

**kemira**

# January-March Interim Report 2020



## GOOD START TO THE YEAR, OUTLOOK WITHDRAWN DUE TO AN UNCERTAIN ENVIRONMENT

### First quarter:

- Revenue decreased by 1% to EUR 642.0 million (647.8) due to lower sales volumes. Revenue in local currencies, excluding acquisitions and divestments, decreased by 1%.
- Operative EBITDA increased by 13% to EUR 108.5 million (95.6) following favorable variable cost development. The operative EBITDA margin increased to 16.9% (14.8%). EBITDA increased by 17% to EUR 108.4 million (92.5).
- Operative EBIT increased by 21% to EUR 60.8 million (50.1). EBIT increased by 29% to EUR 60.7 million (47.0). The differences between operative and reported figures are explained by items affecting comparability.
- Cash flow from operating activities was solid at EUR 50.2 million (65.2).
- EPS, diluted, increased by 35% to EUR 0.25 (0.18) due to higher EBITDA.

### Outlook for 2020 withdrawn on April 27, 2020

As announced on April 27, Kemira withdraws its outlook for 2020 and will not issue a new outlook until further notice due to the uncertainty following the COVID-19 pandemic and oil price drop.

### Kemira's President and CEO Jari Rosendal:

"The first quarter of 2020 was characterized by significant events: the evolution of COVID-19 into a global pandemic and the clear drop in oil price. In addition, a two-week-strike in Finland in February impacted our Pulp & Paper customers. We mitigated the impact from these events well and had a good start to the year with all our manufacturing facilities operating throughout the quarter in all regions. In countries with government-imposed restrictions on economic activity following the COVID-19 pandemic, the chemical industry and our customer industries are almost always classified as essential industries for the society. Therefore, these industries are allowed and even expected to operate. As a result, these events had a limited impact on Kemira and our operative EBITDA improved to EUR 108.5 million with the operative EBITDA margin improving significantly to 16.9% during the quarter.

However, despite the good start to the year, there is a risk of lower demand for our products in the coming quarters, particularly in shale. As communicated on April 27, 2020, we have decided to withdraw our previous outlook for 2020 as the economic impacts and the length of the COVID-19 pandemic and the oil price drop remain uncertain. Our chemicals are consumables in industrial processes and the demand for our chemicals remains predictable as long as these essential industrial processes continue to operate. However, it is difficult to estimate whether this unprecedented market environment will materially impact our customers' or our own operations. We are monitoring the overall situation constantly and will take further action if needed.

**In Pulp & Paper**, the operative EBITDA margin improved to 15.9% in Q1 2020 from the prior year's level of 13.3%. Customer demand remained solid during the quarter despite the two-week-strike in Finland in February. Looking ahead, the COVID-19 pandemic creates uncertainty in the near-term and is expected to have a larger impact on printing and writing paper demand while pulp, board and tissue demand are expected to be more resilient. The ramp-up of our new AKD wax facility in China continued during January–March 2020 and it had a positive EBITDA contribution in Q1 2020.

**In Industry & Water**, the operative EBITDA margin improved to 18.3% in Q1 2020 compared to prior year's level of 16.8%. Demand in both municipal and industrial water treatment remained good. In Oil and Gas, the

shale market declined significantly during the quarter due to the drop in oil price. We saw a clear reduction in shale customers' orders and overall visibility remains low. The ramp-up of our polymer expansion investment in the Netherlands progressed during the quarter and the investment had a positive impact on our EBITDA in Q1 2020.

Health and safety is Kemira's top priority. Due to COVID-19, we started to implement strict precautionary measures already in January in order to safeguard our employees, their families and other stakeholders. I would like to express my gratitude to our employees for their contribution and personal commitment during this difficult period. In this unprecedented environment, we are continuously working actively with our key stakeholders to ensure the business continuity of our own and our customers' operations."

## KEY FIGURES AND RATIOS

EUR million	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Revenue	642.0	647.8	2,658.8
Operative EBITDA	108.5	95.6	410.0
Operative EBITDA, %	16.9	14.8	15.4
EBITDA	108.4	92.5	382.3
EBITDA, %	16.9	14.3	14.4
Operative EBIT	60.8	50.1	224.0
Operative EBIT, %	9.5	7.7	8.4
EBIT	60.7	47.0	194.4
EBIT, %	9.5	7.3	7.3
Net profit for the period	39.6	29.3	116.5
Earnings per share, diluted, EUR	0.25	0.18	0.72
Capital employed*	1,995.7	1,843.6	1,998.2
Operative ROCE*, %	11.8	10.3	11.2
ROCE*, %	10.4	8.8	9.7
Cash flow from operating activities	50.2	65.2	386.2
Capital expenditure excl. acquisition	36.1	28.3	201.1
Capital expenditure	38.7	28.3	204.1
Cash flow after investing activities	11.5	39.8	189.8
Equity ratio, % at period-end	42	39	43
Equity per share, EUR	7.82	7.39	7.98
Gearing, % at period-end	67	74	66

\*12-month rolling average

Kemira provides certain financial performance measures (alternative performance measures) that are not defined by IFRS. Kemira believes that alternative performance measures followed by capital markets and Kemira management, such as organic growth (revenue growth in local currencies, excluding acquisitions and divestments), EBITDA, operative EBITDA, 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 2020

**Revenue** decreased by 1% due to lower volumes. Revenue in local currencies, excluding acquisitions and divestments, decreased by 1%. A two-week forest industry strike in Finland in February had a negative impact on revenue.

Revenue	Jan-Mar 2020 EUR million	Jan-Mar 2019 EUR million	Δ%	Organic growth*, %	Currency impact, %	Acq. & div. impact, %
Pulp & Paper	378.5	380.8	-1	-1	+1	0
Industry & Water	263.6	267.0	-1	-1	+1	-1
<b>Total</b>	<b>642.0</b>	<b>647.8</b>	<b>-1</b>	<b>-1</b>	<b>+1</b>	<b>0</b>

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

**Operative EBITDA** increased by 13%. This was the result of lower raw material costs particularly in our polymer business, lower electricity costs, lower inventory accruals and efficiencies from our new investments. Both the AKD investment in China and polymer expansion investment in the Netherlands contributed positively.

Variance analysis, EUR million	Jan-Mar
<b>Operative EBITDA, 2019</b>	<b>95.6</b>
Sales volumes	-1.9
Sales prices	-0.1
Variable costs	+24.7
Fixed costs	-9.0
Currency exchange	-0.5
Others	-0.4
<b>Operative EBITDA, 2020</b>	<b>108.5</b>

Operative EBITDA	Jan-Mar 2020 EUR million	Jan-Mar 2019 EUR million	Δ%	Jan-Mar 2020 %-margin	Jan-Mar 2019 %-margin
Pulp & Paper	60.2	50.7	+19	15.9	13.3
Industry & Water	48.2	45.0	+7	18.3	16.8
<b>Total</b>	<b>108.5</b>	<b>95.6</b>	<b>+13</b>	<b>16.9</b>	<b>14.8</b>

**EBITDA** increased by 17%, and the difference between it and operative EBITDA is explained by items affecting comparability. In the previous year, items affecting comparability mainly consisted of organizational restructuring.

Items affecting comparability, EUR million	Jan-Mar 2020	Jan-Mar 2019
<b>Within EBITDA</b>	<b>-0.1</b>	<b>-3.1</b>
Pulp & Paper	0.0	-1.8
Industry & Water	-0.1	-1.3
<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>-0.1</b>	<b>-3.1</b>

**Depreciation, amortization and impairments** were EUR 47.7 million (45.5), including the EUR 4.6 million (4.8) amortization of the purchase price allocation.

**Operative EBIT** increased by 21%. This was the result of lower raw material costs particularly in our polymer business, lower electricity costs, lower inventory accruals and efficiencies from our new investments. Both the AKD investment in China and polymer expansion investment in the Netherlands contributed positively. **EBIT** increased by 29%, and the difference between the two is explained by items affecting comparability.

**Net finance costs** totaled EUR -8.9 million (-8.8). **Income taxes** were EUR -12.3 million (-8.9), with the reported tax rate being 24% (23%). **Net profit for the period** increased by 35%, mainly due to higher EBIT.

## FINANCIAL POSITION AND CASH FLOW

Cash flow from operating activities in January-March 2020 decreased to EUR 50.2 million (65.2). Cash flow after investing activities decreased to EUR 11.5 million (39.8). This was mainly due to higher income taxes paid and higher expansion capital expenditure compared to the prior year. In the comparison period, EUR 15 million of excess capital was returned from Kemira's supplementary Pension Fund in Finland.

At the end of the period, interest-bearing liabilities totaled EUR 986 million (1,058) including lease liabilities of EUR 133 million (129). The average interest rate of the Group's interest-bearing loan portfolio, excluding leases, was 1.9% (2.0%), and the duration was 23 months (28). Fixed-rate loans accounted for 86% (85%) of net interest-bearing liabilities, including lease liabilities.

Short-term liabilities maturing in the next 12 months amounted to EUR 248 million. On March 31, 2020, cash and cash equivalents totaled EUR 170 million (216). The Group has a EUR 400 million undrawn committed credit facility, which is linked to Kemira's sustainability targets. The facility was extended in April by one year to 2025 in accordance with the extension option of the loan agreement.

At the end of the period, Kemira Group's net debt was EUR 816 million (842), including lease liabilities. The equity ratio was 42% (39%), while gearing was 67% (74%).

## CAPITAL EXPENDITURE

In January-March 2020, capital expenditure, excluding acquisitions, increased by 27% to EUR 36.1 million (28.3). Capital expenditure can be broken down as follows: expansion capex 57% (50%), improvement capex 19% (24%), and maintenance capex 24% (26%).

## RESEARCH AND DEVELOPMENT

In January-March 2020, total research and development expenses were EUR 7.8 million (7.2), representing 1.2% (1.1%) of the Group's revenue.

## HUMAN RESOURCES

At the end of the period, Kemira Group had 5,075 employees (4,973). Kemira had 773 employees in Finland (807), 1,781 people elsewhere in EMEA (1,779), 1,575 in the Americas (1,543), and 946 in APAC (844). The growth in APAC is related to the new manufacturing site in China.

## CORPORATE SUSTAINABILITY



### Sustainable products and solutions

KPI+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> <tr><td>2019</td><td>53%</td></tr> </table>	Year	Performance (%)	Baseline average 2016-2017	49%	2018	51%	2019	53%	<p>During Q1 five new R&amp;D projects were started and 100% of them are designed to improve customer resource efficiency. No commercialization of any R&amp;D project was started during Q1 2020.</p>
Year	Performance (%)									
Baseline average 2016-2017	49%									
2018	51%									
2019	53%									



### Responsible operations and supply chain



KPI+Target	Performance	Comments												
<p><b>Workplace safety</b> 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>2017</td><td>3.9</td></tr> <tr><td>2018</td><td>3.5</td></tr> <tr><td>2019</td><td>2.1</td></tr> <tr><td>Q1 2020</td><td>2.7</td></tr> <tr><td>Target 2020</td><td>2.0</td></tr> </table>	Year	TRIF	2017	3.9	2018	3.5	2019	2.1	Q1 2020	2.7	Target 2020	2.0	<p>Safety performance decreased in the first three months of the year. Globally Kemira had 9 people incidents and 8 of these led to lost time. Human behavior was one of the significant root causes in most of the incidents. With improvements in "Stop-Think-Act" behavior these incidents could be avoided.</p>
Year	TRIF													
2017	3.9													
2018	3.5													
2019	2.1													
Q1 2020	2.7													
Target 2020	2.0													
<p><b>Climate change</b> Reduce by 30% combined Scope 1 and Scope 2 GHG emission across the whole company by 2030 compared to 2018 baseline (0.93 MTCO2eq). Ambition to be carbon neutral by 2045.</p>	<table border="1"> <tr><th>Year</th><th>GHG Emission (%)</th></tr> <tr><td>2018</td><td>100</td></tr> <tr><td>2019</td><td>98,6</td></tr> <tr><td>Target 2030</td><td>70</td></tr> </table>	Year	GHG Emission (%)	2018	100	2019	98,6	Target 2030	70	<p>Kemira's new 2030 climate change target and an internal carbon pricing program were launched in Q1. E3 Energy Reviews to identify energy savings projects were finalized for two manufacturing plants and started at three. The first wind power purchasing agreement signed for 5 MW over ten years (reduction of 12.6 kT CO2e per annum).</p>				
Year	GHG Emission (%)													
2018	100													
2019	98,6													
Target 2030	70													
<p><b>Supplier management</b> % 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>74%</td><td>18</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	74%	18	Target 2020	90%	25	<p>Sustainability screening of key suppliers continued as planned. During Q1, our annual supplier segmentation was reviewed where key suppliers are evaluated against multi-factor criteria and prioritized for the pool of suppliers to be assessed and audited in 2020. Seven new supplier assessments were completed by end of March.</p>
Year	% of key suppliers	# of audits (cumul.)												
Baseline 2018	69%	11												
2019	74%	18												
Target 2020	90%	25												



\* TRIF = total recordable injury frequency per million hours, Kemira + contractor, year-to-date

\*\* Suppliers with the lowest sustainability assessment score





## People and integrity

KPI+Target	Performance	Comments	Status												
<p><b>Employee engagement index based on MyVoice survey</b> Keep the index at or above the external industry norm.</p>	<table border="1"> <caption>Employee Engagement Performance</caption> <thead> <tr> <th>Metric</th> <th>2019</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Engagement</td> <td>79</td> <td>73</td> </tr> <tr> <td>Participation</td> <td>67</td> <td>-</td> </tr> </tbody> </table>	Metric	2019	Target	Engagement	79	73	Participation	67	-	<p>Results are being followed up with actions at the team level with segment/ function management. We aim to run pulse mini employee surveys and follow up to MyVoice on a needs basis aligned with business priorities. During 2020 we will continue to embed our new continuous feedback and listening model into our ways of working.</p>	IN PROGRESS			
Metric	2019	Target													
Engagement	79	73													
Participation	67	-													
<p><b>Leadership development activities provided, average</b> 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</caption> <thead> <tr> <th>Year</th> <th>Activities Provided</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>2019</td> <td>1 839</td> </tr> <tr> <td>Target 2020</td> <td>1 500</td> </tr> </tbody> </table>	Year	Activities Provided	2016	494	2017	1 036	2018	1 533	2019	1 839	Target 2020	1 500	<p>During 2020 we will experiment with more digital learning. In Q1 we worked with leaders and employees supporting them during Covid-19 and in the adoption of remote working.</p>	AHEAD OF TARGET
Year	Activities Provided														
2016	494														
2017	1 036														
2018	1 533														
2019	1 839														
Target 2020	1 500														
<p><b>Integrity index</b> KPI to measure compliance with the Kemira Code of Conduct. The target is to maintain the Integrity Index level above industry benchmark of 77%.</p>	<table border="1"> <caption>Integrity Index Performance</caption> <thead> <tr> <th>Metric</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Integrity Index</td> <td>87%</td> </tr> <tr> <td>Participation</td> <td>84%</td> </tr> </tbody> </table>	Metric	2018	Integrity Index	87%	Participation	84%	<p>Integrity has been measured in the past using the biannual Voices@Kemira survey. The last such survey was in 2018, and our result was high at 87%. This was 10% above the external industry norm. Integrity will be measured using our new MyVoice survey in 2020.</p>	IN PROGRESS						
Metric	2018														
Integrity Index	87%														
Participation	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	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Revenue	378.5	380.8	1,522.9
Operative EBITDA	60.2	50.7	218.3
Operative EBITDA, %	15.9	13.3	14.3
EBITDA	60.2	48.8	192.4
EBITDA, %	15.9	12.8	12.6
Operative EBIT	30.1	20.6	99.2
Operative EBIT, %	8.0	5.4	6.5
EBIT	30.1	18.8	73.4
EBIT, %	7.9	4.9	4.8
Capital employed*	1,278.6	1,217.1	1,289.4
Operative ROCE*, %	8.5	7.7	7.7
ROCE*, %	6.6	6.6	5.7
Capital expenditure excl. M&A	14.3	17.3	109.7
Capital expenditure incl. M&A	16.9	17.3	112.5
Cash flow after investing activities	26.1	25.1	139.4

\* 12-month rolling average

#### First quarter

The segment's **revenue** decreased by 1%. Currencies had a positive impact of 1%. Revenue in local currencies, excluding acquisitions and divestments, decreased by 1% due to lower volumes. This was mainly due to a two-week forest industry strike in Finland in February. Also lower caustic soda sales prices (mainly a trading product) had a negative impact.

In **EMEA**, revenue decreased by 6%, mainly due the forest industry strike in Finland. Also lower caustic soda sales prices (mainly a trading product) had a negative impact. In the **Americas**, revenue increased by 3% due to higher volumes. Currencies also had a slight positive impact. In both North America and South America, revenue in local currencies increased due to higher volumes in bleaching chemicals. In **APAC**, revenue increased by 11%, due to continued strong volume growth in sizing chemicals. Currencies also had a slight positive impact.

**Operative EBITDA** increased by 19% due to lower raw material and electricity costs. In addition, efficiencies from the new AKD wax investment in China had a positive impact. **EBITDA** increased by 23%. The difference to operative EBITDA is explained by items affecting comparability.

## 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	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Revenue	263.6	267.0	1,135.9
Operative EBITDA	48.2	45.0	191.7
Operative EBITDA, %	18.3	16.8	16.9
EBITDA	48.2	43.7	189.9
EBITDA, %	18.3	16.4	16.7
Operative EBIT	30.7	29.5	124.7
Operative EBIT, %	11.7	11.0	11.0
EBIT	30.7	28.2	121.0
EBIT, %	11.6	10.6	10.6
Capital employed*	716.3	626.0	708.2
Operative ROCE*, %	17.6	15.4	17.6
ROCE*, %	17.2	13.1	17.1
Capital expenditure excl. M&A	21.8	11.0	91.4
Capital expenditure incl. M&A	21.8	11.0	91.7
Cash flow after investing activities	12.6	27.8	128.7

\* 12-month rolling average

### First quarter

The segment's **revenue** decreased by 1%. Revenue in local currencies, excluding acquisitions and divestments, decreased by 1%, driven by lower volumes. Currency exchange rate fluctuations had a positive impact of 1%.

Within the segment, the revenue of the Oil & Gas business decreased by 16% to EUR 52.3 million (62.0). This was due to lower sales volumes and prices in shale. In the water treatment business, revenue in local currencies increased due to higher sales volumes in EMEA and higher sales prices in North America.

In **EMEA**, revenue increased by 5% driven by higher sales volumes in water treatment and Chemical Enhanced Oil Recovery. In the **Americas**, revenue decreased by 7%. Currencies had some positive impact. Revenue in local currencies declined as higher sales prices in North American water treatment were clearly offset by lower sales volumes and prices in shale. In **APAC**, revenue decreased by 20% albeit from a small base due to lower sales volumes mainly in polymers.

**Operative EBITDA** increased by 7% due to lower raw material costs, particularly in polymers, and lower inventory accruals. In addition, efficiencies from the polymer expansion investment in the Netherlands had a positive impact. **EBITDA** increased by 10%, and the difference to operative EBITDA is explained by items affecting comparability.

## KEMIRA OYJ'S SHARES AND SHAREHOLDERS

On March 31, 2020, Kemira Oyj's share capital amounted to EUR 221.8 million and the number of shares was 155,342,557. Each share entitles the holder to one vote at the Annual General Meeting.

At the end of March, Kemira Oyj had 38,504 registered shareholders (33,345 on December 31, 2019). Non-Finnish shareholders held 28.2% of the shares (31.9%), including nominee-registered holdings. Households owned 17.4% of the shares (15.6%). Kemira held 2,426,394 treasury shares (2,693,111), representing 1.6% (1.7%) of all company shares.

Kemira Oyj's share price decreased by 34% from the beginning of the year and closed at EUR 8.83 on the Nasdaq Helsinki at the end of March 2020 (13.26 on December 31, 2019). Shares registered a high of EUR 14.24 and a low of EUR 8.02 in January-March 2020, and the average share price was EUR 11.97. The company's market capitalization, excluding treasury shares, was EUR 1,350 million at the end of March 2020 (2,024).

In January-March 2020, Kemira Oyj's share trading turnover on Nasdaq Helsinki was EUR 325 million (131 in January-March 2019). The average daily trading volume was 453,370 (187,074) shares. The total volume of Kemira Oyj's share trading in January-March 2020 was 35 million shares (17), 18% (30%) of which was executed on other trading platforms (BATS, Chi-X, Turquoise). Source: Nasdaq and Kemira.com.

## SHORT-TERM RISKS AND UNCERTAINTIES

There have been changes in Kemira's short-term risks and uncertainties compared to December 31, 2019.

Kemira referred to the potential risk of the COVID-19 pandemic in its annual risk review published in conjunction with the Financial Statements Bulletin 2019. The COVID-19 pandemic combined with the oil price drop have created significant near-term uncertainty in the global operating environment and hence also for Kemira. The potential impacts on Kemira depend on the length and the economic impacts of the COVID-19 pandemic and the duration of the oil price drop. At this point, it is difficult to exactly estimate these impacts. The situation could result in a widespread decline in customer demand in some business areas, most specifically in the Oil and Gas business area. There could also be potential disruption to Kemira's manufacturing and logistics network as well as to the availability of raw materials.

Kemira has set up regional crisis management teams to monitor the COVID-19 situation and to mitigate the impact on Kemira in order to ensure business continuity. Business travel has been restricted and Kemira has taken several steps to ensure employee safety at its locations. To mitigate the impact on its supply chain, Kemira reviews alternative suppliers on a continuous basis. In several countries with government-imposed restrictions on economic activity, the chemical industry and Kemira's customer industries are almost always classified as essential industries, and as a consequence, exempt from government restrictions. 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 2019.

## ANNUAL GENERAL MEETING 2020

The Annual General Meeting was originally scheduled to be held on March 25, 2020, but has been postponed due to the COVID-19 pandemic. The notice regarding the rescheduled Annual General Meeting was published on April 9, 2020 and the Annual General Meeting is now scheduled to be held on May 5, 2020. The full AGM notice is available on Kemira's website. The Board of Directors' proposals to the AGM are unchanged apart from the dividend proposal, which is detailed below.

## DIVIDEND AND DIVIDEND POLICY

On December 31, 2019, Kemira Oyj's distributable funds totaled EUR 848,948,241 of which net profit for the period was EUR 93,521,333. No material changes have taken place in the company's financial position after the balance sheet date.

The Board of Directors proposes to the Annual General Meeting that, instead of a direct resolution on dividend payment, the Annual General Meeting authorize the Board of Directors to decide, at its discretion, upon the payment of a dividend to the maximum amount of EUR 0.56 per share.

The dividend payment authorization is valid until the end of the next Annual General Meeting. The authorization would be used to pay the dividend in two installments during the validity of the authorization, unless the Board of Directors decides otherwise for a justified reason. The Board of Directors would make separate resolutions on the amount and timing of each dividend with the preliminary record and payment dates stated below.

The Board of Directors expects to decide upon the payment of the first installment of the dividend, EUR 0.28 on May 5, 2020, so that the first installment would be paid to a shareholder who is registered in the company's shareholder register maintained by Euroclear Finland Oy on the record date for the dividend payment, May 7, 2020. The payment date of the first installment of the dividend would then be May 14, 2020. The preliminary record date and preliminary payment date for the second installment are October 29, 2020 and November 5, 2020, respectively.

Kemira will announce each resolution of the Board of Directors separately and confirm the relevant record and payment dates in such announcements. Each installment would be paid to a shareholder who is registered in the company's shareholder register maintained by Euroclear Finland Oy on the record date of the relevant installment.

For the avoidance of doubt, the Board of Directors proposes to the Annual General Meeting that no dividend is paid directly by a resolution of the Annual General Meeting based on the adopted balance sheet for the financial year which ended on December 31, 2019.

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

## OUTLOOK

### Outlook for 2020 withdrawn on April 27, 2020

As announced on April 27, 2020 Kemira withdraws its outlook for 2020 and will not issue a new outlook until further notice due to the uncertainty following the COVID-19 pandemic and oil price drop.

#### **Previous Outlook**

*Kemira previously expected its operative EBITDA (2019: EUR 410 million) to increase from the prior year.*

## FINANCIAL TARGETS

Kemira aims for above-market revenue growth with an operative EBITDA margin of 15–17%.

The target for gearing is below 75%.

Helsinki, April 27, 2020

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 2020

Interim Report January–June 2020

July 17, 2020

Interim Report January–September 2020

October 27, 2020

The Annual General Meeting will be held at Hotel Kämp Symposion, Helsinki on May 5, 2020.

## WEBCAST AND CONFERENCE CALL FOR PRESS AND ANALYSTS

Kemira will arrange a webcast for analysts, investors, and media on Tuesday, April 28, 2020, starting at 1.30 pm (11.30 am UK time). During the webcast, Kemira's President and CEO Jari Rosendal and CFO Petri Castrén will present the results. The webcast will be held in English and can be followed at [www.kemira.com/company/investors](http://www.kemira.com/company/investors). The presentation material and a recording of the webcast 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: 37818631#

## KEMIRA GROUP

### CONSOLIDATED INCOME STATEMENT

EUR million	1-3/2020	1-3/2019	1-12/2019
<b>Revenue</b>	<b>642.0</b>	647.8	2,658.8
Other operating income	0.9	2.8	6.4
Operating expenses	-534.5	-558.1	-2,283.0
Share of profit or loss of associates	0.0	0.0	0.0
<b>EBITDA</b>	<b>108.4</b>	92.5	382.3
Depreciation, amortization and impairments	-47.7	-45.5	-187.9
<b>Operating profit (EBIT)</b>	<b>60.7</b>	47.0	194.4
Finance costs, net	-8.9	-8.8	-39.7
<b>Profit before taxes</b>	<b>51.9</b>	38.2	154.7
Income taxes	-12.3	-8.9	-38.2
<b>Net profit for the period</b>	<b>39.6</b>	29.3	116.5
<b>Net profit attributable to</b>			
Equity owners of the parent company	37.8	27.9	110.2
Non-controlling interests	1.8	1.4	6.3
<b>Net profit for the period</b>	<b>39.6</b>	29.3	116.5
Earnings per share, basic, EUR	0.25	0.18	0.72
Earnings per share, diluted, EUR	0.25	0.18	0.72

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	1-3/2020	1-3/2019	1-12/2019
<b>Net profit for the period</b>	<b>39.6</b>	29.3	116.5
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations	-15.6	8.8	7.8
Cash flow hedges	-18.5	-11.7	-15.0
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Other shares	-26.1	0.1	13.4
Remeasurements of defined benefit plans	—	—	-5.4
<b>Other comprehensive income for the period, net of tax</b>	<b>-60.3</b>	-2.8	0.7
<b>Total comprehensive income for the period</b>	<b>-20.7</b>	26.5	117.2
<b>Total comprehensive income attributable to</b>			
Equity owners of the parent company	-21.6	25.1	110.7
Non-controlling interests	0.9	1.4	6.5
<b>Total comprehensive income for the period</b>	<b>-20.7</b>	26.5	117.2

## CONSOLIDATED BALANCE SHEET

EUR million	3/31/2020	3/31/2019	12/31/2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	518.1	514.7	515.8
Other intangible assets	91.7	113.9	95.5
Property, plant and equipment	991.8	943.3	1,005.1
Right-of-use assets	133.4	131.9	136.2
Investments in associates	5.4	0.8	2.8
Other shares	212.6	228.4	245.2
Deferred tax assets	30.8	28.1	35.7
Other investments	2.0	2.3	2.0
Receivables of defined benefit plans	51.7	46.2	51.8
<b>Total non-current assets</b>	<b>2,037.3</b>	<b>2,009.5</b>	<b>2,090.1</b>
<b>Current assets</b>			
Inventories	265.2	300.8	260.6
Interest-bearing receivables	0.1	0.2	0.2
Trade receivables and other receivables	386.6	417.4	378.8
Current income tax assets	16.4	14.0	18.2
Cash and cash equivalents	169.8	216.2	143.1
<b>Total current assets</b>	<b>838.1</b>	<b>948.5</b>	<b>800.9</b>
<b>Total assets</b>	<b>2,875.4</b>	<b>2,958.0</b>	<b>2,891.0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to equity owners of the parent company	1,195.5	1,128.8	1,217.7
Non-controlling interests	14.2	14.3	13.3
<b>Total equity</b>	<b>1,209.8</b>	<b>1,143.1</b>	<b>1,231.0</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	738.1	790.8	737.9
Other liabilities	8.3	29.4	8.3
Deferred tax liabilities	51.7	61.7	67.8
Liabilities of defined benefit plans	90.5	81.3	93.3
Provisions	28.0	28.8	29.1
<b>Total non-current liabilities</b>	<b>916.5</b>	<b>992.0</b>	<b>936.4</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	247.8	266.9	216.6
Trade payables and other liabilities	456.2	522.2	455.7
Current income tax liabilities	22.6	24.4	28.7
Provisions	22.5	9.4	22.6
<b>Total current liabilities</b>	<b>749.1</b>	<b>822.9</b>	<b>723.6</b>
<b>Total liabilities</b>	<b>1,665.6</b>	<b>1,815.0</b>	<b>1,660.0</b>
<b>Total equity and liabilities</b>	<b>2,875.4</b>	<b>2,958.0</b>	<b>2,891.0</b>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	1-3/2020	1-3/2019	1-12/2019
<b>Cash flow from operating activities</b>			
Net profit for the period	39.6	29.3	116.5
Total adjustments	68.5	79.4	301.8
Cash flow before change in net working capital	108.1	108.7	418.3
Change in net working capital	-30.8	-30.3	45.3
Cash generated from operations before financing items and taxes	77.4	78.4	463.5
Finance expenses, net and dividends received	-9.1	-6.7	-38.6
Income taxes paid	-18.1	-6.4	-38.8
<b>Net cash generated from operating activities</b>	<b>50.2</b>	<b>65.2</b>	<b>386.2</b>
<b>Cash flow from investing activities</b>			
Purchases of subsidiaries and business acquisitions, net of cash acquired	—	—	—
Capital expenditure in associated company	-2.6	—	-2.7
Other capital expenditure	-36.1	-28.3	-201.4
Proceeds from sale of assets	0.0	2.9	7.7
Decrease (+) / increase (-) in loan receivables	—	—	0.1
<b>Net cash used in investing activities</b>	<b>-38.7</b>	<b>-25.4</b>	<b>-196.3</b>
<b>Cash flow from financing activities</b>			
Proceeds from non-current interest-bearing liabilities	—	40.1	40.1
Repayments of non-current liabilities	-5.4	—	-121.0
Short-term financing, net increase (+) / decrease (-)	30.9	-3.3	2.9
Repayments of lease liabilities	-7.6	-6.9	-28.4
Dividends paid	—	—	-86.9
<b>Net cash used in financing activities</b>	<b>17.9</b>	<b>29.9</b>	<b>-193.2</b>
<b>Net decrease (-) / increase (+) in cash and cash equivalents</b>	<b>29.5</b>	<b>69.7</b>	<b>-3.4</b>
Cash and cash equivalents at end of period	169.8	216.2	143.1
Exchange gains (+) / losses (-) on cash and cash equivalents	-2.8	1.6	1.5
Cash and cash equivalents at beginning of period	143.1	144.9	144.9
<b>Net decrease (-) / increase (+) in cash and cash equivalents</b>	<b>29.5</b>	<b>69.7</b>	<b>-3.4</b>

## 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	
<b>Equity on January 1, 2020</b>	221.8	257.9	108.5	196.3	-39.5	-18.1	490.9	1,217.7	13.3	1,231.0
<b>Net profit for the period</b>	—	—	—	—	—	—	37.8	37.8	1.8	39.6
Other comprehensive income, net of tax	—	—	-44.7	—	-14.7	—	—	-59.4	-0.9	-60.3
<b>Total comprehensive income</b>	—	—	-44.7	—	-14.7	—	37.8	-21.6	0.9	-20.7
<b>Transactions with owners</b>										
Treasury shares issued to the target group of a share-based incentive plan	—	—	—	—	—	1.8	—	1.8	—	1.8
Treasury shares returned	—	—	—	—	—	0.0	—	0.0	—	0.0
Share-based payments	—	—	—	—	—	—	-2.3	-2.3	—	-2.3
<b>Total transactions with owners</b>	—	—	—	—	—	1.8	-2.3	-0.5	—	-0.5
<b>Equity on March 31, 2020</b>	221.8	257.9	63.8	196.3	-54.2	-16.3	526.4	1,195.5	14.2	1,209.8

Kemira had in its possession 2,426,394 of its treasury shares on March 31, 2020. The average share price of treasury shares was EUR 6.73 and they represented 1.6% of the share capital and the aggregate number of votes conferred by all shares. The aggregate par value of the treasury shares is EUR 3.6 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
<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	—	-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 a 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.

<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.

## 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](http://www.kemira.com) > Investors > Financial information.

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

	2020 1-3	2019 10-12	2019 7-9	2019 4-6	2019 1-3	2019 1-12
<b>Income statement and profitability</b>						
Revenue, EUR million	<b>642.0</b>	657.7	689.8	663.6	647.8	2,658.8
Operative EBITDA, EUR million	<b>108.5</b>	90.1	118.1	106.1	95.6	410.0
Operative EBITDA, %	<b>16.9</b>	13.7	17.1	16.0	14.8	15.4
EBITDA, EUR million	<b>108.4</b>	69.6	118.1	102.1	92.5	382.3
EBITDA, %	<b>16.9</b>	10.6	17.1	15.4	14.3	14.4
Items affecting comparability in EBITDA, EUR million	<b>-0.1</b>	-20.5	0.0	-4.0	-3.1	-27.7
Operative EBIT, EUR million	<b>60.8</b>	42.4	71.1	60.3	50.1	224.0
Operative EBIT, %	<b>9.5</b>	6.4	10.3	9.1	7.7	8.4
Operating profit (EBIT), EUR million	<b>60.7</b>	21.9	69.2	56.3	47.0	194.4
Operating profit (EBIT), %	<b>9.5</b>	3.3	10.0	8.5	7.3	7.3
Items affecting comparability in EBIT, EUR million	<b>-0.1</b>	-20.5	-2.0	-4.0	-3.1	-29.6
Amortization and impairments of Intangible assets	<b>-7.6</b>	-7.4	-7.7	-7.4	-7.5	-30.0
Of which purchase price allocation (PPA) related	<b>-4.6</b>	-4.5	-4.5	-4.7	-4.8	-18.5
Depreciations and impairments of Property, plant and equipment	<b>-32.1</b>	-32.0	-33.5	-31.3	-31.3	-128.1
Depreciations of Right-of-use assets	<b>-8.0</b>	-8.2	-7.8	-7.2	-6.6	-29.8
Return on investment (ROI), %	<b>10.1</b>	3.8	11.7	9.7	8.2	8.4
Capital employed, EUR million <sup>1)</sup>	<b>1,995.7</b>	1,998.2	1,961.8	1,901.0	1,843.6	1,998.2
Operative ROCE, %	<b>11.8</b>	11.2	11.5	10.8	10.3	11.2
ROCE, %	<b>10.4</b>	9.7	10.9	9.5	8.8	9.7

	2020 1-3	2019 10-12	2019 7-9	2019 4-6	2019 1-3	2019 1-12
<b>Cash flow</b>						
Net cash generated from operating activities, EUR million	50.2	142.5	121.3	57.2	65.2	386.2
Capital expenditure, EUR million	38.7	82.5	51.8	41.5	28.3	204.1
Capital expenditure excl. acquisitions, EUR million	36.1	81.4	51.5	39.9	28.3	201.1
Capital expenditure excl. acquisitions / revenue, %	5.6	12.4	7.5	6.0	4.4	7.6
Cash flow after investing activities, EUR million	11.5	60.0	73.1	16.9	39.8	189.8
<b>Balance sheet and solvency</b>						
Equity ratio, %	42.1	42.6	42.6	41.4	38.7	42.6
Gearing, %	67.5	65.9	70.8	78.6	73.6	65.9
Interest-bearing net liabilities, EUR million	816.0	811.4	866.4	921.1	841.6	811.4
<b>Personnel</b>						
Personnel at end of period	5,075	5,062	5,036	5,067	4,973	5,062
Personnel (average)	5,074	5,055	5,054	5,033	4,938	5,020
<b>Key exchange rates at end of period</b>						
USD	1.096	1.123	1.089	1.138	1.124	1.123
CAD	1.562	1.460	1.443	1.489	1.500	1.460
SEK	11.061	10.447	10.696	10.563	10.398	10.447
CNY	7.778	7.821	7.778	7.819	7.540	7.821
BRL	5.700	4.516	4.529	4.351	4.387	4.516
<b>Per share figures, EUR</b>						
Earnings per share (EPS), basic <sup>2)</sup>	0.25	0.05	0.27	0.22	0.18	0.72
Earnings per share (EPS), diluted <sup>2)</sup>	0.25	0.05	0.27	0.22	0.18	0.72
Net cash generated from operating activities per share <sup>2)</sup>	0.33	0.93	0.79	0.37	0.43	2.53
Equity per share <sup>2)</sup>	7.82	7.98	7.94	7.58	7.39	7.98
<b>Number of shares (1,000,000)</b>						
Average number of shares, basic <sup>2)</sup>	152.7	152.6	152.7	152.7	152.6	152.6
Average number of shares, diluted <sup>2)</sup>	153.4	153.2	153.1	153.0	152.9	153.1
Number of shares at end of period, basic <sup>2)</sup>	152.9	152.6	152.6	152.7	152.7	152.6
Number of shares at end of period, diluted <sup>2)</sup>	153.4	153.4	153.1	153.1	152.9	153.4

<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), %

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

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Total assets - non-interest-bearing liabilities <sup>2)</sup>

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

Operative EBIT x 100 <sup>3)</sup>

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Capital employed <sup>4)</sup>

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

Operating profit (EBIT) x 100 <sup>3)</sup>

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Capital employed <sup>4)</sup>

### 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

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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

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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

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Number of shares at end of period

<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.

## RECONCILIATION OF IFRS FIGURES

EUR million	2020 1-3	2019 10-12	2019 7-9	2019 4-6	2019 1-3	2019 1-12
<b>ITEMS AFFECTING COMPARABILITY IN EBITDA AND IN EBIT</b>						
<b>Operative EBITDA</b>	<b>108.5</b>	90.1	118.1	106.1	95.6	410.0
Restructuring and streamlining programs	0.0	-10.7	-0.5	-1.9	-0.4	-13.5
Transaction and integration expenses in acquisition	0.0	2.7	0.0	0.0	-0.5	2.2
Divestment of businesses and other disposals	0.0	-0.8	0.8	0.0	0.9	0.9
Other items	-0.1	-11.6	-0.3	-2.1	-3.2	-17.2
<b>Total items affecting comparability</b>	<b>-0.1</b>	-20.5	0.0	-4.0	-3.1	-27.7
<b>EBITDA</b>	<b>108.4</b>	69.6	118.1	102.1	92.5	382.3
<b>Operative EBIT</b>	<b>60.8</b>	42.4	71.1	60.3	50.1	224.0
Total items affecting comparability in EBITDA	-0.1	-20.5	0.0	-4.0	-3.1	-27.7
Items affecting comparability in depreciation, amortization and impairments	0.0	0.0	-1.9	0.0	0.0	-1.9
<b>Operating profit (EBIT)</b>	<b>60.7</b>	21.9	69.2	56.3	47.0	194.4
<b>ROCE AND OPERATIVE ROCE</b>						
Operative EBIT	60.8	42.4	71.1	60.3	50.1	224.0
Operating profit (EBIT)	60.7	21.9	69.2	56.3	47.0	194.4
Capital employed <sup>1)</sup>	1,995.7	1,998.2	1,961.8	1,901.0	1,843.6	1,998.2
Operative ROCE, %	11.8	11.2	11.5	10.8	10.3	11.2
ROCE, %	10.4	9.7	10.9	9.5	8.8	9.7
<b>NET WORKING CAPITAL</b>						
Inventories	265.2	260.6	304.6	304.0	300.8	260.6
Trade receivables and other receivables	386.6	378.8	415.1	413.1	417.4	378.8
Excluding financing items in other receivables	-9.1	-11.9	-17.0	-16.3	-16.9	-11.9
Trade payables and other liabilities	456.2	455.7	442.2	421.7	522.2	455.7
Excluding financing items in other liabilities	-49.2	-38.8	-38.9	-34.3	-115.5	-38.8
<b>Net working capital</b>	<b>235.6</b>	210.7	299.3	313.4	294.5	210.7
<b>INTEREST-BEARING NET LIABILITIES</b>						
Non-current interest-bearing liabilities	738.1	737.9	792.1	790.4	790.8	737.9
Current interest-bearing liabilities	247.8	216.6	181.5	222.3	266.9	216.6
<b>Interest-bearing liabilities</b>	<b>985.9</b>	954.5	973.6	1,012.7	1,057.8	954.5
Cash and cash equivalents	169.8	143.1	107.2	91.6	216.2	143.1
<b>Interest-bearing net liabilities</b>	<b>816.0</b>	811.4	866.4	921.1	841.6	811.4

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

## QUARTERLY SEGMENT INFORMATION

EUR million	2020 1-3	2019 10-12	2019 7-9	2019 4-6	2019 1-3	2019 1-12
<b>Revenue</b>						
Pulp & Paper	378.5	385.9	382.9	373.4	380.8	1,522.9
Industry & Water	263.6	271.8	306.9	290.2	267.0	1,135.9
<b>Total</b>	<b>642.0</b>	<b>657.7</b>	<b>689.8</b>	<b>663.6</b>	<b>647.8</b>	<b>2,658.8</b>
<b>Operative EBITDA</b>						
Pulp & Paper	60.2	52.6	61.3	53.7	50.7	218.3
Industry & Water	48.2	37.5	56.8	52.4	45.0	191.7
<b>Total</b>	<b>108.5</b>	<b>90.1</b>	<b>118.1</b>	<b>106.1</b>	<b>95.6</b>	<b>410.0</b>
<b>Items affecting comparability in EBITDA</b>						
Pulp & Paper	0.0	-20.8	-0.5	-2.7	-1.8	-25.8
Industry & Water	-0.1	0.3	0.5	-1.3	-1.3	-1.8
<b>Total</b>	<b>-0.1</b>	<b>-20.5</b>	<b>0.0</b>	<b>-4.0</b>	<b>-3.1</b>	<b>-27.7</b>
<b>EBITDA</b>						
Pulp & Paper	60.2	31.8	60.8	51.0	48.8	192.4
Industry & Water	48.2	37.8	57.3	51.1	43.7	189.9
<b>Total</b>	<b>108.4</b>	<b>69.6</b>	<b>118.1</b>	<b>102.1</b>	<b>92.5</b>	<b>382.3</b>
<b>Operative EBIT</b>						
Pulp & Paper	30.1	22.5	32.1	24.0	20.6	99.2
Industry & Water	30.7	19.9	39.0	36.3	29.5	124.7
<b>Total</b>	<b>60.8</b>	<b>42.4</b>	<b>71.1</b>	<b>60.3</b>	<b>50.1</b>	<b>224.0</b>
<b>Items affecting comparability in EBIT</b>						
Pulp & Paper	0.0	-20.8	-0.5	-2.7	-1.8	-25.8
Industry & Water	-0.1	0.3	-1.4	-1.3	-1.3	-3.8
<b>Total</b>	<b>-0.1</b>	<b>-20.5</b>	<b>-2.0</b>	<b>-4.0</b>	<b>-3.1</b>	<b>-29.6</b>
<b>Operating profit (EBIT)</b>						
Pulp & Paper	30.1	1.7	31.6	21.3	18.8	73.4
Industry & Water	30.7	20.2	37.6	35.0	28.2	121.0
<b>Total</b>	<b>60.7</b>	<b>21.9</b>	<b>69.2</b>	<b>56.3</b>	<b>47.0</b>	<b>194.4</b>



## CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	1-3/2020	1-3/2019	1-12/2019
<b>Net book value at beginning of period</b>	<b>1,005.1</b>	938.3	938.3
Purchases of subsidiaries and asset acquisitions	—	—	-2.6
Increases	<b>34.2</b>	27.0	193.1
Decreases	<b>0.0</b>	-1.0	-1.7
Depreciation and impairments	<b>-32.1</b>	-31.3	-128.1
Exchange rate differences and other changes	<b>-15.4</b>	10.3	6.1
<b>Net book value at end of period</b>	<b>991.8</b>	943.3	1,005.1

## CHANGES IN GOODWILL AND OTHER INTANGIBLE ASSETS

EUR million	1-3/2020	1-3/2019	1-12/2019
<b>Net book value at beginning of period</b>	<b>611.3</b>	630.7	630.7
Purchases of subsidiaries and asset acquisitions	—	-0.9	0.4
Increases	<b>1.9</b>	1.3	8.6
Decreases	—	—	—
Amortization and impairments	<b>-7.6</b>	-7.5	-30.0
Exchange rate differences and other changes	<b>4.1</b>	5.2	1.6
<b>Net book value at end of period</b>	<b>609.7</b>	628.6	611.3

## CHANGES IN RIGHT-OF-USE ASSETS

EUR million	1-3/2020	1-3/2019	1-12/2019
<b>Net book value at beginning of period</b>	<b>136.2</b>	129.1	129.1
Increases	<b>6.2</b>	7.4	36.2
Depreciation and impairments	<b>-8.0</b>	-6.6	-29.8
Exchange rate differences and other changes	<b>-1.0</b>	1.8	0.7
<b>Net book value at end of period</b>	<b>133.4</b>	131.9	136.2

## DERIVATIVE INSTRUMENTS

EUR million	3/31/2020		12/31/2019	
	Nominal value	Fair value	Nominal value	Fair value
<b>Currency derivatives</b>				
Forward contracts	400.0	2.2	421.1	-0.9
of which cash flow hedge	92.4	-1.7	93.4	0.6
<b>Interest rate derivatives</b>				
Interest rate swaps	130.0	-0.5	130.0	-0.6
<b>Other derivatives</b>				
	GWh	Fair value	GWh	Fair value
Electricity forward contracts, bought	2,030.6	-13.7	2,120.3	7.2
of which cash flow hedge	2,030.6	-13.7	2,120.3	7.2

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	3/31/2020				12/31/2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Fair value hierarchy</b>								
Other shares	—	—	212.6	212.6	—	—	245.2	245.2
Other investments	—	2.0	—	2.0	—	2.0	—	2.0
Currency derivatives	—	6.3	—	6.3	—	1.7	—	1.7
Currency derivatives, hedge accounting	—	1.1	—	1.1	—	1.0	—	1.0
Other derivatives, hedge accounting	—	—	—	—	—	7.2	—	7.2
Other receivables	—	0.1	—	0.1	—	0.2	—	0.2
Trade receivables	—	316.6	—	316.6	—	308.4	—	308.4
Cash and cash equivalents	—	169.8	—	169.8	—	143.1	—	143.1
<b>Total</b>	—	<b>496.0</b>	<b>212.6</b>	<b>708.5</b>	—	<b>463.6</b>	<b>245.2</b>	<b>708.8</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.

EUR million	3/31/2020	12/31/2019
<b>Level 3 specification</b>		
<b>Instrument</b>		
Carrying value at beginning of period	245.2	228.4
Effect on other comprehensive income	-32.6	16.6
Increases	—	0.3
Decreases	—	—
<b>Carrying value at end of period</b>	<b>212.6</b>	<b>245.2</b>

## FAIR VALUE OF FINANCIAL LIABILITIES

EUR million	3/31/2020				12/31/2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Fair value hierarchy</b>								
Non-current interest-bearing liabilities	—	663.9	—	663.9	—	660.8	—	660.8
Current portion of non-current interest-bearing liabilities	—	57.1	—	57.1	—	57.0	—	57.0
Non-current other liabilities	—	8.3	—	8.3	—	8.3	—	8.3
Current portion of non-current other liabilities	—	5.4	—	5.4	—	—	—	—
Non-current lease liabilities	—	104.5	—	104.5	—	105.7	—	105.7
Current portion of lease liabilities	—	28.1	—	28.1	—	28.4	—	28.4
Short-term interest-bearing loans	—	171.1	—	171.1	—	138.0	—	138.0
Other liabilities	—	25.0	—	25.0	—	25.4	—	25.4
Currency derivatives	—	2.4	—	2.4	—	3.2	—	3.2
Currency derivatives, hedge accounting	—	2.8	—	2.8	—	0.4	—	0.4
Interest rate derivatives	—	0.5	—	0.5	—	0.6	—	0.6
Other derivatives, hedge accounting	—	13.7	—	13.7	—	—	—	—
Trade payables	—	191.7	—	191.7	—	188.2	—	188.2
<b>Total</b>	—	1,274.5	—	1,274.5	—	1,215.9	—	1,215.9

## CONTINGENT LIABILITIES

EUR million	3/31/2020	3/31/2019	12/31/2019
<b>Assets pledged</b>			
On behalf of own commitments	5.7	5.4	6.0
<b>Guarantees</b>			
On behalf of own commitments	49.0	49.6	48.8
On behalf of others	1.7	2.8	1.7
<b>Other obligations</b>			
On behalf of own commitments	0.8	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 March 31, 2020 were about EUR 46 million for plant investments.

## LITIGATION

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

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

On June 9, 2011 Kemira Oyj's subsidiary Kemira Chemicals Oy (former Finnish Chemicals Oy) has received documents where it was stated that CDC Project 13 SA has filed an action against four companies in municipal court of Amsterdam, including Kemira, asking damages for violations of competition law applicable to the old sodium chlorate business. The European Commission set on June 2008 a fine of EUR 10.15 million on Finnish Chemicals Oy for antitrust activity in the company's sodium chlorate business during 1994-2000. Kemira Oyj acquired Finnish Chemicals in 2005. The municipal court of Amsterdam decided on June 4, 2014 to have jurisdiction over the case. The said decision on jurisdiction was appealed by Kemira to the court of appeal of Amsterdam. According to the decision by the court of appeal on July 21, 2015, the municipal court of Amsterdam has jurisdiction over the case. The proceedings now continue at the municipal court of Amsterdam where Kemira is the only defendant after the other defendants have settled the claim with CDC Project 13 SA. CDC Project 13 SA claims from Kemira in its brief filed to the municipal court of Amsterdam EUR 61.1 million as damages and interests calculated until December 2, 2015 from which amount CDC Project 13 SA asks the court to deduct the share of the earlier other defendants for other sales than made by them directly, and statutory interest on so defined amount starting from December 2, 2015. Kemira defends against the claim of CDC Project 13 SA. On May 10, 2017, the municipal court of Amsterdam had rendered an interim decision on certain legal aspects relating to the claims of CDC Project 13 SA, having been partly favorable to Kemira on matters as to applicable statute of limitations. On February 4, 2020 the Amsterdam Court of Appeal had overturned the aforementioned interim decision and has also directed the matter to be continued in the main proceeding at the first instance court. Kemira continues to vigorously defend the matter.

As mentioned above the settlement between Kemira and CDC relating to the Helsinki litigation also includes significant limitations of liabilities for Kemira regarding the remaining pending legal action filed by CDC Project 13 SA in Amsterdam, the Netherlands. Regardless of such limitations of liabilities, Kemira is not in a position to make estimates regarding the duration of the said process. Equally no assurance can be given as to the exact outcome of the process, and unfavorable judgments against Kemira could have an adverse effect on Kemira's business, financial condition or results of operations. Nevertheless, Kemira has estimated that the continuing process will likely cause a financial impact and hence has made a provision of EUR 11.5 million in 2019.

Due to its extensive international operations the Group, in addition to the above referred claims, is involved in a number of other legal proceedings incidental to these operations and it does not expect the outcome of

these other currently pending legal proceedings to have materially adverse effect upon its consolidated results or financial position.

#### **RELATED PARTY**

Transactions with related parties have not changed materially.

#### **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

Unaudited interim financial statements has been prepared in accordance with the IAS 34 *Interim Financial Reporting* standard and using the same accounting policies as in the annual financial statements 2019. The interim financial statements should be read in conjunction with the annual financial statements 2019.

All individual figures presented in this interim financial statements bulletin has been rounded to the nearest exact figure. Therefore, the sum of the individual figures may deviate from the sum figure presented in the interim financial statements. The key figures are calculated using exact values.

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

#### **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.