	-0.8	-15.0
Exchange differences		
Realized	9.1	-0.9
Unrealized	-11.1	-0.5
Total	-1.9	-1.4

1) Due to the discontinuation of hedge accounting for interest rate derivatives, a loss of EUR 0.5 million was recognized in interest expenses in 2019.

2) Includes EUR 1.9 million (2.1) of arrangement fees relating to loans in 2020.

3) Consists mostly from changes in fair value of derivatives under hedge accounting treatment.

2.6 INCOME TAXES

EUR million	2020	2019
Current taxes	-38.2	-45.4
Taxes for prior years	-0.1	-1.3
Change in deferred taxes	-4.7	8.5
Total	-43.0	-38.2

RECONCILIATION BETWEEN TAX EXPENSE AND TAX CALCULATED AT DOMESTIC TAX RATE

EUR million	2020	2019
Profit before tax	181.0	154.7
Tax at parent company's tax rate 20%	-36.2	-30.9
Foreign subsidiaries' different tax rate	-1.9	-2.7
Non-deductible expenses and tax-exempt profits	-2.3	-1.3
Share of profit or loss of associates	0.0	0.0
Tax losses	-4.1	0.2
Tax for prior years	-0.1	-1.3
Effect of change in tax rates	0.1	0.0
Changes in deferred taxes related to prior years	1.5	-2.2
Income taxes in the Income Statement	-43.0	-38.2

In 2020, the effective tax rate of the Group was 23.8% (24.7%).

TAX LOSSES AND RELATED DEFERRED TAXES

	Tax losses carried forward		Recognized deferred tax amount		Unrecognized deferred tax amount	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Expiry within 5 years	100.9	98.4	8.8	8.8	15.6	15.6
Expiry after 5 years	7.5	4.4	2.0	1.0	0.0	0.2
No expiry	86.5	94.7	2.9	0.5	24.8	31.4
Total	195.0	197.5	13.6	10.3	40.4	47.3

At the end of 2020, the subsidiaries had EUR 140.2 million (157.1) tax losses, of which no deferred tax benefits have been recognized. The subsidiaries' tax losses are incurred in different currencies and born mainly in Brazil and China.

The Group has a tax dispute pending in the Helsinki Administrative Court in Finland related to the tax deductibility of certain interest costs. In case of an unfavorable decision, there will be no impact to the Group's financial position. As a result of a favorable decision, the Group's income tax credits and tax losses carried forward would increase materially.

The Group's accounting policies

Income taxes

The Group's tax expense for the period comprises current tax, adjustments prior tax periods and deferred tax. Tax is recognized in the income statement, except where it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated based on tax laws enacted or substantively enacted on the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

The items in the financial statements that include significant accounting estimates and accounting policies that require judgment

Deferred taxes and uncertain tax positions

The management regularly evaluates the positions taken in the tax returns to identify situations where the applicable tax regulation may be subject to interpretation. The Management evaluates also other potential uncertainties related to the tax positions identified in the tax audits or tax disputes. The potential provisions are recorded based on estimated outcome and probability.

2.7 EARNINGS PER SHARE

	2020	2019
Earnings per share, basic		
Net profit attributable to equity owners of the parent company, EUR million	131.3	110.2
Weighted average number of shares [1]	152,878,743	152,629,655
Basic earnings per share, EUR	0.86	0.72
Earnings per share, diluted		
Net profit attributable to equity owners of the parent company, EUR million	131.3	110.2
Weighted average number of shares [1]	152,878,743	152,629,655
Adjustments:		
Average number of treasury shares it is possible to be issued on the basis of the share-based payments	494,455	441,388
Weighted average number of shares for diluted earnings per share	153,373,198	153,071,043
Diluted earnings per share, EUR	0.86	0.72

1) Weighted average number of shares outstanding, excluding the number of treasury shares held by Kemira Oyj.

The Group's accounting policies

Earnings per share

The basic earnings per share are calculated by dividing the profit attributable to the equity owners of the parent company by the weighted average number of shares issued during the period excluding treasury shares held by Kemira Oyj. The diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares with the dilutive effect of all the potential dilutive shares, such as shares from share-based payments.

2.8 OTHER COMPREHENSIVE INCOME

EUR million	2020	2019
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	-52.1	8.4
Cash flow hedges	-1.0	-18.5
Items that will not be reclassified subsequently to profit or loss		
Other shares	-32.9	16.6
Remeasurements of defined benefit plans	-1.4	-6.3
Other comprehensive income for the period before taxes	-87.4	0.2
Tax effects relating to components of other comprehensive income	12.0	0.5
Other comprehensive income for the period, net of tax	-75.3	0.7

THE TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2020			2019		
EUR million	Before tax	Tax charge (-) /credit (+)	After tax	Before tax	Tax charge (-) /credit (+)	After tax
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations	-52.1	5.0	-47.1	8.4	-0.6	7.8
Cash flow hedges	-1.0	0.2	-0.8	-18.5	3.5	-15.0
Items that will not be reclassified subsequently to profit or loss						
Other shares	-32.9	6.6	-26.3	16.6	-3.3	13.4
Remeasurements of defined benefit plans	-1.4	0.2	-1.2	-6.3	0.9	-5.4
Total other comprehensive income	-87.4	12.0	-75.3	0.2	0.5	0.7

3. CAPITAL EXPENDITURES AND ACQUISITIONS

3.1 GOODWILL

EUR Million	2020	2019
Net book value on Jan 1	515.8	512.5
Acquisition of subsidiaries and business acquisitions [1)]	0.0	0.4
Decreases and other changes	0.0	0.0
Exchange differences	-11.7	2.9
Net book value on Dec 31	504.1	515.8

1) Goodwill increase due to the business acquisition in China in 2019.

The impact of the COVID-19 pandemic on goodwill and other balance sheet items is described in Note 1. The Group's Accounting Policies for the Consolidated Financial Statements.

Impairment testing of goodwill

Goodwill is allocated to the two individual cash-generating units that are the Group's reportable segments. The reportable segment represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The Group's two reportable segments are Pulp & Paper and Industry & Water. A summary of the tested net book values and goodwill relating to the Group's reportable segments is presented in the following table.

	2020		2019	
EUR Million	Net book value	of which goodwill	Net book value	of which goodwill
Pulp & Paper	1,202	350	1,269	357
Industry & Water	714	154	697	159
Total	1,916	504	1,966	516

The Group carries out its impairment testing of goodwill annually, or whenever there is an indication that the recoverable amount may be less than its carrying amount.

The recoverable amounts of cash-generating units have been determined based on value in use calculations which require the use of estimates and assumptions. The key assumptions in value in use calculations are the EBITDA margin and discount rate. The long-term EBITDA margin assumption used for the impairment testing of goodwill is based on past experience about EBITDA margins and reflects the management's perception of developments in sales prices and sales volumes during the forecast period. The cash flow forecasts used in the impairment testing are based on cash flow forecasts approved by the management covering a five-year horizon. The expected growth used to extrapolate cash flows subsequent the five-year forecast period was assumed to be 1% (2019: 1%) in both cash-generating units Pulp & Paper and Industry & Water.

The discount rates applied were based on the Group's adjusted Weighted Average Cost of Capital (WACC) before taxes. The risk-adjusted WACC rate was defined for both cash-generating units. The pre-tax discount rates used in performing the impairment tests of the Group's reportable segments are presented in the following table.

%	2020	2019
Pulp & Paper	7.9	7.8
Industry & Water	7.9	7.8

In addition, at the time of impairment testing an impairment test based on market value has been carried out. The value in use calculation based on cash flow forecasts have been validated by comparing it against the quoted market value of Kemira Oyj.

During the financial years 2020 and 2019, impairment tests have not indicated any impairment, and no impairment loss has been recognized in the income statement.

Sensitivity analysis
In 2020, as part of the impairment testing, the Group carried out sensitivity analysis that assessed key changes in assumptions as follows: a decrease of 2 percentage points in EBITDA margin, a decrease of 10% in estimated cash flow during the forecast period, an increase of 1 percentage point and 2 percentage points in the discount rates or a decrease of 10% in cash flows and an increase of 2 percentage points in the discount rate.

Based on the sensitivity analyses carried out, the management has estimated that changes in the key assumptions of EBITDA margins, discount rates and cash flows would not result in the cash-generating units carrying amount exceeding the recoverable amount and therefore there would be no impairment losses recorded in either of the reportable segments.

The Group's accounting policies

Goodwill
Goodwill arises from business combinations. Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill is measured at cost less the accumulated impairment losses.

Impairment testing
On each balance sheet date, the Group assess whether there is any indication of an asset's impairment. If any indication of impairment exists, the recoverable amount of the asset or the cash-generating unit is calculated on the basis of the value in use or the net selling price.

For the purpose of impairment testing goodwill, a cash-generating unit has been defined as an operating segment. Two or more operating segments are not combined into one reportable segment. The recoverable amount of a reportable segment is defined as its value in use, which consists of the discounted future cash flows to the unit. Estimates of future cash flows are based on the continuing use of an asset and forecasts by the management. Cash flow estimates do not include the effects of improved asset performance, investments or future reorganizations.

Goodwill impairment is tested by comparing recoverable amount with the carrying amount for the reportable segments Pulp & Paper and Industry & Water. The carrying amount includes goodwill, intangible assets and PP&E, right-of-use assets and working capital. The Group does not have intangible assets with indefinite useful lives other than goodwill. All goodwill has been allocated to the reportable segments.

An impairment loss is recognized whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. An impairment loss is recognized in the income statement. If there has been a positive change in the estimates used to determine an asset's recoverable amount since the last impairment loss was recognized, an impairment loss recognized for previous years is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the previous years. An impairment loss for goodwill is never reversed.

The items in the financial statements that include significant accounting estimates and accounting policies that require judgment

Impairment test of goodwill
The impairment tests of goodwill and other assets include determining future cash flows which, with regard to the most significant assumptions, are based on EBITDA margin and discount rates. Significant adverse developments in cash flows and interest rates may necessitate the recognition of an impairment loss.

Kemira

3.2 OTHER INTANGIBLE ASSETS

2020, EUR million	Other intangible assets	Prepayments	Total
Acquisition cost on Jan 1	326.0	3.2	329.2
Additions	10.2	0.4	10.6
Purchases of subsidiaries and business acquisitions	0.0	0.0	0.0
Decreases	-15.9	0.0	-15.9
Reclassifications	1.4	0.0	1.4
Exchange rate differences and other changes	-4.0	-0.1	-4.1
Acquisition cost on Dec 31	317.7	3.5	321.2
Accumulated amortization on Jan 1	-233.8		-233.8
Accumulated amortization relating to decreases and transfers	15.9		15.9
Amortization during the financial year	-28.6		-28.6
Impairments	0.0		0.0
Exchange rate differences	3.2		3.2
Accumulated amortization on Dec 31	-243.2		-243.2
Net book value on Dec 31	74.5	3.5	78.0

2019, EUR million	Other intangible assets	Prepayments	Total
Acquisition cost on Jan 1	318.1	5.6	323.8
Additions	8.6	-0.1	8.6
Purchases of subsidiaries and business acquisitions [1)]	2.2	-2.2	0.0
Decreases	-2.3	0.0	-2.3
Reclassifications	-1.7	-0.2	-1.9
Exchange rate differences and other changes	1.0	0.0	1.0
Acquisition cost on Dec 31	326.0	3.2	329.2
Accumulated amortization on Jan 1	-205.6		-205.6
Accumulated amortization relating to decreases and transfers	2.3		2.3
Amortization during the financial year	-30.0		-30.0
Impairments	0.0		0.0
Exchange rate differences	-0.4		-0.4
Accumulated amortization on Dec 31	-233.8		-233.8
Net book value on Dec 31	92.2	3.2	95.4

1) Includes patents and a non-compete agreement that were allocated to intangible assets from the business acquisition in China.

The Group holds assigned emissions allowances under the EU Emissions Trading System at its Helsingborg site in Sweden and Bradford site in the UK. At the Group level, the allowances showed a surplus of 106,568 tons of carbon dioxide in 2020 (a surplus of 45,348 tons).

The Group's accounting policies

Other intangible assets

Other intangible assets include, for instance, software and software licenses and patents, technologies, non-compete agreements and customer relationships acquired in business combinations. Intangible assets are measured at cost less accumulated amortization and any impairment losses. The Group has no intangible assets that have an indefinite useful life other than goodwill.

Emissions allowances

Carbon dioxide allowances are accounted for as intangible assets measured at cost. Carbon dioxide allowances received free of charge are measured at their nominal value (zero). A provision for the fulfillment of the obligation to return allowances is recognized if the free-of-charge allowances are not sufficient to cover actual emissions. The Group's consolidated balance sheet shows no items related to emissions allowances when the volume of actual emissions is lower than that of the free-of-charge emissions allowances and the Group has not bought allowances on the market.

3.3 PROPERTY, PLANT AND EQUIPMENT

2020, EUR million	Land	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Prepayments and assets under construction [1]	Total
Acquisition cost on Jan 1	49.8	503.6	1,695.6	77.4	137.7	2,464.0
Additions	—	54.2	153.2	10.5	-32.9	185.0
Acquisitions of subsidiaries and business acquisitions	—	—	—	—	—	—
Decreases	0.1	-42.2	-79.7	-2.2	—	-124.0
Disposed of subsidiaries	—	—	—	—	—	—
Reclassifications	—	2.1	-2.6	0.3	—	-0.1
Exchange rate differences and other changes	-0.1	-18.5	-57.0	-3.6	-4.0	-83.2
Acquisition cost on Dec 31	49.8	499.2	1,709.5	82.5	100.8	2,441.8
Accumulated depreciation on Jan 1	-9.9	-284.5	-1,117.9	-46.7		-1,458.9
Accumulated depreciation related to decreases and transfers	-0.1	41.2	79.3	2.2		122.6
Depreciation during the financial year	—	-19.4	-112.2	-5.2		-136.8
Impairments	—	—	—	—		—
Exchange rate differences	—	6.4	33.8	2.4		42.7
Accumulated depreciation on Dec 31	-9.9	-256.2	-1,117.0	-47.3		-1,430.4
Net book value on Dec 31	39.9	243.0	592.5	35.2	100.8	1,011.4

1) Prepayment and non-current assets under construction are mainly comprised of plant investments.

2019, EUR million	Land	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Prepayments and assets under construction [2]	Total
Acquisition cost on Jan 1	50.4	494.4	1,637.3	70.4	101.9	2,354.5
Additions	0.0	17.8	133.3	6.7	35.3	193.1
Acquisitions of subsidiaries and business acquisitions [1]	0.0	-0.2	-2.4	0.0	0.0	-2.6
Decreases	-0.7	-9.8	-78.9	-0.2	0.0	-89.6
Disposed of subsidiaries	0.0	0.0	-2.3	0.0	0.0	-2.3
Reclassifications	0.0	0.0	0.2	0.0	0.2	0.5
Exchange rate differences and other changes	0.0	1.3	8.3	0.5	0.3	10.5
Acquisition cost on Dec 31	49.8	503.6	1,695.6	77.4	137.7	2,464.0
Accumulated depreciation on Jan 1	-9.9	-276.4	-1,089.1	-40.8		-1,416.3
Accumulated depreciation related to decreases and transfers	0.0	9.8	80.4	0.1		90.2
Depreciation during the financial year	0.0	-17.7	-102.8	-5.6		-126.2
Impairments	0.0	0.0	-1.9	0.0		-1.9
Exchange rate differences	0.0	0.0	-4.4	-0.3		-4.8
Accumulated depreciation on Dec 31	-9.9	-284.5	-1,117.9	-46.7		-1,458.9
Net book value on Dec 31	39.9	219.1	577.7	30.7	137.7	1,005.1

1) Includes items that were transferred to property, plant and equipment from the business acquisition in China.
2) Prepayment and non-current assets under construction are mainly comprised of plant investments.

The Group's accounting policies

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. The residual values and useful lives of the assets are reviewed at least at the end of each financial year. Gains and losses on the sale of non-current assets are included in other operating income and expenses. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of the asset in question when it is probable that they will generate future economic benefits and the costs can be reliably measured. The costs of major inspections or the overhaul of an asset performed at regular intervals and identified as separate components are capitalized and depreciated over their useful lives.

3.4 LEASES

2020, EUR million	Land	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Total
Net book value Jan 1	28.7	31.9	73.7	2.0	136.2
Additions	7.0	5.7	11.9	0.3	25.0
Depreciation and impairments	-1.2	-8.6	-21.4	-0.7	-31.9
Reclassifications	-1.5	0.0	0.0	0.0	-1.5
Exchange rate differences and other changes	-0.6	-1.4	-4.8	-0.1	-6.9
Net book value Dec 31	32.5	27.7	59.4	1.5	121.0

2019, EUR million	Land	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Total
Net book value Jan 1	28.2	39.2	59.7	2.2	129.3
Additions	0.2	1.0	32.3	0.5	34.0
Depreciation and impairments	-1.1	-8.6	-19.4	-0.7	-29.8
Reclassifications	1.5	0.0	0.0	0.0	1.5
Exchange rate differences and other changes	0.0	0.2	1.0	0.0	1.2
Net book value Dec 31	28.7	31.9	73.7	2.0	136.2

Maturity of lease liabilities has been presented in the Note 5.3. Interest-bearing liabilities. Changes in lease liabilities and payments related to lease liabilities has been presented in Note 5.1. Capital Structure.

In 2020, the amount of lease expenses recognized in the income statement for leases of short-term or low-value assets is EUR 3 million (4).

The Group's accounting policies

Leases

At the time of entering into an agreement, the Group assesses whether it is a lease or whether it contains a lease. An agreement is a lease in accordance with IFRS 16 if the agreement gives the Group, as lessee, the right to control the asset and control its use for a specified period, against consideration. The Group's leases are mainly for land, buildings and transport equipment.

The lease is recognized as a right-of-use asset and a corresponding liability when the leased asset is available to the Group. The rent paid is divided into debt and interest expenses. Interest expenses are recognized in the income statement over the lease term and the asset is amortized over the lease term. Assets and liabilities arising from leases are initially measured at present value. Lease liabilities include the net fair value of rentals, consisting of a fixed payment and a variable rent that are index or price level dependent. The lease liability is discounted to its present value using an interest rate on the additional loan, consisting of the reference interest rate and the lessee's credit margin, which the lessee would pay on the acquisition of the corresponding asset by debt financing. This additional loan rate will vary depending on the duration of the lease and the currency.

The lease term is the period during which the lease cannot be canceled. The Group leases typically have a fixed term, and some contracts have options for renewal. The option is included in the lease liability if it is reasonably certain that the option will be exercised. If there is a change in the estimate of the exercise of the option, the lease liability and the related asset are reassessed.

A right-of-use asset is measured at cost, which includes the original amount of the lease liability. Building leases treat separately with lease components and non-lease components where they can be identified and distinguished from the right-of-use asset. In subsequent periods, the accumulated depreciation and impairment losses are deducted from the asset. Fixed assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

Payments for short-term and low-value leases are recognized as an expense in the income statement on a straight-line basis over the lease term. Leases with a maximum term of 12 months are regarded as short-term. Low value assets include IT equipment, office furniture and other low value machines.

3.5 OTHER SHARES

2020, EUR million	The shares of Pohjolan Voima Group	Other non-listed shares	Total
Net book value on Jan 1	243.4	1.7	245.2
Additions	—	—	—
Decreases	—	—	—
Change in fair value	-32.9	—	-32.9
Net book value on Dec 31	210.6	1.7	212.3

2019, EUR million			
Net book value on Jan 1	226.9	1.4	228.4
Additions	—	0.3	0.3
Decreases	—	—	—
Change in fair value	16.6	—	16.6
Net book value on Dec 31	243.4	1.7	245.2

The impacts of the COVID-19 pandemic on the shares of Pohjolan Voima Group and other balance sheet items are described in Note 1. The Group's Accounting Policies for the Consolidated Financial Statements.

SHARES IN THE POHJOLAN VOIMA GROUP

EUR million	Class of shares	Holding, %	Class of assets	2020	2019
Pohjolan Voima Oyj	A	5	hydro power	89.0	100.2
Pohjolan Voima Oyj	B	2	nuclear power	32.8	40.7
Pohjolan Voima Oyj [1)]	B2	7	nuclear power	21.3	21.3
Teollisuuden Voima Oyj	A	2	nuclear power	63.2	78.4
Other Pohjolan Voima Oyj	C2, G5, G6, M	several	several	4.3	3.0
Total				210.6	243.4

1) The plant supplier (AREVA-Siemens consortium) is building the Olkiluoto 3 nuclear power plant (OL 3) in Finland with fixed-price turnkey contracts. In spring 2005, the plant supplier started construction work with a contractual obligation to start the electricity production in OL 3 in spring 2009. However, OL 3 has been delayed several times from its original start-up schedule. TVO's release on August 28, 2020, gives the updated schedule for the start-up of OL 3 by the plant supplier. According to the plant supplier, the nuclear fuel of OL 3 will be loaded into the reactor in March 2021, the first connection to the electricity grid will take place in October 2021, and the start of regular electricity production of OL 3 will commence in February 2022.

Kemira Oyj owns 5% of Pohjolan Voima Oyj, a company of the Pohjolan Voima Group, and 1% of its subsidiary Teollisuuden Voima Oyj.

Discounted cash flow assumptions and sensitives

	2020	2019
Short-term discount rate	3.7%	3.5%
Long-term discount rate	3.7%	3.6%
Electricity price estimate EUR/MwH	34.26–52.35	35.95–54.41

A 10% decrease or increase in the electricity market price in the future would negatively or positively impact on the fair value of the shares by approximately EUR +/- 32 million (+/- 36). An increase or decrease of one percentage point in the discount rate would negatively or positively impact on the fair value of the shares by approximately EUR -34 million (-40) or approximately EUR 57 million (67).

The Group's accounting policies

Other shares

Other shares are classified at fair value through other comprehensive income. Changes in the fair value of other shares are recognized in other comprehensive income under equity in the fair value reserve taking the tax effect into account and including gains and losses from sales. The dividends are recognized in the profit or loss statement. Other shares include non-listed companies, the shareholdings in Pohjolan Voima Oyj (PVO) and Teollisuuden Voima Oyj (TVO) representing the largest investments.

PVO and its subsidiary TVO comprise a private electricity-generating group owned by Finnish manufacturing and power companies, to which it supplies electricity at cost. The PVO Group owns and operates two nuclear power plant units in Olkiluoto in the municipality of Eurajoki. Kemira Group has A series shares in TVO and A, B, C, G and M series shares in PVO. Different share series entitle the shareholder to electricity generated by different power plants. The owners of each share series are responsible for the fixed costs of the series in question in proportion to the number of the shares, regardless of whether they use their power or energy share or not, and for variable costs in proportion to the amount of energy used.

Kemira Oyj's holding in the PVO Group entitling Kemira to the electricity from completed power plants is measured at the fair value based on the discounted cash flow resulting from the difference between the market price of the electricity and the cost price. The forward electricity price quotations for the Finnish price area published by the Nordic Electricity Exchange have been used as the basis for the market price for the electricity for the first five years, and after this, the development of the prices is based on a fundamental simulation model of the Nordic electricity market. The impact of inflation in the coming years is taken into account in the price of the electricity and the cost prices. The cost prices are determined by each share series. Future cash flows have been discounted based on the estimated useful lifecycles of the plants related to each share series, and hydro power also includes terminal value. The discount rate has been calculated using the annually determined average weighted cost of capital.

The items in the financial statements that include significant accounting estimates and accounting policies that require judgment

Estimated fair value of shares in the PVO Group

The Group's shareholding in the unlisted PVO Group is measured at fair value, based on the discounted cash flow resulting from the difference between the market price of electricity and the cost price using the valuation model. Developments in the actual fair value may differ from the estimated value due to factors, such as electricity prices, inflation, the forecast period or the discount rate.

4. WORKING CAPITAL AND OTHER BALANCE SHEET ITEMS

NET WORKING CAPITAL

EUR million	Note	2020	2019
Inventories	4.1.	242.3	260.6
Trade receivables and other receivables	4.2.	362.0	378.8
Excluding financing items in other receivables [1]		-16.9	-11.9
Trade payables and other liabilities	4.3.	422.1	455.7
Excluding financing items in other liabilities [1]		-31.8	-38.8
Total		197.1	210.7

1) Includes mainly interest income and expenses, exchange gains and losses and hedging related items.

Quarterly information on net working capital is disclosed in the section on Reconciliation of IFRS figures.

4.1 INVENTORIES

EUR million	2020	2019
Materials and supplies	70.5	82.9
Finished goods	157.7	169.6
Prepayments	14.1	8.1
Total	242.3	260.6

In 2020, EUR 2.9 million (6.3) of the inventory value was recognized as an expense in order to decrease the book values of the inventories to correspond with their net realizable value.

The Group's accounting policies

Inventories

Inventories are measured at the lower of cost and net realizable value. Costs are determined on a first-in first-out (FIFO) basis or by using a weighted average cost formula, depending on the nature of the inventory. The cost of finished goods and work in progress include the proportion of production overheads at normal capacity. The net realizable value is the sales price received in the ordinary course of business less the estimated costs for completing the asset and the sales costs.

4.2 TRADE RECEIVABLES AND OTHER RECEIVABLES

EUR million	2020	2019
Trade and other receivables		
Trade receivables	288.5	308.4
Prepayments	3.0	2.1
Prepaid expenses and accrued income	42.4	34.7
Other receivables	28.1	33.6
Total	362.0	378.8

The impact of the COVID-19 pandemic on trade receivables and other balance sheet items are described in Note 1. The Group's Accounting Policies for the Consolidated Financial Statements.

AGING OF OUTSTANDING TRADE RECEIVABLES

	2020		
EUR million	Receivables, gross amount	Expected credit losses	Receivables, net amount
Not due trade receivables	258.9	-0.2	258.7
Trade receivables 1-90 days overdue	30.1	-0.4	29.7
Trade receivables more than 91 days overdue	4.6	-4.5	0.1
Total	293.7	-5.2	288.5

	2019		
EUR million	Receivables, gross amount	Expected credit losses	Receivables, net amount
Not due trade receivables	267.7	-0.2	267.4
Trade receivables 1-90 days overdue	40.5	-0.4	40.1
Trade receivables more than 91 days overdue	6.8	-6.0	0.9
Total	315.0	-6.6	308.4

In 2020, the impairment loss of trade receivables amounted to EUR 0.3 million (0.6).

In 2020, items that were due in a time period longer than one year included trade receivables of EUR 0.2 million (0.3), prepaid expenses and an accrued income of EUR 4.4 (4.0), other receivables of EUR 2.4 (3.7) and prepayments of EUR 0.5 (0.3)

The Group's accounting policies

Trade receivables, loan receivables, and other receivables

Trade receivables, loan receivables, and other receivables are initially recognized at fair value and subsequently measured at amortized cost, taking impairment into account. These items are subject to a simplified impairment model in accordance with the IFRS 9 standard, where the estimated amount of credit losses is based on the expected credit losses on life expectancy.

The expected credit loss rates for the impairment model vary for trade receivables by age distribution and geographical area of the EMEA, America and APAC. Credit loss rates are based on sales payment profiles and historical credit losses.

The expected credit losses for trade receivables are recognized using the simplified impairment model in accordance with IFRS 9. The expected credit losses are calculated by multiplying the book value of unpaid trade receivables by the expected credit loss rate according to geographical area, and any overdue trade receivables over 180 days are assessed based on a specific risk assessment. In addition, an estimate of a credit loss is recognized for individual trade receivables when there is objective evidence that the receivables will not be recovered on all original terms.

Trade receivables, loan receivables and other receivables do not include a significant financial component.

4.3 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

EUR million	2020	2019
Trade payables and other liabilities		
Prepayments received	7.4	2.7
Trade payables	180.2	188.2
Accrued expenses	214.8	228.7
Other non-interest-bearing current liabilities	19.6	36.2
Total	422.1	455.7

Accrued expenses		
Employee benefits	85.4	92.4
Items related to revenue and purchases	74.1	87.9
Interest	6.6	7.8
Exchange rate differences	16.1	17.3
Other	32.6	23.2
Total	214.8	228.7

The Group's accounting policies

Trade payables and other liabilities

Trade and other payables are presented as current liabilities if payment is due within 12 months after the financial period. Trade payables are initially recognized at fair value and subsequently measured at amortized cost.

4.4 DEFERRED TAX LIABILITIES AND ASSETS

EUR million	Jan 1, 2020	Recognized in the income statement	Recognized in other comprehensive income	Recognized in equity	Acquired and disposed subsidiaries	Exchange differences and reclassifications	Dec 31, 2020
Deferred tax liabilities							
Depreciations and untaxed reserves	44.3	11.6	0.0	0.0	0.0	-4.3	51.6
Other shares	24.5	0.0	-6.6	0.0	0.0	0.0	18.0
Defined benefit pensions	10.4	0.0	-0.1	0.0	0.0	-0.1	10.2
Fair value adjustments of net assets acquired	2.8	-0.7	0.0	0.0	0.0	-0.4	1.7
Other accruals	9.5	1.9	-5.2	0.3	0.0	-1.5	5.1
Total	91.5	12.7	-11.8	0.3	0.0	-6.1	86.5
Deducted from deferred tax assets	-23.7						-34.6
Deferred tax liabilities in the balance sheet	67.8						52.0
Deferred tax assets							
Provisions	17.7	3.6	0.0	0.0	0.0	-3.4	17.9
Tax losses	12.2	0.6	0.0	0.0	0.0	0.8	13.6
Defined benefit pensions	11.5	-0.5	0.2	0.0	0.0	0.4	11.6
Other accruals	18.0	4.3	0.0	0.0	0.0	-3.4	18.9
Total	59.4	8.0	0.2	0.0	0.0	-5.5	62.1
Deducted from deferred tax liabilities	-23.7						-34.6
Deferred tax assets in the balance sheet	35.7						27.5

EUR million	Jan 1, 2019	Recognized in the income statement	Recognized in other comprehensive income	Recognized in equity	Acquired and disposed subsidiaries	Exchange differences and reclassifications	Dec 31, 2019
Deferred tax liabilities							
Depreciations and untaxed reserves	44.4	2.0	0.0	0.0	0.0	-2.1	44.3
Other shares	21.2	0.0	3.3	0.0	0.0	0.0	24.5
Defined benefit pensions	13.8	-2.9	1.2	0.0	0.0	-1.7	10.4
Fair value adjustments of net assets acquired	3.3	-0.5	0.0	0.0	0.0	0.0	2.8
Other accruals	5.3	-1.5	1.8	0.6	0.0	3.3	9.5
Total	88.1	-2.9	6.3	0.6	0.0	-0.5	91.5
Deducted from deferred tax assets	-17.9						-23.7
Deferred tax liabilities in the balance sheet	70.1						67.8
Deferred tax assets							
Provisions	14.1	3.6	0.0	0.0	0.0	0.0	17.7
Tax losses	9.3	2.8	0.0	0.0	0.0	0.1	12.2
Defined benefit pensions	10.2	-0.1	3.3	0.0	0.0	-1.8	11.5
Other accruals	12.6	-0.7	5.0	0.0	0.0	1.2	18.0
Total	46.1	5.6	8.3	0.0	0.0	-0.6	59.4
Deducted from deferred tax liabilities	-17.9						-23.7
Deferred tax assets in the balance sheet	28.2						35.7

The Group's accounting policies

Deferred taxes

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that a future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against current tax liabilities, and when the deferred income taxes assets and liabilities relate to the income taxes levied by the same taxation authority on either the same tax entity or different taxable entities where there is an intention to settle the balances on a net basis.

The items in the financial statements that include significant accounting estimates and accounting policies that require judgment

Deferred taxes
For the recognition of deferred tax assets for tax losses and other items, the management assesses the amount of a probable future taxable profit against which unused tax assets can be utilized. Actual profits may differ from the forecasts and in such cases, the change will affect taxes in future periods.

4.5 DEFINED BENEFIT PENSION PLANS AND EMPLOYEE BENEFITS

The Group has several defined benefit pension plans and other employee benefit obligations. The main defined benefit pension plans are in Finland, Sweden, Germany, the UK, and Norway.

Finland

The Group's most significant defined benefit plan is in Finland, through Pension Fund Neliapila, which takes care of part of some employees' supplementary pension benefits. The Pension Fund Neliapila covers employees whose employment with Kemira began before January 1, 1991, meaning that the fund is closed to new employees. The plan is a final average pay pension plan relating to supplementary pension benefits. At the end of 2020, the obligations of Pension Fund Neliapila totaled EUR 212.5 million (215.9) and assets of the plan totaled EUR 263.5 million (267.5).

Pension Fund Neliapila's supplementary benefit includes old-age pensions, disability pensions, survivors' pensions and funeral grants. The aggregated pension benefit is 66 percent of the pension salary. To qualify for a full pension, an employee must have accrued a pensionable service of 25 years. The supplementary pension benefits is the difference between the aggregated and compulsory pension benefits.

The Board of Directors of Pension Fund Neliapila decided in December 2020 to return the fund's surplus of EUR 3 million to Kemira Group companies. The return of surplus will be paid by Pension Fund Neliapila when an approval is obtained from the Financial Supervisory Authority. The approval is required by the Pension Fund Act. The surplus payment is expected to be paid during the first half of 2021. The return of surplus of the pension plan assets will be recognized as a re-classification to financial assets in the Group's consolidated balance sheet.

Sweden

In Sweden, there is a defined benefit pension plan called the ITP 2 plan for white-collar employees. To qualify for a full pension, an employee must have a projected period of pensionable service, from the date of entry until retirement age, of at least 30 years. The pension arrangements comprise the normal retirement pension, complementary retirement pensions and a survivors' pension. In addition, Kemira must have credit insurance from PRI Pensionsgaranti Mutual Insurance Company for the ITP 2 plan pension liability. At the end of 2020, the defined benefit obligations in Sweden totaled EUR 55.1 million (52.3).

ASSETS AND LIABILITIES OF DEFINED BENEFIT PLANS RECOGNIZED IN THE BALANCE SHEET

EUR million	2020	2019
Present value of defined benefit obligations	321.6	323.5
Fair value of plans' assets	-276.4	-282.9
Surplus (-) / Deficit (+)	45.1	40.6
The effect of asset ceiling	0.0	0.9
Net receivables (-) / liabilities (+) of defined benefit plans recognized in the Balance Sheet	45.1	41.5
Liabilities of defined benefit plans	96.3	93.3
Receivables of defined benefit plans	-51.1	-51.8
Net receivables (-) / liabilities (+) of defined benefit plans recognized in the Balance Sheet	45.1	41.5
AMOUNTS OF DEFINED BENEFIT PLANS RECOGNISED IN THE INCOME STATEMENT		
Service costs	3.3	3.1
Net interest cost [1]	0.8	0.9
Defined benefit plans' expenses (+) / income (-) in the Income Statement	4.1	3.9

1) Net interest costs are presented in net finance costs, in the Consolidated Income Statement.

The impact of the COVID-19 pandemic on defined benefit plans and other balance sheet items are described in Note 1. The Group's Accounting Policies for the Consolidated Financial Statements.

DEFINED BENEFIT PLANS RECOGNIZED IN THE OTHER COMPREHENSIVE INCOME

EUR million	2020	2019
Items resulting from remeasurements of defined benefit plans [2]		
Actuarial gains (-) / losses (+) in defined benefit obligations arising from changes in demographic assumptions	0.1	-0.1
Actuarial gains (-) / losses (+) in defined benefit obligations arising from changes in financial assumptions [3]	13.5	26.8
Actuarial gains (-) / losses (+) in defined benefit obligations arising from experience based assumptions	-3.2	0.6
Actuarial gains (-) / losses (+) in plan assets [3]	-8.2	-21.1
Effect from asset ceiling	-0.8	0.2
Defined benefit plans' expenses (+) / income (-) in the other comprehensive income	1.4	6.3

2) The remeasurements of defined benefit plans are included in the Statement of Comprehensive Income as part of Other comprehensive income. The item has been disclosed net of tax and the related income tax is disclosed in Note 2.8. Other comprehensive income.

3) In 2020 and 2019, the actuarial gains and losses are mainly due to return on assets and change in the discount rate in Pension Fund Neliapila.

CHANGES IN PLAN ASSETS OVER THE PERIOD IN DEFINED BENEFIT PLANS

EUR million	2020	2019
Defined benefit obligation on Jan 1	323.5	306.7
Current service costs	2.9	2.6
Interest costs	3.1	5.4
Actuarial losses (+) / gains (-)	10.3	27.3
Exchange differences on foreign plans	1.0	-0.3
Benefits paid	-17.6	-17.7
Transfers to DC component [4]	-1.8	0.0
Past service costs	0.0	0.0
Other items	0.2	-0.5
Present value of defined benefit obligations on Dec 31	321.6	323.5

4) In Canada, the defined benefit (DB) pension plan has been converted to a defined benefit contribution plan. DB pension obligations have been transferred to an insurance company.

CHANGES IN PLAN ASSETS OVER THE PERIOD IN DEFINED BENEFIT PLANS

EUR million	2020	2019
Fair value on Jan 1	282.9	287.9
Interest income	2.3	4.5
Contributions	0.3	0.6
Return of surplus assets [5]	—	-15.0
Actuarial losses (-) / gains (+)	8.2	21.1
Exchange differences on foreign plans	-0.7	0.5
Benefits paid	-14.3	-14.4
Transfers to DC component [4]	-1.8	-1.4
Other items	-0.6	-0.8
Fair value of plan assets on Dec 31	276.4	282.9

5) In Q1/2019, Pension Fund Neliapila paid a return of surplus of EUR 15 million to Kemira Group companies.

PLAN ASSETS BY ASSET CATEGORY IN DEFINED BENEFIT PLANS

EUR million	2020	2019
Interest rate investments and other assets	163.4	174.3
Shares and share funds	87.2	83.3
Properties occupied by the Group	24.3	23.7
Kemira Oyj's shares	1.5	1.5
Total assets	276.4	282.9

The Finnish Pension Fund Neliapila has most of the defined benefit plan's assets. At the end of 2020, the Pension Fund Neliapila's assets amounted to EUR 263.5 million (267.5), which consisted of interest rate investments and other assets of EUR 154.1 million (162.6), shares and share funds of EUR 83.6 million (79.8), properties of EUR 24.3 million (23.7) and Kemira Oyj's shares of EUR 1.5 million (1.5). In the Pension Fund Neliapila, the investment position is managed within an asset-liability matching (ALM) framework that has been developed to combine long-term investments in line with the obligations under the pension plan. In Pension Fund Neliapila, a market risk can be considered a significant investment risk. The market risk arising from cyclical fluctuations of the financial market, is managed by ensuring that the investment position is sufficiently diversified.

The income (+) / expense (-) of the actual returns on the plan assets of the Group's defined benefit plan were EUR 10.5 million (25.6).

SIGNIFICANT ACTUARIAL ASSUMPTIONS

%	2020	2019
Discount rate	0.3–3.1	0.8–3.1
Inflation rate	1.1–3.0	1.2–3.0
Future salary increases	1.1–2.5	1.2–2.5
Future pension increases	1.4–2.0	0.7–2.3

The significant assumptions used in calculating the obligations of the Finnish Pension Fund Neliapila were as follows: discount rate 0.3% (0.8%), inflation rate 1.1% (1.2%), future salary increases 1.1% (1.2%) and future pension increases 1.4% (1.5%).

Sensitivity analysis

The sensitivity analysis is based on keeping other assumptions constant when one assumption is changed. In practice, this is unlikely to occur and changes in some of the assumptions may correlate with each other. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognized within the balance sheet.

If the discount rate would be 0.5 percentage points lower in all of the significant countries, the defined benefit obligation would increase by EUR 21.3 million (6.6%), if all other assumptions were held constant.

SENSITIVITY ANALYSIS - PENSION FUND NELIAPILA IN FINLAND

	Defined benefit obligation		Impact on defined benefit obligation	
EUR million	2020	2019	2020	2019
Discount rate 0.3% (0.8%)	212.5	215.9		
Discount rate +0.5%	200.5	203.9	-5.7%	-5.6%
Discount rate -0.5%	225.8	229.2	6.3%	6.2%
Future pension increases 1.4% (1.5%)	212.5	215.9		
Future pension increases +0.5%	224.4	227.8	5.6%	5.5%
Future pension increases -0.5%	201.6	205.0	-5.1%	-5.0%

A change in mortality assumption in which life expectancy is increased by one year will increase the defined benefit obligation by EUR 10.2 million (4.8%).

SENSITIVITY ANALYSIS - ITP 2 PENSION PLAN IN SWEDEN

	Defined benefit obligation		Impact on defined benefit obligation	
EUR million	2020	2019	2020	2019
Discount rate 1.0% (1.4%)	55.1	52.3		
Discount rate +0.5%	50.9	48.3	-7.6%	-7.6%
Discount rate -0.5%	59.8	56.9	8.6%	8.8%
Future salary increases 2.0% (2.3%)	55.1	52.3		
Future salary increases +0.5%	56.4	53.5	2.4%	2.3%
Future salary increases -0.5%	53.9	51.2	-2.2%	-2.1%

A change in mortality assumption in which life expectancy is increased by one year will increase the defined benefit obligation by EUR 2.6 million (4.7%).

Expected contributions to the defined benefit plans for the year ending on December 31, 2021, are EUR 6.0 million.

The Group's accounting policies

Defined benefit pension plans and employee benefits
The Group has different post-employment schemes, including both defined contribution and defined benefit pension plans in accordance with the local legislation and practices of the countries in which it operates. Pension plans are generally funded through contributions to pension insurance companies or a separate pension fund.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as their compensation level and years of service.

The liability recognized in the balance sheet in respect to the defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and with their terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates for government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Current service costs are included in the Consolidated Income Statement in the employee benefit expenses and net interest costs on finance income and finance expense. Past service costs are recognized immediately in profit or loss.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The items in the financial statements that include significant accounting estimates and accounting policies that require judgment

Defined benefit pension plans
Determining pension liabilities under defined benefit pension plans includes a number of actuarial assumptions, and significant changes in these assumptions may affect the amounts of pension liabilities and expenses. Actuarial calculations include assumptions by the management, such as the discount rate and assumptions of salary increases and the termination of employment contracts. The pension liability is calculated by independent actuaries.

4.6 PROVISIONS

EUR million	Personnel related provisions	Restructuring provisions	Environmental provisions [1]	Other provisions [2]	Total
Non-current provisions					
On January 1, 2020	1.7	0.3	23.8	3.2	29.1
Exchange rate differences	-0.2	0.0	-0.5	-0.3	-1.0
Additional provisions and increases in existing provisions	0.0	0.1	1.2	0.0	1.4
Used during the financial year	0.0	0.0	-0.8	-0.1	-1.0
Unused provisions reversed	0.0	0.0	0.0	-0.8	-0.8
Reclassification	-0.7	0.0	-2.5	11.1	7.9
On December 31, 2020	0.8	0.4	21.1	13.2	35.6
Current provisions					
On January 1,2020	1.9	0.1	9.1	11.5	22.6
Exchange rate differences	0.0	0.0	0.0	0.0	0.0
Additional provisions and increases in existing provisions	4.9	0.2	1.5	15.6	22.2
Used during the financial year	-3.7	0.0	-0.7	-0.3	-4.6
Unused provisions reversed	-0.5	-0.1	0.0	0.0	-0.6
Reclassification	0.9	0.0	1.7	-10.5	-7.9
On December 31, 2020	3.5	0.2	11.7	16.4	31.7

1) The Group's operations in the chemical industry are governed by numerous international agreements as well as regional and national legislation all over the world. The Group treats its environmental liabilities and risks according to established internal principles and procedures. In 2020, provisions for environmental remediation totaled EUR 32.8 million (32.9). The biggest provisions relate to site closures and reconditioning of the sediment of a lake in Vaasa, Finland.

2) Other provisions relate mainly to existing old litigation and liabilities in a small to-be closed energy company.

EUR million	2020	2019
Breakdown of the total amount of provisions		
Non-current provisions	35.6	29.1
Current provisions	31.7	22.6
Total	67.3	51.7

The Group's accounting policies

Provisions

Provisions for restructuring costs, personnel related costs, environmental obligations, legal claims, and onerous contracts are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of this obligation can be made. A restructuring provision is recognized when there is a detailed and appropriate plan prepared for it and the implementation of the plan has begun or has been notified to those whom the restructuring concerns.

The amount recognized as a provision is the present value of the expenditure expected to be required to settle the obligation on the balance sheet date using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The items in the financial statements that include significant accounting estimates and accounting policies that require judgment

Provisions

Recognizing provisions requires the management's estimates, since the precise amount of obligations related to the provisions is not known when preparing the Financial Statements.

5. CAPITAL STRUCTURE AND FINANCIAL RISKS

5.1 CAPITAL STRUCTURE

EUR million	2020	2019
Equity	1,205.3	1,231.0
Total assets	2,795.7	2,891.0
Gearing, % [1]	63	66
Equity ratio, % [2]	43	43

1) The definition of the key figure for Gearing is 100 x Interest-bearing net liabilities / Total equity.
2) The definition of the key figure for the Equity ratio is 100 x Total equity / (Total assets - prepayments received).

INTEREST-BEARING NET LIABILITIES

EUR million	Note	2020	2019
Non-current interest-bearing liabilities	5.3.	724.1	737.9
Current interest-bearing liabilities	5.3.	194.7	216.6
Interest-bearing liabilities		918.8	954.5
Cash and cash equivalents	5.4.	159.5	143.1
Interest-bearing net liabilities		759.3	811.4

Quarterly information on interest-bearing net liabilities is disclosed in the section on the Reconciliation of IFRS figures.

Kemira aims at above-the-market revenue growth with an operative EBITDA margin of 15–18% (previously 15–17%). The gearing target is below 75%. The revolver credit facility agreement contains a covenant according to which company gearing must be below 115%.

The Board of Directors proposes a per-share dividend of EUR 0.58 for 2020 (0.56), corresponding to a dividend payout ratio of 68% (78%). Kemira's dividend policy aims at a competitive and over-time increasing dividend.

The Group's accounting policies

Interest-bearing liabilities and cash and cash equivalents

The accounting policies for interest-bearing liabilities and cash and cash equivalents are described in Note 5.4. Financial assets and liabilities by measurement category.

Dividend distribution

Any dividend proposed by the Board of Directors is not deducted from distributable equity until it has been approved by the Annual General Meeting.

INTEREST-BEARING NET LIABILITIES CONNECTED IN CASH FLOW STATEMENTS

EUR million	Non-current interest-bearing liabilities including payments of non-current portion	Current interest-bearing liabilities	Interest-bearing liabilities total	Cash and cash equivalents	Interest-bearing net liabilities
Net book value on Jan 1, 2020	821.3	133.2	954.6	143.1	811.4
Change in net liabilities with cash flows					
Proceeds from non-current liabilities (+)	—		—		—
Payments of non-current liabilities (-)	-55.0		-55.0		-55.0
Payments of lease liabilities (-)	-30.6		-30.6		-30.6
Proceeds from current liabilities (+) and payments (-)		37.2	37.2		37.2
Change in cash and cash equivalents				22.4	-22.4
Change in net liabilities without cash flows					
Increases in lease liabilities (+)	24.2		24.2		24.2
Effect on change in exchange gains and losses	-10.4	-3.0	-13.4	-6.0	-7.4
Other changes without cash flows	1.6	0.3	1.9	—	1.9
Net book value on Dec 31, 2020	751.1	167.7	918.8	159.5	759.3

EUR million	Non-current interest-bearing liabilities including payments of non-current portion	Current interest-bearing liabilities	Interest-bearing liabilities total	Cash and cash equivalents	Interest-bearing net liabilities
Net book value on Jan 1, 2019	883.1	129.5	1,012.6	144.9	867.7
Change in net liabilities with cash flows					
Proceeds from non-current liabilities (+)	40.1		40.1		40.1
Payments of non-current liabilities (-)	-110.3		-110.3		-110.3
Payments of lease liabilities (-)	-28.4		-28.4		-28.4
Proceeds from current liabilities (+) and payments (-)		2.9	2.9		2.9
Change in cash and cash equivalents				-3.4	3.4
Change in net liabilities without cash flows					
Increases in lease liabilities (+)	36.1		36.1		36.1
Effect on change in exchange gains and losses	-0.5	0.6	0.1	1.5	-1.5
Other changes without cash flows	1.1	0.2	1.4	—	1.4
Net book value on Dec 31, 2019	821.3	133.2	954.5	143.1	811.4

5.2 SHAREHOLDERS' EQUITY

SHARE CAPITAL AND TREASURY SHARES

EUR million	Number of shares outstanding (1,000)	Number of treasury shares (1,000)	Number of shares (1,000)	Book value of share capital	Book value of treasury shares
January 1, 2020	152,649	2,693	155,343	221.8	18.1
Treasury shares issued to the participants in the share incentive plan 2019	269	-269	—	—	-1.8
Treasury shares issued to the Board of Directors	14	-14	—	—	-0.1
The shares returned by the participants from the share incentive plans	-8	8	—	—	0.1
December 31, 2020	152,924	2,418	155,343	221.8	16.3
January 1, 2019	152,510	2,832	155,343	221.8	19.1
Treasury shares issued to the participants in the share incentive plan 2018	141	-141	—	—	-1.0
Treasury shares issued to the Board of Directors	11	-11	—	—	-0.1
The shares returned by the participants from the share incentive plans	-13	13	—	—	0.1
December 31, 2019	152,649	2,693	155,343	221.8	18.1

Kemira Oyj has one class of shares. Each share entitles its holder to one vote at the Annual General Meeting. On December 31, 2020, the share capital was EUR 221.8 million and the number of shares was 155,342,557 including 2,418,440 treasury shares. Under the Articles of Association of Kemira Oyj, the company does not have a minimum or maximum share capital or a par value for a share. All issued shares have been fully paid.

Kemira had possession of 2,418,440 (2,693,111) treasury shares on December 31, 2020.

The average share price of the treasury shares was EUR 6.73, and they represented 1.6% (1.7%) 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 (3.8).

Share premium

The share premium is a reserve accumulated through subscriptions entitled by the management stock option program of 2001. This reserve is based on the old Finnish Companies Act (734/1978), and the value of the reserve will no longer change.

Fair value reserves

The fair value reserve is a reserve accumulated based on other shares measured at fair value and hedge accounting.

Other reserves

Other reserves originate from local legal requirements. On December 31, 2020, other reserves were EUR 3.8 million (3.8).

Unrestricted equity reserve

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.

Exchange differences

The foreign currency exchange differences arise from the translation of foreign subsidiaries' financial statements. Additionally, loans have been granted to some foreign subsidiaries, and the exchange differences of these have been included in foreign currency exchange differences.

The Group's accounting policies

Treasury shares

Purchases of own shares (treasury shares), including the related costs, are deducted directly from equity in the Consolidated Financial Statements.

5.3. INTEREST-BEARING LIABILITIES

MATURITY OF INTEREST-BEARING LIABILITIES

2020, EUR million	2021	2022	2023	2024	2025	2026	Book value, total
Loans from financial institutions	—	—	148.9	—	126.8	—	275.7
Bonds	—	150.0	—	196.7	—	—	346.7
Lease liabilities	27.0	19.9	15.6	10.4	6.9	41.7	121.4
Other non-current liabilities	—	1.3	6.0	—	—	—	7.3
Other current liabilities	167.7	—	—	—	—	—	167.7
Total amortizations of interest-bearing liabilities	194.7	171.2	170.4	207.1	133.7	41.7	918.8

2019, EUR million	2020	2021	2022	2023	2024	2025	Book value, total
Loans from financial institutions	55.0	0.0	—	148.5	—	130.2	333.7
Bonds	—	—	150.0	—	195.7	—	345.7
Lease liabilities	28.4	24.0	16.8	13.9	8.7	42.4	134.2
Other non-current liabilities	—	1.6	—	6.1	—	—	7.7
Other current liabilities	133.0	—	—	—	—	—	133.0
Total amortizations of interest-bearing liabilities	216.4	25.6	166.8	168.5	204.4	172.6	954.3

At the year-end 2020, the Group's interest-bearing net liabilities were EUR 759.3 million (811.4). For more information, see Note 5.1. Capital structure.

MATURITY OF NON-CURRENT INTEREST-BEARING LIABILITIES BY CURRENCIES

2020 Currency, EUR million	2021	2022	2023	2024	2025	2026	Book value, total
EUR	8.5	155.8	151.8	198.7	91.6	17.0	623.4
USD	13.1	11.4	10.5	6.6	40.9	10.9	93.4
GBP	0.3	0.2	0.1	0.1	0.1	9.9	10.7
Other	5.1	3.7	8.1	1.7	1.1	3.8	23.5
Total	27.0	171.2	170.4	207.1	133.7	41.7	751.0

2019 Currency, EUR million	2020	2021	2022	2023	2024	2025	Book value, total
EUR	63.5	8.4	153.5	150.8	197.5	103.1	676.7
USD	14.4	13.5	11.4	10.6	6.1	55.3	111.4
GBP	0.3	0.2	0.1	0.1	0.1	10.4	11.2
Other	5.3	3.5	1.8	7.1	0.8	3.7	22.2
Total	83.5	25.6	166.8	168.6	204.4	172.4	821.6

5.4. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES

FINANCIAL ASSETS

		2020					2019				
			Fair values					Fair values			
EUR million	Note	Book values	Level 1	Level 2	Level 3	Total	Book values	Level 1	Level 2	Level 3	Total
Fair value through profit and loss	5.6.										
Derivatives not qualifying for hedge accounting		3.5	—	3.5	—	3.5	1.7	—	1.7	—	1.7
Fair value through other comprehensive income	5.6.										
Derivatives qualifying for hedge accounting											
Cash flow hedges		12.2	—	12.2	—	12.2	8.2	—	8.2	—	8.2
Other shares	3.5.										
The shares of Pohjolan Voima Group		210.6	—	—	210.6	210.6	243.4	—	—	243.4	243.4
Other non-listed shares		1.7	—	—	1.7	1.7	1.7	—	—	1.7	1.7
Amortized cost											
Other non-current assets 1)		7.3	—	7.3	—	7.3	2.0	—	2.0	—	2.0
Other current receivables 1)		0.4	—	0.4	—	0.4	0.2	—	0.2	—	0.2
Trade receivables 1)	4.2.	288.5	—	288.5	—	288.5	308.4	—	308.4	—	308.4
Cash and cash equivalents											
Cash in hand and at bank accounts		154.6	—	154.6	—	154.6	132.4	—	132.4	—	132.4
Deposits and money market investments 2)		4.9	—	4.9	—	4.9	10.7	—	10.7	—	10.7
Total financial assets		683.7	—	471.4	212.3	683.7	708.7	—	463.6	245.2	708.7

1) In 2020, other non-current assets and Other current receivables include expected credit losses of EUR 0.6 million (0.4) in accordance with the IFRS 9 standard. Trade receivables include expected credit losses of EUR 5.2 million (6.6). Trade receivables are disclosed in more detail in Note 4.2. Trade receivables and other receivables.
2) Deposits and money market investments comprise bank deposits and other liquid investments with a maximum original maturity of three months.

FINANCIAL LIABILITIES

		2020					2019				
			Fair values					Fair values			
EUR million	Note	Book values	Level 1	Level 2	Level 3	Total	Book values	Level 1	Level 2	Level 3	Total
Fair value through profit and loss	5.6.										
Derivatives not qualifying for hedge accounting		4.4	—	4.4	—	4.4	3.8	—	3.8	—	3.8
Fair value through other comprehensive income	5.6.										
Derivatives qualifying for hedge accounting											
Cash flow hedges		5.3	—	5.3	—	5.3	0.4	—	0.4	—	0.4
Amortized cost											
Interest-bearing liabilities	5.3.										
Non-current loans from financial institutions		275.7	—	289.5	—	289.5	278.7	—	290.2	—	290.2
Current portion		—	—	—	—	—	55.0	—	57.0	—	57.0
Bonds		346.7	—	366.0	—	366.0	345.7	—	362.5	—	362.5
Current portion		—	—	—	—	—	0.0	—	0.0	—	0.0
Non-current leasing liabilities		94.4	—	94.4	—	94.4	105.7	—	105.7	—	105.7
Current portion		27.0	—	27.0	—	27.0	28.4	—	28.4	—	28.4
Other non-current liabilities		7.3	—	7.7	—	7.7	7.7	—	8.0	—	8.0
Current portion		—	—	—	—	—	0.0	—	—	—	0.0
Current loans from financial institutions		167.7	—	175.4	—	175.4	133.2	—	138.0	—	138.0
Non-interest-bearing liabilities											
Other non-current liabilities		8.1	—	8.1	—	8.1	8.3	—	8.3	—	8.3
Other current liabilities		19.6	—	19.6	—	19.6	25.4	—	25.4	—	25.4
Trade payables	4.3.	180.2	—	180.2	—	180.2	188.2	—	188.2	—	188.2
Total financial liabilities		1,136.4	—	1,177.5	—	1,177.5	1,180.5	—	1,215.9	—	1,215.9

There were no transfers between levels 1–3 during the financial year.

Level 3 specification, financial assets EUR million	2020	2019
Net book value on Jan 1	245.2	228.4
Effect on other comprehensive income	-32.9	16.6
Increases	—	0.3
Decreases	—	—
Net book value on Dec 31	212.3	245.2

The Group's accounting policies

When a financial asset or a financial liability is initially recognized on the trade date, it is measured at cost, which equals the fair value of the consideration given or received.

Financial Assets

The Group's financial assets are classified for subsequent measurement as financial assets at fair value through profit or loss, at amortized cost and at fair value through other comprehensive income.

Category	Financial instrument
Fair value through profit or loss	Currency forward contracts, currency swaps, interest rate swaps, electricity forwards, electricity futures, electricity options, certificates of deposit and commercial papers
Amortized cost	Non-current loan receivables, cash at bank and in hand, bank deposits, trade receivables and other receivables
Fair value through other comprehensive income	Other investments: shares; derivatives qualifying for hedge accounting (cash flow or fair value hedging)

Financial assets at fair value through income statements

All derivatives are recognized at fair value in the balance sheet. Fair value is the amount for which an asset could be exchanged or loans paid between knowledgeable, willing parties in an arm's length transaction. These derivative contracts to which hedge accounting in accordance with IFRS 9 is not applied are classified as financial assets at fair value through profit or loss. In the balance sheet, these derivative contracts are shown under prepaid expenses and accrued income and accrued expenses and prepaid income. Any gains or losses arising from changes in fair value are recognized through profit or loss on the transaction date.

Financial assets at amortized cost

Financial assets at amortized cost include non-current receivables carried at amortized cost using the effective interest rate method and accounting for any impairment.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, demand deposits and other short-term, highly liquid investments. Items classified as cash and cash equivalents have a maximum maturity of three months from the date of purchase. Credit facilities in use are included in current interest-bearing liabilities.

Financial assets at fair value through other comprehensive income

The accounting policy of Other shares is described in Notes 3.5. Other shares. The accounting treatment of change in the fair value of the derivatives qualifying for hedge accounting is presented in 5.6. Derivatives.

Impairment of financial assets

The Group assesses any impairment losses on its financial instruments on each balance sheet date. An impairment of a financial asset is recognized in accordance with the requirements of expected credit loss model of the IFRS 9 standard. For items measured at an amortized cost, the amount of the impairment loss equals the difference between the asset's carrying amount and the present value of estimated future cash flows from the receivable. This is discounted at the financial asset's original effective interest rate. For items measured at fair value, the fair value determines the amount of impairment. Impairment charges are recognized in the income statement.

The Group sells certain trade receivables to finance companies within the framework of limits stipulated in the agreement. The credit risk associated with these sold receivables and contractual rights to the financial assets in question are transferred from the Group on the selling date. The related expenses are recognized in the financial expenses.

Financial liabilities

Financial liabilities are classified as financial liabilities accounted at fair value through profit or loss, at amortized cost and at fair value through other comprehensive income. Financial liabilities at fair value through profit or loss include derivatives to which hedge accounting is not applied, whereas derivatives which are qualified for hedge accounting are booked at fair value through other comprehensive income.

Other financial liabilities are initially recognized in the balance sheet at the initial value of received net assets with direct costs deducted. Later, these financial liabilities are measured at amortized cost, and the difference between the received net assets and amortizations is recognized as an interest cost over the loan term. Changes in the fair value of loans under fair value hedge accounting are booked in the income statement together with the changes in the fair value of derivatives under fair value hedge accounting.

If the terms of a loan measured at amortized cost are modified and the loan is not derecognized, the gain or loss of the modification is booked in the income statement at the point of modification and amortized over the life of the modified loan. Profit or loss is equal to the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate.

Category	Financial instrument
Financial liabilities at fair value through profit or loss	Currency forward contracts and currency swaps, interest rate swaps, electricity forwards, electricity futures and electricity options
Amortized cost	Current and non-current loans, pension loans, bonds, lease liabilities and trade payables
Financial liabilities at fair value through other comprehensive income	Derivatives qualifying for hedge accounting (cash flow hedging)

The following levels are used to measure fair value:

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

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

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

5.5 MANAGEMENT OF FINANCIAL RISKS

Kemira Group Treasury's objective is to ensure sufficient funding in the most cost efficient way, and to manage financial risks. Approved by the Board of Directors, treasury policy defines the principles of treasury management. The Board of Directors approves the annual Treasury plan and the maximum permissible financial risk levels.

Financial risk management aims to protect the Company from unfavorable changes in financial markets, thereby contributing to safeguarding the Company's profit performance and shareholders' equity and to ensure sufficient sources of finance. Management of financial risks is centralized in the Group Treasury, which uses for hedging purposes derivative instruments whose market values and risks can be monitored continuously and reliably.

Foreign exchange risk

Foreign currency transaction risk arises from currency flows, assets, and liabilities denominated in currencies other than the domestic currency. Transaction risks arise from cash flows and balance sheet items where changes in exchange rates will have an impact on earnings and cash flows. Translation risk arises when the currency denominated income and balance sheet items of group companies located outside the euro area are consolidated into euro. The transaction risk is hedged mainly using foreign currency forwards.

The Group's most significant transaction currency risks arise from the U.S. dollar, the Chinese renminbi, Swedish krona and the Canadian dollar. At the end of the year, the U.S. dollar denominated exchange rate risk was approximately EUR 86 million (91), the average hedging rate and hedging ratio being 1.18 and 41% (47%), respectively. The Chinese renminbi's denominated exchange rate risk against the U.S. dollar had an equivalent value of approximately EUR 35 million (27), the average hedging rate and hedging ratio being 6.91 and 47% (31%), respectively. The denominated exchange rate risk of the Swedish krona against the euro had an equivalent value of approximately EUR 28 million (43), the average hedging rate and hedging ratio being 10.51 and 68% (72%), respectively.

The Canadian dollar denominated exchange rate risk was approximately EUR 22 million (25), the average hedging rate and hedging ratio being 1.56 and 46% (52%), respectively.
In addition, Kemira is exposed to smaller transaction risks against the euro mainly in relation to the Chinese renminbi, the Norwegian krona, the Danish krona, Polish zloty, Russian ruble and Great Britain pound and against the U.S. dollar mainly in relation to the Brazilian real, the Canadian dollar and Thai baht with the annual exposure in those currencies being approximately EUR 124 million.

	2020				2019			
Transaction exposure, the most significant currencies, EUR million	**USD against EUR**	**CNY against USD**	**SEK against EUR**	**CAD against EUR**	**USD against EUR**	**CNY against USD**	**SEK against EUR**	**CAD against EUR**
Operative cash flow forecast, net [1]	85.7	-34.9	-27.7	22.2	91.1	-26.9	-43.0	25.2
Loans, net	290.1	50.5	-12.1	3.8	278.0	55.2	-16.2	15.1
Derivatives, operative cash flow hedging, net	-35.0	16.8	18.6	-11.2	-31.6	12.8	28.7	-11.3
Derivatives, hedging of loans, net	-81.5	-50.5	10.6	-3.8	-22.3	-55.2	16.3	-15.1
Total	259.3	-18.1	-10.6	11.0	315.2	-14.1	-14.2	13.9

1) Based on a 12-month foreign currency operative cash flow forecast.

At the end of 2020, the foreign currency operative cash flow forecast for 2021 was EUR 298 million of which 47% was hedged (44%). The hedge ratio is monitored daily. A minimum of 40% and a maximum of 100% of the forecast flow must always be hedged. A 10 percent weakening of the Swedish krona against the euro, based on the exchange rates as of December 31, 2020 and without hedging, would increase EBITDA approximately EUR 3 million, and a 10 percent weakening of the Chinese renminbi against the U.S. dollar without hedging would increase EBITDA approximately EUR 4 million. On the other hand, a 10 percent weakening of Canadian Dollar and the U.S. Dollar against the euro without hedging would cause a EUR 2 and 6 million negative impact to EBITDA, respectively. A corresponding increase in the exchange rates would have approximately an equal opposite impact

On the balance sheet date, the market value of currency derivatives included in cash flow hedge accounting was EUR 2.1 million (0.6). Cash flow hedge accounting deals have been done to hedge highly probable currency flows. In 2020, the ineffective portion of derivatives qualifying for hedge accounting, EUR -0.7 million (-), was entered in the Income statement.

The most significant translation risk currencies are the U.S. dollar, the Swedish krona, the Canadian dollar and Polish zloty.

Kemira's main equity items denominated in foreign currencies are in the Canadian dollar, the Swedish krona and U.S. dollar. The objective is to hedge the balance sheet risk by maintaining a balance between foreign currency denominated liabilities and assets, currency by currency. In hedging the net investment in its units abroad, Kemira monitors the equity ratio. Long-term loans and currency derivatives can be used for hedging net investments in foreign subsidiaries. These hedges do not apply to hedge accounting. Loans in U.S. dollars have been granted to some foreign subsidiaries and currency differences have been included in foreign currency translation differences.

Interest rate risk

Kemira is exposed to interest rate risks when fixing interest rates of floating rate loans and through fair value changes of bonds and derivatives. A total of 74% (87%) of the Group's entire net debt portfolio including lease liabilities was fixed at the end of 2020. The net financing cost of the Group was 4.1 % (4.4%). The net financing cost is attained by dividing yearly net interest and other financing expenses, excluding exchange rate differences and dividends by the average interest-bearing net debt figure for the corresponding period. The most significant impact on the net financing cost arises from variation in the interest rate levels of the euro, the U.S. dollar and the Chinese renminbi.

In accordance with treasury policy, the Group's interest rate risk is measured with the duration which describes the average repricing moment of the loan portfolio excluding lease liabilities. The duration must be in the range of 6–60 months. The Kemira Group Treasury manages duration by borrowing with fixed and floating rate loans in addition to the interest rate derivatives. The duration of the Group's interest-bearing loan portfolio excluding lease liabilities was 20 months at the end of 2020 (26).

The table below shows the time for interest rate fixing of the loan portfolio.

2020 Time to interest rate fixing, EUR million	<1 year	1–5 years	> 5 year	Total
Floating net liabilities	197.9	—	—	197.9
Fixed net liabilities 1)	—	440.0	—	440.0
Total	197.9	440.0	—	637.9

2019 Time to interest rate fixing, EUR million	<1 year	1–5 years	> 5 year	Total
Floating net liabilities	107.2	—	—	107.2
Fixed net liabilities 1)	130.0	350.0	90.0	570.0
Total	237.2	350.0	90.0	677.2

1) Excluding lease liabilities

On the balance sheet date, the average interest rate of the loan portfolio was approximately 1.9% (1.9%). If interest rates rose by one percentage point on January 1, 2020, the resulting interest expenses before taxes incurred by the Group over the next 12 months would increase by approximately EUR 0.6 million (1.0). Consequently, a decrease of one percentage point would decrease interest expenses by EUR 0.1 million. During 2021, Kemira will reprice 31% (35%) of the Group's net debt portfolio, where the 2019 number also includes interest rate derivatives.

On the balance sheet date, the Group had no outstanding interest rate derivatives. In 2019 the ineffective portion of market value of EUR 0.5 million was booked from Other comprehensive income to finance expenses.

Electricity price risk

The price of electricity varies greatly according to the market situation. Kemira Group takes hedging measures with respect to its electricity purchases in order to even out its raw material costs. In line with its hedging policy, the Group hedges its existing sales agreements in such a way that the hedges cover the commitments made. The company primarily uses electricity derivatives on the power exchange as hedging instruments. Currency and regional price risks connected with hedges are hedged by making agreements in Finland mainly in HELEUR amounts and in Sweden mainly in MALSEK amounts. The outstanding electricity derivatives are treated in accordance with cash flow hedge accounting, as discussed above. The forecast for physical deliveries of the underlying assets, or purchases, are not recorded until the delivery period. A +/- 10% change in the market price of electricity hedging contracts would impact the valuation of these contracts by EUR +/- 6.3 million (+/- 6.0). This impact would be mainly in equity.

Credit risk

The Group is exposed to credit risks through commercial accounts receivables, as bank account balances, deposits, short-term investments, and derivatives.

The Group's treasury policy defines the credit rating requirements for counterparties of investment activities and derivative agreements as well as the related investment policy. The Group seeks to minimize its counterparty risk by dealing solely with counterparties that are financial institutions with a solid credit rating, as well as by spreading agreements among them.

The counterparty risk in treasury operations is due to the fact that a contractual party to a financing transaction is not necessarily able to fulfill its contractual obligations. Risks are mainly related to investment activities and the counterparty risks associated with derivative contracts.

The Group Treasury approves the new banking relationships of subsidiaries. Financial institution counterparties, used by the Group Treasury, have a credit rating of at least an investment grade based on Standard & Poor's credit rating information. The maximum risk assignable to the Group's financial institution counterparties on the balance sheet date amounted to EUR 167.1 million (151.2). Kemira monitors its counterparty risk on a monthly basis by defining the maximum risk associated with each counterparty based on the market value of receivables. Kemira has defined an approved limit for each financial institution.

No material changes related to Group's credit risk were associated with financing transactions in the year 2020 and these transactions did not result in credit losses during the financial year.

Kemira has a group-wide credit policy related to commercial activities. According to the policy, each customer has a pre-defined risk category and credit limit. These are constantly monitored. Based on the customer evaluation, Kemira decides the applicable payment terms to minimize credit risks. Pre-approved payment terms have been defined at the group level. If necessary, securities and documentary credit, such as letters of credit, are applied. The group does not have any significant credit risk concentrations due to its extensive customer base across the world. The credit losses related to trade receivables are described in Note 4.2.

In the USA, Kemira has an accounts receivable purchase facility worth USD 60 million, enabling Group companies in the USA to sell certain account receivables to the counterparty. The credit risk of the accounts receivables is transferred to the financial institutions and 97.8% of the receivables transferred are derecognized from the balance sheet. The amount of outstanding receivables transferred, which also reflects the fair value of the receivables before the transfer was EUR 40.2million (39.6) on December 31, 2020. The amounts recognized in the balance sheet are EUR 1.5 million (1.3) in assets and EUR 0.1 million (0.5) in liabilities.

Liquidity and refinancing risks

Kemira's liquidity is secured with cash and cash equivalents, account overdrafts and a revolving credit facility. At the end of 2020, the Group's cash and cash equivalents stood at EUR 159.5 million (143.1), of which cash in bank accounts accounted for EUR 154.6 million (132.4) and bank deposits EUR 4.9 million (10.7). In addition, the Group has a revolving credit facility of EUR 400 million which will mature on April 17, 2025 with one-year extension option. At the turn of the year 2020/2021, the revolving credit facility was undrawn.

The Group has a EUR 600 million domestic commercial paper program enabling it to issue commercial papers with a maximum maturity of one year. At the end of 2020, the Group had EUR 50 million (-) commercial papers outstanding on the market.

Kemira manages its refinancing risk with a diversified loan portfolio. Long-term financing consists of bonds and bilateral loan agreements with several financial institutions. In addition, the Group had leasing liabilities in accordance with the IFRS 16 standard of EUR 121.4 million (134.1) at the end of the year.

According to Group treasury policy, the Group must have committed credit facilities to cover planned funding needs, the current portion of long-term debt, commercial paper borrowings, and other uncommitted short-term loans in the next 12 months. The average maturity of outstanding loans excluding lease liabilities may temporarily be under the 3-year minimum target. The average maturity of debt excluding lease liabilities at the end of 2020 was 2.5 years (3.7).

LOAN REPAYMENTS

2020 **Loan type, EUR million [1]**	**Undrawn**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026-**	**Total drawn**
Loans from financial institutions	—	—	—	150.0	—	126.8	—	276.8
Bonds	—	—	150.0	—	200.0	—	—	350.0
Revolving credit facility	400.0	—	—	—	—	—	—	—
Lease liabilities	—	32.6	24.4	19.3	13.4	9.3	81.3	180.3
Commercial paper program	550.0	50.0	—	—	—	—	—	50.0
Other interest-bearing non-current liabilities	—	—	1.3	6.0	—	—	—	7.3
Other interest-bearing current liabilities	—	117.7	—	—	—	—	—	117.7
Total interest-bearing liabilities	950.0	200.3	175.8	175.3	213.4	136.1	81.3	982.0

2019 **Loan type, EUR million [1]**	**Undrawn**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025-**	**Total drawn**
Loans from financial institutions	—	55.0	—	—	150.0	—	130.2	335.2
Bonds	—	—	—	150.0	—	200.0	—	350.0
Revolving credit facility	400.0	—	—	—	—	—	—	—
Lease liabilities	—	34.8	29.0	20.8	17.1	11.4	83.8	197.0
Commercial paper program	600.0	—	—	—	—	—	—	—
Other interest-bearing non-current liabilities	—	—	1.5	—	6.1	—	—	7.6
Other interest-bearing current liabilities	—	132.9	—	—	—	—	—	132.9
Total interest-bearing liabilities	1,000.0	222.8	30.5	170.8	173.2	211.4	214.0	1,022.8

1) Loan structure presented by type and maturity using contractual undiscounted payments.

5.6 DERIVATIVE INSTRUMENTS

	Maturity structure					2020	2019
Nominal values, EUR million	**2021**	**2022**	**2023**	**2024**	**2025**	**Total**	**Total**
Currency derivatives							
Forward contracts	372.3	—	—	—	—	372.3	421.1
Inflow	210.6	—	—	—	—	210.6	228.0
of which cash flow hedges	21.1	—	—	—	—	21.1	45.1
Outflow	161.7	—	—	—	—	161.7	193.1
of which cash flow hedges	43.1	—	—	—	—	43.1	48.3
Interest rate derivatives							
Interest rate swaps	—	—	—	—	—	—	130.0
Other derivatives							
Electricity contracts, bought (GWh)	982.3	703.4	446.8	175.7	17.5	2,325.7	2,120.3
Electricity forward contracts	982.3	703.4	446.8	175.7	17.5	2,325.7	2,120.3
of which cash flow hedges	982.3	703.4	446.8	175.7	17.5	2,325.7	2,120.3

The nominal values of the financial instruments do not necessarily correspond to the actual cash flows between the counterparties, and therefore individual items do not give a fair view of the Group's risk position.

	2020			2019		
Fair values, EUR million	**Positive**	**Negative**	**Net**	**Positive**	**Negative**	**Net**
Currency derivatives						
Forward contracts	6.0	-4.8	1.2	2.7	-3.6	-0.9
of which cash flow hedges	2.5	-0.4	2.1	1.0	-0.4	0.6
Interest rate derivatives						
Interest rate swaps	—	—	—	—	-0.6	-0.6
Other derivatives						
Electricity forward contracts, bought	9.7	-4.9	4.8	7.2	—	7.2
of which cash flow hedges	9.7	-4.9	4.8	7.2	—	7.2

1) Includes fair value of electricity forward contracts of EUR 3.2 million and EUR -2.8 million maturing after the year 2021.

The Group has ISDA or EFET Master netting agreements with the counterparties of derivative contracts. They allow the net settlement of outstanding market value within scope of the agreement in case of non-payment defined in the agreement. At the end of the reporting period, counterparty risk according to master netting agreements was EUR 7.9 million to Kemira and EUR 1.9 million to counterparties.

The Group's accounting policies

Derivatives

The fair values of currency, interest rate, and commodity derivatives, as well as publicly traded shares are based on prices quoted in active markets on the balance sheet date. The value of other financial instruments measured at fair value is determined on the basis of valuation models using information available in the financial market.

All the derivatives are measured at their fair values on the balance sheet date. Changes in the value of forward contracts are calculated by measuring the contracts against the forward exchange rates on the balance sheet date and comparing them with the counter values calculated through the forward exchange rates on the date of entry into the forward contracts. The fair value of interest rate derivatives is determined using the market value of similar instruments on the balance sheet date. Other derivatives are measured at the market price on the balance sheet date.

Derivative assets are presented in the balance sheet as part of line item Trade receivables and other receivables. Derivative liabilities are presented in the balance sheet as part of line item Trade payables and other liabilities.

Hedge accounting

Hedge accounting is applied according to IFRS 9. This refers to a method of accounting aimed at allocating one or more hedging instruments in such a way that their fair value offsets, in full or in part, the changes in the fair value or cash flows of the hedged item. Hedged items must be highly probable. The Group applies hedge accounting for hedging interest rate risk, currency risk, commodity risk, and fair value if interest rate swaps, electricity derivatives and foreign exchange derivatives meet hedge accounting criteria.

Hedge effectiveness is monitored as required by IFRS 9. Effectiveness refers to the capacity of a hedging instrument to offset changes in the fair value of the hedged item or cash flows from a hedged transaction, which are due to the realization of the risk being hedged. A hedging relationship is considered to be highly effective when the change in the fair value of the hedging instrument offsets changes in the cash flows attributable to the hedged items. Hedge effectiveness is assessed prospectively. Hedge effectiveness testing is repeated on each balance sheet date.

Hedge accounting is discontinued when the criteria for hedge accounting are no longer fulfilled. Gains or losses recognized in other comprehensive income and presented under equity are derecognized and transferred immediately in the income statement, if the hedged item is sold or falls due. However, gains or losses arising from changes in the fair value of those derivatives not fulfilling the hedge accounting criteria are recognized directly in the income statement.

At the inception of a hedge, the Group documents the existence of the economic relationship of the hedged item and hedging instrument, including the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, the objectives of risk management and the strategy for undertaking hedging, as well as the description of how hedge effectiveness is assessed.

Cash flow hedging

Cash flow hedging is used to hedge against variability in cash flows attributable to a particular risk associated with a recognized asset or liability in the balance sheet or a highly probable forecast transaction. Currency, interest rate, and commodity derivatives are used as hedging instruments in cash flow hedging. Cash flow hedge accounting, specified in IFRS 9, is applied by the Group to only selected hedging items. Changes in the fair value of derivative instruments associated with cash flow hedge are recognized in other comprehensive income (including the tax effect) and presented under equity, providing that they fulfill the criteria set for hedge accounting and are based on effective hedging. The ineffective portion of the gain or loss on the hedging instrument is recognized under financial items in the income statement. Derivatives not fulfilling the hedge accounting criteria are recognized in financial items through profit or loss.

6. GROUP STRUCTURE

6.1 RELATED PARTIES

Parties are considered to be related if one party has the ability to control or exercise significant influence on the other party, or if the parties exercise joint control in making financial and operating decisions. The Group's related parties include the parent company, subsidiaries, associates, joint-ventures, and the Pension Fund Neliapila. Related parties also include the members of the Board of Directors and the Group's Management Board, the CEO and his Deputy, and their immediate family members.

EMPLOYEE BENEFITS PAID TO THE CEO, DEPUTY CEO AND MEMBERS OF MANAGEMENT BOARD

EUR	Salaries and other benefits	Bonuses	Share-based payments [1]	2020 Total	2019 Total
CEO Jari Rosendal	714,420 [4]	384,993	613,645	1,713,058	1,109,879
Deputy CEO Jukka Hakkila [2]	184,376	101,354	214,776	500,506	314,045
Other members of Management Board [3]	1,636,381	895,471	1,397,551	3,929,403	2,711,592
Total	2,535,177	1,381,818	2,225,972	6,142,967	4,135,516

1) Includes share and cash portions. Share-based incentive plans for the management and key personnel are disclosed in Note 2.3. Share-based payments.

2) No remuneration was paid to the Deputy CEO based on CEO substitution.

3) Other members of the Management Board on December 31, 2020 are CFO Petri Castrén, CTO Matthew R. Pixton, President Pulp & Paper Kim Poulsen, EVP Operational Excellence Esa-Matti Puputti, President Industry & Water Antti Salminen and EVP Human Resources Eeva Salonen. Other members of the Management Board who are employed by a Finnish Kemira company do not have any supplementary pension arrangements in addition to their statutory pensions. The members of the Management Board who are employed by a foreign Kemira company participate in the pension systems based on statutory pension arrangements and market practices in their local countries. The Kemira policy is that all new supplementary pension arrangements are defined contribution plans.

4) Includes supplementary defined contribution pension.

Employment terms and conditions of the CEO

Remuneration of the CEO comprises a monthly salary including a car benefit and a mobile phone benefit as well as supplementary defined contribution pension and performance-based incentives. The performance-based incentives consist of an annual short-term bonus plan and a long-term share incentive plan. The annual short-term bonus plan is based on terms approved by the Board of Directors and the maximum bonus is 70% of the annual base salary. The long-term share incentive plan is based on the terms of the plan. The maximum reward is determined as a number of shares and a cash portion intended to cover taxes and the tax-related costs arising from the reward.

The retirement age of the CEO is 63 years. The CEO belongs to the Finnish Employees' Pension Act (TyEL) scheme, which provides pension security based on the years of service and earnings as stipulated by law. The CEO is also entitled to a supplementary defined contribution pension plan. The supplementary pension is defined as 20% of annual base salary.

A mutual termination notice period of six months applies to the CEO. The CEO is entitled to an additional severance pay of 12 months' salary, if the company terminates his service.

The Board of Directors' emoluments

On May 5, 2020, the Annual General Meeting decided that the Board of Directors' annual fee shall 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 Kemira shares owned by the company or, if this is not possible, then with Kemira shares acquired from the securities market, and 60% is paid in cash. On May 8, 2020 the 13,825 shares owned by the company were distributed to the members of the Board of Directors.

There are no special terms or conditions associated with owning the shares received as the annual fee. The members of the Board of Directors are not eligible for any short-term bonus plans, long-term share incentive plans or supplementary pension plans of Kemira Oyj.

The meeting fees are paid in cash and travel expenses are paid according to Kemira's travel policy.

MEMBERS OF THE BOARD OF DIRECTORS

	Number of shares	Share value, EUR	Cash compensation, EUR [4]	2020 Total, EUR	2019 Total, EUR
Jari Paasikivi, Chairman	3,365	37,147	69,253	106,400	102,200
Kerttu Tuomas, Vice Chairman	2,012	22,211	42,989	65,200	62,800
Wolfgang Büchele	1,609	17,762	43,038	60,800	54,800
Shirley Cunningham	1,609	17,762	59,838	77,600	65,600
Werner Fuhrmann	1,609	17,762	35,838	53,600	—
Kaisa Hietala	1,609	17,762	38,238	56,000	51,800
Timo Lappalainen	2,012	22,211	47,189	69,400	65,200
Total	13,825	152,618	336,382	489,000	402,400

4) Includes both annual fees and meeting fees.

TRANSACTIONS CARRIED OUT WITH RELATED PARTIES

EUR million	2020	2019
Revenue		
Associated companies	0.0	1.1
Leases, purchases of goods and services		
Associated companies	0.0	0.0
Pension Fund Neliapila	1.3	1.3
Total	1.3	1.3
Receivables		
Associated companies	0.0	—
Liabilities		
Pension Fund Neliapila	1.3	2.5

Real estate owned by Pension Fund Neliapila are leased to the Group. Commitments for these real estate leases are treated in accordance with IFRS 16 Leases.

Related parties include Pension Fund Neliapila, which is a separate legal entity. Neliapila manages Kemira's voluntarily organized additional pension fund. It also manages part of the pension assets of the Group's personnel in Finland. The assets include Kemira Oyj's shares representing 0.07% of the company's outstanding shares. Supplementary benefit in Neliapila and a return of surplus during 2021 are disclosed in more detail in Note 4.5. Defined benefit pension plans and employee benefits.

The amount of contingent liabilities on behalf of the associates are presented in Note 7.1. Commitments and contingent liabilities.

No loans had been granted to the key persons of the management at the year-end of 2020 or 2019, nor were there contingency items or commitments on behalf of key management personnel. Persons close to key management personnel with the related parties do not have any significant business relationship with the Group.

Kemira

6.2 THE GROUP'S SUBSIDIARIES AND INVESTMENT IN ASSOCIATES

SUBSIDIARIES

	City	Country	Kemira Group's holding, %	Kemira Oyj's holding, %	Non-controlling interest's holding, %
Kemira Oyj (parent company)	Helsinki	Helsinki			
Aliada Quimica de Portugal Lda.	Estarreja	Portugal	50.1	0.0	49.9
AS Kemivesi	Lehmja Küla	Estonia	100.0	100.0	0.0
JSC "Kemira HIM"	St. Petersburg	Russia	100.0	0.0	0.0
Corporación Kemira Chemicals de Venezuela, C.A.	Caracas	Venezuela	100.0	0.0	0.0
Industry Park i Helsingborg Förvaltning AB	Helsingborg	Sweden	100.0	0.0	0.0
Kemifloc a.s.	Přerov	Czech Republic	51.0	0.0	49.0
Kemifloc Slovakia s.r.o.	Prešov	Slovakia	51.0	0.0	49.0
Kemipol Sp. z.o.o.	Police	Poland	51.0	0.0	49.0
Kemira (Asia) Co., Ltd.	Shanghai	China	100.0	0.0	0.0
Kemira Argentina S.A.	Buenos Aires	Argentina	100.0	15.8	0.0
Kemira Australia Pty Ltd	Hallam	Australia	100.0	0.0	0.0
Kemira Cell Sp. z.o.o.	Ostroleka	Poland	55.0	55.0	45.0
Kemira (Jining) Environmental Engineering Co., Ltd.	Jining	China	100.0	0.0	0.0
Kemira Chemicals (Nanjing) Co., Ltd.	Nanjing	China	100.0	100.0	0.0
Kemira Chemicals (Shanghai) Co., Ltd.	Shanghai	China	100.0	100.0	0.0
Kemira Chemicals (UK) Ltd.	Bradford	United Kingdom	100.0	100.0	0.0
Kemira Chemicals (Yanzhou) Co., Ltd.	Yanzhou City	China	100.0	100.0	0.0
Kemira Chemicals AS	Gamle Fredrikstad	Norway	100.0	0.0	0.0
Kemira Chemicals Brasil Ltda.	São Paulo	Brazil	100.0	99.9	0.0
Kemira Chemicals Canada Inc.	St. Catharines	Canada	100.0	100.0	0.0
Kemira Chemicals Germany GmbH	Frankfurt am Main	Germany	100.0	0.0	0.0
Kemira Chemicals Korea Corporation	Gunsan-City	South Korea	100.0	100.0	0.0
Kemira Chemicals NV	Aartselaar	Belgium	100.0	0.0	0.0
Kemira Chemicals Oy	Helsinki	Finland	100.0	0.0	0.0
Kemira Chemicals, Inc.	Atlanta, GA	United States	100.0	0.0	0.0
Kemira Chemie Ges.mbH	Krems	Austria	100.0	100.0	0.0
Kemira Chile Comercial Limitada	Santiago	Chile	100.0	99.0	0.0
Kemira Chimie S.A.S.U.	Strasbourg	France	100.0	0.0	0.0
Kemira Europe Oy	Helsinki	Finland	100.0	100.0	0.0
Kemira Gdańsk Sp. z o.o.	Gdańsk	Poland	100.0	0.0	0.0
Kemira Germany GmbH	Frankfurt am Main	Germany	100.0	100.0	0.0
Kemira Hong Kong Company Limited	Hong Kong	China	100.0	100.0	0.0
Kemira Ibérica S.A.	Barcelona	Spain	100.0	0.0	0.0
Kemira International Finance B.V.	Rotterdam	Nether-lands	100.0	100.0	0.0
Kemira Italy S.p.A.	San Giorgio di Nogaro	Italy	100.0	0.0	0.0
Kemira Japan Co., Ltd.	Tokyo	Japan	100.0	0.0	0.0

	City	Country	Kemira Group's holding, %	Kemira Oyj's holding, %	Non-controlling interest's holding, %
Kemira Kemi AB	Helsingborg	Sweden	100.0	0.0	0.0
Kemira Kopparverket KB	Helsingborg	Sweden	100.0	0.0	0.0
Kemira KTM d.o.o.	Ljubljana	Slovenia	100.0	100.0	0.0
Kemira Research Center Shanghai Co., Ltd.	Shanghai	China	100.0	0.0	0.0
Kemira Rotterdam B.V.	Rotterdam	Nether-lands	100.0	0.0	0.0
Kemira South Africa (Pty) Ltd.	Weltevre-denpark	South Africa	100.0	0.0	0.0
Kemira Świecie Sp. z.o.o.	Swiecie	Poland	100.0	100.0	0.0
Kemira Taiwan Corporation	Taipei	Taiwan	100.0	0.0	0.0
Kemira TC Wanfeng Chemicals (Yanzhou) Co., Ltd.	Yanzhou City	China	80.0	0.0	20.0
Kemira (Thailand) Co., Ltd.	Bangkok	Thailand	100.0	0.0	0.0
Kemira Uruguay S.A.	Fray Bentos	Uruguay	100.0	0.0	0.0
Kemira (Vietnam) Company Limited	Long Thanh	Vietnam	100.0	0.0	0.0
Kemira Water Danmark A/S	Copenhagen	Denmark	100.0	100.0	0.0
Kemira Water Solutions Brasil - Produtos para Tratamento de Água Ltda.	São Paulo	Brazil	100.0	100.0	0.0
Kemira Water Solutions Canada Inc.	Varennes	Canada	100.0	0.0	0.0
Kemira Water Solutions, Inc.	Atlanta, GA	United States	100.0	0.0	0.0
Kemwater Brasil Ltda.	Camaçari	Brazil	100.0	0.0	0.0
Kemwater ProChemie s.r.o.	Bradlec	Czech Republic	95.1	0.0	4.9
PT Kemira Indonesia	Surabaya	Indonesia	100.0	74.8	0.0
PT Kemira Chemicals Indonesia	Pasuruan	Indonesia	99.8	99.8	0.2
Scandinavian Tanking System A/S	Copenhagen	Denmark	100.0	0.0	0.0

ASSOCIATES

	City	Country	Kemira Group's holding, %	Kemira Oyj's holding, %
Honkalahden Teollisuuslaituri Oy	Lappeenranta	Finland	50.0	0.0
Kemira Yongsan Chemicals Co., Ltd	Seoul	South Korea	35.0	0.0

INVESTMENTS IN ASSOCIATES

EUR million	2020	2019
Net book value on Jan 1	2.8	0.7
Additions	2.6	2.7
Decreases	0.0	-0.7
Exchange rate differences	-0.1	0.0
Net book value on Dec 31	5.3	2.8

Kemira established on January 11, 2019 a joint venture with 35% ownership of the company called Kemira Yongsan Chemicals Co., Ltd in South Korea. This associated company supports Kemira's future growth, particularly in the Asia-Pacific region, by providing additional polymer capacity, securing our capacity utilization and supporting Kemira's customers better with global delivery capability.

A summary of the associates financial information is presented in the following table. The presented figures equal the figures in the financial statements of each associate, not the portion of Kemira Group.

EUR million	2020	2019
Assets	38.2	7.8
Liabilities	23.4	7.6
Revenue	0.0	0.0
Profit (+) / loss (-) for the period	0.0	0.0

Related party transactions carried out with associates are disclosed in Note 6.1. Related parties.

NON-CONTROLLING INTERESTS

EUR million	2020	2019
Net book value on Jan 1	13.3	12.9
Dividends	-6.1	-6.0
Share of the profit for the period	6.7	6.3
Exchange rate differences	-0.8	0.2
Net book value on Dec 31	13.2	13.3

Changes in the group structure

- Kemira (Jining) Environmental Engineering Co., Ltd. was founded on June 20, 2020
- Kemira GrowHow A/S merged to Kemira Water Danmark A/S on February 7, 2020

7. OFF-BALANCE SHEET ITEMS

7.1 COMMITMENTS AND CONTINGENT LIABILITIES

COMMITMENTS

EUR million	2020	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

The most significant off-balance sheet investments commitments

On December 31, 2020, major amounts of contractual commitments for the acquisition of property, plant, and equipment were EUR 17.9 million (52.6) 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.

The Group's accounting policies

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence of uncertain future events not wholly within the control of the Group, or concerns a present obligation which will most probably not require an outflow of resources embodying economic benefits to settle the obligation; or when the amount of the obligation cannot be measured with sufficient reliability. Contingent liability is disclosed in the notes.

7.2 EVENTS AFTER THE BALANCE SHEET DATE

The Group has no significant events after the balance sheet date.

Kemira

Kemira Oyj's income statement

Thousand EUR	Note	1.1.-31.12.2020	1.1.-31.12.2019
Revenue	2	1,459,942	1,542,589
Change in inventory of finished goods and in work in progress +/-	4	-11,306	-77
Other operating income	3	2,216	2,392
Materials and services	4	-748,729	-866,634
Personnel expenses	5	-52,133	-38,033
Depreciation, amortization and impairments	6	-26,024	-26,828
Other operating expenses	4	-523,477	-509,077
Operating profit		100,490	104,332
Financial income and expenses	7	-205,918	87,259
Profit before appropriations and taxes		-105,428	191,590
Appropriations	8	-94,841	-96,098
Income taxes	9	667	-1,971
Profit (loss) for the financial year		-199,603	93,521

Kemira Oyj's balance sheet

Thousand EUR	Note	31.12.2020	31.12.2019
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	42,342	50,796
Tangible assets	11	34,207	34,317
Investments	12		
Holdings in Group undertakings		1,228,799	1,468,799
Receivables from Group companies		618,587	414,761
Other shares and holdings		102,108	100,712
Total non-current assets		2,026,043	2,069,385
CURRENT ASSETS			
Inventories	13	99,626	110,829
Non-current receivables	14		
Deferred tax assets		12,877	10,437
Loan receivables		6,227	100
Current receivables	14	238,547	316,358
Cash and cash equivalents		97,209	89,342
Total current assets		454,486	527,067
Total assets		2,480,529	2,596,451

Thousand EUR	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES	15		
Share capital		221,762	221,762
Share premium account		257,878	257,878
Fair value reserve		5,216	5,749
Unrestricted equity reserve		199,964	199,964
Retained earnings		565,261	555,463
Profit (loss) for the financial year		-199,603	93,521
Total equity		1,050,477	1,334,336
APPROPRIATIONS	16	5,593	5,252
PROVISIONS	17	38,213	24,922
LIABILITIES			
Non-current liabilities	18		
Deferred tax liabilities		1,304	1,437
Other non-current liabilities		625,949	639,804
Current liabilities	19	758,992	590,700
Total liabilities		1,386,245	1,231,941
Total equity and liabilities		2,480,529	2,596,451

Kemira Oyj's cash flow statement

Thousand EUR	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	-199,603	93,521
Adjustments for		
Depreciations according to plan	26,024	26,828
Unrealized exchange differences (net)	-19,132	-6,015
Financial income and expenses (+/-)	205,918	-87,259
Income taxes	-667	1,971
Other adjustments (+/-)	104,630	102,146
Operating profit before change in working capital	117,171	131,192
Change in working capital		
Increase (-) / decrease (+) in non-interest-bearing current receivables	-5,828	50,885
Increase (-) / decrease (+) in inventories	11,204	13,384
Increase (+) / decrease (-) in short-term interest-free debts	15,648	-224,768
Change in working capital	21,023	-160,499
Cash generated from operations before financial items and taxes	138,194	-29,307
Interest and other finance costs paid	-18,845	-24,692
Interest and other finance income received	17,647	24,850
Realized exchange differences (net)	8,626	7,949
Dividends received	44,295	99,737
Income taxes paid	-1,254	-1,309
Net cash from operating activities	188,664	77,230

Thousand EUR	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of subsidiary shares	0	-154
Acquisitions of other shares	0	-270
Purchases of intangible assets	-8,587	-7,838
Purchases of tangible assets	-10,227	-8,089
Proceeds from sale of subsidiary shares	0	1,852
Proceeds from sale of tangible and intangible assets	2,403	174
Increase (-) / decrease (+) in loan receivables	-121,198	99,999
Net cash used in investing activities	-137,609	85,674
Cash flows before financing	51,055	162,904
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-current liabilities (+)	0	40,121
Repayment of non-current liabilities (-)	-10,712	-10,712
Short-term financing, net increase (+) / decrease (-)	147,631	-110,027
Dividends paid	-85,635	-80,905
Group contribution paid	-96,000	-9,000
Net cash used in financing activities	-44,716	-170,523
Net increase (+) / decrease (-) in cash and cash equivalents	6,339	-7,619
Cash and cash equivalents on Dec 31	97,209	89,342
Exchange gains (+) / losses (-) on cash and cash equivalents	1,528	-182
Cash and cash equivalents on Jan 1	89,342	97,143
Net increase (+) / decrease (-) in cash and cash equivalents	6,339	-7,619

1. THE PARENT COMPANY'S ACCOUNTING POLICIES FOR THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

The parent company's financial statements have been prepared in compliance with the relevant acts and regulations in force in Finland (FAS). Kemira Group's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the parent company applies the Group's accounting policies whenever it has been possible according to FAS.

VALUATION AND ALLOCATION PRINCIPLES

VALUATION OF NON-CURRENT ASSETS

Planned depreciation and any impairment losses have been deducted from the acquisition cost of the intangible and tangible assets entered in the balance sheet. The acquisition cost includes the variable costs of acquisition and manufacturing. Government grants received are recognized as a deduction from the carrying amount of property, plant, and equipment. Planned depreciation is calculated on a straight-line basis over the estimated intangible and tangible asset's useful life. Depreciation starts from the month of commencement of use.

Depreciation periods:
Other intangible assets 5–10 years
Buildings and constructions 20–40 years
Machinery and equipment 3–15 years

Shares of non-current assets are valued at their acquisition cost or less impairment.

VALUATION OF INVENTORY

Inventories are stated at cost or at the lower of replacement cost or probable selling price. In addition to variable costs, the cost of inventories includes a portion of the fixed costs of acquisition and manufacturing. Costs are determined using a weighted average cost formula. The net realizable value is the sales price received in the ordinary course of business less the estimated costs for completing the asset and the sales costs.

VALUATION OF FINANCIAL INSTRUMENTS

The financial risk management of Kemira Group is concentrated in Kemira Oyj, which enters into currency, interest rate and electricity derivatives with third parties. Changes in the fair value of currency derivatives that are applicable for hedge accounting in the Group, but not in the parent company (as underlying hedged items are with group companies) are entered in to the profit and loss statement. Also, changes in the fair value of other currency derivatives not qualifying for hedge accounting in the Group, hedging commercial purchases or sales or financial items in foreign currencies are booked to profit and loss. Changes in the fair value of interest rate derivatives are recorded as financial items in both hedge accounting and non-hedge accounting.

The fair value of Electricity Derivatives hedging the parent company's electricity purchases and qualifying for hedge accounting is posted to the hedging reserve under equity as well as the change in the fair value of currency derivatives that qualify for hedge accounting in the parent company. These currency derivatives are hedging estimated currency flows in Kemira Oyj for the next 12-month period. When the hedging instrument is maturing or the hedging relationship is discontinued due to inefficiency, the hedging reserve is is adjusted by the value of the derivative by booking the value to Income Statement.

Valuation of Fair value derivative instruments is done according to the Finnish Accounting Act Chapter 5 Section 2a.

The valuation methods of derivative instruments are described in Notes 5.4 and 5.6 in the Consolidated Financial Statements.

Defining the fair value of Financial assets and liabilities is described in Group Note 5.4. Financial Risk management principles is illustrated in Group note 5.5. Hedge accounting principles and valuation of derivative instrument are described in Group note 5.6.

Reductions in the capital of other non-current loans as well as loan transaction costs have been capitalized in a manner allowed by the Finnish Accounting Act in the parent company's financial statement. The non-expensed portion of these expenses, EUR 2.1 million (2.8), is included in the balance sheet.

OBLIGATORY PROVISIONS

Obligatory provisions are recognized from pensions, personnel-related costs and environmental obligations.

REVENUE

Kemira Oyj's revenue consists mainly of revenues from the sale of goods and services. Revenue also includes intercompany service charges on a gross basis.

PENSION ARRANGEMENTS

The company's statutory pensions are handled by pension insurance companies and supplemental pensions mainly by Kemira's own pension fund. Pension costs consist of payments to pension insurance companies and possible contributions to the pension fund and are recognized in the income statement.

SHARE-BASED INCENTIVE PLANS

The treatment of share-based plans is described in the Group's accounting policies. In the parent company, the cash proportion of share-based incentive plans is recognized as an expense in the performance year, and the share proportion is recognized in the year the shares are given using the average share price.

FOREIGN CURRENCY TRANSLATION

In day-to-day bookkeeping, foreign currency transactions are translated into their functional currency at the exchange rates quoted on the transaction date. In the Financial Statements, foreign currency denominated receivables and liabilities are measured at the exchange rates quoted on the balance sheet date. Business-related exchange rate differences and business-related foreign currency exchange rate hedges are treated as sales and purchase adjustments. Any foreign exchange gains and losses related to financial items and respective hedging instruments are booked into financial income and expenses.

DEFERRED TAXES

Deferred tax liabilities or receivables are recognized for temporary differences between tax and financial statements using the tax rate for the year following as determined on the balance sheet date. The balance sheet includes the deferred tax liability in its entirety and the deferred tax asset at the estimated probable amount as assessed by the management. The efficient part of changes in the value of the electricity and currency derivatives qualifying for hedge accounting is recorded as a fair value reserve less deferred taxes.

LEASE

Lease payments are treated as rental expenses.

CASH FLOW STATEMENT

The parent company's cash flow statement has been prepared in accordance with the general guidelines (30.1.2007) on cash flow by the Finnish Board of Accounting.

2. REVENUE

Thousand EUR	2020	2019
Revenue by segments		
Pulp & Paper	678,946	696,057
Industry & Water	411,152	422,452
Intercompany revenue	369,844	424,079
Total	1,459,942	1,542,589
Distribution of revenue by geographical area as a percentage of total revenue		
Finland, domicile of the parent company	29	29
Other Europe, Middle East and Africa	57	55
Americas	8	11
Asia Pacific	5	5
Total	100	100

3. OTHER OPERATING INCOME

Thousand EUR	2020	2019
Gains on the sale of property, plant and equipment	1,151	174
Rent income	107	369
Insurance compensation received	74	190
Other income from operations	883	1,658
Total	2,216	2,392

4. OPERATING EXPENSES

Thousand EUR	2020	2019
Change in stocks of finished goods and in work in progress	11,306	77
Materials and services		
Materials and supplies		
Purchases during the financial year	736,734	853,795
Change in inventories (increase - / decrease +)	3,505	-1,015
External services	8,490	13,854
Total	748,729	866,634
Personnel expenses [1)]	52,133	38,033
Breakdown of personnel expenses in Note 5.		
Other operating expenses		
Rents	10,362	10,597
Intercompany tolling manufacturing charges	217,166	204,794
Other intercompany charges	128,763	130,120
Freights and delivery expenses	104,117	106,823
External services	17,927	17,726
Other operating expenses [1)]	45,142	39,017
Total	523,477	509,077
Total operating expenses	1,335,645	1,413,821

1) In 2020, the operating expenses included a net increase in the obligatory provisions of EUR 13,292 thousand (a decrease of EUR 568 thousand in personnel expenses and an increase of EUR 13,860 thousand in other expenses). In 2019, the operating expenses included a net increase in the obligatory provisions of EUR 4,803 thousand (a decrease of EUR 119 thousand in personnel expenses and an increase of EUR 4,921 thousand in other expenses).

AUDIT FEES AND SERVICES

Thousand EUR	2020	2019
Audit fees	480	462
Tax services	79	149
Other services	151	331
Total	710	942

Ernst & Young Oy acts as the principal auditor for Kemira Oyj.

5. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

Thousand EUR	2020	2019
Emoluments of the Board of Directors, the CEOs and his Deputy 1)	2,703	1,826
Other wages and salaries	42,631	42,960
Pension expenses 2)	6,355	-8,393
Other personnel expenses	445	1,639
Total	52,133	38,033

In 2018 , salaries and bonuses totaled EUR 37,820 thousand.

1) In 2020, the emolument of the Kemira Oyj's CEO was EUR 1,713 thousand (1,110) including bonuses and share-based payments of EUR 999 thousand (402). The emolument of the Kemira Oyj's Deputy CEO was EUR 501 thousand (314) including bonuses and share-based payments of EUR 316 thousand (130).
2) In 2020, the pension expenses includes a return of EUR 14.8 million from Pension Fund Neliapila.

Other transactions between related parties are presented in Note 6.1 in the Notes to the Consolidated Financial Statements.

Number of personnel on Dec 31	2020	2019
Pulp & Paper segment	103	108
Industry & Water segment	35	38
Other, of which	360	358
R&D and Technology	166	166
Total	498	504
Average number of personnel	501	507

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

Thousand EUR	2020	2019
Depreciation according to plan and impairment		
Intangible rights	13,689	11,484
Other intangible assets	3,362	6,280
Impairment of land and water	0	32
Buildings and constructions	613	780
Machinery and equipment	8,326	8,242
Other tangible assets	33	10
Total	26,024	26,828

7. FINANCE INCOME AND EXPENSES

Thousand EUR	2020	2019
Dividend income		
From Group companies	44,294	99,629
From others	0	108
Total	44,295	99,737
Other interest and finance income		
Interest income from Group companies	16,786	19,716
Interest income from others	372	1,272
Other finance income from Group companies	534	551
Other finance income from others	5	1,513
Exchange gains from Group companies (net)	0	7,158
Exchange gains from others (net)	15,276	0
Total	32,973	30,209
Total finance income	77,268	129,946
Change in value on non-current assets		
Group companies	-240,000	-15,000
Others	1,396	0
Total	-238,604	-15,000
Interest expenses and other finance expenses		
Interest expenses to Group companies	-694	-2,124
Interest expenses to others	-14,693	-18,232
Other finance expenses to Group companies	-968	0
Other finance expenses to others	-2,446	-2,108
Exchange losses from Group companies (net)	-25,782	0
Exchange losses from others (net)	0	-5,223
Total	-44,582	-27,688
Total finance expenses	-283,186	-42,688
Total finance income and expenses	-205,918	87,259

Thousand EUR	2020	2019
Exchange gains and losses		
Realized	8,626	7,949
Unrealized	-19,132	-6,015
Total	-10,506	1,934

8. APPROPRIATIONS

Thousand EUR	2020	2019
Change in accumulated depreciation difference (increase - / decrease +)		
Intangible rights	-1,259	-1,417
Other intangible assets	844	-147
Buildings and constructions	482	312
Machinery and equipment	-418	1,149
Other tangible assets	10	5
Total	-341	-98
Group contribution		
Group contributions given	-94,500	-96,000
Total	-94,500	-96,000
Total appropriations	-94,841	-96,098

9. INCOME TAXES

Thousand EUR	2020	2019
Income taxes on ordinary activities	-1,029	-1,503
Income taxes for prior years	343	-104
Change in deferred taxes	2,440	1,023
Other taxes and parafiscal charges	-1,088	-1,386
Total	667	-1,971

10. INTANGIBLE ASSETS

2020, Thousand EUR	Intangible rights	Goodwill	Advance payments and construction in progress	Other intangible assets	Total
Acquisition cost on Jan 1	260,605	7,263	2,634	39,878	310,380
Additions	6,367	0	2,220	0	8,587
Decreases	-3,007	0	0	0	-3,007
Transfers	2,590	0	-2,580	0	10
Acquisition cost on Dec 31	266,555	7,263	2,274	39,878	315,970
Accumulated amortization on Jan 1	-218,556	-7,263	0	-33,766	-259,584
Accumulated amortization relating to decreases	1,643	0	0	0	1,643
Accumulated amortization relating to transfers	0	0	0	0	0
Amortization during the financial year	-12,324	0	0	-3,362	-15,687
Accumulated amortization on Dec 31	-229,237	-7,263	0	-37,128	-273,628
Net book value on Dec 31	37,318	0	2,274	2,750	42,342

2019, Thousand EUR	Intangible rights	Goodwill	Advance payments and construction in progress	Other intangible assets	Total
Acquisition cost on Jan 1	97,348	6,181	3,083	195,106	301,719
Additions	5,534	0	2,303	0	7,838
Decreases	-2,121	0	0	0	-2,121
Transfers	159,843	1,082	-2,752	-155,228	2,944
Acquisition cost on Dec 31	260,605	7,263	2,634	39,878	310,380
Accumulated amortization on Jan 1	-58,343	-6,181	0	-176,512	-241,037
Accumulated amortization relating to decreases	1,822	0	0	0	1,822
Accumulated amortization relating to transfers	-150,849	-1,082	0	149,026	-2,905
Amortization during the financial year	-11,186	0	0	-6,280	-17,465
Accumulated amortization on Dec 31	-218,556	-7,263	0	-33,766	-259,584
Net book value on Dec 31	42,049	0	2,634	6,112	50,796

11. TANGIBLE ASSETS

2020, Thousand EUR	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost on Jan 1	1,051	13,016	83,015	553	8,640	106,276
Additions	0	179	2,558	0	7,490	10,227
Decreases	0	-3,760	-1,984	-210	0	-5,954
Transfers	20	524	4,161	0	-4,716	-10
Acquisition cost on Dec 31	1,071	9,959	87,750	343	11,415	110,539
Accumulated depreciation on Jan 1	-110	-8,921	-62,411	-517	0	-71,959
Accumulated depreciation relating to decreases	0	2,716	1,427	184	0	4,327
Depreciation during the financial year	0	-521	-8,172	-8	0	-8,700
Accumulated depreciation on Dec 31	-110	-6,726	-69,156	-340	0	-76,332
Net book value at 31 Dec	962	3,233	18,594	3	11,415	34,207

2019, Thousand EUR	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost on Jan 1	1,083	18,860	109,495	553	6,225	136,216
Additions	0	16	2,369	0	5,705	8,089
Decreases	-32	-5,859	-32,099	0	0	-37,991
Transfers	0	0	3,251	0	-3,290	-39
Acquisition cost on Dec 31	1,051	13,016	83,015	553	8,640	106,276
Accumulated depreciation on Jan 1	-110	-14,001	-86,268	-507	0	-100,885
Accumulated depreciation relating to decreases	0	5,508	31,801	0	0	37,309
Depreciation during the financial year	0	-428	-7,944	-10	0	-8,383
Accumulated depreciation on Dec 31	-110	-8,921	-62,411	-517	0	-71,959
Net book value on Dec 31	942	4,095	20,604	36	8,640	34,317

12. INVESTMENTS

2020, Thousand EUR	Holdings in Group companies	Receivables from Group companies	Other shares and holdings	Total
Net book value on Jan 1	1,468,799	414,761	100,712	1,984,272
Additions	0	211,514	0	211,514
Decreases	0	-7,688	0	-7,688
Revaluations	0	0	1,396	1,396
Impairments	-240,000	0	0	-240,000
Net book value on Dec 31	1,228,799	618,587	102,108	1,949,494

2019, Thousand EUR	Holdings in Group companies	Receivables from Group companies	Other shares and holdings	Total
Net book value on Jan 1	2,092,983	445,734	100,442	2,639,159
Additions	154	36,117	270	424
Decreases	-339	-67,089	0	-31,312
Impairments	-624,000	0	0	-624,000
Net book value on Dec 31	1,468,799	414,761	100,712	1,984,272

13. INVENTORIES

Thousand EUR	2020	2019
Raw materials and consumables	28,461	31,966
Finished goods	67,403	78,709
Advance payments	3,761	153
Total	99,626	110,829

14. RECEIVABLES

Thousand EUR	2020	2019
Non-current receivables		
Interest-bearing non-current receivables		
Loan receivables		
Loan receivables from others	100	100
Other non-current investments	6,127	0
Total	6,227	100
Deferred tax assets		
Appropriations	949	1,168
Reservations	6,556	3,861
Revaluations	4,285	4,285
Oher deferred tax receivables	1,086	1,123
Total	12,877	10,437
Total non-current receivables	19,104	10,537
Current receivables		
Receivables from Group companies		
Trade receivables	46,215	38,415
Loan receivables	52,164	140,925
Advances paid	18,836	18,836
Other current receivables	268	28
Prepayments and accrued income	6,529	5,351
Total	124,013	203,555

Thousand EUR	2020	2019
Accrued income from others		
Trade receivables	88,330	92,493
Loan receivables	6	0
Advances paid	465	1
Other current receivables	4,756	4,710
Prepayments and accrued income	20,978	15,600
Total	114,534	112,803
Total current receivables	238,547	316,358
Total receivables	257,651	326,895

Thousand EUR	2020	2019
Accrued income from others		
Interest	-162	-116
Taxes	678	1,588
Exchange rate differences	15,196	9,154
Other	5,265	4,974
Total	20,978	15,600

15. CAPITAL AND RESERVES

Thousand EUR	2020	2019
Restricted equity		
Share capital on Jan 1	221,762	221,762
Share capital on Dec 31	221,762	221,762
Share premium account on Jan 1	257,878	257,878
Share premium account on Dec 31	257,878	257,878
Fair value reserve on Jan 1	5,749	19,730
Cash flow hedges	-532	-13,982
Fair value reserve on Dec 31	5,216	5,749
Total restricted equity on Dec 31	484,856	485,388
Unrestricted equity		
Unrestricted equity reserve on Jan 1	199,964	199,964
Unrestricted equity reserve on Dec 31	199,964	199,964
Retained earnings on Jan 1	648,985	635,369
Dividend distributions	-85,635	-80,905
Share-based incentive plan		
Shares given	1,965	1,083
Shares returned	-55	-84
Retained earnings on Dec 31	565,261	555,463
Profit (loss) for the financial period	-199,603	93,521
Total unrestricted equity on Dec 31	565,622	848,948
Total capital and reserves on Dec 31	1,050,477	1,334,336
Total distributable funds on Dec 31	565,622	848,948

CHANGE IN TREASURY SHARES

Thousand	EUR	Number of shares
Acquisition value / number on Jan 1, 2020	18,128	2,693
Change	-1,849	-275
Acquisition value/number on Dec 31, 2020	16,279	2,418

16. ACCUMULATED APPROPRIATIONS

Thousand EUR	2020	2019
Appropriations		
Accumulated depreciation difference	5,593	5,252
Deferred tax liabilities on accumulated appropriations	1,119	1,050

17. OBLIGATORY PROVISIONS

Thousand EUR	2020	2019
Non-current provisions		
Pension provisions	5,432	5,617
Environmental provisions	16,182	17,621
Total non-current provisions	21,615	23,238
Current provisions		
Personnel	0	383
Environmental provisions	1,400	1,300
Restructuring	15,198	0
Total current provisions	16,598	1,683
Total provisions	38,213	24,922
Change in obligatory provisions		
Obligatory provisions on Jan 1	24,922	20,119
Utilized during the year	-670	-724
Cancellation of unused reservations	-339	-20
Increase during the year	14,300	5,547
Obligatory provisions on Dec 31	38,213	24,922

Environmental risks and liabilities are disclosed in Note 4.6 in the Notes to the Consolidated Financial Statements.

18. NON-CURRENT LIABILITIES

Thousand EUR	2020	2019
Loans from financial institutions	276,819	280,217
Corporate bonds	349,130	348,875
Other liabilities	0	10,712
Total	625,949	639,804
Maturity later than five years		
Loans from financial institutions	0	130,648
Total	0	130,648
Deferred tax liabilities		
From foreign currency and electricity hedging	1,304	1,437
Total	1,304	1,437
Total non-current liabilities	627,253	641,241

19. CURRENT LIABILITIES

Thousand EUR	2020	2019
Liabilities to Group companies		
Prepayments received	219	0
Trade payables	45,355	41,223
Other liabilities	415,768	216,123
Accrued expenses	94,746	106,198
Total	556,087	363,545
Liabilities to others		
Corporate Bonds	0	45,000
Loans from financial institutions	0	10,000
Commercial papers	49,956	0
Prepayments received	1,091	895
Trade payables	82,870	74,587
Other liabilities	8,469	31,966
Accrued expenses	60,519	64,706
Total	202,905	227,155
Total current liabilities	758,992	590,700
Accrued expenses and deferred income		
Personnel expenses	18,026	18,287
Interest expenses and exchange rate differences	14,677	9,493
Cost accruals	20,171	29,074
Other	7,646	7,853
Total	60,519	64,706

20. DERIVATIVES

Nominal values, thousand EUR	2020 Total	2019 Total
Currency derivatives		
Forward contracts	407,665	468,439
of which cash flow hedges	64,271	93,379
Interest rate derivatives		
Interest rate swaps	—	130,000
Other derivatives		
Electricity contracts, bought (MWh)	2,201,498	2,000,965
Electricity forward contracts	2,201,498	2,000,965
of which cash flow hedges	2,201,498	2,000,965

		2020	
Fair values, thousand EUR	**Positive**	**Negative**	**Net**
Currency derivatives			
Forward contracts	6,624	4,836	1,787
of which cash flow hedges	2,502	365	2,137
Interest rate derivatives			
Interest rate swaps	—	—	—
Other derivatives			
Electricity forward contracts, bought	8,598	4,618	3,980
of which cash flow hedges	8,598	4,618	3,980

		2019	
Fair values, thousand EUR	**Positive**	**Negative**	**Net**
Currency derivatives			
Forward contracts	3,458	3,589	-131
of which cash flow hedges	1,001	363	638
Interest rate derivatives			
Interest rate swaps	—	576	576
Other derivatives			
Electricity forward contracts, bought	6,375	—	6,375
of which cash flow hedges	6,375	—	6,375

21. COLLATERAL AND CONTINGENT LIABILITIES

Thousand EUR	2020	2019
Given guarantees		
On behalf of own commitments		
Business related delivery-, environmental and other guarantees	15,131	13,657
On behalf of companies belonging to the same Group		
Business and financing guarantees	451,750	445,898
On behalf of associated companies		
Business and financing guarantees	12,576	0
On behalf of others		
Guarantees	1,782	1,450
Other obligations		
Loan commitments	16,339	6,127
Rent liabilities		
Maturity within one year	2,442	2,550
Maturity after one year	6,093	10,965
Total	8,535	13,516
Leasing liabilities		
Maturity within one year	2,145	1,099
Maturity after one year	1,905	1,098
Total	4,050	2,197
Pledges given		
On behalf of own commitments	240	120

22. SHARES AND HOLDINGS OWNED BY KEMIRA OYJ

SHARES IN GROUP COMPANIES

	Group holding, %	Kemira Oyj holding, %
AS Kemivesi	100.00	100.00
Kemira Argentina S.A.	100.00	15.80
Kemira Cell Sp. z.o.o.	55.00	55.00
Kemira Chemicals (Nanjing) Co.,Ltd.	100.00	100.00
Kemira Chemicals (Shanghai) Co.,Ltd.	100.00	100.00
Kemira Chemicals (UK) Ltd.	100.00	100.00
Kemira Chemicals (Yanzhou) Co.,Ltd.	100.00	100.00
Kemira Chemicals Brasil Ltda	100.00	99.87
Kemira Chemicals Canada Inc.	100.00	100.00
Kemira Chemicals Korea Corporation	100.00	100.00
Kemira Chemie Ges.mbH	100.00	100.00
Kemira Chile Comercial Limitada	100.00	99.00
Kemira Europe Oy	100.00	100.00
Kemira Germany GmbH	100.00	100.00
Kemira Hong Kong Company Limited	100.00	100.00
Kemira International Finance B.V.	100.00	100.00
Kemira KTM d.o.o.	100.00	100.00
Kemira Świecie Sp. z o.o.	100.00	100.00
Kemira Water Danmark A/S	100.00	100.00
Kemira Water Solutions Brasil	100.00	100.00
PT Kemira Indonesia	100.00	74.80
PT Kemira Chemicals Indonesia	99.77	99.77

The Group's subsidiaries and investment in associates are presented in Note 6.2. in the Consolidated Financial Statements.

Kemira

KEMIRA OYJ'S BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING FOR THE DISTRIBUTION OF DISTRIBUTABLE FUNDS AND SIGNING OF THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REVIEW

On December 31, 2020, Kemira Oyj's distributable funds are EUR 565,621,554 of which the net profit for the period amounts to EUR -199,602,896.

The 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 be distributed. No dividend will be paid on own shares held by the company as treasury shares on the dividend record date.

On the date of this proposal for the distribution of profits, a total of 152,924,117 shares are held outside the company, the total dividends paid would amount to EUR 88,695,988. The distributable funds of EUR 476,925,566 to be retained as equity.

There have been no material changes in the company's financial position since December 31, 2020. The liquidity of the company remains good, and the proposed dividend payment does not risk the solvency of the company.

Helsinki, February 10, 2021

Jari Paasikivi
Chairman

Kerttu Tuomas
Vice Chairman

Wolfgang Büchele

Shirley Cunningham

Kaisa Hietala

Timo Lappalainen

Werner Fuhrmann

Jari Rosendal
CEO

Auditor's report (Translation of the Finnish original)

To the Annual General Meeting of Kemira Oyj

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Kemira Oyj (business identity code 0109823-0) for the year ended 31 December 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5 (1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.2 to the consolidated financial statements.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key audit matter	How our audit addressed the Key Audit Matter
Revenue recognition The accounting principles and disclosures concerning revenues are disclosed in Note 2.1. Revenue recognition is considered as a key audit matter because revenues are a key financial performance measure which could create an incentive for revenues to be recognized prematurely. Relevant areas from the revenue recognition perspective are accuracy of the recognized amounts and timing of revenue recognition. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10 (2).	Our audit procedures to address the risk of material misstatement included: • Assessment of Kemira's accounting policies over revenue recognition from IFRS standards' perspective. • Analytical procedures over revenue transactions throughout the financial year to identify potential abnormal entries. • Effectiveness testing of revenue recognition related application controls in the enterprise resource planning system used by Kemira. • Effectiveness testing of management's internal controls in sales process as well as analysis of identified control exceptions and their root cause. • On a sample basis an analysis of current sales contracts and evaluation of appropriateness of recognized revenue and its timing. • Analytical procedures over revenue transactions throughout the financial year to identify potential abnormal entries.

Key audit matter	How our audit addressed the Key Audit Matter
Valuation of goodwill The accounting principles and disclosures concerning goodwill are disclosed in Note 3.1. Valuation of goodwill was a key audit matter because • the assessment process is judgmental, • it is based on assumptions relating to market or economic conditions extending to the future, and • because of the significance of the goodwill to the financial statements. As of balance sheet date 31 December 2020, the value of goodwill amounted to 504 million euro representing 18 % of the total assets and 42 % of the total equity. The valuation of goodwill is based on management's estimate about the value-in-use calculations of the cash generating units. There are number of underlying assumptions used to determine the value-in-use, including the revenue growth, EBITDA and discount rate applied on net cash-flows. Estimated value-in-use may vary significantly when the underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill.	Our audit procedures regarding the valuation of goodwill included involving EY valuation specialists to assist us in evaluating methodologies, impairment calculations and underlying assumptions applied by the management in the impairment testing. In evaluation of methodologies, we compared the principles applied by the management in the impairment tests to the requirements set in IAS 36 Impairment of assets standard and ensured the mathematical accuracy of the impairment calculations. The key assumptions applied by the management in impairment tests were compared to • approved budgets and long-term forecasts, • information available in external sources, as well as • our independently calculated industry averages such as weighted average cost of capital used in discounting the cashflows. In addition, we compared the sum of discounted cash flows in impairment tests to Kemira's market capitalization. We also assessed the sufficiency and appropriateness of the disclosures given in respect of goodwill and its sensitivity.

Key audit matter	How our audit addressed the Key Audit Matter
Fair value measurement of other shares The accounting principles and disclosures concerning other shares are disclosed in Note 3.5. Fair value measurement of other shares was a key audit matter because • the value of other shares is material to the financial statements, and because • the fair value assessment process requires significant management judgment. As of balance sheet date 31 December 2020, the value of PVO / TVO shares included in other shares amounted to 211 million euro representing 8 % of the total assets and 18 % of the total equity. PVO / TVO shares represent majority of the balance sheet value of other shares. In determining the fair value of PVO / TVO shares, the management must make among other things an assessment regarding • future electricity production cost for PVO and TVO, • future electricity market prices applicable for Finland, and • discount rate applied on discounting the cashflows. Fair values of PVO and TVO shares may vary significantly when above-mentioned assumptions are changed.	Our audit procedures regarding the fair values of other shares included involving EY valuation specialists to assist us in evaluating appropriateness of methodologies, fair value calculations and underlying assumptions applied by the management. The key assumptions made by the management were compared to • estimates of future electricity production costs available on external sources, • estimates of future electricity market prices in Finland available on external sources, and • our independently calculated discount rate applicable for discounting of expected cashflows. In addition, we assessed the overall reasonableness of management's judgments. We also assessed the sufficiency and appropriateness of the disclosures regarding the other shares.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

INFORMATION ON OUR AUDIT ENGAGEMENT

We were first appointed as auditors by the Annual General Meeting on 21 March 2019 and our appointment represents a total period of uninterrupted engagement of two years.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OTHER OPINIONS ON ASSIGNMENT OF THE BOARD OF DIRECTORS

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown on the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Chief Executive Officer should be discharged from liability for the financial period audited by us.

Helsinki, 10 February 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

Kemira

Group key figures

Kemira provides certain financial performance measures (alternative performance measures), which 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, 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 concerning remuneration.

Kemira's alternative performance measures should not be viewed in isolation to 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 these Financial Statements, as well as at **www.kemira.com** > Investors > Financial information.

Kemira adopted the IFRS 16 Leases standard on January 1, 2019. The comparative figures were not restated on the date of transition to IFRS 16. In 2019, the key figures (except revenue and capital expenditure) of the Income Statements, Balance Sheet and cash flow have been impacted by the adoption of IFRS 16.

* Revenue growth in local currencies, excluding acquisitions and divestments.

	2020	2019	2018	2017	2016
INCOME STATEMENT AND PROFITABILITY					
Revenue, EUR million	2,427	2,659	2,593	2,486	2,363
Operative EBITDA, EUR million	435	410	323	311	303
Operative EBITDA, %	17.9	15.4	12.5	12.5	12.8
EBITDA, EUR million	413	382	315	283	284
EBITDA, %	17.0	14.4	12.1	11.4	12.0
Operative EBIT, EUR million	238	224	174	170	170
Operative EBIT, %	9.8	8.4	6.7	6.9	7.2
Operating profit (EBIT), EUR million	216	194	148	141	147
Operating profit (EBIT), %	8.9	7.3	5.7	5.7	6.2
Share of the results of associates, EUR million	0	0	0	0	0
Finance costs (net), EUR million	35	40	25	29	19
% of revenue	1.4	1.5	1.0	1.2	0.8
Profit before tax, EUR million	181	155	123	113	128
% of revenue	7.5	5.8	4.8	4.5	5.4
Net profit for the period (attributable to equity owners of the parent company), EUR million	131	110	89	79	92
Return on investment (ROI), %	9.1	8.4	7.0	6.5	7.2
Return of equity (ROE), %	10.9	9.2	7.6	6.7	7.8
Capital employed, EUR million [1)]	1,965	1,998	1,781	1,763	1,718
Operative return on capital employed (ROCE), % [1)]	12.1	11.2	9.8	9.7	9.9
Return on capital employed (ROCE), % [1)]	11.0	9.7	8.3	8.0	8.6
Research and development expenses, EUR million	29	30	30	30	32
% of revenue	1.2	1.1	1.2	1.2	1.4
Organic growth, %	-7	0	7	6	-2

	2020	2019	2018	2017	2016
CASH FLOW					
Net cash generated from operating activities, EUR million	375	386	210	205	271
Proceeds from sale of subsidiaries and property, plant and equipment and intangible assets, EUR million	2	8	7	3	37
Capital expenditure, EUR million	198	204	194	190	211
% of revenue	8.2	7.7	7.5	7.6	8.9
Capital expenditure excl. acquisitions, EUR million	196	201	150	190	213
% of revenue	8.1	7.6	5.8	7.6	9.0
Cash flow after investing activities, EUR million	173	190	29	13	98
BALANCE SHEET AND SOLVENCY					
Non-current assets, EUR million	2,018	2,090	1,901	1,842	1,822
Shareholders' equity (Equity attributable to equity owners of the parent company), EUR million	1,192	1,218	1,190	1,159	1,170
Total equity including non-controlling interests, EUR million	1,205	1,231	1,203	1,173	1,183
Total liabilities, EUR million	1,590	1,660	1,561	1,502	1,438
Total assets, EUR million	2,796	2,891	2,764	2,675	2,621
Net working capital	197	211	260	211	195
Interest-bearing net liabilities, EUR million	759	811	741	694	634
Equity ratio, %	43	43	44	44	45
Gearing, %	63	66	62	59	54
Interest-bearing net liabilities per EBITDA	1.8	2.1	2.4	2.5	2.2

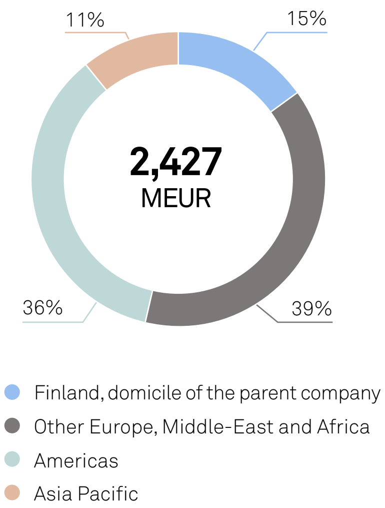
	2020	2019	2018	2017	2016
PERSONNEL					
Personnel at period-end	4,921	5,062	4,915	4,732	4,818
Personnel (average)	5,038	5,020	4,810	4,781	4,802
of whom in Finland	790	812	821	822	807
Wages and salaries, EUR million	303	304	278	284	285
EXCHANGE RATES					
Key exchange rates on Dec 31					
USD	1.227	1.123	1.145	1.199	1.054
CAD	1.563	1.460	1.561	1.504	1.419
SEK	10.034	10.447	10.255	9.844	9.553
CNY	8.023	7.821	7.875	7.804	7.320
BRL	6.374	4.516	4.444	3.973	3.431
PER SHARE FIGURES					
Earnings per share (EPS), basic and diluted, EUR [2)]	0.86	0.72	0.58	0.52	0.60
Net cash generated from operating activities per share, EUR [2)]	2.45	2.53	1.38	1.35	1.78
Dividend per share, EUR [2) 3)]	0.58	0.56	0.53	0.53	0.53
Dividend payout ratio, % [2) 3)]	67.5	77.6	90.7	102.7	88.0
Dividend yield, % [2) 3)]	4.5	4.2	5.4	4.6	4.4
Equity per share, EUR [2)]	7.80	7.98	7.80	7.61	7.68
Price per earnings per share (P/E ratio) [2)]	15.07	18.37	16.85	22.29	20.14
Price per equity per share [2)]	1.66	1.66	1.26	1.51	1.58
Price per cash flow from operations per share [2)]	5.28	5.24	7.14	8.54	6.83
Dividend paid, EUR million [3)]	88.7	85.5	80.8	80.7	80.8

	2020	2019	2018	2017	2016
SHARE PRICE AND TRADING					
Share price, high, EUR	14.24	14.99	12.03	12.44	12.55
Share price, low, EUR	8.02	9.77	9.34	10.33	8.92
Share price, average, EUR	11.55	12.56	11.00	11.47	10.96
Share price on Dec 31, EUR	12.94	13.26	9.85	11.50	12.13
Number of shares traded (1,000)	75,885	53,048	43,837	54,169	64,827
% on number of shares	50	35	29	36	42
Market capitalization on Dec 31, EUR million [2)]	1,979	2,024	1,502	1,752	1,848
NUMBER OF SHARES AND SHARE CAPITAL					
Average number of shares, basic (1,000) [2)]	152,879	152,630	152,484	152,359	152,314
Average number of shares, diluted (1,000) [2)]	153,373	153,071	152,768	152,594	152,526
Number of shares on Dec 31, basic (1,000) [2)]	152,924	152,649	152,510	152,354	152,367
Number of shares on Dec 31, diluted (1,000) [2)]	153,744	153,385	152,927	152,512	152,619
Increase (+) / decrease (-) in number of shares outstanding (1,000)	275	139	156	-14	305
Share capital, EUR million	221.8	221.8	221.8	221.8	221.8

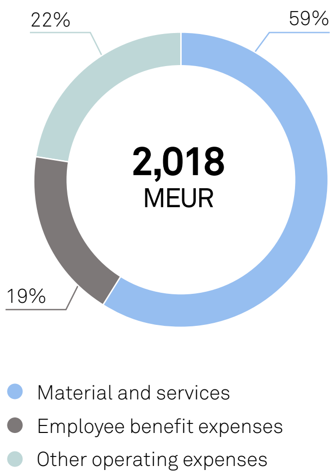
1) 12-month rolling average
2) Number of shares outstanding, excluding the number of treasury shares.
3) The dividend for 2020 is the Board of Directors' proposal to the Annual General Meeting.

Kemira

REVENUE BY GEOGRAPHICAL AREAS

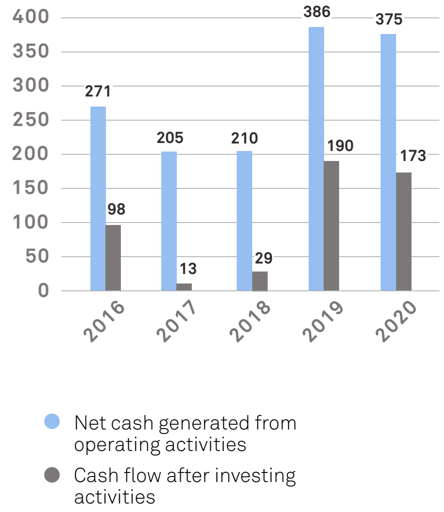


OPERATING EXPENSES

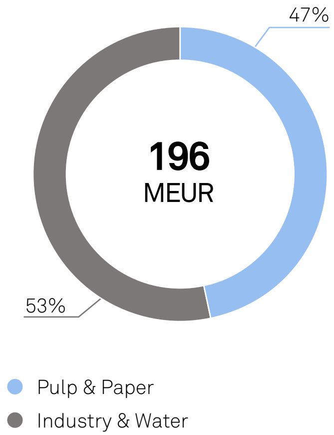


CASH FLOW

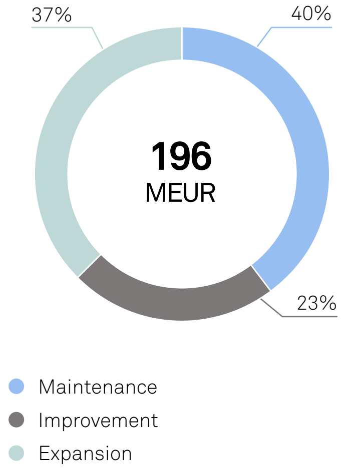
EUR million



CAPITAL EXPENDITURE BY SEGMENT EXCLUDING ACQUISITIONS

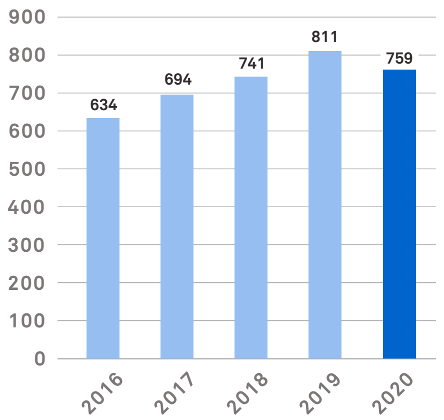


CAPITAL EXPENDITURE EXCLUDING ACQUISITIONS



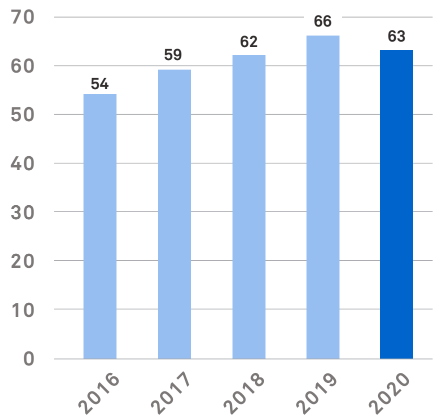
INTEREST-BEARING NET LIABILITIES

EUR million

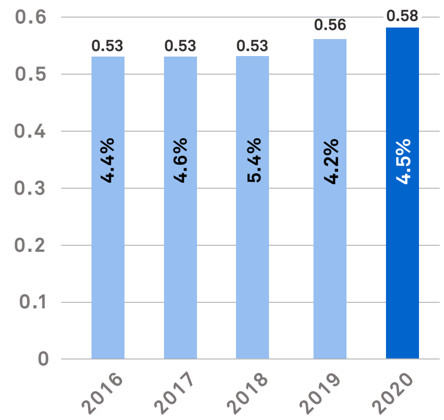


GEARING

%



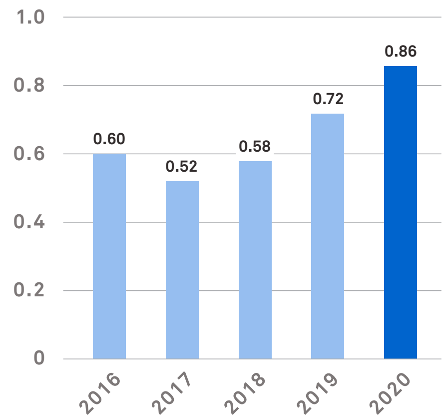
DIVIDEND PER SHARE, EUR AND DIVIDEND YIELD, %*



* The dividend for 2020 is the Board of Direct proposal to the Annual General Meeting.

EARNINGS PER SHARE

EUR



Definition of key figures

FINANCIAL FIGURES

KEY FIGURES			DEFINITION OF KEY FIGURES	PURPOSE OF KEY FIGURES
EBITDA	=		Operating profit (EBIT) + depreciation and amortization + impairments	EBITDA describes the profitability of a business when depreciation, amortization and impairments are added to EBIT. The key figure is used to monitor the development of business results.
OPERATIVE EBITDA	=		Operating profit (EBIT) + depreciation and amortization + impairments +/- items affecting comparability	Operative EBITDA describes the profitability of a business when depreciation, amortization and impairments are added to EBIT. The key figure is used to monitor the development of business results. The key figure is calculated by adjusting the items affecting from EBITDA, which improves the comparability of operating profitability between different periods.
ITEMS AFFECTING COMPARABILITY [1]	=		Restructuring and streamlining programs + transaction and integration expenses in acquisitions + divestment of businesses and other disposals + other items	Used as a component in the calculation of operative EBITDA and operative EBIT.
EBIT	=		Revenue + other operating income - operating expenses - depreciation and amortization - impairments + share of the results of associates	EBIT is used to monitor the development of business results. The key figure describes the profitability of the business before financial items and taxes.
OPERATIVE EBIT	=		Operating profit (EBIT) +/- items affecting comparability	Operative EBIT is used to monitor the development of business results. The key figure describes the profitability of the business before financial items and taxes. The key figure is calculated by adjusting the items affecting operating comparability from operating profit, which improves the comparability of operating profitability between different periods.
INTEREST-BEARING NET LIABILITIES	=		Interest-bearing liabilities - cash and cash equivalents	Interest-bearing liabilities is used to monitor the Group's gearing.
EQUITY RATIO (%)	=	100 x	$\frac{\text{Total equity}}{\text{Total assets - prepayments received}}$	Equity ratio (%) indicates what proportion of the assets is covered by equity.
GEARING (%)	=	100 x	$\frac{\text{Interest-bearing net liabilities}}{\text{Total equity}}$	Gearing (%) measures the ratio of interest-bearing net liabilities to equity.
RETURN ON INVESTMENTS (ROI) (%)	=	100 x	$\frac{\text{Profit before tax + interest expenses + other financial expenses}}{\text{Total assets - non-interest-bearing liabilities}^{2)}}$	Return on investment (%) measures how efficiently invested capital is used.

KEY FIGURES		DEFINITION OF KEY FIGURES	PURPOSE OF KEY FIGURES
RETURN ON EQUITY (ROE) (%)	= 100 x	Net profit attributable to equity owners of the parent company / Equity attributable to equity owners of the parent company [2]	Return on equity (%) is used to measure how effectively the equity owned by the owners of the parent company is used.
RETURN ON CAPITAL EMPLOYED (ROCE) (%)	= 100 x	Operating profit (EBIT) [3] / Capital employed [4]	Return on capital employed (%) is used to measure how efficiently capital is employed.
OPERATIVE RETURN ON CAPITAL EMPLOYED (OPERATIVE ROCE) (%)	= 100 x	Operating profit (EBIT) [3] / Capital employed [4]	Operative return on capital employed (%) is used to measure how efficiently capital is employed.
CASH FLOW AFTER INVESTING ACTIVITIES	=	Net cash generated from operating activities + net cash used in investing activities	Cash flow after investments is a key figure that describes the cash flow from operating activities after investments. This is free cash flow that remains, for example, in the payment of dividends and liabilities.
INTEREST-BEARING NET LIABILITIES / EBITDA	=	Interest-bearing net liabilities / Operating profit (EBIT) + depreciation and amortization + impairments	Interest-bearing net liabilities / EBITDA ratio measures the Group's capital structure. The key figure describes how long it would take to pay interest-bearing net liabilities at the current level of profitability if the EBITDA in its entirety were used to repay the debt.
NET FINANCIAL COST (%)	= 100 x	Finance costs, net - dividend income +/- exchange rate differences / Interest-bearing net liabilities [2]	Net financial cost (%) describes the financial expense structure and the key figure can be compared to the existing average interest rate level.
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	Net working capital is the amount of capital tied up in business operations. It describes the amount of cash needed to run the Group's day-to-day operations.
CAPITAL EMPLOYED	=	Property, plant and equipment + right-of-use assets + intangible assets + net working capital + investments in associates	Capital employed describes the capital committed to the Group's operations (e.g. production facilities), which is a premise for the manufacture of the Group's products for sale. Restricted capital is used as a component in calculating the return on capital employed.
CAPITAL EXPENDITURE	=	Property, plant and equipment + intangible assets + other shares + investments in associates	Investments excluding acquisitions are cash used on the acquisition of non-current assets. The key figure is part of the cash flow statement.

KEY FIGURES		DEFINITION OF KEY FIGURES	PURPOSE OF KEY FIGURES
CAPITAL EXPENDITURE EXCL. ACQUISITIONS	=	Property, plant and equipment + intangible assets + other shares + investments in associates - acquisitions	Investments excluding acquisitions are cash used on the acquisition of non-current assets, excluding acquisitions. The key figure is part of the cash flow statement.
ORGANIC GROWTH (%)	=	Revenue growth in local currencies, excluding acquisitions and divestments	Organic growth describes revenue growth in local currencies excluding acquisitions and divestments.
INTRINSIC VALUE	=	Operative EBITDA x 8 - interest-bearing net liabilities	Intrinsic value is used as a remuneration criteria in the Group's share-based payments incentive plans.

1) Financial performance measures which 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 the most common items affecting comparability.
2) Average
3) Operating profit (EBIT) taken into account for 12-month rolling figure at the end of the review period.
4) 12-month rolling average

PER SHARE FIGURES

KEY FIGURES			DEFINITION OF KEY FIGURES
EARNINGS PER SHARE (EPS)	=		Net profit attributable to equity owners of the parent company / Average number of shares
NET CASH GENERATED FROM OPERATING ACTIVITIES PER SHARE	=		Net cash generated from operating activities / Average number of shares
DIVIDEND PER SHARE	=		Dividend paid / Number of shares on Dec 31
DIVIDEND PAYOUT RATIO (%)	=	100 x	Dividend per share / Earnings per share (EPS)
DIVIDEND YIELD (%)	=	100 x	Dividend per share / Share price on Dec 31
EQUITY PER SHARE	=		Equity attributable to equity owners of the parent company on Dec 31 / Number of shares on Dec 31

KEY FIGURES			DEFINITION OF KEY FIGURES
SHARE PRICE, YEAR AVERAGE	=		Shares traded (EUR) / Shares traded (volume)
PRICE PER EARNINGS PER SHARE (P/E)	=		Share price on Dec 31 / Earnings per share (EPS)
PRICE PER EQUITY PER SHARE	=		Share price on Dec 31 / Equity per share attributable to equity owners of the parent company
PRICE PER NET CASH GENERATED FROM OPERATING ACTIVITIES PER SHARE	=		Share price on Dec 31 / Net cash generated from operating activities per share
SHARE TURNOVER (%)	=	100 x	Number of shares traded in main stock exchange / Average number of shares

Reconciliation of IFRS figures

EUR million	1-3	4-6	7-9	10-12	2020 Total	1-3	4-6	7-9	10-12	2019 Total
ITEMS AFFECTING COMPARABILITY IN EBITDA AND EBIT										
Operative EBITDA										
Pulp & Paper	60.2	65.6	65.5	68.9	260.2	50.7	53.7	61.3	52.6	218.3
Industry & Water	48.2	40.0	47.6	39.0	174.8	45.0	52.4	56.8	37.5	191.7
Total	108.5	105.7	113.0	107.9	435.1	95.6	106.1	118.1	90.1	410.0
Total items affecting comparability	-0.1	-1.9	-3.2	-16.7	-21.8	-3.1	-4.0	0.0	-20.5	-27.7
EBITDA	108.4	103.8	109.8	91.2	413.2	92.5	102.1	118.1	69.6	382.3
Operative EBIT										
Pulp & Paper	30.1	35.7	34.8	37.5	138.0	20.6	24.0	32.1	22.5	99.2
Industry & Water	30.7	21.9	27.5	19.5	99.7	29.5	36.3	39.0	19.9	124.7
Total	60.8	57.6	62.3	57.0	237.7	50.1	60.3	71.1	42.4	224.0
Total items affecting comparability	-0.1	-1.9	-3.2	-16.7	-21.8	-3.1	-4.0	-2.0	-20.5	-29.6
EBIT	60.7	55.7	59.1	40.3	215.9	47.0	56.3	69.2	21.9	194.4
Operative EBITDA	108.5	105.7	113.0	107.9	435.1	95.6	106.1	118.1	90.1	410.0
Restructuring and streamlining programs	0.0	-1.9	-3.2	-3.4	-8.4	-0.4	-1.9	-0.5	-10.7	-13.5
Transaction and integration expenses in acquisition	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	0.0	2.7	2.2
Divestment of businesses and other disposals	0.0	0.0	0.0	1.0	1.0	0.9	0.0	0.8	-0.8	0.9
Other items	-0.1	0.0	0.0	-14.3	-14.4	-3.2	-2.1	-0.3	-11.6	-17.2
Total items affecting comparability	-0.1	-1.9	-3.2	-16.7	-21.8	-3.1	-4.0	0.0	-20.5	-27.7
EBITDA	108.4	103.8	109.8	91.2	413.2	92.5	102.1	118.1	69.6	382.3
Operative EBIT	60.8	57.6	62.3	57.0	237.7	50.1	60.3	71.1	42.4	224.0
Total items affecting comparability in EBITDA	-0.1	-1.9	-3.2	-16.7	-21.8	-3.1	-4.0	0.0	-20.5	-27.7
Items affecting comparability in depreciation, amortization and impairments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.9	0.0	-1.9
Operating profit (EBIT)	60.7	55.7	59.1	40.3	215.9	47.0	56.3	69.2	21.9	194.4

EUR million	1-3	4-6	7-9	10-12	2020 Total	1-3	4-6	7-9	10-12	2019 Total
ROCE AND OPERATIVE ROCE										
Operative EBIT	60.8	57.6	62.3	57.0	237.7	50.1	60.3	71.1	42.4	224.0
Operating profit (EBIT)	60.7	55.7	59.1	40.3	215.9	47.0	56.3	69.2	21.9	194.4
Capital employed [1]	1,995.7	1,993.5	1,977.2	1,964.9	1,964.9	1,843.6	1,901.0	1,961.8	1,998.2	1,998.2
Operative ROCE, %	11.8	11.6	11.3	12.1	12.1	10.3	10.8	11.5	11.2	11.2
ROCE, %	10.4	10.4	10.0	11.0	11.0	8.8	9.5	10.9	9.7	9.7
NET WORKING CAPITAL										
Inventories	265.2	276.3	256.4	242.3	242.3	300.8	304.0	304.6	260.6	260.6
Trade receivables and other receivables	386.6	340.3	341.4	362.0	362.0	417.4	413.1	415.1	378.8	378.8
Excluding financing items in other receivables	-9.1	-6.4	-7.0	-16.9	-16.9	-16.9	-16.3	-17.0	-11.9	-11.9
Trade payables and other liabilities	456.2	376.5	366.6	422.2	422.2	522.2	421.7	442.2	455.7	455.7
Excluding financing items in other liabilities	-49.2	-30.1	-24.8	-31.8	-31.8	-115.5	-34.3	-38.9	-38.8	-38.8
Net working capital	235.6	263.9	248.9	197.0	197.0	294.5	313.4	299.3	210.7	210.7
INTEREST-BEARING NET LIABILITIES										
Non-current interest-bearing liabilities	738.1	732.0	724.1	724.1	724.1	790.8	790.4	792.1	737.9	737.9
Current interest-bearing liabilities	247.8	245.4	247.6	194.7	194.7	266.9	222.3	181.5	216.6	216.6
Interest-bearing liabilities	985.9	977.4	971.7	918.8	918.8	1,057.8	1,012.7	973.6	954.5	954.5
Cash and cash equivalents	169.8	133.6	185.7	159.5	159.5	216.2	91.6	107.2	143.1	143.1
Interest-bearing net liabilities	816.0	843.8	786.1	759.3	759.3	841.6	921.1	866.4	811.4	811.4

1) 12-month rolling average

Quarterly Earning Performance

EUR million	1-3	4-6	7-9	10-12	2020 Total	1-3	4-6	7-9	10-12	2019 Total
Revenue										
Pulp & Paper	378.5	357.0	352.2	370.0	1,457.6	380.8	373.4	382.9	385.9	1,522.9
Industry & Water	263.6	225.9	244.4	235.6	969.5	267.0	290.2	306.9	271.8	1,135.9
Total	642.0	582.9	596.7	605.6	2,427.2	647.8	663.6	689.8	657.7	2,658.8
EBITDA 1)										
Pulp & Paper	60.2	65.7	62.3	52.1	240.2	48.8	51.0	60.8	31.8	192.4
Industry & Water	48.2	38.1	47.6	39.1	173.0	43.7	51.1	57.3	37.8	189.9
Total	108.4	103.8	109.8	91.2	413.2	92.5	102.1	118.1	69.6	382.3
EBIT 1)										
Pulp & Paper	30.1	35.7	31.5	20.7	118.0	18.8	21.3	31.6	1.7	73.4
Industry & Water	30.7	20.0	27.6	19.6	97.8	28.2	35.0	37.6	20.2	121.0
Total	60.7	55.7	59.1	40.3	215.9	47.0	56.3	69.2	21.9	194.4
Finance costs, net	-8.9	-9.0	-7.5	-9.6	-34.9	-8.8	-10.0	-10.5	-10.4	-39.7
Share of the results of associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	51.9	46.7	51.6	30.7	181.0	38.2	46.3	58.7	11.5	154.7
Income taxes	-12.3	-11.2	-12.6	-7.0	-43.0	-8.9	-11.1	-15.3	-3.0	-38.2
Net profit for the period	39.6	35.5	39.0	23.8	138.0	29.3	35.2	43.3	8.6	116.5
Net profit attributable to										
Equity owners of the parent	37.8	34.1	37.3	22.1	131.3	27.9	33.6	41.5	7.0	110.2
Non-controlling interests	1.8	1.5	1.7	1.7	6.7	1.4	1.6	1.8	1.5	6.3
Net profit for the period	39.6	35.5	39.0	23.8	138.0	29.3	35.2	43.3	8.6	116.5
Earning per share, basic, EUR	0.25	0.22	0.24	0.14	0.86	0.18	0.14	0.27	0.05	0.72
Earning per share, diluted, EUR	0.25	0.22	0.24	0.14	0.86	0.18	0.14	0.27	0.05	0.72

1) Includes items affecting comparability.

Shares and shareholders

SHARES AND SHARE CAPITAL

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 bearer to one vote at the general meeting. Kemira Oyj's shares are registered in the book-entry system maintained by Euroclear Finland Ltd.

SHAREHOLDERS

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.

A list of Kemira's largest shareholders is updated monthly and can be found on the company website at **www.kemira.com** > Investors.

LISTING AND TRADING

Kemira Oyj's shares are listed on Nasdaq Helsinki. The trading code for the shares is KEMIRA and the ISIN code is FI0009004824.

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 in January-December 2019). The average daily trading volume was 301,131 (230,086) shares.

In addition to Nasdaq Helsinki, Kemira shares are traded on several alternative market places or multilateral trading facilities (MTF), for example, at BATS, Chi-X and Turquoise. The total share trading in 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.

Up-to-date information on Kemira's share price is available on the company's website at **www.kemira.com** > Investors.

DIVIDEND POLICY AND DIVIDEND DISTRIBUTION

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.

BOARD AUTHORIZATIONS

The Annual General Meeting on May 5, 2020 authorized the Board of Directors to decide upon repurchase of a maximum of 5,400,000 company's own shares ("Share repurchases authorization"). This corresponds to approximately 3.5% of all shares and votes in the company. 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 than 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 the 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 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 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 upon other terms related to share repurchases. The share repurchase authorization is valid until the end of the next Annual General Meeting. The Board had not exercised its authorization by December 31, 2020.

The AGM authorized the Board of Directors to decide to issue a maximum of 15,600,000 new shares (corresponding to approximately 10% of company's all shares and votes) and/or transfer a maximum of 7,800,000 company's own shares (corresponding to approximately 5% of company's all shares and votes) held by the company ("Share issue authorization"). 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 displaying 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 this 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 plan. 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 will decide upon other terms related to the share issues. The share issue authorization is valid until May 31, 2021. The share issue authorization has been used and shares owned by the Group were conveyed to members of the Board and key employees in connection with the remuneration.

MANAGEMENT SHAREHOLDING

The members of the Board of Directors as well as the President and CEO and his Deputy held 507,488 (543,463) Kemira Oyj shares on December 31, 2020 or 0.33% (0.35%) of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations). Jari Rosendal, President and CEO, held 125,840 shares (93,840) on December 31, 2020. Members of the Management Board, excluding the President and CEO and his Deputy, held a total of 197,471 shares on December 31, 2020 (136,971), representing 0.13% (0.09%) of all outstanding shares and voting rights (including treasury shares and shares held by the related parties and controlled corporations). Up-to-date information regarding the shareholdings of the Board of Directors and Management is available on Kemira's website at **www.kemira.com** > Investors.

LARGEST SHAREHOLDERS DEC 31, 2020

	Shareholder	Number of shares	% of shares and votes
1	Oras Invest Ltd	31,278,217	20.1
2	Solidium Oy	15,782,765	10.2
3	Varma Mutual Pension Insurance Company	4,652,678	3.0
4	Ilmarinen Mutual Pension Insurance Company	4,158,559	2.7
5	Nordea Funds	3,374,727	2.2
6	Elo Mutual Pension Insurance Company	1,989,910	1.3
7	Veritas Pension Insurance Company Ltd.	1,497,559	1.0
8	Tiiviste-Group Oy	1,000,000	0.6
9	Nordea Life Assurance Finland Ltd.	757,267	0.5
10	Laakkonen Mikko Kalervo	750,000	0.5
11	Säästöpankki Funds	569,672	0.4
12	The State Pension Fund	560,000	0.4
13	Pohjola Fund Management	518,472	0.3
14	Paasikivi Pekka Johannes	462,000	0.3
15	SEB Gyllenberg Funds	426,454	0.3
	Kemira Oyj	2,418,440	1.6
	Nominee registered and foreign shareholders	44,463,354	28.6
	Others, Total	40,682,483	26.0
	Total	**155,342,557**	**100.0**

SHAREHOLDINGS BY NUMBER OF SHARES HELD ON DEC 31, 2020

Number of shares	Number of shareholders	% of shareholders	Shares total	% of share and votes
1–100	14,415	32.5	766,508	0.5
101–500	17,580	39.7	4,728,570	3.0
501–1,000	5,878	13.3	4,531,119	2.9
1,001–5,000	5,407	12.2	11,422,452	7.4
5,001–10,000	591	1.3	4,293,409	2.8
10,001–50,000	336	0.8	6,617,255	4.3
50,001–100,000	43	0.1	3,145,751	2.0
100,001–500,000	46	0.1	10,081,269	6.5
500,001–1,000,000	5	0.0	3,834,676	2.5
1,000,001–	10	0.0	105,921,548	68.2
Total	**44,311**	**100.0**	**155,342,557**	**100.0**

Information for investors

FINANCIAL REPORTS IN 2021

Kemira will publish three financial reports in 2021.

April 27, 2021: Interim report for January–March
July 16, 2021: Half-year financial report for January–June
October 26, 2021: Interim report for January–September

The financial reports and related presentation material are available on Kemira's website at **www.kemira.com** > Investors. Furthermore, Kemira's stock exchange and press releases, Annual Reports (incl. Corporate Responsibility Report and Financial Statements) and other investor information are also available on the website. On the site, visitors can register to receive releases by e-mail and order the company's Financial Statements.

INVESTOR COMMUNICATIONS

The purpose of Kemira's investor communications is to provide capital markets with open and reliable information on the company and its operating environment in order to give market participants a factual overview of Kemira as an investment.

Kemira's investor communications aims to ensure that everyone operating in the markets has equal access to sufficient and correct information concerning the company, and to ensure that information is disclosed consistently and without delay.

Kemira Oyj is domiciled in Helsinki, Finland, and the company's shares are listed on Nasdaq Helsinki. Kemira Oyj complies with the laws of Finland and the regulations of Nasdaq Helsinki and Finland's Financial Supervisory Authority.

SILENT PERIOD

Kemira observes a silent period before issuing financial statements or interim reports. During the period, Kemira's representatives do not comment on Kemira's financial statements or interim reports for the ongoing reporting period the specific silent period relates to. The schedule for the silent period and publication of financial information and closed periods is displayed on Kemira's website under Investors > Investor Calendar. Kemira's Investor Relation function is responsible for keeping the calendar up-to-date.

ANNUAL GENERAL MEETING

Kemira's Annual General Meeting will be held on Wednesday, March 24, 2021 at 1.00 p.m. EET. A shareholder who on the record date of the Annual General Meeting, March 12, 2021, is registered in the company's shareholders' register maintained by Euroclear Finland Ltd, may participate in the meeting and exercise their rights as shareholders only by voting in advance and by submitting counterproposals and/or questions in advance. Shareholders or their proxy representatives are not permitted to attend the meeting in person. Registered shareholders have the possibility to follow the Annual General Meeting via a live webcast.

Registration for the Annual General Meeting has begun on February 19, 2021 and invitation and registration instructions have been published on February 11, 2021 as a stock exchange release and at Kemira's web site at **www.kemira.com** > Investors > Corporate Governance > Annual General Meeting > Annual General Meeting 2021.

Kemira will release a stock exchange release on the Annual General Meeting's decisions immediately after the meeting.

DIVIDEND DISTRIBUTION

For dividend proposal, please see page 100.

CHANGE OF ADDRESS

Kemira's shareholders are kindly requested to report any change of address to the bank or brokerage firm in which they have their book-entry account. This will also update information in registers, maintained by Euroclear Finland Ltd, which Kemira uses to send mail to its shareholders.

INVESTOR RELATIONS

Mikko Pohjala, Vice President, Investor Relations
tel. +358 40 838 0709
e-mail: mikko.pohjala@kemira.com

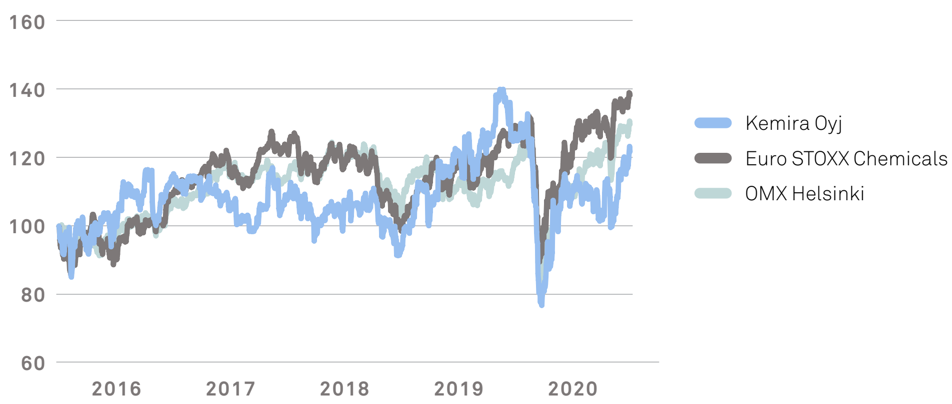
BASIC SHARE INFORMATION

Listed on: Nasdaq Helsinki Ltd
Trading code: KEMIRA
ISIN code: FI0009004824
Industry group: Materials

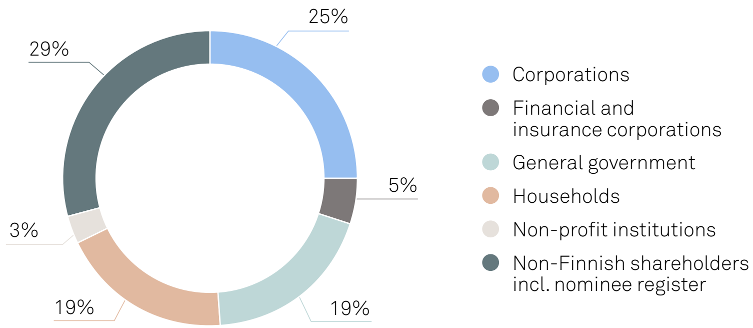
Industry: Chemicals
Number of shares
on December 31, 2020: 155,342,557
Listing date: November 10, 1994

Kemira

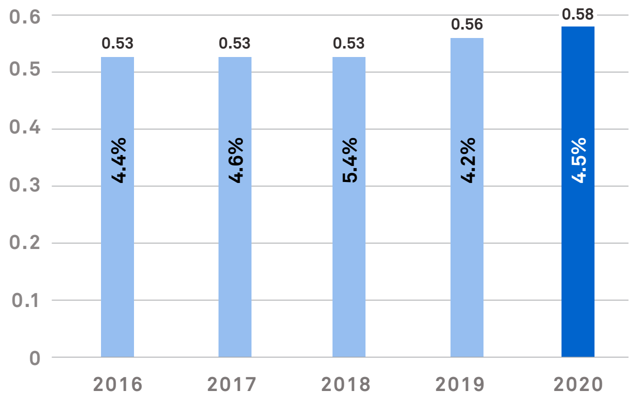
SHARE PRICE 2016–2020



OWNERSHIP DECEMBER 31, 2020



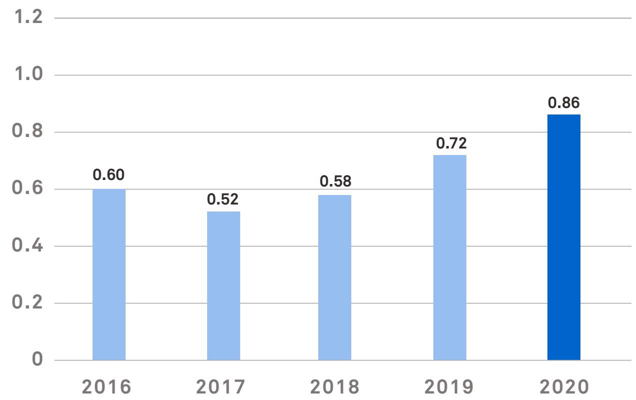
DIVIDEND PER SHARE, EUR AND DIVIDEND YIELD, %*



* The dividend for 2020 is the Board of Directors' proposal to the Annual General Meeting.

EARNINGS PER SHARE

EUR



KEMIRA Is a global leader in sustainable chemical solutions for water intensive industries. We provide best suited products and expertise to improve our customers' product quality, process and resource efficiency. Our focus is on pulp & paper, oil & gas and water treatment. In 2020, Kemira had annual revenue of around EUR 2.4 billion and around 5,000 employees. Kemira shares are listed on the Nasdaq Helsinki Ltd.

WWW.KEMIRA.COM