Financial statements bulletin 2018

GOOD REVENUE GROWTH AND SOLID RESULTS IN 2018

Fourth quarter

- Revenue increased by 4% to EUR 661.8 million (636.5) as sales price increases continued in all product categories globally. Revenue in local currencies, excluding acquisitions and divestments, increased by 3% due to growth in sales prices.
- Operative EBITDA increased by 5% to EUR 84.5 million (80.7) mainly due to higher sales prices, which offset continuing increases in variable costs. Operative EBITDA margin increased to 12.8% (12.7%). EBITDA increased by 4% to EUR 81.3 million (78.4) and the difference to operative EBITDA is explained by items affecting comparability.
- EPS increased by 5% to EUR 0.17 (0.16) mainly due to higher operative EBITDA.

Full year

- Revenue increased by 4% to EUR 2,592.8 million (2,486.0), mainly due to higher sales prices. Revenue in local currencies, excluding acquisitions and divestments, increased by 7% with all businesses demonstrating growth.
- Operative EBITDA increased by 4% to EUR 323.1 million (311.3) as higher sales prices more than offset the increase in variable costs. Operative EBITDA margin was 12.5% (12.5%). EBITDA increased by 11% to EUR 314.8 million (282.4) and the difference to operative EBITDA is explained by items affecting comparability.
- EPS increased by 13% to EUR 0.58 (0.52) mainly due to higher operative EBITDA and lower items affecting comparability.

Dividend proposal for 2018

The Board of Directors proposes a cash dividend of EUR 0.53 per share (0.53) to the Annual General Meeting 2019, totaling EUR 81 million (81).

Outlook for 2019

Kemira expects its operative EBITDA (2018: EUR 323.1 million) to increase from the prior year on a comparable basis, excluding the impact of the IFRS 16 accounting change.

Kemira's President and CEO Jari Rosendal:

"The year ended with continued revenue and earnings growth. We are on the right track as shown by the organic growth of 3% and operative EBITDA increase of 5% in the fourth quarter.

In 2018, we continued to grow driven by higher sales prices. The growth was supported by favorable market trends in all our business areas leading to 7% organic growth for the Group. We have improved our customer satisfaction and employee engagement while systematic improvements have been made in our operations to meet changing market dynamics. Our operative EBITDA margin of 12.5% was at the level of previous year while the second half of the year was clearly better than the first.

Pulp & Paper demonstrated organic growth of 6% in 2018, which was mainly driven by increased sales prices. Our business is supported by positive market trends – such as e-commerce and growing middle class in APAC – which increase need for different kinds of packaging and paper material. However, operative EBITDA margin of the business declined in 2018. Particularly in paper chemicals, i.e. process and functional chemicals, we have yet only partially succeeded in passing on increases in raw material costs.

Industry & Water demonstrated strong organic growth of 9% in 2018. Our North American oil & gas business recorded over 40% growth in chemical sales, which is one of the main contributors to the increase in profitability from 11.3% to 12.3% for the segment. We expect Oil & Gas revenue growth to normalize in 2019 as market growth is moderating and capacity utilization is at a high level. We believe that there will be long-term growth regarding polymer demand in North America and therefore we have now decided to expand our polymer capacity in the US with the EUR 60 million investment. From a long-term perspective, market trends are looking positive also for water treatment as increasing regulation requires more chemical usage. For example, the EU is currently reviewing multiple directives for water treatment.

I want to thank all our customers, employees, suppliers, shareholders, and other stakeholders for the year 2018. Despite the global economic uncertainty, we look into 2019 with optimism."

IFRS 16 accounting change

Kemira adopted IFRS 16 -standard on January 1, 2019. In the profit and loss statement, current operating lease expenses are replaced by the depreciation of the right-of-use asset and interest cost associated with lease liability. As a result, it is estimated that impact on net profit in P&L is immaterial. Kemira currently estimates that the adaptation of IFRS 16 -standard is expected to increase total amount of balance sheet by approximately 5%, EBITDA margin by approximately 1 percentage point and gearing by approximately 10 percentage points. In 2019, the impact on operative EBITDA due to the adoption of IFRS 16 is estimated to be around EUR 30 million. See page 40 for more details.

KEY FIGURES AND RATIOS

EUR million	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Revenue	**661.8**	636.5	**2,592.8**	2,486.0
Operative EBITDA	**84.5**	80.7	**323.1**	311.3
Operative EBITDA, %	**12.8**	12.7	**12.5**	12.5
EBITDA	**81.3**	78.4	**314.8**	282.4
EBITDA, %	**12.3**	12.3	**12.1**	11.4
Operative EBIT	**44.8**	44.0	**173.8**	170.3
Operative EBIT, %	**6.8**	6.9	**6.7**	6.9
EBIT	**41.1**	41.8	**148.2**	141.4
EBIT, %	**6.2**	6.6	**5.7**	5.7
Finance costs, net	**-5.8**	-7.1	**-25.0**	-28.9
Profit before taxes	**35.4**	34.6	**123.3**	112.6
Net profit for the period	**26.5**	25.8	**95.2**	85.2
Earnings per share, EUR	**0.17**	0.16	**0.58**	0.52
Capital employed*	**1,781.4**	1,763.2	**1,781.4**	1,763.2
Operative ROCE*, %	**9.8**	9.7	**9.8**	9.7
ROCE*, %	**8.3**	8.0	**8.3**	8.0
Cash flow from operating activities	**88.2**	71.4	**210.2**	205.1
Capital expenditure excl. acquisitions	**53.2**	64.2	**150.4**	190.1
Capital expenditure	**97.6**	64.2	**193.7**	190.1
Cash flow after investing activities	**-3.3**	3.7	**29.0**	13.0
Equity ratio, % at period-end	**44**	44	**44**	44
Equity per share, EUR	**7.80**	7.61	**7.80**	7.61
Gearing, % at period-end	**62**	59	**62**	59
Personnel at period-end	**4,915**	4,732	**4,915**	4,732

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

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 in 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 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.

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

FINANCIAL PERFORMANCE IN Q4 2018

Revenue increased by 4%, as sales price increases continued in all product categories globally. Revenue in local currencies, excluding acquisitions and divestments, increased by 3% due to growth in sales prices.

Revenue	Oct-Dec 2018 EUR, million	Oct-Dec 2017 EUR, million	Δ%	Organic growth*, %	Currency impact, %	Acq. & div. impact, %
Pulp & Paper	**390.4**	372.8	+5	+4	0	0
Industry & Water	**271.5**	263.8	+3	+2	+1	0
Total	**661.8**	636.5	+4	+3	+1	0

* Revenue growth in local currencies, excluding acquisitions and divestments

Operative EBITDA increased by 5% mainly due to higher sales prices, which offset continuing increases in variable costs.

Variance analysis, EUR million	Oct-Dec
Operative EBITDA, 2017	**80.7**
Sales volumes	-3.6
Sales prices	+37.1
Variable costs	-29.1
Fixed costs	-1.7
Currency exchange	+3.2
Others	-2.1
Operative EBITDA, 2018	**84.5**

Operative EBITDA	Oct-Dec 2018 EUR, million	Oct-Dec 2017 EUR, million	Δ%	Oct-Dec 2018 %-margin	Oct-Dec 2017 %-margin
Pulp & Paper	**51.2**	55.4	-8	**13.1**	14.9
Industry & Water	**33.3**	25.3	+32	**12.3**	9.6
Total	**84.5**	80.7	+5	**12.8**	12.7

EBITDA increased by 4% and the difference to operative EBITDA is explained by items affecting comparability. **Items affecting comparability within EBITDA** mainly included organizational restructuring costs and positive adjustments for transaction costs.

Items affecting comparability, EUR million	**Oct-Dec 2018**	Oct-Dec 2017
Within EBITDA	**-3.2**	**-2.2**
Pulp & Paper	+1.8	-0.3
Industry & Water	-5.0	-1.9
Within depreciation, amortization and impairments	**-0.5**	**0.0**
Pulp & Paper	0.0	0.0
Industry & Water	-0.5	0.0
Total items affecting comparability in EBIT	**-3.7**	**-2.2**

Depreciation, amortization and impairments were EUR 40.2 million (36.6) including the EUR 3.9 million (4.1) amortization of the purchase price allocation.

Operative EBIT increased by 2% mainly due to higher sales prices, which more than offset increases in variable costs. **EBIT** decreased by 2% and the difference between the two is explained by items affecting comparability.

Finance costs, net totaled EUR -5.8 million (-7.1). **Income taxes** were EUR -8.9 million (-8.8). **Net profit for the period** increased by 3% mainly due to higher operative EBITDA.

FINANCIAL PERFORMANCE, FULL YEAR 2018

Revenue increased by 4%, driven mainly by growth in sales prices. Revenue in local currencies, excluding acquisitions and divestments, increased by 7%.

Revenue	Jan-Dec 2018 EUR, million	Jan-Dec 2017 EUR, million	Δ%	Organic growth*, %	Currency impact, %	Acq. & div. impact, %
Pulp & Paper	**1,520.2**	1,476.9	+3	+6	-3	0
Industry & Water	**1,072.6**	1,009.1	+6	+9	-3	0
Total	**2,592.8**	2,486.0	+4	+7	-3	0

* Revenue in local currencies, excluding acquisitions and divestments

Operative EBITDA increased by 4% mainly due to higher sales prices, which more than offset increased variable costs. The EUR 16 million volume growth benefit was offset by the EUR 14 million negative currency impact.

Variance analysis, EUR million	Jan-Dec
Operative EBITDA, 2017	**311.3**
Sales volumes	+15.9
Sales prices	+149.5
Variable costs	-129.0
Fixed costs	-7.3
Currency exchange	-14.0
Others	-3.3
Operative EBITDA, 2018	**323.1**

Operative EBITDA	Jan-Dec 2018 EUR, million	Jan-Dec 2017 EUR, million	Δ%	Jan-Dec 2018 %-margin	Jan-Dec 2017 %-margin
Pulp & Paper	**191.7**	197.7	-3	**12.6**	13.4
Industry & Water	**131.5**	113.6	+15	**12.3**	11.3
Total	**323.1**	311.3	+4	**12.5**	12.5

EBITDA increased by 11%. The difference to operative EBITDA is explained by items affecting comparability. **Items affecting comparability within EBITDA** included organizational restructuring costs, a gain on sale, and positive adjustments for transaction costs. In the previous year the figure mainly resulted from the organizational restructuring costs and the EUR -12.7 million settlement for the damage claim relating to the alleged old infringement of competition law in the hydrogen peroxide business between 1994-2000.

Items affecting comparability, EUR million	Jan-Dec 2018	Jan-Dec 2017
Within EBITDA	**-8.3**	**-28.9**
Pulp & Paper	-3.9	-17.9
Industry & Water	-4.4	-11.0
Within depreciation, amortization and impairments	**-17.3**	**0.0**
Pulp & Paper	-7.9	0.0
Industry & Water	-9.3	0.0
Total items affecting comparability in EBIT	**-25.6**	**-28.9**

Depreciation, amortization and impairments increased to EUR 166.6 million (141.0) including the EUR 15.9 million (16.7) amortization of purchase price allocation. Depreciation, amortization and impairments included **items affecting comparability** of EUR -17.3 million (0.0) related to the write-downs of production units. The write-downs were part of the long-term polymer manufacturing optimization in Industry & Water and the decision to direct more hydrogen peroxide capacity to pulp customers in Pulp & Paper.

Operative EBIT increased by 2% as higher sales prices and volumes more than offset the increase in variable costs and the negative currency impact. **EBIT** increased by 5% and the difference between the two is explained by items affecting comparability.

Finance costs, net totaled EUR -25.0 million (-28.9). **Income taxes** were EUR -28.1 million (-27.4). The reported tax rate was 23% (24%). **Net profit for the period** increased by 12% mainly due to higher operative EBITDA and items affecting comparability.

FINANCIAL POSITION AND CASH FLOW

Cash flow from operating activities in 2018 increased to EUR 210.2 million (205.1) due to higher operative EBITDA while cash flow after investing activities increased to EUR 29.0 million (13.0) mainly due to lower capital expenditure excluding acquisitions.

At the end of the period, interest-bearing liabilities totaled EUR 886 million (861). The average interest rate of the Group's interest-bearing liabilities was 1.9% (2.0%). In December, Kemira signed bilateral loan agreements of EUR 150 million, which will mature in 2023, replacing bilateral loan agreements that mature in 2020. The duration of the Group's interest-bearing loan portfolio was 31 months (33). Fixed-rate loans accounted for 79% of the interest-bearing liabilities (75%).

Short-term liabilities maturing in the next 12 months amounted to EUR 240 million (191). On December 31, 2018, cash and cash equivalents totaled EUR 145 million (166). The Group has a total of EUR 440 million of undrawn committed credit facilities.

At the end of the period, Kemira Group's net debt was EUR 741 million (694). The equity ratio was 44% (44%), while the gearing was 62% (59%).

Kemira is exposed to transaction and translation currency risks. The Group's most significant transaction currency risks arise from the Swedish krona, the U.S. dollar and the Canadian dollar. At the end of the year, the denominated 12-month exchange rate risk of the Swedish krona against the euro had an equivalent value of approximately EUR 50 million, 74% of which was hedged on an average basis. The U.S. dollar denominated exchange rate risk was approximately EUR 24 million, 59% of which was hedged on an average basis. The Canadian dollar denominated exchange rate risk against the USD was approximately EUR 25 million, 24% of which was hedged on an average basis. The Canadian dollar denominated exchange rate risk against euro was EUR 15 million, of which 69 % was hedged on an average basis. In addition, Kemira is exposed to other transaction risks which mainly are related to the Chinese renminbi, Norwegian krona, Brazilian real, Polish Zloty, and Russian ruble with the total annual exposure in these currencies amounting to approximately EUR 72 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 U.S. dollar and the Canadian dollar. Strengthening of currencies against the euro would increase Kemira's revenue and EBITDA through a translation effect.

CAPITAL EXPENDITURE

In 2018, capital expenditure excluding acquisitions decreased 21% to EUR 150.4 million (190.1). Capital expenditure can be broken down as follows: expansion capex 29% (35%), improvement capex 36% (34%), and maintenance capex 35% (31%). The largest investment during the year was the expansion of CEOR polymer capacity in Botlek, Netherlands.

Including acquisitions, capital expenditure amounted to EUR 193.7 million (190.1). Kemira completed the closing of the deal with AKD producer in China. Kemira formed a joint venture - Kemira TC Wanfeng Chemicals Yanzhou ("NewCo") - with Shandong Tiancheng Wanfeng Chemical Technology ("TC Wanfeng"). Kemira has 80% and TC Wanfeng 20% of NewCo.

RESEARCH AND DEVELOPMENT

Research and Development expenses totaled EUR 30.2 million (30.3) in 2018 representing 1.2% (1.2%) 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 and to 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 and on its ability to innovate new differentiated products and applications.

At the end of 2018, Kemira had 366 (389) patent families, including 1,546 (1,525) granted patents, and 1,042 (1,017) pending applications. During 2018, Kemira applied for 34 (52) new patents. Commercialization of 10 projects related to new products started in 2018 and nine of them are designed to improve customer resource efficiency.

HUMAN RESOURCES

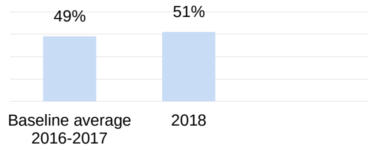
At the end of the period, Kemira Group had 4,915 employees (4,732). Kemira employed 802 people in Finland (803), 1,777 people elsewhere in EMEA (1,768), 1,559 in the Americas (1,514), and 777 in APAC (647).

CORPORATE RESPONSIBILITY

Sustainable products and solutions

Target | **Performance** | **Comments**

Product sustainability
Share of revenue from products used for use-phase resource efficiency. At least 50% of Kemira's revenue generated through products improving customers' resource efficiency.



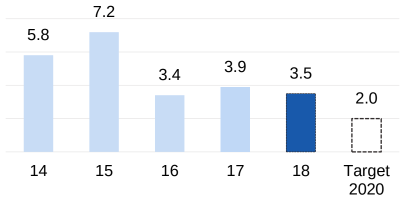
15 new R&D projects were started and 9 projects were commercialized in 2018 to improve customer's resource efficiency.

IN PROGRESS

Responsible operations and supply chain

Target | **Performance** | **Comments**

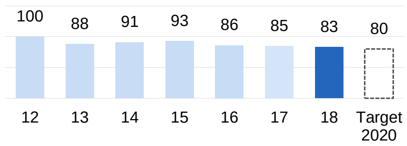
Workplace safety
Achieve zero injuries on long term; TRIF* 2.0 by end of 2020.



Our health and safety performance improved in 2018 compared to 2017 and was consistent with 2016 performance. There was a decline in severity and permanent injuries which is responding to ongoing management commitment, progressive safety messaging and an overall improvement in safety culture.

IN PROGRESS

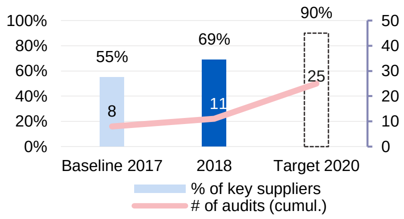
Climate change
Kemira Carbon Index ⩽ 80 by end of 2020 (2012 = 100). This KPI is reported once a year.



Carbon Index decreased mainly due to higher share of purchased electricity from renewable and low carbon sources and in some extent through energy efficienc improvements.

IN PROGRESS

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



Sustainability screening of key suppliers progressed well as planned for 2018. In total 32 sustainability assessments and 3 Ethical on-site audits were conducted during the year. We are behind the overall target of 25 Ethical audits. However, this is compensated by active screening via assessments of key suppliers with good performance.

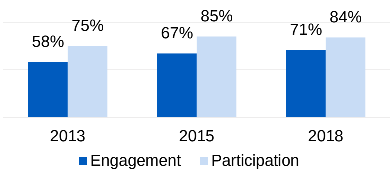
IN PROGRESS

* TRIF = Number of Total Recordable Injury Frequency per million hours, Kemira + contractor, year-to-date
** Suppliers with lowest sustainability assessment score

People and integrity

Target	Performance	Comments

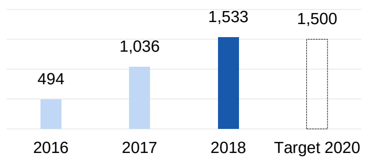
Employee engagement index based on Voices@Kemira biennial survey
The index at or above the external industry norm. The participation rate target in Voices@Kemira is 75% or above.



Action planning is ongoing at manager level. Intensive company wide strategy communication and engagement is ongoing.

AHEAD OF TARGET

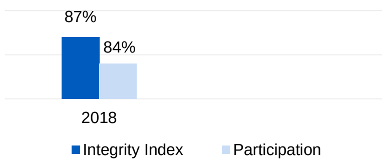
Leadership development activities provided
Two leadership development activities per people in manager position during 2016-2020, the cumulative target is 1,500 by 2020.



Above target level for activities consisting of the best practice 70-20-10 model for Learning and Development (on-the-job learning 70%, coaching and mentoring 20%, and development programs 10%). Total at the end of 2018 is already 1,533; the target for 2020 is 1,500.

AHEAD OF TARGET

Integrity index
New KPI to measure compliance with the Kemira Code of Conduct. The target is to maintain the Integrity Index level above the external industry norm.



To comply with EU's General Data Protection Regulation (GDPR), data processing activities were extensively reviewed and documented, and a privacy impact assessment process was implemented. Privacy notices, data processing agreements and global privacy policy were created. A mandatory online training course on GDPR was assigned to over 300 Kemira employees who work in roles that involve the processing of personal data while general awareness-building was continued to all Kemira employees.

IN PROGRESS

SEGMENTS

PULP & PAPER

Pulp & Paper has unique expertise in applying chemicals and supporting pulp & 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 paper wet-end, focusing on packaging and board, as well as on tissue. Pulp & Paper is leveraging its strong application portfolio in North America and EMEA, while also building a strong position in the emerging Asian and South American markets.

EUR million	**Oct-Dec 2018**	Oct-Dec 2017	**Jan-Dec 2018**	Jan-Dec 2017
Revenue	**390.4**	372.8	**1,520.2**	1,476.9
Operative EBITDA	**51.2**	55.4	**191.7**	197.7
Operative EBITDA, %	**13.1**	14.9	**12.6**	13.4
EBITDA	**53.0**	55.1	**187.8**	179.9
EBITDA, %	**13.6**	14.8	**12.4**	12.2
Operative EBIT	**24.1**	30.9	**91.6**	104.8
Operative EBIT, %	**6.2**	8.3	**6.0**	7.1
EBIT	**25.8**	30.6	**79.8**	86.9
EBIT, %	**6.6**	8.2	**5.2**	5.9
Capital employed*	**1,177.6**	1,165.2	**1,177.6**	1,165.2
Operative ROCE*, %	**7.8**	9.0	**7.8**	9.0
ROCE*, %	**6.8**	7.5	**6.8**	7.5
Capital expenditure excl. acquisitions	**28.8**	41.1	**85.1**	138.3
Capital expenditure	**73.2**	41.1	**128.4**	138.3
Cash flow after investing activities	**-13.5**	4.4	**29.9**	15.7

*12-month rolling average

Fourth quarter

The segment's **revenue** increased by 5%. Revenue in local currencies, excluding acquisitions and divestments, increased by 4% and was mainly driven by higher sales prices following the increase in raw material prices and transportation costs.

In **EMEA**, revenue increased by 4% mainly due to higher sales prices reflecting the underlying increases in raw material prices. In the **Americas**, revenue increased by 6% mainly due to higher prices. In North America, revenue in local currencies increased mainly due to higher prices in bleaching and defoamers. In South America, prices increased across the product portfolio. In **APAC**, revenue increased by 7%, driven by higher sales volumes, especially in sizing chemicals.

Operative EBITDA decreased by 8% as higher sales prices could not offset increasing variable costs. **EBITDA** decreased by 4% and the difference to operative EBITDA is explained by items affecting comparability.

Full year

The segment's **revenue** increased by 3%, driven by higher sales prices and volumes while currency exchange rates had a -3% impact. Revenue in local currencies, excluding acquisitions and divestments, increased by 6%.

In **EMEA**, revenue increased by 6% to EUR 826.1 million (780.0) mainly due to higher sales prices, especially in caustic soda. The start-up of the new sodium chlorate line in Finland, opened in the second half of 2017, had a positive impact on sales volumes.

In the **Americas**, revenue decreased by 3% to EUR 488.3 million (505.9) due to a negative currency impact while sales prices increased in both regions. In North America, sales price growth was driven by bleaching chemicals and in South America, sales prices increased in all product categories.

In **APAC**, revenue increased by 8% to EUR 205.8 million (191.0) as a result of strong demand despite supply issues of key raw material at times for AKD product. The demand was particularly strong for sizing chemicals. Currencies had a negative impact on revenue.

Operative EBITDA decreased 3% due to the negative currency impact and higher fixed costs while growth in sales prices offset increased variable costs. **EBITDA** increased 4% mainly due to lower items affecting comparability.

INDUSTRY & WATER

Industry & Water supports municipalities and water intensive industries in the efficient and sustainable use of resources. In water treatment we provide assistance in optimizing various stages of the water cycle. In oil and gas applications our chemistries enable improved yield from existing reserves and reduced water and energy use.

EUR million	**Oct-Dec 2018**	Oct-Dec 2017	**Jan-Dec 2018**	Jan-Dec 2017
Revenue	**271.5**	263.8	**1,072.6**	1,009.1
Operative EBITDA	**33.3**	25.3	**131.5**	113.6
Operative EBITDA, %	**12.3**	9.6	**12.3**	11.3
EBITDA	**28.3**	23.4	**127.0**	102.5
EBITDA, %	**10.4**	8.9	**11.8**	10.2
Operative EBIT	**20.8**	13.1	**82.2**	65.5
Operative EBIT, %	**7.7**	5.0	**7.7**	6.5
EBIT	**15.3**	11.2	**68.5**	54.4
EBIT, %	**5.6**	4.3	**6.4**	5.4
Capital employed*	**603.4**	596.7	**603.4**	596.7
Operative ROCE*, %	**13.6**	11.0	**13.6**	11.0
ROCE*, %	**11.3**	9.1	**11.3**	9.1
Capital expenditure excl. acquisitions	**24.4**	23.1	**65.3**	51.7
Capital expenditure	**24.4**	23.1	**65.3**	51.7
Cash flow after investing activities	**23.8**	8.3	**52.5**	46.9

*12-month rolling average

Fourth quarter

The segment's **revenue** increased by 3%. Revenue in local currencies, excluding acquisitions and divestments, increased by 2%, driven by higher sales prices. Currency exchange rate fluctuations had an impact of +1%.

Within the segment, the revenue of the Oil & Gas business increased by 15% to EUR 65.7 million (56.9), despite the one-time equipment deal in the comparison period as a result of strong demand in the North American shale oil and gas market. In the water treatment business, sales price growth continued while volumes declined due to change in customer mix and timing of deliveries.

In **EMEA**, revenue increased by 1%, driven by focus on implementing higher sales prices. In the **Americas**, revenue increased by 6% mainly due to the growth in the oil and gas business. Water treatment business also demonstrated organic growth driven by higher sales prices. In **APAC**, revenue decreased by 12% as the increase in focus on profitable customers continued.

Operative EBITDA increased by 32% as growth in sales prices clearly more than offset the increase in variable costs. **EBITDA** increased by 21% and the difference to operative EBITDA is explained by items affecting comparability.

Full year

The segment’s **revenue** increased by 6%. Revenue in local currencies, excluding acquisitions and divestments, increased by 9% due to higher sales prices. Currency exchange rates had an impact of -3%.

Within the segment, the revenue for the Oil & Gas business increased by 23% to EUR 241.9 million (197.0). In the water treatment business, organic growth continued as a combination of higher sales prices and lower sales volumes reflecting the focus on improving profitability.

In **EMEA**, revenue increased by 5% to EUR 534.3 million (511.1) driven by higher sales prices, especially in caustic soda, coagulants and polymers.

In the **Americas**, revenue increased by 9% to EUR 512.9 million (472.2) driven by the strong growth in the North American oil & gas business and higher sales prices in the water treatment business. Currencies had a negative impact on revenue.

In **APAC**, revenue decreased by 2% to EUR 25.4 million (25.8) due to negative currency impact while higher prices more than offset the decline in sales volumes as the focus on profitable customers continued.

Operative EBITDA increased by 15% as a result of higher sales prices offsetting increased variable costs despite headwind from currencies. **EBITDA** increased by 24% and the difference to operative EBITDA is explained by items affecting comparability.

PARENT COMPANY'S FINANCIAL PERFORMANCE

Kemira Oyj's revenue increased to EUR 1,489.7 million (1,397.2) in 2018. EBITDA was EUR 49.1 million (82.1). EBITDA decreased, mainly due to an increase in materials and services. The parent company's financing income and expenses were EUR 119.6 million (4.6). Financing income and expenses increased, mainly due to a higher dividend distribution from the Group's companies. Net profit totaled EUR 132.5 million (41.3). The total capital expenditure was EUR 26.2 million (27.1), excluding investments in subsidiaries.

KEMIRA OYJ'S SHARES AND SHAREHOLDERS

On December 31, 2018, Kemira Oyj's share capital amounted to EUR 221.8 million and the number of shares was 155,342,557. Each share entitles to one vote at the Annual General Meeting.

At the end of December, Kemira Oyj had 34,378 registered shareholders (35,571). Non-Finnish shareholders held 27.4% of the shares (25.8%) including nominee-registered holdings. Households owned 17.1% of the shares (17.9%). Kemira held 2,832,297 treasury shares (2,988,935) representing 1.8% (1.9%) of all company shares.

Kemira Oyj's share price decreased by 14% from the beginning of the year and closed at EUR 9.85 on the Nasdaq Helsinki at the end of December 2018 (11.50). Shares registered a high of EUR 12.03 and a low of EUR 9.34 in January-December 2018 and the average share price was EUR 11.00. The company's market capitalization, excluding treasury shares, was EUR 1,502 million at the end of December 2018 (1,752).

In January-December 2018, Kemira Oyj's share trading turnover on Nasdaq Helsinki was EUR 479 million (615). The average daily trading volume was 175,444 (215,814) shares. The total volume of Kemira Oyj's share trading in January-December 2018 was 68 million shares (85), 35% (36%) of which was executed on other trading platforms (BATS, Chi-X, Turquoise). Source: Nasdaq and Kemira.com.

AGM DECISIONS

Annual General Meeting

Kemira Oyj's Annual General Meeting was held on March 21, 2018 and confirmed the dividend of EUR 0.53. The dividend was paid out on April 5, 2018.

The AGM 2018 authorized the Board of Directors to decide on the repurchase of a maximum of 4,950,000 of the company's own shares ("Share Repurchase Authorization"). The Share Repurchase Authorization is valid until the end of the next Annual General Meeting. The Board had not exercised its authority by December 31, 2018.

The AGM 2018 also authorized the Board of Directors to decide to issue a maximum of 15,600,000 new shares and/or transfer a maximum of 7,800,000 of the company's own shares held by the company ("Share Issue Authorization"). The Share Issue Authorization is valid until May 31, 2019. 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.

The AGM elected Deloitte Oy to serve as the company's auditor, with Jukka Vattulainen, 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 March 21, 2018, the Annual General Meeting elected six 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. Jari Paasikivi was re-elected as the Board's Chairman and Kerttu Tuomas was re-elected as the Vice Chairman. In 2018, Kemira's Board of Directors met 9 times with a 100% 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 2018, the Personnel and Remuneration Committee met six times with a 100% attendance rate. The Audit Committee is chaired by Timo Lappalainen and has Kaisa Hietala and Jari Paasikivi as members. In 2018, the Audit Committee met six times with a 100% attendance rate.

Structure

On December 3, 2018 Kemira announced that it has completed the closing of the deal with AKD producer in China announced on September 29, 2017. Kemira formed a joint venture - Kemira TC Wanfeng Chemicals Yanzhou ("NewCo") - with Shandong Tiancheng Wanfeng Chemical Technology ("TC Wanfeng"). Kemira has 80% and TC Wanfeng 20% of NewCo.

SHORT-TERM RISKS AND UNCERTAINTIES

Price and availability of raw materials and commodities

Continuous improvement of profitability is a crucial part of Kemira's strategy. Significant and sudden increase in the cost of raw materials, commodity, or logistics could place Kemira's profitability targets at risk if Kemira is not be able to pass on such increase to product prices without delay. For instance, remarkable 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. 2018 was a year of increasing raw material prices overall and put high pressure for Kemira to pass these changes on. Passing raw material cost increases onwards was a key focus area in 2018.

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. In 2018, Kemira's joint venture with the fatty acid chloride producer Tiancheng is an example of helping to ensure the availability of key raw materials by backward integrating into the supply chain.

Suppliers

The continuity of Kemira's business operations is dependent on accurate and good-quality supply of products and services. Kemira has currently 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 effects on Kemira's ability to accomplish its profitability targets. 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.

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 being developed in order to uncover and realize new value and reduce risk. Supplier performance is also regularly monitored as a part of the supplier performance management process.

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, including also but not limited to unauthorized IT system access by 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 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 financial impacts of hazard risks.

Changes in customer demand

Significant unforeseen decline in the use of certain chemicals (e.g. chemicals for packaging and board production) or in the demand of customers' products and operations could have a negative impact on Kemira's business. Significant decline in certain raw material and utility prices (e.g. oil, gas, and metal) may shift customers' activities in areas, which can be exploited with fewer chemicals. 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 provides partial protection against the risk of changed customer demands.

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 the 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 which 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, Brexit related risks are continuously monitored, and actions/preparations taken accordingly. Also trade war related risks are actively monitored and taken into account.

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. In the long-term, completely new types of technology may considerably change the current competitive situation. This risk is managed both at the Group and the segment levels through continuous monitoring of the competition. The company aims at responding to its competition with the active management of customer relationships and continuous development of its products and services to further differentiate itself from the competitors and be competitive.

Acquisitions

Acquisitions are one potential way to reach 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. However, the integration as such of acquired businesses, operations, and personnel also involves risks. If integration is unsuccessful, 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 mergers and acquisitions and to help execute transactions and post-merger integration.

Innovation and R&D

Kemira's Research and Development is a critical enabler for organic growth and further differentiation. New product launches contribute to the efficiency and sustainability of Kemira's or its customers' processes, as well as to the improved profitability. 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. Failure to innovate or focus on the new disruptive technologies and products, or to efficiently commercializenew products or service concepts may result in non-achievement of growth targets.

Innovation and R&D related risks are being managed through the efficient R&D portfolio management in close collaboration between R&D and the two business segments. Kemira has focused on close coordination and cooperation between Business Development, R&D, Sales and Marketing units in order to better understand the future needs and expectations of its customers. With continuous development of innovation processes Kemira aims towards more stringent project execution. Kemira maintains 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, also in chemical, environmental or transportation laws and regulations may impact Kemira's profitability through the increase in production and transportation costs. At the same time, such changes may also create new business opportunities for Kemira.

Inclusion of new substances into 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 regulation 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 the awareness of proposed and upcoming changes of those laws and regulations which 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 those would be subject to stricter regulation. Kemira has also increased the focus and resources in the management of global trade compliance.

Regulatory effects are systematically taken into consideration in strategic decision making. Kemira takes an active role in regulatory discussions whenever justified from the perspective of the industry or business.

Talent management

To secure competitiveness and 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, customer service and marketing competence). Kemira is continuously identifying high potentials and key competencies for future needs. By 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 account of the Kemira's risk management principles is available on the company's website at www.kemira.com. Financial risks are also described in the Notes to the Financial Statements.

EVENTS AFTER THE REVIEW PERIOD

Kemira formed a joint venture in South Korea

January 14, 2019 Kemira signed an agreement to establish a joint venture – Kemira Yongsan Chemicals Co., Ltd ("NewCo") in Ulsan, Republic of Korea, with Yongsan Chemicals, a privately-owned chemicals company in South Korea.

Forming a joint venture in South Korea is an important step in expanding Kemira's presence in Asia Pacific and driving profitable growth in the region. NewCo will produce dry polyacrylamide ("DPAM"), cationic monomer Q9 ("AMD") and other chemicals, which are used for retention and drainage in packaging and paper production, as well as in wastewater treatment and in sludge dewatering.

With the NewCo's production site, Kemira will provide customers premium quality DPAMs supported by backward integrated high-quality AMDs. This ensures a sustainable and cost-effective manufacturing capability, effectively fulfilling customer needs and requirements. It is also an important addition to balance the increasing demand for Kemira's dry polymers globally.

Kemira will make a multi-million investment in the joint venture and will have 35% minority share of the established company.

Kemira expands capacity in Alabama, USA

Kemira has announced a two-year investment of around EUR 60 million to increase production of emulsion polymers at its manufacturing site in Mobile, Alabama. Additionally, this expansion allows Kemira to modernize into bio-based acrylamide capabilities at the Mobile site.

The investment is an important step towards the growth objectives outlined in Kemira's strategy. It also secures Kemira's position as a leading global polymer producer and demonstrates company's continued commitment to the oil and gas industry.

Construction at Mobile is scheduled to begin in the first quarter of 2019 with full commercial operation in early 2021.

Proposals of the Nomination Board to the Annual General Meeting 2019

The Nomination Board proposes to the Annual General Meeting of Kemira Oyj that six members be elected to the Board of Directors and that the present members Wolfgang Büchele, Shirley Cunningham, Kaisa Hietala, Timo Lappalainen, Jari Paasikivi and Kerttu Tuomas be re-elected as 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 Kerttu Tuomas be re-elected as the Vice Chairman. All the nominees have given their consent to the position.

The Nomination Board proposes to the Annual General Meeting that the annual fee for the Chairman is increased to EUR 92,000 from EUR 80,000 per year, for the Vice Chairman and the Chairman of the Audit Committee to EUR 55,000 from EUR 49,000 per year and for the other members to EUR 44,000 from EUR 39,000 per year. The annual fees have not been increased since 2015.

The Nomination Board proposes that the fee payable for each meeting of the Board of Directors and the Board Committees would remain unchanged. A fee payable for each meeting would thus be as follows: for the members residing in Finland EUR 600, for the members residing in rest of Europe EUR 1,200 and for the members residing outside Europe EUR 2,400. Travel expenses are proposed to 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 January 1 - March 31, 2019. The meeting fees are proposed to be paid in cash.

The Nomination Board has consisted of the following representatives: Annika Paasikivi, CEO of Oras Invest Oy as the Chairman of the Nomination Board; Antti Mäkinen, CEO of Solidium Oy; Reima Rytsölä, Executive Vice-President, Varma Mutual Pension Insurance Company and Mikko Mursula, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company as members of the Nomination Board and Jari Paasikivi, Chairman of Kemira's Board of Directors as an expert member.

DIVIDEND AND DIVIDEND POLICY

On December 31, 2018, Kemira Oyj's distributable funds totaled EUR 835,333,094 of which net profit for the period was EUR 132,458,292. 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 21, 2019 that a dividend of EUR 0.53 per share totaling EUR 81 million shall be paid on the basis of the adopted balance sheet for the financial year ended December 31, 2018.

Kemira's dividend policy aims to pay a stable and competitive dividend.

IFRS 16 ACCOUNTING CHANGE

Kemira adopted IFRS 16 -standard on January 1, 2019. In the profit and loss statement, current operating lease expenses are replaced by the depreciation of the right-of-use asset and interest cost associated with lease liability. As a result, it is estimated that impact on net profit in P&L is immaterial. Kemira currently estimates that the adaptation of IFRS 16 -standard is expected to increase total amount of balance sheet by approximately 5%, EBITDA margin by approximately 1 percentage point and gearing by approximately 10 percentage points. In 2019, the impact on operative EBITDA due to the adoption of IFRS 16 is estimated to be around EUR 30 million. See page 40 for more details.

OUTLOOK FOR 2019

Kemira expects its operative EBITDA (2018: EUR 323.1 million) to increase from the prior year on a comparable basis excluding the impact of the IFRS 16 accounting change.

MID- TO LONG-TERM FINANCIAL TARGETS (UPDATED DUE TO THE ADOPTION OF IFRS 16 ACCOUNTING CHANGE)

Kemira aims at above-the-market revenue growth with operative EBITDA margin of 15-17%. The gearing target is below 75%. (Previously, before the adoption of IFRS 16 accounting change, the financial targets were: Kemira aims at above-the-market revenue growth with operative EBITDA margin of 14-16%. The gearing target is below 60%.)

Helsinki, February 7, 2019

Kemira Oyj
Board of Directors

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

FINANCIAL REPORTING 2019

Interim Report January-March 2019	April 26, 2019
Half-Year Financial Report January-June 2019	July 19, 2019
Interim Report January-September 2019	October 24, 2019

Annual General Meeting will be held in Marina Congress Center on March 21, 2019.

PRESS AND ANALYST CONFERENCE AND CONFERENCE CALL

Kemira will arrange a press conference for analysts, investors, and media on Friday, February 8, 2019, starting at 10.30 am. (8.30 am. UK time) at **Hotel Kämp, Kluuvikatu 2, 2nd floor, Helsinki**. During the conference, Kemira's President and CEO Jari Rosendal and CFO Petri Castrén will present the results. The press conference will be held in English and will be webcasted at www.kemira.com/investors. The presentation material and the webcast recording will be available on the above-mentioned company website.

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

FI +358 9 817 10310
SE +46 8 566 42651
UK +44 333 3000804
US +1 631 9131422

Conference ID: 23886213#

KEMIRA GROUP

CONSOLIDATED INCOME STATEMENT

EUR million	10-12/2018	10-12/2017	2018	2017
Revenue	**661.8**	636.5	**2,592.8**	2,486.0
Other operating income	**5.4**	2.7	**14.8**	6.8
Operating expenses	**-585.9**	-560.8	**-2,292.8**	-2,210.4
EBITDA	**81.3**	78.4	**314.8**	282.4
Depreciation, amortization and impairments	**-40.2**	-36.6	**-166.6**	-141.0
Operating profit (EBIT)	**41.1**	41.8	**148.2**	141.4
Finance costs, net	**-5.8**	-7.1	**-25.0**	-28.9
Share of profit or loss of associates	**0.0**	-0.1	**0.0**	0.2
Profit before taxes	**35.4**	34.6	**123.3**	112.6
Income taxes	**-8.9**	-8.8	**-28.1**	-27.4
Net profit for the period	**26.5**	25.8	**95.2**	85.2
Net profit attributable to				
Equity owners of the parent	**25.5**	24.3	**89.1**	78.6
Non-controlling interests	**1.0**	1.5	**6.1**	6.6
Net profit for the period	**26.5**	25.8	**95.2**	85.2
Earnings per share, basic and diluted, EUR	**0.17**	0.16	**0.58**	0.52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	10-12/2018	10-12/2017	2018	2017
Net profit for the period	**26.5**	25.8	**95.2**	85.2
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Other shares	**-**	24.0	**-**	24.0
Exchange differences on translating foreign operations	**3.8**	-7.4	**0.2**	-46.4
Cash flow hedges	**5.3**	2.6	**17.5**	3.4
Items that will not be reclassified subsequently to profit or loss				
Other shares	**11.2**	-	**-5.9**	-
Remeasurements on defined benefit plans	**10.1**	9.6	**10.1**	9.6
Other comprehensive income for the period, net of tax	**30.3**	28.8	**21.8**	-9.4
Total comprehensive income for the period	**56.8**	54.5	**117.0**	75.8
Total comprehensive income attributable to				
Equity owners of the parent	**55.8**	52.8	**111.4**	68.7
Non-controlling interests	**1.0**	1.8	**5.6**	7.2
Total comprehensive income for the period	**56.8**	54.5	**117.0**	75.8

CONSOLIDATED BALANCE SHEET

EUR million	12/31/2018	12/31/2017
ASSETS		
Non-current assets		
Goodwill	**512.5**	505.0
Other intangible assets	**128.6**	100.5
Property, plant and equipment	**938.3**	922.9
Investments in associates	**0.7**	0.7
Other shares	**228.4**	235.8
Deferred tax assets	**28.2**	24.8
Other investments	**2.3**	3.8
Receivables of defined benefit plans	**61.8**	48.0
Total non-current assets	**1,900.7**	1,841.5
Current assets		
Inventories	**283.8**	223.8
Interest-bearing receivables	**0.2**	5.3
Trade receivables and other receivables	**420.2**	418.8
Current income tax assets	**13.9**	18.7
Cash and cash equivalents	**144.9**	166.1
Total current assets	**863.1**	832.8
Non-current assets classified as held-for-sale	**-**	0.6
Total assets	**2,763.8**	2,674.9
EQUITY AND LIABILITIES		
Equity		
Equity attributable to equity owners of the parent	**1,189.6**	1,159.0
Non-controlling interests	**12.9**	13.8
Total equity	**1,202.5**	1,172.8
Non-current liabilities		
Interest-bearing liabilities	**646.3**	669.1
Other liabilities	**29.0**	21.4
Deferred tax liabilities	**71.1**	62.4
Liabilities of defined benefit plans	**81.2**	82.3
Provisions	**29.6**	27.2
Total non-current liabilities	**857.3**	862.5
Current liabilities		
Interest-bearing liabilities	**240.0**	191.4
Trade payables and other liabilities	**439.1**	422.8
Current income tax liabilities	**15.6**	14.2
Provisions	**9.2**	11.3
Total current liabilities	**703.9**	639.7
Total liabilities	**1,561.2**	1,502.1
Total equity and liabilities	**2,763.8**	2,674.9

Kemira
Where water meets chemistry™

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	10-12/2018	10-12/2017	2018	2017
Cash flow from operating activities				
Net profit for the period	**26.5**	25.8	**95.2**	85.2
Total adjustments	**58.5**	36.8	**219.6**	203.5
Operating profit before change in net working capital	**85.0**	62.6	**314.8**	288.7
Change in net working capital	**16.7**	17.9	**-51.1**	-33.9
Cash generated from operations before financing items and taxes	**101.7**	80.5	**263.7**	254.8
Finance expenses, net and dividends received	**-6.3**	-5.6	**-29.9**	-25.0
Income taxes paid	**-7.2**	-3.5	**-23.6**	-24.7
Net cash generated from operating activities	**88.2**	71.4	**210.2**	205.1
Cash flow from investing activities				
Purchases of subsidiaries and business acquisitions, net of cash acquired	**-44.4**	0.0	**-43.3**	0.0
Other capital expenditure	**-53.2**	-64.2	**-150.4**	-190.1
Proceeds from sale of assets	**0.9**	1.6	**7.3**	3.0
Change in loan receivables decrease (+) / increase (-)	**5.2**	-5.1	**5.2**	-5.1
Net cash used in investing activities	**-91.5**	-67.7	**-181.3**	-192.2
Cash flow from financing activities				
Proceeds from non-current interest-bearing liabilities (+)	**6.1**	0.0	**96.2**	100.0
Repayments from non-current interest-bearing liabilities (-)	**-5.3**	-9.7	**-69.2**	-62.1
Short-term financing, net increase (+) / decrease (-)	**2.4**	11.7	**10.3**	36.3
Dividends paid	**0.0**	0.0	**-87.3**	-86.9
Net cash used in financing activities	**3.2**	2.0	**-50.1**	-12.7
Net decrease (-) / increase (+) in cash and cash equivalents	**-0.1**	5.7	**-21.1**	0.3
Cash and cash equivalents at end of period	**144.9**	166.1	**144.9**	166.1
Exchange gains (+) / losses (-) on cash and cash equivalents	**0.1**	-0.1	**-0.1**	-7.5
Cash and cash equivalents at beginning of period	**144.9**	160.5	**166.1**	173.4
Net decrease (-) / increase (+) in cash and cash equivalents	**-0.1**	5.7	**-21.1**	0.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 attributable to equity owners of the parent									
Equity at January 1, 2017	221.8	257.9	72.2	196.3	-0.8	-20.0	442.6	1,170.0	12.9	1,182.9
Net profit for the period	-	-	-	-	-	-	78.6	78.6	6.6	85.2
Other comprehensive income, net of tax	-	-	27.4	-	-46.9	-	9.6	-9.9	0.5	-9.4
Total comprehensive income	-	-	27.4	-	-46.9	-	88.2	68.7	7.2	75.8
Transactions with owners										
Dividends paid	-	-	-	-	-	-	-80.7 [1)]	-80.7	-6.2	-86.9
Treasury shares given back	-	-	-	-	-	-0.2	-	-0.2	-	-0.2
Treasury shares issued to the Board of Directors	-	-	-	-	-	0.1	-	0.1	-	0.1
Share-based payments	-	-	-	-	-	-	1.1	1.1	-	1.1
Transfers in equity	-	-	-0.9	-	-	-	0.9	0.0	-	0.0
Transactions with owners	-	-	-0.9	-	-	-0.1	-78.7	-79.7	-6.2	-85.9
Equity at December 31, 2017	221.8	257.9	98.7	196.3	-47.7	-20.1	452.1	1,159.0	13.8	1,172.8

[1)] A dividend was EUR 80,7 million in total (EUR 0.53 per share) with respect to the financial year ended December 31, 2016. The annual general meeting approved EUR 0.53 dividend on March 24, 2017. The dividend record date was March 28, 2017, and the payment date April 11, 2017.

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 at January 1, 2018	**221.8**	**257.9**	**98.7**	**196.3**	**-47.7**	**-20.1**	**452.1**	**1,159.0**	**13.8**	**1,172.8**
Change in accounting policy	**-**	**-**	**-**	**-**	**-**	**-**	**-0.2** [2)]	**-0.2**	**-**	**-0.2**
Restated equity at January 1, 2018	**221.8**	**257.9**	**98.7**	**196.3**	**-47.7**	**-20.1**	**451.9**	**1,158.8**	**13.8**	**1,172.6**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**89.1**	**89.1**	**6.1**	**95.2**
Other comprehensive income, net of tax	-	-	**11.5**	**-**	**0.6**	-	**10.1**	**22.2**	**-0.4**	**21.8**
Total comprehensive income	**-**	**-**	**11.5**	**-**	**0.6**	**-**	**99.3**	**111.4**	**5.6**	**117.0**
Transactions with owners										
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-80.8** [3)]	**-80.8**	**-6.5**	**-87.3**
Treasury shares issued to the target group of 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 given back	**-**	**-**	**-**	**-**	**-**	**0.0**	**-**	**0.0**	**-**	**0.0**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-0.8**	**-0.8**	**-**	**-0.8**
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**1.1**	**-81.6**	**-80.5**	**-6.5**	**-87.0**
Equity at December 31, 2018	**221.8**	**257.9**	**110.2**	**196.3**	**-47.1**	**-19.1**	**469.6**	**1,189.6**	**12.9**	**1,202.5**

[2)] Kemira has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments standards and the amendments to IFRS 2 Share-based Payments -standard. As a result of the changes in the standards, retained earnings in equity have been adjusted on January 1, 2018. IFRS 15 standard did not change Kemira's revenue recognition principles and thus did not result any adjustments in retained earnings. IFRS 9 standard mainly impacts to Kemira's valuation of loan receivables and credit losses recognition of trade receivables. Due to the change in the accounting policy, retained earnings have been adjusted for a total of EUR -1.0 million. When adopting the amendments to IFRS 2 standard, Kemira has classified share-based payment arrangements as equity-settled in its entirety and liability related to the share-based payment arrangement has reclassified to retained earnings in equity. As a result of the change in the accounting policy, adjustment of EUR 0.8 million has been recognized in retained earnings. The total effect on equity from loan receivables, trade receivables and share-based payments is EUR -0.2 million including deferred tax effect. Comparative financial periods were not restated.

[3)] A dividend was EUR 80,8 million in total (EUR 0.53 per share) with respect to the financial year ended December 31, 2017. The annual general meeting approved EUR 0.53 dividend on March 21, 2018. The dividend record date was March 23, 2018, and the payment date April 5, 2018.

Kemira had in its possession 2,832,297 of its treasury shares on December 31, 2018. The average share price of treasury shares was EUR 6.73 and they represented 1.8% of the share capital and the aggregate number of votes conferred by all shares. The aggregate par value of the treasury shares is EUR 4.0 million.

The share premium is a reserve accumulated through subscriptions entitled by the management stock option program 2001. This reserve based on the old Finnish Companies Act (734/1978), which does not change anymore. The fair value reserve is a reserve accumulating based on available-for-sale financial assets (shares) measured at fair value and hedge accounting. Other reserves originate from local requirements of subsidiaries. The unrestricted equity reserve includes other equity type investments and the subscription price of shares to the extent that they will not, based on a specific decision, be recognized in share capital.

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GROUP KEY FIGURES

Kemira provides certain financial performance measures (alternative performance measures) on non-GAAP basis. Kemira believes that alternative performance measures, such as organic growth*, EBITDA, operative EBITDA, cash flow after investing activities, and gearing, followed by capital markets and Kemira management, provide useful information of its 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 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 this report, as well as at www.kemira.com > Investors > Financial information.

* Revenue growth in local currencies, excluding acquisitions and divestments

	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2017 10-12	2017 7-9	2017 4-6	2017 1-3	**2018 1-12**	2017 1-12
Income statement and profitability										
Revenue, EUR million	**661.8**	669.6	647.6	613.7	636.5	622.2	617.2	610.0	**2,592.8**	2,486.0
Operative EBITDA, EUR million	**84.5**	89.0	80.2	69.4	80.7	84.5	77.1	69.0	**323.1**	311.3
Operative EBITDA, %	**12.8**	13.3	12.4	11.3	12.7	13.6	12.5	11.3	**12.5**	12.5
EBITDA, EUR million	**81.3**	82.8	82.5	68.2	78.4	70.2	67.0	66.7	**314.8**	282.4
EBITDA, %	**12.3**	12.4	12.7	11.1	12.3	11.3	10.9	10.9	**12.1**	11.4
Items affecting comparability in EBITDA, EUR million	**-3.2**	-6.2	2.3	-1.2	-2.2	-14.3	-10.1	-2.3	**-8.3**	-28.9
Operative EBIT, EUR million	**44.8**	50.0	45.1	33.9	44.0	47.7	43.6	34.9	**173.8**	170.3
Operative EBIT, %	**6.8**	7.5	7.0	5.5	6.9	7.7	7.1	5.7	**6.7**	6.9
Operating profit (EBIT), EUR million	**41.1**	35.9	38.5	32.7	41.8	33.4	33.5	32.6	**148.2**	141.4
Operating profit (EBIT), %	**6.2**	5.4	5.9	5.3	6.6	5.4	5.4	5.3	**5.7**	5.7
Items affecting comparability in EBIT, EUR million	**-3.7**	-14.1	-6.6	-1.2	-2.2	-14.3	-10.1	-2.3	**-25.6**	-28.9
Return on investment (ROI), %	**7.8**	6.5	6.8	6.6	7.8	6.2	6.4	6.2	**7.0**	6.6
Capital employed, EUR million	**1,781.4**	1,759.5	1,754.6	1,753.9	1,763.2	1,759.9	1,749.7	1,736.8	**1,781.4**	1,763.2
Operative ROCE, %	**9.8**	9.8	9.7	9.7	9.7	9.2	9.2	9.5	**9.8**	9.7
ROCE, %	**8.3**	8.5	8.3	8.1	8.0	7.3	8.0	8.1	**8.3**	8.0
Cash flow										
Net cash generated from operating activities, EUR million	**88.2**	64.2	23.4	34.5	71.4	92.9	28.6	12.2	**210.2**	205.1
Capital expenditure, EUR million	**97.6**	36.3	37.4	22.4	64.2	43.8	45.2	36.9	**193.7**	190.1
Capital expenditure excl. acquisitions, EUR million	**53.2**	34.3	39.8	23.2	64.2	43.8	45.2	36.9	**150.4**	190.1
Capital expenditure excl. acquisitions / revenue, %	**8.0**	5.1	6.1	3.8	10.1	7.0	7.3	6.0	**5.8**	7.6
Cash flow after investing activities, EUR million	**-3.3**	28.8	-12.9	16.4	3.7	50.4	-16.5	-24.6	**29.0**	13.0
Balance sheet and solvency										
Equity ratio, %	**43.5**	42.8	43.0	40.5	43.9	43.3	42.9	42.7	**43.5**	43.9
Gearing, %	**61.7**	65.0	67.4	61.5	59.2	62.7	68.6	59.1	**61.7**	59.2
Interest-bearing net liabilities, EUR million	**741.4**	744.3	772.6	677.9	694.4	700.7	758.0	660.9	**741.4**	694.4
Personnel										
Personnel at end of period	**4,915**	4,798	4,858	4,740	4,732	4,749	4,849	4,771	**4,915**	4,732
Personnel (average)	**4,839**	4,844	4,820	4,736	4,736	4,791	4,820	4,775	**4,810**	4,781
Exchange rates at end of period										
USD	**1.145**	1.158	1.166	1.232	1.199	1.181	1.141	1.069	**1.145**	1.199
CAD	**1.561**	1.506	1.544	1.590	1.504	1.469	1.478	1.427	**1.561**	1.504
SEK	**10.255**	10.309	10.453	10.284	9.844	9.649	9.639	9.532	**10.255**	9.844
CNY	**7.875**	7.966	7.717	7.747	7.804	7.853	7.738	7.364	**7.875**	7.804
BRL	**4.444**	4.654	4.488	4.094	3.973	3.764	3.760	3.380	**4.444**	3.973
Per share figures, EUR										
Earnings per share (EPS), basic and diluted [1)]	**0.17**	0.14	0.14	0.14	0.16	0.12	0.12	0.12	**0.58**	0.52
Net cash generated from operating activities per share [1)]	**0.58**	0.42	0.15	0.23	0.47	0.61	0.19	0.08	**1.38**	1.35
Equity per share [1)]	**7.80**	7.44	7.42	7.13	7.61	7.26	7.18	7.24	**7.80**	7.61
Number of shares (1,000)										
Average number of shares, basic [1)]	**152,510**	152,510	152,510	152,403	152,357	152,362	152,360	152,358	**152,484**	152,359
Average number of shares, diluted [1)]	**152,811**	152,754	152,755	152,753	152,564	152,595	152,605	152,611	**152,768**	152,594
Number of shares at end of period, basic [1)]	**152,510**	152,510	152,514	152,503	152,354	152,362	152,362	152,354	**152,510**	152,354
Number of shares at end of period, diluted [1)]	**152,927**	152,752	152,758	152,747	152,512	152,595	152,595	152,606	**152,927**	152,512

[1)] Number of shares outstanding, excluding the number of shares bought back.

DEFINITIONS OF KEY FIGURES

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

Items affecting comparability [1]
Restructuring and streamlining programs + transaction and integration expenses in acquisitions + divestment of businesses and other disposals + other items

Operative EBIT
Operating profit (EBIT) +/- items affecting comparability

Return on investment (ROI), %

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

Operative return on capital employed (Operative ROCE), %

$$\frac{\text{(Operative EBIT + share of profit or loss of associates) x 100}^{3)}}{\text{Capital employed}^{4)\,5)}}$$

Return on capital employed (ROCE), %

$$\frac{\text{(Operating profit (EBIT) + share of profit or loss of associates) x 100}^{3)}}{\text{Capital employed}^{4)\,5)}}$$

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

Cash flow after investing activities
Net cash generated from operating activities + net cash used in investing activities

Equity ratio, %

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

Gearing, %

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

Interest-bearing net liabilities
Interest-bearing liabilities - cash and cash equivalents

Earnings per share (EPS)

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

Net cash generated from operating activities per share

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

Equity per share

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

[1] Non-GAAP measures excludes the effects of significant items of income and expenses which may have an impact on the comparability in the financial reporting of Kemira Group. Restructuring and streamlining programs; transaction and integration expenses in acquisition; divestments of businesses and other disposals are considered to be the most common items affecting comparability.
[2] Average
[3] Operating profit and share of profit or loss of associates taken into account for a rolling 12-month period ending at the end of the review period.
[4] 12-month rolling average
[5] Capital employed = property, plant and equipment + intangible assets + net working capital + investments in associates

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RECONCILIATION OF IFRS FIGURES

	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2017 10-12	2017 7-9	2017 4-6	2017 1-3	2018 1-12	2017 1-12
EUR million										
ITEMS AFFECTING COMPARABILITY IN EBITDA AND IN EBIT										
Operative EBITDA	**84.5**	89.0	80.2	69.4	80.7	84.5	77.1	69.0	**323.1**	311.3
Restructuring and streamlining programs	**-2.7**	-5.5	-0.8	0.0	-2.4	-1.2	-7.5	-1.9	**-8.9**	-13.1
Transaction and integration expenses in acquisition	**3.1**	0.0	0.0	-0.2	-0.2	0.3	0.2	0.1	**2.8**	0.3
Divestment of businesses and other disposals	**0.0**	0.0	5.7	0.0	0.8	0.0	-2.6	0.0	**5.7**	-1.9
Other items	**-3.6**	-0.8	-2.6	-1.0	-0.3	-13.4	-0.1	-0.5	**-7.9**	-14.4
Total items affecting comparability	**-3.2**	-6.2	2.3	-1.2	-2.2	-14.3	-10.1	-2.3	**-8.3**	-28.9
EBITDA	**81.3**	82.8	82.5	68.2	78.4	70.2	67.0	66.7	**314.8**	282.4
Operative EBIT	**44.8**	50.0	45.1	33.9	44.0	47.7	43.6	34.9	**173.8**	170.3
Total items affecting comparability in EBITDA	**-3.2**	-6.2	2.3	-1.2	-2.2	-14.3	-10.1	-2.3	**-8.3**	-28.9
Items affecting comparability in depreciation, amortization and impairments	**-0.5**	-7.9	-8.9	0.0	0.0	0.0	0.0	0.0	**-17.3**	0.0
Operating profit (EBIT)	**41.1**	35.9	38.5	32.7	41.8	33.4	33.5	32.6	**148.2**	141.4
ROCE AND OPERATIVE ROCE										
Operative EBIT	**44.8**	50.0	45.1	33.9	44.0	47.7	43.5	34.9	**173.8**	170.3
Operating profit (EBIT)	**41.1**	35.9	38.5	32.7	41.8	33.4	33.5	32.6	**148.2**	141.4
Share of profit or loss of associates	**0.0**	0.0	0.0	0.0	-0.1	0.1	0.0	0.1	**0.0**	0.2
Capital employed	**1,781.4**	1,759.5	1,754.6	1,753.9	1,763.2	1,759.9	1,749.7	1,736.8	**1,781.4**	1,763.2
Operative ROCE, %	**9.8**	9.8	9.7	9.7	9.7	9.2	9.2	9.5	**9.8**	9.7
ROCE, %	**8.3**	8.5	8.3	8.1	8.0	7.3	8.0	8.1	**8.3**	8.0
NET WORKING CAPITAL										
Inventories	**283.8**	268.6	254.9	237.1	223.8	224.4	227.1	230.2	**283.8**	223.8
Trade receivables and other receivables	**420.2**	457.3	449.2	423.7	418.8	398.6	419.5	412.8	**420.2**	418.8
Excluding financing items in other receivables	**-32.5**	-33.1	-33.4	-22.2	-21.4	-18.3	-21.2	-15.1	**-32.5**	-21.4
Trade payables and other liabilities	**439.1**	421.5	405.4	495.2	422.8	385.6	384.2	490.3	**439.1**	422.8
Excluding financing items in other liabilities	**-28.0**	-9.9	-12.3	-96.5	-12.0	-11.1	-5.6	-98.4	**-28.0**	-12.0
Net working capital	**260.4**	281.1	277.6	240.0	210.5	230.3	246.8	236.0	**260.4**	210.5
INTEREST-BEARING NET LIABILITIES										
Non-current interest-bearing liabilities	**646.3**	653.1	658.4	758.8	669.1	674.5	690.9	592.1	**646.3**	669.1
Current interest-bearing liabilities	**240.0**	236.1	243.5	148.9	191.4	186.6	180.8	200.3	**240.0**	191.4
Interest-bearing liabilities	**886.3**	889.2	902.0	907.7	860.5	861.2	871.7	792.4	**886.3**	860.5
Cash and cash equivalents	**144.9**	144.9	129.3	229.9	166.1	160.5	113.7	131.5	**144.9**	166.1
Interest-bearing net liabilities	**741.4**	744.3	772.6	677.8	694.4	700.7	758.0	660.9	**741.4**	694.4

QUARTERLY SEGMENT INFORMATION

EUR million	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2017 10-12	2017 7-9	2017 4-6	2017 1-3	2018 1-12	2017 1-12
Revenue										
Pulp & Paper	**390.4**	385.2	376.0	368.7	372.8	363.0	368.9	372.2	**1,520.2**	1,476.9
Industry & Water	**271.5**	284.4	271.7	245.0	263.8	259.2	248.3	237.8	**1,072.6**	1,009.1
Total	**661.8**	669.6	647.6	613.7	636.5	622.2	617.2	610.0	**2,592.8**	2,486.0
Operative EBITDA										
Pulp & Paper	**51.2**	52.3	45.4	42.7	55.4	48.5	47.8	46.0	**191.7**	197.7
Industry & Water	**33.3**	36.7	34.8	26.6	25.3	36.0	29.3	22.9	**131.5**	113.6
Total	**84.5**	89.0	80.2	69.4	80.7	84.5	77.1	69.0	**323.1**	311.3
Items affecting comparability in EBITDA										
Pulp & Paper	**1.8**	-4.1	-0.9	-0.7	-0.3	-13.9	-2.7	-0.9	**-3.9**	-17.9
Industry & Water	**-5.0**	-2.1	3.2	-0.5	-1.9	-0.4	-7.4	-1.4	**-4.4**	-11.0
Total	**-3.2**	-6.2	2.3	-1.2	-2.2	-14.3	-10.1	-2.3	**-8.3**	-28.9
EBITDA										
Pulp & Paper	**53.0**	48.2	44.6	42.1	55.1	34.6	45.1	45.1	**187.8**	179.9
Industry & Water	**28.3**	34.6	38.0	26.1	23.4	35.7	22.0	21.5	**127.0**	102.5
Total	**81.3**	82.8	82.5	68.2	78.4	70.2	67.0	66.7	**314.8**	282.4
Operative EBIT										
Pulp & Paper	**24.1**	26.6	22.0	18.9	30.9	24.4	25.7	23.8	**91.6**	104.8
Industry & Water	**20.8**	23.4	23.0	15.0	13.1	23.4	17.9	11.1	**82.2**	65.5
Total	**44.8**	50.0	45.1	33.9	44.0	47.7	43.6	34.9	**173.8**	170.3
Items affecting comparability in EBIT										
Pulp & Paper	**1.8**	-12.0	-1.0	-0.7	-0.3	-13.9	-2.7	-0.9	**-11.8**	-17.9
Industry & Water	**-5.5**	-2.1	-5.6	-0.5	-1.9	-0.4	-7.4	-1.4	**-13.8**	-11.0
Total	**-3.7**	-14.1	-6.6	-1.2	-2.2	-14.3	-10.1	-2.3	**-25.6**	-28.9
Operating profit (EBIT)										
Pulp & Paper	**25.8**	14.6	21.1	18.2	30.6	10.4	23.0	22.9	**79.8**	86.9
Industry & Water	**15.3**	21.3	17.4	14.5	11.2	23.0	10.5	9.7	**68.5**	54.4
Total	**41.1**	35.9	38.5	32.7	41.8	33.4	33.5	32.6	**148.2**	141.4

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2018	2017
Net book value at beginning of period	922.9	915.6
Purchases of subsidiaries and asset acquisitions	23.3	0.0
Increases	135.2	172.7
Decreases	-0.3	-1.2
Depreciation and impairments	-138.5	-114.8
Exchange rate differences and other changes	-4.3	-49.4
Net book value at end of period	938.3	922.9

CHANGES IN GOODWILL AND OTHER INTANGIBLE ASSETS

EUR million	2018	2017
Net book value at beginning of period	605.5	638.3
Purchases of subsidiaries and asset acquisitions	45.9	0.0
Increases	12.8	13.8
Decreases	0.0	0.0
Amortization and impairments	-28.1	-26.2
Exchange rate differences and other changes	5.1	-20.3
Net book value at end of period	641.1	605.5

BUSINESS COMBINATIONS

Acquisition of business with Kemira TC Wanfeng Chemicals Yanzhou company in China

On September 29, 2017, Kemira signed an agreement to form a company - Kemira TC Wanfeng Chemicals Yanzhou ("NewCo") - with Shandong Tiancheng Wanfeng Chemical Technology ("TC Wanfeng") which is an AKD producer in China. NewCo will strengthen Kemira's position as the leading global producer of chemicals in the Pulp & Paper industry.

NewCo mainly produces AKD wax and its key raw material fatty acid chloride (FACL). AKD wax for which the main component is based on renewable raw materials, is a sizing chemical used in board and paper manufacturing to create resistance against liquid absorption.

Through backward integration, Kemira expanding its position in the value chain. NewCo is the largest AKD wax manufacturing unit globally, improving Kemira's AKD wax capacity. NewCo's site is located in the same chemical park with Kemira's first AKD wax plant in Yanzhou, China and the proximity of the two sites results in operational synergies. The NewCo site also offers growth opportunities for other chemicals.

On November 30, 2018, Kemira closed the deal for the acquisition of business into NewCo and received final authority permits in China. The purchase price of the acquired business into NewCo was EUR 68 million and part of the purchase price is outstanding. The purchase price does not involve contingent consideration. Kemira owns 80% and TC Wanfeng 20% of NewCo. The deal includes put and call options regarding the TC Wangfeng 20% holding of NewCO's shares. The obligation related to the put option is recognized as a liability in the balance sheet.

The calculations under IFRS 3 related to the acquisition are provisional and the presented values of the assets and goodwill may change during the 12-month period during which the acquisition calculation will be finalized. Based on preliminary calculations, EUR 39 million was allocated to intangible assets as patents and a non-compete agreement. A provisional goodwill of EUR 2 million arises mainly from the expected synergy in the business combination. The acquired business has been consolidated into the Pulp & Paper segment starting on December 1, 2018.

The purchase price for the business on the acquisition date and the preliminary fair value for the amounts of the assets acquired and goodwill are as follows:

	EUR million
Purchase price of the acquisition, total	68
Intangible assets	43
Property, plant and equipment	23
Identifiable assets acquired	66
Goodwill	2
Net assets acquired at the acquisition date	68

In 2018, acquired business related costs of EUR 0.3 million (1.0) is included in other operating expenses.

Revenue and EBITDA consolidated from the acquired business on December 1-31, 2018 had no material impact on Kemira's income statement in 2018.

DERIVATIVE INSTRUMENTS

EUR million	12/31/2018 Nominal value	12/31/2018 Fair value	12/31/2017 Nominal value	12/31/2017 Fair value
Currency derivatives				
Forward contracts	**358.1**	**0.2**	341.4	1.0
of which cash flow hedge	**18.1**	**0.2**	43.5	0.8
Interest rate derivatives				
Interest rate swaps	**245.0**	**0.4**	270.0	1.0
of which cash flow hedge	**145.0**	**-1.3**	170.0	-1.6
of which fair value hedge	**100.0**	**1.7**	100.0	2.7
Other derivatives	**GWh**	**Fair value**	GWh	Fair value
Electricity forward contracts, bought	**2,278.1**	**27.6**	1,704.5	6.2
of which cash flow hedge	**2,278.1**	**27.6**	1,704.5	6.2
Electricity future contracts, bought	**-**	**-**	157.6	-0.1
of which cash flow hedge	**-**	**-**	157.6	-0.1

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

FAIR VALUE OF FINANCIAL ASSETS

EUR million	12/31/2018				12/31/2017			
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total net**	Level 1	Level 2	Level 3	Total net
Other shares	**-**	**-**	**228.4**	**228.4**	-	-	235.8	235.8
Other investments	**-**	**2.3**	**-**	**2.3**	-	3.8	-	3.8
Currency derivatives	**-**	**2.1**	**-**	**2.1**	-	3.9	-	3.9
Currency derivatives, hedge accounting	**-**	**0.2**	**-**	**0.2**	-	0.8	-	0.8
Interest rate derivatives, hedge accounting	**-**	**1.7**	**-**	**1.7**	-	2.7	-	2.7
Other derivatives, hedge accounting	**-**	**27.6**	**-**	**27.6**	-	6.2	-	6.2
Other receivables	**-**	**0.2**	**-**	**0.2**	-	5.3	-	5.3
Trade receivables	**-**	**307.3**	**-**	**307.3**	-	315.2	-	315.2
Cash and cash equivalents	**-**	**144.9**	**-**	**144.9**	-	166.1	-	166.1
Total	**-**	**486.3**	**228.4**	**714.7**	-	504.0	235.8	739.8

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

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

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

Level 3 specification	**Total net 12/31/2018**	Total net 12/31/2017
Instrument		
Carrying value at beginning of period	**235.8**	202.5
Effect on other comprehensive income	**-7.5**	30.0
Increases	**0.0**	3.6
Decreases	**0.0**	-0.3
Carrying value at end of period	**228.4**	235.8

FAIR VALUE OF FINANCIAL LIABILITIES

EUR million	12/31/2018				12/31/2017			
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total net**	Level 1	Level 2	Level 3	Total net
Non-current interest-bearing liabilities	**-**	**671.1**	**-**	**671.1**	-	697.2	-	697.2
Current portion of non-current interest-bearing liabilities	**-**	**110.6**	**-**	**110.6**	-	74.8	-	74.8
Non-current other liabilities	**-**	**29.0**	**-**	**29.0**	-	21.4	-	21.4
Finance lease liabilities	**-**	**0.1**	**-**	**0.1**	-	0.1	-	0.1
Loans from financial institutions	**-**	**136.0**	**-**	**136.0**	-	126.8	-	126.8
Other liabilities	**-**	**27.4**	**-**	**27.4**	-	31.0	-	31.0
Currency derivatives	**-**	**2.2**	**-**	**2.2**	-	3.7	-	3.7
Interest rate derivatives, hedge accounting	**-**	**1.3**	**-**	**1.3**	-	1.6	-	1.6
Other derivatives, hedge accounting	**-**	**0.0**	**-**	**0.0**	-	0.1	-	0.1
Trade payables	**-**	**179.9**	**-**	**179.9**	-	187.2	-	187.2
Total	**-**	**1,157.6**	**-**	**1,157.6**	-	1,143.9	-	1,143.9

CONTINGENT LIABILITIES

EUR million	**12/31/2018**	12/31/2017
Assets pledged		
On behalf of own commitments	**5.5**	5.7
Guarantees		
On behalf of own commitments	**54.7**	50.2
On behalf of others	**2.8**	3.9
Operating leasing liabilities		
Maturity within one year	**34.7**	32.2
Maturity after one year	**170.5**	165.4
Other obligations		
On behalf of own commitments	**0.9**	1.0
On behalf of others	**6.1**	-
On behalf of associates	**-**	0.2

Major off-balance sheet investment commitments

Major amounts of contractual commitments for the acquisition of property, plant and equipment on December 31, 2018 were about EUR 16.4 million for plant investments.

LITIGATION

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

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

On June 9, 2011 Kemira Oyj's subsidiary Kemira Chemicals Oy (former Finnish Chemicals Oy) has received documents where it was stated that CDC Project 13 SA has filed an action against four companies in municipal court of Amsterdam, including Kemira, asking damages for violations of competition law applicable to the old sodium chlorate business. The European Commission set on June 2008 a fine of EUR 10.15 million on Finnish Chemicals Oy for antitrust activity in the company's sodium chlorate business during 1994-2000. Kemira Oyj acquired Finnish Chemicals in 2005. The municipal court of Amsterdam decided on June 4, 2014 to have jurisdiction over the case. The said decision on jurisdiction was appealed by Kemira to the court of appeal of Amsterdam. According to the decision by the court of appeal on July 21, 2015, the municipal court of Amsterdam has jurisdiction over the case. The proceedings now continue at the municipal court of Amsterdam where Kemira is the only defendant after the other defendants have settled the claim with CDC Project 13 SA. CDC Project 13 SA claims from Kemira in its brief filed to the municipal court of Amsterdam EUR 61.1 million as damages and interests calculated until December 2, 2015 from which amount CDC Project 13 SA asks the court to deduct the share of the earlier other defendants for other sales than made by them directly, and statutory interest on so defined amount starting from December 2, 2015. Kemira defends against the claim of CDC Project 13 SA. On May 10, 2017, the municipal court of Amsterdam rendered an interim decision on certain legal aspects relating to the claims of CDC Project 13 SA. The interim decision was favorable to Kemira on matters as to applicable statute of limitations, though not supporting Kemira's view that assignments made to CDC (allegedly giving CDC rights to present damage claims against the defendants) were invalid. CDC Project 13 SA has appealed against said interim decision and likewise Kemira has decided to file a cross-appeal accordingly.

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. However, regardless of such limitations of liabilities, Kemira is currently not in a position to make any estimate regarding the duration or the likely outcome of the said process. No assurance can be given as to the outcome of the process, and unfavorable judgments against Kemira could have an adverse effect on Kemira's business, financial condition or results of operations. Due to its extensive international operations the Group, in addition to the above referred claims, is involved in a number of other legal proceedings incidental to these operations and it does not expect the outcome of these other currently pending legal proceedings to have materially adverse effect upon its consolidated results or financial position.

RELATED PARTY

The Board of Directors of Pension Fund Neliapila which is related party has decided to return surplus of EUR 15 million to Kemira Group companies. The return is subject to approval by the Financial Supervisory Authority. Otherwise, the transactions with related parties have not changed materially.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

Financial statements bulletin has been prepared in accordance with IAS 34 Interim financial reporting -standard. The same accounting policies have been applied as in the annual financial statements. The financial statements bulletin should be read in conjunction with the annual financial statements 2017.

All the figures in this financial statements bulletin has been individually rounded and consequently the sum of individual figures may deviate from the presented sum figure.

On January 1, 2018, Kemira has adopted IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and the amendments to IFRS 2 Share-based Payments -standards. The nature of the changes in IFRS-standards are disclosed in the annual financial statements 2017 in Note 1. The Group's accounting policies for the consolidated financial statements. Total effect of these changes on equity is EUR -0.2 million which is disclosed in the consolidated statement of changes in equity in this financial statements bulletin. The IFRS-standards changes did not have a material impact on the financial statements bulletin.

NEW IFRS STANDARDS

IFRS 16 Leases

IFRS 16 Leases standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes the current IAS 17 Leases and the related interpretations. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. In addition, IFRS 16 requires extensive disclosures.

Kemira adopts IFRS 16 -standard on January 1, 2019. All the relevant Group functions have been involved in the implementation project and the project has covered e.g. the accounting process and control changes, collecting and maintaining lease data as well as training the organization. As a part of the project, Kemira has implemented a lease administration tool for contract administration and lease calculation purposes and the tool has deployed at the beginning of 2019.

IFRS 16 standard affects the accounting treatment for Kemira Group's operating leases. On December 31, 2018, the Group's off-balance sheet operating lease commitments were EUR 205 million. Some of the commitments are covered by the short-term and low-value leases exemptions and some commitments relate to arrangements that will not qualify as leases under IFRS 16 -standard. In P&L, current operating lease expenses are replaced by the depreciation of the right-of-use asset and interest cost associated with lease liability. As a result, it is estimated that impact on net profit in P&L is immaterial.

Kemira adopts IFRS 16 -standard using modified retrospective transition approach. At the date of transition on January 1, 2019, Kemira estimates that implementation of IFRS 16 -standard will increases the right-of-use assets in the balance sheet of approximately EUR 120 million, lease liabilities of approximately EUR 125-130 million, and decrease the retained earnings of approximately EUR 5 million including the deferred tax effect. The information from the prior years is not restated. Kemira will publish figures in accordance with the new IFRS 16 -standard in the Interim financial statements Q1/2019.

Kemira currently estimates that the adaptation of IFRS 16 -standard is expected to increase total amount of balance sheet by approximately 5%, EBITDA margin by approximately 1 percentage point and gearing by approximately 10 percentage points. In 2019, the impact on operative EBITDA due to the adoption of IFRS 16 is estimated to be around EUR 30 million. Adaption of IFRS 16 -standard will also affect to certain key figures and cash flow.

IFRIC 23 Uncertainty over Income Tax Treatments

The IFRIC 23 interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12.

The interpretation requires to assess, whether it is probable that the tax authority will or will not accept the uncertain income tax treatment used (or proposed to be used) by an entity in its income tax filings and to determine whether the uncertain tax positions should be considered separately or collectively. If it is probable that the tax authorities will not accept the uncertain tax treatment, the entity should reflect the effect of the uncertainty in determining its accounting tax position. The entity should assume that the tax authorities will examine the uncertain tax treatments and have full knowledge of all related information. The impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty. The judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group has a process in which it aims to identify and assess the potential uncertainties over the income tax treatment. The Group applies the interpretation first time for the accounting period starting on January 1, 2019. The impact on adaption of the interpretation has estimated not to be material on the Consolidated Financial Statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements bulletin requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.