

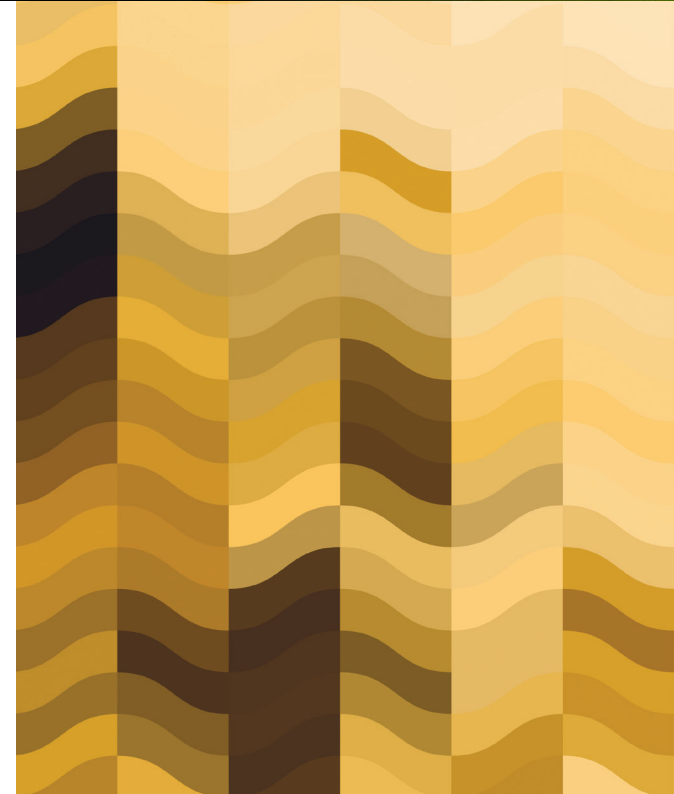


KEMIJOKI



Financial
Statements

2019



CLIMATE-FRIENDLY HYDROPOWER



IN TERMS OF electricity production, Finland is among the least self-sufficient countries in Europe. I want to highlight the role and significance of hydropower in curbing climate change and for Finland's security of supply.

The emissions of Finnish electricity production dropped by nearly a quarter in 2019 and were at a lower level than ever before. As the most significant producer of hydro and balancing power, we are a significant part of our country's future carbon-neutral electric system.

Our 20 hydropower plants, located by three rivers, produced a total of 4,498 GWh of climate-friendly electricity. We produced 15 percent of renewable electricity produced in Finland and 13 percent of electricity produced with domestic sources of energy.

Ambitious goals have been set for emissions in Finland and the European Union in order to curb climate change. Hydropower enables the transition towards an emission-free electric system, as increasing the weather-dependent renewable wind and solar power requires an increasing amount of balancing power. Hydropower is the only renewable way to produce flexible regulating power to balance electricity consumption and production.

With the electrification of society, including traffic, electricity consumption continues to grow. We are planning a new hydropower plant in Sierilä, Rovaniemi to produce renewable energy. The will, for its part, fight climate change and improve River Kemijoki's regulating use and the flexibility of the electric system.

We have previously surveyed the effects of climate change on our operating area. We will continue to familiarize ourselves with climate-related matters by examining our carbon sink potential. We own over 95,000 hectares of land and water areas, with nearly 13,000 hectares of this protected in different ways. As a carbon sink, our forests have a significant role in curbing climate change.

65 YEARS OF HYDROPOWER COMPETENCE

October marked 65 years since the founding of Kemijoki Oy by the state of Finland, Imatran Voima and Veitsiluoto. Today, we are an expert and commissioner organization. A delightful amount of new hydropower experts has joined our company. We strengthened our production of responsible hydropower with for instance environmental, mechanical and electrical engineering, dam and landed property experts. The energy produced by Kemijoki Oy and the expertise needed to produce hydropower has been awarded by the Association for Finnish Work with the Key Flag Symbol.

We need multiskilled hydropower experts in the future as well. We train and teach our personnel and partners. We work closely with educational establishments and schools. School groups visit our power plants, familiarizing themselves with our operations and hydropower production. We regularly visit schools to communicate about hydropower during mathematics, physics and biology class.

In spring 2019, we carried out innovative collaboration with the University of Lapland's Faculty of Art

and Design. Together with students, we thought of ways to best communicate hydropower and the energy industry to young people in Finland.

We are a forerunner in safety matters. Together with our partners, we started a joint work safety group, aimed at advancing work safety by sharing best safety practices over company limits. The starting point of our safety work is that every accident can be prevented. We reached the goal of zero accidents at Kemijoki Oy, but not in the partner network.

TOWARDS A SUSTAINABLE FUTURE

In 2019, our overall availability was excellent. We ensure the continuity of hydropower production in the long term with refurbishments and maintenance. The first refurbishment of the rolling gate at Inkeroinen power plant dam in River Kymijoki that has been in use for nearly 100 years is a part of the company's refurbishment program for rolling gates. The program secures the production of sustainable balancing power far into the future.

After the completion of the River Lieksanjoki power plant refurbishments, we continued the planning of the Porttipahta refurbishment. In 2020, it starts the series of refurbishments of the River Kitinen power plants constructed during 1979-2001.

We celebrated the completion of the façade of Lieksankoski power plant, designed by Alvar Aalto, and the completed refurbishment of the entire river by organizing an open doors event. Hydropower and the culturohistorically significant building attracted a large number of students and local residents.

We carry out continuous voluntary maintenance of the heritage and cultural landscape of the Mutenia village, a culturohistorically significant remnant of the old Sompio. We arranged an on-site review together with the Finnish Heritage Agency, Sámi Museum and Nature Centre Siida, ELY Centre for Lapland, Regional Council of Lapland and the municipality of Sodankylä.

Our long-term goal is to partially restore the natural migratory fish stock to Kemijoki and Ounasjoki rivers and find the best solutions to advance biodiversity. We tested the Kalasydän solution and carried out a feasibility study for the fishway. We continued spawn and fry stockings and prepared for the refurbishments of migratory fish habitats.

The multiyear migratory fish project at River Lieksanjoki continues. We began preparing the smolt trapping device for Pankakoski power plant at Lieksanjoki. The solution is part of a larger group of procedures aimed at restoring migratory and endangered stock of landlocked salmon and trout with activities that support natural breeding. Lieksanjoki is an excellent example of achieving results from local cooperation and voluntary migratory fish work.

A warm thank you to our employees, partners and the residents in the eight municipalities in our operating area for a good year and meaningful cooperation!

TUOMAS TIMONEN
CEO

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REPORT OF THE BOARD OF DIRECTORS

Kemijoki Oy is a so-called Mankala company, which means that the main purpose of Kemijoki Oy is to produce electricity responsibly and cost-efficiently for its shareholders. An annual report has been compiled on the Company and its operations in 2019.

PRODUCTION AND INVESTMENTS

During 2019, the Company's hydropower plants produced a total of 4,498 GWh of electricity, representing 36 per cent of the hydropower electricity produced in Finland. In a long-term comparison, production was at an average level. Water reservoirs decreased by 28 GWh during the year. The fill level of water reservoirs was 57 per cent at the end of the year, which is clearly below the average fill level (average from years 1986–2010).

The total availability of power plants affecting production was 98.92 per cent. The availability taking into account unexpected interruptions caused by disturbances was 99.87 per cent. The longest outages were caused by the refurbishment of machinery unit 1 at Lieksankoski and the renewal of main transformer 3 at Valajaskoski.

Power plant refurbishments continued in accordance with the long-term plan. The environmental friendliness and efficiency of machinery at Lieksankoski was improved, and the risk of oil spills decreased significantly with the refurbishment, which was completed in April. In 2020, Porttipahta will be the first in a series of refurbishments of power plants constructed at Kitinen during 1979–2001. The refurbishment of the machinery unit at Kokkosniva will be carried out in 2021. The refurbishment programme of dam gates continued with the refurbishment of the largest single dam gate of the Inkeroinen dam, an almost 100-year-old rolling gate. Electrical systems of, for example, the machinery automation system in Vajukoski and main transformer 3 at Valajaskoski were renewed. The renewals of the power plants' generator switches were started

at two power plants. A new water treatment system was constructed at the Ossauskoski fish farm.

The detailed preparations for the Sierilä hydropower plant continued. The Supreme Administrative Court confirmed the project's water management permit in May 2017. After the ruling of the Supreme Administrative Court, Kemijoki Oy has a legally valid permit to construct and operate the Sierilä power plant and to regulate the river system. The project also has legally valid exemption permits with regards to the *Capricornia boisduvaliana* and the *Moehringia lateriflora*. The City of Rovaniemi also granted a construction permit for the powerhouse and gate building in February 2018. The Administrative Court of Northern Finland overruled the construction permit in March 2019. The company filed an appeal on the decision at the Supreme Administrative Court, where the matter is sub-judice.

Investments totalled EUR 19.9 million.

FINANCES

Cost-efficiency is the Company's main financial goal. The expense structure and operational expenses developed according to plan. Real estate taxes accounted for the single most significant expenditure, amounting to EUR 18.8 million. Other operating income from rental and reservoir income totalled EUR 10.3 million.

The company's loan portfolio totalled EUR 425.7 million at the end of 2019. The company's long-term loans amounted to EUR 316.0 million. A total of EUR 75 million of new long-term loans were taken out during the year. At the end of the year, the Company's short-term loans amounted to EUR 109.8 million.

Short-term financing and liquidity management have been arranged by way of a commercial paper programme and credit limit arrangements. The Company's liquidity remained good. The average interest rate for financing was 0.94 per cent at the end of the year. The hedging rate of the financing portfolio was 61.0 per cent at the end of the year.

At the end of the year under review, the balance sheet total was EUR 485.4 million. The Company's equity ratio was 10.6 per cent.

Because Kemijoki Oy operates on an absorption principle, analysis of financial indicators is not relevant.

ADMINISTRATION AND MANAGEMENT

In addition to valid legislation and the Articles of Association, Kemijoki Oy follows the principles of sound corporate governance. Kemijoki Oy's administration and decision-making are guided by the Articles of Association, the goals and principles of the Company operations and the rules of procedure of administrative bodies. The Company also complies, where applicable, with the Corporate Governance Code approved by the Finnish Securities Market Association unless the Articles of Association provide otherwise.

The highest decision-making body of the Company is the Annual General Meeting. The Annual General Meeting was held on 10 April 2019.

The Company has a Supervisory Board, whose duty is to supervise the administration of the Company, led by the Board of Directors and the CEO, and to instruct the Board in far-reaching and important matters of principle. The Supervisory Board has at least six and at most eleven members.

In 2019, the Supervisory Board had ten members. Until 10 April 2019, the Supervisory Board consisted of Wille Rydman as Chair and Sari Essayah, Hilikka Halonen, Ari Henriksson, Henna Kupsala, Mikko Kärnä, Markus Lohi, Juha Mäkelä and Marko Ekqvist as members. At the Annual General Meeting on 10 April 2019, Wille Rydman was elected Chair of the Supervisory Board. Sari Essayah, Hilikka Halonen, Ari Henriksson, Esa Hyvärinen, Henna Kupsala, Mikko Kärnä, Markus Lohi, Juha Mäkelä and Maiju Westergren were elected as members of the Supervisory Board. The Supervisory Board elected Essayah as Vice Chair.

At the Extraordinary General Meeting on 19 November 2019, Johanna Ojala-Niemelä was elected as Chair of the Supervisory Board. Hilikka Halonen, Satu Hassi, Ari Henriksson, Esa Hyvärinen, Kaisa Juuso, Mikko Kärnä, Juha Mäkelä, Mari-Leena Talvitie and Maiju Westergren were elected as members. The Supervisory Board elected Talvitie as Vice Chair.

The Supervisory Board held three meetings, and the average attendance at the meetings was 83 per cent.

Kemijoki Oy's Board of Directors is in charge of the administration and organisation of the Company's activities in compliance with legislation and the Articles of Association. The Board of Directors has at least six and at most eight members.

In 2019, the Board of Directors had seven members. Until 10 April 2019, the Board of Directors consisted of Tiina Tuomela as Chair and members Risto Andsten, Elina Engman, Tapio Jalonen, Tapio Korpeinen, Pekka Manninen and Jukka Ohtola. At the Annual General Meeting on 10 April 2019, the fol-

REPORT OF THE BOARD OF DIRECTORS

lowing were elected to the Board of Directors: Tiina Tuomela as Chair and Risto Andsten, Elina Engman, Tapio Jalonen, Markus Katara, Tapio Korpeinen and Pekka Manninen as members. The Board of Directors elected Korpeinen as Vice Chair.

The Board of Directors held 10 meetings, and the average attendance at the meetings was 100 per cent. The Board of Directors evaluates its own activities on an annual basis, which was also the case in 2019.

The Remuneration Committee of the Board of Directors included Tiina Tuomela as Chair and Jukka Ohtola (until 10 April 2019), Markus Katara (starting 10 April 2019) and Tapio Korpeinen as members. The Remuneration Committee of the Board of Directors held two meetings in 2019.

Supported by the Management Team, the CEO is responsible for the Company's operations and implementation of strategy.

The Annual General Meeting elected KPMG Oy Ab, a company of Authorised Public Accountants, as Kemijoki Oy's auditor, with Pekka Alatalo, APA, as the principal auditor.

Kemijoki Oy's internal audits are outsourced. The assessments are reported to the Board of Directors. The Board of Directors approves the internal audit plan annually. In 2019, the internal audit evaluated the administration and the investment activities of the Kemijoki Oy Pension Fund.

The Company has a contract signed by the water owners in November 2002 for the usage and recording of the Company's shareholder electricity. The Company in 2016 approved for its part a renewed production sharing contract which defines the usage, recording and gainsharing of shareholder electricity. The contract has not yet been signed.

The Company's Operations Committee included nine members in 2019. The Operations Committee held two meetings in 2019 with CEO Tuomas Timonen as Chair.

RISK MANAGEMENT

The goal of risk management is to ensure the continuity and development of the Company's operations and to support the Company in achieving its

strategic and financial goals. The Board of Directors reviews the Company's risk management guidelines and related instructions annually. In 2018, an extensive risk survey was carried out, based on which risks were reassessed in 2019. The Board discussed the key risks related to the Company's activities and their management.

The CEO is responsible for the proper organisation of risk management according to the guidelines of the Board's risk management policy. The risks are surveyed on a regular basis. With the help of the surveys, the Company assesses the most significant risks for its business in order to understand the Company's risk profile in terms of the risk effects, probability and the current level of risk management. This also provides an understanding of the financial effects of the identified risks and an evaluation of how the risks may threaten the achievement of strategic goals of Kemijoki Oy.

The Company's most important property, the power plants and dams, has been insured according to the insurance policy approved by the Board of Directors. Systematic maintenance of power plants and dams as well as the constant development of operating processes are used as safeguards against risks. A fire or a major machine breakdown at a power plant or a dam rupture could cause substantial property damages as well as significant losses due to interruptions. The key risks involve increasingly stringent and ambiguous changes in environmental legislation relating to hydropower, potential tax increases, changes to obligations as well as cyber risks.

Legislative provisions allowing differing interpretations breeds insecurity in the investment environment and undermines the predictability of permit processes. Prolonged permit processes also have economic impacts. Increasing taxes, tax-like fees or obligations would further add to the Company's operating expenses. The potential change in fishery-related obligations should be limited so that the financial strain of electricity production remains at the level of current obligations and voluntary activities.

The Company manages financial risks according to the financing policy approved by the Board of Directors. Environmental risks are managed according to the environmental management system. Risks associated with personnel are taken into account in human resources policies and plans relating to personnel development. Risks associated with the Company's data security are managed through appropriate technical solutions, regular testing, and training and instructions provided to personnel.

CORPORATE RESPONSIBILITY

The Company's Board of Directors is in charge of the strategic management and supervision of corporate responsibility according to the Board of Directors' rules of procedure. The Board of Directors approves Kemijoki's corporate responsibility programme, operation guidelines and principles, and reviews and approves the corporate responsibility report published annually. The corporate responsibility goals and their achievement are reported to the Annual General Meeting each year.

The CEO, supported by the Management Team, is responsible for results which are set in the goals of the Company's corporate responsibility strategy and the corporate responsibility program. The CEO reports on the progress of corporate responsibility activities to the Board of Directors on a regular basis. The Management Team is tasked with decision-making, securing sufficient resources and monitoring the progress for realizing the corporate responsibility programme. Corporate responsibility matters are discussed in accordance with the Management Team's rules of procedure and the annual operating plan.

The general operating practices of the Company, which guide the Company's operations, are determined by the Code of Conduct. Our Code of Conduct includes rules for equal treatment, anti-bribery and anti-corruption guidelines, and the company's commitment to respecting human rights, among other things. Suspicions or reports of violations of our Code of Conduct principles can be reported through

KEY FIGURES FOR THE PARENT COMPANY 2015-2019

	2015	2016	2017	2018	2019
Turnover MEUR	38,7	43,5	42,4	47,9	53,0
Other operating income MEUR	21,5	11,6	9,1	9,4	10,3
Operating expenses					
excl. real estate tax MEUR	38,5	41,2	38,9	40,2	38,9
Real estate tax MEUR	17,9	19,2	19,0	18,7	18,8
Salaries and benefits					
paid to personnel MEUR	3,7	3,9	3,6	3,5	3,6
Profit/loss for the financial period MEUR	0,8	0,8	0,8	0,8	0,8
Equity ratio %	17,0	14,3	12,23	10,8	10,6
Balance sheet total MEUR	474,2	477	482,0	477,6	485,4
Gross investments MEUR	33,3	16,5	22,1	17,7	19,9
Research and development MEUR	0,4	0,2	0,4	0,1	0,1
Personnel at the end of the year	44	40	37	36	38

an online notification channel. One report regarding the operations of a service supplier has been received through the channel. The report has been processed in accordance with good governance.

The Company has implemented a corporate responsibility license, which is a digital learning environment. This is a fixed-period license which will be completed by the entire personnel of Kemijoki Oy as well as the employees of contracting partners working for Kemijoki Oy. All employees of Kemijoki Oy and its partners are required to complete the corporate responsibility license every three years. 329 persons had completed the license by the end of 2019. The corporate responsibility license was also published as the Company's commitment to the Society's Commitment to Sustainable Development 2050 initiative.

The Association for Finnish Work has awarded the Key Flag Symbol for the energy produced by Kemijoki Oy and the expertise related to hydropower production.

The goals and measures of Kemijoki's corporate responsibility are reported in more detail in the online corporate responsibility report and GRI chart, which are available on the Company's website.

ENVIRONMENTAL ISSUES

Hydropower is the most significant form of renewable electricity production and it plays a central role in curbing climate change. In addition to its good qualities, hydropower also has environmental impacts which stem from the construction of new power plants, the regulating operation of existing power plants and the regulation of waterways. To reduce environmental impacts, EUR 4.5 million was used for environmental management in 2019. Fisheries obligations accounted for EUR 2.3 million of this sum and voluntary activities for EUR 1.2 million.

The application by Lapland's Centre of Economic Development, Transport and the Environment to the Regional State Administrative Agency for Northern Finland for changing Kemijoki's fisheries obligations has been ongoing since March 2017. Lapland's Centre

of Economic Development, Transport and the Environment submitted supplementary materials to its application at the end of October 2019. The Regional State Administrative Agency for Northern Finland had not issued a public notice on the application before the end of the year.

The voluntary migratory fish collaboration at the Kemijoki and Ounasjoki river area advanced according to the action plan. Kemijoki Oy is planning a dam bypass solution for migratory fish at the Taivalkoski power plant. Key activities of 2019 included the continued testing of the Kalasydän system, which had provided promising results, a feasibility study on a fish channel circumventing the dam, beginning of plans for rehabilitation of the living environment, and spawn and fry stockings. The Company also successfully continued restoring the stock of landlocked salmon and brown trout at Lieksanjoki river and the design of a smolt catching device at the Pankakoski power plant.

PERSONNEL

At the end of the year, the Company employed 38 persons. During the year under review, one person retired from the Company and four new persons were recruited. The absence due to sickness rate for personnel in 2019 was 1.3, which is slightly higher than in the previous year (1.1 per cent).

The Board of Directors monitors the development and events related to occupational safety in every meeting as part of the CEO's review and arranges a detailed hearing when necessary. No accidents resulting in over a day's absence occurred to Kemijoki Oy's personnel during the year under review. The level of occupational safety in the partner network decreased from the previous year. Two accidents resulting in an absence occurred among partners and two accidents resulting in an absence occurred among partners in outsourced operations. The necessary corrective and development measures have been taken.

Factoring in the work by the Company and its partners, the accident frequency rate in 2019 was 9.6

accidents per one million working hours, and factoring in the work done by partners in outsourced operations, the accident frequency rate was 14.3. In 2018, the average accident frequency rate in the energy industry was 9.7.

BONUS AND INCENTIVE SYSTEMS

Kemijoki Oy uses a performance bonus system for both management and personnel. The Board of Directors approves the principles of the performance bonus system. Performance bonuses for both personnel and management and the factors determining them comply with the guidelines on remuneration of company management and key personnel as detailed in Appendix 2 of the Finnish Government Resolution on State Ownership Steering Policy, published on 13 May 2016.

The performance bonus system supports the attainment of the Company's financial and operational goals. Employees may also be rewarded with a bonus for exceptionally good performance that produces added value for the Company.

The Board of Directors approves the pay and the grounds for performance bonuses for the CEO and the Management Team. The compensation paid to the CEO and the Management Team consists of a basic salary and a performance bonus.

The performance bonus for the CEO is based on the Company's targets. The amount of performance bonus payable depends on how well the Company's financial and operational targets are attained, and it is no more than 40 per cent of the fixed annual salary. The performance bonus is paid to the CEO until the end of their contract in accordance with the criteria approved by the Board of Directors.

The Company's CEO has signed an executive agreement that includes no pension benefits. The retirement age of the CEO is based on the current pension legislation. If the Company discontinues the CEO's contract, he will be paid a separate compensation equal to six months' salary in addition to six months' severance pay.

The criteria for the performance bonus for the Management Team are set by the Board of Directors and are based on how well the Company's financial and operational targets are attained. The amount of performance bonus paid is no more than 30 per cent of the fixed annual salary.

The fees payable to the members of the Supervisory Board and the Board of Directors are determined at the Annual General Meeting.

OUTLOOK FOR THE NEAR FUTURE

The goal is to advance the Sierilä power plant investment during 2020.

The refurbishments of power plants and environmental investments will continue according to plan. The machinery at Porttipahta will be refurbished in 2020, followed by Kokkosniva in 2021. The use of oil in the turbines will be reduced significantly, and oil will be replaced with water as a lubricant in the turbines' runner hubs, which reduces environmental risks. The Kitinen programme will be continued with preparations for the refurbishment of Kurkiaska. Gate number 7 of the Petäjäskoski power plant's dam will be refurbished. The Company's voluntary migratory fish work will be continued in accordance with the roadmap approved in the strategy.

PROPOSAL FOR DISTRIBUTION OF PROFIT

The total sum of distributable profit available to the Company amounted to EUR 9,613,718.43 as of 31 December 2019. After the end of the financial year, no changes have taken place that would have a significant effect on the Company's operations. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.34 per share, as stated in the Articles of Association, be paid to the B-series shares, amounting to EUR 794,575.92.

The Annual General Meeting will be held
on 10 April 2020 at 09:30.

Espoo, 10 February 2020

KEMIJOKI OY

Financial statements 31 December 2019

PROFIT AND LOSS ACCOUNT

	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Turnover	53 112 216,33	47 933 975,42
Other operating income	10 315 189,10	9 406 911,11
Materials and services		
Materials, supplies	-2 425 330,10	-2 659 394,90
External services	-13 139 287,93	-13 394 360,65
Personnel expenses	-3 619 039,21	-3 453 162,57
Depreciation, amortisation and value adjustments	-13 928 539,39	-15 913 403,09
Other operating expenses	-24 674 897,31	-23 479 539,75
Profit (loss)	5 640 311,49	-1 558 974,43
Financial income and expenses	-4 545 902,56	-4 623 662,90
Profit/loss before appropriation and taxes	1 094 408,93	-6 182 637,33
Appropriations		
Change in depreciation (+ increase / - decrease)	0,00	7 140 261,85
Income taxes	-299 833,01	-163 048,60
Profit for the financial period	794 575,92	794 575,92

BALANCE SHEET

	31 Dec 2019	31 Dec 2018
ASSETS		
Fixed assets		
Intangible assets	27 264 064,68	27 250 772,15
Tangible assets	452 184 352,86	446 233 787,73
Investments	368 930,58	368 930,58
	479 817 348,12	473 853 490,46
Current assets		
Long-term receivables	51 405,00	51 405,00
Short-term receivables	4 974 392,67	3 292 372,79
Cash in hand and in bank	563 704,12	386 179,53
	5 589 501,79	3 729 957,32
Total assets	485 406 849,91	477 583 447,78
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	41 285 753,60	41 285 753,60
Contingency fund	693 754,63	693 754,63
Invested unrestricted equity fund	6 972 602,00	6 972 602,00
Retained earnings	1 846 540,51	1 846 540,51
Profit for the financial period	794 575,92	794 575,92
	51 593 226,66	51 593 226,66
Obligatory provisions	322 989,00	322 989,00
Liabilities		
Long-term liabilities	315 970 030,75	294 741 960,57
Short-term liabilities	117 520 603,50	130 925 271,55
	433 490 634,25	425 667 232,12
Total equity and liabilities	485 406 849,91	477 583 447,78

CASH FLOW STATEMENT

EUR 1,000	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Cash flow from operating activities:		
Profit (loss) before extraordinary items	1 094	-6 183
Adjustments:		
Planned depreciation	13 929	14 413
Other non-cash flow items	0	1 500
Financial income and expenses	4 546	4 624
Profits from sales of assets	0	0
Other adjustments	-716	-132
Cash flow before change in working capital	18 853	14 222
Change in working capital:		
Increase (+)/ decrease (-) of short-term business receivables without interest	-1 762	2 410
Increase (+)/ decrease (-) of short-term loans without interest	312	-2 002
Operating cash flow before financing items and taxes	17 403	14 630
Interest and charges paid from other operating financing expenses	-4 602	-4 687
Dividends received	3	7
Interests received from operating activities	1	1
Direct paid taxes	-220	-163
Cash flow before extraordinary items	12 585	9 789
Cash flow operating activities (A)	12 585	9 789
Cash flow from investments:		
Investments in tangible and intangible assets	-19 944	-17 743
Proceeds from disposal of tangible and intangible assets	767	203
Proceeds from disposal of investments	0	33
Entry of long-term security deposit	0	-9
Proceeds from disposal of shares in subsidiaries and associated undertakings	0	0
Cash flow from investments (B)	-19 176	-17 516

EUR 1,000	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2018
Cash flow from financing activities:		
Withdrawals of long-term loans	75 000	0
Repayments of long-term loans	-53 772	-9 495
Withdrawals of short-term loans	0	15 998
Repayments of short-term loans	-13 664	0
Sale of own shares		
Dividends paid and other distribution of profit	-795	-795
Cash flow from financing activities (C)	6 769	5 708
Change in liquid assets (A+B+C) increase (+) / decrease (-)	178	-2 019
Liquid assets at the beginning of the financial period	386	2 405
Liquid assets at the end of the financial period	564	386

ACCOUNTING POLICIES 2019

EXTENT OF THE FINANCIAL STATEMENTS

The financial statements have been compiled in accordance with the Finnish Accounting Act and valid rules and regulations governing accounting in Finland.

FIXED ASSETS

Fixed assets have been entered in the balance sheet at their original acquisition cost as the direct acquisition and cost price from which depreciation according to plan has been deducted. Depreciation according to plan has been calculated according to straight-line depreciation based on the economic impact of the item. The depreciation plan corresponds to that of the previous year.

ENTRY OF FINANCIAL INSTRUMENTS

Financial instruments are entered at acquisition cost. Derivative instruments are for hedging and are intended to be retained to maturity. The cash flow from financial instruments will be realised at the same time as the cash flow from the instruments below. The exchange difference and amortised interest of derivatives have been entered in the financial statements. The fair value of hedging derivative contracts is presented in the notes to the financial statements as an off-balance-sheet item.

FINANCIAL ASSETS

Financing securities have been entered at acquisition cost.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019

	2019	2018
OTHER OPERATING INCOME		
Proceeds from the disposal of fixed assets	716 179,15	132 669,26
Rents received	1 420 054,88	1 478 357,94
Sale of services	7 749 811,39	7 109 132,62
Other	429 143,68	686 751,29
Total	10 315 189,10	9 406 911,11
NUMBER OF EMPLOYEES		
Personnel at the end of the year		
Clerical employees	38	36
Other employees	0	0
Total	38	36
PERSONNEL EXPENSES		
Wages and compensation	3 037 528,71	2 934 742,23
Pension expenses	504 931,02	449 142,27
Other social security expenses	76 579,48	69 278,07
Total	3 619 039,21	3 453 162,57
MANAGEMENT SALARIES AND COMPENSATION		
Supervisory Board, Board of Directors and CEO	380 315,00	370 994,00
PERSONNEL EXPENSES CAPITALISED UNDER FIXED ASSETS	398 227,18	398 479,21
DEPRECIATION AND VALUE ADJUSTMENTS		
Amortisation on intangible assets	923 399,89	911 104,33
Depreciation on tangible assets		
Buildings and structures	1 877 601,50	1 845 073,01
Hydraulic structures	2 314 113,46	2 308 530,46
Machinery and equipment	8 813 424,54	9 348 695,29
Depreciation on land and water areas	0,00	1 500 000,00
Total	13 928 539,39	15 913 403,09

	2019	2018
OTHER OPERATING EXPENSES		
Rents	37 516,74	43 297,30
Leasing rents	423 061,02	174 458,92
Real estate taxes	18 847 339,62	18 668 039,28
Other	5 366 979,93	4 593 744,25
Total	24 674 897,31	23 479 539,75
FINANCIAL INCOME AND EXPENSES		
Dividend income		
From others	2 902,00	7 236,00
Interest received		
Other interest received		
From others	1 051,08	903,27
Financial income total	1 051,08	903,27
Interest paid		
To others	-4 502 850,64	-4 580 847,17
Interest paid total	-4 502 850,64	-4 580 847,17
Other financial income		
From others		
Other financial expenses	-47 005,00	-50 955,00
Financial income and expenses total	-4 545 902,56	-4 623 662,90
CHANGE IN DEPRECIATION DIFFERENCE		
Other long-term costs	-943 215,51	910 552,48
Buildings and constructions	-2 091 052,45	-1 740 783,45
Hydraulic structures	2 251 746,99	2 308 530,46
Machinery and equipment	782 520,97	5 661 962,36
Total	0,00	7 140 261,85
INCOME TAXES		
Income taxes on ordinary operating activities	299 833,01	163 048,60

Estimated taxes have not been included in the profit and loss account or balance sheet. The estimated tax liability resulting from the difference in the book value of the fixed assets in the balance sheet and tax-deductible net expenditure was a total of EUR 3.8 million in 2019.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019

INTANGIBLE AND TANGIBLE ASSETS

	Acquisition cost	Increase	Decrease	Accumulated depreciation	Balance sheet value 31 Dec 2019
Intangible assets					
Other long-term expenses	66 410 487,24	936 692,42	0,00	40 083 114,98	27 264 064,68
Tangible assets					
Land and water areas	41 970 932,26	961 983,00	51 220,85	0,00	42 881 694,41
Buildings and constructionst	141 427 586,39	3 759 707,53	0,00	64 512 343,63	80 674 950,29
Hydraulic structures	200 442 289,42	0,00	0,00	98 513 036,07	101 929 253,35
Machinery and equipment	400 326 515,95	22 368 787,11	0,00	224 723 218,05	197 972 085,01
Advance payments and ongoing acquisitions	36 809 921,96	19 871 845,90	27 955 398,06	0,00	28 726 369,80
Total	820 977 245,98	46 962 323,54	28 006 618,91	387 748 597,75	452 184 352,86
Shares and holdings	368 930,58	0,00	0,00	0,00	368 930,58
Total	887 756 663,80	47 899 015,96	28 006 618,91	427 831 712,73	479 817 348,12

Machinery and equipment directly serving electricity production	2019	2018
Undepreciated part of acquisition cost as at 31 Dec	197 305 449,61	153 018 716,28

Planned depreciation periods

Other long-term expenses	mainly 80 years
Power plant buildings	80 years
Other buildings and constructions	20 - 60 years
Hydraulic structures	80 years
Principal power plant units	40 years
Other machinery and equipment	10 - 30 years
Fixtures and vehicles	5 years

Calculation on distributable equity 31 Dec	2019	2018
Retained earnings	1 846 540,51	1 846 540,51
Profit for the financial period	794 575,92	794 575,92
Invested unrestricted equity fund	6 972 602,00	6 972 602,00
Total	9 613 718,43	9 613 718,43

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019

INVESTMENTS

	SHARES		
	Participating interests	Other	Total
Acquisition cost as at 1 Jan 2019	168 187,92	200 742,66	368 930,58
Decrease/Increase	0,00	0,00	0,00
Acquisition cost as at 31 Dec 2019	168 187,92	200 742,66	368 930,58
Book value as at 31 Dec 2019	168 187,92	200 742,66	368 930,58

SHARES AND HOLDINGS

Shares in associated undertakings owned by parent company

	Group interest %
Voimalohi Oy, Kemi	50,0

SALARIES AND COMPENSATION PAID TO THE SUPERVISORY BOARD, BOARD OF DIRECTORS AND CEO OF KEMIJOKI OY IN 1 JANUARY - 31 DECEMBER 2019

	Salaries and fringe benefits	Incentive pay	Total
Chairman of the Supervisory Board	7 200		7 200
Deputy Chairman of the Supervisory Board	600		600
Members of the Supervisory Board	9 500		9 500
Chairman of the Board of Directors	25 200		25 200
Deputy Chairman of the Board of Directors	16 200		16 200
Members of the Board of Directors	73 200		73 200
CEO	199 182	49 233	248 415
Total	331 082	49 233	380 315

FEES PAID BY KEMIJOKI OY TO THE AUDITOR

	2019	2018
Audit fees	41 219	23 274
Other fees	29 988	13 552

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019

	2019	2018
ITEMISATION OF RECEIVABLES		
Short-term		
Accounts receivable	4 466 476,65	2 098 142,28
Receivables from associated undertakings	284 405,50	489 364,50
Other receivables	213 253,08	656 268,63
Prepayments and accrued income	10 257,44	48 597,38
Total	4 974 392,67	3 292 372,79
SUBSTANTIAL ITEMS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME		
Employee retirement fund receivables	0,00	29 797,32
Other	10 257,44	18 800,06
Total	10 257,44	48 597,38

SHARE CAPITAL BY SHARE TYPE

	number of shares	31 Dec 2019 nominal value	number of shares	31 Dec 2018 nominal value
Hydropower shares (A series, 1 vote)	105 956	1 790 656,40	105 956	1 790 656,40
Monetary shares (B series, 1 vote)	2 336 988	39 495 097,20	2 336 988	39 495 097,20
Total	2 442 944	41 285 753,60	2 442 944	41 285 753,60

Hydropower shares entitle shareholders to purchase the electric power produced by the company.
Monetary shares entitle to receive dividend.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019

	2019	2018
CHANGES IN SHAREHOLDERS' EQUITY		
Share capital as at 1 Jan	41 285 753,60	41 285 753,60
Share capital as at 31 Dec	41 285 753,60	41 285 753,60
Contingency fund as at 1 Jan	693 754,63	693 754,63
Contingency fund as at 31 Dec	693 754,63	693 754,63
Invested unrestricted equity fund as at 1 Jan	6 972 602,00	6 972 602,00
Invested unrestricted equity fund as at 31 Dec	6 972 602,00	6 972 602,00
Retained earnings as at 1 Jan	2 641 116,43	2 641 116,43
Distribution of dividends	-794 575,92	-794 575,92
Used by the Board of Directors for general purposes		
Retained earnings as at 31 Dec	1 846 540,51	1 846 540,51
Profit for the financial period	794 575,92	794 575,92
Total shareholders' equity	51 593 226,66	51 593 226,66
	9 613 718,43	9 613 718,43
ACCUMULATED APPROPRIATIONS		
Accumulated depreciation difference		
Other long-term expenses	10 669 844,69	9 837 067,88
Buildings and constructions	13 823 110,96	11 712 928,82
Hydraulic structures	12 735 257,91	13 068 584,82
Machinery and equipment	-37 228 213,56	-34 618 581,52
Deferral	0,00	0,00
Total	0,00	0,00
OBLIGATORY PROVISIONS		
Pension provision	322 989,00	322 989,00
LONG-TERM LIABILITIES		
Long-term debts		
Loans from financial institutions	267 807 017,58	246 578 947,40
Bonds	48 163 013,17	48 163 013,17
Total	315 970 030,75	294 741 960,57

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019

	2019	2018
Debts due in five years or more		
Loans from financial institutions	2 719 298,00	6 491 228,00
SHORT-TERM LIABILITIES		
Loans from financial institutions	53 771 929,82	55 438 596,45
Accounts payable	4 728 626,47	4 536 986,41
Other loans	56 623 919,09	68 555 195,91
Accruals and deferred income	2 396 128,12	2 394 492,78
Total	117 520 603,50	130 925 271,55
SUBSTANTIAL ITEMS INCLUDED IN ACCRUALS AND DEFERRED INCOME		
Salaries, including social security cost	851 219,55	893 749,80
Interest	624 568,72	677 081,63
Other	920 339,85	823 661,35
Total	2 396 128,12	2 394 492,78
SECURITY GIVEN AND CONTINGENT LIABILITIES		
Contingent and other liabilities		
Guarantees		
On own behalf	11 000 000,07	12 833 333,39
On behalf of associated undertakings	33 442,49	33 442,49
On behalf of others	0,00	0,00
Leasing agreements		
Amounts payable during the current financial period	255 381,57	92 202,90
Amounts payable during the following financial periods	218 661,72	79 938,78
Residual value liabilities	0,00	0,00
Total	11 507 485,85	13 038 917,56

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019

	2019	2018
Derivative contracts		
Interest rate swaps		
Market value	-2 567 031,00	-3 366 938,00
Value of underlying asset	111 578 947,00	90 350 877,00
Not entered as income	-2 380 984,00	-3 137 984,00
Exchange and interest rate swaps		
Market value	-11 519 474,00	-11 396 134,00
Value of underlying asset	39 538 515,00	39 202 678,00
Not entered as income	-2 917 765,00	-2 456 425,00
Interest rate swaps with interest rate floor		
Market value	-455 257,00	-878 205,00
Value of underlying asset	100 000 000,00	100 000 000,00
Not entered as income	-425 079,00	-848 241,00

All derivative contracts have been made to hedge loans against changes of interest rates and exchange rates in accordance with the financing policy approved by the Board of Directors. The hedged loans and their hedging derivative contracts are inversely congruent, excluding the interest rate floor of one loan. Interest rate swaps are used to change the variable interest rate of the loan to be hedged to a fixed rate. The terms and conditions of an interest rate swap with interest rate floor are consistent with the loan to be hedged. Currency and interest rate swaps are used to change the currency of a NOK-denominated loan to euro while the exchange rate remains fixed. The exchange rate difference as well as the amortised interest of derivatives are recorded in the financial statements. The 12-month interest flow risk calculated for derivatives and interest-bearing loans on 31 December 2019 is EUR -1.3 million and the duration is 1.7 years.

Other financial liabilities not entered in the balance sheet

VAT LIABILITY ON PROPERTIES

The company is obliged to revise the VAT deductions made on real estate investments completed between 2010 and 2019 if the taxable use of those properties decreases during the review period. The maximum liability is EUR 2 133 927,22 and the final year of the review is 2028.

RETIREMENT OBLIGATIONS

The uncovered obligation is booked as obligatory pension provision. The retirement obligation is partly covered with voluntary pension insurance. The other retirement obligations in the company have been insured in external Pension Insurance companies and in the Kemijoki Pension Fund.

PROPOSAL FOR DISTRIBUTION OF PROFIT BY THE BOARD OF DIRECTORS

The total sum of distributable profit available to the parent company amounts to EUR 9,613,718.43.

No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good and in the view of the Board of Directors, the proposed distribution does not jeopardise the company's solvency.

The Board of Directors shall propose to the General Meeting that

a dividend of EUR 0.34 per share, as stated in the Articles of Association, be paid to the

B series shares not owned by the company at the moment	794 575,92 €
to be transferred to retained earnings	8 819 142,51 €
	9 613 718,43 €

Espoo, 10 February 2020

Tiina Tuomela

Risto Ändsten

Elina Engman

Tapio Jalonen

Tapio Korpeinen

Markus Katara

Pekka Manninen

Tuomas Timonen
CEO

AUDITOR'S SIGNATURE

An audit report has been given today.

Espoo, 10 February 2020

KPMG Oy Ab

Pekka Alatalo
APA

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF KEMIJOKI OY FINANCIAL STATEMENTS

AUDIT STATEMENT

We have audited the financial statements of Kemijoki Oy (Finnish Business ID 0192171-7) for the financial year 1 January 2019 to 31 December 2019. The financial statements comprise the balance sheet, profit and loss account, cash flow statement and notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial performance and the financial position of the Company, in accordance with current Finnish legislation on the preparation of financial statements, and comply with legal requirements.

JUSTIFICATION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities which comply with good auditing practice are introduced in more detail in section Responsibility of the Auditor. In accordance with ethical requirements in Finland that concern our audit, we are independent of the Company and we have also fulfilled the other ethical responsibilities of these requirements. In our opinion, we have obtained a sufficient amount of applicable audit evidence to provide a basis for our audit opinion.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO are responsible for the preparation of the financial statements and for ensuring that they give a true and fair view in ac-

cordance with current Finnish legislation concerning the preparation of financial statements and comply with legal requirements. The Board of Directors and the CEO are also responsible for internal control deemed necessary in order to prepare financial statements which are free of material misstatement due to fraud or error.

While preparing the financial statements, the Board of Directors and the CEO are obligated to assess the Company's ability to continue its operations and, where applicable, present matters which concern continuity of operations and that the financial statements have been prepared based on continuity of operations. The financial statements are prepared based on continuity of operations except if it is intended to dissolve the Company or to close its operations or no other realistic alternative exists.

RESPONSIBILITIES OF THE AUDITOR

Our aim is to obtain reasonable assurance about whether the financial statements are free from material misstatement due to fraud or error as well as to provide an auditor's report with our opinion. Reasonable assurance is a high level of assurance. However, it does not guarantee that material misstatement is always detected during auditing conducted in accordance with good auditing practice. Misstatement can be caused by fraud or error, and they are considered material if alone or together they can reasonably be expected to affect financial decisions based on the financial statements.

Good auditing practice entails that we apply professional judgement and maintain professional scepticism during the auditing process. In addition:

- We identify and assess the risks of material misstatement, whether due to fraud or error, plan and implement audit practices for these risks, and we obtain sufficient and appropriate evidence to provide a basis for our audit opinion. The risk that material misstatement due to fraud remains undetected is greater than the risk that material misstatement due to error remains undetected as fraud may linked to coercion, falsification, purposefully withholding information or presenting erroneous information or disregarding internal control.

- We consider the internal control relevant for the auditor's report 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 Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the information presented on them.

- We form a conclusion on whether it has been appropriate for the Board of Directors and the CEO to prepare the financial statements based on a presumption of operations continuing, and based on the audit evidence that we have obtained we form a conclusion on whether uncertainty, connected to events or circumstances, which could cause notable reason to doubt the Company's ability to continue its operations, exists. If we conclude that such uncertainty exists, we must draw the reader's attention to information presented in the financial statements concerning uncertainty in our auditor's report or, if the information concerning uncertainty is insufficient, we must adapt our statement. Our conclu-

sions are based on audit evidence acquired by the date of issue of the auditor's report. Adverse events or circumstances may, however, cause the Company to be unable to continue its operations.

- We evaluate the financial statements, including all information presented in the financial statements, overall presentation, structure and content, and whether the financial statements describe the business and events it is based on correctly and adequately.

We communicate with administrative bodies on, for instance, the planned scope and timing of the auditor's report and significant audit findings, including potential deficiencies in internal control which we identify during the auditing process.

OTHER REPORTING RESPONSIBILITIES OTHER INFORMATION

The Board of Directors and the CEO are responsible for other information. Other information comprises the information in the report of the Board of Directors. Our opinion on the financial statements does not include other information.

Our duty is to read the information in the report of the Board of Directors in connection with auditing the financial statements and to evaluate whether the information contradicts information in the financial statements or information we have acquired during auditing or whether it appears to be otherwise incorrect. It is also our duty to evaluate whether the report of the Board of Directors has been prepared in accordance with applicable legislation.

In our opinion, the report of the Board of Directors is consistent with the financial statements and the report of the Board of Directors has been pre-

pared in accordance with legislation applied to the preparation of a report of the Board of Directors.

If, based on the work that we have conducted on the information included in the report of the Board of Directors, we conclude that there is material misstatement in the other information in question, we must report the matter. We have nothing to report regarding this.

OTHER STATEMENTS

We recommend that the financial statements be approved. We recommend that the members of the Board of Directors and the CEO be granted discharge from liability for the financial period covered in this audit

Espoo, 10 February 2020

KPMG OY AB

Pekka Alatalo

Authorised Public Accountant (KHT)

STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board of Kemijoki Oy has examined the Company's financial statements for 2019, as well as the report by its Board of Directors, the proposal by the Board of Directors for the use of distributable funds and the audit report, all of which the Supervisory Board finds acceptable. The Supervisory Board recommends that the financial statements be adopted, and agrees with the proposal of the Board of Directors as to the manner of distributing profit.

The Supervisory Board hereby states that the instructions given by it have been followed and that it has received the information needed for carrying out its duties from the Board of Directors of the Company and from the CEO.

Helsinki, 5 March 2020

Johanna Ojala-Niemelä

Mari-Leena Talvitie

Hilkka Halonen

Satu Hassi

Ari Henriksson

Esa Hyvärinen

Kaisa Juuso

Mikko Kärnä

Juha Mäkelä

Maiju Westergren



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