

**kemira**

**January-March  
Interim Report  
2019**



## **STRONG EARNINGS IMPROVEMENT IN THE FIRST QUARTER OF 2019**

### **Q1 2019**

- Revenue increased by 6% to EUR 647.8 million (613.7) as sales price increases continued in all product categories globally. Revenue in local currencies, excluding acquisitions and divestments, increased by 2% due to higher sales prices.
- Operative EBITDA increased by 38% to EUR 95.6 million (69.4) mainly due to higher sales prices, which more than offset continuing increases in variable costs. Operative EBITDA margin increased to 14.8% (11.3%). EBITDA increased by 36% to EUR 92.5 million (68.2). Due to the adoption of IFRS 16 accounting standard, fixed costs do not include operating lease expenses in 2019, corresponding to a positive EBITDA impact of EUR 7.7 million in the first quarter.
- Operative EBIT increased by 48% to EUR 50.1 million (33.9) mainly due to higher sales prices. EBIT increased by 44% to EUR 47.0 million (32.7). The differences between operative and reported figures are explained by items affecting comparability.
- EPS increased by 31% to EUR 0.18 (0.14) mainly due to higher operative EBITDA.

### **Outlook for 2019 (unchanged)**

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:**

"We had a good start to 2019. Organic growth continued, in particular the implementation of sales price increases is bearing fruit. Effective cost management combined with higher sales prices led to operative EBITDA margin of 14.8%.

In Pulp & Paper, price increases are contributing to higher profitability. Operative EBITDA margin of 13.3% improved compared to the prior year. Market demand is currently fairly good and the longer-term market environment is looking positive as many major pulp and paper companies have announced capacity additions. We look forward to completing our latest investment in China, where we are currently finalizing the new AKD wax manufacturing site. It is the world's largest AKD wax production facility and enables us to take a step forward in becoming the undisputed market leader for the application. AKD wax's main component is based on renewable raw material and is mainly applied in board production to create resistance against liquid absorption.

In Industry & Water, our Oil & Gas revenue grew organically 26% even as the short-term market growth moderated somewhat. Margins in Oil & Gas were good due to pricing and the product mix. In water treatment the market is solid and we are better positioned to meet continued inflationary pressures. The combination of higher sales prices and favorable short-term raw material price fluctuations led to a record-high operative EBITDA margin of 16.8% for the segment in the quarter. During the quarter, some supply disruptions occurred regarding a key polymer raw material. However, our production did not suffer thanks to rapid mitigating actions, but some impact is expected in the second quarter due to higher raw material and logistic costs. With regard to growth investments, we expect to add Chemical Enhanced Oil Recovery polymer capacity in the second half of the year.

All in all, our business is proceeding according to our strategy. We continue to drive for higher profitability and we implement measures to support that."

## KEY FIGURES AND RATIOS

Kemira adopted IFRS 16 accounting standard on January 1, 2019. In the profit and loss statement, the 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 the impact on EBIT is small positive and net profit is immaterial in 2019. Kemira currently estimates that the adoption of IFRS 16 accounting standard increases 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 accounting standard is estimated to be around EUR +30 million. The prior year's figures are not restated. Key figures (except revenue and capital expenditure) of profit and loss statement, balance sheet and cash flow have been impacted by the adoption of the IFRS 16 accounting standard. See pages 28-29 for more details.

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Revenue	647.8	613.7	2,592.8
Operative EBITDA	95.6	69.4	323.1
Operative EBITDA, %	14.8	11.3	12.5
EBITDA	92.5	68.2	314.8
EBITDA, %	14.3	11.1	12.1
Operative EBIT	50.1	33.9	173.8
Operative EBIT, %	7.7	5.5	6.7
EBIT	47.0	32.7	148.2
EBIT, %	7.3	5.3	5.7
Net profit for the period	29.3	23.0	95.2
Earnings per share, EUR	0.18	0.14	0.58
Capital employed*	1,843.6	1,753.9	1,781.4
Operative ROCE*, %	10.3	9.7	9.8
ROCE*, %	8.8	8.1	8.3
Cash flow from operating activities	65.2	34.5	210.2
Capital expenditure excl. acquisitions	28.3	23.2	150.4
Capital expenditure	28.3	22.4	193.7
Cash flow after investing activities	39.8	16.4	29.0
Equity ratio, % at period-end	39	41	44
Equity per share, EUR	7.39	7.13	7.80
Gearing, % at period-end	74	61	62

\*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 (revenue growth in local currencies, excluding acquisitions and divestments), 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](http://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.

## FINANCIAL PERFORMANCE IN Q1 2019

**Revenue** increased by 6% as sales price increases continued in all business areas. Revenue in local currencies, excluding acquisitions and divestments, increased by 2% due to growth in sales prices.

<b>Revenue</b>	<b>Jan-Mar 2019</b> EUR, million	Jan-Mar 2018 EUR, million	$\Delta\%$	Organic growth*, %	Currency impact, %	Acq. & div. impact, %
Pulp & Paper	380.8	368.7	+3	0	+3	0
Industry & Water	267.0	245.0	+9	+5	+4	0
<b>Total</b>	<b>647.8</b>	<b>613.7</b>	<b>+6</b>	<b>+2</b>	<b>+3</b>	<b>0</b>

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

**Operative EBITDA** increased by 38% mainly due to higher sales prices, which more than offset continuing increases in variable costs. Favorable currency exchange rates also had a positive impact.

<b>Variance analysis, EUR million</b>	<b>Jan-Mar</b>
<b>Operative EBITDA, 2018</b>	<b>69.4</b>
Sales volumes	-7.0
Sales prices	+34.4
Variable costs	-10.5
Fixed costs	-2.3
Adoption of IFRS 16 accounting standard*	+7.7
Currency exchange	+6.4
Others	-2.4
<b>Operative EBITDA, 2019</b>	<b>95.6</b>

\* Due to the adoption of IFRS 16 accounting standard, fixed costs do not include operating lease expenses in 2019, corresponding to a positive EBITDA impact of EUR 7.7 million.

<b>Operative EBITDA</b>	<b>Jan-Mar 2019</b> EUR, million	Jan-Mar 2018 EUR, million	$\Delta\%$	<b>Jan-Mar 2019</b> %-margin	Jan-Mar 2018 %-margin
Pulp & Paper	50.7	42.7	+19	13.3	11.6
Industry & Water	45.0	26.6	+69	16.8	10.9
<b>Total</b>	<b>95.6</b>	<b>69.4</b>	<b>+38</b>	<b>14.8</b>	<b>11.3</b>

**EBITDA** increased by 36% and the difference to operative EBITDA is explained by items affecting comparability.

Items affecting comparability, EUR million	Jan-Mar 2019	Jan-Mar 2018
<b>Within EBITDA</b>	<b>-3.1</b>	<b>-1.2</b>
Pulp & Paper	-1.8	-0.7
Industry & Water	-1.3	-0.5
<b>Within depreciation, amortization and impairments</b>	<b>0.0</b>	<b>0.0</b>
Pulp & Paper	0.0	0.0
Industry & Water	0.0	0.0
<b>Total items affecting comparability in EBIT</b>	<b>-3.1</b>	<b>-1.2</b>

**Depreciation, amortization and impairments** were EUR 45.5 million (35.5) including the EUR 6.6 million (0.0) depreciation of right-of-use assets (IFRS 16) and EUR 4.8 million (4.0) amortization of the purchase price allocation.

**Operative EBIT** increased by 48% mainly due to higher sales prices, which more than offset increases in variable costs. Favorable currency exchange rates also had a positive impact. **EBIT** increased by 44% and the difference between the two is explained by items affecting comparability.

**Finance costs, net** totaled EUR -8.8 million (-3.9) including interest cost related to lease liabilities. The first quarter of 2018 included a EUR 3.6 million gain from the sale of shares in power plant companies. **Income taxes** were EUR -8.9 million (-5.8), the reported tax rate being 23% (20%). **Net profit for the period** increased by 27% mainly due to higher operative EBITDA.

## FINANCIAL POSITION AND CASH FLOW

Cash flow from operating activities in January-March increased to EUR 65.2 million (34.5) and cash flow after investing activities increased to EUR 39.8 million (16.4) mainly due to higher profitability and the EUR 15 million return of excess capital from Kemira's supplementary Pension Fund in Finland. The adoption of IFRS 16 accounting standard increased cash flow after investing activities by EUR 6.9 million, which is now represented as part of net cash used in financing activities.

At the end of the period, interest-bearing liabilities totaled EUR 1,058 million (908), including lease liabilities of EUR 129 million (0) due to the adoption of IFRS 16 accounting standard. The average interest rate of the Group's interest-bearing loan portfolio without lease liabilities was 2.0% (2.0%) and the duration was 28 months (37). Fixed-rate loans accounted for 85% (87%) of the net interest-bearing liabilities including lease liabilities.

Short-term liabilities maturing in the next 12 months amounted to EUR 267 million. On March 31, 2019, cash and cash equivalents totaled EUR 216 million. On April 17, 2019 Kemira Oyj signed a EUR 400,000,000 five year multicurrency revolving credit facility with two one-year extension options which replaced an undrawn EUR 400 million credit facility.

At the end of the period, Kemira Group's net debt increased to EUR 842 million (678) including lease liabilities of EUR 129 million (0) due to the adoption of IFRS 16 accounting standard. The equity ratio was 39% (41%), while the gearing was 74% (61%).

## CAPITAL EXPENDITURE

In January-March, capital expenditure excluding acquisitions increased by 22% to EUR 28.3 million (23.2). Capital expenditure can be broken down as follows: expansion capital expenditure 50% (31%), improvement capex 24% (38%), and maintenance capex 26% (31%).

## RESEARCH AND DEVELOPMENT

In January-March 2019, total research and development expenses were EUR 7.2 million (7.5), representing 1.1% (1.2%) of the Group's revenue.

## HUMAN RESOURCES

At the end of the period, Kemira Group had 4,973 employees (4,740). Kemira had 807 employees in Finland (801), 1,779 people elsewhere in EMEA (1,752), 1,543 in the Americas (1,531), and 844 in APAC (656).

**CORPORATE RESPONSIBILITY**

**Sustainable products and solutions**



Target	Performance	Comments						
<p><b>Product sustainability</b> 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.</p>	<table border="1"> <tr> <th>Year</th> <th>Performance (%)</th> </tr> <tr> <td>Baseline average 2016-2017</td> <td>49%</td> </tr> <tr> <td>2018</td> <td>51%</td> </tr> </table>	Year	Performance (%)	Baseline average 2016-2017	49%	2018	51%	<p>Four R&amp;D projects began in Q1 and three of them are designed to improve customer resource efficiency. One project to improve resource efficiency was commercialized during Q1. Other projects improve customer product quality.</p>
Year	Performance (%)							
Baseline average 2016-2017	49%							
2018	51%							



**Responsible operations and supply chain**



Target	Performance	Comments																		
<p><b>Workplace safety</b> Achieve zero injuries on long term; TRIF* 2.0 by the end of 2020.</p>	<table border="1"> <tr> <th>Year</th> <th>TRIF</th> </tr> <tr> <td>15</td> <td>7,2</td> </tr> <tr> <td>16</td> <td>3,4</td> </tr> <tr> <td>17</td> <td>3,9</td> </tr> <tr> <td>18</td> <td>3,5</td> </tr> <tr> <td>Q1'19</td> <td>2,3</td> </tr> <tr> <td>Target 2020</td> <td>2,0</td> </tr> </table>	Year	TRIF	15	7,2	16	3,4	17	3,9	18	3,5	Q1'19	2,3	Target 2020	2,0	<p>Q1 2019 was the best TRIF result for many years. The preventive work with Behavior Based Safety and using leading indicators like hazardous conditions and activities on a daily basis are beginning to show results via lower number of people incidents as well as severity of those.</p>				
Year	TRIF																			
15	7,2																			
16	3,4																			
17	3,9																			
18	3,5																			
Q1'19	2,3																			
Target 2020	2,0																			
<p><b>Climate change</b> Kemira Carbon Index ≤ 80 by the end of 2020 (2012 = 100). This KPI is reported once a year.</p>	<table border="1"> <tr> <th>Year</th> <th>Carbon Index</th> </tr> <tr> <td>12</td> <td>100</td> </tr> <tr> <td>13</td> <td>88</td> </tr> <tr> <td>14</td> <td>91</td> </tr> <tr> <td>15</td> <td>93</td> </tr> <tr> <td>16</td> <td>86</td> </tr> <tr> <td>17</td> <td>85</td> </tr> <tr> <td>18</td> <td>83</td> </tr> <tr> <td>Target 2020</td> <td>80</td> </tr> </table>	Year	Carbon Index	12	100	13	88	14	91	15	93	16	86	17	85	18	83	Target 2020	80	<p>Efforts to decrease Kemira's carbon footprint continue mainly by sourcing a higher share of electricity from low carbon sources and through energy efficiency improvements.</p>
Year	Carbon Index																			
12	100																			
13	88																			
14	91																			
15	93																			
16	86																			
17	85																			
18	83																			
Target 2020	80																			
<p><b>Supplier management</b> Share of direct key suppliers screened through sustainability assessments and audits (cumulative %). The target includes five sustainability audits for highest risk** suppliers every year, and cumulatively 25 by 2020.</p>	<table border="1"> <tr> <th>Year</th> <th>% of key suppliers</th> <th># of audits (cumul.)</th> </tr> <tr> <td>Baseline 2018</td> <td>69%</td> <td>11</td> </tr> <tr> <td>2019</td> <td>71%</td> <td>11</td> </tr> <tr> <td>Target 2020</td> <td>90%</td> <td>25</td> </tr> </table>	Year	% of key suppliers	# of audits (cumul.)	Baseline 2018	69%	11	2019	71%	11	Target 2020	90%	25	<p>Sustainability screening of key suppliers continues with an additional six new suppliers screened during Q1. Another 14 have been invited to take an assessment and one audit is in progress.</p>						
Year	% of key suppliers	# of audits (cumul.)																		
Baseline 2018	69%	11																		
2019	71%	11																		
Target 2020	90%	25																		



\* 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													
<p><b>Employee engagement index based on Voices@Kemira biennial survey</b> The index at or above the external industry norm. The participation rate target in Voices@Kemira is 75% or above.</p>	<table border="1"> <caption>Employee engagement index based on Voices@Kemira biennial survey</caption> <thead> <tr> <th>Year</th> <th>Engagement</th> <th>Participation</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>58%</td> <td>75%</td> </tr> <tr> <td>2015</td> <td>67%</td> <td>85%</td> </tr> <tr> <td>2018</td> <td>71%</td> <td>84%</td> </tr> </tbody> </table>	Year	Engagement	Participation	2013	58%	75%	2015	67%	85%	2018	71%	84%	<p>Action planning is ongoing at manager level. Company wide strategy communication and engagement is ongoing.</p>	<p><b>AHEAD OF TARGET</b></p>
Year	Engagement	Participation													
2013	58%	75%													
2015	67%	85%													
2018	71%	84%													
<p><b>Leadership development activities provided</b> Two leadership development activities per person in manager's position during 2016-2020, the cumulative target is 1,500 by 2020.</p>	<table border="1"> <caption>Leadership development activities provided</caption> <thead> <tr> <th>Year</th> <th>Activities</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>494</td> </tr> <tr> <td>2017</td> <td>1,036</td> </tr> <tr> <td>2018</td> <td>1,533</td> </tr> <tr> <td>Target 2020</td> <td>1,500</td> </tr> </tbody> </table>	Year	Activities	2016	494	2017	1,036	2018	1,533	Target 2020	1,500	<p>15 leadership activities in Q1. Leadership activities total 1,548 overall – ahead of the target of 1,500 by year 2020.</p>	<p><b>AHEAD OF TARGET</b></p>		
Year	Activities														
2016	494														
2017	1,036														
2018	1,533														
Target 2020	1,500														
<p><b>Integrity index</b> 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.</p>	<table border="1"> <caption>Integrity index</caption> <thead> <tr> <th>Year</th> <th>Integrity Index</th> <th>Participation</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>87%</td> <td>84%</td> </tr> </tbody> </table>	Year	Integrity Index	Participation	2018	87%	84%	<p>Mandatory training on the Kemira Code of Conduct and general awareness-building regarding GDPR was continued for Kemira employees.</p>	<p><b>IN PROGRESS</b></p>						
Year	Integrity Index	Participation													
2018	87%	84%													



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

EUR million	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Revenue	380.8	368.7	1,520.2
Operative EBITDA	50.7	42.7	191.7
Operative EBITDA, %	13.3	11.6	12.6
EBITDA	48.8	42.1	187.8
EBITDA, %	12.8	11.4	12.4
Operative EBIT	20.6	18.9	91.6
Operative EBIT, %	5.4	5.1	6.0
EBIT	18.8	18.2	79.8
EBIT, %	4.9	4.9	5.2
Capital employed*	1,217.1	1,165.2	1,177.6
Operative ROCE*, %	7.7	8.6	7.8
ROCE*, %	6.6	7.1	6.8
Capital expenditure excl. acquisitions	17.3	14.2	85.1
Capital expenditure	17.3	13.4	128.4
Cash flow after investing activities	25.1	20.5	29.9

\*12-month rolling average

The segment's **revenue** increased by 3%. Currencies had a positive impact of 3%. Revenue in local currencies, excluding acquisitions and divestments, remained at the previous year's level due to a combination of lower volumes as a result of the closure of the non-core detergent business (ECOX) and higher sales prices.

In **EMEA**, revenue decreased by 3% due to the closure of the non-core detergent business (ECOX). In the **Americas**, revenue increased by 9% mainly due to higher prices. Currencies also had a positive impact due to a strengthened US dollar. In North America, revenue in local currencies increased mainly due to higher prices in bleaching. In South America, revenue in local currencies remained at the previous year's level. In **APAC**, revenue increased by 17%, driven by higher sales volumes, especially in sizing chemicals. Currencies also had a positive impact in the region.

**Operative EBITDA** increased by 19% mainly due to higher sales prices. **EBITDA** increased by 16% and the difference to operative EBITDA is explained by items affecting comparability.

Due to the adoption of IFRS 16 accounting standard, fixed costs do not include operating lease expenses in 2019. The corresponding positive EBITDA impact in the first quarter amounted to EUR 3.3 million in the segment.

## 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	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Revenue	267.0	245.0	1,072.6
Operative EBITDA	45.0	26.6	131.5
Operative EBITDA, %	16.8	10.9	12.3
EBITDA	43.7	26.1	127.0
EBITDA, %	16.4	10.7	11.8
Operative EBIT	29.5	15.0	82.2
Operative EBIT, %	11.0	6.1	7.7
EBIT	28.2	14.5	68.5
EBIT, %	10.6	5.9	6.4
Capital employed*	626.0	588.3	603.4
Operative ROCE*, %	15.4	11.8	13.6
ROCE*, %	13.1	10.1	11.3
Capital expenditure excl. acquisitions	11.0	9.0	65.3
Capital expenditure	11.0	9.0	65.3
Cash flow after investing activities	27.8	-4.0	52.5

\*12-month rolling average

The segment's **revenue** increased by 9%. Revenue in local currencies, excluding acquisitions and divestments, increased by 5%, driven by higher sales prices. Currency exchange rate fluctuations had an impact of +4%.

Within the segment, the revenue of the Oil & Gas business increased by 34% to EUR 62.0 million (46.4), mainly due to higher prices, particularly 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 4%, driven by focus on implementing higher sales prices. In the **Americas**, revenue increased by 17% 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 16% as the increase in focus on profitable customers continued.

**Operative EBITDA** increased by 69% as a combination of higher sales prices and short-term favorable polymer raw material price fluctuation. **EBITDA** increased by 67% and the difference to operative EBITDA is explained by items affecting comparability.

Due to the adoption of IFRS 16 accounting standard, fixed costs do not include operating lease expenses in 2019. The corresponding positive EBITDA impact in the first quarter amounted to EUR 4.4 million in the segment.

## KEMIRA OYJ'S SHARES AND SHAREHOLDERS

On March 31, 2019, 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 March, Kemira Oyj had 34,048 registered shareholders (34,378 on December 31, 2018). Non-Finnish shareholders held 28.4% of the shares (27.4%) including nominee-registered holdings. Households owned 16.8% of the shares (17.1%). Kemira held 2,691,453 treasury shares (2,832,297) representing 1.7% (1.8%) of all company shares.

Kemira Oyj's share price increased by 12% from the beginning of the year and closed at EUR 11.02 on the Nasdaq Helsinki at the end of March 2019 (9.85 on December 31, 2018). Shares registered a high of EUR 12.00 and a low of EUR 9.77 in January-March 2019 and the average share price was EUR 11.10. The company's market capitalization, excluding treasury shares, was EUR 1,682 million at the end of March 2019 (1,502).

In January-March 2019, Kemira Oyj's share trading turnover on Nasdaq Helsinki was EUR 131 million (January-March 2018: 127). The average daily trading volume was 187,074 (180,101) shares. The total volume of Kemira Oyj's share trading in January-March 2019 was 17 million shares (18), 30% (38%) of which was executed on other trading platforms (BATS, Chi-X, Turquoise). Source: Nasdaq and Kemira.com.

## DECISIONS BY THE ANNUAL GENERAL MEETING

Kemira Oyj's Annual General Meeting, held on March 21, 2019, decided on the dividend of EUR 0.53 per share. The dividend was paid out on April 5, 2019. The Annual General Meeting elected six members to the Board of Directors. Annual General Meeting re-elected Wolfgang Büchele, Shirley Cunningham, Kaisa Hietala, Timo Lappalainen, Jari Paasikivi, and Kerttu Tuomas. Jari Paasikivi was re-elected as the Chairman of the Board and Kerttu Tuomas was re-elected to continue as the Vice Chairman.

The AGM 2019 authorized the Board of Directors to decide upon the repurchase of a maximum of 5,100,000 company's own shares. Shares will be repurchased by using unrestricted equity, either through a tender offer with equal terms to all shareholders at a price determined by the Board of Directors or otherwise than in proportion to the existing shareholdings of the company's shareholders in public trading on the Nasdaq Helsinki Ltd. (the "Helsinki Stock Exchange") at the market price quoted at the time of repurchase.

The price paid for the shares repurchased through a tender offer under the authorization shall be based on the market price of the company's shares in public trading. The minimum price to be paid would be the lowest market price of the share quoted in public trading during the authorization period and the maximum price would be the highest market price quoted during the authorization period.

Shares shall be acquired and paid for in accordance with the rules of the Helsinki Stock Exchange and those of Euroclear Finland Ltd.

Shares may be repurchased to be used in implementing or financing mergers and acquisitions, developing the company's capital structure, improving the liquidity of the company's shares, or to be used for the payment of the annual fee payable to the members of the Board of Directors or implementing the company's share-based incentive plans. In order to realize the aforementioned purposes, the shares acquired may be retained, transferred further or cancelled by the company. The Board of Directors will decide on other terms

related to the share repurchase. The Share repurchase authorization is valid until the end of the next Annual General Meeting.

The Annual General Meeting authorized the Board of Directors to decide to issue a maximum of 15,600,000 new shares and/or transfer a maximum of 7,800,000 company's own shares held by the company ("Share issue").

The new shares may be issued and the company's own shares held by the company may be transferred either for consideration or without consideration.

The new shares may be issued and the company's own shares held by the company may be transferred to the company's shareholders in proportion to their current shareholdings in the company, or by disapplying the shareholders' pre-emption right, through a directed share issue, if the company has a weighty financial reason to do so, such as financing or implementing mergers and acquisitions, developing the capital structure of the company, improving the liquidity of the company's shares or, if it is justified, for the payment of the annual fee payable to the members of the Board of Directors or implementing the company's share-based incentive plans. The directed share issue may be carried out without consideration only in connection with the implementation of the company's share-based incentive plans.

The subscription price of new shares shall be recorded to the invested unrestricted equity reserves. The consideration payable for company's own shares shall be recorded to the invested unrestricted equity reserves. The Board of Directors shall decide upon other terms related to the share issues. The Share issue authorization is valid until May 31, 2020.

Ernst & Young Oy was elected as the company's auditor with Mikko Rytilahti, Authorized Public Accountant, acting as the principal author.

## **BOARD COMMITTEES**

On March 21, 2019, the Board of Directors of Kemira Oyj elected members among themselves for the Audit Committee and the Personnel and Remuneration Committee. The Board's Audit Committee members are Kaisa Hietala, Timo Lappalainen, and Jari Paasikivi. The Audit Committee is chaired by Timo Lappalainen. The Board's Personnel and Remuneration Committee members are Timo Lappalainen, Jari Paasikivi, and Kerttu Tuomas. The Personnel and Remuneration Committee is chaired by Jari Paasikivi.

## **SHORT-TERM RISKS AND UNCERTAINTIES**

There have been no significant changes in the Kemira's short-term risks or uncertainties compared to December 31, 2018. A detailed account of Kemira's risk management principles is available on the company's website at <http://www.kemira.com>. Financial risks are also described in the Notes to the Financial Statements for the year 2018.

## **EVENTS AFTER THE REVIEW PERIOD**

On April 17, Kemira announced the signing of a EUR 400,000,000 five-year multicurrency revolving credit facility, with two one-year extension options.

## **OUTLOOK FOR 2019 (UNCHANGED)**

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 (UNCHANGED)**

Kemira aims at above-the-market revenue growth with operative EBITDA margin of 15-17%. The gearing target is below 75%. (Before the adoption of IFRS 16 accounting change as of January 1, 2019, 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, April 25, 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

Half-Year Financial Report January-June 2019

July 19, 2019

Interim Report January-September 2019

October 24, 2019

## PRESS AND ANALYST CONFERENCE AND CONFERENCE CALL

Kemira will arrange a press conference for analysts, investors, and media on Friday, April 26, 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](http://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 8171 0310

SE +46 8 5664 2651

UK +44 333 300 08 04

US +1 631 913 14 22

Conference ID: 77236042#

## KEMIRA GROUP

### CONSOLIDATED INCOME STATEMENT

	1-3/2019	1-3/2018	2018
<b>EUR million</b>			
<b>Revenue</b>	<b>647.8</b>	613.7	2,592.8
Other operating income	2.8	1.4	14.8
Operating expenses	-558.1	-547.0	-2,292.8
Share of profit or loss of associates	0.0	0.0	0.0
<b>EBITDA</b>	<b>92.5</b>	68.2	314.8
Depreciation, amortization and impairments	-45.5	-35.5	-166.6
<b>Operating profit (EBIT)</b>	<b>47.0</b>	32.7	148.2
Finance costs, net	-8.8	-3.9	-25.0
<b>Profit before taxes</b>	<b>38.2</b>	28.8	123.3
Income taxes	-8.9	-5.8	-28.1
<b>Net profit for the period</b>	<b>29.3</b>	23.0	95.2
<b>Net profit attributable to</b>			
Equity owners of the parent company	27.9	21.3	89.1
Non-controlling interests	1.4	1.7	6.1
<b>Net profit for the period</b>	<b>29.3</b>	23.0	95.2
Earnings per share, basic and diluted, EUR	0.18	0.14	0.58

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1-3/2019	1-3/2018	2018
<b>EUR million</b>			
<b>Net profit for the period</b>	<b>29.3</b>	23.0	95.2
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations	8.8	-14.0	0.2
Cash flow hedges	-11.7	3.2	17.5
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Other shares	0.1	0.0	-5.9
Remeasurements on defined benefit plans	0.0	0.0	10.1
<b>Other comprehensive income for the period, net of tax</b>	<b>-2.8</b>	-10.8	21.8
<b>Total comprehensive income for the period</b>	<b>26.5</b>	12.2	117.0
<b>Total comprehensive income attributable to</b>			
Equity owners of the parent company	25.1	10.5	111.4
Non-controlling interests	1.4	1.7	5.6
<b>Total comprehensive income for the period</b>	<b>26.5</b>	12.2	117.0

## CONSOLIDATED BALANCE SHEET

	3/31/2019	3/31/2018	12/31/2018
<b>EUR million</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	514.7	501.3	512.5
Other intangible assets	113.9	95.1	128.6
Property, plant and equipment	943.3	903.0	938.3
Right-of-use assets	131.9	-	-
Investments in associates	0.8	0.7	0.7
Other shares	228.4	235.8	228.4
Deferred tax assets	28.1	26.8	28.2
Other investments	2.3	2.7	2.3
Receivables of defined benefit plans	46.2	48.0	61.8
<b>Total non-current assets</b>	<b>2,009.5</b>	<b>1,813.3</b>	<b>1,900.7</b>
<b>Current assets</b>			
Inventories	300.8	237.1	283.8
Interest-bearing receivables	0.2	5.0	0.2
Trade receivables and other receivables	417.4	423.7	420.2
Current income tax assets	14.0	16.2	13.9
Cash and cash equivalents	216.2	229.9	144.9
<b>Total current assets</b>	<b>948.5</b>	<b>911.9</b>	<b>863.1</b>
<b>Total assets</b>	<b>2,958.0</b>	<b>2,725.3</b>	<b>2,763.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to equity owners of the parent company	1,128.8	1,087.6	1,189.6
Non-controlling interests	14.3	15.5	12.9
<b>Total equity</b>	<b>1,143.1</b>	<b>1,103.1</b>	<b>1,202.5</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	790.8	758.8	646.3
Other liabilities	29.4	21.4	29.0
Deferred tax liabilities	61.7	62.5	71.1
Liabilities of defined benefit plans	81.3	80.8	81.2
Provisions	28.8	26.4	29.6
<b>Total non-current liabilities</b>	<b>992.0</b>	<b>950.0</b>	<b>857.3</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	266.9	148.9	240.0
Trade payables and other liabilities	522.2	495.2	439.1
Current income tax liabilities	24.4	18.3	15.6
Provisions	9.4	9.9	9.2
<b>Total current liabilities</b>	<b>822.9</b>	<b>672.2</b>	<b>703.9</b>
<b>Total liabilities</b>	<b>1,815.0</b>	<b>1,622.1</b>	<b>1,561.2</b>
<b>Total equity and liabilities</b>	<b>2,958.0</b>	<b>2,725.3</b>	<b>2,763.8</b>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	1-3/2019	1-3/2018	2018
<b>EUR million</b>			
<b>Cash flow from operating activities</b>			
Net profit for the period	29.3	23.0	95.2
Total adjustments	79.4	42.2	219.6
Operating profit before change in net working capital	108.7	65.3	314.8
Change in net working capital	-30.3	-30.7	-51.1
Cash generated from operations before financing items and taxes	78.4	34.6	263.7
Finance expenses, net and dividends received	-6.7	-0.9	-29.9
Income taxes paid	-6.4	0.8	-23.6
<b>Net cash generated from operating activities</b>	<b>65.2</b>	<b>34.5</b>	<b>210.2</b>
<b>Cash flow from investing activities</b>			
Purchases of subsidiaries and business acquisitions, net of cash acquired	0.0	0.8	-43.3
Other capital expenditure	-28.3	-23.2	-150.4
Proceeds from sale of assets	2.9	4.3	7.3
Decrease (+) / increase (-) in loan receivables	0.0	-0.1	5.2
<b>Net cash used in investing activities</b>	<b>-25.4</b>	<b>-18.1</b>	<b>-181.3</b>
<b>Cash flow from financing activities</b>			
Proceeds from non-current interest-bearing liabilities	40.1	90.0	96.2
Repayments of non-current interest-bearing liabilities	0.0	-48.5	-69.2
Short-term financing, net increase (+) / decrease (-)	-3.3	7.3	10.3
Repayments of lease liabilities	-6.9	-	-
Dividends paid	0.0	0.0	-87.3
<b>Net cash used in financing activities</b>	<b>29.9</b>	<b>48.9</b>	<b>-50.1</b>
<b>Net decrease (-) / increase (+) in cash and cash equivalents</b>	<b>69.7</b>	<b>65.3</b>	<b>-21.1</b>
Cash and cash equivalents at end of period	216.2	229.9	144.9
Exchange gains (+) / losses (-) on cash and cash equivalents	1.6	-1.5	-0.1
Cash and cash equivalents at beginning of period	144.9	166.1	166.1
<b>Net decrease (-) / increase (+) in cash and cash equivalents</b>	<b>69.7</b>	<b>65.3</b>	<b>-21.1</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Equity attributable to equity owners of the parent company									Non-controlling interests	Total Equity
	Share capital	Share premium	Fair value and other reserves	Un-restricted equity reserve	Exchange differences	Treasury shares	Retained earnings	Total			
<b>Equity on January 1, 2019</b>	221.8	257.9	110.2	196.3	-47.1	-19.1	469.6	1,189.6	12.9	1,202.5	
Change in accounting policy	-	-	-	-	-	-	-4.9 <sup>1)</sup>	-4.9	-	-4.9	
<b>Restated equity on January 1, 2019</b>	221.8	257.9	110.2	196.3	-47.1	-19.1	464.7	1,184.7	12.9	1,197.6	
<b>Net profit for the period</b>	-	-	-	-	-	-	27.9	27.9	1.4	29.3	
Other comprehensive income, net of tax	-	-	-11.7	-	8.8	-	0.1	-2.8	0.0	-2.8	
<b>Total comprehensive income</b>	-	-	-11.7	-	8.8	-	28.0	25.1	1.4	26.5	
<b>Transactions with owners</b>											
Dividends paid	-	-	-	-	-	-	-80.9 <sup>2)</sup>	-80.9	-	-80.9	
Treasury shares issued to the target group of share-based incentive plan	-	-	-	-	-	1.0	-	1.0	-	1.0	
Share-based payments	-	-	-	-	-	-	-1.0	-1.0	-	-1.0	
<b>Total transactions with owners</b>	-	-	-	-	-	1.0	-81.9	-80.9	-	-80.9	
<b>Equity on March 31, 2019</b>	221.8	257.9	98.5	196.3	-38.3	-18.1	410.8	1,128.8	14.3	1,143.1	

<sup>1)</sup> On January 1, 2019, Kemira adopted IFRS 16 Leases standard. As a result of IFRS 16 adoption, retained earnings in equity have been adjusted by EUR -4.9 million. More information on the impact of IFRS 16 adoption can be found in this interim financial statement on basis of preparation and accounting policies section.

<sup>2)</sup> A dividend was EUR 80.9 million in total (EUR 0.53 per share) with respect to the financial year ended December 31, 2018. The annual general meeting approved EUR 0.53 dividend on March 21, 2019. The dividend record date was March 25, 2019, and the payment date on April 5, 2019.

Kemira had in its possession 2,691,453 of its treasury shares on March 31, 2019. The average share price of treasury shares was EUR 6.73 and they represented 1.7% of the share capital and the aggregate number of votes conferred by all shares. The aggregate par value of the treasury shares is EUR 3.8 million.

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

EUR million	Equity attributable to equity owners of the parent company									
	Share capital	Share premium	Fair value and other reserves	Un-restricted equity reserve	Exchange differences	Treasury shares	Retained earnings	Total	Non-controlling interests	Total Equity
<b>Equity on January 1, 2018</b>	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 <sup>3)</sup>	-0.2	-	-0.2
<b>Restated equity on January 1, 2018</b>	221.8	257.9	98.7	196.3	-47.7	-20.1	451.9	1,158.8	13.8	1,172.6
<b>Net profit for the period</b>	-	-	-	-	-	-	21.3	21.3	1.7	23.0
Other comprehensive income, net of tax	-	-	3.2	-	-14.0	-	-	-10.8	0.0	-10.8
<b>Total comprehensive income</b>	-	-	3.2	-	-14.0	-	21.3	10.5	1.7	12.2
<b>Transactions with owners</b>										
Dividends paid	-	-	-	-	-	-	-80.8 <sup>4)</sup>	-80.8	-	-80.8
Treasury shares issued to the target group of share-based incentive plan	-	-	-	-	-	1.0	-	1.0	-	1.0
Share-based payments	-	-	-	-	-	-	-1.8	-1.8	-	-1.8
<b>Total transactions with owners</b>	-	-	-	-	-	1.0	-82.6	-81.6	-	-81.6
<b>Equity on March 31, 2018</b>	221.8	257.9	101.8	196.3	-61.6	-19.1	390.6	1,087.6	15.5	1,103.1

<sup>3)</sup> Kemira 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 impacted 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 Kamira 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.

<sup>4)</sup> 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 on April 5, 2018.

## GROUP KEY FIGURES

Kemira provides certain financial performance measures (alternative performance measures), which are not defined by IFRS. Kemira believes that alternative performance measures followed by capital markets and Kemira management, such as organic growth<sup>1</sup>, 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](http://www.kemira.com) > Investors > Financial information.

On January 1, 2019, Kemira applied IFRS 16 Leases standard and it did not restate comparative figures. Key figures (except revenue and capital expenditure) of profit and loss statement, balance sheet and cash flow have been impacted by the adoption of the IFRS 16. More information on the impact of IFRS 16 adoption can be found in this interim financial statement on basis of preparation and accounting policies section.

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

	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2018 1-12
<b>Income statement and profitability</b>						
Revenue, EUR million	647.8	661.8	669.6	647.6	613.7	2,592.8
Operative EBITDA, EUR million	95.6	84.5	89.0	80.2	69.4	323.1
Operative EBITDA, %	14.8	12.8	13.3	12.4	11.3	12.5
EBITDA, EUR million	92.5	81.3	82.8	82.5	68.2	314.8
EBITDA, %	14.3	12.3	12.4	12.7	11.1	12.1
Items affecting comparability in EBITDA, EUR million	-3.1	-3.2	-6.2	2.3	-1.2	-8.3
Operative EBIT, EUR million	50.1	44.8	50.0	45.1	33.9	173.8
Operative EBIT, %	7.7	6.8	7.5	7.0	5.5	6.7
Operating profit (EBIT), EUR million	47.0	41.1	35.9	38.5	32.7	148.2
Operating profit (EBIT), %	7.3	6.2	5.4	5.9	5.3	5.7
Items affecting comparability in EBIT, EUR million	-3.1	-3.7	-14.1	-6.6	-1.2	-25.6
Amortization and impairments of Intangible assets	-7.5	-7.5	-7.8	-6.4	-6.4	-28.1
Of which purchase price allocation (PPA) related	-4.8	-3.9	-3.8	-3.9	-4.0	-15.7
Depreciations and impairments of Property, plant and equipment	-31.3	-32.6	-39.1	-37.7	-29.1	-138.5
Depreciations of Right-of-use assets	-6.6	-	-	-	-	-
Return on investment (ROI), %	8.2	7.8	6.5	6.8	6.6	7.0
Capital employed, EUR million <sup>1)</sup>	1,843.6	1,781.4	1,759.5	1,754.6	1,753.9	1,781.4
Operative ROCE, %	10.3	9.8	9.8	9.7	9.7	9.8
ROCE, %	8.8	8.3	8.5	8.3	8.1	8.3
<b>Cash flow</b>						
Net cash generated from operating activities, EUR million	65.2	88.2	64.2	23.4	34.5	210.2
Capital expenditure, EUR million	28.3	97.6	36.3	37.4	22.4	193.7
Capital expenditure excl. acquisitions, EUR million	28.3	53.2	34.3	39.8	23.2	150.4
Capital expenditure excl. acquisitions / revenue, %	4.4	8.0	5.1	6.1	3.8	5.8
Cash flow after investing activities, EUR million	39.8	-3.3	28.8	-12.9	16.4	29.0
<b>Balance sheet and solvency</b>						
Equity ratio, %	38.7	43.5	42.8	43.0	40.5	43.5
Gearing, %	73.6	61.7	65.0	67.4	61.5	61.7
Interest-bearing net liabilities, EUR million	841.6	741.4	744.3	772.6	677.9	741.4
<b>Personnel</b>						
Personnel at end of period	4,973	4,915	4,798	4,858	4,740	4,915
Personnel (average)	4,938	4,839	4,844	4,820	4,736	4,810
<b>Key exchange rates at end of period</b>						
USD	1.124	1.145	1.158	1.166	1.232	1.145
CAD	1.500	1.561	1.506	1.544	1.590	1.561
SEK	10.398	10.255	10.309	10.453	10.284	10.255
CNY	7.540	7.875	7.966	7.717	7.747	7.875
BRL	4.387	4.444	4.654	4.488	4.094	4.444
<b>Per share figures, EUR</b>						
Earnings per share (EPS), basic and diluted <sup>2)</sup>	0.18	0.17	0.14	0.14	0.14	0.58
Net cash generated from operating activities per share <sup>2)</sup>	0.43	0.58	0.42	0.15	0.23	1.38
Equity per share <sup>2)</sup>	7.39	7.80	7.44	7.42	7.13	7.80
<b>Number of shares (1,000)</b>						
Average number of shares, basic <sup>2)</sup>	152,557	152,510	152,510	152,510	152,403	152,484
Average number of shares, diluted <sup>2)</sup>	152,937	152,811	152,754	152,755	152,753	152,768
Number of shares at end of period, basic <sup>2)</sup>	152,651	152,510	152,510	152,514	152,503	152,510
Number of shares at end of period, diluted <sup>2)</sup>	152,938	152,927	152,752	152,758	152,747	152,927

<sup>1)</sup> 12-month rolling average

<sup>2)</sup> Number of shares outstanding, excluding the number of treasury shares.

## DEFINITIONS OF KEY FIGURES

### Operative EBITDA

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

### Items affecting comparability <sup>1)</sup>

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), %

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

### Operative return on capital employed (Operative ROCE), %

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

### Return on capital employed (ROCE), %

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

### Capital employed

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

### 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

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

<sup>2)</sup> Average

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

<sup>4)</sup> 12-month rolling average

### Cash flow after investing activities

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

### Equity ratio, %

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

### Gearing, %

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

### Interest-bearing net liabilities

Interest-bearing liabilities - cash and cash equivalents

### Earnings per share (EPS)

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

### Net cash generated from operating activities per share

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

### Equity per share

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

## RECONCILIATION OF IFRS FIGURES

	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2018 1-12
<b>EUR million</b>						
<b>ITEMS AFFECTING COMPARABILITY IN EBITDA AND IN EBIT</b>						
<b>Operative EBITDA</b>	<b>95.6</b>	84.5	89.0	80.2	69.4	323.1
Restructuring and streamlining programs	-0.4	-2.7	-5.5	-0.8	0.0	-8.9
Transaction and integration expenses in acquisition	-0.5	3.1	0.0	0.0	-0.2	2.8
Divestment of businesses and other disposals	0.9	0.0	0.0	5.7	0.0	5.7
Other items	-3.2	-3.6	-0.8	-2.6	-1.0	-7.9
<b>Total items affecting comparability</b>	<b>-3.1</b>	-3.2	-6.2	2.3	-1.2	-8.3
<b>EBITDA</b>	<b>92.5</b>	81.3	82.8	82.5	68.2	314.8
<b>Operative EBIT</b>	<b>50.1</b>	44.8	50.0	45.1	33.9	173.8
Total items affecting comparability in EBITDA	-3.1	-3.2	-6.2	2.3	-1.2	-8.3
Items affecting comparability in depreciation, amortization and impairments	0.0	-0.5	-7.9	-8.9	0.0	-17.3
<b>Operating profit (EBIT)</b>	<b>47.0</b>	41.1	35.9	38.5	32.7	148.2
<b>ROCE AND OPERATIVE ROCE</b>						
Operative EBIT	50.1	44.8	50.0	45.1	33.9	173.8
Operating profit (EBIT)	47.0	41.1	35.9	38.5	32.7	148.2
Capital employed <sup>1)</sup>	1,843.6	1,781.4	1,759.5	1,754.6	1,753.9	1,781.4
Operative ROCE, %	10.3	9.8	9.8	9.7	9.7	9.8
ROCE, %	8.8	8.3	8.5	8.3	8.1	8.3
<b>NET WORKING CAPITAL</b>						
Inventories	300.8	283.8	268.6	254.9	237.1	283.8
Trade receivables and other receivables	417.4	420.2	457.3	449.2	423.7	420.2
Excluding financing items in other receivables	-16.9	-32.5	-33.1	-33.4	-22.2	-32.5
Trade payables and other liabilities	522.2	439.1	421.5	405.4	495.2	439.1
Excluding financing items in other liabilities	-115.5	-28.0	-9.9	-12.3	-96.5	-28.0
<b>Net working capital</b>	<b>294.5</b>	260.4	281.1	277.6	240.0	260.4
<b>INTEREST-BEARING NET LIABILITIES</b>						
Non-current interest-bearing liabilities	790.8	646.3	653.1	658.4	758.8	646.3
Current interest-bearing liabilities	266.9	240.0	236.1	243.5	148.9	240.0
<b>Interest-bearing liabilities</b>	<b>1,057.8</b>	886.3	889.2	902.0	907.7	886.3
Cash and cash equivalents	216.2	144.9	144.9	129.3	229.9	144.9
<b>Interest-bearing net liabilities</b>	<b>841.6</b>	741.4	744.3	772.6	677.8	741.4

<sup>1)</sup> 12-month rolling average

## QUARTERLY SEGMENT INFORMATION

	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2018 1-12
<b>EUR million</b>						
<b>Revenue</b>						
Pulp & Paper	380.8	390.4	385.2	376.0	368.7	1,520.2
Industry & Water	267.0	271.5	284.4	271.7	245.0	1,072.6
<b>Total</b>	<b>647.8</b>	<b>661.8</b>	<b>669.6</b>	<b>647.6</b>	<b>613.7</b>	<b>2,592.8</b>
<b>Operative EBITDA</b>						
Pulp & Paper	50.7	51.2	52.3	45.4	42.7	191.7
Industry & Water	45.0	33.3	36.7	34.8	26.6	131.5
<b>Total</b>	<b>95.6</b>	<b>84.5</b>	<b>89.0</b>	<b>80.2</b>	<b>69.4</b>	<b>323.1</b>
<b>Items affecting comparability in EBITDA</b>						
Pulp & Paper	-1.8	1.8	-4.1	-0.9	-0.7	-3.9
Industry & Water	-1.3	-5.0	-2.1	3.2	-0.5	-4.4
<b>Total</b>	<b>-3.1</b>	<b>-3.2</b>	<b>-6.2</b>	<b>2.3</b>	<b>-1.2</b>	<b>-8.3</b>
<b>EBITDA</b>						
Pulp & Paper	48.8	53.0	48.2	44.6	42.1	187.8
Industry & Water	43.7	28.3	34.6	38.0	26.1	127.0
<b>Total</b>	<b>92.5</b>	<b>81.3</b>	<b>82.8</b>	<b>82.5</b>	<b>68.2</b>	<b>314.8</b>
<b>Operative EBIT</b>						
Pulp & Paper	20.6	24.1	26.6	22.0	18.9	91.6
Industry & Water	29.5	20.8	23.4	23.0	15.0	82.2
<b>Total</b>	<b>50.1</b>	<b>44.8</b>	<b>50.0</b>	<b>45.1</b>	<b>33.9</b>	<b>173.8</b>
<b>Items affecting comparability in EBIT</b>						
Pulp & Paper	-1.8	1.8	-12.0	-1.0	-0.7	-11.8
Industry & Water	-1.3	-5.5	-2.1	-5.6	-0.5	-13.8
<b>Total</b>	<b>-3.1</b>	<b>-3.7</b>	<b>-14.1</b>	<b>-6.6</b>	<b>-1.2</b>	<b>-25.6</b>
<b>Operating profit (EBIT)</b>						
Pulp & Paper	18.8	25.8	14.6	21.1	18.2	79.8
Industry & Water	28.2	15.3	21.3	17.4	14.5	68.5
<b>Total</b>	<b>47.0</b>	<b>41.1</b>	<b>35.9</b>	<b>38.5</b>	<b>32.7</b>	<b>148.2</b>

## CHANGES IN PROPERTY, PLANT AND EQUIPMENT

	1-3/2019	1-3/2018	2018
<b>EUR million</b>			
<b>Net book value at beginning of period</b>	<b>938.3</b>	922.9	922.9
Purchases of subsidiaries and asset acquisitions	-	0.0	23.3
Increases	27.0	21.8	135.2
Decreases	-1.0	0.0	-0.3
Depreciation and impairments	-31.3	-29.1	-138.5
Exchange rate differences and other changes	10.3	-12.5	-4.3
<b>Net book value at end of period</b>	<b>943.3</b>	903.0	938.3

## CHANGES IN GOODWILL AND OTHER INTANGIBLE ASSETS

	1-3/2019	1-3/2018	2018
<b>EUR million</b>			
<b>Net book value at beginning of period</b>	<b>630.5</b> <sup>1)</sup>	605.5	605.5
Purchases of subsidiaries and asset acquisitions	-0.9	0.0	45.9
Increases	1.3	1.4	12.8
Decreases	0.0	0.0	0.0
Amortization and impairments	-7.5	-6.4	-28.1
Exchange rate differences and other changes	5.2	-4.2	5.1
<b>Net book value at end of period</b>	<b>628.6</b>	596.4	641.1

<sup>1)</sup> On January 1, 2019, Kemira adopted IFRS 16 Leases standard. As a result of IFRS 16 adoption, certain intangible assets have been reclassified. More information on the impact of IFRS 16 adoption can be found in this interim financial statement on basis of preparation and accounting policies section.

## CHANGES IN RIGHT-OF-USE ASSETS

	1-3/2019	1-3/2018	2018
<b>EUR million</b>			
<b>Net book value at beginning of period</b>	<b>129.3</b>	-	-
Increases	7.4	-	-
Depreciation and impairments	-6.6	-	-
Exchange rate differences and other changes	1.8	-	-
<b>Net book value at end of period</b>	<b>131.9</b>	-	-



## BUSINESS COMBINATIONS

### In 2018, acquisition of business with Kemira TC Wanfeng Chemicals Yanzhou company in China

Details of this acquisition was disclosed in Note 3.5 of Kemira's annual financial statements 2018. The preliminary calculations under IFRS 3 related to the acquisition has not changed materially.

## DERIVATIVE INSTRUMENTS

EUR million	3/31/2019		12/31/2018	
	Nominal value	Fair value	Nominal value	Fair value
<b>Currency derivatives</b>				
Forward contracts	432.3	-4.1	358.1	0.2
of which cash flow hedge	45.4	-0.2	18.1	0.2
<b>Interest rate derivatives</b>				
Interest rate swaps	245.0	0.4	245.0	0.4
of which cash flow hedge	145.0	-1.3	145.0	-1.3
of which fair value hedge	100.0	1.7	100.0	1.7
<b>Other derivatives</b>				
Electricity forward contracts, bought	2,186.3	13.2	2,278.1	27.6
of which cash flow hedge	2,186.3	13.2	2,278.1	27.6

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

## FAIR VALUE OF FINANCIAL ASSETS

EUR million	3/31/2019				12/31/2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Fair value hierarchy</b>								
Other shares	-	-	228.4	228.4	-	-	228.4	228.4
Other investments	-	2.3	-	2.3	-	2.3	-	2.3
Currency derivatives	-	1.4	-	1.4	-	2.1	-	2.1
Currency derivatives, hedge accounting	-	0.1	-	0.1	-	0.2	-	0.2
Interest rate derivatives, hedge accounting	-	1.7	-	1.7	-	1.7	-	1.7
Other derivatives, hedge accounting	-	14.0	-	14.0	-	27.6	-	27.6
Other receivables	-	0.2	-	0.2	-	0.2	-	0.2
Trade receivables	-	324.5	-	324.5	-	307.3	-	307.3
Cash and cash equivalents	-	216.2	-	216.2	-	144.9	-	144.9
<b>Total</b>	-	<b>560.4</b>	<b>228.4</b>	<b>788.8</b>	-	<b>486.3</b>	<b>228.4</b>	<b>714.7</b>

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	Total
	3/31/2019	12/31/2018
<b>Instrument</b>		
Carrying value at beginning of period	228.4	235.8
Effect on other comprehensive income	0.1	-7.5
Increases	0.0	0.0
Decreases	0.0	0.0
<b>Carrying value at end of period</b>	<b>228.4</b>	<b>228.4</b>

## FAIR VALUE OF FINANCIAL LIABILITIES

EUR million	3/31/2019				12/31/2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Fair value hierarchy</b>								
Non-current interest-bearing liabilities	-	693.8	-	693.8	-	671.1	-	671.1
Current portion of non-current interest-bearing liabilities	-	110.5	-	110.5	-	110.6	-	110.6
Non-current other liabilities	-	29.4	-	29.4	-	29.0	-	29.0
Finance lease liabilities	-	-	-	-	-	0.1	-	0.1
Loans from financial institutions	-	133.1	-	133.1	-	136.0	-	136.0
Non-current lease liabilities	-	104.0	-	104.0	-	-	-	-
Current lease liabilities	-	25.0	-	25.0	-	-	-	-
Other liabilities	-	34.5	-	34.5	-	27.4	-	27.4
Currency derivatives	-	5.5	-	5.5	-	2.2	-	2.2
Currency derivatives, hedge accounting	-	0.3	-	0.3	-	-	-	-
Interest rate derivatives, hedge accounting	-	1.3	-	1.3	-	1.3	-	1.3
Other derivatives, hedge accounting	-	0.8	-	0.8	-	0.0	-	0.0
Trade payables	-	184.3	-	184.3	-	179.9	-	179.9
<b>Total</b>	-	<b>1,322.5</b>	-	<b>1,322.5</b>	-	<b>1,157.6</b>	-	<b>1,157.6</b>

## CONTINGENT LIABILITIES

EUR million	3/31/2019	3/31/2018	12/31/2018
<b>Assets pledged</b>			
On behalf of own commitments	5.4	5.5	5.5
<b>Guarantees</b>			
On behalf of own commitments	49.6	47.3	54.7
On behalf of others	2.8	3.9	2.8
<b>Other obligations</b>			
On behalf of own commitments	0.9	1.0	0.9
On behalf of others	6.1	6.1	6.1

### Major off-balance sheet investment commitments

Major amounts of contractual commitments for the acquisition of property, plant and equipment on March 31, 2019 were about EUR 40 million for plant investments.

Operating lease commitments under IAS 17 standard	3/31/2018	12/31/2018
Maturity within one year	29.8	34.7
Maturity after one year	150.3	170.5

## 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

Pension Fund Neliapila which is related party paid a return surplus of EUR 15 million to Kemira Group companies. Otherwise, the transactions with related parties have not changed materially.

## BASIS OF PREPARATION AND ACCOUNTING POLICIES

Unaudited interim financial statements has been prepared in accordance with IAS 34 Interim financial reporting -standard and using the same accounting policies as in the annual financial statements 2018, except for the estimation of income taxes, presentation of share of profit or loss of associates line in the consolidated income statement and the adoption of IFRS 16 Leases standard. The interim financial statements should be read in conjunction with the annual financial statements 2018.

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

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

In Q1/2019, Kemira formed a joint venture with 35% ownership of the company in South Korea. This associated company supports Kemira's future growth, especially in Asia-Pacific region by providing additional polymer capacity, securing our capacity utilization and supporting Kemira's customers better with global delivery capability. In Q1/2019 interim financial statements, share of profit or loss of associates line item has been changed in the consolidated income statement as a way that the item will be presented in the consolidated income statement as the item included in operating profit (EBIT).

## IFRS 16 LEASES

In this interim report Q1/2019 Kemira discloses the impact of the adoption of IFRS 16 Leases -standard and its new IFRS 16 accounting policy. Kemira adopted IFRS 16 on January 1, 2019 using a modified retrospective approach, having the right-of-use asset as being equal to lease liability. The reclassifications and adjustments arising from IFRS 16 are recognized in the opening balance on January 1, 2019. The comparative figures are not restated.

Kemira has elected to use the practical expedients of IFRS 16 within its accounting policy and has excluded short-term leases, with a lease term less than 12 months, and leases of low value. Kemira mainly leases land area, buildings and transportation equipment. Lease contracts are typically for fixed periods and some contracts have extension options. The extension option has been included in the IFRS 16 lease liability if it is reasonably certain that the option will be exercised.

IFRS 16 lease liabilities are measured at the present value of the remaining lease payments from January 1, 2019, discounted using incremental borrowing rates (IBR) determined by Kemira. The weighted-average IBR for IFRS 16 lease liabilities is 5.1%. The following table presents a bridge calculation of lease liabilities from the IAS 17 operating leases to the IFRS 16 leases:

### Reconciliation calculation of lease liability

<b>EUR million</b>	
Operating lease commitments under IAS 17 on December 31, 2018	205
Short-term leases	-6
Low value leases	-3
Other items	-11
<b>Total</b>	<b>-20</b>
<b>Discounting impact</b>	<b>-59</b>
<b>Lease liability under IFRS 16 recognized on January 1, 2019</b>	<b>126</b>

The IFRS 16 impact on the opening balance sheet as of January 1, 2019 is presented in the calculation.

<b>CONSOLIDATED BALANCE SHEET</b>	12/31/2018	IFRS 16 impact	Opening balance sheet 1/1/2019
<b>EUR million</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	512.5		512.5
Other intangible assets	128.6	-10.6	118.0
Property, plant and equipment	938.3		938.3
Right-of-use assets	0.0	129.3	129.3
Investments in associates	0.7		0.7
Other shares	228.4		228.4
Deferred tax assets	28.2		28.2
Other investments	2.3		2.3
Receivables of defined benefit plans	61.8		61.8
<b>Total non-current assets</b>	<b>1,900.7</b>	<b>118.7</b>	<b>2,019.4</b>
<b>Current assets</b>			
Inventories	283.8		283.8
Interest-bearing receivables	0.2		0.2
Trade receivables and other receivables	420.2	-0.7	419.5
Current income tax assets	13.9		13.9
Cash and cash equivalents	144.9		144.9
<b>Total current assets</b>	<b>863.1</b>	<b>-0.7</b>	<b>862.4</b>
<b>Total assets</b>	<b>2,763.8</b>	<b>118.0</b>	<b>2,881.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to equity owners of the parent	1,189.6	-4.9	1,184.7
Non-controlling interests	12.9		12.9
<b>Total equity</b>	<b>1,202.5</b>	<b>-4.9</b>	<b>1,197.6</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	646.3	104.5	750.8
Other liabilities	29.0		29.0
Deferred tax liabilities	71.1	-1.0	70.1
Liabilities of defined benefit plans	81.2		81.2
Provisions	29.6	-1.0	28.6
<b>Total non-current liabilities</b>	<b>857.3</b>	<b>102.5</b>	<b>959.8</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	240.0	21.8	261.8
Trade payables and other liabilities	439.1	-1.4	437.7
Current income tax liabilities	15.6		15.6
Provisions	9.2		9.2
<b>Total current liabilities</b>	<b>703.9</b>	<b>20.4</b>	<b>724.3</b>
<b>Total liabilities</b>	<b>1,561.2</b>	<b>122.9</b>	<b>1,684.1</b>
<b>Total equity and liabilities</b>	<b>2,763.8</b>	<b>118.0</b>	<b>2,881.8</b>

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim financial statements 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.