

kemira

**January-September
Interim Report
2019**



EXCELLENT PROFITABILITY IN SEASONALLY STRONG THIRD QUARTER

Third quarter

- Revenue increased by 3% to EUR 689.8 million (669.6) due to a positive currency impact. Revenue in local currencies, excluding acquisitions and divestments, remained at the previous year's level as higher sales prices were offset by lower sales volumes.
- Operative EBITDA increased by 33% to EUR 118.1 million (89.0), and in absolute terms by EUR 29.1 million, of which the adoption of the IFRS 16 standard contributes EUR 9.1 million. The operative EBITDA margin increased to 17.1% (13.3%). EBITDA increased by 43% to EUR 118.1 million (82.8).
- Operative EBIT increased by 42% to EUR 71.1 million (50.0). EBIT increased by 93% to EUR 69.2 million (35.9). The differences between operative and reported figures are explained by items affecting comparability.
- EPS, diluted, increased by 94% to EUR 0.27 (0.14), mainly due to higher EBIT.

January-September

- Revenue increased by 4% to EUR 2,001.1 million (1,931.0) as sales price increases and currency exchange rates had positive impacts. Revenue in local currencies, excluding acquisitions and divestments, increased by 1%.
- Operative EBITDA increased by 34% to EUR 319.9 million (238.6), and in absolute terms by EUR 81.3 million, of which the adoption of the IFRS 16 standard contributes EUR 25.1 million. The operative EBITDA margin increased to 16.0% (12.4%). EBITDA increased by 34% to EUR 312.7 million (233.5).
- Operative EBIT increased by 41% to EUR 181.6 million (129.0). EBIT increased by 61% to EUR 172.5 million (107.1). The differences between operative and reported figures are explained by items affecting comparability.
- EPS, diluted, increased by 62% to EUR 0.67 (0.42), mainly due to higher EBIT.

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 excellent profitability in seasonally strongest third quarter. Our focus on value over volume is clearly visible in our financial result, as the operative EBITDA margin was 17.1%.

In Pulp & Paper, sales price increases led to an improvement in the operative EBITDA margin to 16.0%. However, we saw some softness and increasing uncertainty regarding market demand. We continue to invest in capacity where the market demand is growing. The investment in our AKD wax manufacturing in China has been completed, and we have already started the ramp up. We will ramp up the plant during Q4, and it will start to contribute gradually in 2020.

In Industry & Water, organic revenue growth was 6% despite the slowdown in the oil & gas shale market, which we saw accelerating during the quarter. Our Chemical Enhanced Oil Recovery and seasonal oil sands tailings water treatment businesses performed well. Our focus on value over volume is bearing fruit and led to an exceptionally high operative EBITDA margin of 18.5% for the segment. We are preparing for the start-up of our CEOR polymer capacity expansion in the Netherlands with related start-up costs in Q4.

In the first nine months of 2019, Kemira achieved an operative EBITDA margin of 16.0%, which is well within our mid- to long-term financial target of 15-17%. Our operational execution is proceeding according to our strategy."

KEY FIGURES AND RATIOS

Kemira adopted the IFRS 16 accounting standard on January 1, 2019. In the profit and loss statement, the operating lease expenses are replaced by the depreciation of the right-of-use asset and the interest cost associated with the lease liability. As a result, Kemira estimated in February 2019 that the impact on EBIT is slightly positive, whereas the impact on the net profit is immaterial in 2019. Kemira estimated that the adoption of the IFRS 16 accounting standard increases the 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 the IFRS 16 accounting standard is estimated to be around EUR +30 million. The prior year's figures are not restated. The key figures (except revenue and capital expenditure) of the profit and loss statement, balance sheet and cash flow have been impacted by the adoption of the IFRS 16 accounting standard. See pages 32-34 for more details

EUR million	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Revenue	689.8	669.6	2,001.1	1,931.0	2,592.8
Operative EBITDA	118.1	89.0	319.9	238.6	323.1
Operative EBITDA, %	17.1	13.3	16.0	12.4	12.5
EBITDA	118.1	82.8	312.7	233.5	314.8
EBITDA, %	17.1	12.4	15.6	12.1	12.1
Operative EBIT	71.1	50.0	181.6	129.0	173.8
Operative EBIT, %	10.3	7.5	9.1	6.7	6.7
EBIT	69.2	35.9	172.5	107.1	148.2
EBIT, %	10.0	5.4	8.6	5.5	5.7
Net profit for the period	43.3	22.1	107.9	68.7	95.2
Earnings per share, diluted, EUR	0.27	0.14	0.67	0.42	0.58
Capital employed*	1,961.8	1,759.5	1,961.8	1,759.5	1,781.4
Operative ROCE*, %	11.5	9.8	11.5	9.8	9.8
ROCE*, %	10.9	8.5	10.9	8.5	8.3
Cash flow from operating activities	121.3	64.2	243.7	122.1	210.2
Capital expenditure excl. acquisition	51.5	34.3	119.7	97.3	150.4
Capital expenditure	51.8	36.3	121.6	96.1	193.7
Cash flow after investing activities	73.1	28.8	129.9	32.3	29.0
Equity ratio, % at period-end	43	43	43	43	44
Equity per share, EUR	7.94	7.44	7.94	7.44	7.80
Gearing, % at period-end	71	65	71	65	62

*12-month rolling average

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 > 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 Q3 2019

Revenue increased by 3% due to a positive currency impact. Revenue in local currencies, excluding acquisitions and divestments, was at the previous year's level, as higher sales prices were offset by lower sales volumes.

Revenue	Jul-Sep 2019 EUR million	Jul-Sep 2018 EUR million	Δ%	Organic growth*, %	Currency impact, %	Acq. & div. impact, %
Pulp & Paper	382.9	385.2	-1	-3	+2	+1
Industry & Water	306.9	284.4	+8	+6	+2	0
Total	689.8	669.6	+3	0	+2	0

* Revenue growth in local currencies, excluding acquisitions and divestments

Operative EBITDA increased by 33%, mainly due to higher sales prices and lower variable costs.

Variance analysis, EUR million	Jul-Sep
Operative EBITDA, 2018	89.0
Sales volumes	-6.1
Sales prices	+18.8
Variable costs	+13.0
Fixed costs	-12.8
Adoption of IFRS 16 accounting standard*	+9.1
Currency exchange	+6.3
Others	+0.8
Operative EBITDA, 2019	118.1

* Due to the adoption of the IFRS 16 accounting standard, fixed costs do not include operating lease expenses in 2019, corresponding to a positive EBITDA impact of EUR 9.1 million.

Operative EBITDA	Jul-Sep 2019 EUR million	Jul-Sep 2018 EUR million	Δ%	Jul-Sep 2019 %-margin	Jul-Sep 2018 %-margin
Pulp & Paper	61.3	52.3	+17	16.0	13.6
Industry & Water	56.8	36.7	+55	18.5	12.9
Total	118.1	89.0	+33	17.1	13.3

EBITDA increased by 43%, and the difference to operative EBITDA is explained by items affecting comparability. **Items affecting comparability** include restructuring costs in Pulp & Paper segment and the gain on the sale of the water treatment facility operations business (Kemira Operon Oy) in Industry & Water segment. In the previous year, items affecting comparability included mainly organizational restructuring costs.

Items affecting comparability, EUR million	Jul-Sep 2019	Jul-Sep 2018
Within EBITDA	0.0	-6.2
Pulp & Paper	-0.5	-4.1
Industry & Water	0.5	-2.1
Within depreciation, amortization and impairments	-1.9	-7.9
Pulp & Paper	0.0	-7.9
Industry & Water	-1.9	0.0
Total items affecting comparability in EBIT	-2.0	-14.1

Depreciation, amortization and impairments were EUR 48.9 million (46.9), including the EUR 7.8 million (0.0) depreciation of right-of-use assets (IFRS 16) and the EUR 4.5 million (3.9) amortization of the purchase price allocation. In 2018, depreciation, amortization and impairments included **items affecting comparability** of EUR -7.9 million related to the closure of a manufacturing unit, which was part of the decision to direct more hydrogen peroxide capacity to pulp customers.

Operative EBIT increased by 42%, mainly due to higher sales prices and lower variable costs. **EBIT** increased by 93%, and the difference between the two is explained by items affecting comparability.

Finance costs, net totaled EUR -10.5 million (-7.9) including interest costs related to lease liabilities. **Income taxes** were EUR -15.3 million (-5.9), with the reported tax rate being 26% (21%). **Net profit for the period** increased by 96%, mainly due to higher EBIT.

FINANCIAL PERFORMANCE IN JANUARY-SEPTEMBER 2019

Revenue increased by 4%, mainly due to higher sales prices in Industry & Water. Revenue in local currencies, excluding acquisitions and divestments, increased by 1%.

Revenue	Jan-Sep 2019 EUR million	Jan-Sep 2018 EUR million	Δ%	Organic growth*, %	Currency impact, %	Acq. & div. impact, %
Pulp & Paper	1,137.0	1,129.8	+1	-2	+2	+1
Industry & Water	864.1	801.1	+8	+5	+3	0
Total	2,001.1	1,931.0	+4	+1	+2	0

* Revenue in local currencies, excluding acquisitions and divestments

Operative EBITDA increased by 34% mainly due to higher sales prices.

Variance analysis, EUR million	Jan-Sep
Operative EBITDA, 2018	238.6
Sales volumes	-19.7
Sales prices	+76.6
Variable costs	+7.3
Fixed costs	-23.9
Adoption of IFRS 16 accounting standard*	+25.1
Currency exchange	+18.3
Others	-2.4
Operative EBITDA, 2019	319.9

* Due to the adoption of the IFRS 16 accounting standard, fixed costs do not include operating lease expenses in 2019, corresponding to a positive EBITDA impact of EUR 25.1 million.

Operative EBITDA	Jan-Sep 2019 EUR million	Jan-Sep 2018 EUR million	Δ%	Jan-Sep 2019 %-margin	Jan-Sep 2018 %-margin
Pulp & Paper	165.7	140.5	+18	14.6	12.4
Industry & Water	154.2	98.1	+57	17.8	12.3
Total	319.9	238.6	+34	16.0	12.4

EBITDA increased by 34%, the difference to operative EBITDA is explained by items affecting comparability. **Items affecting comparability** include, among others, restructuring costs in Pulp & Paper segment. In the previous year, items affecting comparability mainly included organizational restructuring costs.

Items affecting comparability, EUR million	Jan-Sep 2019	Jan-Sep 2018
Within EBITDA	-7.2	-5.1
Pulp & Paper	-5.1	-5.7
Industry & Water	-2.1	0.6
Within depreciation, amortization and impairments	-1.9	-16.8
Pulp & Paper	0.0	-7.9
Industry & Water	-1.9	-8.8
Total	-9.1	-21.9

Depreciation, amortization and impairments increased to EUR 140.3 million (126.4), including the EUR 21.6 million (0.0) depreciation of right-of-use assets (IFRS 16) and EUR 14.0 million (11.9) amortization of

the purchase price allocation. In 2018, depreciation, amortization and impairments included **items affecting comparability** of EUR -16.8 million related to the closures of manufacturing units.

Operative EBIT increased by 41%, mainly due to higher sales prices. **EBIT** increased by 61%, and the difference between the two is explained by items affecting comparability.

Finance costs, net totaled EUR -29.3 million (-19.2), including interest costs related to lease liabilities. The year 2018 included a gain from the sale of shares in power plant companies. **Income taxes** were EUR -35.3 million (-19.2) as a result of higher profit before taxes, with the reported tax rate being 25% (22%).

Net profit for the period increased by 57%, mainly due to higher EBIT.

FINANCIAL POSITION AND CASH FLOW

Cash flow from operating activities in January-September increased to EUR 243.7 million (122.1). Cash flow after investing activities increased to EUR 129.9 million (32.3), 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 the IFRS 16 accounting standard increased cash flow after investing activities by EUR 20.8 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 974 million including lease liabilities of EUR 136 million due to the adoption of the IFRS 16 accounting standard. In the previous year, interest-bearing liabilities amounted to EUR 889 million. The average interest rate of the Group's interest-bearing loan portfolio without leases was 1.9% (2.0%), and the duration was 27 months (33). Fixed-rate loans accounted for 84% (76%) of the net interest-bearing liabilities including lease liabilities.

Short-term liabilities maturing in the next 12 months amounted to EUR 181 million. On September 30, 2019, cash and cash equivalents totaled EUR 107 million (145). The Group has a EUR 400 million undrawn committed credit facility.

At the end of the period, Kemira Group's net debt was EUR 866 million (744), including lease liabilities of EUR 136 million (0) due to the adoption of IFRS 16 accounting standard. The equity ratio was 43% (43%), while gearing was 71% (65%).

CAPITAL EXPENDITURE

In January-September, capital expenditure excluding acquisitions increased by 23% to EUR 119.7 million (97.3). Capital expenditure can be broken down as follows: expansion capex 52% (34%), improvement capex 19% (36%), and maintenance capex 29% (30%). The largest expansion capital expenditures relate to the polymer capacity addition in the Netherlands and a new AKD sizing manufacturing site in China.

RESEARCH AND DEVELOPMENT

In January-September 2019, total research and development expenses were EUR 22.1 million (21.8), representing 1.1% (1.1%) of the Group's revenue.

HUMAN RESOURCES

At the end of the period, Kemira Group had 5,036 employees (4,798). Kemira had 786 employees in Finland (800), 1,765 people elsewhere in EMEA (1,773), 1,554 in the Americas (1,554), and 931 in APAC (671). The growth in APAC is related to the new AKD manufacturing site in China.

CORPORATE RESPONSIBILITY



Sustainable products and solutions

Target	Performance	Comments						
<p>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.</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>During Q3, four new R&D projects were initiated to improve customer resource efficiency. One additional project was re-opened for this same purpose. Other R&D projects are aimed at improving product quality or safety. In Q3, one project was commercialized to improve customer use-phase resource efficiency.</p>
Year	Performance (%)							
Baseline average 2016-2017	49%							
2018	51%							



Responsible operations and supply chain



Target	Performance	Comments																				
<p>Workplace safety Achieve zero injuries over the long term; TRIF* of 2.0 by 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>YTD 2019</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	YTD 2019	2.3	Target 2020	2.0	<p>Preventive work has continued, and in July we achieved an incident-free month for the first time ever. We are now well below the 2019 target of 3.1. Incident severity remains low.</p>						
Year	TRIF																					
15	7.2																					
16	3.4																					
17	3.9																					
18	3.5																					
YTD 2019	2.3																					
Target 2020	2.0																					
<p>Climate change Kemira Carbon Index ≤ 80 by 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>88</td> </tr> <tr> <td>17</td> <td>85</td> </tr> <tr> <td>18</td> <td>83</td> </tr> <tr> <td>YTD 2019</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	88	17	85	18	83	YTD 2019	83	Target 2020	80	<p>Efforts to decrease the carbon footprint continue with a focus on sourcing a higher share of electricity from low-carbon sources. During Q3, Kemira continued E3 Energy Reviews at seven of our manufacturing plants. Work on developing a longer-term climate change target continued in Q3.</p>
Year	Carbon Index																					
12	100																					
13	88																					
14	91																					
15	93																					
16	88																					
17	85																					
18	83																					
YTD 2019	83																					
Target 2020	80																					
<p>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.</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>YTD 2019</td> <td>72%</td> <td>13</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	YTD 2019	72%	13	Target 2020	90%	25	<p>Sustainability screening of key suppliers continues as planned. A total of 38 suppliers have been screened via sustainability assessments or audits during 2019. Two additional audits are planned for Q4 and several new assessments initiated.</p>								
Year	% of key suppliers	# of audits (cumul.)																				
Baseline 2018	69%	11																				
YTD 2019	72%	13																				
Target 2020	90%	25																				



* TRIF = Number of Total Recordable Injury Frequency per million hours, Kemira + contractor, year-to-date

** Suppliers with the lowest sustainability assessment score



People and integrity

Target	Performance	Comments													
<p>Employee engagement index based on Voices@Kemira biennial survey 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>Engagement currently 2% above the external industry norm. Company wide strategy communication and engagement is ongoing across staff and stakeholders.</p>	<p>AHEAD OF TARGET</p>
Year	Engagement	Participation													
2013	58%	75%													
2015	67%	85%													
2018	71%	84%													
<p>Leadership development activities provided Two leadership development activities per people manager 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>Number of 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	Number of Activities	2016	494	2017	1,036	2018	1,533	Target 2020	1,500	<p>Leadership activities continued in Q3, and the total number is now well above the 2020 target of 1,500.</p>	<p>AHEAD OF TARGET</p>		
Year	Number of Activities														
2016	494														
2017	1,036														
2018	1,533														
Target 2020	1,500														
<p>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.</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>Currently at 10% above the external industry norm. Mandatory training on the Kemira Code of Conduct and general awareness-building on GDPR continued for Kemira employees.</p>	<p>IN PROGRESS</p>						
Year	Integrity Index	Participation													
2018	87%	84%													

SEGMENTS

PULP & PAPER

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

EUR million	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Revenue	382.9	385.2	1,137.0	1,129.8	1,520.2
Operative EBITDA	61.3	52.3	165.7	140.5	191.7
Operative EBITDA, %	16.0	13.6	14.6	12.4	12.6
EBITDA	60.8	48.2	160.6	134.8	187.8
EBITDA, %	15.9	12.5	14.1	11.9	12.4
Operative EBIT	32.1	26.6	76.7	67.5	91.6
Operative EBIT, %	8.4	6.9	6.7	6.0	6.0
EBIT	31.6	14.6	71.7	54.0	79.8
EBIT, %	8.2	3.8	6.3	4.8	5.2
Capital employed*	1,277.7	1,162.9	1,277.7	1,162.9	1,177.6
Operative ROCE*, %	7.9	8.5	7.9	8.5	7.8
ROCE*, %	7.6	7.3	7.6	7.3	6.8
Capital expenditure excl. M&A	25.4	20.7	66.1	56.3	85.1
Capital expenditure incl. M&A	25.4	22.7	67.8	55.2	128.4
Cash flow after investing activities	44.6	20.6	105.9	43.4	29.9

* 12-month rolling average

Third quarter

The segment's **revenue** decreased by 1%. Currencies had a positive impact of 2%. Revenue in local currencies, excluding acquisitions and divestments, decreased by 3% due to lower volumes, partly as a result of the closure of the non-core detergent business (ECOX).

In **EMEA**, revenue decreased by 5%, partly due to the closure of the non-core detergent business (ECOX). In the **Americas**, revenue decreased by 1% due to lower sales volumes in process and functional chemicals. In North America, revenue in local currencies decreased as a combination of higher revenue in bleaching chemicals and lower revenue in process and functional chemicals. In South America, revenue in local currencies increased and was driven by higher sales volumes in sizing chemicals and favorable product mix in bleaching chemicals. In **APAC**, revenue increased by 16%, mainly due to continued strong volume growth in sizing chemicals. Currencies also had a positive impact in the region.

Operative EBITDA increased by 17%, mainly due to higher sales prices and stabilizing variable costs. **EBITDA** increased by 26%, and the difference to operative EBITDA is explained by items affecting comparability.

Due to the adoption of the IFRS 16 accounting standard, fixed costs do not include operating lease expenses in 2019. The corresponding positive EBITDA impact in the third quarter amounted to EUR 3.7 million in the segment.

January-September

The segment's **revenue** increased by 1%, as the positive currency impact and higher sales prices more than offset the volume decline. Revenue in local currencies, excluding divestments and acquisitions, decreased by 2% as a result of the closure of the non-core detergent business (ECOX).

Operative EBITDA increased by 18%, mainly due to higher sales prices, lower variable costs and positive currency impact. **EBITDA** increased by 19%, and the difference to operative EBITDA is explained by items affecting comparability.

Due to the adoption of the IFRS 16 accounting standard, fixed costs do not include operating lease expenses in 2019. The corresponding positive EBITDA impact in January-September amounted to EUR 10.3 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, Kemira provides assistance in optimizing various stages of the water cycle. In oil and gas applications, our chemistries enable improved yield from existing reserves, as well as reduced water and energy use.

EUR million	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Revenue	306.9	284.4	864.1	801.1	1,072.6
Operative EBITDA	56.8	36.7	154.2	98.1	131.5
Operative EBITDA, %	18.5	12.9	17.8	12.3	12.3
EBITDA	57.3	34.6	152.1	98.7	127.0
EBITDA, %	18.7	12.2	17.6	12.3	11.8
Operative EBIT	39.0	23.4	104.8	61.4	82.2
Operative EBIT, %	12.7	8.2	12.1	7.7	7.7
EBIT	37.6	21.3	100.8	53.2	68.5
EBIT, %	12.3	7.5	11.7	6.6	6.4
Capital employed*	683.6	596.2	683.6	596.2	603.4
Operative ROCE*, %	18.4	12.5	18.4	12.5	13.6
ROCE*, %	17.0	10.8	17.0	10.8	11.3
Capital expenditure excl. M&A	26.0	13.6	53.6	40.9	65.3
Capital expenditure incl. M&A	26.3	13.6	53.9	40.9	65.3
Cash flow after investing activities	37.9	26.8	71.4	28.8	52.5

* 12-month rolling average

Third quarter

The segment's **revenue** increased by 8%. Revenue in local currencies, excluding acquisitions and divestments, increased by 6%, driven by higher sales prices. Currency exchange rate fluctuations had a positive impact of 2%.

Within the segment, the revenue of the Oil & Gas business increased by 18% to EUR 87.0 million (73.4), mainly due to higher sales volumes in the Chemical Enhanced Oil Recovery and oil sands tailings water treatment businesses. Currencies also had a positive impact. In the water treatment business, organic growth was driven by higher sales prices, as the focus has been on improving the product and market mix.

In **EMEA**, revenue increased by 7% driven by improved pricing in water treatment and higher sales volumes in CEOR. In the **Americas**, revenue increased by 9%, mainly due to higher sales prices in the water treatment business and higher sales volumes in the seasonal oil sands tailings water treatment business. In **APAC**, revenue was at previous year's level.

Operative EBITDA increased by 55%, mainly due to higher sales prices and favorable polymer raw material price development. **EBITDA** increased by 66%, and the difference to operative EBITDA is explained by items affecting comparability.

Due to the adoption of the IFRS 16 accounting standard, fixed costs do not include operating lease expenses in 2019. The corresponding positive EBITDA impact in the third quarter amounted to EUR 5.4 million in the segment.

January-September

The segment's **revenue** increased by 8%. Revenue in local currencies, excluding acquisitions and divestments, increased by 5%. Growth was driven by higher sales prices. Currency exchange rates had an impact of +3%.

Within the segment, revenue for the Oil & Gas business increased by 28% to EUR 225.6 million (176.2) due to higher sales prices and volumes. Currencies also had a positive impact. In the water treatment business, the focus on improving product and market mix continued leading to higher sales prices and expected declined volumes.

Operative EBITDA increased by 57% as a result of higher sales prices, while variable costs increased and sales volumes declined due to the focus on improving the product mix. **EBITDA** increased by 54%, and the difference to operative EBITDA is explained by items affecting comparability.

Due to the adoption of the IFRS 16 accounting standard, fixed costs do not include operating lease expenses in 2019. The corresponding positive EBITDA impact in January-September amounted to EUR 14.9 million in the segment.

KEMIRA OYJ'S SHARES AND SHAREHOLDERS

On September 30, 2019, Kemira Oyj's share capital amounted to EUR 221.8 million and the number of shares was 155,342,557. Each share entitles the holder to one vote at the Annual General Meeting.

At the end of September, Kemira Oyj had 32,755 registered shareholders (34,378 on December 31, 2018). Non-Finnish shareholders held 30.4% of the shares (27.4%) including nominee-registered holdings. Households owned 15.4% of the shares (17.1%). Kemira held 2,693,111 treasury shares (2,832,297), representing 1.7% (1.8%) of all company shares.

Kemira Oyj's share price increased by 37% from the beginning of the year and closed at EUR 13.50 on the Nasdaq Helsinki at the end of September 2019 (9.85 on December 31, 2018). Shares registered a high of EUR 13.71 and a low of EUR 9.77 in January-September 2019, and the average share price was EUR 12.06. The company's market capitalization, excluding treasury shares, was EUR 2,061 million at the end of September 2019 (1,502).

In January-September 2019, Kemira Oyj's share trading turnover on the Nasdaq Helsinki was EUR 385 million (361 on January-September 2018). The average daily trading volume was 169,166 (171,833) shares. The total volume of Kemira Oyj's share trading in January-September 2019 was 45 million shares (51), 29% (36%) of which was executed on other trading platforms (BATS, Chi-X, Turquoise). Source: Nasdaq and Kemira.com.

AUTHORIZATIONS

The Annual General Meeting 2019 authorized the Board of Directors to decide on the repurchase of a maximum of 5,100,000 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 Annual General Meeting 2019 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, 2020.

SHORT-TERM RISKS AND UNCERTAINTIES

There have been no significant changes in 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.

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, October 23, 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 AND 2020

Financial Statements Bulletin 2019	February 11, 2020
Interim Report January-March 2020	April 28, 2020
Interim Report January-June 2020	July 17, 2020
Interim Report January-September 2020	October 27, 2020

The Annual Report 2019 will be published the week starting on February 17, 2020.

The Annual General Meeting will be held in the Finlandia Hall on March 25, 2020.

PRESS AND ANALYST CONFERENCE AND CONFERENCE CALL

Kemira will arrange a press conference for analysts, investors, and media on Thursday, October 24, 2019, starting at 1 pm (11 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/company/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: 22787398#

KEMIRA GROUP

CONSOLIDATED INCOME STATEMENT

EUR million	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Revenue	689.8	669.6	2,001.1	1,931.0	2,592.8
Other operating income	2.0	1.6	5.9	9.5	14.8
Operating expenses	-573.7	-588.5	-1,694.3	1,706.9	-2,292.8
Share of profit or loss of associates	0.0	0.0	0.0	0.0	0.0
EBITDA	118.1	82.8	312.7	233.5	314.8
Depreciation, amortization and impairments	-48.9	-46.9	-140.3	-126.4	-166.6
Operating profit (EBIT)	69.2	35.9	172.5	107.1	148.2
Finance costs, net	-10.5	-7.9	-29.3	-19.2	-25.0
Profit before taxes	58.7	28.1	143.1	87.9	123.3
Income taxes	-15.3	-5.9	-35.3	-19.2	-28.1
Net profit for the period	43.3	22.1	107.9	68.7	95.2
Net profit attributable to					
Equity owners of the parent company	41.5	20.6	103.1	63.7	89.1
Non-controlling interests	1.8	1.5	4.8	5.0	6.1
Net profit for the period	43.3	22.1	107.9	68.7	95.2
Earnings per share, basic, EUR	0.27	0.14	0.68	0.42	0.58
Earnings per share, diluted, EUR	0.27	0.14	0.67	0.42	0.58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Net profit for the period	43.3	22.1	107.9	68.7	95.2
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	12.4	2.8	15.7	-3.6	0.2
Cash flow hedges	0.6	-3.7	-12.3	12.2	17.5
Items that will not be reclassified subsequently to profit or loss					
Other shares	—	-17.1	0.1	-17.1	-5.9
Remeasurements on defined benefit plans	—	—	—	—	10.1
Other comprehensive income for the period, net of tax	13.0	-18.0	3.5	-8.5	21.8
Total comprehensive income for the period	56.4	4.1	111.4	60.2	117.0
Total comprehensive income attributable to					
Equity owners of the parent company	54.9	2.3	106.8	55.6	111.4
Non-controlling interests	1.5	1.8	4.6	4.6	5.6
Total comprehensive income for the period	56.4	4.1	111.4	60.2	117.0

CONSOLIDATED BALANCE SHEET

EUR million	9/30/2019	9/30/2018	12/31/2018
ASSETS			
Non-current assets			
Goodwill	518.6	509.1	512.5
Other intangible assets	102.2	89.2	128.6
Property, plant and equipment	962.9	893.2	938.3
Right-of-use assets	137.8	—	—
Investments in associates	1.7	0.7	0.7
Other shares	228.6	214.3	228.4
Deferred tax assets	33.9	26.0	28.2
Other investments	2.1	2.4	2.3
Receivables of defined benefit plans	45.8	48.1	61.8
Total non-current assets	2,033.6	1,783.0	1,900.7
Current assets			
Inventories	304.6	268.6	283.8
Interest-bearing receivables	0.2	4.8	0.2
Trade receivables and other receivables	415.1	457.3	420.2
Current income tax assets	12.6	18.7	13.9
Cash and cash equivalents	107.2	144.9	144.9
Total current assets	839.7	894.3	863.1
Total assets	2,873.3	2,677.3	2,763.8
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity owners of the parent company	1,212.7	1,133.9	1,189.6
Non-controlling interests	11.5	11.9	12.9
Total equity	1,224.2	1,145.8	1,202.5
Non-current liabilities			
Interest-bearing liabilities	792.1	653.1	646.3
Other liabilities	7.7	21.4	29.0
Deferred tax liabilities	71.6	63.5	71.1
Liabilities of defined benefit plans	80.2	82.1	81.2
Provisions	29.0	27.3	29.6
Total non-current liabilities	980.6	847.3	857.3
Current liabilities			
Interest-bearing liabilities	181.5	236.1	240.0
Trade payables and other liabilities	442.2	421.5	439.1
Current income tax liabilities	38.8	16.8	15.6
Provisions	6.1	9.8	9.2
Total current liabilities	668.5	684.2	703.9
Total liabilities	1,649.1	1,531.5	1,561.2
Total equity and liabilities	2,873.3	2,677.3	2,763.8

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Cash flow from operating activities					
Net profit for the period	43.3	22.1	107.9	68.7	95.2
Total adjustments	72.6	65.8	221.0	161.1	219.6
Operating profit before change in net working capital	116.0	87.9	328.9	229.7	314.8
Change in net working capital	14.7	-5.2	-37.7	-67.8	-51.1
Cash generated from operations before financing items and taxes	130.7	82.7	291.2	162.0	263.7
Finance expenses, net and dividends received	-6.3	-11.3	-29.9	-23.6	-29.9
Income taxes paid	-3.0	-7.2	-17.5	-16.3	-23.6
Net cash generated from operating activities	121.3	64.2	243.7	122.1	210.2
Cash flow from investing activities					
Purchases of subsidiaries and business acquisitions, net of cash acquired	—	-2.0	—	1.2	-43.3
Capital expenditure in associated company	—	—	-1.7	—	—
Other capital expenditure	-51.8	-34.3	-120.0	-97.3	-150.4
Proceeds from sale of assets	3.7	0.9	7.8	6.3	7.3
Decrease (+) / increase (-) in loan receivables	-0.1	0.1	0.0	0.0	5.2
Net cash used in investing activities	-48.2	-35.4	-113.9	-89.8	-181.3
Cash flow from financing activities					
Proceeds from non-current interest-bearing liabilities	—	—	40.1	90.0	96.2
Repayments of non-current liabilities	-5.4	-10.2	-116.0	-63.9	-69.2
Short-term financing, net increase (+) / decrease (-)	-42.0	1.9	13.1	7.9	10.3
Repayments of lease liabilities	-7.1	—	-20.8	—	—
Dividends paid	-4.7	-4.7	-86.9	-87.4	-87.3
Net cash used in financing activities	-59.1	-13.0	-170.4	-53.3	-50.1
Net decrease (-) / increase (+) in cash and cash equivalents	14.0	15.9	-40.5	-21.0	-21.1
Cash and cash equivalents at end of period	107.2	144.9	107.2	144.9	144.9
Exchange gains (+) / losses (-) on cash and cash equivalents	1.6	-0.3	2.8	-0.2	-0.1
Cash and cash equivalents at beginning of period	91.6	129.3	144.9	166.1	166.1
Net decrease (-) / increase (+) in cash and cash equivalents	14.0	15.9	-40.5	-21.0	-21.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Equity attributable to equity owners of the parent company									Total Equity
	Share capital	Share premium	Fair value and other reserves	Un-restricted equity reserve	Exchange differences	Treasury shares	Retained earnings	Total	Non-controlling interests	
Equity on January 1, 2019	221.8	257.9	110.2	196.3	-47.1	-19.1	469.6	1,189.6	12.9	1,202.5
Change in accounting policy	—	—	—	—	—	—	-4.9 ¹⁾	-4.9	—	-4.9
Restated equity on January 1, 2019	221.8	257.9	110.2	196.3	-47.1	-19.1	464.7	1,184.7	12.9	1,197.6
Net profit for the period	—	—	—	—	—	—	103.1	103.1	4.8	107.9
Other comprehensive income, net of tax	—	—	-12.3	—	15.8	—	0.1	3.6	-0.1	3.5
Total comprehensive income	—	—	-12.3	—	15.8	—	103.2	106.8	4.6	111.4
Transactions with owners										
Dividends paid	—	—	—	—	—	—	-80.9 ²⁾	-80.9	-6.0	-86.9
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	—	—	—	—	—	-0.1	—	-0.1	—	-0.1
Share-based payments	—	—	—	—	—	—	1.2	1.2	—	1.2
Total transactions with owners	—	—	—	—	—	1.0	-79.7	-78.7	-6.0	-84.7
Equity on September 30, 2019	221.8	257.9	97.9	196.3	-31.3	-18.1	488.2	1,212.7	11.5	1,224.2

¹⁾ 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.

²⁾ 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 2,693,111 of its treasury shares on September 30, 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.

Equity attributable to equity owners of the parent company

EUR million	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
Equity on 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 ³⁾	-0.2	—	-0.2
Restated equity on 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	—	—	—	—	—	—	63.7	63.7	5.0	68.7
Other comprehensive income, net of tax	—	—	-5.0	—	-3.1	—	—	-8.1	-0.5	-8.5
Total comprehensive income	—	—	-5.0	—	-3.1	—	63.7	55.6	4.6	60.2
Transactions with owners										
Dividends paid	—	—	—	—	—	—	-80.8 ⁴⁾	-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	—	—	—	—	—	—	-0.7	-0.7	—	-0.7
Total transactions with owners	—	—	—	—	—	1.1	-81.5	-80.4	-6.5	-86.9
Equity on September 30, 2018	221.8	257.9	93.7	196.3	-50.8	-19.1	434.1	1,133.9	11.9	1,145.8

³⁾ 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 Kemira 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.

⁴⁾ 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*, 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 from the equivalent IFRS measures, and alternative performance measures should be read in conjunction with the most directly comparable IFRS measures. Definitions of the alternative performance measures can be found in the definitions of the key figures in this report, as well as at www.kemira.com > Investors > Financial information.

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

* Revenue growth in local currencies, excluding acquisitions and divestments

	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2019 1-9	2018 1-9	2018 1-12
Income statement and profitability										
Revenue, EUR million	689.8	663.6	647.8	661.8	669.6	647.6	613.7	2,001.1	1,931.0	2,592.8
Operative EBITDA, EUR million	118.1	106.1	95.6	84.5	89.0	80.2	69.4	319.9	238.6	323.1
Operative EBITDA, %	17.1	16.0	14.8	12.8	13.3	12.4	11.3	16.0	12.4	12.5
EBITDA, EUR million	118.1	102.1	92.5	81.3	82.8	82.5	68.2	312.7	233.5	314.8
EBITDA, %	17.1	15.4	14.3	12.3	12.4	12.7	11.1	15.6	12.1	12.1
Items affecting comparability in EBITDA, EUR million	0.0	-4.0	-3.1	-3.2	-6.2	2.3	-1.2	-7.2	-5.1	-8.3
Operative EBIT, EUR million	71.1	60.3	50.1	44.8	50.0	45.1	33.9	181.6	129.0	173.8
Operative EBIT, %	10.3	9.1	7.7	6.8	7.5	7.0	5.5	9.1	6.7	6.7
Operating profit (EBIT), EUR million	69.2	56.3	47.0	41.1	35.9	38.5	32.7	172.5	107.1	148.2
Operating profit (EBIT), %	10.0	8.5	7.3	6.2	5.4	5.9	5.3	8.6	5.5	5.7
Items affecting comparability in EBIT, EUR million	-2.0	-4.0	-3.1	-3.7	-14.1	-6.6	-1.2	-9.1	-21.9	-25.6
Amortization and impairments of Intangible assets	-7.7	-7.4	-7.5	-7.5	-7.8	-6.4	-6.4	-22.6	-20.5	-28.1
Of which purchase price allocation (PPA) related	-4.5	-4.7	-4.8	-3.9	-3.9	-3.9	-4.0	-14.0	-11.9	-15.7
Depreciations and impairments of Property, plant and equipment	-33.5	-31.3	-31.3	-32.6	-39.1	-37.7	-29.1	-96.1	-105.9	-138.5
Depreciations of Right-of-use assets	-7.8	-7.2	-6.6	—	—	—	—	-21.6	—	—
Return on investment (ROI), %	11.7	9.7	8.2	7.8	6.5	6.8	6.6	9.9	6.8	7.0
Capital employed, EUR million ¹⁾	1,961.8	1,901.0	1,843.6	1,781.4	1,759.5	1,754.6	1,753.9	1,961.8	1,759.5	1,781.4
Operative ROCE, %	11.5	10.8	10.3	9.8	9.8	9.7	9.7	11.5	9.8	9.8
ROCE, %	10.9	9.5	8.8	8.3	8.5	8.3	8.1	10.9	8.5	8.3

	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2019 1-9	2018 1-9	2018 1-12
Cash flow										
Net cash generated from operating activities, EUR million	121.3	57.2	65.2	88.2	64.2	23.4	34.5	243.7	122.1	210.2
Capital expenditure, EUR million	51.8	41.5	28.3	97.6	36.3	37.4	22.4	121.6	96.1	193.7
Capital expenditure excl. acquisitions, EUR million	51.5	39.9	28.3	53.2	34.3	39.8	23.2	119.7	97.3	150.4
Capital expenditure excl. acquisitions / revenue, %	7.5	6.0	4.4	8.0	5.1	6.1	3.8	6.0	5.0	5.8
Cash flow after investing activities, EUR million	73.1	16.9	39.8	-3.3	28.8	-12.9	16.4	129.9	32.3	29.0
Balance sheet and solvency										
Equity ratio, %	42.6	41.4	38.7	43.5	42.8	43.0	40.5	42.6	42.8	43.5
Gearing, %	70.8	78.6	73.6	61.7	65.0	67.4	61.5	70.8	65.0	61.7
Interest-bearing net liabilities, EUR million	866.4	921.1	841.6	741.4	744.3	772.6	677.9	866.4	744.3	741.4
Personnel										
Personnel at end of period	5,036	5,067	4,973	4,915	4,798	4,858	4,740	5,036	4,798	4,915
Personnel (average)	5,054	5,033	4,938	4,839	4,844	4,820	4,736	5,008	4,800	4,810
Key exchange rates at end of period										
USD	1.089	1.138	1.124	1.145	1.158	1.166	1.232	1.089	1.158	1.145
CAD	1.443	1.489	1.500	1.561	1.506	1.544	1.590	1.443	1.506	1.561
SEK	10.696	10.563	10.398	10.255	10.309	10.453	10.284	10.696	10.309	10.255
CNY	7.778	7.819	7.540	7.875	7.966	7.717	7.747	7.778	7.966	7.875
BRL	4.529	4.351	4.387	4.444	4.654	4.488	4.094	4.529	4.654	4.444
Per share figures, EUR										
Earnings per share (EPS), basic ²⁾	0.27	0.22	0.18	0.17	0.14	0.14	0.14	0.68	0.42	0.58
Earnings per share (EPS), diluted ²⁾	0.27	0.22	0.18	0.17	0.14	0.14	0.14	0.67	0.42	0.58
Net cash generated from operating activities per share ²⁾	0.79	0.37	0.43	0.58	0.42	0.15	0.23	1.60	0.80	1.38
Equity per share ²⁾	7.94	7.58	7.39	7.80	7.44	7.42	7.13	7.94	7.44	7.80
Number of shares (1,000,000)										
Average number of shares, basic ²⁾	152.7	152.7	152.6	152.5	152.5	152.5	152.4	152.6	152.5	152.5
Average number of shares, diluted ²⁾	153.1	153.0	152.9	152.8	152.8	152.8	152.8	153.0	152.8	152.8
Number of shares at end of period, basic ²⁾	152.6	152.7	152.7	152.5	152.5	152.5	152.5	152.6	152.5	152.5
Number of shares at end of period, diluted ²⁾	153.1	153.1	152.9	152.9	152.8	152.8	152.7	153.1	152.8	152.9

¹⁾ 12-month rolling average

²⁾ Number of shares outstanding, excluding the number of treasury shares.

DEFINITIONS OF KEY FIGURES

Operative EBITDA

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

Items affecting comparability ¹⁾

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

Operative EBIT

Operating profit (EBIT) +/- items affecting comparability

Return on investment (ROI), %

(Profit before taxes + interest expenses + other financial expenses) x 100

Total assets - non-interest-bearing liabilities ²⁾

Operative return on capital employed (Operative ROCE), %

Operative EBIT x 100 ³⁾

Capital employed ⁴⁾

Return on capital employed (ROCE), %

Operating profit (EBIT) x 100 ³⁾

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

Cash flow after investing activities

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

Equity ratio, %

Total equity x 100

Total assets - prepayments received

Gearing, %

Interest-bearing net liabilities x 100

Total equity

Interest-bearing net liabilities

Interest-bearing liabilities - cash and cash equivalents

Earnings per share (EPS)

Net profit attributable to equity owners of the parent company

Average number of shares

Net cash generated from operating activities per share

Net cash generated from operating activities

Average number of shares

Equity per share

Equity attributable to equity owners of the parent company at end of period

Number of shares at end of period

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

²⁾ Average.

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

⁴⁾ 12-month rolling average.

RECONCILIATION OF IFRS FIGURES

EUR million	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2019 1-9	2018 1-9	2018 1-12
ITEMS AFFECTING COMPARABILITY IN EBITDA AND IN EBIT										
Operative EBITDA	118.1	106.1	95.6	84.5	89.0	80.2	69.4	319.9	238.6	323.1
Restructuring and streamlining programs	-0.5	-1.9	-0.4	-2.7	-5.5	-0.8	0.0	-2.8	-6.2	-8.9
Transaction and integration expenses in acquisition	0.0	0.0	-0.5	3.1	0.0	0.0	-0.2	-0.5	-0.3	2.8
Divestment of businesses and other disposals	0.8	0.0	0.9	0.0	0.0	5.7	0.0	1.7	5.7	5.7
Other items	-0.3	-2.1	-3.2	-3.6	-0.8	-2.6	-1.0	-5.6	-4.4	-7.9
Total items affecting comparability	0.0	-4.0	-3.1	-3.2	-6.2	2.3	-1.2	-7.2	-5.1	-8.3
EBITDA	118.1	102.1	92.5	81.3	82.8	82.5	68.2	312.7	233.5	314.8
Operative EBIT	71.1	60.3	50.1	44.8	50.0	45.1	33.9	181.6	129.0	173.8
Total items affecting comparability in EBITDA	0.0	-4.0	-3.1	-3.2	-6.2	2.3	-1.2	-7.2	-5.1	-8.3
Items affecting comparability in depreciation, amortization and impairments	-1.9	0.0	0.0	-0.5	-7.9	-8.9	0.0	1.9	-16.8	-17.3
Operating profit (EBIT)	69.2	56.3	47.0	41.1	35.9	38.5	32.7	172.5	107.1	148.2
ROCE AND OPERATIVE ROCE										
Operative EBIT	71.1	60.3	50.1	44.8	50.0	45.1	33.9	181.6	129.0	173.8
Operating profit (EBIT)	69.2	56.3	47.0	41.1	35.9	38.5	32.7	172.5	107.1	148.2
Capital employed ¹⁾	1,961.8	1,901.0	1,843.6	1,781.4	1,759.5	1,754.6	1,753.9	1,961.8	1,759.5	1,781.4
Operative ROCE, %	11.5	10.8	10.3	9.8	9.8	9.7	9.7	11.5	9.8	9.8
ROCE, %	10.9	9.5	8.8	8.3	8.5	8.3	8.1	10.9	8.5	8.3
NET WORKING CAPITAL										
Inventories	304.6	304.0	300.8	283.8	268.6	254.9	237.1	304.6	268.6	283.8
Trade receivables and other receivables	415.1	413.1	417.4	420.2	457.3	449.2	423.7	415.1	457.3	420.2
Excluding financing items in other receivables	-17.0	-16.3	-16.9	-32.5	-33.1	-33.4	-22.2	-17.0	-33.1	-32.5
Trade payables and other liabilities	442.2	421.7	522.2	439.1	421.5	405.4	495.2	442.2	421.5	439.1
Excluding financing items in other liabilities	-38.9	-34.3	-115.5	-28.0	-9.9	-12.3	-96.5	-38.9	-9.9	-28.0
Net working capital	299.3	313.4	294.5	260.4	281.1	277.6	240.0	299.3	281.1	260.4
INTEREST-BEARING NET LIABILITIES										
Non-current interest-bearing liabilities	792.1	790.4	790.8	646.3	653.1	658.4	758.8	792.1	653.1	646.3
Current interest-bearing liabilities	181.5	222.3	266.9	240.0	236.1	243.5	148.9	181.5	236.1	240.0
Interest-bearing liabilities	973.6	1,012.7	1,057.8	886.3	889.2	902.0	907.7	973.6	889.2	886.3
Cash and cash equivalents	107.2	91.6	216.2	144.9	144.9	129.3	229.9	107.2	144.9	144.9
Interest-bearing net liabilities	866.4	921.1	841.6	741.4	744.3	772.6	677.8	866.4	744.3	741.4

¹⁾ 12-month rolling average

QUARTERLY SEGMENT INFORMATION

EUR million	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2019 1-9	2018 1-9	2018 1-12
Revenue										
Pulp & Paper	382.9	373.4	380.8	390.4	385.2	376.0	368.7	1,137.0	1,129.8	1,520.2
Industry & Water	306.9	290.2	267.0	271.5	284.4	271.7	245.0	864.1	801.1	1,072.6
Total	689.8	663.6	647.8	661.8	669.6	647.6	613.7	2,001.1	1,931.0	2,592.8
Operative EBITDA										
Pulp & Paper	61.3	53.7	50.7	51.2	52.3	45.4	42.7	165.7	140.5	191.7
Industry & Water	56.8	52.4	45.0	33.3	36.7	34.8	26.6	154.2	98.1	131.5
Total	118.1	106.1	95.6	84.5	89.0	80.2	69.4	319.9	238.6	323.1
Items affecting comparability in EBITDA										
Pulp & Paper	-0.5	-2.7	-1.8	1.8	-4.1	-0.9	-0.7	-5.1	-5.7	-3.9
Industry & Water	0.5	-1.3	-1.3	-5.0	-2.1	3.2	-0.5	-2.1	0.6	-4.4
Total	0.0	-4.0	-3.1	-3.2	-6.2	2.3	-1.2	-7.2	-5.1	-8.3
EBITDA										
Pulp & Paper	60.8	51.0	48.8	53.0	48.2	44.6	42.1	160.6	134.8	187.8
Industry & Water	57.3	51.1	43.7	28.3	34.6	38.0	26.1	152.1	98.7	127.0
Total	118.1	102.1	92.5	81.3	82.8	82.5	68.2	312.7	233.5	314.8
Operative EBIT										
Pulp & Paper	32.1	24.0	20.6	24.1	26.6	22.0	18.9	76.7	67.5	91.6
Industry & Water	39.0	36.3	29.5	20.8	23.4	23.0	15.0	104.8	61.4	82.2
Total	71.1	60.3	50.1	44.8	50.0	45.1	33.9	181.6	129.0	173.8
Items affecting comparability in EBIT										
Pulp & Paper	-0.5	-2.7	-1.8	1.8	-12.0	-1.0	-0.7	-5.1	-13.6	-11.8
Industry & Water	-1.4	-1.3	-1.3	-5.5	-2.1	-5.6	-0.5	-4.1	-8.3	-13.8
Total	-2.0	-4.0	-3.1	-3.7	-14.1	-6.6	-1.2	-9.1	-21.9	-25.6
Operating profit (EBIT)										
Pulp & Paper	31.6	21.3	18.8	25.8	14.6	21.1	18.2	71.7	54.0	79.8
Industry & Water	37.6	35.0	28.2	15.3	21.3	17.4	14.5	100.8	53.2	68.5
Total	69.2	56.3	47.0	41.1	35.9	38.5	32.7	172.5	107.1	148.2

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	1-9/2019	1-9/2018	2018
Net book value at beginning of period	938.2	922.9	922.9
Purchases of subsidiaries and asset acquisitions	—	—	23.3
Increases	114.4	85.7	135.2
Decreases	-1.9	-0.3	-0.3
Depreciation and impairments	-96.1	-105.9	-138.5
Exchange rate differences and other changes	8.3	-9.2	-4.3
Net book value at end of period	962.9	893.2	938.3

CHANGES IN GOODWILL AND OTHER INTANGIBLE ASSETS

EUR million	1-9/2019	1-9/2018	2018
Net book value at beginning of period	630.8 ¹⁾	605.5	605.5
Purchases of subsidiaries and asset acquisitions	-0.8	—	45.9
Increases	5.3	9.3	12.8
Decreases	—	—	—
Amortization and impairments	-22.6	-20.5	-28.1
Exchange rate differences and other changes	8.1	4.0	5.1
Net book value at end of period	620.8	598.3	641.1

¹⁾ 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

EUR million	1-9/2019	1-9/2018	2018
Net book value at beginning of period	129.2	—	—
Increases	27.1	—	—
Depreciation and impairments	-21.6	—	—
Exchange rate differences and other changes	3.2	—	—
Net book value at end of period	137.8	—	—

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	9/30/2019		12/31/2018	
	Nominal value	Fair value	Nominal value	Fair value
Currency derivatives				
Forward contracts	375.6	-3.5	358.1	0.2
of which cash flow hedge	87.5	-1.1	18.1	0.2
Interest rate derivatives				
Interest rate swaps	145.0	-1.1	245.0	0.4
of which cash flow hedge	145.0	-1.1	145.0	-1.3
of which fair value hedge	—	—	100.0	1.7
Other derivatives				
	GWh	Fair value	GWh	Fair value
Electricity forward contracts, bought	2,104.3	13,1	2,278.1	27.6
of which cash flow hedge	2,104.3	13,1	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	9/30/2019				12/31/2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fair value hierarchy								
Other shares	—	—	228.6	228.6	—	—	228.4	228.4
Other investments	—	2.1	—	2.1	—	2.3	—	2.3
Currency derivatives	—	1.5	—	1.5	—	2.1	—	2.1
Currency derivatives, hedge accounting	—	0.2	—	0.2	—	0.2	—	0.2
Interest rate derivatives, hedge accounting	—	—	—	—	—	1.7	—	1.7
Other derivatives, hedge accounting	—	13.5	—	13.5	—	27.6	—	27.6
Other receivables	—	0.2	—	0.2	—	0.2	—	0.2
Trade receivables	—	337.2	—	337.2	—	307.3	—	307.3
Cash and cash equivalents	—	107.2	—	107.2	—	144.9	—	144.9
Total	—	461.9	228.6	690.5	—	486.3	228.4	714.7

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.

EUR million	Total 9/30/2019	Total 12/31/2018
Level 3 specification		
Instrument		
Carrying value at beginning of period	228.4	235.8
Effect on other comprehensive income	0.1	-7.5
Increases	0.2	—
Decreases	—	—
Carrying value at end of period	228.6	228.4

FAIR VALUE OF FINANCIAL LIABILITIES

EUR million	9/30/2019				12/31/2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fair value hierarchy								
Non-current interest-bearing liabilities	—	689.0	—	689.0	—	671.1	—	671.1
Current portion of non-current interest-bearing liabilities	—	10.1	—	10.1	—	110.6	—	110.6
Non-current other liabilities	—	7.7	—	7.7	—	29.0	—	29.0
Current portion of non-current other liabilities	—	10.7	—	10.7	—	—	—	—
Finance lease liabilities	—	—	—	—	—	0.1	—	0.1
Non-current lease liabilities	—	108.7	—	108.7	—	—	—	—
Current portion of lease liabilities	—	27.7	—	27.7	—	—	—	—
Short-term interest-bearing loans	—	145.4	—	145.4	—	136.0	—	136.0
Other liabilities	—	23.9	—	23.9	—	27.4	—	27.4
Currency derivatives	—	3.9	—	3.9	—	2.2	—	2.2
Currency derivatives, hedge accounting	—	1.3	—	1.3	—	—	—	—
Interest rate derivatives, hedge accounting	—	1.1	—	1.1	—	1.3	—	1.3
Other derivatives, hedge accounting	—	0.5	—	0.5	—	—	—	—
Trade payables	—	195.6	—	195.6	—	179.9	—	179.9
Total	—	1,225.6	—	1,225.6	—	1,157.6	—	1,157.6

CONTINGENT LIABILITIES

EUR million	9/30/2019	9/30/2018	12/31/2018
Assets pledged			
On behalf of own commitments	5.3	5.5	5.5
Guarantees			
On behalf of own commitments	49.9	49.9	54.7
On behalf of others	1.7	2.9	2.8
Other obligations			
On behalf of own commitments	0.9	0.9	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 September 30, 2019 were about EUR 59 million for plant investments.

Operating lease commitments under IAS 17 standard

EUR million	9/30/2018	12/31/2018
Maturity within one year	31.0	34.7
Maturity after one year	159.0	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

In Q1/2019, Pension Fund Neliapila, which is a 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 have been prepared in accordance with the 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 the 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 have 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. The share of profit or loss of associates line item has been changed in the interim financial statements in the consolidated income statement in such 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 has been disclosed 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 the 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

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

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

	12/31/2018	IFRS 16 impact	Opening balance sheet 1/1/2019
CONSOLIDATED BALANCE SHEET			
EUR million			
ASSETS			
Non-current assets			
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	—	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
Total non-current assets	1,900.7	118.7	2,019.4
Current assets			
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
Total current assets	863.1	-0.7	862.4
Total assets	2,763.8	118.0	2,881.8
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity owners of the parent	1,189.6	-4.9	1,184.7
Non-controlling interests	12.9		12.9
Total equity	1,202.5	-4.9	1,197.6
Non-current liabilities			
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
Total non-current liabilities	857.3	102.5	959.8
Current liabilities			
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
Total current liabilities	703.9	20.4	724.3
Total liabilities	1,561.2	122.9	1,684.1
Total equity and liabilities	2,763.8	118.0	2,881.8

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.